

## January 2019 Investment Report

### Highlights

- U.S. stocks surged during the month, with the S&P 500 Index gaining 7.9% for its best January performance since 1987.
- In an early January economic roundtable with former U.S. Federal Reserve (Fed) Chairs Janet Yellen and Ben Bernanke, current Fed Chair Jerome Powell indicated “patience” and “flexibility” for 2019 interest rate decisions. Later in the month, the Federal Open Market Committee (FOMC) statement eliminated references to future interest rate increases in a stark reversal from the Committee’s position just six weeks earlier.
- The U.S. government shutdown ended after a record breaking 35 days with a deal to re-open the government temporarily while border security negotiations continue.
- In January, the U.S. Equity Fund–I, International Equity Fund–I, Fixed Income Fund–I, Inflation Protection Fund–I and Multiple Asset Fund–I all outperformed their benchmarks.

### Monthly Overview

#### U.S. markets rebound

The best January S&P 500 return in 30 years came on the heels of a 9.0% December decline that threatened to end the longest bull market in history. Key drivers to January’s rebound included the Fed’s reversal on monetary policy, positive headlines on trade negotiations with China and strong year-over-year earnings growth. The bond market also performed well in January. The U.S. job market remained strong with a record 100th consecutive month of employment growth.

#### Slower growth ahead

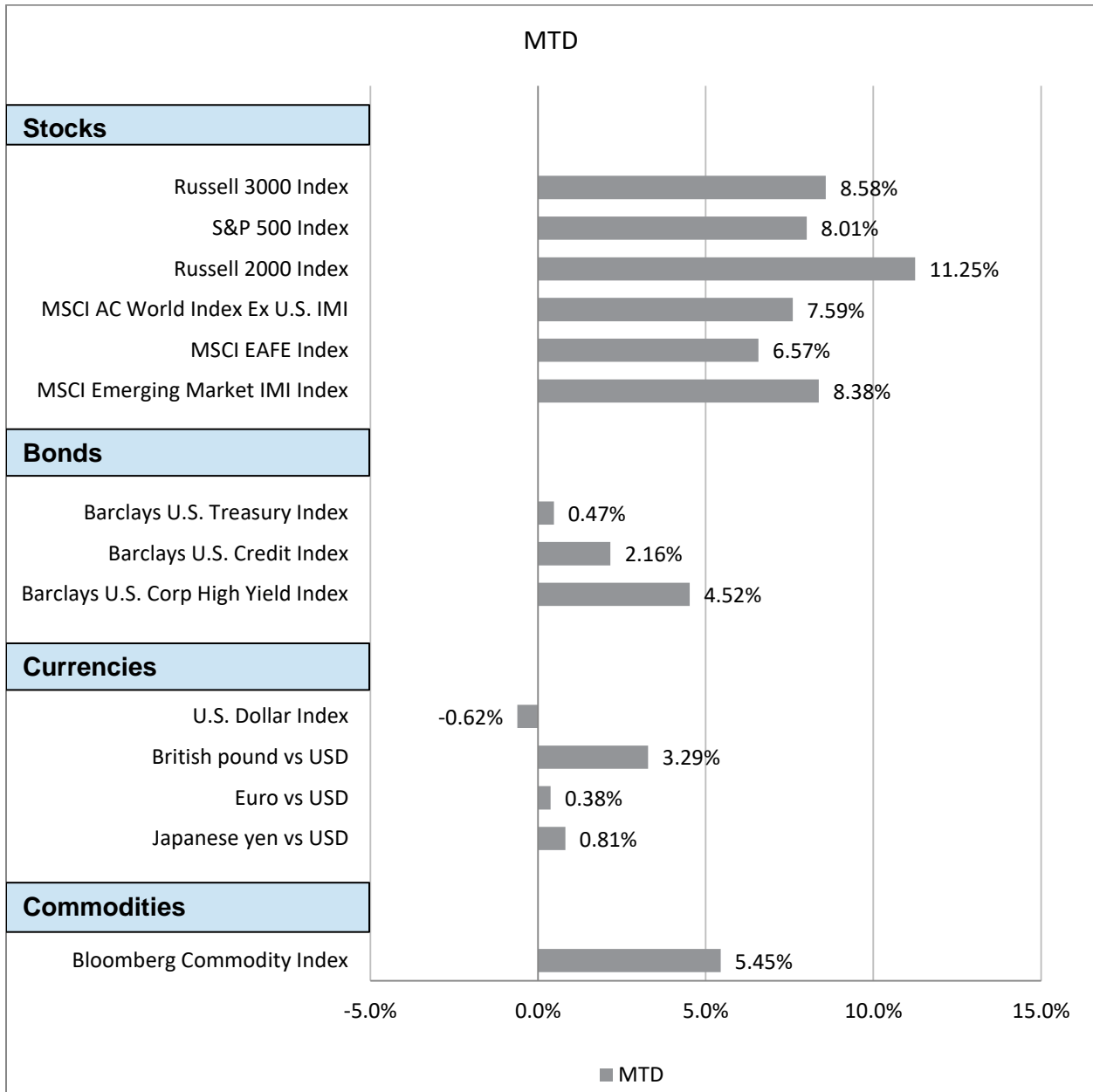
Recent corporate earnings announcements have been strong. However, 2019 consensus expectations indicate a decline in corporate profit growth due to slower revenue growth, and fading effects of the 2017 U.S. tax cut and fiscal spending. China’s 2018 GDP growth rate was 6.6%, the lowest since 1990. The International Monetary Fund (IMF) reduced its forecast for global economic growth in 2019 to 3.5% from its previous forecast of 3.7%. The IMF cited uncertainty around trade tariffs between the U.S. and China as one of the main drivers for the revision.

#### Government shutdown

The U.S. government’s partial shutdown ended after a record 35 days. The U.S. Congressional Budget Office (CBO) estimates fourth quarter 2018 GDP will be 0.2% lower and 2019 first quarter GDP will be 0.4% lower because of the shutdown. Another shutdown looms in February if lawmakers cannot reach a deal on border security funding by February 15.

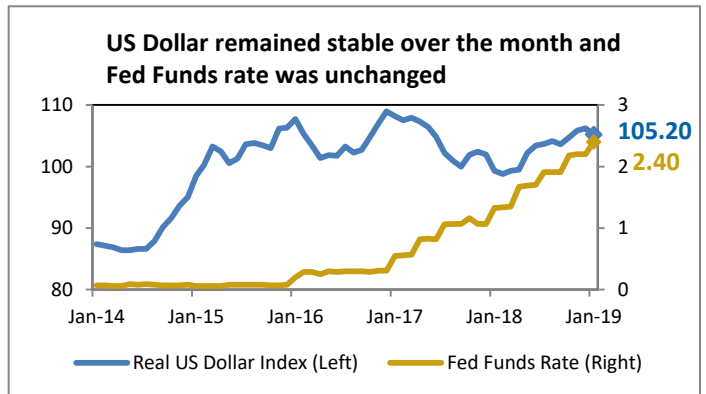
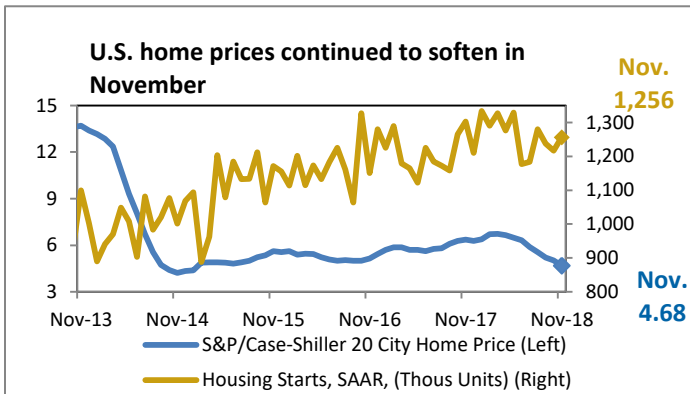
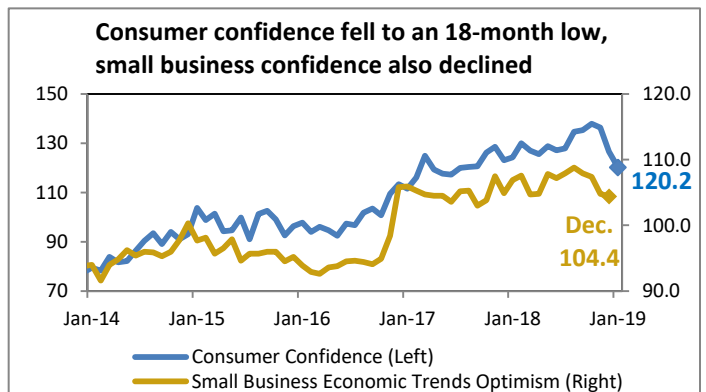
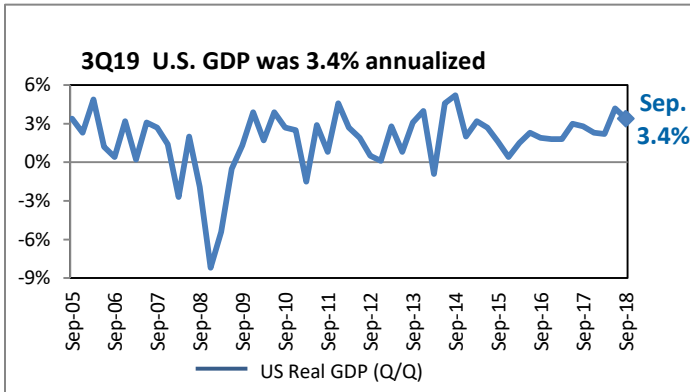
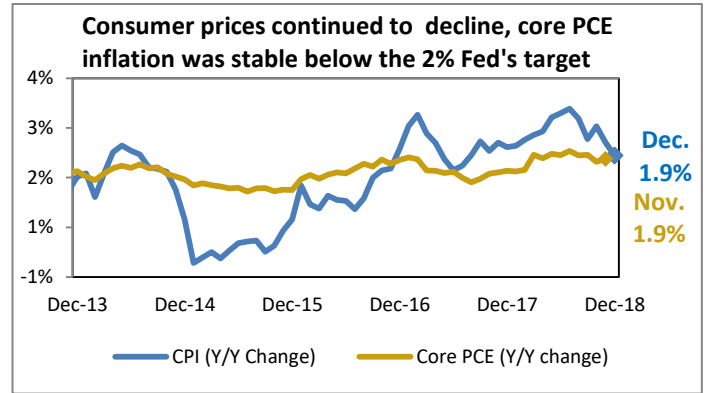
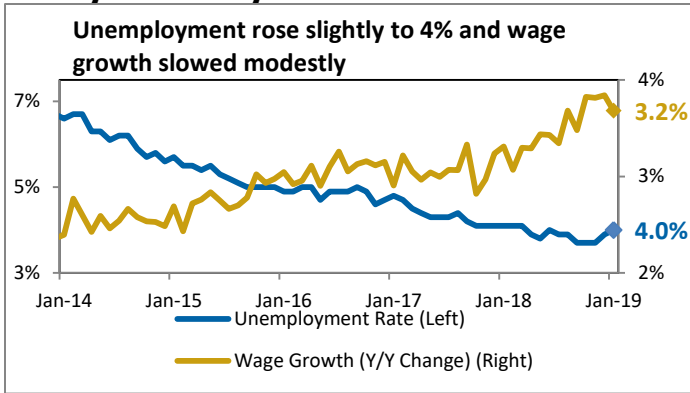


## Market Performance



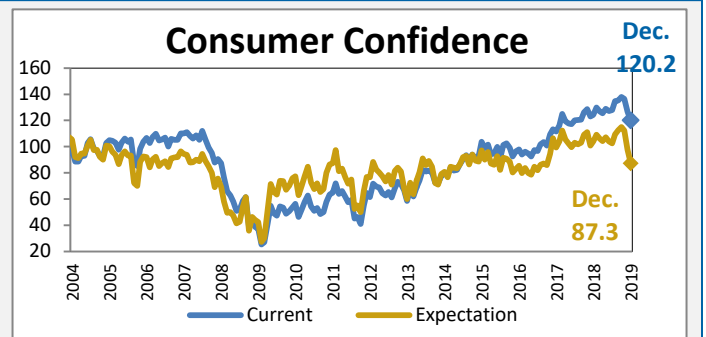
Source: FactSet, as of January 31, 2019

### Key Monthly Economic Statistics



**Chart of Month**

- In January, the Consumer Confidence Index declined to an 18-month low amid concerns over the government shutdown.
- The Consumer Expectations Index, which measures the short-term future economic outlook of households, also declined to a 27-month low.
- The gap between current conditions and future expectations continues to widen.



Source: FactSet

## Investment Fund Review (Net-of-Fees Performance)<sup>i</sup>

### Equity Funds – I Series

#### U.S. Equity Fund–I

Fund	January
U.S. Equity Fund–I	+9.88%
Russell 3000 Index	+8.58%
Difference (percentage points)	+1.30

- For the month, the combination of the fund's strategic overweight to small- and mid-sized company stocks, and corresponding underweight of large-company stocks, positively contributed to benchmark-relative performance. Solid returns by a growth-oriented manager investing in strong-performing healthcare stocks contributed the most. The fund's dedicated allocation to private equity and private real estate detracted from returns. Wespath's [Ethical Exclusions](#) policy also detracted from fund results mainly due to the strong performing aerospace sector.

#### International Equity Fund–I

Fund	January
International Equity Fund–I	+8.56%
MSCI ACWI ex U.S. Investable Market Index (Net)	+7.59%
Difference (percentage points)	+0.97

- For the month, the combination of the fund's strategic underweight to developed market equities, and corresponding overweight to emerging market equities, contributed to benchmark-relative returns. The fund's strategic allocation to private equity and private real estate, along with the fair market valuation policy (described [here](#)), all detracted from returns.

#### U.S. Equity Index Fund–I

Fund	January
U.S. Equity Index Fund–I	+8.42%
Russell 3000 Index	+8.58%
Difference (percentage points)	-0.16

- The U.S. Equity Index Fund–I is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Ethical exclusions (described [here](#)) negatively impacted benchmark-relative performance due to strong performing aerospace companies during the month.

## Fixed Income Funds – I Series

### Fixed Income Fund–I

Fund	January
Fixed Income Fund–I	+1.98%
Barclays U.S. Universal (ex MBS) Index	+1.56%
Difference (percentage points)	+0.42

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

### Inflation Protection Fund–I

Fund	January
Inflation Protection Fund–I	+2.36%
IPF Benchmark <sup>ii</sup>	+2.04%
Difference (percentage points)	+0.32

- The underweight allocation to UK inflation-linked bonds, overweight allocation to U.S. Treasury Inflation Protected Securities and the out-of-benchmark allocation to below-investment-grade floating rate bank loans all contributed to performance.

### U.S. Treasury Inflation Protection Fund–I

Fund	January
U.S. Treasury Inflation Protection Fund–I	+1.51%
Barclays U.S. Inflation Linked Bond Index	+1.40%
Difference (percentage points)	+0.11

- The U.S. Treasury Inflation Protection Fund–I is a passively managed fund designed to closely match the performance of the fund benchmark, less fees and expenses.

### Short Term Investment Fund–I

Fund	January
Short Term Investment Fund–I	+0.14%
STIF-I Benchmark	+0.20%
Difference (percentage points)	-0.06

- The Short Term Investment Fund–I holds cash and cash equivalents with the objective of preserving capital while earning current income higher than that of money market funds.

## Balanced Fund – I Series

### Multiple Asset Fund–I

Fund	January
Multiple Asset Fund–I	+6.59%
MAF Benchmark <sup>iii</sup>	+5.88%
Difference (percentage points)	+0.71

- During the month, all sub-components positively impacted performance. MAF-I invests in the International Equity Fund–I, Fixed Income Fund–I, Inflation Protected Fund–I and the U.S. Equity Fund–I.

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<sup>i</sup> Historical returns are not indicative of future performance. Fund returns are net of fees. Please refer to the [Investment Funds Description – I Series and related documents](#) for more information about the funds. This is not an offer to purchase securities.

<sup>ii</sup> The benchmark for the Inflation Protection Fund–I 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.

<sup>iii</sup> 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% Bloomberg Barclays U.S. Universal Index ex-Mortgage Backed Securities (MBS) and 10% IPF-I performance benchmark.