

MARKET REVIEW

The Republican electoral sweep of elections in 2016 was the predominant headline over the last two quarters. In the fourth quarter of 2016 post-election enthusiasm propelled stocks to new highs driven by the promise of a pro-growth political agenda.

Quietly supporting this market move were six months of positive economic trends that went mostly unnoticed.

In the first quarter of 2017, equities continued their advance, but the drivers of performance changed. As the quarter moved on, the hopes of the promised pro-growth agenda grew dimmer.

At the same time, economic indicators also showed signs of turning. The ISM index, a measure of economic trends showed signs of peaking, and, even as the Federal Reserve raised rates in March--the second time in four months--the longer end of the curve remained stubbornly high, causing a flattening that can indicate a slowing economic environment. Consumers and investors remain optimistic, but the hard data is beginning to tell a different story.

While the Russell 1000 index overall shrugged off these concerns and returned a healthy 6.02% for the quarter, the drivers of this performance harkened back to themes from the moderating economic growth environment of 2015 and before, namely – namely high quality growth stocks.

PORTFOLIO POSITIONING

As confidence in economic growth waned, and the prospects for the Republican agenda dimmed, the returns to value stock reversed the strong performance they experience in the fourth quarter of 2016. As a result, some of the spread between expensive and cheap stocks increased. The spread increases the potential for performance from value stocks, and the team has included some in the portfolio.

With stock correlations at low levels, and individual stock performance increasingly driven by company- specific events instead of macroeconomic events (politics aside), we see the potential to add alpha to be as high as it has been for several years.

PRODUCT OVERVIEW

The Large Cap Core Equity strategy seeks to outperform the Russell 1000 Index by constructing a diversified portfolio using an investment process that combines analysis of economic and market forces; individual stock analysis and risk management; and efficient strategy implementation and trading. The core of our process is knowledge - based investing which uses signals from the activity of unique market participants to assess potential company appreciation.

TOP FIVE CONTRIBUTORS (%)

Security	Avg. Weight	Portfolio Impact
MarketAxess	1.53	0.40
CSX Corp.	1.20	0.30
Adobe Systems Inc.	1.32	0.26
Applied Materials	1.49	0.26
BWX Technologies	1.10	0.24

TOP FIVE DETRACTORS (%)

Security	Avg. Weight	Portfolio Impact
Johnson Controls International	1.07	(0.11)
Popular Inc.	1.57	(0.11)
Envision Healthcare Corp.	0.32	(0.10)
Visa Inc.	0.00	(0.10)
Macerich Co.	0.95	(0.09)

REPRESENTATIVE BUYS AND SELLS

Bought	Sector
General Electric Co.	Industrials
Mid-America Apartment Comm.	Real Estate
Johnson Controls International	Industrials

Sold	Sector
Newell Brands	Consumer Discretionary
BWX Technologies Inc.	Industrials
Eli Lilly & Co.	Health Care

LARGE CAP CORE INVESTMENT MANAGEMENT TEAM

Derek Izuel, CFA
Chief Equity Officer

- Investment experience since 1991
- Tenure with HighMark since 2008
- MBA – University of Michigan
- BA – Computer Science, University of California, Berkeley

Yanping Li, Ph.D.
Senior Equity Research Analyst/ Portfolio Manager

- Investment experience since 2008
- Tenure with HighMark since 2011
- PhD – Applied Physics, Cornell University
- MS – Financial Engineering, University of California, Berkeley
- MA – Physics, Brandeis University

Richard Ren, Ph.D., CFA
Senior Investment Analyst

- Investment experience since 2007
- Tenure with HighMark since 2014
- PhD – Chemical Physics & Statistical Analysis, University of California, Los Angeles
- MBA – University of California, Berkeley
- BS – Industrial Automation, Zhejiang University

Justin Sheetz, CFA
Equity Research Analyst

- Investment experience since 1997
- Tenure with HighMark since 2014
- BA – International Studies, Colby College
- MS – Computational Finance and Risk Management, University of Washington

Angela Shen
Quantitative Equity Analyst

- Investment experience since 1992
- Tenure with HighMark since 1992
- BA – Statistics, University of California, Berkeley

Todd Mackedanz
Head of Equity Trading

- Investment experience since 2001
- Tenure with HighMark since 2014
- BS – Finance, Montana State University

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Current and future portfolio holdings are subject to change and risk. There is no guarantee that the securities listed will remain in or out of the portfolio. The discussion of the strategy's holdings is not intended as a recommendation to buy, hold or sell any of these securities. Past performance is no indication of future results. The information provided herein represents the opinion of the manager of the market environment at a specific point in time and should not be relied upon as research or investment advice. Information presented for Top Contributors and Detractors is based on a representative account within the Large Cap Core Equity Composite, and on a trade date basis. As of March 31, 2017 the composite consists of equal to or less than five accounts, and composite represents 11.53% of the total firm assets. The minimum portfolio size for inclusion in the composite is \$3 million.

The benchmark for this composite is Russell 1000 Index. Prior to 11/30/2014, the benchmark for Large Cap Core Equity was the S&P 500. The change was made effective 12/1/2014 to more closely reflect the composite's strategy.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. Benchmark returns do not reflect the deduction of advisory fees, custody fees, transaction costs, or other investment expenses. The benchmark returns assume the reinvestment of dividends and other earnings. An investor cannot invest directly in an unmanaged index. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients, and you should not assume that investments in the securities identified and discussed were or will be profitable. Please call (800) 582-4734 or write to highmark.capital@highmarkcapital.com to obtain the calculation methodology for contributors and detractors and a list of every holding's contribution to the overall representative account's performance during the quarter.

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