

August 2020 Investment Report

Highlights

- The S&P 500 gained 7.2% for the month, led by the technology, consumer discretionary and communications services sectors. This was the best performance for the index in the month of August since 1986. International stocks also gained, led by stocks from developed countries.
- Congress failed to pass a second stimulus package assisting those affected by the coronavirus pandemic. In response, President Trump issued an executive order extending parts of the CARES Act, including student loan relief and some federal unemployment benefits. Additionally, the President signed another executive order allowing employers the option of deferring payroll taxes for the remainder of 2020.
- Federal Reserve (Fed) Chairman Jerome Powell announced a “robust updating” to Fed policy and signaled the Fed’s intent to maintain low interest rates for longer.
- The U.S. economy added 1.4 million jobs in August, and the unemployment rate decreased to 8.4% from 10.2% in July.
- FIF and IPF outperformed their respective benchmarks in August. MAF, USEF and IEF underperformed their respective benchmarks for the month.

Monthly Overview

Equity Market Performance

The S&P 500 gained 7.2% during the month. Stocks were supported by positive economic news, Fed policy updates, and news related to optimism over coronavirus treatments and vaccine trials. The S&P 500 rose in all but five trading days during August. While clearly lower compared to a year earlier, corporate earnings reported for the second quarter exceeded analysts’ estimates. Approximately 84% of S&P 500 companies posted earnings above expectations. Combined earnings for all S&P 500 companies were 23.1% higher than expectations, though 30% lower than the comparable year-ago period. Non-U.S. equity markets continued to produce solid returns during August, with developed country stocks, as measured by the MSCI EAFE Index, gaining 5.1%.

Stimulus Stalemate

Congress was unable to reach agreement for additional economic stimulus related to the pandemic. While both sides agree on providing a second round of \$1,200 checks to most Americans, aid to state and local governments, unemployment benefits, and the overall size of the stimulus are major points of contention. House Democrats reduced their initial request from \$3.4 trillion to \$2.2 trillion, while the President and Senate Republicans are unwilling to exceed \$1.5 trillion.

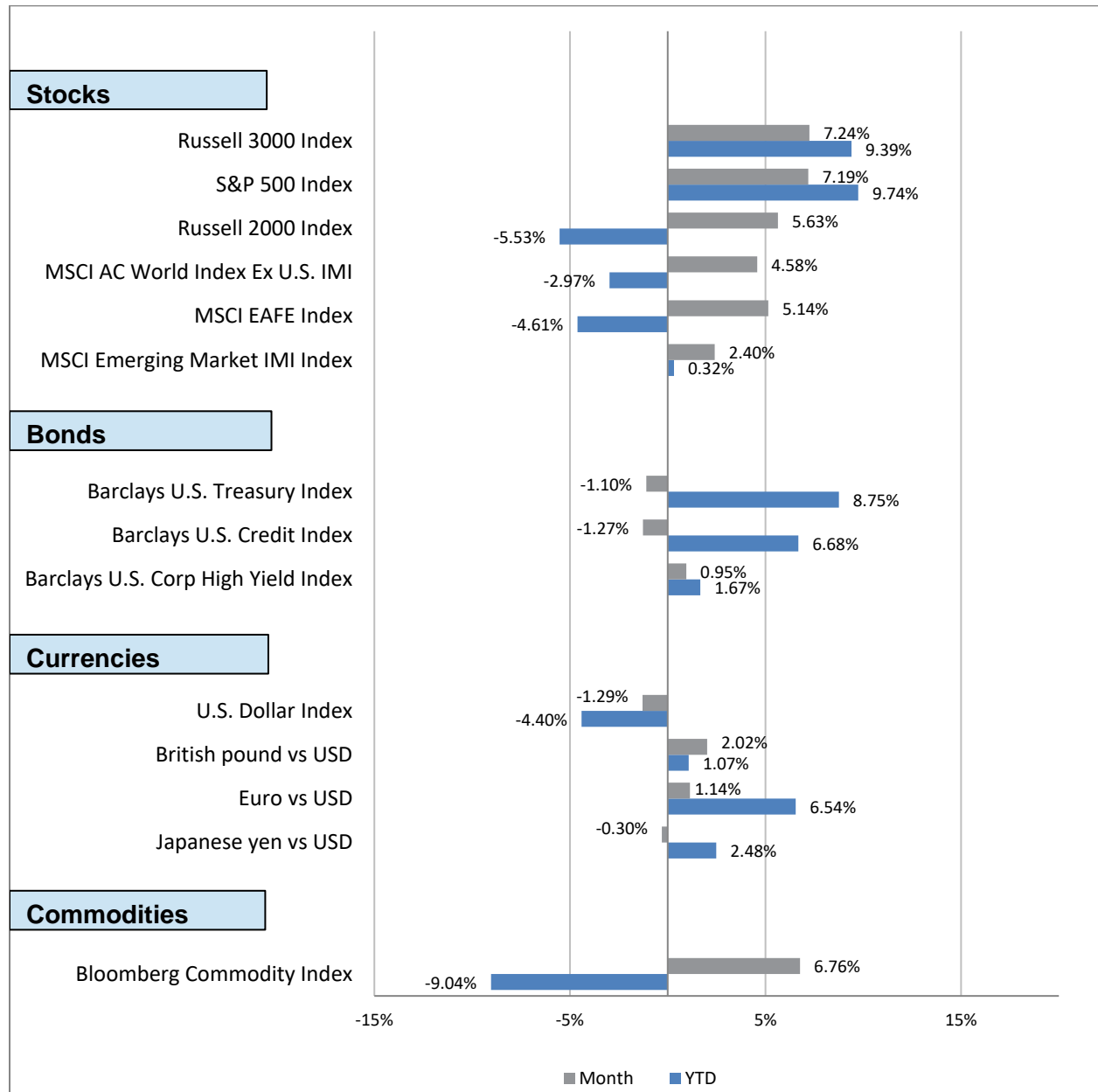
Fed Policy Update

During the Fed’s annual symposium, Fed Chair Jerome Powell communicated that the central bank will abandon its policy of preemptively raising rates to control inflation in favor of targeting an average inflation rate of 2%. The new policy will allow periods of inflation above the 2% target to compensate for periods below 2%. This policy change implies a continuation of low rates and higher inflation expectations in the future as the economy recovers from the COVID-19 pandemic.

International Developments

In Japan, markets reacted negatively to the news that Shinzo Abe, Japan’s longest serving prime minister, resigned because of health-related issues.

Market Performance



Source: FactSet, as of August 31, 2020

Key Monthly Economic Statistics

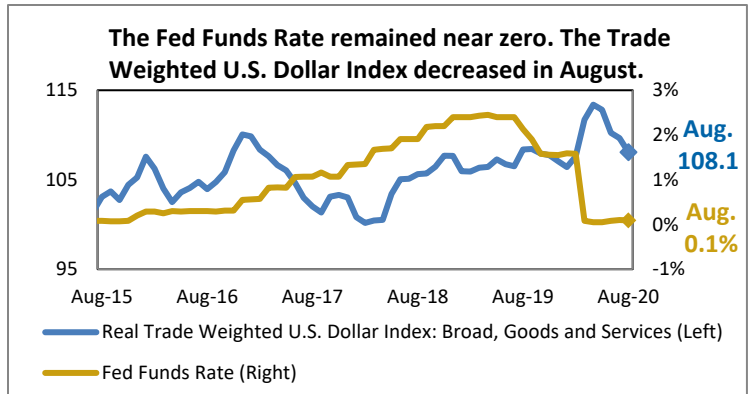
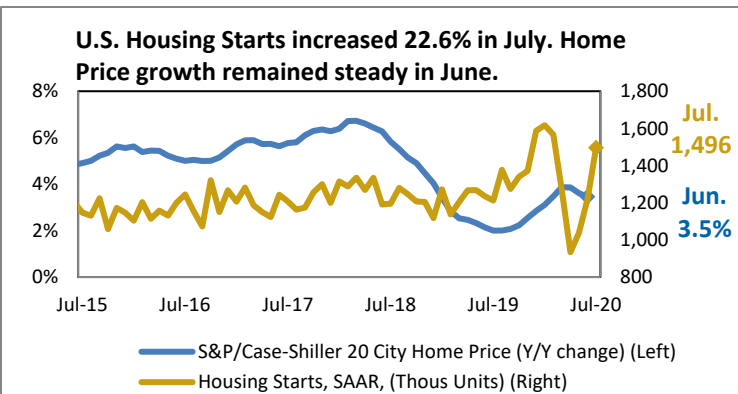
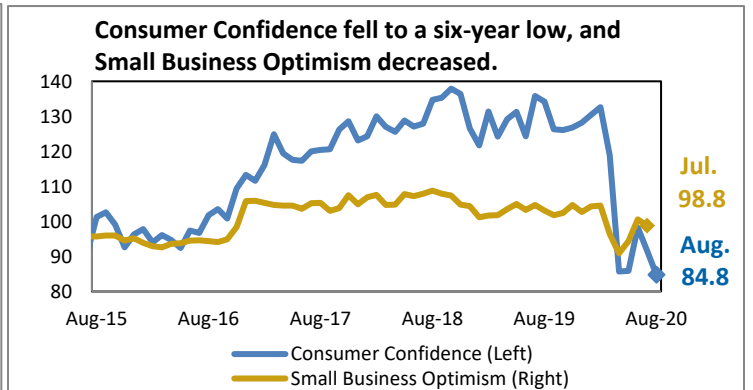
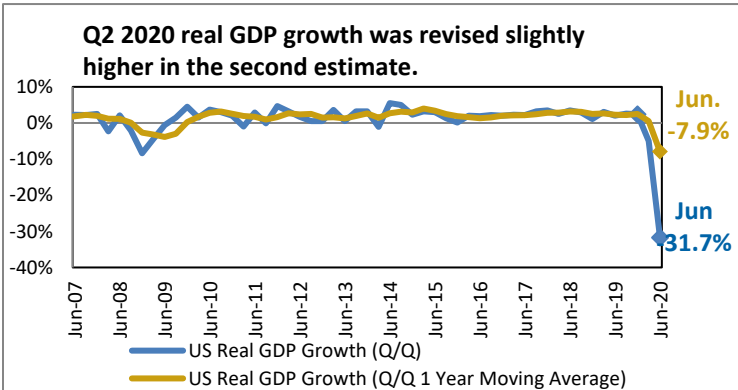
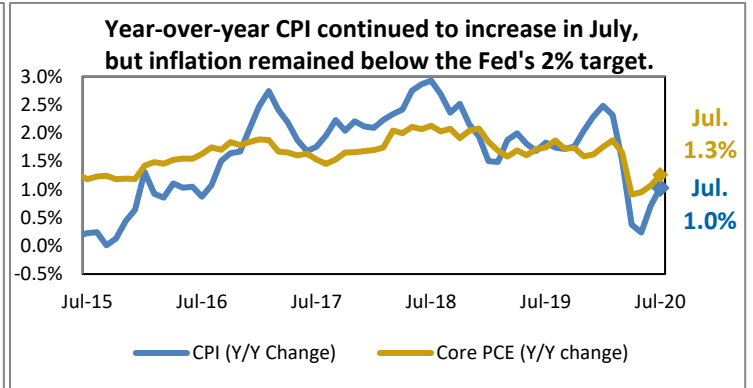
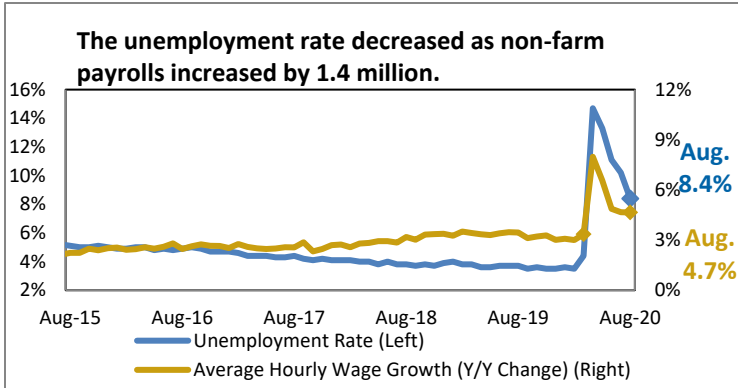
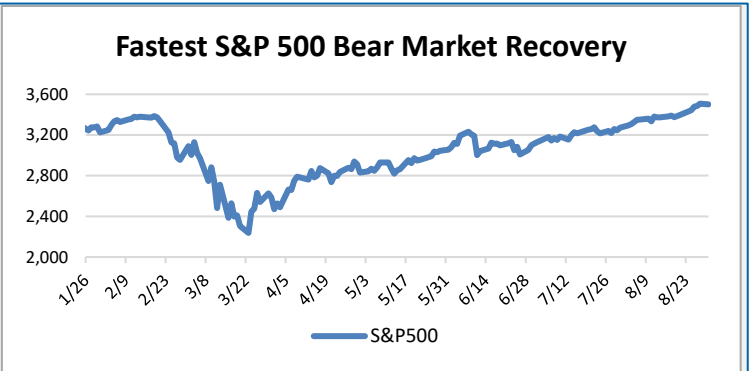


Chart of Month

- The S&P 500's fastest-ever decline into bear market territory has now been followed by its fastest-ever recovery from a bear market.
- It took the S&P 500 just 126 trading days to recover from its March 23 low.
- Monetary and fiscal stimulus, along with hopes of a COVID-19 vaccine, have supported the market recovery.



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

Equity Funds

U.S. Equity Fund

Fund	August	YTD
U.S. Equity Fund	+5.90%	+9.53%
Russell 3000 Index	+7.24%	+9.39%
Difference (percentage points)	-1.34	+0.14

- During the month, the fund underperformed the benchmark due to its strategic overweight allocation to small- and mid-cap company stocks, and corresponding underweight to large-cap companies, along with investments in private real estate.
- 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 Wespath's Exclusions policy also benefitted benchmark-relative performance (described [here](#)). Alternative investments detracted from relative performance.

International Equity Fund

Fund	August	YTD
International Equity Fund	+4.46%	+1.89
MSCI ACWI ex U.S. Investable Market Index (Net)	+4.58%	-2.97%
Difference (percentage points)	-0.12	+4.86

- During the month, the fund modestly underperformed the benchmark. Most of the fund's active managers outperformed their respective benchmarks, but alternative investments and the fund's fair market valuation policy (described [here](#)) detracted from benchmark-relative performance.
- 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 is further along in restarting its economy after dealing with 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

Fund	August	YTD
U.S. Equity Index Fund	+7.20%	+9.57%
Russell 3000 Index	+7.24%	+9.39%
Difference (percentage points)	-0.04	+0.18

- 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	August	YTD
Fixed Income Fund	-0.11%	+5.72%
Barclays U.S. Universal (ex MBS) Index	-0.75%	+7.19%
Difference (percentage points)	+0.64	-1.47

- The fund outperformed its benchmark during the month due to allocations to high-yield corporate credit and alternative investments, as well as asset managers' sector and security selection. 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 the benchmark-relative performance.
- Year to date, overweight allocations to emerging-market debt, corporate bonds and alternative investments detracted from benchmark-relative performance.

Extended Term Fixed Income Fund

Fund	August	YTD
Extended Term Fixed Income Fund	-2.09%	+10.69%
Barclays U.S. Government/Credit Long Term Index	-3.75%	+14.36%
Difference (percentage points)	+1.66	-3.67

- The fund's policy of maintaining a lower sensitivity to interest rate movements added to benchmark-relative returns during the month but detracted year to date. Asset managers' sector and security selection also added to relative performance for the month.

Inflation Protection Fund

Fund	August	YTD
Inflation Protection Fund	+1.02%	+2.59%
IPF Benchmark ⁱⁱ	-0.15%	+4.15%
Difference (percentage points)	+1.17	-1.56

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

Balanced Fund

Multiple Asset Fund

Fund	August	YTD
Multiple Asset Fund	+3.51%	+6.06%
MAF Benchmark ⁱⁱⁱ	+3.71%	+4.96%
Difference (percentage points)	-0.20	+1.10

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

Social Values Choice Suite of Funds

Social Values Choice Bond Fund

Fund	August	YTD
Social Values Choice Bond Fund	-0.40%	+7.37%
Barclays U.S. Universal (ex MBS) Index	-0.75%	+7.19%
Difference (percentage points)	+0.35	+0.18

- The fund's overweight allocation to mortgage-backed securities and security selection in corporate credit added to benchmark-relative performance during the month and on a year-to-date basis. The fund's exclusion of companies with fossil fuel reserves used for energy purposes contributed positively to benchmark-relative performance year to date.

Social Values Choice Equity Fund

Fund	August	YTD
Social Values Choice Equity Fund	+6.51%	+6.91%
SVCEF Benchmark ^{iv}	+6.70%	+6.73%
Difference (percentage points)	-0.19	+0.18

- 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 affected benchmark-relative performance during the month and year to date.

U.S. Treasury Inflation Protection Fund

Fund	August	YTD
U.S. Treasury Inflation Protection Fund	+0.85%	+9.79%
Barclays U.S. Inflation Linked Bond Index	+1.01%	+10.17%
Difference (percentage points)	-0.16	-0.38

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

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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 – P Series](#) for more information about the funds. This is not an offer to purchase securities.

ⁱⁱ 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.

ⁱⁱⁱ 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.

^{iv} The benchmark for the Social Values Choice Equity Fund is the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index.