

Oregon Local Government Intermediate Fund

Performance Review

In the fourth quarter of 2024, the portfolio outperformed its benchmark, the Bloomberg 1-5 Year US Government/Credit Bond Index, by 7 basis points (bps) on a gross basis.

During the fourth quarter, US Treasury (UST) yields moved significantly higher due to a number of factors, including the election of Donald Trump, renewed concerns over an escalating fiscal deficit and potentially inflationary trade policies. Additionally, while the Federal Reserve (Fed) cut rates, it also lowered guidance for rate reductions in 2025. Risk assets weakened in December, but strengthened over the quarter as the S&P 500 Index edged higher and credit spreads compressed.

In the US, data releases reinforced the trend of a resilient labor market and somewhat sticky inflation. Nonfarm payrolls rebounded by 227,000 jobs in November after a weak October report, which was impacted by a severe storm and a labor strike. The three-month payroll average of 173,000 ran above the third-quarter pace of 159,000, and the unemployment rate remained steady at 4.2%. Meanwhile, inflation measures were mixed. Some components were sticky, but we have seen some weaker-than-expected increases in rents and owners' equivalent rents (OER), which bodes well for inflation remaining in a downward trend. Over the last three months, the core Consumer Price Index (CPI) and the core Personal Consumption Expenditures (PCE) Index rose year-over-year (YoY) from 3.2% to 3.3% and 2.7% to 2.8%, respectively.

Investment Outlook

Soft Landing on Track: The US economy should expand near trend well into 2025, buoyed by housing and consumer demand. Core inflation should continue to run near the Federal Reserve (Fed) target level of 2%. US bond yields remain high relative to pre-pandemic growth and inflation levels. Market uncertainty about Trump administration policy changes could lead to market volatility in early 2025.

Our base case is for further weakening in global growth and further declines in inflation with a greater emphasis on services disinflation. Goods price inflation is running modestly below pre-pandemic levels, but with ongoing deflationary pressures from Asia, it's hard to see a meaningful

As of 31 Dec 24	Portfolio (gross)	Portfolio (net)	Index*
4Q24 Performance	-0.64%	-0.66%	-0.71%

*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.

persistent uptick moving forward. Services inflation remains elevated, but wage pressures are abating as job markets soften and service sector demand is slowing. Headline inflation is close to target in most advanced economies, which has allowed central banks to reduce policy rates as their inflation concerns lessen while growth concerns rise. Growth is slowing in the US and remains moribund in the rest of the world. At the same time, lower policy rates and the recent Chinese stimulus package should lessen recessionary fears. We remain overweight interest rate duration but less so as rates have fallen and markets have moved closer to our base case. Spread sectors have performed well and we expect this to continue if the downward growth trajectory remains gentle and services disinflation continues. However, valuations now have less yield advantage to offset potential macro and political risks going forward. EM debt appears to remain fundamentally attractive, but both internal and external political risks have hampered performance in some countries.

For more information on Western Asset, visit westernasset.com.

© Western Asset Management Company, LLC 2025. The information contained in these materials ("the materials") is intended for the exclusive use of the designated recipient ("the recipient"). This information is proprietary and confidential and may contain commercially sensitive information, and may not be copied, reproduced or republished, in whole or in part, without the prior written consent of Western Asset Management Company ("Western Asset").

Past performance does not predict future returns. These materials should not be deemed to be a prediction or projection of future performance.

These materials are intended for investment professionals including professional clients, eligible counterparties, and qualified investors only.

These materials have been produced for illustrative and informational purposes only. These materials contain Western Asset's opinions and beliefs as of the date designated on the materials; these views are subject to change and may not reflect real-time market developments and investment views.

Third party data may be used throughout the materials, and this data is believed to be accurate to the best of Western Asset's knowledge at the time of publication, but cannot be guaranteed. These materials may also contain strategy or product awards or rankings from independent third parties or industry publications which are based on unbiased quantitative and/or qualitative information determined independently by each third party or publication. In some cases, Western Asset may subscribe to these third party's standard industry services or publications. These standard subscriptions and services are available to all asset managers and do not influence rankings or awards in any way.

Investment strategies or products discussed herein may involve a high degree of risk, including the loss of some or all capital. Investments in any products or strategies described in these materials may be volatile, and investors should have the financial ability and willingness to accept such risks.

Unless otherwise noted, investment performance contained in these materials is reflective of a strategy composite. All other strategy data and information included in these materials reflects a representative portfolio which is an account in the composite that Western Asset believes most closely reflects the current portfolio management style of the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite are available upon request.

Statements in these materials should not be considered investment advice. References, either general or specific, to securities and/or issuers in the materials are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendation to purchase or sell such securities. Employees and/or clients of Western Asset may have a position in the securities or issuers mentioned.

These materials are not intended to provide, and should not be relied on for, accounting, legal, tax, investment or other advice. The recipient should consult its own counsel, accountant, investment, tax, and any other advisers for this advice, including economic risks and merits, related to making an investment with Western Asset. The recipient is responsible for observing the applicable laws and regulations of their country of residence.

Founded in 1971, Western Asset Management Company is a global fixed-income investment manager with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne, São Paulo, Hong Kong, and Zürich. Western Asset is a wholly owned subsidiary of Franklin Resources, Inc. but operates autonomously. Western Asset is comprised of six legal entities across the globe, each with distinct regional registrations: Western Asset Management Company, LLC, a registered Investment Adviser with the Securities and Exchange Commission; Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários Limitada is authorized and regulated by Comissão de Valores Mobiliários and Brazilian Central Bank; Western Asset Management Company Pty Ltd ABN 41 117 767 923 is the holder of the Australian Financial Services License 303160; Western Asset Management Company Pte. Ltd. Co. Reg. No. 200007692R is a holder of a Capital Markets Services License for fund management and regulated by the Monetary Authority of Singapore; Western Asset Management Company Ltd, a registered Financial Instruments Business Operator and regulated by the Financial Services Agency of Japan; and Western Asset Management Company Limited is authorised and regulated by the Financial Conduct Authority ("FCA") (FRN 145930). This communication is intended for distribution to Professional Clients only if deemed to be a financial promotion in the UK as defined by the FCA. This communication may also be intended for certain EEA countries where Western Asset has been granted permission to do so. For the current list of the approved EEA countries please contact Western Asset at +44 (0)20 7422 3000.