

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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INVESTMENT MANAGEMENT DIVISION

Investment Grade Fixed Income Review

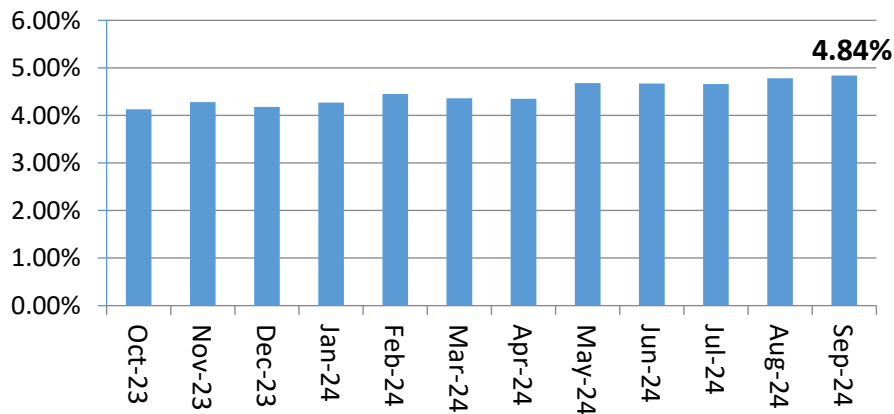
November 20, 2024



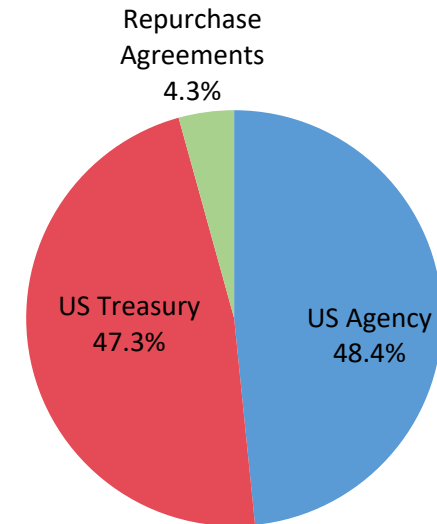
North Carolina Short Term Portfolio (STIF)

September 30, 2024

Historical Annualized Net Cash Return



STIF Allocation

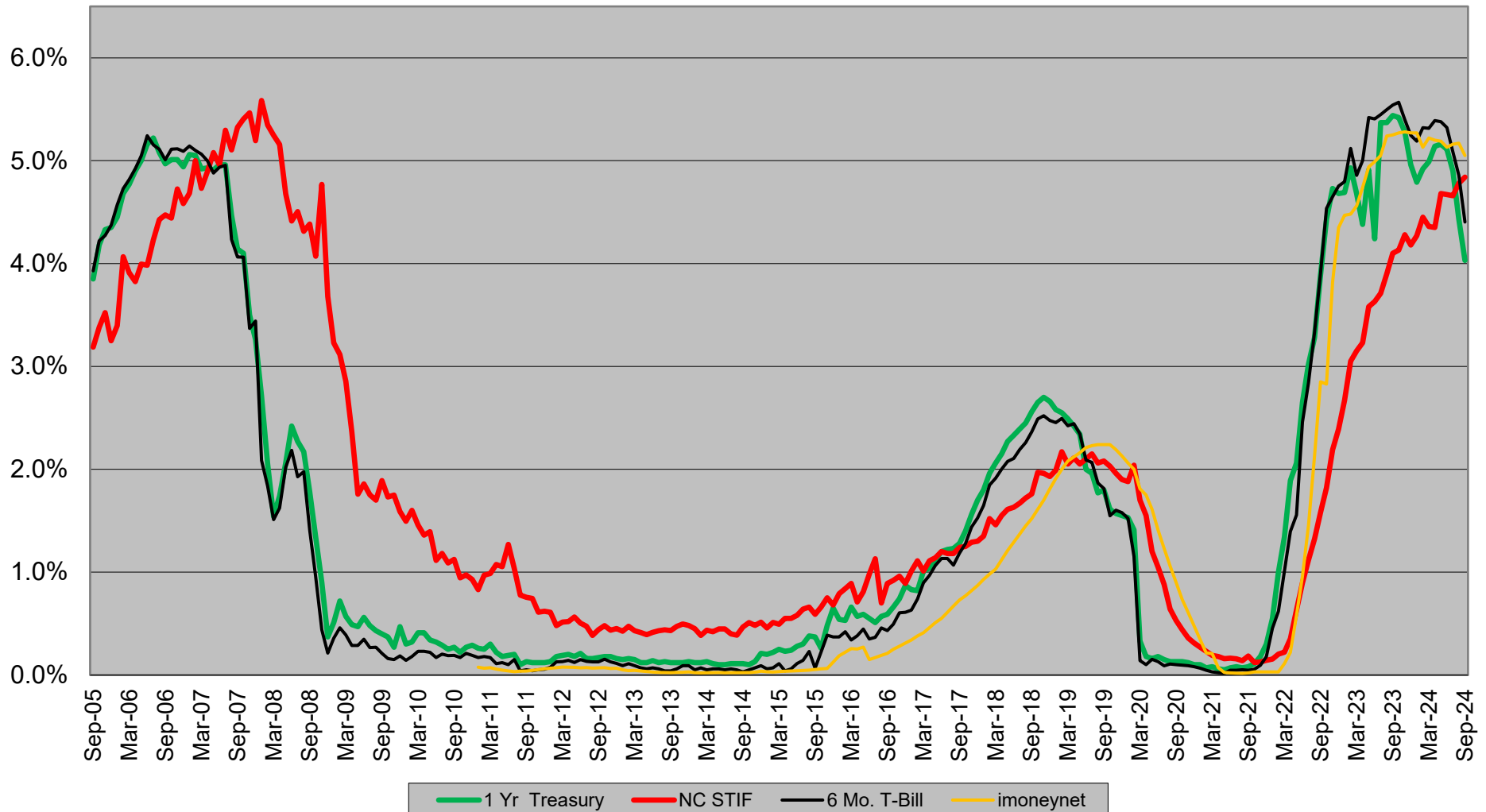


Portfolio Characteristics	Month ending 09/30/24
Current Annualized Net Cash Return	4.84%
Effective Duration	.53
Average Maturity (Yrs)	1.7
Average Credit Rating (Moody's)	AAA
Average Price	\$99.59
Average Coupon	3.54%



Short Term Portfolio (STIF) Rate History

\$47.9 Billion AUM as of 9/30/24

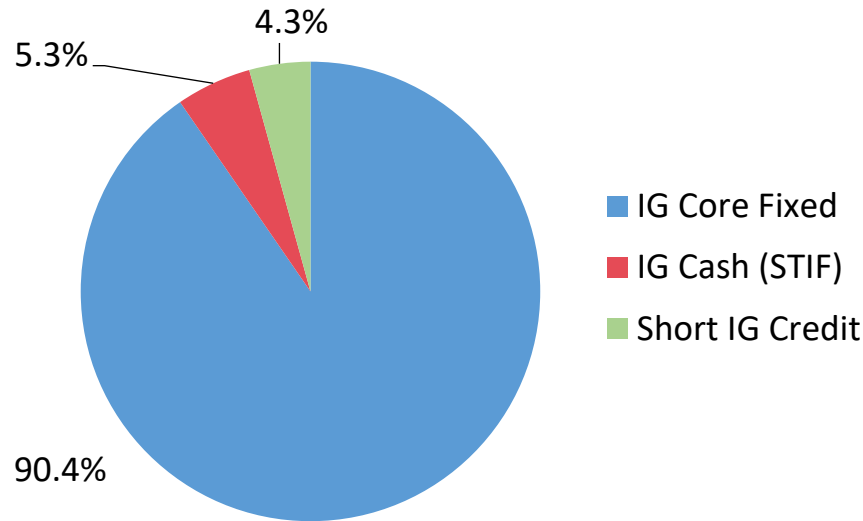




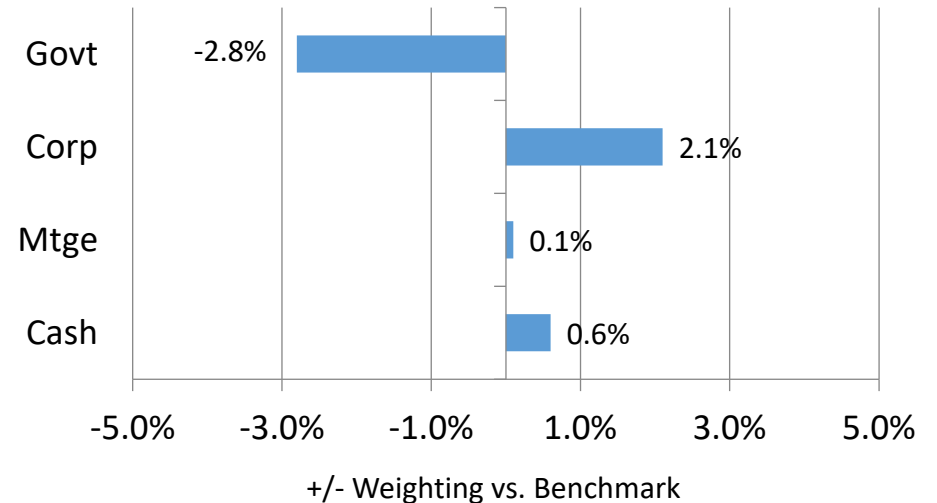
Investment Grade Fixed Income Profile

As of September 30, 2024

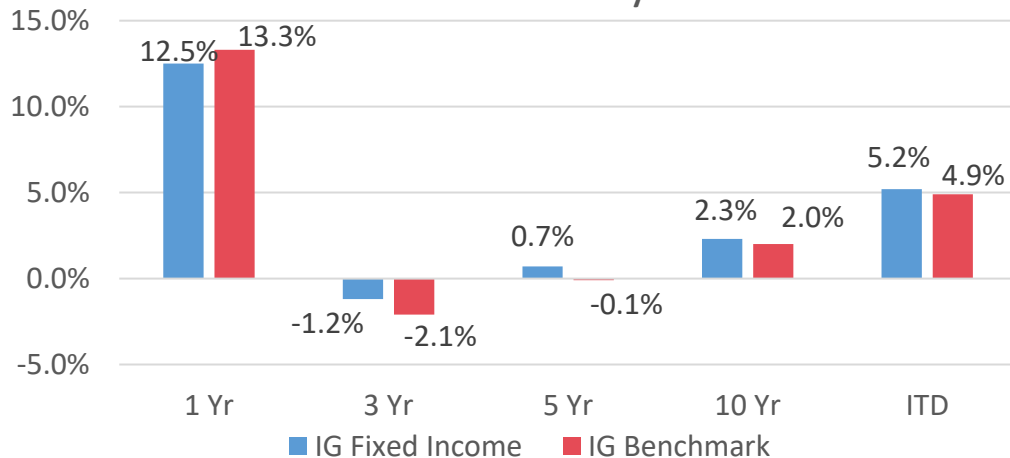
Allocation



Relative Weighting in Core Fixed



Return Summary



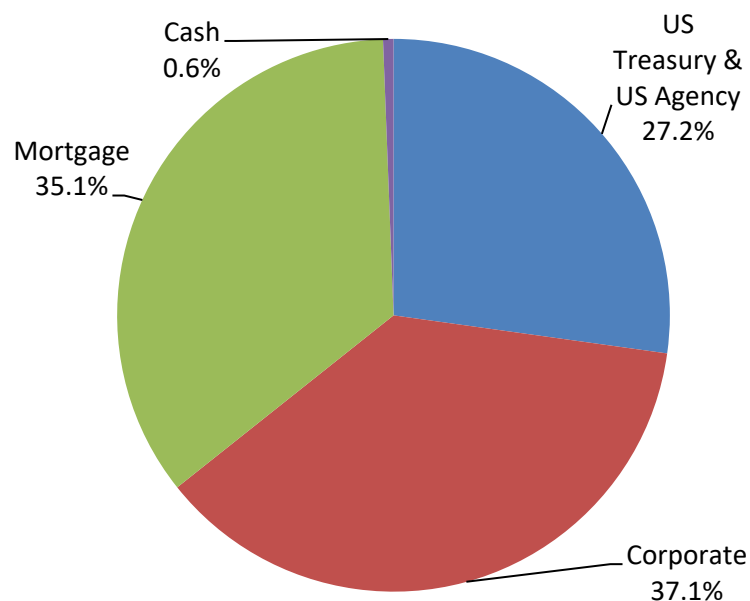
- Returns for I.G. Fixed Income hit double digits as yields fell over the last 12 months
- Investment Grade Fixed Income continues to outperform over most time periods
- The portfolio's underperformance over the 1 year, reflects our hesitancy to invest fully in the long end of the curve

*BOAML Custom Fixed Income Benchmark

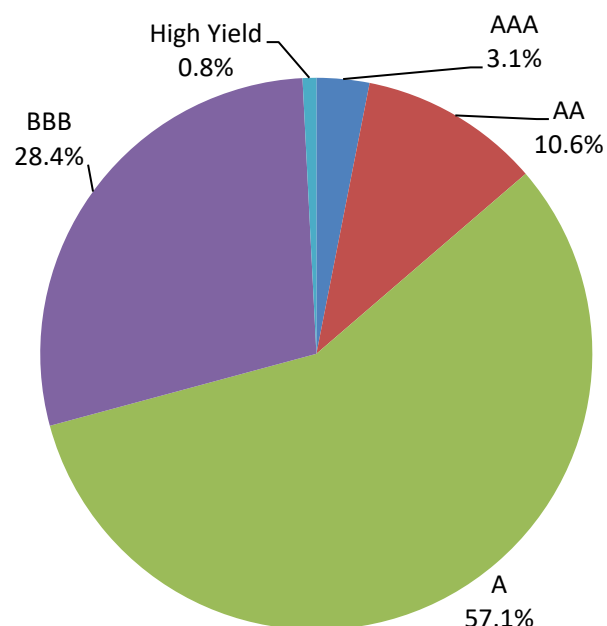
Core Fixed Income Long Term Portfolio (LTIP)

September 30, 2024

LTIP Allocation



Corporate Allocation by Quality



Portfolio Characteristics (ex cash)	As of 9/30/24
Yield to Maturity	4.5%
Duration	8.0
Average Maturity (Yrs)	11.4
Average Credit Rating	AA
Average Coupon	4.0%



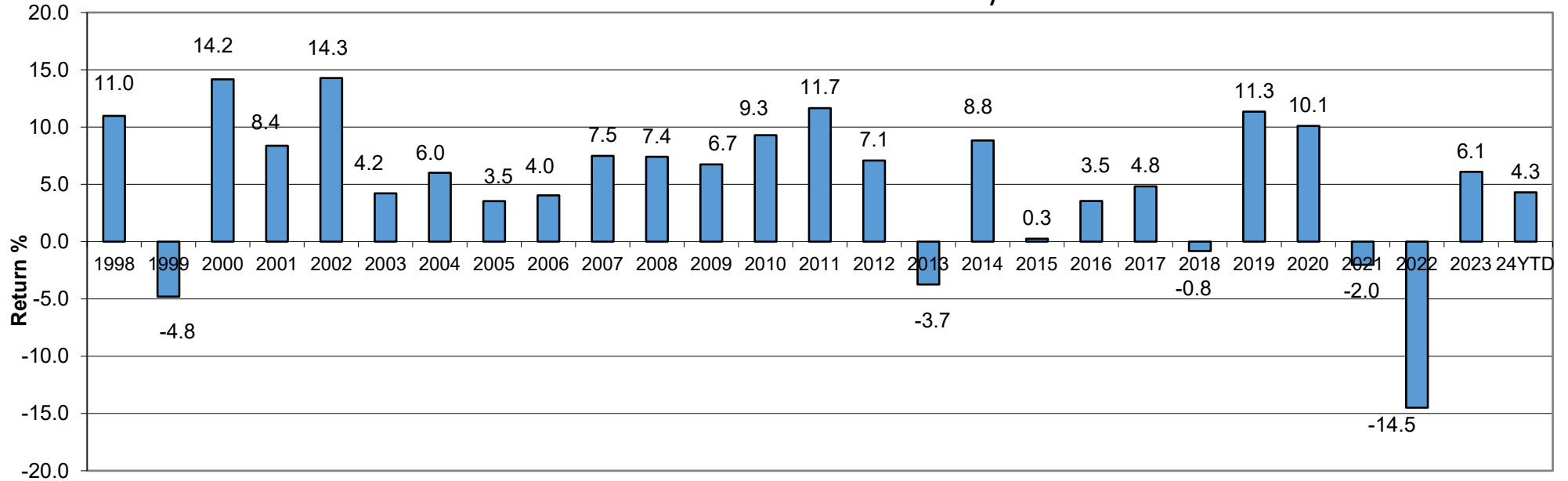
10 year and 30 Year UST Yield History



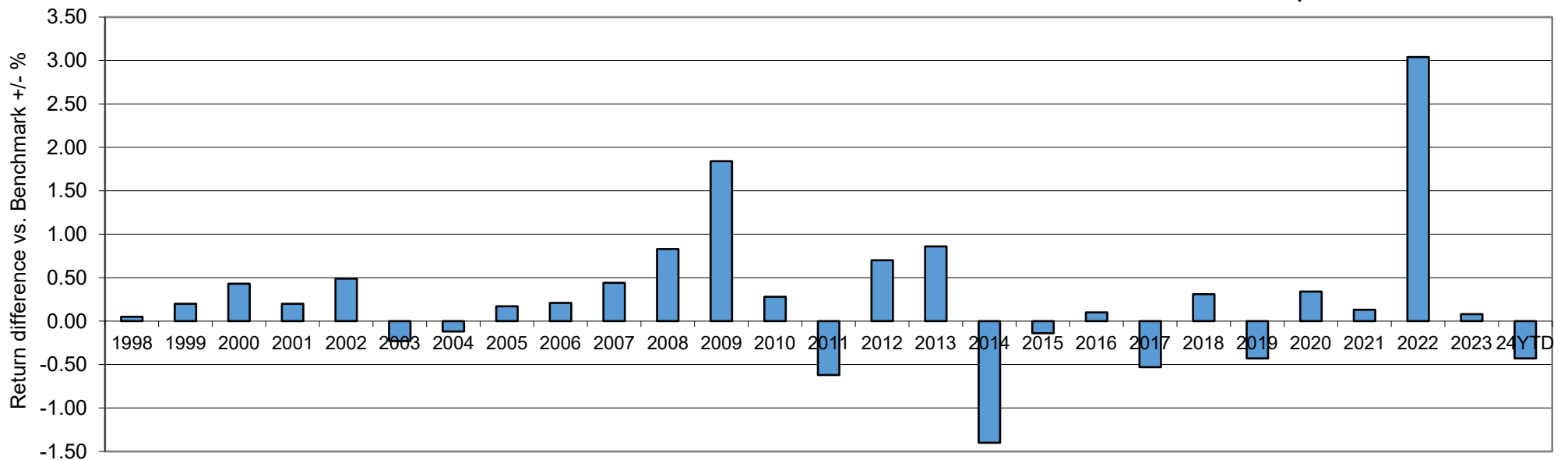




Performance of Core Fixed Income by Calendar Year

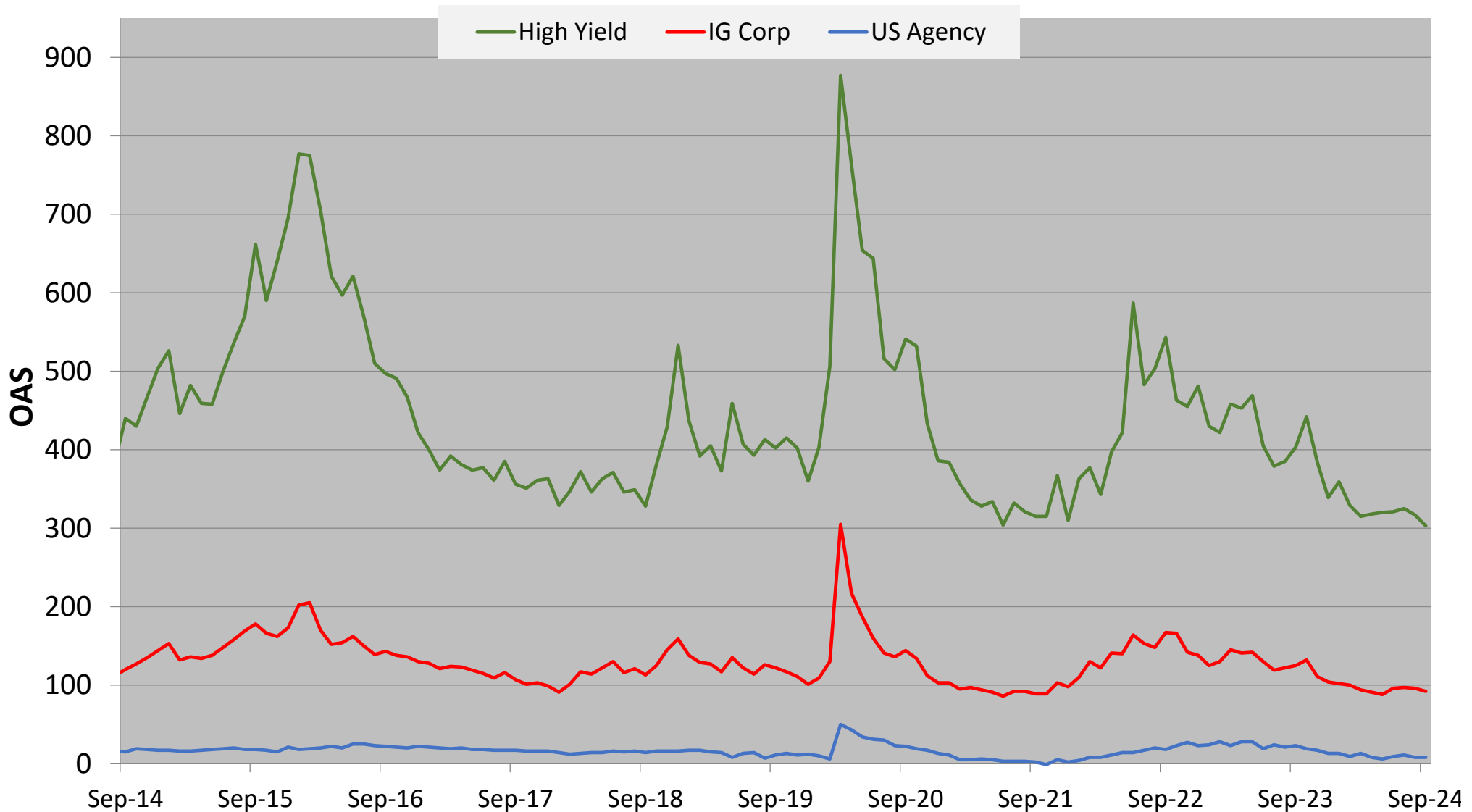


Core Fixed Income Relative Performance vs. BOAML H167 Benchmark by Calendar Year





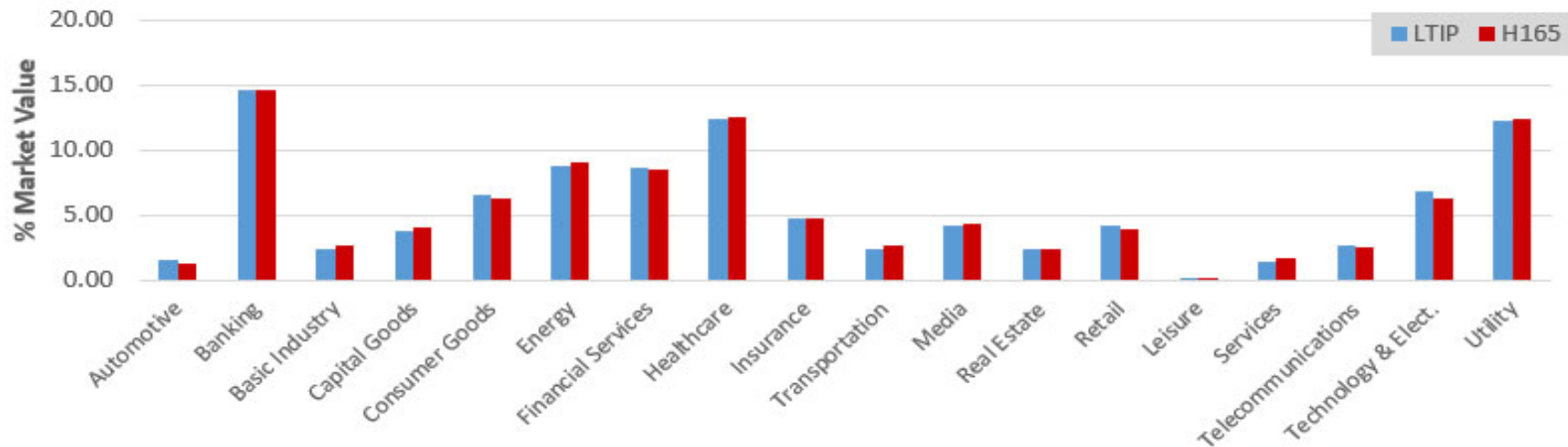
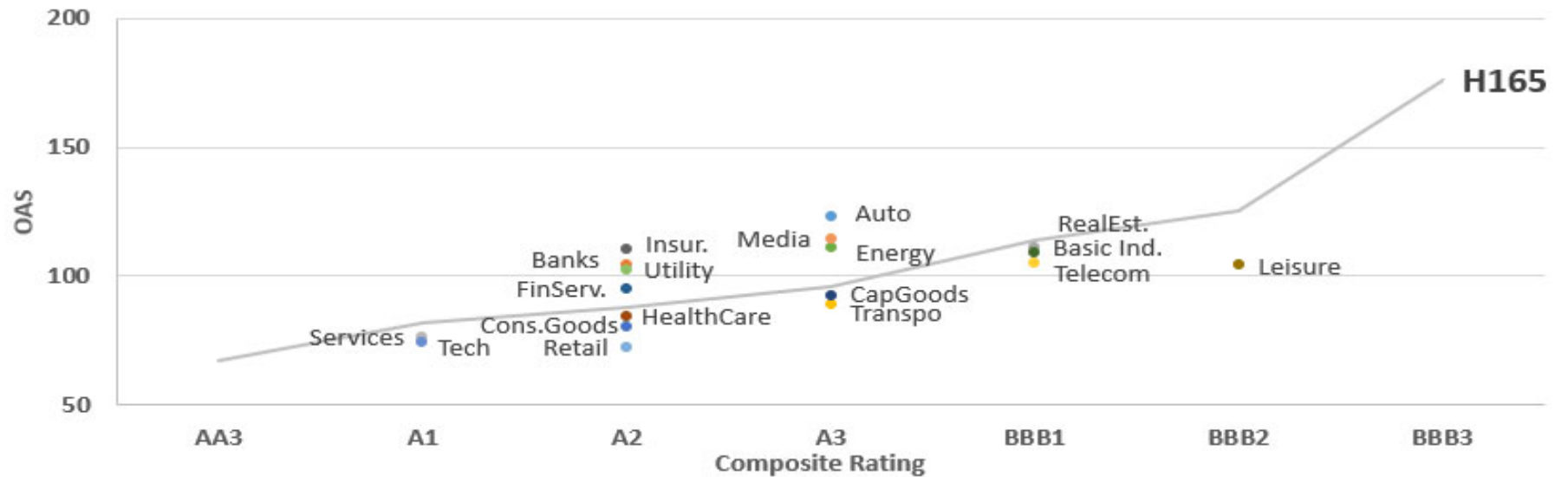
Spread History Credit Markets





Corporate Relative Value and LTIP Allocation by Sector

As of 9/30/24





FOMC Projections

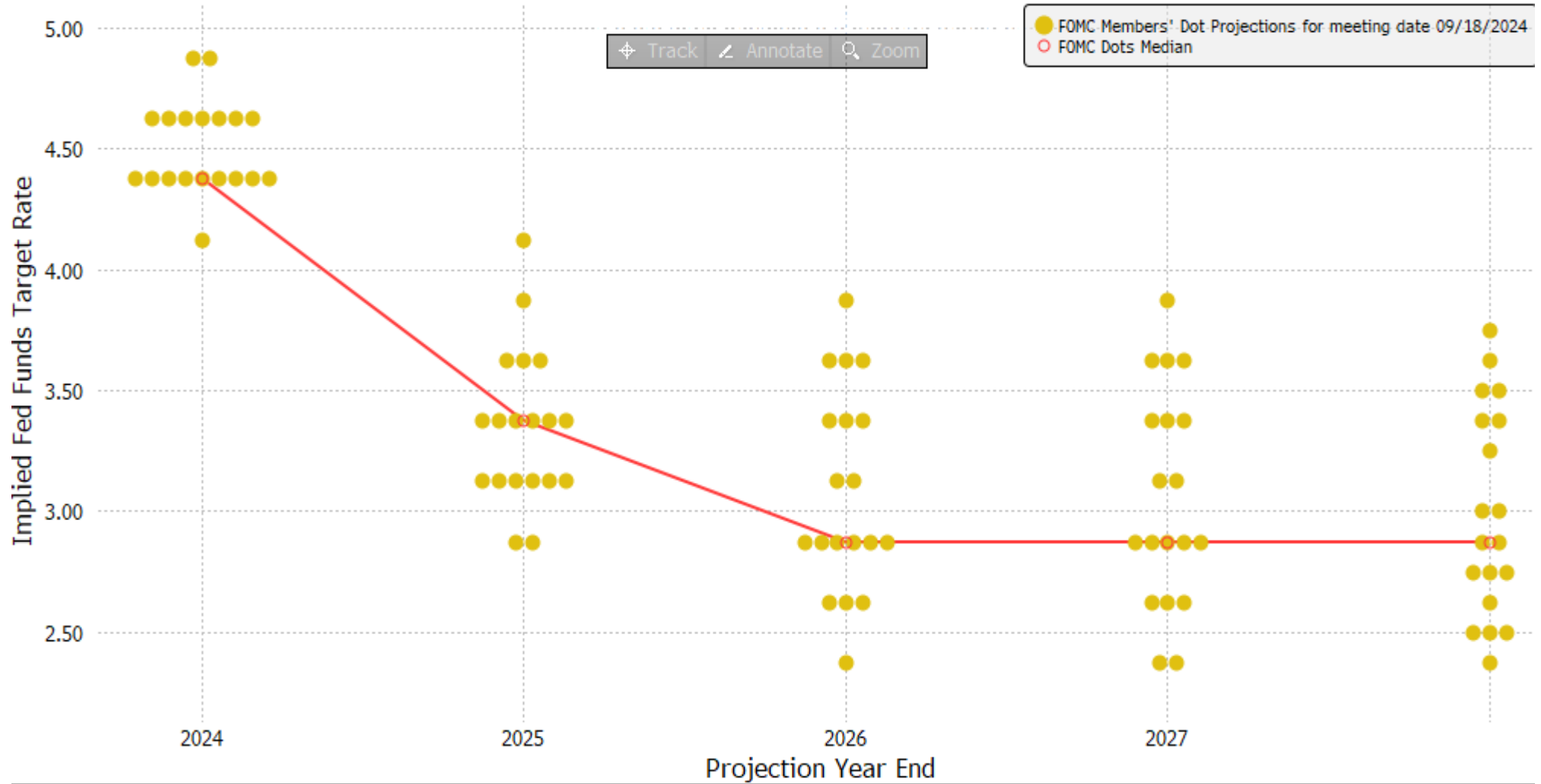
Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2024

Percent

Variable	Median ¹					Central Tendency ²					Range ³				
	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run
Change in real GDP	2.0	2.0	2.0	2.0	1.8	1.9-2.1	1.8-2.2	1.9-2.3	1.8-2.1	1.7-2.0	1.8-2.6	1.3-2.5	1.7-2.5	1.7-2.5	1.7-2.5
June projection	2.1	2.0	2.0		1.8	1.9-2.3	1.8-2.2	1.8-2.1		1.7-2.0	1.4-2.7	1.5-2.5	1.7-2.5		1.6-2.5
Unemployment rate	4.4	4.4	4.3	4.2	4.2	4.3-4.4	4.2-4.5	4.0-4.4	4.0-4.4	3.9-4.3	4.2-4.5	4.2-4.7	3.9-4.5	3.8-4.5	3.5-4.5
June projection	4.0	4.2	4.1		4.2	4.0-4.1	3.9-4.2	3.9-4.3		3.9-4.3	3.8-4.4	3.8-4.3	3.8-4.3		3.5-4.5
PCE inflation	2.3	2.1	2.0	2.0	2.0	2.2-2.4	2.1-2.2	2.0	2.0	2.0	2.1-2.7	2.1-2.4	2.0-2.2	2.0-2.1	2.0
June projection	2.6	2.3	2.0		2.0	2.5-2.9	2.2-2.4	2.0-2.1		2.0	2.5-3.0	2.2-2.5	2.0-2.3		2.0
Core PCE inflation ⁴	2.6	2.2	2.0	2.0		2.6-2.7	2.1-2.3	2.0	2.0		2.4-2.9	2.1-2.5	2.0-2.2	2.0-2.2	
June projection	2.8	2.3	2.0			2.8-3.0	2.3-2.4	2.0-2.1			2.7-3.2	2.2-2.6	2.0-2.3		
Memo: Projected appropriate policy path															
Federal funds rate	4.4	3.4	2.9	2.9	2.9	4.4-4.6	3.1-3.6	2.6-3.6	2.6-3.6	2.5-3.5	4.1-4.9	2.9-4.1	2.4-3.9	2.4-3.9	2.4-3.8
June projection	5.1	4.1	3.1		2.8	4.9-5.4	3.9-4.4	2.9-3.6		2.5-3.5	4.9-5.4	2.9-5.4	2.4-4.9		2.4-3.8



Fed Dot Plot





Modest Rate Decreases Expected in the Near Term

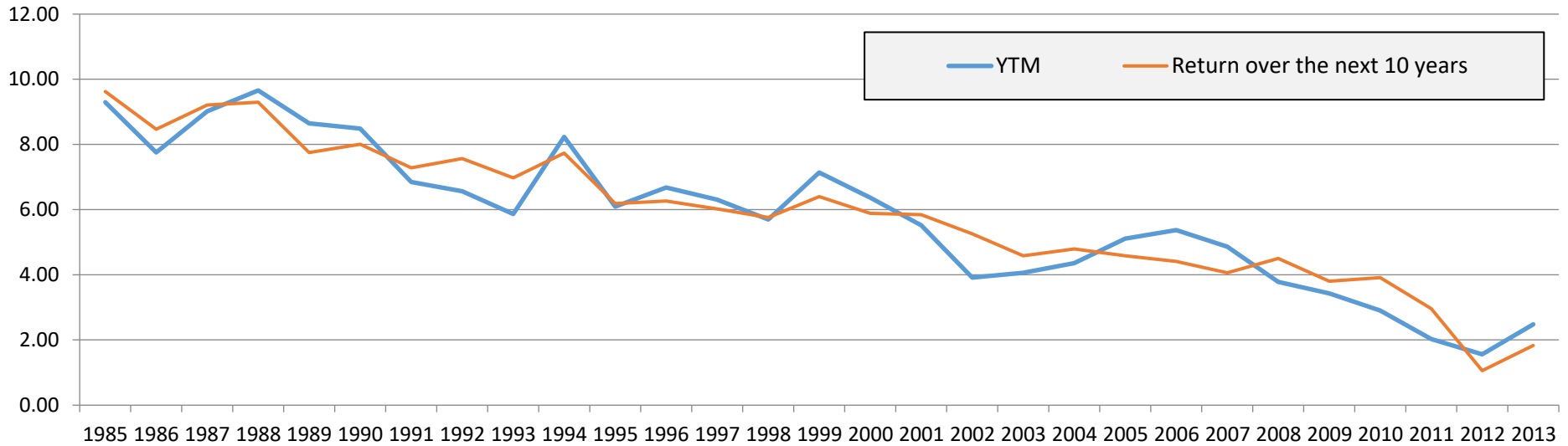
Rate	Mkt Yld	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26
United States										
US 30-Year	4.49	4.15	4.10	4.05	4.03	3.99	4.00	4.00	3.99	4.01
US 10-Year	4.22	3.90	3.82	3.77	3.75	3.73	3.67	3.64	3.63	3.70
US 5-Year	4.03	3.63	3.54	3.46	3.43	3.39	3.35	3.35	3.35	3.40
US 2-Year	4.08	3.68	3.52	3.37	3.26	3.17	3.08	3.07	3.06	3.12
US 3-Month Term SOFR	4.60	4.35	3.95	3.59	3.37	3.20	3.14	3.09	3.05	3.04
Fed Funds Rate - Upper Bound	5.00	4.50	4.10	3.70	3.45	3.30	3.20	3.15	3.10	3.10
Fed Funds Rate - Lower Bound	4.75	4.24	3.83	3.47	3.22	3.06	2.93	2.89	2.87	2.84
2 Year - 10 Year Spread	0.14	0.21	0.30	0.40	0.49	0.56	0.59	0.57	0.57	0.58





YTM vs Realized 10 Yr. Return

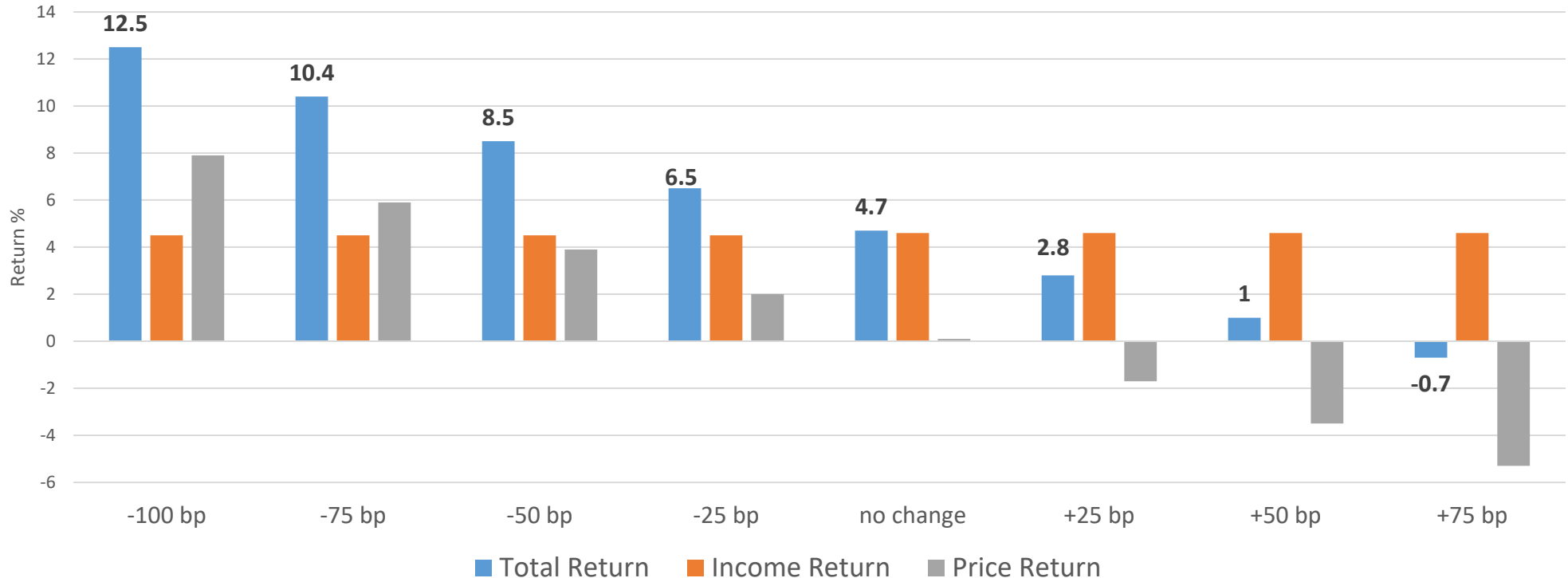
BOAML Domestic Master Index





Fixed Income Return Expectations

1 Year Core Fixed Income Return Simulation (Parallel Shift) as of 9/30/24



- Expectations are for rates to decline modestly in 2024
- The TIPS markets shows limited concern over inflation in the near term
- Return expectations over the next five years are in the 4-6% range



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