

# January 2019 Investment Report

## Highlights

- U.S. stocks surged during the month, with the S&P 500 Index gaining 7.9% for its best January performance since 1987.
- In an early January economic roundtable with former U.S. Federal Reserve (Fed) Chairs Janet Yellen and Ben Bernanke, current Fed Chair Jerome Powell indicated “patience” and “flexibility” for 2019 interest rate decisions. Later in the month, the Federal Open Market Committee (FOMC) statement eliminated references to future interest rate increases in a stark reversal from the Committee’s position just six weeks earlier.
- The U.S. government shutdown ended after a record breaking 35 days with a deal to re-open the government temporarily while border security negotiations continue.
- In January, the U.S. Equity Fund, International Equity Fund, Fixed Income Fund, Inflation Protection Fund and Multiple Asset Fund all outperformed their benchmarks.

## Monthly Overview

### U.S. markets rebound

The best January S&P 500 return in 30 years came on the heels of a 9.0% December decline that threatened to end the longest bull market in history. Key drivers to January’s rebound included the Fed’s reversal on monetary policy, positive headlines on trade negotiations with China and strong year-over-year earnings growth. The bond market also performed well in January. The U.S. job market remained strong with a record 100<sup>th</sup> consecutive month of employment growth.

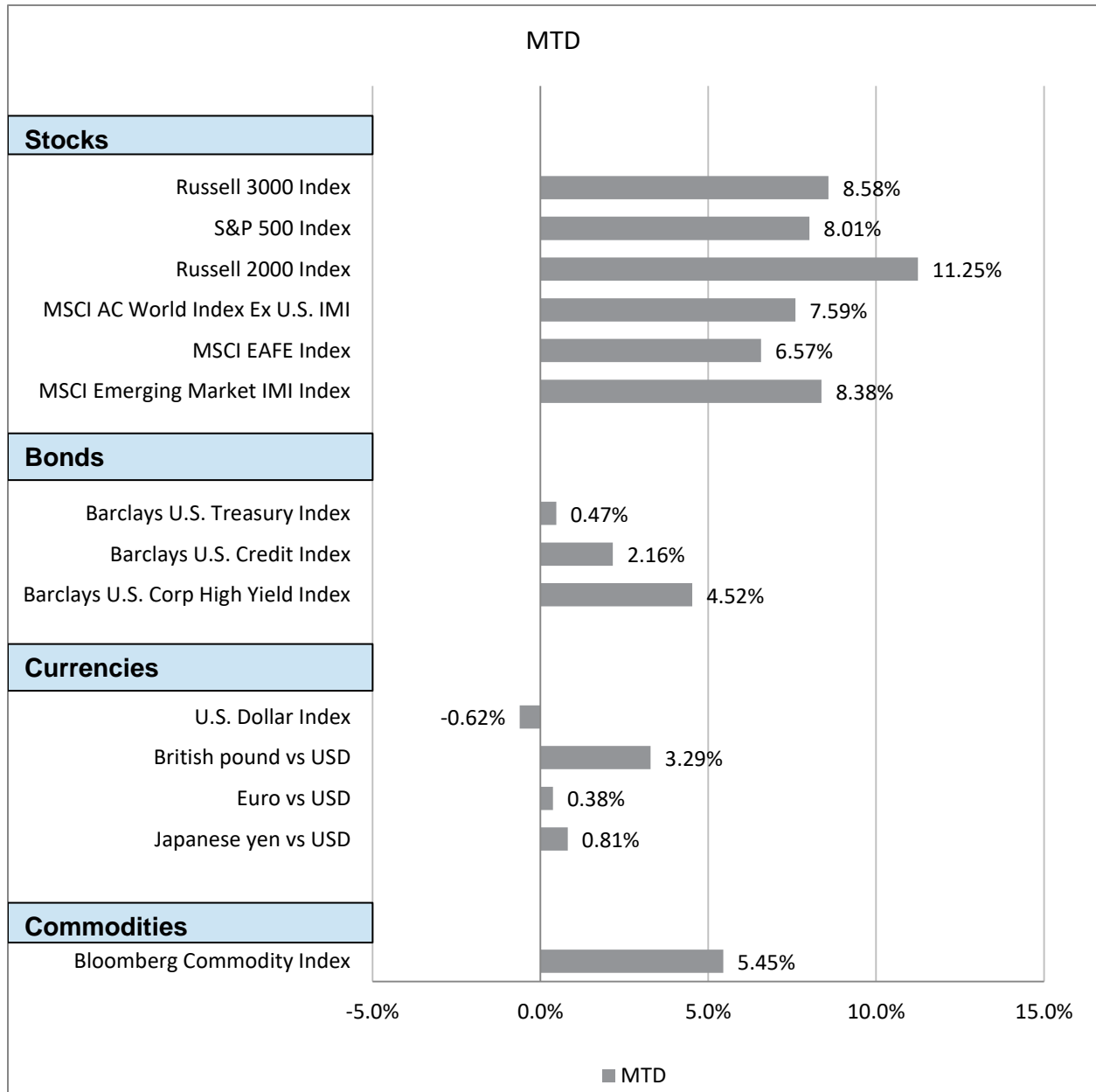
### Slower growth ahead

Recent corporate earnings announcements have been strong. However, 2019 consensus expectations indicate a decline in corporate profit growth due to slower revenue growth, and fading effects of the 2017 U.S. tax cut and fiscal spending. China’s 2018 GDP growth rate was 6.6%, the lowest since 1990. The International Monetary Fund (IMF) reduced its forecast for global economic growth in 2019 to 3.5% from its previous forecast of 3.7%. The IMF cited uncertainty around trade tariffs between the U.S. and China as one of the main drivers for the revision.

### Government shutdown

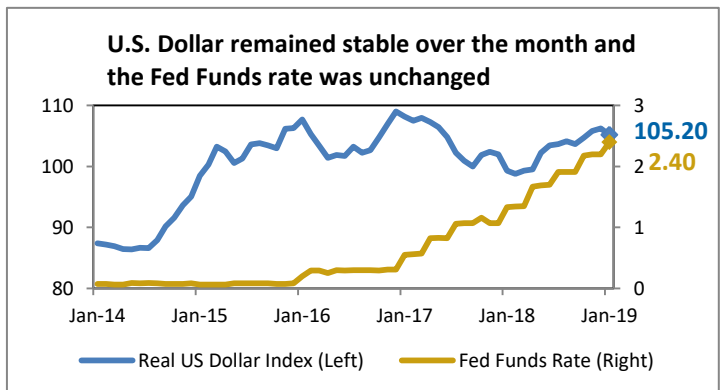
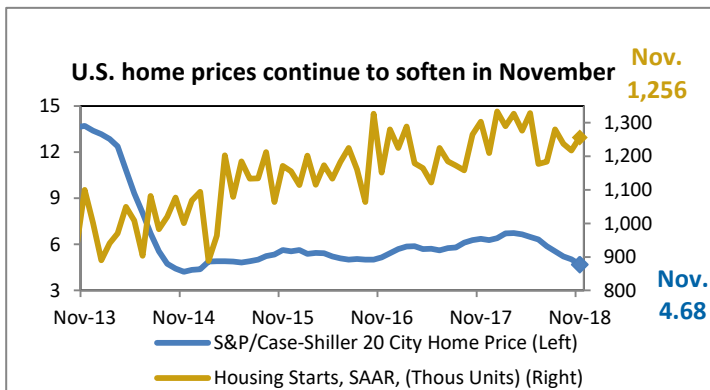
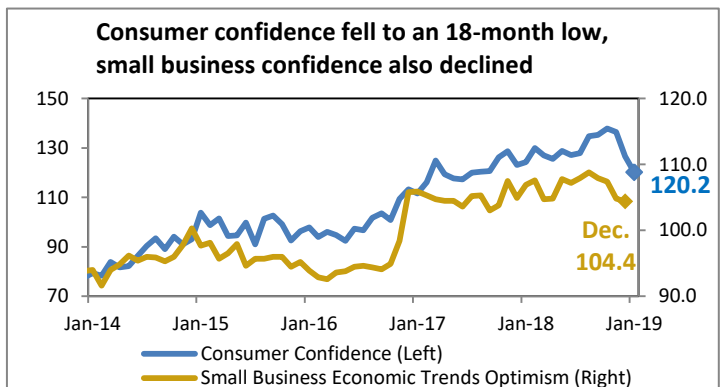
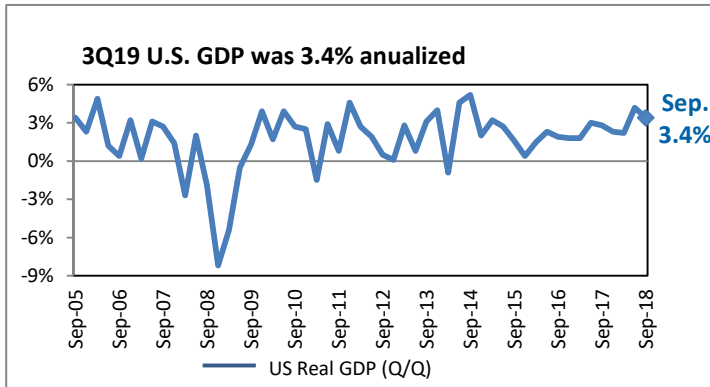
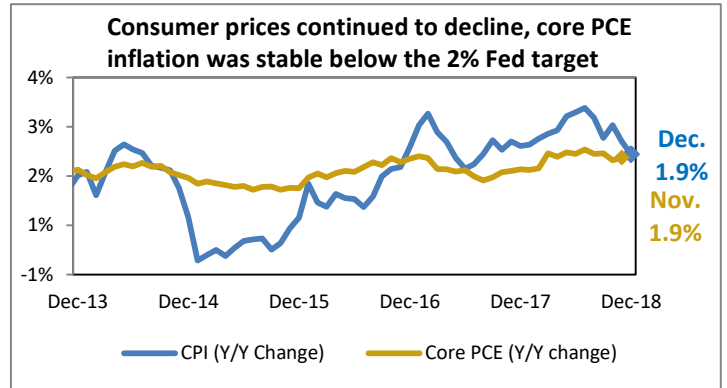
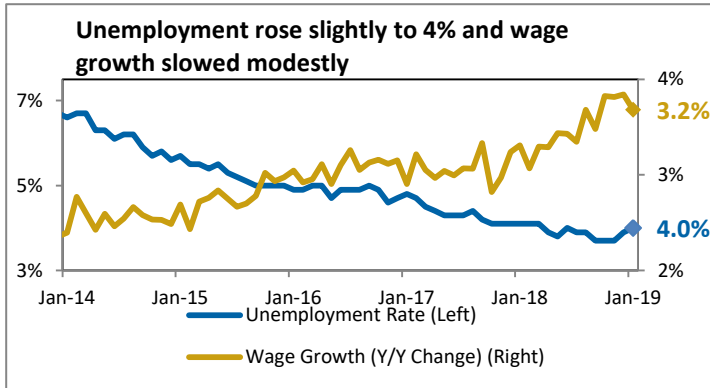
The U.S. government’s partial shutdown ended after a record 35 days. The U.S. Congressional Budget Office (CBO) estimates fourth quarter 2018 GDP will be 0.2% lower and 2019 first quarter GDP will be 0.4% lower because of the shutdown. Another shutdown looms in February if lawmakers cannot reach a deal on border security funding by February 15.

## Market Performance



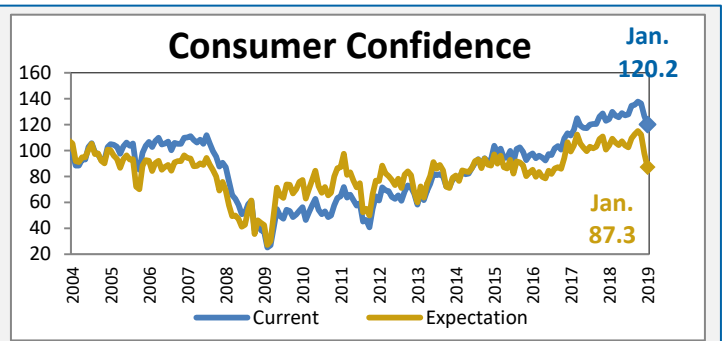
Source: FactSet, as of January 31, 2019

## Key Monthly Economic Statistics



### Chart of Month

- In January, the Consumer Confidence Index declined to an 18-month low amid concerns over the government shutdown.
- The Consumer Expectations Index, which measures the short-term future economic outlook of households, also declined to a 27-month low.
- The gap between current conditions and future expectations continues to widen.



Source: FactSet

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

### Equity Funds

#### U.S. Equity Fund

Fund	January
U.S. Equity Fund	+9.62%
Russell 3000 Index	+8.58%
Difference (percentage points)	+1.04

- For the month, the combination of the fund's strategic overweight to small- and mid-sized company stocks, and corresponding underweight of large-company stocks, positively contributed to benchmark-relative performance. Solid returns by a growth-oriented manager investing in strong-performing healthcare stocks contributed the most. The fund's dedicated allocation to private equity and private real estate detracted from returns. Wespath's [Ethical Exclusions](#) policy also detracted from fund results mainly due to the strong performing aerospace sector.

#### International Equity Fund

Fund	January
International Equity Fund	+8.28%
MSCI ACWI ex U.S. Investable Market Index (Net)	+7.59%
Difference (percentage points)	+0.69

- For the month, the combination of the fund's strategic underweight to developed market equities, and corresponding overweight to emerging market equities, contributed to benchmark-relative returns. The fund's strategic allocation to private equity and private real estate, along with the fair market valuation policy (described [here](#)), all detracted from returns.

#### U.S. Equity Index Fund

Fund	January
U.S. Equity Index Fund	+8.46%
Russell 3000 Index	+8.58%
Difference (percentage points)	-0.12

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. Ethical exclusions (described [here](#)) negatively impacted benchmark-relative performance due to strong performing aerospace companies during the month.

## Fixed Income Funds

### Fixed Income Fund

Fund	January
Fixed Income Fund	+1.98%
Barclays U.S. Universal (ex MBS) Index	+1.56%
Difference (percentage points)	+0.42

- For the month, emerging market debt and below-investment-grade corporate bonds were the biggest contributors to benchmark relative performance. Allocations to Wespath's Positive Social Purpose (PSP) Lending Program and the U.S. Agency commercial mortgage backed securities (CMBS) account detracted from relative results.

### Extended Term Fixed Income Fund

Fund	January
Extended Term Fixed Income Fund	+1.77%
Barclays U.S. Government/Credit Long Term Index	+2.24%
Difference (percentage points)	-0.47

- The Extended Term Fixed Income Fund's policy of maintaining a lower sensitivity to interest rate movements detracted from the month-to-date relative results. Security selection within the long duration collateralized mortgage securities portfolio also detracted. Three out of the four managers in the fund contributed to benchmark relative results.

### Inflation Protection Fund

Fund	January
Inflation Protection Fund	+2.16%
IPF Benchmark <sup>ii</sup>	+2.04%
Difference (percentage points)	+0.12

- The underweight allocation to UK inflation-linked bonds, overweight allocation to U.S. Treasury Inflation Protected Securities and the out-of-benchmark allocation to below-investment-grade floating rate bank loans all contributed to performance.

## Balanced Fund

### Multiple Asset Fund

Fund	January
Multiple Asset Fund	+6.43%
MAF Benchmark <sup>iii</sup>	+5.88%
Difference (percentage points)	+0.55

- During the month, all sub-components positively impacted performance. MAF invests in the International Equity Fund, Fixed Income Fund, Inflation Protected Fund and the U.S. Equity Fund.

## Social Values Choice Suite of Funds

### Social Values Choice Bond Fund

Fund	January
Social Values Choice Bond Fund	+1.60%
Barclays U.S. Universal (ex MBS) Index	+1.56%
Difference (percentage points)	+0.04

- For the month, the overweight to corporate bonds contributed to benchmark-relative performance and the underweight to U.S. dollar denominated emerging market debt detracted from relative results.

### Social Values Choice Equity Fund

Fund	January
Social Values Choice Equity Fund	+7.27%
SVCEF Benchmark <sup>iv</sup>	+7.08%
Difference (percentage points)	+0.19

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The fair market valuation policy (described [here](#)) positively impacted performance during the month.

### U.S. Treasury Inflation Protection Fund

Fund	January
U.S. Treasury Inflation Protection Fund	+1.47%
Barclays U.S. Inflation Linked Bond Index	+1.40%
Difference (percentage points)	+0.07

- 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 and related documents](#) 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 Equity Social Values Plus Fund is the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index.