

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER  
INVESTMENT ADVISORY COMMITTEE  
MEETING MINUTES FOR FEBRUARY 28, 2024**

Time and Location: The Investment Advisory Committee (“IAC” or the “Committee”) met on Wednesday, February 28, 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), Greg Patterson, Lentz Brewer, Michael Mebane, Loris Colclough. There is one vacancy on the Committee.

Members Attending via Webinar: John Aneralla

Staff Present (in person and virtual): Ted Brinn, Matt Krimm, Rhonda Smith, Nick Langley, Kathy O’Neill, Gail Kadash, Deana Solomon, Brett Hall, 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, Marc Brunner, Jeff Hancock, Jennifer Parker, Carolyn Heden, Michael Wagner.

Others in Attendance: Barbara Gibson, Nicole Rawald, Dennis Funderburk, Barry Pavlo, David Johnson, Jeff Spray, John Ebbighausen, John Balaod (withintelligence.com), Katie Launspach (lgima.com), Spencer Witherspoon (shenkmancapital.com), Sam King (Invesco), Mitchell King (BlackRock), Charlie Ashmun (BlackRock), Alejandro Romero (albourne.com).

**AGENDA ITEM – OPENING REMARKS**

The meeting was called to order at approximately 9:00 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 Chair then commenced the meeting.

**AGENDA ITEM – APPROVAL OF MINUTES**

Mr. Patterson moved, Mr. Colclough 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 unanimously.

**AGENDA ITEM – PERFORMANCE UPDATE**

The Chair recognized Chris Morris and Jeff Smith, Co-CIOs, to present the performance update.

Mr. Smith provided an update on the United States economic environment for the fourth quarter of 2023 and further discussed the current quarter changes.

Mr. Morris started his presentation discussing the Assets Under Management as of December 31, 2023, noting the current total market value level of \$181.2B, as well as changes for the quarter and calendar year.

Mr. Morris next reported on the asset allocation as of December 31, 2023, discussing the over and under allocations in the portfolio.

Mr. Morris continued to the Total Net Portfolio Returns vs. Benchmarks slide, discussing the periodic performance from both an absolute and 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 the portfolio either added or detracted value relative to the benchmark over various horizons.

Mr. Morris then presented the Net of Fees Risk Metrics slide.

Mr. Morris discussed the peer universe comparison slides, which show our percentile rank relative to peer pension plans on a return and risk basis.

Mr. Morris next presented the Funded Status Universe Comparison slide that shows funded status and actuarial assumed rate of returns of U.S. Public Funds. Mr. Morris, Mr. Smith, the Treasurer, and IAC Members discussed this Slide 21 at length.

Mr. Morris moved on to the liquidity slides, discussing the structural liquidity, benefit payments, and cash flows within the alternatives sleeve.

Mr. Smith reported on Asset Class Performance and spoke about the Calendar Year Asset Class Return chart.

Mr. Smith next discussed new, incremental investments, and unfunded commitments. The Treasurer and IAC Members further discussed this Slide 28 with Troy March, Investment Director of Real Estate.

Mr. Smith moved along to Asset Allocation History and the Top 20 Investment Managers presentation, where IAC Members and the Treasurer had additional questions and comments (Slide 32) that included a discussion of the Department's relationship with BlackRock.

## **AGENDA ITEM – INFLATION SENSITIVE ASSET CLASS REVIEW**

The Treasurer recognized Ronald Funderburk, Investment Director of Opportunistic Fixed Income and Inflation Sensitive portfolios.

Mr. Funderburk and Ming Xu, Portfolio Manager, provided an overview of the Inflation Sensitive portfolio. Their presentation discussed the portfolio's history, structure, asset allocation, performance, underlying components of CPI, current inflation environment, risks to the current inflationary outlook, strategies of interest, and considerations for 2024. IAC Members discussed with Mr. Funderburk and Mr. Xu the

percentage of timber in the current portfolio allocation (Slide 6). IAC Members and the Treasurer discussed TIPS with Mr. Xu, Mr. Funderburk, Mr. Morris, and Mr. Smith (Slides 7-9). The Treasurer also had additional questions and comments for Mr. Xu on Slide 13 regarding inflation, and IAC Members discussed the current inflation environment (Slide 16) and tracking potential black swan events with Mr. Funderburk and Mr. Smith. At the end of the presentation, IAC Members and the Treasurer offered additional commentary on timber and discussed private equity opportunities and continuation vehicles with Mr. Funderburk, Mr. Smith, and Craig Demko, Investment Director of Private Equity.

#### **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 Investment staff. Members expressed their gratitude to the IMD team.

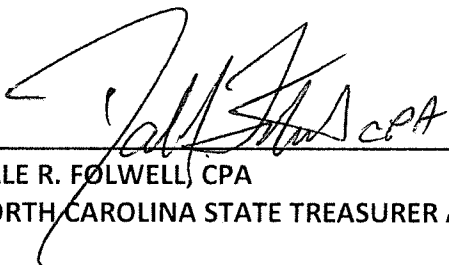
The IAC member Q&A portion closed.

#### **ADJOURNMENT**

The Treasurer offered closing comments relating to the upcoming election and recent large donations received by educational institutions. The Treasurer next thanked the Investment Management team and requested that there be a motion to adjourn the meeting.

Mr. Mebane motioned to adjourn. Mr. Colclough seconded the motion.

The Treasurer officially adjourned the meeting at approximately 10:53 am.



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