

Midwestern State University Investments

August 7, 2014



Kevin McGinnis
Executive Director, Risk Management
& Benefits Administration



Investment Process

- Investment Policy – Approved by the Board of Regents; sets asset allocation, permissible investments, endowment payout, etc.
- Investment Personnel – Maria Robinson and Kevin McGinnis; Outside Investment Consultant
- Investment Philosophy – Top quartile managers and adherence to a diversified long-term asset allocation will result in positive risk adjusted return



Manager Selection and Evaluation

- Manager candidates sourced through consultant
- Consultant provides a shortlist from which investment personnel will select finalist
- Manager contracting requires on-site office visit which thereafter is done annually
- Managers are expected to post performance in the top quartile when compared to their peer universe



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Performance Periods Ended June 30, 2014

	<u>1-YR</u>	<u>5-YR</u>	<u>10-YR</u>	<u>15-YR</u>
Cash Concentration Pool	12.3%	9.0%	5.4%	5.6%
Balanced Index	11.4%	8.8%	5.2%	5.2%



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Cash Concentration Pool Asset Allocation

Asset Class	Target Allocation	6/30/2014 Allocation
Short Term Portfolio	8.0%	8.0%
Liquidity Portfolio	10.0%	9.4%
Fixed Income	25.0%	23.4%
Domestic Equity	20.0%	21.2%
International Equity	17.0%	17.7%
Hedge Funds	20.0%	20.3%



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Cash Concentration Pool Investment Midwestern State University October 1, 2013 to June 30, 2014

Investment Transfers	\$19,000,414
Net Earnings Added Back*	<u>671,036</u>
Book Value as of June 30, 2014	\$19,671,450
Unrealized Appreciation	1,698,224
Market Value as of June 30, 2014	\$21,369,674

* Interest, dividends and realized gains, less fees



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Performance Periods Ended June 30, 2014

	<u>1-YR</u>	<u>5-YR</u>	<u>10-YR</u>	<u>15-YR</u>
System Endowment Fund	16.7%	12.0%	7.0%	6.5%
Balanced Index	13.0%	10.6%	6.4%	5.4%



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System Endowment Fund Asset Allocation

Asset Class	Target Allocation	6/30/2014 Allocation
Fixed Income	15.0%	13.9%
Domestic Equity	20.0%	20.1%
International Equity	20.0%	20.2%
Inflation Hedging*	12.0%	13.1%
Hedge Funds	18.0%	16.9%
Private Equity	15.0%	15.8%

*Inflation Hedging includes timber, real estate, and energy investments.



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- Income is distributed to each endowment account on a quarterly basis in accordance with the spending policy outlined in the System Investment Policy.
- The quarterly payout is calculated on an annual basis and is the average of the quarterly market value for the 20 fiscal quarters ending the previous February, multiplied by 5.0% and divided by 4.
- The market value per unit for the last five years is as follows:

2/28/2010	\$5.11
2/28/2011	\$5.62
2/29/2012	\$5.47
2/28/2013	\$5.57
2/28/2014	\$6.00



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System Endowment Fund

Quarterly Endowment Spending Rate

