

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
Presented by Perrin Lim & Tom Lofton
March 6, 2012; 1:30 – 3:00pm

Market Review

- 2-year US Treasury yields have traded in a tight range past five months ending February at 29.7 bps
- Money market yield curve has shifted slightly upward as spreads have widened
- European situation continues to weigh quite heavily on global markets though the two ECB LTROs (3-year Long Term Refinancing Operations) have resulted in higher investor confidence, thus far
- US Economy continues to add payrolls at a modest pace
- Unemployment dipped slightly to 8.3%
- Headline inflation remains low, though likely to rise in coming months due to tensions in Iran and oil price increase (Crude Oil currently \$106.72/barrel, Brent Crude Oil currently \$124.20/barrel)
- Both real exports and inventories showing encouraging numbers

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
 Presented by Perrin Lim & Tom Lofton
 March 6, 2012; 1:30 – 3:00pm

2-Year US Treasury Note (January 2009 to Present)



Source: Bloomberg

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
Presented by Perrin Lim & Tom Lofton
March 6, 2012; 1:30 – 3:00pm

US Money Market Yield Curve (US \$ LIBOR)



Source: Bloomberg

Maturity	2/29/12 (%)	02/29/11 (%)	Change (bps)
1 Month	0.24350	0.26100	-2
2 Months	0.35675	0.28650	7
3 Months	0.48425	0.30950	17
4 Months	0.58965	0.35200	24
5 Months	0.66780	0.41050	26
6 Months	0.74875	0.46400	28
9 Months	0.89490	0.62375	27
12 Months	1.05980	0.79025	27

Source: Bloomberg

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
Presented by Perrin Lim & Tom Lofton
March 6, 2012; 1:30 – 3:00pm

2012 Investment Themes

Outlook

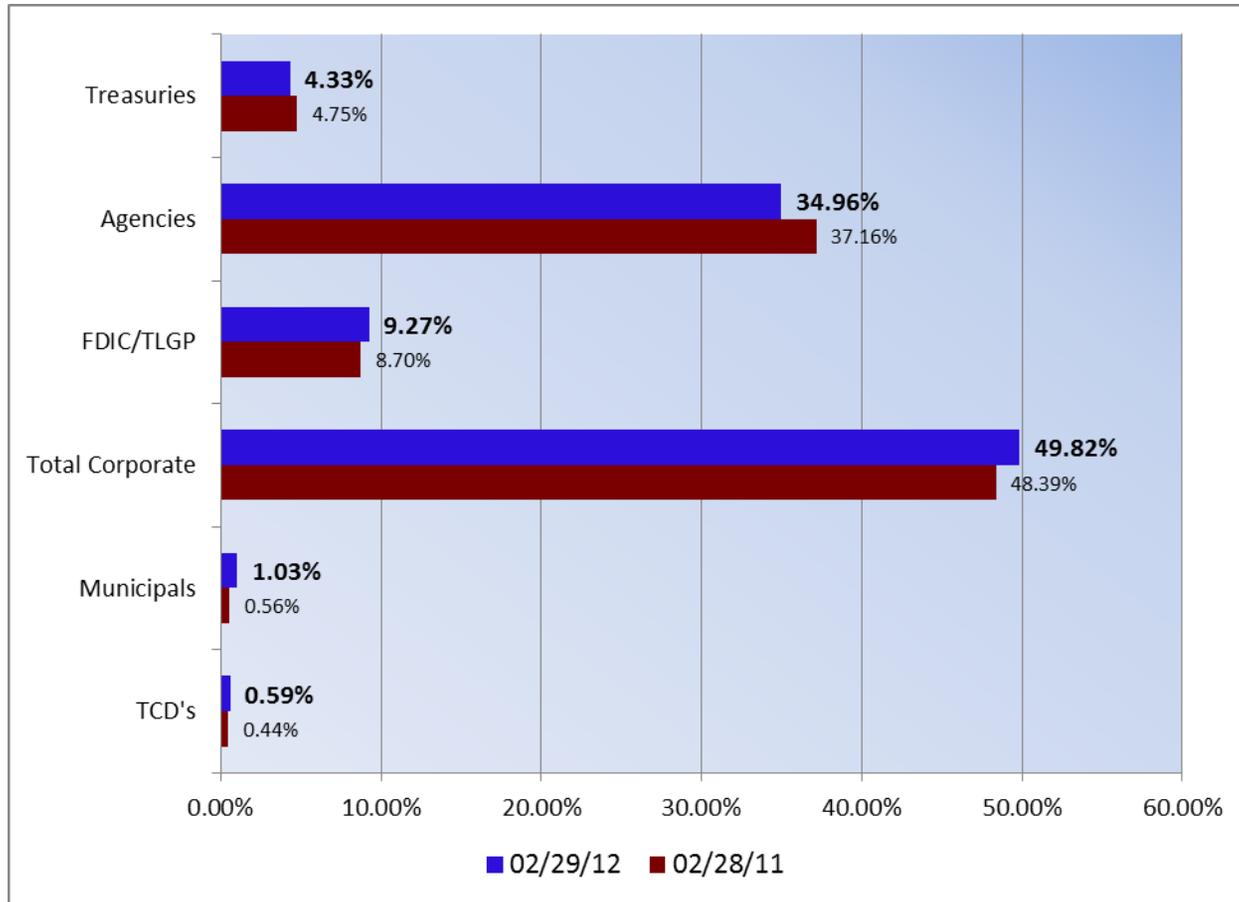
- US Economy likely to grow at a moderate pace (2% to 3%) in 2012....but....European crisis/recession presents downside risk
- Fed will maintain near-zero policy into 2014....Operation Twist concludes June 2012.....QE3 still a possibility later in 2012 though less likely if US economic statistics continue to exhibit positive momentum
- Fed sees inflation less than 2% in 2012 but deflation is not a risk....longer-term inflation concerns may arise due to oil price inflation and/or 3.5 – 5+ years of easy monetary policy

Strategy Considerations

- US Economy decoupling from European crisis?
- But market conditions still very much driven by Eurozone issues
- Liquidity conditions may be challenging in 2012....but may create opportunities to buy fundamentally solid credits at attractive yields/spreads
- Treasuries offer little total return potential and OSTF currently holds zero Treasuries beyond June 28, 2012
- Floating rate securities favored vs. fixed rate in historic low rate and monetary policy environment

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
 Presented by Perrin Lim & Tom Lofton
 March 6, 2012; 1:30 – 3:00pm

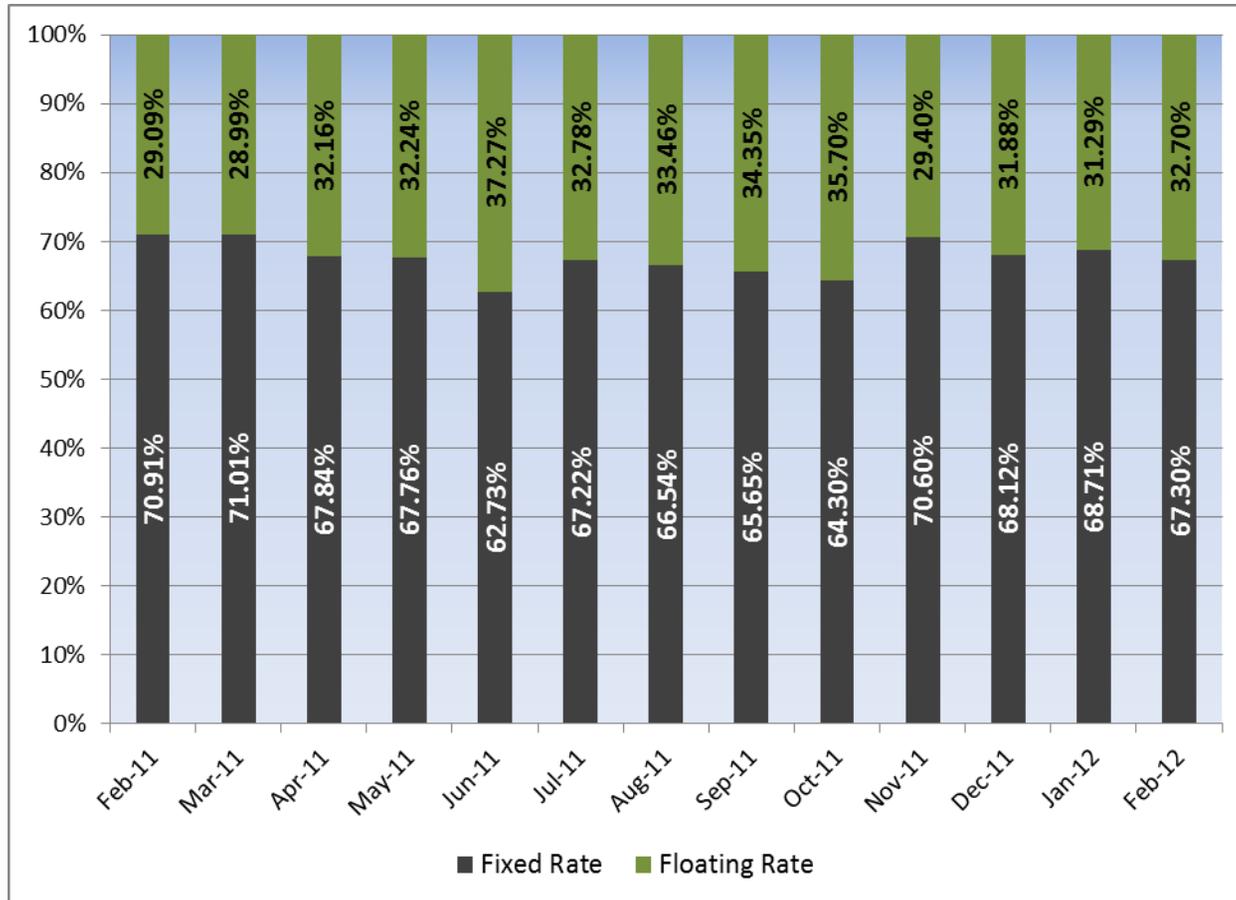
OSTF Sector Allocation



Source: OST (par value)

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
Presented by Perrin Lim & Tom Lofton
March 6, 2012; 1:30 – 3:00pm

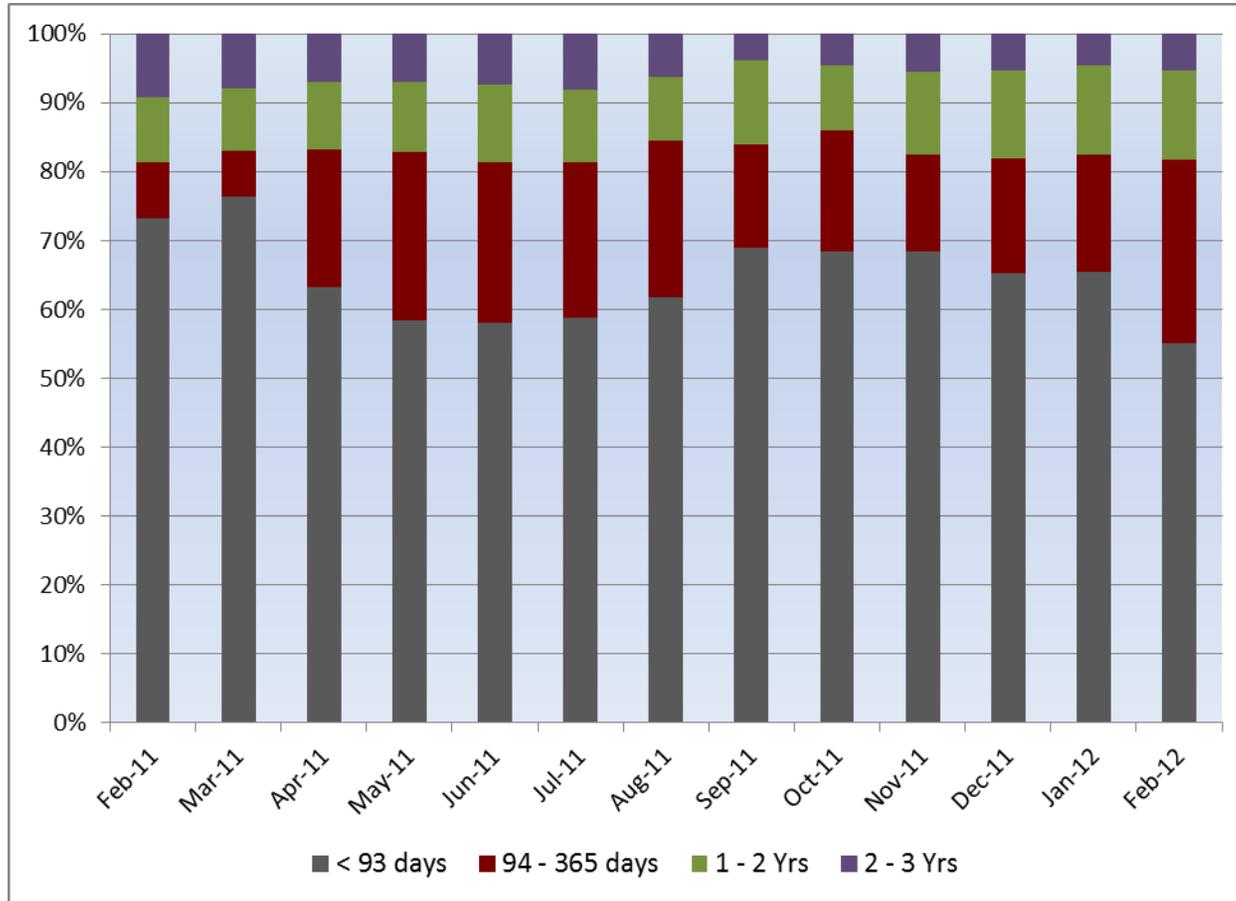
OSTF Fixed vs. Floating Rate Allocation



Source: OST (month-end weightings at par value)

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
 Presented by Perrin Lim & Tom Lofton
 March 6, 2012; 1:30 – 3:00pm

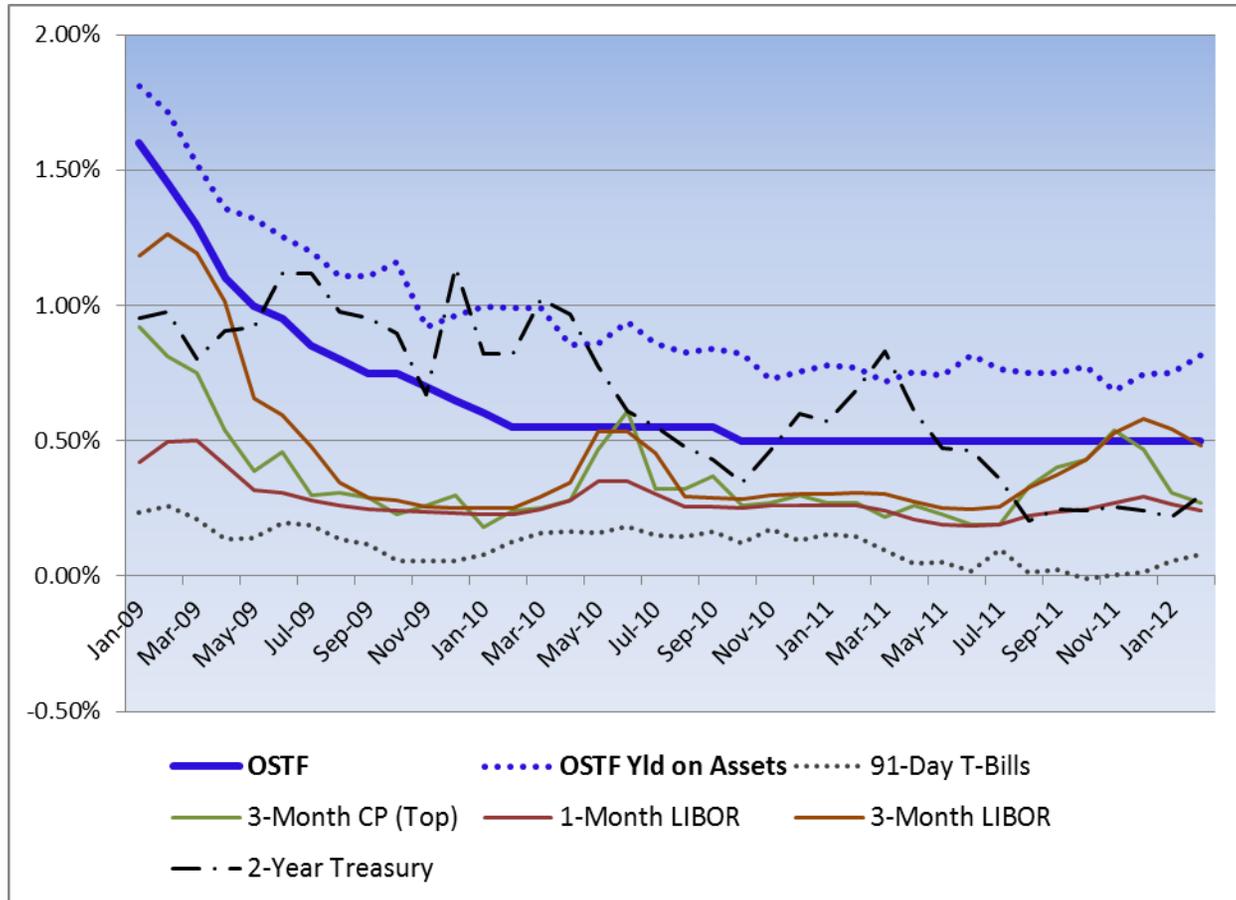
OSTF Maturity Profile



Source: OST (month-end weightings at par value)

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
 Presented by Perrin Lim & Tom Lofton
 March 6, 2012; 1:30 – 3:00pm

OSTF Rates Comparison (January 2009 to Present)



Source: Bloomberg & OST (month-end rates)

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
Presented by Perrin Lim & Tom Lofton
March 6, 2012; 1:30 – 3:00pm

OSTF Rate Info & Liquidity

- Rate = 0.50% for the last 16 months (since 10/28/10)
- Continued total and uninterrupted liquidity to all participants!
- How has OSTF achieved and maintained above-market rate?
 - Portfolio Structure:
 - Corporates – Maintain exposure & diversification in an improving US economy
 - Security Type Allocation (as of 02/29/12)

Security Type	% Total	~YTM
FRNS (Agys & Corp)	32.70%	1.270%
Fixed Rate (Gov't Related & Corp)	44.02%	0.824%
<i>Money Markets:</i>		
<i>As little as possible in this low rate environment</i>		
Discos	16.75%	0.043%
CP	6.53%	0.497%
TOTAL OSTF	100.00%	0.817%

Source: OST (month-end weightings at par value)

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
Presented by Perrin Lim & Tom Lofton
March 6, 2012; 1:30 – 3:00pm

TRACS Financial Pool Rankings for 2011 (www.tracsfinancial.com)

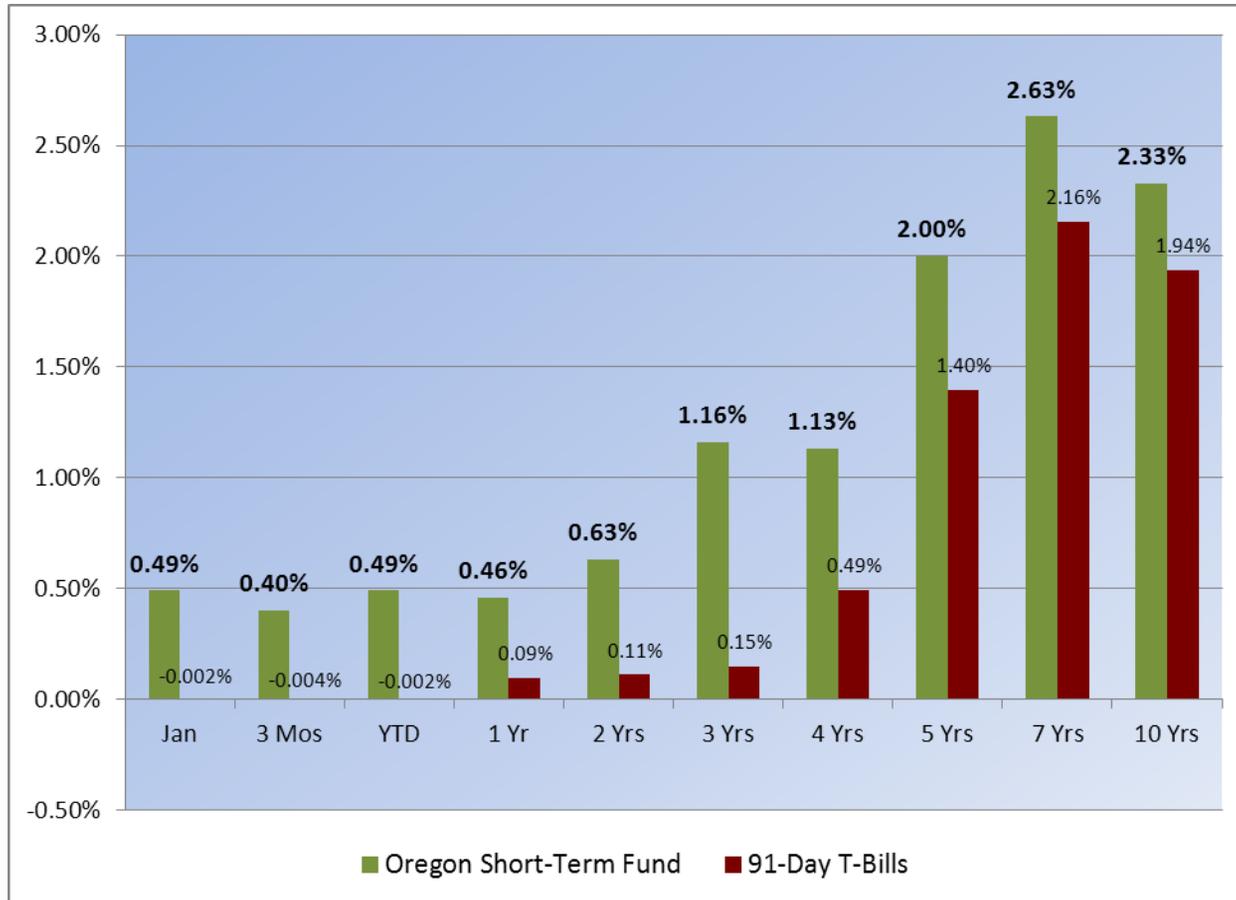
The Public Interest (Volume 6, Issue 1)	
Special Annual Pool Rate Rankings for Calendar 2011	
Top 20	
Wyoming State Treas Asset Reserve (WYO-STAR)	0.58%
Utah Public Treasurers Investment Pool	0.57%
Oregon Short-Term Fund	0.50%
California LAIF	0.44%
Illinois Metro Investment Convenience Fund*	0.30%
Idaho LGIP	0.27%
Maine State Treasurer's Pooled Cash	0.27%
Florida SBA Prime	0.25%
New Mexico MexiGROW LGIP	0.23%
Texas Lone Star Corp Overnight Plus	0.22%
Connecticut Short-Term Investment Fund	0.21%
New Jersey Cash Management Fund	0.21%
Virginia State Non-Arb Program SNAP*	0.21%
Texas Lone Star Corp Overnight	0.20%
Texas LOGIC	0.18%
Indiana TrustINDiana	0.17%
Texas CLASS	0.17%
Washington LGIP	0.17%
Tennessee LGIP	0.15%
Virginia LGIP*	0.15%

- All values approximate
- *Used last day of the month to calculate AVG.
- All pools in red indicate privately managed LGPs which tend to have higher fees than "official state and county treasurer" pools
- Includes (i) nonrated and rated pools, (ii) 2a7 and longer duration pools

Source: TRACS Financial

OMFOA Spring Conference 2012
Oregon Short-Term Fund: Review & Outlook
 Presented by Perrin Lim & Tom Lofton
 March 6, 2012; 1:30 – 3:00pm

Performance: Total Return as of 01/31/12 (annualized for periods 2 years and longer)



Source: State Street Bank