

North Carolina Retirement Systems

Executive Summary

Pension Fund assets were \$141.54 billion at month end December 2025. For the year the Pension Fund earned 13% net of fees and expenses. This 2025 performance equates to an estimated \$16 billion in earnings. During the year approximately \$8 billion was rebalanced across multiple asset classes while furnishing \$1.6 billion for net benefit payments.

For the month of December, the Pension Fund was up 0.47% for net of fees and expenses. The Plan outperformed the implementation benchmark by 11 basis points (0.11%) and outperformed the long-term policy benchmark by 34 basis points (0.34%). The Public Equity and Multi-Strategy asset classes were the largest gainers for the month at 1.20% and 0.89%, respectively. Investment Grade Fixed Income was the largest detractor for the month, returning -0.49%. U.S. and non-US Public Equity portfolios were up 0.25% and 2.83%, respectively.

All segments remain in compliance with statutes and the Investment Policy Statement:

- Pension Cash at 3.31% is below the IPS max of 10%
- Total investments outside of Public Equity and Investment Grade Fixed Income are about 27% of the portfolio, well inside of the 35% statutory cap.
- Trailing 12-month net benefit payments out of the plan were below the 3% IPS assumption at 1.1%.

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Market Environment

Equities:

December was largely flat for U.S. equities while international markets posted modest gains closing out a strong year for global stocks. Market leadership remained concentrated in mega-cap technology stocks with the "Magnificent 7" continuing to drive U.S. performance with a continued investor focus on AI themes and Infrastructure. Financials led sector returns in December, while Utilities and Real Estate lagged over the period.

Fixed Income:

December was a modestly negative month for U.S. Investment Grade bond markets, driven mainly by higher long-term U.S. Treasury bond yields, such as 10-year and 30-year bond yields. While fundamentals remained strong, the yield spreads on corporate bonds compared to similar maturity U.S. Treasury bonds remained at historically tight levels. The 10-year U.S. Treasury bond yield was up 15 basis points (0.15%), while the long bond rose 18 basis points (0.18%). At the same time, the Federal Reserve delivered yet another 25 basis points (0.25%) reduction in short-term interest rates in December to push down the front end of the yield curve, but also signaled caution about further easing in the near term.

Commodities & FX:

Silver emerged as the dominant force overshadowing other commodities with strong gains in December while energy, base metals, and gold also contributed notable swings across the period. The U.S. dollar weakened for the month of December, primarily due to investors marginally favoring non-U.S. stocks and bonds.

Performance Against Benchmarks

Asset Allocation Stance:

The strategic asset allocation is designed to capture long-term capital appreciation while providing stability and liquidity to meet obligations. Over the past year, the Pension Fund has been overweight Public Equities, slightly underweight Investment Grade Fixed Income and underweight in aggregate across other asset classes. This stance benefited 2025 performance because of strong stock markets. Pension cash ended the month at 3.31%, being 2.31% above target and is well equipped to meet benefit payments and capital calls over the next 90 days.

Equities:

Global Public Equity outperformed for the month by 17 basis points (0.17%) and underperformed for the year-ending 2025 by 88 basis points (0.88%). Underperformance was primarily driven by challenging market environments for active managers in International growth as well as a continued struggle within US small cap. Private Equity outperformed the benchmark for the month by 3 basis points (0.03%) and also for 2025. As of Dec. 31, 2025, Global Public Equity has 39% invested passively with the remaining 61% actively managed. 62% of the portfolio is in US equities versus 38% invested in international markets.

Fixed Income:

Investment Grade Fixed Income beat the benchmark by 6 basis points (0.06%) for December, but lagged the benchmark for the year by 13 basis points (0.13%).

Other Asset Classes:

Opportunistic Fixed Income, Inflation Sensitive and Multi-Strategy ended the month with positive gains and outperforming their benchmarks. Non-Core Real Estate ended flat, underperforming the benchmark and Core Real Estate was slightly negative and underperforming the benchmark for the month.

Outlook & Strategy

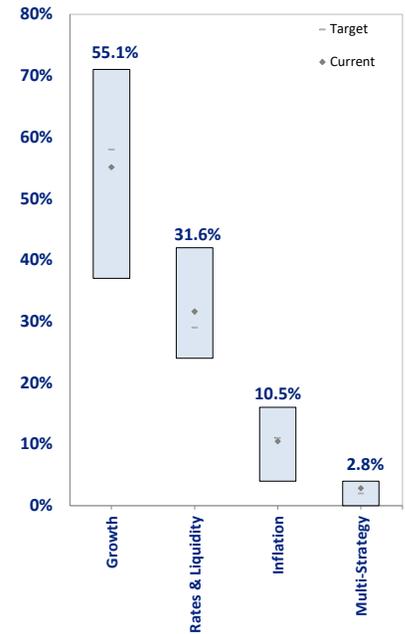
While there is still uncertainty regarding the impacts of U.S. tariff policy, the U.S. economy remains generally healthy. Tax incentives for business expansion/capital expenditures and deregulation in several sectors should be favorable for both intermediate-term U.S. growth prospects and equity market performance. Additional modest Federal Reserve interest rate cuts in 2026 are widely expected with slowing inflation and some weakness in labor markets. However, global geopolitical risk remains elevated and there is considerable uncertainty regarding how the adoption of Artificial Intelligence will impact many businesses and sectors (e.g., software).

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Asset Class	Beg Value	Net Deposits	Net Earnings	End Value	Month	Cal YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr
Growth	77,226,760	(\$39,506)	792,487	77,979,741	1.0	17.9	17.9	15.8	9.3	12.1	10.7	9.7	7.8
Benchmark¹					0.9	17.5	17.5	15.6	9.8	12.0	10.2	9.0	7.4
Public Equity	59,775,152	20,143	717,571	60,512,866	1.2	21.2	21.2	19.8	9.4	13.6	11.5	10.0	8.1
Benchmark²					1.0	22.1	22.1	20.0	10.7	13.6	11.2	9.6	7.8
Private Equity	6,794,816	(\$17,229)	25,297	6,802,884	0.4	9.9	9.9	5.1	10.1	11.1	11.3	11.2	9.4
Benchmark³					0.3	9.1	9.1	6.8	10.7	10.4	10.3	10.8	10.4
Non-Core Real Estate	2,189,604	(\$5,258)	(\$95)	2,184,251	(0.0)	(1.7)	(1.7)	(8.8)	(1.2)	0.6	4.0	7.4	4.3
Benchmark⁴					0.4	(1.2)	(1.2)	(2.9)	2.8	2.9	4.2	6.4	4.1
Opportunistic Fixed Income	8,467,187	(\$37,162)	49,714	8,479,740	0.6	7.2	7.2	8.9	8.3	6.8	6.7	6.6	-
Benchmark⁵					0.6	6.8	6.8	7.9	6.5	6.7	5.9	3.8	-
Rates & Liquidity	45,594,294	(\$691,252)	(\$180,897)	44,722,145	(0.4)	6.9	6.9	4.7	0.7	2.8	2.6	3.3	4.2
Benchmark⁶					(0.5)	7.1	7.1	4.7	(0.8)	2.0	2.1	3.0	3.8
IG Fixed Income	40,228,868	126	(\$198,370)	40,030,624	(0.5)	7.4	7.4	4.6	(0.4)	2.4	2.4	3.1	4.1
Benchmark⁷					(0.6)	7.5	7.5	4.6	(1.1)	1.9	2.0	2.9	3.7
Pension Cash	5,365,427	(\$691,378)	17,472	4,691,521	0.3	4.5	4.5	4.7	3.1	2.7	2.3	-	-
Benchmark⁸					0.3	4.2	4.2	4.8	3.2	2.6	2.1	1.4	-
Inflation Sensitive & Diversifiers	14,851,236	(\$55,066)	13,515	14,809,686	0.1	6.4	6.4	1.7	5.1	4.2	5.1	4.1	3.2
Benchmark⁹					(0.0)	5.7	5.7	1.5	4.6	4.0	4.3	3.9	2.7
Inflation Sensitive	8,410,035	41,904	27,754	8,479,693	0.3	6.9	6.9	7.4	8.7	5.9	6.3	3.0	2.9
Benchmark¹⁰					0.1	6.5	6.5	5.8	6.1	4.7	4.4	1.6	3.7
Core Real Estate	6,441,202	(\$96,970)	(\$14,239)	6,329,992	(0.2)	5.6	5.6	(3.0)	2.0	2.9	4.2	6.2	4.6
Benchmark¹¹					(0.1)	4.7	4.7	(3.4)	2.7	3.0	4.1	6.6	4.9
Multi-Strategy	3,379,627	620,134	31,038	4,030,799	0.9	9.5	9.5	9.3	6.1	5.8	5.4	6.6	5.5
Benchmark¹²					0.5	6.3	6.3	6.0	3.1	4.2	4.0	5.0	5.3
Total Pension Plan	141,051,917	(\$165,690)	656,143	141,542,370	0.5	13.0	13.0	10.2	5.6	7.7	7.2	6.9	6.3
Implementation Benchmark¹³					0.4	13.0	13.0	10.4	5.8	8.0	7.1	6.6	6.0
Long-Term Policy Benchmark¹⁴					0.1	15.7	15.7	12.5	5.7	8.8	7.6	6.6	6.2
Actuarial Rate of Return					0.5	6.5	6.5	6.5	6.6	6.7	6.8	7.0	7.0

Beginning Market Value	141,051,917,302
Net Deposits	(165,690,000)
Net Earnings	656,142,883
Ending Market Value	141,542,370,185

Asset Allocation



Statute Limitations:

IG Fixed Income	Current 32%	Limit >20%
Illiquid Assets	TBD	<=40%

Notes: Values in \$000; performance is net of fees and expressed in percentages; for periods greater than 1 year, the figures represent an annualized return; benchmarks are defined on the last page of report. All values in the report reflect only the assets deposited with the NCIA at BNY. The programs may have assets outside of BNY.

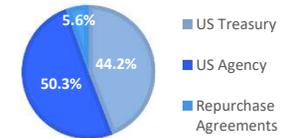
Short Term Investment Fund

Investment	Beg Value	Net Deposits	Net Earnings	End Value	Month	Cal YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr
Short Term Investment Fund*	49,578,414	(\$207,070)	171,863	49,543,207	0.3	4.5	4.5	4.3	2.8	2.4	2.1	1.6	2.0
Benchmark ⁸					0.3	4.2	4.2	4.8	3.2	2.6	2.1	1.4	-

Statute Limitations:

Portfolio holdings meet requirements of §147-69.1

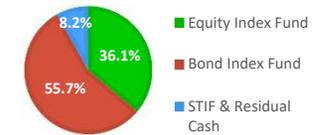
ASSET ALLOCATION



AGPIP

Investment	Beg Value	Net Deposits	Net Earnings	End Value	Month	Cal YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr
Total AGPIP	3,358,117	(\$910)	10,473	3,367,680	0.3	12.3	12.3	9.9	3.2	5.2	-	-	-
Benchmark ¹⁵					0.3	12.1	12.1	9.8	3.2	5.1	-	-	-

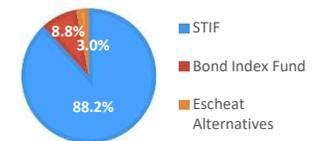
ASSET ALLOCATION



Escheat

Investment	Beg Value	Net Deposits	Net Earnings	End Value	Month	Cal YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr
Total Escheats	1,593,521	(\$1,250)	5,542	1,597,813	0.4	4.7	4.7	3.9	2.3	2.4	2.3	2.5	2.7
Benchmark ¹⁶					0.3	4.5	4.5	4.8	3.1	3.2	2.9	2.8	3.0

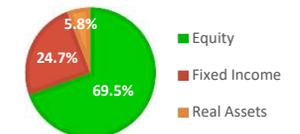
ASSET ALLOCATION



Supplemental Retirement Plan

Investment	Beg Value	Net Deposits	Net Earnings	End Value	Month	Cal YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr
401K Plan Account	17,608,314	(\$15,678)	92,550	17,685,187	0.5	14.7	14.7	14.2	7.4	10.1	8.8	-	-
Deferred Comp 457 Plan	2,296,013	(\$5,260)	11,803	2,302,557	0.5	13.6	13.6	13.6	7.3	9.7	8.3	-	-
Total Nc 401K&457 Performance	19,904,333	(\$20,938)	104,354	19,987,748	0.5	14.6	14.6	14.2	7.4	10.0	8.6	-	-
Benchmark ¹⁷					0.6	16.3	16.3	15.0	8.4	10.5	9.0	-	-

ASSET ALLOCATION



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New Investments

Month-Year	Manager Name	Deal Name	Category	Amount (000s)	Source
Dec-25	Hg	Hg Genesis 11 LP	Private Equity	€ 150,000	Pre-Existing Manager
Dec-25	RXR	RXR Cardinal Venture LP	Real Estate	\$500,000	Pre-Existing Manager
Dec-25	Balyasny	Balyasny Atlas Enhanced Fund	Multi-Strategy	\$500,000	NCIA Staff

Investment Reallocation Flows

Reporting Account Name	Dec-25	YTD
Growth	(39,506,183)	(2,606,415,097)
Public Equity	20,143,045	(2,829,845,096)
Private Equity	(17,228,842)	136,074,223
Non-Core Real Estate	(5,258,272)	160,688,466
Opportunistic Fixed Income	(37,162,112)	(73,332,690)
Rates & Liquidity	(691,251,600)	(1,540,496,476)
IG Fixed Income	126,064	3,300,522,418
Pension Cash	(691,377,664)	(4,841,018,895)
Inflation Sensitive & Diversifiers	(55,066,112)	1,731,561,454
Inflation Sensitive	41,904,022	2,016,077,661
Core Real Estate	(96,970,133)	(284,516,207)
Multi-Strategy	620,133,894	1,120,565,812
Total Pension Plan	(165,690,000)	(1,294,784,307)

Note: Reallocation Flows includes benefit payments

Exited Investments

Fund Name	Redemption Amount (\$MM)	Redemption Date
No Redemptions for current month		

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Benchmark Footnotes:

1. The Growth Benchmark is a blend of the Public Equity Benchmark, Private Equity Benchmark, Non-Core Real Estate Benchmark, & Opportunistic FI Benchmark at policy weights.
2. 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).
3. The Private Equity Benchmark is comprised of the following MSCI Private Capital indices: 45% Buyout, 25% Venture Capital, and 30% Distressed.
4. The Non-Core Real Estate Benchmark is comprised of the following MSCI 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).
5. The Opportunistic Fixed Income Benchmark is a comprised of 50% HFRX Distressed Securities Index, 20% HFRX Relative Value Index, 15% Credit Suisse Leveraged Loan Index, and 15% BOAML High Yield Index.
6. The Rates & Liquidity Benchmark is a blend of the IG Fixed Income & Cash Benchmark and the Pension Cash Benchmark at policy weights.
7. The IG Fixed Income & Cash Benchmark is comprised 10% iMoneyNet First Tier Institutional Money Market Funds Net Index and 90% custom ICE BofA Core Investment Grade Index. The custom ICE BofA core index 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.
8. The Pension Cash Benchmark and STIF Benchmark is the iMoneyNet First Tier Institutional Money Market Funds Net Index.
9. The Inflation Sensitive & Diversifiers Benchmark is a blend of the Inflation Sensitive Benchmark and the Core Real Estate Benchmark at policy weights.
10. The Inflation Sensitive Benchmark is the 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 the benchmarks of investments classified within Private Natural Resources or Other Real Assets and Diversifiers.
11. The Core Real Estate Benchmark is comprised of 80% Custom NCREIF ODCE Net and 20% FTSE EPRA NAREIT Global Index.
12. 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.
13. The Implementation Benchmark is a blend of the Asset Class Benchmarks at policy weights. It is currently weighted as follows: 58% Growth Benchmark, 29% Rates & Liquidity Benchmark, 11% Inflation Sensitive & Diversifiers Benchmark, and 2% Multi-Strategy Benchmark.
14. 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.
15. The Total AGPIP Benchmark is comprised of the market value weighted combination of the underlying asset class benchmarks.
16. The Total Escheats Benchmark is comprised of the market value weighted combination of the underlying asset class benchmarks.
17. The Total NC 401k & 457 Benchmark is comprised of the market value weighted combination of underlying component benchmarks.

Other Information

Additional information can be found Investment Authority's website regarding:
NCIA investment policies. <https://www.nctreasurer.gov/north-carolina-investment-authority-board>
Investment programs and reports. <https://www.nctreasurer.gov/nc-investment-authority>

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