

November 2017 Investment Report

Highlights

- The U.S. economy continued to strengthen as hiring rebounded following the hurricanes in Florida and Texas. Employers added 261,000 jobs in October, the most in more than a year, and the unemployment rate fell to 4.1%, a 17-year low.
- The Republicans' effort to enact sweeping tax reform progressed through Congress. The House and Senate will have to work together to reconcile the two versions of the bill.
- The Dow Jones Industrial Average (Dow) and S&P 500 market indices both set record highs during November, marking their eighth consecutive month of gains. The Federal Reserve (Fed) kept rates unchanged but signaled it may again raise its short-term bank borrowing rate in December, while the Bank of England raised its rate for the first time in a decade.
- The U.S. Equity Fund and the International Equity Fund underperformed their respective benchmarks primarily due to manager-specific factors for both funds, and allocations to alternative investments in USEF. The Fixed Income Fund outperformed its benchmark primarily due to an overweight allocation to non-dollar emerging and developed market debt. The Inflation Protection Fund underperformed because of its strategic underweight allocation to U.K. inflation-linked bonds and overweight to U.S. Treasury Inflation Protected Securities (TIPS).

Monthly Overview

U.S. stock market continues to break records

The Dow finished the month above 24,000 for the first time, surpassing its fifth thousand-point landmark in 2017. The strong October jobs report and recent progress made on the U.S. tax reform bill positively influenced the market's performance. In addition, third quarter economic growth of above 3%, continued low inflation, 17-year low rates of unemployment, strong consumer spending, and a Fed willing to maintain relatively low interest rates all helped support continued market strength.

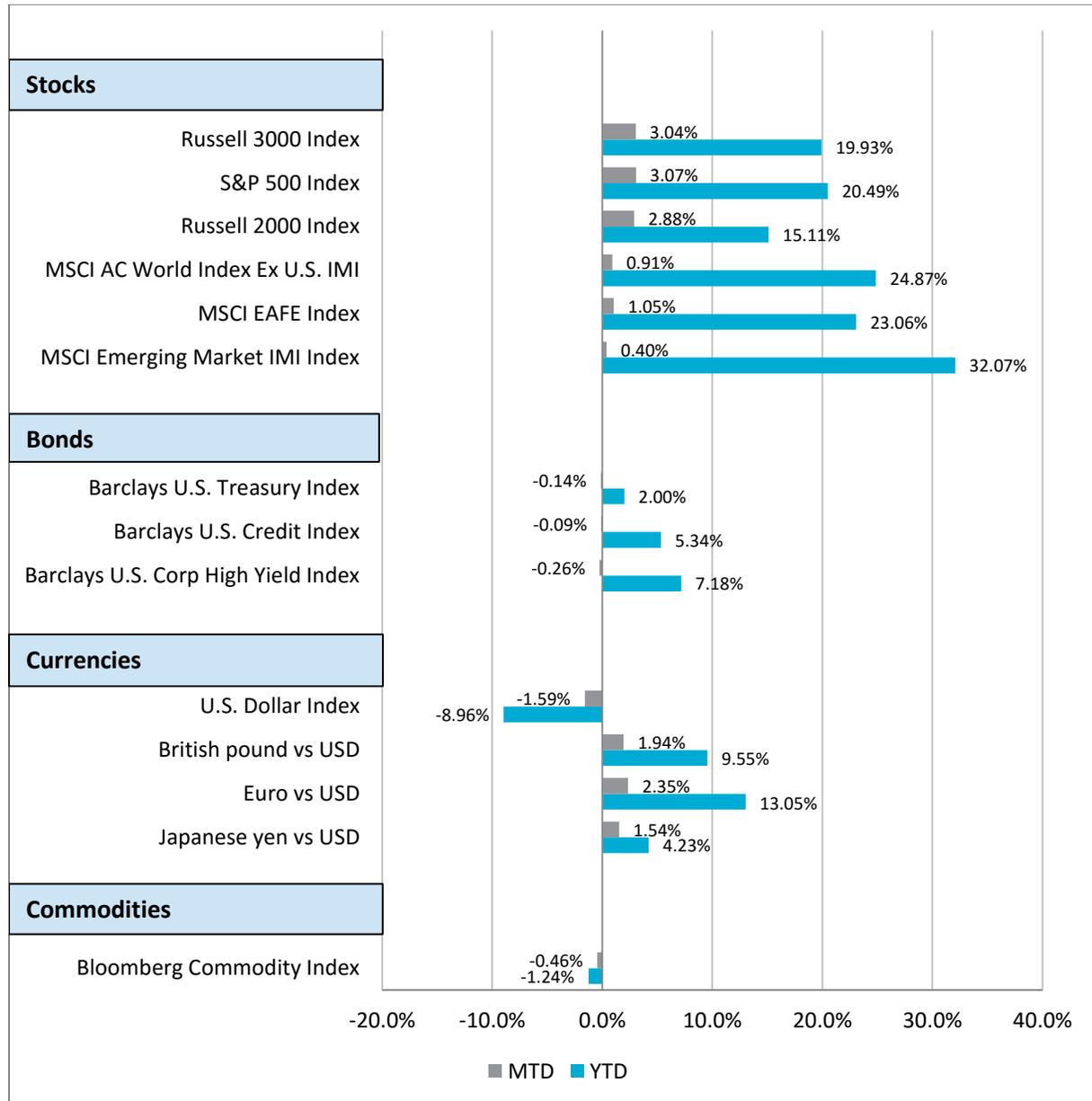
President Trump's tax reform bill passes Congress

The House of Representatives earlier in the month passed a tax reform plan initiated by President Donald Trump, which represents the biggest change to the U.S. tax code in over 30 years. The Senate passed its version of tax reform at midnight on Saturday, December 2. The initial plan called for cuts in the corporate tax rate to 20% from 35%, reduced the number of individual income tax brackets, and repealed the estate tax. As a means of partially offsetting the impact of the proposed cuts, the bills attempt to curtail a number of deductions, such as state income taxes, real estate taxes and mortgage interest. A small group of legislators from both the House and Senate must reconcile a number of differences in the two bills.

Jerome Powell nominated to be the 16th Chair of the Federal Reserve

At the beginning of November, President Trump nominated Jerome Powell to replace Janet Yellen as the Fed Chair. Mr. Powell is a Republican and has been a Fed governor since 2012. Considered by many to be pragmatic and restrained, he has been supportive of Yellen's strategy of slowly raising interest rates as the economy strengthens. Mr. Powell will lead an organization with 2,700 employees, 12 regional banks and a seven-member board. If confirmed by the Senate, Mr. Powell will begin his term in February 2018.

Market Performance



Source: FactSet, as of November 30, 2017

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Nov: 129.5 (Oct: 126.2)	▲
Existing Home Sales	Oct: 2.0% (Sep: 0.4%); M/M-SAAR	▲
Factory Orders	Sep: 1.4% (Aug: 1.2%); M/M-SA	▲
Housing Starts	Oct: 13.7% (Sep: -3.2%); M/M-SAAR	▲
New Home Sales	Oct: 6.2% (Sep: 14.2%); M/M-SAAR	▲
Nonfarm Payrolls	Oct: 261,000 (Sep: 18,000)	▲
S&P/Case-Shiller 20-City Home Price Index	Sep: 6.2% (Aug: 5.8%); Y/Y	▲
Real Gross Domestic Product	Sep: 3.3% (Jun: 3.1%); Q/Q-SAAR	▲
Institute for Supply Management Index	Oct: 58.7% (Sep: 60.8%)	▲
Unemployment Rate	Oct: 4.1% (Sep: 4.2%)	▲
		Neutral
Consumer Price Index core	Oct: 0.2% (Sep: 0.1%); M/M-SA	◆
Consumer Price Index	Oct: 0.1% (Sep: 0.5%); M/M-SA	◆
Producer Price Index core	Oct: 0.4% (Sep: 0.4%); M/M-SA	◆
Producer Price Index	Oct: 0.4% (Sep: 0.4%); M/M-SA	◆
Retail Sales ex-auto	Oct: 0.1% (Sep: 1.2%); M/M-SA	◆
Retail Sales	Oct: 0.2% (Sep: 1.9%); M/M-SA	◆
		Negative
Durable Goods Orders	Oct: -1.2% (Sep: 2.2%); M/M-SA	▼

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

Investment Fund Review (Net-of-Fees Performance)ⁱ

Equity Funds

U.S. Equity Fund

Fund	November	YTD
U.S. Equity Fund	+2.75%	+18.91%
Russell 3000 Index	+3.04%	+19.93%
Difference (percentage points)	-0.29	-1.02

- During November, the impact of the fund's strategic overweight to small- and mid-sized company stocks, with a corresponding underweight in large-company stocks, was negligible. Two of the fund's large-company focused managers underperformed their respective benchmarks, attributable primarily to their consumer discretionary and industrials holdings. In addition, the fund's allocations to the alternative investment strategies of private real estate and private equity detracted from benchmark-relative performance. The performance of alternative investment strategies typically lags in strong performing equity markets.
- Year-to-date, the fund was negatively impacted by its strategic overweight to small- and mid-sized company stocks, along with its allocations to the alternative investment strategies of private real estate and private equity. The fund benefited most from strong performance by two growth-oriented managers and one mid-cap manager, specifically related to their holdings in the information technology and healthcare sectors.

International Equity Fund

Fund	November	YTD
International Equity Fund	+0.69%	+27.68%
MSCI ACWI ex U.S. Investable Market Index (Net)	+0.91%	+24.87%
Difference (percentage points)	-0.22	+2.81

- For the month, the fund trailed the benchmark mainly due to one underperforming developed markets manager and a poor performing emerging markets manager. The developed manager was impacted most by poor performing Italian stocks, and the emerging markets manager underperformed due to its holdings in a number of Chinese and Korean technology companies.
- For the year-to-date, the fund's overweight to emerging market equities, and corresponding underweight to developed market equities, positively contributed to benchmark-relative performance. In addition, eight out of 11 active investment managers outperformed their respective benchmarks. The fund also benefited from the international daily valuation policy (described [here](#)).

Equity Social Values Plus Fund

Fund	November	YTD
Equity Social Values Plus Fund	+2.00%	+20.51%
ESVPF Benchmark ⁱⁱ	+1.95%	+20.30%
Difference (percentage points)	+0.05	+0.21

- 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	November	YTD
U.S. Equity Index Fund	+3.00%	+19.27%
Russell 3000 Index	+3.04%	+19.93%
Difference (percentage points)	-0.04	-0.66

- The U.S. Equity Index Fund is a passively-managed fund designed to closely match the fund benchmark less fees and expenses. Ethical exclusions detracted from benchmark-relative performance for the month and year-to-date periods.

Fixed Income Funds

Fixed Income Fund

Fund	November	YTD
Fixed Income Fund	+0.16%	+6.02%
Barclays U.S. Universal (ex MBS) Index	-0.15%	+4.10%
Difference (percentage points)	+0.31	+1.92

- In November, the fund outperformed the fund benchmark primarily due to an overweight allocation to non-dollar denominated emerging and developed market debt. The overweight allocation to below-investment-grade corporate debt detracted from relative returns.
- Year-to-date, nine of the ten fund managers contributed positively to benchmark relative results. The largest contribution came from the overweight allocation to non-dollar denominated emerging and developed market debt. Additionally, overweight allocations to both investment-grade and below-investment-grade corporate bonds positively contributed to benchmark-relative results, as did strong performance by the fund's two core plus managers.

Social Values Choice Bond Fund

Fund	November	YTD
Social Values Choice Bond Fund	-0.20%	+1.13%
Barclays U.S. Universal (ex MBS) Index	-0.15%	+1.04%
Difference (percentage points)	-0.05%	+0.09%

- In November, benchmark-relative contributions from interest rate strategies and security selection were more than offset by exposure to investment-grade credit, and securities from Mexico and Brazil, resulting in modest benchmark relative underperformance.
- Since inception on June 30, 2017, the fund's interest rate strategies and overweight allocation to investment-grade and below-investment-grade credit contributed to slightly positive benchmark-relative results. The underweight allocation to U.S. dollar denominated emerging market debt detracted.

Extended Term Fixed Income Fund

Fund	November	YTD
Extended Term Fixed Income Fund	+0.18%	+6.31%
Barclays U.S. Government/Credit Long Term Index	+0.53%	+8.66%
Difference (percentage points)	-0.35	-2.35

- The Extended Term Fixed Income Fund's intentional policy of maintaining a lower sensitivity to interest rate movements detracted from the month- and year-to-date periods.

Inflation Protection Fund

Fund	November	YTD
Inflation Protection Fund	+0.35%	+3.45%
IPF Benchmark ⁱⁱⁱ	+0.52%	+2.74%
Difference (percentage points)	-0.17	+0.71

- During the month, the strategic underweight allocation to U.K. inflation-linked bonds and overweight to U.S. TIPS detracted from benchmark-relative results.
- For the year-to-date, the strategic underweight allocation to U.K. inflation-linked bonds and overweight to U.S. TIPS helped benchmark-relative returns. The out-of-benchmark allocations to below-investment-grade floating-rate strategies and the strong relative performance by the fund's commodities manager also positively contributed to relative results.

U.S. Treasury Inflation Protection Fund

Fund	November	YTD
U.S. Treasury Inflation Protection Fund	+0.13%	+1.28%
Barclays U.S. Inflation Linked Bond Index	+0.18%	+1.30%
Difference (percentage points)	-0.05	-0.02

- The U.S. Treasury Inflation Protection Fund is a passively-managed fund designed to closely match the fund benchmark less fees and expenses. The fund modestly underperformed the benchmark during November and since inception on June 30, 2017.

Balanced Fund

Multiple Asset Fund

Fund	November	YTD
Multiple Asset Fund	+1.25%	+16.56%
MAF Benchmark ^{iv}	+1.35%	+15.44%
Difference (percentage points)	-0.10	+1.12

- For the month, only the Fixed Income Fund contributed positively to the Multiple Asset Fund's benchmark-relative performance.
- Year-to-date, the International Equity Fund, Fixed Income Fund and Inflation Protection Fund positively contributed to benchmark-relative performance, while the U.S. Equity Fund detracted slightly.

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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 composed 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 composed 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.
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