

# March 2023 Investment Report

## Highlights

- The Federal Reserve (Fed) raised the federal funds rate 0.25% to a range of 4.75-5.00% at the March Federal Open Market Committee meeting.
- The S&P 500 Index of U.S. stocks increased 3.7% in March, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, increased 2.1%. The Bloomberg U.S. Aggregate Bond Index increased 2.5%.
- Silicon Valley Bank (SVB) collapsed, marking the second-largest bank failure in U.S. history.
- The U.S. economy added 236,000 non-farm jobs in March, and the unemployment rate decreased to 3.5%.
- The International Equity Fund outperformed its benchmark in March, while the U.S. Equity Fund, Fixed Income Fund, Inflation Protection Fund and Multiple Asset Fund underperformed their respective benchmarks.

## Monthly Overview

### Markets Rally Amid Banking Turmoil and Increased Rates from the Fed

The stock market rallied in March despite banking sector turmoil stemming from the two largest bank failures since the 2008 Great Financial Crisis. The Fed continued its battle against inflation by increasing rates by 0.25% but softened its outlook for further rate hikes from “ongoing increases” to “some additional policy firming may be appropriate.” The S&P 500 gained 3.7%, aided by strong performance from the technology and communications sectors. The Russell 3000 gained 2.7%, overcoming poor performance from the financial sector. International equities, measured by the MSCI ACWI ex-U.S. IMI, increased 2.1% as the U.S. Dollar Index declined 2.3%.

Fixed income markets rallied on expectations that the Fed is nearing the end of its most rapid rate hiking cycle in decades. The Bloomberg U.S. Aggregate Index and U.S. High Yield Index returned 2.5% and 1.1%, respectively. The yield on the 10-year U.S. Treasury Note declined 0.42% in March to finish the month at 3.49%.

### Bank Failures

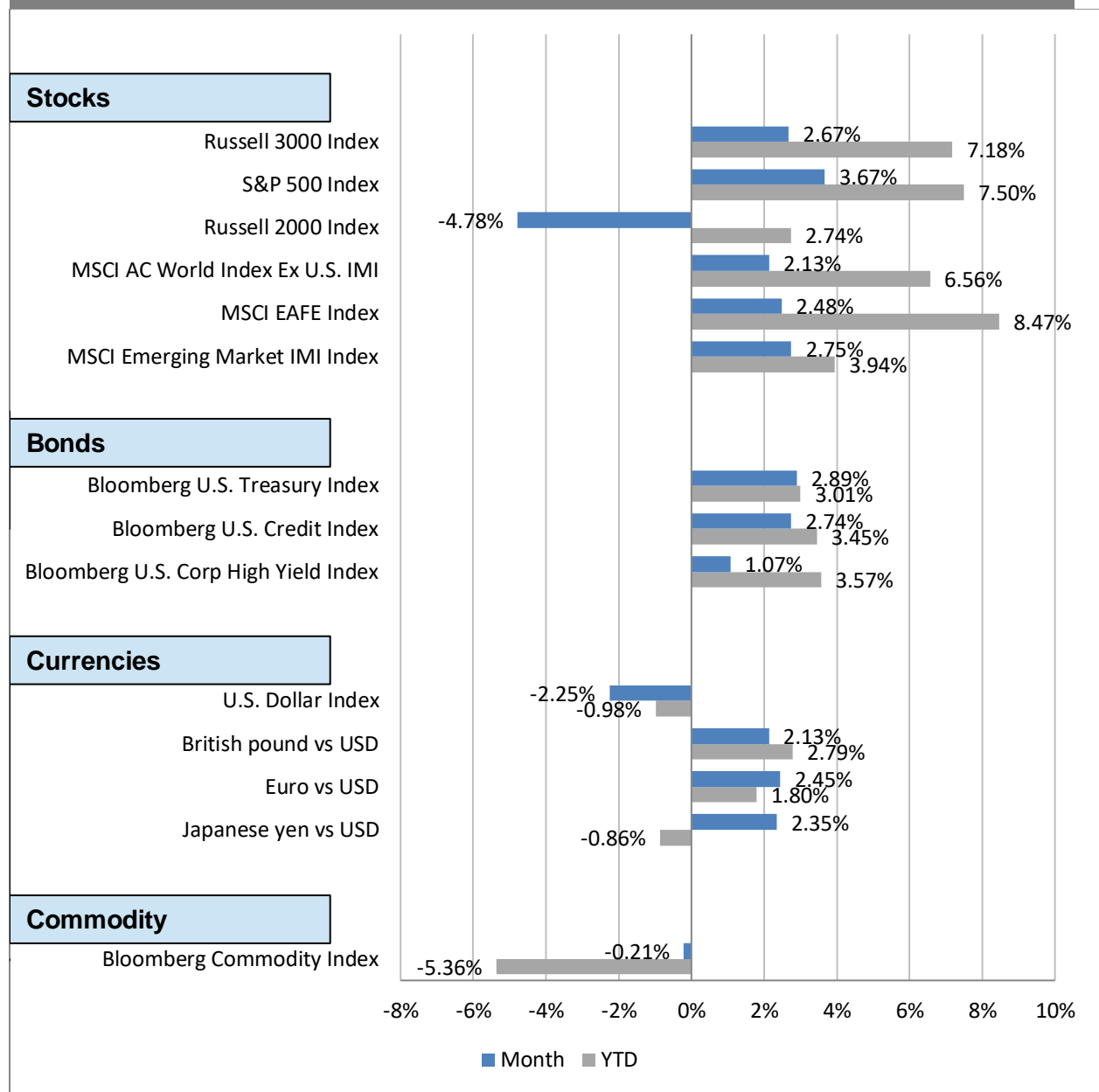
During March, SVB was unable to fulfill large-scale withdrawals of customer deposits and became the second largest bank failure in U.S. history. Prior to its demise, SVB announced the need to raise capital to shore up its balance sheet in response to significant market losses on its Treasury bond holdings. Word of SVB’s potential liquidity issues rapidly spread via Twitter, leading to a “run” on the bank when many customers rushed to withdraw deposits. Signature Bank subsequently also collapsed, becoming the third-largest bank failure in U.S. history. The U.S. Treasury, the Federal Reserve and the Federal Deposit Insurance Corporation worked to quell fears of possible contagion by guaranteeing all deposits at the two failed U.S. institutions. In Switzerland, authorities orchestrated the acquisition of Credit Suisse by rival bank UBS to prevent contagion in the global banking system.

### Home Prices Decline, Layoff Announcements Continue

The National Association of Realtors reported the median existing home sale price declined year-over-year by 0.2% to \$363,000 in February, ending a record streak of 131 months of annualized price increases. Citigroup, Tyson Foods, Meta, Amazon and Disney announced significant layoffs in March. Despite notable layoff announcements throughout the first three months of 2023, the unemployment rate remained at a low 3.5%. However, the Labor Department reported that job openings decreased in February to the lowest level since May 2021.

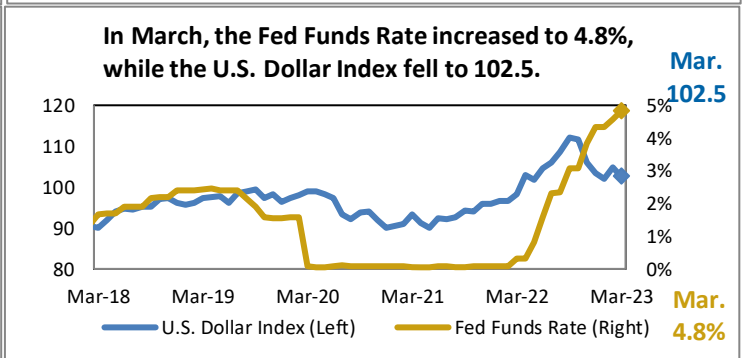
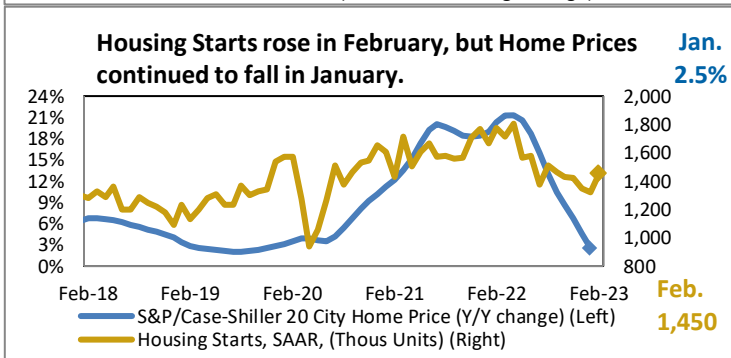
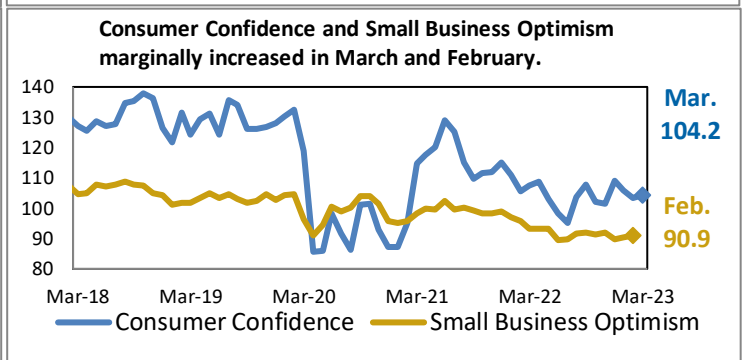
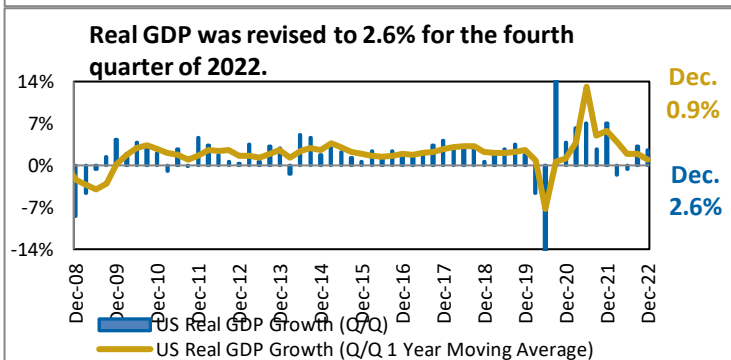
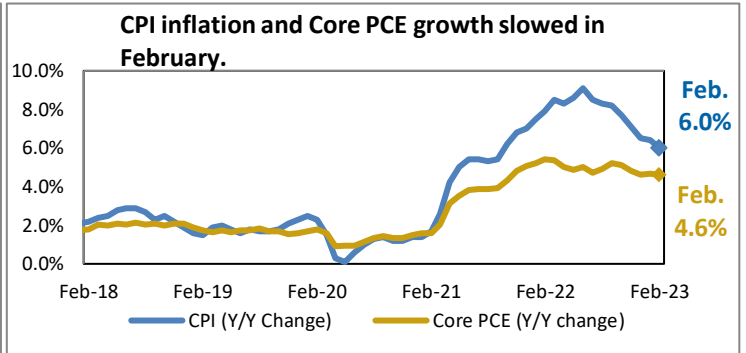
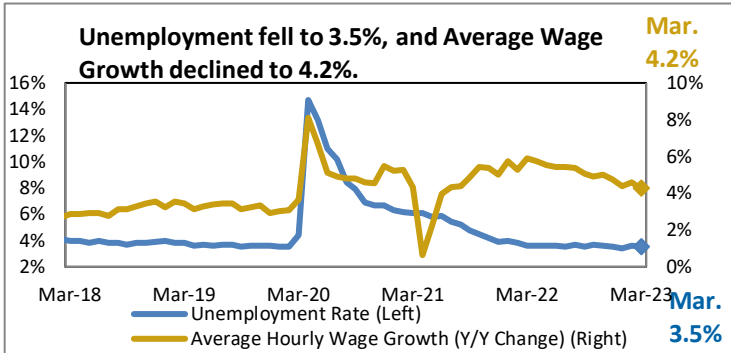
Sources: Bureau of Economic Analysis, New York Times, Seeking Alpha, Wall Street Journal, Reuters, and FactSet.

## Market Performance



Source: FactSet, as of March 31, 2023.

## Key Monthly Economic Statistics

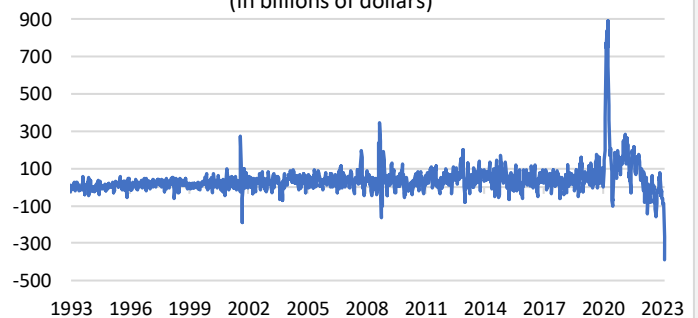


### Chart of the Month

- After rising dramatically during pandemic-era stimulus, bank deposits began declining in the second quarter of 2022.
- Rising yields on money market funds have increasingly offered savers an attractive alternative to bank deposits.
- Banks are beginning to offer higher yielding certificates of deposit and savings accounts in an effort to retain deposits.
- Bank deposits declined significantly in March amid turmoil in the banking industry and the failures of SVB and Signature Bank.

### 4 Week Change in Bank Deposits

(in billions of dollars)



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)<sup>i</sup>

### Equity Funds

#### U.S. Equity Fund

Fund	March	YTD
U.S. Equity Fund	1.27%	6.76%
Russell 3000 Index	2.67%	7.18%
Difference (percentage points)	-1.40	-0.42

- During the month and year to date, the fund underperformed its benchmark largely due to its strategic underweight to mega-cap tech companies, an overweight to small- and mid-cap value-oriented companies, and investments in private equity and private real estate. During both periods, the fund benefited from the majority of active managers outperforming their respective benchmarks.

#### International Equity Fund

Fund	March	YTD
International Equity Fund	2.40%	7.01%
MSCI ACWI ex U.S. Investable Market Index (Net)	2.13%	6.56%
Difference (percentage points)	+0.27	+0.45

- During the month and year to date, the fund outperformed its benchmark due to strong performance by a number of active growth-oriented managers and the fund's fair market valuation policy (described [here](#)). To a lesser extent, the fund was negatively impacted by investments in private equity and excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)).

#### U.S. Equity Index Fund

Fund	March	YTD
U.S. Equity Index Fund	2.60%	7.27%
Russell 3000 Index	2.67%	7.18%
Difference (percentage points)	-0.07	+0.09

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

## Fixed Income Funds

### Fixed Income Fund

Fund	March	YTD
Fixed Income Fund	2.05%	3.12%
Bloomberg U.S. Universal (ex MBS) Index	2.47%	3.05%
Difference (percentage points)	-0.42	+0.07

- During March, the fund's overweight allocation to high-yield rated corporate bonds, as well as core plus manager security selections, detracted from benchmark-relative performance.
- Year to date, the fund's overweight allocation to emerging market debt positively contributed to benchmark-relative performance, but the overweight allocation to Agency CMBS and high-yield rated corporate bonds detracted.

### Extended Term Fixed Income Fund

Fund	March	YTD
Extended Term Fixed Income Fund	3.17%	4.72%
Bloomberg U.S. Government/Credit Long Term Index	4.40%	5.76%
Difference (percentage points)	-1.23	-1.04

- The fund's policy of maintaining a lower sensitivity to interest rate movements until interest rates return to more "normal" levels was the largest driver of benchmark-relative performance for the month and year to date.
- Year to date, asset manager security selection contributed positively to benchmark-relative performance.

### Inflation Protection Fund

Fund	March	YTD
Inflation Protection Fund (IPF)	2.12%	2.59%
IPF Benchmark <sup>ii</sup>	2.58%	3.00%
Difference (percentage points)	-0.46	-0.41

- The fund's allocation to emerging market inflation-linked bonds contributed positively to benchmark-relative performance during the month and year to date.
- The commodities manager's issue selection decisions and the allocations to floating rate senior loans and alternatives detracted from benchmark-relative performance for both periods.

## Balanced Fund

### Multiple Asset Fund

Fund	March	YTD
Multiple Asset Fund (MAF)	1.88%	5.49%
MAF Benchmark <sup>iii</sup>	2.45%	5.55%
Difference (percentage points)	-0.57	-0.06

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

## Social Values Choice Suite of Funds

### Social Values Choice Bond Fund

Fund	March	YTD
Social Values Choice Bond Fund	1.94%	2.98%
Bloomberg U.S. Universal (ex MBS) Index	2.47%	3.05%
Difference (percentage points)	-0.53	-0.07

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

### Social Values Choice Equity Fund

Fund	March	YTD
Social Values Choice Equity Fund (SVCEF)	3.51%	8.55%
SVCEF Benchmark <sup>iv</sup>	3.61%	8.48%
Difference (percentage points)	-0.10	+0.07

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

**U.S. Treasury Inflation Protection Fund**

Fund	March	YTD
U.S. Treasury Inflation Protection Fund	2.87%	3.45%
Bloomberg U.S. Inflation Linked Bond Index	2.92%	3.45%
Difference (percentage points)	-0.05	0.00

- 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 – 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 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.
- <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.
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