



MIDWESTERN
STATE UNIVERSITY

Office of the President

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

From: Suzanne Shipley
President

Date: January 20, 2017

Subject: Quarterly Investment Reports

Attached are the Quarterly Investment Reports for the first quarter ended November 30, 2016.
Please feel free to contact me if you have any questions.

enclosures
SS/rr

C: Debbie Barrow

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Administration and Finance
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January 19, 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 first quarter ended November 30, 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, Administration
and Finance

**Midwestern State University
Wichita Falls, Texas**

**Quarterly Investment Report
(Unaudited)
For the First Quarter Ended November 30, 2016**

"POOLED" INVESTMENTS
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2016

	<u>Coupon</u>	<u>Stated Maturity</u>	<u>Book Value 08-31-16</u>	<u>Market Value 08-31-16</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 11-30-16</u>	<u>Market Value 11-30-16</u>	<u>Unrealized Gain (Loss)</u>
U.S. Common Stock: (Donated)													
1,000 shares - Chesapeake Utilities (CPK)			18,200.00	63,650.00	45,450.00				457.50		18,200.00	64,800.00	46,600.00
10 shares - Citigroup (C) - reverse split			1,310.00	477.40	(832.60)						1,310.00	563.90	(746.10)
45 shares Calamos Conv. & High Inc. (CHY)			619.65	502.20	(117.45)				13.50		619.65	468.90	(150.75)
1,200 shares - CSX Corp. (CSX)			5,566.00	33,936.00	28,370.00				216.00		5,566.00	42,972.00	37,406.00
252 shares - Conoco Phillips (COP)			4,957.82	10,344.60	5,386.78				63.00		4,957.82	12,227.04	7,269.22
126 shares - Phillips 66 (PSX)			2,479.68	9,884.70	7,405.02				174.68		2,479.68	10,468.08	7,988.40
125 shares Berkshire (BRK B)			2,631.05	18,811.25	16,180.20						2,631.05	19,680.00	17,048.95
856 shares - Wells Fargo (WFC)			24,824.00	43,484.80	18,660.80				325.28		24,824.00	45,299.52	20,475.52
124 shares - Manulife (MFC)			4,216.36	1,692.60	(2,523.76)				13.06		4,216.36	2,162.56	(2,053.80)
60 shares - Natl. Oil Well (NOV)			4,342.80	2,012.40	(2,330.40)				3.00		4,342.80	2,241.60	(2,101.20)
15 shares - NOW Inc. (DNOW) - split/spin off			514.20	309.60	(204.60)						514.20	323.10	(191.10)
70 shares - Southwest Airlines (LUV)			1,112.30	2,581.60	1,469.30				7.00		1,112.30	3,262.70	2,150.40
Total Common Stock			70,773.86	187,687.15	116,913.29				1,273.02		70,773.86	204,469.40	133,695.54
Sub-Total - Securities			70,773.86	187,687.15	116,913.29				1,273.02		70,773.86	204,469.40	133,695.54
TEXPOOL Investment Pool (1)	0.40	* Daily	2,004,369.67	2,004,369.67			1,000,000.00		1,607.19		1,005,976.86	1,005,976.86	
LOGIC Investment Pool (1)	0.84	* Daily	3,012,876.23	3,012,876.23		500,000.00	2,500,000.00		5,691.47		1,018,567.70	1,018,567.70	
TX CLASS Investment Pool (1)	0.84	* Daily	3,015,699.51	3,015,699.51		1,000,000.00	2,000,000.00		7,663.53		2,023,363.04	2,023,363.04	
TX A&M System Pool	(0.17)	* Variable	26,507,160.58	26,885,690.21	378,529.63				62,277.30		26,569,437.88	26,610,751.72	41,313.84
Total Investment Pool Cash			34,540,105.99	34,918,635.62	378,529.63	1,500,000.00	5,500,000.00		77,239.49		30,617,345.48	30,658,659.32	41,313.84
Total Investments			\$34,610,879.85	\$35,106,322.77	\$495,442.92	\$1,500,000.00	\$5,500,000.00		\$78,512.51		\$30,688,119.34	\$30,863,128.72	\$175,009.38

*As of November 30, 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>
September, 2016	0.79	0.29	0.84	0.50	(0.05)
October, 2016	1.69	0.33	0.91	1.36	0.78
November, 2016	(0.05)	0.45	0.92	(0.50)	(0.97)

MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
REVENUE FINANCING SYSTEM REVENUE & REFUNDING BONDS - SERIES 2015A
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2016

	<u>Coupon</u>	<u>Stated Maturity</u>	<u>Book Value</u> <u>08-31-16</u>	<u>Market Value</u> <u>08-31-16</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 For the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value</u> <u>11-30-16</u>	<u>Market Value</u> <u>11-30-16</u>	<u>Unrealized Gain</u> <u>(Loss)</u>
LOGIC Investment Pool	0.84	* Daily	\$ 38.79	\$ 38.79		\$5,247,553.19	\$5,247,668.95		\$110.33		\$33.36	\$33.36	
BLB Flexible Repo Agreement	0.49	Monthly	9,008,589.19	9,008,589.19			5,741,807.36		9,065.05		3,275,846.88	3,275,846.88	
Total Bond Investments			<u>\$9,008,627.98</u>	<u>\$9,008,627.98</u>		<u>\$5,247,553.19</u>	<u>\$10,989,476.31</u>		<u>\$9,175.38</u>		<u>\$3,275,880.24</u>	<u>\$3,275,880.24</u>	

*As of November 30, 2016

Interest Rate on Bonds issued 3.00% - 5.00%

MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
REVENUE FINANCING SYSTEM REVENUE & REFUNDING BONDS, AND TUITION REVENUE BONDS - SERIES 2016A
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2016

	<u>Coupon</u>	<u>Stated Maturity</u>	<u>Book Value</u> <u>08-31-16</u>	<u>Market Value</u> <u>08-31-16</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 For the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value</u> <u>11-30-16</u>	<u>Market Value</u> <u>11-30-16</u>	<u>Unrealized Gain</u> <u>(Loss)</u>
LOGIC Investment Pool	0.84	* Daily				\$58,400,000.00	\$58,434,894.22		\$34,900.40		\$6.18	\$6.18	
BLB Flexible Repo Agreement	0.96	Monthly				58,107,371.45			26,342.01		58,133,713.46	58,133,713.46	
Total Bond Investments						<u>\$116,507,371.45</u>	<u>\$58,434,894.22</u>		<u>\$61,242.41</u>		<u>\$58,133,719.64</u>	<u>\$58,133,719.64</u>	

*As of November 30, 2016

Interest Rate on Bonds issued 2.00% - 5.00%

MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
MSU ENDOWMENT INVESTMENTS - AMERICAN NATL. BANK TRUST DEPT. MANAGERS
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2016

	Book Value 08-31-16	Market Value 08-31-16	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 11-30-16	Market Value 11-30-16	Unrealized Gain (Loss)	Market Value Percentage Of Total
AMERICAN NATL. BANK TRUST DEPT.												
Cash and Cash Equivalents:												
Cash												
American Natl. Bank Fees							(\$10,046.43)					
U.S. Dollars												
Goldman Sachs	\$79,550.45	\$79,550.45		\$401,725.67	\$302,145.24		253.63		\$179,130.88	\$179,130.88		2.15%
Total Cash and Cash Equivalents	79,550.45	79,550.45		401,725.67	302,145.24		(9,792.80)		179,130.88	179,130.88		2.15%
Purchased Interest Receivable												
Fixed Income:												
U.S. Government Agencies	293,831.73	296,925.24	\$3,093.51		15,973.68	(\$554.48)	2,136.00	(\$296.41)	277,561.64	276,117.63	(\$1,444.01)	3.31%
Municipal Bonds												
Corporate Bonds & Notes	2,054,039.15	2,108,340.25	\$4,301.10				19,036.25	(6,625.99)	2,047,413.16	2,069,224.65	21,811.49	24.83%
Devonshire - REIT	217,719.62	311,403.44	93,683.82		1,973.67				215,745.95	311,403.44	95,657.49	3.74%
Total Fixed Income Securities	2,565,590.50	2,716,668.93	151,078.43		17,947.35	(\$54.48)	21,172.25	(\$6,922.40)	2,540,720.75	2,656,745.72	116,024.97	31.88%
Common Stock - Equities:												
U.S. Equities	3,728,596.30	4,392,870.38	664,274.08	899,194.81	573,528.94	173,706.09	22,837.15		4,054,262.17	4,638,391.04	584,128.87	55.66%
Foreign Equities	216,062.38	223,661.02	7,598.64	46,112.91	8,635.74	6,051.95			253,539.55	238,829.28	(14,710.27)	2.87%
Equity ETFs	619,883.49	690,444.81	70,561.32	239,519.34	290,723.64	20,059.64	2,022.76		568,679.19	620,092.98	51,413.79	7.44%
Mutual Funds - Equities	180,003.22	158,069.27	(21,933.95)		180,003.22	(21,933.96)						
Total Equities	4,744,545.39	5,465,045.48	720,500.09	1,184,827.06	1,052,891.54	177,883.72	24,859.91		4,876,480.91	5,497,313.30	620,832.39	65.97%
Total Endowment Investments at American National Bank Trust	\$7,389,686.34	\$8,261,264.86	\$871,578.52	\$1,586,552.73	\$1,372,984.13	\$177,329.24	\$36,239.36	(\$6,922.40)	\$7,596,332.54	\$8,333,189.90	\$736,857.36	100.00%
Sep, Oct, Nov activity	Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) =						11.03%	206,646.20	Market Value gain =	736,857.36	=	9.70%
							(Annualized)	7,493,009.44		7,596,332.54		

**MSU ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2016**

	<u>Book Value 08-31-16</u>	<u>Market Value 08-31-16</u>	<u>Unrealized Gain (Loss)</u>	<u>Purchases</u>	<u>Principal Payments Received/ Matured</u>	<u>Realized Gain (Loss)</u>	<u>Interest/ Dividends Received (Fees Paid) In the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value 11-30-16</u>	<u>Market Value 11-30-16</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value Percentage Of Total</u>
TEXAS A&M INVESTMENT MGMT FEE							(\$750.13)					
Long-term Investment Pools:												
Texas A&M System Endowment Pool	\$410,041.99	\$398,466.16	(\$11,575.83)		\$4,227.36	\$4,227.36	1,114.79		\$410,041.99	\$393,375.72	(\$16,666.27)	100.00%
Total Long-term Investments	410,041.99	398,466.16	(11,575.83)	0.00	4,227.36	4,227.36	364.66		410,041.99	393,375.72	(16,666.27)	100.00%
Total Endowment Assets												
at Texas A&M University System	\$410,041.99	\$398,466.16	(\$11,575.83)	\$0.00	\$4,227.36	\$4,227.36	\$364.66		\$410,041.99	\$393,375.72	(\$16,666.27)	100.00%
Sep, Oct, Nov activity	Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) =						4.48%	4,592.02	Market Value gain =	(16,666.27)	=	-4.06%
							(Annualized)	410,041.99		410,041.99		

**REDWINE QUASI ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2016**

	<u>Book Value 08-31-16</u>	<u>Market Value 08-31-16</u>	<u>Unrealized Gain (Loss)</u>	<u>Purchases</u>	<u>Principal Payments Received/ Matured</u>	<u>Realized Gain (Loss)</u>	<u>Interest/ Dividends Received (Fees Paid) In the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value 11-30-16</u>	<u>Market Value 11-30-16</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value Percentage Of Total</u>
TEXAS A&M INVESTMENT MGMT FEE							(\$21,098.57)					
Long-term Investment Pools:												
U.S. Dollars												
Texas A&M System Endowment Pool	\$11,516,585.66	\$11,207,508.22	(309,077.44)		\$118,901.37	\$118,901.37	\$31,355.27		\$11,516,585.66	\$11,064,331.43	(\$452,254.23)	100.00%
Total Long-term Investments	11,516,585.66	11,207,508.22	(309,077.44)	0.00	118,901.37	118,901.37	10,256.70		11,516,585.66	11,064,331.43	(452,254.23)	100.00%
Total Endowment Assets												
at Texas A&M University System	\$11,516,585.66	\$11,207,508.22	(\$309,077.44)	\$0.00	\$118,901.37	\$118,901.37	\$10,256.70		\$11,516,585.66	\$11,064,331.43	(\$452,254.23)	100.00%
Sep, Oct, Nov activity	Simple yield excluding mkt value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) =						4.49%	129,158.07	Market Value gain =	(452,254.23)	=	-3.93%
							(Annualized)	11,516,585.66		11,516,585.66		

Unaudited

**Midwestern State University
Summary of Investments
(Pooled Investments)
At November 30, 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>0.22%</u>	<u>\$204,469</u>	<u>0.63%</u>
Long-term Investment Pools				
Texas A&M System Investment Pool	<u>26,569,438</u>	<u>82.16%</u>	<u>26,610,752</u>	<u>81.84%</u>
Total Long-term Securities	<u>26,640,212</u>	<u>82.38%</u>	<u>26,815,221</u>	<u>82.47%</u>
Short-term Securities:				
TexPool	1,005,977	3.11%	1,005,977	3.09%
Logic	1,018,568	3.15%	1,018,568	3.13%
TX Class	<u>2,023,363</u>	<u>6.26%</u>	<u>2,023,363</u>	<u>6.22%</u>
Total Short-term Securities	<u>4,047,908</u>	<u>12.52%</u>	<u>4,047,908</u>	<u>12.44%</u>
Total Investment Assets	<u>30,688,119</u>	<u>94.90%</u>	<u>30,863,129</u>	<u>94.92%</u>
Cash and Cash Equivalents:				
Cash Held at State Treasury	<u>1,650,731</u>	<u>5.10%</u>	<u>1,650,731</u>	<u>5.08%</u>
Total Cash and Cash Equivalents				
Total Cash and Investments	<u>\$32,338,850</u>	<u>100.00%</u>	<u>\$32,513,859</u>	<u>100.00%</u>
Total Rate of Return	0.81%			

Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(Pooled Investments)
For the First Quarter Ended November 30, 2016

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 08-31-16	\$34,610,880	\$35,106,323
Principal Payments received	(5,500,000)	(5,500,000)
Investment Income	78,513	78,513
Realized Gain (Loss)		
Distributions and Other	(1,274)	(1,274)
Securities Purchased	1,500,000	1,500,000
Changes in Net Unrealized Appreciation/(Depreciation)	<u> </u>	<u>(320,433)</u>
Investment Assets - 11-30-16	<u><u>\$30,688,119</u></u>	<u><u>\$30,863,129</u></u>

Unaudited

Midwestern State University
Summary of Investments
(MSU Endowments at American Natl. Bank Trust Dept.)
At November 30, 2016

	<u>Book</u> <u>Value</u>	<u>%</u>	<u>Market</u> <u>Value</u>	<u>%</u>
Long-term Securities:				
Equity Securities:				
Common Stock, Mutual Funds and ETFs	<u>\$4,876,481</u>	<u>64.20%</u>	<u>\$5,497,313</u>	<u>65.97%</u>
Total Equity Securities	<u>4,876,481</u>	<u>64.20%</u>	<u>5,497,313</u>	<u>65.97%</u>
Other Securities:				
U.S. Government Agencies	<u>277,562</u>	<u>3.65%</u>	<u>276,118</u>	<u>3.31%</u>
Corporate Bonds & Notes	<u>2,047,413</u>	<u>26.95%</u>	<u>2,069,225</u>	<u>24.83%</u>
Real Estate Investment Trusts (REIT)	<u>215,746</u>	<u>2.84%</u>	<u>311,403</u>	<u>3.74%</u>
Total Fixed Income Securities	<u>2,540,721</u>	<u>33.44%</u>	<u>2,656,746</u>	<u>28.14%</u>
Total Long-term Securities	<u>7,417,202</u>	<u>97.64%</u>	<u>8,154,059</u>	<u>97.85%</u>
Cash and Cash Equivalents:				
U.S. Dollars		0.00%		0.00%
Goldman Sachs - Cash Equivalent	<u>179,131</u>	<u>2.36%</u>	<u>179,131</u>	<u>2.15%</u>
Total Cash and Cash Equivalents	<u>179,131</u>	<u>2.36%</u>	<u>179,131</u>	<u>2.15%</u>
Total Cash and Investments	<u>\$7,596,333</u>	<u>100.00%</u>	<u>\$8,333,190</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 First Quarter Ended November 30, 2016

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 08-31-16	\$7,389,686	\$8,261,265
Principal Payments Received	(1,372,984)	(1,372,984)
Investment Income	46,286	46,286
Realized Gain (Loss)	177,329	177,329
Management Fees	(10,046)	(10,046)
Distributions and Other	(220,490)	(220,490)
Securities Purchased	1,586,553	1,586,553
Changes in Net Unrealized Appreciation/(Depreciation)	<u> </u>	<u>(134,722)</u>
Investment Assets - 11-30-16	<u><u>\$7,596,333</u></u>	<u><u>\$8,333,190</u></u>

Unaudited

**Midwestern State University
Summary of Investments
(MSU Endowments Invested with the Texas A&M University System)
At November 30, 2016**

	<u>Book Value</u>	<u>%</u>	<u>Market Value</u>	<u>%</u>
Long-term Investment Pools:				
Texas A&M System Endowment Pool	<u>\$410,042</u>	<u>100.00%</u>	<u>\$393,376</u>	<u>100.00%</u>
Total Long-term Investments	<u>410,042</u>	<u>100.00%</u>	<u>393,376</u>	<u>100.00%</u>
 Total Investments	 <u><u>\$410,042</u></u>	 <u><u>100.00%</u></u>	 <u><u>\$393,376</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 First Quarter Ended November 30, 2016

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 08-31-16	\$410,042	\$398,466
Principal Payments Received		
Investment Income	1,115	1,115
Realized Gain (Loss)	4,227	
Management Fees	(750)	(750)
Distributions and Other	(4,592)	(4,592)
Securities Purchased and Funds Transferred		
Changes in Net Unrealized Appreciation/(Depreciation)	<u> </u>	<u>(863)</u>
Investment Assets - 11-30-16	<u><u>\$410,042</u></u>	<u><u>\$393,376</u></u>

Unaudited

Midwestern State University
Summary of Investments
(Redwine Quasi-Endowment Invested with the Texas A&M University System)
At November 30, 2016

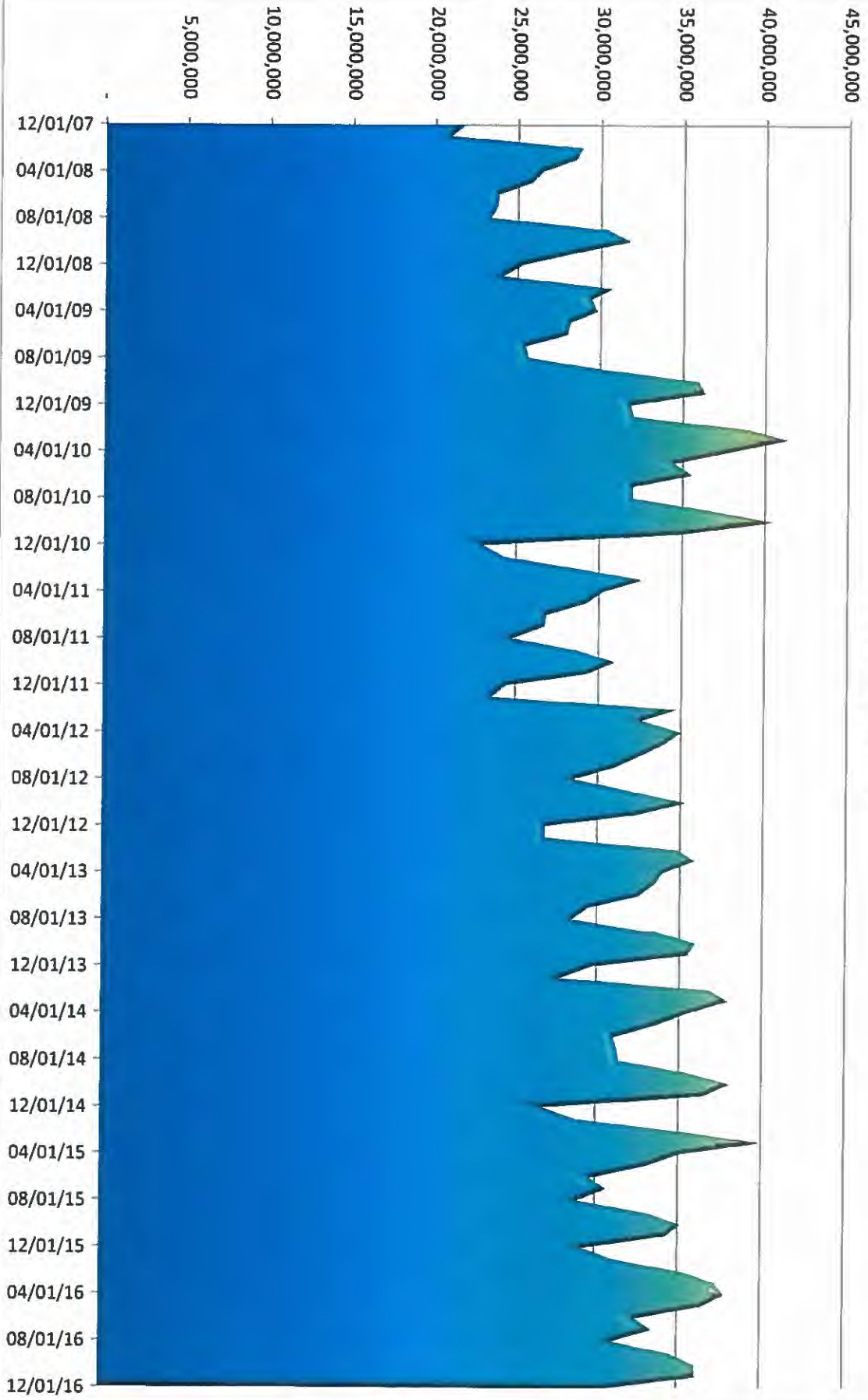
	<u>Book</u> <u>Value</u>	<u>%</u>	<u>Market</u> <u>Value</u>	<u>%</u>
Long-term Investment Pools:				
Texas A&M System Endowment Pool	<u>\$11,516,586</u>	<u>100.00%</u>	<u>\$11,064,331</u>	<u>100.00%</u>
Total Long-term Investments	<u>11,516,586</u>	<u>100.00%</u>	<u>11,064,331</u>	<u>100.00%</u>
 Total Investments	 <u><u>\$11,516,586</u></u>	 <u><u>100.00%</u></u>	 <u><u>\$11,064,331</u></u>	 <u><u>100.00%</u></u>

Unaudited

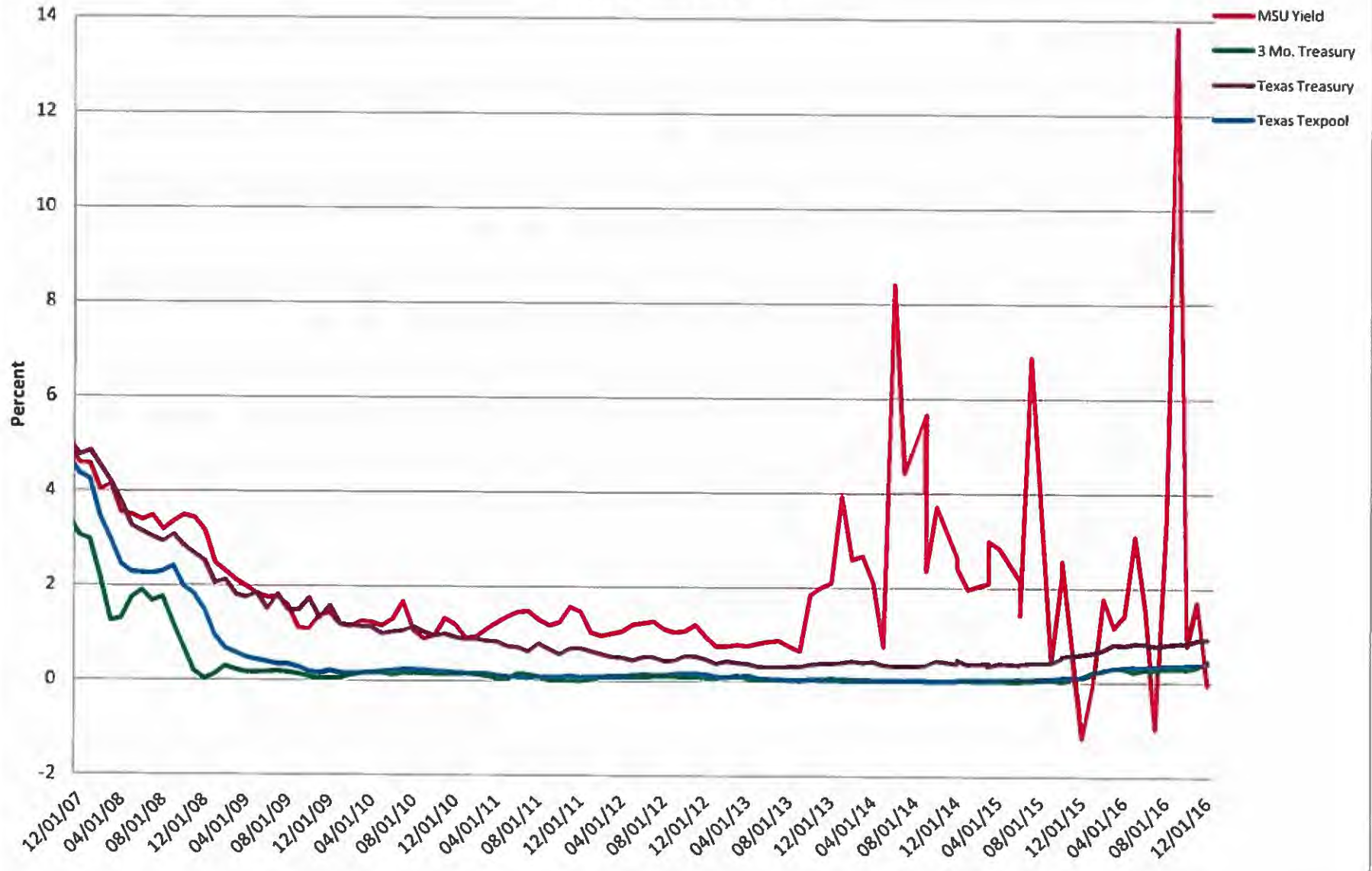
Midwestern State University
Statement of Changes in Investment Assets
(Redwine Quasi-Endowment Invested with the Texas A&M University System)
For the First Quarter Ended November 30, 2016

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 08-31-16	\$11,516,586	\$11,207,508
Principal Payments Received		
Investment Income	31,355	31,355
Realized Gain (Loss)	118,901	118,901
Management Fees	(21,099)	(21,099)
Distributions and Other	(129,158)	(129,158)
Changes in Net Unrealized Appreciation/(Depreciation)	<u> </u>	<u> </u>
Investment Assets - 11-30-16	<u><u>\$11,516,586</u></u>	<u><u>\$11,064,331</u></u>

**Midwestern State University
Pooled Investments
Total Invested**



Midwestern State University Historical Yields



Texas A&M University System Cash Concentration Pool



FISCAL YEAR 2017

1ST QUARTER – NOVEMBER 30, 2016

Effective Rates for FY 2017 YTD:

Cash Portfolio:	0.59%
Long-Term Portfolio:	1.45%
Total Pool:	1.29%

Capital Market & Rates

The yield on 2-year Treasuries rose to 1.11% in November from 0.81% at the end of August. The yield on 10-year Treasuries spiked to 2.38% in November from 1.58% at the end of August.

The S&P 500 Index returned 1.8% during the quarter and 8.1% for the one-year ending November 30, 2016. Developed international equity markets returned -2.8% (in US Dollars) during the quarter and -3.7% for the one-year period. Emerging markets returned -3.1% (in US dollars) during the quarter and 8.9% for the one-year period.

The unemployment rate stood at 4.6% in November. The economy added 495,000 jobs during the three month period.

The economy was estimated to have grown at a 3.2% annual rate during the quarter ending September 30, 2016, up from 1.1% in the prior quarter.

CCP Estimated Distribution Rate for FY 2017

Total Pool: 2.50%

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

Pool Valuation

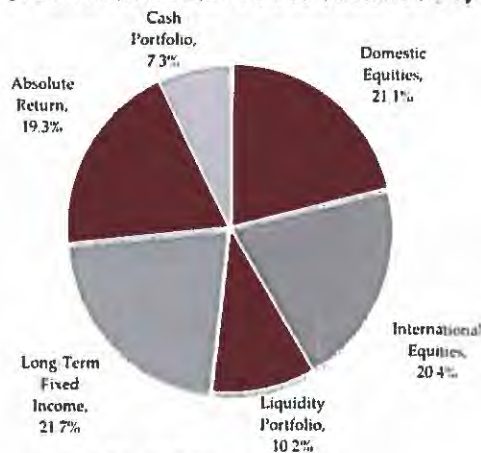
As of November, 2016, the Pool had a market value of approximately \$3.4 billion. For the 1st quarter of FY 2017, the Pool positions had \$541.9 million in cash inflows and \$696.4 million in cash outflows, decreasing the book value of the Pool by \$154.5 million. The Pool earned investment income during this quarter of \$11.6 million and realized net gains on investments of \$1.2 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



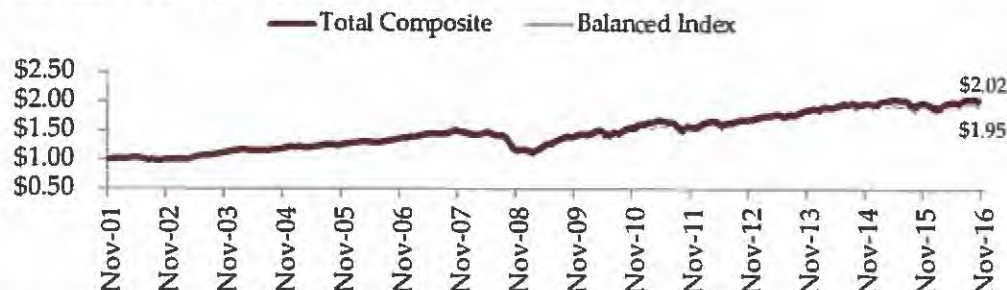
Asset Allocation as of November 30, 2016



Asset Allocation (\$M) Excluding Debt Proceeds and SEF Deposits

Domestic Equities	\$664.1
International Equities	\$641.1
Liquidity Portfolio	\$321.0
Fixed Income	\$683.9
Absolute Return	\$606.1
Cash Portfolio	\$229.1

Growth of \$1 (15 Years)



Texas A&M University System System Endowment Fund



FISCAL YEAR 2017

1ST QUARTER – NOVEMBER 30, 2016

Capital Market Update

As measured by the Russell 3000 Index, the US stock market returned 2.4% over the quarter and 8.3% for the one-year period. Large cap stocks underperformed small cap stocks by 5.2% for the quarter and by 4.0% for the one-year period. Growth stocks underperformed value stocks by 4.0% during the quarter and underperformed by 8.4% for the year.

Developed international equity markets returned -2.8% (in US Dollars) during the quarter and -3.7% for the one-year period. Emerging markets returned -3.1% (in US dollars) during the quarter and 8.9% for the one-year period. Currency fluctuations relative to the Dollar continued to heavily influence non-US returns during the quarter.

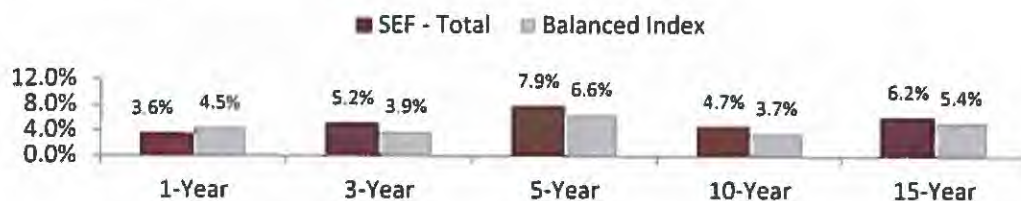
Fixed income markets broadly declined during the quarter, falling 3.2% as interest rates rose. For the one-year period, fixed income markets increased 2.2%.

Absolute return, on an aggregate basis, was flat for the quarter and returned -1.1% for the one year period.

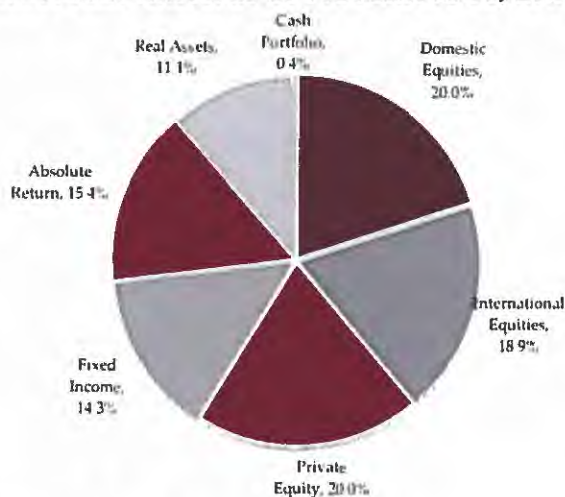
Endowment Valuation

As of November 30, 2016, the SEF had a market value of approximately \$1.031 billion, including new deposits and net the income distribution for the 1st Quarter. The SEF is accounted for on a unitized basis and the per unit market value as of November 30, 2016 was \$6.01.

Investment Performance



Asset Allocation as of November 30, 2016



Asset Allocation (\$M)

Prior to Distribution and New Deposits

Domestic Equities	\$209.6
International Equities	\$197.7
Private Equity	\$209.8
Fixed Income	\$149.6
Absolute Return	\$160.8
Real Assets	\$115.9
Cash Portfolio	\$3.7

Growth of \$1 (15 Years)



Quarterly Endowment Spending Rate

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/>

Strong Growth and Higher Inflation Mark End of 2016

December 16, 2016

U.S. economic indicators released in November and December have been mostly positive. Real gross domestic product (GDP) growth accelerated in the third quarter to its fastest pace in two years, while the unemployment rate fell to its lowest level since 2007. Core measures of personal consumption expenditures (PCE) inflation have edged up toward the Federal Reserve's target rate of 2 percent. Bond yields rose sharply following the presidential election. Professional forecasts point to moderate growth in fourth quarter 2016.

Government Yields Rise After Election

Between the conclusion of the November Federal Open Market Committee meeting (Nov. 2) and the eve of the U.S. presidential election (Nov. 7), there was little change in key interest rates such as the three-month T-bill and 10-year Treasury bond. But since then, there has been a steepening of the yield curve, with the long-term Treasury rate rising more than 50 basis points relative to the three-month T-bill rate as of Dec. 12 (*Chart 1*). Stock prices have also risen sharply since the election, with the S&P 500 and Dow Jones indexes up 3 to 5 percent. The jump in both bond yields and stocks likely reflects changes in perceptions of future federal government policies, including potential tax cuts, infrastructure spending and deregulation.

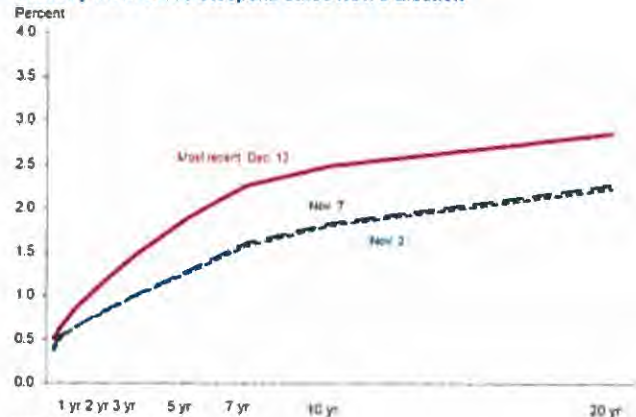
Consumption, Output Indicators Trend Upward

Real GDP grew 3.2 percent in the third quarter, an upward revision from the 2.9 percent initial estimate. Net exports made an unusually large contribution due to a sharp rise in soybean exports that was attributable to poor weather in Latin America (*Chart 2*). The Institute for Supply Management nonmanufacturing and manufacturing indexes have both moved up over the past few months. The nonmanufacturing index rose 2.4 points from October to 57.2 in November, and the manufacturing index climbed 1.3 points to 53.2. These levels are consistent with GDP growth near or above 2 percent when averaged over the third and fourth quarters.

Consumption has also expanded at a solid pace, with nominal PCE growing 4.2 percent year over year as of October (*Chart 3*). Retail sales in November were slightly disappointing, registering only 0.1 percent growth. However, stronger numbers in October and September suggest that consumer spending levels are still healthy. The University of Michigan's Consumer Sentiment Index reached 93.8 after the election, the highest reading since May and an increase of 6.6 points from October's reading.

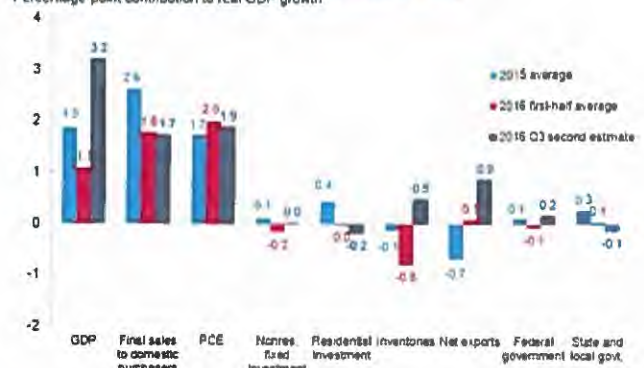
Growth in investment-related indicators was sluggish by

Chart 1
Treasury Yield Curve Steepens Since Nov. 8 Election



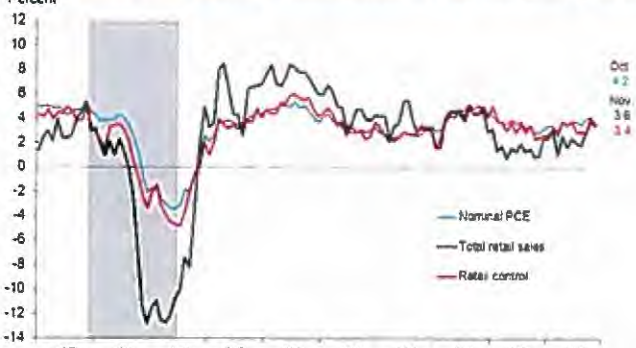
SOURCE: Federal Reserve Board.

Chart 2
Real GDP Growth for Third Quarter Revised Upward



*Seasonally adjusted annualized rate.
SOURCE: Bureau of Economic Analysis.

Chart 3
Year-over-Year Growth Solid in Retail Control and PCE Consumer Spending



*12-month percent change.
NOTES: The shaded area indicates recession. Retail control excludes auto, gas station and building material sales, and feeds into the personal consumption expenditures (PCE) calculation.
SOURCES: Bureau of Economic Analysis; Census Bureau; National Bureau of Economic Research.

comparison. Nonresidential fixed investment contributed zero to real GDP growth. However, a positive sign for the future was a strong increase of 6.6 percent in nominal before-tax corporate profits in the third quarter following a decline of 0.6 percent in the second quarter. Durable-goods orders rose 4.8 percent in October, buoyed by a 12 percent rise in transportation equipment. This stronger-than-expected rise in orders suggests that the slump in business investment may be ending.

Chart 4
Labor Slack Falls in November



Chart 5
Wage Growth Drifts Upward



Chart 6
Core and Trimmed Mean Inflation Heading for 2 Percent



Labor Market Remains Strong

The headline unemployment rate fell 0.3 percentage points in November to 4.6 percent, accompanied by a 178,000 rise in nonfarm payroll jobs. At a more granular level, the industries with the strongest employment growth included professional services (63,000 jobs), health services (35,000) and leisure and hospitality (29,000). Industries with job losses included manufacturing (4,000) and retail trade (8,000). Oil and gas extraction payrolls rose by 1,100, suggesting that energy activity may have stabilized.

Chart 4 shows the headline plus alternative unemployment rates over time. U6 unemployment—the broadest measure, which includes total unemployed, underemployed and discouraged workers—fell 0.2 percentage points to 9.3 percent in November. U6 unemployment fell slightly less than headline unemployment (U3) because the labor force participation rate dipped 0.1 percentage points to 62.7 percent.

Wage growth has picked up in recent years, with different indicators exhibiting varying degrees of improvement (Chart 5). The Federal Reserve Bank of Atlanta's Wage Growth Tracker exhibited the strongest year-over-year growth of 3.9 percent in October. The reason this measure is much stronger than the Bureau of Labor Statistics (BLS) average hourly earnings growth is that the Atlanta Fed tracks wage growth for those who stay employed (although not necessarily at the same job), while the BLS includes the reemployed and new entrants. The gap between the two suggests that the reemployed and new entrants are receiving lower wages than those of the existing workforce. The BLS' Employment Cost Index aims to measure wage growth while excluding the effect of changes in worker characteristics, controlling for employment shifts between industries and occupations. This explains why its growth has been lower than wage growth for the actual population of workers during the recovery.

Inflation on Track to Reach Fed Target

PCE inflation rates moved toward the Federal Reserve's 2 percent target inflation rate. Core PCE (which excludes food and energy) and Trimmed Mean PCE (the Dallas Fed's alternative measure of core inflation) reached 1.7 percent and 1.8 percent, respectively, on a year-over-year basis in October (Chart 6). Headline PCE rose to 1.4 percent. According to the Survey of Professional Forecasters, core PCE inflation is expected to be 1.6 percent in the fourth quarter—unchanged from the previous survey—and reach 2 percent in 2018.

—Daniel Chapman

About the Author

Chapman is a research assistant in the Research Department at the Federal Reserve Bank of Dallas.