

## May 2020 Investment Report

### Highlights

- More than 100,000 Americans have died from COVID-19, while the global death toll reached 350,000. At the end of May, cumulative cases exceeded 1.6 million in the U.S. and 5.6 million globally.
- Global stocks continued to recover in May as many countries began to reopen their economies, government stimulus plans provided economic support and COVID-19 vaccine trials progressed.
- Video of a Minneapolis police officer fatally applying excessive force to restrain unarmed African-American George Floyd sparked nationwide outrage and protests. In many cities across the U.S., civil unrest overshadowed peaceful demonstrations.
- The U.S. unemployment rate unexpectedly fell from 14.7% in April to 13.3% in May as the economy began to reopen. Employers added 2.5 million jobs during the month. Leisure and hospitality, which were some of the hardest hit areas of the job market, saw some of the largest employment gains.
- In May, MAF-I, USEF-I, IEF-I, and FIF-I outperformed their respective benchmarks. IPF-I underperformed its benchmark during the month.

### Monthly Overview

#### Global stocks continued to recover

Building on April's strong recovery rally, the S&P 500 gained 4.8% and international stocks advanced 3.6% in May as investors looked beyond near-term economic concerns. Small- and mid-sized company stocks outperformed large company stocks, and stocks in the technology sector continued producing strong performance. Year to date, the tech-heavy NASDAQ Composite's gain of 6.2% led the major indices.

#### Countries around the world start to reopen their economies

A decline in new cases encouraged state governors to ease lockdown restrictions, during the month, all 50 states took steps to reopen businesses and government agencies after months of closure. Each state chose its own path for reopening, though most states are applying a phased approach. More than 100 COVID-19 vaccines are in development worldwide, and human clinical tests have begun for at least eight of the vaccine candidates.

#### Widespread protests and civil unrest

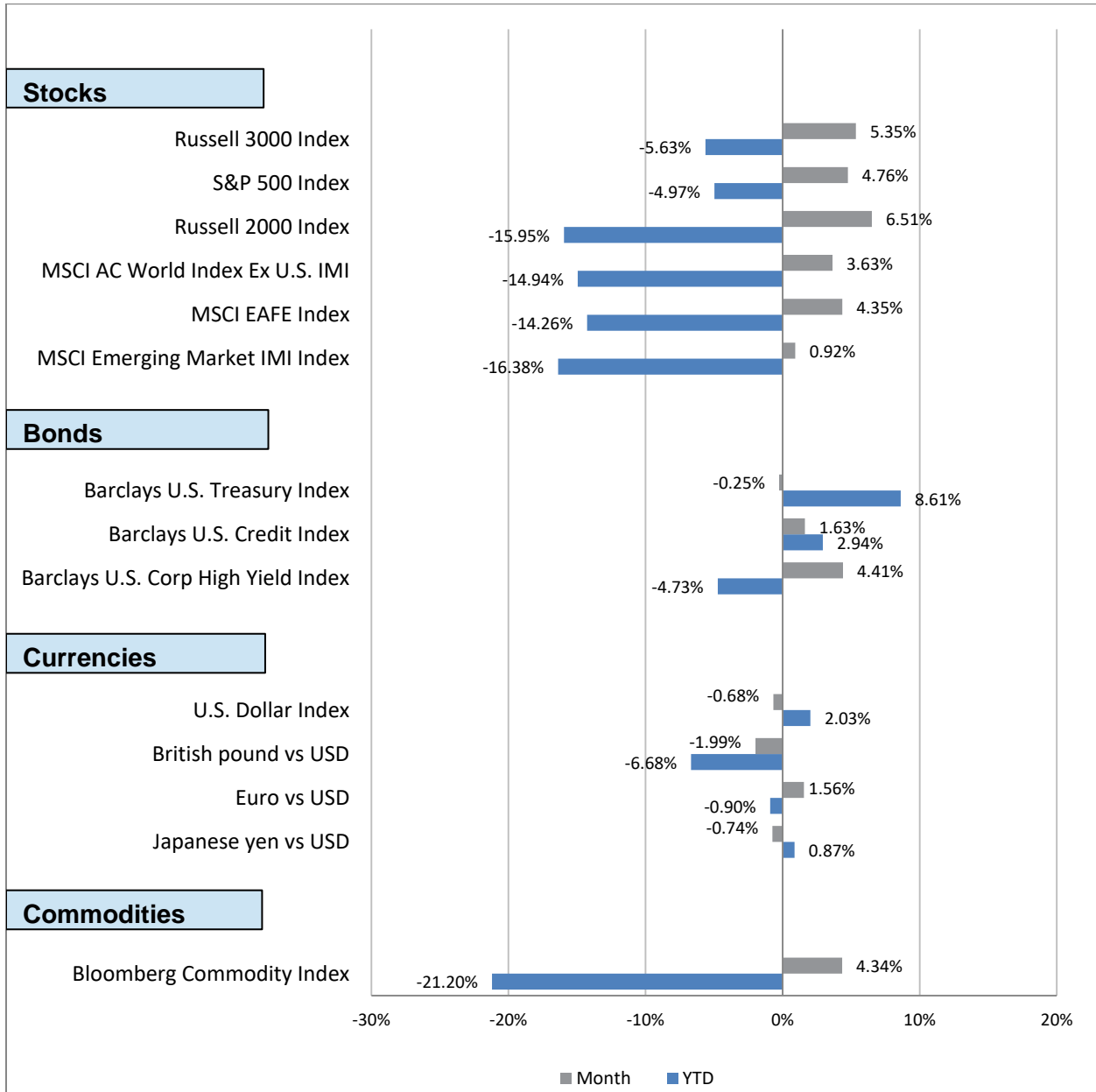
George Floyd's death while in police custody drove protesters to the streets with cries for social justice across hundreds of cities in the U.S. and abroad. Peaceful protests gave way to widespread civil unrest, exacerbating already heightened anxiety and threatening a further forestall of economic recovery from COVID-19.

#### Government stimulus efforts continue

Late in the month, the European Union announced plans for a proposed €750 billion (\$824 billion) COVID-19 stimulus effort and €1.1 trillion (\$1.2 trillion) budget over the next seven years. Japan approved a set of measures to boost the economy totaling ¥117 trillion yen (\$1.1 trillion). The new package brings Japan's total COVID-19 stimulus spending to ¥234 trillion yen (\$2.2 trillion).

Source: FactSet; WSJ, Fortune, Bureau of Labor Statistics, World Health Organization, Johns Hopkins University, and the IMF.

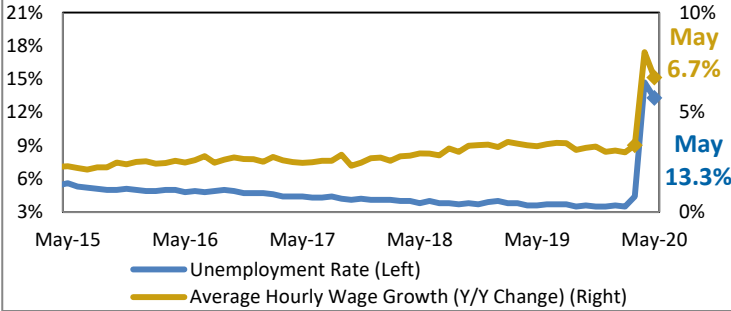
## Market Performance



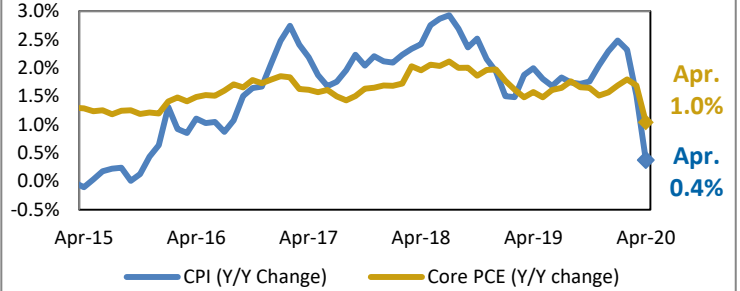
Source: FactSet, as of May 31, 2020

## Key Monthly Economic Statistics

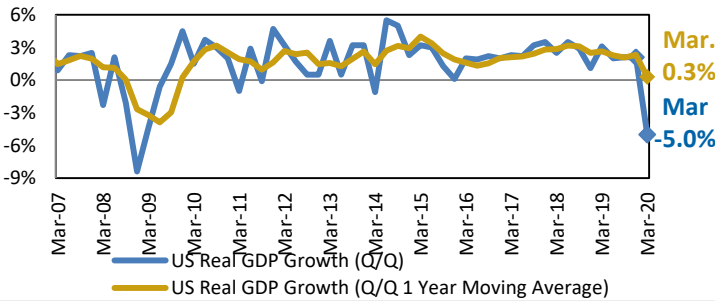
The unemployment rate unexpectedly fell to 13.3% in May as payrolls increased 2.5 million.



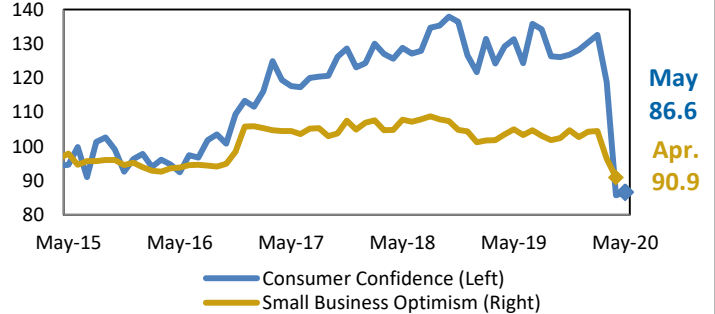
The year-over-year inflation rate remained below 2%.



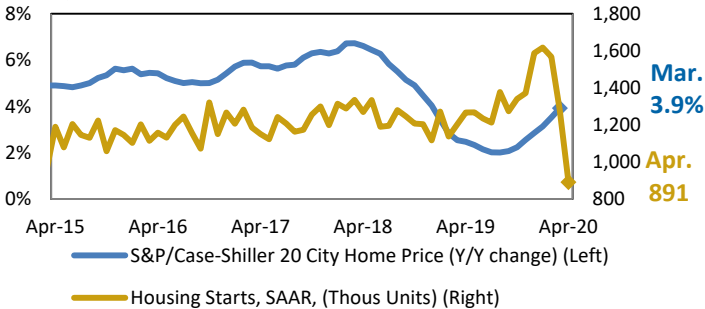
The second estimate of Q1 2020 real GDP was revised down to -5.0%, the weakest since Q4 2008.



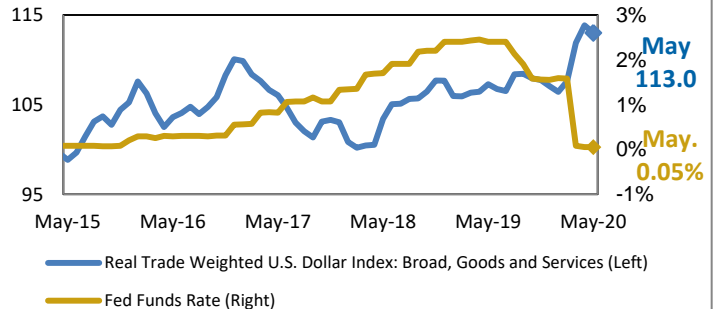
Consumer confidence remained low. Small Business Optimism continued to decrease.



U.S. housing starts fell 30% in April. Annual price growth increased in March.



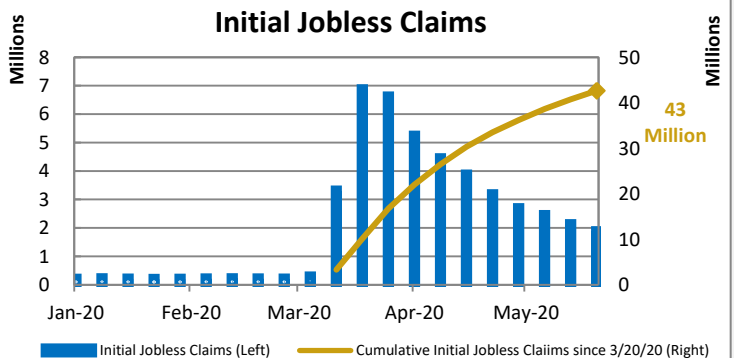
The Fed Funds rate remained near zero. The trade weighted U.S. Dollar index remained stable.



### Chart of Month

- U.S. initial unemployment claims remained extremely elevated, but the pace of new claims continued to slow during the month.
- Cumulative initial unemployment claims reached 43 million over the 11-week period since states began implementing lockdowns to slow the spread of the coronavirus.
- The U.S. unemployment rate unexpectedly fell from 14.7% in April to 13.3% in May, as states began the process of reopening their economies.

### Initial Jobless Claims



Source: FactSet ; U.S Bureau of Labor Statistics; The Conference Board; Federal Reserve Bank of St. Louis

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

### Equity Funds

#### U.S. Equity Fund–I Series

Fund	May	YTD
U.S. Equity Fund–I Series	+6.54%	-4.90%
Russell 3000 Index	+5.35%	-5.63%
Difference (percentage points)	+1.19	+0.73

- During the month, the fund benefited most from outperforming growth-oriented active managers. Specifically, investments in software & services companies within the technology sector were meaningful contributors to outperformance. Also benefiting relative performance was an overweight allocation to small- and mid-cap companies. In addition, stocks excluded from the fund in compliance with WII's Exclusions policy (described [here](#)) underperformed the broad markets. To a lesser extent, the fund's investments in private real estate and private equity detracted from relative performance.
- Year to date, the fund's relative performance was positively impacted from outperforming growth-oriented active managers, an underweight to poor performing value-oriented companies, and poor-performing stocks excluded from the portfolio in compliance with WII's Exclusions policy.

#### International Equity Fund–I Series

Fund	May	YTD
International Equity Fund–I Series	+5.60%	-12.09%
MSCI ACWI ex U.S. Investable Market Index (Net)	+3.63%	-14.94%
Difference (percentage points)	+1.97	+2.85

- During the month, the fund benefited most from the majority of active managers outperforming their respective benchmarks, as well as the fund's fair market valuation policy (described [here](#)). In particular, an active manager focused on selecting stocks from developed economies benefited from investments in consumer discretionary and healthcare companies in Germany.
- Year to date, the fund benefited from strong outperformance by a number of active managers, as well as investments in alternative investment strategies and poor-performing stocks excluded from the fund in compliance with WII's Exclusions policy.

**U.S. Equity Index Fund–I Series**

Fund	May	YTD
U.S. Equity Index Fund–I Series	+5.35%	-5.76%
Russell 3000 Index	+5.35%	-5.63%
Difference (percentage points)	0.00	-0.13

- 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.

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

Fund	May	YTD
Fixed Income Fund–I Series	+2.09%	+1.92%
Barclays U.S. Universal (ex MBS) Index	+1.17%	+4.51%
Difference (percentage points)	+0.92	-2.59

- The fund outperformed its benchmark during the month due to allocations to emerging market debt and corporate credit—both high-yield and investment-grade rated. Asset manager security selection in both sectors also added to benchmark-relative performance.
- Year to date, 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 added to benchmark-relative performance.

**Inflation Protection Fund–I Series**

Fund	May	YTD
Inflation Protection Fund–I Series	+1.36%	-2.00%
IPF-I Benchmark <sup>ii</sup>	+2.37%	+0.59%
Difference (percentage points)	-1.01	-2.59

- During the month and year-to-date, the fund's overweight exposure to U.S. inflation-linked securities and related underweight exposure to U.K. inflation-linked securities detracted from benchmark-relative performance.
- The fund's allocation to the diversifying strategy of below-investment-grade, floating-rate bank loans added to benchmark-relative performance during the month but detracted year-to-date.

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

Fund	May	YTD
U.S. Treasury Inflation Protection Fund–I Series	+0.03%	+4.94%
Barclays U.S. Inflation Linked Bond Index	+0.25%	+5.16%
Difference (percentage points)	-0.22	-0.22

- 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	May	YTD
Short Term Investment Fund–I Series	+0.04%	+0.50%
BofA Merrill Lynch 3-Month Treasury Bill Index	+0.00%	+0.58%
Difference (percentage points)	+0.04	-0.08

- 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	May	YTD
Multiple Asset Fund–I Series	+4.63%	-4.48%
MAF-I Benchmark <sup>iii</sup>	+3.49%	-5.19%
Difference (percentage points)	+1.14	+0.71

- During the month, the U.S. Equity Fund-I Series, International Equity Fund-I Series and Fixed Income Fund-I Series positively contributed to benchmark-relative performance, while the Inflation Protection Fund-I Series detracted from benchmark-relative performance.
- Year to date, the International Equity Fund-I Series and U.S. Equity Fund-I Series positively contributed to benchmark-relative performance, while the Fixed Income Fund-I Series and Inflation Protection Fund-I Series detracted from relative performance.

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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% Inflation Protection Fund (IPF) Benchmark.