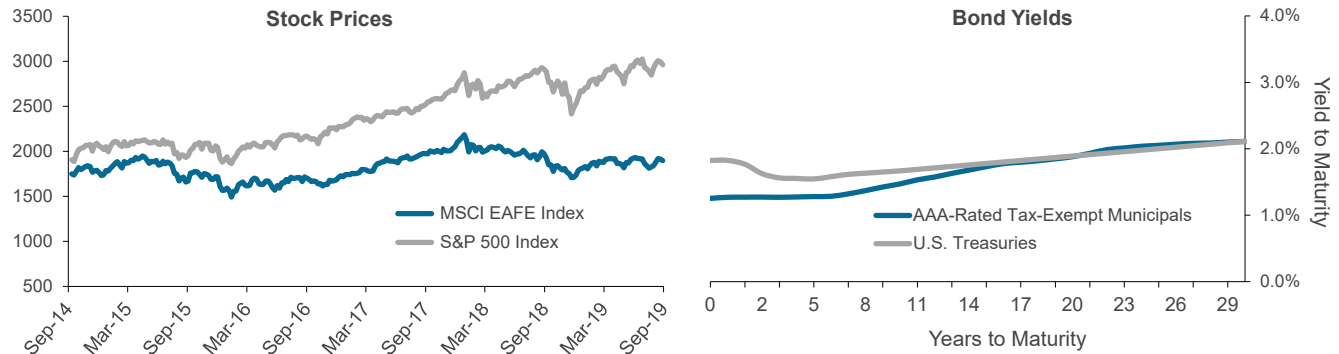


Quarterly Investment Update

WORTH KNOWING®

For the Quarter Ending September 30, 2019



Stock Market Commentary

Trade and interest rates continued to be the headline market movers for the third quarter. In late July, as expected, the Fed cut rates a quarter percent and recommitted to "act as appropriate" to sustain what is now the country's longest economic expansion. However, equity markets fell slightly on the news due to concerns that one cut would not be enough to stave off potential economic slowing resulting from the ongoing trade dispute. In mid-September, the Fed lowered interest rates by another quarter percent. Although a volatile quarter, the S&P 500 ended up 1.7%.

The Utilities sector was the best performer in the S&P 500 for Q3, as investors sought out traditionally more stable parts of the equity market. The Energy sector was again the worst performing, down on slowing global growth fears. Oil prices spiked in mid-September after attacks damaged two large oil plants in Saudi Arabia, although the country has been restoring its capacity quicker than expected and WTI prices moderated to \$54.07 per barrel by quarter end. Given current supply and demand conditions, we expect oil prices to stay in a \$40-60 per barrel range.

Manufacturing weakness in Germany and uncertainty surrounding Brexit coupled with a strong U.S. dollar drove developed international stocks down for the quarter, and the MSCI EAFE ended down 1.0%.

STOCK MARKETS

	3 Months	1 Year	3 Years*
Large Stocks			
S&P 500	1.7%	4.2%	13.4%
Russell 1000	1.4%	3.9%	13.2%
Russell 1000 Growth	1.5%	3.7%	16.9%
Russell 1000 Value	1.4%	4.0%	9.4%
Medium and Small Stocks			
S&P 400 Midcap	-0.1%	-2.5%	9.4%
Russell 2000	-2.4%	-8.9%	8.2%
Russell 2000 Growth	-4.2%	-9.7%	9.8%
Russell 2000 Value	-0.6%	-8.3%	6.5%
International Stocks			
MSCI Developed (EAFE)	-1.0%	-0.8%	7.1%
MSCI Emerging Markets	-4.2%	-2.0%	6.0%
Real Estate			
DJ Wilshire REIT Index	6.8%	16.4%	6.5%

Bond Market Commentary

In July, following the first interest rate cut since 2008, bond prices rose significantly and yields tumbled across the globe. Fearing the cut signaled slower economic growth in the future, investors sold stock and moved to safer assets, causing the 10-year Treasury yield to fall below 1.5% and the yield curve to temporarily invert. This made headlines as an inverted yield curve is seen as a warning sign for the economy and previous recessions have followed inverted curves by an average of 18 months.

In September, the Fed took another step and reduced rates again, setting the fed funds rate at a target of 1.75-2%. By quarter end, the yield curve had steepened slightly, although the spread between 2-year and 10-year Treasury rates remains very tight.

In the municipal bond market, August and September were busy months for new issuance as U.S. state and local governments took advantage of lower borrowing costs. Strong, consistent demand has outpaced supply for much of this year and pushed municipal bond prices to record highs relative to Treasuries.

BOND MARKETS

	3 Months	1 Year	3 Years*
Taxable Bonds			
Aggregate	3.0%	2.0%	2.5%
Intermediate Govt./Credit	2.4%	2.1%	1.8%
U.S. Government	3.1%	2.4%	2.1%
U.S. Credit	3.9%	0.9%	2.9%
High-Yield Bonds	3.4%	-3.7%	1.8%
Tax-Free Bonds			
3-Year Municipal	0.8%	1.5%	1.3%
5-Year Municipal	1.1%	2.8%	2.2%
10-Year Municipal	1.9%	4.4%	3.9%

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.

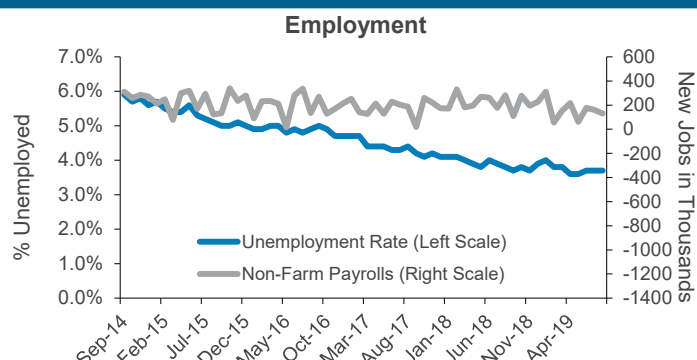
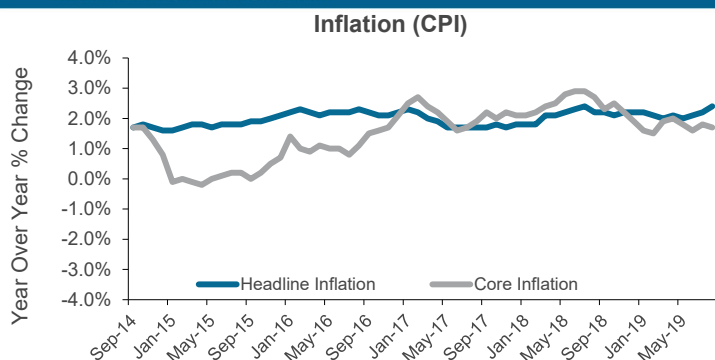
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Economic Commentary

As a trade deal with China remains uncertain, the impacts of the tariffs are beginning to set in. CEO confidence fell again according to the 3Q Business Roundtable survey, and capital expenditure, despite starting to pick up earlier this year, is reversing trend.

The Fed cut rates twice to support the economy's growth and the housing market has perked up in recent months in response. Housing starts and building permits hit a 12-year high in August and home resales rose to the highest level in 17 months.

In September, the U.S. Purchasing Manager's Index (PMI) came in at 47.8, following a 49.1 print in August. PMI figures below 50 indicate a contraction in manufacturing and, while not a large part of the U.S. economy, PMI figures across the globe have been trending lower recently, particularly in Europe.

Consumer spending has been a key support to the economy, aided by low unemployment and stable wage growth. Although consumer confidence remains elevated, the Conference Board Consumer Confidence Index fell again in September, following a slight decline in August.

We anticipate trade news will continue to be a key driver of markets and the ultimate resolution—and how quickly it comes about—will greatly impact the future economic outlook.

Key Economic Releases

EMPLOYMENT	As of	Expected	Actual	Prior
Unit Labor Costs (2Q)	SEP	2.4%	2.6%	5.5%
Unemployment Rate	AUG	3.7%	3.7%	3.7%
Average Hourly Earnings (YoY)	AUG	3.0%	3.2%	3.3%
Change in Manufact. Payrolls	AUG	5K	3K	4K
Change in Non-Farm Payrolls	AUG	160K	130K	159K

INFLATION (year over year)	As of	Expected	Actual	Prior
Consumer Price Index	AUG	1.8%	1.7%	1.8%
CPI Ex Food & Energy	AUG	2.3%	2.4%	2.2%
Producer Price Index	AUG	1.8%	1.8%	1.7%
PPI Ex Food & Energy	AUG	1.8%	1.8%	1.6%

HOME PRICES (year over year)	As of	Expected	Actual	Prior
S&P/Case Shiller Top 20 Mkts.	JULY	2.1%	2.0%	2.2%

MANUFACTURING ACTIVITY	As of	Expected	Actual	Prior
Capacity Utilization	AUG	77.6%	77.9%	77.5%
Leading Indicators	AUG	-0.1%	0.0%	0.4%
GDP Annualized (2Q)	SEP	2.0%	2.0%	3.1%

PRODUCTIVITY	As of	Expected	Actual	Prior
Non-Farm Productivity (2Q)	SEP	2.2%	2.3%	3.5%
Industrial Production	AUG	0.2%	0.6%	-0.1%

Source: Bloomberg.

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