

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
INVESTMENT ADVISORY COMMITTEE
MEETING MINUTES FOR FEBRUARY 26, 2025**

Time and Location: The Investment Advisory Committee ("IAC" or the "Committee") met on Wednesday, February 26, 2025, at 1:00 p.m. via conference call and GoTo Webinar in the Dogwood Conference Room at the Department of State Treasurer's offices, located at 3200 Atlantic Avenue in Raleigh, North Carolina. The Committee met pursuant to its regular meeting schedule, as posted on its website at <https://www.nctreasurer.com/divisions/investment-management/investment-advisory-committee>.

Members Present: State Treasurer Bradford Briner (Chair), Daniel Ward, Robert Durden

Members Attending via Webinar: Lentz Brewer, Michael Kennedy, and James Spencer

Staff Present (in person and virtual): Kevin SigRist, Eric Naisbitt, Matthew Krimm, Rhonda Smith, Nick Langley, Kathy O'Neill, Gail Kadash, Deana Solomon, Greg Taylor, Brett Hall, Brad Bullock, Brian Bolcar, Kristopher Byrd, Rekha Krishnan, Jeff Smith, Chris Morris, Ronald Funderburk, Ming Xu, Craig Demko, Troy March, Chris Ward, Evan Prochaska, Shaun Braswell, Ben Garner, Anne Roof, Jason Sass, Reid Chisholm, Trevor Parrish, Sam Watts, Elizabeth Hawley, Paul Palermo, Michael Wagner, Marc Brunner, James Horne, Amy Bishop, Brenda Watkins, Brooke Sosebee, Brandon Watson, Virginia Newton, Krystyna Powierza, Loretta Boniti.

Others in Attendance: Ty Powers, Meryl Murtagh, Hannah Menachem, Lindsay Saienni (fin-news.com), Doston Bradley (Cerberus), Jeff Spray (carolinawestpartners.com), Jennifer Yeung (albourne.com), Joe Ebisa (withintelligence.com), Karen Magness (pfmam.com), Kent McKane (dumac.duke.edu), Noelle Musco (coatue.com), Kwad Acheampong (pimco.com) Matt Cortese (Wafra.com), Saran Laeicy, Susan Aggawal.

AGENDA ITEM – OPENING REMARKS

The meeting was called to order at approximately 1:00 p.m. by the Treasurer. The Treasurer introduced the new and existing IAC Members. Meeting etiquette information, and Webinar/Conference line use was shared by Jason Sass, Deputy General Counsel. Mr. Sass confirmed there was a quorum and provided procedures for virtual guidelines.

The Treasurer then commenced the meeting.

AGENDA ITEM – APPROVAL OF MINUTES

Mr. Ward moved, Mr. Durden seconded, and there was a member roll call to approve the minutes. The Treasurer confirmed the motion and conducted a roll call to approve the minutes. The minutes were approved.

AGENDA ITEM – MAJOR INITIATIVES

The Treasurer welcomed Mr. Kevin SigRist as Chief Investment Officer and thanked Mr. Jeff Smith and Mr. Chris Morris for serving a period as Co-Chief Investment Officers. Mr. SigRist began the presentation by outlining the key initiatives for 2025: rebalancing the portfolios, Investment Governance and the Asset Liability Study. He also indicated that IAC members would have an opportunity to provide feedback on potential agenda items for future meetings during the last agenda item for the meeting.

Phase 1 of the Rebalancing will continue during the first quarter of 2025 with certain items contingent of changes to the Investment Policy Statement to be taken up later in the meeting and deploying a portion of excess cash to liquid strategies. Further, Phase II will begin with the next IAC Meeting, and Phase III will be the 2025 Asset Liability Management Study to begin in August.

Mr. SigRist discussed the NCRS asset allocation as of January 31, 2025 and the intent to return to the strategic asset allocation targets prior to 2022. In calendar year 2022, the public equity target was lowered by 4% while the cash target was increased by 4%. Mr. SigRist also commented that the Phase 1 rebalance goal is to redeploy about 40% of excess cash to Growth, Investment Grade Fixed Income and Opportunistic Fixed Income and Inflation Sensitive.

Mr. SigRist next reported that every four years a consultant evaluates the governance, operations and investment practices of the N.C. Department of State Treasurer. The study will occur this year and will be conducted by RVK. Mr. SigRist explained that the review will focus on current authority, policy and process, compliance process, along with transparency, accountability and ethics. The report is to be presented to the IAC and the General Assembly. Mr. SigRist noted that the IAC members are invited to supplement the scope with any additional activities they deemed to be of value.

Regarding the Asset Liability Study, the timeline for this initiative will begin around August 2025 with tentative recommended strategic asset allocation changes in November 2025. In January 2026 the TSERS and LGERS board will vote on the actuarial assumptions, which could lead to a last step of fine-tuning with the IAC in February 2026 for recommendations and a transition plan.

AGENDA ITEM – PERFORMANCE UPDATE

Mr. SigRist reviewed the new format of the IAC presentation. Mr. SigRist also reported that the Assets Under Management as of December 31, 2024, was at \$190.5B, with the majority of assets coming from NCRS at \$126B, cash management at almost \$44B, supplemental retirement plans at \$17B and other ancillary funds at \$2B. Mr. SigRist also stated the majority of the increase is due to appreciation of NCRS both in public equity and fixed income portfolios during the fourth quarter.

Mr. SigRist next provided a summary of view of macro and market environments.

Mr. SigRist reported the asset allocation as of February 19, 2025 showed the portfolio is currently 5% overweight to equity with a target of 38%, underweight in private equity, non-core real estate and inflation sensitive. Mr. SigRist also noted the fixed income portfolio has experienced relatively flat returns, showing little to no significant growth or decline in that period.

Mr. SigRist next covered a review of statute and Investment Policy Statement (“IPS”) allocation, detailing how current allocations align with set guidelines and objectives. This was followed by updates on rebalancing activities, highlighting any adjustments made to maintain or optimize the portfolio’s alignment with the stated policy and market conditions.

Mr. SigRist discussed Total Net Portfolio Returns vs. Benchmarks for the period ending December 31, 2024, discussing the periodic performance from both an absolute and relative perspective across multiple time horizons. Mr. SigRist also noted that 1 year portfolio performance exceeded the actuarial assumed rate of 6.5%, but generally has lagged over longer holding periods.

Mr. SigRist discussed the NCRS Gross of Fees Return and Risk versus the U.S. public funds greater than \$20B for the period ending December 31, 2024. He also noted that short-term periods show underperformance, higher risk, and lower Sharpe ratios, while periods before 2019 reflect better performance, reduced risk, and improved Sharpe ratios.

Mr. Morris presented the NCRS Risk Statistics on slide 27, displaying the monthly outflow and slide 30 showing the net benefit payment by calendar year with the NCRS Liquidity Profile. Mr. Morris also presented a slide that demonstrates, sufficiently liquid above the 70% policy threshold, as of December 31, 2024.

Mr. SigRist moved to slide 31, the cash management risk profile, highlighting allocations of Repurchase Agreements at less than 5%, U.S. Agency at 50.8% and U.S. Treasury at 44.6%

AGENDA ITEM – NCRS INVESTMENT POLICY STATEMENT

Mr. SigRist presented an update regarding the Investment Policy Statement, and the 2021-22 Asset Liability Study's short-term and long-term goals and the portfolio mixes reviewed. These mixes were created to cover a range of risk and return scenarios, helping to assess the effects of policy changes. All the reviewed mixes presently satisfy NCRS' statutory constraints. He proposed changes to strategic asset allocation targets that would return NCRS to the strategic asset allocation that existed prior to the 2022 changes: increasing Public Equity allocation by 4% and Multi Strategy by 1% and reducing allocations to Private Equity by 1%, Rates and Liquidity Pension Cash by 4%. Mr. SigRist also presented a slide that shows the range of allocation for proposed strategic asset allocation targets. There were no objections to the proposed changes.

AGENDA ITEM – PUBLIC COMMENT

There was no one signed up for public comment. The Treasurer closed out the public comments and moved to IAC member questions.

AGENDA ITEMS – IAC MEMBER Q&A

IAC members were provided with the opportunity to comment on a set of proposed agendas through early 2026. There were no objections to the proposed agenda, although a comment was raised suggesting less frequent asset class "deep dive" presentations. They each expressed their gratitude to the Investment Management Division team.

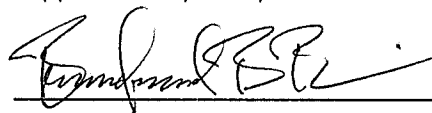
The IAC member Q&A portion closed.

ADJOURNMENT

The Treasurer thanked Kevin SigRist, and the Investment Management team and requested that there be a motion to adjourn the meeting.

Mr. Durden motioned to adjourn. Mr. Ward seconded the motion. The motion to adjourn passed unanimously.

The Treasurer officially adjourned the meeting at approximately 2:55 p.m.

A handwritten signature in black ink, appearing to read 'Bradford B. Briner', is written over a horizontal line.

BRADFORD B. BRINER
NORTH CAROLINA STATE TREASURER AND CHAIR