

## August 2022 Investment Report

### Highlights

- The S&P 500 Index of U.S. stocks declined 4.1%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, declined 3.1% in August. The Bloomberg U.S. Aggregate Bond Index declined 2.8%.
- The Consumer Price Index (CPI) measure of inflation rose 8.5% over the last 12 months, ending July, a decrease from June's 9.1% annual increase.
- The S&P Global U.S. Composite Purchasing Managers Index (PMI) declined for the second month a row, from 47.7 in July to 45 in August.
- The U.S. economy added 315,000 jobs, and the unemployment rate rose to 3.7%, up slightly from 3.5% in July.
- The housing sector continued to cool amid high mortgage rates, construction costs and home prices.
- The U.S. Equity Fund – I Series, Fixed Income Fund – I Series, Inflation Protection Fund – I Series and Multiple Asset Fund – I Series outperformed their respective benchmarks in August, while the International Equity Fund – I Series underperformed its benchmark.

### Monthly Overview

#### Markets down in August, as Fed holds firm on future rate hikes

Although stocks rallied in early August, investor sentiment quickly dampened after Federal Reserve (Fed) Chair Jerome Powell's "higher for longer" speech during the central bank's Jackson Hole Economic Symposium. Powell reaffirmed the Fed's focus on restoring price stability and its intention to continue increasing rates to combat inflation. U.S. and international markets responded negatively to the news—the S&P 500 Index declined 4.1% while international equities, as measured by the MSCI ACWI ex-U.S. IMI, decreased 3.1% during the month. In fixed income markets, rising bond yields led to negative performance. The Bloomberg U.S. Treasury Index and the Bloomberg Credit Index decreased 2.5% and 2.8%, respectively. The yield on the 10-year U.S. Treasury Note increased 0.48% in August to finish the month at 3.15%. Two-year Treasury yields reached a nearly 15-year high of 3.53% during August, ending the month at 3.44%.

#### Inflation's impact on U.S. and global economic data

The Fed's preferred gauge for inflation, the Core Personal Consumption Expenditures Price Index, which excludes volatile food and energy prices, increased 4.6% for the 12-month period ending July, down from 4.8% in June. The Eurozone's inflation rate reached 9.1% in August—a ninth consecutive monthly record, with energy as the primary contributor. Global PMI contraction continued, signaling further economic slowdown, with the U.S., Eurozone, and Japan all seeing declines. The S&P Global U.S. Composite PMI dropped for the second straight month, from 47.7 in July to 45.0 in August. The U.S. economy added 315,000 jobs, and the unemployment rate rose to 3.7% in August as the labor participation rate increased from 62.1% to 62.4%. The U.S. Dollar Index, which measures the value of the U.S. dollar against a basket of global currencies, increased 2.6% and reached a 20-year high in August.

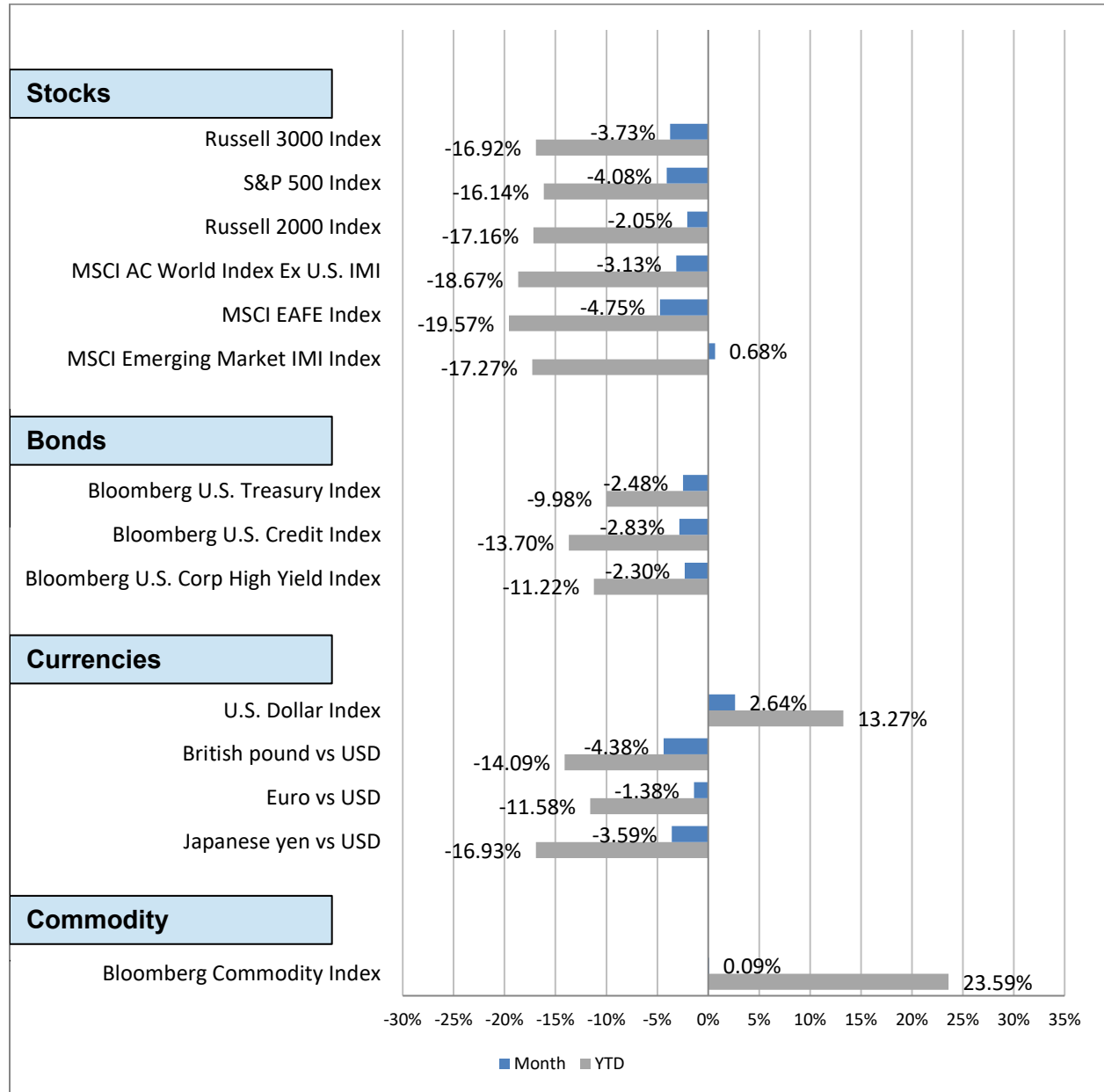
The housing sector continued to cool due to rising interest rates, high home prices and construction costs, and ongoing supply chain issues. Existing home sales fell 5.9% in July, and homebuilder confidence in the single-family market dropped below break-even to 49, its lowest level since May 2020.

#### Biden administration focuses on inflation reduction and student loan forgiveness

President Biden signed the \$740 billion Inflation Reduction Act into law which focuses on addressing climate change and lowering healthcare costs. The President also announced a new student debt relief program where qualified individuals will receive up to \$20,000 in student loan forgiveness.

*Sources: Bureau of Labor Statistics, Commerce Department, Reuters, Wall Street Journal, Financial Times, Bloomberg, FactSet, IHSMarkit and Refinitiv.*

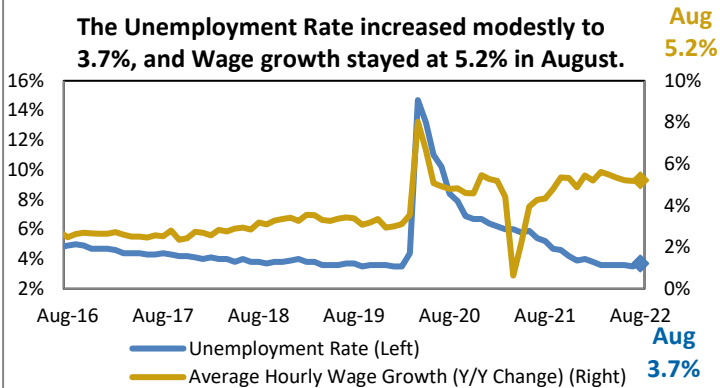
## Market Performance



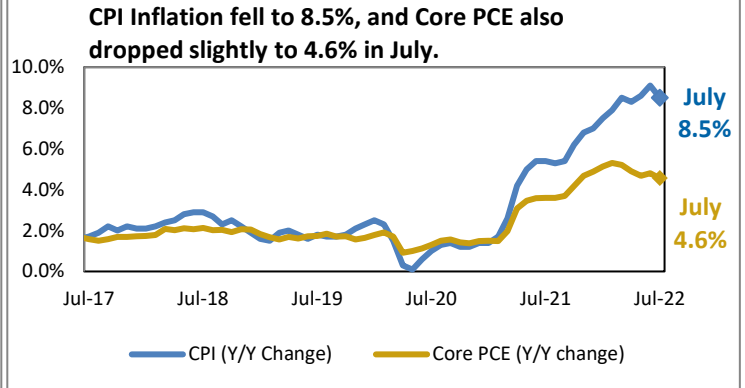
Source: FactSet, as of August 31, 2022.

## Key Monthly Economic Statistics

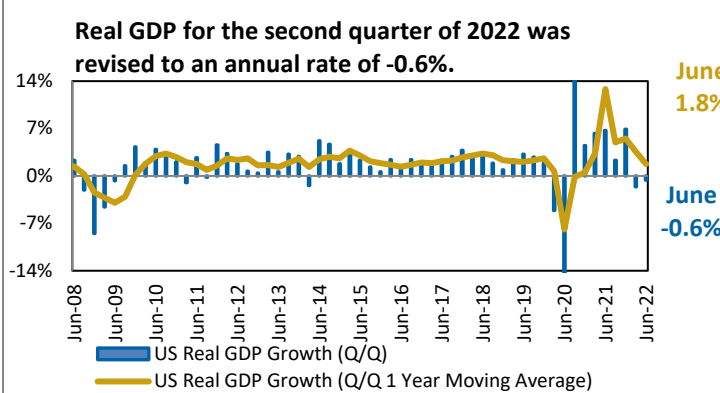
The Unemployment Rate increased modestly to 3.7%, and Wage growth stayed at 5.2% in August.



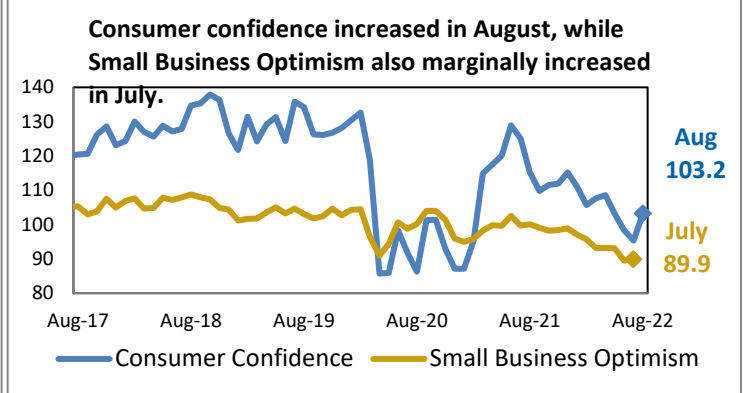
CPI Inflation fell to 8.5%, and Core PCE also dropped slightly to 4.6% in July.



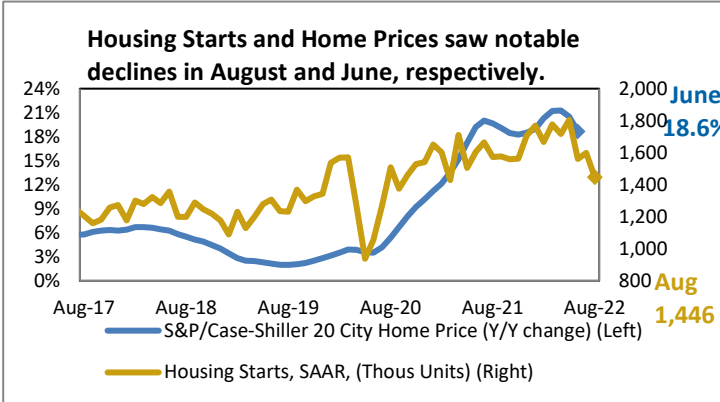
Real GDP for the second quarter of 2022 was revised to an annual rate of -0.6%.



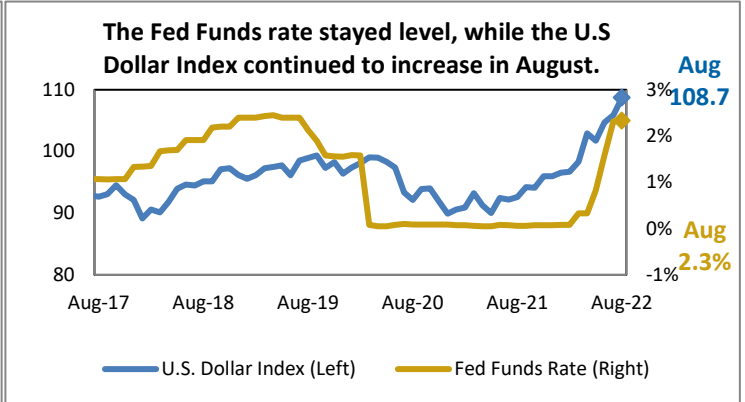
Consumer confidence increased in August, while Small Business Optimism also marginally increased in July.



Housing Starts and Home Prices saw notable declines in August and June, respectively.



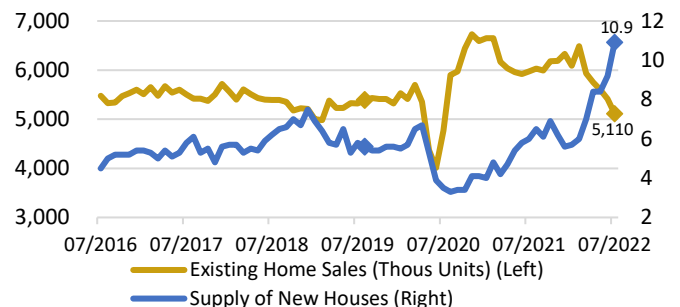
The Fed Funds rate stayed level, while the U.S Dollar Index continued to increase in August.



### Chart of the Month

- Housing demand continued to cool due to rising mortgage rates as well as high construction costs and home prices; mortgage demand is at lowest level in 22 years
- Existing U.S. home sales were below expectations, falling 5.9% in July and hitting their lowest level since 2016
- Due to the low level of home sales, builders have accumulated nearly 11 months of new single-family home inventory

### Existing Home Sales vs New Home Inventory



Sources: FactSet, U.S Bureau of Labor Statistics, The Conference Board, Federal Reserve Bank of St. Louis, Bureau of Economic Analysis, National Association of Realtors, U.S. Census Bureau.

## 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	-3.45%	-17.73%
Russell 3000 Index	-3.73%	-16.92%
Difference (percentage points)	+0.28	-0.81

- During the month, the fund outperformed its benchmark as a result of its underweight to poor-performing mega-cap stocks and its overweight to small- and mid-cap growth-oriented companies. The fund's dedicated investment in alternative investments also positively contributed.
- Year to date, the fund underperformed its benchmark due to half of its active managers underperforming their respective benchmarks, an overweight to poor-performing small- and mid-cap growth stocks, and excluding stocks in accordance with WII's Exclusions Policy (described [here](#)). To a lesser extent, an underweight to mega-cap technology stocks and the fund's dedicated investments in private equity and private real estate contributed positively to benchmark-relative performance.

#### International Equity Fund – I Series

Fund	August	YTD
International Equity Fund – I Series	-4.47%	-23.38%
MSCI ACWI ex U.S. Investable Market Index (Net)	-3.13%	-18.67%
Difference (percentage points)	-1.34	-4.71

- During the month, the fund underperformed its benchmark mainly due to the majority of active managers underperforming their respective benchmarks, and as a result of the fund's fair market valuation policy (described [here](#)).
- Year to date, the fund underperformed its benchmark mainly due to poor performing investments held by growth-oriented active managers and excluding stocks in accordance with WII's Exclusions Policy (described [here](#)). The fund's dedicated investments in private equity and private real estate contributed positively to benchmark-relative performance.

#### U.S. Equity Index Fund – I Series

Fund	August	YTD
U.S. Equity Index Fund – I Series	-3.80%	-17.30%
Russell 3000 Index	-3.73%	-16.92%
Difference (percentage points)	-0.07	-0.38

- 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	-2.10%	-11.55%
Barclays U.S. Universal (ex MBS) Index	-2.34%	-11.66%
Difference (percentage points)	+0.24	+0.11

- In August, the fund's allocation to emerging market debt added to benchmark-relative performance, but its allocation to global debt detracted. Manager security and sector selection added for the period.
- Year to date, the fund's allocations to emerging-market, global, and investment-grade rated corporate debt were the main detractors from relative performance. The fund's allocation to U.S. agency commercial mortgage-backed securities, the Positive Social Purpose Lending Program and high-yield-rated corporate bonds positively contributed to relative performance. Manager security selection and sector selection were also positive for the period.

### Inflation Protection Fund – I Series

Fund	August	YTD
Inflation Protection Fund – I Series (IPF-I)	-1.64%	-2.97%
IPF-I Benchmark <sup>ii</sup>	-3.17%	-7.33%
Difference (percentage points)	+1.53	+4.36

- The fund's underweight allocation to U.K. inflation-linked securities added to benchmark-relative performance for the month and year to date.
- In August, the fund's allocations to senior secured loans added to benchmark-relative performance. Manager security selection and sector selection were also positive for the period.
- Year to date, the fund's allocations to commodities and senior secured loans added to benchmark-relative performance.

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

Fund	August	YTD
U.S. Treasury Inflation Protection Fund – I Series	-2.76%	-8.16%
Barclays U.S. Inflation Linked Bond Index	-2.69%	-8.11%
Difference (percentage points)	-0.07	-0.05

- The U.S. Treasury Inflation Protection Fund is a passively managed fund designed to closely match the performance of the fund benchmark less fees and expenses.

## Balanced Fund

### Multiple Asset Fund – I Series

Fund	August	YTD
Multiple Asset Fund – I Series	-3.17%	-16.36%
MAF-I Benchmark <sup>iii</sup>	-3.15%	-15.11%
Difference (percentage points)	-0.02	-1.25

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