

Oregon Local Government Intermediate Fund

Performance Review

In the second quarter of 2024, the portfolio outperformed its benchmark, the Bloomberg 1-5 Year US Government/Credit Bond Index, by 9 basis points (bps) on a gross basis.

During 2Q24, US Treasury (UST) bond yields whipsawed before ultimately ending the second quarter higher amid conflicting economic data and the Federal Reserve's (Fed) emphasis on data dependency. Yields were initially pressured higher as jobs and inflation data surpassed expectations, rekindling a "higher for longer" view for the fed funds rate. However, the market's conviction in this view gradually subsided as a string of subdued economic data revived expectations for a Fed rate cut in September even as the Fed continued to signal a patient approach. Risk assets were mixed with most credit spreads widening and the S&P 500 Index notching a new record high later in the quarter.

US jobs data was uneven, with the latest monthly nonfarm payrolls adding 272,000 jobs and surpassing expectations after the previous month had added just 175,000 jobs—the smallest gain in six months. The unemployment rate ticked higher to 4.0% from 3.8%, indicating that the job market is coming into better balance. After a series of hotter-than-expected inflation prints during 1Q24, recent inflation data provided Fed policymakers with optimism. The latest readings for both headline and

| As of 30 Jun 24 | Portfolio (gross) | Portfolio (net) | Index* |
|------------------|-------------------|-----------------|--------|
| 2Q24 Performance | 0.92% | 0.90% | 0.83% |

*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.

core Consumer Price Index (CPI) came in below expectations. Core CPI rose 0.2% month-over-month (MoM), versus consensus expectations for a 0.3% increase, bringing the annual rate to 3.4% year-over-year. The Fed's preferred inflation measure—the core Personal Consumption Expenditures (PCE) price index—also moderated and rose 0.1% MoM, which was the smallest increase in six months.

Investment Outlook

US demand is expected to slow as employment gains decline and savings rates drift back to pre-Covid levels. Monthly core inflation should continue to run near Federal Reserve (Fed) target levels, helped by modest goods deflation, shelter inflation near pre-pandemic levels, and services inflation moderating with the rebalancing labor market. US bond yields remain high relative to pre-pandemic growth and inflation, and the expected Fed cuts should help push yields lower even as political uncertainty adds to market volatility. *For more information on Western Asset, visit westernasset.com.*

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