

## FY2022 Q4 Investment Reports

### BACKGROUND

The Oregon State University (university) investment reports for the fourth quarter (Q4, April 1 – June 30, 2022) of fiscal year (FY) 2022 are presented in the following four sections:

- **FY2022 Q4 Public University Fund Investment Report** – This section includes a report on the investments of the Public University Fund (PUF) for the fourth 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 Q4 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 Q4 Oregon State University Report on Investments of General Revenue Bond Proceeds** – This section provides a summary of revenue bond proceeds as of June 30, 2022.
- **FY2022 Q4 Market Background** – This section provides a general discussion of the investment markets and related performance information during the fourth quarter of FY2022.

### FY2022 Q4 PUBLIC UNIVERSITY FUND INVESTMENT REPORT

#### Performance

The PUF decreased 1.0% for the quarter and 2.6% fiscal year-to-date. The PUF's three-year and five-year average returns were a positive 2.1% and 2.2%, respectively.

The Oregon Short-Term Fund returned 0.2% for the quarter, outperforming its benchmark by 10 basis points. The Core Bond Fund declined 2.3% for the quarter, outperforming its benchmark by 10 basis points. Interest rates resumed their upward climb due to expectations for continued rate increases by the Federal Reserve amid persistently high inflation. While the portfolio management team continues to be concerned about long-term inflation, there are increasing signs of economic weakness pertaining to the slowing housing demand, changing consumer spending behaviors due to food and energy prices, and increasing job layoffs. Corporate credit in the Core Bond Fund remains underweight relative to its benchmark and maintains exposure to structured credit, primarily through floating rate bonds. In terms of portfolio duration, the Core Bond Fund is conservatively positioned with an average duration of 3.8 compared to the benchmark of 4.0.

The PUF investment yield was 0.4% for the quarter and 1.3% for the fiscal year.

The PUF administrator allocated \$30 million of assets into the Core Bond Fund during the quarter and \$150 million of assets during the fiscal year.

### Public University Fund Performance

	Quarter Ended 6-30-22	Current Fiscal YTD	Prior Fiscal YTD	3-Year Avg.	5-Year Avg.	Market Value	Asset Allocation	Policy
<b>Oregon Short-Term Fund</b>	0.2%	0.6%	0.8%	1.2%	1.6%	\$286,514,711	47.1%	\$130 million minimum <sup>1</sup>
<i>Benchmark - 91-day T-Bill</i>	0.1%	0.2%	0.1%	0.6%	1.1%			
<b>PUF Core Bond Fund</b>	-2.3%	-6.7%	2.7%	0.7%	1.6%	\$322,281,619	52.9%	
<i>Benchmark <sup>2</sup></i>	-2.4%	-7.3%	0.2%	-0.2%	1.1%			
<b>PUF Total Return</b>	-1.0%	-2.6%	1.4%	1.0%	1.7%	\$608,796,330	100.0%	
<i>PUF Investment Yield</i>	0.4%	1.3%	1.8%	2.1 %	2.2%			

<sup>1</sup> 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.

<sup>2</sup> Benchmark is 100% Bloomberg Barclay's Intermediate U.S. Gov't/Credit Index as of February 1, 2021. From April 1, 2017 to April 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 \$2,466,613

	Earnings Distribution <sup>1</sup>	Market Value as of 6/30/2022	% Ownership
Oregon State University <sup>2</sup>	\$1,009,111	\$ 251,757,073	41.4%
Portland State University	985,715	241,929,964	39.8%
Western Oregon University	161,365	35,522,488	5.8%
Oregon Institute of Technology	90,853	30,436,019	5.0%
Eastern Oregon University	122,265	28,823,231	4.7%
Southern Oregon University	97,304	20,327,555	3.3%
Grand Total	\$2,466,613	\$ 608,796,330	100.0%

<sup>1</sup>The earnings available for distribution to participants were earned during the months of March 2022 through May 2022 and distributed to participants in June 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.

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<sup>3</sup>As of June 30, 2022, Oregon State University's total PUF market value consisted of operating assets, valued at \$251,438,493, and the land grant endowment, valued at \$318,580

## **FY2022 Q4 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 declined by 1.0% for the fourth fiscal quarter ended June 30, 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 0.2%. The liquidity and short-duration portfolios, managed by RBC Global Asset Management, declined by 0.2% and 0.9%, respectively. The total market value of the unspent bond proceeds as of June 30, 2022 was \$301,234,169 including \$22,813,508 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 portfolio declined 16.5% for the quarter and 15.4% for the fiscal year, as global equity markets declined sharply due to rising concerns about persistent inflation and its impact on the global economy. The Long-Term Equity portfolio declined 17.2% for the quarter and 15.7% for the fiscal year. As of June 30, 2022, the total market value of the Bond Repayment Investment and Long-Term Equity portfolios were \$32,581,458 and \$4,323,557, respectively.

The combined market value of the Board Designated assets, as of June 30, 2022, was \$36,905,015, decreasing 16.6% for the quarter and 15.4% for the fiscal year.

### **OSU Endowment Assets Performance**

The OSU Endowment Assets, including those managed by the OSU Foundation, fell 5.0% for the quarter and 4.9% for the fiscal year. The three-year and five-year average return was 9.2% and 9.1%, respectively. The total market value of the OSU endowment assets as of June 30, 2022, was \$64,594,318.

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 9.4% for the quarter and 7.9% for the fiscal year. The investment pool outperformed its benchmark by 4.8% for the quarter and 7.7% for the fiscal year. The three-year and five-year average returns were 8.4% and 8.1%, respectively.

Oregon State University									
Investment Summary									
as of June 30, 2022									
(Net of Fees)									
	Quarter Ended 6/30/2022	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	0.2%	0.6%	0.8%	1.2%	1.6%	1.1%	\$ 118,333,215	47.1%	1
Benchmark - 91 day T-Bill	0.1%	0.2%	0.1%	0.6%	1.1%	0.6%			
PUF Core Bond Fund	-2.3%	-6.7%	2.7%	0.7%	1.6%	N/A	133,105,278	52.9%	1
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index <sup>2</sup>	-2.4%	-7.3%	0.2%	-0.2%	1.1%	1.4%			
Total Public University Fund	-1.0%	-2.6%	1.4%	1.0%	1.7%	N/A	251,438,493	100.0%	
Public University Fund Investment Yield <sup>3</sup>	0.4%	1.3%	1.8%	2.1%	2.2%	N/A			
OSU Unspent Bond Proceeds									
Oregon Short - Term Fund	0.2%	0.6%	0.8%	N/A	N/A	N/A	50,510,019	18.1%	
Benchmark - 91 day T-Bill	0.1%	0.2%	0.1%	0.6%	1.1%	0.6%			
RBC Liquidity Portfolio <sup>4</sup>	-0.2%	-0.8%	0.1%	N/A	N/A	N/A	44,379,115	16.0%	
Benchmark - 91 day T-Bill	0.1%	0.2%	0.0%	0.6%	1.1%	0.6%			
RBC Short-Duration Fixed Income Portfolio <sup>5</sup>	-0.9%	-3.4%	0.1%	N/A	N/A	N/A	183,531,527	65.9%	
Benchmark - ICE BofA 1-3 Year US Corporate & Government Index	-0.6%	-3.6%	0.0%	0.3%	1.1%	0.9%			
Total Unspent Bond Proceeds							278,420,661	100.0%	
OSU Other Cash <sup>6</sup>							41,638,778		
Total OSU Operating Assets							\$ 571,497,932		
OSU Board Designated Assets									
Bond Repayment Investment									
Calvert US Large Cap Core Responsible Index Fund <sup>7</sup>	-17.4%	-15.3%	2.9%	N/A	N/A	N/A	\$ 21,292,875	65.4%	
Benchmark - Russell 1000 Index	-16.7%	-13.0%	2.6%	10.2%	11.0%	12.8%			
Calvert International Responsible Index Fund <sup>8</sup>	-14.7%	-19.5%	-0.4%	N/A	N/A	N/A	11,288,583	34.6%	
Benchmark - MSCI World ex USA Index	-14.7%	-16.8%	-0.7%	1.7%	2.7%	5.4%			
Total Bond Repayment Investment	-16.5%	-15.4%	2.5%	N/A	N/A	N/A	32,581,458	100.0%	
Long-Term Equity									
Calvert US Large Cap Core Responsible Index Fund	-17.4%	-15.3%	2.9%	N/A	N/A	N/A	3,923,648	90.8%	
Benchmark - Russell 1000 Index	-16.7%	-13.0%	2.6%	10.2%	11.0%	12.8%			
Calvert International Responsible Index Fund	-14.7%	-19.7%	-0.4%	N/A	N/A	N/A	399,909	9.2%	
Benchmark - MSCI World ex USA Index	-14.7%	-16.8%	-0.7%	1.7%	2.7%	5.4%			
Total Long-Term Equity	-17.2%	-15.7%	2.6%	N/A	N/A	N/A	4,323,557	100.0%	
Total OSU Board Designated Assets	-16.6%	-15.4%	2.5%	N/A	N/A	N/A	\$ 36,905,015		
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**Oregon State University**  
**Investment Summary**  
**as of June 30, 2022**  
 (Net of Fees)

	Quarter Ended 6/30/2022	Current Fiscal YTD	Prior Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg <sup>9</sup>	Market Value	Actual Asset Allocation	Policy Allocation Target
<b>OSU Endowment Assets</b>									
<b>OSU Foundation Endowment Pool</b>									
Total Global Equity	-14.3%	-20.1%	41.0%	5.5%	7.0%	N/A	\$ 26,258,390	48.4%	50.0%
Benchmark - MSCI All Country World Index	-15.7%	-15.8%	39.3%	6.2%	7.0%	N/A			
Total Global Fixed Income	-7.5%	-12.4%	6.9%	-2.3%	0.3%	N/A	1,918,966	3.5%	5.0%
Benchmark - Bloomberg Barclays Global Agg. Bond Index	-8.3%	-15.2%	2.6%	-3.2%	-0.6%	N/A			
Total Absolute Return	0.1%	-1.9%	22.5%	7.8%	5.4%	N/A	5,946,625	11.0%	10.0%
Benchmark - HFRI Fund of Funds Index	-4.1%	-5.7%	18.2%	3.9%	3.6%	N/A			
Total Real Assets	-4.3%	12.5%	22.7%	5.3%	4.0%	N/A	5,800,264	10.7%	10.0%
Benchmark - Real Assets Custom <sup>10</sup>	-9.7%	2.1%	28.2%	6.5%	5.4%	N/A			
Total Private Capital <sup>11</sup>	-4.8%	21.3%	52.6%	25.7%	24.0%	N/A	13,205,086	24.4%	25.0%
Benchmark - No benchmark provided									
Total Cash	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	1,078,741	2.0%	0.0%
Total OSU Endowment Assets Invested in OSUF Endow. Pool <sup>12</sup>	-9.4%	-7.9%	35.9%	8.4%	8.1%	7.8%	54,208,072	100.0%	100.0%
Benchmark-80% MSCI ACWI/20% BBG Barclays Global Agg. <sup>13</sup>	-14.2%	-15.6%	31.2%	4.5%	5.6%	6.7%			
<b>Other OSU Endowment Assets</b>									
Land Held as Separately Invested Endowment Funds <sup>14</sup>	28.3%	28.3%	14.7%	16.1%	17.4%	N/A	10,067,666	96.9%	
Other Endowment Assets Invested in the PUF <sup>15</sup>	-1.0%	-2.6%	1.4%	1.0%	1.5%	N/A	318,580	3.1%	
Total Other OSU Endowment Assets							10,386,246	100.0%	
<b>Total OSU Endowment Assets</b>	-5.0%	-4.9%	32.8%	9.2%	9.1%	N/A	<b>\$ 64,594,318</b>		

Note: Outlined returns underperformed their benchmark.

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**Oregon State University**  
**Investment Summary**  
**as of June 30, 2022**  
 (Net of Fees)

- <sup>1</sup> 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.
- <sup>2</sup> 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.
- <sup>3</sup> The reported investment yield for the quarter and fiscal year-to-date represent earned yields for the period and are not annualized rates.
- <sup>4</sup> The Liquidity Portfolio is separately managed by RBC Global Asset Management (U.S.) Inc. per an Investment Management Agreement. Assets invested in the Liquidity Portfolio are anticipated to be expended on capital projects in two years or less.
- <sup>5</sup> The Short-Duration Fixed Income Portfolio is separately managed by RBC Global Asset Management (U.S.) Inc. per an Investment Management Agreement. Assets invested in the Short-Duration Fixed Income Portfolio are projected for expenditure on capital projects two plus years into the future.
- <sup>6</sup> OSU Other Cash includes account balances held at JP Morgan Chase and U.S. Bank for operations.
- <sup>7</sup> Calvert U.S. Large Cap Core Responsible Index Fund is invested in U.S. equity securities and follows responsible investing principles.
- <sup>8</sup> Calvert International Responsible Index Fund is invested in non-U.S. equity securities and follows responsible investing principles.
- <sup>9</sup> 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.
- <sup>10</sup> Real Assets Custom Benchmark: 1/3 FTSE EPRA/NAREIT Developed Index, 1/3 Bloomberg Commodity Index, 1/3 Bloomberg U.S. TIPS
- <sup>11</sup> To meet financial period and reporting deadlines, private capital market value and performance figures presented may differ from actual results.
- <sup>12</sup> Investment returns are reported net of investment manager fees; gross of the Foundation's administrative fees.
- <sup>13</sup> 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.
- <sup>14</sup> 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.
- <sup>15</sup> Funds provided by the State which are restricted to certain bond investments.

## FY2022 Q4 OREGON STATE UNIVERSITY REPORT ON UNSPENT GENERAL REVENUE BOND PROCEEDS

The schedule of Oregon State University's unspent revenue bond proceeds as of June 30, 2022, is shown in the summary below.

### Unspent Revenue Bond Proceeds<sup>1</sup>

Issuance Year	2015 <sup>2</sup>	2016	2017 <sup>3</sup>	2019	2020	Total <sup>4</sup>
Unspent Revenue Bond Proceeds	\$ -	\$ 787,412	\$ 53,404,505	\$ 43,181,901	\$ 207,563,045	\$ 304,936,863
Allocated <sup>5</sup>	\$ -	\$ -	\$ 53,404,505	\$ 35,438,264	\$ 102,263,045	\$ 191,105,814
Unallocated <sup>6</sup>	\$ -	\$ 787,412 <sup>7</sup>	\$ -	\$ 7,743,637 <sup>7</sup>	\$ 105,300,000	\$ 113,831,049

<sup>1</sup> Reported based on book value and does not include \$4,595,356 unrealized losses or \$892,662 investment earnings not yet distributed.

<sup>2</sup> Space Improvement Projects were fully expended in FY2022.

<sup>3</sup> Proceeds use was approved June 2017.

<sup>4</sup> Balance includes \$22,813,508 of allocated proceeds held in the operations bank account.

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

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

<sup>7</sup> Unallocated amount reflects actual proceeds use below Board approval for closed projects.

## FY2022 Q4 MARKET COMMENTARY

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

### Report on Investments as of June 30, 2022

#### Economic and Market Update

Global markets resumed their sell-off in June as inflation surged in the U.S. and Europe.

- In response, the U.S. Federal Reserve increased interest rates 75 basis points (above prior expectations). Markets also repriced the growth outlook downward.
- All major equity indices suffered steep declines in June. Emerging markets proved slightly more resilient than developed markets on a partial re-opening in China from pandemic related lockdowns.
- In a reversal of the prior trend growth stocks outperformed value stocks in June.
- The global bond selloff resumed, as inflation fears and policy expectations weighed on all major bond markets.

Persistently high inflation and the expected policy response, the war in Ukraine, lingering COVID-19 issues, and lockdowns in China will all have considerable economic and financial consequences for the global economy.

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### Market Returns<sup>1</sup> June 30, 2022

	Month	Quarter	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
S&P 500	-8.3%	-16.1%	-20.0%	-10.6%	10.6%	11.3%	11.1%	13.0%
MSCI EAFE-ND	-9.3%	-14.5%	-19.6%	-17.8%	1.1%	2.2%	2.7%	5.4%
MSCI EM-ND	-6.6%	-11.4%	-17.6%	-25.3%	0.6%	2.2%	2.8%	3.1%
MSCI China-ND	6.6%	3.4%	-11.3%	-31.8%	-0.6%	2.1%	1.7%	5.5%
Bloomberg US Aggregate	-1.6%	-4.7%	-10.3%	-10.3%	-0.9%	0.9%	1.4%	1.5%
Bloomberg US TIPS	-3.2%	-6.1%	-8.9%	-5.1%	3.0%	3.2%	2.8%	1.7%
Bloomberg US Corporate High Yield	-6.7%	-9.8%	-14.2%	-12.8%	0.2%	2.1%	3.5%	4.5%
ICE BofAML US 3-Month Treasury Bill	0.0%	0.1%	0.1%	0.2%	0.6%	1.1%	0.9%	0.6%
ICE BofAML 1-3 Year US Treasury	-0.6%	-0.5%	-2.8%	-3.3%	0.2%	0.9%	0.8%	0.8%
ICE BofAML 10+ Year US Treasury	-1.0%	-10.9%	-20.0%	-17.4%	-2.6%	0.7%	2.0%	1.7%

<sup>1</sup>Source: Oregon State Treasury

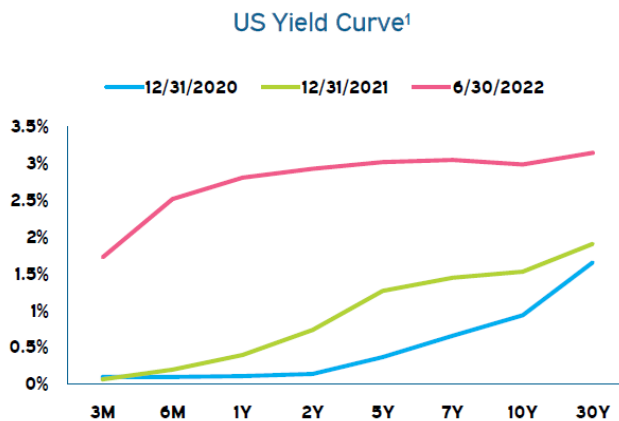
For the quarter and fiscal year, all major asset classes posted negative returns on renewed inflation and economic growth fears, with equities experiencing the largest declines.

**U.S. Equities:** The S&P 500 experienced steep losses for the quarter and fiscal year, declining 16.1% and 10.6%, respectively. Declines during the quarter were led by the consumer discretionary sector (-26.2%) and the communications sector (-20.7%).

**International Equities:** The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) index - declined 14.5% for the quarter and the MSCI Emerging Markets declined 11.4% for the quarter. Non-U.S. developed and emerging market stocks trailed the U.S. for the fiscal year, declining 17.8% and 28.3%, respectively. The war in Ukraine, high inflation, and the likely monetary policy response, and slowing growth continue to weigh on sentiment.

**Fixed Income:** The fixed income markets posted historical declines for the fiscal year as the Bloomberg Aggregate Bond Index fell 4.7% for the quarter and 10.3% for the fiscal year. Persistently high inflation readings (CPI) led to renewed inflation fears driving interest rates higher and weighing on the broad U.S. investment grade bond market. The nominal 10-year Treasury yield peaked at 3.47% before declining to 3.01% by month-end, while the 2-year Treasury yield declined from 3.43% to 2.95%. U.S. credit spreads widened, particularly for high yield debt, leading to it having the worst results among bonds for the month.





<sup>1</sup> Source: Bloomberg. Data is as of June 30, 2022.

Rates across the yield curve remain much higher than at the start of the calendar year. In June, rates rose across maturities (particularly short-dated), as markets continue to reflect elevated inflation and rate expectations. The curve continued to flatten in June with the spread between two-year and ten-year Treasuries falling from 30 basis points at the end of May to just 5 basis points by the end of June. Since June month-end, the spread between two-year and ten-year Treasuries became negative, which historically has often signaled a coming recession. Inflation expectations (break-evens) fell further in June on declining growth expectations and anticipated tighter monetary policy. Trailing twelve-month CPI rose in June (9.1% versus 8.6%) and notably came in above expectations. Inflation levels in the U.S. remain well above the long-term average of 2.4%. Rising prices for energy (particularly oil), food, housing, and for new and used cars, remain key drivers of higher inflation.

### Global Economic Outlook

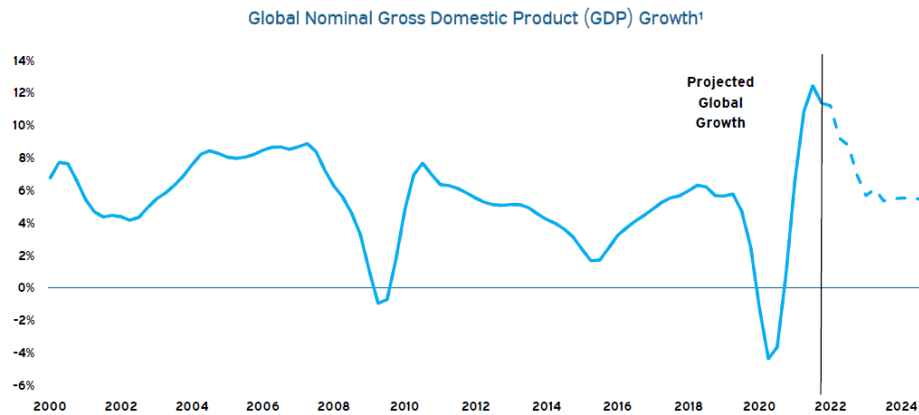
The International Monetary Fund (IMF) significantly lowered global growth forecasts in their latest projections, driven by the economic impacts of the war in Ukraine. The IMF forecasts final global gross domestic products (GDP) growth to come in at 6.1% in calendar year 2021 and 3.6% in calendar year 2022 (0.8% below the prior calendar year 2022 estimate), both still above the past ten-year average of 3.0%. In advanced economies, GDP is projected to increase 3.3% in calendar year 2022 and 2.4% in calendar year 2023. The U.S. has limited economic ties with Russia but saw another downgrade in the calendar year 2022 growth forecast (3.7% versus 4.0%) largely due to policy tightening happening faster than previously expected. The euro area saw a significant downgrade in expected growth (2.8% versus 3.9%) in calendar year 2022 as rising energy prices particularly weigh on the region that is a net importer of energy. The Japanese economy is expected to grow 2.4% this calendar year.

Growth projections for emerging markets are higher than developed markets, at 3.8% in calendar year 2022 and 4.4% in calendar year 2023. China's growth was downgraded (4.4% versus 4.8%) for calendar year 2022 given tight COVID-19 restrictions and continued property sector problems. The global inflation forecast was significantly increased for calendar year 2022 (7.4% versus 3.8%).

Global economies are expected to slow in calendar year 2022 compared to calendar year 2021 with fears of potential recessions in areas increasing recently given persistently high inflation and related tighter monetary policy. Looking forward, the delicate balancing act of central banks trying to reduce inflation without dramatically impacting growth will remain key.

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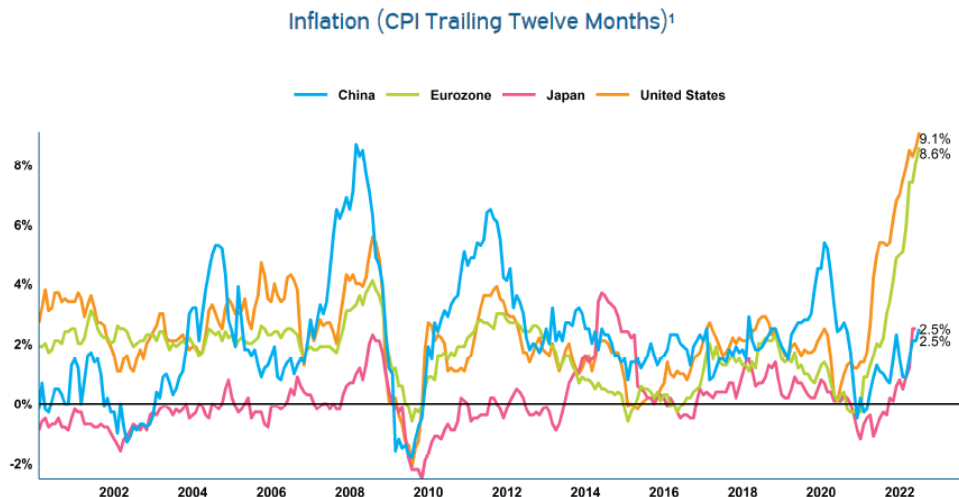
*October 27-28, 2022 Board of Trustees Meetings*



<sup>1</sup> Source: Oxford Economics (World GDP, US\$ prices & PPP exchange rate, nominal, % change YoY, 6/30/22).

After global central banks took extraordinary action to support economies during the pandemic, including policy rate cuts and emergency stimulus through quantitative easing (QE), many are reducing or 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 record inflation, the war in Ukraine, and a tough COVID-19 policy in China could suppress global growth. The one notable central bank outlier is China, where the central bank recently lowered rates and reserve requirements in response to slowing growth.

Inflation increased dramatically from the lows of the pandemic, particularly in the U.S. and Eurozone where it has reached levels not seen in decades. Supply issues related to the pandemic, record monetary and fiscal stimulus, strict COVID-19 restrictions in China, and higher prices in many commodities driven by the war in Ukraine have been key drivers of inflation globally.



<sup>1</sup> Source: Bloomberg. Data is as of June 2022, except for Japan, data is as of May 31, 2022.

As economies have largely reopened, helped by vaccines for the virus, improvements have been seen in the labor market. U.S. unemployment, which experienced the steepest rise from the pandemic, declined back to pre-pandemic levels. The broader measure (U-6) that includes discouraged and underemployed workers declined and is currently at 6.7%.

The US dollar continued higher in June on safe-haven flows, relatively strong growth, and higher interest rates. The euro, yen, and yuan have all experienced significant declines versus the dollar, adding to inflation and slowing growth concerns.

### **Summary - Key Trends in Calendar 2022:**

- The impacts of record high inflation will remain key going forward, with volatility likely to remain high.
- The war in Ukraine has created significant uncertainty, with a wide range of potential outcomes.
- Expect growth to slow globally in calendar year 2022 to the long-term trend or below. Inflation, monetary policy, and the war will all be key.
- The end of many fiscal programs is expected to put the burden of continued growth on consumers. Higher energy and food prices will depress consumers' spending in other areas.
- Monetary policy will likely tighten globally but will remain relatively accommodative. The risk of overtightening policy remains.
- Valuations have significantly declined in the U.S., approaching long-term averages.
- Outside the U.S., equity valuations remain lower in both emerging and developed markets, but risks remain, including continued strength in the U.S. dollar, higher inflation particularly weighing on Europe, and China maintaining its restrictive COVID-19 policies.

# Oregon Short Term Fund

June 30, 2022

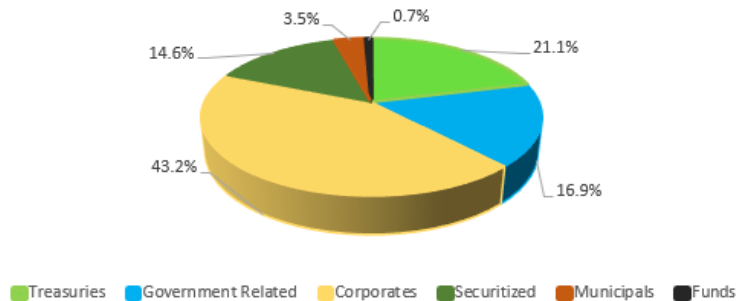
## Portfolio Characteristics

Market Value 6/30/2022	\$ 286,514,711
Weighted Average Credit Quality	AA
Book Yield (%)	1.38%
Weighted Average Maturity (years)	1.05
Duration (years)	0.51
Spread Duration (rate)	0.79

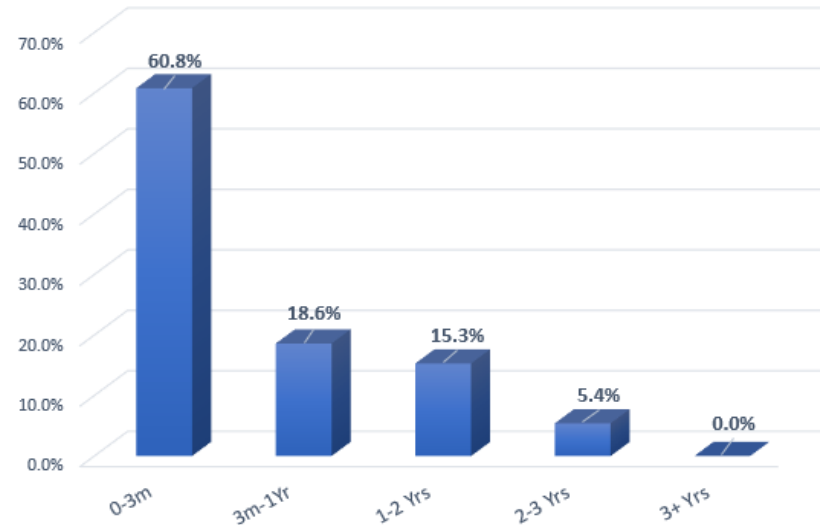
## Top 10 Issuers

United States Treasury	21.4%
Federal Home Loan Banks	4.1%
Canada (Government of)	3.8%
Bank of America Corporation	2.8%
Royal Bank of Canada	2.4%
Federal Farm Credit Banks Funding Corporaton	2.3%
JPMorgan Chase & Company	2.3%
Toyota Motor Corporation	2.2%
Morgan Stanley	2.2%
Goldman Sachs Group Incorporated (The)	2.0%
<b>Total</b>	<b>45.5%</b>

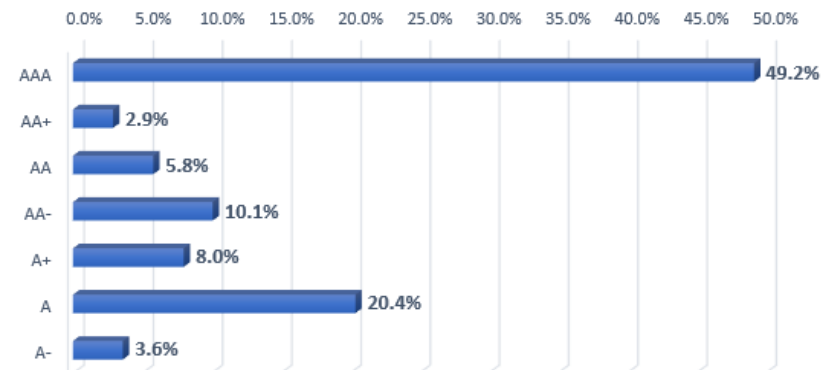
## Sector Allocations



## Maturity Breakdown



## Credit Quality Distribution



Source: Oregon State Treasury

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## Core Bond Fund

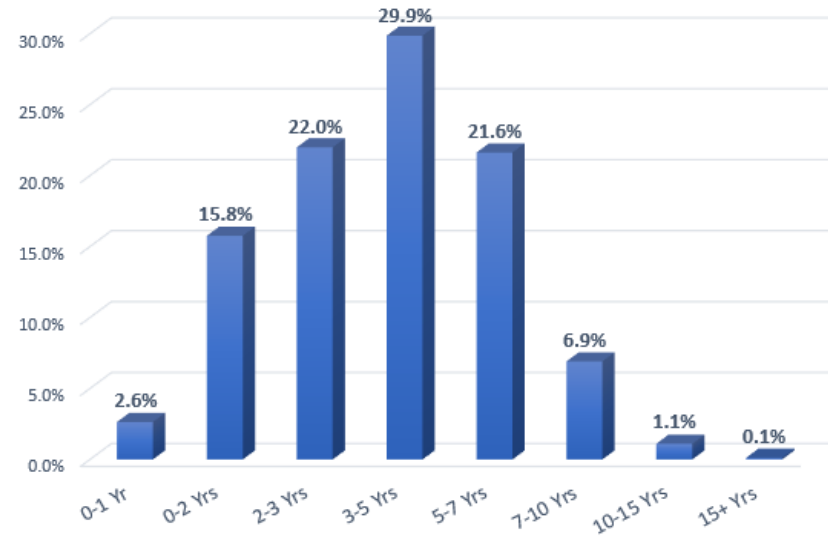
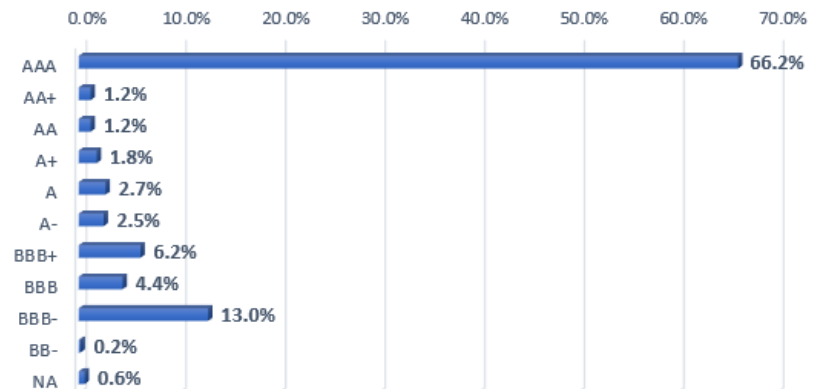
June 30, 2022

**Portfolio Characteristics**

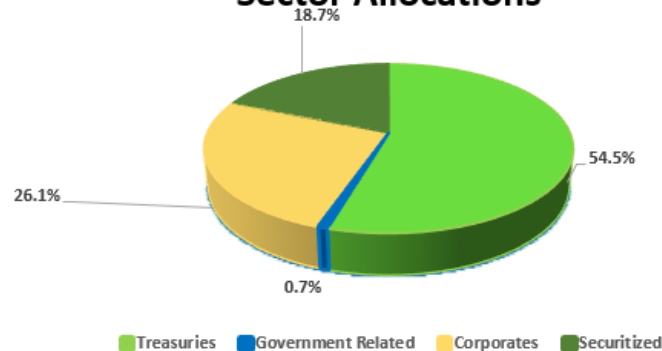
Market Value 6/30/2022	\$ 322,281,619
Weighted Average Credit Quality	AA
Book Yield (%)	2.85%
Weighted Average Maturity (years)	4.54
Duration (years)	3.80
Spread Duration (rate)	1.71

**Top 10 Issuers**

United States Treasury	55.9%
Deutsche Telekom AG	4.1%
Oscar US Funding Trust	2.7%
Franklin BSP Lending Corporation	2.4%
Monroe Capital MML	1.8%
Federal National Mortgage Association	1.8%
TRP LLC	1.7%
Sixth Street Specialty Lending Incorporated	1.7%
Fairfax Financial Holdings LTD	1.7%
F&G Global Funding	1.7%
<b>Total</b>	<b>75.5%</b>

**Maturity Breakdown****Credit Quality Distribution**

Source: Oregon State Treasury

**Sector Allocations**

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