The North Carolina Agricultural Foundation, Inc.
and
North Carolina Tobacco Foundation, Inc.

Treasurer’s Report
November 13, 2012
## Agenda

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Fiduciary Duty

Definition
• Duty to act for good of organization
• Highest standard of duty
• Board members are fiduciaries and stewards of Foundations’ assets

Duty of Care
• Also referred to as due diligence
• Attend & participate in meetings
• Make reasonable inquiry
• Make decisions, exercising reasonable care
• Keep corporate records

Audit & Investment Committees
• Serve an important fiduciary role for the Agricultural and Tobacco Foundations
• Periodic review of short-term and long-term investments
• Annual meeting with auditors to receive audited financial report and 990 tax return
• Keep full board informed in these areas
Ag Foundation
5-Year History
Market Value of Investments

<table>
<thead>
<tr>
<th>Date</th>
<th>Operating Cash</th>
<th>Life Income-Wells Fargo</th>
<th>NC State Investment Fund, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2008</td>
<td>$52.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>$47.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>$54.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>$62.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>$67.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Tobacco Foundation
5-Year History
Market Value of Investments

June 30, 2008: $6.5
June 30, 2009: $5.3
June 30, 2010: $5.3
June 30, 2011: $5.3
June 30, 2012: $5.0

Millions

- Operating Cash
- NC State Investment Fund, Inc.
# Operating Cash Investments
## June 30, 2012

### September 30th Intermediate Fund losses:
- Ag & Tob Realized & recognized: ($303k) & ($49k)
- Ag & Tob Current unrealized losses: ($489k)* & ($79k)*

*Only if liquidated

### September 30th Update:
- Ag MV: $20.5 million
- Tob MV: $3.1 million
- Qtr Return: 0.47% / 0.25%

## Operating Cash Investments
### June 30, 2012

<table>
<thead>
<tr>
<th>Fund</th>
<th>Market Value</th>
<th>3 Months</th>
<th>6 Months</th>
<th>1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL OPERATING FUNDS</td>
<td>$20,174,643</td>
<td>0.20%</td>
<td>0.88%</td>
<td>1.26%</td>
</tr>
<tr>
<td>BNY Liquidity DIRECT</td>
<td>$200,917</td>
<td>0.04%</td>
<td>0.07%</td>
<td>0.12%</td>
</tr>
<tr>
<td>BOA ML 3-Month T-Bill</td>
<td>$75,834</td>
<td>0.03%</td>
<td>0.04%</td>
<td>0.05%</td>
</tr>
<tr>
<td>commonfund Intermediate Term Fund</td>
<td>$4,229,122</td>
<td>0.43%</td>
<td>2.50%</td>
<td>2.75%</td>
</tr>
<tr>
<td>ML 1-3 Year Treasury</td>
<td></td>
<td>0.19%</td>
<td>0.11%</td>
<td>0.79%</td>
</tr>
<tr>
<td>State Treasurer’s Short-Term Investment Fund (STIF)</td>
<td>$15,744,604</td>
<td>0.13%</td>
<td>0.27%</td>
<td>0.71%</td>
</tr>
<tr>
<td>ML 1-3 Year Treasury</td>
<td>$2,185,648</td>
<td>0.19%</td>
<td>0.11%</td>
<td>0.79%</td>
</tr>
</tbody>
</table>

### NOTES:
1. Fiscal year 2013 endowment spending budgets and assessments of $1.3 million (Ag) and $85 thousand (Tob) are included in June 30, 2012 cash balances.
2. In addition to operating cash shown above, the Ag Foundation also has $3.0 million of excess operating cash in a quasi endowment with a market value of $2.96 million at June 30, 2012.
# Ag Foundation Commitments

## Restricted Fund Deficits

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Feed Mill</td>
<td>(561,296)</td>
<td>General fund</td>
</tr>
<tr>
<td>TTF Grants</td>
<td>(116,010)</td>
<td>TTF</td>
</tr>
<tr>
<td>WON/Aquaculture Park</td>
<td>(91,513)</td>
<td>$500k grant</td>
</tr>
<tr>
<td>General Shelton Book</td>
<td>(65,642)</td>
<td>Book sales &amp; donor pledge</td>
</tr>
<tr>
<td>FFA/NCDA Commodity Foods Truck</td>
<td>(35,760)</td>
<td>Sale of toy truck inventory</td>
</tr>
<tr>
<td>4-H/Electric Program</td>
<td>(25,728)</td>
<td>Receipts from Duke Energy</td>
</tr>
<tr>
<td>BAE - Biofuel Lease Agreement</td>
<td>(24,738)</td>
<td>Equipment lease - 5 yr repayment</td>
</tr>
<tr>
<td>CEFS Campaign Fund</td>
<td>(21,306)</td>
<td>Assessments on CEFS gifts</td>
</tr>
<tr>
<td>Cline Cellars Viticulture</td>
<td>(19,267)</td>
<td>Proceeds from land sales</td>
</tr>
<tr>
<td>Wastewater Tech Enh</td>
<td>(15,539)</td>
<td>Other sources</td>
</tr>
<tr>
<td>NC Cattlemen's Foundation Research</td>
<td>(13,556)</td>
<td>Future end. spd. budgets</td>
</tr>
<tr>
<td>Turfgrass Fdn/Sod Prod. Picnic Shelter</td>
<td>(13,514)</td>
<td>Pledge payments</td>
</tr>
<tr>
<td>Briggs Land Group</td>
<td>(12,907)</td>
<td>Proceeds from land sales</td>
</tr>
<tr>
<td>Hollowell Land Gift - Exp</td>
<td>(12,401)</td>
<td>Proceeds from land sales</td>
</tr>
<tr>
<td>CES/NCCES County Program ENH</td>
<td>(10,093)</td>
<td>Fundraising</td>
</tr>
<tr>
<td>Wells Exhibit</td>
<td>(10,000)</td>
<td>Other sources</td>
</tr>
<tr>
<td>Other</td>
<td>(147,353)</td>
<td>To be determined</td>
</tr>
</tbody>
</table>

**Subtotal: Funds Loaned Out** (1,196,624)

## Future Commitments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB&amp;T Loan for LaPaz</td>
<td>(2,560,000)</td>
<td>* LaPaz, LLC capital reimbursement; LaPaz, LLC revenues; Albion stock dividends; proceeds from Albion stock sale(s)</td>
</tr>
<tr>
<td>Remaining net LaPaz expenses <em>(ESTIMATED)</em></td>
<td>179,962</td>
<td>Cash balance in excess of estimated expenses</td>
</tr>
<tr>
<td>Commonfund ITF unrealized loss</td>
<td>(489,000)</td>
<td>** To be determined</td>
</tr>
<tr>
<td>Creamery match: Dairy</td>
<td>(200,000)</td>
<td>NCDF General Fund</td>
</tr>
<tr>
<td>Creamery match: Sweet Acidopholus</td>
<td>(300,000)</td>
<td>NCDF Sweet Acid. Fund</td>
</tr>
<tr>
<td>Quasi endowment (underwater)</td>
<td>(37,340)</td>
<td>Future investment earnings</td>
</tr>
</tbody>
</table>

**Subtotal: LaPaz & Future Commitments** (3,406,378)

**Total Commitments** ($4,603,002)

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* Balance reflects $640 thousand loan payment made in July 2012.

** If liquidated currently.
NC State Investment Fund, Inc.
5-Year History

Sept 30th Update:
NCSIF Market Value: $411.4 m
Ag Fdn: $43.7 m
Tob Fdn: $2.1 m
1st qtr results: 3.06% / 3.20% (preliminary)
NC State Investment Fund, Inc.
Cumulative Growth 1999-2012

MARKET VALUE RECAP (in millions)

- Original Investments: $178.8
- Net Earnings: $97.4
- Additions: $255.6
- LESS: Spending WD's: $(134.6)
- Total MV 6-30-12: $397.2
# NC State Investment Fund, Inc.
## Investment Performance

### For periods ended June 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>NC State Investment Fund, Inc. (NCSIF)</td>
<td>2.6%</td>
<td>9.5%</td>
<td>-1.1%</td>
<td>4.4%</td>
</tr>
<tr>
<td>UNC Investment Fund (UNCIF)</td>
<td>2.1%</td>
<td>7.9%</td>
<td>1.8%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Policy Benchmark (a)</td>
<td>4.7%</td>
<td>11.7%</td>
<td>2.6%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

### OTHER INFORMATION:

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Index (b)</td>
<td>6.4%</td>
<td>13.8%</td>
<td>2.6%</td>
<td>5.6%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>5.5%</td>
<td>16.4%</td>
<td>0.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>BNY Mellon Endow. &amp; Fdns. Median</td>
<td>0.2%</td>
<td>10.5%</td>
<td>1.5%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

### NOTES:
1. NCSIF began investing non-committed assets with UNCIF in July 2008, and the full transition from SEI to UNCIF was completed in December 2009.
2. One-Year Net Return of 2.6% is in the top quartile of the BNY Mellon Endowment & Foundations Universe for the same period.

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**Sept 30th Update:**

1st qtr results: 3.06% / 3.20% (preliminary)

(a) Policy Benchmark for 1 Year and 3 Year is Strategic Investment Policy Portfolio (SIPP) Index. Year 5 Policy Benchmark represents historical blend of past benchmarks.

(b) Market Index= 70% S&P; 30% Barclay’s Aggregate
NC State Investment Fund, Inc.
Asset Allocation

As of June 30, 2012

Target | Actual | Over(Under)

Domestic Equity | 20.3% | 20.3% | 0%
International Equity | 14.3% | 14.3% | 0%
Global Equity | 9.1% | 9.1% | 0%
Diversifying Strategies | 5.8% | 5.8% | 0%
Fixed Income | 4.7% | 4.7% | 0%
Enhanced Income | 3.6% | 3.6% | 0%
Cash | 2.0% | 2.0% | 0%
Private Equity | 15.1% | 15.1% | 0%
Real Estate | 6.3% | 6.3% | 0%
Energy & Natural Res. | 4.7% | 4.7% | 0%

Public Portfolio Liquidity
Daily: 20.3%
< 1 mon: 12.3%
1-3 mon: 9.1%

NOTE: Target is UNCMC asset allocation target. Private Equity (PE) over target due to NCSIF outside PE holdings.
University-wide: 205 of 2,110 endowments were underwater at June 30, 2012, an improvement from 282 as of the prior fiscal year end.

NOTE: Ag and Tobacco Foundation endowments generated spending budgets for fiscal year 2012-13 in the amount of $1.05 million and $77.7 thousand, respectively.

*The Tobacco Foundation has 7 endowments, none of which were underwater at the end of either of the last two fiscal years.
NC Agricultural Foundation, Inc.
Investments Summary
June 30, 2012

TOTAL MARKET VALUE: $67.5 million

- NC State Investment Fund, Inc., $42,327,805
  - 2.6% / 4.7%
- Operating Cash, $20,174,643
  - 1.3% / 0.8%
- Life Income-Wells Fargo, $5,039,606
  - -0.10% / 0.30%
NC Tobacco Foundation, Inc.
Investments Summary
June 30, 2012

TOTAL MARKET VALUE: $5 million

Operating Cash, $3,001,523

NC State Investment Fund, Inc., $2,034,963

1.3% / 0.8%

2.6% / 4.7%

FY Return / FY Benchmark
For periods ended June 30, 2012

Fiscal Year End Market Value

- June 30, 2008: $340.3
- June 30, 2009: $257.2
- June 30, 2010: $313.8
- June 30, 2011: $378.3
- June 30, 2012: $397.2

As of June 30, 2012

Target | Actual | Over(Under)
--- | --- | ---
Domestic Equity | | |
International Equity | | |
Global Equity | | |
Diversifying Strategies | | |
Fixed Income | | |
Enhanced Income | | |
Cash | | |
Private Equity | | |
Real Estate | | |
Energy & Natural Res. | | |

Public Portfolio Liquidity
- Daily: 20.3%
- < 1 mon: 12.3%
- 1-3 mon: 9.1%

NOTE 1: NCSIF began investing non-committed assets with UNCIF in July 2008, and the full transition from SEI to UNCIF was completed in December 2009.
Questions?

The NC Agricultural Foundation, Inc.

&

NC Tobacco Foundation, Inc.