



STATE TREASURER OF NORTH CAROLINA DALE R. FOLWELL, CPA

INVESTMENT MANAGEMENT DIVISION

Legal Update

Private Market Discretionary Transactions





Treasurer's Investment Authority

- Overview
 - Hybrid of external management and internal control
 - External investment manager with deal-specific approval by the Treasurer
- IAC review and input required

 Recent deal provides opportunity for IMD to review investments on a deal by deal basis

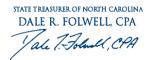




Legal Background

- NC. Gen. Stat. § 147-69.2(e)(1) (and (2))
 - Assessment of whether or not to use external or internal management shall include material factors consistent with the Treasurer's fiduciary duty such as:
 - Financial, operational, investment expertise and resources, alignment of interests, investor protections, transparency, repeatability of investment process, risk controls, and cost effectiveness
 - "Internally managed portfolios shall be subject to industry standard portfolio guidelines developed with periodic consultation by the [IAC]."
- IAC Charter, Section IV(C)
 - "Investment guidelines for internally managed portfolios will be periodically presented to the IAC for their review and input."
- Investment Manager and Vehicle Monitoring and Termination Policy
 - Requires IMD to follow an impartial and consistent framework for monitoring "Investment Managers" (includes DST staff for internally managed portfolios)





Investment Opportunity Approval

Contract Terms Summary

- <u>Investment sources:</u> by NCDST; by the GP; or overflow from existing GP investments.
- Steps prior to any investment:
 - 1. GP will provide evaluation materials
 - 2. Within five days, NCDST will respond with a notice of approval of the investment opportunity





Current Process

- 1. Execute NDA;
- 2. Perform due diligence and analysis;
- 3. Submit written investment recommendation to Treasurer;
- 4. Treasurer makes decision + IMD responds to GP;
- 5. (If approved) GP for the partnership completes legal documentation.