



MULTNOMAHGROUP

Investment Performance Review

Capital Markets Review

As of 12/31/2017

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Market Commentary

U.S. Economy Continued to Grow

- Real GDP grew at an annualized rate of 3.2% in Q3 (most recent available); the increase is the fastest pace in more than two years; the current economic expansion is in its ninth year
- Core CPI, which strips out food and energy prices, rose 0.1% in November (most recent available), up 1.7% versus a year ago
- The unemployment rate held at 4.1% in December, with 148,000 jobs added in the month - lower than expected due to retail sector job losses
- U.S. factory activity increased more than expected in December, boosted by a surge in new order growth, signaling strong economic momentum
- Consumer spending, which makes up over two thirds of the U.S. economy, rose 0.6% in November (most recent available)

The Fed Hiked Rates Once Again

- The Fed raised interest rates in December 2017 by a quarter point; the recent rate hike was the fifth rate increase since December 2015
- 10- and 30-year Treasury bond yields increased modestly to 2.4% and 2.7% during the quarter
- Developed international and TIPS returned 1.6% and 1.3% in Q4, respectively, the top fixed income performers for the quarter
- High yield bonds reported a 0.4% gain for Q4 and 7.0% for the year; yield increased modestly to 5.7% at year-end 2017
- The Fed plans to reduce its bond holdings at a measured pace over the course of several years; this follows the expansion of its balance sheet by 500% to \$4.2 trillion over the past decade as the Fed initiated quantitative easing to support the markets after the Financial Crisis of 2008

The S&P 500 Climbed Higher

- The U.S. stock market continued to rally with the S&P 500 gaining 6.6% in Q4 and 21.8% for the year; recent strength was partly due to tax reform
- The largest sector gains in the S&P 500 during Q4 were consumer discretionary and technology, increasing 9.9% and 9.0%, respectively
- All sectors were in positive territory for the quarter, but utilities (+0.2%) and healthcare (+1.5%) had the smallest gains
- The forward P/E for the S&P 500 inched up for Q4 to 18.2x, versus a 25-year average of 16.0x
- Large cap stocks outperformed small caps in Q4, a reversal from Q3; growth comfortably outperformed value for the year
- The CBOE Volatility Index (VIX Index) remained low through Q4, potentially setting the market up for disappointment

Emerging Markets Finished the Year Up 38%

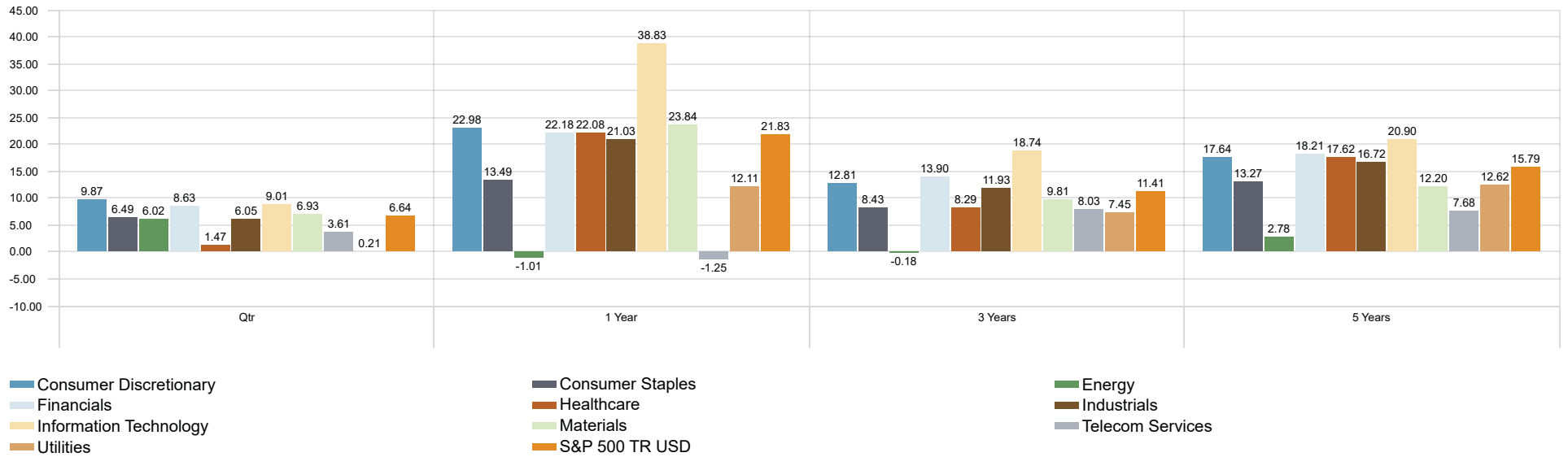
- The emerging markets (EM) sector continued to rally, gaining 7.5% in Q4
- China continued to climb higher increasing up 7.6% for Q4; 2017 returns were very strong at 54.1%
- Developed Europe (ex-UK) had flat returns for Q4 while UK returned 5.7%
- In Developed Asia, Japan gained 8.5% for Q4

Commodities Moved Higher with Oil Prices Advancing in Q4

- The Bloomberg Commodity Index gained 4.4% during Q4, but ended the year as the second worst performing asset class for 2017
- U.S. crude oil prices jumped 15.8% in Q4, finishing at \$59.84 per barrel; oil prices have rebounded 11.4% for the year
- Gold prices inched up 0.6% in Q4 finishing the year at \$1,291 per troy ounce
- REITs gained 2.6% in Q4 and 8.7% for the year; net operating income growth for U.S. real estate was up 5.2% for Q3 (most recent available)

U.S. Equity Markets

Returns by Sector (S&P 500)



Returns by Style (Russell Indices)

Last Quarter

	Value	Blend	Growth
Large	5.24	6.79	8.21
Mid	5.50	6.07	6.81
Small	2.05	3.34	4.59

Last 1 Year

	Value	Blend	Growth
Large	13.83	22.96	31.92
Mid	13.34	18.52	25.27
Small	7.84	14.65	22.17

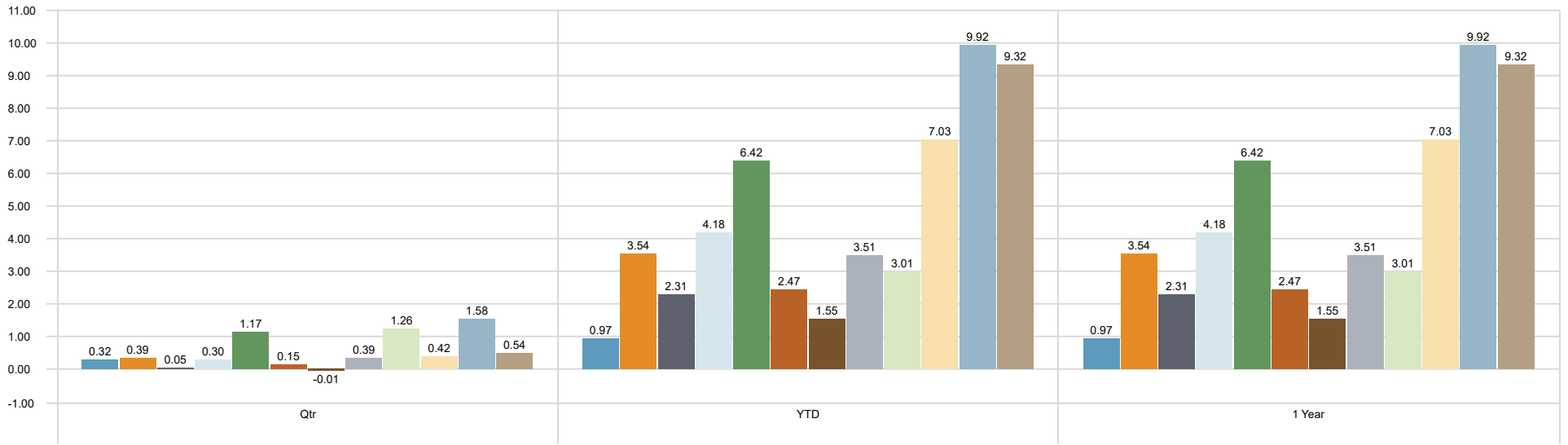
Last 3 Years

	Value	Blend	Growth
Large	8.51	11.90	15.13
Mid	9.00	9.58	10.30
Small	9.55	9.96	10.28

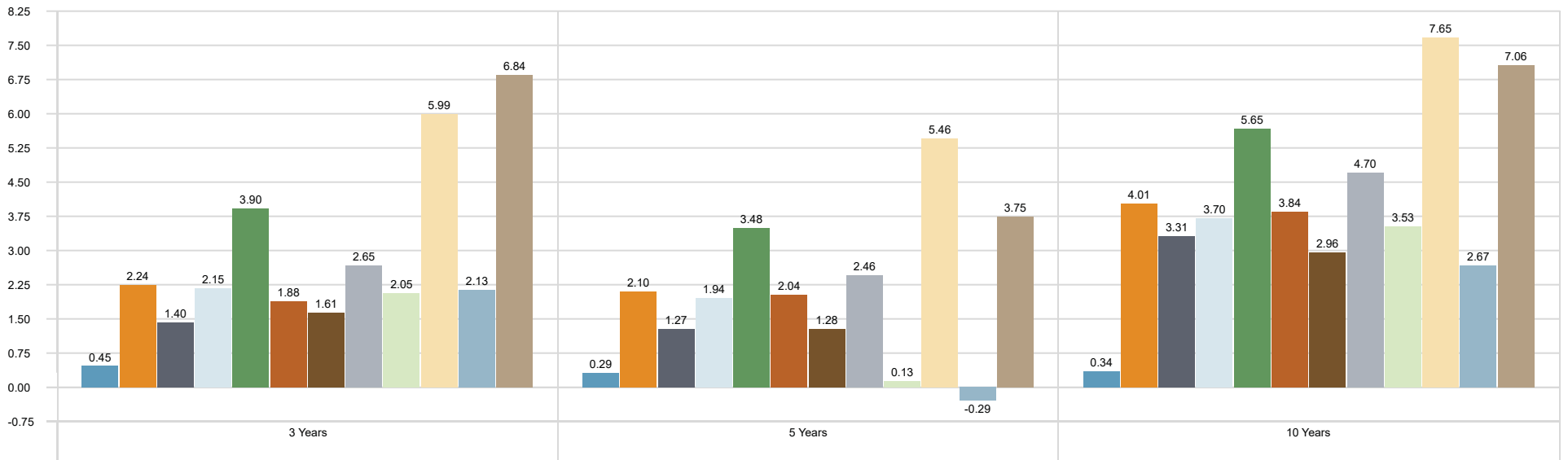
Last 5 Years

	Value	Blend	Growth
Large	13.78	16.01	18.12
Mid	14.68	14.96	15.30
Small	13.01	14.12	15.21

Fixed Income

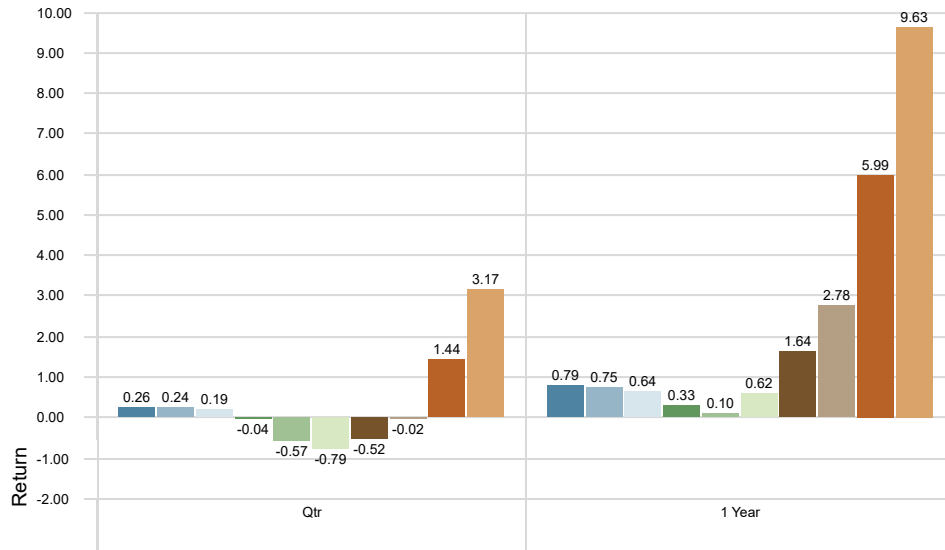


- 3-Month T-Bills
- Government-Related
- Asset-Backed Securities
- Aggregate Bonds
- Investment-Grade Corporate
- Commercial MBS
- Developed International
- Treasuries
- Mortgage-Backed Securities
- TIPS
- Emerging Markets
- High Yield



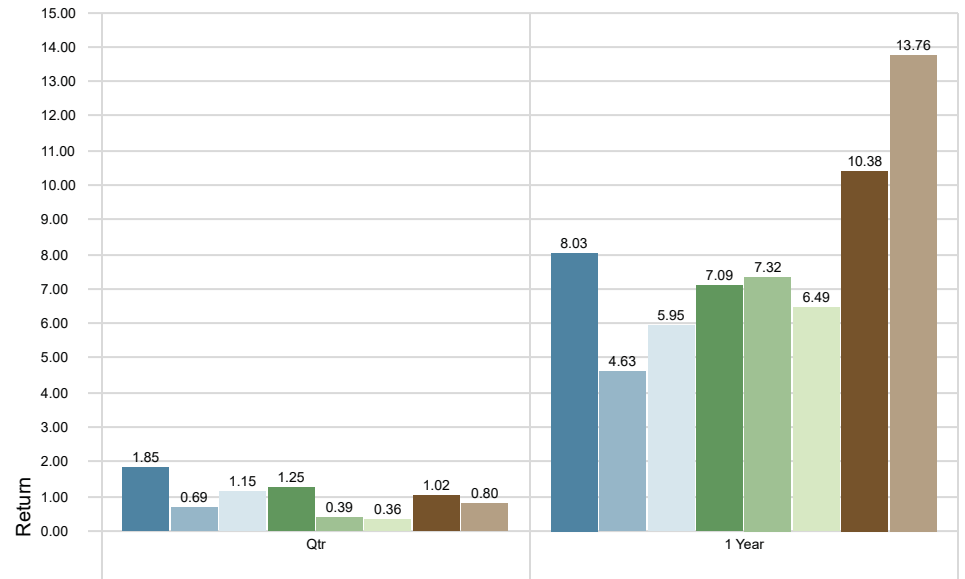
Fixed Income

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



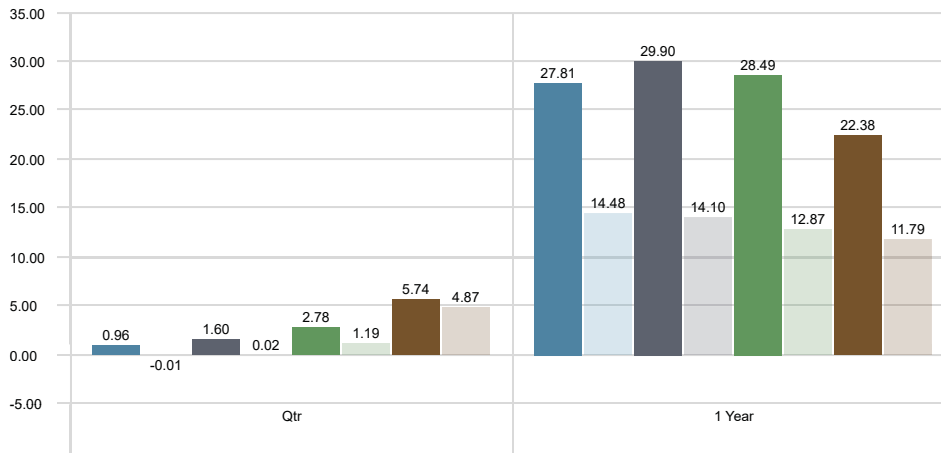
- Barclays US Corp Aaa TR USD
- Barclays US Corp Aa TR USD
- Barclays US Corp A TR USD
- Barclays US Corp Baa TR USD
- Barclays US HY Ba TR USD
- Barclays US HY B TR USD
- Barclays US HY Caa TR USD
- Barclays US HY Ca To D TR USD

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

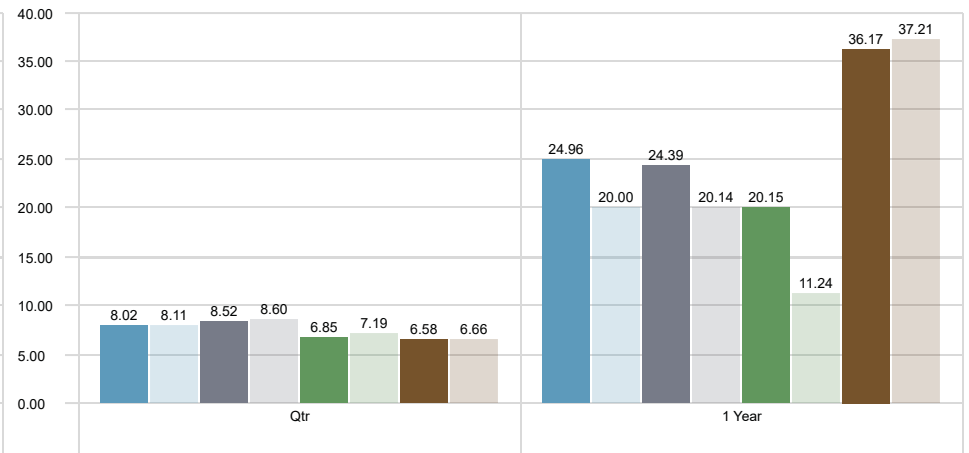
	BlackRock CoRI Retirement 2006	BlackRock CoRI Retirement 2008	BlackRock CoRI Retirement 2010	BlackRock CoRI Retirement 2012	BlackRock CoRI Retirement 2014	BlackRock CoRI Retirement 2016	BlackRock CoRI Retirement 2018	BlackRock CoRI Retirement 2020	BlackRock CoRI Retirement 2022	BlackRock CoRI Retirement 2024
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
6/30/2016	\$ 15.50	\$ 16.88	\$ 18.25	\$ 19.62	\$ 20.99	\$ 23.21	\$ 22.07	\$ 20.75	\$ 19.43	\$ 18.21

International Equity Markets

Developed Europe



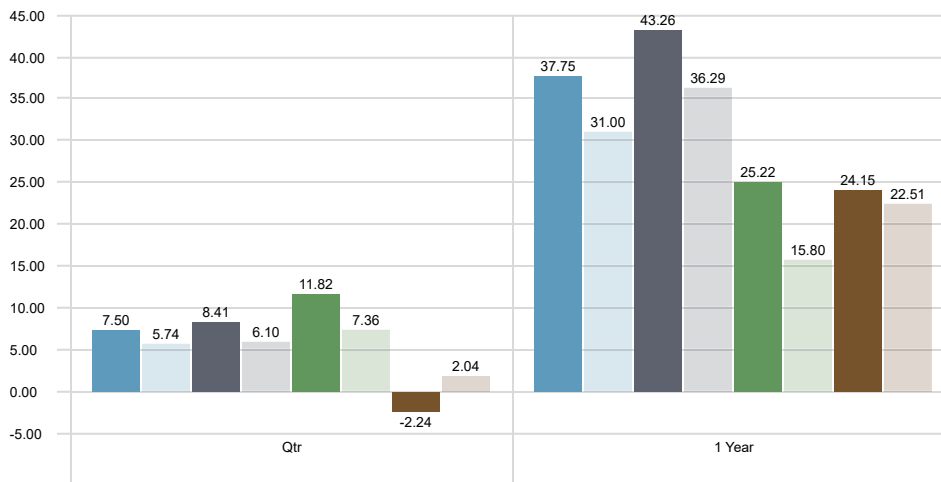
Developed Asia



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

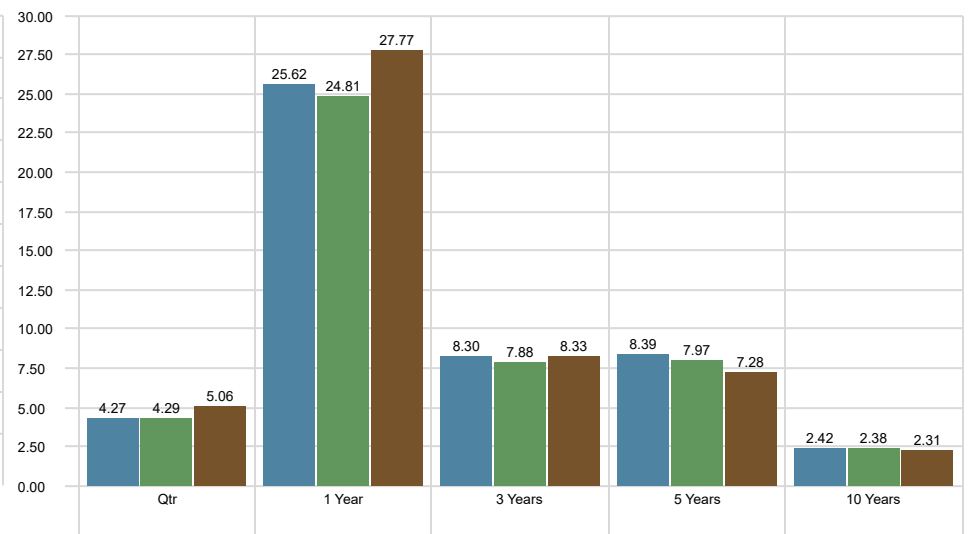
- Pacific (USD)
- Pacific (Local)
- Japan (USD)
- Japan (Local)
- Australia (USD)
- Australia (Local)
- Hong Kong (USD)
- Hong Kong (Local)

Emerging Markets



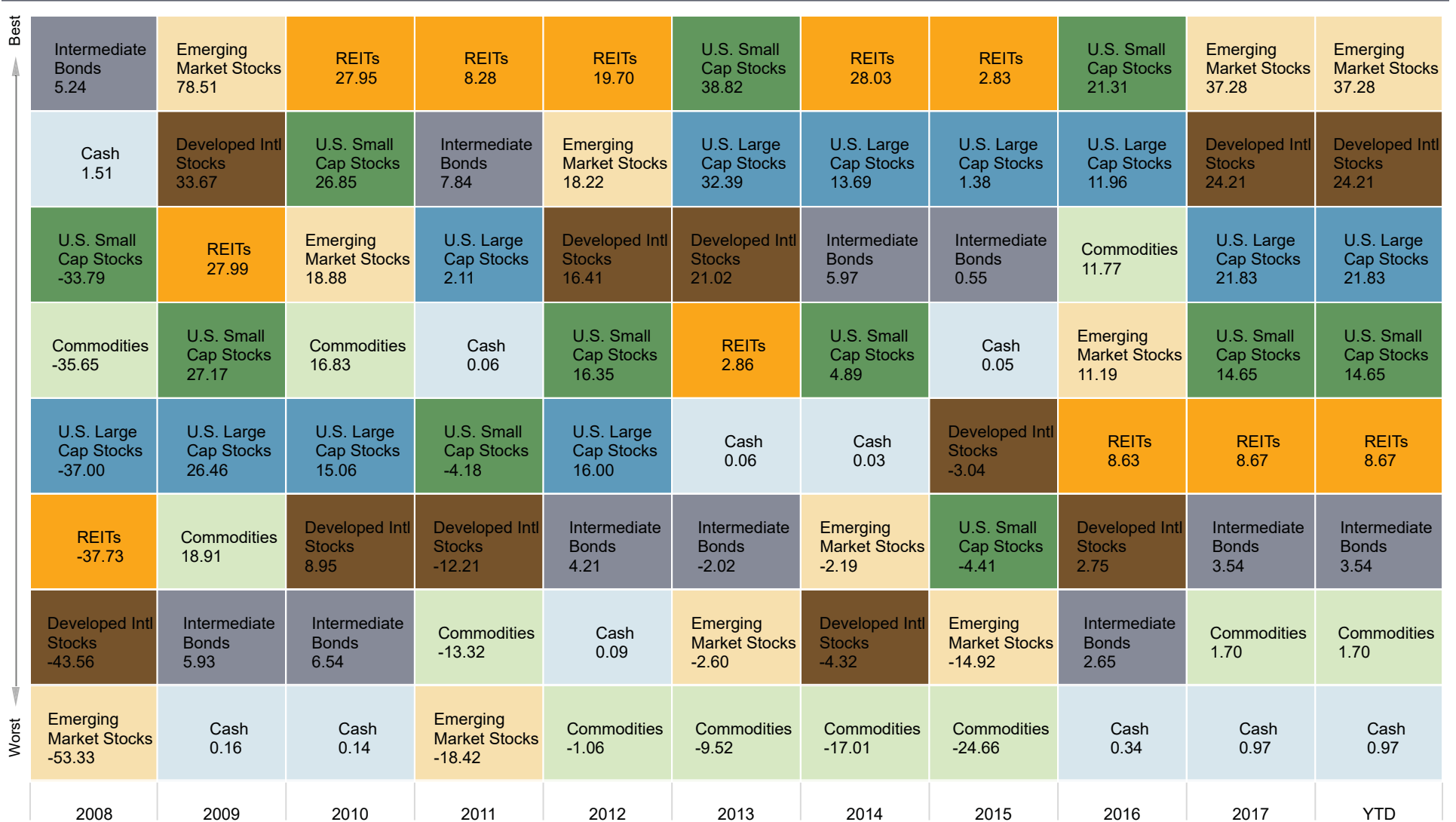
- Emerging Markets (USD)
- Emerging Markets (Local)
- Asia (USD)
- Asia (Local)
- Europe, Middle East & Africa (USD)
- Europe, Middle East & Africa (Local)
- Latin America (USD)
- Latin America (Local)

International Benchmarks



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

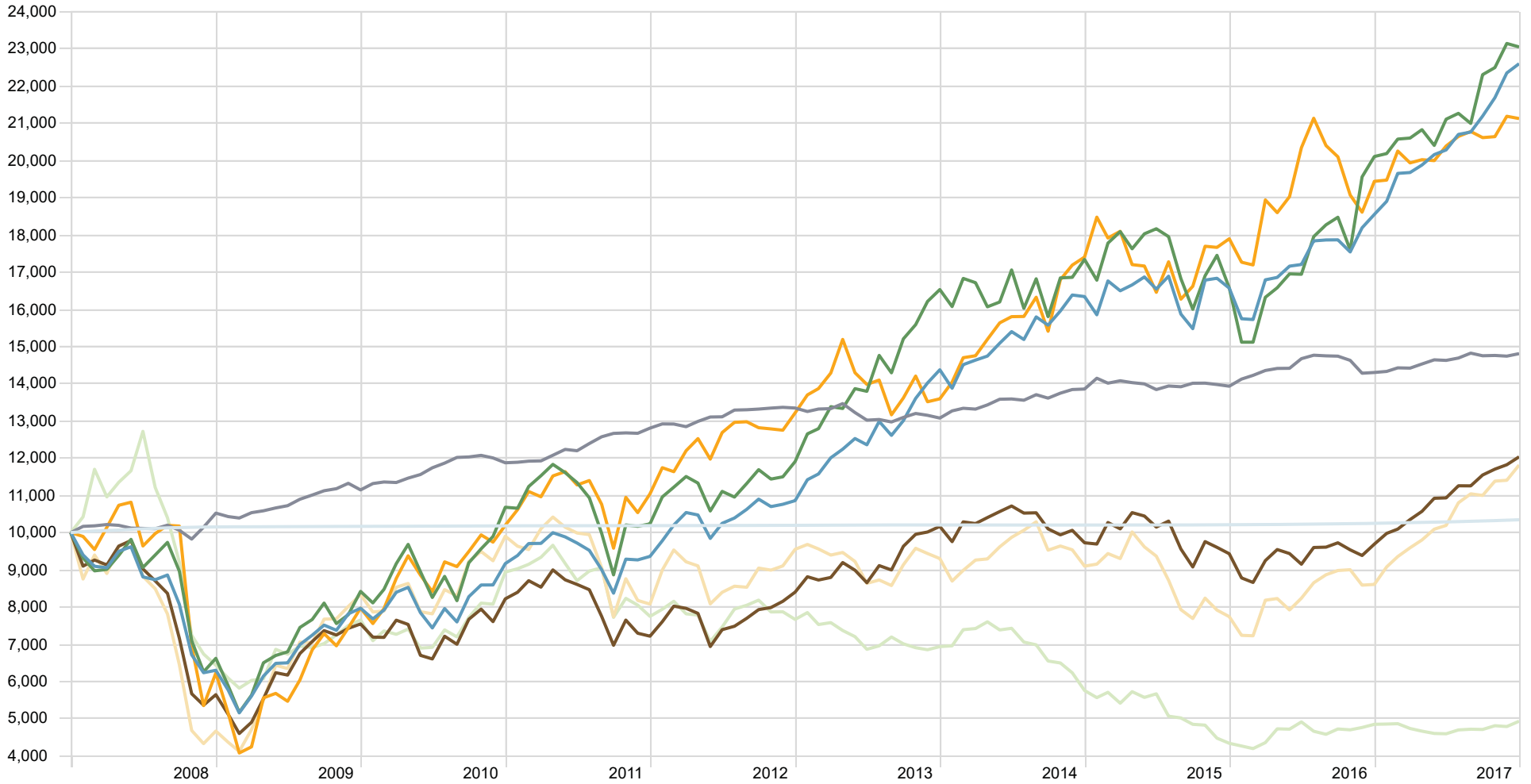
Unpredictability of Asset Class Returns



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

Growth of \$10,000

Time Period: 1/1/2008 to 12/31/2017

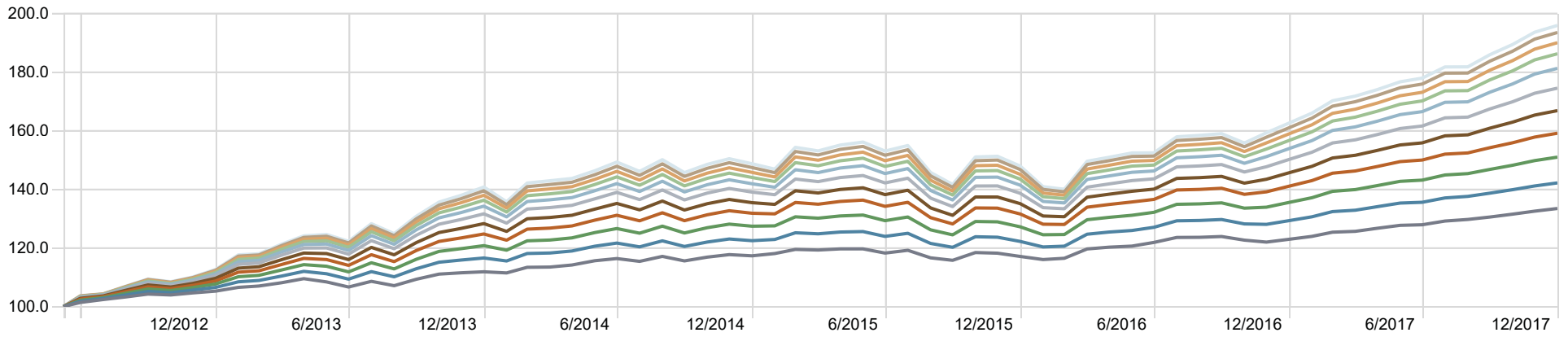


— Cash	10,345.44	— Intermediate Bonds	14,810.55	— U.S. Large Cap Stocks	22,602.94
— U.S. Small Cap Stocks	23,053.69	— REITs	21,128.38	— Developed Intl Stocks	12,036.84
— Emerging Market Stocks	11,816.37	— Commodities	4,930.46		

As of 12/31/2017

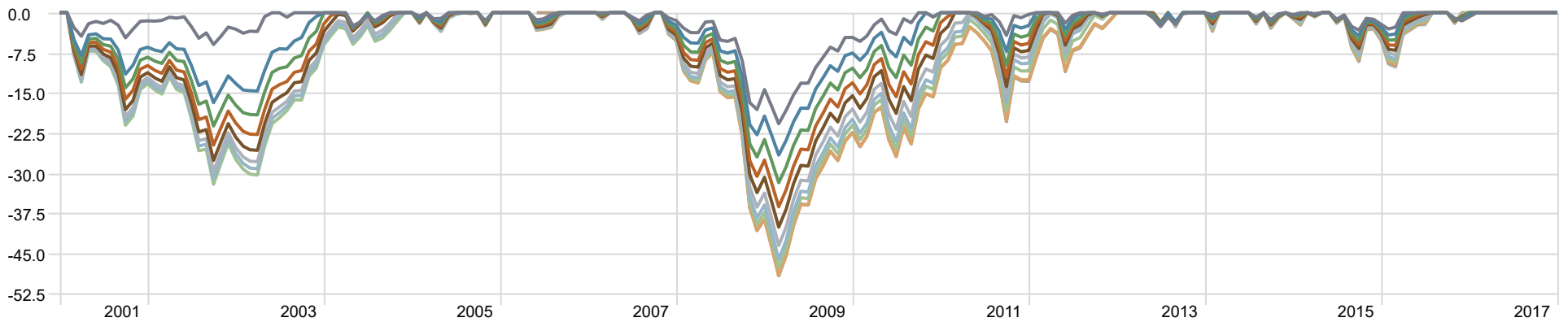
Target Date Investments

Growth of \$100



— S&P Target Date Retirement Income TR USD	133.5	— S&P Target Date 2010 TR USD	142.2	— S&P Target Date 2015 TR USD	151.0
— S&P Target Date 2020 TR USD	159.2	— S&P Target Date 2025 TR USD	166.9	— S&P Target Date 2030 TR USD	174.6
— S&P Target Date 2035 TR USD	181.3	— S&P Target Date 2040 TR USD	186.3	— S&P Target Date 2045 TR USD	190.1
— S&P Target Date 2050 TR USD	193.6	— S&P Target Date 2055+ TR USD	196.0		

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	