NORTH CAROLINA DEPARTMENT OF STATE TREASURER
INVESTMENT ADVISORY COMMITTEE
MEETING MINUTES FOR MAY 28, 2025

Time and Location: The Investment Advisory Committee ("IAC" or the "Committee") met on Wednesday, May 28, 2025, at 9:00 a.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, James Spencer, Michael Kennedy, Lentz Brewer.

Members Attending via Webinar: N/A

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, Hannah Menachem, Ty Powers, Hunter Brackett, Ben Garner, Anne Roof, Jason Sass, Sam Watts, Elizabeth Hawley, Paul Palermo, Michael Wagner, Marc Brunner, Laura Rowe, Brandon Watson, Loretta Boniti, April Parker, Ryan Norris, Collin Russell, Keshav Patel.

Others in Attendance: Sam King, Mitch Leonard, Brian Kahley (Franklin Templeton), Ben Beaulieu (Blackrock), Mitchell King (Blackrock), Julia Dunton (Blackrock), Charlie Ashmun (Blackrock), Barry Wilson (firstavenue.com), Julian Lee (Wafra), John Mather (cfc.com), John Linger (firstavenue.com),

AGENDA ITEM – OPENING REMARKS

The meeting was called to order at approximately 9:00 a.m. by the Treasurer. The Treasurer introduced the 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. Durden moved, Mr. Kennedy 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, who then provided updates on major initiatives. He outlined the key initiatives for 2025: rebalancing portfolios, governance updates, and human capital. IAC members were invited to give feedback on potential agenda items for future meetings.

The rebalancing process will occur in three phases. Phase 1 involves redeploying 40% of excess cash, retaining funds for opportunities, and addressing underweight areas in public/private growth. Mr. SigRist detailed progress with supporting graphics and explained delays in certain asset classes, emphasizing how the +/- 2% policy reinforces a rebalancing discipline, while mitigating transactions costs and allowing tactical positioning.

Mr. SigRist reminded attendees about the Asset Liability Study, noting an update is expected in August, with recommendations by November, leading to final decisions in early 2026.

Regarding legislative initiatives, Mr. SigRist highlighted the 2025 Investment Modernization Act aimed at improving NCRS performance by enhancing returns and managing risk. The act, supported by the Governor, has passed the House and moved to the Senate.

Mr. SigRist also discussed human capital, stressing the importance of cultural fit and experience for direct deals. With the new legislation, the North Carolina Investment Authority needs to be established and will facilitate necessary team expansion. A market-oriented compensation study will be conducted in the second half of the year. Committee members inquired about resource challenges for meeting direct deal goals.

AGENDA ITEM – PRIVATE EQUITY

Craig Demko introduced himself and the Private Equity team. He outlined the Private Equity allocation in the portfolio, noting the focus on returns. Mr. Demko discussed actual allocations versus policy targets, industry and geographical composition statistics, and time-weighted performance (net of fees). He mentioned that over the past six years, $975M in co-investments has been deployed across 24 separate deals. Christopher Morris provided additional information and background to the committee on the Private Market Equivalents (PME) statistics for each asset class.

Mr. Demko reported on the strategy and tactics for the portfolio, including primary fund commitments, direct investments, implementation, and the outlook in each area. Committee members inquired about the most notable findings from the Asset Liability Study and how they could assist his team. Mr. Demko noted that the Private Equity team is managing a high volume of deal flow. Brian Bolcar discussed co-investments and indicated that the plan has the resources to be a strategic LP with certain funds.

Mr. Demko presented graphs on the environment of secondaries, both GP-led and LP-led, as well as analysis on various Private Equity strategies within the portfolio and the Private Equity team's outlook on each strategy. Committee members asked about their outlook regarding the timeline and allocation of certain direct investments.

AGENDA ITEM – REAL ESTATE

Troy March and the Real Estate team then introduced themselves. Mr. March presented the portfolio allocation, highlighting a legislative cap of 10% and a policy target of 8%. He stated that many aspects are subject to change following the Asset Liability Study. Mr. March also covered property type diversification and stressed that the portfolio is benchmark-aware, not benchmark-driven. He noted that within their graphics, the "Other" category usually includes mixed-use developments.

He provided statistics on geographic diversification versus general benchmarks, core portfolio performance (net of fees) and PMEs, and non-core portfolio performance (net of fees) and PMEs.

Furthermore, Mr. March discussed strategic and tactical focuses, concentrated diversification, sector selection allocation, and the team's increased emphasis on niche sectors which offer numerous benefits.

Mr. March illustrated NCREIF Cap Rates versus LIBOR/SOFR to highlight how cap rate spreads have decreased over time and their correlation has weakened. He emphasized that this is an opportune time to have dry powder, which the Real Estate portfolio possesses. A Real Estate sector analysis and outlook on each sector was presented, along with property type allocation and exposure to sector-specific higher-control versus non-control structures. Mr. March stressed that most deals are evaluated on a case-by-case basis.

Committee members inquired about cross-asset class collaboration. Mr. SigRist commented on credit within real estate and noted that future actions will depend on the Asset Liability Study.

AGENDA ITEM – OPPORTUNISTIC FIXED INCOME

Ronald Funderburk and Ming Xu introduced themselves and provided context on the role of Opportunistic Fixed Income in the portfolio. Mr. Funderburk outlined the portfolio's structure, current allocations, and performance against benchmarks. He highlighted the team's awareness of benchmarks and concerns about minimizing left tail risk. The discussion covered portfolio allocation during credit cycles and how it adds value compared to peers.

Mr. Funderburk presented a timeline showing changes in credit spreads and yields across the credit spectrum, along with a qualitative summary of various credit opportunities and investment structures. He emphasized the future use of SMAs and increased co-investments. Mr. SigRist commented on the long-term goal of internal management in non-investment grade fixed income.

AGENDA ITEM- INFLATION SENSITIVE

Andrew Hoffman introduced himself and discussed his work with Real Assets within the Inflation Sensitive portfolio. Subsequently, Mr. Funderburk presented the role of inflation sensitivity within the broader portfolio. He reported on the current portfolio composition versus the Strategic Asset Allocation (SAA) and Investment Policy Statement (IPS) and reviewed the performance, noting that the portfolio has outperformed inflation in the short term and closely matched inflation in the long term. Mr. Funderburk examined the current allocation of assets, comparing it to a long-term inflation-sensitive benchmark, and assessed whether the portfolio is adequately positioned to mitigate inflation and foster growth.

Mr. SigRist stated that following the Asset Liability Study, the Inflation Sensitive portfolio would be dismantled, with its components redistributed across other portfolios.

Mr. Hoffman then discussed strategies of interest across various sectors, along with relative valuation metrics for each sector. However, he emphasized that these observations are based on current trading conditions and do not constitute a comprehensive outlook.

Mr. Funderburk outlined the tactics employed to achieve outperformance, while Mr. Hoffman underscored the balance between diversification and investment concentration, highlighting the necessity for additional resources.

Both Mr. Funderburk and Mr. Hoffman reviewed expected outcomes for the portfolio, providing their projections and insights for its future performance.

AGENDA ITEM – MULTI-STRATEGY

Ty Powers introduced himself and clarified that the presentation focuses on future strategies rather than the current state of the portfolio. Mr. SigRist added that the upcoming Asset Liability Study is likely to recommend an increase in the allocation for the multi-strategy portfolio.

Mr. Powers then discussed the objectives of the portfolio and emphasized that diversification within this portfolio provides flexibility. He reported on the sub-strategies within the multi-strategy (MS) portfolio and detailed the current allocations. Mr. Powers stated that no new commitments or funds have been made since 2016, except for one small co-investment.

Mr. Powers reviewed the portfolio's performance, outlined broad guidelines for the future, and explained how concentrated diversification could be used to maximize the portfolio's potential. He also discussed short-term expectations and the planned build-out of the portfolio.

Mr. Powers discussed performance guidelines for the portfolio moving forward and how concentrated diversification can provide resources advantageous to the portfolio. He then went over short-term expectations and build-out plans for the portfolio. The Committee asked Mr. Powers about potential liquidity targets within the portfolio, and Mr. SigRist commented that liquidity is mainly tracked at the broader plan level and that intentional illiquidity is needed to obtain ideal returns. Mr. SigRist also commented on the multi-strategy sleeve within the multi-strategy portfolio and asked the Committee for their thoughts.

Mr. Powers discussed leveraging the resources of larger funds to benefit the portfolio and reviewed the potential impact of increasing the allocation from 2% to 10% in the pro-forma portfolio. Committee members emphasized the importance and potential impact of leveraging relationships with larger managers to enhance the portfolio's performance. Finally, Mr. Powers outlined the benefits and key considerations for the portfolio, highlighting both the opportunities and potential risks associated with the proposed strategy.

AGENDA ITEM – PERFORMANCE UPDATE

Mr. SigRist reviewed the current Assets Under Management, totaling $190B. He also summarized the house view on macro and market environments, and provided data on NCRS Asset Allocation, new commitments since the February 26th IAC meeting, the new fund pipeline, total net portfolio returns vs. benchmarks, NCRS returns net of fees, and performance against peer groups.

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 pose questions to the Treasurer and IMD staff. They each expressed their gratitude to the IMD team.

The IAC member Q&A portion closed.

ADJOURNMENT

The Treasurer requested that there be a motion to adjourn the meeting.

Mr. Spencer motioned to adjourn. The motion was seconded. The motion to adjourn passed unanimously.

The Treasurer officially adjourned the meeting at approximately 12:36 p.m.

BRADFORD B. BRINER
NORTH CAROLINA STATE TREASURER AND CHAIR