

INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through March 31, 2019

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr	3Yr*	5 Yr*	7 Yr*
Equity	\$27,332,338	62.3%	65.0%	-2.7%	14.1	0.2	10.5	6.7	9.1
Fixed Income	\$11,649,523	26.6%	25.0%	+1.6%	6.9	6.6	5.6	3.3	4.7
Real Assets/Real Return	\$4,088,558	9.3%	10.0%	-0.7%	--	--	--	--	--
Other	\$8,517	0.0%	0.0%	+0.0%	--	--	--	--	--
Cash	\$765,651	1.7%	0.0%	+1.7%	0.5	2.0	--	--	--
Total Fund w/o Student Investment	\$43,844,587				11.3	1.8	9.2	5.4	7.8
Student Investment Equity	\$719,575	80.3%	75.0%	+5.3%	11.6	-0.3	8.9	6.7	8.1
Student Investment Fixed	\$176,851	19.7%	25.0%	-5.3%	2.3	2.8	5.8	3.8	3.7
Total Investment Fund	\$44,741,013				11.2	1.8	9.2	5.4	7.8

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

Market Summary in Q1 2019:

- **While the final month of 2018 delivered the worst December equity market performance since the Great Depression, January saw the best month of performance to start a year in more than 30 years.** Global equities surged in the first quarter, as the Fed shifted towards a dovish stance and optimism grew over a US-China trade agreement. Domestically, the end of the government shutdown temporarily alleviated some uncertainty.
- **Interest rates declined on the Fed's dovish guidance, while spreads narrowed as concerns over the growth outlook faded, driving positive results for fixed income.** After raising rates four times in 2018, the Fed signaled that it is likely to take a cautious approach in 2019. The "dot plot" now suggests the Fed will leave rates unchanged in 2019. The Fed also announced that it expects to end quantitative tightening later in the year. This contributed to a decline in short and long term interest rates and further flattened the yield curve.
- **REITs and infrastructure stocks posted strong returns for the quarter, as the decline in bond yields benefited rate sensitive market segments.** Natural resource stocks delivered impressive results, returning 16.2%, as oil and other commodities rebounded from steep fourth quarter declines.

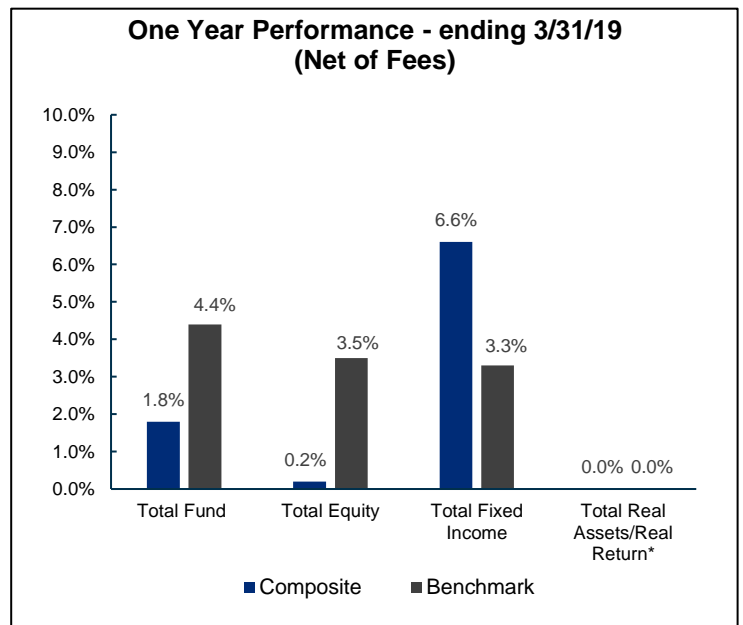
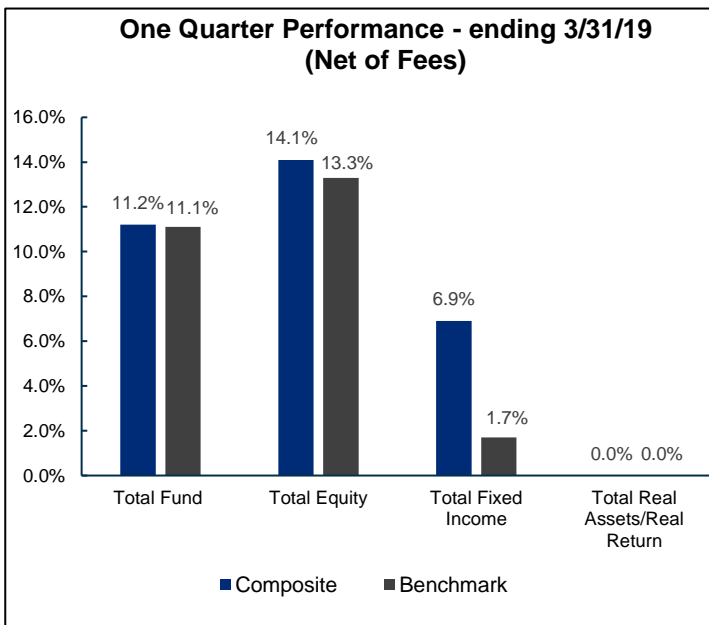
Portfolio Update:

- **Total Equity:** The Total Equity Composite (+14.1%) finished the quarter with positive absolute returns, while also outperforming its benchmark by +80 basis points. Risk assets rebounded from a difficult fourth quarter, due to continued solid economic data from the U.S., and signs of a potential trade agreement between the U.S. and China.
- **Total Fixed Income:** The Total Fixed Income Composite (+6.9%) outperformed the benchmark by +520 bps during the quarter, as interest rates fell and investment grade credit produced solid returns.
- **Total Real Assets/Real Return:** The Total Real Assets/Real Return Composite, composed of Principal DRA and PIMCO All Asset, had partial quarterly return of +1.0% as equity and commodity exposure pushed performance higher.
- At the Committee meeting in early February, new asset class structures were approved. The portfolio transitioned to the new managers in mid-February.

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