

# January 2021 Investment Report

## Highlights

- The S&P 500 declined in January amid the spread of new COVID-19 variants and unusual market activity among a small group of stocks.
- Joe Biden was sworn in as the 46<sup>th</sup> President of the United States alongside new Vice President Kamala Harris. The Democrats also won control of the U.S. Senate.
- U.S. Gross Domestic Product grew at an annual rate of 4.0% in the fourth quarter of 2020, and the Labor Department reported that U.S. employers added 49,000 jobs in January.
- MAF, USEF, IEF, FIF, and IPF all outperformed their respective benchmarks in January.

## Monthly Overview

### Market Volatility

Several small- and mid-cap company stocks exhibited unusual and extreme activity during the last week of January. Traders attributed this activity to coordinated purchases by a large group of primarily retail investors seeking gains at the expense of certain hedge funds. These isolated-but-extreme stock price fluctuations, caused by what is referred to as a “short squeeze,” raised questions about the viability of continued market advances and the extent to which stock prices have detached from company intrinsic value. Overall, major indexes were mixed. The S&P 500 decreased 1.0% in January, but the Russell 2000 Index of small-cap stocks increased 5%. The MSCI EAFE Index of non-U.S. stocks in developed countries decreased 1.1%, but the MSCI Emerging Markets IMI increased 5.0%. In fixed income markets, the Bloomberg Barclays U.S. Treasury and Credit indices decreased 1.0% and 1.2%, respectively. The Bloomberg Barclays High Yield Corporate Bond Index increased 0.3%.

### Presidential Inauguration and Transfer of Power

Violent protestors stormed the U.S. Capitol on January 6 in an apparent attempt to disrupt the the Electoral College vote count and delay the transition to a new administration. Amid heightened security, Joe Biden became the 46<sup>th</sup> President of the United States, alongside Vice President Kamala Harris, on January 20. President Biden promptly signed numerous executive actions fulfilling campaign pledges, such as rejoining the Paris Climate Accord. Biden also proposed a \$1.9 trillion economic stimulus plan. In the state of Georgia, two Democratic candidates for the U.S. Senate won runoff elections, giving the Democratic party control of both houses of Congress.

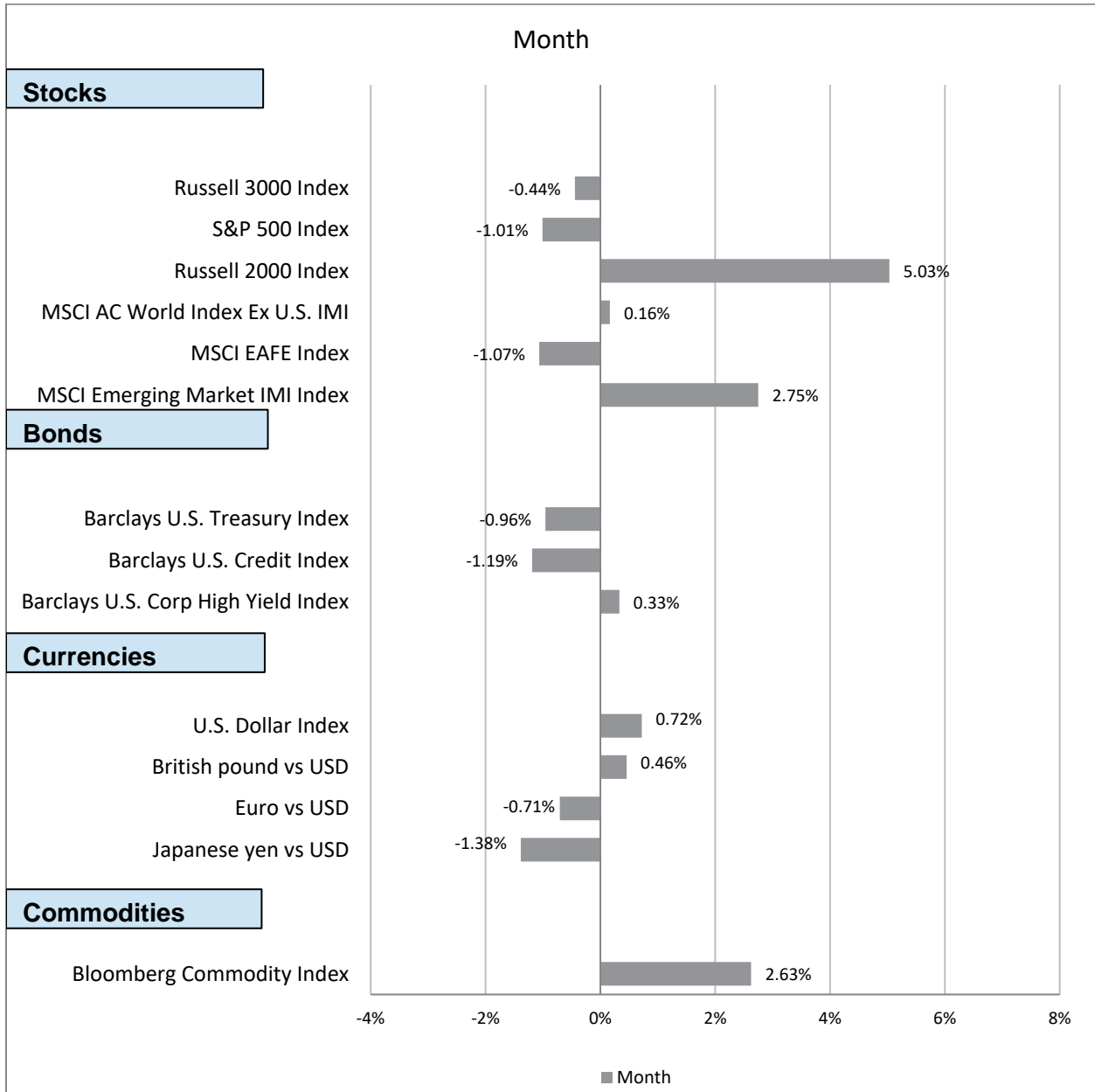
### COVID-19 and Economic Update

Amid the gradual COVID-19 vaccination rollout, highly transmissible variants of the virus originating in the United Kingdom, Brazil and South Africa appeared in patients across the U.S.

The U.S. economy continued its rebound from the pandemic-induced slowdown from earlier in the year, expanding at an annual rate of 4.0% in the fourth quarter, according to the advance estimate of real GDP growth from the Bureau of Economic Analysis. Real GDP for all of 2020 decreased 3.5% from the 2019 level, the first annual decrease since 2009 and the largest decline since 1946. The Labor Department reported that U.S. employers added 49,000 jobs in January, and the unemployment rate decreased to 6.3%.

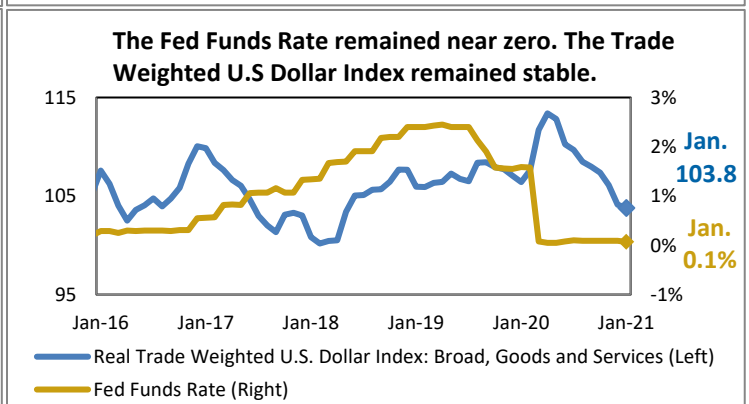
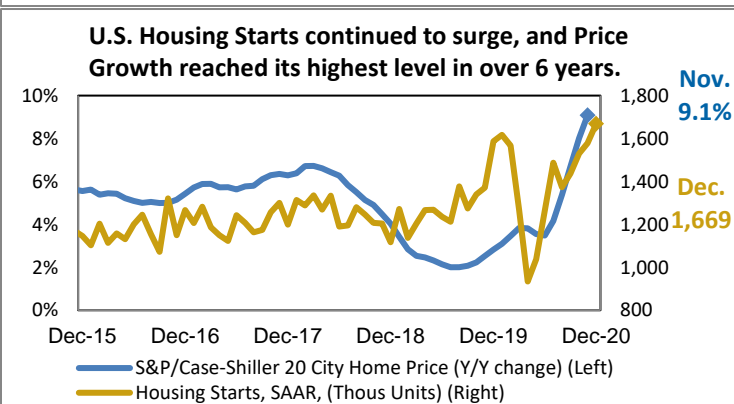
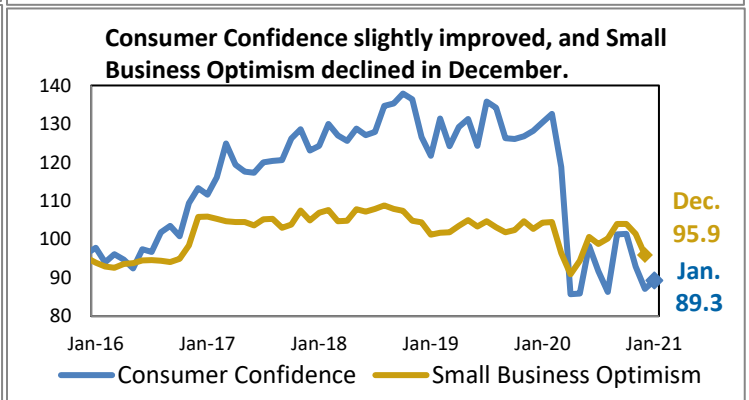
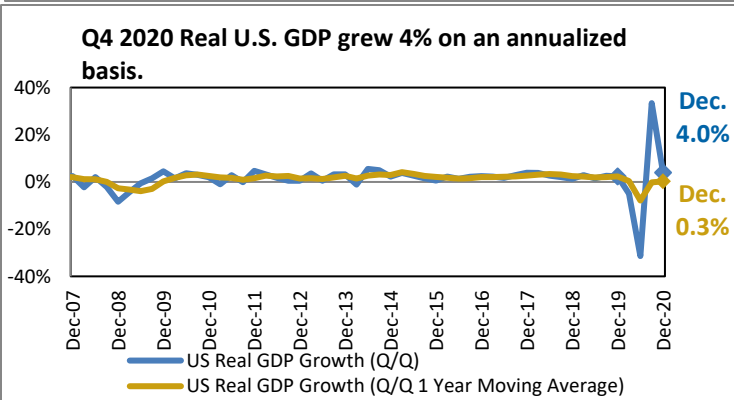
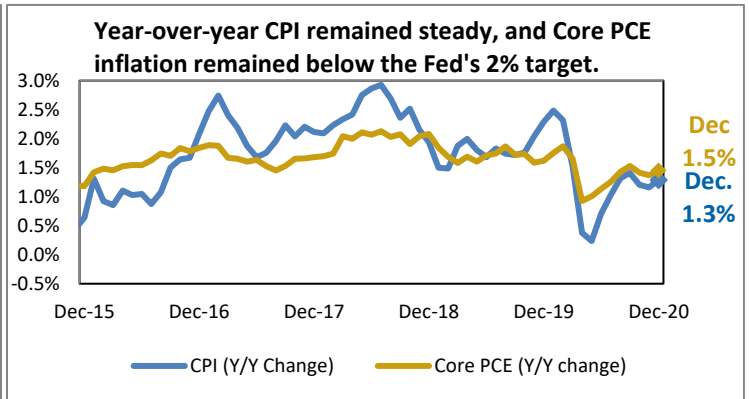
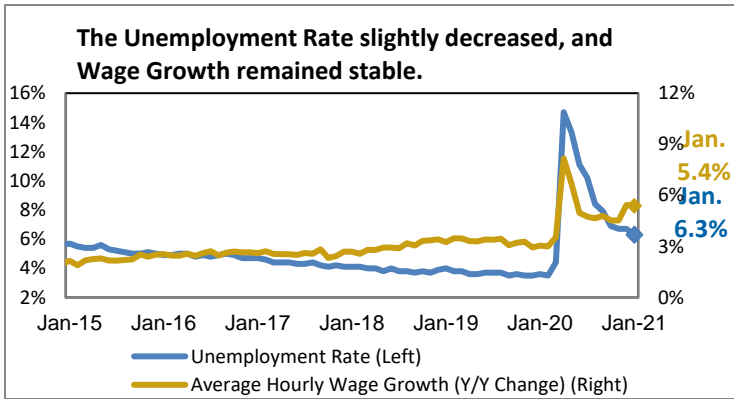
*Sources: Bloomberg, FactSet, Wall Street Journal, CNBC, National Association of Realtors, Bureau of Economic Analysis*

## Market Performance



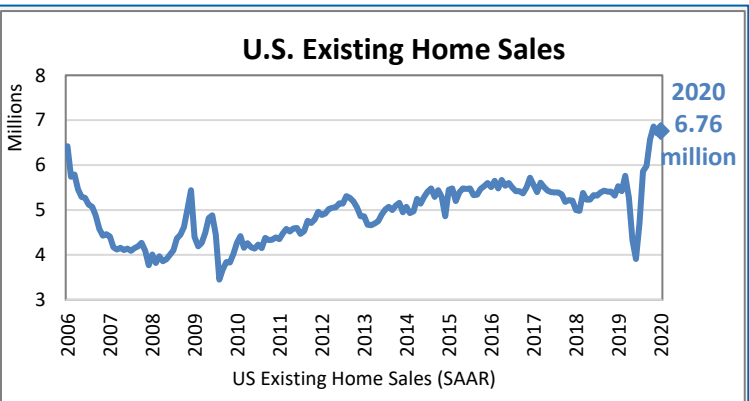
Source: FactSet, as of January 31, 2021

## Key Monthly Economic Statistics



### Chart of the Month

- According to the National Association of Realtors (NAR), existing home sales increased by 0.7% in December, reaching a seasonally adjusted annual rate of 6.76 million.
- Total existing home sales in 2020 rose 22.2% from 2019 to the highest annual total since 2006 amid low mortgage rates and pandemic-induced demand.
- Existing home sales figures from the NAR are based on closed transactions. This is different from the U.S. Census Bureau's series, which is based on contracts or acceptance of deposits.



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

### Equity Funds

#### U.S. Equity Fund

Fund	January
U.S. Equity Fund	+0.51%
Russell 3000 Index	-0.44%
Difference (percentage points)	+0.95

- During the month, the fund outperformed its benchmark primarily due to the fund's active managers outperforming their respective benchmarks. Investments in a number of top-performing consumer discretionary companies contributed positively to benchmark-relative performance. In addition, the fund's strategic overweight allocation to small- and mid-cap companies and corresponding underweight to large-cap companies, along with stocks excluded in accordance with Wespath's Exclusions Policy (described [here](#)), contributed positively to relative performance.

#### International Equity Fund

Fund	January
International Equity Fund	+0.32%
MSCI ACWI ex US Investable Market Index (Net)	+0.16%
Difference (percentage points)	+0.16

- During the month, the fund modestly outperformed its benchmark mainly due to top-performing investments in growth-oriented strategies. Notably, investments in Chinese e-commerce companies contributed positively to benchmark-relative performance. The fund also benefited from not holding certain stocks excluded in accordance with Wespath's Exclusions Policy.

#### U.S. Equity Index Fund

Fund	January
U.S. Equity Index Fund	-0.44%
Russell 3000 Index	-0.44%
Difference (percentage points)	0.00

- The U.S. Equity Index Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses.

## Fixed Income Funds

### Fixed Income Fund

Fund	January
Fixed Income Fund	-0.72%
Barclays US Universal (ex MBS) Index	-0.83%
Difference (percentage points)	+0.11

- The fund outperformed its benchmark during the month due to its allocations to high-yield corporate bonds, senior loans and convertible debt, as well as its interest rate positioning. The fund is moderately less sensitive to changes in interest rates than its benchmark, which positively impacted benchmark-relative performance for the month.

### Extended Term Fixed Income Fund

Fund	January
Extended Term Fixed Income Fund	-2.08%
Barclays US Government/Credit Long Term Index	-2.97%
Difference (percentage points)	+0.89

- The fund's policy of maintaining a lower sensitivity to interest rate movements contributed positively to benchmark-relative returns during the month. Managers' sector and security selections detracted slightly from relative performance.

### Inflation Protection Fund

Fund	January
Inflation Protection Fund	+0.41%
IPF Benchmark <sup>ii</sup>	-0.34%
Difference (percentage points)	+0.75

- The fund's underweight exposure to U.K. inflation-linked securities, as well as its allocation to senior loans and overweight exposure to U.S. inflation-linked bonds, contributed positively to benchmark-relative performance during the month. Managers' security and sector selections detracted from benchmark-relative performance.

## Balanced Fund

### Multiple Asset Fund

Fund	January
Multiple Asset Fund	+0.15%
MAF Benchmark <sup>iii</sup>	-0.35%
Difference (percentage points)	+0.50

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

## Social Values Choice Suite of Funds

### Social Values Choice Bond Fund

Fund	January
Social Values Choice Bond Fund	-0.86%
Barclays US Universal (ex MBS) Index	-0.83%
Difference (percentage points)	-0.03

- The fund's duration positioning, security selection in high-yield corporate bonds and exposure to securitized assets added to benchmark-relative performance. At the same time, exposure to U.S. Treasuries and investment-grade rated corporate bonds detracted from relative performance.

### Social Values Choice Equity Fund

Fund	January
Social Values Choice Equity Fund	-1.00%
SVCEF Benchmark <sup>iv</sup>	-0.90%
Difference (percentage points)	-0.10

- The Social Values Choice Equity Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses. The fund's fair market valuation policy (described [here](#)) negatively impacted benchmark-relative performance for the month.

### U.S. Treasury Inflation Protection Fund

Fund	January
U.S. Treasury Inflation Protection Fund	+0.24%
Barclays US Inflation Linked Bond Index	+0.28%
Difference (percentage points)	-0.04

- 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.

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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.