July 12, 2017

TO: The Board of Regents of Midwestern State University, and Dr. Suzanne Shipley, President

SUBJECT: Quarterly Investment Reports

Attached are the quarterly investment reports for the third quarter ended May 31, 2017, as required by the amended Public Funds Investment Act.

The investment portfolio is in compliance with Midwestern State University’s investment policies. The portfolio is in compliance with the provisions of the Public Funds Investment Act as amended by the 82nd Legislature. (HB 2226)

Chris Stovall
Controller

Dr. Marilyn Fowle’
Vice President, Administration and Finance
Midwestern State University
Wichita Falls, Texas

Quarterly Investment Report
(Unaudited)
For the Third Quarter Ended May 31, 2017
**Midwestern State University**

**Summary of Investments**

**(Pooled Investments)**

**At May 31, 2017**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Book Value</th>
<th>%</th>
<th>Market Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Common Stock</td>
<td>$70,774</td>
<td>0.20%</td>
<td>$233,887</td>
<td>0.61%</td>
</tr>
<tr>
<td>Long-term Investment Pools</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas A&amp;M System Investment Pool</td>
<td>26,873,300</td>
<td>74.28%</td>
<td>28,760,790</td>
<td>75.23%</td>
</tr>
<tr>
<td><strong>Total Long-term Securities</strong></td>
<td>26,944,074</td>
<td>74.47%</td>
<td>28,994,677</td>
<td>75.84%</td>
</tr>
<tr>
<td>Short-term Securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TexPool</td>
<td>1,011,987</td>
<td>2.80%</td>
<td>1,011,987</td>
<td>2.65%</td>
</tr>
<tr>
<td>Logic</td>
<td>2,032,154</td>
<td>5.62%</td>
<td>2,032,154</td>
<td>5.32%</td>
</tr>
<tr>
<td>TX Class</td>
<td>2,037,617</td>
<td>5.63%</td>
<td>2,037,617</td>
<td>5.33%</td>
</tr>
<tr>
<td><strong>Total Short-term Securities</strong></td>
<td>5,081,758</td>
<td>14.05%</td>
<td>5,081,758</td>
<td>13.28%</td>
</tr>
<tr>
<td><strong>Total Investment Assets</strong></td>
<td>32,025,832</td>
<td>88.52%</td>
<td>34,076,435</td>
<td>89.13%</td>
</tr>
<tr>
<td>Cash and Cash Equivalents:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Held at State Treasury</td>
<td>4,153,958</td>
<td>11.48%</td>
<td>4,153,958</td>
<td>10.87%</td>
</tr>
<tr>
<td><strong>Total Cash and Cash Equivalents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>$36,179,790</td>
<td>100.00%</td>
<td>$38,230,392</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Total Rate of Return</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.50%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(Pooled Investments)
For the Third Quarter Ended May 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Assets - 02-28-17</td>
<td>$36,865,402</td>
<td>$38,116,930</td>
</tr>
<tr>
<td>Principal Payments received</td>
<td>(5,000,000)</td>
<td>(5,000,000)</td>
</tr>
<tr>
<td>Investment Income</td>
<td>161,721</td>
<td>161,721</td>
</tr>
<tr>
<td>Realized Gain (Loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions and Other</td>
<td>(1,291)</td>
<td>(1,291)</td>
</tr>
<tr>
<td>Securities Purchased</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in Net Unrealized Appreciation/(Depreciation)</td>
<td></td>
<td>799,075</td>
</tr>
<tr>
<td>Investment Assets - 05-31-17</td>
<td>$32,025,832</td>
<td>$34,076,435</td>
</tr>
<tr>
<td></td>
<td>Book Value</td>
<td>%</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Long-term Securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity Securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stock, Mutual Funds and ETFs</td>
<td>$5,006,348</td>
<td>64.32%</td>
</tr>
<tr>
<td>Total Equity Securities</td>
<td>5,006,348</td>
<td>64.32%</td>
</tr>
<tr>
<td><strong>Other Securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>254,409</td>
<td>3.27%</td>
</tr>
<tr>
<td>Corporate Bonds &amp; Notes</td>
<td>2,072,396</td>
<td>26.63%</td>
</tr>
<tr>
<td>Real Estate Investment Trusts (REIT)</td>
<td>211,799</td>
<td>2.72%</td>
</tr>
<tr>
<td><strong>Total Fixed Income Securities</strong></td>
<td>2,538,604</td>
<td>32.62%</td>
</tr>
<tr>
<td><strong>Total Long-term Securities</strong></td>
<td>7,544,952</td>
<td>96.94%</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Dollars</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Goldman Sachs - Cash Equivalent</td>
<td>238,085</td>
<td>3.06%</td>
</tr>
<tr>
<td><strong>Total Cash and Cash Equivalents</strong></td>
<td>238,085</td>
<td>3.06%</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>$7,783,036</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(MSU Endowments at American Natl. Bank Trust Dept.)
For the Third Quarter Ended May 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Assets - 02-28-17</td>
<td>$7,727,604</td>
<td>$8,799,482</td>
</tr>
<tr>
<td>Principal Payments Received</td>
<td>(2,081,463)</td>
<td>(2,081,463)</td>
</tr>
<tr>
<td>Investment Income</td>
<td>49,907</td>
<td>49,907</td>
</tr>
<tr>
<td>Realized Gain (Loss)</td>
<td>28,265</td>
<td>28,265</td>
</tr>
<tr>
<td>Management Fees</td>
<td>(10,570)</td>
<td>(10,570)</td>
</tr>
<tr>
<td>Distributions and Other</td>
<td>(74,541)</td>
<td>(74,541)</td>
</tr>
<tr>
<td>Securities Purchased</td>
<td>2,143,834</td>
<td>2,143,834</td>
</tr>
<tr>
<td>Changes in Net Unrealized Appreciation/(Depreciation)</td>
<td></td>
<td>21,733</td>
</tr>
<tr>
<td>Investment Assets - 05-31-17</td>
<td>$7,783,036</td>
<td>$8,876,647</td>
</tr>
<tr>
<td></td>
<td>Book Value</td>
<td>Book %</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>------------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Long-term Investment Pools:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas A&amp;M System Endowment Pool</td>
<td>$511,042</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total Long-term Investments</td>
<td>511,042</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>$511,042</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(MSU Endowments Invested with the Texas A&M University System)
For the Third Quarter Ended May 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Assets - 02-28-17</td>
<td>$511,042</td>
<td>$506,030</td>
</tr>
<tr>
<td>Principal Payments Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>2,206</td>
<td>2,206</td>
</tr>
<tr>
<td>Realized Gain (Loss)</td>
<td>4,378</td>
<td></td>
</tr>
<tr>
<td>Management Fees</td>
<td>(547)</td>
<td>(647)</td>
</tr>
<tr>
<td>Distributions and Other</td>
<td>(5,936)</td>
<td>(5,936)</td>
</tr>
<tr>
<td>Securities Purchased and Funds Transferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in Net Unrealized Appreciation/(Depreciation)</td>
<td></td>
<td>13,701</td>
</tr>
</tbody>
</table>

| Investment Assets - 05-31-17 | $511,042   | $515,353    |
Unaudited

Midwestern State University
Summary of Investments
(redirected Quasi-Endowment Invested with the Texas A&M University System)
At May 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>%</th>
<th>Market Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Investment Pools:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas A&amp;M System Endowment Pool</td>
<td>$11,516,586</td>
<td>100.00%</td>
<td>$11,602,007</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total Long-term Investments</td>
<td>11,516,586</td>
<td>100.00%</td>
<td>11,602,007</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total Investments</td>
<td></td>
<td>100.00%</td>
<td>$11,602,007</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(Redwine Quasi-Endowment Invested with the Texas A&M University System)
For the Third Quarter Ended May 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Assets - 02-28-17</td>
<td>$11,516,586</td>
<td>$11,392,124</td>
</tr>
<tr>
<td>Principal Payments Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>49,658</td>
<td>49,658</td>
</tr>
<tr>
<td>Realized Gain (Loss)</td>
<td>98,559</td>
<td>98,559</td>
</tr>
<tr>
<td>Management Fees</td>
<td>(19,319)</td>
<td>(19,319)</td>
</tr>
<tr>
<td>Distributions and Other</td>
<td>(128,898)</td>
<td>(128,898)</td>
</tr>
<tr>
<td>Changes in Net Unrealized Appreciation/(Depreciation)</td>
<td></td>
<td>209,882</td>
</tr>
</tbody>
</table>

| Investment Assets - 05-31-17 | $11,516,586 | $11,602,007 |

| U.S. Common Stock: [Donated] | 1,000 shares - Chesapeake Utilities [CPX] | 18,200.00 | 68,950.00 | 50,750.00 | 457.50 | 18,200.00 | 73,930.00 | 55,790.00 |
| 10 shares - Oligorn (C) - reverse split | 1,310.00 | 598.10 | (711.90) | 13.50 | 1,310.00 | 605.40 | (704.60) |
| 45 shares Calamos Conv. & High Inc. (CHY) | 619.65 | 508.05 | (111.60) | 216.00 | 5,566.00 | 5,800.00 | 59,438.00 |
| 1,200 shares - CSX Corp. (CSX) | 5,566.00 | 58,272.00 | 52,705.00 | 66.78 | 4,957.82 | 11,261.88 | 6,304.06 |
| 252 shares - Conoco Phillips (COP) | 4,957.82 | 11,987.64 | 7,029.82 | 157.82 | 2,479.68 | 9,589.86 | 7,120.18 |
| 126 shares - Phillips 66 (P) | 2,479.68 | 9,853.94 | 7,372.26 | 2,631.05 | 26,660.00 | 18,298.95 |
| 125 shares Berkshire (BRK-B) | 2,631.05 | 21,427.50 | 18,796.45 | 325.28 | 24,824.00 | 43,775.84 | 18,951.84 |
| 856 shares - Wells Fargo (WFC) | 24,824.00 | 49,545.28 | 24,721.28 | 14.28 | 4,216.36 | 2,136.52 | (2,079.84) |
| 124 shares-Manulife (MFC) | 4,216.36 | 2,222.08 | (1,994.28) | 3.00 | 4,342.80 | 1,957.20 | (2,386.60) |
| 66 shares - Natl. Oil Well (NOW) | 4,342.80 | 2,425.20 | (1,937.60) | 514.20 | 247.65 | (286.55) |
| 15 shares - XOM Inc. (D) | 514.20 | 287.10 | (227.10) | 7.00 | 1,112.30 | 4,197.90 | 3,085.60 |
| Total Common Stock | 1,112.30 | 4,040.00 | 2,933.70 | | | | |
| Total Sub-Total | 70,773.86 | 230,120.89 | 159,347.03 | | | | |
| Total Sub-Total | 70,773.86 | 230,120.89 | 159,347.03 | | | | |
| TEXPPOOL Investment Pool (1) | 0.77 | Daily | 3,008,523.32 | 3,008,523.32 | 2,000,000.00 | 3,463.83 | 1,011,987.15 | 1,011,987.15 |
| LOGIC Investment Pool (1) | 1.08 | Daily | 4,024,473.91 | 4,024,473.91 | 2,000,000.00 | 7,679.62 | 2,032,153.53 | 2,032,153.53 |
| TX CLASS Investment Pool (1) | 1.09 | Daily | 3,030,544.13 | 3,030,544.13 | 1,000,000.00 | 7,072.98 | 2,037,617.11 | 2,037,617.11 |
| TX A&M System Pool | 5.90 | Variable | 26,733,082.31 | 27,823,267.49 | 1,092,181.18 | 147,213.84 | 26,873,000.15 | 28,760,789.95 | 1,887,489.80 |
| Total Investment Pool Cash | 38,794,612.67 | 37,886,028.85 | 1,092,181.18 | 5,000,000.00 | 100,450.27 | 31,953,079.94 | 55,843,547.74 | 1,887,489.80 |
| Total Investments | $38,794,612.67 | $37,886,028.85 | $1,092,181.18 | $5,000,000.00 | $161,721.43 | $32,025,831.80 | $5,076,436.84 | $2,050,602.84 |

*As of May 31, 2017
(1) These investment pools are structured to maintain a constant dollar value

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### Comparison to U.S. and State Treasuries

<table>
<thead>
<tr>
<th>Book</th>
<th>Average Three-Month U.S. Treasury Bill</th>
<th>State Treasury Yield</th>
<th>Basis Point Spread to U.S. Treasury</th>
<th>Basis Point Spread to State Treasury</th>
</tr>
</thead>
<tbody>
<tr>
<td>March, 2017</td>
<td>1.09</td>
<td>0.75</td>
<td>1.12</td>
<td>0.34</td>
</tr>
<tr>
<td>April, 2017</td>
<td>0.26</td>
<td>0.81</td>
<td>1.19</td>
<td>(1.07)</td>
</tr>
<tr>
<td>May, 2017</td>
<td>0.66</td>
<td>0.90</td>
<td>1.17</td>
<td>(0.24)</td>
</tr>
</tbody>
</table>

This report is prepared in conformity with Midwestern State University Investment Policy and state statutes and guidelines including the Public Funds Investment Act (Tex. Gov’t Code, Ch. 2256).
<table>
<thead>
<tr>
<th>Coupon</th>
<th>Book Value 02-28-17</th>
<th>Market Value 02-28-17</th>
<th>Unrealized Gain (Loss)</th>
<th>Purchases</th>
<th>Realized Gain (Loss)</th>
<th>Interest Earned For the Qtr</th>
<th>Amortization/Accretion of Prem./Discount</th>
<th>Book Value 05-31-17</th>
<th>Market Value 05-31-17</th>
<th>Unrealized Gain (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGIC Investment Pool</td>
<td>$1.08 * Daily</td>
<td>$5.68</td>
<td>$5.68</td>
<td>$326,761.80</td>
<td>$326,767.47</td>
<td>$9.62</td>
<td>$138,775.58</td>
<td>$57,394,654.87</td>
<td>$57,394,654.87</td>
<td>$9.63</td>
</tr>
<tr>
<td>BLB Flexible Repo Agreement</td>
<td>0.96 Monthly</td>
<td>$7,583,121.09</td>
<td>$7,583,121.09</td>
<td>$67,683,126.77</td>
<td>$67,683,126.77</td>
<td>$370,761.80</td>
<td>$855,579.27</td>
<td>$318,785.20</td>
<td>$37,394,644.50</td>
<td>$37,394,644.50</td>
</tr>
</tbody>
</table>

*As of May 31, 2017

Interest Rate on Bonds Issued: 2.00% - 5.00%

This report is prepared in conformity with Midwestern State University Investment Policy and state statutes and guidelines including the Public Funds Investment Act (Tx. Gov't Code, Ch. 2130).
<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>Market Value</th>
<th>Unrealized Gain (Loss)</th>
<th>Principal Payments</th>
<th>Realized Gain (Loss)</th>
<th>Amortization/Accretion of Premium/Discount</th>
<th>Book Value</th>
<th>Market Value</th>
<th>Unrealized Gain (Loss)</th>
<th>Market Value Percentage Of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMERICAN NATL. BANK TRUST DEPT.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$103,240.27</td>
<td>$103,240.27</td>
<td>$946,086.64</td>
<td>$811,242.41</td>
<td>254.37</td>
<td></td>
<td>$238,084.50</td>
<td>$238,084.50</td>
<td>2.68%</td>
<td></td>
</tr>
<tr>
<td>Total Cash and Cash Equivalents</td>
<td>103,240.27</td>
<td>103,240.27</td>
<td>946,086.64</td>
<td>811,242.41</td>
<td>254.37</td>
<td></td>
<td>238,084.50</td>
<td>238,084.50</td>
<td>2.68%</td>
<td></td>
</tr>
<tr>
<td>Purchased Interest Receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>268,093.34</td>
<td>266,535.08</td>
<td>($1,558.26)</td>
<td></td>
<td>13,406.79</td>
<td>($443.79)</td>
<td>1,961.58</td>
<td>254,408.95</td>
<td>254,069.65</td>
<td>2.86%</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Bonds &amp; Notes</td>
<td>2,099,944.14</td>
<td>2,070,457.50</td>
<td>30,513.56</td>
<td>704,008.60</td>
<td>664,894.85</td>
<td>(337.68)</td>
<td>20,920.42</td>
<td>2,072,396.25</td>
<td>2,109,990.10</td>
<td>23.77%</td>
</tr>
<tr>
<td>Devonshire - RIDT</td>
<td>213,772.28</td>
<td>203,157.84</td>
<td>48,385.56</td>
<td>1,973.67</td>
<td></td>
<td></td>
<td>211,798.61</td>
<td>263,157.84</td>
<td>51,359.23</td>
<td>2.96%</td>
</tr>
<tr>
<td>Total Fixed Income Securities</td>
<td>2,521,809.76</td>
<td>2,600,150.42</td>
<td>78,340.66</td>
<td>704,008.60</td>
<td>680,275.31</td>
<td>(781.47)</td>
<td>22,882.00</td>
<td>2,538,603.81</td>
<td>2,627,157.59</td>
<td>29.60%</td>
</tr>
<tr>
<td>Common Stock - Equities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Equities</td>
<td>4,376,222.75</td>
<td>5,288,549.97</td>
<td>912,327.22</td>
<td>302,198.77</td>
<td>589,944.88</td>
<td>29,046.05</td>
<td>25,784.51</td>
<td>4,974,570.45</td>
<td>886,093.81</td>
<td>56.04%</td>
</tr>
<tr>
<td>Foreign Equities</td>
<td>75,542.80</td>
<td>67,325.50</td>
<td>(8,217.30)</td>
<td>39,120.64</td>
<td>192.50</td>
<td></td>
<td>114,663.44</td>
<td>100,911.25</td>
<td>(13,752.19)</td>
<td>1.14%</td>
</tr>
<tr>
<td>Equity ETFs</td>
<td>650,788.42</td>
<td>740,216.14</td>
<td>89,427.72</td>
<td>152,419.26</td>
<td>842.06</td>
<td></td>
<td>803,207.68</td>
<td>935,922.87</td>
<td>132,715.19</td>
<td>10.54%</td>
</tr>
<tr>
<td>Total Total Equities</td>
<td>5,102,553.97</td>
<td>6,096,091.61</td>
<td>993,537.64</td>
<td>493,788.67</td>
<td>589,944.88</td>
<td>29,046.05</td>
<td>26,771.07</td>
<td>6,011,404.57</td>
<td>1,005,056.81</td>
<td>67.72%</td>
</tr>
<tr>
<td><strong>Total Endowment Investments at American National Bank Trust</strong></td>
<td>$7,727,604.00</td>
<td>$8,799,482.30</td>
<td>$1,071,878.30</td>
<td>$2,143,833.91</td>
<td>$2,081,462.60</td>
<td>$28,264.58</td>
<td>$39,337.04</td>
<td>$7,783,036.07</td>
<td>$8,876,646.66</td>
<td>$1,093,610.59</td>
</tr>
<tr>
<td>Mar, Apr, May activity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simple yield excluding mkt. value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) = 3.13%</td>
<td>60,662.38</td>
<td>Market Value gain x 0.14% = 10,936,105.9 x 0.14% = 1.56%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

This report is prepared in conformity with Midwestern State University Investment Policy and state statutes and guidelines including the Public Funds Investment Act (Tk Gov't Code, Ch. 2256)
### MSU Endowment Investments - Texas A&M University System Endowment Pool

**For the Third Quarter Ended May 31, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>Market Value</th>
<th>Unrealized Gain (Loss)</th>
<th>Principal Payments Received/</th>
<th>Realized Gain (Loss)</th>
<th>Amortization/ Accretion of Prem/Disc.</th>
<th>Book Value</th>
<th>Market Value</th>
<th>Unrealized Gain (Loss)</th>
<th>Market Value Percentage Of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TXAS A&amp;M INVESTMENT MGMT FE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas A&amp;M System Endowment Pool</td>
<td>$511,041.99</td>
<td>$506,029.92</td>
<td>($5,012.07)</td>
<td>$4,377.91</td>
<td>$4,377.91</td>
<td>2,205.76</td>
<td>$511,041.99</td>
<td>$515,352.74</td>
<td>$4,310.75</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total Long-term Investments</td>
<td>$511,041.99</td>
<td>$506,029.92</td>
<td>($5,012.07)</td>
<td>0.00</td>
<td>$4,377.91</td>
<td>1,558.41</td>
<td>$511,041.99</td>
<td>$515,352.74</td>
<td>$4,310.75</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total Endowment Assets</td>
<td>$511,041.99</td>
<td>$506,029.92</td>
<td>($5,012.07)</td>
<td>0.00</td>
<td>$4,377.91</td>
<td>1,558.41</td>
<td>$511,041.99</td>
<td>$515,352.74</td>
<td>$4,310.75</td>
<td>100.00%</td>
</tr>
<tr>
<td>Aar, Apr, May activity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recov. + Amort./Accr.) / (Average Book Value)</td>
<td>4.65%</td>
<td>5,936.32</td>
<td>Market Value gain</td>
<td>4,310.75</td>
<td>0.84%</td>
<td>511,041.99</td>
<td>511,041.99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### REDWINE QUASI ENDOWMENT INVESTMENTS - Texas A&M University System Endowment Pool

**For the Third Quarter Ended May 31, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Book Value</th>
<th>Market Value</th>
<th>Unrealized Gain (Loss)</th>
<th>Principal Payments Received/</th>
<th>Realized Gain (Loss)</th>
<th>Amortization/ Accretion of Prem/Disc.</th>
<th>Book Value</th>
<th>Market Value</th>
<th>Unrealized Gain (Loss)</th>
<th>Market Value Percentage Of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TXAS A&amp;M INVESTMENT MGMT FE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas A&amp;M System Endowment Pool</td>
<td>$11,516,585.66</td>
<td>$11,392,124.44</td>
<td>(124,461.22)</td>
<td>$98,558.86</td>
<td>$98,558.86</td>
<td>49,657.72</td>
<td>$11,516,585.66</td>
<td>$11,602,006.84</td>
<td>$85,421.18</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total Long-term Investments</td>
<td>$11,516,585.66</td>
<td>$11,392,124.44</td>
<td>(124,461.22)</td>
<td>0.00</td>
<td>$98,558.86</td>
<td>30,339.16</td>
<td>$11,516,585.66</td>
<td>$11,602,006.84</td>
<td>$85,421.18</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total Endowment Assets</td>
<td>$11,516,585.66</td>
<td>$11,392,124.44</td>
<td>(124,461.22)</td>
<td>0.00</td>
<td>$98,558.86</td>
<td>30,339.16</td>
<td>$11,516,585.66</td>
<td>$11,602,006.84</td>
<td>$85,421.18</td>
<td>100.00%</td>
</tr>
<tr>
<td>Aar, Apr, May activity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recov. + Amort./Accr.) / (Average Book Value)</td>
<td>4.48%</td>
<td>128,989.02</td>
<td>Market Value gain</td>
<td>85,421.18</td>
<td>0.74%</td>
<td>11,516,585.66</td>
<td>11,516,585.66</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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This report is prepared in conformity with Midwestern State University Investment Policy and state statutes and guidelines including the Public Funds Investment Act (Tx Gov't Code, Ch. 2356).
Effective Rates for FY 2017 YTD:
Cash Portfolio: 0.77%
Long-Term Portfolio: 2.43%
Total Pool: 2.06%

Capital Market & Rates

The yield on 2-year Treasuries rose to 1.28% in May from 1.22% at the end of February. The yield on 10-year Treasuries fell slightly to 2.20% in May from 2.36% at the end of February.

The S&P 500 Index returned 2.6% during the quarter and 17.5% for the one-year ending May 31, 2017. Developed international equity markets returned 9.2% (in US Dollars) during the quarter and 16.4% for the one-year period. Emerging markets returned 7.9% (in US Dollars) during the quarter and 27.4% for the one-year period.

The unemployment rate stood at 4.3% in May. The economy added 447,000 jobs during the three month period.

The economy was estimated to have grown at a 1.2% annual rate during the quarter ending March 30, down from 2.1% in the prior quarter.

CCP Estimated Distribution Rate for FY 2017

Total Pool: 2.50%

http://www.tamu.edu/finance/treasury-services/

Pool Valuation

As of May 2017, the Pool had a market value of approximately $4.0 billion. For the 3rd quarter of FY 2017, the Pool positions had $585.7 million in cash inflows and $836.8 million in cash outflows, decreasing the book value of the Pool by $251.1 million. The Pool earned investment income during this quarter of $17.0 million and realized net gains on investments of $8.5 million.

The Cash Portfolio distributes all interest, dividends, and realized gains/(losses), net of external management fees, to the participants based on their average short-term balance for each month. The Long-Term Pool distributes all interest, dividends, and realized gains/(losses), net of external management fees, to the participants based on their ownership of Long-Term Pool units for each month.

Investment Performance

<table>
<thead>
<tr>
<th>1-Year</th>
<th>3-Year</th>
<th>5-Year</th>
<th>10-Year</th>
<th>15-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Pool</td>
<td>9.4%</td>
<td>3.9%</td>
<td>6.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Balanced Index</td>
<td>8.6%</td>
<td>3.4%</td>
<td>6.1%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

Asset Allocation as of May 31, 2017

<table>
<thead>
<tr>
<th>Asset Allocation ($M) Excluding Debt Proceeds and SEF Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equities</td>
</tr>
<tr>
<td>International Equities</td>
</tr>
<tr>
<td>Liquidity Portfolio</td>
</tr>
<tr>
<td>Fixed Income</td>
</tr>
<tr>
<td>Absolute Return</td>
</tr>
<tr>
<td>Cash Portfolio</td>
</tr>
</tbody>
</table>

Growth of $1 (15 Years)

Total Composite: $2.10
Balanced Index: $2.04
Capital Market Update

As measured by the Russell 3000 Index, the US stock market returned 2.2% over the quarter and 17.7% for the one-year period. Large cap stocks outperformed small cap stocks by 3.4% for the quarter, but underperformed by 2.9% for the one-year period. Growth stocks outperformed value stocks by 7.4% during the quarter and underperformed by 5.1% for the year.

Developed international equity markets returned 9.2% (in US Dollars) during the quarter and 16.4% for the one-year period. Emerging markets returned 7.9% (in US dollars) during the quarter and 27.4% for the one-year period.

Fixed income markets modestly appreciated during the quarter, rising 1.5%. For the one-year period, fixed income markets increased 1.6%.

Absolute return, on an aggregate basis, appreciated 0.8% for the quarter and 5.5% for the one-year period.

Quarterly Endowment Spending Rate

FY 2017: $0.072378 per unit
FY 2018: $0.073954 per unit

Endowment Valuation

As of May 31, 2017, the SEF had a market value of approximately $1.089 billion, including new deposits and net the income distribution for the 3rd Quarter. The SEF is accounted for on a unitized basis and the per unit market value as of May 31, 2017 was $6.30.

Investment Performance

Asset Allocation as of May 31, 2017

Asset Allocation ($M)

Prior to Distribution and New Deposits

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equities</td>
<td>$217.2</td>
</tr>
<tr>
<td>International Equities</td>
<td>$226.5</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$215.7</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>$153.7</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>$158.8</td>
</tr>
<tr>
<td>Real Assets</td>
<td>$112.9</td>
</tr>
<tr>
<td>Cash Portfolio</td>
<td>$6.4</td>
</tr>
</tbody>
</table>

Growth of $1 (15 Years)

The units and market value summary is available online for each endowment account at the Treasury web page: [http://www.tamus.edu/finance/treasury-services/system-endowment-fund/](http://www.tamus.edu/finance/treasury-services/system-endowment-fund/)
Texas Economy Strengthens

June 21, 2017

The Texas economy is growing at a moderate pace. Employment, continued to expand in May and the Texas Business Outlook Survey (TBOS) indexes point to a pickup in the manufacturing and services sectors, but slightly slower growth in retail from April to May. The latest Dallas Fed Texas Employment Forecast for 2017 ticked up slightly from 2.4 to 2.6 percent. Downside risks are sharply declining oil prices, continued strength in the dollar and uncertainty regarding both U.S. trade and tax policy.

Employment Growth Picks Up in May

Texas added jobs at a 2.4 percent annualized rate in May, faster than the 2.1 percent increase in April. Texas employment has grown at an annualized 2.5 percent pace year to date, outpacing the nation’s 1.3 percent increase.

The manufacturing and energy sectors saw continued job gains in May, as oil prices stabilized and the effect of the strong dollar on exports abated somewhat. The energy sector continues to make significant employment gains since fourth quarter 2015, after losing 1 in 3 jobs from its previous peak in fourth quarter 2014. Construction employment expanded 6.5 percent in May, following a 10.4 percent decline in April. Goods-producing sectors have added jobs at a 6.5 percent rate year to date, outpacing the 1.9 percent growth in private services. Most service sectors have added jobs year to date, though information services has contracted.

Boosted by the recent stability in oil prices, Houston employment expanded for a fifth consecutive month in May, registering the fastest year-to-date growth among the major metros. Payrolls in Dallas–Fort Worth recovered from April’s 3.7 percent decline with 4.9 percent growth in May, and the metro has expanded 2.3 percent year to date. Of the major metros, only Austin reduced employment in May, though it still has registered 1.8 percent growth year to date (Chart 1).

Labor Market Remains Tight

The state unemployment rate dropped from 5.0 percent to 4.8 percent in May, which exceeds the 4.3 percent May rate for the nation. This drop was driven by a decrease in the labor force that exceeded a slight decline in household employment. It is worth noting that, although the Texas unemployment rate is higher than the nation, the incidence of discouraged workers, the marginally attached, and the underemployed have been more muted and remain mostly at or below their national rates (Table 1).

TBOS Indexes Suggest Strong Growth in Manufacturing

The three-month moving averages of the TBOS headline indexes suggest a strong recovery in manufacturing in recent months, with some slowing in service sector growth (Chart 2). Alternative indexes constructed using Texas Manufacturing Outlook Survey responses show positive

Table 1

<table>
<thead>
<tr>
<th>April six-month moving average</th>
<th>Precession (2000–06) average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>U.S.</td>
</tr>
<tr>
<td>U-3 (headline unemployment rate)</td>
<td>5.1</td>
</tr>
<tr>
<td>Discouraged workers</td>
<td>0.2</td>
</tr>
<tr>
<td>Marginally attached</td>
<td>0.6</td>
</tr>
<tr>
<td>Part time for economic reasons</td>
<td>3.2</td>
</tr>
<tr>
<td>U-6 (broader unemployment rate)</td>
<td>9.2</td>
</tr>
</tbody>
</table>

NOTES: See www.bls.gov/lau/stalt.htm for definitions of special unemployment rates. U-6 (broader unemployment rate) equals U-3 (headline unemployment rate) plus discouraged workers, marginally attached, and part time for economic reasons, although U-6 may differ from the total due to rounding. The precession period excludes 2001.


Chart 1

Houston’s Job Growth Accelerates in Second Quarter

Chart 2

TBOS Points to Strong Recovery in Manufacturing

Federal Reserve Bank of Dallas Regional Economic Update
growth in both energy- and exports-related manufacturing in Texas (Chart 3). Slower growth in energy- and exports-related production relative to overall manufacturing output reflects that the energy and export sectors are still recovering from the oil bust and the impact of the strong dollar, respectively.

Residential Construction Recedes While Home Prices Appreciate

Most indicators of residential construction receded in April after posting gains in March. Housing starts, single-family permits, multifamily permits and real residential contract values fell in their most recent April readings. In contrast with the weak April numbers for residential construction, nonresidential construction contract values and nonbuilding construction contract values increased.

Existing-home sales edged up in April from March and have increased 6.0 percent year over year in April—a faster pace than the year-over-year rate of 4.9 percent in March. Inventory of existing homes in Texas held steady at 3.7 months in April, and the supply of homes remains tight in most metros.

With strong demand and inadequate supply, almost all house price measures suggest that house price appreciation continues. The Case-Shiller home price index for Dallas was up 8.6 percent year over year in March 2017. The index grew at a healthy 6.6 percent annual rate from February to March. The quarterly Federal Housing Finance Agency (FHFA) house price index for Texas also increased 5.7 percent (annualized) in first quarter 2017, following 6.1 percent growth in fourth quarter 2016.

Auto Delinquencies Rise Driven by Subprime Loans

Delinquency rates on auto loans have been trending up in both Texas and the U.S. (Chart 4). Underlying this trend is an increase in auto loans to subprime borrowers (Chart 5). From first quarter 2014 to first quarter 2017, the balance of subprime loans increased 41.0 percent, while that of other auto loans increased 31.6 percent. Additionally, the percent of subprime loans that are seriously delinquent has increased over the same period from 12.9 percent to 15.0 percent, while the percent of other loans that are seriously delinquent has decreased from 0.6 percent to 0.4 percent.

These trends corroborate anecdotal reports that loose credit standards and an increase in the incidence of subprime auto loans are likely behind the recent rise in auto delinquency rates. Contacts reported in the May Beige Book that auto lenders have tightened credit amid the increase in delinquencies. With rising interest rates, analysts expect both auto and credit card delinquencies to increase further in 2017.

Texas Leading Index Indicates Continued Growth

The Texas Leading Index rose 0.61 percent in April, and the three-month change in the index from February to April was 1.70 percent, indicating continued growth going forward (Chart 6). The U.S. leading index contributed positively to the three-month change.

—Stephanie Gullo and Anil Kumar

About the Authors

Gullo is a research assistant and Kumar is an economic policy advisor and senior economist in the Research Department at the Federal Reserve Bank of Dallas.