

October 2020 Investment Report

Highlights

- The rate of new COVID-19 infections accelerated across the U.S. and Europe during October. President Donald Trump received treatment at Walter Reed Medical Center after he and a number of White House staff contracted the virus.
- The U.S. Senate confirmed Amy Coney Barrett to succeed late Justice Ruth Bader Ginsburg to the U.S. Supreme Court in a vote almost entirely along party lines.
- U.S. real gross domestic product (GDP) grew at an annual rate of 33.1% in the third quarter of 2020, following a decrease of 31.4% in the second quarter. Eurozone GDP also recovered, increasing 12.7% during the third quarter after declining 11.8% in the second quarter. China's GDP grew 4.9% year over year.
- The S&P 500 declined 2.7% amid rising COVID-19 cases and the absence of additional government stimulus.
- MAF, USEF, IEF and FIF outperformed their respective benchmarks in October, while IPF underperformed its benchmark for the month.

Monthly Overview

Market performance

Global equity markets decreased during the final week of October amid growing concerns about rising COVID-19 infections and declining expectations for additional U.S. government stimulus. The S&P 500 Index declined 2.7% during the month, and the MSCI EAFE Index, comprising non-U.S. stocks in developed countries, declined 4.0%. Developing country stocks increased 1.8%, as measured by MSCI Emerging Markets IMI Index. In fixed income markets, the Bloomberg Barclays U.S. Treasury Index decreased 0.9% during the month, while the Bloomberg Barclays Credit Index decreased 0.2%.

Economic update

The U.S. economy added 638,000 jobs in October and the unemployment rate fell to 6.9%, a decrease from 7.9% in September. The Conference Board Consumer Confidence Index decreased modestly in October to 100.9 from 101.3 in September. The University of Michigan Consumer Sentiment Index increased to 81.8 from 80.4 in September. Business activity increased in the U.S., as measured by the IHS Markit Composite Purchasing Managers' Index (PMI) reading of 55.5. The Eurozone Composite PMI decreased to 50.0 amid the surge in COVID-19 cases across Europe.

Housing market resilience

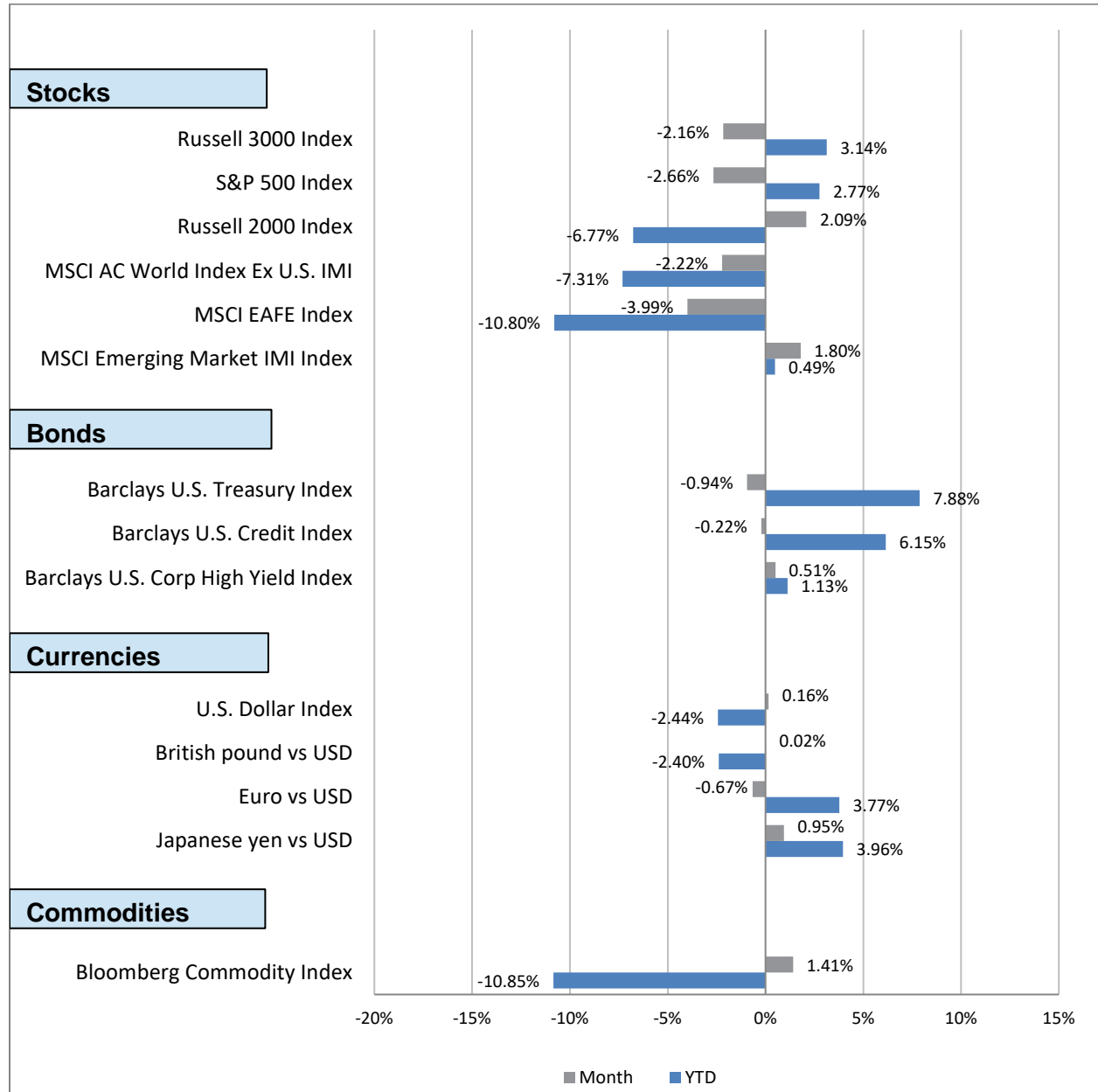
The U.S. housing market continued to demonstrate resilience as existing-home sales increased 9.4% in September and 20.9% from a year ago, driven by historically low interest rates and families rethinking their living arrangements amid the pandemic.

U.S. and Europe COVID-19 resurgence

At month end, Europe accounted for nearly half of the world's COVID-19 cases, and countries there began imposing new social distancing restrictions and lockdowns. The U.S. accounted for 20% of global cases, reporting nine million cumulative infections and 229,000 deaths. COVID-19-related hospitalizations in the U.S. increased 46% in October. The Food and Drug Administration cleared remdesivir as the first drug approved to treat COVID-19.

Sources: Bloomberg, FactSet, Wall Street Journal, Johns Hopkins University, IHS Markit, Reuters, National Association of Realtors

Market Performance



Source: FactSet, as of October 31, 2020

Key Monthly Economic Statistics

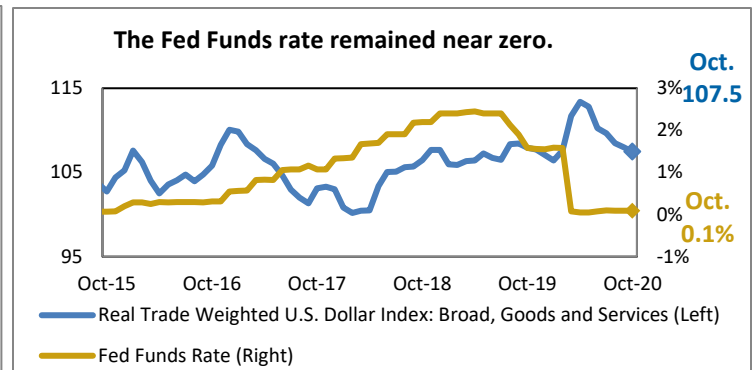
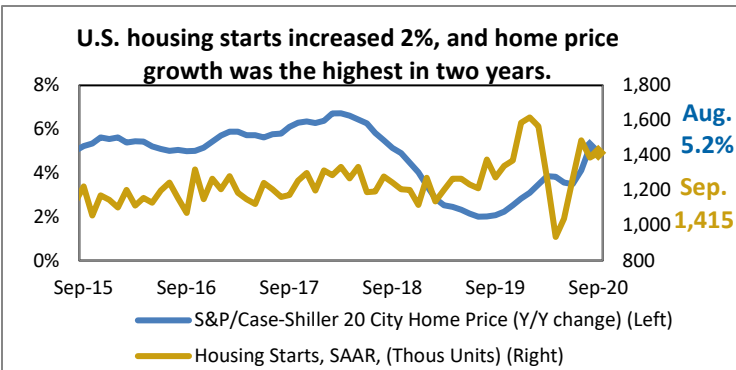
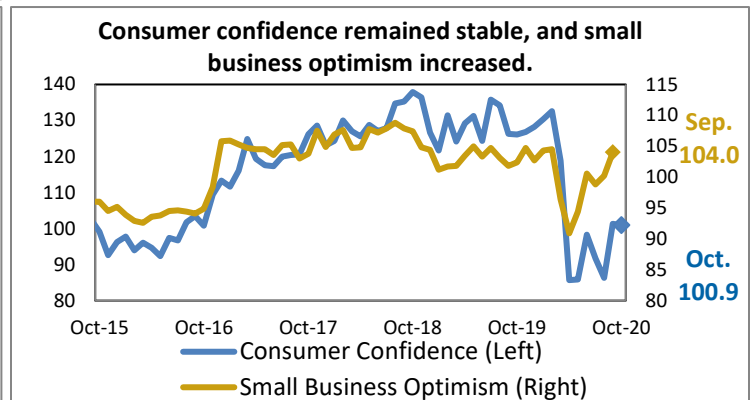
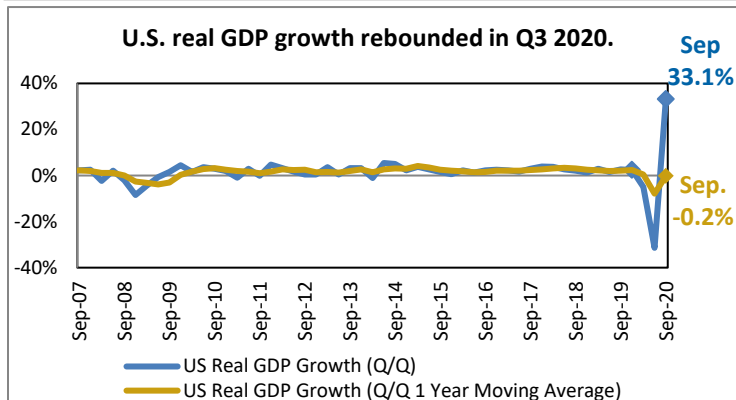
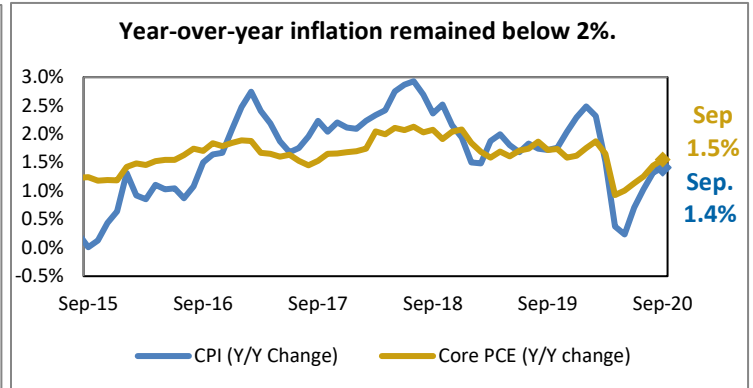
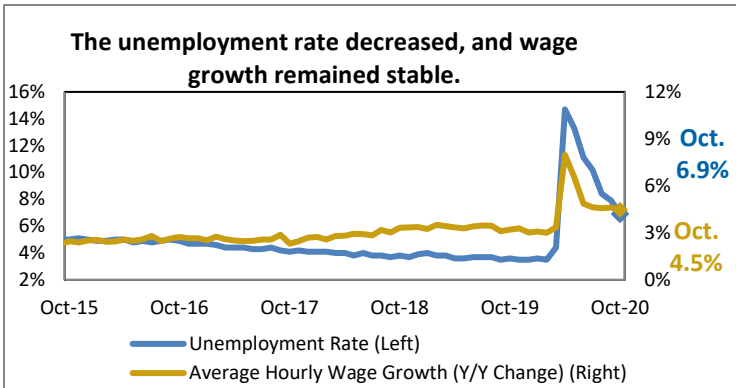
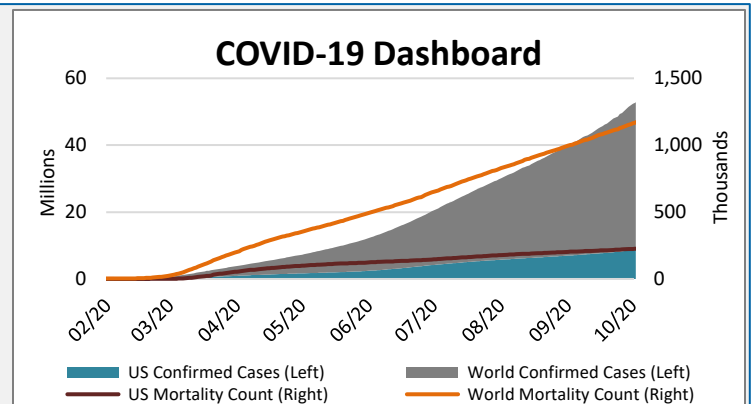


Chart of Month

- By the end of October, there were more than 46 million confirmed COVID-19 cases globally and nearly 1.2 million deaths.
- Europe accounted for nearly half of the world's COVID-19 cases, prompting France, Germany, Switzerland and Italy to impose new social distancing restrictions.
- The U.S. accounted for 20% of global cases and set the single day case record on October 30th by reporting over 99 thousand new COVID-19 cases.



Source: FactSet; U.S. Bureau of Labor Statistics; The Conference Board; Federal Reserve Bank of St. Louis; Bureau of Economic Analysis, U.S. Department of Commerce; World Health Organization

Investment Fund Review (Net-of-Fees Performance)ⁱ

Equity Funds

U.S. Equity Fund

Fund	October	YTD
U.S. Equity Fund	-0.40%	+5.93%
Russell 3000 Index	-2.16%	+3.14%
Difference (percentage points)	+1.76	+2.79

- During the month, the fund meaningfully outperformed the benchmark mainly due to most active managers outperforming their respective benchmarks and the fund's strategic overweight allocation to small- and mid-cap companies and corresponding underweight to large-cap companies. Investments in private equity and private real estate, and the exclusion of certain stocks in compliance with Wespath's Exclusions Policy (described [here](#)), benefited 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 benefited benchmark-relative performance (described [here](#)). Investments in private equity positively impacted relative performance, while private real estate holdings detracted from benchmark-relative returns.

International Equity Fund

Fund	October	YTD
International Equity Fund	-1.42%	-0.74%
MSCI ACWI ex U.S. Investable Market Index (Net)	-2.22%	-7.31%
Difference (percentage points)	+0.80	+6.57

- During the month, the fund outperformed its benchmark mainly due to most active managers outperforming their respective benchmarks. One top performing growth-oriented manager benefited from investments in e-commerce and telemedicine. The fund's overweight allocation to China and underweight allocations in poor performing France and Switzerland also benefited relative performance.
- Year to date, the fund outperformed the benchmark and benefited most from active managers outperforming their respective benchmarks—in particular, a growth-oriented manager focused in developed markets and two managers investing in opportunities related to the transition to a low-carbon economy. The fund also benefited from an overweight allocation to China, as the country has fared better in its recovery from the global pandemic. Stocks excluded from the fund in compliance with Wespath's Exclusions Policy also benefited benchmark-relative performance.

U.S. Equity Index Fund

Fund	October	YTD
U.S. Equity Index Fund	-2.07%	+3.45%
Russell 3000 Index	-2.16%	+3.14%
Difference (percentage points)	+0.09	+0.31

- The U.S. Equity Index Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses. The fund has benefitted from the exclusions of stocks in compliance with Wespath's Exclusions Policy (described [here](#)).

Fixed Income Funds

Fixed Income Fund

Fund	October	YTD
Fixed Income Fund	-0.27%	+5.08%
Barclays U.S. Universal (ex MBS) Index	-0.45%	+6.50%
Difference (percentage points)	+0.18	-1.42

- The fund outperformed its benchmark during the month due to allocations to high-yield corporate credit, global bonds and emerging market debt. Managers added value in the core and corporate sectors.
- Year to date, overweight allocations to emerging market debt and high-yield rated corporate debt detracted from benchmark-relative performance, while U.S. agency commercial mortgage-backed securities contributed positively to benchmark-relative performance. Managers added value in the core, emerging market and high-yield sectors.

Extended Term Fixed Income Fund

Fund	October	YTD
Extended Term Fixed Income Fund	-1.19%	+9.36%
Barclays U.S. Government/Credit Long Term Index	-1.58%	+12.39%
Difference (percentage points)	+0.39	-3.03

- The fund's policy of maintaining a lower sensitivity to interest rate movements contributed positively to benchmark-relative returns during the month but detracted during year to date. Managers' sector and security selection was mixed during the month.

Inflation Protection Fund

Fund	October	YTD
Inflation Protection Fund	-0.37%	+1.81%
IPF Benchmark ⁱⁱ	+0.18%	+4.00%
Difference (percentage points)	-0.55	-2.19

- The fund's overweight exposure to U.S. inflation-linked securities, and related underweight exposure to U.K. inflation-linked securities, detracted from benchmark-relative performance during the month and year to date. The diversifying allocation to high-yield corporate credit through exposure to senior loans also detracted from benchmark-relative performance during the month and year to date.

Balanced Fund

Multiple Asset Fund

Fund	October	YTD
Multiple Asset Fund	-0.66%	+3.75%
MAF Benchmark ⁱⁱⁱ	-1.51%	+1.26%
Difference (percentage points)	+0.85	+2.49

- During the month, the U.S. Equity Fund, International Equity Fund and Fixed Income Fund positively contributed to benchmark-relative performance, while the Inflation Protection Fund detracted from relative performance.
- Year to date, the U.S. Equity Fund and International 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	October	YTD
Social Values Choice Bond Fund	-0.36%	+6.91%
Barclays U.S. Universal (ex MBS) Index	-0.45%	+6.50%
Difference (percentage points)	+0.09	+0.41

- The fund's overweight allocation to mortgage-backed securities and security selection in corporate credit added to benchmark-relative performance during the month and year to date. 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	October	YTD
Social Values Choice Equity Fund	-3.36%	+0.34%
SVCEF Benchmark ^{iv}	-3.34%	+0.16%
Difference (percentage points)	-0.02	+0.18

- 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 impacted benchmark-relative performance year to date.

U.S. Treasury Inflation Protection Fund

Fund	October	YTD
U.S. Treasury Inflation Protection Fund	-0.76%	+8.83%
Barclays U.S. Inflation Linked Bond Index	-0.69%	+9.00%
Difference (percentage points)	-0.07	-0.17

- 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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- 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 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.
 - 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.