

Market and Economic Overview Period Ending March 31, 2023

Stocks ended the first quarter generally higher, though market gyrations that we saw throughout 2022 continued through the first quarter of 2023 as well. Inflation remained elevated and the Federal Reserve continued raising interest rates in response. Bank failures (SVB & Signature Bank) sent shockwaves through the financial sector. The job market has continued to remain strong. On the foreign front the Russo-Ukrainian war has continued to drag on.

The market has overall been positive this past quarter. The S&P 500 rose 7.5% in aggregate, while foreign markets were also strong, with non-US developed stocks ending the quarter 7.7% higher and emerging markets equities rising 4%. Even with the strong first quarter, since the market peak at the start of 2022, the global stock market is still down nearly 10%, though the past few quarters have partially made up for the market's early 2022 slide.

The performance divide between growth and value reversed yet again last quarter, with US value stocks rising only 0.9%, significantly less than the 13.9% gain for US growth stocks. Growth stocks remain pricier, while also having less ability to navigate or even benefit from inflation, so the falling inflation numbers had an outsized performance impact on growth stocks. US Small cap, mid cap, and large cap stocks (as defined by the Russell 2000, mid cap, and 1000 indexes) respectively gained 2.7%, 4.1%, and 7.5%. The continuing outperformance of large cap and mid cap over small cap on the upside, as happened last quarter as well, implies the elevated recession chances could be pushing investors out of higher risk premium small cap stocks and into safer large caps.

Bonds were positive for the quarter as well, with the US Aggregate Bond Index gaining 3%, primarily due to falling inflation and henceforth falling domestic interest rates. Global bonds fared the same as US bonds, also rising 3%, reflecting in part globally declining inflation and an enduring global economy that has not yet entered recession, pleasantly surprising many economists.

To combat the falling, but still elevated, inflation the Federal Reserve has continued raising short-term interest rates with a 25-basis point (0.25%) rise in February as well as another 25-basis point hike in March to a final discount rate of 5.0%. Since March 1st, 2022, rates have gone from 0.25% to 5.0%, highlighting the Fed's continuing effort to tame high, albeit slowly receding, inflation. The Federal Reserve is still aiming for an economic "soft-landing", though they will do "whatever it takes" to tame higher inflation. Inflation rates peaked in June 2022 at an annualized 9.1% pace, and have now come down nearly every single month, falling to annualized 6.0% rate. Mortgage interest rates, lagging inflation, continued their rise through November 2022, peaking at above 7%, before gradually falling back to about 6.4% in December and staying fairly stable there through the end of the first quarter. Rates across the board are generally trending in a downwards direction, though we are yet to see if the Federal Reserve will get their desired economic soft-landing.

The Russo-Ukrainian war continues, worsening inflation and economic turmoil by partially limiting exports of Ukraine's agricultural products. The July grain-export agreement between Russia, Ukraine, and Turkey continues to get renewed, adding needed grain supplies to the market. The Western-led oil embargo and price cap on Russian oil also holds. Since the 2022-high, prices have gradually dropped as Russia has started shipping vast amounts of oil via tanker to developing countries such as China, Turkey, and India instead of Europe.

Higher interest rates and other headwinds affecting the economy have increased recession chances, with a growing number of economists predicting a US recession in 2023. The higher Fed funds rate resulted in Silicon Valley Bank and Signature Bank having to write down their longer-maturity dated assets and as a result, they all ended up additionally losing many deposits and were seized by the Fed after failing. Both banks were heavily tied to the suffering private equity and startup spaces, which have been hit hard by higher interest rates. The Federal Reserve and large banks have, however, quickly stepped in to shore up the smaller regional/industry specific banks so as to make sure there is not a wider contagion that could spread throughout the banking system.

Even with the elevated recession chance, the US economy still showed many positive signs over the past quarter. The US unemployment rate continues to remain near record lows at 3.6%. The US economy also added 800k+ jobs in the first two months of the quarter. A notable unfavorable indicator over the past quarter was the US Manufacturing PMI still being barely negative at 49.3, meaning a slight majority of firms are seeing signs of decreasing economic activity. That being said, PMI has been generally rising each reading from a low of 46.8 in January 2023.

As the lingering effects of supply chain disruptions, the banking crisis, the Russo-Ukrainian war, and inflation play out over the coming quarters, 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 time, allowing participants to earn solid returns on their retirement accounts over a period that included the worst market decline in generations during 2008. Even with last year's large drop in financial market levels, we remain confident that such an approach will prove essential going forward.

Index (As of 03/31/23) ¹	Qtr	1 Yr	3 Yr	5 Yr	10 yr
3-month T-Bills	1.12%	2.61%	0.95%	1.40%	0.85%
Barclays U.S. Gov't/Credit Int.	2.33%	-1.66%	-1.28%	1.40%	1.32%
Dow Jones Industrial Average	0.93%	-1.98%	17.33%	9.01%	11.15%
S&P 500	7.50%	-7.73%	18.62%	11.19%	12.24%
Russell 1000	7.46%	-8.39%	18.57%	10.87%	12.02%
Russell 1000 Value	1.01%	-5.91%	17.94%	7.50%	9.13%
Russell 1000 Growth	14.37%	-10.90%	18.59%	13.66%	14.59%
Russell Mid Cap	4.06%	-8.78%	19.21%	8.06%	10.05%
Russell 2000	2.74%	-11.61%	17.52%	4.71%	8.04%
Russell 2000 Value	-0.66%	-12.96%	21.03%	4.55%	7.22%
Russell 2000 Growth	6.07%	-10.60%	13.37%	4.26%	8.49%
MSCI EAFE	8.62%	-0.86%	13.53%	4.03%	5.50%
MSCI EAFE Small Cap	5.05%	-9.39%	12.53%	1.27%	6.25%
MSCI Emerging Markets	4.02%	-10.30%	8.23%	-0.53%	2.37%
Wilshire US REIT	3.25%	-21.33%	11.04%	5.66%	5.89%
DJ Global RESI	1.49%	-20.72%	8.55%	1.88%	3.44%
Bloomberg Commodity Index	-5.36%	-12.49%	20.84%	5.36%	-1.72%
IQ Hedge Multi-Strategy	3.05%	-2.81%	2.89%	1.32%	2.38%

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 IQ Hedge Multi-Strategy Tracker Index is a trademark of New York Life Investment Management Holdings, LLC.

STABLE VALUE [Federated Capital Preservation]	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.
INTERMEDIATE BOND [Baird Aggregate Bond]	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.
OPPORTUNISTIC BOND [Loomis Sayles Bond]	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.
LARGE CAP VALUE [Vanguard Windsor II]	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.
S&P 500 INDEX [Vanguard 500 Index]	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.
LARGE CAP GROWTH [Harbor Capital Appreciation]	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.
MID CAP INDEX [Vanguard Mid Cap Index]	This option's objective is to produce capital gains by passively mirroring the returns of the relevant Mid Cap market index.
SMALL CAP VALUE [DFA US Targeted Value]	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.
SMALL CAP GROWTH [Emerald Growth]	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.
FOREIGN VALUE [Dodge & Cox International Stock]	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.
FOREIGN GROWTH [WCM Focused International Growth Instl.]	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.
REAL ESTATE INDEX [Vanguard Real Estate Index]	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.

**North Pacific Holdings
Employees' 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%	33.0%	26.0%	21.0%	50.0%	42.0%	28.0%	18.0%	12.0%
Fixed Income	18.0%	15.5%	13.5%	12.0%	9.5%	18.0%	15.0%	13.5%	11.0%	7.5%
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%	6.0%	6.0%
Large Cap Growth	1.0%	4.0%	7.0%	9.0%	9.0%	2.0%	3.0%	8.0%	8.0%	10.0%
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%	5.5%	6.5%	8.5%	1.5%	4.0%	6.5%	9.5%	11.5%
	1.0%	2.5%	5.5%	6.5%	8.5%	1.5%	4.0%	6.5%	9.5%	11.5%

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%	25.0%	13.0%	5.0%	48.0%	35.0%	21.0%	7.0%	0.0%
Fixed Income	17.0%	13.5%	11.5%	8.0%	4.5%	16.0%	12.5%	9.5%	6.5%	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%	4.0%	8.0%	10.0%	13.0%	2.0%	5.0%	8.0%	10.0%	13.0%
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%	5.0%	7.5%	11.5%	13.0%	2.5%	6.0%	9.0%	12.5%	16.0%
	2.0%	5.0%	7.5%	11.5%	13.0%	2.5%	6.0%	9.0%	12.5%	16.0%

Returns through March 31, 2023

Plan Option/[Fund Name]/ Benchmark	1 Qtr	1 Year	3 Years	5 Years	10 Years
STABLE VALUE					
Federated Hermes Capital Pres R6	0.74	2.15	1.78	1.87	1.51
FTSE Treasury Benchmark 1 Yr OTR USD	1.28	1.12	0.16	1.32	0.88
BOND					
Baird Aggregate Bond Inst	3.06	-4.67	-1.98	1.16	1.75
Bloomberg US Govt/Credit Interm TR USD	2.33	-1.66	-1.28	1.40	1.32
OPPORTUNISTIC BOND					
Loomis Sayles Bond Instl	3.01	-4.98	2.50	0.55	1.96
Bloomberg Multiverse TR USD	3.02	-7.90	-3.06	-1.24	0.22
LARGE CAP VALUE					
Vanguard Windsor™ II Admiral™	4.66	-5.52	21.29	10.34	10.41
Russell 1000 Value TR USD	1.01	-5.91	17.93	7.50	9.13
S&P 500 INDEX					
Vanguard 500 Index Admiral	7.49	-7.77	18.56	11.15	12.20
S&P 500 TR USD	7.50	-7.73	18.60	11.19	12.24
LARGE CAP GROWTH					
Harbor Capital Appreciation Instl	18.31	-14.72	14.27	10.72	13.93
Russell 1000 Growth TR USD	14.37	-10.90	18.58	13.66	14.59
MID CAP INDEX					
Vanguard Mid Cap Index Admiral	3.87	-9.86	18.73	8.13	10.17
CRSP - MSCI Mid Cap Index Composite	3.87	-9.85	18.75	8.15	10.21
SMALL CAP VALUE					
DFA US Targeted Value I	0.96	-3.59	31.63	7.72	9.16
Russell 2000 Value TR USD	-0.66	-12.96	21.01	4.55	7.22
SMALL CAP GROWTH					
Emerald Growth Institutional	4.12	-11.72	14.43	5.69	10.08
Russell 2000 Growth TR USD	6.07	-10.60	13.36	4.26	8.49
FOREIGN VALUE					
Dodge & Cox International Stock I	6.15	-0.46	17.30	2.91	5.06
MSCI EAFE Value GR USD	6.14	0.38	15.29	2.38	4.35
FOREIGN GROWTH					
WCM Focused International Growth Instl Composite	10.58	-4.89	13.68	8.51	9.26
MSCI EAFE Growth GR USD	11.21	-2.45	11.30	5.26	6.39
REAL ESTATE INDEX					
Vanguard Real Estate Index Admiral	1.80	-20.10	9.83	5.82	5.79
MSCI US Inv Mkt RE 25-50 Trans GR USD Composite	1.83	-20.00	9.96	5.92	5.89

Returns through March 31, 2023

Model Option/Benchmark	1 Qtr	1 Year	3 Years	5 Years	10 Years
0-5 Years					
CONSERVATIVE	2.19	-1.30	2.77	2.20	2.45
Conservative Strategy Benchmark	2.38	-1.62	1.11	1.78	1.88
MODERATE CONSERVATIVE	3.10	-2.16	5.60	3.40	3.78
Moderate Conservative Strategy Benchmark	3.05	-2.52	3.83	2.94	3.26
MODERATE	4.23	-2.98	8.21	4.54	5.09
Moderate Strategy Benchmark	3.92	-3.22	6.46	4.11	4.61
MODERATE AGGRESSIVE	4.86	-3.84	9.79	5.11	5.83
Moderate Aggressive Strategy Benchmark	4.39	-3.80	8.24	4.77	5.45
AGGRESSIVE	5.16	-4.15	11.78	5.60	6.49
Aggressive Strategy Benchmark	4.69	-4.32	9.99	5.18	6.10
6-10 Years					
CONSERVATIVE	2.54	-1.68	3.40	2.52	2.84
Conservative Strategy Benchmark	2.60	-1.88	1.81	2.11	2.26
MODERATE CONSERVATIVE	3.19	-2.18	6.10	3.58	3.99
Moderate Conservative Strategy Benchmark	3.21	-2.57	4.32	3.10	3.46
MODERATE	4.62	-3.48	8.91	4.71	5.34
Moderate Strategy Benchmark	4.20	-3.47	7.24	4.33	4.95
MODERATE AGGRESSIVE	5.21	-4.27	11.65	5.46	6.40
Moderate Aggressive Strategy Benchmark	4.82	-4.35	9.79	5.05	6.01
AGGRESSIVE	5.92	-4.94	13.99	6.31	7.39
Aggressive Strategy Benchmark	5.38	-5.11	12.19	5.92	7.11
11-15 Years					
CONSERVATIVE	2.58	-1.64	4.15	2.74	3.06
Conservative Strategy Benchmark	2.69	-2.00	2.35	2.28	2.49
MODERATE CONSERVATIVE	3.52	-2.43	7.23	4.00	4.47
Moderate Conservative Strategy Benchmark	3.49	-2.81	5.40	3.52	3.97
MODERATE	4.83	-3.74	10.24	5.14	5.88
Moderate Strategy Benchmark	4.47	-3.81	8.53	4.79	5.52
MODERATE AGGRESSIVE	5.87	-4.78	13.58	6.20	7.27
Moderate Aggressive Strategy Benchmark	5.36	-4.90	11.81	5.84	6.96
AGGRESSIVE	6.73	-5.94	16.24	7.08	8.44
Aggressive Strategy Benchmark	5.97	-5.96	14.57	6.74	8.19
16+ Years					
CONSERVATIVE	2.72	-1.69	4.69	2.98	3.30
Conservative Strategy Benchmark	2.86	-2.06	2.91	2.54	2.77
MODERATE CONSERVATIVE	3.94	-2.82	8.22	4.41	4.96
Moderate Conservative Strategy Benchmark	3.82	-3.09	6.46	3.98	4.50
MODERATE	5.13	-4.15	11.67	5.56	6.44
Moderate Strategy Benchmark	4.79	-4.18	9.95	5.22	6.11
MODERATE AGGRESSIVE	6.18	-5.48	15.26	6.65	7.91
Moderate Aggressive Strategy Benchmark	5.66	-5.61	13.43	6.28	7.63
AGGRESSIVE	7.22	-6.57	18.88	7.63	9.26
Aggressive Strategy Benchmark	6.48	-6.70	17.01	7.25	9.05

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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.