

Market and Economic Overview Period Ending September 30, 2022

The third quarter saw a continuation of 2022's downside volatility as stocks continued falling globally. Inflation also remained elevated at over 8%, resulting in the Federal Reserve continuing to raise rates. China's economic issues have continued to add further to global financial market volatility and the Russo-Ukrainian war has dragged on longer than most anticipated, which has resulted in higher inflation in certain areas and as well as left financial markets bereft of any good news.

The third quarter's downside market volatility continued, albeit in a smaller fashion than last quarter. US stocks fell another 4.6% though foreign markets fared worse, with non-US developed stocks ending down 9.1% and emerging markets equities falling 11.4% over the quarter. Year-to-date, the global stock market is down 25.5% in aggregate, though markets are coming off very strong returns after the initial Covid-19 drop.

The performance divide between growth and value reversed from last quarter. Whereas in the second quarter, growth stocks fell roughly 22% and value fell 11%, this quarter US value stocks stock fell 5.5%, marginally more than the 3.4% drop for US growth stocks. Growth stocks remain pricier, while also having less ability to navigate or even benefit from inflation. The larger fall in value during a high inflation period highlights the unpredictable nature of the current market. US Small cap, mid cap, and large cap stocks (as defined by the Russell 2000, mid cap, and 1000 indexes) respectively fell 2.2%, 3.4%, and 4.6%. Small cap stocks tend to be more volatile than large cap stocks, so the outperformance of small cap over large cap on the downside represents a peculiar reversal of bear market norms.

Bonds fell for yet another quarter, with the US Aggregate Bond Index falling 4.8% on fears that sustained inflation could take hold over the medium term. Global bonds fared worse than US bonds, falling 6.9%, reflecting in part the headwind of a strong US dollar as well as inflation getting exported globally. A simultaneous drop in both bond and stock prices is rare, but recent conditions of high inflation and rising interest rates have proven hostile to both. This phenomenon has continued over the past few quarters.

To combat elevated inflation, the Federal Reserve has continued raising short-term interest rates with a 75-basis point (0.75%) rise in July as well as a 75-basis point hike in September to a final discount rate of 3.25%. Since March 1st rates have gone from 0.25% to 3.25%, highlighting the Fed's effort to tame high inflation. This is one of the fastest rate rises the US has ever seen. Jerome Powell has also stated on record that they will continue to raise rates until "inflation is tamed" and that there will very likely be pain in the job market with potentially millions of job losses and a rising unemployment rate. The Federal Reserve will aim for a "soft-landing", though they will do "whatever it takes" to tame inflation. Mortgage interest rates have also skyrocketed with the average new mortgage interest rate headed towards 7%, well above the Covid-lows of an average interest rate of ~3%.

Another event raising inflation and hurting global economic growth are the periodic covid lockdowns in China resulting in many factories and ports implementing constant start/stop plans. That, along with Chinese regulations implemented to cool the hot property market, lowered the Chinese economic growth rate to its first negative quarterly reading since Covid started. Pre-Covid-19 China's economy hadn't seen a quarterly negative growth rate in many decades.

The Russo-Ukrainian war has continued to exacerbate high inflation and economic turmoil as Ukraine is one of the world's largest exporters of grain and several other agricultural products. An agreement was made in July between Russia, Ukraine, and Turkey to allow for the export of grain from Ukraine's southern port of Odessa. Even with the agreement, Ukrainian 2022 grain exports will be down heavily from 2021. The western-led oil embargo on Russian oil also initially heavily elevated oil prices with Brent Crude getting up to a high price of \$123.5 per barrel. Since the high, oil prices have gradually dropped. EU countries finally came to an agreement to price-cap all Russian oil to help further defund Russia's war machine. On the flip side, OPEC+ has recently agreed to an oil production cut of 1-million barrels per day to keep prices high.

Higher interest rates and other headwinds affecting the US and global economies have increased recession chances, with most economists predicting both a US recession in either late 2022 or 2023. Many economists even believe we are currently already in a recession. Even with the elevated chance of a recession, the US economy still showed many positive signs over the third quarter. The US unemployment rate fell slightly to a near record-low of 3.5%. The US economy also added an estimated 1.1m+ jobs. The US PMI fell from 53 to 50.9 over the quarter, barely registering growth, but still in positive territory, meaning most firms are seeing signs of increasing economic activity.

As the effects of supply chain disruptions, mid-terms, the Russo-Ukrainian war, and inflation play out over the coming months, 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 in 2008. Even with the large recent drop in financial market levels, we remain confident that such an approach will prove essential going forward.

Index (As of 9/30/22) ¹	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 yr
3-month T-Bills	0.45%	0.62%	0.63%	0.57%	1.13%	0.66%
Bloomberg U.S. Gov't/Credit Int.	-3.06%	-9.62%	-10.14%	-1.64%	0.38%	1.00%
Dow Jones Industrial Average	-6.17%	-19.72%	-13.40%	4.36%	7.42%	10.45%
S&P 500	-4.88%	-23.87%	-15.47%	8.16%	9.24%	11.70%
Russell 1000	-4.61%	-24.59%	-17.22%	7.95%	9.00%	11.60%
Russell 1000 Value	-5.62%	-17.75%	-11.36%	4.36%	5.29%	9.17%
Russell 1000 Growth	-3.60%	-30.66%	-22.59%	10.67%	12.17%	13.70%
Russell Mid-Cap	-3.44%	-24.27%	-19.39%	5.19%	6.48%	10.30%
Russell 2000	-2.19%	-25.10%	-23.50%	4.29%	3.55%	8.55%
Russell 2000 Value	-4.61%	-21.12%	-17.69%	4.72%	2.87%	7.94%
Russell 2000 Growth	0.24%	-29.28%	-29.27%	2.94%	3.60%	8.81%
MSCI EAFE	-9.29%	-26.76%	-24.75%	-1.38%	-0.36%	4.15%
MSCI EAFE Small Cap	-9.75%	-31.82%	-31.74%	-1.78%	-1.41%	5.66%
MSCI Emerging Markets	-11.42%	-26.89%	-27.80%	-1.71%	-1.44%	1.42%
Wilshire US REIT	-10.23%	-29.66%	-17.60%	-2.17%	2.88%	6.15%
DJ Global RESI	-11.13%	-29.48%	-21.20%	-5.46%	-0.01%	3.76%
Bloomberg Commodity Index	-4.11%	13.57%	11.80%	13.45%	6.96%	-2.14%
IQ Hedge Multi-Strategy	-2.87%	-11.83%	-11.74%	-1.02%	0.26%	1.75%

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.

<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
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%

Note: Effective July 1, 2022, model allocation changes were made as the chart illustrates above.

Returns through September 30, 2022

Plan Option/[Fund Name]/ Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
STABLE VALUE						
Federated Hermes Capital Pres R6	0.45	1.15	1.51	1.69	1.76	1.44
FTSE Treasury Benchmark 1 Yr OTR USD	-0.40	-1.71	-1.87	0.22	0.98	0.70
BOND						
Baird Aggregate Bond Inst	-4.66	-15.17	-15.26	-3.07	-0.09	1.36
Bloomberg US Govt/Credit Interm TR USD	-3.06	-9.62	-10.14	-1.64	0.38	1.00
OPPORTUNISTIC BOND						
Loomis Sayles Bond Instl	-2.69	-14.87	-14.64	-2.77	-0.54	1.92
Bloomberg Multiverse TR USD	-6.76	-19.79	-20.35	-5.63	-2.26	-0.76
LARGE CAP VALUE						
Vanguard Windsor™ II Admiral™	-5.50	-21.69	-14.96	8.18	7.70	9.98
Russell 1000 Value TR USD	-5.62	-17.75	-11.36	4.36	5.29	9.17
S&P 500 INDEX						
Vanguard 500 Index Admiral	-4.89	-23.89	-15.51	8.12	9.20	11.66
S&P 500 TR USD	-4.88	-23.87	-15.47	8.16	9.24	11.70
LARGE CAP GROWTH						
Harbor Capital Appreciation Instl	-1.80	-36.78	-33.62	8.27	9.81	12.81
Russell 1000 Growth TR USD	-3.60	-30.66	-22.59	10.67	12.17	13.70
MID CAP INDEX						
Vanguard Mid Cap Index Admiral	-4.14	-25.43	-19.48	5.47	6.64	10.45
CRSP - MSCI Mid Cap Index Composite	-4.14	-25.42	-19.47	5.48	6.66	10.50
SMALL CAP VALUE						
DFA US Targeted Value I	-2.68	-15.32	-9.34	9.82	5.45	9.68
Russell 2000 Value TR USD	-4.61	-21.12	-17.69	4.72	2.87	7.94
SMALL CAP GROWTH						
Emerald Growth Institutional	-0.03	-28.95	-29.04	4.78	4.75	10.29
Russell 2000 Growth TR USD	0.24	-29.28	-29.27	2.94	3.60	8.81
FOREIGN VALUE						
Dodge & Cox International Stock I	-10.69	-19.64	-17.71	0.25	-1.48	4.17
MSCI EAFE Value GR USD	-10.12	-20.61	-19.62	-2.20	-2.14	2.98
FOREIGN GROWTH						
WCM Focused International Growth Instl Composite	-8.10	-37.28	-33.75	2.23	5.13	8.05
MSCI EAFE Growth GR USD	-8.45	-32.82	-30.06	-1.18	1.03	5.08
REAL ESTATE INDEX						
Vanguard Real Estate Index Admiral	-11.00	-29.25	-18.71	-1.59	3.09	6.24
MSCI US Inv Mkt RE 25-50 Trans GR USD Composite	-10.98	-29.20	-18.62	-1.49	3.19	6.34

Historical Performance of Current Models

Returns through September 30, 2022

Model Option/Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
0-5 Years						
CONSERVATIVE	-1.61	-7.94	-7.06	0.51	1.46	2.29
Conservative Strategy Benchmark	-2.47	-8.97	-8.56	-0.48	0.98	1.48
MODERATE CONSERVATIVE	-2.04	-11.28	-9.70	1.75	2.38	3.57
Moderate Conservative Strategy Benchmark	-2.84	-11.87	-10.66	0.61	1.90	2.87
MODERATE	-2.84	-14.85	-12.56	2.78	3.18	4.77
Moderate Strategy Benchmark	-3.44	-14.77	-12.68	1.54	2.74	4.17
MODERATE AGGRESSIVE	-3.21	-17.25	-14.56	3.26	3.55	5.49
Moderate Aggressive Strategy Benchmark	-3.80	-16.70	-14.14	2.06	3.21	5.00
AGGRESSIVE	-3.55	-18.83	-15.86	3.89	3.85	6.16
Aggressive Strategy Benchmark	-4.05	-18.42	-15.66	2.44	3.43	5.67
6-10 Years						
CONSERVATIVE	-1.81	-9.18	-8.07	0.74	1.70	2.65
Conservative Strategy Benchmark	-2.66	-9.92	-9.25	-0.24	1.23	1.85
MODERATE CONSERVATIVE	-2.32	-11.93	-10.22	1.88	2.46	3.76
Moderate Conservative Strategy Benchmark	-3.00	-12.47	-11.16	0.69	1.96	3.05
MODERATE	-3.15	-16.34	-13.86	2.83	3.18	5.01
Moderate Strategy Benchmark	-3.77	-15.96	-13.71	1.60	2.82	4.47
MODERATE AGGRESSIVE	-3.82	-19.37	-16.49	3.63	3.63	6.04
Moderate Aggressive Strategy Benchmark	-4.31	-18.84	-16.17	2.17	3.23	5.52
AGGRESSIVE	-4.26	-21.67	-18.32	4.52	4.23	7.00
Aggressive Strategy Benchmark	-4.62	-20.92	-17.65	2.97	3.88	6.63
11-15 Years						
CONSERVATIVE	-1.88	-9.48	-8.21	1.06	1.85	2.88
Conservative Strategy Benchmark	-2.68	-10.38	-9.64	-0.04	1.35	2.09
MODERATE CONSERVATIVE	-2.54	-13.10	-11.10	2.34	2.76	4.22
Moderate Conservative Strategy Benchmark	-3.16	-13.51	-11.89	1.07	2.28	3.56
MODERATE	-3.38	-17.45	-14.69	3.32	3.51	5.54
Moderate Strategy Benchmark	-3.91	-17.08	-14.53	2.03	3.16	5.05
MODERATE AGGRESSIVE	-4.27	-21.37	-18.07	4.36	4.16	6.85
Moderate Aggressive Strategy Benchmark	-4.62	-20.59	-17.35	2.85	3.81	6.47
AGGRESSIVE	-4.72	-24.29	-20.50	5.26	4.81	7.99
Aggressive Strategy Benchmark	-5.00	-23.08	-19.23	3.66	4.49	7.72
16+ Years						
CONSERVATIVE	-2.00	-9.94	-8.47	1.31	2.03	3.10
Conservative Strategy Benchmark	-2.75	-10.84	-9.89	0.20	1.56	2.36
MODERATE CONSERVATIVE	-2.82	-14.51	-12.21	2.69	3.04	4.67
Moderate Conservative Strategy Benchmark	-3.40	-14.66	-12.70	1.42	2.60	4.07
MODERATE	-3.70	-18.91	-15.84	3.76	3.77	6.08
Moderate Strategy Benchmark	-4.14	-18.43	-15.62	2.40	3.43	5.64
MODERATE AGGRESSIVE	-4.62	-23.06	-19.41	4.79	4.45	7.50
Moderate Aggressive Strategy Benchmark	-4.88	-22.23	-18.72	3.21	4.11	7.17
AGGRESSIVE	-5.24	-26.39	-22.19	5.95	5.10	8.80
Aggressive Strategy Benchmark	-5.43	-25.29	-21.14	4.06	4.72	8.59

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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.