Annual Investment Update

ECONOMIC REVIEW AND OUTLOOK

DECEMBER 31, 2019

When 2019 began, the U.S. stock market had just hit the bottom of a 20% correction. An escalating trade war and rising interest rate worries were top of mind, and predictions of a looming recession were becoming more common. Instead, the U.S. economy continued to grow, albeit slowly, as unemployment remained low, wages grew, corporate earnings were positive, and the S&P 500 Index finished the year returning over 31%. In July, the United States entered its longest economic expansion in history—breaking the previous 120-month record set from March 1991 to March 2001.

Looking ahead to 2020, our outlook remains positive as we anticipate continued strength of the U.S. economy driven by plentiful jobs and rising wages. We are optimistic about the technology-driven innovation, growth, and efficiency across the economy. Newly achieved energy independence from domestic oil production and economically competitive renewable energy installations will give our economy unprecedented flexibility. While there is plenty to look forward to during 2020, we will be mindful of elevated valuations across all asset classes and potential disruptions from ongoing trade wars, political disputes, and the upcoming election.

The Economic Expansion Continues In December, the U.S. Department of Commerce reported third quarter Gross Domestic Product (GDP) growth at 2.1%, which was in line with consensus estimates and slightly above the previous quarter's 2% growth. The report highlighted positive trends in the economy, including growth in personal consumption spending, investments into intellectual property, and residential construction. Segments of the economy that lagged were investments into equipment and exports, both of which were affected by the ongoing trade talks.

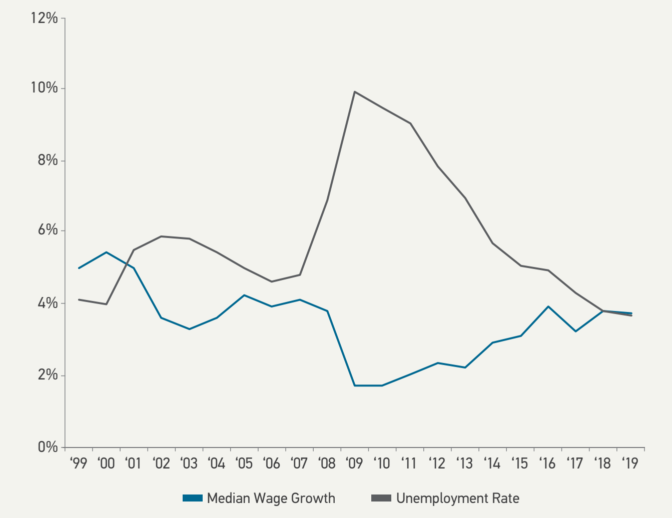
Unemployment, which began the year at an already low 3.7%, dropped further to 3.5%. Job growth remained robust as the economy added 145,000 jobs in December, marking the 111th straight month of U.S. job growth, the longest streak on record. At the same time, average hourly pay for workers rose 2.9% from a year earlier. As the U.S. economy is predominantly driven by consumer spending—accounting

KEY ECONOMIC RELEASES

EMPLOYMENT	As of	Expected	Actual	Prior Period
Unit Labor Costs (3rd Quarter)	DEC	3.40%	2.50%	2.40%
Unemployment Rate	DEC	3.50%	3.50%	3.50%
Change in Nonfarm Payrolls	DEC	160K	145K	256K
INFLATION (Year Over Year)	**As of**	**Expected**	**Actual**	**Prior Period**
Consumer Price Index	NOV	2.00%	2.10%	1.80%
CPI Ex Food & Energy	NOV	2.30%	2.30%	2.30%
Producer Price Index	NOV	1.80%	1.80%	1.70%
HOME PRICES (Year Over Year)	**As of**	**Expected**	**Actual**	**Prior Period**
S&P/Case Shiller Top 20 Mkts.	OCT	2.10%	2.23%	2.08%
MANUFACTURING ACTIVITY	**As of**	**Expected**	**Actual**	**Prior Period**
Capacity Utilization	NOV	77.40%	77.30%	76.60%
Leading Indicators	NOV	0.10%	0.00%	-0.20%
GDP Annualized (3rd Quarter)	DEC	2.10%	2.10%	2.00%

Source: Bloomberg

UNEMPLOYMENT AND WAGE GROWTH



Source: Bloomberg

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PERKINS COIE TRUST COMPANY

ECONOMIC REVIEW AND OUTLOOK (CONTINUED)

for approximately 70% of economic growth—both low unemployment and rising wages represent a strong positive for the economy.

U.S. corporate earnings, which rose significantly in 2018 following the passage of the Tax Cuts and Jobs Act, decelerated in 2019 but remained positive. Companies with more international revenue exposure reported larger declines in earnings relative to those companies that generate more of their sales domestically, due to tariffs and slowing growth abroad.

In response to lower mortgage rates and supported by low unemployment, the housing market picked up in the latter half of the year. Following a rough 2018, building permits, new housing starts, and homeownership rates all increased in 2019. While housing does not contribute as much to GDP growth as some other sectors, the increased activity should provide a tailwind for the U.S. economy into 2020.

Headwinds to Higher Growth Despite a strong labor market and rebounding housing market, other economic signs were less constructive. Following a 0.25% rate hike in December 2018, the U.S. Federal Reserve (the Fed) reversed course and cut interest rates three times in 2019, a quarter percent each time, indicating concerns about future economic growth and a lack of inflation. In July, the Fed committed to "act as appropriate" to sustain the economic expansion and later in the year, Federal Reserve Chairman Jerome Powell noted, "in order to move rates up, I would want to see inflation that's persistent and that's significant." In recent years, most inflation measures have been running just at or below the central bank's stated goal of 2%.

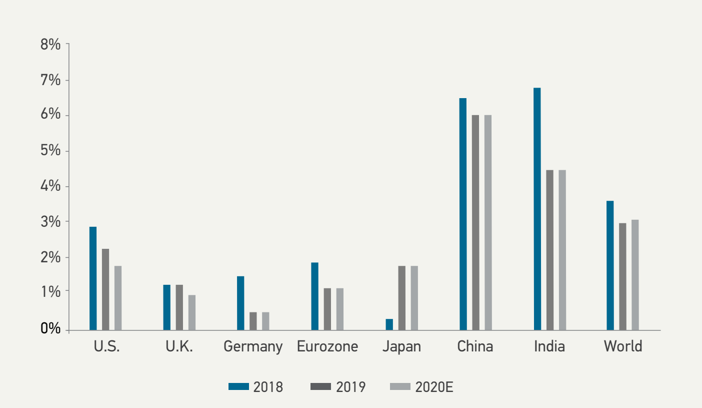
U.S. manufacturing remained weak, with the U.S. Purchasing Managers' Index (PMI) declining to below 50 during the year. PMI figures below 50 indicate a contraction in manufacturing activity. The grounding of the Boeing 737 MAX planes in March and the six-week General Motors strike in September and October presented significant difficulties for two of the largest U.S. manufacturing firms. It is estimated that General Motors lost approximately $1.75 billion during the strike, and the Boeing costs continue to rise as the 737 MAX planes remain grounded heading into 2020. Meanwhile, manufacturing costs also rose as companies noted ongoing pressure from suppliers due to tariffs. Manufacturing accounts for around 12% of the country's GDP.

The Trade War's Global Impact Globally, most economies also experienced slowing economic growth in 2019. Germany, the world's fourth-largest economy, narrowly avoided a recession, with GDP growth remaining just slightly above 0% for the year after negative 0.1% growth during the second quarter. Germany has been severely impacted by the U.S. threats of auto tariffs; Brexit and declining Chinese demand are hurting that country's exports as well. Other large developed economies including the United Kingdom, which spent the year negotiating its upcoming exit from the European Union, and Japan also reported low single-digit growth figures for the year.

Just as trade wars and tariffs were the prominent concerns heading into 2019, these remain in focus into 2020. As 2019 ended, we did see some headway as the United States-Mexico-Canada Agreement (USMCA), a renegotiation of the North American Free Trade Agreement (NAFTA), was approved by the U.S. House of Representatives in December. The Senate is expected to pass the legislation in early 2020, after which the president would sign it into law. Provisions of the updated agreement cover a wide range, and key highlights include expected increases in U.S. agricultural exports to Canada and Mexico as well as more auto parts being made in the United States.

Though there were hopes of a resolution at various points throughout the year, it seems little progress was made in the U.S.-China trade conflict. As a result, farmers and manufacturers in the United States have faced near-term challenges and, though notoriously opaque, China reported its economy grew at 6% in the third quarter of 2019, its weakest growth since recordkeeping began in 1993. It is hard to quantify the short-term impact, but the longer the tariffs remain in place, the greater the likelihood that both countries—and, subsequently, much of the global economy—will suffer.

GDP GROWTH BY REGION



Source: Bloomberg

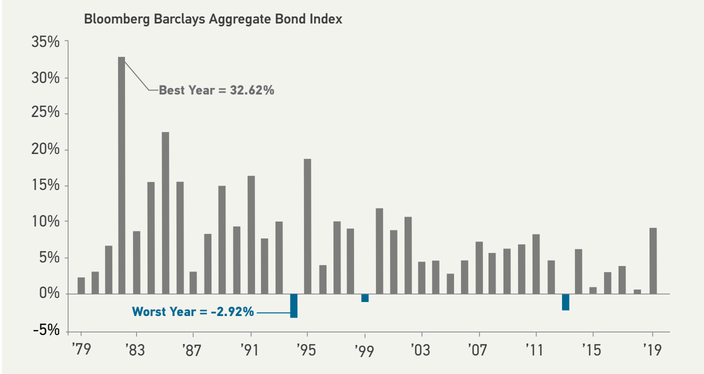
BOND MARKET REVIEW AND OUTLOOK

DECEMBER 31, 2019

The Year of the Inversion The bond market began 2019 deeply concerned about the future path for interest rates. Fed Chairman Powell had just raised rates for the fourth time during 2018 to a level of 2.5%, and markets reacted by reducing risk in nearly every asset class. At the time, the Federal Reserve was predicting as many as two additional rate rises during 2019. The bond market clearly had other ideas, and by the summer, the Fed was forced to cut rates to prevent a significant slowdown of economic activity and a worsening of the dreaded "inverted yield curve." An inversion occurs when the interest rate that the government pays to borrow from investors in the short term exceeds the long term. When short-term rates, which are mostly controlled by the Fed, are higher than longer-term rates, which reflect economic outlooks and inflation expectations, it can lead to fearful investors, distortive investment decisions, and has historically been a reasonably accurate predictor of looming recessions. To "un-invert" the yield curve and stimulate the economy, the Fed cut rates three times in rapid succession and successfully returned the yield curve to a traditional, upward-sloping graph. The concern as we head into 2020 is how the Fed can successfully normalize interest rates above the exceptionally stimulative levels the market demands. If they are not able to raise rates, they may have less capacity to stimulate the economy when the business cycle does eventually weaken.

The Impact of Foreign Demand for Bonds Persistently low interest rates globally have been a challenge for central banks that have a clear playbook for combatting inflation but lack any tested theories to deal with deflation. Negative interest rates have proven ineffective for Japan and parts of Europe, and new academic research suggests they may even make deflation worse. Globally, there are now more than $15 trillion of government bonds that trade at negative yields. Not many investors outside of central banks are willing to invest a dollar today to receive $0.99 tomorrow. The result is that foreign investors flock to where yield still exists, namely, the U.S. bond market. The increased demand for U.S. treasuries means the government can issue new debt and there are plenty of investors to buy it, so interest rates of that new debt remain low. The good news for bond investors over the last few years is that investments have done very well, with price appreciation driving bond returns. The bad news is that as bonds mature, there is a lack of investments with attractive yields. This pushes investors further out the risk spectrum to seek yield, lowering borrowing costs for troubled issuers that see no penalty for having a weak balance sheet with too much debt. Indexes have begun to tilt toward

BOND MARKET CALENDAR YEAR RETURNS 1979–2019



Source: Bloomberg

U.S. TREASURY YIELD CURVE

Source: Bloomberg

TOTAL RETURN OF SELECTED ASSET CLASSES

Source: Bloomberg

BOND MARKET REVIEW AND OUTLOOK (CONTINUED)

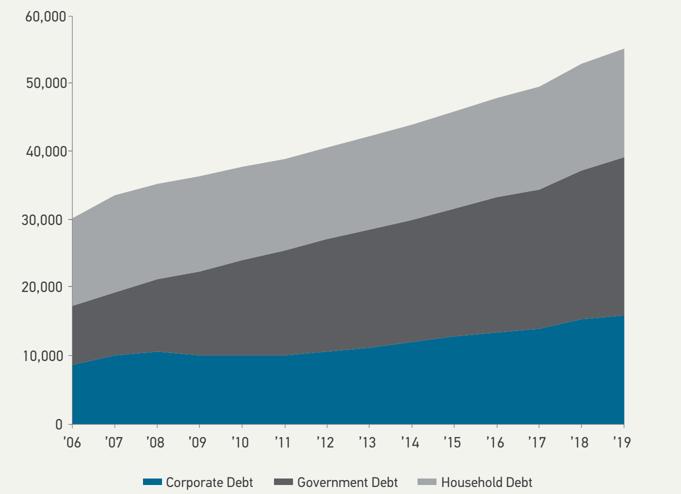
lower-rated credits as the composition of the bond markets has shifted along these lines, with the lowest-rated investment-grade debt, BBB, now accounting for more than 50% of the corporate credit market, up from only 17% in 2001. We remain mindful of the composition of bond indexes and funds and are generally positioning portfolios in bonds and funds with higher overall credit ratings.

Low Rates Drive New Issuance Persistently low rates, high investor demand, and low penalties for stretched balance sheets have led to an explosion in corporate debt issuance over the past decade. Global corporate debt capitalization is now over $10 trillion, up from around $2 trillion at the start of 2001. Corporate debt as a percentage of GDP now stands at 47%, the highest level since 2009. Much of this issuance has gone to stock buybacks.

Municipal bonds, too, have experienced a record level of new issuance during 2019 with state and local governments issuing more than $406 billion in fixed-rate long-term bonds, a growth of 26% over the previous year. Investors most affected by the new federal cap on state and local tax deductions had an insatiable appetite for tax-exempt income, pouring $90 billion into municipal-bond mutual funds, compared to just $4 billion the previous year.

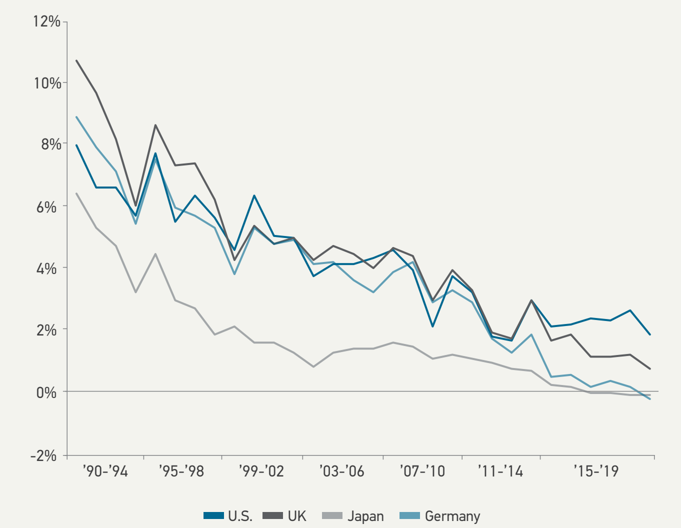
With the Fed guiding no additional rate cuts, the bond market will be watching economic data, global monetary policy, and the borrowing behavior of corporations, municipalities, and federal governments for signs that this 38-year bull market for bonds is coming to an end.

TOTAL U.S. DEBT - IN BILLIONS



Source: Bloomberg

10 YEAR BOND YIELDS OF MAJOR DEVELOPED ECONOMIES



Source: Bloomberg

STOCK MARKET REVIEW AND OUTLOOK

DECEMBER 31, 2019

Data-Dependent Markets For the stock market, 2019 ended in stark contrast to 2018. While the last quarter of 2018 saw a 13.5% drop, the S&P 500 rose 9% in the fourth quarter of 2019 and was up 31.5% for the year. Mirroring the economic expansion, the current bull market, which started in March of 2009, is now the longest on record.

Though there were a few volatile periods during the year, stock prices largely drifted higher on positive earnings, encouraging labor market data, and, most notably, supportive Fed policy. Companies also provided significant shareholder-friendly activity throughout the year, such as share buybacks and dividend increases.

In August, for the first time since 2009, the dividend yield for the S&P 500 was higher than that of 30-year U.S. Treasury bonds. This is supportive for stocks—in particular, those of stable, dividend-paying companies—as income-oriented investors have few other options to find their needed yield without taking on significantly more risk.

Technology Continues to Lead The Technology sector was the best-performing sector in 2019, returning over 50%, followed by Communications Services and Financials, each returning over 32%. The Energy sector was the worst-performing sector, as was the case in 2018, with oil market dynamics continuing to weigh heavily on energy company performance. Larger companies outperformed smaller companies as volatility bouts and economic uncertainty caused investors to seek out stability. Continuing the trend of the past decade, growth-oriented stocks once again outperformed value stocks.

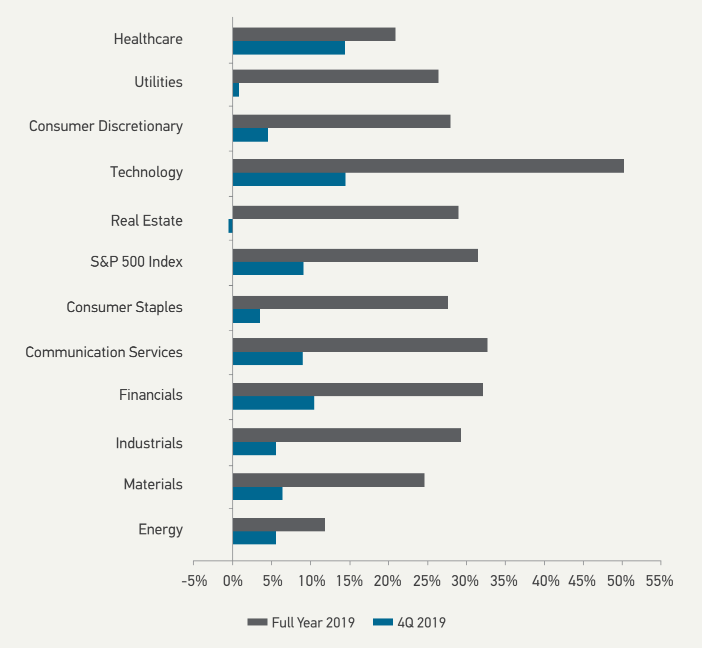
Global Stock Valuations Attractive Positive performance was not isolated to the United States, and stock markets across the globe increased over $17 trillion in 2019. International developed and emerging markets rose significantly, with the MSCI EAFE Index returning 22.8% and the MSCI Emerging Markets Index returning 18.6%. These markets slightly underperformed the United States, as their greater dependence on net exports meant they were more heavily impacted by the ongoing trade disputes.

From a valuation perspective, and on the heels of an exceptionally positive year, U.S. stock valuations are elevated when compared to other markets. The current trailing price-to-earnings (P/E) ratio for the S&P 500 Index is 19x going into 2020, versus the global average of 16x, and the current S&P 500 yield of 1.8% is below the global average of 2.8%. Additionally, from a forward P/E perspective, the S&P 500 is trading at 17.2x 2020 earnings, exceeding its long-term

STOCK MARKET RETURNS	Latest Quarter	12 Months	Last 3 Years
S&P 500	9.06%	31.48%	15.25%
Russell 1000 Growth	10.62%	36.39%	20.47%
Russell 1000 Value	7.39%	26.52%	9.65%
S&P 400 MidCap	7.05%	26.17%	9.23%
MSCI Developed (EAFE)	8.23%	22.77%	10.18%
MSCI Emerging Markets	11.74%	18.63%	11.89%
Alternative Assets			
Bloomberg Commodity	4.00%	5.44%	-2.59%
MSCI World Real Estate	1.37%	23.95%	10.57%
S&P Global Infrastructure Index	5.12%	26.93%	11.31%

Source: Bloomberg

S&P 500 RETURNS BY SECTOR



Source: Bloomberg

STOCK MARKET REVIEW AND OUTLOOK (CONTINUED)

average of 16x, while European stocks are currently trading at 14.3x. The last time the valuation gap between these two markets was this wide was in 2012. While elevated, the S&P 500 valuation is consistent with a growth-oriented market and is supported by expansionary monetary stimulus.

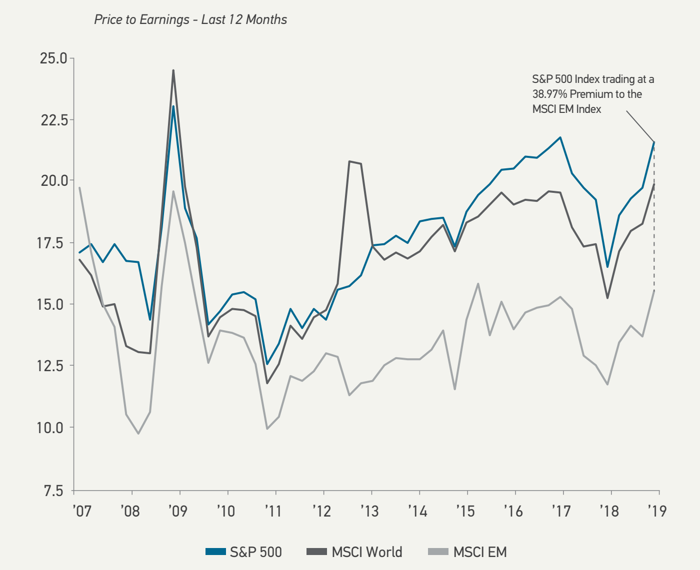
The gap between the valuations of U.S. and emerging markets equities is even larger as the MSCI Emerging Markets Index P/E is about 25% below that of developed markets and 32% below the S&P 500 P/E. Though valuations can remain elevated for some time, the timing of reversals can be very hard to predict, and we typically recommend that investors have 10% to 30% of their equity allocations invested in international and emerging market stocks.

Challenges for 2020 As we head into 2020, we expect market volatility to increase. Trade, global economic growth, and a U.S. presidential election all represent significant unknowns as we enter the new year. In late 2019, China and the United States indicated that they would sign "Phase 1" of a trade deal, and if they are able to come to an agreement on trade, some growth concerns should be alleviated. To the extent to which European and Chinese equities have been negatively impacted by the trade tensions between the U.S. and China, they could also have much to gain should those tensions ease. The actions, or lack thereof, by the Fed and other central banks will also influence performance of stock markets across the globe.

In the United States, sectors such as healthcare and defense that are heavily associated with policy plans of leading Democratic candidates and President Trump will likely see volatility as the election nears. The president's impeachment proceedings, ongoing as of early 2020, may also add headline noise but are unlikely to impact the markets as much as the potential for broad policy changes. On average, presidential election years have seen a 6.3% price return for the S&P 500 and stocks have generally performed better in reelection years than in open election years.

While it is very hard to predict stock market returns, how the market performs may provide some insight into how the public will vote. Historically, the incumbent party's candidate has won reelection if the S&P 500 Index increased in the three months leading up to an election and lost if the index decreased in the same period. This has been true in every presidential election since 1984 and 87% of the time since 1928.

U.S. VS. INTERNATIONAL VS. EM VALUATIONS



Source: Bloomberg

S&P 500 PERFORMANCE 3 MONTHS PRIOR TO PRESIDENTIAL ELECTION

YEAR (1928-1972)	S&P 500 PRICE RETURN	INCUMBENT PARTY	YEAR (1976-2016)	S&P 500 PRICE RETURN	INCUMBENT PARTY
1928	14.91%	Won	1976	-0.09%	Lost
1932	-2.56%	Lost	**1980**	**6.73%**	**Lost**
1936	7.92%	Won	1984	4.80%	Won
1940	8.56%	Won	1988	1.91%	Won
1944	2.29%	Won	1992	-1.22%	Lost
1948	5.36%	Won	1996	8.17%	Won
1952	-3.26%	Lost	2000	-3.21%	Lost
1956	**-2.58%**	**Won**	2004	2.16%	Won
1960	-0.74%	Lost	2008	-19.48%	Lost
1964	2.63%	Won	2012	2.45%	Won
1968	**6.45%**	**Lost**	2016	-1.90%	Lost
1972	6.91%	Won	2020	–	–

Source: Strategas

INVESTMENT MANAGEMENT SERVICES

Perkins Coie Trust Company offers investment management services for trusts and estates, personal investment portfolios, individual retirement accounts, private foundations and endowments.

PATRICK A. CASEY, CTFA, is President and Chief Executive Officer of Perkins Coie Trust Company. He has over 30 years of experience in the financial services industry advising private clients in the areas of banking, trust and investment management, and wealth planning. He graduated from St. John's University with a Bachelor of Science in finance and received his MBA in management from Fairleigh Dickinson University. Patrick is a Certified Trust and Financial Advisor.

ANDREW ELOFSON is the Chief Investment Officer at Perkins Coie Trust Company and is responsible for investment management, research, economics, and market outlooks. Andrew has over 23 years of financial services and investment experience across numerous asset classes, most recently managing taxable bond portfolios for high net worth clients. Preceding that, he managed over $4 billion in international equity mutual funds for large institutional clients.

SAMANTHA SUNDBERG is an Investment Officer of Perkins Coie Trust Company and is responsible for investment research, due diligence and management of investment portfolios for individuals, trusts and estates. Samantha has over 10 years of financial services industry experience, focusing on investment management and helping clients attain their financial goals. She graduated from the University of Michigan with a Bachelor of Arts in Economics.

MONICA GUPTA is an Investment Officer of Perkins Coie Trust Company and is responsible for investment research, due diligence and management of investment portfolios for individuals, trusts and estates. Monica has over 7+ years of financial services industry experience focusing on client and investment management. Monica graduated from Pacific Lutheran University with a Master of Science in Finance.

ALEJANDRO CASTRO is an Investment Administrator of Perkins Coie Trust Company and supports the Investment team in all aspects of investment management, including trade execution, investment research and analysis, performance measurement, investment compliance and client reporting. He graduated from Rutgers University with a Bachelor of Science in Finance.

INVESTMENT PROCESS

1 **LEARN** CLIENT GOALS & NEEDS

2 **ESTABLISH** CLIENT INVESTMENT OBJECTIVE & STRATEGY

3 **DETERMINE** ASSET ALLOCATION STRATEGY

4 **CONSTRUCT & MONITOR** INVESTMENT PORTFOLIO

5 **REVIEW & REASSESS** CLIENT NEEDS

TRUST COMPANY SERVICE

The investment process at Perkins Coie Trust Company is always client-driven.

We meet routinely with clients to ensure that we incorporate changing life-cycle needs into our investment strategies.

Annual Investment Update

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