

December 2021 Investment Report

Highlights

- The S&P 500 stock index increased 4.5% in December despite the rapid spread of the Omicron and Delta COVID-19 variants. International stocks, as measured by the MSCI All Country World ex. U.S. Index, increased 4.2% for the month.
- Continued supply disruptions, labor shortages and high consumer demand are contributing to increases in prices. The Producer Price Index (PPI) and Consumer Price Index (CPI), both key indicators of inflation, increased 0.8% in November. The PPI increased 9.6% year over year, its largest increase since November 2010, while the CPI increased 6.8% year over year, its largest 12-month increase since June 1982.
- The U.S. added 199,000 non-farm jobs in December, which was well below economists' expectations of 422,000. The unemployment rate decreased to 3.9%.
- The Fixed Income Fund and Inflation Protection Fund outperformed their respective benchmarks in December, while the U.S. Equity Fund, International Equity Fund and Multiple Asset Fund underperformed their respective benchmarks.

Monthly Overview

U.S. Covid Cases Rise to Record Levels

New daily cases of COVID-19 in the U.S., as reported by Johns Hopkins University, hit a record seven-day average above 265,000 on December 28, surpassing the previous record set on January 11, 2021 amid the rapid spread of the Omicron and Delta variants. Although hospitalizations (~75,000) and daily deaths (~1,500) also rose, they remained below levels seen at the time of the previous record (157,000/hospitalizations and 3,200/deaths). Nevertheless, the recent rapid spread poses risks to the economic outlook and continued economic progress.

Central Banks Respond to Inflation

The Federal Open Market Committee (FOMC) seeks to achieve maximum employment and price stability. Following its December 15 meeting, the FOMC announced no change to the Fed Funds Rate, keeping short-term interest rates near zero. In response to elevated inflation pressures, the FOMC announced accelerated reductions in the asset purchases that were instituted at the onset of the pandemic to stimulate the economy. Asset purchases are expected to conclude in the first quarter of 2022, and although interest rates remained unchanged in December, the latest projections showed that officials expect to raise interest rates three times in 2022.

Similar to the FOMC, the European Central Bank (ECB) announced the interest rates of its marginal lending and deposit facilities would remain unchanged. However, the ECB did say that it would slow down the pace of its asset-buying program, which will cease in March. The Bank of England surprised investors by raising its target interest rate from 0.1% to 0.25%.

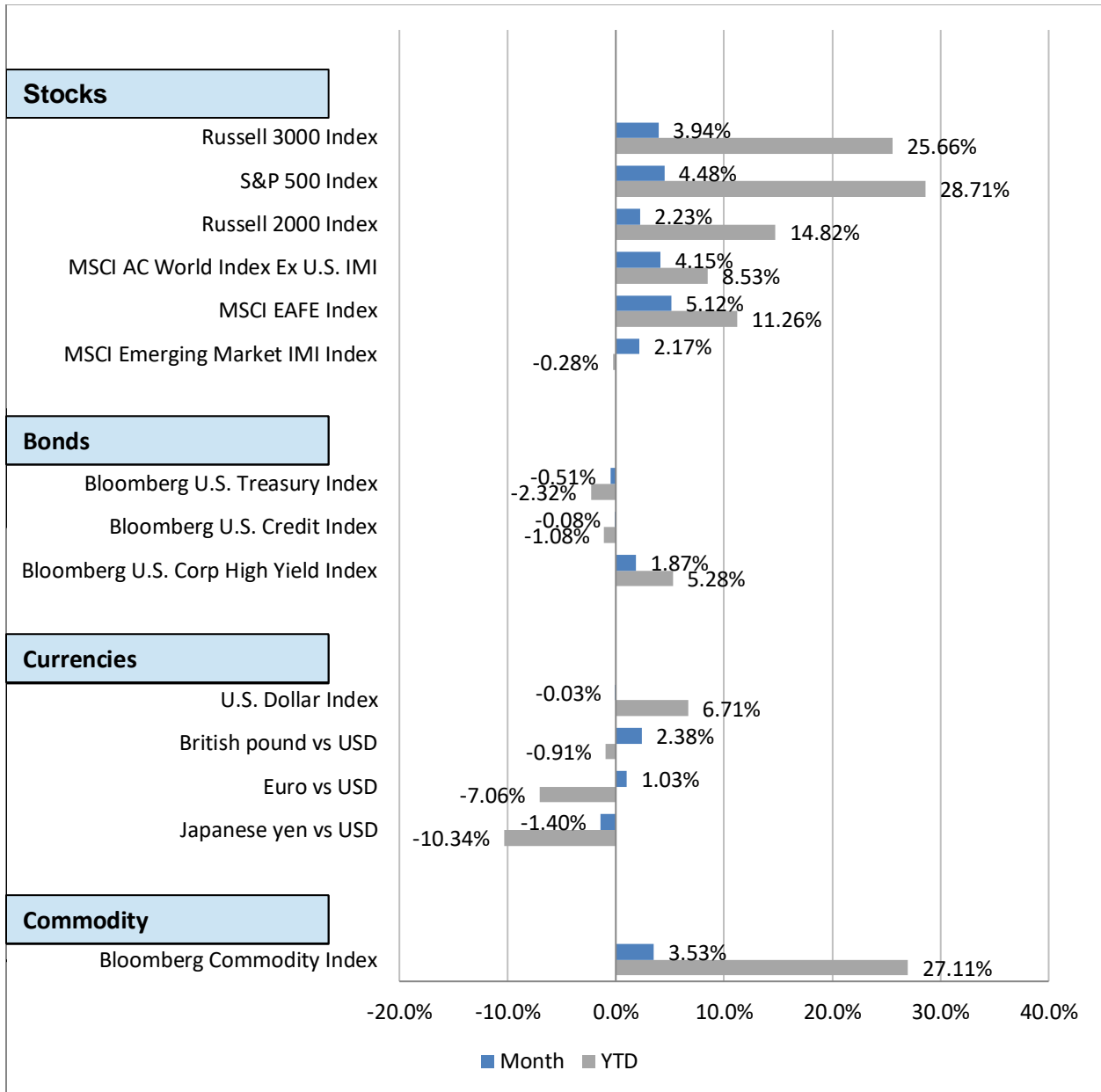
Stock Markets Gain

Major stock market indexes ended the month with gains as investor concerns about the Omicron variant eased following reports of less severe symptoms. The Dow Jones Industrial Average, S&P 500 and Nasdaq Composite all reported record-high closes during the month and closed the year with exceptional gains of 21.0%, 28.7% and 22.2%, respectively. Stocks also benefitted from strong corporate earnings, which were supported by accommodative monetary and fiscal policies. Developed economy stocks outside the U.S., as measured by the MSCI EAFE Index, outperformed emerging markets, as measured by the MSCI Emerging Markets IMI Index. The indexes increased 5.1% and 2.2%, respectively, in December.

In fixed income, the U.S. Treasury Index decreased 0.5% in December as the yield curve moved modestly higher and flattened, in anticipation of rate hikes in 2022. The 2-year and 10-year note yields increased to 0.7% and 1.5%, respectively.

Sources: The Wall Street Journal, Bloomberg, CNBC, FactSet

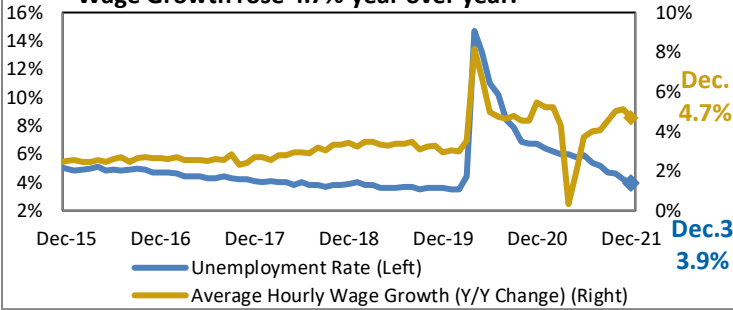
Market Performance



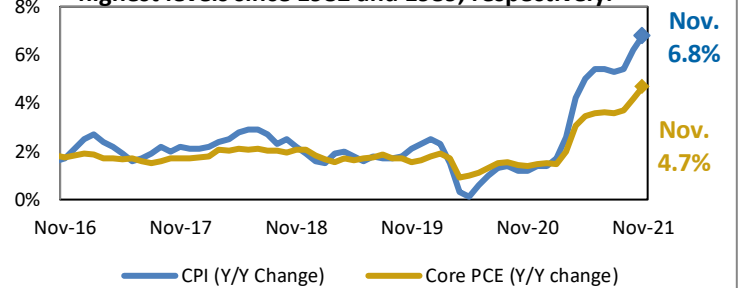
Source: FactSet, as of December 31, 2021.

Key Monthly Economic Statistics

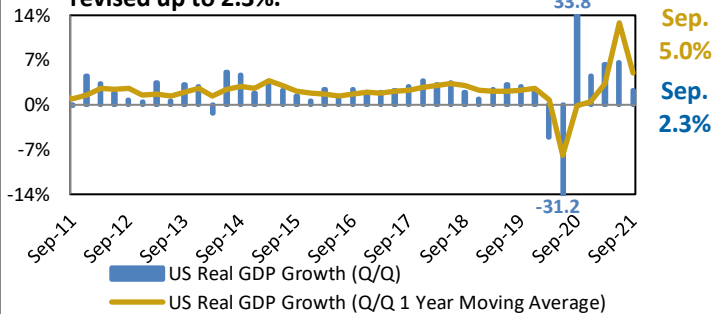
The Unemployment Rate declined to 3.9%, and Wage Growth rose 4.7% year over year.



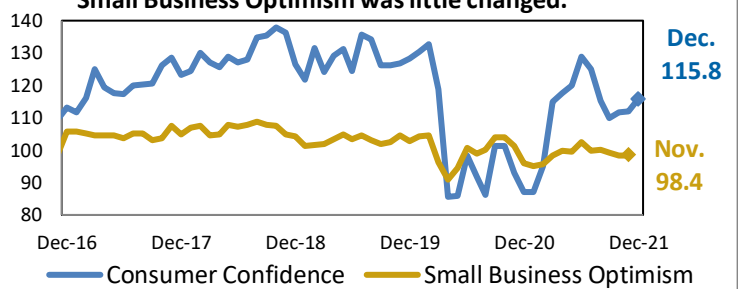
CPI Inflation and Core PCE Inflation reached their highest levels since 1982 and 1989, respectively.



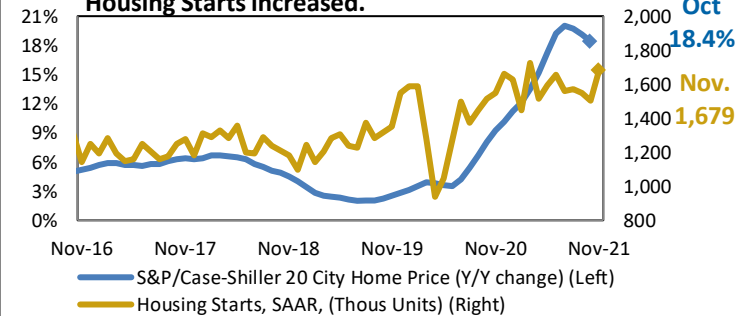
Third quarter annualized U.S. Real GDP Growth was revised up to 2.3%.



Consumer Confidence increased in December, while Small Business Optimism was little changed.



Home Price appreciation remained elevated, and Housing Starts increased.



The Fed Funds Rate remained near zero. The U.S Dollar Index remained unchanged.

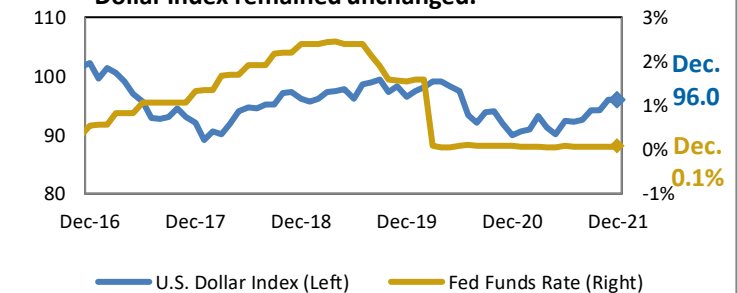
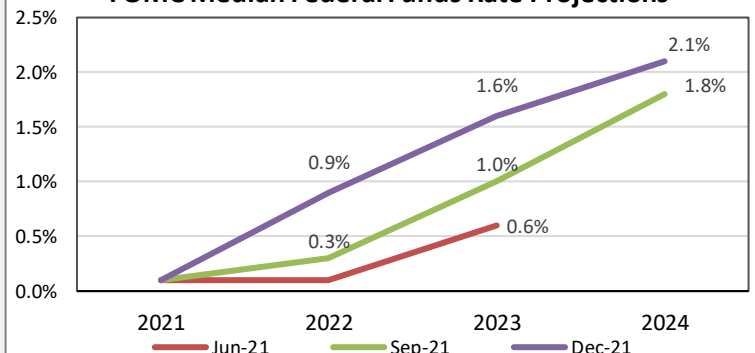


Chart of the Month

- FOMC member projections for future levels of interest rates increased significantly in the second half of 2021 as inflation continued to rise.
- By raising rates, the Fed will seek to decrease consumer demand by making it more expensive to borrow for items such as a home or a car.
- Lower demand will in turn slow economic growth and alleviate inflation.

FOMC Median Federal Funds Rate Projections



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

Equity Funds

U.S. Equity Fund – I Series

Fund	December	QTD	YTD
U.S. Equity Fund – I Series	+3.45%	+6.50%	+19.02
Russell 3000 Index	+3.94%	+9.28%	+25.66%
Difference (percentage points)	-0.49	-2.78	-6.64

- During the month, the fund underperformed the benchmark mainly due to its overweight allocation to lower performing small- and mid-cap growth-oriented companies and an allocation to all-cap growth-oriented managers.
- During the quarter and the year, the fund underperformed the benchmark partially due to its underweight allocation to strong performing mega-cap companies and corresponding overweight to small- and mid-cap stocks. Underperforming growth-oriented managers also detracted. Investments in e-commerce and telemedicine companies were the most significant detractors to relative performance. To a lesser extent, the fund's relative performance benefited from investments in alternatives and WII's Exclusions policy (described [here](#)).

International Equity Fund – I Series

Fund	December	QTD	YTD
International Equity Fund – I Series	+3.16%	+0.08%	+3.94%
MSCI ACWI ex U.S. Investable Market Index (Net)	+4.15%	+1.64%	+8.53%
Difference (percentage points)	-0.99	-1.56	-4.59

- During all three time periods, the fund underperformed the benchmark due to a number of underperforming managers, including a meaningful allocation to one growth-oriented manager, which detracted the most from relative performance. Investments in e-commerce companies were the most significant individual detractors. The fund's fair market valuation policy (described [here](#)) was also negative contributor to relative performance for the year. Investments in private equity positively contributed to relative performance.

U.S. Equity Index Fund – I Series

Fund	December	QTD	YTD
U.S. Equity Index Fund – I Series	+3.96%	+9.51%	+25.88%
Russell 3000 Index	+3.94%	+9.28%	+25.66%
Difference (percentage points)	+0.02	+0.23	+0.22

- The U.S. Equity Index Fund – I Series is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. During the quarter and the year, WII's Exclusions policy (described [here](#)) positively impacted benchmark-relative performance.

Fixed Income Funds**Fixed Income Fund – I Series**

Fund	December	QTD	YTD
Fixed Income Fund – I Series	+0.36%	-0.12%	-1.14%
Bloomberg U.S. Universal (ex MBS) Index	-0.06%	+0.07%	-1.12%
Difference (percentage points)	+0.42	-0.19	-0.02

- The fund's allocation to alternative investments, opportunistic credit, and high-yield-rated corporate bonds positively contributed to benchmark-relative performance during December.
- During the fourth quarter, allocations to emerging market debt and agency CMBS, as well as manager security selection in global bonds, detracted from benchmark-relative performance. The fund's allocation to high-yield corporate bonds and Positive Social Purpose loans added to relative performance.
- In 2021, the fund's allocations to high yield rated corporate debt, alternative investments, core bond strategy, and Positive Social Purpose real estate loans positively contributed to benchmark-relative performance. The fund's allocations to emerging market and global bonds detracted from benchmark-relative performance.

Inflation Protection Fund – I Series

Fund	December	QTD	YTD
Inflation Protection Fund – I Series (IPF-I)	+0.86%	+1.27%	+6.01%
IPF-I Benchmark ⁱⁱ	-0.46%	+2.36%	+6.63%
Difference (percentage points)	+1.32	-1.09	-0.62

- The fund's underweight exposure to U.K. inflation-linked securities detracted from benchmark-relative performance for the quarter but added for the month and year. This had the largest impact on benchmark-relative performance in all periods.
- In December, the fund's overweight allocation to U.S. inflation-linked bonds and floating-rate senior loans added to relative performance.
- During the fourth quarter, the fund's overweight allocation to U.S. inflation-linked securities, floating-rate loans and commodities detracted from performance.
- In 2021, the fund's overweight allocation to U.S. inflation-linked securities, floating-rate loans and cash holdings negatively impacted benchmark-relative performance. In contrast, the fund's allocations to commodities and global inflation-linked bonds added to relative performance.

U.S. Treasury Inflation Protection Fund – I Series

Fund	December	QTD	YTD
U.S. Treasury Inflation Protection Fund – I Series	+0.08%	+2.23%	+5.53%
Bloomberg U.S. Inflation Linked Bond Index	+0.31%	+2.52%	+6.00%
Difference (percentage points)	-0.23	-0.29	-0.47

- The U.S. Treasury Inflation Protection Fund – I Series 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	December	QTD	YTD
Multiple Asset Fund – I Series (MAF-I)	+2.31%	+2.43%	+8.08%
MAF-I Benchmark ⁱⁱⁱ	+2.56%	+4.00%	+11.61%
Difference (percentage points)	-0.25	-1.57	-3.53

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

ⁱⁱ The IPF-I Benchmark is comprised of 80% Bloomberg World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index.

ⁱⁱⁱ The MAF-I Benchmark is comprised of 35% Russell 3000 Index, 30% MSCI All Country World Index (ACWI) excluding USA Investable Market Index (IMI), 25% Bloomberg U.S. Universal Index ex-Mortgage Backed Securities, and 10% IPF-I Benchmark (see footnote ii above).
