

North Carolina Department of State Treasurer
NC Supplemental Retirement Plans Hypothetical Historical Investment Performance
December 31, 2010

The North Carolina Supplemental Retirement Plans (NC 401(k) and NC Public Employee Deferred Compensation Plan (457)) have moved to a new set of investment options. The new fund options in both plans are all separate accounts. They are offered exclusively to participants in these two plans and are not available to other members of the public. Therefore, the funds themselves maintain limited prior performance to display. However, the investment advisors that have been hired to manage the underlying funds have been managing investments for other institutional investors using the same strategies for many years. We are able to provide the following historical performance for those managers using the strategies noted. No information is shown for the Stable Value Fund at this time. A new stable value manager was selected at the end of the year. Galliard, the new manager, is working through making several changes to the stable value fund throughout the first half of 2011 to develop a custom stable value strategy designed specifically for the North Carolina Plans. Given the custom nature of the stable value strategy, hypothetical or composite performance has not been shown in this document.

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Large Cap Value Fund (Gross of 0.64% Fee)	10.79%	17.94%	-1.44%	2.22%	6.09%
<i>Russell 1000 Value</i>	10.54%	15.51%	-4.42%	1.28%	3.26%

The North Carolina Large-Cap Value Fund is an active multi-manager portfolio with a target allocation of 50% Hotchkis & Wiley Large-Cap Value and 50% Wellington Management Company Large-Cap Quality Equity. The returns presented above for this portfolio represents a hypothetical blend of the current managers in the current target allocation. The performance reflects actual composite results of the Hotchkis & Wiley Large-Cap Value Portfolio and Wellington Quality Value Portfolio (gross of fees). This manager structure has been in place since July 1, 2010. Performance shown is hypothetical and assumes that this manager structure has been in place for all time periods shown. These calculations do not include the transaction costs of rebalancing.

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Large Cap Growth Fund (Gross of 0.63% Fee)	15.41%	24.58%	2.53%	5.01%	3.71%
<i>Russell 1000 Growth</i>	11.83%	16.71%	-0.47%	3.75%	0.02%

The North Carolina Large-Cap Growth Fund is an active multi-manager portfolio with a target allocation of 50% Sands Capital Management Large-Cap Growth and 50% Wellington Management Company Opportunistic Growth. The returns presented above for this portfolio represents a hypothetical blend of the current managers in the current target allocation. The performance reflects actual composite results of the Sands Capital Large-Cap Growth Composite Portfolio and Wellington Large-Cap Opportunistic Growth Composite Portfolio (gross of fees). This structure has been in place since April 1, 2009. Performance shown is hypothetical and assumes that this manager structure has been in place for all time periods shown. These calculations do not include the transaction costs of rebalancing.

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Large Cap Index Fund (BGI, Gross of 0.21% Fee)	10.78%	15.21%	-2.68%	2.42%	1.50%
<i>S&P 500 Index</i>	10.76%	15.06%	-2.86%	2.29%	1.41%

The North Carolina Large-Cap Index Fund is a passive single manager index fund managed by Barclays Global Investors ("BGI"). The BGI S&P 500 Index Fund seeks to replicate the performance of the large capitalization stocks held within the S&P 500 Index. The historical returns presented for this portfolio are actual returns from the BGI S&P 500 Index Fund (gross of fees).

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Small/Mid Cap Value Fund (Gross of 0.73% Fee)	15.05%	28.21%	4.20%	3.48%	10.80%
<i>Russell 2500 Value</i>	13.84%	24.82%	2.72%	3.85%	8.53%

The North Carolina Small/Mid Value Fund is an active multi-manager portfolio with a target allocation of 50% Earnest Partners Small-Cap Value and 50% Hotchkis & Wiley Mid-Cap Value. The returns presented above for this portfolio represents a hypothetical blend of the current managers in the current target allocation. The performance reflects actual composite results of the Earnest Partners Small-Cap Value Composite Portfolio and Hotchkis & Wiley Mid-Cap Value Composite Portfolio (gross of fees). This structure has been in place since April 1, 2009. Performance shown is hypothetical and assumes that this manager structure has been in place for all time periods shown. These calculations do not include the transaction costs of rebalancing.

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Small/Mid Cap Growth Fund (Gross of 0.83% Fee)	12.33%	25.01%	4.07%	7.94%	5.64%
<i>Russell 2500 Growth</i>	16.00%	28.86%	2.21%	5.63%	4.19%

The North Carolina Small/Mid Growth Fund is an active multi-manager portfolio with a target allocation of 50% Times Square Capital Management (“Times Square”) Mid-Cap Growth and 50% Brown Advisory Small-Cap Growth. The returns presented above for this portfolio represents a hypothetical blend of the current managers in the current target allocation. The performance reflects actual composite results of the Times Square Mid-Cap Growth Composite Portfolio and Brown Advisory Small-Cap Growth Composite Portfolio (gross of fees). This structure has been in place since April 1, 2009. Performance shown is hypothetical and assumes that this manager structure has been in place for all time periods shown. These calculations do not include the transaction costs of rebalancing.

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Small/Mid Cap Index Fund (BGI, Gross of 0.24% Fee)	14.87%	27.02%	2.72%	4.99%	NA
<i>Russell 2500</i>	14.86%	26.71%	2.48%	4.86%	6.98%

The North Carolina Small/Mid-Cap Passive Fund is a passive single manager index fund managed by Barclays Global Investors (“BGI”). The BGI Russell 2500 Index Fund seeks to replicate the performance of the middle and small capitalization stocks held within the Russell 2500 Index. The historical returns presented for this portfolio are actual returns from the BGI Russell 2500 Index Fund (gross of fees).

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina International Equity Fund (Gross of 0.80% Fee)	5.72%	9.29%	-4.00%	NA	NA
<i>MSCI ACWI ex US</i>	7.25%	11.60%	-4.58%	5.29%	5.97%

The North Carolina International Fund is an active multi-manager portfolio with a target allocation of 50% Baillie Gifford International Growth and 50% Mondrian Investment Partners (“Mondrian”) International Value. The returns presented above for this portfolio represents a hypothetical blend of the current managers in the current target allocation. The performance reflects actual composite results of the Baillie Gifford ACWI excluding U.S. Growth Composite Portfolio and Mondrian ACWI excluding U.S. Value Composite Portfolio (gross of fees). This structure has been in place since April 1, 2009. Performance shown is hypothetical and assumes that this manager structure has been in place for all time periods shown. These calculations do not include the transaction costs of rebalancing.

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina International Index Fund (BGI, Gross of 0.31% Fee)	7.23%	11.43%	-4.73%	5.11%	5.84%
<i>MSCI ACWI ex US</i>	7.25%	11.60%	-4.58%	5.29%	5.97%

The North Carolina International Passive Fund is a passive single manager index fund managed by Barclays Global Investors (“BGI”). The BGI MSCI ACWI ex-U.S. Index Fund seeks to replicate the performance of the international stocks held within the MSCI ACWI ex-U.S. Index. The historical returns presented for this portfolio are actual returns from the BGI ACWI ex-U.S. Index Fund (gross of fees).

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Global Equity Fund (Wellington, Gross of 0.69% Fee)	9.44%	17.43%	-2.00%	6.69%	NA
<i>MSCI ACWI</i>	8.82%	13.21%	-3.76%	3.98%	3.69%

The North Carolina Global Equity Fund is an actively managed portfolio through the Wellington Management Company Global Opportunities Portfolio. Prior to July 1, 2010, this fund was invested in the Wellington Management Company Unconstrained Themes Portfolio. Hypothetical performance shown does not include the performance of prior strategies.

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Fixed Income Fund (Gross 0.42% Fee)	-0.82%	8.74%	8.43%	7.64%	7.19%
<i>Barclays Capital US Aggregate</i>	-1.29%	6.56%	5.91%	5.80%	5.84%

The North Carolina Fixed Income Fund is an active multi-manager portfolio with a target allocation of 50% JP Morgan Core Bond Fund and 50% PIMCO Core Plus Bond Fund. The returns presented above for this portfolio represents a hypothetical blend of the current managers in the current target allocation. The performance reflects actual composite results of the JP Morgan Core Bond Portfolio and PIMCO Core Plus Bond Portfolio (gross of fees). This structure has been in place since April 1, 2009. Performance shown is hypothetical and assumes that this manager structure has been in place for all time periods shown. These calculations do not include the transaction costs of rebalancing.

	3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
North Carolina Fixed Income Index Fund (BGI, Gross of 0.25% Fee)	-1.25%	6.75%	6.06%	5.93%	5.95%
<i>Barclays Capital US Aggregate</i>	-1.29%	6.56%	5.91%	5.80%	5.84%

The North Carolina Debt Index Fund is a passive single manager index fund managed by Barclays Global Investors ("BGI"). The BGI Debt Index Fund seeks to replicate the performance of the bonds held within the Barclays Capital U.S. Aggregate Index. The historical returns presented for this portfolio are actual returns from the BGI Debt Index Fund (gross of fees).

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There are numerous other factors related to the markets in general or to the implementation of any specific investment strategy which can not be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual investment results.

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