

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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INVESTMENT MANAGEMENT DIVISION

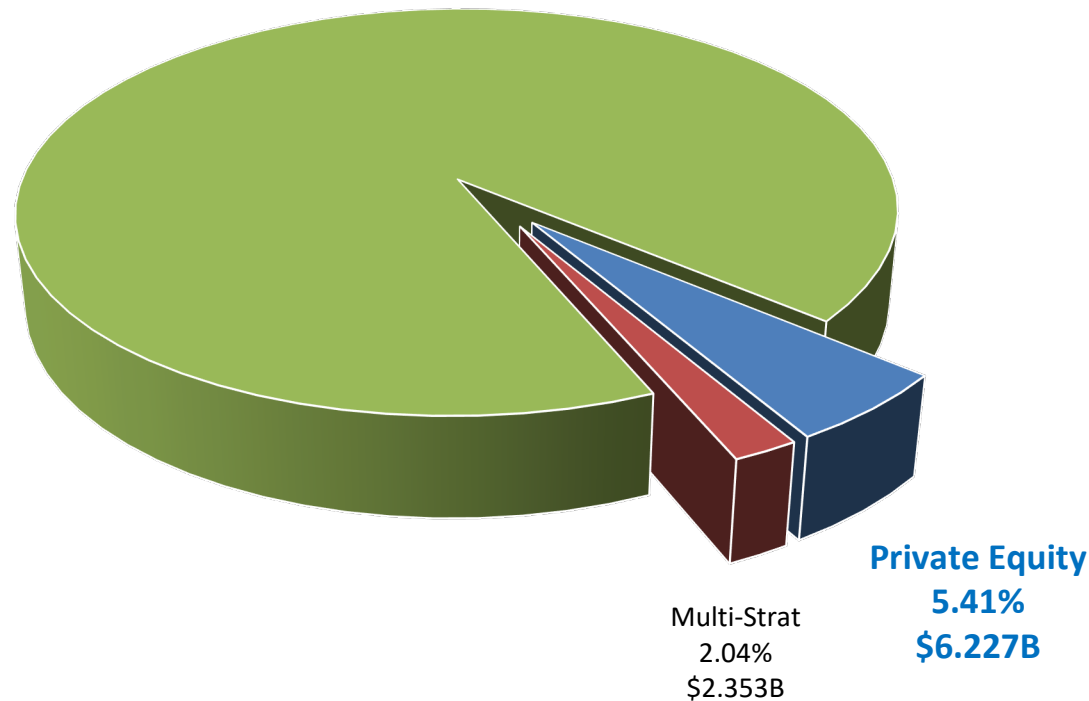
Private Equity Update

August 23rd, 2023



Statutory Allocation

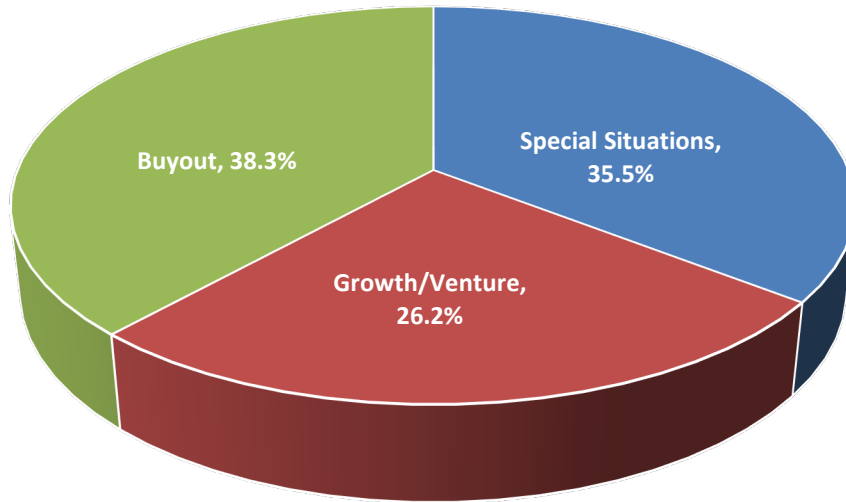
Allocation as of 6/30/23



- Private Equity + Multi-Strat = 7.46% → below 8.75% Legislative cap
- Private Equity = 5.41% → below Policy Target of 7%



Private Equity Composition*



Policy Relative to Actual Portfolio Weights

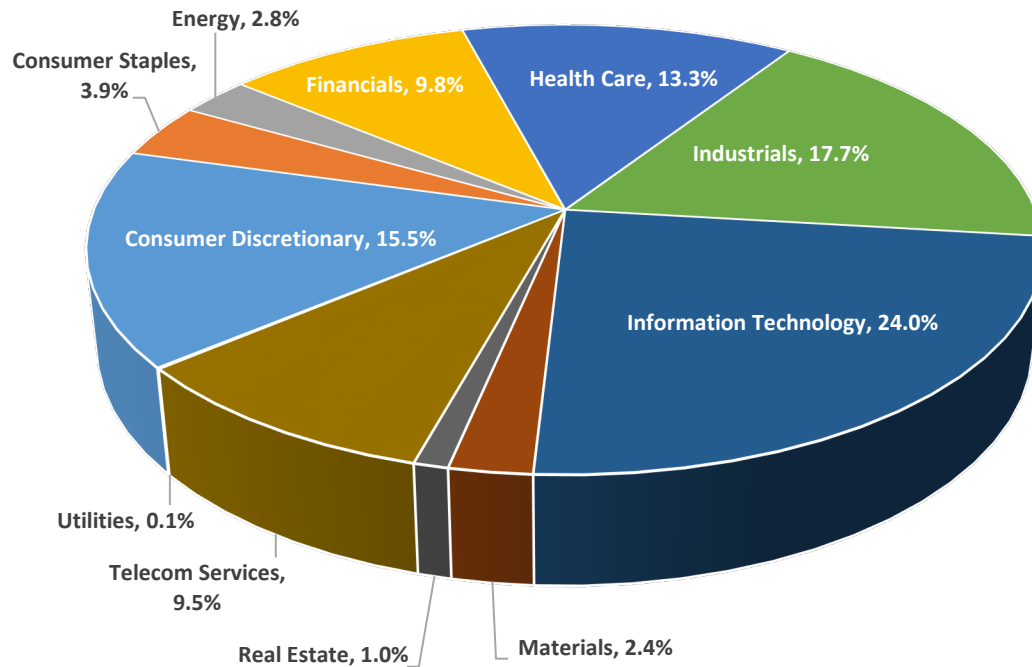
| Strategy | # of Active Funds | Policy Range | | | Actual (3/31/2023) |
|--------------------|-------------------|--------------|--------|-----|--------------------|
| | | MIN | TARGET | MAX | % of FMV* |
| Buyout | 35 | 35% | 45% | 65% | 38.3% |
| Growth/Venture | 29 | 15% | 25% | 35% | 26.2% |
| Special Situations | 21 | 15% | 30% | 45% | 35.5% |
| Fund of Funds | 10 | - | - | - | - |
| TOTAL | 95 | | | | 100% |

*Data includes Fund of Funds' underlying exposure (as of 3/31/23 or most recently reported)

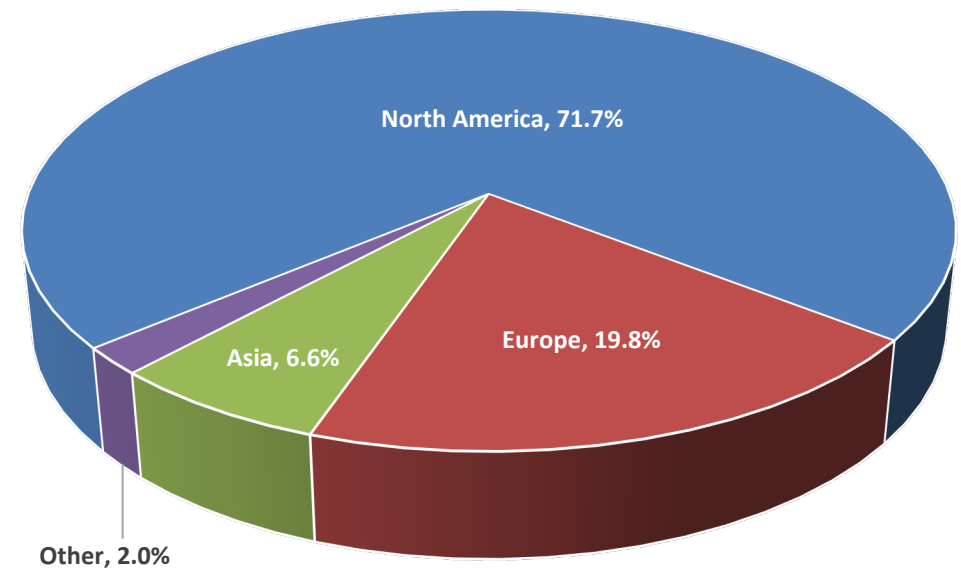


Private Equity Composition

GICS Industry Allocation*



Geographic Allocation*



*Data includes Fund of Funds' underlying exposure (as of 3/31/2023 or most recently reported)



Performance

| Private Equity Portfolio | | | | |
|--|------------------------|---------------------------|-------------------------------|--|
| <i>Net of Fees as of March 31, 2023*</i> | | | | |
| | <i>Since Inception</i> | <i>Vintage '88 to '09</i> | <i>Vintage '10 to Present</i> | |
| Number of Funds | 155 | 98 | 57 | |
| Called Capital | \$ 11,759.1 | \$ 5,521.1 | \$ 6,238.0 | |
| Distributed Capital | \$ 13,289.2 | \$ 7,486.4 | \$ 5,802.8 | |
| DPI | 1.13x | 1.36x | 0.93x | |
| Residual Value | \$ 6,164.0 | \$ 640.4 | \$ 5,523.6 | |
| Total Value | \$ 19,453.2 | \$ 8,126.8 | \$ 11,326.4 | |
| TVPI | 1.65x | 1.47x | 1.82x | |
| Gain/(Loss) | \$ 7,694.1 | \$ 2,605.7 | \$ 5,088.4 | |
| IRR | 10.20% | 7.39% | 16.18% | |
| Kaplan & Shoar | | | | |
| Public Market Equivalent | | | | |
| S&P 500 | 0.98x | 0.91x | 1.12x | |
| Russell 3000 | 0.98x | 0.90x | 1.13x | |
| MSCI ACWI | 1.07x | 0.99x | 1.21x | |

DPI = Distribution to Paid-In Capital = "cumulative distributions" divided by "paid-in (called) capital"

TVPI = Total Value to Paid-In Capital = "cumulative distributions" + "residual value" divided by "paid-in (called) capital"

IRR = Internal Rate of Return

* Data as of 3/31/2023 or most recent available



Performance

| | Market Value (\$000) | Month | 3 Month | Fiscal YTD | Cal YTD | 1 Yr | 3 Yr | 5 Yr | 7 Yr | 10 Yr | 15 Yr | 20 Yr |
|------------------------|-------------------------|----------------|------------------|------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|---------------|
| June 2023 | | | | | | | | | | | | |
| Private Equity | | | | | | | | | | | | |
| Benchmark ³ | 6,227,382 | 1.38 0.86 | 1.82 1.30 | (6.72) (2.57) | 0.71 2.25 | (6.72) (2.57) | 19.42 18.21 | 14.34 12.25 | 13.95 12.02 | 12.92 11.31 | 9.21 9.22 | 9.75 12.18 |
| June 2022 | | | | | | | | | | | | |
| Private Equity | | | | | | | | | | | | |
| Benchmark ³ | 7,118,531 | 0.32 1.96 | (1.88) (0.27) | 15.16 16.34 | 1.70 3.73 | 15.16 16.34 | 23.17 18.94 | 19.50 15.77 | 15.78 13.12 | 14.35 12.70 | 10.63 10.31 | 9.40 11.87 |
| June 2021 | | | | | | | | | | | | |
| Private Equity | | | | | | | | | | | | |
| Benchmark ³ | 7,409,284 | 1.85 (5.44) | 15.53 7.26 | 58.54 45.72 | 30.73 22.88 | 58.54 45.72 | 22.08 16.28 | 18.35 14.33 | 14.96 11.67 | 13.47 11.79 | 10.82 10.89 | 7.54 10.51 |

3. The Private Equity Benchmark is comprised of the following Burgiss Group Private iQ indices: 50% Buyout, 20% Venture Capital, and 30% Distressed.



Co-Investment Program: Track Record

| NCL Series as of 3/31/2023 | | | | Base Case | | Mar-23 | | |
|----------------------------|----------------|---------------|----------------|------------|------------|------------|-------------|-------------|
| NCL Series | Contributions | Distributions | Total Value | IRR | TVPI | IRR | TVPI | DPI |
| NCL II | \$283.4 | \$74.1 | \$608.4 | 22% | 2.3x | 22% | 2.1x | 0.3x |
| NCL III | \$295.4 * | \$0.1 | \$342.7 | 23% | 2.6x | 20% | 1.2x | 0.0x |
| Total | \$578.8 | \$74.2 | \$951.1 | N/A | N/A | 22% | 1.5x | 0.1x |

| Co-Investments - June 30, 2023 | | Potential Total Savings (\$ mm's) | | |
|--------------------------------|----------------|--------------------------------------|----------------|----------------|
| NCL Series | Contributions | Mgmt Fee | Carry | Total |
| NCL II | \$283.3 | \$19.1 | \$64.9 | \$84.0 |
| NCL III | \$445.2** | \$33.4 | \$140.6 | \$174.0 |
| Total | \$728.5 | \$52.5 | \$205.5 | \$258.0 |

* Top chart - contributions through March 2023, to match available performance reporting.

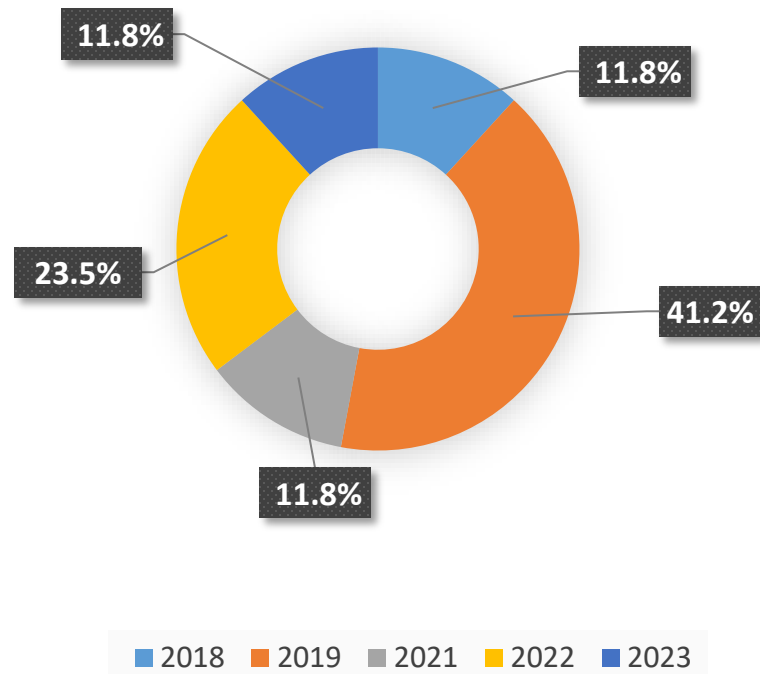
** Bottom chart - contributions through June 2023.

Note: Potential Savings uses Base Case returns, 1.75% Management Fee and 20% Carried Interest

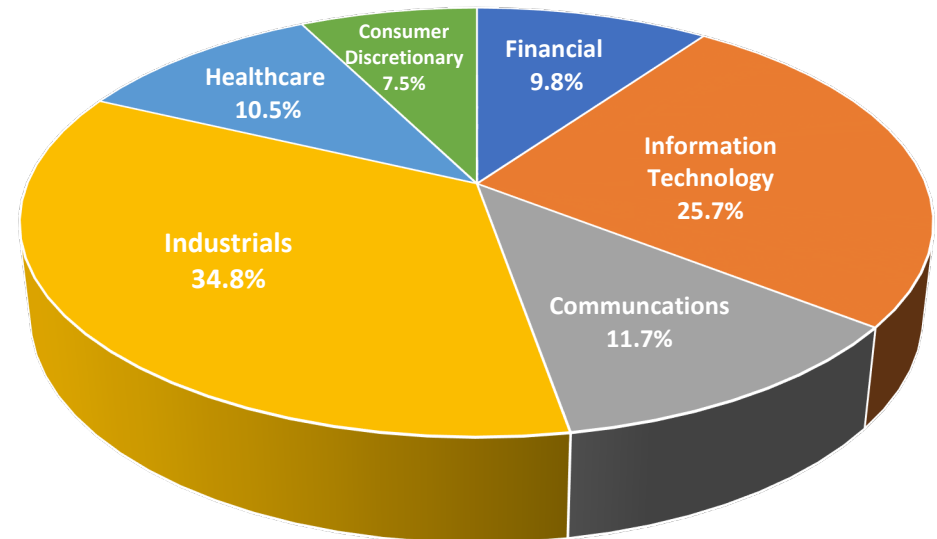


Co-Investment: Composition

Vintage Year*



GICS Industry Allocation*

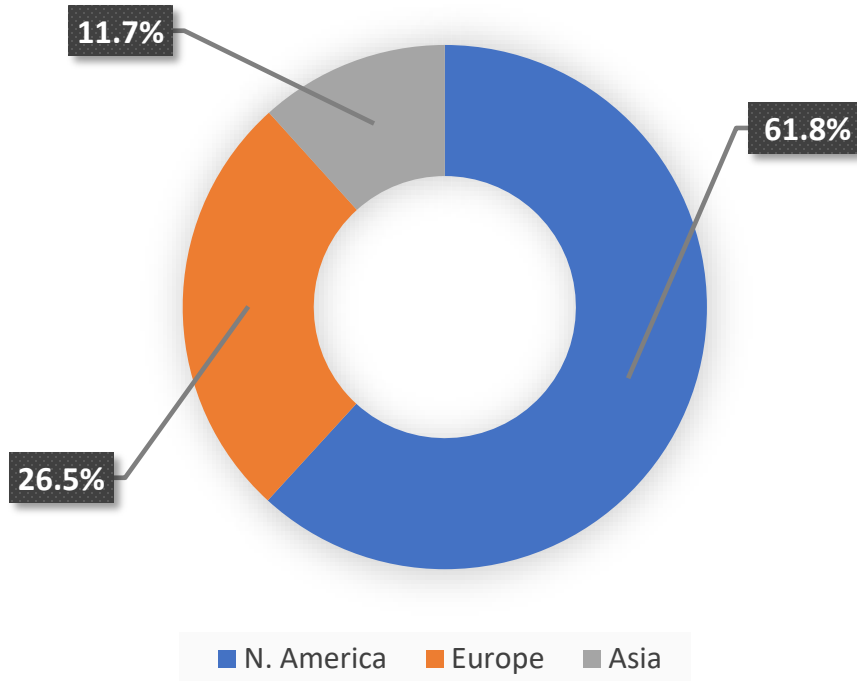


*Data is correlated from the NAV (as of 3/31/2023 or most recently reported)

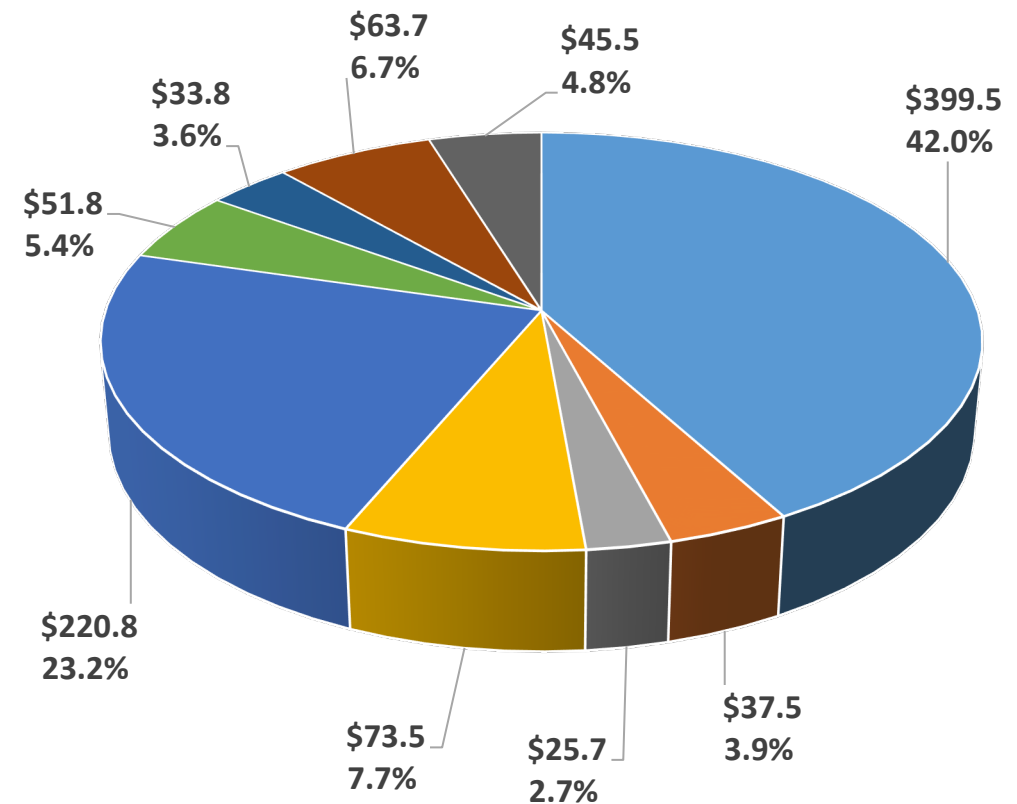


Co-Investment – Composition(cont.)

Geographic Allocation*



General Partner Allocation*



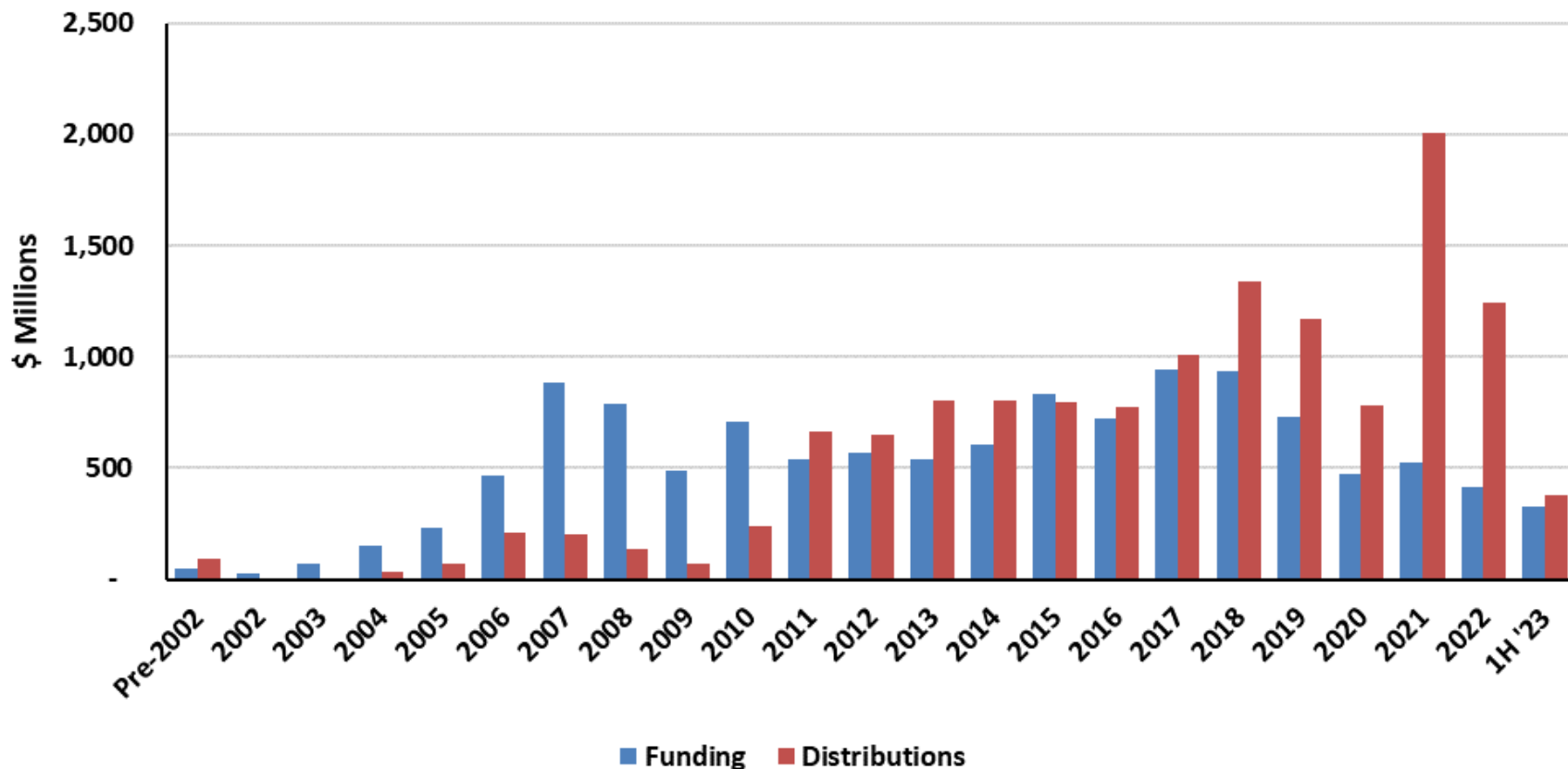
*Data is correlated from the NAV (as of 3/31/2023 or most recently reported)



Private Equity Cash Flow Detail

- 11 out of the last 12 calendar years, distributions have exceeded funding
- 2H 2023 indications are for increased realizations

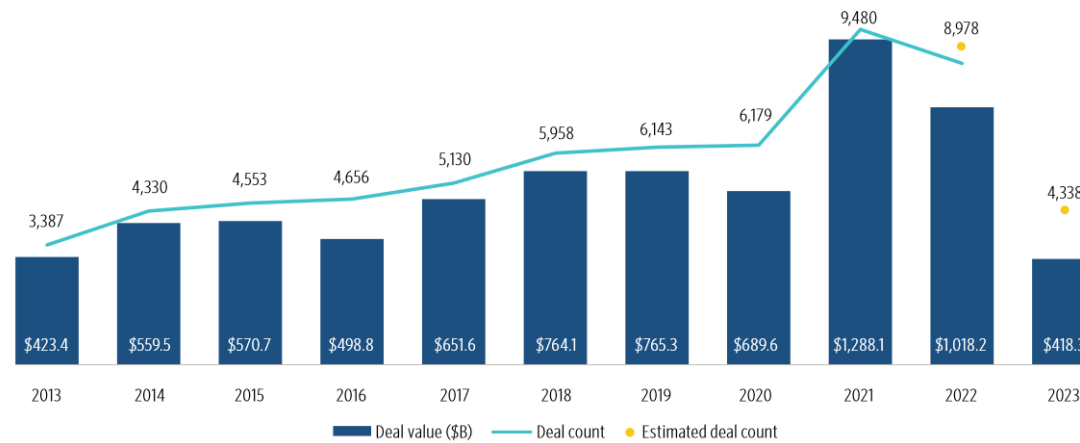
Private Equity Cashflows
by Calendar Year



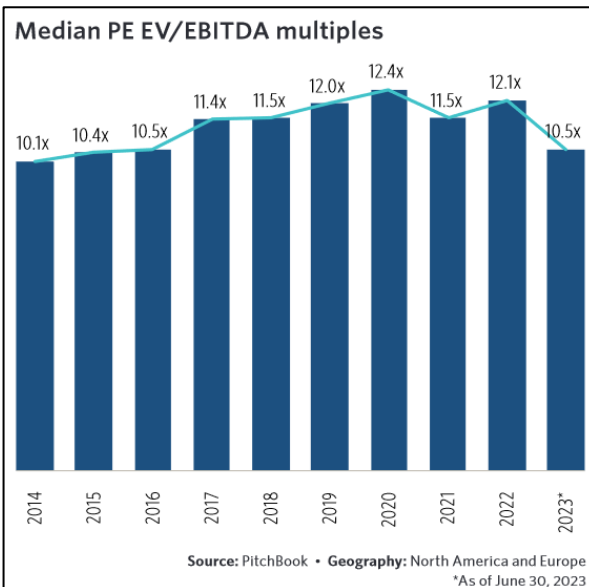


Market Overview – Buy-Side Activity

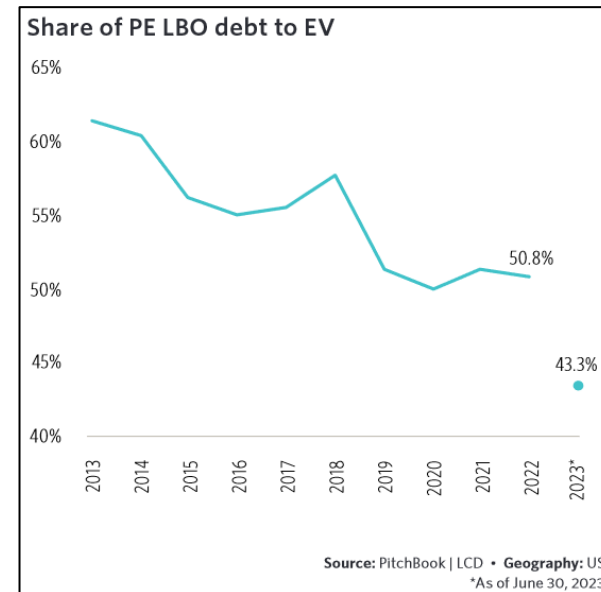
PE deal activity



Source: PitchBook • Geography: US
*As of June 30, 2023



Source: PitchBook • Geography: North America and Europe
*As of June 30, 2023

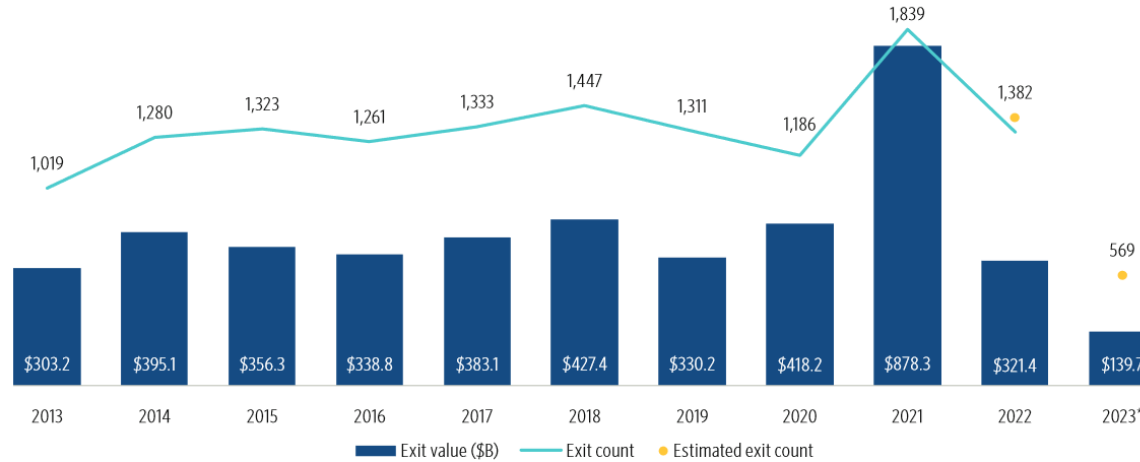


Source: PitchBook | LCD • Geography: US
*As of June 30, 2023

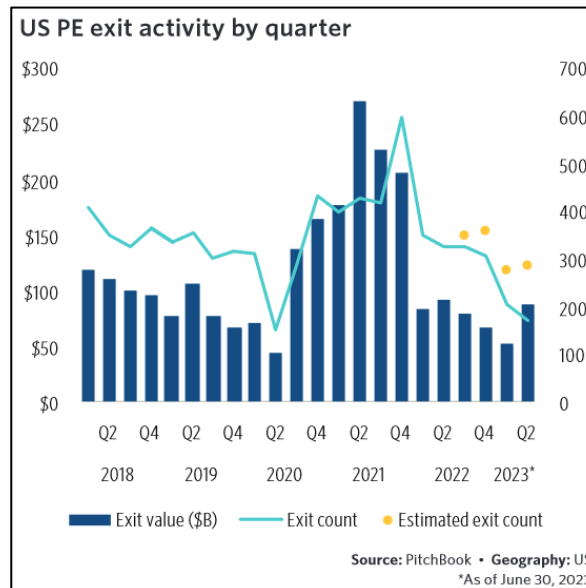


Market Overview – Sell-Side Activity

US PE exit activity



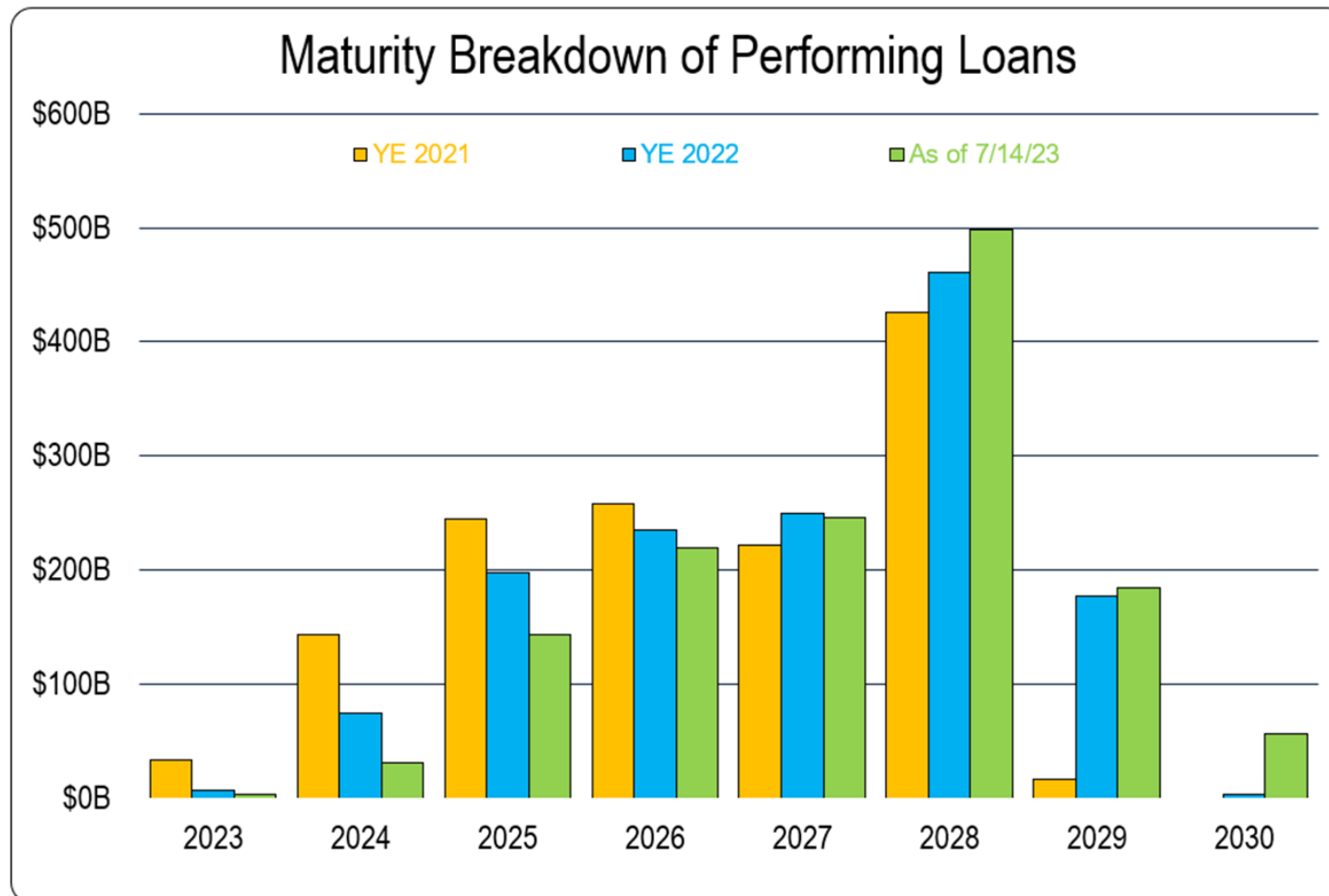
Source: PitchBook • Geography: US
*As of June 30, 2023



Source: PitchBook • Geography: US
*As of June 30, 2023



US Leveraged Loan Maturity Wall Breakdown



Source: Pitchbook LCD
July 17, 2023



Private Equity Opportunities

1. Secondaries & Structured Transactions

- NCL IV
- Add a Complimentary Strategy

2. Co-Investments

- NCL IV
- Leverage primary commitments
- Leverage LP allocation constraints
- Separate Target Allocation

3. Future Primary Commitments

- Focus on high conviction managers with co-investment opportunities
- Structured Transaction for Complimentary Investments