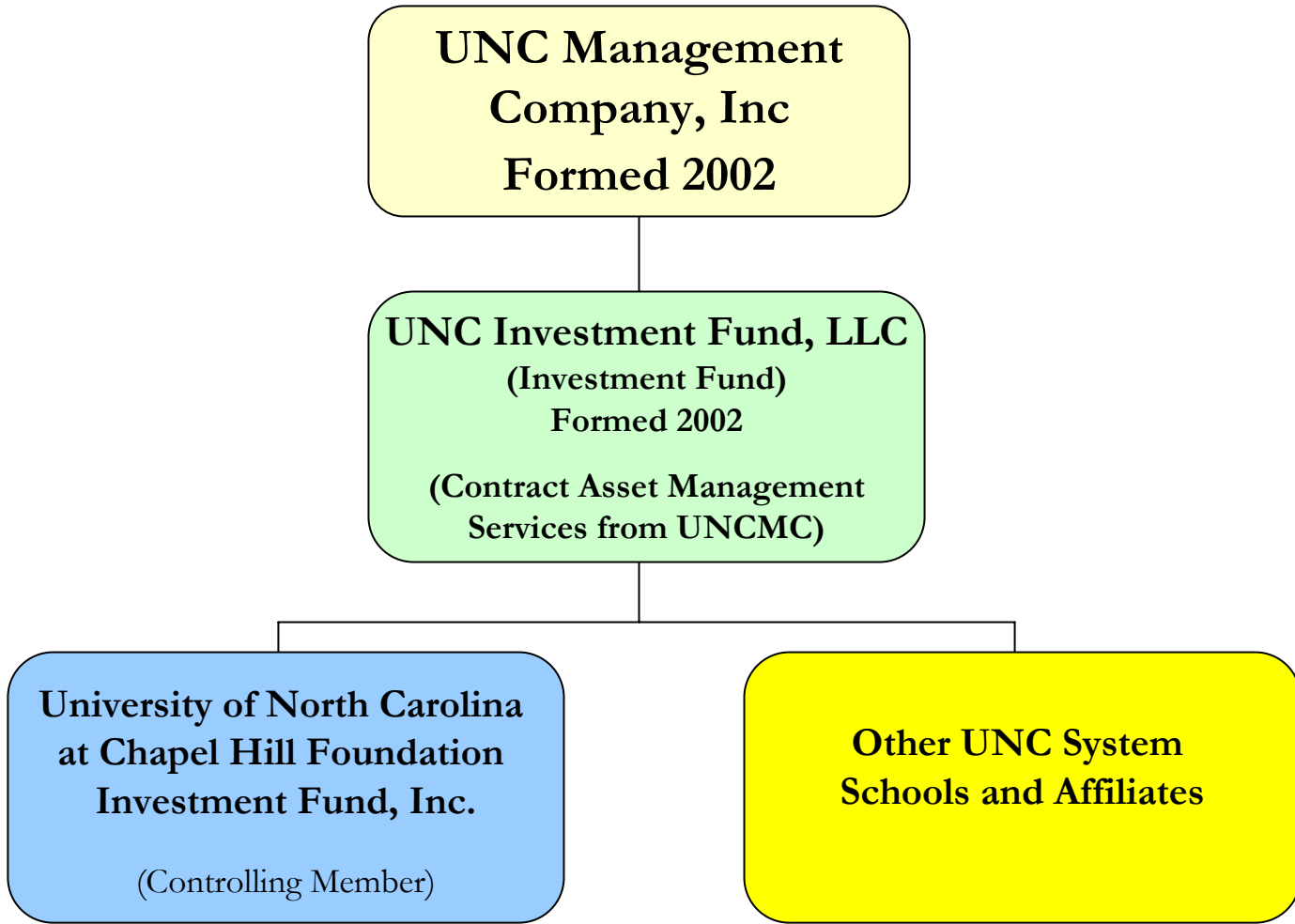


UNC Investment Fund, LLC
Fiscal Year 2008 Summary
Presentation To:

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

November 20, 2008

Organizational Structure



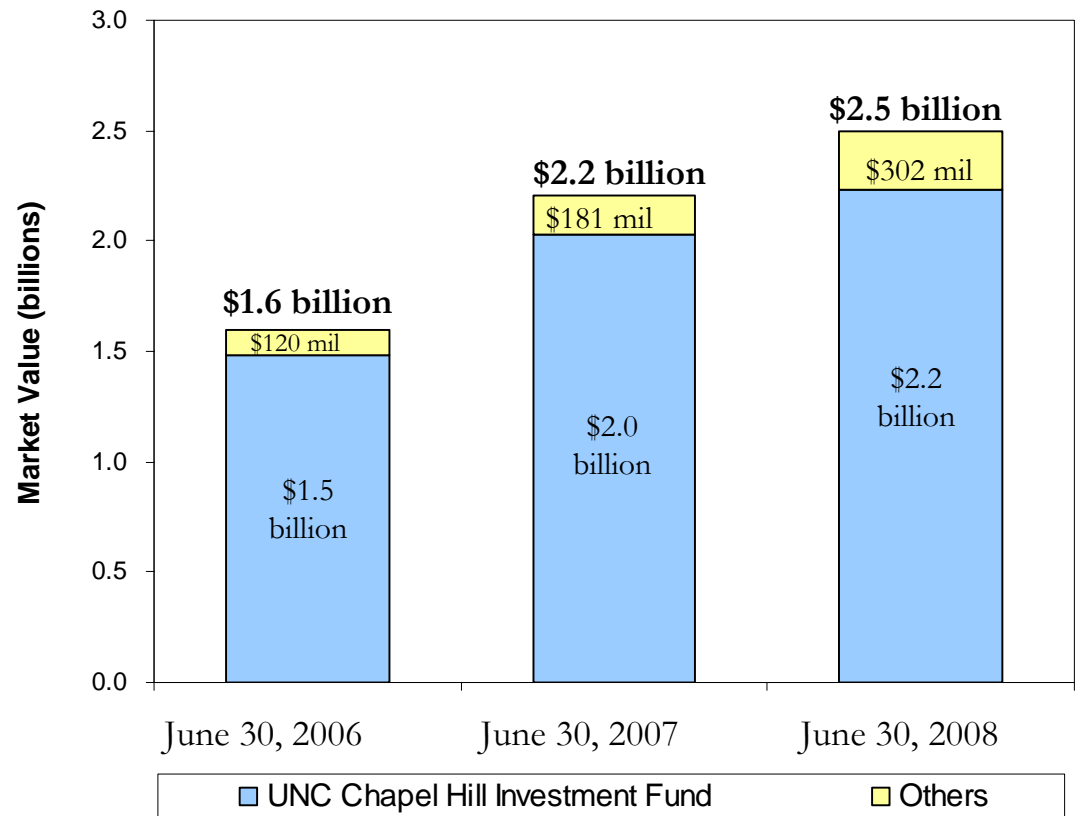
UNC Management Company

UNC Management Company is fully staffed:

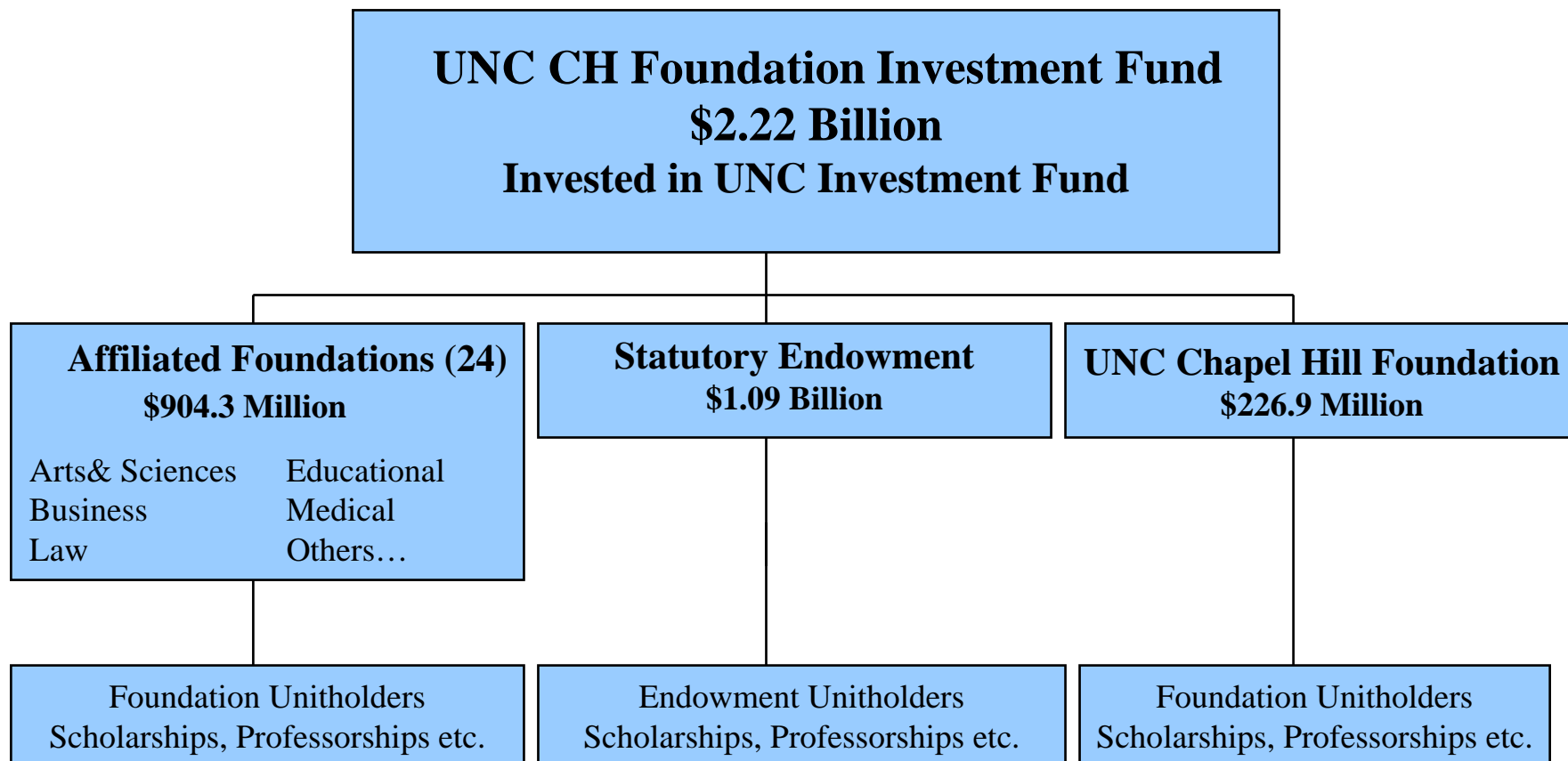
- 24 Employees
 - 9 Investment Professionals
 - 8 Operations & Accounting Staff
 - 7 Administrative Staff

UNC Investment Fund Market Value

- Market Value of the Investment Fund at June 30, 2008 - - **\$2.5 billion**
- This is a **\$322 million** increase since June 30, 2007 and a **\$930 million** increase since June 30, 2006
- At June 30, 2008 the fund's composition was:
 - \$2.2 billion UNC Chapel Hill Investment Fund
 - \$ 302 million other UNC system schools and affiliates



University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. – 06/30/08



UNC Investment Fund

Investment Objectives

- Preserve the Real (inflation-adjusted) purchasing power of the Fund while providing a predictable and growing stream of spending distributions to Fund participants.
- Earn an annualized “real” total rate of return of at least 5.5% (CPI +5.5%) over 5 – 10 year time horizons.
- Earn an annual rate of return that exceeds the Strategic Investment Policy Portfolio (SIPP) benchmark.
- Perform in the top quartile of University Endowment Funds.

UNC Investment Fund Investment Implementation

Asset Allocation Guidelines:

- *Long-term* time horizon.
- Focus on assets that provide equity-like returns.
- Mitigate risk through *diversification*.
- Opportunistically over- and under-weight asset classes within the target ranges.

Add value through manager selection.

UNC Investment Fund

Investment Implementation

Strategic Investment Policy Portfolio

<u>Asset Class</u>	<u>Strategic Target</u>	<u>Tactical Range</u>	
Domestic Equity	20	15-35	Equities
International Equity	15	10-25	
Global Equity	10	5-15	
Absolute Return	10	5-15	Fixed / Non Equity
Fixed Income	12.5	3-30	
Private Equity	15	10-20	Privates
Real Estate	10	5-15	
Energy	7.5	3-15	

UNC Investment Fund

Equity Market Overview

Fiscal Year Ended June 30, 2008

- The fiscal year ending June 30, 2008 was marked by significant declines in equity markets around the world:

S&P 500 down 13.1%

NASDAQ down 11.9%

EAFE down 10.6%

UNC Investment Fund

June 30, 2008 Return Summary

Given the decline in global equity markets in FY 2008, the UNC Investment Fund performed remarkably well!

- Investment Returns for the periods ended June 30, 2008:

1 Year FY 2008 + 8.0%

3 Years + 16.7%

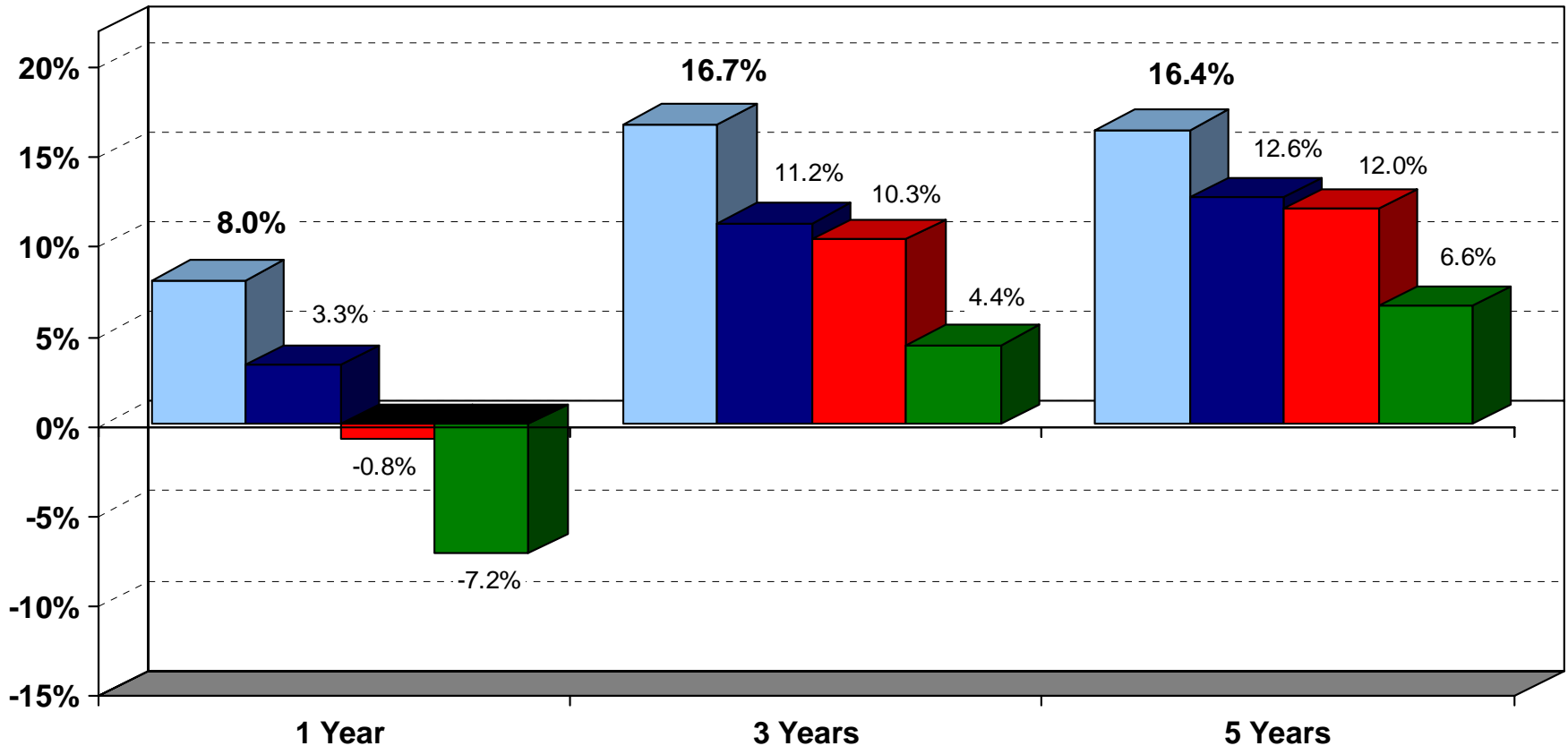
5 Years + 16.4%

- The 8.0% FY 2008 return beat the SIPP benchmark by 4.7 percentage points and the 70/30 Index by 15.2 percentage points

UNC Investment Fund

Investment Performance Relative to Benchmarks

Periods ended June 30, 2008



■ The UNC Investment Fund ■ Strategic Investment Policy Portfolio
■ Endowment Median (Cambridge Assoc) ■ 70/30 Index

UNC Investment Fund

Fiscal Year 2008 Performance Drivers

- Energy & Natural Resources (private category) returned 25%+
- Private Equity returned 20%+ (all in the first half of FY 2008)
- The three public equity categories dramatically outperformed their benchmarks:
 - UNCIF's Domestic Equity portfolio returned 0% vs -12.7% on the Russell 3000
 - International Equity returned +1.2% vs -5.6% on its blended benchmark (2/3 EAFE, 1/3 EM)
 - UNCIF's Global Equity portfolio returned +21.6% vs. the -0.5% return on its custom benchmark
- 8 out of 9 asset classes returned flat or positive numbers for the fiscal year

UNC Investment Fund Performance Relative to Peers June 30, 2008

- The UNC Investment Fund's performance ranks in the **top 10%** of college and university endowment funds in the Cambridge Associates Universe for the 1-, 3-, and 5-year periods ended June 30, 2008.

Cambridge Associates Universe

U.S. College & University Endowment Funds

(n = 158)

Periods ended June 30, 2008

	<u>1-Year</u>	<u>3-Years</u>	<u>5 Years</u>
UNC Investment Fund	8.0%	16.7%	16.4%
Cambridge Associates Universe:			
Top Quartile	1.2%	11.6%	13.5%
Median	-0.8%	10.3%	12.0%
UNC Rank	2 of 158	5 of 155	10 of 153
UNC % Rank	Top 2%	Top 3%	Top 6%

Cambridge Associates Universe

U.S. College & University Endowment Funds

> \$1 Billion

(n = 57)

Periods ended June 30, 2008

	<u>1-Year</u>	<u>3-Years</u>	<u>5 Years</u>
UNC Investment Fund	8.0%	16.7%	16.4%
Cambridge Associates Universe:			
Top Quartile	3.6%	14.4%	14.9%
Median	0.5%	11.7%	13.3%
UNC Rank	2 of 57	5 of 57	10 of 57
UNC % Rank	Top 3%	Top 8%	Top 17%

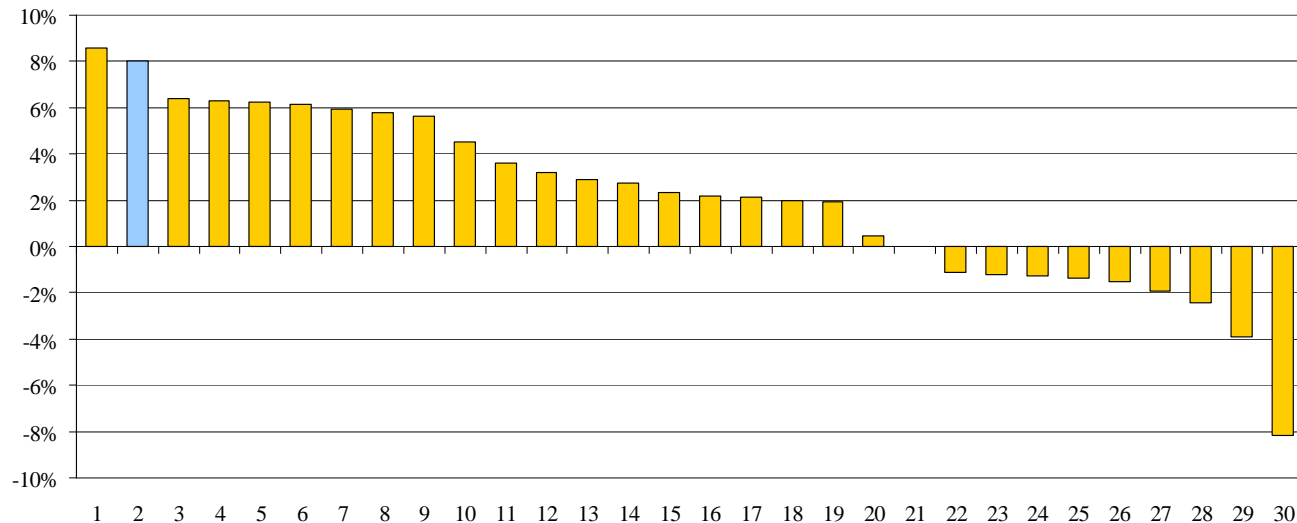
UNC Investment Fund

Peer Comparison

There are 30 Colleges and Universities that had endowment market values in excess of \$2 billion at 6/30/2007 in the Cambridge Associates universe.

- UNC Investment Fund's 8.0% FY 2008 return ranks **2nd of the 30** for the year ended June 30, 2008
- UNC Investment Fund's 16.7% **three-year** return ranks **4th of the 30**
- UNC Investment Fund's 16.3% **five-year** return ranks **9th of the 30**

30 Largest University Endowments
FY 2008 returns

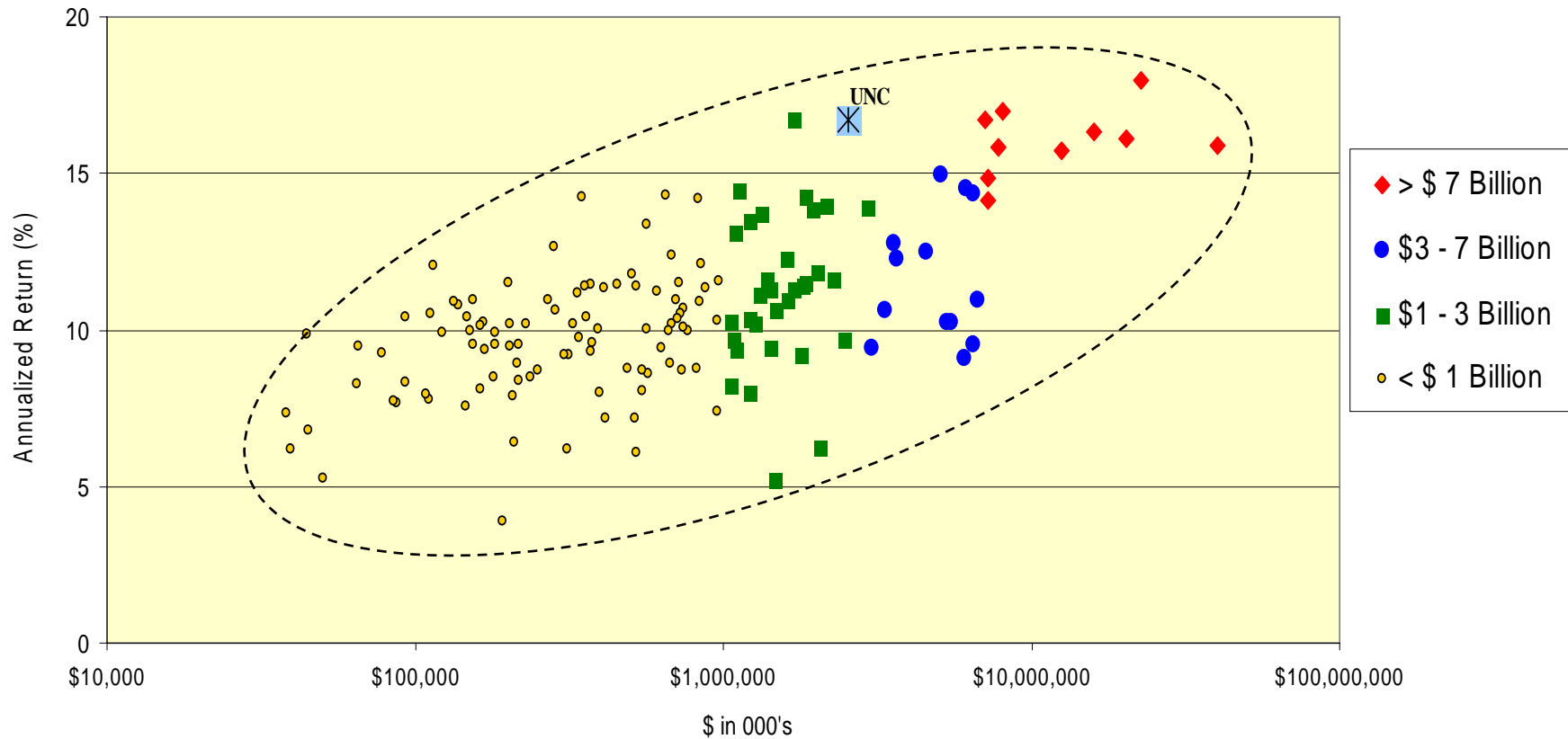


University Endowments

Return by Size

3 Years Ended June 30, 2008

THE RICH GET RICHER



UNC Chapel Hill Foundation Investment Fund FY 2008 Increase in Value

- The market value of the UNC Chapel Hill Foundation Investment Fund increased by \$199.8 million in FY 2008
- Over the past three fiscal years, the UNC Chapel Hill Investment Fund has grown by \$1 billion, from \$1.2 billion at June 30, 2005 to \$2.2 billion at June 30, 2008 (after distributing \$228 million to support University programs over this three year period).

UNC Chapel Hill Foundation Investment Fund

Components of Change in Market Value

July 1, 2005 – June 30, 2008

(\$ in millions)

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Cumulative FY06 - FY08
Beginning Market Value	\$1,220.6	\$1,479.0	\$2,024.6	\$1,220.6
Net Investment Gains	240.2	377.4	164.9	782.6
Payout	(68.2)	(68.5)	(91.7)	(228.4)
Net Gain After Payout	<u>172.0</u>	<u>309.0</u>	<u>73.2</u>	554.2
Gifts & Other Additions	101.3	267.6	158.1	527.0
Admin Fees	(7.1)	(8.4)	(10.2)	(25.7)
Other Net Withdrawals	(7.9)	(22.6)	(21.2)	(51.7)
Net Additions	<u>86.4</u>	<u>236.6</u>	<u>126.7</u>	449.7
Net Increase	258.4	545.6	199.8	1,003.9
Ending Market Value	<u>\$1,479.0</u>	<u>\$2,024.6</u>	<u>\$2,224.4</u>	<u>\$2,224.4</u>

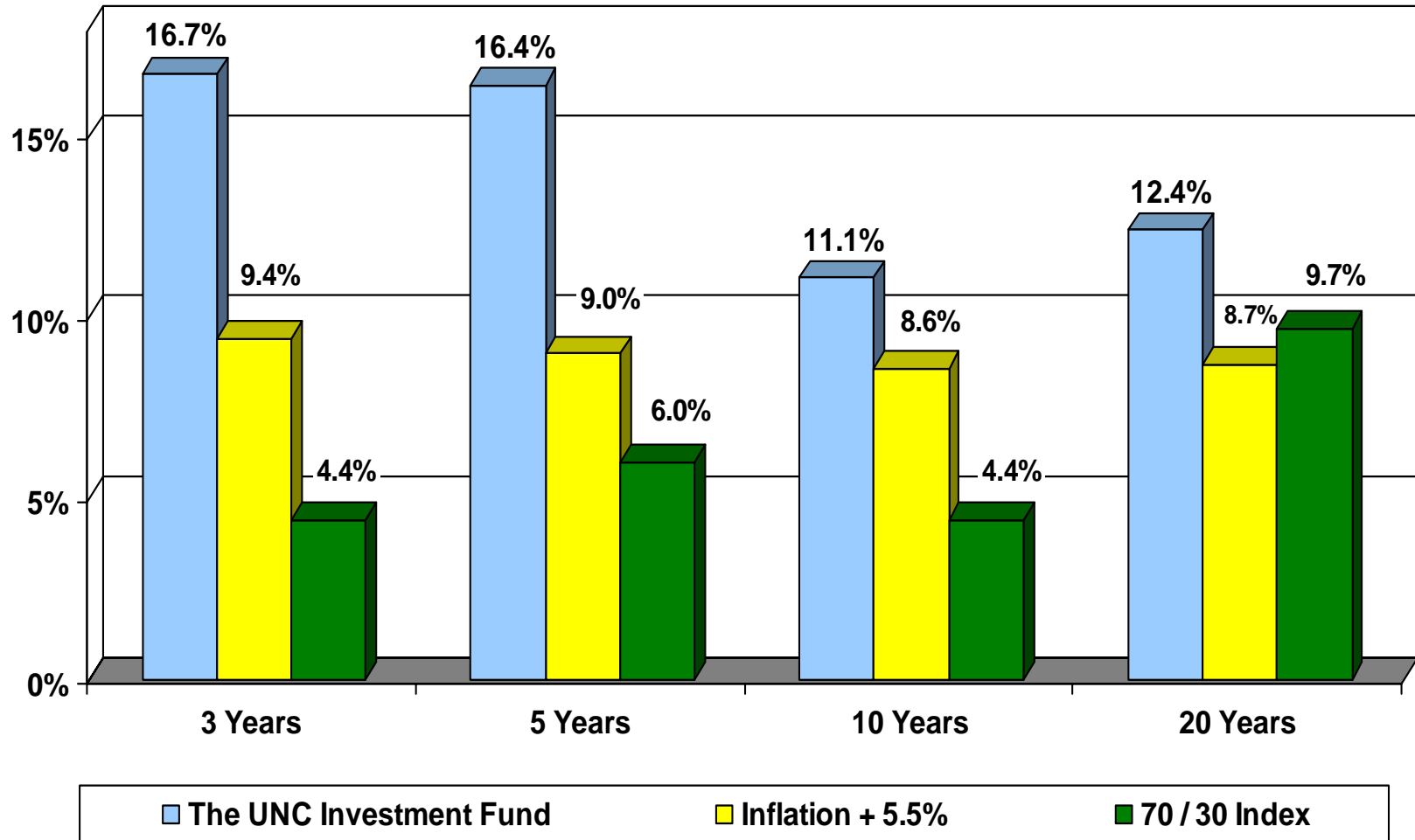
UNC Investment Fund

FY 2008 Summary

- The UNC Investment Fund's 8% return for FY 2008 represented an outstanding investment result
- In FY 2008, strong manager performance, combined with a more defensive asset allocation, produced this excellent result
- Over the past three years, the UNC Investment Fund has added significant value and has been one of the top performing endowment funds in the U.S.
- UNC Management Company has built a deep and talented investment team and continues to add the resources necessary to maintain the Fund's strong record of value added performance as we navigate this very challenging investment environment

UNC Investment Fund Long-Term Performance

Periods ended June 30, 2008



UNC Investment Fund

Sudan Divestment Resolution

In FY 2008, the Executive Committee of the Chapel Hill Investment Fund Board passed a resolution (subsequently ratified by the full Board of the Chapel Hill Investment Fund) summarized as follows:

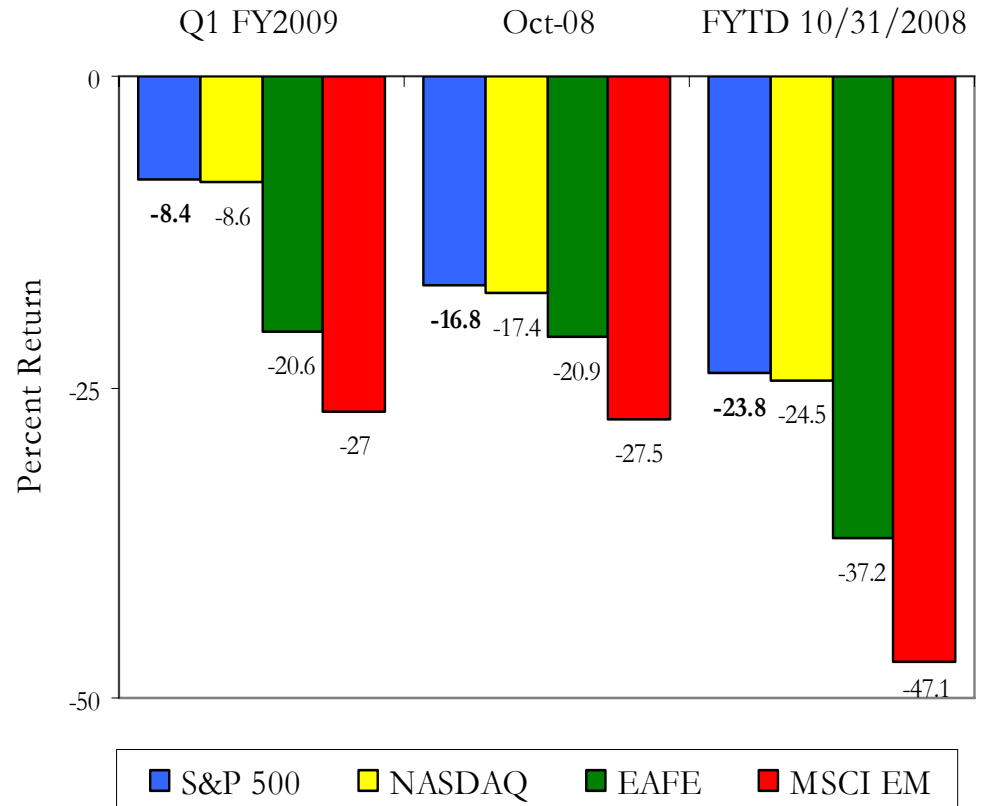
- 1) It is the policy of UNC Investment Fund, LLC that it shall not hold direct investments in companies that the Sudan Divestment Task Force includes in its “Category One: Highest Offenders” (the “Prohibited List”), and
- 2) UNC Management Company is directed to instruct the relevant investment managers (those accounts over which UNC Investment Fund, LLC has direct control) to divest all existing holdings in companies on the Prohibited List and to avoid adding any such holdings to their respective UNC Investment Fund, LLC accounts, and
- 3) UNC Management Company is directed to communicate this decision in writing to all investment management firms that manage investments for the UNC Investment Fund, LLC, including commingled funds and accounts over which UNCIF does not have direct control, and to request that all such firms consider the situation in Darfur as a factor when making investment decisions.

UNC Investment Fund

FY 2009 YTD UPDATE

FY 2009 YTD Index Performance

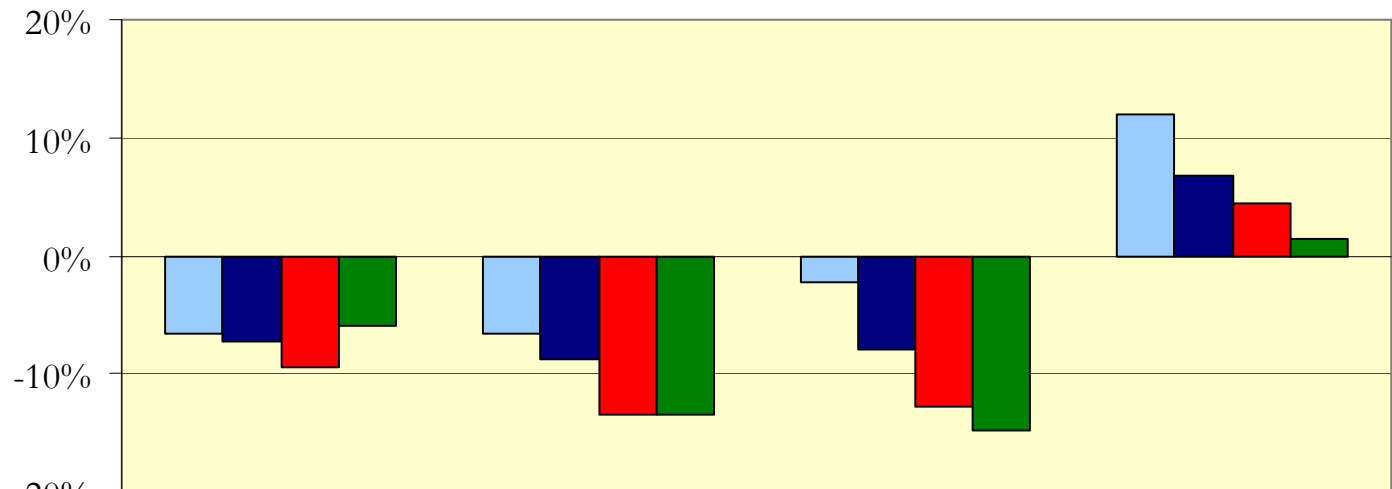
- In the **first quarter of fiscal year 2009**, equity markets around the world declined sharply
- Since the beginning of **October**, the equity market declines have only steepened



UNC Investment Fund

FY 2009 1st Quarter Performance Update

Periods Ended September 30, 2008



	Fiscal 2009 YTD (3 months)	Calendar 2008 YTD (9 months)	1 Year	3 Years
UNC Investment Fund	-6.6%	-6.6%	-2.2%	11.9%
SIPP	-7.3%	-8.8%	-8.0%	6.7%
Endowment Median (1)	-9.4%	-13.4%	-12.8%	4.5%
70 / 30 Index	-6.0%	-13.5%	-14.8%	1.5%

(1) Source: BNY Mellon

BNY Mellon

Preliminary Endowment & Foundation Universe Performance Periods Ended October 31, 2008

	<u>October 2008</u>	<u>FY 2009 YTD (4 mos)</u>	<u>Calendar 2008 YTD (10 mos)</u>
<u>Endowments and Foundations (n=74)</u>			
Top Quartile	-8.6%	-15.9%	-18.3%
Median	-10.5%	-19.0%	-22.4%
<u>Endowments and Foundations > \$1 Billion (n=36)</u>			
Top Quartile	-8.2%	-15.8%	-17.3%
Median	-9.8%	-18.4%	-21.5%

UNC Investment Fund Summary

- In a very difficult period the UNC Investment Fund is doing better than most
- Where do we go from here?

We continue to seek attractive intermediate-to-long-term investment opportunities while being highly cognizant of the elevated level of risk in the current environment