



## **OREGON INTERMEDIATE TERM POOL INFORMATION**

### **Purpose**

The Oregon Intermediate Term Pool (OITP) for Oregon state agencies provides qualified participants with a vehicle to invest funds over a long-term investment horizon. The investment objective of OITP is to maximize total return (i.e., principal and income) within stipulated risk parameters. OITP is not appropriate for funds needed to cover short-term (Less than 1 year) needs. OITP is not structured to provide 100% net asset value (NAV) on each participant's initial investment therein. Accordingly, OITP participants may experience gains or losses on their OITP investments due to changes in market conditions. Funds invested in OITP should be able to withstand greater price volatility to achieve returns often associated with longer-term investments.

### **Description**

The Oregon Intermediate Term Pool is actively managed to maintain a short duration through a diversified portfolio of investment grade quality fixed income investments as prescribed in the portfolio guidelines. Based upon historical market performance, it is anticipated that returns over extended periods will be greater in OITP than in shorter maturity alternatives such as the Oregon Short Term Fund (OSTF).

Oregon State Treasury (OST) investment staff will achieve the investment objectives through active management of the portfolio with the objective to meet or exceed the Barclays 3-5 Year U.S. Aggregate Index.

This pool is not structured to provide 100% net asset value on each participant's initial investment at all times. Due to interest rate changes and market movements, it is possible to lose money by investing in OITP. For consistency with the portfolio's total return objective, the value of each participant's investment will be determined on a proportional basis to the net market value of the entire portfolio. Shares in OITP represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, Federal Deposit Insurance Corporation, any federal agency or the State of Oregon. OITP has not been approved by the Securities and Exchange Commission.

### ***Principal investment strategies:***

Eligible investments are detailed in OITP's guidelines, but in general, OITP may invest, subject to diversification requirements, in several types of investment grade rated debt market instruments denominated in U.S. dollars. These may include:

- Obligations of U.S. and non-U.S. private issuers;
- Obligations of the U.S. government and its agencies and instrumentalities;
- Obligations issued or guaranteed by non-US governments and instrumentalities;
- Taxable debt securities issued by US states or local governments and their agencies, authorities and other US state government-sponsored enterprises;

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- Repurchase agreements and Reverse repurchase agreements.
- Interests in pools of securitized assets, e.g., asset-backed securities(ABS); commercial mortgage-backed securities(CMBS); and agency mortgage-backed securities(MBS),

#### *Credit quality:*

OITP invests in securities that, at the time of purchase, are investment grade rated by nationally recognized rating agencies, such as Moody's or Standard & Poor's.

#### *Interest Rate Sensitivity:*

The overall OITP portfolio must maintain a duration that shall not exceed +/- 20% of the benchmark index. Limitations on individual investment terms to maturity vary by security type, but in general, securities have a maximum term of 10.25 years.

\* Modified duration is the time weighted value of future cash flows on a portfolio of investments and reflects the expected percentage change in price of the portfolio for every one hundred basis point (one percentage point) change in interest rates. For example, the price of a portfolio with an average modified duration of 3 years would be expected to decrease by 3% for every 1% rise in interest rates and vice versa.

#### *Diversification:*

Except for US Treasury and US Agency securities, no more than 5% may be invested in the securities of any one issuer. Further exposure limits by sector, and industry are detailed in the OITP guidelines.

#### **Management Authority**

Subject to the terms and conditions of OITP guidelines, the Fixed Income Investment Staff of the Oregon State Treasury (OST) shall have the full discretionary power to direct the investment, exchange, liquidation, and reinvestment of assets in the OITP.

#### **Participant Investments**

The OITP is a voluntary investment vehicle for participants. Participation in OITP is open to all State Agencies and local governments subject to approval by the OST and with funds that are allowed to be invested. An agency or local government may request to invest in OITP by submitting a completed application to OST. Among other information that OST may request, the application will require evidence of the applicant's statutory authority to invest in the OITP and evidence that funds to be invested in OITP are appropriate for OITP's risk characteristics and liquidity constraints. Local government applications must be approved by the respective applicant's governing body and state agency applications must be approved by the respective state agency director before submission to OST. Since the OITP is by nature invested with a relatively longer average maturity than a short-term portfolio and since proportionate ownership in the OITP is based on market value, participants can expect the

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value of their investment in the OITP to fluctuate over time. Participating agencies should therefore only invest monies that they consider longer-term in nature (Greater than 1 year or longer).

Each application should identify the contact person(s) authorized to request transactions. It is the Participant's responsibility to notify the OST Fixed Income Investment Staff of changes to the list of authorized persons. Investment or disbursement orders will only be accepted if signed by an authorized person. It is the Participant's responsibility to safeguard information required to request a transaction. The OST will not be responsible for transactions made using such confidential information.

OITP will use the Oregon Short-term Fund (OSTF) as its "cash account". Investments in OITP will be funded from the participant's OSTF account. It is the OITP participant's responsibility to maintain sufficient funds in OSTF to avoid OSTF overdraft charges that may result from OITP transactions.

OITP will require a 10 business day notification period prior to transferring participant funds from the Oregon Short-term Fund.

### **Participant Withdrawal of Funds**

Because of the longer-term nature and lower liquidity levels of the OITP relative to the Oregon Short Term Fund (OSTF), a participant's ability to redeem shares in OITP will be subject to restrictions.

- Orders to sell OITP shares will be subject to a ten business day notification period whereas it will be the responsibility of the participant to notify OITP administrators of the amount and timing of sale transaction.
- OITP will offer month-end liquidity only, i.e., sell orders will be transacted on the first business day of each calendar month. The sale value per share will be calculated as of the previous month-end. For example: The value of a sell order received 10 business days prior to July month-end would be processed on August 1<sup>st</sup>, using the July month-end NAV.
- The maximum number of shares allowed to be sold at any month-end (and the amount of funds withdrawn) may be temporarily restricted due to distressed market conditions.

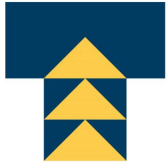
Funds from sale transactions will be transferred to the OITP participant's OSTF account on the transaction date.

### **Custodian and Book of Record**

OST will use custodian records as the book of record.

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### **Income Distribution Policy**

OITP does not distribute income or capital gains. The value of participant holdings is reflected in the net asset value (NAV) of shares outstanding. Participants are able to access the value of their investment by redeeming shares at the NAV per share calculated at the time of redemption.

### **Yields**

Yields are quoted as annualized returns. Yields may be impacted by the timing of deposits and withdrawals from accounts.

### **Management/Administrative Fee**

OITP takes its management charge from the capital and/or income generated by the Pool. The management fee is set by ORS 293.718 and may not exceed 0.435 basis points per month. The basis point charge will be calculated and netted against the monthly ending pool balance and will therefore be reflected in the net asset value of the pool. Revised 8/30/16

### **What are the risks of investing in the OITP?**

- Interest rate risk - The value of OITP fixed income investments will be affected by changes in market interest rates. As interest rates rise, the value of fixed income investments tends to fall. In contrast, if interest rates fall the value of these investments may rise.
- Credit risk - Credit risk is the risk that a government or company that issues a fixed income security cannot repay principal or pay interest when due which will result in a loss to the OITP. This risk tends to increase as an issuer's credit rating declines. The OITP invests in securities rated 'investment grade' at the time of purchase. The rating on securities held by the OITP may fall below 'investment grade'. The OITP may continue to hold securities downgraded below 'investment grade' at the discretion of the portfolio manager.
- Income/Yield fluctuation - The amount of income earned by the OITP will go up or down depending on day-to-day variations in market interest rates. Investing in high quality instruments may result in a lower yield (the income on your investment) than investing in lower quality or longer-term instruments. When interest rates are very low, the OITP's expenses could absorb all or a significant portion of the pool's income
- Portfolio selection – OST Fixed Income Staff judgment about the credit quality or value of, or market trends affecting, a particular security or about the market and interest rates generally may prove to be incorrect and cause the value of OITP to decline.
- Prepayment Risk – An obligor on a bond or other fixed income investment may prepay principal prior to the stated maturity date. This generally occurs as interest rates fall and creates the risk that proceeds are potentially reinvested at a lower rate and reduces the expected return generated by OITP investments.

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- Structured securities - Structured securities contain embedded derivative components such as call options. For example, securities with an embedded call options may be subject to early redemption or prepayment, i.e., “be called”, by issuers or obligors. Changes in interest rates or the underlying credit quality of obligors influences the likelihood of prepayment which, in turn, affects the value of the structured security. Embedded optionality in structured securities may cause these securities to perform differently than expected and increase the price volatility of the security.

### **How will I be kept informed about my investment?**

Participant information such as account statements, confirmations are provided by the Investment Accounting Division of OST. OST’s Investment Accounting will also provide all information for fiscal year-end financial reporting.

The following will be posted on the Oregon State Treasury’s website and updated each month-end:

- OITP net asset value per share;
- OITP Investment Performance;
- A schedule of OITP investments;
- OITP Guideline Compliance Reports.

### **Where is the share price published?**

The share price (the Net Asset Value per share of OITP) is published on Oregon State Treasury’s website and may also be obtained by contacting the Investment Division within the Oregon State Treasury.

### **OITP Contact Information:**

#### Account Administration:

Oregon Intermediate Term Pool  
Office of the State Treasurer  
Investment Division  
16290 SW Upper Boones Ferry Road  
Tigard, OR 97224

Email: [OITP@ost.state.or.us](mailto:OITP@ost.state.or.us)

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