Wespath
INSTITUTIONAL INVESTMENTS

January 2024 Investment Report

Highlights

- For the broad markets, stocks were mixed in January while fixed income markets were lower.
- The S&P 500 Index of U.S. stocks gained 1.7%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI returned -1.1% this month. The Bloomberg U.S. Aggregate Bond Index was down 0.3%.
- U.S. Real Gross Domestic Product (GDP) grew 3.3% annualized during the fourth quarter, higher than expected.
- In January, U.S. employers added 353,000 non-farm jobs. The unemployment rate remained at 3.7%.
- Consumer spending was up 0.7% in December, higher than estimates, and the Personal Savings rate fell to 3.7%, the lowest level in a year.
- The Fixed Income Fund – I Series outperformed its benchmark, while the U.S. Equity Fund – I Series, International Equity Fund – I Series, Inflation Protection Fund – I Series, and Multiple Asset Fund – I Series underperformed their respective benchmarks.

Monthly Overview

U.S. Stocks Extend Rally as Probability of a "Soft Landing" Increases

Market participants have increasingly embraced the idea that the U.S. Federal Reserve (Fed) increased interest rates enough to slow economic growth with the intent to lower inflation, but not enough to cause a recession. In other words, the Fed may accomplish a "soft landing" for the economy.

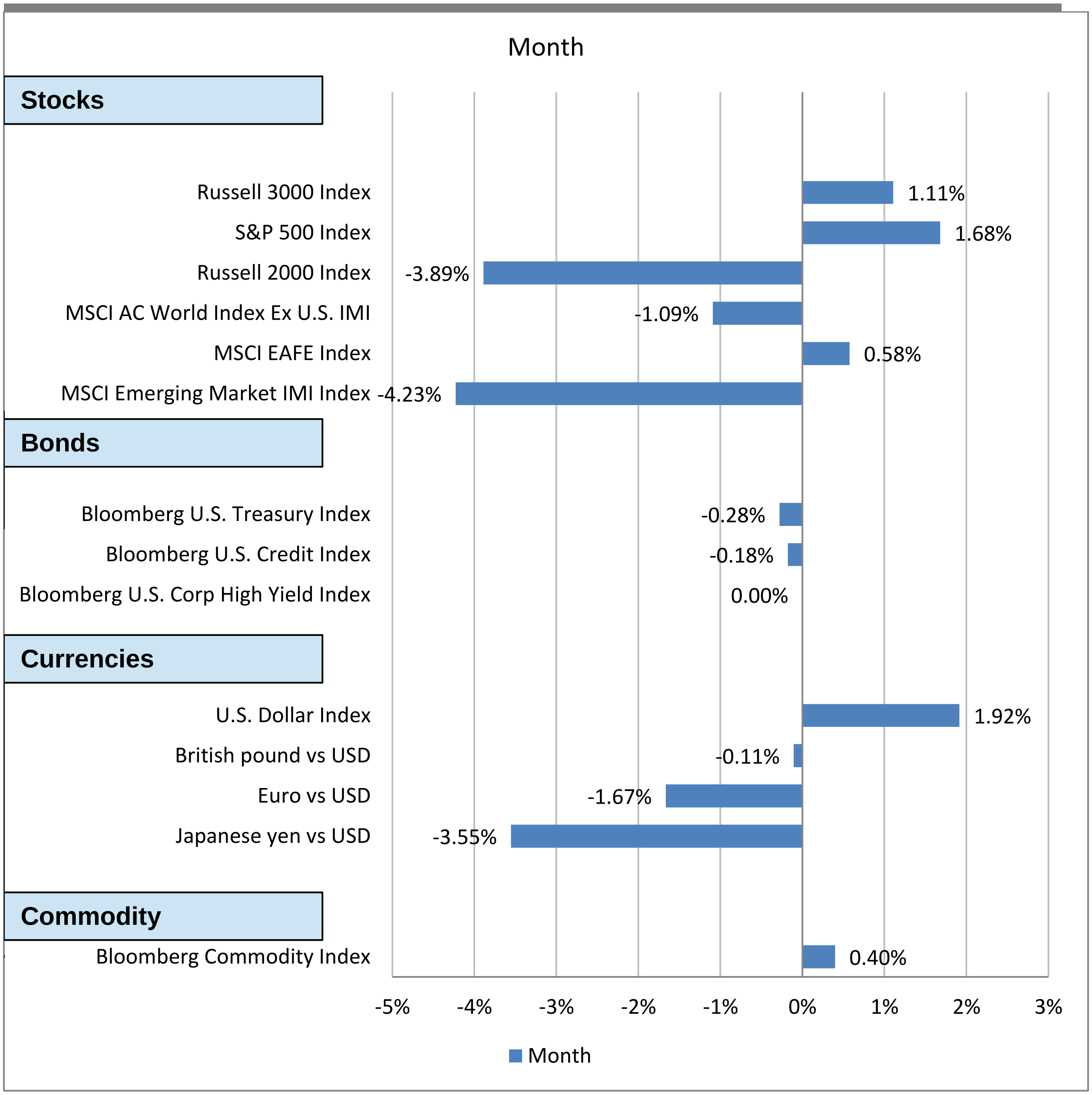
Positive market narratives include a resilient consumer, strong jobs market, stronger than expected economic growth and expectations for the Fed to lower interest rate in 2024. In response, U.S. equities extended the end-of-year rally. Fixed income markets decreased modestly as valuations adjusted to shifting expectations around the timing and level of rate cuts in 2024. Positive economic data points to positive growth, and a strong economy can lead to higher prices if demand for goods and services outpaces supply. Due to this, the Fed is holding off on reducing rates as they remain diligent in their mission to reduce inflation to a 2% target. U.S. growth stocks, measured by the Russell 3000 Growth Index, increased 2.2%, while value stocks, measured by the Russell 3000 Value Index, decreased 0.2%. In fixed income, the Bloomberg Universal ex-MBS bond index returned -0.2%, while high yield corporate bonds were roughly flat. Commodities increased a modest 0.4%. Energy increased 2.8% in January, while metals decreased.

Economic Update

U.S. Real GDP grew at an annual rate of 3.3% in the fourth quarter, according to the advance estimate from the Bureau of Economic Analysis, beating economists' predictions. The U.S. labor market continued to exhibit strength, adding 353,000 non-farm jobs in January, while employment estimates for November and December were revised higher by a combined 126,000 jobs. The core Consumer Price Index (CPI) had a 12-month increase of 3.9% as of December. The core Personal Consumption Expenditures (PCE) Price Index, the Fed's preferred measure of inflation, increased 2.9% from the same month one year ago. CPI has a higher shelter weighting than the PCE index, contributing to the difference. Core indexes don't measure food and energy, which tend to be more volatile, making it easier to see underlying inflation trends.

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

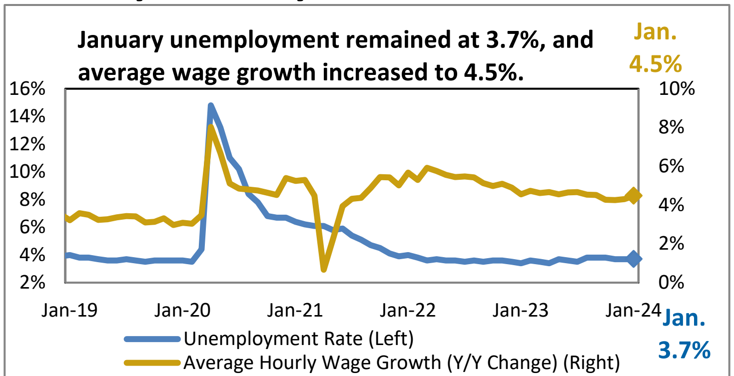
Market Performance



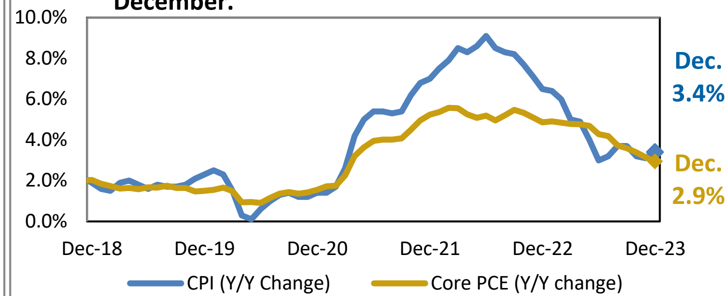
Source: FactSet, as of January 31, 2024.

Key Monthly Economic Statistics

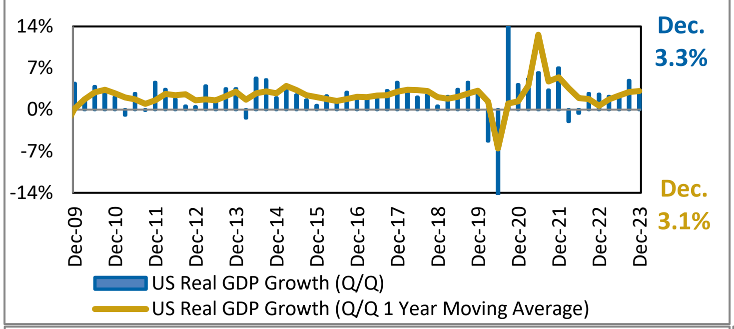
January unemployment remained at 3.7%, and average wage growth increased to 4.5%.



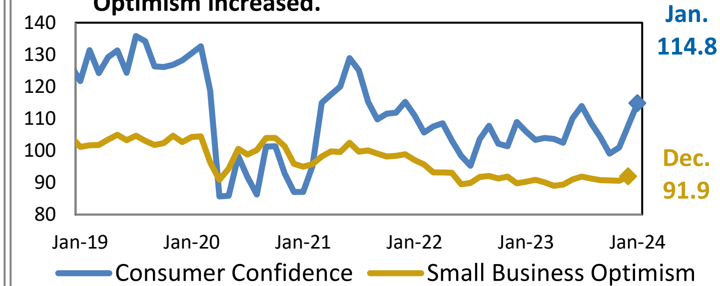
CPI inflation increased, but Core PCE declined in December.



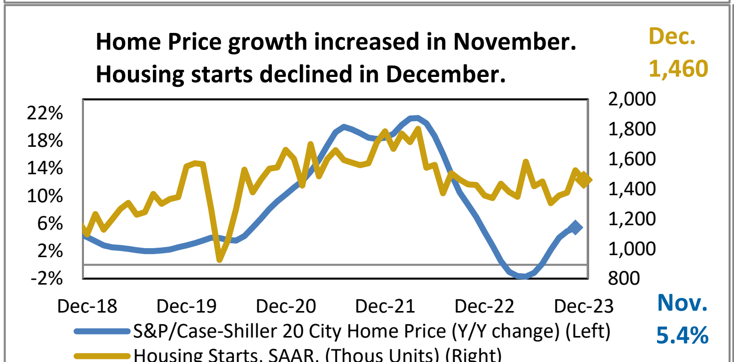
Real GDP was 3.3% for the fourth quarter of 2023.



Both Consumer Confidence and Small Business Optimism increased.



Home Price growth increased in November. Housing starts declined in December.



The Fed Funds Rate remained at 5.3%, while the U.S. Dollar Index rose to 103.3 in January.

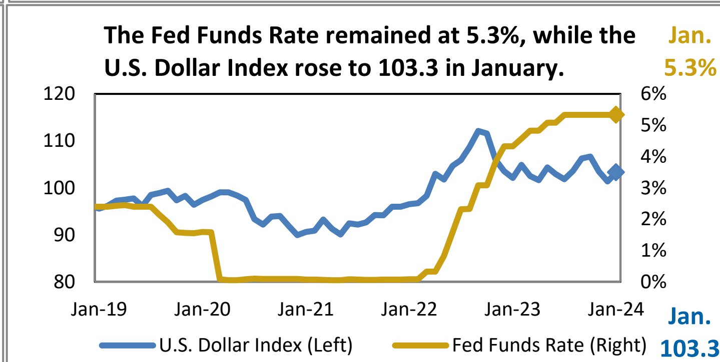
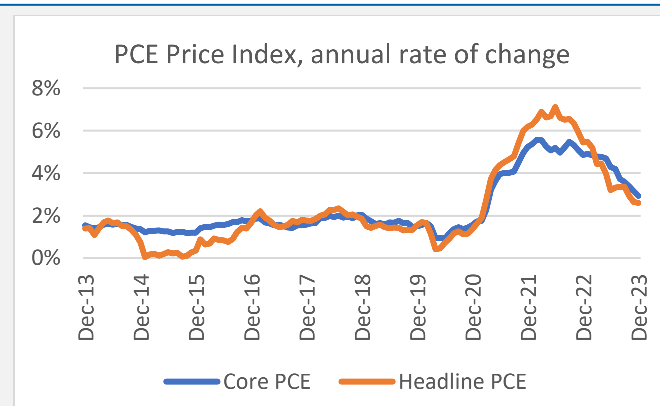


Chart of the Month

- Core inflation dropped more than expected in December.
- Strong economic growth and lower inflation data gives the Fed the flexibility to cautiously shift monetary policy.
- The market expects the Fed to reduce interest rates in 2024, but the timing and size of rate cuts remain uncertain.



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, 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	January
U.S. Equity Fund – I Series	+0.72%
Russell 3000 Index	+1.11%
Difference (percentage points)	-0.39

- During the month, the fund underperformed its benchmark due to strategic allocations. Specifically, the fund's underweight to mega cap stocks and overweight to small/mid cap stocks detracted from relative performance. Active managers' investments in IT contributed positively to relative performance.

International Equity Fund – I Series

Fund	January
International Equity Fund – I Series	-2.66%
MSCI ACWI ex U.S. Investable Market Index (Net)	-1.09%
Difference (percentage points)	-1.57

- During the month, the fund underperformed its benchmark. Active managers' investments in healthcare and financials detracted from relative performance. Additionally, the fund's fair market valuation policy (described here) negatively impacted benchmark-relative performance for the month.

U.S. Equity Index Fund – I Series

Fund	January
U.S. Equity Index Fund – I Series	+1.17%
Russell 3000 Index	+1.11%
Difference (percentage points)	+0.06

- 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, 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	January
Fixed Income Fund – I Series	-0.07%
Barclays U.S. Universal (ex MBS) Index	-0.17%
Difference (percentage points)	+0.10

- For January, the core plus manager's issue selection as well as the allocation to Wespath's Positive Social Purpose Lending Program contributed positively to the fund's benchmark-relative performance. The overweight allocation to emerging market debt detracted.

Inflation Protection Fund – I Series

Fund	January
Inflation Protection Fund – I Series (IPF-I)	-0.17%
IPF-I Benchmark[ii]	+0.20%
Difference (percentage points)	-0.37

- For January, the allocation to, and issue selection within, emerging-market inflation-linked securities detracted from benchmark-relative results, as did the allocation to developed-market global inflation-linked bonds.

Short Term Investment Fund – I Series

Fund	January
Short Term Investment Fund – I Series (STIF-I)	+0.47%
BofA Merrill Lynch 3-Month Treasury Bill Index	+0.43%
Difference (percentage points)	+0.04

- For January, the fund modestly outperformed the benchmark. The Fund has a higher yield than the benchmark due to exposures to structured product and corporate securities, which positively contributed to results.

U.S. Treasury Inflation Protection Fund – I Series

Fund	January
U.S. Treasury Inflation Protection Fund – I Series	+0.38%
Barclays U.S. Inflation Linked Bond Index	+0.15%
Difference (percentage points)	+0.23

- 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.
- For the month, the performance difference is due to Wespath's fair market value (FMV) adjustment, which was 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	January
Multiple Asset Fund – I Series (MAF-I)	-0.57%
MAF-I Benchmark[iii]	+0.04%
Difference (percentage points)	-0.61

- 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.

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. 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.