

Market and Economic Overview Period Ending June 30, 2021

In a continuation of the themes of the first quarter, increased vaccinations and a further downward trend in COVID cases led to a wider opening of the economy as summer began to set in. By the time the first half of 2021 drew to a close, stock prices were consistently notching new records week after week. In May, exuberance brought on by a world coming back to life had conversations turning to concerns of an overheated economy bringing inflation back into the picture whereas a year ago people were worrying about the economy stalling out. By June, however, with signs of economic strength continuing to build, the spikes in inflation seen in May appeared to be temporary. While there are certainly more hiccups ahead as supply chain issues get worked out and the labor market begins to normalize, the economic backdrop and stance of the Federal Reserve seem supportive of markets going forward.

With most developed economies beginning to ease COVID-related mobility restrictions, activity levels in hospitality, air travel, restaurants and other areas of the economy that were hardest hit by the shutdowns have begun to show rapid recovery. Many of the industries that had retained steady or increased consumer demand during the pandemic were still doing brisk business in the second quarter, and with surging demand in previously downtrodden sectors, it looked like inflation might be on the horizon. One of the most surprising inflation stories of the past six months is that of lumber. With home construction resuming faster than sawmill workers and truck drivers were returning to work, the price of lumber skyrocketed, rising 425% higher than pre-pandemic levels by late May. As the old saying goes, “the cure for high prices is high prices”, and by the end of the quarter prices had fallen by half as consumers put off projects and workers returned to mills.

The unemployment rate continued to fall over the quarter, though in early May a disappointing jobs report had many questioning the speed of the recovery in the labor market. Very quickly though, it became clear that the lackluster job growth was due to a lack of labor supply rather than there being a shortage of jobs. Investors came to believe that this mismatch of jobs and workers would sort itself out as pandemic-related unemployment benefits end and society continues to work back to “normal”. The US PMI measure of manufacturing sector performance stayed in line with its level from the previous quarter, the highest since December 1983, signaling the sharp expansion of manufacturing activity seen in the first quarter had not abated at all in the second.

The Federal Reserve Open Market Committee continued to hold steady on their policy of near-zero interest rates, though in June there was some mention of potentially investigating a revision to their schedule on tapering their purchases of Treasuries. This perceived “news” from the Fed caused some mild market volatility in June, though stocks recovered quickly after the Fed issued repeated assurances that they were in no rush to change course and hit another record high during the final days of the quarter. The Fed also increased their real GDP prediction to 6.5% for 2021 though they indicated they were reviewing their continued purchases of Treasuries in support of the economy going forward. Low mortgage rates and continued housing supply constraints as well as the

reopening of shopping centers extended the gains in real estate in the half as well.

Equity markets were uniformly positive for the quarter, though there was another change in leadership quarter-to-quarter. As investors predicted a possible peak in the intensity of the recovery in June they turned from Value and back to tech stocks, and from Small cap stocks to more predictable Large caps.

Non-US equities were also positive for the quarter as vaccination rates in Developed economies began to catch up to the US, and they began to increase their pace of opening. As in the US, Large companies led the way, followed by Emerging Markets which had the most issues with vaccine supply going into the quarter on hopes of a continued global recovery. The strength of this recovery is still expected to vary from country to country based on healthcare and vaccine access, effectiveness of fiscal and monetary stimulus, and underlying economic strength going into the pandemic.

Bond markets were largely positive as well despite inflation concerns surging in the quarter, as most investors wrote these inflation concerns off as temporary. The quarter saw a further increase in appetite for Municipal bonds as federal stimulus money to states continued to flow, and economies moved towards completely open, though Treasury yields pulled back slightly. Corporate bonds across the risk spectrum continued to do well, and investors’ confidence in the durability of the recovery had junk bonds doing better than higher quality issues.

As we head into an economy and lifestyle that begins to resemble the pre-pandemic world, we expect that there may be some continued volatility in markets as supply chains get sorted out and the in-person economy gets back on its feet. It is natural to wonder what this might mean for your retirement goals; rather than react emotionally to near-term volatility, however, we remind participants to retain a long-term focus and to adopt a disciplined and well-diversified strategy tailored to their specific return objectives and risk tolerance, such as an age-and/or risk-appropriate model or a target date solution. Such an approach has proven essential over the past twenty years, allowing participants to earn solid returns on their retirement accounts over a period that included the worst market decline in generations back in 2008, and is particularly underscored by the strong recovery in the markets following the decline last March. We remain confident that such an approach will prove equally essential going forward.

Index (As of 06/30/21) ¹	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 yr
3-month T-Bills	0.01%	0.03%	0.08%	1.31%	1.14%	0.60%
Barclays U.S. Gov't/Credit Int.	0.98%	-0.90%	0.19%	4.70%	2.63%	2.76%
Dow Jones Industrial Average	5.08%	13.79%	36.34%	15.01%	16.67%	13.49%
S&P 500	8.55%	15.25%	40.79%	18.67%	17.65%	14.84%
Russell 1000	8.54%	14.95%	43.07%	19.15%	18.00%	14.90%
Russell 1000 Value	5.21%	17.05%	43.68%	12.41%	11.88%	11.61%
Russell 1000 Growth	11.93%	12.99%	42.50%	25.14%	23.66%	17.86%
Russell Mid Cap	7.50%	16.25%	49.80%	16.44%	15.62%	13.23%
Russell 2000	4.29%	17.54%	62.03%	13.52%	16.47%	12.33%
Russell 2000 Value	4.56%	26.69%	73.28%	10.27%	13.62%	10.85%
Russell 2000 Growth	3.92%	8.98%	51.36%	15.94%	18.77%	13.52%
MSCI EAFE	5.38%	9.17%	32.92%	8.76%	10.79%	6.38%
MSCI EAFE Small Cap	4.49%	9.29%	41.49%	8.80%	12.44%	8.75%
MSCI Emerging Markets	5.12%	7.58%	41.36%	11.67%	13.43%	4.65%
Wilshire US REIT	12.84%	22.78%	37.52%	10.06%	6.36%	9.38%
DJ Global RESI	10.16%	17.40%	36.92%	6.68%	4.87%	7.17%
Bloomberg Commodity Index	13.30%	21.15%	45.61%	3.90%	2.40%	-4.44%
Credit Suisse Liquid Alternative	2.89%	8.07%	23.11%	8.57%	6.42%	4.27%

¹ The Bloomberg Barclays U.S. Government Credit Intermediate index is a registered service mark of Bloomberg Finance LP. Barclays is a service mark of Barclays Bank Plc, used under license; the Dow Jones Industrial Average is a service mark of Dow Jones & Company, Inc.; the S&P 500 Index is a registered trademark of the McGraw-Hill Companies, Inc.; the Russell 1000, 1000 Value, 1000 Growth, Mid Cap, 2000, 2000 Value, and 2000 Growth indices are registered trademarks of the Frank Russell Company; the MSCI EAFE and MSCI Emerging Markets indices are registered trademarks of MSCI or its subsidiaries; the Wilshire REIT index is a registered trademark of Wilshire Associates Incorporated; the DJ global Select RESI index is a registered trademark of Dow Jones Trademark Holdings LLC; the Bloomberg Commodity Index is a service mark of Bloomberg Finance L.P.; the Credit Suisse Liquid Alternative index is a trademark of Credit Suisse Group AG.

<p>STABLE VALUE [Federated Capital Preservation]</p>	<p>This option's objective is to provide a steady level of income while maintaining a stable principal value. The option invests in a portfolio of investment contracts issued by insurance companies, banks, and other financial institutions. Under the terms of these contracts, the issuing company promises to pay a specific rate of return for a specific period of time.</p>
<p>INTERMEDIATE BOND [Baird Aggregate Bond]</p>	<p>This option's objective is to invest in bonds and other interest paying securities with intermediate maturities, typically on average between 3 and 8 years. It will typically provide a higher level of total return over the long run than bonds with shorter maturities, but the securities are generally more subject to price changes, rising when interest rates fall and declining when interest rates rise.</p>
<p>OPPORTUNISTIC BOND [Loomis Sayles Bond]</p>	<p>This option's objective is to provide high total return from a combination of income and capital appreciation. It may invest in a broad range of securities, including, but not limited to, those of investment-grade and non-investment grade issuers domiciled in the U.S. or abroad, securities issued and/or guaranteed by the U.S. Government or another sovereign entity, in addition to mortgage- and asset-backed and emerging markets debt.</p>
<p>LARGE CAP VALUE [Vanguard Windsor II]</p>	<p>This option's objective is to produce capital gains by investing in stocks of large companies that the managers believe are currently selling at a price that is below their true value.</p>
<p>S&P 500 INDEX [Vanguard 500 Index]</p>	<p>This option's objective is to mirror the return of the S&P 500 Index. The option is unmanaged, remaining fully invested at all times and holds all 500 stocks in the S&P 500 Index in the same proportion as their weighting in the index.</p>
<p>LARGE CAP GROWTH [Harbor Capital Appreciation]</p>	<p>This option's objective is to produce long-term capital appreciation by investing in large companies that have the potential to exhibit above average earnings and or revenue growth relative to their industry or the overall market.</p>
<p>MID CAP INDEX [Vanguard Mid Cap Index]</p>	<p>This option's objective is to produce capital gains by passively mirroring the returns of the relevant Mid Cap market index.</p>
<p>SMALL CAP VALUE [DFA US Targeted Value]</p>	<p>This option's objective is to produce capital gains by investing in stocks of small companies that are currently selling at a price that is below their intrinsic value based on common market valuation techniques.</p>
<p>SMALL CAP GROWTH [Emerald Growth]</p>	<p>This option's objective is to produce long-term capital appreciation by investing in small companies that are currently selling at a price that is below their intrinsic value based on common market valuation techniques.</p>
<p>FOREIGN VALUE [Dodge & Cox International Stock]</p>	<p>This option's objective is to provide capital appreciation by investing in the stocks of companies whose shares are traded on foreign stock exchanges. Companies are selected that are believed to be selling at a price below their intrinsic value.</p>
<p>FOREIGN GROWTH [WCM Focused International Growth Instl.]</p>	<p>This option's objective is to provide capital appreciation by investing in the stocks of companies whose shares are traded on foreign stock exchanges. Companies are chosen that are believed to exhibit above-average growth characteristics and may invest in both developed and developing countries.</p>
<p>REAL ESTATE INDEX [Vanguard Real Estate Index]</p>	<p>This option's objective is to provide capital appreciation and income that correspond to the total return of the index by investing primarily in Real Estate Investment Trusts (REITs), and other Real Estate-related investments.</p>

**North Pacific Holdings
401(k) Plan
RetireView Models**

Asset Class	0 - 5 Years to Retire					6 - 10 Years to Retire				
	Conservative	Mod Cons	Moderate	Mod Agg	Aggressive	Conservative	Mod Cons	Moderate	Mod Agg	Aggressive
Short-Term Fixed	54.0%	44.0%	34.0%	27.0%	22.0%	50.0%	42.0%	29.0%	19.0%	13.0%
Fixed Income	18.0%	15.5%	13.0%	11.5%	9.0%	18.0%	15.0%	13.0%	10.5%	7.0%
	18.0%	15.5%	13.0%	11.5%	9.0%	18.0%	15.0%	13.0%	10.5%	7.0%
Large Cap Value	3.0%	6.0%	9.0%	11.0%	10.0%	3.0%	5.0%	9.0%	10.0%	13.0%
Large Cap Blend	2.0%	3.0%	5.0%	5.0%	5.0%	3.0%	4.0%	5.0%	5.0%	6.0%
Large Cap Growth	1.0%	4.0%	8.0%	9.0%	9.0%	2.0%	4.0%	8.0%	9.0%	11.0%
Small/Mid Cap Value	0.0%	3.0%	4.0%	4.0%	7.0%	0.0%	3.0%	4.0%	7.0%	8.0%
Small/Mid Blend	2.0%	2.0%	2.0%	5.0%	7.0%	3.0%	3.0%	4.0%	5.0%	6.0%
Small Cap/Mid Growth	0.0%	2.0%	2.0%	3.0%	5.0%	0.0%	2.0%	2.0%	5.0%	7.0%
International Equity	1.0%	2.5%	5.0%	6.5%	8.5%	1.5%	3.5%	6.5%	9.5%	11.0%
	1.0%	2.5%	5.0%	6.5%	8.5%	1.5%	3.5%	6.5%	9.5%	11.0%

Asset Class	11 - 15 Years to Retire					16 + Years to Retire				
	Conservative	Mod Cons	Moderate	Mod Agg	Aggressive	Conservative	Mod Cons	Moderate	Mod Agg	Aggressive
Short-Term Fixed	49.0%	39.0%	26.0%	14.0%	6.0%	48.0%	35.0%	22.0%	8.0%	0.0%
Fixed Income	17.0%	13.5%	11.0%	7.5%	4.0%	16.0%	12.5%	9.0%	6.0%	0.0%
	17.0%	13.5%	11.0%	7.5%	4.0%	16.0%	12.5%	9.0%	6.0%	0.0%
Large Cap Value	3.0%	6.0%	11.0%	14.0%	16.0%	4.0%	7.0%	11.0%	13.0%	15.0%
Large Cap Blend	3.0%	4.0%	5.0%	5.0%	6.0%	4.0%	5.0%	6.0%	7.0%	8.0%
Large Cap Growth	2.0%	5.0%	8.0%	11.0%	14.0%	2.0%	6.0%	8.0%	11.0%	14.0%
Small/Mid Cap Value	2.0%	4.0%	5.0%	7.0%	9.0%	2.0%	4.0%	6.0%	9.0%	12.0%
Small/Mid Blend	3.0%	4.0%	5.0%	6.0%	8.0%	3.0%	5.0%	7.0%	9.0%	10.0%
Small Cap/Mid Growth	0.0%	2.0%	3.0%	6.0%	8.0%	0.0%	2.0%	4.0%	7.0%	10.0%
International Equity	2.0%	4.5%	7.5%	11.0%	12.5%	2.5%	5.5%	9.0%	12.0%	15.5%
	2.0%	4.5%	7.5%	11.0%	12.5%	2.5%	5.5%	9.0%	12.0%	15.5%

Returns through June 30, 2021

Plan Option/[Fund Name]/Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
STABLE VALUE						
Federated Hermes Capital Pres R6	0.38	0.78	1.64	1.89	1.71	1.45
FTSE Treasury Benchmark 1 Yr OTR USD	0.02	0.08	0.24	2.02	1.48	0.93
BOND						
Baird Aggregate Bond Inst	1.99	-1.47	0.64	5.95	3.59	4.18
BBgBarc US Govt/Credit Interm TR USD	0.98	-0.90	0.19	4.70	2.63	2.76
OPPORTUNISTIC BOND						
Loomis Sayles Bond Instl	4.07	2.77	11.42	4.58	4.53	4.41
BBgBarc Multiverse TR USD	1.45	-2.95	3.19	4.34	2.57	2.23
LARGE CAP VALUE						
Vanguard Windsor™ II Admiral™	6.93	19.03	51.31	17.51	15.68	12.95
Russell 1000 Value TR USD	5.21	17.05	43.68	12.42	11.87	11.61
S&P 500 INDEX						
Vanguard 500 Index Admiral	8.59	15.29	40.83	18.66	17.62	14.81
S&P 500 TR USD	8.55	15.25	40.79	18.67	17.65	14.84
LARGE CAP GROWTH						
Harbor Capital Appreciation Instl	13.53	9.68	43.06	26.28	26.48	18.46
Russell 1000 Growth TR USD	11.93	12.99	42.50	25.14	23.66	17.87
MID CAP INDEX						
Vanguard Mid Cap Index Admiral	7.58	15.31	46.90	16.49	15.75	13.12
CRSP - MSCI Mid Cap Index Composite	7.59	15.31	46.93	16.51	15.78	13.19
SMALL CAP VALUE						
DFA US Targeted Value I	4.21	30.36	80.04	10.09	13.10	11.00
Russell 2000 Value TR USD	4.56	26.69	73.28	10.27	13.62	10.85
SMALL CAP GROWTH						
Emerald Growth Institutional	3.32	6.85	48.04	16.51	20.09	14.97
Russell 2000 Growth TR USD	3.92	8.98	51.36	15.94	18.76	13.52
FOREIGN VALUE						
Dodge & Cox International Stock	4.66	12.15	40.39	7.48	10.22	5.52
MSCI EAFE Value GR USD	3.25	11.10	34.22	4.37	8.43	4.45
FOREIGN GROWTH						
WCM Focused International Growth Instl Composite	10.67	10.63	40.54	21.50	18.67	12.06
MSCI EAFE Growth GR USD	7.59	7.07	31.39	12.85	12.89	8.15
REAL ESTATE INDEX						
Vanguard Real Estate Index Admiral	11.66	21.37	34.37	11.96	7.08	9.73
MSCI US Inv Mkt RE 25-50 Trans GR USD Composite	11.69	21.44	34.50	12.03	7.18	9.83

Returns through June 30, 2021

Model Option/Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
0-5 Years						
CONSERVATIVE	2.06	2.03	6.91	4.63	3.95	3.57
Conservative Strategy Benchmark	1.21	0.69	4.50	4.48	3.39	2.76
MODERATE CONSERVATIVE	3.00	4.25	13.52	6.88	6.22	5.20
Moderate Conservative Strategy Benchmark	2.11	2.90	10.79	6.51	5.60	4.48
MODERATE	4.16	6.26	19.74	9.13	8.49	6.76
Moderate Strategy Benchmark	3.13	4.94	16.59	8.45	7.68	6.07
MODERATE AGGRESSIVE	4.81	7.54	23.99	10.49	9.86	7.74
Moderate Aggressive Strategy Benchmark	3.77	6.37	20.84	9.67	9.02	7.11
AGGRESSIVE	5.23	9.09	28.96	11.45	11.04	8.51
Aggressive Strategy Benchmark	4.21	7.89	25.68	10.55	10.24	7.95
6-10 Years						
CONSERVATIVE	2.42	2.51	8.43	5.32	4.61	4.06
Conservative Strategy Benchmark	1.50	1.22	6.02	5.07	3.97	3.23
MODERATE CONSERVATIVE	3.20	4.57	14.58	7.22	6.58	5.44
Moderate Conservative Strategy Benchmark	2.28	3.26	11.88	6.79	5.93	4.71
MODERATE	4.52	6.87	21.81	9.74	9.05	7.16
Moderate Strategy Benchmark	3.44	5.53	18.55	8.96	8.25	6.49
MODERATE AGGRESSIVE	5.31	9.01	29.00	11.45	11.04	8.48
Moderate Aggressive Strategy Benchmark	4.21	7.69	25.43	10.47	10.18	7.87
AGGRESSIVE	6.06	10.81	35.02	13.12	12.79	9.68
Aggressive Strategy Benchmark	5.00	9.72	31.44	11.97	11.95	9.21
11-15 Years						
CONSERVATIVE	2.52	3.16	10.01	5.59	4.95	4.29
Conservative Strategy Benchmark	1.62	1.68	7.36	5.38	4.37	3.52
MODERATE CONSERVATIVE	3.58	5.48	17.20	7.99	7.38	5.99
Moderate Conservative Strategy Benchmark	2.64	4.12	14.31	7.50	6.72	5.31
MODERATE	4.83	7.95	25.04	10.51	9.95	7.77
Moderate Strategy Benchmark	3.83	6.60	21.67	9.74	9.19	7.19
MODERATE AGGRESSIVE	6.00	10.48	33.89	12.89	12.56	9.50
Moderate Aggressive Strategy Benchmark	4.93	9.34	30.20	11.76	11.66	8.99
AGGRESSIVE	6.94	12.66	41.32	14.82	14.70	10.97
Aggressive Strategy Benchmark	5.85	11.74	37.57	13.46	13.70	10.54
16+ Years						
CONSERVATIVE	2.68	3.59	11.11	5.97	5.32	4.56
Conservative Strategy Benchmark	1.82	2.10	8.43	5.76	4.78	3.83
MODERATE CONSERVATIVE	4.02	6.26	19.60	8.85	8.23	6.59
Moderate Conservative Strategy Benchmark	3.05	4.94	16.66	8.26	7.53	5.94
MODERATE	5.24	9.07	28.62	11.37	10.93	8.43
Moderate Strategy Benchmark	4.27	7.78	25.26	10.54	10.19	7.91
MODERATE AGGRESSIVE	6.50	11.92	38.47	13.87	13.68	10.32
Moderate Aggressive Strategy Benchmark	5.45	10.78	34.80	12.73	12.84	9.89
AGGRESSIVE	7.60	14.79	48.51	15.98	16.23	11.91
Aggressive Strategy Benchmark	6.54	13.90	44.62	14.53	15.32	11.62

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The Historical Performance of the Current Funds are the returns of the mutual funds used in the investment options during the quarter, over the time periods specified. Performance shown is not meant to represent the actual returns of the participant accounts. Because of manager changes, cash flows and fees, the actual performance of the options, as experienced by participants, will be different. In addition, individual returns may differ due to the timing of changes between options.

Model Allocations (Models) returns will incorporate the use of new/replaced options/funds from their introduction date into the plan. Furthermore, past returns are no guarantee of future performance.

The results of the Models are only hypothetical. These results will be different than those actually experienced by the Plan or by any individual who may have invested in any of the Models during each period. Individual results will vary because of one or more of the following: 1) timing of investment flows, 2) change of fund(s) in any Investment Option and Model during the period, 3) addition of new Investment Option(s) in any Model during the period, 4) timing of rebalancing, or 5) administrative fees.

Fund changes are made because of one of the following reasons: 1) poor investment performance over a three-year period, 2) a change in the investment manager, or 3) a change in the fund's investment style.

The historical performance results assume a single investment at the beginning of the period with no additions or withdrawals. The results also assume the reinvestment of all dividends and other earnings during the ten-year period. Mutual fund results are net of mutual fund expenses. Model results are net of mutual funds expenses, investment advisor fees and transaction costs (if paid by plan assets). The mutual fund performance information was obtained from Morningstar.

Results are compared to benchmarks. The Models' benchmark returns are a composite of the performance of the weighted averages of the following indices, weighted in the same proportion as the corresponding asset class used in the Models

Index	Asset Class
FTSE Treasury Benchmark 1 Yr OTR USD	Stable Value
Bloomberg Barclays US Govt/Credit	Intermediate Bond
Bloomberg Barclays Multiverse	Opportunistic Bond
Russell 1000	Large Cap Equity
Russell Mid Cap	Mid Cap Index
Russell 2000	Small Cap Equity
MSCI EAFE	Foreign Equity
MSCI US Investable Market Real Estate 25/50 Index	Real Estate

The performance of the Models should not be expected to track the performance of the benchmark indices. Therefore, the Models will have periods of over and under performance relative to the benchmark return.

The Models have long-term specific allocation mixes between the Plan's Investment Options (see the Model Allocations section). Over time, the Investment Options will earn different rates of return, causing each Model's allocation mix between the Investment Options to move away from their long-term strategy. As a result, period rebalancing of these allocations is necessary to bring them back to their long-term targets. Information herein reflects quarterly rebalancing; if you have used one of these Models as a guide in building your allocation, the rebalancing of your account is not automatic: you will need to rebalance your account if you wish to bring your investments allocations back to the target weights you initially selected. In most cases, a reasonable rule of thumb is to rebalance the investments in your account at least annually.