NORTH CAROLINA INVESTMENT AUTHORITY

Strategic Assessment

Market Positioning, Capabilities, and Initiatives

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STATE TREASURER OF NORTH CAROLINA

Recommended strategic posture

Executive summary — the strategy in plain language

> *NCIA should compete as a market-leading investor and partner in public and private markets, through cycles and across decades. We will do that by being selective about where we invest, building the team and tools to invest well, and earning a reputation as the partner that top investment managers seek out.*

Where to compete

U.S. private equity, credit, infra & natural resources, and real estate; public markets as a co-equal engine of liquidity, diversification, and returns.

How to win

Long-term money, the right check size, sharp judgment and focus, and fast, clean decisions. Top managers should want NCIA as a partner — not just as a source of capital.

What it requires

Better tools to manage the whole portfolio, faster execution on private deals, secure and widely-used AI, and a deeper bench — while improving returns today.

Our five-year plan — the five strategic initiatives (2026–2031)

1	**Institutional Continuity**	Build a performance-driven, independent investor that operates the same way through political and leadership cycles.
2	**Talent and Operating Environment**	Attract, develop, and keep the best investment talent — with clear career paths, pay-for-performance, and a single, properly resourced workspace.
3	**Total Plan Operating System**	Make every investment decision in the context of the whole portfolio — supported by integrated data, modern tools, and AI used by the whole team.
4	**Private Market Platform**	Match the deal speed of the best institutional investors, with the reputation and infrastructure that get NCIA into the best deals with the best managers.
5	**Public Market Active Edge**	Run a focused set of internal active strategies with disciplined evaluation for continuation, scale-up, or scale-back.

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Where we compete — private markets

Where our long horizon, scale, and partnership model earn the most — the bulk of new capability investment goes here

Private Equity	U.S. venture and growth, with access to top firms; highly selective global LBO. Primary funds + co-investment SMAs; expanding internal capability for co-invests and selective directs.
Credit	U.S. performing corporate and asset-based credit as the core; specialist opportunistic and distressed. External custom mandates with co-invest SMAs; potential matrix internal management of public High Yield bonds and Leveraged Loans.
Infrastructure & Natural Resources	Developed-market core holdings, with non-core and emerging markets where the risk-reward case is strong. External funds coupled with co-investment SMAs; continued expansion of internal investment capability for co-investments and selective stand-alone directs.
Real Estate	Existing portfolio requires rebalancing (core vs non-core) and restructuring. External SMAs, funds coupled with co-investment SMAs; continued expansion of internal investment capability for co-investments (including joint ventures) and selective directs.

These choices may evolve over the planning horizon — management will monitor and recommend changes as conditions change.

Where we compete — public markets and overlays

Where we lean on low-cost diversification, scale advantages, and selective active bets to support the whole plan

Public Equity	Mostly low-cost index strategies, with active management used where we have a clear cost-benefit case (e.g., non-U.S., small-cap, thematic); <u>selective extensions of existing internal active management; matrix internal equity staging portfolios</u>.
Investment Grade Fixed Income	All sectors of U.S. high-quality bonds and cash. Managed in-house, where NCIA has long-standing cost and performance advantages over outside managers; <u>potential for matrix internal management of public High Yield bonds and Leveraged Loans</u>.
Multi-Strategy and total plan overlays	Hedge funds for nimble cross-market positioning; overlays to manage liquidity, hedging, and portfolio tilts. External hedge funds, SMAs, and co-investment SMAs; <u>potential expansion of total plan overlays</u>.

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How we win — three sources of advantage

01

Long-term, flexible capital

NCIA can write big, patient checks and hold positions through cycles when the case is still sound. We can also shift capital across asset classes when conviction develops — an advantage few peers have.

02

Trusted, fast partner

Managers should know NCIA as fast but disciplined: clear decision rights, sharp analysis, fair dealing, and the confidentiality and seriousness of a true fiduciary. Speed comes from cutting process for process's sake, not from cutting diligence.

03

Absolute Return Ethos

The pension needs 6.5% annualized to meet its obligations. We can look for that return in less crowded corners of the market while peers chase short-term performance against market indices.

Balancing Concentration and Underwriting Conviction

- *Public markets already give the pension broad diversification. Private-market investments must earn their place by delivering premium returns we can't get there.*
- *Those excess returns are scarce and tend to fade — as managers grow, teams turn over, or the original edge gets competed away.*

Three ways manager edge erodes

- Asset growth: strategies that worked at $1B may not work at $20B
- Team and culture change: the firm we backed five years ago is not the firm today
- Key-person risk: the people behind the track record may leave

What this means for how we pick managers

- Don't automatically re-up with managers whose edge may have faded
- Weigh sourcing, operational help to portfolio companies, and aligned incentives — not just past performance
- "Diversification" alone is never a reason to make a private-market commitment

1 Institutional Continuity

Outcome: an independent investor that holds its long-term posture through political and leadership change.

What this initiative includes

- Codify our governance, ethics, and operating rules so they outlive any one team.
- Set clear rules for who speaks for NCIA externally and how we handle media and public inquiries.
- Complete a first succession review for the CIO and senior leadership.
- Review strategic progress annually, with objective post-mortems on big wins, misses, and near-misses.
- Build a regular Board-staff rhythm: a deep dive each Board meeting, plus an annual strategy review.

See the strategic assessment document for full sequencing across the five-year horizon.

2 Talent and Operating Environment

Outcome: top-tier talent attracted, developed, and kept in a properly resourced single workspace.

What this initiative includes

- Build clear career paths, promotion criteria, and feedback expectations for every role.
- Launch a professional development program tied to those career paths, with protected time to use it.
- Run real performance reviews: pay top performers accordingly, address underperformance, retain the best.
- Solve the office space constraint, and decide what shared services (HR, IT, IS) to keep in-house vs outsource.
- Plan hiring in line with what the five initiatives require, in the order they need it.
- Build the next layer of leadership beneath the CIO and senior team.

See the strategic assessment document for full sequencing across the five-year horizon.

3 Total Plan Operating System

Outcome: every investment decision is made with the whole portfolio in view, supported by integrated data, modern tools, and AI used across the team.

What this initiative includes

- Hire a Head of Total Plan to own the whole-portfolio view: cross-asset positioning, liquidity, hedging, and risk budgeting.
- Build the data and analytics architecture: total exposure across all asset classes, liquidity modeling, future commitments, and stress-testing.
- Bring an “opportunity cost” lens for Investment Committee deliberations.
- Relaunch the manager-relationship system as core institutional infrastructure.
- Build a secure internal AI environment in three phases: productivity tools today, decision support in 1–2 years, and a durable institutional knowledge advantage by year five.

See the strategic assessment document for full sequencing across the five-year horizon.

4 Private Market Platform

Outcome: deal speed that rivals the best institutional investors, plus the reputation that gets NCIA into the best deals.

What this initiative includes

- Build the deal team and infrastructure — people, outside counsel, diligence support — that matches peers' speed end-to-end.
- Run a proper go-to-market plan: target the firms we want as partners, articulate clearly what NCIA brings to them, and track every relationship and every co-invest/direct deal proposed.
- Build a structured way to assess whether each manager we're backing still has their original edge.
- Restructure and rebalance the real estate portfolio: decide what to keep, what to sell, and where joint ventures or direct deals can complement the rest.

See the strategic assessment document for full sequencing across the five-year horizon.

5 Public Market Active Edge

Outcome: a focused set of in-house active strategies that meaningfully add to returns — or get scaled back if they don't.

What this initiative includes

- Require a clear cost-benefit case for every new active strategy — and apply the same test to existing ones as they come up for review.
- Pilot a sequenced set of new strategies: thematic U.S. equity first, then potentially high-yield bonds/leveraged loans, hedge-fund co-investments, and portfolio-level hedging overlays.
- Upgrade the systems and processes behind in-house active management so they integrate cleanly with the new total-plan framework.
- Review each strategy regularly and make a clear call: continue, scale up, or scale back.

See the strategic assessment document for full sequencing across the five-year horizon.

What could go wrong

The biggest risk is missing the 6.5% NCRS return target over a full market cycle.

Trying to do too much, too fast	Scaling complex strategies faster than our people and systems can absorb. Pace and sequencing matter.
Crowding in private markets	More money is chasing private deals. Locking up capital doesn't produce extra returns — access, judgment, and manager selection do.
Competition for the best managers	Endowments, family offices, and other nimble LPs can outpace us for the best deals unless we're visibly fast, sophisticated, and valuable as a partner.
Public disclosure vs. confidentiality	As a public investor we face disclosure rules that private managers find uncomfortable. Our governance has to bridge that gap.
Talent and key-person risk	Everything slows down if critical staff leave because they don't see a path to grow here.

Does the culture match the strategy?

The values are right. The challenge is putting them into practice — in how we pay, promote, decide, and adopt new tools.

STRENGTH: A strong sense of mission	Staff take the fiduciary duty seriously, the institution is trusted, and governance and decision-making are getting better.
STRENGTH: Board and management are aligned	The Board and management agree on what NCIA should become — a foundation that makes every initiative easier.
TENSION: Career paths and urgency are still forming	Career paths aren't clear yet, performance culture and a sense of urgency are still forming; collaboration varies by team. Initiative 2 directly addresses this.
TENSION: What top talent expects	The best people want more than pay — they want clear standards, mentorship/coaching, and a credible path to bigger roles.
TENSION: AI and innovation lag aspiration	AI adoption and process innovation lag aspirations.

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How the Board oversees each initiative

Initiative	Reporting Cadence
Institutional Continuity	Quarterly governance updates; annual succession review; annual strategy review
Talent and Operating Environment	Annual talent and culture review; quarterly hiring updates
Total Plan Operating System	Quarterly progress updates; annual AI capabilities report
Private Market Platform	Covered in the rotating quarterly Board deep dives
Public Market Active Edge	Annual review of each active strategy; covered in Board deep dives

Appendix

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Bradford B. Briner, State Treasurer and Chairman of the Board

Market Positioning & Competition

Bridge between "the what" NCIA endeavors to achieve and the operating model ("the how")

- The investment opportunity set is a market, and access to it is rationed
  - Competing for scarce capacity with issuers, leading investment partners, and attractive deal flow
  - Consider what it offers beyond capital in the private markets, because top-quartile general partners control the choice of investors, the allocation of co-investments, support for custom SMAs, etc.
  - Need to strategically decide where can't or shouldn't attempt to compete (e.g., U.S. large-cap equities)
- Organizational capability is finite, and choices about where to maintain or build it determine future returns
- Long-horizon institutions face short-horizon pressures
- Talent goes to institutions with clear identities

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AI as institutional moat

From productivity tool to durable competitive advantage — three phases over five years

0–12 months

Phase 1 — Foundation

Expand external AI-enabled research; secure internal AI with multiple foundation models, permissioned document ingestion, note and meeting summarization, workflow automation, and legal diligence support.

12–24 months

Phase 2 — Decision support

Productionized manager monitoring, research synthesis across the NCIA platform, deal triage, valuation analysis, IC preparation support, and targeted risk alerts.

24–60 months

Phase 3 — Institutional moat

Internal proprietary data management and knowledge base. Total plan portfolio management engine. Post-mortem library that compounds institutional learning across cycles.

Guardrails for durable AI advantage

Confidential environment	Model governance
Role-based permissions	Human review on material decisions
Audit trails	