Capital Market Update

As measured by the Russell 3000 Index, the US stock market was up 3.0% over the quarter and 16.9% during the one-year period. For the quarter, large cap stocks outperformed small cap stocks by 3.5%. For the one-year, large cap stocks outperformed by 12.9%. Growth stocks outperformed value stocks by 2.2% for the quarter and 1.9% for the one-year.

Developed international equity markets returned -3.9% (in US dollars) during the quarter and 0.0% for the one-year period. The strength of the US Dollar was the primary detractor to performance, as most countries generated positive returns in local currency terms, but negative returns for US investors.

Emerging equity markets returned -7.3% (in US dollars) for the quarter and 1.1% for the one-year. Primary detractors to performance during the quarter included Russia (-17.7%) and Brazil (-22.6%).

Fixed Income markets generated positive returns of 1.0% for the quarter and 5.3% for the one-year. Long-dated US Treasuries, which returned 3.6% for the quarter and 19.2% for the one-year, led bond performance as interest rates declined and the yield curve flattened.

Hedge Funds generally delivered competitive returns despite the low interest rate and volatility environment. Hedge Funds, on an aggregate basis, returned 6.9% for the one-year period.

Endowment Valuation

As of November 30, 2014, the SEF had a market value of approximately $1.011 billion, including new deposits and net the income distribution for the 1st Quarter. The SEF is accounted for on a unitized basis and the per unit market value as of November 30, 2014 was $6.25.

Investment Allocation and Performance

As of November 30, 2014, the SEF asset allocation consisted of 38.9% equities, 17.6% hedge funds, 13.9% fixed income, 13.5% inflation hedging investments (timber, real estate and energy), 15.4% private equity and 0.7% cash. The comparative returns for the SEF for the one-, three-, five-, ten- and fifteen-year periods ending November 30, 2014 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>10.5%</td>
<td>11.6%</td>
<td>9.7%</td>
<td>6.6%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Balanced Index</td>
<td>6.3%</td>
<td>9.1%</td>
<td>7.4%</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Asset Allocation as of November 30, 2014

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

http://www.tamus.edu/offices/treasury/investment/endowment/

Quarterly Endowment Spending Rate

FY 2015: $0.066970 per unit