

The University of North Carolina at Chapel Hill Endowment Fund

Presentation To:

The Board of Trustees of
The University of North Carolina at Chapel Hill

Budget, Audit & Finance Committee

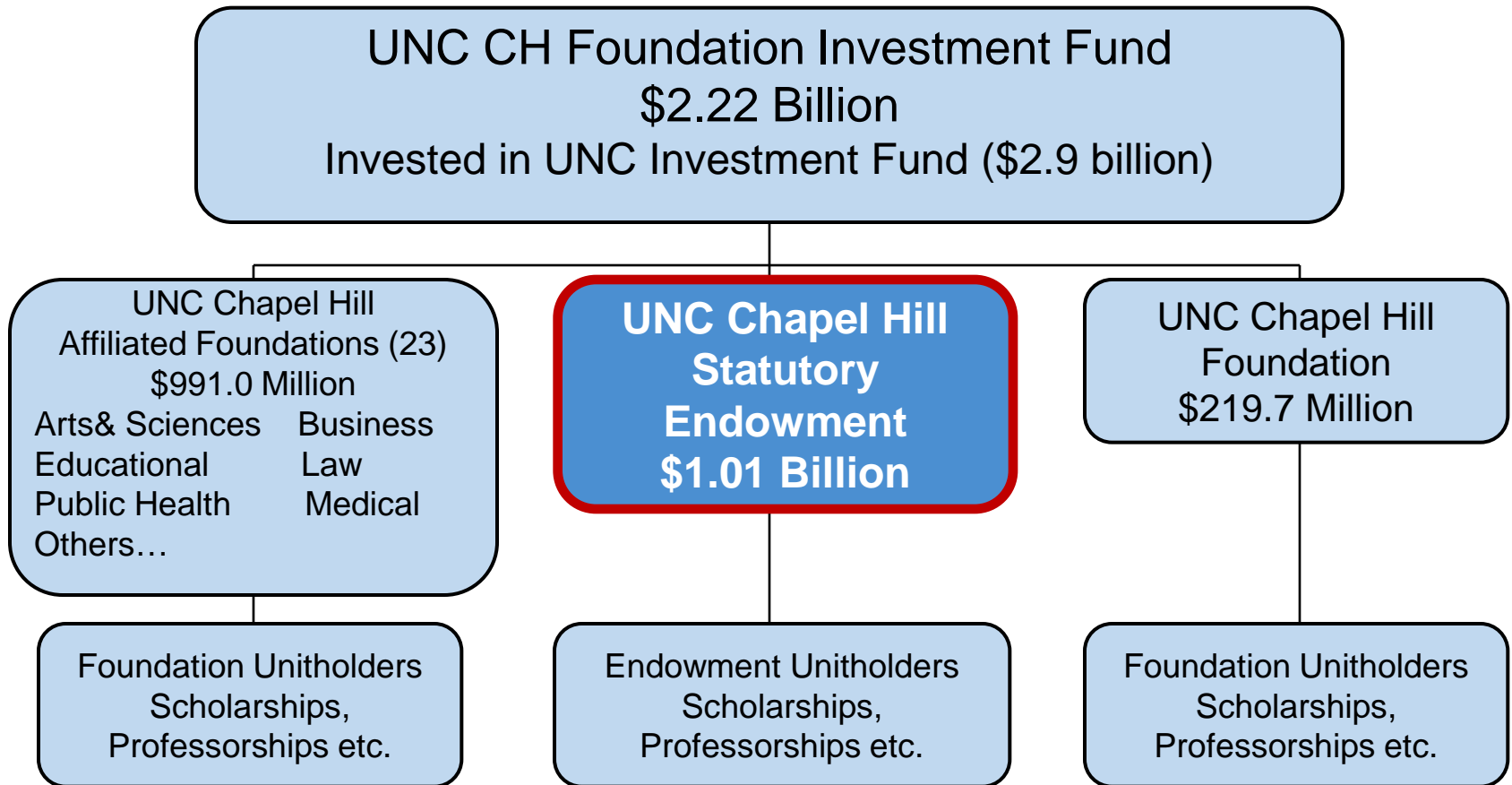
November 16, 2011



UNCNCMC

UNC MANAGEMENT COMPANY, INC

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



UNC Chapel Hill Endowment Fund FY 2011 Change in Market Value

- 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.

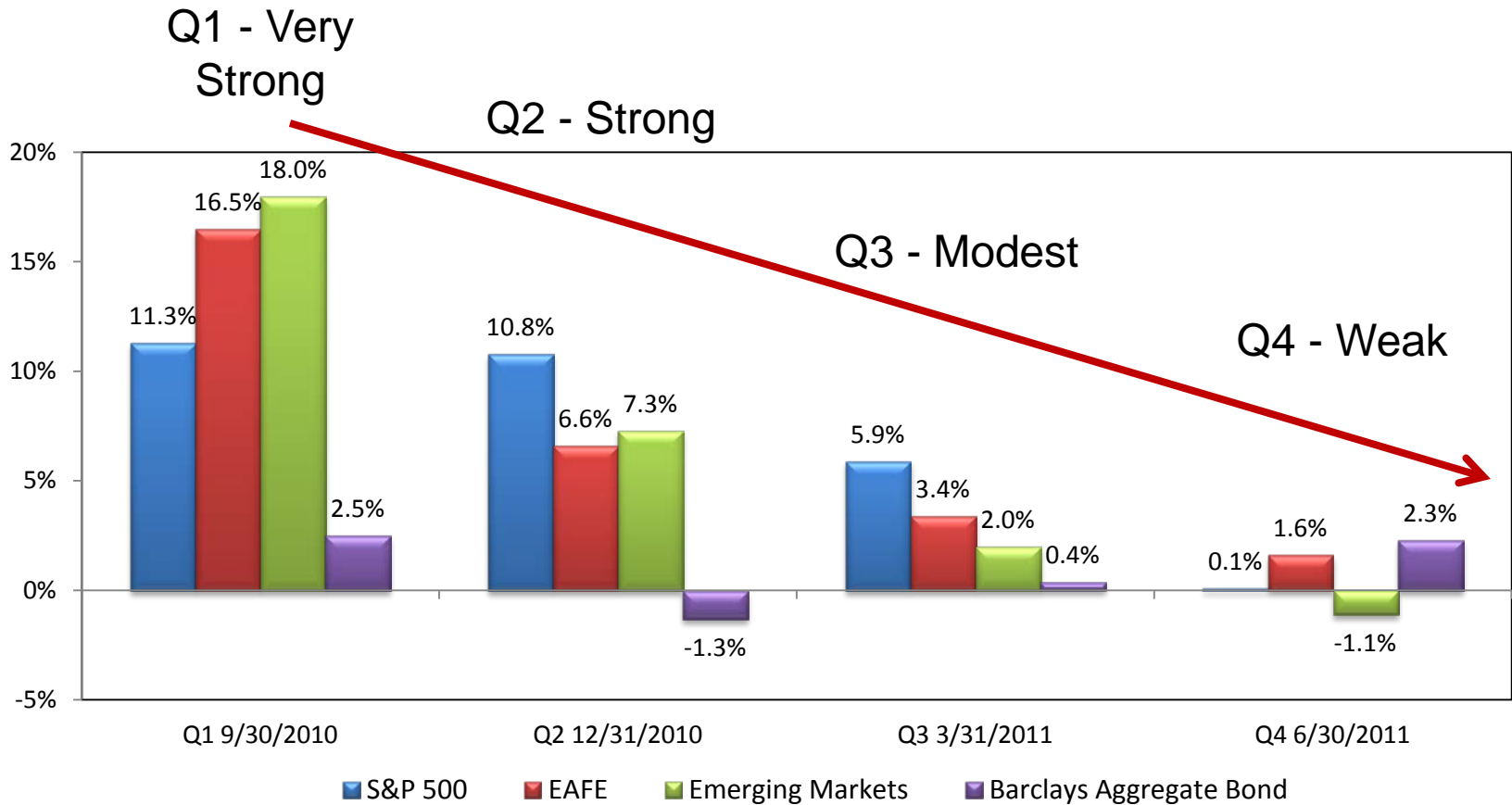
FY 2011 and FY 2012 Q1 Financial Market Environment

- 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

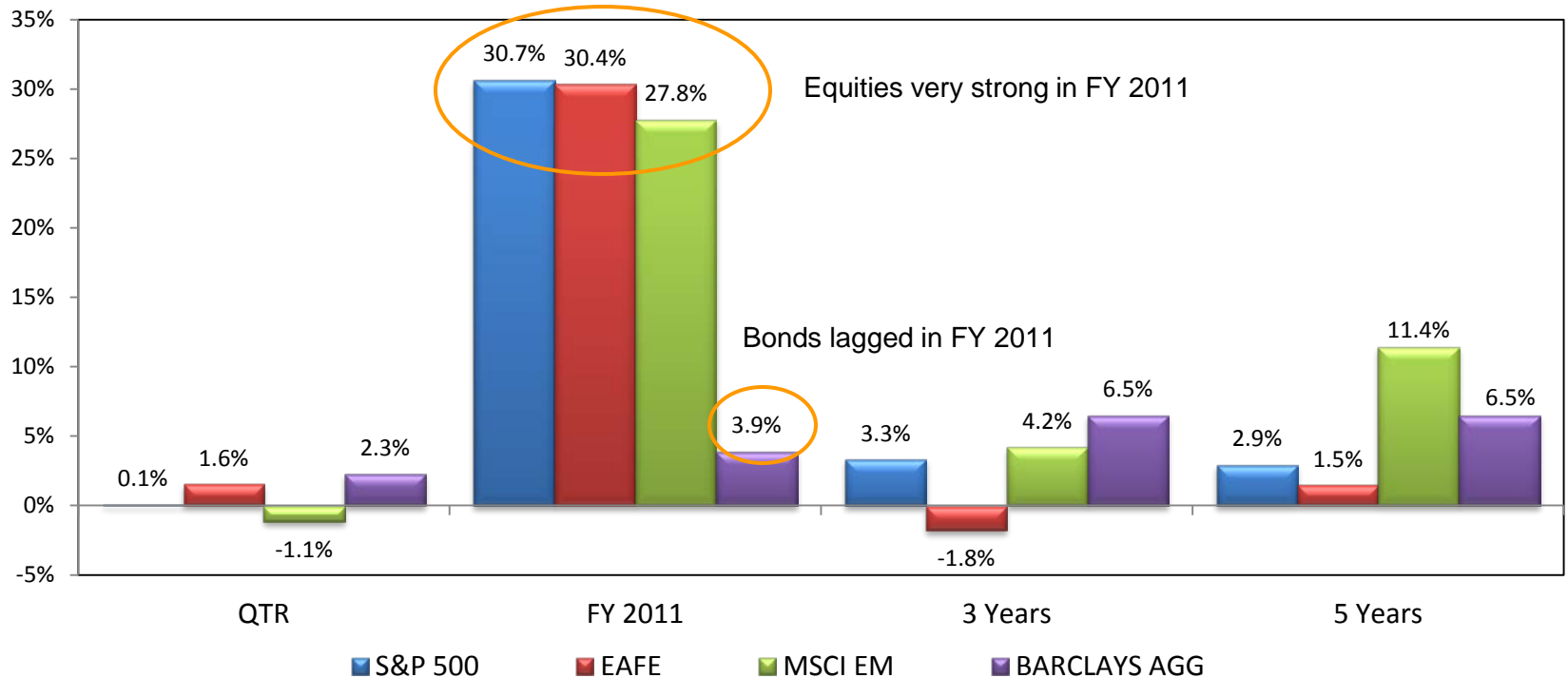
Fed Announces QE2

QE2 Expires



Market Index Performance

Periods Ended June 30, 2011



Despite extraordinarily strong returns across global, the 3- and 5-year returns remain dampened.

UNC Investment Fund FY 2011 Performance

FY 2011 15.3%

→ Solid FYTD Performance

SIPP 20.2%

→ Underperformed relative to SIPP

A mid-teen's 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

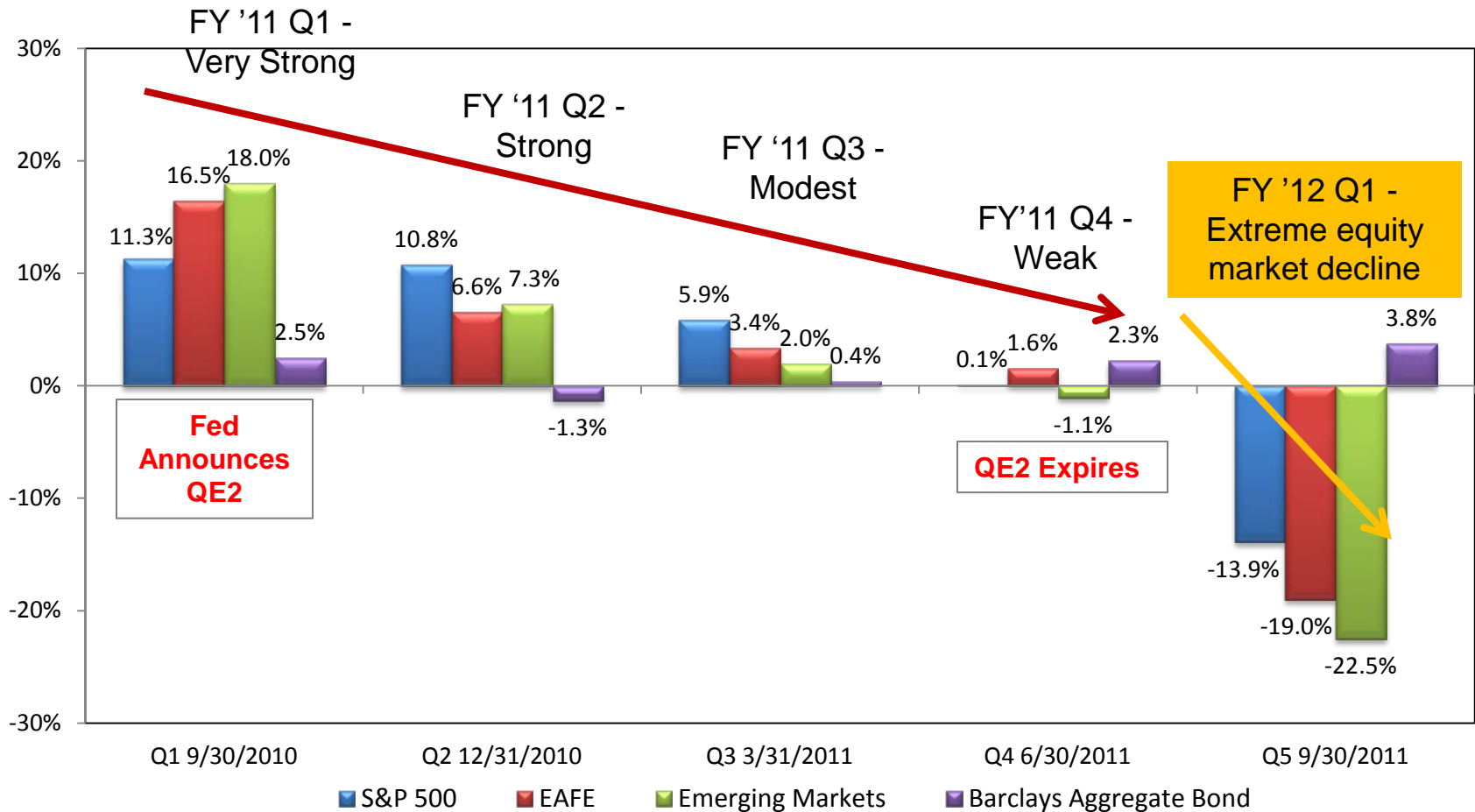
12 Months (FY 2011)	15.3%
3 Years	(0.4)%
5 Years	5.7%
10 Years	8.1%

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



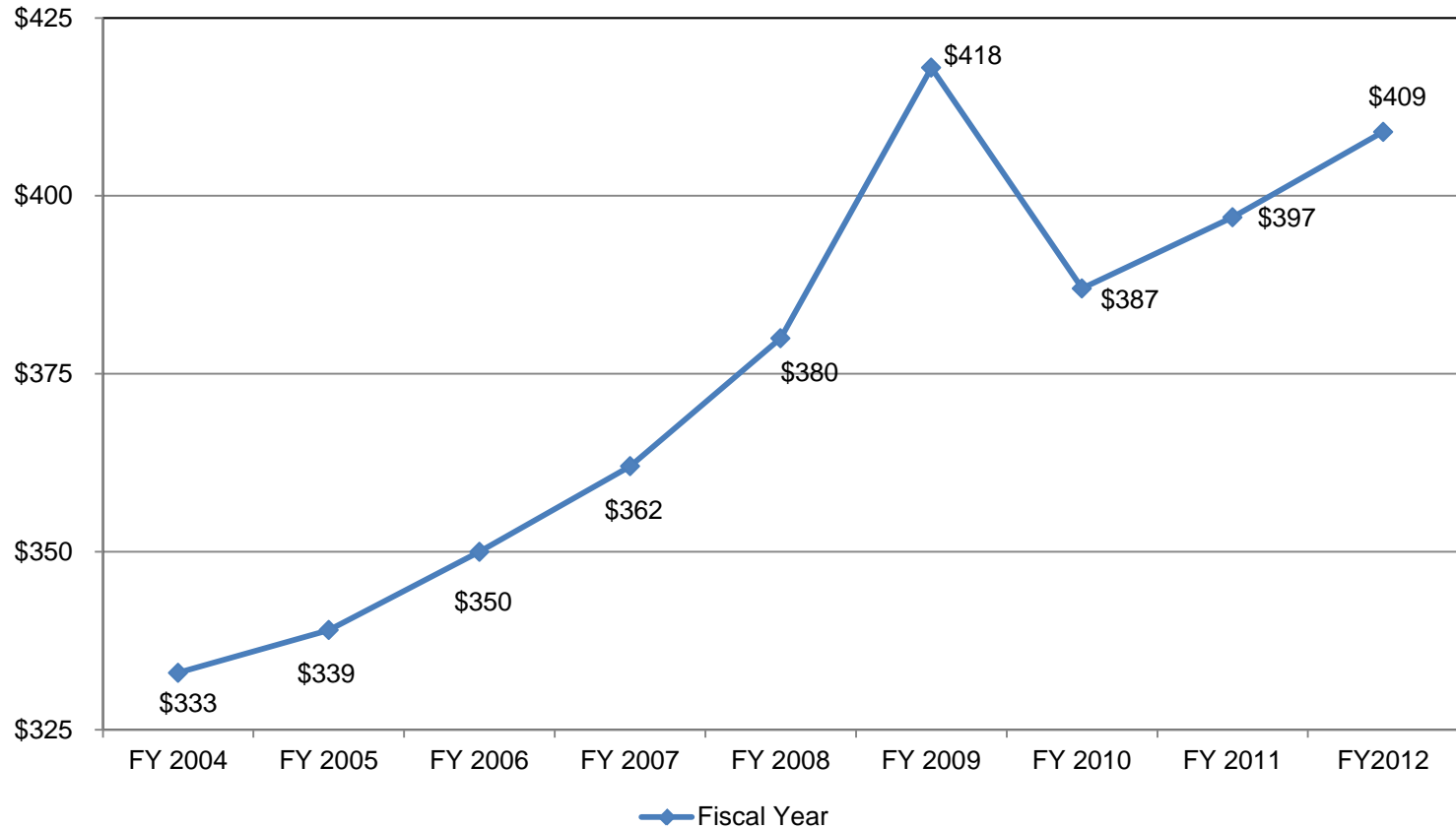
FY 2012 YTD Performance Update through 9/30/2011

	FYTD (3 months)	CYTD (9 months)
UNCIF	-4.0%	0.4%
70/30	-8.8	-4.2
S&P 500	-13.9	-8.7
ACWI	-17.3	-13.2

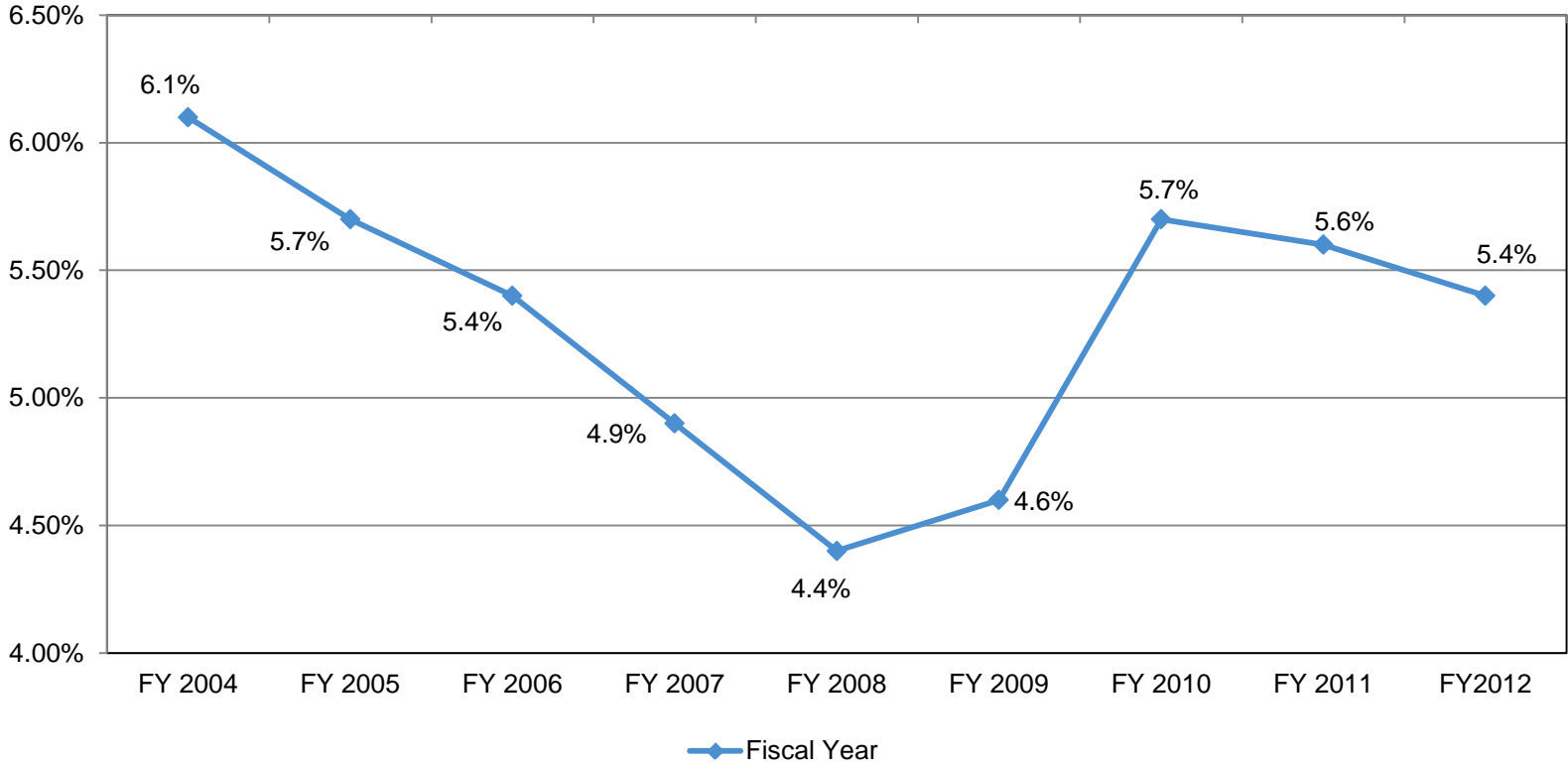
UNC Chapel Hill Foundation Investment Fund FY 2012 Distribution Rate

- 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.

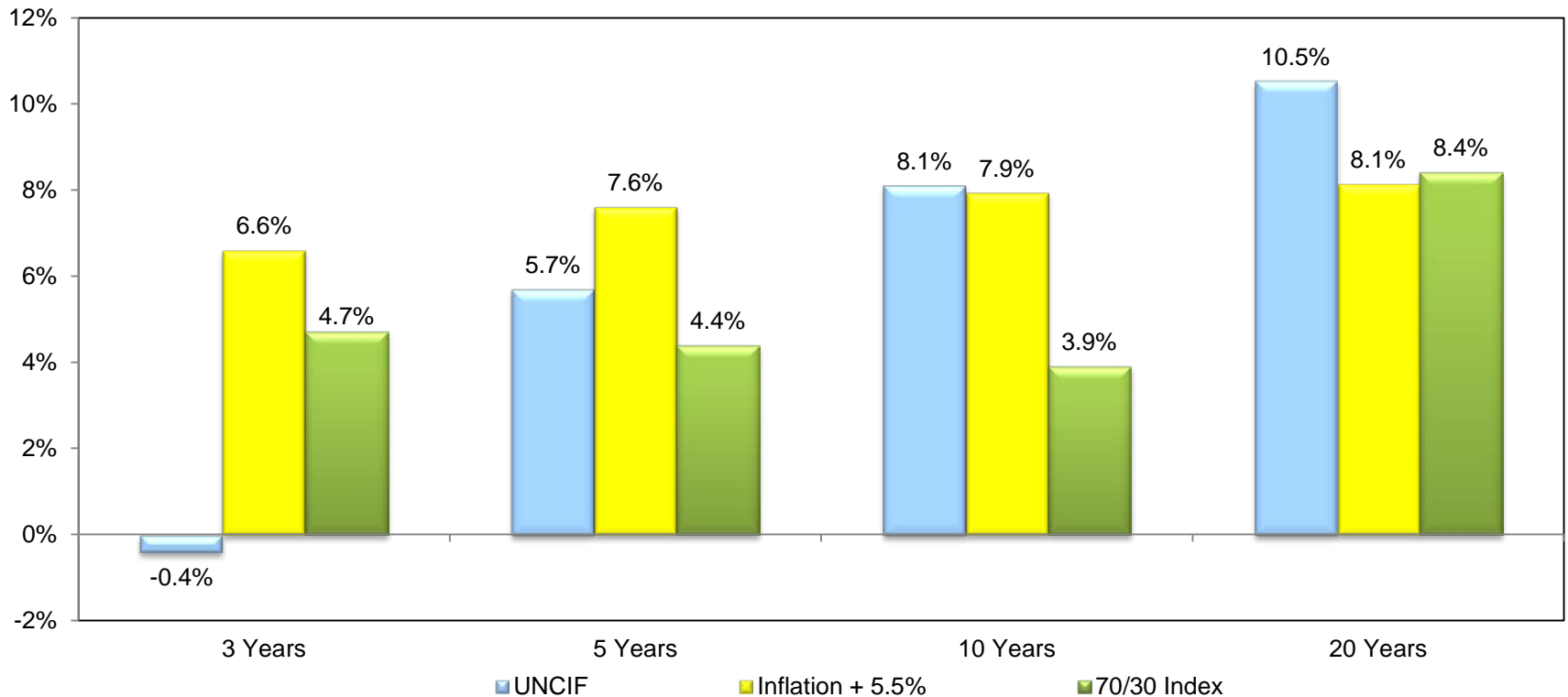
UNC Chapel Hill Investment Fund Per Share Distribution Rate



UNC Chapel Hill Investment Fund Distribution as a % of Beginning Mkt Value



UNC Investment Fund Long-Term Performance Periods ended June 30, 2011



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