

December 2022 Investment Report

Highlights

- The S&P 500 Index of U.S. stocks decreased 5.8%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI, decreased 0.6% in December. The Bloomberg U.S. Aggregate Bond Index (Bloomberg U.S. Aggregate) decreased 0.5%.
- Inflation was 7.1% in November, as measured by the year-over-year change in the Consumer Price Index (CPI). The Core Personal Consumption Expenditures (PCE) measure of inflation, the U.S. Federal Reserve's (Fed) preferred gauge of inflation (and which excludes food and energy), decelerated from 5.0% in October to 4.7% in November.
- The U.S. economy added 223,000 non-farm jobs in December, and the unemployment rate decreased to 3.5%.
- The U.S. Equity Fund, Inflation Protection Fund and Multiple Asset Fund outperformed their respective benchmarks in December, while the International Equity Fund and Fixed Income Fund underperformed their respective benchmarks.

Monthly Overview

Equities and fixed income decreased

U.S. equity prices fell in December as central banks committed to continue increasing interest rates to moderate inflation. The Russell 3000 Index declined 5.9%, and all U.S. stock market sectors decreased. Value stocks outperformed growth stocks, as the Russell 3000 Value Index decreased 4.2% and the Russell 3000 Growth Index decreased 7.6%. The U.S. dollar Index decreased for a third consecutive month, declining 2.3% in December. Stocks in developed countries outside of the U.S. increased 0.1%, as measured by the MSCI EAFE Index, while the MSCI Emerging Markets IMI Index decreased 1.4%.

The Bloomberg U.S. Aggregate declined 0.5% in December as bond yields rose during the month. The 10-year U.S. Treasury note yield increased 0.2%, ending the month at 3.9%. The Bloomberg U.S. High Yield Index declined 0.6%.

Economic update

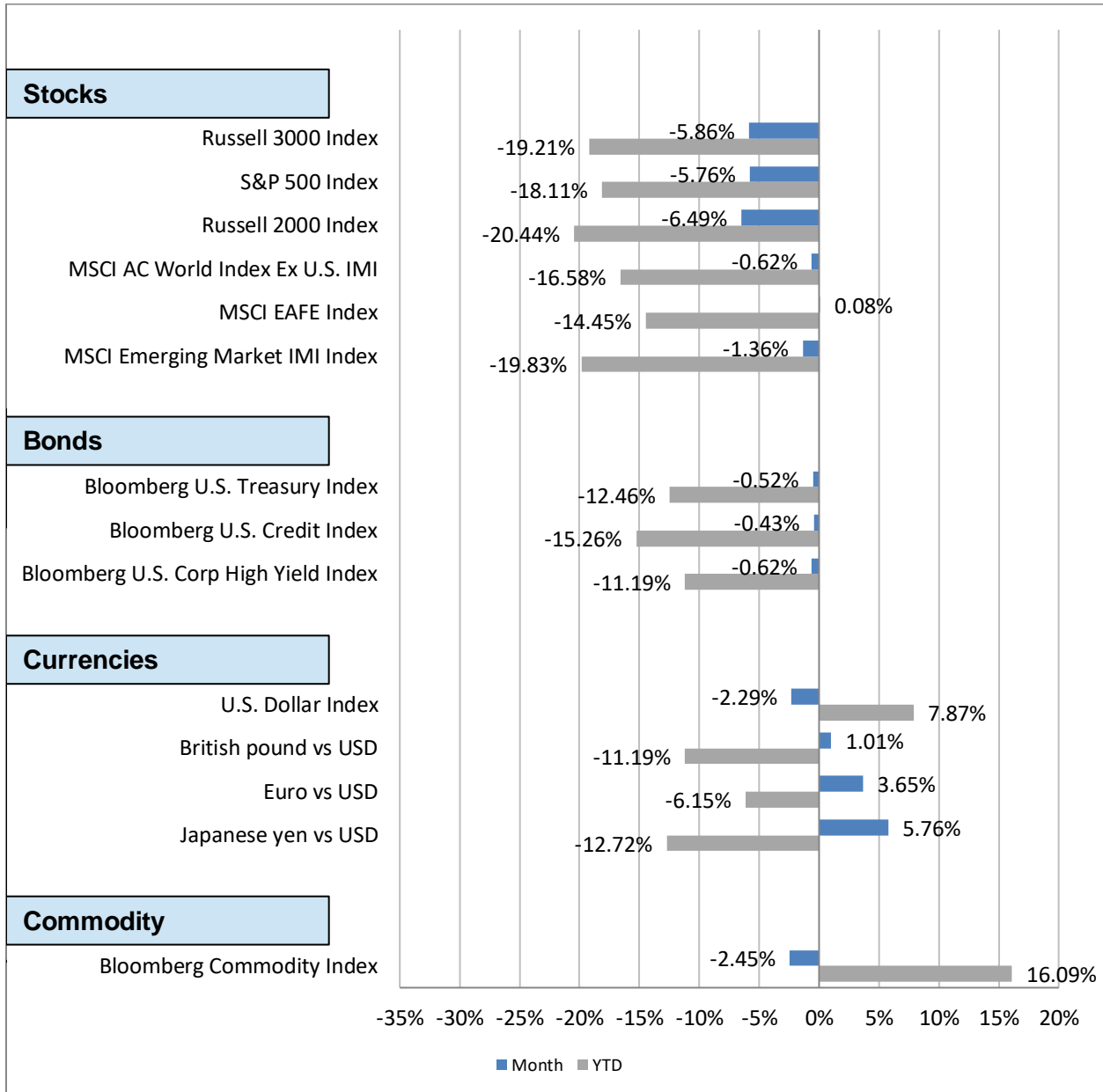
U.S. Real GDP increased at an annual rate of 3.2% in the third quarter, based on the Bureau of Economic Analysis' third estimate, an increase of 0.3 percentage points from the second estimate in November. CPI increased 7.1% year over year in November, and Core PCE increased 4.7%. Fed Chair Jerome Powell confirmed that the Fed has seen progress in moderating inflation but stated that there is a long way to go to return inflation to target. U.S. employers added 223,000 non-farm jobs in December, and the unemployment rate decreased from 3.7% to 3.5%. Wages increased 0.3% for the month and 4.6% year over year, measuring the lowest 12-month increase in 2022.

China lifts zero-COVID measures

China lifted most of its zero-COVID restrictions in December, resulting in a wave of new COVID infections that caused labor shortages and logistical challenges. China's manufacturing Purchasing Managers Index (PMI) decreased from 48.0 to 47.0 in December, while its non-manufacturing PMI decreased from 46.7 to 41.6 (a reading of below 50 indicates contraction). Still, the MSCI China Equity Index increased 5.2% in December, as optimism for economic recovery outweighed concerns about rising infections.

Sources: Bureau of Labor Statistics, Commerce Department, Wall Street Journal, Bloomberg, FactSet.

Market Performance



Source: FactSet, as of December 31, 2022.

Key Monthly Economic Statistics

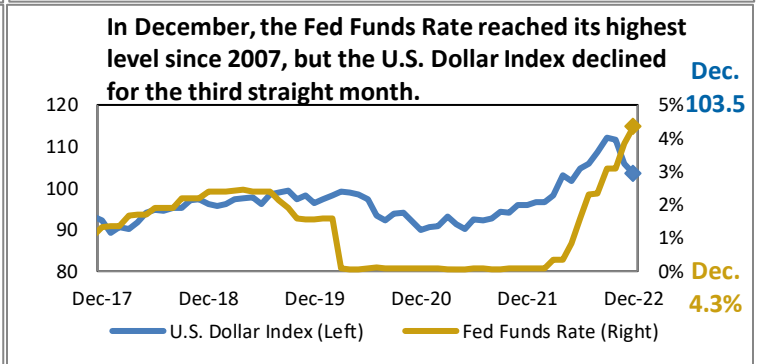
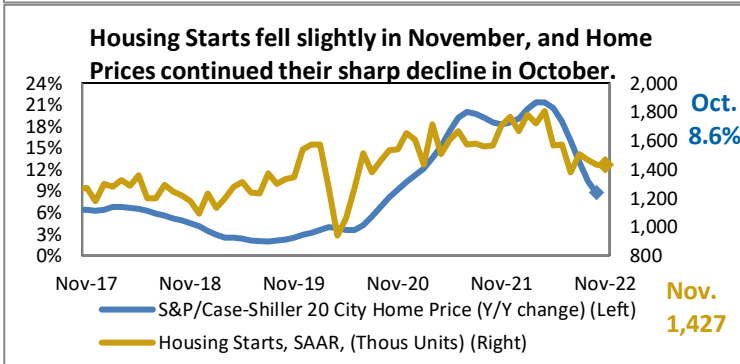
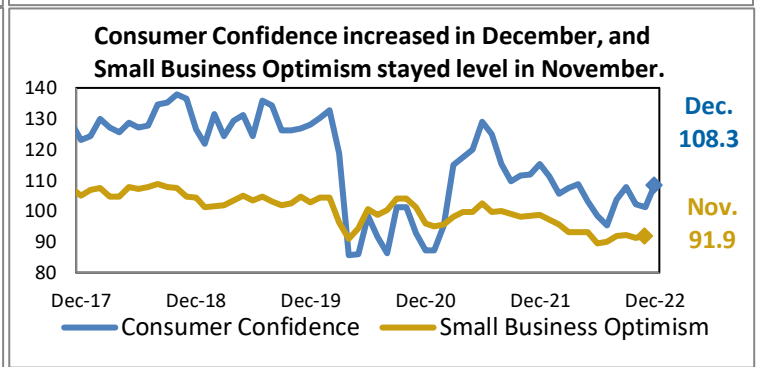
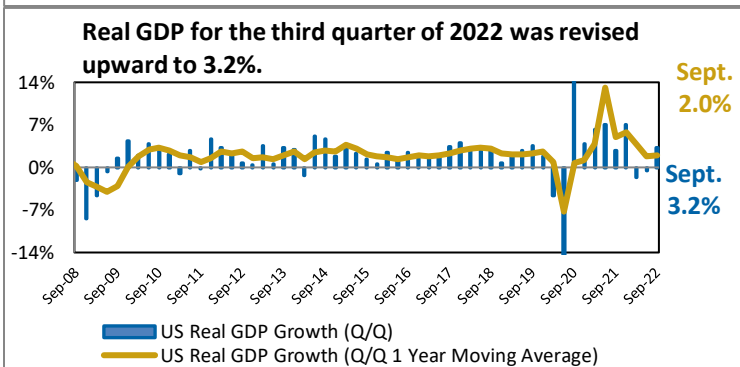
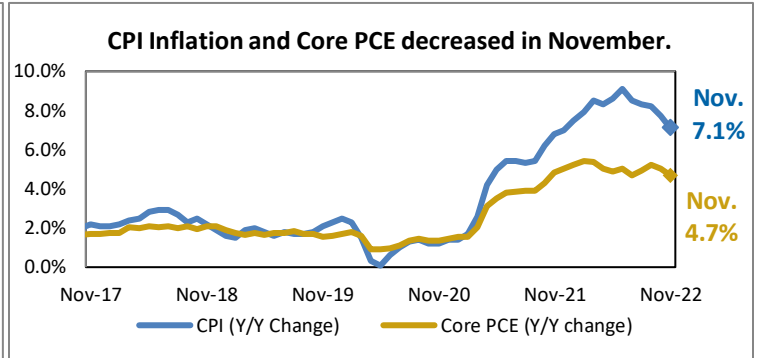
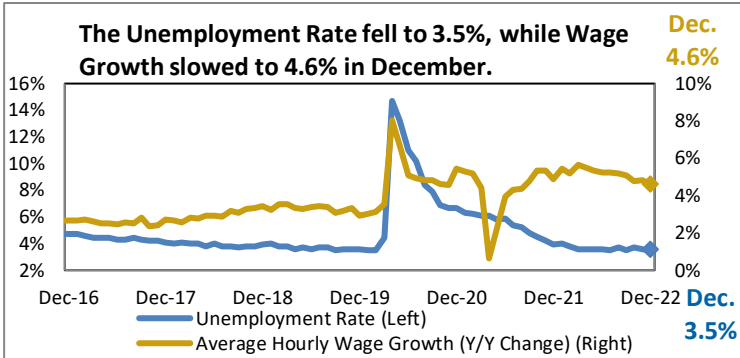
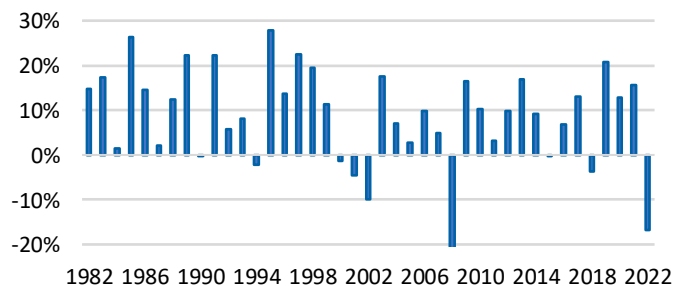


Chart of the Month

- A portfolio of 60% stocks and 40% bonds seeks to reduce risk during volatile market conditions because bonds usually increase when stocks decrease. However, both stocks and bonds significantly decreased in 2022.
- The chart shows a portfolio of 60% S&P 500 Index and 40% Bloomberg U.S. Aggregate Index.
- Over the last 40 years, the average annual return of the 60/40 portfolio was 8.8%.
- The 2022 return of -16.9% was the second worst over the last 40 years. The return in 2008 was the worst. The return of the 60/40 portfolio that year was -21%.
- If your 60/40 portfolio was 60% S&P 500 Index and 40% 10-year U.S. Treasuries, the 2022 return was the worst since 1937.

60/40 Portfolio Annual Return



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)ⁱ

Equity Funds

U.S. Equity Fund

Fund	December	QTD	YTD
U.S. Equity Fund	-5.33%	+6.95%	-19.49%
Russell 3000 Index	-5.86%	+7.18%	-19.21%
Difference (percentage points)	+0.53	-0.23	-0.28

- During the month, the fund outperformed its benchmark mainly due to dedicated allocations to private equity and private real estate. The fund's strategic underweight to mega-cap technology companies was also a positive contributor to benchmark-relative performance.
- During the quarter, the fund underperformed its benchmark due to investments in growth-oriented companies, dedicated allocations to private equity and private real estate, and the impact of excluding certain stocks in accordance with Wespath's Exclusions Policy (described [here](#)). The fund's strategic underweight to mega-cap technology companies was a positive contributor to relative performance.
- During the year, the fund underperformed its benchmark mainly due to investments in growth-oriented companies as well as the impact of excluding certain stocks in accordance with Wespath's Exclusions Policy (described [here](#)). An underweight to large-cap companies and the fund's dedicated investments in private equity and private real estate positively contributed to benchmark-relative performance.

International Equity Fund

Fund	December	QTD	YTD
International Equity Fund	-1.21%	+14.29%	-21.06%
MSCI ACWI ex U.S. Investable Market Index (Net)	-0.62%	+14.15%	-16.58%
Difference (percentage points)	-0.59	+0.14	-4.48

- During the month, the fund underperformed its benchmark due to growth-oriented active managers underperforming their respective benchmarks. The fund's fair market valuation policy (described [here](#)) detracted from benchmark-relative performance. Investments in private equity and private real estate modestly contributed to relative performance.
- During the quarter, the fund outperformed its benchmark due to nine of the 11 active managers outperforming their respective benchmarks. The fund's dedicated investments in private equity and private real estate detracted from benchmark-relative performance.
- During the year, the fund underperformed its benchmark mainly due to poor-performing investments held by growth-oriented active managers as well as excluding certain stocks in accordance with Wespath's Exclusions Policy (described [here](#)).

U.S. Equity Index Fund

Fund	December	QTD	YTD
U.S. Equity Index Fund	-5.72%	+6.97%	-19.67%
Russell 3000 Index	-5.86%	+7.18%	-19.21%
Difference (percentage points)	+0.14	-0.21	-0.46

- The U.S. Equity Index Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses. For the month, quarter and year, certain stocks excluded in accordance with Wespath's Exclusions Policy (described [here](#)) detracted from relative performance, though the fund still outperformed modestly in December due the effects of transactions/rebalancing.

Fixed Income Funds

Fixed Income Fund

Fund	December	QTD	YTD
Fixed Income Fund	-0.40%	+2.60%	-12.65%
Barclays U.S. Universal (ex MBS) Index	-0.31%	+2.27%	-13.34%
Difference (percentage points)	-0.09	+0.33	+0.69

- In December, asset manager security selection and the allocation to the Positive Social Purpose Lending Program detracted the most from benchmark-relative performance. The allocation to high-yield rated corporate bonds also detracted from relative performance. The overweight allocation to emerging market debt contributed positively to relative performance.
- During the fourth quarter, allocations to high-yield rated corporate bonds, global bonds and emerging market debt contributed positively to benchmark-relative performance. The fund's allocations to U.S. agency commercial mortgage-backed securities, the Positive Social Purpose Lending Program and manager security selection detracted from relative performance.
- For the year, the fund's allocations to U.S. agency commercial mortgage-backed securities, the Positive Social Purpose Lending Program, alternative investments, cash and high-yield rated corporate bonds positively contributed to relative performance. Asset manager security and sector selection also contributed positively during the period.

Extended Term Fixed Income Fund

Fund	December	QTD	YTD
Extended Term Fixed Income Fund	-1.04%	+1.93%	-20.59%
Barclays U.S. Government/Credit Long Term Index	-1.38%	+2.61%	-27.09%
Difference (percentage points)	+0.34	-0.68	+6.50

- 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, quarter and year.

Inflation Protection Fund

Fund	December	QTD	YTD
Inflation Protection Fund (IPF)	-0.97%	+2.62%	-5.46%
IPF Benchmark ⁱⁱ	-2.23%	+1.15%	-12.20%
Difference (percentage points)	+1.26	+1.47	+6.74

- The fund's allocation to real assets and its underweight allocation to U.K. inflation-linked securities positively contributed to benchmark-relative performance for the month, quarter and year.
- During December and the fourth quarter, the allocation to senior secured loans contributed positively to benchmark-relative performance, while asset manager security selections in commodities and emerging market inflation-linked bonds detracted from relative performance.
- For the year, manager selection and allocations to senior secured loans and commodities added to benchmark-relative performance while allocations to global and U.S. inflation-linked bonds detracted.

Balanced Fund

Multiple Asset Fund

Fund	December	QTD	YTD
Multiple Asset Fund (MAF)	-2.43%	+7.46%	-16.63%
MAF Benchmark ⁱⁱⁱ	-2.54%	+7.49%	-16.00%
Difference (percentage points)	+0.11	-0.03	-0.63

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

Social Values Choice Suite of Funds

Social Values Choice Bond Fund

Fund	December	QTD	YTD
Social Values Choice Bond Fund	-0.15%	+1.70%	-13.41%
Barclays U.S. Universal (ex MBS) Index	-0.31%	+2.27%	-13.34%
Difference (percentage points)	+0.16	-0.57	-0.07

- The fund's duration positioning added to benchmark-relative performance for all periods. Security selection in the financial sector added to relative performance for the quarter and year.

Social Values Choice Equity Fund

Fund	December	QTD	YTD
Social Values Choice Equity Fund (SVCEF)	-4.74%	+9.89%	-20.19%
SVCEF Benchmark ^{iv}	-4.39%	+9.88%	-20.13%
Difference (percentage points)	-0.35	+0.01	-0.06

- 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](#)) negatively impacted benchmark-relative performance for the month. For the quarter and the year, the fair market valuation policy had a negligible impact to the fund's benchmark-relative performance.

U.S. Treasury Inflation Protection Fund

Fund	December	QTD	YTD
U.S. Treasury Inflation Protection Fund	-1.14%	+1.93%	-12.74%
Barclays U.S. Inflation Linked Bond Index	-1.05%	+2.12%	-12.60%
Difference (percentage points)	-0.09	-0.19	-0.14

- 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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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.