

## April 2017 Investment Report

### April Highlights

- The U.S. economy grew at an anemic 0.7% annual rate for the first quarter, the slowest pace in three years. The weakness can be primarily attributed to restrained consumer spending, which comprises 70% of Gross Domestic Product (GDP). Positive signs within the GDP report suggest that the first quarter rate might be a near-term pause rather than a long-term trend. Positive news included resurgence in business investment, continued rebound in housing activity and export strength led by a growing global economy.
- The Federal Reserve (Fed) announced in early April that it would begin to reduce the size of its \$4.5 trillion portfolio of mortgage and Treasury securities toward year-end. This move would reduce liquidity in the financial system in line with the Fed's efforts to keep inflation to its 2% target. The financial markets have priced in two more Fed rate increases in 2017.
- Wespath's U.S. Equity Fund and International Equity Fund outperformed their respective benchmarks, aided by strength in growth sectors such as health care and technology. Wespath's Fixed Income Fund outperformed its benchmark during the month due to strong performance from both developed and developing countries. The Inflation Protection Fund's relative performance was hurt by the underweight to United Kingdom inflation-linked bonds.

### Monthly Overview

#### **French elections are positive for markets and the EU**

France held its much-anticipated first round of presidential elections with centrist Emmanuel Macron and far-right politician Marine Le Pen garnering the two highest vote totals out of eleven candidates. With Macron expected to prevail in a scheduled run-off election on May 7, markets rallied and the euro strengthened amid reduced concerns about France's potential departure from the Eurozone under Ms. Le Pen (Mr. Macron ultimately won the election).

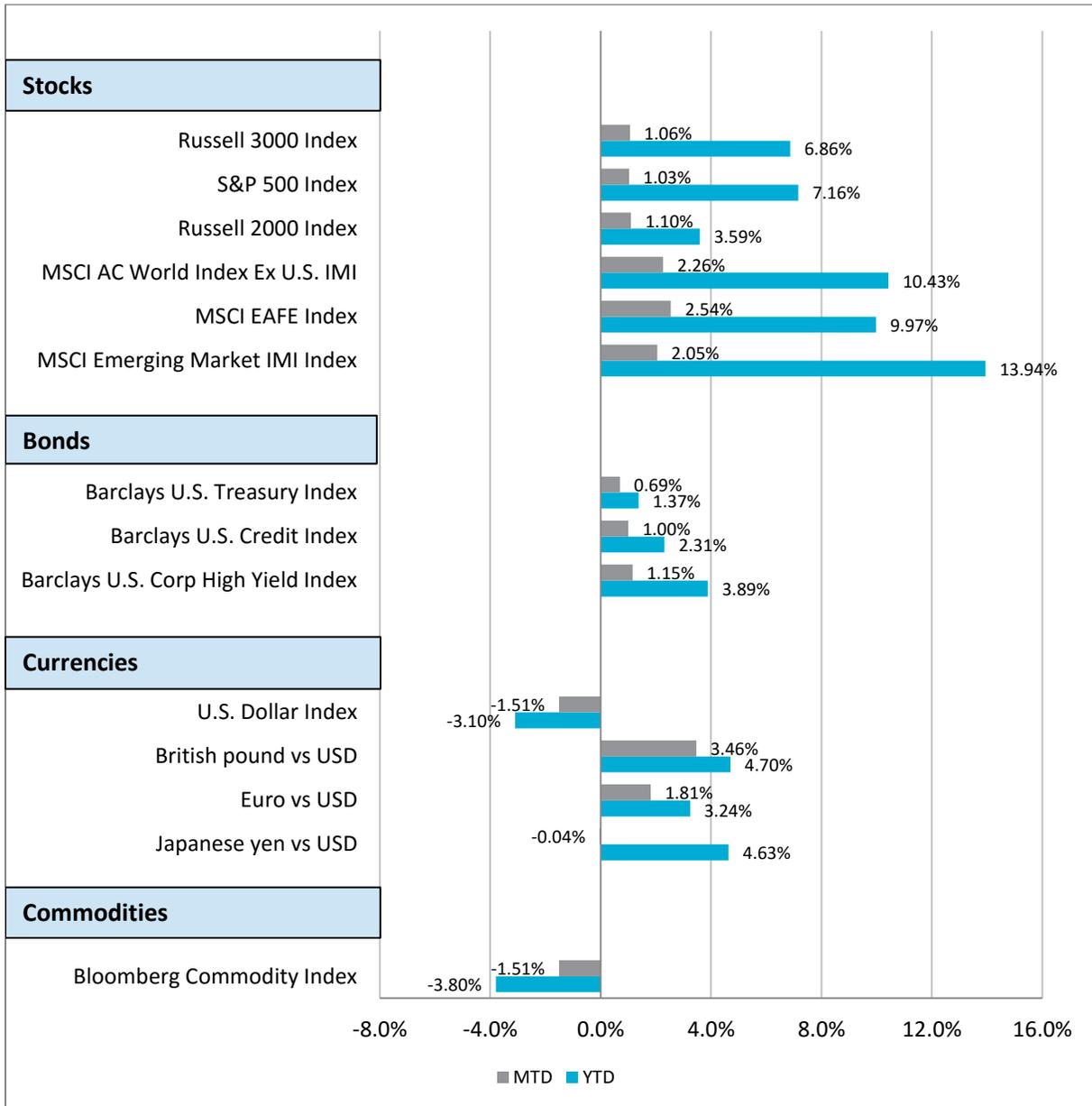
#### **Stock market hits new highs amid technology strength**

The NASDAQ market hit new highs during the month driven by positive economic sentiment and technology stock performance. Five stocks—Apple, Facebook, Amazon, Microsoft and Alphabet (Google)—accounted for 40% of the index's gain in 2017. During the month, electric car maker Tesla, surpassed Ford and GM as the largest U.S. car manufacturer by market value.

#### **Trump introduces tax plan**

President Donald Trump announced his tax reform plan, which included proposals to significantly reduce business tax rates from 35% to 15% and lower the marginal tax rate on individuals. Markets generally anticipate corporate tax reform, though the President's proposal will likely encounter resistance.

## Market Performance



Source: FactSet, As of April 30, 2017

## Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Existing Home Sales	Mar: 4.4% (Feb: -3.9%); M/M-SAAR	▲
New Home Sales	Mar: 5.8% (Feb: 0.3%); M/M-SAAR	▲
S&P/Case-Shiller 20-City Home Price Index	Feb: 6.1% (Jan: 5.6%); Y/Y	▲
Unemployment Rate	Mar: 4.5% (Feb: 4.7%)	▲
		<b>Neutral</b>
Consumer Confidence	Apr: 120.3 (Mar: 124.9)	◆
Consumer Price Index core	Mar: -0.1% (Feb: 0.2%); M/M-SA	◆
Consumer Price Index	Mar: -0.3% (Feb: 0.1%); M/M-SA	◆
Factory Orders	Feb: 1.0% (Jan: 1.5%); M/M-SA	◆
Institute for Supply Management Index	Mar: 57.2% (Feb: 57.7%)	◆
Producer Price Index core	Mar: 0.0% (Feb: 0.3%); M/M-SA	◆
Producer Price Index	Mar: -0.1% (Feb: 0.3%); M/M-SA	◆
Retail Sales ex-auto	Mar: 0.2% (Feb: 0.0%); M/M-SA	◆
		<b>Negative</b>
Durable Goods Orders	Mar: 0.7% (Feb: 2.3%); M/M-SA	▼
Nonfarm Payrolls	Mar: 98,000 (Feb: 219,000)	▼
Housing Starts	Mar: -6.8% (Feb: 5.0%); M/M-SAAR	▼
Real Gross Domestic Product	Mar: 0.7% (Dec: 2.1%); Q/Q-SAAR	▼
Retail Sales	Mar: -0.3% (Feb: -0.2%); M/M-SA	▼

M/M	Month-over-month (% change since last month)
Q/Q	Quarter-over-quarter (% change since last quarter)
Y/Y	Year-over-year (% change since the same month, last year)
SA	Seasonally Adjusted
SAAR	Seasonally Adjusted Annual Rate
Source	<a href="#">FactSet</a>

## Investment Fund Review (Net of Fees Performance)<sup>i</sup>

### Equity Funds

#### U.S. Equity Fund

Fund	April	YTD
U.S. Equity Fund	+1.11%	+6.54%
Russell 3000 Index	+1.06%	+6.86%
Difference (percentage points)	+0.05	-0.32

- The U.S. Equity Fund benefited from its allocation to growth strategies with two sub-industries performing the best—health care technology and biotech—during the month and year-to-date periods.
- In both periods, the fund's strategic allocation of overweighting small- and mid-sized company stocks, with a corresponding underweight in large-company stocks, detracted from benchmark-relative performance. Additionally, the fund's allocation to the alternative investment strategies of private equity and private real estate detracted from relative performance for both periods.

#### International Equity Fund

Fund	April	YTD
International Equity Fund	+2.46%	+11.28%
MSCI ACWI ex U.S. Investable Market Index	+2.26%	+10.43%
Difference (percentage points)	+0.20	+0.85

- During the month and in the year-to-date, the International Equity Fund's strategic overweight allocation to stocks from emerging markets benefited benchmark-relative performance. Additionally, strong performance by an active developed manager, particularly within the consumer discretionary sector, aided returns. However, the fund's allocation to both private equity and private real estate detracted from relative performance during both periods.
- The fund's daily valuation policy (described [here](#)) positively contributed to benchmark-relative performance for the year-to-date, but detracted for the month.

#### Equity Social Values Plus Fund

Fund	April	YTD
Equity Social Values Plus Fund	+1.56%	+7.91%
ESVPF Custom Benchmark	+1.61%	+7.77%
Difference (percentage points)	-0.05	+0.14

- The Equity Social Values Plus Fund is a passively-managed fund designed to closely match the fund benchmark, less fees and expenses. Relative performance is affected by the international daily valuation policy (described [here](#)). On April 1, 2017, the benchmark for the Equity Social values Plus Fund became the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index. Prior to April 1, 2017,

the benchmark was the MSCI World Custom Environmental, Social, and Governance (ESG) Special Weighted Index.

### U.S. Equity Index Fund

Fund	April	YTD
U.S. Equity Index Fund	+1.01%	+6.53%
Russell 3000 Index	+1.06%	+6.86%
Difference (percentage points)	-0.05	-0.33

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark less fees and expenses.

### Fixed Income Funds

#### Fixed Income Fund

Fund	April	YTD
Fixed Income Fund	+0.94%	+3.00%
Barclays U.S. Universal (ex MBS) Index	+0.88%	+2.18%
Difference (percentage points)	+0.06	+0.82

- In April, the overweight to developed market non-U.S. dollar bonds and emerging market debt, the two best performing sectors in the month, positively contributed to returns. The strategic overweight to high-yield bonds, which benefited from a strong earnings season and continued spread-tightening, also positively contributed to benchmark-relative results.
- For the year-to-date period, the fund's strategic overweight allocation to emerging market debt, which benefited from spread tightening and local currency appreciation, contributed to benchmark-relative returns.
- The fund's core plus managers—with overweight positions in investment grade and high-yield corporate debt, as well as strategic yield curve positions—positively contributed to year-to-date benchmark-relative results, but detracted modestly for the month.

#### Extended Term Fixed Income Fund

Fund	April	YTD
Extended Term Fixed Income Fund	+1.20%	+2.55%
Barclays U.S. Government/Credit Long Term Index	+1.55%	+3.15%
Difference (percentage points)	-0.35	-0.60

- The fund intentionally maintains a lower sensitivity to interest rate movements by targeting a shorter-than-benchmark maturity until interest rates increase to historically normal levels. This strategy detracted from the fund's benchmark-relative performance for April and year-to-date.

### Inflation Protection Fund

Fund	April	YTD
Inflation Protection Fund	+0.40%	+1.74%
IPF Custom Benchmark <sup>ii</sup>	+0.97%	+2.07%
Difference (percentage points)	-0.57	-0.33

- For both periods, the biggest detractor from benchmark-relative results was the fund's strategic underweight allocation to UK inflation-linked bonds, which are highly sensitive to changes in UK interest rates.
- Year-to-date, the fund's dedicated commodities account exceeded its performance benchmark and positively contributed to the fund's benchmark-relative returns. The out-of-benchmark allocation to floating rate asset backed securities, which benefit from expectations for higher short-term rates and continued demand for below-investment-grade bonds, positively contributed to year-to-date benchmark-relative performance. The fund's allocation to private timber also positively contributed to year-to-date results.

### Balanced Fund

#### Multiple Asset Fund

Fund	April	YTD
Multiple Asset Fund	+1.40%	+6.52%
Composite Benchmark <sup>iii</sup>	+1.37%	+6.25%
Difference (percentage points)	+0.03	+0.27

- For the month, the U.S. Equity Fund, Fixed Income Fund and International Equity Fund all positively contributed to the Multiple Asset Fund's benchmark-relative performance, while the Inflation Protection Fund detracted from performance.
- Year-to-date, the International Equity Fund and Fixed Income Fund positively contributed to benchmark-relative performance, while the U.S. Equity Fund and Inflation Protection Fund detracted from performance.

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<sup>i</sup> Historical returns are not indicative of future performance. Fund returns are net of fees. Please refer to the [Investment Funds Description](#) for more information about the funds. This is not an offer to purchase securities. Offers will only be made through the *Investment Funds Description*.

<sup>ii</sup> The benchmark for the Inflation Protection Fund is comprised of 80% Barclays World Government Inflation Linked Bond Index (Hedged), 10% Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index.

<sup>iii</sup> The benchmark for the Multiple Asset Fund is comprised of 35% Russell 3000 Index, 30% MSCI All Country World Index (ACWI) excluding USA Investable Market Index (IMI), 25% Barclays Capital U.S. Universal Index ex-Mortgage Backed Securities, and 10% Inflation Protection Fund (IPF) Benchmark.