

July 2019 Investment Report

Highlights

- U.S. Gross Domestic Product (GDP) grew at an annual rate of 2.1% during the second quarter of 2019, driven by increases in consumer and government spending.
- U.S. Consumer Confidence rebounded in July to reach a new high for the year as domestic stock market indices surged to record highs in anticipation of a Federal Reserve interest rate cut.
- The Federal Reserve met market expectations by announcing a 25 basis point interest rate cut on July 31. This was the Fed's first rate cut since 2008.
- China's second quarter GDP growth slowed to an annual rate of 6.2%, its slowest quarterly growth in 27 years, as its economy felt the effects of a prolonged trade dispute with the United States.
- After the resignation of Theresa May, Boris Johnson became prime minister of the United Kingdom on July 24. He promised that the U.K. would leave the European Union on October 31, with or without a deal.
- In July, the U.S. Equity Fund, International Equity Fund, Inflation Protection Fund, and Multiple Asset Fund underperformed their benchmarks. The Fixed Income Fund outperformed its benchmark.

Monthly Overview

Gross domestic product increased at an annual rate of 2.1% in Q2

On Friday July 26, the Bureau of Economic Analysis released its first estimate of second quarter GDP. The report showed an annual growth rate of 2.1%, exceeding economic forecasts but marking a slowdown from first quarter growth of 3.1%. The second quarter saw a 4.3% increase in personal consumer expenditures and 5% growth in government expenditures, which contributed positively to overall growth. The biggest detractor was a 5.5% decrease in gross private domestic investment.

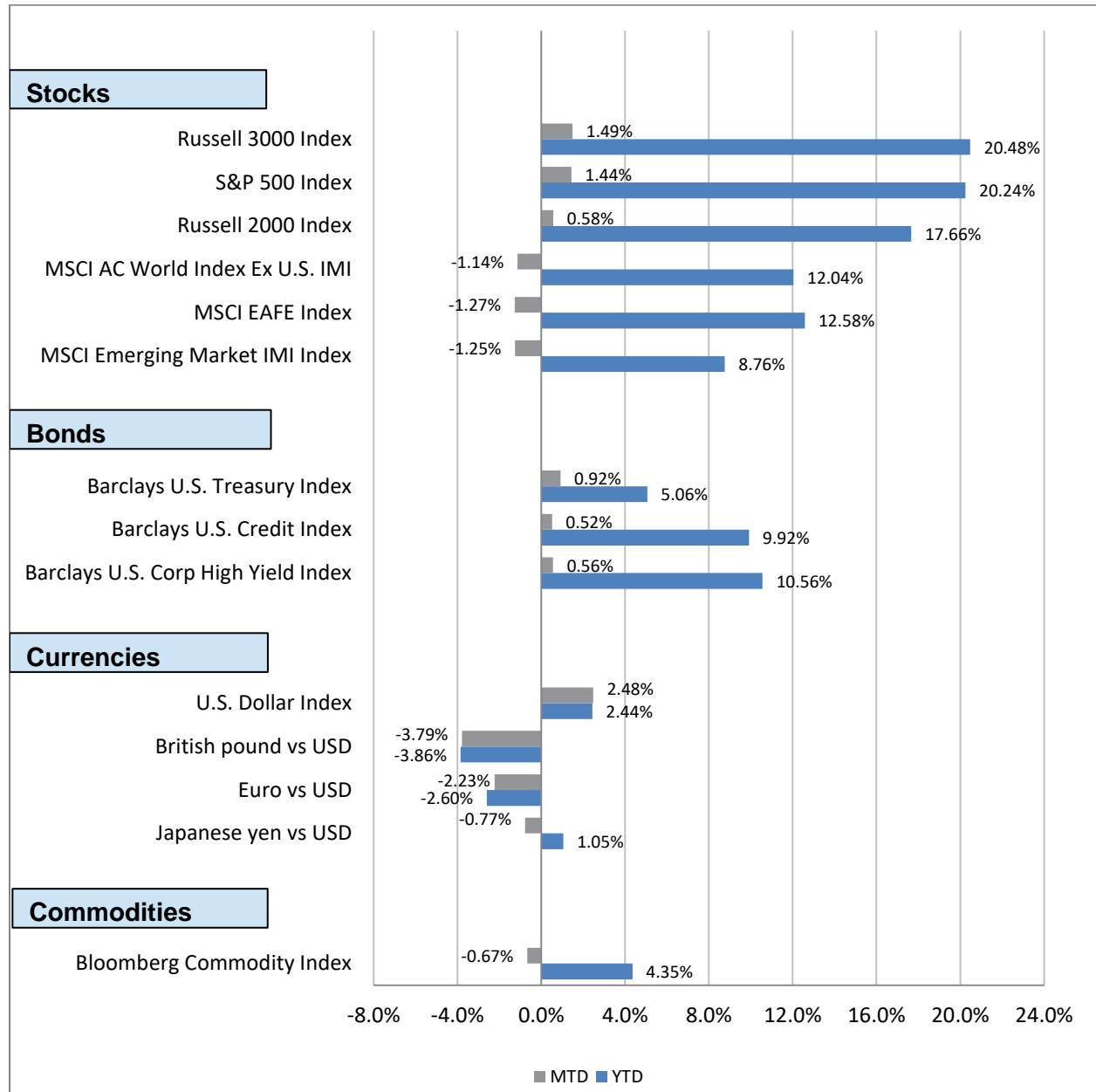
Markets reached record highs

The S&P 500, Nasdaq Composite and Dow Jones Industrial Average each reached record highs during the month amid stronger-than-expected earnings reports from technology companies and anticipation of a Fed rate cut. Google's parent company, Alphabet Inc., reported that earnings tripled from a year earlier and announced a \$25 billion share repurchase program, driving the company's shares 9% higher. Of the 71% of companies in the S&P 500 that reported second quarter earnings, 75% beat expectations. These companies tallied a blended, year-over-year earnings decline of 1.4%, exceeding quarter-end expectations of a 2.7% decline.

S&P 500 and 10 Year treasury yields diverge

Since the beginning of the year, the S&P 500 and the 10-Year U.S. Treasury yield have moved in opposite directions, potentially signaling conflicting views in the market. Equities markets rebounded from a weak fourth quarter of 2018, surging to record highs as the Fed pivoted from a policy of monetary tightening and began to signal rate cuts. At the same time, bond markets this year are signaling an economic downturn as worries about a protracted trade war and the possibility of a recession drive yields lower.

Market Performance



Source: FactSet, as of July 31, 2019

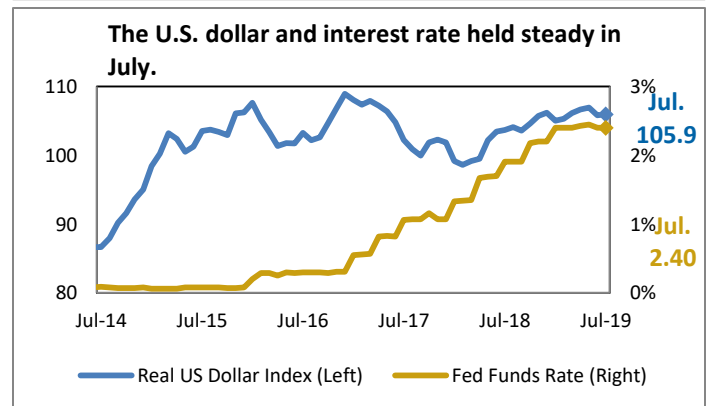
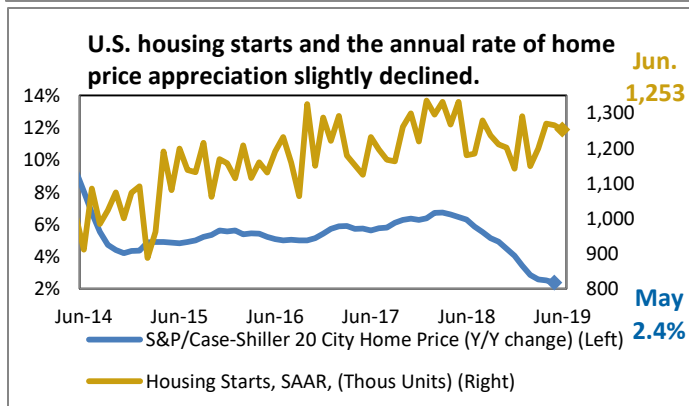
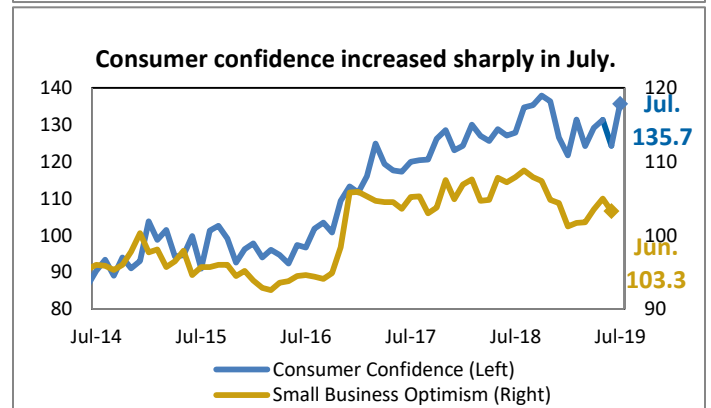
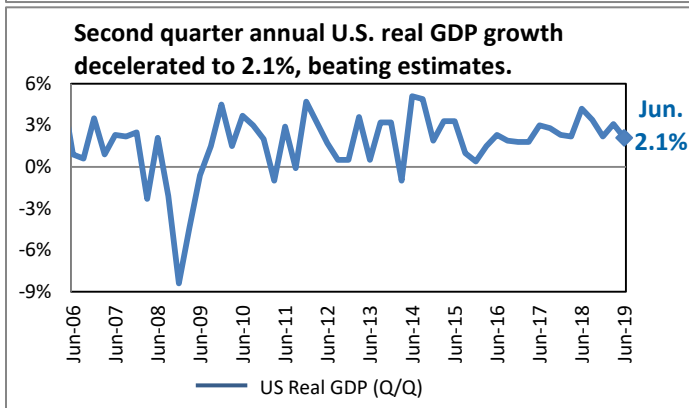
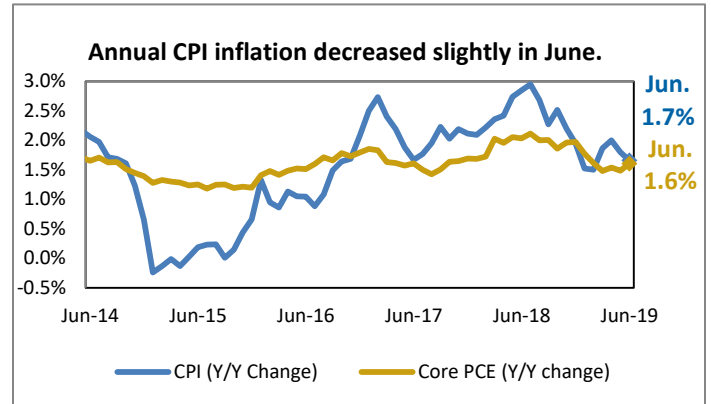
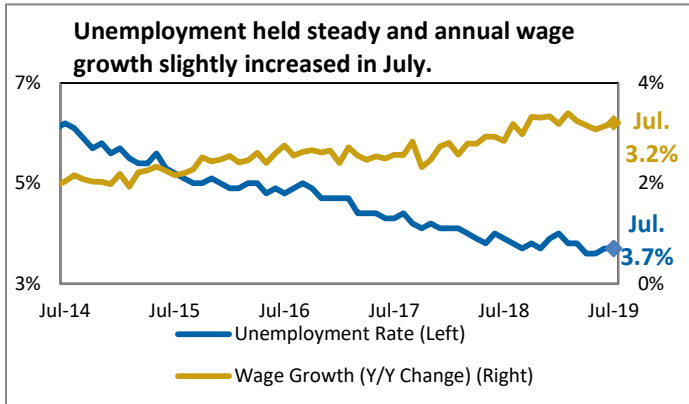
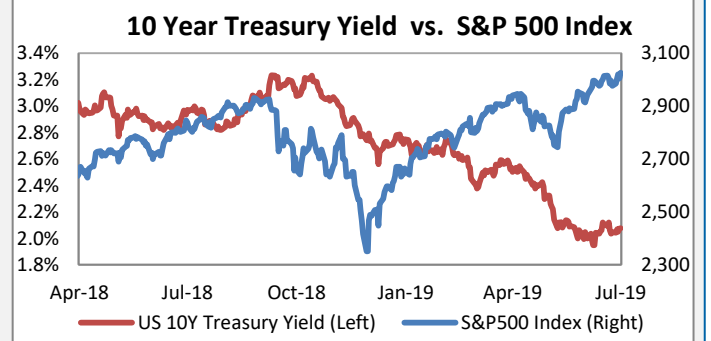


Chart of Month

- The S&P 500 index reached an all-time high in July, gaining 29% from its December 2018 low, while the U.S. 10 Year Treasury yield hit a low of 1.95% for the first time since November 2016.
- The U.S. has experienced near-record-low unemployment and the longest economic expansion in history, but below-target inflation, uncertainty from trade tensions and discouraging global growth have prompted the U.S. Federal Reserve and other major central banks to ease monetary policy.



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

Equity Funds

U.S. Equity Fund

Fund	July	YTD
U.S. Equity Fund	+1.17%	+21.87%
Russell 3000 Index	+1.49%	+20.48%
Difference (percentage points)	-0.32	+1.39

- For the month, the fund's strategic overweight to small- and mid-sized company stocks, along with its dedicated allocation to private equity and private real estate, detracted from relative performance.
- Year to date, outperforming e-commerce and biotech investments held by managers had a sizable positive impact on the fund's relative performance. The fund's strategic overweight to small- and mid-sized company stocks, and corresponding underweight to large-company stocks, detracted from relative performance. Dedicated investments in private equity and private real estate also detracted from benchmark-relative returns.

International Equity Fund

Fund	July	YTD
International Equity Fund	-1.46%	+13.95%
MSCI ACWI ex U.S. Investable Market Index (Net)	-1.14%	+12.04%
Difference (percentage points)	-0.32	+1.91

- For the month, the largest detractor to relative performance was the fund's fair market valuation policy (described [here](#)). Asset managers' poor stock selection within the U.K. also detracted from benchmark-relative performance. The fund's dedicated allocations to private equity and private real estate positively contributed to relative returns.
- Year to date, the fund outperformed its benchmark due to over 70% of active managers outperforming their respective benchmarks. Specifically, an underweight to poor-performing Japan and superior stock selection within Japan, China and the U.K. were the largest contributors to benchmark-relative returns. The fund's strategic allocation to alternative investments, along with stocks excluded in compliance with Wespath's Exclusions policy (described [here](#)), detracted from benchmark-relative performance. Additionally, the fund's strategic overweight to emerging market equities detracted from relative performance.

U.S. Equity Index Fund

Fund	July	YTD
U.S. Equity Index Fund	+1.47%	+20.34%
Russell 3000 Index	+1.49%	+20.48%
Difference (percentage points)	-0.02	-0.14

- 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	July	YTD
Fixed Income Fund	+0.41%	+7.74%
Barclays U.S. Universal (ex MBS) Index	+0.27%	+7.55%
Difference (percentage points)	+0.14	+0.19

- The fund's overweight allocation to emerging market debt was the biggest contributor to benchmark-relative results for the month and year to date periods. Wespath's Positive Social Purpose Lending Program positively contributed to relative performance for the month.
- Year to date, the fund's overweight allocation to below investment grade corporate credit positively contributed to benchmark relative performance. Core plus manager decisions to overweight corporate bonds issued by financial companies and allocate to bonds denominated in certain emerging market currencies also contributed. The fund's overweight allocation to U.S. Agency commercial mortgage backed securities and exposure to developed market non-U.S. dollar denominated bonds and distressed debt detracted.

Extended Term Fixed Income Fund

Fund	July	YTD
Extended Term Fixed Income Fund	+0.52%	+10.59%
Barclays U.S. Government/Credit Long Term Index	+0.73%	+14.29%
Difference (percentage points)	-0.21	-3.70

- The fund's policy of maintaining a lower sensitivity to interest rate movements detracted from monthly and year-to-date benchmark-relative results. Underlying manager security selection decisions positively contributed to relative results.

Inflation Protection Fund

Fund	July	YTD
Inflation Protection Fund	+0.72%	+6.76%
IPF Benchmark ⁱⁱ	+1.70%	+8.95%
Difference (percentage points)	-0.98	-2.19

- The fund's underweight to U.K. inflation linked bonds was the biggest detractor from benchmark-relative performance for the month and year-to-date. The fund's allocation to below-investment-grade floating rate strategies also detracted from relative results during both periods.
- Year to date, the dedicated emerging market inflation linked bond manager's security selections and currency strategy decisions positively contributed to benchmark relative results, as did the dedicated commodities manager's decision to overweight the energy sector.

Balanced Fund

Multiple Asset Fund

Fund	July	YTD
Multiple Asset Fund	+0.15%	+14.24%
MAF Benchmark ⁱⁱⁱ	+0.42%	+13.63%
Difference (percentage points)	-0.27	+0.61

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

Social Values Choice Suite of Funds

Social Values Choice Bond Fund

Fund	July	YTD
Social Values Choice Bond Fund	+0.24%	+7.72%
Barclays U.S. Universal (ex MBS) Index	+0.27%	+7.55%
Difference (percentage points)	-0.03	+0.17

- For the month, fund performance was similar to benchmark performance.
- Year to date, the overweight to corporate bonds issued by financial companies and allocation to bonds denominated in certain emerging market currencies positively contributed to relative results. The underweight to U.S. dollar denominated emerging market debt modestly detracted.

Fund	July	YTD
Social Values Choice Equity Fund	+0.64%	+17.96%
SVCEF Benchmark ^{iv}	+0.77%	+17.76%
Difference (percentage points)	-0.13	+0.20

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. The fair market valuation policy (described [here](#)) negatively affected relative performance during the month but was a positive contribution year to date.

U.S. Treasury Inflation Protection Fund

Fund	July	YTD
U.S. Treasury Inflation Protection Fund	+0.36%	+6.61%
Barclays U.S. Inflation Linked Bond Index	+0.39%	+6.80%
Difference (percentage points)	-0.03	-0.19

- 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, the Summary Fund Description and the Statement of Additional Information](#) 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.