

# December 2020 Investment Report

## Highlights

- The S&P 500 increased 3.8% in December and 18.4% for the full year 2020. International stocks, as measured by the MSCI ACWI ex-USA IMI, increased 5.6% for the month and 11.1% for the year.
- President Trump signed into law a spending bill, which Congress approved earlier in the month. The \$2.3 trillion package includes an additional \$900 billion of coronavirus relief.
- The U.S. Food and Drug Administration (FDA) authorized the use of COVID-19 vaccines produced by Pfizer-BioNTech and Moderna.
- The U.S. economy lost 140,000 non-farm jobs in December, as social distancing restrictions led to job cuts in leisure and hospitality. The unemployment rate remained at 6.7%.
- MAF, USEF, IEF, FIF and IPF all outperformed their respective benchmarks in December.

## Monthly Overview

### Market Performance

The S&P 500 returned 3.8% on a total return basis and reached an all-time high in December amid optimism over COVID vaccine authorizations. For the year, the S&P 500 returned 18.4%, representing a significant recovery from its 33.8% peak-to-trough decline in the first quarter. The Russell 2000 Index outperformed large-cap stocks in December. The index of small-cap stocks increased 8.7% for the month and 20.0% for the year. Non-U.S. equity markets in developed and developing countries increased 4.7% and 7.4% in December, respectively, as measured by the MSCI EAFE Index and MSCI Emerging Markets IMI. In fixed income markets, the Bloomberg Barclays U.S. Treasury Index decreased 0.2% during the month, while the Bloomberg Barclays High Yield Corporate Bond Index increased 1.9%.

### Pandemic update

The daily rate of new COVID-19 cases and hospitalizations continued to rise at an elevated pace in December as researchers identified a new, highly contagious variant of the virus. In a significant milestone, the FDA authorized the use of COVID-19 vaccines produced by Pfizer-BioNTech and Moderna. Widespread rollout of the vaccines will likely take months as manufacturing and distribution ramp up, with healthcare workers receiving vaccination priority.

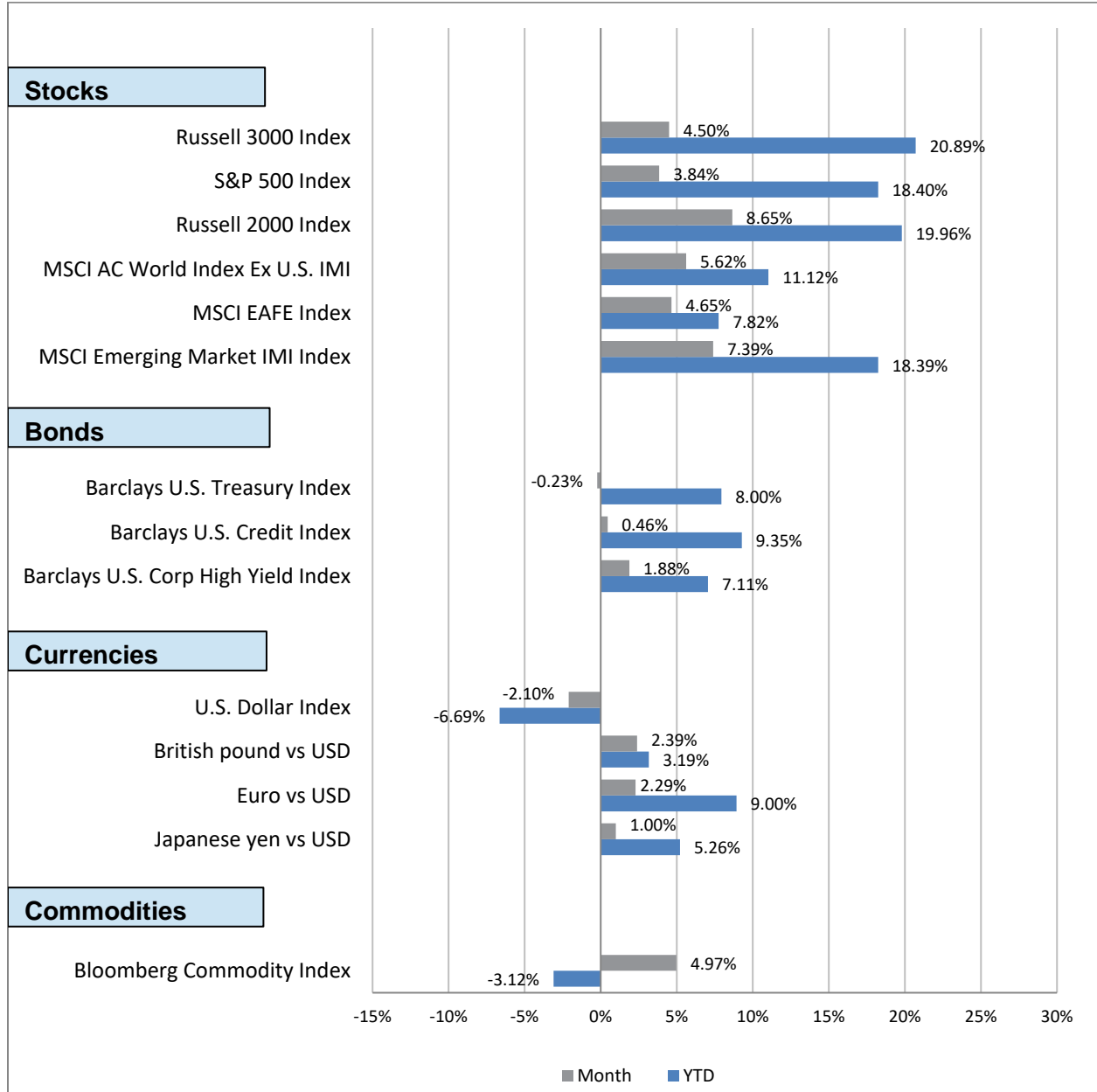
### Economic update

Approval of a massive \$2.3 trillion coronavirus relief and spending package averted a partial government shutdown and included significant COVID-19 economic relief. The relief provisions include direct stimulus payments of \$600 to qualifying individuals making up to \$75,000 per year, additional unemployment benefits of \$300 per week and another \$300 billion in funding for the Paycheck Protection Program (PPP).

The Labor Department reported non-farm payrolls declined by 140,000 in December, as job gains in professional services failed to offset losses in leisure and hospitality caused by social distancing restrictions. The Conference Board Consumer Confidence Index declined to 88.6 in December from 92.9 in November. Business activity in the U.S. increased at the slowest pace since September, as measured by the IHS Markit Composite Purchasing Managers' Index (PMI) reading of 55.3. The Eurozone Composite PMI reading of 49.1 indicated moderate contraction amid COVID-19 social distancing measures. The U.K. and European Union signed a last-minute trade agreement just before the Brexit transition period ended December 31, 2020.

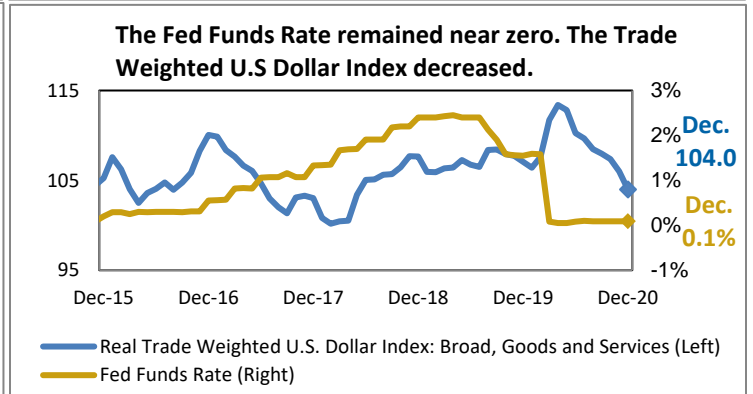
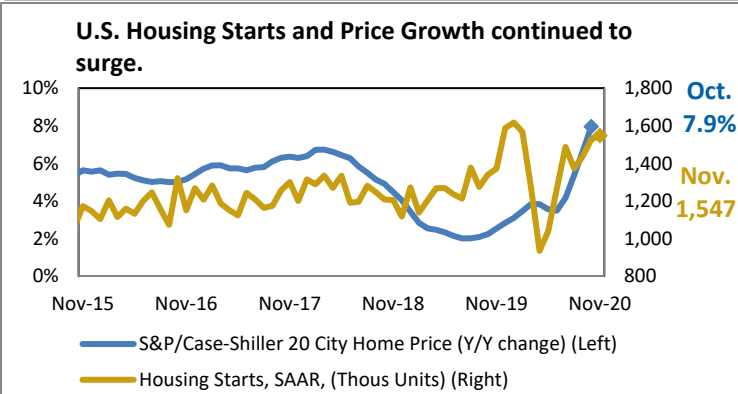
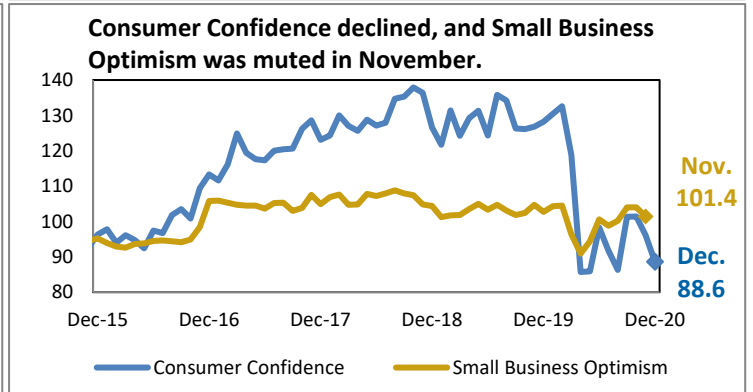
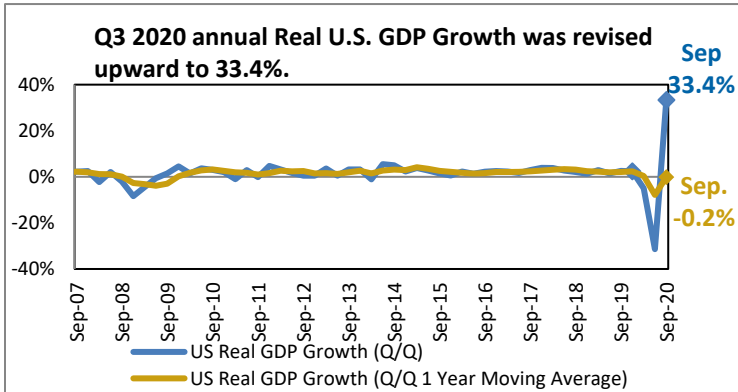
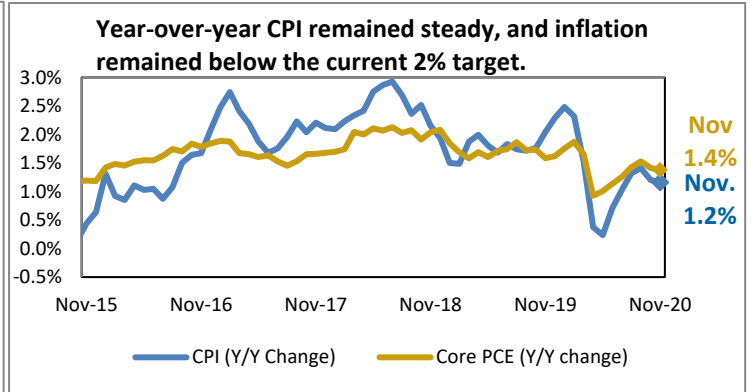
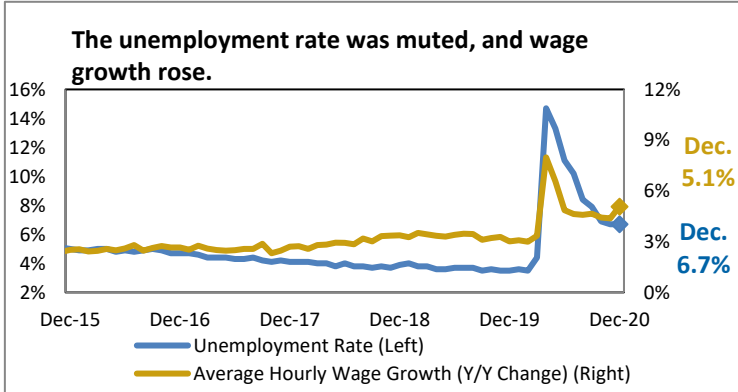
*Sources: IHS Markit. CNBC. Federal Reserve. Johns Hopkins Corona Virus Resource Center. The Conference Board. Federal Reserve Bank of St. Louis. FactSet.*

## Market Performance



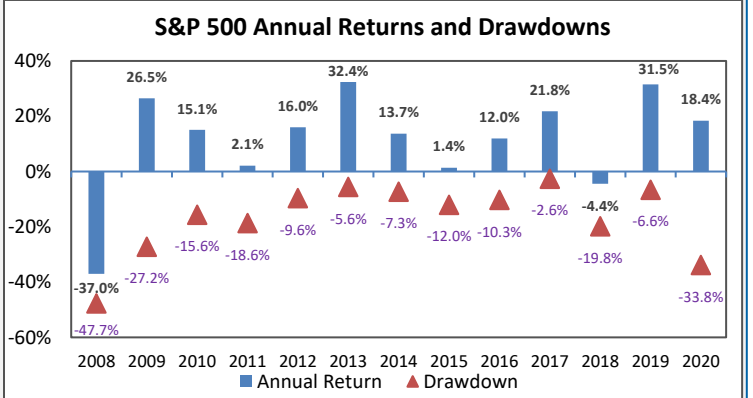
Source: FactSet, as of December 31, 2020

## Key Monthly Economic Statistics



## Chart of Month

- The blue columns display the S&P 500 Index total return for the annual periods indicated
- The red triangles show the maximum peak-to-trough drawdown for the S&P 500 within each individual year
- The 33.8% drawdown induced by the COVID-19 pandemic in the first quarter of 2020 was the largest drawdown since the global financial crisis in 2008, but the return for the full year 2020 was greater than 18%
- Significant equity drawdowns regularly occur, but disciplined investors have achieved strong performance



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

### Equity Funds

#### U.S. Equity Fund

Fund	December	QTD	YTD
U.S. Equity Fund	+5.70%	+18.63%	+26.17%
Russell 3000 Index	+4.50%	+14.68%	+20.89%
Difference (percentage points)	+1.20	+3.95	+5.28

- The fund outperformed during the month, quarter and year. Outperformance was due largely to active managers outperforming their respective benchmarks because of exposure to companies better positioned to succeed through the pandemic. Investments in private equity and private real estate detracted from relative performance for all three periods.
- The fund's strategic overweight allocation to small- and mid-cap companies, and corresponding underweight to large-cap companies, was a contributor to relative performance in December and the fourth quarter. Its strategic underweight to large-cap growth companies detracted from relative performance for the year.

#### International Equity Fund

Fund	December	QTD	YTD
International Equity Fund	+6.89%	+18.85%	+19.67%
MSCI ACWI ex U.S. Investable Market Index (Net)	+5.62%	+17.22%	+11.12%
Difference (percentage points)	+1.27	+1.63	+8.55

- The fund outperformed during the month, quarter and year. Outperformance was due in large part to active managers outperforming their respective benchmarks because of investments better positioned to succeed through the pandemic.
- A growth-oriented manager focused in developed markets and two managers investing in opportunities related to the transition to a low-carbon economy produced the strongest benchmark-relative returns. Investments in private equity contributed positively to relative performance across all three periods, while holdings in private real estate detracted from relative performance. Additionally, the fund's overweight allocation to China was a positive contributor during the year as the country fared better in its recovery from the pandemic.

### U.S. Equity Index Fund

Fund	December	QTD	YTD
U.S. Equity Index Fund	+4.49%	+14.71%	+21.18%
Russell 3000 Index	+4.50%	+14.68%	+20.89%
Difference (percentage points)	-0.01	+0.03	+0.29

- 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	December	QTD	YTD
Fixed Income Fund	+0.96%	+2.87%	+8.39%
Barclays U.S. Universal (ex MBS) Index	+0.38%	+1.59%	+8.68%
Difference (percentage points)	+0.58	+1.28	-0.29

- The fund outperformed its benchmark during the month due to allocations to high-yield corporate credit and emerging market debt. Active management added to relative performance during the period.
- The fund outperformed its benchmark during the fourth quarter due to allocations to high-yield and investment-grade rated corporate credit, emerging market debt, and global bonds. Allocations to multi-family housing through high-quality U.S. agency commercial mortgage-backed securities and Wespath's Positive Social Purpose Lending Program detracted from relative performance. Active management added to relative performance during the period.
- For the year, the fund underperformed its benchmark. Underperformance was driven by allocations to Wespath's Positive Social Purpose Lending Program, global bonds, investment-grade corporate bonds, and emerging market debt. Active management added to relative performance for the full year.

#### Extended Term Fixed Income Fund

Fund	December	QTD	YTD
Extended Term Fixed Income Fund	+0.09%	+1.30%	+12.10%
Barclays U.S. Government/Credit Long Term Index	-0.20%	+1.68%	+16.12%
Difference (percentage points)	+0.29	-0.38	-4.02

- The fund's policy of maintaining a lower sensitivity to interest rate movements added to benchmark-relative returns during the month and quarter but detracted for the full year. Its allocation to Commercial Mortgage Obligations detracted during the quarter. Asset managers' sector and security selection added to relative performance for all periods.

### Inflation Protection Fund

Fund	December	QTD	YTD
Inflation Protection Fund	+1.84%	+3.54%	+5.80%
IPF Benchmark <sup>ii</sup>	+1.77%	+3.77%	+7.72%
Difference (percentage points)	+0.07	-0.23	-1.92

- The fund's overweight exposure to U.S. inflation-linked securities detracted from benchmark-relative performance during the month and quarter but positively contributed during the year. The strategic underweight to U.K. inflation-linked securities added to relative performance for the month and quarter but detracted for the year. Allocations to high-yield corporate credit through exposure to senior loans detracted from benchmark-relative performance during all periods.

### Balanced Fund

#### Multiple Asset Fund

Fund	December	QTD	YTD
Multiple Asset Fund	+4.51%	+13.18%	+18.21%
MAF Benchmark <sup>iii</sup>	+3.53%	+11.04%	+14.17%
Difference (percentage points)	+0.98	+2.14	+4.04

- The U.S. Equity Fund and International Equity Fund positively contributed to benchmark-relative performance for all three reporting periods.
- The Fixed Income Fund positively contributed to benchmark-relative performance for the month and quarter but detracted for the year.
- The Inflation Protection Fund positively contributed to benchmark-relative performance for the month but detracted for the quarter and year.

## Social Values Choice Suite of Funds

### Social Values Choice Bond Fund

Fund	December	QTD	YTD
Social Values Choice Bond Fund	+0.55%	+1.93%	+9.36%
Barclays U.S. Universal (ex MBS) Index	+0.38%	+1.59%	+8.68%
Difference (percentage points)	+0.17	+0.34	+0.68

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

### Social Values Choice Equity Fund

Fund	December	QTD	YTD
Social Values Choice Equity Fund	+4.02%	+12.63%	+16.94%
SVCEF Benchmark <sup>iv</sup>	+3.97%	+12.69%	+16.77%
Difference (percentage points)	+0.05	-0.06	+0.17

- 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 during the month and year.

### U.S. Treasury Inflation Protection Fund

Fund	December	QTD	YTD
U.S. Treasury Inflation Protection Fund	+1.10%	+1.46%	+11.27%
Barclays U.S. Inflation Linked Bond Index	+1.13%	+1.63%	+11.54%
Difference (percentage points)	-0.03	-0.17	-0.27

- 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.

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

(847) 866-4236 direct

(847) 866-4100 general

[kmanczko@wespath.org](mailto:kmanczko@wespath.org)**Bill Stewart, CIMA, CFA***Director, Institutional Relationships*

(847) 866-2700 direct

(847) 866-4100 general

[bstewart@wespath.org](mailto:bstewart@wespath.org)

1901 Chestnut Avenue  
Glenview, Illinois 60025  
(847) 866-4100  
[wespath.org](http://wespath.org)

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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.