

March 2019 Investment Report

Highlights

- The S&P 500 Index was up 1.9% for the month and 13.7% for the quarter—the largest quarterly gain in nearly a decade.
- The March Federal Open Market Committee (FOMC) statement reiterated the Fed’s reluctance to impose further interest rate hikes in light of global economic developments.
- Surveys of corporate purchasing managers showed mixed opinions regarding the strength of manufacturing activity in several large global economies.
- In March, the International Equity Fund–I outperformed its performance benchmark, but the U.S. Equity Fund–I, Fixed Income Fund–I, Inflation Protection Fund–I and Multiple Asset Fund–I underperformed.

Monthly Overview

Equity markets continue their momentum

Building on the best January performance in 30 years, domestic equity markets continued their upward momentum, albeit at a moderating pace. Positive sentiment over US-China trade negotiations and a more accommodative FOMC stance supported market enthusiasm. Large-cap U.S. stocks outperformed small-caps, and U.S. growth companies outperformed value companies.

Global stocks posted modest gains, with the MSCI EAFE Index returning 0.6%. Emerging markets outperformed their international developed market peers due to improving sentiment regarding a potential US-China trade deal.

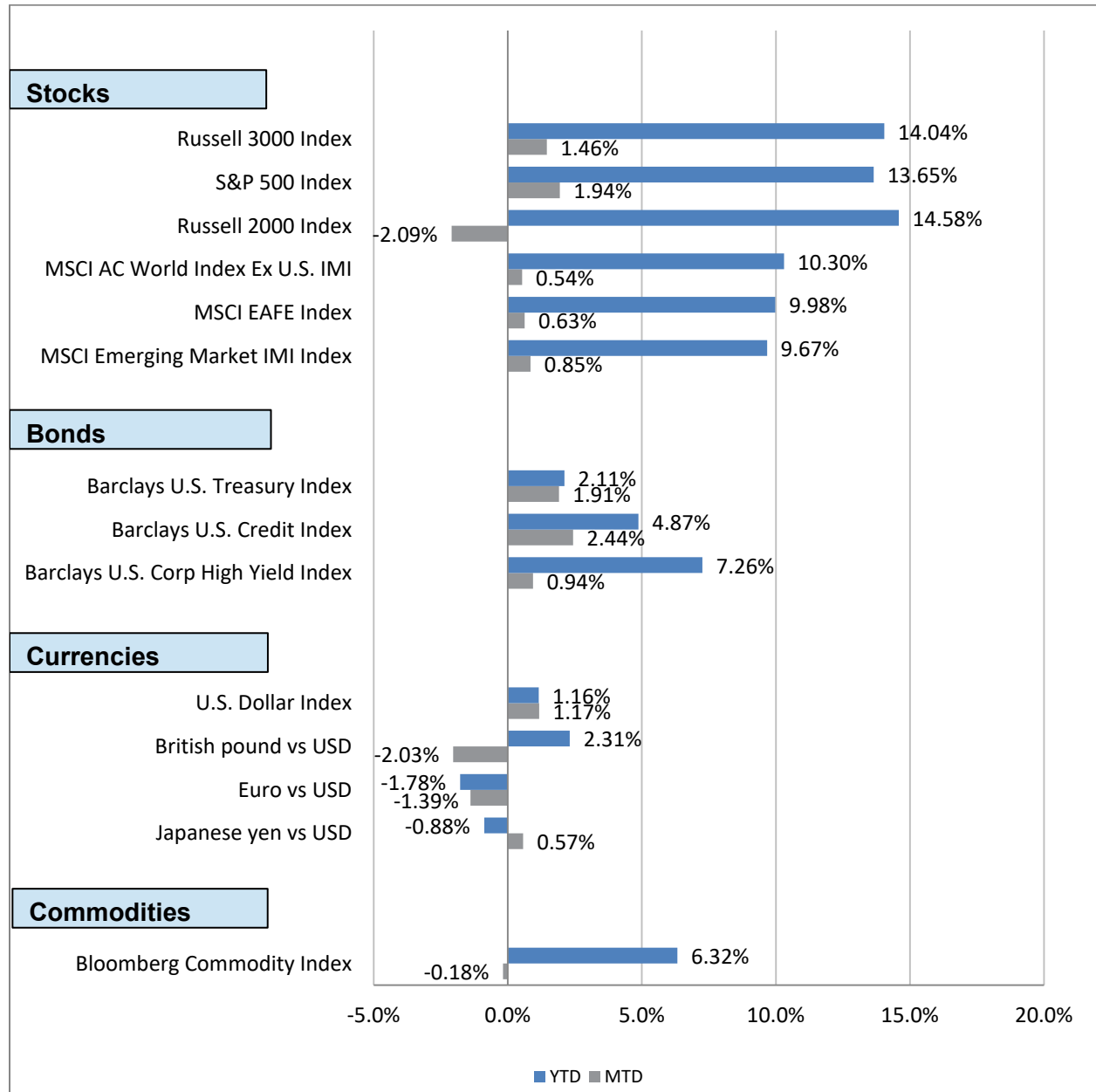
Central banks and mixed economic indicators give pause

The March FOMC statement reinforced the dovish tilt communicated in December. The FOMC held its target Fed Funds range at 2.25% to 2.5% and stated that it would discontinue its efforts to reduce its holdings of U.S. Treasury securities (“balance sheet normalization”) by September 2019. Adding securities to the Fed’s balance sheet tends to influence lower interest rates; reducing securities on the balance sheet tends to have the opposite effect. The Fed also lowered its 2019 Gross Domestic Product (GDP) growth projection to 2.1% from 2.3% and its projection for interest rate hikes in 2019 to zero from two. This follows five consecutive quarters of rate increases. A closely watched U.S. yield curve inverted when 10-year treasury yields fell below 3-month treasury yields for the first time since 2007, reflecting a decline in long-term growth and inflation expectations.

Despite gains across many equity markets, global economic indicators were mixed. The U.S. IHS Markit Manufacturing Purchasing Managers’ Index (PMI) declined to 52.4—although this still signals expansion. The flash Eurozone Manufacturing PMI declined to 47.5, with Germany leading the slowdown with its March PMI of 44.1. In contrast, China’s official manufacturing PMI rose in March to 50.8, lifted by production increases and employment expansion.



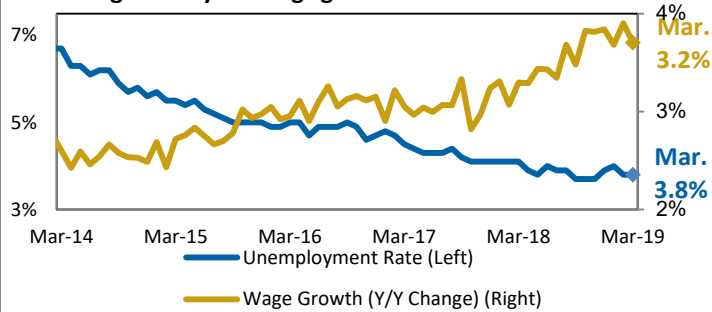
Market Performance



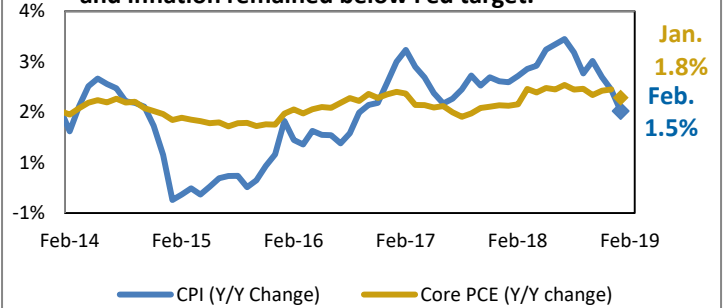
Source: FactSet, as of March 31, 2019

Key Monthly Economic Statistics

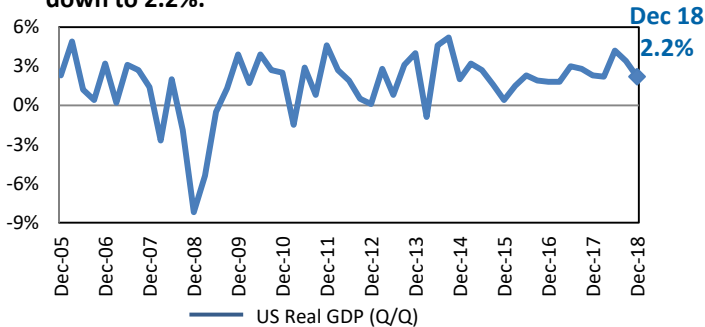
The unemployment rate remained unchanged, but average hourly earnings growth marked lower.



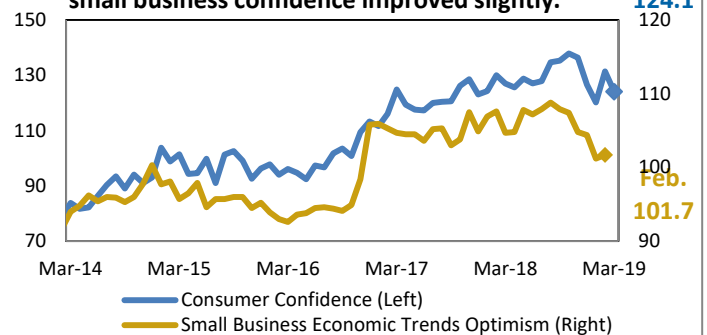
Year-over-year CPI declined to 1.5% in February, and inflation remained below Fed target.



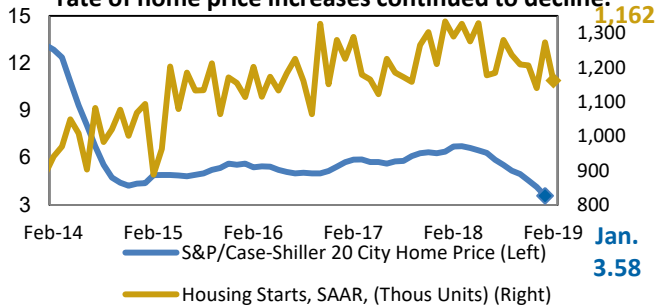
Fourth quarter annual real U.S. GDP was revised down to 2.2%.



Consumer confidence fell in March, however, small business confidence improved slightly.



U.S. housing starts decreased 9% in Feb., and the rate of home price increases continued to decline.



The U.S. Dollar posted modest gains, and interest rates remained flat.

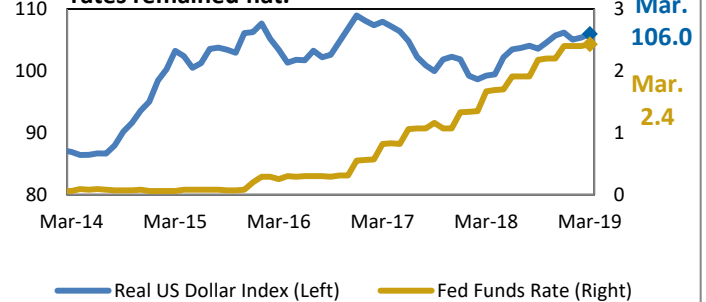
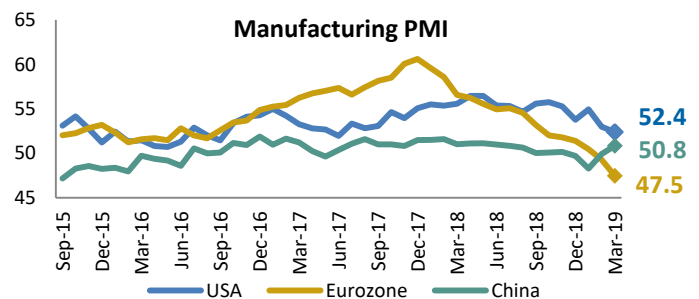


Chart of Month

- U.S. March PMI continued to show economic expansion, but it fell from the prior month due to cyclical client demand slowdown and less upbeat business sentiment.
- Eurozone Manufacturing continued to weaken, hitting its deepest contraction since April 2013. Germany and France led the overall downturn.
- China PMI notably improved in March, helped by employment expansion and production gains.

Manufacturing PMI



Source: FactSet

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

Equity Funds – I Series

U.S. Equity Fund–I

Fund	March	YTD
U.S. Equity Fund–I	+0.97%	+15.85%
Russell 3000 Index	+1.46%	+14.04%
Difference (percentage points)	-0.49	+1.81

- For the month, a combination of the fund's strategic overweight to small- and mid-sized company stocks, and corresponding underweight to large-company stocks, was the main reason the fund underperformed its benchmark. The fund's dedicated allocation to private equity and Wespath's Exclusions policy (described [here](#)) were both positive contributors to benchmark-relative performance.
- Year-to-date, the fund benefited most from outperforming e-commerce and biotech investments held by managers, as six out of seven active managers outperformed their respective benchmarks. In addition, the fund's strategic overweight to small- and mid-sized company stocks, and corresponding underweight to large-company stocks, positively contributed to benchmark-relative performance. Alternatively, investments in private real estate and Wespath's Exclusions policy (described [here](#)) detracted from relative performance.

International Equity Fund–I

Fund	March	YTD
International Equity Fund–I	+1.33%	+12.57%
MSCI ACWI ex U.S. Investable Market Index (Net)	+0.54%	+10.30%
Difference (percentage points)	+0.79	+2.27

- In March, a combination of the fund's strategic underweight to developed market equities, and corresponding overweight to emerging market equities, positively contributed to benchmark-relative returns. The fund benefited most from strong stock selection by most investment managers, as eight out of eleven active managers outperformed their respective benchmarks.
- Year-to-date, the fund benefited most from strong stock selection by two developed market managers and all three emerging market managers. Specifically, an underweight to poorly performing Japanese stocks and strong stock selection within China were the largest contributors to benchmark-relative returns. The fund's strategic allocation to alternative investments, along with stocks excluded in compliance with Wespath's Exclusions policy (described [here](#)), detracted from benchmark-relative performance.

U.S. Equity Index Fund–I

Fund	March	YTD
U.S. Equity Index Fund–I	+1.44%	+13.63%
Russell 3000 Index	+1.46%	+14.04%
Difference (percentage points)	-0.02	-0.41

- The U.S. Equity Index Fund–I is a passively managed fund designed to match the fund benchmark, less fees and expenses. Wespath’s Exclusions policy (described [here](#)) positively impacted benchmark-relative performance during the month but negatively impacted performance year-to-date.

Fixed Income Funds – I Series**Fixed Income Fund–I**

Fund	March	YTD
Fixed Income Fund–I	+1.58%	+3.87%
Barclays U.S. Universal (ex MBS) Index	+1.91%	+3.68%
Difference (percentage points)	-0.33	+0.19

- For the month, the fund had positive performance, but due in large part to its overweight to below-investment-grade corporate bonds and emerging market debt, the fund under-performed its benchmark. Allocations to non-U.S. dollar bonds also detracted from benchmark-relative results.
- The fund’s overweight allocations to corporate bonds, both investment-grade and below-investment-grade, as well as its overweight to emerging market debt (particularly emerging market bonds denominated in U.S. dollars) helped year-to-date benchmark relative results. Out-of-benchmark exposure to Wespath’s Positive Social Purpose Lending Program and U.S. Agency Commercial Mortgage Backed Securities detracted. Exposure to developed market non-U.S. dollar currencies also detracted from relative performance.

Inflation Protection Fund–I

Fund	March	YTD
Inflation Protection Fund–I	+1.05%	+3.51%
IPF Benchmark ⁱⁱ	+2.37%	+4.12%
Difference (percentage points)	-1.32	-0.61

- For the month, the fund’s underweight allocation to U.K. inflation-linked bonds had the biggest impact on its benchmark-relative underperformance. Out-of-benchmark exposure to high yield bank loans also detracted from relative results, particularly for the month-to-date results.
- Year-to-date, the commodities manager positively contributed to benchmark relative results due largely to an overweight to the oil sector. The underweight allocation to U.K. inflation-linked bonds detracted.

U.S. Treasury Inflation Protection Fund-I

Fund	March	YTD
U.S. Treasury Inflation Protection Fund-I	+1.91%	+3.32%
Barclays U.S. Inflation Linked Bond Index	+1.94%	+3.34%
Difference (percentage points)	-0.03	-0.02%

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

Short Term Investment Fund-I

Fund	March	YTD
Short Term Investment Fund-I	+0.24%	+0.59%
STIF-I Benchmark	+0.22%	+0.60%
Difference (percentage points)	+0.02	-0.01

- 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	March	YTD
Multiple Asset Fund-I	+1.23%	+10.38%
MAF Benchmark ⁱⁱⁱ	+1.39%	+9.31%
Difference (percentage points)	-0.16	+1.07

- During the month, the U.S. Equity Fund-I, Fixed Income Fund-I, and Inflation Protected Fund-I all negatively contributed to benchmark-relative performance. However, year-to-date the U.S. Equity Fund-I, International Equity Fund-I, and Fixed Income Fund-I all positively contributed to 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 – 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.