UNIVERSITY OF N.C. AT CHAPEL HILL

First state university to open its doors, 1795. Chartered in 1789 under the Constitution of 1776.
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THE FUND

The UNC Investment Fund, LLC ("Fund" or "UNCIF") is the commingled vehicle created to invest the assets of The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. ("Chapel Hill Investment Fund" or "CHIF") along with other eligible entities affiliated with the University of North Carolina system ("Members"). CHIF is the Fund's controlling Member with its Board of Directors ("Board") responsible for the Fund's governance.

In addition to The University of North Carolina at Chapel Hill Endowment, there are currently 26 other participants represented in CHIF. A complete list of participants can be found on page 24. These entities are comprised of more than 2,000 individual underlying funds.

By investing in the Fund, Members receive:

- Investment management and oversight by a team of professionals dedicated to achieving the Fund's objectives and focused on protecting the Fund's assets during periods of market weakness
- Access to superior external investment management firms
- Competitive fees
- Highly diversified portfolio of investments allocated across investment managers, asset classes, and geographies
- Proven long-term investment track record generated with moderate volatility

THE INVESTMENT OBJECTIVES

- **Primary Objective:** Support the current and future needs of the Fund’s Member institutions by generating, in perpetuity, a predictable and stable stream of annual spending distributions while also preserving purchasing power (net of inflation) after accounting for spending distributions.

- **Secondary Objective:** Achieve a rate of return, net of all fees and expenses, that exceeds the Fund’s primary benchmark, the Strategic Investment Policy Portfolio ("SIPP"). More information on SIPP can be found on page 11.

The Fund’s asset allocation framework, as defined by SIPP, is principally implemented through investments in external investment managers.

THE MANAGEMENT COMPANY

The UNC Management Company, Inc. ("Management Company") has been appointed by CHIF’s Board to provide investment management services to the Fund as well as Fund administration and performance reporting. The Management Company works closely with the Board and its Executive Committee requiring their direction and approval for:

- Determination of asset allocation
- Hiring and termination of external investment management firms
- Purchase or sale of assets
A MESSAGE FROM THE
CHAIRMAN OF THE BOARD & PRESIDENT OF UNC MANAGEMENT COMPANY, INC.

It is with great pleasure that we present the Fiscal Year 2015 Annual Report for the UNC Investment Fund, LLC (“Fund” or “UNCIF”). In the most recent fiscal year ended June 30, 2015 (“FY 2015”), the Fund posted a 9.3 percent net investment return. Given the relatively challenging financial market environment in FY 2015, this was a particularly strong result. The Fund’s 9.3 percent return far outpaced its primary investment benchmark, the Strategic Investment Policy Portfolio (“SIPP”) which recorded a 3.2 percent return for the year. In addition, the Fund’s FY 2015 return ranked in the top 5 percent of the Cambridge Associates universe of college and university endowment funds.

The Fund’s significant outperformance for the year was driven by exceptionally strong returns generated by its underlying investment managers, once again reinforcing the importance of investment manager selection in the portfolio construction process. Investments in tactical opportunities, such as currency hedges and allocations to regional equity markets, also contributed positively during the year.

On an absolute basis, the Fund’s FY 2015 return was driven by the very strong 27.7 percent net return recorded by the Fund’s Private Equity asset class. The Fund’s Private Equity investments have consistently generated strong results, illustrating the importance of the asset allocation process, where opportunistic asset classes such as Private Equity can add significant value over public equity markets. Over the past ten years, the Fund’s Private Equity portfolio has produced a 15.9 percent net annualized return, more than doubling the 7.9 percent annualized return on the S&P 500 Index.

Reflecting the Fund’s positive performance in FY 2015, the Fund’s assets increased by $505.9 million during the year to reach $4.6 billion. Over the past five years, the Fund has grown by more than 80 percent, an increase of more than $2.1 billion. This five year growth in assets is the result of both investment gains and additional contributions from the Fund’s Members.

In recent months, the financial market complacency of the past few years has been replaced by heightened volatility reflecting renewed concerns regarding the state of the global economy and an increase in geopolitical tensions. While the future is unpredictable, the disciplined and consistent investment approach employed by the Fund has been proven to add value over long-term time horizons. Under the care of the professional staff at the UNC Management Company and the oversight of the Chapel Hill Investment Fund Board, we will continue to seek out attractive investment opportunities designed to meet the Fund’s investment objectives.

Speaking for the entire Chapel Hill Investment Fund Board as well as the staff of the UNC Management Company, we remain grateful for the continued support from our Member institutions and their donors. We also maintain our commitment to the Fund’s investment philosophy of investing for the long term in a portfolio of exceptional investment managers diversified across asset classes, strategies, and geographies and with a significant allocation to alternative assets.

JONATHON C. KING
President & CEO, Chief Investment Officer, UNC Management Company, Inc.

MAX C. CHAPMAN JR.
Chairman, Gardner Capital Management
Chairman, Board of Directors, University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.
One of the distinguishing features of the Chapel Hill Investment Fund is the oversight and governance provided by its Board of Directors to the UNC Investment Fund, LLC as its controlling Member. The Board, focused on the long-term strategy of the Fund, convenes at least three times a year to discuss and debate asset allocation, investment policy, and to monitor performance. The Board’s Executive Committee meets more frequently to review intermediate-term recommendations of the Management Company. With its collective financial market expertise and extensive experience, the Board serves as an invaluable resource to the Management Company in its mission to deliver exceptional risk-adjusted returns. Listed above are the Directors as of June 30, 2015. 

*Executive Committee Member
# Portfolio at a Glance

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<thead>
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<tbody>
<tr>
<td>Long Biased Equity</td>
<td>29.1%</td>
<td>29.8%</td>
<td>29.0%</td>
<td>24.5%</td>
<td>24.3%</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>20.0%</td>
<td>19.1%</td>
<td>18.3%</td>
<td>17.8%</td>
<td>19.5%</td>
</tr>
<tr>
<td>Diversifying Strategies</td>
<td>7.3%</td>
<td>9.6%</td>
<td>10.6%</td>
<td>13.4%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>7.9%</td>
<td>8.0%</td>
<td>8.3%</td>
<td>8.8%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>19.4%</td>
<td>17.6%</td>
<td>18.1%</td>
<td>17.8%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6.7%</td>
<td>6.8%</td>
<td>7.5%</td>
<td>7.2%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Energy &amp; Natural Resources</td>
<td>5.1%</td>
<td>6.5%</td>
<td>7.0%</td>
<td>7.2%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Cash</td>
<td>4.5%</td>
<td>2.6%</td>
<td>12%</td>
<td>3.3%</td>
<td>2.8%</td>
</tr>
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**Fiscal Year as of June 30**

<table>
<thead>
<tr>
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<tr>
<td>$4,643.2</td>
<td>$4,137.3</td>
<td>$3,554.0</td>
<td>$3,175.5</td>
<td>$2,903.7</td>
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<tbody>
<tr>
<td>9.3%</td>
<td>15.7%</td>
<td>12.1%</td>
<td>2.1%</td>
<td>15.3%</td>
<td></td>
</tr>
</tbody>
</table>

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<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2%</td>
<td>15.0%</td>
<td>10.4%</td>
<td>4.7%</td>
<td>20.2%</td>
<td></td>
</tr>
</tbody>
</table>
## Fiscal Year 2015 Overview

Continuing the bull market that began in March 2009, U.S. equities generally recorded positive returns for the fiscal year ended June 30, 2015 as evidenced by the 7.4 percent return of the S&P 500 Index. This is in sharp contrast to international equity markets that struggled during the fiscal year with the MSCI EAFE (Europe, Australasia, Far East) Index losing -4.2 percent during the year. The MSCI Emerging Markets Equity Index fared even worse returning -5.1 percent. The broad domestic fixed income market, represented by the Barclays U.S. Aggregate Bond Index, returned just 1.9 percent for the year as interest rates moved sharply higher during the final quarter of fiscal year 2015, tempering prior gains. Hedge funds also generated muted returns with the HFRI Equity Hedge Index up just 2.4 percent for the period. With the sharp drop in commodity prices over the year, the GSCI Commodity Index collapsed, losing -36.8 percent.

For the 12-month period ended June 30, 2015, the UNC Investment Fund generated a solid 9.3 percent return. The Fund's primary objective is to maintain the purchasing power of its underlying funds after accounting for spending distributions and inflation over the long term. Returns in excess of 8.0 percent are deemed to have achieved this target. In addition to contributing to the Fund’s long-term return objective, the fiscal year 2015 return of 9.3 percent handily exceeded the Fund's primary benchmark, the Strategic Investment Policy Portfolio Index (“SIPP”) which returned 3.2 percent. The Fund’s performance also significantly exceeded, by 8.2 percent, a more traditional stock/bond portfolio with the Global 70/30 Portfolio (consisting of 70 percent MSCI All Country World Index (ACWI) and 30 percent Barclays U.S. Aggregate Bond Index) recording a 1.1 percent return. Relative to other endowments, the Fund’s 9.3 percent return is well ahead of the 3.2 percent median return of the BNY Mellon Endowment & Foundation Funds Universe, ranking in the top five percent of this universe.

For the year, six of the Fund’s seven primary asset classes generated a positive return with five out of seven exceeding their benchmark. Private Equity was the significant driver of the Fund’s performance over the year returning an impressive 27.7 percent and trumping its benchmark by almost 14 percentage points. The Fund’s other two equity based asset classes, Long Biased Equity

### Figure 1

<table>
<thead>
<tr>
<th>UNCIF Asset Class</th>
<th>SIPP Benchmark Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Biased Equity</td>
<td>8.2%</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>0.7%</td>
</tr>
<tr>
<td>Diversifying Strategies</td>
<td>2.4%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>27.7%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>13.9%</td>
</tr>
<tr>
<td>Energy &amp; Natural Resources</td>
<td>8.9%</td>
</tr>
<tr>
<td></td>
<td>-8.5%</td>
</tr>
</tbody>
</table>

Both relative and absolute performance in FY 2015 was driven by equity-oriented strategies, particularly Private Equity.
and Long/Short Equity were also strong performers, generating solid absolute returns of 8.2 percent and 8.5 percent and beating their respective benchmarks by 7.5 percentage points and 6.1 percentage points. While still negative for the year, Energy & Natural Resources, with its -8.5 percent return, was a significant outperformer over its benchmark which returned -21.0 percent for the same period. Diversifying Strategies’ 0.5 percent return and 3.3 percent underperformance relative to its benchmark reflected disappointing results with this asset class being an area of focus for fiscal year 2016.

During the year, as a result of positive investment performance as well as additional contributions by Members, the Fund’s market value grew by $505.9 million to exceed $4.6 billion as of the fiscal year end. Figure 2 above details the more than $2.1 billion dollar increase in the Fund’s market value over the past five years.

In late FY 2015 the S&P 500 Index reached record highs, further extending the bull market which began in the spring of 2009. Entering fiscal year 2016, however, the
complacency in equity markets seen over the past few years has been replaced by heightened volatility and significant drawdowns. For example, the S&P 500 Index had not experienced a 10 percent correction in almost four years until August 2015. This change in market sentiment was spurred on by equity market valuation concerns combined with a significant change in the outlook for China’s economy leading to an uncertain outlook for global growth more broadly. Deteriorating economic conditions in China have also had a dramatic impact on currencies, commodity prices, and emerging market equities. In addition to China’s economy, investors are also closely watching for signs as to the pace the U.S. Federal Reserve raises interest rates after a prolonged period of exceptionally loose monetary policy. With oil and gas prices at multi-year lows, the path of future oil prices also remains a key area of focus. With these concerns lingering, we expect volatility to remain elevated and returns to be muted relative to the bull market of the past six years. Amid this backdrop, identifying uncorrelated and tactical investment opportunities will be necessary in order for the Fund to meet its objectives going forward.

In order for the Fund to continue meeting its long-term return objective, we, at the UNC Management Company, maintain our conviction in a diversified portfolio invested across asset classes, strategies, and underlying investment managers. Sourcing the best underlying managers for the Fund who have proven track records of generating returns across various market environments remains a top priority. While the Fund’s asset allocation targets were set with a long-term time horizon, ranges were also established to give us the flexibility to make tactical allocations when necessary. We continue to assess and modify, when necessary, the Fund’s asset allocation within these ranges paying particular attention as we enter fiscal year 2016 to repositioning both the Fixed Income and Diversifying Strategies allocations to ensure the Fund’s ability to generate attractive returns while also protecting capital during periods of market stress. ☞
INVESTMENT PRINCIPLES

The Fund’s primary objective is to support the current and future needs of its Member institutions by generating, in perpetuity, a predictable and stable stream of annual spending distributions while also preserving purchasing power (net of inflation) after accounting for spending distributions. More simply, the Fund, over the long term, has to return approximately 8.0 percent to achieve its primary objective: the spending rate (usually around 5.5 percent) plus inflation (around 2.5 percent).

While this objective is straightforward in concept, it is a challenge to achieve in practice. To meet this goal, the Fund’s investment philosophy has been built around three core principles:

1. MAINTAIN LONG-TERM PERSPECTIVE – By taking a long-term view, the Fund can benefit from inefficiencies that arise from the short-term focus of many market participants.

2. PARTNER WITH BEST-IN-CLASS INVESTMENT MANAGERS – The Fund invests its assets with third-party investment managers. The UNC Management Company is steadfast in its pursuit of exceptional investment managers. Our research process takes us across the globe as we seek to partner with managers that possess highly specialized skills, an ability to think independently, and who have a demonstrated track record of adding value.

3. MANAGE RISK THROUGH DIVERSIFICATION – We strive to make the best investment decisions all of the time but accept that this is not possible given the certain uncertainty of financial markets. Risk management is a core tenet woven throughout our investment process and diversification serves as one of our primary risk management tools. We believe that investing across asset classes, geographies, and investment managers positions the Fund to achieve long-term success by limiting drawdowns associated with poor market conditions and the occasional inability of some investment managers to meet their targets.
Fundamental to the Fund’s Investment Objectives is the Strategic Investment Policy Portfolio (“SIPP”) established by the Board. SIPP provides asset allocation guidelines for the management of the Fund in accordance with its long-term return objectives and risk tolerance. SIPP is a broadly diversified portfolio with exposure to seven primary asset classes each of which is further divided into sub-strategies. SIPP establishes strategic asset allocation targets and tactical asset allocation ranges for the Fund’s seven primary asset classes. Each asset class is measured against a benchmark index which, when aggregated, serves as a method of assessing the Fund’s overall performance. SIPP reflects the long-term time horizon of the Fund. As such, modifications tend to be gradual with significant revisions occurring infrequently.

Key characteristics of SIPP include:

- Diversification across asset classes to allow the Fund to achieve its objectives through varying market environments
- Reliance on equity-related investments, both in public and private markets, to achieve long-term return objectives
- Significant allocation to private securities to capture the illiquidity premium associated with them
- Emphasis on equities over fixed income securities to reflect the Fund’s inflation sensitivity

Each of the seven underlying asset classes within SIPP provides different benefits to the overall portfolio across different market environments. The Fund is allocated across the different asset classes through investments with a number of investment managers chosen following a rigorous selection process. A brief description of each of the asset classes, including the investment strategy used and the types of investments typically held, follows.

**LONG BIAS ED EQUITY**
A traditional asset class characterized by ownership of publicly traded equity securities listed on global equity markets. This asset class is further divided into the following geographic sub-asset classes: domestic equity, developed markets international equity, emerging markets equity, and global equity.

**LONG/SHORT EQUITY**
An asset class characterized by a manager’s ability to buy and/or sell short individual publicly listed equity securities that the manager believes the market has mispriced relative to their fundamental intrinsic value. The long and short positions are generally independent of one another and portfolios typically result in an overall net long exposure to equities. This flexibility is intended to add value and/or decrease risk.

**DIVERSIFYING STRATEGIES**
An asset class that includes investment strategies that tend to be uncorrelated with major equity market indices. Diversifying Strategies consist of the following three sub-strategies: multi-strategy, credit long/short, and macro/commodities.

**FIXED INCOME**
A broad and traditional asset class that generally comprises investment strategies (almost always including debt instruments) that are focused on income generation. The Fixed Income asset class tends to provide diversification to the portfolio acting as a complement to the Long Biased Equity asset class.

**PRIVATE EQUITY**
An asset class that includes equity investments and transactions in private companies (i.e. companies that are not publicly listed on any stock exchange). As the investments are illiquid, they are expected to provide higher returns than public equity investments over the long term.
### FIGURE 4
**STRATEGIC INVESTMENT POLICY PORTFOLIO**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund Allocation (1)</th>
<th>Strategic Target</th>
<th>Tactical Range</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Biased Equity</td>
<td>29.1%</td>
<td>27.0%</td>
<td>20 – 35%</td>
<td>MSCI All Country World Index (&quot;ACWI&quot;)</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>20.0%</td>
<td>18.0%</td>
<td>12 – 24%</td>
<td>Hedge Fund Research Institute (&quot;HFRI&quot;) Equity Hedge Index</td>
</tr>
<tr>
<td>Diversifying Strategies</td>
<td>7.3%</td>
<td>12.0%</td>
<td>8 – 16%</td>
<td>HFRI Conservative Fund of Funds Index + 1%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>7.9%</td>
<td>10.0%</td>
<td>5 – 18%</td>
<td>30% BC L-T Gov t/Credit, 30% BC Aggregate, 20% BC HY Corporate, 20% 90-Day T-Bills (2)</td>
</tr>
<tr>
<td>Private Equity</td>
<td>19.4%</td>
<td>18.0%</td>
<td>14 – 22%</td>
<td>70% CA PE Index / 30% CA Venture Capital Index (3)</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6.7%</td>
<td>8.0%</td>
<td>5 – 12%</td>
<td>90% NCREIF / 10% NAREIT</td>
</tr>
<tr>
<td>Energy &amp; Natural Resources</td>
<td>5.1%</td>
<td>7.0%</td>
<td>5 – 10%</td>
<td>50% S&amp;P GSCI / 50% Real + 3% (4)</td>
</tr>
<tr>
<td>Cash</td>
<td>4.5%</td>
<td>0.0%</td>
<td>0 – 10%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(1) As of June 30, 2015  
(2) 30% Barclays U.S. Government/Credit Long Term Index, 30% Barclays U.S. Aggregate Bond Index, 20% Barclays Corporate High Yield Index, 20% 90 Day T-Bill  
(3) 70% Cambridge Associates Private Equity Index, 30% Cambridge Associates Venture Capital Index  
(4) 50% S&P Goldman Sachs Commodity Index, 50% Real + 3%
**REAL ESTATE**
An asset class in which investment managers invest in primarily private real estate opportunities (primarily commercial). Investments in Real Estate tend to provide a hedge against rising inflation, a source of current income, and diversification to the aggregate Fund. Real Estate markets can also be markedly inefficient and, as such, provide significant potential for investment gains.

**ENERGY & NATURAL RESOURCES**
Asset class comprised of investment managers that purchase oil, natural gas, power, and other commodity-related investments. Similar to Real Estate, Energy & Natural Resources investments provide a hedge against future inflation and can benefit from an inefficient market for such investments.

Decisions regarding allocations to each of the primary asset classes can have a significant impact on an investment portfolio's absolute return and ability to achieve its return objectives within a given level of risk. Asset allocation decisions also influence the Fund's ability to provide a sufficient level of liquidity to meet the annual payout to Member institutions and other liquidity needs of the Fund. As such, establishing the strategic asset allocation targets of SIPP is the first step of the investment process utilized to construct the Fund. SIPP, including the strategic targets and tactical ranges for each underlying asset class as well as the Fund’s actual allocations as of June 30, 2015, is illustrated in Figure 4 on page 12.

While the strategic asset allocation targets provide long-term guidance for the Fund, the tactical asset allocation ranges established by SIPP allow the Fund to react quickly when specific market conditions present themselves, purchase assets when they seem attractively valued, and sell assets deemed overpriced. These decisions may lead to pronounced deviations from the strategic targets and should, over the long term, contribute to the Fund’s return goals.

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**FIGURE 5**
**HISTORICAL ASSET ALLOCATION**
As of June 30

Over the past ten years, the Fund has maintained its diversification amongst asset classes but reduced its aggregate exposure to Fixed Income and Diversifying Strategies while increasing exposure to public equity markets.
Endowment funds play a primary role in the funding of higher education and have become a crucial source of support to The University of North Carolina at Chapel Hill. Each year, CHIF participants receive a spending distribution of between 4 and 7 percent of their beginning market value to support various program expenditures. Maintaining a clearly defined spending distribution policy provides these underlying programs with a sustainable and stable source of financial support for ongoing operations and a potential source of capital for future enhancements.

The Chapel Hill Investment Fund’s spending distribution policy attempts to accomplish two objectives:

• First, the policy strives to provide Fund participants with financial support at a rate that is sustainable over the long term. The Fund’s long-term investment objective is to maintain the purchasing power of its underlying assets after accounting for both spending distributions and the effects of inflation. Achieving this objective requires a spending distribution rate that can be funded by the long-term investment returns of the Fund given its risk/reward profile.

• Second, the policy strives to provide Fund participants with financial support at a rate that is stable over the long term. Stability is important, as large fluctuations in year-to-year spending distribution amounts make budgeting and funding programs and awards difficult.

There is an important tradeoff to consider when selecting an appropriate spending distribution policy. When a participant elects to withdraw a dollar in the current year, it foregoes the opportunity to reinvest that dollar to provide capital for future programs. Conversely, when a participant elects to retain and reinvest a dollar, it is foregoing the...
opportunity to provide a benefit today in order to provide for more spending in the future. Thus, any decision regarding present versus future spending involves judgments on the benefits generated from current expenditures versus benefits received from future expenditures.

Capital distributed from the Fund is done on a total return basis, which recognizes that the source of the dollars spent, be it dividends, interest, or realized and unrealized appreciation, is irrelevant. Regardless of its source, a dollar can either be spent today or reinvested for the future.

Considering the Fund’s expected rate of investment return is crucial in determining and setting the spending distribution rate. Predicting the Fund’s expected rate of return is extremely difficult, however, based on the Fund’s asset allocation, its long-term expected real (i.e. inflation adjusted) rate of return is approximately 5.5 percent. If the distribution rate is less than the 5.5 percent rate, the Fund should maintain its real value with new gifts to the Fund representing opportunities for incremental spending rather than serving to replenish the Fund to its initial pre-spending distribution levels.

Utilizing a constant growth rate rule, the initial distribution rate for the Fund was set at 5 percent of its beginning market value in 2000. From year to year, the distribution rate is typically increased at the rate of inflation, as measured by the Consumer Price Index (“CPI”), over the preceding calendar year. The annual distribution rate, however, is subject to a minimum of 4 percent and a maximum of 7 percent.

For fiscal year 2015, the Board elected to increase the spending distribution rate from $420 to $427 per unit. This increase resulted in an annual distribution rate of 5.0 percent of beginning market value, which falls within the policy guidelines. In the prior year, the distribution rate was 5.4 percent. Over the past ten years, the Fund’s distribution rate has grown at an annualized rate of 2.3 percent which is in line with inflation as measured by the CPI.
After Dean Smith’s death on February 7, 2015, the University of North Carolina at Chapel Hill and the Smith family wanted to honor Smith by creating an endowment to benefit low-income students interested in pursuing a career in education or social work. The Dean E. Smith Opening Doors Fund is awarded to students with a demonstrated financial need to allow them the opportunity to pursue their academic interests with limited financial burden.

Smith, UNC’s head basketball coach for 36 seasons from 1960 to 1997, led the Tar Heels to two national championships. With 879 victories, Smith’s teams won more games than those of any other Division I men’s basketball college coach in history, a record maintained until 2007.

Smith was known for his dedication to his students and for being a champion of diversity. Smith brought Charles Scott, the first black scholarship athlete, to UNC making history in the Atlantic Coast Conference. With his keen sense of social justice, Smith was involved in the Civil Rights movement and worked with groups to further desegregation across university campuses. For his work and achievements, he was awarded the nation’s highest civilian honor, the Presidential Medal of Freedom, in 2013.

Smith’s family and UNC decided to start a scholarship to keep his legacy alive and continue his tradition of always helping those around him and working for equality. This year was the fund’s inaugural year with its recipients being very thankful for the opportunity to pursue their dreams of helping others and following Smith’s example.

Daniel Ball, a UNC student pursuing a Masters of Social Work, receives funding each academic year allowing him to focus on his degree rather than finances. Before starting at UNC, Ball worked in the construction field for 18 years and previously obtained his Associate of Arts degree from Carteret Community College and his Bachelor of Arts in social work at North Carolina Central University.

Ball found his passion in social work and wanted to further his studies with an advanced degree in the subject from an institution with a solid reputation like UNC. Without the scholarship this would not have been possible.

“I grew up a Tar Heel basketball fan and I have always looked up to Dean Smith for his accomplishments,” said Ball. “During my time at Carolina, I have learned about his commitment to social justice issues and his support of the social work profession.”

Ball is studying clinical social work and is focusing on mental health, clinical addictions, and integrated healthcare. He is pursuing his credentials as a licensed clinical social worker and licensed clinical addictions specialist. After receiving his degree, he plans to return to eastern North Carolina to provide mental health and addictions treatment for underserved rural communities.

Eventually, Ball hopes to start a non-profit agency that will fill the gaps in the services offered to underprivileged North Carolina communities. The main programs he hopes to start would include a facility based crisis services clinic and working with individuals with severe mental illness or chronic substance users to find transitional living arrangements.

Without the help of the Dean E. Smith Opening Doors Fund, Ball said he might not have had the opportunity to pursue the Masters of Social Work. He credits the fund for...
allowing him a chance to better himself so he can make contributions to the community.

“Being a true Tar Heel born and Tar Heel bred is one of the greatest honors ever bestowed on me,” said Ball. “A sense of pride is instilled in me for other people to see qualities in me similar to those exhibited by Coach Smith.”

Shivani Chudasama is a second-year social work graduate student studying to become a licensed clinical social worker serving adolescents and young adults. She says that she hopes to be like the late Smith and continue to be a social justice advocate in her community.

“This scholarship has literally ‘opened doors’ for me,” said Chudasama. “It has allowed me to focus on my studies, receive additional training, and attend conferences focused on evidence-based practices rather than stress about finances. Therefore, the fund is not only helping me, but also helping my current and future clients as I can be fully dedicated to learning and becoming a better clinician.”

Another scholarship recipient is Nadia Rayyan who is in her final year of the Masters of Social Work program. Rayyan also attended UNC as an undergraduate receiving her Bachelor of Arts in anthropology. After graduation, she worked as a volunteer at the Mental Health Association in Greensboro where she was offered a permanent position after a year.

“I saw firsthand what it can be like for people diagnosed with a mental illness in a society where stigma prevails,” said Rayyan. “I also witnessed the hope that service providers work so hard to promote. Social work seemed to be the perfect opportunity to directly interact with people and expand upon what I learned in anthropology.”

Rayyan currently commutes from Greensboro to Chapel Hill for classes and says that the scholarship helps to lessen the burden of loans. Rayyan’s current field placement with Piedmont Health Services is located in a rural area in Burlington, NC. “I love the mental health field, but I also love medical social work and working with the elderly population,” said Rayyan. “In the future, I would love to work in an integrative care setting where a medical team works together to address patient needs.”

Through the Dean E. Smith Opening Doors Fund, recipients are able to further Coach Smith’s commitment to education and social work. By providing financial support to students with a demonstrated need, the scholarship allows individuals to focus on their studies and efforts to make tangible contributions to the broader community.
The University of North Carolina at Chapel Hill is regarded as a highly successful research university that prides itself on facilitating and supporting professors to follow their passions and pioneer groundbreaking research. The Charles P. Postelle Jr. Distinguished Professorship in Biochemistry, offered through the School of Medicine, was awarded to Ronald Swanstrom from 2014 through 2019 to advance HIV research.

Swanstrom, a professor in biochemistry and biophysics, also serves as the director of the UNC Center for AIDS Research. Before joining the UNC faculty as a junior member in 1982, Swanstrom attended the University of California, Irvine for both his undergraduate and graduate studies focusing on biological sciences and virology.

After starting at UNC, Swanstrom worked at the UNC Lineberger Comprehensive Cancer Center though he maintained his academic interest in the study of viruses. At the time, the HIV virus had not yet been identified. When it was identified in 1983, he knew HIV was the particular area he wanted to focus his research efforts on. With his background in virology and research knowledge he was optimistic he could be successful in contributing to finding a cure for HIV.

Swanstrom says that currently people infected with HIV can lead longer, more regular lives thanks to advances in research and drug formulations. “People with HIV currently have to take drugs forever because we can never get rid of the virus completely with antibiotics.” However, no absolute cure currently exists, something which has become Swanstrom’s focus as he strives to move HIV treatments forward from lifetime drug regimens towards a cure.

“We know enough about the HIV virus and have effective drug treatments,” said Swanstrom. “There is less importance on viral evolution now, but we need to start asking questions such as 'how can we treat people successfully? They now have to take drugs for their lifetime, but is there then a way for them to quit that?’”

To begin looking for the answers to this question, Swanstrom is using the professorship to conduct lab research on HIV host genes. Other HIV experts around the world are also moving away from simply managing HIV through drug therapies towards finding a cure for the virus.
"The professorship means a huge amount," said Swanstrom. "I will wind up spending my whole professional life at UNC, and it means a lot for someone to recognize my life in research."

“It involves a trick,” said Swanstrom. “Normal human cells have two copies of every gene, so if you want to study and change them you have to deal with two copies, not just one. Someone found a tumor cell line with only one gene.”

The tumor cell with only one gene could be the key to new HIV cure research findings. This new finding would make it potentially easier to manipulate one of the host genes of HIV as there would only be a single host gene to overcome in order to remove the virus.

“We want to know what host genes are important for expressing viral DNA or conversely making it not expressible in a host gene,” said Swanstrom. “We are going to take some normal viral DNA and put in a gene for protein that is fluorescent, so when the gene is being expressed we will see a color.”

The study plans to use two colors for different diverse strains of the virus and another color for when a new virus strain takes over the control center of one of the previous strains in a gene. This will allow the researchers to see which specific cellular genes they have managed to disable of the different diverse HIV strains.

Given the vast amount of technology behind isolating genes and selecting specific diverse strains of HIV, Swanstrom plans to collaborate with other universities to further develop and test his ideas.

“The professorship means a huge amount,” said Swanstrom. “I will wind up spending my whole professional life at UNC, and it means a lot for someone to recognize my life in research.”

The research Swanstrom is working on has proven to be highly innovative and is helping pave the future for the cure of HIV. He credits the endowed professorship as the cornerstone of his research.

“Our long-term goal would be to transition to the National Institutes of Health for our project’s funding since doing so would allow us to increase the project’s scope given the increased amounts tied to NIH grants,” said Swanstrom. “The professorship funds allow us to explore new ideas and to get the preliminary data needed for follow-up NIH funding.”

Through the research of efforts of Ronald Swanstrom and the support he receives through The Charles P. Postelle Jr. Distinguished Professorship in Biochemistry, UNC faculty have become leaders in the advancement of a cure for HIV.
INVESTMENT PERFORMANCE

The Fund is constructed to achieve its primary investment objective over a long-term horizon. By investing for the long term the Fund can capture extended trends in markets and the illiquidity premiums associated with investments in private securities. Measured tactical tilts, however, in asset allocation allow for short-term market dislocations to be opportunistically captured. Investing for the long term also allows the Fund to maintain focus in the face of short-term market events and disruptions. While performance is actively monitored, our primary focus remains on our long-term return objective which could result in short- to medium-term underperformance.

The Fund’s long-term return objective is to generate a real (inflation adjusted) return in excess of 5.5 percent, thus maintaining the after-spending purchasing power of the underlying funds. The Fund has met this objective for the ten-year period ending June 2015, as the Fund returned 8.6 percent, which outpaced SIPP by 1.0 percent, and ranked the Fund in the top quartile of the BNY Mellon Endowment and Foundation Funds Universe. Figure 8 below illustrates the comparative value created by investing $100 on July 1, 2005 till the end of fiscal year 2015 in each of the Fund, the SIPP benchmark, the Global 70/30 portfolio (consisting of 70 percent invested in the MSCI All Country World Index and 30 percent in the Barclays Aggregate U.S. Bond Index), and the S&P 500 Index. Over this time period, an investment of $100 in the Fund would have produced $227, compared to $208 for the SIPP benchmark, $181 for the Global 70/30 portfolio, and $214 for the S&P 500 Index.

During this ten-year period, each of the Fund’s asset classes generated a positive return and, with the exception of Real Estate, either met or exceeded their benchmark return. Investments in private securities were the best performers over the period with Private Equity and Energy & Natural Resources returning 15.9 percent and 12.4 percent, respectively. These returns confirm the notion that,

FIGURE 8
CUMULATIVE PERFORMANCE
10 years ended June 30, 2015

On a cumulative basis, the Fund has outperformed its SIPP benchmark, the Global 70/30 Portfolio, and the S&P 500 Index over the past 10 years.

(1) 70% MSCI All Country World Index / 30% Barclays U.S. Aggregate Bond Index
over the long term, investors in private securities are rewarded for assuming illiquidity risk. The Fund’s Long/Short Equity allocation also added substantial value returning 8.6 percent versus 4.9 percent for its benchmark. This 8.6 percent return exceeds the 6.4 percent annualized return generated by the broader equity market as measured by the MSCI All Country World Index. Figure 12 shows the ten year returns for each of the seven primary asset classes versus their respective SIPP benchmarks.

For the three and five-year periods ended June 30, 2015, the Fund generated a 12.3 percent and 10.8 percent annualized return, respectively, achieving the Fund’s primary return objective of exceeding the sum of the spending rate plus inflation over the period. These returns compare to the 9.6 percent and 9.5 percent returns earned on the Global 70/30 portfolio over the same periods. Figure 11 on page 22 details the Fund’s return for each of the last five fiscal years.

In addition to maintaining a long-term investment horizon, the Fund is also constructed to protect capital in down markets while participating in market rallies. This is achieved through the extensive degree of diversification created by investing across SIPP’s seven primary asset classes. Figure 10 below displays the Fund’s total returns during those periods over the past ten years when the S&P 500 Index dropped more than 10 percent. This figure illustrates that during periods of market stress, the Fund provided downside protection, sustaining just a fraction of the market’s losses. By investing for the long term, tactically shifting between asset classes on a short-term basis, and selecting top performing investment managers, the Fund has been successful in achieving its primary return objective with low volatility and embedded downside protection.

### FIGURE 9
FISCAL YEAR 2015 FEE TABLE

<table>
<thead>
<tr>
<th></th>
<th>% Market Value</th>
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<tbody>
<tr>
<td>UNC Management Company</td>
<td>0.20%</td>
</tr>
<tr>
<td>Asset-based fees</td>
<td></td>
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<tr>
<td>Legal &amp; Accounting</td>
<td>0.02%</td>
</tr>
<tr>
<td>Other Operating Costs</td>
<td>0.02%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>0.24%</td>
</tr>
</tbody>
</table>

The Fund has outperformed each of its benchmarks over the past 10 years on a cumulative basis by providing drawdown protection during periods of market stress.
OVER THE LONG TERM, EACH OF THE FUND’S SEVEN MAJOR ASSET CLASSES HAS PRODUCED A POSITIVE RETURN WITH PRIVATE EQUITY DRIVING PERFORMANCE.
The Management Company has been appointed by the Board to provide, under its supervision, investment and administrative services to the Fund. These include identifying, analyzing, and selecting external investment managers and tactical opportunities, monitoring the Fund’s performance, and serving as a liaison between the Fund and its Members through regular communication and performance reporting.

The Management Company was formed under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization. With over 30 employees, the Management Company is divided across three functional areas: Investment Management, Investment Operations & Finance, and Investment Communications.
# Chapel Hill Investment Fund Participants

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<thead>
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<tr>
<td>1</td>
<td>The Botanical Garden Foundation, Inc.</td>
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<td>2</td>
<td>Carolina for Kibera, Inc.</td>
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<td>3</td>
<td>The Dental Foundation of North Carolina, Inc.</td>
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<td>4</td>
<td>The Educational Foundation, Inc.</td>
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<td>5</td>
<td>The General Alumni Association</td>
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<td>6</td>
<td>The Golden Fleece Foundation</td>
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<td>7</td>
<td>The Kenan-Flagler Business School Foundation, Inc.</td>
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<td>The Medical Foundation of North Carolina, Inc.</td>
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<td>10</td>
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<td>The North Caroliniana Society, Inc.</td>
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<td>14</td>
<td>The School of Media and Journalism Foundation of North Carolina</td>
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<td>15</td>
<td>The School of Social Work Foundation, Inc.</td>
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<td>The UNC Eshelman School of Pharmacy Foundation</td>
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<td>17</td>
<td>The UNC Law Foundation, Inc.</td>
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<td>18</td>
<td>The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.</td>
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<tr>
<td>21</td>
<td>The University of North Carolina at Chapel Hill Foundation, Inc. Gift Annuity Program</td>
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<tr>
<td>22</td>
<td>The University of North Carolina at Chapel Hill Intermediate Pool</td>
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<tr>
<td>23</td>
<td>The University of North Carolina at Chapel Hill School of Education Foundation, Inc.</td>
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<td>24</td>
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<td>26</td>
<td>The University of North Carolina at Chapel Hill Temporary Pool</td>
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<td>27</td>
<td>The University of North Carolina Dental Alumni Association</td>
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