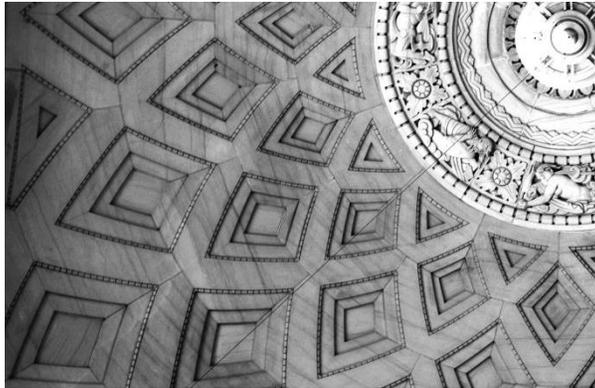




ARCHITECTS OF INVESTMENT SOLUTIONS



State of North Carolina

NOVEMBER 10, 2016

STATE OF NORTH CAROLINA

TABLE OF CONTENTS

SECTION I:	Galliard Capital Management Firm Update
SECTION II:	Stable Value Market Update
SECTION III:	Relationship Milestones & Expense Disclosure
SECTION IV:	State of North Carolina Stable Value Fund Portfolio Review
APPENDIX:	Economic Update Additional Information Professional Biography

SECTION I

GALLIARD CAPITAL MANAGEMENT

BUSINESS PROFILE AS OF 9/30/16

\$90.3 B
TOTAL AUM

\$79.9 B
STABLE VALUE AUM

- **19** Fortune 100 clients; **52** Fortune 500 clients
- **117** stable value separate accounts

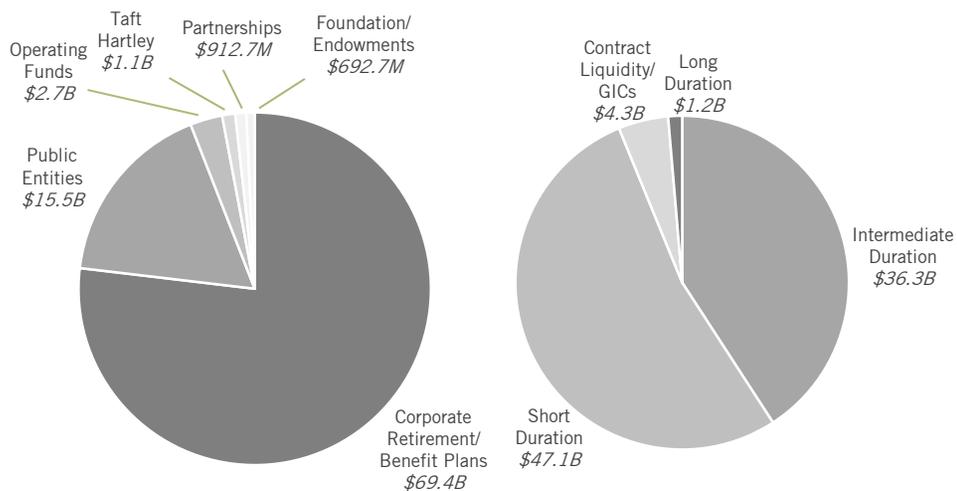
FIRM INITIATIVES & MARKET PERSPECTIVE

- Galliard recently ranked in a P&I survey in the **top 10** for largest managers of assets held by **100 largest corporate DC** plans¹
- Galliard **ranked #2** by total AUM in the P&I rankings of Stable Value Managers²
- Stable value interest from **new plan sponsor types** such as **529** and **403(b)**
- Brand expansion of **long duration** fixed income product

ASSETS UNDER MANAGEMENT

BY PLAN TYPE

BY DURATION*



*As of 6/30/16 assets included in Galliard's External Manager Program: Broad Market Core & Core Plus - \$933M, Intermediate Duration - \$14.5B, Short Duration - \$6.2B

¹ Pensions & Investments The Corporate DC 100: The Largest Managers, March 7, 2016.

² Pensions & Investments Largest Money Managers Report, May 30, 2016. As of Dec. 31, 2015.

SECTION II

STABLE VALUE MARKET UPDATE

STABLE VALUE MARKET VIEW

	MARKET VIEW	GALLIARD POSITIONING
CONTRACT ISSUERS	<ul style="list-style-type: none">• 18 providers in the market currently issuing contracts (4 banks, 14 insurance companies)• Supply of contract capacity remains greater than market demand• Issuers showing some flexibility with respect to the strategies they are willing to wrap• Issuers more willing to accommodate changes to investment guidelines at the margins• More favorable/balanced approach to contract provisions• Contract fees have peaked and are showing signs of consolidation	<ul style="list-style-type: none">• Maintaining strong relationships with all major market participants• Utilizing market leverage to negotiate more favorable terms• Continue to be a preferred manager• Have obtained broader investment latitude across issuers• Negotiating to standardize more advantageous contract provisions• Have obtained fee concessions from higher cost issuers
PORTFOLIO	<ul style="list-style-type: none">• Participant cash flows have been slightly positive due to attractive crediting rates in stable value relative to market• Fed began “liftoff” in 2015; expectations of Fed hike likely in December• Reinvestment rates remain low, but spread volatility continues to create investment opportunities	<ul style="list-style-type: none">• Reinvesting cash to maintain portfolio targets• Managing portfolio durations between 2.5 to 3 years to balance earnings potential and rate responsiveness• Opportunistically seeking yield in high quality spread assets
REGULATORY/DC MARKET ENVIRONMENT	<ul style="list-style-type: none">• Dodd-Frank stable value study yet to be completed• SEC changes to money market mutual fund regulations being implemented in October 2016• DC plan design evolving to improve participant outcomes	<ul style="list-style-type: none">• Existing contracts exempt; no detrimental impact expected• Seeing renewed interest in stable value as an alternative to money market funds• Leading industry efforts to ensure stable value meets plan sponsor needs

STABLE VALUE MARKET UPDATE CONTRACT ISSUER SUMMARY

AS OF SEPTEMBER 30, 2016

NAME	MOODY'S CREDIT RATING	S&P CREDIT RATING	ASSET MANAGEMENT*	CONTRACT TYPE**
AMERICAN GENERAL LIFE	A2	A+	Galliard, Dodge & Cox, TCW, Payden & Rygel	SBIC
MASSMUTUAL LIFE INS. CO.	Aa2	AA+	Galliard, Barings	SAGIC
METROPOLITAN LIFE INS. CO.	Aa3	AA-	Galliard, Dodge & Cox, Loomis Sayles, Earnest Partners	SAGIC
NATIONWIDE LIFE INS. CO.	A1	A+	Galliard, Dodge & Cox	SBIC
NEW YORK LIFE INS. CO.	Aaa	AA+	NYL Investors	SBIC & SAGIC
PACIFIC LIFE INS. CO.	A1	AA-	Galliard, Loomis Sayles, TCW, Jennison	SBIC
PRUDENTIAL LIFE INS. CO.	A1	AA-	Galliard, Jennison, Prudential, TCW	SBIC
RGAREINSURANCE CO.	A1	AA-	Galliard, Dodge & Cox	SBIC
ROYAL BANK OF CANADA	Aa3	AA-	Galliard	SBIC
STATE STREET BANK AND TRUST CO.	Aa3	AA-	Galliard, Loomis Sayles	SBIC
TIAA-CREF LIFE	Aa1	AA+	TIAA-CREF	SAGIC
TRANSAMERICA PREMIER LIFE INS. CO.	A1	AA-	Galliard, Dodge & Cox, TCW, Loomis Sayles	SBIC
VOYA RETIREMENT AND ANNUITY COMPANY	A2	A	Galliard, Dodge & Cox, Voya, TCW, IR+M, Loomis Sayles	SBIC

*Managers typically utilized within Galliard Stable Value Solutions, (Galliard also utilizes other Asset Managers for select customized solutions).

**Security Backed Investment Contract (SBIC) or Separate Account GIC (SAGIC)

SECTION III

STATE OF NORTH CAROLINA STABLE VALUE FUNDS RELATIONSHIP MILESTONES

2013

- Secured wrap coverage for Payden & Rygel with American General Life
- Reduced exposure to PIMCO/Met Life to 13% target
- Allocated 15% to Jennison under Prudential wrap

2014

- Finalized Nationwide wrap contract to replace United of Omaha
- Reduced Great West Life allocation to target (20%)

2015

- Added Dodge & Cox as sub-advisor to both the 401(k) and 457 Plan's stable value funds, replacing PIMCO
- Facilitated closure of Great West Life open receivable
- Negotiated lower contract fees with American General Life

2016

- Merged the 457 plan's Stable Value Fund into the plan's 401(k) Stable Value Fund
- Amended the Galliard IMA to reflect relationship with the group trust. Amendment included Galliard investment management fee reduction
- Transitioned prudential enhanced index strategy collective trust to an active management strategy separate account. No change to benchmark (intermediate aggregate).

STATE OF NORTH CAROLINA EXPENSE DISCLOSURE

TOTAL ANNUAL OPERATING EXPENSES

Total Annual Operating Expenses are deducted directly from the Fund's net asset value and reduce the investment option's rate of return.

Expense	Expense Ratio (as of 9/30/16)	Per \$1000	Est. Annual Revenue
Investment Management Fees paid to Galliard	0.068%	\$0.68	\$1,653,807
Investment Management Fees paid to Non-Affiliated Investment Advisors	0.062%	\$0.62	\$1,516,224
Investment Contract Fees ¹	0.167%	\$1.67	\$4,062,176
Acquired Fund Fees ²	0.038%	\$0.38	\$924,799
- Investment Contract Fees	0.014%	\$0.14	\$352,195
- Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non- Affiliated Investment Advisors ³	0.023%	\$0.23	\$572,604
12b-1 Distribution Fee	None	None	None
Other Expenses	0.027%	\$0.27	\$651,995
Total Annual Fund Operating Expense⁴	0.361%	\$3.61	\$8,809,001

¹These are fees paid to create and maintain the investments used by a stable value fund

²These are fees borne indirectly by the Fund when it acquires an interest in another fund which pays its own separate fees

³Includes audit fees for the cost of producing a report by a qualified auditor

⁴Total Annual Fund Operating Expenses are reflected daily in the Fund's net asset value (NAV)

SECTION IV

STABLE VALUE PORTFOLIO REVIEW – STATE OF NORTH CAROLINA STABLE VALUE FUND

September 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2016

Book Value Performance	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Since Inception**</u>
Portfolio (net of all fees - NAV Level)***	0.17	0.51	1.44	1.92	1.86	2.15	---	2.33
Merrill Lynch 3 Month T-Bill + 100 bps	0.13	0.35	1.00	1.28	1.12	1.11	---	1.11
Merrill Lynch 3 Month T-Bill + 150 bps	0.17	0.47	1.37	1.79	1.63	1.61	2.44	1.62
3 Year Constant Maturity Treasury Yield	0.07	0.21	0.70	0.98	0.93	0.73	1.44	0.75
Market Value Benchmark								
Blended Benchmark****	0.14	0.20	2.98	2.56	2.19	1.86	3.48	2.07

CALENDAR YEAR PERFORMANCE

Book Value Performance	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Portfolio (net of all fees - NAV Level)***	1.87	1.80	2.15	2.75	3.27	---
Merrill Lynch 3 Month T-Bill + 100 bps	1.06	1.04	1.08	1.12	1.11	---
Merrill Lynch 3 Month T-Bill + 150 bps	1.56	1.55	1.58	1.62	1.61	1.64
3 Year Constant Maturity Treasury Yield	1.03	0.90	0.54	0.38	0.75	1.10
Market Value Benchmark						
Blended Benchmark****	0.93	2.69	-0.41	2.52	4.05	4.53

Market Indices

Merrill Lynch 3 Month T-Bill	0.03	0.03	0.07	0.11	0.10	0.13
Consumer Price Index	0.76	0.76	1.62	2.26	2.96	1.50

*Returns for periods of less than one year are not annualized.

**Galliard's management of this portfolio began December 1, 2010. Periods that exceed Galliard's tenure with the portfolio include Galliard performance linked with historical portfolio returns.

***Returns are net of all fees, including plan administrative reimbursement.

****10% BofAML 3 Month U.S. T-Bills, 30% Barclays 1-3 Yr U.S. Govt/Credit, 60% Barclays Intermediate U.S. Aggregate. This blended market value benchmark approximates the asset allocation target for the State of North Carolina Stable Value Fund. It is important to note that fundamental differences arise when comparing book value performance to a market index, especially when comparing performance for periods shorter than 10 years. Market value indices immediately reflect the gains/(losses) resulting from changing market interest rates while book value performance amortizes these gains/(losses).

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

September 2016

PORTFOLIO CHARACTERISTICS

Total Assets	\$2,439,242,982	Blended Yield (After fees)*	1.99%
Average Holdings Quality**	AA	Effective Duration	2.84 years
Number of Contract Issuers	5	Market/Book Value Ratio	102.31%

*Blended yield is after investment management fees and wrap fees.

**The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the contracts and cash held by the portfolio as rated by S&P and Moody's.

SECTOR DISTRIBUTION

<u>PORTFOLIO DISTRIBUTION</u>	<u>CONTRACT VALUE (\$)</u>	<u>% OF PORTFOLIO 09/30/2016</u>	<u>% OF PORTFOLIO 06/30/2106</u>
Cash & Equivalents*	61,276,077	2.5	3.8
Stable Value Funds	175,262,287	7.2	7.3
Separate Account GICs	809,140,017	33.2	32.9
Intermediate Portfolio	809,140,017	33.2	32.9
Security Backed Investment Contracts	1,393,564,601	57.1	56.1
Short Portfolio	716,574,294	29.4	28.9
Intermediate Portfolio	676,990,307	27.8	27.2
Total	\$2,439,242,982	100.0%**	100.0%**

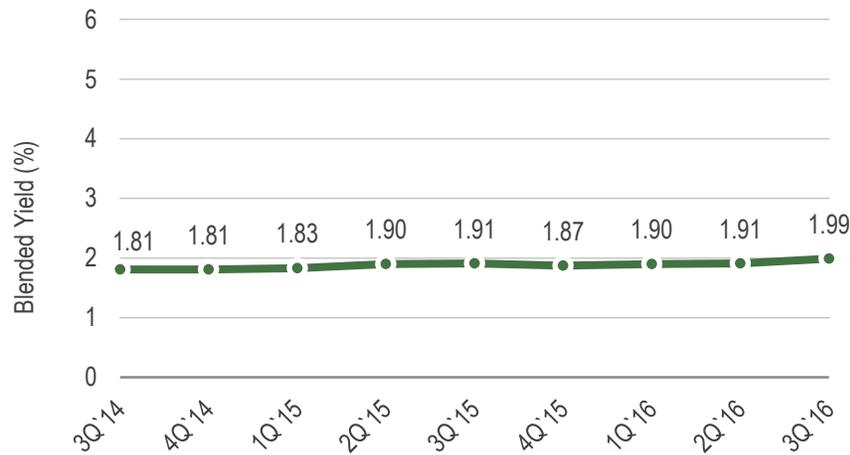
*Includes Receivables and Payables

**Total % of portfolio may not add to 100% due to rounding

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

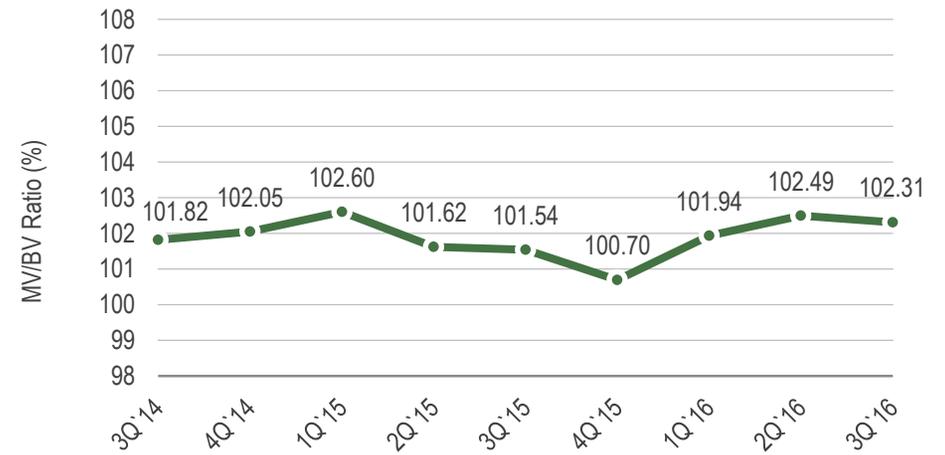
September 2016

HISTORICAL BLENDED YIELD*

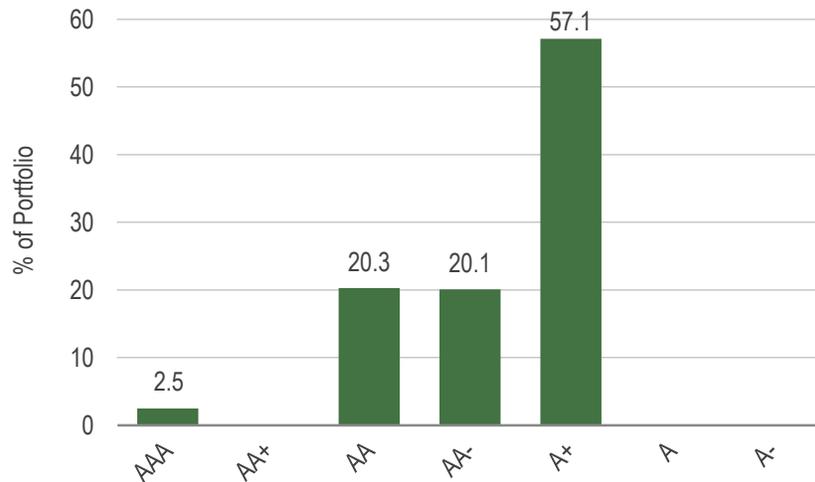


*As of quarter end. Blended yield is after investment management fees and wrap fees.

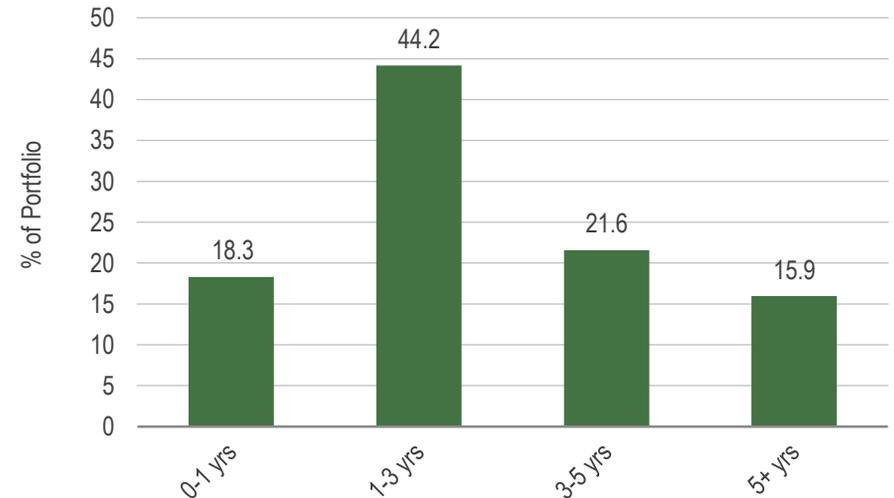
MARKET VALUE TO BOOK VALUE RATIO



CONTRACT QUALITY DISTRIBUTION*



UNDERLYING DURATION DISTRIBUTION**



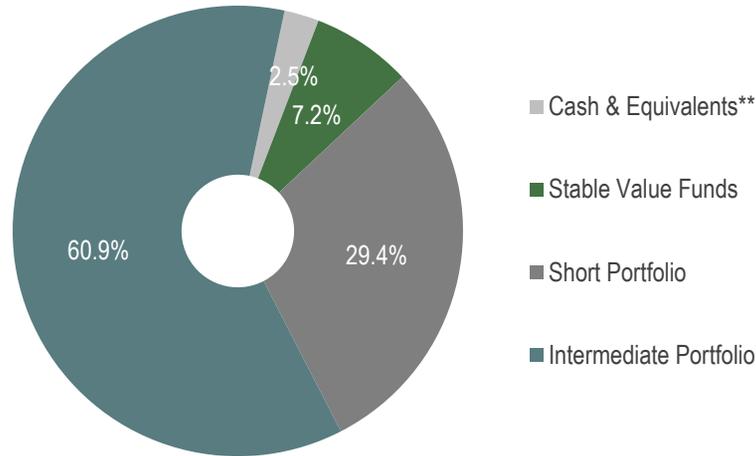
*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

**Total % of portfolio may not add to 100% due to rounding. Duration distribution of the externally managed portfolios is provided by the external manager.

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

September 2016

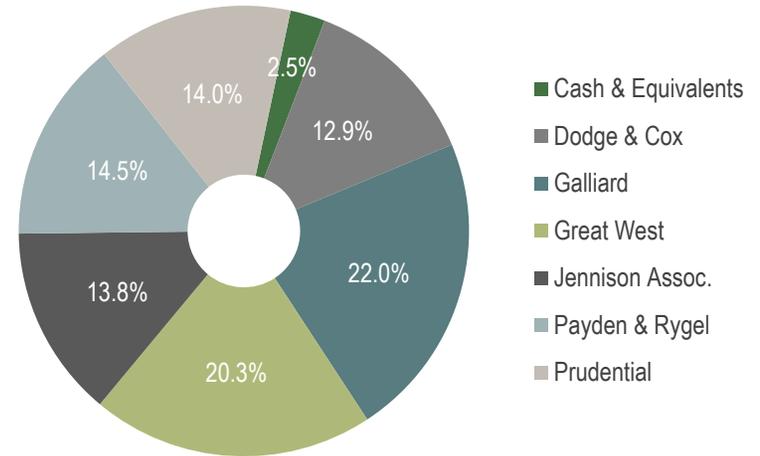
PORTFOLIO DISTRIBUTION*



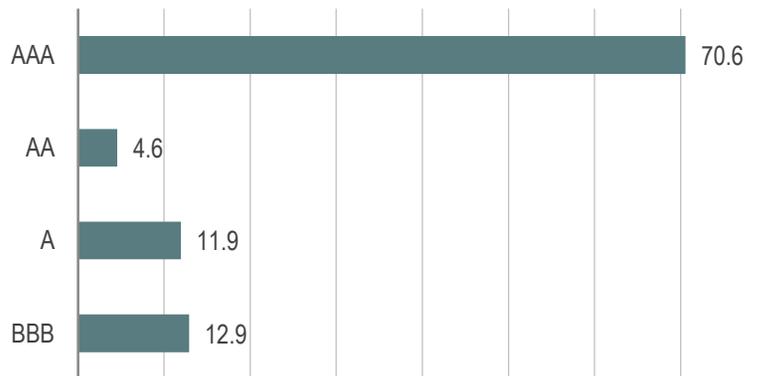
*Book value

**Includes Receivables and Payables

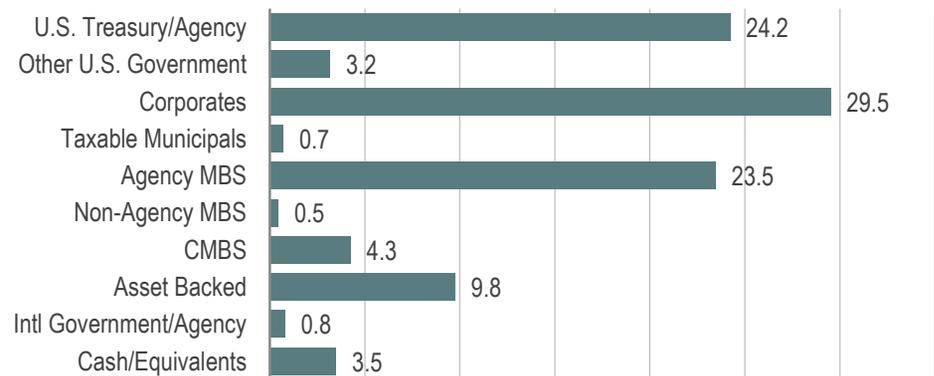
MANAGER DISTRIBUTION*



UNDERLYING FIXED INCOME CREDIT QUALITY*



UNDERLYING FIXED INCOME ASSET ALLOCATION**



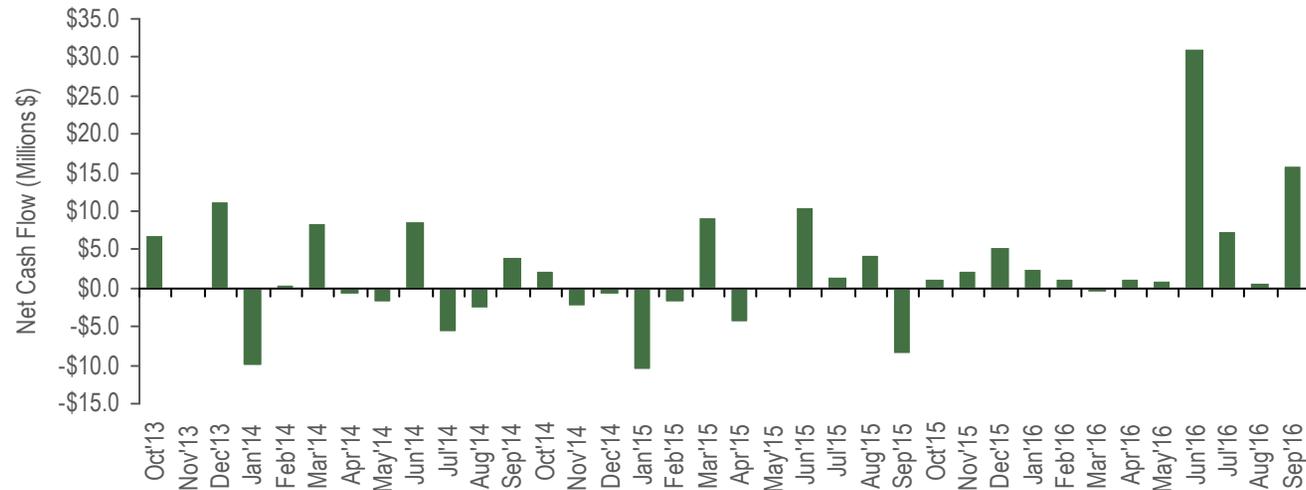
*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology

**Market value. Total % of portfolio may not add to 100% due to rounding. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology for maximum comparability across managers.

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

Third Quarter 2016

HISTORICAL CASHFLOWS



	YTD	2015	2014	2013	2012
Beginning Assets	\$1,948.6	\$1,904.2	\$1,870.9	\$1,829.1	\$1,702.4
Net Cash Flow (\$)*	\$60.3	\$8.8	-\$0.3	\$2.4	\$79.1
Net Cash Flow (%)	3.10%	0.46%	-0.02%	0.13%	4.65%
Estimated Investment Earnings	\$34.5	\$35.7	\$33.6	\$39.4	\$47.6
Ending Assets**	\$2,439.2	\$1,948.6	\$1,904.2	\$1,870.9	\$1,829.1

*Contributions, Withdrawals and Investment Transfers

**Cashflows may not net to final assets due to rounding.

***Approximately \$395.8m of net inflow and transfer activity related to the 1/4/2016 merger of North Carolina 457 plan assets have been removed for illustrative purposes.

STATE OF NORTH CAROLINA STABLE VALUE FUND

MARKET VALUE PERFORMANCE SUMMARY

Short Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Payden & Rygel	0.15%	1.52%	1.26%	1.55%	2.10%	7/1/2009
Barclays U.S. 1-3 Yr. Govt/Credit	<u>0.02%</u>	<u>1.31%</u>	<u>1.09%</u>	<u>1.05%</u>	<u>1.54%</u>	
	0.13%	0.21%	0.17%	0.50%	0.56%	
Galliard**	0.19%	2.02%	1.69%	1.60%	2.12%	1/1/2010
Barclays U.S. 1-3 Yr. Government *	-0.10%	0.89%	0.87%	0.72%	1.09%	
Barclays U.S. 1-3 Yr. Gov't/Credit	<u>0.02%</u>	<u>1.31%</u>	<u>1.09%</u>	<u>1.05%</u>	<u>1.39%</u>	
	0.29%	1.13%	0.82%	0.88%	1.03%	

Intermediate Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Dodge & Cox	0.77%	4.69%	-	-	3.21%	5/1/2015
Barclays U.S. Intermediate Aggregate	<u>0.31%</u>	<u>3.57%</u>	-	-	<u>2.81%</u>	
	0.46%	1.12%	-	-	0.40%	
Great-West Life***	0.42%	3.14%	3.06%	2.66%	2.66%	10/1/2011
Barclays U.S. Intermediate Aggregate (Ex BBB)	<u>0.18%</u>	<u>3.24%</u>	<u>2.95%</u>	<u>2.36%</u>	<u>2.36%</u>	
	0.24%	-0.10%	0.11%	0.30%	0.30%	
Jennison	0.44%	4.04%	3.28%	2.70%	3.14%	8/1/2010
Barclays U.S. Intermediate Govt/Credit	<u>0.16%</u>	<u>3.52%</u>	<u>2.80%</u>	<u>2.45%</u>	<u>2.81%</u>	
	0.28%	0.52%	0.48%	0.25%	0.33%	
Prudential	0.69%	-	-	-	3.70%	2/1/2016
Barclays U.S. Intermediate Aggregate	<u>0.31%</u>	-	-	-	<u>2.81%</u>	
	0.38%	-	-	-	0.89%	

* Index being shown for comparison purposes only, the fund is managed to a targeted duration.

**Returns shown are after investment management fees

***August 2015 return was revised from -0.885% to 0.238% to remove impact of writing off a receivable. Performance shown was provided by Great-West.

STATE OF NORTH CAROLINA STABLE VALUE FUND MANAGER-LEVEL CHARACTERISTICS

Segment	Manager	Period	Book Value	Market Value	MV/BV Ratio	Market Value Yield	Duration (Years)	Book Value Crediting Rate*	
Short Duration	Payden & Rygel	6/30/2016	\$ 343,638,857	\$ 346,010,707	100.7%	1.05%	1.43	1.19%	
		9/30/2016	\$ 354,593,971	\$ 356,166,852	100.4%	1.19%	1.47	1.28%	
			\$ 10,955,114	\$ 10,156,145	-0.2%	0.14%	0.04	0.09%	
	Galliard	6/30/2016	\$ 350,372,769	\$ 355,813,430	101.6%	1.22%	1.92	1.74%	
		9/30/2016	\$ 361,980,323	\$ 366,316,334	101.2%	1.42%	1.91	1.76%	
			\$ 11,607,554	\$ 10,502,904	-0.4%	0.20%	(0.01)	0.02%	
	Intermediate Duration	Prudential	6/30/2016	\$ 328,937,985	\$ 345,168,730	104.9%	1.94%	3.45	2.66%
			9/30/2016	\$ 341,040,141	\$ 356,828,870	104.6%	1.96%	3.51	2.71%
				\$ 12,102,156	\$ 11,660,140	-0.3%	0.02%	0.06	0.05%
Dodge & Cox		6/30/2016	\$ 306,944,087	\$ 316,875,279	103.2%	1.87%	3.54	2.36%	
		9/30/2016	\$ 314,634,120	\$ 324,814,577	103.2%	1.90%	3.65	2.54%	
			\$ 7,690,033	\$ 7,939,298	0.0%	0.03%	0.11	0.18%	
Great West Life		6/30/2016	\$ 482,807,731	\$ 492,679,849	102.0%	1.69%	2.91	2.24%	
		9/30/2016	\$ 494,505,897	\$ 503,467,196	101.8%	1.77%	3.04	2.22%	
			\$ 11,698,166	\$ 10,787,347	-0.2%	0.08%	0.13	-0.02%	
Jennison		6/30/2016	\$ 324,870,109	\$ 340,900,134	104.9%	1.38%	4.26	2.66%	
		9/30/2016	\$ 335,950,166	\$ 351,503,251	104.6%	1.49%	4.24	2.71%	
			\$ 11,080,057	\$ 10,603,117	-0.3%	0.11%	(0.02)	0.05%	
Total Fund			6/30/2016	\$ 2,403,060,515	\$ 2,462,937,107	102.5%	1.50%	2.75	2.04%
			9/30/2016	\$ 2,439,242,982	\$ 2,495,635,443	102.3%	1.61%	2.84	2.12%
				\$ 36,182,467	\$ 32,698,336	-0.2%	0.11%	0.09	0.08%

*Gross of Galliard, Payden & Rygel, and Prudential investment management fees.

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

Third Quarter 2016

ISSUER RATING SUMMARY

	<u>S&P RATING</u>		<u>MOODY'S RATING</u>	
	<u>9/30/2016</u>	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>6/30/2016</u>
American General Life Ins. Co.	A+	A+	A2	A2
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Nationwide Life Ins. Co.	A+	A+	A1	A1
Prudential Ins. Co. of America	AA-	AA-	A1	A1

AMERICAN GENERAL LIFE INS. CO.

- Solid capital levels
- Leading positions in most Life and Annuity products
- Agreement in August 2016 to sell United Guaranty Corp. to Arch Capital Group Ltd. has helped address concerns from activist investors pushing for a separation of the Life and Property & Casualty operations. We do not think a separation is likely but it would be a significant credit concern if it happened.

GREATWEST LIFE INSURANCE CO.

- Aggressive dividend taking by the parent, combined with General Account growth, results in low capital levels and ratios
- Reliant on support from parent company, Great West Life Assurance, Co., the leading insurer in Canada

The information contained herein reflects the views of Galliard Capital Management, Inc. & sources believed to be reliable by Galliard as of the date of publication. The views expressed here may change at any time subsequent to the date of publication. This publication is for informational purposes only. For institutional investors only.

METROPOLITAN LIFE INS. CO.

- Largest U.S. life insurer by invested assets
- MetLife, Inc. is in the process of spinning off its retail life insurance businesses. Metropolitan Life Insurance Company will remain with MetLife, Inc., which will retain about 75% of the group's assets and about 80% of its operating income.
- A federal judge recently ruled Metropolitan Life not to be a Systematically Important Financial Institution (SIFI). The Financial Stability Oversight Council's (FSOC) is appealing that decision. Oral arguments are scheduled for Oct. 24 before a panel of the US Court of Appeals-DC Circuit.
- Capital ratios remain below average but have improved slightly despite dividends to the holding company

NATIONWIDE LIFE INS. CO.

- Part of a leading mutual group that includes a leading Property & Casualty company
- Strong history of earnings

PRUDENTIAL INS. CO. OF AMERICA

- A leading diversified U.S. life insurer
- Capital ratios are now above average following a large captive reinsurance transaction in 2015 that lowered the quality of the ratios

STATE OF NORTH CAROLINA STABLE VALUE FUND PORTFOLIO TRANSACTIONS

07/01/2016 - 09/30/2016

Asset ID	Issuer	Par Amount	Maturity*	Trade Date	Settle Date	S&P Rating	Moody's Rating
PURCHASES							
Security Backed Investment Contracts							
896994GW4	Nationwide Life Ins. Co.	6,480,000	N.S.M.	07/01/2016	07/01/2016	A+	A1
946996EE1	American General Life Ins. Co.	6,350,000	N.S.M.	07/01/2016	07/01/2016	A+	A2
744999CV3	Prudential Ins. Co. of America	12,080,000	N.S.M.	07/01/2016	07/01/2016	AA-	A1
744999CV3	Prudential Ins. Co. of America	6,210,000	N.S.M.	09/01/2016	09/01/2016	AA-	A1
946996EE1	American General Life Ins. Co.	3,260,000	N.S.M.	09/01/2016	09/01/2016	A+	A2
896994GW4	Nationwide Life Ins. Co.	3,330,000	N.S.M.	09/01/2016	09/01/2016	A+	A1
Total Security Backed Investment Contracts		37,710,000					
Separate Account GICs							
391997NH2	GreatWest Life Insurance Co.	8,920,000	N.S.M.	07/01/2016	07/01/2016	AA	Aa3
590994VM8	Metropolitan Life Ins. Co.	5,670,000	N.S.M.	07/01/2016	07/01/2016	AA-	Aa3
Total Separate Account GICs		14,590,000					
TOTAL PURCHASES		52,300,000					

*N.S.M. = No Stated Maturity

STATE OF NORTH CAROLINA STABLE VALUE FUND PORTFOLIO HOLDINGS

September 30, 2016

Asset ID	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Crediting Rate/ Yield (%)	Maturity*	Effective Duration (yrs)	S&P Rating	Moody's Rating	Wrap Fee (bps)
CASH & EQUIVALENTS												
FUNDAVAIL	Cash Receivable / (Payable)		-1,267,111	-1,267,111	100.0	-0.1	0.29		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		62,543,188	62,543,188	100.0	2.6	0.29		0.10	AAA	Aaa	
TOTAL CASH & EQUIVALENTS			61,276,077	61,276,077	100.0	2.5	0.29		0.10	AAA	Aaa	
STABLE VALUE FUNDS												
949907109	Wells Fargo Stable Return Fund G		175,262,287	175,262,287	100.0	7.2	1.91		2.47	AA-	Aa3	
TOTAL STABLE VALUE FUNDS			175,262,287	175,262,287	100.0	7.2	1.91		2.47	AA-	Aa3	
SEPARATE ACCOUNT GICS												
Intermediate Portfolio												
391997NH2	GreatWest Life Insurance Co.	Great West	494,505,897	503,467,196	101.8	20.3	2.22	N.S.M.	3.04	AA	Aa3	15.0
590994VM8	Metropolitan Life Ins. Co.	Dodge & Cox	314,634,120	324,814,577	103.2	12.9	2.54	N.S.M.	3.65	AA-	Aa3	20.0
Total Intermediate Portfolio			809,140,017	828,281,773	102.4	33.2	2.34		3.28	AA	Aa3	
TOTAL SEPARATE ACCOUNT GICS			809,140,017	828,281,773	102.4	33.2	2.34		3.28	AA	Aa3	
SECURITY BACKED INVESTMENT CONTRACTS												
Short Portfolio												
946996EE1	American General Life Ins. Co.	Payden & Rygel	354,593,971	356,166,852	100.4	14.5	1.28	N.S.M.	1.47	A+	A2	22.0
896994GW4	Nationwide Life Ins. Co.	Galliard	361,980,323	366,316,334	101.2	14.8	1.76	N.S.M.	1.91	A+	A1	21.0
Total Short Portfolio			716,574,294	722,483,186	100.8	29.4	1.52		1.69	A+	A1	
Intermediate Portfolio												
744999CV3	Prudential Ins. Co. of America	Jennison Assoc.	335,950,166	351,503,251	104.6	13.8	2.71	N.S.M.	4.24	AA-	A1	17.0
744999CV3	Prudential Ins. Co. of America	Prudential	341,040,141	356,828,870	104.6	14.0	2.71	N.S.M.	3.51	AA-	A1	17.0
Total Intermediate Portfolio			676,990,307	708,332,121	104.6	27.8	2.71		3.87	AA-	A1	
TOTAL SECURITY BACKED INVESTMENT CONTRACTS			1,393,564,601	1,430,815,307	102.7	57.1	2.10		2.75	A+	A1	
TOTAL PORTFOLIO			2,439,242,982	2,495,635,443	102.3	100.0	2.12		2.84	AA-	A1	

*N.S.M. = No Stated Maturity

FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - PAYDEN & RYGEL

Third Quarter 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2016

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	0.15	1.68	1.52	1.26	1.55	2.10
Benchmark***	0.02	1.68	1.31	1.09	1.05	1.54

*Returns for periods of less than one year are not annualized. Returns shown are before fees.

**Performance Inception: July 01, 2009

***Barclays U.S. 1-3 Year Government/Credit Bond Index

Portfolio Characteristics

	<u>PORTFOLIO</u>	<u>BENCHMARK*</u>		<u>PORTFOLIO</u>
Weighted Average Quality**	AA-	AA	Total Assets	\$356.2 million
Weighted Average Maturity	1.70 years	1.89 years	Number of Issues	243
Yield to Maturity	1.19%	1.04%	Weighted Coupon	1.45%
Effective Duration	1.47 years	1.83 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. 1-3 Year Government/Credit Bond Index

**The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - PAYDEN & RYGEL

Third Quarter 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	06/30/2016	09/30/2016	09/30/2016
U.S. Government/Agency Debentures	37.3%	36.0%	65.3%
Other U.S. Government	1.5%	1.2%	0.0%
Taxable Municipal	0.5%	0.5%	0.6%
Corporates	41.1%	43.5%	26.7%
Asset Backed Securities (ABS)	12.6%	11.6%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	0.0%
Mortgage Backed Securities (MBS)	1.7%	1.5%	0.0%
Sovereign / Supranationals	4.9%	4.7%	7.4%
Cash / Equivalents	0.4%	1.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	06/30/2016	09/30/2016	09/30/2016
AAA	59.0%	56.5%	68.7%
AA	7.0%	8.0%	8.1%
A	16.7%	15.6%	12.0%
BBB	17.2%	19.9%	11.3%
< BBB	0.1%	0.1%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. 1-3 Year Government/Credit Bond Index

**Column percentage may not add exactly due to rounding

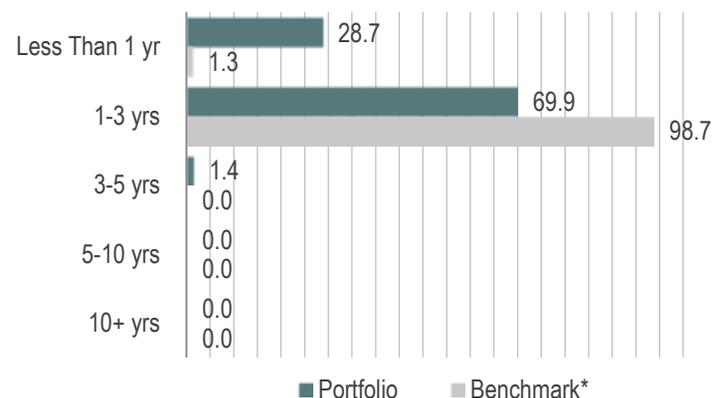
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - PAYDEN & RYGEL

Third Quarter 2016

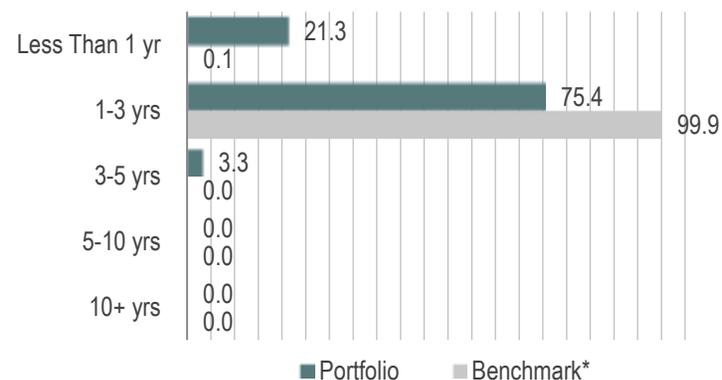
DURATION DISTRIBUTUION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	28.3%	28.7%	1.3%
1-3 yrs	71.3%	69.9%	98.7%
3-5 yrs	0.3%	1.4%	0.0%
5-10 yrs	0.0%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	19.3%	21.3%	0.1%
1-3 yrs	78.1%	75.4%	99.9%
3-5 yrs	2.6%	3.3%	0.0%
5-10 yrs	0.0%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. 1-3 Year Government/Credit Bond Index

**Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

FIXED INCOME PORTFOLIO REVIEW - GALLIARD SHORT HIGH QUALITY CORE FIXED INCOME FUND - F

September 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2016

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Galliard Fixed Income Fund F	0.20	0.19	2.31	2.02	1.69	1.60	2.12
Barclay's 1-3 Year Govt/Credit	0.11	0.02	1.68	1.31	1.09	1.05	1.39

*Returns for periods of less than one year are not annualized.

**Galliard Performance Inception: January 01, 2010

FIXED INCOME PORTFOLIO REVIEW - GALLIARD SHORT HIGH QUALITY CORE FIXED INCOME FUND - F

September 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2016

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Since Inception**</u>
Portfolio	0.20	0.19	2.31	2.02	1.69	1.59	2.79	2.88
Benchmark***	0.12	-0.10	1.32	0.89	0.87	0.72	2.33	2.39

*Returns for periods of less than one year are not annualized. Returns shown are before fees.

**Galliard Performance Inception: January 01, 2005

***Barclays U.S. 1-3 Year Government Bond Index. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

PORTFOLIO CHARACTERISTICS

	<u>PORTFOLIO</u>	<u>BENCHMARK*</u>		<u>PORTFOLIO</u>
Weighted Average Quality**	AA+	AAA	Total Assets	\$14,543.4 million
Weighted Average Maturity	2.26 years	1.88 years	Number of Issues	1374
Yield to Maturity	1.42%	0.80%	Weighted Coupon	2.07%
Effective Duration	1.91 years	1.82 years	Estimated Annual Income	\$294.8 million

*Barclays U.S. 1-3 Year Government Bond Index. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

**The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

FIXED INCOME PORTFOLIO REVIEW - GALLIARD SHORT HIGH QUALITY CORE FIXED INCOME FUND - F

September 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 08/31/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
U.S. Government/Agency Debentures	14.2%	14.5%	100.0%
Other U.S. Government	3.4%	3.2%	0.0%
Taxable Municipal	2.2%	2.0%	0.0%
Corporates	26.4%	26.9%	0.0%
Asset Backed Securities (ABS)	24.4%	24.1%	0.0%
Commercial Mortgage Backed Securities (CMBS)	5.0%	4.8%	0.0%
Mortgage Backed Securities (MBS)	20.7%	19.0%	0.0%
Sovereign / Supranationals	0.0%	0.0%	0.0%
Cash / Equivalents	3.7%	5.4%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

TOP 5 CREDIT EXPOSURE

	% OF PORTFOLIO 09/30/2016
Royal Bank of Canada	0.8%
Citigroup Inc	0.7%
JPMorgan Chase & Co	0.7%
Toronto-Dominion Bank/The	0.7%
US Bancorp	0.7%
TOTAL	3.6%**

Total entity exposure – includes all related entities

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 08/31/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
AAA	74.7%	74.4%	95.9%
AA	8.0%	7.7%	4.1%
A	14.7%	15.1%	0.0%
BBB	2.6%	2.6%	0.0%
< BBB	0.0%	0.1%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

*Barclays U.S. 1-3 Year Government Bond Index. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

**Column percentage may not add exactly due to rounding

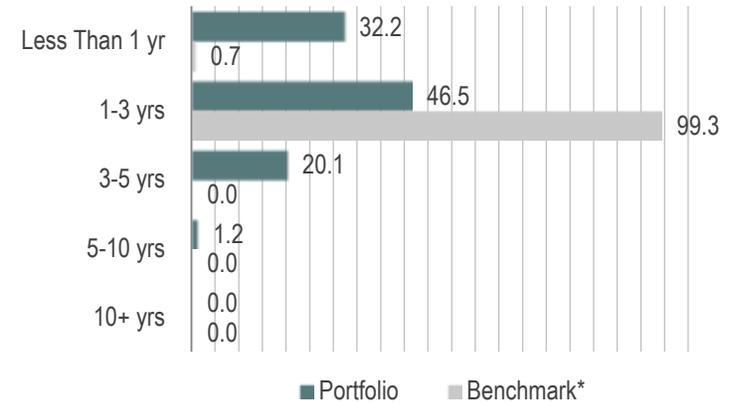
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FIXED INCOME PORTFOLIO REVIEW - GALLIARD SHORT HIGH QUALITY CORE FIXED INCOME FUND - F

September 2016

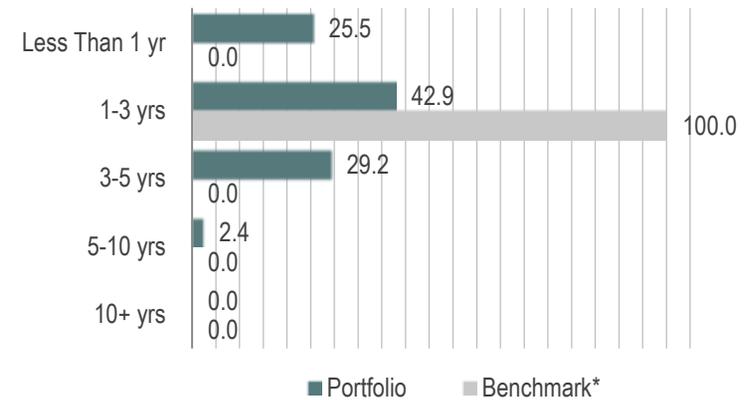
DURATION DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	08/31/2016	09/30/2016	09/30/2016
0-1 yrs	30.5%	32.2%	0.7%
1-3 yrs	48.8%	46.5%	99.3%
3-5 yrs	19.9%	20.1%	0.0%
5-10 yrs	0.8%	1.2%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	08/31/2016	09/30/2016	09/30/2016
0-1 yrs	23.7%	25.5%	0.0%
1-3 yrs	43.7%	42.9%	100.0%
3-5 yrs	30.0%	29.2%	0.0%
5-10 yrs	2.7%	2.4%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



*Barclays U.S. 1-3 Year Government Bond Index. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

**Column percentage may not add exactly due to rounding

FIXED INCOME PORTFOLIO REVIEW - STATE OF NC GROUP TRUST - PRUDENTIAL

September 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2016

	<u>1 Mo</u>	<u>3 Mos</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	0.19	0.69	--	--	--	3.70
Benchmark***	0.17	0.31	3.57	3.09	2.56	2.81

*Returns for periods of less than one year are not annualized. Returns shown are before fees.

**Performance Inception: February 01, 2016

***Barclays U.S. Intermediate Aggregate Bond Index

Portfolio Characteristics

	<u>PORTFOLIO</u>	<u>BENCHMARK*</u>		<u>PORTFOLIO</u>
Weighted Average Quality**	Aa2	AA+	Total Assets	\$356.8 million
Weighted Average Maturity	5.40 years	4.55 years	Number of Issues	840
Yield to Maturity	1.96%	1.70%	Weighted Coupon	3.67%
Effective Duration	3.51 years	3.50 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index

**The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

FIXED INCOME PORTFOLIO REVIEW - STATE OF NC GROUP TRUST - PRUDENTIAL

September 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	06/30/2016	09/30/2016	09/30/2016
U.S. Government/Agency Debentures	24.2%	24.8%	38.5%
Other U.S. Government	5.3%	5.1%	0.8%
Taxable Municipal	0.2%	0.2%	0.4%
Corporates	31.1%	31.2%	21.1%
Asset Backed Securities (ABS)	3.3%	4.5%	0.6%
Commercial Mortgage Backed Securities (CMBS)	6.2%	6.3%	1.2%
Mortgage Backed Securities (MBS)	35.5%	33.1%	33.1%
Sovereign / Supranationals	1.0%	0.9%	4.3%
Cash / Equivalents	-6.7%	-6.2%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	06/30/2016	09/30/2016	09/30/2016
AAA	68.0%	68.2%	76.0%
AA	2.5%	2.7%	4.2%
A	11.1%	10.1%	8.8%
BBB	18.3%	19.1%	10.9%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index

**Column percentage may not add exactly due to rounding

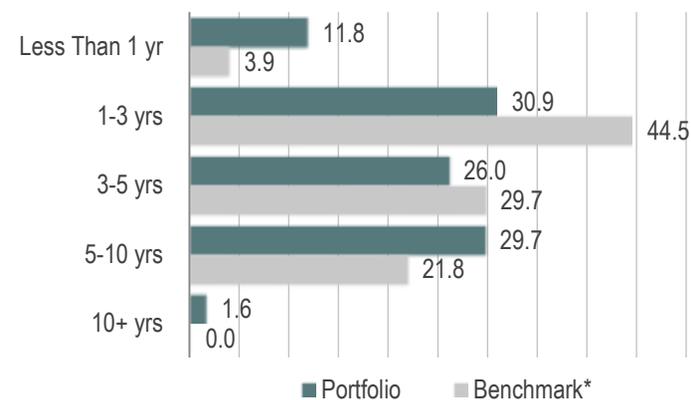
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

FIXED INCOME PORTFOLIO REVIEW - STATE OF NC GROUP TRUST - PRUDENTIAL

September 2016

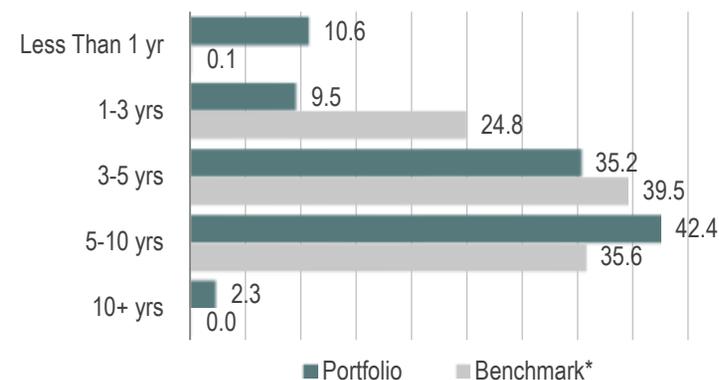
DURATION DISTRIBUTUION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	7.8%	11.8%	3.9%
1-3 yrs	39.3%	30.9%	44.5%
3-5 yrs	24.1%	26.0%	29.7%
5-10 yrs	28.3%	29.7%	21.8%
10+ yrs	0.4%	1.6%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	5.8%	10.6%	0.1%
1-3 yrs	16.3%	9.5%	24.8%
3-5 yrs	34.0%	35.2%	39.5%
5-10 yrs	43.1%	42.4%	35.6%
10+ yrs	0.8%	2.3%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index

**Column percentage may not add exactly due to rounding

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FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - GREAT WEST ISA

Third Quarter 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2016

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	0.42	3.50	3.14	3.06	2.66	2.66
Benchmark***	0.18	3.72	3.24	2.95	2.36	2.36

*Returns for periods of less than one year are not annualized. Returns shown are before fees.

**Performance Inception: October 01, 2011

***Barclays U.S. Intermediate Aggregate Bond Index A or Better

Portfolio Characteristics

	<u>PORTFOLIO</u>	<u>BENCHMARK*</u>		<u>PORTFOLIO</u>
Weighted Average Quality**	AA+	AA+	Total Assets	\$503.5 million
Weighted Average Maturity	4.07 years	4.47 years	Number of Issues	584
Yield to Maturity	1.77%	1.58%	Weighted Coupon	3.23%
Effective Duration	3.04 years	3.37 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index A or Better

**The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - GREAT WEST ISA

Third Quarter 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	06/30/2016	09/30/2016	09/30/2016
U.S. Government/Agency Debentures	2.0%	1.6%	43.3%
Other U.S. Government	7.5%	6.9%	0.9%
Taxable Municipal	0.0%	0.0%	0.5%
Corporates	15.4%	17.3%	12.4%
Asset Backed Securities (ABS)	8.6%	9.1%	0.6%
Commercial Mortgage Backed Securities (CMBS)	10.7%	11.2%	1.3%
Mortgage Backed Securities (MBS)	55.8%	53.9%	37.2%
Sovereign / Supranationals	0.0%	0.0%	3.9%
Cash / Equivalents	0.0%	0.1%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	06/30/2016	09/30/2016	09/30/2016
AAA	84.5%	83.1%	85.4%
AA	3.3%	4.4%	4.7%
A	10.6%	10.6%	9.9%
BBB	1.6%	2.0%	0.0%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index A or Better

**Column percentage may not add exactly due to rounding

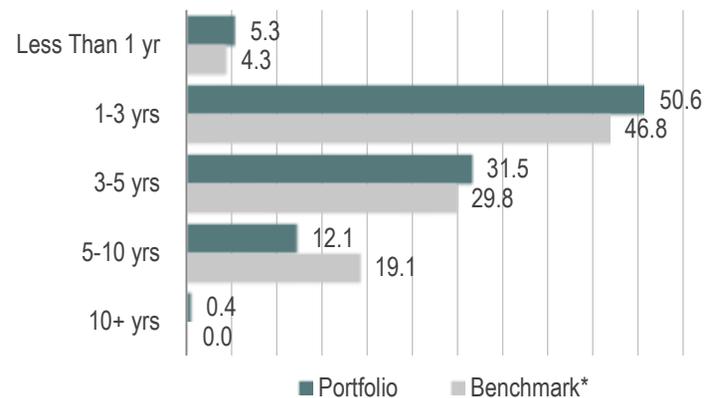
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - GREAT WEST ISA

Third Quarter 2016

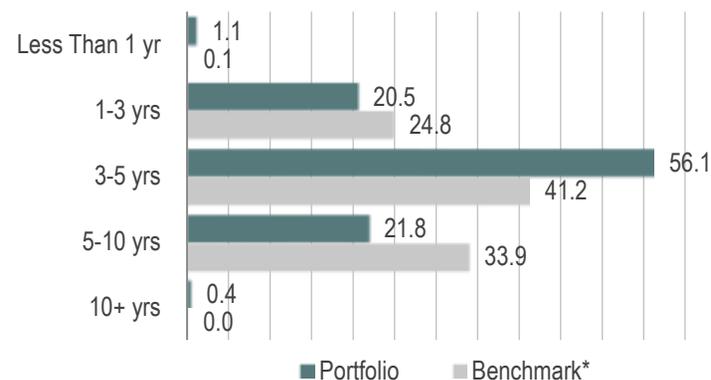
DURATION DISTRIBUTUION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	4.4%	5.3%	4.3%
1-3 yrs	54.3%	50.6%	46.8%
3-5 yrs	32.0%	31.5%	29.8%
5-10 yrs	9.3%	12.1%	19.1%
10+ yrs	0.0%	0.4%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	0.7%	1.1%	0.1%
1-3 yrs	24.4%	20.5%	24.8%
3-5 yrs	57.1%	56.1%	41.2%
5-10 yrs	17.8%	21.8%	33.9%
10+ yrs	0.0%	0.4%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index A or Better

**Column percentage may not add exactly due to rounding

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FIXED INCOME PORTFOLIO REVIEW - WELLS FARGO FIXED INCOME FUND N (JENNISON)

September 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2016

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	0.10	0.44	4.58	4.04	3.28	2.70	3.14
Benchmark***	0.13	0.16	4.24	3.52	2.80	2.45	2.81

*Returns for periods of less than one year are not annualized. Returns shown are before fees.

**Performance Inception: August 01, 2010

***Barclays U.S. Intermediate Government/Credit Bond Index

Portfolio Characteristics

	<u>PORTFOLIO</u>	<u>BENCHMARK*</u>		<u>PORTFOLIO</u>
Weighted Average Quality**	AA+	AA	Total Assets	\$3,193.7 million
Weighted Average Maturity	6.57 years	4.34 years	Number of Issues	229
Yield to Maturity	1.49%	1.51%	Weighted Coupon	2.37%
Effective Duration	4.24 years	4.00 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Government/Credit Bond Index

**The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

FIXED INCOME PORTFOLIO REVIEW - WELLS FARGO FIXED INCOME FUND N (JENNISON)

September 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	06/30/2016	09/30/2016	09/30/2016
U.S. Government/Agency Debentures	64.5%	61.6%	59.9%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	0.4%	0.4%	0.7%
Corporates	32.1%	33.1%	32.8%
Asset Backed Securities (ABS)	2.5%	4.7%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	0.0%
Mortgage Backed Securities (MBS)	0.0%	0.0%	0.0%
Sovereign / Supranationals	0.0%	0.0%	6.6%
Cash / Equivalents	0.5%	0.2%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	06/30/2016	09/30/2016	09/30/2016
AAA	68.0%	67.2%	63.1%
AA	2.7%	3.0%	6.3%
A	14.7%	15.1%	13.6%
BBB	14.6%	14.7%	16.9%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Government/Credit Bond Index

**Column percentage may not add exactly due to rounding

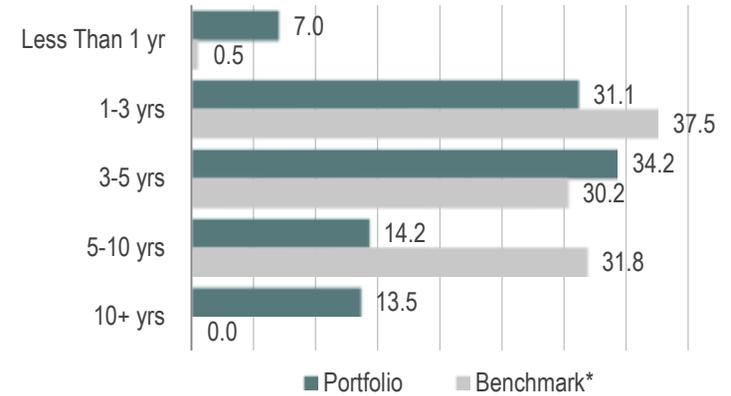
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

FIXED INCOME PORTFOLIO REVIEW - WELLS FARGO FIXED INCOME FUND N (JENNISON)

September 2016

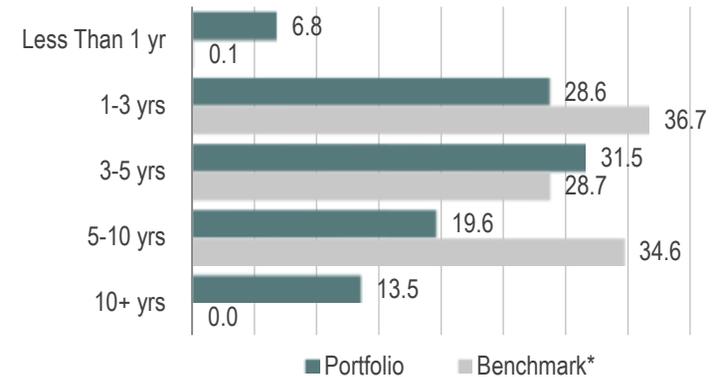
DURATION DISTRIBUTUION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	3.6%	7.0%	0.5%
1-3 yrs	34.9%	31.1%	37.5%
3-5 yrs	34.2%	34.2%	30.2%
5-10 yrs	14.0%	14.2%	31.8%
10+ yrs	13.3%	13.5%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	2.6%	6.8%	0.1%
1-3 yrs	34.3%	28.6%	36.7%
3-5 yrs	33.0%	31.5%	28.7%
5-10 yrs	16.9%	19.6%	34.6%
10+ yrs	13.3%	13.5%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Government/Credit Bond Index

**Column percentage may not add exactly due to rounding

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FIXED INCOME PORTFOLIO REVIEW - METLIFE SEPARATE ACCOUNT 769/770/771 - DODGE & COX

September 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2016

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	0.20	0.77	4.82	4.69	--	--	2.84
Benchmark***	0.17	0.31	4.10	3.57	3.09	2.56	2.79

*Returns for periods of less than one year are not annualized. Returns shown are before fees.

**Performance Inception: March 01, 2015

***Barclays U.S. Intermediate Aggregate Bond Index

Portfolio Characteristics

	<u>PORTFOLIO</u>	<u>BENCHMARK*</u>		<u>PORTFOLIO</u>
Weighted Average Quality**	AA-	AA+	Total Assets	\$1,632.8 million
Weighted Average Maturity	4.60 years	4.55 years	Number of Issues	280
Yield to Maturity	1.90%	1.70%	Weighted Coupon	3.10%
Effective Duration	3.65 years	3.50 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index

**The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

FIXED INCOME PORTFOLIO REVIEW - METLIFE SEPARATE ACCOUNT 769/770/771 - DODGE & COX

September 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
U.S. Government/Agency Debentures	23.6%	25.8%	38.5%
Other U.S. Government	0.3%	0.2%	0.8%
Taxable Municipal	0.5%	0.5%	0.4%
Corporates	37.3%	36.6%	21.1%
Asset Backed Securities (ABS)	3.0%	3.3%	0.6%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	1.2%
Mortgage Backed Securities (MBS)	32.8%	32.1%	33.1%
Sovereign / Supranationals	0.0%	0.0%	4.3%
Cash / Equivalents	2.5%	1.5%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
AAA	62.2%	62.9%	76.0%
AA	1.0%	0.8%	4.2%
A	7.3%	6.3%	8.8%
BBB	29.5%	30.0%	10.9%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index

**Column percentage may not add exactly due to rounding

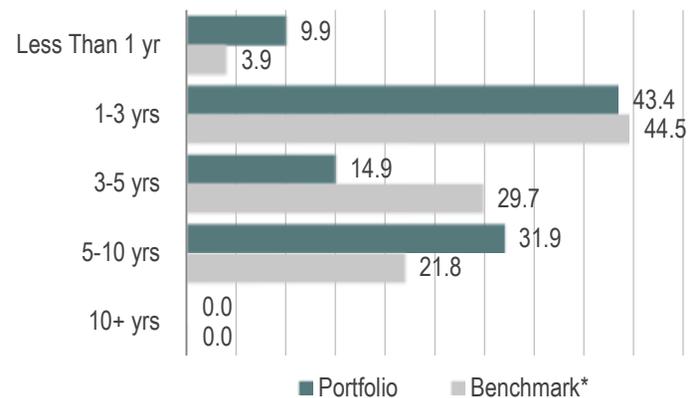
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

FIXED INCOME PORTFOLIO REVIEW - METLIFE SEPARATE ACCOUNT 769/770/771 - DODGE & COX

September 2016

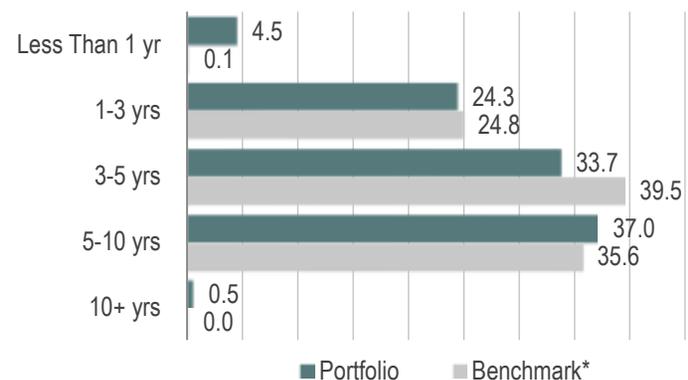
DURATION DISTRIBUTION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	10.2%	9.9%	3.9%
1-3 yrs	49.2%	43.4%	44.5%
3-5 yrs	8.8%	14.9%	29.7%
5-10 yrs	31.8%	31.9%	21.8%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 06/30/2016	% OF PORTFOLIO 09/30/2016	% OF BENCHMARK* 09/30/2016
0-1 yrs	4.8%	4.5%	0.1%
1-3 yrs	29.5%	24.3%	24.8%
3-5 yrs	31.5%	33.7%	39.5%
5-10 yrs	33.7%	37.0%	35.6%
10+ yrs	0.5%	0.5%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

*Barclays U.S. Intermediate Aggregate Bond Index

**Column percentage may not add exactly due to rounding

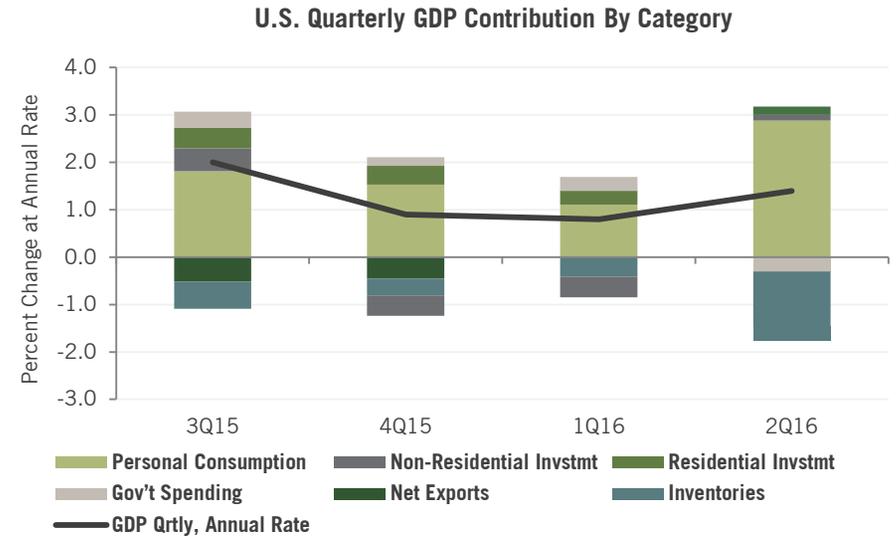
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APPENDIX

MARKET REVIEW THIRD QUARTER 2016

DRAWDOWN IN BUSINESS INVENTORIES SAPS GROWTH IN Q2

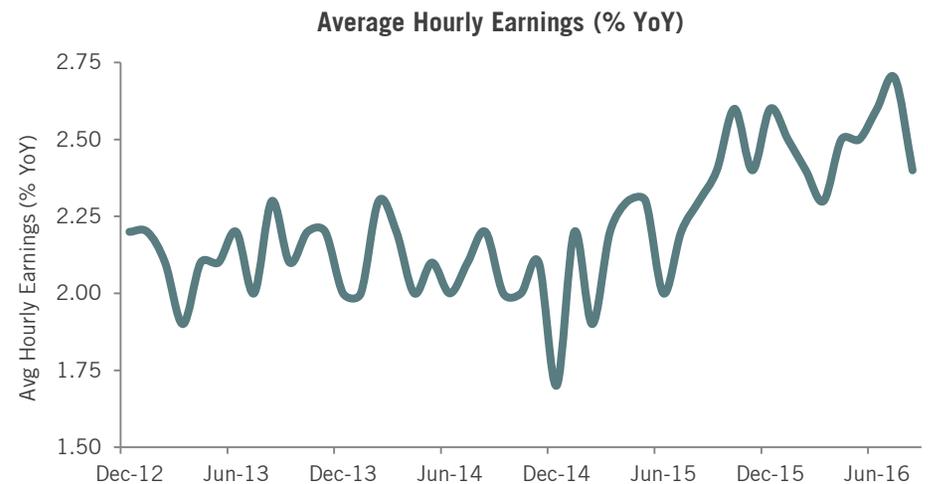
- | GDP in the United States rose at a meager +1.4% pace during the second quarter (Q2) despite strong growth in personal consumption. Declines in business inventories detracted over 1% from growth during the period.
- | The pace of hiring picked up in the third quarter, with the average monthly gain in nonfarm payrolls rising to 192,000 jobs over the last three months.
- | Labor cost and personal income indicators are beginning to show clear signs of a pickup in wages.
- | U.S. consumer confidence rose to a cycle-high level in September, supported by rising equity prices, solid job growth and wage gains.



Source: U.S. Bureau of Economic Analysis

BREXIT RISKS FADE, GLOBAL OUTLOOK STABILIZES SOMEWHAT

- | UK economic data was surprisingly upbeat in Q3 and Eurozone growth was stable, allaying fears that Brexit would weigh heavily on the global economy.
- | China's economic picture improved during the quarter, as the manufacturing and construction sectors benefitted from increased government spending. China's economy grew at a 6.7% annualized pace in the second quarter, and early indications suggest that stabilization continued into Q3.
- | Overall, the Markit Global Manufacturing Purchasing Managers' Index (PMI) showed improvement in Q3 relative to the second quarter, rising to 51.0 in September vs. 50.4 in June.



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Source: Bloomberg

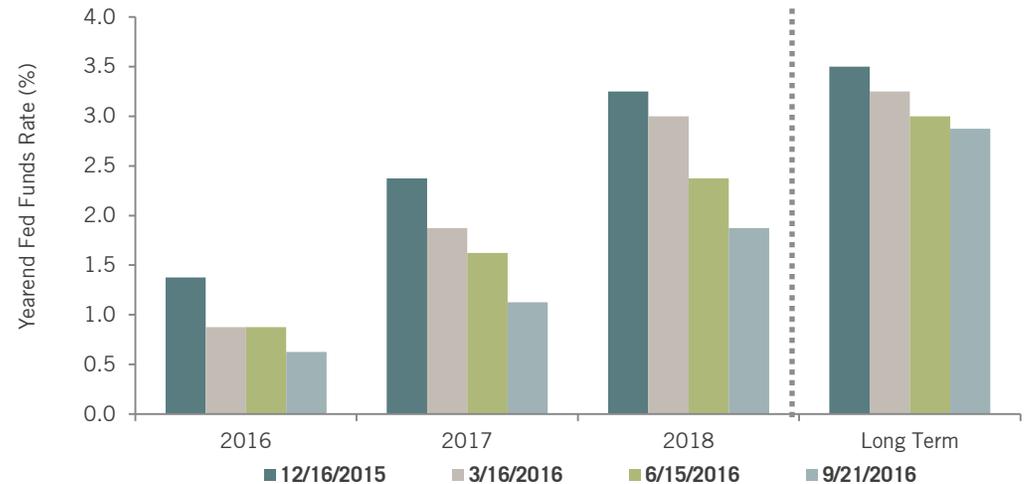
MARKET REVIEW

THIRD QUARTER 2016

DESPITE STRONG HIRING, FED PASSES ON SEPTEMBER HIKE

- Overall inflation remains well below the Fed's target levels. Rising core inflation points to growing underlying price pressures, but as yet such pressures remain contained.
- The Fed kept its policy rate unchanged during the quarter. Three Federal Open Market Committee (FOMC) members dissented at the September meeting, each in favor of a 25 basis point (0.25%) hike in the policy rate.
- The Fed's dot plot forecast released at the September FOMC meeting showed further reductions in members' expectations for the path of the policy rate. The Committee's median projection as to the level of its policy rate at the end of 2017 is now just 1.125%.

FOMC Median Fed Funds Rate Projections (%)

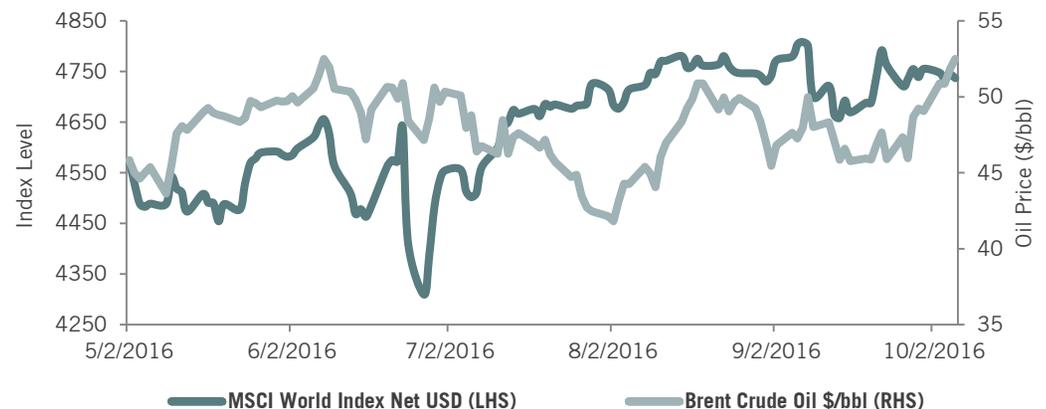


Source: Federal Reserve, Bloomberg

STOCKS, COMMODITIES, BOND YIELDS RISE IN POST-BREXIT RELIEF RALLY

- Global stocks rallied and government yields rose as the safe haven bid dissipated and investors refocused on the search for yield.
- Gold fell back from its recent highs while prices for energy and industrial commodities rebounded from post-Brexit lows.
- Brent Crude, the global benchmark for oil prices, rose 17% off the quarter's low point to end at \$49/bbl. Price gains were supported by stabilization in China's economy and news late in the quarter that OPEC had reached a deal to cut production by up to 750,000 barrels per day.

Global Stocks and Brent Crude Oil



Source: MSCI, Bloomberg

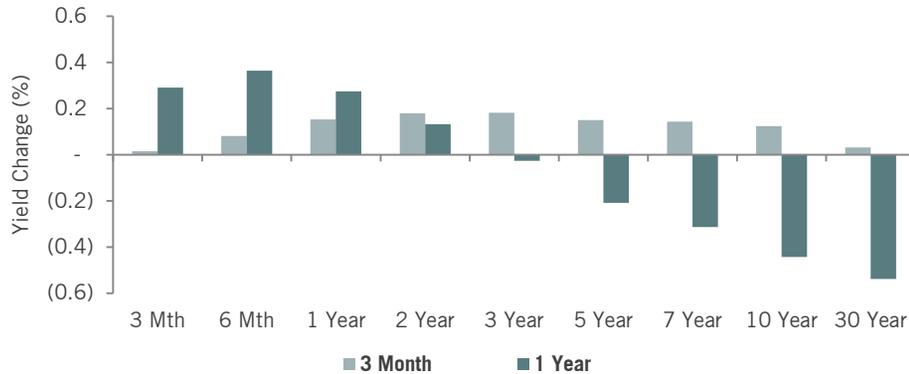
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MARKET REVIEW

THIRD QUARTER 2016

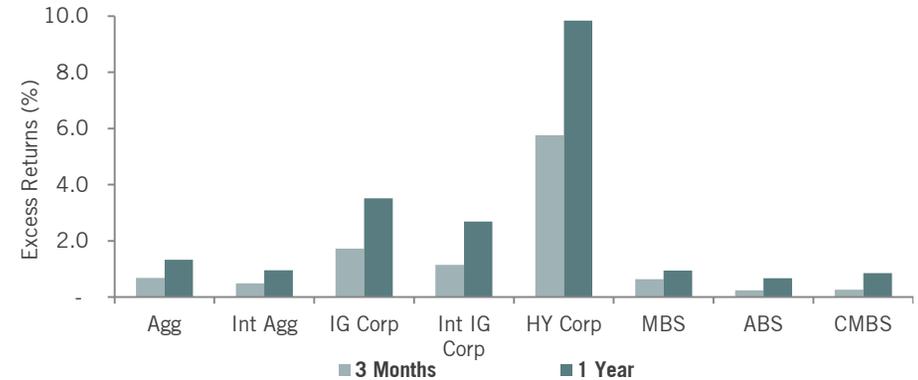
TREASURY YIELDS RISE, SPREAD ASSETS SEE RENEWED DEMAND

U.S. Treasury Yield Curve Rate Changes



Source: Bloomberg

Barclays U.S. Excess Returns vs. Treasuries



Source: Barclays

- I Fears that the United Kingdom's Brexit vote to leave the European Union might prompt a global recession receded in the weeks following the vote, helped by better than expected data out of the UK, China and Japan. Central bankers also lent their support, with the Fed and ECB both issuing dovish statements during the quarter.
- I Global financial markets rallied back from their post-Brexit lows, with stocks, commodities and credit all posting healthy gains for the quarter. U.S. Treasury yields rose 10-15 basis points (bps) across the curve as safe-haven demand faded and the Fed left its policy rate unchanged at both FOMC meetings during the quarter.
- I Investment grade corporates rallied during the quarter and easily outpaced similar duration Treasuries (+173bps). Industrial names led the rally – particularly within energy, metals and telecom – while financials and utilities lagged. For the last 12 months, corporates outperformed Treasuries by +351bps.

- I Agency MBS posted a strong quarter as low rate volatility and muted prepayments boosted realized yields. The Federal Reserve continues to absorb the majority of new issue supply, which should support valuations. For the trailing 12 months, MBS returned 94bps more than similar duration Treasuries.
- I ABS generated excess returns of +26bps in Q3 as a boost in new issue supply and a widening of front-end swap spreads both weighed on sector performance. Collateral performance remains strong, however, and predictions for a slowdown in vehicle sales could improve supply dynamics in coming quarters. Over the trailing 12 months, ABS generated +85bps of excess returns.
- I CMBS spreads tightened during the quarter, producing +91bps of excess return for Q3. Subdued new issue supply and solid collateral performance provided continued tailwinds for the sector. For the trailing one-year period, the sector produced excess return of +162bps.

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MARKET REVIEW

THIRD QUARTER 2016

CREDIT RALLY INCREASINGLY FUELED BY GLOBAL DEMAND

- Corporate bonds rallied strongly in the third quarter, despite three months of frenzied new issuance which averaged over \$115 billion per month. The option-adjusted spread (OAS) of the Barclays US Credit Index tightened 16bps during the quarter, generating +155bps of excess return versus similar duration U.S. Treasuries.
- In response to low or negative yields in their home markets, foreign buyers have significantly increased their participation in the U.S. corporate bond market. Foreign buyers have tallied nearly \$92 billion in net purchases of corporates this year through July, based on the Federal Reserve's Treasury International Capital (TIC) data.
- Late in the quarter, OPEC provided a boost to the energy sector by agreeing to a production cut at an informal OPEC meeting in Algiers.

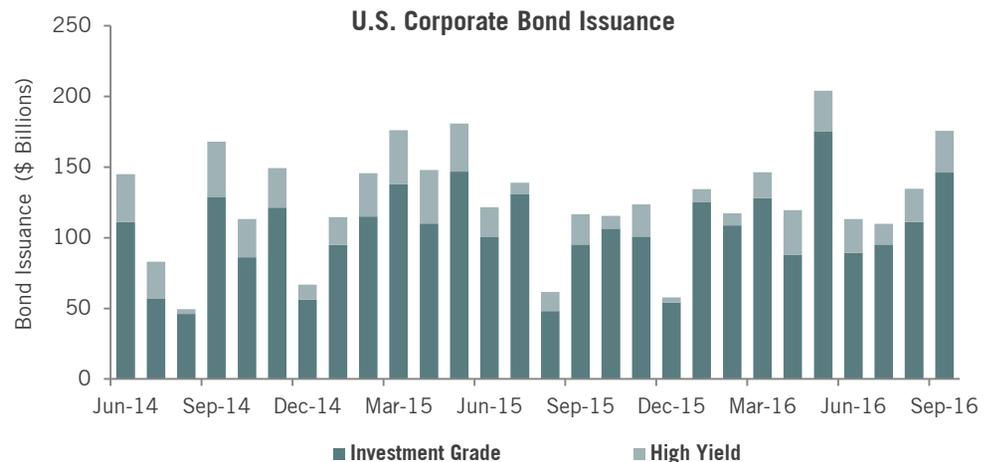
RECORD-SETTING PACE FOR NEW ISSUE SUPPLY ALSO PUSHING CORPORATE LEVERAGE TO NEW HIGHS

- Investment grade new issuance totaled \$353 billion over Q3, with September representing the strongest month of the quarter at just over \$146 billion of new deals. Through the end of Q3, year-to-date issuance of nearly \$1.1 trillion has already surpassed 2013's full-year tally; 2016 looks set to comfortably exceed 2015's record.
- With proceeds from debt sales increasingly used to fund share buybacks, dividends and M&A activity, corporate net debt levels have climbed in recent years. Coupled with sluggish top-line growth and earnings pressures, the corporate debt spree has pushed net leverage (net debt to EBITDA) at U.S. non-financial companies to the highest level since at least 2000.

Corporate Sector Spreads vs. Treasuries



Source: Barclays Live



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Source: SIFMA

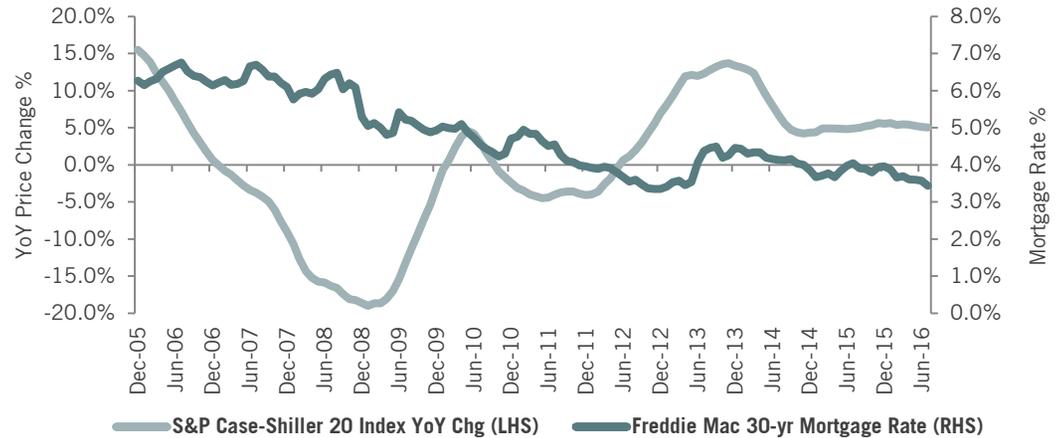
MARKET REVIEW

THIRD QUARTER 2016

LOW VOLATILITY AND MUTED REFINANCING ACTIVITY SPELL STRONG PERFORMANCE FOR AGENCY MBS

- The S&P CoreLogic Case-Shiller Home Price Index registered a 5.02% year-over-year increase in July. Annual gains in home prices have averaged about 5% since mid-2014, driving solid gains in homeowners' equity.
- The Freddie Mac Weekly Survey Rate of 30-year mortgage rates ended the third quarter at 3.42%, largely unchanged from the end of June.
- Mortgage refinancing activity has been relatively benign despite mortgage rates hovering at multi-year lows.
- The Mortgage Bankers' Association's Refinancing Index has risen modestly since the start of 2016, but still barely registers above the average index level over the last 15 years.

U.S. 20-City Home Prices vs. 30-yr Mortgage Rate

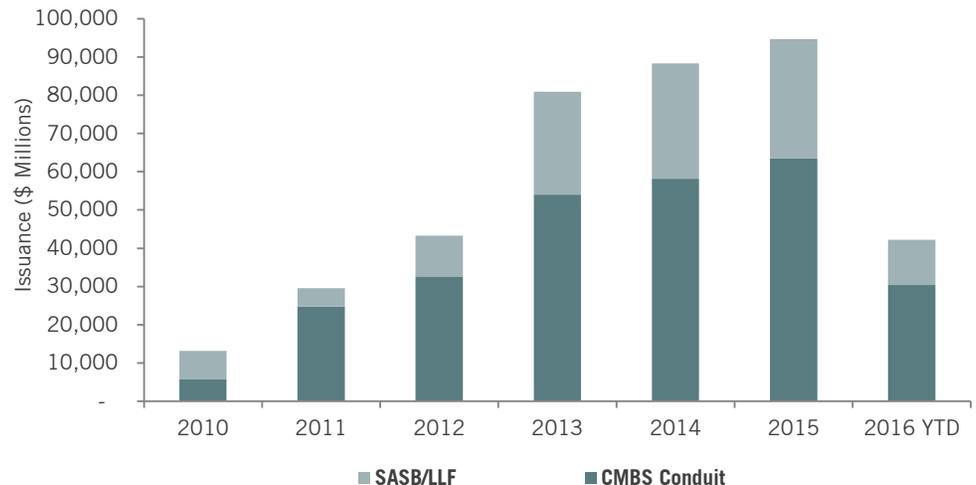


Source: Freddie Mac, Bloomberg

CMBS NEW ISSUANCE RUNNING JUST 50% OF 2015 PACE; ABS NEW ISSUE PICKS UP IN Q3

- CMBS new issue has remained exceptionally slow relative to the last several years. Year-to-date, CMBS new issue supply has reached only \$42 billion, about 44% lower than the same period last year.
- After a brisk third quarter of activity, year-to-date ABS issuance stands at approximately \$126 billion, about 9% off 2015's pace.
- Moody's and Fitch have begun their long awaited ratings actions on the FFELP Student Loan ABS sector. To date, only a small portion of the bonds placed on ratings watch by either agency have been officially reviewed. So far, any ratings downgrades have been in-line with expectations.

CMBS Issuance, 2010 – 2016 YTD



Source: Bloomberg

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STATE OF NORTH CAROLINA STABLE VALUE FUNDS

RELATIONSHIP MILESTONES CONTINUED

DECEMBER 2010

- Galliard assumes oversight, daily valuations, and administration of stable value funds
 - Transitioned custody of the 457 Plan Payden & Rygel portfolio to Wells Fargo
-

2011

- Changed 401(k) Plan's Prudential benchmark from Broad Market to Intermediate Aggregate
 - Transitioned PIMCO to intermediate duration strategy wrapped by MetLife and increase allocation to 15% of assets
 - Funded Galliard short duration strategy with United of Omaha Wrap
 - Began termination of State Street securities lending program in the 401(k) Plan
 - Transitioned 457 Plan's Prudential intermediate duration strategy to Galliard collective trust
 - Liquidation of GWL trading account and funding of the Wells Fargo STIF and Wells Fargo SRF liquidity buffer
 - Transitioned custody of the 401(k) Payden & Rygel portfolio to Wells Fargo
 - New guidelines established for Payden short duration strategy
 - Transition 401(k) Plan's Prudential investment to intermediate duration collective trust
 - Moved from declared rate to actual portfolio returns
-

2012

- Changed STIF to Wells Fargo Government Money Market
- Finalize portfolio strategy recommendations

GALLIARD CAPITAL MANAGEMENT PROFESSIONALS



William Weber
Senior Director
612.667.6401
william.l.weber@galliard.com

Responsibilities

As a member of the Client Service and Stable Value Portfolio Management teams, William serves primarily as an Institutional Relationship Manager. He works with clients and their consultants to develop strategy and ensure expectations and objectives are met. In addition, William is a member of the Consultant Relations team, serving as a liaison between Galliard's investment professionals and clients to articulate portfolio and relationship goals. He also supports Galliard's Fund Direct business, working with advisors and trading partners to serve investors in the Wells Fargo Stable Return Fund and the Galliard Managed Income Fund.

Experience

- Joined Galliard in 2009
- Previously a manager at PricewaterhouseCoopers, LLP

Education

B.S., Business, Finance, Accounting, Carlson School of Management at the University of Minnesota