

## Market and Economic Overview Period Ending December 31, 2022

Stocks ended the fourth quarter generally higher than they had started, though market gyrations that we saw throughout the year continued. Inflation also remained elevated, falling from a high of a 9% annualized rate to about 7% at the end of 2022. This has resulted in the Federal Reserve continuing to raise interest rates. US mid-term elections delivered a split Congress, meaning that the legislature is very unlikely to pass any major legislation before the next general election in 2024. Although the chances of a US recession have increased, the job market has also remained incredibly strong with a large labor shortage. On the foreign front the Russo-Ukrainian war has continued to drag on, which has resulted in higher but receding inflation in certain areas. China's economic issues have also somewhat continued to add further to global financial market volatility, though the government has finally ended their zero-Covid policy, resulting in far fewer constraints on the Chinese economy, and higher Covid infection rates as well.

The market finally had its first positive quarter for the year this past quarter. The S&P 500 rose 7.6% in aggregate, while foreign markets were even stronger, with non-US developed stocks ending the quarter 17.4% higher and emerging markets equities rising 9.8%. Even with the strong 4<sup>th</sup> quarter, over the full year, the global stock market still fell nearly 18%, the worst year since the great financial crisis.

The performance divide between growth and value reversed yet again last quarter. Whereas in the third quarter, US growth stocks fell 3.4% and value fell 5.5%, this quarter US value stocks stock rose 12.2%, significantly more than the 2.3% gain for US growth stocks. Growth stocks remain pricier, while also having less ability to navigate or even benefit from inflation, so the still high 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 6.2%, 9.2%, and 7.1%. Small cap stocks tend to be more volatile than large cap stocks, so the outperformance of large cap and mid cap over small cap on the upside represents a peculiar reversal of market norms.

Bonds had their first positive quarterly return for the year as well, with the US Aggregate Bond Index gaining 1.9%, primarily due to falling inflation and henceforth falling interest. Global bonds fared even better than US bonds, rising 4.7%, reflecting in part the tailwind of a very strong US dollar starting to weaken throughout the quarter.

To combat the falling, but still elevated inflation, the Federal Reserve has continued raising short-term interest rates with a 75-basis point (0.75%) rise in in November as well as another 50-basis point hike in December to a final discount rate of 4.5%. Since March 1<sup>st</sup> rates have gone from 0.25% to 4.5%, highlighting the Fed's continuing effort to tame high inflation. The Federal Reserve is still aiming for an economic "soft-landing", though they will do "whatever it takes" to tame higher inflation. Interest rates peaked in June at an annualized 9.1% pace, and have now come down every single month through November, falling to annualized 7.1% rate. Mortgage interest rates, lagging inflation, continued their rise through mid-November, peaking at above 7%, before falling back to about 6.4% at year-end. Rates across the board are going in the right direction, though we are yet to see if the Federal Reserve will get their desired soft-landing.

Another event causing inflation and lower global economic growth has been the continuation of government-mandated mass Covid lockdowns in China over the past 3 years resulting in many factories and ports utilizing constant start/stop plans. On December 7th, China's government announced a reversal of their 0-Covid policy and began rapidly opening the economy, resulting in both escalating growth and Covid rates. 4Q22 growth rates are expected to be in the 3-4% range, reversing China's negative 3<sup>rd</sup> quarter growth, the first negative quarterly growth figure in decades.

The Russo-Ukrainian war also continues, exacerbating inflation and economic turmoil by limiting Ukraine's agricultural products exports. The July grain-export agreement between Russia, Ukraine, and Turkey has held, adding needed grain supplies to the market. Even with the agreement, Ukrainian 2022 grain exports fell substantially from 2021. The Western-led oil embargo on Russia also initially elevated oil prices with Brent Crude going as high as \$123.5 per barrel. Since the high, oil prices have gradually dropped. Western countries agreed to price-cap all Russian oil at \$60 per barrel to help further defund Russia's war machine. Russia responded by banning oil exports to countries that abided by the ban. As a result, total Russian oil exports have dropped considerably though they have started to flow more towards 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. Even with the elevated recession chance, the US economy still showed many positive signs over the quarter. Over 2022, the US unemployment rate fell 0.5% to a near record-low of 3.5%. The US economy also added roughly 750k+ jobs over the past quarter and 4.5 million jobs over the full year. A notable negative indicator over the past quarter was the US Manufacturing PMI falling from 50.9 to 46, meaning most firms are now seeing signs of decreasing economic activity. This is the first negative quarterly PMI reading since the Covid-recession.

As the lingering 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 past year's large drop in financial market levels, we remain confident that such an approach will prove essential going forward.

Index (As of 12/31/22) <sup>1</sup>	Qtr	1 Yr	3 Yr	5 Yr	10 yr
3-month T-Bills	0.87%	1.50%	0.71%	1.25%	0.74%
Barclays U.S. Gov't/Credit Int.	1.54%	-8.23%	-1.26%	0.73%	1.12%
Dow Jones Industrial Average	16.01%	-6.86%	7.32%	8.38%	12.30%
S&P 500	7.56%	-18.11%	7.66%	9.43%	12.56%
Russell 1000	7.24%	-19.13%	7.35%	9.13%	12.38%
Russell 1000 Value	12.42%	-7.54%	5.96%	6.67%	10.29%
Russell 1000 Growth	2.20%	-29.14%	7.78%	10.96%	14.10%
Russell Mid Cap	9.18%	-17.32%	5.88%	7.10%	10.96%
Russell 2000	6.23%	-20.44%	3.10%	4.13%	9.01%
Russell 2000 Value	8.42%	-14.48%	4.70%	4.13%	8.48%
Russell 2000 Growth	4.13%	-26.36%	0.65%	3.51%	9.20%
MSCI EAFE	17.40%	-14.01%	1.34%	2.03%	5.16%
MSCI EAFE Small Cap	15.85%	-21.02%	-0.54%	0.35%	6.60%
MSCI Emerging Markets	9.79%	-19.74%	-2.34%	-1.03%	1.81%
Wilshire US REIT	4.05%	-26.81%	-0.49%	3.35%	6.31%
DJ Global RESI	6.94%	-24.59%	-3.79%	0.57%	3.95%
Bloomberg Commodity Index	2.22%	16.09%	12.65%	6.44%	-1.29%
IQ Hedge Multi-Strategy	4.47%	-7.89%	-0.67%	0.76%	2.18%

<sup>1</sup> 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><b>STABLE VALUE</b> [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><b>INTERMEDIATE BOND</b> [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><b>OPPORTUNISTIC BOND</b> [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><b>LARGE CAP VALUE</b> [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><b>S&amp;P 500 INDEX</b> [Vanguard 500 Index]</p>	<p>This option's objective is to mirror the return of the S&amp;P 500 Index. The option is unmanaged, remaining fully invested at all times and holds all 500 stocks in the S&amp;P 500 Index in the same proportion as their weighting in the index.</p>
<p><b>LARGE CAP GROWTH</b> [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><b>MID CAP INDEX</b> [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><b>SMALL CAP VALUE</b> [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><b>SMALL CAP GROWTH</b> [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><b>FOREIGN VALUE</b> [Dodge &amp; 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><b>FOREIGN GROWTH</b> [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><b>REAL ESTATE INDEX</b> [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%

### Returns through December 31, 2022

Plan Option/[Fund Name]/ Benchmark	1 Qtr	1 Year	3 Years	5 Years	10 Years
<b>STABLE VALUE</b>					
Federated Hermes Capital Pres R6	0.58	1.73	1.70	1.80	1.47
FTSE Treasury Benchmark 1 Yr OTR USD	0.75	-0.97	0.28	1.12	0.76
<b>BOND</b>					
Baird Aggregate Bond Inst	2.15	-13.35	-2.48	0.25	1.49
Bloomberg US Govt/Credit Interm TR USD	1.54	-8.23	-1.26	0.73	1.12
<b>OPPORTUNISTIC BOND</b>					
Loomis Sayles Bond Instl	2.79	-12.49	-2.65	0.00	1.89
Bloomberg Multiverse TR USD	4.70	-16.01	-4.38	-1.57	-0.28
<b>LARGE CAP VALUE</b>					
Vanguard Windsor™ II Admiral™	10.91	-13.14	8.69	8.70	10.99
Russell 1000 Value TR USD	12.42	-7.54	5.96	6.67	10.29
<b>S&amp;P 500 INDEX</b>					
Vanguard 500 Index Admiral	7.55	-18.15	7.62	9.39	12.52
S&P 500 TR USD	7.56	-18.11	7.66	9.42	12.56
<b>LARGE CAP GROWTH</b>					
Harbor Capital Appreciation Instl	-1.49	-37.72	3.61	7.97	12.78
Russell 1000 Growth TR USD	2.20	-29.14	7.79	10.96	14.10
<b>MID CAP INDEX</b>					
Vanguard Mid Cap Index Admiral	9.02	-18.71	6.17	7.32	11.10
CRSP - MSCI Mid Cap Index Composite	9.03	-18.68	6.19	7.34	11.15
<b>SMALL CAP VALUE</b>					
DFA US Targeted Value I	12.63	-4.62	11.16	7.04	10.49
Russell 2000 Value TR USD	8.42	-14.48	4.70	4.13	8.48
<b>SMALL CAP GROWTH</b>					
Emerald Growth Institutional	6.27	-24.50	2.94	4.42	11.11
Russell 2000 Growth TR USD	4.13	-26.36	0.65	3.51	9.20
<b>FOREIGN VALUE</b>					
Dodge & Cox International Stock I	16.01	-6.78	1.85	1.25	4.81
MSCI EAFE Value GR USD	19.73	-4.95	1.26	0.79	4.10
<b>FOREIGN GROWTH</b>					
WCM Focused International Growth Instl Composite	13.36	-28.90	3.39	6.73	8.91
MSCI EAFE Growth GR USD	15.08	-22.69	0.79	2.85	5.97
<b>REAL ESTATE INDEX</b>					
Vanguard Real Estate Index Admiral	4.31	-26.20	-0.41	3.68	6.42
MSCI US Inv Mkt RE 25-50 Trans GR USD Composite	4.35	-26.12	-0.29	3.78	6.53

### Returns through December 31, 2022

Model Option/Benchmark	1 Qtr	1 Year	3 Years	5 Years	10 Years
<b>0-5 Years</b>					
<b>CONSERVATIVE</b>	2.13	-5.98	0.66	1.73	2.39
Conservative Strategy Benchmark	2.52	-6.67	-0.09	1.33	1.71
<b>MODERATE CONSERVATIVE</b>	3.29	-8.36	1.81	2.74	3.77
Moderate Conservative Strategy Benchmark	3.67	-8.63	0.96	2.33	3.18
<b>MODERATE</b>	4.57	-10.95	2.78	3.65	5.07
Moderate Strategy Benchmark	5.02	-10.49	1.93	3.28	4.59
<b>MODERATE AGGRESSIVE</b>	5.27	-12.89	3.19	4.07	5.83
Moderate Aggressive Strategy Benchmark	5.96	-11.74	2.50	3.83	5.48
<b>AGGRESSIVE</b>	6.29	-13.73	3.85	4.51	6.56
Aggressive Strategy Benchmark	6.88	-12.80	2.90	4.16	6.21
<b>6-10 Years</b>					
<b>CONSERVATIVE</b>	2.42	-6.98	0.86	1.98	2.77
Conservative Strategy Benchmark	2.91	-7.30	0.18	1.61	2.11
<b>MODERATE CONSERVATIVE</b>	3.77	-8.61	2.01	2.89	3.99
Moderate Conservative Strategy Benchmark	4.06	-8.92	1.10	2.45	3.39
<b>MODERATE</b>	5.00	-12.15	2.82	3.71	5.32
Moderate Strategy Benchmark	5.68	-11.18	2.09	3.44	4.93
<b>MODERATE AGGRESSIVE</b>	6.55	-14.10	3.64	4.35	6.45
Moderate Aggressive Strategy Benchmark	7.11	-13.06	2.70	4.00	6.08
<b>AGGRESSIVE</b>	7.55	-15.76	4.45	5.03	7.49
Aggressive Strategy Benchmark	8.08	-14.53	3.46	4.72	7.26
<b>11-15 Years</b>					
<b>CONSERVATIVE</b>	2.77	-6.97	1.21	2.18	3.02
Conservative Strategy Benchmark	3.14	-7.56	0.37	1.76	2.36
<b>MODERATE CONSERVATIVE</b>	4.28	-9.38	2.45	3.24	4.48
Moderate Conservative Strategy Benchmark	4.59	-9.54	1.49	2.80	3.93
<b>MODERATE</b>	5.68	-12.76	3.32	4.11	5.90
Moderate Strategy Benchmark	6.25	-11.90	2.51	3.82	5.55
<b>MODERATE AGGRESSIVE</b>	7.42	-15.53	4.31	4.95	7.34
Moderate Aggressive Strategy Benchmark	7.99	-14.25	3.37	4.64	7.09
<b>AGGRESSIVE</b>	8.42	-17.91	5.07	5.64	8.56
Aggressive Strategy Benchmark	9.09	-16.09	4.13	5.39	8.42
<b>16+ Years</b>					
<b>CONSERVATIVE</b>	3.05	-7.20	1.47	2.39	3.27
Conservative Strategy Benchmark	3.40	-7.81	0.61	1.98	2.65
<b>MODERATE CONSERVATIVE</b>	4.76	-10.44	2.79	3.57	4.97
Moderate Conservative Strategy Benchmark	5.15	-10.26	1.87	3.17	4.49
<b>MODERATE</b>	6.44	-13.69	3.78	4.45	6.49
Moderate Strategy Benchmark	7.00	-12.73	2.91	4.18	6.19
<b>MODERATE AGGRESSIVE</b>	8.23	-16.73	4.76	5.31	8.04
Moderate Aggressive Strategy Benchmark	8.73	-15.44	3.74	5.00	7.83
<b>AGGRESSIVE</b>	9.74	-19.21	5.76	6.09	9.46
Aggressive Strategy Benchmark	10.38	-17.53	4.57	5.75	9.37

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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.