

September 2020 Investment Report

Highlights

- The S&P 500 declined 3.8% for the month amid concerns about rising COVID-19 cases and the congressional stalemate over a bill to provide additional economic relief.
- The U.S. economy added 661,000 jobs in September, and the unemployment rate decreased to 7.9% from 8.4% in August.
- U.S. consumer confidence increased, and single-family home sales reached their highest level in 14 years, as the Federal Reserve (Fed) affirmed its intention to keep interest rates at historically low levels.
- The U.S. accounted for more than 20% of nearly 34 million global COVID-19 infections, and the virus' death toll surpassed one million globally.
- MAF-I, USEF-I, and IEF-I outperformed their respective benchmarks in September. FIF-I and IPF-I underperformed their respective benchmarks for the month.

Monthly Overview

Economic update

The Conference Board Consumer Confidence Index increased to 101.8 in September from 86.3 in August, and the University of Michigan Consumer Sentiment Index increased to 80.4 from 74.1. Nevertheless, both measures remain well below pre-pandemic levels. U.S. existing home sales increased 10.5% in August. New single-family home sales increased 4.8% to a seasonally adjusted annual rate of more than one million units, which was the highest level since 2006. Business activity increased in the U.S. as measured by the IHS Markit Composite Purchasing Managers' Index (PMI) reading of 54.4. The Eurozone Composite PMI reading of 50.4 indicated only modest expansion amid rising COVID-19 cases.

Market Performance

The S&P 500 declined 3.8% in September after rising in each of the five preceding months. The death of Supreme Court Justice Ruth Bader Ginsburg added to political tensions going into the 2020 U.S. presidential election, and limited progress toward a second fiscal stimulus package weighed on market sentiment. U.S. initial public offerings (IPOs) continued at a strong pace in September, reaching approximately \$95 billion raised year to date. Non-U.S. equity markets in developed and developing countries declined 2.6% and 1.6%, respectively, as measured by the MSCI EAFE Index and MSCI Emerging Markets IMI. In fixed income markets, the Bloomberg Barclays U.S. Treasury Index increased 0.1% during the month, while the Bloomberg Barclays Credit Index decreased 0.3%.

Central Banks Policies

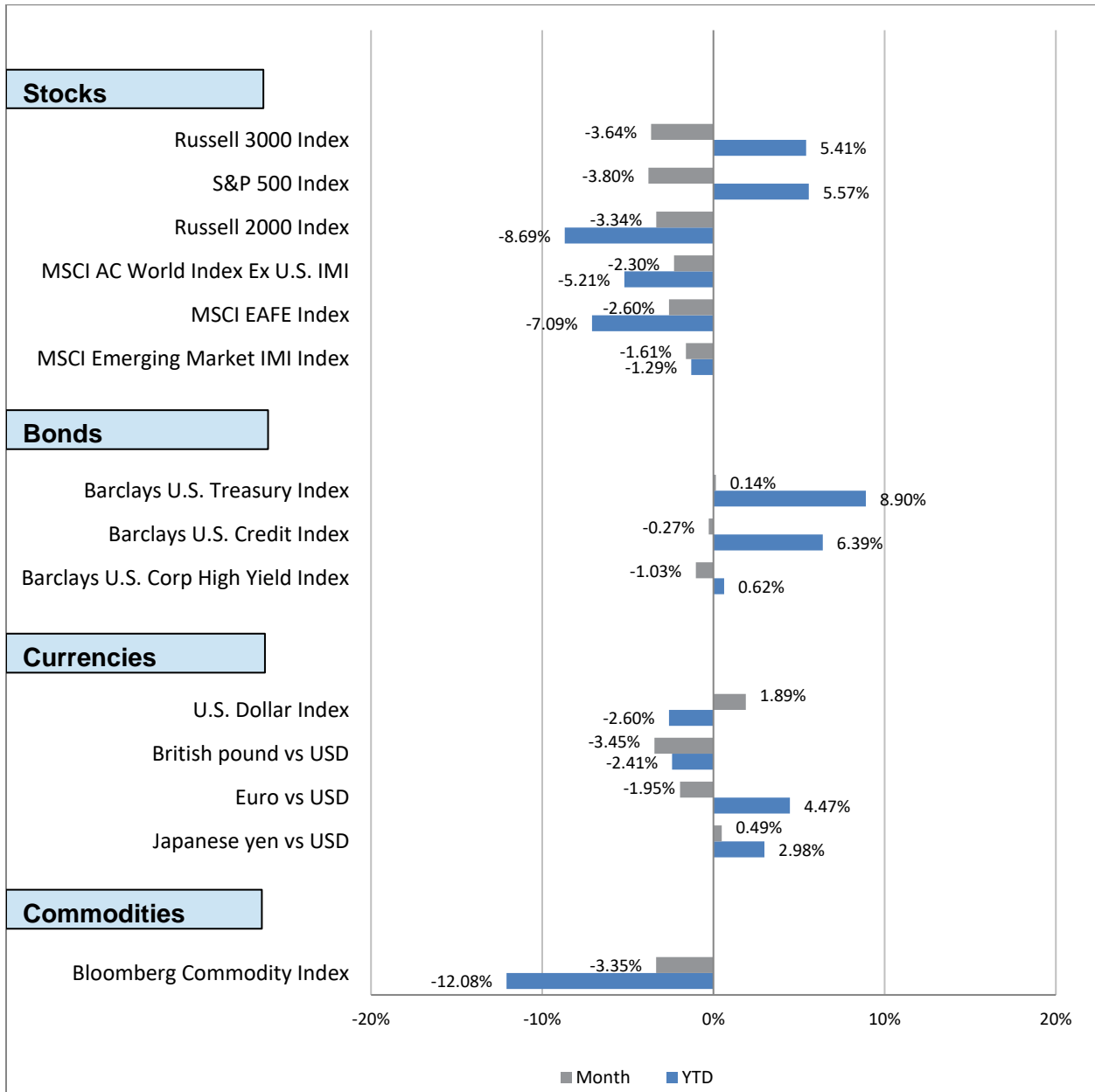
The Fed announced it will keep the federal funds overnight interest rate unchanged, targeting a range of 0% to 0.25% until inflation is on track to moderately exceed two percent for some time. The Fed will also continue to purchase Treasury and mortgage-backed securities to support the flow of credit to households and businesses. The European Central Bank (ECB) announced it will keep its main refinancing interest rate near zero and continue its emergency bond buying program.

Wildfires

Record heat and dry conditions in the western U.S. have contributed to severe wildfire outbreaks in 2020. In California, over 8,100 wildfires burned nearly four million acres, destroyed more than 8,200 structures and killed 31 people in the first nine months of 2020, increasing dialogue about risks and opportunities related to climate change.

Sources: IHS Markit. WSJ. CNBC. Federal Reserve. National Interagency Fire Center. Johns Hopkins Corona Virus Resource Center. The conference Board. Federal Reserve Bank of St. Louis. FactSet.

Market Performance



Source: FactSet, as of September 30, 2020

Key Monthly Economic Statistics

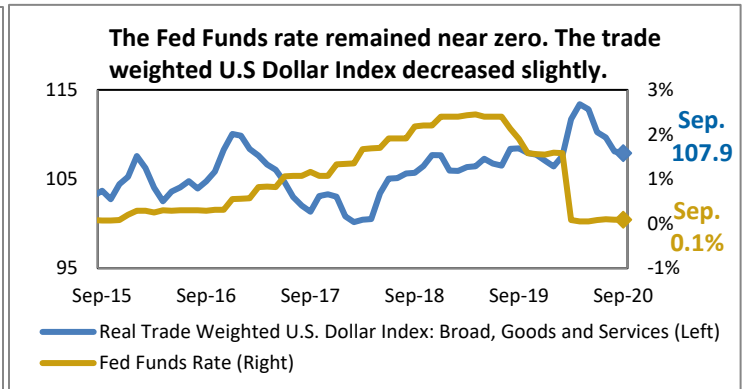
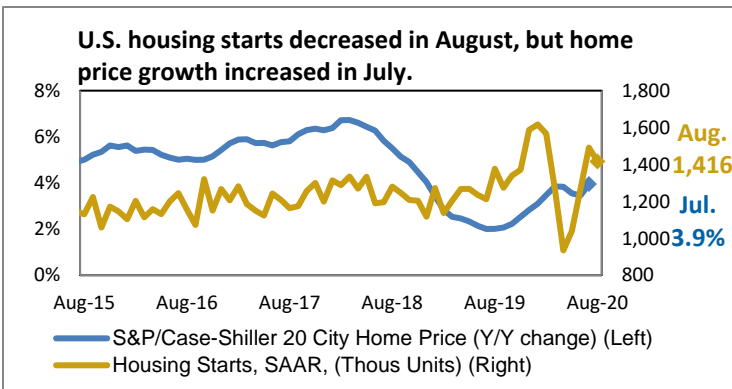
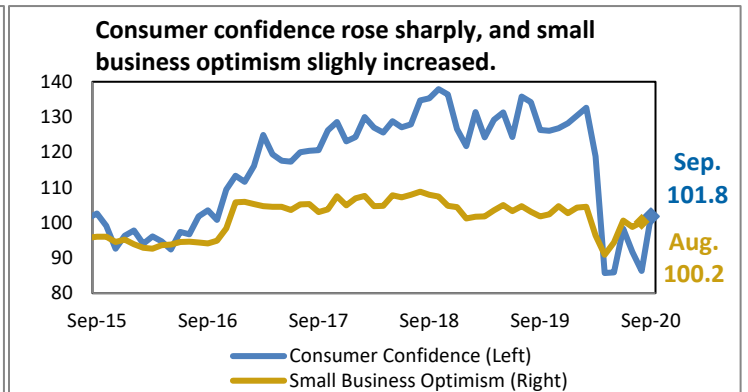
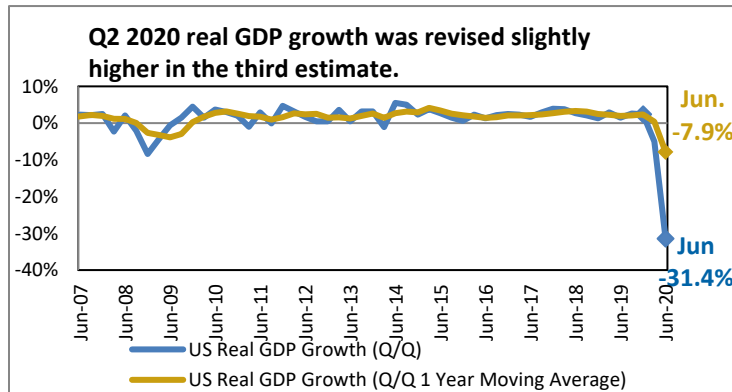
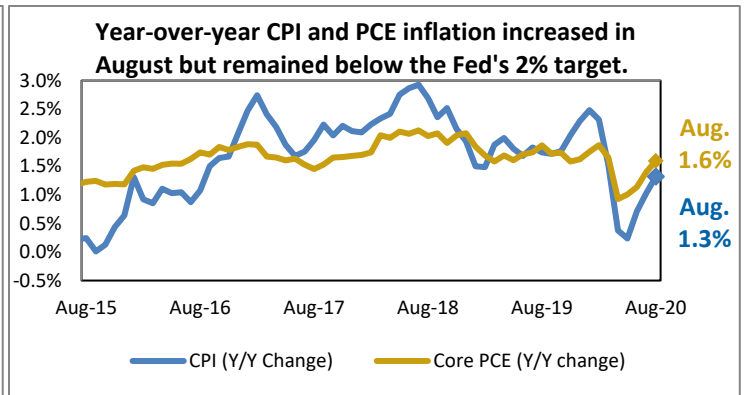
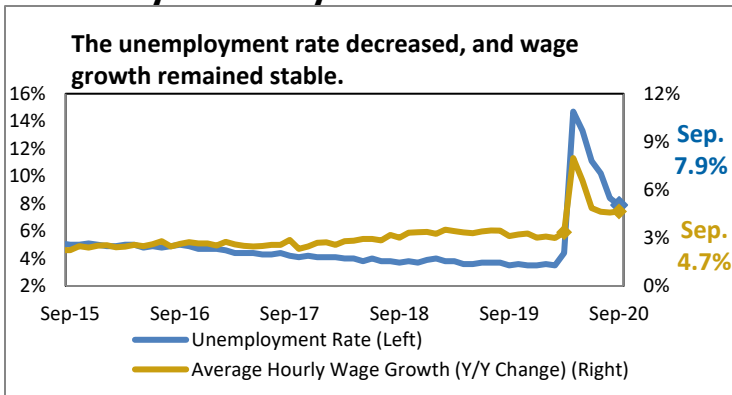
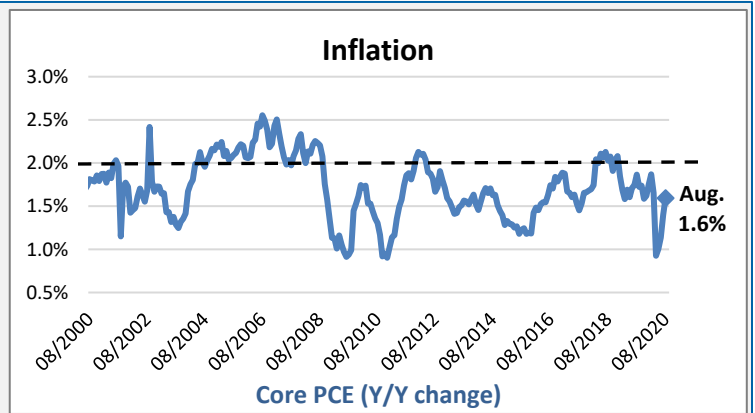


Chart of Month

- The Personal Consumption Expenditures Price Index excluding Food and Energy (Core PCE) is the Federal Reserve's preferred inflation measure.
- Core PCE inflation has been persistently below the Fed's long-term goal of two percent since the global financial crisis.
- In September, the Fed stated it will aim to achieve inflation moderately above two percent for some time so that inflation averages two percent over time.



Source: FactSet; U.S. Bureau of Labor Statistics; The Conference Board; Federal Reserve Bank of St. Louis; Bureau of Economic Analysis, U.S. Department of Commerce

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

Equity Funds

U.S. Equity Fund–I Series

Fund	September	QTD	YTD
U.S. Equity Fund-I Series	-3.01%	+8.19%	+6.28%
Russell 3000 Index	-3.64%	+9.21%	+5.41%
Difference (percentage points)	+0.63	-1.02	+0.87

- During the month, the fund outperformed the benchmark mainly due to its strategic overweight allocation to small- and mid-cap companies and corresponding underweight to large-cap companies. Investments in private real estate positively contributed to benchmark-relative performance.
- Quarter to date, the fund's strategic overweight allocation to small- and mid-cap companies, as well as its investments in private equity and private real estate, detracted from benchmark-relative performance.
- Year to date, the fund outperformed the benchmark due largely to growth-oriented active managers with exposure to numerous e-commerce businesses better positioned to succeed through the pandemic. Underweight allocations to poor performing value-oriented companies and poor-performing stocks excluded in compliance with WII's Exclusions policy also benefitted benchmark-relative performance (described [here](#)). Alternative investments detracted from relative performance.

International Equity Fund–I Series

Fund	September	QTD	YTD
International Equity Fund-I Series	-1.30%	+9.62%	+1.76%
MSCI ACWI ex U.S. Investable Market Index (Net)	-2.30%	+6.80%	-5.21%
Difference (percentage points)	+1.00	+2.82	+6.97

- During the month, the fund outperformed its benchmark mainly due to the majority of active managers outperforming their respective benchmarks. Investments in private equity and private real estate positively contributed to benchmark-relative performance.
- Quarter to date and year to date, the fund outperformed the benchmark and benefited most from active managers outperforming their respective benchmarks—in particular, a growth-oriented manager focused in developed markets and two managers investing to take advantage of the transition to a lower-carbon economy. The fund also benefited from an overweight allocation to China, as the country has fared better in its recovery from the global pandemic. Stocks excluded from the fund in compliance with Wespath's Exclusions policy also benefitted benchmark-relative performance.

U.S. Equity Index Fund–I Series

Fund	September	QTD	YTD
U.S. Equity Index Fund-I Series	-3.65%	+9.16%	+5.35%
Russell 3000 Index	-3.64%	+9.21%	+5.41%
Difference (percentage points)	-0.01	-0.05	-0.06

- The U.S. Equity Index Fund–I Series is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses.

Fixed Income Funds**Fixed Income Fund–I Series**

Fund	September	QTD	YTD
Fixed Income Fund-I Series	-0.42%	+1.80%	+5.22%
Barclays U.S. Universal (ex MBS) Index	-0.20%	+1.24%	+6.98%
Difference (percentage points)	-0.22	+0.56	-1.76

- The fund underperformed its benchmark during the month due to allocations to high-yield corporate credit and emerging market debt. Allocations to multi-family housing through high-quality U.S. agency commercial mortgage-backed securities and Wespath’s Positive Social Purpose Lending Program added to benchmark-relative performance.
- During the third quarter, the fund outperformed its benchmark due to allocations to investment grade and high-yield corporate credit and global bonds.
- Year to date, overweight allocations to emerging-market debt and corporate bonds detracted from benchmark-relative performance.

Inflation Protection Fund–I Series

Fund	September	QTD	YTD
Inflation Protection Fund-I Series	-0.52%	+3.47%	+2.48%
IPF-I Benchmark ⁱⁱ	-0.33%	+2.02%	+3.81%
Difference (percentage points)	-0.19	+1.45	-1.33

- The fund's overweight exposure to U.S. inflation-linked securities, and related underweight exposure to U.K. inflation-linked securities, detracted from benchmark-relative performance during the month and year to date but positively contributed during the quarter. Allocations to high-yield corporate credit through exposure to senior loans contributed positively to benchmark-relative performance during the month and quarter but detracted year to date.

U.S. Treasury Inflation Protection Fund–I Series

Fund	September	QTD	YTD
U.S. Treasury Inflation Protection Fund-I Series	-0.11%	+3.27%	+9.51%
Barclays U.S. Inflation Linked Bond Index	-0.38%	+3.18%	+9.75%
Difference (percentage points)	+0.27	+0.09	-0.24

- The U.S. Treasury Inflation Protection Fund–I Series is a passively managed fund designed so that it closely matches the performance of the fund benchmark, less fees and expenses.

Short Term Investment Fund–I Series

Fund	September	QTD	YTD
Short Term Investment Fund-I Series	+0.01%	+0.01%	+0.53%
BofA Merrill Lynch 3-Month Treasury Bill Index	+0.01%	+0.04%	+0.64%
Difference (percentage points)	0.00	-0.03	-0.11

- The Short Term Investment Fund–I Series holds cash, cash equivalents, and short-term securities with the objective of preserving capital while earning current income higher than that of money market funds. The COVID-19 pandemic has resulted in a global economic slowdown and unprecedented actions by the Federal Reserve to sustain the economy. These actions have resulted in low interest rates, which could negatively affect the rate at which capital is reinvested in the fund.

Balanced Fund

Multiple Asset Fund–I Series

Fund	September	QTD	YTD
Multiple Asset Fund–I Series	-1.61%	+6.55%	+5.16%
MAF–I Benchmark ⁱⁱⁱ	-2.05%	+5.80%	+2.81%
Difference (percentage points)	+0.44	+0.75	+2.35

- During the month and year to date, the International Equity Fund–I Series and U.S. Equity Fund–I Series positively contributed to benchmark-relative performance, while the Fixed Income Fund–I Series and Inflation Protection Fund–I Series detracted from relative performance.
- During the quarter, the International Equity Fund–I Series, Fixed Income Fund–I Series and Inflation Protection Fund–I Series positively contributed to benchmark-relative performance, while the U.S. 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 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% Barclays Capital U.S. Universal Index ex-Mortgage Backed Securities, and 10% IPF Benchmark.
