

March 2018 Investment Report

Highlights

- Sweeping aluminum and steel tariffs announced by President Donald Trump heightened investor concerns about a potential trade war.
- Facebook stock declined 10% in March as the social networking firm revealed that a U.K.-based research firm inappropriately obtained personal data on more than 87 million Facebook users.
- The Federal Reserve (Fed) increased the Fed Funds overnight interest rate by 0.25%, as expected, to a range of 1.50% to 1.75%. Fed officials noted that the economic outlook had strengthened in recent months and increased their 2018 growth forecast to 2.7% from 2.5%.
- The U.S. Equity Fund and International Equity Fund outperformed their respective benchmarks for the month, but the Fixed Income Fund and Inflation Protection Fund underperformed. The Multiple Asset Fund outperformed its benchmark for the month.

Monthly Overview

Escalating Trade Tensions

Equity market volatility increased following the authorization of a broad 25% tariff on imported steel and 10% on imported aluminum. President Trump singled out China by proposing additional tariffs on \$50 billion of Chinese goods on March 22. Chinese officials promptly indicated their intention to respond proportionately with tariffs on U.S. goods.

Equity Market Divergence

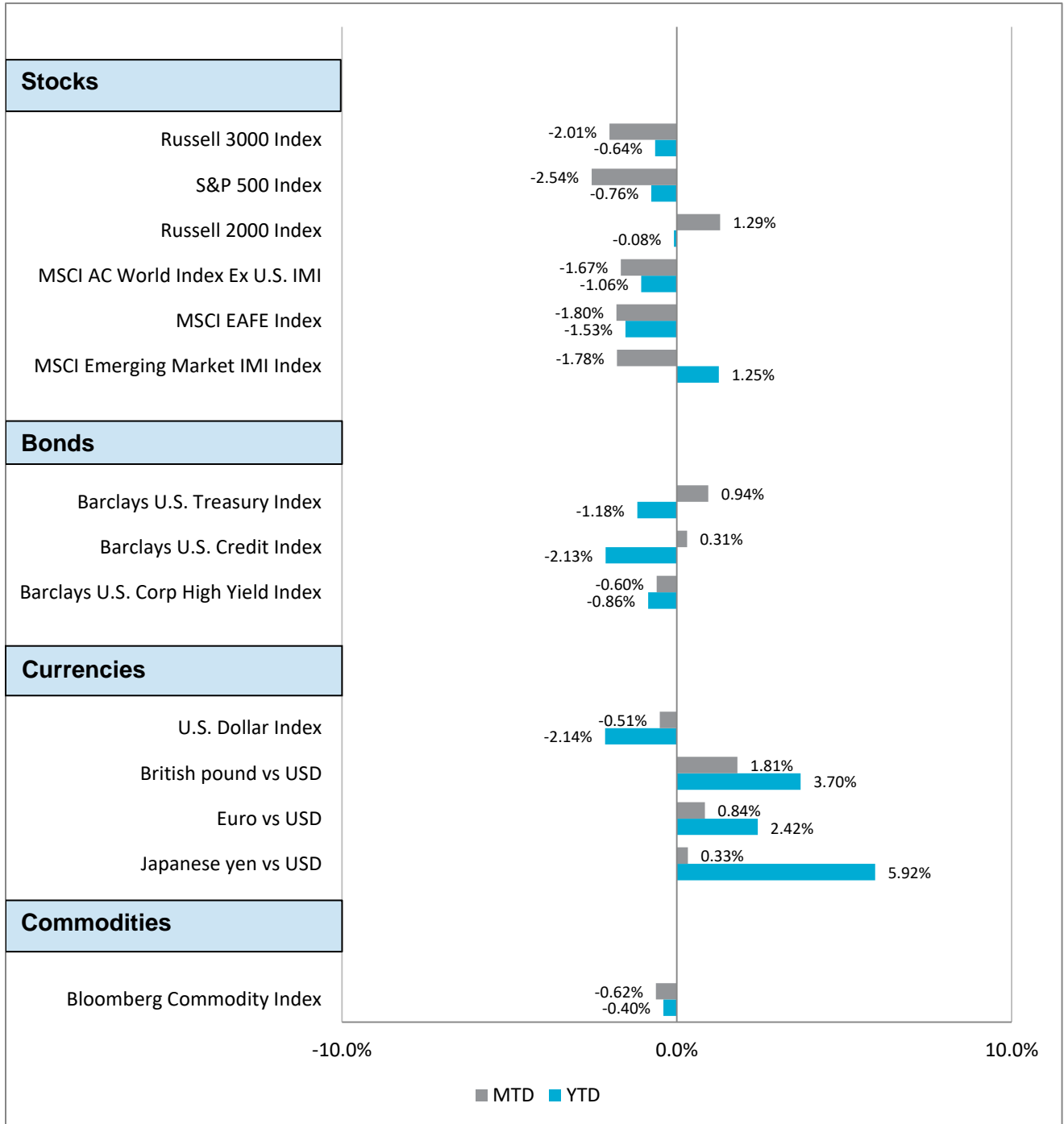
The Russell 1000 Index of large-company stocks declined 2.3% during the month, while the Russell 2000 Index of small-company stocks increased 1.3%. Large technology stocks performed the worst, affected by, among other things, revelations that Facebook failed to properly safeguard user data. This prompted speculation that new privacy regulation could negatively impact technology and social media companies. Other large companies also underperformed due to their greater global revenue exposure amid heightened trade rhetoric.

Central Bank Activity

The Fed released its quarterly Summary of Economic Projections including expectations for future interest rates. The median 2018 year-end projection remained at 2.1%, but 2019 and 2020 increased 0.2 and 0.3 percentage points to 2.9% and 3.4%, respectively.

The European Central Bank (ECB) left interest rates unchanged at its March meeting but upwardly revised its assessment of economic conditions in the Eurozone and slightly increased its growth forecast for 2019.

Market Performance



Source: FactSet, as of March 31, 2018

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Durable Goods Orders	Feb: 3.1% (Jan: -3.5%); M/M-SA	▲
Existing Home Sales	Feb: 3.0% (Jan: -3.2%); M/M-SAAR	▲
Institute for Supply Management Index	Feb: 60.8% (Jan: 59.1%)	▲
Nonfarm Payrolls	Feb: 313,000 (Jan: 239,000)	▲
Real Gross Domestic Product	Dec: 2.9% (Nov: 3.2%); Q/Q-SAAR	▲
S&P/Case-Shiller 20-City Home Price Index	Jan: 6.4% (Dec: 6.3%); Y/Y	▲
Unemployment Rate	Feb: 4.1% (Jan: 4.1%)	▲
		Neutral
Consumer Confidence	Mar: 127.7 (Feb: 130.0)	◆
Consumer Price Index core	Feb: 0.2% (Jan: 0.3%); M/M-SA	◆
Consumer Price Index	Feb: 0.2% (Jan: 0.5%); M/M-SA	◆
Producer Price Index core	Feb: 0.2% (Jan: 0.4%); M/M-SA	◆
Producer Price Index	Feb: 0.2% (Jan: 0.4%); M/M-SA	◆
Retail Sales ex-auto	Feb: 0.2% (Jan: 0.1%); M/M-SA	◆
		Negative
Factory Orders	Jan: -1.4% (Dec: 1.8%); M/M-SA	▼
Housing Starts	Feb: -7.0% (Jan: 10.1%); M/M-SAAR	▼
New Home Sales	Feb: -0.6% (Jan: -4.7%); M/M-SAAR	▼
Retail Sales	Feb: -0.1% (Jan: -0.1%); M/M-SA	▼

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	-1.16%	+0.35%
Russell 3000 Index	-2.01%	-0.64%
Difference (percentage points)	+0.85	+0.99

- During the month, the fund's strategic overweight to small- and mid-sized company stocks, and corresponding underweight in large-company stocks, contributed positively to benchmark-relative performance. With the concerns surrounding a possible trade war, the stocks of larger companies were negatively impacted as they generate a larger portion of their revenue from overseas than smaller companies. Investments in private equity and private real estate also positively contributed to benchmark-relative performance.
- Year-to-date, the fund's positive benchmark-relative performance benefited the most from three growth-oriented managers due to investments in e-commerce, biotech, and healthcare equipment companies.

International Equity Fund

Fund	March	YTD
International Equity Fund	-0.90%	+0.59%
MSCI ACWI ex U.S. Investable Market Index (Net)	-1.67%	-1.06%
Difference (percentage points)	+0.77	+1.65

- During the month, the fund outperformed its benchmark due to the strategic overweight to emerging market equities, and corresponding underweight to developed market equities. Benchmark-relative performance for the month and year-to-date was positively impacted by the international daily valuation policy (described [here](#)) resulting from strong gains in the U.S. stock market on the last trading day of the month. The fund's dedicated allocation to alternatives also positively contributed to relative performance.
- Year-to-date, the fund exceeded its benchmark as a result of eight of its 11 active investment managers outperforming their respective benchmarks, and a sizable fair market value adjustment. The fund's overweight to emerging market equities, and corresponding underweight to developed market equities, positively contributed to relative returns. In addition, an allocation to private real estate also benefited benchmark-relative returns.

Social Values Choice Equity Fund

Fund	March	YTD
Social Values Choice Equity Fund	-1.36%	-1.02%
SVCEF Benchmark ⁱⁱ	-1.65%	-1.01%
Difference (percentage points)	+0.29	-0.01

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Benchmark-relative performance for the month and year-to-date was positively impacted by the international daily valuation policy (described [here](#)).

U.S. Equity Index Fund

Fund	March	YTD
U.S. Equity Index Fund	-1.98%	-0.82%
Russell 3000 Index	-2.01%	-0.64%
Difference (percentage points)	+0.03	-0.18

- The U.S. Equity Index Fund is a passively-managed fund designed to closely match the fund benchmark, less fees and expenses. Ethical exclusions (described [here](#)) contributed positively to benchmark-relative performance for the month, but detracted from returns for the year-to-date period.

Fixed Income Funds

Fixed Income Fund

Fund	March	YTD
Fixed Income Fund	+0.40%	-0.62%
Barclays U.S. Universal (ex MBS) Index	+0.46%	-1.47%
Difference (percentage points)	-0.06	+0.85

- During the month, the negative impact from the fund's overweight allocations to investment-grade and below investment-grade corporate debt was offset by the allocation to bonds denominated in non-U.S. developed market currencies.
- Year-to-date, the fund outperformed its benchmark due to its allocations to bonds denominated in non-U.S. dollar developed and emerging market currencies. The overweight to below-investment-grade corporate bonds and exposure to loans supporting affordable housing through Wespath's Positive Social Purpose (PSP) Lending Program also contributed positively to benchmark relative performance.

Social Values Choice Bond Fund

Fund	March	YTD
Social Values Choice Bond Fund	+0.32%	-1.68%
Barclays U.S. Universal (ex MBS) Index	+0.46%	-1.47%
Difference (percentage points)	-0.14	-0.21

- During the month, the fund's underweight allocation to U.S. dollar denominated emerging market debt contributed positively to benchmark-relative performance, but the overweight allocation to U.S. corporate bonds detracted.
- Year-to-date, the fund's overweight allocation to bonds within the intermediate maturity range of 5 to 10 years detracted from benchmark-relative performance as interest rates in that maturity range increased the most.

Extended Term Fixed Income Fund

Fund	March	YTD
Extended Term Fixed Income Fund	+0.99%	-2.43%
Barclays U.S. Government/Credit Long Term Index	+1.65%	-3.58%
Difference (percentage points)	-0.66	+1.15

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

Inflation Protection Fund

Fund	March	YTD
Inflation Protection Fund	+0.82%	+0.37%
IPF Benchmark ⁱⁱⁱ	+1.30%	+0.42%
Difference (percentage points)	-0.48	-0.05

- During the month, the strategic underweight allocation to U.K. inflation-linked bonds and overweight to U.S. Treasury Inflation Protected Securities (TIPS) detracted from benchmark-relative results. The fund's out-of-benchmark allocation to below investment grade floating rate strategies also detracted.
- Year-to-date, the overweight allocation to U.S. TIPS detracted from benchmark relative results, but the out-of-benchmark exposure to below-investment-grade floating-rate strategies contributed positively.
- The relative results of the dedicated commodities manager contributed positively to benchmark-relative performance for both periods.

U.S. Treasury Inflation Protection Fund

Fund	March	YTD
U.S. Treasury Inflation Protection Fund	+1.04%	-0.87%
Barclays U.S. Inflation Linked Bond Index	+1.12%	-0.86%
Difference (percentage points)	-0.08	-0.01

- 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

Fund	March	YTD
Multiple Asset Fund	-0.50%	+0.35%
MAF Benchmark ^{iv}	-0.96%	-0.81%
Difference (percentage points)	+0.46	+1.16

- During the month, the U.S. Equity Fund and International Equity Fund positively contributed to the Multiple Asset Fund's benchmark-relative performance, while the Fixed Income Fund and Inflation Protection Fund detracted from performance.
- Year-to-date, three of the four underlying funds in the Multiple Asset Fund positively contributed to benchmark-relative performance. Only the Inflation Protection Fund very modestly detracted from relative returns.

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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 Equity Social Values Plus Fund is the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index.

ⁱⁱⁱ 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.

^{iv} 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.

