



Southern Illinois University

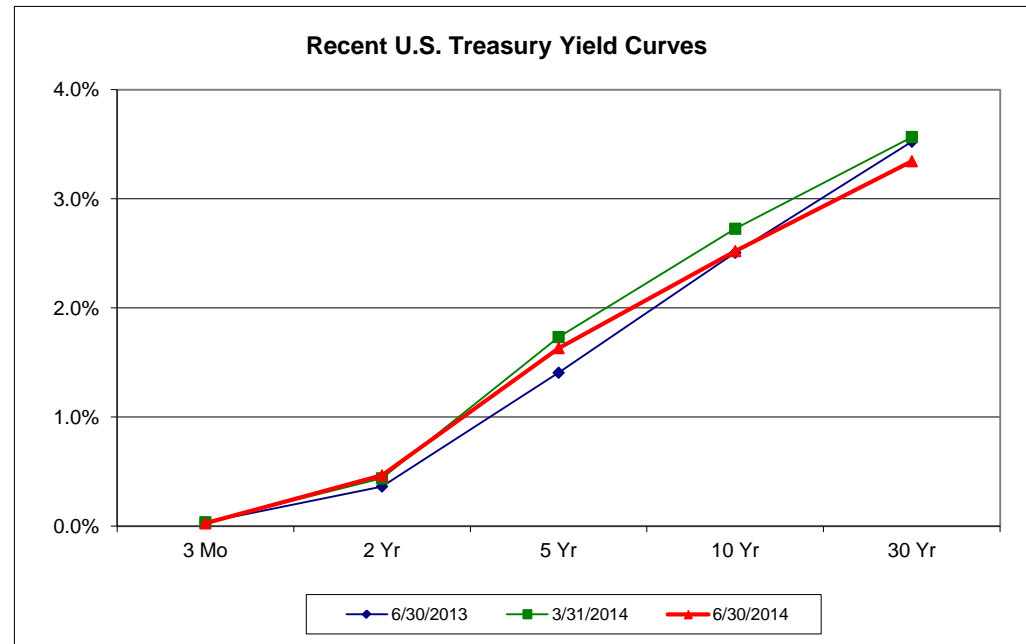
Quarterly Investment Report
June 30, 2014

Performance Analysis

Treasury yields generally decreased for the quarter ending June 30, 2014, in 5 to 30 year maturity range. The yields on the 5-year, 10-year and 30-year maturities fell 10, 21 and 22 basis points, respectively, for the quarter, while 2-year T-Notes rose 3 bp. Treasury yields are quite similar to where they stood a year ago (compare red vs. blue lines at right), somewhat higher in 5 years and somewhat lower in 30 years. Benchmark Treasury yields, particularly the 10 and 30-year maturities, have steadily declined so far this year despite consensus expectations that rates would be higher for the year. Moderate economic growth coupled with international crises have contributed to lower long-term yields.

The decline in interest rates in medium to long maturities generated capital gains on SIU's longer dated assets leading to a positive overall return for the quarter. SIU's combined portfolio return of 0.33% for the 2nd quarter adds to the 0.25% 1st quarter return of 2014. The Intermediate Fund managed by Western Asset Management Company ("WAMCo") posted a 2nd quarter of 2014 return of 0.94%, consisting of 0.19% in current income return (after fees), plus a price or capital gain of 0.75%. This 0.94% return compares favorably to the quarterly benchmark return of 0.91% 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 0.011% for the quarter due to rock bottom yields in the money markets.

SIU's combined portfolio return of 0.33% for the quarter ending 6/30/2014 compares favorably to the weighted benchmark return of 0.31%. For the fiscal year ending 6/30/14, SIU's combined portfolio return of 0.70% again compares favorably to the weighted benchmark of 0.53% for the year.



Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014
State Treasury Fund (Money Market Mutual Fund)	\$ 99.6	\$ 165.6	\$ 126.2	\$ 179.4	\$ 109.6
The Bank of Edwardsville (Money Market Account)	25.0	25.0	25.0	25.0	25.1
MB Financial (Money Market Account)	25.0	25.0	25.1	25.1	25.1
Subtotal Cash & Cash Equivalents	<u>\$ 149.6</u>	<u>\$ 215.6</u>	<u>\$ 176.3</u>	<u>\$ 229.5</u>	<u>\$ 159.8</u>
Western Asset - Intermediate Portfolio	103.9	104.4	104.1	104.9	105.9
Total Portfolio	<u>\$ 253.5</u>	<u>\$ 320.0</u>	<u>\$ 280.4</u>	<u>\$ 334.4</u>	<u>\$ 265.7</u>
Due from State	60.5	55.2	82.8	79.7	50.6
Total Portfolio including Due from State	<u>\$ 314.0</u>	<u>\$ 375.2</u>	<u>\$ 363.2</u>	<u>\$ 414.1</u>	<u>\$ 316.3</u>

Market Value Change (\$ in millions)

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014
Beginning Market Value	\$ 254.9	\$ 253.5	\$ 320.0	\$ 280.4	\$ 334.4
Deposits (Withdrawals)	0.3	65.9	(39.3)	53.1	(69.7)
Interest Income, Net of Fees	0.4	0.4	0.3	0.3	0.2
Realized Gain (Loss)	1.4	(0.2)	0.2	1.3	0.1
Unrealized Gain (Loss)	(3.5)	0.4	(0.8)	(0.7)	0.7
Ending Market Value	<u>\$ 253.5</u>	<u>\$ 320.0</u>	<u>\$ 280.4</u>	<u>\$ 334.4</u>	<u>\$ 265.7</u>

Operating Performance

Quarterly Performance

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014
State Treasury Fund (Money Market Mutual Fund)	0.01%	0.00%	0.01%	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%
Western Asset Intermediate Portfolio	-1.59%	0.47%	-0.26%	0.75%	0.94%
Benchmark: Barclays Capital Int U.S. Govt	-1.37%	0.40%	-0.42%	0.64%	0.91%
Total Portfolio	-0.64%	0.18%	-0.08%	0.25%	0.33%
Total Benchmark	-0.55%	0.15%	-0.15%	0.20%	0.31%

Historical Annual Performance

	FY2010	FY2011	FY2012	FY2013	FY2014
Total Portfolio	3.01%	1.26%	1.74%	-0.25%	0.70%
Benchmark	2.97%	1.08%	1.85%	-0.24%	0.53%

Asset Allocation

Asset Allocation
As of June 30, 2014

	Market Value (in millions)	Allocation Percentage	Target Asset Allocation (in millions)
State Treasury Fund (Money Market Mutual Fund)	\$109.6		
The Bank of Edwardsville (Money Market Account)	25.1		
MB Financial (Money Market Account)	25.1		
Subtotal Cash & Cash Equivalents	\$159.8	60%	\$40 Minimum
Western Asset - Intermediate Term Portfolio	105.9	40%	\$65-115
Total Portfolio	\$265.7		

Fees

Investment Manager Fees*

	Basis Points As of 3/31/14	6/30/2013	9/30/2013	12/31/2013	3/31/2014	Four Quarter Total
State Treasury Fund (Money Market Mutual Fund)	8.2	\$ 21,704	\$ 26,427	\$ 26,419	\$ 35,262	\$ 109,812
Western Asset - Intermediate Term Portfolio	25.0	64,029	63,752	63,927	64,058	255,766
Total Investment Manager Fees		\$ 85,733	\$ 90,179	\$ 90,346	\$ 99,320	\$ 365,578

Custody Bank Fees*

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	Four Quarter Total
JP Morgan Chase	\$ 5,275	\$ 5,061	\$ 5,237	\$ 5,236	\$ 20,809

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

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)

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014
Housing & Auxiliary Facilities System					
Construction Proceeds	10.9	2.4	0.9	0.3	0.2
Interest Sinking Fund	7.6	14.2	15.4	22.1	7.6
Debt Service Reserve	8.3	8.3	8.3	8.3	8.3
Total HAFS	<u>26.8</u>	<u>24.9</u>	<u>24.6</u>	<u>30.7</u>	<u>16.1</u>
Medical Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	0.4	0.9	1.0	1.4	0.5
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>0.4</u>	<u>0.9</u>	<u>1.0</u>	<u>1.4</u>	<u>0.5</u>
Certificates of Participation					
Construction Proceeds	0.0	0.0	0.0	24.8	23.0
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>0.0</u>	<u>0.0</u>	<u>24.8</u>	<u>23.0</u>
Total Capital Investment Portfolio	\$ 27.2	\$ 25.8	\$ 25.6	\$ 56.9	\$ 39.6

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.