

September 2015 Investment Report

Monthly Report

Markets

- U.S. equities, represented by the Russell 3000 Index, decreased **2.9%** in September. For the quarter, equity markets decreased **7.3%**, marking the largest decline and the highest volatility since 2011. Broad-based concerns about slowing global economic growth, primarily in China and commodity-driven emerging markets, continued to fuel negative market sentiment.
- Reflecting a greater appreciation for risk and a flight to quality, small company stocks declined 4.9% in the month and underperformed large company stocks, which declined **2.7%**. Utilities was the best-performing Russell 3000 sector, up only **0.1%**; while Energy was the worst-performing Russell 3000 sector, declining **7.8%**. Health care also declined, down **6.6%**, driven by valuation concerns in biotech companies.
- Non-U.S. stocks declined **4.4%**, as measured by the MSCI ACWI World ex-USA IMI index. Developing market stocks declined **2.6%** but performed better than developed international markets, which decreased **5.1%** in U.S. dollar terms, as measured by the EAFE index. This reversed a trend of the previous two months in which developing markets underperformed developed markets.
- The U.S. Treasury yield curve declined during September. The 2-year Treasury note yield decreased **0.11%** to **0.63%**, and the 10-year note yield decreased **0.18%** to **2.04%**. The Federal Reserve (Fed) left the Fed Funds rate unchanged at its September policy meeting, citing global economic and financial concerns. Fed chairwoman Janet Yellen later reiterated her view that the Fed will likely raise rates before the end of this year.
- U.S. Treasury securities, as measured by the Barclays U.S. Treasury Index, increased **0.9%** in September. Investment-grade debt, as measured by the Barclays U.S. Credit Index, increased **0.5%**. Below-investment-grade debt, as measured by the Barclays U.S. Corporate High-Yield Index, decreased **2.6%** and underperformed investment-grade debt during the month. The broad weakness in below-investment-grade debt reflected market concerns about a global economic slowdown and its impact on less-creditworthy corporate borrowers.
- The U.S. dollar strengthened **0.4%** in September, as measured by the U.S. Dollar Index. The euro and British pound decreased **0.4%** and **1.5%** relative to the dollar, respectively. The Japanese yen, which often appreciates during periods of heightened risk-aversion, increased **1.0%**. Developing country currencies declined relative to the dollar. Most notably, the Brazilian real decreased **8.3%**. Standard and Poor's downgraded Brazil's debt to below-investment-grade during September due to the country's political and economic challenges.

- Commodities, as represented by the Bloomberg Commodity Index, decreased **3.4%** in September. The Petroleum sub-index decreased **10.4%** as the price of West Texas Intermediate (WTI) crude oil declined **\$4.11** per barrel to **\$45.09**. Cattle decreased **9.8%** amid evidence of weak retail demand for beef.

Economics Highlights

- The Fed held rates steady at its September meeting, but stated that it still expects to raise interest rates later this year. While the Fed commented that the U.S. economy had advanced sufficiently from the Great Recession, heightened uncertainties abroad including 'China's economic weakness persuaded the bank to wait for fresh data that might "bolster its confidence."
- The Bureau of Economic Analysis released its third estimate for second quarter U.S. gross domestic product (GDP), an upward revision to **3.9%** from **3.7%**. The revised estimate reflects higher increases in personal consumption and nonresidential fixed investment than previous estimates.
- The U.S. economy added a mere 142,000 jobs during the month of September, hinting that the American economy is losing momentum after a weaker-than-expected report in August. On a positive note, jobless claims, considered a leading economic indicator, have been below 300,000 since March. The unemployment rate remains unchanged at **5.1%**, the lowest since early 2008.
- Investors withdrew an estimated \$40 billion from emerging markets over the last quarter, the largest three-month outflow since the 2008 global financial crisis. A number of developing countries are experiencing slowing growth, rising debt levels and falling commodity prices. The International Monetary Fund released a report warning that emerging markets could face a rise in corporate failures as debt-laden firms find it harder to repay their loans and bonds as a result of slower growth and currency pressure.

Geopolitical Headlines

- China's President Xi Jinping made his first state visit to the United States and met with top executives from leading technology firms before heading to Washington, D.C., and New York. During his visit, the U.S. and China announced plans to help mitigate climate change, including a Chinese pledge to launch a program by 2017 to cap emissions and put a price on carbon—the first time China has committed to launch such an initiative. In a speech to the United Nations, President Xi Jinping made a surprise announcement that China would commit \$1 billion to the U.N. for a "peace and development fund."
- Russia began airstrikes in Syria against what Moscow identified as Islamic State targets. Western officials raised doubts about the Russian intention to take the fight to the Islamic State or bolster the Syrian regime's fight against Western-backed rebels elsewhere in the country. Russia's airstrikes complicate the year-old U.S.-led coalition air campaign against the Islamic State. The most immediate concern is avoiding accidental conflict between the U.S. coalition and Russian forces.
- As the European refugee crisis continues, Germany sought to stem the tide of immigrants by suspending open borders—a cornerstone of European integration—and began imposing document checks for people entering the country. The EU reached an agreement to relocate 120,000 asylum-seekers across the continent over the next two years. In an effort to help Europe cope with the crisis, U.S. Secretary of State John Kerry said that the U.S. would increase the number of refugees it accepts from around the world to 100,000 annually, up from 70,000 now.

Sources: *Forbes, Reuters, Bloomberg, The Economist, Energy Information Administration, The Wall Street Journal, CBS News, FactSet, Barclays, Russell, CNBC, CNN, The New York Times, Associated Press, Bridgewater Associates, Wikipedia and NASDAQ.*

Key Monthly Economic Statistics

This table contains a list of key monthly economic statistics.

	<p>Positive Statistics</p> <ul style="list-style-type: none"> • Consumer Confidence, Sep: 103.0 (Aug: 101.3) • Real Gross Domestic Product, Q2: 3.9% (Q1: 0.6%); Q/Q-SAAR • Unemployment Rate, Sep: 5.1% (Aug: 5.1%)
	<p>Neutral Statistics</p> <ul style="list-style-type: none"> • Consumer Price Index core, Aug: 0.1% (Jul: 0.1%); M/M-SA • Consumer Price Index, Aug: -0.1% (Jul: 0.1%); M/M-SA • Institute for Supply Management Index, Sep: 50.2 (Aug: 51.1) • New Home Sales, Aug: 5.7% (Jul: 12.0%); M/M-SAAR • Producer Price Index core, Aug: 0.3% (Jul: 0.3%); M/M-SA • Producer Price Index, Aug: 0.0% (Jul: 0.2%); M/M-SA • Retail Sales ex-auto, Aug: 0.1% (Jul: 0.6%); M/M-SA
	<p>Negative Statistics</p> <ul style="list-style-type: none"> • Nonfarm Payrolls, Sep: 142,000 • Durable Goods Orders, Aug: -2.3% (Jul: 1.9%); M/M-SA • Existing Home Sales, Aug: -4.8% (Jul: 1.8%); M/M-SAAR • Factory Orders, Aug: -1.7% (Jul: 0.2%); M/M-SA • Housing Starts, Aug: -3.0% (Jul: -4.1%); M/M-SAAR

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)

For historical returns of one year, three years, five years, 10 years and since inception periods, please visit our [Historical Funds Performance page](#). **Please note:** Historical returns are not indicative of future performance. For further details about the funds please refer to the [Investment Funds Description](#).

Inflation Protection Fund

Fund	September	QTD	YTD
Inflation Protection Fund	-1.06%	-3.22%	-3.41%
Barclay's Capital U.S. Government Inflation Linked Bond Index	-0.68%	-1.22%	-1.09%
Difference	-0.38%	-2.00%	-2.32%

- The Inflation Protection Fund (IPF) declined **1.06%** in September and underperformed the fund's benchmark return by **0.38%**. U.S. Treasury Inflation Protected Securities (TIPS) declined in September along with consumer prices. Investor perceptions of potential world economic malaise combined with benign consumer inflation in the U.S. and most of the developed world contributed to a loss of enthusiasm for inflation protection assets. Although the Inflation Protection Fund benefitted from its exposure to developed country inflation-linked bonds, the fund once again suffered from its exposure to commodities and inflation-linked bonds from developing countries. The fund's 9% allocation to commodities futures contracts declined **3.8%**, and its 10% exposure to developing country inflation-linked bonds declined **3.1%**, largely due to strength of the U.S. dollar compared to developing country currencies.
- For the third quarter, the Inflation Protection Fund declined **3.22%** and significantly underperformed its benchmark return by **2.0%**. The fund's 9% allocation to commodities futures contracts declined **14.5%**, as oil prices resumed their decline along with prices of industrial metals. In addition, the fund's allocation to inflation-linked bonds from developing countries declined **10.7%** largely due to weakness in developing country currencies relative to the U.S. dollar. The fund's two floating rate strategies of senior secured loans and asset-backed securities contributed positively to benchmark-relative performance, with senior secured loans flat for the quarter and asset-backed securities gaining **0.8%**. In addition, the fund's allocation to inflation-linked bonds from developed countries declined only **0.2%** and added value relative to the fund benchmark.
- For the year-to-date, the Inflation Protection Fund declined **3.41%** and underperformed the fund benchmark by **2.32%**. The fund's diversifying strategies of inflation-linked bonds from developing countries and commodities are responsible for the fund's underperformance as these strategies declined **16.2%** and **15.7%** respectively. Both strategies have suffered due to investor perceptions of stagnant future world economic growth, especially in the developing world (particularly China). The fund's two floating rate strategies of senior secured loans and asset-backed securities gained **3.8%** and **4.2%** respectively, and positively contributed to benchmark-relative results. The fund's allocation to developed country inflation-linked bonds also positively contributed to benchmark-relative performance, gaining **0.4%**.

Fixed Income Fund

Fund	September	QTD	YTD
Fixed Income Fund	-0.47%	-1.03%	-1.39%
Barclays U.S. Universal (Ex MBS) Index	+0.33%	+0.49%	+0.79%
Difference	-0.80%	-1.52%	-2.18%

- The Fixed Income Fund (FIF) declined **-0.47%** in September and significantly underperformed its benchmark return by **0.80%**. The fund's exposure to higher-risk fixed income assets suffered due to investor concerns of slowing world economic growth, particularly in the developing world. The fund's 10% allocation to bonds from developing countries, its 8% allocation to below-investment grade bonds, and its 4% credit opportunities strategy declined **2.9%**, **2.7%** and **1.7%** respectively. In addition, the fund's two core managers both significantly underperformed their benchmarks due to their exposure to higher-risk fixed income assets. The fund's 9% allocation to positive social purpose loans gained **1.1%** and positively contributed to benchmark-relative performance.
- For the third quarter, the Fixed Income Fund declined **1.03%** and significantly underperformed the benchmark return by **1.52%**. The same factors responsible for the fund's underperformance in September contributed to the fund's underperformance for the third quarter. The fund's allocations to bonds from developing countries, below-investment grade bonds, and credit opportunities strategy declined **6.5%**, **5.0%**, and **3.3%** respectively. The fund's allocation to positive social purpose loans gained **3.0%** and positively contributed to benchmark-relative performance.
- For the year-to-date, the Fixed Income Fund declined **1.39%** and underperformed its benchmark return by **2.18%**. The fund's allocations to bonds from developing countries, below-investment grade bonds and credit opportunities strategy declined **8.7%**, **2.4%** and **0.5%**, respectively. In addition, the fund's allocation to bonds from developed countries decreased **2.8%**, largely due to a stronger U.S. dollar. The fund's allocation to positive social purpose loans gained **4.9%** and positively contributed to benchmark-relative performance.

Extended Term Fixed Income Fund

Fund	September	QTD	YTD
Extended Term Fixed Income Fund	+0.29%	+0.66%	-1.51%
Barclays U.S. Government/Credit Long Term Index	+0.81%	+2.18%	-1.58%
Difference	-0.52%	-1.52%	+0.07%

- The recently created Extended Term Fixed Income Fund (ETFIF) gained **0.29%** in September, but underperformed its benchmark return by **0.52%**. Long-term interest rates declined during the month due to fears of stagnant global growth, especially in the developing world, particularly China. Click [here](#) for more information about the Extended Term Fixed Income Fund.
- For the third quarter, the fund gained **0.66%**, but underperformed the fund benchmark as interest rates declined due to investor fears of stagnant global growth.
- Since inception on May 29, 2015, the fund declined **1.51%**, but slightly outperformed the fund benchmark which declined **1.58%** during this period.

U.S. Equity Fund

Fund	September	QTD	YTD
U.S. Equity Fund	-2.84%	-7.11%	-4.95%
Russell 3000 Index	-2.91%	-7.25%	-5.45%
Difference	+0.07%	+0.14%	+0.50%

- The U.S. Equity Fund (USEF) declined **2.84%** in September but slightly outperformed the fund's Russell 3000 Index benchmark by **0.07%**. The fund benefitted from its 8% allocation to the alternative investment strategies of private equity and private real estate, which recognized gains of **7.0%** and **0.5%** respectively. Also, one of the fund's small company stock managers positively contributed to performance as this manager meaningfully outperformed its portfolio benchmark. In addition, the U.S. Equity Fund's 3% allocation to publicly traded real estate investment trusts (REITs) gained **3.4%**, positively contributing to its performance. However, the fund's higher-than-benchmark weighting to small company stocks detracted from performance as the Russell 2000 Index of small companies declined **4.9%** compared to a **2.5%** decline of the large company S&P 500 Index.
- For the third quarter, the U.S. Equity Fund declined **7.11%** and slightly outperformed the fund benchmark return by **0.14%**. The fund benefitted from its allocations to private equity and private real estate, which recognized gains of **7.0%** and **3.1%** respectively. The fund's allocation to public REITs gained **3.5%**. The fund's overweight to small cap stocks, as represented by the Russell 2000 Index, detracted from performance as the index fell **11.9%** for the quarter.
- For the year-to-date, the U.S. Equity Fund declined **4.95%** and outperformed its benchmark return by **0.50%**. The fund's diversifying allocations to private equity and private real estate recognized gains of **7.3%** and **9.8%** respectively and positively contributed to benchmark-relative performance. The fund's allocation to public REITs decreased only **2.7%**. The higher-than-benchmark allocation to small company stocks negatively contributed to the fund's benchmark-relative performance, as the Russell 2000 Index declined **7.7%** compared to decline of only **5.3%** for the S&P 500 Index.

International Equity Fund

Fund	September	QTD	YTD
International Equity Fund	-3.50%	-12.22%	-8.25%
MSCI ACWI x US Investable Market Index	-4.40%	-11.88%	-7.84%
Difference	+0.90%	-0.34%	-0.41%

- The International Equity Fund (IEF) declined **3.50%** in September, but significantly outperformed its benchmark return by **0.90%**. The fund benefitted from its higher-than-benchmark weight to small company and developing country stocks. The MSCI Emerging Markets IMI Index declined **2.6%**, and the S&P Developed ex-U.S. Small Cap Index declined **3.4%** compared to the **5.1%** decline of the large developed company MSCI EAFE Index. The fund also benefitted from its modest allocation to international private equity, which recognized a gain of **4.4%** in September. Finally, a portion of the International Equity Fund's September return is attributable to a positive adjustment to the fund's net asset value due to strength in the U.S. equity market on the last day of September. The international daily valuation policy is described [here](#).
- For the third quarter, the International Equity Fund declined **12.22%** and underperformed the fund's benchmark by **0.34%**. The fund's higher-than-benchmark allocation to developing country stocks

detracted from benchmark-relative performance, as the MSCI Emerging Markets IMI Index declined **17.7%** for the quarter. The fund benefitted from its higher-than-benchmark allocation to small company stocks and international REITs, as the S&P Developed ex-U.S. Small Cap Index and FTSE EPRA/NAREIT Index decreased only **7.9%** and **5.3%** respectively, compared to the **10.2%** decline of the MSCI EAFE Index. The International Equity Fund also benefitted from its allocations to private equity and private real estate, as these two strategies recognized gains of **4.4%** and **7.0%** respectively.

- For the year-to-date, the International Equity Fund declined **8.25%** and underperformed the fund benchmark by **0.41%**. The fund's higher-than-benchmark allocation to developing country stocks had the largest impact on its below-benchmark relative performance, as the MSCI Emerging Markets IMI Index declined **14.7%**. The fund's greater-than-benchmark allocation to small company stocks and international REITs positively contributed to performance as the benchmark index for small company stocks gained **0.4%**, while international REITs benchmark index declined **4.3%**. The fund also benefitted from its allocation to private equity and private real estate, which recognized a gain of **7.1%** and a loss of **3.2%** respectively. The impact of the international daily valuation policy also positively influenced performance results.

Multiple Asset Fund

Fund	September	QTD	YTD
Multiple Asset Fund	-2.19%	-6.46%	-4.69%
Composite Benchmark	-2.25%	-5.92%	-3.94%
Difference	+0.06%	-0.54%	-0.75%

- For September, the Multiple Asset Fund (MAF) declined **2.19%**, but slightly outperformed its fund benchmark by **0.06%**. The Multiple Asset Fund's two equity strategies contributed positively to benchmark-relative performance, but the fund's two fixed income strategies almost fully offset the equity funds' positive benchmark-relative results.
- For the third quarter, the fund returned **-6.46%**, and underperformed its benchmark's **-5.92%** return. Poor benchmark-relative performance by the Multiple Asset Fund's two fixed income strategies is responsible for nearly all of the fund's below-benchmark performance.
- For the year-to-date, the Multiple Asset Fund returned **-4.69%** and underperformed its benchmark return by **0.75%**. Three of the fund's underlying strategies underperformed their respective benchmarks, with only the U.S. Equity Fund achieving positive benchmark-relative results.

Equity Social Values Plus Fund

Fund	September	QTD	YTD
Equity Social Values Plus Fund	-3.07%	-7.76%	-6.26%
MSCI World Custom ESG Special Weighted Index	-3.42%	-7.95%	-6.23%
Difference	+0.35%	+0.19%	-0.03%

- The Equity Social Values Plus Fund (ESVPF) is a passively managed fund designed to closely match the fund benchmark, less fund operating expenses.

US Equity Index Fund

Fund	September	QTD	YTD
US Equity Index Fund	-3.03%	-7.53%	-5.90%
Russell 3000 Index	-2.91%	-7.25%	-5.45%
Difference	-0.12%	-0.28%	-0.45%

- The U.S. Equity Index Fund (USEIF) is a passively managed fund designed to closely match the fund benchmark, less fund operating expenses.

For additional information, please contact:

Brian Coker, CFA
 Director, Investment Services
 Wespath Investment Management
 (847) 866-2700 direct
 (847) 866-4100 general
bcoker@wespath.com

or

Karen Manczko
 Manager, Institutional Relationships
 Wespath Investment Management
 (847) 866-4236 direct
 (847) 866-4100 general
kmanczko@wespath.com

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