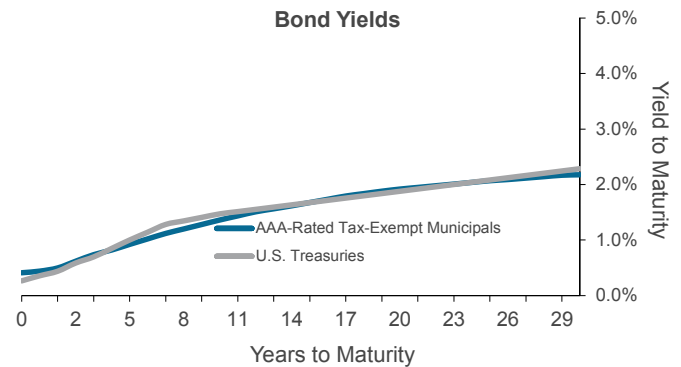
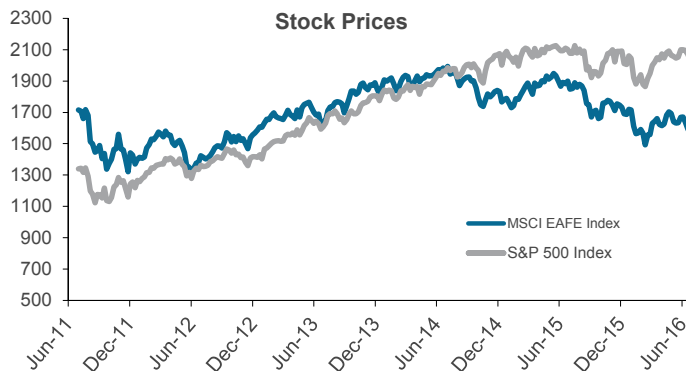


# Quarterly Investment Update

## WORTH KNOWING®

For the Quarter Ending June 30, 2016



### Stock Market Commentary

The markets endured much drama in the two weeks leading up to quarter-end as the surprise exit of the U.K. from the European Union rattled investors. Brexit knocked over 5% off of the S&P 500 in two days, yet despite the unknown impact of this move on other world economies, investors regained confidence on the likelihood that central bankers would provide the needed support to maintain financial stability, and the S&P 500 finished the quarter with a respectable gain of 2.5%. Sector performance was mixed during the quarter, with Energy rebounding 11.6% on rising oil prices. Defensive sectors including Telecom, Utilities and Healthcare each jumped by 6 to 7%. Technology lost ground, sliding 2.8%. Mid-sized and small company stocks delivered solid returns, rising 4% and 3.8%, respectively.

Brexit and a further weakening of the Nikkei Index, led to declines in developed international markets. The MSCI Developed Index lost 3.3% for the quarter. Emerging Markets had a quarterly return of nearly 1% and has risen 6.6% year-to-date, supported by a strengthening of commodities and evidence of some stabilization in China's economy. U.S. real estate assets continued their run, gaining 5.4% in the second quarter, as measured by the DJ Wilshire REIT Index. This sector has drawn investors seeking yield in the low rate environment. Real Estate will be designated as its own sector in the S&P 500 later this year.

### STOCK MARKETS

	3 Months	1 Year	3 Years*
<b>Large Stocks</b>			
S&P 500	2.5%	4.0%	11.6%
Russell 1000	2.5%	2.9%	11.4%
Russell 1000 Growth	0.6%	3.0%	13.0%
Russell 1000 Value	4.6%	2.9%	9.8%
<b>Medium and Small Stocks</b>			
S&P 400 Midcap	4.0%	1.3%	10.5%
Russell 2000	3.8%	-6.7%	7.1%
Russell 2000 Growth	3.2%	-10.8%	7.7%
Russell 2000 Value	4.3%	-2.6%	6.3%
<b>International Stocks</b>			
MSCI Developed (EAFE)	-1.2%	-9.6%	2.7%
MSCI Emerging Markets	0.7%	-12.1%	-1.6%
<b>Real Estate</b>			
DJ Wilshire REIT Index	5.4%	22.8%	13.5%

### Bond Market Commentary

Yields on 10- and 30-year Treasuries hit record lows in the final days of the second quarter along with signs that Britain's vote to leave the European Union will slow global economic growth and prevent the Federal Reserve from raising interest rates this year. The U.S. 30-year bond yield fell to a low of 2.19% while benchmark 10-year bond yields touched 1.38%, down from 1.77% at the beginning of the quarter. Sovereign yields overseas have also plummeted as central banks experiment with negative interest rates to spur their economies. Yields on almost \$12 trillion in government debt issued by Japan, Germany and Switzerland have fallen into negative territory. S&P downgraded the European Union's credit rating from AA+ to AA, citing fiscal concerns for the E.U. once it loses one of its wealthiest members. That puts the E.U. in the same league as Kuwait and Qatar and below Finland and Austria. The S&P set its outlook as stable, reflecting its view that no other member states would leave the E.U.

Municipal bond yields also fell during the quarter, and prices rose supported by investor demand and lack of supply. Puerto Rico bonds rallied despite a promise to default, as legislation was signed in June that sets a debt restructuring in motion and shelters the island from liability. Puerto Rico's crisis has been steadily building while the economy and population continue to shrink, and the government has been effectively locked out of the bond market.

### BOND MARKETS

	3 Months	1 Year	3 Years*
<b>Taxable Bonds</b>			
Aggregate	2.2%	6.0%	4.1%
Intermediate Govt./Credit	1.6%	4.3%	3.0%
U.S. Government	2.0%	6.0%	3.4%
U.S. Credit	3.5%	7.6%	5.3%
High-Yield Bonds	5.5%	1.6%	4.2%
<b>Tax-Free Bonds</b>			
3-Year Municipal	0.7%	2.3%	1.7%
5-Year Municipal	1.2%	4.2%	3.2%
10-Year Municipal	2.5%	8.3%	5.8%

Sources: Bloomberg, Municipal Market Data, Vanguard, Lipper.

The bond indexes above are produced by Barclays Capital.

Returns include the reinvestment of interest and dividends.

\*Returns are annualized.

To receive this Quarterly Investment Update by email, request our composite performance history, or request descriptions of the indexes and other information included in this report, please contact us at [investmentnewsletters@perkinscoie.com](mailto:investmentnewsletters@perkinscoie.com).

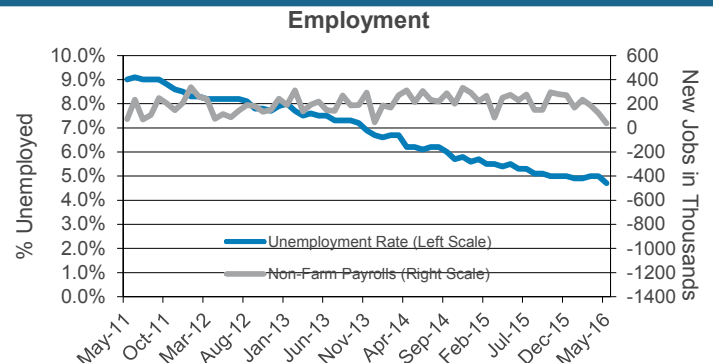
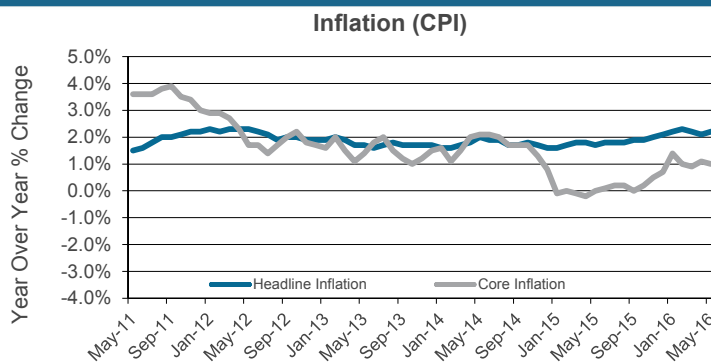
For more information, please visit [Trust.PerkinsCoie.com](http://Trust.PerkinsCoie.com)

TRUST AND ESTATE, INVESTMENT MANAGEMENT AND COMPREHENSIVE PLANNING SERVICES

Perkins Coie Trust Company LLC is a Washington state-chartered trust company.

# Quarterly Investment Update

## WORTH KNOWING®



## Economic Commentary

Days after Brexit wreaked havoc on global stock, bond, and currency markets the general consensus is that the stunning vote may have limited impact on the global economy. For the U.K., however, increased uncertainty may lead to capital flight, reduced consumer confidence and a high probability of recession. A large British real estate fund recently marked down the value of the buildings its funds own by 5 percent in the wake of Brexit and blocked worried investors from pulling money out of their funds. The long run impact is difficult to determine. The U.K. was already a fringe member of Europe that never fully adopted the European Union's currency or monetary policy. The British Pound's recent devaluation could even support economic growth as exports become more competitive and domestic goods become cheaper relative to foreign imports.

Following a flurry of positive news, the U.S. economy is now sending mixed signals. Through the first four months of the year the U.S. enjoyed positive employment trends, improving wage growth, rising home prices and increasing consumer expenditures. More recently, the Labor Department reported a much smaller-than-expected gain in jobs in May. Only 38,000 positions were added, compared to an estimate of 160,000. The final estimate of first quarter gross domestic product increased at an annual rate of 1.1%. The economy traditionally starts off slower during the first three months of the year, picking up speed over the spring and summer months.

Inflation continued to firm up in the second quarter as higher gasoline prices and rapidly rising rents more than offset a drop in grocery prices. The overall price index rose 1.0% in May from a year earlier, while prices excluding food and energy climbed 2.2% over the past 12 months. Shelter prices rose 3.4% from a year earlier, the largest annual gain for the category since September 2007.

## Key Economic Releases

EMPLOYMENT	As of	Expected	Actual	Prior	
Unit Labor Costs (1Q)	JUN	4.0%	4.5%	2.7%	
Unemployment Rate	MAY	4.9%	4.7%	5.0%	
Average Hourly Earnings (YoY)	MAY	2.5%	2.5%	2.5%	
Change in Manufact. Payrolls	MAY	-2K	-10K	2K	
Change in Non-Farm Payrolls	MAY	160K	38K	123K	
INFLATION (year over year)		As of	Expected	Actual	Prior
Consumer Price Index	MAY	1.1%	1.0%	1.1%	
CPI Ex Food & Energy	MAY	2.2%	2.2%	2.1%	
Producer Price Index	MAY	0.0%	-0.1%	0.0%	
PPI Ex Food & Energy	MAY	0.8%	0.8%	0.9%	
HOME PRICES (year over year)		As of	Expected	Actual	Prior
S&P/Case Shiller Top 20 Mkts.	APR	5.4%	5.4%	5.5%	
MANUFACTURING ACTIVITY		As of	Expected	Actual	Prior
Capacity Utilization	MAY	75.2%	74.9%	75.3%	
Leading Indicators	MAY	0.1%	-0.2%	0.6%	
GDP Annualized (1Q)	JUN	1.0%	1.1%	1.4%	
PRODUCTIVITY		As of	Expected	Actual	Prior
Non-Farm Productivity (1Q)	JUN	-0.6%	-0.6%	-1.7%	
Industrial Production	MAY	-0.2%	-0.4%	0.6%	

Source: Bloomberg.

At Perkins Coie Trust Company, we believe that maintaining a long-term asset allocation and tax-intelligent strategy is an important priority. We seek attractively valued investment opportunities in high-quality stocks, bonds and mutual funds across a full spectrum of geographic regions, sectors and specific industries. By diversifying portfolios and focusing on fundamentals, we strive to manage market risk. We stand ready to assist you in meeting your objectives. For more information regarding trustee and investment services, please contact us toll-free at (888) 720-8382, locally at (206) 359-6462 or on the web at [www.trust.perkinscoie.com](http://www.trust.perkinscoie.com).

This report is based on information obtained from sources that we believe to be reliable, but we do not guarantee its accuracy or completeness. Opinions and estimates may be changed or withdrawn without notice. The information and opinions contained in this report should not be considered as recommendations to buy or sell any security or commodity. Investments are not guaranteed, and past performance is not a guarantee of future results.

For more information, please visit [Trust.PerkinsCoie.com](http://Trust.PerkinsCoie.com)

TRUST AND ESTATE, INVESTMENT MANAGEMENT AND COMPREHENSIVE PLANNING SERVICES

Perkins Coie Trust Company LLC is a Washington state-chartered trust company.