

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
INVESTMENT ADVISORY COMMITTEE
MEETING MINUTES FOR MAY 29, 2024**

Time and Location: The Investment Advisory Committee (“IAC” or the “Committee”) met on Wednesday, May 29, 2024, 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 Dale R. Folwell (Chair), John Aneralla. There is one vacancy on the Committee.

Members Attending via Webinar: Greg Patterson, Lentz Brewer, Michael Mebane.

Members Not Present: Loris Colclough.

Staff Present (in person and virtual): Ted Brinn, Matt Krimm, Rhonda Smith, Nick Langley, Kathy O’Neill, Gail Kadash, Deana Solomon, Brett Hall, Brad Bullock, Kristopher Byrd, Rekha Krishnan, Jeff Smith, Chris Morris, Ronald Funderburk, Ming Xu, Craig Demko, Troy March, Casey High, Chris Ward, Evan Prochaska, Shaun Braswell, Jason Sass, Anne Roof, Trevor Parrish, Laura Rowe, Frank Lester, Elizabeth Hawley, Paul Palermo, Nolan McKeown, Daniel Baker, Michael Wagner, Dan Way.

Others in Attendance: Daniel Clifton (Strategas), Brian Collett (Isquaredcapital.com), Cryil Espanol (pageantmedia), Kevin Pleasant (riverhillam.com), Lindsay Saienni (fin-news), Ludo MacLellan (epiris.co.uk), Spencer Witherspoon (shenkmancapital.com), Muskan Arora (marketsgroup.org), Mitchell King (Blackrock), Jennifer Yeung (Albourne), Ryan Estalilla (spglobal.com), Nicholas Hakim (pioneercommunities.com), David Corbin (gibsonavecapital.com).

AGENDA ITEM – OPENING REMARKS

The meeting was called to order at approximately 9:06 a.m. by the Treasurer. 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. Patterson moved, Mr. Aneralla seconded, and there was a member roll call to approve the previous meeting’s minutes. The Treasurer confirmed the motion and conducted a roll call to approve the minutes. The minutes were approved.

AGENDA ITEM – PERFORMANCE UPDATE

The Chair recognized Jeff Smith, Co-CIO and Director of Fixed Income, and Chris Morris, Co-CIO and Chief Risk and Operating Officer, to present the performance update.

Mr. Smith provided an update on the economic environment and broad capital markets for the first quarter of 2024, touching on interest rates and inflation, equity markets, and broad economic indicators.

Mr. Morris next presented an update on Assets Under Management (AUM), as of March 31, 2024, showing total AUM at \$183.6 billion. He also discussed how that AUM has changed over time.

Mr. Morris reviewed the asset allocation as of March 31, 2024 and May 14, 2024, discussing the over and under allocations in the portfolio.

Mr. Morris discussed the Total Net Portfolio Returns versus Benchmarks slide, discussing the periodic performance from both an absolute and benchmark relative perspective across multiple time horizons.

Mr. Morris discussed the Growth of a Dollar charts, which illustrate how the total pension and alternatives sleeve have performed relative to the long-term policy benchmark over the five- and ten-year periods and since 1997, which is the beginning of the pensions' performance record.

Mr. Morris moved on to the Contribution to Total Plan Return. He discussed the dollar amount each asset class contributed to the earnings of the plan for the prior one-year period.

Mr. Morris next walked the committee through the Net of Fees Return Attribution charts, discussing how allocation and selection effect drove benchmark relative performance over various time horizons.

Mr. Morris presented the Net of Fees Risk Metrics slide, detailing how the metrics have trended over time. The Treasurer commented on one-time funds from the Legislature and discussed the net versus gross distinction with Mr. Morris.

Mr. Morris next discussed the peer universe comparison slides, which shows our percentile rank relative to our peer pension plans. He mentioned that in strong markets we are expected to lag to our peers, due to our plan having less equity exposure and more fixed income assets. The Treasurer offered commentary on the assumed rate of return.

Mr. Morris moved on to the liquidity slides, discussing the structural liquidity, benefit payments, and cash flows within the alternatives sleeve with Committee members. He also discussed the Valuation Lag Profile slide.

Mr. Smith discussed the net of fees performance for the individual asset classes, new and or incremental investments, unfunded commitments, , trends in asset allocation, and the Top 20 Investment Managers, noting the amount of assets managed internally. The Treasurer discussed core real estate investments (slide 28) and thanked IMD staff for their consistent leadership.

AGENDA ITEM – PUBLIC POLICY OUTLOOK

The Chair recognized Dan Clifton of Strategas, to present an update on Public Policy Outlook. The presentation covered research around the 2024 election, monetary policy, fiscal and geopolitical considerations. The Treasurer, the Committee, Mr. Smith, and Matt Krimm, Director of Investment Operations and Risk, discussed a variety of topics with Mr. Clifton, including Fannie Mae, the 2024 election (including vice presidential candidate choices, swing state odds, the electoral college, voter preferences, debates, and former President Trump's legal cases), future tax policy, social security, future federal budgets' impact on state budgets, 2025 fiscal concerns, future federal reserve leadership, and earned wage access programs. The Treasurer offered a closing comment on buying back state debt.

AGENDA ITEM – REAL ESTATE ASSET CLASS REVIEW

The Real Estate Team—led by Troy March, Investment Director of Real Estate, and including Casey High, Portfolio Manager, and Chris Ward, Investment Analyst—discussed the portfolio’s allocations to the broad strategies and sub-strategies within the portfolio. Mr. March and Mr. High also discussed recent investments (with additional discussion by the Treasurer and Committee members), cash flow, unfunded commitments, performance, property type exposures and trends, real estate separately managed account exposure, higher control structures in the portfolio, and current sector analysis. Committee members discussed manager fees with Mr. March. The Treasurer and Committee members additionally discussed with Mr. March debt versus equity investments and potential overlap with Ron Funderburk, Investment Director of Opportunistic Fixed Income and Inflation Sensitive portfolios. The Treasurer discussed real estate and the banking sector with Mr. March and Mr. Smith. Committee members thanked the real estate team.

AGENDA ITEM – IAC CODE OF ETHICS

The Treasurer introduced Jason Sass, Deputy General Counsel, to discuss the IAC Code of Ethics. Mr. Sass provided three main highlights of the IAC Code of Ethics – 1. restrictions on transactions between “interested parties” and NCRS, 2. required recusal from voting or evaluating investment matters when an “interested party” is involved or the IAC member is an officer, director, or employee of the involved entity, and 3. the duty to “proactively identify and promptly disclose” potential conflicts of interest. Mr. Sass mentioned that an electronic copy of the Code of Ethics document was sent to the board members and that staff will follow up for an acknowledgement from each member.

Mr. Sass next presented on the major Departmental policies. Mr. Sass reported that there has been one major change to the list of policies in the previous year. The Placement Agent Political Contribution and Connection Disclosure Policy was extensively revised in the last year, including changing the name to the Investment Transaction Disclosure Policy.

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. Members expressed their gratitude to the Treasurer and IMD team.

The IAC member Q&A portion closed.

ADJOURNMENT

The Treasurer relayed an anecdote about a previous Treasurer, Harlan Boyles, and further discussed the upcoming election of a new Treasurer. The Treasurer then thanked the Investment Management team and offered commentary about recent law enforcement officer deaths in North Carolina. The Treasurer then requested that there be a motion to adjourn the meeting.

Mr. Aneralla motioned to adjourn. Mr. Patterson seconded the motion. The motion to adjourn passed unanimously.

A new IMD staff member—Nolan McKeown, Investment Analyst, Public Equity—was introduced to the Committee.

The Treasurer officially adjourned the meeting at approximately 11:45 a.m.

A handwritten signature in black ink, appearing to read "Dale R. Folwell CPA", written over a horizontal line.

DALE R. FOLWELL, CPA
NORTH CAROLINA STATE TREASURER AND CHAIR