

August 2024 Investment Report

Highlights

- The S&P 500 Index of U.S. stocks was up 2.4% for the month; non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, increased by 2.7% in August. The Bloomberg U.S. Aggregate Bond Index increased 1.4%.
- The core Personal Consumption Expenditure (PCE) price index rose 2.6% over the last 12 months, in line with expectations.
- U.S. GDP growth for Q2 was revised a second time, from 2.8% to 3%, based on increases to consumer spending and private inventory investment.
- The U.S. economy added 142,000 jobs, and the unemployment rate declined slightly to 4.2% in August.
- The International Equity Fund and Fixed Income Fund outperformed their respective benchmarks, while the U.S. Equity Fund, Inflation Protection Fund and Multiple Asset Fund underperformed their benchmarks.

Monthly Overview

Turbulence, recovery and lingering uncertainty

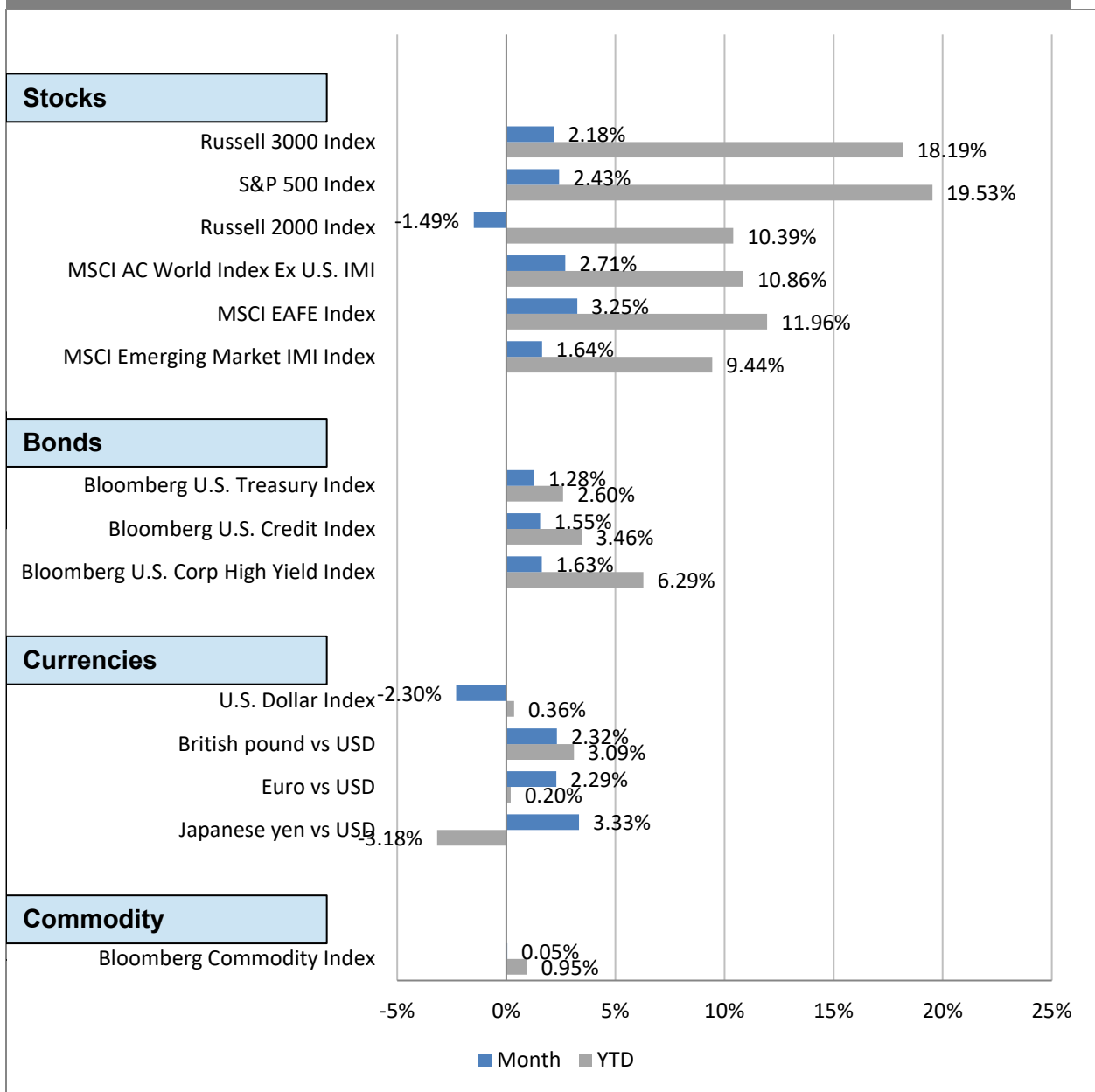
Equity markets were volatile in early August amid concerns over mixed economic data and geopolitical events, including the [unwind of the Japanese Yen carry trade](#). Despite a sharp sell-off in early August, stocks began to recover mid-month and ended in positive territory at month-end. The S&P 500 Index of U.S. stocks reported gains for the fourth straight month and was up 2.4%. Emerging market equities underperformed developed market equities in August. The MSCI Emerging Markets IMI Index rose 1.6% in August (information technology, financials and health care topped the list of best performing sectors), while the MSCI EAFE Index of developed market stocks saw a 3.3% return for the month. The MSCI AC World ex USA IMI, which represents a broad universe of non-U.S. stocks in both developed and emerging markets, increased 2.7% in August. In the bond market, the Bloomberg U.S. Aggregate Index increased 1.4%, the Bloomberg U.S. Treasury Index increased 1.3%, and the Bloomberg U.S. Credit Index rose 1.6% during the month.

U.S. economy, cooling inflation and likely rate cuts

The sudden increase in recession fears during early August gradually receded. Core PCE, which excludes food and energy prices because they tend to swing more dramatically and more often than other prices, held steady, increasing 0.2% in August and 2.6% year-over-year. For the first time since March 2021, the Consumer Price Index measure of inflation dropped below 3% year-over-year, registering 2.9% in July. The U.S. Federal Reserve (Fed) held its annual Jackson Hole Economic Symposium on August 23, where the likelihood of rate cuts beginning in September was all but solidified when Fed Chair Jerome Powell remarked that “the direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.” According to the Bureau of Labor Statistics, non-farm employment increased by 142,000 jobs, falling short of expectations. The unemployment dropped from 4.3% in July to 4.2% in August. The S&P Global U.S. Composite Purchasing Managers’ Index (PMI) fell to a four-month low but remained above 50 for a 19th straight month as business activity continued to expand. A PMI over 50 reflects an expansion compared to the previous month, while a 50 indicates no change.

Sources: Associated Press, Bureau of Economic Analysis, Bureau of Labor Statistics, Wall Street Journal, Bloomberg Reuters, CNBC, and FactSet.

Market Performance



Source: FactSet, as of August 31, 2024.

Key Monthly Economic Statistics

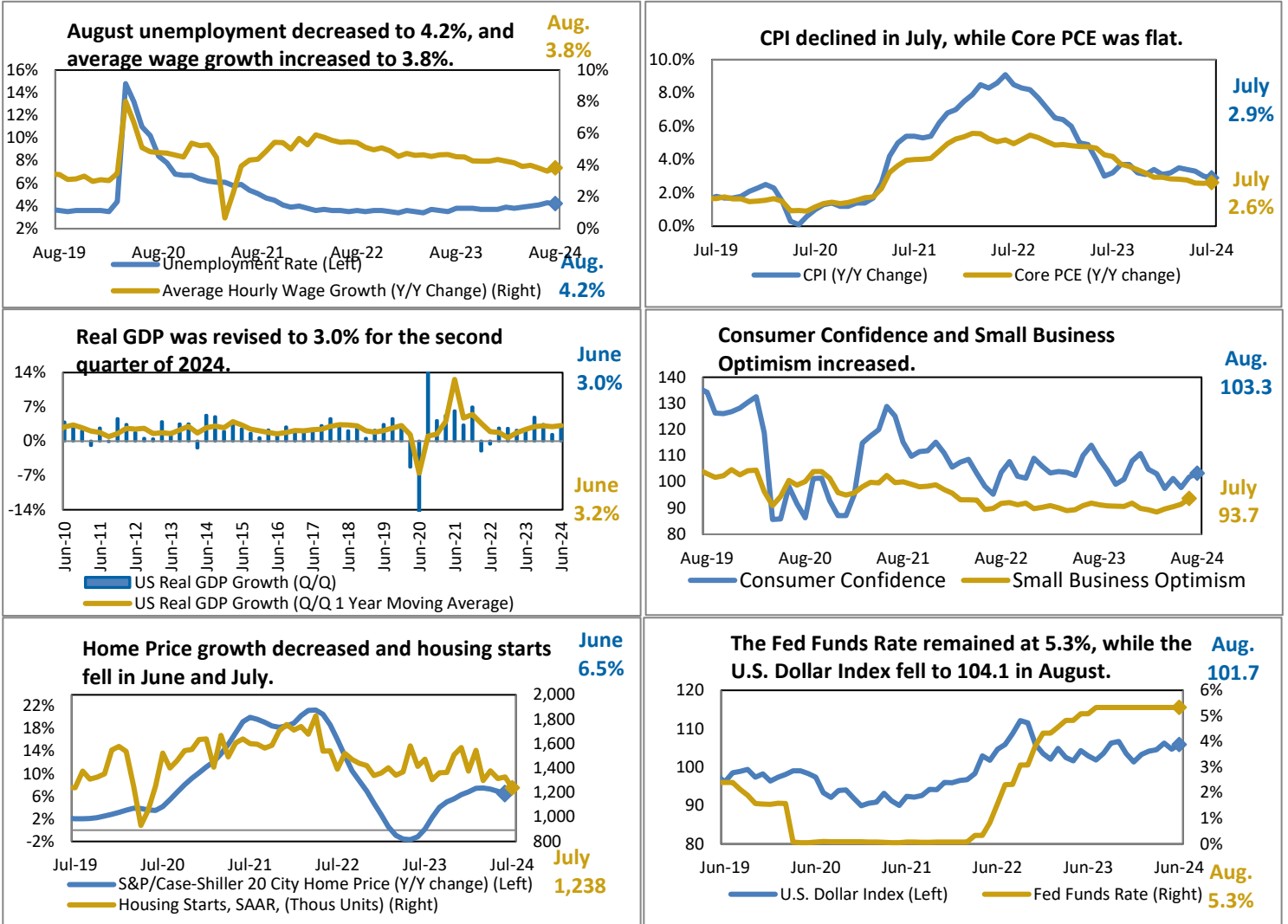
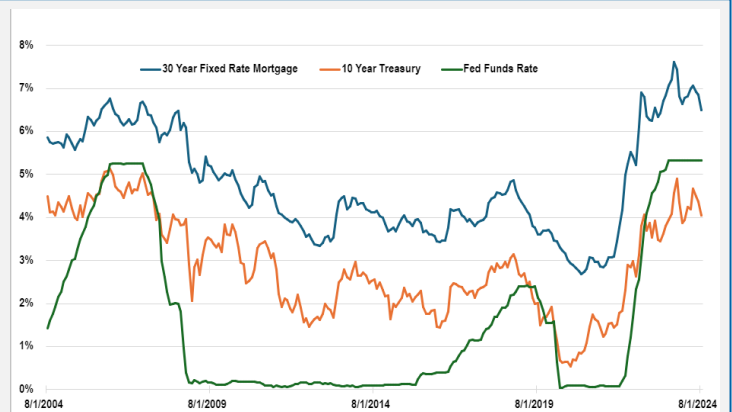


Chart of the Month

- As inflation cools toward the Fed’s 2% target, the Fed will likely decrease the fed funds rate (overnight rate at which banks lend to each other) which may allow bond yields to decline, which can in-turn influence various areas of the economy, including the U.S. mortgage market.
- Lower interest rates can make home purchases more affordable thanks to reduced payments.
- According to Freddie Mac, the 30-year-fixed rate mortgage averaged 6.35% in the U.S. in the final week of August, down from a high of nearly 7.8% in October 2023.



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

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

Equity Funds

U.S. Equity Fund

Fund	August	YTD
U.S. Equity Fund	1.26%	13.48%
Russell 3000 Index	2.18%	18.19%
Difference (percentage points)	-0.92	-4.71

- During the month, the fund underperformed its benchmark due to poor relative performance by active managers. The fund's investments in private equity and private real estate also detracted from relative performance.
- Year to date, the fund's holdings in private markets and an underweight to strong performing mega-tech growth companies were key detractors from relative performance. Exclusions in accordance with Wespath's Investment Exclusions policies (described [here](#)) slightly contributed to relative performance.

International Equity Fund

Fund	August	YTD
International Equity Fund	2.73%	7.11%
MSCI ACWI ex U.S. Investable Market Index (Net)	2.71%	10.86%
Difference (percentage points)	+0.02	-3.75

- In August, the fund outperformed its benchmark primarily due to the fund's fair market valuation policy (described [here](#)) and active managers' investments in consumer discretionary, health care, and financial stocks. The fund's allocation to private equity and real estate detracted from benchmark-relative performance.
- Year to date, the fund has underperformed its benchmark due to active managers' investments in industrial, consumer discretionary and IT stocks. The fund has also been hurt by its allocation to private equity and real estate. The fund has been helped by the fair market valuation policy (described [here](#)).

U.S. Equity Index Fund

Fund	August	YTD
U.S. Equity Index Fund	2.16%	18.01%
Russell 3000 Index	2.18%	18.19%
Difference (percentage points)	-0.02	-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. During the month certain stocks excluded in accordance with Wespath's Investment Exclusions policies (described [here](#)) negatively impacted relative performance.

Fixed Income Funds

Fixed Income Fund

Fund	August	YTD
Fixed Income Fund	1.52%	3.84%
Bloomberg U.S. Universal (ex MBS) Index	1.43%	3.55%
Difference (percentage points)	+0.09	+0.29

- For August, the positive benchmark-relative contributions from the overweight to emerging market debt and the overweight to, and issue selection within, high-yield debt was partially offset by the allocations to Wespath's Positive Social Purpose (PSP) Lending Program and to Agency Commercial Mortgage-Backed Securities (CMBS).
- Year to date, the overweight allocation to, and issue selection within, high yield was the biggest positive contributor to benchmark-relative results. The allocations to Wespath's PSP Lending Program and Agency CMBS also contributed. Core plus issue selection and the allocations to opportunistic credit and alternatives also benefited relative performance. Results were partially offset by the allocation to non-U.S. developed market bonds.

Extended Term Fixed Income Fund

Fund	August	YTD
Extended Term Fixed Income Fund	2.15%	2.07%
Bloomberg U.S. Government/Credit Long Term Index	2.08%	1.19%
Difference (percentage points)	+0.07	+0.88

- During August, issue selection within the long government credit plus account contributed positively to benchmark relative results.
- Year-to-date, the four fund managers each outperformed their benchmark with the long government credit plus manager outperforming by the biggest margin.

Inflation Protection Fund

Fund	August	YTD
Inflation Protection Fund (IPF)	0.62%	2.11%
IPF Benchmark ⁱⁱ	0.71%	3.10%
Difference (percentage points)	-0.09	-0.99

- For August, the allocation to, and issue selection within, emerging-market debt contributed positively to benchmark relative performance. Positive results were more than offset by the allocation to developed market inflation-linked bonds.
- Year-to-date, the fund's allocations to alternatives and floating-rate senior secured loans contributed positively to relative results. Issue selection within the Treasury Inflation Protected Securities (TIPS) and commodities portfolios also helped. Positive results were more than offset by the allocations to, and issue selection within, the emerging market inflation-linked and developed market inflation-linked securities portfolios.

Short Term Investment Fund

Fund	August	YTD
Short Term Investment Fund (STIF)	0.44%	3.58%
BofA Merrill Lynch 3-Month Treasury Bill Index	0.48%	3.60%
Difference (percentage points)	-0.04	-0.02

- For the month and year to date, the fund performed in line with the benchmark.
- This fund is not available for direct investment by participants.

Balanced Fund

Multiple Asset Fund

Fund	August	YTD
Multiple Asset Fund (MAF)	1.71%	8.13%
MAF Benchmark ⁱⁱⁱ	2.00%	10.73%
Difference (percentage points)	-0.29	-2.60

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

Fund	August	YTD
Social Values Choice Equity Fund (SVCEF)	2.57%	17.06%
SVCEF Benchmark ^{iv}	2.40%	16.81%
Difference (percentage points)	+0.17	+0.25

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The fund outperformed its benchmark for the month and year to date due to certain stocks excluded in accordance with Wespath's Investment Exclusions policies (described [here](#)). Additionally, the fund's fair market valuation policy (described [here](#)) helped benchmark-relative performance.

Social Values Choice Bond Fund

Fund	August	YTD
Social Values Choice Bond Fund	1.39%	3.92%
Bloomberg U.S. Universal (ex MBS) Index	1.43%	3.55%
Difference (percentage points)	-0.04	+0.37

- For August, interest rate strategies contributed positively to benchmark relative results, but they were more than offset by security selection and currency strategies.
- Year to date, interest rate strategies, selection decisions within investment grade credit—including the allocation to mortgage-backed securities—contributed positively to benchmark relative performance. Results were partially offset by selection decisions within emerging market debt and high-yield bonds as well as currency strategies.

U.S. Treasury Inflation Protection Fund

Fund	August	YTD
U.S. Treasury Inflation Protection Fund	0.76%	3.54%
Bloomberg U.S. Inflation Linked Bond Index	0.80%	3.30%
Difference (percentage points)	-0.04	+0.24

- 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.
- For the month and year to date, the fund deviated from benchmark performance due to modest characteristic differences between the fund and the benchmark.

For additional information, please contact:**Karen Manczko***Director, Institutional Relationships*

(847) 866-4236 direct

(847) 866-4100 general

kmanczko@wespath.org**Evan Witkowski, CIPM, FSA Credential Holder***Manager, Institutional Relationships*

(847) 866-5271 direct

(847) 866-4100 general

ewitkowski@wespath.org

1901 Chestnut Avenue

Glenview, Illinois 60025

(847) 866-4100

wespath.org

-
- 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 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.
- 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.