

September 2019 Investment Report

Highlights

- In two widely anticipated decisions, the Federal Reserve (Fed) and the European Central Bank (ECB) cut interest rates to provide stimulus to their respective economies.
- U.S.-China trade tensions rose after Chinese agricultural officials canceled a visit to the U.S. scheduled for late September and later eased after the sides agreed to restart trade negotiations in early October.
- Political uncertainty around the globe intensified as U.K. Prime Minister Boris Johnson faced new challenges in reaching a Brexit agreement and the U.S. House of Representatives initiated an impeachment inquiry into President Trump. Heightened geopolitical risk threatened the global growth outlook.
- In September, MAF-I underperformed its benchmark. USEF-I, IEF-I, and IPF-I underperformed their respective benchmarks, while FIF-I outperformed its benchmark.

Monthly Overview

Major central banks cut interest rates

The Fed's 25 basis point rate cut coincided with comments pointing to a "weaker growth outlook and elevated uncertainty weighing on business investment and exports." The Fed also offered liquidity directly to banks through overnight repurchase agreements (repos) for the first time in ten years after observing a sharp increase in repo rates. Repos are an important source of overnight funding in the financial system, and the cost to borrow cash in the repo market briefly increased to 10% as corporate income tax payments and other factors drove a shortage of cash. The ECB cut rates to minus 0.5% and reinstated its bond purchase program indefinitely. In his penultimate meeting as ECB president, Mario Draghi committed to this program until the inflation outlook "robustly" converges to the 2% target.

Markets supported by policy stimulus

The S&P 500 increased 1.9% for the month and 21% for the year through September, reaching its strongest gain for the first nine months of the year since 1997. Central bank stimulus supported a risk-on appetite early in the month and triggered a large style rotation from growth to value following persistent outperformance of growth-oriented stocks over the past several years. High-yield bonds outperformed investment-grade bonds for the month, which also reflected a risk-on stance.

U.S. resiliency drives historic economic expansion

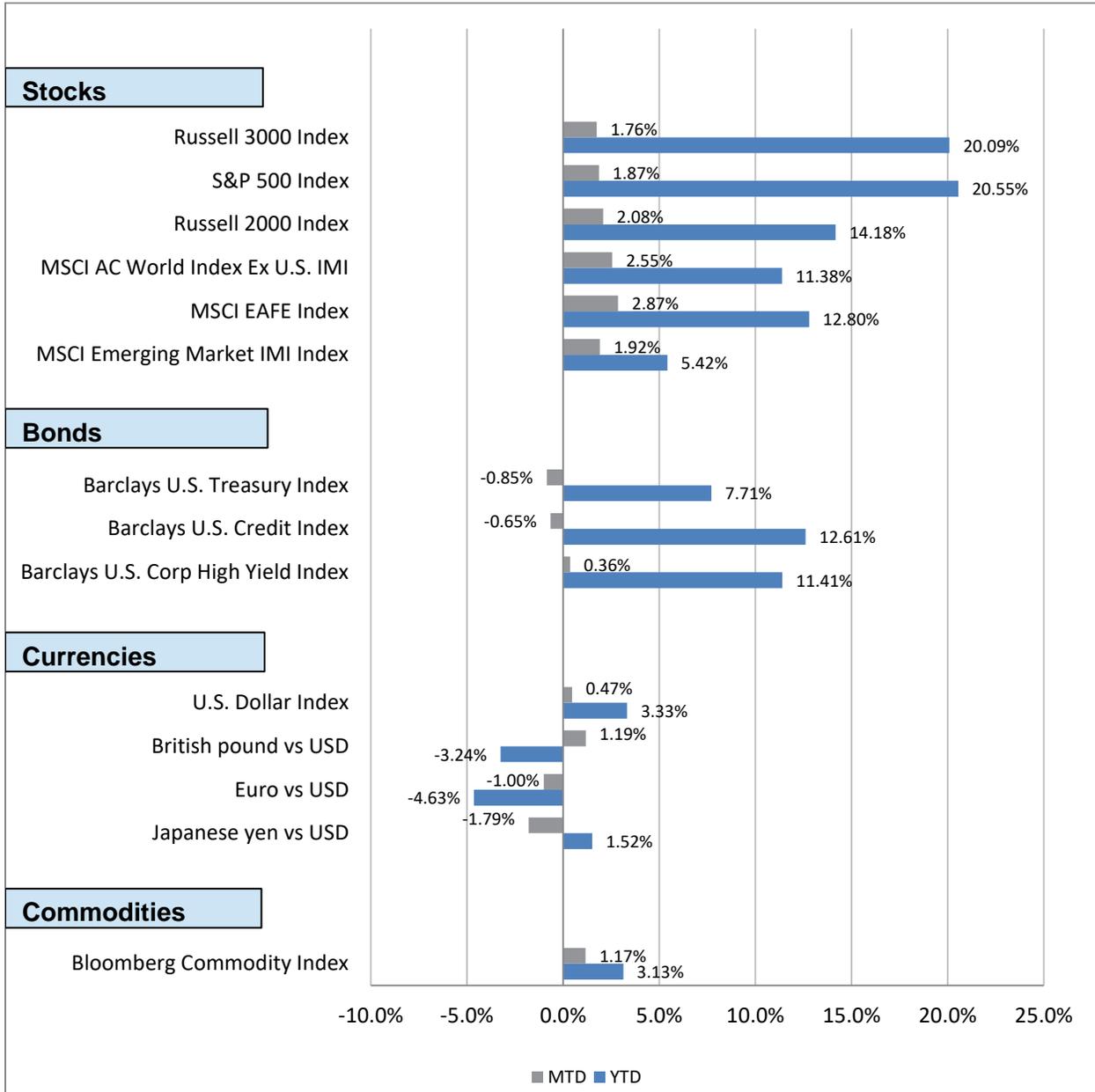
The U.S. economic expansion continued, marking the longest expansion in history at 123 months. September non-farm payrolls, as measured by the Bureau of Labor Statistics, increased by 136,000 and unemployment declined to 3.5%, its lowest level since December 1969. Average hourly wages were unchanged month over month, but wage growth slowed to 2.9% on an annual basis. The strong labor market continued to support consumer confidence and U.S. economic resilience for the month.

Geopolitical risk rises amidst global growth downgrades

The U.K. Supreme Court ruled Prime Minister Boris Johnson's suspension of Parliament was unlawful, the U.S. House of Representatives initiated an official impeachment inquiry of President Trump's interactions with the Ukrainian president, and oil prices temporarily rose 15% when Saudi Arabia suffered a drone attack on its Abqaiq oil-processing center. The Organization for Economic Co-operation and Development (OECD) downgraded its 2019 global growth forecast from 3.2% to 2.9%, the weakest level since the 2008 financial crisis.



Market Performance



Source: FactSet, as of September 30, 2019

Key Monthly Economic Statistics

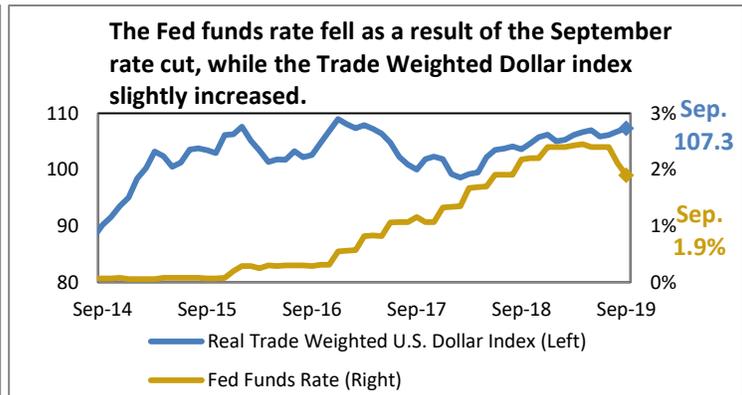
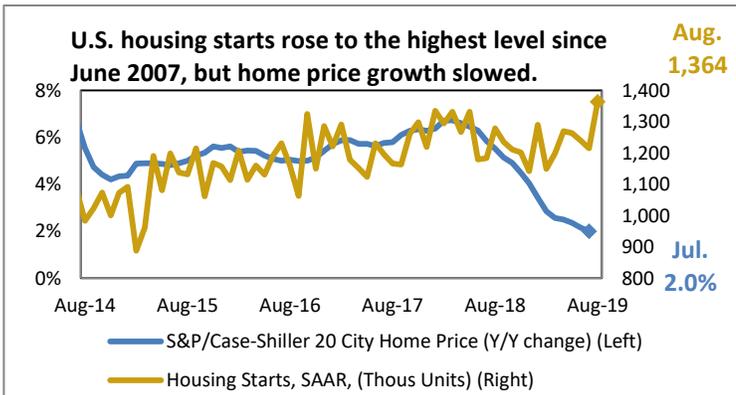
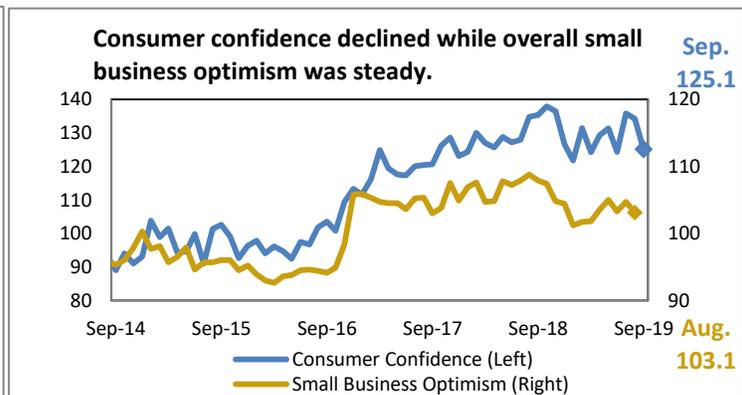
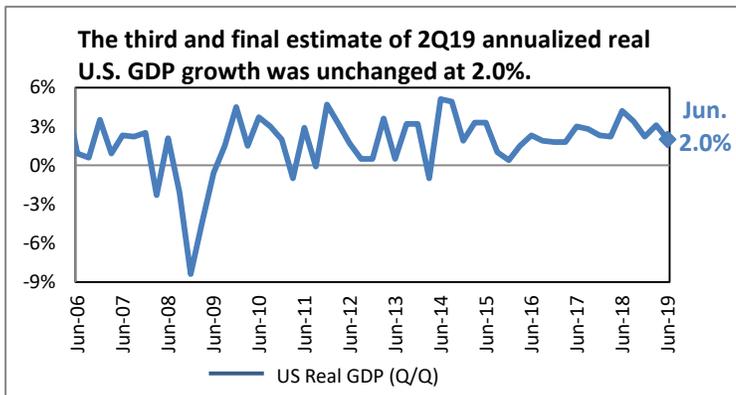
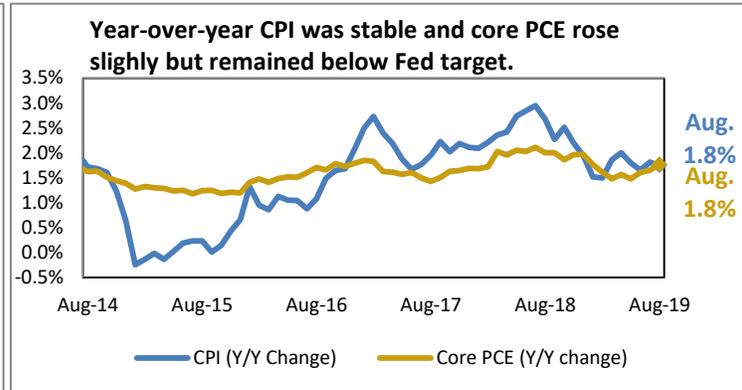
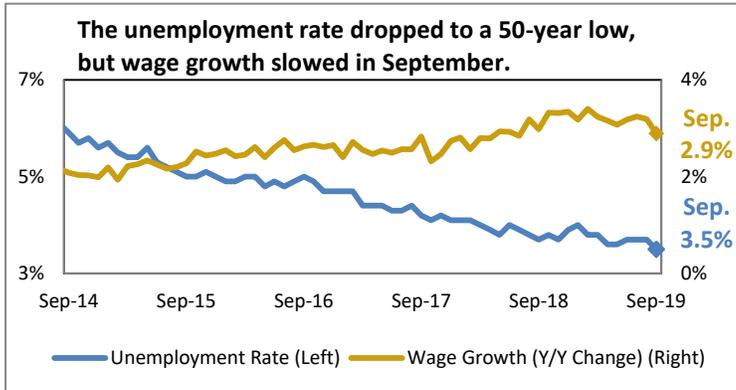
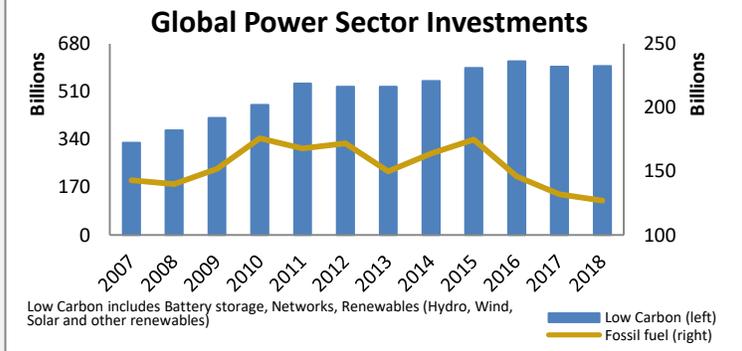


Chart of Month

- Global investment in low-carbon energy supply in 2018 was up 83% compared to 2007, while investment in fossil fuels as a power source declined 11% for the same period.
- During September, the UN Climate Action Summit took place in New York City, calling for governments, the private sector, and investors to take action to limit the increase of global temperatures to < 2°C compared to pre-industrial levels.
- WII invests in companies positioned to benefit from the transition to a low-carbon economy.



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

Equity Funds – I Series

U.S. Equity Fund–I

Fund	September	QTD	YTD
U.S. Equity Fund-I	+0.87%	-0.96%	+19.87%
Russell 3000 Index	+1.76%	+1.16%	+20.09%
Difference (percentage points)	-0.89	-2.12	-0.22

- For the month, the overweight allocation to poor performing small- and mid-sized growth-oriented company stocks as well as investments in e-commerce stocks and an identity-theft software company were the key detractors to benchmark-relative performance. Dedicated investments in private equity and private real estate also detracted from relative performance.
- During the quarter and year to date, the fund's strategic overweight to small- and mid-sized company stocks and corresponding underweight to large-company stocks, along with investments in alternatives, detracted from benchmark-relative performance. Stocks excluded in compliance with WII's Exclusions policy (described [here](#)) also detracted from relative performance. During the quarter, a number of individual investments in the software, e-commerce and biotech industries negatively impacted performance when compared to the benchmark.

International Equity Fund–I

Fund	September	QTD	YTD
International Equity Fund-I	+2.08%	-2.31%	+13.43%
MSCI ACWI ex U.S. Investable Market Index (Net)	+2.55%	-1.72%	+11.38%
Difference (percentage points)	-0.47	-0.59	+2.05

- For the month, the strategic overweight to emerging market equities and corresponding underweight to developed economies, along with investments in private real estate, negatively impacted relative performance. In addition, the majority of active investment managers underperformed their respective benchmarks.
- For the quarter, an overweight to emerging market equities and underperforming stocks in the Netherlands, Switzerland and Norway were the main contributors to underperformance. Albeit a smaller impact, dedicated investments in alternatives positively contributed to relative performance.
- Year-to-date, the fund benefited most from the majority of active managers outperforming their respective benchmarks. One manager in particular that invests in emerging market equities held outperforming investments in China, India and South Africa. In addition, the fund's fair market valuation policy (described [here](#)) was a positive contributor to relative performance. The fund's strategic

overweight to emerging market equities and corresponding underweight to developed economies, along with investments in private equity and private real estate, detracted from benchmark-relative performance.

U.S. Equity Index Fund–I

Fund	September	QTD	YTD
U.S. Equity Index Fund-I	+1.76%	+1.12%	+19.90%
Russell 3000 Index	+1.76%	+1.16%	+20.09%
Difference (percentage points)	+0.00	-0.04	-0.19

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. WII's Exclusions policy (described [here](#)) negatively affected benchmark-relative performance during all three periods.

Fixed Income Funds – I Series

Fixed Income Fund–I

Fund	September	QTD	YTD
Fixed Income Fund-I	-0.42%	+1.75%	+9.33%
Barclays U.S. Universal (ex MBS) Index	-0.58%	+2.34%	+9.78%
Difference (percentage points)	+0.16	-0.59	-0.45

- For the month, allocations to below-investment-grade corporate bonds and emerging market bonds denominated in local currencies contributed positively to benchmark-relative performance. The allocation to loans from the Positive Social Purpose lending program detracted from benchmark-relative performance.
- For the quarter, the overweight allocation to emerging market debt was the biggest detractor from benchmark-relative performance amid slower global growth and political uncertainty. The overweight allocation to below-investment-grade corporate debt also detracted due to its relatively low price sensitivity to declining interest rates.
- Year to date, exposure to non-U.S. dollar denominated investments detracted from relative results as the dollar strengthened versus a basket of both developed and emerging market currencies. Multi-family housing, particularly the high-quality U.S. agency commercial mortgage-backed securities account, detracted. Security selection decisions of the core-plus managers helped relative results.

Inflation Protection Fund–I

Fund	September	QTD	YTD
Inflation Protection Fund-I	-0.48%	+1.07%	+7.39%
IPF-I Benchmark ⁱⁱ	-0.26%	+3.04%	+10.39%
Difference (percentage points)	-0.22	-1.97	-3.00

- The underweight to U.K. inflation-linked securities and overweight to U.S. Treasury inflation-linked securities detracted from benchmark-relative returns for the three reporting periods. U.K. inflation-linked securities, which have increased over 17% year to date, have benefited from heightened expectations for a global economic slowdown and the potential for higher U.K. inflation due to Brexit.

U.S. Treasury Inflation Protection Fund–I

Fund	September	QTD	YTD
U.S. Treasury Inflation Protection Fund-I	-1.62%	+1.37%	+7.71%
Barclays U.S. Inflation Linked Bond Index	-1.47%	+1.48%	+7.95%
Difference (percentage points)	-0.15	-0.11	-0.24

- The U.S. Treasury Inflation Protection Fund-I is a passively managed fund designed to closely match the performance of the fund benchmark, less fees and expenses.

Short Term Investment Fund–I

Fund	September	QTD	YTD
Short Term Investment Fund-I	+0.14%	+0.53%	+1.86%
STIF-I Benchmark	+0.17%	+0.56%	+1.81%
Difference (percentage points)	-0.03	-0.03	+0.05

- The Short Term Investment Fund-I holds cash and cash equivalents with the objective of preserving capital while earning current income higher than that of money market funds.

Balanced Fund – I Series

Multiple Asset Fund–I

Fund	September	QTD	YTD
Multiple Asset Fund-I	+0.76%	-0.45%	+13.90%
MAF-I Benchmark ⁱⁱⁱ	+1.21%	+0.81%	+14.08%
Difference (percentage points)	-0.45	-1.26	-0.18

- During the month, the U.S. Equity Fund-I, International Equity Fund-I and Inflation Protection Fund-I all detracted from benchmark-relative performance, while the Fixed Income Fund-I was a positive contributor.
- During the quarter, all four components of the fund detracted from benchmark-relative performance.
- Year to date, the U.S. Equity Fund-I, Fixed Income Fund-I and Inflation Protected Fund-I negatively contributed to benchmark-relative performance, but the International Equity Fund-I positively contributed.

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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, the Summary Fund Description – I Series and the Statement of Additional Information](#) for more information about the funds. This is not an offer to purchase securities.

ⁱⁱ The benchmark for the Inflation Protection Fund-I Series 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.

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% Bloomberg Barclays U.S. Universal Index ex-Mortgage Backed Securities (MBS) and 10% IPF-I performance benchmark.

