FISCAL YEAR 2017 ANNUAL REPORT

The University of North Carolina at Chapel Hill

FOUNDATION INVESTMENT FUND, INC

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UNCMC
UNC Management Company, Inc

Overview

THE FUND

The UNC Investment Fund, LLC ("Fund" or "UNCIF") is the commingled vehicle created to invest the assets of The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. ("Chapel Hill Investment Fund" or "CHIF") along with other eligible entities affiliated with the University of North Carolina system ("Members"). CHIF is the Fund's controlling Member with its Board of Directors ("Board") responsible for the Fund's governance.

In addition to The University of North Carolina at Chapel Hill Endowment, there are currently 25 other participants represented in CHIF. A complete list of participants can be found on page 26. These entities are comprised of more than 2,000 individual underlying funds.

By investing in the UNC Investment Fund, CHIF receives:

- Investment management and oversight by a team of professionals dedicated to achieving the Fund's objectives and focused on protecting the Fund's assets during periods of market weakness
- Access to superior external investment management firms
- Competitive fees
- Highly diversified portfolio of investments allocated across asset classes, sectors, geographies, and investment managers
- Proven long-term investment track record generated with moderate volatility

THE INVESTMENT OBJECTIVES

Primary Objective: Support the current and future needs of the Fund's Member institutions by generating, in perpetuity, a predictable and stable stream of annual spending distributions while also preserving purchasing power (net of inflation) after accounting for spending distributions.

Secondary Objective: Achieve a rate of return, net of all fees and expenses, which exceeds the Fund's primary benchmark, the Strategic Investment Policy Portfolio ("SIPP"). More information on SIPP can be found on page 13.

The Fund's asset allocation framework, as defined by SIPP, is principally implemented through investments in external investment managers.

THE MANAGEMENT COMPANY

The UNC Management Company, Inc. ("Management Company") has been appointed by CHIF's Board to provide investment management services to the Fund as well as Fund administration and performance reporting. The Management Company works closely with the Board and its Executive Committee requiring their direction and approval for:

- Determination of asset allocation
- Hiring and termination of external investment management firms
- Direct purchase or liquidation of assets

A Message from the Chairman of the Board & President of UNC Management Company, Inc.

Jonathon C. King
President & CEO,
Chief Investment Officer,
UNC Management
Company, Inc.

Max C. Chapman, Jr.
Chairman, Gardner Capital
Management
Chairman, Board of Directors,
University of North Carolina
at Chapel Hill Foundation
Investment Fund, Inc.

It is with great pleasure that we present the Fiscal Year 2017 Annual Report for the UNC Investment Fund, LLC ("Fund") which the Chapel Hill Investment Fund ("CHIF") is invested in. In the most recent fiscal year ended June 30, 2017 ("FY 2017"), the Fund posted a solid +12.1 percent net investment return with the strong performance of global equity markets acting as a substantial tailwind. The Fund's primary objective is to maintain the purchasing power of its underlying funds after accounting for spending distributions and inflation over the long term. Returns in excess of 7.5 percent are deemed to have achieved this target. In addition to contributing to the Fund's long-term return objective, the FY 2017 return of +12.1 percent exceeds the Fund's primary benchmark, the Strategic Investment Policy Portfolio ("SIPP") which recorded an +11.8 percent return for the year. Relative to peers, the Fund's FY 2017 return ranks in the third quartile of the Cambridge Associates universe of college and university endowment funds, as endowments with larger allocations to traditional equities were the top performers during the most recent fiscal year. Over the longer term, however, the Fund's 3-, 5-, 10-, 15-, and 20-year net returns all rank in the top quartile of the Cambridge Associates endowment universe.

On the heels of strong investment gains and additional contributions from donors, CHIF grew by $262 million from $2.8 billion at the start of the year to $3.0 billion at June 30, 2017. Over the past ten years, CHIF has grown by nearly 50 percent with over $1.0 billion distributed during this time to support University programs.

Strong returns within the Fund's equity oriented asset classes, both public and private, drove the Fund's overall performance for the year with Long Biased (traditional) Equity and Private Equity returning +21.5 percent and +15.1 percent, respectively. Over longer time horizons, the Fund's Private Equity investments have generated consistently strong results, illustrating the importance of the asset allocation process, where opportunistic asset classes such as Private Equity can add significant value over public equity markets. Over the past ten years, the Fund's Private Equity portfolio has produced a +12.6 percent net annualized return more than tripling the broader global equity market return.

While we are pleased with the Fund's +12.1 percent return for FY 2017, we remain focused on achieving the Fund's primary long-term objective by continuously seeking opportunities to enhance the Fund's return while maintaining a disciplined approach towards risk. As we work to achieve this objective, we maintain our commitment to the Fund's investment philosophy of investing for the long term in a portfolio of exceptional investment managers diversified across asset classes, strategies, and geographies. Speaking for the entire Chapel Hill Investment Fund Board as well as the staff of the UNC Management Company, we are grateful for the opportunity to support the University's mission.

Chapel Hill Investment Fund Board

One of the distinguishing features of the Chapel Hill Investment Fund is the oversight and governance provided by its Board of Directors to the UNC Investment Fund, LLC as its controlling Member. The Board, focused on the long-term strategy of the Fund, convenes to discuss and debate asset allocation, investment policy, and to monitor performance. The Board's Executive Committee meets more frequently to review intermediate-term recommendations of the Management Company. With its collective financial market expertise and extensive experience, the Board serves as an invaluable resource to the Management Company in its mission to deliver exceptional risk-adjusted returns.

David Carroll
Managing Member, Carroll Family Holdings, LLC

Max Chapman Jr.*
Chairman
Chairman, Gardner Capital Management

Haywood Cochrane
Chairman, Corium, Inc.

David Craver
Managing Director, Lone Pine Capital LLC

John Ellison Jr.*
President & Chief Executive Officer, The Ellison Company, Inc.

Matthew Fajack*
Treasurer
Vice Chancellor for Finance & Administration, The University of North Carolina at Chapel Hill

Carol Folt
Chancellor, The University of North Carolina at Chapel Hill

Michael Kennedy
Senior Client Partner, Korn Ferry

Steven Lerner
Founder & Managing Partner, Blue Hill Group

Willard Overlock Jr.*
Retired Partner, Goldman Sachs Group, Inc.

David Routh
Secretary
Vice Chancellor for University Development, The University of North Carolina at Chapel Hill

Nelson Schwab III
Senior Advisor, Carousel Capital

Sallie Shuping-Russell
Vice President
Managing Director, BlackRock

Dwight Stone
President & Chairman, D. Stone Builders, Inc.

John Townsend III*

*Executive Committee Member
As of June 30, 2017

Portfolio at a Glance

	FISCAL YEAR AS OF JUNE 30				
	2017	2016	2015	2014	2013
Market Value ($ millions)	$5,411.2	$4,549.6	$4,643.2	$4,137.3	$3,554.0
Fund Return	12.1%	-2.0%	9.3%	15.7%	12.1%
SIPP Benchmark Return	11.8%	-0.8%	3.2%	15.0%	10.4%
Fund Asset Allocation					
Long Biased Equity	31.0%	26.2%	29.1%	29.8%	29.0%
Long/Short Equity	17.8%	19.3%	20.0%	19.1%	18.3%
Diversifying Strategies	6.7%	8.0%	7.3%	9.6%	10.6%
Fixed Income	10.4%	8.5%	7.9%	8.0%	8.3%
Private Equity	19.2%	20.9%	19.4%	17.6%	18.1%
Real Estate	6.7%	7.3%	6.7%	6.8%	7.5%
Energy & Natural Resources	5.7%	5.8%	5.1%	6.5%	7.0%
Cash	2.5%	3.9%	4.5%	2.6%	1.2%

Fiscal Year 2017 Overview

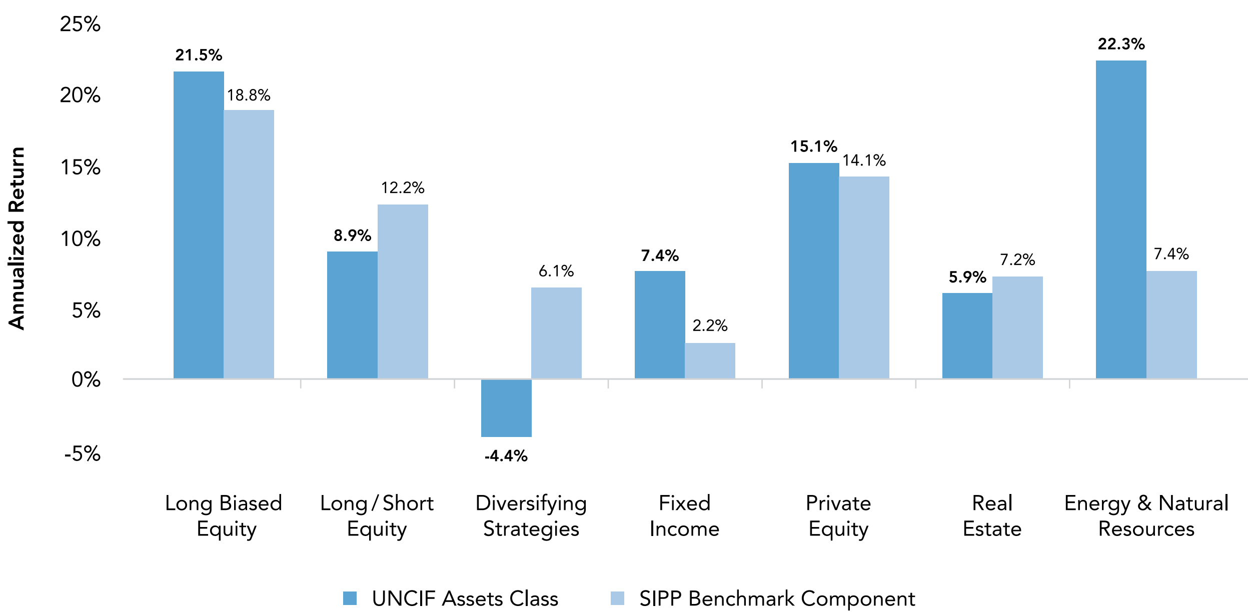
During fiscal year 2017 (twelve months ended June 30, 2017) the global economy settled into a steady growth rate that was supportive of rising equity markets. With this backdrop, and after two relatively weak years, global equity markets rebounded in FY 2017, providing a strong tailwind for institutional portfolios with broad equity exposure. International equities were particularly strong, both in developed markets (MSCI EAFE Index +20.3 percent) and emerging markets (MSCI Emerging Markets Index +23.7 percent), outperforming U.S. equities (S&P 500 Index +17.9 percent) for the first time in nine years. Following the U.S. presidential election in November, investors adopted a "risk on" sentiment moving into equities and away from defensive asset classes such as traditional fixed income and gold. The broad domestic fixed income market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, finished the year down -0.3 percent. As was widely expected, the U.S. Federal Reserve increased interest rates three times in FY 2017 (December 2016, March 2017, June 2017), lifting the benchmark federal funds rate to 1.25 percent. As the economic outlook is expected to continue to improve, additional rate increases are anticipated in FY 2018. Despite the fact that the current equity bull market is in its ninth year, we believe that going forward, equity markets can continue to increase in value fueled by global economic growth and the high degree of liquidity in the financial system.

FIGURE 1

Asset Class Returns vs. SIPP Benchmarks

Fiscal Year 2017

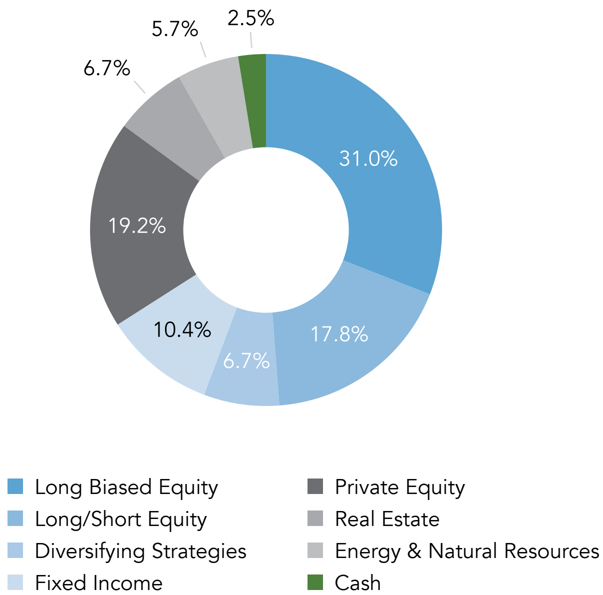
During the year, the Fund benefited from the recovery in energy prices and the equity bull market with performance driven by strong equity markets (both public and private).



With the solid performance of global equity markets acting as a substantial tailwind, the UNC Investment Fund generated a +12.1 percent net investment return for FY 2017. The Fund's return for the year is solid on both an absolute and relative basis outperforming the +11.8 percent return of its primary benchmark, the Strategic Investment Policy Portfolio ("SIPP"), and the +7.1 percent return of its long-term return objective of spending plus inflation. However, the Fund trailed a more "traditional" Global 70/30 Portfolio comprised of 70 percent global equities (MSCI ACWI) and 30 percent bonds (Bloomberg Barclays U.S. Aggregate Bond Index) which returned +12.7 percent over the period. Relative to peers, the Fund's FY 2017 return ranks in the third quartile of the Cambridge Associates universe of college and university endowments with smaller endowments that tend to have larger allocations to equity markets being top performers. Over longer periods, three, five, ten, and twenty years, the Fund's return ranks in the top quartile relative to peers.

For the fiscal year, all but one of the Fund's seven primary asset classes generated a positive return with four out of seven exceeding their respective benchmark. Strong equity markets, both public and private, drove the Fund's overall performance with Long Biased Equity and Private Equity returning +21.5 percent and +15.1 percent, respectively. Energy & Natural Resources, returning +22.3 percent, rebounded from its weak performance in FY 2016 to be the Fund's top absolute and relative performer in FY 2017. Within the public portion of the Fund's portfolio, the relative outperformance of Long Biased Equity (2.7 percent over its benchmark) and Fixed Income (5.2 percent over its benchmark) offset the underperformance of Long/Short Equity and Diversifying Strategies which trailed their benchmarks by 3.3 percent and 10.5 percent, respectively. While the performance of Diversifying Strategies for the year is disappointing it is not unexpected. Diversifying Strategies' role in the portfolio is to have low correlation to traditional asset classes (particularly equities) and perform well in weaker markets at the cost of dampening returns in strong up markets.

FIGURE 2
Fund Asset Allocation (% of total market value)
As of June 30, 2017



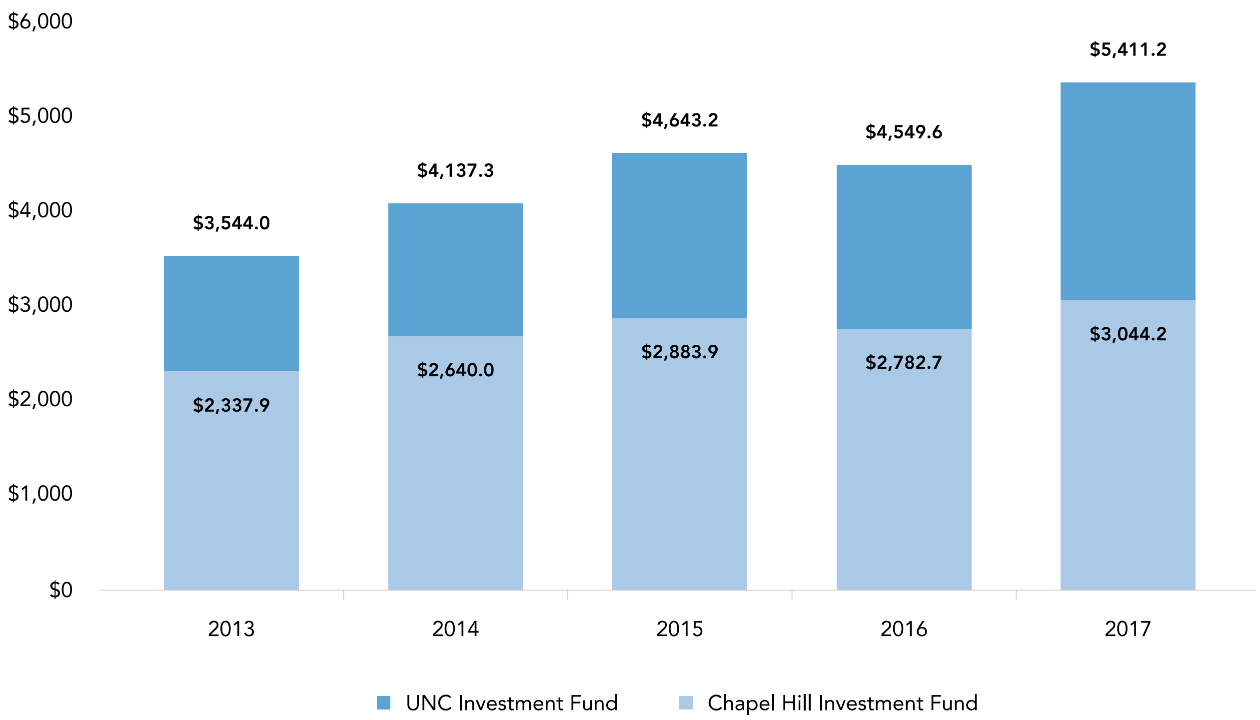
On the heels of strong investment gains and additional contributions from Fund members, the Fund's growth in assets over the year was the largest in its history, growing $862 million from $4.6 billion at the start of the year to $5.4 billion at June 30, 2017. Figure 3 below details the more than 70 percent growth in the Fund over the past five years (an increase of more than $2.2 billion) along with the growth in the Chapel Hill Investment Fund.

We expect the current market environment marked by low bond yields and modest equity returns to persist with volatility likely to increase. While the current U.S. economic cycle has been unusually long, we believe there is ample slack for it to power on – economic cycles don't have to die of old age. Additionally, global economic growth, though more muted than pre-financial crisis levels, appears poised to continue at a rate that is supportive of rising equity markets. However, we remain acutely aware of the uncertainties and risks inherent to financial markets and, as such, maintain that seeking out opportunities to enhance the Fund's return potential while focusing on capital preservation and downside protection is the most prudent course of action over the long term.

While we at the UNC Management Company are pleased with the +12.1 percent return generated by the Fund in FY 2017, we remain focused and committed to achieving the Fund's primary long-term objective: supporting the University in perpetuity on an inflation adjusted basis.

FIGURE 3
Market Value
($ millions)
As of June 30

Over the past five years, the UNC Investment Fund's market value has grown by more than 70% with net investment gains over the period of $1.9 billion.



Investment Principles

The Fund's primary objective is to support the current and future needs of the University by generating, in perpetuity, a predictable and stable stream of annual spending distributions while also preserving purchasing power (net of inflation) after accounting for spending distributions. More simply, the Fund, over the long term, has to return approximately 7.5 percent to achieve its primary objective: the spending rate (usually around 5.5 percent) plus inflation (around 2.0 percent).

While this objective is straightforward in concept, it is a challenge to achieve in practice. To achieve this goal, the Fund's investment philosophy has been built around three core principles:

Maintain Long-Term Perspective

By taking a long-term view, the Fund can benefit from inefficiencies that arise from the short-term focus of many market participants.

Partner with Best-in-Class Investment Managers

The Fund invests its assets with third-party investment managers. The UNC Management Company is steadfast in its pursuit of exceptional investment managers. Our research process takes us across the globe as we seek to partner with managers that possess highly specialized skills, deep market knowledge, an ability to think independently, and who have a demonstrated track record of investment success and adding value.

Manage Risk through Diversification

We strive to make the best investment decisions all of the time but accept that this is not possible given the uncertainty of financial markets. Risk management is a core tenet woven throughout our investment process and diversification serves as one of our primary risk management tools. We believe that investing across asset classes, geographies, and investment managers positions the Fund to achieve long-term success by limiting drawdowns associated with poor market conditions and the occasional inability of some investment managers to meet their risk/return targets.

Strategic Investment Policy Portfolio & Asset Allocation

Fundamental to the Fund's Investment Objectives is the Strategic Investment Policy Portfolio ("SIPP") established by the Board. SIPP provides asset allocation guidelines for the management of the Fund in accordance with its long-term return objectives and risk tolerance. SIPP is a broadly diversified portfolio with exposure to seven primary asset classes each of which is further divided into sub-strategies. SIPP establishes strategic asset allocation targets and tactical asset allocation ranges for the Fund's seven primary asset classes. Each asset class is measured against a benchmark index which, when aggregated, serves as a method of assessing the Fund's overall performance. SIPP reflects the long-term time horizon of the Fund with its components reviewed periodically. Any modifications tend to be gradual and made to reflect such factors as changes in market conditions, return expectations, and market liquidity.

Key characteristics of SIPP include:

- Diversification across asset classes to allow the Fund to achieve its objectives through varying market environments
- Reliance on equity-related investments, both in public and private markets, to achieve long-term return objectives
- Significant allocation to private investments to capture the associated illiquidity premium
- Emphasis on equities over fixed income securities to reflect the Fund's inflation sensitivity

FIGURE 4
Strategic Investment Policy Portfolio

Asset Class	Fund Allocation [1]	Strategic Target	Tactical Range	Benchmark
Long Biased Equity	31.0%	30.0%	24 – 36%	MSCI All Country World Index (ACWI)
Long/Short Equity	17.8%	15.0%	10 – 20%	Hedge Fund Research Institute (HFRI) Equity Hedge Index
Diversifying Strategies	6.7%	10.0%	6 – 14%	(50% HFRI Fund of Fund Conservative Index + 50% HFRI Fund of Fund Defensive Index) + 0.5%
Fixed Income	10.4%	10.0%	6 – 14%	30% BB L-T Gov't/Credit, 30% BB U.S. Aggregate, 20% BB HY Corporate, 20% 90-Day T-Bills [2]
Private Equity	19.2%	18.0%	14 – 22%	60% CA PE Index / 40% CA Venture Capital Index [3]
Real Estate	6.7%	8.0%	5 – 12%	90% NCREIF / 10% NAREIT [4]
Energy & Natural Resources	5.7%	7.0%	5 – 10%	50% S&P GSCI / 50% Real + 3% [5]
Cash	2.5%	2.0%	-2 – 8%	90-Day T-Bills

[1] As of June 30, 2017

[2] 30% Bloomberg Barclays U.S. Government/Credit Long Term Index, 30% Bloomberg Barclays U.S. Aggregate Bond Index, 20% Bloomberg Barclays Corporate High Yield Index, 20% 90 Day T-Bill

[3] 60% Cambridge Associates Private Equity Index, 40% Cambridge Associates Venture Capital Index

[4] NCREIF – National Council of Real Estate Investment Fiduciaries / NAREIT – National Association of Real Estate Investment Trusts

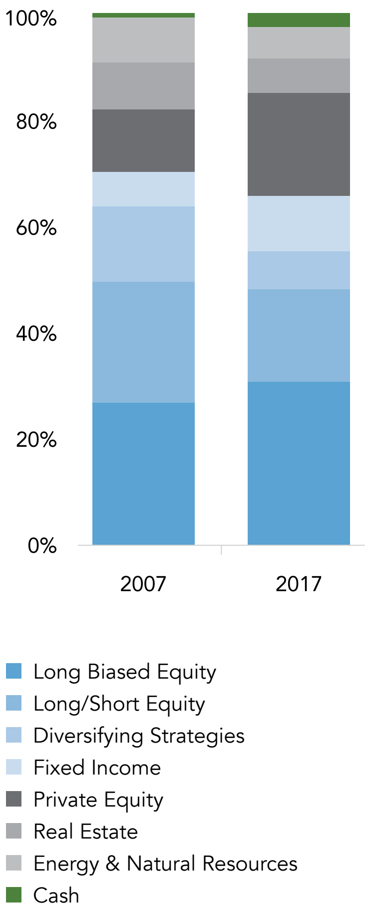
[5] 50% S&P Goldman Sachs Commodity Index, 50% Real + 3%

FIGURE 5

Historical Asset Allocation

As of June 30

Over the past ten years, the Fund has maintained its diversification amongst asset classes but reduced its aggregate exposure to Diversifying Strategies while significantly increasing its exposure to private equity markets.



Each of the seven underlying asset classes within SIPP provides different benefits to the overall portfolio across different market environments. The Fund is allocated across the different asset classes through investments with a number of investment managers chosen following a rigorous selection process.

Long Biased Equity

A traditional asset class characterized by ownership of publicly traded equity securities listed on global equity markets. This asset class is further divided into the following geographic sub-asset classes: domestic equity, developed markets international equity, emerging markets equity, and global equity.

Long/Short Equity

An asset class characterized by a manager's ability to buy and/or sell short individual publically listed equity securities that the manager believes the market has mispriced relative to their fundamental intrinsic value. The long and short positions are generally independent of one another and portfolios typically result in an overall net long exposure to equities. This flexibility is intended to add value and/or decrease risk.

Diversifying Strategies

An asset class intended to complement the aggregate portfolio by including investment strategies that tend to be relatively uncorrelated with major equity market indices.

Fixed Income

A broad and traditional asset class that generally comprises investment strategies (almost always including debt instruments) that are focused on income generation. The Fixed Income asset class tends to provide diversification to the portfolio acting as a complement to the Long Biased Equity asset class.

Private Equity

An asset class that includes equity investments and transactions in private companies (i.e. companies that are not publicly listed on any stock exchange). As the investments are illiquid, they are expected to provide higher returns than public equity investments over the long term.

Real Estate

An asset class in which investment managers invest in primarily private real estate opportunities (primarily commercial). Investments in Real Estate tend to provide a hedge against rising inflation, a source of current income, and diversification to the aggregate Fund. Real Estate markets can also be markedly inefficient and, as such, provide significant potential for investment gains.

Energy & Natural Resources

Asset class comprised of investment managers that purchase oil, natural gas, power, and other commodity-related investments. Similar to Real Estate, Energy & Natural Resources investments provide a hedge against future inflation and can benefit from an inefficient market for such investments.

Decisions regarding allocations to each of the primary asset classes can have a significant impact on an investment portfolio's absolute return and ability to achieve its return objectives within a given level of risk. Asset allocation decisions also influence the Fund's ability to provide a sufficient level of liquidity to meet the annual payout to Member institutions and other liquidity needs of the Fund. As such, establishing the strategic asset allocation targets of SIPP is the first step of the investment process utilized to construct the Fund. SIPP, including the strategic targets and tactical ranges for each underlying asset class as well as the Fund's actual allocations as of June 30, 2017, is illustrated in Figure 4 on page 13.

While the strategic asset allocation targets provide long-term guidance for the Fund, the tactical asset allocation ranges established by SIPP allow the Fund to react quickly when specific market conditions present themselves, purchase assets when they seem attractively valued, and sell assets deemed overpriced. These decisions may lead to pronounced deviations from the strategic targets and should, over the long term, contribute to the Fund's return goals.

Spending Distribution Policy

Endowment funds play a primary role in the funding of higher education and have become a crucial source of support to The University of North Carolina at Chapel Hill. Each year, CHIF participants receive a spending distribution of between 4 and 7 percent of their beginning market value to support various program expenditures. Maintaining a clearly defined spending distribution policy provides these underlying programs with a sustainable and stable source of financial support for ongoing operations and a potential source of capital for future enhancements.

The Chapel Hill Investment Fund's spending distribution policy attempts to accomplish two objectives:

- First, the policy strives to provide Fund participants with financial support at a rate that is sustainable over the long term. The Fund's long-term investment objective is to maintain the purchasing power of its underlying assets after accounting for both spending distributions and the effects of inflation. Achieving this objective requires a spending distribution rate that can be funded by the long-term investment returns of the Fund given its risk/reward profile.

- Second, the policy strives to provide Fund participants with financial support at a rate that is stable over the long term. Stability is important as large fluctuations in year-to-year spending distribution amounts make budgeting and funding programs and awards difficult.

There is an important tradeoff to consider when selecting an appropriate spending distribution policy. When a participant elects to withdraw a dollar in the current year, it foregoes the opportunity to reinvest that dollar to provide capital for future programs. Conversely, when a participant elects to retain and reinvest a dollar, it is foregoing the opportunity to provide a benefit today in order to provide for more spending in the future. Thus, any decision regarding present versus future spending involves judgments on the benefits generated from current expenditures versus benefits received from future expenditures.

Capital distributed from the Fund is done on a total return basis, which recognizes that the source of the dollars spent, be it dividends, interest, or realized and unrealized appreciation, is irrelevant. Regardless of its source, a dollar can either be spent today or reinvested for the future.

Considering the Fund's expected rate of investment return is crucial in determining and setting the spending distribution rate. Predicting the Fund's expected rate of return is extremely difficult, however, based on the Fund's asset allocation, its long-term expected real (i.e. inflation adjusted) rate of return is approximately 5.5 percent. If the distribution rate is less than the 5.5 percent rate, the Fund should maintain its real value with new gifts to the Fund representing opportunities for incremental spending rather than serving to replenish the Fund to its initial pre-spending distribution levels.

Utilizing a constant growth rate rule, the initial distribution rate for the Fund was set at 5 percent of its beginning market value in 2000. From year-to-year, the distribution rate is typically increased at the rate of inflation, as measured by the Consumer Price Index ("CPI"), over the preceding calendar year. The annual distribution rate, however, is subject to a minimum of 4 percent and a maximum of 7 percent.

For fiscal year 2017, the Board elected to increase the spending distribution rate from $432 to $435 per CHIF unit. This increase resulted in an annual distribution rate of 4.7 percent of ending market value, which falls within the policy guidelines. In the prior year, the distribution rate was 5.0 percent. Over the past ten years, CHIF's distribution rate has grown at an annualized rate of 1.9 percent which is in line with inflation as measured by the CPI.

FIGURE 6

Endowment Fund Ownership Fiscal Year 2017

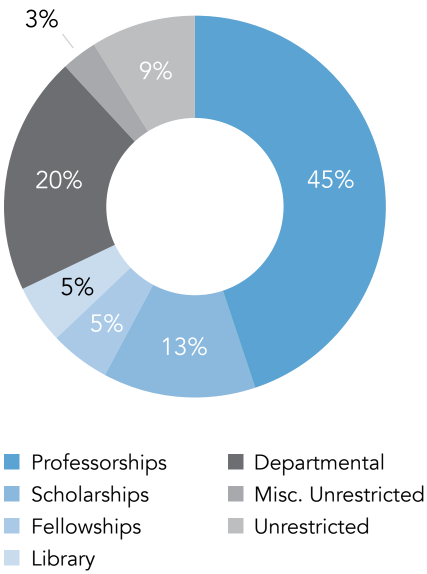
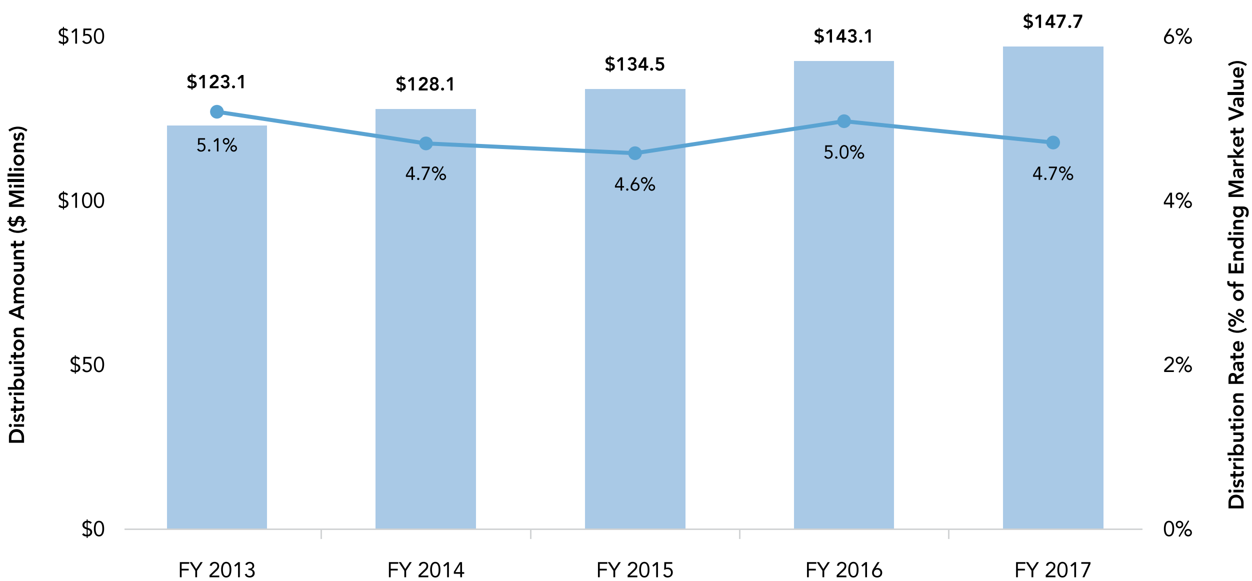


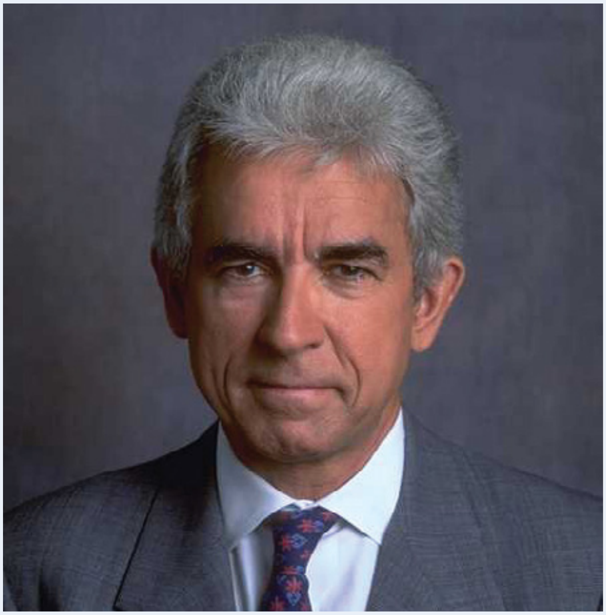
FIGURE 7

Historical Spending Distribution ($ Millions)

While the annual spending distribution rate has fluctuated, the amount distributed from the Chapel Hill Investment Fund has grown sustainably over the past five years providing continued support to University programs.



The Fund in Action



Laszlo Birinyi Sr. Scholarship & Professorship

Mr. Laszlo Birinyi Jr. stepped onto the University of North Carolina at Chapel Hill's campus in the early 1960's essentially by accident; traveling with a friend who wanted company on the way to a job interview.

"Like so many others over the years, it was not necessarily a case of love at first sight, but one of comfort. Chapel Hill had the feel of the college town that I had always envisioned," recalled Birinyi. Soon after his visit, Birinyi struck a deal with his father, Laszlo Birinyi Sr. that he could attend the university of his choosing, as long as it was no more than a day's drive from their hometown of Lancaster, Pennsylvania. There was no hesitation – he wanted to attend UNC-Chapel Hill.

The youngest of the Birinyi family, Laszlo Birinyi Jr. spent his days at Carolina exploring everything the university had to offer. A history major, Birinyi also wrote for The Daily Tar Heel, and took an array of courses ranging from Sociology to Russian. Birinyi's senior year led to a turning point in his college career: he signed up for a little-known course called "Information Science", something he would later on credit to kick-starting his successful career on Wall Street as a trader.

"The coursework was not, to my surprise, stacking books in Wilson library but dealt with computer programming," explained Birinyi. "Little did I know that at the time UNC was one of the first schools to have access to third generation computers (the IBM360). When I arrived in New York after graduation there was a demand for those who could program the new computer languages which I was exposed to at Carolina. This opened the door for me to career opportunities on Wall Street."

Birinyi credits his father for his educational success. Although not a college graduate himself, Birinyi Sr. recognized the value of a college education and wanted the best for his children. The family had migrated from Hungary as refugees during World War II. With the move came a new language and culture to adjust to. Birinyi Sr. recognized that many of the successful people in America were college graduates and wanted his children to have a good chance of achieving success.

"As my father aged, I wanted to do something special for him and thought that a fund in his name at Carolina would be appropriate," Birinyi recalled. "Unfortunately, because of the war he had lost his trade and was a manual laborer when we came to this country. Although he didn't clearly understand the inner workings of the educational system, he was aware that college was a critical line of demarcation."

In 1986, Mr. Birinyi established the Laszlo Birinyi, Sr. Scholarship Fund as a Christmas gift to his father in order to provide need-based scholarships to undergraduate students attending UNC-Chapel Hill.

Birinyi is keen to highlight that there is no specific educational requirement to receive the scholarship with its purpose a simple one - to open doors wider for students."I didn't want to subsidize something that I myself wouldn't have been eligible for," he explained. "For students who are still growing and learning and have not yet dedicated their efforts to one field of study, this scholarship allows them to tinker." The scholarship has helped countless UNC students over the past 31 years.

Birinyi hopes that the scholarship will allow students of all backgrounds to be encouraged to try all different paths without being penalized later. "As someone once said, not all who wander are lost. I had no idea what I wanted to be, what my skill sets or goals were even once I had graduated from Carolina," he said.

"UNC has offered me so many opportunities and this scholarship has opened so many doors for me as a college student," explained scholarship recipient and freshman student Brandon Callender. "My time at Carolina so far has allowed me to explore every interest of mine. It wouldn't have been possible without the generosity of Mr. Birinyi."

"Growing up, my family did not have a lot of money, but I had always dreamed of going to school," explained scholarship recipient and freshman student at UNC-Chapel Hill Katherine McMonagle. "After working dead end jobs for a few years, I realized how unfulfilled I truly felt. This scholarship has allowed me to live up to my potential and experience the education I have always dreamed of."

Birinyi's giving nature, however, does not stop with the scholarship. In 2002, Birinyi decided to set up a professorship fund in his father's name as well. It was initially established to create a permanent position in the department of Slavic languages that focused specifically on the culture and language of Birinyi's native country, Hungary. The professorship was held by Peter Sherwood from 2008 to 2014 who taught courses in Hungarian Language and Culture during his tenure. This past year, the professorship was amended to include all Central European studies with a research specialization in aspects of Hungarian culture and language.

Birinyi envisioned the $1 million endowed professorship as an opportunity for students to take advantage of it in any way that they choose. At one point, the professorship even allowed for a course to be established on the topic of "Hungarians in the Movie Industry".

"The more doors that are open to students and professors, the more, hopefully, someone will benefit," Birinyi explained, adding, "Maybe some student wants to be able to say hello to his grandfather in Hungarian."

Kenan Distinguished Professorship

The University of North Carolina at Chapel Hill is regarded for its exceptional faculty, whose innovative and groundbreaking teaching and research continuously puts the university on the map. Over the past 100 years, the Kenan Distinguished Professorship has been credited with attracting and retaining a significant number of outstanding faculty including Dr. Giselle Corbie-Smith.

Established in 1917, the Kenan Distinguished Professorship was created on the bequest of Mrs. Mary Lily Kenan Flagler Bingham. As a part of the William R. Kenan Jr. Charitable Trust, the program is among the largest endowed professorships in the university's history. A committee of distinguished professors from across various areas of study come together to review nominations for the professorship in consultation with the Executive Vice Chancellor, the Provost, and the Chancellor. Dr. Corbie-Smith, who was appointed the Kenan Distinguished Professorship in 2013, says it was an incredible honor to even be nominated for the position by her colleagues, let alone bestowed upon.

"The professorship has allowed me to go even deeper into my area of expertise and to investigate and research areas of health equity that may be considered "high risk/high reward," Dr. Corbie-Smith explained. "The professorship emphasizes and solidifies how important the work I'm doing is. It means a great deal to me to be recognized and distinguished in my field."

Dr. Corbie-Smith, a professor of social medicine and medicine at the UNC School of Medicine, also serves as the Director of the Center for Health Equity Research, Director of the North Carolina Translational and Clinical Sciences (TraCS) Institute's Community Academic Resources for Engaged Scholarships (CARES), and Co-Director of the Program on Health Disparities. Before joining the UNC faculty in 2000, Dr. Corbie-Smith completed her undergraduate studies at Cornell University, medical school at the Albert Einstein College of Medicine and her residency at Yale University.

After starting at UNC, Dr. Corbie-Smith has spent the majority of her career researching the practical and ethical issues of engaging minority and underserved communities in research to advance health equity. Her empirical work has focused on the methodological, ethical, and practical issues of research to address racial disparities in health, an issue that Dr. Corbie-Smith said has always interested her. "Ensuring all people have the ability to live their healthiest life has been a core value and driving principle throughout my career," she explained.

As the Director of the Center for Health Equity Research at UNC since its establishment four years ago, Dr. Corbie-Smith spearheads the center's mission to improve health in underserved communities through a shared commitment to health equity, innovation, and translational research. "The center brings together people from across the UNC campus and our state to work together to understand how we can create an environment in which everyone can be healthy no matter their circumstances," Corbie-Smith said. "It is something I am incredibly proud of."

In 2015, Dr. Corbie-Smith was selected by the Robert Wood Johnson Foundation, along with her colleague Dr. Claudia Fernandez, to lead the Clinical Scholars Program. This program brings together interprofessional teams of clinicians in communities across the country together to train them on the leadership skills surrounding health equity, diversity, and inclusion. The overarching goal of the program is to create a culture of collaborative leadership among diverse clinicians to improve the health of people across the country.

In addition to directing a national leadership program, Dr. Corbie-Smith has also been working closely with underserved communities locally in Eastern North Carolina over the past ten years on HIV and heart disease prevention. "We work with our colleagues in local communities to take what we know works to improve health and try to get the information out to as many people as possible," she explained. "We evaluated the problems in these areas and have adapted our efforts to meet the needs of the people."

Moving forward, Dr. Corbie-Smith will continue to be a champion for all those affected by health disparities. Her recent line of inquiry has focused on developing methods to engage minority and underserved communities in research. She has focused on interventions to increase minority participation in clinical research and the use of engaged research methods to work collaboratively with communities to address the issues of most concern. In addition, she has used each project to mentor young scholars from a variety of disciplines, from undergraduates to junior faculty members. Because of her research successes, Dr. Corbie-Smith has been awarded a grant by the National Institutes of Health to mentor new investigators in health equity research. She has mentored or advised dozens of mentees, many of who are from disadvantaged backgrounds, in center projects and developing their own research. "The professorship has been so instrumental not only in supporting my career but also allowing me to support some of the brightest young scholars at UNC who are also committed to ensuring that research serves the residents of North Carolina."

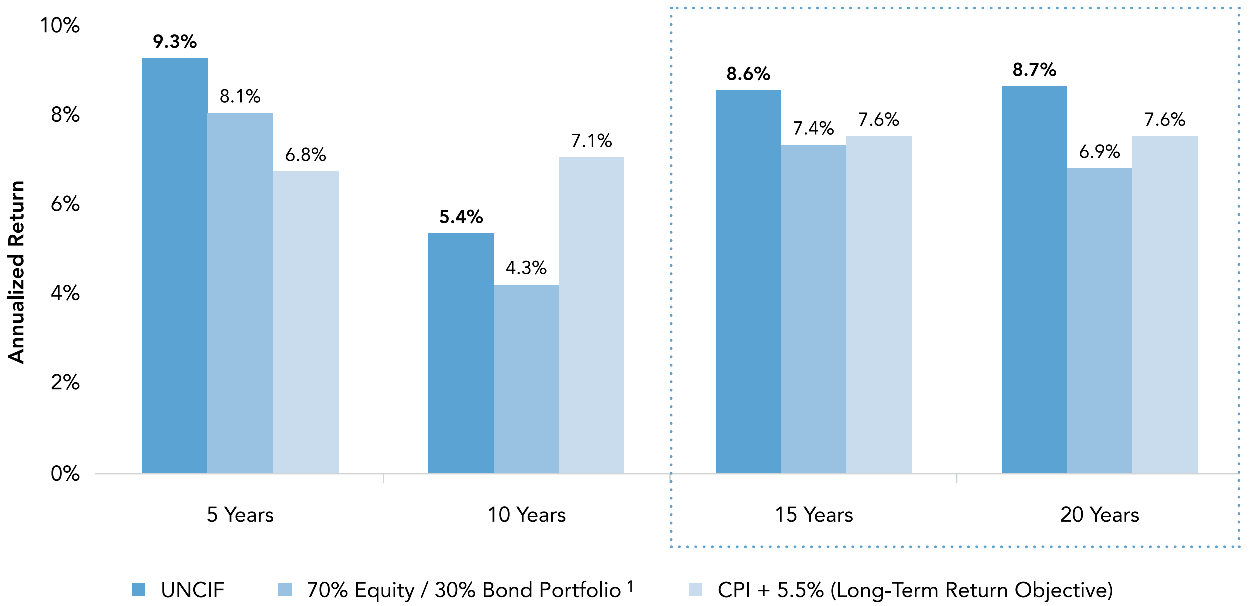
Investment Performance

The Fund is constructed to achieve its primary investment objective over a long-term time horizon. By investing for the long term the Fund can capture extended trends in markets and the illiquidity premiums associated with investments in private securities. Investing for the long term also allows the Fund to maintain focus in the face of short-term market disruptions. Measured tactical tilts in asset allocation also allow for short-term market dislocations to be opportunistically captured. While shorter-term performance is actively monitored, our primary focus remains on meeting the Fund's long-term return objective which can result in short- to medium-term underperformance.

In addition to maintaining a long-term investment horizon, the Fund is constructed to protect capital in down markets while participating in market rallies. This is achieved through the extensive degree of diversification created by investing across SIPP's seven primary asset classes and through diversification within each of the asset classes. Figure 10 on page 23 displays the Fund's total returns during those periods over the past ten years when the S&P 500 Index dropped more than -10 percent. This figure illustrates that during periods of market stress, the Fund provided downside protection, sustaining just a fraction of the market's losses.

FIGURE 8
Relative Long-Term Performance
Performance for periods ending June 30, 2017

A traditional equity/bond portfolio fails to achieve the Fund's primary objective highlighting the need for diversification and private investments.



[1] 5 & 10 Years: Global 70/30 Portfolio - 70% MSCI All Country World Index, 30% Bloomberg Barclays U.S. Aggregate Bond Index
15 & 20 Years: Domestic 70/30 Portfolio - 70% S&P 500 Index / 30% Bloomberg Barclays U.S. Aggregate Bond Index

The Fund's long-term return objective is to generate a real (inflation adjusted) return in excess of 5.5 percent, thus maintaining the after-spending purchasing power of the underlying funds. By investing for the long term, tactically shifting between asset classes on a short-term basis, and selecting top performing investment managers, the Fund has achieved this objective for the 15- and 20-year periods ending June 30, 2017, with returns of +8.6 percent and +8.7 percent, respectively. Figure 8 on page 21 highlights the long-term benefits of investing in a diversified mix of asset classes, as a more "traditional," equity market focused Global 70/30 Portfolio comprised of 70 percent global equities (MSCI ACWI) and 30 percent bonds (Bloomberg Barclays U.S. Aggregate Bond Index) falls short of meeting the Fund's long-term return target for the 15- and 20-year periods.

In contrast to these longer time periods, and despite ranking in the top quartile of the Cambridge Associates endowment universe, the Fund's +5.4 percent ten-year return through June 30, 2017 falls short of achieving the primary return objective, reflecting the negative impact of the 2007-2008 Global Financial Crisis. During this ten-year period, six of the Fund's seven asset classes generated a positive return with five exceeding their benchmark return. Investments in private securities were the best performers over the period with Private Equity returning +12.6 percent. This strong performance supports the notion that, over the long term, investors in private securities are rewarded for assuming illiquidity risk, even during periods of relatively weak equity market returns. The Fund's Long/Short Equity allocation also added substantial relative value returning +4.9 percent versus +2.7 percent for its benchmark. More strikingly, this +4.9 percent return exceeds the +3.7 percent annualized return generated by the broader equity market as measured by the MSCI All Country World Index.

Over the medium term, three- and five-year periods ended June 30, 2017, the Fund generated a +6.3 percent and +9.3 percent annualized return, respectively, achieving the Fund's primary return objective of exceeding the sum of the spending rate plus inflation over the period. These returns compare to the +4.2 percent and +8.1 percent returns earned on the Global 70/30 Portfolio over the same periods.

FIGURE 9

Asset Class Returns vs. SIPP Benchmarks

10 years ended June 30, 2017

Over the long term, six of the Fund's seven major asset classes have produced a positive return with Private Equity driving performance.

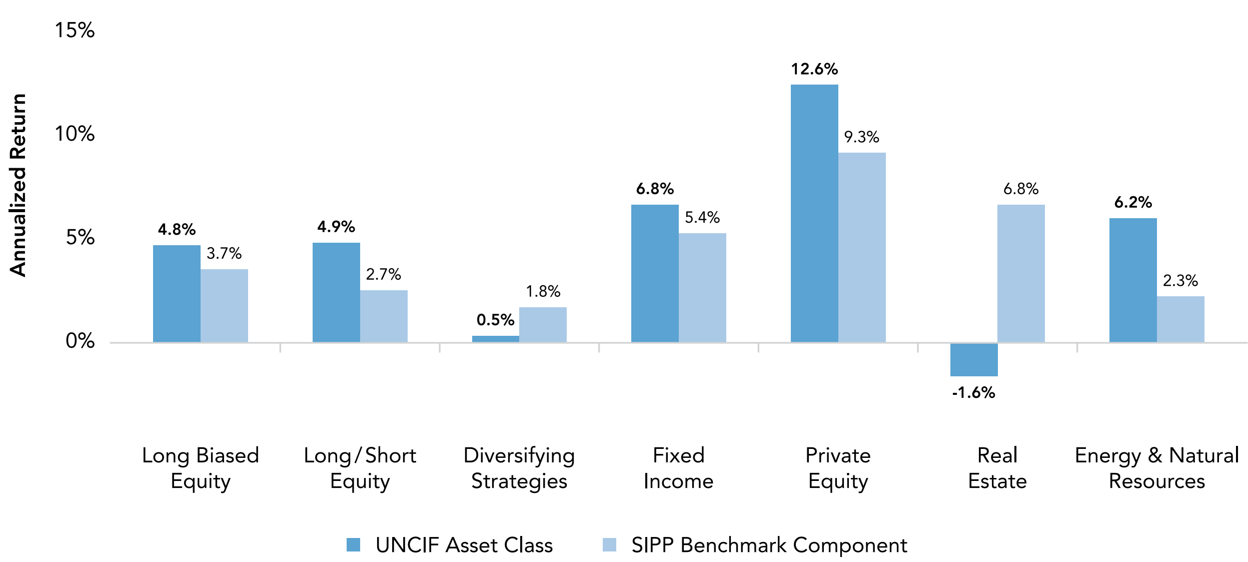


FIGURE 10

Drawdown Protection

S&P 500 Index

The Fund has outperformed each of its benchmarks over the past ten years on a cumulative basis by providing drawdown protection during periods of market stress.

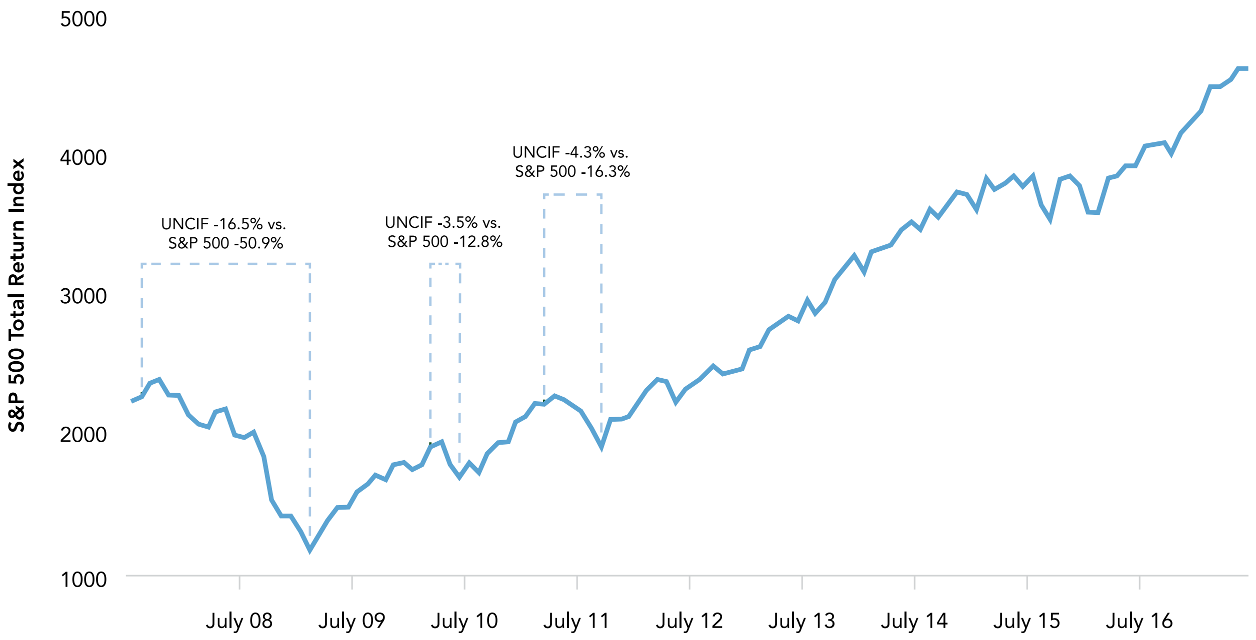


FIGURE 11

Investment Performance

By Fiscal Year

	2017	2016	2015	2014	2013
Fund Return	12.1%	-2.0%	9.3%	15.7%	12.1%
SIPP Return	11.8%	-0.8%	3.2%	15.0%	10.4%
Cambridge Associates University Endowment Universe Median	13.1%	-2.7%	2.5%	16.9%	11.9%

FIGURE 10
Fee Table

	% of Investment Balance
Investment Management Fee	
First $50 million of investment balance	0.50%
Remainder of investment balance over $50 million	0.24%
Legal & Accounting [1]	0.02%
Other Operating Costs [1]	0.02%

[1] Indicative, subject to variation

THE FUND AND INVESTMENTS IN ALTERNATIVE ENERGY

In September 2014, the Board of Trustees of the University of North Carolina at Chapel Hill passed a resolution requesting the Management Company research targeted investments for the University's endowment assets that advance environmentally friendly clean energy strategies consistent with applicable asset allocation and investment objective policies. At the Management Company, we believe that supporting the development of alternative energy sources is the most effective and pragmatic way to assist in the important effort to reduce reliance on coal and other fossil fuel based energy sources.

Fiscal Year 2017 Update

- The Fund gained $4.6 million in exposure to new environmentally-minded investments, a 31 percent increase from the prior year.
- At the end of the fiscal year, the Fund had $19.5 million in exposure to sustainable, clean energy focused investments.
- The Management Company has highlighted sustainability as a topic of importance in its manager due diligence process adding it as an area of focus during on-site diligence meetings. This has resulted in discussions around potential direct investments in renewable energy projects with an existing UNCIF manager.
- An increasing number of the Fund's managers have identified sustainability as an important factor when evaluating businesses and appreciate its impact on risk and return. Examples include managers partnering with university-led sustainability programs to identify methods of boosting portfolio company margins and promote environmentally conscience policies.

UNC Management Company, Inc.

The Management Company has been appointed by the Board to provide, under its supervision, investment and administrative services to the Fund. These include identifying, analyzing, and selecting external investment managers and tactical opportunities, monitoring the Fund's performance, and serving as a liaison between the Fund and its Members through regular communication and performance reporting.

The Management Company was formed under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization. With over 30 employees, the Management Company is divided across four functional areas: Investment Management, Investment Strategy & Risk Management, Operations & Finance, and Investor Relations & Communications.

Front row (left to right): Deana Griffin, Janine Vanzetta Burke, Elaine Brim, Joshua Shapiro, Margaret Holder, Rodgers Harshbarger, Paul Kindem. **Middle row** (left to right): Angela Elam, Celeste Reed, Gina St. Phillips, Bobby Williams, Clay Robinson, Susan Smith, Juddy Mair, Cheryle Johnson, Angela Moss, Kimberly Woodlief, Pam Shirley. **Back row** (left to right): Brook Scardina, Matt Lesesky, Jeffery Liu, Kevin Tunick, Chris Mattke, Jonathon King, Jonathan Cornish, Chris Bartholomew, Ed Hetherington, Benjamin Wendt, Richard Flintzer. Not pictured: Anita Barber, Timothy Burch, Kay Day, Patrick O'Neill, Chris Rudolph.

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Chapel Hill Investment Fund Participants

1. The Botanical Garden Foundation, Inc.
2. Carolina for Kibera, Inc.
3. The Dental Foundation of North Carolina, Inc.
4. The Educational Foundation, Inc.
5. The General Alumni Association
6. The Golden Fleece Foundation
7. The Kenan-Flagler Business School Foundation, Inc.
8. The Medical Foundation of North Carolina, Inc.
9. The Morehead Scholarship Foundation, Inc.
10. The Morehead-Cain Foundation
11. The North Caroliniana Society, Inc.
12. The Order of the Grail/Valkyries Foundation
13. The School of Government Foundation, Inc.
14. The School of Media and Journalism Foundation of North Carolina
15. The School of Social Work Foundation, Inc.
16. The UNC Eshelman School of Pharmacy Foundation
17. The UNC Law Foundation, Inc.
18. The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.
19. The University of North Carolina at Chapel Hill Endowment Fund
20. The University of North Carolina at Chapel Hill Foundation, Inc.
21. The University of North Carolina at Chapel Hill Foundation, Inc. Gift Annuity Program
22. The University of North Carolina at Chapel Hill School of Education Foundation, Inc.
23. The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.
24. The University of North Carolina at Chapel Hill School of Public Health Foundation, Inc.
25. The University of North Carolina at Chapel Hill Temporary Pool
26. The University of North Carolina Dental Alumni Association

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