



Office of the President

3410 Taft Boulevard Wichita Falls, Texas 76308-2099
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To: MSU Board of Regents
Mr. Samuel M. Sanchez, Chair
Mr. Warren Ayres
Ms. Tiffany Burks
Mr. R. Caven Crosnoe
Dr. Lynwood Givens
Mr. Jeff Gregg
Mr. Shawn Hessing
Ms. Nancy Marks
Dr. Shelley Sweatt
Ms. Shayla Owens, Student Regent

From: Suzanne Shipley
President

Date: January 19, 2018

Subject: Quarterly Investment Reports

Attached are the Quarterly Investment Reports for the first quarter ended November 30, 2017. Please feel free to contact me if you have any questions.

enclosures

C: Debbie Barrow



Administration and Finance
3410 Taft Boulevard Wichita Falls, Texas 76308-2099
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January 11, 2018

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, 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, TX. Gov't Code, Ch. 2556, as amended by the 85th
Legislature. (HB 1003, 1701, 2647, 2928, and SB 253)

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, 2017**

Unaudited

Midwestern State University
Summary of Investments
(Pooled Investments)
At November 30, 2017

	<u>Book</u> <u>Value</u>	<u>%</u>	<u>Market</u> <u>Value</u>	<u>%</u>
Long-term Securities:				
Equity Securities:				
U.S. Common Stock	<u>\$70,774</u>	<u>0.23%</u>	<u>\$259,984</u>	<u>0.76%</u>
Long-term Investment Pools				
Texas A&M System Investment Pool	<u>24,342,926</u>	<u>77.92%</u>	<u>26,926,776</u>	<u>79.16%</u>
Total Long-term Securities	<u>24,413,700</u>	<u>78.15%</u>	<u>27,186,760</u>	<u>79.92%</u>
Short-term Securities:				
TexPool	1,525,315	4.88%	1,525,315	4.48%
Logic	2,050,720	6.56%	2,050,720	6.03%
TX Class	<u>2,056,131</u>	<u>6.58%</u>	<u>2,056,131</u>	<u>6.04%</u>
Total Short-term Securities	<u>5,632,167</u>	<u>18.02%</u>	<u>5,632,167</u>	<u>16.57%</u>
Total Investment Assets	<u>30,045,867</u>	<u>96.17%</u>	<u>32,818,927</u>	<u>96.49%</u>
Cash and Cash Equivalents:				
Cash Held at State Treasury	<u>1,195,485</u>	<u>3.83%</u>	<u>1,195,485</u>	<u>3.51%</u>
Total Cash and Cash Equivalents				
Total Cash and Investments	<u>\$31,241,352</u>	<u>100.00%</u>	<u>\$34,014,412</u>	<u>100.00%</u>
Total Rate of Return		1.88%		

Unaudited

Midwestern State University
Statement of Changes in Investment Assets
(Pooled Investments)
For the First Quarter Ended November 30, 2017

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 08-31-17	\$36,405,174	\$38,767,282
Principal Payments received	(9,000,000)	(9,000,000)
Investment Income	141,950	141,950
Realized Gain (Loss)		
Distributions and Other	(1,257)	(1,257)
Securities Purchased	2,500,000	2,500,000
Changes in Net Unrealized Appreciation/(Depreciation)	<u>410,952</u>	<u>410,952</u>
Investment Assets - 11-30-17	<u><u>\$30,045,867</u></u>	<u><u>\$32,818,927</u></u>

Unaudited

Midwestern State University
Summary of Investments

(MSU Endowments at American Natl. Bank Trust Dept.)

At November 30, 2017

	<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	\$4,999,238	65.06%	\$6,621,717	71.42%
Total Equity Securities	<u>4,999,238</u>	<u>65.06%</u>	<u>6,621,717</u>	<u>71.42%</u>
Other Securities:				
U.S. Government Agencies	229,382	2.99%	226,304	2.44%
Corporate Bonds & Notes	2,195,672	28.57%	2,199,264	23.72%
Real Estate Investment Trusts (REIT)	199,990	2.60%	164,474	1.77%
Total Fixed Income Securities	<u>2,625,044</u>	<u>34.16%</u>	<u>2,590,041</u>	<u>26.16%</u>
Total Long-term Securities	<u>7,624,282</u>	<u>99.22%</u>	<u>9,211,759</u>	<u>99.35%</u>
Cash and Cash Equivalents:				
U.S. Dollars		0.00%		0.00%
Goldman Sachs - Cash Equivalent	60,207	0.78%	60,207	0.65%
Total Cash and Cash Equivalents	<u>60,207</u>	<u>0.78%</u>	<u>60,207</u>	<u>0.65%</u>
Total Cash and Investments	<u>\$7,684,489</u>	<u>100.00%</u>	<u>\$9,271,965</u>	<u>100.00%</u>

Unaudited

Midwestern State University
Summary of Investments

(MSU Endowments Invested with the Texas A&M University System)

At November 30, 2017

	<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	\$511,042	100.00%	\$530,312	100.00%
Total Long-term Investments	<u>511,042</u>	<u>100.00%</u>	<u>530,312</u>	<u>100.00%</u>
Total Investments	<u><u>\$511,042</u></u>	<u><u>100.00%</u></u>	<u><u>\$530,312</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, 2017

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 08-31-17	\$511,042	\$522,284
Principal Payments Received		
Investment Income	1,768	1,768
Realized Gain (Loss)	4,958	4,958
Management Fees	(875)	(875)
Distributions and Other	(5,851)	(5,851)
Securities Purchased and Funds Transferred		
Changes in Net Unrealized Appreciation/(Depreciation)	<u> </u>	<u>8,028</u>
Investment Assets - 11-30-17	<u><u>\$511,042</u></u>	<u><u>\$530,312</u></u>

Unaudited

Midwestern State University
Summary of Investments

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

At November 30, 2017

	<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	\$11,516,586	100.00%	\$11,938,783	100.00%
Total Long-term Investments	<u>11,516,586</u>	<u>100.00%</u>	<u>11,938,783</u>	<u>100.00%</u>
Total Investments	<u>\$11,516,586</u>	<u>100.00%</u>	<u>\$11,938,783</u>	<u>100.00%</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, 2017

	<u>Book</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Investment Assets - 08-31-17	\$11,516,586	\$11,758,048
Principal Payments Received		
Investment Income	39,795	39,795
Realized Gain (Loss)	111,622	111,622
Management Fees	(19,695)	(19,695)
Distributions and Other	(131,722)	(131,722)
Changes in Net Unrealized Appreciation/(Depreciation)	<u>180,735</u>	<u>180,735</u>
Investment Assets - 11-30-17	<u>\$11,516,586</u>	<u>\$11,938,783</u>

INVESTMENT PORTFOLIO ACTIVITY
"POOLED" INVESTMENTS
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2017

	<u>Coupon</u>	<u>Stated Maturity</u>	<u>Book Value 08-31-17</u>	<u>Market Value 08-31-17</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 11-30-17</u>	<u>Market Value 11-30-17</u>	<u>Unrealized Gain (Loss)</u>
U.S. Common Stock: (Donated)													
1,000 shares - Chesapeake Utilities (CPK)			18,200.00	79,450.00	61,250.00				487.50		18,200.00	85,210.00	67,010.00
10 shares - Citigroup (C) - reverse split			1,310.00	680.30	(629.70)						1,310.00	755.00	(555.00)
45 shares Calamos Conv. & High Inc. (CHY)			619.65	535.05	(84.60)				13.50		619.65	527.85	(91.80)
1,200 shares - CSX Corp. (CSX)			5,566.00	60,240.00	54,674.00				240.00		5,566.00	66,900.00	61,334.00
252 shares - Conoco Phillips - (COP)			4,957.82	11,002.32	6,044.50				66.78		4,957.82	12,821.76	7,863.94
126 shares - Phillips 66 (PSX)			2,479.68	10,560.06	8,080.38				88.20		2,479.68	12,292.56	9,812.88
125 shares Berkshire (BRK-B)			2,631.05	22,645.00	20,013.95						2,631.05	24,126.25	21,495.20
856 shares - Wells Fargo (WFC)			24,824.00	43,715.92	18,891.92				333.84		24,824.00	48,338.32	23,514.32
124 shares-Manulife (MFC)			4,216.36	2,435.36	(1,781.00)				15.52		4,216.36	2,608.96	(1,607.40)
60 shares - Natl. Oil Well (NOV)			4,342.80	1,840.20	(2,502.60)				3.00		4,342.80	2,010.00	(2,332.80)
15 shares - NOW Inc. (DNOV) - split/spin off			514.20	174.90	(339.30)						514.20	154.80	(359.40)
70 shares - Southwest Airlines (LUV)			1,112.30	3,649.80	2,537.50				8.75		1,112.30	4,238.50	3,126.20
Total Common Stock			70,773.86	236,928.91	166,155.05				1,257.09		70,773.86	259,984.00	189,210.14
Sub-Total - Securities			70,773.86	236,928.91	166,155.05				1,257.09		70,773.86	259,984.00	189,210.14
TEXPOOL Investment Pool (1)	1.05	* Daily	4,014,803.23	4,014,803.23		500,000.00	3,000,000.00		10,512.23		1,525,315.46	1,525,315.46	
LOGIC Investment Pool (1)	1.29	* Daily	4,036,163.18	4,036,163.18		1,000,000.00	3,000,000.00		14,557.00		2,050,720.18	2,050,720.18	
TX CLASS Investment Pool (1)	1.30	* Daily	4,041,742.85	4,041,742.85		1,000,000.00	3,000,000.00		14,388.54		2,056,131.39	2,056,131.39	
TX A&M System Pool	1.23	* Variable	24,241,690.84	26,437,644.16	2,195,953.32				101,234.82		24,342,925.66	26,926,775.57	2,583,849.91
Total Investment Pool Cash			36,334,400.10	38,530,353.42	2,195,953.32	2,500,000.00	9,000,000.00		140,692.59		29,975,092.69	32,558,942.60	2,583,849.91
Total Investments			\$36,405,173.96	\$38,767,282.33	\$2,362,108.37	\$2,500,000.00	\$9,000,000.00		\$141,949.68		\$30,045,866.55	\$32,818,926.60	\$2,773,060.05

*As of November 30, 2017

(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, 2017	2.18	1.05	1.29	1.13	0.89
October, 2017	2.22	1.09	1.33	1.13	0.89
November, 2017	1.23	1.25	1.55	(0.02)	(0.32)

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, 2017

	Coupon	Stated Maturity	Book Value 08-31-17	Market Value 08-31-17	Unrealized Gain (Loss)	Purchases	Principal Payments Received/ Matured	Realized Gain (Loss)	Interest Earned For the Qtr.	Amortization/ Accretion of Prem./Disc.	Book Value 11-30-17	Market Value 11-30-17	Unrealized Gain (Loss)
LOGIC Investment Pool	1.29	* Daily	\$102.67	\$102.67		\$439,044.80	\$439,147.51		\$24.76		\$24.72	\$24.72	
BLB Flexible Repo Agreement	0.96	Monthly	56,238,084.88	56,238,084.88			439,044.80		135,089.69		55,934,129.77	55,934,129.77	
Total Bond Investments			<u>\$56,238,187.55</u>	<u>\$56,238,187.55</u>		<u>\$439,044.80</u>	<u>\$878,192.31</u>		<u>\$135,114.45</u>		<u>\$55,934,154.49</u>	<u>\$55,934,154.49</u>	

*As of November 30, 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. 2256).

MIDWESTERN STATE UNIVERSITY
INVESTMENT PORTFOLIO ACTIVITY
MSU ENDOWMENT INVESTMENTS - AMERICAN NATL. BANK TRUST DEPT. MANAGERS
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2017

	Book Value 08-31-17	Market Value 08-31-17	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 11-30-17	Market Value 11-30-17	Unrealized Gain (Loss)	Market Value Percentage Of Total
AMERICAN NATL. BANK TRUST DEPT.												
Cash and Cash Equivalents:												
Cash												
American Natl. Bank Fees							(\$10,744.63)					
U.S. Dollars												
Goldman Sachs	\$76,988.43	\$76,988.43		\$296,198.03	\$312,979.69		130.72		\$60,206.77	\$60,206.77		0.65%
Total Cash and Cash Equivalents	76,988.43	76,988.43		296,198.03	312,979.69		(10,613.91)		60,206.77	60,206.77		0.65%
Purchased Interest Receivable												
Fixed Income:												
U.S. Government Agencies	242,932.25	243,359.32	\$427.07		13,540.69	(\$443.05)	1,767.39	(\$9.49)	229,382.07	226,303.78	(\$3,078.29)	2.44%
Municipal Bonds												
Corporate Bonds & Notes	2,196,337.80	2,235,155.00	38,817.20				18,985.00	(666.17)	2,195,671.63	2,199,264.01	3,592.38	23.72%
Devonshire - REIT	203,016.74	263,157.84	60,141.10		3,026.31				199,990.43	164,473.66	(35,516.77)	1.77%
Total Fixed Income Securities	2,642,286.79	2,741,672.16	99,385.37		16,567.00	(443.05)	20,752.39	(675.66)	2,625,044.13	2,590,041.45	(35,002.68)	27.93%
Common Stock - Equities:												
U.S. Equities	3,926,305.10	5,000,447.55	1,074,142.45	383,099.67	266,296.63	50,188.71	21,817.57		4,043,108.14	5,490,918.91	1,447,810.77	59.22%
Foreign Equities	114,663.44	103,495.48	(11,167.96)				315.70		114,663.44	78,397.33	(36,266.11)	0.85%
Equity ETFs	841,466.51	990,014.22	148,547.71				1,436.97		841,466.51	1,052,400.89	210,934.38	11.35%
Mutual Funds - Equities												
Total Equities	4,882,435.05	6,093,957.25	1,211,522.20	383,099.67	266,296.63	50,188.71	23,570.24		4,999,238.09	6,621,717.13	1,622,479.04	71.42%
Total Endowment Investments at American National Bank Trust	\$7,601,710.27	\$8,912,617.84	\$1,310,907.57	\$679,297.70	\$595,843.32	\$49,745.66	\$33,708.72	(\$675.66)	\$7,684,488.99	\$9,271,965.35	\$1,587,476.36	100.00%
Sep, Oct, and Nov activity	Simple yield excluding mkt.value change: (Realized gain + Int.Div.Recvd. + Amort./Accr.) / (Average Book Value) =						4.33%	82,778.72	Market Value gain =	1,587,476.36	=	20.66%
							(Annualized)	7,643,099.63		7,684,488.99		

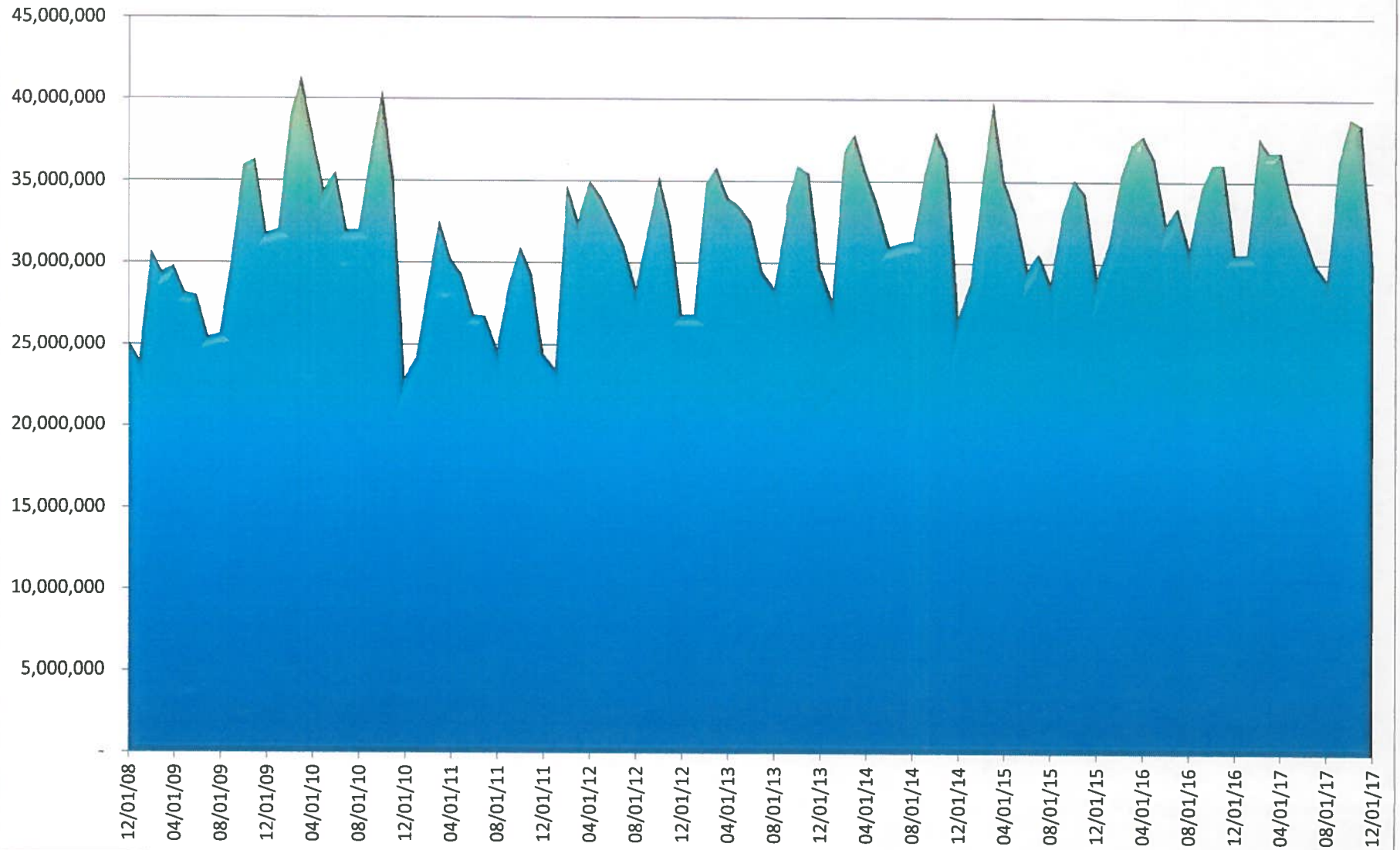
**MSU ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2017**

	<u>Book Value</u> <u>08-31-17</u>	<u>Market Value</u> <u>08-31-17</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/ Dividends Received (Fees Paid) In the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value</u> <u>11-30-17</u>	<u>Market Value</u> <u>11-30-17</u>	<u>Unrealized Gain</u> <u>(Loss)</u>	<u>Market Value Percentage Of Total</u>
TEXAS A&M INVESTMENT MGMT FEE							(\$874.82)					
Long-term Investment Pools:												
Texas A&M System Endowment Pool	\$511,041.99	\$522,283.98	\$11,241.99		\$4,958.16	\$4,958.16	1,767.66		\$511,041.99	\$530,312.09	\$19,270.10	100.00%
Total Long-term Investments	511,041.99	522,283.98	11,241.99	0.00	4,958.16	4,958.16	892.84		511,041.99	530,312.09	19,270.10	100.00%
Total Endowment Assets												
at Texas A&M University System	\$511,041.99	\$522,283.98	\$11,241.99	\$0.00	\$4,958.16	\$4,958.16	\$892.84		\$511,041.99	\$530,312.09	\$19,270.10	100.00%
sep, Oct, and Nov activity							4.58%	5,851.00		Market Value gain =	19,270.10 =	3.77%
							(Annualized)	511,041.99		511,041.99		

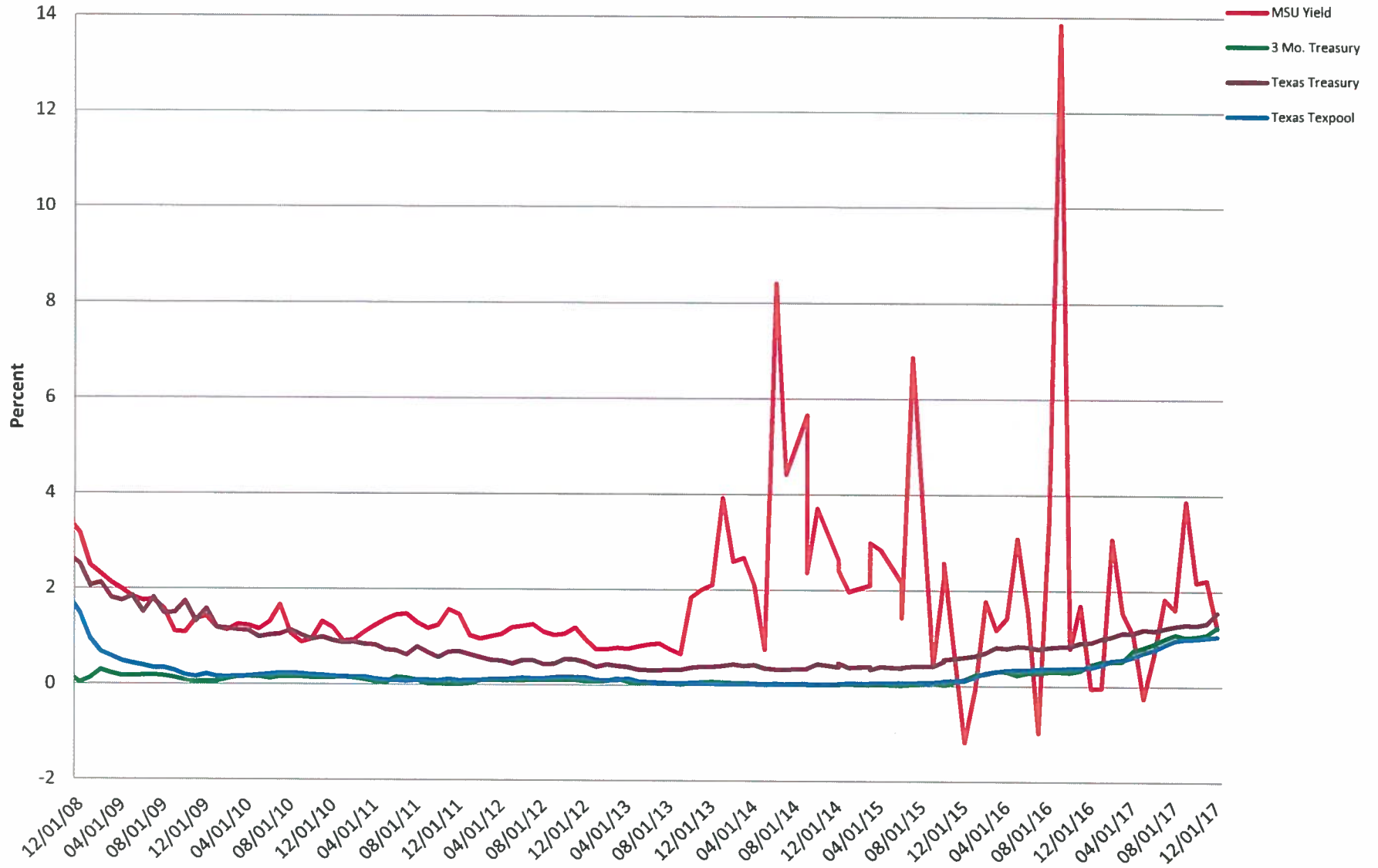
**REDWINE QUASI ENDOWMENT INVESTMENTS - TEXAS A&M UNIVERSITY SYSTEM ENDOWMENT POOL
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2017**

	<u>Book Value</u> <u>08-31-17</u>	<u>Market Value</u> <u>08-31-17</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/ Dividends Received (Fees Paid) In the Qtr.</u>	<u>Amortization/ Accretion of Prem./Disc.</u>	<u>Book Value</u> <u>11-30-17</u>	<u>Market Value</u> <u>11-30-17</u>	<u>Unrealized Gain</u> <u>(Loss)</u>	<u>Market Value Percentage Of Total</u>
TEXAS A&M INVESTMENT MGMT FEE							(\$19,695.00)					
Long-term Investment Pools:												
J.S. Dollars												
Texas A&M System Endowment Pool	\$11,516,585.66	\$11,758,048.13	241,462.47		\$111,621.91	\$111,621.91	\$39,795.06		\$11,516,585.66	\$11,938,782.83	\$422,197.17	100.00%
Total Long-term Investments	11,516,585.66	11,758,048.13	241,462.47	0.00	111,621.91	111,621.91	20,100.06		11,516,585.66	11,938,782.83	422,197.17	100.00%
Total Endowment Assets												
at Texas A&M University System	\$11,516,585.66	\$11,758,048.13	\$241,462.47	\$0.00	\$111,621.91	\$111,621.91	\$20,100.06		\$11,516,585.66	\$11,938,782.83	\$422,197.17	100.00%
sep, Oct, and Nov activity							4.58%	131,721.97		Market Value gain =	422,197.17 =	3.67%
							(Annualized)	11,516,585.66		11,516,585.66		

Midwestern State University Pooled Investments Total Invested



Midwestern State University Historical Yields



Texas A&M University System Cash Concentration Pool



FISCAL YEAR 2018

1ST QUARTER – NOVEMBER 30, 2017

Effective Rates for FY 2018 YTD:

Cash Portfolio:	1.27%
Long-Term Portfolio:	3.97%
Total Pool:	3.15%

Capital Market & Rates

The yield on 2-year Treasuries rose to 1.78% in November from 1.33% at the end of August. The yield on 10-year Treasuries rose to 2.41% in November from 2.12% at the end of August.

The S&P 500 Index returned 7.7% during the quarter and 22.9% for the one-year ending November 30, 2017. Developed international equity markets returned 5.1% (in US Dollars) during the quarter and 27.3% for the one-year period. Emerging markets returned 3.3% (in US dollars) during the quarter and 33.3% for the one-year period.

The unemployment rate stood at 4.1% in November. The economy added 510,000 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, up from 3.1% in the prior quarter.

CCP Estimated Distribution Rate for FY 2018

Total Pool: 2.25%

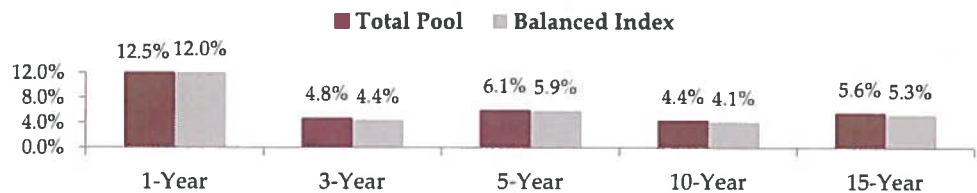
<https://www.tamus.edu/finance/treasury-services/>

Pool Valuation

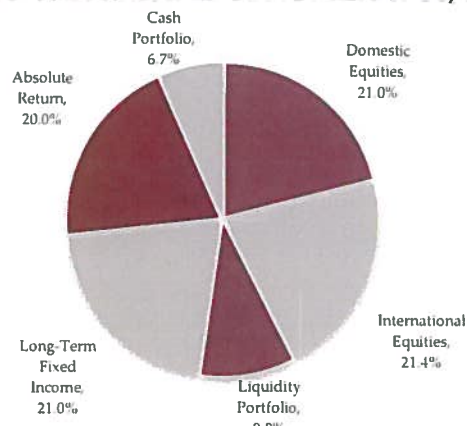
As of November 30, 2017 the Pool had a market value of approximately \$4.5 billion. For the 1st quarter of FY 2018, the Pool positions had \$951.3 million in cash inflows and \$925.4 million in cash outflows, increasing the book value of the Pool by \$25.9 million. The Pool earned investment income during this quarter of \$15.9 million and realized net gains on investments of \$18.0 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



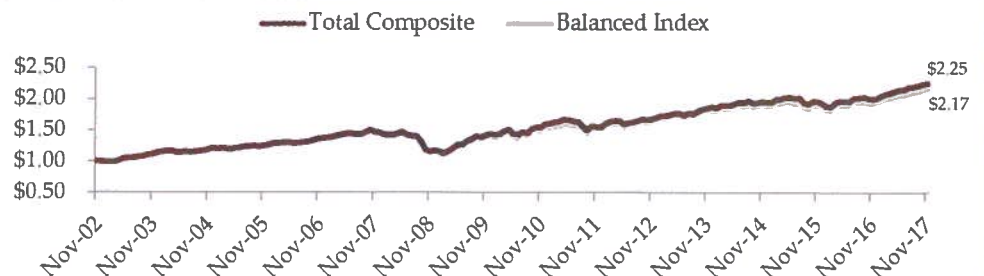
Asset Allocation as of November 30, 2017



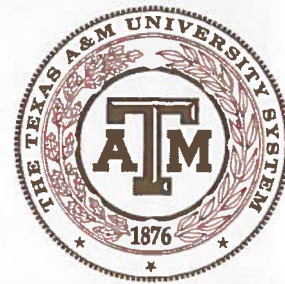
Asset Allocation (\$M) Excluding Debt Proceeds and SEF Deposits

Domestic Equities	\$748.7
International Equities	\$764.0
Liquidity Portfolio	\$348.8
Fixed Income	\$749.8
Absolute Return	\$713.6
Cash Portfolio	\$237.5

Growth of \$1 (15 Years)



Texas A&M University System System Endowment Fund



FISCAL YEAR 2018

1ST QUARTER – NOVEMBER 30, 2017

Capital Market Update

As measured by the Russell 3000 Index, the US stock market returned 7.9% over the quarter and 22.3% for the one-year period. Small cap stocks outperformed large cap stocks by 2.6% for the quarter and by 4.3% for the one-year period. Growth stocks outperformed value stocks by 1.5% during the quarter and by 16.0% over the one year.

Developed international equity markets returned 5.1% (in US Dollars) during the quarter and 27.3% for the one-year period. Emerging markets returned 3.3% (in US dollars) during the quarter and 33.3% for the one-year period.

Fixed income markets declined during the quarter, falling -0.5%. For the one-year period, fixed income markets increased 3.2%.

Absolute return, on an aggregate basis, appreciated 1.8% for the quarter and 7.9% for the one-year period.

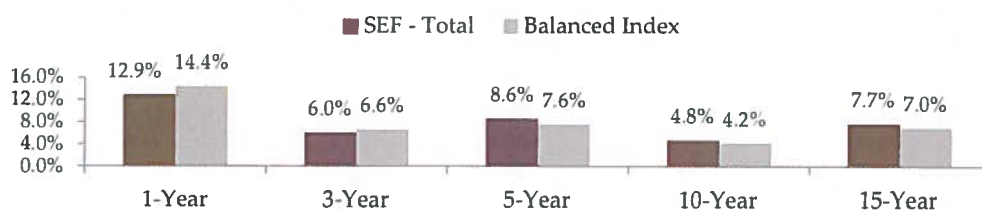
Quarterly Endowment Spending Rate

FY 2018: \$0.073954 per unit

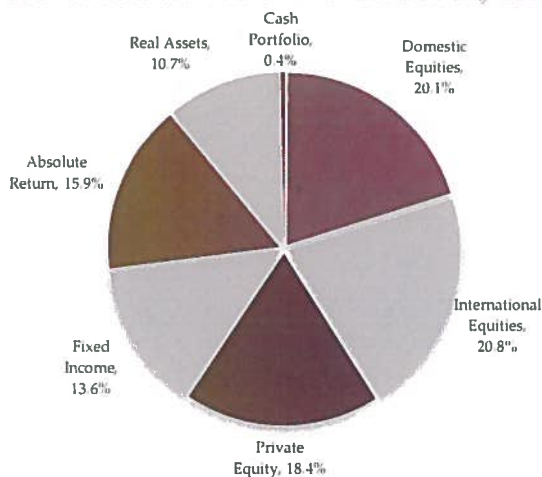
Endowment Valuation

As of November 30, 2017, the SEF had a market value of approximately \$1.1 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, 2017 was \$6.48.

Investment Performance



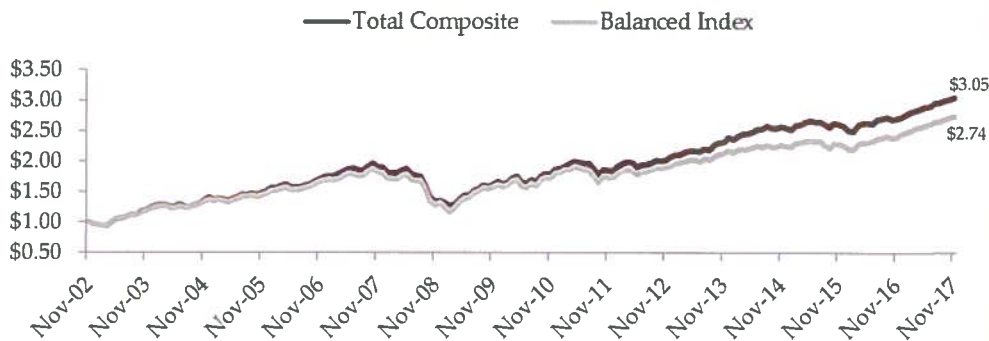
Asset Allocation as of November 30, 2017



Asset Allocation (\$M) Prior to Distribution and New Deposits

Domestic Equities	\$229.8
International Equities	\$237.5
Private Equity	\$210.4
Fixed Income	\$155.6
Absolute Return	\$181.2
Real Assets	\$121.9
Cash Portfolio	\$4.7

Growth of \$1 (15 Years)



The units and market value summary is available online for each endowment account at the Treasury web page: <https://www.tamus.edu/finance/treasury-services/system-endowment-fund/>

Texas Economy Finishes the Year Firing on All Cylinders

December 20, 2017

The Texas economy continues to expand at a steady pace as payroll employment rebounds strongly in the wake of Hurricane Harvey. The Texas Business Outlook Surveys suggest continued growth in the state's manufacturing and service sectors. Early benchmark data for job growth in the first half of the year was revised down slightly from an annualized pace of 3.0 percent to 2.6 percent. When incorporating this data and adjusting for the hurricane effects, the Texas Employment Forecast projects 2.4 percent growth this year, slightly below the previous estimate of 2.6 percent. Job growth in 2018 is expected to stay on a similar pace and above the state's long-term trend of 2.1 percent.

Job Growth Rebounds After Hurricane Harvey

Texas jobs have grown at a solid 2.5 percent annualized rate since August (*Chart 1*). The job recovery following Hurricane Harvey appears to be well underway, with October's data showing a 6.4 percent annualized increase following a slight decline in September. This puts job growth back on its projected path had the hurricane not occurred.

Among the major metro areas, the Interstate 35 corridor markets of Dallas–Fort Worth, Austin and San Antonio continued to lead state job growth (*Chart 2*). San Antonio in particular saw a significant stimulus from hiring in hospitality and accommodation in October, likely due to a temporary influx of Gulf Coast residents following the hurricane. Houston saw a significant rebound in October employment, bringing the total number of jobs back to pre-hurricane levels. As reconstruction in the area continues, growth in Houston and along the Gulf Coast is expected to remain elevated through year-end.

State Labor Market Tightens Further

While the Texas outlook remains optimistic, tightening labor markets may be a significant headwind to growth in 2018. The state unemployment rate reached a 40-year low of 3.9 percent in October, well below the long-term average of 6.0 percent (*Chart 3*). With the concurrent tightness of the U.S. labor market, finding workers to propel further job growth will present a greater challenge to businesses.

Recent rates of population growth and labor force participation in Texas suggest that the rate of job growth needed to maintain the unemployment rate is around 1.7 percent, significantly below the expected pace for 2018. This implies that, given current trends, the jobless rate will continue to fall next year.

Chart 1
Recent Texas Employment Data Show Bounce Back Following Harvey

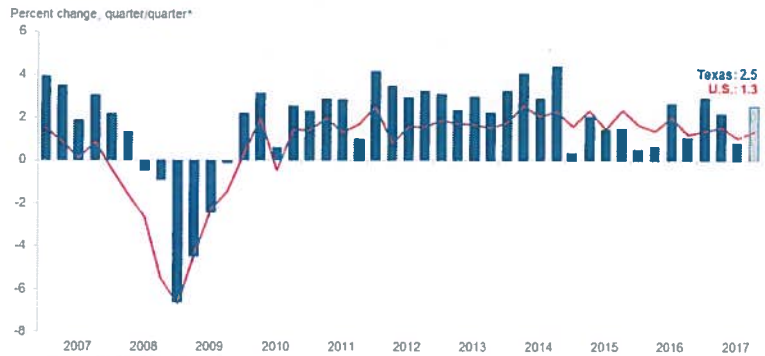


Chart 2
San Antonio Leads Job Growth in Recent Months; Houston Flat

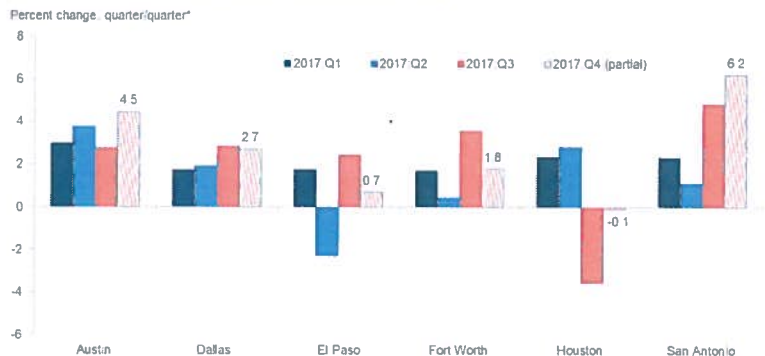


Chart 3
Texas Unemployment Rate at 40-Year Low



Given ongoing labor market tightness, wages have begun to rise in Texas this year (*Chart 4*). Inflation-adjusted hourly wages for private sector workers has picked up 1.8 percent year to date—the first time wage growth has exceeded the national rate since the peak of the shale boom in 2014. This is in part due to the resurgence in high-paying oil and gas jobs. However, data from the Dallas Fed’s Texas Business Outlook Surveys suggest broad upward wage pressure across both the manufacturing and service sectors.

The wage response appears to have been strongest after the state unemployment rate fell below its long-term average. Above this rate, excess slack in labor markets dampened broad wage increases. However, as markets tightened beyond historical norms and businesses found it more difficult to attract workers, wages began to rise. This can be seen in the wage growth from August 2013, when the unemployment rate fell to its long-term average at 4.4 percent. Over this time, average real wages in Texas grew 3.0 percent, compared with 1.2 percent for the nation. With labor markets tightening further recently, it is likely that wages will continue to grow faster than they did during the past several years of oil-bust-induced weakness.

Regional Price Pressures Picking Up

Regional price pressures have followed the uptick in wage pressures. The Texas consumer price index (CPI), a combination of the Bureau of Labor Statistics’ data for Dallas–Fort Worth and Houston, is a proxy measure of price changes at the state level. Growth in the Texas core CPI, which excludes volatile energy and food prices, fell from its recent peak of 3.2 percent in mid-2016 to a six-year low of 1.3 percent in March (*Chart 5*). This pattern of decline was later mirrored in the national core CPI data, which fell from 2.3 percent at the beginning of the year to a low of 1.7 percent in August.

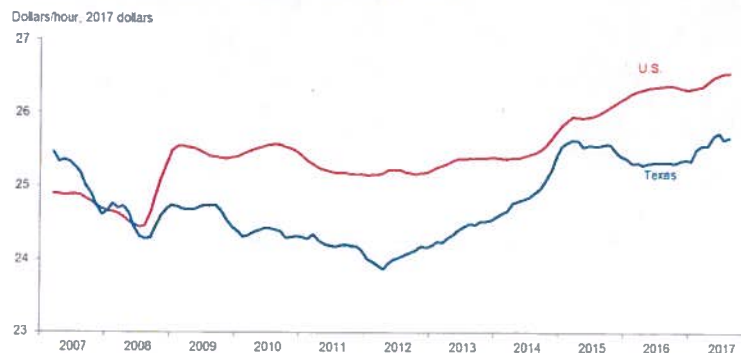
However, Texas CPI inflation has steadily increased since March and was at 2.1 percent as of September, in line with the rise in wages over the same time. As wages pick up further in Texas and the U.S., a continued rise in price inflation is likely. This is further supported by data from the Federal Reserve Bank of Dallas’ Texas Manufacturing Outlook Survey (TMOS) and Texas Service Sector Outlook Survey (TSSOS), which both show a marked increase in the share of respondents expecting to raise their selling prices six months from now (*Chart 6*). The 12-month moving averages of both the TMOS and TSSOS future price indexes reached multiyear highs in November, with services prices reaching their highest levels since 2007.

—Christopher Slijk and Keith Phillips

About the Authors

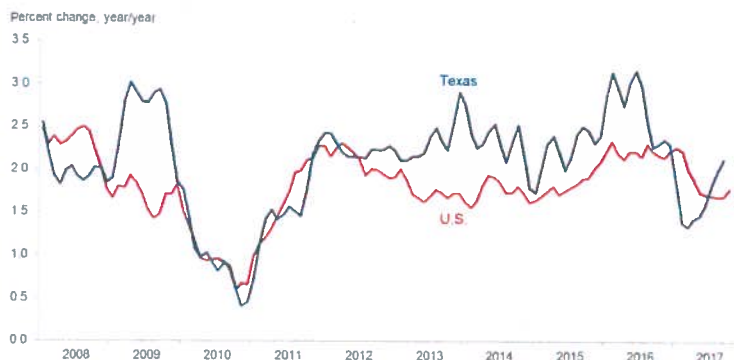
Slijk is a senior research analyst and Phillips an assistant vice president and senior economist at the San Antonio Branch of the Federal Reserve Bank of Dallas.

Chart 4
Real Average Hourly Wages Picking Up This Year in Texas and U.S.



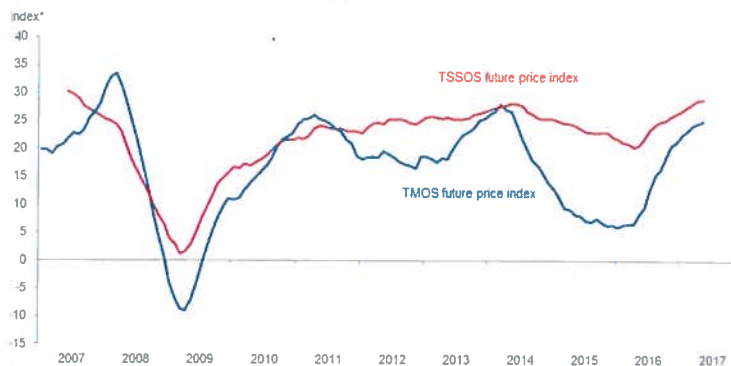
NOTES: Data are based on seasonally adjusted, five-month moving averages. U.S. wage data are deflated with the U.S. Consumer Price Index (CPI) and Texas data are deflated with Texas CPI. The October value for Texas CPI is estimate.
SOURCES: Bureau of Labor Statistics; Federal Reserve Bank of Dallas

Chart 5
Texas Core CPI Inflation Leading Rise in U.S. Inflation



NOTE: CPI refers to the consumer price index.
SOURCES: Bureau of Labor Statistics; adjustments by the Federal Reserve Bank of Dallas

Chart 6
TMOS and TSSOS Price Expectations at Multiyear Highs



*Seasonally adjusted, 12-month centered moving averages
NOTES: Future price indexes indicate the expected change in prices six months ahead. Data are through November 2017.
SOURCE: Federal Reserve Bank of Dallas; Texas Manufacturing Outlook Survey (TMOS) and Texas Service Outlook Survey (TSSOS)