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**OPEN SESSION**

**FOR ACTION**

1. Designer Approval
  - [McColl Building Addition for Kenan-Flagler Business School](#) (Attachment A)
  - [Glaxo Research Cryo-Electron Microscopy](#) (Attachment B)
  - [Kenan Stadium Seating Enhancement Project](#) (Attachment C)

*Anna Wu, Associate Vice Chancellor for Facilities Services*
2. Property Acquisition by Lease
  - [Office Space for Gillings School of Global Public Health](#) (Attachment D)
  - [Office Space for University Development](#) (Attachment E)

*Gordon Merklein, Associate Vice Chancellor for University Real Estate Operations*
3. Demolition Approval
  - [Barn at University Lake](#) (Attachment F)
  - [Koury Natatorium Office Addition](#) (Attachment G)

*Gordon Merklein, Associate Vice Chancellor for University Real Estate Operations*
4. [Annual Endowment Fund Report](#) (Attachment H)  
*Matt Fajack, Vice Chancellor for Finance and Administration*
5. [Horace Williams Airport Recommendations](#) (Attachment I)  
*Brad Ives, Associate Vice Chancellor for Campus Enterprises & Chief Sustainability Officer*

**FOR INFORMATION ONLY** (No formal action is requested at this time)

1. [Big Data and Predictive Analytics in Athletics](#)  
*Scott Jackson, Director of Business Intelligence*  
*Rick Steinbacher, Senior Associate Athletic Director*
2. [Development Report](#)  
*David Routh, Vice Chancellor for University Development*
3. [FY 2017 UNC Investment Fund, LLC Performance Update](#)  
*Jon King, CEO of UNC Management Company*
4. [UNC Health Care Surgical Tower](#) (Attachment J)  
*Anna Wu, Associate Vice Chancellor for Facilities Services*

**COMMITTEE MEMBERS**

Dwight D. Stone, Chair  
W. Lowry Caudill, Vice Chair  
Charles (Chuck) Duckett  
Julia Sprunt Grumbles  
W. Edwin (Ed) McMahan  
Richard Y. Stevens

**Administrative Liaison:**

**Matthew (Matt) Fajack, Vice Chancellor for Finance and Administration**

## ATTACHMENT A

### **DESIGNER SELECTION – McCOLL BUILDING ADDITION & RENOVATION**

This project will provide the programming, site analysis and concept design for an addition and renovations to the McColl Building for Kenan-Flagler School of Business. The addition and partial renovation will support undergraduate enrollment growth, update existing classrooms and consolidate staff currently located off site in leased space.

Programming/Feasibility budget is \$500,000 and will be funded by State appropriations.

The project was advertised on August 31, 2017. Eleven (11) proposals were received. Four (4) firms were interviewed on October 18, 2017. One member of the Board of Trustees participated in the interviews.

The committee recommended the selection of the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their consultant team and experience with campus projects.

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

### **RECOMMENDED ACTION**

A motion to approve the three firms in the following priority order:

## ATTACHMENT B

### **DESIGNER SELECTION – GLAXO RESEARCH CRYO-ELECTRON MICROSCOPY**

This project will renovate an existing 800 square foot research laboratory located at the lower level of the Glaxo Research Building to integrate a new 200kV cyro-electron microscope into the space and establish the UNC Cryo-Electron Microscopy Facility. The renovation project will provide the needed infrastructure support for installation and operation of the equipment. The scope of the renovation project includes architectural, structural, HVAC, electrical and plumbing modifications with final connections and installation to be performed by the equipment vendor.

The project budget is \$850,000 and will be funded by School of Medicine facilities and administrative (F&A) funds.

The project was advertised on September 25, 2017. Five (5) proposals were received. Three (3) firms were interviewed on November 1, 2017.

The committee recommended the selection of the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their consultant team and experience with campus projects.

### **RECOMMENDED ACTION**

A motion to approve the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

**DESIGNER SELECTION – KENAN STADIUM SEATING ENHANCEMENT PROJECT**

This project will replace bleacher seating with over 34,000 22-inch wide individual seats to significantly enhance the comfort and leg room for patrons.

The project budget is \$7,000,000 and will be funded by a University of North Carolina at Chapel Hill Finance & Administration capital project internal loan.

The project was advertised on September 22, 2017. The Selection Committee received seven (7) proposals. Four (4) firms were interviewed on October 30, 2017. The Selection Committee consisted of members from the UNC-CH Athletics Department and Facilities Planning & Design.

The committee recommended the selection of the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their consultant team and experience with campus projects.

**RECOMMENDED ACTION**

A motion to approve the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

## ATTACHMENT D

### **PROPERTY ACQUISITION BY LEASE – OFFICE SPACE FOR GILLINGS SCHOOL OF PUBLIC HEALTH – DEPARTMENT OF BIOSTATISTICS, COLLABORATIVE STUDIES COORDINATING CENTER (CSCC)**

This request is to acquire approximately 6,000 additional square feet of rentable office space from Cousins Properties/Northwood Ravin, Inc. on the 5th floor of the new Carolina Square development located at 123 West Franklin St. in Chapel Hill. CSCC has recently been awarded several new grants that will require additional staff and office space. This new space will be used in collaboration with the CSCC tenants on the 4<sup>th</sup> floor at Carolina Square. It is important for these two CSCC workspaces to be proximate to guarantee that faculty, research staff, computer programmers and students can continue their collaboration on a daily basis. The gross lease term will be for 10 years at an annual rate of \$192,000.00, inclusive of utilities and janitorial costs. Occupancy is expected early 2018.

### **RECOMMENDED ACTION:**

A motion to recommend approval to acquire office space by lease as described above.

## **ATTACHMENT D**

### **PROPERTY ACQUISITION BY LEASE – OFFICE SPACE – UNIVERSITY DEVELOPMENT OFFICE (UDO)**

This request is to acquire approximately 10,824 rentable square feet of office space from West Franklin Preservation Limited Partnership on the second floor of the Pavilion I building located at 206 West Franklin Street in Chapel Hill. This space is being vacated by the Carolina Population Center with its move to Carolina Square and will be used by the UDO to consolidate staff from other leased spaces under one roof and to provide room for staff expansion associated with the University's ongoing capital campaign. This space is directly adjacent to the main UDO building, located at 208 West Franklin Street, allowing for convenient collaboration among staff. The lease term will be 10 years at an average annual rate of \$245,066.18 (\$22.64/SF), inclusive of utilities and janitorial costs. Occupancy is expected spring 2018.

### **RECOMMENDED ACTION**

A motion to recommend approval to acquire office space by lease as described above.

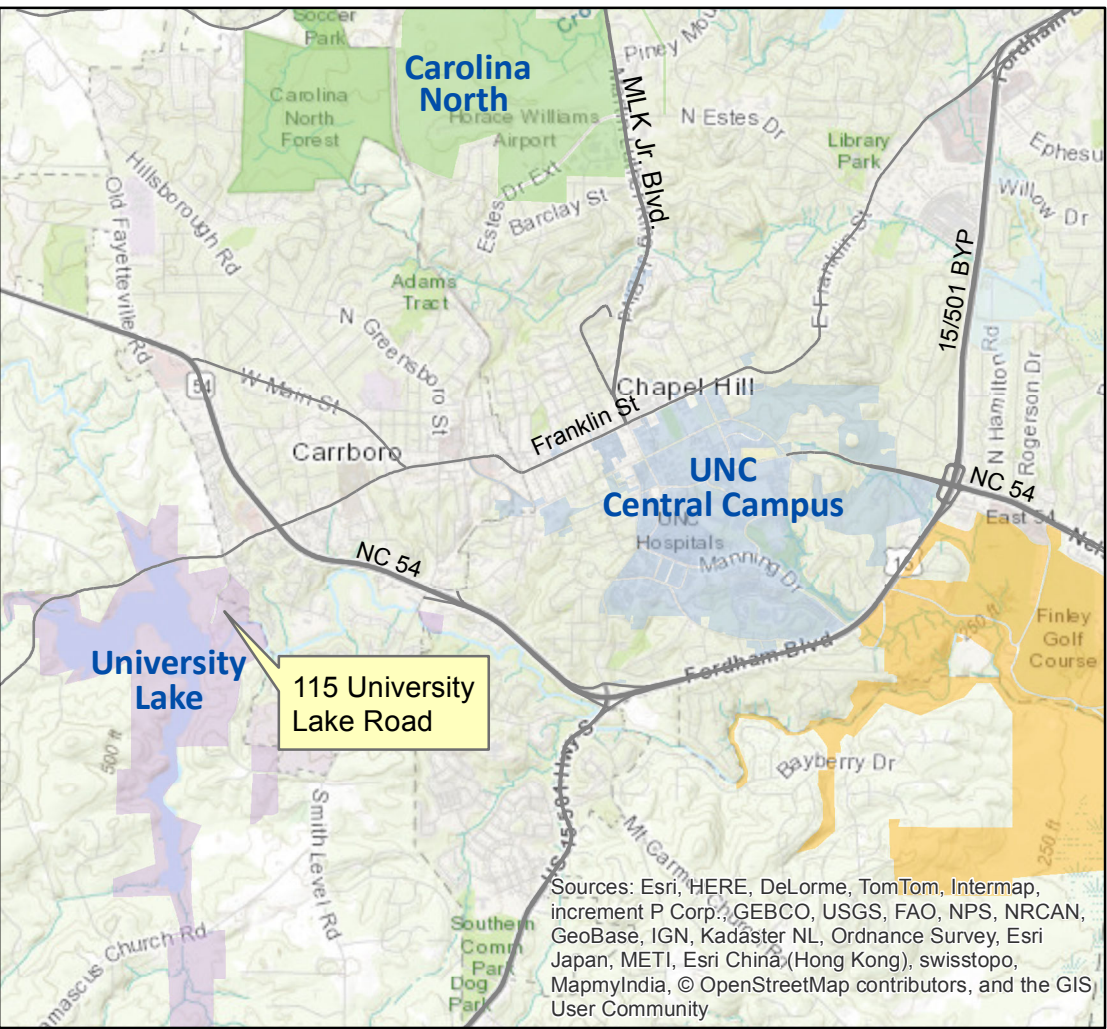
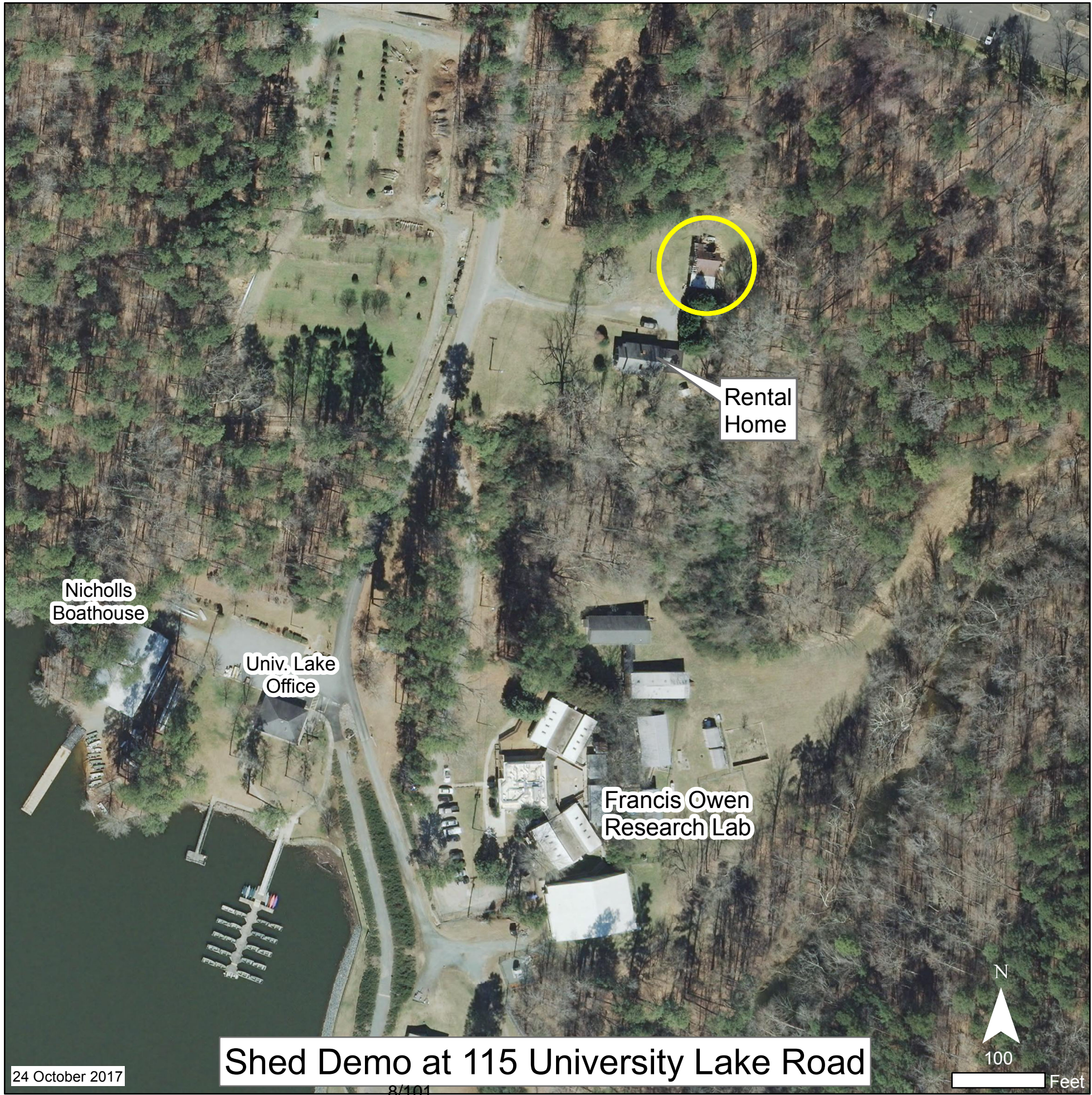
## **ATTACHMENT F**

### **APPROVAL FOR PROPERTY DEMOLITION – 115 UNIVERSITY LAKE ROAD**

This request is for approval to demolish a collapsing wooden shed on a residential rental property adjacent to University Lake, located at 115 University Lake Road in Carrboro. The shed has deteriorated over the years and is on the verge of collapsing, presenting a health and safety risk and potential liability. The underlying +/- 1.2-acre property is part of the University Lake buffer area.

### **RECOMMENDED ACTION**

A motion to approve the demolition of a wooden shed at 115 University Lake Road in Carrboro, North Carolina.

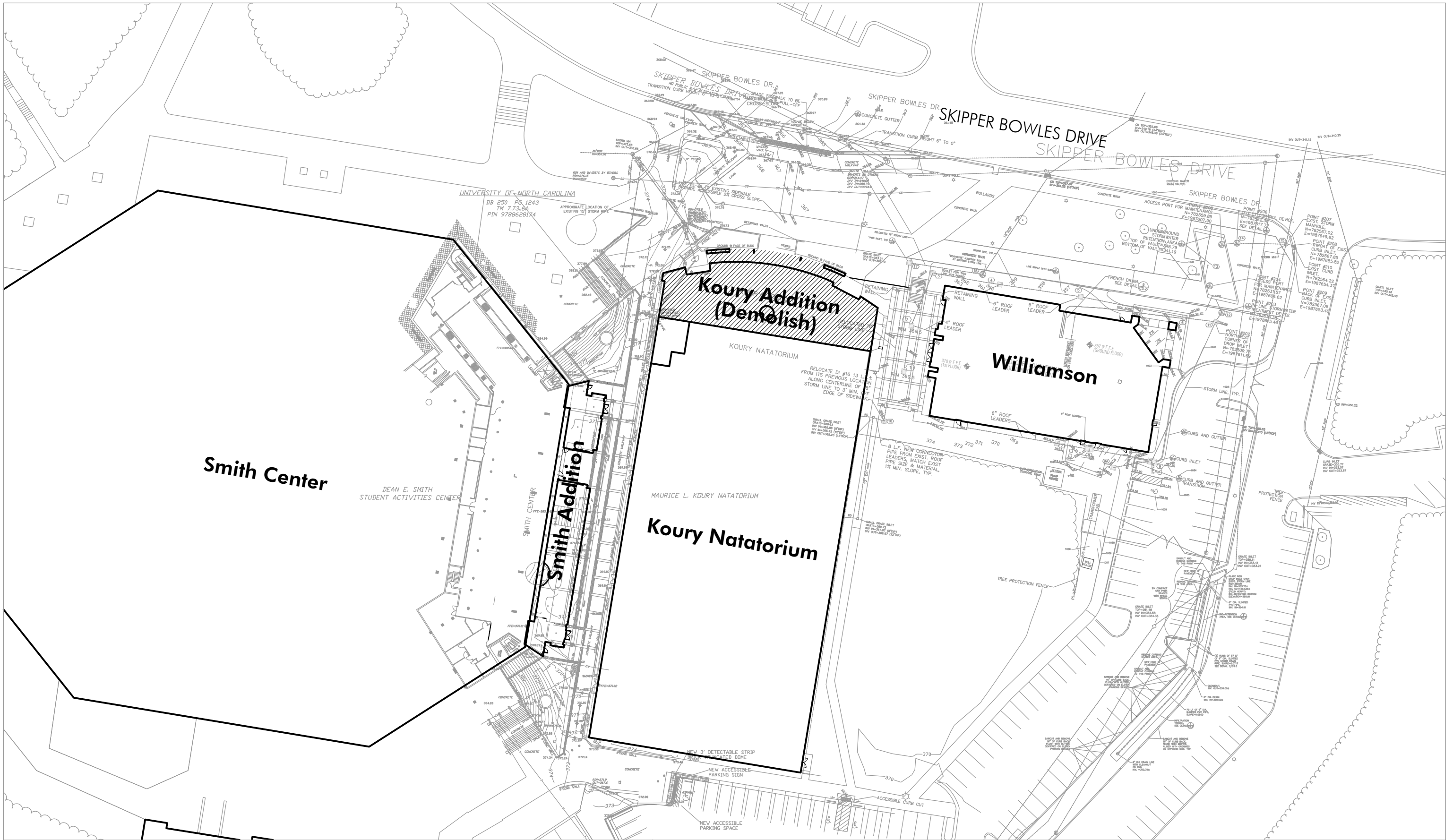


**APPROVAL FOR PROPERTY DEMOLITION – 400 SKIPPER BOWLES DRIVE**

This request is for approval to demolish the office addition of the Koury Natatorium to make way for construction of the new *ACC Network Media & Communications Studio*. This project will provide a broadcast center addition of approximately 12,000 square feet (2-story, 6,000 SF footprint) to the existing Koury Natatorium. The purpose of this new facility is to produce a significant number of events on the ACC Network through broadcasts across all production levels: linear television, digital online, extra, and video boards. The facility will include three control rooms and two studios. The broadcast center will also provide a robust production service (live production, studio services) to campus entities and will provide opportunities for academic partnerships and real-world experience in growing fields for students.

**RECOMMENDED ACTION**

A motion to approve the demolition of the office addition of the Koury Natatorium located at 400 Skipper Bowles Drive, Chapel Hill, NC.



**ANNUAL ENDOWMENT FUND REPORT**

Board of Governors' regulations require that the institution's Board of Trustees submit to the Board of Governors an annual report on the endowment fund. The annual report for the fiscal year ending June 30, 2017 is attached. The Endowment Board approved this report at its meeting on October 20, 2017.

**RECOMMENDED ACTION**

A motion to approve the June 30, 2017 annual report of the endowment fund and to transmit the report to the Board of Governors.

The University of North Carolina at Chapel Hill Endowment Fund

Annual Report: Year Ended June 30, 2017

We are pleased to report that for Fiscal Year 2017 (twelve months ended June 30, 2017), The University of North Carolina at Chapel Hill Endowment Fund (“Endowment Fund”) recorded a significant increase in its market value. During the year, the market value of the Endowment Fund increased by \$114.2 million to end the year at \$1.42 billion. This increase in market value resulted from the combination of positive investment performance and the continuing generosity of donors to the Endowment Fund. The components of the \$114.2 million increase in market value during Fiscal Year 2017 are 1) net investment return of \$157.9 million, plus 2) net gifts and bequests totaling \$38.4 million, less 3) \$82.1 million distributed for expenses and program spending.

Over 99% of the Endowment Fund’s assets are invested in The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (“Chapel Hill Investment Fund”), which in turn invests all of its assets in the UNC Investment Fund, LLC (“UNC Investment Fund”). The Endowment Fund also owns several commercial properties in Chapel Hill, North Carolina, that collectively represent less than 1% of the Endowment Fund’s total value.

With the strong performance of global equity markets acting as a substantial tailwind, the UNC Investment Fund generated a +12.1% net investment return for the year. The UNC Investment Fund’s FY 2017 return is solid on both an absolute and relative basis with its return outperforming both the +11.8% return of its primary benchmark, the Strategic Investment Policy Portfolio (“SIPP”), and the +7.1% return of its long-term return objective of CPI plus 5.5%. This CPI plus 5.5% long-term return target reflects the goal of preserving the purchasing power of the UNC Investment Fund after inflation and spending. However, the UNC Investment Fund trailed a more “traditional” and equity market focused Global 70/30 Portfolio comprised of 70% global equities (MSCI ACWI) and 30% bonds (Bloomberg Barclays U.S. Aggregate Bond Index) which returned +12.7% over the period. Relative to peers, the UNC Investment Fund’s FY 2017 return ranks in the third quartile of the Cambridge Associates’ College and University universe of endowment funds. Over longer periods, three, five, ten, and twenty years, the UNC Investment Fund’s return ranks in the top quartile relative to peers. A detailed description of the asset allocation of the Endowment Fund is provided on the following page along with aggregated asset class and benchmark returns.

The \$82.1 million distributed from the Endowment Fund for expenses and spending in Fiscal Year 2017 was computed in accordance with the distribution policy of the Chapel Hill Investment Fund and represent 5.5% of the Endowment Fund’s market value at the end of the fiscal year. Funds were distributed to the University for spending on programs supported by the corresponding endowed accounts. At its May 2017 meeting, the Board of the Chapel Hill Investment Fund authorized a 2.1% increase in the annual distribution rate for Fiscal Year 2018. This increase is consistent with the spending policy objective of increasing the distribution amount by the rate of inflation, as measured by CPI, each year.

Mr. Dwight Stone served as the Chairman of the Endowment Fund Board of Directors during the year. Other members of the Board were David Carroll, Max Chapman, Jr., Haywood Cochrane, Chancellor Carol Folt, Michael Kennedy, Steve Lerner, Willard J. Overlock, Jr., and Sallie Shuping-Russell.

The Board of Trustees of The University of North Carolina at Chapel Hill has approved all transfers from the Endowment Fund for expenditures as recommended by the Chancellor. All expenditures have been made in accordance with the terms of the applicable gift, devise, or bequest.

Respectfully submitted,

The Board of Trustees of the Endowment Fund  
of The University of North Carolina at Chapel Hill

**ENDOWMENT FUND**  
**THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL**

**Asset Allocation as of June 30, 2017**

Long Biased Equity	\$439,963,725	31.0%
Long/Short Equity	252,624,332	17.8%
Diversifying Strategies	95,088,934	6.7%
Fixed Income	147,600,734	10.4%
Private Equity	272,493,662	19.2%
Real Estate	95,088,934	6.7%
Energy & Natural Resources	81,464,251	5.7%
Cash & Other	34,629,403	2.4%
<b>Total</b>	<b>\$1,419,237,822</b>	<b>100.0%</b>

**Asset Class and Benchmark Returns**  
**for Fiscal Year Ended June 30, 2017**

<b>Public Equity Strategies</b>	<b>16.3%</b>
<i>Blended Equity Benchmark*</i>	<i>16.2%</i>
<b>Non-Equity Strategies</b>	<b>3.0%</b>
<i>Blended Non-Equity Benchmark*</i>	<i>4.3%</i>
<b>Private Partnerships</b>	<b>14.3%</b>
<i>Blended Composite Benchmark*</i>	<i>11.0%</i>
<b>Cash &amp; Other</b>	<b>0.8%</b>
<i>90-Day T-Bill</i>	<i>0.5%</i>
 <i>Total UNC Investment Fund</i>	 12.1%
<i>Strategic Investment Policy Portfolio</i>	<i>11.8%</i>

\*Blended benchmarks reflect weighted SIPP benchmarks for the underlying asset classes.

**Proposed Board of Trustees Resolution concerning Horace Williams Airport**

WHEREAS, Chancellor James Moeser announced in 2002 that the University of North Carolina at Chapel Hill (University) had “carefully considered a variety of scenarios regarding the future of the Horace Williams Airport and determined that the closure is in the best interests of both the university and the community;” and

WHEREAS, the Board of Trustees of the University, through a resolution dated May 26, 2005, recommended the closure of the University’s Horace Williams Airport, and further recommended that the airport remain open until construction of the University’s Carolina North property was ready to begin; and

WHEREAS, the continued operation of the airport is resulting in significant annual financial operating losses for the University, and

WHEREAS, for the airport to remain open, the University expects to invest in excess of \$1 million in the near future for runway repairs; and

WHEREAS, the University has operated the airport with no formal relationship to any University operations since 2011 when the Medical Air Operations of the University’s Area Health Education Centers (AHEC) relocated to Raleigh-Durham International Airport; and

WHEREAS, the Board of Trustees wishes to reaffirm the portion of the 2005 resolution concerning the recommendation to close the airport, but wishes to modify the recommended timing of the closure.

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees recommends that the University proceed with the closure of the Horace Williams Airport without any condition precedent relating to development of the Carolina North property.



# CAROLINA™

## Big Data and Predictive Analytics in Athletics



# Business Intelligence Goals

- Enhance relationships with current members of the Carolina community
- Grow the Carolina community
- Increase ticket sales and ticket revenue
- Increase Rams Club membership and Rams Club donations



**CAROLINA™**

Big Data and Predictive Analytics in Athletics

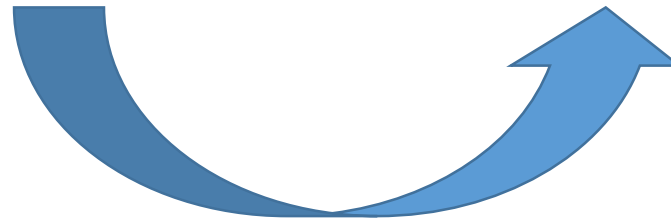
16/101

# Business Intelligence Goals

How do we turn large, diverse audiences...



... into Carolina fans and supporters?



**Data Analytics**



**CAROLINA™**  
Big Data and Predictive Analytics in Athletics

17/101

# The Journey

- Kickoff: November 2<sup>nd</sup>, 2016
- Successes
  - New Tools
  - New Skills
  - New Capabilities
  - Enhanced Organizational Strategic Thinking
- Challenges
  - Data
  - A relatively new endeavor for college athletics, vendor & client knowledge
  - Personnel
- Crawl: Fall 2017
- Walk: Spring 2018
- Run: 2018 – 2019 Academic Year

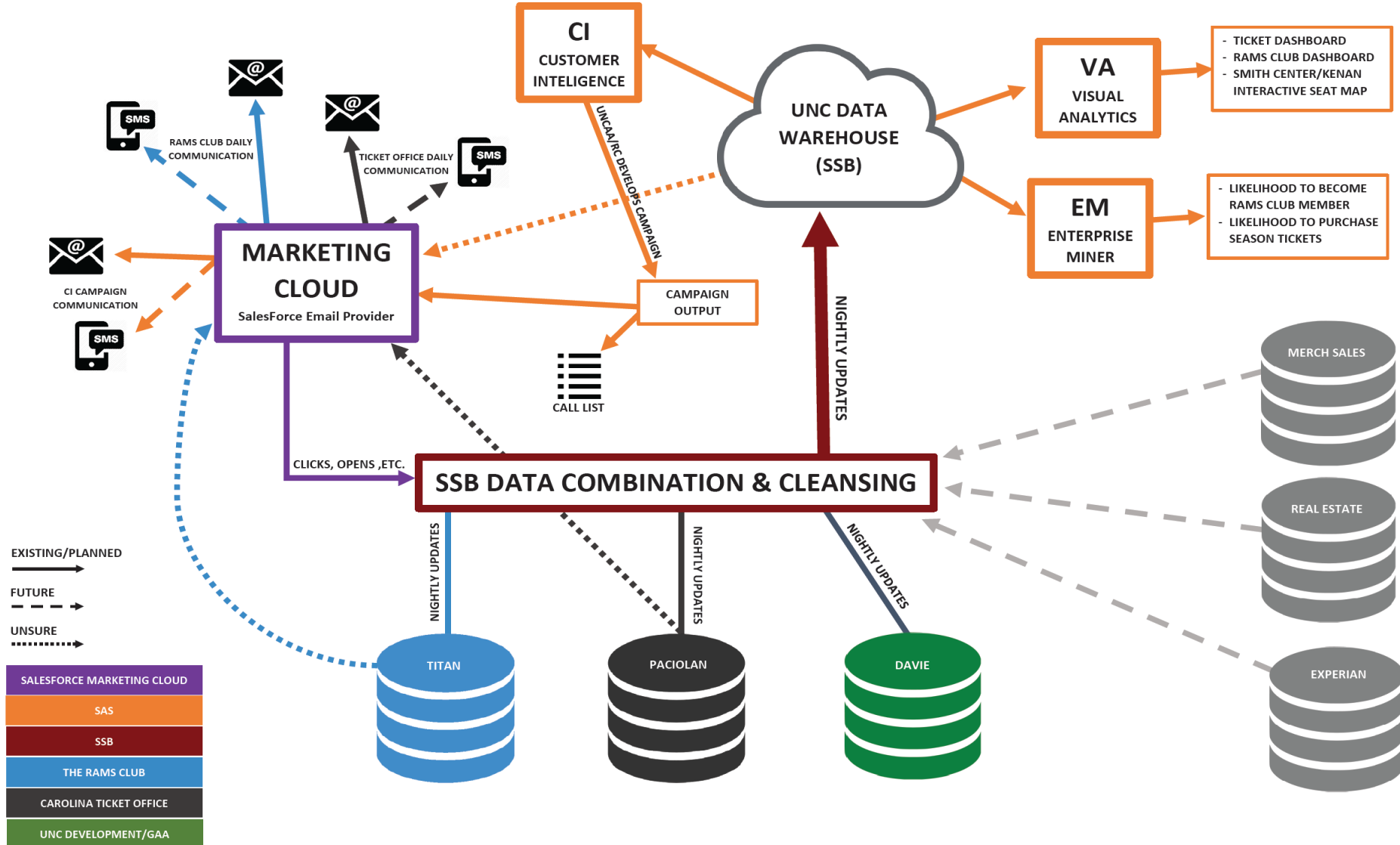


**CAROLINA**<sup>TM</sup>

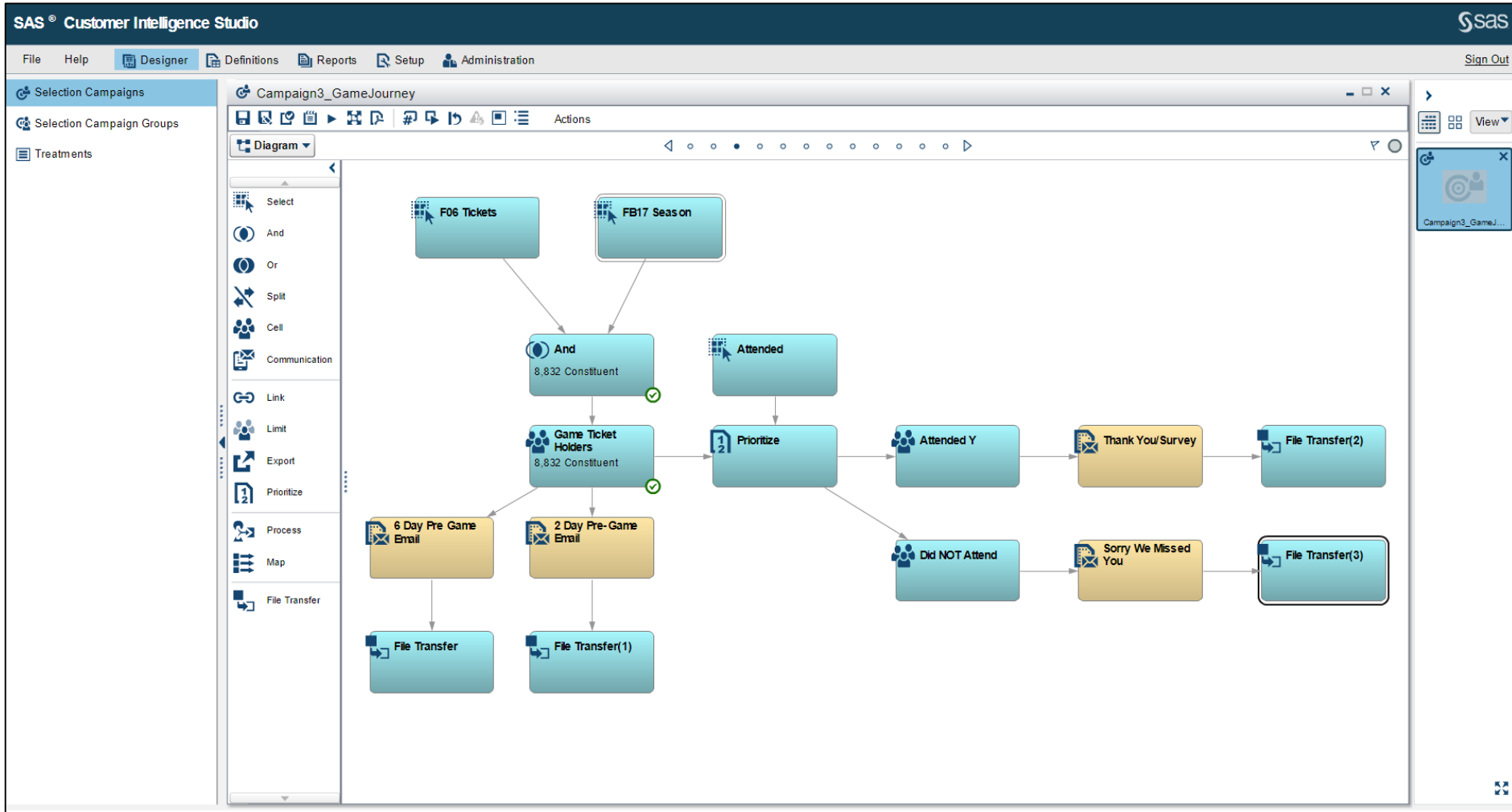
Big Data and Predictive Analytics in Athletics

18/101

# Athletics Department Analytics Platform



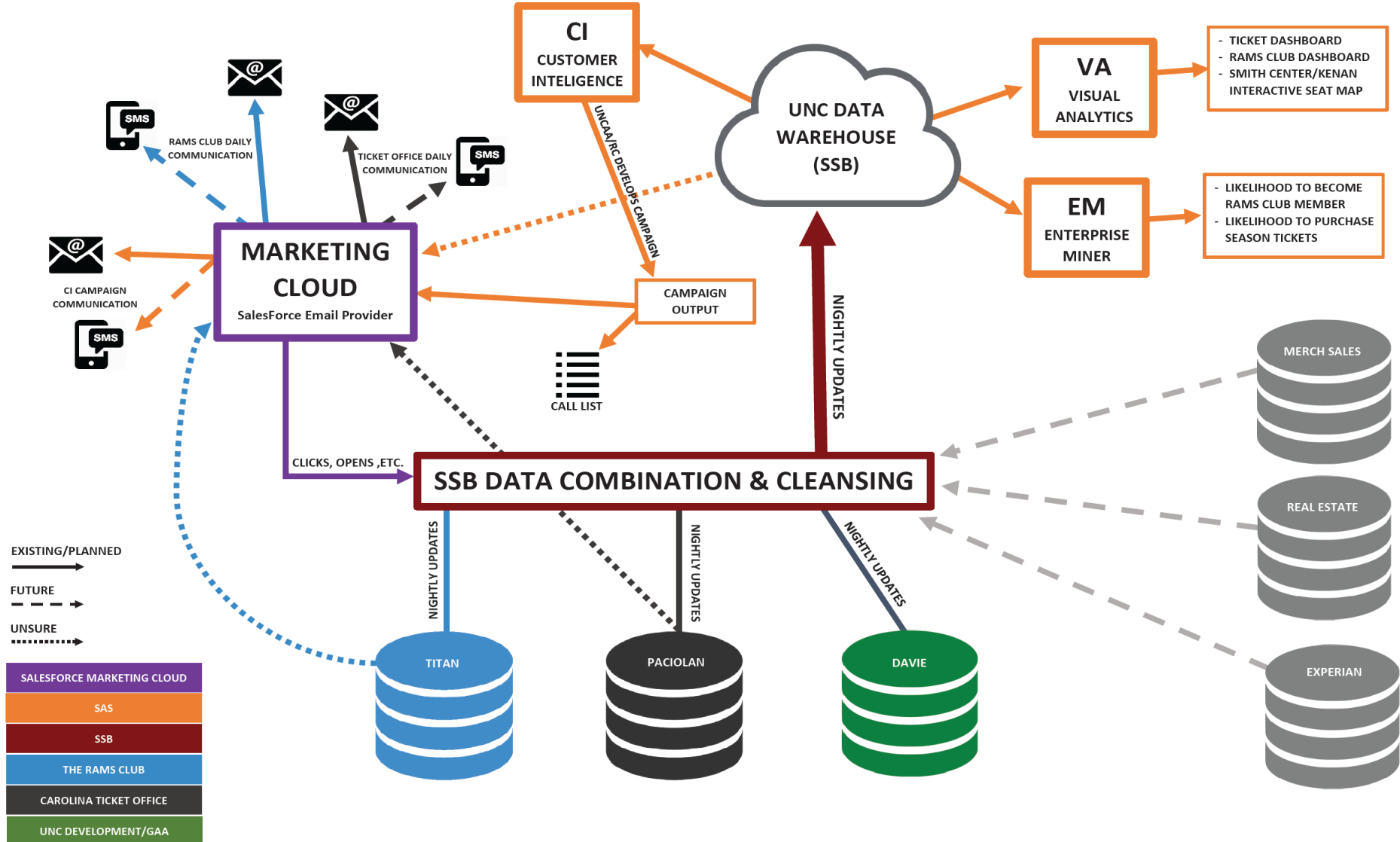
# Customer Intelligence



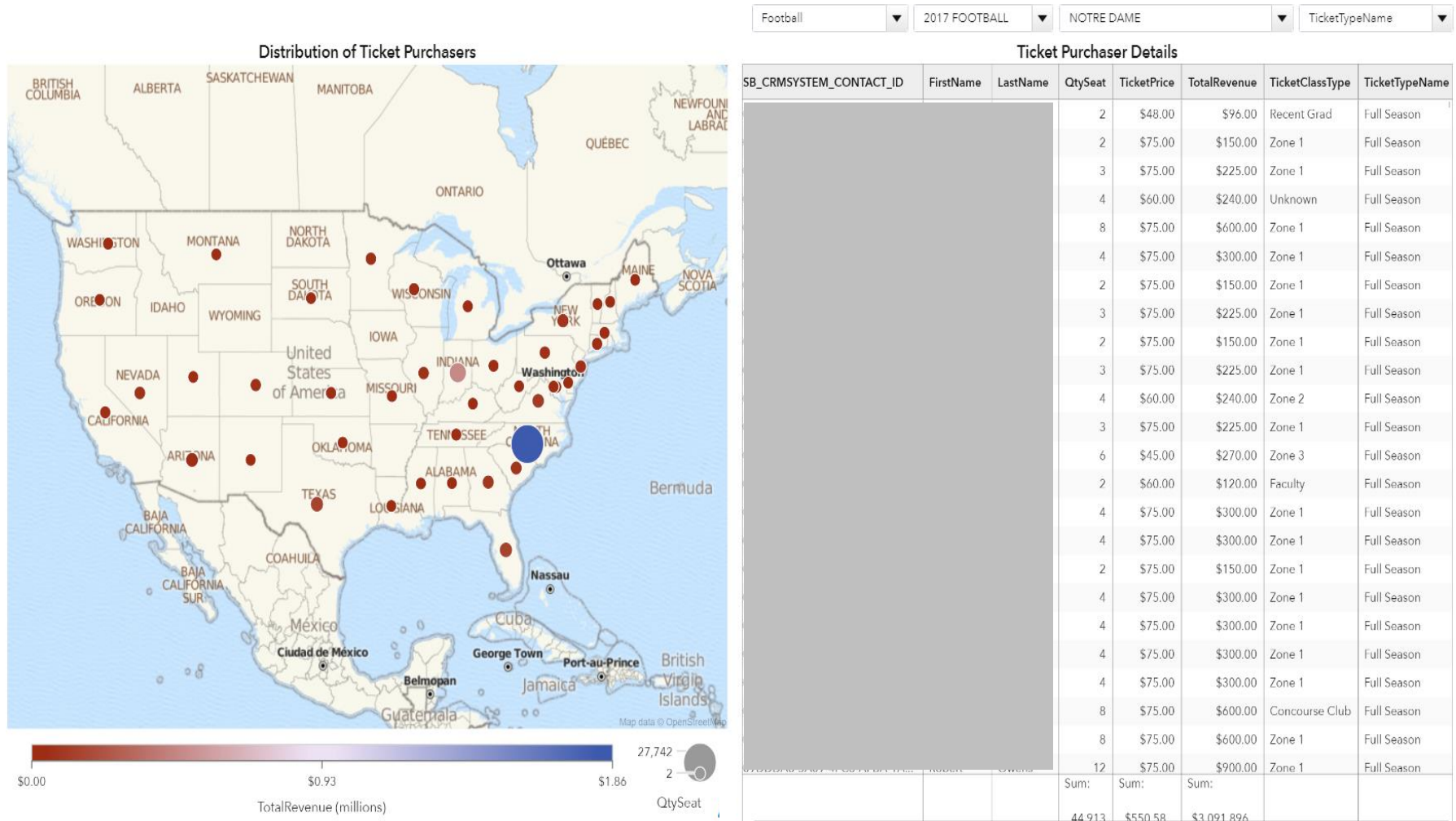
**CAROLINA™**  
Big Data and Predictive Analytics in Athletics

20/101

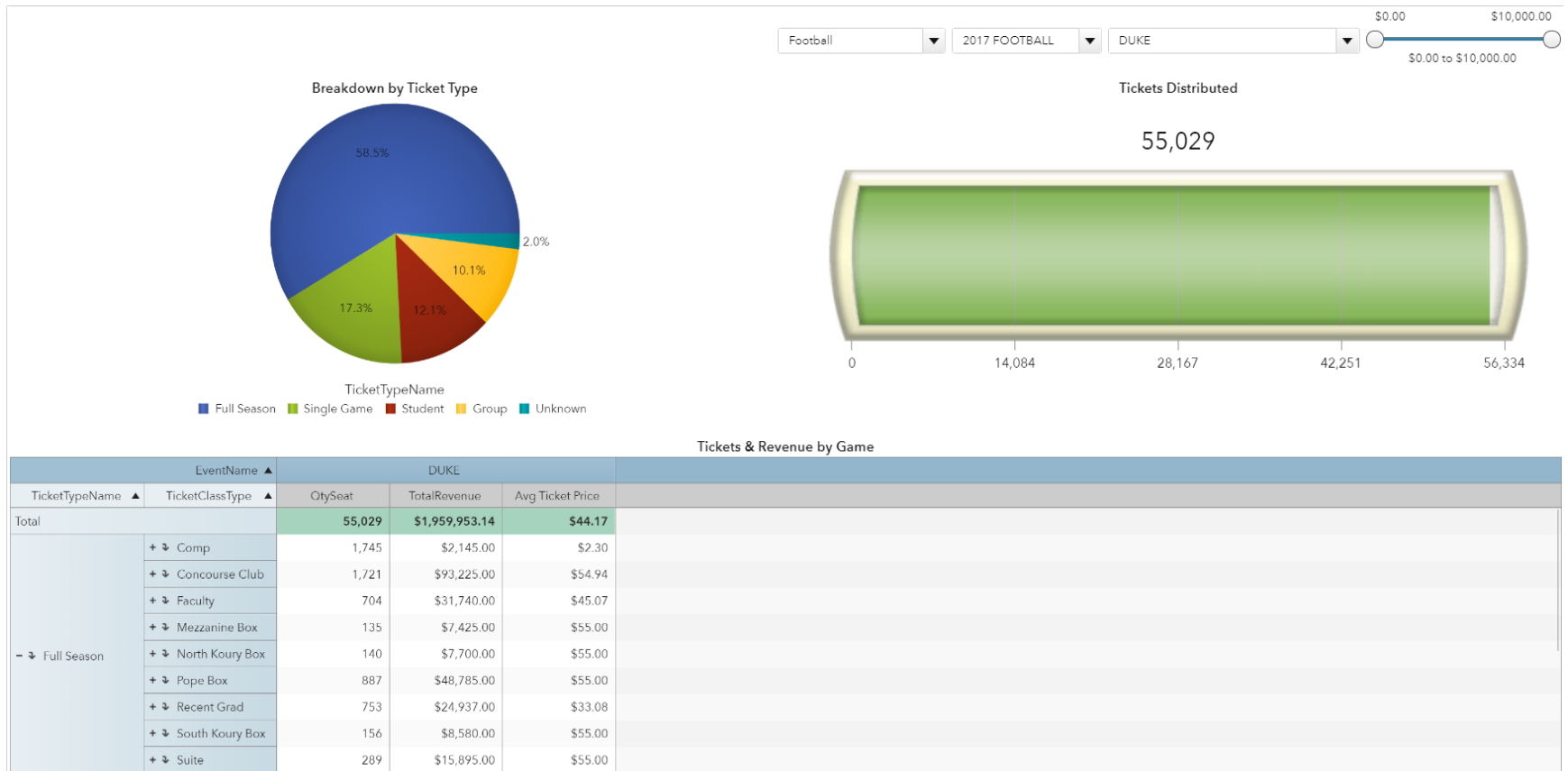
# Athletics Department Analytics Platform



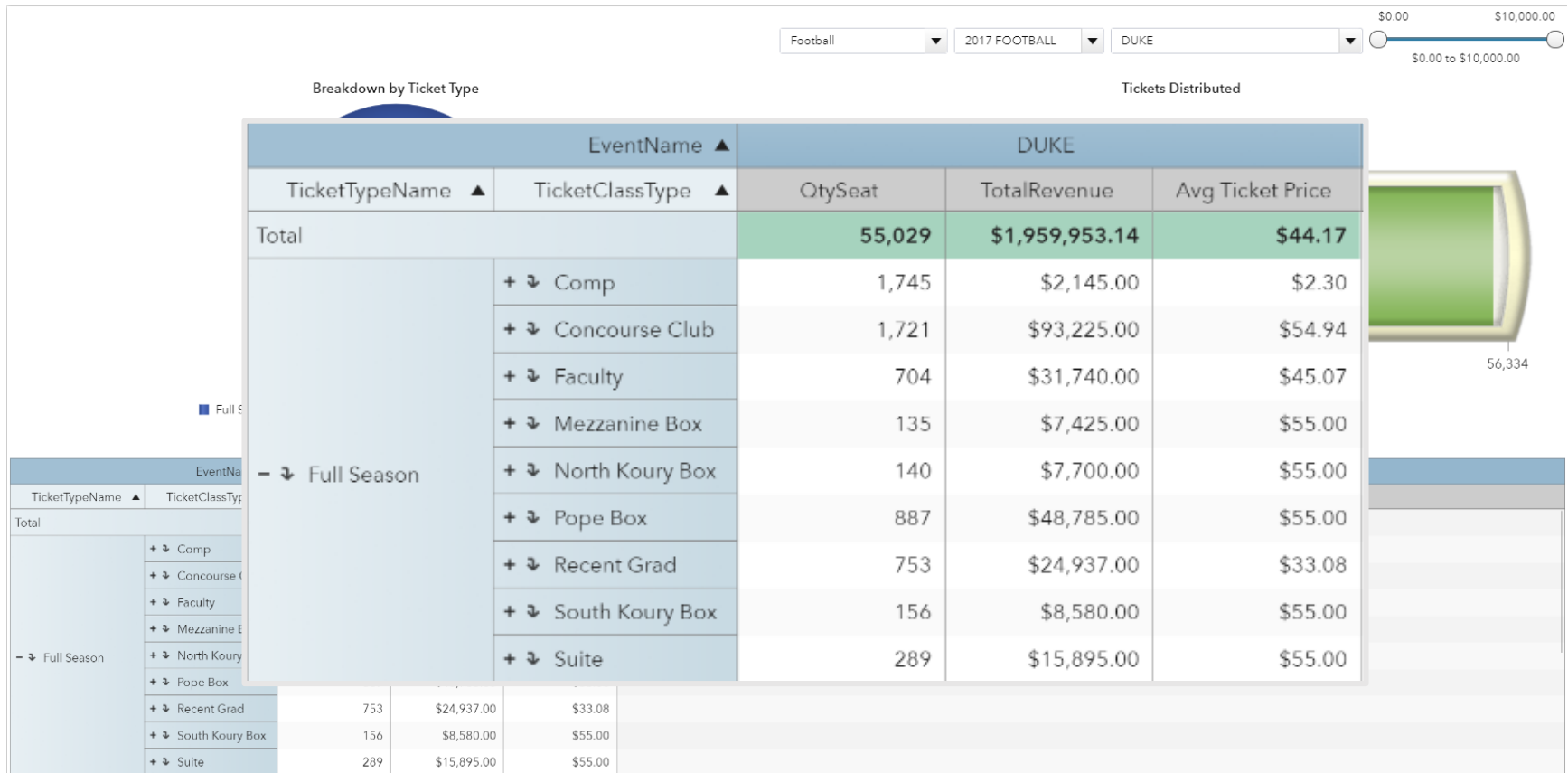
# Visual Analytics: Football Ticket Buyer Locations



# Visual Analytics: Analyzing Ticket Sales for Specific Events



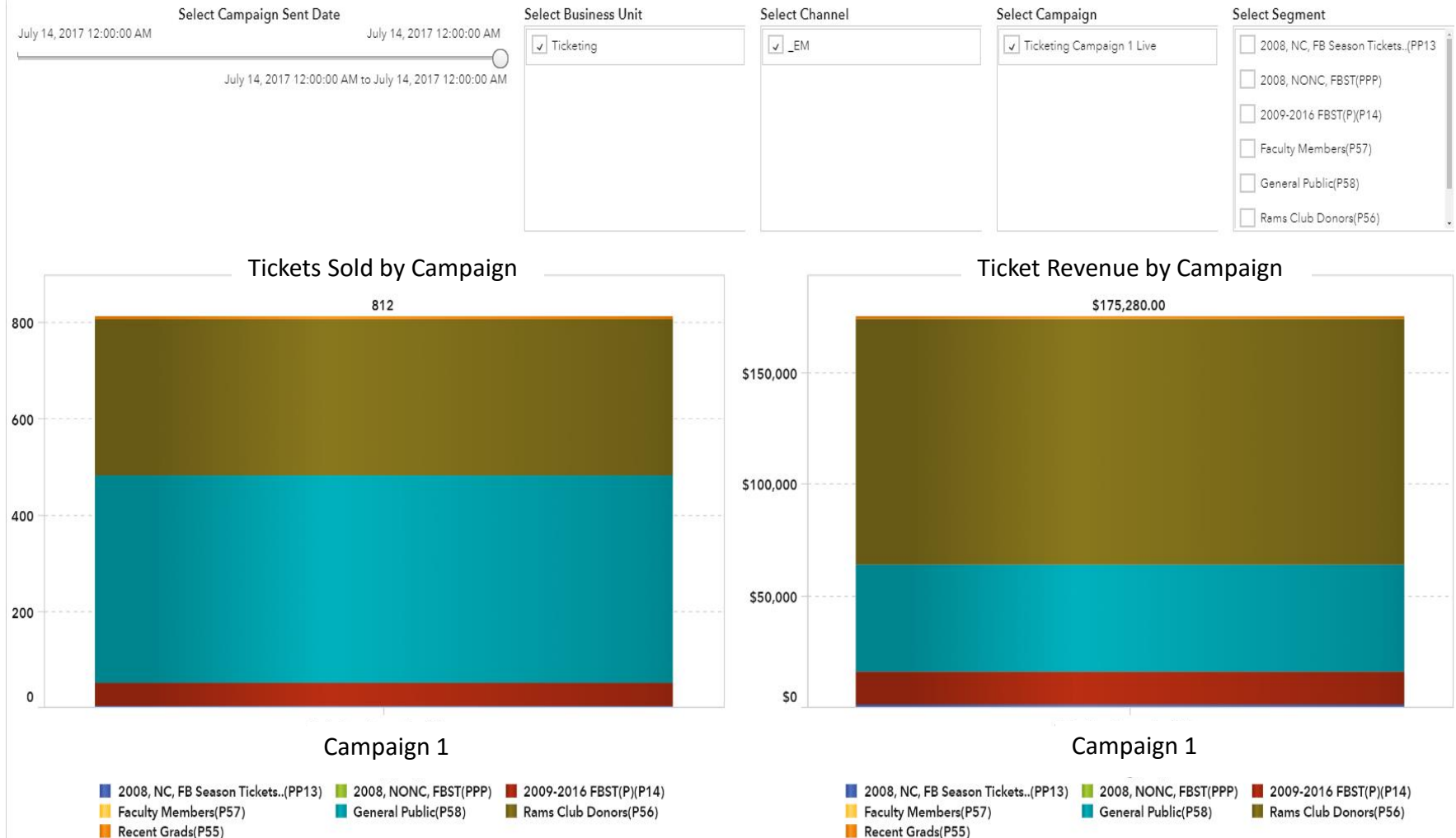
# Visual Analytics: Analyzing Ticket Sales for Specific Events



**CAROLINA**<sup>TM</sup>

Big Data and Predictive Analytics in Athletics

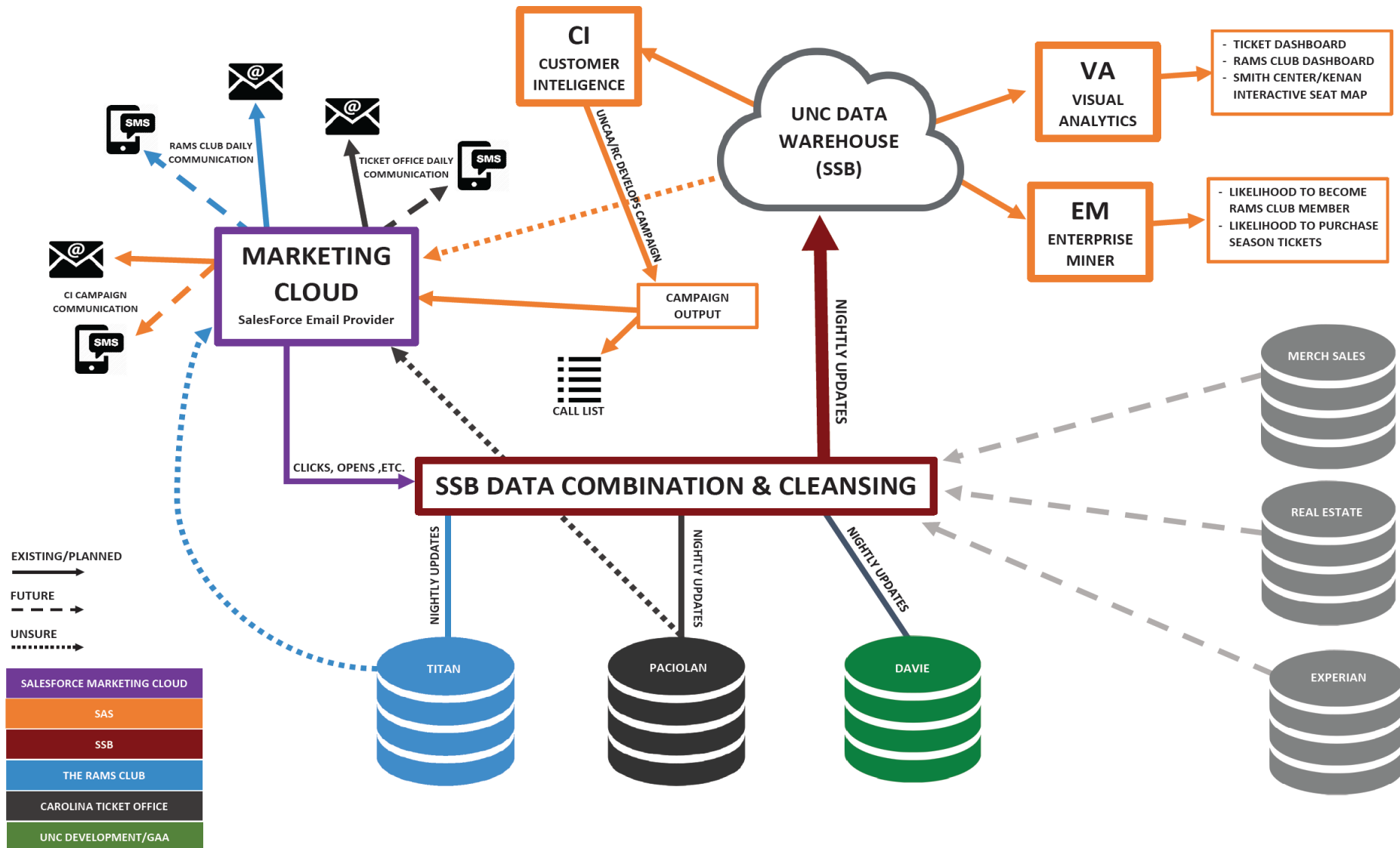
# Visual Analytics: Analyzing Marketing Campaign Results



# CAROLINA™

Big Data and Predictive Analytics in Athletics

# Athletics Department Analytics Platform



# Predictive Analytics: Fans Most Likely to Purchase a Football Ticket

## Part 1: The Star System



### Factors Used to Determine Engagement:

- Football Tickets Purchased
- Men's Basketball Tickets Purchased
- Ram's Club Donations
- University Donation Amounts
- Number of Donations to University
- University Event Attendance

- **90,907** individuals have been identified as **"5-Star Tar Heels"**
- **8,181 (or 9%)** attended a football game last year
- **82,726 (or 91%)** did not attend a football game last year

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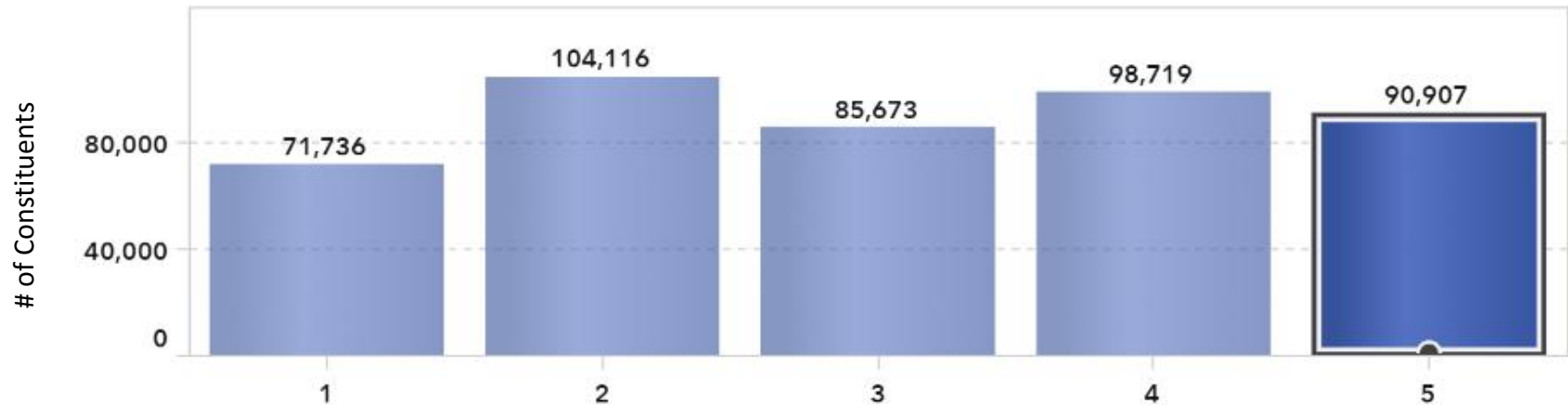
Big Data and Predictive Analytics in Athletics

27/101

# Predictive Analytics: Fans Most Likely to Purchase a Football Ticket

## Part 2: Build Predictive Model Within Each Star Group

Constituents by Star Group



### Star Group 5

ID	Propensity to Purchase Ticket	Game 5 Ticket Purchase	Past Ticket Purchase?	Ticket Purchase Last Year?	Past Season Ticket Purchase?	Season Ticket Purchase Last Year?	Football Engagement Rank	Past Basketball Ticket Purchase?
1	0.9986	0	0	1	0	0	7	1
2	0.9787	0	1	0	0	0	7	1
3	0.9503	0	1	0	0	0	5	0
4	0.9503	0	1	0	0	0	6	0
5	0.9412	0	1	0	0	0	6	0

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Big Data and Predictive Analytics in Athletics

# The Journey

- Kickoff: November 2<sup>nd</sup>, 2016
- Successes
  - New Tools
  - New Skills
  - New Capabilities
  - Enhanced Organizational Strategic Thinking
- Challenges
  - Data
  - A relatively new endeavor for college athletics, vendor & client knowledge
  - Personnel
- Crawl: Fall 2017
- Walk: Spring 2018
- Run: 2018 – 2019 Academic Year



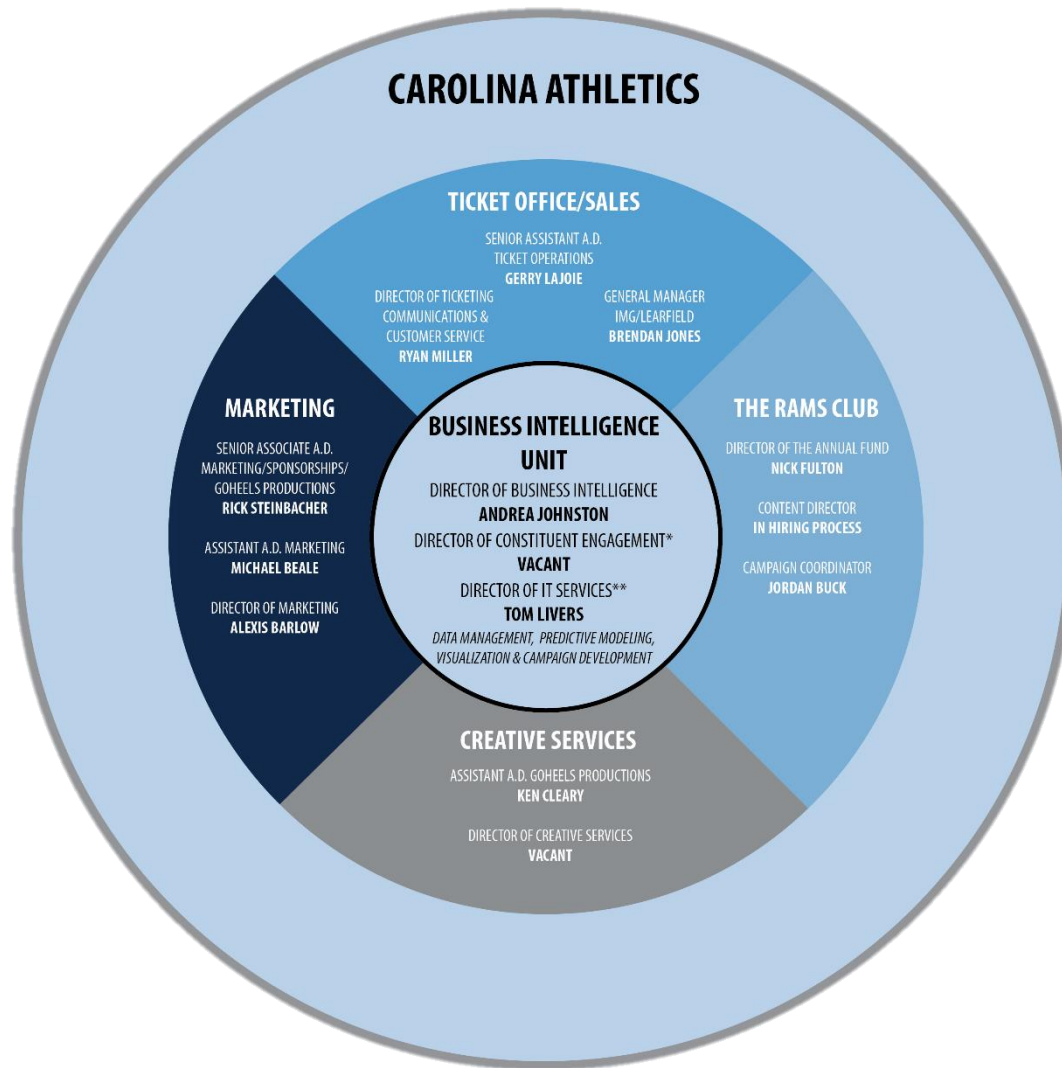
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Big Data and Predictive Analytics in Athletics

29/101

# Staffing Vision

Athletic  
Department



Analytics Center  
of Excellence

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Big Data and Predictive Analytics in Athletics

30/101

# Data Governance Committees

## Executive Committee

Name	Area	Title
Bubba Cunningham (Chair)	Athletics	Director of Athletics
David Routh	Development	Vice Chancellor for Development
John Montgomery	Rams Club	Rams Club Executive Director
Chris Kielt	ITS	Vice Chancellor and CIO
Doug Dibbert	GAA	President & Director of Alumni Affairs
Debbie Dibbert	Chancellor's Office	Chancellor's Office Chief of Staff

## Coordinating Committee

Name	Area	Title
Rick Steinbacher (Chair)	Athletics	Senior Associate Athletic Director
Dave Kass	Development	Associate VC, Advancement Services
Nick Fulton	Rams Club	Rams Club Director of the Annual Fund
Andrea Johnston	Athletics	Director of Business Intelligence & Data Analytics
Nicki Moore	Athletics	Senior Associate Athletic Director
Roger Nelsen	GAA	Director of Alumni Records & Information Systems
Scott Jackson	ITS	Director of Business Intelligence

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31/101  
Big Data and Predictive Analytics in Athletics

# How Are Other Universities Using Business Intelligence?



Using analytics to increase the four-year graduation rate by identification of high risk students



Predictive analytics are leading to better grades and higher student retention



Analytics are helping to expand recruiting to new geographic regions, improve the diversity of the student body, retention and graduation rates

## CAROLINA™

Big Data and Predictive Analytics in Athletics

# Additional Business Intelligence at Universities

- **Target Student Scholarships**
  - Instead of pushing out scholarships to students who might be prospects and hoping they attend the school and succeed, higher education institutions can use data analytics to attract higher quality students who have a greater chance of staying at the college or university. This provides the institution with the greatest return on investment for its scholarship dollars
- **Improve Admissions ROI**
  - By running a set of equations weighing demographics, academic history and other factors for different student populations (freshmen, transfers and so forth) against potential prospects, higher education institutions can target students who have the highest probability of attending. This results in the highest recruitment yields within each category of student type.
- **Identify At-Risk Students**
  - Institutions can go so far as to identify at-risk students before class even begins by cross referencing a student's past performance with classes for which they have enrolled or registered. Once identified, advisors can take steps to amend the student's schedule and put him or her in classes that would prepare the student for more difficult coursework.
- **Track Attendance**
  - Higher education institutions can keep track of student attendance by integrating attendance data taken at the beginning of class with course-related information from a student information system. Those attendance records can be compared to predefined limits personalized for each student and notifications can be generated whenever class attendance falls below the specified threshold. Educators can be sent alerts in reports or on a dashboard, which allows them to intervene and find out what's standing in the way of the student's success.
- **Evaluate Curriculum**
  - Data analytics can also be applied to another piece of the retention puzzle: curriculum evaluation. Administrators can be alerted when a specific course is experiencing larger-than-normal dropouts, allowing them to investigate the cause and identify whether it's a problem with the standard of teaching, the lecturer or something else.



# CAROLINA™

## Big Data and Predictive Analytics in Athletics





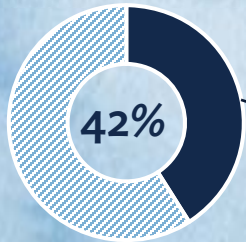
## **Development Update**

**David S. Routh, Vice Chancellor for Development**

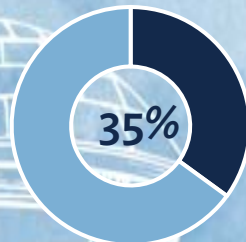
**Board of Trustees Meeting: Finance, Infrastructure, and Audit Committee**

the CAMPAIGN for CAROLINA  
**Campaign Dashboard**

TOTAL CAMPAIGN ACTIVITY **\$1,780,814,354**

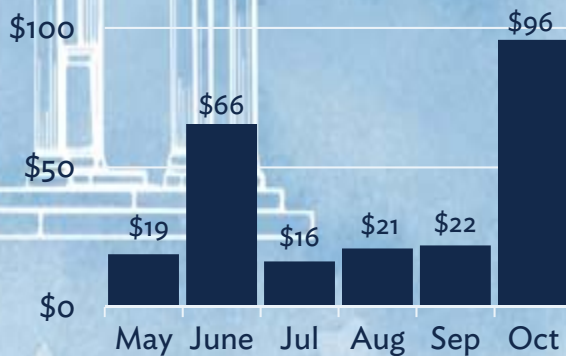


PERCENT to  
\$4.25B GOAL

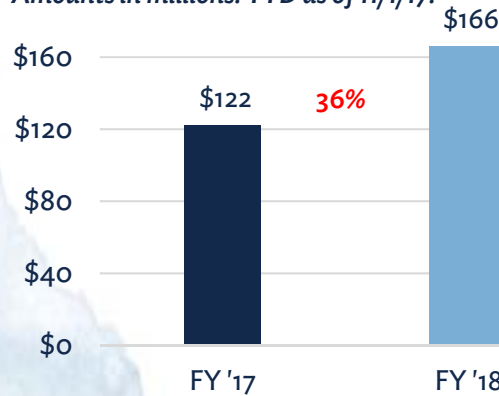


TIME  
ELAPSED

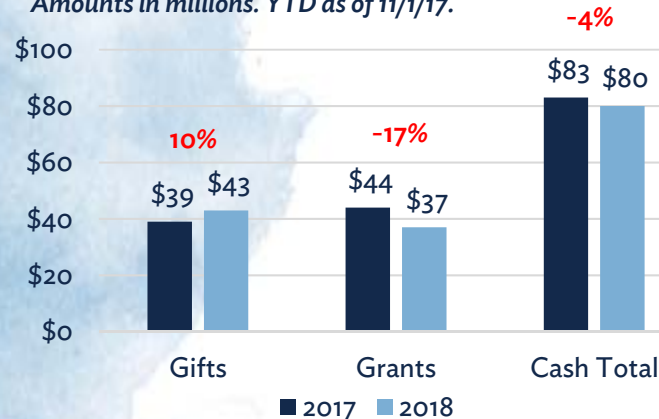
**Value of Presented Gift Proposals**  
 Amounts in millions.



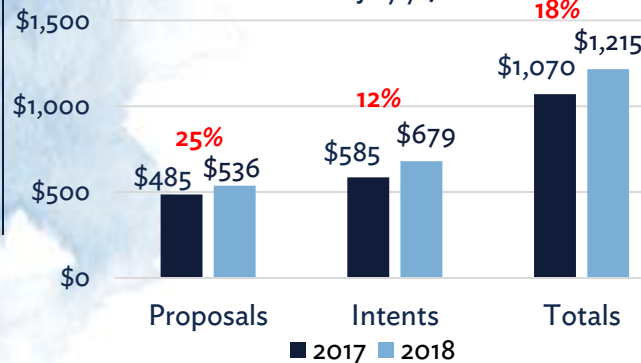
**New Cash & Commitment Totals**  
 Amounts in millions. YTD as of 11/1/17.



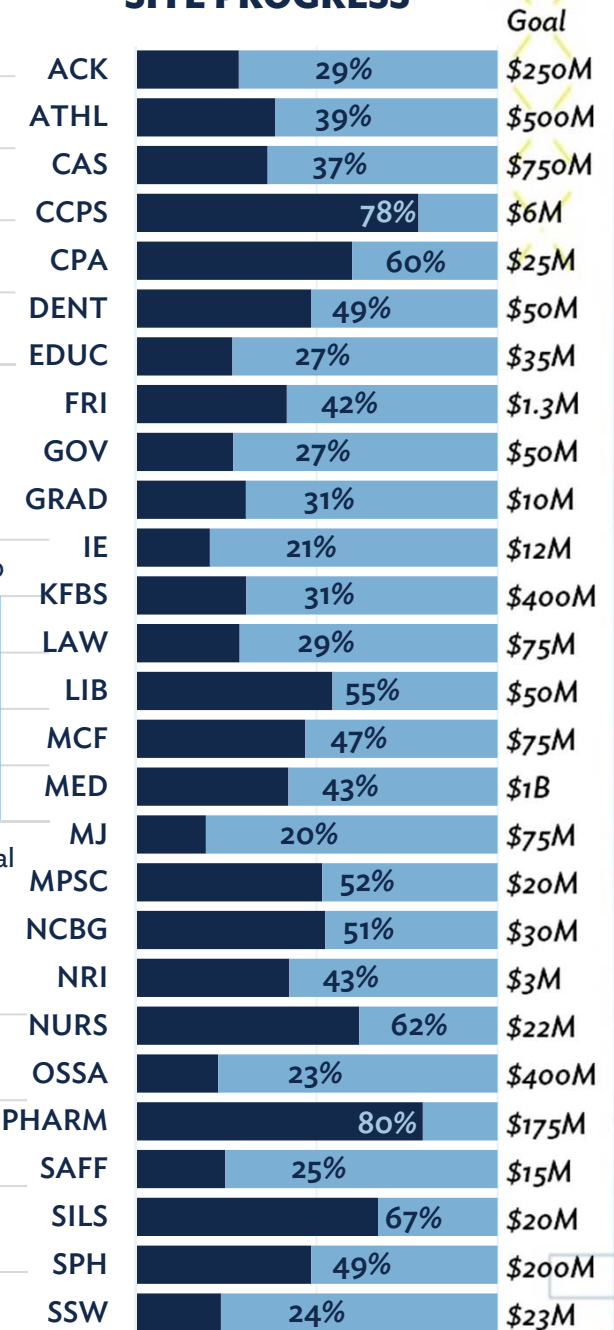
**Cash Totals**  
 Amounts in millions. YTD as of 11/1/17.



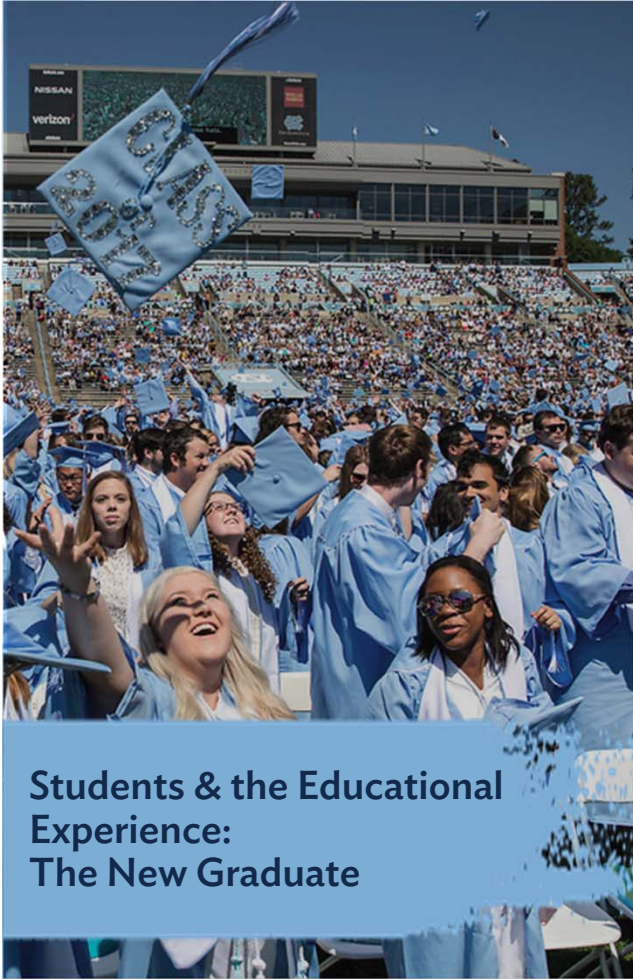
**The Pipeline**  
 Amounts in millions. YTD as of 11/1/17.



**SITE PROGRESS**



# CAMPAIGN PILLARS



**Students & the Educational Experience:  
The New Graduate**



**Faculty and Scholarship:  
The 21<sup>st</sup> Century Professoriate**



**Innovation & Impact:  
The Culture of Innovation**

# SIGNATURE INITIATIVES



## THE CAROLINA EDGE

Recruiting the very best students

## THE INSTITUTE *for* CONVERGENT SCIENCE

Translating research into impact



## ARTS EVERYWHERE

Bringing the arts to everyone



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• *the* CAMPAIGN *for* CAROLINA •

**CHAPEL HILL LAUNCH**

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# Launch ROI

Projected value of open opportunities  
for all attendees

Chapel Hill

\$190,595,133

Number of open opportunities  
for all attendees

NEW 359 NEXT

Value of new\* funding opportunities

\$48,705,203

Number of new opportunities

66

New interactions

411

New proposals presented

21

New gifts closed

13

Attendee giving July 1-Sept. 30

\$60,138,806

Attendee giving Oct. 1-Nov. 5

\$15,418,793

\* "New" indicates since Oct. 1

# Launch ROI

## Marketing Impressions by Category: Oct. 2017

<b>Digital communications</b> <i>(e-blasts, web impressions, etc.)</i>	243,207
<b>Social media</b>	547,900
<b>Print communications</b> <i>Carolina Stories</i>	203,540
<b>Video/commercial spot</b> <i>For All Kind Anthemic video</i>	4,535,800
<b>Ancillary/campaign collateral</b> <i>(banners, t-shirts, bags, etc.)</i>	2,262,800
<b>Total</b>	7,793,247

# Launch ROI

## Marketing Impressions: Monthly View

Aug 2017	334,253
Sep 2017	487,031
Oct 2017	7,793,247

## Marketing Impressions: Cumulative

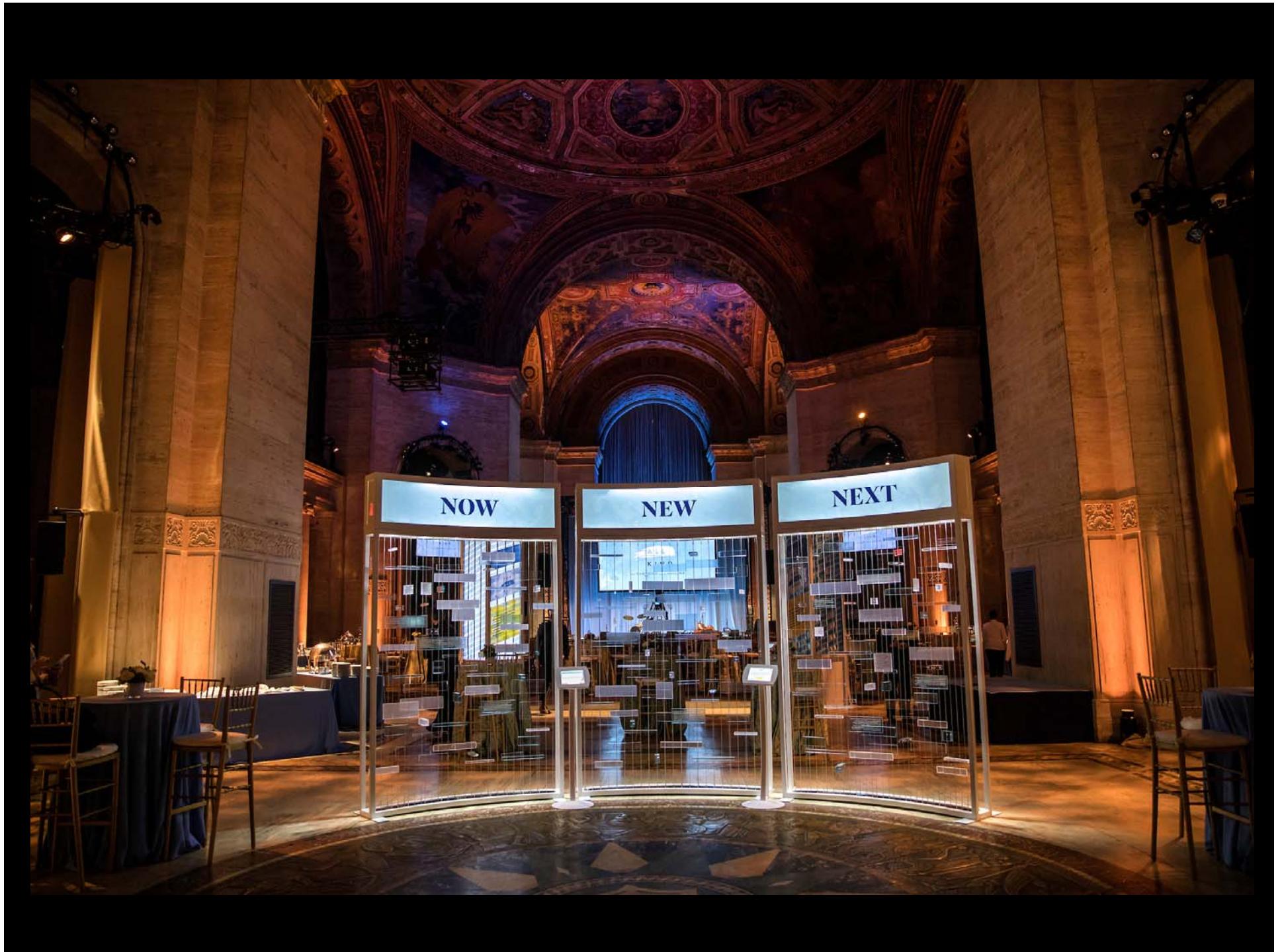
Through Oct 2017	16,923,932
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• *the* CAMPAIGN *for* CAROLINA •

**NEW YORK LAUNCH**

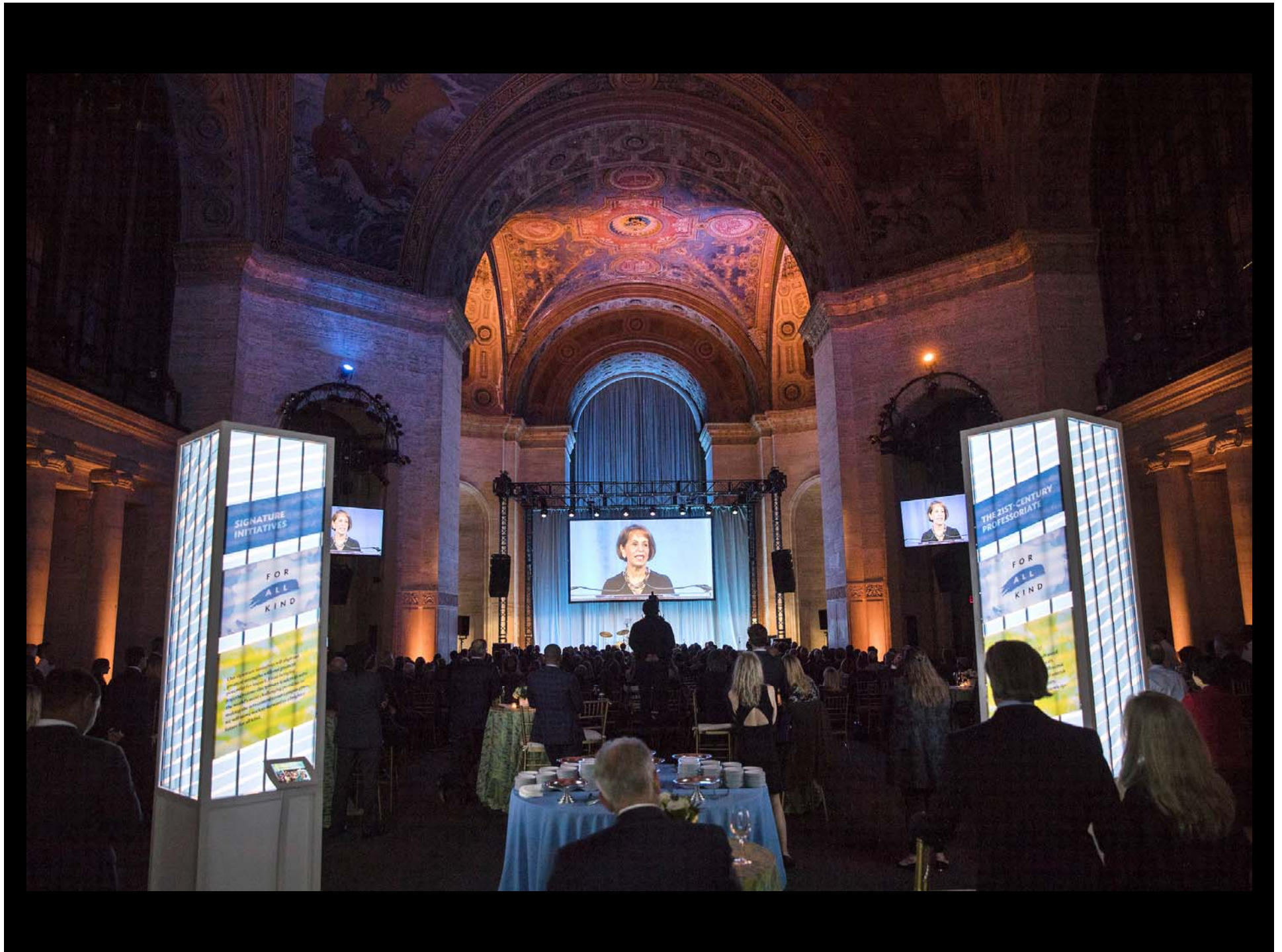


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## **Development Update**

**David S. Routh, Vice Chancellor for Development**

**Board of Trustees Meeting: Finance, Infrastructure, and Audit Committee**

# UNC Investment Fund, LLC

## Fiscal Year 2017 Review

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

November 15, 2017

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# UNCMC

UNC MANAGEMENT COMPANY, INC

# Confidentiality Notice

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## **FY 2017 Headlines**

After a weak FY 2016, UNCIF generated solid performance in FY 2017

**The UNC Investment Fund (“UNCIF” or “Fund”) returned +12.1% for FY 2017**

**Strong global equity markets produced a favorable return environment in FY 2017**

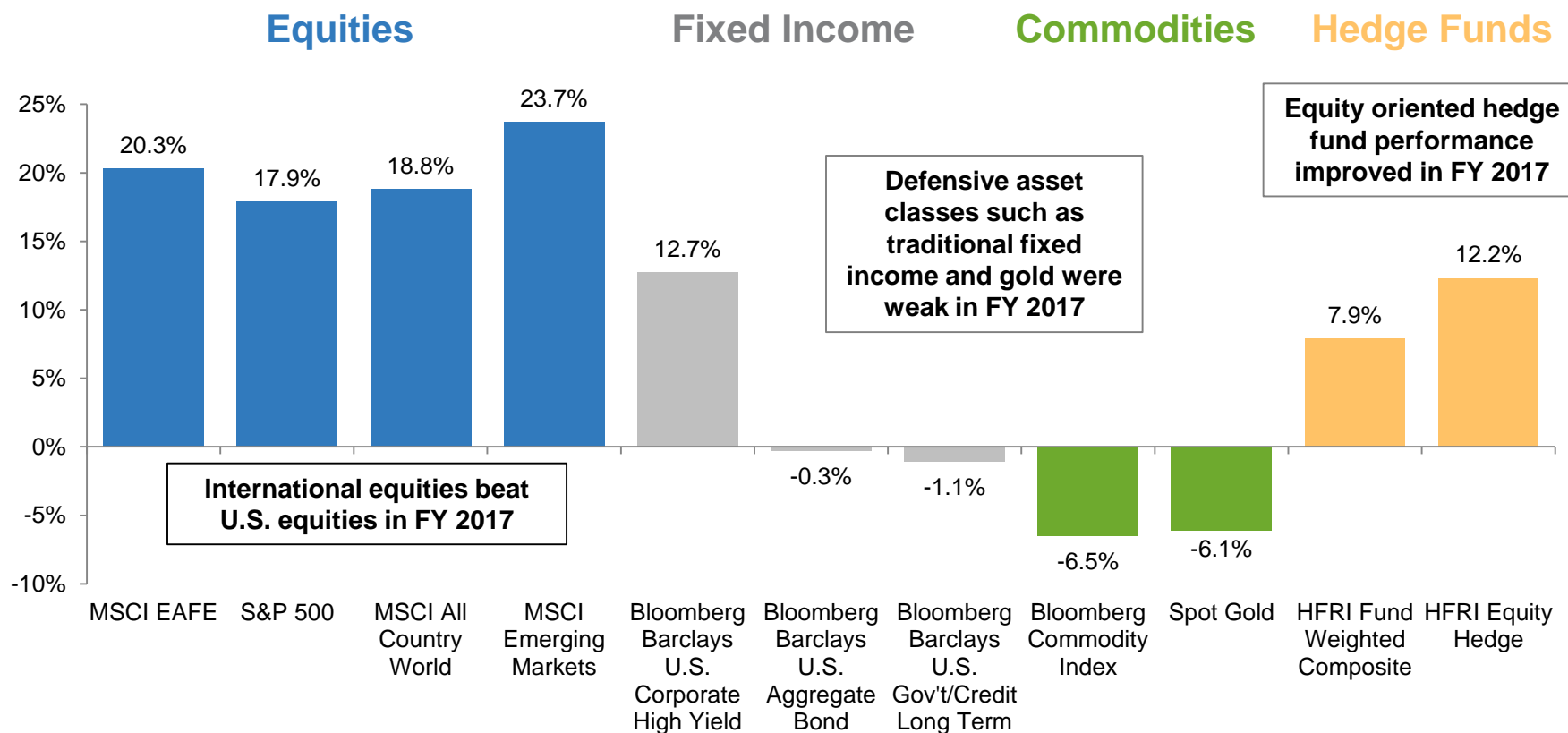
# FY 2017: Strong Equity Market Tailwind

- **Global equity markets produced very strong returns in FY 2017**
  - Global Equities: **+18.8%** (MSCI ACWI)
  - Domestic Equities: **+17.9%** (S&P 500 Index)
  - Developed Int'l Equities: **+20.3%** (MSCI EAFE Index )
  - Emerging Markets Equities: **+23.7%** (MSCI EM Index)
- **Strong FY 2017 MSCI ACWI return follows two weak years**
  - FY 2016: -3.7%
  - FY 2015: +0.7%
- **International equity markets outperformed U.S. equities for the first time in 9 years**

After two weak years equity markets rebounded in FY 2017

# Financial Markets Summary – FY 2017 (12 months ended June 30)

## Risk assets outperformed defensive asset classes



The equity bull market persisted in FY 2017

Performance is for the 12-month FY 2017 period: July 1, 2016 to June 30, 2017

8/1/17

# Return Summary – FY 2017 (12 months ended June 30)

UNCIF's +12.1% FY 2017 return is solid on an absolute and relative basis

	FY 2017 Return	UNCIF Outperformance
<b>UNC Investment Fund</b>	<b>12.1%</b>	
Primary Benchmark: SIPP <sup>(1)</sup>	11.8%	0.3%
L-T Return Objective: CPI + 5.5%	7.1%	5.0%
Traditional Portfolio: Global 70/30 <sup>(2)</sup>	12.7%	-0.6%
Peer Universe Median <sup>(3)</sup>	13.1%	-0.9%
Domestic Equities: S&P 500 Index	17.9%	-5.8%
Global Equities: MSCI ACWI	18.8%	-6.7%

**UNCIF outperformed its benchmark and primary return objective in FY 2017**

1) SIPP – Strategic Investment Policy Portfolio

2) 70% MSCI All Country World Index (ACWI), 30% Bloomberg Barclays U.S. Aggregate Bond Index

3) Cambridge Associates universe of college & university endowments. Data is preliminary as of 10/17

# UNCIF FY 2017 Summary

The Fund's +12.1% return is a solid result

## UNCIF beat SIPP and its long-term return objective but...

...trailed a “traditional” Global 70/30 Portfolio<sup>(1)</sup>  
and a peer universe median<sup>(2)</sup>

- **UNCIF tends to play defense better than offense**
  - In FY 2017 the Fund captured a reasonable share of the markets' strong returns, but lagged peers with higher allocations to “traditional” assets
  - The Fund tends to be a “top performer” in weaker market environments
- **Over the long term, “playing defense” has served the Fund well**
  - For the 3-, 5-, 10-, 15- and 20-year periods<sup>(3)</sup>, the Fund is a top quartile performer

FY 2017's +12.1% return represents a healthy rebound following FY 2016's negative return

1) 70% MSCI All Country World Index (ACWI), 30% Bloomberg Barclays U.S. Aggregate Bond Index

2) Cambridge Associates universe of college & university endowments. Data is preliminary as of 10/17

3) Periods ending June 30, 2017

# Relative Return Summary

Over longer periods, UNCIF exceeds a traditional stock/bond portfolio

Periods ended 6/30/17	1 Year	3 Years <sup>(1)</sup>	5 Years <sup>(1)</sup>	10 Years <sup>(1)</sup>
<b>UNC Investment Fund</b>	<b>12.1%</b>	<b>6.3%</b>	<b>9.3%</b>	<b>5.4%</b>
Primary Benchmark: SIPP	11.8%	4.6%	7.8%	5.7%
Traditional Portfolio: Global 70/30 <sup>(2)</sup>	12.7%	4.2%	8.1%	4.3%
Peer Universe Median <sup>(3)</sup>	13.1%	4.0%	8.0%	4.5%
UNCIF Quartile Ranking	Third	Top	Top	Top

The Fund has outperformed a traditional 70/30 portfolio over the long term and is a strong performer relative to peers

1) Annualized

2) 70% MSCI All Country World Index (ACWI), 30% Bloomberg Barclays U.S. Aggregate Bond Index

3) Cambridge Associates universe of college & university endowments. Data is preliminary as of 10/17

# UNC Investment Fund

## Primary Objective

### ■ Primary Objective

- Preserve the inflation-adjusted purchasing power of the endowment while providing a predictable and growing stream of spending distributions
- To accomplish this objective - - the endowment must earn an annualized net return exceeding the spending rate + inflation over rolling 5 – 10 year (and longer) periods
- UNCIF's stated return objective is 5.5% + CPI
- Managing the return volatility of the endowment helps to stabilize the annual spending distribution

Spending + Inflation : Return Objective > 7.5%  
5.5% + 2%

# UNC Investment Fund

## Investment Implementation

- **UNCIF has a significant allocation to alternative strategies:**
  - 25% allocation target to hedge funds and other “uncorrelated” strategies
  - 33% allocation target to “private” strategies
- **UNCIF is highly diversified**
  - Over 100 external investment management firms manage a portion of UNCIF
- **> 90% of UNCIF’s assets are invested in “commingled” funds**  
(invested alongside other investors)
  - the Fund’s external investment managers generally have full discretion over their respective portfolios
- **Allocations to “alternative” asset managers limit portfolio transparency**
  - UNCIF enters into confidentiality agreements
  - Transparency from some managers is limited and / or delayed

# UNC Investment Fund

## Investment Implementation

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### Asset Allocation

- The portfolio management process starts with asset allocation
  - Strategic Investment Policy Portfolio (“SIPP”) targets established by UNCIF’s Board of Directors
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### External Investment Management

- UNCMC hires third-party (external) investment management firms, allocating the Fund to investment managers based on the respective firm’s investment strategy, liquidity, risk profile, and other factors
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### Board of Directors Approval

- The Executive Committee of UNCIF’s Board of Directors must approve all investment manager hires recommended by UNCMC
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# Strategic Investment Policy Portfolio (“SIPP”)

## Overview of Recent Modifications

**At its May 2017 meeting, the Fund’s Board approved modest SIPP changes:**

- Asset Allocation Targets
  - Asset Allocation Ranges
  - Asset Class Benchmarks
- 
- SIPP, in its current form, has been working effectively since its implementation in 2013
  - However, we believe the Fund will benefit from the SIPP changes given the current market environment and the market environment going forward

**SIPP changes implemented FY 2018 (July 1)**

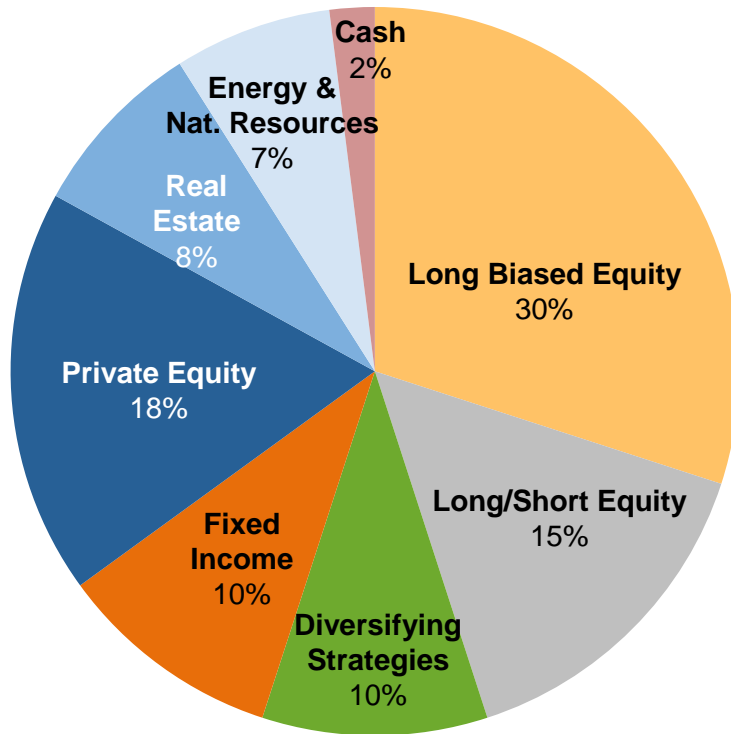
# Strategic Investment Policy Portfolio (“SIPP”)

## Overview of Recent Modifications

Asset Class	Current SIPP Target	Approved Change	New SIPP Target
Long Biased Equity	27%	+3%	30%
Long/Short Equity	18%	-3%	15%
Diversifying Strategies	12%	-2%	10%
Fixed Income	10%	-	10%
Cash	0%	+2%	2%
<b>Public Subtotal</b>	<b>67%</b>	<b>-</b>	<b>67%</b>
Private Equity	18%	-	18%
Real Estate	8%	-	8%
Energy and Nat. Resources	7%	-	7%
<b>Private Subtotal</b>	<b>33%</b>	<b>-</b>	<b>33%</b>

# Strategic Investment Policy Portfolio (“SIPP”)

## Asset Allocation Framework



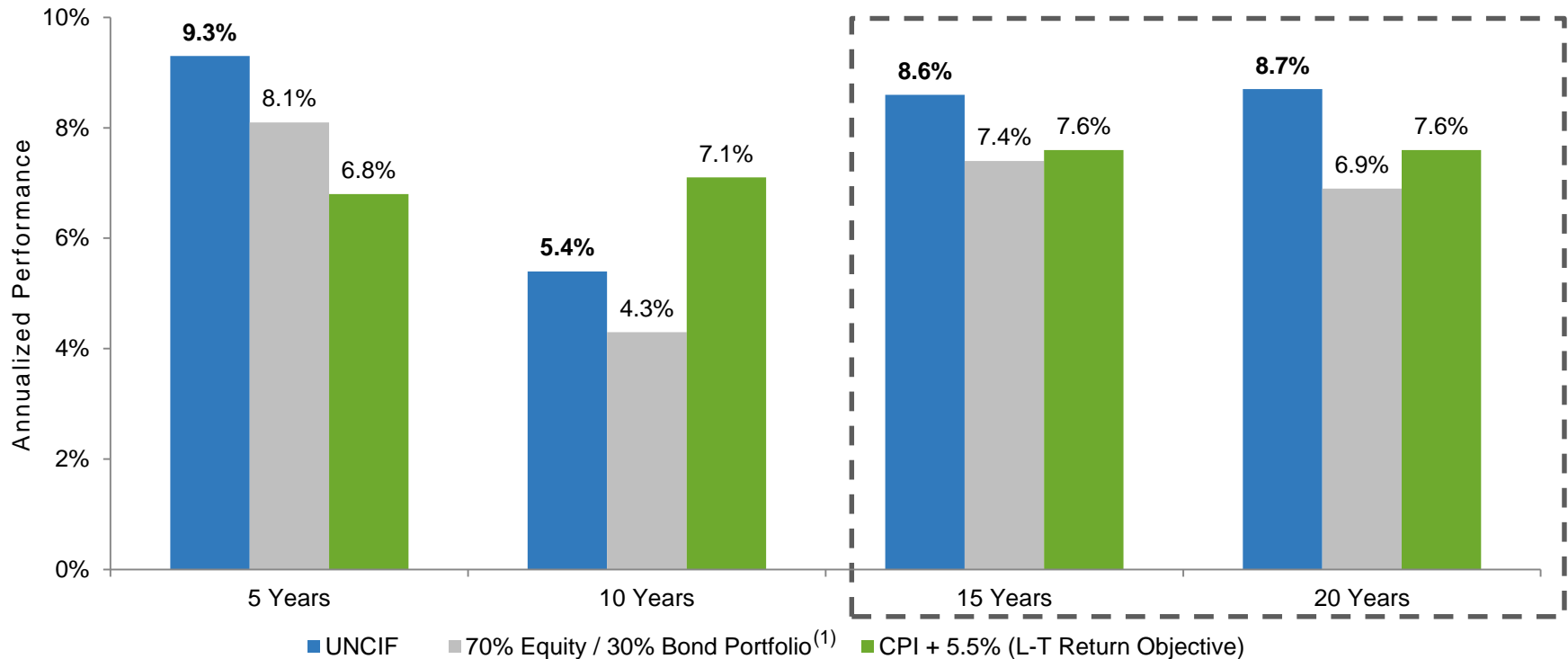
Asset Class	Target	Range
Long Biased Equity	30%	24 - 36%
Long / Short Equity	15%	10 - 20%
Diversifying Strategies	10%	6 - 14%
Fixed Income	10%	6 - 14%
Cash	2%	-2 - 8%
Private Equity	18%	14 - 22%
Real Estate	8%	5 - 12%
Energy & Natural Resources	7%	5 - 10%

Public Portfolio

Private Portfolio

# Relative Long-Term Performance

Over the long term, the Fund has achieved its investment objective



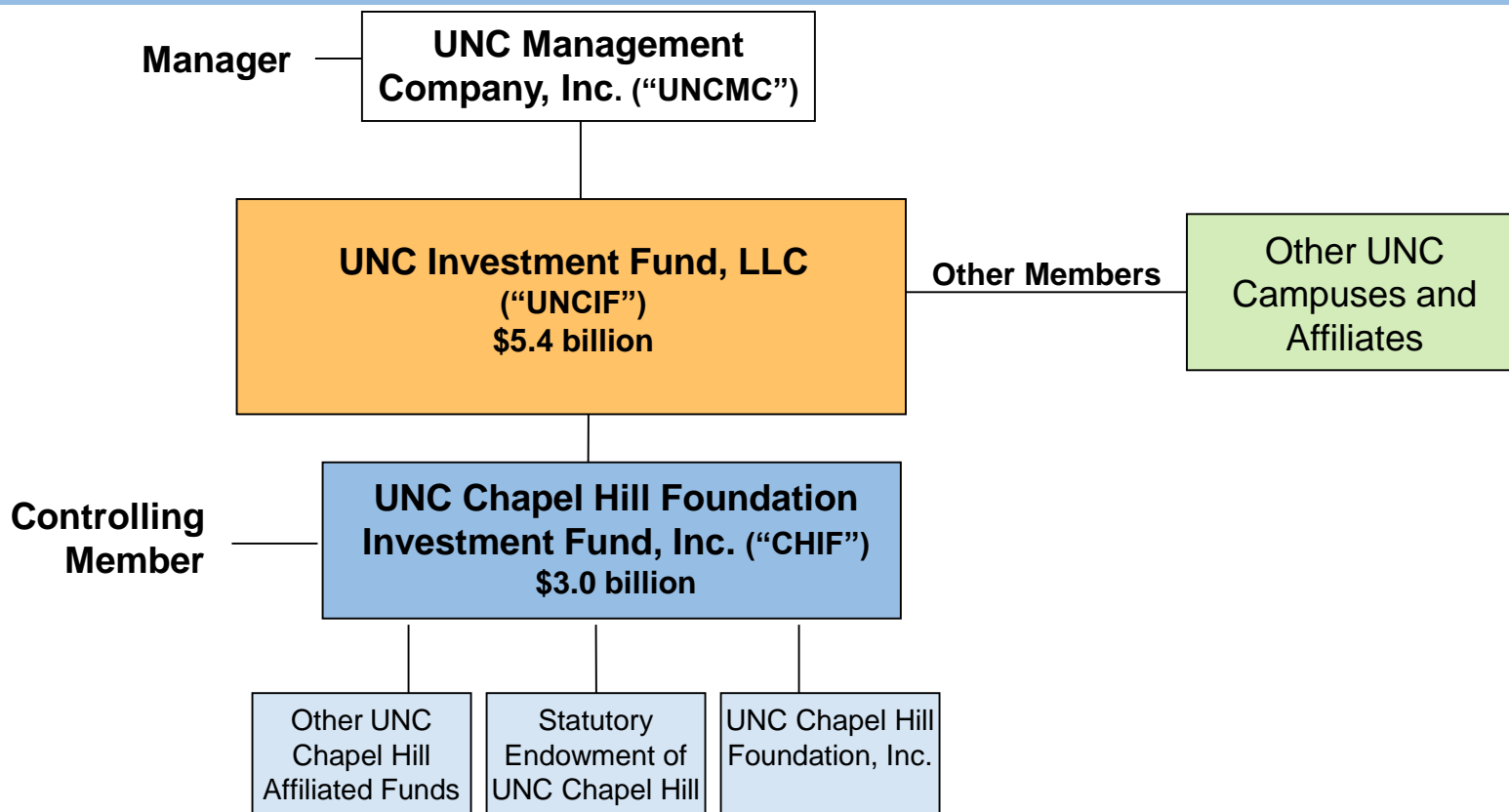
A traditional equity/bond portfolio fails to achieve the Fund's primary objective highlighting the need for diversification & private investments

Note: Performance to June 30, 2017

(1) 5 & 10 Years: Global 70/30 Portfolio - 70% MSCI All Country World Index (ACWI), 30% Bloomberg Barclays U.S. Aggregate Bond Index  
15 & 20 Years: Domestic 70/30 Portfolio - 70% S&P 500 Index, 30% Bloomberg Barclays U.S. Aggregate Bond Index

# UNC Investment Fund

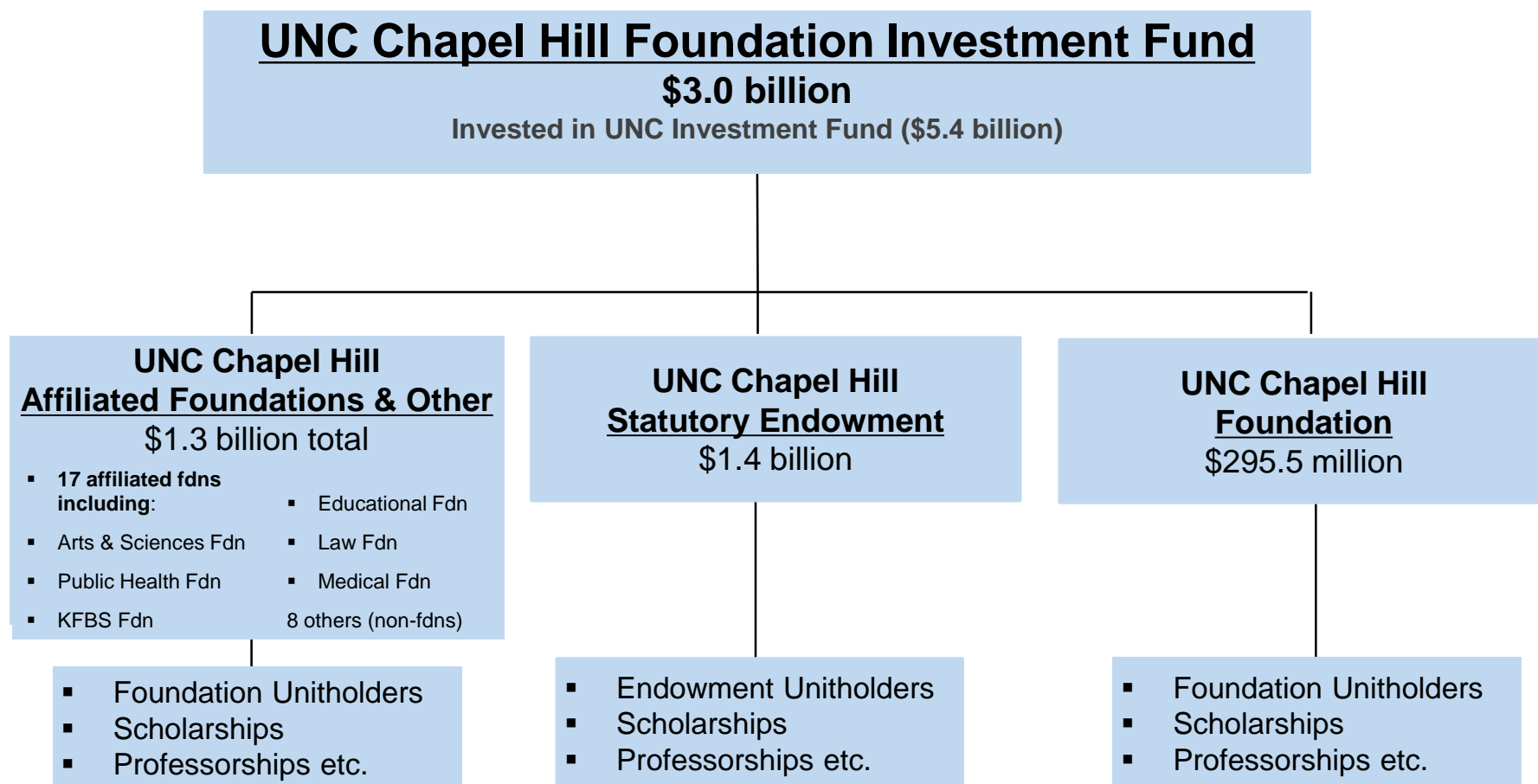
## Investment Entity Structure



UNC-CH entities invest alongside other UNC campuses & affiliates

# Chapel Hill Investment Fund (“CHIF”)

## Member Composition



Note: As of June 30, 2017

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# Chapel Hill Investment Fund (“CHIF”)

## FY 2017 Change in Market Value

### In FY 2017 CHIF increased in value by \$261.5 million:

- + net investment gain of \$339.4 million
- + \$69.8 million in net contributions
- less, annual endowment spending distribution of \$147.7 million

	June 30, 2016 (\$ millions)	June 30, 2017 (\$ millions)	FY 2017 Change (\$ millions)
Statutory Endowment	\$1,305.0	\$1,419.2	\$114.2
UNC Chapel Hill Foundation	265.5	295.5	30.0
Other Affiliated Foundations	1,000.8	1,119.9	119.1
Other CHIF participants	211.4	209.5	(1.9)
<b>Total CHIF</b>	<b>\$2,782.7</b>	<b>\$3,044.2</b>	<b>\$261.5</b>

Note: Totals may not sum due to rounding

# Chapel Hill Investment Fund (“CHIF”)

## 5 Year Change in Market Value

**For the five year period ended June 30, 2017, CHIF increased in value by \$905.2 million:**

- + net investment gain of \$1,161.3 million
- + \$420.3 million in net contributions
- less, annual endowment spending distributions of \$676.4 million

	June 30, 2012 (\$ millions)	June 30, 2017 (\$ millions)	FY 2017 Change (\$ millions)
Statutory Endowment	\$1,015.8	\$1,419.2	\$403.4
UNC Chapel Hill Foundation	217.4	295.5	78.1
Other Affiliated Foundations	772.9	1,119.9	347.0
Other CHIF participants	132.9	209.5	76.6
<b>Total CHIF</b>	<b>\$2,139.0</b>	<b>\$3,044.2</b>	<b>\$905.2</b>

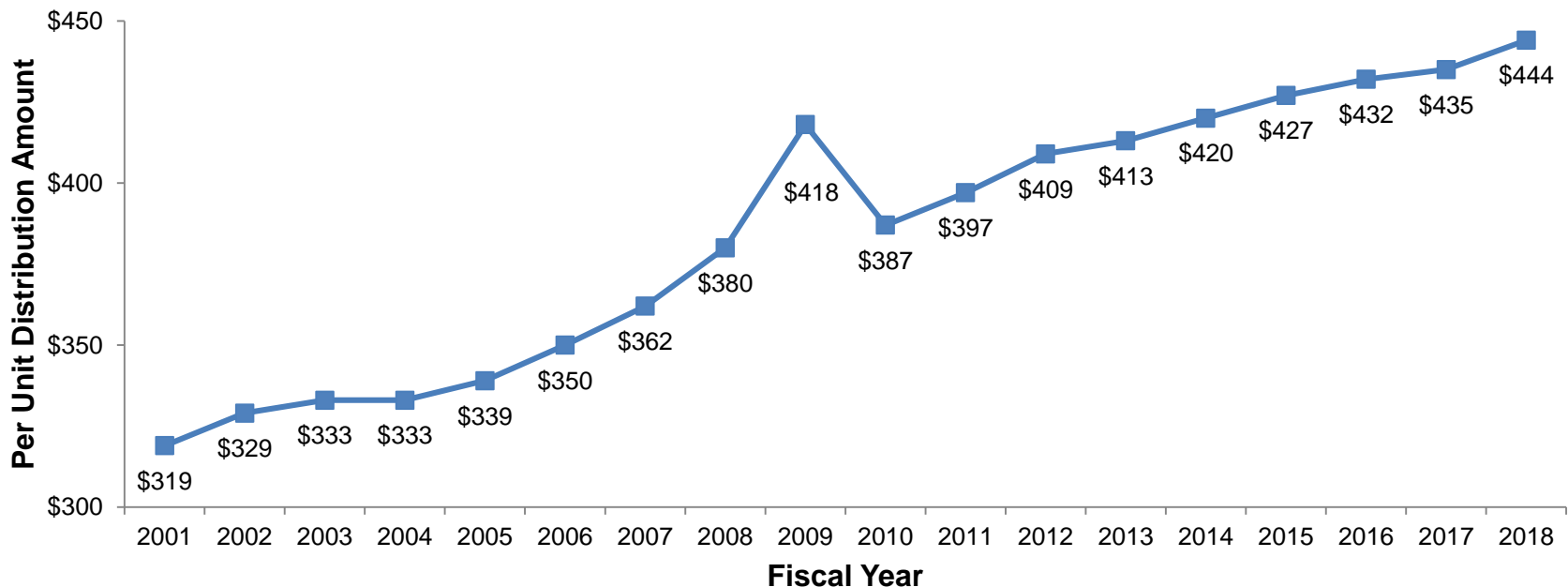
Note: Totals may not sum due to rounding

# Chapel Hill Investment Fund (“CHIF”)

## Per Unit Distribution Amount

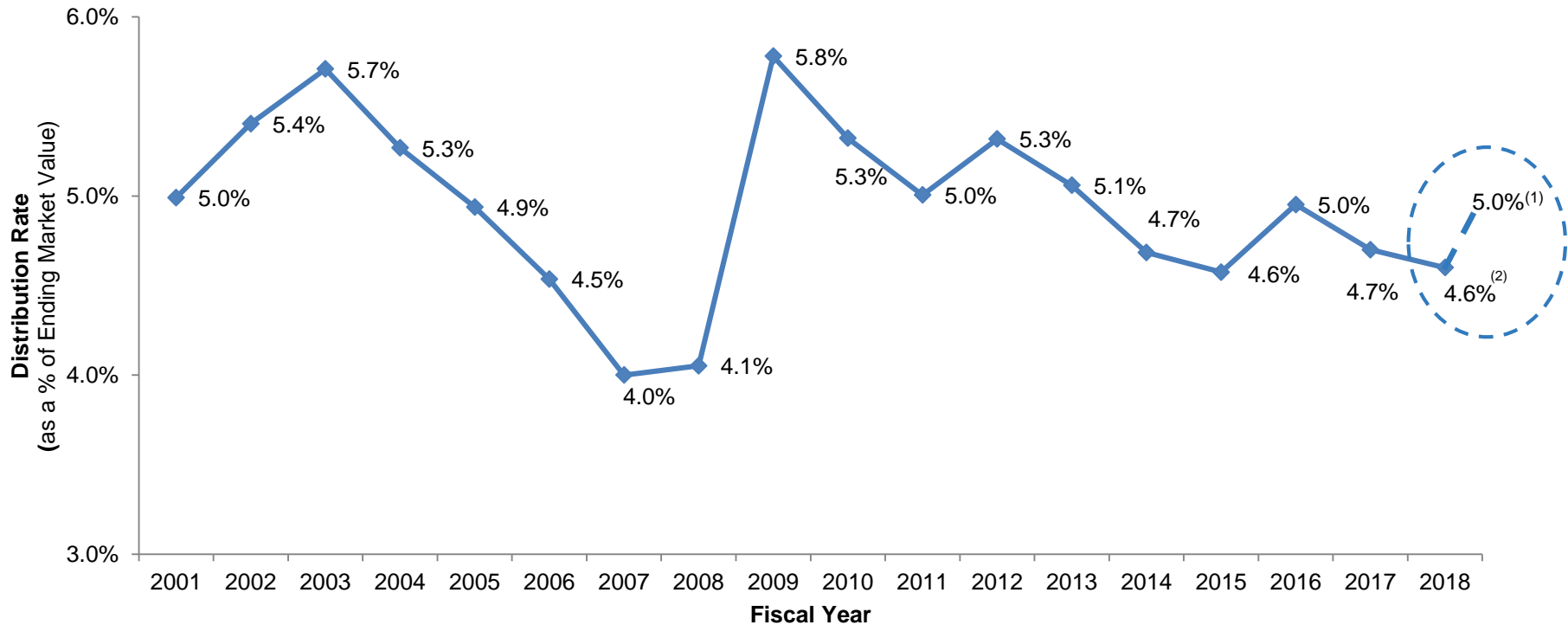
**At its May 2017 meeting, CHIF’s Board of Directors:**

- approved the FY 2018 Annual Distribution Rate of \$444 per CHIF unit
- increasing the per unit distribution rate by 2.1% over FY 2017
- the \$444 per unit rate will be distributed to CHIF participants on 6/30/2018



# Chapel Hill Investment Fund (“CHIF”)

Distribution \$ Amount as a % of Ending Market Value



The distribution rate as a percent of market value is a by-product of the “constant growth rule” methodology

- (1) 6/30/2018 market value projected based on 6/30/2017 market value with 0% investment return assumption for FY 2018  
(2) 6/30/2018 market value projected based on 6/30/2017 market value with 8% investment return assumption for FY 2018

# Return Summary: FYTD 2018

	Jul. 2017	Aug. 2017	Sep. 2017	FYTD 2018 (3 months)
<b>UNCIF</b>	<b>1.3%</b>	<b>1.3%</b>	<b>0.6%</b>	<b>3.2%</b>
<b><i>Primary Benchmark: SIPP</i></b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2.8%</b>
Traditional Portfolio: Global 70/30 <sup>(1)</sup>	2.1%	0.5%	1.2%	3.9%
Domestic Equities: S&P 500 Index	2.1%	0.3%	2.1%	4.5%
Global Equities: MSCI ACWI	2.8%	0.4%	1.9%	5.2%

The Fund is off to a good start in FY 2018

(1) 70% MSCI All Country World Index (ACWI), 30% Bloomberg Barclays U.S. Aggregate Bond Index

# Our Fundamental Beliefs

Over the long term, the Fund has achieved its objectives

## **Maintaining conviction in our investment approach and philosophy has led to the Fund achieving its objectives**

- Maintain a long-term time horizon
- Portfolio diversification is a key component in managing risk
- Focus assets with our highest conviction investment managers
- Alternative asset classes play a significant role
- Tactical portfolio shifts can be utilized selectively to capture shorter-term opportunities
- Downside protection matters

The most important and difficult challenge remains striking the proper portfolio balance between upside participation and downside protection

# Wrap-Up

After a difficult FY 2016, the Fund generated solid performance in FY 2017

## **The Fund returned +12.1% for FY 2017 (12 months)**

- **Defensive asset classes hurt performance in FY 2017**
  - We maintain the conviction that a highly diversified portfolio with significant allocations to alternative assets provides the best risk/return profile over the long term
- **The Fund's 3-, 5-, and 10-year returns remain strong relative to peers and a "traditional" Global 70/30 Portfolio**
- **We expect the current market environment (low bond yields, modest equity returns) to persist with volatility likely to increase**

We continue to seek opportunities to enhance the Fund's return potential while maintaining a disciplined approach toward risk

**FOR INFORMATION—UNC HEALTHCARE SURGICAL TOWER**

UNC Hospitals' main perioperative suite dates back to 1952. Operating room size, ceiling height, supporting ancillary functions, and supporting infrastructure do not meet current code or recommended guidelines. Although various upgrades have been completed since 1952, facility limitations prohibit the use of newer technologies.

UNC Hospitals received site approval to construct the Surgical Tower on a site identified in the 2001 Campus Master Plan south of the Ambulatory Patient Care Facility in July 2016.

The program for the 7-story Surgical Tower will include 24 operating rooms, waiting rooms on each floor, 56 pre/post-operative care areas that are adjacent to the operating rooms and 56 intensive care unit beds. The building height is similar in height to the NC Memorial Hospital. The exterior of the Surgical Tower is intended to complement the exterior of the NC Cancer Hospital with the goal to create a more uniform appearance at the front of UNC Hospitals

The project is scheduled to start construction in June 2018.

Anticipated project budget is \$290 million.

**RECOMMENDED ACTION**

For information only