

INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through December 31, 2018

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr	3Yr*	5 Yr*	7 Yr*
Equity	\$23,393,252	60.7%	75.0%	-14.3%	-16.6	-12.9	5.6	4.1	8.9
Fixed Income/Yield-Oriented	\$13,098,797	34.0%	25.0%	+9.0%	-5.1	-4.0	3.0	3.0	4.3
Other	\$907,502	2.4%	0.0%	+2.4%	-22.9	-17.5	--	--	--
Cash	\$1,165,908	3.0%	0.0%	+3.0%	0.6	1.8	--	--	--
Total Fund	\$38,565,459				-13.1	-9.9	5.1	3.6	7.7
Student Investment Equity	\$645,042	78.8%	75.0%	+3.8%	-14.8	-9.6	5.3	4.8	8.4
Student Investment Fixed	\$173,071	21.2%	25.0%	-3.8%	0.8	-0.7	5.9	3.9	3.6
Total Investment Fund	\$39,383,572				-13.1	-9.8	5.1	3.6	7.7

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

Market Summary in Q4 2018:

- **Global growth has been slowing gradually for several quarters, led primarily by a deceleration in China and Europe.** While this trend has been well known for some time, the fourth quarter saw a raft of uncertainties dramatically elevating concerns over the future trajectory of growth. Uncertainties included the escalation of trade tensions between the U.S. and China, failed Brexit negotiations, Italian budget negotiations, a partial U.S. government shutdown, and fears of a Federal Reserve policy misstep.
- **Yields on longer maturities rose only slightly over the course of the year, as the Fed continued its pace of 25 basis point increases each quarter.** This resulted in the yield curve flattening – historically a sign that the Fed is near the end of raising policy rates. Like equity markets, credit markets also reflected the shifting fundamentals and rising uncertainty. The re-pricing in credit markets, however, remained much less severe than in equity markets.
- **The fourth quarter selloff in risk assets dragged all real assets into negative territory for the year.** Crude oil prices fell 38% in the fourth quarter closing at \$45/b, down from a quarterly high of \$76/b. The selloff was driven by increased production out of Saudi Arabia along with U.S. waivers related to Iran oil sanctions. Natural gas markets also experienced significant price volatility on the back of low inventories and mixed weather, rising over 50% through November, then dropping steeply in December, finishing the quarter close to flat.

Portfolio Update:

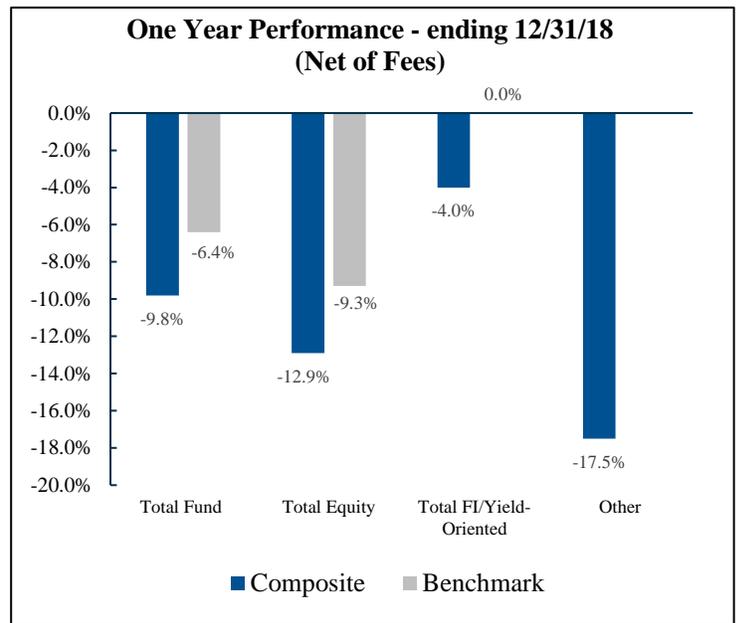
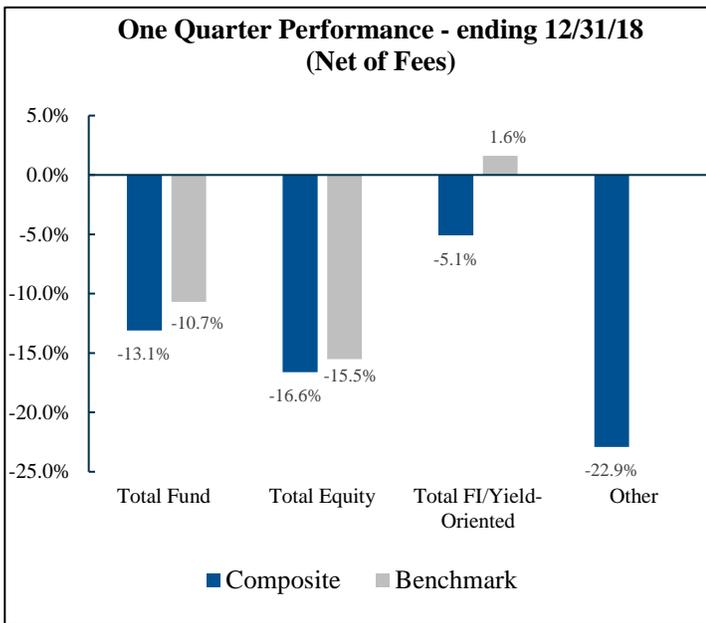
- **Total Equity:** Equity managers generated negative absolute returns, as the composite returned -16.6%, while underperforming its broad benchmark by -110 bps in the quarter. Slowing global growth and political uncertainty weighed on the portfolio, as domestic managers fell -17.0%, while the international counterparts were down -15.6% for the quarter.
- **Total Fixed Income/Yield-Oriented*:** The composite posted returns of -5.1% and underperformed its benchmark by -670 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. The portfolio saw a drawback from non-traditional fixed income sector exposure, primarily in MLPs and Real Estate.
- **Other:** The Composite finished the quarter down -22.9%; excess supply concerns hurt oil in particular.

*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/>