FY2016 Q1 Investment Reports

BACKGROUND

The Oregon State University (University) investment reports for Q1 of FY2016 are presented in the following three sections:

- **FY2016 Q1 Market Background** – This section provides a general discussion of the investment markets and related performance information during the first quarter of FY2016 (third calendar quarter of 2015).
- **FY2016 Q1 Public University Fund Investment Report** – This section includes a report on the investments of the Public University Fund (P.U.F.) for the first quarter of FY2016. The P.U.F. is an investment pool that is administered by the University on behalf of all Oregon public university participants, pursuant to legislation adopted by the 2014 Legislature. The P.U.F. holds assets of participating Oregon public universities, including Eastern Oregon University, Oregon Institute of Technology, Oregon State University, Portland State University, Southern Oregon University, and Western Oregon University.
- **FY2016 Q1 Oregon State University Investment Report** – This section includes a report on the investments of the operating and endowment assets of the University. The report includes the University's operating asset investments that are held in their entirety in the P.U.F., the University's endowment and quasi-endowment investments managed by the Oregon State University Foundation, the land held as separately invested endowment funds and land grant funds invested in the P.U.F.

FY2016 Q1 MARKET BACKGROUND

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

Macroeconomic Environment

The third calendar quarter of 2015 was marked by heightened volatility spurred by growing concerns over slowing global economic growth. Sharp declines in commodity prices and uncertainty over the magnitude and pace of China's slowdown and the resultant effect on other markets were central points of worry. Emerging market equities and currencies were especially hard hit. Also, investors remained keenly focused on statements from the Federal Reserve in attempts to gauge the timing of the widely anticipated first hike in interest rates since 2006, but the quarter ended with no action.

In what now seems like a distant memory, Greece narrowly averted a "Grexit" (Greek exit) and was granted its third bailout in five years to allow the country to remain in the European Monetary Union. The survival of the Syriza-led government, along with promises for tough reforms for taxes, pensions and early retirement, were welcomed by the markets following the imposition of capital controls in the country. However, Greece was quickly forgotten as concerns over China mounted. Questions as to whether the slowdown in China, the world's second largest economy, would derail the recovery in the U.S. and Europe took center stage. China's stock market swoon (–14.3 percent in July) and the resultant intervention by the government took investors by surprise. The People's Bank of China (P.B.O.C.) further shocked markets by devaluing the yuan by roughly 3 percent. Since 2005, China's currency had appreciated 33 percent against the U.S. dollar and this devaluation marked the largest single drop in 20 years. The P.B.O.C. claimed the devaluation was in sync with its effort to move towards a more market-oriented economy, a claim that was viewed with suspicion by some who suspected it was more of an effort to prop up the economy. China woes were exacerbated in August. Following its announcement that manufacturing activity had slowed to a 6-year low, "Black Monday" (August 24) ended with the Shanghai Composite Index down 8 percent, wiping out hundreds of billions of dollars in market capitalization and posting its largest one-day loss since 2007. The Dow suffered a historic 1000+ point plunge before recovering to close the day at -588 (–3.6 percent), an 18-month low. Oil sank to $39 per barrel, the lowest since 2009, and the 10-year U.S. Treasury slipped below 2 percent intra-day. The Volatility Index (V.I.X.), a measure of stock market volatility and also known as Wall Street's "fear gauge," surged 63 percent to 53 on August 24, a level not seen since early 2009 in the midst of the financial crisis. On August 25, the Chinese central bank cut interest rates for the fifth time since November and lowered the amount of deposits banks are required to hold in reserve.

The Standard & Poor's (S.&P.) 500 Index suffered its worst quarterly performance in four years as a result of August's market selloff, slumping 6.4 percent for the quarter. Yields were also volatile during the quarter; the 10-year U.S. Treasury traded in a 56 basis points range from 1.90 percent to 2.46 percent before ending the quarter at 2.06 percent. Oil prices followed the same pattern, dropping to $39/barrel West Texas Intermediate (W.T.I.) Crude on Black Monday for the first time since 2009. The commodity closed the quarter at $45/barrel, down 27 percent from June 30.

In the U.S., the economic picture continued to improve with second calendar quarter Gross Domestic Product (G.D.P.) revised up to 3.9 percent, helped by robust consumer spending and construction. This revision exceeded expectations and was up sharply from the initial estimate of 2.3 percent. Unemployment fell to 5.1 percent, its lowest level since 2008. The Conference Board's Consumer Confidence Index unexpectedly rose 1.7 percent in September, the second highest of the current economic expansion. Real average hourly earnings were up 0.5 percent in August (2.0 percent year over year), slightly ahead of expectations, though still subdued. However, payroll gains have moderated. Through August, payrolls have gained an average 212,000 per month in 2015, below the 260,000 averaged during all of last year. Inflation remained tepid; headline Consumer Price Index (C.P.I.) in August was up just 0.2 percent year over year and Core C.P.I. climbed 1.8 percent year over year.

In a 9:1 vote, the Federal Reserve decided to keep its 0.00 percent to 0.25 percent range for the federal funds rate at its September meeting, citing global macroeconomic concerns and below-target inflation. Chief among the Federal Reserve's concerns were the slowdown in China and its effects on global growth. However, Chair Yellen said in a late September speech that the first increase will still likely be "later this calendar year". As of quarter-end, markets were pricing a nearly 50 percent probability of a rate increase by calendar year end. (Note: this was prior to the worrying labor market report that was released on October 2). The Federal Reserve meets in October and December and will weigh evidence and entertain rate hikes at each of those meetings.

Outside of the U.S., which remains a bright spot in the global economy, the sputtering recovery in Europe lost some momentum as the global economic picture soured. A slump in oil prices pushed euro zone inflation below zero in September. Prices fell across the currency bloc by 0.1 percent year over year in September but core inflation remained unchanged at 0.9 percent. Unemployment in the region continued to be stubbornly high at 11 percent. European Central Bank (E.C.B.) President Mario Draghi stated that while the sluggish recovery is a concern, no additional stimulus beyond the €60 billion a month program is being considered at this time. However, he also said they were prepared to take additional measures if the situation deteriorates.

Elsewhere, news was equally uninspiring. A victim of falling oil prices, Canada officially entered a recession. Its economy expanded in June but shrank 0.5 percent (annualized) in the second calendar quarter of 2015 after falling 0.8 percent in the first quarter. Also suffering from falling oil prices, Norway cut its main interest rate for the second time in four months. Japan's recovery remained fragile; factory output unexpectedly fell in July and its economy shrank an annualized 1.2 percent in the second calendar quarter.

Emerging markets were exceptionally hard hit. Capital outflows over the past year have been massive and currencies have weakened significantly. Worries over a Federal Reserve rate hike and slowing growth from these post-crisis "darlings" have fueled concerns. China's slowdown and a sharp correction in commodity prices have contributed to the slowdown. The most recent International Monetary Fund (I.M.F.) forecast for 2016 growth was revised down to roughly 4 percent, the fifth consecutive annual drop. In late September, India cut interest rates for the fourth time this year to shore up its economy. Brazil has seen its currency plunge by roughly 40 percent versus the U.S. dollar over the past year, and Russia, which has also seen its currency depreciate 40 percent versus the dollar, remains mired in recession. Turkey, facing political challenges, escalating violence and a troubled economic outlook, saw its currency sink to a record low versus the dollar in September.

Equity Market Results

Consistent with the “risk off” sentiment evident in the third calendar quarter, defensive sectors within the S&P 500 Index fared best. Utilities (+5.4 percent) and Consumer Staples (-0.2 percent) were the top performers. The typically defensive Health Care (–10.7 percent) sector proved the exception as Democratic presidential front runner Hillary Clinton sent the sector reeling by unveiling plans to make prescription drugs more affordable. Commodity price sensitive sectors such as Basic Materials (–16.9 percent) and Energy (–17.4 percent) were the hardest hit in an environment of slowing global growth converging with falling commodity prices.

Following the defensive theme in the quarter, the S&P 500 High Quality index (–3.7 percent) outperformed its Low Quality counterpart (–10.0 percent) and Mega Caps (–2.5 percent) outperformed Microcaps (–13.8 percent). While the impact of style across all market capitalizations paled in comparison to sector, quality and capitalization factors as exhibited by the relatively tight spread in performance between the Russell 3000 Growth (–5.9 percent) and Value (–8.6 percent) indices, it was nonetheless meaningful. On a capitalization basis, style performance was a mixed bag. Large cap growth outperformed large cap value by 3.1 percent (Russell 1000 Growth: –5.3 percent; Russell 1000 Value: –8.4 percent) while small cap value outperformed small cap growth by 2.4 percent (Russell 2000 Value: –10.7 percent; Russell 2000 Growth: –13.1 percent). No style differentials were noted in mid cap as both the Russell Midcap Value and Midcap Growth lost 8 percent for the quarter.

Outside the U.S., major developed markets Japan (–11.8 percent) and the United Kingdom (-10.0 percent) performed in line with the broad international equity benchmarks, Morgan Stanley Capital Index - All Country World Index (M.S.C.I. A.C.W.I.) excluding U.S. (-12.1 percent) and Europe, Australasia and Far East (E.A.F.E.) (–10.2 percent). International Small Cap (–6.8 percent) was somewhat of an anomaly, posting a return well above other typically less volatile areas of the international markets. Energy, a mere 2 percent of the Index, contributed positively to its relative outperformance.

Emerging equity markets were the most severely impacted by slowing growth, falling commodity prices and capital outflows as the M.S.C.I. Emerging Markets Index declined 17.8 percent. Besides China's decline of 22.7 percent, Brazil (–33.6 percent) continued to be a laggard while India (–6.7 percent) continued to be at the top end of the pack. From an attribution standpoint, the direct impact of falling commodities prices on emerging equity markets has greatly moderated as commodity sectors have become an ever diminished component of the broad emerging market indices. Entering the second calendar quarter the Energy and Materials sectors combined to represent 15 percent of the M.S.C.I. Emerging Markets Index whereas seven years ago they represented 37 percent of the Index.

Fixed Income Market Results

"Risk off" sentiment prevailed in the third calendar quarter as worries over the slowdown in China and falling commodity prices mounted. In this environment, bonds served its "flight to quality" role. While fixed income markets experienced heightened volatility and the 10-year U.S. Treasury traded in a relatively wide 56 basis points range, it returned 2.9 percent for the quarter. The 10-year closed the quarter at 2.06 percent, nearly 30 basis points lower than June 30. The Barclays Aggregate Index was up a more modest 1.2 percent for the quarter as corporate bonds underperformed in the risk-off environment. For the quarter, corporates underperformed like-duration Treasuries by nearly 150 basis points. High yield corporates suffered even more; the Barclays High Yield Index sank 4.9 percent. Ex-Energy, the High Yield Index was down 3.0 percent. The yield on the High Yield Index rose to 8 percent as bonds weakened and the sector was hit with more than $10 billion in outflows from open end mutual funds and more than $3 billion from Exchange Traded Funds (E.T.F.s) during the quarter. Bank loan mutual funds also saw outflows and the Standard & Poor's/Loan Syndications & Trading Association (S.&P./L.S.T.A.) Index of bank loans lost a more muted 1.4 percent. Treasury Inflation-Protected Securities (T.I.P.S.) were the other notable underperformers. These inflation-linked securities sharply underperformed nominal Treasuries as expectations for inflation over the next ten years shrank from 1.86 percent as of June 30 to 1.41 percent as of September 30. The Barclays T.I.P.S. Index returned –1.2 percent versus +1.8 percent for the U.S. Treasury Index.

Developed sovereign bonds also performed relatively well as interest rates fell on mounting concerns over a slowing global economy. The Barclays Global Aggregate Index returned 0.9 percent, in line with returns in the U.S. bond market. Hedged in U.S. dollars, the Index was up 1.3 percent primarily due to a modest appreciation in the yen versus the U.S. dollar. On a country specific basis, energy-related currency weakness in Canada and Australia hurt those currencies and translated into weak returns on an unhedged basis (both down 6 percent). Italy was the best performer, up over 4 percent for the quarter on both a hedged and unhedged basis.

Emerging markets debt faced numerous headwinds in the third calendar quarter. Slowing demand from China, falling commodity prices, capital outflows, risk-off sentiment and worries over a Federal Reserve rate hike all contributed to poor third calendar quarter returns, particularly in local currency bonds given broad-based weakness in emerging market (E.M.) currencies. Emerging markets will suffer a net outflow of capital this year for the first time since the 1980s and are expected to post their fifth consecutive year of slowing growth in 2016. The J.P. Morgan - Emerging Market Bond Index (J.P.M. E.M.B.I.) Global Diversified Index returned -1.7 percent while the local currency denominated J.P.M. G.B.I.-E.M. Global Diversified sank 10.5 percent. The most notable underperformer in the dollar denominated Global Diversified Index was Brazil (–10.0 percent). Brazil, suffering from the sharp drop in oil prices, a bloated fiscal program, and political challenges, was downgraded by S&P to junk status during the quarter and has seen its currency decline by roughly 40 percent over the past year. Ukraine surged 50 percent following an agreement with creditors whereby bondholders would take a 20 percent haircut in return for a portion of future G.D.P. growth, subject to a set formula. Among local currency bonds, pain was widespread. Brazil (–25 percent), Columbia (-18 percent), Indonesia (–14 percent), Malaysia (–15 percent), Russia (-13 percent) and Turkey (–15 percent) all suffered double digit declines for the quarter. The yield on the Government Bond Index-Emerging Markets (G.B.I.-E.M.) Global Diversified Index was 7 percent as of quarter-end, with Brazil at 15 percent and Russia and Turkey both over 10 percent.

Other Asset Results

Weakness in commodity markets was reflected in the S&P G.S.C.I. (formerly the Goldman Sachs Commodity Index) decline of 19.3 percent. Master Limited Partnerships (M.L.P.s) as measured by the Alerian index (–22.1 percent) were hit hard when concerns over excess supply and cost of capital coupled with a liquidity squeeze attributed to leveraged closed-end fund selling late in the quarter. Real Estate Investment Trusts (R.E.I.T.s) were strong performers, as the National Association of Real Estate Investment Trusts (N.A.R.E.I.T.) posted a 2.0 percent return as declining long term interest rates and a delay by the Federal Reserve in raising short term rates buoyed the asset class.

Closing Thoughts

Uncertainty as to the timing of an eventual interest rate hike in the U.S. continues. Concerns over China's slowing growth and its impact on other economies have contributed to heightened volatility that has cast a pall on emerging markets equities and currencies. With expectations for continued volatility, prudent asset allocation and risk assessment based on future capital needs for both plan sponsors and individual investors remain Callan's recommended course.

FY2016 Q1 PUBLIC UNIVERSITY FUND INVESTMENT REPORT

(Prepared by the Public University Fund Administrator)

Performance

The Public University Fund (P.U.F.) earned a total return of 0.5 percent for the fiscal quarter ended September 30, 2015. During the quarter, the Oregon Short-Term Fund (O.S.T.F.) outperformed its benchmark by 10 basis points. The Oregon Intermediate-Term Pool (O.I.T.P.) and Long-Term Pool (L.T.P.) underperformed their benchmarks by 40 and 130 basis points, respectively, during the quarter.

In late October, a fiscal first quarter P.U.F. investment performance review was conducted by Oregon State Treasury Fixed Income Portfolio Manager, Tom Lofton, with University staff and its investment advisor. The underperformance of the O.I.T.P. and L.T.P. was attributable to the average portfolio duration variance with each pool's respective benchmark and price volatility in the corporate bond segment of the portfolios. As of September 30, 2015, the O.I.T.P and L.T.P. average portfolio duration was 2.1 years and 3.2 years, respectively, compared with each pool's policy benchmark's average portfolio duration of 3.6 years and 4.4 years, respectively.
Mr. Lofton is addressing the average portfolio duration variance by purchasing securities with longer average maturities in an effort to reduce the benchmark variances. Mr. Lofton believes the risks associated with higher interest rates and rising inflation have declined in recent weeks

and seeks opportunities to rebalance the portfolios as indicated. A snapshot of the O.I.T.P. and L.T.P. investment holdings portfolio characteristics and market exposures is included with this report.

	Quarter Ended 9-30-15	Prior Fiscal YTD	Current Fiscal YTD	3 Year Avg	Market Value	Asset Allocation	Policy Allocation
Oregon Short–Term Fund	0.1%	0.1%	0.1%	0.5%	$158,323,906	33.9%	$150 million target [1]
Benchmark 91 day T-Bill	*0.0%*	*0.0%*	*0.0%*	*0.1%*			
Oregon Intermediate–Term Pool	0.6%	0.2%	0.6%	*N/A*	$191,727,793	41.1%	$300 million maximum [1]
Benchmark - Barclay's U.S. Aggregate 3-5 yrs.	*1.0%*	*–0.1%*	*1.0%*	*1.3%*			
Combined Historical Returns [2]				*1.7%*			
PUF Long–Term Pool	0.9%	*0.3%*	0.9%	*N/A*	$116,598,111	25.0%	$120 million maximum [1]
Benchmark – Barclay's U.S. Aggregate 5-7 yrs.	*2.2%*	*–0.1%*	*2.2%*	*1.5%*			
Combined Historical Returns [2]				*1.9%*			
Public University Fund	0.5%	*0.2%*	0.5%		$466,649,810	100.0%	

[1] The Public University Fund (P.U.F) policy guidelines define investment allocation targets based upon total participant dollars committed. Core balances in excess of liquidity requirements for the participants are available for investment in the Intermediate-Term Pool and the Long-Term Pool. Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

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

Investment Income and Participant Ownership

During the quarter, investment earnings distributed to the participants totaled $1,563,737.

	Earnings Distribution [1]	Market Value as of 9/30/15	% Ownership
Oregon State University	$ 738,204	$ 203,433,675 [2]	43.6%
Portland State University	440,034	143,026,319	30.6%
Western Oregon University	144,683	46,950,262	10.1%
Southern Oregon University	93,721	27,199,587	5.8%
Oregon Tech	92,091	29,935,196	6.4%
Eastern Oregon University	51,956	15,195,378	3.3%
Chancellor's Office	3,048	909,393 [3]	0.2%
Grand Total	$1,563,737	$ 466,649,810	100.0%

[1] The earnings available for distribution to participants was received during the months of June through August 2015 and distributed to participants in October 2015. 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] Oregon State University's land grant endowment, valued at $332,783 on September 30, 2015, was invested in the P.U.F.

[3] As of June 30, 2015, the Chancellor's Office cost basis in the P.U.F. totaled zero. As of September 30, 2015, unrealized gains earned from investment in the predecessor OUS Fund and the P.U.F. had not been realized.

Oregon Short-Term Fund Exposures

September 30, 2015

Sector	Market Value Percent	Gain (Loss) Percent	Duration Years	Duration Contribution	Yield Percent
Corporate	46.6%	0.0%	0.5	0.2	0.9%
Government	38.7%	0.1%	0.9	0.2	0.3%
Asset-Backed	11.0%	0.0%	0.7	0.1	0.6%
Municipal	3.1%	0.0%	0.0	0.0	0.3%
Money-Market/Cash	0.6%	0.0%	0.0	0.0	0.2%
C.M.B.S.	0.0%	0.0%	0.0	0.0	0.0%
Agency M.B.S.	0.0%	0.0%	0.0	0.0	0.0%
Total	**100.0%**	**0.0%**	**0.5**	**0.5**	**0.6%**
Fixed	46.5%	0.1%	0.9	0.4	0.7%
Variable	53.5%	-0.1%	0.1	0.1	0.6%

Rating	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
AAA	46.6%	0.1%	0.5	0.5	0.4%
AA-	13.1%	0.0%	0.5	1.2	0.8%
A-	12.2%	0.0%	0.5	1.4	1.1%
A	11.7%	-0.1%	0.5	1.6	0.9%
A+	10.4%	0.0%	0.5	1.5	0.9%
AA	3.9%	0.0%	0.2	0.6	0.3%
AA+	1.0%	0.0%	0.1	1.3	0.4%
BBB+	0.9%	-0.5%	0.3	1.4	1.0%
Unrated	0.2%	0.0%	0.3	0.3	0.5%
BBB	0.0%	0.0%	0.0	0.0	0.0%
Total	**100.0%**	**0.0%**	**0.5**	**1.0**	**0.6%**

Industry	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
Banking	31.4%	0.0%	0.0	0.0	0.00%
Government Related	22.2%	0.1%	0.3	0.7	0.10%
Treasuries	16.5%	0.1%	0.5	0.0	0.28%
A.B.S.	11.0%	0.0%	0.7	1.2	0.61%
Consumer Cyclical	4.1%	-0.1%	0.6	0.0	0.00%
Municipals	3.1%	0.0%	0.0	0.2	0.31%
Finance Companies	2.3%	0.1%	0.0	0.0	0.00%
Technology	2.2%	-0.2%	0.3	0.0	0.00%
Energy	1.7%	-0.1%	0.4	0.0	0.00%
Consumer Non-Cyclical	1.5%	-0.1%	0.4	0.0	0.00%
Capital Goods	1.5%	0.0%	0.9	0.0	0.00%
Utility	0.7%	-0.2%	0.2	0.0	0.01%
Communications	0.7%	0.1%	0.2	0.0	0.00%
Cash Securities	0.6%	0.0%	0.0	0.1	0.22%
Insurance	0.4%	-0.2%	0.0	0.0	0.00%
Basic Industry	0.1%	-0.6%	0.1	0.0	0.00%
C.M.B.S.	0.0%	0.0%	0.0	0.0	0.00%
C.M.O.	0.0%	0.0%	0.0	0.0	0.00%
Total	**100.0%**	**0.0%**	**0.5**	**1.0**	**0.6%**

Top Exposures	Market Value Percent
United States Treasury	16.4%
Federal Home Loan Banks	11.7%
Federal Farm Credit Banks	3.8%
Citigroup Incorporated	3.1%
Federal National Mortgage Association	2.4%
Morgan Stanley	2.3%
General Electric Capital Corporation	2.3%
Goldman Sachs Group Inc. (The)	2.2%
J.P.Morgan Chase & Co.	2.0%
Bank of Nova Scotia	2.0%
Bank of America Corporation	1.7%
American Honda Finance Corporation	1.6%
Westpac Banking Corporation	1.5%
Ontario (Province of)	1.5%
Chase Issuance Trust	1.4%

Source: Oregon State Treasury

Oregon Intermediate - Term Pool Exposures — September 30, 2015

Sector	Market Value Percent	Gain (Loss) Percent	Duration Years	Duration Contribution	Yield Percent
Corporate	48.0%	1.1%	2.1	1.0	2.2%
Asset-Backed	18.0%	0.2%	1.8	0.3	1.2%
Government	12.3%	1.8%	3.5	0.4	1.2%
C.M.B.S.	9.1%	0.3%	2.5	0.2	1.5%
Money-Market/Cash	9.1%	0.0%	0.5	0.0	0.5%
Municipal	2.2%	1.3%	2.1	0.0	1.8%
Agency M.B.S.	1.3%	0.8%	2.0	0.0	1.0%
Total	**100.0%**	**0.9%**	**2.1**	**2.1**	**1.8%**
Fixed	72.2%	1.1%	2.2	1.6	
Variable	27.8%	0.0%	0.2	0.1	

Rating	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
AAA	40.5%	0.7%	2.5	2.1	1.4%
BBB+	11.1%	1.4%	2.1	2.6	2.4%
A-	10.4%	1.3%	1.4	3.2	1.8%
AA	9.3%	0.1%	0.5	1.0	2.7%
BBB-	7.7%	1.6%	2.3	2.6	3.0%
A+	6.6%	0.4%	3.2	4.8	2.0%
A	6.6%	0.3%	0.6	2.7	1.3%
BBB	4.3%	2.7%	4.3	4.4	3.4%
AA+	2.0%	0.7%	1.6	3.9	1.4%
AA-	1.5%	-0.4%	1.6	3.6	1.2%
Total	**100.0%**	**0.9%**	**2.1**	**2.6**	**1.8%**

Industry	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
A.B.S.	18.0%	0.2%	1.8	2.2	1.2%
Banking	14.6%	0.9%	0.8	2.6	1.7%
C.M.B.S.	9.1%	0.3%	2.5	2.5	1.5%
Cash	9.1%	0.0%	0.5	1.0	0.5%
Agency	7.3%	1.6%	2.7	2.7	1.3%
R.E.I.T.s	6.8%	1.7%	4.2	4.2	3.3%
Capital Goods	5.1%	2.6%	2.8	2.8	3.2%
Treasuries	5.0%	2.2%	4.6	0.0	1.6%
Consumer Cyclical	4.4%	0.5%	2.3	2.9	2.0%
Utility	3.3%	1.8%	4.3	4.3	3.1%
Finance Companies	3.2%	1.8%	2.1	5.2	2.8%
Municipals	2.2%	1.3%	2.1	2.0	1.8%
Technology	2.1%	-1.6%	2.9	5.0	1.7%
Communications	2.1%	0.5%	0.3	2.6	1.8%
Energy	2.1%	-0.6%	0.1	5.6	1.1%
Transportation	1.9%	0.3%	1.8	1.8	1.4%
C.M.O.	1.3%	0.8%	2.0	2.2	1.0%
Consumer Non-Cyclical	0.8%	1.5%	3.5	3.5	2.5%
Financial Other	0.6%	3.3%	2.5	2.5	2.3%
Insurance	0.5%	2.2%	0.7	0.7	0.8%
Basic Industry	0.5%	2.1%	0.2	0.2	1.2%
Total	**100.0%**	**0.9%**	**2.1**	**2.6**	**1.8%**

Top Exposures	Market Value Percent
Oregon State Treasury - Cash	9.1%
United States Treasury	5.0%
Federal National Mortgage Association	3.8%
Chase Issuance Trust	2.8%
Morgan Stanley	2.5%
Federal Home Loan Bank	2.0%
Ryder System Inc.	1.9%
B.B.&T. Corporation	1.7%
Ford Motor Credit Company L.L.C.	1.7%
Cabela's Master Credit Card Trust	1.7%
Citigroup Incorporated	1.6%
Government Properties Income Trust	1.4%
Prologis L.P.	1.4%
Select Income R.E.I.T.	1.4%
General Electric Capital Corporation	1.4%
C.N.H. Equipment Trust	1.4%
John Deere Owner Trust	1.4%
ConocoPhillips Company	1.4%
Verizon Communications Inc.	1.4%
Goldman Sachs Group Inc. (The)	1.2%

P.U.F. Long - Term Pool Exposures — September 30, 2015

Sector	Market Value Percent	Gain (Loss) Percent	Duration Years	Duration Contribution	Yield Percent
Corporate	43.4%	-0.5%	3.0	1.3	2.2%
Government	24.5%	2.2%	4.4	1.1	2.4%
Asset-Backed	11.6%	0.6%	2.4	0.3	1.5%
C.M.B.S.	6.8%	-0.1%	2.4	0.2	1.3%
Municipal	5.0%	0.5%	7.0	0.3	3.1%
Money-Market/Cash	4.9%	0.0%	0.5	0.0	0.5%
Agency M.B.S.	3.8%	-0.1%	1.4	0.1	1.1%
Total	**100.0%**	**0.7%**	**3.2**	**3.2**	**2.0%**
Fixed	78.8%	1.1%	4.0	3.1	
Variable	21.2%	-0.9%	0.2	0.1	

Rating	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
AAA	42.4%	1.0%	2.9	2.6	1.6%
BBB+	11.2%	-1.3%	2.0	4.1	2.0%
A-	9.7%	0.1%	2.4	4.1	1.9%
A+	8.0%	0.6%	3.5	4.4	2.1%
AA-	7.7%	1.0%	6.1	6.1	2.8%
AA	7.1%	0.1%	2.3	2.7	2.4%
BBB-	4.6%	-3.2%	6.0	6.1	3.7%
A	4.5%	0.0%	1.8	2.4	1.5%
BBB	4.3%	-0.8%	4.8	5.0	2.9%
AA+	0.5%	1.3%	3.2	3.2	2.2%
Total	**100.0%**	**0.7%**	**3.2**	**3.6**	**2.0%**

Industry	Market Value Percent	Gain (Loss) Percent	Duration Rate	Duration Spread	Yield Percent
Agency	22.1%	1.5%	4.3	3.9	2.1%
Banking	16.4%	-0.9%	0.6	3.2	1.3%
A.B.S.	11.6%	0.6%	2.4	2.4	1.5%
R.E.I.T.s	11.4%	-1.6%	5.8	5.8	3.5%
C.M.B.S.	6.8%	-0.1%	2.4	2.4	1.3%
Municipals	5.0%	0.5%	7.0	7.2	3.1%
Cash	4.9%	0.0%	0.5	1.0	0.2%
C.M.O.	3.7%	-0.1%	1.4	1.6	1.1%
Consumer Cyclical	3.5%	1.0%	3.9	4.0	2.2%
Utility	2.6%	0.1%	4.4	4.5	2.6%
Treasuries	2.4%	0.7%	2.5	0.0	1.1%
Consumer Non-Cyclical	2.3%	1.4%	4.8	4.9	2.3%
Energy	2.0%	-0.3%	0.8	1.2	0.9%
Insurance	1.7%	1.2%	4.9	5.0	2.8%
Brokerage/Asset Mgrs.	1.5%	1.5%	3.5	3.5	2.6%
Finance Companies	1.0%	-0.2%	0.2	6.9	1.3%
Technology	0.6%	0.4%	3.1	3.2	2.4%
Capital Goods	0.5%	0.8%	5.4	5.4	2.8%
Total	**100.0%**	**0.7%**	**3.2**	**3.6**	**2.0%**

Top Exposures	Market Value Percent
N.C.U.A. Guaranteed Notes Master Trust	4.9%
Oregon State Treasury - Cash	4.9%
Citigroup Incorporated	4.3%
Federal Home Loan Mortgage Corporation	3.4%
Federal National Mortgage Association	3.4%
Prologis L.P.	3.2%
Goldman Sachs Group Incorporated (The)	3.0%
Chase Issuance Trust	2.6%
Select Income R.E.I.T.	2.5%
United State Treasury	2.4%
Merrill Lynch & Co. Incorporated	2.2%
Paccar Incorporated	2.2%
Federal National Mortgage Assoc. - M.B.S.	2.1%
Bank of America N.A.	2.0%
W.F.-R.B.S. Commercial Mortgage Trust	1.9%
Port Authority of New York & New Jersey	1.8%
Wells Fargo Commercial Mortgage Trust	1.8%
Johnson & Johnson	1.8%
Southern Company (The)	1.7%
John Deere Owner Trust	1.7%

TAB C – Revised

FY2016 Q1 OREGON STATE UNIVERSITY INVESTMENT REPORT

(Prepared by the University Shared Services Enterprise)

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

Public University Fund Performance

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

OSU Endowment Asset Performance

The total market value of the OSU Endowment Assets as of September 30, 2015 was $41,086,624, a decrease of 5.6 percent during the quarter. ***An investment summary on the endowment assets managed by the OSU Foundation is included in a separate docket item under TAB D.***

RECOMMENDATION

Staff propose the Finance & Administration Committee accept the FY2016 First Quarter Public University Fund Investment Report and the FY2016 First Quarter Oregon State University Investment Report.

Oregon State University

Investment Summary

as of September 30, 2015

(Net of Fees)

	Quarter Ended 9/30/2015	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
OSU Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	0.1%	0.1%	0.1%	0.5%	0.5%	1.8%	$ 68,907,617	33.9%	1
Benchmark - 91 day T-Bill	*0.0%*	*0.0%*	*0.0%*	*0.1%*	*0.1%*	*1.4%*			
Oregon Intermediate - Term Pool	0.6%	0.2%	0.6%	N/A	N/A	N/A	83,446,055	41.1%	1
Benchmark - Barclay's U.S. Aggregate 3-5 Yrs.	*1.0%*	*-0.1%*	*1.0%*	*1.3%*	*1.7%*				
2 *Combined Historical Returns*				*1.7%*	*2.6%*				
P.U.F. Long - Term Pool	0.9%	0.3%	0.9%	N/A	N/A	N/A	50,747,220	25.0%	1
Benchmark - Barclay's U.S. Aggregate 5-7 Yrs.	*2.2%*	*-0.1%*	*2.2%*	*1.5%*					
2 *Combined Historical Returns*				*1.9%*					
Total Operating Assets Invested in Public University Fund	0.5%	0.2%	0.5%				$ 203,100,892	100.0%	
OSU Endowment Assets									
OSU Endowment Assets Invested in the OSUF Endowment Pool	-6.4%	N/A	-6.4% 3				$ 35,816,971	87.2%	
Land Held as Separately Invested Endowment Funds	0.0%	0.0%	0.0%				4,936,870 4	12.0%	
5 Land Grant Endowment Invested in the P.U.F.	0.5%	0.2%	0.5%				332,783	0.8%	
Total OSU Endowment Assets	-5.6%	N/A	-5.6%				$ 41,086,624	100.0%	

1 The Public University Fund (P.U.F.) policy guidelines define investment allocation targets based upon total participant dollars committed. Core balances in excess of liquidity requirements for the participants are available for investment in the Intermediate-Term Pool and the Long-Term Pool. Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

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

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

4 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.

5 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 P.U.F. Beginning July 1, 2015, the assets are presented as endowment assets invested in the P.U.F.

Note: Outlined returns underperformed their benchmark.