

June 2022 Investment Report

Highlights

- Markets fell in June as investors grew increasingly concerned about high inflation, lower consumer spending, rising interest rates and recession risk.
- The S&P 500 Index of U.S. stocks declined 8.3%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, declined 9.0%. The Bloomberg U.S. Aggregate Bond Index returned -1.6%.
- U.S. inflation reached 8.6%, its highest level in 40 years. Inflation in the euro-area increased to 8.6%, its highest level since the launch of the euro in 1999.
- The U.S. Federal Reserve (Fed) raised its overnight lending rate by 0.75%.
- Implications from the war in Ukraine continue to affect global economies, including price levels in the energy and agricultural sectors. Related economic, political and safety risks are expected to have long-lasting effects. The European Union (E.U.) is considering Ukraine's request to join. Sweden and Finland are on course to join North Atlantic Treaty Organization (NATO).
- The U.S. Department of Labor reported that employers added 372,000 non-farm jobs in June. The unemployment rate remained at 3.6%.
- IEF-I, IPF-I and MAF-I outperformed in June, while USEF-I and FIF-I underperformed their respective benchmarks.

Monthly Overview

Worst first half for S&P 500 since 1970, fixed income markets also decline

Higher inflation, lower consumer spending and confidence, lower home sales, lower manufacturing surveys, and rapid increases in overnight interest rates by central banks have markets worried about the possibility of a recession. The S&P 500 lost 20% during the first half of the year, its worst first-half performance since 1970. The selloff was broad, with all sectors except energy down year to date.

In fixed income markets, the Bloomberg U.S. Treasury Index decreased 0.9%, and the Bloomberg Credit Index decreased 2.6%. The U.S. Dollar Index (DXY), an index that tracks the value of the U.S. dollar relative to the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc, increased 2.9% in June.

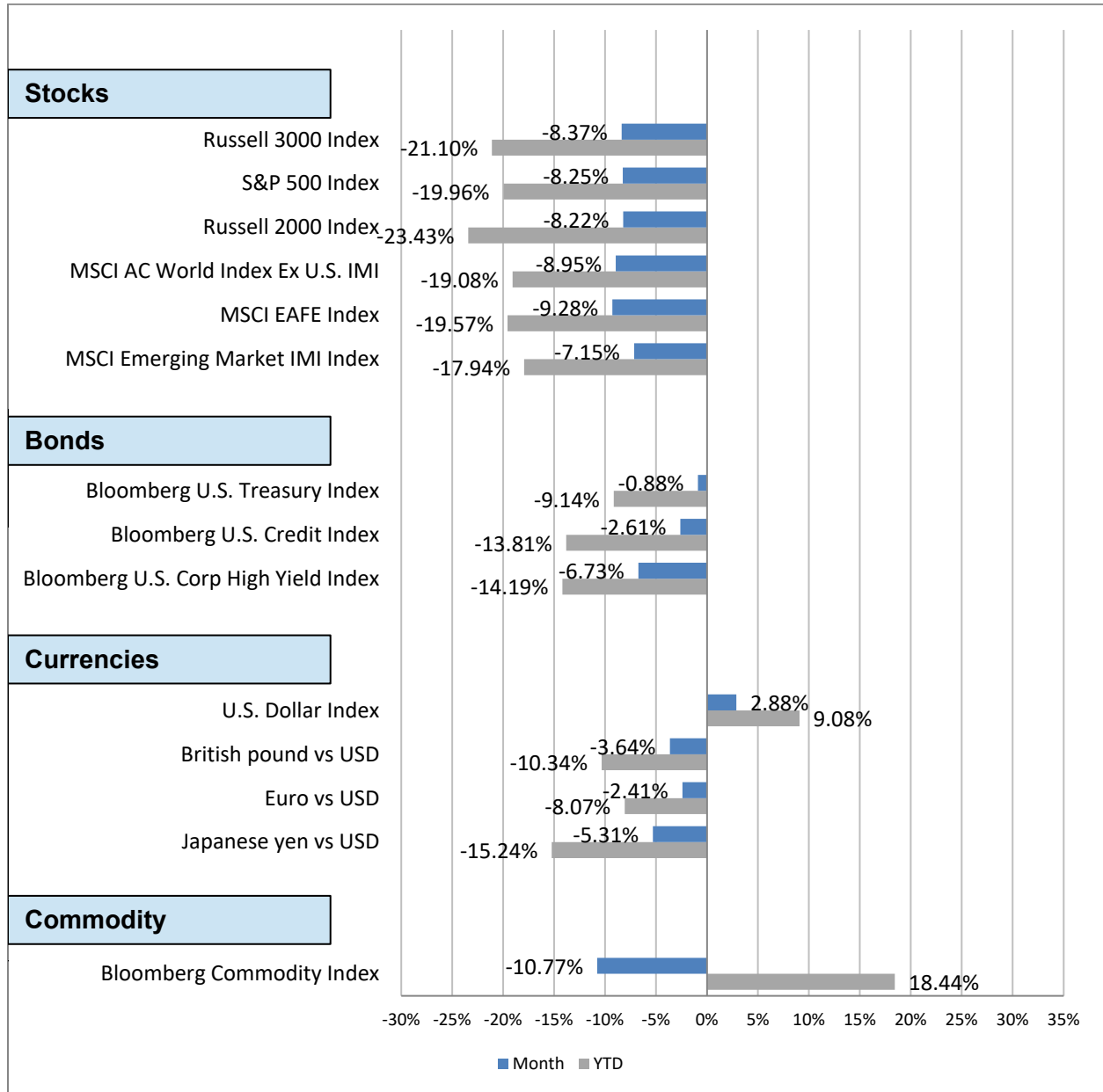
Inflation remains at its highest level in 40 years

The U.S. Consumer Price Index (CPI), a measure of the prices paid for consumer goods and services, increased 8.6% for the 12 months ending in May. The May number is an increase from the 8.3% reported in April. Core CPI, which excludes the more-volatile food and energy sectors, rose 6.0%. Both increases were higher than expected.

Fed increased the benchmark interest rate by 0.75%

The Fed raised its benchmark Federal Funds interest rate by 0.75% at the June 15 policy meeting, its most aggressive increase since 1994. Central banks across Switzerland, England, Argentina, Brazil and Taiwan also increased rates. Fed Chair Jerome Powell indicated anticipated ongoing increases in the benchmark rate could be appropriate. The Fed will continue to reduce its balance sheet by selling U.S. Treasury holdings, agency debt, and agency mortgage-backed securities. Fed policy is a key focus for investors, as tightening monetary policy can reduce economic growth.

Market Performance



Source: FactSet, as of June 30, 2022.

Key Monthly Economic Statistics

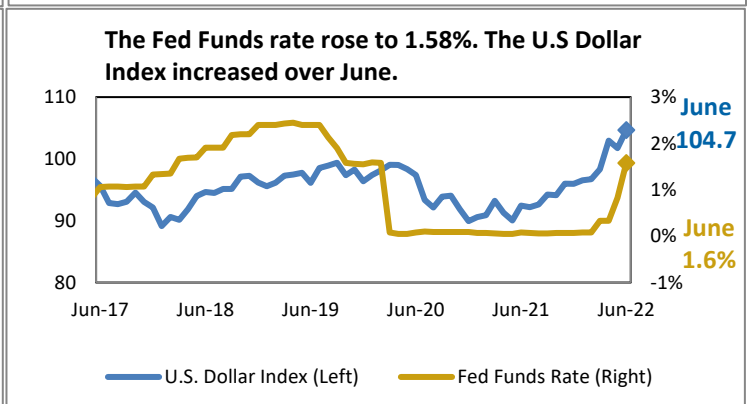
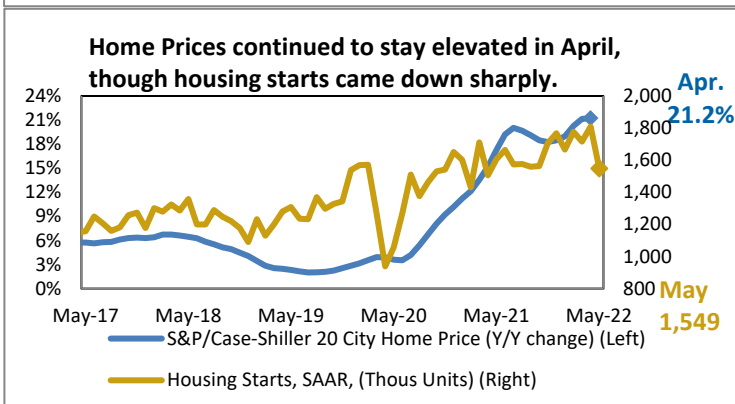
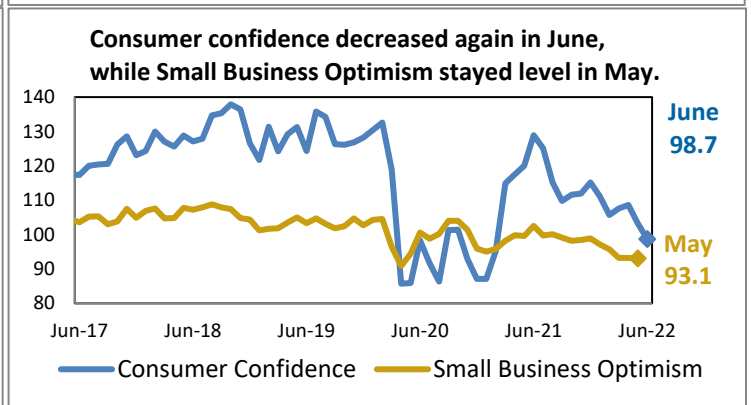
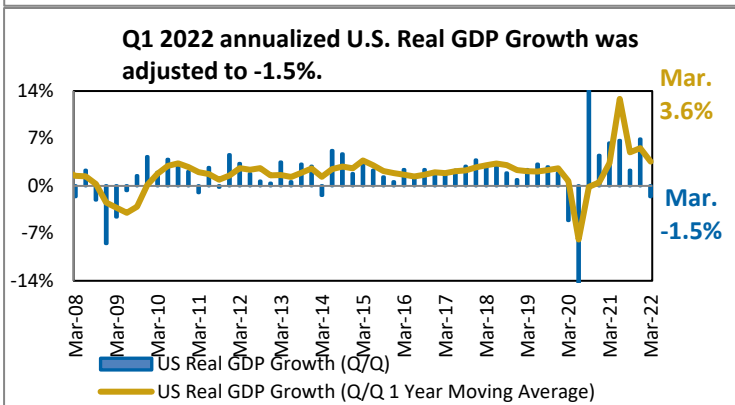
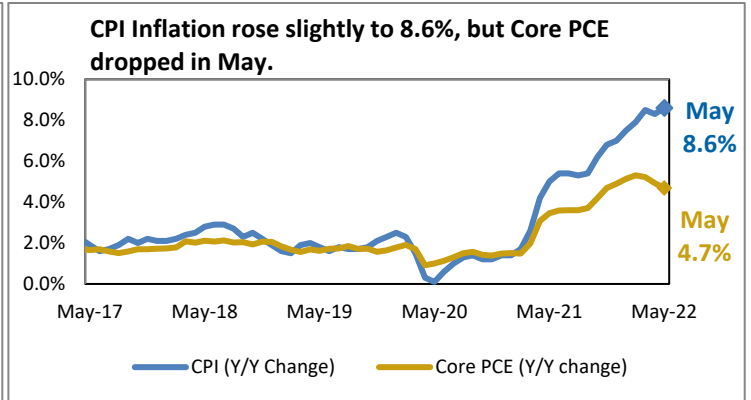
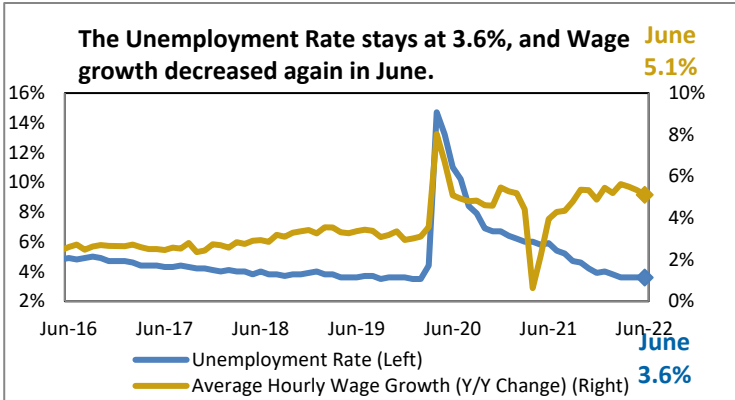
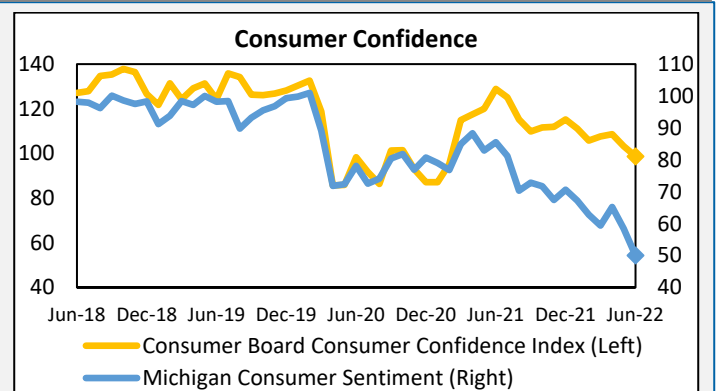


Chart of the Month

- Consumer Price Index inflation increased since the start of the pandemic in most advanced economies.
- The US is currently facing higher inflation than other developed countries. The UK and Eurozone have experienced substantial increases in inflation over the last few months, in part due to the ongoing war in Ukraine.
- President Biden stated it is the primary responsibility of the Fed to control inflation. He noted lowering gas prices, fixing supply chains and reducing the federal deficit are additional tools to control inflation over the next few months.



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

Equity Funds

U.S. Equity Fund – I Series

Fund	June	QTD	YTD
U.S. Equity Fund – I Series	-8.92%	-17.43%	-22.33%
Russell 3000 Index	-8.37%	-16.70%	-21.10%
Difference (percentage points)	-0.55	-0.73	-1.23

- During the month, the fund underperformed its benchmark as half of its active managers outperformed their respective benchmarks while half underperformed.
- During the quarter, the fund underperformed its benchmark mainly due to most active managers underperforming their respective benchmarks. Specifically, investments in growth-oriented stocks in the information technology sector detracted the most from relative performance.
- Year to date, the fund underperformed its benchmark due to the majority of active managers underperforming their respective benchmarks, an overweight to poor performing small- and mid-cap growth stocks, and not holding stocks excluded in accordance with WII's Exclusions Policy (described [here](#)). To a lesser extent, an underweight to mega-cap technology stocks and dedicated holdings in alternatives, contributed positively to benchmark-relative performance.

International Equity Fund – I Series

Fund	June	QTD	YTD
International Equity Fund – I Series	-8.34%	-14.66%	-23.01%
MSCI ACWI ex U.S. Investable Market Index (Net)	-8.95%	-14.28%	-19.08%
Difference (percentage points)	+0.61	-0.38	-3.93

- During the month, the fund outperformed its benchmark due to outperforming emerging market holdings and dedicated investments in private equity and private real estate.
- During the quarter, the fund's dedicated investments in alternatives also positively contributed to benchmark-relative performance, while underperforming holdings in growth-oriented stocks detracted from relative performance.
- Year to date, the fund underperformed its benchmark mainly due to poor performing investments held by growth-oriented active managers. Specifically, underperforming investments in e-commerce platform companies were meaningful detractors.

U.S. Equity Index Fund – I Series

Fund	June	QTD	YTD
U.S. Equity Index Fund – I Series	-8.42%	-16.86%	-21.40%
Russell 3000 Index	-8.37%	-16.70%	-21.10%
Difference (percentage points)	-0.05	-0.16	-0.30

- 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.

Fixed Income Funds

Fixed Income Fund – I Series

Fund	June	QTD	YTD
Fixed Income Fund – I Series	-2.60%	-6.12%	-11.66%
Bloomberg U.S. Universal (ex MBS) Index	-2.12%	-5.48%	-11.57%
Difference (percentage points)	-0.48	-0.64	-0.09

- In June, allocations to U.S. agency commercial mortgage-backed securities and the Positive Social Purpose Lending Program added to benchmark-relative performance, but allocations to emerging market debt and high yield rated corporate bonds detracted. Manager security and sector selection were neutral for the period.
- During the second quarter, allocations to U.S. agency commercial mortgage-backed securities and the Positive Social Purpose Lending Program added to benchmark-relative performance, while allocations to emerging market, global developed countries and high-yield-rated corporate debt detracted. Manager security and sector selection were neutral for the period.
- Year to date, the fund modestly underperformed its benchmark. The allocation to emerging market and high-yield-rated corporate debt detracted from relative performance. The allocation to U.S. agency commercial mortgage-backed securities, alternatives, and the Positive Social Purpose Lending Program positively contributed to relative performance. Manager security and sector selection were positive for the period.

Inflation Protection Fund – I Series

Fund	June	QTD	YTD
Inflation Protection Fund – I Series (IPF-I)	-4.08%	-5.95%	-4.91%
IPF-I Benchmark ⁱⁱ	-4.35%	-8.85%	-8.34%
Difference (percentage points)	+0.27	+2.90	+3.43

- The fund's underweight allocation to U.K. inflation-linked securities was the largest contributor to positive benchmark-relative performance for the quarter and year-to-date periods.
- The fund's diversifying allocation to senior bank loans contributed positively to benchmark-relative performance for the month, quarter and year to date.

U.S. Treasury Inflation Protection Fund – I Series

Fund	June	QTD	YTD
U.S. Treasury Inflation Protection Fund – I Series	-3.26%	-6.75%	-9.60%
Bloomberg U.S. Inflation Linked Bond Index	-3.30%	-6.57%	-9.66%
Difference (percentage points)	+0.04	-0.18	+0.06

- The U.S. Treasury Inflation Protection Fund 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	June	QTD	YTD
Multiple Asset Fund – I Series (MAF-I)	-6.61%	-12.59%	-18.13%
MAF-I Benchmark ⁱⁱⁱ	-6.58%	-12.43%	-16.86%
Difference (percentage points)	-0.03	-0.16	-1.27

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