

# February 2024 Investment Report

## Highlights

- U.S. and international stock markets increased in February, while fixed income markets declined.
- The S&P 500 Index of U.S. stocks gained 5.3%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI returned 2.3% this month. The Bloomberg U.S. Aggregate Bond Index fell 1.4%.
- In February, U.S. employers added 275,000 non-farm jobs. The unemployment rate increased to 3.9%.
- The Core Personal Consumption Expenditures (PCE) Price Index, the U.S. Federal Reserve's (Fed) preferred inflation measure, increased 2.8% for the 12 months ended in January.
- The International Equity Fund, Fixed Income Fund, Inflation Protection Fund and Multiple Asset Fund outperformed their respective benchmarks for the month, while the U.S. Equity Fund underperformed its benchmark.

## Monthly Overview

### U.S. Stocks off to a Strong Start in 2024, International Stocks Rebound

U.S. equities continued their rally in February. The first two months of 2024 are the best start of a year for the S&P and Dow since 2019. Artificial intelligence and technology companies continue to drive these indexes higher. The strongest performing market sectors in February included consumer discretionary, communications, technology and industrials. U.S. growth stocks, measured by the Russell 3000 Growth Index, increased 6.88%, while value stocks, measured by the Russell 3000 Value Index, increased 3.67%.

International equity markets ended the month higher. Japan's Nikkei reached an all-time high, breaking its previous record set 34 years ago. The falling yen, corporate deregulation and deflation in the country helped drive Japanese equities to record levels.

### Fixed Income Markets Continue to Lag

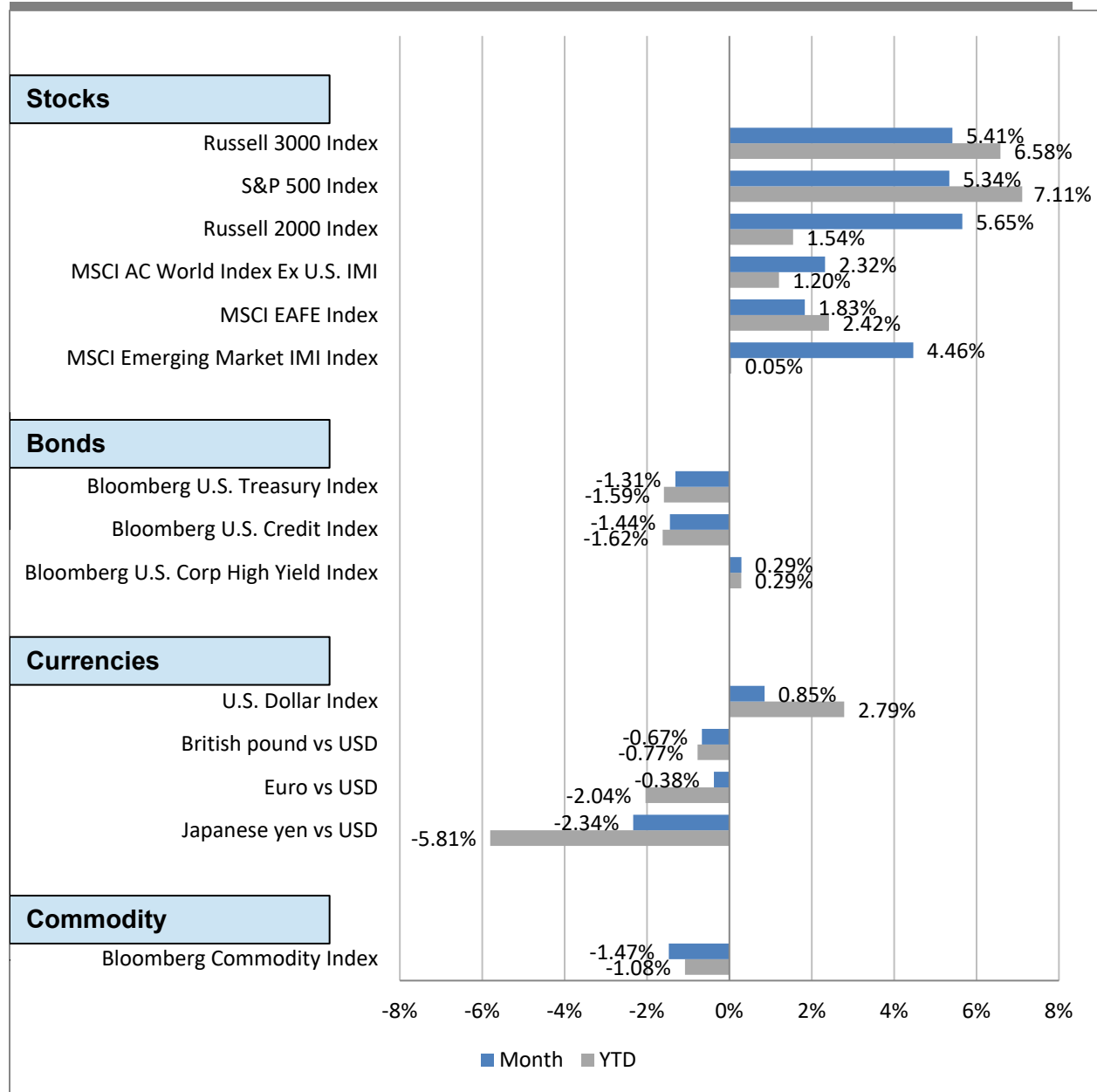
Resilient job markets, a strong economy and areas of persistent inflation will be in focus as the Fed meets in March to chart its continued path to reduce inflation to its 2% annual target. Core PCE rose 0.4% in January, the largest monthly increase in a year. This increase highlights the Fed's warning that the path to stable 2% annual inflation may be "bumpy." The Core Index excludes the more volatile food and energy components. Several members of the Fed are shrugging off PCE's increase in January, citing six and three-month annualized inflation rates that are closer to the Fed's 2% target. The estimated timing and level of rate cuts in 2024 continues to hang over fixed income markets. The Bloomberg Credit index declined 1.44%, and the Bloomberg U.S Treasury index declined 1.31% for the month.

### Artificial Intelligence (AI) Dominates Headlines

In February, Nvidia CEO Jensen Huang declared the emergence of a "whole new industry" around generative AI, a machine learning technique for creating new content (text, audio, images, videos). OpenAI's private release of Sora, a text-to-video AI generating movie-quality videos, exemplifies this development. However, concerns arose due to a deepfake President Biden robocall used in January's New Hampshire primary. This led the FCC to ban voice cloning technology in robocall scams. Generative AI is a rapidly developing field with significant potential but also raises concerns about misuse.

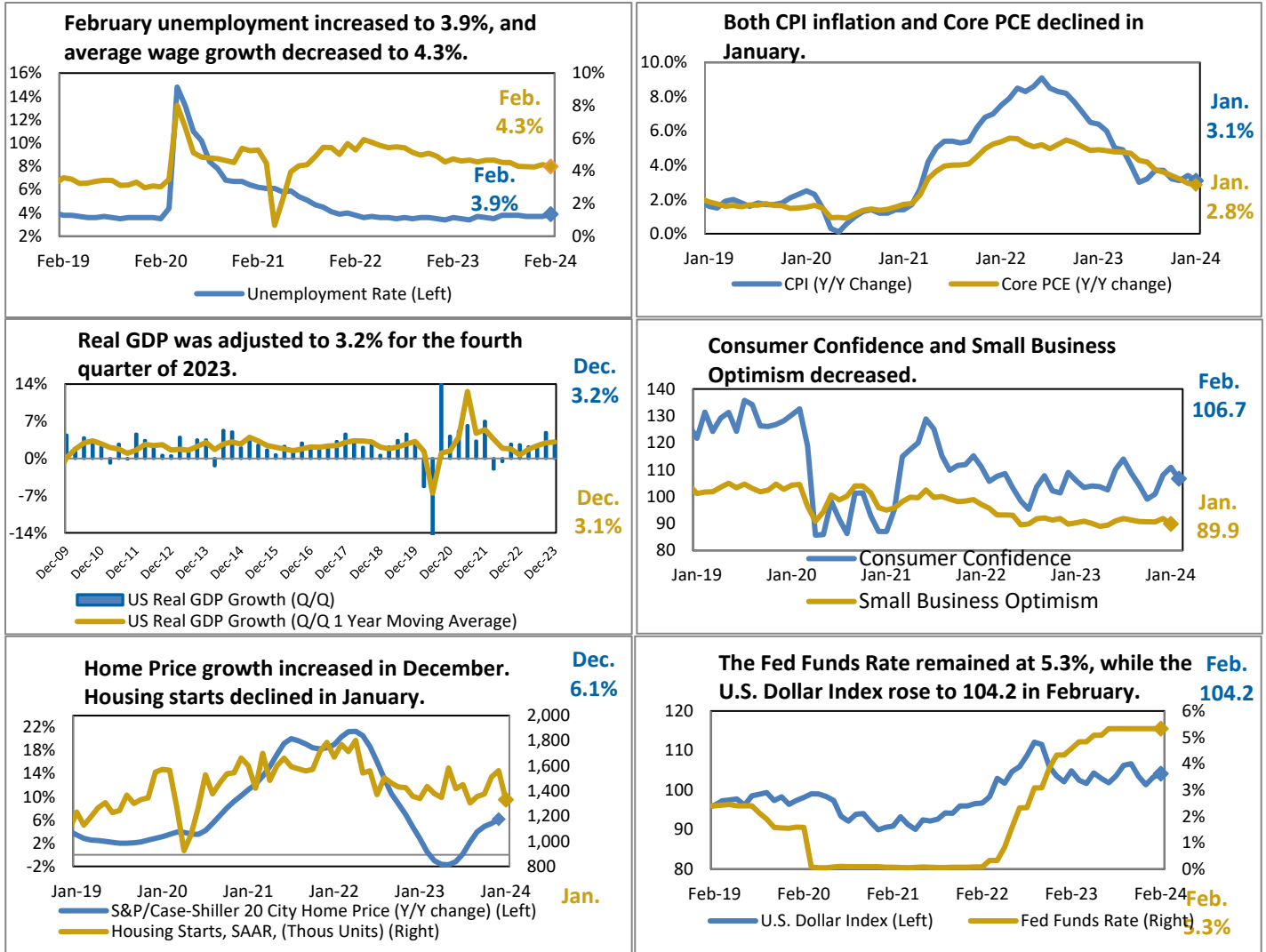
*Sources: Associated Press, Bureau of Economic Analysis, Bureau of Labor Statistics, Wall Street Journal, Bloomberg, and FactSet.*

## Market Performance



Source: FactSet, as of February 29, 2024.

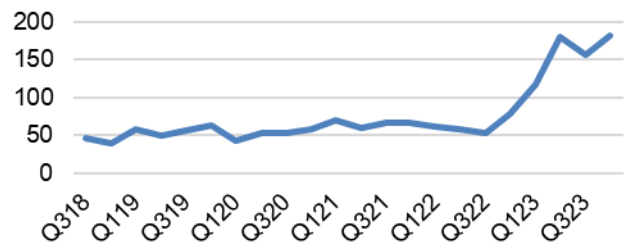
## Key Monthly Economic Statistics



### Chart of the Month

- An estimated 36% of S&P 500 companies cited Artificial Intelligence on Q4 2023 earnings calls.
- Uses for AI range from voice assistants, chatbots and conversational AI to process automation, predictive maintenance and reliability optimization.
- AI and its use cases have not yet been broadly adopted by consumers or companies, indicating further opportunities to implement the technology.

### # of S&P 500 Cos. Citing "AI" on Earnings Calls



Sources: 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, S&P Global, Bloomberg, Redfin.

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

### Equity Funds

#### U.S. Equity Fund

Fund	February	YTD
U.S. Equity Fund	4.93%	5.77%
Russell 3000 Index	5.41%	6.58%
Difference (percentage points)	-0.48	-0.81

- During the month, the fund underperformed its benchmark due to the fund's underweight to mega cap stocks, as well as negative performing private equity and real estate. The fund's overweight to small/mid cap growth stocks and active managers' investments in IT and health care contributed positively to relative performance.
- Year to date, the fund underperformed its benchmark. The strategic underweight to mega cap stocks and negative performing private equity and real estate detracted from relative performance. The fund was helped by four active managers outperforming their respective benchmarks and Wespath's Investment Exclusion policies (described [here](#)).

#### International Equity Fund

Fund	February	YTD
International Equity Fund	2.93%	0.21%
MSCI ACWI ex U.S. Investable Market Index (Net)	2.32%	1.20%
Difference (percentage points)	+0.61	-0.99

- During the month, the fund outperformed its benchmark. Active managers' investments in healthcare, financials, and consumer discretionary stocks detracted from relative performance. Additionally, the fund's fair market valuation policy (described [here](#)) positively impacted benchmark-relative performance for the month.
- Year to date, the fund underperformed its benchmark. Active managers' investments in healthcare, financial technology, and consumer discretionary stocks detracted from relative performance. Wespath's Investment Exclusion policies (described [here](#)) detracted from performance.

### U.S. Equity Index Fund

Fund	February	YTD
U.S. Equity Index Fund	5.43%	6.66%
Russell 3000 Index	5.41%	6.58%
Difference (percentage points)	+0.02	+0.08

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. During the month and year to date, certain stocks excluded in accordance with Wespath's Investment Exclusion policies (described [here](#)) positively impacted relative performance.
- This fund is not currently available for direct investment by participants

### Fixed Income Funds

#### Fixed Income Fund

Fund	February	YTD
Fixed Income Fund	-0.91%	-1.06%
Bloomberg U.S. Universal (ex MBS) Index	-1.07%	-1.25%
Difference (percentage points)	+0.16	+0.19

- For February, overweight allocations to high yield bonds and emerging market debt added to relative results.
- Year to date, overweight allocations to and high yield bonds and Wespath's Positive Social Purpose Lending Program and Agency CMBS as well as the allocation to and issue selection within investment grade credit contributed.

### Extended Term Fixed Income Fund

Fund	February	YTD
Extended Term Fixed Income Fund	-2.28%	-3.44%
Bloomberg U.S. Government/Credit Long Term Index	-2.44%	-3.93%
Difference (percentage points)	+0.16	+0.49

- For the month, security selection within the core and core plus strategies contributed positively to benchmark-relative performance. Issue selection within the long duration agency collateralized mortgage-backed security (long CMO) strategy detracted.
- Year to date, three of the four managers contributed to results, which were offset by selection within the long CMO strategy.

### Inflation Protection Fund

Fund	February	YTD
Inflation Protection Fund	-0.68%	-0.87%
IPF Benchmark <sup>ii</sup>	-1.11%	-0.92%
Difference (percentage points)	+0.43	+0.05

- For February, the allocation to and issue selection within the floating rate senior secured loan strategy added to benchmark-relative results. The allocation to emerging market inflation-linked bonds also contributed.
- Year to date, allocations to floating rate senior secured loans and developed market global inflation linked bonds contributed to relative results. The commodity manager's issue selection also contributed. The allocation to and issue selection within emerging market inflation linked bonds detracted.

### Short Term Investment Fund

Fund	February	YTD
Short Term Investment Fund (STIF)	0.37%	0.83%
BofA Merrill Lynch 3-Month Treasury Bill Index	0.41%	0.84%
Difference (percentage points)	-0.04	-0.01

- For February, the fund modestly underperformed the benchmark due to manager issue selection.
- Year to date, the fund performed in line with the benchmark.
- This fund is only available to plan sponsors

### Balanced Fund

#### Multiple Asset Fund

Fund	February	YTD
Multiple Asset Fund	2.37%	1.83%
MAF Benchmark <sup>iii</sup>	2.21%	2.25%
Difference (percentage points)	+0.16	-0.42

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

## Social Values Choice Suite of Funds

### Social Values Choice Equity Fund

Fund	February	YTD
Social Values Choice Equity Fund (SVCEF)	4.53%	6.24%
SVCEF Benchmark <sup>iv</sup>	4.40%	6.27%
Difference (percentage points)	+0.13	-0.03

- 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](#)) positively impacted benchmark-relative performance for the month and year.

### Social Values Choice Bond Fund

Fund	February	YTD
Social Values Choice Bond Fund	-1.17%	-1.10%
Bloomberg U.S. Universal (ex MBS) Index	-1.07%	-1.25%
Difference (percentage points)	-0.10	+0.15

- For the month, interest-rate strategies and the underweight to dollar-denominated emerging market issues detracted from benchmark-relative performance. Security selection within investment grade credit and non-Agency-MBS partially offset negative results.
- Interest rate and currency strategies detracted from relative results but were more than offset by selection within investment grade credit and non-agency mortgage-backed securities.



**U.S. Treasury Inflation Protection Fund**

Fund	February	YTD
U.S. Treasury Inflation Protection Fund	-1.07%	-0.68%
Bloomberg U.S. Inflation Linked Bond Index	-1.07%	-0.91%
Difference (percentage points)	0.00	+0.23

- 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.
- For the month, the fund performed in line with the benchmark.
- Year to date, the performance difference is due to Wespath's fair market value (FMV) adjustment applied on December 31, 2023, given the early market close on that day. The FMV adjustment adjusts prices by an amount based on full trading day pricing assumptions.

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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, including fees and expenses. This is not an offer to purchase securities.

<sup>ii</sup> Effective February 1, 2023, the benchmark for the Inflation Protection Fund is 90% Bloomberg U.S. Treasury Inflation-Linked Bond Index 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% Bloomberg 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.