

INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through June 30, 2018

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr	3Yr*	5 Yr*	7 Yr*
Equity	\$26,611,030	61.0%	75.0%	-14.0%	2.1	13.0	9.6	11.0	8.9
Fixed Income/Yield-Oriented	\$13,973,451	32.1%	25.0%	+7.1%	4.1	0.9	2.7	4.2	4.5
Other	\$2,122,623	4.9%	0.0%	+4.9%	--	--	--	--	--
Cash	\$882,000	2.0%	0.0%	+2.0%	--	--	--	--	--
Total Fund	\$43,589,104				2.9	10.1	7.2	8.9	7.6
Student Investment Equity	\$706,402	81.2%	75.0%	+6.2%	0.1	10.8	6.8	10.6	9.3
Student Investment Fixed	\$166,824	18.8%	25.0%	-6.2%	-0.3	-0.2	4.9	3.6	3.6
Total Investment Fund	\$44,462,329				2.8	10.1	7.2	8.9	7.7

All performance is net of (after) investment manager fees *annualized for periods longer than one year

Market Summary in Q2 2018:

- **Equity markets rebounded after an initial dip to start the year.** Global growth remains robust, but regional divergences have widened and weighed on equity market performance for several economies. Within the U.S., strong fundamentals helped drive second quarter and calendar year equity earnings expectations higher. Growing trade tensions hindered emerging market equities. Concerns regarding the impact to global supply chains put downward pressure on international equities with emerging markets bearing the brunt of the selloff. This ended five consecutive quarters of positive performance.
- **For the sixth consecutive quarter, the U.S. yield curve flattened.** While the 10-year Treasury yield rose only modestly during the quarter, the range extended from a high of 3.1% to a low of 2.7%, in the wake of the Italian shock. Increasing uncertainty and supply widened spreads across the spectrum of corporate and emerging market bonds. Emerging market debt, in particular, was hurt by a confluence of risks: rising yields, declining currencies, trade uncertainty, profit taking, and idiosyncratic risks.
- **Higher-yielding liquid real assets rebounded in the second quarter following a challenging start to 2018.** After the sell-off in the first quarter, oil & gas pipelines were the most significant contributor to second quarter performance. Increasing energy costs also helped drive income instruments like MLPs, which rose +11.1% during the quarter.

Portfolio Update:

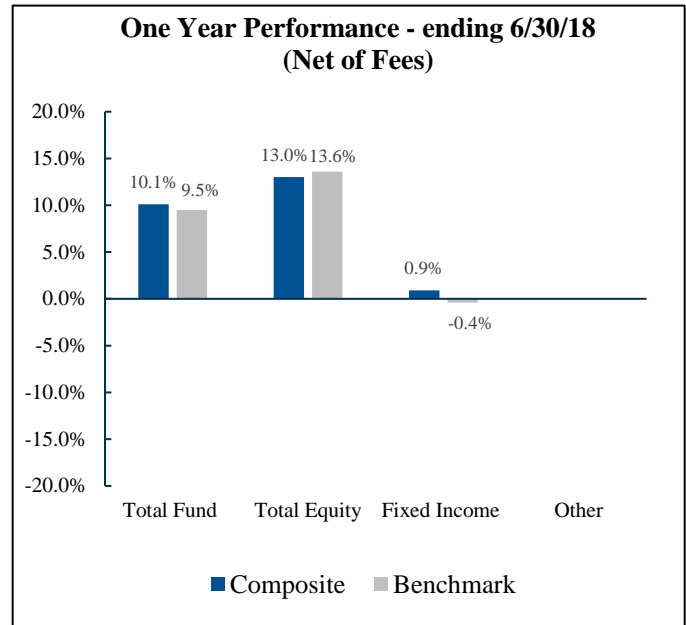
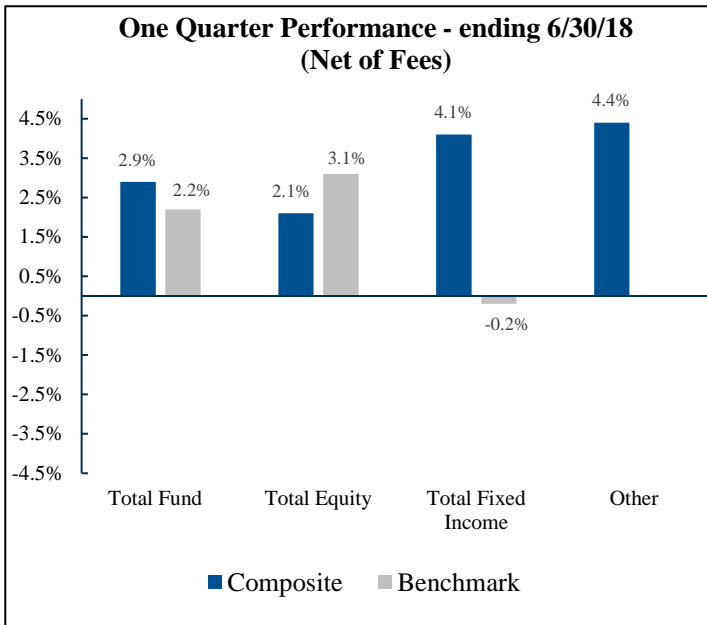
- **Total Equity:** Equity managers were positive on an absolute basis, as the composite returned +2.1%, but underperformed its benchmark by -100 bps during the second quarter. Managers performed in line with broad market themes, as domestic managers all produced positive absolute returns while international managers were slightly negative.
- **Total Fixed Income/Yield-Oriented*:** The composite generated a solid +4.1%, outperforming its benchmark by +430 bps. The composite is invested with a focus on yield and income generation across a mix of traditional fixed income managers and non-traditional fixed income sectors. Yield-oriented, interest rate sensitive managers benefited from the 10-year Treasury yield stabilizing below 3%.
- **Other:** The Composite finished the quarter up +4.4%, aided by gains from a passively managed enhanced index real asset ETF. While energy prices were up +10.7% in the quarter, commodity prices rose only 40 bps as trade uncertainty hurt agriculture and industrial metal prices.

*The Total Fixed Income/Yield-Oriented composite is currently invested in a manner to lessen the expected short-term volatility of the total portfolio and to provide income stability for total return and operating needs, especially during periods of weak or negative equity markets. The Composite includes both traditional fixed income managers and managers with a focus on yield and income generation.

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Investment Philosophy & Process

Purpose:

The purpose of the Investment portfolio is to provide for the Foundation's operating needs and to fund the Foundation's mission-related programs and activities both today and into the future.

The Foundation's objective is to grow the market value of assets net of inflation, administrative, and investment expenses, over a full market cycle without undue exposure to risk.

The Fund possesses a long-term time horizon, with primary objective to provide long-term growth of capital and liquidity. Secondary objectives are to provide a mix of growth and income and preservation of capital.

The Foundation and Investment Committee are governed by the Investment Policy Statement, reviewed at least annually by the Committee and Board. The Investment Policy Statement is a comprehensive document which incorporates best practices and outlines investment objectives, investment guidelines, and risk policy, as well as outlining responsibilities of the Board, Investment Committee, Staff, Investment Managers, and Consultants.

Pavilion Advisory Group, Inc. serves as investment consultant for the McCoy College of Business Foundation. For more information please visit their website <https://www.pavilioncorp.com/>