

NC STATE INVESTMENT FUND, INC

FUND OVERVIEW

December 31, 2011

Market Value:	\$ 367.9	Participants: 9		
Performance	QTR	1 Year	3 Year	5 Year
Fund	0.51%	2.30%	5.45%	-0.75%
Policy Index (1)	3.22%	5.17%	9.81%	2.36%
Market Index (2)	8.61%	4.08%	12.28%	2.12%

Note 1: Policy Index=Strategic Investment Policy Index. For the 5 year period, Policy Index = Blended Historical Benchmark.

Note 2: Market Index= 70% S&P; 30% Barclay's Aggregate

HISTORY

The NC State Investment Fund, Inc., (the 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. The Fund is invested with the UNC Management Company (91%) and the remaining investments are committed to 3 private equity managers, with a small allocation in cash for funding capital calls.

INVESTMENT STRATEGY

The Fund is managed as a broadly diversified portfolio with exposure to nine 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.

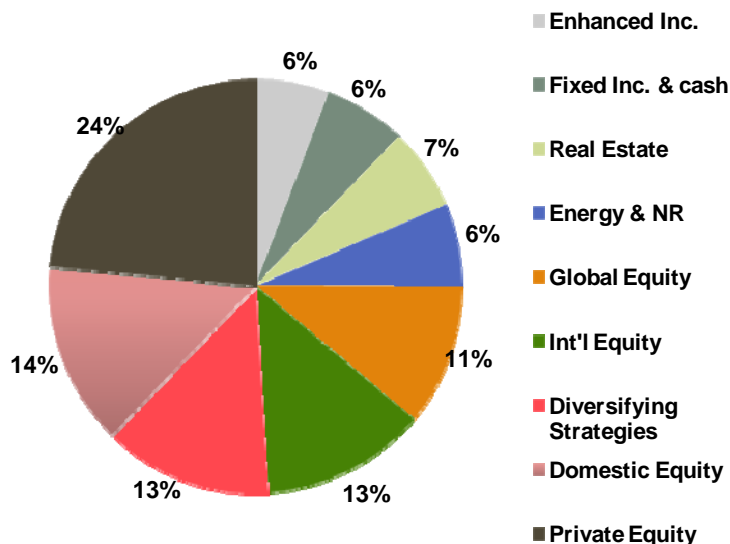
In working toward the Fund's investment strategy, through UNCMC, the Fund invests in a number of niche managers that can employ different types of hedging strategies such as short-selling and derivative investing to help reduce the volatility of the Fund. The focus on controlling volatility preserves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

UNC MANAGEMENT COMPANY

The UNC Management Company, Inc. (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 28 employees, UNCMC has two teams, Investment Management and Operations. The Investment Management team manages all public and private investments made by the UNC Investment Fund. 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 Executive Committee. The Operations Team performs all administrative, accounting, and performance reporting duties.

ACTUAL ASSET ALLOCATION



HISTORICAL TARGET ASSET ALLOCATION

	Current	2008	2006	2003	Inception
Domestic Equity	20%	25%	40%	52%	65%
Int'l Equity	15%	17%	20%	13%	15%
Fixed Income	8%	20%	10%	10%	20%
Enhanced FI	5%	23%	20%	25%	
Private Equity	15%	5%	10%		
Real Estate	10%	10%			
Global	10%				
Diversifying Strat.	10%				
Energy & NR	8%				