

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



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INVESTMENT MANAGEMENT DIVISION

# Legal Update

Private Market Discretionary Transactions



# Treasurer's Investment Authority

- Overview
  - Hybrid of external management and internal control
  - External investment manager with deal-specific approval by the Treasurer
- IAC review and input required
- Recent deal provides opportunity for IMD to review investments on a deal by deal basis



# Legal Background

- ***NC. Gen. Stat. § 147-69.2(e)(1) (and (2))***
  - Assessment of whether or not to use external or internal management shall include material factors consistent with the Treasurer’s fiduciary duty such as:
    - Financial, operational, investment expertise and resources, alignment of interests, investor protections, transparency, repeatability of investment process, risk controls, and cost effectiveness
  - “Internally managed portfolios shall be subject to industry standard portfolio guidelines developed with periodic consultation by the [IAC].”
- ***IAC Charter, Section IV(C)***
  - “Investment guidelines for internally managed portfolios will be periodically presented to the IAC for their review and input.”
- ***Investment Manager and Vehicle Monitoring and Termination Policy***
  - Requires IMD to follow an impartial and consistent framework for monitoring “Investment Managers” (includes DST staff for internally managed portfolios)



# Investment Opportunity Approval

## Contract Terms Summary

- Investment sources: by NCDST; by the GP; or overflow from existing GP investments.
- Steps prior to any investment:
  1. GP will provide evaluation materials
  2. Within five days, NCDST will respond with a notice of approval of the investment opportunity



# Current Process

1. Execute NDA;
2. Perform due diligence and analysis;
3. Submit written investment recommendation to Treasurer;
4. Treasurer makes decision + IMD responds to GP;
5. (If approved) GP for the partnership completes legal documentation.