Wespath
INSTITUTIONAL INVESTMENTS

January 2022 Investment Report

Highlights

- The S&P 500 declined 5.2% in January, marking its worst monthly performance since March 2020.
- Federal Reserve (Fed) Chairman Jerome Powell stated that the central bank will likely begin raising interest rates in March.
- The January jobs report beat most economists' expectations as the U.S. economy added 467,000 jobs.
- Russia positioned military forces along its border with Ukraine, increasing geopolitical uncertainty.
- Bonds declined during the month, while commodities increased 8.8%, led by higher oil prices.
- MAF, USEF and IEF underperformed their respective benchmarks, while FIF and IPF outperformed their respective benchmarks in January.

Monthly Overview

Market Performance

The S&P 500 Index of U.S. stocks declined 5.2%, resulting in its worst monthly performance since March 2020. International developed market stocks declined 4.8%, and emerging market stocks declined 2.2%, as measured by MSCI EAFE Index and MSCI Emerging Market Index, respectively. "Hawkish" statements from the Fed, rising tensions between Russia and Ukraine, and the ongoing surge in COVID-19 cases contributed to negative investor sentiment.

In the U.S., growth stocks underperformed value stocks, with technology stocks declining sharply. The tech-heavy Nasdaq Index declined 9.0% during the month. On a positive note, U.S. Real Gross Domestic Product (GDP) increased by an impressive 6.9% annualized rate during the fourth quarter of 2021. However, investors were quick to note that rising inventories significantly contributed to the growth figure. For the year, U.S. GDP rose 5.7%. The Bureau of Labor Statistics (BLS) released a positive January jobs report, which indicated that the U.S. economy added 467,000 jobs during the month. This figure beat most econimists' expectations by a wide margin. Despite these positive jobs numbers, the unemployment rate climbed to 4.0% from 3.9% as the labor force participation rate increased. Nevertheless, in what was an even bigger positive surprise, the BLS revised the November and December jobs reports higher, indicating a combined 709,000 additional jobs in those months.

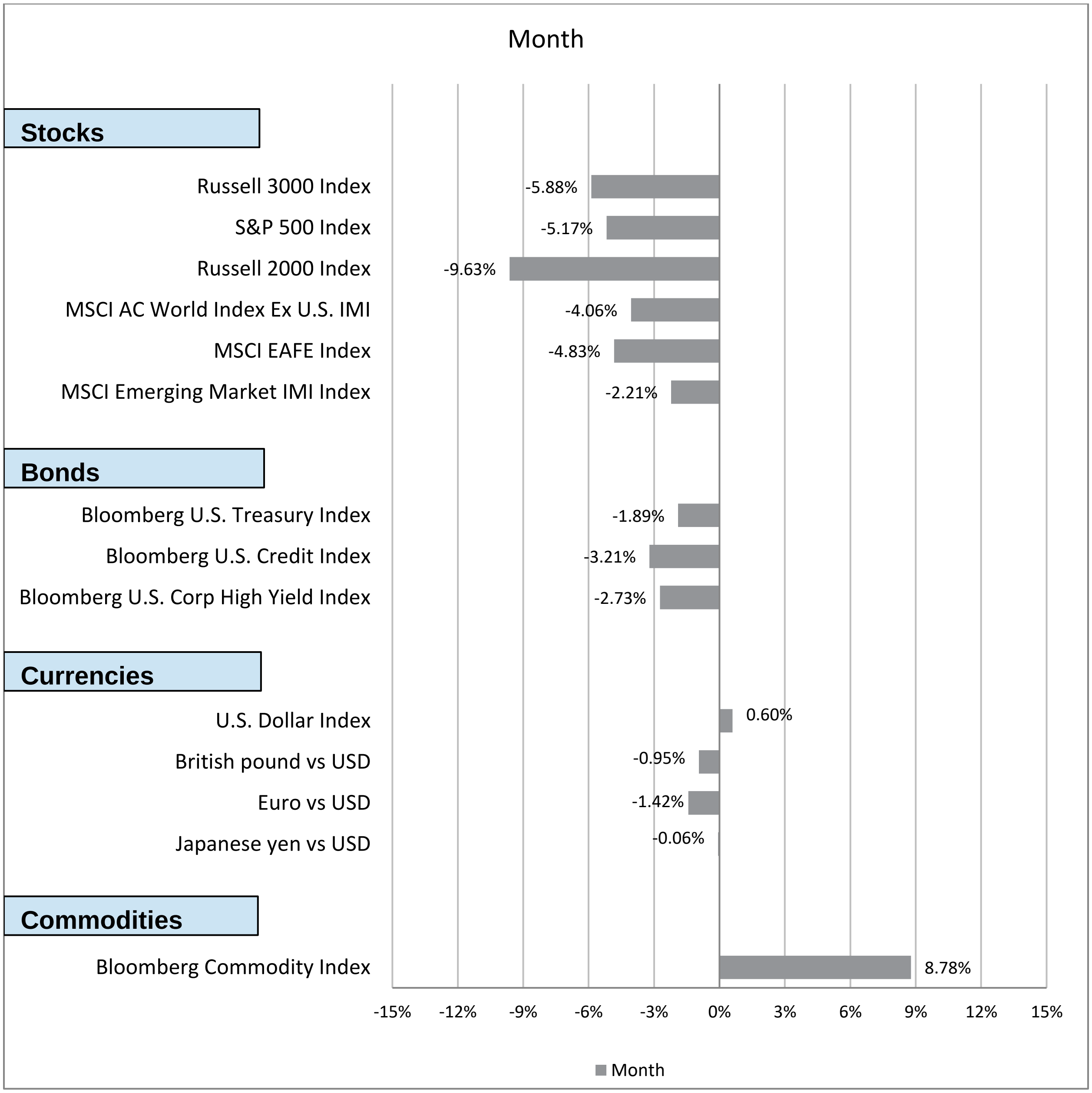
The U.S. fixed income market also declined in January as bond yields increased. The 10-year U.S. Treasury yield increased 0.27% to 1.78%, and the Bloomberg U.S. Aggregate Index declined 2.2% for the month. Higher yielding corporate bonds, as measured by Bloomberg U.S. High Yield Index, declined 2.7% as investors required additional yield for accepting the credit risk of below-investment-grade securities. Meanwhile, the U.S. dollar strengthened during the month, while the Bloomberg Commodity Index rose 8.8%. The move in commodities was led by higher oil prices as the cost of WTI Crude oil increased 17.2% during the month.

Fed's Hawkish Stance

Fed Chairman Jerome Powell stated that the central bank will likely begin raising interest rates in March. The Federal Open Market Committee approved the final round of asset purchases and began planning to eventually reduce the Fed's bond holdings, which currently total nearly $9 trillion. Chairman Powell indicated the Fed could raise interest rates at a faster pace than previously expected, citing high inflation and tight labor markets. The Fed's preferred measure of inflation, the Core Personal Consumption Expenditures Price Index, increased 4.9% in December from a year ago.

Sources: FactSet, Wall Street Journal, Financial Times

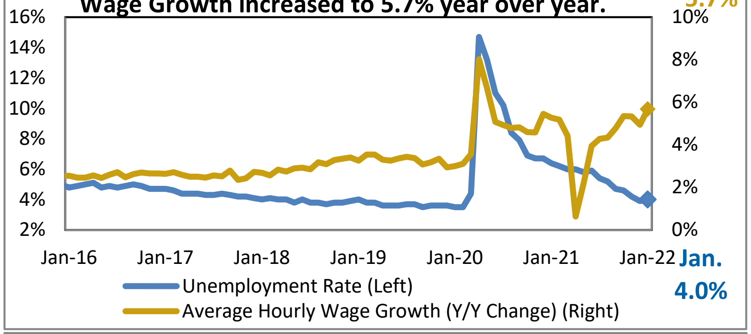
Market Performance



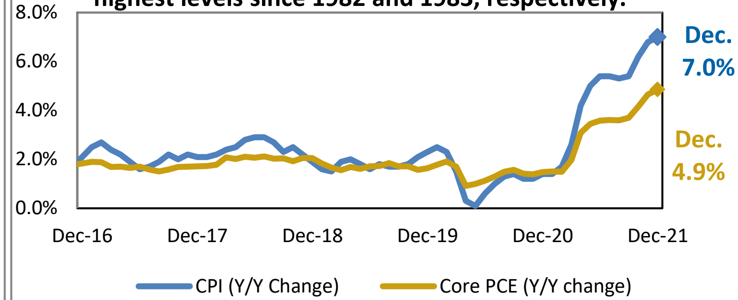
Source: FactSet, as of January 31, 2022

Key Monthly Economic Statistics

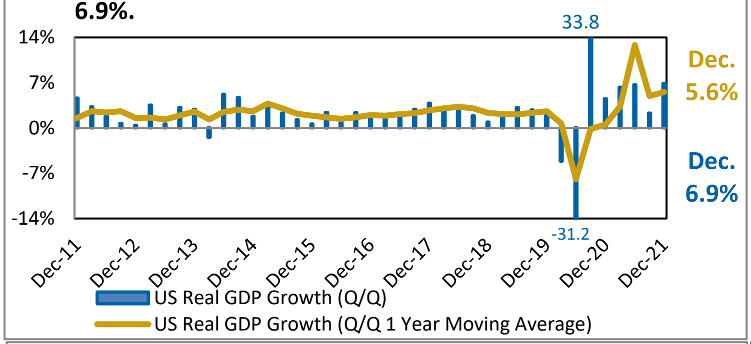
The Unemployment Rate ticked up slightly, and Wage Growth increased to 5.7% year over year.



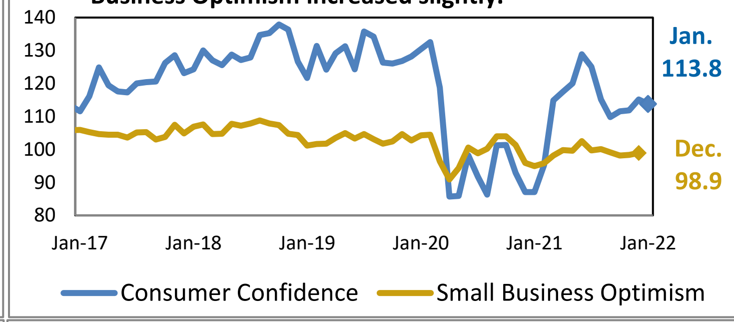
CPI Inflation and Core PCE inflation reached their highest levels since 1982 and 1983, respectively.



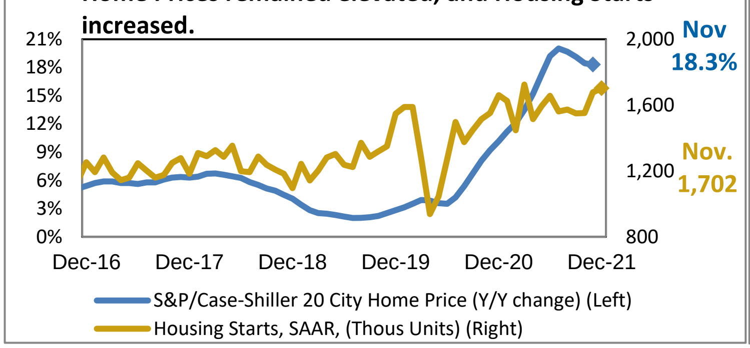
Fourth quarter annualized U.S. Real GDP increased 6.9%.



Consumer Confidence decreased, and Small Business Optimism increased slightly.



Home Prices remained elevated, and Housing Starts increased.



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

Jan.
96.5

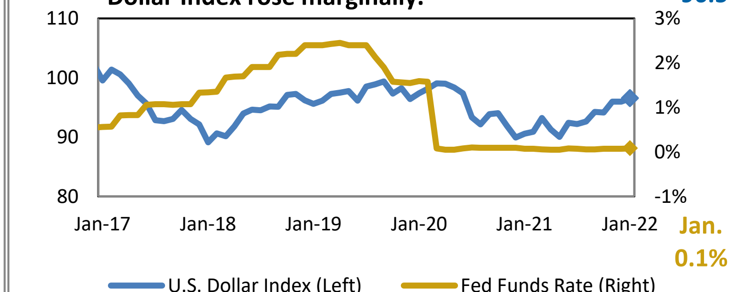
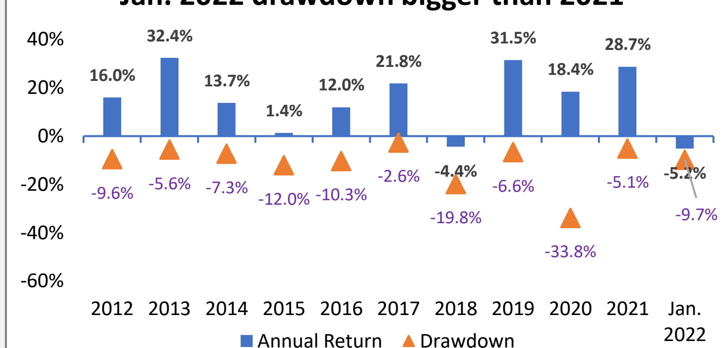


Chart of the Month

- The blue columns display the S&P 500 Index total return for the periods indicated.
- The yellow triangles show the maximum peak-to-trough drawdown for the S&P 500 within each period.
- In January, the S&P 500 Index maximum drawdown of 9.7% exceeded the largest drawdown in all of 2021.
- The chart also demonstrates that significant equity drawdowns regularly occur, even within periods of strong performance.

Jan. 2022 drawdown bigger than 2021



Source: FactSet; U.S Bureau of Labor Statistics; The Conference Board; Federal Reserve Bank of St. Louis; Bureau of Economic Analysis; National Association of Realtors

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INSTITUTIONAL INVESTMENTS

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

Equity Funds

U.S. Equity Fund – I Series

Fund	January
U.S. Equity Fund – I Series	-6.28%
Russell 3000 Index	-5.88%
Difference (percentage points)	-0.40

- During the month, the fund underperformed its benchmark mainly due to its strategic overweight allocation to small- and mid-cap growth companies, along with not holding a number of well-performing excluded stocks in accordance with WII's Exclusions Policy (described here). Investments in private equity and private real estate contributed positively to relative performance, albeit to a lesser extent.

International Equity Fund – I Series

Fund	January
International Equity Fund – I Series	-5.10%
MSCI ACWI ex U.S. Investable Market Index (Net)	-4.06%
Difference (percentage points)	-1.04

- During the month, the fund underperformed its benchmark as a result of allocations to poor-performing, growth-oriented strategies. Investments in both private equity and private real estate contributed modestly positively to relative performance. The fund's fair market valuation policy (described here) was also a positive contributor to relative performance.

U.S. Equity Index Fund – I Series

Fund	January
U.S. Equity Index Fund – I Series	-5.96%
Russell 3000 Index	-5.88%
Difference (percentage points)	-0.08

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

Fixed Income Funds

Fixed Income Fund – I Series

Fund	January
Fixed Income Fund – I Series	-1.92%
Bloomberg U.S. Universal (ex MBS) Index	-2.40%
Difference (percentage points)	+0.48

- The fund’s allocations to U.S. agency commercial mortgage-backed securities, the Positive Social Purpose Lending Program, emerging market debt and global bonds positively contributed to benchmark-relative performance. The fund is moderately less sensitive to changes in interest rates than its benchmark, which positively contributed to performance. Manager security selection decisions also added to benchmark-relative returns for the period.

Inflation Protection Fund – I Series

Fund	January
Inflation Protection Fund – I Series	-0.37%
IPF-I Benchmark[ii]	-0.58%
Difference (percentage points)	+0.21

- The fund's underweight exposure to U.K. inflation-linked securities and overweight allocation to senior loans and commodities added to benchmark-relative performance during the month. The overweight allocation to U.S. inflation-linked securities and manager selection in emerging market inflation-linked securities detracted from the period's benchmark-relative performance.

U.S. Treasury Inflation Protection Fund – I Series

Fund	January
U.S. Treasury Inflation Protection Fund – I Series	-2.32%
Bloomberg U.S. Inflation Linked Bond Index	-2.22%
Difference (percentage points)	-0.10

- 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	January
Multiple Asset Fund – I Series	-4.25%
MAF Benchmark[iii]	-3.93%
Difference (percentage points)	-0.32

- During the month, USEF-I and IEF-I detracted from benchmark-relative performance, while FIF-I and IPF-I 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 – 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).