

May 2017 Investment Report

Highlights

- The U.S. economy grew at a 1.2% annual rate during the first quarter of the year, an upward revision from the initial estimate of 0.7% published in April. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, rose at a 0.6% rate, exceeding the previously reported 0.3% rate. While the upward revision was welcome news, the economy will need to grow at a faster pace to satisfy the markets.
- U.S. bond markets remained strong in May as prices for U.S. Treasury securities increased across the yield curve with bond interest rates remaining low. This seems to contradict investor confidence in stronger U.S. economic growth as interest rates typically rise and bond prices decrease in strengthening economic environments. Global bonds outperformed due to strong foreign currency appreciation and a decline in interest rates across the European Union.
- Strong fund flows to developed international equity markets and a surge in large-capitalization information technology stocks led equity markets higher in the month. Wespath's Fixed Income Fund outperformed its benchmark in May. The fund benefited from strong performance of non-U.S. dollar bonds from developed countries. The Inflation Protection Fund outperformed primarily due to the funds' strategic underweight to United Kingdom inflation-linked bonds.

Monthly Overview

Markets react positively to French election

Emmanuel Macron won 66% of the vote in France's run-off presidential election held on May 7. He is the youngest president in French history, as well as the first who does not belong to a major political party. Macron is a staunch supporter of the European Union, proclaiming membership to be a necessity for France's future. France's main stock market index, the CAC 40, reached a nine-and-a-half-year high on early news of the election result, but ended the month slightly lower from its high.

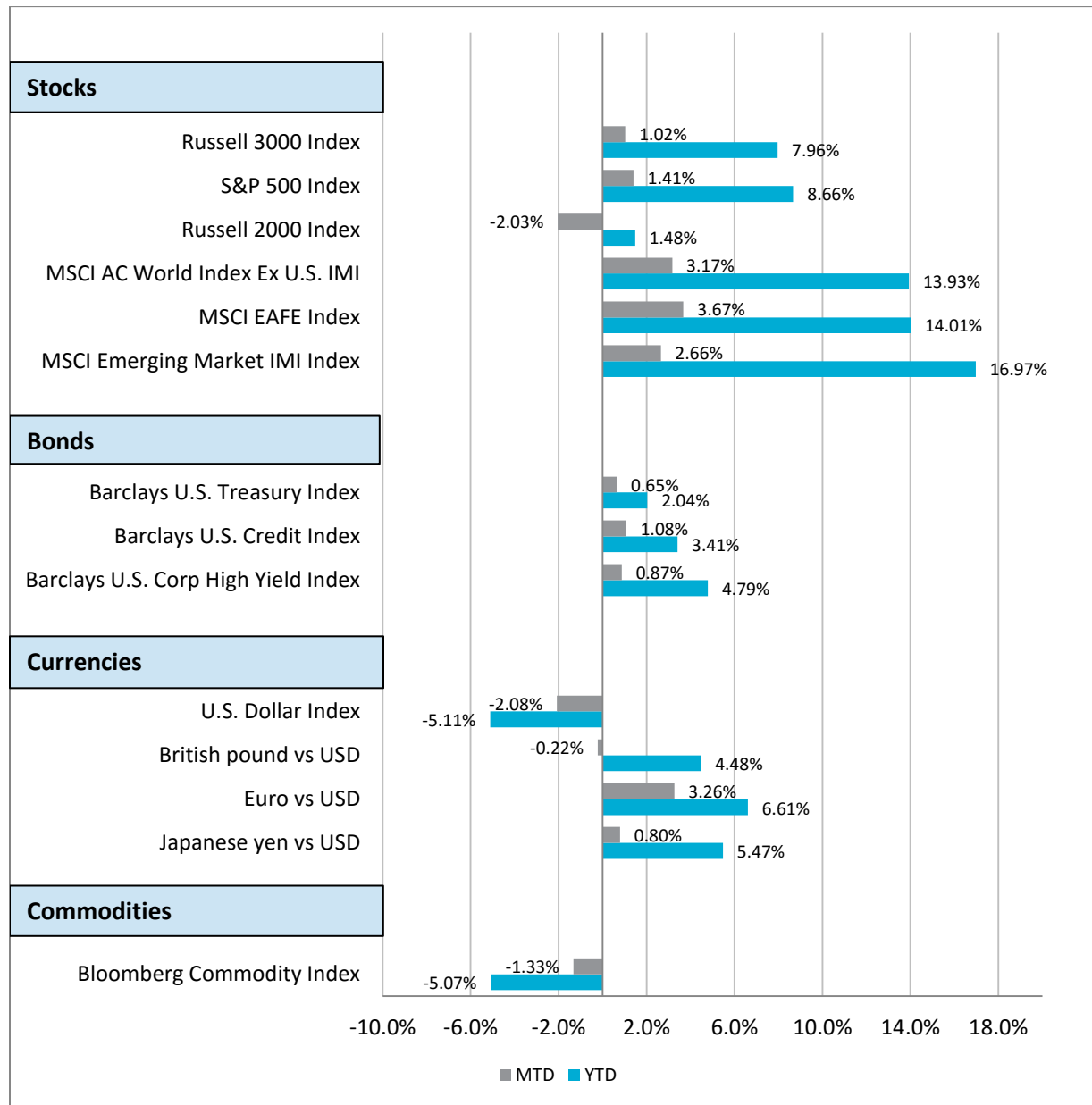
Technology stocks continue rally

Information technology stocks continue to rise as investors remain optimistic about the prospects for artificial intelligence, autonomous driving and the demand for semiconductors. The NASDAQ index, which has a higher weighting to technology stocks, outpaced the other major U.S. indexes with a 2.5% gain during the month.

Unemployment rate drops to 10-year low

The Bureau of Labor Statistics reported that the U.S. economy added 211,000 nonfarm jobs to the U.S. economy in April, exceeding market expectations of 188,000 jobs. Hiring in the leisure and hospitality sector, as well as in business and professional services, drove gains. The unemployment rate fell to 4.4%, its lowest level since May 2007. Economists believe the U.S. is at or near full employment and wage growth is expected to increase. However, wages grew 2.5% compared to a year ago, which is well below the 3% to 4% pace that typically prevails in a strong economic recovery.

Market Performance



Source: FactSet, As of May 31, 2017

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Nonfarm Payrolls	Apr: 211,000 (Mar: 79,000)	▲
Real Gross Domestic Product	Mar: 1.2% (Dec: 2.1%); Q/Q-SAAR	▲
Retail Sales ex-auto	Apr: 0.3% (Mar: 0.3%); M/M-SA	▲
Retail Sales	Apr: 0.4% (Mar: 0.1%); M/M-SA	▲
S&P/Case-Shiller 20-City Home Price Index	Mar: 5.9% (Feb: 5.9%); Y/Y	▲
Unemployment Rate	Apr: 4.4% (Mar: 4.5%)	▲
		Neutral
Consumer Confidence	May: 117.9 (Apr: 119.4)	◆
Consumer Price Index core	Apr: 0.1% (Mar: -0.1%); M/M-SA	◆
Consumer Price Index	Apr: 0.2% (Mar: -0.3%); M/M-SA	◆
Factory Orders	Mar: 0.2% (Feb: 0.8%); M/M-SA	◆
Institute for Supply Management Index	Apr: 54.8% (Mar: 57.2%)	◆
Producer Price Index core	Apr: 0.4% (Mar: 0.0%); M/M-SA	◆
Producer Price Index	Apr: 0.5% (Mar: -0.1%); M/M-SA	◆
		Negative
Durable Goods Orders	Apr: -0.7% (Mar: 2.3%); M/M-SA	▼
Existing Home Sales	Apr: -2.3% (Mar: 4.2%); M/M-SAAR	▼
Housing Starts	Apr: -2.6% (Mar: -6.6%); M/M-SAAR	▼
New Home Sales	Apr: -11.4% (Mar: 5.8%); 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

Update November 1, 2017: The information presented regarding Real Gross Domestic Product and Factory Orders was updated to reflect corrected month and statistic, respectively.

Investment Fund Review (Net of Fees Performance)ⁱ

Equity Funds

U.S. Equity Fund

Fund	May	YTD
U.S. Equity Fund	+0.97%	+7.57%
Russell 3000 Index	+1.02%	+7.96%
Difference (percentage points)	-0.05	-0.39

- For the month of May and year-to-date, the U.S. Equity Fund's strategic allocation of overweighting small- and mid-sized company stocks, with a corresponding underweight in large-company stocks, detracted from benchmark-relative performance. In addition, the fund's allocation to the alternative investment strategies of private equity and private real estate, detracted from performance during both periods.
- While overall small-cap companies underperformed large-cap companies, the fund benefited most from its allocation to small-cap growth companies during both periods. Small-cap growth companies in the health care and information technology sectors were particularly strong performers.

International Equity Fund

Fund	May	YTD
International Equity Fund	+2.84%	+14.44%
MSCI ACWI ex US Investable Market Index	+3.17%	+13.93%
Difference (percentage points)	-0.33	+0.51

- During the month, the International Equity Fund's strategic allocations to the alternative investment strategy of private real estate detracted from benchmark-relative performance. Additionally, the companies ineligible for investment because of the fund's ethical exclusions policy collectively outperformed the fund benchmark, which modestly detracted from performance.
- Year-to-date, the fund's allocation to emerging markets positively contributed to benchmark-relative performance. Emerging market equities outperformed developed market equities by nearly three percentage points. Strong performance by two developed market managers and the fund's allocations to low-carbon energy solutions strategies contributed most to benchmark-relative performance. The fund's allocation to the alternative investment strategies of private equity and private real estate negatively affected performance, as did the fund's ethical exclusions.

Equity Social Values Plus Fund

Fund	May	YTD
Equity Social Values Plus Fund	+2.20%	+10.28%
ESVPF Custom Benchmark ⁱⁱ	+2.16%	+10.10%
Difference (percentage points)	+0.04	+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	May	YTD
U.S. Equity Index Fund	+0.88%	+7.47%
Russell 3000 Index	+1.02%	+7.96%
Difference (percentage points)	-0.14	-0.49

- 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	May	YTD
Fixed Income Fund	+1.11%	+4.14%
Barclays U.S. Universal (ex MBS) Index	+0.82%	+3.02%
Difference (percentage points)	+0.29	+1.12

- The overweight allocation to non-U.S. dollar bonds from developed countries contributed the most to benchmark-relative returns in May as the euro appreciated relative to the dollar.
- For the year-to-date, the fund's strategic overweight allocations to non-U.S. dollar debt from developed and developing countries, which benefited from the improvement in credit spreads and local currency appreciation, positively contributed to benchmark-relative returns. In addition, overweight allocations to investment grade and high-yield corporate debt, as well as strategic yield curve positioning by the fund's core plus managers, positively contributed to year-to-date relative results.

Extended Term Fixed Income Fund

Fund	May	YTD
Extended Term Fixed Income Fund	+1.46%	+4.05%
Barclays U.S. Government/Credit Long Term Index	+2.02%	+5.24%
Difference (percentage points)	-0.56	-1.19

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

Inflation Protection Fund

Fund	May	YTD
Inflation Protection Fund	+0.10%	+1.84%
IPF Custom Benchmark ⁱⁱⁱ	-0.35%	+1.71%
Difference (percentage points)	+0.45	+0.13

- The biggest contributor to benchmark-relative results during May was the fund's strategic underweight allocation to UK inflation-linked bonds. UK inflation-linked bonds are highly sensitive to changes in UK interest rates and declined in value by more than 1.6% on a currency-hedged basis in May. The allocation to diversifying floating rate strategies of senior loans and asset backed securities contributed to benchmark-relative results.
- Year-to-date, the underweight allocation to UK inflation-linked bonds detracted from benchmark-relative performance, while the fund's dedicated commodities account exceeded its performance benchmark and positively contributed to the fund's benchmark-relative returns. The out-of-benchmark allocations to floating rate senior loans, asset backed securities and private timber also positively contributed to year-to-date benchmark-relative performance.

Balanced Fund

Multiple Asset Fund

Fund	May	YTD
Multiple Asset Fund	+1.49%	+8.11%
Composite Benchmark ^{iv}	+1.48%	+7.82%
Difference (percentage points)	+0.01	+0.29

- For the month, the U.S. Equity Fund, and International Equity Fund negatively contributed to the Multiple Asset Fund's benchmark-relative performance, while the Fixed Income Fund and Inflation Protection Fund positively contributed to performance.
- Year-to-date, the International Equity Fund, Fixed Income Fund and Inflation Protection Fund all positively contributed to benchmark-relative performance, while 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 On April 1, 2017, the benchmark for the Equity Social Values Plus Fund became the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index. Prior to April 1, 2017, the benchmark was the MSCI World Custom Environmental, Social, and Governance (ESG) Special Weighted 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.