

MARKET REVIEW

The third quarter of 2017 stood in contrast to the two previous quarters in many different ways. Instead of a steady march upward lead by large cap growth stocks such as the FANG (Facebook, Apple, Netflix, Google, et al) stocks, the third quarter was characterized by market participants' disagreement over future economic growth.

The key underlying controversy was the direction of global economies. The quarter began with a series of more moderate leading indicators. But as the quarter went on, more and more positive signs began to show, particularly from overseas. Industrial metal prices rose as well as currencies from commodity-producing countries such as Australia and Canada. Global purchasing manager indices remained resilient, and European indices reached a multi-year high.

When this message started to take hold, the market reacted. In mid-August, potentially catalyzed by hopes for long-awaited tax reform, small cap stocks woke from their 2017 slumber and recovered most of the 10%-plus deficit versus large caps they had accumulated. Value stocks followed this reversal by showing some life as well.

PORTFOLIO POSITIONING

The portfolio continues to have a moderate exposure to momentum stocks. As is characteristic of the strategy, the team remains vigilant for risks to these stocks. The exposure has fallen during the past few months, but only as a result of market movement. The team's signals do not show any signs of concern at the moment.

The portfolio's largest industry underweight, IT Services, is offset by overweights in similar technology areas such as software.

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
Rockwell Collins	1.71	0.52
Applied Materials Inc.	1.78	0.39
Hilton Worldwide Holdings	2.07	0.28
Abbot Labs	2.87	0.26
Facebook Inc.	3.41	0.21

TOP FIVE DETRACTORS (%)

Security	Avg. Weight	Portfolio Impact
Altria Group Inc.	1.91	(0.22)
DST Systems Inc.	1.23	(0.20)
Popular Inc.	1.39	(0.20)
Colony Northstar Inc.	1.70	(0.17)
Boeing Co.	0.00	(0.15)

REPRESENTATIVE BUYS AND SELLS

Bought	Sector
Agilent Technologies Inc.	Health Care
Vectren Corp.	Utilities
FNB Corp.	Financials

Sold	Sector
Rockwell Collins Inc.	Information Technology
Allison Transmission	Industrials
Service Corp International	Consumer Discretionary

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 Equity Research 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

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

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 September 30, 2017 the composite consists of equal to or less than five accounts, and composite represents 11.03% 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.

HIGHMARK CAPITAL MANAGEMENT

350 California Street
Suite 1600
San Francisco, CA 94104
800-582-4734

www.highmarkcapital.com

FOR INFORMATION, CONTACT:

Hoddy Fritz
Director, Business Development
949-553-7141
hoddy.fritz@highmarkcapital.com

Chip Howard
Director, Business Development
818-254-0783
chip.howard@highmarkcapital.com

Fred Hurst
Director, Business Development
415-705-5015
fred.hurst@highmarkcapital.com