

April 2016 Investment Report

Monthly Report

Markets

- U.S. equities, represented by the Russell 3000 Index, returned **0.6%** in April. Oil prices continued to rebound, finishing up almost **20%** during April. Small company stocks continued their recent rebound as well, rising **1.6%**, as measured by the Russell 2000 index, and outperformed large company stocks, which gained **0.4%**, as measured by the S&P 500 index. Within the Russell 3000, the Energy sector—supported by the strength in oil prices—performed best, while Technology was weighed down by disappointing earnings from high-profile tech companies like Apple and Microsoft.
- Non-U.S. stocks were up **2.7%** in March, as measured by the MSCI ACWI ex USA Investable Market Index. Developing market stocks returned **0.7%**, as measured by the MSCI EM Investable Market Index, underperforming developed international market stocks, which returned **2.9%** as measured by the MSCI EAFE Index. The strength of developed market currencies versus the dollar contributed to developed market outperformance. Brazil was once again a leader in developing market performance, increasing **10.4%**, as measured by the BOVESPA Index, on news of the impeachment of Brazilian President Dilma Rousseff.
- The U.S. Treasury yield curve rose during April. The 2-year and 10-year Treasury note yields each increased **0.06%** to **0.78%** and **1.83%**, respectively. The 30-year bond yield increased **0.07%** to **2.68%**.
- U.S. Treasury securities, as measured by the Barclays U.S. Treasury Index, declined **0.1%** in April due to the modest rise in yields. Corporate debt securities significantly outperformed Treasury securities during April as investors' aversion to risk further subsided. Investment-grade debt, as measured by the Barclays U.S. Credit Index, increased **1.2%**. Below-investment-grade debt, as measured by the Barclays U.S. Corporate High Yield Index, increased **3.9%**.
- The U.S. dollar weakened **1.6%** in April, as measured by the U.S. Dollar Index. The euro and British pound increased **0.6%** and **1.7%** relative to the dollar, respectively. The Japanese yen increased **5.8%** as the Bank of Japan decided against further stimulus measures. Most developing country currencies increased during April. The Brazilian real appreciated **4.5%** relative to the dollar amid strengthening commodity prices and, like the country's equities, the impeachment of President Rousseff.
- Commodities, as represented by the Bloomberg Commodity Index, increased **8.5%** in April as market sentiment improved and the U.S. dollar weakened. Petroleum increased **14.8%**, and grains increased **8.6%**. Precious and industrial metals each increased **7.2%**.

Economics Highlights

- The Federal Reserve (Fed) kept interest rates unchanged based on meager economic growth in the U.S. and volatility in markets overseas, especially China. The Fed did not provide clear indications of when the next interest rate increase will happen.
- As expected, gross domestic product (GDP) in the U.S. slowed in the first quarter of 2016 to a **0.5%** annual growth rate, after ranging between **1.4%** and **3.9%** for the previous three quarters. Soft consumer spending and a strong dollar hampered GDP growth. In the Eurozone, first quarter GDP exceeded expectations, rising **0.6%**, and unemployment fell to **10.2%** (from **10.4%** in the previous quarter), the lowest rate since August 2011.
- The Consumer Confidence Index declined in April to **94.2**, from **96.1** in March. Consumers reported having mixed sentiments about their short-term outlook on the economy and labor markets.
- The Institute for Supply Management (ISM) index of manufacturing activity in the U.S. remained above 50% for the second straight month (signaling expansion), however it declined from **51.8%** in March to **50.8%** in April.
- China's economy grew at its slowest pace in seven years with GDP expanding by **6.7%** during the first quarter of 2016, partly driven by the Chinese government's efforts to shift its country's growth away from manufacturing and toward a consumer-driven economy.
- First quarter performance in the Technology sector did not meet investor expectations. Most notably, Apple shares dropped **8%** in April after the company reported a quarterly revenue decline—the first in 13 years. Lackluster iPhone sales over the past year were the main driver for poor performance, with the most significant drop in sales (-26%) occurring in China.

Geopolitical Headlines

- Brazil's lower house of Congress voted to impeach President Rousseff on allegations of misusing public funds. Financial and currency markets responded positively to the news. Brazil's Vice President Michel Temer is expected to take over as president if President Rousseff is removed from office.
- The U.S. presidential primary season approached its end, as Hillary Clinton and Donald Trump continued to accumulate delegates and slowly advance toward presidential nominations from their respective parties.
- In mid-April, campaign groups began using public funds to sway voters to support or oppose Britain's exit (known as 'Brexit') from the European Union (EU). Britain has the second largest economy in the EU, and Brexit would have a tremendous impact on the country and global markets. The referendum is scheduled for June 23—opinion polls show the British population is split on the vote.

Sources: *Forbes, Reuters, Bloomberg, The Economist, Energy Information Administration, The Wall Street Journal, CBS News, FactSet, Barclays, Russell Investments, CNBC, CNN, The New York Times, Associated Press, Bridgewater Associates, Wikipedia, NASDAQ and Bureau of Economic Analysis.*

Key Monthly Economic Statistics

This table contains a list of key monthly economic statistics.

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|--|---|
| | <p>Positive Statistics</p> <ul style="list-style-type: none"> • Durable Goods Orders, Mar: 0.8% (Feb: -3.1%); M/M-SA • Existing Home Sales, Mar: 5.1% (Feb: -7.3%); M/M-SAAR • Institute for Supply Management Index, Mar: 51.8 (Feb: 49.5) • Nonfarm Payrolls, Mar: 215,000 (Feb: 245,000) • S&P/Case-Shiller 20-City Home Price Index, Feb: 5.9% (Jan: 5.6%); Y/Y • Unemployment Rate, Mar: 5.0% (Feb: 4.9%) |
| | <p>Neutral Statistics</p> <ul style="list-style-type: none"> • Consumer Price Index core, Apr: 0.1% (Mar: 0.3%); M/M-SA • Consumer Price Index, Apr: 0.1% (Mar: -0.2%); M/M-SA • Producer Price Index core, Apr: -0.1% (Mar: 0.0%); M/M-SA • Producer Price Index, Apr: -0.1% (Mar: -0.2%); M/M-SA • Retail Sales ex-auto, Apr: 0.2% (Mar: 0.0%); M/M-SA |
| | <p>Negative Statistics</p> <ul style="list-style-type: none"> • Consumer Confidence, Apr: 94.2 (Mar: 96.1) • Factory Orders, Feb: -1.7% (Jan: 1.2%); M/M-SA • Housing Starts, Mar: -8.8% (Feb: 6.9%); M/M-SAAR • New Home Sales, Mar: -1.5% (Feb: -0.4%); M/M-SAAR • Real Gross Domestic Product, Mar: 0.5% (Dec: 1.4%); Q/Q-SAAR • Retail Sales, Apr: -0.3% (Mar: 0.0%); 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: [FactSet](#)

Investment Fund Review: (Net of Fees Performance)

U.S. economic news remained mixed in April. Investors continued to worry about the negative impact of a strong dollar on the equity markets and tepid world growth, despite further weakening of the dollar in April and a slight bump in equity markets. The U.S. dollar declined 1.6% during the month while U.S. and non-U.S. equity markets reported modest gains. The strength of developed market currencies, as well as the Brazilian real, contributed most to the strength in non-U.S. equity and fixed income markets. Throughout 2016, three factors continue to drive investment returns: currency movements, low interest rates, and commodity prices.

Historical returns are not indicative of future performance. 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. For historical returns of one-year, three-year, five-year, 10-year and since inception periods, please visit our [Historical Funds Performance page](#).

Inflation Protection Fund

| Fund | April | YTD |
|--|--------------|------------|
| Inflation Protection Fund | +1.19% | +4.89% |
| BC Universal Government Inflation Linked Bond Index (USD Unhedged) | +0.96% | +6.97% |
| Difference | +0.23% | -2.08% |

- The Inflation Protection Fund (IPF) gained **1.19%** in April and outperformed the fund's benchmark by **0.23%**. The fund's 9% exposure to the diversifying strategy of commodities futures contracts increased **8.2%** during April and was the strongest contributor to fund performance. The 30% allocation to currency-hedged, inflation-linked bonds of developed countries was the largest detractor as the fund's benchmark has a larger exposure to non-dollar currencies, which benefitted when the U.S. dollar declined.
- Year-to-date, IPF gained **4.89%** but underperformed its benchmark by **2.08%**, primarily due to the fund's lower non-dollar currency exposure relative to the benchmark. The fund's strongest contributors were its allocations to developing country inflation-linked bonds and commodities futures contracts, which gained **13.3%** and **8.2%**, respectively. The fund's 3% allocation to high-yield asset backed securities was the weakest performer, declining **1.4%**.

Fixed Income Fund

| Fund | April | YTD |
|--|--------------|------------|
| Fixed Income Fund | +1.25% | +4.89% |
| Barclays U.S. Universal (Ex MBS) Index | +0.84% | +4.29% |
| Difference | +0.41% | +0.60% |

- The Fixed Income Fund (FIF) gained **1.25%** in April and outperformed its benchmark return by **0.41%** as corporate bonds outperformed government bonds and the U.S. dollar weakened. The fund's 8% allocation to below-investment-grade corporate bonds increased **3.6%** and was the strongest performance contributor. The fund's allocations to developing country bonds and credit opportunities each increased **2.3%** and also contributed to the fund's benchmark-relative performance.
- Year-to-date, FIF gained **4.89%** and outperformed its benchmark by **0.60%**. The fund's allocations to developing country bonds and below-investment-grade corporate bonds contributed the most, increasing **9.2%** and **7.1%**, respectively. The fund's two core bond managers underperformed their benchmarks, collectively detracting about 0.1% from FIF's benchmark-relative performance.

Extended Term Fixed Income Fund

| Fund | April | YTD |
|---|--------|--------|
| Extended Term Fixed Income Fund | +1.11% | +6.02% |
| Barclays US Government/Credit Long Term Index | +1.23% | +8.62% |
| Difference | -0.12% | -2.60% |

- The Extended Term Fixed Income Fund (ETFIF) gained **1.11%** in April but underperformed its benchmark return by **0.12%**. Longer maturity corporate bonds outperformed shorter maturity corporate bonds during the month as credit spreads tightened. Therefore, the fund's strategy of holding bonds with shorter-term maturities than the fund benchmark until interest rates return to historically normal levels detracted from performance.
- Year-to-date, ETFIF gained **6.02%** but underperformed the benchmark by **2.60%** due to the fund's shorter-than-benchmark maturity profile.

U.S. Equity Fund

| Fund | April | YTD |
|--------------------|--------|--------|
| U.S. Equity Fund | +0.69% | +0.72% |
| Russell 3000 Index | +0.62% | +1.59% |
| Difference | +0.07% | -0.87% |

- The U.S. Equity Fund (USEF) returned **0.69%** in April, slightly outperforming the fund benchmark by **0.07%**. The fund's strategic asset allocation, which includes an overweight to small- and mid-cap companies and a corresponding underweight to large-cap, modestly contributed to the fund's benchmark-relative performance. Public real estate investment trusts (REITs) lost **3.5%** and represent the poorest performing strategy in the month.
- Year-to-date, the fund increased **0.72%** and underperformed the fund benchmark by **0.87%**. For the year, the fund's strategic asset allocation—overweighting of small- and mid-cap stocks with a corresponding underweighting of large-cap stocks—detracted modestly from performance. Additionally, external asset managers with exposure to Health Care and Technology companies in mid- and large-cap growth portfolios detracted from performance.

International Equity Fund

| Fund | April | YTD |
|---|--------|--------|
| International Equity Fund | +2.16% | +2.81% |
| MSCI ACWI ex US Investable Market Index | +2.65% | +2.42% |
| Difference | -0.49% | +0.39% |

- The International Equity Fund (IEF) increased **2.16%** in April and underperformed its benchmark return by **0.49%**. The fund's daily valuation policy (described [here](#)) was a significant detractor to the fund's benchmark-relative underperformance. Alternatives, which tend to lag the broader markets, also detracted from benchmark-relative performance.
- Year-to-date, the fund gained **2.81%** and outperformed its benchmark by **0.39%**. The largest contributor to benchmark-relative performance was emerging market exposure. Two dedicated emerging market managers and one developed market manager that held a 15% allocation to emerging markets, benefited from strong emerging market returns. Additionally, the fund's daily valuation policy (described [here](#)) negatively impacted relative performance.

Multiple Asset Fund

| Fund | April | YTD |
|---------------------|--------|--------|
| Multiple Asset Fund | +1.24% | +2.73% |
| Composite Benchmark | +1.22% | +3.10% |
| Difference | +0.02% | -0.37% |

- For April, the Multiple Asset Fund (MAF) increased **1.24%** and slightly outperformed its fund benchmark by **0.02%**. Three of the fund's four underlying strategies outperformed their respective benchmarks in April, with only the International Equity Fund detracting from benchmark-relative performance.
- Year-to-date, the fund gained **2.73%** and underperformed its benchmark by **0.37%**. The Fixed Income Fund and International Equity Funds contributed positively, while the Inflation Protection Fund and U.S. Equity Fund detracted from benchmark-relative performance.

Equity Social Values Plus Fund

| Fund | April | YTD |
|--|--------|--------|
| Equity Social Values Plus Fund | +1.10% | +1.20% |
| MSCI World Custom ESG Special Weighted Index | +1.53% | +1.89% |
| Difference | -0.43% | -0.69% |

- The Equity Social Values Plus Fund (ESVPF) is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The international daily valuation policy (described [here](#)) also contributes to any deviation from the benchmark return.

U.S. Equity Index Fund

| Fund | April | YTD |
|------------------------|--------|--------|
| U.S. Equity Index Fund | +0.54% | +1.40% |
| Russell 3000 Index | +0.62% | +1.59% |
| Difference | -0.08% | -0.19% |

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

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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