



Southern Illinois University

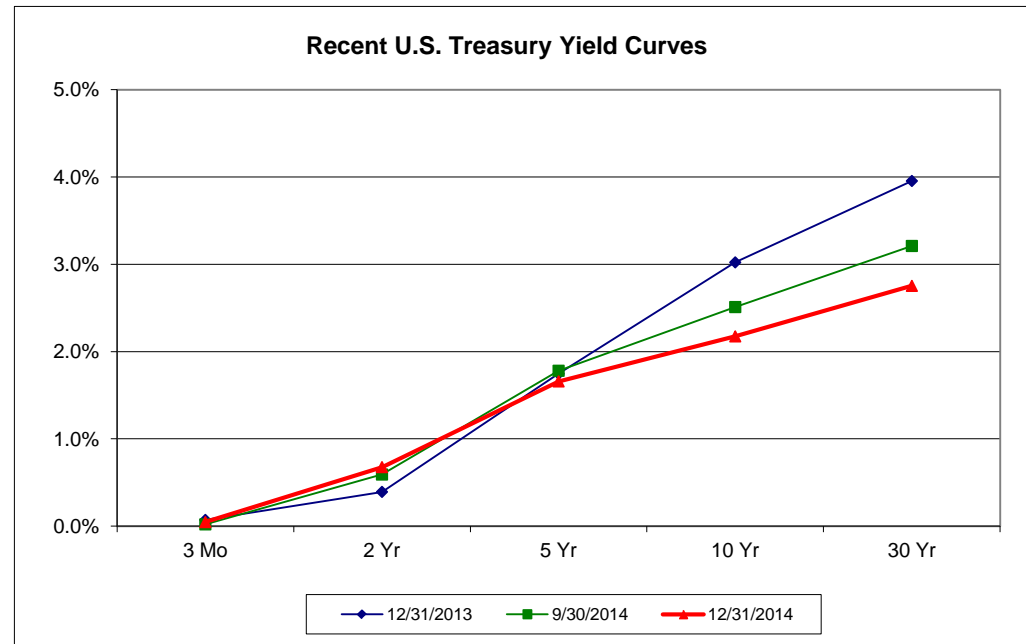
Quarterly Investment Report
December 31, 2014

Performance Analysis

For the quarter ending December 31, 2014, Treasury yields increased modestly out to two years and decreased significantly beyond five years. The yields on the 90-day and 2-year Treasury rose 3 and 9 basis points, respectively, while yields on the 5, 10 & 30-year maturities dropped 12, 34 and 46 bp. Treasury yields are sharply lower in the long end of the curve versus where they stood a year ago. This rally in long-dated maturities, coupled with slightly higher yields in the 2-year range, has caused the yield curve to flatten considerably. Deflationary pressures both at home and abroad, as reflected in lower commodity prices like crude oil, have kept interest rates low as a whole.

The measurable decrease in interest rates in medium to long maturities contributed to capital gains on SIU's longer dated investments leading to a healthy positive return for the quarter. SIU's combined portfolio earned 0.29% for the 4th quarter compared to a loss of -0.04% in the preceding quarter. The Intermediate Fund now managed by Public Financial Management ("PFM") posted a 4th quarter return of 0.79%, consisting of 0.28% in current income return (after fees), plus a price return of 0.51%. This 0.79% quarterly return underperformed the benchmark return of 0.95% on the Barclay's Intermediate U.S. Government Securities Index for the same period. The short-term return on SIU's liquid funds remained low at 0.012% for the quarter as money market instruments continue to earn nominal yields.

SIU's combined portfolio return of 0.29% for the quarter ending 12/31/2014 underperformed the weighted benchmark return of 0.34% by 5 basis points. SIU's combined portfolio return for the initial 6 months of the fiscal year was 0.26%, or 9 basis points below the weighted performance benchmark of 0.35%.



Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014
State Treasury Fund (Money Market Mutual Fund)	\$ 126.2	\$ 179.4	\$ 109.6	\$ 166.8	\$ 131.5
The Bank of Edwardsville (Money Market Account)	25.0	25.0	25.1	25.1	25.1
MB Financial (Money Market Account)	25.1	25.1	25.1	25.1	25.1
Subtotal Cash & Cash Equivalents	\$ 176.3	\$ 229.5	\$ 159.8	\$ 217.0	\$ 181.7
Intermediate Portfolio*	104.1	104.9	105.9	105.7	106.6
Total Portfolio	\$ 280.4	\$ 334.4	\$ 265.7	\$ 322.7	\$ 288.3
Due from State	82.8	79.7	50.6	55.2	75.0
Total Portfolio including Due from State	\$ 363.2	\$ 414.1	\$ 316.3	\$ 377.9	\$ 363.3

Market Value Change (\$ in millions)

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014
Beginning Market Value	\$ 320.0	\$ 280.4	\$ 334.4	\$ 265.7	\$ 322.7
Deposits (Withdrawals)	(39.3)	53.1	(69.7)	57.2	(35.3)
Interest Income, Net of Fees	0.3	0.3	0.2	0.2	0.3
Realized Gain (Loss)	0.2	1.3	0.1	0.0	0.1
Unrealized Gain (Loss)	(0.8)	(0.7)	0.7	(0.4)	0.5
Ending Market Value	\$ 280.4	\$ 334.4	\$ 265.7	\$ 322.7	\$ 288.3

*Management of the Intermediate Portfolio was transitioned from Western Asset Management Company to PFM Asset Management on August 15, 2014.

Operating Performance

Quarterly Performance

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014
State Treasury Fund (Money Market Mutual Fund)	0.01%	0.00%	0.00%	0.00%	0.00%
Benchmark: Ready Assets Prime MMF	0.00%	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%	0.03%
Benchmark: Ready Assets Prime MMF	0.00%	0.00%	0.00%	0.00%	0.00%
Intermediate Portfolio*	-0.26%	0.75%	0.94%	-0.12%	0.79%
Benchmark: Barclays Capital Int U.S. Govt	-0.42%	0.64%	0.91%	0.02%	0.95%
Total Portfolio	-0.08%	0.25%	0.33%	-0.04%	0.29%
Total Benchmark	-0.15%	0.20%	0.31%	0.01%	0.34%

Historical Annual Performance

	FY2011	FY2012	FY2013	FY2014	Fiscal YTD Ending 12/31/2014
Total Portfolio	1.26%	1.74%	-0.25%	0.70%	0.26%
Benchmark	1.08%	1.85%	-0.24%	0.53%	0.35%

*Management of the Intermediate Portfolio was transitioned from Western Asset Management Company to PFM Asset Management on August 15, 2014.

Asset Allocation

Asset Allocation
As of December 31, 2014

	Market Value (in millions)	Allocation Percentage	Target Asset Allocation (in millions)
State Treasury Fund (Money Market Mutual Fund)	\$131.5		
The Bank of Edwardsville (Money Market Account)	25.1		
MB Financial (Money Market Account)	25.1		
Subtotal Cash & Cash Equivalents	\$181.7	63%	\$40 Minimum
Intermediate Portfolio*	106.6	37%	\$65-115
Total Portfolio	\$288.3		

*Management of the Intermediate Portfolio was transitioned from Western Asset Management Company to PFM Asset Management on August 15, 2014.

Fees

Investment Manager Fees*

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	Four Quarter Total
State Treasury Fund (Money Market Mutual Fund)	\$ 26,419	\$ 35,262	\$ 30,240	\$ 27,926	\$ 119,847
Intermediate Portfolio**	63,927	64,058	64,273	43,113	235,371
Total Investment Manager Fees	\$ 90,346	\$ 99,320	\$ 94,513	\$ 71,039	\$ 355,218

Custody Bank Fees*

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	Four Quarter Total
JP Morgan Chase	\$ 5,237	\$ 5,236	\$ 4,877	\$ 6,018	\$ 21,368

* Fees for the current quarter were not available at the time this report was prepared. All fees are reflected on an accrual basis.

**Management of the Intermediate Portfolio was transitioned from Western Asset Management Company to PFM Asset Management on August 15, 2014.

Note: There are no fees associated with the money market accounts at The Bank of Edwardsville and MB Financial.

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014
Housing & Auxiliary Facilities System					
Construction Proceeds	0.9	0.3	0.2	0.1	0.1
Interest Sinking Fund	15.4	22.1	7.6	14.4	15.9
Debt Service Reserve	8.3	8.3	8.3	8.3	8.3
Total HAFS	<u>24.6</u>	<u>30.7</u>	<u>16.1</u>	<u>22.8</u>	<u>24.3</u>
Medical Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	1.0	1.4	0.5	0.9	1.0
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>1.0</u>	<u>1.4</u>	<u>0.5</u>	<u>0.9</u>	<u>1.0</u>
Certificates of Participation					
Construction Proceeds	0.0	24.8	23.0	19.9	18.2
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>0.0</u>	<u>24.8</u>	<u>23.0</u>	<u>19.9</u>	<u>18.2</u>
Total Capital Investment Portfolio	\$ 25.6	\$ 56.9	\$ 39.6	\$ 43.6	\$ 43.5

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.