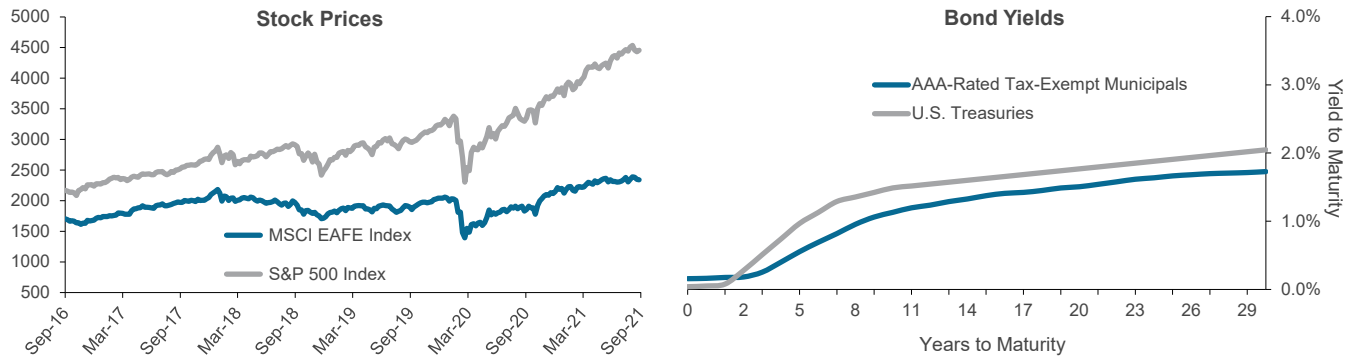


# Quarterly Investment Update

## WORTH KNOWING®

For the Quarter Ending September 30, 2021



### Stock Market Commentary

Despite late-quarter volatility, U.S. stocks eked out a gain with the S&P 500 returning 0.6% for the third quarter. The index, which consists of the 500 largest U.S. companies, is up 15.9% year-to-date. Stocks abroad fared worse, with developed international and emerging market stocks declining 0.3% and 8.1% for the quarter, respectively.

The market initially moved higher in July led by strong corporate earnings, with almost 90% of S&P 500 companies topping already high expectations. As the quarter progressed, however, the prospect of reduced stimulus from the Federal Reserve, uncertainty about the U.S. debt ceiling, and concerns about Evergrande and China's economic crackdown sent fears through the market. In late September, the CBOE Volatility Index, often referred to as the "fear index," rose to its highest level in months.

Financial stocks were the best performers during the third quarter as the Fed indicated it may start raising interest rates earlier than previously announced. While other parts of the markets sold off on the news, higher rates benefit banks by increasing what they earn on their loans. Material and industrial companies generally struggled as shortages and higher costs weighed on their margins.

As we head into the fourth quarter, it is important to remember that volatility and market declines are not uncommon. Since 1920, the S&P 500 has dropped by 5% three times a year on average and 10% once every 18 months.

### STOCK MARKETS

	3 Months	1 Year	3 Years*
<b>Large Stocks</b>			
S&P 500	0.6%	30.0%	16.0%
Russell 1000	0.2%	30.9%	16.4%
Russell 1000 Growth	1.2%	27.3%	22.0%
Russell 1000 Value	-0.8%	35.0%	10.0%
<b>Medium and Small Stocks</b>			
S&P 400 Midcap	-1.8%	43.7%	11.1%
Russell 2000	-4.4%	47.6%	10.5%
Russell 2000 Growth	-5.7%	33.3%	11.7%
Russell 2000 Value	-3.0%	63.9%	8.5%
<b>International Stocks</b>			
MSCI Developed (EAFE)	-0.3%	26.4%	8.2%
MSCI Emerging Markets	-8.1%	18.2%	8.6%
<b>Real Estate</b>			
DJ Wilshire REIT Index	1.3%	40.6%	8.3%

### Bond Market Commentary

Bond prices ended unchanged for the third quarter, rising 0.02% as measured by the Bloomberg Barclays Intermediate Government Credit Index. They started out positive but as the quarter progressed, prices fell on reports of inflation that remains stubbornly high, the Fed giving indications for tapering beginning in November, and the prospect of a new Fed chairperson next year.

The 10-year U.S. treasury yield drifted lower for most of the quarter while inflation expectations were tempered by falling commodity prices. However, they moved sharply higher in late September as the Fed confirmed plans for reducing its stimulative asset purchases. Short-term interest rates remain anchored near zero by the accommodative monetary policy, though as the Fed's most recent announcement revealed, more members are expecting to raise short-term rates earlier than the previously projected 2023 timeline. As of its September notes, the Fed maintained the view that low rates are still stimulating the job market without exacerbating inflation.

Corporate debt, including riskier high-yield debt, had a good quarter, with economic growth and subsequent strong corporate earnings giving the market confidence that balance sheets are improving. Municipal debt also performed well as investors flocked to one of the only tax-exempt income-generating assets in anticipation of higher future taxes.

### BOND MARKETS

	3 Months	1 Year	3 Years*
<b>Taxable Bonds</b>			
Aggregate	0.1%	-0.9%	5.4%
Intermediate Govt./Credit	0.0%	-0.4%	4.6%
U.S. Government	0.1%	-3.2%	4.9%
U.S. Credit	0.0%	1.4%	7.1%
High-Yield Bonds	0.9%	11.3%	6.9%
<b>Tax-Free Bonds</b>			
3-Year Municipal	0.1%	0.8%	2.7%
5-Year Municipal	0.1%	1.1%	3.9%
10-Year Municipal	-0.2%	2.2%	5.3%

Source: Bloomberg.

The bond indexes above are produced by Bloomberg.

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](mailto:investmentnewsletters@perkinscoie.com).

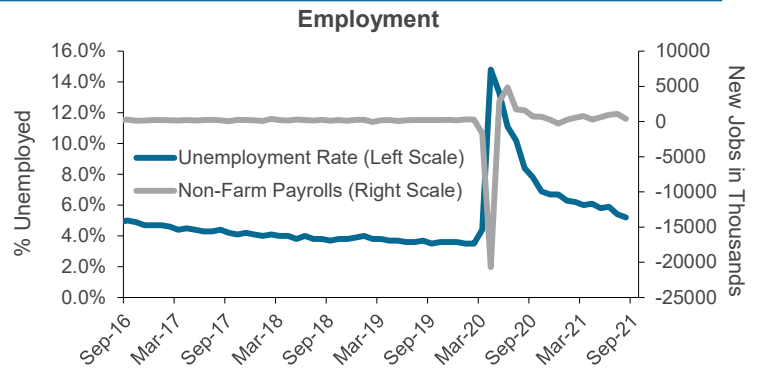
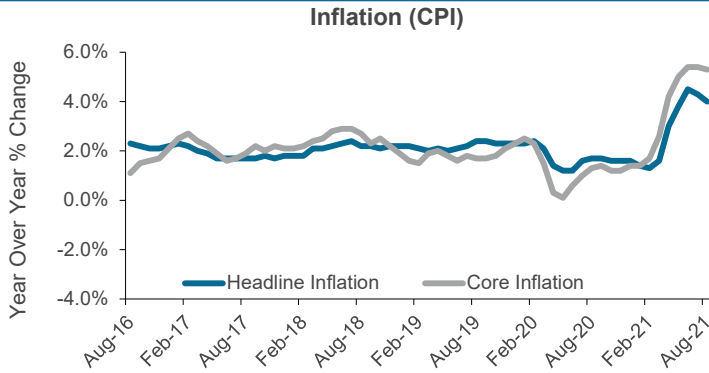
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# Quarterly Investment Update

## WORTH KNOWING®



### Economic Commentary

The U.S. economy, which has surpassed its pre-pandemic size, continued to grow during the third quarter, although the ongoing recovery was not without growing pains. Labor shortages, supply chain disruptions, and increased prices weighed on businesses and consumers across the globe.

U.S. unemployment fell during the quarter to 4.8%. As of the end of July, however, the number and rate of job openings had increased to record highs of 10.9 million and 6.9%, respectively. The substantial demand for labor put upward pressure on wages and, as of September, average hourly earnings had increased by 4.6% from last year.

Though many commodity prices seemingly peaked in late spring, some are down less than 10% from their recent highs. On average, commodity prices are still around 40% above their pre-pandemic levels. Brent crude, the international oil benchmark, hit its highest price in three years in September amid surging demand and tight supplies.

Despite the headwinds, the global economy continues to expand. The composite Purchasing Managers' Index (PMI), which is an indicator of economic health for manufacturing and service sectors, was 53.0 for the month of September. A PMI above 50 represents an expansion from the previous month while under 50 represents a contraction. Most countries' economies are expected to have well above average growth rates for the full year 2021.

### Key Economic Releases

EMPLOYMENT	As of	Expected	Actual	Prior
Unit Labor Costs (2Q)	SEP	0.9%	1.3%	-2.8%
Unemployment Rate	SEP	5.1%	4.8%	5.2%
Average Hourly Earnings (YoY)	SEP	4.6%	4.6%	4.0%
Change in Manufact. Payrolls	SEP	25K	26K	31K
Change in Non-Farm Payrolls	SEP	500K	194K	366K

INFLATION (year over year)	As of	Expected	Actual	Prior
Consumer Price Index	AUG	5.3%	5.3%	5.4%
CPI Ex Food & Energy	AUG	4.2%	4.0%	4.3%
Producer Price Index	AUG	--	10.5%	9.6%
PPI Ex Food & Energy	AUG	--	4.6%	4.3%

HOME PRICES (year over year)	As of	Expected	Actual	Prior
S&P/Case Shiller Top 20 Mkts.	JULY	20.0%	20.0%	19.1%

MANUFACTURING ACTIVITY	As of	Expected	Actual	Prior
Capacity Utilization	AUG	76.4%	76.4%	76.2%
Leading Indicators	AUG	0.7%	0.9%	0.8%
GDP Annualized (2Q)	SEP	6.6%	6.7%	6.3%

PRODUCTIVITY	As of	Expected	Actual	Prior
Non-Farm Productivity (2Q)	SEP	2.5%	2.1%	4.3%
Industrial Production	AUG	0.5%	0.4%	0.8%

Source: Bloomberg.

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