

October 2022 Investment Report

Highlights

- U.S. Real GDP rose at an annual rate of 2.6% in the third quarter, up from -0.6% in the second quarter.
- The S&P 500 Index of U.S. stocks increased 8.1%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI, increased 3.0% in October. The Bloomberg U.S. Aggregate Bond Index (Bloomberg U.S. Aggregate) declined 1.3%.
- Inflation was 8.2% in September, as measured by the year-over-year change in the Consumer Price Index (CPI). Core Personal Consumption Expenditures (PCE) inflation, which excludes food and energy (the U.S. Federal Reserve's preferred gauge of inflation), accelerated from 4.9% in August to 5.1% in September.
- The U.S. economy added 261,000 jobs in October, and the unemployment rate increased from 3.5% to 3.7%.
- The Fixed Income Fund and Inflation Protection Fund outperformed their respective benchmarks in October, while the U.S. Equity Fund, International Equity Fund and Multiple Asset Fund underperformed their respective benchmarks.

Monthly Overview

U.S. equity markets rebound, but fixed income markets decline

U.S. equity prices rose in October, despite poor earnings reports from large tech companies like Meta and Amazon. The Dow Jones Industrial Average posted its strongest monthly performance since 1976, rising 14.1%. The S&P 500 rose 8.1%, with ten out of eleven sectors positive. The MSCI ACWI ex-U.S. IMI Index, which represents non-U.S. stocks, increased 3.0%. However, emerging markets, represented by the MSCI Emerging Markets IMI Index, decreased 2.7% for the month, putting the index at nearly -29% year to date.

In fixed income markets, the Bloomberg U.S. Aggregate fell 1.3% as yields rose. The two- and 10-year U.S. Treasury note yields rose to 4.5% and 4.1%, respectively. The Bloomberg U.S. High Yield Index increased 2.6%.

Economic data mixed

U.S. Real GDP increased an annualized 2.6% the third quarter, following two straight quarters of negative growth. The Bureau of Economic Analysis attributed the increase to a rise in exports and consumer spending. CPI rose 8.2% year over year, while Core PCE, which excludes food and energy, increased 5.1%. Employers in the U.S. added 261,000 jobs in October, a decline from September's revised increase of 315,000, but higher than consensus forecasts. The unemployment rate rose to 3.7% for the month, but average hourly earnings rose 0.4% in October and 4.7% year over year. Home prices fell for the fourth straight month, and the U.S. Dollar Index decreased slightly from a 20-year high in September.

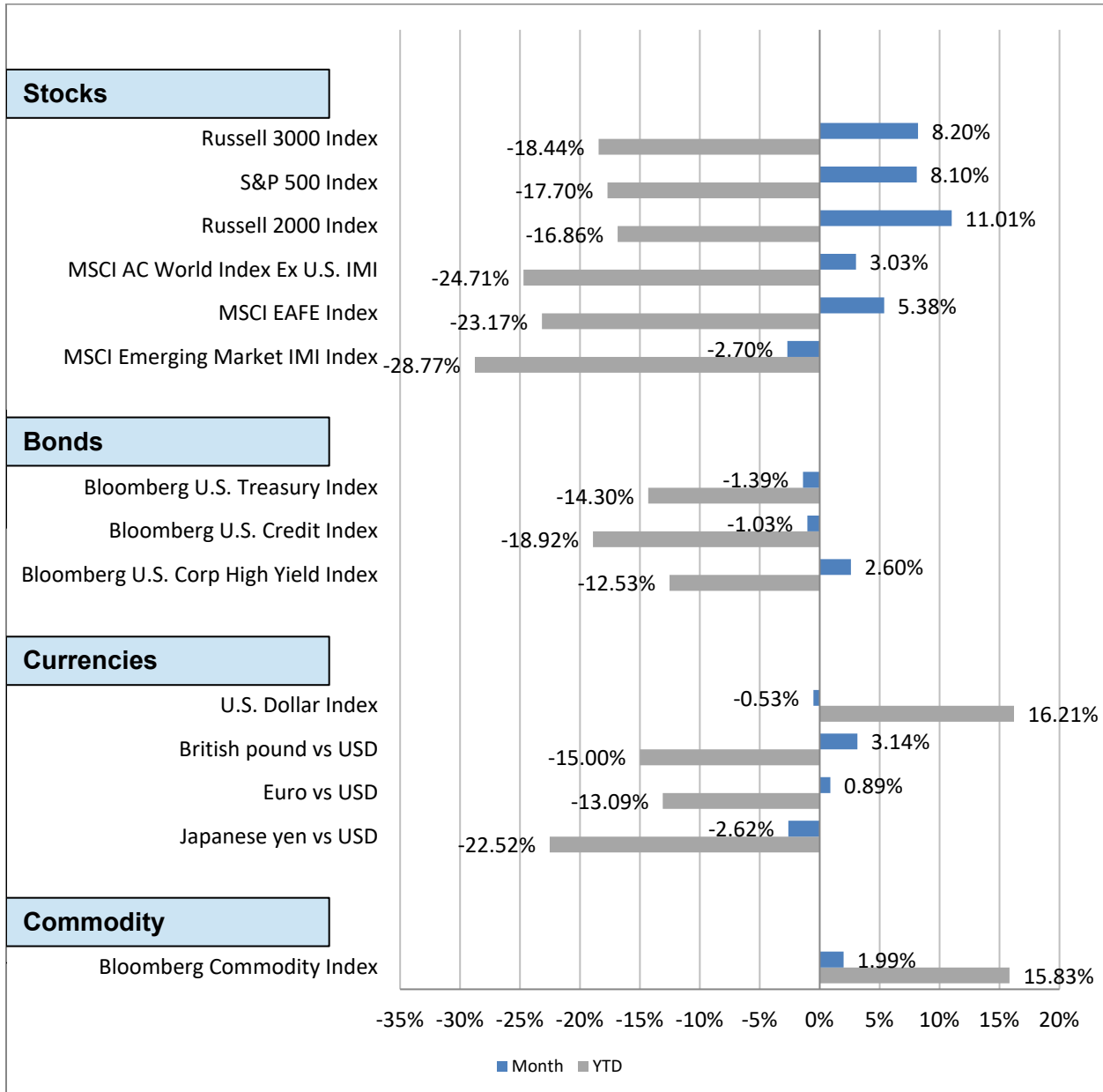
Xi Jinping secures a third term

Xi Jinping broke precedent and secured a third term as President of the People's Republic of China. The MSCI China Index decreased 16.8% in October and 42.8% year to date, partially due to a decline in the Chinese yuan. The yuan decreased 2.8% versus the U.S. dollar for the month and 12.7% year to date.

After delaying an economic data release for a week, China reported its economy grew 3.9% in the third quarter compared to the same period a year ago, exceeding forecasts, but falling short of the official 5.5% target. Rising COVID infections and strict lockdowns in compliance with China's zero-COVID policy hampered consumer spending during the quarter.

Sources: Bureau of Labor Statistics, Commerce Department, Reuters, Wall Street Journal, Financial Times, Bloomberg, and FactSet.

Market Performance



Source: FactSet, as of October 31, 2022.

Key Monthly Economic Statistics

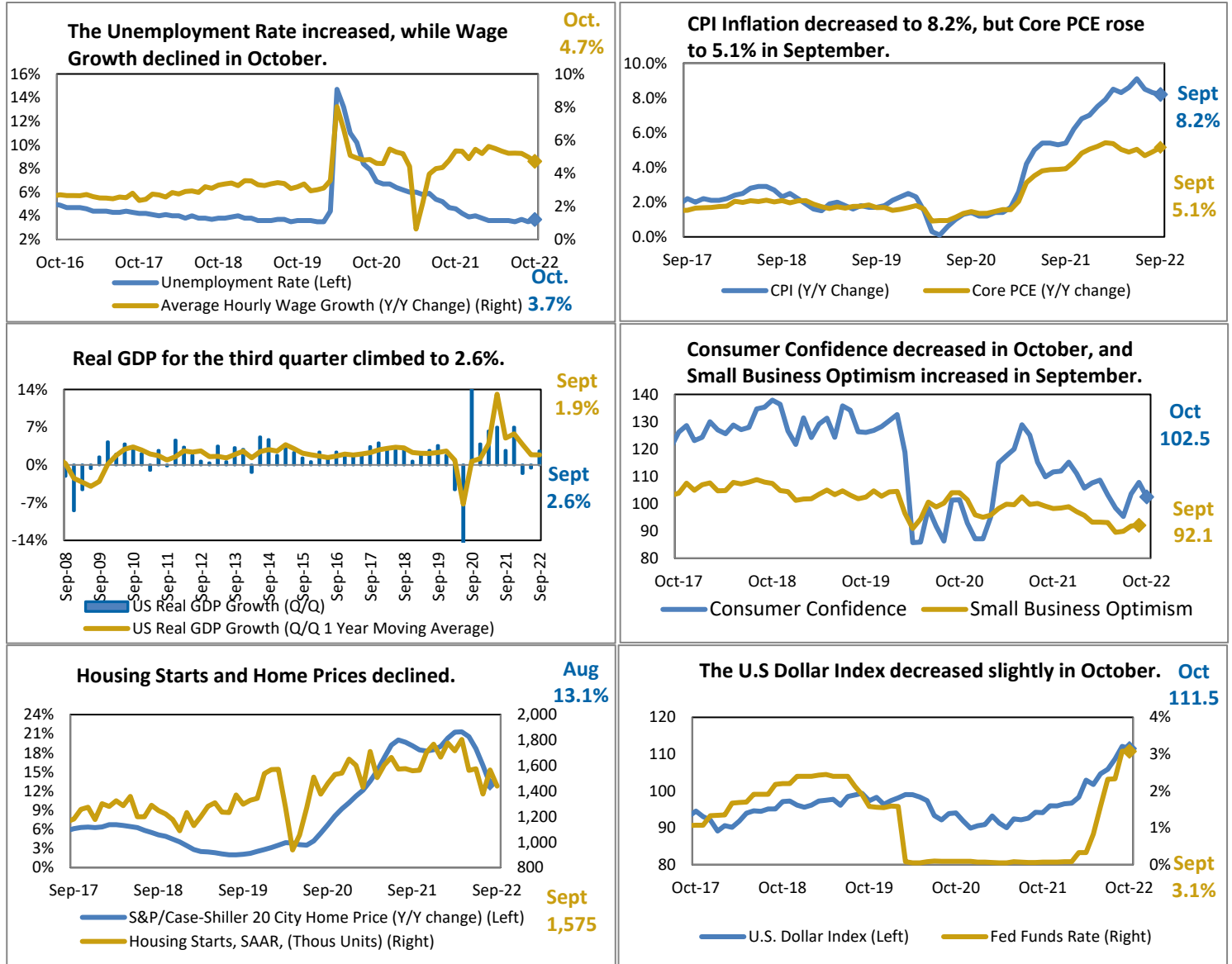
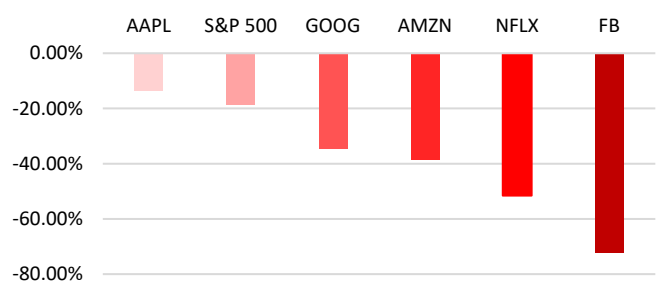


Chart of the Month

- Large tech companies wrestled with tight business conditions in Q3.
- All five “FAANG” companies had negative returns year to date; Apple is the only stock with a return greater than -30%.
- Meta shares fell 23%, and Amazon stock fell 13% in premarket trading following their third quarter earnings reports. Alphabet also reported underwhelming third quarter earnings.
- Netflix is rolling out an ad-based tier strategy in an attempt to boost their subscriber base and revenue.
- An underweight in mega-cap companies has positively contributed to the U.S. Equity Fund performance for the year.

FAANG Stock Performance (YTD % Change)



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

Equity Funds

U.S. Equity Fund

Fund	October	YTD
U.S. Equity Fund	+7.86%	-18.80%
Russell 3000 Index	+8.20%	-18.44%
Difference (percentage points)	-0.34	-0.36

- During the month, the fund underperformed its benchmark mainly due to dedicated allocations to private equity and private real estate. Stocks excluded in accordance with Wespath's Exclusions Policy (described [here](#)) modestly detracted from relative performance.
- Year to date, the fund underperformed its benchmark mainly due to investments in growth-oriented companies, an overweight to small- and mid-cap growth stocks, and excluding stocks in accordance with Wespath's Exclusions Policy (described [here](#)). An underweight to large-cap companies and the fund's dedicated investments in private equity and private real estate, modestly contributed to benchmark-relative performance.

International Equity Fund

Fund	October	YTD
International Equity Fund	+2.65%	-29.10%
MSCI ACWI ex U.S. Investable Market Index (Net)	+3.03%	-24.71%
Difference (percentage points)	-0.38	-4.39

- During the month, the fund underperformed its benchmark due to dedicated allocations to private equity and private real estate. The fund's fair market valuation policy (described [here](#)) contributed positively to relative performance.
- Year to date, the fund underperformed its benchmark mainly due to poor-performing investments held by growth-oriented active managers and excluding stocks in accordance with Wespath's Exclusions Policy (described [here](#)). The fund's dedicated investments in private equity and private real estate contributed positively to benchmark-relative performance.

U.S. Equity Index Fund

Fund	October	YTD
U.S. Equity Index Fund	+8.07%	-18.85%
Russell 3000 Index	+8.20%	-18.44%
Difference (percentage points)	-0.13	-0.41

- 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, stocks excluded in accordance with Wespath's Exclusions Policy (described [here](#)) detracted from relative performance.

Fixed Income Funds

Fixed Income Fund

Fund	October	YTD
Fixed Income Fund	-0.44%	-15.23%
Bloomberg U.S. Universal (ex MBS) Index	-1.00%	-16.11%
Difference (percentage points)	+0.56	+0.88

- In October, the fund's allocations to high-yield and emerging-market debt positively contributed to benchmark-relative performance. The fund's allocations to U.S. agency commercial mortgage-backed securities and the Positive Social Purpose Lending Program detracted from relative performance.
- Year to date, the fund's allocations to U.S. agency commercial mortgage-backed securities, the Positive Social Purpose Lending Program, and high-yield-rated corporate bonds positively contributed to relative performance. Asset manager security and sector selection also positively contributed for the period. The fund's allocation to emerging-market debt was the main detractor from relative performance.

Extended Term Fixed Income Fund

Fund	October	YTD
Extended Term Fixed Income Fund	-2.39%	-23.96%
Bloomberg U.S. Government/Credit Long Term Index	-3.77%	-31.62%
Difference (percentage points)	+1.38	+7.66

- 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.

Inflation Protection Fund

Fund	October	YTD
Inflation Protection Fund (IPF)	+1.20%	-6.77%
IPF Benchmark ⁱⁱ	+0.53%	-12.74%
Difference (percentage points)	+0.67	+5.97

- The fund's underweight allocation to U.K. inflation-linked securities positively contributed to benchmark-relative performance for all periods.
- During October, the fund's allocation to senior-secured loans contributed positively to benchmark-relative performance.
- Year to date, the fund's allocations to senior secured loans, high-yield-rated asset-backed securities and real assets added to benchmark-relative performance.

Balanced Fund**Multiple Asset Fund**

Fund	October	YTD
Multiple Asset Fund (MAF)	+3.46%	-19.73%
MAF Benchmark ⁱⁱⁱ	+3.58%	-19.05%
Difference (percentage points)	-0.12	-0.68

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

Social Values Choice Suite of Funds

Social Values Choice Bond Fund

Fund	October	YTD
Social Values Choice Bond Fund	-1.22%	-15.90%
Bloomberg U.S. Universal (ex MBS) Index	-1.00%	-16.11%
Difference (percentage points)	-0.22	+0.21

- The fund's duration positioning added to benchmark-relative performance for all periods. Security selection in investment-grade corporate bonds and non-agency CMBS bonds added to benchmark-relative performance for the month and for the year.

Social Values Choice Equity Fund

Fund	October	YTD
Social Values Choice Equity Fund (SVCEF)	+6.60%	-22.58%
SVCEF Benchmark ^{iv}	+6.57%	-22.54%
Difference (percentage points)	+0.03	-0.04

- The Social Values Choice Equity Fund is a passively managed fund designed to closely matches 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	October	YTD
U.S. Treasury Inflation Protection Fund	+1.14%	-13.41%
Bloomberg U.S. Inflation Linked Bond Index	+1.26%	-13.34%
Difference (percentage points)	-0.12	-0.07

- 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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- 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.