

# August 2021 Investment Report

## Highlights

- Stocks increased in August, supported by Federal Reserve (Fed) comments and strong second quarter corporate earnings. The S&P 500 Index increased 3%, marking its seventh consecutive monthly gain. International stocks in developed and developing countries gained 1.8% and 2.4%, respectively, as measured by the MSCI EAFE Index and MSCI Emerging Markets IMI.
- Inflation measures in the U.S. remained elevated, and the Consumer Price Index (CPI) for July recorded a 5.4% year-over-year increase in prices, matching the June figure.
- The U.S. House approved a \$3.5 trillion budget framework for healthcare, education and climate packages and set a deadline of late September to vote on a roughly \$1 trillion infrastructure bill.
- The U.S. economy added 235,000 non-farm jobs in August, which fell well short of most economists' estimates, while the unemployment rate declined to 5.2%.
- IEF, FIF and MAF outperformed their respective benchmarks in August, while USEF and IPF underperformed their respective benchmarks.

## Monthly Overview

### Delta variant and vaccine progress

The fast-spreading Delta variant of COVID-19 appears to have dampened consumer confidence and disrupted the job markets. The University of Michigan Consumer Sentiment Survey fell by 13.4 to a reading of 70.3 in August, which was its lowest reading since December 2011. Workers have also delayed returning to the job market, despite the pending expiration of supplemental federal unemployment aid introduced in the March 2020 CARES Act. The U.S. Food and Drug Administration (FDA) granted formal approval of the COVID-19 vaccine developed by Pfizer-BioNTech, which should encourage a greater proportion of the population to seek vaccination.

### Inflation and Monetary Policy

The Core PCE Price Index, which measures prices on consumer expenditures for goods and services other than food and energy, increased 3.6% year over year, representing its largest annual increase in 30 years. Fed Chair Jerome Powell reemphasized that elevated inflation is likely transitory (temporary) due to supply chain shortages and strong demand for durable goods. The Fed signaled that it could start reducing its \$120 billion monthly bond purchases this year but will likely wait much longer before increasing short-term interest rates. The Eurozone reported a preliminary annual inflation rate of 3% in August, the highest level since November 2011, but the European Central Bank (ECB) said it expects elevated inflation to be temporary.

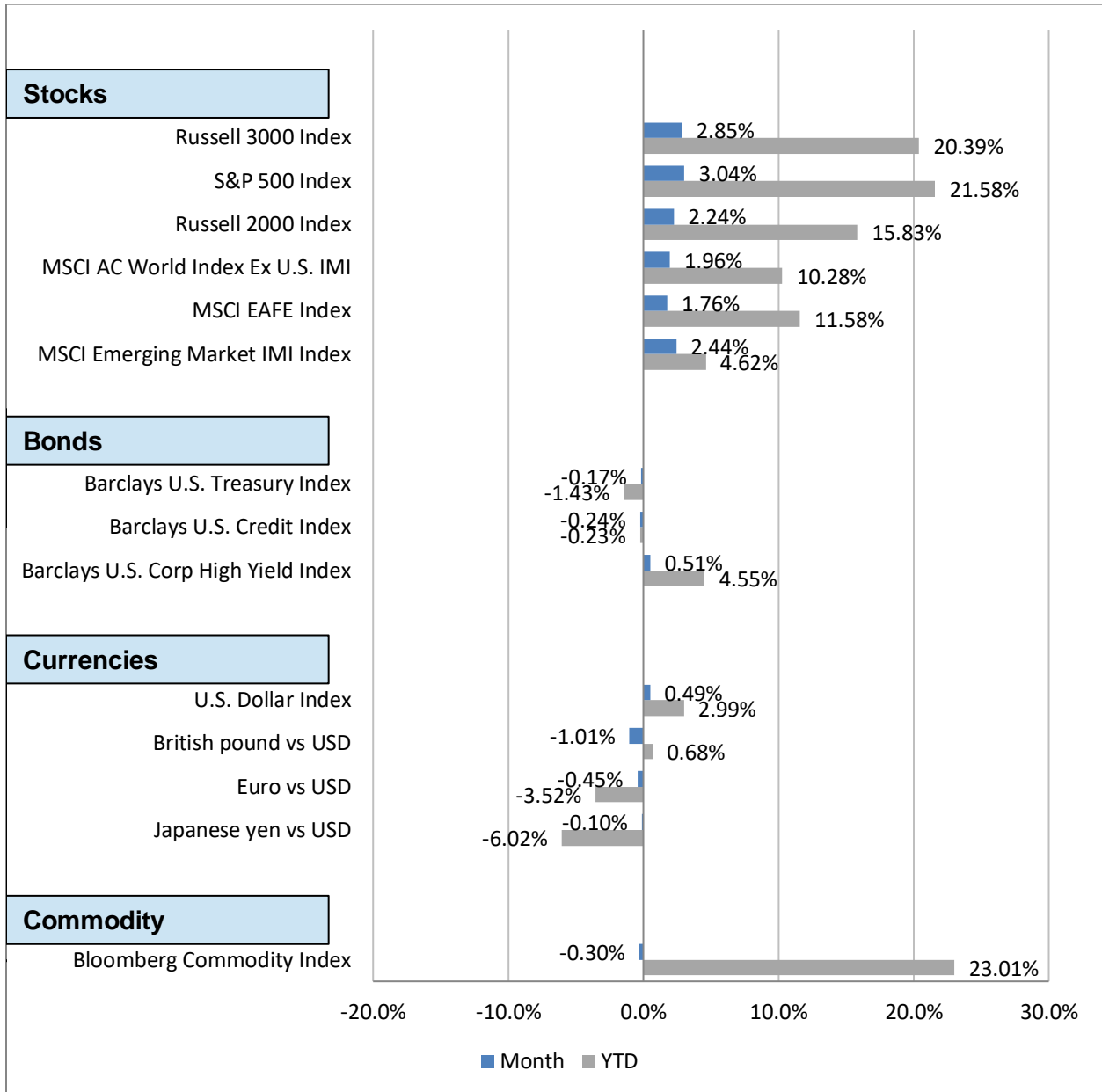
The S&P 500 rose after Powell's remarks and increased 3% in August. In fixed income markets, both the Bloomberg Barclays U.S. Treasury Index and the Bloomberg Barclays Credit Index decreased 0.2% in August. The 10-year U.S. Treasury note yield increased modestly to 1.30%.

### Withdrawal from Afghanistan

The U.S. completed its withdrawal from Afghanistan at the end of August after 20 years of conflict. More than 6,000 U.S. citizens and 123,000 others were evacuated from Afghanistan. Many businesses and individuals in the U.S. are supporting Afghan refugees who fled after the Taliban took over the government.

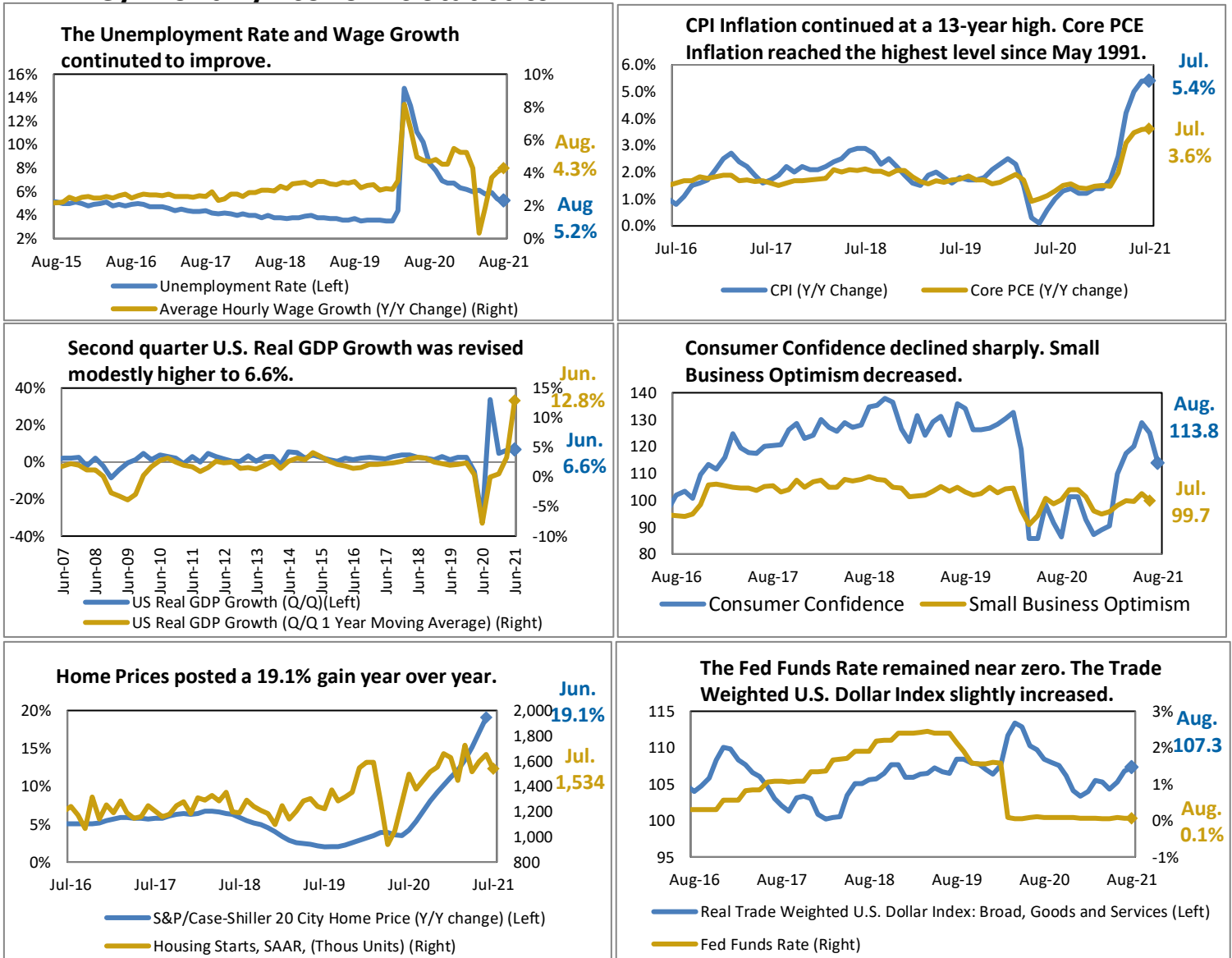
*Sources: The WSJ, US Census, The Conference Board, National Association of Realtors, Federal Reserve Board, FactSet, FDA, S&P CoreLogic Case-Shiller, University of Michigan Surveys of Consumer, European Central Bank, Eurostat Statistics Explained*

## Market Performance



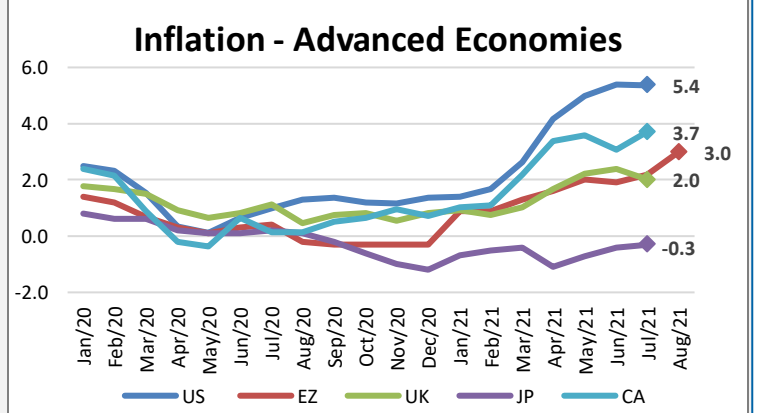
Source: FactSet, as of August 31, 2021

## Key Monthly Economic Statistics



### Chart of the Month

- Consumer Price Index inflation has increased since the start of the pandemic in most advanced economies.
- U.S. inflation increased more than in Canada, the Eurozone and the United Kingdom. The Fed reaffirmed that elevated inflation is likely transitory, due to rising prices in a narrow group of goods and services impacted by the pandemic, such as used cars, trucks and energy prices.
- The Eurozone posted preliminary annual inflation of 3%, above the ECB's 2% target, due to supply chain shortages.



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; Federal Reserve Board, European Central Bank, Eurostat Statistics Explained

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

### Equity Funds

#### U.S. Equity Fund

Fund	August	YTD
U.S. Equity Fund	+2.83%	+17.18%
Russell 3000 Index	+2.85%	+20.39%
Difference (percentage points)	-0.02	-3.21

- During the month of August, the fund performed in line with its benchmark. The fund's dedicated investments in private equity and private real estate outperformed the benchmark, while investments held by two active mid-cap managers detracted from benchmark-relative performance.
- Year to date, the fund underperformed its benchmark primarily due to active managers' allocations to underperforming growth companies. The fund's strategic overweight to small- and mid-cap companies, and corresponding underweight to large-cap stocks, also detracted from benchmark-relative performance.

#### International Equity Fund

Fund	August	YTD
International Equity Fund	+2.21%	+8.99%
MSCI ACWI ex U.S. Investable Market Index (Net)	+1.96%	+10.28%
Difference (percentage points)	+0.25	-1.29

- During the month, the fund outperformed the benchmark primarily due to the majority of active managers outperforming their respective benchmarks and not holding stocks excluded in accordance with Wespath's Exclusions Policy (described [here](#)).
- Year to date, the fund underperformed the benchmark mainly due to poor performance by a number of active growth and developed market oriented managers, as well as from not holding stocks excluded in accordance with Wespath's Exclusions Policy.

#### U.S. Equity Index Fund

Fund	August	YTD
U.S. Equity Index Fund	+2.81%	+20.58%
Russell 3000 Index	+2.85%	+20.39%
Difference (percentage points)	-0.04	+0.19

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses.

## Fixed Income Funds

### Fixed Income Fund

Fund	August	YTD
Fixed Income Fund	+0.12%	+0.02%
Barclays U.S. Universal (ex MBS) Index	-0.04%	-0.19%
Difference (percentage points)	+0.16	+0.21

- Emerging market and high-yield corporate debt positively contributed to benchmark-relative performance in August.
- For the year, high-yield corporate debt, alternatives and manager security selections positively contributed to benchmark-relative performance, while allocations to emerging market and global bonds detracted. The fund is less sensitive to changes in interest rates than its benchmark, which positively impacted benchmark-relative performance during the month and year to date.

### Extended Term Fixed Income Fund

Fund	August	YTD
Extended Term Fixed Income Fund	-0.23%	-1.45%
Barclays U.S. Government/Credit Long Term Index	-0.30%	-2.29%
Difference (percentage points)	+0.07	+0.84

- The fund's policy of maintaining a lower sensitivity to interest rate movements positively affected benchmark-relative returns during the month and year to date. Manager sector and security selection decisions detracted for the month but added for the year-to-date period.

### Inflation Protection Fund

Fund	August	YTD
Inflation Protection Fund	-0.15%	+4.95%
IPF Benchmark <sup>ii</sup>	+0.02%	+5.37%
Difference (percentage points)	-0.17	-0.42

- Active managers' underperformance in strategies focused on floating-rate senior loans, commodities and emerging market inflation-linked bonds detracted from the fund's benchmark-relative performance for the month.
- Year to date, commodities positively affected benchmark-relative performance, while the fund's allocation to floating-rate senior secured loans and the asset manager's security selections in emerging market inflation-linked bonds detracted. The fund's underweight exposure to U.K. inflation-linked securities added to benchmark-relative performance for the year-to-date period but detracted for the month.

## Balanced Fund

### Multiple Asset Fund

Fund	August	YTD
Multiple Asset Fund	+1.69%	+9.25%
MAF Benchmark <sup>iii</sup>	+1.58%	+10.51%
Difference (percentage points)	+0.11	-1.26

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

## Social Values Choice Suite of Funds

### Social Values Choice Bond Fund

Fund	August	YTD
Social Values Choice Bond Fund	+0.05%	+0.03%
Barclays U.S. Universal (ex MBS) Index	-0.04%	-0.19%
Difference (percentage points)	+0.09	+0.22

- The fund's duration positioning modestly benefitted benchmark-relative performance for the month and year. Security selection decisions in high-yield and investment-grade corporate bonds contributed positively to benchmark-relative performance in all periods.

### Social Values Choice Equity Fund

Fund	August	YTD
Social Values Choice Equity Fund	+2.81%	+19.50%
SVCEF Benchmark <sup>iv</sup>	+2.86%	+19.58%
Difference (percentage points)	-0.05	-0.08

- 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](#)) modestly detracted from benchmark-relative performance for the month and year to date.

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

Fund	August	YTD
U.S. Treasury Inflation Protection Fund	-0.19%	+4.12%
Barclays U.S. Inflation Linked Bond Index	-0.21%	+4.21%
Difference (percentage points)	+0.02	-0.09

- 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 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.