Western Asset
A Franklin Templeton Company

Oregon Local Government Intermediate Fund

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As of 31 Mar 24	Portfolio (gross)	Portfolio (net)	Index*
1Q24 Performance	0.40%	0.38%	0.14%

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 first quarter of 2024, the portfolio outperformed its benchmark, the Bloomberg 1-5 Year US Government/Credit Bond Index, by 26 basis points (bps) on a gross basis.

During the first quarter of 2024, US Treasury (UST) bond yields rose as global central banks, including the Federal Reserve (Fed), emphasized that rate cuts were conditional on greater confidence that inflation was approaching target. Broad signs of economic resilience supported risk assets with credit spreads tightening and the S&P 500 notching fresh record highs as the quarter progressed. In the US, inflation data generally exceeded expectations, while jobs data showed tentative signs of moderation. The latest monthly nonfarm payrolls added 275,000 jobs, above consensus expectations, but downside revisions to the prior two months removed a combined 167,000 jobs and the unemployment rate ticked higher from 3.7% to 3.9%. Inflation data appeared to show that the pace of disinflation has slowed even as the year-over-year (YoY) inflation rate continues to improve compared to prior quarters. Headline and core Consumer Price Index (CPI) increased the most in months, mainly due to higher core service prices. Core CPI rose above consensus expectations for two consecutive months, bringing the YoY rate to 3.8%, slightly lower than 3.9% at the end of the fourth quarter. The Fed's preferred measure of inflation, the core Personal Consumption Expenditures (PCE) price index ended the quarter rising 2.8% YoY, lower than 2.9% at the end of last year and the slowest annual rate since March 2021.

Investment Outlook

US demand is expected to slow as savings rates trend back to pre-COVID levels. Core inflation should move towards Fed target levels, helped by goods and shelter costs moderating. Other services may reflect the improved productivity and balance in labor markets. Risks to our soft-landing base case are more balanced than in the past. US bond yields remain high relative to pre-pandemic growth and inflation. While we may not fully return to those levels, bond yields are likely to remain sensitive to whether growth and inflation are moderating. The expected mid-year shift in Fed policy will help push market yields lower.
For more information on Western Asset, visit westernasset.com.

Footnote: Attribution is calculated using prices sourced from independent pricing vendors or brokers in accordance with Western Asset's approved pricing hierarchy. Therefore, performance presented here may differ from performance calculated by official sources for benchmarks and for funds that use a third-party administrator.