



## September 2022 Investment Report

### Highlights

- The U.S. Federal Reserve (Fed) raised its overnight lending rate, the Fed Funds Rate, by 0.75% for the third time this year. Global central banks followed suit.
- The S&P 500 Index of U.S. stocks declined 9.2%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, declined 10.1% in September. The Bloomberg U.S. Aggregate Bond Index declined 4.3%.
- The Personal Consumption Expenditures (PCE) price index, the Fed's benchmark for consumer inflation, rose 0.3% in August, up 6.2% year-over-year. The Core PCE (excludes volatile food and energy prices) increased 0.6%, up 4.9% year-over-year.
- The U.S. economy added 263,000 jobs in September, and the unemployment rate decreased to 3.5% from 3.7% in August.
- The U.S. Equity Fund, Fixed Income Fund, Inflation Protection Fund and Multiple Asset Fund outperformed their respective benchmarks in September, while the International Equity Fund underperformed its benchmark.

### Monthly Overview

#### Global bond markets plummet

Global bond prices declined as central banks raised interest rates amid unrelenting inflation. The Fed raised its benchmark Federal Funds Rate by another 0.75% at its September meeting. Central banks across Switzerland, the U.K., Norway, Indonesia, Taiwan, Philippines and South Africa also raised interest rates, hoping to temper inflation and slow the depreciation of their local currencies relative to the U.S. dollar. Japan kept its benchmark rate at -0.1% and intervened directly in the currency markets by selling U.S. dollars and buying yen to slow the decline of the yen.

A day after the U.K.'s central bank, the Bank of England, raised interest rates by 0.50%, the recently-elected U.K. government released plans for energy subsidies and unfunded tax cuts, leading to a sharp increase in yields on U.K. government bonds. This dramatic increase in market volatility prompted the Bank of England to implement an emergency bond buying program aimed at stabilizing U.K. bond prices. Amid pressure from the markets, the new government subsequently reversed plans by scrapping their proposal to cut the top tax rate in early October.

In fixed income markets, the Bloomberg U.S. Treasury Index decreased 3.5%, and the Bloomberg Global Aggregate Bond Total Return Index decreased 5.1%, while the Bloomberg U.S. Corporate High Yield Index decreased 4.0%.

#### Stock market sell-off

Global equities fell during the month as investors evaluated persistent inflation and expressed concerns that rising interest rates will cause a global recession. The S&P 500 Index of U.S. stocks declined 9.2%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, declined 10.1%.

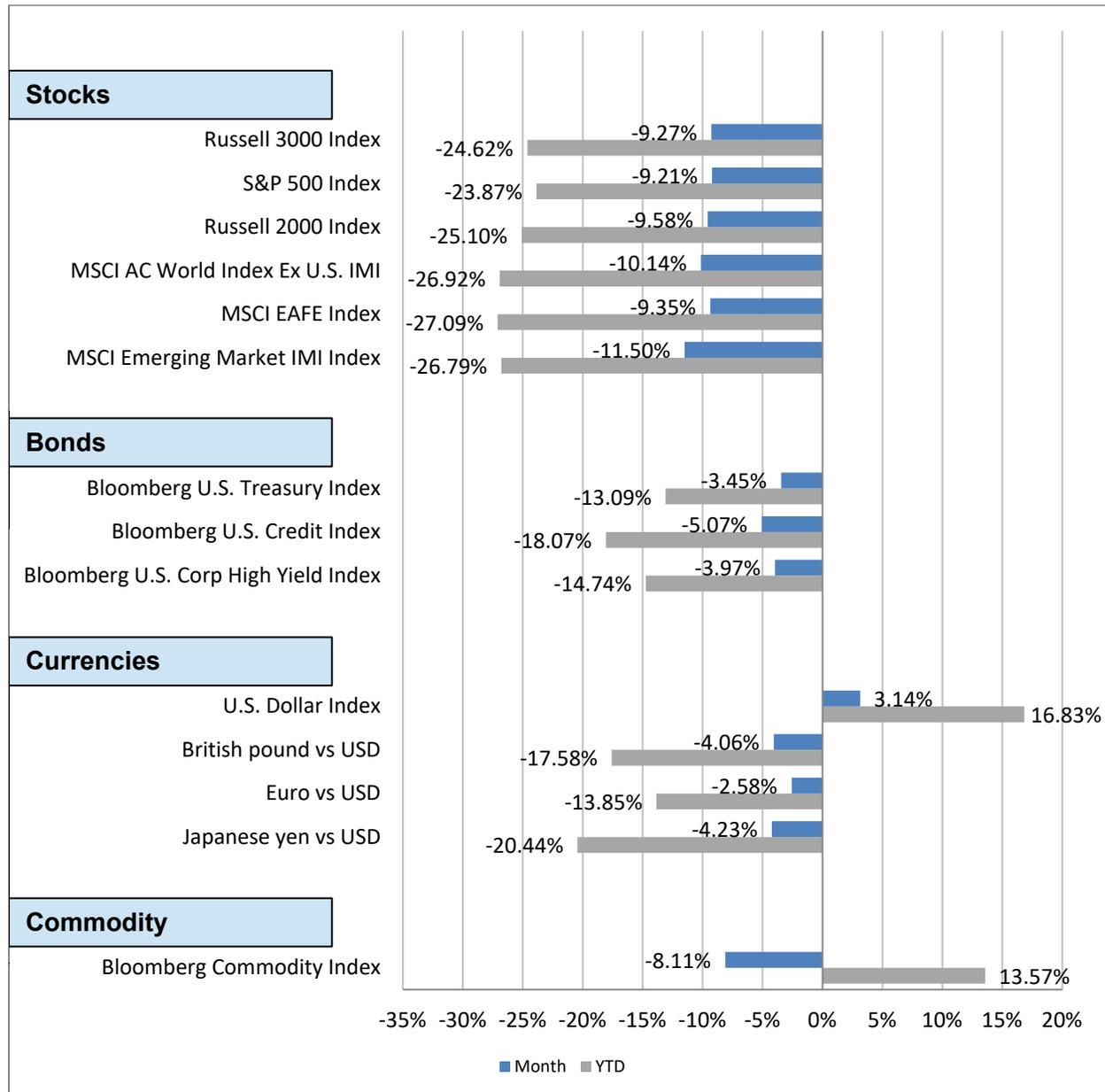
Analysts reduced their estimates for third quarter corporate earnings growth for S&P 500 companies to +3.2% year-over-year, down from an estimate of +9.8% at the start of the quarter. The Dow Jones Industrial Average and S&P 500 both hit intraday, 52-week lows during the month.

#### Hurricane Ian

Hurricane Ian made landfall in the southwest coast of Florida as a Category 4 storm before crossing over to the Atlantic and making a second landfall in South Carolina as a Category 1 storm. The deadly storm brought catastrophic flooding and winds, with economic damage estimates at over \$100 billion.

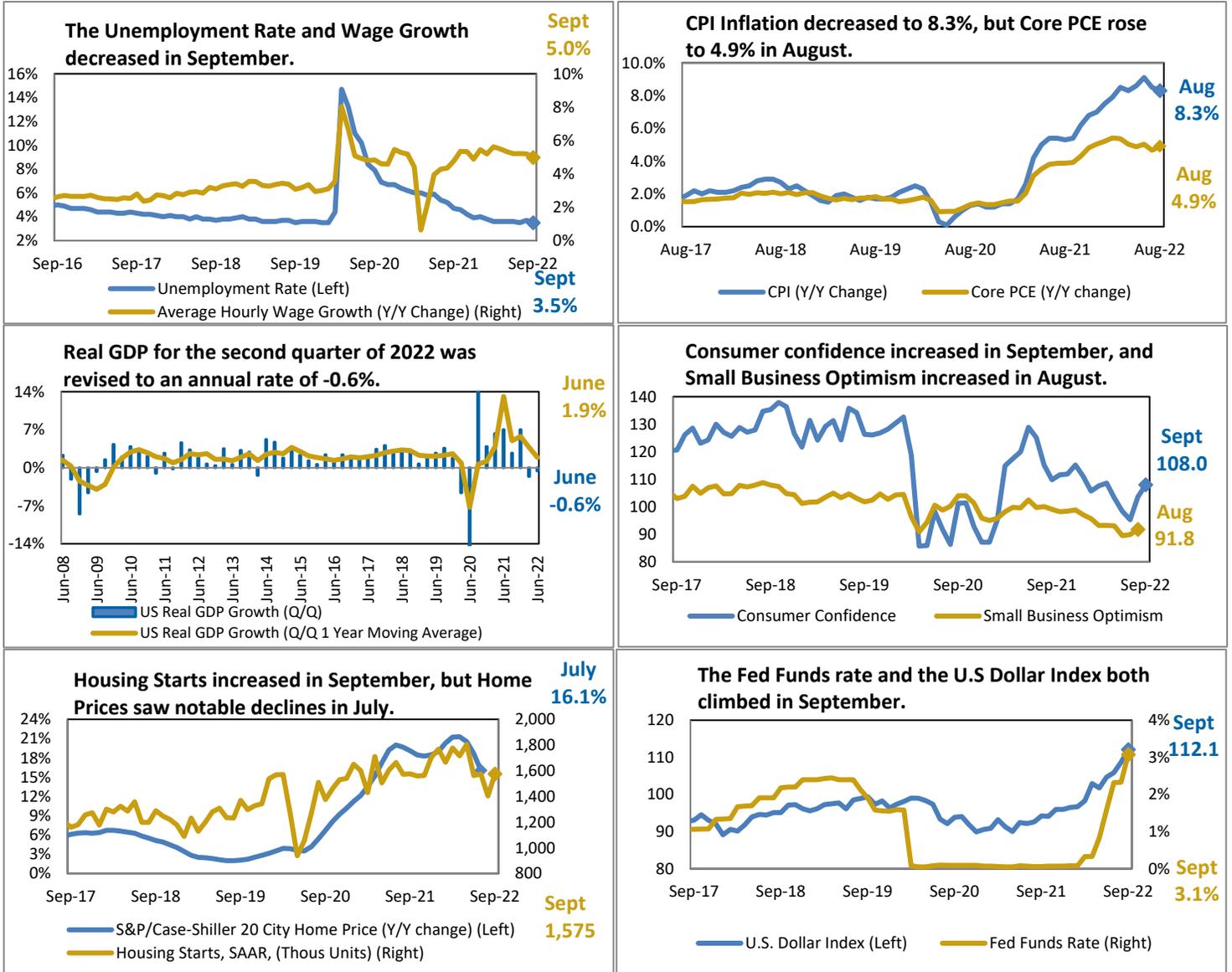
*Sources: Bureau of Labor Statistics, Commerce Department, Reuters, Wall Street Journal, Financial Times, Bloomberg, and FactSet.*

## Market Performance



Source: FactSet, as of September 30, 2022.

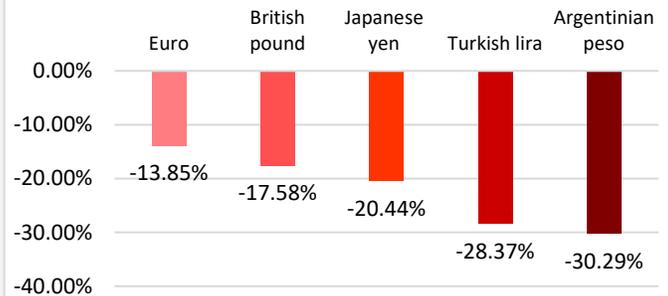
## Key Monthly Economic Statistics



### Chart of the Month

- Year to date, the U.S. dollar recorded record gains against international currencies.
- A strong U.S. dollar can help reduce U.S. inflation by reducing the price of imported goods and services, but can hurt U.S. exports.
- The global economy is impacted by a strengthening U.S. dollar as central banks around the world are under pressure to increase their interest rates to prevent the depreciation of their currencies.

### Global Currencies vs US Dollar (YTD % Change)



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.

## Investment Fund Review (Net-of-Fees Performance)<sup>i</sup>

### Equity Funds

#### U.S. Equity Fund

Fund	September	QTD	YTD
U.S. Equity Fund	-8.91%	-3.68%	-24.72%
Russell 3000 Index	-9.27%	-4.46%	-24.62%
Difference (percentage points)	+0.36	+0.78	-0.10

- During the month and quarter, the fund outperformed its benchmark as a result of dedicated allocations to private equity and private real estate, and its strategic underweight to mega-cap stocks and overweight to small and mid-cap growth-oriented companies.
- Year to date, the fund underperformed its benchmark mainly due to underperforming 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](#)). To a lesser extent, an underweight to larger-cap companies and the fund's dedicated investments in private equity and private real estate contributed positively to benchmark-relative performance.

#### International Equity Fund

Fund	September	QTD	YTD
International Equity Fund	-10.79%	-11.46%	-30.93%
MSCI ACWI ex U.S. Investable Market Index (Net)	-10.14%	-9.69%	-26.92%
Difference (percentage points)	-0.65	-1.77	-4.01

- During the month and quarter, the fund underperformed its benchmark due to underperforming growth-oriented managers, write-downs in some private equity holdings and the fund's fair market valuation policy (described [here](#)).
- 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	September	QTD	YTD
U.S. Equity Index Fund	-9.27%	-4.53%	-24.91%
Russell 3000 Index	-9.27%	-4.46%	-24.62%
Difference (percentage points)	0.00	-0.07	-0.29

- 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	September	QTD	YTD
Fixed Income Fund	-3.78%	-3.65%	-14.86%
Barclays U.S. Universal (ex MBS) Index	-4.08%	-4.18%	-15.27%
Difference (percentage points)	+0.30	+0.53	+0.41

- In September, the fund's allocation to U.S. agency commercial mortgage-backed securities and manager security selection in alternatives, emerging market debt and core bonds added to benchmark-relative performance.
- During the quarter, allocations to high-yield corporate bonds added to relative performance, while the allocation to global bonds detracted. Manager security selection added to relative performance, especially in high-yield corporate bonds, emerging market bonds, alternatives and core bond strategies.
- Year to date, the fund's allocation to emerging market and global bonds detracted from benchmark-relative performance. 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. Manager security and sector selection were positive for the period.

### Extended Term Fixed Income Fund

Fund	September	QTD	YTD
Extended Term Fixed Income Fund	-6.16%	-6.40%	-22.10%
Barclays U.S. Government/Credit Long Term Index	-8.30%	-9.03%	-28.94%
Difference (percentage points)	+2.14	+2.63	+6.84

- The fund's policy of maintaining a lower sensitivity to interest rate movements until interest rates return to more "normal" levels added to benchmark-relative performance for the month, quarter and year to date.

### Inflation Protection Fund

Fund	September	QTD	YTD
Inflation Protection Fund (IPF)	-5.50%	-3.78%	-7.88%
IPF Benchmark <sup>ii</sup>	-6.33%	-5.30%	-13.20%
Difference (percentage points)	+0.83	+1.52	+5.32

- The fund's underweight allocation to U.K. inflation-linked securities added to benchmark-relative performance in all periods.
- During September and the third quarter, the fund's allocations to senior-secured loans and high-yield-rated asset-backed securities added to benchmark-relative performance. Manager security and sector selection also contributed positively for both periods.
- Year to date, the fund's allocations to commodities and senior secured loans added to benchmark-relative performance. Manager security and sector selection also contributed positively.

### Balanced Fund

#### Multiple Asset Fund

Fund	September	QTD	YTD
Multiple Asset Fund (MAF)	-7.79%	-5.88%	-22.41%
MAF Benchmark <sup>iii</sup>	-7.94%	-6.00%	-21.85%
Difference (percentage points)	+0.15	+0.12	-0.56

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

## Social Values Choice Suite of Funds

### Social Values Choice Bond Fund

Fund	September	QTD	YTD
Social Values Choice Bond Fund	-3.87%	-4.16%	-14.86%
Barclays U.S. Universal (ex MBS) Index	-4.08%	-4.18%	-15.27%
Difference (percentage points)	+0.21	+0.02	+0.41

- 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 detracted from benchmark-relative performance for the year, but added for the month and quarter.

### Social Values Choice Equity Fund

Fund	September	QTD	YTD
Social Values Choice Equity Fund (SVCEF)	-9.27%	-7.67%	-27.37%
SVCEF Benchmark <sup>iv</sup>	-9.21%	-7.54%	-27.31%
Difference (percentage points)	-0.06	-0.13	-0.06

- 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](https://www.wespath.org/assets/1/7/3052.pdf)) negatively impacted benchmark-relative performance during all periods shown.

### U.S. Treasury Inflation Protection Fund

Fund	September	QTD	YTD
U.S. Treasury Inflation Protection Fund	-6.79%	-5.29%	-14.39%
Barclays U.S. Inflation Linked Bond Index	-6.87%	-5.26%	-14.42%
Difference (percentage points)	+0.08	-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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- <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 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.
- <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.