FY2017 Q4 Investment Reports

BACKGROUND

The Oregon State University (university) investment reports for the fourth quarter (Q4) of FY2017 are presented in the following three sections:

- **FY2017 Q4 Market Background** – This section provides a general discussion of the investment markets and related performance information during the fourth quarter of FY2017 (i.e., April 1 – June 30, 2017).
- **FY2017 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 FY2017. 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.
- **FY2017 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 that are invested in the PUF, 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.

FY2017 Q4 MARKET BACKGROUND

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

Macroeconomic Environment

What will thwart the "Goldilocks" environment?

"Not too hot, not too cold, but just right." This Goldilocks sentiment, fueled by years of central bank accommodation and tepid economic growth has kept volatility at multi-decade lows, interest rates range-bound, and propelled domestic stock markets to new highs. Even persistent political drama and geopolitical headwinds have failed to create sufficient investor angst to unglue the markets. That said, it is safe to say that many investors are nervous and discovering "value" across market sectors is increasingly difficult. In the second calendar quarter, the Standard and Poor's 500 (S&P 500) Index hit a record high, fueled by technology stocks, non-U.S. equities outperformed domestic, and within bonds corporate credit and emerging markets debt posted the strongest returns as the "risk-on" theme continued unabated. The Treasury yield curve flattened, with short rates up and longer rates falling, but the broad bond market returned roughly 1.4%. The U.S. dollar weakened versus most currencies and, as in the first calendar quarter, commodities were the lone area to deliver a negative return as oil prices continued to fall on supply concerns. The quarter closed with an upbeat assessment of the euro zone's recovery from the President of the European Central Bank (E.C.B.), Mario Draghi, fueling speculation that the tapering of E.C.B. asset purchases may be on the horizon. This change in tone spooked investors and sent global yields higher and stocks lower going into quarter-end.

While the U.S. entered its 96th month of expansion, economic data was uninspiring. The first calendar quarter Gross Domestic Product (GDP) growth was revised up to 1.4% (annualized) and was the weakest in three quarters. Personal consumption expenditures grew 1.1%, but this was the smallest advance since the second calendar quarter of 2013. After a strong 2016, light vehicle sales were down nearly 2% in June (year-over-year) with passenger car sales off 13% over the past year. Pending home sales and housing starts were also softer going into quarter-end, but the median price of a new home jumped 17% year-over-year to a record $345,800. While unemployment fell to a 15-year low of 4.3%, declining workforce participation continues to play a role in that metric. Consumer spending continues to be a driver of growth, but its pace of growth has also slowed. Expectations for 2017 U.S. GDP growth were cut by the International Monetary Fund from 2.3% to 2.1% in response to lowered expectations for fiscal stimulus, including tax reform. Inflation remained stubbornly low. The headline Consumer Price Index was 1.9% as of May (year-over-year) while Core inflation was 1.7%. The Federal Reserve (Fed's) favored measure, the Personal Consumer Expenditure price index, gained 1.4% (year-over-year) still below the 2% target. While growth appears to have moderated, the Fed believes that the upward trajectory is intact and consequently raised the Federal Funds rate by 25 basis points (bps), as markets expected, to a range of 1.0% – 1.25%. Markets are currently divided as to whether we will see another hike this year. More significantly, however, was the Fed's announcement that it will begin to reduce the size of its $4.5 trillion balance sheet. While timing remains uncertain, the Fed made clear the manner by which it intends to begin the tapering process. It will begin to allow U.S. Treasuries and mortgages to mature each month, up to a set amount, or cap, that will rise over time. Proceeds from maturities in amounts over the cap will continue to be reinvested. This approach is both more moderate and more transparent than investors expected and while the timing is uncertain, markets were unfazed.

A number of notable events occurred overseas on the political front. Populism appeared to lose favor as both the Netherlands and France declared centrist victories — Italy is up next with its election in spring of 2018. In the United Kingdom (U.K.), a surprising result came out of the snap election called by Prime Minister Theresa May; her Conservative Party lost its majority in the House of Commons, thus increasing the likelihood of a "softer" British Exit (Brexit). The first calendar quarter GDP growth was 2.3% (annualized) for the euro zone, exceeding expectations and the best in two years. Unemployment dropped to 9.3%, the lowest since 2009. The E.C.B. kept rates unchanged, but it also removed language that suggested rates would continue to decline. Comments in late June by E.C.B. President Mario Draghi hinted at a normalization/ reduction of bond buying caused yields to rise; markets have priced in a near 100% probability of an E.C.B. rate hike over the next 12 months. The euro and the pound strengthened significantly versus the U.S. dollar over the course of the quarter, up about 7% and 4%, respectively, on mixed economic data and uncertainty over the political climate. Inflation in the U.K. hit a four-year high of 2.9% (year-over-year) in May, leading to hawkish rhetoric from the Bank of England's chief economist. The post-Brexit decline in the pound has been a key culprit in rising inflation. Japan's first calendar quarter GDP growth was 1.3% (annualized). While lower than expected, it was the fifth quarter of economic expansion, the longest in more than a decade, and above Japan's long-range potential of roughly 0.7%. China exceeded expectations with a 6.9% annual growth pace in the first calendar quarter and, more recently, unexpectedly strong manufacturing data.

Equity Market Results

In the U.S., pro-growth initiatives such as tax reform and infrastructure investment failed to materialize, and repeal/replacement of the Affordable Health Care Act has also stalled. Instead, Russia's alleged influence over the Presidential election and multiple corresponding investigations took center stage during the quarter. However, investors shrugged off political drama choosing instead to focus on climbing after-tax corporate profits. S&P 500 companies reported the strongest quarterly earnings growth in six years with more than 75% reporting earnings above expectations. The S&P 500 Index gained 3.1% in the second calendar quarter as the bull market reached its 99th month, nearly twice as long as the historical average of 54 months. The S&P 500 Index is up 9.3% for the first six months of calendar 2017. Apple was added to "FANG" (Facebook, Amazon, Netflix and Google) – now "FAANG" as this technology collective continue to fuel results in the large cap growth space. Technology stocks now comprise 22% of the S&P 500 Index and 36% of the Russell Growth Index. Growth stocks continued to solidly outperform Value (Russell 1000 Growth: +4.7% vs. Russell 1000 Value: +1.3%). Along with Technology (+4.1%), Health Care (+7.1%) and Industrials (+4.7%) were strong performers. Large caps outperformed small caps across styles, but by a smaller margin (Russell 1000: +3.1% vs. Russell 2000: +2.5%). Telecomm, which includes only four companies (AT&T, Verizon, CenturyLink and Level3), sank 7% with AT&T and Verizon down over 8%. Energy returned –6.4% on falling oil prices. Financials got a June boost from the Fed's announcement that 34 of the largest U.S. banks had passed their stress tests; the sector was up 4.2% for the quarter.

Overseas, the Morgan Stanley Capital Index (M.S.C.I.) Europe Australasia, Far East (E.A.F.E.) Index (+6.1%) outperformed U.S. markets, bringing calendar year-to-date returns to 13.8%. Gains were broad-based, though helped by U.S. dollar weakness. Within the M.S.C.I., Europe ex-U.K. was up 8.4%, the U.K gained 4.7% and Japan returned +5.2%. Emerging markets modestly outperformed developed (M.S.C.I. Emerging Markets U.S.D.: +6.3%) and are up 18.4% year-to-date. Emerging Asia was the key driver in both the first and second calendar quarters. Countries with the top performance in the second calendar quarter included China (+10.6%), Greece (+33.8%), Korea (+10.2%), Turkey (+19.3%) and Poland (+13.6%). Elsewhere, Russia and Brazil posted sharp declines (–10.0% and –6.7%) and India's gain was muted at +2.9%. Brazil's president was implicated in the country's wide-ranging corruption investigation and Russia suffered from falling oil prices and questions over U.S./Russian relations. In other news, M.S.C.I. announced that it would be adding China A-shares to its emerging markets indices, albeit in a fairly small sliver.

Fixed Income Market Results

Intermediate and long U.S. Treasury yields fell modestly in the second calendar quarter as inflation data releases were persistently weak. Short rates rose, consistent with the Fed hike, and thus the yield curve flattened. Risky assets continued their long streak of outperformance. The 10-year U.S. Treasury yield closed the quarter at 2.31%, down from 2.40% as of March 31, though it hit a 2017 low of 2.12% earlier in June. The 2-year U.S. Treasury yield climbed 11 bps to close at 1.38%. As a result, short and intermediate maturity Treasuries underperformed; the Bloomberg Barclays Intermediate Treasury Index returned 0.7% while the Long Index gained 4.0%. The Bloomberg Barclays Aggregate Index earned 1.4% with corporate bonds performing the best on strong demand. The Bloomberg Barclays Corporate Index was up 2.5% for the quarter, outperforming the High Yield Index (+2.2%). Treasury Inflation Protected Securities (TIPS) underperformed as expectations for inflation sank. The Bloomberg Barclays TIPS Index lost 0.4% for the quarter. The 10-year breakeven spread (the difference between nominal and real yields) was 173 bps as of quarter-end, down from 1.97% at the end of the first calendar quarter.

Overseas, broad-based dollar weakness boosted returns. The U.S. dollar lost nearly 7% versus the euro and almost 5% versus a broad basket of developed markets currencies. The

Bloomberg Barclays Global Aggregate Index returned 2.6% (unhedged) versus 1.0% for the hedged version. Emerging markets debt posted solid returns. The J.P Morgan Emerging Market Bond Global Diversified Index (U.S. $ denominated) was up 2.2% with broad-based gains across countries. The local currency J.P. Morgan Emerging Market Bond Global Diversified Index returned +3.6% with more divergent results. Russia, Brazil and Argentina lost over 2% while Mexico and Turkey were among the strongest performers with 7.5% gains.

The Bloomberg Barclays Municipal Bond Index returned 2.0% in the second calendar quarter and, generally, lower quality bonds outperformed. Results were bolstered by lowered investor expectations for meaningful tax reform, both in terms of scale and timing. Additional support came from favorable supply/demand technicals; supply declined roughly 14.0% year-over-year while investors put new money into the sector. Fundamentals remained broadly positive in spite of a few troubled credits making headlines. Illinois failed to pass a budget on the last day of the quarter (the end of its fiscal year) for the third consecutive calendar year, prompting threats of a downgrade to junk by S&P.

Other Asset Results

Real assets had a tough quarter with few exceptions. Brent crude oil prices fell 10.0% to $47 as of quarter-end. The energy-heavy S&P Goldman Sachs Commodity Index lost 5.5% while the more diversified Bloomberg Commodity Index fell 3.0%. Master Limited Partnerships (MLPs) suffered alongside oil; the Alerian MLP Index was down 6.4%. Gold was down nearly 1% and Real Estate Investment Trusts (REITs) were up only modestly (MSCI REIT: +1.7%). U.S. TIPS performed poorly as expectations for future inflation sank. The Barclays U.S. TIPS Index returned –0.4%. In a bright spot, global infrastructure (Dow Jones Brookfield Global Infrastructure Index) gained 3.7%.

Closing Thoughts

We entered 2017 with U.S. stock markets at record highs and historically low volatility. Not much has changed although geopolitical risks have not abated and the previously envisioned pro-growth policies sought by enthusiastic market participants remain elusive. That said, economic news has brightened outside of the U.S. with global economies seemingly on steadier footing and the prospect of reflation on the horizon. While consensus is that valuations remain stretched across asset classes, it is impossible to predict what will thwart this Goldilocks environment. We caution investors to temper return expectations and, as always, Callan encourages investors to maintain a long-term perspective and prudent asset allocation with appropriate levels of diversification.

FY2017 Q4 PUBLIC UNIVERSITY FUND INVESTMENT REPORT

(Prepared by the Public University Fund Administrator)

Performance

The Public University Fund (PUF) gained 0.6% for the quarter and 0.9% for the fiscal year ended June 30, 2017. The PUF generated an annualized yield of 1.8% for the fiscal year, though fixed income price declines during the second and third quarters led to the PUF's total fiscal year return of 0.9%, as investors priced in expectations of rising interest rates across the yield curve. The PUF's three-year average return was 1.6%.

The Oregon Short-Term Fund returned 0.3% for the quarter and 1.1% for the fiscal year, outperforming its benchmark for the quarter and year by 10 and 60 bps, respectively. The Core Bond Fund returned 0.8% for the quarter, underperforming its benchmark by 10 bps. The investment in the Core Bond Fund was initiated on April 3, 2017, to incorporate fossil-fuel investment policy restrictions and other policy modifications.

In July, Oregon State Treasury fixed income portfolio manager, Tom Lofton, conducted a quarterly performance review with university staff and its investment advisor. The Core Bond Fund's relative underweight in U.S. Treasuries compared to its benchmark resulted in the slight underperformance for the quarter. Mr. Lofton anticipates increasing the allocation to U.S. Treasuries and Government Agency credits in the coming weeks.

A snapshot of each investment pool's portfolio characteristics and market exposures is included with this report.

	Quarter Ended 6-30-17	Prior Fiscal YTD	Current Fiscal YTD	3-Year Avg.	Market Value	Asset Allocation	Policy Allocation
Oregon Short–Term Fund	0.3%	0.6%	1.1%	0.8%	$182,556,346	36.8%	$150 million target [1]
Benchmark - 91 day T-Bill	*0.2%*	*0.2%*	*0.5%*	*0.2%*			
PUF Core Bond Fund	0.8%	N/A	N/A	N/A	$312,900,263	63.2%	
Blended Benchmark [2]	*0.9%*	*N/A*	*-0.6%*	*2.7%*			
Public University Fund	0.6%	2.5%	0.9%	1.6%	$495,456,609	100.0%	

[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] The Blended Benchmark is comprised of the Bloomberg Barclay's Aggregate 3-5 Years Index (75%) and the Bloomberg Barclay's Aggregate 5-7 Years Index (25%).

Investment Income and Participant Ownership

During the quarter, investment earnings distributed to the participants totaled $2,665,003.

	Earnings Distribution [1]	Market Value as of 6/30/17	% Ownership
Oregon State University [2]	$ 1,041,002	$ 212,320,321	42.9%
Portland State University	950,556	171,844,553	34.7%
Western Oregon University	256,871	47,538,259	9.6%
Southern Oregon University	146,657	23,078,617	4.7%
Oregon Institute of Technology	170,143	22,599,827	4.5%
Eastern Oregon University	99,774	18,075,032	3.6%
Grand Total	$ 2,665,003	$ 495,456,609	100.0%

[1] The earnings available for distribution to participants were earned during the months of March 2017 through May 2017 and distributed to participants in June 2017. 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.

[2] As of June 30, 2017, Oregon State University's total PUF market value consisted of operating assets, valued at $211,993,220, and the land grant endowment, valued at $327,101.

Oregon Short-Term Fund Exposures

June 30, 2017

Sector	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
Corporates	52.8%	0.6%	0.5	1.2	1.8%
Treasuries	17.1%	0.0%	0.3	0.0	1.1%
Government Related	16.0%	0.0%	0.3	0.6	1.1%
Securitized	12.6%	-0.1%	0.7	1.1	1.1%
Investment Funds	1.3%	0.0%	2.7	1.3	1.6%
Municipals	0.1%	0.0%	0.0	0.0	1.0%
Cash	0.1%	0.0%	0.2	0.2	0.9%
Total	**100.0%**	**0.5%**	**0.5**	**0.9**	**1.5%**

Rating	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
AAA	40.8%	-0.1%	0.4	0.5	1.1%
AA+	1.0%	0.0%	0.3	1.3	1.6%
AA	5.6%	0.1%	0.3	0.7	1.5%
AA-	15.0%	0.1%	0.4	1.1	1.6%
A+	12.4%	0.2%	0.6	1.6	1.8%
A	13.2%	0.1%	0.4	1.1	1.6%
A-	9.5%	0.1%	0.5	1.2	2.0%
BBB+	0.9%	0.0%	0.3	0.7	2.0%
No Rating	0.3%	0.0%	0.1	0.1	1.1%
Investment Funds	1.3%	0.0%	2.7	1.3	1.6%
Total	**100.0%**	**0.5%**	**0.5**	**0.9**	**1.5%**

Industry	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
Banking	35.3%	0.4%	0.5	1.1	1.8%
Treasuries	17.1%	0.0%	0.3	0.0	1.1%
Government Related	16.0%	0.0%	0.3	0.6	1.1%
A.B.S.	12.6%	-0.1%	0.7	1.1	1.1%
Consumer Cyclical	6.1%	0.1%	0.5	1.5	1.6%
Capital Goods	3.5%	0.1%	0.5	1.3	1.6%
Technology	3.2%	0.0%	0.5	1.5	1.6%
Consumer Non-Cyclical	2.1%	0.0%	0.6	1.4	1.7%
Investment Funds	1.3%	0.0%	2.7	1.3	1.6%
Insurance	1.0%	0.0%	0.4	1.4	1.6%
Communications	0.7%	0.0%	0.4	2.4	1.6%
Industrial Other	0.3%	0.0%	0.1	0.1	1.0%
Finance Companies	0.3%	0.0%	0.4	0.4	1.3%
Utility	0.3%	0.0%	0.9	0.9	1.4%
Municipals	0.1%	0.0%	0.0	0.0	1.0%
Cash	0.1%	0.0%	0.2	0.2	0.9%
Total	**100.0%**	**0.5%**	**0.5**	**0.9**	**1.5%**

Top Exposures	Market Value Percent
United States Treasury	17.1%
Federal Home Loan Banks	6.8%
JP Morgan Chase & Company	4.5%
Wells Fargo & Company	4.0%
Toyota Motor Corporation	3.0%
Morgan Stanley	2.7%
Goldman Sachs Group Incorporated (The)	2.6%
Federal Farm Credit Banks Funding Corporation	2.5%
Bank of America Corporation	2.4%
Honda Motor Company Limited	1.9%
American Express Company	1.8%
Citi Bank N.A.	1.8%
Caterpillar Incorporated	1.5%
Lloyds Banking Group Plc	1.5%
Credit Suisse Group A.G.	1.5%
Oregon Local Government Intermediate Fund	1.3%
Bank of Montreal	1.3%
Citibank Credit Card Issuance Trust	1.3%
Deere & Company	1.3%
Toronto-Dominion Bank (The)	1.2%

Source: Oregon State Treasury

P.U.F. Core Bond Fund — June 30, 2017

Sector	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
Treasuries	28.1%	0.0%	5.1	0.0	1.9%
Securitized	28.0%	0.1%	2.8	3.7	2.2%
Corporates	27.5%	0.2%	3.2	4.8	2.7%
Government Related	15.9%	0.1%	5.0	5.0	2.3%
Cash	0.5%	0.0%	0.5	0.9	1.5%
Total	**100.0%**	**0.3%**	**3.9**	**3.2**	**2.3%**

Rating	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
AAA	69.3%	0.1%	4.1	2.4	2.1%
AA+	1.4%	0.0%	2.9	4.1	2.1%
AA	2.2%	0.0%	4.7	4.8	2.8%
AA-	1.8%	0.0%	3.4	5.7	2.4%
A+	0.5%	0.0%	3.0	3.0	2.2%
A	3.0%	0.0%	3.6	4.8	2.5%
A-	7.2%	0.0%	2.6	5.9	2.6%
BBB+	7.5%	0.1%	3.3	4.6	2.6%
BBB	5.9%	0.1%	4.2	4.3	3.2%
BBB-	1.2%	0.0%	4.7	4.7	3.4%
Total	**100.0%**	**0.3%**	**3.9**	**3.2**	**2.3%**

Industry	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
Treasuries	28.1%	0.0%	5.1	0.0	1.9%
Banking	9.2%	0.0%	1.4	5.4	2.5%
Agency	8.7%	0.0%	4.7	5.0	2.1%
A.B.S.	8.6%	0.0%	2.3	3.4	1.9%
C.M.B.S.	7.6%	0.0%	2.9	2.9	2.3%
M.B.S. Pass-Through	6.2%	0.0%	3.7	4.7	2.7%
C.M.O.	5.6%	0.0%	2.6	4.1	2.1%
Consumer Non-Cyclical	4.9%	0.1%	5.1	5.1	2.9%
Local Authority	4.8%	0.1%	5.7	5.2	2.7%
Capital Goods	3.4%	0.0%	3.7	5.0	2.5%
Consumer Cyclical	3.2%	0.0%	4.0	4.0	3.0%
Supranational	2.5%	0.0%	4.7	4.7	2.2%
Insurance	2.2%	0.0%	4.3	4.3	2.6%
R.E.I.T.s	1.5%	0.0%	3.9	3.9	3.3%
Basic Industry	1.3%	0.0%	5.5	5.5	3.0%
Finance Companies	0.7%	0.0%	2.4	2.4	3.1%
Technology	0.6%	0.0%	0.1	2.8	1.5%
Cash	0.5%	0.0%	0.5	0.9	1.5%
Transportation	0.4%	0.0%	2.7	2.8	2.3%
Total	**100.0%**	**0.3%**	**3.9**	**3.2**	**2.3%**

Top Exposures	Market Value Percent
United States Treasury	33.2%
Goldman Sachs Group Incorporated (The)	4.0%
Federal National Mortgage Association	2.8%
Citibank Credit Card Issuance Trust	2.7%
Federal Home Loan Mortgage Corporation	2.7%
Citigroup Incorporated	2.6%
European Investment Bank	2.5%
Ford Motor Company	2.3%
Capital One Mult-Asset Execution Trust	1.8%
National Credit Union Administration	1.8%
Freddie Mac F.H.L.M.C. 4664	1.7%
Wells Fargo Commercial Mortgage Trust	1.6%
Morgan Stanley Capital Trust	1.5%
Dr. Pepper Snapple Group Incorporated	1.5%
Sherwin-Williams Company (The)	1.4%
Caterpillar Incorporated	1.3%
Federal Home Loan Banks	1.3%
American International Group Incorporated	1.1%
C.N.H. Equipment Trust	1.1%
Freddie Mac F.H.L.M.C. 4268	1.1%

Source: Oregon State Treasury

FY2017 Q4 OREGON STATE UNIVERSITY INVESTMENT REPORT

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

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 returned 0.6% for the fourth quarter.

OSU Endowment Asset Performance

The OSU Endowment Assets, including those managed by the OSU Foundation, earned a total return of 3.1% during the quarter and 12.0% for the fiscal year ending June 30, 2017. The total market value of the university's endowment assets as of June 30, 2017 was $50,880,980.

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 earned a total return of 3.8% during the quarter and 14.2% for the fiscal year, underperforming its benchmark by 10 bps for the quarter and outperforming by 170 bps for the fiscal year.

RECOMMENDATION

Staff recommend the Finance & Administration Committee accept the FY2017 Fourth Quarter Public University Fund Investment Report and the FY2017 Fourth Quarter Oregon State University Investment Report.

Oregon State University

Investment Summary

as of June 30, 2017

(Net of Fees)

	Quarter Ended 6/30/2017	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
OSU Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	0.3%	0.6%	1.1%	0.8%	0.7%	1.2%	$ 78,111,195	36.8%	[1]
Benchmark - 91 day T-Bill	0.2%	0.2%	0.5%	0.2%	0.2%	0.6%			
[2] P.U.F. Core Bond Fund	0.8%	N/A	N/A	N/A	N/A	N/A	133,882,025	63.2%	[1]
[3] Blended Benchmark	0.9%	N/A	-0.6%	2.7%	1.8%	N/A			
Total Operating Assets Invested in Public University Fund	0.6%	2.5%	0.9%				$ 211,993,220	100.0%	
OSU Endowment Assets									
OSU Endowment Assets Invested in the OSUF Endowment Pool									
Total Global Equity	6.1%	N/A	21.6%				$ 24,330,859	52.9%	50.0%
Benchmark - M.S.C.I All Country World Index	4.3%		18.8%						
Total Global Fixed Income	1.4%	N/A	2.0%				4,600,024	10.0%	5.0%
Benchmark - Bloomberg Barclays Global Agg. Bond Index	2.6%		-2.2%						
Total Absolute Return	1.9%	N/A	8.5%				5,207,835	11.3%	10.0%
Benchmark - H.F.R.I. Fund of Funds Index	0.6%		6.3%						
Total Real Assets	-0.5%	N/A	11.6%				5,263,091	11.4%	10.0%
[4] Benchmark - Real Assets Custom	-0.1%		-1.9%						
Total Private Capital	3.7%	N/A	7.8%				4,880,907	10.6%	25.0%
Benchmark - No benchmark provided									
Total Cash	0.0%	N/A	0.0%				1,763,572	3.8%	0.0%
Total OSU Endowment Assets Invested in OSUF Endow. Pool [5]	3.8%		14.2%				46,046,288	100.0%	100.0%
Benchmark-80% M.S.C.I. A.C.W.I./20% BBG Barclays Global Agg.	3.9%	N/A	12.5%						
Other OSU Endowment Assets									
Land Held as Separately Invested Endowment Funds	-3.9%	-5.0%	-3.9%				4,507,591 [6]		
[7] Other Endowment Assets Invested in the P.U.F.	0.6%	2.5%	0.9%				327,101		
Total Other OSU Endowment Assets							4,834,692		
Total OSU Endowment Assets	3.1%	-1.9%	12.0%				$ 50,880,980		

(continued on next page)

Oregon State University

Investment Summary

as of June 30, 2017

(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] The PUF Core Bond Fund was established on April 3, 2017, to incorporate policy updates and sector exposure restrictions. The securities held in the Oregon Intermediate-Term Pool and Long-Term Pool (excluding fossil-fuels) were transferred into the PUF Core Bond Fund on April 3, 2017.

[3] Blended Benchmark Composition: 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.

[4] Real Assets Custom Benchmark: 1/3 Financial Times Stock Exchange European Public Real Estate Association/National Association Real Estate Investment Trust Developed Index, 1/3 Bloomberg Commodity Index, 1/3 Bloomberg Barclays U.S. Treasury Inflation Protected Securities.

[5] Investment returns are reported net of investment manager fees; gross of the Foundation's administrative fees.

[6] 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. The Matteson agreement, however, allows an option to sell land 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.

[7] The Land Grant assets were previously held by the Oregon State Lands and transferred to OSU on July 1, 2014. During fiscal year 2015, the assets were presented on the investment summary as operating assets invested in the PUF Beginning July 1, 2015, the assets are presented as endowment assets invested in the PUF.

Note: Outlined returns underperformed their benchmark.

-Amended 8/29/2017