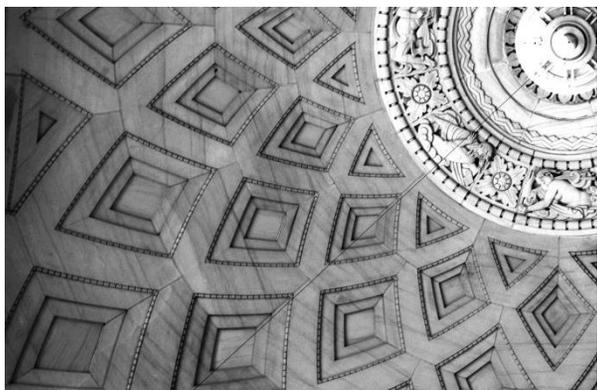




ARCHITECTS OF INVESTMENT SOLUTIONS



State of North Carolina

AUGUST 18, 2016

STATE OF NORTH CAROLINA

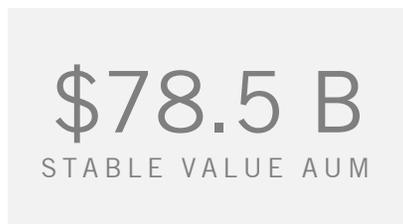
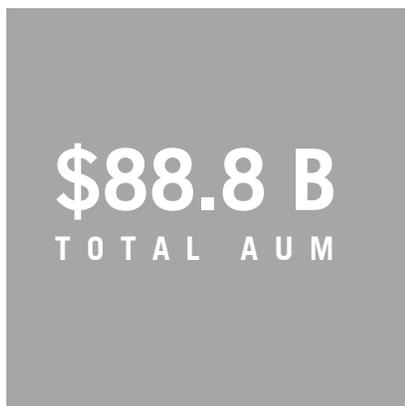
TABLE OF CONTENTS

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SECTION I

GALLIARD CAPITAL MANAGEMENT

BUSINESS PROFILE AS OF 6/30/16



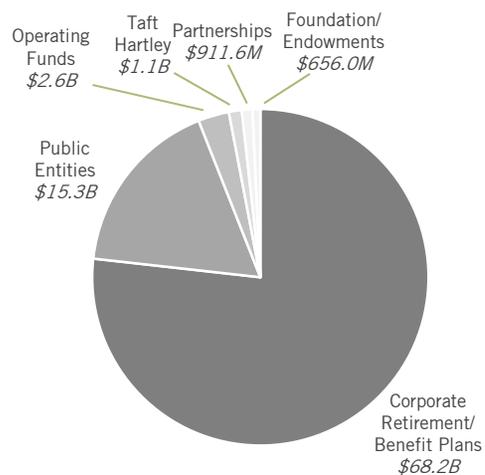
- **19** fortune 100 clients; **52** fortune 500 clients
- **114** stable value separate accounts

FIRM INITIATIVES & MARKET PERSPECTIVE

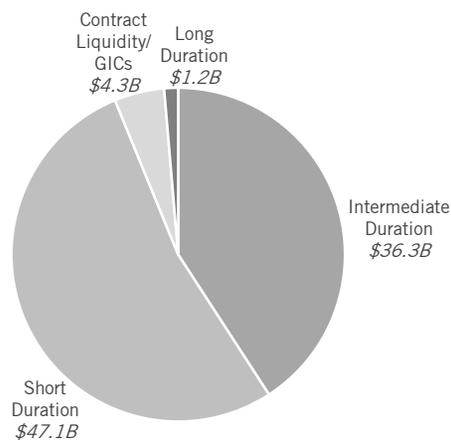
- Galliard recently ranked in a P&I survey in the **top 10** for largest managers of assets held by **100 largest corporate DC** plans¹
- Galliard **ranked #2** by total AUM in the P&I rankings of Stable Value Managers²
- Stable value interest from **new plan sponsor types** such as **529** and **403(b)**

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 flat to slightly positive due to market volatility• Fed began “liftoff” in 2015 but expectations for future rate hikes tempered by mixed economic picture• 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 to be implemented in 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 JUNE 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, Babson	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	A+	Galliard, Loomis Sayles, TCW	SBIC
PRUDENTIAL LIFE INS. CO.	A1	AA-	Galliard, Jennison, Prudential, TCW	SBIC
RGA REINSURANCE CO.	A1	AA-	Galliard, Dodge & Cox	SBIC
ROYAL BANK OF CANADA	Aa3	AA-	Galliard	SBIC
STATE STREET BANK AND TRUST CO.	Aa3	AA-	Galliard	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 6/30/16)	Per \$1000	Est. Annual Revenue
Investment Management Fees paid to Galliard	0.068%	\$0.68	\$1,641,050
Investment Management Fees paid to Non-Affiliated Investment Advisors	0.062%	\$0.62	\$1,485,106
Investment Contract Fees ¹	0.164%	\$1.64	\$3,941,362
Acquired Fund Fees ²	0.040%	\$0.40	\$962,448
- Investment Contract Fees	0.015%	\$0.15	\$350,318
- Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non- Affiliated Investment Advisors ³	0.025%	\$0.25	\$612,130
12b-1 Distribution Fee	None	None	None
Other Expenses	0.027%	\$0.27	\$642,949
Total Annual Fund Operating Expense⁴	0.361%	\$3.61	\$8,672,915

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

June 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending June 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>
Book Value Performance								
Portfolio (net of all fees - NAV Level)***	0.15	0.47	0.93	1.89	1.86	2.20	---	2.34
Merrill Lynch 3 Month T-Bill + 100 bps	0.12	0.32	0.65	1.20	1.09	1.09	---	1.10
Merrill Lynch 3 Month T-Bill + 150 bps	0.16	0.45	0.90	1.70	1.60	1.60	2.56	1.61
3 Year Constant Maturity Treasury Yield	0.07	0.23	0.48	1.03	0.91	0.71	1.53	0.75
Market Value Benchmark								
Blended Benchmark****	0.92	1.07	2.77	3.10	2.32	2.11	3.74	2.13

CALENDAR YEAR PERFORMANCE

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Book Value Performance						
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/(loses) resulting from changing market interest rates while book value performance amortizes these gains/(loses).

Stable Value Portfolio Review - STATE OF NORTH CAROLINA STABLE VALUE FUND

Second Quarter 2016

PORTFOLIO CHARACTERISTICS

Total Assets	\$2,403,060,515	Blended Yield (After fees)*	1.91%
Average Holdings Quality**	AA	Effective Duration	2.75 years
Number of Contract Issuers	5	Market/Book Value Ratio	102.49%

*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 06/30/2016</u>	<u>% OF PORTFOLIO 03/31/2016</u>
Cash & Equivalents*	91,065,658	3.8	2.5
Stable Value Funds	174,423,320	7.3	7.4
Separate Account GICs	789,751,818	32.9	33.3
Intermediate Portfolio	789,751,818	32.9	33.3
Security Backed Investment Contracts	1,347,819,719	56.1	56.8
Short Portfolio	694,011,626	28.9	29.3
Intermediate Portfolio	653,808,093	27.2	27.5
Total	\$2,403,060,515	100.0%**	100.0%**

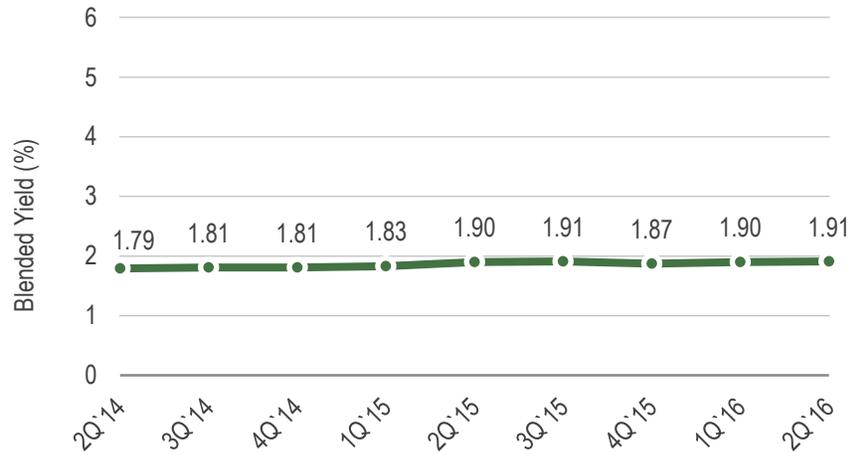
*Includes Receivables and Payables

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

Stable Value Portfolio Review - STATE OF NORTH CAROLINA STABLE VALUE FUND

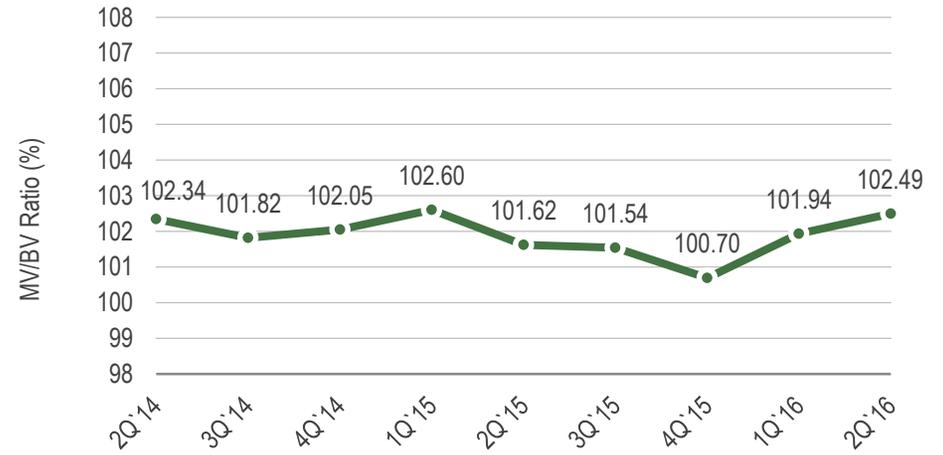
Second Quarter 2016

HISTORICAL BLENDED YIELD*

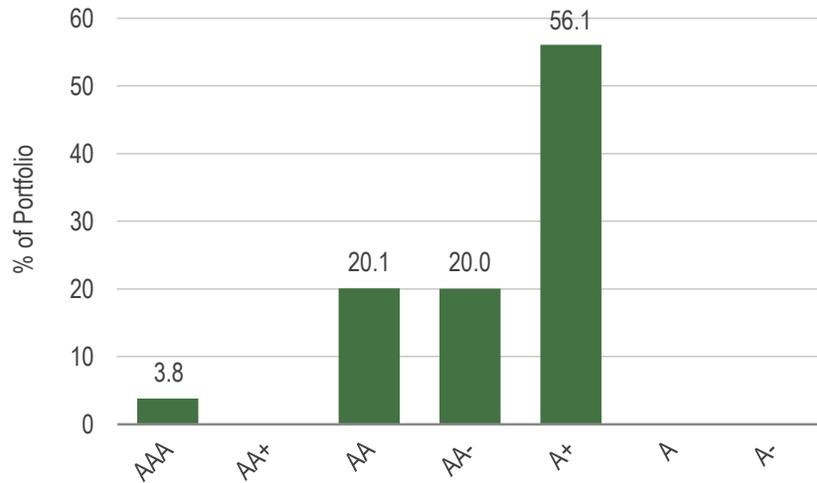


*As of quarter end. Blended yield is after investment management fees and wrap fees.

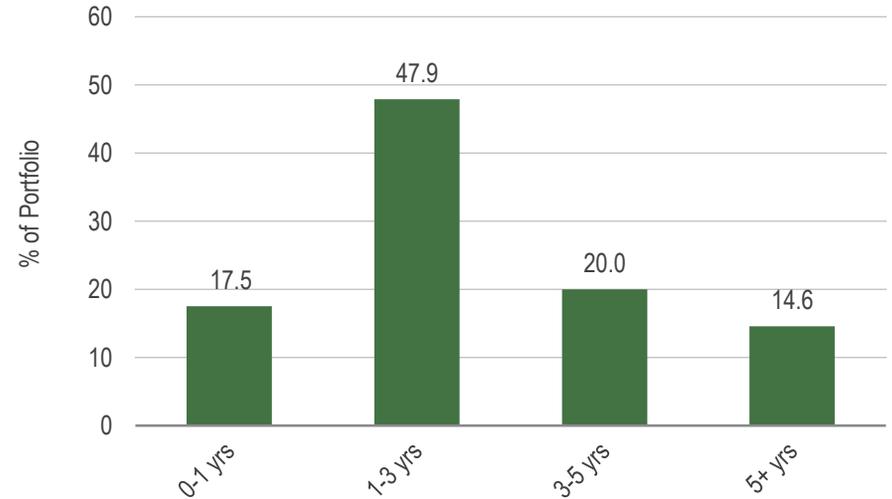
MARKET VALUE TO BOOK VALUE RATIO*



CONTRACT QUALITY DISTRIBUTION*



UNDERLYING DURATION DISTRIBUTION**



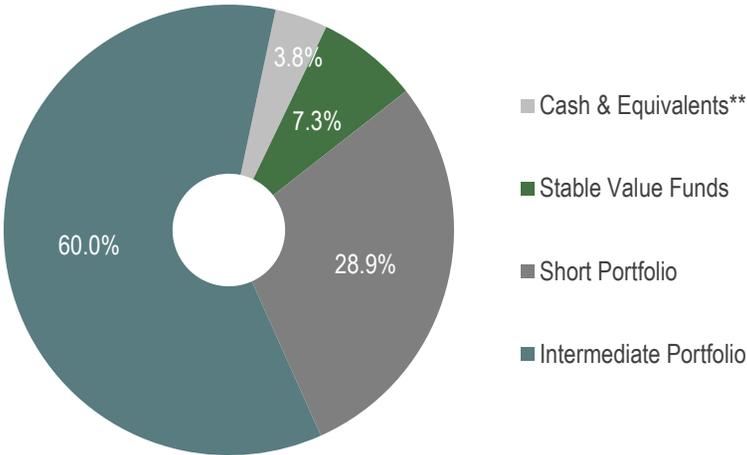
*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

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

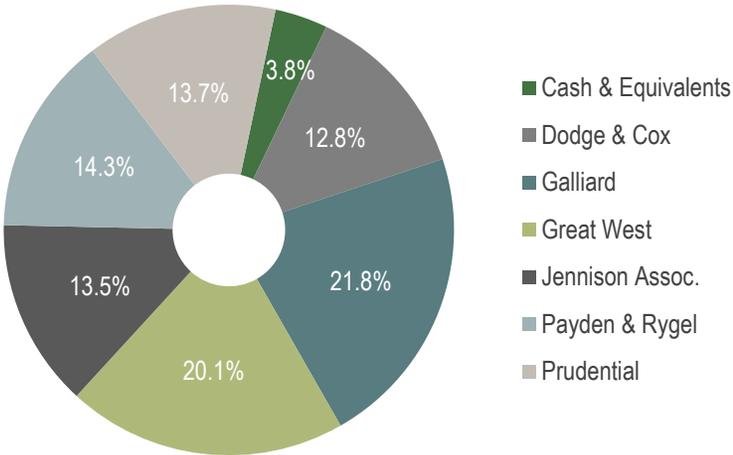
Stable Value Portfolio Review - STATE OF NORTH CAROLINA STABLE VALUE FUND

Second Quarter 2016

PORTFOLIO DISTRIBUTION*

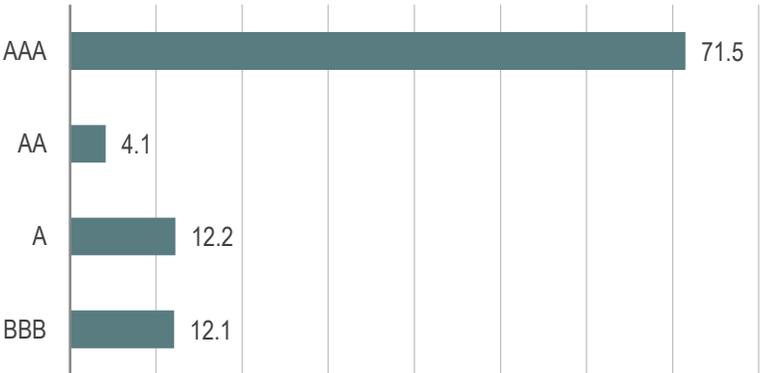


MANAGER DISTRIBUTION*

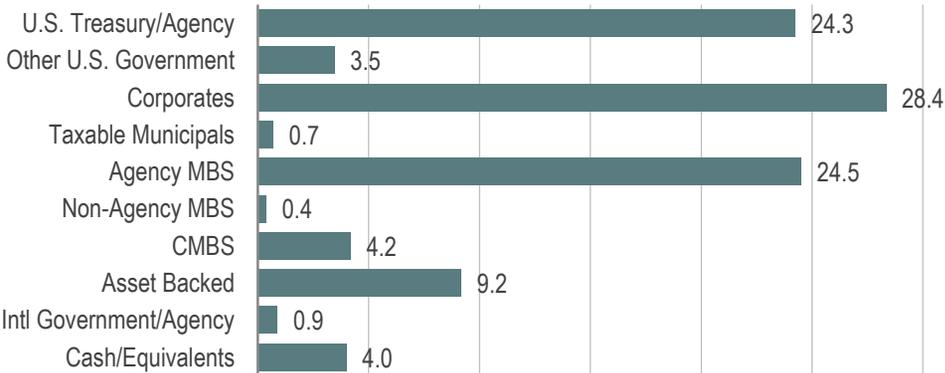


*Book value
 **Includes Receivables and Payables

UNDERLYING FIXED INCOME CREDIT QUALITY*



UNDERLYING FIXED INCOME ASSET ALLOCATION**



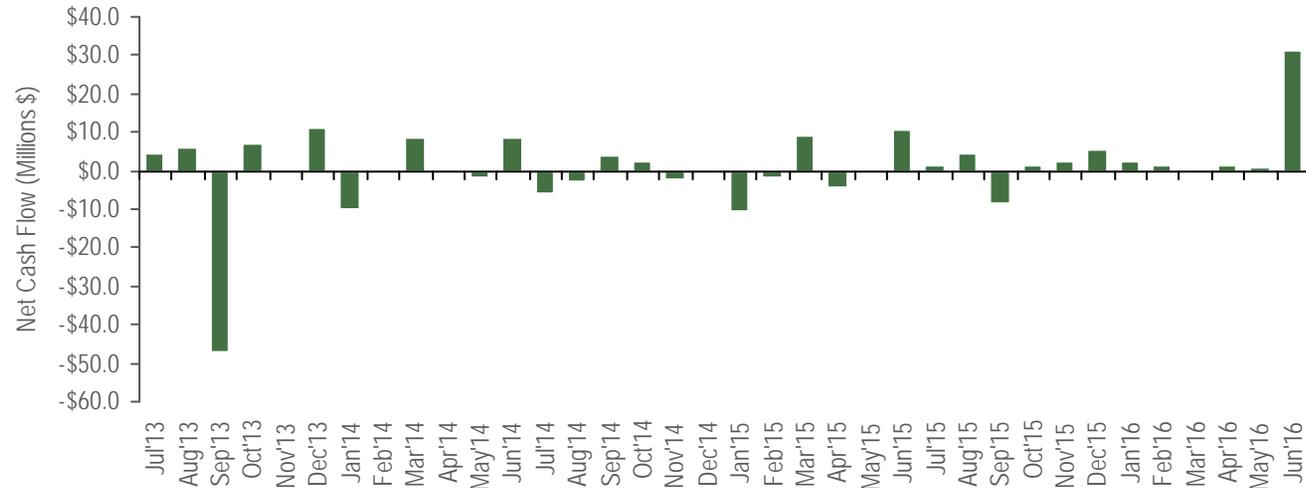
*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers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

Second 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 (\$)*	\$36.5	\$8.8	-\$0.3	\$2.4	\$79.1
Net Cash Flow (%)	1.56%	0.46%	-0.02%	0.13%	4.65%
Estimated Investment Earnings	\$22.1	\$35.7	\$33.6	\$39.4	\$47.6
Ending Assets**	\$2,403.1	\$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	0.68%	1.45%	1.38%	1.52%	2.16%	7/1/2009
Barclays U.S. 1-3 Yr. Govt/Credit	<u>0.67%</u>	<u>1.59%</u>	<u>1.22%</u>	<u>1.10%</u>	<u>1.59%</u>	
	0.01%	-0.14%	0.16%	0.42%	0.57%	
Galliard**	0.85%	2.31%	1.79%	1.73%	2.17%	1/1/2010
Barclays U.S. 1-3 Yr. Government *	0.52%	1.31%	1.00%	0.84%	1.15%	
Barclays U.S. 1-3 Yr. Gov't/Credit	<u>0.67%</u>	<u>1.59%</u>	<u>1.22%</u>	<u>1.10%</u>	<u>1.44%</u>	
	0.33%	1.00%	0.79%	0.89%	1.02%	

Intermediate Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Dodge & Cox	1.51%	4.57%	-	-	3.23%	5/1/2015
Barclays U.S. Intermediate Aggregate	<u>1.44%</u>	<u>4.36%</u>	-	-	<u>3.96%</u>	
	0.07%	0.21%	-	-	-0.73%	
Great-West Life***	1.24%	3.93%	3.19%	2.96%	2.71%	10/1/2011
Barclays U.S. Intermediate Aggregate (Ex BBB)	<u>1.28%</u>	<u>4.31%</u>	<u>3.14%</u>	<u>2.81%</u>	<u>2.45%</u>	
	-0.04%	-0.38%	0.05%	0.15%	0.26%	
Jennison	1.54%	4.53%	3.16%	3.34%	3.19%	8/1/2010
Barclays U.S. Intermediate Govt/Credit	<u>1.59%</u>	<u>4.33%</u>	<u>2.95%</u>	<u>2.90%</u>	<u>2.90%</u>	
	-0.05%	0.20%	0.21%	0.44%	0.29%	
Prudential	1.53%	-	-	-	2.99%	2/1/2016
Barclays U.S. Intermediate Aggregate	<u>1.44%</u>	-	-	-	<u>2.49%</u>	
	0.09%	-	-	-	0.50%	

* 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	3/31/2016	\$ 342,444,643	\$ 343,668,337	100.4%	1.21%	1.38	1.15%	
		6/30/2016	\$ 343,638,857	\$ 346,010,707	100.7%	1.05%	1.43	1.19%	
			\$ 1,194,214	\$ 2,342,370	0.3%	-0.16%	0.05	0.04%	
	Galliard	3/31/2016	\$ 348,694,418	\$ 352,814,091	101.2%	1.39%	1.97	1.76%	
		6/30/2016	\$ 350,372,769	\$ 355,813,430	101.6%	1.22%	1.92	1.74%	
			\$ 1,678,351	\$ 2,999,339	0.4%	-0.17%	(0.05)	-0.02%	
Intermediate Duration	Prudential	3/31/2016	\$ 326,617,123	\$ 339,930,254	104.1%	2.07%	3.69	2.44%	
		6/30/2016	\$ 328,937,985	\$ 345,168,730	104.9%	1.94%	3.45	2.66%	
			\$ 2,320,862	\$ 5,238,476	0.9%	-0.13%	(0.24)	0.22%	
	Dodge & Cox	3/31/2016	\$ 305,169,089	\$ 312,299,639	102.3%	2.08%	3.55	2.38%	
		6/30/2016	\$ 306,944,087	\$ 316,875,279	103.2%	1.87%	3.54	2.36%	
			\$ 1,774,998	\$ 4,575,640	0.9%	-0.21%	(0.01)	-0.02%	
	Great West Life	3/31/2016	\$ 480,155,766	\$ 486,859,927	101.4%	1.96%	2.95	2.40%	
		6/30/2016	\$ 482,807,731	\$ 492,679,849	102.0%	1.69%	2.91	2.24%	
			\$ 2,651,965	\$ 5,819,922	0.6%	-0.27%	(0.04)	-0.16%	
	Jennison	3/31/2016	\$ 322,670,151	\$ 335,822,401	104.1%	1.57%	4.25	2.44%	
		6/30/2016	\$ 324,870,109	\$ 340,900,134	104.9%	1.38%	4.26	2.66%	
			\$ 2,199,958	\$ 5,077,733	0.9%	-0.19%	0.01	0.22%	
	Total Fund		3/31/2016	\$ 2,358,384,345	\$ 2,404,027,803	101.9%	1.69%	2.83	2.03%
			6/30/2016	\$ 2,403,060,515	\$ 2,462,937,107	102.5%	1.50%	2.75	2.04%
				\$ 44,676,170	\$ 58,909,304	0.6%	-0.19%	(0.08)	0.01%

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

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

Second Quarter 2016

ISSUER RATING SUMMARY

	<u>S&P RATING</u>		<u>MOODY'S RATING</u>	
	<u>6/30/2016</u>	<u>3/31/2016</u>	<u>6/30/2016</u>	<u>3/31/2016</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
- Situation continues to develop at the parent regarding activist investors pushing for a separation of the Life and P&C 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 the parent company; the leading insurer in Canada

METROPOLITAN LIFE INS. CO.

- Largest U.S. life insurer by invested assets
- Federal judge recently ruled Met not to be a Systematically Important Financial Institution (SIFI); the U.S. government is expected to continue to defend the Financial Stability Oversight Council's (FSOC) designation of Met as a SIFI as lawful
- 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 P&C company
- Strong history of earnings

PRUDENTIAL INS. CO. OF AMERICA

- A leading diversified U.S. life insurer
- Capital ratios are now average following a large captive reinsurance transaction, however the quality of the ratios was lowered by the transaction

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.

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

June 2016

Payden & Rygel

The portfolio outperformed its benchmark, the Barclays U.S. 1-3 Year Government/Credit Index, by 1 basis point during the second quarter. The overweight to corporate credit was positive for performance. The allocation to asset-backed securities (“ABS”) was also additive. Shorter duration positioning detracted from performance. Payden & Rygel continue to like corporates and plans to remain overweight. Exposure to short-dated Agency mortgage-backed securities and asset-backed securities is being maintained as a diversifier and source of high quality yield.

Galliard Fund F

The Fund continues to be managed to a target duration of 2 years. Second quarter performance was positively impacted by allocations to the spread sectors, as they generally outperformed like maturity Treasuries. More specifically allocations to Corporates, CMBS, ABS, Agency MBS, and Taxable Municipals all proved beneficial. Additionally, holdings in intermediate maturities, as longer rates declined more than shorter yields in the recent rally, added to performance. Detracting from performance was an allocation to TIPS.

Prudential Investment Management

The portfolio outperformed its benchmark, the Barclays U.S. Intermediate Aggregate Index, by 9 basis points during the second quarter. Outperformance was driven by the overweight to corporate credit and commercial mortgage-backed securities. Security selection in corporate detracted slightly. The portfolio is positioned with neutral duration. The portfolio is overweight corporate credit with a focus on banking, insurance, communications and consumer non-cyclicals. Prudential is maintaining an overweight in commercial mortgage-backed securities and asset-backed securities.

The information contained herein reflects the views of Galliard U.S. 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.

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

June 2016

Great West

The portfolio underperformed the Barclays U.S. Intermediate Aggregate (ex BBB) Index by 4 basis points during the second quarter. Shorter duration positioning was the primary driver of underperformance. Sector allocation, with an overweight to spread sectors, contributed positively to performance. Security selection in Agency mortgage-backed securities was positive, but partially offset by selection in asset-backed securities and commercial mortgage-backed securities, which detracted. Great-West continues to position the portfolio with shorter duration. The portfolio is positioned with a significant overweight to structured products, particularly Agency mortgage-backed securities. Great-West also holds an allocation in commercial mortgage-backed securities, asset-backed securities, and Agency multi-family. The corporate credit allocation is slightly biased toward industrials..

Jennison – Fund N

The Wells Fargo Fixed Income Fund N, managed by Jennison Associates, underperformed its benchmark, the Barclays U.S. Intermediate Government/Credit Index, by 5 basis points during the second quarter. Security selection detracted from performance. The impact of yield curve positioning was broadly neutral. Jennison continues to maintain duration slightly long relative to the benchmark with a flattening position on the back-end of the curve. The Fund remains underweight credit with an overweight to industrials. Jennison is maintaining an allocation to asset-backed securities.

Dodge & Cox

The MetLife ISA Commingled Fund, managed by Dodge & Cox, outperformed its benchmark, the Barclays U.S. Intermediate Aggregate Bond Index, by 7 basis points during the second quarter. Within corporate credit, an overweight to industrials was positive. Security selection in Agency mortgage-backed securities also contributed positively. Dodge & Cox has moved to more neutral duration positioning. The Fund is overweight corporate credit, particularly industrials, and Dodge & Cox continues to focus on issuers with a strong interest in maintaining or reducing leverage. In Agency mortgage-backed securities, Dodge & Cox is focused on selecting issues with stable cash flows, including 15 and 20-year higher coupon issues. The Fund is underweight 30-year Agency MBS.

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STATE OF NORTH CAROLINA STABLE VALUE FUND PORTFOLIO HOLDINGS

June 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)		-1,278,164	-1,278,164	100.0	-0.1	0.24		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		92,343,821	92,343,821	100.0	3.8	0.24		0.10	AAA	Aaa	
TOTAL CASH & EQUIVALENTS			91,065,658	91,065,658	100.0	3.8	0.24		0.10	AAA	Aaa	
STABLE VALUE FUNDS												
949907109	Wells Fargo Stable Return Fund G		174,423,320	174,423,320	100.0	7.3	1.87		2.44	AA-	Aa3	
TOTAL STABLE VALUE FUNDS			174,423,320	174,423,320	100.0	7.3	1.87		2.44	AA-	Aa3	
SEPARATE ACCOUNT GICS												
Intermediate Portfolio												
391997NH2	GreatWest Life Insurance Co.	Great West	482,807,731	492,679,849	102.0	20.1	2.24	N.S.M.	2.91	AA	Aa3	15.0
590994VM8	Metropolitan Life Ins. Co.	Dodge & Cox	306,944,087	316,875,279	103.2	12.8	2.36	N.S.M.	3.54	AA-	Aa3	20.0
Total Intermediate Portfolio			789,751,818	809,555,127	102.5	32.9	2.29		3.15	AA	Aa3	
TOTAL SEPARATE ACCOUNT GICS			789,751,818	809,555,127	102.5	32.9	2.29		3.15	AA	Aa3	
SECURITY BACKED INVESTMENT CONTRACTS												
Short Portfolio												
946996EE1	American General Life Ins. Co.	Payden & Rygel	343,638,857	346,010,707	100.7	14.3	1.19	N.S.M.	1.43	A+	A2	22.0
896994GW4	Nationwide Life Ins. Co.	Galliard	350,372,769	355,813,430	101.6	14.6	1.74	N.S.M.	1.92	A+	A1	21.0
Total Short Portfolio			694,011,626	701,824,137	101.1	28.9	1.47		1.68	A+	A1	
Intermediate Portfolio												
744999CV3	Prudential Ins. Co. of America	Jennison Assoc.	324,870,109	340,900,134	104.9	13.5	2.66	N.S.M.	4.26	AA-	A1	17.0
744999CV3	Prudential Ins. Co. of America	Prudential	328,937,985	345,168,730	104.9	13.7	2.66	N.S.M.	3.45	AA-	A1	17.0
Total Intermediate Portfolio			653,808,093	686,068,864	104.9	27.2	2.66		3.85	AA-	A1	
TOTAL SECURITY BACKED INVESTMENT CONTRACTS			1,347,819,719	1,387,893,002	103.0	56.1	2.05		2.73	A+	A1	
TOTAL PORTFOLIO			2,403,060,515	2,462,937,107	102.5	100.0	2.04		2.75	AA-	A1	

*N.S.M. = No Stated Maturity

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

Second Quarter 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending June 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	0.68	1.52	1.45	1.38	1.52	2.16
Benchmark***	0.67	1.65	1.59	1.22	1.10	1.59

*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	\$346.0 million
Weighted Average Maturity	1.71 years	1.89 years	Number of Issues	236
Yield to Maturity	1.05%	0.89%	Weighted Coupon	1.39%
Effective Duration	1.43 years	1.82 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

Second Quarter 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
U.S. Government/Agency Debentures	36.3%	37.3%	66.2%
Other U.S. Government	1.5%	1.5%	0.0%
Taxable Municipal	1.1%	0.5%	0.6%
Corporates	40.0%	41.1%	26.2%
Asset Backed Securities (ABS)	12.0%	12.6%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	0.0%
Mortgage Backed Securities (MBS)	1.9%	1.7%	0.0%
Sovereign / Supranationals	7.1%	4.9%	7.0%
Cash / Equivalents	0.2%	0.4%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
AAA	60.3%	59.0%	69.5%
AA	6.0%	7.0%	7.2%
A	17.0%	16.7%	12.3%
BBB	16.6%	17.2%	11.0%
< BBB	0.2%	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

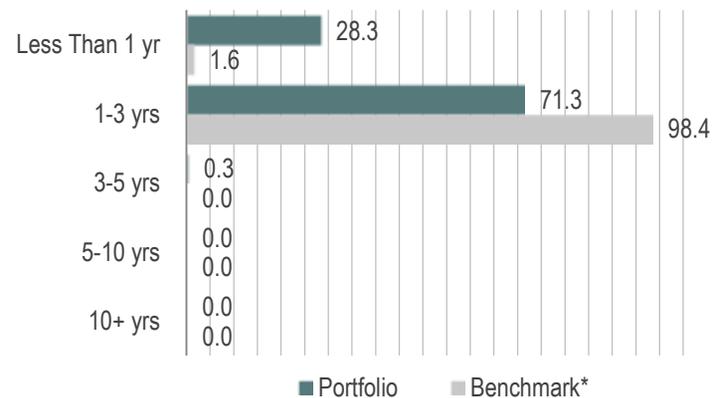
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Second Quarter 2016

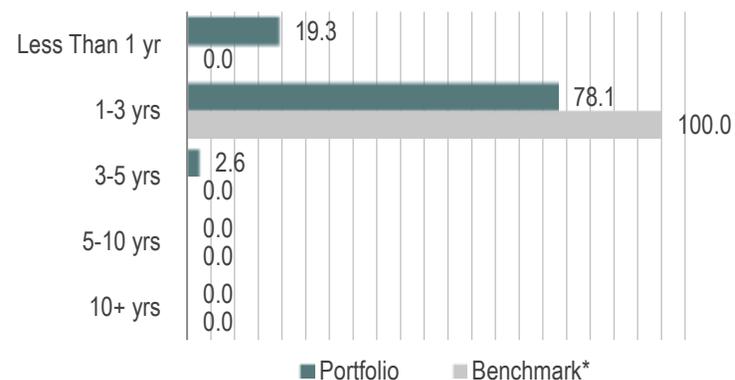
DURATION DISTRIBUTUION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
0-1 yrs	28.8%	28.3%	1.6%
1-3 yrs	70.5%	71.3%	98.4%
3-5 yrs	0.7%	0.3%	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%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
0-1 yrs	19.0%	19.3%	0.0%
1-3 yrs	76.9%	78.1%	100.0%
3-5 yrs	4.1%	2.6%	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

June 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending June 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	0.68	0.85	2.12	2.31	1.79	---	2.17
Barclay's 1-3 Year Govt/Credit	0.60	0.67	1.65	1.59	1.22	1.10	1.44

*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

Second Quarter 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending June 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	0.68	0.85	2.12	2.31	1.79	1.69	3.03	2.93
Benchmark***	0.59	0.52	1.42	1.31	1.00	0.84	2.54	2.45

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

**Galliard Performance Inception: January 01, 2005

***Barclays Capital 1-3 Yr Government. 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	\$14,124.9 million
Weighted Average Maturity	2.40 years	1.85 years	Number of Issues	1363
Yield to Maturity	1.22%	0.62%	Weighted Coupon	2.05%
Effective Duration	1.92 years	1.79 years	Estimated Annual Income	\$291.5 million

*Barclays Capital 1-3 Yr Government. 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

Second Quarter 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
U.S. Government/Agency Debentures	15.6%	14.9%	100.0%
Other U.S. Government	4.1%	3.9%	0.0%
Taxable Municipal	2.3%	2.3%	0.0%
Corporates	27.2%	27.1%	0.0%
Asset Backed Securities (ABS)	23.7%	24.0%	0.0%
Commercial Mortgage Backed Securities (CMBS)	5.7%	5.2%	0.0%
Mortgage Backed Securities (MBS)	20.2%	21.9%	0.0%
Sovereign / Supranationals	0.0%	0.0%	0.0%
Cash / Equivalents	1.2%	0.5%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

TOP 5 CREDIT EXPOSURE

	% OF PORTFOLIO 06/30/2016
Royal Bank of Canada	0.8%
Citigroup Inc	0.7%
Toronto-Dominion Bank/The	0.7%
JPMorgan Chase & Co	0.7%
Bank of America Corp	0.7%
TOTAL	3.6%**

Total entity exposure – includes all related entities

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
AAA	73.7%	73.8%	96.4%
AA	7.9%	8.0%	3.6%
A	15.6%	15.5%	0.0%
BBB	2.8%	2.7%	0.0%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

*Barclays Capital 1-3 Yr Government. 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

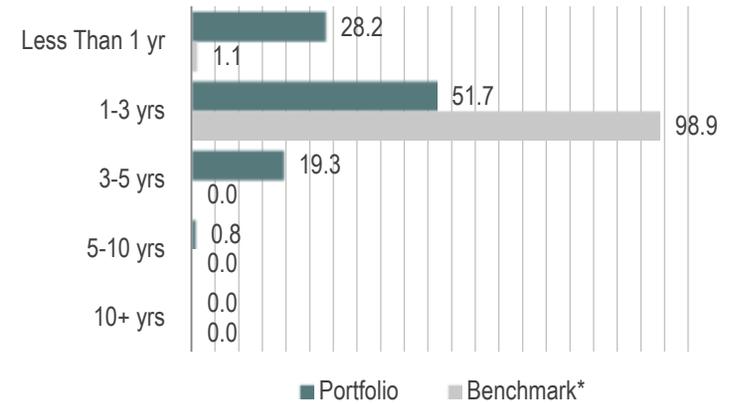
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FIXED INCOME PORTFOLIO REVIEW - GALLIARD SHORT HIGH QUALITY CORE FIXED INCOME FUND - F

Second Quarter 2016

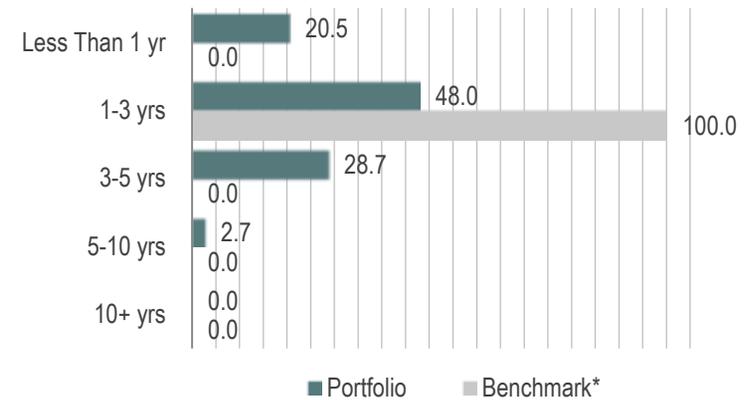
DURATION DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
0-1 yrs	25.9%	28.2%	1.1%
1-3 yrs	55.3%	51.7%	98.9%
3-5 yrs	18.1%	19.3%	0.0%
5-10 yrs	0.7%	0.8%	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*
	03/31/2016	06/30/2016	06/30/2016
0-1 yrs	18.2%	20.5%	0.0%
1-3 yrs	49.0%	48.0%	100.0%
3-5 yrs	30.6%	28.7%	0.0%
5-10 yrs	2.2%	2.7%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



*Barclays Capital 1-3 Yr Government. 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

June 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending June 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	1.09	1.53	--	--	--	2.99
Benchmark***	1.23	1.44	4.36	3.24	2.96	2.49

*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	\$345.2 million
Weighted Average Maturity	5.04 years	4.53 years	Number of Issues	810
Yield to Maturity	1.94%	1.63%	Weighted Coupon	3.34%
Effective Duration	3.45 years	3.48 years	Estimated Annual Income	

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

June 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
U.S. Government/Agency Debentures	21.5%	24.2%	38.9%
Other U.S. Government	4.5%	5.3%	0.8%
Taxable Municipal	0.2%	0.2%	0.4%
Corporates	30.4%	31.1%	20.7%
Asset Backed Securities (ABS)	1.5%	3.3%	0.6%
Commercial Mortgage Backed Securities (CMBS)	6.7%	6.2%	1.2%
Mortgage Backed Securities (MBS)	32.9%	35.5%	33.1%
Sovereign / Supranationals	0.9%	1.0%	4.3%
Cash / Equivalents	1.5%	-6.7%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
AAA	69.1%	68.0%	76.4%
AA	2.3%	2.5%	3.9%
A	10.7%	11.1%	9.1%
BBB	17.9%	18.3%	10.6%
< 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

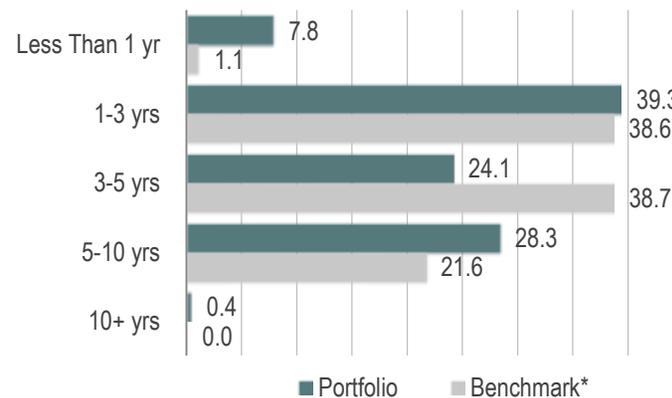
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

June 2016

DURATION DISTRIBUTUION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
0-1 yrs	8.1%	7.8%	1.1%
1-3 yrs	37.6%	39.3%	38.6%
3-5 yrs	28.7%	24.1%	38.7%
5-10 yrs	25.5%	28.3%	21.6%
10+ yrs	0.2%	0.4%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
0-1 yrs	7.9%	5.8%	0.1%
1-3 yrs	21.6%	16.3%	24.9%
3-5 yrs	23.1%	34.0%	29.3%
5-10 yrs	46.7%	43.1%	45.7%
10+ yrs	0.7%	0.8%	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

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 - STATE OF NORTH CAROLINA GROUP TRUST - GREAT WEST ISA

Second Quarter 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending June 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	1.24	3.06	3.93	3.19	2.96	2.71
Benchmark***	1.28	3.53	4.31	3.14	2.81	2.45

*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	\$492.7 million
Weighted Average Maturity	3.86 years	4.45 years	Number of Issues	580
Yield to Maturity	1.69%	1.50%	Weighted Coupon	3.32%
Effective Duration	2.91 years	3.36 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

Second Quarter 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
U.S. Government/Agency Debentures	1.1%	2.0%	43.6%
Other U.S. Government	9.0%	7.5%	0.9%
Taxable Municipal	0.0%	0.0%	0.5%
Corporates	14.8%	15.4%	12.2%
Asset Backed Securities (ABS)	8.2%	8.6%	0.6%
Commercial Mortgage Backed Securities (CMBS)	9.2%	10.7%	1.4%
Mortgage Backed Securities (MBS)	56.1%	55.8%	37.0%
Sovereign / Supranationals	0.0%	0.0%	3.9%
Cash / Equivalents	1.6%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
AAA	84.4%	84.5%	85.5%
AA	4.4%	3.3%	4.4%
A	8.8%	10.6%	10.1%
BBB	2.4%	1.6%	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

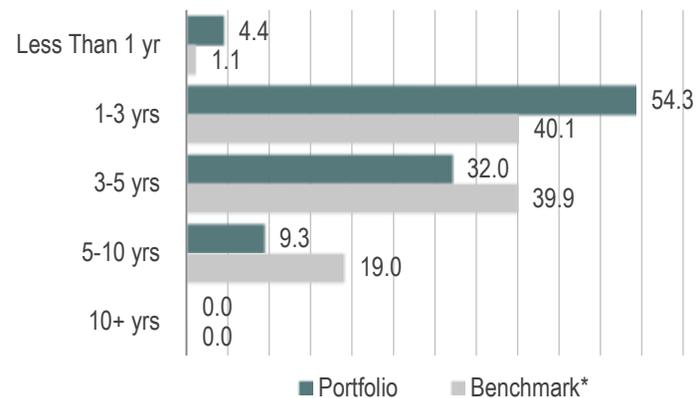
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Second Quarter 2016

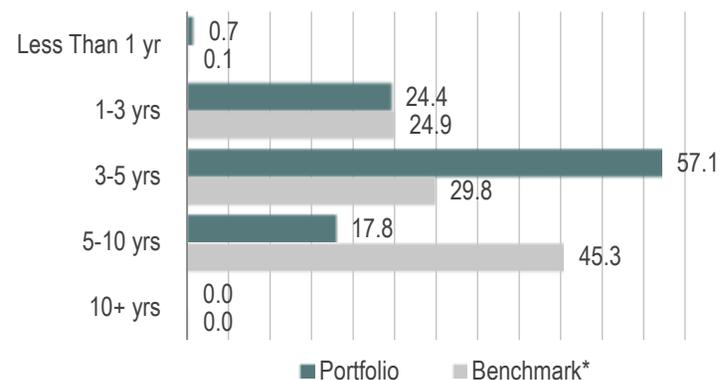
DURATION DISTRIBUTION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
0-1 yrs	6.8%	4.4%	1.1%
1-3 yrs	48.2%	54.3%	40.1%
3-5 yrs	40.5%	32.0%	39.9%
5-10 yrs	4.6%	9.3%	19.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
0-1 yrs	3.7%	0.7%	0.1%
1-3 yrs	22.4%	24.4%	24.9%
3-5 yrs	50.7%	57.1%	29.8%
5-10 yrs	23.2%	17.8%	45.3%
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. 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)

June 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending June 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	1.36	1.54	4.12	4.53	3.16	3.34	3.19
Benchmark***	1.43	1.59	4.07	4.33	2.95	2.90	2.90

*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	\$3,284.3 million
Weighted Average Maturity	6.51 years	4.33 years	Number of Issues	218
Yield to Maturity	1.38%	1.40%	Weighted Coupon	2.52%
Effective Duration	4.26 years	3.99 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)

June 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
U.S. Government/Agency Debentures	65.6%	64.5%	60.6%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	0.0%	0.0%	0.7%
Corporates	32.1%	32.1%	32.1%
Asset Backed Securities (ABS)	2.0%	2.5%	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%	0.4%	6.6%
Cash / Equivalents	0.3%	0.5%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
AAA	68.4%	68.0%	63.7%
AA	2.2%	2.7%	5.9%
A	14.8%	14.7%	14.0%
BBB	14.6%	14.6%	16.4%
< 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

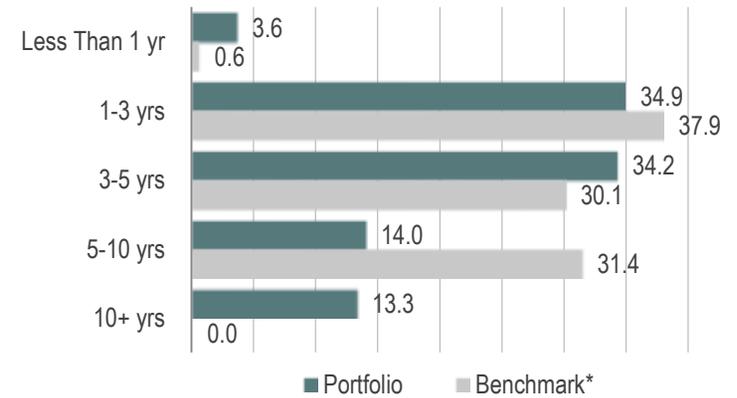
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

June 2016

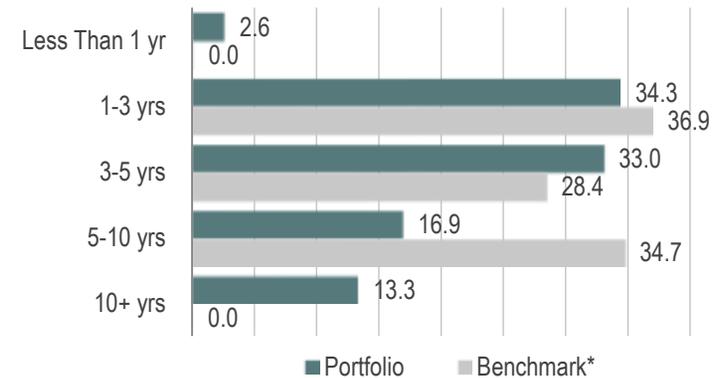
DURATION DISTRIBUTION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
0-1 yrs	3.1%	3.6%	0.6%
1-3 yrs	29.6%	34.9%	37.9%
3-5 yrs	41.3%	34.2%	30.1%
5-10 yrs	12.4%	14.0%	31.4%
10+ yrs	13.7%	13.3%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
0-1 yrs	2.9%	2.6%	0.0%
1-3 yrs	29.0%	34.3%	36.9%
3-5 yrs	39.6%	33.0%	28.4%
5-10 yrs	14.4%	16.9%	34.7%
10+ yrs	14.1%	13.3%	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 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

June 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending June 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	1.21	1.51	4.02	4.57	--	--	2.79
Benchmark***	1.23	1.44	3.78	4.36	3.24	2.96	3.09

*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	\$1,440.9 million
Weighted Average Maturity	4.53 years	4.53 years	Number of Issues	275
Yield to Maturity	1.87%	1.63%	Weighted Coupon	3.10%
Effective Duration	3.54 years	3.48 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

June 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
U.S. Government/Agency Debentures	22.8%	23.6%	38.9%
Other U.S. Government	0.5%	0.3%	0.8%
Taxable Municipal	1.1%	0.5%	0.4%
Corporates	37.4%	37.3%	20.7%
Asset Backed Securities (ABS)	3.2%	3.0%	0.6%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	1.2%
Mortgage Backed Securities (MBS)	33.0%	32.8%	33.1%
Sovereign / Supranationals	0.0%	0.0%	4.3%
Cash / Equivalents	1.9%	2.5%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO	% OF PORTFOLIO	% OF BENCHMARK*
	03/31/2016	06/30/2016	06/30/2016
AAA	61.5%	62.2%	76.4%
AA	2.0%	1.0%	3.9%
A	7.4%	7.3%	9.1%
BBB	29.1%	29.5%	10.6%
< 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

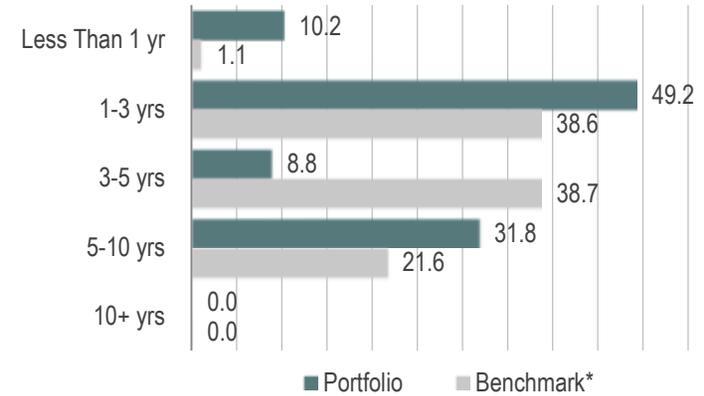
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

June 2016

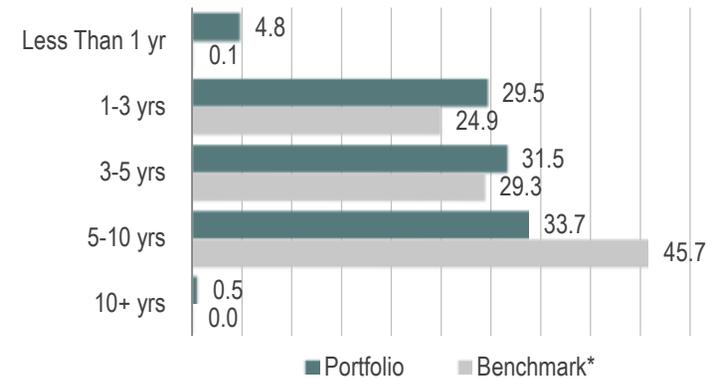
DURATION DISTRIBUTION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
0-1 yrs	13.7%	10.2%	1.1%
1-3 yrs	41.7%	49.2%	38.6%
3-5 yrs	15.4%	8.8%	38.7%
5-10 yrs	29.2%	31.8%	21.6%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 03/31/2016	% OF PORTFOLIO 06/30/2016	% OF BENCHMARK* 06/30/2016
0-1 yrs	8.8%	4.8%	0.1%
1-3 yrs	21.9%	29.5%	24.9%
3-5 yrs	34.2%	31.5%	29.3%
5-10 yrs	34.6%	33.7%	45.7%
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

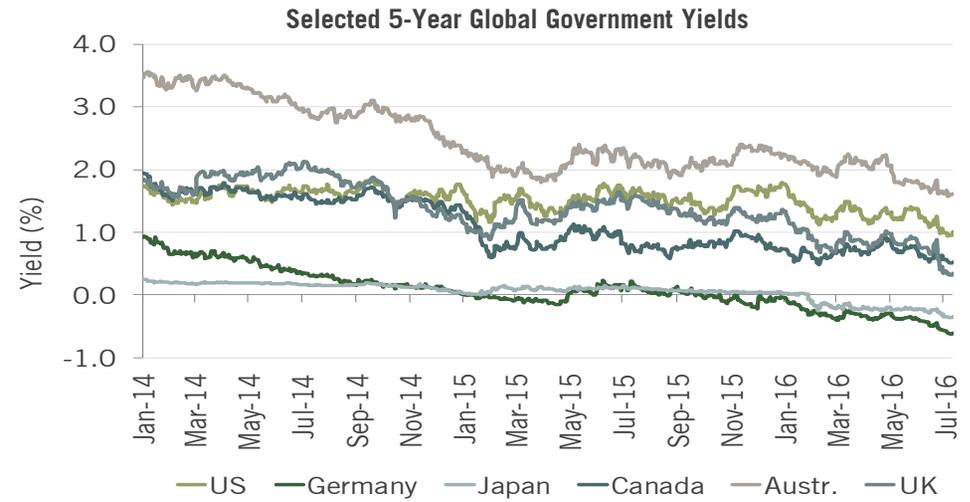
Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

APPENDIX

MARKET REVIEW SECOND QUARTER 2016

UK'S 'BREXIT' VOTE AND WEAKENING GROWTH OUTLOOK DRIVE GLOBAL YIELDS LOWER

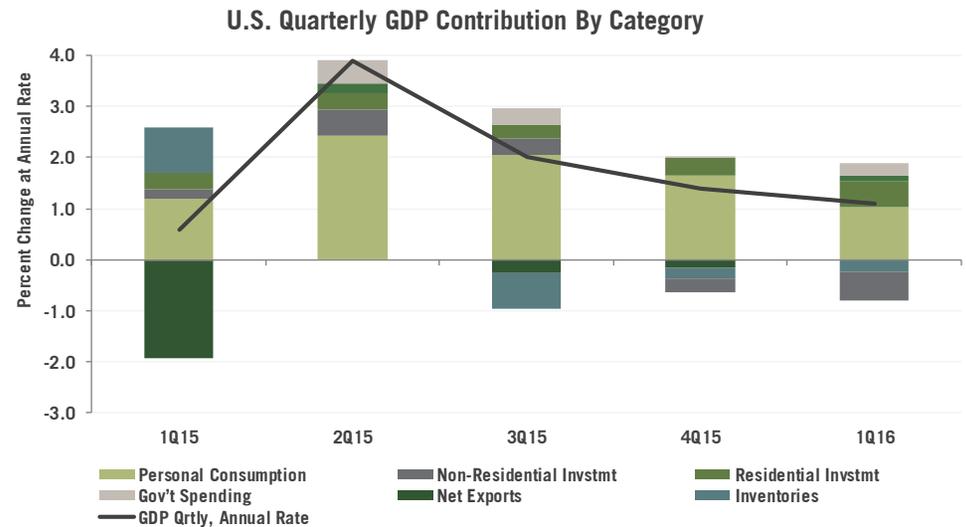
- The UK's historic vote on June 23rd to leave the European Union (EU) sent shockwaves through financial markets across the globe.
- The British pound fell to the lowest level since 1985 as capital fled the UK and recession concerns rose. In Europe, fears mounted that Brexit would expose wider rifts within the EU and spur additional departures.
- Government yields across the globe fell sharply and safe haven currencies like the U.S. dollar and Japanese yen spiked as investors fled riskier markets.



Source: Bloomberg

U.S. GROWTH SLOW BUT (MOSTLY) STEADY; FED ON SIDELINES

- U.S. GDP rose at a meager +1.1% pace in Q1, hurt by lower consumer demand for goods and weak business spending.
- The Fed kept its policy rate unchanged during the quarter. In multiple policy communications, the Fed acknowledged significant uncertainty about the path of U.S. and global growth and inflation.
- While a rate hike is still possible this year, odds now favor the Fed staying on hold for the balance of 2016.



Source: U.S. Bureau of Economic Analysis, Bloomberg

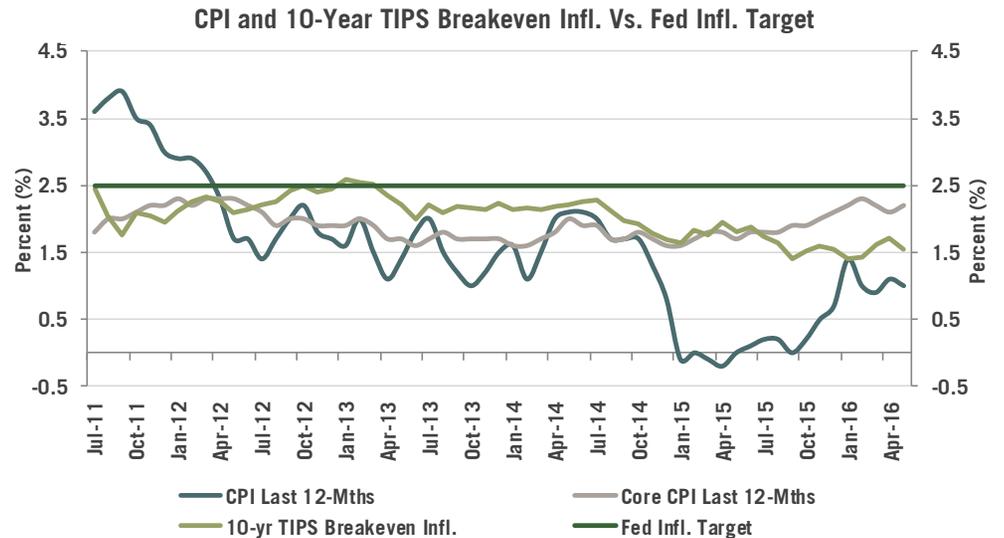
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MARKET REVIEW

SECOND QUARTER 2016

HIRING COOLS, INFLATION REMAINS SUBDUED

- The pace of hiring slowed in Q2 as employers added just 442,000 new jobs. Other labor market indicators remained strong, suggesting hiring could rebound in coming months.
- The recent stabilization in energy prices has translated into a modest uptick in overall inflation, though most measures remain well below the Fed's target level.
- Market-based measures of inflation expectations fell sharply during the quarter.



Source: St. Louis Fed, Bloomberg, Galliard estimates*

TREASURY YIELDS FALL TO NEAR RECORD LOWS

- Modestly positive U.S. economic data during the quarter was overshadowed by global growth concerns and uncertainty surrounding Britain's vote to leave the European Union.
- U.S. Treasury yields fell across the curve during the quarter, with longer maturities falling most. The yield on the 10-year Treasury fell 30 bps to 1.47% and the 30-year Treasury yield fell 32 bps to 2.29%, both near record lows.



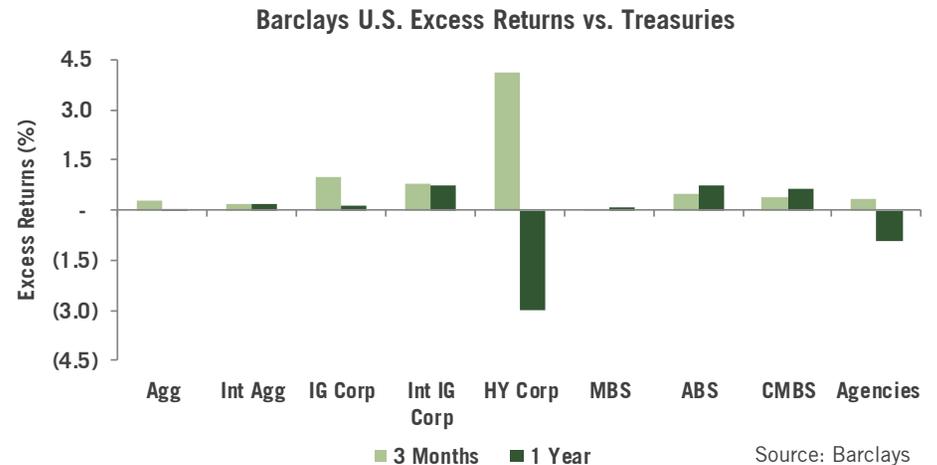
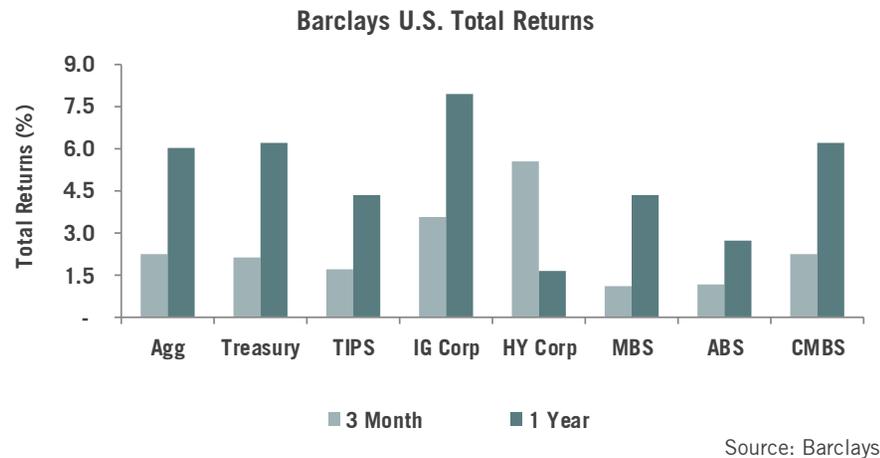
Source: Bloomberg

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MARKET REVIEW

SECOND QUARTER 2016

FIXED INCOME RALLY PUSHES YIELDS TO NEAR RECORD LOWS



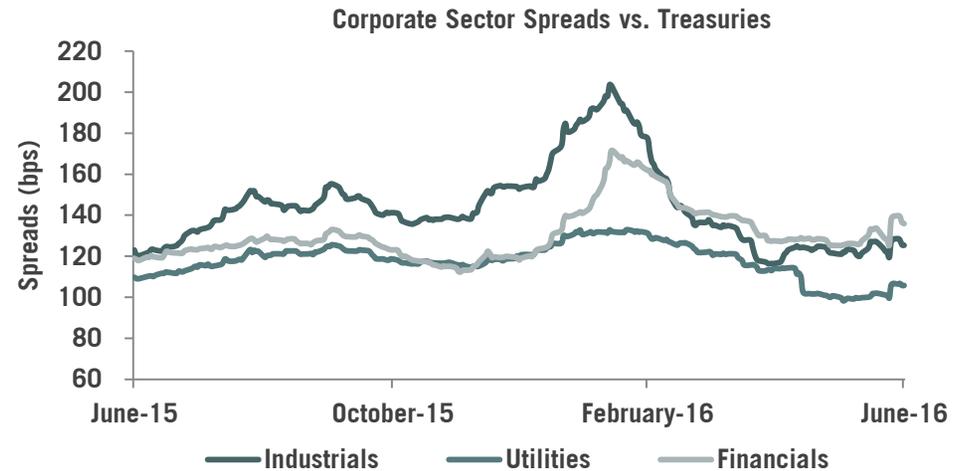
- Global growth concerns, uncertainty surrounding Britain’s decision to leave the European Union, and a ‘cautious’ Fed all helped to drive Treasury yields to near record lows. The June rally in Treasuries led to strong total returns across all sectors of the fixed income market for the quarter.
- With the exception of several days immediately following the Brexit vote, corporate spread levels continued to grind tighter during Q2. High yield corporates, led by metals and mining, outperformed investment grade corporates.
- Investment grade corporates outperformed similar duration Treasuries during the quarter by 99bps and moved into positive territory over the trailing one-year period. Outperformance during the quarter was led by a continued rebound in Metals & Mining, which was the top performing sector.
- Agency MBS performance relative to similar-duration Treasuries was flat for the quarter and trailing 12 months as price erosion from interest rate volatility and concerns over rising prepayment speeds offset the sector’s yield advantage.
- ABS generated excess returns of +50bps in Q2 as lower new issuance (compared to the previous year) and strong investor demand for high quality assets boosted the sector. Led by auto ABS, the sector generated positive excess returns of +75bps for the trailing 12 months, making it one of the best performing segments of the credit markets.
- CMBS spreads tightened during the quarter, producing +37bps of excess return in Q2. Lower new issue supply and steady gains in commercial real estate values provided tailwinds for the sector. For the trailing one-year period, the sector produced excess return of +63bps.

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MARKET REVIEW SECOND QUARTER 2016

BREXIT VOTE SLOWS (BUT DOESN'T HALT) CREDIT RALLY

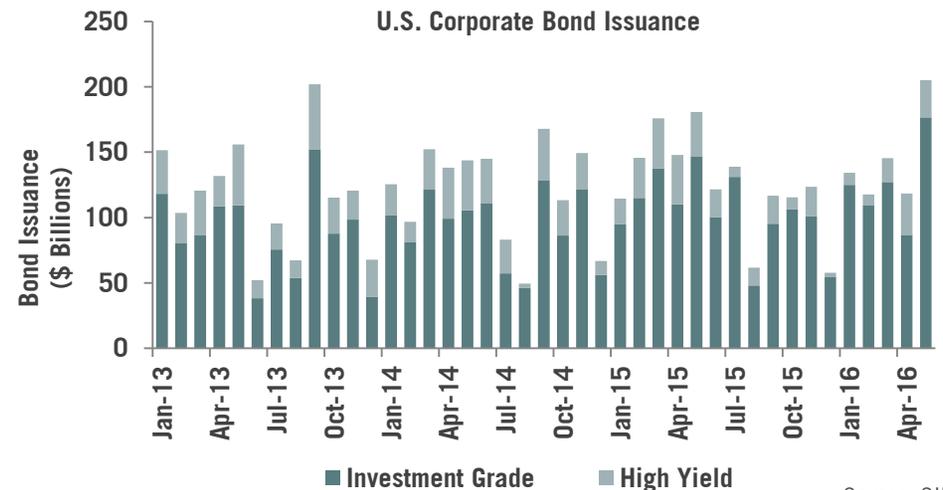
- The rally in corporate spreads was temporarily interrupted by the surprise result of the Brexit vote. Both stocks and credit spreads sold off in the aftermath, but most markets recovered quickly and corporate spreads ended tighter on the quarter.
- Better than expected growth in China supported a rebound in commodity prices. Energy prices benefitted from reduced oversupply as lower prices squeezed out marginal production. Crude oil rose 26% on the quarter, briefly topping \$50/bbl. before falling back to end the quarter just above \$48/bbl.
- Gold moved higher as record low interest rates – including persistently negative yields in Europe and Japan – spurred increased demand for the safe haven metal.



Source: Barclays

FED PUBLISHES BANKS' STRESS TEST RESULTS

- The Fed released its stress test results for the 33 largest banks in the U.S. All banks passed on a quantitative basis in terms of adequate capital; however, two domestic subsidiaries of international banks (Deutsche Bank and Santander) failed the stress tests on a qualitative basis.
- Investment grade corporate new issuance continued on a strong pace in Q2, with approximately \$354 billion in new supply. May was one of the strongest single months on record, and 2016 is on-track for another record-setting year.



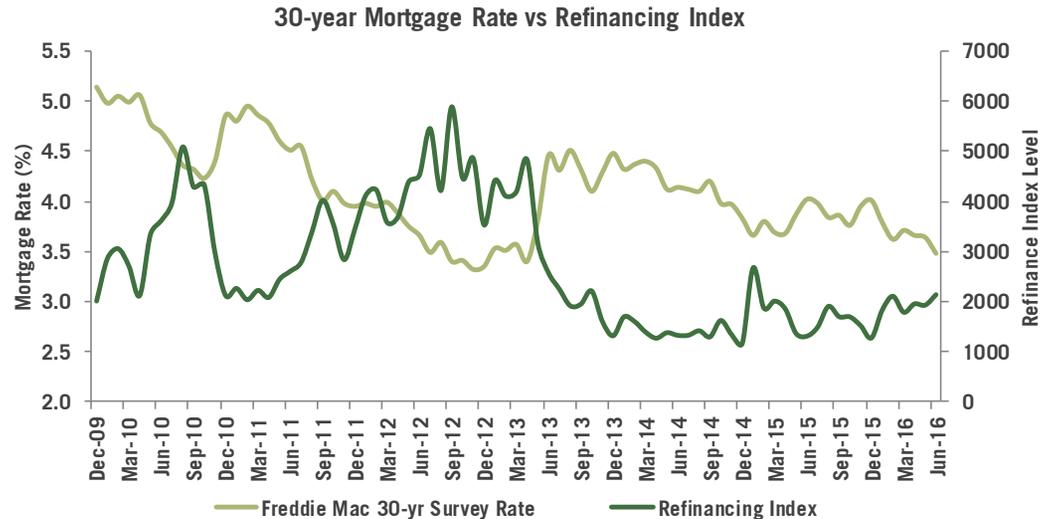
Source: SIFMA

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MARKET REVIEW SECOND QUARTER 2016

LOW YIELD ENVIRONMENT SUPPORTS HOUSING ACTIVITY – NEW REFINANCE WAVE COMING?

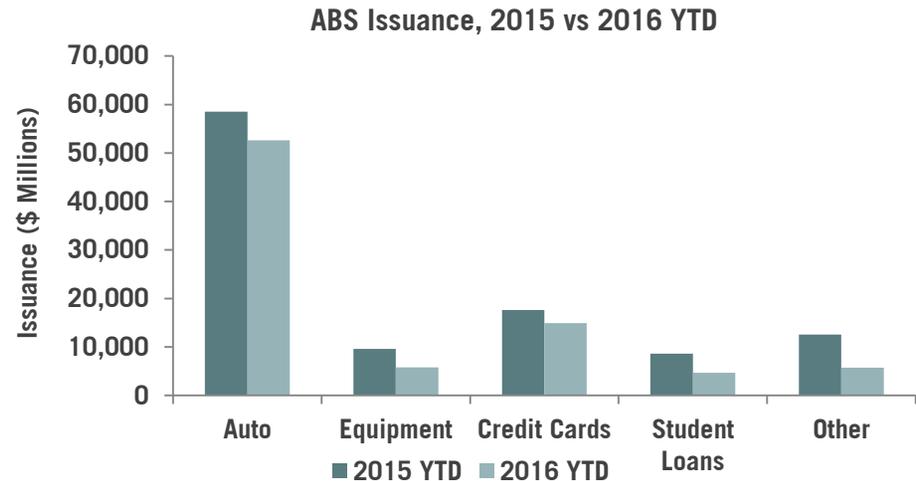
- The S&P Case-Shiller Home Price Index registered a 5.44% increase for the 12 months ending April 2016. New home sales rose 551k annual units in May, while the inventory of unsold homes remains below the long-run average.
- Falling Treasury yields sent mortgage rates lower. The Freddie Mac Weekly Survey of 30-year mortgage rates fell to 3.48%, the lowest level since May 2013. At these rates, we would expect to see a mortgage refinancing wave.



Source: Bloomberg

ABS ISSUANCE SLOWING, COMMERCIAL REAL ESTATE TAKES A BREATHER

- Total new issue ABS in the first quarter was \$49 billion; approximately 6% lower than in 2Q15. Year-to-date, ABS new supply is 22% lower than during the first half of 2015.
- Moody's published their revised FFELP Student Loan ABS ratings methodology in June. We expect that Moody's will take ratings action on the securities on its watch list over the next six months.
- Commercial property prices have leveled off following six years of consistently rising valuations. The Moody's/RCA Commercial Property Price Index rose +1.3% for the first five months of 2016.



Source: SIFMA

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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