

January 2018 Investment Report

Highlights

- The Federal Reserve (Fed) decided to leave interest rates unchanged at its January 30 meeting, the final meeting for Janet Yellen as Fed chair. Positive economic momentum is driving predictions for at least three rate hikes in 2018. However, the outlook may change once new Fed chair Jerome Powell takes over on February 3.
- President Trump gave his first State of the Union Address on January 30, calling on Congress to support a \$1.5 trillion infrastructure bill, increase military spending and back a new immigration package.
- The U.S. and international stock markets gained about five and a half percent in January, continuing the long run of positive performance.
- Wespath's fund returns compared to benchmarks were mixed. The International Equity Fund outperformed its benchmark, while the other equity funds slightly underperformed. The Fixed Income Fund, Extended Term Fixed Income Fund and Inflation Protection Fund outperformed their respective benchmarks, as did the Multiple Asset Fund.

Monthly Overview

Dow and S&P 500 See 10 Consecutive Months of Gains

The two U.S. stock indices recorded gains for the tenth consecutive month, their longest streak since 1959. The recently approved tax reform is credited for maintaining high levels of consumer and business confidence, and reinforcing expectations that the U.S. economy will remain healthy for at least the next two years. The tail end of January, however, sparked a decline in the markets and a spike in volatility that lasted into the start of February. Read Chief Investment Officer Dave Zellner's market commentary regarding that sell-off [here](#).

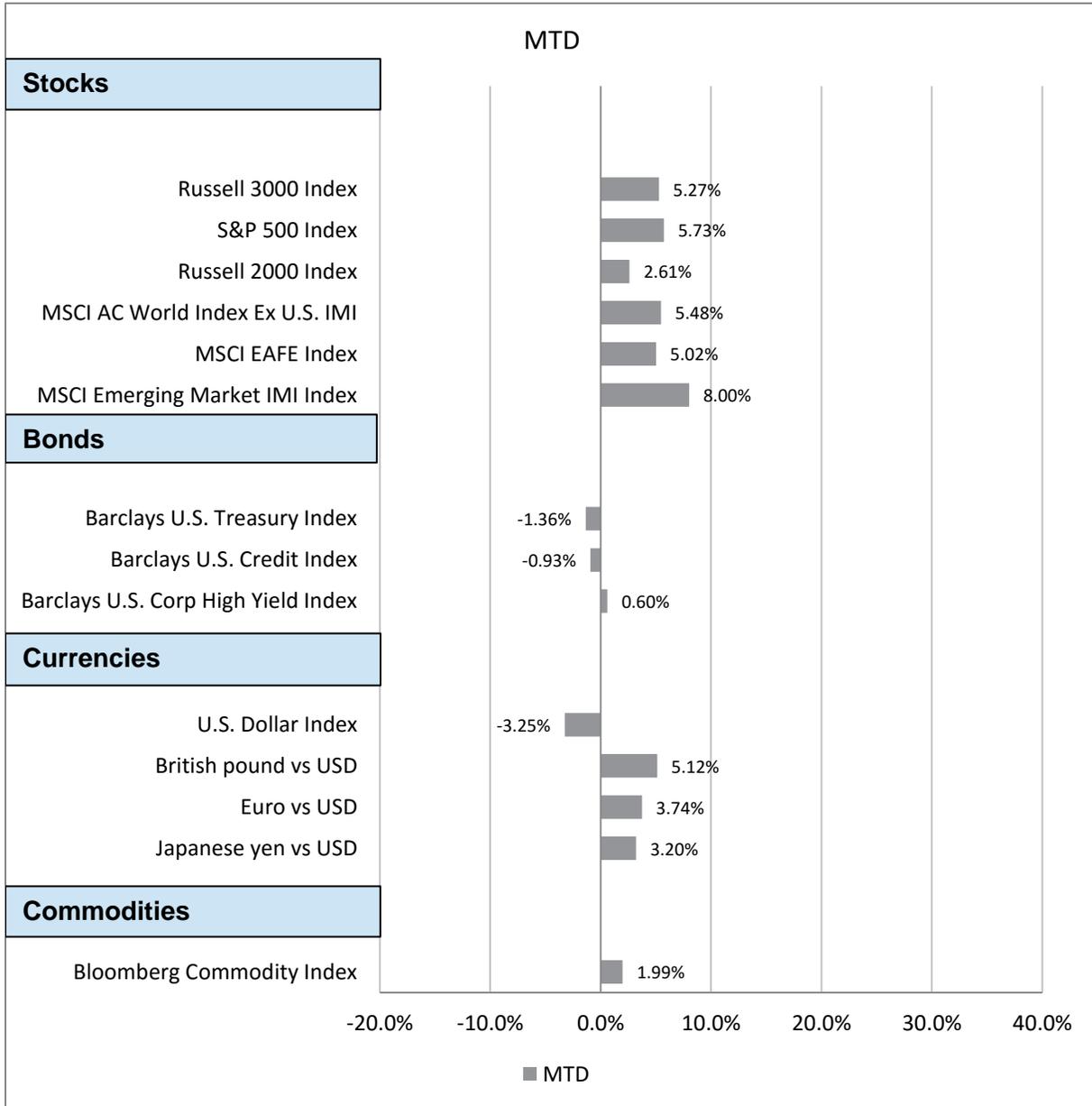
International Monetary Fund (IMF) Revises World Economic Growth Forecast

The IMF revised up its forecast for global economic growth for 2018 and 2019 to 3.9%, the highest level since 2011, citing the lowered corporate income tax rate in the U.S. as one of the main drivers for the revision. The historic tax overhaul is expected to accelerate business investment activity in the U.S. and in countries that are its main trading partners. The IMF revised its forecasted U.S. economic growth for 2018 to 2.7% (up from 2.3%), and to 2.5% for 2019 (up from 1.9%).

President Trump Delivers State of the Union Address, Calls for Congressional Unity

President Trump's first State of the Union Address on January 30 focused heavily on domestic policy. The President called on Congress to support a \$1.5 trillion infrastructure bill involving partnerships between state and local governments and the private sector. He also called for increased military spending and encouraged Congressional unity on a new immigration package that includes citizenship for "Dreamers," undocumented immigrants brought to the United States as children, and a proposal to increase spending on border security, including construction of a wall along the U.S. and Mexican border.

Market Performance



Source: FactSet, as of January 31, 2018

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Jan: 125.4 (Dec: 123.1)	▲
Durable Goods Orders	Dec: 2.9% (Nov: 1.7%); M/M-SA	▲
Factory Orders	Nov: 1.3% (Oct: 0.4%); M/M-SA	▲
Institute for Supply Management Index	Dec: 59.7% (Nov: 58.2%)	▲
Retail Sales ex-auto	Dec: 0.4% (Nov: 1.3%); M/M-SA	▲
Retail Sales	Dec: 0.4% (Nov: 0.9%); M/M-SA	▲
S&P/Case-Shiller 20-City Home Price Index	Nov: 6.4% (Oct: 6.3%); Y/Y	▲
Unemployment Rate	Dec: 4.1% (Nov: 4.1%)	▲
Neutral		
Consumer Price Index core	Dec: 0.3% (Nov: 0.1%); M/M-SA	◆
Consumer Price Index	Dec: 0.1% (Nov: 0.4%); M/M-SA	◆
Nonfarm Payrolls	Dec: 148,000 (Nov: 252,000)	◆
Producer Price Index core	Dec: -0.1% (Nov: 0.3%); M/M-SA	◆
Producer Price Index	Dec: -0.1% (Nov: 0.4%); M/M-SA	◆
Real Gross Domestic Product	Dec: 2.6% (Sep: 3.2%); Q/Q-SAAR	◆
Negative		
Existing Home Sales	Dec: -3.6% (Nov: 5.1%); M/M-SAAR	▼
Housing Starts	Dec: -8.2% (Nov: 3.0%); M/M-SAAR	▼
New Home Sales	Dec: -9.3% (Nov: 15.0%); 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	+5.07%
Russell 3000 Index	+5.27%
Difference (percentage points)	-0.20

- During January, the fund underperformed its benchmark due to its strategic overweight to small- and mid-sized company stocks, along with the allocation to the alternative investment strategies of private real estate and private equity. The performance for alternative investment strategies tends to lag during periods of strong returns in the public equity markets. Seven out of eleven active strategies outperformed their respective benchmarks, benefitting relative performance. Investments in online media and commerce platform companies contributed the most to performance.

International Equity Fund

Fund	January
International Equity Fund	+6.50%
MSCI ACWI ex U.S. Investable Market Index (Net)	+5.48%
Difference (percentage points)	+1.02

- During January, the fund benefited most from a number of outperforming investment managers that held sizable investments in Chinese technology companies. The fund's relative performance also benefited from holding underperforming alcohol and tobacco companies, and a positive adjustment from the international daily valuation policy (described [here](#)).

Equity Social Values Plus Fund

Fund	January
Equity Social Values Plus Fund	+5.06%
ESVPF Benchmark ⁱⁱ	+5.08%
Difference (percentage points)	-0.02

- 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 impacted by the international daily valuation policy (described [here](#)).

U.S. Equity Index Fund

Fund	January
U.S. Equity Index Fund	+5.18%
Russell 3000 Index	+5.27%
Difference (percentage points)	-0.09

- The U.S. Equity Index Fund is a passively-managed fund designed to closely match the fund benchmark less fees and expenses. Ethical exclusions detracted from benchmark-relative performance during the month.

Fixed Income Funds

Fixed Income Fund

Fund	January
Fixed Income Fund	-0.13%
Barclays U.S. Universal (ex MBS) Index	-0.90%
Difference (percentage points)	+0.77

- In January, the fund outperformed its performance benchmark primarily due to the out-of-benchmark allocation to foreign currencies of emerging and developed markets, as well as an overweight allocation to below-investment-grade corporate bonds.

Social Values Choice Bond Fund

Fund	January
Social Values Choice Bond Fund	-0.97%
Barclays U.S. Universal (ex MBS) Index	-0.90%
Difference (percentage points)	-0.07

- In January, benchmark-relative gains from exposure to inflation-linked securities were more than offset by losses related to emerging market currencies.

Extended Term Fixed Income Fund

Fund	January
Extended Term Fixed Income Fund	-1.44%
Barclays U.S. Government/Credit Long Term Index	-2.05%
Difference (percentage points)	+0.61

- In January, the Extended Term Fixed Income Fund's intentional policy of maintaining a lower sensitivity to interest rate movements benefited benchmark-relative results as interest rates rose during the month.

Inflation Protection Fund

Fund	January
Inflation Protection Fund	+0.32%
IPF Benchmark ⁱⁱⁱ	-0.41%
Difference (percentage points)	+0.73

- In January, the strategic underweight allocation to U.K. inflation-linked bonds contributed to benchmark-relative results. The out-of-benchmark allocation to below-investment-grade floating rate strategies also positively contributed.

U.S. Treasury Inflation Protection Fund

Fund	January
U.S. Treasury Inflation Protection Fund	-0.92%
Barclays U.S. Inflation Linked Bond Index	-0.88%
Difference (percentage points)	-0.04

- The U.S. Treasury Inflation Protection Fund is a passively-managed fund designed to closely match the fund benchmark less fees and expenses. The fund performed in line with the benchmark for the month.

Balanced Fund

Multiple Asset Fund

Fund	January
Multiple Asset Fund	+3.86%
MAF Benchmark ^{iv}	+3.22%
Difference (percentage points)	+0.64

- During the month, the International Equity Fund, Fixed Income Fund and Inflation Protected Fund positively contributed to benchmark-relative performance, while the U.S. Equity Fund detracted slightly.

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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. This is not an offer to purchase securities. Offers will only be made through the *Investment Funds Description*.
- ii On April 1, 2017, the benchmark for the Equity Social Values Plus Fund became the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index. Prior to April 1, 2017, the benchmark was the MSCI World Custom Environmental, Social, and Governance (ESG) Special Weighted Index.
- iii The benchmark for the Inflation Protection Fund is composed 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.
- iv The benchmark for the Multiple Asset Fund is composed 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) Benchmark.
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