

# October 2023 Investment Report

## Highlights

- The S&P 500 Index of U.S. blue chip stocks fell 2.1%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI, declined 4.3% in October. The Bloomberg U.S. Aggregate Bond Index lost 1.6%.
- Core personal consumption expenditures (PCE) price index, the preferred measure of inflation the U.S. Federal Reserve monitors, rose 0.3% in September.
- U.S. employers added 150,000 non-farm jobs in October and the unemployment rate rose slightly to 3.9%. The relatively modest job growth indicates the labor market may be cooling, but is resilient.
- The U.S. Equity Fund – I Series, Inflation Protection Fund – I Series and the Multiple Asset Fund – I Series underperformed their respective benchmarks, while the International Equity Fund – I Series and Fixed Income Fund – I Series outperformed their respective benchmarks.

## Monthly Overview

### U.S. Economic Expansion Gains Strength in the 3rd Quarter

U.S. real Gross Domestic Product (GDP) grew at an annual rate of 4.9% in the third quarter, which is higher than economists had expected. The significant increase was due to strong consumer spending, and an increase in inventories, exports, residential investment and government spending.

### Bond Yields Move Higher

While the Fed Funds rate held steady, longer maturity bonds experienced higher yields. The increase was primarily due to supply-demand dynamics. The significant amount of Treasury debt refinancing needed, along with reduced foreign government and bank demand, has put upward pressure on rates. See the Chart of the Month on page 3 for more information about the 10-year U.S. Treasury Bond yield.

### Corporate Earnings

As of the writing of this report, 81% of S&P 500 companies have released third quarter financial results. So far, the earnings growth rate for S&P 500 companies is 3.7% for the quarter, year-over-year. The strongest performing sectors are expected to be communication services and consumer discretionary.

### UAW Union Strike Ends

The United Auto Workers (UAW) union reached tentative deals with Ford, General Motors and Stellantis in late October to end a six-week strike. If the tentative agreements are ratified, workers will receive 25% pay increases by April 2028. The UAW said workers' wages rose 23% from 2001 through 2022. The automakers knew they would negotiate with the UAW this year—and had time to look for cost-saving measures in other areas. Analysts think the higher wages won by the UAW won't be too big of a burden for the automakers.

### Hamas Terrorists Attack Israel

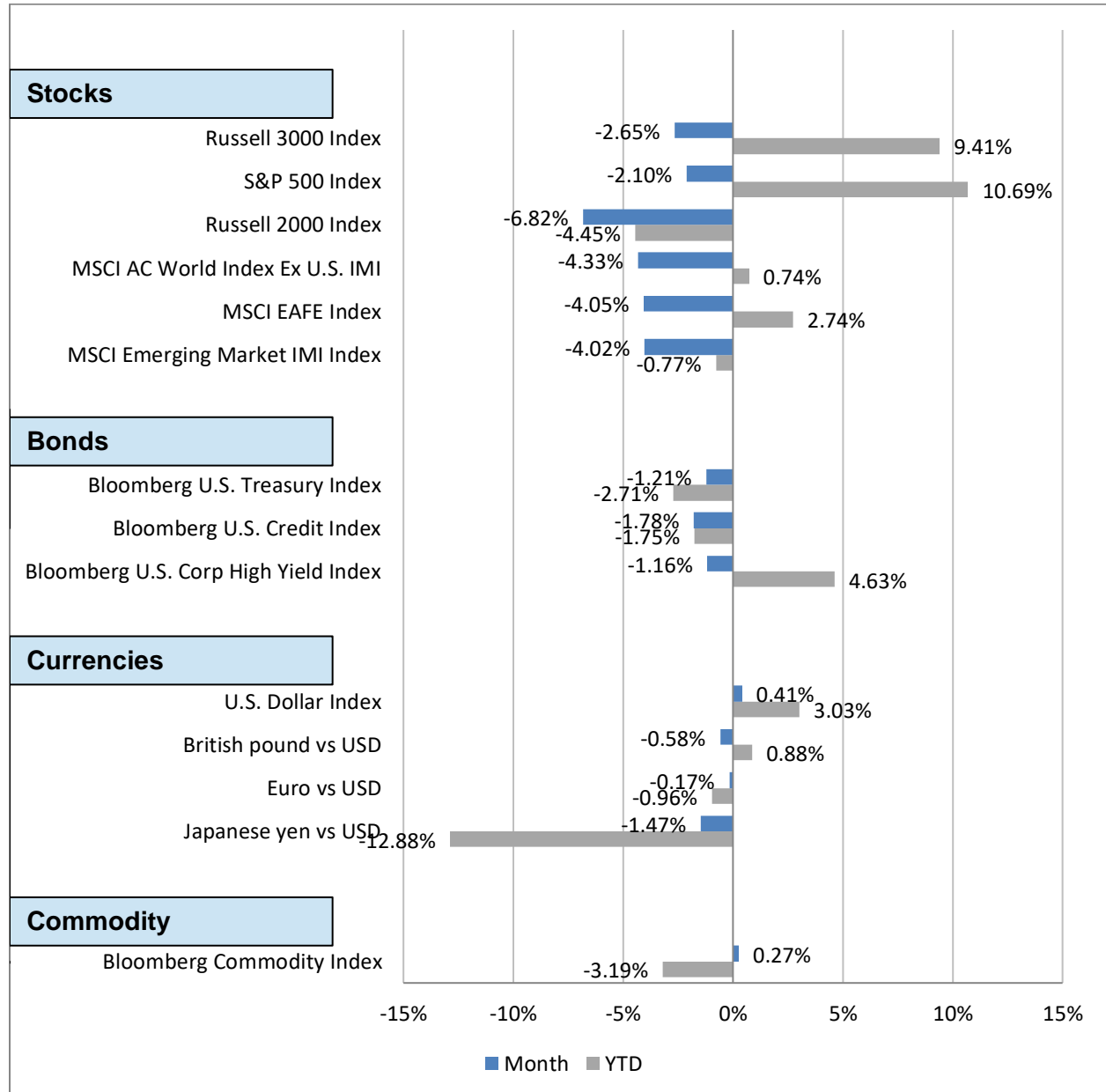
On October 7, geo-political risk increased after Hamas attacked Israel, killing over 1,400 civilians and taking over 200 hostages, resulting in Israel retaliating and tensions in the region significantly increasing.

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

[wespath.com](https://wespath.com)

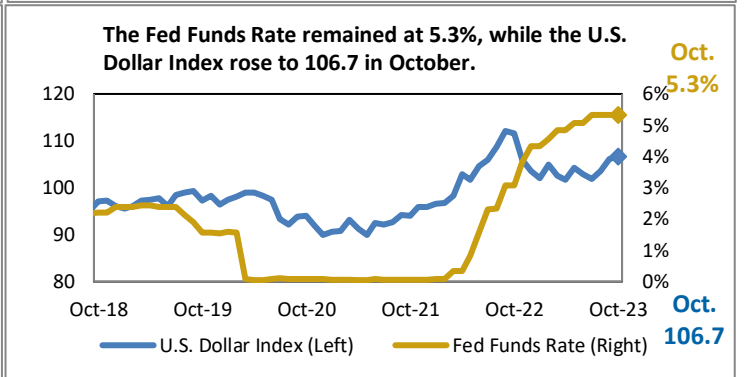
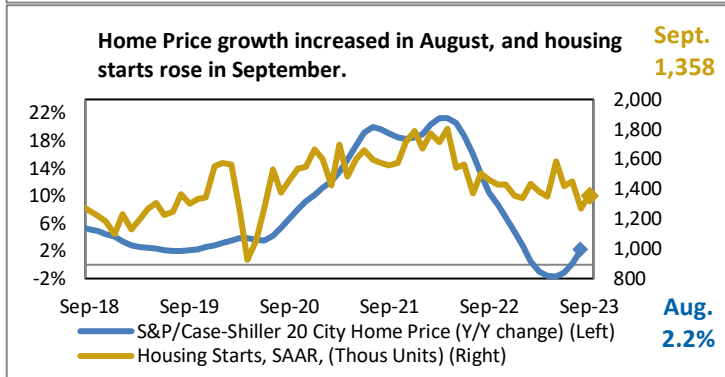
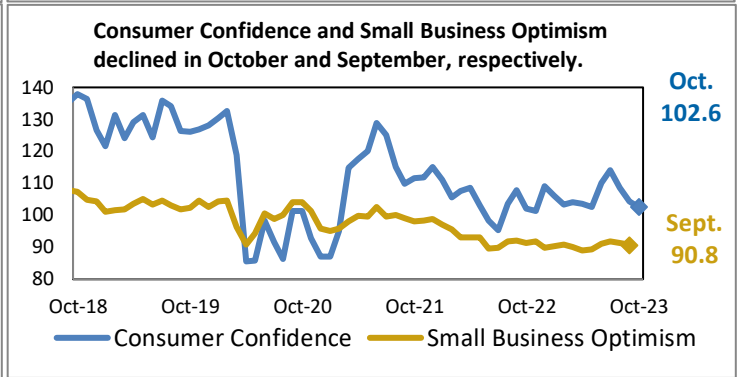
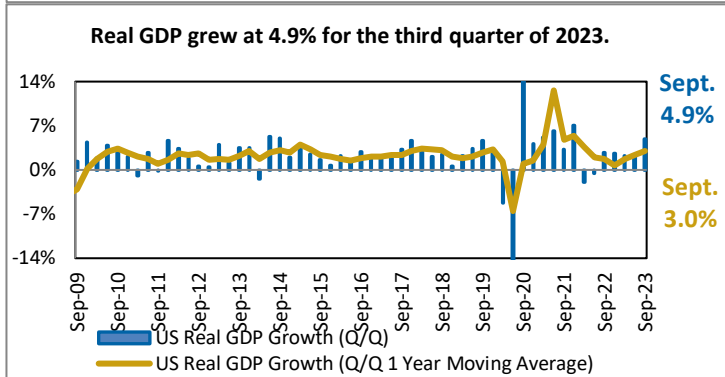
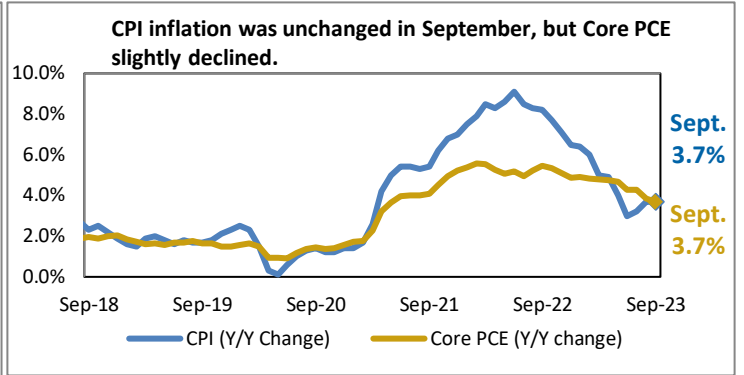
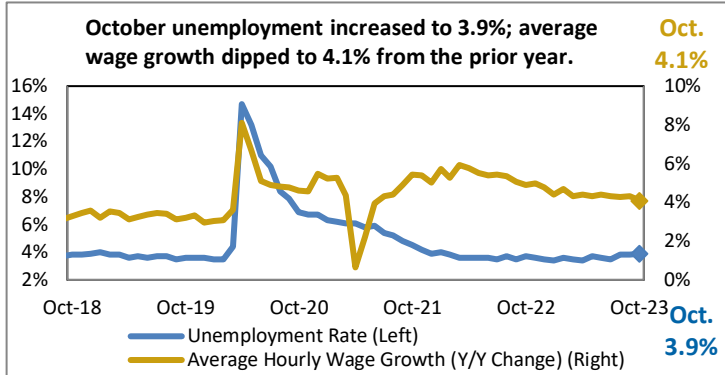
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## Market Performance



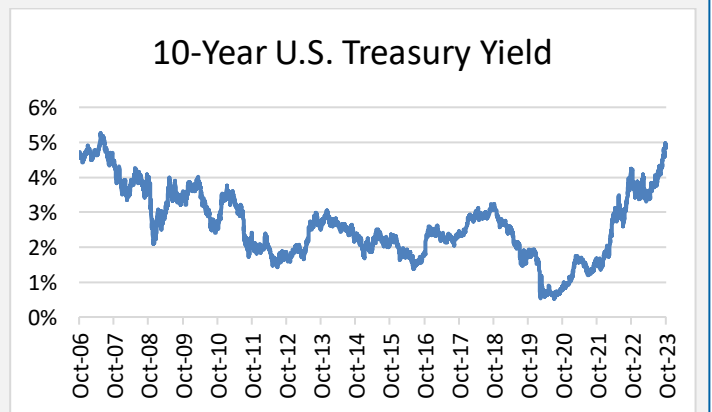
Source: FactSet, as of October 31, 2023.

## Key Monthly Economic Statistics



### Chart of the Month

- At the end of October, the 10-Year U.S. Treasury Bond Yield was near its highest level since 2007.
- The run-up of long-term treasury yields suggests Wall Street believes in interest rates staying higher for longer.
- An increasing supply of U.S. Treasury securities in the first three quarters of 2023, coupled with the resilience of the U.S. economy, is leading to higher rates.
- Higher yields tighten financial conditions for both businesses and consumers.



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

### Equity Funds

#### U.S. Equity Fund – I Series

Fund	October	YTD
U.S. Equity Fund – I Series	-4.24%	6.51%
Russell 3000 Index	-2.65%	9.41%
Difference (percentage points)	-1.59	-2.90

- During the month, the fund underperformed its benchmark due to four out of six active managers underperforming their respective benchmarks, particularly growth-oriented managers. In addition, the fund's strategic overweight allocation to small- and mid-cap companies detracted from 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	October	YTD
International Equity Fund – I Series	-4.19%	-1.52%
MSCI ACWI ex U.S. Investable Market Index (Net)	-4.33%	0.74%
Difference (percentage points)	+0.14	-2.26

- During the month, the fund's holdings in private markets positively contributed to relative performance and resulted in the fund outperforming its benchmark.
- 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	October	YTD
U.S. Equity Index Fund – I Series	-2.77%	9.45%
Russell 3000 Index	-2.65%	9.41%
Difference (percentage points)	-0.12	+0.04

- 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, certain stocks excluded in accordance with WII's Investment Exclusions policies (described [here](#)) negatively impacted relative performance. However, year to date, these same stocks contributed positively to relative performance.

### Fixed Income Funds

#### Fixed Income Fund – I Series

Fund	October	YTD
Fixed Income Fund – I Series	-1.25%	-0.28%
Bloomberg U.S. Universal (ex MBS) Index	-1.34%	-1.46%
Difference (percentage points)	+0.09	+1.18

- For October, the allocation to global bonds helped the fund outperform its benchmark. The overweight allocation to, and manager issue selection within, emerging market debt also helped. Core plus manager issue selection detracted.
- Year to date, overweight allocations to, and manager issue selection within, emerging market debt helped the fund outperform its benchmark. The overweight allocations to high yield, Wespath's Positive Social Purpose Lending Program, Agency CMBS and allocation to global bonds also added relative value.

### Inflation Protection Fund – I Series

Fund	October	YTD
Inflation Protection Fund – I Series (IPF-I)	-0.86%	-0.07%
IPF-I Benchmark <sup>ii</sup>	-0.62%	-1.09%
Difference (percentage points)	-0.24	+1.02

- During October, the fund's allocation to, and issue selection within, floating rate senior secured loans positively contributed to relative results, as did the allocation to developed market global inflation-linked bonds. However, this was more than offset by the allocation to emerging market inflation-linked bonds.
- Year to date, the fund's allocation to floating rates senior secured loans and emerging and developed market inflation-linked bonds contributed positively to relative results. Manager issue selection within emerging markets also helped benchmark-relative performance.

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

Fund	October	YTD
U.S. Treasury Inflation Protection Fund – I Series	-0.86%	-2.15%
Bloomberg U.S. Inflation Linked Bond Index	-0.82%	-1.68%
Difference (percentage points)	-0.04	-0.47

- The U.S. Treasury Inflation Protection Fund – I Series is a passively managed fund designed to closely match the performance of the fund's 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 increase in real yields.

## Balanced Fund

### Multiple Asset Fund – I Series

Fund	October	YTD
Multiple Asset Fund – I Series (MAF-I)	-3.13%	1.75%
MAF-I Benchmark <sup>iii</sup>	-2.62%	3.06%
Difference (percentage points)	-0.51	-1.31

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

<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.