University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. – 06/30/11

UNC CH Foundation Investment Fund
$2.22 Billion
Invested in UNC Investment Fund ($2.9 billion)

UNC Chapel Hill
Affiliated Foundations (23)
$991.0 Million
Arts& Sciences Business
Educational Law
Public Health Medical
Others…

UNC Chapel Hill
Statutory Endowment
$1.01 Billion

Foundation Unitholders
Scholarships, Professorships etc.

Endowment Unitholders
Scholarships, Professorships etc.

UNC Chapel Hill Foundation
$219.7 Million

Foundation Unitholders
Scholarships, Professorships etc.
In FY 2011, the University of North Carolina at Chapel Hill Endowment Fund increased in value by $122.6 million, from $891.0 million at June 30, 2010 to $1.01 billion at June 30, 2011.

- Major components of this increase include net investment gains of $138.1 million, and net gifts & bequests of $36.9 million during the year.

- The increase in market value in FY 2011 came after the annual endowment distribution of $52.4 million.
UNC Investment Fund
Investment Objectives

- Preserve the Real (inflation-adjusted) purchasing power of the Fund while providing a predictable and growing stream of spending distributions to Fund participants.

- Earn an annualized “real” total rate of return of at least 5.5% (CPI +5.5%) over 5 – 10 year time horizons.

- Earn an annual rate of return that exceeds the Strategic Investment Policy Portfolio (SIPP) benchmark.

- Perform in the top quartile of University Endowment Funds.
FY 2011 proved to be exceptionally strong for equity markets around the world

- The S&P 500 and MSCI EAFE were both up more than 30% for the fiscal year ended June 30, 2011
- Fixed Income generated more modest returns during the year, especially government bonds which produced flat to negative returns for the 12 month period

In the first quarter of FY 2012 global equity markets weakened considerably as Euro zone debt issues resurfaced as a frontline issue

In the quarter ended September 30, 2011:

- Equities around the world suffered double digit losses with the S&P 500 down more than 13% and both developed and emerging markets losing more than 19%
- Bonds held up well with solid positive returns (particularly long Treasuries)
FY2011 – Quarterly Market Returns

Fed Announces QE2

Q1 - Very Strong
Q2 - Strong
Q3 - Modest
Q4 - Weak

Fed Announces QE2
QE2 Expires

S&P 500  EAFE  Emerging Markets  Barclays Aggregate Bond
Despite extraordinarily strong returns across global, the 3- and 5-year returns remain dampened.
A mid-teens return is a welcome result but still lagged the SIPP benchmark and most other endowment funds for the fiscal year period ended June 30, 2011.
## UNC Investment Fund
### Return Summary

Investment Returns for periods ended June 30, 2011

<table>
<thead>
<tr>
<th>Period</th>
<th>Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Months (FY 2011)</td>
<td>15.3%</td>
</tr>
<tr>
<td>3 Years</td>
<td>(0.4)%</td>
</tr>
<tr>
<td>5 Years</td>
<td>5.7%</td>
</tr>
<tr>
<td>10 Years</td>
<td>8.1%</td>
</tr>
</tbody>
</table>
Attribution of ~500 BPs Under-Performance Relative to SIPP
(as of June 30, 2011)

- The two primary factors for the fund’s underperformance during the most recent fiscal year were:
  - Long/short equity managers
  - Real Estate
FY 2011 Financial Market Returns
+ 1st Quarter FY 2012

FY ’11 Q1 -
Very Strong
FY ’11 Q2 -
Strong
FY ’11 Q3 -
Modest
FY’11 Q4 -
Weak

FY ’12 Q1 -
Extreme equity market decline

Fed Announces QE2
QE2 Expires
FY 2012 YTD Performance Update through 9/30/2011

<table>
<thead>
<tr>
<th></th>
<th>FYTD (3 months)</th>
<th>CYTD (9 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNCIF</td>
<td>-4.0%</td>
<td>0.4%</td>
</tr>
<tr>
<td>70/30</td>
<td>-8.8</td>
<td>-4.2</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>-13.9</td>
<td>-8.7</td>
</tr>
<tr>
<td>ACWI</td>
<td>-17.3</td>
<td>-13.2</td>
</tr>
</tbody>
</table>
At its May 2011 meeting, the Investment Fund Board:

- Approved the Fiscal Year 2012 Annual Distribution Rate of $409 per unit for the University of North Carolina at Chapel Hill Foundation Investment Fund, Inc., increasing the per unit distribution rate by 3.0% over the FY2011 per unit rate.

- The $409 per unit will be distributed to CHIF Fund participants on June 30, 2012 based on units held in the Fund during the course of FY 2012.
UNC Chapel Hill Investment Fund
Per Share Distribution Rate

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Distribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2004</td>
<td>$333</td>
</tr>
<tr>
<td>FY 2005</td>
<td>$339</td>
</tr>
<tr>
<td>FY 2006</td>
<td>$350</td>
</tr>
<tr>
<td>FY 2007</td>
<td>$362</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$380</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$418</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$387</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$397</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$409</td>
</tr>
</tbody>
</table>
UNC Chapel Hill Investment Fund
Distribution as a % of Beginning Mkt Value

FY 2004: 6.1%
FY 2005: 5.7%
FY 2006: 5.4%
FY 2007: 4.9%
FY 2008: 4.4%
FY 2009: 4.6%
FY 2010: 5.7%
FY 2011: 5.6%
FY 2012: 5.4%
UNC Investment Fund
Long-Term Performance
Periods ended June 30, 2011

<table>
<thead>
<tr>
<th>Period</th>
<th>UNCIF</th>
<th>Inflation + 5.5%</th>
<th>70/30 Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Years</td>
<td>-0.4%</td>
<td>6.6%</td>
<td>4.7%</td>
</tr>
<tr>
<td>5 Years</td>
<td>7.6%</td>
<td>5.7%</td>
<td>4.4%</td>
</tr>
<tr>
<td>10 Years</td>
<td>8.1%</td>
<td>7.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>20 Years</td>
<td>10.5%</td>
<td>8.1%</td>
<td>8.4%</td>
</tr>
</tbody>
</table>
Summary

- The UNC Investment Fund’s 15.3% return in FY 2011 was a major step in recovering the losses incurred two years ago.

- Despite lagging the policy portfolio (SIPP) and other “traditional” portfolio benchmarks in the most recent couple of years, the Fund’s longer-term returns remain attractive, particularly on a risk adjusted basis.

- The Fund’s calendar 2011 Year-To-Date return remains positive despite the significant losses recorded in global equity markets during the period.

- We are confident that the UNC Investment Fund will continue to produce attractive long-term returns with a relatively low level of volatility.