




Office of the President
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To: MSU Board of Regents
Mr. Samuel M. Sanchez, Chair
Mr. Warren Ayres
Ms. Tiffany Burks
Mr. R. Caven Crosnoe
Dr. Lynwood Givens
Mr. Jeff Gregg
Mr. Shawn Hessing
Ms. Nancy Marks
Dr. Shelley Sweatt
Ms. Lindsey Shelley, Student Regent

From: Suzanne Shipley
President 

Date: April 21, 2017

Subject: Quarterly Investment Reports

Attached are the Quarterly Investment Reports for the second quarter ended February 28, 2017. Please feel free to contact me if you have any questions.

enclosures
SS/rr

C: Debbie Barrow



Business Affairs and Finance
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April 20, 2017

TO: The Board of Regents of Midwestern State University, and
Dr. Suzanne Shipley, President

SUBJECT: Quarterly Investment Reports

Attached are the quarterly investment reports for the second quarter ended February 28, 2017, as required by the amended Public Funds Investment Act.

The investment portfolio is in compliance with Midwestern State University's investment policies. The portfolio is in compliance with the provisions of the Public Funds Investment Act as amended by the 82nd Legislature. (HB 2226)

Chris Stovall
Controller

Dr. Marilyn Fowle'
Vice President, Administration
and Finance

**Midwestern State University
Wichita Falls, Texas**

**Quarterly Investment Report
(Unaudited)
For the Second Quarter Ended February 28, 2017**

INVESTMENT PORTFOLIO ACTIVITY
 "POOLED" INVESTMENTS
 FOR THE SECOND QUARTER ENDED FEBRUARY 28, 2017

| | Coupon | Stated Maturity | Book Value 11-30-16 | Market Value 11-30-16 | Unrealized Gain (Loss) | Purchases | Principal Payments Received/ Matured | Realized Gain (Loss) | Interest/ Dividends Earned For the Qtr. | Amortization/ Accretion of Prem./Disc. | Book Value 02-28-17 | Market Value 02-28-17 | Unrealized Gain (Loss) |
|--|--------|-----------------|------------------------|--------------------------|---------------------------|-----------------------|---|-------------------------|--|---|------------------------|--------------------------|---------------------------|
| U.S. Common Stock: (Donated) | | | | | | | | | | | | | |
| 1,000 shares - Chesapeake Utilities (CPK) | | | 18,200.00 | 64,800.00 | 46,600.00 | | | | 457.50 | | 18,200.00 | 68,950.00 | 50,750.00 |
| 10 shares - Citigroup [C] - reverse split | | | 1,310.00 | 563.90 | (746.10) | | | | | | 1,310.00 | 598.10 | (711.90) |
| 45 shares Calamos Conv. & High Inc. (CHY) | | | 619.65 | 468.90 | (150.75) | | | | 13.50 | | 619.65 | 508.05 | (111.60) |
| 1,200 shares - CSX Corp. (CSX) | | | 5,566.00 | 42,972.00 | 37,406.00 | | | | 216.00 | | 5,566.00 | 58,272.00 | 52,706.00 |
| 252 shares - Conoco Phillips (COP) | | | 4,957.82 | 12,227.04 | 7,269.22 | | | | 63.00 | | 4,957.82 | 11,987.64 | 7,029.82 |
| 126 shares - Philips 66 (PSX) | | | 2,479.68 | 10,468.08 | 7,988.40 | | | | 79.38 | | 2,479.68 | 9,851.94 | 7,372.26 |
| 125 shares Berkshire (BRK-B) | | | 2,631.05 | 19,680.00 | 17,048.95 | | | | | | 2,631.05 | 21,427.50 | 18,796.45 |
| 856 shares - Wells Fargo (WFC) | | | 24,824.00 | 45,299.52 | 20,475.52 | | | | 325.28 | | 24,824.00 | 49,545.28 | 24,721.28 |
| 124 shares Manulife (MFC) | | | 4,216.35 | 2,162.56 | (2,053.80) | | | | 12.83 | | 4,216.35 | 2,222.08 | (1,994.28) |
| 60 shares - Natl. Oil Well (NOV) | | | 4,342.80 | 2,241.60 | (2,101.20) | | | | 3.00 | | 4,342.80 | 2,425.20 | (1,917.60) |
| 15 shares - NOW Inc. (DNOV) - split/spin off | | | 514.20 | 323.10 | (191.10) | | | | | | 514.20 | 287.10 | (227.10) |
| 70 shares - Southwest Airlines (LUV) | | | 1,112.30 | 3,262.70 | 2,150.40 | | | | 7.00 | | 1,112.30 | 4,046.00 | 2,933.70 |
| Total Common Stock | | | 70,773.86 | 204,469.40 | 133,695.54 | | | | 1,177.49 | | 70,773.86 | 230,120.89 | 159,347.03 |
| Sub-Total - Securities | | | 70,773.86 | 204,469.40 | 133,695.54 | | | | 1,177.49 | | 70,773.86 | 230,120.89 | 159,347.03 |
| TEXPOOL Investment Pool (1) | 0.56 | * Daily | 1,005,976.86 | 1,005,976.86 | | 2,000,000.00 | | | 2,546.46 | | 3,008,523.32 | 3,008,523.32 | |
| LOGIC Investment Pool (1) | 0.97 | * Daily | 1,018,567.70 | 1,018,567.70 | | 3,000,000.00 | | | 5,906.21 | | 4,024,473.91 | 4,024,473.91 | |
| TX CLASS Investment Pool (1) | 0.97 | * Daily | 2,023,363.04 | 2,023,363.04 | | 2,000,000.00 | 1,000,000.00 | | 7,181.09 | | 3,030,544.13 | 3,030,544.13 | |
| TX A&M System Pool | 1.17 | * Variable | 26,569,437.88 | 26,610,751.72 | 41,313.84 | | | | 161,648.43 | | 26,731,086.31 | 27,823,267.49 | 1,092,181.18 |
| Total Investment Pool Cash | | | 30,617,345.48 | 30,658,659.32 | 41,313.84 | 7,000,000.00 | 1,000,000.00 | | 177,282.19 | | 36,794,627.67 | 37,886,808.85 | 1,092,181.18 |
| Total Investments | | | \$30,688,119.34 | \$30,863,128.72 | \$175,009.38 | \$7,000,000.00 | \$1,000,000.00 | | \$178,459.68 | | \$36,865,401.53 | \$38,116,929.74 | \$1,251,528.21 |

*As of February 28, 2017

{1} These investment pools are structured to maintain a constant dollar value

| Comparison to U.S. and State Treasuries | Book Accounting Yield | Average Three-Month U.S. Treasury Bill | State Treasury Yield | Basis Point Spread to U.S. Treasury | Basis Point Spread to State Treasury |
|---|-----------------------|--|----------------------|-------------------------------------|--------------------------------------|
| December, 2016 | (0.04) | 0.51 | 1.00 | (0.55) | (1.04) |
| January, 2016 | 3.08 | 0.52 | 1.04 | 2.56 | 2.04 |
| February, 2016 | 1.54 | 0.53 | 1.12 | 1.01 | 0.42 |

**MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
REVENUE FINANCING SYSTEM REVENUE & REFUNDING BONDS - SERIES 2015A
FOR THE SECOND QUARTER ENDED FEBRUARY 28, 2017**

| | <u>Coupon</u> | <u>Stated Maturity</u> | <u>Book Value 11-30-16</u> | <u>Market Value 11-30-16</u> | <u>Unrealized Gain (Loss)</u> | <u>Purchases</u> | <u>Principal Payments Received/ Matured</u> | <u>Realized Gain (Loss)</u> | <u>Interest Earned For the Qtr.</u> | <u>Amortization/ Accretion of Prem./Disc.</u> | <u>Book Value 02-28-17</u> | <u>Market Value 02-28-17</u> | <u>Unrealized Gain (Loss)</u> |
|-------------------------------|---------------|------------------------|----------------------------|------------------------------|-------------------------------|-----------------------|---|-----------------------------|-------------------------------------|---|----------------------------|------------------------------|-------------------------------|
| LOGIC Investment Pool | 0.97 | * Daily | \$ 33.36 | \$ 33.36 | | \$3,271,767.05 | \$3,272,860.10 | | \$1,059.69 | | \$0.00 | \$0.00 | |
| BLB Flexible Repo Agreement | 0.49 | Monthly | 3,275,846.88 | 3,275,846.88 | | | 3,278,525.79 | | 2,678.91 | | (0.00) | (0.00) | |
| Total Bond Investments | | | <u>\$3,275,880.24</u> | <u>\$3,275,880.24</u> | | <u>\$3,271,767.05</u> | <u>\$6,551,385.89</u> | | <u>\$3,738.60</u> | | <u>(\$0.00)</u> | <u>(\$0.00)</u> | |

*As of February 28, 2017

Interest Rate on Bonds issued 3.00% - 5.00%

**MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
REVENUE FINANCING SYSTEM REVENUE & REFUNDING BONDS, AND TUITION REVENUE BONDS - SERIES 2016A
FOR THE SECOND QUARTER ENDED FEBRUARY 28, 2017**

| | <u>Coupon</u> | <u>Stated Maturity</u> | <u>Book Value 11-30-16</u> | <u>Market Value 11-30-16</u> | <u>Unrealized Gain (Loss)</u> | <u>Purchases</u> | <u>Principal Payments Received/ Matured</u> | <u>Realized Gain (Loss)</u> | <u>Interest Earned For the Qtr.</u> | <u>Amortization/ Accretion of Prem./Disc.</u> | <u>Book Value 02-28-17</u> | <u>Market Value 02-28-17</u> | <u>Unrealized Gain (Loss)</u> |
|-------------------------------|---------------|------------------------|----------------------------|------------------------------|-------------------------------|---------------------|---|-----------------------------|-------------------------------------|---|----------------------------|------------------------------|-------------------------------|
| LOGIC Investment Pool | 0.97 | * Daily | \$6.18 | \$6.18 | | \$689,637.00 | \$689,654.70 | | \$17.20 | | \$5.68 | \$5.68 | |
| BLB Flexible Repo Agreement | 0.96 | Monthly | \$8,133,713.46 | \$8,133,713.46 | | | 689,637.00 | | 139,044.63 | | \$7,583,121.09 | \$7,583,121.09 | |
| Total Bond Investments | | | <u>\$8,133,719.64</u> | <u>\$8,133,719.64</u> | | <u>\$689,637.00</u> | <u>\$1,379,291.70</u> | | <u>\$139,061.83</u> | | <u>\$7,583,126.77</u> | <u>\$7,583,126.77</u> | |

*As of February 28, 2017

Interest Rate on Bonds issued 2.00% - 5.00%

**MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
MSU ENDOWMENT INVESTMENTS - AMERICAN NATL. BANK TRUST DEPT. MANAGERS
FOR THE SECOND QUARTER ENDED FEBRUARY 28, 2017**

| | Book Value 11-30-16 | Market Value 11-30-16 | Unrealized Gain (Loss) | Purchases | Principal Payments Received/ Matured | Realized Gain (Loss) | Interest/ Dividends Received (Fees Paid) In the Qtr. | Amortization/ Accretion of Prem./Disc. | Book Value 02-28-17 | Market Value 02-28-17 | Unrealized Gain (Loss) | Market Value Percentage Of Total |
|--|---|--------------------------|---------------------------|---------------------|---|-------------------------|---|--|------------------------|--------------------------|---------------------------|--|
| AMERICAN NATL. BANK TRUST DEPT. | | | | | | | | | | | | |
| Cash and Cash Equivalents: | | | | | | | | | | | | |
| Cash | | | | | | | | | | | | |
| American Natl. Bank Fees | | | | | | | (\$10,248.54) | | | | | |
| U.S. Dollars | | | | | | | | | | | | |
| Goldman Sachs | 5179,130.88 | 5179,130.88 | | 5226,770.51 | 5302,661.12 | | 196.23 | | 5103,240.27 | 5103,240.27 | | 1.17% |
| Total Cash and Cash Equivalents | 179,130.88 | 179,130.88 | | 226,770.51 | 302,661.12 | | (10,052.31) | | 103,240.27 | 103,240.27 | | 1.17% |
| Purchased Interest Receivable | | | | | | | | | | | | |
| Fixed Income: | | | | | | | | | | | | |
| U.S. Government Agencies | 277,561.64 | 276,117.63 | (\$1,444.01) | | 9,468.30 | (\$312.51) | 2,039.46 | | 268,093.34 | 266,535.08 | (\$1,558.26) | 3.03% |
| Municipal Bonds | | | | | | | | | | | | |
| Corporate Bonds & Notes | 2,047,413.16 | 2,069,224.65 | 21,811.49 | | | | 26,686.25 | (7,469.02) | 2,039,944.14 | 2,070,457.50 | 30,513.36 | 23.53% |
| Devonshire - REIT | 215,745.95 | 311,403.44 | 95,657.49 | | 1,973.67 | | | | 213,772.28 | 263,157.84 | 49,385.56 | 2.99% |
| Total Fixed Income Securities | 2,540,720.75 | 2,656,745.72 | 116,024.97 | | 11,441.97 | (312.51) | 28,725.71 | (7,469.02) | 2,521,809.76 | 2,600,150.42 | 78,340.66 | 29.55% |
| Common Stock - Equities: | | | | | | | | | | | | |
| U.S. Equities | 4,054,262.17 | 4,638,391.04 | 584,128.87 | 383,000.06 | 61,039.48 | 26,691.36 | 22,026.33 | | 4,376,222.75 | 5,288,549.97 | 912,327.22 | 60.10% |
| Foreign Equities | 253,539.55 | 238,829.28 | (14,710.27) | 2,272.92 | 180,269.67 | 6,386.99 | 724.80 | | 75,542.80 | 67,325.50 | (8,217.30) | 0.77% |
| Equity ETFs | 568,679.19 | 620,092.98 | 51,413.79 | 82,109.23 | | | 5,707.86 | | 650,788.42 | 740,216.14 | 89,427.72 | 8.41% |
| Mutual Funds - Equities | | | | | | | | | | | | |
| Total Equities | 4,876,480.91 | 5,497,313.30 | 620,832.39 | 467,382.21 | 241,309.15 | 33,078.35 | 28,458.99 | | 5,102,553.97 | 6,096,091.61 | 993,537.64 | 69.28% |
| Total Endowment Investments at American National Bank Trust | \$7,596,332.54 | \$8,333,189.90 | \$736,857.36 | \$694,152.72 | \$555,412.24 | \$32,765.84 | \$47,132.39 | (\$7,469.02) | \$7,727,604.00 | \$8,799,482.30 | \$1,071,878.30 | 100.00% |
| Dec, Jan, Feb activity | Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) = | | | | | | 3.78% | | Market Value gain = | | 13.87% | |
| | | | | | | | (Annualized) | 7,661,968.27 | | 7,727,604.00 | | |

**MSU ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL
FOR THE SECOND QUARTER ENDED FEBRUARY 28, 2017**

| | Book Value 11-30-16 | Market Value 11-30-16 | Unrealized Gain (Loss) | Purchases | Principal Payments Received/ Matured | Realized Gain (Loss) | Interest/ Dividends Received (Fees Paid) In the Qtr. | Amortization/ Accretion of Prem./Disc. | Book Value 02-28-17 | Market Value 02-28-17 | Unrealized Gain (Loss) | Market Value Percentage Of Total |
|---|------------------------|--------------------------|---------------------------|--------------|---|-------------------------|---|---|------------------------|--------------------------|---------------------------|-------------------------------------|
| TEXAS A&M INVESTMENT MGMT FEE | | | | | | | (\$602.31) | | | | | |
| Long-term Investment Pools: | | | | | | | | | | | | |
| Texas A&M System Endowment Pool | \$410,041.99 | \$393,375.72 | (\$16,666.27) | \$101,000.00 | \$3,407.81 | \$3,407.81 | 1,783.43 | | \$511,041.99 | \$506,029.92 | (\$5,012.07) | 100.00% |
| Total Long-term Investments | 410,041.99 | 393,375.72 | (16,666.27) | 101,000.00 | 3,407.81 | 3,407.81 | 1,181.12 | | 511,041.99 | 506,029.92 | (5,012.07) | 100.00% |
| Total Endowment Assets at Texas A&M University System | \$410,041.99 | \$393,375.72 | (\$16,666.27) | \$101,000.00 | \$3,407.81 | \$3,407.81 | \$1,181.12 | | \$511,041.99 | \$506,029.92 | (\$5,012.07) | 100.00% |
| Dec, Jan, Feb activity | | | | | | | 3.99% | 4,588.93 | Market Value gain = | (5,012.07) = | -0.98% | |
| | | | | | | | (Annualized) | 460,541.99 | | 511,041.99 | | |

**REDWINE QUASI ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL
FOR THE SECOND QUARTER ENDED FEBRUARY 28, 2017**

| | Book Value 11-30-16 | Market Value 11-30-16 | Unrealized Gain (Loss) | Purchases | Principal Payments Received/ Matured | Realized Gain (Loss) | Interest/ Dividends Received (Fees Paid) In the Qtr. | Amortization/ Accretion of Prem./Disc. | Book Value 02-28-17 | Market Value 02-28-17 | Unrealized Gain (Loss) | Market Value Percentage Of Total |
|---|------------------------|--------------------------|---------------------------|-----------|---|-------------------------|---|---|------------------------|--------------------------|---------------------------|-------------------------------------|
| TEXAS A&M INVESTMENT MGMT FEE | | | | | | | (\$16,941.17) | | | | | |
| Long-term Investment Pools: | | | | | | | | | | | | |
| U.S. Dollars | | | | | | | | | | | | |
| Texas A&M System Endowment Pool | \$11,516,585.66 | \$11,064,331.43 | (\$452,254.23) | | \$95,850.30 | \$95,850.30 | \$50,161.88 | | \$11,516,585.66 | \$11,392,124.44 | (\$124,461.22) | 100.00% |
| Total Long-term Investments | 11,516,585.66 | 11,064,331.43 | (452,254.23) | 0.00 | 95,850.30 | 95,850.30 | 33,220.71 | | 11,516,585.66 | 11,392,124.44 | (124,461.22) | 100.00% |
| Total Endowment Assets at Texas A&M University System | \$11,516,585.66 | \$11,064,331.43 | (\$452,254.23) | \$0.00 | \$95,850.30 | \$95,850.30 | \$33,220.71 | | \$11,516,585.66 | \$11,392,124.44 | (\$124,461.22) | 100.00% |
| Dec, Jan, Feb activity | | | | | | | 4.48% | 129,071.01 | Market Value gain = | (124,461.22) = | -1.08% | |
| | | | | | | | (Annualized) | 11,516,585.66 | | 11,516,585.66 | | |

Unaudited

Midwestern State University
Summary of Investments
(Pooled Investments)
At February 28, 2017

| | <u>Book Value</u> | <u>%</u> | <u>Market Value</u> | <u>%</u> |
|--|-----------------------|----------------|-------------------------|----------------|
| Long-term Securities: | | | | |
| Equity Securities: | | | | |
| U.S. Common Stock | <u>\$70,774</u> | <u>0.17%</u> | <u>\$230,121</u> | <u>0.54%</u> |
| Long-term Investment Pools | | | | |
| Texas A&M System Investment Pool | <u>26,731,086</u> | <u>64.48%</u> | <u>27,823,267</u> | <u>65.15%</u> |
| Total Long-term Securities | <u>26,801,860</u> | <u>64.65%</u> | <u>28,053,388</u> | <u>65.69%</u> |
| Short-term Securities: | | | | |
| TexPool | 3,008,523 | 7.26% | 3,008,523 | 7.04% |
| Logic | 4,024,474 | 9.71% | 4,024,474 | 9.42% |
| TX Class | <u>3,030,544</u> | <u>7.31%</u> | <u>3,030,544</u> | <u>7.10%</u> |
| Total Short-term Securities | <u>10,063,541</u> | <u>24.28%</u> | <u>10,063,541</u> | <u>23.55%</u> |
| Total Investment Assets | <u>36,865,402</u> | <u>88.93%</u> | <u>38,116,930</u> | <u>89.25%</u> |
| Cash and Cash Equivalents: | | | | |
| Cash Held at State Treasury | <u>4,590,822</u> | <u>11.07%</u> | <u>4,590,822</u> | <u>10.75%</u> |
| Total Cash and Cash Equivalents | | | | |
| Total Cash and Investments | <u>\$41,456,224</u> | <u>100.00%</u> | <u>\$42,707,752</u> | <u>100.00%</u> |
| Total Rate of Return | 1.53% | | | |

Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(Pooled Investments)
For the Second Quarter Ended February 28, 2017

| | <u>Book</u> <u>Value</u> | <u>Market</u> <u>Value</u> |
|---|---|---|
| Investment Assets - 11-30-16 | \$30,688,119 | \$30,863,129 |
| Principal Payments received | (1,000,000) | (1,000,000) |
| Investment Income | 178,460 | 178,460 |
| Realized Gain (Loss) | | |
| Distributions and Other | (1,177) | (1,177) |
| Securities Purchased | 7,000,000 | 7,000,000 |
| Changes in Net Unrealized Appreciation/(Depreciation) | <u> </u> | <u>1,076,519</u> |
| Investment Assets - 02-28-17 | <u><u>\$36,865,402</u></u> | <u><u>\$38,116,930</u></u> |

Unaudited

Midwestern State University
Summary of Investments
(MSU Endowments at American Natl. Bank Trust Dept.)
At February 28, 2017

| | <u>Book</u> <u>Value</u> | <u>%</u> | <u>Market</u> <u>Value</u> | <u>%</u> |
|--|-----------------------------|----------------|-------------------------------|----------------|
| Long-term Securities: | | | | |
| Equity Securities: | | | | |
| Common Stock, Mutual Funds and ETFs | \$5,102,554 | 66.03% | \$6,096,092 | 69.28% |
| Total Equity Securities | <u>5,102,554</u> | <u>66.03%</u> | <u>6,096,092</u> | <u>69.28%</u> |
| Other Securities: | | | | |
| U.S. Government Agencies | 268,093 | 3.47% | 266,535 | 3.03% |
| Corporate Bonds & Notes | 2,039,944 | 26.40% | 2,070,458 | 23.53% |
| Real Estate Investment Trusts (REIT) | 213,772 | 2.77% | 263,158 | 2.99% |
| Total Fixed Income Securities | <u>2,521,810</u> | <u>32.64%</u> | <u>2,600,150</u> | <u>26.56%</u> |
| Total Long-term Securities | <u>7,624,364</u> | <u>98.66%</u> | <u>8,696,242</u> | <u>98.83%</u> |
| Cash and Cash Equivalents: | | | | |
| U.S. Dollars | | 0.00% | | 0.00% |
| Goldman Sachs - Cash Equivalent | 103,240 | 1.34% | 103,240 | 1.17% |
| Total Cash and Cash Equivalents | <u>103,240</u> | <u>1.34%</u> | <u>103,240</u> | <u>1.17%</u> |
| Total Cash and Investments | <u>\$7,727,604</u> | <u>100.00%</u> | <u>\$8,799,482</u> | <u>100.00%</u> |

Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(MSU Endowments at American Natl. Bank Trust Dept.)
For the Second Quarter Ended February 28, 2017

| | <u>Book</u> <u>Value</u> | <u>Market</u> <u>Value</u> |
|---|-----------------------------|-------------------------------|
| Investment Assets - 11-30-16 | \$7,596,333 | \$8,333,190 |
| Principal Payments Received | (555,412) | (555,412) |
| Investment Income | 57,381 | 57,381 |
| Realized Gain (Loss) | 32,766 | 32,766 |
| Management Fees | (10,249) | (10,249) |
| Distributions and Other | (87,367) | (87,367) |
| Securities Purchased | 694,153 | 694,153 |
| Changes in Net Unrealized Appreciation/(Depreciation) | <u> </u> | <u>335,020</u> |
| Investment Assets - 02-28-17 | <u><u>\$7,727,604</u></u> | <u><u>\$8,799,482</u></u> |

Unaudited

Midwestern State University
Summary of Investments
(MSU Endowments Invested with the Texas A&M University System)
At February 28, 2017

| | <u>Book</u> <u>Value</u> | <u>%</u> | <u>Market</u> <u>Value</u> | <u>%</u> |
|------------------------------------|-----------------------------|-----------------------|-------------------------------|-----------------------|
| Long-term Investment Pools: | | | | |
| Texas A&M System Endowment Pool | <u>\$511,042</u> | <u>100.00%</u> | <u>\$506,030</u> | <u>100.00%</u> |
| Total Long-term Investments | <u>511,042</u> | <u>100.00%</u> | <u>506,030</u> | <u>100.00%</u> |
| | | | | |
| Total Investments | <u><u>\$511,042</u></u> | <u><u>100.00%</u></u> | <u><u>\$506,030</u></u> | <u><u>100.00%</u></u> |

Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(MSU Endowments Invested with the Texas A&M University System)
For the Second Quarter Ended February 28, 2017

| | <u>Book Value</u> | <u>Market Value</u> |
|---|-----------------------------|-------------------------|
| Investment Assets - 11-30-16 | \$410,042 | \$393,376 |
| Principal Payments Received | | |
| Investment Income | 1,783 | 1,783 |
| Realized Gain (Loss) | 3,408 | |
| Management Fees | (602) | (602) |
| Distributions and Other | (4,589) | (4,589) |
| Securities Purchased and Funds Transferred | 101,000 | 101,000 |
| Changes in Net Unrealized Appreciation/(Depreciation) | <u> </u> | <u>15,062</u> |
| Investment Assets - 02-28-17 | <u><u>\$511,042</u></u> | <u><u>\$506,030</u></u> |

Unaudited

Midwestern State University
Summary of Investments
(Redwine Quasi-Endowment Invested with the Texas A&M University System)
At February 28, 2017

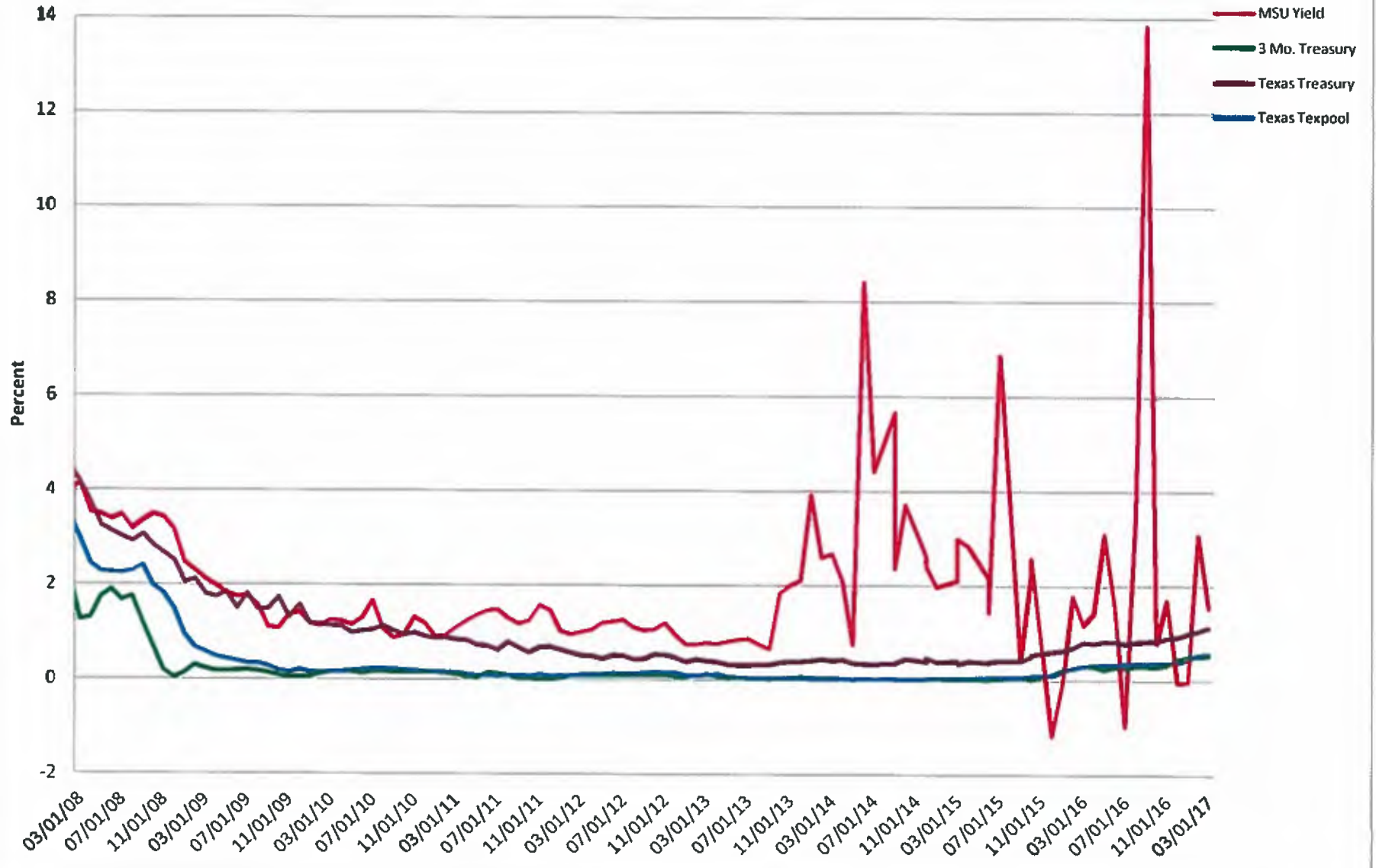
| | <u>Book</u> <u>Value</u> | <u>%</u> | <u>Market</u> <u>Value</u> | <u>%</u> |
|------------------------------------|-----------------------------|-----------------------|-------------------------------|-----------------------|
| Long-term Investment Pools: | | | | |
| Texas A&M System Endowment Pool | \$11,516,586 | 100.00% | \$11,392,124 | 100.00% |
| Total Long-term Investments | <u>11,516,586</u> | <u>100.00%</u> | <u>11,392,124</u> | <u>100.00%</u> |
| | | | | |
| Total Investments | <u><u>\$11,516,586</u></u> | <u><u>100.00%</u></u> | <u><u>\$11,392,124</u></u> | <u><u>100.00%</u></u> |

Unaudited

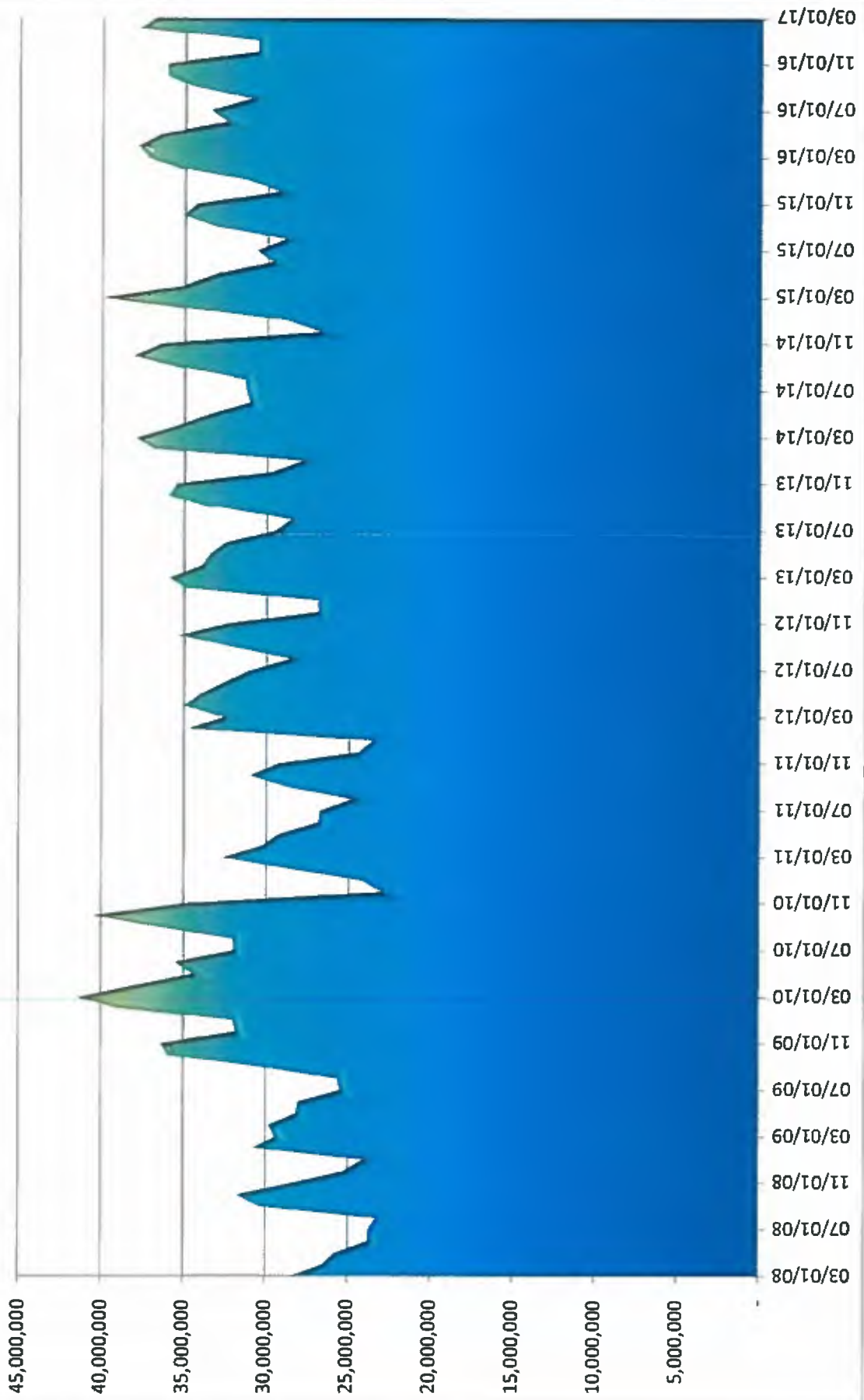
Midwestern State University
Statement of Changes in Investment Assets
(Redwine Quasi-Endowment Invested with the Texas A&M University System)
For the Second Quarter Ended February 28, 2017

| | <u>Book Value</u> | <u>Market Value</u> |
|---|----------------------------|----------------------------|
| Investment Assets - 11-30-16 | \$11,516,586 | \$11,064,331 |
| Principal Payments Received | | |
| Investment Income | 50,162 | 50,162 |
| Realized Gain (Loss) | 95,850 | 95,850 |
| Management Fees | (16,941) | (16,941) |
| Distributions and Other | (129,071) | (129,071) |
| Changes in Net Unrealized Appreciation/(Depreciation) | <u>327,793</u> | <u>327,793</u> |
| Investment Assets - 02-28-17 | <u><u>\$11,516,586</u></u> | <u><u>\$11,392,124</u></u> |

Midwestern State University Historical Yields



Midwestern State Universities Pooled Investments Total Invested



Texas A&M University System Cash Concentration Pool



FISCAL YEAR 2017

2ND QUARTER – FEBRUARY 28, 2017

Effective Rates for FY 2017 YTD:

| | |
|----------------------|-------|
| Cash Portfolio: | 0.61% |
| Long-Term Portfolio: | 2.16% |
| Total Pool: | 1.83% |

Capital Market & Rates

The yield on 2-year Treasuries rose to 1.22% in February from 1.11% at the end of November. The yield on 10-year Treasuries fell slightly to 2.36% in February from 2.38% at the end of November.

The S&P 500 Index returned 8.0% during the quarter and 25.0% for the one-year ending February 28, 2017. Developed international equity markets returned 7.9% (in US Dollars) during the quarter and 15.8% for the one-year period. Emerging markets returned 9.0% (in US dollars) during the quarter and 29.9% for the one-year period.

The unemployment rate stood at 4.7% in February. The economy added 628,000 jobs during the three month period.

The economy was estimated to have grown at a 2.1% annual rate during the quarter ending December 31, 2016, down from 3.5% in the prior quarter.

CCP Estimated Distribution Rate for FY 2017

Total Pool: 2.50%

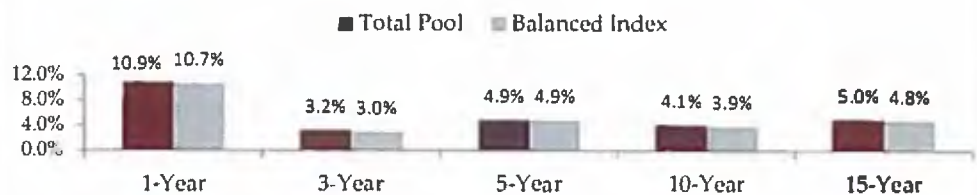
<http://www.tamus.edu/finance/treasury-services/>

Pool Valuation

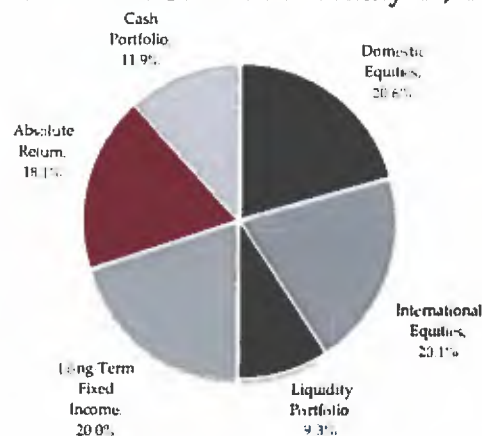
As of February 2017, the Pool had a market value of approximately \$4.1 billion. For the 2nd quarter of FY 2017, the Pool positions had \$1,317.3 million in cash inflows and \$781.7 million in cash outflows, increasing the book value of the Pool by \$535.6 million. The Pool earned investment income during this quarter of \$14.4 million and realized net gains on investments of \$7.9 million.

The Cash Portfolio distributes all interest, dividends, and realized gains/(losses), net of external management fees, to the participants based on their average short-term balance for each month. The Long-Term Pool distributes all interest, dividends, and realized gains/(losses), net of external management fees, to the participants based on their ownership of Long-Term Pool units for each month.

Investment Performance



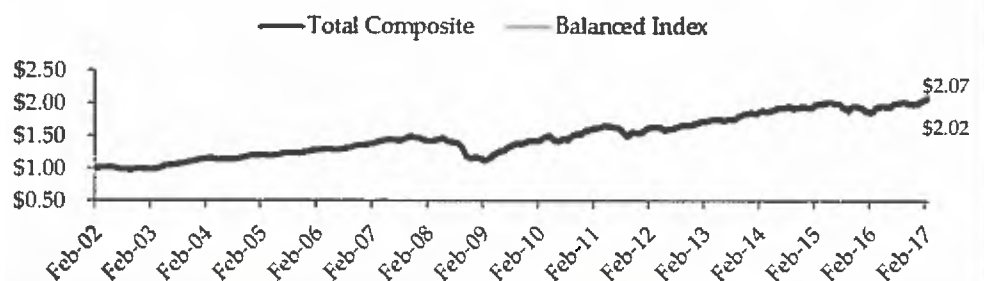
Asset Allocation as of February 28, 2017



Asset Allocation (\$M) Excluding Debt Proceeds and SEF Deposits

| | |
|------------------------|---------|
| Domestic Equities | \$712.0 |
| International Equities | \$694.8 |
| Liquidity Portfolio | \$323.5 |
| Fixed Income | \$693.8 |
| Absolute Return | \$626.1 |
| Cash Portfolio | \$410.9 |

Growth of \$1 (15 Years)



Texas A&M University System System Endowment Fund



FISCAL YEAR 2017

2ND QUARTER – FEBRUARY 28, 2017

Capital Market Update

As measured by the Russell 3000 Index, the US stock market returned 7.7% over the quarter and 26.3% for the one-year period. Large cap stocks outperformed small cap stocks by 2.8% for the quarter, but underperformed by 10.6% for the one-year period. Growth stocks outperformed value stocks by 2.1% during the quarter and underperformed by 6.9% for the year.

Developed international equity markets returned 7.9% (in US Dollars) during the quarter and 15.8% for the one-year period. Emerging markets returned 9.0% (in US dollars) during the quarter and 29.9% for the one-year period.

Fixed income markets modestly appreciated during the quarter, rising 1.0%. For the one-year period, fixed income markets increased 1.4%.

Absolute return, on an aggregate basis, appreciated 2.8% for the quarter and 6.5% for the one-year period.

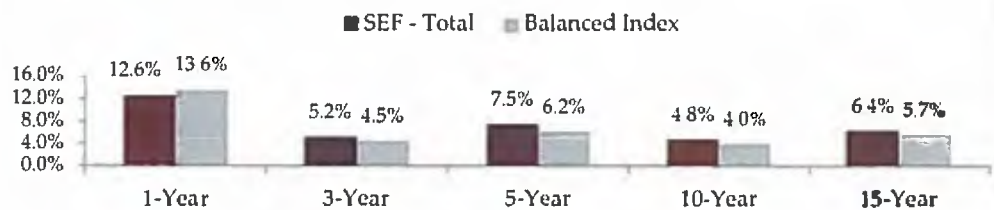
Quarterly Endowment Spending Rate

FY 2017: \$0.072378 per unit
FY 2018: \$0.073954 per unit

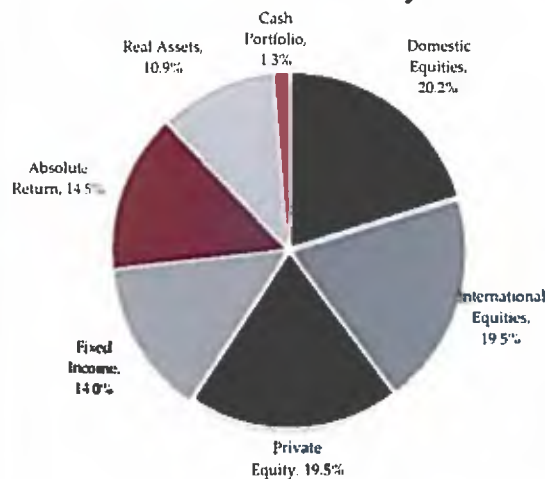
Endowment Valuation

As of February 28, 2017, the SEF had a market value of approximately \$1.059 billion, including new deposits and net the income distribution for the 2nd Quarter. The SEF is accounted for on a unitized basis and the per unit market value as of February 28, 2017 was \$6.19.

Investment Performance



Asset Allocation as of February 28, 2017

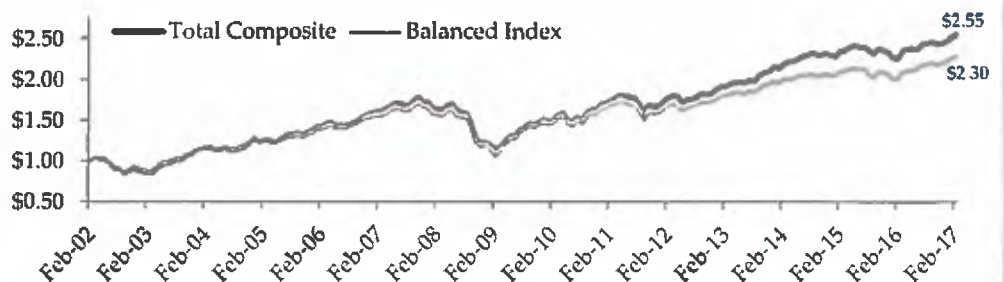


Asset Allocation (\$M)

Prior to Distribution and New Deposits

| | |
|------------------------|---------|
| Domestic Equities | \$216.8 |
| International Equities | \$209.7 |
| Private Equity | \$209.2 |
| Fixed Income | \$150.8 |
| Absolute Return | \$156.0 |
| Real Assets | \$117.2 |
| Cash Portfolio | \$14.0 |

Growth of \$1 (15 Years)



The units and market value summary is available online for each endowment account at the Treasury web page: <http://www.tamus.edu/finance/treasury-services/system-endowment-fund/>

Texas

Texas Economy Expands Broadly

March 20, 2017

Economic growth continues to accelerate in Texas across sectors and metropolitan areas. Respondents to the Federal Reserve Bank of Dallas' [Texas Business Outlook Surveys \(TBOS\)](#) indicate strengthening activity in 2017. Employment surged 4.9 percent in January.

The [Dallas Fed's 2017 Texas job growth forecast](#) stands at 2.7 percent, higher than the state's long-run 2.1 percent average and the 1.7 percent expansion in 2016. Downside risks for the state economy include an appreciating dollar, which makes exports more expensive, and potential new U.S. trade policies disrupting economic ties with Mexico.

Economic Activity Exceeds Recent Levels

TBOS headline indexes indicate robust expansion in February. The three-month moving averages of the three indexes are well above the average levels of the past two years (*Chart 1*). The [Texas Service Sector Outlook Survey \(TSSOS\)](#) revenue index remained elevated in February, and the [Texas Retail Outlook Survey \(TROS\)](#) sales index has remained positive since November 2016, suggesting upward momentum. The [Texas Manufacturing Outlook Survey \(TMOS\)](#) production index pushed higher in February to near 2014 levels, when manufacturing boomed with high oil prices and a thriving state economy.

The Texas manufacturing sector's return to growth, which began late last year, mirrors trends seen across the nation. Federal Reserve and Institute for Supply Management manufacturing surveys' new orders indexes indicate a recent rebound following uneven performances in 2015 and 2016 (*Chart 2*).

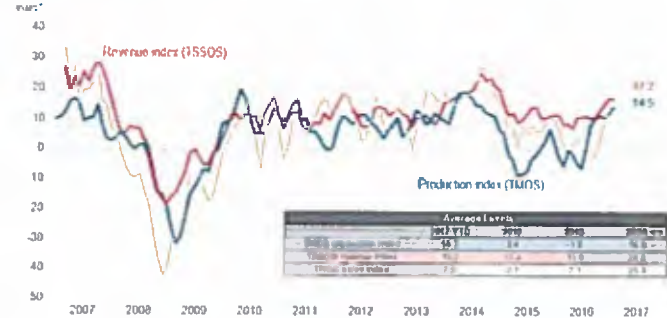
Year Begins with Broad-Based Employment Gains

Texas' annualized employment growth rate of 4.9 percent in January was the highest since October 2014 (*Chart 3*). The expansion was broad based, covering every sector except information. The goods sector's recent rebound into positive territory—which began in fourth quarter 2016 after seven consecutive quarters of decline—reached an annualized 5.6 percent job growth rate in January. Oil and gas employment grew 9.0 percent in January but remained more than 30 percent below its pre-oil-bust peak. Service sector growth was led by professional and business services (8.0 percent), government (7.1 percent) and financial activities (5.9 percent).

The January job expansion was also geographically broad based, with Texas' major metros all improving. Gains were strongest in Dallas-Fort Worth and weakest in Houston.

Looking ahead, TBOS respondents expressed more optimism about hiring plans than they had in recent years. Forty-seven percent of TMOS and TSSOS respondents said they plan to increase employment in the next six to

Chart 1
Texas Business Outlook Surveys' Headline Indexes Up in 2017



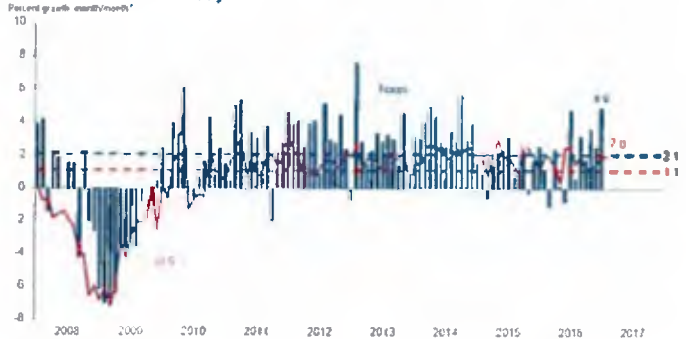
*Seasonally adjusted, three-month moving average
NOTE: The last data point is February 2017
SOURCES: Federal Reserve Bank of Dallas; Texas Manufacturing Outlook Survey (TMOS); Texas Service Sector Outlook Survey (TSSOS) and Texas Retail Outlook Survey (TROS)

Chart 2
Other Surveys Show Strength in Manufacturing Across Nation



*Seasonally adjusted, three-month moving average
NOTE: Average survey includes all Federal Reserve Bank surveys with new orders indexes. Data are through February 2017
SOURCES: Federal Reserve Bank of Dallas; Federal Reserve Bank of New York; Federal Reserve Bank of Atlanta; Federal Reserve Bank of Philadelphia; Federal Reserve Bank of Richmond; Institute for Supply Management

Chart 3
Job Growth Accelerates in January



*Seasonally adjusted, annualized rate
NOTE: Data are through February 2017 for U.S. and January 2017 for Texas. Dotted lines represent the annual average growth rate from 1990 to 2016
SOURCE: Bureau of Labor Statistics; Texas workforce Commission; seasonal and other adjustments by the Federal Reserve Bank of Dallas

12 months—8 percentage points more than a year ago. Manufacturers were particularly bullish, with 57 percent of firms expecting head-count additions this year. This share equals or exceeds figures in 2011, 2012 and 2014, when state manufacturing employment expanded well above a healthy 2.0 percent.

Recent headline unemployment rates of 4.8 percent in Texas and 4.7 percent in the U.S. are slightly below prerecession levels. However, a broader unemployment measure that includes discouraged, marginally attached and part-time workers seeking full-time work remains above prerecession levels in Texas and the U.S.

Average hourly wages ticked up 1.2 percent in Texas in January, exceeding the 2016 monthly trend rate of 0.2 percent. Additionally, some manufacturing and staffing services contacts reported instances of upward wage pressure in February.

Energy Production Expands Beyond Permian to Eagle Ford

While the Texas rig count began rising in mid-2016, the increases have been largely confined to the Permian Basin. Eagle Ford rig counts have increased monthly since November, with the largest jump occurring in February. Dallas Fed energy industry contacts indicate that growing oil

production in the U.S. and heightened uncertainty cloud the outlook for oil prices. Additionally, even as the rig count rises in Texas, oil patch employment likely will not return to pre-bust levels because of higher operational efficiency and increased automation.

Exports Increase, Remain Below 2014 Level

Texas exports rose 2.9 percent in the fourth quarter, finishing the year at a level similar to the end of 2015 but still well below 2014 levels (*Chart 4*)—before the value of the dollar began its dramatic rise. Monthly data show a 5.7 percent rise in exports in January. Exports to Mexico, Latin America and the European Union were largely unchanged from fourth quarter 2015. Exports to Asia surged 17.0 percent (including a sharp rise in exports to China), while exports to Canada declined 8.4 percent.

Housing Affordability Slips, Construction Contract Values Fall

Housing affordability—the share of homes sold that were affordable to a median-income family in the area—has fallen in most major Texas metros (*Chart 5*). Houston is an exception, the result of the oil bust slowing home appreciation.

Apartment demand and occupancy rates generally remain high. Contacts expect rent growth to moderate this year. Austin and DFW office markets remain strong, and industrial availability is tight in most major metros. Again, Houston is an exception, experiencing apartment oversupply and a relatively weak office market.

Nominal Texas construction contract values (aggregated as five-month moving averages) fell 1.4 percent year over year in January but remained 1 percent above their five-year average.

Household Debt-to-Income Ratio Increase Reflects Oil-Bust Impact

The debt-to-income ratio began rising in Texas in second quarter 2015, while it has trended lower nationally. Texas consumer debt has increased, driven largely by higher mortgage debt from a still-booming housing market—home sales and valuations are both rising faster than they are nationally (*Chart 6*). Also, high-wage **energy and manufacturing jobs** declined precipitously during the oil bust, damping income growth in Texas as income continued rising in the U.S.

Texas also has the highest auto loan balance of any state, accounting for 11.8 percent of U.S. auto loans in fourth quarter 2016. Additionally, 8.6 percent of Texas auto loans were 30 or more days past due (including severe derogatory), the seventh-highest percentage among the states. Dallas Fed contacts noted in January that, as a result of increased delinquencies, auto companies are easing away from the subprime market. This could affect auto sales, which have already weakened this year.

—Stephanie Gullo, Alex Abraham and Emily Kerr

Chart 4
Texas Exports Remain Below 2014 Levels



Chart 5
Housing Affordability Trending Down, Particularly in Dallas

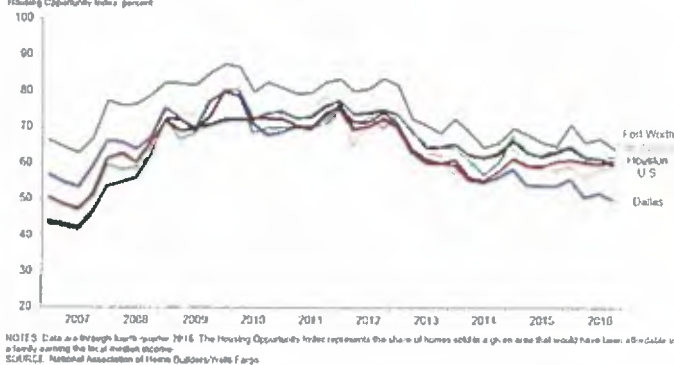


Chart 6
Texas Income Growth Flattens, Debt Increases

