



2014-15 Investment Management Division Initiatives

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North Carolina Department of State Treasurer
Investment Management

Learn. Invest. Grow. Prosper.

Investment Projects and Priorities

- Implement transition/capital allocation plan (result of Asset Liability Study), including using the internal Investment Committee in a structured cross-asset class allocation process
- Finalize Annual Work Plans for each asset class
- Support General Counsel's corporate governance initiatives related to evaluating ESG strategies and implementing board of directors diversity engagements and divestment policies
- Transition oversight of Ancillary Funds to Chief Operating Officer, including establishing a new long-term fixed income product for certain clients and facilitating movement of assets
- Other Investment Initiatives:
 - Independent consultant benchmark evaluation
 - Best practices reviews with the Investment Advisory Committee
 - Evaluate restructuring/exiting Fund of Funds and legacy low-conviction funds/managers
 - Research design and recommendations on Managed Accounts Program
 - Implement initial components of direct Hedged Equity program
 - Research and implement strategic co-investments program(s) and/or secondary program(s)
 - Research and implement Real Estate separate accounts
 - Review Small and Emerging Manager programs across NCRS
 - Procure Public Equity consultant
 - Effect Public Equity investment management agreement restatements
 - Evaluate liquid "Staging Portfolios" for Core Real Estate and Inflation Sensitive



“Staging Portfolio” Concepts

- Hedged Equity (i.e., Equity Long/Short)
 - Managed Account Platform finalists in diligence and design work underway with AF Advisors
 - Rich pipeline of fundamental long/short managers
 - Several Quantitative Market Neutral prospects in diligence
 - Evaluating alternative beta replication proposals (active and passive) to potentially utilize equities, cash, fixed income, and/or derivatives
- Inflation Sensitive Tradeable Portfolio
 - Delegated separate account arrangement
 - TIPS, floating rate investments, Interest-Only CMOs, inflation derivatives, interest rate derivatives, ARM MBS pass-throughs, etc.
 - Equity and mortgage REITS
 - Natural resources debt and equity, etc.
 - Investments whose value is otherwise reasonably expected to outperform other publicly-traded investments in an environment of unanticipated and rising inflation
- Core Real Estate
 - 1 new(er) Open-End fund has been closed and another is in advanced diligence
 - REIT-related strategy in diligence



Operations and Risk Management Priorities

- Formalize Operating Committee charter and use the Operating Committee to procure a strategic planning/organizational culture consultant
- Implement operating/resource improvements resulting from Investment Fiduciary Governance Commission, short session legislation, and reorganization
 - Effect new Assistant Director roles and fill Director of Multi-Strategy
 - Fill position vacancies and utilize targeted contractual resources
 - Conduct market-oriented compensation study
 - Support audit readiness preparation with State Auditor and FOD
- Restructure BNY Mellon contract, including new business requirements
- Finalize streamlining and developing new IMD policies/procedures
- Implement total fund risk systems and processes
 - Keep SAS project on timeline with high quality deliverables
 - Revise and enhance performance reporting
 - Build-out detailed risk budget monitoring thresholds and risk standards



Operations and Risk Management Priorities

- Review pool of external legal counsel and support search for new firms, as necessary
- Review pool of transition/stock distribution managers and search for new firms, as necessary
- Institute manager training and career development program for Portfolio Managers and Analysts
- Institute structured third-party review of fees and incentive payments
- Finalize implementation of CRM/Backstop
- Effect relocation



Other DST Initiatives to Support

- General Assembly long-session deliberations
- Reevaluation of Consultant/IMD roles for Supplemental Retirement Plan
- GASB Working Group
- Standardizing DST Board practices

