

November 2016 Investment Report

November Highlights

- Stock markets reacted positively to the 2016 U.S. elections, including Donald Trump's surprising win over Hillary Clinton and a Republican-controlled House and Senate. Financial and industrial companies rallied on expectations of easing government regulations and increased infrastructure spending. Key monthly economic statistics—including employment and Real Gross Domestic Product (GDP)—were generally positive, indicating that the U.S. economy strengthened. There also are high expectations for a Federal Reserve rate increase in December.
- Wespath's U.S. Equity Fund generated positive absolute and relative returns, while the International Equity Fund produced negative absolute returns but outperformed its benchmark for the month. Positive contributors to benchmark-relative performance included exposure to small- and mid-cap companies in the U.S. Equity Fund and an allocation to non-U.S. private equity and private real estate in the International Equity Fund. Debt markets moved lower as investors pivoted away from bonds and into equities in response to increased expectations for inflation following the November 8 election results.

Monthly Overview

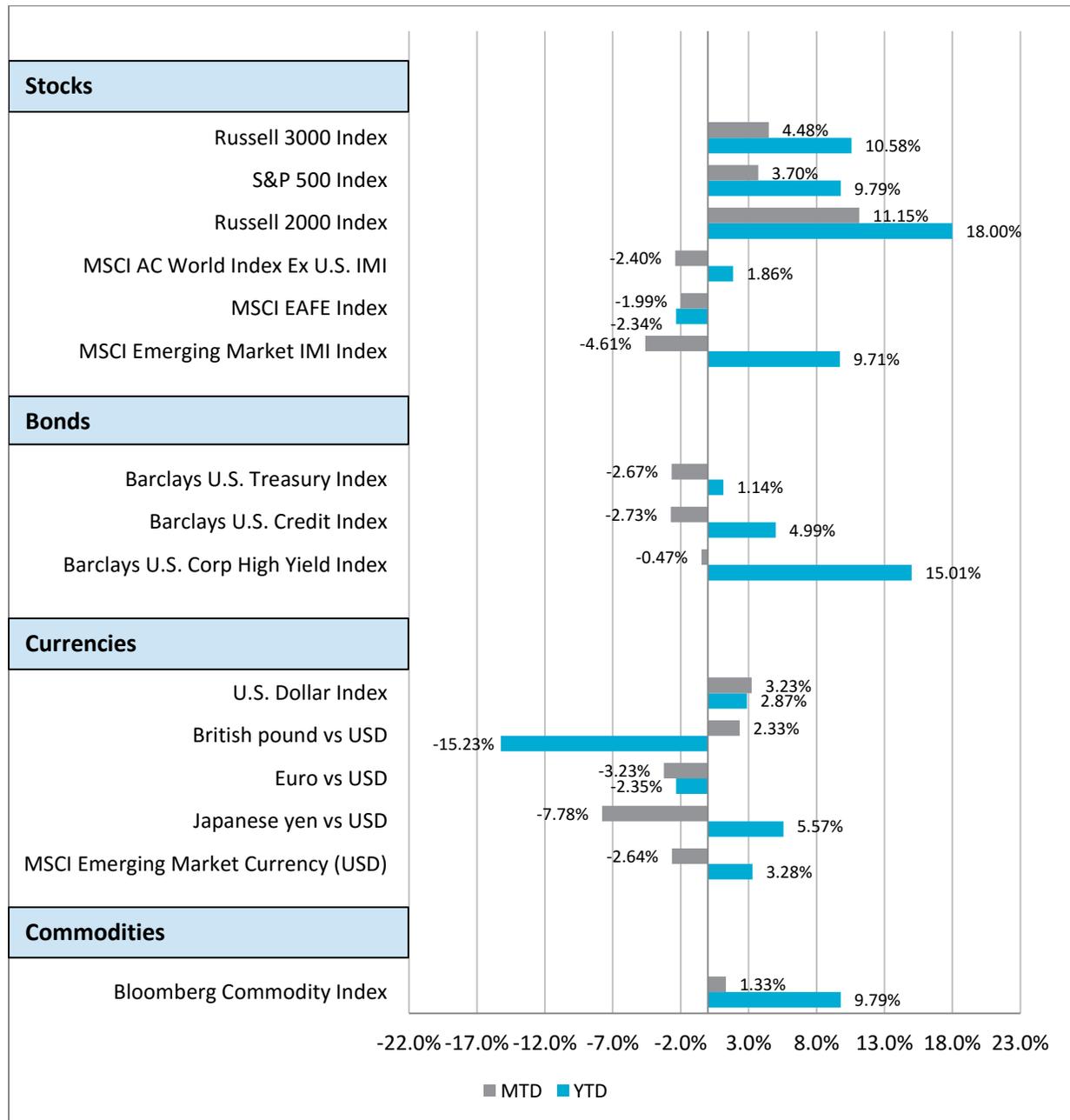
Global bond yields increase following U.S. election

Global bond prices dropped as yields increased during a month that saw a surprise Trump election and a growing populist movement in developed economies. Market action, particularly in the U.S., reflects expectations for more aggressive fiscal policies and restrictive global trade, both of which may be inflationary.

U.S. economy remains strong; Fed expected to raise rates in December

The U.S. economy continued to strengthen, supported by boosts in consumer confidence and real economic growth, as reflected in the first estimate of third-quarter Gross Domestic Product. Economic data released during the month revealed that non-farm employment added 161,000 jobs during October, slightly below forecasts of 171,000. The national unemployment rate in October was 4.9%, a slight decrease from 5% in September. Average hourly earnings increased 2.8% year-over-year, the fastest gain over a 12-month period since 2009. Expectations remained high for the Federal Reserve to raise the overnight borrowing rate from its current level of one quarter of one percent to one half of one percent.

Market Performance



Source: FactSet, As of November 30, 2016

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Nov: 107.1 (Oct: 100.8)	▲
Durable Goods Orders	Oct: 4.8% (Sep: 0.4%); M/M-SA	▲
Housing Starts	Oct: 25.5% (Sep: -9.5%); M/M-SAAR	▲
Real Gross Domestic Product	Aug: 3.2% (May: 1.4%); Q/Q-SAAR	▲
Retail Sales ex-auto	Oct: 0.8% (Sep: 0.7%); M/M-SA	▲
S&P/Case-Shiller 20-City Home Price Index	Sep: 5.1% (Aug: 5.1%); Y/Y	▲
Unemployment Rate	Oct: 4.9% (Sep: 5.0%)	▲
Neutral		
Consumer Price Index Core	0.1% (Sep: 0.1%); M/M-SA	◆
Consumer Price Index	Oct: 0.4% (Sep: 0.3%); M/M-SA	◆
Factory Orders	Sep: 0.3% (Aug: 0.4%); M/M-SA	◆
Institute for Supply Management Index	Oct: 51.9% (Sep: 51.5%)	◆
Nonfarm Payrolls	Oct: 161,000 (Sep: 191,000)	◆
Producer Price Index Core	Oct: -0.2% (Sep: 0.2%); M/M-SA	◆
Producer Price Index	Oct: 0.0% (Sep: 0.3%); M/M-SA	◆
Retail Sales	Oct: 0.8% (Sep: 1.0%); M/M-SA	◆
Negative		
Existing Home Sales	Oct: 2.0% (Sep: 3.6%); M/M-SAAR	▼
New Home Sales	Oct: -1.9% (Sep: 1.2%); M/M-SAAR	▼

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	FactSet

Investment Fund Review (Net of Fees Performance)ⁱ

Equity Funds

U.S. Equity Fund

Fund	November	YTD
U.S. Equity Fund	+5.14%	+10.03%
Russell 3000 Index	+4.48%	+10.58%
Difference (percentage points)	+0.66%	-0.55%

- For the month, the U.S. Equity Fund's strategic asset allocation of overweighting small- and mid-sized company stocks, with a corresponding underweight in large-company stocks, benefited benchmark-relative performance. The Russell 2000 Index of small-cap stocks gained 11.2%, which was the largest monthly gain since October 2011. However, the fund's allocation to private real estate and private equity investments detracted from relative performance, as valuations for these types of alternative investments typically lag strong gains in the public markets.
- For the year-to-date period, the fund's overweight to stocks of small companies positively contributed to relative performance. Earlier in the year, an underweight to higher dividend-yielding securities, including strong-performing telecommunication services companies—as well as the fund's allocation to the alternative investment strategy of private equity—detracted from benchmark-relative performance.

International Equity Fund

Fund	November	YTD
International Equity Fund	-1.96%	+4.67%
MSCI ACWI ex US Investable Market Index	-2.40%	+1.86%
Difference (percentage points)	+0.44%	+2.81%

- The International Equity Fund's daily valuation policy (described [here](#)) positively contributed to benchmark-relative performance for the month and for the year-to-date period.
- During the month, the International Equity Fund benefited from its strategic asset allocation to private real estate and private equity. Additionally, all three of the fund's emerging market managers outperformed their strategy benchmark during the month.
- Year-to-date, seven out of nine active managers outperformed their strategy benchmarks, contributing positively to the fund's benchmark-relative performance. Emerging markets significantly outperformed developed markets, contributing positively to benchmark-relative performance as all three of the fund's dedicated emerging market managers outperformed their strategy benchmark.

Equity Social Values Plus Fund

Fund	November	YTD
Equity Social Values Plus Fund	+1.65%	+4.71%
MSCI World Custom ESG Special Weighted Index	+1.49%	+4.80%
Difference (percentage points)	+0.16%	-0.09%

- 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](#)).

U.S. Equity Index Fund

Fund	November	YTD
U.S. Equity Index Fund	+4.46%	+10.21%
Russell 3000 Index	+4.48%	+10.58%
Difference (percentage points)	-0.02%	-0.37%

- 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	November	YTD
Fixed Income Fund	-2.65%	+4.94%
Barclays U.S. Universal (Ex MBS) Index	-2.41%	+4.21%
Difference (percentage points)	-0.24%	+0.73%

- November's sharp rise in bond yields resulted in negative performance for fixed income investments. The Fixed Income Fund modestly underperformed its benchmark for the month. The fund's exposure to emerging market debt detracted the most from benchmark-relative performance as developing country currencies depreciated relative to the U.S. dollar. Overweight positions in high-yield bonds and alternative investments, which include distressed debt and corporate opportunities, contributed positively to benchmark-relative performance.
- Year-to-date relative outperformance continues to reflect value added from overweight positions in non-treasury sectors, with the greatest contributions from the fund's high-yield, emerging-market debt and alternative investment strategies.

Extended Term Fixed Income Fund

Fund	November	YTD
Extended Term Fixed Income Fund	-3.60%	+4.91%
Barclays U.S. Government/Credit Long Term Index	-5.83%	+5.90%
Difference (percentage points)	+2.23%	-0.99%

- For most of the year, the bond market was in an environment of low and declining yields with longer-dated bonds outperforming shorter-dated ones. Recently, the market has reversed and yields have risen, causing the value of longer-maturity bonds to decrease more than shorter-maturity bonds. The fund's policy of targeting a shorter duration vs. the benchmark helped relative performance in the recent environment of rising yields, but detracted from relative performance earlier in the year.

Inflation Protection Fund

Fund	November	YTD
Inflation Protection Fund	-1.66%	+7.08%
IPF Custom Benchmark ⁱⁱⁱ	-2.72%	+9.06%
Difference (percentage points)	+1.06%	-1.98%

- Post-election market expectations for fiscal stimulus caused inflation expectations and bond yields to rise during the month. The fund outperformed its benchmark due to the fund's intentional underweight allocation to U.K. inflation-linked securities. Diversifying allocations to floating-rate senior secured loans and high-yield, asset-backed securities also contributed.
- Year-to-date, the fund has underperformed its benchmark due to an overweight allocation to U.S. inflation-linked securities and allocations to floating rate diversifying strategies. The fund's emerging market inflation-linked bond portfolio also detracted from performance due to an overweight allocation to Mexican inflation-linked securities during a period of Mexican peso depreciation.
- The Inflation Protection Fund benchmark has changed. For more information, visit www.wespath.com/research_and_resources/resources/investment-policy-updates/.

Balanced Fund

Multiple Asset Fund

Fund	November	YTD
Multiple Asset Fund	+0.65%	+7.14%
Composite Benchmark ⁱⁱ	+0.31%	+6.81%
Difference (percentage points)	+0.34%	+0.33%

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

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ⁱ 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*.

ⁱⁱ Prior to January 1, 2006, the benchmark for the Multiple Asset Fund (MAF) was a blended index with weightings as follows: 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index and 35% Lehman Brothers U.S. Universal Index. On January 1, 2006, the performance benchmark for MAF became a blended index based on the following weightings: 45% Russell 3000 Index, 20% MSCI All Country World Index ex USA IMI, 25% Barclays Capital U.S. Universal Index ex-Mortgage Backed Securities and the 10% Barclays Capital U.S. Government Inflation-Linked Bond Index. On January 1, 2014, the performance Benchmark for MAF became 40% Russell 3000 Index, 25% 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% Barclays Capital U.S. Government Inflation-Linked Bond Index. On January 1, 2016, the performance Benchmark for MAF became 40% Russell 3000 Index, 25% 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% Barclays Capital Universal Government Inflation Linked Bond Index (USD Unhedged).

ⁱⁱⁱ On January 1, 2016, the benchmark for the Inflation Protection Fund became 80% Barclays World Government Inflation Linked Bond Index (Hedged), 10% Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. From January 1, 2006 to December 31, 2015, the benchmark was the Barclays Capital U.S. Government Inflation Linked Bond (Series B) Index. From April 1, 2005 to December 31, 2005, the benchmark was a blended index based on the following weightings: Barclays Capital U.S. Government Inflation-Linked Bond Index (50%) and Barclays Capital Global Inflation-Linked Bond Index (50%). Prior to April 1, 2005, the benchmark was the Barclays Capital U.S. Government Inflation-Linked Bond Index.