

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

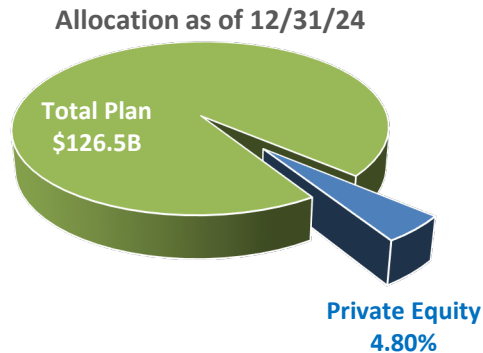


BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

Private Equity Update



Role in the Portfolio



- Attractive absolute returns. Long-term returns in excess of public market equity returns, sufficient to compensate the Fund for the higher degree of idiosyncratic risk, smaller company equity exposure, and higher portfolio company leverage.
- Competitive relative returns.
- Diversification. (e.g., special situations).

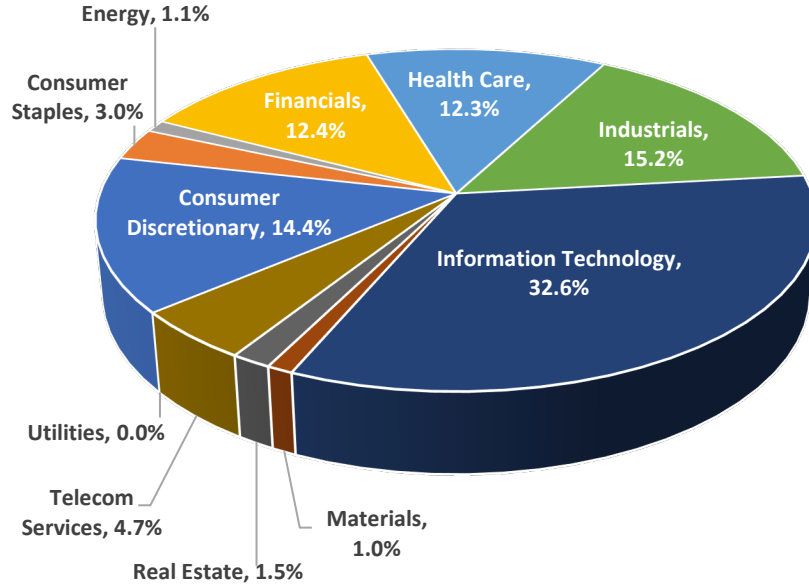
Portfolio Composition – Actual vs. Policy

Strategy	# of Active Funds	Policy Range			Actual 12/31/24
		MIN	TARGET	MAX	% of FMV ¹
Buyout	35	30%	45%	60%	35.9%
Growth/Venture	22	15%	25%	35%	17.6%
Special Situations	23	15%	30%	45%	46.6%
Fund of Funds	10	-	-	-	-
TOTAL	90	0%	6.0%	8.75%	4.8%

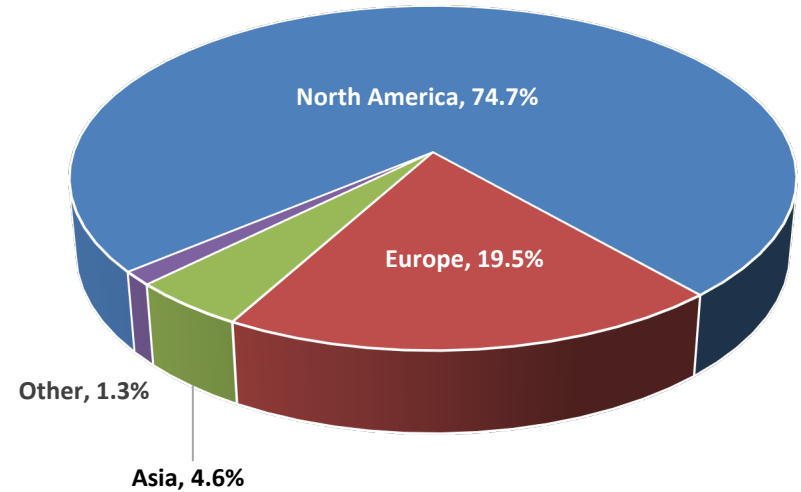


Private Equity Composition

Industry*



Geography*





Performance

As of March 31, 2025

Net of Fees Performance (%)

	Market Value (\$MM)	3 Month	1 Year	3 Years	5 Years	10 Years
Private Equity	\$6,140	2.08	4.12	(0.65)	11.53	11.20
Benchmark		0.87	6.24	2.29	10.51	9.87
Buyout	\$2,030	1.39	5.46	2.07	12.56	12.14
Growth	\$940	6.44	2.36	(7.50)	7.59	9.89
Special Situations	\$2,692	1.49	4.79	2.80	13.85	10.21
Fund of Funds	\$477	(0.08)	(0.38)	(5.24)	9.55	10.17

Asset Class	2010 + Vintages - as of 12/31/24 Reported Valuations						
	Internal Rate of Return			PMEs (Relative to R2000)		Multiples	
	5 Year	10 Year	ITD	Alpha	K&S	DPI	TVPI
Total Private Equity	14.1%	14.7%	14.5%	4.8%	1.19	0.96	1.77



Strategy and Tactics

Primary Fund Commitments

- Maintain pacing discipline for new commitments across economic cycles
- Focus on fewer commitments of scale to attain better economic terms
- Explore cross asset class collaborations with managers
- Maintain sub-asset class allocations
- Barbell approach with mature large funds and younger smaller funds

Benefits:

- ✓ Enhanced direct deal flow with high conviction sponsors
- ✓ Potential for resource and knowledge sharing benefits
- ✓ Opportunity for better economic terms (economies of scale)



Strategy and Tactics

Direct Investments – primary driver to generate outperformance vs. the benchmark

- SMAs alongside Primary Fund commitments
 - ✓ Reduces overall fee exposure
 - ✓ Assures co-investment capital deployed to smaller transactions
- NC Discretionary Account
 - ✓ Control selection, sizing, pacing and potentially pricing
 - ✓ Increase exposure to larger high conviction transactions
 - ✓ Captures deal flow from additional sources (other GPs, intermediaries, etc.)

Direct investments = Co-Investments, Continuation Vehicles, and other “directs”

As of 12/24, \$1,563 MM in Direct Investments = 25.8% of asset class market value



Strategy and Tactics

Implementation

- Leverage the Private Equity team background and networks.
- Attend more meetings and conferences.
 - ✓ In-person interaction is priceless.
- Cross-collaborate within IMD.
- Be responsive.
 - ✓ “A quick no is as valuable as a yes.”
- Treat everyone professionally.
 - ✓ Reputation will open doors and opportunity.



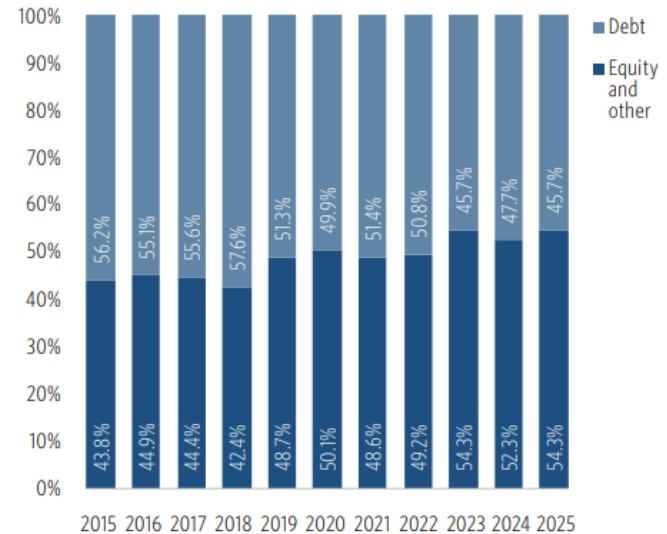
Environment – Buyout*

Global PE EV/EBITDA multiples



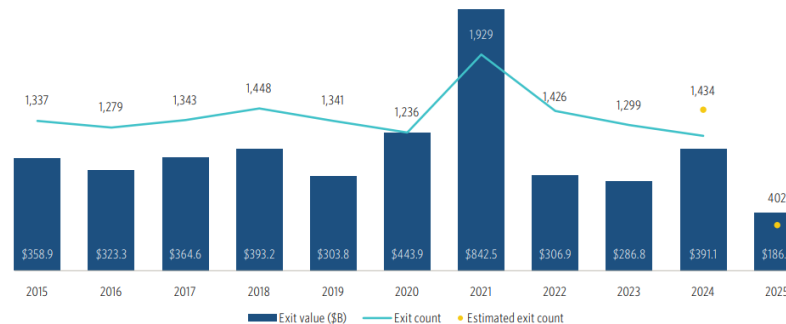
Source: PitchBook • Geography: North America and Europe • As of March 31, 2025

Share of BSL-funded deal value by source



Source: PitchBook | LCD • Geography: US • As of March 31, 2025

PE exit activity



Source: PitchBook • Geography: US • As of March 31, 2025

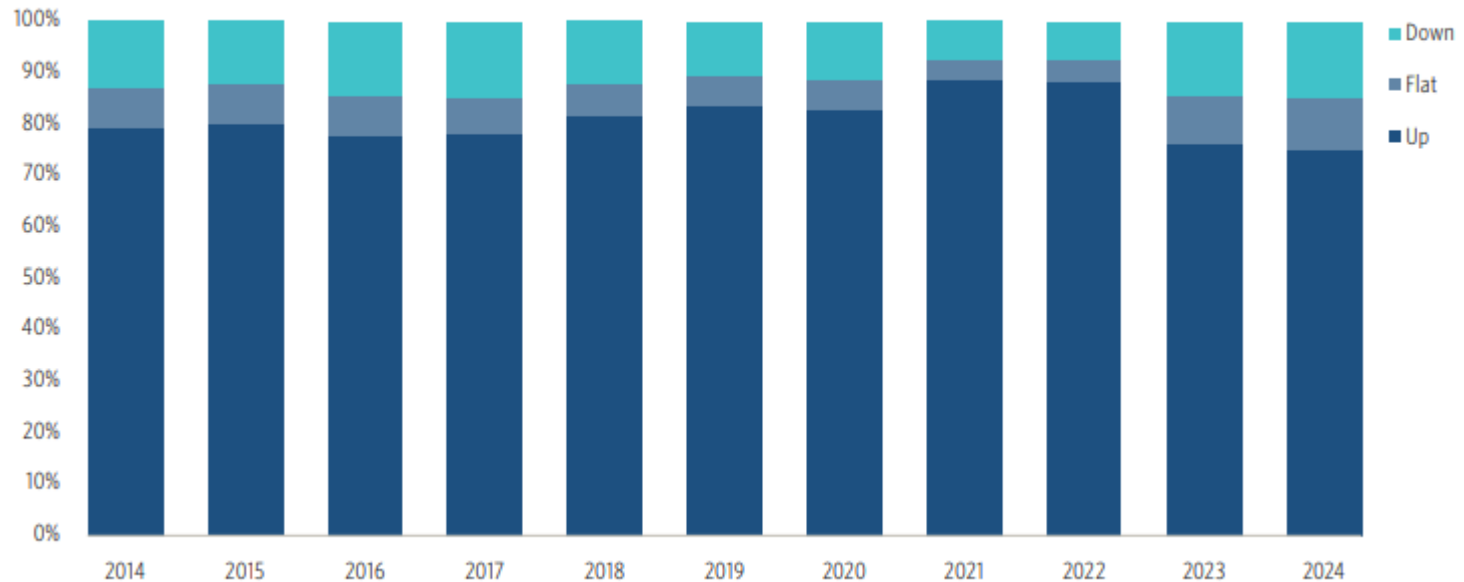
*Source: PitchBook Q1 2025 US PE Breakdown



Environment – VC / Growth Equity*

Greatest percentage of flat and down rounds in a decade

Share of VC deal count by up, down, and flat rounds

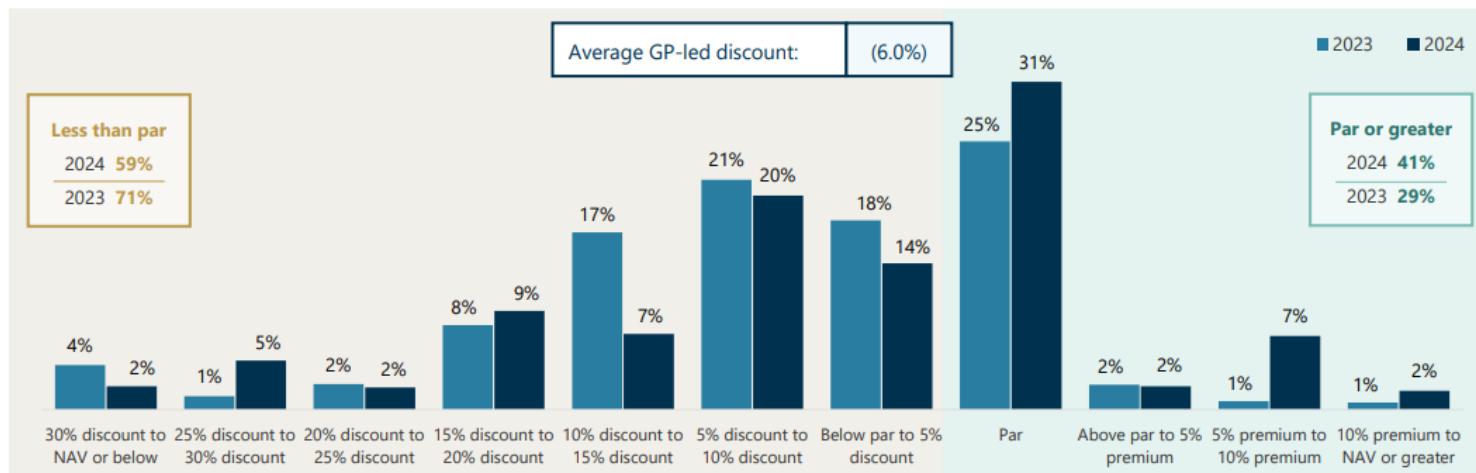


Source: PitchBook • Geography: US • As of December 31, 2024



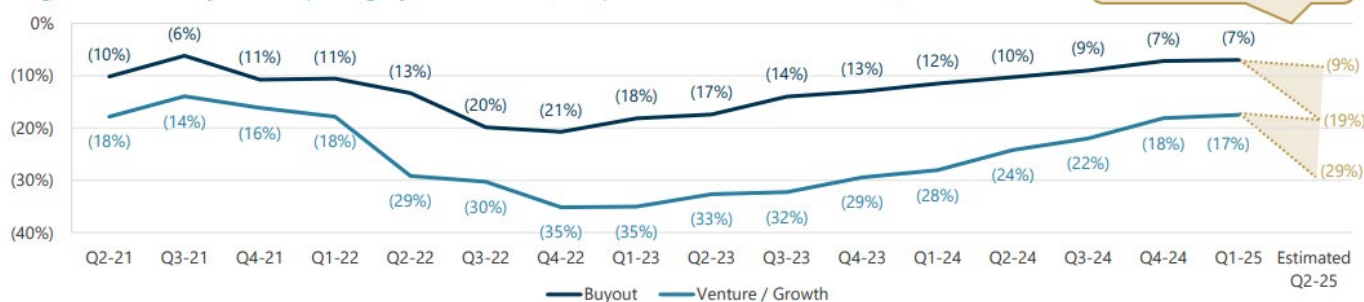
Environment – Secondaries*

GP Led



LP Led

Weighted secondary market pricing by record date (as a premium / discount to NAV)¹



*Source: Campbell Lutyens & Co. Ltd May 2025 Secondary market update and liquidity solutions for LPs



Private Equity Strategy Analysis

Outlook: ● Positive ● Neutral ● Negative

● Buyout

- Interest rates have stayed higher for longer and could burden returns.
- Market dislocations could create more attractive entry points.
- Add-on acquisitions continue to play a role in offsetting higher purchase prices.

● Venture Capital

- Lack of liquidity options leading to longer hold periods may create an opportunity.
- Capital needs have led to downward pressure on subsequent VC rounds.

● Growth Equity

- Strategy not burdened by costly debt (equity utilized in place of debt to accelerate growth).
- Additional capital due to longer hold periods may be necessary to continue the growth trajectory.
- Better positioned companies should attract capital at reasonable valuations.

● Secondaries- LP Led

- “Plain Vanilla” secondary pricing discount has contracted meaningfully since 4Q22 through 1Q25.
- Diversification benefits don’t align with NCRS strategy.
- Macro headwinds could translate to greater discounts, but selection will be key.

● Secondaries- GP Led

- GPs increasingly using continuation vehicles for exits.
- Typically focus on higher quality assets. While a secondary in title, CVs are direct investments.
- Dispersion of returns narrower relative to Buyout primary strategies.

● Distressed

- Rising consumer and business loan delinquencies plus further tariff impacts could lead to distressed opportunities.
- NCRS experience – return profile witnessed tends to be Credit like vs. Private Equity.

● Direct Investments

- Control selection, sizing, pacing and potentially pricing.
- Not burdened by commingled fund fees. Performance fees are significantly less or non-existent.



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