

September 2021 Investment Report

Highlights

- The S&P 500 declined 4.65% for the month, the index's worst performance since March 2020. International equities, as measured by the MSCI All Country World ex. U.S. Index, were down 3.18%.
- U.S. Congress garnered bipartisan support to pass an eleventh-hour continuing resolution to fund the government through December 3.
- Longer-dated U.S. Treasury yields increased sharply to close out the month. The September Federal Open Market Committee (FOMC) meeting concluded on September 22 with Chairman Jerome Powell noting that tapering of the Federal Reserve's (Fed) quantitative easing program "may soon be warranted." The Barclays U.S. Treasury Index declined 1.08% during the month.
- The U.S. economy added 194,000 non-farm jobs in September, which was significantly lower than economists expected, though the unemployment rate declined to 4.8%.
- The U.S. Equity Fund and Inflation Protection Fund outperformed their respective benchmarks in September, while the Fixed Income Fund, International Equity Fund and Multiple Asset Fund underperformed their respective benchmarks.

Monthly Overview

Government shutdown averted, debt ceiling showdown and infrastructure uncertainty

The passage of a continuing budget resolution through December 3 provides time for Congress to reach an agreement on a full-year funding plan. Lawmakers attempted to address the looming debt ceiling simultaneously but failed to settle on a deal. The U.S. is expected to hit its debt limit on October 18. Republicans from both the House of Representatives and Senate have signaled that Democrats will have to "raise the debt ceiling on their own."

Meanwhile, Congress continued to work on two meaningful spending bills. The first, a "hard" infrastructure bill totaling roughly \$1.2 trillion, passed the Senate in August with bipartisan support but has yet to come to a vote in the House. A group of progressive House Democrats signaled they will not vote on the first infrastructure bill unless a second bill, a larger "soft" infrastructure bill focused on the President's domestic agenda, passes simultaneously.

Inflation remains in focus

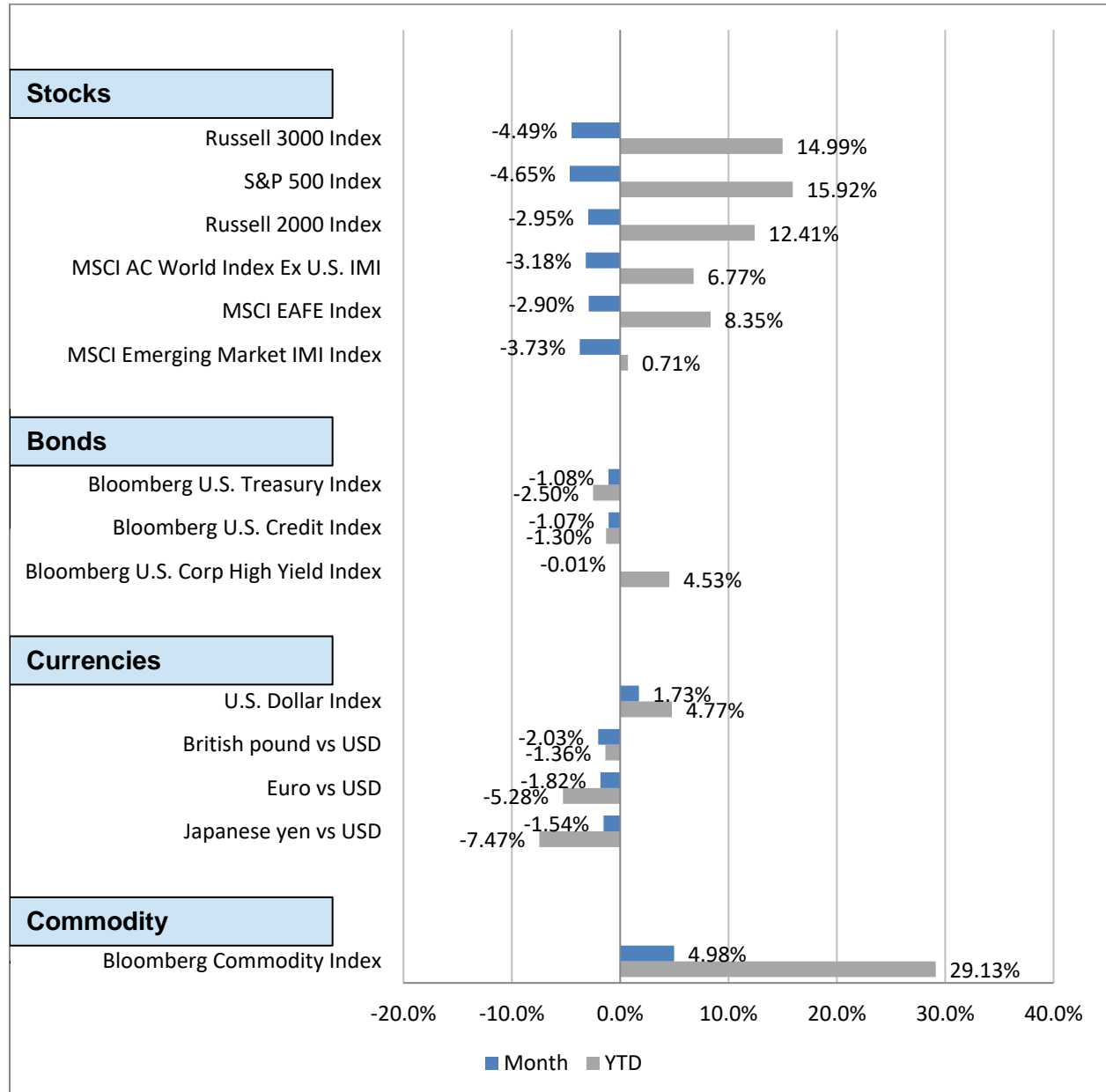
The Core Personal Consumption Expenditures Price Index (Core PCE), the Fed's preferred measure of inflation, increased 3.6% year-over-year, representing the biggest jump since May 1991. Some market observers are concerned that increased inflation risk, coupled with Fed tapering, could lead to higher yields and contribute to a further decline in equity and fixed income returns. Supply chain challenges, ranging from a lack of workers to insufficient supply of ships and shipping containers, have contributed to the recent spike in inflation. In response to these challenges, retailers have chartered cargo ships and locked in high-priced, long-term shipping contracts, which could result in higher prices for consumer goods well into 2022 and beyond.

China's Evergrande debt crisis

Evergrande, one of China's largest property developers, failed to make its scheduled \$83.5M interest payment to offshore debt holders. The missed payment and potential default of such a large entity sparked concerns about how a default would impact the Chinese economy as well as international markets.

Sources: Reuters, The Wall Street Journal, Bloomberg, Bridgewater, John Hopkins University, US Census, National Association of Realtors, FactSet, FDA, CDC, Ceres, S&P CoreLogic Case-Shiller, PIMCO.

Market Performance



Source: FactSet, as of September 30, 2021.

Key Monthly Economic Statistics

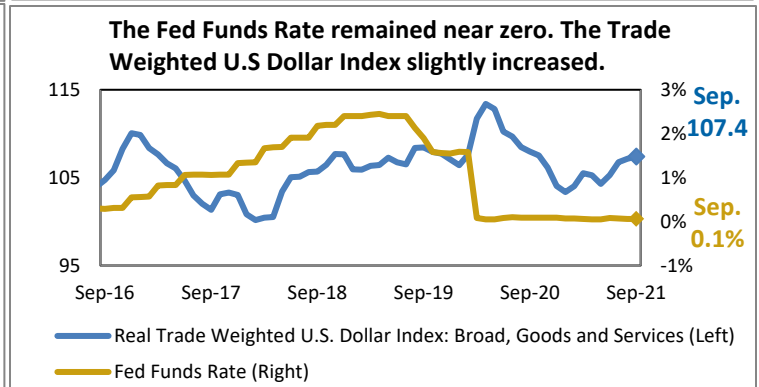
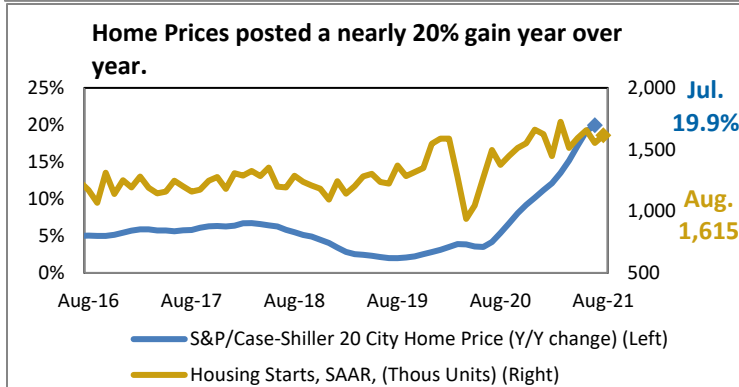
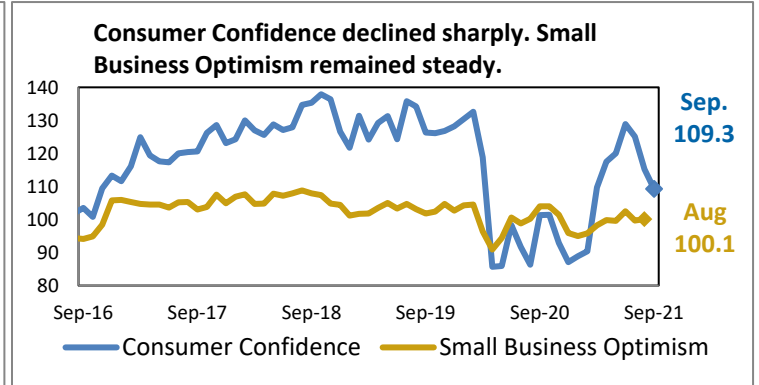
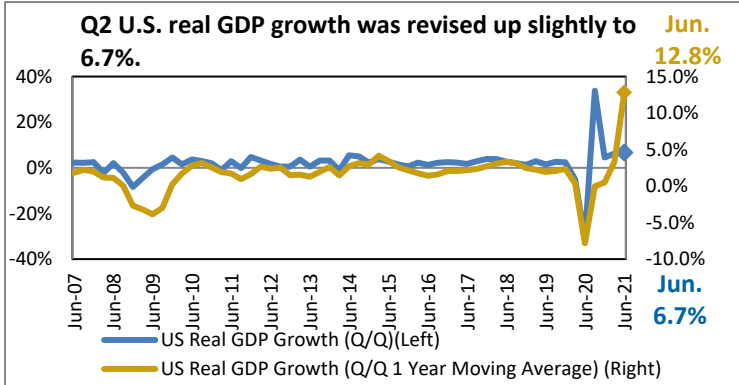
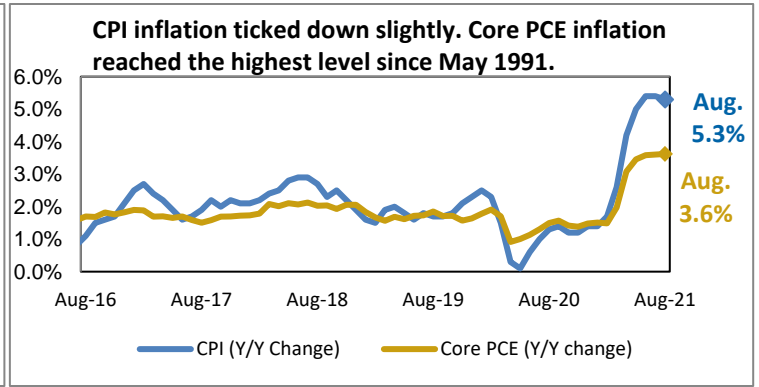
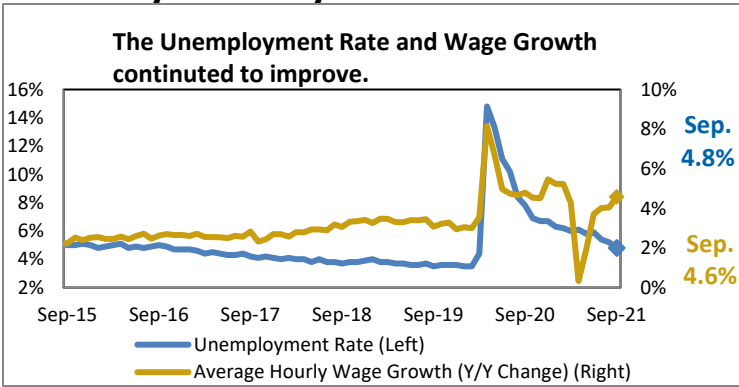
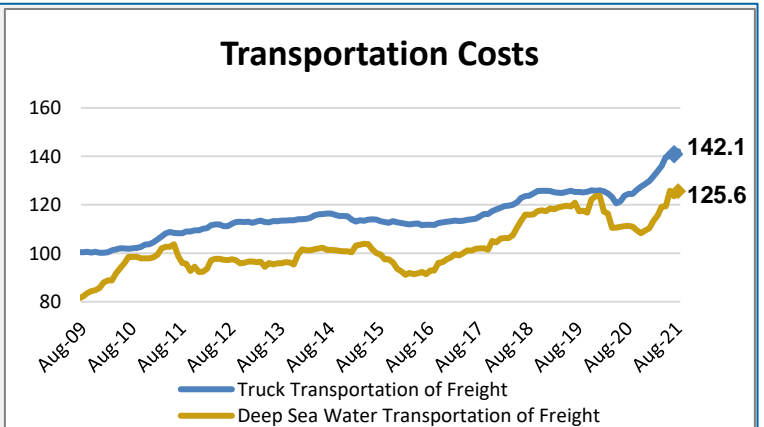


Chart of the Month

- Easing pandemic pressures, monetary and fiscal stimulus, and pent-up demand have led to increased headwinds on supply chains.
- Worker shortages and burnout in the transportation industry caused by ever-changing COVID restrictions, quarantine requirements and varying vaccination mandates have led to an increase in transportation costs.
- Supply chain challenges could lead to inflationary prices becoming less transitory if increased production in goods is not met with an ability to deliver those goods affordably.



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; Federal Reserve.

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

Equity Funds

U.S. Equity Fund

| Fund | September | QTD | YTD |
|--------------------------------|-----------|--------|---------|
| U.S. Equity Fund | -3.92% | -0.22% | +12.58% |
| Russell 3000 Index | -4.49% | -0.10% | +14.99% |
| Difference (percentage points) | +0.57 | -0.12 | -2.41 |

- During the month of September, the fund outperformed the benchmark due to its underweight allocation to underperforming large-cap growth companies and its overweight allocation to outperforming small- and mid-cap companies. The fund's dedicated investments in private equity and private real estate also positively contributed to relative performance.
- During the quarter and year to date, the fund underperformed the benchmark due to its overweight allocation to underperforming small- and mid-cap growth companies, along with its active managers' investments in several healthcare and technology companies. The fund's dedicated investments in private equity and private real estate positively contributed to relative performance.

International Equity Fund

| Fund | September | QTD | YTD |
|---|-----------|--------|--------|
| International Equity Fund | -4.33% | -3.44% | +4.27% |
| MSCI ACWI ex U.S. Investable Market Index (Net) | -3.18% | -2.56% | +6.77% |
| Difference (percentage points) | -1.15 | -0.88 | -2.50 |

- During all three periods shown, the fund underperformed the benchmark primarily due to its underweight allocation to developed markets and its active managers' investments in underperforming growth-oriented companies. Additionally, the fund's Fair Market Valuation policy (described [here](#)) detracted from benchmark-relative performance across all periods. The fund's dedicated investments in private equity positively contributed to relative performance.

U.S. Equity Index Fund

| Fund | September | QTD | YTD |
|--------------------------------|-----------|--------|---------|
| U.S. Equity Index Fund | -4.51% | +0.02% | +15.14% |
| Russell 3000 Index | -4.49% | -0.10% | +14.99% |
| Difference (percentage points) | -0.02 | +0.12 | +0.15 |

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses.

Fixed Income Funds

Fixed Income Fund

| Fund | September | QTD | YTD |
|--|-----------|--------|--------|
| Fixed Income Fund | -1.06% | -0.08% | -1.04% |
| Barclays U.S. Universal (ex MBS) Index | -1.00% | +0.07% | -1.19% |
| Difference (percentage points) | -0.06 | -0.15 | +0.15 |

- During the month of September, emerging market debt and global debt detracted from benchmark-relative performance. The fund's allocation to corporate debt—both high-yield and investment-grade rated—and its active managers' securities selection added to relative performance.
- During the third quarter, global debt, emerging market debt and the fund's allocations to multi-family housing—through high-quality U.S. agency commercial mortgage-backed securities and the Positive Social Purpose Lending Program—detracted from benchmark-relative performance. The fund's allocation to high-yield corporate bonds and alternatives, as well as the fund's active managers' selection, positively contributed.
- Year to date, the fund's allocation to high-yield corporate debt and opportunistic credit, along with its active managers' security selection, positively contributed to benchmark-relative performance. The fund's allocations to emerging market debt and global bonds detracted from benchmark relative performance.
- The fund is moderately less sensitive to changes in interest rates than its benchmark, which positively impacted benchmark-relative performance for all periods.

Extended Term Fixed Income Fund

| Fund | September | QTD | YTD |
|---|-----------|--------|--------|
| Extended Term Fixed Income Fund | -1.61% | +0.04% | -3.03% |
| Barclays U.S. Government/Credit Long Term Index | -2.34% | +0.07% | -4.57% |
| Difference (percentage points) | +0.73 | -0.03 | +1.54 |

- The fund's policy of maintaining a lower sensitivity to interest rate movements contributed positively to benchmark-relative performance during the month and year-to-date periods. Manager sector and security selection decisions also added value for all periods.

Inflation Protection Fund

| Fund | September | QTD | YTD |
|---------------------------------|-----------|--------|--------|
| Inflation Protection Fund (IPF) | -0.12% | +1.47% | +4.82% |
| IPF Benchmark ⁱⁱ | -1.14% | +2.00% | +4.17% |
| Difference (percentage points) | +1.02 | -0.53 | +0.65 |

- During the month of September, the fund's allocations to floating-rate senior loans, commodities and U.S. inflation-linked bonds, as well as its active managers' security selection decisions, added to benchmark-relative performance. The fund's allocation to global inflation-linked securities detracted.
- During the third quarter, the fund's allocations to U.S. and global inflation-linked bonds and floating-rate senior loans detracted from benchmark-relative performance.
- Year to date, the fund's allocation to commodities, global inflation-linked securities and high-yield asset-backed securities positively impacted benchmark-relative performance, while the fund's allocations to U.S. and emerging market inflation-linked bonds detracted.
- The fund's underweight exposure to U.K. inflation-linked securities added to benchmark-relative performance for the month and year to date but detracted for the quarter.

Balanced Fund

Multiple Asset Fund

| Fund | September | QTD | YTD |
|--------------------------------|-----------|--------|--------|
| Multiple Asset Fund (MAF) | -2.95% | -0.95% | +6.03% |
| MAF Benchmark ⁱⁱⁱ | -2.89% | -0.57% | +7.32% |
| Difference (percentage points) | -0.06 | -0.38 | -1.29 |

- During the month, the U.S. Equity Fund and Inflation Protection Fund positively contributed to benchmark-relative performance, while the International Equity Fund and Fixed Income Fund detracted.
- 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 | September | QTD | YTD |
|--|-----------|--------|--------|
| Social Values Choice Bond Fund | -0.92% | +0.16% | -0.89% |
| Barclays U.S. Universal (ex MBS) Index | -1.00% | +0.07% | -1.19% |
| Difference (percentage points) | +0.08 | +0.09 | +0.30 |

- The fund's duration positioning positively contributed to benchmark-relative performance for all periods. The active manager's security selections in high-yield and investment-grade corporate bonds contributed positively to benchmark-relative performance for all periods.

Social Values Choice Equity Fund

| Fund | September | QTD | YTD |
|--|-----------|--------|---------|
| Social Values Choice Equity Fund (SVCEF) | -4.57% | +0.44% | +14.03% |
| SVCEF Benchmark ^{iv} | -4.43% | +0.60% | +14.29% |
| Difference (percentage points) | -0.14 | -0.16 | -0.26 |

- 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](#)) modestly detracted from benchmark-relative performance for all three periods.

U.S. Treasury Inflation Protection Fund

| Fund | September | QTD | YTD |
|---|-----------|--------|--------|
| U.S. Treasury Inflation Protection Fund | -0.79% | +1.73% | +3.29% |
| Barclays U.S. Inflation Linked Bond Index | -0.78% | +1.79% | +3.39% |
| Difference (percentage points) | -0.01 | -0.06 | -0.10 |

- 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 IPF Benchmark 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 MAF Benchmark 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% IPF Benchmark.
- ^{iv} The SVCEF Benchmark is the MSCI World Environmental, Social and Governance (ESG) ex Fossil Fuels Index.
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