

NC State Investment Fund, Inc.
Holdings and Performance
For the Periods Ended
December 31, 2014

Performance Summary	QTD	FYTD	1 Year	3 Year	5 Year	10 Year
NC State Investment Fund, Inc.	1.8%	3.2%	9.6%	12.1%	9.5%	5.0%
<i>Policy Benchmark (1) (2)</i>	0.6%	1.1%	7.3%	11.2%	9.9%	6.5%
<i>UNC Investment Fund, Inc.</i>	1.7%	3.1%	9.4%	12.1%	9.3%	8.5%
<i>Global Index (3)</i>	0.8%	-0.7%	4.8%	10.7%	8.0%	6.0%
<i>BNY Mellon E&F Median Universe</i>	1.2%	0.5%	6.2%	11.4%	9.2%	6.6%

Asset Class/Style	Market Value	Asset Allocation			
		Actual *	Policy	Over(Under)*	Tactical Range
Total NC State Investment Fund, Inc.	\$ 636,622,605	100.0%	100.0%		
<i>Global Equity Strategies</i>	312,705,586	49.2%	45.0%	4.2%	
Long Biased Equity	208,534,261	32.8%	27.0%	5.8%	20 - 35%
Long/Short Equity	104,171,325	16.4%	18.0%	-1.6%	12 - 24%
<i>Fixed Income Strategies Composite</i>	71,168,699	11.1%	10.0%	1.1%	
Fixed Income	71,168,699	11.1%	10.0%	1.1%	5 - 18%
<i>Diversifying Strategies Composite</i>	50,135,932	7.8%	12.0%	-4.2%	
Diversifying	50,135,932	7.8%	12.0%	-4.2%	8 - 16%
<i>Private Strategies</i>	202,612,389	31.9%	33.0%	-1.1%	
Private Equity	127,408,491	20.0%	18.0%	2.0%	14 - 22%
Real Estate	39,551,680	6.2%	8.0%	-1.8%	5 - 12%
Energy and Natural Resources	35,652,218	5.7%	7.0%	-1.3%	5 - 10%

* Totals may vary due to rounding

Note 1 - Policy Benchmark: Strategic Investment Policy Portfolio (SIPP) Index =27%: (ACWI), 18%: (HFRI Equity Hedge Index), 12%: (HFRI Conservative Fund of Funds Index + 1%), 10.0%: (30% Barclay's(BC) LT Gov/Corp, 30% BC Aggregate, 20% BC HY Corporate, 20% 90 day T-Bill), 18%: (Cambridge Private Equity Composite), 8%: (90% NCREIF / 10% NAREIT), and 7%: (50% GSCI / 50% Real 3%)

Note 2 - 10 Year Policy Benchmark represents the historical benchmark-blended index of past benchmarks

Note 3 - Global Index of 70% ACWI and 30% Barclay's Aggregate

NC State Investment Fund, Inc.

NC State University, Campus Box 7207, 1210 Varsity Drive, Suite 202, Raleigh, NC 27695-7207

Second Quarter FY15

December 31, 2014



NC STATE INVESTMENT FUND, INC.

HISTORY OF THE FUND

The NC State Investment Fund, Inc., (Fund) was established in April 1999 to combine NC State University's and its affiliated entities' endowments in an external pooled investment vehicle. The goal of the investment program for the Fund is to provide a real total return from assets invested that will preserve the purchasing power of Fund capital, while generating an income stream to support the spending needs of the University. Effective July 2008, the Fund partnered with UNC Management Company (UNCMC) to invest in the UNC Investment Fund (UNCIF), with the remaining investments committed to a Liquid Policy Portfolio (LPP) of Exchange Traded Funds (ETF's), and to 3 private equity managers which includes an allocation for cash to fund capital calls. The transition of assets to UNCMC was completed December 2009.

MARKET COMMENTARY

A sharp decline in energy prices, along with an increase in geopolitical concerns and a divergence in global central bank policies, drove the volatility in the global markets for the quarter ending 12/31/14. Foreign investors saw the U.S. Treasuries market as a safe haven from riskier assets, which in turn drove the longer end of the yield curve down to historically low levels. The Federal Reserve continued to put pressure on the short-end of the curve by signaling to the markets an eventual increase in rates in 2015. Meanwhile the European, Japanese and Chinese Central Banks continued their accommodative monetary policy.

The S&P Goldman Sachs Commodity Index was down -27.67% for the quarter, which made it the worst performing asset class for the quarter. Declining oil and natural gas prices have been driven primarily due to an increase in U.S. supply through cheaper technology but neither have global producers pulled back from production. The best performing asset class for the quarter was the public real estate index, up 14.2%. This performance was driven both by low long-term interest rates, and improved fundamentals such as lower commercial vacancy rates.

As a result of a macro environment characterized by economic divergence and increasing volatility, the fourth quarter of calendar 2014 produced mixed investment performance for various asset classes. However, the diversified and defensively positioned NC State Investment Fund outperformed the Global Index (70% ACWI/30% Barclay's Aggregate) return of 0.83% by 95 basis points, returning 1.78% as of December 31, 2014. Global Equities were essentially flat at 0.41% for the quarter, but were up 4.16% for the one-year period. Domestic equities outperformed the international sector for the quarter and 12 month period, with a return of 5.24% and 12.56%, respectively. We believe the Fund's return for the quarter and year were both competitive and favorable as a whole, and overall long-term performance continues to meet our objectives.

The Fund is invested with several managers in a wide variety of asset classes. The largest investment manager, UNCMC, manages 88% of the Fund's assets in the UNCIF, which produced a 1.65% return for the three months ended December 31, 2014. The Fund employs additional private equity managers, who oversee 5% of the portfolio, and the three month return as of December 31, 2014 for that portion of the portfolio was a strong 3.01%. The Fund's Liquid Policy Portfolio (LPP), managed by Blackrock, at 7% of the portfolio, returned 2.58% for the three months ended December 2014.

PERFORMANCE

December 31, 2014

Market Value:		\$637 million		Participants: 9			
Performance	QTD	FYTD	1 Year	3 Year	5 Year	10 Year	
Fund	1.8%	3.2%	9.6%	12.1%	9.5%	5.0%	
Policy Index (1)	0.6%	1.1%	7.3%	11.2%	9.9%	6.5%	
UNCIF	1.7%	3.1%	9.4%	12.1%	9.3%	8.5%	
Global Index (2)	0.8%	-0.7%	4.8%	10.7%	8.0%	6.0%	
BNY E&F Median (3)	1.2%	0.5%	6.2%	11.4%	9.2%	6.6%	

Note 1: Policy Index= UNCIF's Strategic Investment Policy Portfolio Index (SIPP). For the 10 year period, Policy Index = Blended Historical Benchmark.

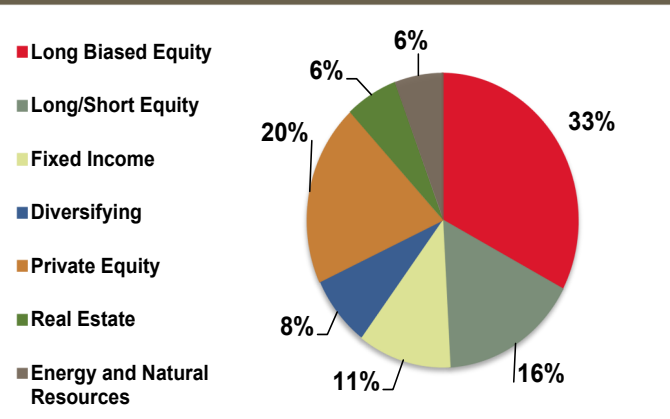
Note 2: Global Index= 70% ACWI; 30% Barclay's Aggregate

Note 3: BNY Mellon Endowment & Fdn. Universe Median Return—234 portfolios



Quarterly Investment Review

Actual Asset Allocation



Investment Strategy

The Fund is managed as a broadly diversified portfolio with exposure to seven primary asset classes and many sub-strategies within each asset class. The Fund seeks to diversify exposure to the sub-strategies through the use of multiple investment managers that utilize a variety of investment approaches. The purpose of diversification is to provide reasonable assurance that no single security, class of securities, or investment manager has a disproportionate impact on the Fund's aggregate results. At times, the Fund invests in passive strategies.

In working toward the Fund's investment strategy, through UNCMC, the Fund invests in a number of niche managers that can employ different types of hedging strategies such as short-selling and derivative investing to help reduce the volatility of the Fund. The focus on controlling volatility preserves capital and benefits Fund participants through the power of compounding.

Risk Profile

3-Year Period Ended December 31, 2014

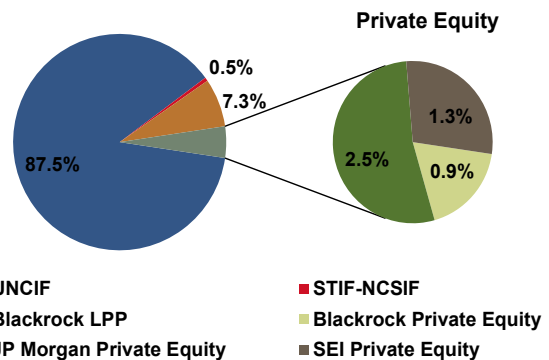
	Average Annual Net Performance	Standard Deviation	Sharpe Ratio (1)
Fund	12.1%	3.7%	3.2
UNCIF	12.1%	3.9%	3.1
Policy Index	11.2%	4.2%	2.7
Global Index	10.7%	7.5%	1.4

UNC Management Company

The UNCMC was established on January 1, 2003 as an exempt 501 (c)(3) organization. It is a professionally-staffed asset management company created to provide investment services to the University of North Carolina at Chapel Hill and its affiliated entities, to the constituent institutions of the UNC system and system affiliated foundations, associations, trusts, and endowments.

With 30 employees, UNCMC has two teams, Investment Management and Operations. The Investment Management team manages all public and private investments of the UNCIF. Their responsibilities include evaluating and monitoring investment managers, recommending changes to investment objectives and asset allocation and implementing investment decisions approved by Chapel Hill Investment Fund's (CHIF) Executive Committee. The Operations Team performs all administrative, legal, accounting, and performance reporting duties.

Allocation by Manager



Note 1: Sharpe Ratio: Excess return per unit of risk