

# July 2023 Investment Report

## Highlights

- U.S. real Gross Domestic Product (GDP) grew at an annual rate of 2.4% in the second quarter.
- The S&P 500 Index of U.S. stocks increased 3.2% in July, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, increased 4.2%. The Bloomberg U.S. Aggregate Bond Index decreased 0.1%.
- Annual inflation decreased to 3.0%, as measured by the June Consumer Price Index (CPI).
- The U.S. Federal Reserve (Fed) raised its Fed Funds target interest rate by 0.25% in July.
- The U.S. economy added 187,000 non-farm jobs in July, and the unemployment rate slightly decreased to 3.5%.
- USEF-I, IEF-I, FIF-I, IPF-I and MAF-I outperformed their respective benchmarks.

## Monthly Overview

### Global Equity Markets Rose

The S&P 500 Index of large-cap stocks increased 3.2% in July, and the Russell 2000 Index of small-cap stocks increased 6.1%. All 11 industry sectors increased, led by energy (+8.0%) and communications (+6.8%). International equity markets also rose as the MSCI ACWI ex-U.S. IMI Index increased 4.2%, and the MSCI Emerging Markets IMI Index increased 6.3%.

In the bond market, the 30-year Treasury bond yield increased 0.17% to end the month at 4.02% while the yield on the 2-year note was little changed. The Bloomberg U.S. Aggregate Bond Index decreased 0.1%, but the Bloomberg U.S. High Yield Index rose 1.4%. The Bloomberg Commodity Index rose 6.3% as the price of West Texas Intermediate (WTI) crude oil increased 15.8% for the month of July.

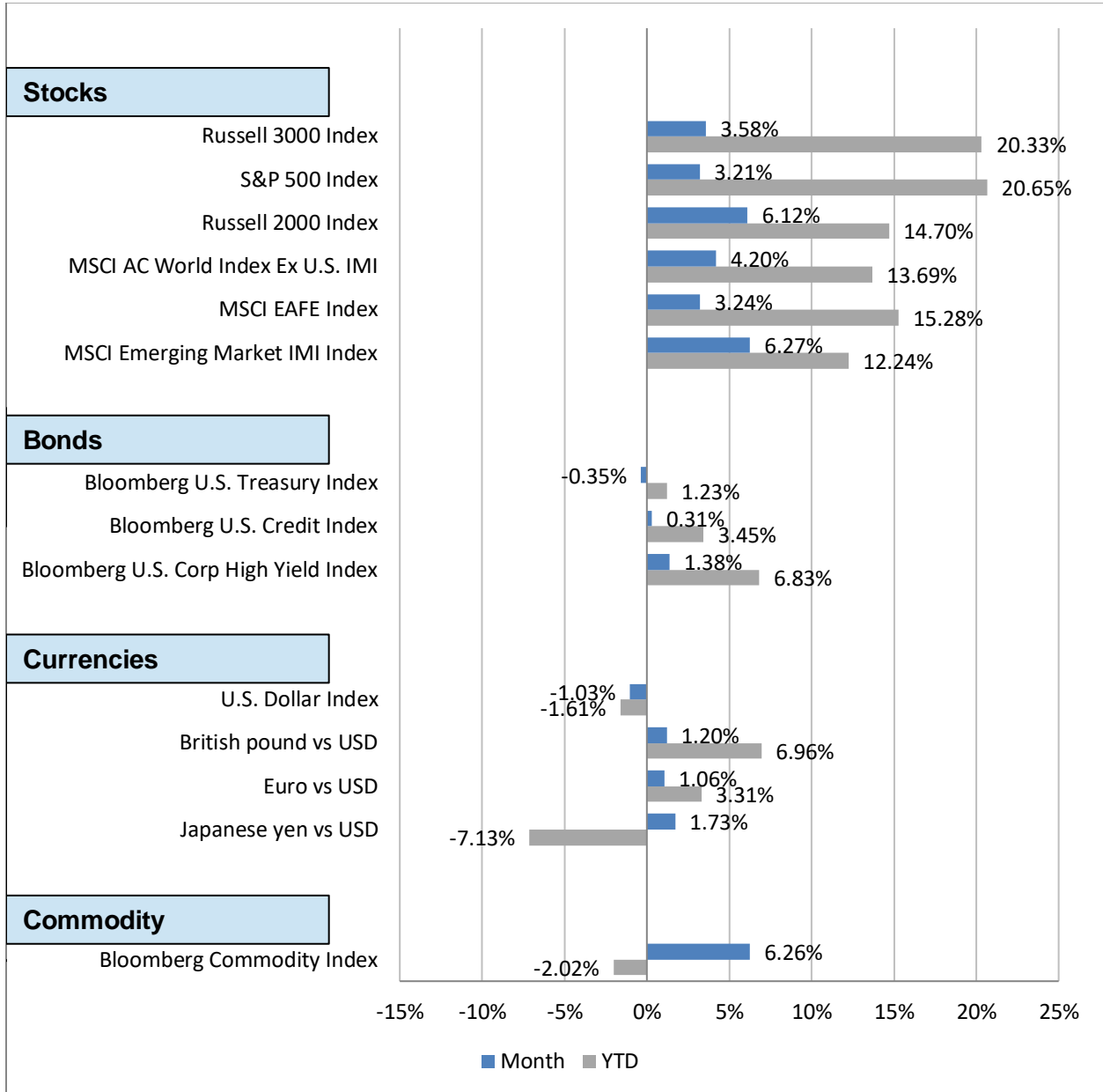
### U.S. Economic Growth Beat Expectations

U.S. real GDP grew at an annual rate of 2.4% in the second quarter of 2023, as measured by the advance estimate from the Bureau of Economic Analysis. Business investment and consumer spending accounted for four-fifths of the positive GDP growth. Annual CPI growth slowed to 3.0% in June as energy prices fell 16.7% over the last year. Core CPI inflation, which excludes food and energy, remained elevated at 4.8% due to high shelter and transportation services costs. The U.S. economy added 187,000 non-farm jobs in July, and the unemployment rate slightly decreased to 3.5%.

### Fed Interest Rate Hit 22-Year High

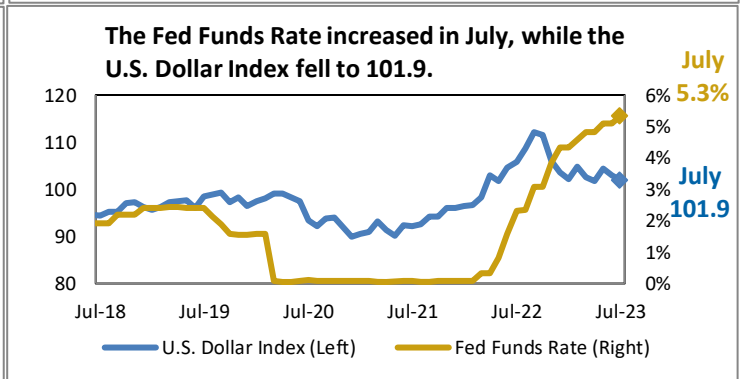
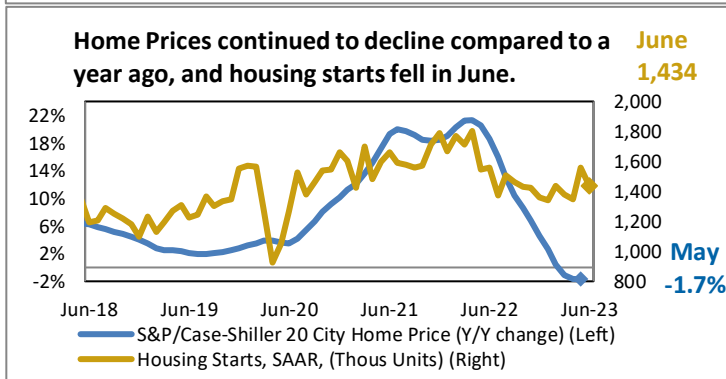
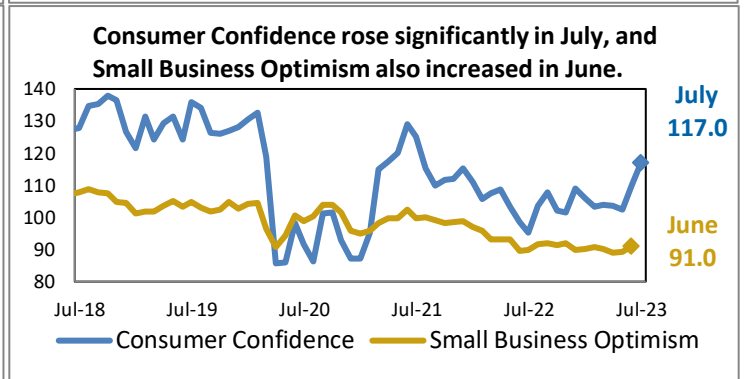
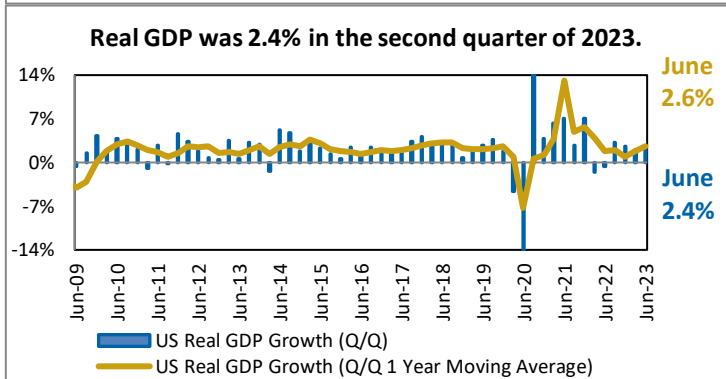
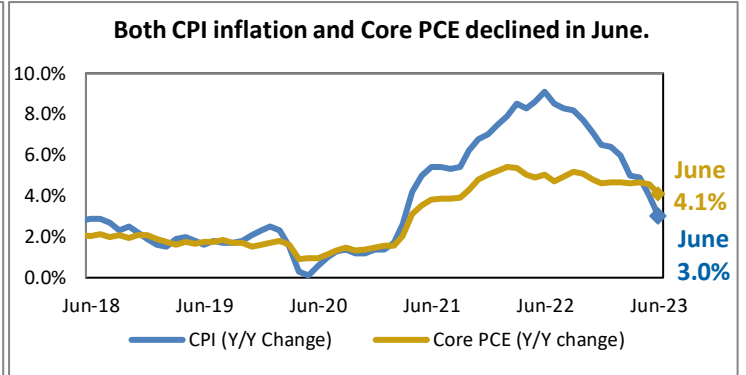
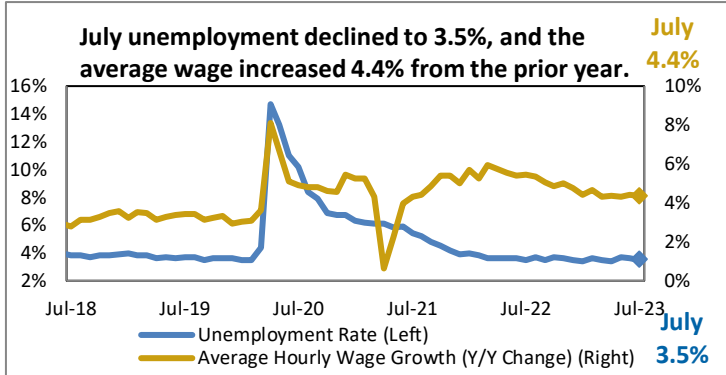
The Fed raised interest rates by 0.25% in July to a new range of 5.25% to 5.50%, which marked a 22-year high. It was the 11th increase since early last year. The European Central Bank (ECB) also raised its key interest rate by a quarter percentage point, its ninth hike in a row. Stubborn inflation has caused both the Fed and the ECB to be cautious in recent months, but higher inflation and a weaker growth outlook have caused more uncertainty in Europe than in the U.S. The Bank of Japan did not change its interest rate target but said it would tolerate higher yields in their longer-term government bonds.

## Market Performance



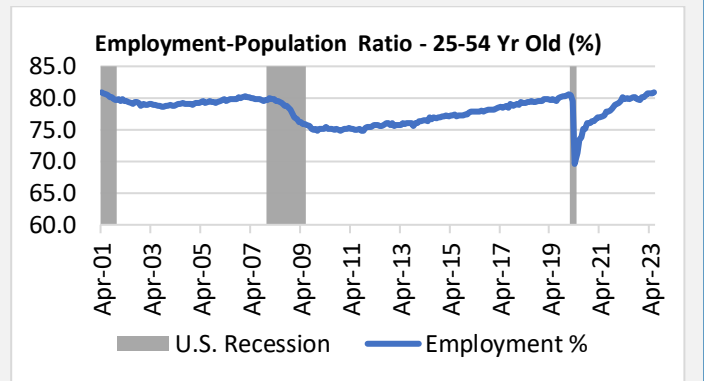
Source: FactSet, as of July 31, 2023.

## Key Monthly Economic Statistics



## Chart of the Month

- The percentage of people aged 25-54 who are employed increased to 80.9% in June, the highest level since 2001.
- Compared to the late 2000s recession, the pandemic caused a much sharper decline in employed people between 25-54 years old. However, the labor market recovered to pre-recession highs much more quickly following the pandemic.
- Despite rising interest rates, the labor market has been resolute, which has helped the economy steer clear of a recession through the first seven months of 2023.



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

### Equity Funds

#### U.S. Equity Fund – I Series

Fund	July	YTD
U.S. Equity Fund – I Series	4.21%	20.18%
Russell 3000 Index	3.58%	20.33%
Difference (percentage points)	+0.63	-0.15

- During the month, the fund outperformed its benchmark as a result of four out of six active asset managers outperforming their respective benchmarks. The fund's investments in private equity and private real estate investments detracted from relative performance.
- Year to date, the fund's investments in private markets and an underweight to strong performing mega-tech companies detracted from relative performance. To a lesser extent, the fund benefited from active managers' investments, particularly growth-oriented strategies, and excluding certain stocks in accordance with WII's Investment Exclusions policies (described [here](#)).

#### International Equity Fund – I Series

Fund	July	YTD
International Equity Fund – I Series	4.25%	14.08%
MSCI ACWI ex U.S. Investable Market Index (Net)	4.20%	13.69%
Difference (percentage points)	+0.05	+0.39

- During the month and year to date periods, the fund slightly outperformed its benchmark. The fund benefited from active managers' investments in growth-oriented companies. To a lesser extent, investments in private equity and private real estate detracted from relative performance.

### U.S. Equity Index Fund – I Series

Fund	July	YTD
U.S. Equity Index Fund – I Series	3.62%	20.51%
Russell 3000 Index	3.58%	20.33%
Difference (percentage points)	+0.04	+0.18

- The U.S. Equity Index Fund – I Series is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses. During the month and year to date, certain stocks excluded in accordance with WII's Investment Exclusions policies (described [here](#)) positively contributed to relative performance.

### Fixed Income Funds

#### Fixed Income Fund – I Series

Fund	July	YTD
Fixed Income Fund – I Series	0.61%	3.81%
Bloomberg U.S. Universal (ex MBS) Index	0.15%	2.62%
Difference (percentage points)	+0.46	+1.19

- The fund's overweight allocations to below investment grade and emerging market debt largely drove the positive benchmark-relative performance for both the month and year-to-date periods. The emerging market overweight was the largest contributor followed by selection within emerging markets.

#### Inflation Protection Fund – I Series

Fund	July	YTD
Inflation Protection Fund – I Series (IPF-I)	1.16%	3.74%
IPF-I Benchmark <sup>ii</sup>	0.74%	2.19%
Difference (percentage points)	+0.42	+1.55

- The fund's allocation to emerging market inflation-linked securities was the largest positive contributor to benchmark-relative performance for the month and year to date. The fund's allocation to floating rate senior loans also contributed positively for both periods.

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

Fund	July	YTD
U.S. Treasury Inflation Protection Fund – I Series	0.10%	1.89%
Bloomberg U.S. Inflation Linked Bond Index	0.06%	2.04%
Difference (percentage points)	+0.04	-0.15

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

**Balanced Fund****Multiple Asset Fund – I Series**

Fund	July	YTD
Multiple Asset Fund – I Series (MAF-I)	3.07%	12.51%
MAF-I Benchmark <sup>iii</sup>	2.63%	11.94%
Difference (percentage points)	+0.44	+0.57

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

**For additional information, please contact:****Karen Manczko***Director, Institutional Relationships*

(847) 866-4236 direct

(847) 866-4100 general

[kmanczko@wespath.org](mailto:kmanczko@wespath.org)**Evan Witkowski, CIPM, FSA Credential Holder***Manager, Institutional Relationships*

(847) 866-5271 direct

(847) 866-4100 general

[ewitkowski@wespath.org](mailto:ewitkowski@wespath.org)1901 Chestnut Avenue  
Glenview, Illinois 60025

(847) 866-4100

[wespath.com](http://wespath.com)

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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](#) 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 Series was 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 through January 31, 2023. 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.

<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% Barclays Capital U.S. Universal Index ex-Mortgage Backed Securities, and 10% IPF Benchmark.