

Midwestern State University Investment Overview

August 3, 2017



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The Texas A&M University System

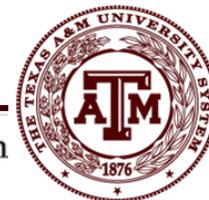
Cash Concentration Pool

Investment Objective

Invest the funds in a manner as to achieve a reasonable balance of growing corpus and meeting the operating needs of the system, while maintaining the system's objective of the safety and preservation of capital.

Performance Periods Ended June 30, 2017

	<u>1-YR</u>	<u>5-YR</u>	<u>10-YR</u>	<u>15-YR</u>
Long Term Cash Concentration Pool	10.7%	6.7%	4.5%	5.7%
Long Term Balanced Index	9.5%	6.6%	3.7%	5.7%



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Long-Term Cash Concentration Pool Asset Allocation

Asset Class	MSU Target Allocation	6/30/2017 Allocation
Liquidity Portfolio	10.9%	11.0%
Fixed Income	23.9%	22.8%
Domestic Equity	21.7%	22.5%
International Equity	21.7%	23.2%
Absolute Return	21.7%	20.5%



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Cash Concentration Pool

Midwestern State – Operating Funds

October 1, 2013 to June 30, 2017

Net Investment Transfers	\$24,000,000
Net Earnings Added Back*	<u>2,929,504</u>
Book Value as of June 30, 2017	\$26,929,504
Unrealized Appreciation	\$1,864,856
Market Value as of June 30, 2017	\$28,794,360

* Interest, dividends and realized gains, less fees



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System Endowment Fund

Investment Objectives

Provide a continuing and dependable cash payout, stable and preferably growing in real terms.

Cause the total value of the fund to appreciate, over time, exclusive of growth derived from donations.

Performance Periods Ended June 30, 2017

	<u>1-YR</u>	<u>5-YR</u>	<u>10-YR</u>	<u>15-YR</u>
System Endowment Fund	11.0%	8.5%	4.4%	6.9%
Balanced Index	11.3%	7.3%	3.8%	6.2%



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System Endowment Fund

Asset Allocation

Asset Class	Target Allocation	6/30/2017 Allocation
Fixed Income	15.0%	14.1%
Domestic Equity	20.0%	19.9%
International Equity	20.0%	20.9%
Real Assets*	15.0%	10.4%
Absolute Return	15.0%	14.5%
Private Equity	15.0%	19.8%
Money Market	0%	0.5%

*Real Assets includes timber, real estate, and energy investments.



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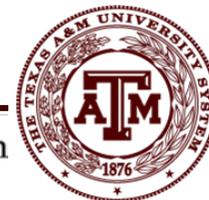
System Endowment Fund

Midwestern State Endowment Accounts

May 31, 2017

Investment Transfers	\$12,027,628
Market Value	\$12,117,360
Units	1,923,303.83
FY 2017 Payout (estimated)	\$554,456
FY 2018 Payout (estimated)	\$568,944

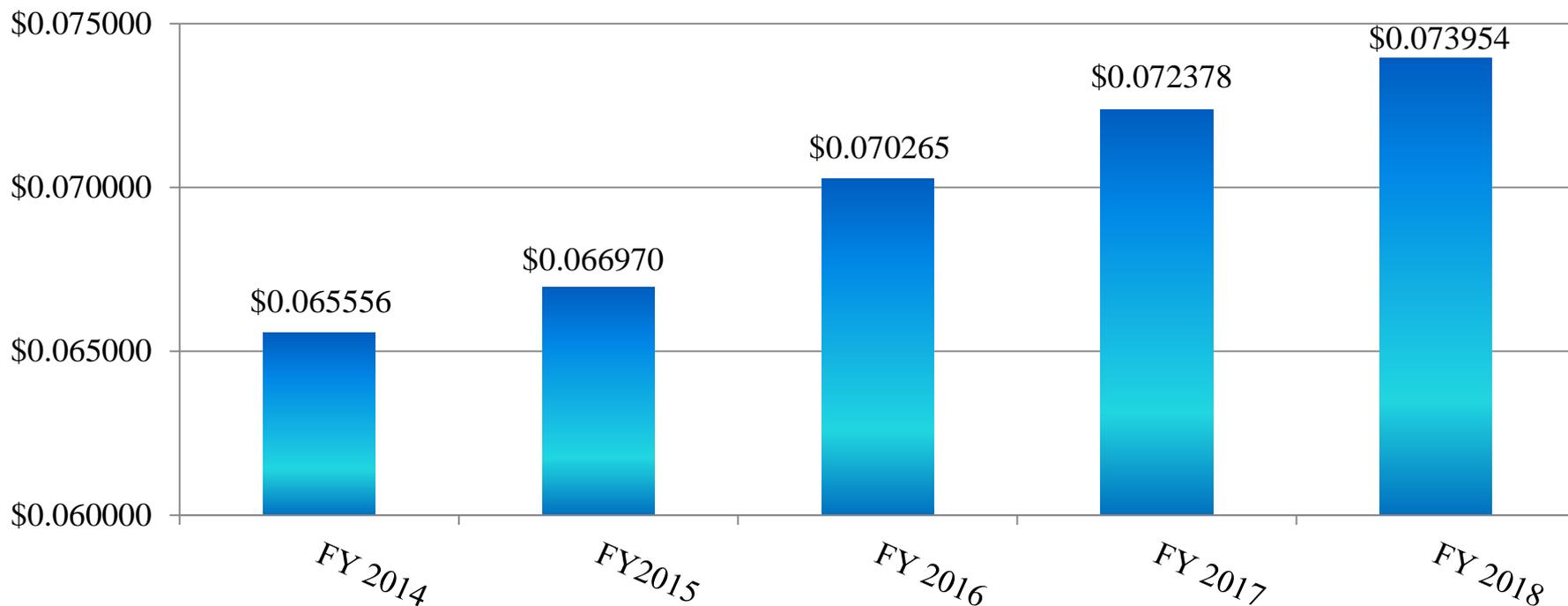
The quarterly payout is calculated on an annual basis and is the average of the quarterly market value for the 20 fiscal quarters ending the previous February, multiplied by 5.0% and divided by 4.



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System Endowment Fund

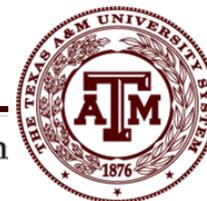
Quarterly Endowment Spending Rate



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Investment Pool Comparison

	Asset Class	Long-Term CCP Target Allocation	SEF Target Allocation
Long-Term CCP Objectives:	Liquidity Portfolio	10.9%	-
	Fixed Income	23.9%	15.0%
	Domestic Equity	21.7%	20.0%
	International Equity	21.7%	20.0%
	Absolute Return	21.7%	15.0%
SEF Objectives:	Real Assets	-	15.0%
	Private Equity	-	15.0%



Manager Rankings

Equity Manager	5-Yr Return	5-Yr Universe Ranking
Jennison Associates Russell 1000 Growth Index	12.8% 13.3%	1st Quartile
Vulcan Value Partners¹ Russell 1000 Value Index	13.6% 13.1%	1st Quartile
NewSouth Capital Management¹ Russell 2500 Value Index	11.4% 12.9%	3rd Quartile
Kayne Anderson MLP Fund Alerian MLP Index	2.5% 2.6%	1st Quartile
Invesco¹ MSCI World ex US Growth Index US\$	6.0% 5.5%	2nd Quartile
Altrinsic Global Advisors EAFE Index (in US Dollar NET)	6.1% 5.8%	2nd Quartile
DFA International Small Cap Value EAFE Small Cap (in US \$)	9.7% 9.2%	1st Quartile
William Blair Emerging Mkts¹ MSCI EM Index(US\$)	0.7% 1.2%	3rd Quartile
DFA Emerging Markets Small Cap¹ MSCI EM Small Cap Index	4.6% 3.2%	1st Quartile

Fixed Income Manager	5-Yr Return	5-Yr Universe Ranking
Payden & Rygel ML 1-5 Corporate/Government Index	2.7% 1.4%	1st Quartile
Bradford & Marzec Bloomberg Barclays Agg. Bond Index	3.8% 2.3%	1st Quartile
Loomis Sayles & Co CAS¹ Custom Index	5.8% 4.2%	1st Quartile

Absolute Return Manager

ABS TAMUS LS Fund LP¹ HFRI FOF: Strategic Index	5.7% 3.6%	2nd Quartile
BlackRock TAMUS ARS HFRI Fund of Funds Index	5.0% 3.2%	3rd Quartile
Evanston Weatherlow Offshore Fd I Ltd. HFRI Fund of Funds Index	5.4% 3.2%	2nd Quartile

¹In instances where TAMUS does not have five years of history the performance and universe rankings reflect the funds composite history

