



## April 2015 Investment Report

Monthly Report

### Markets

- U.S. equities, as represented by the Russell 3000 Index, increased **0.5%** in April. Stocks gave back most of their gains achieved during the month on the final day of trading, led by a significant sell-off in technology stocks. Several popular “social media” companies, including LinkedIn and Twitter declined following disappointing earnings reports.
- Large company stocks increased **1.0%**, as measured by the S&P 500, and outperformed small company stocks, which declined **2.6%**, as measured by the Russell 2000 Index of small companies. Reversing a trend of the previous three months, investors favored value companies over companies with strong earnings growth. Energy was the best-performing Russell 3000 sector during the month, gaining **7.0%** following a strong recovery in oil prices. Health Care was the worst-performing Russell 3000 sector, declining **1.9%**.
- Developing international markets performed strongly in April with a **7.9%** increase in U.S. dollar terms, as measured by the MSCI Emerging Markets IMI Index. Developed international markets increased as well, rising **4.1%** as measured by the MSCI World ex-US IMI Index. International markets fared better this month as a result of the dollar weakening against most major currencies.
- The U.S. Treasury yield curve steepened during April. The mixed strength of U.S. economic indicators implies that the Federal Reserve will likely increase interest rates, but not until later in the year. The 2-year Treasury note yield increased by **0.01%** to a yield of **0.57%**. The 30-year Treasury note yield increased by **0.20%** to a yield of **2.74%**.
- U.S. Treasury securities, as measured by the Barclays U.S. Treasury Index, decreased **0.5%** in April due to the steepening interest rate yield curve. Investment-grade debt, as measured by the Barclays U.S. Credit Index, decreased **0.6%** during the month. Below-investment-grade debt, as measured by the Barclays U.S. Corporate High-Yield Index, increased **1.2%**. Within that index, securities of energy companies increased **4.0%** as the price of crude oil increased during the month.
- The U.S. dollar weakened **3.6%** in April as measured by the U.S. Dollar Index. The decrease followed nine consecutive monthly gains for the dollar. The dollar's weakness was attributed to the disappointing March U.S. employment report and reduced expectations for the Federal Reserve to increase short-term interest rates prior to September. The euro and British pound increased **4.6%** and **3.6%** relative to the dollar, respectively. The Russian ruble increased **12.8%** during April, partially attributable to the rising price of oil, a major Russian export.
- Commodities, as represented by the Bloomberg Commodity Index, increased **5.7%** during April. Within the index, Petroleum increased **17.9%**. Despite the large increase in April, Petroleum has declined **39.0%** during the past 12 months. Grains were the weakest index component during April, decreasing **4.1%** due to favorable planting conditions in the U.S.

## Economics Highlights

- Various economic reports showed mixed results for the U.S. economy during the month, but a stronger than expected April employment report allayed fears of a wider slowdown in U.S. economic activity. The U.S. economy added **223,000** jobs in April, and the unemployment rate declined to **5.4%**. February and March employment reports were revised down, showing **39,000** fewer jobs created in those months. Additionally, the labor force participation rate increased to **62.8%** from **62.7%**, though it remains near a 36-year low. Earlier reports from the Bureau of Economic Analysis estimated the first quarter U.S. gross domestic product (GDP) growth rate at **0.2%**, significantly below economists' consensus expectations of **1.4%** and the fourth quarter 2014 U.S. GDP growth rate of **2.2%**. Many attributed the first quarter weakness to severe weather across the U.S. in February, the impact of lower oil prices and the impact of the strong U.S. dollar on exports.
- Chinese economic growth continued to slow. China reported first quarter GDP growth of **7%**, in line with official targets but below fourth quarter 2014 growth of **7.3%**. The HSBC/Markit Purchasing Managers' Index (PMI) for China dropped to **48.9** in April, down from **49.6** in March 2015. In response, the People's Bank of China reduced reserve requirements at banks by **100** basis points (1%), the second reduction in recent months.
- Developed markets in Europe fared better in the month but uncertainty remained regarding Greece and the Ukraine. The euro rose to **\$1.12**, a nine-week high against the dollar, despite the European Central Bank's (ECB) quantitative easing program entering its second month. Additionally, yields for benchmark German 10-year bonds were volatile in April, beginning the month at **0.21%**, dropping to **0.07%** by mid-month and ending the month higher at **0.28%**.
- Oil prices rose significantly, after nine months of decline. The benchmark West Texas Intermediate (WTI) crude oil price rose nearly **\$12** in the month to **\$59.54**, an increase of **25%**. The price increase was sparked by weakness in the U.S. dollar and hope that increases in oil supplies in the U.S. were slowing.

## Geopolitical Headlines

- Concerns in Europe regarding the unrest in eastern Ukraine remained. Most European leaders declined invitations by Russian President Vladimir Putin to celebrate the 70th anniversary of the defeat of Germany in World War II, also known as the Great Patriotic War in Russia, scheduled for May 9. The U.S. reported continuing support by Russia of separatists fighting in eastern Ukraine. Conversely, Russia objected loudly to the presence of U.S. military advisors training Ukrainian forces in the west of Ukraine.
- In a rare partnership, President Barack Obama and Republicans in Congress found themselves working together on two free trade bills against Congressional Democratic opposition. The Trade Promotion Authority (TPA) allows the President to submit certain trade deals with foreign countries to Congressional vote without amendment. The President and Republicans would like to pass TPA prior to considering the second trade initiative, the Trans-Pacific Partnership (TPP). The TPP is a multiyear attempt to negotiate favorable trade rules among 11 countries in the western Pacific and the U.S., in hopes of containing Chinese ambitions in that region. Also, passage of TPA and TPP would provide positive momentum for a stalled U.S. and European Union (EU) agreement called the Transatlantic Trade and Investment Partnership (TTIP).
- On April 2, President Obama announced a "historic understanding" with Iran regarding a framework for an agreement on Iranian nuclear capabilities and Western economic sanctions. Almost immediately,

Republicans in Congress demanded a vote on the agreement, even before a final agreement has been reached. Additional confusion remained about the final details, as both the U.S. and Iran presented different views on the timing for enforcement provisions and removal of sanctions.

Sources: *Forbes, Reuters, Bloomberg, The Economist, Energy Information Administration, The Wall Street Journal, CBS News, FactSet, Barclays, Russell, CNBC, CNN, Associated Press, Bridgewater Associates, Wikipedia and NASDAQ.*

## Key Monthly Economic Statistics

This table contains a list of key monthly economic statistics.

	<p><b>Positive Statistics</b></p> <ul style="list-style-type: none"> <li>• Durable Goods Orders, Mar: 4.4% (Feb: -1.4%); M/M-SA</li> <li>• Existing Home Sales, Mar: 6.1% (Feb: 1.5%); M/M-SAAR</li> <li>• Factory Orders, Mar: 2.1% (Feb: -0.1%); M/M-SA</li> <li>• Housing Starts, Mar: 2.0% (Feb: -15.3%); M/M-SAAR</li> <li>• Producer Price Index core, Mar: 0.2% (Feb: -0.5%); M/M-SA</li> <li>• Producer Price Index, Mar: 0.2% (Feb: -0.5%); M/M-SA</li> <li>• Retail Sales ex-auto, Mar: 1.5% (Feb: -0.1%); M/M-SA</li> <li>• Retail Sales, Mar: 2.5% (Feb: -0.6%); M/M-SA</li> <li>• S&amp;P/Case-Shiller 20-City Home Price Index, Feb: 5.0% (Jan: 4.5%); Y/Y</li> <li>• Nonfarm Payrolls, Apr: 223,000</li> <li>• Unemployment Rate, Apr: 5.4% (Mar: 5.5%)</li> </ul>
	<p><b>Neutral Statistics</b></p> <ul style="list-style-type: none"> <li>• Consumer Price Index core, Mar: 0.2% (Feb: 0.2%); M/M-SA</li> <li>• Consumer Price Index, Mar: 0.2% (Feb: 0.2%); M/M-SA</li> <li>• Institute for Supply Management Index, Apr: 51.5 (Mar: 51.5)</li> </ul>
	<p><b>Negative Statistics</b></p> <ul style="list-style-type: none"> <li>• Consumer Confidence, Apr: 95.2 (Mar: 101.4)</li> <li>• New Home Sales, Mar: -11.4% (Feb: 5.6%); M/M-SAAR</li> <li>• Real Gross Domestic Product, Q1: 0.2% (Q4: 2.2%); Q/Q-SAAR</li> </ul>

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)

For historical returns of one year, three years, five years, 10 years and since inception periods, please visit our [Historical Funds Performance page](#). **Please note:** Historical returns are not indicative of future performance. For further details about the funds please refer to the [Investment Funds Description](#).

#### Inflation Protection Fund

Fund	April	YTD
Inflation Protection Fund	+0.84%	+1.73%
Barclay's Capital U.S. Government Inflation Linked Bond Index	+0.69%	+2.17%
Difference	+0.15%	-0.44%

- The Inflation Protection Fund increased **0.84%** in April and outperformed the fund benchmark return by **0.15%**. The fund's best-performing strategy was its allocation to commodities futures contracts, which gained **6.7%** for the month. The price of West Texas Intermediate crude oil increased by **\$11.82** per barrel to **\$59.54** and was the primary contributor to the strategy's performance. The positive contribution from commodities was partially offset by a **0.3%** decline of the fund's global currency-hedged inflation-linked strategy, resulting from an increase in real interest rates of non-U.S. inflation-linked bonds.
- For the year to date, the fund gained **1.73%** but underperformed its benchmark by **0.44%**. The fund's allocation to commodities gained **0.7%**, and its allocation to inflation-linked bonds from developing countries declined **5.1%**, representing the primary contributors to the fund's underperformance. The fund's allocations to dollar hedged inflation-linked bonds from developed countries and senior-secured floating rate bonds positively contributed to the fund's benchmark-relative performance, gaining **3.6%** and **3.8%** respectively.

#### Fixed Income Fund

Fund	April	YTD
Fixed Income Fund	+0.20%	+1.33%
Barclays U.S. Universal (Ex MBS) Index	-0.16%	+1.77%
Difference	+0.36%	-0.44%

- The Fixed Income Fund increased **0.20%** in April and outperformed the fund benchmark return, which lost **0.16%**. Four of the fund's strategies gained **1%** or more during the month, contributing to the fund's excess returns. The best-performing strategy was the fund's 10% allocation to bonds from developing countries, which increased **1.4%**, primarily due to the reversal of recent gains of the U.S. dollar relative to foreign currencies.
- For the year to date, the Fixed Income Fund gained **1.33%** and underperformed the fund benchmark by **0.44%**. The fund's best-performing strategies are its allocation to below-investment-grade bonds, which rebounded along with the price of oil. A significant portion of the below-investment-grade bond universe is comprised of debt of companies in the energy sector. The fund's allocation to positive social purpose loans gained **2.9%** and positively contributed to the fund's comparative results. However, the fund's two allocations to non-dollar bonds detracted from benchmark-relative performance. The fund's allocation to global bonds declined **1.3%**, and the fund's allocation to bonds

from developing countries gained only **0.7%**.

### U.S. Equity Fund

Fund	April	YTD
U.S. Equity Fund	0.00%	+2.13%
Russell 3000	+0.45%	+2.26%
Difference	-0.45%	-0.13%

- The U.S. Equity Fund performance was flat in April and underperformed the fund's Russell 3000 Index benchmark by **0.45%**. The fund's nearly 4% allocation to publicly traded real estate investment trusts (REITs) declined **6.2%**, and was the biggest negative contributor to the fund's below-benchmark relative performance. In addition, the fund's greater-than-benchmark allocation to stocks of small and mid-sized companies detracted from performance, as the Russell 2000 Index of small companies declined **2.1%**, compared to the large company S&P 500 Index **1.0%** gain in April. Generally, the fund's active managers produced good performance compared to their respective benchmarks, with three managers surpassing their benchmarks by more than two percentage points.
- For the year to date, the fund gained **2.13%**, underperforming the fund benchmark by **0.13%**. The fund's public REIT strategy declined **1.6%**, detracting from benchmark-relative performance. In addition, one of the fund's managers experienced significant losses from several of their consumer discretionary stocks, which also detracted from performance. The negative impact from these two strategies was partially offset by the performance of the fund's private real estate strategy, which gained **4.9%** for the year to date.

### International Equity Fund

Fund	April	YTD
International Equity Fund	+4.84%	+8.54%
MSCI ACWI ex-US Investable Market Index	+5.17%	+8.90%
Difference	-0.33%	-0.36%

- The International Equity Fund gained **4.84%** in April and underperformed its benchmark return by **0.33%**. Approximately half of the underperformance is explained by the fund's policy of adjusting the value of the fund based on the U.S. stock market performance on the last day of the month—after many international stock markets had closed. The international daily valuation policy is described [here](#). In addition, one of the fund's managers of stocks in developing markets underperformed its benchmark by three percentage points, which detracted from comparative results.
- For the year to date, the International Equity Fund gained **8.54%**, but underperformed its benchmark by **0.36%**. Most of the underperformance is attributable to the fund's modest allocations to the alternative investment strategies of private equity and private real estate, which both declined about **3.5%** primarily due to foreign currency depreciation.

### Multiple Asset Fund

Fund	April	YTD
Multiple Asset Fund	+1.29%	+3.38%
Composite Benchmark	+1.50%	+3.85%
Difference	-0.21%	-0.47%

- For April, the Multiple Asset Fund gained **1.29%** and underperformed the fund benchmark by **0.21%**. The two equity funds that comprise MAF negatively contributed to the fund's benchmark-relative performance, and the two fixed income funds outperformed their respective benchmarks.
- For the year to date, the Multiple Asset Fund has gained **3.38%**, which is **0.47%** below the fund benchmark. All four of the funds that comprise MAF underperformed their respective benchmarks.

### Equity Social Values Plus Fund

Fund	April	YTD
Equity Social Values Plus Fund	+1.37%	+3.49%
MSCI World Custom ESG Special Weighted Index	+1.58%	+4.14%
Difference	-0.21%	-0.65%

### U.S. Equity Index Fund

Fund	April	YTD
U.S. Equity Index Fund	+0.35%	+2.11%
Russell 3000 Index	+0.45%	+2.26%
Difference	-0.10%	-0.15%

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*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*