

# April 2022 Investment Report

## Highlights

- The S&P 500 Index of U.S. blue chip stocks fell 8.7% in April, while non-U.S. stocks were down 6.3%. The Bloomberg U.S. Aggregate Bond Index lost a more modest 3.8%. The 10-year U.S. Treasury yield recorded its largest monthly increase in over a decade.
- The list of concerns for investors grew during the month as the U.S. economy contracted 1.4% during the first quarter and China implemented renewed COVID-19 lockdowns across major cities – resulting in continued supply-chain disruption.
- The Labor Department reported that U.S. employers added 428,000 nonfarm jobs in April, and the unemployment rate remained at 3.6%.
- The U.S. dollar appreciated 4.7% vs. a basket of developed market currencies.
- The U.S. Equity Fund, Fixed Income Fund and Inflation Protection Fund outperformed, while the International Equity Fund and Multiple Asset Fund underperformed their respective benchmarks for April.

## Monthly Overview

### U.S. GDP Contracted 1.4% Amid High Inflation

The U.S. economy contracted for the first time since early in the COVID-19 pandemic as supply-chain disruptions negatively impacted growth, a swift shift from the brisk 6.9% annual growth rate during the fourth quarter. Gross domestic product unexpectedly fell by 1.4% on an annualized basis during the first quarter. Wall Street consensus expectations were for a positive 1.1% annualized growth rate. A widening trade deficit and a slower pace of inventory investment also weighed on economic output. However, consumer spending, which makes up approximately two-thirds of the economy, rose 2.7% on an annualized basis. The Consumer Price Index increased 8.5% from a year earlier, measuring the highest inflation rate in 40 years. Bond yields increased and prices decreased as investors anticipated aggressive U.S. Federal Reserve (Fed) interest rate hikes to combat inflation.

### NASDAQ Posts Worst Monthly Return Since 2008

The tech heavy NASDAQ Index recorded its worst monthly decline since 2008, down over 13%, as corporate earnings growth slowed and investors became increasingly concerned about rising inflation and the likelihood of the Fed increasing interest rates at a faster pace. The group of mega-tech companies known as the “FAANG” stocks all produced negative returns between -12% (Amazon) and -51% (Netflix) during the month. The VIX, an index that measures the expected volatility in the S&P 500 Index over the next 30 days, jumped by 62% in April.

### Corporate Earnings Growth Moderates

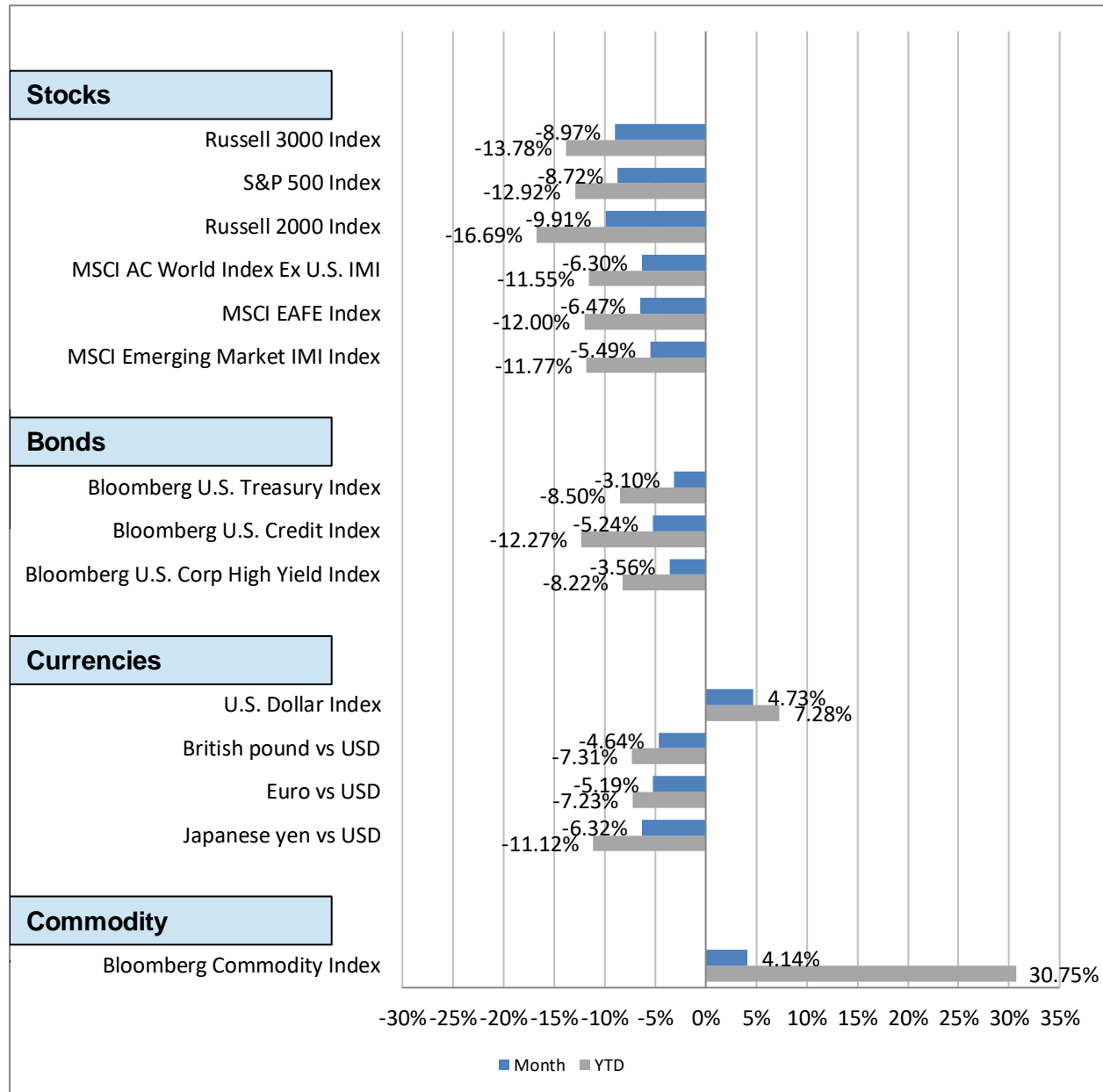
Companies started to report financial results for the first quarter of 2022 and earnings growth rates have moderated considerably from 2021 levels. As of the writing of this report, S&P 500 companies are expected to generate earnings growth of 7.1% for the first quarter from a year ago. For the 2022 calendar year, analysts are forecasting earnings growth of 10.3% for S&P 500 companies.

### Russia’s Invasion of Ukraine Intensifies

Russian military forces intensified fighting in Ukraine and appeared to be in control of much of Mariupol by month end. The tragic conflict has exacerbated global inflation by disrupting the region’s exports of energy, agricultural products, fertilizers and other commodities.

*Sources: Commerce Department, Reuters, Wall Street Journal, JP Morgan, Bloomberg, FactSet, and Refinitiv.*

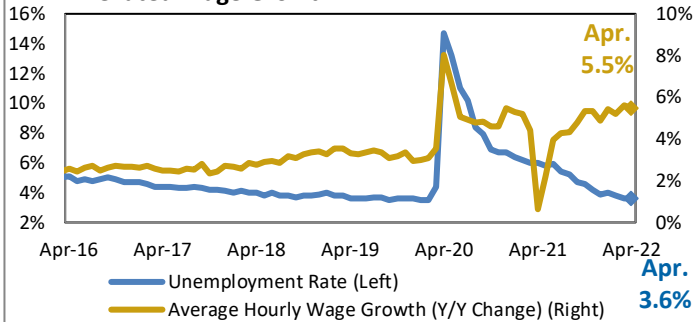
## Market Performance



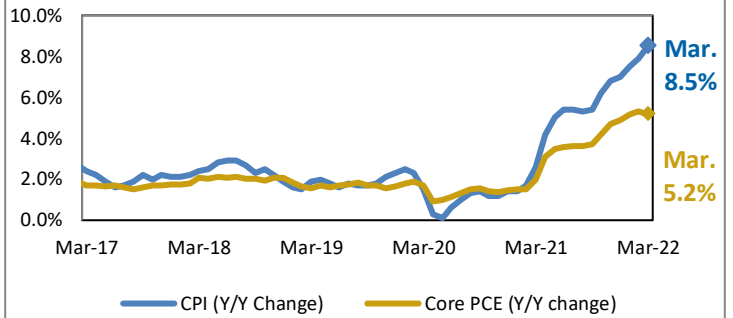
Source: FactSet, as of April 30, 2022.

## Key Monthly Economic Statistics

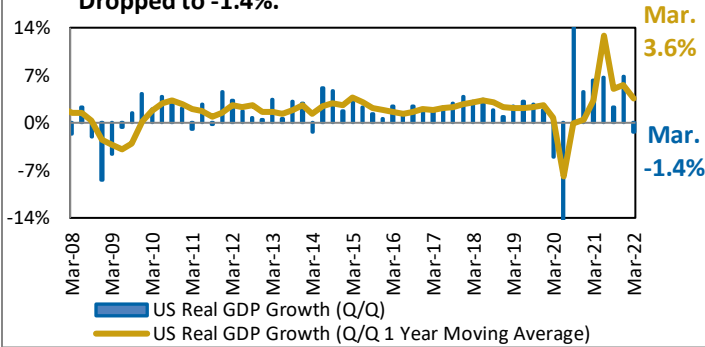
**The Unemployment Rate Remained Low Amid Elevated Wage Growth.**



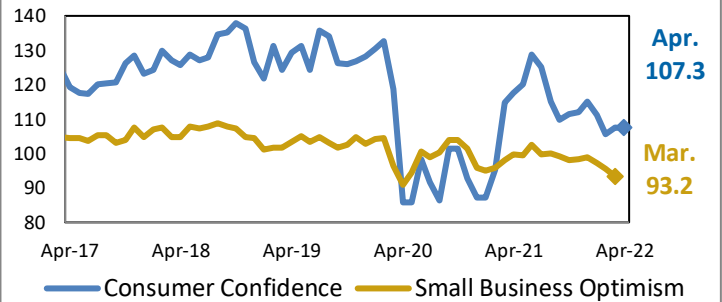
**CPI Inflation Reached Its Highest Level Since 1982.**



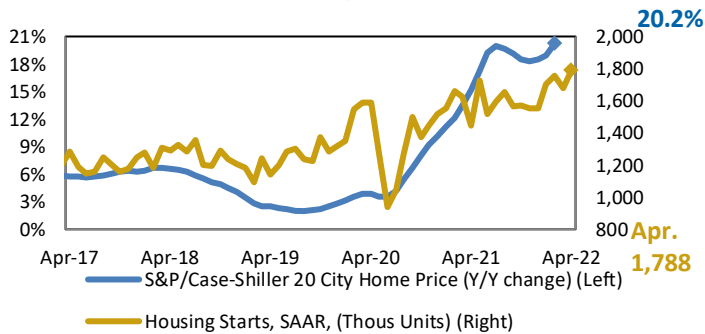
**Q1 2022 Annualized U.S. Real GDP Growth Dropped to -1.4%.**



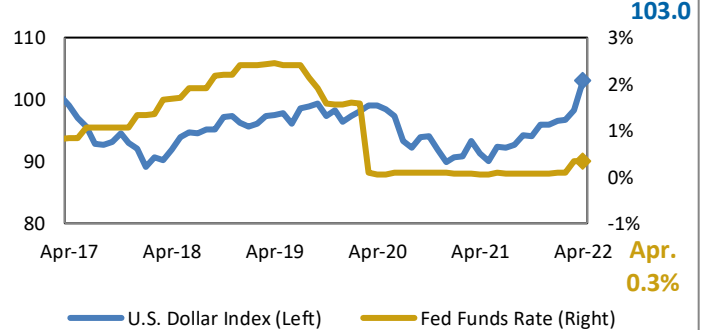
**Small Business Optimism Slightly Decreased.**



**Home Prices and Housing Starts Increased.**



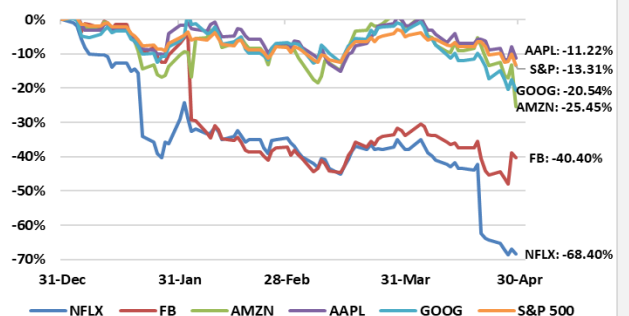
**The U.S. Dollar Index Increased Sharply.**



## Chart of the Month

- The FAANG group of mega-tech companies have come under pressure so far in 2022 as their earnings results have been mixed and the rising interest rate environment is a more challenging backdrop for higher growth companies.
- During the first quarter, Netflix surprised investors with poor financial results and a loss of 200,000 subscribers and Amazon posted its first quarterly loss since 2015.
- Investors will be closely watching China, the war in Ukraine, and how the Fed handles inflation, as all three will impact the performance of these U.S. based companies.

**Decline in FAANG Stock Prices (Year-to-Date)**



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

### Equity Funds

#### U.S. Equity Fund

Fund	April	YTD
U.S. Equity Fund (USEF)	-8.88%	-14.13%
Russell 3000 Index	-8.97%	-13.78%
Difference (percentage points)	+0.09	-0.35

- During the month and year to date, the fund's underweight to mega-tech stocks, and dedicated holdings in alternatives, contributed positively to benchmark-relative performance. An overweight to small- and mid-cap growth companies, investments in other growth-oriented stocks, and stocks excluded in accordance with Wespath's Exclusions Policy (described [here](#)) detracted from performance.

#### International Equity Fund

Fund	April	YTD
International Equity Fund (IEF)	-7.16%	-15.58%
MSCI ACWI ex U.S. Investable Market Index (Net)	-6.30%	-11.55%
Difference (percentage points)	-0.86	-4.03

- During the month and year to date, the fund underperformed its benchmark mainly due to poor performing investments held by growth-oriented active managers. Specifically, poor performing investments in e-commerce platform companies were meaningful detractors during both periods. The fund's fair market valuation policy (described [here](#)) negatively impacted benchmark-relative performance for both periods.

#### U.S. Equity Index Fund

Fund	April	YTD
U.S. Equity Index Fund	-9.05%	-13.94%
Russell 3000 Index	-8.97%	-13.78%
Difference (percentage points)	-0.08	-0.16

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

## Fixed Income Funds

### Fixed Income Fund

Fund	April	YTD
Fixed Income Fund (FIF)	-3.79%	-9.44%
Barclays U.S. Universal (ex MBS) Index	-3.80%	-10.00%
Difference (percentage points)	+0.01	+0.56

- In April, the allocation to emerging market and global bonds detracted from relative performance. In contrast, the allocation to U.S. agency commercial mortgage-backed securities, below-investment-grade rated (high yield) corporate bonds, and the Positive Social Purpose Lending Program positively contributed to benchmark-relative performance. Manager security selection was negative for the period.
- Year to date, the fund outperformed its benchmark. The allocation to emerging market debt detracted from relative performance. The fund's allocations to investment-grade and below-investment-grade rated bonds, U.S. agency commercial mortgage-backed securities, global bonds, alternatives, and Positive Social Purpose Lending Program positively contributed to relative performance. Manager security selection was negative for the period.

### Extended Term Fixed Income Fund

Fund	April	YTD
Extended Term Fixed Income Fund	-6.47%	-14.44%
Barclays U.S. Government/Credit Long Term Index	-9.30%	-19.23%
Difference (percentage points)	+2.83	+4.79

- The fund's policy of maintaining a lower sensitivity to interest rate movements until interest rates return to more "normal" levels contributed positively to benchmark-relative returns during the month and year-to-date periods.

### Inflation Protection Fund

Fund	April	YTD
Inflation Protection Fund (IPF)	-1.16%	+0.07%
IPF Benchmark <sup>ii</sup>	-2.38%	-1.83%
Difference (percentage points)	+1.22	+1.90

- The fund's underweight allocation to U.K. inflation-linked securities was the largest contributor to positive benchmark-relative performance for the month and year-to-date periods.
- Year-to-date and in April, the overweight allocation to commodities and allocation to senior loans positively contributed to benchmark-relative performance. In April, the allocation to high yield rated asset-backed securities also added to relative performance. Overweights to U.S. and global inflation-linked bonds detracted from the fund's benchmark-relative performance. Additionally, the underweight allocation to emerging market inflation-linked securities detracted from relative performance for the year-to-date.

## Balanced Fund

### Multiple Asset Fund

Fund	April	YTD
Multiple Asset Fund (MAF)	-6.31%	-11.91%
MAF Benchmark <sup>iii</sup>	-6.22%	-10.96%
Difference (percentage points)	-0.59	-0.95

- During the month, the U.S. Equity Fund, Fixed Income Fund and Inflation Protection Fund positively contributed to benchmark-relative performance, but the International Equity Fund detracted from benchmark-relative performance.
- Year to date, the Fixed Income Fund and Inflation Protection Fund positively contributed to benchmark-relative performance, but the U.S. Equity Fund and International Equity Fund detracted from benchmark-relative performance.

## Social Values Choice Suite of Funds

### Social Values Choice Bond Fund

Fund	April	YTD
Social Values Choice Bond Fund	-3.77%	-9.46%
Barclays U.S. Universal (ex MBS) Index	-3.80%	-10.00%
Difference (percentage points)	+0.03	+0.54

- The fund's duration positioning, security selection in high-yield corporate bonds and exposure to securitized assets contributed positively to benchmark-relative performance during the month and year to date. Allocations to emerging market debt detracted from relative performance.

### Social Values Choice Equity Fund

Fund	April	YTD
Social Values Choice Equity Fund	-8.17%	-14.31%
SVCEF Benchmark <sup>iv</sup>	-8.07%	-14.03%
Difference (percentage points)	-0.10	-0.28

- The Social Values Choice Equity Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses. The fund's fair market valuation policy (described [here](#)) negatively impacted benchmark-relative performance for the month and year to date.

**U.S. Treasury Inflation Protection Fund**

Fund	April	YTD
U.S. Treasury Inflation Protection Fund	-2.44%	-5.41%
Barclays U.S. Inflation Linked Bond Index	-2.18%	-5.43%
Difference (percentage points)	-0.26	+0.02

- 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. In April, high interest rate volatility amplified small deviations in curve positioning between the fund and its index.

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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 – P Series* for more information about the funds. This is not an offer to purchase securities.

<sup>ii</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.

<sup>iii</sup> 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.

<sup>iv</sup> The benchmark for the Social Values Choice Equity Fund is the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index.