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# July 2021 Investment Report

## Highlights

- The S&P 500 increased 2.4% in July, its sixth positive month in a row. International stocks in developed countries increased 0.8%, but stocks in developing countries decreased 6.1%, as measured by the MSCI Emerging Market IMI.
- Inflation, as measured by the Personal Consumption Expenditure (PCE) Price Index, rose 4.0% year over year in June. The Core PCE Price Index, which excludes volatile food and energy prices, rose 3.5%. Similarly, the Consumer Price Index (CPI) increased 5.4% year over year in June, which was the largest 12-month increase since August 2008.
- The 10-year Treasury yield decreased 25 basis points to 1.2% during the month as investors evaluated comments from the Federal Reserve about tapering asset purchases to prevent excess inflation. Corporate spreads increased for both investment grade and high-yield-rated debt.
- The U.S. economy added 943,000 non-farm jobs in July, while the unemployment rate declined to 5.4%.
- USEF-I, IEF-I, IPF-I, FIF-I and MAF-I all underperformed their respective benchmarks in July.

## Monthly Overview

### Corporate Earnings Growth Impressive

With 60% of S&P 500 companies reporting second quarter earnings, the year-over-year earnings growth rate of 93% is the strongest since 2009, according to data from Refinitiv. This above-average growth rate was driven by companies in sectors such as consumer discretionary, financials and technology, which profited from the reopening of the economy, as well as favorable comparisons to last year's very weak second quarter earnings. Forward guidance from company executives indicates the rate of growth will slow over the next few quarters due to rising input costs and a constrained labor market.

### Q2 U.S. GDP Surprises with Lower-than-Expected Expansion

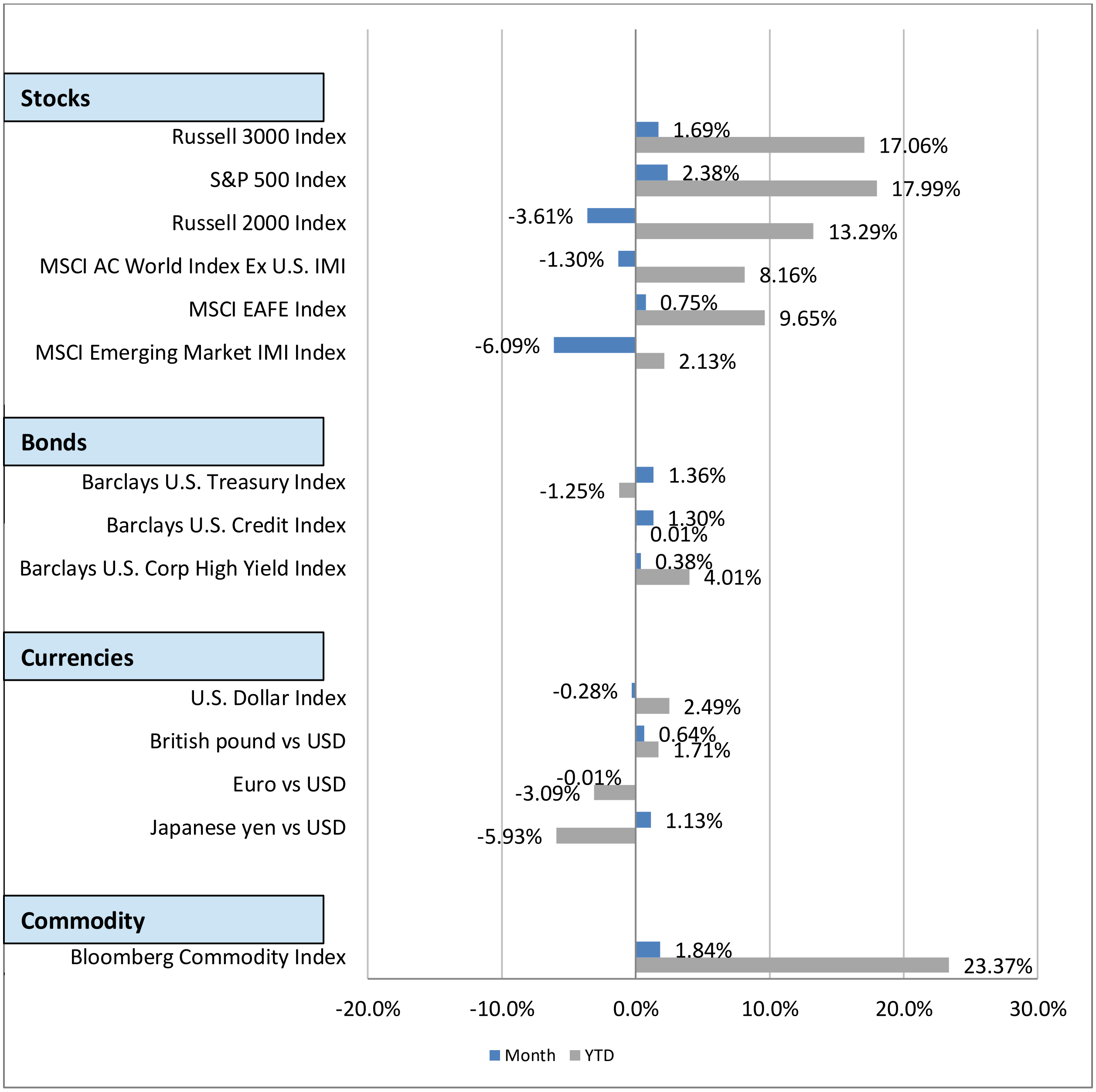
Real gross domestic product increased at an annual rate of 6.5% in the second quarter, and global economic output exceeded its pre-pandemic level for the first time. Q2 growth was slightly higher than the 6.3% gain in the first quarter—but well below economists' expectations of 8.4% due to supply chain disruptions and labor shortages. GDP growth during the quarter was attributed to the continued strength of the U.S. consumer as the economy reopened. Consumer spending rose 11.8%, the second largest increase since 1952.

### China Restricts Internet and Technology Companies

Investors were surprised by China's recent restrictions on some of its fastest-growing companies in sectors ranging from technology to education and food delivery. Chinese authorities stated the new regulations are meant to improve competition and tighten data security. The recent moves led to a selloff in Chinese stocks listed in both the U.S. and Hong Kong. The Hang Seng Technology Index fell 17% during the month.

Sources: Reuters, The Wall Street Journal, Bloomberg, Goldman Sachs, John Hopkins University, US Census, National Association of Realtors, FactSet, FDA, CDC, Ceres, S&P CoreLogic Case-Shiller, PIMCO.

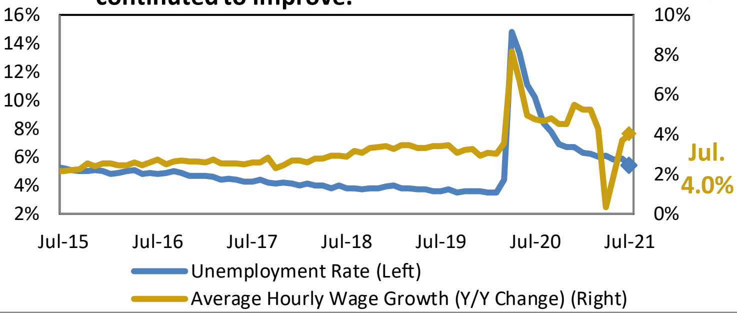
## Market Performance



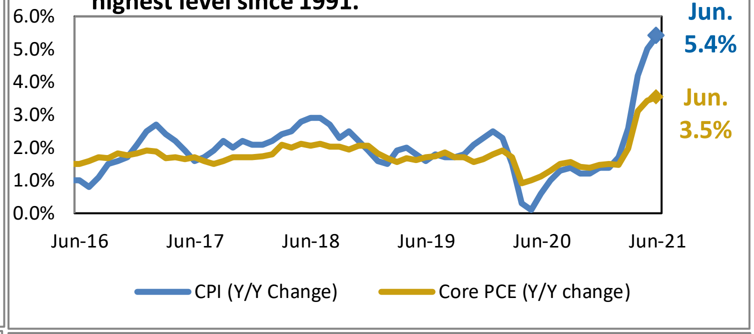

*Source: FactSet, as of July 31, 2021*

# Key Monthly Economic Statistics

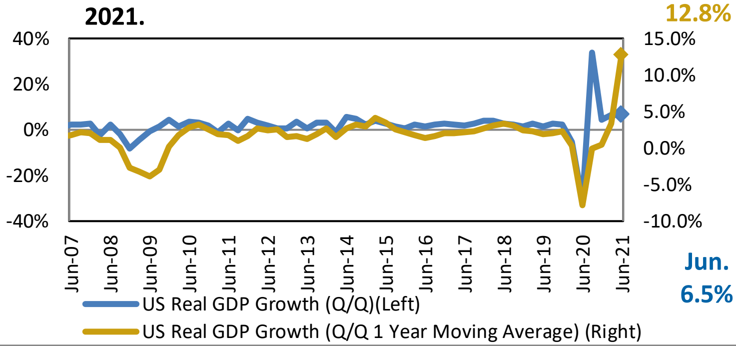
**The Unemplyment Rate and wage growth continuted to improve.**



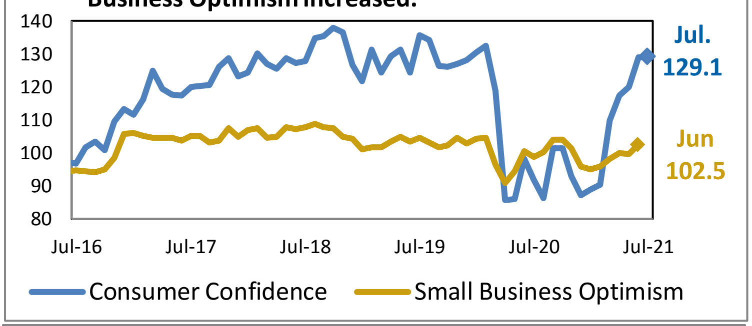

**CPI Inflation reached a 13-year high. Core PCE hit its highest level since 1991.**



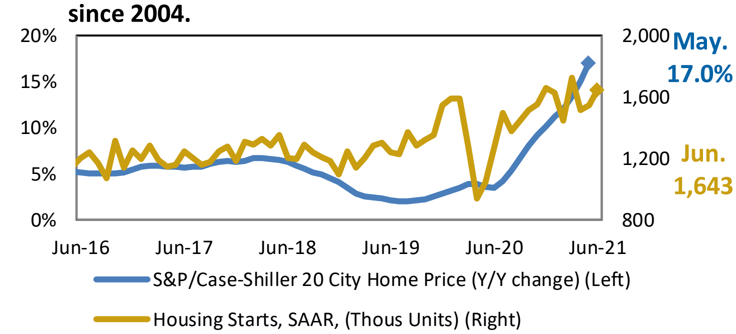

**U.S. Real GDP grew at annual rate of 6.5% in Q2 2021.**



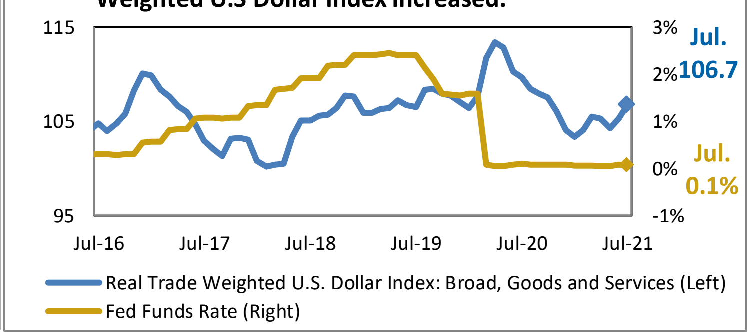

**Consumer Confidence remained elevated. Small Business Optimism increased.**




**Home Price appreciation reached its highest level since 2004.**



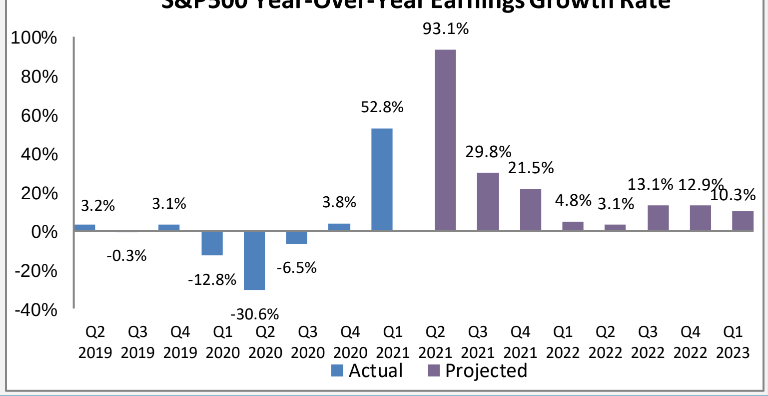

**The Fed Funds rate remained near zero. The Trade Weighted U.S Dollar index increased.**




## Chart of the Month

- S&P 500 companies are reporting the highest year-over-year earnings growth since Q4 2009 at 93.1%.
- Strong earnings growth rates are due to a combination of improved revenue amid the economic reopening and a favorable comparison to weaker earnings in Q2 2020, when COVID-19 disrupted economic activity.
- Double-digit growth rates are expected for the remainder of 2021.

**S&P500 Year-Over-Year Earnings Growth Rate**




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

## *Equity Funds*

### U.S. Equity Fund – I Series

| Fund | July | YTD |
|---|---|---|
| **U.S. Equity Fund – I Series** | +1.03% | +13.72% |
| **Russell 3000 Index** | +1.69% | +17.06% |
| Difference (percentage points) | -0.66 | -3.34 |

- During the month of July, the fund underperformed its benchmark mainly due to its underweight in strong performing large-cap growth companies. The fund's overweight in small and mid-cap growth companies, along with its dedicated investments in private equity and private real estate, also detracted from benchmark relative performance.
- Year to date, the fund underperformed the benchmark primarily due to active managers' allocations to underperforming growth companies. The fund's allocation to private real estate also detracted from benchmark-relative performance.

### International Equity Fund – I Series

| Fund | July | YTD |
|---|---|---|
| **International Equity Fund – I Series** | -1.38% | +6.61% |
| **MSCI ACWI ex U.S. Investable Market Index (Net)** | -1.30% | +8.16% |
| Difference (percentage points) | -0.08 | -1.55 |

- During the month, the fund modestly underperformed the benchmark due to poor performance from investments held by its growth and developed market oriented active managers.
- Year to date, the fund underperformed the benchmark primarily due to poor performance by a number of active growth and developed market oriented managers, as well as from not holding stocks excluded in accordance with WII's Exclusions Policy (described here).

### U.S. Equity Index Fund – I Series

| Fund | July | YTD |
|---|---|---|
| **U.S. Equity Index Fund – I Series** | +1.79% | +17.15% |
| **Russell 3000 Index** | +1.69% | +17.06% |
| Difference (percentage points) | +0.10 | +0.09 |

- 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 | July | YTD |
|---|---|---|
| **Fixed Income Fund – I Series** | +0.90% | -0.02% |
| **Barclays U.S. Universal (ex MBS) Index** | +1.11% | -0.15% |
| Difference (percentage points) | -0.21 | +0.13 |

- Emerging market and high-yield corporate debt detracted from benchmark-relative performance in July.
- For the year, high-yield corporate debt, alternatives,and manager security selections positively contributed to benchmark-relative performance, while allocations to emerging market and global bonds detracted. The fund is less sensitive to changes in interest rates than its benchmark, which negatively impacted benchmark-relative performance during July but added to relative performance for the year.

### Inflation Protection Fund – I Series

| Fund | July | YTD |
|---|---|---|
| **Inflation Protection Fund – I Series** | +1.71% | +5.02% |
| **IPF-I Benchmark**[ii] | +3.16% | +5.35% |
| Difference (percentage points) | -1.45 | -0.33 |

- Floating-rate senior loans and U.S. inflation-linked securities detracted from benchmark-relative performance for the month.
- For the year-to-date, commodities positively affected benchmark-relative performance, while the allocation to emerging market inflation-linked bonds detracted due to the asset manager’s security selections. The fund's underweight exposure to U.K. inflation-linked securities added to benchmark-relative performance for the year-to-date but detracted for the month.

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

| Fund | July | YTD |
|---|---|---|
| **U.S. Treasury Inflation Protection Fund – I Series** | +2.69% | +4.26% |
| **Barclays U.S. Inflation Linked Bond Index** | +2.81% | +4.42% |
| Difference (percentage points) | -0.12 | -0.16 |

- 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 | July | YTD |
|---|---|---|
| **Multiple Asset Fund – I Series** | +0.35% | +7.28% |
| **MAF-I Benchmark**[iii] | +0.80% | +8.79% |
| Difference (percentage points) | -0.45 | -1.51 |

- During the month, the U.S. Equity Fund – I Series, International Equity Fund– I Series, Inflation Protection Fund – I Series and Fixed Income Fund – I Series detracted from benchmark-relative performance.
- Year to date, the U.S. Equity Fund – I Series, International Equity Fund – I Series and Inflation Protection Fund – I Series detracted from benchmark-relative performance, while the Fixed Income Fund – I Series positively contributed.

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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 benchmark for the Inflation Protection Fund – I Series 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 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.