

**NC State Investment Fund, Inc.
Holdings and Performance
For the Periods Ended
September 30, 2014**

Performance Summary	QTD	CYTD	1 Year	3 Year	5 Year	10 Year
NC State Investment Fund, Inc.	1.4%	7.7%	13.1%	11.6%	10.2%	5.7%
<i>Policy Benchmark (1) (2)</i>	0.5%	6.6%	11.5%	12.0%	10.4%	7.1%
<i>UNC Investment Fund, Inc.</i>	1.4%	7.6%	13.2%	11.9%	9.7%	9.0%
<i>Global Index (3)</i>	-1.6%	3.9%	9.1%	12.3%	8.5%	6.8%

Asset Class/Style	Market Value	Asset Allocation			
		Actual *	Policy	Over(Under)*	Tactical Range
Total NC State Investment Fund, Inc.	\$ 618,940,539	100.0%	100.0%		
<i>Global Equity Strategies</i>	300,641,725	48.6%	45.0%	3.6%	
Long Biased Equity	193,706,862	31.3%	27.0%	4.3%	20 - 35%
Long/Short Equity	106,934,864	17.3%	18.0%	-0.7%	12 - 24%
<i>Fixed Income Strategies Composite</i>	63,539,232	10.2%	10.0%	0.2%	
Fixed Income	63,539,232	10.2%	10.0%	0.2%	5 - 18%
<i>Diversifying Strategies Composite</i>	52,110,391	8.4%	12.0%	-3.6%	
Diversifying	52,110,391	8.4%	12.0%	-3.6%	8 - 16%
<i>Private Strategies</i>	202,649,191	32.8%	33.0%	-0.2%	
Private Equity	128,283,321	20.7%	18.0%	2.7%	14 - 22%
Real Estate	37,454,343	6.1%	8.0%	-1.9%	5 - 12%
Energy and Natural Resources	36,911,527	6.0%	7.0%	-1.0%	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/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

First Quarter FY15

September 30, 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

Geopolitical concerns intensified along with the impending reduction of central bank accommodation during the quarter. Both concerns were accompanied by slower overall growth during the quarter. Most major U.S. stock indexes dropped 5% to 10% from their peaks earlier this year; a drop of at least 10% being the traditional definition of a market "correction". Some investment market indicators, such as the Russell 2000, have been in correction territory for a few months. At the same time, overall market volatility increased sharply due to the continuing concerns about deteriorating economic growth prospects abroad. We believe the increase in volatility could be viewed as a return to "normal", not-unlike the type of variable performance witnessed in a non-stimulus environment. Even in the midst of disruption in US equities markets, however, investors saw the US economy as a safe haven, while Continental Europe continued to teeter on the edge of economic deterioration, and China's economic growth slowed.

As a result of this macro environment and a rise in investor fears, the third 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 -1.6% by 297 basis points, returning 1.4% as of September 30, 2014. Global Equities were down 2.3% for the quarter, but up 11.3% for the trailing one-year period. The Private Equity asset class, lagging by one quarter, was one of the best performing asset classes for the quarter, up 5.7%. 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, invests 88% of the Fund's assets. UNC Investment Fund (UNCIF) produced a 13.1% return for the 12 months ended September 30, 2014. The NCSIF employs additional private equity managers, who oversee 5% of the portfolio, and the one year return as of September 30, 2014 for that portion of the portfolio was a strong 21.0%. The Fund's Liquid Policy Portfolio (LPP), managed by Blackrock, at 7% of the portfolio, returned 8.5% for the one year period ended September 2014.

PERFORMANCE

September 30, 2014

Market Value: \$619 million		Participants: 9				
Performance	QTD	CYTD	1 Year	3 Year	5 Year	10 Year
Fund	1.4%	7.7%	13.1%	11.6%	10.2%	5.7%
Policy Index (1)	0.5%	6.6%	11.5%	12.0%	10.4%	7.1%
UNCIF	1.4%	7.6%	13.2%	11.9%	9.7%	9.0%
Global Index (2)	-1.6%	3.9%	9.1%	12.3%	8.5%	6.8%
BNY E&F Median (3)	-0.8%	4.6%	10.0%	12.3%	9.7%	7.3%

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

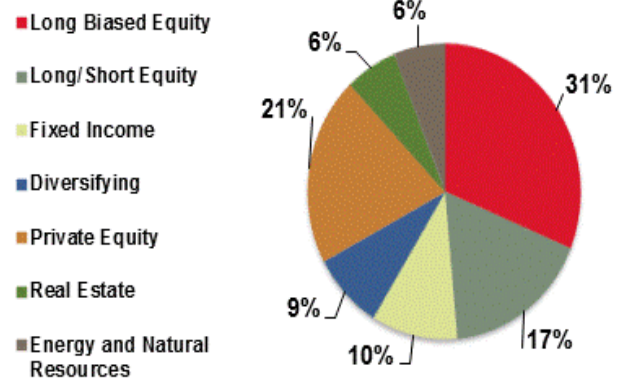
Note 2: Global Index= 70% ACWI; 30% Barclay's Aggregate

Note 3: BNY Mellon Endowment & Fdn. Universe Median Return—249 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 September 30, 2014

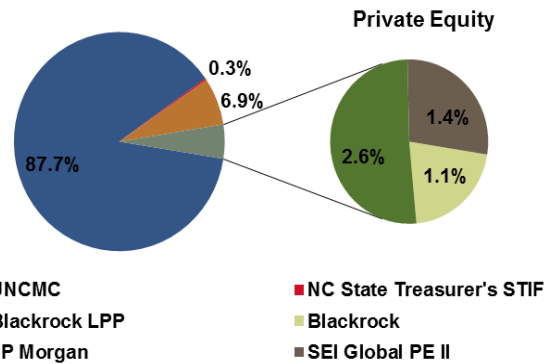
	Net Performance	Standard Deviation	Sharpe Ratio (1)
Fund	11.6%	4.0%	2.9
UNCIF	11.9%	4.2%	2.8
Policy Index	12.0%	5.0%	2.4
Global Index	12.3%	8.5%	1.5

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