

# July 2020 Investment Report

## Highlights

- The S&P 500 closed 5.6% higher in July, its fourth consecutive monthly gain, as several large technology companies reported strong profits for the quarter. Global stocks also gained, led by emerging markets.
- Congress is negotiating a second stimulus package to assist those affected by the coronavirus pandemic. Some provisions from the first package, including a moratorium on evictions and enhanced unemployment benefits, expired at month-end.
- Federal Reserve (Fed) Chairman Jerome Powell confirmed the Fed will use all available tools, including continued low interest rates and bond purchases, to support the economy through this crisis.
- Demand for riskier fixed income securities continued in July with emerging market debt, high yield and investment-grade corporate bonds outperforming U.S. Treasury securities.
- U.S. economy adds 1.8M jobs in July and the unemployment rate decreases to 10.2%.
- MAF, IEF, FIF and IPF outperformed their respective benchmarks in July. USEF underperformed its benchmark for the month.

## Monthly Overview

### Q2 GDP and Corporate Earnings Contraction

The Commerce Department reported that second quarter GDP fell at an annualized rate of 32.9%, the largest drop since 1947. The sharp decline reflected the response to COVID-19, namely non-essential business closures in March and April. Lower spending on services such as healthcare, food and entertainment contributed to an unprecedented 22.9% decline in overall consumer spending. In addition to the sharp decline in economic activity, Wall Street analysts estimate that quarterly corporate earnings will decrease 32%. The sectors most severely affected include energy, consumer discretionary and industrials.

### Equity Market Performance

The S&P 500 returned 5.6% during the month of July, helped by strong earnings from large technology companies such as Amazon, Apple, and Facebook. These companies have benefitted from consumer activity resulting from recent stay-at-home orders. Investors also continue to focus on the positives of monetary and fiscal policy support. Global equity markets finished stronger during the month of July. Emerging market stocks gained 9.0%, due in part to both currency gains against the U.S. dollar as well as strong Chinese equity markets.

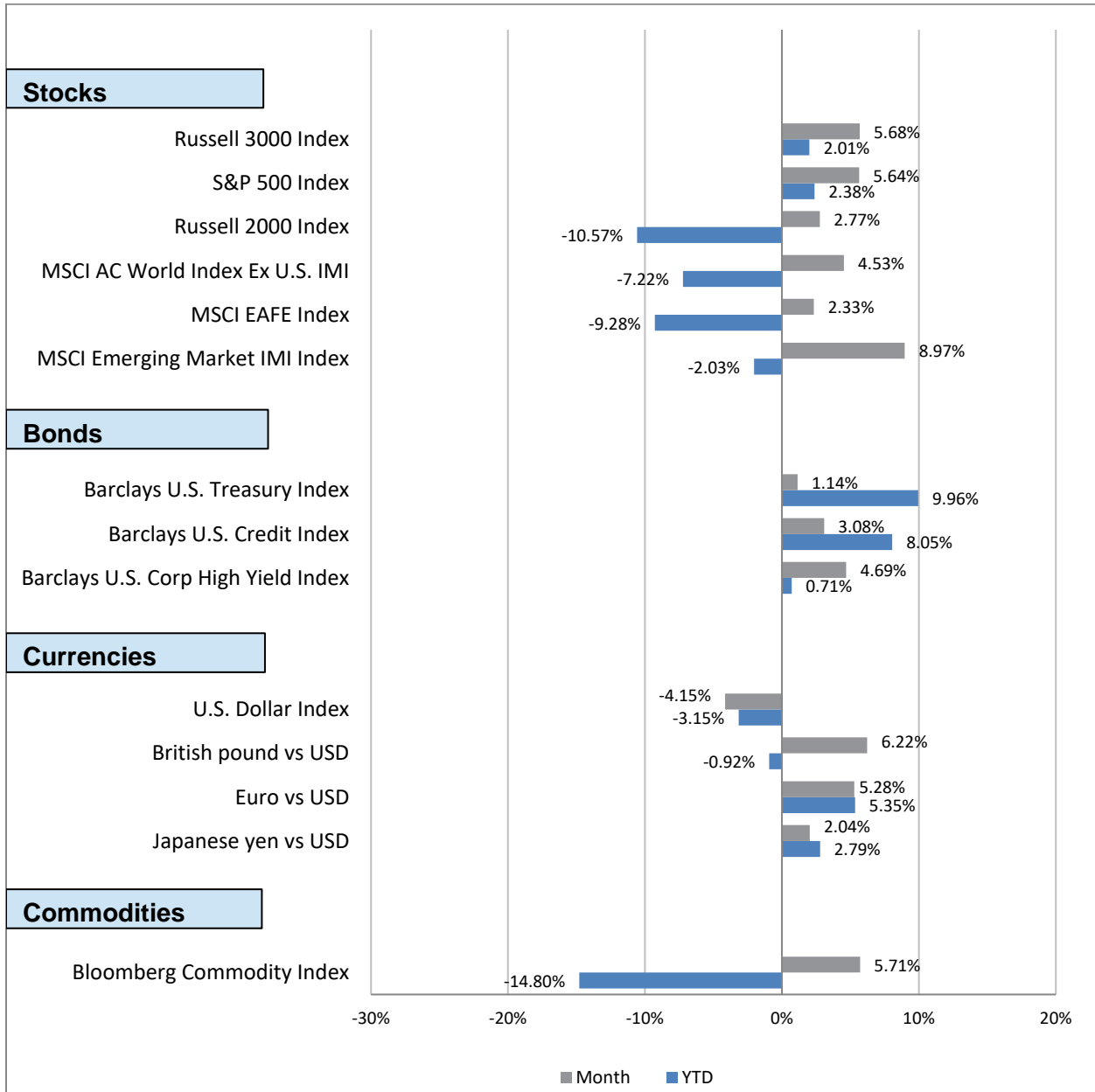
### COVID-19 Resurgence

Global coronavirus infections reached 17 million, while the death toll reached 600,000. The U.S. leads the world in both counts, with just over 4.4 million infections and 150,000 deaths. During the month, cases spiked in several of the sunbelt states including Arizona, California, Florida, and Texas. As the virus continues to surge, several states are either rolling back or delaying the opening of non-essential businesses.

### Historic Stimulus Package

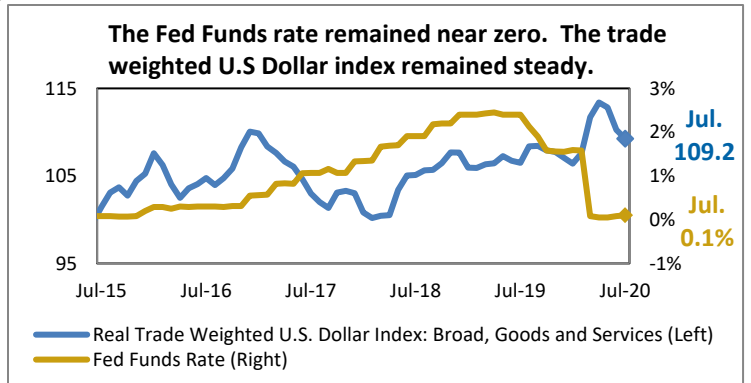
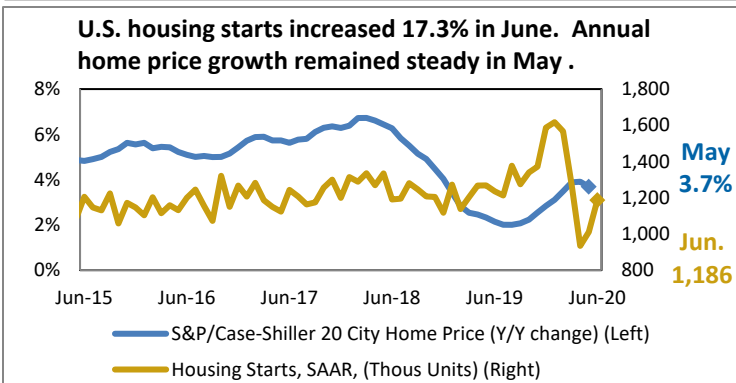
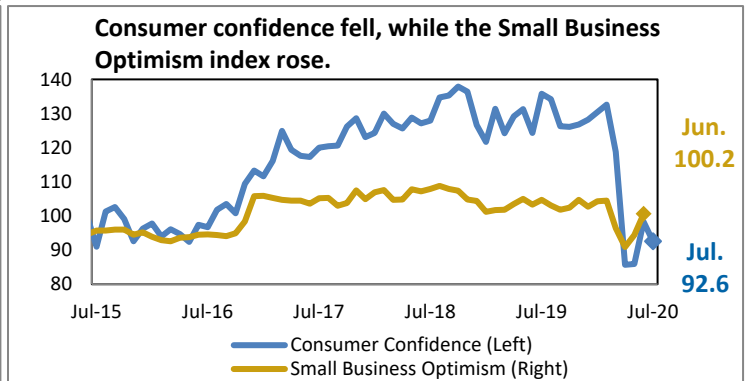
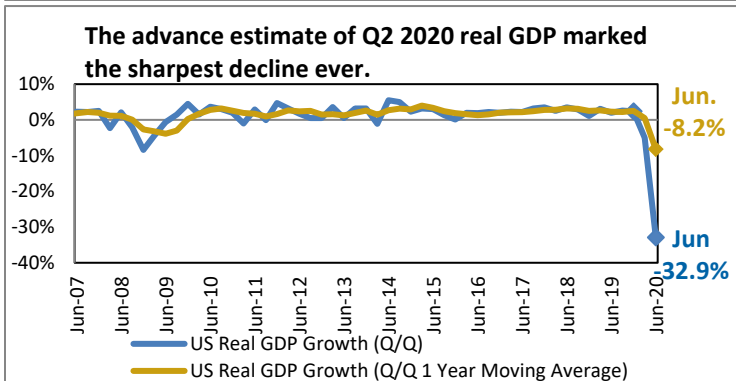
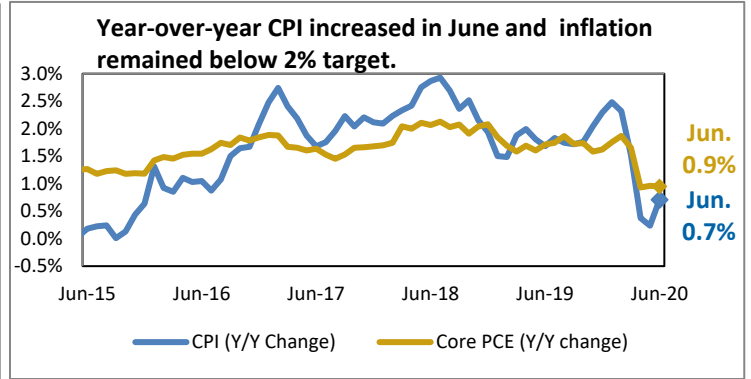
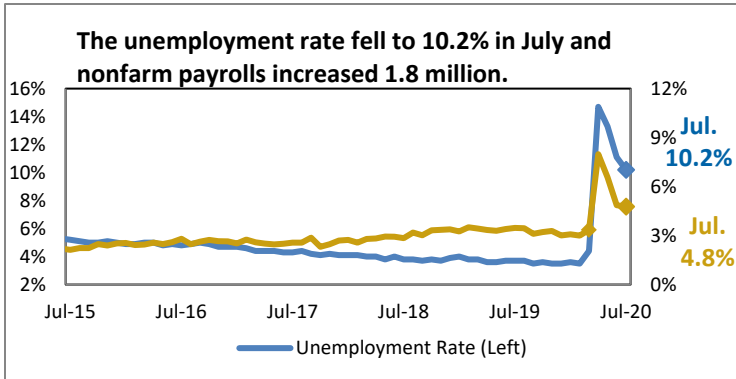
European leaders reached agreement on a groundbreaking stimulus package in the amount of €750 billion (\$862 billion). The package includes €390 billion to be delivered in the form of grants and €360 billion in loans. The agreement is historic as it is the first time the European Union committed to borrow funds and issue bonds with maturities ranging from three to 30 years. The funds will allow southern countries severely affected by the coronavirus, such as Italy, Spain and Greece, to increase government spending.

## Market Performance



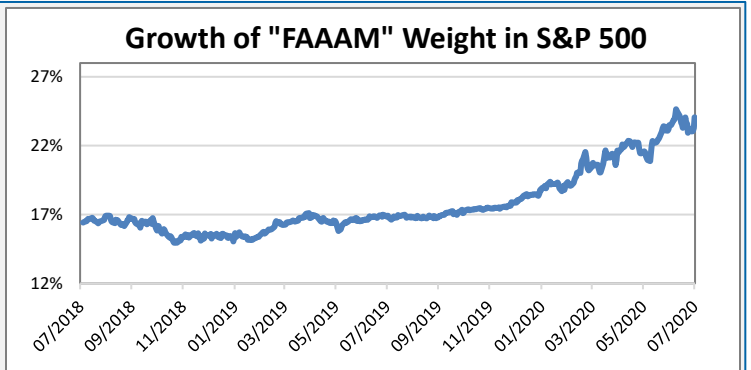
Source: FactSet, as of July 31, 2020

## Key Monthly Economic Statistics



### Chart of Month

- Technology companies Facebook, Amazon, Apple, Alphabet and Microsoft ("FAAAM") comprise 24% of the S&P 500 as measured by market capitalization.
- Each company reported strong earnings during the quarter as consumers sought access to technology for online shopping and communication.
- The CEOs of Facebook, Amazon, Apple and Alphabet were questioned on their growing market power and competitive behavior by a congressional antitrust subcommittee.



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

### Equity Funds

#### U.S. Equity Fund

Fund	July	YTD
U.S. Equity Fund	+5.52%	+3.43%
Russell 3000 Index	+5.68%	+2.01%
Difference (percentage points)	-0.16	+1.42

- During the month, the fund benefited from investments in a number of higher growth areas of the market, including electric vehicles, tele-medicine and e-commerce. However, the fund's overweight allocation to small- and mid-cap company stocks, and corresponding underweight to large-cap companies, along with alternative investments, detracted from benchmark-relative performance.
- Year-to-date, the fund outperformed the benchmark due largely to growth-oriented active managers with exposure to numerous e-commerce businesses better positioned to succeed through the pandemic. Underweight allocations to poor performing value-oriented companies and poor-performing stocks excluded in compliance with Wespath's Exclusions policy also benefitted benchmark-relative performance (described [here](#)). Alternative investments detracted from relative performance.

#### International Equity Fund

Fund	July	YTD
International Equity Fund	+5.95%	-2.46%
MSCI ACWI ex U.S. Investable Market Index (Net)	+4.53%	-7.22%
Difference (percentage points)	+1.42	+4.76

- During the month and year-to-date, the fund benefited most from the majority of active managers outperforming their respective benchmarks—in particular, a growth-oriented manager focused in developed markets and two managers investing to take advantage of the transition to a lower carbon economy. The fund also benefited from an overweight allocation to China, as the country is further along in restarting its economy after dealing with the global pandemic. Stocks excluded from the fund in compliance with Wespath's Exclusions policy also benefitted benchmark-relative performance.

## U.S. Equity Index Fund

Fund	July	YTD
U.S. Equity Index Fund	+5.70%	+2.21%
Russell 3000 Index	+5.68%	+2.01%
Difference (percentage points)	+0.02	+0.20

- 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	July	YTD
Fixed Income Fund	+2.45%	+5.84%
Barclays U.S. Universal (ex MBS) Index	+2.21%	+8.00%
Difference (percentage points)	+0.24	-2.16

- The fund outperformed its benchmark during the month due to allocations to corporate credit and emerging-market debt. Asset managers' sector and security selection also added to benchmark-relative performance. 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 benchmark-relative performance.
- Year to date, overweight allocations to emerging-market debt, corporate bonds and alternative investments detracted from benchmark-relative performance.

### Extended Term Fixed Income Fund

Fund	July	YTD
Extended Term Fixed Income Fund	+3.67%	+13.05%
Barclays U.S. Government/Credit Long Term Index	+5.31%	+18.81%
Difference (percentage points)	-1.64	-5.76

- For the month and year to date, the fund's policy of maintaining a lower sensitivity to interest rate movements detracted from benchmark-relative returns. The fund's overweight allocation to corporate credit contributed positively to benchmark-relative performance for the month but detracted year to date.

### Inflation Protection Fund

Fund	July	YTD
Inflation Protection Fund	+2.79%	+1.55%
IPF Benchmark <sup>ii</sup>	+2.51%	+4.31%
Difference (percentage points)	+0.28	-2.76

- The fund's overweight exposure to U.S. inflation-linked securities and related underweight exposure to U.K. inflation-linked securities contributed to benchmark-relative performance during the month but detracted for the year-to-date period.
- The commodities and emerging market inflation-linked managers' active management decisions added to relative performance for the month but detracted year to date.

### Balanced Fund

#### Multiple Asset Fund

Fund	July	YTD
Multiple Asset Fund	+4.59%	+2.46%
MAF Benchmark <sup>iii</sup>	+4.15%	+1.21%
Difference (percentage points)	+0.44	+1.25

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

### Social Values Choice Suite of Funds

#### Social Values Choice Bond Fund

Fund	July	YTD
Social Values Choice Bond Fund	+2.23%	+7.81%
Barclays U.S. Universal (ex MBS) Index	+2.21%	+8.00%
Difference (percentage points)	+0.02	-0.19

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

### Social Values Choice Equity Fund

Fund	July	YTD
Social Values Choice Equity Fund	+4.00%	+0.38%
SVCEF Benchmark <sup>iv</sup>	+3.86%	+0.03%
Difference (percentage points)	+0.14	+0.35

- 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](#)) positively affected benchmark-relative performance during the month and year-to-date.

### U.S. Treasury Inflation Protection Fund

Fund	July	YTD
U.S. Treasury Inflation Protection Fund	+2.52%	+8.86%
Barclays U.S. Inflation Linked Bond Index	+2.53%	+9.06%
Difference (percentage points)	-0.01	-0.20

- 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.