



Becker Capital Management, Inc.

1211 SW 5TH AVENUE, SUITE 2185

PORTLAND, OREGON 97204

www.beckercap.com

PHONE 503-223-1720

FAX 503-223-3624

Everett School Employee Benefit Tr.

Investment Summary

September 30, 2015

EVERETT SCHOOL

NOV 02 2015

EMPLOYEE BENEFIT TRUST



Becker Capital Management, Inc.

1211 SW 5TH AVENUE, SUITE 2185

PORTLAND, OREGON 97204

www.beckercap.com

PHONE 503-223-1720

FAX 503-223-3624

October 30, 2015

Everett School Employee Benefit Tr.
Darla Van Duren
PO Box 2098
Everett, Washington 98213

EVERETT SCHOOL

NOV 02 2015

EMPLOYEE BENEFIT TRUST

Dear Darla:

Enclosed is your third quarter, 2015 report including investment results, transactions, summary of investments, and a fee statement.

	QTD	YTD	1 Year	3 Years	5 Years	Incept. 09-03-09
Everett School Trust	0.2%	0.8%	1.0%	0.7%	1.1%	1.3%
Fixed Income	0.2%	0.9%	1.0%	0.8%	1.2%	1.5%
BAML 1 Yr Treasury Note	0.1%	0.3%	0.3%	0.3%	0.3%	0.4%

Bond returns were reasonable in the third quarter; a broad investment grade index of Treasury, agency and corporate debt returned 1.23% (an annualized rate of 5.0%). The long-term, since 1974, annual return is 7.6%. Bonds benefited this quarter from investor discomfort over global economic weakness. These concerns generated a "flight-to-quality," or a preference for safer asset classes.

However, the breadth of performance was narrow. Most of the performance was provided by Treasury bonds. A simple way of monitoring breadth is to look at bonds that mature in 7 to 10 years. In this narrow maturity range Treasuries returned 1.44% and corporates returned just 0.37%. The dramatic outperformance of Treasury bonds is consistent with a flight-to-quality.

The Chinese economy was expected to slow but, in June, it appeared to be slowing faster than anticipated. The Chinese stock market began to falter and China embarked on a series of initiatives designed to prop up their stock market. It is likely these initiatives made matters worse. By August, the Shanghai stock index was off 34% from its June high. Investors began fretting about the spill-over to commodities and other emerging market nations. In mid-August China devalued its currency. While their motivation remains unclear, the devaluation made investors question just how bad things are and U.S. markets finally took notice. By September, the Shanghai stock market was 38% off its highs and the S&P 500 was off 8%.

Some wild intraday swings in U.S. stocks made it feel worse than 8%. The Federal Reserve met on September 17. Consensus had been, as late as mid-August, that the Fed would begin raising the Federal Funds rate at this meeting. Expectations for a rate increase faltered and there was little consensus among market participants immediately before the meeting. The Fed decided to leave rates unchanged and, for the first time, acknowledged that they were, "...monitoring developments abroad." This kicked-off the last leg of the quarter's flight-to-quality Treasury rally.

Municipal bonds participated in the Treasury rally and even performed a little better. Municipal buyers became more confident that recent credit problems in Puerto Rico and Illinois are isolated events.

Your portfolio outperformed its benchmark this quarter. The maturity structure of your portfolio is longer; its effective duration is 1.7 years while your benchmark's duration is 1 year. In addition, certificates of deposit make up about 50% of your portfolio; your benchmark holds only Treasury notes. Both factors benefited your portfolio this quarter.

In order to achieve its 1.23% return the bond market had to rely heavily on price appreciation. According to Bank of America Merrill Lynch statistics, 70% of this quarter's return came from price appreciation and only 30% from income. For perspective, since 1997, 7% of return came from price appreciation and 93% from income. The index was probably lucky to book a moderate 1.23%. Providing a similar reasonable return will be tougher going forward. Price appreciation in bonds only happens when yields go down, and the yield on this index (designed to replicate a portfolio of every Treasury, agency and investment grade bond maturing in 1 to 30 years) is now 2.17%.

The Federal Reserve began its zero interest rate policy nearly 7 years ago. It was, along with other programs, an emergency measure intended to combat the financial crisis. Now, unemployment is 5.1%, well below its 5.8% average. Our economy is growing at a 2.7%, that's a little below its 3.2% average. Inflation, and there are so many measures of this it is hard to choose, is probably moderately below the Fed's 2% target. Quibbles can be had over all these numbers, but we are no longer in an emergency situation. It is time to take the patient out of the emergency room and move him down the hall for some gentle rehabilitation in the form of gradually normalizing interest rates. And, when the starting point is 0%, raising the Funds Rate is not tightening, it is being less accommodative.

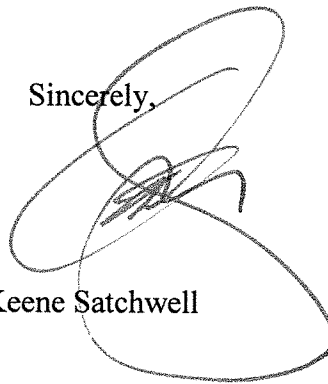
We are anticipating higher rates from the Fed, probably soon after our stock market volatility subsides. And, as the Fed gently proceeds to normalized rates in the short end

of the yield curve, longer term rates should follow. It makes little sense to invest in 10-year Treasury notes at 2.0% if the Fed successfully achieves their 2.0% inflation target.

If rates rise there will be no price appreciation and bond returns will once again rely on what are currently very low yields. We believe that, if returns are likely to be low, less risk should be taken. We remain conservative managers of your fixed income assets.

If you have any questions or comments, please do not hesitate to contact any of us at Becker Capital.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Keene Satchwell', is written over a large, loopy, circular scribble that also serves as a background for the signature.

Keene Satchwell