

February 2024 Investment Report

Highlights

- U.S. and international stock markets increased in February, while fixed income markets declined.
- The S&P 500 Index of U.S. stocks gained 5.3%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI returned 2.3% this month. The Bloomberg U.S. Aggregate Bond Index fell 1.4%.
- In February, U.S. employers added 275,000 non-farm jobs. The unemployment rate increased to 3.9%.
- The Core Personal Consumption Expenditures (PCE) Price Index, the U.S. Federal Reserve's (Fed) preferred inflation measure, increased 2.8% for the 12 months ended in January.
- The International Equity Fund – I Series, Fixed Income Fund – I Series and Multiple Asset Fund – I Series outperformed their respective benchmarks for the month, while the U.S. Equity Fund – I Series underperformed its benchmark.

Monthly Overview

U.S. Stocks off to a Strong Start in 2024, International Stocks Rebound

U.S. equities continued their rally in February. The first two months of 2024 are the best start of a year for the S&P and Dow since 2019. Artificial intelligence and technology companies continue to drive these indexes higher. The strongest performing market sectors in February included consumer discretionary, communications, technology and industrials. U.S. growth stocks, measured by the Russell 3000 Growth Index, increased 6.88%, while value stocks, measured by the Russell 3000 Value Index, increased 3.67%.

International equity markets ended the month higher. Japan's Nikkei reached an all-time high, breaking its previous record set 34 years ago. The falling yen, corporate deregulation and deflation in the country helped drive Japanese equities to record levels.

Fixed Income Markets Continue to Lag

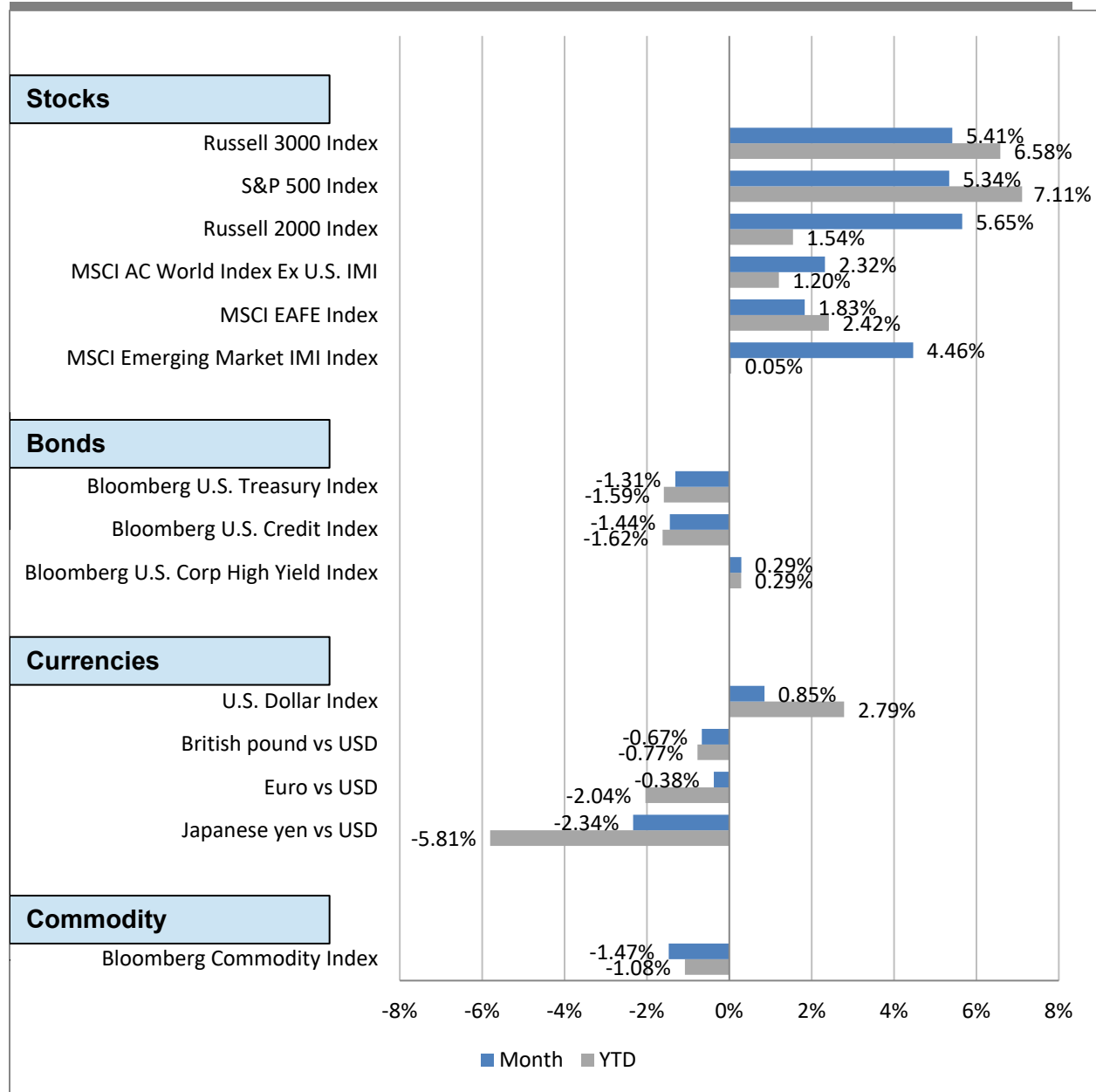
Resilient job markets, a strong economy and areas of persistent inflation will be in focus as the Fed meets in March to chart its continued path to reduce inflation to its 2% annual target. Core PCE rose 0.4% in January, the largest monthly increase in a year. This increase highlights the Fed's warning that the path to stable 2% annual inflation may be "bumpy." The Core Index excludes the more volatile food and energy components. Several members of the Fed are shrugging off PCE's increase in January, citing six and three-month annualized inflation rates that are closer to the Fed's 2% target. The estimated timing and level of rate cuts in 2024 continues to hang over fixed income markets. The Bloomberg Credit index declined 1.44%, and the Bloomberg U.S Treasury index declined 1.31% for the month.

Artificial Intelligence (AI) Dominates Headlines

In February, Nvidia CEO Jensen Huang declared the emergence of a "whole new industry" around generative AI, a machine learning technique for creating new content (text, audio, images, videos). OpenAI's private release of Sora, a text-to-video AI generating movie-quality videos, exemplifies this development. However, concerns arose due to a deepfake President Biden robocall used in January's New Hampshire primary. This led the FCC to ban voice cloning technology in robocall scams. Generative AI is a rapidly developing field with significant potential but also raises concerns about misuse.

Sources: Associated Press, Bureau of Economic Analysis, Bureau of Labor Statistics, Wall Street Journal, Bloomberg, and FactSet.

Market Performance



Source: FactSet, as of February 29, 2024.

Key Monthly Economic Statistics

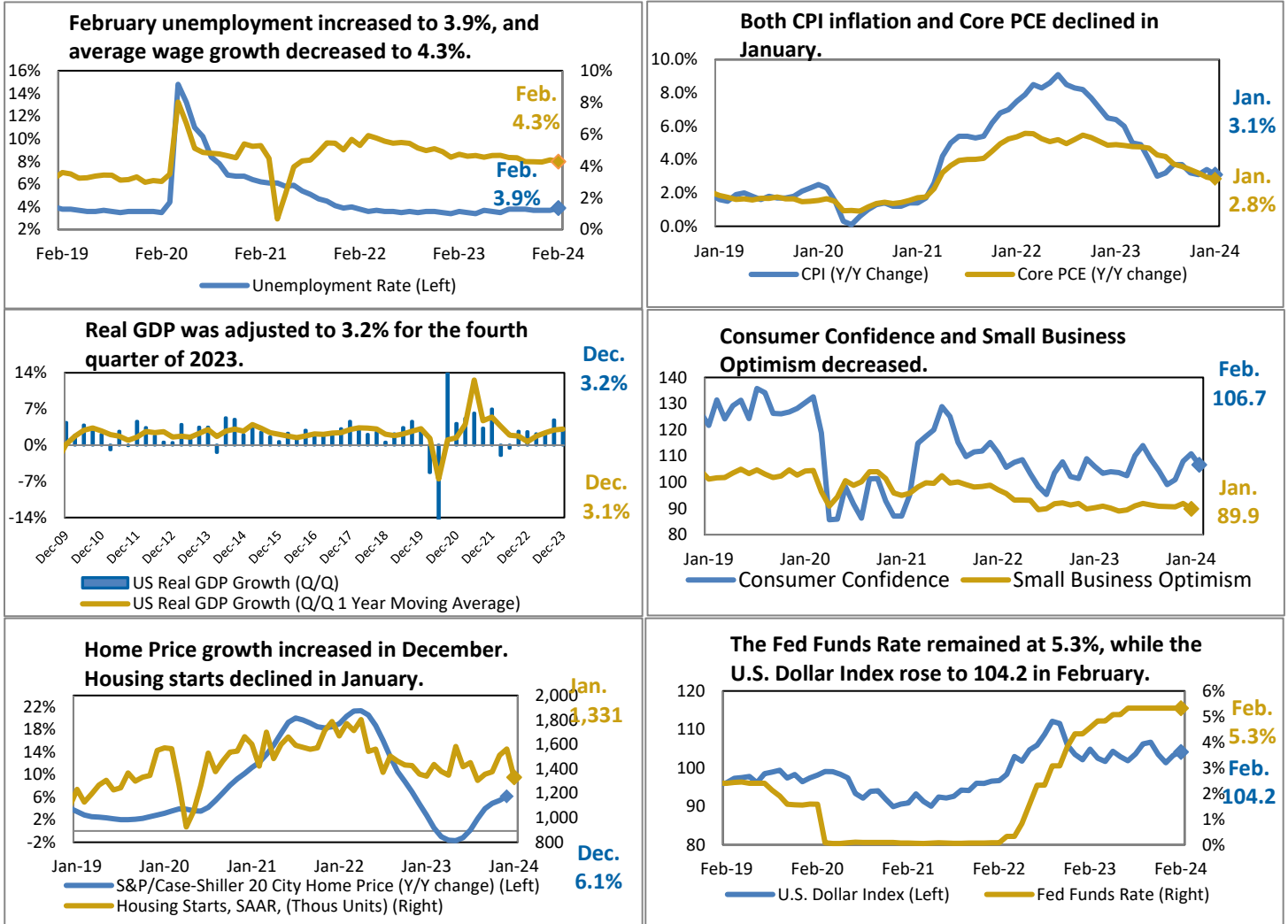
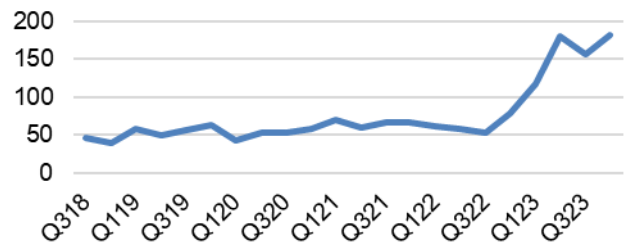


Chart of the Month

- An estimated 36% of S&P 500 companies cited Artificial Intelligence on Q4 2023 earnings calls.
- Uses for AI range from voice assistants, chatbots and conversational AI to process automation, predictive maintenance and reliability optimization.
- AI and its use cases have not yet been broadly adopted by consumers or companies, indicating further opportunities to implement the technology.

of S&P 500 Cos. Citing "AI" on Earnings Calls



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, S&P Global, Bloomberg, Redfin.

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

Equity Funds

U.S. Equity Fund – I Series

Fund	February	YTD
U.S. Equity Fund – I Series	5.23%	5.99%
Russell 3000 Index	5.41%	6.58%
Difference (percentage points)	-0.18	-0.59

- During the month, the fund underperformed its benchmark due to the fund's underweight to mega cap stocks and negative performing private equity and real estate. The fund's overweight to small/mid cap growth stocks and active managers' investments in IT and health care contributed positively to relative performance.
- Year to date, the fund underperformed its benchmark. The strategic underweight to mega cap stocks and negative performing private equity and real estate detracted from relative performance. The fund was helped by four active managers outperforming their respective benchmarks and Wespath's Investment Exclusion policies (described [here](#)).

International Equity Fund – I Series

Fund	February	YTD
International Equity Fund – I Series	3.02%	0.28%
MSCI ACWI ex U.S. Investable Market Index (Net)	2.32%	1.20%
Difference (percentage points)	+0.70	-0.92

- During the month, the fund outperformed its benchmark. Active managers' investments in healthcare, financials, and consumer discretionary stocks detracted from relative performance. Additionally, the fund's fair market valuation policy (described [here](#)) positively impacted benchmark-relative performance for the month.
- Year to date, the fund underperformed its benchmark. Active managers' investments in healthcare, financial technology, and consumer discretionary stocks detracted from relative performance. Wespath's Investment Exclusion policies (described [here](#)) detracted from performance.

U.S. Equity Index Fund – I Series

Fund	February	YTD
U.S. Equity Index Fund – I Series	5.48%	6.71%
Russell 3000 Index	5.41%	6.58%
Difference (percentage points)	+0.07	+0.13

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. During the month and year to date, certain stocks excluded in accordance with Wespath's Investment Exclusion policies (described [here](#)) positively impacted relative performance.

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

Fund	February	YTD
Fixed Income Fund – I Series	-0.93%	-1.01%
Bloomberg U.S. Universal (ex MBS) Index	-1.07%	-1.25%
Difference (percentage points)	+0.14	+0.24

- For February, overweight allocations to high yield bonds and emerging market debt added to relative results.
- Year to date, overweight allocations to high yield bonds, Wespath's Positive Social Purpose Lending Program and Agency CMBS contributed. The overweight allocation to and issue selection within emerging market debt also added, as did the core plus manager's issue selection.

Inflation Protection Fund – I Series

Fund	February	YTD
Inflation Protection Fund – I Series	-0.61%	-0.78%
IPF-I Benchmark ⁱⁱ	-1.11%	-0.92%
Difference (percentage points)	+0.50	+0.14

- For February, allocations to floating rate senior secured loans and emerging-market inflation-linked securities contributed to benchmark-relative results.
- Year to date, allocations to floating rate senior secured loans and developed market global inflation linked bonds contributed to relative results. The commodity manager's issue selection also contributed. The allocation to and issue selection within emerging market inflation linked bonds detracted.

Short Term Investment Fund – I Series

Fund	February	YTD
Short Term Investment Fund – I Series (STIF-I)	0.33%	0.80%
BofA Merrill Lynch 3-Month Treasury Bill Index	0.41%	0.84%
Difference (percentage points)	-0.08	-0.04

- For the month and year to date, the fund modestly underperformed the benchmark due to manager issue selection.

U.S. Treasury Inflation Protection Fund – I Series

Fund	February	YTD
U.S. Treasury Inflation Protection Fund – I Series	-1.07%	-0.69%
Bloomberg U.S. Inflation Linked Bond Index	-1.07%	-0.91%
Difference (percentage points)	0.00	+0.22

- 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.
- For the month, the fund performed in line with the benchmark.
- Year to date, the performance difference is due to Wespath's fair market value (FMV) adjustment applied on December 31, 2023, given the early market close on that day. The FMV adjustment adjusts prices by an amount based on full trading day pricing assumptions.

Balanced Fund

Multiple Asset Fund – I Series

Fund	February	YTD
Multiple Asset Fund – I Series	2.48%	1.89%
MAF-I Benchmark ⁱⁱⁱ	2.21%	2.25%
Difference (percentage points)	+0.27	-0.36

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

For additional information, please contact:**Karen Manczko***Director, Institutional Relationships*

(847) 866-4236 direct

(847) 866-4100 general

kmanczko@wespath.org**Evan Witkowski, CIPM, FSA Credential Holder***Manager, Institutional Relationships*

(847) 866-5271 direct

(847) 866-4100 general

ewitkowski@wespath.org

1901 Chestnut Avenue
Glenview, Illinois 60025
(847) 866-4100
wespath.com

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, including fees and expenses. This is not an offer to purchase securities.

ⁱⁱ Effective February 1, 2023, the benchmark for the Inflation Protection Fund – I Series is 90% Bloomberg U.S. Treasury Inflation-Linked Bond Index and 10% Bloomberg Commodity Index.

ⁱⁱⁱ 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.