

July 2022 Investment Report

Highlights

- Markets rose in July, buoyed by better-than-expected earnings reports and expectations the Federal Reserve (Fed) will slow its tightening of monetary policy.
- The S&P 500 Index of U.S. stocks gained 9.2%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, gained 3.8%. The Bloomberg U.S. Aggregate Bond Index returned 2.4%.
- Real U.S. Gross Domestic Product declined 0.9% during the second quarter of 2022, on an annualized basis.
- The Fed raised interest rates by 0.75%.
- Inflation remained elevated—the Personal Consumption Expenditures Price Index (PCE) and Consumer Price Index (CPI) gained 6.8% and 9.1% over the last 12 months, respectively.
- The U.S. economy added 528,000 jobs in July, and the unemployment rate decreased to 3.5%.
- The U.S. Equity Fund and Fixed Income Fund outperformed their respective benchmarks in July, while the International Equity Fund, Inflation Protection Fund and Multiple Asset Fund underperformed their respective benchmarks.

Monthly Overview

Markets increased in July, after a dismal first half of the year

The U.S. equity market rebounded in July, delivering its best month of performance since November 2020. The S&P 500 Index, a broad measure of the U.S. equity market, gained 9.2% in July amid better-than-expected corporate earnings reports and investor optimism that the Fed will slow its pace of raising interest rates. International equities increased 3.8% during the month of July, as measured by the MSCI ACWI ex-U.S. IMI. The bond market also increased, with the Bloomberg U.S. Aggregate Bond Index gaining 2.4% during the month. The yield on the 10-year U.S. Treasury Note dropped 0.33% during July to finish the month at 2.64%.

Fed increased the benchmark interest rate by 0.75%

For the second consecutive month, the Fed raised the benchmark Federal Funds interest rate by 0.75% during the July policy meeting. After the meeting, Fed chair Jerome Powell expressed his commitment to a 2% inflation target but also used a less hawkish tone, hinting at a possible slowdown of monetary tightening.

A string of negative economic data

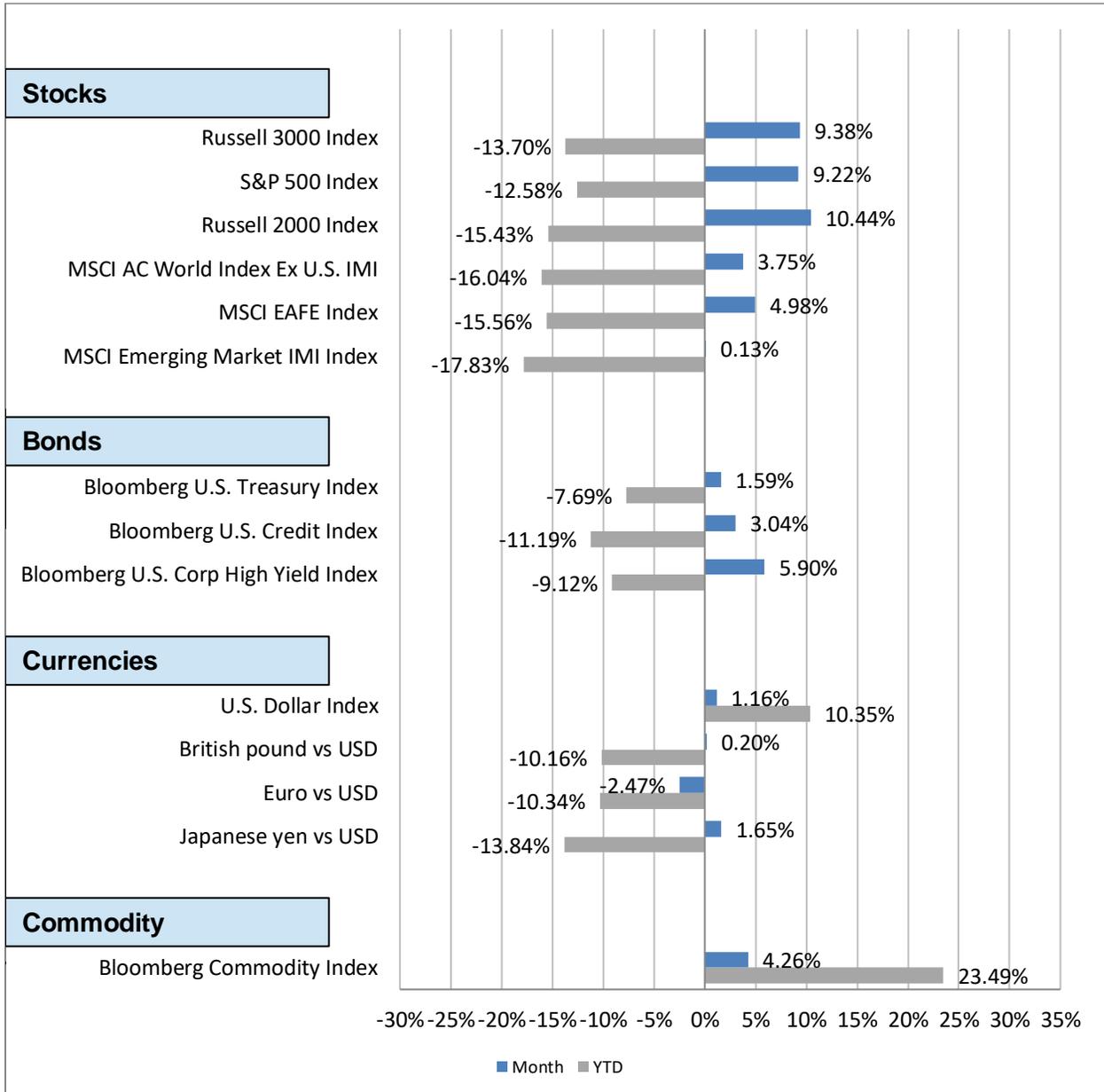
The commerce department reported that real U.S. Gross Domestic Product (GDP) declined 0.9% during the second quarter of the year, on an annualized basis, following a 1.6% decline in the first quarter. Inflation remained elevated, and the Personal Consumption Expenditures Price Index (PCE) gained 6.8% for the 12 months ending in June. The Fed's preferred gauge for inflation, Core PCE, which removes volatile food and energy prices, gained 4.8% for the 12-month period.

The S&P CoreLogic Case-Shiller National Home Price Index rose 19.7% for the 12 months ending May. This index measures the average home prices in major metropolitan cities. The index reports on a 2-month lag. Despite reporting that home prices increased, sales of newly built and existing homes declined during the month of June, reflecting the impact of increasing mortgage rates on the housing market.

On a positive note, the Labor Department reported continued labor market strength. The U.S. economy added 528,000 jobs in July, beating expectations, and the unemployment rate declined slightly to 3.5%.

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

Market Performance



Source: FactSet, as of July 31, 2022.

Key Monthly Economic Statistics

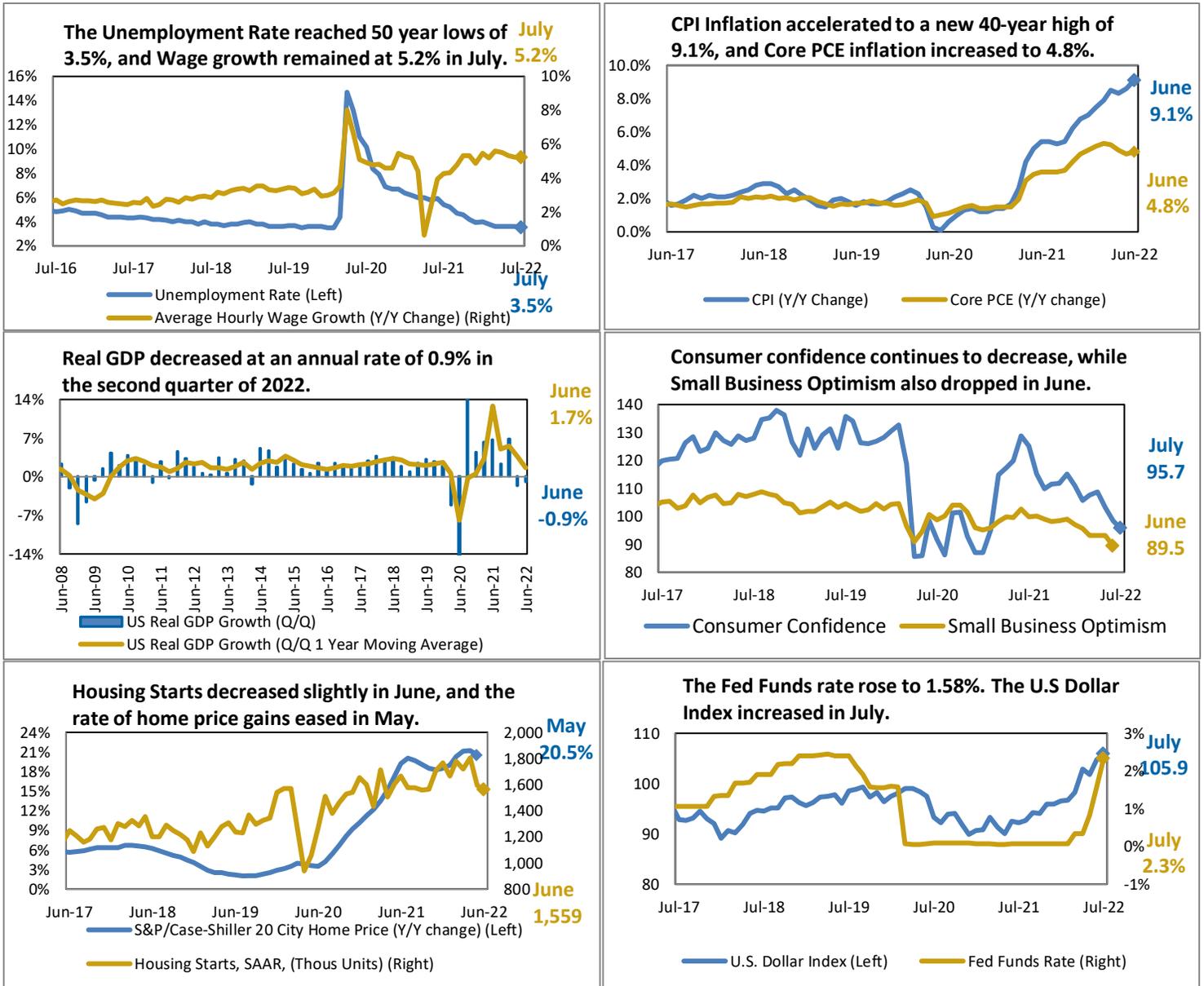
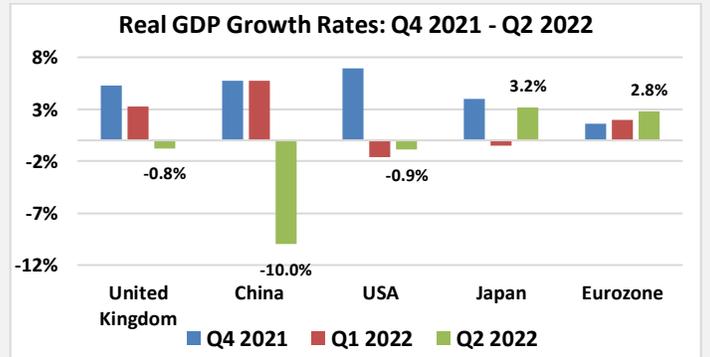


Chart of the Month

- The U.S. economy shrank for a second consecutive quarter as real Gross Domestic Product (GDP) decreased by 0.9% during Q2.
- In other major economies, China’s preliminary second quarter output shows a drastic decline. The United Kingdom also registered a modest decline in output, while Japan and the Eurozone reported a growth in output for the second quarter.
- The U.S. and Japan report seasonally adjusted annual rates of growth. U.K., China and the Eurozone reported quarter-over-quarter growth rates of -0.2%, -2.6% and +0.7%. Wespeth annualized these quarter-over-quarter rates for comparative purposes.
- Both Japan and the U.K.’s numbers are preliminary.



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

Equity Funds

U.S. Equity Fund

| Fund | July | YTD |
|--------------------------------|--------|---------|
| U.S. Equity Fund | +9.44% | -14.47% |
| Russell 3000 Index | +9.38% | -13.70% |
| Difference (percentage points) | +0.06 | -0.77 |

- During the month, the fund modestly outperformed its benchmark as five out of six of its active managers outperformed their respective benchmarks. The fund's biggest detractor was its underweight allocation to mega cap technology stocks which performed strongly during the month.
- Year to date, the fund underperformed its benchmark due to half of its active managers underperforming their respective benchmarks, an overweight to poor performing small- and mid-cap growth stocks, and not holding stocks excluded in accordance with Wespath's Exclusions Policy (described [here](#)). To a lesser extent, an underweight to mega cap technology stocks and the fund's dedicated investments in private equity and private real estate contributed positively to benchmark-relative performance.

International Equity Fund

| Fund | July | YTD |
|---|--------|---------|
| International Equity Fund | +3.63% | -19.16% |
| MSCI ACWI ex U.S. Investable Market Index (Net) | +3.75% | -16.04% |
| Difference (percentage points) | -0.12 | -3.12 |

- During the month, the fund modestly underperformed its benchmark, mainly due to dedicated investments in private equity and private real estate. Active managers contributed positively to the fund's benchmark relative performance, as seven out of eleven active managers outperformed their respective benchmarks.
- Year to date, the fund underperformed its benchmark mainly due to poor performing investments held by growth-oriented active managers. The fund's dedicated investments in private equity and private real estate contributed positively to benchmark-relative performance.

U.S. Equity Index Fund

| Fund | July | YTD |
|--------------------------------|--------|---------|
| U.S. Equity Index Fund | +9.39% | -13.96% |
| Russell 3000 Index | +9.38% | -13.70% |
| Difference (percentage points) | +0.01 | -0.26 |

- The U.S. Equity Index Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses.

Fixed Income Funds

Fixed Income Fund

| Fund | July | YTD |
|--|--------|--------|
| Fixed Income Fund | +2.34% | -9.57% |
| Barclays U.S. Universal (ex MBS) Index | +2.30% | -9.54% |
| Difference (percentage points) | +0.04 | -0.03 |

- In July, allocations to high-yield and investment-grade rated corporate bonds added to benchmark-relative performance, but allocations to U.S. agency commercial mortgage-backed securities, emerging market, and global debt detracted. Manager security and sector selection detracted for the period as well.
- Year to date, the fund modestly underperformed its benchmark. The allocation to emerging market debt was the main detractor from relative performance. The allocation to U.S. agency commercial mortgage-backed securities, alternatives, the Positive Social Purpose Lending Program, and high-yield-rated and investment-grade corporate bonds positively contributed to relative performance. Manager security and sector selection were positive for the period as well.

Extended Term Fixed Income Fund

| Fund | July | YTD |
|---|--------|---------|
| Extended Term Fixed Income Fund | +3.11% | -14.18% |
| Barclays U.S. Government/Credit Long Term Index | +3.76% | -18.95% |
| Difference (percentage points) | -0.65 | +4.77 |

- The fund's policy of maintaining a lower sensitivity to interest rate movements until interest rates return to more "normal" levels detracted from benchmark-relative performance for the month but contributed positively year to date.

Inflation Protection Fund

| Fund | July | YTD |
|--------------------------------|--------|--------|
| Inflation Protection Fund | +3.49% | -0.92% |
| IPF Benchmark ⁱⁱ | +4.41% | -4.30% |
| Difference (percentage points) | -0.92 | +3.38 |

- The fund's underweight allocation to U.K. inflation-linked securities detracted from benchmark-relative performance for the month but was the strongest positive contributor year to date.
- In July, allocations to senior secured loans, high yield rated asset-backed securities and real assets detracted from benchmark-relative performance.
- Year to date, allocations to commodities and senior secured loans added to benchmark relative performance.

Balanced Fund

Multiple Asset Fund

| Fund | July | YTD |
|--------------------------------|--------|---------|
| Multiple Asset Fund | +5.32% | -13.18% |
| MAF Benchmark ⁱⁱⁱ | +5.43% | -12.35% |
| Difference (percentage points) | -0.11 | -0.83 |

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

Social Values Choice Suite of Funds

Social Values Choice Bond Fund

| Fund | July | YTD |
|--|--------|--------|
| Social Values Choice Bond Fund | +1.80% | -9.56% |
| Barclays U.S. Universal (ex MBS) Index | +2.30% | -9.54% |
| Difference (percentage points) | -0.50 | -0.02 |

- The fund's duration positioning detracted from benchmark-relative performance in July but added year-to-date. Security selection in investment-grade corporate bonds and non-agency CMBS bonds detracted from benchmark-relative performance in all periods.

Social Values Choice Equity Fund

| Fund | July | YTD |
|----------------------------------|--------|---------|
| Social Values Choice Equity Fund | +7.61% | -15.36% |
| SVCEF Benchmark ^{iv} | +7.48% | -15.50% |
| Difference (percentage points) | +0.13 | +0.14 |

- 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 during all periods shown.

U.S. Treasury Inflation Protection Fund

| Fund | July | YTD |
|---|--------|--------|
| U.S. Treasury Inflation Protection Fund | +4.50% | -5.54% |
| Barclays U.S. Inflation Linked Bond Index | +4.53% | -5.57% |
| Difference (percentage points) | -0.03 | +0.03 |

- 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.