Quarterly Investment Update

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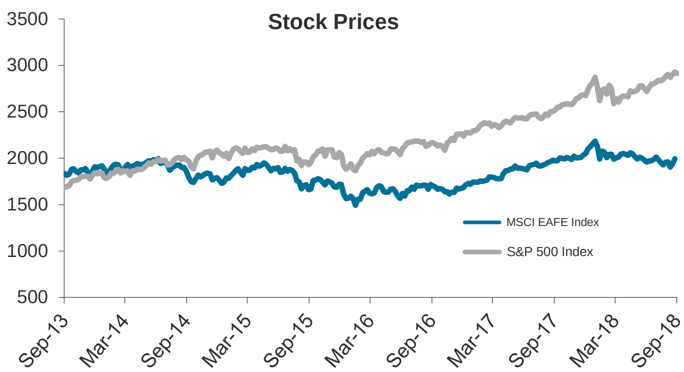
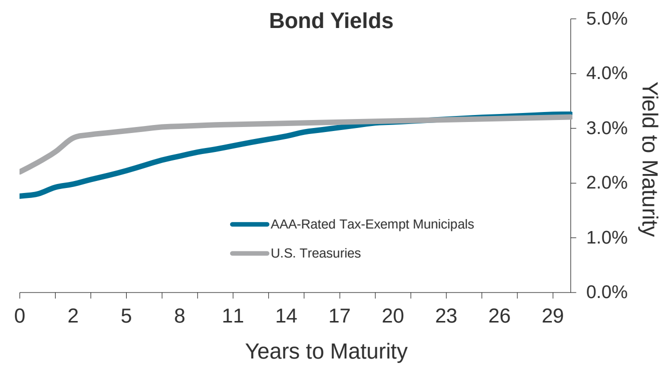
For the Quarter Ending September 30, 2018





Stock Market Commentary

The S&P 500 reached new highs during the third quarter, as economic fundamentals gained renewed attention, temporarily taking the spotlight off of trade war fears. Growth stocks continued to outrun Value stocks. Large cap stocks jumped 7.7% as measured by the S&P 500 and have nearly caught up with small cap stocks year-to-date, which returned 3.6% for the quarter.

All sectors of the S&P 500 saw positive returns in the third quarter. Health Care, Technology and Industrials posted double-digit returns of 14.5%, 12.4% and 10%, respectively. With the evolving landscape of the media industry, a change took place within the S&P 500 index. Communication Services became a new sector, pulling in the Telecom companies and names such as Disney and Comcast from the Consumer Discretionary sector and Google and Facebook from the Technology sector. Communications Services now represents over 10% of the market.

The MSCI EAFE rose just 1.4%, regaining its loss of the second quarter but still in the red year-to-date, down 1%. Challenges in Europe's banking sector and lackluster economic activity have pressured returns for European stocks. However, within the MSCI EAFE index, Japan has become a bright spot as the Nikkei approached a 27-year high during the quarter. The MSCI Emerging Markets index fell 1.1% on trade fears, rising rates and a stronger US dollar and is now down 7.4% YTD.

STOCK MARKETS	3 Months	1 Year	3 Years*
Large Stocks			
S&P 500	7.7%	17.9%	17.3%
Russell 1000	7.4%	17.8%	17.1%
Russell 1000 Growth	9.2%	26.3%	20.6%
Russell 1000 Value	5.7%	9.4%	13.5%
Medium and Small Stocks			
S&P 400 Midcap	3.9%	14.2%	15.7%
Russell 2000	3.6%	15.2%	17.1%
Russell 2000 Growth	5.5%	21.0%	18.0%
Russell 2000 Value	1.6%	9.4%	16.1%
International Stocks			
MSCI Developed (EAFE)	1.4%	3.3%	9.8%
MSCI Emerging Markets	-1.1%	-0.8%	12.4%
Real Estate			
DJ Wilshire REIT Index	0.7%	4.6%	6.9%

Bond Market Commentary

Bond prices fell during the third quarter of 2018, as investors anticipated FOMC announcement to raise the target range for the federal funds rate to 2 to 2.25 percent. Although yields rose for all maturities, they did so at varying paces, resulting in a flatter yield curve. The table below depicts the flattening during the quarter, as short maturity

U.S. Treasury	Yield % as of 6/29/2018	Yield % as of 9/28/2018	Yield % Difference
3-month	1.93	2.19	0.26
1-year	2.33	2.59	0.26
3-year	2.63	2.88	0.25
5-year	2.73	2.94	0.21
10-year	2.85	3.05	0.2
30-year	2.98	3.19	0.21

The AAA municipal bond yield curve also flattened, but the effect was more dramatic. Maturities of 1-year and less experienced yield increases of 0.44 percent or more, while issues with maturities of 2026 and beyond rose 0.26 percent or less. The Bond Yields chart visually depicts the flattening. Flattening yield curves are signs to be cautious, but the curve hasn't inverted-and with economic data still improving, expectations for bond performance should be modest.

BOND MARKETS	3 Months	1 Year	3 Years*
Taxable Bonds			
Aggregate	0.2%	-1.2%	1.3%
Intermediate Govt./Credit	0.2%	-1.0%	0.9%
U.S. Government	-0.6%	-1.6%	0.3%
U.S. Credit	0.9%	-1.1%	3.0%
High-Yield Bonds	2.4%	3.0%	8.1%
Tax-Free Bonds			
3-Year Municipal	-0.1%	-0.1%	0.8%
5-Year Municipal	-0.2%	-0.6%	1.2%
10-Year Municipal	0.1%	-0.1%	2.2%

Sources: Bloomberg, Municipal Market Data, Vanguard, Lipper.
The bond indexes above are produced by Barclays Capital.
Returns include the reinvestment of interest and dividends.
**Returns are annualized.*

To receive this Quarterly Investment Update by email, request our composite performance history, or request descriptions of the indexes and other information included in this report, please contact us at investmentnewsletters@perkinscoie.com .

Perkins Coie Trust Company LLC is a Washington state-chartered trust company.

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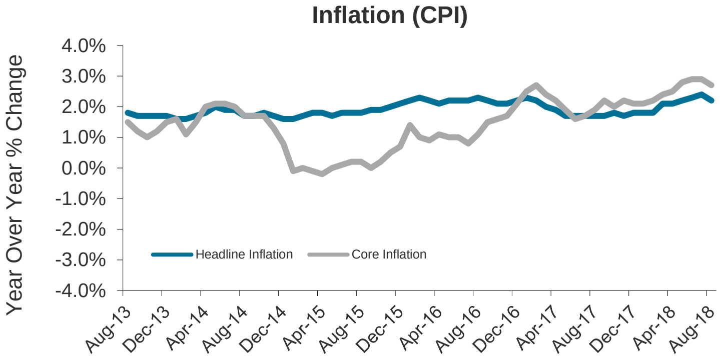

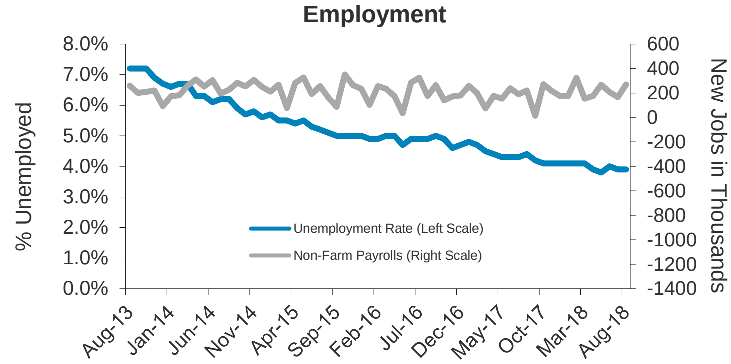

Economic Commentary

The U.S. economy continues to show signs of improvement. Unemployment fell to 3.7 percent, and second quarter GDP grew to an annualized rate of 4.2 percent, which is the highest rate of growth since the third quarter of 2014. Net trade was additive mainly due to gains made among exports; however, the tariffs enacted this year have yet to impact economic data. Inventory drawndowns were the biggest drag on GDP and we saw the biggest decline since the first quarter of 2014. Looking ahead, however, inventory typically rebuilds during the third quarter, which will be additive to growth. Despite the potential near-term contribution, if the aggregate inventory increase is too large, and demand doesn't keep pace, the negative impact of the rebuild could be greater than anticipated.

Inflation has sustained above 2.5 percent year-over-year, although this is still low by historical standards. In fact, from a historical perspective, inflation is lower than we would expect given the current levels and trends in the unemployment rate and the change in average hourly earnings.

Lastly, the economic impact of the recently imposed tariffs has yet to bear its full effect on growth and inflation, so the market is looking for signs in the data. Additionally, the 2019 federal budget deficit is projected to exceed $1 trillion, which means more debt will be issued to cover the shortfall. It will be interesting to see the contribution of interest cost to the national debt, especially with the Federal Reserve raising interest rates.

Key Economic Releases

EMPLOYMENT	As of	Expected	Actual	Prior
Unit Labor Costs (2Q)	SEP	-0.9%	-1.0%	3.4%
Unemployment Rate	SEP	3.8%	3.7%	3.9%
Average Hourly Earnings (YoY)	SEP	2.8%	2.8%	2.9%
Change in Manufact. Payrolls	SEP	15K	18K	5K
Change in Non-Farm Payrolls	SEP	185K	134K	270K

INFLATION (year over year)	As of	Expected	Actual	Prior
Consumer Price Index	SEP	2.7%	2.3%	2.7%
CPI Ex Food & Energy	SEP	2.4%	2.2%	2.4%
Producer Price Index	SEP	2.7%	2.6%	3.4%
PPI Ex Food & Energy	SEP	3.2%	2.9%	2.7%

HOME PRICES (year over year)	As of	Expected	Actual	Prior
S&P/Case Shiller Top 20 Mkts.	JULY	6.2%	5.9%	6.4%

MANUFACTURING ACTIVITY	As of	Expected	Actual	Prior
Capacity Utilization	AUG	78.2%	78.1%	77.9%
Leading Indicators	AUG	0.5%	0.4%	0.7%
GDP Annualized (2Q)	SEP	4.2%	4.2%	2.2%

PRODUCTIVITY	As of	Expected	Actual	Prior
Non-Farm Productivity (2Q)	SEP	3.0%	2.9%	0.3%
Industrial Production	AUG	0.3%	0.4%	0.4%

Source: Bloomberg.

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