

December 2018 Investment Report

Highlights

- The S&P 500 Stock index (S&P 500) declined 9.0% during the month threatening the longest bull market in history.
- As expected, the US Federal Reserve (Fed) raised short-term interest rates by a quarter of a percent during the December committee meeting, bringing the overnight borrowing rate to 2.25-2.5%. Median Fed projections for the number of rate hikes in 2019 declined from three to two.
- Continued weakness in the housing market and lower inflation expectations offset continued strong employment, moderating but still high levels of consumer confidence and strong holiday retail sales.
- In December, the International Equity Fund outperformed its benchmark, while the U. S. Equity Fund, Fixed Income Fund, Inflation Protection Fund and Multiple Asset Fund underperformed their benchmarks.

Monthly Overview

U.S. markets sell off

The U.S. stock market declined in December, but just narrowly avoided the start of a bear market, which would have ended the longest bull market in history. The S&P 500 declined 9% in December alone, and its cumulative losses were just shy of 20% from its September 21 peak to a low on December 24. The index finished 2018 down 4.4% despite a slight rebound at year-end. Elevated volatility levels and dramatic one-day moves in the stock market defined December, a sign of investor fear and uncertainty. The bond market also experienced significant swings. The demand for safe assets depressed yields on longer maturity fixed income securities, while the Fed's quarterly rate hikes increased yields on shorter dated bonds. The 10-year U.S. Treasury bond yield ended 2018 at 2.7%, down from an intra-day high of 3.25% on October 8, which may signal slowing growth.

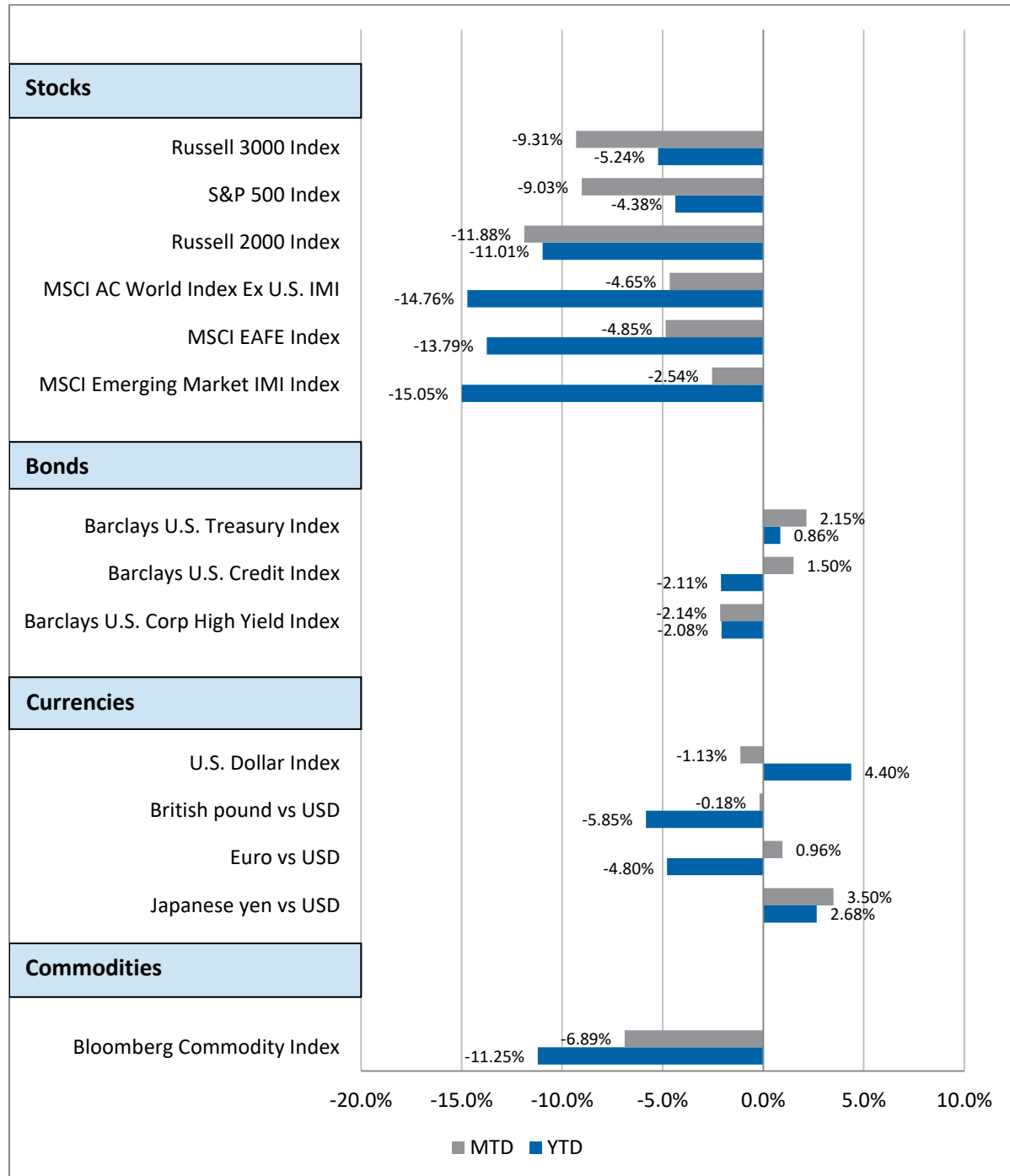
U.S. growth decelerating

In spite of a continued strong jobs market and record corporate earnings, most economists now expect slower economic growth. Consumer confidence levels have declined but remain healthy, and several major U.S. corporations are providing weaker forward earnings guidance. Declining China growth momentum, weakening U.S. home sales, uncertain global trade dynamics and a steady stream of negative geopolitical news over the month contributed to uncertainty around future growth.

Geopolitics contribute to uncertainty

The US Government shutdown, global trade relationships, Brexit standoff, Italy's resistance to abide by European Union fiscal rules, combined with slowing growth momentum contributed to deteriorating investor sentiment.

Market Performance



Source: FactSet, as of December 31, 2018

Key Monthly Economic Statistics

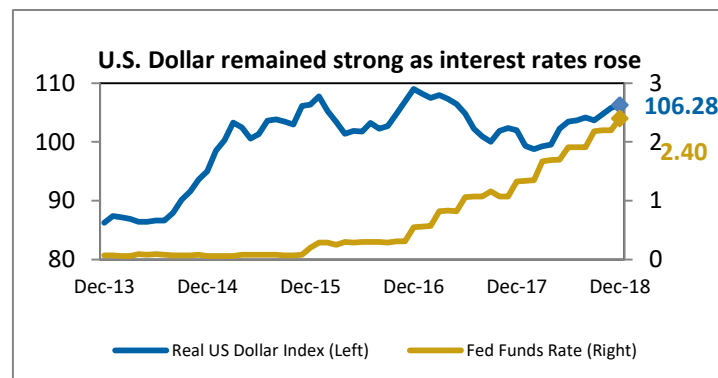
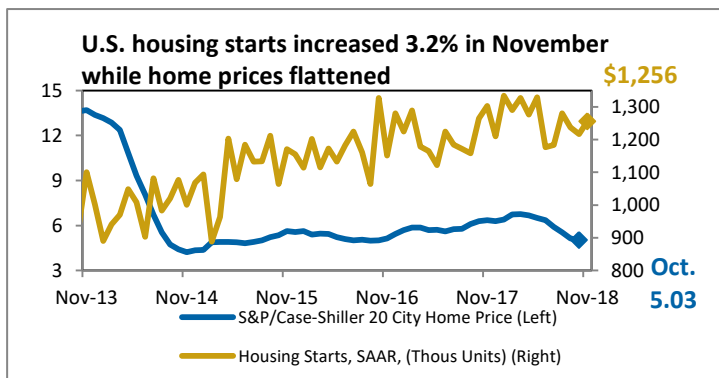
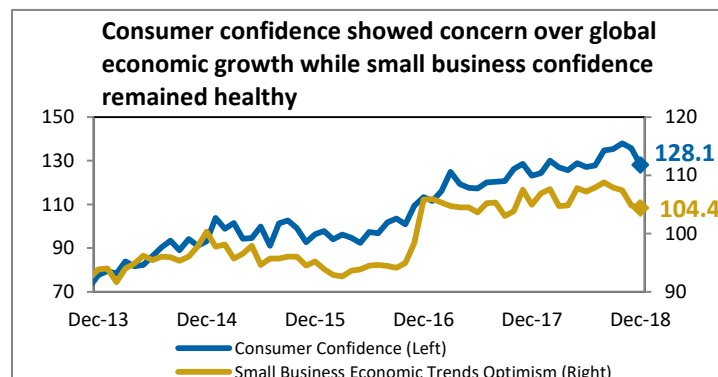
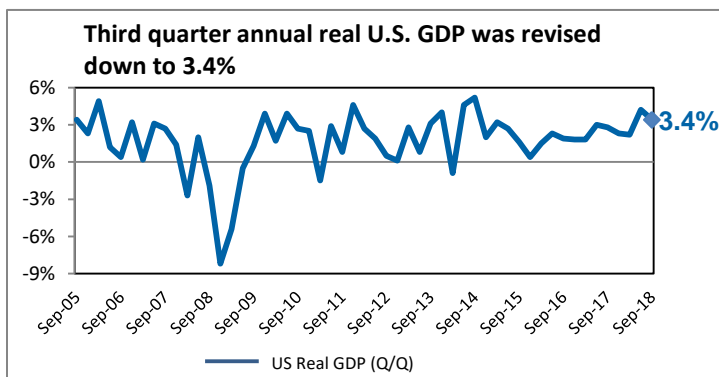
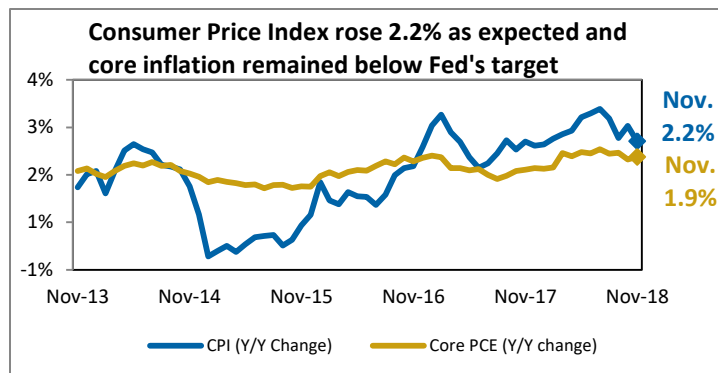
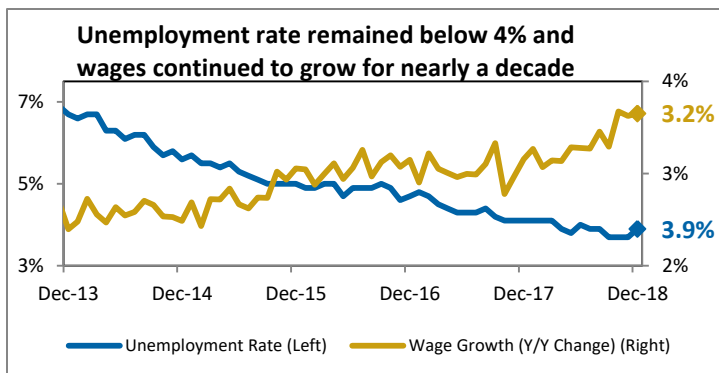
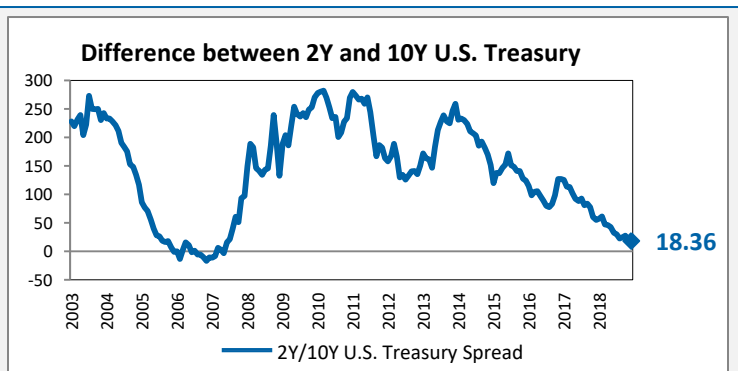


Chart of Month

- The spread between shorter and longer-term US treasury rates reached the narrowest level since June 2007.
- This narrowing between 2-year and 10-year yield indicates a flattening yield curve.
- A flattening of the yield curve reflects market concern about monetary policy tightening and the potential for an economic slowdown.



Source: FactSet

Investment Fund Review (Net-of-Fees Performance)ⁱ

Equity Funds

U.S. Equity Fund

Fund	December	QTD	YTD
U.S. Equity Fund	-9.58%	-15.54%	-5.48%
Russell 3000 Index	-9.31%	-14.30%	-5.24%
Difference (percentage points)	-0.27	-1.24	-0.24

- For the month and quarter, the fund's strategic overweight to small- and mid-sized company stocks and corresponding underweight of large-company stocks contributed negatively to benchmark-relative performance. The fund's dedicated allocation to private equity and private real estate benefited returns. Wespath's Ethical Exclusions policy also positively contributed to fund results mainly due to poor performance by excluded tobacco companies.
- Year-to-date, the fund's overweight positioning in small- and mid-sized company stocks detracted from relative performance as that market segment underperformed larger, more established companies. The fund's allocations to private equity and private real estate along with Wespath's Ethical Exclusions policy positively impacted performance.

International Equity Fund

Fund	December	QTD	YTD
International Equity Fund	-4.81%	-11.42%	-13.78%
MSCI ACWI ex U.S. Investable Market Index (Net)	-4.65%	-11.88%	-14.76%
Difference (percentage points)	-0.16	+0.46	+0.98

- For the month, the fund's strategic underweight to developed market equities and corresponding overweight to emerging market equities slightly contributed to benchmark-relative returns. The fund's strategic allocation to private equity and private real estate also benefited returns. The fair market valuation policy detracted from benchmark-relative performance.
- For the quarter, the fund's strategic underweight to developed market equities, and corresponding overweight to emerging market equities, positively contributed to benchmark-relative returns. During the period, the fund also benefited from its dedicated allocation to private equity and private real estate investments and Wespath's Ethical Exclusions policy.

- Year-to-date, the fund benefited most from strong performance by one developed market small-cap manager and one emerging market manager. The dedicated allocation to private equity and private real estate also positively contributed to the fund's outperformance.

Social Values Choice Equity Fund

Fund	December	QTD	YTD
Social Values Choice Equity Fund	-7.52%	-11.81%	-7.75%
SVCEF Benchmark ⁱⁱ	-7.30%	-11.67%	-7.55%
Difference (percentage points)	-0.22	-0.14	-0.20

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The fair market valuation policy negatively impacted performance for all time periods.

U.S. Equity Index Fund

Fund	December	QTD	YTD
U.S. Equity Index Fund	-9.22%	-14.17%	-4.99%
Russell 3000 Index	-9.31%	-14.30%	-5.24%
Difference (percentage points)	+0.09	+0.13	+0.25

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Ethical exclusions positively impacted benchmark-relative performance due to poor performing excluded tobacco companies for all time-periods.

Fixed Income Funds

Fixed Income Fund

Fund	December	QTD	YTD
Fixed Income Fund	+1.09%	+0.39%	-1.10%
Barclays U.S. Universal (ex MBS) Index	+1.49%	+0.89%	-0.63%
Difference (percentage points)	-0.40	-0.50	-0.47

- For the month- and year-to-date, below-investment-grade corporate bonds were the biggest detractor from benchmark relative performance. Allocations to Wespath's Positive Social Purpose (PSP) Lending Program and U.S. Agency commercial mortgage backed securities (CMBS) contributed to relative results.

- Year-to-date, the overweight to emerging market bonds and non-dollar currencies of emerging market countries, notably the Argentine peso and Turkish lira, detracted from benchmark relative performance, as did the overweight to corporate bonds, both investment-grade and below-investment-grade. Allocations to Wespath's PSP loans and U.S. Agency CMBS positively contributed.

Social Values Choice Bond Fund

Fund	December	QTD	YTD
Social Values Choice Bond Fund	+1.42%	+0.98%	-0.96%
Barclays U.S. Universal (ex MBS) Index	+1.49%	+0.89%	-0.63%
Difference (percentage points)	-0.07	+0.09	-0.33

- For the month- and year-to date, the overweight to corporate bonds detracted from benchmark-relative performance while yield curve positioning helped. Exposure to the Argentine peso helped quarterly relative performance.
- Year-to-date, yield curve strategies helped relative results as did the underweight to dollar-denominated emerging market debt. Exposure to the Argentine peso and Turkish lira detracted from benchmark relative results.

Extended Term Fixed Income Fund

Fund	December	QTD	YTD
Extended Term Fixed Income Fund	+2.44%	+0.97%	-2.23%
Barclays U.S. Government/Credit Long Term Index	+3.70%	+0.78%	-4.68%
Difference (percentage points)	-1.26	+0.19	+2.45

- The Extended Term Fixed Income Fund's policy of maintaining a lower sensitivity to interest rate movements detracted from the month-to-date relative results.
- Quarter to date, the fund's shorter relative duration had a neutral impact. The allocation to long duration collateralized mortgage securities positively contributed.
- Year-to-date results benefited from both the Fund's policy of maintaining a lower sensitivity to interest rate movements and the allocation to long duration collateralized mortgage securities.

Inflation Protection Fund

Fund	December	QTD	YTD
Inflation Protection Fund	-0.31%	-1.45%	-2.17%
IPF Benchmark ⁱⁱⁱ	+0.46%	-0.22%	-1.49%
Difference (percentage points)	-0.77	-1.23	-0.68

- For the month and quarter, benchmark relative results were negatively impacted by the underweight allocation to UK inflation-linked bonds and out-of-benchmark allocation to below-investment-grade floating rate strategies. For the quarter, the overweight allocation to the poor performing energy sector detracted, while the allocation to Argentinian peso-denominated bonds and overweight to the Turkish lira-denominated bonds positively contributed.
- Year-to-date, the allocation to below-investment-grade floating rate strategies positively contributed to benchmark relative performance. The underweight allocation to UK inflation-linked bonds, the overweight to U.S. Treasury Inflation Protected securities and to certain bonds denominated in emerging market currencies, particularly the Argentine peso, detracted.

U.S. Treasury Inflation Protection Fund

Fund	December	QTD	YTD
U.S. Treasury Inflation Protection Fund	+0.60%	-0.49%	-1.74%
Barclays U.S. Inflation Linked Bond Index	+0.55%	-0.49%	-1.48%
Difference (percentage points)	+0.05	0.00	-0.26

- 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

Fund	December	QTD	YTD
Multiple Asset Fund	-4.50%	-8.94%	-6.14%
MAF Benchmark	-4.24%	-8.44%	-6.47%
Difference (percentage points)	-0.26	-0.50	+0.33

- During the month, all components negatively impacted performance. During the quarter and year-to-date, the International Equity Fund positively contributed to performance, but the U.S. Equity Fund, Fixed Income Fund and Inflation Protection Fund detracted from performance.

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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](#) and related documents for more information about the funds. This is not an offer to purchase securities.

ⁱⁱ The benchmark for the Equity Social Values Plus Fund is the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels 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.