1Q17 Commentary
Oregon Local Government Intermediate Fund

1Q17 Performance

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Index*</th>
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<td>0.54%</td>
<td>0.57%</td>
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The portfolio underperformed the Bloomberg/Barclays 1-5yr Gov/Credit Index by 0.03% for the first quarter of 2017.

The long duration position versus the index produced minimal impact as 5yr rates were roughly unchanged for the period. However, yield curve positioning that favored the 5yr and 10yr parts of the curve over the 2yr part of the curve was additive to performance as the yield curve flattened.

The portfolio held a modest overweight to the Investment Grade Corporate sector. While the sector in general produced positive excess returns, positions in financials and energy lagged the broader index and detracted slightly from performance. We continue to focus on industries that are not in any position to re-leverage their balance sheets. We like the energy and metals and mining industries, which continue to need ongoing balance-sheet repair due to the commodity recession. We are maintaining our overweight to financials as the current regulatory landscape should continue to keep banks from re-leveraging.

Allocations to commercial mortgage-backed securities (CMBS) and asset backed securities (ABS) added to performance as spreads continued to grind tighter. We remain constructive on the fundamentals in this sector and view valuations as attractive.

While the new administration’s agenda includes strong pro-growth policies, we continue to believe the realized stimulus will be more muted than expected and that rates have moved too far too fast. Economic data will likely remain mildly positive but the slow growth and low-inflation environment will persist. Central banks should remain accommodative and we continue to believe that investments in non-treasury sectors serve as the best use of our risk budget.

*Bloomberg Barclays 1-5 Yr Gov/Credit USD Unhedged Bond Index

Past results are not indicative of future investment results. Comments provided are specific to this portfolio and may not be representative of other portfolios with similar mandates.