

# April 2023 Investment Report

## Highlights

- U.S. stock indexes ended the month of April with positive returns amid strong earnings from mega-cap technology companies.
- The S&P 500 Index of U.S. stocks increased 1.6% in April, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, increased 1.7%. The Bloomberg U.S. Aggregate Bond Index increased 0.6%.
- The U.S. GDP report confirmed the economy slowed in the first quarter.
- The U.S. economy added 253,000 non-farm jobs in April and the unemployment rate decreased from 3.5% to 3.4%, the lowest unemployment rate since 1969.
- The International Equity Fund, U.S. Equity Fund, Fixed Income Fund, and Multiple Asset Fund underperformed their respective benchmarks, while the Inflation Protection Fund outperformed its benchmark.

## Monthly Overview

### U.S. Economic Growth Slows and Inflation Remains High

The recent U.S. Gross Domestic Product (GDP) report confirmed the economy slowed in the first quarter of 2023. First quarter GDP increased at a 1.1% annualized rate compared to 2.6% growth in the previous quarter. Strong consumer spending during the quarter offset the slowdown in private inventories. Businesses, expecting weaker demand in the future, are reducing inventory levels.

The Personal Consumption Expenditures price index (PCE) increased 4.2% in March from the same month a year ago, down from a 5.1% increase in February. Core PCE, which excludes food and energy because the prices of both can be more volatile, increased 4.6%. The U.S. Federal Reserve (Fed) keeps a close eye on core PCE. Inflation remains elevated compared to the Federal Reserve's target of 2.0%, but it is gradually slowing.

### Global Growth Weakens Amid Financial Sector Distress

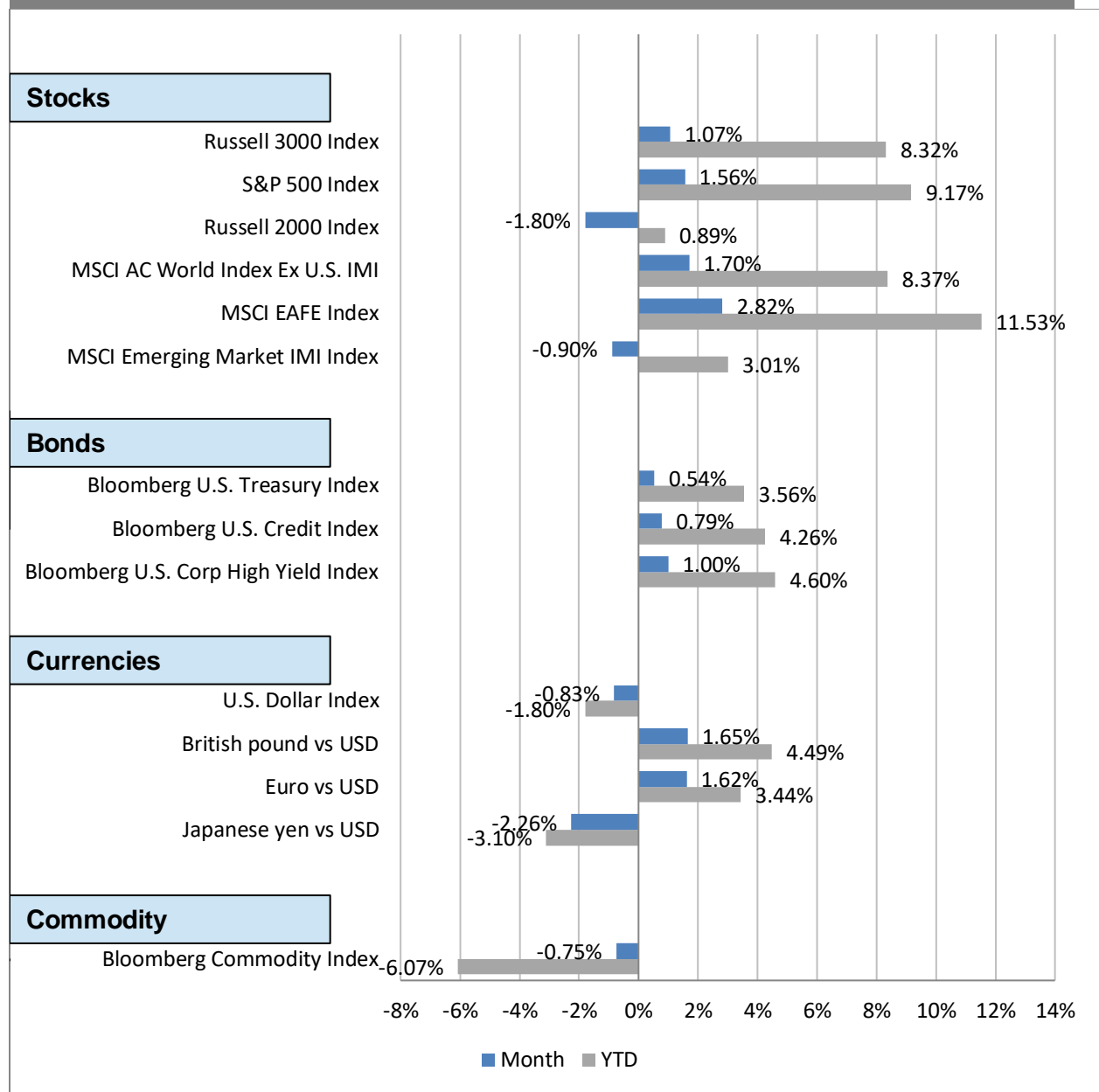
The International Monetary Fund released an updated report on global economic growth on April 11. The forecast for global GDP growth decreased to 2.8% in 2023 and 3.0% in 2024, slightly below previous estimates in January. In addition, the report noted heightened risks, including a recession and additional instability in the financial sector. Recent U.S. bank failures may further weaken the economy through tighter credit market conditions.

### Debt Ceiling Uncertainty

The U.S. debt ceiling uncertainty is creating volatility in the U.S. Treasury market. The U.S. federal debt ceiling was reached on January 19, 2023, at which point the Department of the Treasury enacted extraordinary measures to keep the government operating. Treasury Secretary Janet Yellen said recently that the U.S. could run out of money to pay its bills by June 1. Investors rushed to shorter-term, one-month Treasury Bills over longer-term, three-month bills which may carry a higher default risk if the debt ceiling is not raised. The difference in yield between these two bills reached the largest gap in history on April 21.

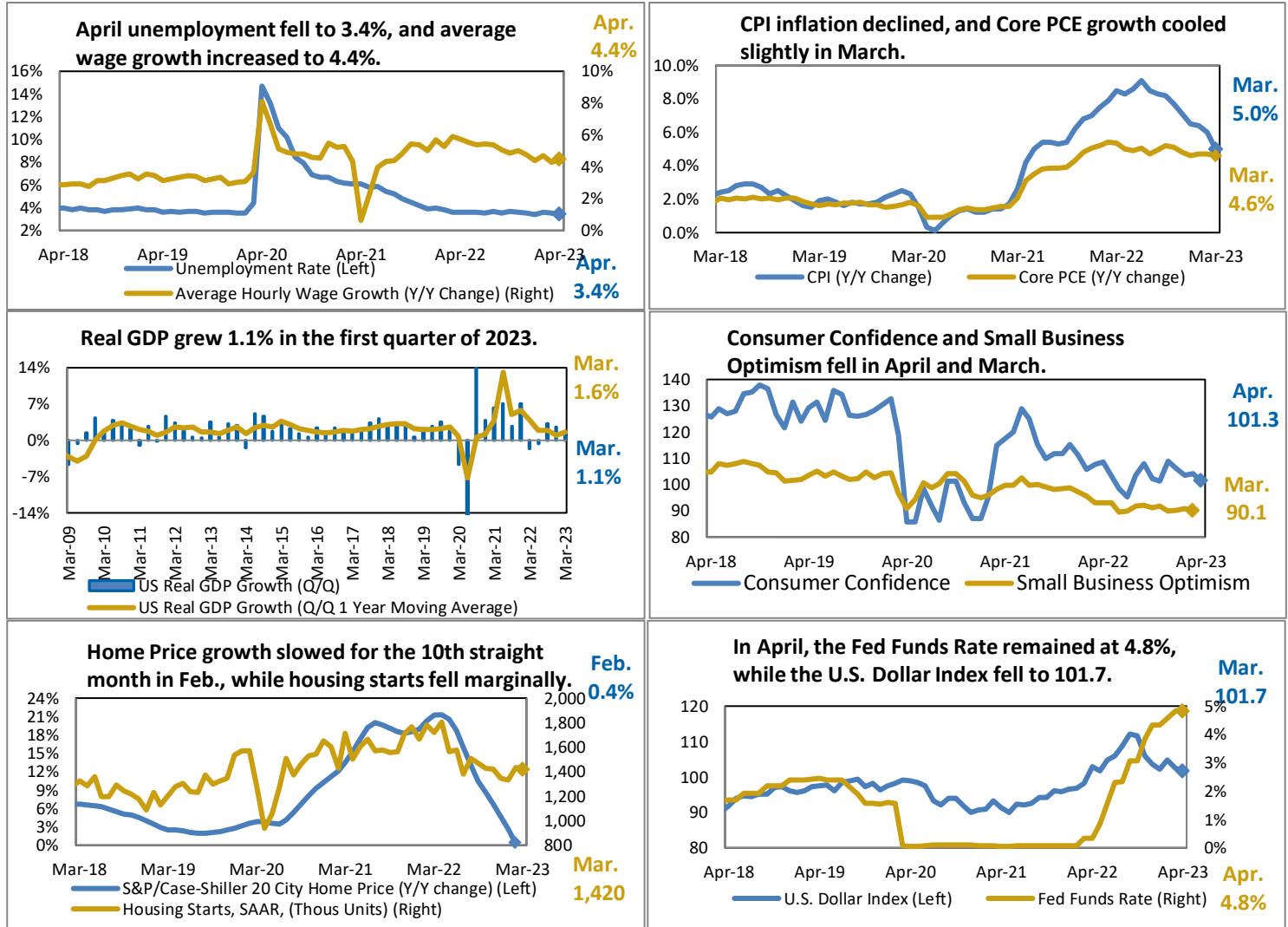
Sources: Bureau of Economic Analysis, New York Times, Seeking Alpha, Wall Street Journal, Reuters, and FactSet.

## Market Performance



Source: FactSet, as of April 30, 2023.

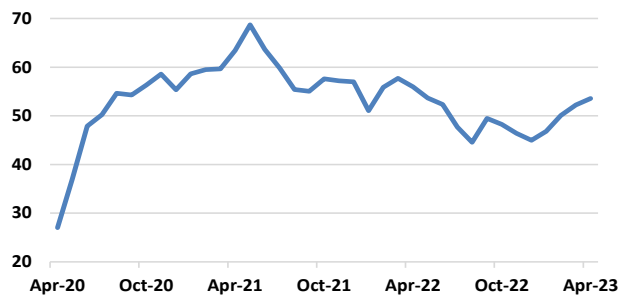
## Key Monthly Economic Statistics



### Chart of the Month

- U.S. business conditions improved in April as measured by the S&P Composite Purchasing Managers Index (PMI).
- The index registered 53.5 in April, a sharp increase from 52.3 reported in March.
- The improved activity resulted from solid growth in both the manufacturing and service sectors.
- A reading above 50 indicates expansion in business activity, however, a reading below 50 indicates contraction.

### S&P U.S. Composite PMI



Source: FactSet, U.S. Bureau of Labor Statistics, The Conference Board, Federal Reserve Bank of St. Louis, Bureau of Economic Analysis, National Association of Realtors, U.S. Census Bureau, S&P Global.

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

### Equity Funds

#### U.S. Equity Fund

Fund	April	YTD
U.S. Equity Fund	-0.12%	6.63%
Russell 3000 Index	1.07%	8.32%
Difference (percentage points)	-1.19	-1.69

- During the month, the fund underperformed its benchmark due to most active managers underperforming their respective benchmarks, particularly growth-oriented managers, and an overweight to underperforming small- and mid-cap companies.
- Year to date, the fund underperformed its benchmark largely due to its strategic underweight to mega-cap tech companies, an overweight to small- and mid-cap value-oriented companies, and investments in private equity and private real estate. The fund benefited from all active managers outperforming their respective benchmarks and the fund excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)).

#### International Equity Fund

Fund	April	YTD
International Equity Fund	0.85%	7.92%
MSCI ACWI ex U.S. Investable Market Index (Net)	1.70%	8.37%
Difference (percentage points)	-0.85	-0.45

- During the month, the fund underperformed its benchmark due to most active managers underperforming their respective benchmarks, underperforming alternative investments and the fund excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)).
- Year to date, the fund underperformed its benchmark due to private equity and private real estate investments and the fund excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)). Positive contributors to relative performance included most of the fund's active managers outperforming their respective benchmarks and the fund's fair market valuation policy (described [here](#)).

**U.S. Equity Index Fund**

Fund	April	YTD
U.S. Equity Index Fund	1.03%	8.38%
Russell 3000 Index	1.07%	8.32%
Difference (percentage points)	-0.04	+0.06

- The U.S. Equity Index Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses. Year to date, certain stocks excluded in accordance with Wespath’s Investment Exclusions policies (described [here](#)) contributed to relative performance.

**Fixed Income Funds**

**Fixed Income Fund**

Fund	April	YTD
Fixed Income Fund	0.61%	3.74%
Bloomberg U.S. Universal (ex MBS) Index	0.64%	3.71%
Difference (percentage points)	-0.03	+0.03

- During April, the fund’s overweight allocation to high-yield rated corporate bonds, as well as core plus manager security selections, contributed positively to benchmark-relative performance. The fund’s allocation to global bonds and the global bond manager’s security selection detracted from benchmark-relative performance.
- Year to date, the fund’s overweight allocation to emerging market debt and high-yield securities positively contributed to benchmark-relative performance, but the overweight allocation to Agency CMBS and global bonds detracted.

### Extended Term Fixed Income Fund

Fund	April	YTD
Extended Term Fixed Income Fund	0.67%	5.43%
Bloomberg U.S. Government/Credit Long Term Index	0.71%	6.51%
Difference (percentage points)	-0.04	-1.08

- The fund's policy of maintaining a lower sensitivity to interest rate movements until interest rates return to more "normal" levels was the largest driver of benchmark-relative performance for the month and year to date.
- Year to date, asset manager security selection contributed positively to benchmark-relative performance.

### Inflation Protection Fund

Fund	April	YTD
Inflation Protection Fund (IPF)	0.16%	2.75%
IPF Benchmark <sup>ii</sup>	0.02%	3.02%
Difference (percentage points)	+0.14	-0.27

- The allocations to floating rate senior loans and global inflation-linked bonds contributed positively to benchmark-relative performance for the month, but the allocation to emerging market inflation-linked bonds detracted.
- The commodities manager's issue selection decisions and the fund's allocation to real assets detracted from benchmark-relative performance for the year to date.

## Balanced Fund

### Multiple Asset Fund

Fund	April	YTD
Multiple Asset Fund (MAF)	0.38%	5.89%
MAF Benchmark <sup>iii</sup>	1.05%	6.66%
Difference (percentage points)	-0.67	-0.77

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

## Social Values Choice Suite of Funds

### Social Values Choice Bond Fund

Fund	April	YTD
Social Values Choice Bond Fund	0.70%	3.71%
Bloomberg U.S. Universal (ex MBS) Index	0.64%	3.71%
Difference (percentage points)	+0.06	0.00

- The fund's duration positioning and manager security selection contributed positively to benchmark-relative performance for the month.

**Social Values Choice Equity Fund**

Fund	April	YTD
Social Values Choice Equity Fund (SVCEF)	1.71%	10.40%
SVCEF Benchmark <sup>iv</sup>	1.69%	10.31%
Difference (percentage points)	+0.02	+0.09

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The fund's fair market valuation policy (described [here](#)) positively 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	0.11%	3.57%
Bloomberg U.S. Inflation Linked Bond Index	0.07%	3.52%
Difference (percentage points)	+0.04	+0.05

- 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.



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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 was 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 through January 31, 2023. Effective February 1, 2023, the benchmark for the Inflation Protection Fund is 90% Bloomberg U.S. Treasury Inflation-Linked Bond Index 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.