# March 2020 Investment Report

## Highlights

- The rapid escalation of the COVID-19 virus into a global pandemic drove U.S. equity markets to record high volatility levels, as measured by the CBOE Volatility Index (VIX). The VIX hit an all-time high of 82.7 on March 16, which was just above its peak during the 2008 financial crisis.
- The S&P 500 declined nearly 34% between February 19 and March 23, representing both the fastest bear market decline and fastest 30% decline, exceeding records set during the Great Depression. This was followed by the largest daily percentage gain ever for the Dow Jones Industrial Average.
- Oil had its worst quarterly performance ever due to slowing demand from COVID-19 mitigation efforts, as well as a price war between Saudi Arabia and Russia. The West Texas Intermediate crude oil price fell 66% year to date to $20.48 per barrel at month end.
- The Federal Reserve (Fed) implemented a large and rapid monetary policy response, cutting interest rates by 150 bps and enacting programs designed to stabilize markets and provide liquidity to investors.
- U.S. lawmakers passed a $2.2 trillion emergency aid bill that will provide funds to individuals, state and local governments, healthcare facilities, and businesses severely impacted by the crisis.
- New jobless claims totaled nearly 10 million in the two weeks ending March 28, each surpassing the previous weekly record of 695,000 filed in 1982. Non-farm payrolls, as reported by the Bureau of Labor Statistics (BLS) declined by 701,000 jobs through March 14. This does not include significant claims at month end, which the BLS will include in its April release.
- In March, the Multiple Asset Fund-I Series, U.S. Equity Fund-I Series, International Equity Fund-I Series, Fixed Income Fund-I Series and Inflation Protection Fund-I Series all underperformed their respective benchmarks.

## Monthly Overview

**COVID-19 Spread and Rapid Response**

Markets declined, and grew increasingly disorderly, amid the rapid adoption of large-scale efforts to limit the spread of COVID-19 in the U.S. and around the world. The negative economic impact from these actions spurred volatility to record highs and caused a dramatic decline in equity prices from the February 19 peak. Liquidity in credit markets plummeted as investors attempted to raise cash by selling large volumes of corporate bonds, commercial paper and other securities. In response, U.S. and global policy action has been swift and unprecedented. Nevertheless, additional relief measures addressing the immediate economic fallout of the virus, as well as additional stimulus once the risk has passed, will likely be required.

As of March 31, the World Health Organization reported nearly 755,000 confirmed cases of COVID-19, marking an eight-fold increase from the 87.1K cases reported by March 1. The U.S. led the world with 140,640 confirmed cases, of which more than one third were located in New York. The virus was responsible for 36,571 deaths in 202 countries through the end of the month.

**Global Monetary and Fiscal Relief**

Central banks around the world implemented unprecedented monetary stimulus programs aimed at helping businesses remain solvent and maintaining functional markets. The U.S. Federal Reserve (Fed) cut interest rates to near zero after two surprise announcements on March 3 (50bp cut) and March 15 (100bp cut). However, continued liquidity challenges exacerbated market dislocation at mid-month, when demand for cash soared as corporations drew down credit lines and highly leveraged entities sought to shore up margin shortfalls.

The Fed reinstated several 2009 crisis-era programs, including purchases of U.S treasury and agency mortgage-backed securities, as well as the Money Market Mutual Fund Liquidity Facility; Commercial Paper Funding Facility; Primary Dealer Credit Facility; Primary and Secondary Market Corporate Credit Facilities; and Term Asset-Backed Securities Loan Facility to support student, auto, credit card and small business loans. Year to date, the Fed's balance sheet grew from $4.2 trillion to $5.3 trillion, with half of the increase represented by purchases in the last full week of March. The switch to an open-ended program will likely further significantly increase the balance sheet over the year.

Congress passed the $2.2 trillion "Coronavirus Aid, Relief, and Economic Security (CARES) Act" in late March. This is the largest aid package in U.S. history and is equivalent to over 10% of GDP. It includes $1.5 trillion in spending and tax cuts, as well as $500 billion in loans, of which $454 billion is allocated to the Fed.

The CARES Act directly supports individuals, businesses, and state and local governments. Specifically, it includes: a one-time tax payment to individuals and families ($250B), expanded unemployment benefits ($250B), a food safety net for those most in need ($24B), cash to avoid widespread corporate bankruptcies and support the Fed ($510B), forgivable Small Business Administration loans and guarantees to retain workers ($359B), support for hospitals ($100B), and support for state and local governments ($150B). This relief follows the two previous COVID-19-related bills, which provided funds for healthcare, sick leave, small business loans and international assistance. The bill suspends student loan obligations for 60 days and delays tax filing deadlines. These programs are likely not the last Congress will need to enact.

The European Central Bank (ECB) announced a €750 billion Pandemic Emergency Purchase Program (PEPP), which increased planned purchases of euro-denominated securities for the year to €1.1 trillion. Importantly, the bond purchase program eliminated single country bond purchase caps, which will allow greater support to stressed countries such as Italy, Spain and Greece. The ECB also cut its Targeted Long-Term Refinancing Operations rate by 25 bps to a minus 0.75%. Several European countries implemented fiscal stimulus packages aimed at helping struggling businesses, workers and hospitals, including: Germany (€750B), Spain (€200B), France (€45B) and Italy (€25B).

The Bank of England cut interest rates by 65 bps to a record low of 0.10% and implemented a 200 billion GBP government and corporate bond purchase program.

## Economic Impacts

China is gradually returning to normal activity, over two months after the country began lockdown efforts, as people are allowed to move more freely and businesses are beginning to reopen. Economists predict China's economy contracted by 3.7% in the first quarter of the year. Estimates now call for 3.3% GDP growth for full year 2020 vs. 6.1% GDP growth in 2019. China's Manufacturing Purchasing Manager Index (PMI) stabilized in March after falling at the fastest pace on record in February. Production rose slightly as firms reopened after widespread shutdowns and travel restrictions in February.

As COVID-19 cases have increased worldwide, new quarantine measures continue to take a heavy toll on economic activity. Purchasing Manager Index activity for both manufacturing and services experienced severe declines in both the U.S. and Europe. For services, stay-at-home orders severely affected restaurants, travel and tourism. Manufacturing production also declined rapidly due to weak demand, lost exports and supply shortages. Forecasts of 2Q20 U.S.GDP range from -14% to -30%[1], albeit many forecasters expect a rebound in the second half of the year after COVID-19 risks reside.

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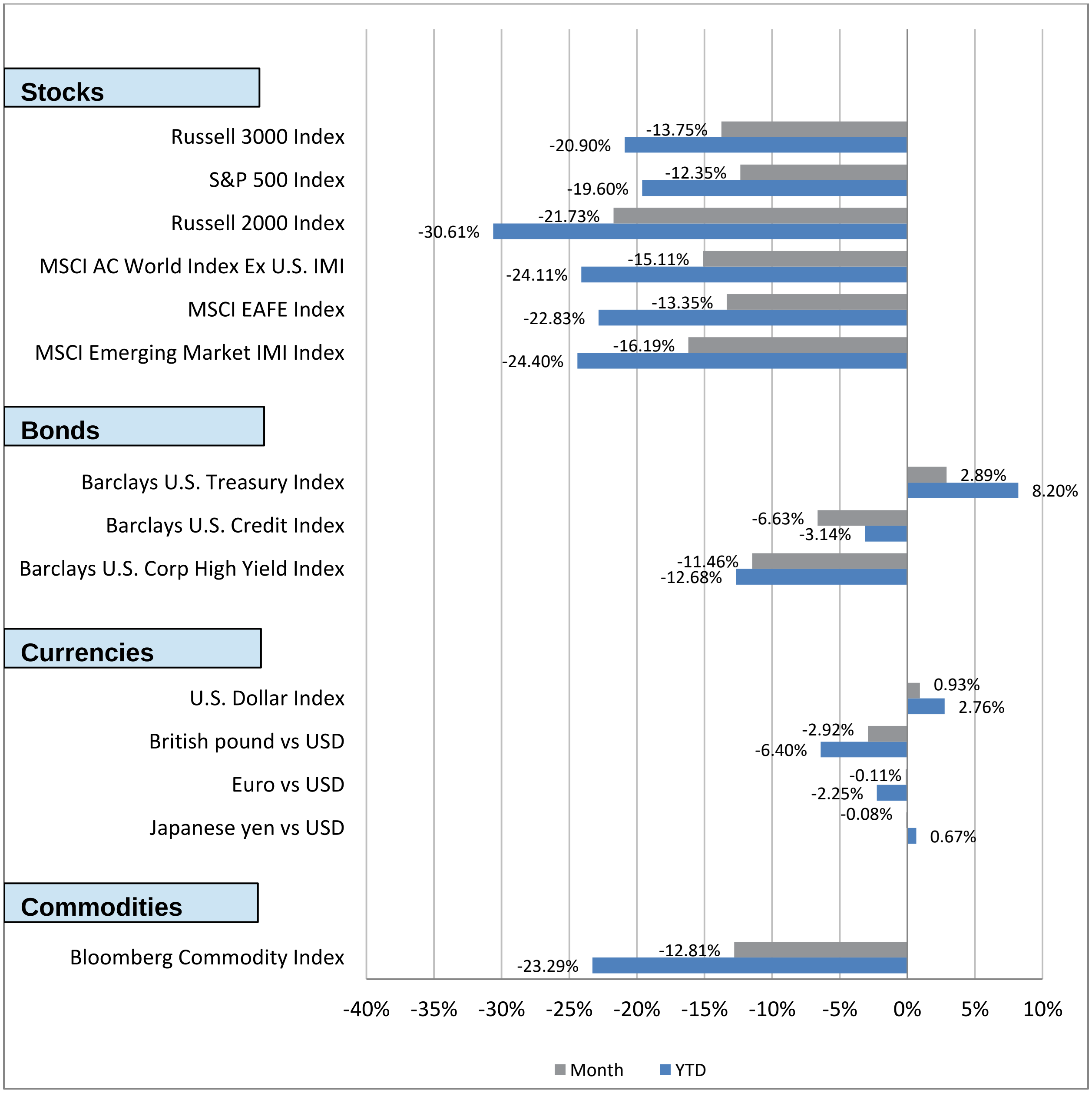
*Source: FactSet; Bloomberg, IMF, ECB, Nikkei, Reuters, WSJ, IHS Markit, World Health Organization, Worldometers and CNBC.*
[1]https://www.bloomberg.com/news/articles/2020-03-22/morgan-stanley-sees-u-s-economy-plunging-30-in-second-quarter

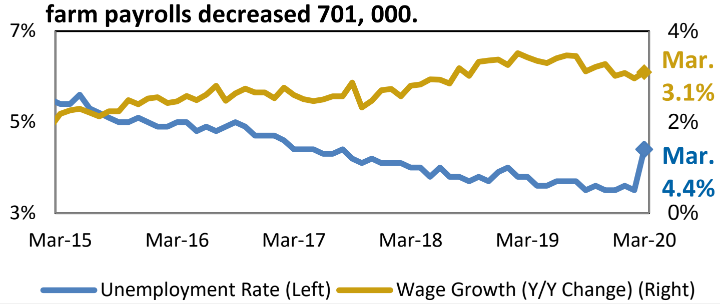
# Market Performance



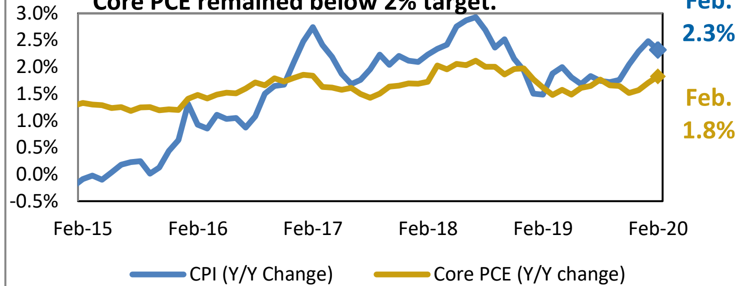

*Source: FactSet, as of March 31, 2020*

## Key Monthly Economic Statistics

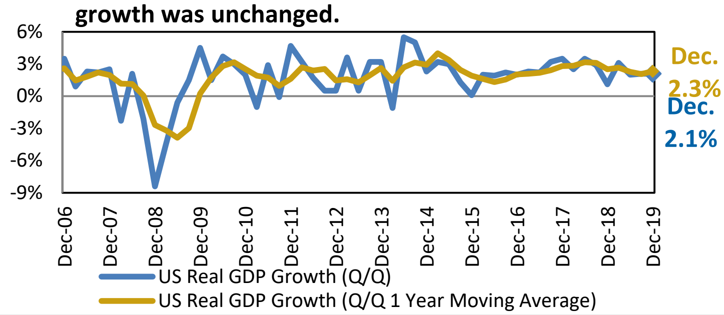
**Unemployment rate rose to 4.4% in March as non-farm payrolls decreased 701, 000.**



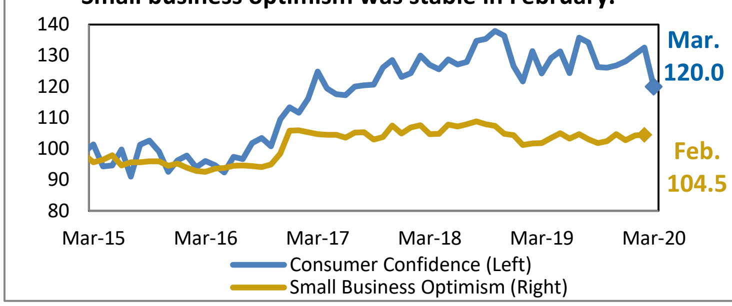

**Year-over-year CPI decreased in February, and Core PCE remained below 2% target.**



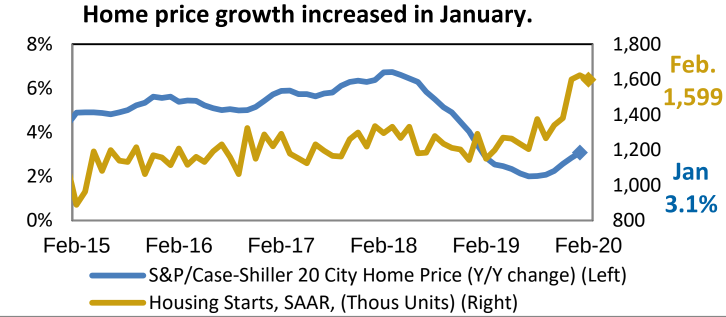

**The third estimate of 4Q19 annualized real GDP growth was unchanged.**



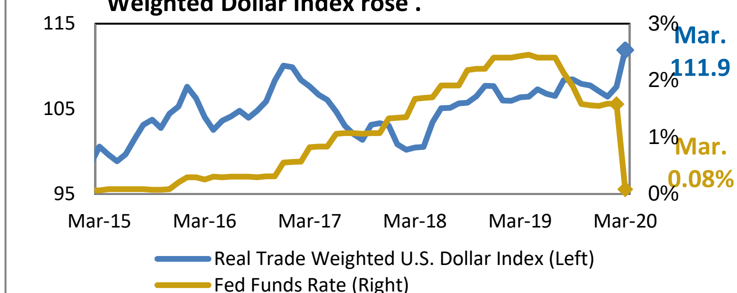

**Consumer confidence declined sharply in March. Small business optimism was stable in February.**




**Annualized U.S. housing starts fell in February. Home price growth increased in January.**

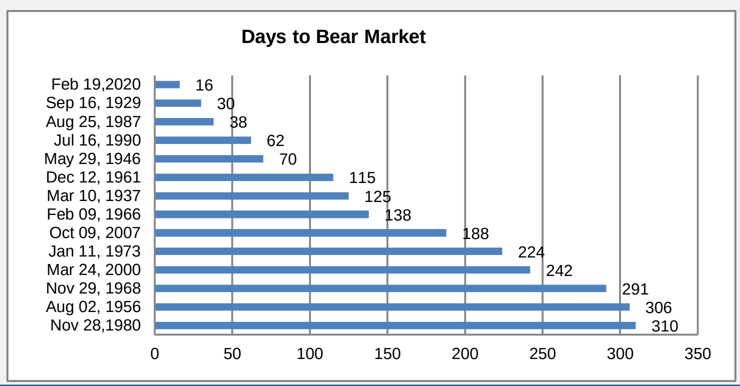



**The Fed Funds rate fell by 150bp. The Trade Weighted Dollar Index rose .**




### Chart of Month

- Between February 19 and March 12, the S&P 500 declined 26.7%, entering bear market territory in 16 trading days, the fastest decline on record.
- The decline continued through March 23, for a total loss of -33.9% over the course of 23 trading days since the February 19 peak.
- The S&P 500 index closed down 20% for 1Q20, its worst quarter since 4Q08 and down to January 2019 levels nearly erasing last year's gains.
- A bear market occurs when a market or index declines 20% or more from its 52-week high while a correction occurs with a 10% decline.




*Source: @_PeterWells, S&P Global, Refinitiv, FactSet*

# Investment Fund Review (Net-of-Fees Performance)[i]

## *Equity Funds*

### U.S. Equity Fund–I Series

| Fund | March | YTD |
|---|---|---|
| **U.S. Equity Fund–I Series** | -15.44% | -21.68% |
| **Russell 3000 Index** | -13.75% | -20.90% |
| Difference (percentage points) | -1.69 | -0.78 |

- During the month, the fund's overweight allocation to small- and mid-cap company stocks, and corresponding underweight to large-cap companies, detracted from benchmark-relative performance. To a lesser extent, the fund's relative performance benefited from investments in private equity and private real estate, along with stocks excluded in compliance with WII's Exclusions policy (described here).
- Year to date, the fund's relative performance was negatively impacted by an overweight allocation to small- and mid-cap company stocks and corresponding underweight to large-cap companies. Specifically, the fund's underweight position, relative to the benchmark, in a number of well-performing large technology-related companies detracted from performance. Conversely, the fund's relative performance benefited from the majority of active managers outperforming their respective benchmarks, investments in alternative strategies and stocks excluded in compliance with WII's Exclusions policy.

### International Equity Fund–I Series

| Fund | March | YTD |
|---|---|---|
| **International Equity Fund–I Series** | -15.22% | -23.15% |
| **MSCI ACWI ex U.S. Investable Market Index (Net)** | -15.11% | -24.11% |
| Difference (percentage points) | -0.11 | +0.96 |

- During the month, an underweight allocation to Japan, which was less impacted by the COVID-19 virus, and the fund's fair market valuation policy (described here) detracted from relative performance. Dedicated holdings in private equity and private real estate positively impacted relative performance.
- Year-to-date, the fund benefited most from the majority of active managers outperforming their respective benchmarks, as well as the fund's investments in alternative strategies. WII's Exclusions policy (described here) negatively impacted relative performance.

### U.S. Equity Index Fund–I Series

| Fund | March | YTD |
|---|---|---|
| **U.S. Equity Index Fund–I Series** | -13.76% | -21.01% |
| **Russell 3000 Index** | -13.75% | -20.90% |
| Difference (percentage points) | -0.01 | -0.11 |

- 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. WII's Exclusions policy (described here) positively impacted benchmark-relative performance during the month and year to date

## *Fixed Income Funds*

### Fixed Income Fund–I Series

| Fund | March | YTD |
|---|---|---|
| **Fixed Income Fund–I Series** | -5.62% | -3.11% |
| **Barclays U.S. Universal (ex MBS) Index** | -2.80% | +0.87% |
| Difference (percentage points) | -2.82 | -3.98 |

- In both the month and year-to-date periods, overweight allocations to emerging market debt and corporate bonds detracted from benchmark-relative performance. Exposure to multi-family housing through high-quality U.S. agency commercial mortgage-backed securities and the Positive Social Purpose Lending program added to benchmark-relative performance.

### Inflation Protection Fund–I Series

| Fund | March | YTD |
|---|---|---|
| **Inflation Protection Fund–I Series** | -5.69% | -5.38% |
| **IPF-I Benchmark**[ii] | -5.46% | -4.11% |
| Difference (percentage points) | -0.23 | -1.27 |

- In both the month and year-to-date periods, the fund's overweight exposure to energy commodities and its allocation to the diversifying strategy of below-investment-grade, floating-rate bank loans detracted from benchmark-relative performance. Underweight exposure to U.K. inflation-linked securities added to benchmark-relative performance in March and was neutral on a year-to-date basis.

### U.S. Treasury Inflation Protection Fund–I Series

| Fund | March | YTD |
|---|---|---|
| **U.S. Treasury Inflation Protection Fund–I Series** | -1.89% | +1.81% |
| **Barclays U.S. Inflation Linked Bond Index** | -1.79% | +1.93% |
| Difference (percentage points) | -0.10 | -0.12 |

- The U.S. Treasury Inflation Protection Fund–I Series is a passively managed fund designed so that it closely matches the performance of the fund benchmark, less fees and expenses.

### Short Term Investment Fund–I Series

| Fund | March | YTD |
|---|---|---|
| **Short Term Investment Fund–I Series** | +0.05% | +0.37% |
| **BofA Merrill Lynch 3-Month Treasury Bill Index** | +0.29% | +0.57% |
| Difference (percentage points) | -0.24 | -0.20 |

- The Short Term Investment Fund–I Series holds cash, cash equivalents and short-term securities with the objective of preserving capital while earning current income higher than that of money market funds.

## *Balanced Fund*

### Multiple Asset Fund–I Series

| Fund | March | YTD |
|---|---|---|
| **Multiple Asset Fund–I Series** | -11.58% | -15.76% |
| **MAF-I Benchmark**[iii] | -10.59% | -15.12% |
| Difference (percentage points) | -0.99 | -0.64 |

- During the month, the U.S. Equity Fund-I Series, International Equity Fund-I Series, Fixed Income Fund-I Series and Inflation Protection Fund-I Series detracted from benchmark-relative performance.
- Year to date, the International Equity Fund-I Series positively contributed to benchmark-relative performance, while the U.S, Equity Fund-I Series, Fixed Income Fund-I Series and Inflation Protection Fund-I Series detracted from relative 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 – I Series, the Summary Fund Description – I Series and the Statement of Additional Information*** 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% Inflation Protection Fund (IPF) Benchmark.