



# Southern Illinois University

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Quarterly Investment Report  
December 31, 2016

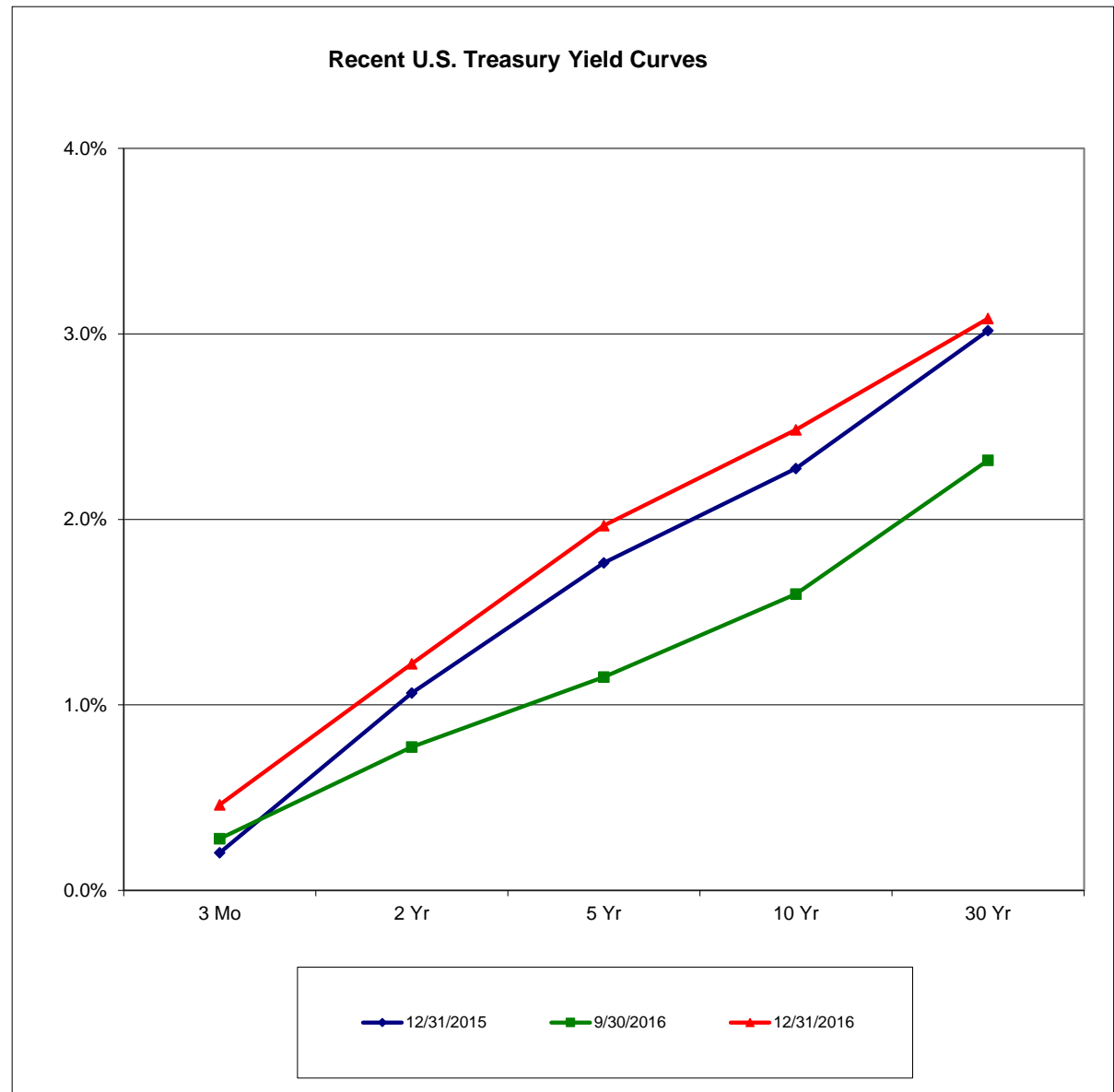
*This is a summary report. A full report entitled Investment Performance Report is on file with the Board Executive Secretary which shows additional detail on how funds are invested by asset class.*

## Performance Analysis

For the quarter ending December 31, 2016, Treasury yields increased significantly throughout the yield curve (compare red vs. green lines). The yields on the 3-month, 2-year, 5-year, 10-year, and 30-year Treasuries increased by 18, 45, 82, 89 and 76 basis points, respectively, for the quarter. Treasury yields are also higher than where they stood a year ago on December 31, 2015 (compare red & blue lines). The recent United States presidential election along with the Fed raising rates in December by 25 basis points, the first time in 2016, and the anticipation of future increases in 2017 were the primary drivers for the elevated yield curve on December 31, 2016.

The overall increase in interest rates for the quarter ending December 31st resulted in substantial capital losses on SIU's fixed income investments leading to negative returns for the quarter. SIU's total portfolio lost 0.81% for the quarter ending 12/31/2016, compared to a gain of 0.01% during the preceding quarter. The Intermediate Fund posted a -2.04% return for the quarter, consisting of current income (after fees) of 0.46% and a capital loss of 2.50%. This -2.04% quarterly return outperformed the -2.18% return on the Barclay's Intermediate U.S. Government Securities benchmark for the same period. The Short-Term Fund outperformed the BAML 3-Month Treasury Bill Index by 20 basis points with a return of 0.29% for the quarter. The short-term return on SIU's most liquid funds increased during the quarter to 0.096%, up from 0.084% for the previous quarter.

SIU's combined portfolio outperformed the weighted benchmark portfolio for the third straight quarter. The combined portfolio return of -0.81% for the quarter ending December 31st outperformed the weighted benchmark portfolio by approximately 12 basis points. SIU's total portfolio returned -0.82% for the first six months of the fiscal year, which is approximately 24 basis points better than the weighted benchmark portfolio.



# **Operating Investments**

## Operating Investment Position

### Investment Balance

#### Market Value (\$ in millions)

	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
State Treasury Fund (Money Market Mutual Fund)	\$ 83.5	\$ 72.7	\$ 63.8	\$ 81.0	\$ 62.5
US Bank Commercial Paper Sweep	1.2	37.4	38.6	25.3	26.7
The Bank of Edwardsville (Money Market Account)	25.1	1.1	1.1	-	-
MB Financial (Money Market Account)	25.1	1.1	1.1	-	-
Subtotal Cash & Cash Equivalents	<u>\$ 134.9</u>	<u>\$ 112.3</u>	<u>\$ 104.6</u>	<u>\$ 106.3</u>	<u>\$ 89.2</u>
Short Term Portfolio	-	-	-	45.0	45.2
Intermediate Term Portfolio	107.7	110.1	111.6	111.4	109.2
Total Portfolio	<u>\$ 242.6</u>	<u>\$ 222.4</u>	<u>\$ 216.2</u>	<u>\$ 262.7</u>	<u>\$ 243.6</u>

#### Market Value Change (\$ in millions)

	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
Beginning Market Value	\$ 342.1	\$ 242.6	\$ 222.4	\$ 216.2	\$ 262.7
Deposits (Withdrawals)	(98.8)	(22.6)	(7.7)	46.5	(17.1)
Interest Income, Net of Fees	0.5	0.5	0.6	0.6	0.7
Realized Gain (Loss)	0.0	0.0	0.0	0.0	(0.1)
Unrealized Gain (Loss)	(1.2)	1.9	0.9	(0.6)	(2.6)
Ending Market Value	<u>\$ 242.6</u>	<u>\$ 222.4</u>	<u>\$ 216.2</u>	<u>\$ 262.7</u>	<u>\$ 243.6</u>

### Investment Balance

#### Book Value (\$ in millions)

	\$ 241.2	\$ 220.3	\$ 213.1	\$ 260.2	\$ 243.7
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## Operating Performance

(performance returns are net of investment management fees)

### Quarterly Performance

	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
<b>State Treasury Fund (Money Market Mutual Fund)</b>	0.01%	0.06%	0.08%	0.10%	0.11%
Benchmark: Ready Assets Government Liquidity Fund <sup>1</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>US Bank Commercial Paper Sweep</b>	0.03%	0.03%	0.05%	0.05%	0.05%
Benchmark: Ready Assets Government Liquidity Fund <sup>1</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>The Bank of Edwardsville (Money Market Account)</b>	0.04%	0.04%	0.04%	0.04%	NA
Benchmark: Ready Assets Government Liquidity Fund <sup>1</sup>	0.00%	0.00%	0.00%	0.00%	NA
<b>MB Financial (Money Market Account)</b>	0.03%	0.03%	0.03%	0.02%	NA
Benchmark: Ready Assets Government Liquidity Fund <sup>1</sup>	0.00%	0.00%	0.00%	0.00%	NA
<b>Short Term Portfolio</b>	-	-	-	0.08% <sup>2</sup>	0.29%
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	-	-	-	0.05% <sup>2</sup>	0.09%
<b>Intermediate Term Portfolio</b>	-0.71%	2.22%	1.34%	-0.10%	-2.04%
Benchmark: Barclays Intermediate U.S. Govt. Securities	-0.84%	2.28%	1.24%	-0.24%	-2.18%
<b>Total Portfolio</b>	-0.27%	0.94%	0.68%	0.01%	-0.81%
Total Benchmark	-0.33%	0.94%	0.60%	-0.10%	-0.93%

### Historical Annual Performance

	FY2013	FY2014	FY2015	FY2016	Fiscal YTD Ending 12/31/2016
<b>Total Portfolio</b>	-0.25%	0.70%	0.46%	1.72%	-0.82%
Benchmark	-0.24%	0.53%	0.62%	1.58%	-1.06%

1 Renamed from Ready Assets Prime Money Market Fund effective 1/4/2016.

2 Monthly equivalent return for 22 days of investment in September 2016, compared to the benchmark return for the same month.

## Asset Allocation & Maturity Diversification

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### Asset Allocation

<u>Sector</u>	<u>Market Value (in millions) As of 12/31/16</u>	<u>Allocation Percentage</u>
Money Market Mutual Funds	\$ 66.6	27.3%
U.S. Treasury Bonds/Notes	38.6	15.8%
Federal Agency Bonds/Notes	28.4	11.7%
Federal Agency Mortgage Backed Securities	11.4	4.7%
Federal Agency Collateralized Mortgage Obligations	27.0	11.1%
Commercial Paper	44.9	18.4%
Commercial Paper Sweep (US Bank)	26.7	11.0%
Total	\$ 243.6	100.0%

### Maturity Diversification

<u>Portfolio</u>	<u>Market Value (in millions) As of 12/31/16</u>	<u>Allocation Percentage</u>	<u>Target Maturity Diversification (in millions)</u>
Cash & Cash Equivalents (Less than one year)	\$ 89.2	36.6%	\$40 Minimum
Short Term (Up to 3 years)	45.2	18.6%	\$0-\$160
Intermediate Term (Up to 10 years)	109.2	44.8%	\$65-\$125
Total	\$ 243.6	100.0%	

# Short Term Portfolio

## Sector/Issuer Distribution

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Sector/Issuer	Market Value (\$ in millions)	
	As of 12/31/16	% of Portfolio
<b>Commercial Paper</b>		
BNP Paribas	\$ 4.0	8.8%
Credit Agricole SA	4.0	8.8%
JP Morgan Chase & Co.	4.0	8.8%
Metlife Inc.	4.0	8.8%
Mitsubishi UFJ Financial Group Inc.	4.0	8.8%
Mizuho Financial Group Inc.	4.0	8.8%
Pfizer Inc.	3.0	6.6%
Rabobank Nederland	4.0	8.8%
Royal Bank of Canada	2.0	4.4%
Sumitomo Mitsui Financial Group Inc.	4.0	8.8%
Toronto-Dominion Bank	4.0	8.8%
Toyota Motor Corp.	4.0	8.8%
	<hr/> 45.0	<hr/> 99.6%
<b>Money Market Mutual Funds</b>		
First American Government Obligations Fund	0.2	0.4%
	<hr/>	<hr/>
Total Short Term Portfolio	\$ 45.2	100.0%

# Intermediate Portfolio

## Sector/Issuer Distribution

Sector/Issuer	Market Value (\$ in millions)	
	As of 12/31/16	% of Portfolio
<b>Federal Agency Mortgage Backed Securities</b>		
Federal National Mortgage Association	\$ 7.4	6.8%
Federal Home Loan Mortgage Corporation	2.3	2.1%
Government National Mortgage Association	1.6	1.5%
	<u>11.3</u>	<u>10.3%</u>
<b>Federal Agency Collateralized Mortgage Obligations</b>		
Federal National Mortgage Association	18.7	17.1%
Federal Home Loan Mortgage Corporation	6.7	6.1%
Government National Mortgage Association	1.5	1.4%
	<u>26.9</u>	<u>24.6%</u>
<b>Federal Agency Bonds/Notes</b>		
Agency for International Development	3.4	3.1%
Federal National Mortgage Association	4.6	4.2%
Federal Home Loan Mortgage Corporation	9.9	9.1%
Federal Home Loan Banks	6.6	6.0%
Tennessee Valley Authority Notes	3.7	3.4%
	<u>28.2</u>	<u>25.8%</u>
<b>U.S. Treasury Bonds/Notes</b>		
United States Treasury	38.4	35.2%
<b>Money Market Mutual Funds</b>		
First American Government Obligations Fund	3.9	3.6%
Accrued Interest	0.5	0.5%
	<u>0.5</u>	<u>0.5%</u>
Total Intermediate Portfolio	\$ 109.2	100.0%



# **Capital Investments**

## Capital Investments Position

### Investment Balance

#### Market Value (\$ in millions)

	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
<b>Housing &amp; Auxiliary Facilities System</b>					
Construction Proceeds	0.9	0.3	0.1	0.0	0.0
Interest Sinking Fund	16.5	23.7	7.6	14.1	16.1
Debt Service Reserve	8.3	8.3	8.3	8.3	8.3
Total HAFS	<u>25.7</u>	<u>32.3</u>	<u>16.0</u>	<u>22.4</u>	<u>24.4</u>
<b>Medical Facilities System</b>					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	1.1	1.6	0.4	0.9	1.2
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>1.1</u>	<u>1.6</u>	<u>0.4</u>	<u>0.9</u>	<u>1.2</u>
<b>Certificates of Participation</b>					
Construction Proceeds	12.9	10.8	7.0	5.9	4.8
Interest Sinking Fund	0.0	0.0	0.0	0.0	0.0
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total COPS	<u>12.9</u>	<u>10.8</u>	<u>7.0</u>	<u>5.9</u>	<u>4.8</u>
Total Market Value of Portfolio	\$ 39.7	\$ 44.7	\$ 23.4	\$ 29.2	\$ 30.4
<b>Investment Balance</b>					
<u>Book Value (\$ in millions)</u>	\$ 39.7	\$ 44.7	\$ 23.4	\$ 29.1	\$ 30.4

Capital Investments are managed internally and are invested in high quality, low risk government securities. The investment maturity, rate of return and type are limited by covenants in the debt financing documents.