

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS**

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

Fiscal Year Ended June 30, 2026

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Fiduciary Net Position	13
Statement of Changes in Fiduciary Net Position	14
Notes to Financial Statements	15
Supplementary Information	45
Other Supplementary Information	51

This audit required approximately 550 hours at a cost of \$70,000.



INDEPENDENT AUDITORS' REPORT

Bradford B. Briner, CPA, State Treasurer
North Carolina Department of State Treasurer
Investment Programs

Opinions

We have audited the accompanying financial statements of the External Investment Pool (the Pool), the Bond Index Investment Pool (the BIF), and the Equity Index Investment Account (the EIF) of the North Carolina Department of State Treasurer Investment Programs, collectively referred to as "Investment Programs," as of and for the year then ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Investment Programs' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Investment Programs as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Investment Programs and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Investment Programs are intended to present the financial position and the changes in financial position of the North Carolina Department of State Treasurer that is attributable to the transactions of the Investment Programs. They do not purport to, and do not, present fairly the financial position of the North Carolina Department of State Treasurer as of June 30, 2026, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Investment Programs' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Investment Programs' basic financial statements. The supplementary information, as referred to in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other supplementary information, as referred to in the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2026, on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Investment Programs' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters "UHY" in a stylized, cursive font, followed by "LLP" in a simpler, sans-serif font.

UHY LLP
Columbia, Maryland
October 15, 2026

NORTH CAROLINA DEPARTMENT OF STATE TREASURER INVESTMENT PROGRAMS MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2026

Overview of the Financial Statements

Management's Discussion and Analysis provides an objective overview of the financial activities of the North Carolina Department of State Treasurer Investment Programs (State Treasurer Investments) for the fiscal year ended June 30, 2026, with comparative information for fiscal year 2025. The Investment Programs are a special-purpose government engaged only in fiduciary activities and include the External Investment Pool (the Pool), the Bond Index Investment Pool (BIF), and the Equity Index Investment Account (EIF). This discussion should be read in conjunction with the State Treasurer Investments' basic financial statements and notes, which follow this section. On June 13, 2025, North Carolina Governor Josh Stein signed HB 506, known as the 2025 State Investment Modernization Act. This bill transferred the authority to manage investments and carry out certain other statutory duties from the State Treasurer as the sole fiduciary to the newly created Board of Directors of the North Carolina Investment Authority and the newly created North Carolina Investment Authority (NCIA) state agency and became effective on January 1, 2026.

The Pool's investments are presented in the basic financial statements using the statutory classifications described in Note 3. Management uses the classifications in the Investment Policy Statement to discuss significant financial results; the supplementary information maps those classifications to the statutory classifications.

The BIF is an external government-sponsored bond index investment pool for governmental entities participating in the Ancillary Governmental Participant Investment Program (AGPIP) and outside the Retirement Systems (see Note 7).

The EIF is an equity index investment account for those AGPIP participants that invest through a commingled equity index investment trust (see Note 8).

The basic financial statements consist of a statement of fiduciary net position, a statement of changes in fiduciary net position, and accompanying notes for the Pool, BIF, and EIF.

The statement of fiduciary net position reports each program's assets, liabilities, and net position on June 30, 2026. The statement of changes in fiduciary net position reports additions, deductions, and the resulting change in net position for the year; that change connects beginning net position to ending net position. The notes provide additional information needed to understand the amounts, activities, and risks reported in the statements.

Financial Summary

This separately issued report presents only fiduciary activities and does not include government-wide financial statements. Therefore, no government-wide financial summary is presented.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2026**

Detailed Analyses

The Pool's, BIF's, and EIF's basic financial statements include the statement of fiduciary net position and statement of changes in fiduciary net position, which have been presented in accordance with accounting principles generally accepted in the United States as applicable to governmental entities.

The statement of fiduciary net position provides information on the financial position of the Pool, BIF, and EIF for the fiscal year ended June 30, 2026. The statement of changes in fiduciary net position presents the results of the investing activities during the fiscal year ended June 30, 2026. The notes on the financial statements offer additional discussion that is essential to the full understanding of the data presented in the financial statements. The notes give more detail about accounting policies, significant account balances and activities, material risks, obligations, contingencies and subsequent events, if any.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2026**

Statements of Fiduciary Net Position

The following statements of fiduciary net position present the assets, liabilities, and net position held in trust (assets minus liabilities) of the Pool as of the end of each of the respective fiscal years and are point in time financial statements.

Statements of Fiduciary Net Position (External Investment Pool)

	As of June 30	
	2026	2025
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 559,237	\$ 424,730
Securities lending collateral	1,800,380	2,590,923
Investments, at fair value	193,297,434	177,963,918
Receivables	1,082,243	1,017,954
Total assets	<u>196,739,294</u>	<u>181,997,525</u>
Liabilities		
Other payables	204,423	270,014
Obligations under securities lending	1,800,380	2,590,923
Total liabilities	<u>2,004,803</u>	<u>2,860,937</u>
Net Position		
Net position held in trust	<u>\$ 194,734,491</u>	<u>\$ 179,136,588</u>

The following statements of fiduciary net position present the assets, liabilities and net position held in trust (assets minus liabilities) of the BIF as of the end of each of the respective fiscal years and are point in time financial statements.

Statements of Fiduciary Net Position (BIF)

	As of June 30	
	2026	2025
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ -	\$ 625
Investments, at fair value	1,879,576	1,683,799
Receivables	34,498	25,159
Total assets	<u>1,914,074</u>	<u>1,709,583</u>
Liabilities		
Other payables	<u>21,782</u>	<u>24,751</u>
Net Position		
Net position held in trust	<u>\$ 1,892,292</u>	<u>\$ 1,684,832</u>

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2026**

Statements of Fiduciary Net Position (Continued)

The following statements of fiduciary net position present the assets, liabilities, and net position held in trust (assets minus liabilities) of the EIF as of the end of each of the respective fiscal years and are point in time financial statements.

Statements of Fiduciary Net Position (EIF)

	As of June 30	
	2026	2025
	<i>(In Thousands)</i>	
Assets		
Investments, at fair value	\$ 1,342,048	\$ 1,079,844
Total assets	<u>1,342,048</u>	<u>1,079,844</u>
Net Position		
Net position held in trust	<u>\$ 1,342,048</u>	<u>\$ 1,079,844</u>

Analysis of Statements of Fiduciary Net Position

External Investment Pool - At June 30, 2026, net position was approximately \$194.7 billion, an increase of \$15.6 billion (8.7%) from June 30, 2025. The change was primarily due to the \$15.3 billion increase in Investments at Fair Value. The increase in Investments at Fair Value was driven by strong investment performance of the North Carolina Retirement System (NCRS) assets, generating a total investment return of 12.4% for the fiscal year ended June 30, 2026. Cash and cash equivalents increased by approximately \$134.5 million primarily due to an increase in cash balances held by participants in the short term investment fund (STIF).

Securities lending cash collateral and the related obligation decreased by approximately \$790.5 million (30.5%) due to market related factors. Other payables decreased by approximately \$65.6 million primarily due to less payables for investments purchased at June 30, 2026.

BIF - At June 30, 2026, net position was approximately \$1.9 billion, an increase of \$207.5 million (12.3%) from June 30, 2025. The change primarily reflected \$141 million of participant net contributions and \$66 million of investment income. The BIF portfolio generated a total investment return of 3.76% for the fiscal year.

EIF - At June 30, 2026, net position was approximately \$1.3 billion, an increase of \$262.2 million (24.3%) from June 30, 2025. The change primarily reflected the net appreciation of investments at fair value, increasing to \$255.8 million as the EIF portfolio earned a total investment return of 24.01% for the fiscal year.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2026**

Statements of Changes in Fiduciary Net Position

The following statements of changes in net position present the total net investment income earned by the Pool as well as expenses and net pool share transactions.

Statements of Changes in Fiduciary Net Position (External Investment Pool)

	Fiscal Years Ended June 30	
	2026	2025
	<i>(In Thousands)</i>	
Additions		
Investment income		
Interest and dividend income	\$ 4,810,958	\$ 4,862,293
Net appreciation in fair value of investments	13,599,288	9,409,362
Other investment income	426,596	322,026
Less: Investment management expenses	(357,473)	(345,727)
Total net investment income	18,479,369	14,247,954
Securities lending activity		
Securities lending income	85,725	195,045
Less: Securities lending expenses	(66,939)	(167,740)
Net securities lending income	18,786	27,305
Reinvestment of distributions	18,380,205	14,203,205
Net share redemptions	(2,782,303)	(1,744,629)
Net pool share transactions	15,597,902	12,458,576
Total additions	34,096,057	26,733,835
Deductions		
Distributions paid and payable	18,378,652	14,205,289
Administrative and other expenses	119,502	69,971
Total deductions	18,498,154	14,275,260
Change in net position	15,597,903	12,458,575
Net position held in trust:		
Beginning of year	179,136,588	166,678,013
End of year	\$ 194,734,491	\$ 179,136,588

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2026**

Statements of Changes in Fiduciary Net Position (Continued)

The following statements of changes in net position present the total net investment income (loss) earned by the BIF as well as expenses and net pool share transactions.

Statements of Changes in Fiduciary Net Position (BIF)

	Fiscal Years Ended June 30	
	2026	2025
	<i>(In Thousands)</i>	
Additions		
Investment income		
Interest and dividend income	\$ 70,889	\$ 60,926
Net appreciation (depreciation) in fair value of investments	(4,148)	33,016
Other investment income	120	177
Less: Investment management expenses	(404)	(370)
Total net investment income	<u>66,457</u>	<u>93,749</u>
Reinvestment of distributions	66,457	93,749
Net share purchases	<u>141,003</u>	<u>1,363</u>
Net pool share transactions	<u>207,460</u>	<u>95,112</u>
Total additions	<u>273,917</u>	<u>188,861</u>
Deductions		
Distributions paid and payable	<u>66,457</u>	<u>93,749</u>
Total deductions	<u>66,457</u>	<u>93,749</u>
Change in net position	207,460	95,112
Net position held in trust:		
Beginning of year	1,684,832	1,589,720
End of year	<u>\$ 1,892,292</u>	<u>\$ 1,684,832</u>

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2026**

Statements of Changes in Fiduciary Net Position (Continued)

The following statements of changes in net position present the total net investment income earned by the EIF as well as expenses and net share transactions.

Statements of Changes in Fiduciary Net Position (EIF)

	Fiscal Years Ended June 30	
	2026	2025
	<i>(In Thousands)</i>	
Additions		
Investment income		
Interest and dividend income	\$ 110	\$ 70
Net appreciation in fair value of investments	255,856	151,567
Less: Investment management expenses	(163)	(186)
Total net investment income	255,803	151,451
Reinvestment of distributions	255,803	151,451
Net share purchases	6,401	15,904
Net share transactions	262,204	167,355
Total additions	518,007	318,806
Deductions		
Distributions paid and payable	255,803	151,451
Total deductions	255,803	151,451
Change in net position	262,204	167,355
Net position held in trust:		
Beginning of year	1,079,844	912,489
End of year	\$ 1,342,048	\$ 1,079,844

Analysis of Changes in Fiduciary Net Position

External Investment Pool - During fiscal year 2026, net position increased by approximately \$15.6 billion, compared with an increase of \$12.5 billion in fiscal year 2025. Total net investment income was approximately \$18.5 billion, a \$4.2 billion (29.7%) increase, primarily because the net appreciation in fair value of investments was \$4.2 billion higher than in fiscal year 2025. This higher appreciation was the result of greater total investment returns on the assets of the NCRS of 12.41% in fiscal year 2026 versus 9.94% in fiscal year 2025. Investment management expenses were relatively consistent with the prior year. Net pool share transactions were \$15.6 billion, compared with \$12.5 billion in the prior year, reflecting the \$4.2 billion increase in net investment income, offset by a \$1 billion increase in net share redemptions.

BIF - During fiscal year 2026, net position increased by approximately \$207.5 million, compared with \$95.1 million in fiscal year 2025. Total net investment income decreased by \$27.3 million (29.1%), primarily because the investments in the portfolio earned a total investment return of 3.76% in fiscal year 2026 versus 5.84% in fiscal year 2025. The lower return in fiscal 2026 was driven by lower appreciation

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2026**

Analysis of Changes in Fiduciary Net Position (Continued)

as yields increased throughout the fiscal year putting downward pressure on bond prices. Net pool share transactions were \$207.5 million, compared with \$95.1 million in the prior year as participants increased allocations to the BIF.

EIF - During fiscal year 2026, net position increased by approximately \$262.2 million, compared with \$167.4 million in fiscal year 2025. Total net investment income increased by \$104.3 million (68.9%), primarily because the investments generated a total investment return of 24% in fiscal year 2026 versus 16.47% in fiscal year 2025, primarily driven by broad equity markets continuing to experience appreciation through the reporting period. Net pool share transactions were \$262.2 million, compared with \$167.3 million in the prior year.

Significant Capital Asset and Long-Term Financing Activity

The Investment Programs had no significant capital assets or long-term financing activity during fiscal year 2026 nor 2025.

Currently Known Facts, Decisions, or Conditions

The Iran Divestment Act, General Statutes 147-86.55 through 147-86.63 requires the NCIA to (i) develop and annually update a list of entities engaging in specific activities in Iran, (ii) refrain from contracting with or investing in such companies, and (iii) divest from the same within 180 days of their being listed. Indirect investments through structures such as index funds or strategies, commingled funds, limited partnerships, or derivative instruments are excepted from the Act under General Statute 147-86.57(3). In addition, listed companies are ineligible to contract with the State or any of its political subdivisions where the value of the contract is over \$1,000.

The Divestment from Companies Boycotting Israel Act, North Carolina General Statutes 147-86.80 through 147-86.84, functions similarly to the Iran Divestment Act. Specifically, pursuant to a policy adopted in compliance with the statute, the State Treasurer through the investment activities of the NCIA must not invest in companies on its list of those engaged in a "boycott of Israel," a statutorily defined term. The NCIA is required to annually update the list and divest from such companies within 180 days of their being listed. Indirect investments through structures such as index funds or strategies, commingled funds, limited partnerships, and derivatives are excepted from the Act under General Statute 147-86.80(3). In addition, listed companies are ineligible to contract with the State or any of its political subdivisions where the value of the contract is over \$1,000.

In addition, the NCIA is required to comply with the November 12, 2020, Presidential Executive Order prohibiting U.S. persons from purchasing or investing in publicly traded securities of companies identified by the U.S. Department of Defense as identified pursuant to Section 1237 of the National Defense Authorization Act for FY 1999. In addition, the State Treasurer is required to comply with certain restrictions issued by the United States government, including Executive Order 14032, which restricts investment activity in certain Chinese entities as identified by the Secretary of the Treasury (generally military-related companies), as well as restrictions issued by the Office of Foreign Assets Control.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2026**

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the North Carolina Department of State Treasurer's investment finances and to demonstrate the accountability of the Department and State Treasurer for the money they receive. If you have questions about this report or need additional financial information, contact the North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604, United States. The Department's website is www.nctreasurer.gov and investment reports are available through that website address

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2026
(IN THOUSANDS)**

	External Investment Pool	Bond Index Investment Pool	Equity Index Investment Account
Assets			
Cash and cash equivalents	\$ 559,237	\$ -	\$ -
Securities lending collateral	1,800,380	-	-
Investments, at fair value	193,297,434	1,879,576	1,342,048
Receivables:			
Accrued interest and dividends	1,005,057	16,011	-
Investments sold, but not settled	68,400	18,487	-
Other receivables	8,786	-	-
Total receivables	<u>1,082,243</u>	<u>34,498</u>	<u>-</u>
Total assets	<u>196,739,294</u>	<u>1,914,074</u>	<u>1,342,048</u>
Liabilities			
Accounts payable and accrued liabilities	77,702	-	-
Investments purchased, but not settled	126,721	21,782	-
Obligations under securities lending	1,800,380	-	-
Total liabilities	<u>2,004,803</u>	<u>21,782</u>	<u>-</u>
Net Position			
Net position held in trust	<u>\$ 194,734,491</u>	<u>\$ 1,892,292</u>	<u>\$ 1,342,048</u>

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2026
(IN THOUSANDS)**

	External Investment Pool	Bond Index Investment Pool	Equity Index Investment Account
Additions			
Investment income:			
Interest and dividend income	\$ 4,810,958	\$ 70,889	\$ 110
Net appreciation (depreciation) in fair value of investments	13,599,288	(4,148)	255,856
Other investment income	426,596	120	-
Less: Investment management expenses	<u>(357,473)</u>	<u>(404)</u>	<u>(163)</u>
Total net investment income	<u>18,479,369</u>	<u>66,457</u>	<u>255,803</u>
Securities lending activity			
Securities lending income	85,725	-	-
Less: Securities lending expenses	<u>(66,939)</u>	<u>-</u>	<u>-</u>
Net securities lending income	<u>18,786</u>	<u>-</u>	<u>-</u>
Reinvestment of distributions	18,380,205	66,457	255,803
Net share purchases (redemptions)	<u>(2,782,303)</u>	<u>141,003</u>	<u>6,401</u>
Net pool share transactions	<u>15,597,902</u>	<u>207,460</u>	<u>262,204</u>
Total additions	<u>34,096,057</u>	<u>273,917</u>	<u>518,007</u>
Deductions			
Distributions paid and payable	18,378,652	66,457	255,803
Administrative and other expenses	<u>119,502</u>	<u>-</u>	<u>-</u>
Total deductions	<u>18,498,154</u>	<u>66,457</u>	<u>255,803</u>
Change in net position	15,597,903	207,460	262,204
Net position held in trust:			
Beginning of year	179,136,588	1,684,832	1,079,844
Ending of year	<u>\$ 194,734,491</u>	<u>\$ 1,892,292</u>	<u>\$ 1,342,048</u>

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

1. Financial Reporting Entity

The North Carolina Department of State Treasurer Investment Programs (State Treasurer Investments) contain deposits from funds and component units of the State of North Carolina, except for certain investments of the Escheat Fund and the Bond Proceeds Investment Accounts. State Treasurer Investments include the External Investment Pool (the Pool), the Bond Index Investment Pool (BIF), and the Equity Index Investment Account (EIF).

The primary participants of the Pool include Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Firefighters' and Rescue Squad Workers' Pension Fund, North Carolina National Guard Pension Fund, Local Governmental Employees' Retirement System, and Retiree Health Benefit Fund.

The Pool, a governmental set of investments of the North Carolina Department of State Treasurer (the Treasurer), consists of the following individual investment portfolios: Short-term Investment Fund (STIF), Long-term Investment Fund (LTIF), Equity Investment portfolio, Real Estate Investment portfolio, Alternative Investment portfolio, Opportunistic Fixed Income Investment portfolio, Inflation Sensitive Investment portfolio, Cash Pool portfolio, and the Fixed Income Investment portfolio. The Pool operates under General Statutes 147-69.1 to 147-69.3. The statutes address credit and other risks to which the North Carolina Investment Authority adheres to in the management of the investment of the Pool's assets. The deposits are commingled; therefore, the Treasurer considers all investment portfolios listed above to be part of the Pool. The Pool is not a legally separate entity within the state of North Carolina and is not registered with the Securities and Exchange Commission. The Pool is managed by the NCIA which is governed by the NCIA Board of Directors as created by North Carolina Session Law 202-6, the 2025 State Investment Modernization Act.

On June 13, 2025, North Carolina Governor Josh Stein signed HB 506, known as the 2025 State Investment Modernization Act. This bill transferred the authority to manage investments and carry out certain other statutory duties from the State Treasurer as the sole fiduciary to the newly created Board of Directors of the North Carolina Investment Authority. The newly created North Carolina Investment Authority (NCIA) state agency became effective on January 1, 2026.

The BIF invests in high quality debt securities eligible under General Statutes 147-69.2 (b) (1)-(6). The BIF maintains a low-cost approach to investing in investment grade fixed income assets through a passive index strategy. See Note 7 for additional information.

The EIF invests primarily in U.S. and non-U.S. equity securities eligible under General Statute 147-69.2 (b) (8) with the objective of closely approximating the capitalization weighted total return of the markets for global publicly traded equity securities while maintaining a low cost approach. See Note 8 for additional information.

The accompanying financial statements present only the net position of the State Treasurer Investments and do not purport to, and do not, present fairly the financial position of the state of North Carolina as of June 30, 2026, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States (GAAP) for governments as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

The Pool reports all cash on hand, deposits in banks including demand deposits, and restricted cash held by counterparties, as cash and cash equivalents. Restricted cash represents the Pool's cash held by counterparties as collateral against the Pool's derivative instruments. Cash held by counterparties as collateral is not available to the Pool for general operating purposes but may be applied against amounts due to derivative instrument counterparties or returned to the Pool when the collateral requirements are exceeded or at the maturity of the derivative instruments. Cash equivalents are highly liquid investments with an original maturity of ninety days or less when purchased.

Securities Lending

Cash received as collateral on securities lending transactions is used to purchase investments. These investments are reported as securities lending collateral in the accompanying financial statements and are primarily repurchase agreements, which are reported at cost. A corresponding liability is also reported as obligations under securities lending in the accompanying financial statements of the Pool for the amount owed to the broker at the termination of the lending agreement. Income and expenses related to securities lending are reported at gross amount.

Valuation of Investments and Derivative Instruments

Investments and derivative instruments are reported at fair value with significant exceptions noted below. Repurchase agreements in the STIF are reported at amortized cost which approximates fair value.

In the Pool, fair values are determined daily for the LTIF, Fixed Income and Equity Investment portfolios, and quarterly for the Real Estate Investment and Alternative Investment portfolios. The Opportunistic Fixed Income Investment portfolio is valued quarterly except for hedge fund investments which are valued monthly. The Inflation Sensitive Investment portfolio consists primarily of limited partnerships which are valued quarterly. It also contains futures and fixed income securities which are valued daily or monthly. In the LTIF portfolio, the fair value of fixed income securities is calculated by a third-party pricing vendor based on future principal and interest payments discounted using market yields. For the Alternative Investment portfolio (private equity investment partnerships and hedge funds), the Real Estate Investment portfolio (limited partnerships and other investments), the Opportunistic Fixed Income Investment and Inflation Sensitive Investment portfolios (limited partnerships, hedge funds, and other nonpublicly traded investments) the methodology for determining an estimated fair value is established by the general partner, which may utilize a third-party pricing source or an independent real estate appraiser.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Valuation of Investments and Derivative Instruments (Continued)

Contracts with these partnerships, hedge funds, and other investments require an annual audit, except for certain older investments that are immaterial to the financial statements.

The general partners' estimated fair values are based on the partnership's and fund's respective net asset values (NAV). The most significant input into the NAV of such an entity is the fair value of its holdings. These nonpublicly traded assets are valued at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information. The fair values of certain investments may require significant management judgment or estimation. Fair value is determined using the best information available for a hypothetical transaction at the measurement date, not using forced sale or fire sale pricing. Participants' shares sold and redeemed are determined in the same manner as is used to report investments, and the Treasurer does not provide or obtain legally binding guarantees to support share values. Total net investment income earned by the Pool and BIF is generally distributed on a pro rata basis.

For the BIF and EIF, fair values are determined daily. In addition, the fair values for the fixed income securities in the BIF are calculated by a third-party pricing vendor based on future principal and interest payments discounted using market yields.

Forward foreign currency contracts and futures contracts are included in the Statements of Fiduciary Net Position as "Investments, at fair value." Investments, at fair value, incorporate unrealized gains or losses on outstanding forward foreign currency contracts and futures contracts. Gains or losses, incurred when forward foreign currency contracts and futures contracts entered into by the Pool mature or are closed out, are included in "Net appreciation (depreciation) in fair value of investments" in the Statements of Changes in Fiduciary Net Position.

Accrued Interest and Dividends

Accrued interest and dividends include interest amounts earned on short-term and long-term investment securities not yet received and amounts for dividends on common and preferred equities that have been declared but not yet paid to the stockholder.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include amounts due for administrative and investment management expenses.

Income Recognition

Investment transactions are accounted for on a trade (investment) date basis. Net appreciation (depreciation) in the fair value of investments consists of both the realized and unrealized gains or losses which include those resulting from the sale of assets during the year as well as changes in the fair market value of the investments held at fiscal year-end. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. Other income primarily represents income from limited partnership interests, consent fees, class action proceeds, and other investment related income.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Investment Management Expenses

The North Carolina Investment Authority (NCIA) hires external investment managers to invest a significant portion of the investment assets. Investment management fees are typically paid based on individually negotiated investment management agreements. The fees, usually paid quarterly, may be based on a sliding scale of the portfolio's net asset value at quarter-end, calculated by multiplying each level of net position by a specified basis point charge, or may be performance-related, typically associated with exceeding a market benchmark and/or hurdle rate. Fees are paid from the appropriate manager's portfolio and are recognized as an expense over the time period for which the fees are applicable. Investment management fees and custodial fees are reported on the Statements of Changes in Fiduciary Net Position as a component of total net investment income. Investment management fees and custody fees are charged against the various portfolios' assets on a pro rata basis throughout the year and reflected in the net asset values of the portfolio's investments.

Administrative and Other Expenses

Certain administrative expenses of the Pool are paid by the Treasurer or the NCIA. These expenses consist of charges to the individual funds administered by NCIA and include bank charges, the Treasurer's allocated costs of administering the Pool, partnership expenses, and other costs of administering the investment portfolios. These charges are reported on the Statements of Changes in Fiduciary Net Position as part of the Pool's administrative and other expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

During the fiscal year ended June 30, 2026, the North Carolina Department of State Treasurer Investment Programs adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The Statement establishes requirements designed to improve the effectiveness of the financial reporting model, including changes to certain financial statement presentation and disclosure requirements. Implementation of GASB Statement No. 103 resulted in certain changes to financial statement presentation and disclosures but did not have a material effect on the State Treasurer Investments' net position or changes in fiduciary net position.

3. External Investment Pool Deposits and Investments

All deposits are cash and cash equivalents. As of June 30, 2026, the balance of the Pool's deposits was \$559.2 million. Also at June 30, 2026, the amount of restricted cash held by the Pool was \$76.5 million.

Unless specifically exempt, every agency of the state and certain component units are required by General Statute 147-77 to deposit moneys received with the Treasurer or with a depository institution in the name of the Treasurer. Deposits to the Pool may be made in any bank, savings and loan association, or trust company in the state as approved by the Treasurer. General Statute 147-79 requires depositories to collateralize all balances that are not FDIC insured. The depositories must maintain specified security types in a third-party escrow account approved by the Treasurer.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

3. External Investment Pool Deposits and Investments (Continued)

The NCIA is directed by statute to establish, maintain, administer, manage, and operate investment programs for the Pool's assets, pursuant to the applicable statutes. In carrying out these responsibilities, the NCIA has full powers as a fiduciary and, manages the investment programs so assets may be readily converted into cash when needed.

The NCIA is governed by a five-member Board of Directors, with the State Treasurer serving as chair and an ex officio voting member. The Board approves investment policy statements, including investment objectives, strategic asset allocations, and policy benchmarks, and periodically reviews investment strategies, performance, risk measures, and other matters relating to the investment programs. The NCIA's Chief Investment Officer, who is appointed by and responsible to the Board, and NCIA staff administer and manage the investment programs in accordance with applicable statutes and Board-approved policies.

The NCIA has established an investment strategy for each portfolio that recognizes the guidelines of the governing General Statutes.

Investment Portfolios

The Pool invests in the following individual investment portfolios as of June 30, 2026:

Statutory Asset Allocation	
<i>(in Thousands)</i>	
Equity Investment	\$ 64,635,323
Short-Term Investment Fund	48,798,002
Long-Term Investment Fund	35,592,116
Alternative Investment	14,520,985
Inflation Sensitive Investment	12,259,753
Real Estate Investment	10,226,561
Opportunistic Fixed Income Investment	8,361,291
Fixed Income Investment	415,896
Cash Pool	287,887
Total investments and securities lending collateral	<u>\$ 195,097,814</u>

STIF – This fixed-income investment portfolio is the primary cash management account and is managed in such a manner as to be readily convertible into cash. The primary participants of this portfolio are the General Fund and the Highway Funds. Other participants may include universities and various boards, commissions, community colleges, and school administrative units that make voluntary deposits with the Treasurer as well as the remaining portfolios listed below. The Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Firefighters' and Rescue Squad Workers' Pension Fund, North Carolina National Guard Pension Fund, Local Governmental Employees' Retirement System, and Retiree Health Benefit Fund (collectively the North Carolina Retirement Systems) hold a cash allocation that is invested in STIF and provides liquidity for the Pool.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

3. External Investment Pool Deposits and Investments (Continued)

LTIF – This portfolio holds fixed-income investments, including Government National Mortgage Association (GNMA) certificates, corporate bonds, U.S. Treasuries, and U.S. agency obligations. Since the deposits in this fund are typically not needed for day-to-day operations, the investment vehicles used generally have a longer term and higher yield than those held in the STIF. The sole participants of the portfolio are the North Carolina Retirement Systems.

Equity Investment – This portfolio primarily holds an equity-based trust. The North Carolina Retirement Systems are the sole participants in the portfolio.

Real Estate Investment – This portfolio holds investments in real estate-based trust funds, limited partnerships and other limited liability investment vehicles, group annuity contracts, and accounts managed under contractual relationships giving an external investment manager discretion. The North Carolina Retirement Systems are the sole participants in the portfolio.

Alternative Investment – This portfolio holds investments in limited partnerships and other limited liability investment vehicles, hedge funds, and equities received in the form of distributions from its primary investments. The North Carolina Retirement Systems are the sole participants in the portfolio.

Opportunistic Fixed Income Investment – This portfolio holds investments in debt-related strategies made primarily through limited partnerships or other limited liability vehicles. The North Carolina Retirement Systems are the sole participants in the portfolio.

Inflation Sensitive Investment – This portfolio holds investments in assets that are acquired for the primary purpose of providing protection against risks associated with inflation made primarily through limited partnerships or other limited liability vehicles which hold fixed income securities including U.S. Treasuries and corporate bonds. The North Carolina Retirement Systems are the sole participants in the portfolio.

Cash Pool – The cash pool is managed in a manner to be readily convertible into cash. It holds two collective investment funds with maturities of less than 60 days. The sole participants are the North Carolina Retirement Systems.

Fixed Income Investment – This portfolio holds fixed income investments that generally have a short to intermediate term. The sole participants of the portfolio are the North Carolina Retirement Systems.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. There is no formally adopted investment policy to manage interest rate risk. Fixed income assets of the STIF are invested in a laddered maturity approach that focuses on short maturity securities with ample liquidity. The STIF had a weighted average maturity of 2.2 years as of June 30, 2026. Most of the cash and cash equivalents of the major governmental and enterprise funds are invested in this portfolio.

The Pool maintained by the Treasurer had the following investments and maturities in the STIF as of June 30, 2026:

STIF	Investment Maturities (in Years)				
	Carry Amount	Less Than 1	1 to 5	6 to 10	More Than 10
	<i>(In Thousands)</i>				
As of June 30, 2026					
U.S. treasuries	\$ 21,266,419	\$ 19,522,335	\$ 1,744,084	\$ -	\$ -
U.S. agencies	24,903,873	-	24,903,873	-	-
Securities purchased with cash collateral under securities lending program:					
Repurchase agreements	317,710	317,710	-	-	-
Repurchase agreements	2,310,000	2,310,000	-	-	-
Total short-term investment fund assets	<u>\$ 48,798,002</u>	<u>\$ 22,150,045</u>	<u>\$ 26,647,957</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk (Continued)

The assets of the LTIF are primarily invested in securities with maturities longer than five years. The longer maturity range is more sensitive to interest rate changes; however, the longer duration structure of the portfolio provides a better match to the long duration characteristics of the North Carolina Retirement Systems' liabilities. The Treasurer considers the maturity for interest rate risk purposes to be the length of time to the next reset date rather than the stated maturity. The LTIF had a weighted average maturity of 18.1 years as of June 30, 2026.

The LTIF holds investments in GNMA mortgage pass-throughs. Critical to the pricing of these securities are the specific features of the cash flows from the interest and principal payments of the underlying mortgages. Therefore, these valuations are sensitive to the potential of principal prepayments by mortgagees in periods of changing interest rates. Also, included within the LTIF are U.S. government agencies and domestic corporate bonds which may carry call options in which the issuer has the option to prepay the principal at certain dates over the life of the security. As such, these types of securities are more sensitive to the decline in long-term interest rates than similar securities without call options. In addition to the domestic corporate bonds with call options, there are domestic corporate bonds with variable coupon rates that reset on specific dates. Critical to the cash flows and pricing of these securities are the changes in interest rates.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Interest Rate Risk (Continued)

The Pool maintained by the Treasurer had the following investments and maturities in the LTIF as of June 30, 2026:

LTIF	Investment Maturities (in Years)				
	Carry Amount	Less Than 1	1 to 5	6 to 10	More Than 10
	<i>(In Thousands)</i>				
As of June 30, 2026					
U.S. treasuries	\$ 9,967,864	\$ -	\$ 300,523	\$ 3,564,388	\$ 6,102,953
U.S. agencies	367,009	-	66,445	235,757	64,807
Mortgage pass-through	12,486,650	-	2,583	77,726	12,406,341
Domestic corporate bonds	10,040,487	4,768	916,387	4,161,793	4,957,539
Foreign corporate bonds	1,737,200	-	191,624	852,487	693,089
Foreign government bonds	40,485	-	13,873	13,023	13,589
Securities purchased with cash collateral under securities lending program:					
Repurchase agreements	952,421	952,421	-	-	-
Total long-term investment fund assets	\$ 35,592,116	\$ 957,189	\$ 1,491,435	\$ 8,905,174	\$ 24,238,318

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Interest Rate Risk (Continued)

The Other Investment Portfolios of the Pool (Equity, Real Estate, Alternative, Opportunistic Fixed Income, Inflation Sensitive, Cash Pool, and Fixed Income) hold fixed income investments in U.S. treasuries, corporate bonds, and collective investment funds. The Pool maintained by the Treasurer had the following investments and maturities separated by Other Investment Portfolios as of June 30, 2026:

Other Investment Portfolios	Investment Maturities (in Years)				
	Carry Amount	Less Than 1	1 to 5	6 to 10	More Than 10
<i>(In Thousands)</i>					
As of June 30, 2026					
U.S. treasuries	\$ 448,133	\$ 344,433	\$ 103,700	\$ -	\$ -
Mortgage pass-through	84,215	-	3,262	-	80,953
Asset-backed securities	59,593	24,041	9,103	23,519	2,930
Commercial mortgage-backed securities	110,786	-	3,188	-	107,598
Collateralized mortgage obligations	174,523	99,703	919	10,326	63,575
Collective investment funds	718,882	718,882	-	-	-
Domestic corporate bonds	1,214,176	410,303	183,672	209,026	411,175
Foreign corporate bonds	525,591	445,415	28,198	32,286	19,692
Foreign government bonds	9,299	-	488	2,941	5,870
Securities purchased with cash collateral under securities lending program:					
Asset-backed securities	11,475	11,475	-	-	-
Repurchase agreements	518,774	518,774	-	-	-
Total other investment portfolios assets	\$ 3,875,447	\$ 2,573,026	\$ 332,530	\$ 278,098	\$ 691,793

The major investment classifications had the following attributes as of June 30, 2026:

Investment Classification	Principal Amount	Range of Interest Rates
<i>(In Thousands)</i>		
STIF		
U.S. treasuries	\$ 21,250,000	0.00%-4.63%
U.S. agencies	24,904,000	3.80%-4.45%
Securities purchased with cash collateral under securities lending program:		
Repurchase agreements	317,695	3.64%-3.71%
Repurchase agreements	2,310,000	3.70%-3.72%
LTIF		
U.S. treasuries	\$ 11,616,403	0.75%-5.38%
U.S. agencies	337,000	4.65%-6.75%
Mortgage pass-throughs	13,330,045	2.00%-8.00%
Domestic corporate bonds	10,887,430	1.10%-9.25%
Foreign corporate bonds	1,801,349	1.38%-9.00%
Foreign government bonds	44,000	2.38%-6.50%
Securities purchased with cash collateral under securities lending program:		
Repurchase agreements	952,395	3.64%-3.73%

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Interest Rate Risk (Continued)

Investment Classification (Continued)	Principal Amount	Range of Interest Rates
	<i>(In Thousands)</i>	
Other investment portfolios		
U.S. treasuries	\$ 455,360	0.00%-3.88%
Mortgage pass-throughs	82,778	4.83%-6.00%
Asset-backed securities	125,120	2.50%-5.79%
Commercial mortgage-backed securities	527,388	0.23%-6.70%
Collateralized mortgage obligations	853,238	0.00%-6.50%
Collective investment funds	718,882	0.00%-3.71%
Domestic corporate bonds	1,289,933	0.00%-14.19%
Foreign corporate bonds	522,027	0.00%-15.00%
Foreign government bonds	10,535	3.00%-7.70%
Securities purchased with cash collateral under securities lending program:		
Asset-backed securities	11,514	4.68%
Repurchase agreements	518,774	3.64%-3.73%

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations such as the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

General Statute 147-69.1 limits credit risk by restricting the STIF's corporate obligations, asset-backed securities, and commercial paper to securities that bear the highest rating of at least one nationally recognized rating service and do not bear a rating below the highest by any nationally recognized rating service.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Credit Risk (Continued)

The STIF had the following credit quality distribution for securities with credit exposure as of June 30, 2026:

STIF	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated	Exempt from credit quality (¹)
<i>(In Thousands)</i>							
As of June 30, 2026							
U.S. treasuries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,266,419
U.S. agencies	-	24,903,873	-	-	-	-	-
Securities purchased with cash collateral under securities lending program:							
Repurchase agreements	-	317,710	-	-	-	-	-
Repurchase agreements	-	2,310,000	-	-	-	-	-
Total short-term investment fund assets	\$ -	\$ 27,531,583	\$ -	\$ -	\$ -	\$ -	\$ 21,266,419

(¹) Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality.

General Statute 147-69.2 specifies the cash investment options for the LTIF and limits credit risk by restricting the LTIF's asset-backed securities and corporate obligations to securities that bear one of the four highest ratings of at least one nationally recognized rating service when acquired. In the LTIF, all holdings were rated BBB (or equivalent) or higher at the time of purchase by at least one of the nationally recognized rating agencies.

The LTIF had the following credit quality distribution for securities with credit exposure as of June 30, 2026:

LTIF	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated	Exempt from credit quality (¹)
<i>(In Thousands)</i>							
As of June 30, 2026							
U.S. treasuries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,967,864
U.S. agencies	-	367,009	-	-	-	-	-
Mortgage pass-throughs	-	-	-	-	-	-	12,486,650
Domestic corporate bonds	177,928	1,007,063	5,290,188	3,430,404	134,904	-	-
Foreign corporate bonds	-	122,976	888,973	715,583	9,668	-	-
Foreign government bonds	-	40,485	-	-	-	-	-
Securities purchased with cash collateral under securities lending program:							
Repurchase agreements	-	952,421	-	-	-	-	-
Total long-term investment fund assets	\$ 177,928	\$ 2,489,954	\$ 6,179,161	\$ 4,145,987	\$ 144,572	\$ -	\$ 22,454,514

(¹) Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Credit Risk (Continued)

The Other Investment Portfolios of the Pool had the following credit quality distribution for securities with credit exposure as of June 30, 2026:

Other Investment Portfolios	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated	Exempt from credit quality ⁽¹⁾
<i>(In Thousands)</i>							
As of June 30, 2026							
U.S. treasuries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,133
Mortgage pass-throughs	-	84,215	-	-	-	-	-
Asset-backed securities	6,768	20,258	7,026	-	23,582	1,959	-
Commercial mortgage-backed securities	78,161	9,879	82	1,510	3,559	17,595	-
Collateralized mortgage obligations	479	146,206	-	-	6,692	21,146	-
Collective investment funds	-	-	-	-	-	718,882	-
Domestic corporate bonds	189,366	41,837	149,138	137,680	266,960	429,195	-
Foreign corporate bonds	258,237	29,809	49,596	67,979	52,192	67,778	-
Foreign government bonds	-	337	1,256	2,393	5,313	-	-
Securities purchased with cash collateral under securities lending program:							
Asset-backed securities	-	11,475	-	-	-	-	-
Repurchase agreements	-	518,774	-	-	-	-	-
Total other investment portfolios assets	\$ 533,011	\$ 862,790	\$ 207,098	\$ 209,562	\$ 358,298	\$ 1,256,555	\$ 448,133

⁽¹⁾ Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pool's deposits may not be recovered. As of June 30, 2026, the Pool's deposits had no exposure to custodial credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Treasurer will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2026, the investments purchased with cash collateral under the securities lending programs of \$1.8 billion were not exposed to custodial credit risk since the securities were held by the counterparty in separate accounts in the name of the Treasurer. All other investments of the Pool were not exposed to custodial credit risk at year-end. There is no formally adopted investment policy to manage custodial credit risk for these investment types.

The Treasurer's deposit policy for custodial credit risk is limited to complying with the collateralization rules of the North Carolina Administrative Code (Chapter 20 NCAC 7). The collateral securities must be governmental in origin (e.g., U.S. Treasury, U.S. agency, Federal Home Loan Bank letters of credit, or state and local government obligations) or the highest-grade commercial paper, surety bonds and bankers' acceptances. The market value of the collateral must not be less than the value of the uninsured deposits. The depositories may elect to collateralize deposits separately (dedicated method) or include deposits of the North Carolina local government units in a collateral pool with the state and certain component units (pooling method).

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Mutual funds, money market funds, and external pooled accounts are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. However, more than 5% of the Pool's securities were invested in Federal Home Loan Mortgage Corporation. These investments totaled \$24.1 billion and comprised 12.5% of the Pool's total investments. These investments are held primarily by the STIF and LTIF portfolios and are classified as U.S. Agencies. There is no formal policy regarding concentration of credit risk.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There is no formally adopted investment policy to limit foreign currency exposure.

The Pool had the following exposure to foreign currency risk as of June 30, 2026:

	Carrying Value As of June 30, 2026					
	Investment Type					
Currency	Equity Based Trust - International	Alternative Investment Partnership	Real Estate Trust Funds	Inflation Partnership	Opportunistic Fixed Income Partnership	Total
	<i>(In Thousands)</i>					
Euro	\$ 5,287,064	\$ 257,420	\$ 152,907	\$ 103,371	\$ 15,755	\$ 5,816,517
Japanese Yen	3,157,320	-	240,279	-	-	3,397,599
Pound Sterling	1,954,285	9,264	413,868	159	-	2,377,576
Swiss Franc	1,140,711	-	46,709	-	-	1,187,420
Hong Kong Dollar	838,543	-	73,498	-	-	912,041
Australian Dollar	601,240	-	175,728	108,488	-	885,456
New Taiwan dollar	777,143	-	-	-	-	777,143
South Korean Won	545,055	-	3,612	-	-	548,667
Canadian Dollar	425,257	-	61,817	-	-	487,074
Swedish Krona	367,226	-	45,904	-	-	413,130
Singapore Dollar	280,048	-	86,302	-	-	366,350
Danish Krone	284,818	-	-	-	-	284,818
Indian Rupee	208,528	-	-	-	-	208,528
Chinese Yuan Renminbi	187,674	-	-	-	-	187,674
Israeli New Shekel	72,808	-	15,835	-	-	88,643
Brazilian Real	64,034	-	-	-	-	64,034
Mexican Peso	56,908	-	-	-	-	56,908
New Zealand Dollar	47,780	-	6,091	-	-	53,871
Norwegian Krone	47,005	-	1,514	-	-	48,519
UAE Dirham	46,118	-	-	-	-	46,118
Indonesian Rupiah	44,360	-	-	-	-	44,360
Saudi Riyal	41,286	-	-	-	-	41,286
South African Rand	28,093	-	-	-	-	28,093
Thai Baht	23,587	-	-	-	-	23,587
Philippine Peso	16,267	-	-	-	-	16,267
Turkish Lira	14,784	-	-	-	-	14,784
Malaysian Ringgit	13,479	-	-	-	-	13,479
Hungarian Forint	11,921	-	-	-	-	11,921
Polish Zloty	10,137	-	-	-	-	10,137
Other Currencies	-	-	-	-	-	-
Total investments subject to foreign currency risk	\$ 16,593,479	\$ 266,684	\$ 1,324,064	\$ 212,018	\$ 15,755	\$ 18,412,000

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Foreign Currency Risk (Continued)

The Pool recognized an aggregate foreign currency transaction loss of \$211.9 million for the fiscal year ended June 30, 2026, as part of the Pool's net appreciation in fair value of investments. Transaction gains or losses result from a change in exchange rates between the U.S. dollar and the currency in which a foreign currency transaction is denominated.

4. External Investment Pool Fair Value Measurement

The Pool categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy levels are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable.

Level 3 – Valuations derived from valuation techniques in which significant value drivers are unobservable.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

4. External Investment Pool Fair Value Measurement (Continued)

The Pool had the following recurring fair value measurements as of June 30, 2026:

Investments and Derivative Instruments at Fair Value

		Fair Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of June 30, 2026				
<i>(In Thousands)</i>				
Investments measured at fair value				
STIF				
U.S. treasuries	\$ 21,266,419	\$ -	\$ 21,266,419	\$ -
U.S. agencies	24,903,874	-	24,903,874	-
Subtotal	46,170,293	-	46,170,293	-
LTIF				
U.S. treasuries	9,967,864	-	9,967,864	-
U.S. agencies	367,009	-	367,009	-
Mortgage pass-through	12,486,650	-	12,486,650	-
Domestic corporate bonds	10,040,488	-	10,040,488	-
Foreign government bonds	40,485	-	40,485	-
Foreign corporate bonds	1,737,200	-	1,737,200	-
Subtotal	34,639,696	-	34,639,696	-
Other investment portfolios				
U.S. treasuries	448,133	-	448,133	-
Mortgage pass-through	84,215	-	84,215	-
Asset-backed securities	59,593	-	59,593	-
Collateralized mortgage obligations	174,523	-	174,523	-
Commercial mortgage-backed securities	110,787	-	109,293	1,494
Securities purchased with cash collateral under equity securities lending program:				
Asset-backed securities	11,475		11,475	
Equity securities - domestic	40,665,340	40,665,340		
Equity securities - foreign	19,869,364	19,869,364		
Equity securities - preferred foreign	210,329	210,329		
Domestic corporate bonds	1,214,176	-	1,134,779	79,397
Foreign corporate bonds	525,592	-	499,757	25,835
Foreign government bonds	9,299	-	9,299	-
Subtotal	63,382,826	60,745,033	2,531,067	106,726
Investment derivative instruments				
Futures contracts	2,322	2,322		
Futures contracts (liability)	(28,091)	(28,091)		
Swaps	(69)		(69)	
Total investment derivative instruments	(25,838)	(25,769)	(69)	-
Total investments by fair value level	\$ 144,166,977	\$ 60,719,264	\$ 83,340,987	\$ 106,726

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

4. External Investment Pool Fair Value Measurement (Continued)

Investments measured at the Net Asset Value (NAV)

			Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period (days)
Commingled international equity funds ⁽¹⁾	\$ 5,031,680			Daily	2
Core real estate funds ⁽²⁾	4,912,462	816,956		Quarterly, Illiquid	90 - Illiquid
Equity rebalancing ⁽³⁾	902,442			Daily	1 - 5
Hedge funds					
Global public equity - hedged ⁽⁴⁾	2,141			Daily, Monthly, Quarterly, Illiquid	3 - 180
Multi-strategy funds ⁽⁵⁾	5,057,395			Weekly, Quarterly, Illiquid	5 - Illiquid
Opportunistic fixed income - distressed credit ⁽⁶⁾	253,474			Illiquid	Illiquid
Opportunistic fixed income - hedged fixed income ⁽⁷⁾	2,675,575			Monthly, Quarterly, Annually	15 - 90
Inflation protected bonds ⁽⁸⁾	1,190,928			Monthly	30
Long-only public equity ⁽⁹⁾	2,366,749			Annually, Illiquid	90 - Illiquid
Non-core real estate funds ⁽¹⁰⁾	2,360,485	2,175,445		Illiquid	Illiquid
Private credit funds ⁽¹¹⁾	5,432,241	3,391,377		Daily, Annually, Illiquid	60 - Illiquid
Private equity funds ⁽¹²⁾	8,381,869	7,431,777		Illiquid	Illiquid
Private infrastructure funds ⁽¹³⁾	2,623,204	2,566,170		Illiquid	Illiquid
Private multi-strategy funds ⁽¹⁴⁾	897,021	210,000		Illiquid	Illiquid
Private natural resources funds ⁽¹⁵⁾	1,649,830	315,551		Illiquid	Illiquid
Private real asset funds ⁽¹⁶⁾	2,373,897	3,420,936		Illiquid	Illiquid
Collective investment trusts ⁽¹⁷⁾	718,882			Daily	--
Total investments at the NAV	<u>46,830,275</u>				
Subtotal	<u>190,997,252</u>				
Repurchase agreements	<u>4,098,904</u>				
Investments at amortized cost	<u>4,098,904</u>				
Accruals and other assets	<u>1,658</u>				
Total investments and securities lending collateral	<u>\$ 195,097,814</u>				

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

4. External Investment Pool Fair Value Measurement (Continued)

- (1) *Commingled International Equity Funds*: 3 funds. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (2) *Core Real Estate Funds*: 16 funds. These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments include a mix of predominately U.S. domiciled equity and debt investments in core commercial real estate. The majority of assets in this category are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.
- (3) *Equity Rebalancing*: 4 funds. Each are valued at NAV per share. These investments are options-based equity rebalancing programs used as a tool to maintain asset exposures within plan policy portfolio tolerances.
- (4) *Hedge Funds - Global Public Equity – Hedged*: 1 fund. This investment is valued at NAV per share. These investments may include various equity-based hedge fund strategies.
- (5) *Hedge Funds - Multi-Strategy*: 11 funds. These investments are valued at NAV per share. These investments have the flexibility to invest across markets, asset classes, commodities, and currencies, including hedging. Strategies may include opportunistic, event-driven, relative value, global macro, rebalancing, tail hedging and overlays.
- (6) *Hedge Funds - Opportunistic Fixed Income - Distressed Credit*: 1 fund. This investment is valued at NAV per share. These investments may include strategies that trade distressed debt, but occasionally actively participate in restructurings and seek control post-reorganization of target issuers. These strategies may have equity exposure.
- (7) *Hedge Funds - Opportunistic Fixed Income - Hedged Fixed Income*: 7 funds. These investments are valued at NAV per share. These investments include hedged implementations of market neutral strategies, relative value strategies, and multi-strategy (i.e., predominantly fixed income) utilizing non-investment grade instruments.
- (8) *Inflation Protected Bonds*: 1 fund. This investment is valued at NAV per share. These strategies may invest in Treasury Inflation Protected Securities, non U.S. inflation linked bonds, or floating rate debt. Currently, the strategy represented in this category is one which invests primarily in publicly traded securities.
- (9) *Long-Only Public Equity*: 2 funds. These investments are valued at NAV per share. These investments may include publicly traded U.S. equity, non-U.S. equity, and global equity securities held in long-only vehicles. Currently, the strategies represented in this category have a North American-focus, with an activist role in investing. As such, the portfolios will tend to be concentrated in its positioning. These strategies may have multi-year lock ups. Funds may be withdrawn as of the last day of each calendar year following the expiration of the relevant lockup period, provided that sufficient advance notice is given.
- (10) *Non-Core Real Estate Funds*: 54 funds. These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments include a mix of global equity and debt investments in commercial and residential real estate. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

4. External Investment Pool Fair Value Measurement (Continued)

- ⁽¹¹⁾ *Private Credit Funds*: 34 funds. These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments include a mix of non-investment grade or unrated obligations, debt securities and asset-backed securities, including but not limited to bank loans, high yield, mortgage-backed securities, convertibles, whole loans, mezzanine debt, credit default swaps, collateralized debt obligations and sovereign debt. The majority of assets in this category are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.
- ⁽¹²⁾ *Private Equity Funds*: 111 funds. These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments include a mix of buyout, venture capital, growth equity, and private special situations vehicles. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.
- ⁽¹³⁾ *Private Infrastructure Funds*: 11 funds. These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These strategies invest in various infrastructure-related markets including but not limited to utilities, transportation, energy and communication. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.
- ⁽¹⁴⁾ *Private Multi-Strategy Funds*: 1 fund. This investment is valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments have the flexibility to invest across markets, asset classes, commodities, and currencies, including hedging. Strategies may include opportunistic, event-driven, relative value, global macro, rebalancing, tail hedging and overlays. Currently the strategy represented in this category is considered opportunistic, and will tactically invest across a broad range of investible assets. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.
- ⁽¹⁵⁾ *Private Natural Resources Funds*: 19 funds. These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These strategies make non-public equity or debt investments in timberland, energy, agriculture, and other natural resources implementations. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.
- ⁽¹⁶⁾ *Private Real Asset Funds*: 30 funds. These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments represent a mix of strategies including ships, airplanes, rail cars, mines, real estate and other markets whose primary purpose is providing protection against risks associated with inflation. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.
- ⁽¹⁷⁾ *Collective Investment Trusts*: 2 funds. These investments are the BNY EB Temporary Investment Fund and the BR Money Market Fund. These funds primarily invest in instruments issued by the U.S. Government and Federal agencies, short term corporate obligations, commercial paper, and certificates of deposit. The average weighted maturity of this fund does not exceed 60 days.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Valuation Methodologies and Inputs

Equity and derivative instrument securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Level 2 U.S. Treasuries are evaluated by using data from several live feeds which include active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. For inflation securities which include Treasury Inflation Protection Securities tied to the Consumer Price Index, prices are evaluated continuously throughout the day using a variety of real-time sources from active market makers in Treasury securities and market makers.

Level 2 U.S. Agencies, which are primarily mortgage pass-throughs, use a dealer-derived to-be-announced (TBA) security as a benchmark, plus a dollar (or pay up) adjustment which is based on market data for the underlying collateral. When the underlying TBA is not applicable or observable, a discounted cash flow is calculated using a spread to the treasury curve based on applicable market data and internally generated long-term speed.

Level 2 mortgage pass-throughs are evaluated on interest rate movements and other market data to derive spread, yield and/or price data as appropriate allowing data points to be extrapolated for application across a range of related securities.

Level 2 bonds are priced using both spread-based and priced-based evaluations. For spread-based evaluations, an option adjusted spread model is developed incorporating credit risk and based on the new issue market, secondary trading, and dealer quotes. For priced-based evaluations, evaluators use recently executed transactions of similar securities and dealer quotes to arrive at appropriate pricing. These methods also are used to value non-U.S./foreign government and corporate bonds that are classified as Level 2.

Level 2 asset-backed, collateralized mortgage obligations and commercial mortgage-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

Level 3 bonds are priced using broker quotes. Level 3 equity securities are priced using manager pricing.

5. External Investment Pool Securities Lending

Based on General Statute 147-69.3(e), the Treasurer lends securities from its Pool to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Treasurer's custodian manages the securities lending program for the internally managed fixed income portfolios, the equity based trust and the Inflation Sensitive portfolio. During the year, the securities lending program lent U.S. government and agency securities, corporate bonds, equity securities and notes for collateral. The program is permitted to receive cash, U.S. government, and agency securities as collateral for the securities lent

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

5. External Investment Pool Securities Lending (Continued)

The collateral is initially pledged at 102% of the market value of the domestic securities lent in the fixed income and Inflation Sensitive portfolios as well as the equity based trust and 105% of the market value of foreign securities lent in the equity based trust program. Additional collateral is required if its value falls to less than 100% of the market value of the securities lent. There are no restrictions on the amount of loans that can be made. Substantially all security loans can be terminated on demand by either the Treasurer or the borrower. The Treasurer cannot pledge or sell the collateral securities received unless the borrower defaults.

The cash collateral received is invested by the lending provider and held in a separate account in the name of the Treasurer. The policies for investments purchased with cash collateral under the securities lending program are set forth in the contract with the lending provider. The weighted average maturities of the cash collateral investments may not match the weighted average maturities of the securities loans as current securities lending guidelines allow collateral to be invested with a maturity up to five business days and loan maturities are extended beyond overnight in an effort to stabilize loan balances. At June 30, 2026, the weighted average maturity of securities loans backed by cash collateral was one day.

As of June 30, 2026, the Treasurer had no credit risk exposure to borrowers because the amounts the Treasurer owed the borrowers exceeded the amounts the borrowers owed the Treasurer. The lending provider is contractually obligated to indemnify the Treasurer for certain conditions, the most important is default on the part of the borrowers.

As of September 15, 2016, securities purchased with cash collateral under the current securities lending guidelines are limited to repurchase agreements and shares in money market funds registered under the Investment Company Act of 1940 and that comply with Rule 2a-7. The securities pledged as collateral for repurchase agreements are limited to securities issued or guaranteed by the U.S. government or its agencies. All counterparties for repurchase agreements must have a short-term debt rating of at least A2, P2, or F2 by at least one of the nationally recognized statistical rating organizations.

Under prior securities lending contractual guidelines, additional flexibility was given with regards to acceptable assets purchased with cash collateral. As of June 30, 2026, a total of \$11.5 million remained in securities approved under prior guidelines, consisting of asset-backed securities. These securities will remain in the account until maturity or until sold. The weighted average maturity of investments, including the securities purchased under prior guidelines, was one day.

As of June 30, 2026, the fair value of loaned securities was \$12.0 billion; the fair value of the associated collateral was \$12.3 billion of which \$1.8 billion was cash.

6. External Investment Pool Derivative Instruments

Derivative instruments are securities that derive value from another asset and are in the form of a contract between two or more parties. Common derivative instruments are futures contracts, forward contracts, options, and swaps.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

6. External Investment Pool Derivative Instruments (Continued)

The Pool maintained by the Treasurer has investments in equity and commodity futures, foreign currency forward and spot currency contracts. All of these derivative instruments are designated as investment derivative instruments; they are used to implement portfolio strategies, capture valuation opportunities, and to exploit market inefficiencies. The primary risks managed by using these derivative instruments include foreign exchange rate and market price risks.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on underlying principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index or to rebalance the total portfolio.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These forward commitments are not standardized and carry credit risk due to the possible non-performance of one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such a loss is remote. In addition to forward currency contracts, the Pool also utilizes spot currency contracts. Spot currency contracts are used primarily for trade settlement and currency repatriation.

As of June 30, 2026, the counterparties' credit ratings for forward currency contracts that are subject to credit risk had a rating of no less than BBB by one of the nationally recognized ratings agencies.

The following table is a summary of derivative instruments activity during the fiscal year and balances at year-end, classified by type with notional amount for the fiscal year ending June 30, 2026:

Investment Derivatives	Increase (Decrease) in in Fair Value		Fair Value		Notional (In U.S. \$)
	Classification	Amount	Classification	Amount	
		(In U.S. \$)		(In U.S. \$)	
(In Thousands)					
Foreign equity futures a)	Investment Income	\$ 281	Investment	\$ 281	\$ 21,363
Commodity futures b)	Investment Income	(26,050)	Investment	(26,050)	280,021
Forward currency contracts	Investment Income	(818)	Investment	(818)	826,732
Spot currency contracts	Investment Income	47	Investment	47	45,896
Swaps	Investment Income	(69)	Investment	(69)	-

a) 2.6 million Australian Dollar; 11.9 million Euro; 960.7 million Japanese Yen;

b) 4,675 metric tons of aluminum futures; 369,000 barrels of brent crude oil futures; 331,000 barrels of crude oil futures;

9.1 million gallons of gas/oil futures; 10,700 fine troy ounces of gold futures; 3.3 million gallons of heating oil futures;

150,000 troy ounces of silver futures; 710 metric tonnes of cocoa futures

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

6. External Investment Pool Derivative Instruments (Continued)

Schedule of all foreign derivative instruments outstanding at June 30, 2026, are presented below by currency:

Fair value of foreign currency contracts, Assets (Liabilities)

As of June 30, 2026

Currency	Forward Currency Contracts	Spot Currency Contracts	Foreign Equity Futures	Total
(In Thousands)				
Australian Dollar	\$ (223)	\$ 9	\$ (29)	\$ (243)
Canadian Dollar	(368)	-	-	(368)
Chinese Yuan Renminbi	-	(1)	-	(1)
Euro	1,146	2	95	1,243
Hong Kong Dollar	(50)	-	-	(50)
Israeli New Shekel	249	-	-	249
Japanese Yen	(110)	(1)	215	104
New Zealand Dollar	(217)	-	-	(217)
Norwegian Krone	(68)	-	-	(68)
Polish Zloty	-	2	-	2
Pound Sterling	(360)	33	-	(327)
Singapore Dollar	6	-	-	6
South Korean Won	(190)	-	-	(190)
Swedish Krona	68	1	-	69
Swiss Franc	(701)	2	-	(699)
Total	<u>\$ (818)</u>	<u>\$ 47</u>	<u>\$ 281</u>	<u>\$ (490)</u>

7. Bond Index Investment Pool

North Carolina Department of State Treasurer provides an external government sponsored bond index investment pool (BIF) in which the NCIA is authorized to invest funds for governmental entities which are outside the Retirement Systems. The BIF invests in high quality debt securities eligible under General Statute 147-69.2(b) (1)-(6). The BIF consists of a separate account managed by a fund manager selected by the NCIA.

The deposits are commingled; and therefore, the State Treasurer considers all funds to be part of a single pool. The BIF contains deposits from funds and component units of the state of North Carolina reporting entity as well as deposits from certain legally separate organizations outside the state of North Carolina reporting entity and is not registered with the Securities and Exchange Commission. The BIF is managed by the NCIA which is governed by the NCIA Board of Directors as created by North Carolina Session Law 202-6, the 2025 State Investment Modernization Act.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

7. Bond Index Investment Pool (Continued)

Participants in the BIF may include public hospitals, Law Enforcement Officer Special Separation Allowance trusts (LEOSSAs), local government Other Post Employment Benefit trusts (OPEBs), the North Carolina Teachers' and State Employees' Benefit Trust (Death Benefit Plan of N.C.), the Disability Income Plan of N.C., the Register of Deeds' Supplemental Pension Fund, and other funds and component units of the state of North Carolina with investment authority under General Statute 147-69.2.

At June 30, 2026, there were twenty-eight OPEBs, five LEOSSAs, and two public hospitals participating in the BIF.

Net investment income earned by the BIF is distributed on a pro rata basis to all participants on a monthly basis net of fees.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. There is no formally adopted investment policy to manage interest rate risk. The BIF had a weighted average effective maturity of 8.1 years as of June 30, 2026.

The BIF maintained by the Treasurer had the following investments and maturities as of June 30, 2026:

Bond Index	Investment Maturities (in Years)				
	Carry Amount	Less Than 1	1 to 5	6 to 10	More Than 10
<i>(In Thousands)</i>					
As of June 30, 2026					
U.S. treasuries	\$ 871,031	\$ -	\$ 499,187	\$ 188,101	\$ 183,743
U.S. agencies	5,250	-	2,491	2,759	-
Commercial mortgage-backed securities	11,637	-	-	-	11,637
Asset-backed securities	5,637	-	4,548	984	105
Mortgage pass-throughs	457,062	100	10,448	22,216	424,298
Collective investment funds	11,980	11,980	-	-	-
Municipal bonds	7,302	-	1,002	1,083	5,217
Domestic corporate bonds	387,488	-	139,229	110,491	137,768
Foreign corporate bonds	61,129	-	27,447	21,215	12,467
Foreign government bonds	61,060	-	35,303	17,104	8,653
Total investment fund assets	\$ 1,879,576	\$ 12,080	\$ 719,655	\$ 363,953	\$ 783,888

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Interest Rate Risk (Continued)

The major investment classifications had the following attributes as of June 30, 2026:

Investment Classification	Principal Amount	Range of Interest Rates
	<i>(In Thousands)</i>	
As at June 30, 2026		
Bond Index		
U.S. treasuries	\$ 936,923	0.63%-5.25%
U.S agencies	3,410	0.88%-7.25%
Commercial mortgage-backed securities	12,406	2.57%-6.64%
Asset-backed securities	5,660	3.84%-5.15%
Mortgage pass-throughs	501,486	1.31%-6.50%
Collective investment funds	11,980	0.94%
Municipal bonds	7,270	2.15%-7.55%
Domestic corporate bonds	417,761	0.80%-8.88%
Foreign corporate bonds	62,792	0.75%-9.25%
Foreign government bonds	63,293	0.75%-8.30%

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations such as the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

General Statute 147-69.2 specifies the cash investment options for the BIF and limits credit risk by restricting the BIF's asset-backed securities and corporate obligations to securities that bear one of the four highest ratings of at least one nationally recognized rating service when acquired. In the BIF, all holdings were rated BBB (or equivalent) or higher at the time of purchase by at least one of the nationally recognized rating agencies.

The BIF had the following credit quality distribution for securities with credit exposure as of June 30, 2026:

Bond Index	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated	Exempt from credit quality (1)
<i>(In Thousands)</i>							
As of June 30, 2026							
U.S. treasuries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 871,031
U.S. agencies	-	5,250	-	-	-	-	-
Commercial mortgage-backed securities	10,547	470	620	-	-	-	-
Asset-backed securities	5,637	-	-	-	-	-	-
Mortgage pass-throughs	-	343,687	-	-	-	-	113,375
Collective investment funds	11,980	-	-	-	-	-	-
Municipal bonds	988	3,824	2,490	-	-	-	-
Domestic corporate bonds	3,662	26,330	159,525	190,362	7,609	-	-
Foreign corporate bonds	3,583	2,640	29,030	25,876	-	-	-
Foreign government bonds	26,209	8,205	7,990	18,656	-	-	-
Total investment fund assets	\$ 62,606	\$ 390,406	\$ 199,655	\$ 234,894	\$ 7,609	\$ -	\$ 984,406

(1) Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Treasurer will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2026, the investments of the BIF were not exposed to custodial credit risk since the securities were held in separate accounts in the name of the Treasurer. There is no formally adopted investment policy to manage custodial credit risk for these investment types.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Mutual funds, money market funds, and external pooled accounts are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. However, more than 5% of the BIF's securities were invested in Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). FHLMC investments totaled \$146.9 million and comprised 7.82% of BIF's total investments; FNMA investments totaled \$196.8 million and comprised 10.47% of BIF's total investments. Both FHLMC and FNMA investments are classified as U.S. Agencies with the majority of the investments classified as mortgage pass-throughs. At June 30, 2026, there is no formal policy regarding concentration of credit risk.

Fair Value Measurement

The BIF categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The BIF had the following recurring fair value measurements as of June 30, 2026:

Investments and Derivative Instruments at Fair Value

		Fair Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As of June 30, 2026		(In Thousands)		
Investments measured at fair value				
Bond Index Fund				
U.S. treasuries	\$ 871,031	\$ -	\$ 871,031	\$ -
U.S. agencies	5,250	-	5,250	-
Commercial mortgage-backed securities	11,637	-	11,637	-
Asset-backed securities	5,637	-	5,637	-
Mortgage pass-throughs	457,062	-	457,062	-
Municipal bonds	7,302	-	7,302	-
Domestic corporate bonds	387,488	-	387,488	-
Foreign corporate bonds	61,129	-	61,129	-
Foreign government bonds	61,060	-	61,060	-
Total investments by fair value level	\$ 1,867,596	\$ -	\$ 1,867,596	\$ -
Investments measured at the Net Asset Value (NAV)				
		Unfunded commitments	Redemption frequency	Redemption notice (days)
Collective investment fund ⁽¹⁾	11,980	-	Daily	1
Total investments	\$ 1,879,576			

⁽¹⁾ One fund. This fund invests in a diversified portfolio of U.S. government securities, U.S. government agency securities, and repurchase agreements. It is operated on an amortized cost basis, and transacts at \$1.00 per unit.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

Valuation Methodologies and Inputs

Level 2 U.S. Treasuries and U.S. Agencies are evaluated by using data from several live feeds which include active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges.

Level 2 municipal bonds are evaluated using techniques that vary by asset class and maximizes the use of relevant observable inputs, including quoted prices for similar assets, benchmark yield curves and market corroborated inputs. The process depends, in part, on the bond's categorization.

Level 2 U.S. Mortgage pass-through securities use a dealer derived to-be-announced (TBA) security as a benchmark, plus a dollar (or pay up) adjustment which is based on market data for the underlying collateral. When the underlying TBA is not applicable or observable, a discounted cash flow is calculated using a spread to the treasury curve based on applicable market data and internally generated long-term spread.

Level 2 foreign corporate bonds are priced using available direct market color (trades, covers, bids, offers and price talk). Market data is enriched to derive spread, yield and/or price data. Enriched data is tested against current evaluations and tolerances and parameters. System parameters are regularly adjusted to reflect prevailing market conditions.

Level 2 domestic corporate bonds are priced using both spread and yield-based and priced-based evaluations. For spread and yield-based evaluations, an option adjusted spread model is developed incorporating credit risk and based on the new issue market, secondary trading, and dealer quotes. For price-based evaluations, evaluators use recently executed transactions of similar securities and dealer quotes to arrive at appropriate pricing. These methods are also used to value non-U.S./foreign government bonds. For non-U.S./foreign government and corporate bonds, the majority of issues are evaluated using discounted cash flow models, incorporating option-adjusted features as appropriate.

Level 2 asset-backed and commercial mortgage-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

8. Equity Index Investment Account

The State Treasurer has contracted with an external party (Trustee) to create the equity index investment account (EIF). Participation in this equity index investment account consists of deposits from funds of the state of North Carolina reporting entity as well as public hospital trusts, LEOSAs, and local government other post-employment benefit trust (OPEB) funds. These funds and trusts are part of a commingled equity index investment trust (Trust). The Trustee manages the assets in the Trust primarily in equity and equity-based securities in accordance with the General Statutes. The Trustee maintains custody of the underlying securities in the name of the Trust or the Trustee, services the securities, and maintains all related accounting records.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

8. Equity Index Investment Account (Continued)

Pursuant to General Statute 159-30.1, the assets of OPEB trust may be deposited with the State Treasurer to invest pursuant to General Statute 147-69.2(b4). These trusts are established for local governments, public authorities, any entity eligible to participate in the state's Local Governmental Employees' Retirement System, local school administrative units, and charter schools. Eligible participants make voluntary contributions to the trusts for the purpose of depositing and investing all or part of the contribution from their other post-employment benefit plans. As of June 30, 2026, there were 38 participants of which 28 participate in the EIF. Each participant is responsible for making its own investment decision with respect to the allocation of assets between investment options.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Treasurer will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2026, the investments of the EIF were not exposed to custodial credit risk. There is no formally adopted investment policy to manage custodial credit risk for these investment types.

Fair Value Measurement

EIF investments, a commingled global equity index fund, are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments. The Fund invests in U.S. and Non-U.S. equity securities with a goal of replicating the return of a market capitalization weighted global equity index. As of June 30, 2026, the EIF had a recurring fair value measurement of \$1.3 billion. The redemption frequency of the EIF is daily, with a two-day redemption notice.

9. Commitments and Contingencies

The Treasurer has entered into contracts with external fund managers of the Real Estate Investment, Alternative Investment, Inflation Sensitive Investment, and Opportunistic Fixed Income Investment portfolios, where the Treasurer agreed to commit capital to these investments. The unfunded balances of these capital commitments by fund type are presented as unfunded commitments in the Investments measured at the Net Asset Value (NAV) table in Note 4. The portfolios are part of the Treasurer's Pool as described in Note 3.

The Treasurer is a defendant in legal proceedings and claims arising out of the ordinary course of business. The Treasurer believes it has adequate legal defenses and that the ultimate outcome of these actions will not have a material adverse effect on the State Treasurer Investment Programs' financial position.

**NORTH CAROLINA DEPARTMENT OF
STATE TREASURER INVESTMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026**

10. Related Parties

The North Carolina Investment Authority (NCIA) provides monitoring, evaluation, reporting, and other support for the investments of the Plans. The NCIA is a separate State agency and is a former Division within the North Carolina Department of State Treasurer (Department). The NCIA is located in the same office building as the Department. The NCIA utilizes several services of the Department in addition to office space such as human systems, administration, information technology, and accounting services and is allocated a portion of the Departments costs for the use of the services on a monthly basis. In July 2026, the NCIA initiated a basis point investment management and administration fee to the State Treasurer's Investment Programs as permitted by House Bill 506 paid by the assets of the NCRS.

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Introduction

The financial statements include investment programs of the Treasurer that are managed by the North Carolina Investment Authority. The tradition of conservative fiscal management has served North Carolina's public workers and taxpayers well throughout the years. The Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Firefighters' and Rescue Squad Workers' Pension Fund, North Carolina National Guard Pension Fund, Local Governmental Employees' Retirement System, and Retiree Health Benefit Fund (collectively NCRS) continue that tradition through a broadly diversified investment portfolio designed to generate attractive long-term, risk-adjusted returns.

NCRS comprised 77% of the total net position of the Pool. Following is a discussion of the Investment Policy Statement and management and incentive fees paid relative to NCRS.

Investment Policy Statement

The pension plans' policy regarding the allocation of invested assets is established and may be amended by the NCIA, with the approval of the NCIA Board of Directors. Plan assets are managed by the NCIA, which was established through the 2025 State Investment Modernization Act (House Bill 506). It is the policy of the NCIA to invest plan assets to provide sufficient returns to support the timely payment of statutory benefits to current and future members while maintaining reasonable contribution rates over the long term. Long-term projected investment returns shall generally be consistent with the actuarial assumed rate of return, unless otherwise determined by the Board. In pursuing these objectives, the NCIA seeks to maximize long-term returns while maintaining an appropriate level of absolute risk that is not undue relative to similarly situated U.S. public pension funds and that appropriately considers the funding and financial obligations of the North Carolina Retirement Systems and each of its component funds. The NCIA also seeks to exceed applicable performance benchmarks, net of all fees and expenses, over the long term and across market cycles, within reasonable risk limits. All investments shall be managed in compliance with applicable statutes, regulations, fiduciary obligations, and governing policies. The table below maps the investment policy statement's classifications to the statutory classifications which are used to prepare the financial statements as of June 30, 2026. The numbers only reflect net position of the NCRS funds in the statutory asset classes excluding securities lending. The Investment Portfolios chart in Note 3 for these portfolios reflects gross investments for all of the State Treasurer Pool. In February 2026, the NCIA Board of Directors approved a new Investment Policy Statement that established a revised framework for classifying investments, aggregating returns, and benchmarking the performance of the pension portfolio's asset classes that will become effective for fiscal year 2026-2027 financial reporting.

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Statutory Classification (NCRS assets only)										
	Public Equity ¹	Long Term ²	Pension Cash ²	Fixed Income ^{2,8}	Alternatives ³	Real Estate ⁴	Inflation Sensitive ⁵	Opportunistic Fixed Income ⁶	Public Equity Limited Liability ⁷	Total NCRS assets
<i>(In Thousands)</i>										
IPS Classification	Public Equity	\$ 61,204,130							\$ 3,087,146	\$ 64,291,276
	Private Equity				7,664,105					7,664,105
	Non-Core Real Estate					2,360,486				2,360,486
	Opportunistic Fixed Income							8,340,716		8,340,716
	Investment Grade Fixed Income and Cash		35,372,925	418,283						35,791,208
	Pension Cash		3,604,976							3,604,976
	Inflation Sensitive						12,311,651			12,311,651
	Core Real Estate					7,882,589				7,882,589
	Multi-Strategy				6,856,858					6,856,858
	Total NCRS assets	\$ 61,204,130	\$ 35,372,925	\$ 3,604,976	\$ 418,283	\$ 14,520,963	\$ 10,243,075	\$ 12,311,651	\$ 8,340,716	\$ 149,103,865

- ¹ NCGS 147-69.2(b)(8)(a),(c)
² NCGS 147-69.1(c) and NCGS § 147-69.2(b)(1)-(6b)
³ NCGS 147-69.2(b)(9)
⁴ NCGS 147-69.2(b)(7)
⁵ NCGS 147-69.2(b)(9a)
⁶ NCGS 147-69.2(b)(6c)
⁷ NCGS 147-69.2(b)(8)(b)
⁸ Consists solely of investments in STIF

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Cost

The NCIA utilizes external managers for a portion of the Retirement Systems. Over time, the department, with advice and counsel of the Investment Committee and Board of Directors, has used a lower risk and lower cost approach to investing the Retirement Systems when compared to peers. While costs have risen somewhat over time as more diverse external investment strategies were pursued, the all-in cost of investing the North Carolina Retirement Systems remains modest and NCIA continues to seek out cost-efficiencies in their operations.

Management and Incentive Fees for the External Investment Pool

The management and incentive fees incurred to external investment managers, by asset class, were as follows for the fiscal year ended June 30, 2026.

Total Investment Management Fees Incurred as of June 30, 2026

Asset Classification	Management Fees	Incentive Fees	Total Fees	NCRS Portfolio Market Value (1)	Ratio of Fees to Market Value
	<i>(In Thousands)</i>				
Public Equity	\$ 64,504	\$ 3,684	\$ 68,188	\$ 64,291,276	0.11%
Private Equity	41,736	49,949	91,685	7,664,105	1.20%
Non-Core Real Estate	29,615	2,460	32,075	2,360,486	1.36%
Opportunistic Fixed Income	58,863	22,386	81,249	8,340,716	0.97%
Investment Grade Fixed Income and Cash	-	-	-	35,791,208	0.00%
Pension Cash	-	-	-	3,604,976	0.00%
Inflation Sensitive	33,772	12,606	46,378	12,311,651	0.38%
Core Real Estate	26,279	-	26,279	7,882,589	0.33%
Multi-Strategy	7,375	2,685	10,060	6,856,858	0.15%
Total	<u>\$ 262,144</u>	<u>\$ 93,770</u>	<u>\$ 355,914</u>	<u>\$ 149,103,865</u>	<u>0.24%</u>

(1) NCRS assets only

In addition to the fees shown in this table, administrative expenses of the Pool were paid by the Treasurer through June 30, 2026. These charges are reported on the Statements of Changes in Fiduciary Net Position. Effective July 1, 2026, the NCIA became a separate state agency and initiated charging an investment management and administration fee to the Treasurer's investment programs.

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Expenses Paid: Management and Incentive Fee (Asset Class Average Market Value)														
	0 bps		0 - 25bps		25 - 50bps		50 - 100bps		100 - 150bps		150+bps		Total	
	(In Thousands)													
Public Equity	\$	33,335,551	\$	13,037,337	\$	12,886,449	\$	1,979,202	\$	-	\$	336,345	\$	61,574,884
Private Equity		3,089,442		473,359		174,479		672,724		1,256,513		1,229,817		6,896,334
Non-Core Real Estate		113,160		-		242,038		734,920		577,442		528,589		2,196,149
Opportunistic Fixed Income		340,981		527,053		1,431,668		3,285,895		1,263,033		1,552,228		8,400,858
Investment Grade Fixed Income & Cash		38,253,051		-		-		-		-		-		38,253,051
Pension Cash		4,841,997		-		-		-		-		-		4,841,997
Inflation Sensitive		1,364,194		2,862,818		2,511,725		1,531,467		344,277		211,457		8,825,938
Core Real Estate		381,056		417,376		5,427,225		259,035		187,821		82,762		6,755,275
Multi-Strategy		791,501		1,978,646		1,024,230		606,898		-		-		4,401,275
Total Fund	\$	82,510,933	\$	19,296,589	\$	23,697,814	\$	9,070,141	\$	3,629,086	\$	3,941,198		\$142,145,761

Expenses Paid: Management and Incentive Fee (% of Asset Class Average Market Value)								
	0 bps	0 - 25bps	25 - 50bps	50 - 100bps	100 - 150bps	150+bps	Total	
Public Equity	54.14%	21.17%	20.93%	3.21%	0.00%	0.55%		100.00%
Private Equity	44.80%	6.86%	2.53%	9.76%	18.22%	17.83%		100.00%
Non-Core Real Estate	5.15%	0.00%	11.02%	33.47%	26.29%	24.07%		100.00%
Opportunistic Fixed Income	4.06%	6.27%	17.04%	39.11%	15.04%	18.48%		100.00%
Investment Grade Fixed Income & Cash	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%		100.00%
Pension Cash	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%		100.00%
Inflation Sensitive	15.46%	32.43%	28.46%	17.35%	3.90%	2.40%		100.00%
Core Real Estate	5.64%	6.18%	80.34%	3.83%	2.78%	1.23%		100.00%
Multi-Strategy	17.98%	44.96%	23.27%	13.79%	0.00%	0.00%		100.00%
Total Fund	58.05%	13.58%	16.67%	6.38%	2.55%	2.77%		100.00%

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Fee Type by Contract (Asset Class Average Market Value)					
	No Fees	Management Only	Incentive Only	Management & Incentive	Total
	<i>(In Thousands)</i>				
Public Equity	\$ 33,254,757	\$ 25,520,709	\$ 92,809	\$ 2,706,609	\$ 61,574,884
Private Equity	1,800,679	1,674	4,799	5,089,182	6,896,334
Non-Core Real Estate	-	-	-	2,196,149	2,196,149
Opportunistic Fixed Income	-	903,264	246,854	7,250,740	8,400,858
Investment Grade Fixed Income & Cash	38,253,051	-	-	-	38,253,051
Pension Cash	4,841,997	-	-	-	4,841,997
Inflation Sensitive	875,419	3,842,177	41	4,108,301	8,825,938
Core Real Estate	93,904	1,778,891	-	4,882,480	6,755,275
Multi-Strategy	4,176	1,507,411	59,471	2,830,217	4,401,275
Total Fund	\$ 79,123,983	\$ 33,554,126	\$ 403,974	\$ 29,063,678	\$ 142,145,761

Fee Type by Contract (% of Asset Class Average Market Value)					
	No Fees	Management Only	Incentive Only	Management & Incentive	Total
Public Equity	54.01%	41.45%	0.15%	4.39%	100.00%
Private Equity	26.11%	0.02%	0.07%	73.80%	100.00%
Non-Core Real Estate	0.00%	0.00%	0.00%	100.00%	100.00%
Opportunistic Fixed Income	0.00%	10.75%	2.94%	86.31%	100.00%
Investment Grade Fixed Income & Cash	100.00%	0.00%	0.00%	0.00%	100.00%
Pension Cash	100.00%	0.00%	0.00%	0.00%	100.00%
Inflation Sensitive	9.92%	43.53%	0.00%	46.55%	100.00%
Core Real Estate	1.39%	26.33%	0.00%	72.28%	100.00%
Multi-Strategy	0.09%	34.25%	1.35%	64.31%	100.00%
Total Fund	55.66%	23.61%	0.28%	20.45%	100.00%

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Average Market Value

The market value of investments held by investment managers are averaged monthly from July 1, 2025 to June 30, 2026. This schedule is presented in average market value because it measures the performance of an investment manager over the past year, instead of ending market value where the performance is measured as of June 30, 2026. Note: The Investment Returns schedule is reported at ending market value and the External Investment Pool Fee Schedule by Basis Points and the External Investment Pool Fee Schedule-Fee Type by Contract are presented at average market value. Thus, the asset market values reported on these schedules will not agree.

Management Fee

A management fee represents a charge by the investment manager as consideration for serving as a delegated fiduciary with respect to investment duties and powers assigned under a contract. Generally, this fee is expressed as an annual fixed percentage of some base value. Depending on the type of investment structure and strategy, this base value can be a function of the market value of the investments, cost basis of the investments, or the total capital that the investment manager may request under a contractual commitment.

Incentive Fee

An incentive fee represents a profit sharing arrangement with the investment manager as consideration for serving as a delegated fiduciary with respect to investment duties and powers assigned under a contract. These profit sharing arrangements may also be referred to as carried interest or a performance fee. Depending on the type of investment structure and strategy, incentive fees can be charged against all profits earned or applied only to the profits above an agreed upon level that is often referred to as a hurdle rate of return. Incentive fees can be paid annually based on realized and/or unrealized profits, at agreed upon interim milestones, or paid only as a measure of realized profits (i.e., generally all are subject to certain criteria and conditions). The incentive fees shown in the preceding tables represent paid incentive fees. They do not include accrued incentive fees.

Fund of Funds

Consistent with industry convention, cost figures do not include the fees and expenses of investment managers that are held within fund of fund vehicles.

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
OTHER SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Investment Returns and Peer Comparison Information

The following other supplementary information includes a discussion of the retirement system's risk and returns compared to benchmarks and comparisons to peer cost benchmarks. The tables below relate to NCRS as defined in the Introduction section of Supplementary Information and reflect the asset classification and benchmarking approaches that were used to manage the assets for the majority of the fiscal year. As discussed in the Investment Policy section, the approach to grouping and benchmarking the investments changed in February 2026 with the approval of the new Investment Policy Statement. All performance information below, inclusive of the benchmarks, reflects the methodology that was in place prior to the February 2026 Investment Policy Statement.

As of June 30, 2026, the NCRS had the following investment returns over applicable one, three, five and ten-year periods:

Investment Returns as of June 30, 2026 (% , Net of Fees)

Asset Classification	1 Year	3 Year	5 Year	10 Year
Growth	18.28	15.33	8.38	11.54
Benchmark	20.70	15.70	9.34	11.12
Public Equity	21.94	18.63	9.24	12.54
Benchmark	24.22	19.45	10.57	12.35
Private Equity	6.40	5.08	4.50	11.21
Benchmark	12.00	7.75	7.23	10.72
Non-Core Real Estate	(2.06)	(6.86)	(2.24)	3.09
Benchmark	0.42	(2.84)	1.46	3.78
Opportunistic Fixed Income	7.98	8.74	6.55	7.04
Benchmark	14.93	9.34	7.09	6.30
Rates & Liquidity	4.28	4.32	1.22	2.16
Benchmark	4.28	4.08	(0.16)	1.57
Investment Grade Fixed Income and Cash	4.34	4.14	0.20	1.88
Benchmark	4.30	3.96	(0.48)	1.44
Pension Cash	4.16	4.68	3.44	2.40
Benchmark	3.87	4.63	3.55	2.31
Inflation Sensitive & Diversifiers	7.18	3.18	4.56	5.34
Benchmark	5.68	3.15	4.01	4.13
Inflation Sensitive	7.90	6.68	8.06	6.63
Benchmark	5.94	5.90	5.67	4.32
Core Real Estate	6.12	0.01	1.57	4.31
Benchmark	5.36	(0.10)	1.99	3.84

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
OTHER SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Investment Returns as of June 30, 2026 (% , Net of Fees) (Continued)

Asset Classification (Continued)	1 Year	3 Year	5 Year	10 Year
Multi-Strategy	9.93	9.13	6.15	5.92
Benchmark	2.64	4.96	2.30	4.06
Total Pension Plan	12.41	10.17	5.48	7.48
Implementation Benchmark	13.75	10.51	5.70	7.40
Long-Term Policy Benchmark	16.48	12.63	6.03	7.87

The Growth benchmark used is a blend of the Public Equity, Private Equity, Non-Core Real Estate, and Opportunistic Fixed Income benchmarks at their policy weights. The Public Equity benchmark is a dynamically weighted combination of the MSCI ACWI IMI Net (Long-Only) and a beta adjusted MSCI ACWI IMI Net (Hedged Equity). Private Equity's benchmark is comprised of the following Burgiss Private Capital indices: 45% Buyout, 25% Venture Capital, and 30% Distressed. The Non-Core Real Estate benchmark is comprised of the following Burgiss Private Capital indices: 80% U.S. Non-Core Real Estate (Opportunistic and Value-Added) and 20% Non-U.S. Non-Core Real Estate (Opportunistic and Value-Added). Opportunistic Fixed Income's benchmark is comprised of 50% HFRX Distressed Securities Index, 20% HFRX Relative Value Index, 15% Credit Suisse Leveraged Loan Index, and 15% ICE BOAML High Yield Index.

The overall Rates & Liquidity benchmark is a blend of the Investment Grade Fixed Income & Cash and Pension Cash benchmarks at their policy weights. The benchmark used for Investment Grade Fixed Income & Cash is comprised of 10% iMoneyNet First Tier Institutional Money Market Funds Net Index and 90% custom ICE BofA Core Investment Grade Index. The Custom ICE BofA index is comprised of the following weightings: 30% ICE BofA 5+ Years Governments, 35% ICE BofA 5+ Years Investment Grade Corporates, and 35% ICE BofA Mortgage Master. The Pension Cash benchmark used is the iMoneyNet First Tier Institutional Money Market Net Index.

The Inflation Sensitive & Diversifiers benchmark used is a blend of the Inflation Sensitive and Core Real Estate benchmarks at their policy weights. The Inflation Sensitive benchmark is a dynamically weighted combination of the ICE BofA 1-3 Years U.S. Inflation-Linked Treasury Index (TIPS), the Bloomberg Commodities Index (Commodities), and a combination of benchmarks of investments classified within Private Natural Resources or Other Real Assets and Diversifiers. The Core Real Estate Benchmark is comprised of 80% NCREIF ODCE Net and 20% FTSE-EPRA NAREIT Global Index.

The Multi-Strategy benchmark is comprised of a dynamically weighted combination of the HFRX ED: Multi-Strategy Index, net of fees, and the market value weighted benchmarks for any other total fund strategies within the portfolio.

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
OTHER SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Investment Returns as of June 30, 2026 (% , Net of Fees) (Continued)

The Benchmarks used for the total plan are the Implementation and Long-Term Policy Benchmarks. The Implementation Benchmark is a blend of the asset class benchmarks at policy weights. It is currently as follows: 58% Growth, 29% Rates and Liquidity, 11% Inflation Sensitive & Diversifiers, and 2% Multi-Strategy. Lastly as of March 2026, the Long-Term Policy Benchmark is comprised of 65% MSCI ACWI IMI Net and 35% ICE BofA 5+ Years U.S. Treasury Index. Most recently, the Long-Term Policy

Benchmark is comprised of 57% MSCI ACWI IMI Net, 33% ICE BofA 5+ Years U.S. Treasury Index, 6% Bloomberg Commodity Index, and 4% ICE BofA 1-3 Years U.S. Inflation-Linked Treasury Index.

Peer Comparison of Returns and Risks

The below chart outlines the one, three, five and ten-year average returns and exposure to risk within the different percentiles of public funds in comparison to the performance and exposure to risk of the North Carolina Retirement System. These returns are presented gross of fees.

National Peer Data on Gross of Fees Returns and Exposure to Risk as of June 30, 2026 (%)				
	1 Year	3 Year	5 Year	10 Year
Returns				
25 th Percentile	14.46	11.92	7.65	9.77
Median	12.99	11.07	7.22	9.40
75 th Percentile	11.62	10.24	6.32	8.61
NC Pension Fund	12.68	10.45	5.78	7.85
Risk*				
25 th Percentile	6.96	6.99	8.55	8.27
Median	6.09	6.61	7.50	7.25
75 th Percentile	4.82	4.93	6.06	6.47
NC Pension Fund	6.39	6.61	7.33	6.54

Source: BNY Mellon Total Funds - Public Funds \$20+ Billion (Gross of Fees)

* Volatility of Returns (Standard Deviation)

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER
NCRS – NORTH CAROLINA RETIREMENT SYSTEM
OTHER SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2026**

Peer Cost Comparison

For the years ended December 31, 2025 and 2024, the Treasurer's cost of investment can be compared to the median peer amount utilizing the following table.

Cost of Investment Compared to Peers as of December 31

Total (bps)

	2025	2024
Median Peer	57.4	55.9
North Carolina Retirement Systems	23.2	22.6
Percentile	0%	0%

Source: CEM [Cost Effectiveness Measurement]. Note that 2026 data is based upon preliminary CEM data as of October 9, 2026. CEM benchmarking methodology excludes certain fees that are reported by the Pool but not reported by most peers. See text below.

For the calendar years ended 2025 and 2024, the peer group consisted of 13 U.S. public pension funds managing \$77.7 billion to \$367.3 billion, and 14 U.S. public pension funds managing \$71.0 billion to \$340.3 billion, respectively. For the calendar year ended December 31, 2025, the median peer managed \$114.7 billion versus North Carolina's \$133.1 billion. For the calendar year ended December 31, 2024, the median peer managed \$109.06 billion versus North Carolina's \$123.4 billion. The CEM benchmarking methodology excludes carry/performance fees for private investments because some peers do not provide such data. All such fees and expenses have been deducted from all reported investment returns. The CEM methodology differs from that used by the Department in preparing the data in the section titled "Management and Incentive Fees."