2016 Annual Investment Update

ECONOMIC REVIEW AND OUTLOOK

DECEMBER 31, 2016

In this past year we were reminded again to expect the unexpected: The well-established political classes in the U.K., the U.S. and Italy learned that democracy was their Achilles' heel, and central bankers witnessed the limits of monetary policy in solving the world's economic ills. With that said, the market response to Trump's election has been positive as investors factor in the benefits of tax cuts, deregulation, and fiscal stimulus while ignoring—for now—potential consequences for the dollar, deficits, interest rates, trade, and inflation.

Looking to 2017, we expect U.S. stocks to get off to a strong start, supported by growing earnings and optimism over the economy. We believe in modest single-digit returns on diversified investment portfolios as the global economic expansion bumps along for another year, subject to political upheavals and unorthodox central bank actions.

We see pullbacks as an opportunity; valuations are better in Japan and several European markets, oil prices will range from $55 to $60 per barrel over the next one to two years, and the biggest geopolitical risks relate to U.S.–China relations. Our view on many of the policies up for discussion will be more benign, and creating the right mix could be stimulative to gross domestic product (GDP).

As always, we are available for your questions and thank you for the trust you have placed in us. We wish you a very joyous 2017!

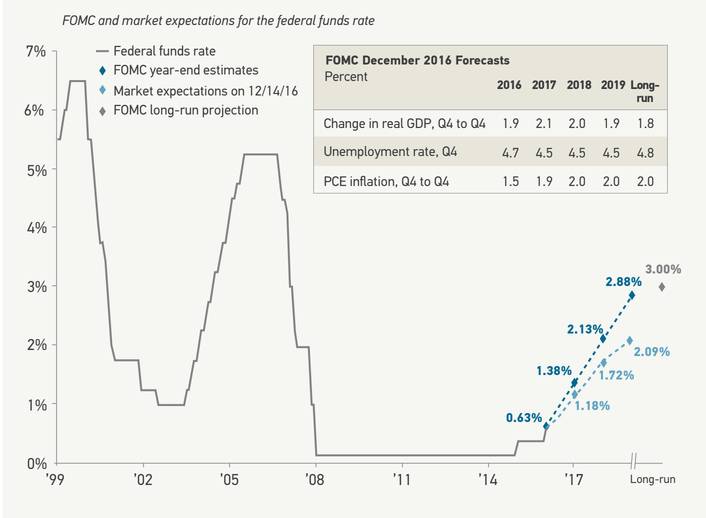
The economic recovery begins its ninth year. A typical U.S. economic cycle lasts around 6 years. The shortest lasted just 18 months, from 1981 to 1982, and the longest lasted 10 years, from 1991 to 2001. We may be in the latter stages of this recovery, but because of the slow and steady pace of the current cycle, continued positive growth is sustainable and our outlook remains positive. The third and final estimate of the GDP for the third quarter showed the U.S. economy grew at an annual rate of 3.5%, significantly ahead of the second quarter annual growth rate of 1.4% and the first quarter annual growth rate of only 0.8%. The third quarter result is the strongest quarterly growth rate in two years and is attributed to stronger consumer spending and increased business investment. The third quarter GDP estimate essentially brings the annual growth rate in line with the 2.0% annual growth rate that has prevailed since 2009.

KEY ECONOMIC RELEASES

EMPLOYMENT	As of	Expected	Actual	Prior Period	12 Months Ago
Unit Labor Costs (3rd Quarter)	DEC	0.3%	0.7%	3.9%	1.0%
Unemployment Rate	DEC	4.7%	4.7%	4.6%	5.0%
Change in Non-Farm Payrolls	DEC	175K	156K	204K	200K
INFLATION (year over year)	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
Consumer Price Index	NOV	1.7%	1.7%	1.6%	0.4%
CPI Ex Food & Energy	NOV	2.2%	2.1%	2.1%	2.0%
Producer Price Index	NOV	1.3%	1.3%	0.8%	-1.4%
HOME PRICES (year over year)	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
S&P/Case Shiller Top 20 Mkts.	OCT	5.0%	5.1%	5.0%	5.6%
MANUFACTURING ACTIVITY	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
Capacity Utilization	NOV	75.1%	75.0%	75.4%	77.4%
Leading Indicators	NOV	0.1%	0.0%	0.1%	0.1%
GDP Annualized (3rd Quarter)	DEC	3.3%	3.5%	1.4%	1.9%

Source: Bloomberg

FEDERAL FUNDS RATE EXPECTATIONS



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management

CONTACT US
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LOCAL 206.359.6462
trust.perkinscoie.com

AT PERKINS COIE TRUST COMPANY, *we believe it is a priority to have a current financial plan, maintain a strategic asset allocation strategy and employ tax awareness in the investment process. We also believe that investors must focus on fundamentals and diversify their portfolios by asset class, style, size and geography to manage market risk. We invite you to contact us to learn how we can help you achieve your financial goals. For more information regarding our trust, investment and planning services, please contact us toll-free at 888.720.8382 or locally at 206.359.6462 or visit our website at trust.perkinscoie.com.*

PERKINS COIE
TRUST COMPANY

2016 Annual Investment Update

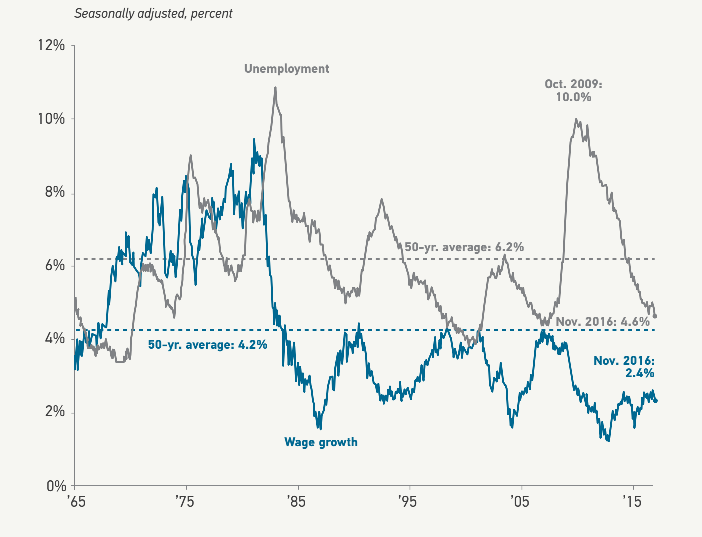
ECONOMIC REVIEW AND OUTLOOK (CONTINUED)

We expect a repeat of the last several years' slow and steady global growth, although slightly above the average of 2%. In 2017, the U.S. may enjoy a boost from lower taxes, infrastructure spending, and a 15-year high in consumer confidence.

Job trend on healthy track. Consistent hiring in recent years has pushed the unemployment rate down to 4.6%, the lowest level since August 2007, and has left the job market with fewer available workers. Growth in non-farm payrolls averaged 180,000 during the first 11 months of 2016, a step down from 2015's monthly average of 229,000. Economic conditions vary widely from region to region, however. In a separate report, the Labor Department stated that unemployment rates across U.S. metro areas in November ranged from a low of 1.7% in Ames, Iowa to a high of 20.3% in El Centro, California. Ames is the home of the Iowa State University of Science and Technology as well as the Iowa Department of Transportation, while El Centro has been hit by reductions in agricultural and state government employment. In the Seattle-Tacoma-Bellevue metropolitan area, the unemployment rate dropped to 4.3% from 5.3% a year earlier. Of the 51 metropolitan areas with populations greater than 1 million, the Seattle-Tacoma-Bellevue area had the fourth largest increase in jobs, trailing only Orlando and Jacksonville, Florida and Salt Lake City, Utah. Given that the U.S. labor market is near full employment, the unemployment rate could drop slightly but is not expected to go much lower than 4.4% to 4.5% in 2017.

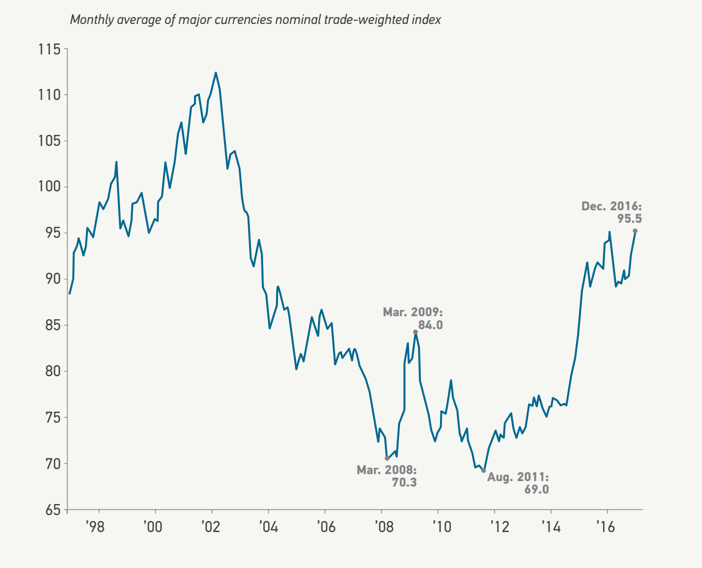
Dollar rallies on outlook. According to Bloomberg, the dollar has rallied 8% since the end of September, its best quarterly performance since 2008, as investors bet that President-elect Donald Trump's promises of tax cuts and infrastructure spending will boost U.S. growth and spur the Federal Reserve to speed up interest rate increases. A strengthening dollar is a sign of optimism for the U.S. economy. Prospects of higher inflation and rising interest rates encourage investment in U.S. assets, reflecting growing hopes for better returns. A strengthening dollar increases the currency's purchasing power, which results in cheaper imports and potentially more consumer spending. Exports, on the other hand, become more expensive, posing a threat to U.S. manufacturing companies. Citigroup Inc., the world's biggest currency trader, said the dollar is set to extend its rally next year and the magnitude of its gains may even surprise dollar bulls. The political environment and a widening gap between U.S. yields and their counterparts elsewhere will create a supportive environment for the dollar. New Zealand may be the only other developed economy prepared to tighten policy. Most major economies, including Europe, Japan, and China, continue to experiment with programs to boost growth—including negative interest rates and monetary and fiscal stimulus—although many of these efforts have hit the limits of usefulness.

UNEMPLOYMENT AND WAGES



Source: BLS, FactSet, J.P. Morgan Asset Management

U.S. DOLLAR INDEX



Source: J.P. Morgan Asset Management

2016 Annual Investment Update

BOND MARKET REVIEW AND OUTLOOK

DECEMBER 31, 2016

2016 was likely the end of the 35-year bond bull market. For the full year, interest rates rose modestly. The yield of the 10-year Treasury note closed at 2.45%, up from 2.27% at the end of 2015, generating the second consecutive year of price declines. Early in the year, however, bond buyers were in the black. Investors ran to the world's largest bond market for safety as 2016 began, when a sinking Chinese stock market heightened worries about the global economy. Bonds got another boost after the U.K.'s vote in late June to leave the European Union. Yields, which fall as prices rise, fell nearly a full percentage point by the summer, with the 10-year rate hitting a record low of 1.37% in early July. That extraordinary rally was then followed by the biggest quarterly selloff in more than two decades, and the Treasury yield climbed 0.84% between October and December. Over the past few months, however, global data and Federal Reserve comments drove investors to expect stronger growth, higher inflation, and potentially a faster rate of interest rate increases. The trifecta of fiscal-infused growth, reflationary pressure, and potentially hawkish presidential appointments suggests the trend for higher rates is sustainable. For consumers, expect rapid but modest increases in interest rates for mortgages, auto loans, lines of credit, and other forms of credit linked to the prime rate. The prime rate, for example, jumped from 3.50% to 3.75% on December 15, the day after the Fed raised its federal funds target rate by 0.25%.

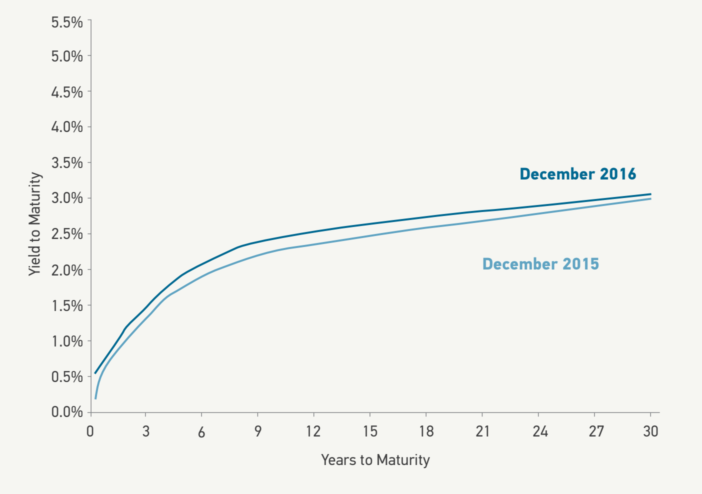
Municipal bonds posted two consecutive quarters of negative returns. Rising interest rates and uncertainty surrounding the recent election have created volatility, although municipal bonds have kept in line with historical low-beta characteristics. The new administration will have implications for several key areas central to muni bonds, including tax rates (AMT status), infrastructure spending, healthcare and the continuation of the Affordable Care Act, and energy policy. Intermediate-term investment-grade munis lost 2.5% for the quarter and were flat year-to-date. Five-year annualized returns are now a fairly modest 1.9%.

While individual investors and mutual funds have historically been the largest source of demand for municipal bonds, they have been losing market share by 1% to 2% per year since 2009. Life insurance companies, banks, and foreign entities have increased their holdings and have taken around 9% of the market share. This is a positive shift, as it diversifies and broadens the buyer base. Strong demand from retail investors and steady but manageable new supply should also support muni performance going forward. State and local credit conditions remain solid overall, although pension funding challenges loom for some issuers. State tax revenue has been positive in 23 out of the past 24 quarters, and local governments have benefited from rising property taxes fueled by the improved housing market. The muni

BOND MARKET RETURNS	Latest Quarter	12 Months	Last 3 Years
Barclays Intermed. Gov/Credit	-2.1%	2.1%	2.1%
Barclays 10-Year Municipal	-4.3%	-0.1%	4.1%
Barclays High Yield	1.8%	17.1%	4.7%
Merrill Lynch 90-Day T-Bill	0.1%	0.3%	0.4%
Treasury Infl. Protected Sec.	-2.7%	4.6%	2.3%

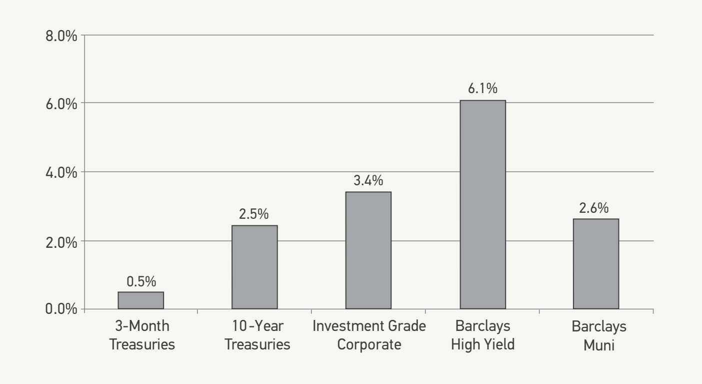
Source: Bloomberg, Vanguard, Bank of America, Merrill Lynch

U.S. TREASURY YIELD CURVE COMPARISON



Source: Bloomberg

SELECT FIXED-INCOME YIELD TO MATURITIES



Source: J.P. Morgan Asset Management

2016 Annual Investment Update

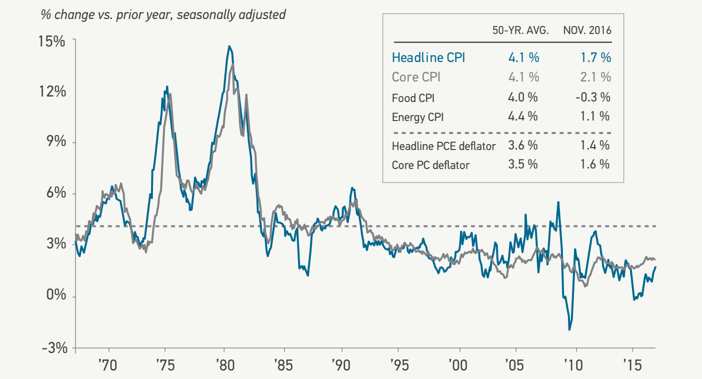
BOND MARKET REVIEW AND OUTLOOK (CONTINUED)

yield curve has flattened to the lowest level in 8 years with short-rates anchored by Fed expectations and longer yields declining on heavy demand. We continue to see opportunity in short- and intermediate-term maturities and will be active buyers in 2017 if interest rates spike and prices decline.

Inflation expectations rise and the Fed reacts. After being constrained for the past few years by sluggish growth and falling commodity prices, both inflation and inflation expectations have begun to rise. Expectations play an important role in driving actual inflation—if consumers believe prices are going to rise, they are more likely to spend today. This tends to boost demand and allows sellers to increase prices until supply and demand are balanced once again. The Fed also considers inflation expectations when determining policy, and took note of the rebound in inflation when they raised rates on December 14. On that date, the Federal Open Market Committee (FOMC) raised the target range for the federal funds rate from 0.50% to 0.75%—an increase of 0.25%, and the first hike since December of 2015. In its press release, the FOMC cited continued strengthening of the labor market and expanding economic activity as reasons for the increase. Forecasts project three rate increases in 2017, with the median federal funds rate anticipated to be 1.5% by the end of 2017, and 2.1% by the end of 2018. FOMC Chair Janet Yellen noted, "In making our policy decisions, we will continue—as always—to assess economic conditions relative to our objectives of maximum employment and 2% inflation." Pushed by increases in housing and gasoline, the Consumer Price Index rose 1.7% year-over-year. The gasoline index increased 2.7% in November following a 7% jump in October. The index for all items less food and energy increased 2.1% over the past 12 months. Because inflation rates are calculated on a year-on-year basis and because oil prices bottomed out at $37 per barrel last January, expect inflation to get a bounce early in the year. After February, inflation should subside unless we see a sharp rise in wages.

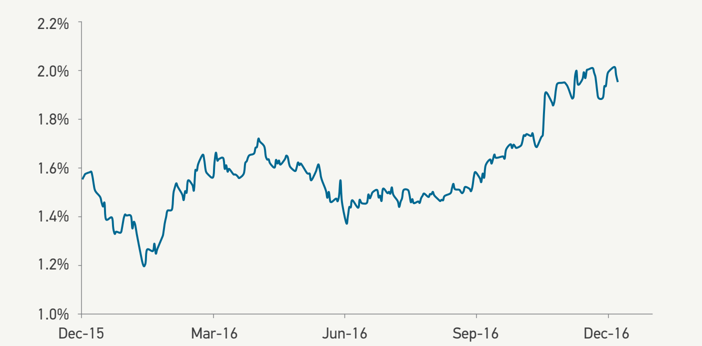
Diversification remains critical in balancing risks. As the year unfolds and investors see which fiscal policies actually come to pass, along with how soon and to what degree, volatility will likely increase as markets adjust to the reality versus the speculation. 2016 reminded us that predictions don't always come true. As always, maintaining a well-diversified portfolio will serve to balance potential risks of the unexpected with new opportunities.

CPI AND CORE CPI



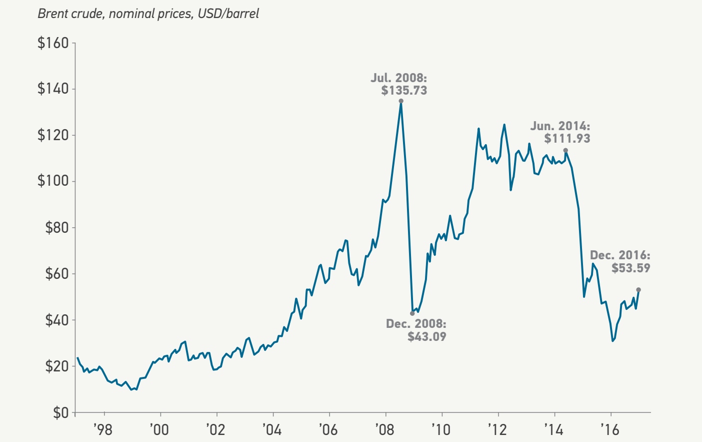
Source: J.P. Morgan Asset Management

INFLATION EXPECTATIONS



Source: Strategas

PRICE OF OIL



Source: J.P. Morgan Asset Management, FactSet

2016 Annual Investment Update

STOCK MARKET REVIEW AND OUTLOOK

DECEMBER 31, 2016

Despite a rough start and some political shocks, U.S. equities delivered solid performance in 2016. Turmoil in commodities markets and continued concern regarding China's growth prospects drove the S&P 500 down over 10% in the first six weeks of the year. After recovering, the market was sent into another tailspin in June, as the U.K. shocked the world by voting to leave the European Union, knocking the S&P 500 down 5% in just two days. Investors found this to be a buying opportunity further supported by rising oil prices, and within two weeks, the S&P 500 rallied to a new high. As the U.S. presidential election loomed, market volatility dropped with the anticipation of a Clinton win, flattening returns for much of the third quarter. An unanticipated Trump win brought the promise of fiscal stimulus, pushing the S&P 500 to new highs and a total return of 12% for the year.

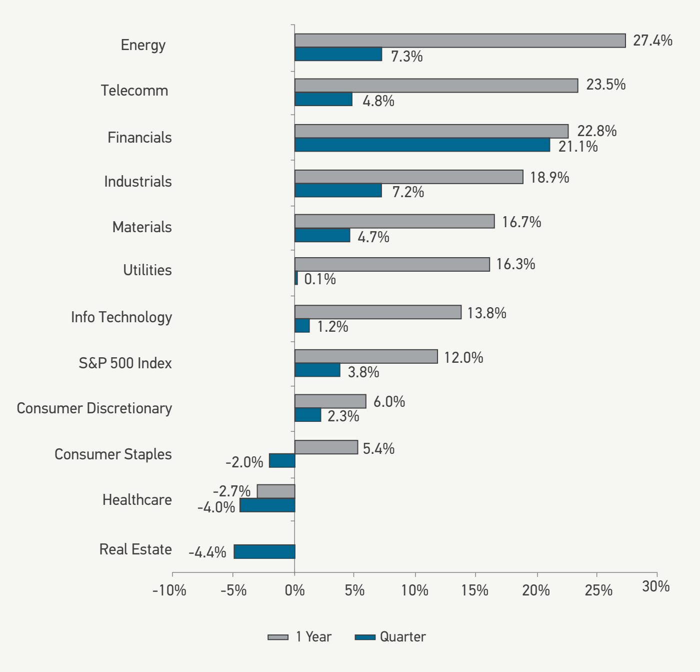
Most asset classes finished in the black during the year. With the prospects of accelerating U.S. economic growth in 2016, domestic small and midcap stocks were the clear winners, each rising 21%, as measured by the S&P 400 MidCap Index and the Russell 2000. Developed International stocks, represented by the MSCI EAFE Index, rose a mere 1.4% as sentiment soured for the Eurozone countries as well as Japan. Emerging Markets made a strong comeback in 2016, climbing 11.3%, despite a pullback of over 4% in the fourth quarter with the anticipation of rising rates. Commodities turned around as well, generating a gain of 11.4% as measured by the Bloomberg Commodities Index. The MSCI World Real Estate Index returned just 3.4% for the year, stifled by the Fed's rate increase.

The underdogs of 2015 pulled into the lead. As oil prices rebounded from their lows early in the year, the best-performing sector of the market for 2016 was Energy, topping off at 27.4%, after plunging by 21% in 2015. The next two best sectors were Telecomm and Financials, rising 23.5% and 22.8%, respectively; Financials had closed 2015 in the red. The worst performance in 2016 came from the Healthcare sector, down 2.7%, as pharmaceutical pricing concerns weighed on shares. Other sectors that lagged after leading in 2015 were Consumer Staples and Consumer Discretionary, up 5.4% and 6%, respectively. The reversals in sector performance in 2016 as compared to 2015 resulted in Value stocks (consisting heavily of Energy, Financials, and Utilities shares) pulling in a considerable lead over Growth shares (weighted more toward Healthcare, Consumer Staples, and Technology stocks). The Russell 1000 Value jumped 17.3%, beating the Russell 1000 Growth by over ten percentage points.

STOCK MARKET RETURNS	Latest Quarter	12 Months	Last 3 Years
S&P 500	3.8%	12.0%	8.9%
Russell 1000 Growth	1.0%	7.1%	8.6%
Russell 1000 Value	6.7%	17.3%	8.6%
S&P 400 MidCap	7.4%	20.7%	9.0%
Russell 2000	8.8%	21.3%	6.7%
MSCI Developed (EAFE)	-0.6%	1.6%	-1.0%
MSCI Emerging Markets	-4.3%	11.3%	-2.3%
Alternative Asset Returns			
Bloomberg Commodity Index-TR	2.6%	11.4%	-11.4%
MSCI World Real Estate Index	-5.8%	3.8%	6.4%

Source: Bloomberg

S&P 500 RETURNS BY SECTOR



Source: Strategas

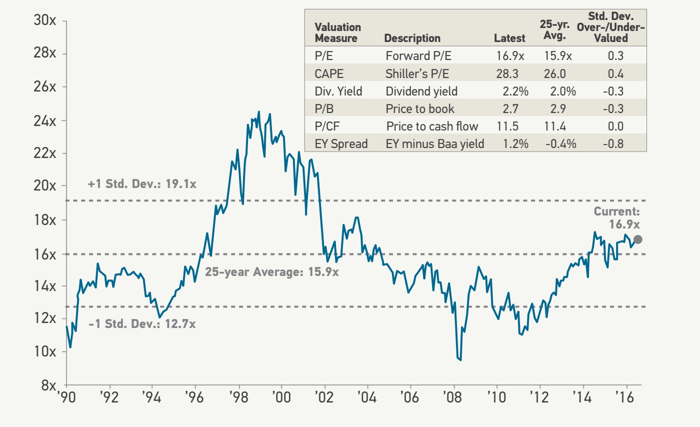
STOCK MARKET REVIEW AND OUTLOOK (CONTINUED)

Further multiple expansion will become difficult to achieve as the bull market enters its 9th year. With the help of a vigorous market leap in the final quarter of 2016, the S&P 500 forward P/E multiple expanded from 16.1x (times) forward earnings at the start of the year to 16.9x by year-end. This was a larger move than we had projected. The S&P 500 valuation closed the year over 6% above its 25-year average of 15.9x. While stock prices could run up further on investor optimism, it may be difficult to sustain a higher multiple with inflation now on the radar and interest rates on the rise. We expect earnings growth, projected at 7% to 8% year-over-year, to be the major component of U.S. equity returns in the next year. In international markets, valuations have become increasingly more appealing. We favor Developed Markets over Emerging Markets as earnings prospects are modestly improving in both Europe and Japan with the help of monetary easing policies.

The stage is set for active managers to outperform passive managers in 2017. Flows from active funds into passive funds have continued to grow over the years, as monetary stimulus has driven stock correlations higher and active managers have struggled to outperform. With an aging bull market, correlations generally have been trending downward since 2014. With the shift from monetary easing to fiscal stimulus, correlations are expected to fall further, giving active managers a stronger advantage to outperform through stock selection.

A number of anticipated fiscal policy changes could either aid or hinder earnings for various companies. Tax reform for corporations will benefit companies with the highest corporate tax rates. Stocks of companies with higher tax rates have already been outperforming companies with relatively lower tax rates since the election. Tax repatriation could add a significant amount to the bottom line for companies with large foreign holdings bringing cash back into the U.S. Foreign earnings of U.S. companies have quadrupled since the last tax repatriation holiday in 2005. If tariff reforms are implemented, refining companies and retailers could face higher import taxes, crimping earnings. Higher interest rates and a loosening of regulations should boost earnings growth for banks and insurance companies. A pick-up in infrastructure spending would add to the earnings of Industrials and Materials companies. Based on these themes, we see value stocks continuing to outperform growth stocks in the year ahead.

S&P 500 INDEX: FORWARD P/E RATIO



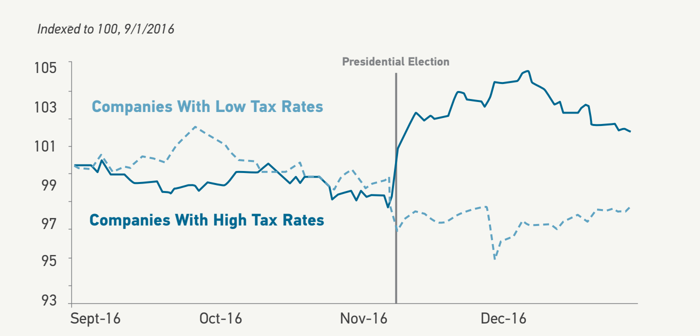
Valuation Measure	Description	Latest	25-yr. Avg.	Std. Dev. Over-/Under-Valued
P/E	Forward P/E	16.9x	15.9x	0.3
CAPE	Shiller's P/E	28.3	26.0	0.4
Div. Yield	Dividend yield	2.2%	2.0%	-0.3
P/B	Price to book	2.7	2.9	-0.3
P/CF	Price to cash flow	11.5	11.4	0.0
EY Spread	EY minus Baa yield	1.2%	-0.4%	-0.8

Source: FactSet, FRB, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management

S&P 500 ROLLING 65-DAY CORRELATIONS

Source: Strategas

PERFORMANCE RELATIVE TO S&P 500



Source: J.P. Morgan Asset Management

2016 Annual Investment Update

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. He is involved with the Fred Hutch Planned Giving Advisory Committee and is a member of the Seattle Estate Planning Council.

KEVIN M. YLVISAKER, CFA, CAIA, is Chief Investment Officer of Perkins Coie Trust Company and is responsible for fixed-income strategy. Kevin has over 20 years of experience in portfolio management, research and analysis. He has extensive experience managing portfolios for high-net-worth clients, foundations and institutional clients. Kevin obtained his MBA from the University of Washington and holds a Bachelor of Business Administration in finance from Pacific University. He is a Chartered Financial Analyst charterholder and a member of the CFA Institute and the CFA Society of Seattle.

SANDRA K. JONES, CFP®, CIMA®, is Senior Investment Officer of Perkins Coie Trust Company and is responsible for equity strategy. Sandra has over 20 years of investment experience managing portfolios for individuals, trusts and not-for-profit organizations. She graduated from the University of Washington with a Bachelor of Arts in Business Administration. Sandra is a Certified Financial Planner™, Certified Investment Management Analyst® and a member of the Financial Planning Association.

TORRIE NAGENDRAN is an Investment Administrator with Perkins Coie Trust Company, and she supports the Investment Team in all aspects of investment management including trade execution, investment research and analysis, performance measurement, investment compliance, and client reporting. Prior to joining Perkins Coie Trust Company, Torrie was an Analyst in the Patent group of Perkins Coie LLP. Torrie graduated from Bradley University with a Bachelor of Science.

INVESTMENT PROCESS

1. **LEARN** CLIENT GOALS AND 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.

Trust & Estate Planning Group

Keep your estate plan current:
Changes in your own life can make a difference.

We want to be sure your estate is planned and updated so that your wishes are fulfilled. The laws governing estates and trusts are constantly changing, and nearly every year there are modifications at the state or federal level that can impact your planning. Changes in your own life can also make a difference.

We have put together a list of events that may affect your estate planning. If any of these events has occurred since you executed your estate planning documents, please contact our office so that together we can review your existing plan and advise you concerning any necessary or suggested updates.

- Inheritance or gift received
- Health problems or serious illness
- Marriage of a family member
- Dissolution (divorce) or marital separation
- Birth or adoption
- Death or disability of a family member
- Real property purchase outside your state of residence

Changes in the following:

- Estate values significantly increase or decrease
- Income or nature of income
- Asset ownership or business interests, including incorporation or partnership formation
- Employment status
- State residency
- Life insurance coverage or insurability
- Executor, trustee or guardian appointees

The preceding list is not intended to be comprehensive, and other events, including changes in the law, may occur that would necessitate a review of your estate plan.

THE FOLLOWING IS A BRIEF SUMMARY OF THE FEDERAL ESTATE AND GIFT LAWS FOR 2017.

FEDERAL ESTATE AND GIFT TAX EXEMPTION

The current exclusion from the federal estate tax and the federal gift tax is $5,490,000, an increase from $5,450,000 in 2016. This increase, resulting from an annual inflation adjustment, allows taxpayers to give additional amounts in 2017. The current effective tax rate for transfers above this threshold is 40%.

ANNUAL EXCLUSION GIFTS

In 2016, each person (donor) now has an annual exclusion from the application of the federal gift tax of $14,000 in value of assets per recipient (donee) per calendar year. Note that this amount is indexed for inflation and is rounded to the nearest multiple of $1,000.

There is no limitation on the number of donees. Annual exclusion gifts are not included in the donor's federal estate and federal gift tax exemption. The gifts must be completed by December 31 to qualify for the calendar year exclusion.

INCOME TAX BASIS OF TRANSFERRED ASSETS

Gifts are favored under the income tax law—property received by way of gift or inheritance is not includible in a donee's income and generally has no adverse tax consequences. However, a donor should be aware of the differences between the income tax basis treatment of assets that are given and the assets that are inherited at death.

When assets are given, the donor's income tax basis in the given property is transferred to the donee. When assets are transferred at death, the income tax basis of inherited property is generally the fair market value at the time of the decedent's death. As a matter of overall strategy, donors commonly make lifetime gifts of cash or slightly appreciated property and retain highly appreciated assets until death or use such assets to make charitable gifts.

POTENTIAL CHANGES IN 2017

President-elect Trump and the Republican-controlled Congress intend to make significant changes to the federal estate and gift laws in 2017. The Trump plan would repeal the federal estate tax and replace it with a capital gains tax at death on assets exceeding $10,000,000. The House plan would also repeal the estate tax but makes no mention of changes to the capital gains tax. The federal gift tax would likely be refined under either plan.

WANT TO KNOW MORE?

If you have any questions about year-end giving strategies or other issues that may have an impact on your estate planning, please contact your attorney at Perkins Coie.