

July 2023 Investment Report

Highlights

- U.S. real Gross Domestic Product (GDP) grew at an annual rate of 2.4% in the second quarter.
- The S&P 500 Index of U.S. stocks increased 3.2% in July, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, increased 4.2%. The Bloomberg U.S. Aggregate Bond Index decreased 0.1%.
- Annual inflation decreased to 3.0%, as measured by the June Consumer Price Index (CPI).
- The U.S. Federal Reserve (Fed) raised its Fed Funds target interest rate by 0.25% in July.
- The U.S. economy added 187,000 non-farm jobs in July, and the unemployment rate slightly decreased to 3.5%.
- The U.S. Equity Fund, Fixed Income Fund, Inflation Protection Fund and Multiple Asset Fund outperformed their respective benchmarks, while the International Equity Fund underperformed its benchmark.

Monthly Overview

Global Equity Markets Rose

The S&P 500 Index of large-cap stocks increased 3.2% in July, and the Russell 2000 Index of small-cap stocks increased 6.1%. All 11 industry sectors increased, led by energy (+8.0%) and communications (+6.8%). International equity markets also rose as the MSCI ACWI ex-U.S. IMI Index increased 4.2%, and the MSCI Emerging Markets IMI Index increased 6.3%.

In the bond market, the 30-year Treasury bond yield increased 0.17% to end the month at 4.02% while the yield on the 2-year note was little changed. The Bloomberg U.S. Aggregate Bond Index decreased 0.1%, but the Bloomberg U.S. High Yield Index rose 1.4%. The Bloomberg Commodity Index rose 6.3% as the price of West Texas Intermediate (WTI) crude oil increased 15.8% for the month of July.

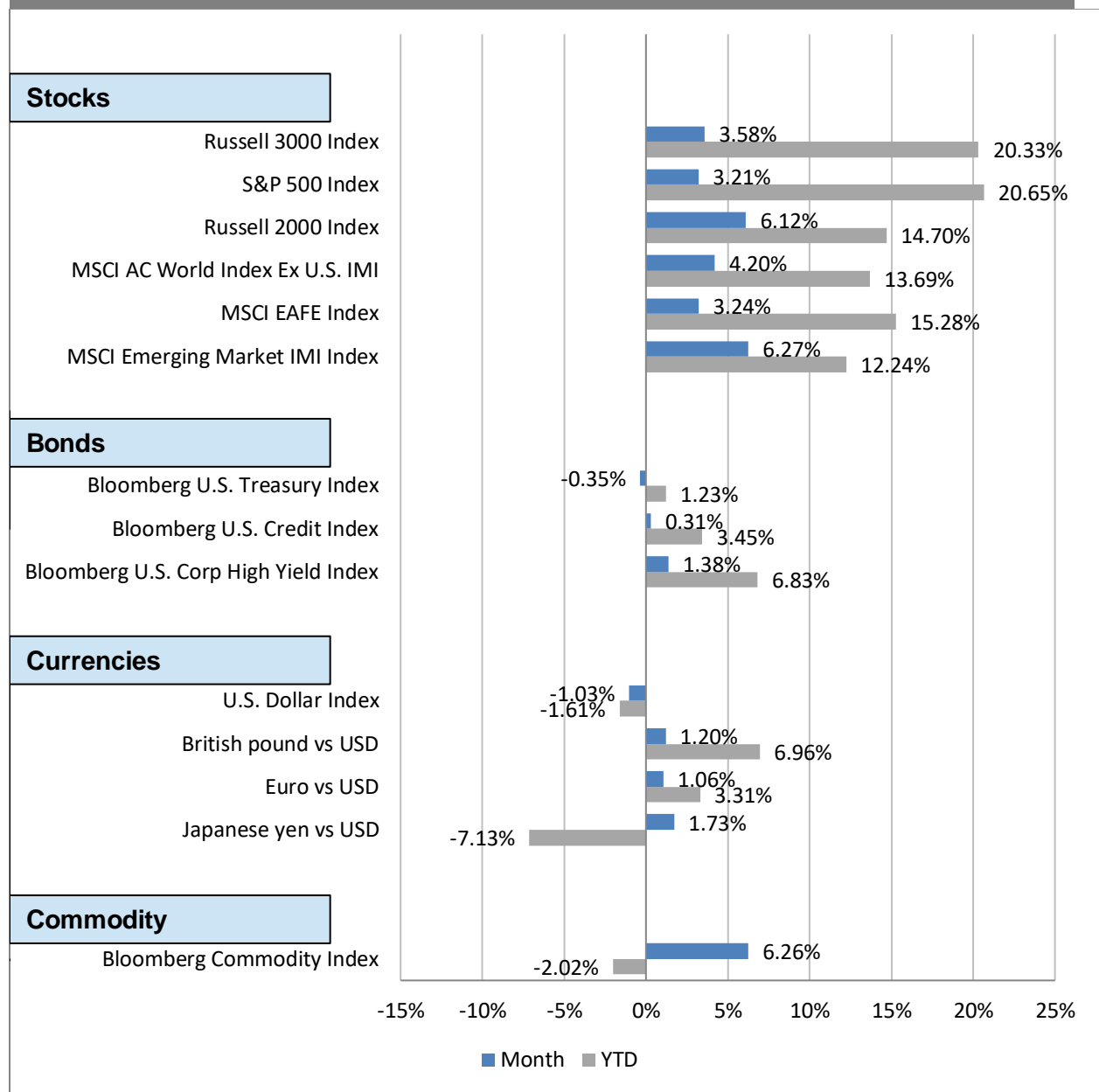
U.S. Economic Growth Beat Expectations

U.S. real GDP grew at an annual rate of 2.4% in the second quarter of 2023, as measured by the advance estimate from the Bureau of Economic Analysis. Business investment and consumer spending accounted for four-fifths of the positive GDP growth. Annual CPI growth slowed to 3.0% in June as energy prices fell 16.7% over the last year. Core CPI inflation, which excludes food and energy, remained elevated at 4.8% due to high shelter and transportation services costs. The U.S. economy added 187,000 non-farm jobs in July, and the unemployment rate slightly decreased to 3.5%.

Fed Interest Rate Hit 22-Year High

The Fed raised interest rates by 0.25% in July to a new range of 5.25% to 5.50%, which marked a 22-year high. It was the 11th increase since early last year. The European Central Bank (ECB) also raised its key interest rate by a quarter percentage point, its ninth hike in a row. Stubborn inflation has caused both the Fed and the ECB to be cautious in recent months, but higher inflation and a weaker growth outlook have caused more uncertainty in Europe than in the U.S. The Bank of Japan did not change its interest rate target but said it would tolerate higher yields in their longer-term government bonds.

Market Performance



Source: FactSet, as of July 31, 2023.

Key Monthly Economic Statistics

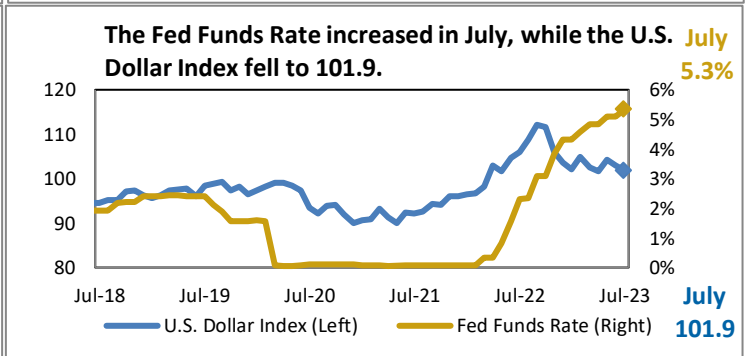
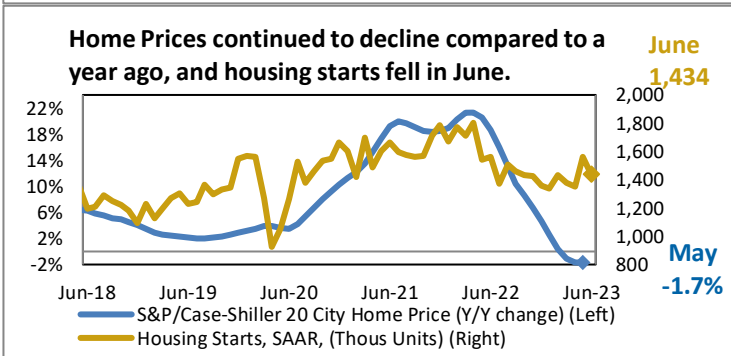
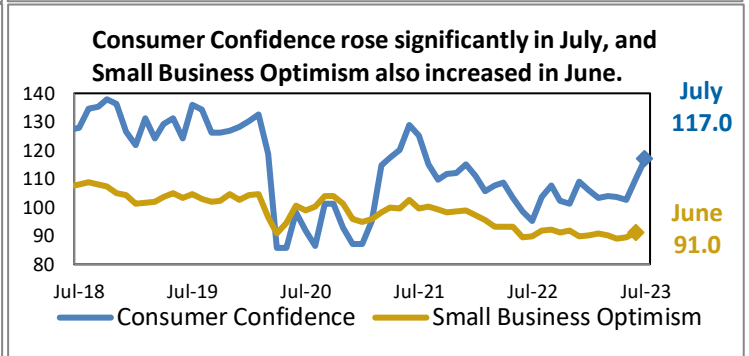
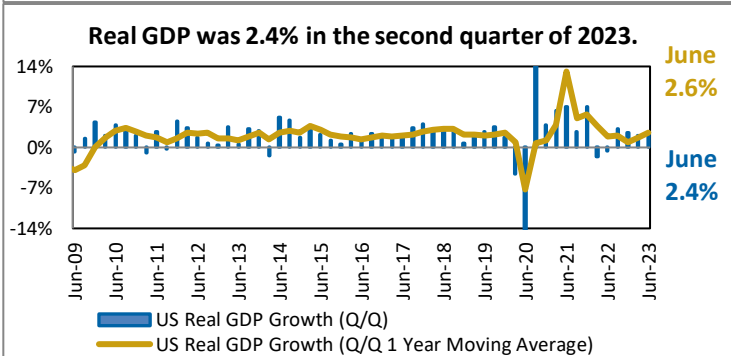
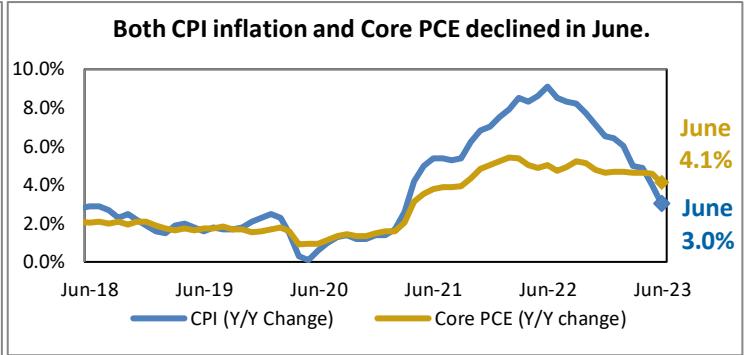
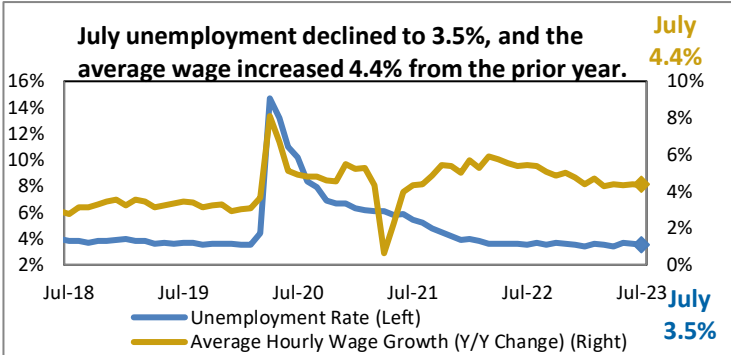
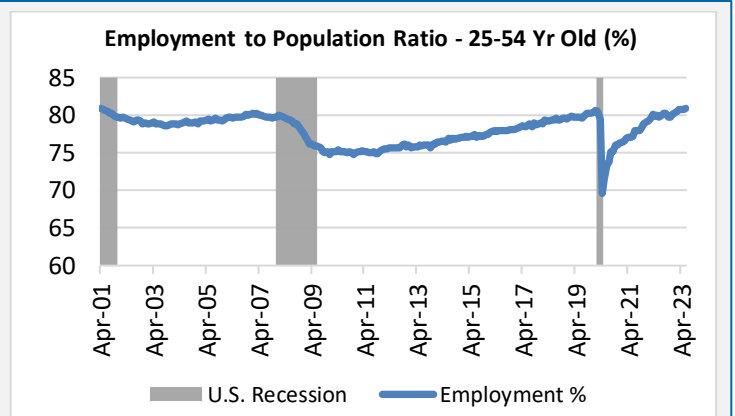


Chart of the Month

- The percentage of people aged 25-54 who are employed increased to 80.9% in June, the highest level since 2001.
- Compared to the late 2000s recession, the pandemic caused a much sharper decline in employed people between 25-54 years old. However, the labor market recovered to pre-recession highs much more quickly following the pandemic.
- Despite rising interest rates, the labor market has been resolute, which has helped the economy steer clear of a recession through the first seven months of 2023.



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	July	YTD
U.S. Equity Fund	4.07%	19.28%
Russell 3000 Index	3.58%	20.33%
Difference (percentage points)	+0.49	-1.05

- During the month, the fund outperformed its benchmark as a result of four out of six active asset managers outperforming their respective benchmarks. The fund's investments in private equity and private real estate investments detracted from relative performance.
- Year to date, the fund's investments in private markets and an underweight to strong performing mega-tech companies detracted from relative performance. To a lesser extent, the fund benefited from active managers' investments, particularly growth-oriented strategies, and excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)).

International Equity Fund

Fund	July	YTD
International Equity Fund	4.17%	13.43%
MSCI ACWI ex U.S. Investable Market Index (Net)	4.20%	13.69%
Difference (percentage points)	-0.03	-0.26

- During the month and year to date periods, the fund slightly underperformed its benchmark. Investments in private equity and private real estate were the key detractors from relative performance. To a lesser extent, the fund benefited from active managers' investments, particularly growth-oriented investments.

U.S. Equity Index Fund

Fund	July	YTD
U.S. Equity Index Fund	3.63%	20.51%
Russell 3000 Index	3.58%	20.33%
Difference (percentage points)	+0.05	+0.18

- The U.S. Equity Index Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses. During the month and year to date, certain stocks excluded in accordance with Wespath's Investment Exclusions policies (described [here](#)) positively contributed to relative performance.

Fixed Income Funds

Fixed Income Fund

Fund	July	YTD
Fixed Income Fund	0.61%	3.76%
Bloomberg U.S. Universal (ex MBS) Index	0.15%	2.62%
Difference (percentage points)	+0.46	+1.14

- The fund's overweight allocations to below investment grade and emerging market debt largely drove positive benchmark-relative performance for both the month and year-to-date periods. The emerging market overweight was the largest contributor followed by security selection within emerging markets.

Extended Term Fixed Income Fund

Fund	July	YTD
Extended Term Fixed Income Fund	-0.37%	3.43%
Bloomberg U.S. Government/Credit Long Term Index	-1.08%	3.26%
Difference (percentage points)	+0.71	+0.17

- The fund's policy of maintaining a lower sensitivity to interest rate movements until interest rates return to higher levels was the largest positive driver of benchmark-relative performance for the month. For both periods, asset manager security selection contributed positively to benchmark-relative performance.

Inflation Protection Fund

Fund	July	YTD
Inflation Protection Fund (IPF)	+1.21%	3.54%
IPF Benchmark ⁱⁱ	+0.74%	2.19%
Difference (percentage points)	+0.47	+1.35

- The fund's allocation to emerging market inflation-linked securities was the largest positive contributor to benchmark-relative performance for the month and year to date. The fund's allocation to floating rate senior loans also contributed positively for both periods.

Balanced Fund

Multiple Asset Fund

Fund	July	YTD
Multiple Asset Fund (MAF)	2.97%	11.96%
MAF Benchmark ⁱⁱⁱ	2.63%	11.94%
Difference (percentage points)	+0.34	+0.02

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

Fund	July	YTD
Social Values Choice Equity Fund (SVCEF)	3.11%	19.87%
SVCEF Benchmark ^{iv}	3.19%	19.77%
Difference (percentage points)	-0.08	+0.10

- 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 but positively impacted year to date.

Social Values Choice Bond Fund

Fund	July	YTD
Social Values Choice Bond Fund	+0.40%	3.03%
Bloomberg U.S. Universal (ex MBS) Index	+0.15%	2.62%
Difference (percentage points)	+0.25	+0.41

- The fund's duration positioning and manager security selection contributed positively to benchmark-relative performance for the month and year to date.

U.S. Treasury Inflation Protection Fund

Fund	July	YTD
U.S. Treasury Inflation Protection Fund	0.26%	1.92%
Bloomberg U.S. Inflation Linked Bond Index	0.06%	2.04%
Difference (percentage points)	+0.20	-0.12

- 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.

For additional information, please contact:**Karen Manczko***Director, Institutional Relationships*

(847) 866-4236 direct

(847) 866-4100 general

kmanczko@wspath.org**Evan Witkowski, CIPM, FSA Credential Holder***Manager, Institutional Relationships*

(847) 866-5271 direct

(847) 866-4100 general

ewitkowski@wspath.org

1901 Chestnut Avenue
Glenview, Illinois 60025
(847) 866-4100
wspath.org

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 was 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 through January 31, 2023. Effective February 1, 2023, the benchmark for the Inflation Protection Fund is 90% Bloomberg U.S. Treasury Inflation-Linked Bond Index 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.