

January 2017 Investment Report

January Highlights

- Donald Trump was inaugurated as the 45th President of the United States in January. He promptly signed a sweeping array of executive orders aligned with his campaign platform, seeking to reduce regulation, rewrite the Affordable Care Act, restrict immigration and renegotiate trade agreements.
- The global stock market rally continued in January. The Dow Jones Industrial Average climbed above 20,000 for the first time. International equities strongly outperformed U.S. equities, aided by foreign currency appreciation relative to the dollar. Global economic statistics improved, and the U.S. Federal Reserve (Fed) left interest rates unchanged despite indicating further hikes to come.
- Wespath's U.S. Equity Fund and International Equity Fund outperformed their respective benchmarks with strong positive returns. Fixed income markets also gained, and Wespath's fixed income funds outperformed their benchmarks as emerging market debt and high-yield investments outperformed broader credit markets.

Monthly Overview

Global economic indicators generally improving

U.S. Gross Domestic Product (GDP) grew at an estimated 1.9% annual rate in the fourth quarter of 2016. The job market showed continued strength with the creation of 156,000 jobs and a December unemployment rate of 4.7%. Consumer confidence remained high, while seasonally adjusted inflation was 0.3% in December and 2.1% over the last 12 months as measured by the Consumer Price Index. Eurozone economic activity, business expectations and hiring improved, and inflation rose closer to target. The International Monetary Fund's global growth forecast for 2017 is 3.4% compared to 3.1% in 2016, further supporting valuations of economically sensitive investments.

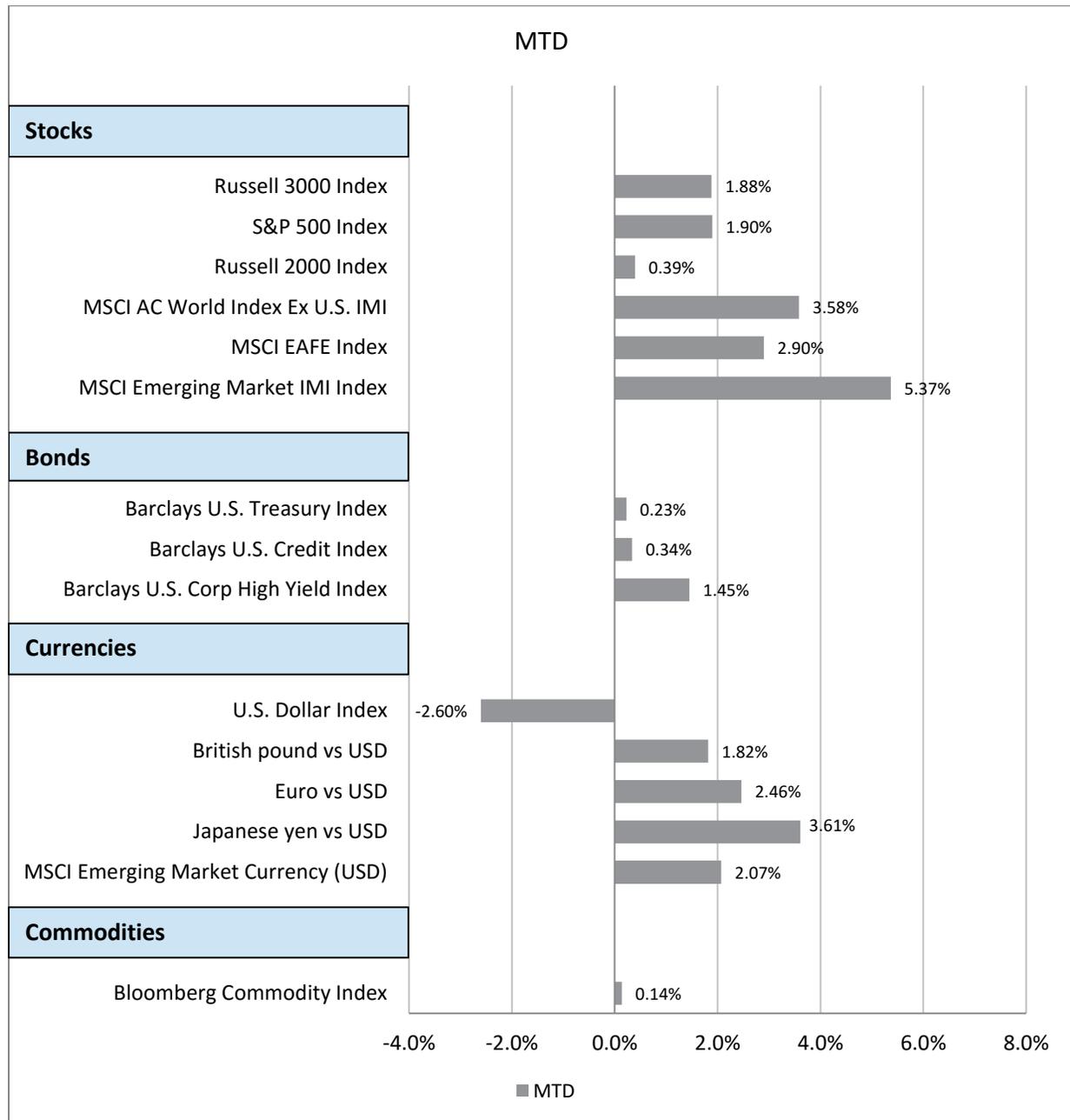
Global equities rallied, led by international markets

Developing country equities recovered sharply in January from their post-election weakness, rising 5.4% in U.S. dollar terms as measured by the MSCI Emerging Market IMI Index. Developed country equities outside the U.S. increased 2.9% in dollar terms as measured by the MSCI EAFE Index. The Russell 3000 Index of U.S. equities increased 1.9%.

Fed leaves rates unchanged, expects three increases in 2017

As expected, the Fed left its Fed Funds overnight borrowing rate unchanged in January. However, Fed Chairwoman Janet Yellen warned of a possible "nasty surprise" of excessive inflation or financial instability if the Fed waits too long to further raise rates. U.S. Treasury yields ended the month nearly unchanged, while the U.S. dollar partially reversed its recent gains by declining 2.6% in January, as measured by the U.S. Dollar Index.

Market Performance



Source: FactSet, As of January 31, 2017

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Jan: 111.8 (Dec: 113.3)	▲
Housing Starts	Dec: 11.3% (Nov: -16.5%); M/M-SAAR	▲
Institute for Supply Management Index	Dec: 54.7% (Nov: 53.2%)	▲
Retail Sales	Dec: 0.6% (Nov: 0.2%); M/M-SA	▲
S&P/Case-Shiller 20-City Home Price Index	Nov: 5.3% (Oct: 5.1%); Y/Y	▲
Unemployment Rate	Dec: 4.7% (Nov: 4.6%)	▲
		Neutral
Consumer Price Index core	Dec: 0.2% (Nov: 0.2%); M/M-SA	◆
Consumer Price Index	Dec: 0.3% (Nov: 0.2%); M/M-SA	◆
Durable Goods Orders	Dec: -0.4% (Nov: -4.8%); M/M-SA	◆
Nonfarm Payrolls	Dec: 156,000 (Nov: 204,000)	◆
Producer Price Index core	Dec: 0.2% (Nov: 0.4%); M/M-SA	◆
Producer Price Index	Dec: 0.3% (Nov: 0.4%); M/M-SA	◆
Real Gross Domestic Product	Dec: 1.9% (Sep: 3.5%); Q/Q-SAAR	◆
Retail Sales ex-auto	Dec: 0.2% (Nov: 0.3%); M/M-SA	◆
		Negative
Existing Home Sales	Dec: -2.8% (Nov: 1.4%); M/M-SAAR	▼
Factory Orders	Nov: -2.4% (Oct: 2.8%); M/M-SA	▼
New Home Sales	Dec: -10.4% (Nov: 4.7%); M/M-SAAR	▼

M/M	Month-over-month (% change since last month)
Q/Q	Quarter-over-quarter (% change since last quarter)
Y/Y	Year-over-year (% change since the same month, last year)
SA	Seasonally Adjusted
SAAR	Seasonally Adjusted Annual Rate
Source	FactSet

Investment Fund Review (Net of Fees Performance)ⁱ

Equity Funds

U.S. Equity Fund

Fund	January
U.S. Equity Fund	+2.04%
Russell 3000 Index	+1.88%
Difference (percentage points)	+0.16

- The fund's strategic asset allocation of overweighting small- and mid-sized company stocks, with a corresponding underweight in large company stocks, detracted from benchmark-relative performance. Additionally, the fund's allocation to private equity negatively impacted performance. However, the fund benefited from its large-cap growth managers' decision to overweight the strong-performing Technology sector.

International Equity Fund

Fund	January
International Equity Fund	+4.97%
MSCI ACWI ex US Investable Market Index	+3.58%
Difference (percentage points)	+1.39

- The fund benefited from a slight overweight to emerging markets, while the dedicated allocation to private equity and private real estate detracted from benchmark-relative performance. Strong performance by six out of nine active managers contributed positively to benchmark-relative performance. Notably, three developed market managers and one emerging market manager significantly outperformed their respective benchmarks during the month. Finally, the International Equity Fund's daily valuation policy (described [here](#)) positively contributed to benchmark-relative performance for the month.

Equity Social Values Plus Fund

Fund	January
Equity Social Values Plus Fund	+2.29%
MSCI World Custom ESG Special Weighted Index	+2.18%
Difference (percentage points)	+0.11

- The Equity Social Values Plus Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Relative performance is affected by the international daily valuation policy (described [here](#)).

U.S. Equity Index Fund

Fund	January
U.S. Equity Index Fund	+1.75%
Russell 3000 Index	+1.88%
Difference (percentage points)	-0.13

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark less fees and expenses.

Fixed Income Funds

Fixed Income Fund

Fund	January
Fixed Income Fund	+0.80%
Barclays U.S. Universal (Ex MBS) Index	+0.47%
Difference (percentage points)	+0.33

- The fund benefited from overweight allocations to non-dollar bonds in emerging and developed economies. As foreign currencies strengthened versus the U.S. dollar, non-dollar investments appreciated in dollar terms. The overweight allocation to below-investment-grade securities also positively contributed given the yield advantage and spread tightening in the high-yield sector.

Extended Term Fixed Income Fund

Fund	January
Extended Term Fixed Income Fund	+0.38%
Barclays U.S. Government/Credit Long Term Index	+0.31%
Difference (percentage points)	+0.07

- An overweight allocation to higher-yielding below-investment-grade debt contributed most to the fund's benchmark-relative performance. The fund's policy of targeting a shorter duration exposure versus the fund benchmark did not significantly impact performance this month as interest rates were largely unchanged.

Inflation Protection Fund

Fund	January
Inflation Protection Fund	+0.67%
IPF Custom Benchmark ⁱⁱ	+0.27%
Difference (percentage points)	+0.40

- The fund benefited from its underweight allocation to dollar-hedged global inflation linked bonds and overweight to U.S. Treasury Inflation Protected Securities (TIPS). TIPS outperformed, returning over 0.9% as the market anticipated U.S. government policies that may cause higher inflation. Due to

a yield advantage and spread tightening, the fund's positions in below investment grade floating rate bank loans and asset backed securities also contributed to benchmark-relative performance.

Balanced Fund

Multiple Asset Fund

Fund	January
Multiple Asset Fund	+2.43%
Composite Benchmark ⁱⁱⁱ	+1.88%
Difference (percentage points)	+0.55

- All four of the Multiple Asset Fund's constituent holdings—U.S. Equity Fund, International Equity Fund, Fixed Income Fund and Inflation Protection Fund—positively contributed to 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](#) for more information about the Funds, Fund performance, and Fund benchmarks. This is not an offer to purchase securities. Offers will only be made through the *Investment Funds Description*.

ⁱⁱ The custom 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.

ⁱⁱⁱ The custom benchmark for the Multiple Asset Fund 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% Inflation Protection Fund (IPF) Custom Benchmark.