



Southern Illinois University

Quarterly Investment Report
March 31, 2018

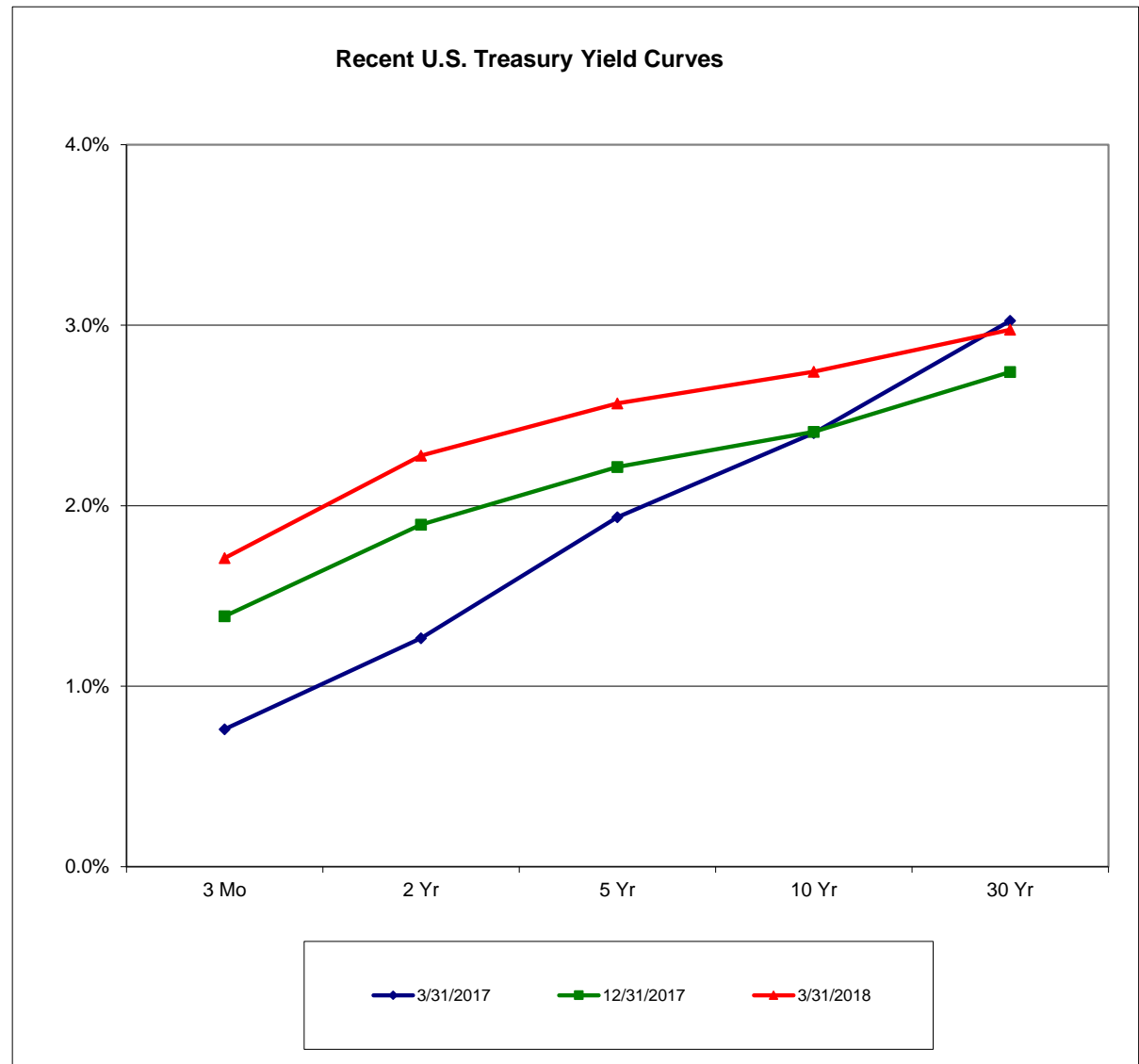
This is a summary report. A full report entitled Investment Performance Report is on file with the Board Executive Secretary which shows additional detail on how funds are invested by asset class.

Performance Analysis

For the quarter ending March 31, 2018, Treasury yields increased 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 32, 38, 35, 33 and 23 basis points, respectively, for the quarter. All Treasury yields, except for the 30-year, are also higher than where they stood a year ago on March 31, 2017 (compare red & blue lines). Tax reform, the Tax Cuts and Jobs Act of 2017, along with the Fed raising rates in March by 25 basis points, and the anticipation of future increases in 2018 were drivers of the elevated yield curve on March 31, 2018.

Gains on SIU's short term funds offset the majority of the losses experienced by the intermediate portfolio, due to rising interest rates, leading to a minimal loss on the overall portfolio for the quarter ending March 31, 2018. SIU's total portfolio finished the quarter with a loss of 0.02%, down from the previous quarter's gain of 0.02%. The Intermediate Fund posted a loss of 0.60% for the quarter, consisting of current income (after fees) of 0.54% and a capital loss of 1.14%. This outperformed the 0.73% loss on the Barclay's Intermediate U.S. Government Securities benchmark. The Short-Term Fund's performance was equivalent to that of the BAML 3-Month Treasury Bill Index with a positive return of 0.36% for the quarter. The short-term return on SIU's most liquid funds increased during the quarter to 0.285%, up from 0.243% for the previous quarter.

SIU's combined portfolio loss of 0.02% for the quarter ending March 31st outperformed the weighted benchmark portfolio by approximately 32 basis points. This continues the trend of outperforming the benchmark following a 13 basis point outperformance for the quarter ending December 31, 2017. SIU's total portfolio returned 0.26% for the first nine months of the fiscal year, which is approximately 64 basis points better than the weighted benchmark portfolio.



Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018
State Treasury Fund (Money Market Mutual Fund)	\$ 65.9	\$ 45.5	\$ 81.3	\$ 101.6	\$ 62.2
US Bank Commercial Paper Sweep	18.9	16.1	16.3	20.2	20.6
Subtotal Cash & Cash Equivalents	<u>\$ 84.8</u>	<u>\$ 61.6</u>	<u>\$ 97.6</u>	<u>\$ 121.8</u>	<u>\$ 82.8</u>
Short Term Portfolio	35.0	-	45.1	44.7	104.5
Intermediate Term Portfolio	109.8	90.7	91.0	90.7	115.1
Total Portfolio	<u>\$ 229.6</u>	<u>\$ 152.3</u>	<u>\$ 233.7</u>	<u>\$ 257.2</u>	<u>\$ 302.4</u>

Market Value Change (\$ in millions)

	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018
Beginning Market Value	\$ 243.6	\$ 229.6	\$ 152.3	\$ 233.7	\$ 257.2
Deposits (Withdrawals)	(14.8)	(78.3)	80.8	23.4	45.2
Interest Income, Net of Fees	0.7	0.7	0.7	0.9	1.3
Realized Gain (Loss)	(0.1)	0.1	(0.1)	(0.1)	(0.1)
Unrealized Gain (Loss)	0.2	0.2	0.0	(0.7)	(1.2)
Ending Market Value	<u>\$ 229.6</u>	<u>\$ 152.3</u>	<u>\$ 233.7</u>	<u>\$ 257.2</u>	<u>\$ 302.4</u>

Investment Balance

Book Value (\$ in millions)

	\$ 229.6	\$ 152.1	\$ 233.5	\$ 257.7	\$ 304.1
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Operating Performance

(performance returns are net of investment management fees)

Quarterly Performance

	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018
State Treasury Fund (Money Market Mutual Fund)	0.16%	0.20%	0.26%	0.28%	0.34%
US Bank Commercial Paper Sweep	0.06%	0.08%	0.08%	0.08%	0.08%
Benchmark: Ready Assets Government Liquidity Fund	0.00%	0.00%	0.00%	0.00%	0.00%
Short Term Portfolio	0.19%	0.15%	0.30%	0.31%	0.36%
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	0.10%	0.20%	0.27%	0.28%	0.36%
Intermediate Term Portfolio	0.58%	0.80%	0.43%	-0.35%	-0.60%
Benchmark: Barclays Intermediate U.S. Govt. Securities	0.54%	0.66%	0.34%	-0.40%	-0.73%
Total Portfolio	0.33%	0.52%	0.32%	0.02%	-0.02%
Total Benchmark	0.23%	0.37%	0.16%	-0.11%	-0.34%

Historical Annual Performance

	FY2014	FY2015	FY2016	FY2017	Fiscal YTD Ending 3/31/2018
Total Portfolio	0.70%	0.46%	1.72%	-0.08%	0.26%
Benchmark	0.53%	0.62%	1.58%	-0.52%	-0.38%

Asset Allocation & Maturity Diversification

Asset Allocation

<u>Sector</u>	<u>Market Value (in millions) As of 3/31/18</u>	<u>Allocation Percentage</u>
Money Market Mutual Funds	\$ 63.6	21.0%
U.S. Treasury Bonds/Notes	64.1	21.2%
Federal Agency Bonds/Notes	31.0	10.3%
Federal Agency Mortgage Backed Securities	12.1	4.0%
Federal Agency Collateralized Mortgage Obligations	20.0	6.6%
Supra-National Agency Bonds/Notes	20.3	6.7%
Commercial Paper	70.6	23.3%
Commercial Paper Sweep (US Bank)	20.7	6.8%
Total	\$ 302.4	100.0%

Maturity Diversification

<u>Portfolio</u>	<u>Market Value (in millions) As of 3/31/18</u>	<u>Allocation Percentage</u>	<u>Target Maturity Diversification (in millions)</u>
Cash & Cash Equivalents (Less than one year)	\$ 82.8	27.4%	\$40 Minimum
Short Term (Up to 3 years)	104.5	34.6%	\$0-\$160
Intermediate Term (Up to 10 years)	115.1	38.1%	\$65-\$125
Total	\$ 302.4	100.0%	

Short Term Portfolio

Sector/Issuer Distribution

Sector/Issuer	Market Value (\$ in millions) As of 3/31/18	% of Portfolio
Commercial Paper		
BNP Paribas	\$ 1.0	1.0%
Credit Agricole SA	6.0	5.7%
Credit Suisse Group	6.9	6.6%
Dexia Group	6.9	6.6%
General Electric	6.3	6.0%
ING Group NV	1.7	1.6%
JP Morgan Chase & Co	6.4	6.1%
Metlife Inc	2.0	1.9%
Mitsubishi UFJ Financial Group Inc	5.2	5.0%
Rabobank Nederland	9.9	9.5%
Royal Bank of Canada	3.0	2.9%
Sumitomo Mitsui Financial Group LLC	4.0	3.8%
Thunder Bay Funding LLC	3.4	3.3%
Toronto-Dominion Bank	3.9	3.7%
Toyota Motor Corp	4.0	3.8%
	70.6	67.6%
Federal Agency		
Federal Home Loan Banks	8.0	7.7%
U.S. Treasury Bonds/Notes		
United States Treasury	24.7	23.6%
Money Market Mutual Funds		
First American Government Obligations Fund	1.1	1.1%
Accrued Interest	0.1	0.1%
Total Short Term Portfolio	\$ 104.5	100.0%

The Short Term portfolio is managed to meet the University's near term cash flow expectations. Excess liquidity is invested in the portfolio during peaks in the University's cash flow cycle, which typically occur immediately following collection of tuition at the beginning of a semester. The portfolio may have minimal or no balances during low points in the cash flow cycle, which primarily occur during the period preceding collection of tuition.

Intermediate Portfolio

Sector/Issuer Distribution

Sector/Issuer	Market Value (\$ in millions) As of 3/31/18	% of Portfolio
Federal Agency Mortgage Backed Securities		
Federal National Mortgage Association	\$ 8.2	7.1%
Federal Home Loan Mortgage Corporation	2.7	2.3%
Government National Mortgage Association	1.2	1.0%
	12.1	10.5%
Federal Agency Collateralized Mortgage Obligations		
Federal National Mortgage Association	11.2	9.7%
Federal Home Loan Mortgage Corporation	7.5	6.5%
Government National Mortgage Association	1.2	1.0%
	19.9	17.3%
Federal Agency Bonds/Notes		
Agency for International Development	3.3	2.9%
Federal National Mortgage Association	7.0	6.1%
Federal Home Loan Banks	1.6	1.4%
Federal Home Loan Mortgage Corporation	7.4	6.4%
Tennessee Valley Authority Notes	3.6	3.1%
	22.9	19.9%
Supra-National Agency		
African Development Bank	4.7	4.1%
Asian Development Bank	10.0	8.7%
Inter-American Development Bank	3.7	3.2%
International Finance Corporation	1.8	1.6%
	20.2	17.5%
U.S. Treasury Bonds/Notes		
United States Treasury	39.1	34.0%
Money Market Mutual Funds		
First American Government Obligations Fund	0.4	0.3%
Accrued Interest	0.5	0.4%
	0.9	0.7%
Total Intermediate Portfolio	\$ 115.1	100.0%

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018
Housing & Auxiliary Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	22.7	8.1	15.2	18.0	25.1
Debt Service Reserve	8.3	8.3	8.3	8.3	8.3
Total HAFS	31.0	16.4	23.5	26.3	33.4
Medical Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	1.6	0.4	0.9	1.2	1.7
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	1.6	0.4	0.9	1.2	1.7
Certificates of Participation					
Construction Proceeds	4.3	3.4	3.1	2.6	2.2
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	4.3	3.4	3.1	2.6	2.2
Total Market Value of Portfolio	\$ 36.9	\$ 20.2	\$ 27.5	\$ 30.1	\$ 37.3
Investment Balance					
<u>Book Value (\$ in millions)</u>	\$ 36.9	\$ 20.2	\$ 27.5	\$ 30.2	\$ 37.3

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.