

Midwestern State University Investment Overview

August 1, 2019



Maria L. Robinson
Chief Investment Officer and Treasurer

The Texas A&M University System

Cash Concentration Pool

Investment Objective

Invest the funds in a manner as to achieve a reasonable balance of growing corpus and meeting the operating needs of the system, while maintaining the system's objective of the safety and preservation of capital.

Performance Periods Ended June 30, 2019

	<u>1-YR</u>	<u>5-YR</u>	<u>10-YR</u>	<u>15-YR</u>	<u>Since Inception</u>
Long Term Cash Concentration Pool	5.8%	4.8%	7.6%	5.5%	6.9%
Long Term Balanced Index	5.4%	4.3%	6.8%	5.4%	6.2%



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Recent Policy Changes – Cash Concentration Pool

- 1. Liquidity Portfolio has been combined with Fixed Income.**
Eliminated additional layer of liquidity and allows these assets to be invested with a longer time horizon.
- 2. Allocation to Bank Loans to include other Non-Traditional Credit investments.** Diversifies Fixed Income portfolio while increasing expected returns.



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Long Term Cash Concentration Pool Asset Allocation

Asset Class	Target Allocation	6/30/2019 Allocation
Fixed Income	34.78%	33.82%
Domestic Equity	21.74%	23.18%
International Equity	21.74%	21.72%
Absolute Return	21.74%	21.28%



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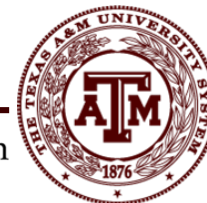
Cash Concentration Pool

Midwestern State – Operating Funds

July 1, 2018 to June 30, 2019

Book Value as of June 30, 2018	\$24,956,640
Net Earnings Added Back*	<u>1,248,023</u>
Book Value as of June 30, 2019	\$26,204,663
Unrealized Appreciation	<u>\$2,888,384</u>
Market Value as of June 30, 2019	\$29,093,047

*Interest, dividends and realized gains, less fees
(total of \$5,204,753 since 10/1/2013)



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System Endowment Fund

Investment Objectives

Provide a continuing and dependable cash payout, stable and preferably growing in real terms.

Cause the total value of the fund to appreciate, over time, exclusive of growth derived from donations.

Performance Periods Ended June 30, 2019

	<u>1-YR</u>	<u>5-YR</u>	<u>10-YR</u>	<u>15-YR</u>	<u>Since Inception</u>
System Endowment Fund	7.0%	6.3%	9.1%	6.8%	8.2%
Balanced Index	5.5%	5.9%	7.9%	5.9%	7.8%



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Recent Policy Changes – System Endowment Fund

- 1. Increased Private Equity from 15% to 25% and decreased both Domestic and International Equity from 20% to 15% each.**
Allocation change is expected to enhance returns and align asset allocation closer to peers.
- 2. Allocation to Bank Loans to include other Non-Traditional Credit investments.** Same change as in the Cash Concentration Pool.



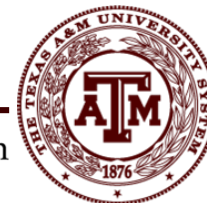
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System Endowment Fund

Asset Allocation

Asset Class	Target Allocation	6/30/2019 Allocation
Fixed Income	15.0%	12.9%
Domestic Equity	15.0%	20.2%
International Equity	15.0%	18.7%
Real Assets*	15.0%	12.8%
Absolute Return	15.0%	14.9%
Private Equity	25.0%	20.1%
Cash	0%	0.4%

*Real Assets includes timber, real estate, and energy investments.



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System Endowment Fund

Midwestern State - Endowment Accounts

May 31, 2019

Investment Transfers	\$15,498,751
Market Value	\$16,128,617
Units	2,456,378
FY 2019 Payout (estimated)	\$713,068
FY 2020 Payout (estimated)	\$773,061

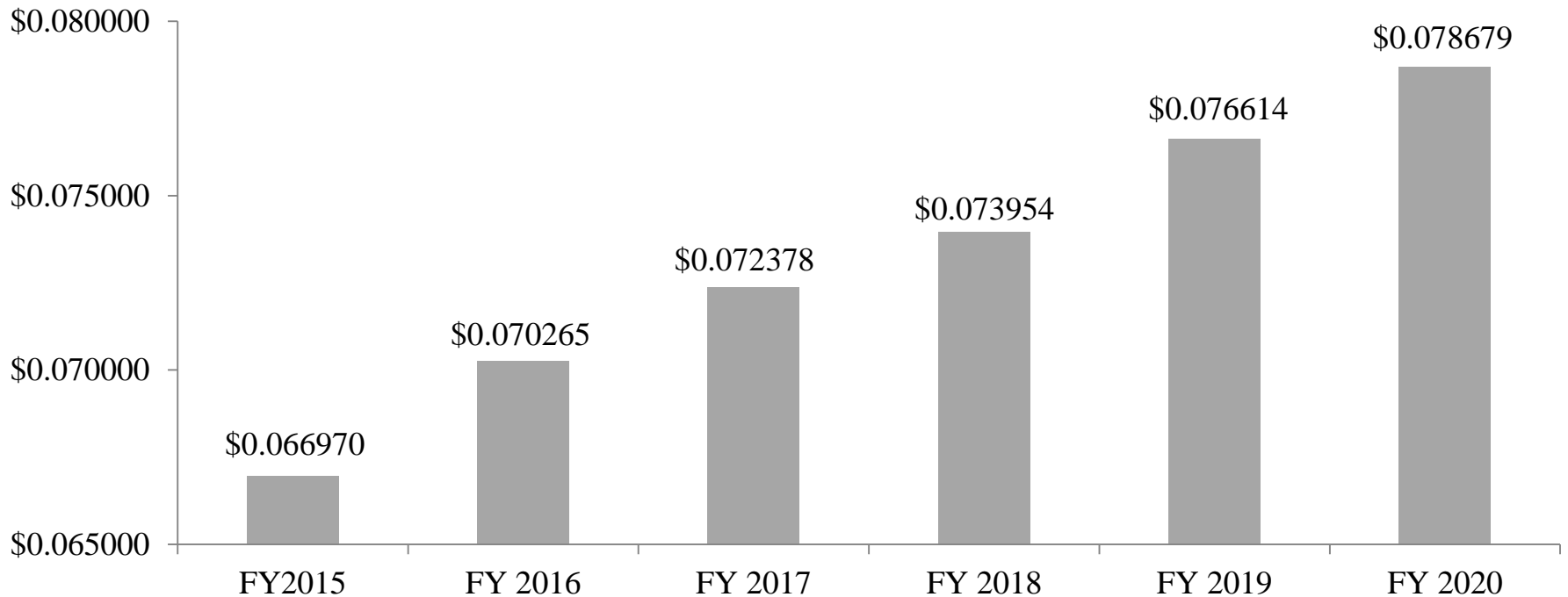
The quarterly payout is calculated on an annual basis and is the average of the quarterly market value for the 20 fiscal quarters ending the previous February, multiplied by 5.0% and divided by 4.



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System Endowment Fund

Quarterly Endowment Spending Rate



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Investment Pool Comparison

	Asset Class	Long Term CCP Target Allocation	SEF Target Allocation
Long Term CCP Objectives:	Fixed Income	34.8%	15.0%
	Domestic Equity	21.7%	15.0%
	International Equity	21.7%	15.0%
	Absolute Return	21.7%	15.0%
	Real Assets	-	15.0%
SEF Objectives:	Private Equity	-	25.0%

