

# July 2017 Investment Report

## Highlights

- U.S. Gross Domestic Product (GDP) grew at an estimated 2.6% annual rate in the second quarter of 2017, and the job market showed continued strength with the creation of 222,000 jobs and an unemployment rate of 4.4% in June.
- As expected, the Federal Reserve (Fed) left its overnight borrowing rate unchanged in July and given that inflation readings remain below the Fed's target rate, the overnight borrowing rate is expected to remain unchanged in September.
- The U.S. dollar continued to weaken compared to other major developed market currencies, declining 2.9% during the month and down 9.1% year-to-date. The euro continued to strengthen, gaining 3.4% during the month and 11.8% year-to-date.
- U.S. equities continued to increase, with the S&P500 gaining 2.1% and reaching record highs on the strength of corporate earnings.
- Wespath's Fixed Income Fund outperformed primarily due to the fund's allocation to non-U.S. dollar denominated bonds. Wespath's International Equity Fund gained 4.5% in July, outperforming its benchmark due to its overweight of emerging market equities.

## Monthly Overview

### Strong earnings growth boosted by global growth

Through the end of the month, approximately 60% of companies reported second quarter earnings. Year-over-year earnings per share growth was strong with recorded gains of 9% for S&P500 companies. All major S&P industry sectors posted positive market returns for the month.

### June employment exceeds expectations

The Bureau of Labor Statistics reported that the U.S. economy added 222,000 nonfarm jobs in June, exceeding market expectations of 179,000 jobs. Health care, along with business and professional services, drove gains with the sectors reporting 37,000 and 35,000 new positions, respectively. The unemployment rate remained at 4.4%. Wage growth was stagnant, with average hourly earnings increasing 2.5% on an annualized basis, below the 3% to 4% pace that typically prevails in a strong economic recovery.

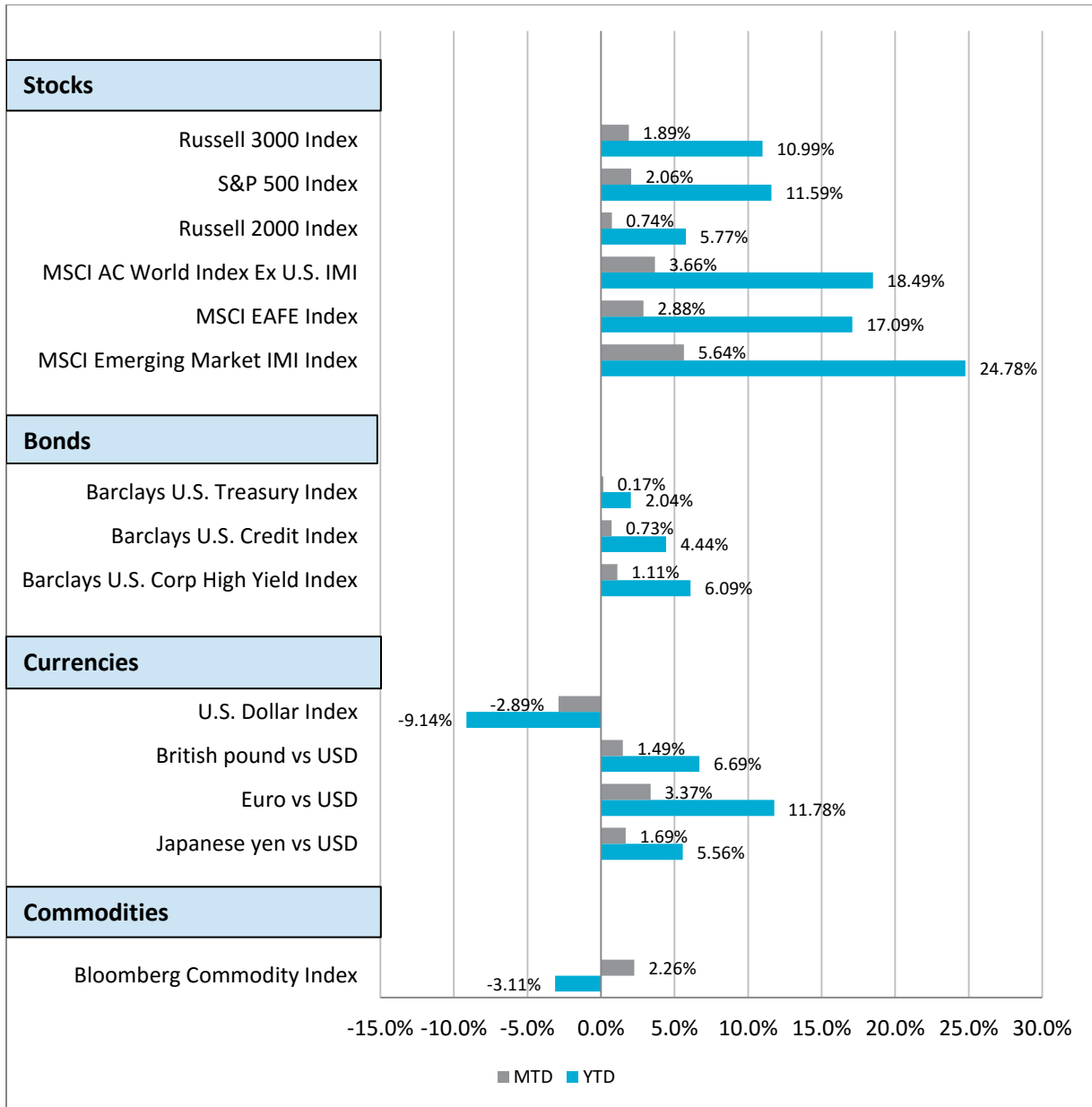
### Global bonds

Global bonds performed well as local currencies strengthened relative to the U.S. dollar. Corporate bond valuations improved as yields for investment grade and below-investment-grade issues moved lower relative to treasury bonds.

### Emerging markets continue rally

The MSCI Emerging Market Index continued to lead the equity markets, returning 5.6% during the month and 24.8% for the year. Positive reports included 6.9% year-over-year growth in China's second quarter GDP, which exceeded market expectations of 6.8% and was in line with first quarter data.

## Market Performance



Source: FactSet, as of July 31, 2017

## Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Jul: 121.1 (Jun: 117.3)	▲
Durable Goods Orders	Jun: 6.5% (May: -0.1%); M/M-SA	▲
Housing Starts	Jun: 8.3% (May: -2.8%); M/M-SAAR	▲
Institute for Supply Management Index	Jun: 57.8 (May: 54.9)	▲
Nonfarm Payrolls	Jun: 222,000 (May: 152,000)	▲
Real Gross Domestic Product	Jun: 2.6% (Mar: 1.2%); Q/Q-SAAR	▲
		<b>Neutral</b>
Consumer Price Index core	Jun: 0.1% (May: 0.1%); M/M-SA	◆
Consumer Price Index	Jun: 0.0% (May: -0.1%); M/M-SA	◆
New Home Sales	Jun: 0.8% (May: 4.9%); M/M-SAAR	◆
Producer Price Index core	Jun: 0.1% (May: 0.3%); M/M-SA	◆
Producer Price Index	Jun: 0.1% (May: 0.0%); M/M-SA	◆
S&P/Case-Shiller 20-City Home Price Index	May: 5.7% (Apr: 5.8%); Y/Y	◆
Unemployment Rate	Jun: 4.4% (May: 4.3%)	◆
		<b>Negative</b>
Existing Home Sales	Jun: -1.8% (May: 1.1%); M/M-SAAR	▼
Factory Orders	May: -0.8% (Apr: -0.3%); M/M-SA	▼
Retail Sales ex-auto	Jun: -0.2% (May: -0.3%); M/M-SA	▼
Retail Sales	Jun: -0.2% (May: -0.1%); M/M-SA	▼

M/M	Month-over-month (% change since last month)
Q/Q	Quarter-over-quarter (% change since last quarter)
Y/Y	Year-over-year (% change since the same month, last year)
SA	Seasonally Adjusted
SAAR	Seasonally Adjusted Annual Rate
Source	<b>FactSet</b>

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

### Equity Funds

#### U.S. Equity Fund

Fund	July	YTD
U.S. Equity Fund	+1.39%	+10.43%
Russell 3000 Index	+1.89%	+10.99%
Difference (percentage points)	-0.50	-0.56

- For the month, the fund's strategic overweight to small- and mid-sized company stocks, with a corresponding underweight in large-company stocks, detracted from benchmark-relative performance. In addition, the fund's strategic allocations to private equity and private real estate recognized fractional gains, which were below gains in the broad market and negatively affected benchmark-relative performance.
- Year-to-date, the fund benefited most from strong performance from allocations to three growth-oriented managers and their stock selection specifically related to securities in the information technology and health care sectors. The fund's allocation to private equity and private real estate detracted from benchmark-relative performance. Moreover, the fund's overweight to small- and mid-sized company stocks, with a corresponding underweight in large-company stocks, also detracted.

#### International Equity Fund

Fund	July	YTD
International Equity Fund	+4.52%	+20.32%
MSCI ACWI ex U.S. Investable Market Index	+3.66%	+18.49%
Difference (percentage points)	+0.86	+1.83

- For the month and year-to-date periods, the fund's overweight to emerging market equities, and corresponding underweight to developed market equities, positively contributed to benchmark-relative performance. Specifically, the fund's overweight to the strong Chinese market and its underweight to the German and U.K. markets, which produced below average returns year-to-date, boosted performance. The fund's allocation to private equity and private real estate detracted from relative performance, as both strategies have not recognized gains comparable to the broad international indices.
- Seven out of nine active managers have outperformed their respective benchmarks so far this year.

#### Equity Social Values Plus Fund

Fund	July	YTD
Equity Social Values Plus Fund	+2.31%	+13.57%
ESVPF Custom Benchmark <sup>ii</sup>	+2.49%	+13.42%
Difference (percentage points)	-0.18	+0.15

- The Equity Social Values Plus Fund is a passively-managed fund designed to closely match the fund benchmark, less fees and expenses. Relative performance is affected by the international daily valuation policy (described [here](#)).

### U.S. Equity Index Fund

Fund	July	YTD
U.S. Equity Index Fund	+1.86%	+10.38%
Russell 3000 Index	+1.89%	+10.99%
Difference (percentage points)	-0.03	-0.61

- The U.S. Equity Index Fund is a passively-managed fund designed to closely match the fund benchmark less fees and expenses. Year-to-date, the fund has trailed the benchmark by 0.61 percentage points due to strong performance by stocks subject to the fund's ethical exclusions. Large portions of the excluded securities are defense-related companies, which have returned 16% year-to-date.

### Fixed Income Funds

#### Fixed Income Fund

Fund	July	YTD
Fixed Income Fund	+0.99%	+5.27%
Barclays U.S. Universal (ex MBS) Index	+0.51%	+3.56%
Difference (percentage points)	+0.48	+1.71

- For the month and year-to-date, the fund's allocation to non-U.S. dollar denominated bonds positively contributed to benchmark-relative returns. The outperformance was primarily due to foreign currency appreciation versus the dollar.
- Year-to-date, the fund's dedicated emerging markets debt strategy has returned approximately 11% and contributed the most to benchmark-relative returns. Additionally, strategic yield curve positioning by the fund's core plus managers in anticipation of interest rate changes positively contributed to the strong benchmark-relative performance.

#### Social Values Choice Bond Fund

Fund	July
Social Values Choice Bond Fund	+0.61%
Barclays U.S. Universal (ex MBS) Index	+0.51%
Difference (percentage points)	+0.10

- For the month, the fund's underweight allocation to U.S. Treasury bonds and overweight allocation to investment grade corporate bonds contributed to positive benchmark-relative returns. The underweight to high-yield bonds and bonds with longer-dated maturities detracted. The fund became available to institutional investors on July 1.

### Extended Term Fixed Income Fund

Fund	July	YTD
Extended Term Fixed Income Fund	+0.44%	+4.93%
Barclays U.S. Government/Credit Long Term Index	+0.26%	+6.31%
Difference (percentage points)	+0.18	-1.38

- The Extended Term Fixed Income Fund's intentional policy of maintaining a lower sensitivity to interest rate movements positively contributed to the fund's benchmark-relative performance for the month but detracted for the year-to-date period.

### Inflation Protection Fund

Fund	July	YTD
Inflation Protection Fund	+0.86%	+2.18%
IPF Custom Benchmark <sup>iii</sup>	+0.44%	+1.09%
Difference (percentage points)	+0.42	+1.09

- During the month and year-to-date periods, the fund's strategic underweight allocation to U.K. inflation-linked bonds and overweight to U.S. Treasury inflation protected securities helped benchmark-relative returns. The allocation to below-investment-grade floating rate strategies helped relative results for both periods, as did the performance of the fund's dedicated commodities manager. The allocation to timber positively contributed to year-to date relative results.

### U.S. Treasury Inflation Protection Fund

Fund	July
U.S. Treasury Inflation Protection Fund	+0.44%
Barclays U.S. Inflation Linked Bond Index	+0.42%
Difference (percentage points)	+0.02

- For the month, the fund performed was in line with the benchmark. U.S. Treasury inflation protected bond yields ended the month lower as inflation expectations, while still below the Fed's target rate, moved higher during the month. Market participants expect that the strong employment environment may translate into higher wages and, subsequently, higher prices. The fund became available to institutional investors on July 1, 2017.

## Balanced Fund

### Multiple Asset Fund

Fund	July	YTD
Multiple Asset Fund	+2.21%	+11.15%
Composite Benchmark <sup>iv</sup>	+1.93%	+10.25%
Difference (percentage points)	+0.28	+0.90

- For the month and year-to-date periods, three of the funds that comprise the Multiple Asset Fund positively contributed to benchmark-relative performance with only the U.S. Equity Fund negatively contributing.

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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](#) for more information about the funds. This is not an offer to purchase securities. Offers will only be made through the Investment Funds Description.

<sup>ii</sup> On April 1, 2017, the benchmark for the Equity Social Values Plus Fund became the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index. Prior to April 1, 2017, the benchmark was the MSCI World Custom Environmental, Social, and Governance (ESG) Special Weighted Index.

<sup>iii</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>iv</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.