

**NC State Investment Fund, Inc.  
Holdings and Performance  
For the Periods Ended  
March 31, 2015**

Performance Summary	QTD	FYTD	1 Year	3 Year	5 Year	10 Year
<b>NC State Investment Fund, Inc.</b>	4.6%	7.9%	12.1%	11.6%	10.0%	5.7%
<i>Policy Benchmark (1) (2)</i>	1.4%	2.4%	5.7%	9.3%	9.5%	7.7%
<i>UNC Investment Fund, Inc.</i>	4.9%	8.1%	12.2%	11.6%	9.9%	8.8%
<i>Global Index (3)</i>	2.2%	1.4%	5.6%	8.5%	7.9%	6.3%
<i>BNY Mellon E&amp;F Median Universe</i>	2.2%	2.8%	6.3%	9.6%	8.9%	7.0%

Asset Class/Style	Market Value	Asset Allocation			
		Actual *	Policy	Over(Under)*	Tactical Range
<b>Total NC State Investment Fund, Inc.</b>	\$ 677,085,740	100.0%	100.0%		
<b><i>Global Equity Strategies</i></b>	336,923,478	49.8%	45.0%	4.8%	
<b>Long Biased Equity</b>	224,480,832	33.2%	27.0%	6.2%	20 - 35%
<b>Long/Short Equity</b>	112,442,646	16.6%	18.0%	-1.4%	12 - 24%
<b><i>Fixed Income Strategies Composite</i></b>	82,283,367	12.1%	10.0%	2.1%	
<b>Fixed Income</b>	82,283,367	12.1%	10.0%	2.1%	5 - 18%
<b><i>Diversifying Strategies Composite</i></b>	44,637,795	6.6%	12.0%	-5.4%	
<b>Diversifying</b>	44,637,795	6.6%	12.0%	-5.4%	8 - 16%
<b><i>Private Strategies</i></b>	213,241,100	31.5%	33.0%	-1.5%	
<b>Private Equity</b>	140,064,139	20.6%	18.0%	2.6%	14 - 22%
<b>Real Estate</b>	39,860,621	5.9%	8.0%	-2.1%	5 - 12%
<b>Energy and Natural Resources</b>	33,316,340	5.0%	7.0%	-2.0%	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/Credit, 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

Third Quarter FY15

March 31, 2015



## 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

Global equity markets posted a positive gain for the 3<sup>rd</sup> quarter of the fiscal year as U.S. economic fundamentals remained stable and Europe continued its accommodative central bank policy. The U.S. unemployment rate continued its steady decline to the lowest level since March 2008 and the European Central Bank initiated a larger than expected quantitative easing program that pushed German Bund yields to record low, or negative, levels. The U.S. Long Treasury Bond market continued its rally as the Barclays US Treasury Bond 20+ Year Index was up 4.19% for the quarter and 13.94% over the last six months. The global equity index was slightly positive and the MSCI ACWI was up 2.31% for the quarter. In a reversal from the 2<sup>nd</sup> quarter for fiscal 2015, the international equity markets outperformed the U.S. equity markets. The MSCI ACWI ex US was up 3.49% versus the Russell 1000, up 1.59%. The US small cap growth equity index was the strongest absolute performer for the quarter as reflected in the Russell 2000 Growth, up 6.63%. The energy sector remained under pressure as oil prices demonstrated continued volatility as investors continued to search for a bottom before an end of quarter rally. The S&P Goldman Sachs Commodity Index was down -8.22% for the quarter, which made it one of the worst performing asset classes for the quarter.

The Fund is invested with several managers in a wide variety of asset classes. The largest manager, UNCMC, manages 87.9% of the Fund's assets. UNC Investment Fund (UNCIF) produced a 4.9% return for the three months ended March 31, 2015. The NCSIF employs additional private equity managers, who oversee 4.2% of the portfolio, and the three month return as of March 31, 2015 for that portion of the portfolio was 2.2%. The Fund's Liquid Policy Portfolio (LPP), managed by Blackrock at 7.5% of the portfolio, returned 2.48% for the three months ended March 2015.

## PERFORMANCE

March 31, 2015

Market Value:		\$677 million		Participants: 9			
Performance	QTD	FYTD	1 Year	3 Year	5 Year	10 Year	
Fund	4.6%	7.9%	12.1%	11.6%	10.0%	5.7%	
Policy Index (1)	1.4%	2.4%	5.7%	9.3%	9.5%	7.7%	
UNCIF	4.9%	8.2%	12.2%	11.7%	9.9%	8.8%	
Global Index (2)	2.2%	1.4%	5.6%	8.5%	7.9%	6.3%	
BNY E&F Median (3)	2.2%	2.8%	6.3%	9.6%	8.9%	7.0%	

**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—203 portfolios



## 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.

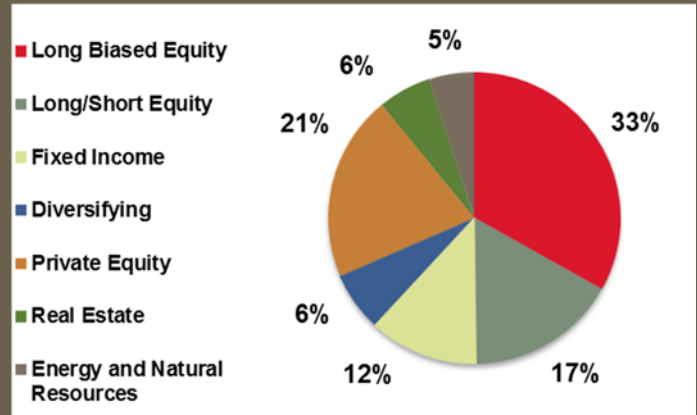
## UNC Management Company

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.

## Quarterly Investment Review

### Actual Asset Allocation

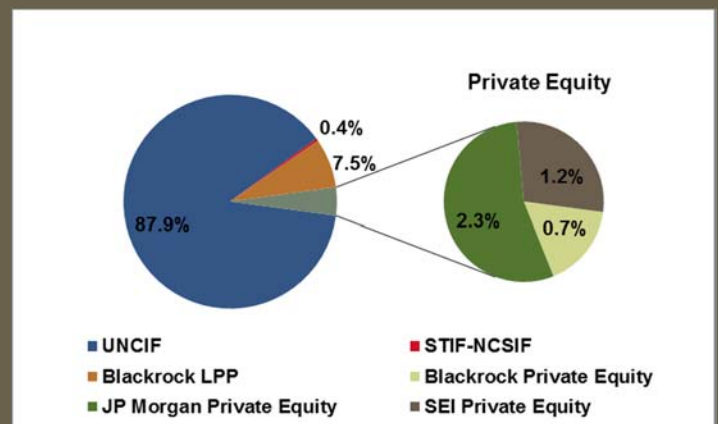


### Risk Profile

3-Year Period Ended March 31, 2015

	Average Annual Net Performance	Standard Deviation	Sharpe Ratio (1)
Fund	11.6%	3.8%	3.1
UNCIF	11.7%	4.0%	2.9
Policy Index	9.3%	4.1%	2.3
Global Index	8.5%	7.3%	1.2

### Allocation by Manager



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