

2022-2023

# Endowment Report




THE UNIVERSITY  
of NORTH CAROLINA  
at CHAPEL HILL

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# Fiscal Year 2023 BY THE NUMBERS

**5,528 donors**  
MADE GIFTS TO AN ENDOWED FUND  
OVER \$88.9 M CONTRIBUTED

**143**   
NEW ENDOWED FUNDS  
were created

*Endowed professorships and  
faculty funds distributed*  
**\$51.5 M**  
IN SUPPORT FOR FACULTY\*

Endowed scholarships and fellowships distributed  
**\$26,255,008**  
 *IN FINANCIAL AID  
to STUDENTS\**

\*These figures are for endowments held in The Endowment Fund and in  
The University of North Carolina at Chapel Hill Foundation, Inc.

**ENDOWMENT FUNDS** are the foundation for everything Carolina must do: recruit the best students and faculty, generate trailblazing research, and work for a better world.

A permanent fund, invested for growth with the principal untouched, an endowment provides a perpetual source and steady stream of revenue. This ability is critically important because it relieves the University from having to raise every single dollar it needs every single year. Because we can depend on endowment funds

in perpetuity, they enable us to weather the ebb and flow of state funding, tuition revenue and federal grants.

Undergraduate scholarships, graduate fellowships, faculty professorships, research initiatives, arts programming, public service, clinical care and much, much more: All thrive at Carolina and will continue to make a profound impact in the lives of the people we serve for generations to come, thanks to our endowment and the donors who support it.



## Finding a way

Carolina double alumna and staff member Maribel Carrion '77, '86 (MBA) established the first endowed fund at the Carolina Latinx Center. The gift endows a fund to provide students with opportunities to travel abroad and participate in global opportunities.

The Carolina Latinx Center provides students, faculty and staff the opportunity to explore Latinx cultures, histories and traditions and to use that understanding to work across racial and ethnic communities in North Carolina, the country and the world. The center supports UNC-Chapel Hill's Latinx communities and allies and educates the campus and beyond through engagement, scholarship, cultural awareness and public service.

Carrion, an avid supporter of the Carolina Latinx Center, the Carolina Performing Arts (CPA) Student Ticket Angel Fund, and Global Take Off: Puerto Rico, also gives back by volunteering in a number of areas on campus, including as a member of the UNC-Chapel Hill Board of Visitors, the CPA Advisory Board, the Chancellor's Global Leadership Council, the Alumni Committee on Racial & Ethnic Diversity and the Carolina Latinx Center Board.

The impact that studying abroad had on Carrion's sister inspired her to establish this endowment. Carrion said the experience changed her sister's world view in meaningful and powerful ways. "When you find something you really want to help with, you find a way to make it happen," said Carrion. "Seeing the impact my gifts have had on students' lives just makes me want to do more."

Born in San Juan, Puerto Rico, Carrion grew up in a military family and lived in the United States, Germany and Panama before she came to UNC-Chapel Hill to study mathematics. She later obtained her MBA from UNC Kenan-Flagler Business School and went on to a multinational career in software development. Thirty years later, she returned to Chapel Hill, and she is now the executive director of student administration and enterprise reporting in UNC's Information and Technology Services department.



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# Overview

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 23 other participants represented in CHIF. 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

The Investment Fund’s primary long-term investment goal is to provide an increasing stream of spending support in perpetuity while simultaneously ensuring that the underlying value of invested gifts grows at a rate at least equal to inflation. This rather straightforward goal, however, creates an ongoing conflict between maximizing current spending and protecting the original corpus of gifts from inflation. A dollar spent today cannot be reinvested to generate additional dollars tomorrow, and losses impair the Investment Fund’s ability to earn returns sufficient enough to meet future spending needs. The Investment Fund’s investment strategy

must manage the delicate balance between protecting the corpus, which favors a more conservative investment strategy, and growing asset values over time, which favors a more aggressive investment strategy.

To achieve its long-term investment objective, the Investment Fund is:

- Diversified across asset classes and investment strategies including a significant allocation to alternative strategies
- Primarily invested via external, third-party investment managers
- Structured to protect capital during periods of declining markets

## 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



## Angling for solutions

With funds from the Carol Remmer Angle Distinguished Professorship in Children's Environmental Health, Rebecca Fry, who teaches in the UNC Gillings School of Global Public Health, launched a summer program to increase undergraduate student awareness of environmental health careers.

"Undergraduate students are paired with graduate student researchers, and they begin to learn the language of science and are exposed to tools, techniques and data sets," said Fry. "It's exciting to see everything they can do in a few months, in one summer program."

Fry frequently mentors students in her lab and is one of the first to study the effects of prenatal exposure to toxic metals as it relates to the epigenome — how behaviors and environment can cause changes that affect the way genes function. In other words, environmental hazards can change a person's genes and those changes can be passed to future generations. Thankfully, the Fry Lab is focused on solutions.

"One of the things I love about working at Gillings is having opportunities to translate our work to something meaningful to communities and populations," Fry said. "And we do that from many different angles."

One angle: Fry launched the Institute for Environmental Health Solutions and is using funds from the Angle Professorship and the UNC Superfund Research Program, which she directs, to work with North Carolina communities that have contaminated drinking water and provide them with cost-effective filters.

"I'm most excited about the solution-oriented research," Fry continued. "One of the other reasons I love being at UNC is that it's such a collaborative environment."

# Spending Distribution Policy

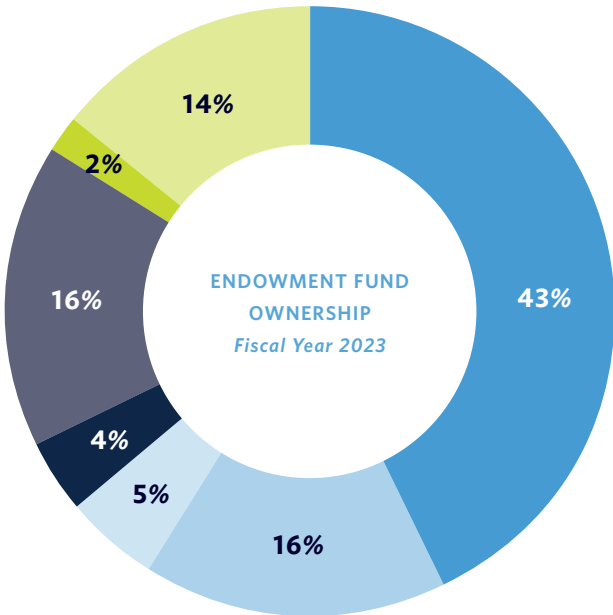
Endowment funds play a primary role in the funding of higher education and have become a crucial source of support to the University of North Carolina at Chapel Hill. Each year, CHIF participants receive a spending distribution of between 4% and 7% of their beginning market value to support various program 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:**

**01** First, the policy strives to provide CHIF 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.

**02** Second, the policy strives to provide CHIF 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.

One of the distinguishing aspects of the Chapel Hill Investment Fund is the use of a "constant growth" spending rule. Under this spending rule, the annual per-unit distribution amount is ordinarily increased by the inflation rate (CPI). This spending approach is designed to meet the stated objective of providing a predictable and growing stream of spending to support underlying endowed programs. Also by utilizing the constant growth approach, there is an increased likelihood that funds to support programs continually grow regardless of the financial market environment in a given year.



*During this 10-year period, \$1.79 billion has been distributed from the Chapel Hill Investment Fund to support University programs.*

- Professorships
- Scholarships
- Fellowships
- Library
- Departmental
- Miscellaneous Restricted
- Unrestricted



In June of each year, participants in CHIF receive a distribution of between 4 percent and 7 percent of their market value as of June 30 of the prior year. The distribution is calculated on a per unit basis, weighted by the length of time each unit is owned during the fiscal year. In May 2022, the CHIF Board voted for a 8.1% increase (1.0% above calendar year 2021 CPI) in the per-unit distribution amount for FY 2023 given the Investment Fund’s recent strong investment performance and the financial needs of the Chapel Hill Investment Fund’s underlying entities. The resulting FY 2023 distribution rate amounts to approximately 4.0% of CHIF’s June 30, 2022, market value.

**For your endowment, this means that the rate was used to calculate the distribution that paid out on June 30, 2023, and was based on your fund’s market value at June 30, 2022.**

The CHIF Board will vote on the per-unit distribution amount for FY 2024 at its October 2023 meeting. It is expected that the per-unit amount will be increased at a rate in line with the calendar year 2022 inflation level of 6.4% as measured by the CPI. Over the past five years to June 30, 2023, the per-unit distribution amount has grown more than the inflation rate at an annualized rate of 4.3%.

**CHAPEL HILL INVESTMENT FUND:  
DISTRIBUTION SCHEDULE**

FISCAL YEAR	CHIF DISTRIBUTION RATE	CALCULATED ON FMV AS OF	PAID OUT ON
2019	4.80%	6/30/2019	6/30/2020
2020	5.00%	6/30/2020	6/30/2021
2021	3.90%	6/30/2021	6/30/2022
2022	4.00%	6/30/2022	6/30/2023
2023	TBD*	6/30/2023	6/30/2024

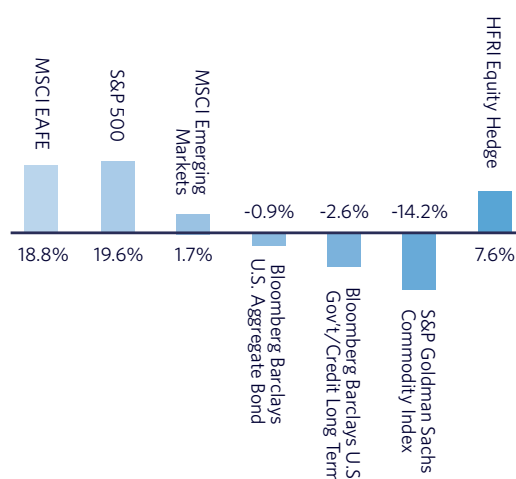
*\*Board vote to be made October 2023 and was not available at the time of publication.*

# Fiscal Year 2023 in Review

## FISCAL YEAR 2023 UNC INVESTMENT FUND PERFORMANCE

Following two very strong years in fiscal years 2021 and 2022, the UNC Investment Fund (the “Investment Fund”) had a difficult year in fiscal year 2023, recording a -0.4% return for the year. The primary cause of the weak performance was the -12.3% return on the Investment Fund’s Private Equity asset class. This loss offset the gains generated by the Investment Fund’s public equity holdings that benefitted from the strong performance in global equity markets. In bear markets, such as that experienced by global equity markets in calendar year 2022, public equities move downward relatively quickly while the corresponding valuation declines in the Private Equity asset class play out over an extended period. The delay in recognizing Private Equity valuation changes results from a combination of factors including the underlying uncertainties in valuing private companies and time lags inherent in the reporting process with Private Equity managers updating their valuations quarterly and generally having up to 90 days after a quarter’s end to issue their reports. Thus, the losses in the Investment Fund’s public equity holdings were reflected in

MARKET INDICES FISCAL YEAR 2023



## INVESTMENT RETURNS: A COMPARISON

	FY 2023	3 YEAR	5 YEAR	10 YEAR	20 YEAR
<b>UNC Investment Fund</b>	<b>-0.4%</b>	<b>13.9%</b>	<b>10.3%</b>	<b>9.7%</b>	<b>9.5%</b>
Primary Benchmark: SIPP	3.6%	11.2%	8.4%	7.9%	8.3%
Long-Term Return Objective(1)	8.6%	11.2%	9.4%	8.2%	8.1%
Traditional Portfolio: 70/30 Portfolio(2)	11.2%	6.5%	6.1%	6.7%	6.9%
Peer Universe Quartile Ranking(3)	Bottom	Top	Top	Top	Top

1 Inflation (as measured by CPI) + 5.5% (spending rate)

2 Global 70/30 Portfolio - 70% MSCI All Country World Index / 30% Bloomberg U.S. Aggregate Bond Index

3 Cambridge Associates' College and University Endowment Universe (preliminary as of 9/15/23)

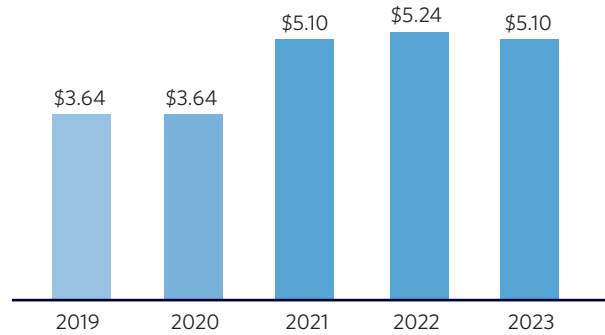


the FY 2022 results, while the Private Equity losses carried into FY 2023. The Investment Fund's -0.4% return trails its primary benchmark's, the Strategic Investment Policy Portfolio ("SIPP"), +3.6% return and the +11.2% return of a more "traditional", equity market-focused Global 70/30 Portfolio comprised of 70% global equities (MSCI All Country World Index) and 30% bonds (Bloomberg U.S. Aggregate Bond Index). Relative to peers, the Investment Fund's FY 2023 return ranks in the bottom quartile of the Cambridge Associates' College and University universe of endowment funds ("Cambridge Associates' Universe") with smaller endowments tending to have a higher allocation to public equity markets which performed well over the period and a smaller allocation to Private Equity which was very weak in FY 2023. While hurting the Investment Fund's return in the most recent fiscal year, Private Equity continues to be the Investment Fund's best performing asset class over longer time periods and has added significant value to the Investment Fund's performance even after accounting for the losses in FY 2023. Despite the Investment Fund's relatively weak performance in FY 2023, over longer periods, three-, five-, ten-, and twenty- years, its returns rank in the top quartile of the Cambridge Associates' Universe.

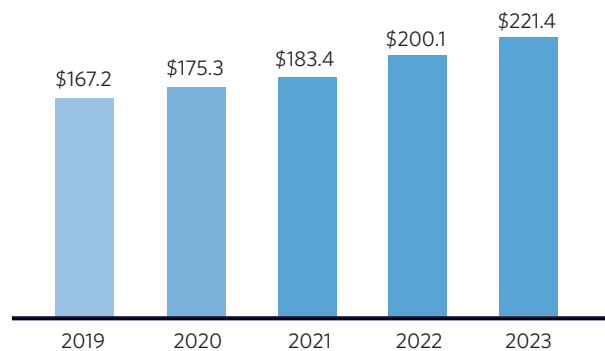
### FISCAL YEAR 2023 CHAPEL HILL INVESTMENT FUND MARKET VALUE

The University of North Carolina at Chapel Hill Foundation Investment Fund ("Chapel Hill Investment Fund" or "CHIF") represents the portion of the Investment Fund that is invested on behalf of UNC-Chapel Hill and its affiliated foundations. The Investment Fund is managed by the UNC Management Company with oversight by the Chapel Hill Investment Fund's Board of Directors ("CHIF Board"). During FY 2023, CHIF's market value marginally declined from \$5.24 billion at the beginning of the fiscal year to \$5.10 billion at June 30, 2023.

CHAPEL HILL INVESTMENT FUND:  
MARKET VALUE BY FISCAL YEAR (in billions)



CHAPEL HILL INVESTMENT FUND:  
DISTRIBUTIONS BY FISCAL YEAR (in millions)



#### CHAPEL HILL INVESTMENT FUND

\$ MILLIONS

<b>Beginning Balance (6.30.2022)</b>	<b>\$5,242.3</b>
+ Investment Return	(\$8.0)
+ Net Contributions	\$87.7
- Annual Spending Distribution	(\$221.4)
<b>FYE Balance (6.30.2023)</b>	<b>\$5,100.6</b>
<b>Change</b>	<b>(\$141.7)</b>

Over the past ten years, the market value of the Chapel Hill Investment Fund has more than doubled from \$2.21 billion at June 30, 2012 to \$5.24 billion at June 30, 2022. During this ten-year period, \$1.79 billion has been distributed from the Chapel Hill Investment Fund to support University programs and development.

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# Summary

Equity markets rebounded in FY 2023 following a sustained negative period. Despite the strong equity market environment, the Investment Fund generated a -0.4% return for the 12-month FY 2023 period with weakness in the Investment Fund's private equity holdings offsetting gains generated by its public equity exposure. The Investment Fund's performance for the year is also weak on a relative basis with its return trailing both its primary SIPP benchmark and a more traditional and equity market-focused Global 70/30 Portfolio. The Investment Fund's long-term performance, however, remains extremely strong on both an absolute and relative basis with annualized returns in excess of +9.7% for each of the three-, five-, and ten-year time periods ended June 30, 2023. Additionally, for each of these periods, the Investment Fund's return ranks in the top decile of its peer universe.

The latest annual report for the Chapel Hill Investment Fund is available for download at: [uncmc.unc.edu/the-fund/](https://uncmc.unc.edu/the-fund/)

## GLOSSARY FOR ANNUAL ENDOWMENT FINANCIAL REPORTS

**Book Value** Includes all gifts to this fund, transfers from other funds, withdrawals and income distributions that have been reinvested into this fund. Book Value is not directly affected by changes in the market.

**Beginning Market Value** The fair market value of your fund at the beginning of the fiscal year. It is based on your fund's share of Carolina's total endowment market value.

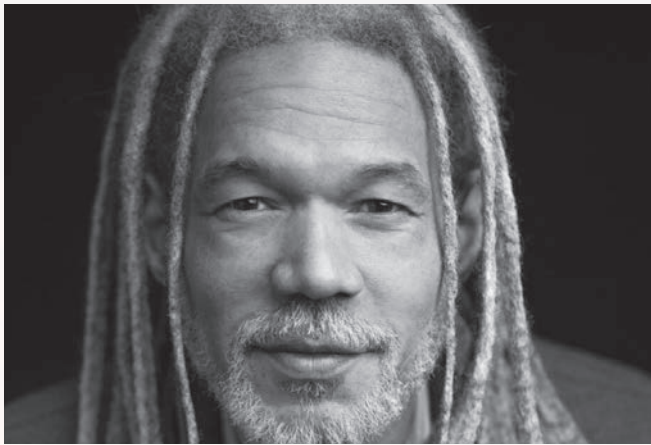
**Additions to Principal** Includes gifts made to the fund during the fiscal year and any income reinvested into the fund. Note: additions made in the month of June are not reflected in this total because they are not sent to CHIF until July.

**Investment Return** The value from investment performance over the fiscal year, net of fees.

**Income Distribution** The amount distributed in June 2023 for use in FY 2024. This amount is based on your fund's market value at June 30, 2022 and the Investment Fund Board's approved payout policy.

**Withdrawals/Transfers** The amount withdrawn or transferred out of the fund. Book Value is affected by this change.

**Ending Market Value** The fair market value of your fund at the end of the fiscal year. Note: additions made in the month of June are not reflected in this total because they are not sent to CHIF until July.



## Supporting exceptional Faculty

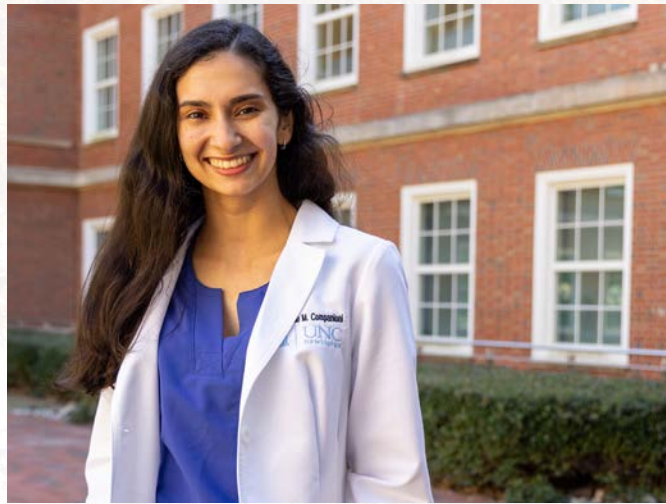
The Dr. Genna Rae McNeil Endowed Black History Month Lecture was named for the first Black tenure-track faculty member in the history department at Carolina. McNeil retired in 2021 after 36 years at UNC-Chapel Hill, where she helped establish what was then known as the African American History Month Lecture. The lecture was endowed through the support of generous donations from the UNC community.

The inaugural lecture took place at the Sonja Haynes Stone Center for Black Culture and History on Feb. 22, 2023, and featured guest speaker Dr. Vincent Brown, a noted scholar, historian and filmmaker whose unique explorations into the nature of historical slavery have garnered him many awards. Brown is the current Charles Warren Professor of American History at Harvard University. He is the founding director of Harvard's History Design Studio and teaches courses in Atlantic history, African diaspora studies and the history of slavery in the Americas.

Brown's most recent book, *Tacky's Revolt: The Story of an Atlantic Slave War*, tells the story of a significant uprising of enslaved Blacks in Jamaica in 1760. The story is a perfect illustration of the 2023 national theme for Black History Month: Black resistance. It's also an example that Brown uses to show how world events shaped U.S. history. He emphasizes that history requires looking beyond the Declaration of Independence and even beyond the first enslaved Africans' arrival in Virginia.

Brown said, "If there's a simple thing I want to get across, it is that Black history is American history, and Black history is also world history."





## Pursuing passions in dentistry

As a student and then a resident at the UNC Adams School of Dentistry, Stephanie Companioni '20 (DDS) certainly fulfilled the school's challenge to students to become oral health care professionals who serve patients as advocates, clinicians and thinkers.

A meeting with the team dentist for the NBA's Miami Heat sparked an interest in sports dentistry, so Companioni took the initiative to found the UNC Sports Dentistry Club. The group held sessions with medical staff from major sports franchises like the Carolina Panthers and Carolina Hurricanes and organized athletic-related volunteer opportunities.

During her three-year residency as a Gary and Sandy Smiley Orthodontic Fellow — an endowed fellowship position — Companioni served as administrator for the school's Dental Trauma Team, a multi-specialty group that provides consultation and treatment to patients throughout the state. She also conducted research that examined preparedness levels of middle and high school athletic trainers to help better prevent and treat traumatic dental injuries during athletic events.

"I feel like I've been very supported in my education here at the school," Companioni said. "I wanted to start the Sports Dentistry Club, and I was able to talk to the administration and start it. We even received funding to attend the National Academy for Sports Dentistry conference. The faculty is very supportive and whatever your passion is in the field of dentistry, you are able to pursue that passion."

Now a practicing orthodontist, Companioni said the Smiley Fellowship was critical to her success while at the Adams School of Dentistry

"With 11 years of education to become an orthodontist, there are a lot of tuition and costs," Companioni said. "To be able to receive a fellowship just helped me to reach my ultimate goals."

Copies of the annual report for the UNC Chapel Hill  
Foundation Investment Fund are available from:

THE UNC MANAGEMENT COMPANY

1400 Environ Way • Chapel Hill, NC 27517

Phone: 919.442.1599



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