

FY2017 Q3 Investment Reports

BACKGROUND

The Oregon State University (university) investment reports for the third quarter (Q3) of Fiscal Year (FY) 2017 are presented in the following three sections:

- **FY2017 Q3 Market Background** – This section provides a general discussion of the investment markets and related performance information during the third quarter of FY2017 (i.e., January 1 – March 31, 2017).
- **FY2017 Q3 Public University Fund Investment Report** – This section includes a report on the investments of the Public University Fund (PUF) for the third quarter of 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 Q3 Oregon State University Investment Report** – This section includes a report on the investments of the operating and endowment assets of the university. This report reflects the university's operating assets 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 Q3 MARKET BACKGROUND

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

Macroeconomic Environment

The “risk-on” theme persisted through the first calendar quarter as improving economic data trumped elevated geopolitical uncertainty, both in the U.S. and abroad. Economies in the U.S. and Europe continued to gain traction and the U.S. entered its 93rd month of expansion. At the same time, important and potentially divisive elections in Europe, an impeachment in South Korea, heightened tensions with North Korea, innuendo around Russia, civil war in Syria, the Brexit (British Exit) trigger, and an unconventional and inexperienced administration in the U.S. did not rile investors. The Standard & Poor's (S&P) 500 Index surged 6.1%—its best quarterly performance since the fourth calendar quarter of 2015—as expectations for lower taxes, reduced regulation, and other pro-growth reforms helped propel U.S. equity prices to new highs. Non-U.S. stocks also posted strong returns, and emerging market equities beat developed markets. U.S. Treasury yields were range-bound leading to fairly flat returns, and the riskier sectors in fixed income posted the best results. Commodities were the lone area to deliver a negative return, hurt mostly by oil prices falling due to concerns over stockpiles in the U.S. Economic data in the U.S. were generally strong in the first calendar quarter. Unemployment fell to 4.7% and private nonfarm payroll growth was robust. Consumer Confidence, as measured by the Conference Board, hit its highest level since December 2000. The fourth calendar quarter Gross Domestic Product (GDP) was revised up to 2.1% (year-over-year). Personal consumption expenditures growth was revised up to 3.5% and before-tax corporate profits grew 9.3% year-over-year. However, dollar strength was reflected in trade figures as exports fell 4.5%. Housing

data also continued to show strength; U.S. single-family home starts approached a 10-year high. The Composite Housing Market Index (National Association of Home Builders-Wells Fargo) jumped 9.2% during March, representing the largest gain since June 2005. Inflation edged up with February's headline Consumer Price Index (CPI) figure at 2.8% (year-over-year), the fastest rate in five years, and core CPI (excluding food and energy) at 2.2%. The Federal Reserve's (Fed) favored measure, the Personal Consumption Expenditures Price Index, grew 2.1% year-over-year, the most since April 2012. Excluding food and energy, the Index was up 1.8% (year-over-year), nearing the Fed's 2.0% target. Wage growth also picked up; average hourly earnings grew 2.8% (year-over-year) as of February. In a widely expected move, the Fed raised rates in March by 25 basis points (bps), bringing the Federal Funds rate to 0.75% – 1.0%. The Federal Reserve Board expects two more rate hikes this year. Markets were unfazed and both stocks and bonds rallied.

The most notable events overseas were on the political front. On March 29, United Kingdom (U.K.) Prime Minister Theresa May officially notified the European Council of the U.K.'s intent to withdraw from the European Union (E.U.). Details of this withdrawal will be negotiated over the next two years. The U.K. has been part of the E.U. for more than 40 years and negotiating the terms of this “divorce” will not be straightforward. Trade and immigration are the thorniest issues and require resolution before the country's E.U. membership ends in March 2019. A high-profile election in the Netherlands ended with the mainstream ruling party retaining power and the anti-E.U. party falling short. Similarly, France's presidential elections will be held in April and May, with far-right contender Marine Le Pen making a bid for power. Additionally, the outcome of the German federal election to be held in September of this year is far from certain. Finally, South Korean President Park Geun-hye was impeached and removed from office in March; elections will be held in May.

Economic momentum appears to be picking up in the Eurozone. Inflation has been rising and hit a four-year high (2.0%) at the February reading. The fourth calendar quarter Eurozone GDP was 1.7% (year-over-year) and, notably, positive in each country except Greece (-1.2%). Unemployment remained high at 9.5%, though down from its peak of 12.1% in July 2013. Outside of Europe, manufacturing growth in China was strong and its fourth calendar quarter GDP came in at 6.8%, but concerns over excessive credit remain. In Japan, growth remained weak but positive at 1.2% year-over-year as of the fourth calendar quarter.

Equity Market Results

The S&P 500 Index has lodged gains for eight consecutive calendar years, and the first calendar quarter continued on that trajectory. The Index climbed 6.1% while the tech-heavy National Association of Securities Dealers Automated Quotations index (NASDAQ) gained 10%. In the Technology sector, the “FANG” collective drove results: Facebook (+24.0%), Amazon (+18.0%), Netflix (+19.0%), and Google (+8.0%). Solid quarterly earnings and expectations that President Trump's pro-growth agenda will be executed underpinned strong investor sentiment. Growth stocks outperformed value by a wide margin across the capitalization spectrum; the most pronounced difference was in large caps (Russell 1000 Growth +8.9% vs. Russell 1000 Value +3.3%). Large cap stocks also broadly outperformed small (Russell 1000 +6.0% vs. Russell 2000 +2.5%). Small cap value was the only segment to post a negative return (Russell 2000 Value -0.1%) for the calendar quarter after leading in 2016 (+31.7%). Within the S&P 500, the Technology sector performed the best (+12.6%). Health Care—the worst performer in 2016—rebounded with a positive (8.4%) return. The worst performing sectors for the calendar quarter were Energy (-6.7%) and Telecom (-4.0%). Pre-tax corporate profits grew sharply in the fourth calendar quarter at 9.3% year-over-year, the fastest gain since 2012.

The equity market's subdued volatility in the first calendar quarter was also noteworthy. The S&P 500 Index had more than 100 days without a 1% decline prior to March 21 when the Index sank 1.2%—the longest stretch since 1995—and only two days during the quarter saw such moves. The Volatility Index, which measures the implied volatility of S&P 500 Index options, closed the quarter at 12, well below its long-term average (since 2004) of roughly 20. At the same time, valuations are lofty (as measured by several oft-cited metrics), potentially painting a scenario for rocky times ahead.

Overseas, the Morgan Stanley Capital Indices (MSCI) Europe, Australasia, Far-East Index (+7.2%) modestly outperformed U.S. markets. Dollar weakness bolstered results; in local terms, the Index gained just 4.7%. Gains spanned multiple countries including Spain (+14.8%), Germany (+8.4%), the U.K. (+5.0%), France (+7.3%), and Japan (+4.5%). Emerging markets bested developed (MSCI Emerging Markets USD: +11.4%; MSCI Emerging Markets Local: +7.8%) and were helped by dollar weakness. Countries with the top performance included India (+17.1%), Mexico (+16.0%), Korea (+16.8%), China (+12.9%), and Brazil (+10.4%). Russia fared the worst (−4.6%), pulling back from a 55.0% gain in 2016.

Fixed Income Market Results

U.S. Treasury yields were relatively range-bound in the first calendar quarter despite a Fed hike in March. The 10-year U.S. Treasury hit an intra-quarter high of 2.62% on March 13 and closed the quarter at 2.40%, 5 bps lower than at year-end. Treasury Inflation Protected Securities (TIPS) performed relatively well as expectations for future inflation climbed. The 10-year breakeven spread (the difference between nominal and real yields) was 197 bps as of quarter-end, and the Bloomberg Barclays TIPS Index gained 1.3% for the calendar quarter. The Bloomberg Barclays Aggregate Index earned 0.8%; within the Index, corporate bonds outperformed like-duration Treasuries, with BBB-rated credit (+1.7%) posting the strongest returns. Mortgages underperformed Treasuries on a duration-adjusted basis, as expectations that the Fed would begin to trim its reinvestment in the sector weighed on the market. The Bloomberg Barclays High Yield Index gained 2.7%, with lower-rated bonds again outperforming higher-rated issues.

Overseas, rates were generally modestly higher. However, broad-based dollar weakness boosted returns. The U.S. dollar lost nearly 5% versus the yen and depreciated to a lesser extent versus other developed markets currencies. The Bloomberg Barclays Global Aggregate Index returned 1.8% (unhedged) versus 0.4% for the hedged version. Consistent with the risk-on theme evident across asset classes, emerging markets debt outperformed developed markets. The J.P. Morgan Emerging Market Bond Global Diversified Index (\$ denominated) gained 3.9% and the local currency J.P. Morgan Global Bond Index – Emerging Markets Global Diversified Index was up 6.5%

The Bloomberg Barclays Municipal Bond Index gained 1.6%. Consistent with other sectors, lower-quality issues outperformed. Relatively light issuance and strong demand provided a solid technical backdrop. Concerns over the impact of potential tax reform were assuaged by the Trump administration's focus on health care and its struggles executing on planned agenda items. While troubled credits remain (Illinois, New Jersey, Puerto Rico), fundamentals more broadly remained stable to improving.

Other Asset Results

After rising more than 50.0% in 2016, Brent crude prices fell 7% to \$52.83 in the first calendar quarter. The S&P Goldman Sachs Commodity Index lost 5.1%. However, Master Limited

Partnerships (MLPs) posted positive returns for the quarter (Alerian MLP Index +3.9%). Real Estate Investment Trusts (REITs) were essentially flat (MSCI REIT: +1.0%) and gold was up nearly 9%. U.S. TIPS also did well (relative to nominal U.S. Treasuries) as expectations for future inflation climbed. The Barclays U.S. TIPS Index returned 1.3% for the calendar quarter.

Closing Thoughts

We entered 2017 with U.S. stock markets at record highs, interest rates rising, and historically low volatility. The first calendar quarter saw a continuation of most of those themes. While economies in the U.S. and Europe continued to gain traction, investors exhibited a high degree of complacency. Valuations are stretched by many measures across asset classes and markets have experienced extraordinarily low volatility, relative to historical norms. However, many risks lurk and there is no certainty that the pro-growth policies envisioned by enthusiastic market participants will come to fruition. Given the sanguine view reflected in market prices, we encourage clients to temper expectations for returns and brace for more volatility, which we expect to increase from current levels. Much uncertainty remains with respect to the scope, implementation, and timing of Trump's agenda, and myriad other geopolitical issues are confronting the world, as well. As always, Callan encourages investors to maintain a long-term perspective and prudent asset allocation with appropriate levels of diversification.

FY2017 Q3 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 0.3% fiscal year-to-date, through March 31, 2017. The Oregon Short-Term Fund returned 0.3% for the quarter and 0.8% fiscal year-to-date, outperforming its benchmark for the quarter and year-to-date by 20 and 50 bps, respectively. The Oregon Intermediate-Term Pool returned 0.7% for the quarter and 0.3% fiscal year-to-date, performing in-line with its benchmark for the quarter and outperforming by 90 bps fiscal year-to-date. The Long-Term Pool returned 1.0% for the quarter and declined 0.2% fiscal year-to-date, outperforming its benchmark by 20 bps and 120 bps, respectively.

In April, Oregon State Treasury fixed income portfolio manager, Tom Lofton, conducted a quarterly performance review with university staff and its investment advisor. The corporate bond segment of the Intermediate-Term and Long-Term portfolios supported each pool's strong quarterly returns. The Short-Term Fund benefited from investor attraction to the floating-rate sector. Floating-rate bonds tend to gain investor favor when interest rates are forecast to rise. The Long-Term pool ended the quarter with a 9.4% cash position; Mr. Lofton anticipates reinvesting the funds into Government securities during the fiscal fourth quarter.

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

	Quarter Ended 3-31-17	Prior Fiscal YTD	Current Fiscal YTD	3-Year Avg.	Market Value	Asset Allocation	Policy Allocation
Oregon Short-Term Fund	0.3%	0.5%	0.8%	0.7%	\$173,573,086	35.4%	\$150 million target ¹
<i>Benchmark - 91 day T-Bill</i>	0.1%	0.1%	0.3%	0.2%			
Oregon Intermediate-Term Pool	0.7%	1.7%	0.3%	N/A	\$200,703,556	41.0%	\$300 million maximum ¹
<i>Benchmark – Bloomberg Barclay's U.S. Aggregate 3-5 yrs.</i>	0.7%	2.5%	-0.6%	1.7%			
<i>Combined Historical Returns ²</i>				1.8%			
PUF Long-Term Pool	1.0%	2.9%	-0.2%	N/A	\$115,822,961	23.6%	\$120 million maximum ¹
<i>Benchmark – Bloomberg Barclay's U.S. Aggregate 5-7 yrs.</i>	0.8%	4.2%	-1.4%	2.9%			
<i>Combined Historical Returns ²</i>				2.5%			
Public University Fund	0.6%	1.4%	0.3%		\$490,099,603	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 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 PUF, 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 \$2,444,731.

	Earnings Distribution ¹	Market Value as of 3/31/17	% Ownership
Portland State University	\$ 948,701	\$ 193,633,465	39.5%
Oregon State University ²	973,763	168,553,519	34.4%
Western Oregon University	233,431	46,213,919	9.4%
Southern Oregon University	129,271	31,795,994	6.5%
Oregon Institute of Technology	164,137	31,039,057	6.3%
Eastern Oregon University	95,428	18,863,648	3.9%
Grand Total	\$ 2,444,731	\$ 490,099,602	100.0%

¹ The earnings available for distribution to participants were earned during the months of December 2016 through February 2017 and distributed to participants in March 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 March 31, 2017, Oregon State University's total PUF market value consisted of operating assets, valued at \$168,226,706, and the land grant endowment, valued at \$326,813.

Oregon Short-Term Fund Exposures

March 31, 2017

Sector	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
Corporates	53.2%	0.6%	0.5	1.2	1.6%
Treasuries	18.2%	0.0%	0.2	0.0	0.9%
Government Related	14.4%	0.0%	0.3	0.7	1.0%
Securitized	11.3%	-0.7%	0.7	1.0	0.9%
Cash	1.4%	0.0%	0.2	0.2	1.1%
Investment Funds	1.2%	0.0%	2.9	1.3	0.9%
Municipals	0.3%	0.0%	0.1	0.2	0.8%
Total	100.0%	-0.1%	0.4	0.8	1.3%

Rating	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
AAA	38.3%	-0.7%	0.4	0.5	0.9%
AA+	1.2%	0.0%	0.4	1.6	1.5%
AA	7.2%	0.1%	0.3	0.7	1.3%
AA-	19.5%	0.2%	0.4	1.1	1.5%
A+	7.7%	0.1%	0.5	1.3	1.6%
A	14.6%	0.1%	0.4	0.9	1.4%
A-	8.6%	0.1%	0.5	1.3	1.9%
BBB+	1.4%	0.0%	0.5	0.8	1.8%
No Rating	0.3%	0.0%	0.2	0.2	2.0%
Investment Funds	1.2%	0.0%	2.9	1.3	0.9%
Total	100.0%	-0.1%	0.4	0.8	1.3%

Industry	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
Banking	34.4%	0.4%	0.4	1.1	1.7%
Treasuries	18.2%	0.0%	0.2	0.0	0.9%
Government Related	14.4%	0.0%	0.3	0.7	1.0%
A.B.S.	11.3%	-0.7%	0.7	1.0	0.9%
Consumer Cyclical	5.8%	0.1%	0.5	1.4	1.6%
Capital Goods	3.9%	0.0%	0.5	1.2	1.5%
Technology	3.1%	0.1%	0.5	1.5	1.5%
Consumer Non-Cyclical	2.4%	0.0%	0.3	1.0	1.4%
Cash	1.4%	0.0%	0.2	0.2	1.1%
Investment Funds	1.2%	0.0%	2.9	1.3	0.9%
Insurance	1.0%	0.0%	0.5	1.6	1.5%
Industrial Other	0.8%	0.0%	0.1	0.2	1.0%
Financial Other	0.4%	0.0%	0.1	0.1	0.9%
Communications	0.4%	0.0%	0.5	2.3	1.5%
Municipals	0.3%	0.0%	0.1	0.2	0.8%
Energy	0.3%	0.0%	0.3	0.9	1.5%
Finance Companies	0.3%	0.0%	0.7	0.7	1.3%
Utility	0.2%	0.0%	0.4	0.6	1.3%
Brokerage/Asset Mgrs.	0.1%	0.0%	0.5	0.5	1.2%
Transportation	0.1%	0.0%	0.2	0.2	1.2%
Total	100.0%	-0.1%	0.4	0.8	1.3%

Top Exposures	Market Value Percent
United States Treasury	13.5%
Oregon Local Government Intermediate Fund	1.2%
Goldman Sachs Group Incorporated (The)	0.9%
Toronto-Dominion Bank (The)	0.5%
B.N.P. Paribas S.A.	0.5%
Bank of America Corporation	0.5%
Federal Farm Credit Banks Funding Corporation	0.5%
Quebec (Province of)	0.5%
Federal National Mortgage Association	0.5%
General Electric Company	0.5%
Paccar Incorporated	0.5%
Citi Bank N.A.	0.5%

Source: Oregon State Treasury

Oregon Intermediate - Term Pool Exposures

March 31, 2017

Sector	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
Treasuries	40.4%	0.0%	3.0	0.0	1.4%
Securitized	26.0%	-0.3%	2.9	4.0	2.0%
Corporates	23.7%	0.4%	1.9	4.5	2.6%
Government Related	7.6%	0.1%	4.1	4.7	2.1%
Cash	2.3%	0.0%	0.4	0.8	1.0%
Total	100.0%	0.2%	2.7	2.5	1.9%

Rating	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
AAA	75.6%	-0.2%	3.1	1.9	1.7%
AA+	1.0%	0.0%	0.1	3.0	1.5%
AA	2.3%	0.0%	0.4	0.8	1.8%
AA-	1.5%	0.1%	0.2	5.1	2.1%
A+	1.8%	0.1%	1.5	4.3	2.4%
A	2.0%	0.0%	1.7	4.3	2.5%
A-	6.6%	0.1%	0.2	5.0	2.5%
BBB+	6.5%	0.1%	3.3	4.7	2.8%
BBB	2.0%	0.0%	3.2	3.2	3.6%
BBB-	0.7%	0.0%	3.7	3.7	3.2%
Total	100.0%	0.2%	2.7	2.5	1.9%

Industry	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
Treasuries	40.4%	0.0%	3.0	0.0	1.4%
Banking	11.6%	0.2%	0.5	4.9	2.5%
M.B.S. Pass-Through	7.7%	-0.2%	4.1	5.3	2.5%
C.M.B.S.	7.7%	-0.1%	2.9	2.9	1.9%
A.B.S.	6.6%	0.0%	2.1	3.4	1.9%
Agency	5.3%	0.1%	3.8	4.7	2.0%
C.M.O.	3.9%	0.0%	2.0	4.7	1.7%
Consumer Non-Cyclical	3.0%	0.1%	4.2	4.2	2.8%
Cash	2.3%	0.0%	0.4	0.8	1.0%
Supranational	2.3%	0.0%	4.9	4.9	2.4%
Capital Goods	2.2%	0.1%	3.6	5.3	2.9%
Consumer Cyclical	1.8%	0.0%	3.5	3.5	3.0%
Industrial Other	1.7%	0.0%	4.0	4.0	2.5%
Finance Companies	1.0%	0.0%	2.6	2.6	3.8%
Technology	1.0%	0.0%	0.1	3.0	1.5%
Energy	0.8%	0.0%	0.2	4.7	2.1%
Transportation	0.7%	0.0%	2.9	3.0	2.6%
Total	100.0%	0.2%	2.7	2.5	1.9%

Top Exposures	Market Value Percent
United States Treasury	35.5%
European Investment Bank	2.3%
Oregon State Treasury - O.S.T.F.	2.3%
Morgan Stanley Capital Trust	1.8%
Morgan Stanley	1.7%
C.N.H. Equipment Trust	1.7%
Citibank Credit Card Issuance Trust	1.6%
Goldman Sachs Group Incorporated (The)	1.4%
JPMorgan Chase & Company	1.3%
Capital One Multi-Asset Execution Trust	1.3%
Freddie Mac F.H.L.M.C. 2995	1.2%
Federal Home Loan Mortgage Corporation	1.0%
Ares Capital Corporation	1.0%
Bank of New York Mellon Corporation (The)	1.0%
Wells Fargo Commercial Mortgage Trust	1.0%
Wells Fargo & Company	1.0%
Bank of America Corporation	1.0%
Ford Motor Company	1.0%
Citigroup Incorporated	1.0%
Danaher Corporation	1.0%

Source: Oregon State Treasury

P.U.F. Long-Term Pool Exposures

March 31, 2017

Sector	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
Corporates	34.5%	0.2%	4.4	5.1	3.0%
Securitized	24.9%	0.1%	3.2	3.8	2.1%
Government Related	24.4%	0.1%	5.7	5.5	2.6%
Cash	9.4%	0.0%	0.4	0.8	1.0%
Treasuries	6.8%	0.0%	5.3	0.0	2.1%
Total	100.0%	0.4%	4.1	4.1	2.6%

Rating	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
AAA	51.3%	0.1%	4.3	3.8	2.2%
AA+	1.9%	0.0%	5.5	5.6	2.7%
AA	11.6%	0.0%	1.6	1.9	3.0%
AA-	3.8%	0.1%	4.5	6.0	2.9%
A+	0.0%	0.0%	0.0	0.0	0.0%
A	5.8%	0.1%	3.9	4.1	2.4%
A-	8.2%	0.1%	3.5	6.0	2.9%
BBB+	3.5%	0.0%	5.4	5.4	3.1%
BBB	10.6%	0.0%	5.0	5.0	3.3%
BBB-	3.3%	0.0%	5.9	6.0	4.2%
Total	100.0%	0.4%	4.1	4.1	2.6%

Industry	Market Value	Gain (Loss)	Duration		Yield
	Percent	Percent	Rate	Spread	Percent
Agency	14.0%	0.1%	5.5	5.6	2.4%
Consumer Non-Cyclical	9.6%	0.0%	5.5	5.5	2.9%
Cash	9.4%	0.0%	0.4	0.8	1.0%
A.B.S.	8.9%	0.0%	2.4	3.7	1.9%
Local Authority	7.8%	0.1%	6.4	5.5	3.1%
C.M.B.S.	7.5%	0.0%	3.4	3.4	2.1%
Banking	7.4%	0.1%	2.3	5.0	2.6%
R.E.I.T.s	7.0%	0.0%	5.2	5.3	3.7%
Treasuries	6.8%	0.0%	5.3	0.0	2.1%
Consumer Cyclical	5.3%	0.0%	4.7	4.7	3.4%
C.M.O.	4.4%	0.1%	4.0	4.7	2.4%
M.B.S. Pass-Through	4.2%	0.0%	3.4	3.6	2.1%
Insurance	3.2%	0.0%	4.4	4.4	2.8%
Supranational	2.6%	0.0%	4.9	4.9	2.4%
Capital Goods	1.9%	0.0%	2.5	5.4	2.6%
Total	100.0%	0.4%	4.1	4.1	2.6%

Top Exposures	Market Value Percent
Oregon State Treasury - O.S.T.F.	9.4%
United States Treasury	8.8%
National Credit Union Administration	4.8%
Ford Motor Company	4.4%
Federal Home Loan Mortgage Corporation	4.2%
Wells Fargo Commercial Mortgage Trust 16	2.7%
AstraZeneca P.L.C.	2.6%
Wells Fargo & Company	2.6%
European Investment Bank	2.6%
Capital One Mutli-Asset Execution Trust	2.6%
Freddie Mac F.H.L.M.C. 4625	2.6%
Citibank Credit Card Issuance Trust	2.6%
Teva Pharmaceutical Industries Limited	2.5%
Goldman Sachs Group Incorporated (The)	2.2%
State of Washington	1.9%
Port Authority of New York & New Jersey	1.8%
Citigroup Commercial Mortgage Trust	1.8%
Johnson & Johnson	1.8%
Freddie Mac F.H.L.M.C. 4268	1.8%
Liberty Property Trust	1.8%

Source: Oregon State Treasury

FY2017 Q3 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 third quarter.

OSU Endowment Asset Performance

The OSU Endowment Assets earned a total return of 5.0% during the quarter. The total market value of the OSU endowment assets as of March 31, 2017 was \$50,028,367.

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 5.5% during the quarter and 10.0% fiscal year-to-date, underperforming its benchmark by 40 bps for the quarter and outperforming by 170 bps fiscal year-to-date.

RECOMMENDATION

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

Oregon State University
Investment Summary
as of March 31, 2017
 (Net of Fees)

	Quarter Ended 3/31/2017	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%	0.5%	0.8%	0.7%	0.6%	1.3%	\$ 59,578,968	35.4%	1
Benchmark - 91 day T-Bill	0.1%	0.1%	0.3%	0.2%	0.1%	0.7%			
Oregon Intermediate - Term Pool	0.7%	1.7%	0.3%	N/A	N/A	N/A	68,891,503	41.0%	1
² Benchmark - Bloomberg Barclay's U.S. Aggregate 3-5 Yrs.	0.7%	2.5%	-0.6%	1.7%	1.5%				
⁴ Combined Historical Returns				1.8%	2.2%				
P.U.F. Long - Term Pool	1.0%	2.9%	-0.2%	N/A	N/A	N/A	39,756,235	23.6%	1
³ Benchmark - Bloomberg Barclay's U.S. Aggregate 5-7 Yrs.	0.8%	4.2%	-1.4%	2.9%	2.1%				
⁴ Combined Historical Returns				2.5%	2.5%				
Total Operating Assets Invested in Public University Fund	0.6%	1.4%	0.3%				<u>\$ 168,226,706</u>	<u>100.0%</u>	
OSU Endowment Assets									
OSU Endowment Assets Invested in the OSUF Endowment Pool									
Total Global Equity	7.7%	N/A	14.7%				\$ 23,927,040	53.2%	50.0%
Benchmark - M.S.C.I All Country World Index	6.9%		13.9%						
Total Global Fixed Income	2.3%	N/A	0.5%				3,987,840	8.9%	5.0%
Benchmark - Bloomberg Barclays Global Agg. Bond Index	1.8%		-4.7%						
Total Absolute Return	2.7%	N/A	6.4%				5,810,724	12.9%	10.0%
Benchmark - H.F.R.I. Fund of Funds Index	2.3%		5.6%						
Total Real Assets	5.5%	N/A	12.2%				5,635,187	12.5%	10.0%
⁵ Benchmark - Real Assets Custom	0.4%		-1.8%						
Total Private Capital	2.7%	N/A	3.9%				4,644,978	10.3%	25.0%
Benchmark - No benchmark provided									
Total Cash	0.0%	N/A	0.0%				1,003,711	2.2%	0.0%
⁶ Total OSU Endowment Assets Invested in OSUF Endow. Pool	5.5%	-3.4%	10.0%				45,009,480	100.0%	100.0%
Benchmark-80% M.S.C.I. A.C.W.I./20% BBG Barclays Global Agg.	5.9%	N/A	8.3%						
Other OSU Endowment Assets									
Land Held as Separately Invested Endowment Funds	0.0%	0.0%	0.0%				4,692,074 ⁷		
⁸ Other Endowment Assets Invested in the P.U.F.	0.6%	1.4%	0.3%				326,813		
Total Other OSU Endowment Assets							<u>5,018,887</u>		
Total OSU Endowment Assets	5.0%	-3.3%	8.8%				<u>\$ 50,028,367</u>		

(continued on next page)

Oregon State University**Investment Summary****as of March 31, 2017**

(Net of Fees)

- 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 Oregon Intermediate-Term Pool's benchmark was changed from the Bank of America/Merrill Lynch U.S. Aggregate 3-5 Years on June 30, 2015.
- ³ The Long-Term Pool's benchmark was changed from the Bank of America/Merrill Lynch U.S. Aggregate 5-7 Years on October 15, 2015.
- ⁴ 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.
- ⁵ 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.
- ⁶ Investment returns are reported net of investment manager fees; gross of the Foundation's administrative fees.
- ⁷ 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.
- ⁸ 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.