

March 2017 Investment Report

March Highlights

- U.S. economic growth remained modest as the Commerce Department revised fourth quarter gross domestic product (GDP) upward to 2.1%. Equity markets were subdued with the S&P 500 gaining only 0.12% for the month.
- The Federal Reserve (Fed) raised its bank overnight borrowing rate by a quarter percentage point and signaled that additional increases were likely this year given the improving economy. One of the reasons for the increase is recent data shows that inflation is closer to the Fed's 2% target.
- Wespath's U.S. Equity Fund produced positive absolute returns and outperformed its benchmark while the International Equity Fund had positive absolute returns but underperformed its benchmark. The International Equity Fund's allocation to alternative private equity and private real estate detracted from relative performance. Wespath's Fixed Income Fund and Inflation Protection Fund both outperformed their respective benchmarks during the month due to strong performance from the funds' emerging market debt allocations.

Monthly Overview

Consumer confidence hits highest level since 2000

U.S. consumer confidence rose to a 16-year high during the month as consumers were more positive about the labor market and economic conditions. The stronger reading is due in part to growing labor market optimism, U.S. home prices rising at the fastest pace in 31 months and a rising stock market.

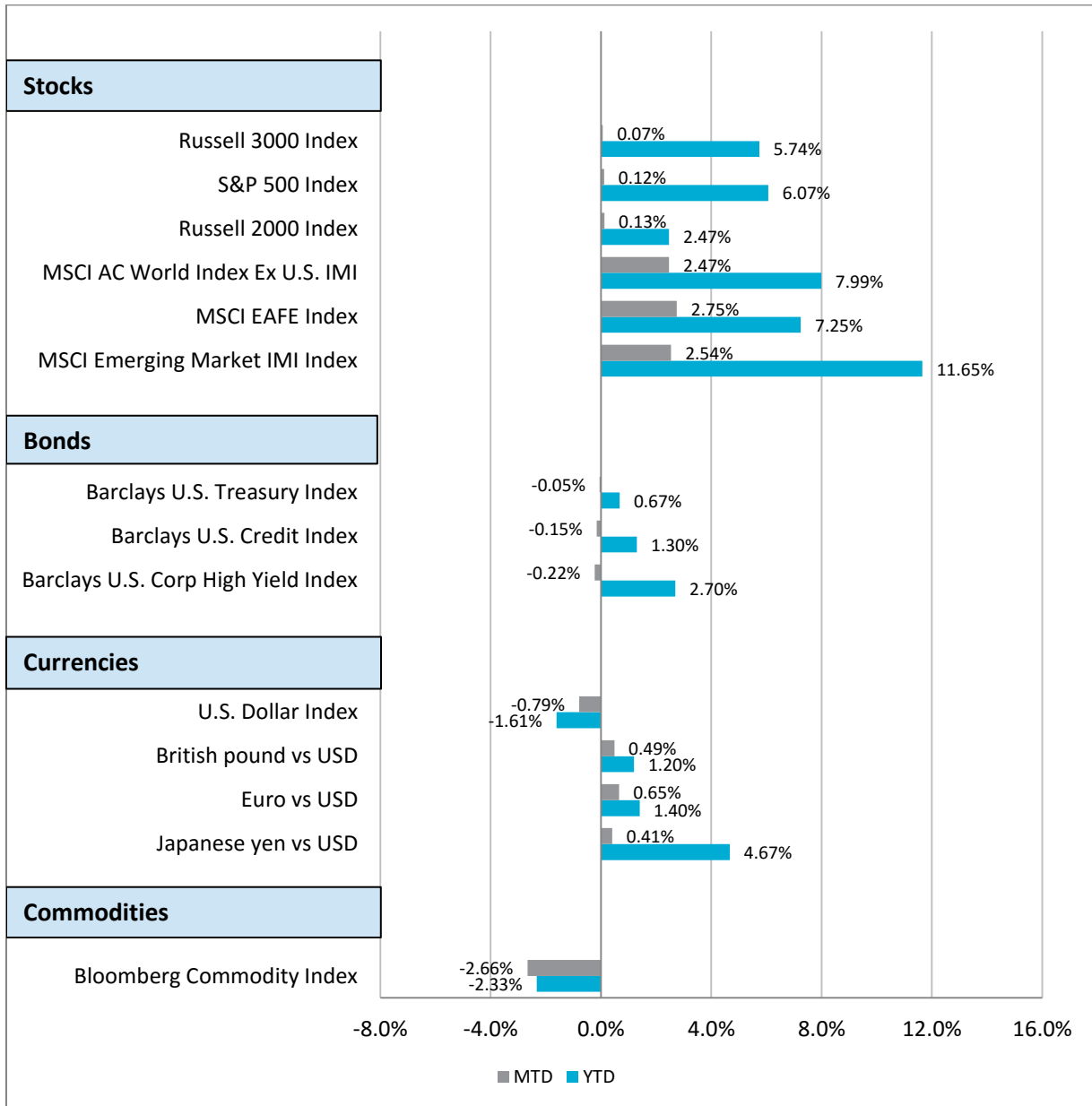
Oil price decline

Oil prices fell during the month based on a sizable increase in U.S. inventories. The price of a barrel of crude oil dropped 6.3% to \$50.60. During the month, U.S. stockpiles rose to a record 528.4 million barrels. In an effort to provide price support, the Organization of Petroleum Exporting Countries (OPEC) and producers outside the group (including Russia) agreed to cut output by 1.8 million barrels a day during the first six months of the year.

U.S. Initial Public Offering (IPO) market gains strength

The rising stock market has made for a more attractive IPO environment. During the month, two anticipated IPOs came to market—Snap Inc. (the parent company of the Snapchat messaging app) and Canada Goose (a manufacturer and retailer of outerwear). In total, there were 29 IPOs in the first quarter of the year, raising approximately \$13 billion. While the amount raised was about average for any given quarter over the past decade, the amount raised this year is significantly higher than a year earlier, when there were just nine offerings raising \$1.2 billion.

Market Performance



Source: FactSet, As of March 31, 2017

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Mar: 125.6 (Feb: 116.1)	▲
Durable Goods Orders	Feb: 1.7% (Jan: 2.3%); M/M-SA	▲
Housing Starts	Feb: 3.0% (Jan: -1.9%); M/M-SAAR	▲
Institute for Supply Management Index	Feb: 57.7% (Jan: 56.0%)	▲
New Home Sales	Feb: 6.1% (Jan: 5.3%); M/M-SAAR	▲
Nonfarm Payrolls	Feb: 235,000 (Jan: 238,000)	▲
S&P/Case-Shiller 20-City Home Price Index	Jan: 5.7% (Dec: 5.5%); Y/Y	▲
Unemployment Rate	Feb: 4.7% (Jan: 4.8%)	▲
		Neutral
Consumer Price Index core	Feb: 0.2% (Jan: 0.3%); M/M-SA	◆
Consumer Price Index	Feb: 0.1% (Jan: 0.6%); M/M-SA	◆
Factory Orders	Jan: 1.2% (Dec: 1.3%); M/M-SA	◆
Producer Price Index core	Feb: 0.3% (Jan: 0.4%); M/M-SA	◆
Producer Price Index	Feb: 0.3% (Jan: 0.6%); M/M-SA	◆
Real Gross Domestic Product	Dec: 2.1% (Sep: 3.5%); Q/Q-SAAR	◆
Retail Sales ex-auto	Feb: 0.2% (Jan: 1.2%); M/M-SA	◆
Retail Sales	Feb: 0.1% (Jan: 0.6%); M/M-SA	◆
		Negative
Existing Home Sales	Feb: -3.7% (Jan: 3.3%); M/M-SAAR	▼

M/M	Month-over-month (% change since last month)
Q/Q	Quarter-over-quarter (% change since last quarter)
Y/Y	Year-over-year (% change since the same month, last year)
SA	Seasonally Adjusted
SAAR	Seasonally Adjusted Annual Rate
Source	FactSet

Investment Fund Review (Net of Fees Performance)ⁱ

Equity Funds

U.S. Equity Fund

Fund	March	YTD
U.S. Equity Fund	+0.17%	+5.37%
Russell 3000 Index	+0.07%	+5.74%
Difference (percentage points)	+0.10	-0.37

- For the month, the U.S. Equity Fund's strategic overweight allocation to small- and mid-sized company stocks, with a corresponding underweight in large-company stocks, detracted slightly from benchmark-relative performance. The combined alternative investment strategies of private equity and private real estate modestly benefited benchmark-relative performance. Two growth-oriented managers contributed positively to performance due to outperforming holdings in the Information Technology and Health Care sectors.
- Year-to-date, the fund's overweight to small-company stocks and corresponding underweight of large-company stocks, along with an allocation to alternative investments, detracted from benchmark-relative performance. However, a number of the fund's managers benefited from strong-performing technology companies within the Health Care and Consumer sectors.

International Equity Fund

Fund	March	YTD
International Equity Fund	+2.33%	+8.61%
MSCI ACWI ex US Investable Market Index	+2.47%	+7.99%
Difference (percentage points)	-0.14	+0.62

- For the month, the International Equity Fund's strategic overweight allocation to stocks from emerging markets, along with an allocation to alternative investments, detracted from benchmark-relative performance. However, outperformance by a number of developed country managers—specifically holdings within Israel and Singapore—contributed positively to benchmark-relative performance.
- Year-to-date, the fund's overweight allocation to emerging markets and corresponding underweight to developed economies contributed to relative performance. Additionally, the fund benefited from outperformance by three active developed strategies, notably strong-performing holdings in the Information Technology sector. Alternatively, allocations to private equity and private real estate detracted from benchmark-relative performance.
- The fund's daily valuation policy (described **here**) positively contributed to benchmark-relative performance over both periods.

Equity Social Values Plus Fund

Fund	March	YTD
Equity Social Values Plus Fund	+1.13%	+6.25%
MSCI World Custom ESG Special Weighted Index	+1.07%	+6.07%
Difference (percentage points)	+0.06	+0.18

- The Equity Social Values Plus Fund is a passively-managed fund designed to closely match the fund benchmark, less fees and expenses. Relative performance is affected by the international daily valuation policy (described [here](#)).

U.S. Equity Index Fund

Fund	March	YTD
U.S. Equity Index Fund	+0.05%	+5.47%
Russell 3000 Index	+0.07%	+5.74%
Difference (percentage points)	-0.02	-0.27

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark less fees and expenses.

Fixed Income Funds

Fixed Income Fund

Fund	March	YTD
Fixed Income Fund	+0.14%	+2.04%
Barclays U.S. Universal (ex MBS) Index	-0.05%	+1.28%
Difference (percentage points)	+0.19	+0.76

- An overweight to emerging market debt, the best performing sector in the month and year-to-date periods, positively contributed to returns. Given investor expectations for improving global growth, emerging bonds benefitted from currency appreciation relative to the U.S. dollar and spread-tightening.
- The fund's overweight allocation to below-investment-grade bonds detracted during March but contributed positively year-to-date as investors were willing to accept lower-yield premiums for credit securities in January and February.
- The fund's core plus managers positively contributed in part due to their strategic allocations to bonds of different maturities compared to the fund benchmark, which helped returns for both time periods.

Extended Term Fixed Income Fund

Fund	March	YTD
Extended Term Fixed Income Fund	-0.37%	+1.33%
Barclays U.S. Government/Credit Long Term Index	-0.56%	+1.58%
Difference (percentage points)	+0.19	-0.25

- The Extended Term Fixed Income Fund's intentional policy to maintain a lower sensitivity to interest rate movements contributed to the fund's benchmark-relative performance in March, but detracted from performance for the year-to-date.

Inflation Protection Fund

Fund	March	YTD
Inflation Protection Fund	-0.15%	+1.33%
IPF Custom Benchmark ⁱⁱ	-0.20%	+1.09%
Difference (percentage points)	+0.05	+0.24

- In the month and year-to-date periods, the Inflation Protection Fund's underweight to United Kingdom inflation linked bonds detracted from benchmark-relative performance, while the overweight to US Treasury Inflation Protected Securities contributed positively to benchmark-relative performance.
- The fund's out-of-benchmark allocations to floating rate asset backed securities, which benefited from the rise in short term rates during the quarter, positively contributed to benchmark-relative performance for both periods. The fund's investment in private timber also positively contributed for the month and year-to-date.
- For the month, the fund's dedicated emerging markets inflation linked bond portfolio account, which benefited from currency exposure, positively contributed to benchmark-relative performance.

Balanced Fund

Multiple Asset Fund

Fund	March	YTD
Multiple Asset Fund	+0.78%	+5.05%
Composite Benchmark ⁱⁱⁱ	+0.73%	+4.82%
Difference (percentage points)	+0.05	+0.23

- For the month, the U.S. Equity Fund, Fixed Income Fund and Inflation Protection Fund all positively contributed to the Multiple Asset Fund's benchmark-relative performance, while the International Equity Fund detracted from performance.
- Year-to-date, three out of the four funds that make up the Multiple Asset Fund positively contributed to benchmark-relative performance. Only the U.S. Equity Fund detracted from performance.

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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](#) for more information about the funds. This is not an offer to purchase securities. Offers will only be made through the *Investment Funds Description*.

ⁱⁱ The benchmark for the Inflation Protection Fund 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 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% Inflation Protection Fund (IPF) Benchmark.