



MULTNOMAHGROUP

Investment Performance Review

Capital Markets Review

As of 3/31/2018

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Market Commentary

U.S. Economic Expansion is the Third Longest on Record

- Real GDP grew at an annualized rate of 2.9% in Q4 2017 (most recent available); the current economic expansion is in its ninth year
- Core CPI, which strips out food and energy prices, rose 0.2% in February (most recent available), up 1.9% versus a year ago
- The unemployment rate held steady at 4.1% in March -- its lowest level since 2000; nonfarm payrolls for the month increased by less than expected
- Factory goods orders increased 1.2% after declining in January; orders were supported by strong domestic and global demand, but a shortage of skilled workers and capacity constraints could hurt factory output; sentiment might change due to growing trade conflicts with China
- Consumer spending, which makes up over two-thirds of the economy, rose only 0.2% in February; banks are more cautious with lending policies

The Fed Hiked Rates Once Again in March

- The Fed raised interest rates in March 2018 by a quarter point; the recent rate hike was the sixth rate increase since December 2015
- 10- and 30-year Treasury bond yields increased to 2.7% and 3.0% during the quarter
- Developed international bonds and 3-month Treasury bills returned 4.5% and 0.4% in Q1, the top fixed income performers for the period and the only two with positive returns for the period; investment grade corporates and emerging markets bonds performed the worst
- The Fed recently started reducing its bond holdings following the expansion of its balance sheet by 500% to \$4.2 trillion over the past decade; the reduction will take several years

A Bumpy Quarter for U.S. Equity Markets

- After a nine-quarter win streak, the U.S. stock market declined 0.76% in Q1 given interest rate, trade tariff, valuation, and rising inflation concerns
- Technology and consumer discretionary sectors were the only two sectors to show gains for the S&P 500 during Q1, with each sector up over 3%
- All other sectors were in negative territory for the quarter; telecom (-7.5%) and consumer staples (-7.1%) reported the largest declines
- The forward P/E for the S&P 500 dropped for Q1 to 16.4x, slightly above the 25-year average of 16.1x
- Small cap stocks outperformed large caps in Q1, a reversal from Q4; growth comfortably outperformed value for the quarter
- The CBOE Volatility Index (VIX Index) increased in Q1 after unusually low volatility in 2017

Emerging Markets Outperformed Developed Europe and Developed Asia

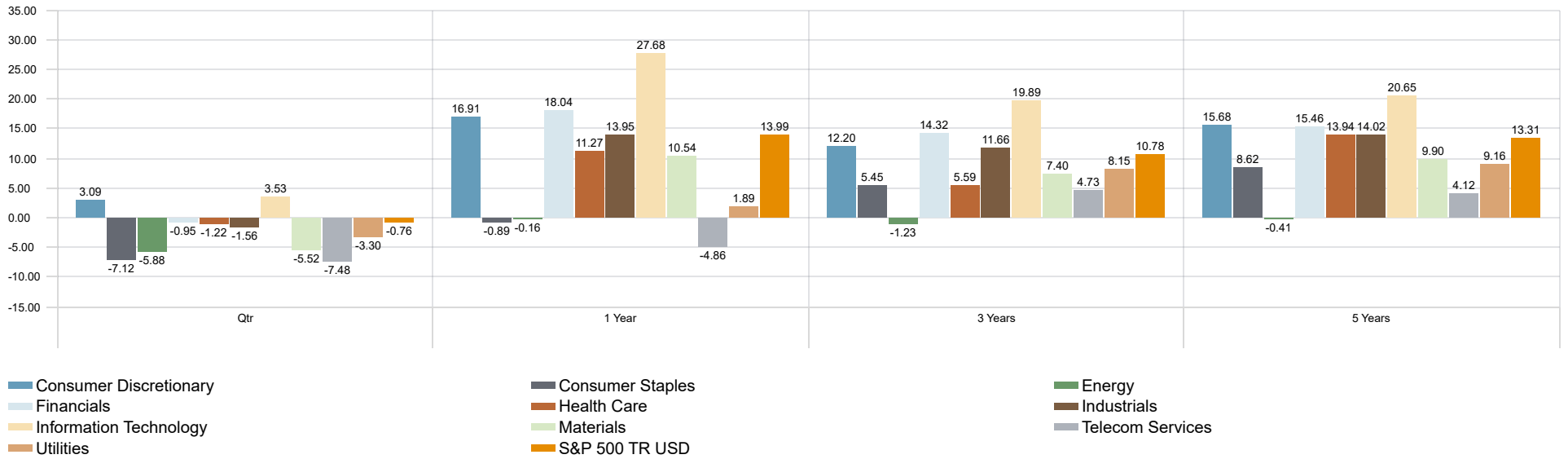
- Emerging markets equities reported the strongest Q1 returns versus other asset classes -- but only gained 1.4%; results were helped by Latin America which jumped 8.1% due to strong returns in Brazil
- Developed Europe (ex-UK) and Developed Asia had modestly negative returns for Q1; the UK market declined 3.9%
- China moved modestly higher (+1.8%) for Q1 after a very strong 2017; India declined 7.0%

Commodities Were Basically Flat for the Quarter

- The Bloomberg Commodity Index declined modestly (-0.8%) during Q1
- U.S. crude oil prices jumped 8.5% during the quarter, finishing at \$64.94 per barrel
- Gold prices moved up 2.6% for the 3-month period finishing the quarter at \$1,324 per troy ounce
- REITs fell 6.7% in Q1 giving back much of its 2017 gains; the pullback was mainly from a heightened short-term sensitivity to interest rates

U.S. Equity Markets

Returns by Sector (S&P 500)



Returns by Style (Russell Indices)

Last Quarter

| | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | -2.99 | -0.78 | 1.17 |
| Mid | -2.50 | -0.46 | 2.17 |
| Small | -2.64 | -0.08 | 2.30 |

Last 1 Year

| | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 7.16 | 14.68 | 21.76 |
| Mid | 6.50 | 12.20 | 19.74 |
| Small | 5.13 | 11.79 | 18.63 |

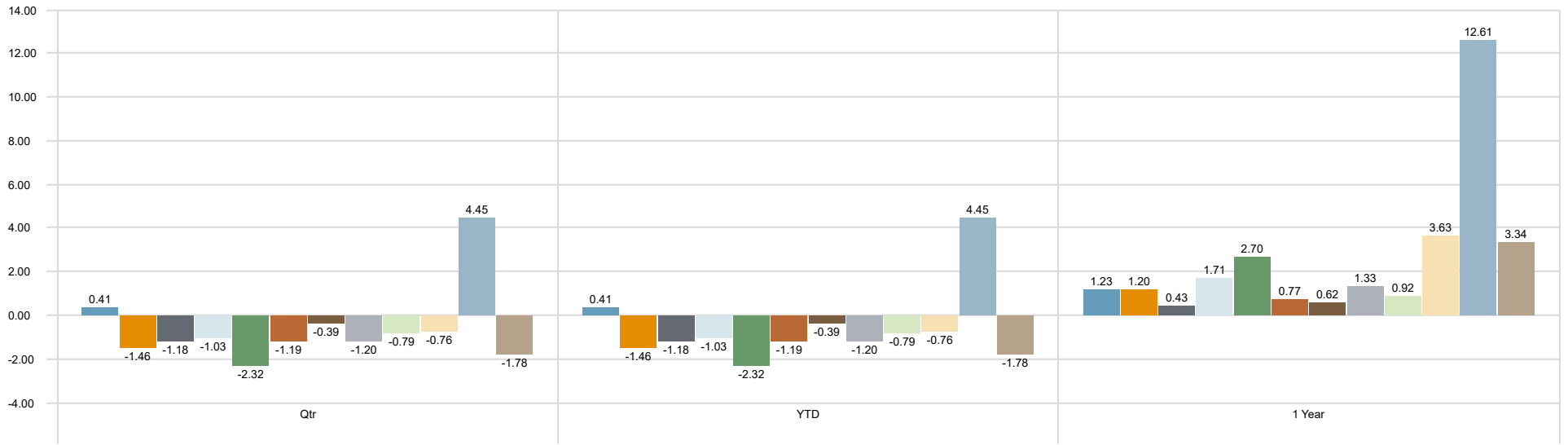
Last 3 Years

| | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 8.17 | 11.41 | 14.40 |
| Mid | 7.23 | 8.01 | 9.17 |
| Small | 7.87 | 8.39 | 8.77 |

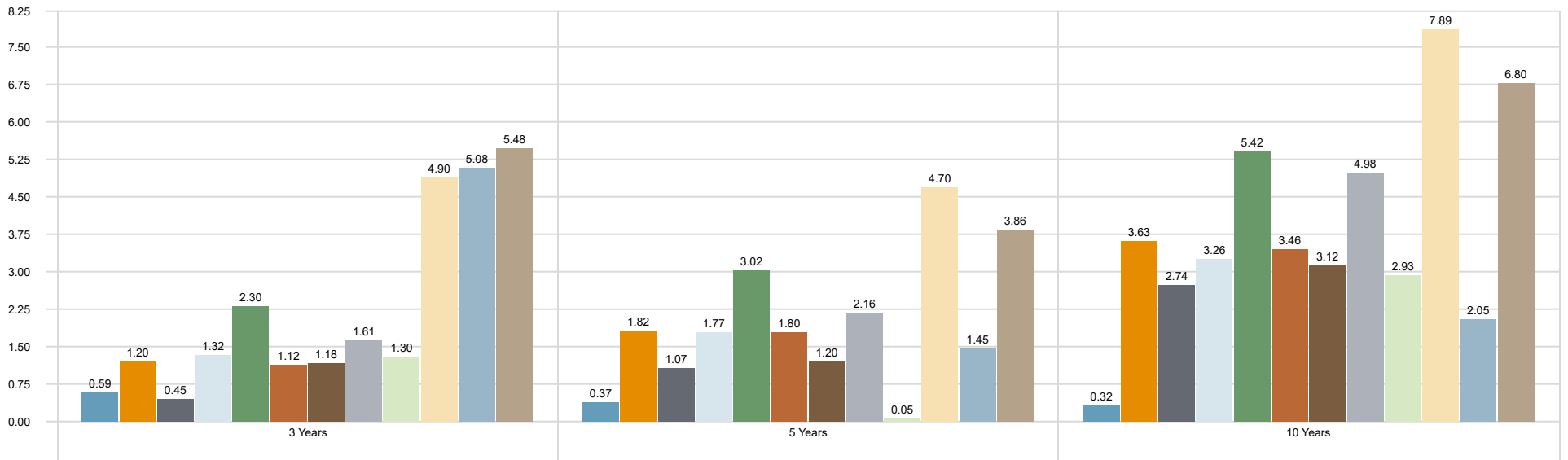
Last 5 Years

| | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 10.66 | 13.62 | 16.42 |
| Mid | 11.11 | 12.09 | 13.31 |
| Small | 9.96 | 11.47 | 12.90 |

Fixed Income

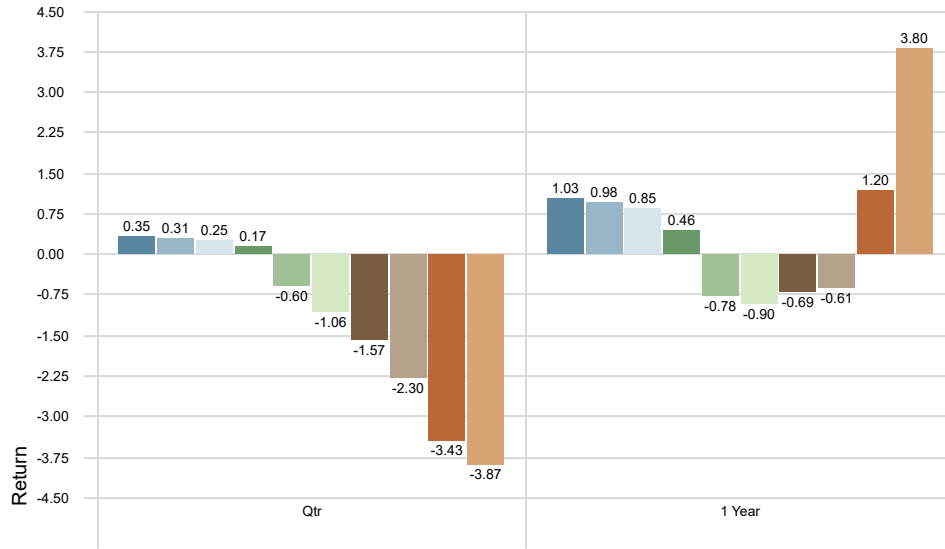


- 3-Month T-Bills
- Government-Related
- Treasuries
- Aggregate Bonds
- Investment-Grade Corporate
- Mortgage-Backed Securities
- Asset-Backed Securities
- Commercial MBS
- TIPS
- High Yield
- Developed International
- Emerging Markets



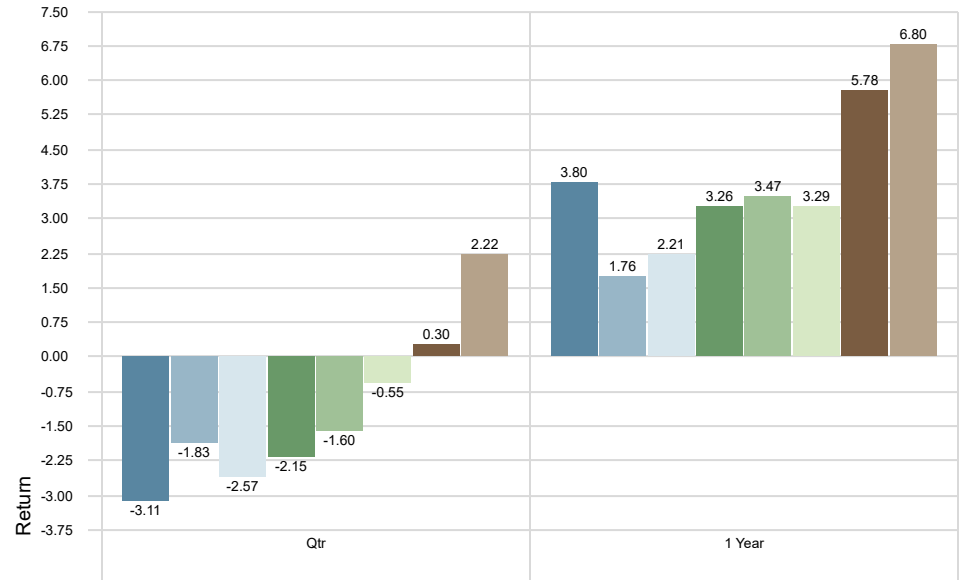
Fixed Income

Performance by Maturity



- USTREAS T-Bill Cnst Mat Rate 1 Mon
- USTREAS T-Bill Cnst Mat Rate 3 Mon
- USTREAS T-Bill Cnst Mat Rate 6 Mon
- USTREAS T-Bill Cnst Mat Rate 1 Yr
- USTREAS T-Bill Cnst Mat Rate 3 Yr
- USTREAS T-Bill Cnst Mat Rate 5 Yr
- USTREAS T-Bill Cnst Mat Rate 7 Yr
- USTREAS T-Bill Cnst Mat Rate 10 Yr
- USTREAS T-Bill Cnst Mat Rate 20 Yr
- USTREAS T-Bill Cnst Mat Rate 30 Yr

Performance by Credit Quality



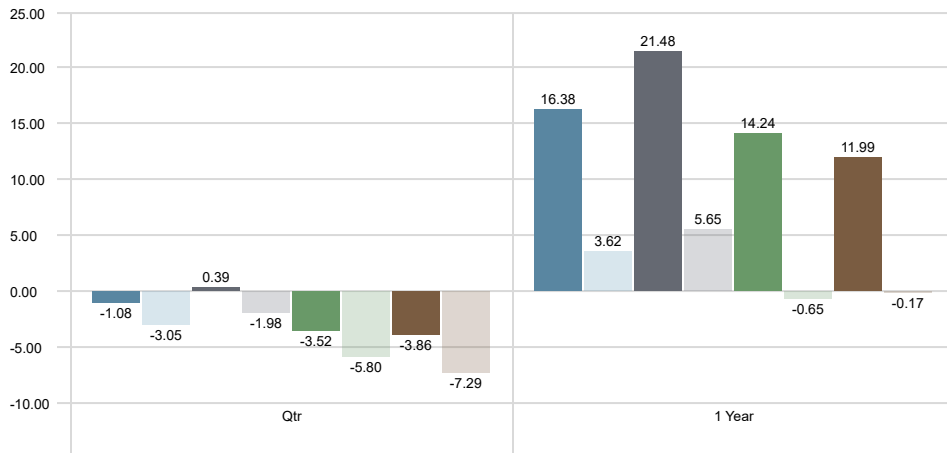
- Barclays US Corp Aaa TR USD
- Barclays US Corp Aa TR USD
- Barclays US Corp A TR USD
- Barclays US Corp Baa TR USD
- Barclays US HY Ba TR USD
- Barclays US HY B TR USD
- Barclays US HY Caa TR USD
- Barclays US HY Ca To D TR USD

Estimated Cost of \$1 of Lifetime Retirement Income at Age 65 (Adjusted for Cost of Living)

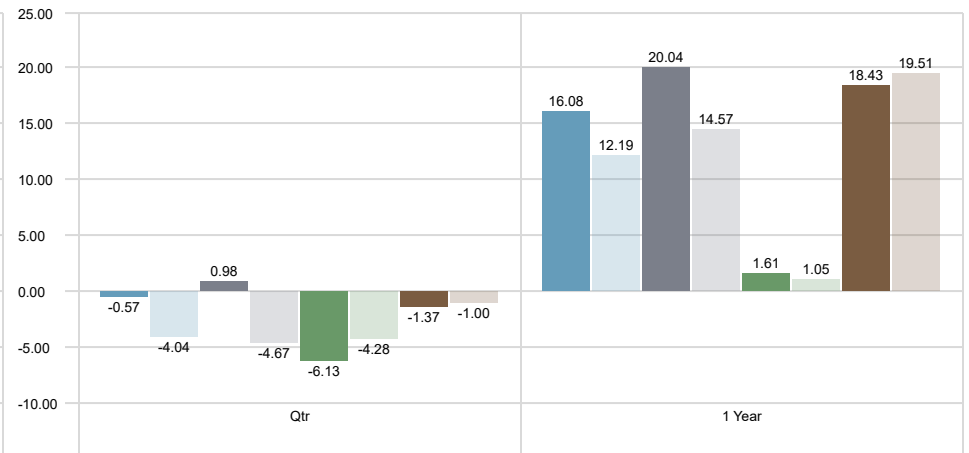
| | BlackRock CoRI Retirement 2006 | BlackRock CoRI Retirement 2008 | BlackRock CoRI Retirement 2010 | BlackRock CoRI Retirement 2012 | BlackRock CoRI Retirement 2014 | BlackRock CoRI Retirement 2016 | BlackRock CoRI Retirement 2018 | BlackRock CoRI Retirement 2020 | BlackRock CoRI Retirement 2022 | BlackRock CoRI Retirement 2024 |
|------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| 3/29/2018 | | \$ 14.03 | \$ 15.39 | \$ 16.77 | \$ 18.16 | \$ 19.57 | \$ 21.04 | \$ 19.80 | \$ 18.64 | \$ 17.56 |
| 12/29/2017 | | \$ 15.26 | \$ 16.58 | \$ 17.88 | \$ 19.17 | \$ 20.47 | \$ 21.69 | \$ 20.44 | \$ 19.30 | \$ 18.24 |
| 9/29/2017 | | \$ 15.34 | \$ 16.63 | \$ 17.90 | \$ 19.17 | \$ 20.40 | \$ 21.38 | \$ 20.03 | \$ 18.78 | \$ 17.64 |
| 6/30/2017 | | \$ 15.53 | \$ 16.81 | \$ 18.06 | \$ 19.29 | \$ 20.58 | \$ 21.18 | \$ 19.82 | \$ 18.56 | \$ 17.44 |
| 3/31/2017 | | \$ 15.45 | \$ 16.68 | \$ 17.90 | \$ 19.09 | \$ 20.27 | \$ 20.51 | \$ 19.09 | \$ 17.73 | \$ 16.55 |
| 12/30/2016 | | \$ 15.61 | \$ 16.84 | \$ 18.06 | \$ 19.28 | \$ 20.46 | \$ 20.27 | \$ 18.84 | \$ 17.48 | \$ 16.29 |
| 9/30/2016 | | \$ 16.74 | \$ 18.12 | \$ 19.50 | \$ 20.91 | \$ 22.22 | \$ 22.09 | \$ 20.81 | \$ 19.55 | \$ 18.45 |

International Equity Markets

Developed Europe



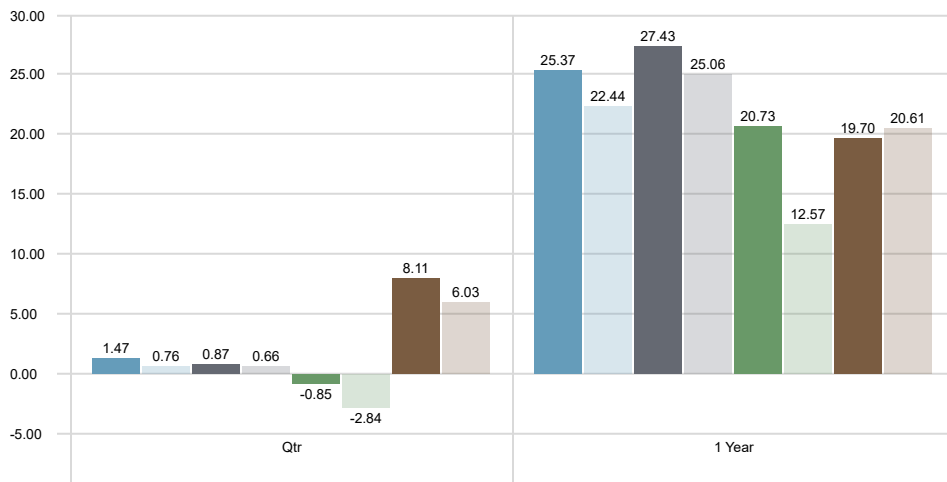
Developed Asia



- Europe ex UK (USD)
- Europe ex UK (Local)
- France (USD)
- France (Local)
- Germany (USD)
- Germany (Local)
- United Kingdom (USD)
- United Kingdom (Local)

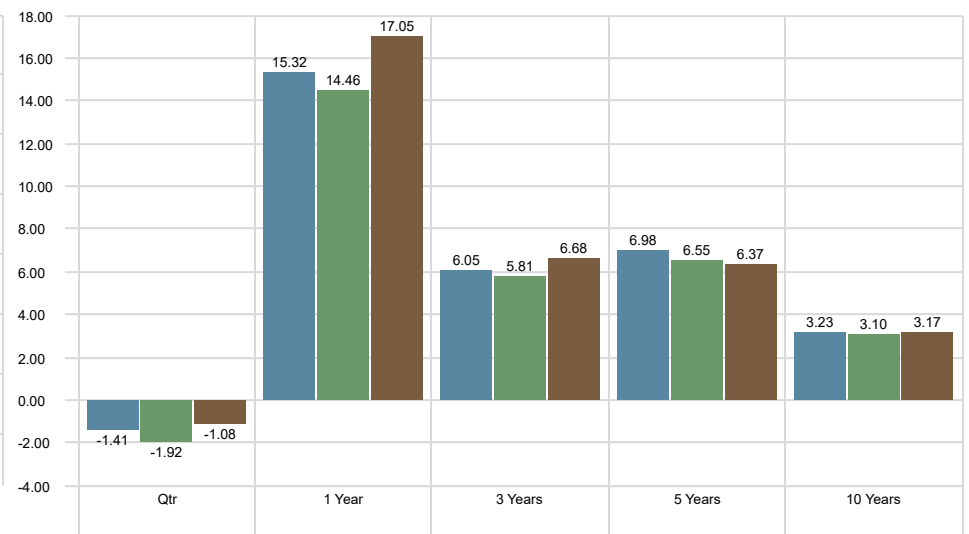
- Pacific (USD)
- Pacific (Local)
- Japan (USD)
- Japan (Local)
- Australia (USD)
- Australia (Local)
- Hong Kong (USD)
- Hong Kong (Local)

Emerging Markets



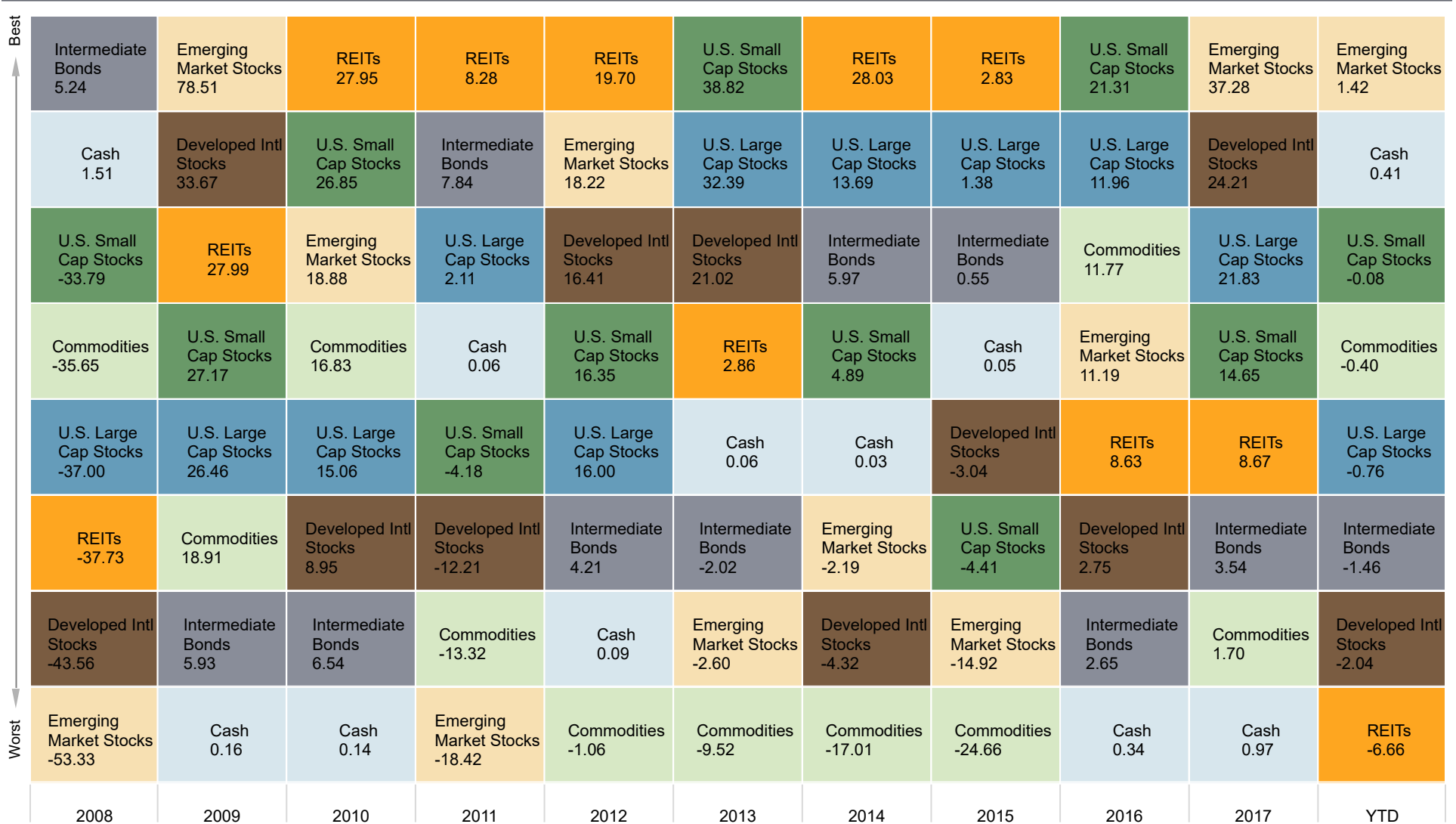
- Emerging Markets (USD)
- Emerging Markets (Local)
- Asia (USD)
- Asia (Local)
- Europe, Middle East & Africa (USD)
- Europe, Middle East & Africa (Local)
- Latin America (USD)
- Latin America (Local)

International Benchmarks



- EAFE
- World ex USA (Developed)
- ACWI ex USA (Developed & Emerging)

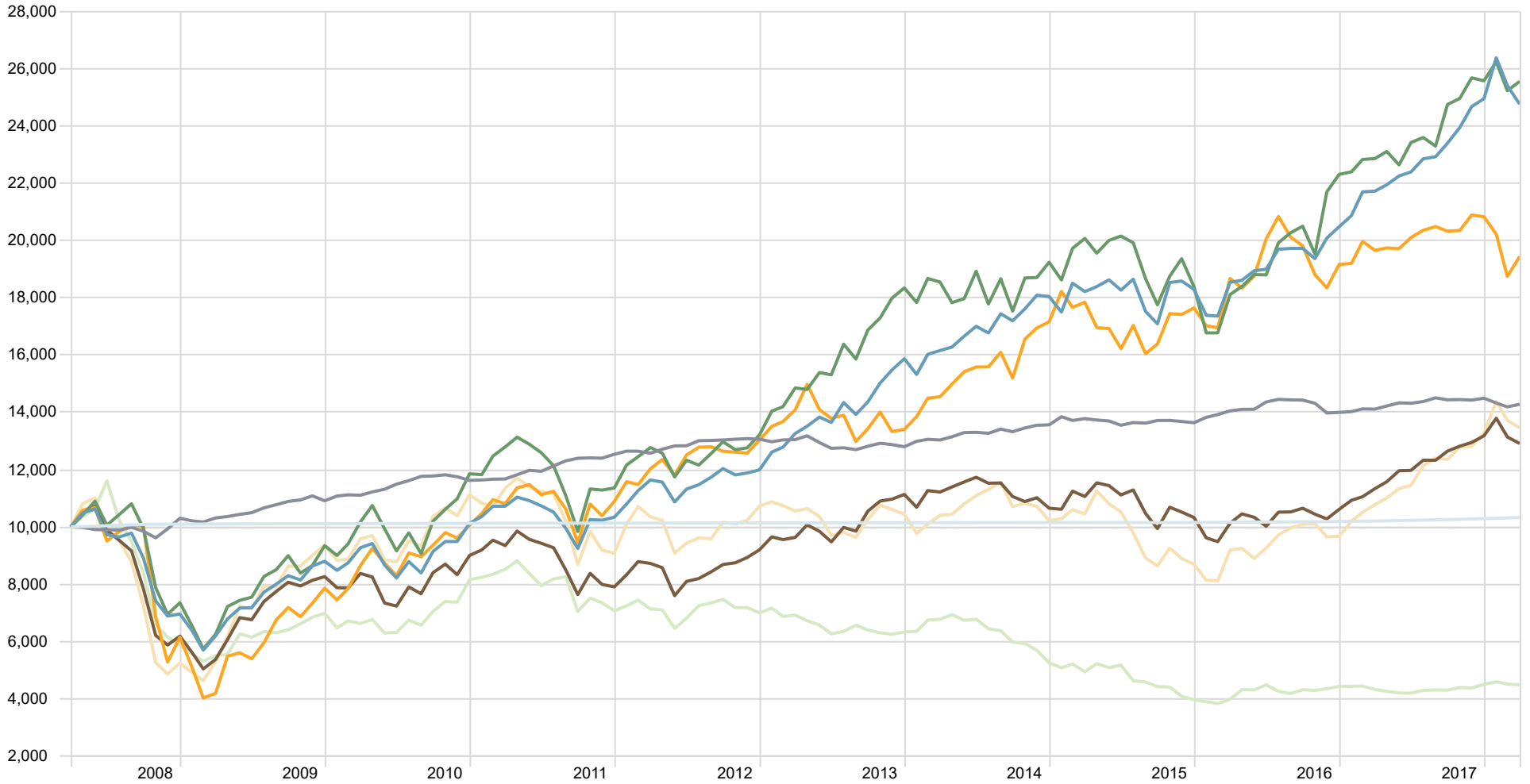
Unpredictability of Asset Class Returns



- Cash
- U.S. Small Cap Stocks
- Emerging Market Stocks
- Intermediate Bonds
- REITs
- Commodities
- U.S. Large Cap Stocks
- Developed Intl Stocks

Growth of \$10,000

Time Period: 4/1/2008 to 3/31/2018

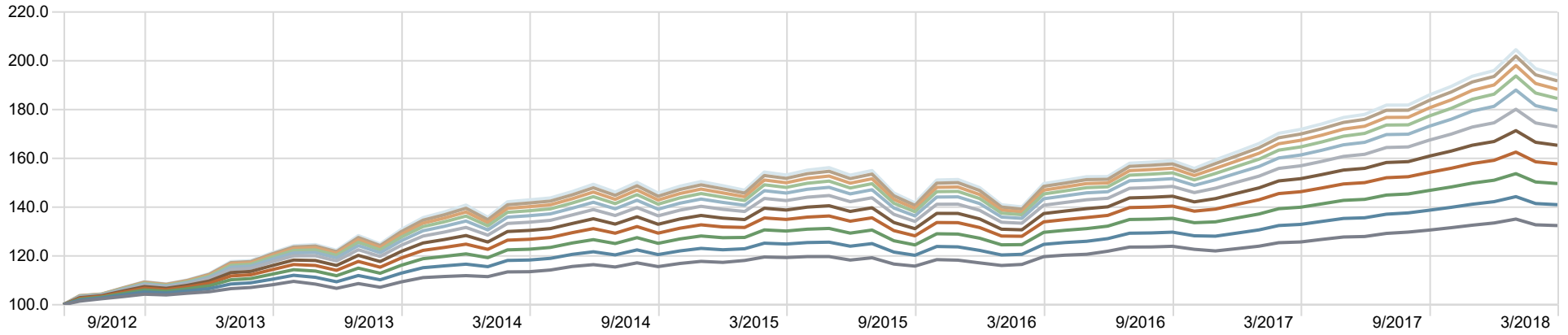


| | | | | | |
|--------------------------|-----------|----------------------|-----------|-------------------------|-----------|
| — Cash | 10,329.57 | — Intermediate Bonds | 14,284.48 | — U.S. Large Cap Stocks | 24,770.86 |
| — U.S. Small Cap Stocks | 25,564.53 | — REITs | 19,448.11 | — Developed Intl Stocks | 12,913.65 |
| — Emerging Market Stocks | 13,463.85 | — Commodities | 4,480.38 | | |

As of 3/31/2018

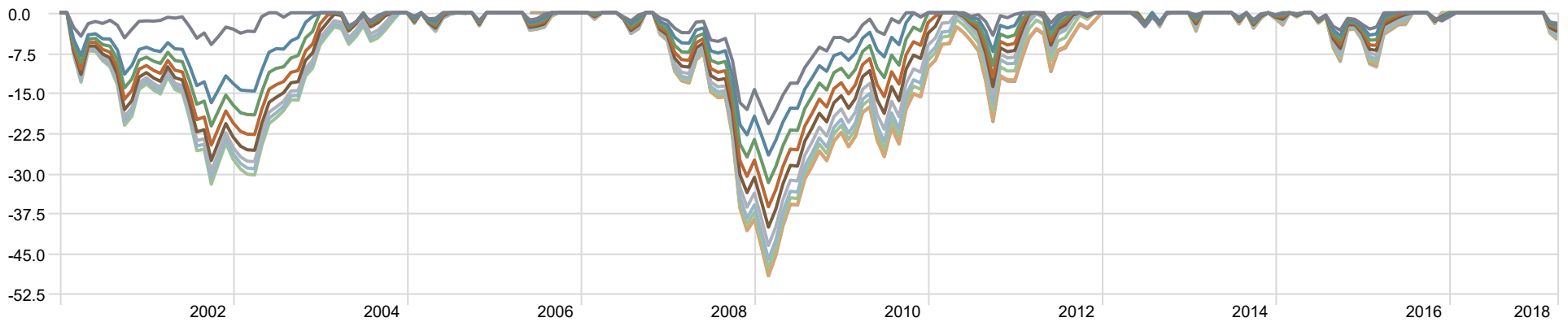
Target Date Investments

Growth of \$100



| | | | | | |
|--|-------|--------------------------------|-------|-------------------------------|-------|
| — S&P Target Date Retirement Income TR USD | 132.4 | — S&P Target Date 2010 TR USD | 141.0 | — S&P Target Date 2015 TR USD | 149.7 |
| — S&P Target Date 2020 TR USD | 157.7 | — S&P Target Date 2025 TR USD | 165.3 | — S&P Target Date 2030 TR USD | 172.9 |
| — S&P Target Date 2035 TR USD | 179.6 | — S&P Target Date 2040 TR USD | 184.5 | — S&P Target Date 2045 TR USD | 188.3 |
| — S&P Target Date 2050 TR USD | 191.8 | — S&P Target Date 2055+ TR USD | 194.2 | | |

Maximum Drawdown



| | | |
|--|--------------------------------|-------------------------------|
| — S&P Target Date Retirement Income TR USD | — S&P Target Date 2010 TR USD | — S&P Target Date 2015 TR USD |
| — S&P Target Date 2020 TR USD | — S&P Target Date 2025 TR USD | — S&P Target Date 2030 TR USD |
| — S&P Target Date 2035 TR USD | — S&P Target Date 2040 TR USD | — S&P Target Date 2045 TR USD |
| — S&P Target Date 2050 TR USD | — S&P Target Date 2055+ TR USD | |

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