



Southern Illinois University

Quarterly Investment Report
June 30, 2017

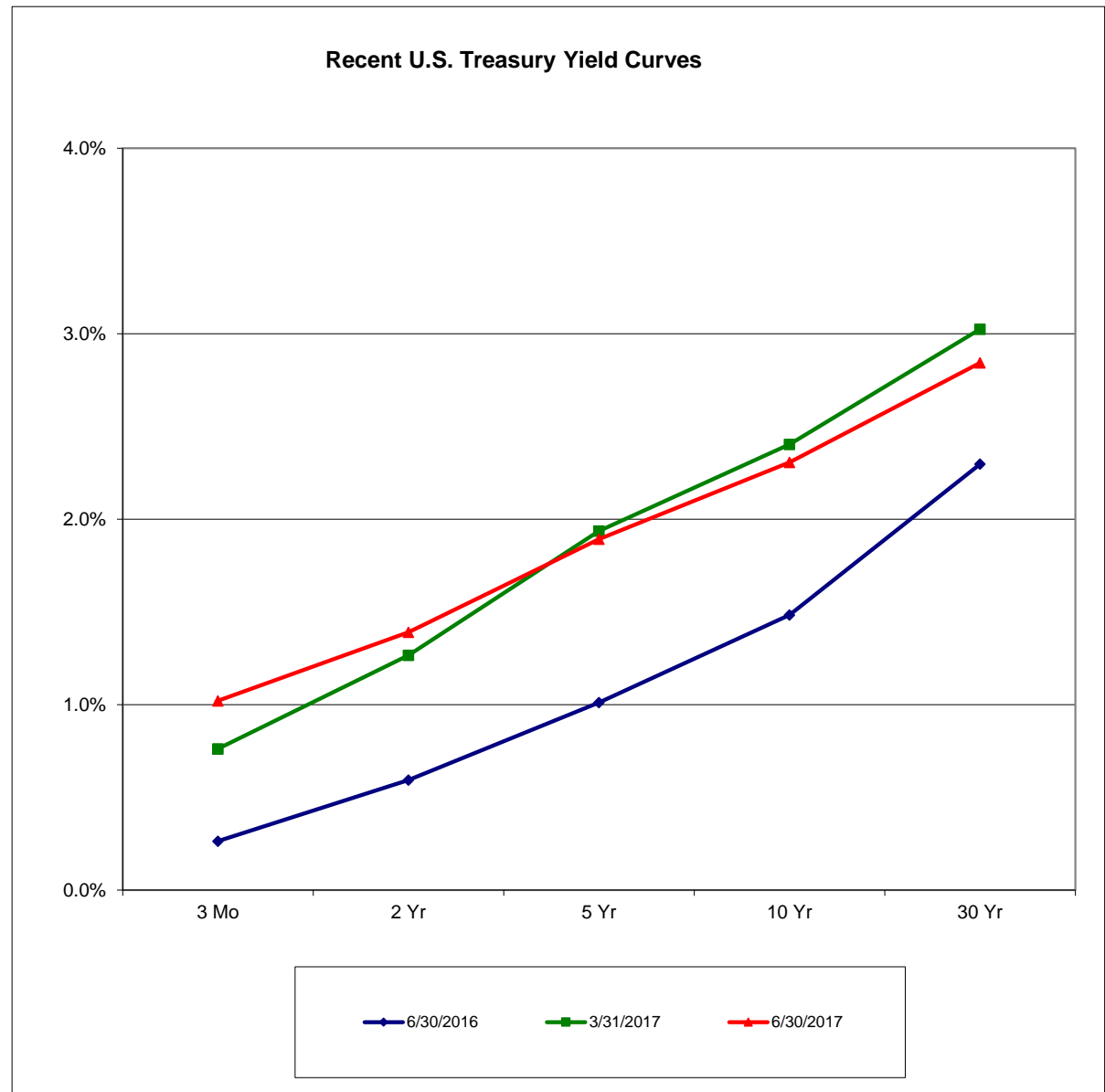
This is a summary report. A full report entitled Investment Performance Report is on file with the Board Executive Secretary which shows additional detail on how funds are invested by asset class.

Performance Analysis

Consistent with the previous quarter, Treasury yields increased on the short end and decreased throughout the remainder of the yield curve for the quarter ending June 30, 2017 (compare red vs. green lines). The yield on the 3-month and 2-year Treasuries increased by 26 and 12 basis points, while the 5-year, 10-year, and 30-year Treasuries decreased by 4, 10, and 18 basis points, respectively, for the quarter. Treasury yields are significantly higher than where they stood a year ago on June 30, 2016 (compare red & blue lines). The recent United States presidential election, the Fed raising rates in the previous three quarters (December, March, & June) by 25 basis points each quarter, and the anticipation of future rate 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 0.52% for the quarter ending June 30, 2017, compared to a gain of 0.33% during the preceding quarter. The Intermediate Fund posted a 0.80% return for the quarter, consisting of current income (after fees) of 0.50% and a capital gain of 0.30%. This 0.80% quarterly return outperformed the 0.66% return on the Barclay's Intermediate U.S. Government Securities benchmark for the same period. The Short-Term Fund was outperformed by the BAML 3-Month Treasury Bill Index by 5 basis points with a return of 0.15% for the quarter. The short-term return on SIU's most liquid funds increased during the quarter to 0.172%, up from 0.138% for the previous quarter.

SIU's combined portfolio has outperformed the weighted benchmark portfolio each quarter this year. The combined portfolio return of 0.52% for the quarter ending June 30th outperformed the weighted benchmark portfolio by approximately 14 basis points. SIU's total portfolio returned -0.08% for the fiscal year ending June 30, 2017, outperforming the weighted benchmark portfolio return of -0.52%.



Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017
State Treasury Fund (Money Market Mutual Fund)	\$ 63.8	\$ 81.0	\$ 62.5	\$ 65.9	\$ 45.5
US Bank Commercial Paper Sweep	38.6	25.3	26.7	18.9	16.1
The Bank of Edwardsville (Money Market Account)	1.1	-	-	-	-
MB Financial (Money Market Account)	1.1	-	-	-	-
Subtotal Cash & Cash Equivalents	<u>\$ 104.6</u>	<u>\$ 106.3</u>	<u>\$ 89.2</u>	<u>\$ 84.8</u>	<u>\$ 61.6</u>
Short Term Portfolio	-	45.0	45.2	35.0	-
Intermediate Term Portfolio	111.6	111.4	109.2	109.8	90.7
Total Portfolio	<u>\$ 216.2</u>	<u>\$ 262.7</u>	<u>\$ 243.6</u>	<u>\$ 229.6</u>	<u>\$ 152.3</u>

Market Value Change (\$ in millions)

	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017
Beginning Market Value	\$ 222.4	\$ 216.2	\$ 262.7	\$ 243.6	\$ 229.6
Deposits (Withdrawals)	(7.7)	46.5	(17.1)	(14.8)	(78.3)
Interest Income, Net of Fees	0.6	0.6	0.7	0.7	0.7
Realized Gain (Loss)	0.0	0.0	(0.1)	(0.1)	0.1
Unrealized Gain (Loss)	0.9	(0.6)	(2.6)	0.2	0.2
Ending Market Value	<u>\$ 216.2</u>	<u>\$ 262.7</u>	<u>\$ 243.6</u>	<u>\$ 229.6</u>	<u>\$ 152.3</u>

Investment Balance

Book Value (\$ in millions)

	\$ 213.1	\$ 260.2	\$ 243.7	\$ 229.6	\$ 152.1
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Operating Performance

(performance returns are net of investment management fees)

Quarterly Performance

	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017
State Treasury Fund (Money Market Mutual Fund)	0.08%	0.10%	0.11%	0.16%	0.20%
US Bank Commercial Paper Sweep	0.05%	0.05%	0.05%	0.06%	0.08%
The Bank of Edwardsville (Money Market Account)	0.04%	0.04%	NA	NA	NA
MB Financial (Money Market Account)	0.03%	0.02%	NA	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%	0.15%
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	-	0.05% ¹	0.09%	0.10%	0.20%
Intermediate Term Portfolio	1.34%	-0.10%	-2.04%	0.58%	0.80%
Benchmark: Barclays Intermediate U.S. Govt. Securities	1.24%	-0.24%	-2.18%	0.54%	0.66%
Total Portfolio	0.68%	0.01%	-0.81%	0.33%	0.52%
Total Benchmark	0.60%	-0.10%	-0.93%	0.23%	0.37%

Historical Annual Performance

	FY2013	FY2014	FY2015	FY2016	FY2017
Total Portfolio	-0.25%	0.70%	0.46%	1.72%	-0.08%
Benchmark	-0.24%	0.53%	0.62%	1.58%	-0.52%

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 6/30/17</u>	<u>Allocation Percentage</u>
Money Market Mutual Funds	\$ 46.3	30.4%
U.S. Treasury Bonds/Notes	19.9	13.1%
Federal Agency Bonds/Notes	35.9	23.6%
Federal Agency Mortgage Backed Securities	10.2	6.7%
Federal Agency Collateralized Mortgage Obligations	23.9	15.7%
Commercial Paper	-	0.0%
Commercial Paper Sweep (US Bank)	16.1	10.6%
Total	\$ 152.3	100.0%

Maturity Diversification

<u>Portfolio</u>	<u>Market Value (in millions) As of 6/30/17</u>	<u>Allocation Percentage</u>	<u>Target Maturity Diversification (in millions)</u>
Cash & Cash Equivalents (Less than one year)	\$ 61.6	40.4%	\$40 Minimum
Short Term (Up to 3 years)	-	0.0%	\$0-\$160
Intermediate Term (Up to 10 years)	90.7	59.6%	\$65-\$125
Total	\$ 152.3	100.0%	

Short Term Portfolio

Sector/Issuer Distribution

<u>Sector/Issuer</u>	<u>Market Value (\$ in millions) As of 6/30/17</u>	<u>% of Portfolio</u>
Commercial Paper	-	-
Money Market Mutual Funds		
First American Government Obligations Fund	-	-
	<hr/>	<hr/>
Total Short Term Portfolio	\$ -	-

The Short Term portfolio is managed to meet the University's near term cash flow expectations. Excess liquidity is invested in the portfolio during peaks in the University's cash flow cycle, which typically occur immediately following collection of tuition at the beginning of a semester. The portfolio may have minimal or no balances during low points in the cash flow cycle, which primarily occur during the period preceding collection of tuition.

Intermediate Portfolio

Sector/Issuer Distribution

Sector/Issuer	Market Value (\$ in millions) As of 6/30/17	% of Portfolio
Federal Agency Mortgage Backed Securities		
Federal National Mortgage Association	\$ 6.9	7.6%
Federal Home Loan Mortgage Corporation	1.9	2.1%
Government National Mortgage Association	1.4	1.5%
	10.2	11.2%
Federal Agency Collateralized Mortgage Obligations		
Federal National Mortgage Association	16.6	18.3%
Federal Home Loan Mortgage Corporation	6.1	6.7%
Government National Mortgage Association	1.2	1.3%
	23.9	26.4%
Federal Agency Bonds/Notes		
Agency for International Development	3.4	3.7%
Federal National Mortgage Association	7.2	7.9%
Federal Home Loan Mortgage Corporation	8.4	9.3%
Tennessee Valley Authority Notes	3.7	4.1%
	22.7	25.0%
Supra-National Agency		
African Development Bank	3.0	3.3%
Asian Development Bank	8.0	8.8%
Inter-American Development Bank	2.0	2.2%
	13.0	14.3%
U.S. Treasury Bonds/Notes		
United States Treasury	19.8	21.8%
Money Market Mutual Funds		
First American Government Obligations Fund	0.7	0.8%
Accrued Interest	0.4	0.4%
	0.4	0.4%
Total Intermediate Portfolio	\$ 90.7	100.0%

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017
Housing & Auxiliary Facilities System					
Construction Proceeds	0.1	0.0	0.0	0.0	0.0
Interest Sinking Fund	7.6	14.1	16.1	22.7	8.1
Debt Service Reserve	8.3	8.3	8.3	8.3	8.3
Total HAFS	<u>16.0</u>	<u>22.4</u>	<u>24.4</u>	<u>31.0</u>	<u>16.4</u>
Medical Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	0.4	0.9	1.2	1.6	0.4
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>0.4</u>	<u>0.9</u>	<u>1.2</u>	<u>1.6</u>	<u>0.4</u>
Certificates of Participation					
Construction Proceeds	7.0	5.9	4.8	4.3	3.4
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>7.0</u>	<u>5.9</u>	<u>4.8</u>	<u>4.3</u>	<u>3.4</u>
Total Market Value of Portfolio	\$ 23.4	\$ 29.2	\$ 30.4	\$ 36.9	\$ 20.2
Investment Balance					
<u>Book Value (\$ in millions)</u>					
	\$ 23.4	\$ 29.1	\$ 30.4	\$ 36.9	\$ 20.2

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.