Capital Market Update

As measured by the Russell 3000 Index, the US stock market returned -7.6% over the quarter and -7.8% for the one-year period. Large cap stocks outperformed small cap stocks by 6.3% for the quarter and 7.8% for the one-year period. Growth stocks outperformed value stocks by 0.2% during the quarter and 4.3% for the year.

Developed international equity markets returned -10.2% (in US Dollars) during the quarter and -15.2% for the one-year period. Emerging markets returned -8.7% (in US dollars) during the quarter and -23.4% for the one-year period. A significant portion of the negative international equity performance can be attributed to a strong US dollar relative to most major currencies.

Due to declining interest rates, fixed income markets generated positive returns during the quarter, appreciating +1.8%. For the one-year period, fixed income markets increased +1.5%.

Absolute return, on an aggregate basis, returned -4.2% and -5.7% for the quarter and one-year period respectively.

Endowment Valuation

As of February 29, 2016, the SEF had a market value of approximately $976.7 million, including new deposits and net the income distribution for the 2nd Quarter. The SEF is accounted for on a unitized basis and the per unit market value as of February 29, 2016 was $5.76.

Investment Allocation and Performance

As of February 29, 2016, the SEF asset allocation consisted of 36.1% equities, 15.7% absolute return, 15.5% fixed income, 13.0% real assets (timber, real estate and energy), 19.1% private equity and 0.6% cash. The comparative returns for the SEF for the one, three, five, ten and fifteen-year periods ending February 29, 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>1-Year</th>
<th>3-Year</th>
<th>5-Year</th>
<th>10-Year</th>
<th>15-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEF - Total</td>
<td>-3.6%</td>
<td>5.8%</td>
<td>5.5%</td>
<td>4.9%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Balanced Index</td>
<td>-4.4%</td>
<td>3.6%</td>
<td>3.4%</td>
<td>3.8%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

Asset Allocation as of February 29, 2016

The units and market value summary is available online for each endowment account at the Treasury web page:

http://www.tamus.edu/finance/treasury-services/system-endowment-fund/

Quarterly Endowment Spending Rate

FY 2016: $0.070265 per unit