Liquidity Management Fact Sheet

Q4 2016

INVESTMENT PHILOSOPHY

We believe that safety, liquidity, and yield are the most important drivers of our liquidity management strategy. We seek to maximize after-tax income while preserving principal and maintaining liquidity.

INVESTMENT PHILOSOPHY

1. Fundamental Economic Analysis. Our Asset Allocation Committee conducts fundamental analysis of global economic indicators and fiscal and monetary policy. A strategic focus is placed on the leading indicators that have historically provided insights into the business cycle and potential changes in Federal Reserve policy. Our goal is to ensure that your portfolio is carefully positioned within a macroeconomic framework.

2. Market and Credit Analysis. We identify the most attractive securities among diverse asset classes and market sectors to enhance portfolio diversification and yield. We conduct in-depth yield curve and sector analysis as well as historical spread volatility and excess return trends. Finally, our research team analyzes the creditworthiness of new security candidates and existing securities on regular basis.

3. Portfolio Construction. In building a diversified and customized portfolio tailored to client's stated objectives and liquidity needs, our team seeks to diversify across multiple industries and security types. Portfolios are periodically repositioned to seek opportunities arising from changes in interest rates, the yield curve and sector spreads.

Risk Management

Our overarching goal is to ensure risk is managed and minimized through portfolio diversification, the monitoring of portfolio holdings and interest rate sensitivity analysis. Comprehensive performance measurement, compliance tools and constant adherence to client investment guidelines allow us to manage risk consistent with client expectations.

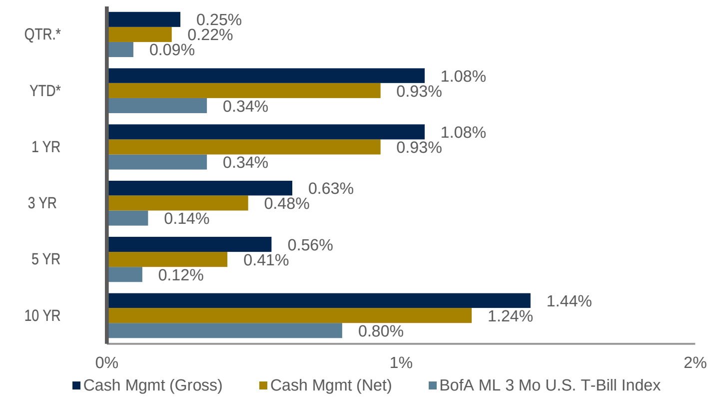
FIRM BACKGROUND

- Founded in 1919 as part of Union Bank in San Francisco
- $15.2 billion in assets under management
- Stable and experienced 53-member investment team
- Over 100 clients from all institutional segments

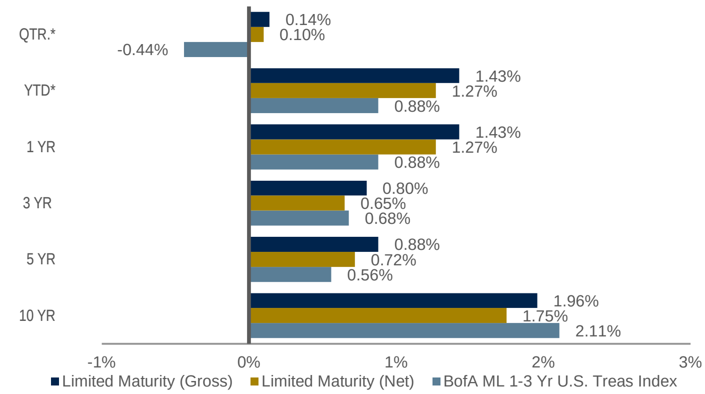
COMPOSITE PERFORMANCE

(periods under one year are not annualized)

CASH MANAGEMENT

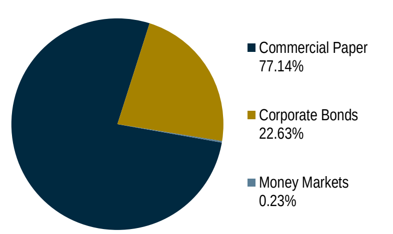


LIMITED MATURITY



SECTOR WEIGHTINGS

CASH MANAGEMENT



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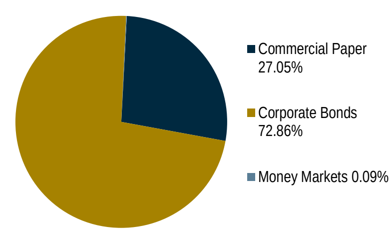
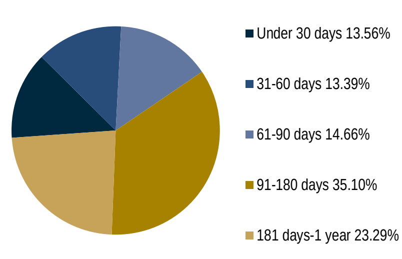


PORTFOLIO MATURITY

CASH MANAGEMENT



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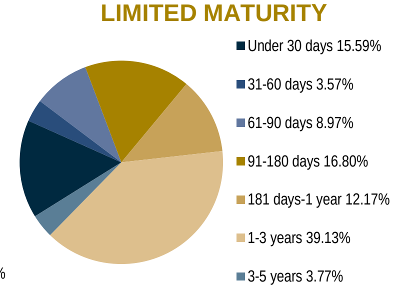

Economic Overview

The last word anyone could use to describe 2016 would be "uneventful." If the narrative of 2016 became a movie (and at times it certainly felt like one), it would easily fit into the 'suspense/thriller' genre. With so many twists and turns, there was no lack of excitement from near-daily geopolitical and financial market events.

The year began with a bust as worries about a hard landing in China and plummeting commodity prices shook investor confidence. The S&P 500 began 2016 with its worst start ever, dropping 11% between the beginning of January and February 11, 2016. To reverse China's negative economic momentum, a lifeline in the form of roughly $200 billion in fiscal stimulus from the Chinese government served to soothe fears, but did little to address a growing debt concern in the world's second largest economy.

At the end of the second quarter, the United Kingdom (UK) "Brexit" vote to leave the European Union (EU) shocked global markets. Equally surprising was how quickly global equity markets recovered after a sharp, yet brief, sell-off. Finally, in the fourth quarter (or the third act if we stay with the movie analogy), the outcome of the United States (U.S.) Presidential election, along with the equity market's reaction, defied expectations once again. Stocks rallied to new highs and bonds sold off on renewed hopes that economic growth would finally return to 'old normal' levels.

With populism and government debt on the rise around the world, an even more exciting sequel is not out of the question for 2017. While risk-based assets, particularly equities, played a starring role in the 2016 blockbuster, market reactions to expected and unexpected events this year may not follow the same script.

Fixed Income Outlook

Although economic indicators had changed only marginally since the Fed's last FOMC meeting in November 2016, when no rate hike was announced, December's meeting produced just the second rate hike since the Great Recession of 2008.

While the benchmark rate increase to a range of 0.50% to 0.75% was expected, many were surprised that the Fed, given the trajectory of economic growth and employment levels, said it may raise rates as many as three times in 2017, as opposed to the consensus view of two times.

After the last FOMC meeting, Chairwoman Janet Yellen struck a non-partisan tone about the potential impact President-elect Trump's plans for fiscal stimulus measures might have on inflation. Given that the President-elect's stimulus programs would benefit from low rates, the stage may be set for a contentious relationship between the Executive branch and the Fed, as the Fed uses rate hikes to counter inflation pressure that may arise from the new administration's stimulative agenda.

Fixed Income Strategy for Q1 2017

We have been underweight U.S. Government Bonds for several years and, given the combination of rising rates and the outlook for future U.S. issuance and yields, see no compelling reason to change course as we enter the New Year.

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ABOUT THE PORTFOLIO MANAGEMENT TEAM

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CEO & Chief Fixed Income Officer
Investment Experience: since 1985
HighMark Tenure: since 2004
Education: BS, Finance, University of Oregon; MBA, Management, Golden Gate University

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Information presented under Sectors, and Maturity is based on a representative account within the Cash Management and Limited Maturity composites, and on a trade-date basis. As of December 31, 2016, the Cash Management composite consists of nine accounts, and represents 4.89% of the total firm assets. The minimum portfolio size for inclusion in the composite is $10 million. As of December 31, 2016, the Limited Maturity composite consists of equal to or less than five accounts, and represents 3.51% of the total firm assets. The minimum portfolio size for inclusion in the composite is $10 million. The benchmark for the Cash Management and Limited Maturity composites are the Bank of America (BofA) Merrill Lynch (ML) 3-Month U.S. Treasury Bill Index and the BofA ML 1-3 Year U.S. Treasury Index, respectively. The benchmarks are used for comparative purposes only and is provided to represent the market conditions during the period shown. The ML 3-Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, the issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding T Bill that matures closest to, but not beyond 3 months from the rebalancing date. The BofA ML 1-3 Year U.S. Treasury Index is a subset of The BofA Merrill Lynch U.S. Treasury Index including all securities with a remaining term to final maturity less than 3 years. The BofA Merrill Lynch U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market. 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 either the BofA ML 3-Month U.S. Treasury Bill Index or the BofA ML 1-3 Year U.S. Treasury Index. Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of interests and other income. Client's return will be reduced by the advisory fees and other expenses it may incur as a client. Fees charged are at the discretion of HighMark and MUB; investment advisory fees are described in HighMark's Form ADV Part 2, which is available upon request.