



# North Carolina Investment Pool

## Annual Report

June 30, 2021



**NORTH CAROLINA**  
INVESTMENT POOL

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*This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Participants should consider the North Carolina Investment Pool's ("NCIP" or the "Pool") investment objectives, risks, charges, and expenses before investing in the Pool. This and other information about the Pool is available in the Pool's current Information Statement, which should be read carefully before investing. A copy of the Pool's Information Statement may be available by calling 1-833-PFM-NCIP (1-833-736-6247) or is available on the Pool's website at [www.investncip.com](http://www.investncip.com). While the Pool seeks to maintain a stable net asset value of \$1.00 per share, it is possible to lose money investing in the Pool. An investment in the Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Pool are distributed by **PFM Fund Distributors, Inc.**, member Financial Industry Regulatory Authority (FINRA) ([www.finra.org](http://www.finra.org)) and Securities Investor Protection Corporation (SIPC) ([www.sipc.org](http://www.sipc.org)). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.*

# Report of Independent Auditors

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To the Board of Trustees of the North Carolina Investment Pool

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the NCIP Liquid Portfolio of the North Carolina Investment Pool, which comprise the statement of net position as of June 30, 2021, and the related statement of changes in net position for the period from May 3, 2021 (commencement of operations) through June 30, 2021, and the related notes to the financial statements.

## ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

## ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NCIP Liquid Portfolio of the North Carolina Investment Pool at June 30, 2021, and the changes in its net position for the period from May 3, 2021 (commencement of operations) through June 30, 2021, in conformity with U.S. generally accepted accounting principles.

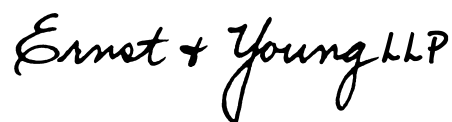
## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 2 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 auditing standards generally accepted in the United States, 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 on 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.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Investments as of June 30, 2021 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. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Philadelphia, Pennsylvania  
October 27, 2021

# Management's Discussion and Analysis

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We are pleased to present the initial Annual Report for the North Carolina Investment Pool (the "Pool") following its establishment as a local government investment pool on March 22, 2021. The Pool's NCIP Liquid Portfolio (the "Portfolio") commenced operations on May 3, 2021. The activities within this report cover the period May 3, 2021 through June 30, 2021 (the "Initial Reporting Period").

Management's Discussion and Analysis is designed to focus the reader on significant financial items and provides an overview of the Portfolio's financial statements for the Initial Reporting Period. The Portfolio's financial statements have been prepared in conformity with the reporting framework prescribed by the Governmental Accounting Standards Board ("GASB") for local government investment pools.

## Economic Update

The aftermath of the sharp economic contraction in the first part of 2020 remains with us in the form of ultra-low rates and economic uncertainty. The economy has rebounded this year to make up some lost ground, but significant gaps in employment and output remain. While the coronavirus peak may well be behind us, the way forward is far from clear. Monetary policy is greatly stimulative and the various initiatives to provide fiscal support have boosted the economy thus far in 2021, but they will soon play out. Meanwhile supply constraints, changing work behavior and the threat of inflation cloud the outlook.

With that as a backdrop, let us review the events that got us here...

After a tumultuous second half of the 2020 calendar year, the U.S. remained in the throes of the coronavirus despite glimpses of an ongoing economic recovery. Moving forward, the distribution and efficacy of the approved vaccines will be crucial as the nation works to mitigate the damage caused to the physical health and financial well-being of the population at large.

On August 27, 2020, Federal Reserve ("Fed") Chairman, Jerome Powell, announced a major shift in the Fed's stance on inflation: over the coming years, the monetary policymaking body will allow the inflation rate to temporarily run above the traditional 2% target. This creates opportunities for extended periods of low interest rates as the Fed will no longer be pressured to raise rates following a period of high inflation. In this same meeting, Chairman Powell announced a new approach to the second half of the dual mandate. Employment numbers that breach the estimated maximum sustainable level will no longer be the sole cause for policy concerns or discussions. In 2021, we have no reason to believe that the Fed will deviate from these policies and that rates will remain, at least by historical standards, at or near their lows until at least 2023.

Optimism began to rise in the fourth quarter of 2020 as key economic indicators showed economic recovery. Throughout the quarter, the yield curve steepened with long-term rates rising due to increased long-term inflation expectations. The steepening was also caused by the prospect for further stimulus measures, which came to fruition as the \$1.9 trillion American Rescue Plan Act of 2021 was passed in early March 2021. The bill is meant to directly address the public health and economic crises by establishing nationwide stimulus and assistance programs and funding vaccine distributions.

November and December marked what many believe to be the beginning of the end of the pandemic. Both the Pfizer-BioNTech and Moderna vaccines were shown to be effective and received FDA emergency use authorization in December. Since then, more than 170 million people have received at least one vaccination. How effectively the federal and individual state governments can continue to distribute these vaccines and achieve the necessary herd immunity is the key question, as only then will our economy truly begin to recover in earnest.

With the public health situation drastically improving and pent-up consumer demand being released, personal consumption in the first quarter of 2021 grew at the second-fastest pace since the 1960s. Over 850,000 jobs were added in June with notable gains in leisure and hospitality, public and private education, and health care. With more Americans continuing to find jobs, the number of Americans filing for first-time unemployment benefits fell below 400,000 for the first time in over a year.

Due to the quicker than expected recovery, the April 2021 Federal Open Market Committee ("FOMC") meeting minutes revealed that some FOMC officials began contemplating the timing and communication around a potential tapering of asset purchases. The FOMC remains "attuned and attentive" to the inflation outlook amid supply shortages and other risk factors.

Despite significant progress toward a comprehensive economic recovery, headwinds persist and mixed signals remain. Demand is recovering faster than supply, triggering supply chain bottlenecks and wage-price pressures. Inflation is also rising sooner than in previous cycles, with core consumer prices recently showing the sharpest monthly increase since 1982. Still, the prevailing sentiment is that the current wave of inflation is likely to be transitory in nature. However, at this same time, it is important to note that because of stronger inflation data, interest rate-sensitive industries such as housing may witness some stunted growth.

Looking forward, economists and strategists have modest long-term growth projections as uncertainty remains a key characteristic of our current environment. Perhaps the term "cautious optimism" best describes the current mood as we near what we hope to be the final innings of the pandemic.

## Portfolio Strategy

An ultra-low short term interest rate environment presents unique challenges in managing the Portfolio since opportunities are limited and there is fierce competition for income-earning assets. The strategy throughout the first months of Portfolio's operation focused on positioning the Portfolio to take advantage of continued Fed intervention and identifying relative value between allowable sectors, as well as selecting securities that fit the objectives of the Portfolio.

The combination of the Fed's new rate policy, its stance on inflation and full employment, and its willingness to provide liquidity and support to the markets has reduced volatility and restored market liquidity. Moreover, a yield premium surfaced in longer-maturity securities while short-term rates remain relatively flat. This type of environment requires a keen focus on active management and relative value strategies.

Given that short-term interest rates are highly dependent on the economic outlook and monetary policy, we monitor these factors and stand ready to manage the portfolio accordingly. As always, our primary objectives are to protect the value of the Portfolio's shares and to provide liquidity for investors. We will continue to work hard to achieve these goals, while focusing on maintaining and/or increasing investment yields in a prudent manner during these trying and volatile times.

## Financial Statement Overview

The financial statements for the Portfolio include a Statement of Net Position and Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements. In addition, a Schedule of Investments for the Portfolio is included as unaudited Other Information following the Notes to Financial Statements.

## Condensed Financial Information and Analysis

The Statement of Net Position presents the financial position of the Portfolio as of June 30, 2021 and includes all assets and liabilities of the Portfolio. Total assets of the Portfolio fluctuate as investable assets rise and fall when capital shares are issued and redeemed. The difference between total assets and total liabilities, which is equal to the investors' interest in the Portfolio's net position, is shown below as of June 30, 2021:

	June 30, 2021
Total Assets	\$ 27,019,337
Total Liabilities	(14,781)
Net Position	\$ 27,004,556

The Portfolio commenced operations on May 3, 2021. As of June 30, 2021, its total assets are primarily comprised of \$26,815,868 of investments purchased with the proceeds of shares purchased, as well as \$54,767 of interest receivable on those investments, \$108,331 of cash and cash equivalents and \$3,833 of prepaid expenses. The Portfolio's total assets at June 30, 2021 also include a \$36,538 receivable from manager which represents startup and other operating expenses subsidized by the Pool's investment manager, PFM Asset Management LLC ("PFMAM", or "Investment Manager"), during the Initial Reporting Period. The Portfolio's liabilities include accrued fees payable to its service providers, and the \$14,781 payable is net of \$5,684 of investment advisory fees waived by PFMAM during the Initial Reporting Period.

The Statement of Changes in Net Position presents the Portfolio's activity for the Initial Reporting Period. Changes in the Portfolio's net position primarily relate to net capital shares issued and net investment income during the period. The investment income of the Portfolio is driven by a combination of the amount of investable assets and the general short-term interest rate environment that impacts the yields on investments the Portfolio can purchase. Realized gains or losses on sale of investments occur whenever investments are sold for more or less than their carrying value. Activity within the Portfolio is outlined below for the Initial Reporting Period:

	May 3, 2021 <sup>(1)</sup> through June 30, 2021
Investment Income	\$ 4,763
Net Expenses	(1,045)
Net Investment Income	3,718
Net Realized Gain on Sale of Investments	838
Net Capital Shares Issued	27,000,000
Change in Net Position	\$ 27,004,556

(1) Commencement of operations for the Portfolio.

The Portfolio issued \$27,000,000 of shares during the Initial Reporting Period and generated \$4,763 of investment income as those assets were invested. A significant portion of the Portfolio's gross expenses are calculated as a percentage of average assets, so as assets increase gross expenses also increase. However, for the Initial Reporting Period ended June 30, 2021, net expenses were reduced by \$5,684 of investment advisory fees waived and \$36,538 of expenses subsidized by the Investment Manager.

The total return of the Portfolio for Initial Reporting Period was 0.02% (unannualized). Select financial highlights for the Portfolio for the Initial Reporting Period are as follows:

	<b>May 3, 2021<sup>(1)</sup> through June 30, 2021</b>
Ratio of Expenses to Average Net Assets	0.03% <sup>(2)</sup>
Ratio of Expenses to Average Net Assets, Before Fees Waived/Subsidized and Expenses Paid Indirectly	1.14% <sup>(2)</sup>
Ratio of Net Investment Income to Average Net Assets	0.10% <sup>(2)</sup>
Ratio of Net Investment Income to Average Net Assets, Before Fees Waived/Subsidized and Expenses Paid Indirectly	(1.01%) <sup>(2)</sup>
<i>(1) Commencement of operations for the Portfolio.</i>	
<i>(2) Annualized.</i>	

The Portfolio's expense ratio, before fees waived/subsidized and expenses paid indirectly, includes investment advisory fees and other operating expenses. Voluntary investment advisory fee waivers, expenses subsidized by the Investment Manager and bank earnings credits paid indirectly reduced the Portfolio's expense ratio by 1.11%, causing a corresponding increase in the net investment income ratio. The net investment income ratio of 0.10% reflects the general interest rate environment as the Portfolio's assets were invested during the Initial Reporting Period.

# NCIP Liquid Portfolio

## Statement of Net Position

June 30, 2021

<b>Assets</b>	
Investments .....	\$ 26,815,868
Cash and Cash Equivalents.....	108,331
Accrued Interest Receivable.....	54,767
Receivable from Investment Manager.....	36,538
Prepaid Expenses.....	3,833
Total Assets.....	27,019,337
<b>Liabilities</b>	
Custodian Fees Payable.....	877
Legal Fees Payable.....	904
Audit Fees Payable.....	13,000
Total Liabilities.....	14,781
<b>Net Position</b> .....	\$ 27,004,556
(applicable to 27,004,556 outstanding shares of beneficial interest; unlimited authorization; no par value; equivalent to \$1.00 per share)	

# NCIP Liquid Portfolio

## Statement of Changes in Net Position

Period from May 3, 2021<sup>(1)</sup> through June 30, 2021

<b>Income</b>	
Investment Income.....	\$ 4,763
<b>Expenses</b>	
Investment Management Fees.....	5,684
Custodian Fees.....	911
Legal Fees.....	21,039
Audit Fees.....	13,000
Other Expenses.....	2,667
Total Expenses.....	43,301
Investment Management Fees Waived.....	(5,684)
Expenses Subsidized by Investment Manager.....	(36,538)
Expenses Paid Indirectly.....	(34)
Net Expenses.....	1,045
<b>Net Investment Income</b> .....	3,718
<b>Other Income</b>	
Net Realized Gain on Sale of Investments.....	838
<b>Net Increase from Investment Operations Before Capital Transactions</b> .....	4,556
Capital Shares Issued.....	27,000,000
Capital Shares Redeemed.....	-
<b>Change in Net Position</b> .....	27,004,556
<b>Net Position – Beginning of Year</b> .....	-
<b>Net Position – End of Year</b> .....	\$ 27,004,556

(1) Commencement of operations for the Portfolio.

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

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## A. Organization and Reporting Entity

The North Carolina Investment Pool (the “Pool”) was established on March 22, 2021 as a North Carolina common law Pool authorized under Section 159 of the General Statutes of North Carolina (The Local Government Finance Act) and created by an interlocal agreement established under North Carolina General Statute 160A-461 through 464. The purpose of the Pool is to enable any local government or public authority of the State of North Carolina to pool and invest their funds to take advantage of economies of scale to increase investment options for idle funds. The Pool may invest only in instruments permitted by North Carolina law. An elected Board of Trustees is responsible for the overall management of the Pool, including formation and implementation of its investment and operating policies. The Pool has not provided or obtained any legally binding guarantees to support the value of the shares. All participation in the Pool is voluntary. The Pool is not required to register as an investment company with the Securities & Exchange Commission (“SEC”).

The Pool currently consists of the NCIP Liquid Portfolio (“Portfolio”). The Portfolio’s financial statements presented here, have been prepared in conformity with the reporting framework prescribed by Governmental Accounting Standards Board (“GASB”) for local government investment pools.

## B. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Portfolio in preparation of its financial statements.

### Measurement Focus and Basis of Accounting

The Portfolio reports transactions and balances using the economic resources management focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

### Cash and Cash Equivalents

The Portfolio reflects cash on deposit in bank accounts which is available within one business day as cash and cash equivalents. Certificates of deposit are disclosed separately as investments in the financial statements.

### Valuation of Investments

In accordance with the authoritative guidance on fair value measurements and disclosures under GASB Statement No. 72, as amended, the Portfolio discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

**Level 1** – Quoted prices in active markets for identical assets.

**Level 2** – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and like factors.

**Level 3** – Unobservable inputs for the assets, including the Portfolio’s own assumption for determining fair value.

The Portfolio’s investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. In accordance with GASB Statement No. 79, the Portfolio’s securities are valued at amortized cost, which approximates fair value. GASB Statement No. 79 requires a comparison of the Portfolio’s investments on an amortized cost basis to fair values determined on a market value basis at least monthly. The market prices used to determine fair values in this comparison are derived from closing bid prices as of the last business day of the month as supplied by third-party pricing services. Where prices are not available from these generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Since the value is not obtained from a quoted price in an active market, all securities held by the Pool on June 30, 2021 are categorized as Level 2.

### Investment Transactions

Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Costs used in determining realized gains and losses on the sale of investment securities are those of specific securities sold. Interest income is recorded using the accrual method. Discounts and premiums are accreted and amortized, respectively, to interest income over the lives of the respective securities.



## **Repurchase Agreements**

Repurchase agreements entered into with broker-dealers are secured by U.S. government or agency obligations. The Portfolio's custodian takes possession of the collateral pledged for investments in repurchase agreements. The Portfolio also enters into tri-party repurchase agreements. Collateral pledged for tri-party repurchase agreements is held for the Portfolio by an independent third-party custodian bank until the maturity of the repurchase agreement. Repurchase agreements are collateralized at 102% of the obligation's principal and interest value. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. If the seller defaults and the value of the collateral declines, realization of the value of the obligation by the Portfolio may be delayed. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to delays from legal proceedings.

## **Share Valuation and Participant Transactions**

The net asset value ("NAV") per share of the Portfolio is calculated as of the close of business each business day by dividing the net position of the Pool by the number of outstanding shares. It is the Portfolio's objective to maintain a NAV of \$1.00 per share; however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

## **Dividends and Distributions**

On a daily basis, the Portfolio declares dividends and distributions from its net investment income and net realized gains or losses from securities transactions, if any. Such dividends and distributions are payable to investors of record at the time of the previous computation of the Portfolio's NAV and are distributed to each investor's account by purchase of additional shares of the Portfolio on the last business day of each month. During the period May 3, 2021 (commencement of operations) through June 30, 2021, the Portfolio distributed dividends totaling \$4,556.

## **Redemption Restrictions**

Shares of the Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as an investor has a sufficient number of shares to meet their redemption request. The Pool's Board of Trustees may suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

## **Use of Estimates**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## **Income Tax Status**

The Portfolio is not subject to Federal or State income tax upon the income realized by it. Accordingly, no provision for income taxes is required in the Portfolio's financial statements.

## **Representations and Indemnifications**

In the normal course of business, the Pool may enter into contracts that contain a variety of representations which provide general indemnifications. The Pool's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Pool that have not yet occurred. However, based on experience, the Pool expects the risk of loss to be remote.

## **Subsequent Events Evaluation**

The Pool has evaluated subsequent events through October 27, 2021, the date through which procedures were performed to prepare the financial statements for issuance. With the exception of the Transaction noted in Footnote D, no other events have taken place that meet the definition of a subsequent event requiring adjustment or disclosure in these financial statements.

## **C. Investment Risks**

Under GASB Statement No. 40, as amended, State and Local governments and other municipal entities are required to disclose credit risk, concentration of credit risk, and interest rate risk for investment portfolios. The following risk disclosures of the Portfolio as of June 30, 2021 have been provided for the information of the Portfolio's investors.

## Credit Risk

The Portfolio's investment policy, as outlined in its Information Statement, limits the Portfolio's investments to those that are authorized investments as permitted under North Carolina law.

As of June 30, 2021, the Portfolio's investment portfolio was comprised of investments which were, in aggregate, rated by S&P Global Ratings ("S&P") as follows:

S&P Rating	%
A-1+	32.35%
A-1	46.17%
Exempt <sup>(1)</sup>	21.48%

(1) Represents investments in U.S. Treasury securities, which are not considered to be subject to overall credit risk per GASB.

Securities with a long-term rating of A or higher in the preceding table are equivalent to the highest short-term rating category based on S&P rating methodology.

## Concentration of Credit Risk

As outlined in the Pool's Information Statement, the Portfolio's investment policy establishes certain restrictions on investments and limitations on portfolio composition. On June 30, 2021, the Portfolio held the following issuers, aggregated by affiliated issuers where applicable, which individually represented greater than 5% of the Portfolio's total investment portfolio:

Issuer	%
Federal Home Loan Bank	14.82%
U.S. Treasury	21.48%

## Interest Rate Risk

The Portfolio's investment policies limit its exposure to market value fluctuations due to changes in interest rates by requiring that it maintain a dollar-weighted average maturity of not greater than 60 days. On June 30, 2021, the weighted average maturity of the Portfolio, including cash and cash equivalents and certificates of deposit, was 42 days. The range of yields, actual maturity dates, principal values, fair values and weighted average maturities of the types of investments the Portfolio held on June 30, 2021 are as follows:

Type of Deposits and Investments	Yield-to-Maturity Range	Maturity Range	Principal	Fair Value	Weighted Average Maturity
Asset-Backed Commercial Paper	0.10%-0.26%	8/4/21-11/1/21	\$ 4,748,000	\$ 4,747,092	67 Days
Cash and Cash Equivalents	n/a	n/a	108,331	108,331	1 Day
Commercial Paper	0.05%-0.32%	7/1/21-12/14/21	12,335,000	12,333,937	49 Days
Government Agency and Instrumentality Obligations:					
Agency Discount Notes	0.04%-0.06%	7/2/21-7/28/21	3,975,000	3,974,951	10 Days
U.S. Treasury Notes	0.03%-0.09%	7/15/21-7/31/21	5,750,000	5,759,888	30 Days
			\$ 26,916,331	\$ 26,924,199	

The yields shown in the preceding table represent the yield-to-maturity at original cost except for adjustable rate instruments, for which the rate shown is the coupon rate in effect at June 30, 2021. The weighted average maturities shown in the preceding table are calculated based on the stated maturity dates with the following exceptions: (1) floating or variable rate securities are assumed to have an effective maturity of the date upon which the security's interest rate next resets; (2) the effective maturity of callable securities is assumed to be its stated maturity unless the security had been called as of the reporting date, in which case the effective maturity would be assumed to be its called date; (3) for instruments subject to demand features, the effective maturity is assumed to be the period remaining until the principal amount of the instrument may be recovered through the demand features; and (4) the effective maturity of cash and cash equivalents is assumed to be one day. Refer to the Schedule of Investments included in the unaudited Other Information that follows for further information.

## D. Fees and Charges

### Investment Advisory and Administration Fees

Pursuant to an Investment Advisory and Service Agreement with the Pool dated March 22, 2021 ("Management Agreement"), PFM Asset Management LLC ("PFMAM", or "Investment Manager") serves as the investment adviser and administrator of the Portfolio, and PFMAM's wholly-owned subsidiary, PFM Fund Distributors, Inc. ("PFMFD"), has been delegated the authority

to provide marketing services to the Portfolio. PFMFD is not separately compensated for the marketing services it provides to the Portfolio.

For its investment advisory and administration services provided to the Portfolio under the Management Agreement, PFMAM is paid a fee at an annual rate that is determined based on the average daily net assets of the Portfolio as follows:

<b>Average Daily Net Assets</b>	<b>Rate</b>
First \$1,000,000,000	0.15%
\$1,000,000,001 to \$2,000,000,000	0.13%
\$2,000,000,001 to \$3,000,000,000	0.12%
Over \$3,000,000,000	0.10%

Such fees are calculated daily and payable monthly.

On July 7, 2021, U.S. Bancorp Asset Management Inc. (“USBAM”), a subsidiary of U.S. Bank, National Association, entered into a definitive agreement to purchase PFMAM, as well as its subsidiary PFMFD (the “Transaction”). The Transaction is expected to be completed in the fourth quarter of 2021, subject to regulatory approval and satisfaction of customary closing conditions. On August 17, 2021, the Pool’s Board of Trustees Board approved the assignment to USBAM of the Pool’s Management Agreement with PFMAM, effective upon closing of the Transaction. The terms of the Management Agreement were not changed by its assignment.

### **Fee Deferral and Operating Expense Reimbursement Agreement**

Effective May 3, 2021, the Pool entered into a Fee Deferral and Operating Expense Reimbursement Agreement (“Subsidy Agreement”) with PFMAM on behalf of the Portfolio pursuant to which PFMAM may, but shall not be obligated to, temporarily waive or defer any or all of its fees (“Fee Deferral”) and reimburse the Portfolio of certain operating expenses (“Expense Reimbursement”) to assist the Portfolio in an attempt to maintain a positive yield. PFMAM shall provide prompt notice to the Pool’s Board of Trustees of the initial instance of Fee Deferral or Expense Reimbursement. In the event that PFMAM elects to initiate a fee deferral, such fee deferral shall be applicable to the computation of the NAV of the Portfolio on the business day immediately following the date on which PFMAM gives notice to the Pool of the rate of the fee deferral to be applied in calculating the NAV. A Fee Deferral or Expense Reimbursement shall remain in effect until PFMAM terminates the Fee Deferral or Expense Reimbursement or revises, upward or downward, the rate of its fee deferral.

Under the terms of the Subsidy Agreement with PFMAM, at any time after a Fee Deferral or Expense Reimbursement has occurred, and if the monthly distribution yield of the Portfolio was in excess of 0.25% per annum for the preceding calendar month, PFMAM may elect to have the amount of its accumulated deferred fees and accumulated reimbursed expenses recaptured in whole or in part under the conditions described in the Subsidy Agreement with the Pool by way of a payment of fees in excess of the rate it was entitled to, prior to any fee deferral, all as set forth in the Subsidy Agreement. In all cases, the total fees paid to PFMAM in a given month, inclusive of the amount of any accumulated Fee Deferrals and accumulated Expense Reimbursements to be recaptured, may not exceed 115% of the fees payable under the terms of PFMAM’s Management Agreement with the Pool. Any fees recaptured under Subsidy Agreement may only be recaptured during the three-year period following the calendar month to which they relate.

The chart that follows depicts the Fee Deferrals and Expense Reimbursements by PFMAM subject to the Subsidy Agreement during the Initial Reporting Period, as well as the year by which any fees not recaptured will be deemed permanently unrecoverable.

	<b>PFMAM</b>
Fees Waived/Subsidized	\$ 42,222
Amounts Reimbursed	-
Amounts Unrecoverable	-
Remaining Recoverable	<u>\$ 42,222</u>
Fees Waived/Subsidized Not Reimbursed Become Unrecoverable in Fiscal Year-End: June 30, 2024	<u>\$ 42,222</u>

### **Other Expenses**

The Portfolio pays expenses incurred by its Trustees and Officers (in connection with the discharge of their duties), insurance fees for Trustees, fees of the U.S. Bank (“Custodian”), audit fees, legal fees, rating fees and other operating expenses. During the year ended June 30, 2021, the Custodian’s fees were reduced by \$34 as a result of earnings credits from cash balances.

**Other  
Information  
(unaudited)**

# NCIP Liquid Portfolio

## Schedule of Investments (unaudited)

June 30, 2021

Rate <sup>(1)</sup>	Maturity Date <sup>(2)</sup>	Principal	Fair Value <sup>(3)</sup>
<b>Asset-Backed Commercial Paper (17.58%)</b>			
Albion Capital Corporation			
0.12%	9/15/21	\$298,000	\$297,924
Barclays Bank UK			
0.14%	9/1/21	600,000	599,855
Bedford Row Funding Corporation			
0.26% <sup>(4)</sup>	10/14/21	250,000	250,060
Cancara Asset Securitisation LLC			
0.14%	8/4/21	600,000	599,921
Fairway Finance Company LLC			
0.20% <sup>(4)</sup>	11/1/21	600,000	600,000
Liberty Street Funding LLC			
0.10%	10/1/21	800,000	799,796
Longship Funding LLC			
0.12%	9/15/21	800,000	799,797
Mont Blanc Capital Corporation			
0.12%	10/7/21	800,000	799,739
<b>Total Asset-Backed Commercial Paper</b>			<b>4,747,092</b>
<b>Commercial Paper (45.67%)</b>			
ANZ Bank New Zealand Ltd. (London)			
0.19% <sup>(4)</sup>	10/21/21	800,000	800,049
ASB Finance Ltd. (London)			
0.11%	7/7/21	350,000	349,993
0.20%	11/12/21	250,000	249,814
BofA Securities, Inc.			
0.12%	12/14/21	600,000	599,668
BPCE SA			
0.20%	12/13/21	400,000	399,633
Canadian Imperial Bank of Commerce (NY)			
0.25% <sup>(4)</sup>	8/3/21	600,000	600,053
Credit Suisse (NY)			
0.16%	9/14/21	650,000	649,783
HSBC USA			
0.32% <sup>(4)</sup>	11/5/21	600,000	600,129
JP Morgan Securities LLC			
0.15%	8/9/21	500,000	499,919
Macquarie Bank Ltd.			
0.14%	8/2/21	600,000	599,925
Metlife Short Term Funding			
0.05%	7/8/21	500,000	499,995
Mitsubishi UFJ Trust & Banking Corporation (NY)			
0.15%	7/26/21	600,000	599,937
Mizuho Bank Ltd. (NY)			
0.08%	8/9/21	500,000	499,957
0.17%	10/4/21	335,000	334,850
National Australia Bank (NY)			
0.22% <sup>(4)</sup>	11/10/21	800,000	800,210
National Bank of Canada (NY)			
0.21% <sup>(4)</sup>	8/11/21	600,000	600,041

The notes to the financial statements are an integral part of the schedule of investments.

# NCIP Liquid Portfolio

## Schedule of Investments (unaudited)

June 30, 2021

Rate <sup>(1)</sup>	Maturity Date <sup>(2)</sup>		Principal	Fair Value <sup>(3)</sup>
Royal Bank of Canada (NY)				
0.20% <sup>(4)</sup>	8/11/21	.....	\$350,000	\$350,020
Santander UK				
0.14%	8/2/21	.....	600,000	599,925
Skandinaviska Enskilda Banken (NY)				
0.08%	9/2/21	.....	900,000	899,874
Societe Generale (NY)				
0.23% <sup>(4)</sup>	11/1/21	.....	600,000	600,157
Sumitomo Mitsui Trust Bank Ltd. (Singapore)				
0.14%	7/1/21	.....	600,000	600,000
Svenska Handelsbanken (NY)				
0.24% <sup>(4)</sup>	10/19/21	.....	600,000	600,005
<b>Total Commercial Paper</b> .....				<b>12,333,937</b>
<b>Government Agency and Instrumentality Obligations (36.05%)</b>				
Federal Home Loan Bank Discount Notes				
0.05%	7/2/21	.....	1,475,000	1,474,998
0.05%	7/9/21	.....	900,000	899,990
0.04%	7/12/21	.....	1,000,000	999,988
0.06%	7/28/21	.....	600,000	599,975
U.S. Treasury Notes				
0.04%	7/15/21	.....	250,000	250,250
0.09%	7/31/21	.....	1,000,000	1,001,377
0.03%	7/31/21	.....	4,500,000	4,508,261
<b>Total Government Agency &amp; Instrumentality Obligations</b> .....				<b>9,734,839</b>
<b>Total Investments (99.30%) (Amortized Cost \$26,815,868)</b> .....				<b>26,815,868</b>
<b>Other Assets and Liabilities, Net (0.70%)</b> .....				<b>188,688</b>
<b>Net Position (100.00%)</b> .....				<b>\$27,004,556</b>

(1) Yield-to-maturity at original cost unless otherwise noted. Money market fund rates represent the annualized 7-day yield as of June 30, 2021.

(2) Actual maturity dates, unless otherwise noted.

(3) See Note B to the financial statements.

(4) Adjustable rate security. Rate shown is that which was in effect at June 30, 2021.

The notes to the financial statements are an integral part of the schedule of investments.



### ***Trustees and Officers***

**Emily Lucas, President**  
Chief Financial Officer  
*Wake County*

**Don Warn, Treasurer**  
Finance Director/CFO  
*Buncombe County*

### ***Service Providers***

Investment Adviser & Administrator  
**PFM Asset Management LLC**  
213 Market Street  
Harrisburg, Pennsylvania 17101

Distributor  
**PFM Fund Distributors, Inc.**  
213 Market Street  
Harrisburg, Pennsylvania 17101

Custodian  
**U.S. Bank, N.A.**  
One U.S. Bank Plaza  
St. Louis, Missouri 63101

Independent Auditors  
**Ernst & Young LLP**  
One Commerce Square, Suite 700  
2005 Market Street  
Philadelphia, Pennsylvania 19103

Legal Counsel  
**Parker Poe Adams & Bernstein LLP**  
620 S. Tryon Street, Suite 800  
Charlotte, North Carolina 28202

**North Carolina Investment Pool**  
213 Market Street • Harrisburg, Pennsylvania 17101  
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