

# January 2024 Investment Report

## Highlights

- For the broad markets, stocks were mixed in January while fixed income markets were lower.
- The S&P 500 Index of U.S. stocks gained 1.7%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI returned -1.1% this month. The Bloomberg U.S. Aggregate Bond Index was down 0.3%.
- U.S. Real Gross Domestic Product (GDP) grew 3.3% annualized during the fourth quarter, higher than expected.
- In January, U.S. employers added 353,000 non-farm jobs. The unemployment rate remained at 3.7%.
- Consumer spending was up 0.7% in December, higher than estimates, and the Personal Savings rate fell to 3.7%, the lowest level in a year.
- The Fixed Income Fund outperformed its benchmark for the month while the U.S. Equity Fund, International Equity Fund, Inflation Protection Fund and Multiple Asset Fund underperformed their respective benchmarks.

## Monthly Overview

### U.S. Stocks Extend Rally as Probability of a “Soft Landing” Increases

Market participants have increasingly embraced the idea that the U.S. Federal Reserve (Fed) increased interest rates enough to slow economic growth with the intent to lower inflation, but not enough to cause a recession. In other words, the Fed may accomplish a “soft landing” for the economy.

Positive market narratives include a resilient consumer, strong jobs market, stronger than expected economic growth and expectations for the Fed to lower interest rate in 2024. In response, U.S. equities extended the end-of-year rally. Fixed income markets decreased modestly as valuations adjusted to shifting expectations around the timing and level of rate cuts in 2024. Positive economic data points to positive growth, and a strong economy can lead to higher prices if demand for goods and services outpaces supply. Due to this, the Fed is holding off on reducing rates as they remain diligent in their mission to reduce inflation to a 2% target.

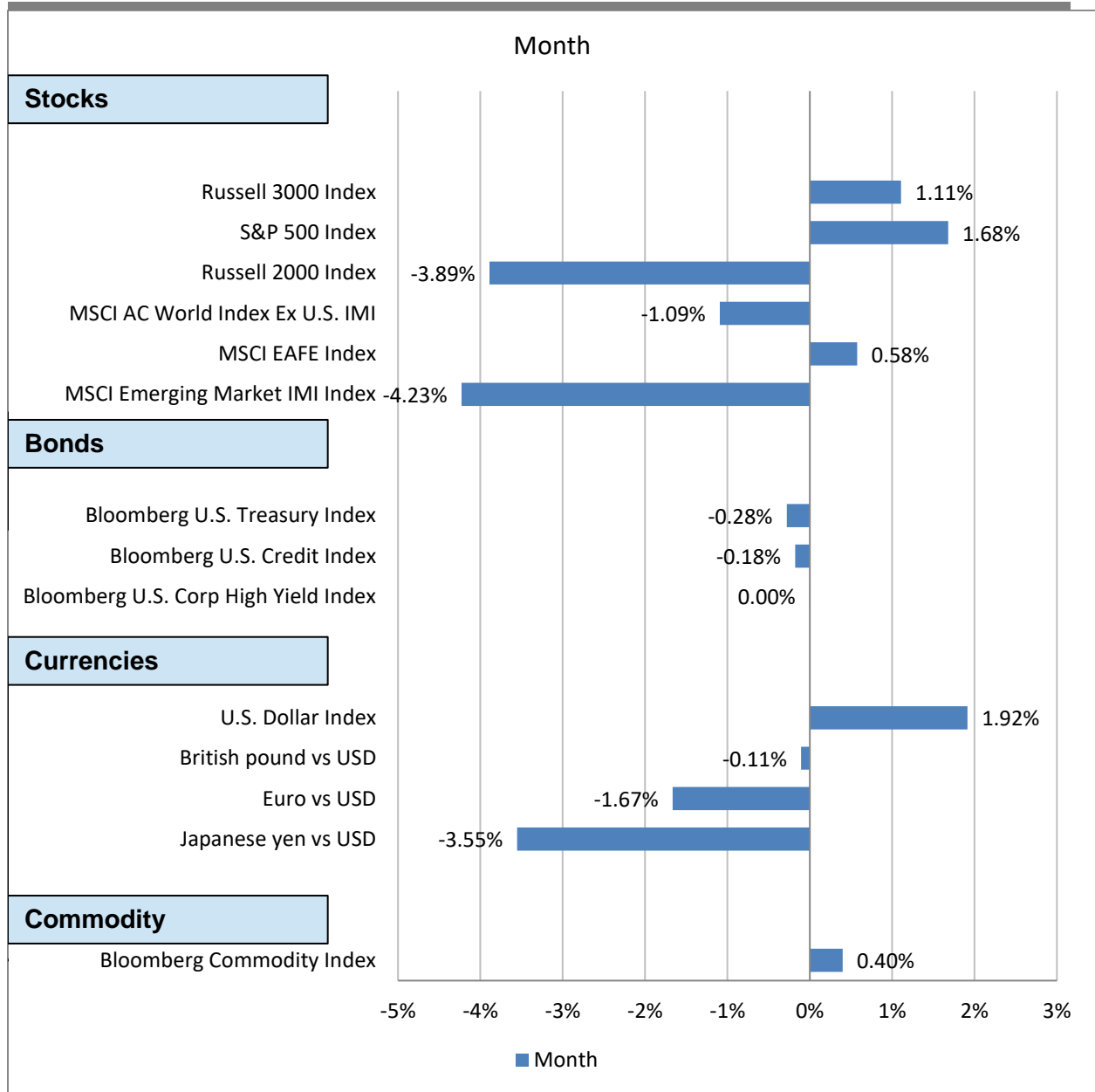
U.S. growth stocks, measured by the Russell 3000 Growth Index, increased 2.2%, while value stocks, measured by the Russell 3000 Value Index, decreased 0.2%. In fixed income, the Bloomberg Universal ex-MBS bond index returned -0.2%, while high yield corporate bonds were roughly flat. Commodities increased a modest 0.4%. Energy increased 2.8% in January, while metals decreased.

### Economic Update

U.S. Real GDP grew at an annual rate of 3.3% in the fourth quarter, according to the advance estimate from the Bureau of Economic Analysis, beating economists’ predictions. The U.S. labor market continued to exhibit strength, adding 353,000 non-farm jobs in January, while employment estimates for November and December were revised higher by a combined 126,000 jobs. The core Consumer Price Index (CPI) had a 12-month increase of 3.9% as of December. The core Personal Consumption Expenditures (PCE) Price Index, the Fed’s preferred measure of inflation, increased 2.9% from the same month one year ago. CPI has a higher shelter weighting than the PCE index, contributing to the difference. Core indexes don’t measure food and energy, which tend to be more volatile, making it easier to see underlying inflation trends.

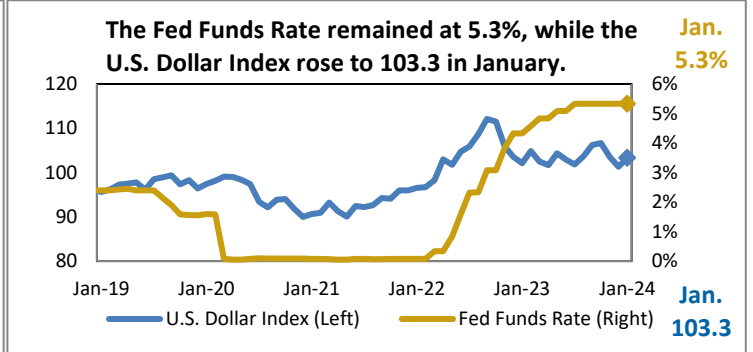
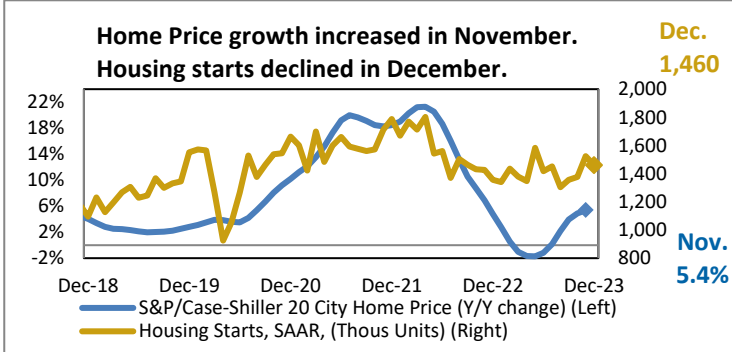
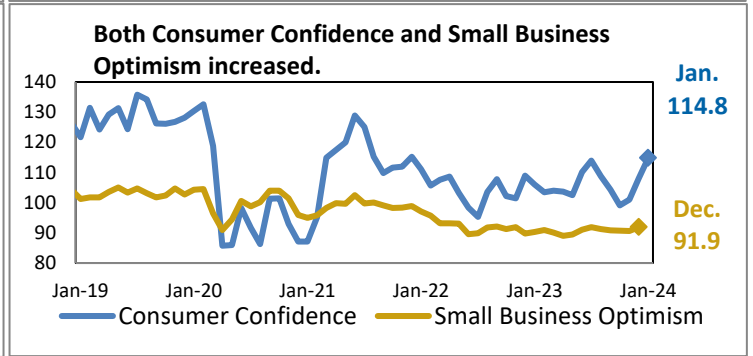
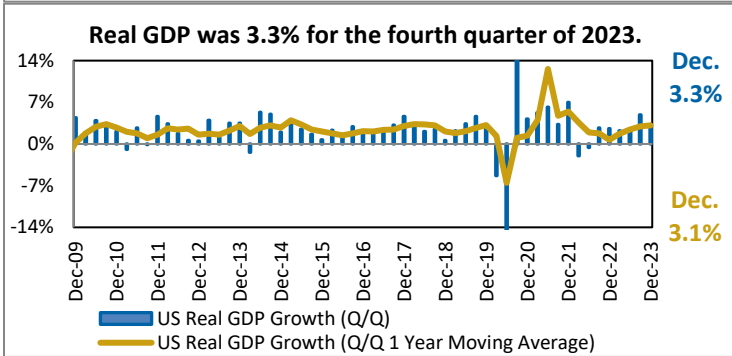
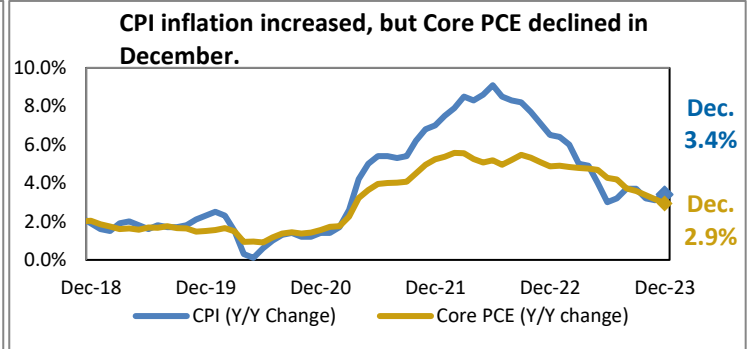
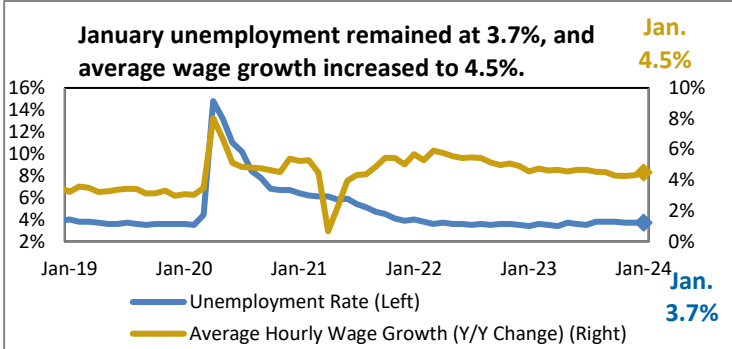
Sources: Associated Press, Bureau of Economic Analysis, Bureau of Labor Statistics, Wall Street Journal, Bloomberg, and FactSet.

## Market Performance



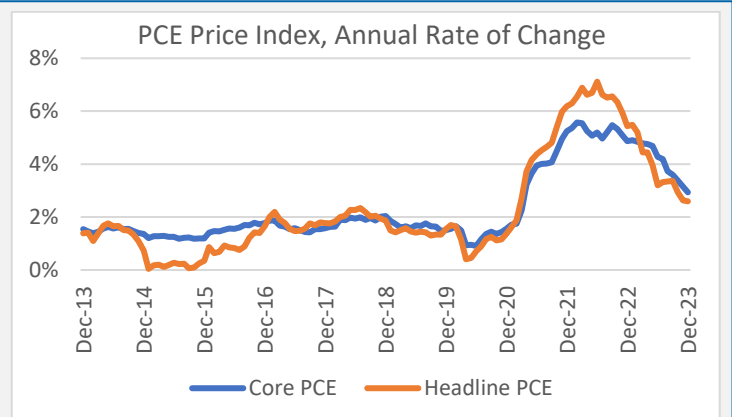
Source: FactSet, as of January 31, 2024.

## Key Monthly Economic Statistics



### Chart of the Month

- Core inflation dropped more than expected in December.
- Strong economic growth and lower inflation data gives the Fed the flexibility to cautiously shift monetary policy.
- The market expects the Fed to reduce interest rates in 2024, but the timing and size of rate cuts remain uncertain.



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, S&P Global, Bloomberg, Redfin.

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

### Equity Funds

#### U.S. Equity Fund

Fund	January
U.S. Equity Fund	+0.80%
Russell 3000 Index	+1.11%
Difference (percentage points)	-0.31

- During the month, the fund underperformed its benchmark due to strategic allocations. Specifically, the fund's underweight to mega cap stocks and overweight to small/mid cap stocks detracted from relative performance. Active managers' investments in IT contributed positively to relative performance.

#### International Equity Fund

Fund	January
International Equity Fund	-2.64%
MSCI ACWI ex U.S. Investable Market Index (Net)	-1.09%
Difference (percentage points)	-1.55

- During the month, the fund underperformed its benchmark. Active managers' investments in healthcare and financials detracted from relative performance. Additionally, the fund's fair market valuation policy (described [here](#)) negatively impacted benchmark-relative performance for the month.

#### U.S. Equity Index Fund

Fund	January
U.S. Equity Index Fund	+1.16%
Russell 3000 Index	+1.11%
Difference (percentage points)	+0.05

- 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, certain stocks excluded in accordance with Wespath's Investment Exclusion policies (described [here](#)) positively impacted relative performance.
- This fund is only available to plan sponsors and other institutional investors approved by Wespath under exceptional circumstances.

## Fixed Income Funds

### Fixed Income Fund

Fund	January
Fixed Income Fund	-0.15%
Bloomberg U.S. Universal (ex MBS) Index	-0.17%
Difference (percentage points)	+0.02

- For January, the allocation to Wespath's Positive Social Purpose Lending Program (PSP) contributed positively to benchmark-relative performance but was offset by the overweight allocation to emerging-market debt.

### Extended Term Fixed Income Fund

Fund	January
Extended Term Fixed Income Fund	-1.18%
Bloomberg U.S. Government/Credit Long Term Index	-1.53%
Difference (percentage points)	+0.35

- For the month, security selection within the core plus and enhanced passive strategies contributed positively to benchmark-relative performance.

### Inflation Protection Fund

Fund	January
Inflation Protection Fund (IPF)	-0.19%
IPF Benchmark <sup>ii</sup>	+0.03%
Difference (percentage points)	-0.22

- For January, the allocation to, and issue selection within, emerging-market inflation-linked securities detracted from benchmark-relative results. The allocation to developed-market global inflation-linked bonds also detracted.

**Short Term Investment Fund**

Fund	January
Short Term Investment Fund (STIF)	+0.46%
BofA Merrill Lynch 3-Month Treasury Bill Index	+0.43%
Difference (percentage points)	+0.03

- For January, the fund modestly outperformed the benchmark. The Fund has a higher yield than the benchmark due to exposures to structured product and corporate securities, which positively contributed to results.
- This fund is only available to plan sponsors and other institutional investors approved by Wespath under exceptional circumstances.

**Balanced Fund**

**Multiple Asset Fund**

Fund	January
Multiple Asset Fund (MAF)	-0.53%
MAF Benchmark <sup>iii</sup>	+0.04%
Difference (percentage points)	-0.57

- 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.

## Social Values Choice Suite of Funds

### Social Values Choice Equity Fund

Fund	January
Social Values Choice Equity Fund (SVCEF)	+1.63%
SVCEF Benchmark <sup>iv</sup>	+1.79%
Difference (percentage points)	-0.16

- 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](#)) negatively impacted benchmark-relative performance for the month.

### Social Values Choice Bond Fund

Fund	January
Social Values Choice Bond Fund	+0.07%
Bloomberg U.S. Universal (ex MBS) Index	-0.17%
Difference (percentage points)	+0.24

- Interest-rate strategies helped benchmark-relative performance during the month, especially the overweight allocation to European rates.

### U.S. Treasury Inflation Protection Fund

Fund	January
U.S. Treasury Inflation Protection Fund	+0.39%
Bloomberg U.S. Inflation Linked Bond Index	+0.15%
Difference (percentage points)	+0.24

- 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 performance difference is due to Wespath's fair market value (FMV) adjustment which was 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. 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.