

April 2018 Investment Report

Highlights

- The market-implied probability of four Fed Funds rate hikes increased during the month due to several data releases indicating increasing inflation pressure. The 10-year U.S. Treasury note yield briefly exceeded three percent for the first time since January 2014.
- The U.S. economy continued to expand and the jobs market remained strong. First quarter Gross Domestic Product (GDP) increased more than expected and jobless claims dropped to the lowest level since 1969. High consumer confidence combined with positive impacts from corporate tax reform resulted in strong first quarter corporate earnings.
- The U.S. Equity Fund outperformed its benchmark for the month and the International Equity Fund underperformed. The Fixed Income Fund modestly underperformed its benchmark and the Inflation Protection Fund outperformed. All four funds outperformed their respective benchmarks year-to-date. The Multiple Asset Fund modestly underperformed its benchmark for the month.

Monthly Overview

Three rate hikes, or four?

The market-implied probability increased during the month that the Federal Reserve (Fed) would raise rates four times this year instead of three. Several data releases indicated increasing inflation pressure. The Case Shiller Home Price Index indicated that home prices were 6.8% higher for the one-year period ending in March. The Employment Cost Index increased 2.7% for the same time period. Oil prices were up over 13% for the year-to-date period ending April 30. The Personal Consumption Expenditures Index excluding food and energy, the Fed's preferred inflation monitor, rose by 0.2 percentage points in March to 1.9%, close to the Fed's 2% target. The Consumer Price Index declined for the month, but excluding the more volatile food and energy components, was higher.

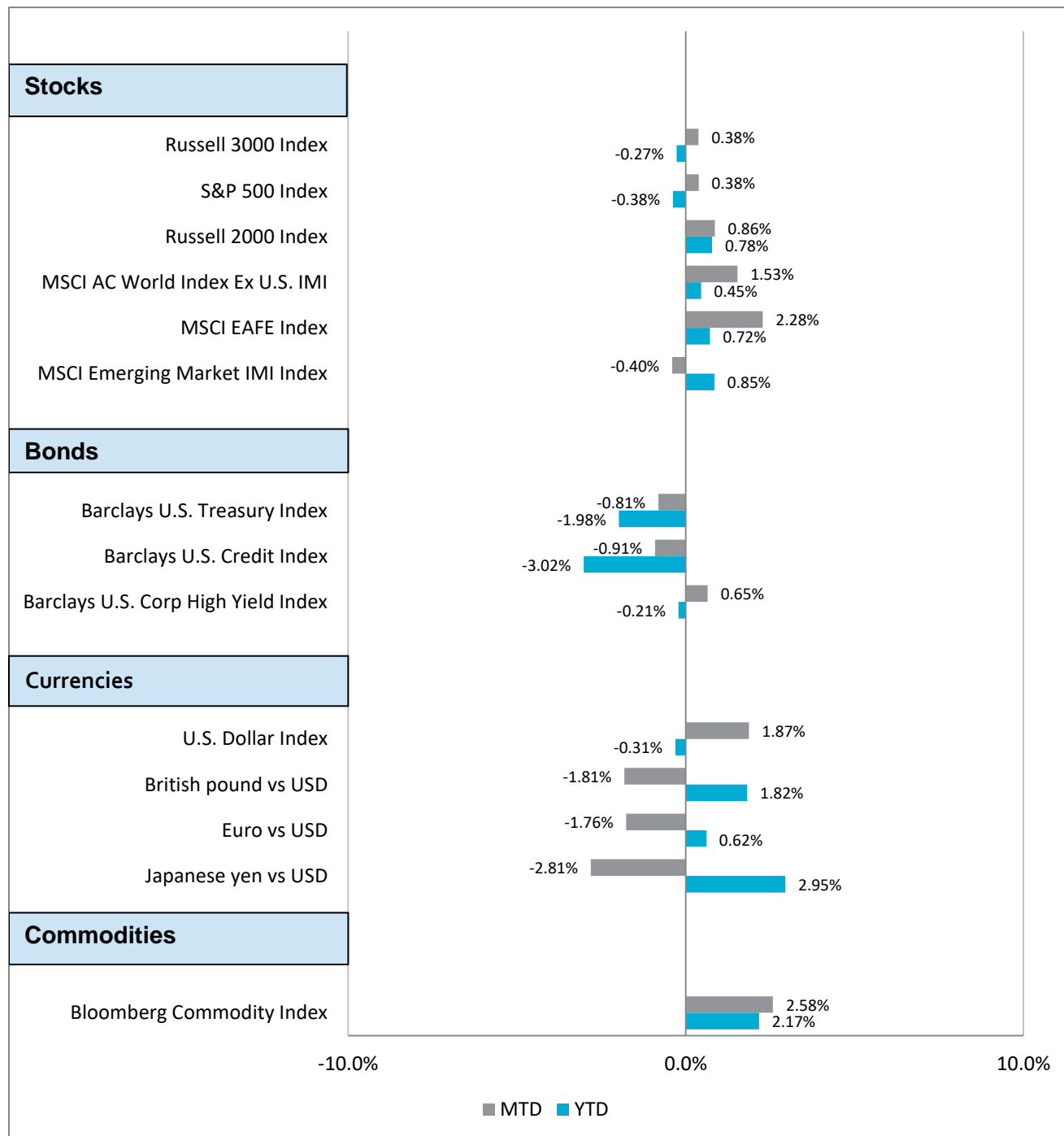
Economy and Employment

First quarter's U.S. Gross Domestic Product (GDP) growth of 2.3% (annualized) was higher than expected. While economic growth was slower compared to the previous quarter due to seasonal/weather effects, the economy continued to grow and is experiencing the third longest expansion since World War II. The number of Americans filing new applications for unemployment benefits fell to the lowest levels since 1969 according to the Initial Jobless Claims report, which is another indication of the current strong economic growth.

Strong Corporate Earnings

More than half of the companies in the S&P Index reported first quarter earnings by month end and 80% of those companies reported positive earnings surprises. The reports indicate an impressive average quarterly earnings growth rate of 23%, helped by a favorable tax plan, the strong economy and high consumer confidence.

Market Performance



Source: FactSet, as of April 30, 2018

Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Apr: 128.7 (Mar: 127.0)	▲
Factory Orders	Feb: 1.2% (Jan: -1.3%); M/M-SA	▲
Housing Starts	Mar: 1.9% (Feb: -3.3%); M/M-SAAR	▲
Institute for Supply Management Index	Mar: 59.3% (Feb: 60.8%)	▲
New Home Sales	Mar: 4.0% (Feb: 3.6%); M/M-SAAR	▲
Retail Sales	Mar: 0.6% (Feb: -0.1%); M/M-SA	▲
S&P/Case-Shiller 20-City Home Price Index	Feb: 6.8% (Jan: 6.4%); Y/Y	▲
		Neutral
Consumer Price Index core	Mar: 0.2% (Feb: 0.2%); M/M-SA	◆
Consumer Price Index (core)	Mar: 0.2% (Feb: 0.2%); M/M-SA	◆
Durable Goods Orders	Mar: 2.6% (Feb: 3.5%); M/M-SA	◆
Existing Home Sales	Mar: 1.1% (Feb: 3.0%); M/M-SAAR	◆
Nonfarm Payrolls	Mar: 103,000 (Feb: 326,000)	◆
Producer Price Index core	Mar: 0.3% (Feb: 0.2%); M/M-SA	◆
Producer Price Index	Mar: 0.3% (Feb: 0.2%); M/M-SA	◆
Real Gross Domestic Product	Mar: 2.3% (Dec: 2.9%); Q/Q-SAAR	◆
Retail Sales ex-auto	Mar: 0.2% (Feb: 0.2%); M/M-SA	◆
Unemployment Rate	Mar: 4.1% (Feb: 4.1%)	◆
		Negative
None		

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)ⁱ

Equity Funds

U.S. Equity Fund

Fund	April	YTD
U.S. Equity Fund	+0.94%	+1.29%
Russell 3000 Index	+0.38%	-0.27%
Difference (percentage points)	+0.56	+1.56

- During the month, the fund's strategic overweight to small- and mid-sized company stocks, and corresponding underweight in large-company stocks, contributed modestly to benchmark-relative performance. The fund benefited most from its exclusion of tobacco company stocks, which declined after news that growth in e-cigarettes was lower than expected. In addition, investments in a number of healthcare companies contributed positively to returns.
- Year-to-date, the fund's positive benchmark-relative performance benefited most from three growth-oriented managers due to their investments in e-commerce, biotech, and healthcare equipment companies. The fund's strategic overweight to small- and mid-sized companies, and corresponding underweight in large-company stocks, along with the dedicated private real estate allocation contributed positively to performance.

International Equity Fund

Fund	April	YTD
International Equity Fund	+0.55%	+1.14%
MSCI ACWI ex U.S. Investable Market Index (Net)	+1.53%	+0.45%
Difference (percentage points)	-0.98	+0.69

- During the month, the fund underperformed its benchmark due to the strategic overweight to emerging markets and corresponding underweight to developed markets. Its dedicated allocation to alternatives also detracted. The fund's international daily valuation policy (described [here](#)) negatively affected performance.
- Year-to-date, eight of the fund's 11 active investment managers outperformed their respective benchmarks. The fund's overweight to emerging market equities, and corresponding underweight to developed market equities, was a negative contributor to relative returns. The allocation to private real estate helped relative returns, while investments in private equity detracted from performance.

Social Values Choice Equity Fund

Fund	April	YTD
Social Values Choice Equity Fund	+0.49%	-0.53%
SVCEF Benchmark ⁱⁱ	+0.65%	-0.37%
Difference (percentage points)	-0.16	-0.16

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The international daily valuation policy (described [here](#)) negatively affected performance.

U.S. Equity Index Fund

Fund	April	YTD
U.S. Equity Index Fund	+0.53%	-0.29%
Russell 3000 Index	+0.38%	-0.27%
Difference (percentage points)	+0.15	-0.02

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Ethical exclusions (described [here](#)) contributed positively to benchmark-relative performance for the month and year-to-date periods.

Fixed Income Funds

Fixed Income Fund

Fund	April	YTD
Fixed Income Fund	-0.81%	-1.43%
Barclays U.S. Universal (ex MBS) Index	-0.72%	-2.18%
Difference (percentage points)	-0.09	+0.75

- During the month, the fund modestly underperformed the fund benchmark. The positive impact from the fund's overweight allocation to below-investment-grade corporate debt was offset by the allocation to bonds denominated in non-U.S. developed and emerging market currencies, which depreciated relative to the U.S. dollar over the month.
- Year-to-date, the fund outperformed its benchmark due to the allocation to bonds denominated in non-U.S. dollar developed and emerging market currencies, which appreciated over the period. The overweight to below-investment-grade corporate debt and exposure to loans supporting affordable housing through Wespath's [Positive Social Purpose \(PSP\) Lending Program](#) also contributed positively to benchmark-relative performance. The overweight to investment grade corporate bonds was a modest detractor.

Social Values Choice Bond Fund

Fund	April	YTD
Social Values Choice Bond Fund	-0.50%	-2.17%
Barclays U.S. Universal (ex MBS) Index	-0.72%	-2.18%
Difference (percentage points)	+0.22	+0.01

- During the month, the fund's positive relative performance was due to yield curve strategies that lowered the fund's sensitivity to interest rate changes. Corporate bond selection also contributed to relative results.
- Year-to-date, the fund performed in line with the benchmark. The positive impacts from yield curve strategies and exposure to inflation-linked bonds were offset by the overweight allocation to bonds within the intermediate maturity range of five to 10 years and exposure to emerging market currencies.

Extended Term Fixed Income Fund

Fund	April	YTD
Extended Term Fixed Income Fund	-1.20%	-3.59%
Barclays U.S. Government/Credit Long Term Index	-1.94%	-5.46%
Difference (percentage points)	+0.74	+1.87

- The Extended Term Fixed Income Fund's intentional policy of maintaining a lower sensitivity to interest rate movements contributed to the fund's benchmark-relative performance for both periods.

Inflation Protection Fund

Fund	April	YTD
Inflation Protection Fund	+0.06%	+0.43%
IPF Benchmark ⁱⁱⁱ	-0.67%	-0.25%
Difference (percentage points)	+0.73	+0.68

- The strategic underweight allocation to U.K. inflation-linked bonds and overweight allocation to high yield floating rate strategies contributed to benchmark-relative results for both periods. The overweight to U.S. Treasury Inflation Protected Securities (TIPS) contributed to benchmark-relative results during the month, but detracted year-to date.
- Relative results from the fund's commodities and emerging markets inflation-linked bond managers contributed positively to benchmark-relative performance for both periods.

U.S. Treasury Inflation Protection Fund

Fund	April	YTD
U.S. Treasury Inflation Protection Fund	-0.14%	-1.02%
Barclays U.S. Inflation Linked Bond Index	-0.06%	-0.91%
Difference (percentage points)	-0.08	-0.11

- 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	April	YTD
Multiple Asset Fund	+0.30%	+0.64%
MAF Benchmark ^{iv}	+0.35%	-0.47%
Difference (percentage points)	-0.05	+1.11

- During the month, the U.S. Equity Fund and Inflation Protection Fund positively contributed to the Multiple Asset Fund's benchmark-relative performance, while the Fixed Income Fund and International Equity Fund detracted from performance.
- Year-to-date, all four underlying funds in the Multiple Asset Fund positively contributed to benchmark-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](#) for more information about the funds. This is not an offer to purchase securities. Offers will only be made through the *Investment Funds Description*.
- ⁱⁱ The benchmark for the Equity Social Values Plus Fund is the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index.
- ⁱⁱⁱ 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.
- ^{iv} The benchmark for the Multiple Asset Fund 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% Inflation Protection Fund (IPF) Benchmark.