

# May 2022 Investment Report

## Highlights

- The S&P 500 Index of U.S. blue chip stocks increased 0.2% in May, while non-U.S. stocks, represented by the MSCI ACWI ex US IMI Index, increased 0.5%. The Bloomberg U.S. Aggregate Bond Index returned 0.6%.
- Eurozone inflation reached a record high of 8.1%, and U.S. inflation measured 8.3%.
- The Federal Reserve (Fed) raised interest rates by 0.5%.
- Companies in the S&P 500 recorded average earnings growth of 9% in the first quarter of 2022 compared to the same period last year, representing a moderation from elevated growth rates in 2021.
- As the war in Ukraine continued, the European Union agreed to ban 90% of Russian oil imports by year end, and Finland and Sweden applied for NATO membership.
- The Labor Department reported that U.S. employers added 390,000 nonfarm jobs in May, and the unemployment rate remained at 3.6%.
- The International Equity Fund, Inflation Protection Fund and Multiple Asset Fund outperformed while the U.S. Equity Fund and Fixed Income Fund underperformed their respective benchmarks for May.

## Monthly Overview

### S&P 500 narrowly avoids closing in bear market territory

The high level of uncertainty regarding inflation, Fed policy and slowing economic growth contributed to market volatility during the month. The S&P 500 briefly touched “bear market” territory intraday on May 20 by falling 20% below its previous high set in January 2022. However, equity markets rebounded to finish May with a gain of 0.2% after the Fed released minutes from its Federal Open Market Committee meeting. The minutes partially quelled investor concerns that the Fed would pursue a more aggressive monetary tightening approach that would push the economy into a recession. In fixed income markets, the Bloomberg Treasury Index increased 0.2% and the Bloomberg Credit Index increased 0.9%. The U.S. Dollar Index decreased 1.2% in May.

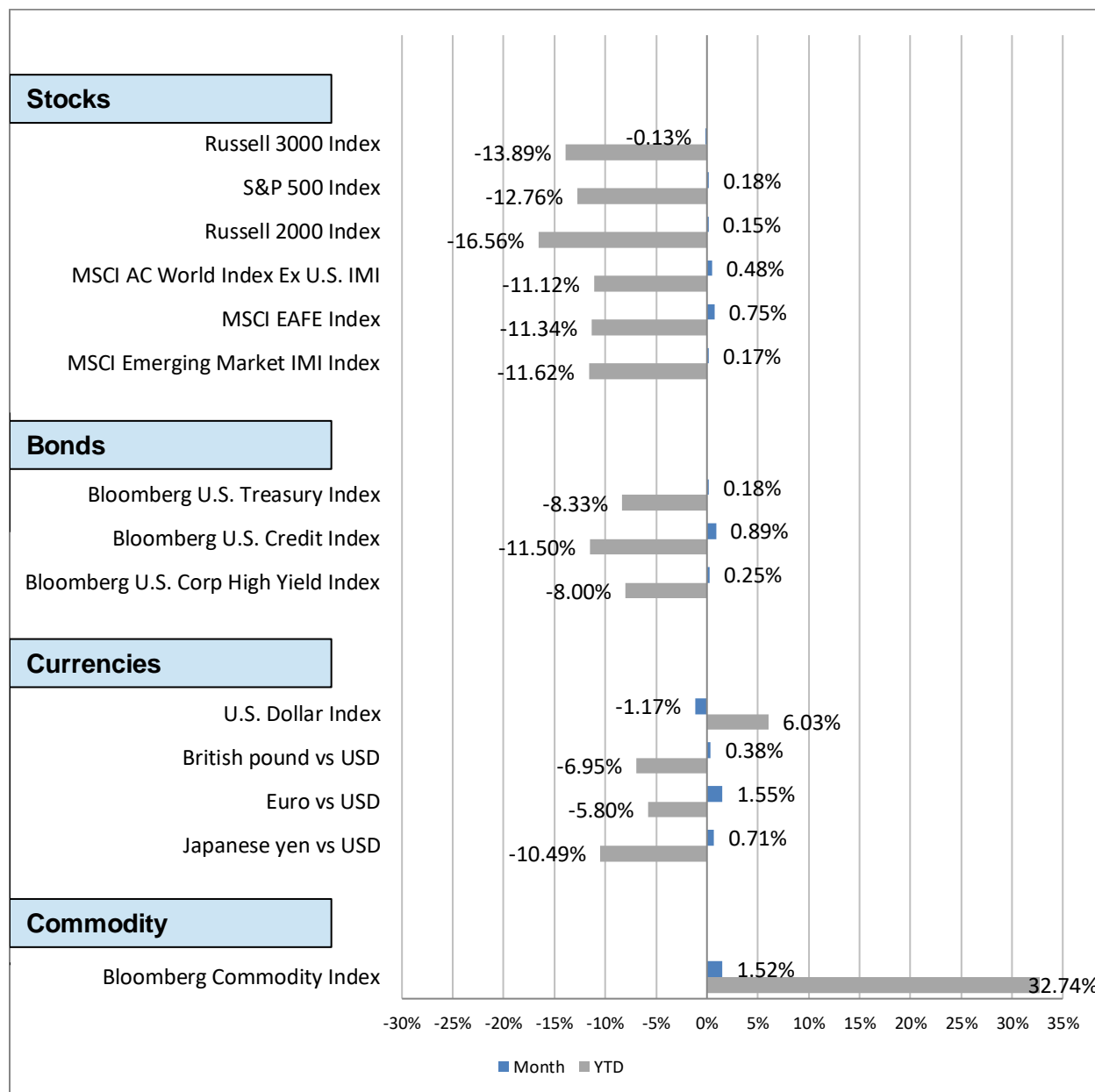
### Federal Reserve increased benchmark interest rate by 0.5%

The Fed raised its benchmark Federal Funds interest rate by 0.5% at the May 4 policy meeting, which was its most aggressive rate increase since 2000. Fed Chair Jerome Powell indicated a high likelihood of two additional 0.5% increases in June and July. In addition to raising the Federal Funds rate, the Fed will gradually reduce its \$9 trillion balance sheet holdings of Treasury and agency mortgage-backed securities beginning in June. Fed policy is a key focus for investors as tightening monetary policy could reduce economic growth.

### Inflation remains near highest level in 40 years

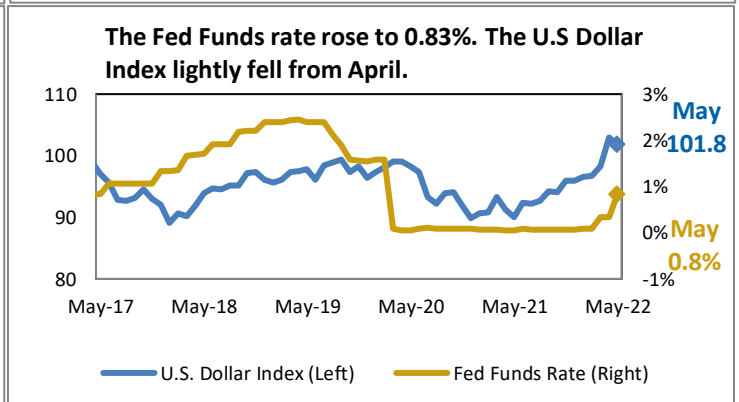
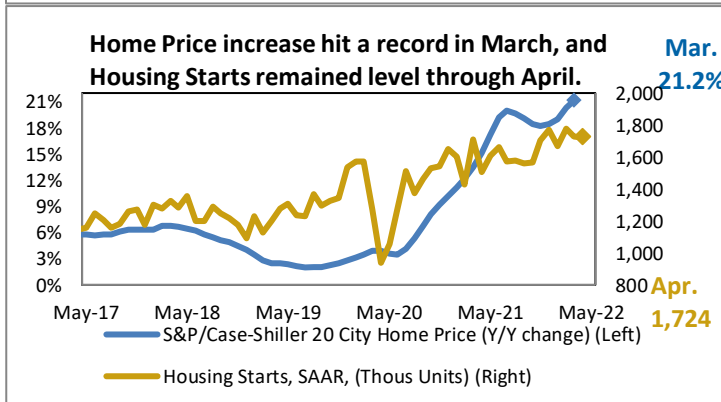
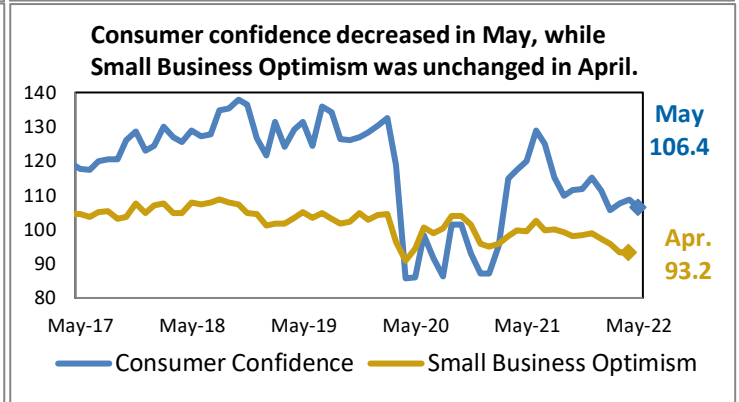
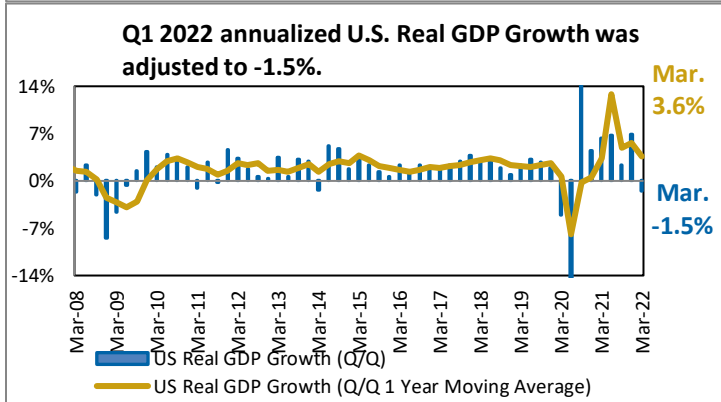
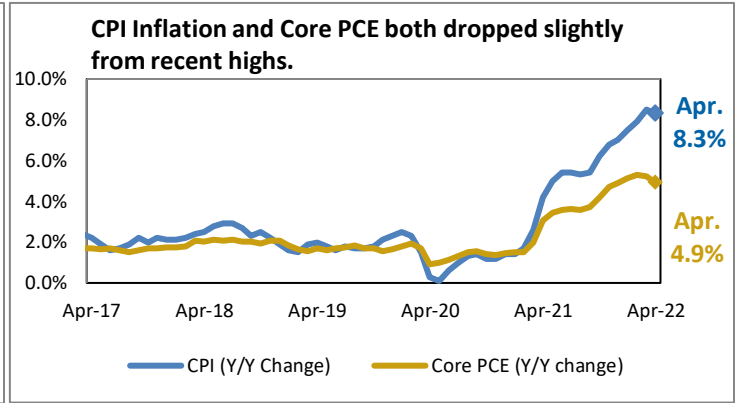
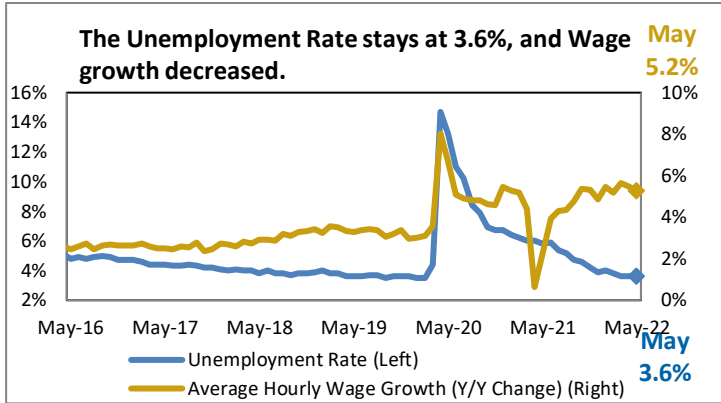
The U.S. Consumer Price Index (CPI), a broad measure of prices for goods and services, increased 8.3% for the 12 months ending in April. This is a slight decrease from the 8.5% reported in March, which was the highest level of inflation reported in 40 years. Core CPI, which excludes the volatile food and energy sectors, rose 6.2%. Some data suggests that inflation may have peaked, but uncertainty around the pace of slowing remains. The war in Ukraine will continue to pressure food and oil prices, and the two-month COVID lockdown in Shanghai will complicate supply chain issues.

## Market Performance



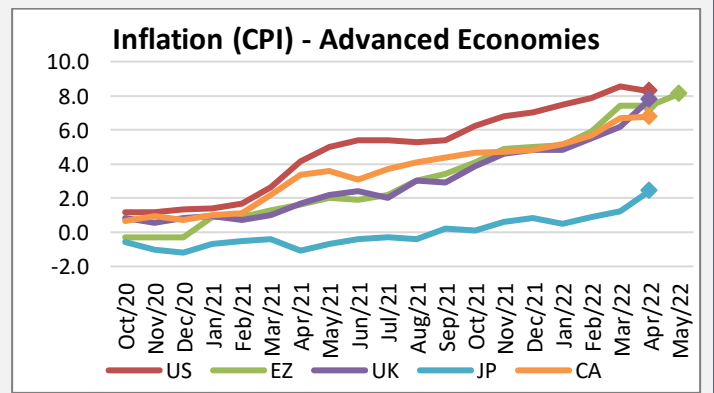
Source: FactSet, as of May 31, 2022.

## Key Monthly Economic Statistics



### Chart of the Month

- Consumer Price Index inflation increased since the start of the pandemic in most advanced economies.
- The US is currently facing higher inflation than other developed countries. The UK and Eurozone have experienced substantial increases in inflation over the last few months, in part due to the ongoing war in Ukraine.
- President Biden stated it is the primary responsibility of the Fed to control inflation. He noted lowering gas prices, fixing supply chains and reducing the federal deficit are additional tools to control inflation over the next few months.



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

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

### Equity Funds

#### US Equity Fund – I Series

Fund	May	YTD
US Equity Fund – I Series (USEF-I)	-0.28%	-14.73%
Russell 3000 Index	-0.13%	-13.89%
Difference (percentage points)	-0.15	-0.84

- During the month, the fund underperformed its benchmark mainly due to write-downs in a number of private equity investments and an overweight to small- and mid-cap growth stocks. To a lesser extent, an underweight to poor performing mega-cap technology companies contributed positively to relative performance.
- Year to date, the fund's underweight to mega-cap technology stocks, and dedicated holdings in alternatives, contributed positively to benchmark-relative performance. An overweight to small- and mid-cap growth companies, investments in other growth-oriented stocks, and stocks excluded in accordance with WII's Exclusions Policy (described [here](#)) detracted from performance.

#### International Equity Fund – I Series

Fund	May	YTD
International Equity Fund – I Series (IEF-I)	+0.70%	-16.00%
MSCI ACWI ex U.S. Investable Market Index (Net)	+0.48%	-11.12%
Difference (percentage points)	+0.22	-4.88

- During the month the fund outperformed its benchmark. During the period, active growth-oriented strategies detracted from relative performance, while the fund's fair market valuation policy (described [here](#)) contributed positively to performance.
- Year to date, the fund underperformed its benchmark mainly due to poor performing investments held by growth-oriented active managers. Specifically, poor performing investments in e-commerce platform companies were meaningful detractors.

#### US Equity Index Fund – I Series

Fund	May	YTD
US Equity Index Fund – I Series	-0.17%	-14.16%
Russell 3000 Index	-0.13%	-13.89%
Difference (percentage points)	-0.04	-0.27

- The US 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 (FIF-I)	+0.24%	-9.30%
Barclays U.S. Universal (ex MBS) Index	+0.38%	-9.66%
Difference (percentage points)	-0.14	+0.36

- In May, the allocation to emerging market debt added to relative performance, but allocations to global developed country bonds detracted. Managers' security and sector selection detracted for the period.
- Year to date, the fund outperformed its benchmark. The allocation to emerging market debt and investment-grade rated corporate bonds detracted from relative performance. The fund's allocation to US agency commercial mortgage-backed securities, global bonds, alternatives, and Positive Social Purpose Lending Program positively contributed to relative performance. Managers' security and sector selection were slightly negative for the period.

### Inflation Protection Fund – I Series

Fund	May	YTD
Inflation Protection Fund – I Series (IPF-I)	-0.63%	-0.86%
IPF-I Benchmark <sup>ii</sup>	-2.39%	-4.17%
Difference (percentage points)	+1.76	+3.31

- The fund's underweight allocation to UK inflation-linked securities was the largest contributor to positive benchmark-relative performance for the month and year-to-date periods.
- In May, the allocation to commodities and US & global inflation-linked bonds positively contributed to benchmark-relative performance. Manager selection was positive for the period. There were no material detractors to performance during the period.
- Year-to-date, allocations to commodities and senior secured corporate loans positively contributed to benchmark-relative performance. Allocations to US and emerging market inflation-linked bonds detracted from relative performance for the period.

### US Treasury Inflation Protection Fund – I Series

Fund	May	YTD
US Treasury Inflation Protection Fund – I Series	-1.21%	-6.56%
Barclays US Inflation Linked Bond Index	-1.22%	-6.58%
Difference (percentage points)	+0.01	+0.02

- The US Treasury Inflation Protection Fund is a passively managed fund designed to closely match the performance of the fund benchmark less fees and expenses.

## Balanced Fund

### Multiple Asset Fund – I Series

Fund	May	YTD
Multiple Asset Fund – I Series (MAF-I)	+0.11%	-12.34%
MAF-I Benchmark <sup>iii</sup>	-0.05%	-11.00%
Difference (percentage points)	+0.16	-1.34

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

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