



Southern Illinois University

Quarterly Investment Report
September 30, 2016

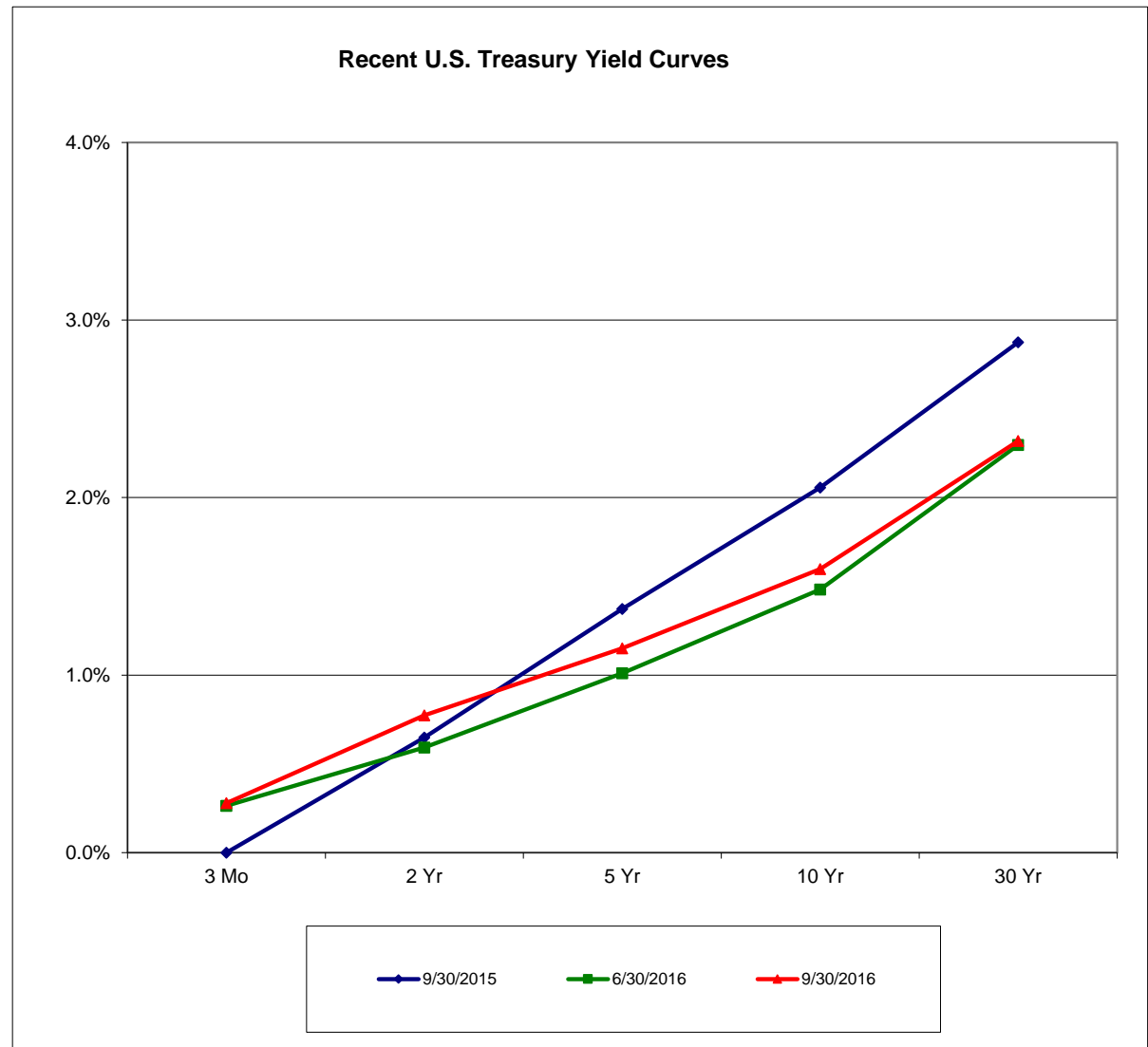
This is a summary report. A full report entitled Investment Performance Report is on file with the Board Executive Secretary which shows additional detail on how funds are invested by asset class.

Performance Analysis

For the quarter ending September 30, 2016, Treasury yields increased throughout the yield curve (compare red vs. green lines), particularly in the 2 to 10-year range. The yields on the 2-year, 5-year and 10-year Treasuries increased by 18, 14 and 12 basis points, respectively, for the quarter. Treasury yields remain lower to where they stood a year ago on 9/30/15 in medium to long maturities and somewhat higher in short maturities (compare red & blue lines), creating a flatter yield curve than where it stood a year ago. The Fed has been cautious not to increase short-term interest rates prematurely given the economic uncertainty overseas and only modest growth at home.

The overall increase in interest rates for the quarter ending September 30th resulted in net capital losses on SIU's fixed income investments leading to a minimal return for the quarter. SIU's total portfolio earned 0.01% for the quarter ending 9/30/2016, compared to a 0.68% return during the preceding quarter. The Intermediate Fund posted a -0.10% return for the quarter, consisting of current income (after fees) of 0.44% and a capital loss of 0.54%. This -0.10% quarterly return outperformed the -0.24% return on the Barclay's Intermediate U.S. Government Securities benchmark for the same period. The short-term return on SIU's most liquid funds increased during the quarter to 0.084%, up from a 0.068% return for the previous quarter.

SIU's combined portfolio return of 0.01% for the quarter ending September 30th outperformed the weighted benchmark portfolio by approximately 11 basis points. This represents a positive performance trend following an 8 basis point outperformance for the quarter ending June 30th.



Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016
State Treasury Fund (Money Market Mutual Fund)	\$ 183.4	\$ 83.5	\$ 72.7	\$ 63.8	\$ 81.0
US Bank Commercial Paper Sweep*	0.0	1.2	37.4	38.6	25.3
The Bank of Edwardsville (Money Market Account)	25.1	25.1	1.1	1.1	0.0
MB Financial (Money Market Account)	25.1	25.1	1.1	1.1	0.0
Subtotal Cash & Cash Equivalents	\$ 233.6	\$ 134.9	\$ 112.3	\$ 104.6	\$ 106.3
Short Term Portfolio	-	-	-	-	45.0
Intermediate Term Portfolio	108.5	107.7	110.1	111.6	111.4
Total Portfolio	\$ 342.1	\$ 242.6	\$ 222.4	\$ 216.2	\$ 262.7

Market Value Change (\$ in millions)

	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016
Beginning Market Value	\$ 281.0	\$ 342.1	\$ 242.6	\$ 222.4	\$ 216.2
Deposits (Withdrawals)	59.7	(98.8)	(22.6)	(7.7)	46.5
Interest Income, Net of Fees	0.5	0.5	0.5	0.6	0.6
Realized Gain (Loss)	0.1	0.0	0.0	0.0	0.0
Unrealized Gain (Loss)	0.8	(1.2)	1.9	0.9	(0.6)
Ending Market Value	\$ 342.1	\$ 242.6	\$ 222.4	\$ 216.2	\$ 262.7

Investment Balance

Book Value (\$ in millions)

	\$ 340.6	\$ 241.2	\$ 220.3	\$ 213.1	\$ 260.2
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*Automatic overnight investment of liquid funds held at US Bank; change due to contract renewal between the Illinois State Treasurer's office and US Bank.

Operating Performance

(performance returns are net of investment management fees)

Quarterly Performance

	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016
State Treasury Fund (Money Market Mutual Fund)	0.01%	0.01%	0.06%	0.08%	0.10%
Benchmark: Ready Assets Prime MMF	0.00%	0.00%	0.00%	0.00%	0.00%
US Bank Commercial Paper Sweep ¹	-	0.03%	0.03%	0.05%	0.05%
Benchmark: Ready Assets Prime MMF	-	0.00%	0.00%	0.00%	0.00%
The Bank of Edwardsville (Money Market Account)	0.04%	0.04%	0.04%	0.04%	0.04%
Benchmark: Ready Assets Prime MMF	0.00%	0.00%	0.00%	0.00%	0.00%
MB Financial (Money Market Account)	0.03%	0.03%	0.03%	0.03%	0.02%
Benchmark: Ready Assets Prime MMF	0.00%	0.00%	0.00%	0.00%	0.00%
Short Term Portfolio	-	-	-	-	0.08% ²
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	-	-	-	-	0.05% ²
Intermediate Term Portfolio	1.25%	-0.71%	2.22%	1.34%	-0.10%
Benchmark: Barclays Capital Int U.S. Govt	1.21%	-0.84%	2.28%	1.24%	-0.24%
Total Portfolio	0.45%	-0.27%	0.94%	0.68%	0.01%
Total Benchmark	0.42%	-0.33%	0.94%	0.60%	-0.10%

Historical Annual Performance

	FY2013	FY2014	FY2015	FY2016	Fiscal YTD Ending 9/30/2016
Total Portfolio	-0.25%	0.70%	0.46%	1.72%	0.01%
Benchmark	-0.24%	0.53%	0.62%	1.58%	-0.10%

¹ Automatic overnight investment of liquid funds held at US Bank; change due to contract renewal between the Illinois State Treasurer's office and US Bank.

² Monthly equivalent return for 22 days of investment in September 2016, compared to the benchmark return for the same month.

Asset Allocation & Maturity Diversification

Asset Allocation

<u>Sector</u>	<u>Market Value (in millions) As of 9/30/16</u>	<u>Allocation Percentage</u>
Money Market Mutual Funds	\$ 82.4	31.4%
U.S. Treasury Bonds/Notes	40.7	15.5%
Federal Agency Bonds/Notes	30.9	11.8%
Federal Agency Mortgage Backed Securities	38.6	14.7%
Commercial Paper	44.8	17.1%
Commercial Paper Sweep	25.3	9.6%
Total	\$ 262.7	100.0%

Maturity Diversification

<u>Portfolio</u>	<u>Market Value (in millions) As of 9/30/16</u>	<u>Allocation Percentage</u>	<u>Target Maturity Diversification (in millions)</u>
Cash & Cash Equivalents (Less than one year)	\$ 106.3	40.5%	\$40 Minimum
Short Term (Up to 3 years)	45.00	17.1%	\$0-\$160
Intermediate Term (Up to 10 years)	111.4	42.4%	\$65-\$125
Total	\$ 262.7	100.0%	

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016
Housing & Auxiliary Facilities System					
Construction Proceeds	1.1	0.9	0.3	0.1	0.0
Interest Sinking Fund	14.0	16.5	23.7	7.6	14.1
Debt Service Reserve	8.3	8.3	8.3	8.3	8.3
Total HAFS	<u>23.4</u>	<u>25.7</u>	<u>32.3</u>	<u>16.0</u>	<u>22.4</u>
Medical Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	0.9	1.1	1.6	0.4	0.9
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>0.9</u>	<u>1.1</u>	<u>1.6</u>	<u>0.4</u>	<u>0.9</u>
Certificates of Participation					
Construction Proceeds	14.1	12.9	10.8	7.0	5.9
Interest Sinking Fund	0.0	0.0	0.0	0.0	0.0
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total COPS	<u>14.1</u>	<u>12.9</u>	<u>10.8</u>	<u>7.0</u>	<u>5.9</u>
Total Market Value of Portfolio	\$ 38.4	\$ 39.7	\$ 44.7	\$ 23.4	\$ 29.2
Investment Balance					
<u>Book Value (\$ in millions)</u>	\$ 38.3	\$ 39.7	\$ 44.7	\$ 23.4	\$ 29.1

Capital Investments are managed internally and are invested in high quality, low risk government securities. The investment maturity, rate of return and type are limited by covenants in the debt financing documents.