

## Market and Economic Overview Period Ending September 30, 2023

The major U.S. equity benchmarks disappointed with declines in each of the final two months in Q3, which was also their first quarter in the red since Q3 2022. At their July highs, both the Nasdaq-100 and S&P 500 came within 5% of the prior all-time highs set in late 2021 / early 2022.

“Higher for longer” rate expectations followed by FOMC September meeting, and one more possible rate hike this year, as indicated by the majority of the Fed members (after a 25-bps hike in the July meeting), pushed bond yields higher, driving negative performance in the equity markets. The US treasury 30-year yield surged 84 basis points in Q3 for its largest quarterly gain in more than 14 years, reaching its highest level since 2011. The US treasury 10-year yield advanced 74 basis points in Q3, and its peak at 4.69% marked a 16-year high. Rising US treasury yields were accompanied by a broader rise in yields across the globe and coincided with actions taken by global central banks, regulators, and rating agencies. Other developments also weighed on stock and bond returns this quarter, as on Aug. 2, Fitch downgraded the U.S. credit rating soon after the US Treasury issued (on July 31st) its QFR (Quarterly Funding Report), announcing a sharp increase in the government’s net borrowing estimate for the July through September quarter to \$1 trillion, well above what was forecasted in early May.

On a positive note, US economic growth accelerated in the third quarter, and the economy has shown remarkable resilience this year with continued healthy job markets and consumer spending that has held up in the face of higher prices and interest rates, while businesses have trudged through uncertainty without the economy falling into recession. However, higher borrowing costs, student loan repayment starting in September 2023, lower savings, and other emerging risks like the auto worker strike and possible government shutdowns are headwinds to watch for.

For the quarter, while earnings came in stronger than expected, corporate forward guidance was cautiously optimistic. US large cap continued its stellar performance, beating small capes, while within style, value outperformed growth and large value outperformed small growth by the widest margin, even though absolute returns were negative across all the styles and caps. More defensive, large-cap dividend paying stocks held up better than smaller, more speculative growth stocks as expectations for higher interest rates weighed in on the discount rate on future earnings. As has been widely reported throughout the year, the robust YTD gains in the large-cap benchmarks are being driven in large part by a small group of mega-cap companies. The “Magnificent 7,” as they have come to be known, have a 43% and 27% weighting in the Nasdaq 100 and S&P 500 indices, respectively.

Within S&P 500, Energy was the best-performing sector for the quarter with a +12.2% return, driven by higher energy prices. Apart from energy, the communication sector was the only other positive sector, while all nine other sectors returned negative, with real estate detracting the most with a -9.5% return. YTD gains are still led by Tech (+34.7%), Communication services (+40.4%), and Consumer Discretionary (+26.7%), while utilities (-14.4%) underperformed the most.

In international markets, a stronger U.S. dollar and weakening growth in Europe and China weighed on returns, with developed markets and Emerging Market equities down by -4.0% and -2.8%

On the commodity side, energy prices soared on the back of extended supply cuts by OPEC+ and Russia. WTI crude rose +29% in Q3, or as much as 40%, from the final week in June to the late September highs. The U.S. Dollar Index (DXY) closed out Q3 with a streak of eleven consecutive weekly gains, its 2nd longest streak in 50+ years, and reaching fresh 2023 highs.

On the fixed income front, the Bloomberg US Aggregate Bond Index returned -2.94%, where raising bond yields with the backdrop of the hawkish tone of the Fed weighed on the returns. Expectations for rates “higher for longer” caused longer-duration bonds to underperform, while shorter duration debt securities posted positive returns for the quarter. On the credit side, high yield bonds (represented by the Bloomberg US Corporate High Yield Index) outperformed for the quarter (+0.80%) and YTD (+5.86%) compared to their investment grade counterparts (Bloomberg US Corporate Invest Grade), with -2.59% and +0.02% returns for the quarter and YTD, respectively.

Moving forward, diversification and investment discipline would be crucial for a long-term investor to help navigate this challenging economic environment.

Index (As of 09/30/23) <sup>1</sup>	Qtr	YTD	1 Yr	3 Yr	5 Yr	10 yr
3-month T-Bills	1.38%	3.80%	4.71%	1.78%	1.74%	1.12%
Barclays U.S. Gov't/Credit Int.	-0.83%	0.65%	2.20%	-2.93%	1.02%	1.27%
Dow Jones Industrial Average	-2.10%	2.73%	19.18%	8.62%	7.14%	10.79%
S&P 500	-3.27%	13.07%	21.62%	10.16%	9.92%	11.92%
Russell 1000	-3.15%	13.01%	21.19%	9.54%	9.63%	11.63%
Russell 1000 Value	-3.16%	1.79%	14.44%	11.06%	6.23%	8.45%
Russell 1000 Growth	-3.13%	24.98%	27.72%	7.98%	12.42%	14.48%
Russell Mid Cap	-4.68%	3.91%	13.45%	8.10%	6.38%	8.99%
Russell 2000	-5.13%	2.54%	8.93%	7.17%	2.40%	6.65%
Russell 2000 Value	-2.96%	-0.53%	7.84%	13.33%	2.59%	6.19%
Russell 2000 Growth	-7.32%	5.24%	9.59%	1.09%	1.55%	6.72%
MSCI EAFE	-4.05%	7.59%	26.31%	6.28%	3.74%	4.32%
MSCI EAFE Small Cap	-3.42%	2.27%	18.48%	1.54%	1.18%	4.70%
MSCI Emerging Markets	-2.79%	2.16%	12.17%	-1.34%	0.94%	2.45%
Wilshire US REIT	-6.41%	-0.17%	3.94%	5.75%	2.88%	6.01%
DJ Global RESI	-5.96%	-3.55%	3.15%	2.93%	-0.23%	3.14%
Bloomberg Commodity Index	4.71%	-3.44%	-1.30%	16.24%	6.13%	-0.75%
IQ Hedge Multi-Strategy	0.83%	6.27%	11.02%	1.06%	1.79%	2.49%

<sup>1</sup>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 Holding's 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	27.0%	22.0%	16.5%	13.0%	10.5%	25.0%	21.0%	14.0%	9.0%	6.0%
Fixed Income	27.0%	22.0%	16.5%	13.0%	10.5%	25.0%	21.0%	14.0%	9.0%	6.0%
Large Cap Value	36.0%	31.0%	27.0%	24.0%	19.0%	36.0%	30.0%	27.0%	22.0%	15.0%
Large Cap Blend	3.0%	6.0%	9.0%	11.0%	10.0%	3.0%	5.0%	9.0%	10.0%	13.0%
Large Cap Growth	2.0%	3.0%	5.0%	5.0%	5.0%	3.0%	4.0%	5.0%	6.0%	6.0%
Small/Mid Cap Value	1.0%	4.0%	7.0%	9.0%	9.0%	2.0%	3.0%	8.0%	8.0%	10.0%
Small/Mid Blend	0.0%	3.0%	4.0%	4.0%	7.0%	0.0%	3.0%	4.0%	7.0%	8.0%
Small Cap/Mid Growth	0.0%	2.0%	2.0%	5.0%	7.0%	3.0%	3.0%	4.0%	5.0%	6.0%
International Equity	2.0%	2.0%	2.0%	3.0%	5.0%	0.0%	2.0%	2.0%	5.0%	7.0%
	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	24.0%	19.5%	12.5%	6.5%	2.5%	48.0%	35.0%	10.5%	3.5%	0.0%
Fixed Income	24.0%	19.5%	12.5%	6.5%	2.5%	16.0%	12.5%	10.5%	3.5%	0.0%
Large Cap Value	32.0%	27.0%	23.0%	16.0%	9.0%	16.0%	12.5%	19.0%	13.0%	0.0%
Large Cap Blend	4.0%	6.0%	11.0%	14.0%	16.0%	4.0%	7.0%	11.0%	13.0%	15.0%
Large Cap Growth	4.0%	4.0%	5.0%	5.0%	6.0%	4.0%	5.0%	6.0%	7.0%	8.0%
Small/Mid Cap Value	2.0%	4.0%	8.0%	10.0%	13.0%	2.0%	5.0%	8.0%	10.0%	13.0%
Small/Mid Blend	2.0%	4.0%	5.0%	7.0%	9.0%	3.0%	4.0%	6.0%	9.0%	12.0%
Small Cap/Mid Growth	3.0%	4.0%	5.0%	6.0%	8.0%	2.0%	5.0%	7.0%	9.0%	10.0%
International Equity	0.0%	2.0%	3.0%	6.0%	8.0%	0.0%	2.0%	4.0%	7.0%	10.0%
	2.5%	5.0%	7.5%	11.5%	13.0%	2.5%	6.0%	9.0%	12.5%	16.0%
	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 September 30, 2023

Plan Option/[Fund Name]/ Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>STABLE VALUE</b>						
Federated Hermes Capital Pres R6	0.92	2.54	3.13	2.06	2.05	1.62
FTSE Treasury Benchmark 1 Yr OTR USD	1.24	3.02	3.80	0.67	1.50	1.04
<b>BOND</b>						
Baird Aggregate Bond Inst	-3.07	-0.72	1.41	-5.02	0.44	1.55
Bloomberg US Govt/Credit Interm TR USD	-0.83	0.65	2.20	-2.93	1.02	1.27
<b>OPPORTUNISTIC BOND</b>						
Loomis Sayles Bond Instl	-1.90	0.66	3.47	-1.42	-0.05	1.62
Bloomberg Multiverse TR USD	-3.46	-1.92	2.69	-6.62	-1.48	-0.28
<b>LARGE CAP VALUE</b>						
Vanguard Windsor™ II Admiral™	-2.30	8.35	20.17	12.73	9.13	9.92
Russell 1000 Value TR USD	-3.16	1.79	14.44	11.05	6.23	8.45
<b>S&amp;P 500 INDEX</b>						
Vanguard 500 Index Admiral	-3.28	13.04	21.57	10.11	9.88	11.87
S&P 500 TR USD	-3.27	13.07	21.62	10.15	9.92	11.91
<b>LARGE CAP GROWTH</b>						
Harbor Capital Appreciation Instl	-3.42	32.20	30.23	2.35	10.37	13.60
Russell 1000 Growth TR USD	-3.13	24.98	27.72	7.97	12.42	14.48
<b>MID CAP INDEX</b>						
Vanguard Mid Cap Index Admiral	-5.07	3.30	12.61	7.26	6.49	9.05
CRSP - MSCI Mid Cap Index Composite	-5.06	3.30	12.63	7.28	6.51	9.08
<b>SMALL CAP VALUE</b>						
DFA US Targeted Value I	-1.22	4.30	17.47	22.39	6.84	8.26
Russell 2000 Value TR USD	-2.96	-0.53	7.84	13.32	2.59	6.19
<b>SMALL CAP GROWTH</b>						
Emerald Growth Institutional	-8.54	3.58	10.08	1.05	2.43	7.73
Russell 2000 Growth TR USD	-7.32	5.24	9.59	1.09	1.55	6.72
<b>FOREIGN VALUE</b>						
Dodge & Cox International Stock I	-1.32	9.26	26.74	12.13	4.43	4.08
MSCI EAFE Value GR USD	0.68	10.63	32.46	11.85	3.47	3.59
<b>FOREIGN GROWTH</b>						
WCM Focused International Growth Instl Composite	-8.97	4.27	18.21	0.46	6.42	7.86
MSCI EAFE Growth GR USD	-8.60	4.63	20.41	0.70	3.59	4.80
<b>REAL ESTATE INDEX</b>						
Vanguard Real Estate Index Admiral	-8.52	-5.35	-1.27	2.33	2.44	5.51
MSCI US Inv Mkt RE 25-50 Trans GR USD Composite	-8.50	-5.26	-1.14	2.45	2.54	5.62

### Returns through September 30, 2023

Model Option/Benchmark	1 Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>0-5 Years</b>						
<b>CONSERVATIVE</b>	0.96	3.21	3.78	1.74	2.49	2.71
Conservative Strategy Benchmark	-0.46	2.45	5.03	-0.41	1.67	1.80
<b>MODERATE CONSERVATIVE</b>	2.06	5.25	6.54	3.79	3.80	4.08
Moderate Conservative Strategy Benchmark	-1.06	3.49	7.29	1.10	2.63	3.06
<b>MODERATE</b>	3.08	7.47	9.23	5.63	5.08	5.43
Moderate Strategy Benchmark	-1.61	4.80	10.07	2.57	3.64	4.30
<b>MODERATE AGGRESSIVE</b>	3.78	8.84	10.93	6.69	5.76	6.20
Moderate Aggressive Strategy Benchmark	-2.03	5.38	11.66	3.47	4.19	5.04
<b>AGGRESSIVE</b>	4.28	9.67	12.45	8.08	6.30	6.87
Aggressive Strategy Benchmark	-2.47	5.67	12.94	4.39	4.45	5.56
<b>6-10 Years</b>						
<b>CONSERVATIVE</b>	1.25	3.86	4.50	2.14	2.85	3.11
Conservative Strategy Benchmark	-0.66	2.71	5.70	-0.08	1.95	2.15
<b>MODERATE CONSERVATIVE</b>	2.09	5.38	6.86	4.09	3.99	4.29
Moderate Conservative Strategy Benchmark	-1.19	3.64	7.84	1.35	2.76	3.23
<b>MODERATE</b>	3.37	8.16	10.03	6.05	5.32	5.69
Moderate Strategy Benchmark	-1.88	4.96	10.93	2.89	3.82	4.57
<b>MODERATE AGGRESSIVE</b>	4.15	9.59	12.32	7.87	6.16	6.76
Moderate Aggressive Strategy Benchmark	-2.55	5.62	13.13	4.17	4.34	5.45
<b>AGGRESSIVE</b>	5.05	11.27	14.59	9.54	7.12	7.79
Aggressive Strategy Benchmark	-2.99	6.60	15.21	5.51	5.04	6.45
<b>11-15 Years</b>						
<b>CONSERVATIVE</b>	1.39	4.04	4.97	2.75	3.08	3.34
Conservative Strategy Benchmark	-0.77	2.84	6.08	0.25	2.08	2.34
<b>MODERATE CONSERVATIVE</b>	2.47	6.11	7.89	4.93	4.46	4.78
Moderate Conservative Strategy Benchmark	-1.40	4.06	8.84	1.98	3.13	3.68
<b>MODERATE</b>	3.75	8.77	11.09	7.03	5.79	6.24
Moderate Strategy Benchmark	-2.12	5.41	12.00	3.62	4.19	5.07
<b>MODERATE AGGRESSIVE</b>	4.89	11.06	14.23	9.25	6.99	7.66
Moderate Aggressive Strategy Benchmark	-2.90	6.57	15.08	5.32	5.00	6.33
<b>AGGRESSIVE</b>	6.01	13.16	16.90	11.08	7.99	8.88
Aggressive Strategy Benchmark	-3.46	7.54	17.31	6.76	5.69	7.42
<b>16+ Years</b>						
<b>CONSERVATIVE</b>	1.58	4.38	5.46	3.18	3.35	3.59
Conservative Strategy Benchmark	-0.84	3.16	6.67	0.61	2.32	2.61
<b>MODERATE CONSERVATIVE</b>	2.87	6.95	8.92	5.62	4.94	5.28
Moderate Conservative Strategy Benchmark	-1.63	4.53	9.92	2.56	3.52	4.17
<b>MODERATE</b>	4.17	9.53	12.30	8.02	6.26	6.80
Moderate Strategy Benchmark	-2.44	5.82	13.22	4.39	4.53	5.58
<b>MODERATE AGGRESSIVE</b>	5.37	11.89	15.51	10.38	7.49	8.31
Moderate Aggressive Strategy Benchmark	-3.32	6.87	16.20	6.07	5.29	6.89
<b>AGGRESSIVE</b>	-3.82	10.11	20.84	8.77	7.01	8.32
Aggressive Strategy Benchmark	-4.00	8.17	19.40	8.03	6.02	8.12

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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.