NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

Multi-Strategy Investments

May 28, 2025

All data as of March 31, 2025

Multi-Strategy Investments

Investment Objectives

Attractive Absolute Returns

- Provide efficient compounding of capital through trading and market timing skill, including hedging individual securities and commodities and exploiting market dislocations through opportunistic allocations.

Competitive Relative Returns

- Achieve or exceed the return on the performance benchmark over a long period of time, within reasonable risk parameters.

Diversification

- Provide diversification to increase flexibility across different asset categories and strategies, including during episodes of heightened macroeconomic risk and systemic risk, and to facilitate hedging of Fund-level risks, as might be prudent, from time to time.

Multi-Strategy Investments

Sub-Strategies

Multi-Strategy: Diversified and flexible across asset classes and strategies. Combine diversified streams of orthogonal returns managed to a level of volatility and low correlation to equity and credit markets

Relative Value: Strategies that exploit mis-pricings across differed classes of assets or within capital structures

Event-Driven: Hard catalyst, stressed, and distressed opportunities across credit and equity

Tactical Trading: Reflects manager skill in trading across markets using discretionary or systematic strategies. Can include global macro and futures trading strategies

Opportunistic: Co-investment vehicles, funds of one, or SMAs that can increase exposure to dislocated asset classes or specific macro trades sourced by managers

Current Portfolio

Multi-Strategy Allocation vs. SAA

	Market Value ($MM)	%	Target	Range		Relative %	Relative $ (MM)
				Minimum	Maximum		
Multi-Strategy	2,688	2.10%	2.0%	0.0%	4.0%	0.10%	125

Intra-Asset Class Allocation

Current Multi-Strategy Investments as of May 2025	Current	Correl (NC Equity)	Beta (NC Equity)	Vol
Options Overlay	79%	92%	0.60	10%
Event Driven	15%	49%	0.25	8%
Tactical/Relative Value/Hedge	5%	-61%	-0.44	11%
Opportunistic	0%	-	-	-
Multi-Strategy	***100%***	***86%***	***0.44***	***7%***

- There have been no new commitments or funds added since 2016 (one small co-investment through Event Driven in 2019)
- Portfolio has been primarily allocated to options-based rebalancing program

Performance

Multi-Strategy Performance Vs. Benchmark

Net of Fees Performance (%)

	($MM)	3 Month	1 Year	3 Years	5 Years	10 Years
Multi-Strategy	**$2,683**	**1.11**	**5.21**	**5.46**	**6.40**	**4.47**
Benchmark[12]		0.66	3.02	2.50	4.94	3.14
Rebalance Strategy	**$2,131**	**1.08**	**4.33**	**5.36**	**8.22**	**5.38**
Event Driven	**$411**	**1.37**	**11.70**	**7.17**	**8.73**	**-**
Risk Mitigation	**$140**	**0.87**	**0.92**	**2.34**	**(2.35)**	**-**

- Out-performance has been driven primarily from our event-driven, multi-strategy credit fund
- Options overlay has added some beta through equity and treasury futures while harvesting volatility premium
- Multi-Strategy has beaten its benchmark over the past 1-, 3-, 5-, 10-, and 15-year time periods

12. The Multi-Strategy Benchmark is comprised of a dynamically weighted combination of the HFRX ED: Multi-Strategy Index, net of fees, and the market value weighted benchmarks for any other total fund strategies within the Portfolio.

Execution

Strategy Focus:

- Utilize the broad mandate with wide flexibility
- Maintain ample liquidity to re-allocate capital during market drawdowns, asset dislocations, or attractive co-investment opportunities
- Identify unique strategies or investment mandates to provide attractive absolute returns

Proposed Build/Target Fund Profiles – Flexible Mandate

Proposed Multi-Strategy Investment Sub-Strategy Sleeves	Target	Range		Target Correl	Target Beta	Target Vol	Target Return
Multi-Strategy	25%	20%	50%	10%	0 - 0.25	6 - 8%	8 - 12%
Diversified multi strat RV							
Event Driven	25%	20%	50%	30%	0.1 - 0.5	8 - 10%	8 - 10%
Catalyst driven, event focus							
Relative Value	20%	0%	25%	10%	0 - 0.25	4 - 6%	6 - 8%
RV credit, equity or vol, convert arb							
Tactical Trading	15%	0%	30%	0%	0 - 0.5	10 -16%	6 - 8%
Global Macro, Trend, other CTAs							
Opportunistic	15%	0%	50%	40%	0.2 - 0.7	8 - 10%	8 - 12%
Multi-Strategy	***100%***			***20%***	***0.25 - 0.50***	***7 - 9%***	***8 - 10%***

Differentiating Multi-Strategy Investments

Short-Term build out over the next year:

- Concentrated manager relationships with access to multiple strategies or those with flexibility to invest dynamically across asset classes or strategies
- Establish core position in fund strategies and co-investments exhibiting attractive absolute return prospects
- Leverage capabilities of manager teams for macro-economic research, outlook, and compelling macro positioning/co-investments

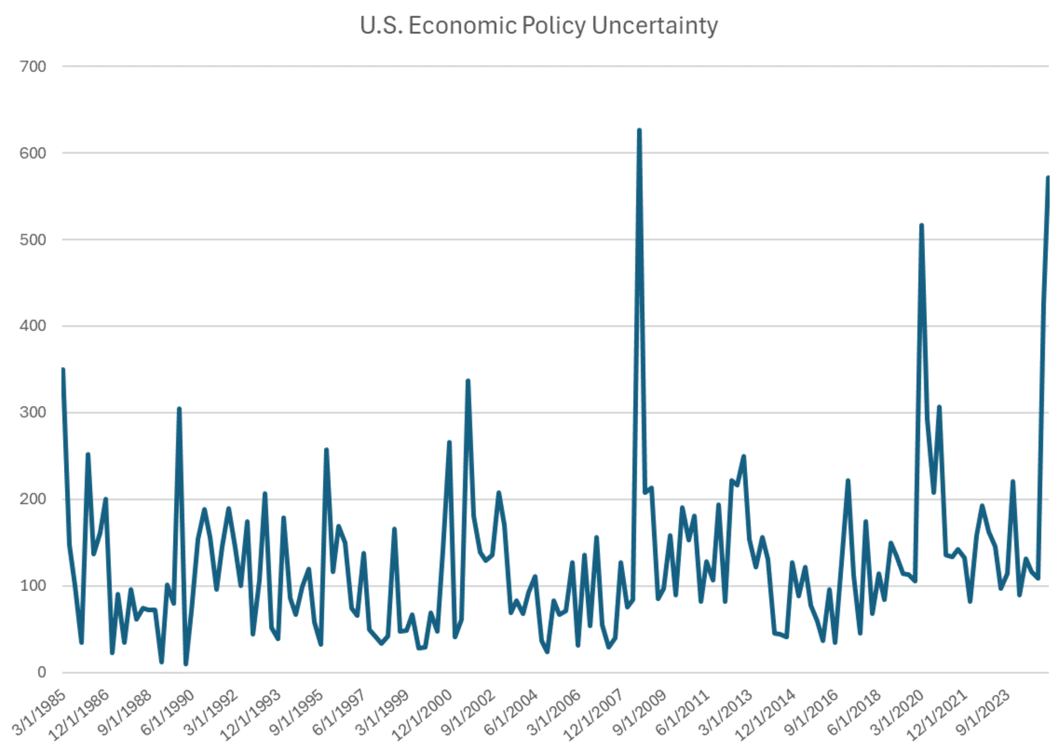
Near-Term Multi-Strategy Portfolio Initial Build-Out	Initial Target	Correl (NC Equity)	Beta (NC Equity)	Vol
Multi-Strategy	20%	+/-30%	-0.10 - 0.30	8.0%
Event Driven	20%	+/-75%	0.20 - 0.50	8.0%
Relative Value	15%	+/-25%	-0.10 - 0.30	6.0%
Tactical Trading	10%	+/-25%	-0.10 - 0.30	15.0%
Opportunistic*	35%	+/-60%	0.20 - 0.80	10.0%
Multi-Strategy	***100%***	***50% - 75%***	***0.25 - 0.50***	***9.0%***

Includes existing option rebalancing program

Macro Uncertainty Brings Opportunity

Macro-uncertainty is elevated providing an opportunity for greater dispersion across asset classes

- Driven by uncertain U.S. economic policy
- Provides opportunities for dislocated asset classes and idiosyncratic investment returns

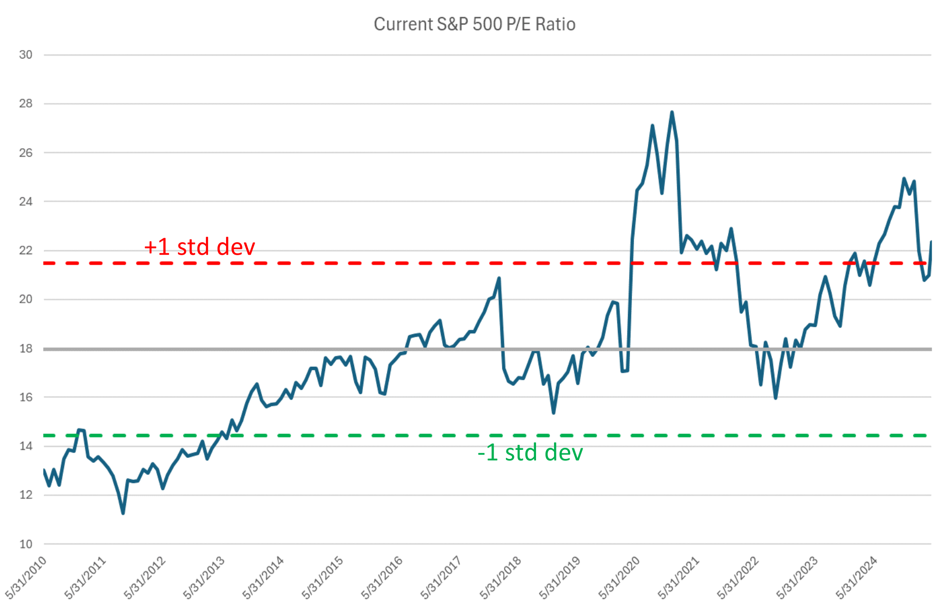


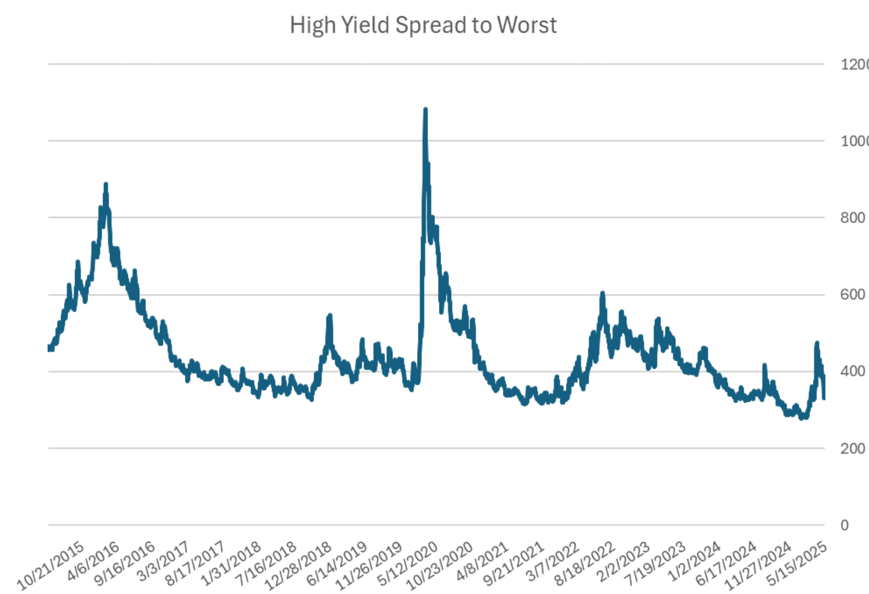
Source: Bloomberg

Macro Uncertainty Brings Opportunity (cont.)

Equity and Credit Markets are fully valued

- Multi-Strategy investments will be focused on differentiated strategies not as dependent on equity and credit market beta
- Idiosyncratic return generation across asset classes and strategies that are not effectuated in other plan asset class sleeves
- We may need more than beta to achieve our long-term goals





Source: Bloomberg & ICE BofA

Leveraging Partnerships

Use our scale to build beneficial relationships with managers

- Broad macroeconomic thought leadership
- Instruct our top down, cross asset class views

Pro-Forma Portfolio Impact

Short-Term build-out portfolio delivers attractive returns and increases the risk adjusted return profile of the broader plan

- Initial build out to create attractive return profile
- Sharpe improves
- Lower beta and correlation to equity markets

Current Multi Strat Since Jan 2016	
Ann Return	5.11%
Vol	6.46%
Sharpe	0.48
Correl (SPX)	0.85
Beta (SPX)	0.36

Pro-Forma MS	Targets
Ann Return	8 -10%
Vol	8 -10%
Sharpe	1.00
Correl (SPX)	20 - 40%
Beta (SPX)	0.1 - 0.3

Impact of a 2% (current weight) and 10% allocation to plan returns (using historical live data of manager candidates)

2%

- **Ann Returns +0.10 – 0.25%**
- **Sharpe: +0.05 – 0.15**
- **Similar correlation/beta to equities**

10%

- **Ann Returns +0.50 – 0.75%**
- **Sharpe: +0.20 - .30**
- **Reduced correlation/beta to equities**

Benefits/Considerations

Benefits	Considerations
Potential for Attractive Return Profile • Funds are designed to produce positive returns irrespective of market direction over a full market cycle **Dynamic Risk Allocation and Flexibility** • Funds can adapt to real-time opportunities and risks **Enhanced Diversification** • Invest across different markets, assets, and geographies across strategies **Efficient Use Of Capital** • Managers can reallocate capital across strategies internally	**Low Volatility may limit return potential** • Netting out positive alpha strategies **High Fees** **Transparency** • Multi-strategy and tactical trading strategies can often be protective of their IP **Liquidity** • Some funds may have lock-up periods, delayed redemptions (quarterly or longer), or gates **Complexity & Benchmarking** • Strategy complexity and numerous sources of performance can make it harder to assess accountability if performance lags.