

## *Investment Division*

*Michael Brakebill, Chief Investment Officer*

*Derrick Dagnan, Deputy Chief Investment Officer*

- TCRS Investments
- Tennessee Consolidated Retirement System Portfolio
- State Cash Management
  - ▶ Administration of Authorized State Depository Accounts
  - ▶ State Collateral Pool Program
  - ▶ State Trust
  - ▶ Local Government Investment Pool
  - ▶ State Cash Portfolio
- Baccalaureate Education System Trust Portfolio
- Chairs of Excellence Portfolio
- Tennessee Promise Scholarship Endowment Trust Fund Portfolio
- Intermediate Term Investment Fund



**INVESTMENT DIVISION****MICHAEL BRAKEBILL, CHIEF INVESTMENT OFFICER****DERRICK DAGNAN, DEPUTY CHIEF INVESTMENT OFFICER****TIM McCLURE, ASSISTANT CIO/DIRECTOR OF CASH MANAGEMENT****THOMAS KIM, DIRECTOR OF FIXED INCOME****J.P. RACHMANINOFF, DIRECTOR OF REAL ESTATE****DANIEL CREWS, DIRECTOR OF PRIVATE EQUITY****MICHAEL KEELER, DIRECTOR OF EQUITIES**

The Tennessee Treasury Department's Investment Division uses an in-house staff of 30 professionals with extensive education, professional training and certifications to manage its investments. This team includes members with a wealth of experience from various financial fields, including substantial institutional investor experience in both the public and private sectors. Led by Chief Investment Officer Michael Brakebill, the department achieves investment returns consistent with its peers while maintaining an investment expense that is among the lowest in the southeast.

The staff has a total of 26 professional designations, including 14 Charter Financial Analysts (CFA). The Investments staff has four Chartered Alternative Investment Analysts (CAIA), three Certified Public Accountants (CPA), two Certified Treasury Professionals (CTP), two Certified Government Finance Managers (CGFM), and one Chartered Market Technician (CMT). Our team also holds 21 graduate degrees from universities from around the country.

**SELECTED FUNDS MANAGED INTERNALLY BY THE TREASURY INVESTMENT DIVISION**

- ***Tennessee Consolidated Retirement System Trust (TCRS)*** – The largest fund managed by Treasury is the Tennessee Consolidated Retirement System Trust. Investment objectives for TCRS are to obtain the highest available return on investments consistent with the preservation of the principal, while maintaining sufficient liquidity to react to the changing environment and pay beneficiaries in a timely manner. As of June 30, 2015, the market value of the TCRS fund was approximately \$43.2 billion.
- ***State Pooled Investment Fund (SPIF) and the Local Government Investment Pool (LGIP)*** – The Treasury Department manages state and local governments' short-term investments through a program known as the State Pooled Investment Fund (SPIF) and the Local Government Investment Pool (LGIP). The SPIF, with a June 30, 2015 balance of approximately \$9.3 billion, includes the state's cash, dedicated reserves and trust funds, and the balance of the LGIP of approximately \$2.68 billion. The LGIP provides short-term cash management to local governments.
- ***Tennessee Promise Endowment Trust*** – Treasury also manages the funds and produces investment income for the Tennessee Promise Endowment Trust. Established by the 108th General Assembly, Tennessee Promise provides students a last-dollar scholarship to a Tennessee Community College or Tennessee College of Applied Technology, meaning the scholarship will cover tuition and fees not covered by the Pell grant, the HOPE scholarship, or TSAA funds. As of June 30, 2015, the Tennessee Promise Endowment Trust has a market value of \$377.6 million.
- ***Chairs of Excellence Trust*** – Treasury manages the funds and produces investment income for the Chairs of Excellence Trust. The trust provides funds for state colleges and universities to contract with persons of regional or national prominence to teach in specified academic areas. The funding of the program is provided through contributions made by private donors and matching amounts by the state.

## STATUTORY INVESTMENT AUTHORITY

The investment authority for the Board of Trustees of TCRS is set out in Tennessee Code Annotated, Section 8-37-104. Pursuant to this authority and the investment terms, conditions and limitations outlined therein, the Board of Trustees approves the TCRS' investment policy.

TCRS' investment objectives, set by the Board for the Treasury Investment Division staff, are to obtain the highest available return on investments consistent with the preservation of principal, while maintaining sufficient liquidity to react to the changing environment and to pay beneficiaries in a timely manner.

TCRS' policies and the strategies implemented by the Investment Division staff serve to benefit plan members in several ways. The emphasis on a conservative asset allocation and high quality securities helps to ensure the soundness of the system and the ability to provide the needed funds upon a member's retirement.

Funds in the retirement system are actively managed with a diversified portfolio of high-quality domestic and international bonds, domestic and international stocks, real estate, private equity and short-term instruments. From time to time, pursuant to Tennessee Code Annotated, Section 8-37-114, the Treasury Investment Division engages outside investment managers to manage a limited number of asset classes or subclasses. In those instances, the Investment Division endeavors to use emerging investment managers to the greatest extent feasible within the bounds of financial and fiduciary prudence, as prescribed under Tennessee Code Annotated, Section 8-37-113.

To assist in the fiduciary responsibility for managing the TCRS portfolio, Strategic Investment Solutions, Inc. serves as the general investment consultant for TCRS. The Townsend Group serves as the real estate investment consultant and Cambridge Associates serves as the private equity consultant to TCRS.

State Street Company was the master bank custodian for TCRS, providing safekeeping and accounting services for the investment portfolio, during fiscal year 2015.

## COST OF INVESTMENT OPERATION

The cost to operate the investment program for TCRS is about 13 basis points (.13%) of assets. The cost of 13 basis points includes the cost of personnel, operational cost, master bank custodian cost, record keeping and external manager fees. Commission cost for trades are capitalized. Recent peer comparisons of investment management fees and expenses indicate the investment program is managed very cost effectively.

## PERFORMANCE MEASUREMENT

TCRS' independent external investment consultant, Strategic Investment Solutions, Inc., provides performance measurement for TCRS. During the 2015 fiscal year, TCRS had a total return of 3.33%. U.S. stocks gained 7.85%, while the S&P 1500 Index gained 7.31%. Domestic bonds gained 2.76% versus the benchmark of 2.98%. International developed stocks lost 3.39% versus a loss of 5.64% for the benchmark. Real estate gained 12.82% versus 12.71% for the NCREIF index.

**INVESTMENT SUMMARY**  
**AS OF JUNE 30, 2015**

	Domestic		International		Total	
	Fair Value	%	Fair Value	%	Fair Value	%
Fixed Income						
Government Bonds	\$ 4,859,619,689	11.29%	\$ 0	0.00%	\$ 4,859,619,689	11.29%
Corporate Bonds	4,536,293,637	10.54%	0	0.00%	4,536,293,637	10.54%
Municipal/Provincial Bonds	156,099,231	0.36%	0	0.00%	156,099,231	0.36%
Total Bonds	<u>9,552,012,557</u>	<u>22.19%</u>	<u>0</u>	<u>0.00%</u>	<u>9,552,012,557</u>	<u>22.19%</u>
Asset Backed	281,969,487	0.65%	0	0.00%	281,969,487	0.65%
Commercial Mortgage Backed	470,622,689	1.09%	0	0.00%	470,622,689	1.09%
Government Agencies	288,764,571	0.67%	0	0.00%	288,764,571	0.67%
Government Mortgage Backed Securities	3,466,372,594	8.05%	0	0.00%	3,466,372,594	8.05%
Preferred Stock	50,789,987	0.12%	25,017,255	0.06%	75,807,242	0.18%
Total Fixed Income	<u>14,110,531,885</u>	<u>32.77%</u>	<u>25,017,255</u>	<u>0.06%</u>	<u>14,135,549,140</u>	<u>32.83%</u>
Common Stock						
Consumer Discretionary	1,899,073,891	4.41%	964,661,851	2.24%	2,863,735,742	6.65%
Consumer Staples	1,273,371,444	2.96%	526,270,485	1.22%	1,799,641,929	4.18%
Energy	1,003,146,237	2.33%	478,984,181	1.11%	1,482,130,418	3.44%
Financials	2,278,259,315	5.29%	1,763,041,182	4.10%	4,041,300,497	9.39%
Healthcare	2,085,076,364	4.84%	738,060,016	1.72%	2,823,136,380	6.56%
Industrials	1,389,888,931	3.23%	940,688,958	2.18%	2,330,577,889	5.41%
Information Technology	2,756,415,889	6.40%	428,283,644	1.00%	3,184,699,533	7.40%
Materials	481,044,075	1.12%	483,121,838	1.12%	964,165,913	2.24%
Private Placements	8,174,000	0.02%	87,031,137	0.20%	95,205,137	0.22%
Rights/Warrants	0	0.00%	1,650	0.00%	1,650	0.00%
Telecommunication Services	295,286,955	0.69%	261,877,035	0.60%	557,163,990	1.29%
Utilities	379,719,384	0.88%	114,220,457	0.27%	493,939,841	1.15%
Misc/Unclassified	246,037,383	0.57%	0	0.00%	246,037,383	0.57%
Depository Receipts	107,908,034	0.25%	31,601,404	0.07%	139,509,438	0.32%
REITS	230,164,858	0.53%	53,427,721	0.13%	283,592,579	0.66%
Total common stock	<u>14,433,566,760</u>	<u>33.52%</u>	<u>6,871,271,559</u>	<u>15.96%</u>	<u>21,304,838,319</u>	<u>49.48%</u>
Short-Term Investments						
Pooled Funds and Mutual Funds	2,379,103,614	5.53%	0	0.00%	2,379,103,614	5.53%
Short-Term Bills and Notes	551,625,824	1.28%	0	0.00%	551,625,824	1.28%
Total Short-Term Investments	<u>2,930,729,438</u>	<u>6.81%</u>	<u>0</u>	<u>0.00%</u>	<u>2,930,729,438</u>	<u>6.81%</u>
Real Estate	2,684,790,605	6.24%	0	0.00%	2,684,790,605	6.24%
Private Equities and Strategic Lending	1,998,600,030	4.64%	0	0.00%	1,998,600,030	4.64%
Total Investments	36,158,218,718	83.98%	6,896,288,814	16.02%	43,054,507,532	100.00%
Derivatives and Options	1,185		0		1,185	
Short-Term Investments Classified as Cash Equivalents	<u>(347,131,237)</u>		<u>0</u>		<u>(347,131,237)</u>	
Total Investments as Shown on the Statement of Fiduciary Net Position	<u>\$ 35,811,088,666</u>		<u>\$ 6,896,288,814</u>		<u>\$ 42,707,377,480</u>	

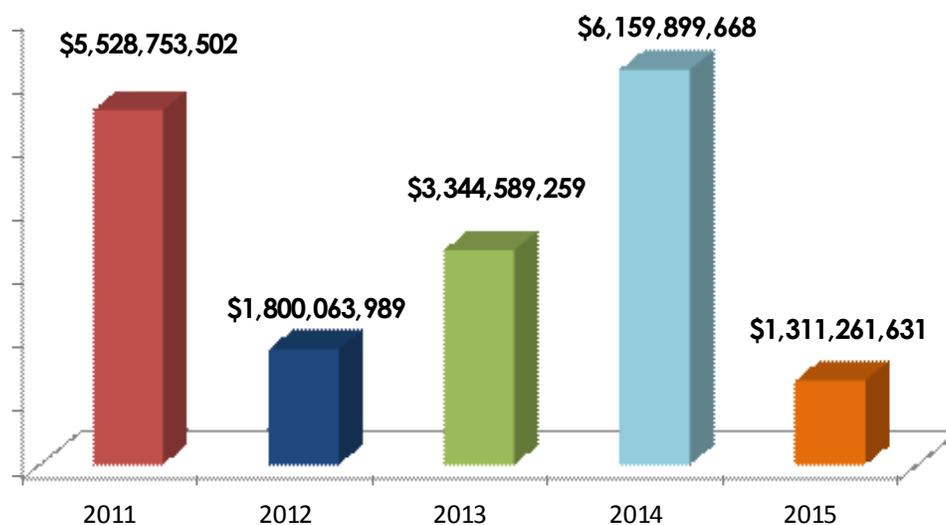
This schedule classifies Canadian investments as domestic securities, convertible bonds as fixed income securities and preferred stock as fixed income securities. For investment purposes convertible bonds and preferred stock are considered equity securities. Accordingly, the asset allocation percentages in this schedule will vary from the investment consultant's asset allocation percentages.

## TCRS INVESTMENTS BENCHMARK ANALYSIS

Fiscal Year	(1) Public Fund Index Median Total Return	(2) TCRS Total Return
2015	3.2%	3.3%
2014	16.4%	16.7%
2013	12.0%	9.9%
2012	1.1%	5.6%
2011	21.6%	19.6%
2010	13.5%	10.2%
2009	(17.9)%	(15.3)%
2008	(4.7)%	(1.2)%
2007	14.1 %	13.2 %
2006	6.9 %	6.9 %

- (1) This index most closely resembles the structure and objectives of TCRS.  
 (2) This is the time-weighted method used to calculate returns and is the most accurate way to measure performance.

### Summary of TCRS Earnings Fiscal Years 2011-2015



## TENNESSEE CONSOLIDATED RETIREMENT SYSTEM PORTFOLIO

### LARGEST STOCK HOLDINGS AS OF JUNE 30, 2015 BY FAIR VALUE

Shares	Security Name	Fair Value
4,905,934	APPLE INC COM STK	\$ 615,326,772
4,376,882	WELLS FARGO & CO	246,155,844
3,497,657	JP MORGAN CHASE & CO	237,001,238
2,591,133	EXXON MOBIL CORP	215,582,266
4,390,302	MICROSOFT CORP	193,831,833
1,837,567	JOHNSON & JOHNSON	179,089,280
1,976,419	FACEBOOK INC	169,507,576
3,015,599	CITIGROUP INC	166,581,689
1,436,626	WALT DISNEY CO	163,976,492
583,311	ALLERGAN PLC	163,355,856

### LARGEST BOND HOLDINGS AS OF JUNE 30, 2015 BY FAIR VALUE

Par Value	Security Name	Yield	Maturity	Moody's Rating	Fair Value
\$ 271,240,000	U.S. Treasury Note	3.12%	01/15/16	Aaa	\$ 176,157,602
211,320,000	U.S. Treasury Note	2.33%	07/15/20	Aaa	160,802,952
169,875,295	U.S. Treasury Index Linked Note	(0.41%)	01/15/21	Aaa	149,071,490
157,298,900	U.S. Treasury Index Linked Note	(0.33%)	01/15/22	Aaa	147,387,680
152,719,040	U.S. Treasury Index Linked Note	0.16%	01/15/25	Aaa	144,733,812
146,130,144	U.S. Treasury Index Linked Note	0.06%	07/15/21	Aaa	131,613,743
124,703,172	U.S. Treasury Index Linked Note	(0.12%)	08/01/42	Aaa	130,054,199
150,000,000	U.S. Treasury STRIPS	2.35%	04/15/17	Aaa	124,145,428
126,100,000	U.S. Treasury Note	3.10%	01/15/26	Aaa	119,607,869
119,786,300	U.S. Treasury Index Linked Note	(0.82%)	08/15/43	Aaa	113,941,913

*A complete portfolio listing is available upon request.*

Key to Ratings: All ratings presented are from Moody's Investors Service with the exception of some of the government agency securities. Moody's does not rate these securities. Standard & Poor's does provide ratings for the securities (AAA is Standard & Poor's highest rating). Government Securities are not rated per se' but are considered the best quality securities.

Moody's rates securities as follows:

Aaa	Best Quality
Aa	High Quality
A	Upper Medium Quality
Baa	Medium Quality
NR	Not Rated

## STATE CASH MANAGEMENT

The State of Tennessee receives revenues from many sources such as taxes, licenses, fees and the federal government. As these monies are collected, they are deposited into one of the more than 80 financial institutions in Tennessee that have contracted with the state to serve as depositories. Under the state Constitution, the state may not spend more money on its programs than it has collected in revenues. Consequently, at any point in time the state has a sizable sum of money collected but not yet spent. These monies are invested by the Treasury Department until needed to pay for state expenses, payroll or benefit program disbursements.

During the 2015 fiscal year, the average balance of short term investments in the Treasurer's Cash Management program was \$8,404,381,241 per month and interest income of \$11,125,712 was earned for the fiscal year. This includes deposits in the Local Government Investment Pool administered by the Treasury Department.

The State Funding Board sets the investment policy for the state. The State Funding Board is composed of the Governor, Commissioner of Finance and Administration, Comptroller, Secretary of State and Treasurer. The foremost investment objective of the State Pooled Investment Fund is safety of principal, followed by liquidity and then yield.

The current investment policy for the State Pooled Investment Fund was established to follow SEC Rule 2a-7-like guidelines for a money market fund. The maximum maturity of any security can not exceed 397 days and the weighted average maturity must be 120 days or less.

Funds may be invested in collateralized certificates of deposit with authorized Tennessee financial institutions; bills, notes and bonds of the U.S. Treasury; other obligations guaranteed as to principal and interest by the U.S. or any of its agencies and repurchase agreements against obligations of the U.S. or its agencies. Securities underlying repurchase agreements must be book-entry and delivered to a third party custodian in the name of the State Treasurer. Funds may also be invested in prime commercial paper and prime banker's acceptances.

At June 30, 2015, investments had an average maturity of 110 days and an average weighted yield of .154%. The total balance in the State Pooled Investment Fund at June 30, 2015, \$9,297,043,253 fair value, was allocated as follows: U.S. Treasury government and agency securities, 75.41%; overnight deposits, 4.62%; collateralized certificates of deposit, 11.90% and commercial paper, 8.07%.

## ADMINISTRATION OF AUTHORIZED STATE DEPOSITORY ACCOUNTS

The Cash Management Division is responsible for the administration of the state's bank accounts in Tennessee financial institutions designated as authorized state depositories. Taxpayers and state agencies can deposit certain tax funds due to the state directly to any Treasurer's account at any authorized state depository.

The four most significant functions of administering the accounts are: (1) authorizing the state depository to accept state funds; (2) cash concentration; (3) collateralizing deposits and (4) monitoring collateral and deposits. Financial institutions' requests to become authorized state depositories are received in Cash Management, reviewed and forwarded to the appropriate state officials for consideration and approval.

The Cash Management Division is responsible for the cash concentration and management of all state depository accounts. Cash Management staff inquire on the balances of bank accounts and concentrate available funds into the State operating account to meet liquidity and investment needs. Account balances are drawn to the floor and concentrated by Fed wire or Automated Clearinghouse (ACH) transactions. The account floor is the minimum amount required by the financial institution for that particular account to earn interest. All of these state accounts are interest bearing.

Changes in branch banking laws and bank ownership due to mergers and acquisitions have brought about a need to quickly identify the parent bank, holding company and affiliate trustee custodians for state depositories. The

ability to access and update this information on a database enhances the ability to monitor deposits and collateral based on appropriate bank ownership.

This same database is accessed for current account information, for balance inquiry and cash concentration. It automates the link from balance inquiry to cash concentration by generating an ACH transaction. This automation improves controls over cash balances. The account balance floors are automatically compared to the balances entered to calculate ACH transaction amounts.

## STATE COLLATERAL PROGRAM

Collateral is required to secure state deposits held in authorized state depository institutions. Statute sets the required collateral level at a market value of 105 percent of the value of the deposit secured, less the amount secured by the Federal Deposit Insurance Corporation. However, if the state depository is operating with a capital-to-asset ratio of less than five percent, additional collateral with a market value of \$100,000 is required. Alternatively, a financial institution may pledge collateral via the collateral pool. The types of investment instruments which are eligible to be pledged as collateral are listed in this report on page 52.

The state of the economy and the financial environment have increased the importance of monitoring collateral. Cash Management staff review collateral daily, weekly and monthly. Any collateral deficiencies at authorized state depository institutions are reported to the Funding Board monthly. Reasons for under-collateralization include market price volatility of the security pledged, unexpected high deposits to an account, interest accruals, capital-to-asset ratios falling below five percent and principal paydowns on asset backed securities that have been pledged as collateral.

Collateral is held by an authorized trustee custodian in the name of the State of Tennessee. Treasury staff must authorize the receipt, release and substitution of all collateral.

## COLLATERAL POOL

[treasury.tn.gov/bank](http://treasury.tn.gov/bank)

The operation of a collateral pool for banks is authorized by Tennessee Code Annotated, Section 9-4-501, et seq. The Collateral Pool operates under the jurisdiction of the Collateral Pool Board, which is comprised of four bankers and three government members representing state and local government divisions. The Collateral Pool Board has established rules and procedures that provide a low amount of risk and a high degree of efficiency for participating institutions.

While participation in the Collateral Pool is voluntary, participation is subject to application to and approval by the Collateral Pool Board. The Board has established minimum financial performance levels for applicants which must be met to ensure that program risk is minimized.

All public funds held by a pool participant are collateralized based on a collateral target calculated each month by the participant. The collateral target is based on the aggregate average balance of all public funds for the month multiplied by the pledge percentage level assigned to the participant by the Board.

The Board has established three different collateral pledge levels: 115 percent, 100 percent and 90 percent. The pledge level is based on financial criteria set by the Collateral Pool Board with the financially strongest institutions being eligible for the lowest pledge level. In March 2009, the Collateral Pool Board voted to suspend the 90% pledge level until further notice. Under the Collateral Pool, should a financial institution default with insufficient collateral to cover public deposits, then the other financial institutions must make up the difference on a pro rata basis. Accordingly, public funds are not at risk in the Collateral Pool.

All collateral transactions for the pool are monitored and processed through the Treasury Department using uniform statewide procedures. In addition, Treasury Department staff monitors all pool activity through the monthly, quarterly and annual reports required to be submitted by pool participants or obtained from third party sources.

The Collateral Pool provides collateral for both state funds and local government funds for those institutions participating in the pool. The Collateral Pool serves as a significant administrative advantage for local governments. Under the Collateral Pool, the Treasurer, rather than the local government, is responsible for monitoring the pledge level; pricing collateral; reconciling collateral monthly with the trustee custodian; monitoring collateral; pledging, releasing and substituting collateral and maintaining a trustee custodian relationship.

Currently, the Collateral Pool has 96 participant institutions collateralizing public funds in excess of \$9.8 billion.

## STATE TRUST

The State Trust of Tennessee, a not-for-profit corporation chartered in the State of Tennessee in 1979, continues to be utilized to obtain check clearing services through the Federal Reserve Bank with a check redemption volume of 953,000 during fiscal year 2015 at an estimated savings of \$80,000.

***Financial Statements for the State Pooled Investment Fund can be found on pages 114-121.***

## LOCAL GOVERNMENT INVESTMENT POOL

[treasury.tn.gov/lgip](http://treasury.tn.gov/lgip)

Tennessee municipalities, counties, school districts, utility districts, community service agencies, local government units, and political subdivisions can deposit monies with the Treasurer to be invested in the state cash management investment pool. Of course, these local governments can invest their monies directly in the money market if they so desire. However, by allowing their dollars to be invested by the state they eliminate the complexities of managing day-to-day investment and collateral relationships with banks and/or securities dealers. This allows cash managers who have previously been limited either by the relatively small amount of funds available for investment or the complexities of today's investment environment to take advantage of the volume and expertise of the Treasurer's cash management program.

The Local Government Investment Pool began operations in November of 1980. Participation in the LGIP program currently stands in excess of 2,850 accounts. The Department of Transportation (DOT) program has more than 800 active accounts.

Local governments which enter into agreements with the DOT often establish an LGIP account to fund the local matching portion of a highway project grant. These DOT accounts are available to provide the local match to the specific highway project in a timely manner while earning interest for the local government.

In a similar fashion, the Tennessee Board of Regents schools provide their matching portion of Capital Projects funds while earning interest for the benefit of the Board of Regents school.

An electronic banking system allows participants to access their accounts in a secure Internet application. Thus, participants are able to communicate their instructions by telephone, telefax, or the Internet.

In addition, voice mail telephone service has been provided to permit LGIP participants to give telephone transaction instructions while staff is busy on other telephone lines. Voice mail permits an increase in productivity while holding costs constant.

LGIP reports to participants are available online, including monthly statements and transaction confirmations. Monthly statements detail all debits and credits to the account during the month, the account's average daily balance, and interest credited. A transaction confirmation is available to the participant each time a deposit or withdrawal is made. Many participants rely on this documentation for daily and weekly reconciliations.

Participants earn interest on LGIP deposits based on the total portfolio return of the cash management pool, less a monthly administrative fee of five one hundredths of one percent (.05%). During the 2014 fiscal year, the average rate participants earned on their deposits after the fee reduction was .09%. Other activity is shown on the following schedule by participant group.

**LOCAL GOVERNMENT INVESTMENT POOL SCHEDULE OF ACTIVITY BY ENTITY TYPE**  
**FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Account Balance 6/30/2014</b>	<b>Net Deposits/ (Withdrawals)</b>	<b>Gross Interest Credited</b>	<b>Administrative Fees</b>	<b>Account Balance 6/30/2015</b>
Cities	\$ 944,022,386	\$ 163,599,105	\$ 369,397	\$ 494,393	\$ 1,108,485,281
Counties	345,819,176	(50,072,285)	135,563	181,436	296,063,890
Commitments to D.O.T.	25,935,624	(9,126,629)	6,714	8,987	16,824,696
Educational Institutions	793,756,005	8,084,015	315,698	422,523	802,578,241
Bond Finance	7,872,295	65,253	2,384	3,191	7,943,123
Other	387,832,600	63,485,007	144,862	193,881	451,656,350
	<u>\$ 2,505,238,086</u>	<u>\$ 176,034,466</u>	<u>\$ 974,618</u>	<u>\$ 1,304,411</u>	<u>\$ 2,683,551,581</u>

**STATE CASH MANAGEMENT COMPARATIVE RETURNS**

In order to ensure that state investment returns reflect current market conditions, several market indicators are carefully monitored. Among these are rates reported daily in the Wall Street Journal, rates on U.S. Treasury securities and institutional money market funds. The following table illustrates state returns compared with three of these indicators.

<b>Fiscal Year</b>	<b>(1) Total Pool Funds</b>	<b>(2) Merrill Lynch Institutional Fund</b>	<b>(3) Standard &amp; Poor's 7-Day LGIP Yield Index</b>	<b>(4) 90-Day Treasury (CD Equivalent Yield)</b>
2015	.14%	.04%	.05%	.07%
2014	.14%	.03%	.10%	.04%
2013	.18%	.08%	.08%	.07%
2012	.17%	.05%	.09%	.05%
2011	.26%	.16%	.14%	.11%

(1) Investment return on total portfolio.

(2) This index most closely resembles the structures and objectives of the total cash portfolio.

(3) Index is for LGIP benchmark pools rated AAAM & AAM by S&P.

(4) This approximates the reinvestment yield for new funds for the period.

**SECURITIES ACCEPTABLE AS COLLATERAL FOR STATE DEPOSITS**

1. U.S. Treasury Bills
2. U.S. Treasury Notes & Bonds
3. Federal Housing Administration (FHA) debentures
4. Government National Mortgage Associations (GNMA)\*
5. Farm Credit System (FCS)
  - a. Federal Land Bank Bond (FLBB)
  - b. Farm Credit Systemwide Bonds (FCSB)
  - c. Farm Credit Systemwide Discount Notes (FCDN)
  - d. Farm Credit Systemwide Floating Rate Notes (FCFR)
6. Federal Home Loan Banks
  - a. Bonds (FHLB)
  - b. Discount Notes (FHDN)
  - c. Floating Rate Notes (FHFR)
7. Federal Home Loan Mortgage Corporation (FHLMC)\*
  - a. Mortgage-Backed Participation Certificates and Adjustable Rate Securities (FMPC, FMAR)
  - b. Discount Notes (FMDN)
8. Federal National Mortgage Association (FNMA)\*
  - a. Bonds, Debentures, Secondary Market Debt Obligations (FNSM)
  - b. Discount Notes (FNDN)
  - c. Floating Rate Notes (FNFR)
  - d. Mortgage-Backed Pass-Through Certificates (FNRF)
  - e. Residential Financing Securities (FNRF)
  - f. Adjustable Rate Mortgage-Backed Bonds (FNAR)
9. Student Loan Marketing Association (SLMA)
  - a. Discount Notes (SLDN)
  - b. Fixed Rate Notes (SLMN)
  - c. Floating Rate Notes (SLFR)
  - d. Bonds (SLBD)
10. Tennessee Valley Authority Bonds and Notes (TVA)
11. Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMICs) that are direct obligations of a U.S. agency or FNMA/FHLMC, except that the "residual" class/tranche of such securities will not be acceptable. Sufficient excess securities should be pledged to allow for the periodic reduction of principal.
12. Certain Tennessee Municipal Bonds as specified in T.C.A. Section 9-4-103.
13. Surety Bonds issued by insurance companies meeting certain requirements, including licensure under the laws of Tennessee.
14. Standby Letters of Credit from approved Federal Home Loan Banks.

\* Pass through securities must reflect current paid down values and be kept up to date.

## HISTORICAL ANALYSIS OF STATE CASH INVESTMENTS

**Collateralized Time Deposits**

Fiscal Year	Average Amount Invested	Amount Earned	Rate of Return
2015	\$ 886,219,333	\$ 1,535,047	0.18%
2014	418,475,250	1,094,838	0.28%
2013	421,966,000	1,234,553	0.30%
2012	500,355,667	1,411,747	0.29%
2011	772,436,583	2,478,112	0.33%

**Repurchase Agreements and Overnight Deposit Accounts**

Fiscal Year	Average Amount Invested	Amount Earned	Rate of Return
2015	\$ 863,604,574	\$ 1,059,781	0.19%
2014	756,419,384	1,137,756	0.19%
2013	994,965,305	1,671,077	0.21%
2012	950,980,388	1,522,199	0.29%
2011	871,447,388	2,703,893	0.30%

**Commercial Paper**

Fiscal Year	Average Amount Invested	Amount Earned	Rate of Return
2015	\$ 798,900,917	\$ 667,336	0.07%
2014	815,423,333	595,938	0.06%
2013	764,026,167	997,068	0.10%
2012	876,477,417	731,024	0.07%
2011	1,524,625,250	2,384,177	0.16%

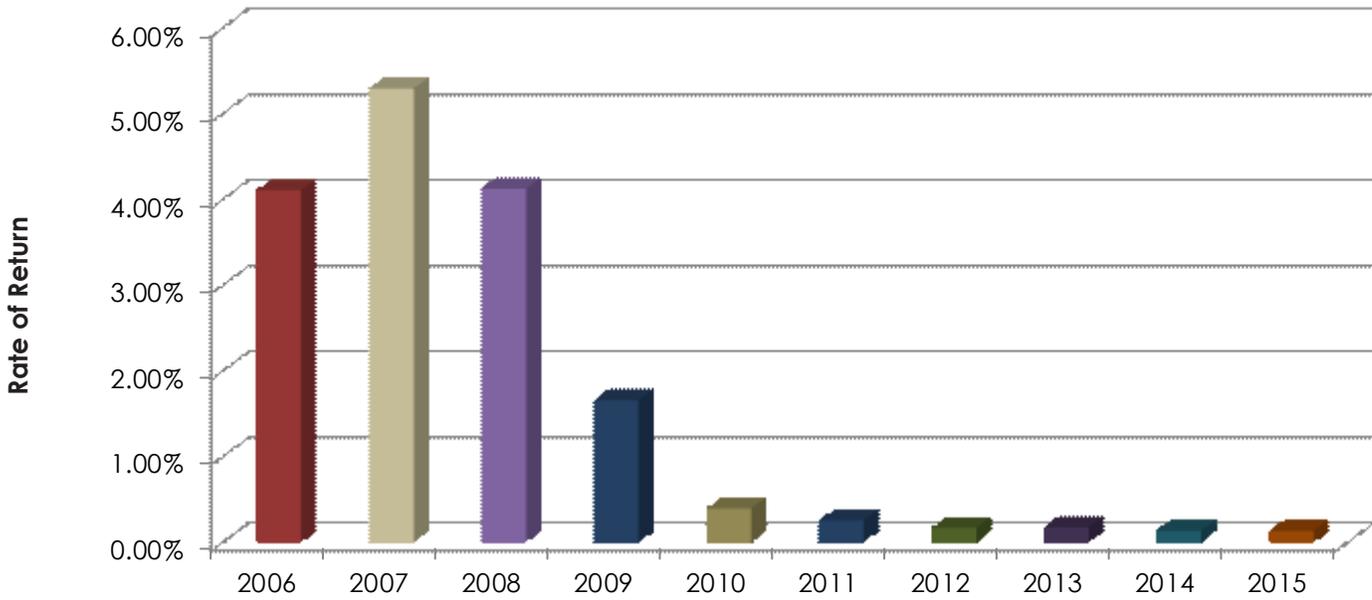
**U.S. Government Securities**

Fiscal Year	Average Amount Invested	Amount Earned	Rate of Return
2015	\$ 5,855,656,417	\$ 7,863,548	0.14%
2014	6,210,661,833	9,311,289	0.14%
2013	6,181,850,833	10,110,989	0.18%
2012	5,483,522,167	8,469,904	0.16%
2011	3,787,816,250	10,373,163	0.28%

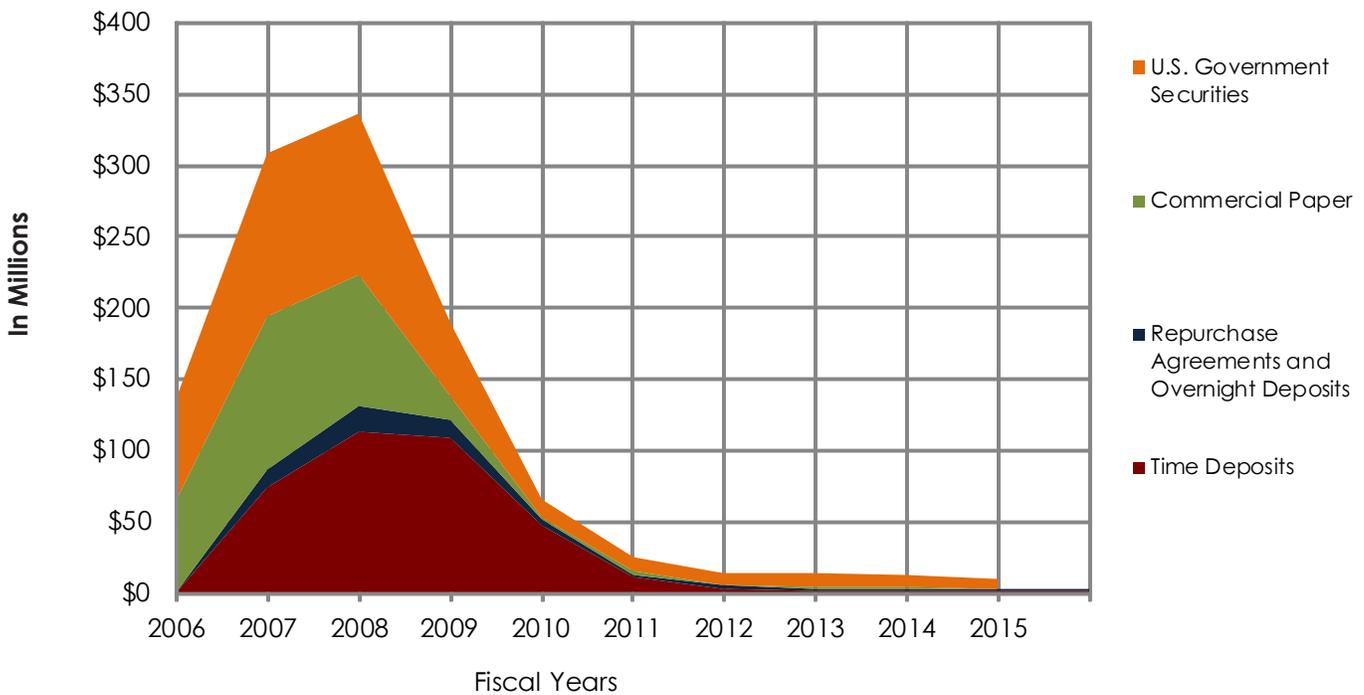
**Total Funds**

Fiscal Year	Average Total Funds Invested	Cash Management Investment	Composite Weighted Average Rate of
2015	\$ 8,404,381,241	\$ 11,125,712	0.18%
2014	8,200,979,800	12,139,821	0.14%
2013	8,362,808,305	14,013,687	0.18%
2012	7,811,335,639	12,134,874	0.17%
2011	6,956,325,471	17,939,345	0.26%

**CASH MANAGEMENT INVESTMENTS COMPOSITE WEIGHTED AVERAGE RATE OF RETURN  
FISCAL YEARS 2006-2015**



**ANALYSIS OF STATE CASH EARNINGS  
FISCAL YEARS 2006-2015**



**CASH MANAGEMENT PORTFOLIO ANALYSIS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

Date	Current Investment Yield	Total Portfolio Yield	Average Days to Maturity	Portfolio Composition				
				Certificates of Deposit	Sweep	U.S. Treasury Notes	U.S. Agency	Commercial Paper
July 2014	0.05%	0.12%	104	9.64%	6.27%	24.07%	50.67%	9.36%
August 2014	0.05%	0.12%	103	10.14%	6.91%	25.77%	49.83%	7.37%
September 2014	0.05%	0.12%	107	13.26%	7.94%	21.33%	49.44%	8.03%
October 2014	0.04%	0.12%	106	10.79%	6.84%	26.09%	50.50%	5.78%
November 2014	0.06%	0.13%	108	11.35%	7.48%	25.14%	46.50%	9.54%
December 2014	0.08%	0.14%	107	11.19%	7.45%	22.18%	50.30%	8.89%
January 2015	0.07%	0.14%	115	10.80%	6.89%	25.12%	46.89%	10.30%
February 2015	0.07%	0.16%	115	10.49%	8.82%	26.75%	43.37%	10.57%
March 2015	0.06%	0.15%	107	10.29%	7.44%	25.51%	47.94%	8.81%
April 2015	0.08%	0.14%	104	9.45%	6.43%	30.48%	44.63%	9.01%
May 2015	0.09%	0.14%	107	9.25%	5.67%	28.65%	46.04%	10.38%
June 2015	<u>0.09%</u>	<u>0.15%</u>	<u>110</u>	<u>11.90%</u>	<u>4.62%</u>	<u>26.14%</u>	<u>49.28%</u>	<u>8.07%</u>
Average	<u>0.07%</u>	<u>0.14%</u>	<u>108</u>	<u>10.71%</u>	<u>6.89%</u>	<u>25.60%</u>	<u>47.96%</u>	<u>8.84%</u>

Month	General Fund		LGIP		Other Restricted		Total Average Invested
	Average	Percent	Average	Percent	Average	Percent	
July 2014	\$3,559,043,966	40.86%	\$2,464,272,364	28.29%	\$2,686,707,500	30.85%	\$8,710,023,830
August 2014	3,386,428,798	39.99%	2,359,010,175	27.86%	2,722,678,794	32.15%	8,468,117,767
September 2014	3,278,929,954	39.36%	2,349,095,888	28.20%	2,702,501,535	32.44%	8,330,527,377
October 2014	3,000,499,803	37.21%	2,349,370,038	29.14%	2,713,423,535	33.65%	8,063,293,376
November 2014	2,719,690,223	35.25%	2,288,034,103	29.66%	2,706,920,058	35.09%	7,714,644,384
December 2014	2,671,698,055	34.25%	2,412,329,544	30.92%	2,717,206,719	34.83%	7,801,234,318
January 2015	2,667,689,310	33.91%	2,453,508,330	31.19%	2,744,731,422	34.89%	7,865,929,062
February 2015	2,492,957,801	31.86%	2,560,321,289	32.72%	2,770,509,086	35.41%	7,823,788,176
March 2015	2,545,050,364	30.24%	3,141,339,534	37.33%	2,729,397,018	32.43%	8,415,786,916
April 2015	2,921,262,480	33.30%	3,101,148,139	35.35%	2,749,552,359	31.34%	8,771,962,978
May 2015	3,400,016,084	36.26%	2,966,270,792	31.64%	3,009,250,043	32.10%	9,375,536,919
June 2015	<u>3,624,869,587</u>	<u>38.11%</u>	<u>2,861,783,235</u>	<u>30.09%</u>	<u>3,025,076,970</u>	<u>31.80%</u>	<u>9,511,729,792</u>
Average	<u>\$3,022,344,702</u>	<u>35.96%</u>	<u>\$2,608,873,619</u>	<u>31.04%</u>	<u>\$2,773,162,920</u>	<u>33.00%</u>	<u>\$8,404,381,241</u>

**U.S. TREASURY AND AGENCY OBLIGATIONS**

<b>Description</b>	<b>Maturity</b>	<b>Yield to Maturity</b>	<b>Par Value</b>	<b>Fair Value</b>
Federal Home Loan Bank	07/17/15	0.13%	\$ 50,000,000	\$ 50,001,500
Federal Home Loan Bank	08/10/15	1.75%	100,000,000	100,179,000
Federal Home Loan Bank	08/24/15	0.20%	50,000,000	50,008,000
Federal Home Loan Bank	08/28/15	0.38%	30,000,000	30,012,900
Federal Home Loan Bank	08/28/15	0.13%	50,000,000	50,000,000
Federal Home Loan Bank	09/11/15	1.75%	34,715,000	34,824,699
Federal Home Loan Bank	09/18/15	0.20%	28,000,000	28,003,080
Federal Home Loan Bank	09/22/15	0.18%	68,445,000	68,456,636
Federal Home Loan Bank	10/09/15	0.21%	100,000,000	100,007,000
Federal Home Loan Bank	12/10/15	0.25%	75,000,000	75,026,250
Federal Home Loan Bank	12/18/15	0.20%	100,000,000	100,024,000
Federal Home Loan Bank	12/30/15	0.38%	12,515,000	12,518,880
Federal Home Loan Bank	02/02/16	0.25%	20,000,000	19,996,400
Federal Home Loan Bank	06/10/16	2.13%	64,820,000	65,872,029
FFCB Discount Notes	09/01/15	0.20%	15,000,000	14,998,350
FFCB Discount Notes	09/15/15	2.13%	60,000,000	60,243,600
FFCB Discount Notes	09/28/15	0.20%	6,000,000	5,999,100
FFCB Discount Notes	10/01/15	0.15%	50,000,000	49,987,500
FFCB Discount Notes	10/22/15	0.17%	100,000,000	99,983,000
FFCB Discount Notes	11/03/15	0.19%	27,000,000	26,995,680
FFCB Discount Notes	11/06/15	0.24%	25,000,000	24,990,250
FFCB Discount Notes	12/01/15	0.31%	35,000,000	34,980,750
FFCB Discount Notes	12/22/15	0.32%	77,000,000	76,952,260
FFCB Discount Notes	01/25/16	0.42%	30,000,000	30,020,400
FFCB Discount Notes	01/26/16	0.25%	100,000,000	99,919,000
FFCB Discount Notes	02/02/16	0.29%	20,800,000	20,792,720
FFCB Discount Notes	02/10/16	0.30%	100,000,000	99,907,000
FFCB Discount Notes	03/10/16	0.32%	50,000,000	49,940,000
FFCB Discount Notes	05/12/16	0.28%	50,000,000	49,898,500
FHLB Discount Notes	07/02/15	0.05%	100,000,000	100,000,000
FHLB Discount Notes	07/07/15	0.03%	157,000,000	157,000,000
FHLB Discount Notes	07/08/15	0.08%	77,000,000	77,000,000
FHLB Discount Notes	07/10/15	0.02%	90,000,000	89,999,100
FHLB Discount Notes	07/15/15	0.03%	100,000,000	99,999,000

*(continued)*

U.S. TREASURY AND AGENCY OBLIGATIONS

Description	Maturity	Yield to Maturity	Par Value	Fair Value
FHLB Discount Notes	07/22/15	0.02%	\$ 100,000,000	\$ 99,999,000
FHLB Discount Notes	08/03/15	0.03%	100,000,000	99,996,000
FHLMC Note .0	12/14/15	0.27%	129,000,000	128,922,600
FHLMC Note .06	10/15/15	0.06%	125,000,000	124,963,750
FHLMC Note .08	11/12/15	0.08%	50,000,000	49,979,500
FHLMC Note .1	08/07/15	0.10%	100,000,000	99,996,000
FHLMC Note .13	12/15/15	0.13%	156,000,000	155,906,400
FHLMC Note .29	12/14/15	0.29%	80,000,000	79,952,000
FHLMC Note .4	05/27/16	0.40%	38,050,000	38,045,815
FHLMC Note .5	08/28/15	0.50%	78,000,000	78,035,100
FHLMC Note 2.5	05/27/16	2.50%	99,495,000	101,425,203
FNMA Discount Notes	07/01/15	0.06%	53,483,000	53,483,000
FNMA Discount Notes	07/15/15	0.07%	193,000,000	192,998,070
FNMA Discount Notes	07/28/15	2.38%	58,057,000	58,151,633
FNMA Discount Notes	07/31/15	0.05%	74,821,000	74,819,504
FNMA Discount Notes	09/28/15	0.50%	97,415,000	97,396,491
FNMA Discount Notes	10/26/15	1.63%	100,000,000	100,473,000
FNMA Discount Notes	04/11/16	2.38%	75,000,000	76,196,250
Intl Bk for Recon	07/02/15	0.03%	100,000,000	100,000,000
Intl Bk for Recon	07/02/15	0.05%	100,000,000	100,000,000
Intl Bk for Recon	07/06/15	0.01%	25,000,000	25,000,000
Intl Bk for Recon	07/06/15	0.04%	100,000,000	100,000,000
Intl Bk for Recon	07/07/15	0.02%	50,000,000	50,000,000
Intl Bk for Recon	07/10/15	0.05%	100,000,000	99,999,000
Intl Bk for Recon	07/10/15	0.05%	150,000,000	149,998,500
Intl Bk for Recon	08/07/15	0.06%	90,000,000	89,996,400
Intl Bk for Recon	08/07/15	0.05%	100,000,000	99,996,000
Us Treasury Bonds	01/31/16	2.00%	100,000,000	101,063,000
US Treasury Notes	07/15/15	0.25%	100,000,000	100,008,000
US Treasury Notes	07/31/15	1.75%	100,000,000	100,141,000
US Treasury Notes	07/31/15	1.75%	100,000,000	100,141,000
US Treasury Notes	07/31/15	1.75%	125,000,000	125,176,250
US Treasury Notes	08/15/15	0.25%	100,000,000	100,008,000
US Treasury Notes	08/15/15	4.25%	150,000,000	150,784,500

(continued)

**U.S. TREASURY AND AGENCY OBLIGATIONS**

<b>Description</b>	<b>Maturity</b>	<b>Yield to Maturity</b>	<b>Par Value</b>	<b>Fair Value</b>
US Treasury Notes	08/31/15	0.38%	\$ 100,000,000	\$ 100,047,000
US Treasury Notes	08/31/15	0.38%	150,000,000	150,070,500
US Treasury Notes	09/15/15	0.25%	50,000,000	50,015,500
US Treasury Notes	09/15/15	0.25%	100,000,000	100,031,000
US Treasury Notes	01/15/16	0.38%	26,000,000	26,036,660
US Treasury Notes	01/15/16	0.38%	100,000,000	100,141,000
US Treasury Notes	01/31/16	2.00%	100,000,000	101,063,000
US Treasury Notes	02/15/16	0.38%	100,000,000	100,125,000
US Treasury Notes	02/15/16	4.50%	100,000,000	102,695,000
US Treasury Notes	02/29/16	0.25%	100,000,000	100,055,000
US Treasury Notes	03/31/16	0.38%	100,000,000	100,102,000
US Treasury Notes	04/30/16	2.00%	80,000,000	81,124,800
US Treasury Notes	04/30/16	2.00%	100,000,000	101,406,000
US Treasury Notes	05/15/16	0.25%	100,000,000	99,969,000
US Treasury Notes	06/15/16	0.50%	35,000,000	35,065,800
US Treasury Notes	06/15/16	0.50%	100,000,000	100,188,000
US Treasury Notes	07/15/16	0.63%	50,000,000	50,136,500
US Treasury Notes	07/15/16	0.63%	50,000,000	50,136,500
US Treasury Notes	07/15/16	0.63%	100,000,000	100,273,000
<b>TOTAL U.S. TREASURY AND AGENCY OBLIGATIONS</b>			<b>\$ 6,991,616,000</b>	<b>\$ 7,006,268,808</b>

**CERTIFICATES OF DEPOSIT**

<b>Description</b>	<b>Maturity</b>	<b>Yield to Maturity</b>	<b>Par Value</b>	<b>Fair Value</b>
Bank of Crockett, Bells	07/24/15	0.15%	\$ 1,000,000	\$ 1,000,000
Bank of Crockett, Bells	07/27/15	0.15%	3,000,000	3,000,000
Bank of Crockett, Bells	07/30/15	0.15%	2,000,000	2,000,000
Bank of Crockett, Bells	07/30/15	0.15%	3,300,000	3,300,000
Bank of Crockett, Bells	08/24/15	0.15%	3,000,000	3,000,000
Bank of Gleason	07/14/15	0.20%	300,000	300,000
Bank of Gleason	09/22/15	5.25%	750,000	750,000
Bank of Gleason	10/02/15	0.20%	350,000	350,000
Bank of Gleason	11/24/15	0.20%	2,000,000	2,000,000
Bank of Halls	07/03/15	0.15%	2,450,000	2,450,000

(continued)

**CERTIFICATES OF DEPOSIT**

<b>Description</b>	<b>Maturity</b>	<b>Yield to Maturity</b>	<b>Par Value</b>	<b>Fair Value</b>
Bank of Halls	07/08/15	0.15%	\$ 2,000,000	\$ 2,000,000
Bank of Halls	07/23/15	0.15%	1,225,000	1,225,000
Bank of Halls	08/13/15	0.15%	735,000	735,000
Bank of Jackson	07/06/15	0.15%	2,000,000	2,000,000
BB&T, Knoxville	04/05/16	0.18%	50,000,000	50,000,000
BB&T, Knoxville	04/20/16	0.20%	150,000,000	150,000,000
BB&T, Knoxville	05/05/16	0.20%	50,000,000	50,000,000
BB&T, Knoxville	05/05/16	0.20%	100,000,000	100,000,000
BB&T, Knoxville	06/09/16	0.22%	50,000,000	50,000,000
CapitalMark Bank & Trust, Chattanooga	09/28/15	0.20%	20,000,000	20,000,000
CapitalMark Bank & Trust, Chattanooga	10/09/15	0.20%	10,000,000	10,000,000
CapitalMark Bank & Trust, Chattanooga	10/09/15	0.20%	20,000,000	20,000,000
CapStar Bank, Nashville	07/06/15	0.15%	15,000,000	15,000,000
CapStar Bank, Nashville	08/28/15	0.20%	15,000,000	15,000,000
CapStar Bank, Nashville	09/08/15	0.20%	5,000,000	5,000,000
CapStar Bank, Nashville	09/10/15	0.20%	10,000,000	10,000,000
CapStar Bank, Nashville	10/16/15	0.20%	10,000,000	10,000,000
CapStar Bank, Nashville	12/15/15	0.20%	10,000,000	10,000,000
Carroll Bank and Trust, Bradford	09/18/15	0.20%	90,000	90,000
Citizens State Bank, Jasper	12/22/15	0.20%	75,000	75,000
Civic Bank and Trust, Nashville	12/21/15	0.20%	1,000,000	1,000,000
Clayton Bank & Trust, Knoxville	08/28/15	0.20%	10,000,000	10,000,000
Coffee County Bank, Manchester	07/28/15	0.20%	240,000	240,000
Commerce Union Bank, Springfield	11/03/15	0.20%	2,000,000	2,000,000
Community First Bank & Trust, Columbia	08/06/15	0.15%	4,000,000	4,000,000
Community National Bank, Dayton	10/23/15	0.20%	1,000,000	1,000,000
Community National Bank, Dayton	12/15/15	0.20%	1,000,000	1,000,000
Community Trust and Banking, Ooltewah	12/14/15	0.20%	2,000,000	2,000,000
First Advantage Bank, Clarksville	07/10/15	0.20%	1,000,000	1,000,000
First Advantage Bank, Clarksville	12/15/15	0.20%	2,500,000	2,500,000
First Citizens National Bank, Dyersburg	11/13/15	0.20%	3,000,000	3,000,000
First Citizens National Bank, Dyersburg	11/13/15	0.20%	20,000,000	20,000,000
First Tennessee Bank National Association, Memphis	07/15/15	0.10%	100,000,000	100,000,000
Gates Banking and Trust Company	07/02/15	0.15%	1,250,000	1,250,000

*(continued)*

**CERTIFICATES OF DEPOSIT**

<b>Description</b>	<b>Maturity</b>	<b>Yield to Maturity</b>	<b>Par Value</b>	<b>Fair Value</b>
Gates Banking and Trust Company	07/10/15	0.15%	\$ 250,000	\$ 250,000
Gates Banking and Trust Company	07/10/15	0.15%	750,000	750,000
Gates Banking and Trust Company	07/16/15	0.15%	250,000	250,000
Gates Banking and Trust Company	07/16/15	0.15%	425,000	425,000
Gates Banking and Trust Company	07/16/15	0.15%	750,000	750,000
Gates Banking and Trust Company	07/17/15	0.15%	500,000	500,000
Gates Banking and Trust Company	07/20/15	0.15%	200,000	200,000
Gates Banking and Trust Company	07/24/15	0.15%	500,000	500,000
Gates Banking and Trust Company	07/24/15	0.15%	1,250,000	1,250,000
Gates Banking and Trust Company	07/30/15	0.15%	750,000	750,000
Gates Banking and Trust Company	08/03/15	0.15%	250,000	250,000
Gates Banking and Trust Company	08/03/15	0.15%	250,000	250,000
Gates Banking and Trust Company	08/06/15	0.15%	500,000	500,000
Gates Banking and Trust Company	08/14/15	0.15%	250,000	250,000
Gates Banking and Trust Company	08/14/15	0.15%	600,000	600,000
Gates Banking and Trust Company	08/24/15	0.15%	1,000,000	1,000,000
Landmark Community, Collierville	07/07/15	0.15%	27,000,000	27,000,000
Landmark Community, Collierville	07/10/15	0.15%	5,000,000	5,000,000
Metropolitan Bank, Memphis	12/01/15	0.20%	7,500,000	7,500,000
Metropolitan Bank, Memphis	12/21/15	0.20%	7,500,000	7,500,000
Newport Federal Bank	07/28/15	0.20%	95,000	95,000
Newport Federal Bank	07/28/15	0.20%	300,000	300,000
Newport Federal Bank	11/13/15	0.20%	500,000	500,000
Newport Federal Bank	11/13/15	0.20%	500,000	500,000
Patriot Bank, Millington	07/02/15	0.15%	1,000,000	1,000,000
Patriot Bank, Millington	07/03/15	0.15%	5,000,000	5,000,000
Patriot Bank, Millington	07/24/15	0.15%	1,500,000	1,500,000
Patriot Bank, Millington	07/24/15	0.15%	5,000,000	5,000,000
Patriot Bank, Millington	08/27/15	0.15%	5,000,000	5,000,000
Putnam 1st Mercantile, Cookeville	07/07/15	0.20%	1,000,000	1,000,000
Regions Bank, Nashville	07/01/15	0.10%	100,000,000	100,000,000
Regions Bank, Nashville	07/01/15	0.10%	200,000,000	200,000,000
Reliant Bank, Brentwood	07/17/15	0.20%	5,000,000	5,000,000
Reliant Bank, Brentwood	08/14/15	0.20%	10,000,000	10,000,000

*(continued)*

**CERTIFICATES OF DEPOSIT**

Description	Maturity	Yield to Maturity	Par Value	Fair Value
Security Bank, Dyersburg	07/17/15	0.15%	\$ 2,500,000	\$ 2,500,000
Security Bank, Dyersburg	08/21/15	0.15%	2,500,000	2,500,000
The First National Bank of McMinnville	07/10/15	0.15%	3,000,000	3,000,000
The First National Bank of McMinnville	07/16/15	0.15%	4,000,000	4,000,000
The First National Bank of McMinnville	07/20/15	0.15%	3,000,000	3,000,000
The First National Bank of McMinnville	08/20/15	0.15%	3,000,000	3,000,000
The Hardin County Bank, Savannah	08/07/15	0.20%	2,000,000	2,000,000
The Hardin County Bank, Savannah	08/07/15	0.20%	3,000,000	3,000,000
TNBank, Oak Ridge	07/14/15	0.20%	1,000,000	1,000,000
TNBank, Oak Ridge	08/14/15	0.20%	1,000,000	1,000,000
TNBank, Oak Ridge	09/04/15	0.20%	1,000,000	1,000,000
Wayne County Bank, Waynesboro	08/14/15	0.20%	500,000	500,000
Wayne County Bank, Waynesboro	11/13/15	0.20%	900,000	900,000
<b>TOTAL CERTIFICATES OF DEPOSIT</b>			<b>\$ 1,106,035,000</b>	<b>\$ 1,106,035,000</b>

**OVERNIGHT DEPOSIT ACCOUNTS**

Description	Maturity	Rate	Position Size	Market Value
First Tennessee Bank-Overnight Deposit Accounts	07/01/15	0.15%	\$ 110,000,000	\$ 110,000,000
First Tennessee Bank-Overnight Deposit Accounts	07/01/15	0.42%	18,648,061	18,648,061
Regions Bank-Overnight Deposit Account	07/01/15	0.10%	300,575,387	300,575,387
<b>TOTAL OVERNIGHT DEPOSIT ACCOUNTS</b>			<b>\$ 429,223,448</b>	<b>\$ 429,223,448</b>

**COMMERCIAL PAPER**

Description	Maturity	Rating	Par Value	Fair Value
BNP	07/01/15	A1	\$ 300,000,000	\$ 299,999,750
CARGILL	07/07/15	A1	100,000,000	99,998,667
NARCO	08/03/15	A1	50,000,000	49,993,125
NARCO	08/03/15	A1	50,000,000	49,993,125
Nestle	07/07/15	A1	51,000,000	50,999,830
PEPSICO	07/17/15	A1	50,000,000	49,998,222
UPS	07/01/15	A1	49,000,000	48,999,997
UPS	07/02/15	A1	100,000,000	99,999,972
<b>TOTAL COMMERCIAL PAPER</b>			<b>\$ 750,000,000</b>	<b>\$ 749,982,688</b>
<b>TOTAL STATE CASH PORTFOLIO</b>			<b>\$ 9,276,874,448</b>	<b>\$ 9,291,509,945</b>

## BACCALAUREATE EDUCATION SYSTEM TRUST PORTFOLIO

### BACCALAUREATE EDUCATION SYSTEM TRUST AS OF JUNE 30, 2015

	Units	Fair Value
<b>Fixed Exchange Traded Funds</b>		
Vanguard Total Bond Market	601,190	<u>\$ 48,852,699</u>
<b>Total Fixed Income Exchange Traded Funds</b>		<u><b>48,852,699</b></u>
<b>Equity Exchange Traded Funds</b>		
SSGA Government Money Market Fund	5,275,451	\$ 5,275,451
Ishares MSCI EAFE	122,290	7,764,192
Vanguard Index S&P 500	92,980	<u>17,558,343</u>
<b>Total Equity Exchange Traded Funds</b>		<u><b>30,597,986</b></u>
 <b>TOTAL PORTFOLIO</b>		 <u><u><b>\$ 79,450,685</b></u></u>

**LARGEST BOND HOLDINGS**  
**AS OF JUNE 30, 2015**  
**BY FAIR VALUE**

Par Value	Security Name	Yield at Market	Maturity	Moody's Quality Rating	Fair Value
3,829,175	US Treasury Notes	(0.35%)	01/15/20	Aaa	\$ 4,093,625
3,500,000	US Treasury Notes	1.92%	07/31/21	Aaa	3,566,171
3,000,000	US Treasury Notes	1.04%	07/31/18	Aaa	3,030,000
2,916,861	US Treasury Index Linked Notes	(0.63%)	04/15/18	Aaa	2,962,664
2,000,000	GENERAL ELEC CAP CORP	4.48%	01/14/38	A	2,392,060
1,836,561	US Treasury Index Linked Bonds	0.85%	02/15/41	Aaa	2,278,054
1,882,650	US Treasury Index Linked Bonds	0.28%	01/15/25	Aaa	2,214,761
1,965,000	Fiscal Year 2005 Securitization	1.71%	04/01/20	Aaa	2,141,359
1,900,000	US Treasury Notes	0.80%	11/30/17	Aaa	1,966,204
1,295,217	US Treasury Index Linked Bonds	0.50%	04/15/29	Aaa	1,834,553

A complete portfolio listing is available upon request.

Exchange Traded Funds	Units	Fair Value
Vanguard S&P 500 Index	729,400	\$ 137,739,896
Ishares MSCI EAFE	614,450	39,011,431
<b>TOTAL Exchange Traded FUND</b>		<b><u>\$ 176,751,327</u></b>

Key to Ratings: All ratings presented are from Moody's Investors Service with the exception of some of the government agency securities. Moody's does not rate these securities. Standard & Poor's does provide ratings for the securities (AAA is Standard & Poor's highest rating). Government Securities are not rated per se, but are considered the best quality securities.

Moody's rates securities as follows:

Aaa	Best Quality
Aa	High Quality
A	Upper Medium Quality
Baa	Medium Quality
NR	Not Rated

# TENNESSEE PROMISE SCHOLARSHIP ENDOWMENT TRUST FUND PORTFOLIO

## TENNESSEE PROMISE SCHOLARSHIP ENDOWMENT TRUST FUND AS OF JUNE 30, 2015

	Units	Fair Value
<b>EQUITY EXCHANGE TRADED FUNDS</b>		
VANGUARD TOTAL STOCK MARKET ET VANGUARD TOTAL STOCK MKT ETF	282,000	\$ 30,179,640
VANGUARD FTSE DEVELOPED MARKET VANGUARD FTSE DEVELOPED ETF	372,000	14,749,800
ISHARES MSCI CANADA ETF ISHARES MSCI CANADA ETF	120,600	3,216,402
ISHARES MSCI SOUTH KOREA CAPPE ISHARES MSCI SOUTH KOREA CAP	24,200	1,333,662
ISHARES MSCI BRAZIL CAPPED ETF ISHARES MSCI BRAZIL CAPPED E	30,800	1,009,316
ISHARES MSCI TAIWAN ETF ISHARES MSCI TAIWAN ETF	62,200	981,516
ISHARES MSCI SOUTH AFRICA ETF ISHARES MSCI SOUTH AFRICA ET	9,400	615,136
ISHARES INDIA 50 ETF ISHARES INDIA 50 ETF	16,700	498,662
ISHARES MSCI MEXICO CAPPED ETF ISHARES MSCI MEXICO CAPPED	7,400	422,614
<b>TOTAL EQUITY EXCHANGE TRADED FUNDS</b>	<b>925,300</b>	<b>53,006,748</b>
<b>FIXED INCOME SECURITIES AND EXCHANGE TRADED FUNDS</b>		
FIXED INCOME SECURITIES (LEGACY TRANSITION PORTFOLIO)	170,489,889	\$ 181,011,221
ISHARES MBS ETF ISHARES MBS ETF	308,200	33,476,684
VANGUARD INTERMEDIATE TERM COR VANGUARD INT TERM CORPORATE	289,900	24,728,470
VANGUARD LONG TERM CORPORATE B VANGUARD LONG TERM CORP BOND	270,200	23,050,762
VANGUARD SHORT TERM INFLATION VANGUARD SHORT TERM TIPS	349,000	16,989,320
SPDR BARCLAYS HIGH YIELD BOND SPDR BARCLAYS HIGH YIELD BD	216,000	8,300,880
<b>TOTAL FIXED INCOME SECURITIES AND EXCHANGE TRADED FUNDS</b>	<b>171,923,189</b>	<b>287,557,337</b>
<b>REAL ESTATE EXCHANGE TRADED FUNDS</b>		
VANGUARD REIT ETF VANGUARD REIT ETF	59,800	\$ 4,466,462
	<b>59,800</b>	<b>\$ 4,466,462</b>
<b>TOTAL PORTFOLIO</b>	<b>172,908,289</b>	<b>\$ 345,030,547</b>

### INTERMEDIATE TERM INVESTMENT FUND

[treasury.tn.gov/lqip/interterminvfund](http://treasury.tn.gov/lqip/interterminvfund)

The Intermediate Term Investment Fund (ITIF) is an external investment pool sponsored by the State of Tennessee. All funds in the ITIF at June 30, 2015 consist of funds belonging to entities outside of the State of Tennessee Financial Reporting Entity, and have been included as a separate investment trust fund in the *Tennessee Comprehensive Annual Financial Report*.

***Financial Statements for the  
Intermediate Term Investment Fund  
can be found on pages 101-104.***