

FY2022 Q1 Investment Reports

BACKGROUND

As part of the Board's fiduciary responsibility, Oregon State University trustees are responsible for monitoring the university's financial performance and overseeing the Board University investment policies and activities. More information about the university's treasury policies and investment funds can be found in Attachment 2.

The Oregon State University (university) investment reports for the first quarter (Q1, July 1 – September 30, 2021) of fiscal year (FY) 2022 are presented in the following four sections:

- **FY2022 Q1 Public University Fund Investment Report** – This section includes a report on the investments of the Public University Fund (PUF) for the first 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 Q1 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, 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 Q1 Oregon State University Report on General Revenue Bond Proceeds** – This section provides a summary of revenue bond proceeds as of September 30, 2021.
- **FY2022 Q1 Market Background** – This section provides a general discussion of the investment markets and related performance information during the first quarter of FY2022.

FY2022 Q1 PUBLIC UNIVERSITY FUND INVESTMENT REPORT

(Prepared by the Public University Fund Administrator)

Performance

The PUF increased 0.4% for the quarter. The PUF's three-year and five-year average returns were 3.5% and 2.4%, respectively.

The Oregon Short-Term Fund (OSTF) returned 0.1% for the quarter, outperforming its benchmark by 10 basis points. The Core Bond Fund returned 0.5% for the quarter, outperforming its benchmark by 50 basis points. The investment yield on the PUF portfolio was 0.4% for the fiscal year.

In October, Oregon State Treasury fixed income investment officers, Will Hampson and John Lutkehaus, conducted a quarterly performance review with university staff. The Core Bond Fund’s allocation to corporate bonds and securitized products contributed to the portfolio’s 50 basis point relative outperformance versus the benchmark during the quarter. Specifically, bonds with variable rate coupons performed well as interest rates across the yield curve rose during the period. A variable-rate bond is a type of security with a floating coupon payment that adjusts at specific intervals. The index tracking variable and floating rate securities gained 1.1% for the quarter ended September 30, 2021. The Core Bond Fund’s book yield, as of September 30, 2021, was 2.09%.

Public University Fund Performance

	Quarter Ended 09-30-21	Current Fiscal YTD	Prior Fiscal YTD	3-Year Avg.	5-Year Avg.	Market Value	Asset Allocation	Policy
Oregon Short-Term Fund	0.1%	0.1%	0.3%	1.7%	1.7%	\$387,612,822	59.0%	\$100 million minimum ¹
<i>Benchmark - 91-day T-Bill</i>	0.0%	0.0%	0.0%	1.2%	1.2%			
PUF Core Bond Fund	0.5%	0.5%	1.0%	5.3%	N/A	\$269,908,954	41.0%	
<i>Benchmark ²</i>	0.0%	0.0%	0.5%	4.6%	2.4%			
PUF Total Return	0.4%	0.4%	0.5%	3.5%	2.4%	\$657,521,776	100.0%	
<i>PUF Investment Yield</i>	0.4%	0.4%	0.9%	2.5%	2.3%			

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 \$1,912,012.

	Earnings Distribution ¹	Market Value as of 09/30/2021	% Ownership
Portland State University	\$ 819,543	\$ 273,684,180	41.6%
Oregon State University ²	730,836	260,134,031	39.6%
Western Oregon University	109,592	37,559,256	5.7%
Southern Oregon University	72,341	32,706,897	5.0%

Eastern Oregon University	101,852	29,761,755	4.5%
Oregon Institute of Technology	77,848	23,675,657	3.6%
Grand Total	\$1,912,012	\$ 657,521,776	100.0%

¹The earnings available for distribution to participants were earned during the months of June 2021 through August 2021 and distributed to participants in September 2021. 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 September 30, 2021 Oregon State University’s total PUF market value consisted of operating assets, valued at \$259,802,219, and the land grant endowment, valued at \$331,812.

FY2022 Q1 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 (PUF). The report on the investment performance of the PUF, provided in the separate section above, shows the PUF increased by 0.4% for the first fiscal quarter ended September 30, 2021.

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, both increased by 0.1% for the period. The total market value of the unspent bond proceeds as of September 30, 2021 was \$336,228,648 including \$19,973,608 on deposit in university operating bank accounts.

OSU Board Designated Assets Performance

Bond proceeds of \$19.4 million were invested in equity investments on May 27, 2021 to establish the bond repayment investment reserve. In September, an additional \$19.3 million of the 2020 revenue bond proceeds were invested, bringing the total invested to \$38.7 million. As of September 30, 2021, the total market value of the repayment reserve was \$39.1 million.

In May 2021, a long-term university strategic reserve was established, in which \$5.0 million was allocated into two institutional Calvert equity responsible index funds. As of September 30, 2021, the market value of the long-term equity account was \$5.1 million

The total market value of the Board Designated assets, as of September 30, 2021, was \$44.3 million, declining 0.2% for the period.

OSU Endowment Assets Performance

The OSU Endowment Assets, including those managed by the OSU Foundation, increased 1.2% for the quarter. The three-year and five-year average returns were 12.3% and 12.1%,

respectively. The total market value of the OSU endowment assets as of September 30, 2021, was \$69,138,551.

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 increased 1.4% for the quarter. The investment pool outperformed its benchmark by 240 basis points for the quarter. The three-year and five-year average returns were 13.3% and 12.4%, respectively.

Oregon State University

**Investment Summary
as of September 30, 2021
(Net of Fees)**

	Quarter Ended 9/30/2021	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%	0.1%	0.3%	1.7%	1.7%	1.0%	\$ 153,154,884	59.0%	1
Benchmark - 91 day T-Bill	0.0%	0.0%	0.0%	1.2%	1.2%	0.6%			
PUF Core Bond Fund	0.5%	0.5%	1.0%	5.3%	N/A	N/A	106,647,335	41.0%	1
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index ²	0.0%	0.0%	0.5%	4.6%	2.4%	2.5%			
Total Public University Fund	0.4%	0.4%	0.5%	3.5%	2.4%		259,802,219	100.0%	
Public University Fund Investment Yield	0.4%	0.4%	0.9%	2.5%	2.3%				
OSU Unspent Bond Proceeds									
Oregon Short - Term Fund	0.1%	0.1%	0.3%				111,060,257		
Benchmark - 91 day T-Bill	0.0%	0.0%	0.0%						
RBC Liquidity Portfolio ³	0.1%	0.1%	N/A				75,369,707		
Benchmark - ICE BofA 1-3 AAA-A US Corp & Government	0.0%	0.0%	N/A						
RBC Short-Duration Fixed Income Portfolio ⁴	0.1%	0.1%	0.0%				129,825,076		
Benchmark - ICE BofA 1-3 Year US Corporate & Government Index	0.1%	0.1%	0.0%						
Total Unspent Bond Proceeds							316,255,040		
OSU Other Cash ⁵							44,156,506		
Total OSU Operating Assets							\$ 620,213,765		
OSU Board Designated Assets									
Bond Repayment Reserve									
Calvert US Large Cap Core Responsible Index Fund ⁶	0.6%	0.6%	N/A				\$ 25,274,443		
Benchmark - Russell 1000 Index	0.2%	0.2%	N/A						
Calvert International Responsible Index Fund ⁷	-1.5%	-1.5%	N/A				13,843,214		
Benchmark - MSCI World ex USA Index	-0.7%	-0.7%	N/A						
Total Bond Repayment Reserve							39,117,657		
Long-Term Equity									
Calvert US Large Cap Core Responsible Index Fund	0.6%	0.6%	N/A				4,657,334		
Benchmark - Russell 1000 Index	0.2%	0.2%	N/A						
Calvert International Responsible Index Fund	-1.5%	-1.5%	N/A				490,410		
Benchmark - MSCI World ex USA Index	-0.7%	-0.7%	N/A						
Total Long-Term Equity							5,147,744		
Total OSU Board Designated Assets	-0.2%	-0.2%	N/A				\$ 44,265,401		

(continued on next page)

Oregon State University

**Investment Summary
as of September 30, 2021
(Net of Fees)**

	Quarter Ended 9/30/2021	Current Fiscal YTD	Prior Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Target
OSU Endowment Assets									
OSU Foundation Endowment Pool									
Total Global Equity	-2.0%	-2.0%	7.4%				\$ 34,728,078	57.0%	50.0%
Benchmark - MSCI All Country World Index	-1.1%	-1.1%	8.1%						
Total Global Fixed Income	0.0%	0.0%	3.0%				2,328,616	3.8%	5.0%
Benchmark - Bloomberg Barclays Global Agg. Bond Index	-0.9%	-0.9%	2.7%						
Total Absolute Return	1.0%	1.0%	5.4%				6,351,879	10.4%	10.0%
Benchmark - HFRI Fund of Funds Index	0.8%	0.8%	4.1%						
Total Real Assets	4.0%	4.0%	2.8%				4,571,890	7.5%	10.0%
Benchmark - Real Assets Custom ⁸	2.5%	2.5%	4.8%						
Total Private Capital ⁹	12.7%	12.7%	10.5%				12,368,487	20.3%	25.0%
Benchmark - No benchmark provided									
Total Cash	0.0%	0.0%	0.0%				609,585	1.0%	0.0%
Total OSU Endowment Assets Invested in OSUF Endow. Pool ¹⁰	1.4%	1.4%	6.6%	13.3%	12.4%		60,958,535	100.0%	100.0%
Benchmark-80% MSCI ACWI/20% BBG Barclays Global Agg. ¹¹	-1.0%	-1.0%	7.1%	11.1%	11.0%				
Other OSU Endowment Assets									
Land Held as Separately Invested Endowment Funds ¹²	0.0%	0.0%	0.0%	6.2%	10.8%		7,848,204		
Other Endowment Assets Invested in the PUF ¹³	0.4%	0.4%	0.5%	3.5%	2.3%		331,812		
Total Other OSU Endowment Assets							8,180,016		
Total OSU Endowment Assets	1.2%	1.2%	5.7%	12.3%	12.1%		\$ 69,138,551		

Note: Outlined returns underperformed their benchmark.

(continued on next page)

Oregon State University

Investment Summary

as of September 30, 2021

(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 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. Additional investment of \$100 million was added in March 2021. Assets invested in the Liquidity Portfolio are anticipated to be expended on capital projects in two years or less.
- 4 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. Additional investment of \$49.3 million was added in March 2021. Assets invested in the Short-Duration Fixed Income Portfolio are projected for expenditure on capital projects two plus years into the future.
- 5 OSU Other Cash includes account balances held at JP Morgan Chase and U.S. Bank for operations.
- 6 Calvert US Large Cap Core Responsible Index Fund is invested in US equity securities and follows responsible investing principles. The initial investment of \$17 million was funded on 5/27/2021. An additional investment of \$7.8 million was made on 9/28/2021.
- 7 Calvert International Responsible Index Fund is invested in non-U.S. equity securities and follows responsible investing principles. The initial investment of \$2.35 million was made on 5/27/2021. An additional investment of \$11.6 million was made on 9/28/2021.
- 8 Investment Trust Developed Index, 1/3 Bloomberg Commodity Index, 1/3 Bloomberg Barclays U.S. Treasury Inflation Protected Securities.
- 9 To meet financial period and reporting deadlines, private capital market value and performance figures presented may differ from actual results.
- 10 Investment returns are reported net of investment manager fees; gross of the Foundation's administrative fees.
- 11 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.
- 12 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. 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.
- 13 Funds provided by the State which are restricted to certain bond investments.

January 27-28, 2022 Board of Trustees Meetings

FY2022 Q1 OREGON STATE UNIVERSITY REPORT ON UNSPENT GENERAL REVENUE BOND PROCEEDS

The schedule of Oregon State University’s unspent revenue bond proceeds as of September 30, 2021, is shown in the summary below.

Unspent Revenue Bond Proceeds¹

Issuance Year	2015 ²	2016 ³	2017 ⁴	2019 ⁵	2020	Total ⁶
Unspent Revenue Bond Proceeds	\$ 43,412	\$ 787,412	\$ 54,081,714	\$ 40,448,646	\$239,755,809	\$ 335,116,993
<i>Allocated</i> ⁷	\$ 43,412	\$ 787,412	\$ 54,081,714	\$ 38,911,004	\$ 76,519,650	\$ 170,343,192
Unallocated ⁸	\$ -	\$ -	\$ -	\$ 1,537,642	\$ 163,236,159	\$ 164,773,801

¹ Reported based on book value and does not include \$608,755 unrealized gains or \$502,900 investment earnings not yet distributed.

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

³ Taxable funds allocated to IT Systems Infrastructure project (Link Oregon).

⁴ Proceeds use was approved June 2017.

⁵ Unallocated amount reflects interest earnings and actual proceeds use below Board approval for closed projects.

⁶ Balance includes \$19,973,608 of allocated proceeds held in the operations bank account.

⁷ Allocated proceeds are proceeds committed to specific projects that have Stage Gate 2 approval by the Board.

⁸ Unallocated proceeds have not yet been committed to specific capital projects approved by the Board.

FY2022 Q1 MARKET BACKGROUND

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

Report on Investments – as of September 30, 2021

Economic and Market Update

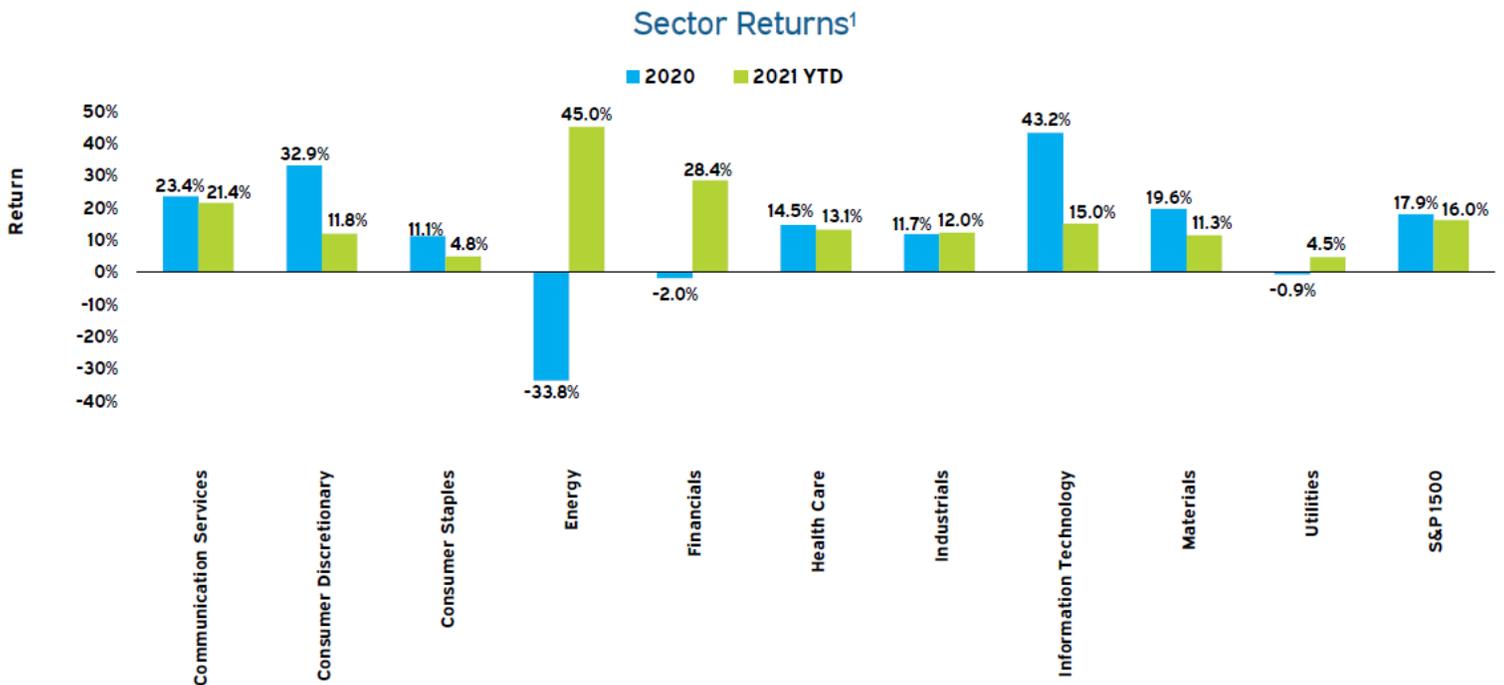
Equity markets broadly declined in September posting one of their worst months since early calendar year 2020. Gridlock in Washington and continued supply chain issues weighed on U.S. equities, while government intervention and growing concerns around the stability of real estate giant Evergrande, weighed on markets in China.

Market Returns¹ September 30, 2021

	Month	Quarter	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
S&P 500	-4.7%	0.6%	15.9%	30.0%	16.0%	16.9%	14.0%	16.6%
MSCI EAFE-ND	-2.9%	-0.4%	8.3%	25.7%	7.6%	8.8%	5.8%	8.1%
MSCI EM-ND	-4.0%	-8.1%	-1.2%	18.2%	8.6%	9.2%	5.6%	6.1%
MSCI China-ND	-5.0%	-18.2%	-16.7%	-7.3%	5.9%	9.1%	7.5%	8.7%
Bloomberg US Aggregate	-0.9%	0.1%	-1.6%	-0.9%	5.4%	2.9%	3.3%	3.0%
Bloomberg US TIPS	-0.7%	1.8%	3.5%	5.2%	7.4%	4.3%	3.9%	3.1%
Bloomberg US Corporate High Yield	0.0%	0.9%	4.5%	11.3%	6.9%	6.5%	5.9%	7.4%
ICE BofAML US 3-Month Treasury Bill	0.0%	0.0%	0.0%	0.1%	1.2%	1.2%	0.9%	0.6%
ICE BofAML 1-3 Year US Treasury	-0.1%	0.1%	0.0%	0.0%	2.6%	1.6%	1.5%	1.2%
ICE BofAML 10+ Year US Treasury	-2.9%	0.1%	-7.4%	-10.1%	9.0%	3.3%	5.3%	4.3%

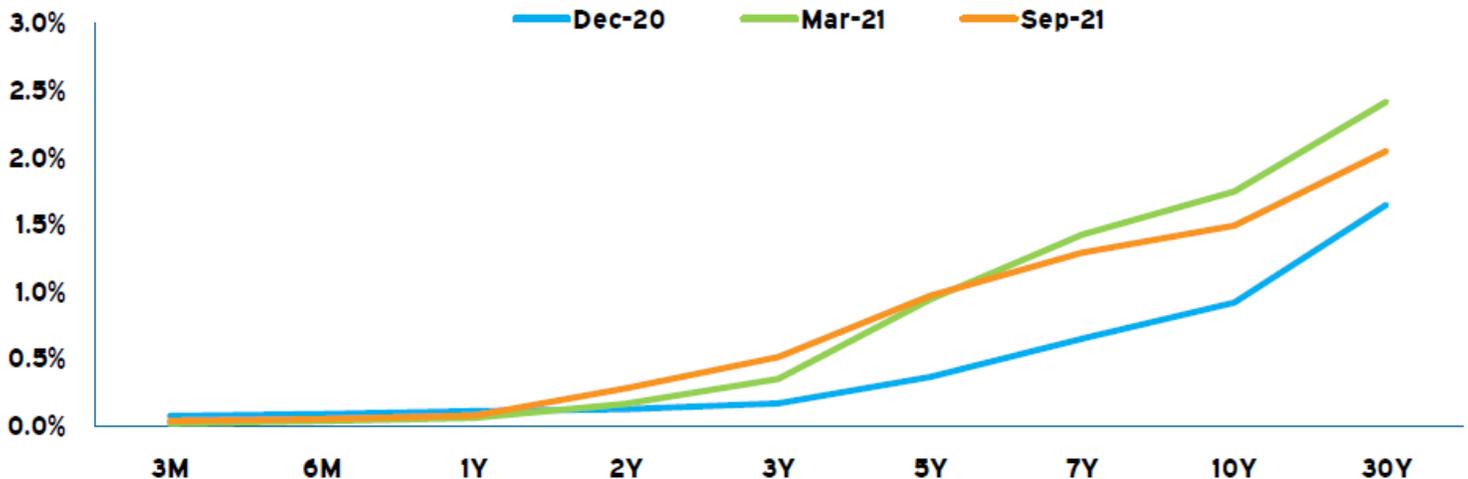
¹Source: Oregon State Treasury

In a reversal of the trend from last year, cyclical sectors like energy and financials continue to lead the way on a year-to-date basis, followed by communication services. The energy sector recently extended its gains, helped by rising demand and supply constraints.



¹Source: Bloomberg. Data is as of September 30, 2021.

In September, Treasuries also pulled back given persistent inflation and expectations for the Federal Reserve to start unwinding their quantitative easing program.

US Yield Curve¹

¹ Source: Bloomberg. Data is as of September 30, 2021

During the first half of calendar year 2021, the yield curve steepened, on higher growth and inflation expectations. While shorter-dated Treasury yields remained largely unchanged, rates in the 2-year to 5-year sector increased on the September FOMC signal that policy rates may need to be tightened more aggressively than previously anticipated. Longer-term rates rose slightly in September but remain below their recent peak in March 2021. The yield curve could continue its steepening if growth and inflation pressures build beyond current expectations. Alternatively, if the economy weakens, or if projected economic growth simply happens faster than expected, a flattening trend could continue.

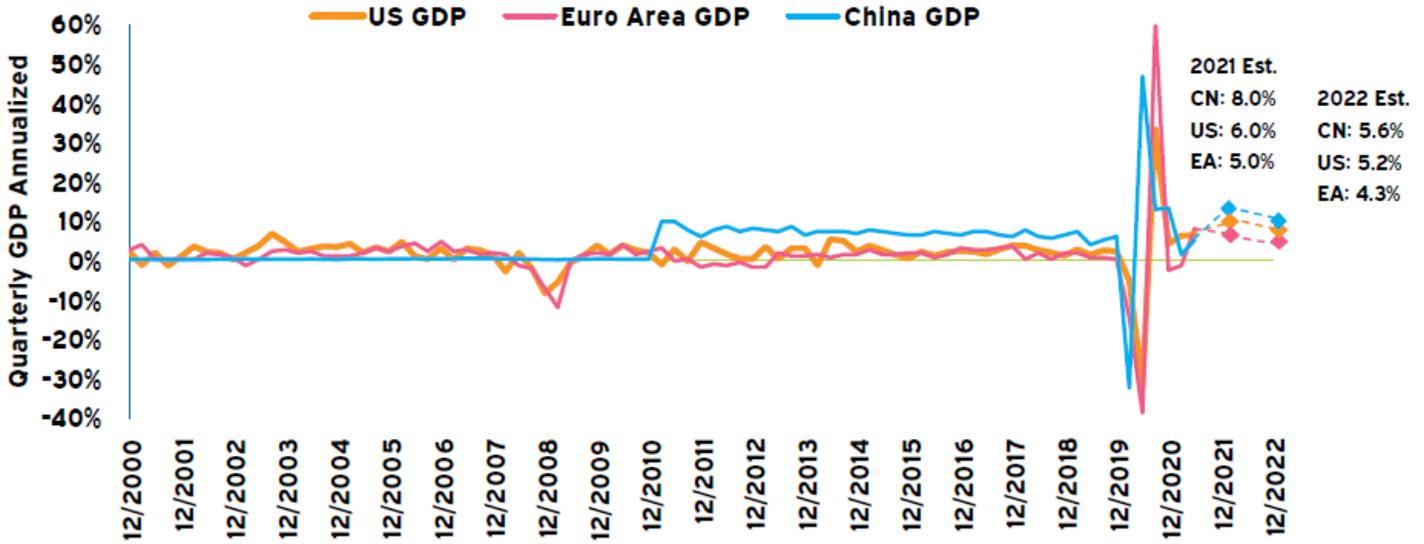
Inflation expectations remain well above long-term averages, particularly in the short-term, with the economy reopening, supply chain issues persisting, and expected additional fiscal stimulus as key drivers. Looking ahead, the track of economic growth, the persistence of supply chain issues, and the unprecedented U.S. fiscal response will be key issues. Additionally, changes to Fed policy focused on an average inflation target may play a role in the inflation market dynamics.

Credit spreads (the spread above a comparable maturity Treasury) for investment-grade and high yield corporate debt remain historically narrow despite continued economic uncertainty. Policy support and the search for yield in a low-rate environment have been key drivers in the decline in U.S. credit spreads to below long-term averages, particularly for high yield issuers.

In late calendar year 2020 and early calendar year 2021, major economies grew at rates far above potential. These very high rates of growth are not expected to continue, with projections continuing to decline given supply disruptions, reopening trends moderating, and some countries continuing to struggle with the COVID -19 virus. The U.S. is expected to grow faster than the euro area this year and next, with some growth pulled forward due to the relative success in distributing the vaccine and a substantially larger fiscal stimulus response to the pandemic. China is projected to grow at 8.0% in calendar 2021 and 5.6% in calendar 2022 both

above the expected U.S. growth rate. Questions remain though about the highly levered property market and government regulations.

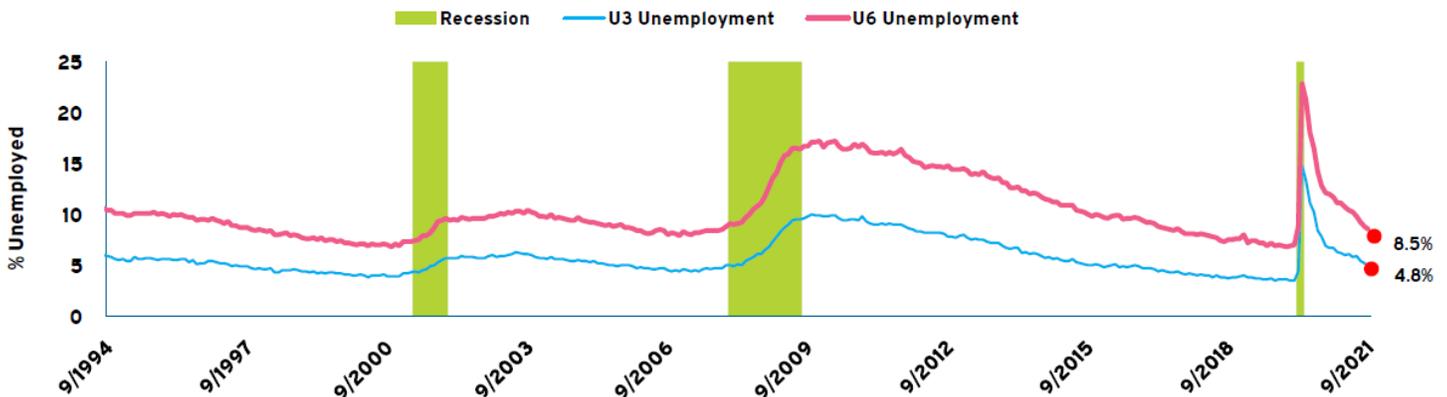
GDP Data Shows Projected Improvements in 2021¹



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

The unemployment rate (U3) continued its decline in September falling from 5.2% to 4.8%. It remains above pre-pandemic levels though, but far below the pandemic peak. The broader measure of unemployment (U6) that includes discouraged and underemployed workers also continued to decline but remains much higher at 8.5%. Also, the labor force participation rate remains quite low and is 1.7% below the 61.6% level of February 2020. Pandemic related concerns, childcare issues, and a mismatch of skills and available jobs have contributed to the continued labor market issues. The track of the unemployment rate from here will be a key consideration in the Federal Reserve’s pace of reducing its policy support.

US Unemployment¹



¹ Source: Bloomberg. Data is as of September 30, 2021. Bars represent recessions as observed by the National Bureau of Economic Research.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee approve the FY2022 Q1 Investment Reports.

Oregon Short Term Fund

September 30, 2021

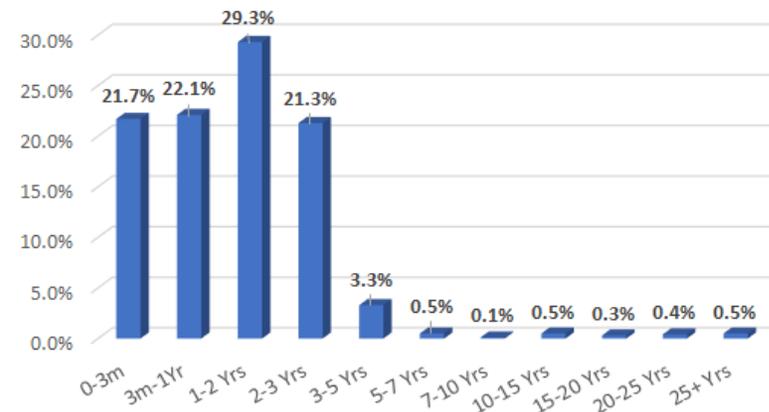
Portfolio Characteristics

Market Value 09/30/2021	\$ 387,612,822
Weighted Average Credit Quality	AA
Book Yield (%)	0.46%
Weighted Average Maturity (years)	1.03
Duration (years)	0.50
Spread Duration (rate)	0.76

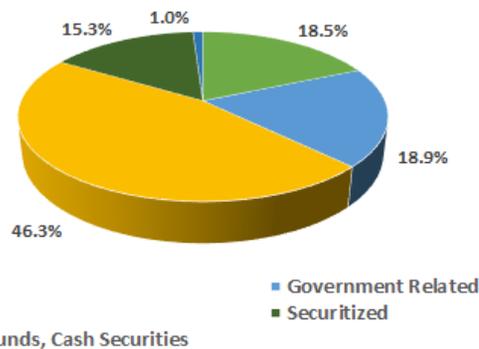
Top 10 Issuers

United States of America	18.8%
Federal Farm Credit Bank	2.9%
Toyota Motor Corportion	2.8%
Canada (Government of)	2.6%
Citigroup Incorporated	2.5%
Toronto-Dominion Bank	2.4%
BNP Paribas SA	2.2%
JPMorgan Chase & Company	2.1%
Federal Home Loan Banks	2.0%
Bank of America Corporation	1.9%
Total	40.2%

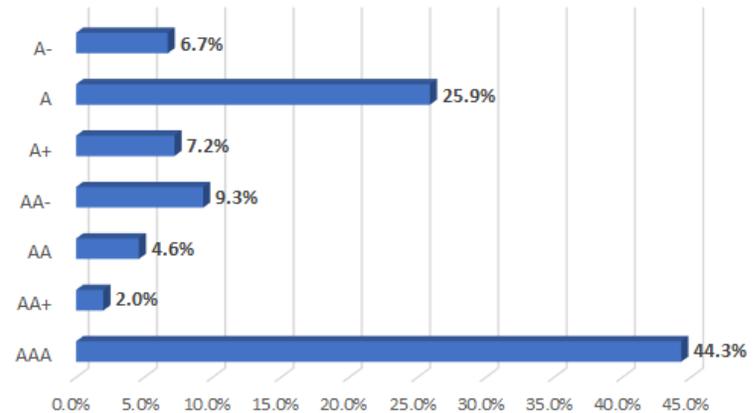
Maturity Breakdown



Sector Allocations



Credit Quality Distribution



Source: Oregon State Treasury

Core Bond Fund

September 30, 2021

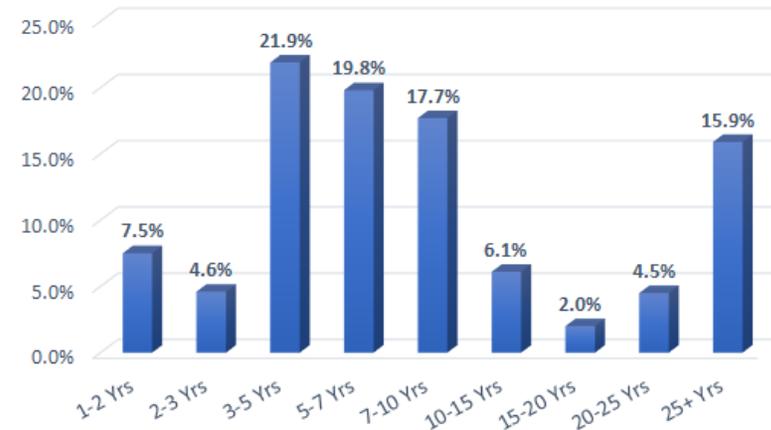
Portfolio Characteristics

Market Value 09/30/2021	\$ 269,908,954
Weighted Average Credit Quality	A+
Book Yield (%)	2.09%
Weighted Average Maturity (years)	5.08
Duration (years)	3.77
Spread Duration (rate)	3.23

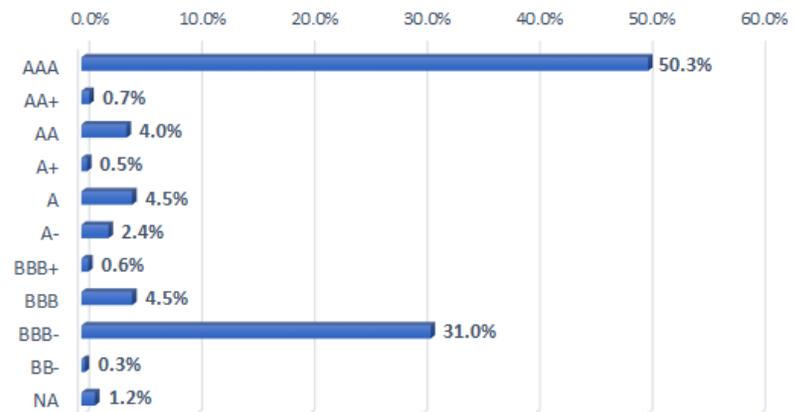
Top 10 Issuers

United States of America	21.4%
Ashtead Group PLC	4.1%
Oregon State Treasury	4.0%
Business Development Corporation of America	3.8%
Triton International Limited	3.5%
Sixth Street Specialty Lending Incorporated	3.5%
Federal National Mortgage Association	3.3%
Oscar US Funding Trust	3.0%
TRP LLC	2.8%
Owl Rock Capital Corporation	2.8%
Total	52.2%

Maturity Breakdown

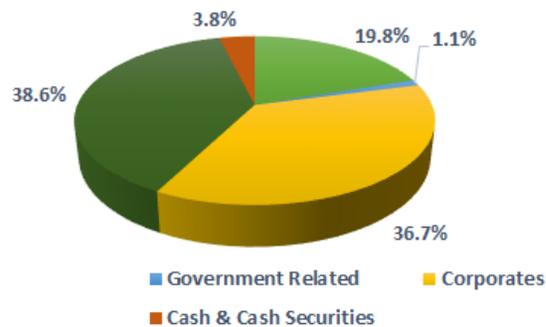


Credit Quality Distribution



Source: Oregon State Treasury

Sector Allocations



Supplementary Information and Definitions

TREASURY MANAGEMENT POLICY

Treasury management is composed of three primary functions: (1) cash management, (2) limited term investment management, and (3) debt management. Board-approved treasury management policies are designed to work in conjunction with each other to ensure controls, objectives, and frameworks are in place to mitigate financial risk and ensure adequate cash is available when needed.

The Board-approved policies guide the above primary functions:

- *Internal Bank Policy* – one of the objectives of the Internal Bank is to facilitate the long-term financial stability of the university through effective asset liability management
- *Liquidity Management Policy* – focuses on meeting cash flow needs during the operating cycle (sources and uses limited to five years)
- *Investment Policy* – provides guidelines for suitable investments while maximizing the efficiency of reaching primary investment objectives aligned with investment timeframes
- *Public University Fund Investment Policy* – provides guidelines for the investment of assets held in the Public University Fund managed by the Oregon State Treasury on behalf of all participating Oregon Public Universities
- *Debt Policy* – formalizes the connection between the university's strategic plan and the issuance of debt to optimize the overall funding and portfolio management strategies to help maintain a low and stable cost of capital

CASH AND INVESTMENTS

Operating Funds

Public University Fund (PUF) – an investment pool managed by the Oregon State Treasury providing Oregon public university participants exposure to short and intermediate-term fixed income markets

- *Oregon State University is the “Designated University”* – Oregon State University agreed to administer the Public University Fund as the designated university pursuant to statute for the benefit of all participating Oregon public universities
- *University Shared Services Enterprise* – engaged by Oregon State University to provide PUF administration services and other investment accounting and reporting support.

Cash – account balances are held at JPMorgan Chase Bank and U.S. Bank for operations

Board Designated Funds

Unspent Bond Proceeds

- *Oregon Short-Term Fund* – a short-term investment pool managed by the Oregon State Treasury used for investment of unspent bond proceeds held separately from operating fund investments
- *RBC Global Asset Management* – an investment manager selected through a public request for proposal process that invests short and intermediate-term funds according to projected cash flow needs (also known as liability-driven investing), further mitigating debt service costs until the funds are utilized

- *Bond Repayment Reserve* – a long-term investment strategy with the objective of repayment of outstanding taxable general revenue bonds approximately 90-years from the date of issuance

Long-Term Equity – utilized within the investment strategy to enhance the operating asset portfolio by diversifying asset class and duration as Tier 3 funds that are intended to be held longer than ten years and have the ability to assume more risk and volatility

Endowment Funds

Oregon State University Foundation – governed by the Oregon State University Fund Management Agreement and Board-approved OSUF Endowment Fund & Pooled Investment Policy

Land Held as Separately Invested Endowment Funds – Oregon State University faculty managed endowed lands

Other Endowment Assets Invested in the PUF – investment of the proceeds from the sale of land granted to the State of Oregon to establish Oregon State University pursuant to the Morrill Act of 1862 are restricted to certain bond investments

Accountability and Transparency Procedures and Reporting

- Investment performance report is provided to the FAC Quarterly
- Review of the Investment Policy at least biannually and Board of Trustee (BOT) approval required for any amendments
- Bi-annual review of the PUF Investment Policy. Policy amendments require university participant approval and OSU BOT approval
- Investments outside of policy require approval
- Amendments to any treasury policy require FAC agreement to advance the recommendation to the full BOT for approval
- Internal Bank Annual Statement is reviewed by the FAC annually
- To issue/secure external financing, approval is required per the Debt Policy and Liquidity Management Policy
- FAC and Board approval is required for use of bond proceeds, pursuant to the Approval of Capital Projects Policy and the Board resolution for each debt issuance as required in the Debt Policy
- Bond Repayment Investment Reserve actual to long-term target balances will be reported to the FAC for review at least annually