

FY2022 Q3 Investment Reports

BACKGROUND

The Oregon State University (university) investment reports for the third quarter (Q3, January 1 – March 31, 2022) of fiscal year (FY) 2022 are presented in the following four sections:

- **FY2022 Q3 Public University Fund Investment Report** – This section includes a report on the investments of the Public University Fund (PUF) for the third quarter of FY2022. The PUF 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 PUF holds assets of the following participating Oregon public universities: Eastern Oregon University, Oregon Institute of Technology, Oregon State University, Portland State University, Southern Oregon University, and Western Oregon University.
- **FY2022 Q3 Oregon State University Investment Report** – This section includes a report on the investments of the operating and endowment assets of the university. This report reflects the university’s operating assets and general revenue bond proceeds invested with multiple managers, board-designated assets, the university’s endowment and quasi-endowment investments managed by the Oregon State University Foundation, the land held as separately invested endowments, and the land grant endowment that is invested in the PUF.
- **FY2022 Q3 Oregon State University Report on Investments of General Revenue Bond Proceeds** – This section provides a summary of revenue bond proceeds as of March 31, 2022.
- **FY2022 Q3 Market Background** – This section provides a general discussion of the investment markets and related performance information during the third quarter of FY2022.

FY2022 Q3 PUBLIC UNIVERSITY FUND INVESTMENT REPORT

Performance

The PUF decreased 2.0% for the quarter and 1.7% fiscal year-to-date. The PUF’s three-year and five-year average returns were a positive 1.8% and 2.0%, respectively.

The Oregon Short-Term Fund returned 0.1% for the quarter, outperforming its benchmark by 10 basis points. The Core Bond Fund declined 4.5% for the quarter, equal to the benchmark, as interest rates across the yield curve rose due to persistently high inflation and an increasingly more hawkish Federal Reserve. Additionally, the Russian invasion of Ukraine led to further widening in credit spreads and market volatility. The Core Bond Fund remains underweight duration and corporate credit while retaining exposure to structured credit, primarily through floating rate bonds.

The PUF investment yield was 0.3% for the quarter and 0.9% fiscal year-to-date, representing a 1.2% annualized yield.

The PUF administrator allocated \$20 million of assets into the Core Bond Fund during the quarter and \$120 million of assets during the last year.

Public University Fund Performance

| | Quarter Ended 3-31-22 | Current Fiscal YTD | Prior Fiscal YTD | 3-Year Avg. | 5-Year Avg. | Market Value | Asset Allocation | Policy |
|----------------------------------|-----------------------|--------------------|------------------|-------------|-------------|---------------|------------------|------------------------------------|
| Oregon Short-Term Fund | 0.1% | 0.5% | 0.6% | 1.3% | 1.6% | \$349,206,012 | 53.8% | \$130 million minimum ¹ |
| <i>Benchmark - 91-day T-Bill</i> | 0.0% | 0.1% | 0.1% | 0.8% | 1.1% | | | |
| PUF Core Bond Fund | -4.5% | -4.5% | 1.5% | 2.2% | 2.2% | \$299,647,331 | 46.2% | |
| <i>Benchmark ²</i> | -4.5% | -5.0% | -0.6% | 1.4% | 1.7% | | | |
| PUF Total Return | -2.0% | -1.7% | 0.9% | 1.8% | 2.0% | \$648,853,343 | 100.0% | |
| <i>PUF Investment Yield</i> | 0.3% | 0.9% | 1.5% | 2.2% | 2.2% | | | |

¹ The PUF policy guidelines define investment allocation targets based upon total participant dollars committed. Core balances in excess of liquidity requirements for the participants are available for investment in the Core Bond Fund. Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

² Benchmark is 100% Bloomberg Barclay's Intermediate U.S. Gov't/Credit Index as of February 1, 2021. From April 1, 2017 to January 31, 2021, the benchmark was 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.

A description of each investment pool's portfolio characteristics and market exposures is included in Attachment 1 of this report.

Investment Income and Participant Ownership

During the quarter, investment earnings distributed to the participants totaled \$1,893,192

| | Earnings Distribution ¹ | Market Value as of 3/31/2022 | % Ownership |
|--------------------------------------|------------------------------------|------------------------------|-------------|
| Portland State University | \$782,841 | \$ 276,350,109 | 42.6% |
| Oregon State University ² | 759,576 | 252,282,889 | 38.9% |
| Western Oregon University | 116,355 | 43,668,160 | 6.7% |
| Eastern Oregon University | 96,535 | 30,131,721 | 4.6% |
| Southern Oregon University | 80,661 | 27,831,312 | 4.3% |
| Oregon Institute of Technology | 57,224 | 18,589,152 | 2.9% |
| Grand Total | \$1,893,192 | \$ 648,853,343 | 100.0% |

¹The earnings available for distribution to participants were earned during the months of December 2021 through February 2022 and distributed to participants in March 2022. Earnings are distributed to participants based upon average cash and investment balances on deposit during the same period, which differs from the total market value at the end of the quarter.

²As of March 31, 2022, Oregon State University's total PUF market value consisted of operating assets, valued at \$251,959,921, and the land grant endowment, valued at \$322,968.

FY2022 Q3 OREGON STATE UNIVERSITY INVESTMENT REPORT

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

Public University Fund Performance

Oregon State University's operating assets and the land grant endowment are invested in the Public University Fund. The report on the investment performance of the PUF, provided in the separate section above, shows the PUF decreased by 2.0% for the third fiscal quarter ended March 31, 2022.

OSU Bond Proceeds Performance

The report on the investment performance of the unspent bond proceeds, provided in the Investment Summary table below, shows the funds invested in the Oregon Short-Term Fund gained 0.1%. The liquidity and short-duration portfolios, managed by RBC Global Asset Management, declined by 0.5% and 2.2%, respectively. The total market value of the unspent bond proceeds as of March 31, 2022 was \$306,550,386 including \$26,809,107 on deposit in university operating bank accounts.

OSU Board Designated Assets Performance

The Board Designated assets are invested in equities, with a long-term capital appreciation objective. The bond repayment investment and long-term equity portfolios are invested in the Calvert U.S. Large Cap Core Responsible Index Fund and the Calvert International Responsible Index Fund. Due to rising inflation and global economic uncertainty, global equity markets declined during the calendar quarter ended March 31, 2022. The U.S. Large Cap Core Responsible Index Fund decreased 7.0% for the quarter and increased 2.6% fiscal year-to-date. The International Responsible Index Fund decreased 8.5% for the quarter and 5.7% fiscal year-to-date. As of March 31, 2022, the total market value of the Bond Repayment Investment and Long-Term Equity portfolios were \$39,020,564 and \$5,220,878, respectively.

The combined market value of the Board Designated assets, as of March 31, 2022, was \$44,241,442, decreasing 7.5% for the quarter and increasing 1.4% fiscal year-to-date.

OSU Endowment Assets Performance

The OSU Endowment Assets, including those managed by the OSU Foundation, fell 3.6% for the quarter and 0.2% fiscal year-to-date. The three-year and five-year average return was 12.2% and 10.9%, respectively. The total market value of the OSU endowment assets as of March 31, 2022, was \$68,153,038.

The OSU Foundation, pursuant to an investment management contract, is managing the majority of the university's endowment assets. The OSU Foundation's Endowment Pool decreased 4.1% for the quarter and increased 1.7% fiscal year-to-date. The investment pool outperformed its benchmark by 1.4% for the quarter and 3.3% fiscal year-to-date. The three-year and five-year average returns were 13.2% and 11.1%, respectively.

Oregon State University
Investment Summary
as of March 31, 2022
 (Net of Fees)

| | Quarter Ended 3/31/2022 | Current Fiscal YTD | Prior Fiscal YTD | 3 Yr Avg | 5 Yr Avg | 10 Yr Avg | Market Value | Actual Asset Allocation | Policy Allocation Target |
|---|-------------------------------|--------------------------|------------------------|----------|----------|-----------|-----------------|-------------------------------|--------------------------------|
| OSU Operating Assets | | | | | | | | | |
| Assets Invested in the Public University Fund | | | | | | | | | |
| Oregon Short - Term Fund | 0.1% | 0.5% | 0.6% | 1.3% | 1.6% | 1.1% | \$ 135,602,167 | 53.8% | 1 |
| Benchmark - 91 day T-Bill | 0.0% | 0.1% | 0.1% | 0.8% | 1.1% | 0.6% | | | |
| PUF Core Bond Fund | -4.5% | -4.5% | 1.5% | 2.2% | 2.2% | N/A | 116,357,754 | 46.2% | 1 |
| Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index ² | -4.5% | -5.0% | -0.6% | 1.4% | 1.7% | 1.9% | | | |
| Total Public University Fund | -2.0% | -1.7% | 0.9% | 1.8% | 2.0% | N/A | 251,959,921 | 100.0% | |
| Public University Fund Investment Yield ³ | 0.3% | 0.9% | 1.5% | 2.2% | 2.2% | N/A | | | |
| OSU Unspent Bond Proceeds | | | | | | | | | |
| Oregon Short - Term Fund | 0.1% | 0.5% | 0.6% | N/A | N/A | N/A | 100,376,348 | 35.9% | |
| Benchmark - 91 day T-Bill | 0.0% | 0.1% | 0.1% | 0.8% | 1.1% | 0.6% | | | |
| RBC Liquidity Portfolio ⁴ | -0.5% | -0.6% | 0.0% | N/A | N/A | N/A | 53,169,323 | 19.0% | |
| Benchmark - 91 day T-Bill | 0.0% | 0.1% | 0.1% | 0.8% | 1.1% | 0.6% | | | |
| RBC Short-Duration Fixed Income Portfolio ⁵ | -2.2% | -2.5% | 0.1% | N/A | N/A | N/A | 126,195,608 | 45.1% | |
| Benchmark - ICE BofA 1-3 Year US Corporate & Government Index | -2.6% | -3.0% | 0.0% | 2.2% | 1.8% | 1.3% | | | |
| Total Unspent Bond Proceeds | | | | | | | 279,741,279 | 100.0% | |
| OSU Other Cash⁶ | | | | | | | | | |
| Total OSU Operating Assets | | | | | | | \$ 593,668,384 | | |
| OSU Board Designated Assets | | | | | | | | | |
| Bond Repayment Investment | | | | | | | | | |
| Calvert US Large Cap Core Responsible Index Fund ⁷ | -7.0% | 2.6% | N/A | N/A | N/A | N/A | \$ 25,788,903 | 66.1% | |
| Benchmark - Russell 1000 Index | -5.1% | 4.4% | 31.8% | 18.7% | 15.8% | 14.5% | | | |
| Calvert International Responsible Index Fund ⁸ | -8.5% | -5.7% | N/A | N/A | N/A | N/A | 13,231,661 | 33.9% | |
| Benchmark - MSCI World ex USA Index | -4.8% | -2.5% | 26.5% | 8.6% | 7.1% | 6.3% | | | |
| Total Bond Repayment Investment | -7.5% | 1.3% | N/A | N/A | N/A | N/A | 39,020,564 | 100.0% | |
| Long-Term Equity | | | | | | | | | |
| Calvert US Large Cap Core Responsible Index Fund | -7.0% | 2.6% | N/A | N/A | N/A | N/A | 4,752,133 | 91.0% | |
| Benchmark - Russell 1000 Index | -5.1% | 4.4% | 31.8% | 18.7% | 15.8% | 14.5% | | | |
| Calvert International Responsible Index Fund | -8.5% | -5.9% | N/A | N/A | N/A | N/A | 468,745 | 9.0% | |
| Benchmark - MSCI World ex USA Index | -4.8% | -2.5% | 26.5% | 8.6% | 7.1% | 6.3% | | | |
| Total Long-Term Equity | -7.2% | 1.8% | N/A | N/A | N/A | N/A | 5,220,878 | 100.0% | |
| Total OSU Board Designated Assets | -7.5% | 1.4% | N/A | N/A | N/A | N/A | \$ 44,241,442 | | |

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Oregon State University
Investment Summary
as of March 31, 2022
 (Net of Fees)

| | Quarter Ended 3/31/2022 | Current Fiscal YTD | Prior Fiscal YTD | 3 Yr Avg | 5 Yr Avg | 10 Yr Avg⁹ | Market Value | Actual Asset Allocation | Policy Allocation Target |
|---|------------------------------------|-------------------------------|-----------------------------|-----------------|-----------------|------------------------------|----------------------|--------------------------------|---------------------------------|
| OSU Endowment Assets | | | | | | | | | |
| OSU Foundation Endowment Pool | | | | | | | | | |
| Total Global Equity | -8.8% | -6.8% | 31.5% | 12.6% | 11.6% | N/A | \$ 30,956,641 | 51.6% | 50.0% |
| Benchmark - MSCI All Country World Index | -5.4% | -0.1% | 29.7% | 13.8% | 11.6% | N/A | | | |
| Total Global Fixed Income | -5.0% | -5.3% | 4.7% | 1.3% | 2.2% | N/A | 2,243,322 | 3.7% | 5.0% |
| Benchmark - Bloomberg Barclays Global Agg. Bond Index | -6.2% | -7.6% | 1.3% | 0.7% | 1.7% | N/A | | | |
| Total Absolute Return | -2.9% | -2.0% | 19.7% | 8.1% | 5.8% | N/A | 5,902,215 | 9.8% | 10.0% |
| Benchmark - HFRI Fund of Funds Index | -2.6% | -1.5% | 14.8% | 5.9% | 4.6% | N/A | | | |
| Total Real Assets | 4.8% | 17.6% | 15.1% | 6.8% | 4.8% | N/A | 4,954,502 | 8.4% | 10.0% |
| Benchmark - Real Assets Custom ¹⁰ | 6.3% | 13.0% | 18.0% | 10.4% | 7.6% | N/A | | | |
| Total Private Capital ¹¹ | 4.7% | 27.4% | 28.4% | 30.2% | 26.2% | N/A | 14,233,697 | 23.7% | 25.0% |
| Benchmark - No benchmark provided | | | | | | | | | |
| Total Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | N/A | 1,691,489 | 2.8% | 0.0% |
| Total OSU Endowment Assets Invested in OSUF Endow. Pool ¹² | -4.1% | 1.7% | 25.7% | 13.2% | 11.1% | N/A | 59,981,866 | 100.0% | 100.0% |
| Benchmark-80% MSCI ACWI/20% BBG Barclays Global Agg. ¹³ | -5.5% | -1.6% | 23.6% | 11.2% | 9.8% | 8.1% | | | |
| Other OSU Endowment Assets | | | | | | | | | |
| Land Held as Separately Invested Endowment Funds ¹⁴ | 0.0% | 0.0% | 0.0% | 6.2% | 10.8% | N/A | 7,848,204 | 96.0% | |
| Other Endowment Assets Invested in the PUF ¹⁵ | -2.0% | -1.7% | 0.9% | 1.8% | 1.9% | N/A | 322,968 | 4.0% | |
| Total Other OSU Endowment Assets | | | | | | | 8,171,172 | 100.0% | |
| Total OSU Endowment Assets | -3.6% | -0.2% | 22.1% | 12.2% | 10.9% | N/A | \$ 68,153,038 | | |

Note: Outlined returns underperformed their benchmark.

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Oregon State University
Investment Summary
as of March 31, 2022
 (Net of Fees)

- ¹ The Public University Fund (PUF) policy guidelines define investment allocation targets based upon total participant dollars committed. Core balances in excess of liquidity requirements for the participants are available for investment in the Core Bond Fund. Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.
- ² 100% Bloomberg Barclays Intermediate U.S. Gov't./Credit Index as of February 1, 2021. From April 1, 2017 to January 31, 2021, the benchmark was comprised of 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.
- ³ The reported investment yield for the quarter and fiscal year-to-date represent earned yields for the period and are not annualized rates.
- ⁴ The Liquidity Portfolio is separately managed by RBC Global Asset Management (U.S.) Inc. per an Investment Management Agreement. Initial investment of \$20 million was funded on 8/17/2020. Assets invested in the Liquidity Portfolio are anticipated to be expended on capital projects in two years or less.
- ⁵ The Short-Duration Fixed Income Portfolio is separately managed by RBC Global Asset Management (U.S.) Inc. per an Investment Management Agreement. Initial investment of \$80 million was funded on 8/17/2020. Assets invested in the Short-Duration Fixed Income Portfolio are projected for expenditure on capital projects two plus years into the future.
- ⁶ OSU Other Cash includes account balances held at JP Morgan Chase and U.S. Bank for operations.
- ⁷ Calvert US Large Cap Core Responsible Index Fund is invested in U.S. equity securities and follows responsible investing principles.
- ⁸ Calvert International Responsible Index Fund is invested in non-U.S. equity securities and follows responsible investing principles.
- ⁹ The OSU Foundation investment advisor, Agility, does not provide a 10-year benchmark for the individual asset classes. The 10-year benchmark is provided at the total pool level only.
- ¹⁰ Investment Trust Developed Index, 1/3 Bloomberg Commodity Index, 1/3 Bloomberg Barclays U.S. Treasury Inflation Protected Securities.
- ¹¹ To meet financial period and reporting deadlines, private capital market value and performance figures presented may differ from actual results.
- ¹² Investment returns are reported net of investment manager fees; gross of the Foundation's administrative fees.
- ¹³ The Endowed Pool benchmark consists of 80% of the MSCI ACWI and 20% of the Barclays Global Aggregate. During the portfolio transition period (July 2016), as agreed with OSUF, the benchmark return was equal to the actual return of the portfolio. Prior to 7/1/16, the benchmark consisted of 15% S&P 500 / 4% Russell 1000 Growth / 17% MSCI EAFE / 6% MSCI Emerging Markets / 6.5% Barclays Aggregate / 6.5% Citi WGBI / 3% Principal Diversified Real Assets Custom Blend / 18% HFRI Fund of Funds Composite Index / 3% S&P North American Natural Resources Sector Index / 3% Alerian MLP Index / 5% NCREIF Townsend Blended Index / 10% Burgiss Global Private Equity Index / 2% 91 Day T-Bills / 1% Mercer Illiquid Natural Resources Index.
- ¹⁴ Physical appraisals completed every five years. Valuations in interim years provided by faculty. Investment returns updated annually during the fiscal fourth quarter. Land held as separately invested endowments may not be sold, with the exception of the Matteson property, beginning 2/25/2035, and the Roth property. 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.
- ¹⁵ Funds provided by the State which are restricted to certain bond investments.

FY2022 Q3 OREGON STATE UNIVERSITY REPORT ON UNSPENT GENERAL REVENUE BOND PROCEEDS

The schedule of Oregon State University’s unspent revenue bond proceeds as of March 31, 2022, is shown in the summary below.

Unspent Revenue Bond Proceeds¹

| Issuance Year | 2015 ² | 2016 | 2017 ³ | 2019 | 2020 | Total ⁴ |
|--------------------------------------|-------------------|-------------------------|-------------------|---------------------------|----------------|--------------------|
| Unspent Revenue Bond Proceeds | \$ 43,157 | \$ 787,411 | \$ 53,749,631 | \$ 42,879,540 | \$ 211,472,723 | \$ 308,932,462 |
| <i>Allocated</i> ⁵ | \$ 43,157 | \$ - | \$ 53,749,631 | \$ 35,483,103 | \$ 48,172,723 | \$ 137,448,614 |
| Unallocated ⁶ | \$ - | \$ 787,411 ⁷ | \$ - | \$ 7,396,437 ⁷ | \$ 163,300,000 | \$ 171,483,848 |

¹ Reported based on book value and does not include \$3,141,067 unrealized losses or \$758,991 investment earnings not yet distributed.

² Space Improvement Projects are forecasted to be fully expended in FY2022.

³ Proceeds use was approved June 2017.

⁴ Balance includes \$26,809,107 of allocated proceeds held in the operations bank account.

⁵ Allocated proceeds are proceeds committed to specific projects that have Stage Gate 2 approval by the Board.

⁶ Unallocated proceeds are funds available to commit to projects and/or initiatives approved by the Board.

⁷ Unallocated amount reflects actual proceeds use below Board approval for closed projects.

FY2022 Q3 MARKET COMMENTARY

(Prepared by Meketa Investment Group, consultants to the Oregon Investment Council)

Report on Investments – as of March 31, 2022

Economic and Market Update

The first calendar quarter of 2022 saw market volatility, driven by persistently high inflation, expectations for policy to tighten faster than previously expected, and Russia’s invasion of Ukraine.

- Except for commodities, all asset classes declined during the quarter.
- Equities declined across the board with double-digit losses in China particularly weighing on emerging markets.
- Value oriented equities outpaced growth in the U.S. influenced by higher interest rates.
- Bonds in the U.S. had one of their worst quarters on record, declining more than equities.
- Rates rose across the U.S. yield curve, with the curve inverting by some measures by month-end.
- Inflation remains high globally given lingering supply issues from the pandemic and the conflict in Ukraine.
- The pace of policy tightening will likely increase due to persistent inflation.

The conflict in eastern Europe will have considerable economic and financial consequences for the global economy including the pacing of policy rate tightening, the risk of policy mistakes, and supply shocks pushing inflation even higher around the world.

Market Returns¹ March 31, 2022

| | Month | Quarter | YTD | 1-Year | 3-Year | 5-Year | 7-Year | 10-Year |
|-------------------------------------|-------|---------|--------|--------|--------|--------|--------|---------|
| S&P 500 | 3.7% | -4.6% | -4.6% | 15.6% | 18.9% | 16.0% | 14.0% | 14.6% |
| MSCI EAFE-ND | 0.6% | -5.9% | -5.9% | 1.2% | 7.8% | 6.7% | 5.1% | 6.3% |
| MSCI EM-ND | -2.3% | -7.0% | -7.0% | -11.4% | 4.9% | 6.0% | 4.7% | 3.4% |
| MSCI China-ND | -8.0% | -14.2% | -14.2% | -32.5% | -3.0% | 3.5% | 2.1% | 4.5% |
| Bloomberg US Aggregate | -2.8% | -5.9% | -5.9% | -4.2% | 1.7% | 2.1% | 1.9% | 2.2% |
| Bloomberg US TIPS | -1.9% | -3.0% | -3.0% | 4.3% | 6.2% | 4.4% | 3.6% | 2.7% |
| Bloomberg US Corporate High Yield | -1.1% | -4.8% | -4.8% | -0.7% | 4.6% | 4.7% | 5.0% | 5.7% |
| ICE BofAML US 3-Month Treasury Bill | 0.0% | 0.0% | 0.0% | 0.1% | 0.8% | 1.1% | 0.9% | 0.6% |
| ICE BofAML 1-3 Year US Treasury | -1.3% | -2.3% | -2.3% | -2.8% | 0.9% | 1.1% | 0.9% | 0.9% |
| ICE BofAML 10+ Year US Treasury | -4.8% | -10.1% | -10.1% | -1.2% | 3.2% | 3.8% | 2.4% | 3.9% |

¹Source: Oregon State Treasury

Outside of emerging markets and the broad U.S. investment grade bond market (Barclays Aggregate), most asset classes appreciated in calendar year 2021. However, most major asset classes suffered negative returns in the first quarter of calendar year 2022 with the notable exception of commodities. Treasury Inflation Protected Securities (TIPS) declined less than most other asset classes in the inflationary environment.

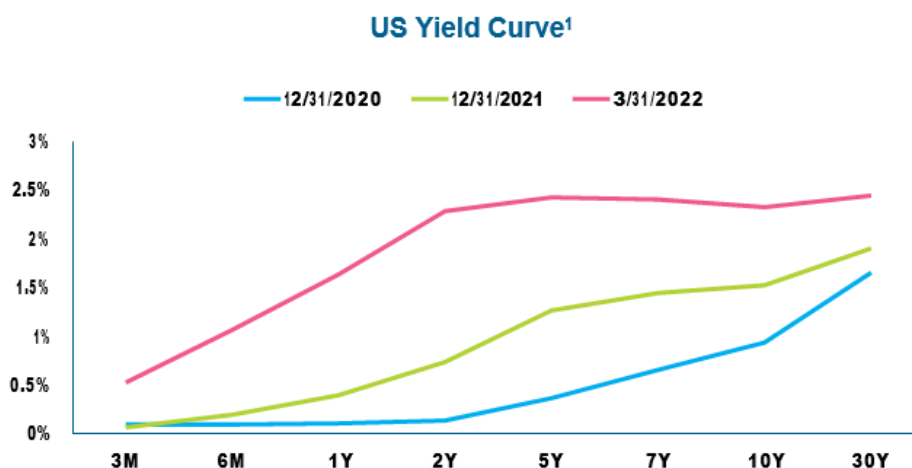
Despite positive returns in March, U.S. equities posted negative returns for the first calendar quarter of 2022 across all market capitalizations and styles given persistently high inflation and geopolitical uncertainty. Value stocks declined far less than growth stocks in the rising rate environment. Strong returns in the energy sector and weakness in the technology sector contributed to the results. Large company stocks (Russell 1000) outperformed small company stocks (Russell 2000).

Returns in international developed markets were also negative for the first calendar quarter of 2022. Declines were driven by a sharp fall in stocks in Europe hurt by a high reliance on Russian oil and gas. Continued strength in the U.S. dollar also weighed on results.

Emerging market stocks declined more than developed market stocks for the quarter. China was a key driver of results as its zero COVID-19 policy led to renewed lockdowns in Shanghai. Concerns related to regulations on U.S.-listed China stocks and overall slower growth also weighed on returns. Russian stocks and the ruble plunged with sanctions and trading halts.

The broad U.S. investment grade bond market (Barclays Aggregate) experienced one of its worst quarters on record given continued concerns about policy tightening and inflation. The nominal 10-year Treasury yield finished the quarter at 2.3%, a level 0.8% above the end of calendar 2021. TIPS also declined in the rising rate environment, but less than other bond sectors, helped by their inflation component. U.S. credit spreads widened in the first calendar quarter, particularly in high yield, as risk assets fell. Spreads remain at relatively low levels, though, given strong corporate health and high investor demand in the low-rate environment. Emerging market debt prices also declined in the quarter driven by the Russian invasion of Ukraine.

U.S. equity valuations retreated in the first two months of 2022 and rebounded in March with the market recovery. They remain well above long-term averages (near +2 standard deviations). International developed market valuations remain below the U.S., with those for emerging markets under its long-term average.



¹ Source: Bloomberg. Data is as of March 31, 2022

The trends of higher rates across maturities and curve flattening continued during the first calendar quarter of 2022 as markets repriced inflation, rate expectations, and an accelerated pace of the Federal Reserve reducing its balance sheet. The spread between two-year and ten-year Treasuries declined significantly over the quarter and became negative after quarter-end, which historically has often signaled a recession.

Inflation expectations (break evens) increased during the calendar quarter but are off their peak of close to 3.0%. They remain well above the long-term average. Trailing twelve-month Consumer Price Index continued to rise in March, reaching 8.5%, a level not seen since the early 1980s and far above the long-term average of 2.3%. Rising prices for energy and food, and for new and used cars, remained key drivers of higher inflation.

Global Economic Outlook

The International Monetary Fund (IMF) is forecasting strong growth again this year but continues to downgrade expectations given the lingering pandemic and persistent inflation. The war in Ukraine will likely further depress growth projections going forward. The IMF forecasts final global GDP to come in at 5.9% in calendar year 2021 and 4.4% in calendar year 2022 (0.5% below the prior estimate), both well above the past ten-year average of 3.1%.

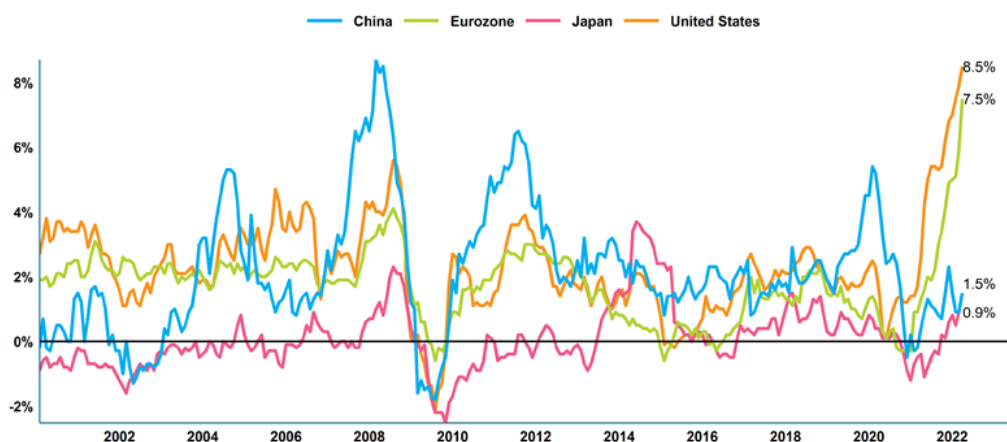
Global economies are expected to slow in calendar year 2022 compared to calendar year 2021 but are forecasted to have another year of largely above-trend growth as economies continue to emerge from the pandemic. Looking forward, the track of the conflict between Russia and Ukraine, continued supply chain issues, ongoing inflationary pressures, tighter monetary policy, and lingering pandemic problems all remain key.

After global central banks took extraordinary action to support the economy during the pandemic including policy rate cuts and emergency stimulus through quantitative easing (QE), many are considering reducing support in the face of high inflation. The pace of withdrawing support will likely vary across central banks with the U.S. expected to take a more aggressive

approach. The risk remains for a policy error, particularly overtightening, as the war in Ukraine could suppress global growth. The one notable outlier is China, where the central bank recently lowered rates and reserve requirements in response to slowing growth.

Budget deficits as a percentage of GDP drastically increased for major world economies, particularly the U.S., due to massive fiscal support and the severe economic contraction's effect on tax revenue in calendar years 2020 and 2021. As fiscal stimulus programs end, and economic recoveries continue, deficits should improve in the coming years.

Budget Surplus / Deficit as a Percentage of GDP¹



¹ Source: Bloomberg, and IMF; Euro Area and China figures annualized by Meketa. Projections via October 2021 IMF World Economic Outlook and represent annual numbers.

Inflation increased dramatically from the lows of the pandemic, particularly in the U.S. and Eurozone, where it continues to reach levels not seen in decades. Supply issues related to the pandemic and higher prices in many key commodities driven by the Russia and Ukraine conflict have been key drivers of inflation globally.

As economies have largely reopened due to vaccines for the virus, improvements have been seen in the labor market. U.S. unemployment, which experienced the steepest rise from the pandemic, has declined back to pre-pandemic levels and is currently at 3.6%. The broader measure (U-6) that includes discouraged and underemployed workers has declined but is much higher at 6.9%.

The U.S. dollar continued its 2021 trend of strengthening against a broad basket of peers in the first calendar quarter of 2022 with further increases after March month-end. Safe-haven flows and higher rates have been key drivers of the dollar's continued strength. A few commodity-sensitive currencies like the Brazilian real, South African rand, and Mexican peso have recently outpaced the dollar, given persistently high commodity prices.

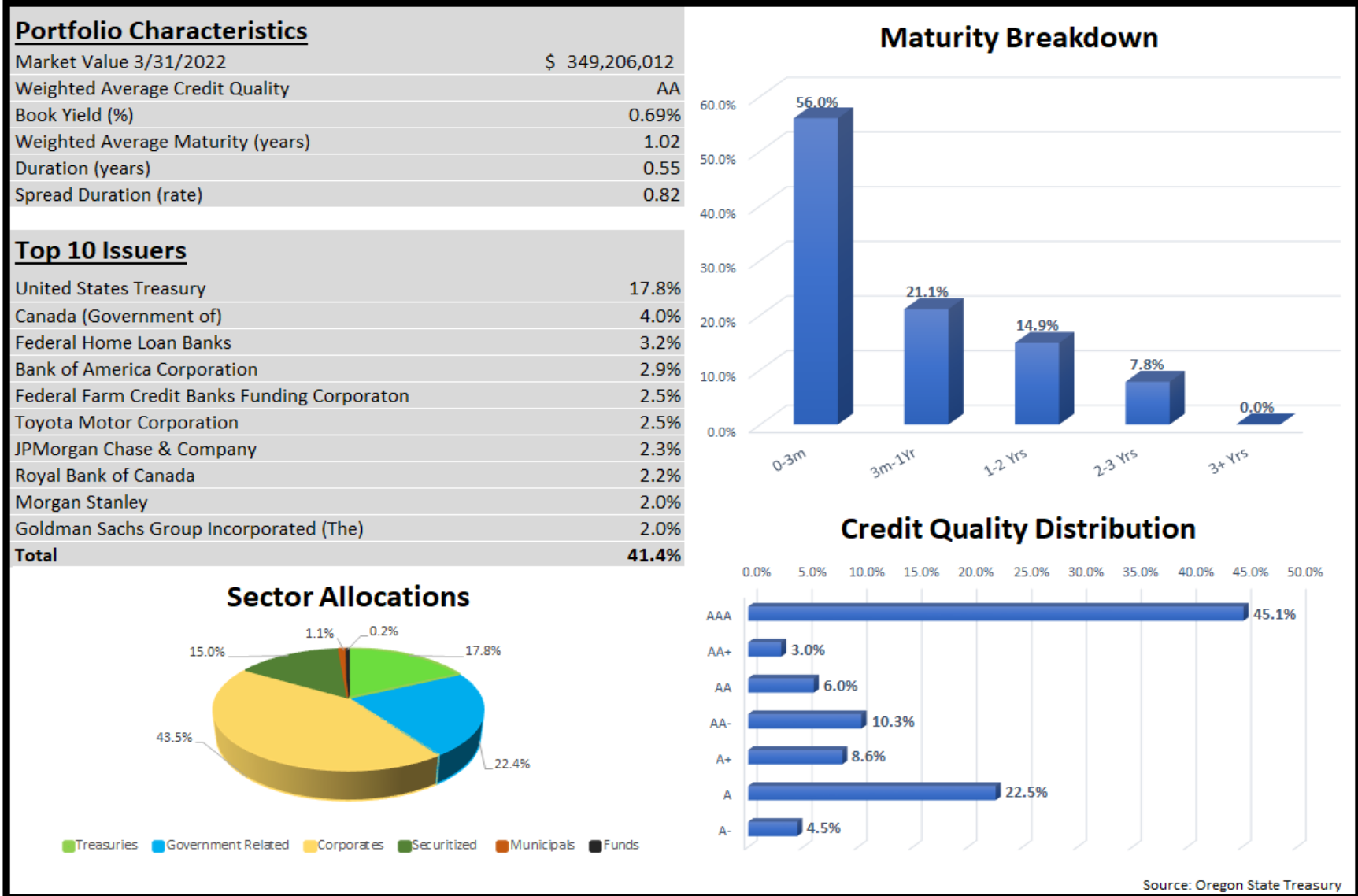
Summary - Key Trends in 2022:

- The war in eastern Europe has created significant uncertainty going forward with a wide range of potential outcomes. Volatility will likely remain high.
- Expect growth to slow globally in calendar year 2022 but remain above trend. The track of the pandemic and war will be key.

- Inflationary pressures could linger, particularly if the Russian invasion of Ukraine intensifies or expands.
- The end of many fiscal programs will put the burden of continued growth on consumers. Higher energy and food prices will depress their ability to spend in other areas.
- Monetary policy will likely tighten globally but will remain relatively low. The risk of policy error remains.
- Valuations remain high in the U.S., but low rates and strong margins should be supportive.
- Outside the U.S., valuations remain lower in both emerging and developed markets, but risks remain.

Oregon Short Term Fund

March 31, 2022



May 26-27, 2022 Board of Trustees Meetings

Core Bond Fund

March 31, 2022

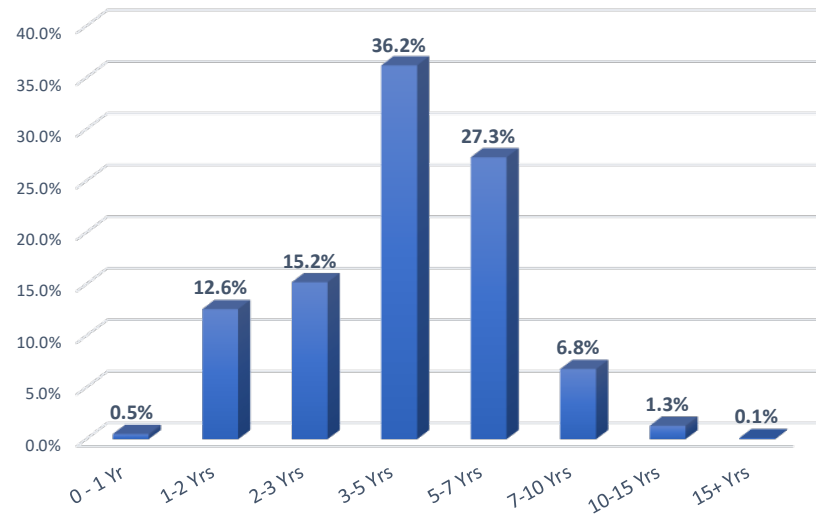
Portfolio Characteristics

| | |
|-----------------------------------|----------------|
| Market Value 3/31/2022 | \$ 299,647,331 |
| Weighted Average Credit Quality | AA- |
| Book Yield (%) | 2.43% |
| Weighted Average Maturity (years) | 4.79 |
| Duration (years) | 3.84 |
| Spread Duration (rate) | 2.43 |

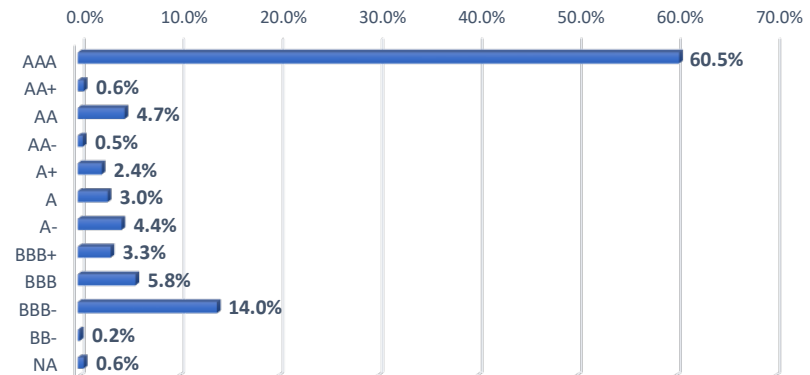
Top 10 Issuers

| | |
|---------------------------------------|--------------|
| United States Treasury | 42.5% |
| Oregon State Treasury | 4.1% |
| Deutsche Telekom AG | 3.1% |
| Franklin BSP Lending Corporation | 2.6% |
| Oscar US Funding Trust | 2.5% |
| Merit Hill Capital Partners | 2.5% |
| Federal National Mortgage Association | 2.4% |
| TRP LLC | 2.3% |
| Monroe Capital MML | 2.0% |
| Golub Capital Partners CLO LTD | 1.7% |
| Total | 65.7% |

Maturity Breakdown



Credit Quality Distribution



Source: Oregon State Treasury

Sector Allocations

