

June 2019 Investment Report

Highlights

- The Federal Reserve voted to hold interest rates unchanged at its June meeting but noted increased uncertainty in the economic outlook. The June decision included a rare dissenting vote from a Fed governor who advocated cutting rates immediately.
- Trade and tariff rhetoric was a focus throughout June. Early in the month, President Trump threatened tariffs on Mexican goods over immigration and border security. At month end, the U.S. and China agreed to resume trade talks following the G-20 World Leaders' summit in Osaka, Japan. The U.S./China trade struggle appears to be affecting economic indicators across the globe, with U.S. manufacturing readings weakening to levels not seen since 2009.
- Mid-east tensions escalated following attacks on two oil tankers in the Gulf of Oman and the downing of a U.S. drone by an Iranian missile.
- In June, the Multiple Asset Fund-I outperformed its benchmark, and all underlying funds outperformed their benchmarks.

Monthly Overview

Central bank officials emphasize dovish signals

The June Federal Reserve minutes indicated increased economic uncertainty amid trade war concerns, raising the possibility of rate cuts for the first time in a decade. As a result, bonds and stocks rallied; the S&P 500 hit a new all-time high, and the 10-year Treasury note yield dropped below 2%. Similarly, European Central Bank (ECB) president Mario Draghi suggested the need for additional rate cuts and asset purchases if inflation does not reach target levels.

Slowing economic data

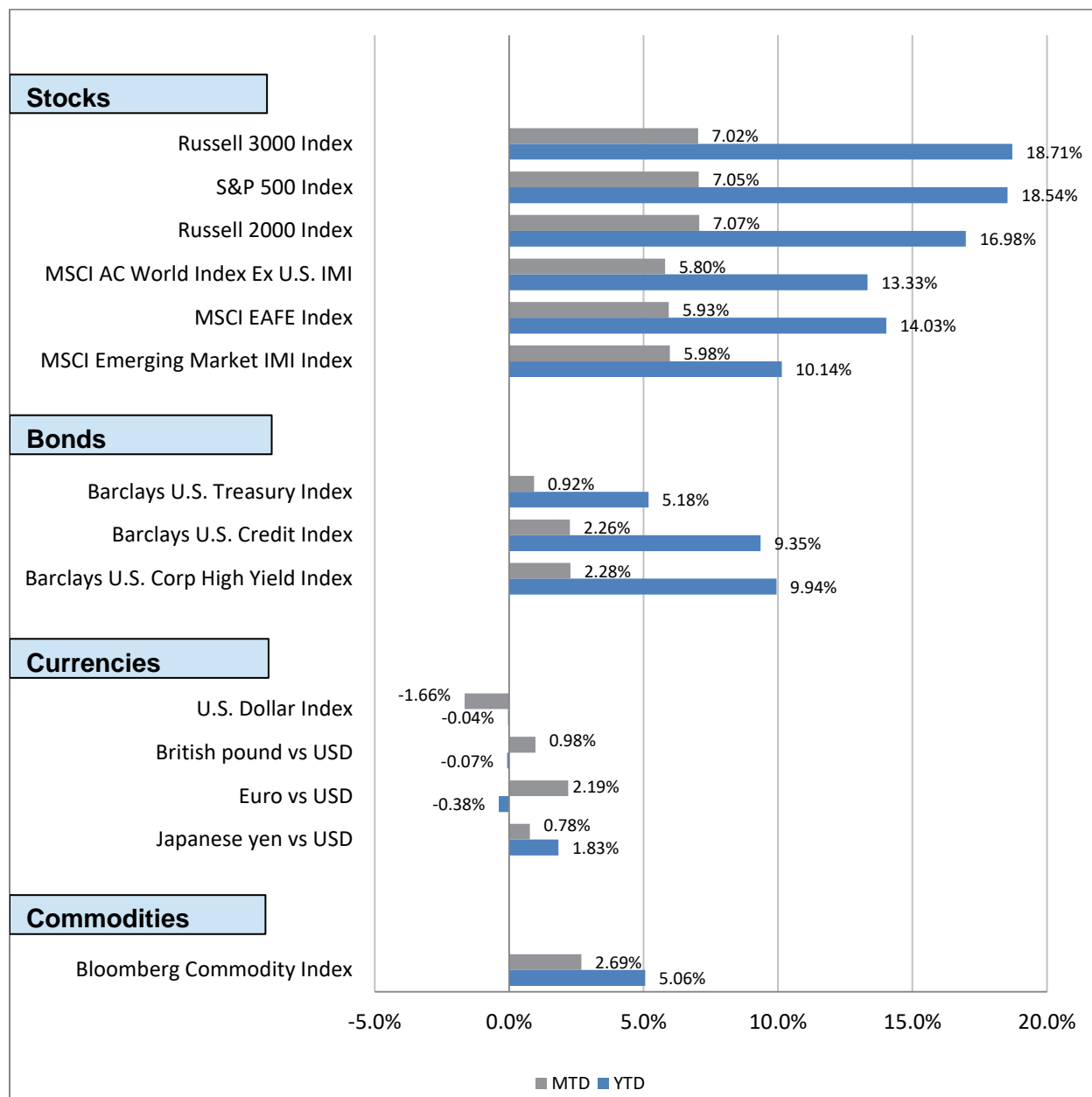
Tariff concerns dominated investor sentiment during the month, following a number of announcements suggesting potential global economic weakness. The June IHS Markit US Manufacturing Purchasing Managers Index (PMI) came in at 50.6—just ahead of May's 50.5, which was the lowest reading since 2009. Toward month end, President Trump and President Xi Jinping met at the G-20 summit and agreed to resume discussions on trade, providing optimism to investors. Nonfarm payrolls rebounded to 224k, exceeding expectations of 160k and showing broad-based strength—including manufacturing job growth. Unemployment edged up to 3.7% as increased labor participation offset job growth. Wage growth, as measured by average hourly earnings, was modestly up, but weaker than expected.

Geopolitical stress

Tensions flared following the downing of a U.S. drone aircraft and attacks on two oil tankers in the Straits of Hormuz, a shipping chokepoint through which 40% of the world's seaborne oil passes. President Trump ordered sanctions against the assets of top Iranian political leaders but declined to launch a missile strike against the country's military assets. West Texas Intermediate crude oil prices increased 9% in June, the largest one-month gain since January.



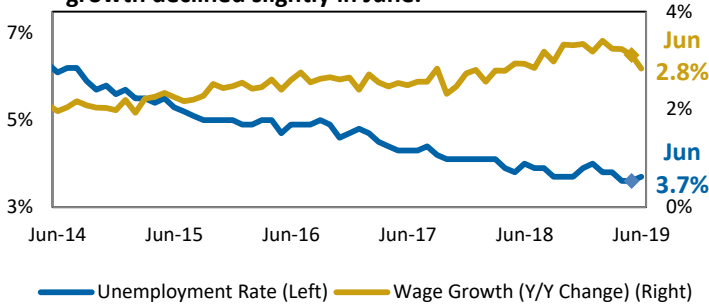
Market Performance



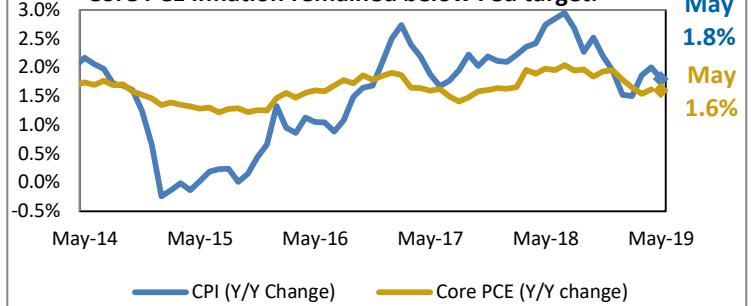
Source: FactSet, as of June 30, 2019

Key Monthly Economic Statistics

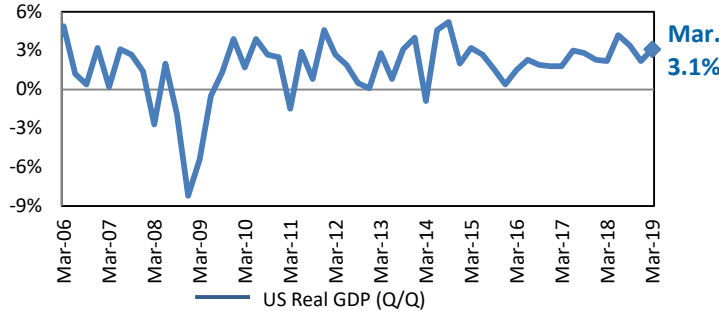
Unemployment rate ticked upwards and wage growth declined slightly in June.



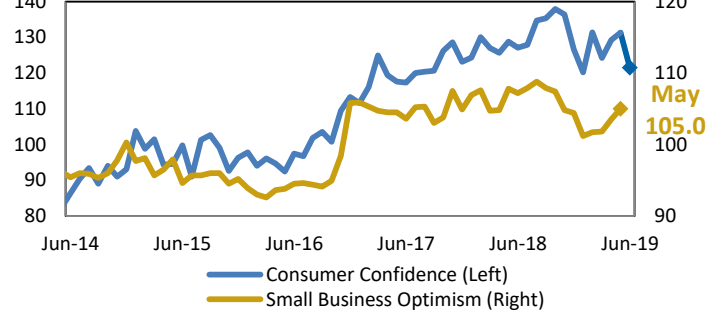
Year-over-year CPI inflation slowed in May and Core PCE inflation remained below Fed target.



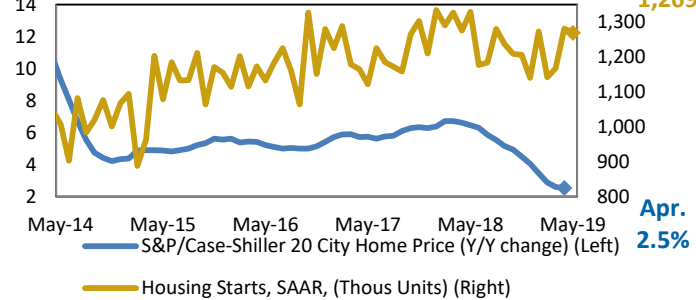
First quarter annual real U.S. GDP growth remained at 3.1% after the second revision.



Consumer confidence declined in June. Small business optimism reflected strength in May.



U.S. housing starts and the rate of home price appreciation decreased slightly.



The U.S. dollar declined in June.

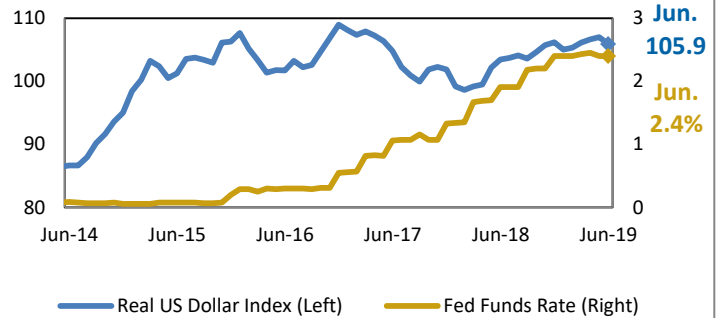
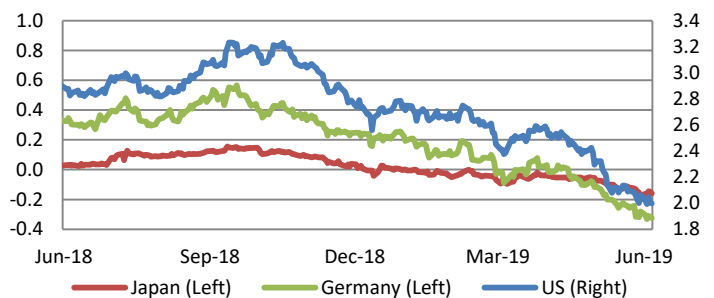


Chart of Month

- Weakening economic data and heightened geopolitical uncertainty prompted global central banks to suggest easier monetary bias to support their respective economies.
- German 10-year Bund yields hit a record low of -0.33%, and Japanese Government Bonds reached -0.16% in June.
- The 10-year US Treasury yield declined significantly to 2% in June from 3.23% in October 2018.

10-year Government Bond Yields



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

Equity Funds – I Series

U.S. Equity Fund-I

Fund	June	QTD	YTD
U.S. Equity Fund-I	+7.17%	+4.47%	+21.03%
Russell 3000 Index	+7.02%	+4.10%	+18.71%
Difference (percentage points)	+0.15	+0.37	+2.32

- For the month, the fund slightly benefited from its strategic overweight to small- and mid-sized company stocks, and corresponding underweight to large-company stocks, along with the majority of investment managers outperforming their respective benchmarks. The fund's dedicated allocation to alternative investment detracted from benchmark-relative performance.
- For the quarter and year-to-date, e-commerce and software technology companies, along with holdings in biotech firms, had a sizable positive impact on the fund's relative performance. The fund's strategic overweight to small- and mid-sized company stocks, and corresponding underweight to large-company stocks, slightly detracted from relative performance. Dedicated investments in alternative investments also negatively affected benchmark-relative returns.

International Equity Fund-I

Fund	June	QTD	YTD
International Equity Fund-I	+6.51%	+3.15%	+16.12%
MSCI ACWI ex U.S. Investable Market Index (Net)	+5.80%	+2.74%	+13.33%
Difference (percentage points)	+0.71	+0.41	+2.79

- For the month, the fund benefited most from all investment managers outperforming their respective benchmarks. In addition, the fund's fair market valuation policy (described [here](#)) was a positive contributor to relative performance. The fund's strategic overweight to emerging market economies, and corresponding underweight to developed economies, slightly detracted from relative performance. The fund's dedicated allocation to alternative investments also detracted from relative performance.
- Quarter-to-date, the fund outperformed the benchmark, mainly due to strong performance from managers investing in smaller companies based in developed countries and managers investing in emerging economy companies.
- Year-to-date, the fund outperformed the benchmark due to over 90% of active managers outperforming their respective benchmarks. Specifically, a collective underweight to poor-performing Japanese companies and superior stock selection within Japan, China and the U.K. were the largest contributors to benchmark-relative returns. The fund's strategic overweight to emerging market equities detracted from

relative performance. Additionally, the fund's strategic allocation to alternative investments, along with stocks excluded in compliance with WII's Exclusions policy (described [here](#)), detracted from benchmark-relative performance.

U.S. Equity Index Fund-I

Fund	June	QTD	YTD
U.S. Equity Index Fund-I	+7.10%	+4.35%	+18.57%
Russell 3000 Index	+7.02%	+4.10%	+18.71%
Difference (percentage points)	+0.08	+0.25	-0.14

- The U.S. Equity Index Fund-I is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. WII's Exclusions policy (described [here](#)) positively affected benchmark-relative performance during the month and quarter and was neutral year-to-date.

Fixed Income Funds – I Series

Fixed Income Fund-I

Fund	June	QTD	YTD
Fixed Income Fund-I	+1.95%	+3.44%	+7.45%
Barclays U.S. Universal (ex MBS) Index	+1.62%	+3.46%	+7.27%
Difference (percentage points)	+0.33	-0.02	+0.18

- The overweight allocation to emerging market debt positively contributed to benchmark-relative performance during the month, quarter and year-to-date periods. The overweight allocation to below-investment-grade corporate bonds positively contributed during the month and year-to-date periods but detracted modestly from benchmark-relative performance during the quarter.
- Wespath's Positive Social Purpose Lending Program and agency commercial mortgage-backed strategy moderately detracted from benchmark-relative performance during the month, quarter and year-to-date periods.

Inflation Protection Fund–I

Fund	June	QTD	YTD
Inflation Protection Fund-I	+1.54%	+2.65%	+6.25%
IPF Benchmark ⁱⁱ	+1.31%	+2.89%	+7.13%
Difference (percentage points)	+0.23	-0.24	-0.88

- The fund's allocation to below-investment-grade floating rate strategies detracted from benchmark-relative performance during the month, quarter and year-to-date periods.
- The underweight to U.K. inflation-linked bonds positively contributed to benchmark-relative performance during the month and quarter but detracted year-to-date. The emerging market inflation linked-bond portfolio outperformed its benchmark primarily due to the asset manager's country-weighting decisions, positively contributing to the fund's benchmark-relative performance during the month, quarter and year-to-date.

U.S. Treasury Inflation Protection Fund–I

Fund	June	QTD	YTD
U.S. Treasury Inflation Protection Fund-I	+0.76%	+2.83%	+6.25%
Barclays U.S. Inflation Linked Bond Index	+0.81%	+2.95%	+6.38%
Difference (percentage points)	-0.05	-0.12	-0.13

- 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	June	QTD	YTD
Short Term Investment Fund-I	+0.27%	+0.73%	+1.32%
STIF-I Benchmark	+0.22%	+0.64%	+1.24%
Difference (percentage points)	+0.05	+0.09	+0.08

- 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	June	QTD	YTD
Multiple Asset Fund-I	+5.06%	+3.66%	+14.42%
MAF Benchmark ⁱⁱⁱ	+4.74%	+3.52%	+13.16%
Difference (percentage points)	+0.32	+0.14	+1.26

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

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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 and related documents](#) for more information about the funds. This is not an offer to purchase securities.

ⁱⁱ 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.

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