Wespath
INSTITUTIONAL INVESTMENTS

November 2023 Investment Report

Highlights

- Stocks and bonds both rallied during the month of November with every sector having positive returns except energy, which was hurt by the decrease in oil prices.
- The S&P 500 Index of U.S. stocks gained 9.1%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI, also returned 9.1% this month. The Bloomberg U.S. Aggregate Bond Index increased 4.5%.
- The U.S. Federal Reserve's preferred measure of inflation, the Core Personal Consumption Expenditures (PCE) Price Index, rose 0.2% in October and 3.5% year over year.
- In November U.S. employers added 199,000 non-farm jobs in and the unemployment rate decreased to 3.7%. This indicates the labor market may be cooling but is resilient.
- The International Equity Fund – I Series, Fixed Income Fund – I Series and Inflation Protection Fund – I Series outperformed their respective benchmarks this month while the U.S. Equity Fund – I Series, and Multiple Asset Fund – I Series underperformed their benchmarks.

Monthly Overview

Equities and Fixed Income Rally

Equity and fixed income markets significantly increased in November. The S&P 500's 9.1% return was its largest monthly return since July 2022, while the Bloomberg U.S. Aggregate's monthly return was its largest since May 1985. The Fed's decision to hold rates steady in November and continued easing of inflation have led investors to believe that there will be a soft landing for the economy and rate cuts in the next year. Strong third quarter corporate earnings further contributed to strong equity returns in November. Growth stocks, measured by the Russell 3000 Growth Index, grew 10.8% and outperformed value stocks, measured by the Russell 3000 Value Index, which returned 7.6%. The Bloomberg Commodity index declined 2.2% due to the decrease in prices for oil and natural gas. Energy was the only equity sector that fell in November.

Economic Update

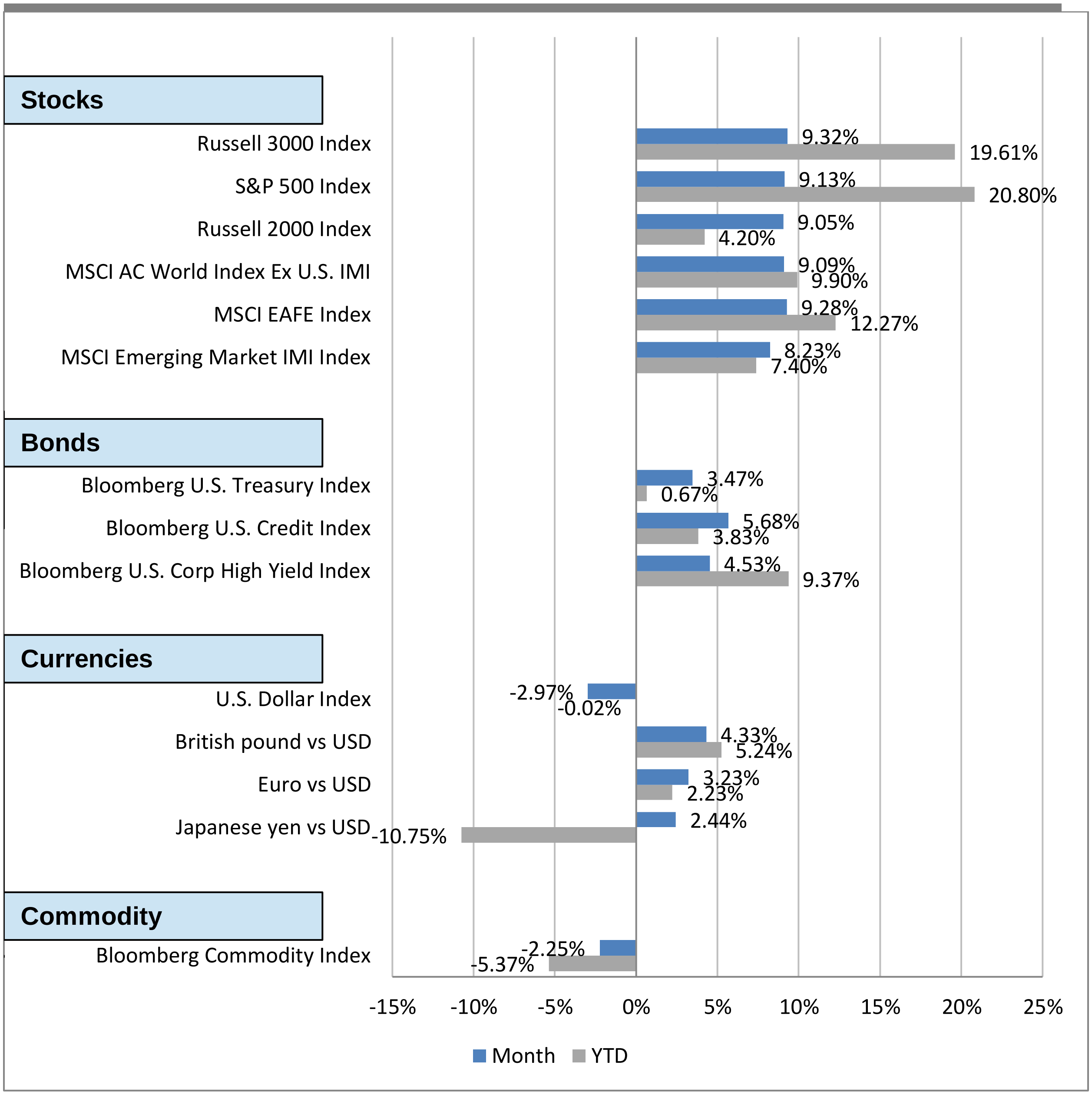
U.S. real Gross Domestic Product (GDP) grew at an annual rate of 5.2% in the third quarter, according to the second estimate from the Bureau of Economic Analysis, beating economists' predictions. The Consumer Price Index decreased to 3.2% year over year while the core PCE Price Index, the Fed's preferred measure of inflation dipped to 3.5%. These two inflation measures show that inflation is getting closer to the Fed's 2% inflation target.

Turmoil at OpenAI

OpenAI, the company that accelerated the artificial intelligence craze a year ago by releasing ChatGPT, fired Sam Altman, its CEO and cofounder, on Nov. 17. The board explained that communication issues and balancing innovation with safety led to Altman's dismissal. The news was met with surprise, confusion and anger. Employees threatened to resign while investors, the largest being Microsoft, pushed to have Altman reinstated as CEO. On Nov. 20, Microsoft announced Altman and Greg Brockman, the former OpenAI president and cofounder, would join Microsoft. OpenAI agreed on Nov. 22 to reinstate Altman as CEO with an entirely new board with Microsoft in an observer role.

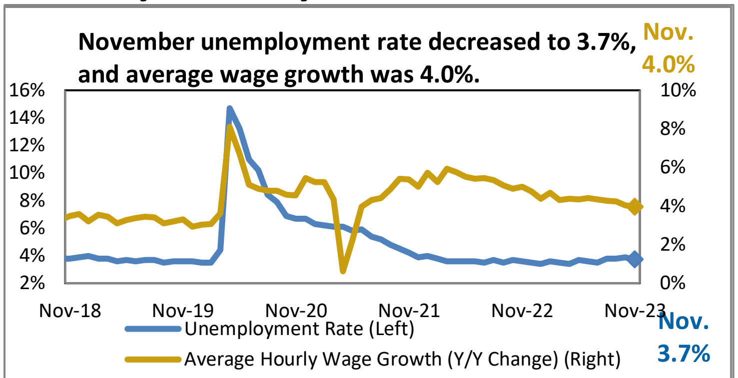
Sources: Associated Press, Bureau of Economic Analysis, Bureau of Labor Statistics, Wall Street Journal, Bloomberg, and FactSet.

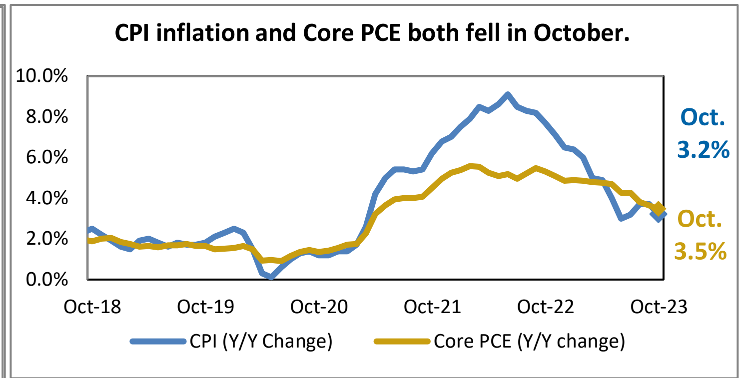
Market Performance

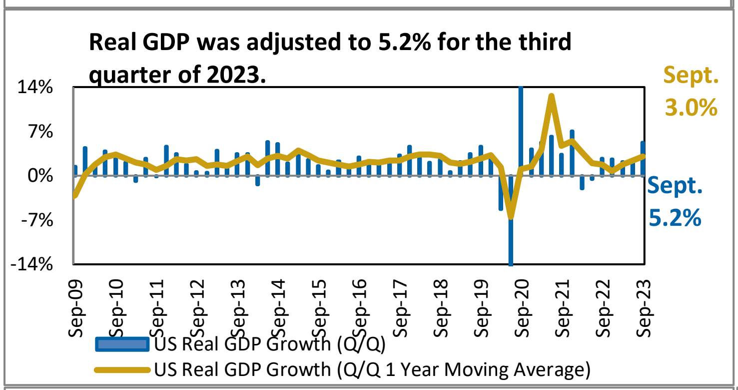


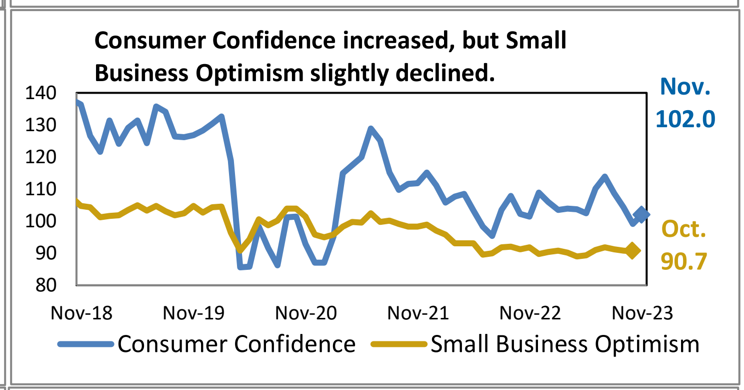
Source: FactSet, as of November 30, 2023.

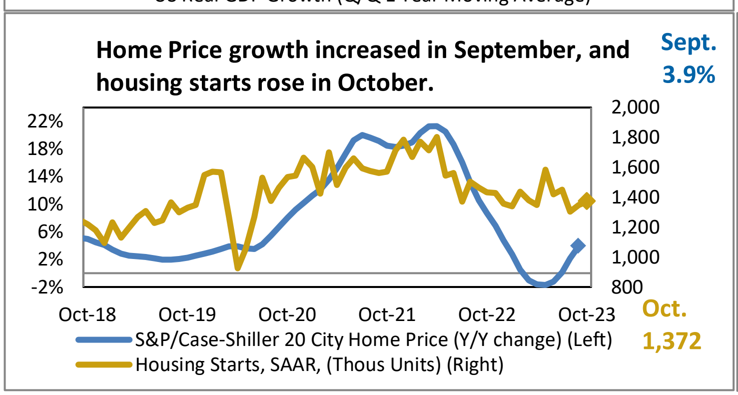
Key Monthly Economic Statistics











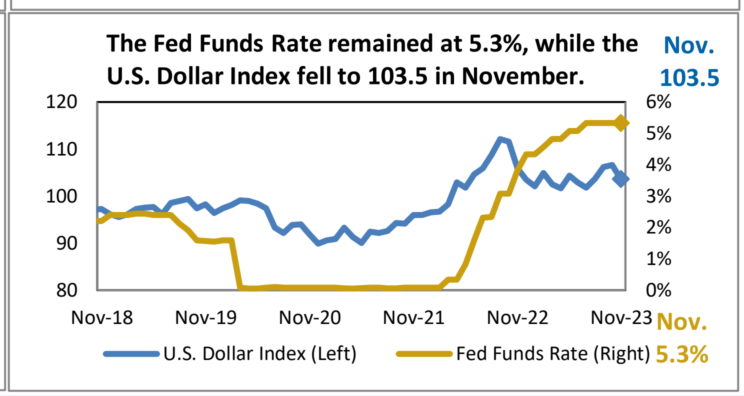
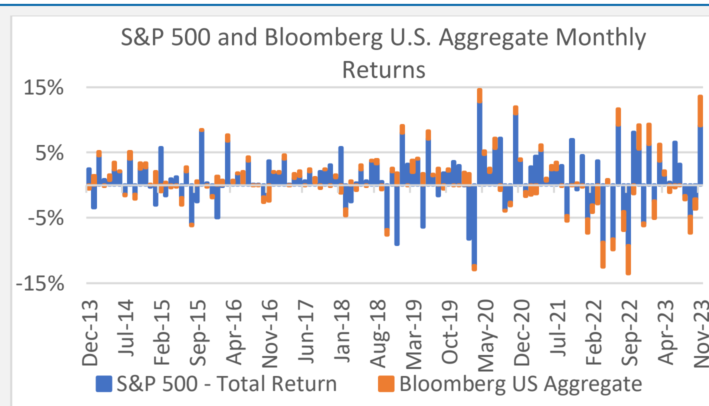


Chart of the Month

- In November, the S&P 500 returned 9.1%, its fourth largest monthly return in the last 10 years, and the Bloomberg U.S. Aggregate Bond Index rose 4.5%, its largest since 1985.
- This month's combined stock and bond rally was the second biggest over the last 10 years, only behind April 2020, as measured by summing the return of these two indices.
- Technology, real estate and consumer discretionary were the leading sectors, all returning 11% or more.
- Bond prices increased as yields, especially longer yields, decreased due to investors expecting rate cuts in 2024.



Source: FactSet, U.S. Bureau of Labor Statistics, The Conference Board, Federal Reserve Bank of St. Louis, Bureau of Economic Analysis, National Association of Realtors, U.S. Census Bureau, S&P Global, Bloomberg, Redfin.

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

Equity Funds

U.S. Equity Fund – I Series

Fund	November	YTD
U.S. Equity Fund – I Series	8.80%	15.89%
Russell 3000 Index	9.32%	19.61%
Difference (percentage points)	-0.52	-3.72

- During the month, the fund underperformed its benchmark mainly due to allocations to private equity and private real estate investments that typically lag the public market when a strong rally occurs. Additionally, the fund's strategic underweight to mega-tech companies detracted from benchmark-relative performance.
- Year to date, the fund's holdings in private markets and an underweight to strong performing mega-tech growth companies were key detractors from relative performance. To a lesser extent, the fund benefited from active managers' investments, particularly growth-oriented strategies, and excluding certain stocks in accordance with WII's Investment Exclusions policies (described here).

International Equity Fund – I Series

Fund	November	YTD
International Equity Fund – I Series	9.20%	7.54%
MSCI ACWI ex U.S. Investable Market Index (Net)	9.09%	9.90%
Difference (percentage points)	+0.11	-2.36

- During the month, the fund benefited from the majority of active strategies outperforming their respective benchmarks; however, it was partially offset by poor performing private equity and private real estate investments.
- Year to date, the fund underperformed its benchmark. Active managers' underperformance is primarily attributable to investments in the emerging markets and investments in companies best positioned to benefit from the transition to a low-carbon economy.

U.S. Equity Index Fund – I Series

Fund	November	YTD
U.S. Equity Index Fund – I Series	9.37%	19.71%
Russell 3000 Index	9.32%	19.61%
Difference (percentage points)	+0.05	+0.10

- The U.S. Equity Index Fund – I Series is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. During the month and year to date periods, certain stocks excluded in accordance with WII's Investment Exclusions policies (described here) positively impacted relative performance.

Fixed Income Funds

Fixed Income Fund – I Series

Fund	November	YTD
Fixed Income Fund – I Series	4.61%	4.32%
Bloomberg U.S. Universal (ex MBS) Index	4.29%	2.77%
Difference (percentage points)	+0.32	+1.55

- For November, the core plus manager's issue selection contributed positively to the fund's benchmark-relative performance. Additionally, the overweight allocations to investment grade corporate credit and emerging market debt also contributed. The overweight allocation to Agency CMBS detracted from benchmark-relative performance.
- Year to date, the overweight allocation to, and issue selection within, emerging market debt had the biggest positive impact on the fund's strong benchmark-relative performance. The overweight allocation to high yield bonds also meaningfully contributed. The overweight allocation to, and issue selection within, investment grade corporate credit; allocations to global bonds; and Wespath's Positive Social Purpose Lending program also helped.

Inflation Protection Fund – I Series

Fund	November	YTD
Inflation Protection Fund – I Series	2.64%	2.57%
IPF-I Benchmark[ii]	2.21%	1.10%
Difference (percentage points)	+0.43	+1.47

- For November, the allocation to, and issue selection within, emerging market inflation-linked securities contributed positively to benchmark-relative results; however, it was partially offset by the dedicated allocation to senior secured floating rate bank loans.
- Year to date, the allocation to, and issue selection within, emerging market inflation-linked securities contributed positively to strong benchmark-relative results, as did the dedicated allocation to senior secured floating rate bank loans. Selection within the commodities strategy contributed to a lesser degree. Positive results were partially offset by the asset manager's issue selection within U.S. Treasury inflation- protected securities.

U.S. Treasury Inflation Protection Fund – I Series

Fund	November	YTD
U.S. Treasury Inflation Protection Fund – I Series	2.79%	0.58%
Bloomberg U.S. Inflation Linked Bond Index	2.80%	1.07%
Difference (percentage points)	-0.01	-0.49

- The U.S. Treasury Inflation Protection Fund – I Series is a passively managed fund designed to closely match the performance of the fund benchmark, less fees and expenses.
- Year to date, the performance difference is due to a modest difference between fund and benchmark durations. The modest difference resulted in underperformance given the meaningful volatility in real yields.

Balanced Fund

Multiple Asset Fund – I Series

Fund	November	YTD
Multiple Asset Fund – I Series	7.21%	9.09%
MAF-I Benchmark[iii]	7.29%	10.57%
Difference (percentage points)	-0.08	-1.48

- For the month, the International Equity Fund – I Series, Fixed Income Fund – I Series and Inflation Protection Fund – I Series contributed positively to benchmark-relative performance, while the U.S. Equity Fund – I Series detracted from relative performance.
- Year to date, the Fixed Income Fund – I Series and Inflation Protection Fund – I Series contributed positively to benchmark-relative performance, while the U.S. Equity Fund – I Series and International Equity Fund – I Series detracted from relative 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 – I Series*** for more information about the funds. This is not an offer to purchase securities.

[ii] The benchmark for the Inflation Protection Fund – I Series was 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 through January 31, 2023. Effective February 1, 2023, the benchmark for the Inflation Protection Fund – I Series is 90% Bloomberg U.S. Treasury Inflation-Linked Bond Index and 10% Bloomberg Commodity Index.

[iii] 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.