3Q 2023

Investment Highlights

Oregon Local Government Intermediate Fund

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	Portfolio (gross)	Portfolio (net)	Index*
3Q23 Performance	0.04%	0.02%	0.21%

As of 30 Sep 23.

**Bloomberg 1-5 Year US Government/Credit Bond Index*
Past investment results are not indicative of future investment results. *Gross-of-fees returns are presented before management fees, but after all trading expenses. Net-of-Fees performance returns are an estimate of time-weighted rate of return. The effective fee, based on a fee schedule, is deducted from the monthly gross return.*

Performance Review

In the third quarter of 2023, the portfolio underperformed its benchmark, the Bloomberg 1-5 Year US Government/Credit Bond Index, by 17 basis points (bps) on a gross basis.

Over the quarter, global government bond yields rose to multi-year highs. Continued US economic resilience as well as higher policy rate expectations from Federal Open Market Committee (FOMC) members revived a "higher-for-longer" narrative for global policy rates. A confluence of additional factors put further upward pressure on yields: Fitch's downgrade of long-term US debt to AA+, a higher-than-expected US Treasury (UST) issuance announcement as well as a surge in energy prices that stoked inflation concerns. Heightened uncertainty over long-run interest rates raised global term premiums and steepened global government bond yield curves.

Investment Outlook

The US economy has meandered through different macro environments this year. Early in the year, economic growth data was softish, but inflation ticked up. In recent months, some economic indicators have improved, but inflation has come back down to acceptable levels for the last three months. The economic strength revolves around a modest pick-up in consumer spending, a bounce in housing activity, government-induced jumps in nonresidential construction in response to the infrastructure bill and other legislation. We think the decline in inflation is sustainable. It looks like something much more than random fluctuation in the data. Meanwhile, we would expect housing activity to turn down again in response to the recent further jump in mortgage rates, and much the same can be expected with respect to consumer spending. In sum, we are sticking with a view that moderating growth and acceptable inflation will stay the Fed's hand and reverse the recent jumps in bond yields, even with the challenges this view has faced in recent months.

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