

Market and Economic Overview Period Ending September 30, 2021

Despite increases in COVID cases over the summer due to the emergence of the Delta variant in late spring, the economy and markets continued their march higher through August. Indexes notched more record highs into the first week of September as economies stayed open, earnings and business optimism remained positive, and the Fed signaled a continued accommodative stance. By mid-September, however, volatility had returned to the markets as corporate supply chain constraints, a looming government shutdown fight, and a shakeup in China reminded investors that the transition into a post-pandemic “new normal” won’t always be smooth sailing.

Even with plateauing vaccination uptake and the Delta variant spiking COVID infection rates, the domestic economy stayed largely open over the summer, with most states at most re-imposing indoor mask mandates and some requiring proof of vaccination to eat or drink indoors. This “cautious but open” approach was supportive of corporate earnings, and despite a slightly lower-than-expected GDP print, the markets responded favorably through the end of August. Coupled with continued signals from the Fed that they would maintain an accommodative stance through the end of 2021, the economy began to gently decelerate from recovery territory into a more familiar yet still-positive expansionary stage. As September wore on though, a strong spike in deaths among the unvaccinated from the Delta variant and the potential for a government shutdown in the US as well as the fear that Evergrande, China’s largest property developer might default on debt payments injected volatility into markets that had not suffered a 5% pullback in almost a year.

Markets remained volatile until the end of the quarter, as the Fed confirmed market expectations that it would begin to reduce its purchases of bonds on the open market before year end, and congress avoided a government shutdown at the 11th hour. Additionally, the Biden Administration’s continued struggle to pass an infrastructure bill as well as the looming potential changes to fiscal and tax policies continues to have the markets in a wait-and-see mode entering the fourth quarter. A normalization of rent prices as well as supply chain issues, especially those related to the continued global microchip shortage, have continued to exert upward pressure on inflation, which has stayed elevated relative to the most recent decade. The Fed has indicated it believes that much of the current inflation is transitory and related to reopening that should moderate by year end. The Federal Reserve Open Market Committee continued to hold steady on their policy of near-zero interest rates, though with an eye on these inflationary pressures.

The last few days of the quarter had a significant impact on quarterly index returns, and leadership among indexes. For most of the quarter, investors largely stayed with the large-cap tech names they favored in the preceding months, but as uncertainty increased in the final week of September, investors began rotating away from these big-tech favorites and by quarter end markets had fallen significantly from the record highs of just weeks before. The S&P 500 finished the quarter just above flat with more than half of its constituent companies off their highs by over 10%.

Small cap stocks, more sensitive to consumer and business sentiment, inflation, as well as to the shifting tides of COVID, were hit the hardest in the quarter, as investors shifted to larger “safer” names.

Non-US equities were also down modestly for the quarter on concerns of slowing global growth and rising interest rates. The hardest hit in the quarter were Emerging Markets, driven by a steep selloff in China. A complete revamping of their regulation regime as well as fears that the faltering of highly levered property developer Evergrande might represent a “Lehman moment” for China triggered a selloff on fears that the potential defaults could spread to the wider global economy. The selloff in China had the MSCI EM index finishing down almost 8% for the quarter.

Bond markets were largely flat in the quarter. Bonds rose through the summer as investors worried about the increase in COVID cases from Delta rotated towards safety, but in late September the Fed confirmed that they would begin tapering Quantitative Easing this year. This news from the Fed, combined with still-high inflation numbers weighed on bond markets, pushing them down towards where they began the quarter.

Commodities, led by continued increases in oil prices, had their fourth straight positive quarter, and was the strongest performing segment of the market in the three months ending September 30th. Restrained production by OPEC+ as well as continued nuclear sanctions on Iran were supportive of prices, and the demand outlook was bolstered by continued confidence in the trajectory of the global economy.

As the world continues to move in the direction of the “new normal”, 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 09/30/21) ¹	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 yr
3-month T-Bills	0.01%	0.03%	0.06%	1.14%	1.13%	0.60%
Barclays U.S. Gov't/Credit Int.	0.02%	-0.87%	-0.40%	4.63%	2.60%	2.52%
Dow Jones Industrial Average	-1.46%	12.12%	24.15%	11.00%	15.69%	14.72%
S&P 500	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%
Russell 1000	0.21%	15.19%	30.96%	16.42%	17.12%	16.76%
Russell 1000 Value	-0.78%	16.14%	35.01%	10.07%	10.94%	13.51%
Russell 1000 Growth	1.16%	14.30%	27.32%	22.00%	22.84%	19.67%
Russell Mid Cap	-0.93%	15.17%	38.11%	14.21%	14.39%	15.52%
Russell 2000	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%
Russell 2000 Value	-2.98%	22.92%	63.92%	8.58%	11.03%	13.22%
Russell 2000 Growth	-5.65%	2.82%	33.27%	11.69%	15.34%	15.74%
MSCI EAFE	-0.35%	8.79%	26.29%	8.13%	9.33%	8.60%
MSCI EAFE Small Cap	0.96%	10.35%	29.46%	9.44%	10.79%	11.11%
MSCI Emerging Markets	-7.97%	-0.99%	18.58%	8.96%	9.62%	6.46%
Wilshire US REIT	1.64%	24.79%	38.04%	10.39%	6.97%	11.30%
DJ Global RESI	0.04%	17.44%	34.16%	6.74%	4.90%	9.07%
Bloomberg Commodity Index	6.59%	29.13%	42.29%	6.86%	4.54%	-2.66%
Credit Suisse Liquid Alternative	-1.37%	6.60%	18.11%	7.79%	5.61%	4.96%

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 September 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	0.37	1.16	1.56	1.87	1.73	1.45
FTSE Treasury Benchmark 1 Yr OTR USD	0.03	0.11	0.18	1.88	1.48	0.91
BOND						
Baird Aggregate Bond Inst	0.11	-1.36	-0.31	5.96	3.45	3.90
Bloomberg US Govt/Credit Interm TR USD	0.02	-0.87	-0.40	4.63	2.60	2.52
OPPORTUNISTIC BOND						
Loomis Sayles Bond Instl	0.18	2.95	8.45	4.14	3.86	4.96
Bloomberg Multiverse TR USD	-0.90	-3.83	-0.45	4.30	2.17	2.07
LARGE CAP VALUE						
Vanguard Windsor™ II Admiral™	-0.12	18.88	40.17	14.84	14.72	14.77
Russell 1000 Value TR USD	-0.78	16.14	35.01	10.07	10.94	13.51
S&P 500 INDEX						
Vanguard 500 Index Admiral	0.57	15.90	29.98	15.96	16.86	16.60
S&P 500 TR USD	0.58	15.92	30.00	15.99	16.90	16.63
LARGE CAP GROWTH						
Harbor Capital Appreciation Instl	0.40	10.12	24.00	23.74	24.61	20.23
Russell 1000 Growth TR USD	1.16	14.30	27.32	22.00	22.84	19.68
MID CAP INDEX						
Vanguard Mid Cap Index Admiral	0.00	15.32	36.09	14.74	14.59	15.55
CRSP - MSCI Mid Cap Index Composite	0.01	15.32	36.12	14.76	14.61	15.61
SMALL CAP VALUE						
DFA US Targeted Value I	-0.55	29.64	72.12	9.34	11.35	14.02
Russell 2000 Value TR USD	-2.98	22.92	63.92	8.58	11.03	13.22
SMALL CAP GROWTH						
Emerald Growth Institutional	-2.51	4.17	32.12	13.02	17.12	17.78
Russell 2000 Growth TR USD	-5.65	2.82	33.27	11.70	15.34	15.74
FOREIGN VALUE						
Dodge & Cox International Stock	-3.33	8.42	35.19	5.99	7.39	7.77
MSCI EAFE Value GR USD	-0.81	10.21	31.43	3.65	6.58	6.58
FOREIGN GROWTH						
WCM Focused International Growth Instl Composite	0.15	10.79	29.48	20.35	17.63	14.34
MSCI EAFE Growth GR USD	0.10	7.18	21.25	12.30	11.81	10.46
REAL ESTATE INDEX						
Vanguard Real Estate Index Admiral	0.68	22.19	33.51	12.01	7.54	11.54
MSCI US Inv Mkt RE 25-50 Trans GR USD Composite	0.70	22.29	33.64	12.11	7.65	11.64

Returns through September 30, 2021

Model Option/Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
0-5 Years						
CONSERVATIVE	0.20	2.24	5.29	4.36	3.70	3.79
Conservative Strategy Benchmark	-0.14	0.55	2.84	4.19	3.21	2.85
MODERATE CONSERVATIVE	0.07	4.32	10.45	6.34	5.75	5.73
Moderate Conservative Strategy Benchmark	-0.33	2.56	7.79	5.90	5.19	4.87
MODERATE	-0.02	6.24	15.06	8.36	7.81	7.58
Moderate Strategy Benchmark	-0.35	4.57	12.26	7.56	7.11	6.76
MODERATE AGGRESSIVE	-0.12	7.41	18.25	9.55	9.03	8.77
Moderate Aggressive Strategy Benchmark	-0.41	5.93	15.55	8.60	8.32	8.02
AGGRESSIVE	-0.28	8.78	22.28	10.40	10.03	9.80
Aggressive Strategy Benchmark	-0.64	7.20	19.42	9.29	9.33	9.11
6-10 Years						
CONSERVATIVE	0.19	2.70	6.39	4.98	4.30	4.36
Conservative Strategy Benchmark	-0.15	1.07	4.00	4.71	3.75	3.40
MODERATE CONSERVATIVE	0.04	4.61	11.27	6.66	6.06	6.03
Moderate Conservative Strategy Benchmark	-0.34	2.91	8.67	6.15	5.49	5.17
MODERATE	-0.09	6.78	16.68	8.92	8.29	8.09
Moderate Strategy Benchmark	-0.38	5.13	13.78	8.01	7.62	7.30
MODERATE AGGRESSIVE	-0.31	8.66	22.30	10.42	9.99	9.78
Moderate Aggressive Strategy Benchmark	-0.65	6.99	19.18	9.24	9.25	9.02
AGGRESSIVE	-0.44	10.32	26.75	11.83	11.56	11.27
Aggressive Strategy Benchmark	-0.76	8.89	23.79	10.45	10.83	10.65
11-15 Years						
CONSERVATIVE	0.16	3.32	7.82	5.24	4.59	4.67
Conservative Strategy Benchmark	-0.23	1.45	5.12	4.96	4.09	3.75
MODERATE CONSERVATIVE	0.00	5.47	13.35	7.36	6.78	6.71
Moderate Conservative Strategy Benchmark	-0.38	3.72	10.60	6.75	6.20	5.89
MODERATE	-0.17	7.77	19.26	9.59	9.08	8.86
Moderate Strategy Benchmark	-0.46	6.11	16.24	8.65	8.44	8.15
MODERATE AGGRESSIVE	-0.41	10.03	25.87	11.66	11.35	11.03
Moderate Aggressive Strategy Benchmark	-0.67	8.61	22.83	10.30	10.60	10.39
AGGRESSIVE	-0.55	12.04	31.32	13.29	13.25	12.85
Aggressive Strategy Benchmark	-0.84	10.80	28.43	11.66	12.40	12.29
16+ Years						
CONSERVATIVE	0.14	3.73	8.70	5.57	4.93	4.98
Conservative Strategy Benchmark	-0.22	1.87	5.97	5.28	4.47	4.12
MODERATE CONSERVATIVE	-0.04	6.21	15.14	8.13	7.54	7.42
Moderate Conservative Strategy Benchmark	-0.38	4.54	12.41	7.40	6.95	6.65
MODERATE	-0.26	8.79	22.07	10.34	9.93	9.71
Moderate Strategy Benchmark	-0.56	7.18	19.08	9.31	9.31	9.06
MODERATE AGGRESSIVE	-0.50	11.36	29.44	12.50	12.33	12.08
Moderate Aggressive Strategy Benchmark	-0.83	9.86	26.37	11.07	11.62	11.50
AGGRESSIVE	-0.74	13.94	36.92	14.29	14.54	14.16
Aggressive Strategy Benchmark	-1.07	12.68	33.90	12.46	13.75	13.74

Pacific Portfolio Consulting
 Internet Address: www.pacific-portfolio.com
 Phone: 800-249-6426

Principal
 Internet Address: <https://www.principal.com/>

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.