NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

Investment Grade Fixed Income Review

August 27, 2025

Investment Grade Fixed Income Org Chart

Jeff Smith, CFA
Director of IG Fixed Income
30+ years Investment Experience with IMD

Brett Hall
Asst. Director of IG Fixed Income
25+ years with IMD

Rekha Krishnan
Assoc. Port. Mgr.- Trader
4 years with IMD

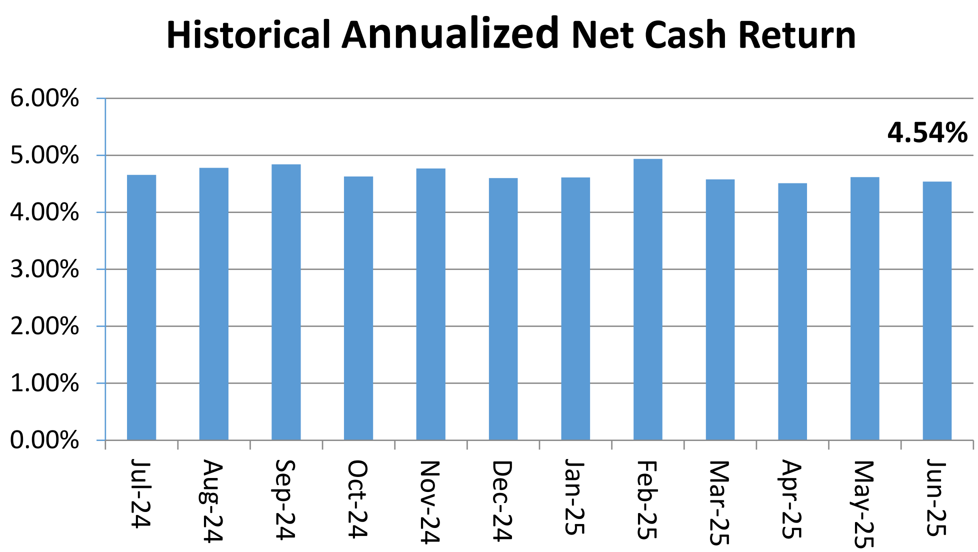
Mike Nichols, CFA
Port. Mgr.- Head of Credit Research
15+ years with IMD

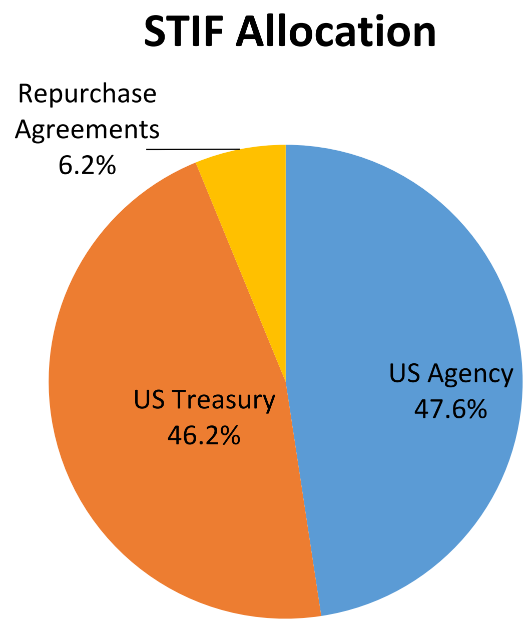
Carlene Hughes
Port. Mgr.- Credit Research
25 years with IMD

Vacant
Port. Mgr. –Credit Research

North Carolina Short Term Portfolio (STIF)

June 30, 2025

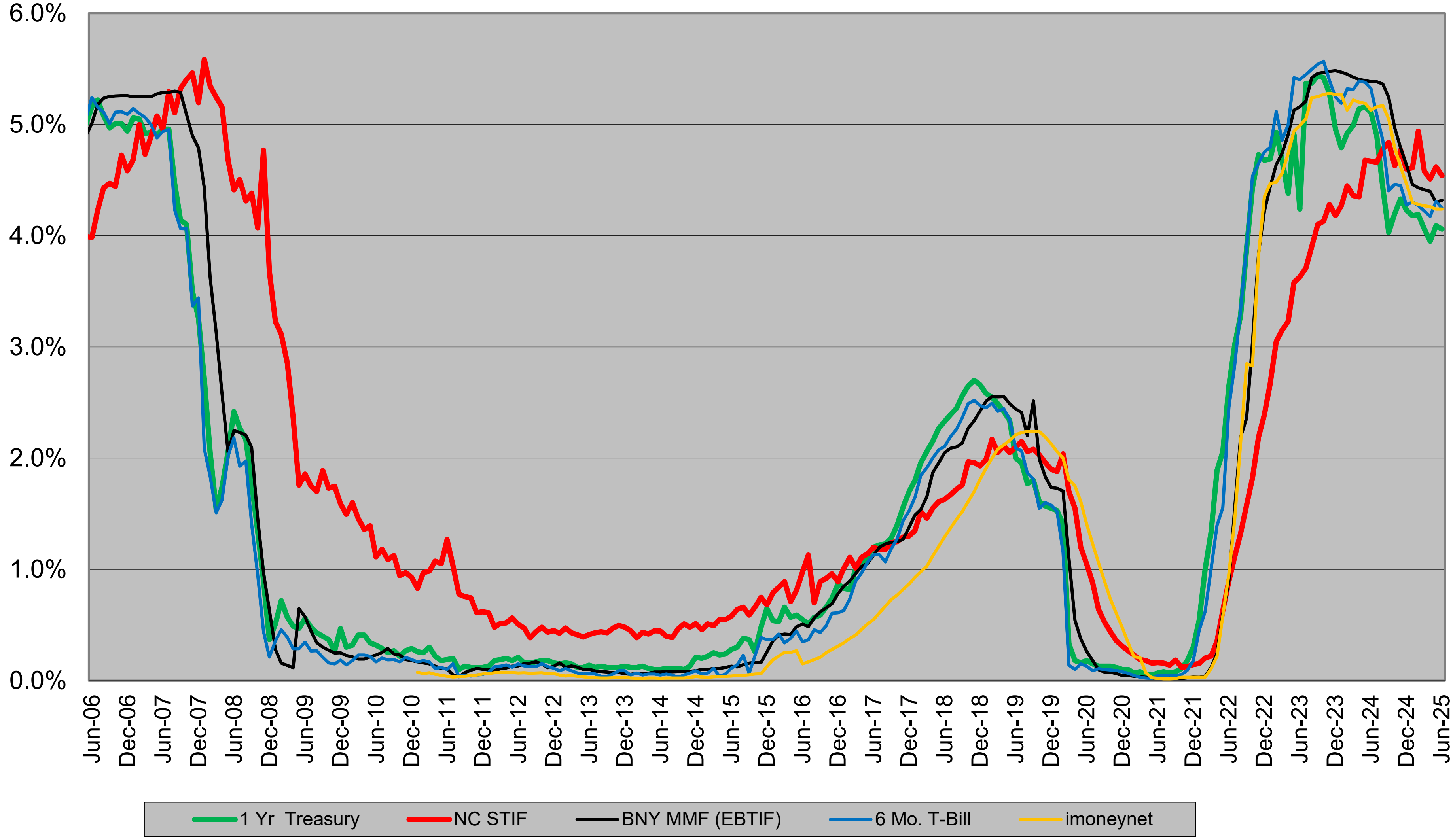




Portfolio Characteristics	Month ending 06/30/25
Current Annualized Net Cash Return	4.54%
Effective Duration	.62
Average Maturity (Yrs)	2.1
Average Credit Rating (Moody's)	Aa1
Average Price	100.00
Average Coupon	4.18%

Short Term Portfolio (STIF) Rate History

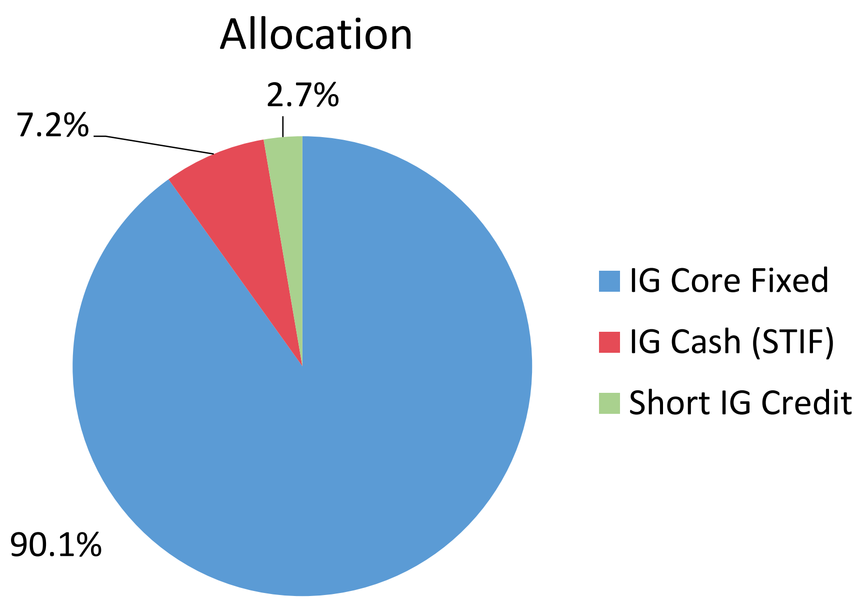
$49.8 Billion AUM as of 6/30/25

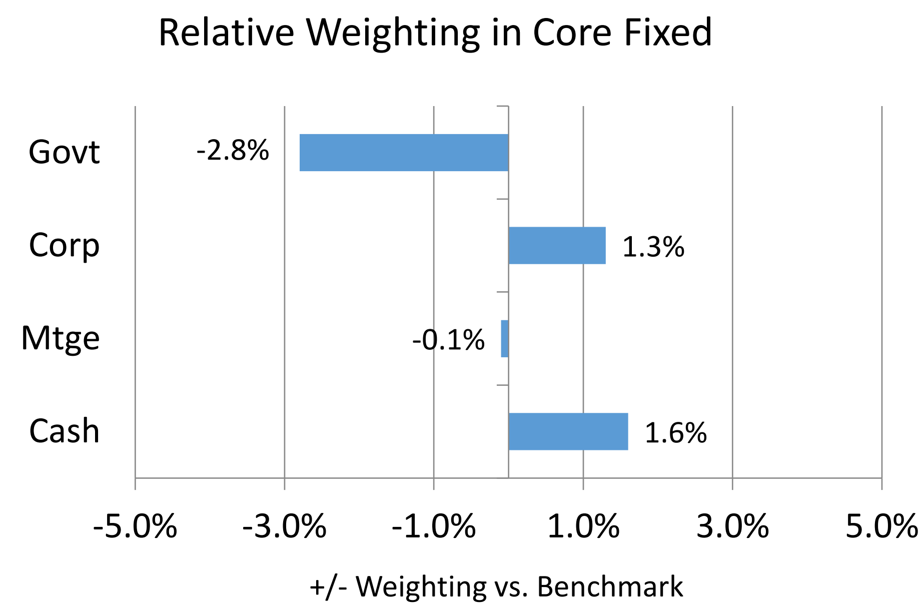


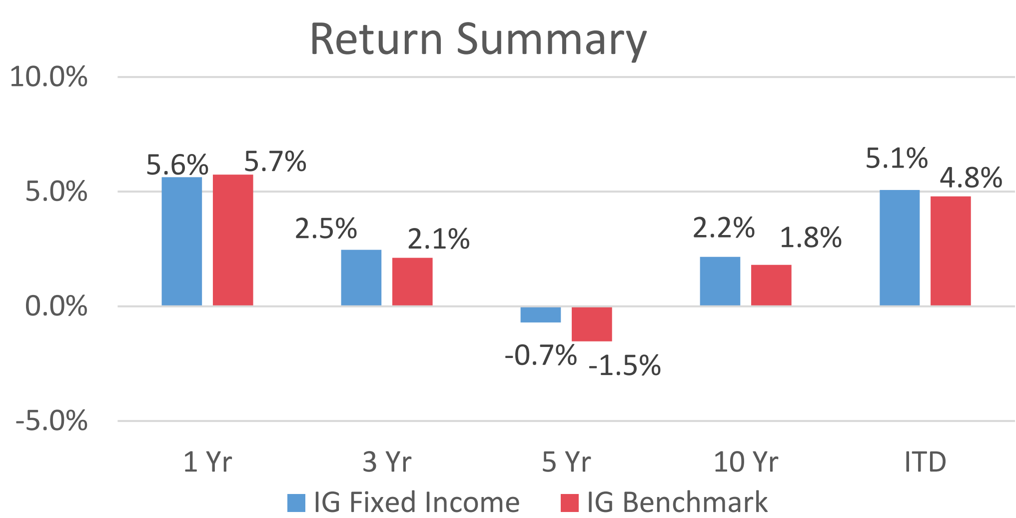
SOURCE: Bloomberg, BNY and iMoneynet

Investment Grade Fixed Income Profile

As of June 30, 2025







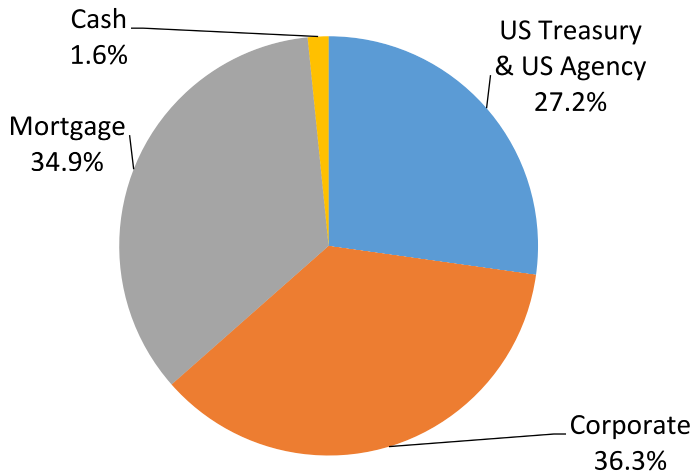
*BOAML Custom Fixed Income Benchmark

- Investment Grade Fixed Income continues to outperform over most time periods.
- The portfolio's 4 bp underperformance over the 1 year reflects curve positioning and cash exposure.

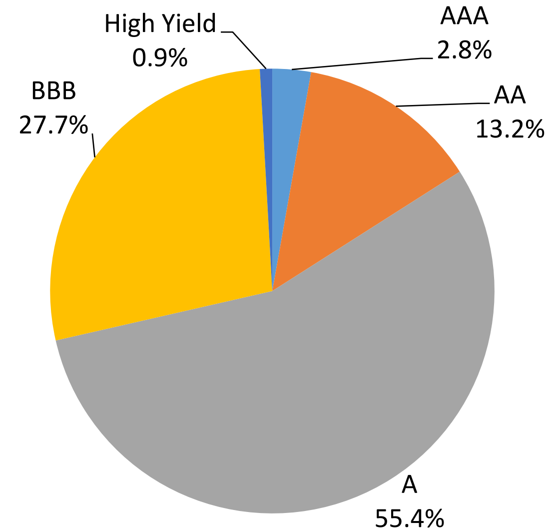
Core Fixed Income Long Term Portfolio (LTIP)

June 30, 2025

LTIP Allocation



Corporate Allocation by Quality



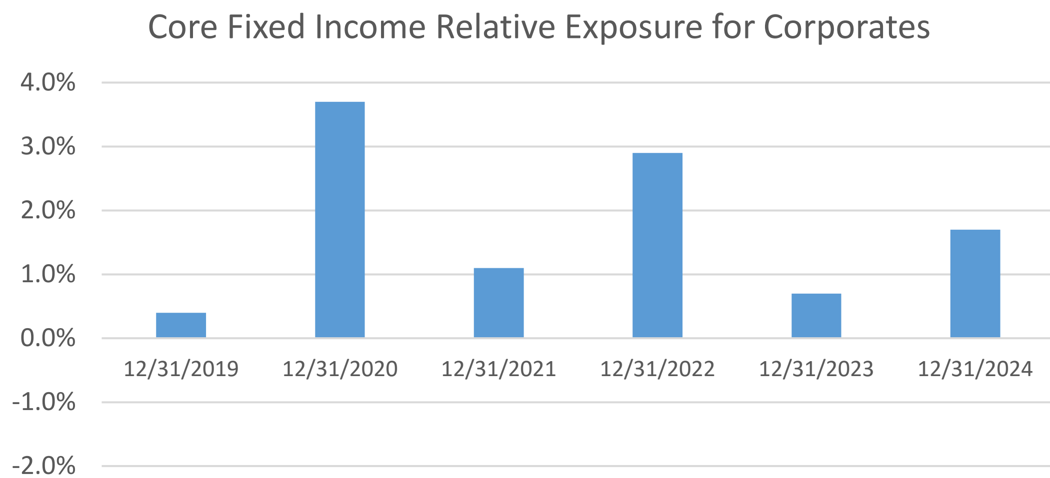
Portfolio Characteristics (ex cash)	As of 6/30/25	ICE BOA Index (H167)
Yield to Maturity	4.9%	4.9%
Duration	8.1	8.5
Average Maturity (Yrs)	11.7	12.5
Average Credit Rating	AA	
Average Coupon	4.1%	

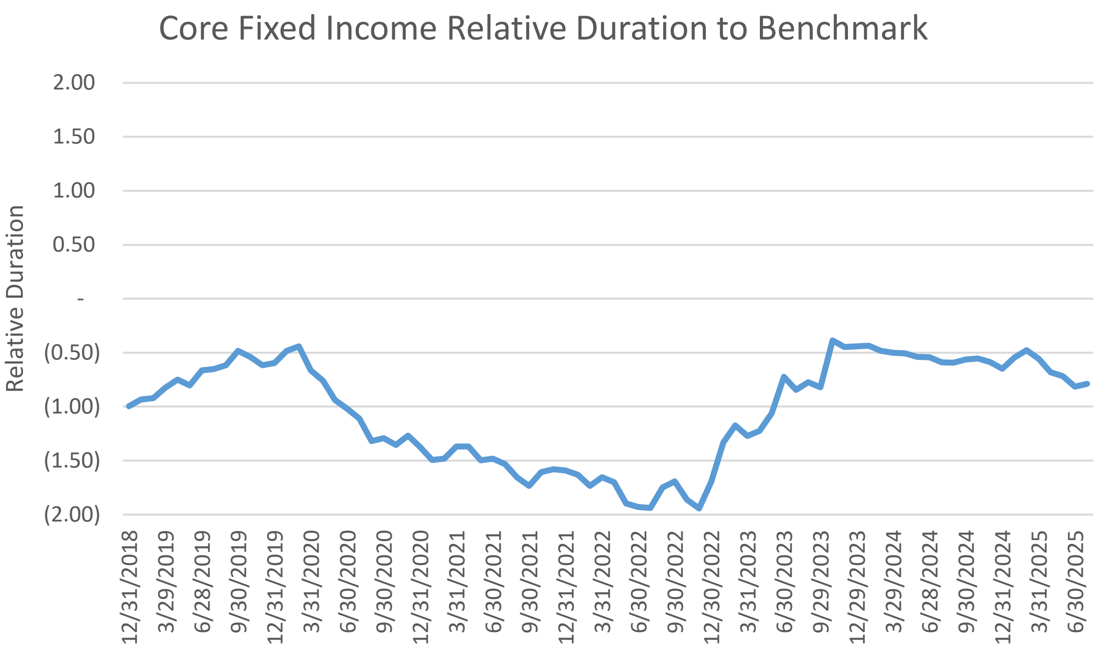
10 year and 30 Year UST Yield History

Source: Bloomberg

Source: Bloomberg

Portfolio Management Strategies





- The portfolio is actively managed based on market conditions and valuations. Monitoring and positioning the portfolio from a duration, sector and company specific (issuer) basis.

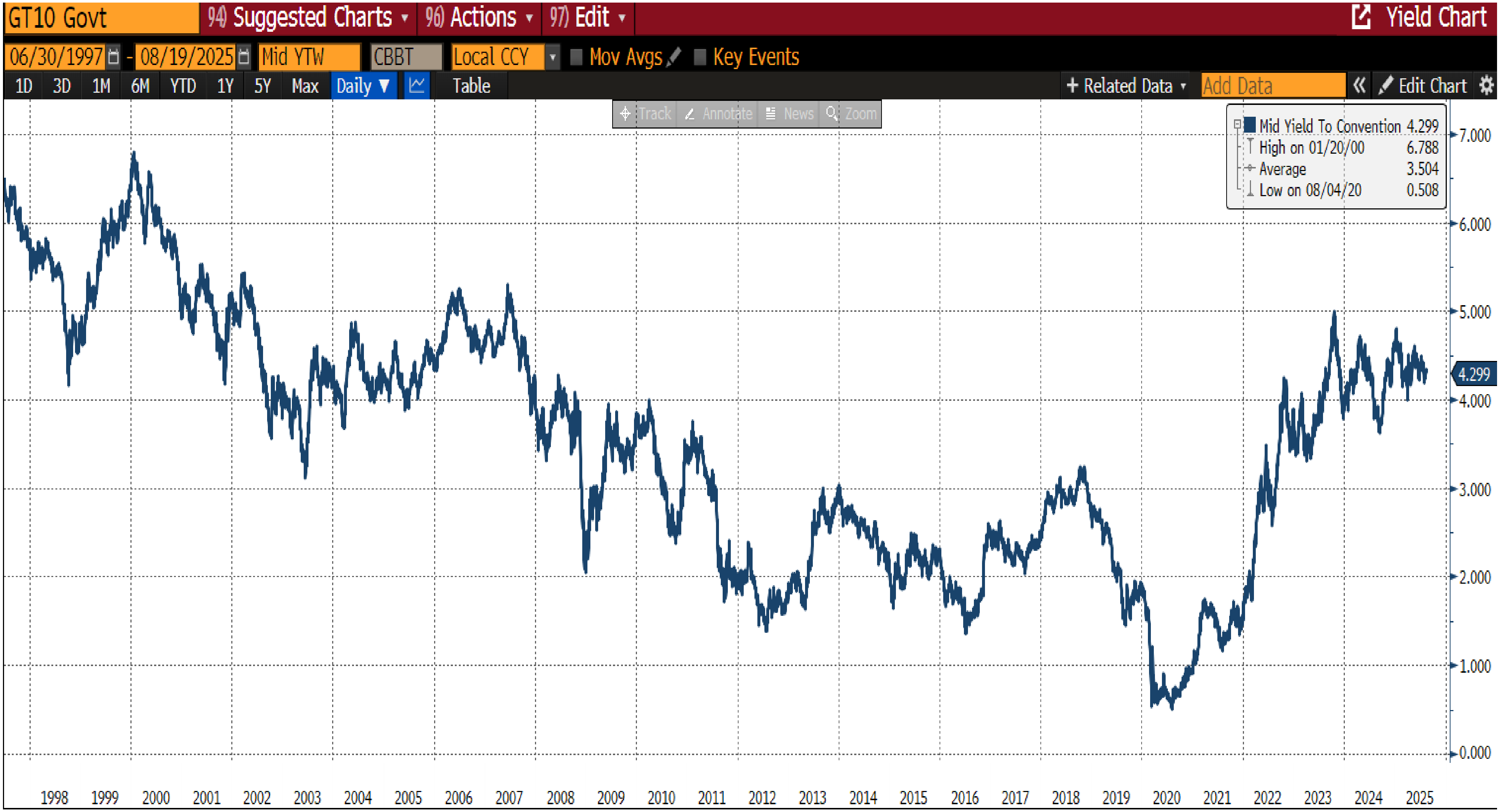
- The credit research team establishes over/under weight recommendations at the issuer level.

- Index data
  - 1100+ issuers
  - 6600+ cusips

- Core IG portfolio owns roughly half of those issuers/cusips

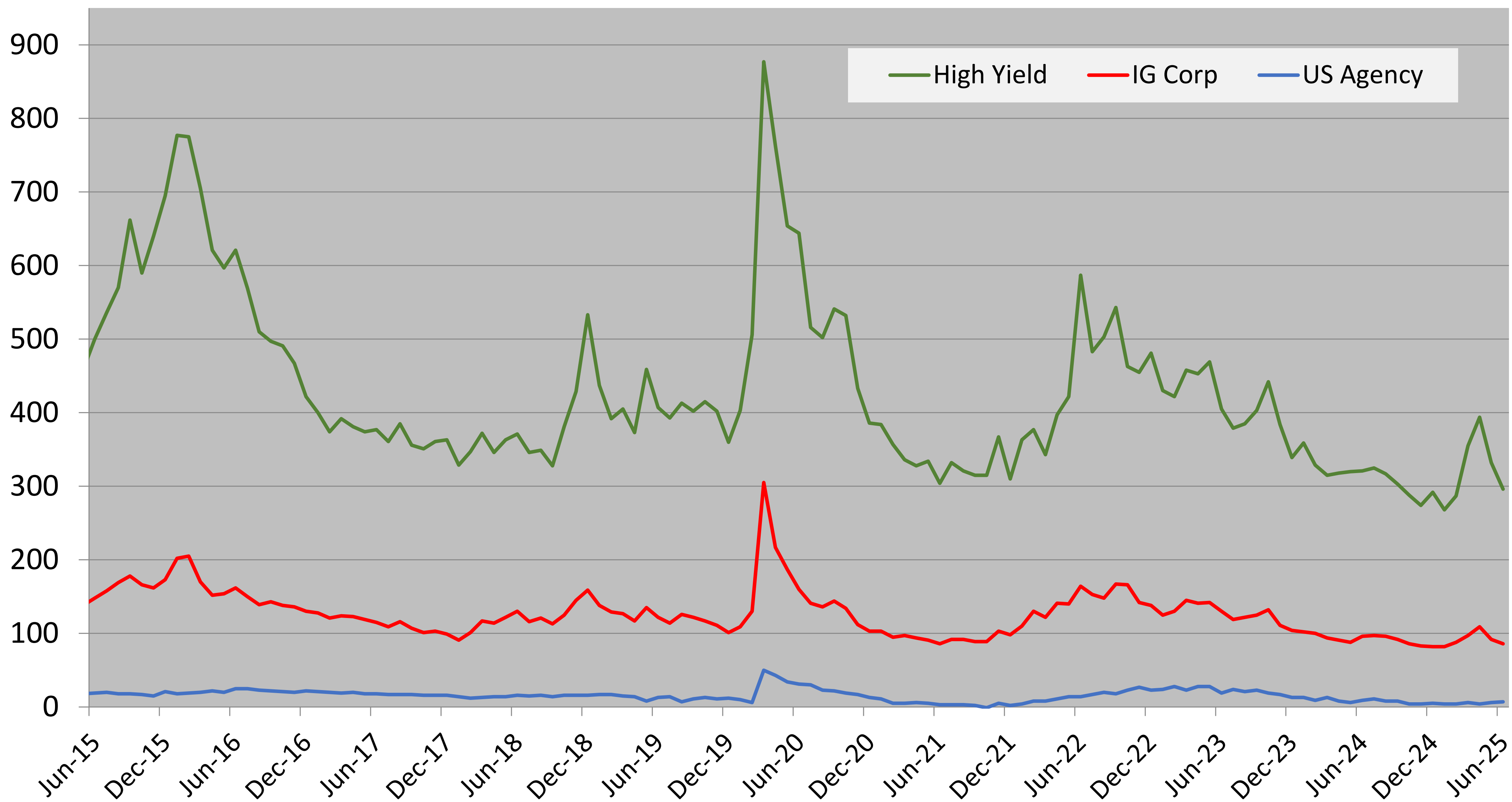
Source: Bloomberg, Factset

UST 10 Yr Maturity Yield History

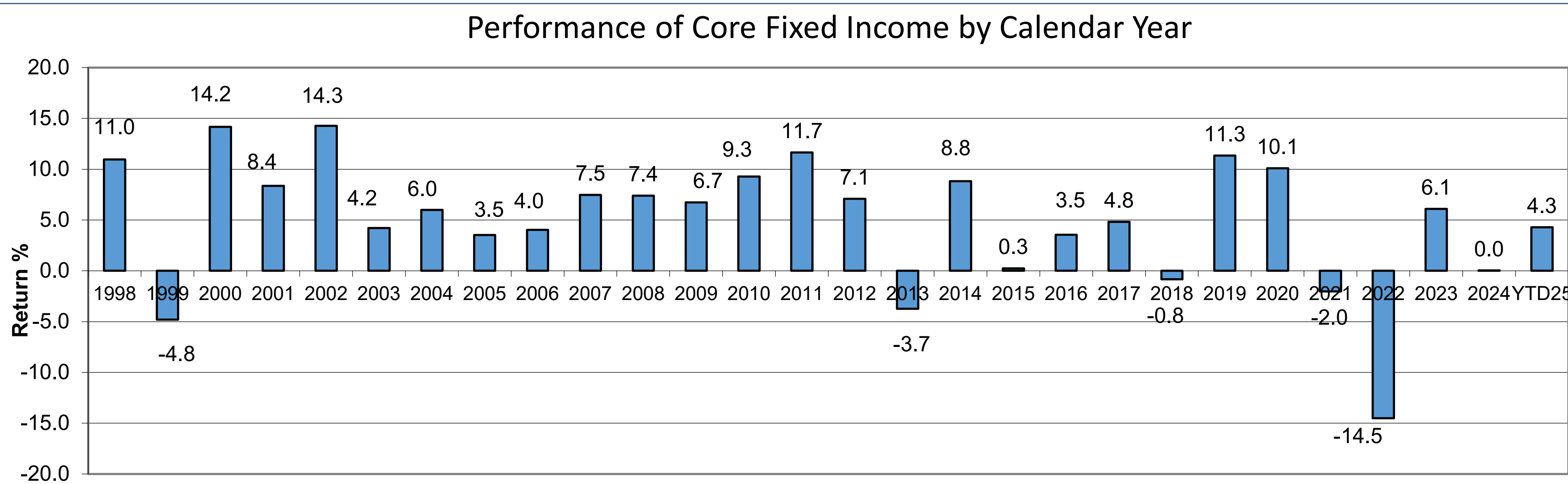


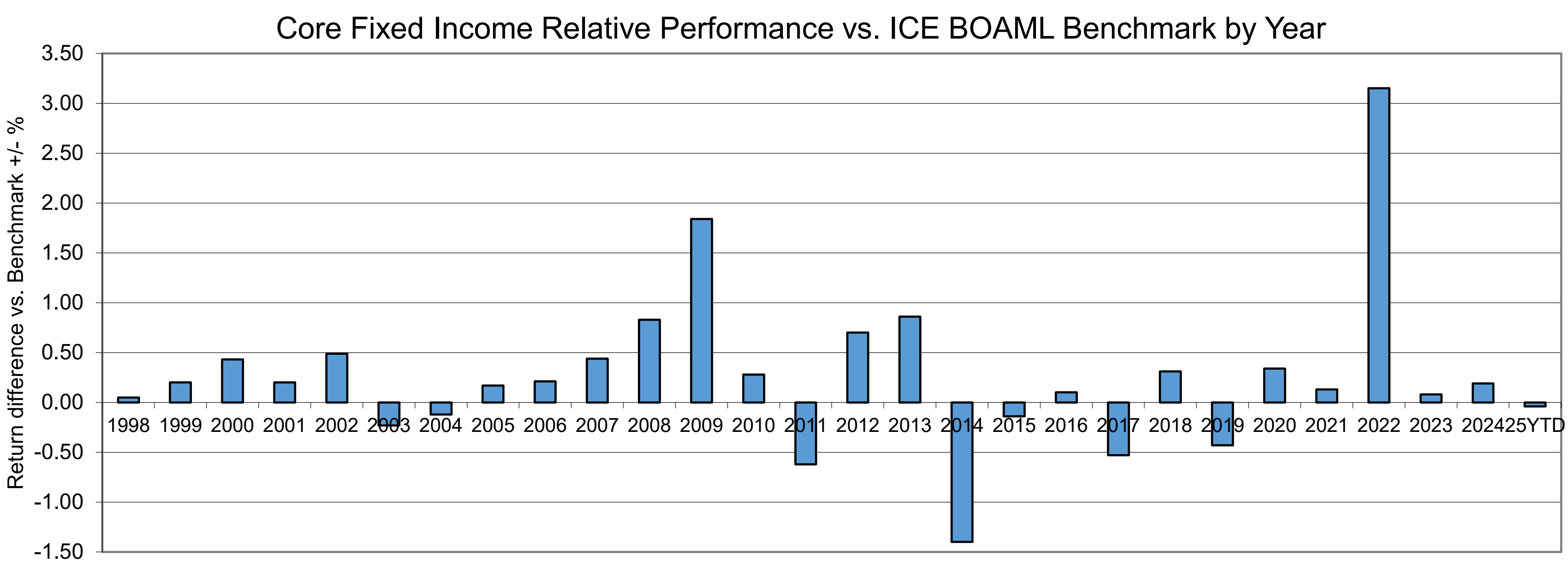
Source: Bloomberg

Spread History Credit Markets

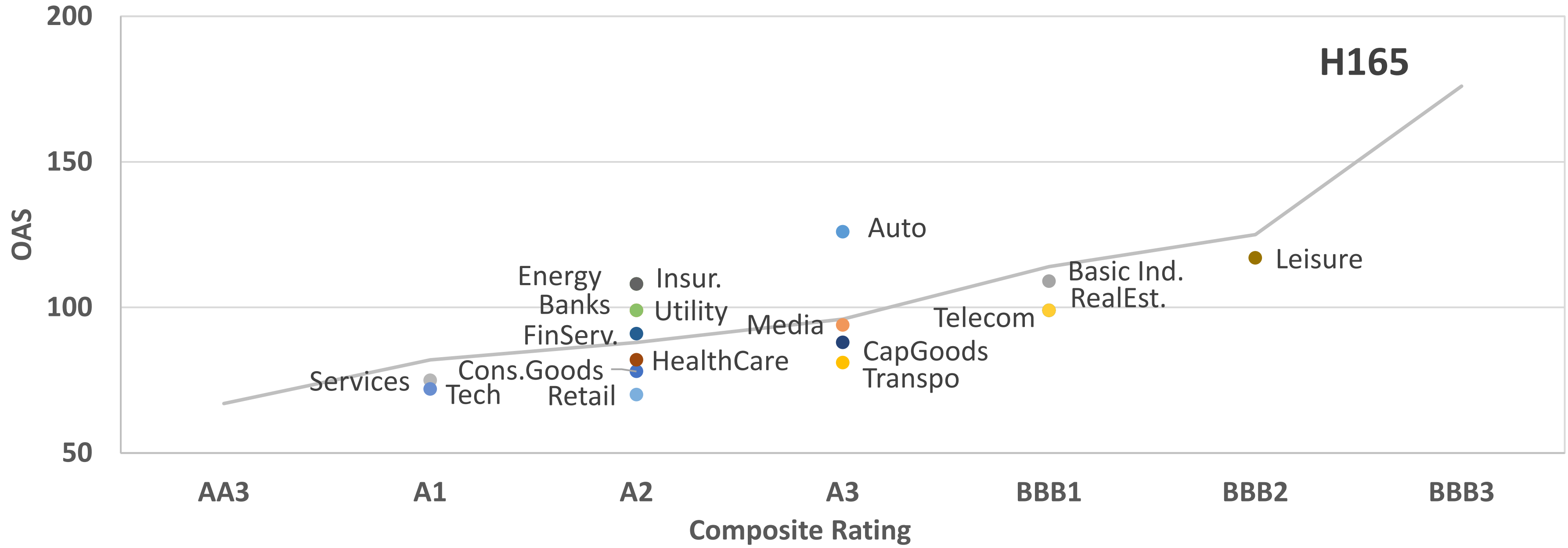


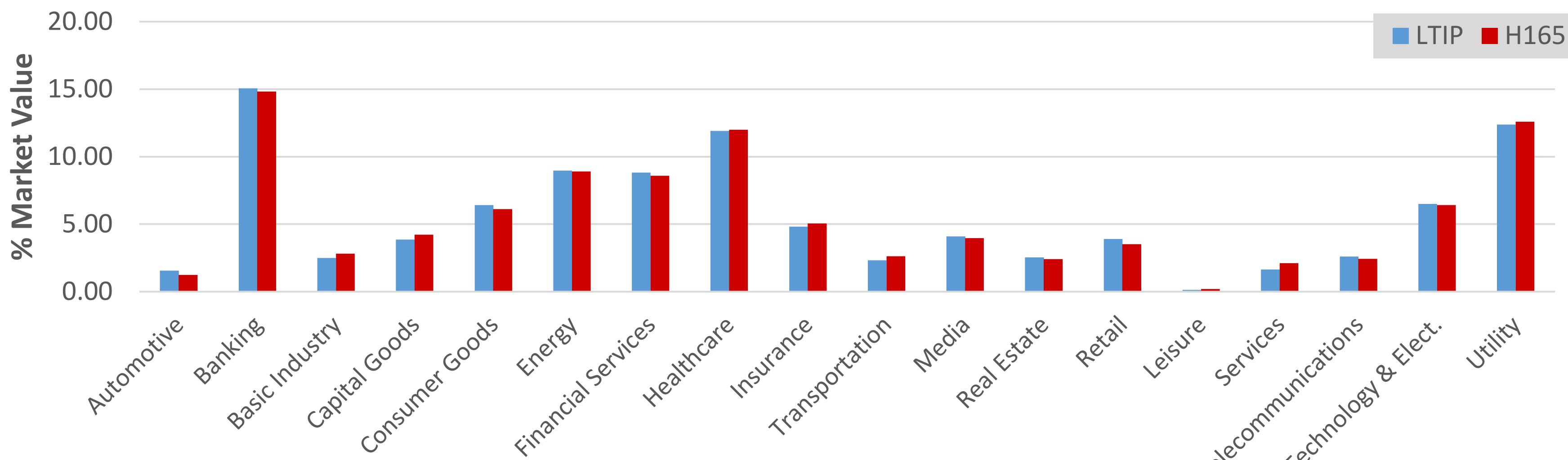
SOURCE: BofA Merrill Lynch, used with permission. See disclaimer on last page.


Performance of Core Fixed Income by Calendar Year
Return %
20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
-15.0
-20.0
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 YTD25
11.0
-4.8
14.2
8.4
14.3
4.2
6.0
3.5
4.0
7.5
7.4
6.7
9.3
11.7
7.1
-3.7
8.8
0.3
3.5
4.8
-0.8
11.3
10.1
-2.0
-14.5
6.1
0.0
4.3


Core Fixed Income Relative Performance vs. ICE BOAML Benchmark by Year
Return difference vs. Benchmark +/- %
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
-0.50
-1.00
-1.50
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 25YTD

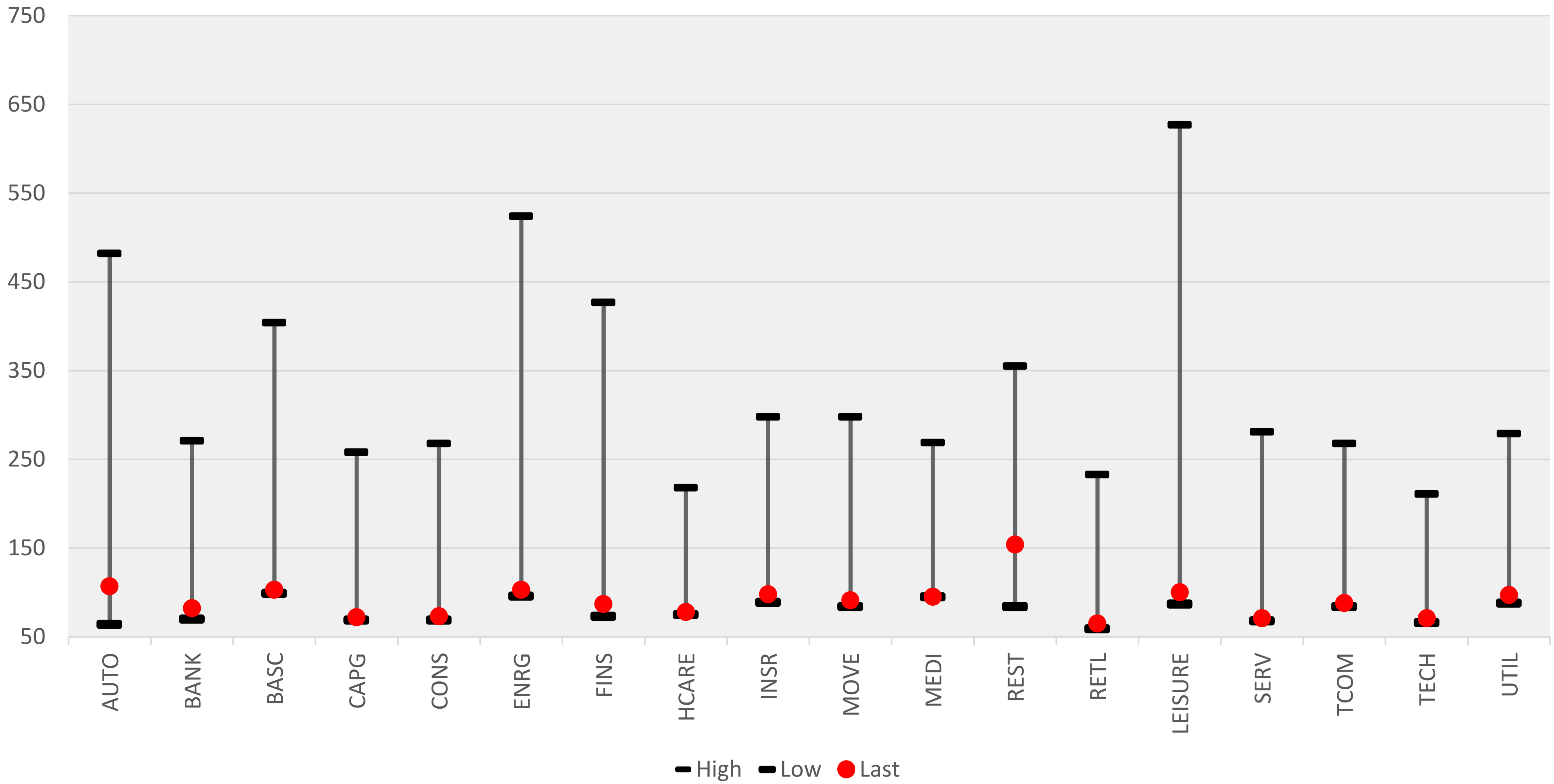
Corporate Relative Value and LTIP Allocation by Sector





SOURCE: BofA Merrill Lynch, used with permission. See disclaimer on last page.

Sector OAS Range
(10 years ending 06/30/25)



SOURCE: BofA Merrill Lynch, used with permission. See disclaimer on last page.

FOMC Projections

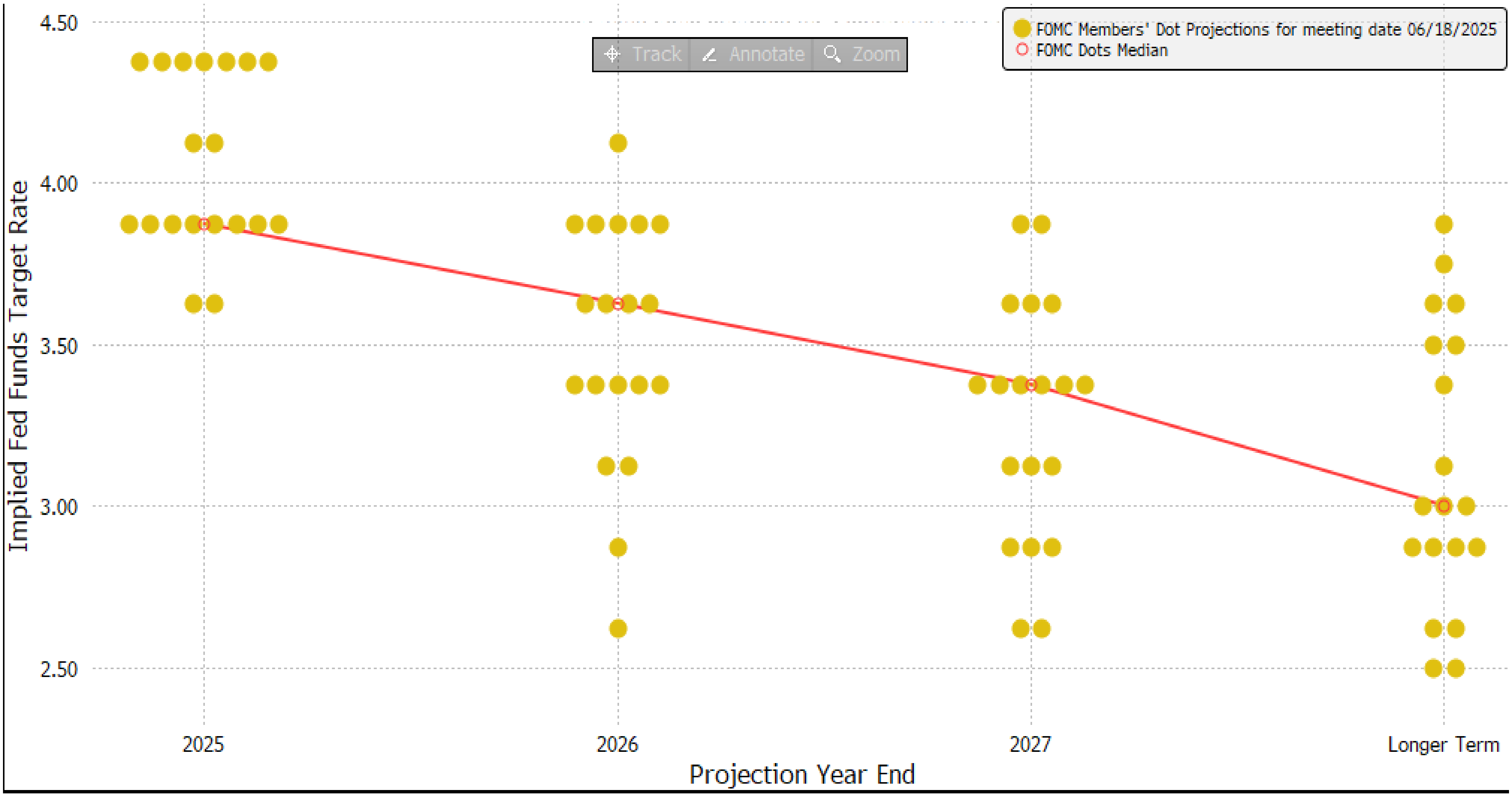
Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2025

Percent

Variable	Median[1]				Central Tendency[2]				Range[3]			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.4	1.6	1.8	1.8	1.2–1.5	1.5–1.8	1.7–2.0	1.7–2.0	1.1–2.1	0.6–2.5	0.6–2.5	1.5–2.5
March projection	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
Unemployment rate	4.5	4.5	4.4	4.2	4.4–4.5	4.3–4.6	4.2–4.6	4.0–4.3	4.3–4.6	4.3–4.7	4.0–4.7	3.5–4.5
March projection	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
PCE inflation	3.0	2.4	2.1	2.0	2.8–3.2	2.3–2.6	2.0–2.2	2.0	2.5–3.3	2.1–3.1	2.0–2.8	2.0
March projection	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
Core PCE inflation[4]	3.1	2.4	2.1		2.9–3.4	2.3–2.7	2.0–2.2		2.5–3.5	2.1–3.2	2.0–2.9	
March projection	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.6	3.4	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.6–4.1	2.6–3.9	2.5–3.9
March projection	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9

Source: Federal Open Market Committee, The Federal Reserve

Fed Dot Plot



Source: Bloomberg

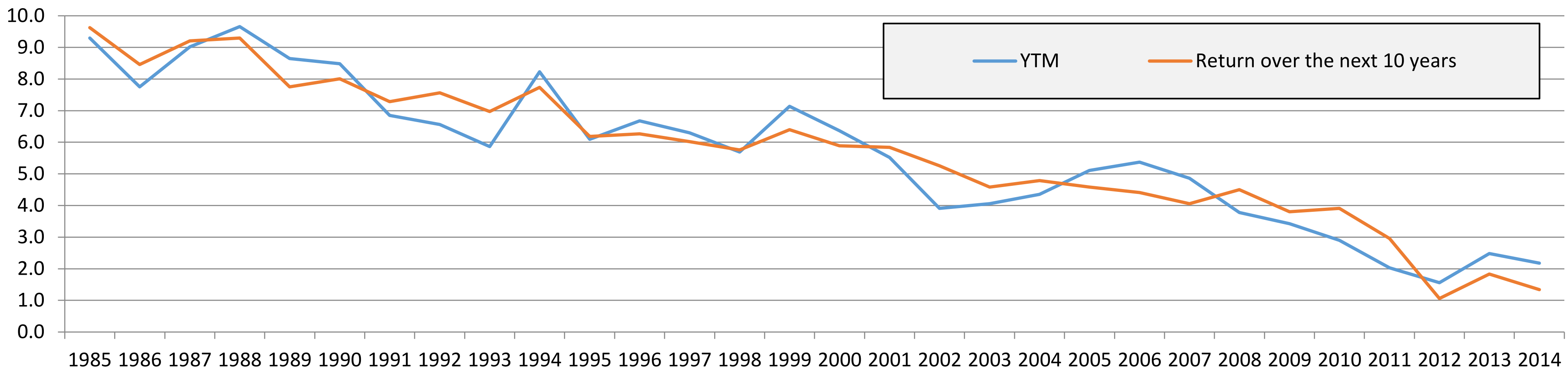
Modest Rate Decreases Expected in the Near Term

	Mkt Yld	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27
United States									
US 30-Year	4.90	4.81	4.74	4.71	4.69	4.68	4.68	4.56	4.57
US 10-Year	4.30	4.33	4.29	4.25	4.22	4.20	4.16	4.08	4.08
US 5-Year	3.82	3.93	3.89	3.85	3.83	3.80	3.79	3.70	3.70
US 2-Year	3.75	3.78	3.68	3.60	3.54	3.49	3.47	3.38	3.38
US 3-Month Term SOFR	4.20	4.17	3.96	3.76	3.61	3.48	3.39	3.40	3.36
Fed Funds Rate - Upper Bound	4.50	4.35	4.05	3.85	3.70	3.55	3.45	3.30	3.30
Fed Funds Rate - Lower Bound	4.25	4.08	3.79	3.61	3.43	3.30	3.20	3.03	3.03
2 Year - 10 Year Spread	.55	.55	.60	.64	.68	.70	.70	.70	.69

Source: Bloomberg

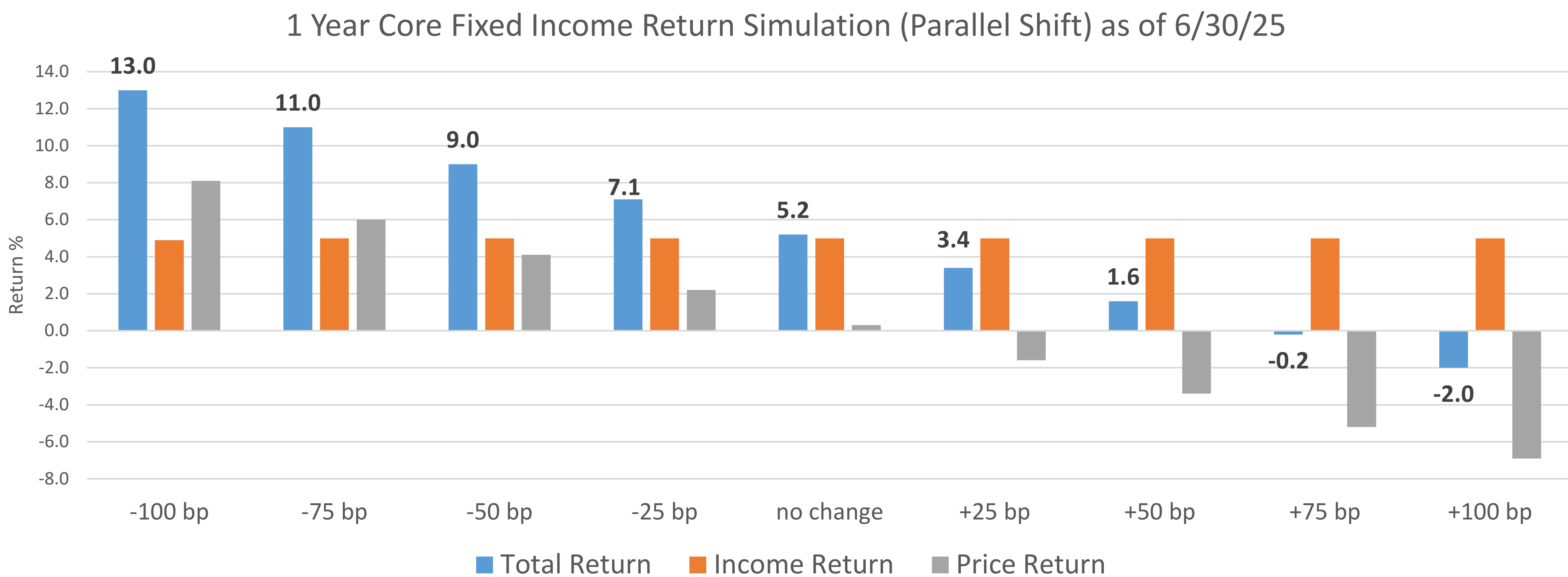
YTM vs Realized 10 Yr. Return

BOAML Domestic Master Index



Source: Bloomberg

Fixed Income Return Expectations



- Expectations are for rates to decline modestly in 2025
- The TIPS markets shows limited concern of sustained inflation in the near term
- Return expectations over the next five years are in the 4-6% range

Source: BondEdge ®

Current Environment and Positioning

- Fiscal policies remain uncertain in the near term, with some hope that tariff uncertainty is starting to fade.
- Future monetary policy likely to be on the dovish side, but sustained Fed independence continues to be a concern.
- IG credit spreads offering little relative value at historical lows.

- Near term positioning will focus on remaining close to neutral on sector weighting and duration.
- Corporate exposure will be focused on maintain a quality bias and executing short rolls on the front to intermediate end to take advantage of any steepening of the curve.