

## August 2020 Investment Report

### Highlights

- The S&P 500 gained 7.2% for the month led by the technology, consumer discretionary and communications services sectors. This was the best performance for the index in the month of August since 1986. International stocks also gained, led by stocks from developed countries.
- Congress failed to pass a second stimulus package assisting those affected by the coronavirus pandemic. In response, President Trump issued an executive order extending parts of the CARES Act, including student loan relief and some federal unemployment benefits. Additionally, the President signed another executive order allowing employers the option of deferring payroll taxes for the remainder of 2020.
- Federal Reserve (Fed) Chairman Jerome Powell announced a “robust updating” to Fed policy and signaled the Fed’s intent to maintain low interest rates for longer.
- The U.S. economy added 1.4 million jobs in August, and the unemployment rate decreased to 8.4% from 10.2% in July.
- IEF-I, FIF-I and IPF-I outperformed their respective benchmarks in August. MAF-I and USEF-I underperformed their respective benchmarks for the month.

### Monthly Overview

#### Equity Market Performance

The S&P 500 gained 7.2% during the month. Stocks were supported by positive economic news, Fed policy updates, and news related to optimism over coronavirus treatments and vaccine trials. The S&P 500 rose in all but five trading days during August. While clearly lower compared to a year earlier, corporate earnings reported for the second quarter exceeded analysts’ estimates. Approximately 84% of S&P 500 companies posted earnings above expectations. Combined earnings for all S&P 500 companies were 23.1% higher than expectations, though 30% lower than the comparable year-ago period. Non-U.S. equity markets continued to produce solid returns during August, with developed country stocks, as measured by the MSCI EAFE Index, gaining 5.1%.

#### Stimulus Stalemate

Congress was unable to reach agreement for additional economic stimulus related to the pandemic. While both sides agree on providing a second round of \$1,200 checks to most Americans, aid to state and local governments, unemployment benefits, and the overall size of the stimulus are major points of contention. House Democrats reduced their initial request from \$3.4 trillion to \$2.2 trillion, while the President and Senate Republicans are unwilling to exceed \$1.5 trillion.

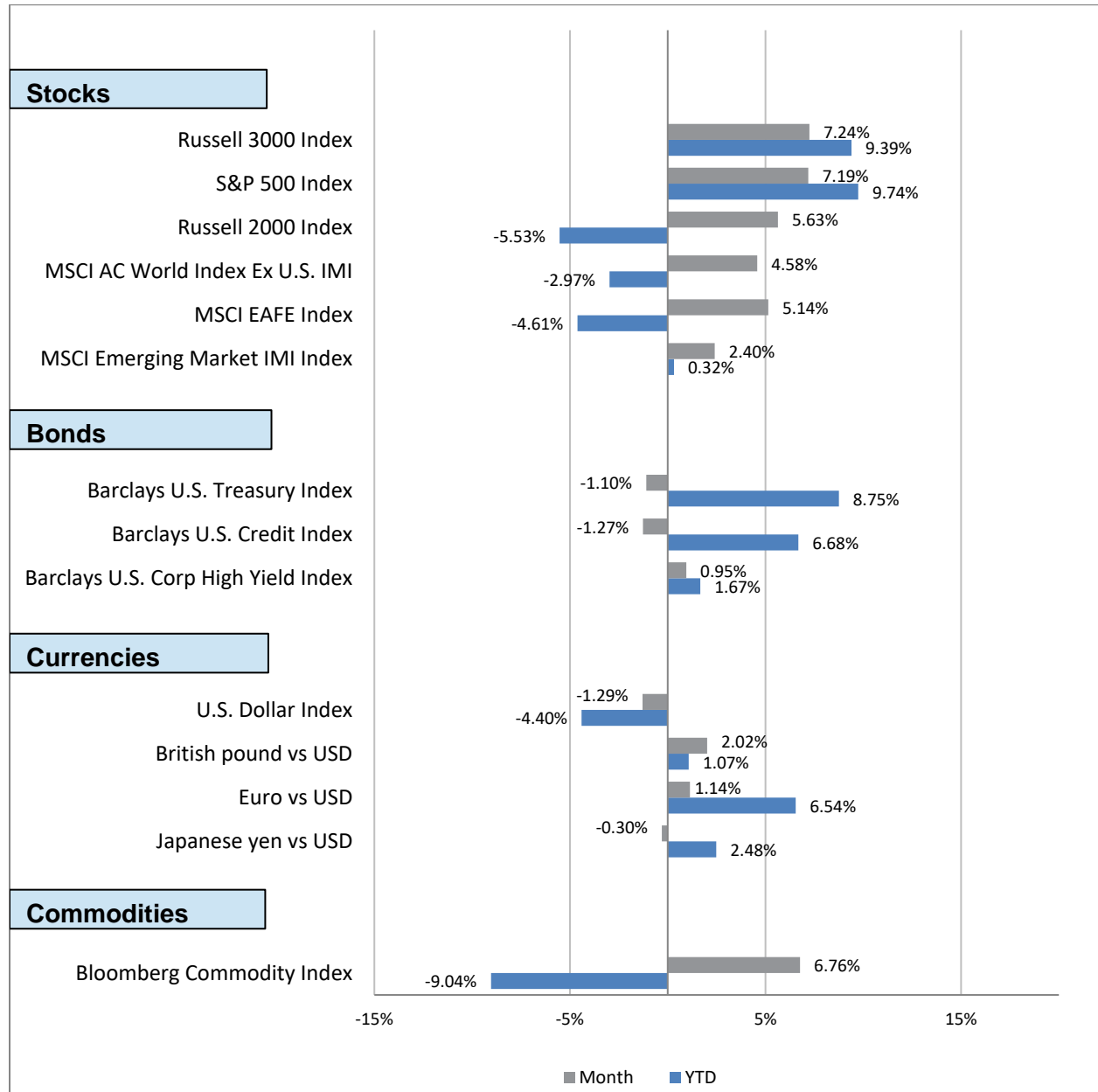
#### Fed Policy Update

During the Fed’s annual symposium, Fed Chair Jerome Powell communicated that the central bank will abandon its policy of preemptively raising rates to control inflation in favor of targeting an average inflation rate of 2%. The new policy will allow periods of inflation above the 2% target to compensate for periods below 2%. This policy change implies a continuation of low rates and higher inflation expectations in the future as the economy recovers from the COVID-19 pandemic.

#### International Developments

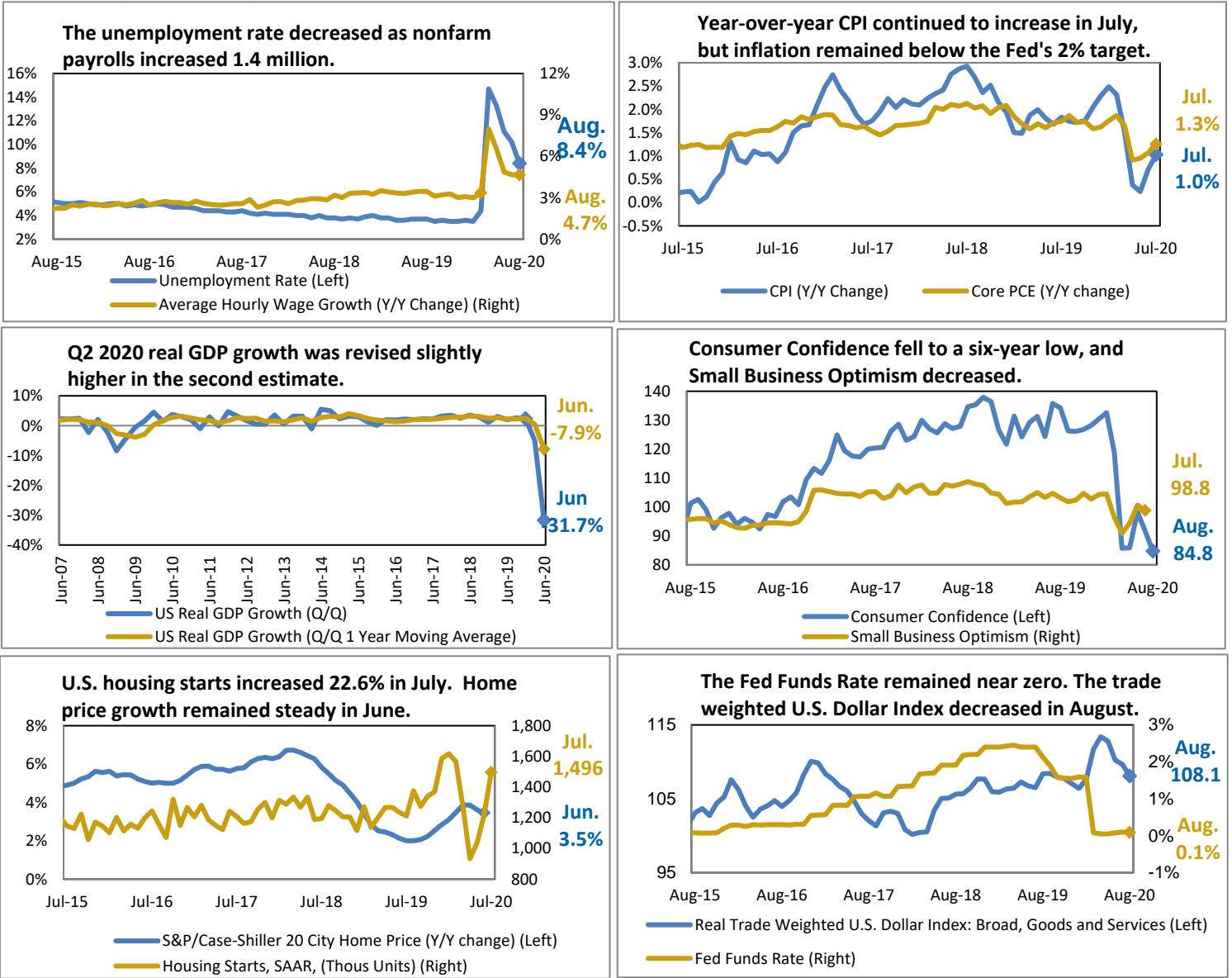
In Japan, markets reacted negatively to the news that Shinzo Abe, Japan’s longest serving prime minister, resigned because of health-related issues.

## Market Performance



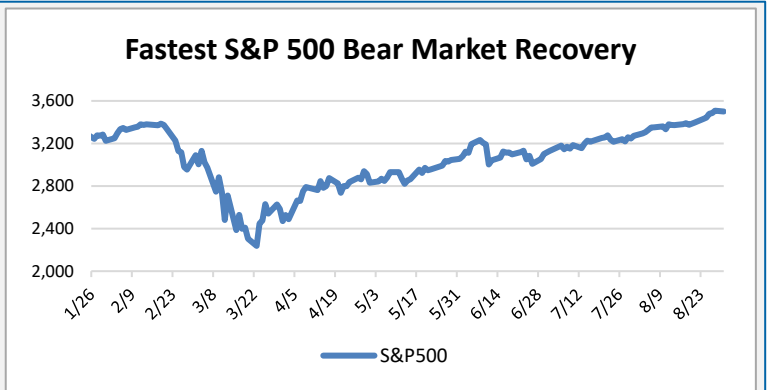
Source: FactSet, as of August 31, 2020

## Key Monthly Economic Statistics



### Chart of Month

- The S&P 500's fastest-ever decline into bear market territory has now been followed by its fastest-ever recovery from a bear market.
- It took the S&P 500 126 trading days to recover from its March 23rd low.
- Monetary and fiscal stimulus, along with hopes of a COVID-19 vaccine, have supported the market recovery.



Source: FactSet; U.S Bureau of Labor Statistics; The Conference Board; Federal Reserve Bank of St. Louis

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

### Equity Funds

#### U.S. Equity Fund–I Series

Fund	August	YTD
U.S. Equity Fund–I Series	+5.53%	+9.58%
Russell 3000 Index	+7.24%	+9.39%
Difference (percentage points)	-1.71	+0.19

- During the month, the fund's overweight allocation to small- and mid-cap company stocks, and corresponding underweight to large-cap companies, along with its exposure to alternative investments, detracted from benchmark-relative performance.
- Year to date, the fund outperformed the benchmark due largely to growth-oriented active managers with exposure to numerous e-commerce businesses better positioned to succeed through the pandemic. Underweight allocations to poor performing value-oriented companies and poor-performing stocks excluded in compliance with WII's Exclusions policy also benefitted benchmark-relative performance (described [here](#)). Alternative investments detracted from relative performance.

#### International Equity Fund–I Series

Fund	August	YTD
International Equity Fund–I Series	+4.74%	+3.10%
MSCI ACWI ex U.S. Investable Market Index (Net)	+4.58%	-2.97%
Difference (percentage points)	+0.16	+6.07

- During the month, the fund modestly outperformed the benchmark. Most of the fund's active managers outperformed their respective benchmarks. To a lesser extent, alternative investments and the fund's fair market valuation policy (described [here](#)) detracted from benchmark-relative performance.
- Year to date, the fund outperformed the benchmark and benefited most from a majority of active managers outperforming their respective benchmarks—in particular, a growth-oriented manager focused in developed markets and two managers investing to take advantage of the transition to a lower-carbon economy. The fund also benefited from an overweight allocation to China, as the country is further along in restarting its economy after dealing with the global pandemic. Stocks excluded from the fund in compliance with WII's Exclusions policy also benefitted benchmark-relative performance.

### U.S. Equity Index Fund–I Series

Fund	August	YTD
U.S. Equity Index Fund–I Series	+7.22%	+9.34%
Russell 3000 Index	+7.24%	+9.39%
Difference (percentage points)	-0.02	-0.05

- The U.S. Equity Index Fund–I Series is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses.

### Fixed Income Funds

#### Fixed Income Fund–I Series

Fund	August	YTD
Fixed Income Fund–I Series	-0.25%	+5.67%
Barclays U.S. Universal (ex MBS) Index	-0.75%	+7.19%
Difference (percentage points)	+0.50	-1.52

- The fund outperformed its benchmark during the month due to allocations to high-yield corporate bonds, as well as asset managers' sector and security selection. Allocations to multi-family housing through high-quality U.S. agency commercial mortgage-backed securities and Wespath's Positive Social Purpose Lending Program added to the benchmark-relative performance.
- Year to date, overweight allocations to emerging-market debt and corporate bonds detracted from benchmark-relative performance.

#### Inflation Protection Fund–I Series

Fund	August	YTD
Inflation Protection Fund–I Series	+1.07%	+3.02%
IPF Benchmark <sup>ii</sup>	-0.15%	+4.15%
Difference (percentage points)	+1.22	-1.13

- The fund's overweight exposure to U.S. inflation-linked securities, and related underweight exposure to U.K. inflation-linked securities, contributed positively to benchmark-relative performance during the month and year to date. The allocation to high-yield corporate credit contributed positively to benchmark-relative performance during the month but detracted year-to-date.

### U.S. Treasury Inflation Protection Fund–I Series

Fund	August	YTD
U.S. Treasury Inflation Protection Fund–I Series	+0.84%	+9.63%
Barclays U.S. Inflation Linked Bond Index	+1.01%	+10.17%
Difference (percentage points)	-0.17	-0.54

- The U.S. Treasury Inflation Protection Fund–I Series is a passively managed fund designed so that it closely matches the performance of the fund benchmark, less fees and expenses.

### Short Term Investment Fund–I Series

Fund	August	YTD
Short Term Investment Fund–I Series	-0.01%	+0.52%
BofA Merrill Lynch 3-Month Treasury Bill Index	+0.01%	+0.62%
Difference (percentage points)	-0.02	-0.10

- The Short Term Investment Fund–I Series holds cash, cash equivalents and short-term securities with the objective of preserving capital while earning current income higher than that of money market funds. The COVID-19 pandemic has resulted in a global economic slowdown and unprecedented actions by the Federal Reserve to sustain the economy. These actions have resulted in low interest rates, which could negatively affect the rate at which capital is reinvested in the fund.

## Balanced Fund

### Multiple Asset Fund–I Series

Fund	August	YTD
Multiple Asset Fund–I Series	+3.44%	+6.88%
MAF Benchmark <sup>iii</sup>	+3.71%	+4.96%
Difference (percentage points)	-0.27	+1.92

- During the month, the International Equity Fund–I Series, Fixed Income Fund–I Series and Inflation Protection Fund–I Series contributed positively to benchmark-relative performance, while the U.S. Equity Fund–I Series detracted from relative performance.
- Year to date, the International Equity Fund–I Series, and U.S. Equity Fund–I Series positively contributed to benchmark-relative performance, while the Fixed Income Fund–I Series and Inflation Protection Fund–I Series detracted from relative 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 – I Series](#) for more information about the funds. This is not an offer to purchase securities.

<sup>ii</sup> The benchmark for the Inflation Protection Fund–I Series 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–I Series 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% IPF Benchmark.