

# November 2018 Investment Report

## Highlights

- Federal Reserve (Fed) Chairman Jerome Powell stated that short-term interest rates are “just below” neutral, indicating a more accommodative stance. Powell’s comments reassured investors, and U.S. interest rates declined. This contrasted sharply with his observation in early October that interest rates were “a long way” from neutral.
- The price of U.S. crude oil declined 22% in November, which was the greatest monthly decline since 2008. The combination of excess oil supply and slowing global economic growth has driven down the price more than 30% since September 30.
- Democrats won a majority in the House of Representatives in the U.S. midterm elections, gaining 40 seats amid record voter turnout. Republicans expanded their Senate majority by two seats.
- In November, the U.S. Equity Fund, International Equity Fund, Inflation Protection Fund and Multiple Asset Fund outperformed their respective benchmarks, while the Fixed Income Fund modestly underperformed.

## Monthly Overview

### Trade and tariffs

Trade rhetoric between U.S. President Donald Trump and Chinese President Xi Jinping culminated with a meeting of the leaders on November 30 during the G20 summit, after which Mr. Trump announced a 90-day hold on planned increases to tariffs on Chinese goods. This delays the looming January 1 tariff increase from 10% to 25%, giving American and Chinese negotiators more time to seek agreement on issues such as intellectual property, technology transfer and agriculture.

### Slowing and diverging economic momentum

The U.S. manufacturing Purchasing Managers’ Index (PMI) decreased modestly to 55.3 in November but demonstrated continued strength in the U.S. economy. The Eurozone and China manufacturing PMIs declined to 2016 levels of 51.8 and 50.2, respectively. The Organisation for Economic Co-operation and Development (OECD) reported that global growth has peaked and lowered its 2019 growth forecast to 3.5% from 3.7%.

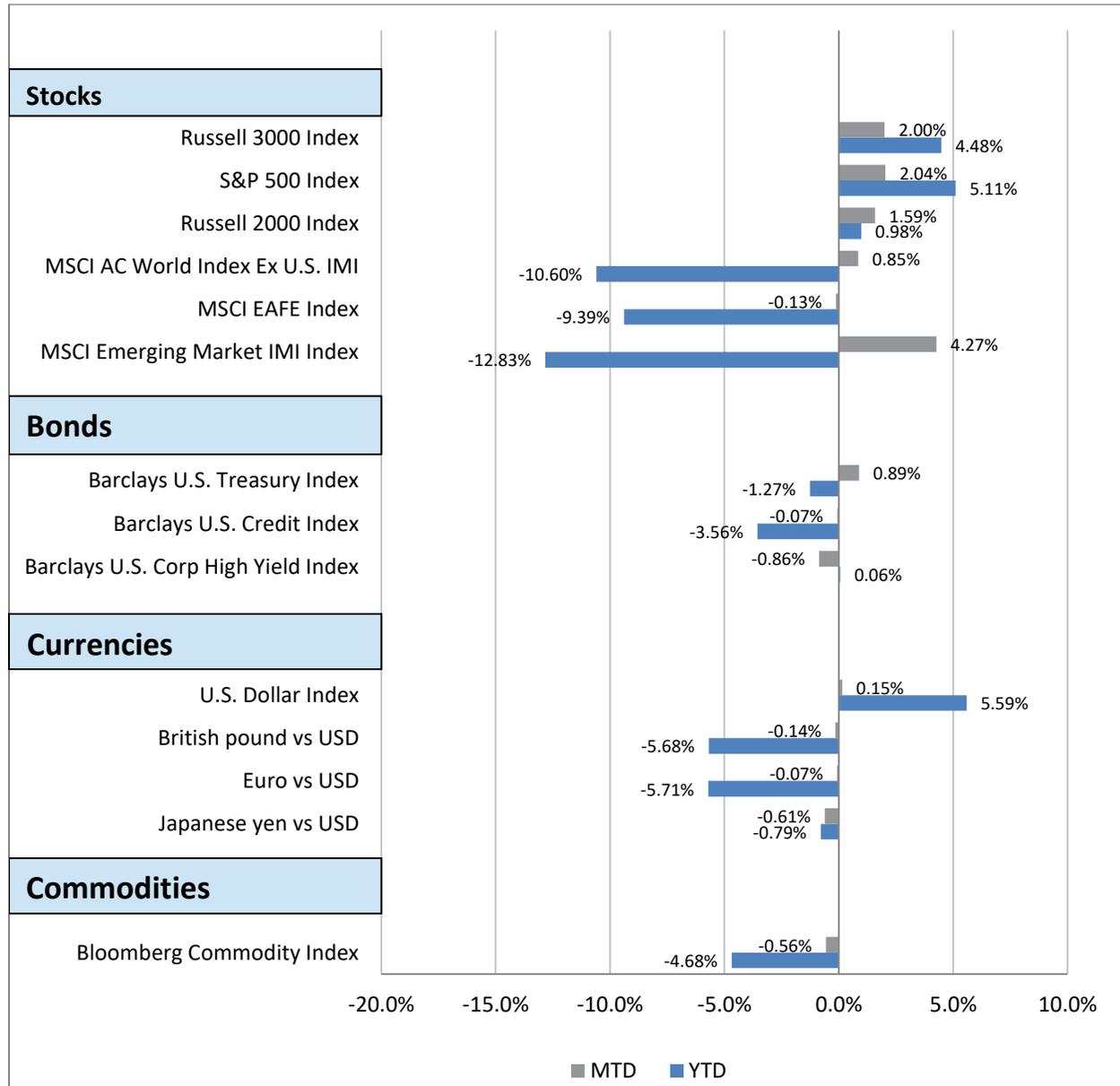
### Central banks and interest rates

Relatively accommodative comments by Fed officials caused the 10-year Treasury note yield to decline by 14 basis points to finish November at 3.01%. Inflation expectations also decreased during the month. Markets expect the Fed to increase short-term rates by 25 basis points in December, but expect only one rate increase in 2019, compared to the Fed’s median projection of three. European Central Bank (ECB) President Mario Draghi confirmed that the ECB would likely end its quantitative easing bond-buying program in December, despite signs of slowing economic growth.

### Brexit deal uncertainty

European Union and United Kingdom officials agreed on key Brexit terms, including a backstop plan to avoid a hard border with Northern Ireland if the parties do not reach a final agreement. U.K. Parliament must approve the deal in a December vote, but passage appears unlikely.

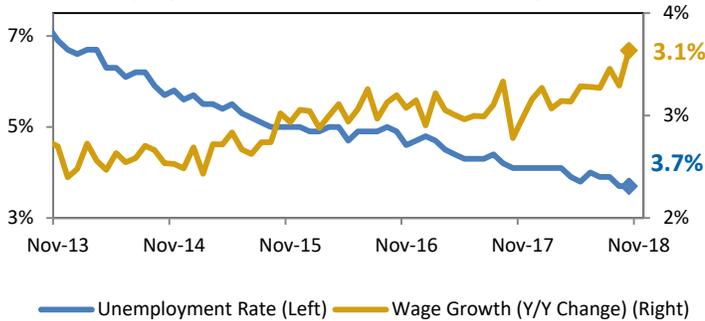
## Market Performance



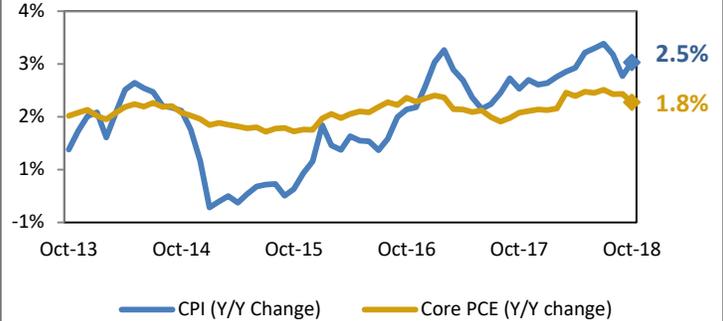
Source: FactSet, as of November 30, 2018

## Key Monthly Economic Statistics

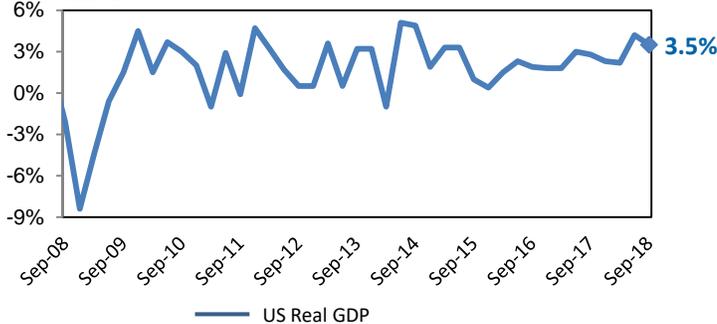
**Wages grew the fastest since 2009 and unemployment remains near a half century low**



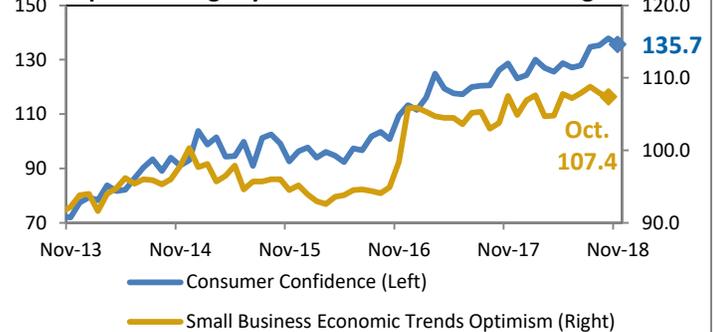
**Consumer price index rose in October while core inflation remained stable**



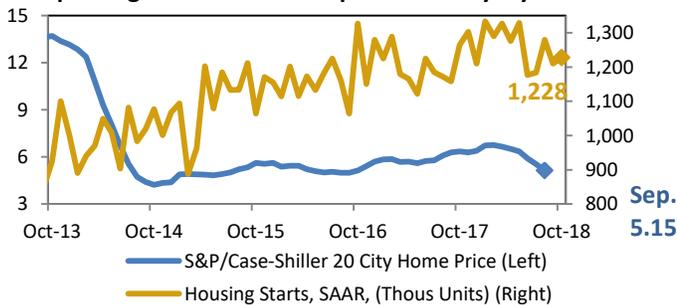
**Third quarter annual U.S. GDP was unrevised at 3.5%**



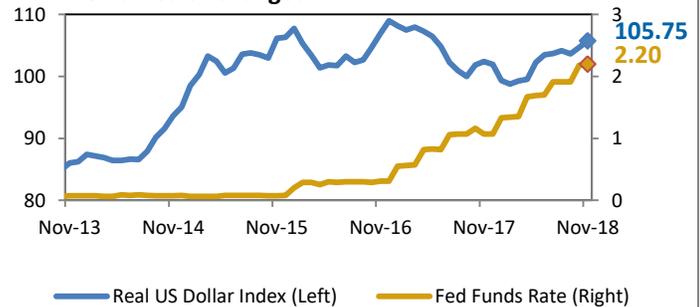
**Consumer Confidence and Small Business optimism slightly declined but remained strong**



**Housing starts fell 2.9% from a year ago; home prices grew at the lowest pace in nearly 2 years**

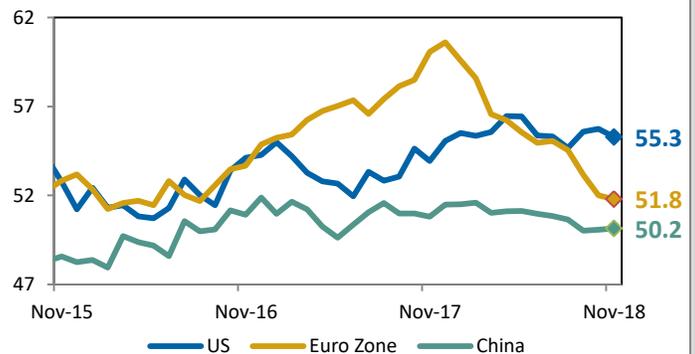


**US Dollar appreciated steadily as Fed Funds rate remained unchanged.**



### Chart of Month – PMI Manufacturing

- U.S. PMI is at a three-month low, but still indicates solid manufacturing growth led by new orders and output.
- Eurozone manufacturing continued to weaken and dipped to the lowest level since August 2016. Germany and France posted 31 and 26 month lows, respectively.
- Chinese PMI remained just above 50 indicating expansion, despite lower inflationary pressure, muted demand and falling exports.



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

### Equity Funds

#### U.S. Equity Fund

Fund	November	YTD
U.S. Equity Fund	+2.23%	+4.53%
Russell 3000 Index	+2.00%	+4.48%
Difference (percentage points)	+0.23	+0.05

- For the month, the fund benefited most from outperforming investment strategies within the small- and mid-company market segments. In addition, not holding ethically excluded stocks, specifically tobacco companies, also contributed positively to relative performance.
- Year-to-date, the fund's strategic overweight to small- and mid-sized companies and underweight to large-company stock were the primary detractors to performance. Strong performing growth-oriented stocks of several of e-commerce and health care companies contributed the most to relative performance. The fund benefited from investments in private equity and private real estate, along with not holding underperforming tobacco companies.

#### International Equity Fund

Fund	November	YTD
International Equity Fund	+1.49%	-9.42%
MSCI ACWI ex U.S. Investable Market Index (Net)	+0.85%	-10.60%
Difference (percentage points)	+0.64	+1.18

- For the month, the fund's strategic underweight to developed market equities, and corresponding overweight to emerging market equities, contributed to benchmark-relative returns. Additionally, the combination of not holding ethically excluded tobacco companies and the fair market valuation policy adjustment (described [here](#)) also contributed to returns.
- Year-to-date, the fund benefited the most from private equity and private real estate investments and strong performance by an emerging market manager as a result of a sizable overweight to top-performing Brazil. The fund's strategic underweight to developed market equities, and corresponding overweight to emerging market equities, slightly detracted from benchmark-relative returns. For the year, the fair market valuation policy adjustment (described [here](#)) was a positive contributor to performance.

### Social Values Choice Equity Fund

Fund	November	YTD
Social Values Choice Equity Fund	+2.86%	-0.26%
SVCEF Benchmark <sup>ii</sup>	+2.79%	-0.27%
Difference (percentage points)	+0.07	+0.01

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The fair market valuation policy (described [here](#)) positively contributed to performance for the month and year-to-date.

### U.S. Equity Index Fund

Fund	November	YTD
U.S. Equity Index Fund	+2.17%	+4.66%
Russell 3000 Index	+2.00%	+4.48%
Difference (percentage points)	+0.17	+0.18

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Ethical exclusions (described [here](#)) positively impacted benchmark-relative performance for the month and year-to-date periods mainly due to excluding tobacco companies.

### Fixed Income Funds

#### Fixed Income Fund

Fund	November	YTD
Fixed Income Fund	+0.26%	-2.17%
Barclays U.S. Universal (ex MBS) Index	+0.31%	-2.09%
Difference (percentage points)	-0.05	-0.08

- For the month, the fund modestly underperformed the fund benchmark. The overweight allocation to bonds denominated in currencies of emerging economies contributed to benchmark-relative results as did the out-of-benchmark allocations to loans issued through Wespath's Positive Social Purpose (PSP) lending program and to U.S. Agency Commercial Mortgage-Backed Securities (CMBS). The overweight allocation to corporate credit detracted from relative performance with most of the detraction coming from below-investment-grade bonds.
- Year-to-date, the overweight to below-investment-grade corporate bonds, allocation to loans issued by the PSP lending program and investments in U.S. Agency CMBS positively contributed to relative results. The allocation to non-dollar bonds, particularly those issued by emerging countries, detracted from relative performance.

### Social Values Choice Bond Fund

Fund	November	YTD
Social Values Choice Bond Fund	+0.30%	-2.34%
Barclays U.S. Universal (ex MBS) Index	+0.31%	-2.09%
Difference (percentage points)	-0.01	-0.25

- For the month, the overweight to the intermediate part of the interest rate curve helped benchmark-relative performance and the overweight to corporate bonds detracted. Exposure to certain emerging market currencies, particularly Indonesia and India, contributed to relative returns.
- Year-to-date, benchmark-relative performance benefited from positioning on the interest rate curve and the overweight allocation to certain corporate bonds. Exposure to certain emerging market currencies, particularly Argentina and Turkey, detracted.

### Extended Term Fixed Income Fund

Fund	November	YTD
Extended Term Fixed Income Fund	+0.47%	-4.56%
Barclays U.S. Government/Credit Long Term Index	+0.55%	-8.08%
Difference (percentage points)	-0.08	+3.52

- The Extended Term Fixed Income Fund's policy of maintaining a lower sensitivity to interest rate movements modestly detracted from the fund's benchmark-relative performance for the month, but contributed for the year-to-date time-period.

### Inflation Protection Fund

Fund	November	YTD
Inflation Protection Fund	-0.12%	-1.87%
IPF Benchmark <sup>iii</sup>	-0.53%	-1.95%
Difference (percentage points)	+0.41	+0.08

- For the month, positive benchmark-relative results were largely due to the underweight allocation to UK inflation-linked bonds and overweight allocation to U.S. Treasury Inflation Protected Securities (TIPS). The overweight to energy within the dedicated commodities account detracted.
- Year-to-date, the allocation to below investment grade floating rate strategies helped benchmark-relative performance, as did the underweight allocation to UK inflation-linked bonds. However, the overweight to U.S. TIPS and certain emerging market currencies, particularly the Argentine peso, detracted.

### U.S. Treasury Inflation Protection Fund

Fund	November	YTD
U.S. Treasury Inflation Protection Fund	+0.50%	-2.33%
Barclays U.S. Inflation Linked Bond Index	+0.53%	-2.02%
Difference (percentage points)	-0.03	-0.31

- The U.S. 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

Fund	November	YTD
Multiple Asset Fund	+1.25%	-1.71%
MAF Benchmark <sup>iv</sup>	+0.98%	-2.33%
Difference (percentage points)	+0.27	+0.62

- For the month and year-to-date, the U.S. Equity Fund, International Equity Fund and Inflation Protection Fund all positively contributed to the Multiple Asset Fund's benchmark-relative performance. The Fixed Income Fund detracted from benchmark-relative performance during these periods.

**For additional information, please contact:****Bill Stewart, CIMA, CFA***Director, Institutional Relationships*

Wespath Investment Management

(847) 866-2700 direct

(847) 866-4100 general

[bstewart@wespath.org](mailto:bstewart@wespath.org)**Karen Manczko***Director, Institutional Relationships*

Wespath Investment Management

(847) 866-4236 direct

(847) 866-4100 general

[kmanczko@wespath.org](mailto:kmanczko@wespath.org)

1901 Chestnut Avenue

Glenview, Illinois 60025

(847) 866-4100

[wespath.org](http://wespath.org)

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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](#) for more information about the funds. This is not an offer to purchase securities.

<sup>ii</sup> The benchmark for the Social Values Choice Equity Fund is the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index.

<sup>iii</sup> 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.

<sup>iv</sup> 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.

