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

EVERETT SCHOOL
OCT 29 2018
EMPLOYEE BENEFIT TRUST

Dear Darla:

The Federal Reserve has raised rates three times this year and is widely expected to raise rates again in December. The economy continues to grow: GDP was 4.2% in the second quarter and is expected to remain strong for the 3rd quarter, along with employment. These strengths may be offset with concerns that the stimulus from the tax cuts may wain, trade disputes may dampen growth, contagion fears from emerging markets, and political squabbling in Washington DC. The bond market finished the quarter with 10-year rates rising above the 3.00% mark. The benchmark 10-year Treasury started the quarter yielding 2.87% and closed the quarter at 3.06%, near its highest level in seven years. Despite the rise in rates, most bond indices provided slightly positive returns.

Your portfolio outperformed both indices for the quarter, with a return of 0.54% vs. the 1-year Treasury bill return of 0.41% and the 0 to 5-year Treasury return of 0.15%. Your portfolio returned 0.77% over the past 12 months; well ahead of your longer benchmark, but slightly behind the outperformance of the short, 1-year Treasury bills.

The cash balance in the portfolio was elevated at the end of the quarter, to meet your stated withdrawal expectations. We will continue to sell the longer CD's to fund your future withdrawals.

The bond market broke out of a long-established range during the first weeks of the 3rd quarter. 10-year notes now yield over 3.10% and have traded as high as 3.25% in the beginning of the 4th quarter. We will continue with our short duration target, but higher long rates are starting to pique our interest in accounts that are not maturity constrained.

As always, we appreciate your business and invite your questions and comments. Please feel free to contact any of us here at Becker Capital.

Sincerely,

Deidra Krys-Rusoff