

FY2015 Q2 Investment Reports

The Oregon State University (University) investment reports for the second quarter (Q2) of FY2015 are presented in the following three sections:

- **FY2015 Q2 Market Background** – This section provides a general discussion of the investment markets and related performance information during the second quarter of FY2015 (fourth calendar quarter of 2014).
- **FY2015 Q2 Public University Fund Investment Report** – This section includes a report on the investments of the Public University Fund (P.U.F.) for the second quarter of FY2015. The P.U.F. is an investment pool that is administered by the University on behalf of all Oregon public university participants, pursuant to legislation adopted by the 2014 Legislature. The P.U.F. holds assets of all participating Oregon public universities, including Eastern Oregon University, Oregon Institute of Technology, Oregon State University, Portland State University, Southern Oregon University, and Western Oregon University, as well as the Oregon University System's Chancellor's Office.
- **FY2015 Q2 Oregon State University Investment Report** – This section includes a report on the investments of the operating and endowment assets of the University. The report includes both the University's operating asset investments that are held in their entirety in the Public University Fund and the University's endowment and quasi-endowment investments, including land held as separately invested endowment funds and cash invested in a pooled endowment fund at the State Treasury.

FY2015 Q2 MARKET BACKGROUND

(Prepared by Callan Associates, consultants to Oregon Investment Council)

ECONOMIC AND MARKET ENVIRONMENT

Global decoupling of financial markets accelerated in the fourth calendar quarter as U.S. equities enjoyed mid-single to low-double digit advances whilst foreign equities shed 3-5% in U.S. dollar terms. 2014 calendar year results were even more disparate as U.S. large and midcaps rallied about 13% while developed market foreign equities fell nearly 5% and emerging market equities fell nearly 2%. The bifurcation was also notable in fixed income markets as U.S. investment grade bonds advanced nearly 2% in the quarter and 6% for the year while non-U.S. developed market bonds fell in U.S. dollar terms for the quarter and for the full year. Emerging markets debt underperformed developed markets in both U.S. dollar and local currency terms during the quarter.

Much of the difference in overseas returns was due to a sharp rally in the U.S. dollar relative to most developed currencies over the second half of 2014. The U.S. dollar advanced 12% versus the euro and Swiss franc, 9% versus the Canadian and Australian dollars, nearly 14% versus the Japanese yen, and about 5% against the United Kingdom (U.K.) pound. Some emerging currencies were also very weak; the Brazilian real fell more than 10% and the Russian ruble declined by almost 50% as economic sanctions and falling oil prices triggered a capital flight and double digit inflation.

The plunge in oil prices through the second half of 2014 drove commodity indices to significant declines. Fourth quarter drops of 12% and nearly 28% for the Bloomberg and Goldman indices, respectively, brought the curtain down on the full calendar year of 2014 with declines of 17% and 33% for the two major commodity indices. Brent Crude oil suffered the worst decline in the commodity complex with a 4Q decline of 40% and a calendar year 2014 slide of a staggering 47%. Unleaded gasoline and West Texas Intermediate (WTI) crude followed closely with calendar year declines of 44% and 42%, respectively.

MACROECONOMIC ENVIRONMENT

A massive slide in oil prices and a coincident rally in the U.S. dollar were the hallmark economic trends in the latter half of 2014. Much of the world is suffering from very slow economic growth; the U.K. and U.S. are showing the strongest growth in the developed world (+2.6% and +5.0% annualized rate, respectively) while the Eurozone is teetering on the edge of recession. Austria, Italy and Japan posted fractional Gross Domestic Product (GDP) contractions in the latter half of 2014. Global inflation rates also show significant decoupling; however, the impact of falling energy prices has pushed headline inflation rates lower in most countries. The Eurozone is experiencing deflation; December's data showed a 0.2% drop in prices over the previous 12 months. Japan is currently reading the highest inflation rate in the developed world at 2.4%; however, much of that positive number appears to be due to the spring consumption tax hike and will likely retrace to a fractionally negative number in the spring of 2015.

Inflation in the U.S. remains quite low, with both headline and core readings firmly below 2% for much of 2014. Most recently, the core Consumer Price Index (CPI) read 1.7% for the 12-months ended November 2014, while headline CPI was pushed lower by the oil slide and was 1.3% for the same period. Among CPI components, food and housing rose most rapidly at +3.2% and +3.0%, respectively. The energy component contracted 4.8% while education and communication declined by 4.0%. It is important to recognize that both food and energy prices are volatile and any rebound in oil will pass directly into headline CPI. The impact of the 50% drop in oil prices is drastic and has both winners and losers. Russia is in the losing camp as a significant amount of government revenue comes from energy sales. Russia has already made capital infusions, both through debt and equity, into three of its largest banking institutions. Similarly, Venezuela relies heavily on oil sales to fund its government. Both countries are experiencing currency devaluations and stunningly high inflation rates (Russia: 11.4%, Venezuela: 63.4%). Conversely, countries with significant external energy needs should feel a meaningful benefit from lower oil prices. Specifically, Japan and much of Europe are heavy importers of oil; more than 3.5% of GDP in the case of Japan, and over 2% of GDP in Germany, France, and Italy.

GDP growth has slowed in much of the developed world and recession looms over large swaths of the globe. Parts of the Eurozone have already tipped into recession and aggregate growth has slowed to just 0.3%. The European Central Bank (ECB) announced in December that it is considering a full blown "Quantitative Easing (QE)" in 2015. Initial quantitative easing in Europe last fall was limited to "covered bonds" in contrast to the ECB now considering purchases of sovereign debt of member countries. Slow growth and the anticipation of QE has driven interest rates in Europe to new lows. Ten-year government debt yields sit below 2% for nearly every country in developed Europe and many are well below 1%. Japan is in a similar situation with 10-year Japanese Government Bonds (JGBs) yielding just 0.3%. These low yields partially explain the recent strength in the U.S. dollar as the roughly 2% yield on the 10-year U.S. Treasury note is attracting significant foreign capital. The resultant rally in the dollar has pushed the currency to its highest level since 2006 against the euro and since 2007 against the yen.

U.S. economic indicators have been fairly robust in 2014. Consumer confidence has risen meaningfully and the December reading set a post-recession high. Continuing strength in the job market coupled with falling gasoline prices and rising wages and asset prices have consumers feeling better than at any point in the past six years. U.S. GDP is also quite strong with the most recent revision of 3Q14 GDP rising to 5%. Following a 4.6% expansion in 2Q14, 2014 as a whole should shape up quite well despite a notable stumble of -2.1% in 1Q14 that was blamed largely on harsh winter weather. Looking forward, the Fed Open Market Committee sees these trends continuing with forecasts of 2.8% real GDP growth for 2015 and 2016 and a continued decline in unemployment to 5.1% by 2016.

4Q CALENDAR 2014 MARKET PERFORMANCE

U.S. large and mid-capitalization equities dominated global equity performance in calendar year 2014 with returns in excess of 13% for the year. U.S. small and micro caps enjoyed a rally in the fourth quarter and posted the best equity results for the final 3 months of the year (4Q14 – Russell 2000 (R2K): +9.7%, Russell microcap (Rmicro): +11.2%); however, a major selloff earlier in the year kept calendar year performance well behind large and midcaps. The strength in U.S. equities was in direct contrast to weakness elsewhere among foreign equities. Non-U.S. equities, both developed and emerging, fell in 4Q14 and calendar year (CY) 2014 as currency impacts pushed positive local currency returns in the low-mid single digits to meaningfully negative U.S. dollar performance. Europe suffered big currency declines in the euro, U.K. pound, and Swiss franc. Japan also felt its currency weaken notably against the dollar as did a number of emerging markets.

In the U.S., small and micro caps recovered sharply (R2K): +9.7%, Rmicro: +11.2%) and led equity market results in the fourth quarter while mid and large caps also enjoyed solid gains (Russell Top 200: +4.4%, Russell Midcap: +5.9%). Style produced little differentiation as growth and value moved together in the quarter across capitalization (Russell 1000 Growth (R1G): +4.8%, Russell 1000 Value (R1V): +5.0%, Russell Midcap Growth (RMG): +5.8%, Russell Midcap Value (RMV): +6.1%, Russell 2000 Growth (R2G): +10.1%, Russell 2000 Value (R2V): +9.4%). High quality widely outperformed low quality (Standard & Poor's (S&P) High Quarter (HQ): +8.6%, Low Quarter (LQ): +3.7%) for the second consecutive quarter. Within the S&P 500, the Energy sector (-10.7%) suffered notably with falling oil and natural gas prices and was the worst performing sector in 4Q14. Utilities posted the only double digit gain in the S&P (+13.2%) while Consumer Staples and Discretionary also rose more than 8%.

Developed foreign equities managed positive returns in local currency terms; however, significant dollar strength versus most currencies pushed returns sharply lower in U.S. dollar terms for the fourth quarter (Morgan Stanley Capital Index - Europe, Australasia, Far East (MSCI EAFE) Local: +1.8%, EAFE U.S.\$: -3.6%). In contrast to the U.S., style provided some differentiation overseas as growth outperformed value in developed markets (EAFE Growth: -2.3%, Value: -4.9%). Small caps outperformed larger issues (EAFE Small Cap: -2.3%). Emerging market equities trailed developed in local and U.S. dollar terms (MSCI Emerging Market (EM) Local: +0.1%, EM U.S.\$: -4.4%). On a country specific basis, Hong Kong equities generated the strongest returns among developed nations (MSCI Hong Kong U.S.\$: +3.1%). Norway's equity market fell sharply (MSCI Norway U.S.\$: -25.0%) and occupied the bottom rung of the developed market performance ladder as falling oil prices negatively impacted both equities and the Norwegian krone in the oil rich nation. Russia (MSCI Russia U.S. \$: -32.8%) occupied the same position among emerging countries and for similar reasons; oil and currency. China was the best performing country globally with a 7.2% advance in the fourth quarter.

The Barclays U.S. Aggregate Index returned 1.8% in the second fiscal quarter, bringing calendar year 2014 returns to a very respectable 6.0%. Yields fell during the quarter and the yield curve continued its flattening trend. The 10-year U.S. Treasury finished the year at 2.17%, 87 basis points (bps) lower than 12/31/13 and 35 bps lower than 9/30. The 30-year bond fell 121 bps in 2014 while the 2-year note rose 29 bps. Long Treasuries returned 9% for the quarter and 25% for the full year. Treasuries maturing in 1 – 5 years returned 0.5% for the quarter and were up only 1.2% for the year. The decline in Treasury yields was largely blamed on strong foreign demand given the attractiveness of U.S. interest rates relative to other developed economies. The shifting curve shape, meanwhile, reflects expectations for an eventual Fed rate hike and benign inflation. However, the path to higher rates remains somewhat opaque given the problems overseas and fears over deflation. Treasury Inflation Protected Securities (TIPS) underperformed nominal Treasuries as prospects for inflation all but evaporated with the collapse in oil prices. The 10-year breakeven rate, which measures expectations for consumer prices over ten years, narrowed to 1.68% from 1.97% at the end of the third quarter and 2.24% at the start of the year. The Barclays TIPS Index fell 3 bps for the quarter and rose 3.6% for the year, far short of its nominal Treasury counterparts. Within the Aggregate Index, corporates underperformed like-duration U.S. Treasuries by 112 bps in the fourth quarter with energy-related credits faring the worst. The energy sector underperformed Treasuries by more than 460 bps. The Barclays High Yield Index returned -1.0% for the quarter, trimming its full year return to 2.5%. Energy comprises about 15% of this Index, and energy-related high yield credits sank more than 10% over the quarter. Bank loans also trailed in both the fourth quarter (S&P Loan Syndications Trading Association (LSTA): -0.5%) and over the full year (+1.6%).

CLOSING THOUGHTS

As 2014 closed and 2015 commenced, global economic decoupling seemed to accelerate. The U.S. clearly enjoys the strongest growth in the developed world and little growth is to be found elsewhere, with the possible exception of decent trends in the U.K. Global bond yields and inflation readings reflect this dichotomy as the U.S. enjoys low, but still positive, interest and inflation rates while Europe and Japan have near zero interest rates and teeter on the edge of deflation.

U.S. equity markets concluded 2014 just below record highs set in the last week of December (S&P 500: 2,090.57, Dow Jones Industrial Average (DJIA): 18,053.71). Equity valuations continued to rise beyond long term averages; however, with the strong economy and earnings growth, valuations might be characterized as “full” but not “stretched.” Currently nine of the ten S&P economic sectors are trading above 10-year average valuations; Utilities are the only exception. U.S. bonds and the U.S. dollar are in high demand as foreign investors look enviously at better yields and safety afforded in U.S. paper. With expectations of muted returns and higher volatility, prudent asset allocation and risk assessment based on future capital needs for both plan sponsors and individual investors remains Callan’s recommended course.

FY2015 Q2 PUBLIC UNIVERSITY FUND INVESTMENT REPORT

(Prepared by the Public University Fund Administrator)

PERFORMANCE

The Public University Fund's (P.U.F.) quarterly total return was 0.5%. During the quarter, the Oregon Short Term Fund outperformed its benchmark while the Oregon Intermediate Term Pool and Long Term Pool underperformed their respective benchmarks.

A second quarter P.U.F. investment performance review was conducted by Tom Lofton, Oregon State Treasury Fixed Income Portfolio Manager, with P.U.F. Administration and University staff in late January. While both the Oregon Intermediate Term Portfolio and Long Term Fund underperformed their respective benchmarks during the period, Mr. Lofton is committed to a conservative positioning versus the benchmarks. Mr. Lofton believes the risk of rising interest rates is increasing as the economy improves and the Federal Reserve reduces stimulus efforts. As such, Mr. Lofton is managing the average portfolio duration to a level below that of each fund's benchmark. As opportunities arise, Mr. Lofton anticipates moving the Long Term Fund's duration towards the benchmark average of 5.50 years from the current 3.02 years. A snapshot of the Oregon Intermediate Term Pool and the Long Term Fund's portfolio characteristics and market exposures is available on page 7 and 8. Mr. Lofton reported zero holdings compliance violations during the quarter.

	Quarter Ended 12-31-14	Prior Fiscal YTD	Current Fiscal YTD	3 Year Avg	Market Value	Asset Allocation	Policy Allocation
Oregon Short –Term Term Fund	0.1%	0.3%	0.3%	0.6%	\$ 111,618,327	32.5%	\$150 million minimum
<i>Benchmark 91 day T-Bill</i>	0.0%	0.0%	0.0%	0.1%			
Oregon Intermediate - Term Pool	0.4%	1.2%	0.5%		\$ 116,078,702	33.8%	\$300 million maximum
<i>Benchmark BAML 1-5 yrs US Corp & Govt A & Above</i>	0.6%	0.9%	0.5%	1.4%			
<i>Combined Historical Returns</i>				2.9%			
PUF Long Term Pool	1.1%	1.0%	1.4%		\$ 116,220,346	33.8%	\$120 million maximum
<i>Benchmark BAML 5-7 yrs US Corp & Govt AA & Above</i>	1.7%	-0.4%	1.7%	1.6%			
<i>Combined Historical Returns</i>				2.9%			
Public University Fund	0.5%	0.7%	0.7%		\$343,917,375	100%	

INVESTMENT INCOME AND PARTICIPANT OWNERSHIP

During the quarter, investment earnings distributed to the participants totaled \$1,523,134.

	Income Distribution	Market Value	% Ownership
Oregon State University	\$ 684,373	\$ 120,418,630	35.0%
Portland State University	405,422	103,705,863	30.2%
Western Oregon University	140,555	44,461,823	12.9%
Southern Oregon University	91,003	23,544,556	6.9%
Oregon Institute of Technology	82,749	21,587,436	6.3%
Eastern Oregon University	44,189	9,785,944	2.9%
Chancellor's Office	74,843	20,413,123	5.9%
Grand Total	\$ 1,523,134	\$ 343,917,375	100.0%

Oregon Intermediate Term Pool Exposures

December 31, 2014

Sector	Market Value Gain (Loss)		Duration		Yield Percent
	Percent	Percent	Years	Contribution	
M-Mkt/Cash	13.4%	0.0%	0.08	0.01	0.50%
Govt	14.0%	-0.2%	2.26	0.31	1.04%
Corporate	49.5%	1.2%	2.10	1.04	2.10%
Municipal	4.3%	0.3%	2.80	0.12	1.85%
Asset-Backed	10.8%	-0.5%	1.89	0.20	1.09%
CMBS	5.7%	-0.4%	2.21	0.13	1.24%
MBS	2.3%	0.0%	2.43	0.06	1.37%
Total	100.0%	0.5%	1.87	1.87	1.55%
<i>Fixed</i>	70.16%	0.41%	2.62	1.84	
<i>Variable</i>	29.84%	0.72%	0.11	0.03	

Rating	Market Value Gain (Loss)		Duration		Yield Percent
	Percent	Percent	Years	Contribution	
AAA	24.24%	-0.38%	2.26	0.55	1.19%
AA+	10.41%	0.07%	2.25	0.23	1.20%
AA	14.00%	-0.01%	0.20	0.03	0.54%
AA-	4.32%	0.62%	1.80	0.08	1.50%
A+	3.30%	0.11%	2.21	0.07	1.47%
A	4.71%	0.23%	1.61	0.08	1.38%
A-	11.43%	1.72%	1.12	0.13	1.75%
BBB+	11.43%	1.57%	1.58	0.18	2.12%
BBB	6.29%	1.69%	2.06	0.13	1.91%
BBB-	9.87%	0.69%	4.04	0.40	3.27%
Total	100.00%	0.50%	1.87	1.87	1.55%

Industry	Market Value Gain (Loss)		Duration		Yield Percent
	Percent	Percent	Years	Contribution	
Asset Backed Securities	10.80%	-0.46%	1.89	0.20	1.09%
Basic Materials	0.13%	-1.34%	2.17	0.00	2.36%
Cash	13.41%	0.00%	0.08	0.01	0.50%
Communications	4.23%	1.63%	0.79	0.03	1.61%
Consumer, Cyclical	2.95%	0.38%	4.90	0.14	2.93%
Consumer, Non-cyclical	2.23%	1.01%	2.56	0.06	2.04%
Energy	0.49%	-0.29%	2.27	0.01	1.85%
Financial	28.74%	1.09%	1.76	0.51	2.07%
Government	13.95%	-0.18%	2.26	0.31	1.04%
Industrial	5.93%	1.87%	2.82	0.17	2.17%
Mortgage Securities	8.05%	-0.29%	2.27	0.18	1.28%
Municipal	4.29%	0.28%	2.80	0.12	1.85%
Technology	1.46%	-0.37%	2.16	0.03	1.05%
Utilities	3.33%	2.15%	2.55	0.08	2.68%
Total	100.00%	0.50%	1.87	1.87	1.55%

Top Exposures	Market Value	
	Percent	Percent
OSTF	13.41%	
US Government/Agencies	11.00%	
Federal Home Loan Banks	5.26%	
John Deer Ownder Trust	3.42%	
WF-RBS Commercial Mortgage Tru	3.00%	
Ryder System Inc	2.75%	
BB&T Corp	2.45%	
Fifth Third Bancorp	2.20%	
Gtigroup Inc	2.19%	
Government Properties Income Tru	1.98%	
Verizon Communications Inc	1.97%	
CNH Industrial NV	1.94%	
Wells Fargo Commercial Mortgage	1.81%	
Morgan Stanley	1.74%	
TransAlta Corp	1.65%	

PUF Long Term Fund Exposures

December 31, 2014

Sector	Market Value Gain (Loss)		Duration		Yield Percent
	Percent	Percent	Years	Contribution	
M-Mkt/Cash	8.5%	0.0%	0.08	0.01	0.54%
Govt	26.7%	0.6%	4.61	1.23	1.90%
Corporate	37.7%	-0.1%	3.40	1.28	1.91%
Municipal	2.9%	-0.2%	3.46	0.10	2.12%
Asset-Backed	8.6%	0.0%	1.87	0.16	-0.74%
CMBS	7.5%	-1.5%	1.17	0.09	0.16%
MBS	8.1%	-0.1%	1.88	0.15	1.18%
Total	100.0%	0.0%	3.02	3.02	1.37%
<i>Fixed</i>	72.78%	0.11%	4.08	2.97	
<i>Variable</i>	27.22%	-0.30%	0.20	0.03	

Rating	Market Value Gain (Loss)		Duration		Yield Percent
	Percent	Percent	Years	Contribution	
AAA	53.62%	-0.03%	3.23	1.73	1.09%
AA+	2.81%	0.18%	1.27	0.04	1.20%
AA	14.94%	0.26%	1.86	0.28	1.19%
AA-	0.00%	0.00%	0.00	0.00	0.00%
A+	3.63%	-0.43%	2.63	0.10	1.76%
A	7.11%	0.02%	2.34	0.17	1.35%
A-	8.41%	-0.43%	1.12	0.09	1.19%
BBB+	2.23%	1.18%	7.96	0.18	3.75%
BBB	5.65%	0.23%	6.84	0.39	3.49%
BBB-	1.59%	-1.04%	3.51	0.06	2.31%
Total	100.00%	0.00%	3.02	3.02	1.37%

Industry	Market Value Gain (Loss)		Duration		Yield Percent
	Percent	Percent	Years	Contribution	
Asset Backed Securities	8.63%	-0.05%	1.87	0.16	-0.74%
Basic Materials	2.67%	0.62%	8.21	0.22	3.93%
Cash	8.53%	0.00%	0.08	0.01	0.54%
Communications	0.00%	0.00%	0.00	0.00	0.00%
Consumer, Cyclical	2.79%	0.71%	6.93	0.19	3.40%
Consumer, Non-cyclical	2.83%	-0.04%	4.39	0.12	1.78%
Energy	2.09%	-0.43%	1.15	0.02	0.98%
Financial	22.16%	-0.20%	2.31	0.51	1.56%
Government	26.71%	0.60%	4.61	1.23	1.90%
Industrial	4.62%	0.12%	4.07	0.19	1.93%
Mortgage Securities	15.57%	-0.79%	1.54	0.24	0.68%
Municipal	2.88%	-0.19%	3.46	0.10	2.12%
Technology	0.52%	-1.61%	3.74	0.02	2.46%
Utilities	0.00%	0.00%	0.00	0.00	0.00%
Total	100.00%	0.00%	3.02	3.02	1.37%

Top Exposures	Market Value	
	Percent	Percent
US Government/Agencies	26.17%	
OSTF	8.53%	
Federal Home Loan Banks	7.89%	
Ford Motor Co	3.16%	
Bank of America Corp	3.15%	
Cytec Industries	2.67%	
Province of Quebec Canada	2.65%	
Citigroup Inc	2.58%	
Deere & Co	2.39%	
Leggett & Platt Inc	2.23%	
Entergy Corp	1.94%	
Johnson & Johnson	1.76%	
General Electric Co	1.75%	
Louisiana Local Government Env	1.72%	
Federal Farm Credit Banks	1.68%	

FY2015 Q2 OREGON STATE UNIVERSITY INVESTMENT REPORT

(Prepared by the University Shared Services Enterprise)

The schedule of Oregon State University's investments is shown in the investment summary below.

PUBLIC UNIVERSITY FUND PERFORMANCE

Oregon State University has invested its operating assets in the Public University Fund (P.U.F.). The report on the investment performance of the P.U.F., provided in the separate section above, shows that the P.U.F. returned 0.5% for the quarter.

POOLED ENDOWMENT FUND PERFORMANCE

(Prepared by Oregon State Treasury)

Oregon State University has invested its endowment and quasi-endowment assets in the Higher Education Endowment Fund (HIED) managed by the Oregon State Treasury. The HIED Endowment Fund returned 1.4% for the quarter and 1.6% fiscal year to date. The year to date performance was 120 bps above the policy benchmark return of 0.4%.

As noted earlier, there was a significant "disconnect" between U.S. and Non-U.S. equity markets during the quarter. For the fiscal year to date, HIED's Blackrock S&P 500 holding returned 6.1% while the Arrowstreet Capital holding lost 5.0%. On a relative basis, the Arrowstreet Capital manager exceeded the passive MSCI World ex-U.S. benchmark by 450 bps.

The fixed income mandate managed by Western Asset delivered a return of 1.6% versus a 2.0% return on the Barclays Aggregate Bond Index, for the fiscal period.

For the five years ended December 31, the Fund returned an average of 10.5% annually, over 100 bps above the policy benchmark.

As a result of recent legislative changes and participant withdrawals from the Fund, the manager allocations and overall asset allocation of the fund will change significantly over the coming months.

STAFF RECOMMENDATION

Staff proposes the Finance & Administration Committee accept the FY2015 Second Quarter (Q2) Public University Fund Investment Report and the FY2015 Second Quarter (Q2) Oregon State University Investment Report.

Oregon State University

Investment Summary

as of December 31, 2014

(Net of Fees)

	Quarter Ended 12/31/2014	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
OSU Operating Assets Invested in Public University Fund									
Oregon Short Term Fund	0.1%	0.3%	0.3%	0.6%	0.6%	2.0%	39,081,846	32.5%	¹
Benchmark - 91 day T-Bill	0.0%	0.0%	0.0%	0.1%	0.1%	1.6%			
Oregon Intermediate Term Pool	0.4%	1.2%	0.5%	1.4%	N/A	N/A	40,643,595	33.8%	¹
Benchmark BAML 1-5Yrs US Corp & Govt A & Above	0.6%	0.9%	0.5%	2.9%					
² Combined Historical Returns									
P.U.F. Long Term Pool	1.1%	1.0%	1.4%				40,693,189	33.8%	¹
Benchmark BAML 5-7Yrs US Corp & Govt AA & Above	1.7%	-0.4%	1.7%	1.6%					
² Combined Historical Returns				2.9%	N/A	N/A			
Total Public University Fund Investment	0.5%	0.7%	0.7%				120,418,630	100.0%	
OSU Endowment Assets Invested in Pooled Endowment Fund									
Total Pooled Endowment	1.4%	12.2%	1.6%	12.5%	10.5%	6.2%			
³ Target Alloc Policy Benchmark	1.0%	9.5%	0.4%	11.7%	9.4%	6.2%			
Growth									
BlackRock S&P 500 Index	4.9%	16.3%	6.1%	20.4%	15.5%	N/A	8,615,612	23.2%	
Benchmark - S&P 500 Stock Index	4.9%	16.3%	6.1%	20.4%	15.5%				
Columbia Acorn	3.7%	18.2%	-1.9%	15.7%	13.2%	N/A	1,223,355	3.3%	
Benchmark - Russell 2500 Index	6.8%	18.5%	1.1%	20.0%	16.4%				
Arrowstreet Capital	-1.1%	24.5%	-5.0%	18.5%	11.9%	N/A	7,672,730	20.6%	
Benchmark - MSCI World Ex US IMI Net	-3.7%	18.0%	-9.5%	10.6%	5.5%				
Genesis Asset Management	-5.1%	8.1%	-9.1%	6.4%	5.0%	N/A	1,378,175	3.7%	
Benchmark - MSCI Emerging Markets IMI Net	-4.7%	7.4%	-7.8%	4.5%	1.9%				
BlackRock ACWI IMI B	0.7%	16.4%	-2.1%	14.8%	N/A	N/A	166	0.0%	
Benchmark - MSCI ACWI IMI Net	0.6%	16.1%	-2.3%	14.3%					
HRJ Growth Capital II	-3.2%	8.7%	2.3%				1,465,187	3.9%	⁵
Benchmark - Russell 3000+300 bps Qtr Lag	0.8%	10.8%	6.4%						
JP Morgan Venture Capital IV	2.7%	5.1%	6.3%				1,969,255	5.3%	
Benchmark - Russell 3000+300 bps Qtr Lag	0.8%	10.8%	6.4%						
Total Growth							22,324,480	60.0%	50%-75%

TAB J

Oregon State University

Investment Summary

as of December 31, 2014

(Net of Fees)

	Quarter Ended 12/31/2014	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
Diversifiers									
Western Asset Core Plus Bond Fund	1.2%	1.1%	1.6%	4.8%	6.6%	5.7%	8,731,543	23.5%	
Benchmark - BC Aggregate Index	1.8%	0.4%	2.0%	2.7%	4.4%	4.7%			
Cash	0.1%	0.3%	0.3%	0.6%	0.6%	2.0%	1,608,070	4.3%	
Benchmark - 91 day T-Bill	0.0%	0.0%	0.0%	0.1%	0.1%	1.6%			
Total Diversifiers							10,339,613	27.8%	20%-30%
Inflation Hedge									
Capital Dynamics GRE III	1.7%	6.7%	4.2%				808,401	2.2%	
Benchmark - Russell 3000+300 bps Qtr Lag	0.8%	10.8%	6.4%						
BlackRock TIPS NL B	-0.1%	-1.3%	-2.2%	0.4%	N/A	N/A	3,725,715	10.0%	
Benchmark - BC TIP Index Total Return	0.0%	-1.3%	-2.1%	0.4%					
Total Inflation Hedge							4,534,116	12.2%	7%-20%
Total Pooled Endowment Fund							37,198,209	100.0%	
Land Held as Separately Invested Endowment Funds							2,693,002		
Total Endowment Funds							39,891,211		

¹ The Public University Fund (P.U.F.) policy guidelines define investment allocation targets based upon total participant dollars committed.

Core balances in excess of liquidity requirements are available for investment in the Intermediate-Term Pool and the Long-Term Pool.

Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

² The historical returns presented combine the investment returns from the predecessor fund with the investment returns of the P.U.F., for investments with an identical mandate. The predecessor fund commingled all public universities operating assets into a cash and investment pool.

³ Notes on Policy Benchmark:

From November 2012 to current the policy benchmark is 25% Russell 3000, 25% MSCI ACWI Ex US, 25% BC AGG, 10% Russell 3000 +300bps, 7.5% BC Treasury Inflation Protection Index, and 7.5% NCREIF Index.

⁴ Estimated total return as calculated by University Shared Services Enterprise staff as (ending balance + sales - costs - contributions)/(beginning balance)-1).

⁵ Value based on equity method of accounting as of December 31, 2014, adjusted for capital contributions and distributions through December 31, 2014.

⁶ Physical appraisals completed every five years, with last physical appraisals completed in fy 2012 and 2014 for the two separate forest lands. Valuations in interim years provided by faculty. Land held as separately invested endowments may not be sold. Land use is restricted to teaching and research. Partial harvests, consistent with good forestry management practices are allowed, with specified uses for ongoing funding for scholarships and an endowed chair.

Note: Outlined returns underperformed their benchmark.