



PARTICIPANT INFORMATION OREGON LOCAL GOVERNMENT INTERMEDIATE FUND

Purpose

The Oregon Local Government Intermediate Fund (“OLGIF” or “Fund”) provides qualified local government participants with a vehicle to invest assets over an intermediate time horizon (three to five years). OLGIF is not appropriate for assets needed to cover short-term needs (less than one year). OLGIF is not structured to provide 100% net asset value (“NAV”) at all times on participant investments. Participants may experience losses on OLGIF investments due to changes in market conditions. Assets invested in OLGIF should be able to withstand greater price volatility to achieve the level of returns typically associated with longer-term investments.

Description

OLGIF is actively managed to maintain a diversified portfolio of investment grade bond investments. Based on historical market performance, it is anticipated that the returns generated over extended periods will be greater in OLGIF than in shorter maturity vehicles such as the Oregon Short Term Fund (“OSTF”). The investment objective of OLGIF is to achieve a total return (i.e., principal and income) greater than the Barclays 1-5 Year U.S. Government/Credit Index (“Benchmark”).

Participants invest in OLGIF by purchasing units of the Fund. Units in OLGIF represent a divisible interest in the underlying assets of the Fund. The value of each participant’s investment(s) will be determined on a proportional basis to the net market value of the entire portfolio. The value of OLGIF’s underlying bond market investments are marked-to-market on a daily basis. The value of OLGIF’s underlying holdings and the NAV of participant investments will fluctuate due to market movements and changes in the underlying holdings.

Participants’ investments in OLGIF are not federally insured or guaranteed by the U.S. Government, Federal Deposit Insurance Corporation, any federal agency, or the State of Oregon. OLGIF is not approved by the Securities and Exchange Commission.

Principal Investment Strategies:

Eligible investments are detailed in OLGIF’s guidelines. OLGIF may have exposures, subject to diversification requirements, to several types of investment grade public debt market instruments denominated in U.S. dollars. These may include, but are not limited to:

- Obligations of U.S. and non-U.S. corporations;
- Obligations of the U.S. government and its agencies and instrumentalities;
- Obligations issued or guaranteed by non-U.S. governments and instrumentalities;
- Obligations of U.S. states or local governments and their agencies, authorities and other U.S. state government-sponsored enterprises;
- Repurchase agreements and reverse repurchase agreements; and

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- Interests in pools of securitized assets such as asset-backed securities (“ABS”), commercial mortgage-backed securities (“CMBS”), and agency mortgage-backed securities (“MBS”).

OLGIF may invest in public debt market securities not allowed for direct investment by Oregon Local Governments under ORS 294.035.

Credit Quality:

OLGIF invests in securities that, at the time of purchase, are investment grade rated by nationally recognized rating agencies (Moody’s Investors Service, Inc., Standard & Poor’s Financial Services LLC, and Fitch Ratings, Inc.).

Interest Rate Sensitivity:

OLGIF is expected to maintain a weighted average interest rate duration of $\pm 20\%$ (percent) versus the Benchmark’s duration. The duration of the Benchmark ranged between 2.5 to 3.0 years over the five-year period ending 2015.

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 a one percentage point instantaneous change in the overall level of interest rates. For example, the market value of a portfolio with an average duration of 2.0 years would be expected to decrease in value by 2.0% for a 1.0% instantaneous rise in all interest rates and vice versa.

Diversification:

With the exception of U.S. Treasury and U.S. Agency securities, no more than 5.0% may be invested in the securities of any one issuer and no more than 3.0% may be invested in any one investment. Additional exposure limits by sector and industry are detailed in the OLGIF guidelines.

Management Authority

OLGIF may be managed internally by OST investment staff or by a third-party asset manager(s) approved by OST. Subject to the terms and conditions of OST Policy, OST Investment Staff have discretionary authority to direct the investment, exchange, liquidation, and reinvestment of assets in OLGIF.

Participant Qualification

OLGIF is a voluntary investment vehicle and participation is open to all Oregon local governments, subject to approval by OST. A local government may qualify to invest in OLGIF by completing the requirements listed below:

- OLGIF listed as an eligible investment in the participant’s investment policy.

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Investment Division

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- b. Investment policy reviewed by the Oregon Short Term Fund Board.
- c. Investment policy approved by the participant's governing body.
- d. Statement of understanding recorded in the participant governing body's minutes, as follows, with no deviations:

The governing body of _____ acknowledges the following:

- *Members of this body and investment staff have read and understand the "Oregon Local Government Intermediate Fund Information Pamphlet" provided by Oregon State Treasury;*
- *Investments in OLGIF are subject to loss; and*
- *Investments into OLGIF and divestments from OLGIF may be subject to restriction by Oregon State Treasury.*

- e. Existing Account with the Oregon Short Term Fund.

Participant Transactions

Participants may purchase or sell units in OLGIF with notice given at least five business days prior to the last business day of the month. The transaction value per unit is calculated as of the market close of the last business day of the month in which an order is placed. Transactions will settle on the first business day of the following calendar month. For example: A transaction (purchase or sale) order received five business days prior to July month-end would be priced on the last business day in July with cash settlement on the first business day in August.

Transaction orders may be entered by an authorized person either electronically through the OLGIF participant website or by phone with the OLGIF participant call center. Participants will be required to identify contact person(s) authorized to submit transaction orders. It is the participant's responsibility to safeguard information required to request a transaction. Neither OST nor the Fund manager will be responsible for transactions made using such confidential information.

Because of the longer-term nature and lower liquidity levels of OLGIF relative to the OSTF, a participant's ability to purchase or redeem shares in OLGIF is subject to restriction. OST may restrict participant transaction activity indicative of investment objectives that are inconsistent with those of the Fund, for example frequent contributions and full balance withdrawals. Upon such a determination, OST may liquidate a participant's investment within OLGIF and return the proceeds to the participant.

Distributions

OLGIF does not distribute income or capital gains. OLGIF reinvests all interest and capital gains received during any given month. The effects of income generated by underlying investments and capital gains or

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losses are reflected in the NAV of units outstanding. Participants are able to access the value of their investment by redeeming units at the NAV per unit calculated at the time of redemption.

Management/Administrative Fees

Management and administrative fees are charged on a monthly basis. Fees are calculated on the daily NAV and netted against the ending pool balance at month-end and are reflected in the NAV of the pool. Fees are assessed regardless of performance. During periods when OLGIF experiences a loss or investment income is low, fees may reduce the fund's NAV. The estimated annualized fee schedule is approximately 0.1152%.*

*Fees are variable and based upon the market value of investments comprising OLGIF; number of accounts; and account activity.

How will I be kept informed about my investment?

Account statements which include information on account balances, investment performance, and transaction history are available on the OLGIF participant website, and may be accessed through a secure login. Historical performance and an overview of OLGIF's underlying investments will be published periodically on the Oregon State Treasury's OLGIF website.

Risks Affecting the Value of OLGIF Investments

- **Interest Rate Risk** – The value of OLGIF investments will be impacted 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 tend to rise.
- **Credit Risk** – Credit risk is the risk that an organization issuing a fixed income security cannot repay the principal and/or interest payments when due, which would result in a loss to OLGIF. This risk tends to increase as an issuer's credit rating declines. OLGIF invests in securities that are rated 'investment grade' at the time of purchase to help mitigate this risk. It is important to note that the rating on securities held by OLGIF may fall below 'investment grade' after the initial purchase date. At the discretion of the asset manager, OLGIF may continue to hold securities that are downgraded below 'investment grade.'
- **Reinvestment and 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 the proceeds are reinvested at lower market rates, which may reduce the expected return generated by OLGIF investments.

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OREGON
STATE
TREASURY

Elizabeth Steiner, MD
Oregon State Treasurer

George Naughton
Deputy State Treasurer

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- Portfolio Selection – Asset manager decisions regarding the credit quality, value, market trends, or interest rate environment impacting a particular investment may prove to be incorrect and could cause the value of OLGIF to decline.
- Optionality - Some bond market investments, such as structured securities, contain embedded derivative components. For example, securities with 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.

OLGIF Contact Information:

Participant application and records administration: OLGIF@ost.state.or.us

Participant transactions: <https://www.your-fundaccount.com/Oregon/>

Participant accounting and performance records: <https://www.your-fundaccount.com/Oregon/>

Participant services: (844) 794-8330

Disclaimer

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