



Office of the President

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To: MSU Board of Regents
Mr. Shawn Hessing, Chair
Mr. Warren Ayres
Mrs. Tiffany Burks
Mr. R. Caven Crosnoe
Dr. Lynwood Givens
Mr. Jeff Gregg
Ms. Nancy Marks
Mr. Samuel M. Sanchez
Ms. Shelley Sweatt
Ms. Lindsey Shelley, Student Regent

From: Suzanne Shipley
President

Date: July 19, 2016

Subject: Quarterly Investment Reports

Attached are the Quarterly Investment Reports for the third quarter ended May 31, 2016.
Please feel free to contact me if you have any questions.

enclosures
SS/rr

C: Debbie Barrow



Business Affairs and Finance
3410 Taft Boulevard Wichita Falls, Texas 76308-2099
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June 30, 2016

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, 2016, 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, Business Affairs
and Finance

**Midwestern State University
Wichita Falls, Texas**

**Quarterly Investment Report
(Unaudited)
For the Third Quarter Ended May 31, 2016**

Unaudited

**Midwestern State University
Summary of Investments
(Pooled Investments)
At May 31, 2016**

	<u>Book Value</u>	<u>%</u>	<u>Market Value</u>	<u>%</u>
Long-term Securities:				
Equity Securities:				
U.S. Common Stock	<u>\$70,774</u>	<u>0.20%</u>	<u>\$179,232</u>	<u>0.50%</u>
Debt Securities:				
U.S. Government Agencies (Non-Guaranteed):				
Mortgage-Backed	4	0.00%	4	0.00%
Other	<u>1,096,044</u>	<u>3.02%</u>	<u>1,094,128</u>	<u>3.03%</u>
Total U.S. Government Agencies	<u>1,096,048</u>	<u>3.02%</u>	<u>1,094,133</u>	<u>3.03%</u>
Long-term Investment Pools				
Texas A&M System Investment Pool	<u>26,320,411</u>	<u>72.64%</u>	<u>26,119,441</u>	<u>72.27%</u>
Total Long-term Securities	<u>27,487,233</u>	<u>75.86%</u>	<u>27,392,805</u>	<u>75.80%</u>
Short-term Securities:				
TexPool	1,003,573	2.77%	1,003,573	2.78%
Logic	1,011,584	2.79%	1,011,584	2.80%
TX Class	<u>3,012,212</u>	<u>8.31%</u>	<u>3,012,212</u>	<u>8.34%</u>
Total Short-term Securities	<u>5,027,369</u>	<u>13.87%</u>	<u>5,027,369</u>	<u>13.90%</u>
Total Investment Assets	<u>32,514,601</u>	<u>89.74%</u>	<u>32,420,174</u>	<u>89.71%</u>
Cash and Cash Equivalents:				
Cash Held at State Treasury	<u>3,719,053</u>	<u>10.26%</u>	<u>3,719,053</u>	<u>10.29%</u>
Total Cash and Cash Equivalents				
Total Cash and Investments	<u>\$36,233,654</u>	<u>100.00%</u>	<u>\$36,139,227</u>	<u>100.00%</u>
Total Rate of Return	2.02%			

Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(Pooled Investments)
For the Third Quarter Ended May 31, 2016

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 02-29-16	\$37,349,603	\$36,156,413
Principal Payments received	(10,008,091)	(10,008,091)
Investment Income	184,008	184,008
Realized Gain (Loss)		
Distributions and Other	(10,918)	(10,918)
Securities Purchased	5,000,000	5,000,000
Changes in Net Unrealized Appreciation/(Depreciation)	<u> </u>	<u>1,098,763</u>
Investment Assets - 05-31-16	<u><u>\$32,514,601</u></u>	<u><u>\$32,420,174</u></u>

Unaudited

Midwestern State University
Summary of Investments
(MSU Endowments at American Natl. Bank Trust Dept.)
At May 31, 2016

	<u>Book Value</u>	<u>%</u>	<u>Market Value</u>	<u>%</u>
Long-term Securities:				
Equity Securities:				
Common Stock, Mutual Funds and ETFs	<u>\$4,719,043</u>	<u>62.64%</u>	<u>\$5,373,916</u>	<u>64.49%</u>
Total Equity Securities	<u>4,719,043</u>	<u>62.64%</u>	<u>5,373,916</u>	<u>64.49%</u>
Other Securities:				
U.S. Government Agencies	305,025	4.05%	306,986	3.68%
Corporate Bonds & Notes	2,235,255	29.67%	2,289,394	27.47%
Real Estate Investment Trusts (REIT)	<u>222,489</u>	<u>2.95%</u>	<u>311,403</u>	<u>3.74%</u>
Total Fixed Income Securities	<u>2,762,770</u>	<u>36.67%</u>	<u>2,907,783</u>	<u>31.15%</u>
Total Long-term Securities	<u>7,481,812</u>	<u>99.31%</u>	<u>8,281,699</u>	<u>99.38%</u>
Cash and Cash Equivalents:				
U.S. Dollars		0.00%		0.00%
Goldman Sachs - Cash Equivalent	<u>51,792</u>	<u>0.69%</u>	<u>51,792</u>	<u>0.62%</u>
Total Cash and Cash Equivalents	<u>51,792</u>	<u>0.69%</u>	<u>51,792</u>	<u>0.62%</u>
Total Cash and Investments	<u>\$7,533,604</u>	<u>100.00%</u>	<u>\$8,333,491</u>	<u>100.00%</u>

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, 2016

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 02-29-16	\$7,531,180	\$7,887,190
Principal Payments Received	(824,154)	(824,154)
Investment Income	45,125	45,125
Realized Gain (Loss)	(6,655)	(6,655)
Management Fees	(10,049)	(10,049)
Distributions and Other	(35,076)	(35,076)
Securities Purchased	833,233	833,233
Changes in Net Unrealized Appreciation/(Depreciation)	<u> </u>	<u>443,877</u>
Investment Assets - 05-31-16	<u><u>\$7,533,604</u></u>	<u><u>\$8,333,491</u></u>

Unaudited

Midwestern State University
Summary of Investments
(MSU Endowments Invested with the Texas A&M University System)
At May 31, 2016

	<u>Book</u> <u>Value</u>	<u>%</u>	<u>Market</u> <u>Value</u>	<u>%</u>
Long-term Investment Pools:				
Texas A&M System Endowment Pool	<u>\$410,042</u>	<u>100.00%</u>	<u>\$392,218</u>	<u>100.00%</u>
Total Long-term Investments	<u>410,042</u>	<u>100.00%</u>	<u>392,218</u>	<u>100.00%</u>
 Total Investments	 <u><u>\$410,042</u></u>	 <u><u>100.00%</u></u>	 <u><u>\$392,218</u></u>	 <u><u>100.00%</u></u>

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, 2016

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 02-29-16	\$410,042	\$377,034
Principal Payments Received		
Investment Income	1,832	1,832
Realized Gain (Loss)	3,233	
Management Fees	(465)	(465)
Distributions and Other	(4,600)	(4,600)
Securities Purchased and Funds Transferred		-
Changes in Net Unrealized Appreciation/(Depreciation)	<u> </u>	<u>18,418</u>
Investment Assets - 05-31-16	<u><u>\$410,042</u></u>	<u><u>\$392,218</u></u>

Unaudited

Midwestern State University

Summary of Investments

(Redwine Quasi-Endowment Invested with the Texas A&M University System)

At May 31, 2016

	<u>Book</u> <u>Value</u>	<u>%</u>	<u>Market</u> <u>Value</u>	<u>%</u>
Long-term Investment Pools:				
Texas A&M System Endowment Pool	<u>\$11,516,586</u>	<u>100.00%</u>	<u>\$11,031,759</u>	<u>100.00%</u>
Total Long-term Investments	<u>11,516,586</u>	<u>100.00%</u>	<u>11,031,759</u>	<u>100.00%</u>
 Total Investments	 <u><u>\$11,516,586</u></u>	 <u><u>100.00%</u></u>	 <u><u>\$11,031,759</u></u>	 <u><u>100.00%</u></u>

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, 2016

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 02-29-16	\$11,516,586	\$10,604,682
Principal Payments Received		
Investment Income	51,519	51,519
Realized Gain (Loss)	90,946	90,946
Management Fees	(13,072)	(13,072)
Distributions and Other	(129,393)	(129,393)
Changes in Net Unrealized Appreciation/(Depreciation)	<u>427,077</u>	<u>427,077</u>
Investment Assets - 05-31-16	<u><u>\$11,516,586</u></u>	<u><u>\$11,031,759</u></u>

INVESTMENT PORTFOLIO ACTIVITY
"POOLED" INVESTMENTS
FOR THE THIRD QUARTER ENDED MAY 31, 2016

	<u>Coupon</u>	<u>Stated Maturity</u>	<u>Book Value 02-29-16</u>	<u>Market Value 02-29-16</u>	<u>Unrealized Gain (Loss)</u>	<u>Purchases</u>	<u>Principal Payments Received/Matured</u>	<u>Realized Gain (Loss)</u>	<u>Interest/Dividends Earned For the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value 05-31-16</u>	<u>Market Value 05-31-16</u>	<u>Unrealized Gain (Loss)</u>
U.S. Government Agencies:													
FNMA Fixed Note - callable	1.50	11-27-20	596,036.79	595,436.40	(600.39)				2,250.00	205.45	\$596,242.24	\$594,878.40	(\$1,363.84)
FNMA Step Up	2.00	07-16-21	499,833.60	500,250.50	416.90		500,000.00		2,083.33	166.40			
FNMA	2.25-6.5	09-27-27	499,764.17	500,468.50	704.33				2,812.50	37.50	499,801.67	499,250.00	(\$551.67)
FHLMC	3.00	09-28-27	499,385.74	499,348.50	(37.24)		500,000.00		3,625.00	614.26			
Total Agency Notes			<u>2,095,020.30</u>	<u>2,095,503.90</u>	<u>483.60</u>		<u>1,000,000.00</u>		<u>10,770.83</u>	<u>1,023.61</u>	<u>1,096,043.91</u>	<u>1,094,128.40</u>	<u>(1,915.51)</u>
U.S. Government Mortgage Backed Securities:													
FHLMC Pool #170177	9.500	07-01-16	6.18	6.32	0.14		1.60		0.07	(3.09)	1.49	1.51	0.02
FHLMC Pool #170177	9.500	07-01-16	12.01	12.23	0.22		3.11		0.13	(6.00)	2.90	2.94	0.04
Total Mortgage-Backed			<u>18.19</u>	<u>18.55</u>	<u>0.36</u>		<u>4.71</u>		<u>0.20</u>	<u>(9.09)</u>	<u>4.39</u>	<u>4.45</u>	<u>0.06</u>
U.S. Common Stock: (Donated)													
1,000 shares - Chesapeake Utilities (CPK)			18,200.00	62,300.00	44,100.00				431.25		18,200.00	57,400.00	39,200.00
10 shares - Citigroup (C) - reverse split			1,310.00	388.50	(921.50)						1,310.00	465.70	(844.30)
45 shares Calamos Conv. & High Inc. (CHY)			619.65	427.50	(192.15)				13.50		619.65	461.25	(158.40)
1,200 shares - CSX Corp. (CSX)			5,566.00	28,968.00	23,402.00				216.00		5,566.00	31,716.00	26,150.00
252 shares - Conoco Phillips - (COP)			4,957.82	8,525.16	3,567.34				63.00		4,957.82	11,035.08	6,077.26
126 shares - Phillips 66 (PSX)			2,479.68	10,003.14	7,523.46				70.56		2,479.68	10,125.36	7,645.68
125 shares Berkshire (BRK-B)			2,631.05	16,771.25	14,140.20						2,631.05	17,567.50	14,936.45
856 shares - Wells Fargo (WFC)			24,824.00	40,163.52	15,339.52				321.00		24,824.00	43,416.32	18,592.32
124 shares-Manulife (MFC)			4,216.36	1,656.64	(2,559.72)				13.15		4,216.36	1,843.88	(2,372.48)
60 shares - Natl. Oil Well (NOV)			4,342.80	1,756.20	(2,586.60)				27.60		4,342.80	1,974.00	(2,368.80)
15 shares - NOW Inc. (DNDW) - split/spin off			514.20	242.70	(271.50)						514.20	260.10	(254.10)
70 shares - Southwest Airlines (LUV)			1,112.30	2,936.50	1,824.20				5.25		1,112.30	2,966.60	1,854.30
Total Common Stock			<u>70,773.86</u>	<u>174,139.11</u>	<u>103,365.25</u>				<u>1,161.31</u>		<u>70,773.86</u>	<u>179,231.79</u>	<u>108,457.93</u>
Sub-Total - Securities			<u>2,165,812.35</u>	<u>2,269,661.56</u>	<u>103,849.21</u>		<u>1,000,004.71</u>		<u>11,932.34</u>	<u>1,014.52</u>	<u>1,166,822.16</u>	<u>1,273,364.64</u>	<u>106,542.48</u>
Wells Fargo MM Savings													
Wells Fargo MM Savings	0.03		8,086.30	8,086.30			8,086.45		0.15				
TEXPOOL Investment Pool (1)	0.34	• Daily	1,502,734.22	1,502,734.22		500,000.00	1,000,000.00		838.46		1,003,572.68	1,003,572.68	
LOGIC Investment Pool (1)	0.55	• Daily	4,508,696.05	4,508,696.05		1,500,000.00	5,000,000.00		2,887.51		1,011,583.56	1,011,583.56	
TX CLASS Investment Pool (1)	0.59	• Daily	6,003,853.90	6,003,853.90			3,000,000.00		8,358.41		3,012,212.31	3,012,212.31	
TX A&M System Pool	1.40	• Variable	23,160,419.85	21,863,380.63	(1,297,039.22)	3,000,000.00			159,990.66		26,320,410.51	26,119,440.52	(200,969.99)
Total Investment Pool Cash			<u>35,183,790.32</u>	<u>33,886,751.10</u>	<u>(1,297,039.22)</u>	<u>5,000,000.00</u>	<u>9,008,086.45</u>		<u>172,075.19</u>		<u>31,347,779.06</u>	<u>31,146,809.07</u>	<u>(200,969.99)</u>
Total Investments			<u>\$37,349,602.67</u>	<u>\$36,156,412.66</u>	<u>(\$1,193,190.01)</u>	<u>\$5,000,000.00</u>	<u>\$10,008,091.16</u>		<u>\$184,007.53</u>	<u>\$1,014.52</u>	<u>\$32,514,601.22</u>	<u>\$32,420,173.71</u>	<u>(\$94,427.51)</u>

*As of May 31, 2016

(1) These investment pools are structured to maintain a constant dollar value

<u>Comparison to U.S. and State Treasuries</u>	<u>Book Accounting Yield</u>	<u>Average Three-Month U.S. Treasury Bill</u>	<u>State Treasury Yield</u>	<u>Basis Point Spread to U.S. Treasury</u>	<u>Basis Point Spread to State Treasury</u>
March, 2016	1.43	0.30	0.79	1.13	0.64
April, 2016	3.09	0.23	0.83	2.86	2.26
May, 2016	1.55	0.28	0.82	1.27	0.73

MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
REVENUE FINANCING SYSTEM REVENUE & REFUNDING BONDS - SERIES 2015A
FOR THE SECOND QUARTER ENDED FEBRUARY 29, 2016

	<u>Coupon</u>	<u>Stated Maturity</u>	<u>Book Value</u> <u>02-29-16</u>	<u>Market Value</u> <u>02-29-16</u>	<u>Unrealized Gain</u> <u>(Loss)</u>	<u>Purchases</u>	<u>Principal Payments Received/Matured</u>	<u>Realized Gain</u> <u>(Loss)</u>	<u>Interest Earned</u> <u>For the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value</u> <u>05-31-16</u>	<u>Market Value</u> <u>05-31-16</u>	<u>Unrealized Gain</u> <u>(Loss)</u>
LOGIC Investment Pool	0.23	* Daily	\$ 46.43	\$ 46.43		\$8,125,582.93	\$8,125,780.92		\$197.02		\$45.46	\$45.46	
BLS Flexible Repo Agreement	0.49	Monthly	26,307,213.47	26,307,213.47			8,866,964.18		26,115.33		17,466,364.62	17,466,364.62	
Total Bond Investments			<u>\$26,307,259.90</u>	<u>\$26,307,259.90</u>		<u>\$8,125,582.93</u>	<u>\$16,992,745.10</u>		<u>\$26,312.35</u>		<u>\$17,466,410.08</u>	<u>\$17,466,410.08</u>	

*As of May 31, 2016

Interest Rate on Bonds Issued 3.00% - 5.00%

**MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
MSU ENDOWMENT INVESTMENTS - AMERICAN NATL. BANK TRUST DEPT. MANAGERS
FOR THE THIRD QUARTER ENDED MAY 31, 2016**

	Book Value 02-29-16	Market Value 02-29-16	Unrealized Gain (Loss)	Purchases	Principal Payments Received/ Matured	Realized Gain (Loss)	Interest/ Dividends Received (Fees Paid) in the Qtr.	Amortization/ Accretion of Prem./Disc.	Book Value 05-31-16	Market Value 05-31-16	Unrealized Gain (Loss)	Market Value Percentage Of Total
AMERICAN NATL. BANK TRUST DEPT.												
Cash and Cash Equivalents:												
Cash							(\$10,048.92)					
American Natl. Bank Fees												
U.S. Dollars							80.24		\$51,792.18	\$51,792.18		0.62%
Goldman Sachs	\$221,033.11	\$221,033.11		177,380.17	\$346,621.10				51,792.18	51,792.18		0.62%
Total Cash and Cash Equivalents	221,033.11	221,033.11		177,380.17	346,621.10		(9,958.68)					
Purchased Interest Receivable												
Fixed Income:												
U.S. Government Agencies	313,291.16	315,408.57	\$2,117.41		8,098.46	(\$278.26)	2,313.19	(\$167.95)	305,024.75	306,985.96	\$1,961.21	3.68%
Municipal Bonds							19,036.25	(6,487.13)	2,235,255.45	2,289,393.85	\$4,138.40	27.47%
Corporate Bonds & Notes	2,241,742.58	2,258,837.30	17,094.72		15,668.62				222,489.35	311,403.44	88,914.09	3.74%
Devonshire - REIT	238,157.97	311,403.44	73,245.47						2,762,769.55	2,907,783.25	145,013.70	34.89%
Total Fixed Income Securities	2,793,191.71	2,885,649.31	92,457.60		23,767.08	(278.26)	21,349.44	(6,655.08)				
Common Stock - Equities:												
U.S. Equities	3,413,259.69	3,732,902.10	319,642.41	418,849.80	154,343.17	(7,978.99)	20,262.16		3,677,766.32	4,265,380.19	608,613.87	51.44%
Foreign Equities	225,377.17	232,286.55	6,909.38	16,626.81			1,493.31		242,003.98	258,273.73	16,269.75	3.10%
Equity ETFs	698,929.76	670,454.68	(28,475.08)	220,375.96	299,422.23	(6,840.46)	1,939.53		619,883.49	669,210.19	49,326.70	8.03%
Mutual Funds - Equities	179,388.96	144,863.83	(34,525.13)						179,388.96	160,051.94	(19,337.02)	1.92%
Total Equities	4,516,955.58	4,780,507.16	263,551.58	655,852.57	453,765.40	(14,819.45)	23,695.00		4,719,042.75	5,373,916.05	654,873.30	64.49%
Total Endowment Investments at American National Bank Trust	\$7,531,180.40	\$7,887,189.58	\$356,009.18	\$833,232.74	\$824,153.58	(\$15,097.71)	\$35,075.76	(\$6,655.08)	\$7,533,604.48	\$8,333,491.48	\$799,887.00	100.00%
Mar, Apr, and May activity	Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) =						0.71%	13,322.97	Market Value gain =	799,887.00	=	10.62%
							(Annualized)	7,532,392.44		7,533,604.48		

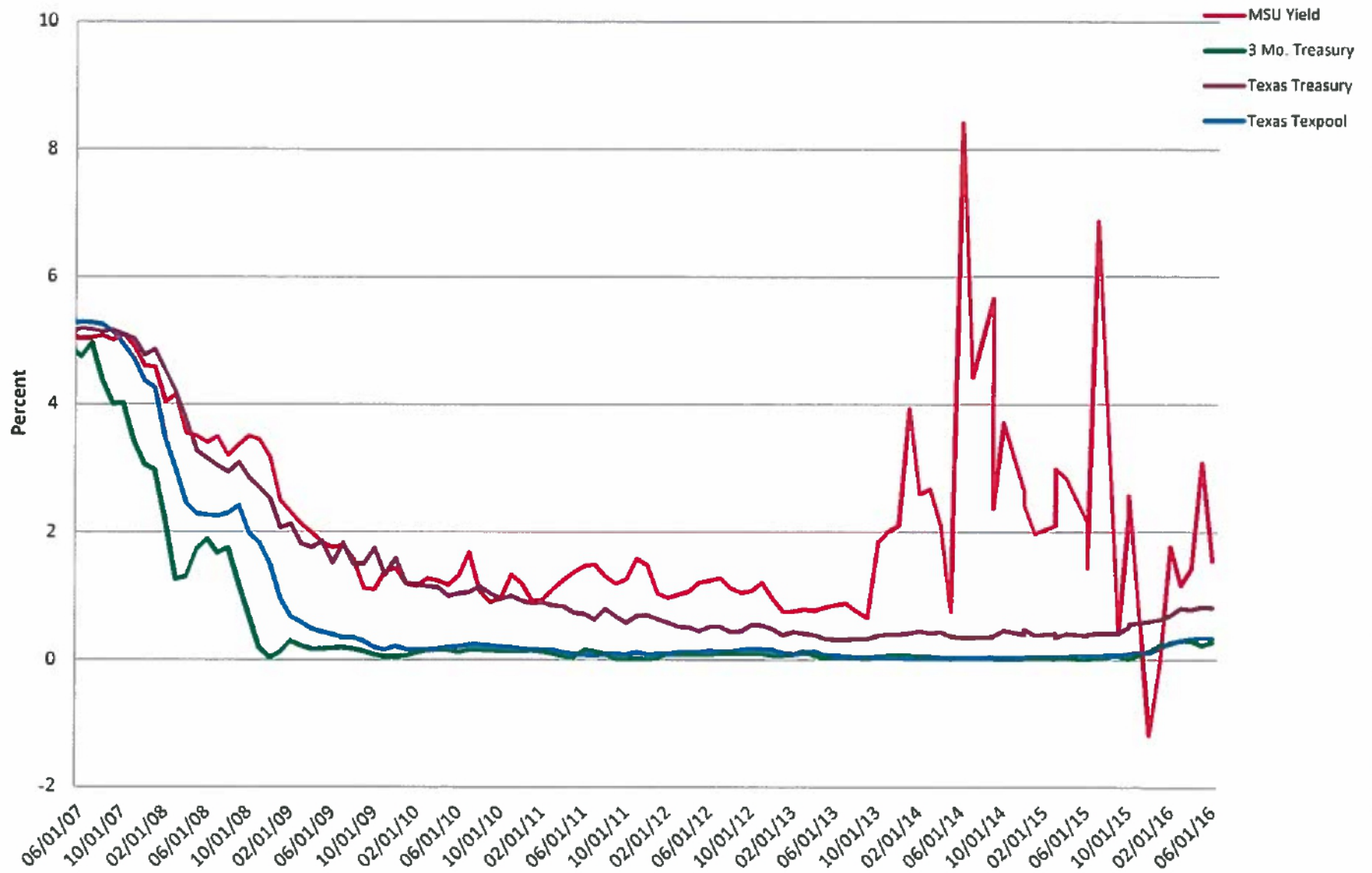
MSU ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL
FOR THE THIRD QUARTER ENDED MAY 31, 2016

	Book Value 02-29-16	Market Value 02-29-16	Unrealized Gain (Loss)	Purchases	Principal Payments Received/ Matured	Realized Gain (Loss)	Interest/ Dividends Received (Fees Paid) In the Qtr.	Amortization/ Accretion of Prem./Disc.	Book Value 05-31-16	Market Value 05-31-16	Unrealized Gain (Loss)	Market Value Percentage Of Total
TEXAS A&M INVESTMENT MGMT FEE							(\$464.76)					
Long-term Investment Pools:												
Texas A&M System Endowment Pool	\$410,041.99	\$377,033.66	(\$33,008.33)		\$3,233.46	\$3,233.46	1,831.69		\$410,041.99	\$392,217.65	(\$17,824.34)	100.00%
Total Long-term Investments	410,041.99	377,033.66	(33,008.33)	0.00	3,233.46	3,233.46	1,366.93		410,041.99	392,217.65	(17,824.34)	100.00%
Total Endowment Assets												
at Texas A&M University System	\$410,041.99	\$377,033.66	(\$33,008.33)	\$0.00	\$3,233.46	\$3,233.46	\$1,366.93		\$410,041.99	\$392,217.65	(\$17,824.34)	100.00%
Var, Apr, and May activity							4.49%	4,600.39	Market Value gain =	(17,824.34) =	-4.35%	
							(Annualized)	410,041.99		410,041.99		

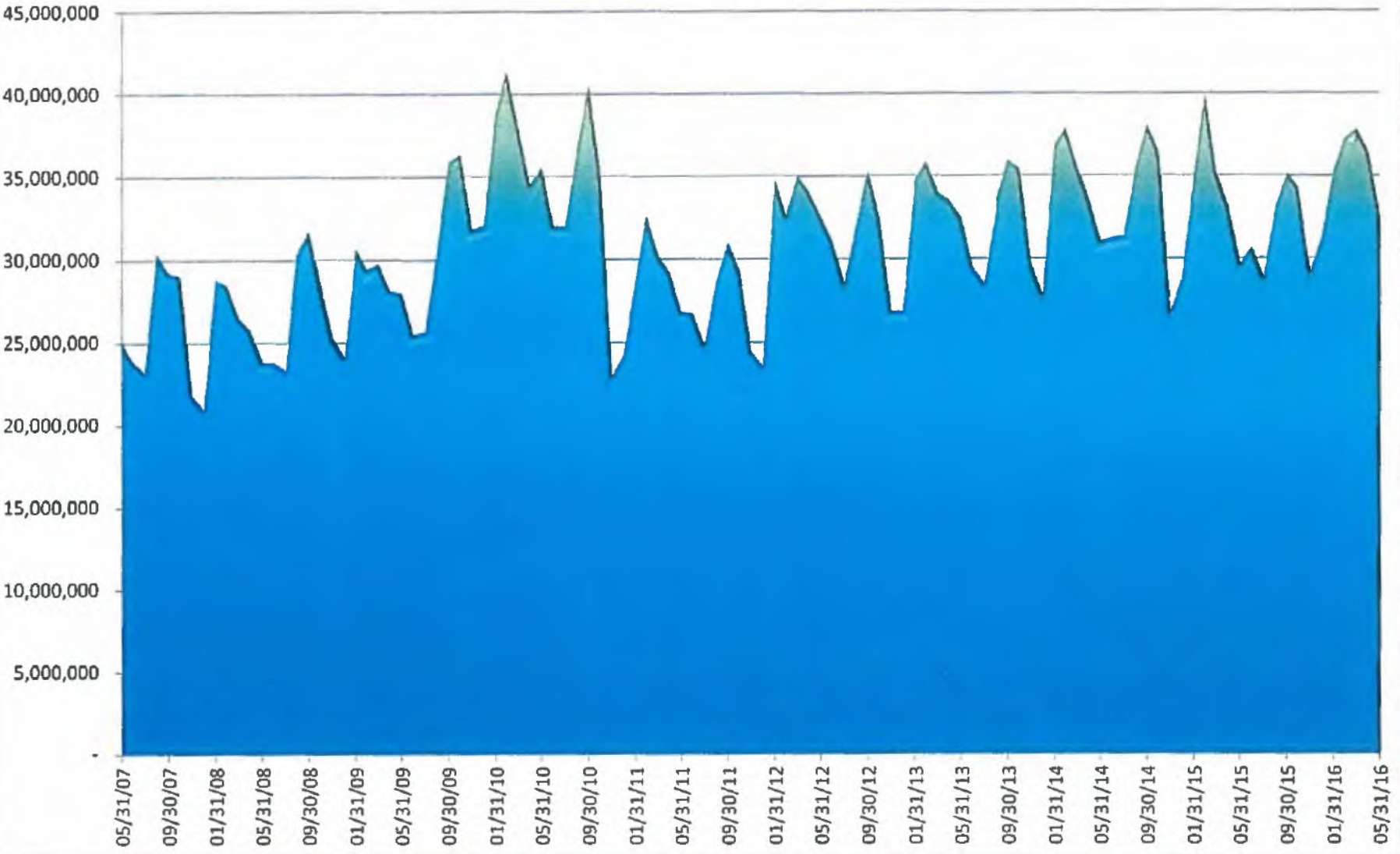
REDWINE QUASI ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL
FOR THE THIRD QUARTER ENDED MAY 31, 2016

	Book Value 02-29-16	Market Value 02-29-16	Unrealized Gain (Loss)	Purchases	Principal Payments Received/ Matured	Realized Gain (Loss)	Interest/ Dividends Received (Fees Paid) In the Qtr.	Amortization/ Accretion of Prem./Disc.	Book Value 05-31-16	Market Value 05-31-16	Unrealized Gain (Loss)	Market Value Percentage Of Total
TEXAS A&M INVESTMENT MGMT FEE							(\$13,072.04)					
Long-term Investment Pools:												
J.S. Dollars												
Texas A&M System Endowment Pool	\$11,516,585.66	\$10,604,681.68	(\$911,903.98)		\$90,946.23	\$90,946.23	\$51,519.23		\$11,516,585.66	\$11,031,758.88	(\$484,826.78)	100.00%
Total Long-term Investments	11,516,585.66	10,604,681.68	(911,903.98)	0.00	90,946.23	90,946.23	38,447.19		11,516,585.66	11,031,758.88	(484,826.78)	100.00%
Total Endowment Assets												
at Texas A&M University System	\$11,516,585.66	\$10,604,681.68	(\$911,903.98)	\$0.00	\$90,946.23	\$90,946.23	\$38,447.19		\$11,516,585.66	\$11,031,758.88	(\$484,826.78)	100.00%
Var, Apr, and May activity							4.49%	129,393.42	Market Value gain =	(484,826.78) =	-4.21%	
							(Annualized)	11,516,585.66		11,516,585.66		

Midwestern State University Historical Yields



**Midwestern State University
Pooled Investments
Total Invested**



Texas A&M University System Cash Concentration Pool



FISCAL YEAR 2016

3RD QUARTER – MAY 31, 2016

Effective Rates for FY 2016 YTD:

Cash Portfolio:	0.31%
Long-Term Portfolio:	1.83%
Total Pool:	1.54%

Capital Market & Rates

The yield on 2-year Treasuries rose to 0.87% in May from 0.78% at the end of February. The yield on 10-year Treasuries increased to 1.84% from 1.74% at the end of February.

The S&P 500 Index returned 9.1% during the quarter and 1.7% for the one-year ending May 31, 2016. Developed international equity markets returned 8.6% (in US Dollars) during the quarter and -9.7% for the one-year period. Emerging markets returned 9.6% (in US dollars) during the quarter and -17.6% for the one-year period.

The unemployment rate declined to 4.7% in May. The economy added 347,000 jobs during the three month period.

Economic data was positively revised, as the economy grew at a 0.8% annual rate during the quarter ending March 31, 2016. The previous estimate was for 0.5%.

CCP Estimated Distribution

Rate for FY 2016

Total Pool: 2.75%

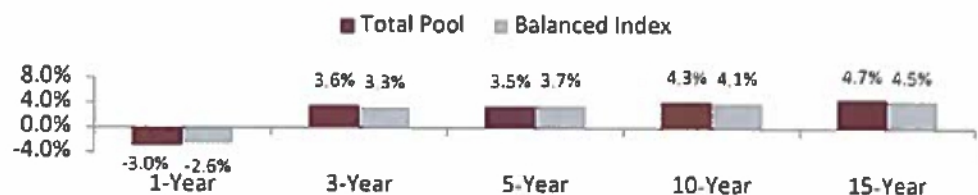
<http://www.tamus.edu/finance/treasury-services/>

Pool Valuation

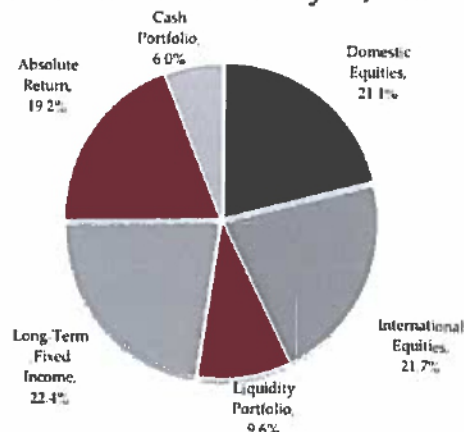
As of May 31, 2016, the Pool had a market value of approximately \$3.4 billion. For the 3rd quarter of FY 2016, the Pool positions had \$766.4 million in cash inflows and \$767.9 million in cash outflows, decreasing the book value of the Pool by \$1.5 million. The Pool earned investment income during this quarter of \$15.0 million and realized net gains on investments of \$0.9 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



Asset Allocation as of May 31, 2016

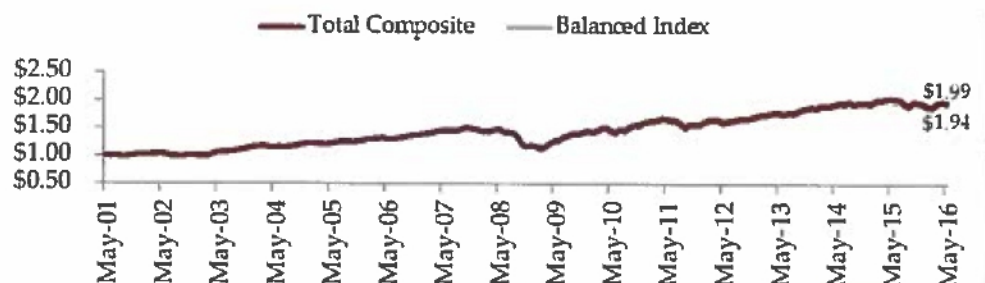


Asset Allocation (\$M)

Excluding Debt Proceeds and SEF Deposits

Domestic Equities	\$644.5
International Equities	\$663.4
Liquidity Portfolio	\$295.0
Fixed Income	\$684.8
Absolute Return	\$588.7
Cash Portfolio	\$184.4

Growth of \$1 (15 Years)



Texas A&M University System System Endowment Fund



FISCAL YEAR 2016

3RD QUARTER – MAY 31, 2016

Capital Market Update

As measured by the Russell 3000 Index, the US stock market returned 9.6% over the quarter and 0.2% for the one-year period. Large cap stocks underperformed small cap stocks by 3.0% for the quarter and outperformed by 7.7% for the one-year period. Growth stocks underperformed value stocks by 3.2% during the quarter and outperformed by 1.0% for the year.

Developed international equity markets returned 8.6% (in US Dollars) during the quarter and -9.7% for the one-year period. Emerging markets returned 9.6% (in US dollars) during the quarter and -17.6% for the one-year period. Much of the non-US returns can be attributed to currency fluctuations, as the Dollar weakened against most currencies during the quarter.

Fixed income markets generated positive returns during the quarter, appreciating 1.3%. For the one-year period, fixed income markets increased 3.0%.

Absolute return, on an aggregate basis, returned 1.6% and -5.1% for the quarter and one-year period respectively.

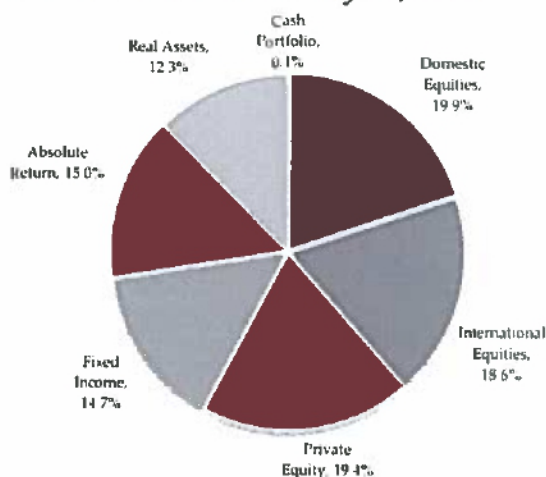
Endowment Valuation

As of May 31, 2016, the SEF had a market value of approximately \$1.022 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, 2016 was \$5.99.

Investment Performance



Asset Allocation as of May 31, 2016

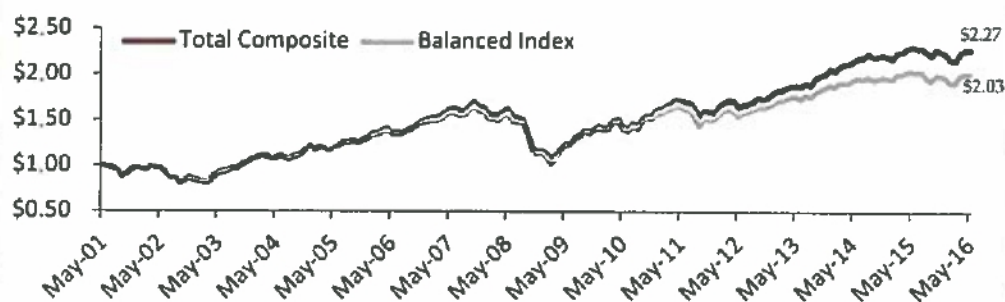


Asset Allocation (\$M)

Prior to Distribution and New Deposits

Domestic Equities	\$206.8
International Equities	\$192.7
Private Equity	\$201.1
Fixed Income	\$152.2
Absolute Return	\$156.2
Real Assets	\$128.2
Cash Portfolio	\$1.1

Growth of \$1 (15 Years)



Quarterly Endowment Spending Rate

FY 2016: \$0.070265 per unit

FY 2017: \$0.072378 per unit

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/>

Outlook Largely Unchanged Despite Disappointing Jobs Report**June 20, 2016**

Recent economic data send mixed signals on U.S. economic activity in the second quarter. The May employment report shows some deceleration in labor market momentum. Even so, the outlook for U.S. output growth remains good. The economy is close to full employment, and private consumption is supported by high levels of household confidence, low gasoline prices, low debt burdens, higher net worth ratios and low interest rates. However, downside risks remain. Though global financial conditions have eased since mid-February, a strong dollar, weak global growth and the U.K. "Brexit" decision present headwinds in the near term.

Output Growth Revised Upward

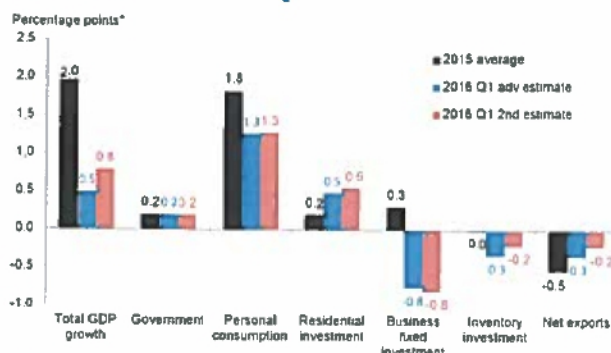
First-quarter U.S. real gross domestic product (GDP) growth was revised up from 0.5 percent to a still-disappointing 0.8 percent (*Chart 1*). The new estimates primarily reflect upward revisions to private inventory investment, residential fixed investment and net exports (downward revision to imports). Business fixed investment remains a drag on growth, subtracting 0.8 percentage points. Growth in real business investment would have been higher if energy prices and energy-related capital expenditures had not slumped. *Chart 2* shows the collapse of investment in mining and exploration-related structures and equipment.

There are reasons to think that underlying U.S. economic growth is stronger than the GDP numbers suggest. In recent years, first-quarter readings of GDP growth have been lower than in subsequent quarters. This may be the result of "residual seasonality" in the Bureau of Economic Analysis' seasonally adjusted GDP estimates.¹ The growth in real gross domestic income (GDI) was 2.2 percent in first quarter 2016. GDI is an alternate income-based measure of national output, whereas GDP is expenditure based. In theory, the GDI and GDP numbers should be exactly the same; however, timing and source data differences result in different measures. An average of the two growth rates suggests that first-quarter output growth was 1.5 percent.

Labor Market Disappoints in May

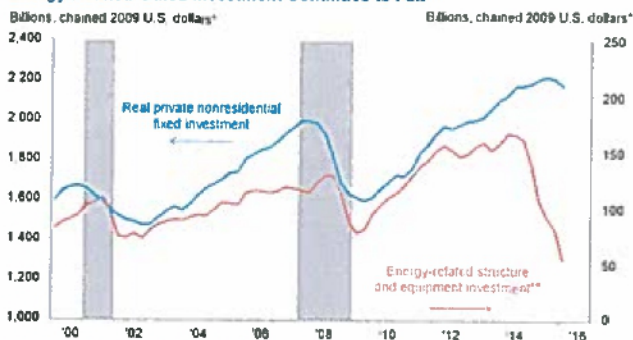
The May employment report surprised on the downside. Nonfarm payrolls rose 38,000 in May, and even if the 35,000 telecom workers who were on strike are added back, the number is still well below the consensus of 160,000 (*Chart 3*). March and April changes in nonfarm payrolls were revised down by a total of 59,000. The headline, or U-3, unemployment rate, which had flattened at 5 percent, fell to 4.7 percent. Since the U-3 unemployment rate measures the number of unemployed as a percent of the labor force, the drop in unemployment rate reflected a fall in the labor force participation rate, which was down 0.2 percentage points to 62.6 percent, as opposed to an in-

Chart 1
Business Fixed Investment a Drag on First-Quarter Growth



*Contribution to percent change in real gross domestic product growth, quarter/quarter, seasonally adjusted annualized rate.
SOURCE: Bureau of Economic Analysis.

Chart 2
Energy-Related Fixed Investment Continues to Fall



*Seasonally adjusted, annualized rate.
**Approximate chain-weighted structures and equipment aggregates.
NOTES: Energy-related investment refers to the BEA's "Mining Exploration, Shaft, Wells" and "Mining and Oilfield Machinery." Shaded areas indicate recession.
SOURCES: Bureau of Economic Analysis (BEA), author's calculations.

Chart 3
May Employment Report Disappoints



*Seasonally adjusted.
NOTE: Shaded area indicates recession.
SOURCE: Bureau of Labor Statistics.

crease in employment. The employment-to-population ratio remained unchanged at 59.7 percent.

One should not place too much weight on a single month's job numbers since they are subject to large sampling variation; however, the jobs report is still an important indicator. The headline U-3 unemployment rate as well as the U-4 unemployment rate, which includes discouraged workers, both fell 0.3 percentage points, to 4.7 percent and 5.0 percent, respectively (*Chart 4*).² Combined, the dip in the both rates suggests that those who left the labor force did not leave due to poor labor market conditions.

Chart 4
Those Who Left Labor Force Did Not Indicate Discouragement

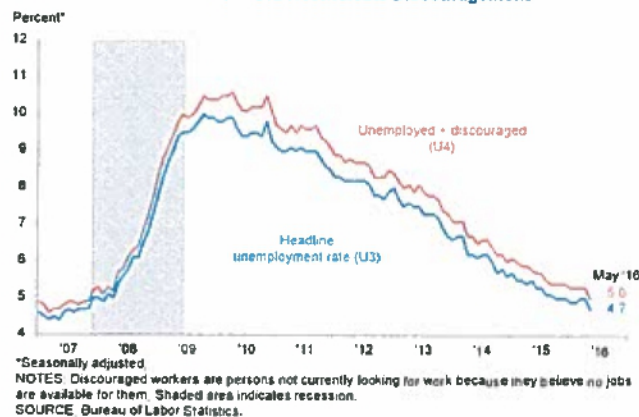


Chart 5
Alternative Measure of Wage Growth Trending Upward



Chart 6
Core Inflation Nearing 2 Percent



Additionally, job vacancies are high by historic standards, and initial claims for unemployment insurance are historically low, suggesting labor market strength.

Alternative Wage Growth Indicator Rising

In recent years, wage growth has been relatively sluggish despite a strong labor market (excluding May). Growth in Bureau of Labor Statistics (BLS) average hourly earnings for private sector workers has been well below the 3 to 4 percent rate that Federal Reserve Chair Janet Yellen indicated to be normal. Average hourly earnings grew 2.5 percent year over year in May, while the Atlanta Fed's Wage Growth Tracker (WGT) rose 3.5 percent over the same period (*Chart 5*). The WGT may better reflect underlying wage growth because it tracks the change in earnings of the same employees over a 12-month period.³

The BLS's average hourly earnings may be depressed as retiring baby boomers, who are typically high earners, are replaced by young people, who typically earn less. The WGT also takes into account earnings change as an individual moves from one job to another, whereas this change in earnings is not captured in average hourly earnings.

Downward Pressure on Inflation Waning

Core inflation was held down by falling import prices, due to a strong dollar, and the indirect effects of lower energy prices. In April, the core Personal Consumption Expenditures (PCE) price index over 12 months grew 1.6 percent, and in May, the core Consumer Price Index (CPI) grew 2.2 percent (*Chart 6*).

Because oil prices dropped between July and August of 2015, the negative contribution of low energy prices to 12-month headline inflation should wane in coming months, assuming oil prices do not fall further. Import prices, another drag on inflation, have seen recent gains, and their deflationary pressure should also fade, assuming the dollar remains broadly stable.

In all, headline inflation should move closer to the 2 percent target in the medium term, as suggested by April's Trimmed Mean PCE inflation reading of 1.8 percent.

—Daniel Lin

Notes

1. ["Residual Seasonality in GDP and GDI: Findings and Next Steps,"](#) Bureau of Economic Analysis, June 1, 2016.
2. Discouraged workers are those who are not looking for a job because they believe no jobs are available to them but have indicated they want and are available to work.
3. The Atlanta Fed Wage Growth Tracker tracks the median wage growth of individuals who are employed in the current month as well as 12 months prior

About the Author

Lin is a research analyst in the Research Department at the Federal Reserve Bank of Dallas.