

August 2017 Investment Report

Highlights

- The Commerce Department upwardly revised its estimate of second quarter U.S. Gross Domestic Product (GDP) growth to a 3.0% annual rate from its previous 2.6% estimate.
- The Consumer Price Index (CPI) increased 0.1% during July and 1.7% for the trailing 12 months. The relatively modest rate of inflation caused some economists to question whether the Federal Reserve will continue along a path of raising short term interest rates.
- Geopolitical tensions escalated as North Korea pursued advancement of its nuclear missile program, launching a test missile over Japan. The U.S. and North Korea exchanged increasingly menacing rhetorical threats, and the U.N. Security Council imposed new sanctions on North Korea.
- Wespath's U.S. Equity Fund underperformed its benchmark during August due to an underweight of large growth stocks, while the International Equity Fund outperformed its benchmark due to the fund's overweight of emerging market stocks. The Fixed Income Fund and Inflation Protection Fund trailed their respective benchmarks due to weakness in below investment grade debt. The Inflation Protection Fund's relative performance was also hurt by the underweight of United Kingdom inflation-linked bonds.

Monthly Overview

Hurricane Harvey devastated eastern Texas

Harvey made landfall in Texas as a Category 4 hurricane. The storm's slow moving torrential rainfall brought record-breaking, catastrophic flooding to highly populated areas such as Houston. The storm was responsible for at least 69 fatalities and damage to more than 185,000 homes. At the high end of economic impact estimates, AccuWeather predicted Harvey will be the costliest natural disaster in American history, with total losses reaching an estimated \$190 billion.

Signs of modestly higher U.S. risk aversion

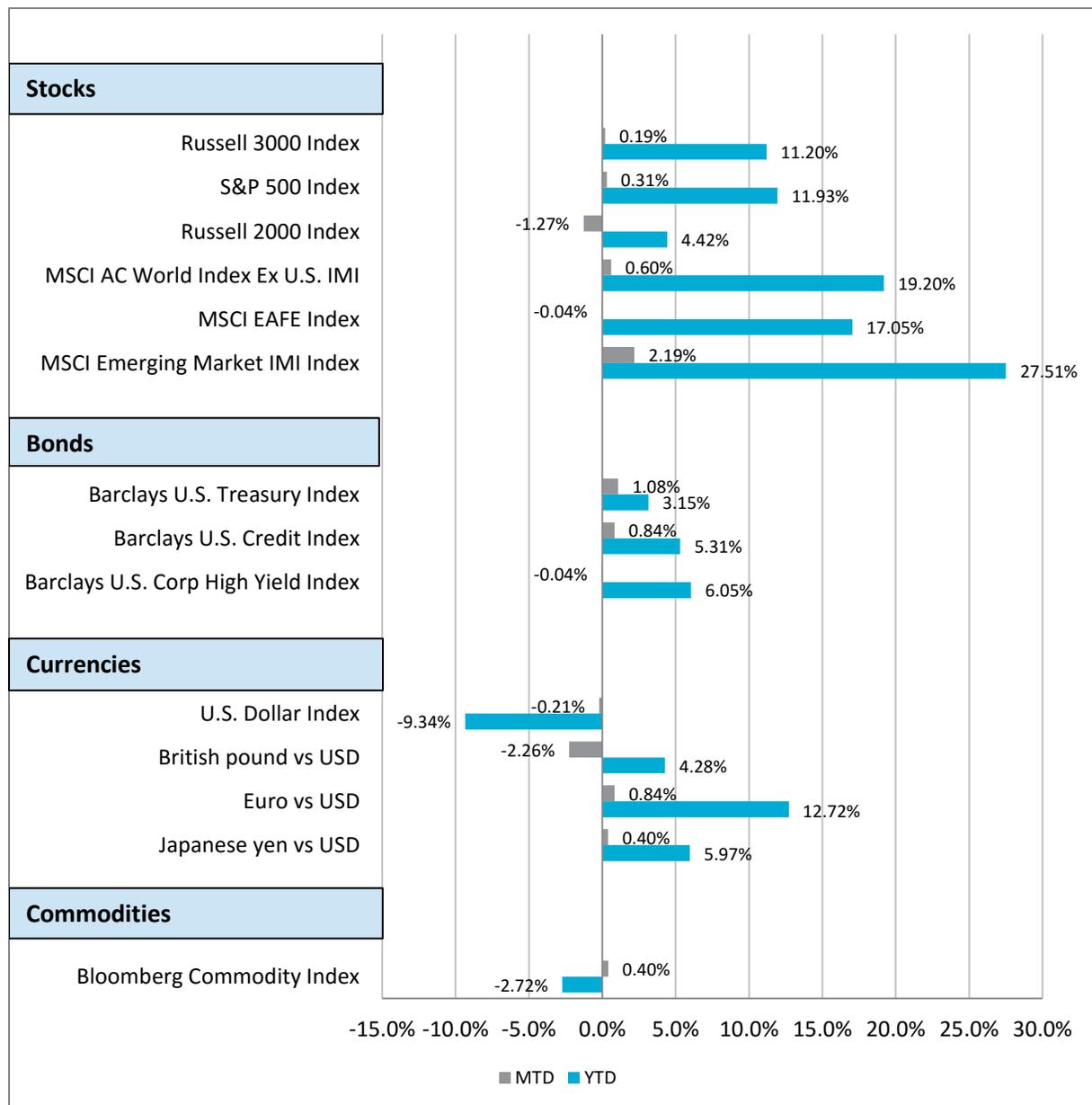
Rising geopolitical tensions, combined with relatively low inflation readings in the wake of recent Federal Reserve interest rate hikes, appear responsible for a modest increase in risk aversion. Gold appreciated 3.8%, and the 10-year U.S. Treasury note yield decreased 0.2% as investors sought the perceived safety of Treasury securities. Conversely, the yield investors demanded on below investment grade corporate bonds increased approximately 0.2%. Performance of U.S. equity indices was mixed and accompanied by an increase in expected volatility as measured by the CBOE Volatility Index (VIX).

Emerging markets continue rally

Despite signs of modestly rising risk aversion in developed markets, emerging markets showed continued strength during the month, benefitting from currency appreciation in several markets. The International Equity Fund benefitted from its greater-than-benchmark exposure to emerging markets with the MSCI Emerging Markets Index continuing to lead the equity markets, returning 2.2% during the

month and 27.5% for the year. Emerging market debt outperformed developed market debt and contributed to the performance of the Fixed Income Fund.

Market Performance



Source: FactSet, as of August 31, 2017

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Aug: 122.9 (Jul: 120.0)	▲
Factory Orders	Jun: 3.0% (May: -0.3%); M/M-SA	▲
Institute for Supply Management Index	Jul: 56.3% (Jun: 57.8%)	▲
Real Gross Domestic Product	Jun: 3.0% (Mar: 1.2%); Q/Q-SAAR	▲
Retail Sales ex-auto	Jul: 0.5% (Jun: 0.1%); M/M-SA	▲
Retail Sales	Jul: 0.6% (Jun: 0.3%); M/M-SA	▲
		Neutral
Consumer Price Index core	Jul: 0.1% (Jun: 0.1%); M/M-SA	◆
Consumer Price Index	Jul: 0.1% (Jun: 0.0%); M/M-SA	◆
Producer Price Index core	Jul: -0.1% (Jun: 0.1%); M/M-SA	◆
Producer Price Index	Jul: -0.1% (Jun: 0.1%); M/M-SA	◆
S&P/Case-Shiller 20-City Home Price Index	Jun: 5.7% (May: 5.7%); Y/Y	◆
Unemployment Rate	Jul: 4.3% (Jun: 4.4%)	◆
		Negative
Durable Goods Orders	Jul: -6.8% (Jun: 6.4%); M/M-SA	▼
Existing Home Sales	Jul: -1.3% (Jun: -2.0%); M/M-SAAR	▼
Housing Starts	Jul: -4.8% (Jun: 7.4%); M/M-SAAR	▼
New Home Sales	Jul: -9.4% (Jun: 1.9%); M/M-SAAR	▼
Nonfarm Payrolls	Jul: 209,000 (Jun: 222,000)	▼

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

Update November 1, 2017: The information presented regarding Institute for Supply Management Index, Unemployment Rate and Nonfarm Payrolls was updated to reflect corrected reference month and statistics.

Investment Fund Review (Net of Fees Performance)ⁱ

Equity Funds

U.S. Equity Fund

Fund	August	YTD
U.S. Equity Fund	-0.28%	+10.13%
Russell 3000 Index	+0.19%	+11.20%
Difference (percentage points)	-0.47%	-1.07%

- For August, the fund's strategic overweight to small and mid-sized company stocks, with a corresponding underweight to large company stocks, detracted from benchmark-relative performance. In particular, an underweight to strong-performing large growth companies—specifically technology related—negatively impacted performance. The fund's strategic allocation to the alternative investment strategies of private equity and private real estate positively impacted benchmark-relative performance.
- Year-to-date, the fund's overweight to small and mid-sized companies, with a corresponding underweight to large companies—along with an allocation to alternative investment strategies—detracted from benchmark-relative performance. The fund benefited from strong performance by two growth-oriented managers and a mid-cap manager, as investments in information technology and health care companies performed above expectations.

International Equity Fund

Fund	August	YTD
International Equity Fund	+1.21%	+21.77%
MSCI ACWI ex U.S. Investable Market Index (Net)	+0.60%	+19.20%
Difference (percentage points)	+0.61%	+2.57%

- For August and year-to-date, the fund's overweight to emerging market equities, and corresponding underweight to developed market equities, positively contributed to benchmark-relative performance. During the month, the fund's private real estate allocation benefited from a manager's favorable sale of its industrial properties in Europe. Year-to-date, the fund's overweight in the strong Chinese market and its underweight in the U.K. and Japan boosted performance. Seven out of nine active managers outperformed their respective benchmarks this year.

Equity Social Values Plus Fund

Fund	August	YTD
Equity Social Values Plus Fund	+0.02%	+13.60%
ESVPF Benchmark ⁱⁱ	-0.04%	+13.38%
Difference (percentage points)	+0.06%	+0.22%

- 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	August	YTD
U.S. Equity Index Fund	+0.12%	+10.51%
Russell 3000 Index	+0.19%	+11.20%
Difference (percentage points)	-0.07%	-0.69%

- The U.S. Equity Index Fund is a passively-managed fund designed to closely match the fund benchmark, less fees and expenses. Year-to-date, the fund trails the benchmark by 0.69% due to strong performance by stocks subject to the fund's ethical screens. Large portions of the excluded securities are defense-related companies which, as a group, returned 31% for the year-to-date.

Fixed Income Funds

Fixed Income Fund

Fund	August	YTD
Fixed Income Fund	+0.78%	+6.09%
Barclays U.S. Universal (ex MBS) Index	+0.90%	+4.49%
Difference (percentage points)	-0.12%	+1.60%

- During August, the fund's overweight allocation to below-investment-grade corporate bonds detracted from benchmark-relative performance as investors demonstrated a preference for the safety of U.S. Treasury securities. The fund's overweight allocation to emerging-market debt contributed positively, helped by currency appreciation in several developing economies.
- Year to date, the overweight to emerging-market debt and developed-market global bonds strongly contributed to benchmark-relative performance, largely due to foreign currency appreciation relative to the U.S. dollar. Yield curve positioning by the fund's core plus managers in anticipation of interest rate changes also contributed.

Social Values Choice Bond Fund

Fund	August	YTD
Social Values Choice Bond Fund	+0.79%	+1.40%
Barclays U.S. Universal (ex MBS) Index	+0.90%	+1.42%
Difference (percentage points)	-0.11%	-0.02%

- In August, the fund's modestly lower sensitivity to interest rate changes detracted from benchmark-relative performance as U.S. Treasury yields moved lower.
- The fund has fractionally underperformed its benchmark since becoming available to institutional investors on July 1, 2017.

Extended Term Fixed Income Fund

Fund	August	YTD
Extended Term Fixed Income Fund	+1.44%	+6.44%
Barclays U.S. Government/Credit Long Term Index	+2.25%	+8.70%
Difference (percentage points)	-0.81%	-2.26%

- The Extended Term Fixed Income Fund's intentional policy of maintaining a lower sensitivity to interest rate movements detracted from the fund's benchmark-relative performance for August and year-to-date.

Inflation Protection Fund

Fund	August	YTD
Inflation Protection Fund	+0.80%	+2.99%
IPF Benchmark ⁱⁱⁱ	+1.92%	+3.03%
Difference (percentage points)	-1.12%	-0.04%

- The fund underperformed its benchmark for the month and year-to-date periods primarily due to the fund's strategic underweight allocation to the highly-volatile inflation-linked bonds issued by the United Kingdom. The strong relative performance of the fund's dedicated commodities manager contributed positively to benchmark-relative results for both periods.
- The out-of-benchmark diversifying allocations to high-yield floating rate strategies benefitted year-to-date benchmark-relative results but detracted in August.

U.S. Treasury Inflation Protection Fund

Fund	August	YTD
U.S. Treasury Inflation Protection Fund	+1.14%	+1.58%
Barclays U.S. Inflation Linked Bond Index	+1.15%	+1.58%
Difference (percentage points)	-0.01%	+0.00%

- The fund performed in line with its benchmark during August and since becoming available to institutional investors on July 1, 2017. The strong August return for U.S. Treasury Inflation Protected Securities (TIPS) reflected the decline in real yields during the month.

Balanced Fund

Multiple Asset Fund

Fund	August	YTD
Multiple Asset Fund	+0.55%	+11.75%
MAF Benchmark ^{iv}	+0.67%	+10.99%
Difference (percentage points)	-0.12%	+0.76%

- For August, only the International Equity Fund positively contributed to the Multiple Asset Fund's benchmark-relative performance.
- Year-to-date, strong performance from the International Equity Fund and Fixed Income Fund contributed to benchmark-relative performance. This strength was partially offset by underperformance from the U.S. Equity Fund and the Inflation Protection Fund.

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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 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.
- ⁱⁱⁱ 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.
- ^{iv} 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.