

Market and Economic Overview Period Ending June 30, 2023

Uncertainty remains relatively high across the board. The economy is in transition on a number of fronts, with the Federal Reserve attempting to gauge the impact of its tighter monetary policy over the past 15 months, as it watches both inflation and economic growth cooling gradually. Many financial market participants are a steady blur of activity these days, as they attempt to position for whatever it is they only recently became convinced is most definitely going to happen next.

These conditions can easily lead investors to worry – which, of course, does no good. It can further lead them to begin tinkering with their portfolio, which often ends up doing them more harm than good, or even *gasp* taking more drastic action and moving sharply away from their long-term strategy, either becoming much more aggressive or conservative based on their near-term outlook for the market.

Unfortunately, these sorts of moves can inflict severe damage to an investor's long-term retirement plans, with potential setbacks like losses from performance chasing or missed profits from market timing translating into the need to work longer or settle for a more modest retirement outcome than originally planned.

The first six months of 2023 are a good example of why it is important to stick with an appropriate long-term strategy. After the bear market ripped its way through 2022, investor sentiment was relatively depressed going into year-end and fund flow data shows investors were starting to move fairly aggressively out of stocks. The market, however, had put in what has served as a bottom for this cycle (at least so far) and has moved fairly steadily higher since then, with the S&P 500 gaining roughly +7.5% in the 1st quarter and +8.75% in the quarter just ended.

Of course, last year's losses weren't just in stocks: in a (thankfully) rare turn of events, bonds got clobbered as well in 2022 (as I am sure you are all too well aware). Some investors who had long been pursuing diversified asset allocation strategies of global stocks and bonds began to wonder if the entire approach was broken. Following some of the worst quarterly showings in decades, however, bonds began to stabilize late last year before recovering some ground in Q1. While the most recent quarter was a step back, it was only a modest one relative to last year, with the Bloomberg Intermediate Government/Credit index (which measures the performance of a basket of a range of high quality US bonds) returning a loss of -0.8%.

As a result, investors pursuing a balanced portfolio allocation combining stocks and bonds have done reasonably well so far in 2023 – provided they stuck with their strategy!

Despite this generally solid performance, however, not everything has been sunshine and rainbows. For one thing, the old adage that “a rising tide lifts all boats” has not held true to the extent most investors would have liked to see; specifically, it has been a small subset of stocks – broadly speaking, the largest US growth stocks – that has accounted for the lion's share of the overall market's recent advance. For example, the Russell Top 50 index, which reflects the performance of only the 50 largest companies – the so-called “mega-caps” – in the US stock market did considerably better than the broader S&P 500 index, gaining over +13% in Q2; small- and mid-cap stocks, meanwhile, participated but could not keep pace, each gaining around +5% for the three-month period though June 30. The difference was even more pronounced on a geographic basis, due in part to some renewed near-term strength in the US Dollar, with developed foreign stocks coming in at roughly

+3%, while emerging market stocks were just barely positive this period.

On the economic front, primary focus remains on inflation and the potential for continued monetary tightening by the US Federal Reserve, something that tends to tap the brakes on economic growth. Interest rates in the US have gone from essentially zero early last year to slightly more than 5% currently, with growing expectations for at least another ¼ percentage point hike or two before the Fed is through. There is absolutely no debating the fact that inflationary pressures have eased significantly since peaking at around +9% a year ago, but the rate of inflation is nowhere near back down to the Fed's +2% per year target.

The Fed's progress has been slower than expected in part due to the ongoing strength of the labor market. Job creation has consistently exceeded expectations, jobs remain plentiful, and the labor market remains tight; as a result, wages have continued to rise at a healthy clip that is helping to put a floor under the overall rate of inflation for the time being.

This likely keeps the Federal Reserve biased towards further hikes and while they may attempt to proceed at a more gradual pace in order to prevent any further shakeup in the banking system beyond the small cluster of failures we saw earlier this year, they will likely be willing to tolerate some greater risk to economic growth for the sake of maintaining their credibility as inflation fighters.

As a result, prospects for a recession in the US – and worldwide, for that matter, since global economies and financial markets are deeply interconnected – are likely to remain front-of-mind for policymakers and investors alike over the coming year. Even among those economists and strategists currently calling for a recession, however, the broad consensus appears to be that any recession is likely to be fairly mild and brief and, thus, bear little resemblance to the more severe crisis-induced downturns we have gotten used to seeing over the past 25 years or so,

As the past couple of quarters highlight, discipline is crucial to a long-term investment approach, such as that pursued within the context of planning for retirement. Provided you have done the work up front to select a well-diversified and risk-appropriate strategy for your investments, the best thing you can do for yourself now is to stick with it and let compounding work for you. Acting on short-term impulses or emotion is very unlikely to improve your chances for a successful retirement outcome – quite the opposite, in fact. So, if you are looking for something you can do now to give yourself an edge, see if you can squeeze even a little bit more into your retirement contributions instead; it can make a big difference and pretty soon you won't even miss it.

Index (As of 06/30/23) ¹	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 yr
3-month T-Bills	1.25%	2.39%	3.75%	1.33%	1.57%	0.98%
Barclays U.S. Gov't/Credit Int.	-0.81%	1.50%	-0.10%	-2.46%	1.23%	1.41%
Dow Jones Industrial Average	3.97%	4.94%	14.23%	12.31%	9.59%	11.26%
S&P 500	8.74%	16.89%	19.59%	14.61%	12.31%	12.86%
Russell 1000	8.58%	16.68%	19.36%	14.10%	11.92%	12.65%
Russell 1000 Value	4.07%	5.12%	11.54%	14.31%	8.11%	9.22%
Russell 1000 Growth	12.81%	29.02%	27.11%	13.74%	15.14%	15.75%
Russell Mid Cap	4.76%	9.01%	14.92%	12.51%	8.46%	10.33%
Russell 2000	5.21%	8.09%	12.31%	10.83%	4.21%	8.26%
Russell 2000 Value	3.18%	2.50%	6.01%	15.44%	3.54%	7.29%
Russell 2000 Growth	7.05%	13.55%	18.53%	6.10%	4.22%	8.83%
MSCI EAFE	3.22%	12.13%	19.41%	9.48%	4.90%	5.91%
MSCI EAFE Small Cap	0.80%	5.89%	10.71%	6.16%	1.72%	6.59%
MSCI Emerging Markets	1.04%	5.10%	2.22%	2.72%	1.32%	3.33%
Wilshire US REIT	3.31%	6.74%	-0.31%	8.56%	4.40%	6.39%
DJ Global RESI	1.06%	2.56%	-2.52%	5.79%	0.97%	3.91%
Bloomberg Commodity Index	-2.56%	-7.79%	-9.61%	17.83%	4.73%	-0.99%
IQ Hedge Multi-Strategy	2.28%	5.40%	6.95%	1.49%	1.85%	2.76%

¹ The Bloomberg U.S. Government Credit Intermediate index is a registered service mark of Bloomberg Finance LP. 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	27.0%	22.0%	16.5%	13.0%	10.5%	25.0%	21.0%	14.0%	9.0%	6.0%
Fixed Income	36.0%	31.0%	27.0%	24.0%	19.0%	36.0%	30.0%	27.0%	22.0%	15.0%
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%	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	0.0%	2.0%	2.0%	5.0%	7.0%	3.0%	3.0%	4.0%	5.0%	6.0%
Small Cap/Mid Growth	2.0%	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%

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	24.0%	19.5%	12.5%	6.5%	2.5%	48.0%	35.0%	10.5%	3.5%	0.0%
Fixed Income	32.0%	27.0%	23.0%	16.0%	9.0%	16.0%	12.5%	19.0%	13.0%	0.0%
Large Cap Value	4.0%	6.0%	11.0%	14.0%	16.0%	4.0%	7.0%	11.0%	13.0%	15.0%
Large Cap Blend	4.0%	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%	3.0%	4.0%	6.0%	9.0%	12.0%
Small/Mid Blend	3.0%	4.0%	5.0%	6.0%	8.0%	2.0%	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	2.5%	5.0%	7.5%	11.5%	13.0%	2.5%	6.0%	9.0%	12.5%	16.0%

Note: Allocations provided by Morningstar Investment Mgmt as of 7/1/2023.

Returns through June 30, 2023

Plan Option/[Fund Name]/ Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
STABLE VALUE						
Federated Hermes Capital Pres R6	0.85	1.60	2.65	1.90	1.95	1.56
FTSE Treasury Benchmark 1 Yr OTR USD	0.47	1.75	2.11	0.29	1.34	0.93
BOND						
Baird Aggregate Bond Inst	-0.61	2.43	-0.25	-3.69	1.09	1.94
Bloomberg US Govt/Credit Interm TR USD	-0.81	1.50	-0.10	-2.46	1.23	1.41
OPPORTUNISTIC BOND						
Loomis Sayles Bond Instl	-0.39	2.61	2.63	0.16	0.62	2.07
Bloomberg Multiverse TR USD	-1.39	1.59	-0.82	-4.67	-0.94	0.35
LARGE CAP VALUE						
Vanguard Windsor™ II Admiral™	5.96	10.89	16.23	16.49	11.13	10.60
Russell 1000 Value TR USD	4.07	5.12	11.54	14.30	8.11	9.22
S&P 500 INDEX						
Vanguard 500 Index Admiral	8.73	16.87	19.54	14.56	12.27	12.82
S&P 500 TR USD	8.74	16.89	19.59	14.60	12.31	12.86
LARGE CAP GROWTH						
Harbor Capital Appreciation Instl	15.70	36.89	32.41	8.74	12.60	15.34
Russell 1000 Growth TR USD	12.81	29.02	27.11	13.73	15.14	15.74
MID CAP INDEX						
Vanguard Mid Cap Index Admiral	4.76	8.81	13.71	11.95	8.59	10.43
CRSP - MSCI Mid Cap Index Composite	4.75	8.80	13.71	11.97	8.60	10.46
SMALL CAP VALUE						
DFA US Targeted Value I	4.58	5.58	15.73	24.51	7.43	9.31
Russell 2000 Value TR USD	3.18	2.50	6.01	15.43	3.54	7.29
SMALL CAP GROWTH						
Emerald Growth Institutional	8.78	13.26	20.32	7.22	5.66	10.41
Russell 2000 Growth TR USD	7.05	13.55	18.53	6.10	4.22	8.83
FOREIGN VALUE						
Dodge & Cox International Stock I	4.31	10.72	14.70	12.78	4.88	5.33
MSCI EAFE Value GR USD	3.54	9.89	18.25	12.08	3.59	4.76
FOREIGN GROWTH						
WCM Focused International Growth Instl Composite	3.59	14.55	19.34	6.58	9.09	9.74
MSCI EAFE Growth GR USD	2.94	14.47	20.61	6.62	5.80	6.81
REAL ESTATE INDEX						
Vanguard Real Estate Index Admiral	1.64	3.46	-3.95	5.87	4.39	6.13
MSCI US Inv Mkt RE 25-50 Trans GR USD Composite	1.68	3.54	-3.82	6.00	4.48	6.24

Returns through June 30, 2023

Model Option/Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
0-5 Years						
CONSERVATIVE	2.23	2.23	-1.17	2.91	2.34	2.58
Conservative Strategy Benchmark	0.53	2.92	2.91	0.23	1.90	2.00
MODERATE CONSERVATIVE	3.12	3.12	-2.05	5.71	3.52	3.89
Moderate Conservative Strategy Benchmark	1.50	4.60	5.36	2.28	3.13	3.44
MODERATE	4.25	4.25	-2.90	8.30	4.63	5.17
Moderate Strategy Benchmark	2.49	6.51	8.02	4.31	4.42	4.85
MODERATE AGGRESSIVE	4.88	4.88	-3.78	9.86	5.18	5.90
Moderate Aggressive Strategy Benchmark	3.05	7.57	9.64	5.60	5.15	5.73
AGGRESSIVE	5.17	5.17	-4.10	11.84	5.66	6.55
Aggressive Strategy Benchmark	3.49	8.34	11.11	6.84	5.57	6.40
6-10 Years						
CONSERVATIVE	2.57	2.57	-1.56	3.53	2.64	2.96
Conservative Strategy Benchmark	0.77	3.39	3.57	0.73	2.26	2.40
MODERATE CONSERVATIVE	3.22	3.22	-2.08	6.21	3.68	4.10
Moderate Conservative Strategy Benchmark	1.62	4.89	5.87	2.63	3.31	3.65
MODERATE	4.63	4.63	-3.41	8.99	4.78	5.42
Moderate Strategy Benchmark	2.67	6.98	8.80	4.84	4.69	5.20
MODERATE AGGRESSIVE	5.22	5.22	-4.23	11.70	5.51	6.45
Moderate Aggressive Strategy Benchmark	3.41	8.39	11.10	6.64	5.45	6.31
AGGRESSIVE	5.92	5.92	-4.91	14.03	6.35	7.42
Aggressive Strategy Benchmark	4.28	9.89	13.28	8.46	6.38	7.46
11-15 Years						
CONSERVATIVE	2.62	2.62	-1.52	4.27	2.86	3.18
Conservative Strategy Benchmark	0.93	3.64	4.03	1.14	2.43	2.63
MODERATE CONSERVATIVE	3.55	3.55	-2.34	7.33	4.10	4.57
Moderate Conservative Strategy Benchmark	1.98	5.54	6.89	3.46	3.77	4.18
MODERATE	4.84	4.84	-3.69	10.31	5.21	5.95
Moderate Strategy Benchmark	3.09	7.70	9.95	5.81	5.17	5.80
MODERATE AGGRESSIVE	5.88	5.88	-4.75	13.62	6.24	7.30
Moderate Aggressive Strategy Benchmark	4.16	9.75	13.04	8.20	6.31	7.31
AGGRESSIVE	6.74	6.74	-5.93	16.25	7.09	8.45
Aggressive Strategy Benchmark	5.12	11.39	15.44	10.22	7.29	8.59
16+ Years						
CONSERVATIVE	2.75	2.75	-1.58	4.81	3.10	3.42
Conservative Strategy Benchmark	1.15	4.03	4.60	1.60	2.73	2.92
MODERATE CONSERVATIVE	3.96	3.96	-2.74	8.31	4.50	5.04
Moderate Conservative Strategy Benchmark	2.35	6.26	7.94	4.27	4.28	4.73
MODERATE	5.15	5.15	-4.10	11.72	5.61	6.49
Moderate Strategy Benchmark	3.50	8.46	11.24	6.85	5.64	6.41
MODERATE AGGRESSIVE	6.19	6.19	-5.46	15.28	6.67	7.93
Moderate Aggressive Strategy Benchmark	4.62	10.54	14.33	9.31	6.77	8.00
AGGRESSIVE	6.78	14.49	19.07	12.94	8.64	9.72
Aggressive Strategy Benchmark	5.82	12.67	17.62	11.96	7.83	9.48

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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.