

# March 2021 Investment Report

## Highlights

- The S&P 500, Dow Jones Industrial Average and NASDAQ increased in March amid rising optimism for an economic recovery, while fixed income markets declined as U.S. Treasury bond yields rose.
- President Biden signed into law a \$1.9 trillion coronavirus aid spending bill. The package included direct checks and jobless aid, as well as money for schools, vaccine distribution efforts, and state and local governments.
- The U.S. economy added 916,000 non-farm jobs in March, marking a seven-month high and exceeding economists' median estimate of 660,000, according to a Bloomberg survey. The unemployment rate decreased to 6%.
- The Conference Board reported that U.S. consumer confidence increased to 109.7 from 90.4 in February, the highest reading since the pandemic began.
- FIF-I outperformed, while IEF-I, IPF-I, MAF-I and USEF-I underperformed their respective benchmarks for March.

## Monthly Overview

### Market Performance

Optimism for an economic recovery drove stock prices higher and bond prices lower in March. Led by value stocks and the utility sector, the S&P 500 Index of large-cap company stocks increased 4.4%, while the Dow Jones Industrial Average gained 6.8%. International stocks increased 1.4%, as measured by the MSCI AC World Ex U.S. IMI. The Bloomberg Barclays Treasury Index decreased 1.5%, and bond yields moved higher.

### Federal Reserve

The U.S. Federal Reserve (Fed) kept overnight interest rates near zero and said it will continue to purchase at least \$120 billion of Treasury bonds and mortgage-backed securities monthly. Fed officials raised forecasts for economic growth and inflation, driven by widespread vaccinations and fiscal stimulus spending. The Fed expects U.S. gross domestic product to expand 6.5% in 2021, the fastest pace since 1983. Its median forecast for inflation in Q4 2021 stands at 2.4%, up from its previous projection of 1.8% released in December 2020.

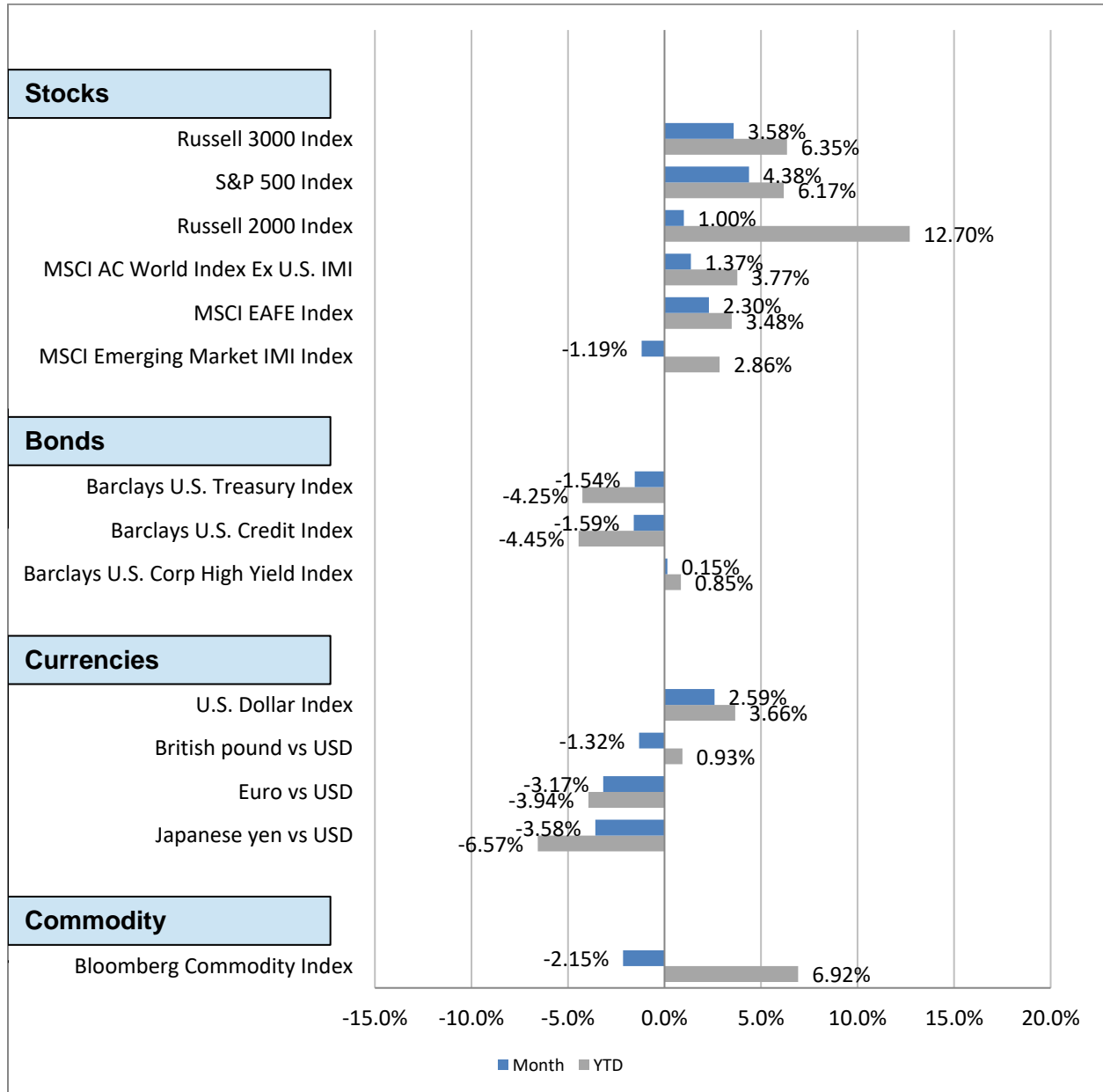
### Vaccination Progress and Economic Recovery

President Biden set a new goal of administering 200 million vaccination doses within his first 100 days in office, having met his initial goal of 100 million doses within that time frame. The pace of vaccinations in the U.S. averaged 2.76 million doses per day at the end of March. Approximately 16% of the total U.S. population – and 50% of those age 65 and older – are fully vaccinated.

The Institute of Supply Management Manufacturing Purchasing Managers Index (PMI) increased to 64.7 despite reports of supply chain delays and shortages of semiconductors. The IHS Markit Flash Composite (manufacturing and services) PMI for the Eurozone increased to 52.5 in March, reflecting strong expansion in manufacturing and moderate service sector contraction. Germany led gains with a manufacturing reading of 68.5, the highest level since April 1996. Despite this current strength in the Eurozone, concerns remain for the second quarter as rising coronavirus infections there threaten to prompt tighter lockdown restrictions.

*Sources: Bloomberg, CNBC, CDC, The Conference Board, FactSet, IHS Markit, ISM, The Wall Street Journal*

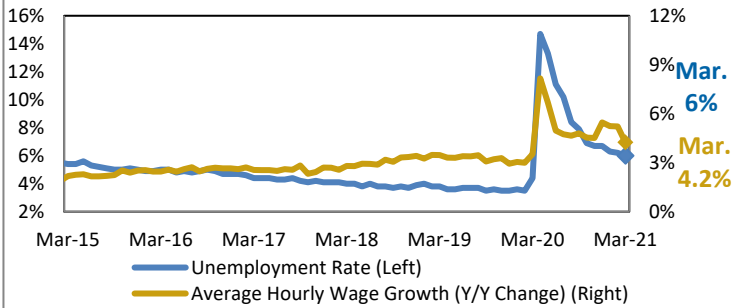
## Market Performance



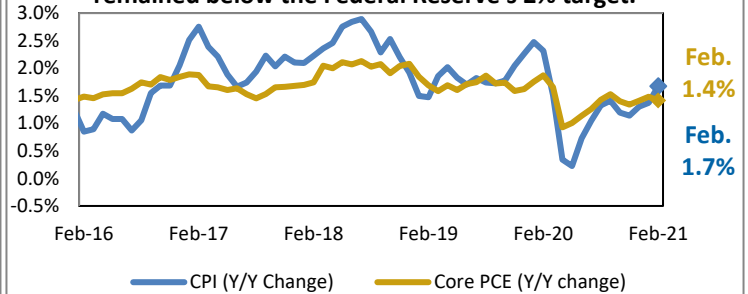
Source: FactSet, as of March 31, 2021

## Key Monthly Economic Statistics

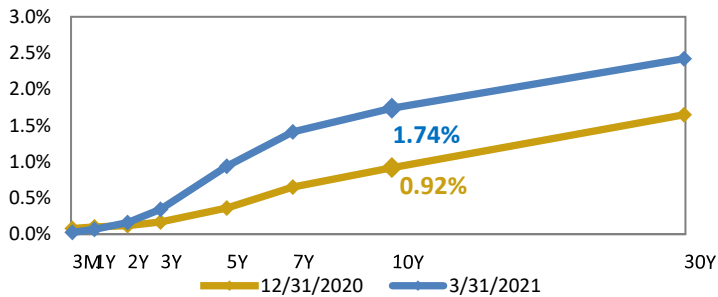
The Unemployment Rate decreased to 6%.



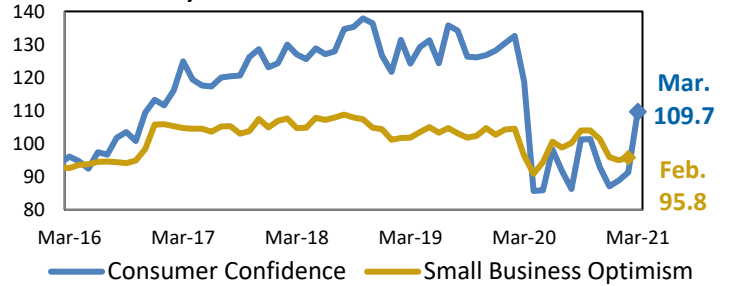
Year-over-year CPI increased, but inflation remained below the Federal Reserve's 2% target.



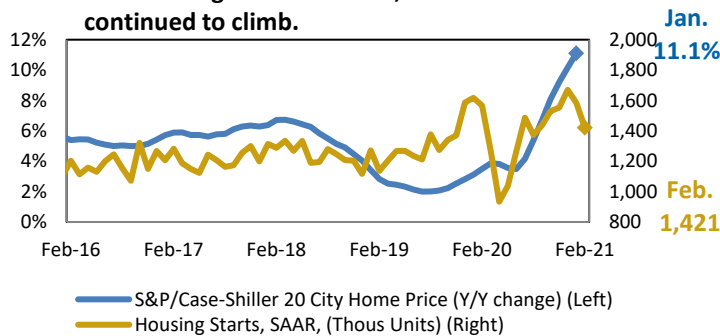
The U.S. Treasury Yield Curve steepened.



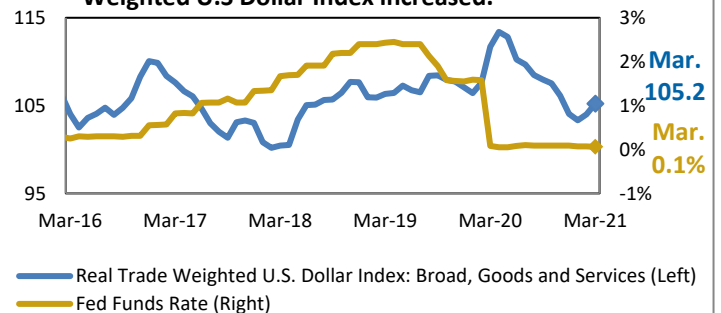
Consumer Confidence rebounded to the highest level in a year.



U.S. Housing Starts declined, while Home Prices continued to climb.



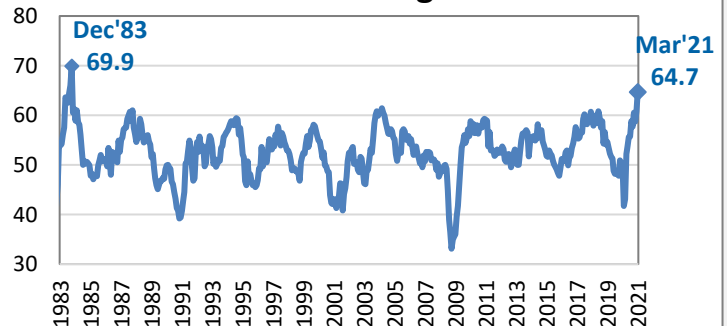
The Fed Funds Rate remained near zero. The Trade Weighted U.S. Dollar Index increased.



### Chart of the Month

- The Institute for Supply Management (ISM) calculates its Purchasing Managers' Index (PMI) based on surveys of purchasing and supply executives nationwide.
- Readings above 50 indicate manufacturing expansion.
- March's ISM Manufacturing PMI of 64.7 was the highest since December 1983 (69.9). It was the 10<sup>th</sup> consecutive month of manufacturing expansion, indicating strong sector expansion and U.S. economic growth.

ISM Manufacturing PMI – U.S.



Source: FactSet; U.S. Bureau of Labor Statistics; The Conference Board; Federal Reserve Bank of St. Louis; Bureau of Economic Analysis; National Association of Realtors; ISM

## Investment Fund Review (Net-of-Fees Performance)<sup>i</sup>

### Equity Funds

#### U.S. Equity Fund – I Series

Fund	March	YTD
U.S. Equity Fund–I Series	+1.56%	+6.11%
Russell 3000 Index	+3.58%	+6.35%
Difference (percentage points)	-2.02	-0.24

- During March and year to date, the fund underperformed its benchmark due to active managers' investments in software and e-commerce companies, an overweight in underperforming small-cap growth companies, and dedicated investments in alternatives. The fund benefited from an underweight to large-cap growth stocks, which underperformed due to the continued re-opening of the economy and rotation to more pro-cyclical areas of the market. Stocks excluded in accordance with WII's Exclusions Policy (described [here](#)) also detracted from relative performance during both periods.

#### International Equity Fund – I Series

Fund	March	YTD
International Equity Fund–I Series	+0.77%	+2.32%
MSCI ACWI ex U.S. Investable Market Index (Net)	+1.37%	+3.77%
Difference (percentage points)	-0.60	-1.45

- During March and year to date, the fund underperformed its benchmark mainly due to underperforming investments held by active managers, specifically software companies in developed markets and poor performing holdings in China. Year to date, investments in private real estate and private equity detracted from relative performance. Stocks excluded in accordance with WII's Exclusions Policy slightly detracted from relative performance during the month but performed in line with the benchmark for the year to date.

#### U.S. Equity Index Fund – I Series

Fund	March	YTD
U.S. Equity Index Fund–I Series	+3.52%	+6.30%
Russell 3000 Index	+3.58%	+6.35%
Difference (percentage points)	-0.06	-0.05

- The U.S. Equity Index Fund 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	March	YTD
Fixed Income Fund–I Series	-1.08%	-3.31%
Barclays U.S. Universal (ex MBS) Index	-1.35%	-3.61%
Difference (percentage points)	+0.27	+0.30

- A one-hour timing difference in determining the fund's security prices and the benchmark's security prices on February 26, 2021 adversely affected benchmark-relative performance in February. The impact of the timing difference reversed on the following trading day (March 1, 2021), favorably affecting benchmark-relative performance in March. This event had no effect on year-to-date returns as of March 31. Absent this difference, the fund would have performed approximately in line with the benchmark for the month of March. The fund's custodian, Bank of New York Mellon, has changed the pricing of Wespath's fixed income securities to align with benchmark pricing time.
- For the month and year to date, allocations to emerging market debt detracted from benchmark-relative performance. Allocations to high-yield corporate bonds and manager selection in global bonds, as well as the fund's interest rate positioning, added to relative performance. The fund is moderately less sensitive to changes in interest rates than its benchmark, which positively impacted benchmark-relative performance.

### Inflation Protection Fund – I Series

Fund	March	YTD
Inflation Protection Fund–I Series	+0.01%	-0.60%
IPF-I Benchmark <sup>ii</sup>	+0.28%	-1.91%
Difference (percentage points)	-0.27	+1.31

- A one-hour timing difference in determining the fund's security prices and the benchmark's security prices on February 26, 2021 adversely affected benchmark-relative performance in February. The impact of the timing difference reversed on the following trading day (March 1, 2021), favorably affecting benchmark-relative performance in March. This event had no effect on year-to-date returns as of March 31. Absent this difference, the fund would have underperformed its benchmark by approximately 47 basis points for the month of March. The fund's custodian, Bank of New York Mellon, has changed the pricing of Wespath's fixed income securities to align with benchmark pricing time.
- The fund's underweight exposure to U.K. inflation-linked securities, as well as its allocation to senior loans, detracted from benchmark-relative performance during the month but contributed positively for the year-to-date period.

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

Fund	March	YTD
U.S. Treasury Inflation Protection Fund–I Series	+0.24%	-1.83%
Barclays U.S. Inflation Linked Bond Index	-0.27%	-1.82%
Difference (percentage points)	+0.51	-0.01

- A one-hour timing difference in determining the fund’s security prices and the benchmark’s security prices on February 26, 2021 adversely affected benchmark-relative performance in February. The impact of the timing difference reversed on the following trading day (March 1, 2021), favorably affecting benchmark-relative performance in March. This event had no effect in the year-to-date returns as of March 31<sup>st</sup>. Absent this difference, the fund would have outperformed its benchmark by approximately 5 basis points for the month of March. The fund’s custodian, Bank of New York Mellon, has changed the pricing of Wespath’s fixed income securities to align with benchmark pricing time.
- The U.S. Treasury Inflation Protection Fund is a passively managed fund designed so that it closely matches the performance of the fund benchmark, less fees and expenses.

**Balanced Fund****Multiple Asset Fund – I Series**

Fund	March	YTD
Multiple Asset Fund–I Series	+0.53%	+2.01%
MAF-I Benchmark <sup>iii</sup>	+1.35%	+2.22%
Difference (percentage points)	-0.82	-0.21

- During the month, FIF-I positively contributed to benchmark-relative performance, but USEF-I, IEF-I and IPF-I detracted.
- Year to date, FIF-I and IPF-I positively contributed to benchmark-relative performance, but USEF-I and IEF-I detracted.

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<sup>i</sup> 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.

<sup>ii</sup> 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.

<sup>iii</sup> 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.

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