

# September 2018 Investment Report

## Highlights

- As expected, the Federal Reserve (Fed) raised short-term interest rates 0.25% during its September committee meeting, crediting a strong labor market and economic growth as drivers for the third rate hike in 2018.
- Trade tensions re-emerged when the U.S. announced tariffs on an additional \$200 billion of Chinese goods. Conversely, trade concerns eased when Canada and the U.S. announced completion of negotiations for a new trade agreement.
- U.S. Economic momentum remains strong. The unemployment rate decreased to 3.7% in September, a 49-year low. The Consumer Confidence Index increased to 138.4 in September from 134.7 in August, achieving an 18-year high.
- In September, the Fixed Income Fund and Inflation Protection Fund outperformed their respective benchmarks, while the U. S. Equity Fund, International Equity Fund and Multiple Asset Fund underperformed.

## Monthly Overview

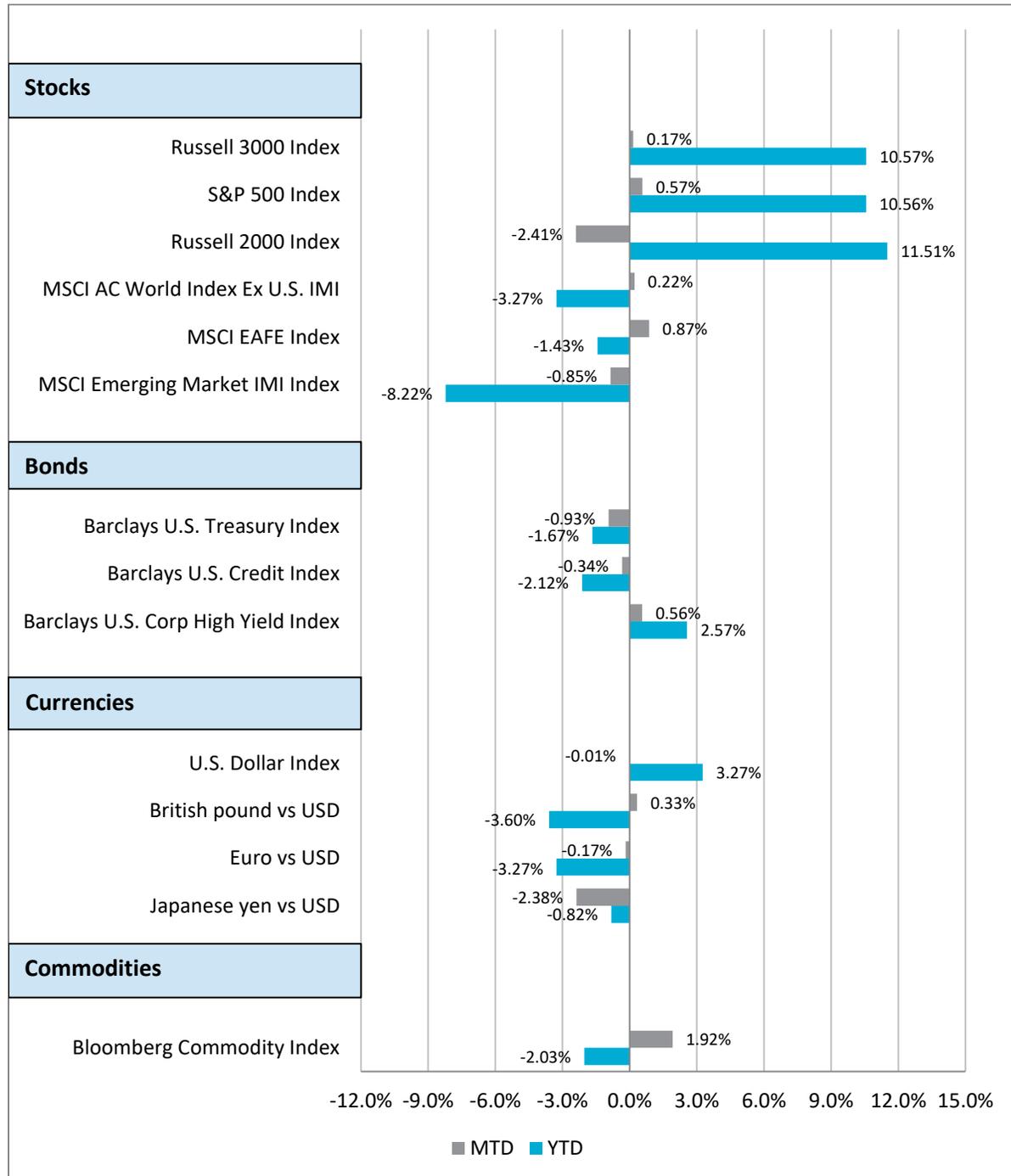
### Global trade tensions back in focus

The U.S. Administration announced tariffs on \$200 billion of Chinese imports and Beijing responded with duties on \$60 billion of U.S. imports. This follows tariffs imposed on \$50 billion in Chinese goods in July and August, and steel and aluminum tariffs imposed in May and June. Tensions de-escalated when Canada agreed to enter into the new U.S.-Mexico-Canada Agreement (USMCA) scheduled to become effective in 2020, which will govern over \$1 trillion in trade across North America. Additional threatened tariffs may adversely affect long-term global productivity as countries shift to producing goods in which they do not possess a comparative advantage.

### U.S. economic momentum remains strong

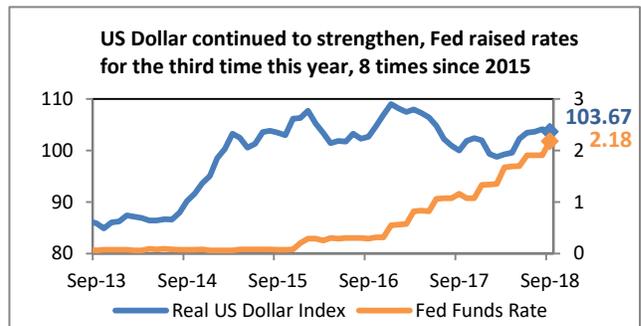
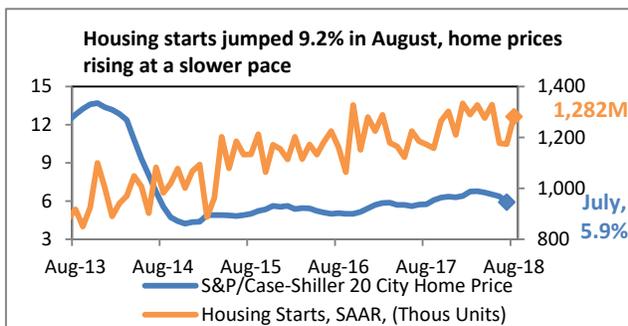
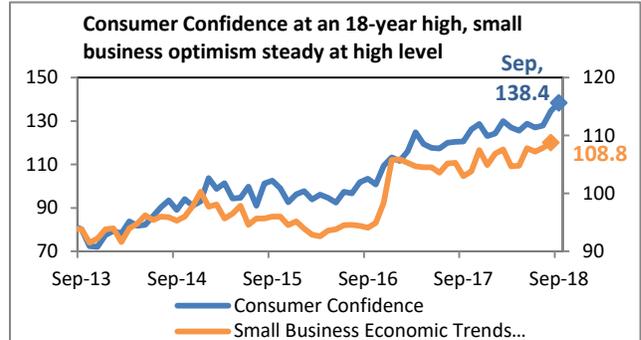
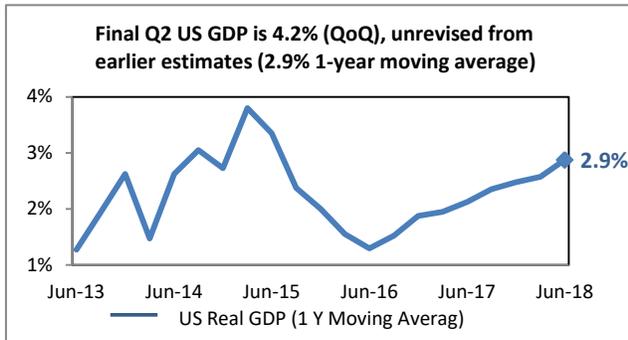
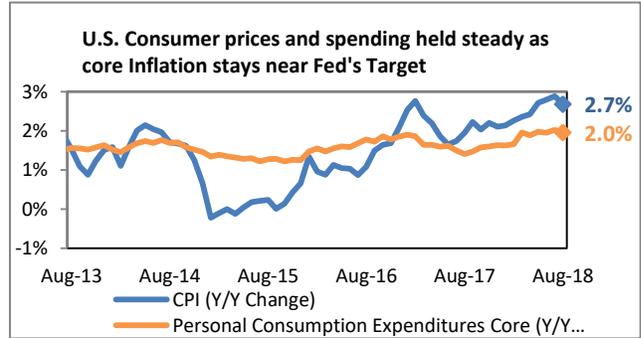
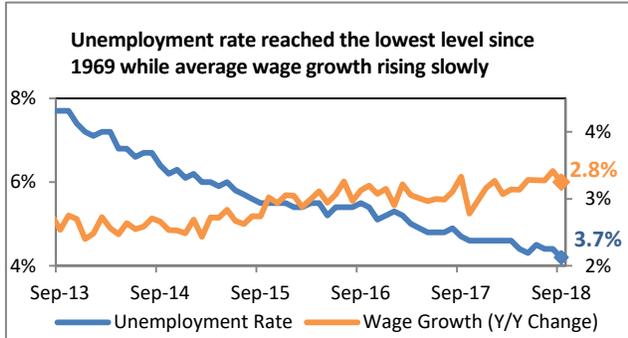
Small business confidence reached a 35-year high, evidenced by the August 2018 survey conducted by the National Federation of Independent Business, which highlighted a surge in small business optimism. In addition, the US Institute of Supply Management non-manufacturing index reached an all-time high of 61.6. September job growth fell to 134,000 on the back of Hurricane Florence, but the Labor Department reported a significant upward revision to its August report, raising the number of jobs created from 201,000 to 270,000. Pending home sales declined 1.8% in August largely due to higher interest rates. The Commerce Department reported its final estimate for second quarter U.S. GDP growth at an unrevised 4.2%. Core Personal Consumption Expenditures inflation—the Federal Reserve’s preferred inflation measure—was steady at 2% year-over-year.

## Market Performance



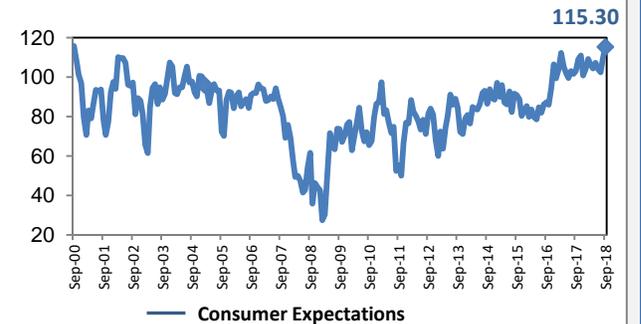
Source: FactSet, as of September 30, 2018

## Key Monthly Economic Statistics



### Chart of Month - Consumer Expectations Index

- The Consumer Expectations Index measures the short-term future economic outlook of households.
- The Index reached an all-time high since its September 2000 level.
- High consumer expectation should support strong economic momentum and consumer spending for the remainder of the year.



Source: FactSet

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

### Equity Funds

#### U.S. Equity Fund

Fund	September	QTD	YTD
U.S. Equity Fund	-0.62%	+6.15%	+11.91%
Russell 3000 Index	+0.17%	+7.12%	+10.57%
Difference (percentage points)	-0.79	-0.97	+1.34

- For the month, the fund's strategic overweight to small- and mid-sized company stocks and corresponding underweight of large-company stocks contributed negatively to benchmark-relative performance. In addition, poor performing information technology investments negatively impacted fund performance. Wespath's [Ethical Exclusions](#) policy detracted from fund results due to strong performing defense-oriented company stocks.
- During the quarter, the fund's overweight allocation to small- and mid-sized company stocks and underweight allocation to large-company stocks detracted from relative performance along with the fund's dedicated investments in private equity and private real estate.
- Year-to-date, two growth-oriented managers' investments in e-commerce, biotech and healthcare equipment companies continue to benefit the fund's returns, along with an overweight to small-company growth-oriented investments. The fund also benefited from not holding underperforming tobacco stocks.

#### International Equity Fund

Fund	September	QTD	YTD
International Equity Fund	-0.16%	-0.62%	-2.67%
MSCI ACWI ex U.S. Investable Market Index (Net)	+0.22%	+0.39%	-3.27%
Difference (percentage points)	-0.38	-1.01	+0.60

- For the month and quarter, the fund's strategic underweight to developed market equities, and corresponding overweight to emerging market equities, detracted from benchmark-relative returns. During both periods, the fund benefited from its dedicated allocation to private equity investments. For the quarter, two developed country oriented managers detracted the most from performance.
- Year-to-date, the fund benefited most from strong performance by one developed market manager and one emerging market manager. The fund's strategic underweight to developed market equities, and corresponding overweight to emerging market equities, detracted from benchmark-relative returns. Both private equity and private real estate positively contributed to relative returns.

### Social Values Choice Equity Fund

Fund	September	QTD	YTD
Social Values Choice Equity Fund	+0.31%	+5.08%	+4.60%
SVCEF Benchmark <sup>ii</sup>	+0.39%	+5.16%	+4.67%
Difference (percentage points)	-0.08	-0.08	-0.07

- 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](#)) negatively impacted performance for the month, but positively contributed to performance for the quarter and year-to-date.

### U.S. Equity Index Fund

Fund	September	QTD	YTD
U.S. Equity Index Fund	+0.07%	+7.19%	+10.70%
Russell 3000 Index	+0.17%	+7.12%	+10.57%
Difference (percentage points)	-0.10	+0.07	+0.13

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Ethical exclusions negatively impacted benchmark-relative performance for the month but positively contributed for the quarter and year-to-date periods.

## Fixed Income Funds

### Fixed Income Fund

Fund	September	QTD	YTD
Fixed Income Fund	-0.17%	+0.39%	-1.49%
Barclays U.S. Universal (ex MBS) Index	-0.37%	+0.39%	-1.51%
Difference (percentage points)	+0.20	+0.00	+0.02

- In September, the allocation to non-U.S. dollar bonds of emerging economies positively contributed to benchmark-relative performance, as did the overweight allocation to below investment grade corporate bonds.
- For the quarter, the positive contribution from the fund's overweight allocation to below investment grade corporate bonds was partially offset by the fund's allocation to non-dollar developed and emerging market country bonds.

- Year-to-date, the fund benefited from its overweight allocations to corporate debt particularly below investment grade bonds. The allocations to Wespath's Positive Social Purpose Lending Program and alternative investments also contributed positively to benchmark-relative results. Exposure to non-U.S. dollar bonds, particularly those of emerging economies detracted from benchmark-relative performance.

### Social Values Choice Bond Fund

Fund	September	QTD	YTD
Social Values Choice Bond Fund	-0.46%	+0.24%	-1.92%
Barclays U.S. Universal (ex MBS) Index	-0.37%	+0.39%	-1.51%
Difference (percentage points)	-0.09	-0.15	-0.41

- For the month, several of the fund manager's strategies detracted from benchmark-relative performance.
- For the quarter and year-to-date, benchmark-relative performance benefited from interest rate strategies and an overweight allocation to corporate credit. Exposure to certain emerging market bonds detracted.

### Extended Term Fixed Income Fund

Fund	September	QTD	YTD
Extended Term Fixed Income Fund	-0.89%	-0.01%	-3.17%
Barclays U.S. Government/Credit Long Term Index	-1.55%	-0.47%	-5.42%
Difference (percentage points)	+0.66	+0.46	+2.25

- The Extended Term Fixed Income Fund's policy of maintaining a lower sensitivity to interest rate movements contributed to the fund's positive benchmark-relative performance for the month-, quarter- and year-to-date time-periods.

### Inflation Protection Fund

Fund	September	QTD	YTD
Inflation Protection Fund	-0.03%	-0.64%	-0.73%
IPF Benchmark <sup>iii</sup>	-0.12%	-0.95%	-1.28%
Difference (percentage points)	+0.09	+0.31	+0.55

- For the month, quarter, and year-to-date periods, the commodities manager's decision to overweight the energy sector and the fund's out-of-benchmark allocation to below investment grade floating rate strategies positively impacted benchmark-relative results. However, the emerging market inflation-linked

bond manager's security selection decisions, and the overweight allocation to U.S. Treasury Inflation Protected securities (TIPS), detracted from benchmark-relative performance.

- The underweight allocation to UK inflation linked bonds contributed to year-to-date benchmark-relative results.

### U.S. Treasury Inflation Protection Fund

Fund	September	QTD	YTD
U.S. Treasury Inflation Protection Fund	-1.18%	-1.00%	-1.26%
Barclays U.S. Inflation Linked Bond Index	-1.13%	-0.92%	-0.99%
Difference (percentage points)	-0.05	-0.08	-0.27

- 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	September	QTD	YTD
Multiple Asset Fund	-0.31%	+2.08%	+3.08%
MAF Benchmark	+0.02%	+2.59%	+2.16%
Difference (percentage points)	-0.33	-0.51	+0.92

- During the month and quarter, the U.S. Equity Fund and International Equity Fund negatively contributed to the Multiple Asset Fund's benchmark-relative performance, and the Fixed Income Fund and Inflation Protection Fund positively contributed to performance. Year-to-date all four components positively impacted 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](#) for more information about the funds. This is not an offer to purchase securities.

<sup>ii</sup> The benchmark for the Equity Social Values Plus 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.