



Southern Illinois University

Quarterly Investment Report
March 31, 2017

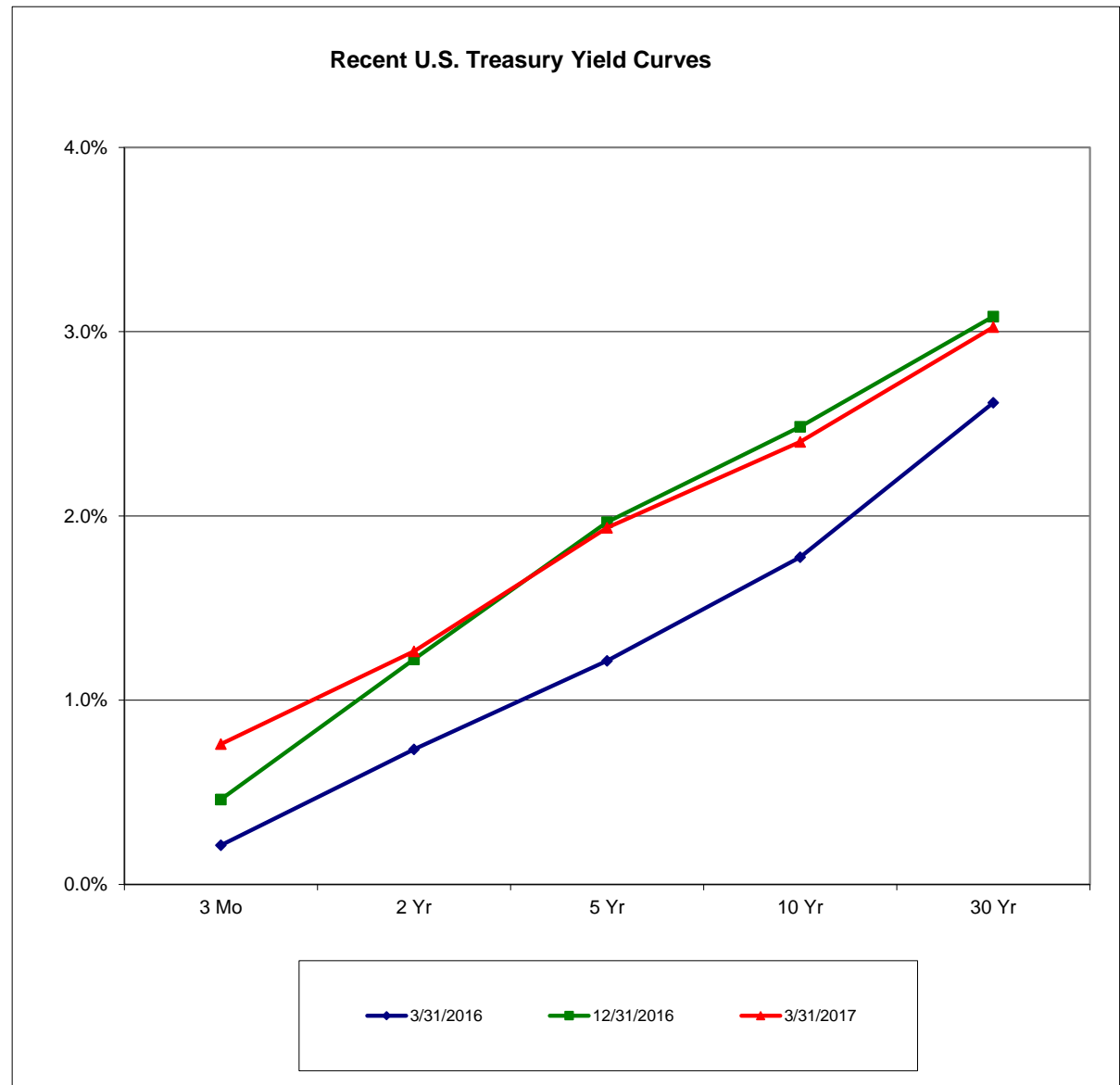
This is a summary report. A full report entitled Investment Performance Report is on file with the Board Executive Secretary which shows additional detail on how funds are invested by asset class.

Performance Analysis

For the quarter ending March 31, 2017, Treasury yields increased on the short end and decreased throughout the remainder of the yield curve (compare red vs. green lines). The yield on the 3-month and 2-year Treasuries increased by 30 and 4 basis points, while the 5-year, 10-year, and 30-year Treasuries decreased by 3, 8, and 6 basis points, respectively, for the quarter. Treasury yields are significantly higher than where they stood a year ago on March 31, 2016 (compare red & blue lines). The recent United States presidential election along with the Fed raising rates in December by 25 basis points, the first time in 2016, and the anticipation of future increases in 2017 were the primary drivers for the elevated yield curve over the past year.

Relatively stable interest rates during the quarter contributed to positive returns on SIU's fixed income investments. SIU's total portfolio gained 0.33% for the quarter ending 3/31/2017, compared to a loss of 0.81% during the preceding quarter. The Intermediate Fund posted a 0.58% return for the quarter, consisting of current income (after fees) of 0.48% and a capital gain of 0.10%. This 0.58% quarterly return outperformed the 0.54% return on the Barclay's Intermediate U.S. Government Securities benchmark for the same period. The Short-Term Fund outperformed the BAML 3-Month Treasury Bill Index by 9 basis points with a return of 0.19% for the quarter. The short-term return on SIU's most liquid funds increased during the quarter to 0.138%, up from 0.096% for the previous quarter.

SIU's combined portfolio outperformed the weighted benchmark portfolio for the fourth straight quarter. The combined portfolio return of 0.33% for the quarter ending March 31st outperformed the weighted benchmark portfolio by approximately 10 basis points. SIU's total portfolio returned -0.46% in the last nine months of the fiscal year, outperforming the weighted benchmark portfolio return of -0.78%.



Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017
State Treasury Fund (Money Market Mutual Fund)	\$ 72.7	\$ 63.8	\$ 81.0	\$ 62.5	\$ 65.9
US Bank Commercial Paper Sweep	37.4	38.6	25.3	26.7	18.9
The Bank of Edwardsville (Money Market Account)	1.1	1.1	-	-	-
MB Financial (Money Market Account)	1.1	1.1	-	-	-
Subtotal Cash & Cash Equivalents	<u>\$ 112.3</u>	<u>\$ 104.6</u>	<u>\$ 106.3</u>	<u>\$ 89.2</u>	<u>\$ 84.8</u>
Short Term Portfolio	-	-	45.0	45.2	35.0
Intermediate Term Portfolio	110.1	111.6	111.4	109.2	109.8
Total Portfolio	<u>\$ 222.4</u>	<u>\$ 216.2</u>	<u>\$ 262.7</u>	<u>\$ 243.6</u>	<u>\$ 229.6</u>

Market Value Change (\$ in millions)

	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017
Beginning Market Value	\$ 242.6	\$ 222.4	\$ 216.2	\$ 262.7	\$ 243.6
Deposits (Withdrawals)	(22.6)	(7.7)	46.5	(17.1)	(14.8)
Interest Income, Net of Fees	0.5	0.6	0.6	0.7	0.7
Realized Gain (Loss)	0.0	0.0	0.0	(0.1)	(0.1)
Unrealized Gain (Loss)	1.9	0.9	(0.6)	(2.6)	0.2
Ending Market Value	<u>\$ 222.4</u>	<u>\$ 216.2</u>	<u>\$ 262.7</u>	<u>\$ 243.6</u>	<u>\$ 229.6</u>

Investment Balance

Book Value (\$ in millions)

	\$ 220.3	\$ 213.1	\$ 260.2	\$ 243.7	\$ 229.6
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Operating Performance

(performance returns are net of investment management fees)

Quarterly Performance

	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017
State Treasury Fund (Money Market Mutual Fund)	0.06%	0.08%	0.10%	0.11%	0.16%
US Bank Commercial Paper Sweep	0.03%	0.05%	0.05%	0.05%	0.06%
The Bank of Edwardsville (Money Market Account)	0.04%	0.04%	0.04%	NA	NA
MB Financial (Money Market Account)	0.03%	0.03%	0.02%	NA	NA
Benchmark: Ready Assets Government Liquidity Fund	0.00%	0.00%	0.00%	0.00%	0.00%
Short Term Portfolio	-	-	0.08% ¹	0.29%	0.19%
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	-	-	0.05% ¹	0.09%	0.10%
Intermediate Term Portfolio	2.22%	1.34%	-0.10%	-2.04%	0.58%
Benchmark: Barclays Intermediate U.S. Govt. Securities	2.28%	1.24%	-0.24%	-2.18%	0.54%
Total Portfolio	0.94%	0.68%	0.01%	-0.81%	0.33%
Total Benchmark	0.94%	0.60%	-0.10%	-0.93%	0.23%

Historical Annual Performance

	FY2013	FY2014	FY2015	FY2016	Fiscal YTD Ending 3/31/2017
Total Portfolio	-0.25%	0.70%	0.46%	1.72%	-0.46%
Benchmark	-0.24%	0.53%	0.62%	1.58%	-0.78%

¹ 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 3/31/17</u>	<u>Allocation Percentage</u>
Money Market Mutual Funds	\$ 67.3	29.3%
U.S. Treasury Bonds/Notes	34.2	14.9%
Federal Agency Bonds/Notes	37.9	16.5%
Federal Agency Mortgage Backed Securities	10.8	4.7%
Federal Agency Collateralized Mortgage Obligations	25.5	11.1%
Commercial Paper	35.0	15.2%
Commercial Paper Sweep (US Bank)	18.9	8.2%
Total	\$ 229.6	100.0%

Maturity Diversification

<u>Portfolio</u>	<u>Market Value (in millions) As of 3/31/17</u>	<u>Allocation Percentage</u>	<u>Target Maturity Diversification (in millions)</u>
Cash & Cash Equivalents (Less than one year)	\$ 84.8	36.9%	\$40 Minimum
Short Term (Up to 3 years)	35.0	15.2%	\$0-\$160
Intermediate Term (Up to 10 years)	109.8	47.8%	\$65-\$125
Total	\$ 229.6	100.0%	

Short Term Portfolio

Sector/Issuer Distribution

Sector/Issuer	Market Value (\$ in millions) As of 3/31/17	% of Portfolio
Commercial Paper		
BNP Paribas	\$ 2.0	5.7%
Canadian Imperial Bank of Commerce	1.3	3.7%
Metlife Inc.	6.0	17.1%
Mitsubishi UFJ Financial Group Inc.	6.0	17.1%
Mizuho Financial Group Inc.	4.0	11.4%
Royal Bank of Canada	2.0	5.7%
Sumitomo Mitsui Financial Group Inc.	5.9	16.9%
Toyota Motor Corp.	6.0	17.1%
Unilever PLC	1.7	4.9%
	34.9	99.7%
Money Market Mutual Funds		
First American Government Obligations Fund	0.1	0.3%
	0.1	0.3%
Total Short Term Portfolio	\$ 35.0	100.0%

Intermediate Portfolio

Sector/Issuer Distribution

Sector/Issuer	Market Value (\$ in millions) As of 3/31/17	% of Portfolio
Federal Agency Mortgage Backed Securities		
Federal National Mortgage Association	\$ 7.2	6.6%
Federal Home Loan Mortgage Corporation	2.1	1.9%
Government National Mortgage Association	1.5	1.4%
	10.8	9.8%
Federal Agency Collateralized Mortgage Obligations		
Federal National Mortgage Association	17.8	16.2%
Federal Home Loan Mortgage Corporation	6.4	5.8%
Government National Mortgage Association	1.3	1.2%
	25.5	23.2%
Federal Agency Bonds/Notes		
Agency for International Development	3.4	3.1%
Federal National Mortgage Association	7.1	6.5%
Federal Home Loan Mortgage Corporation	9.9	9.0%
Federal Home Loan Banks	6.6	6.0%
Tennessee Valley Authority Notes	3.7	3.4%
	30.7	28.0%
Supra-National Agency		
African Development Bank	3.0	2.7%
Asian Development Bank	4.0	3.6%
	7.0	6.4%
U.S. Treasury Bonds/Notes		
United States Treasury	34.2	31.1%
Money Market Mutual Funds		
First American Government Obligations Fund	1.3	1.2%
Accrued Interest	0.3	0.3%
	0.3	0.3%
Total Intermediate Portfolio	\$ 109.8	100.0%

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017
Housing & Auxiliary Facilities System					
Construction Proceeds	0.3	0.1	0.0	0.0	0.0
Interest Sinking Fund	23.7	7.6	14.1	16.1	22.7
Debt Service Reserve	8.3	8.3	8.3	8.3	8.3
Total HAFS	<u>32.3</u>	<u>16.0</u>	<u>22.4</u>	<u>24.4</u>	<u>31.0</u>
Medical Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	1.6	0.4	0.9	1.2	1.6
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>1.6</u>	<u>0.4</u>	<u>0.9</u>	<u>1.2</u>	<u>1.6</u>
Certificates of Participation					
Construction Proceeds	10.8	7.0	5.9	4.8	4.3
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>10.8</u>	<u>7.0</u>	<u>5.9</u>	<u>4.8</u>	<u>4.3</u>
Total Market Value of Portfolio	\$ 44.7	\$ 23.4	\$ 29.2	\$ 30.4	\$ 36.9
Investment Balance					
<u>Book Value (\$ in millions)</u>					
	\$ 44.7	\$ 23.4	\$ 29.1	\$ 30.4	\$ 36.9

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.