

June 2021 Investment Report

Highlights

- The S&P 500 and NASDAQ increased 2.3% and 5.6%, respectively, reaching record levels during the month.
- Inflation, as measured by the Personal Consumption Expenditure (PCE) Price Index, rose 3.9% year over year in May. The Core PCE Price Index, which excludes volatile food and energy prices, rose 3.4%. Similarly, the Consumer Price Index (CPI) increased 5% year over year in May, its largest increase since August 2008.
- Yields of longer-dated U.S. Treasury securities decreased during the month as Federal Reserve officials indicated the central bank may increase short-term interest rates sooner than previously projected.
- The U.S. economy added 850,000 non-farm jobs in June, while the unemployment rate rose slightly to 5.9%.
- USEF, IEF, IPF and MAF outperformed their respective benchmarks in June, while FIF underperformed its benchmark.

Monthly Overview

Economic Recovery Continues

The U.S. economic recovery continued in June, supported by effective vaccine rollout, as well as monetary and fiscal policy. The American economy added a robust 850,000 non-farm jobs in June, according to the U.S. Bureau of Labor Statistics, and many economic indicators are above or near pre-pandemic levels. Market participants are now pondering when support from the Federal Reserve (Fed) will “taper.” Some Fed officials have hinted that they are open to a “go slow” approach to tapering. As a result, many expect the Fed Funds Rate to stay near zero and the monthly open market purchasing of \$120 billion in securities to continue for some time. Meanwhile, conversations in Congress regarding an infrastructure bill could provide additional economic support.

The S&P 500 increased 2.3% in June and 15.3% during the first half of the year. The Bloomberg Barclays Treasury Index increased 0.6% in June, and the Bloomberg Barclays Credit Index increased 1.5% as corporate bond credit spreads decreased.

Vaccine Progress and Delta Variant of COVID-19

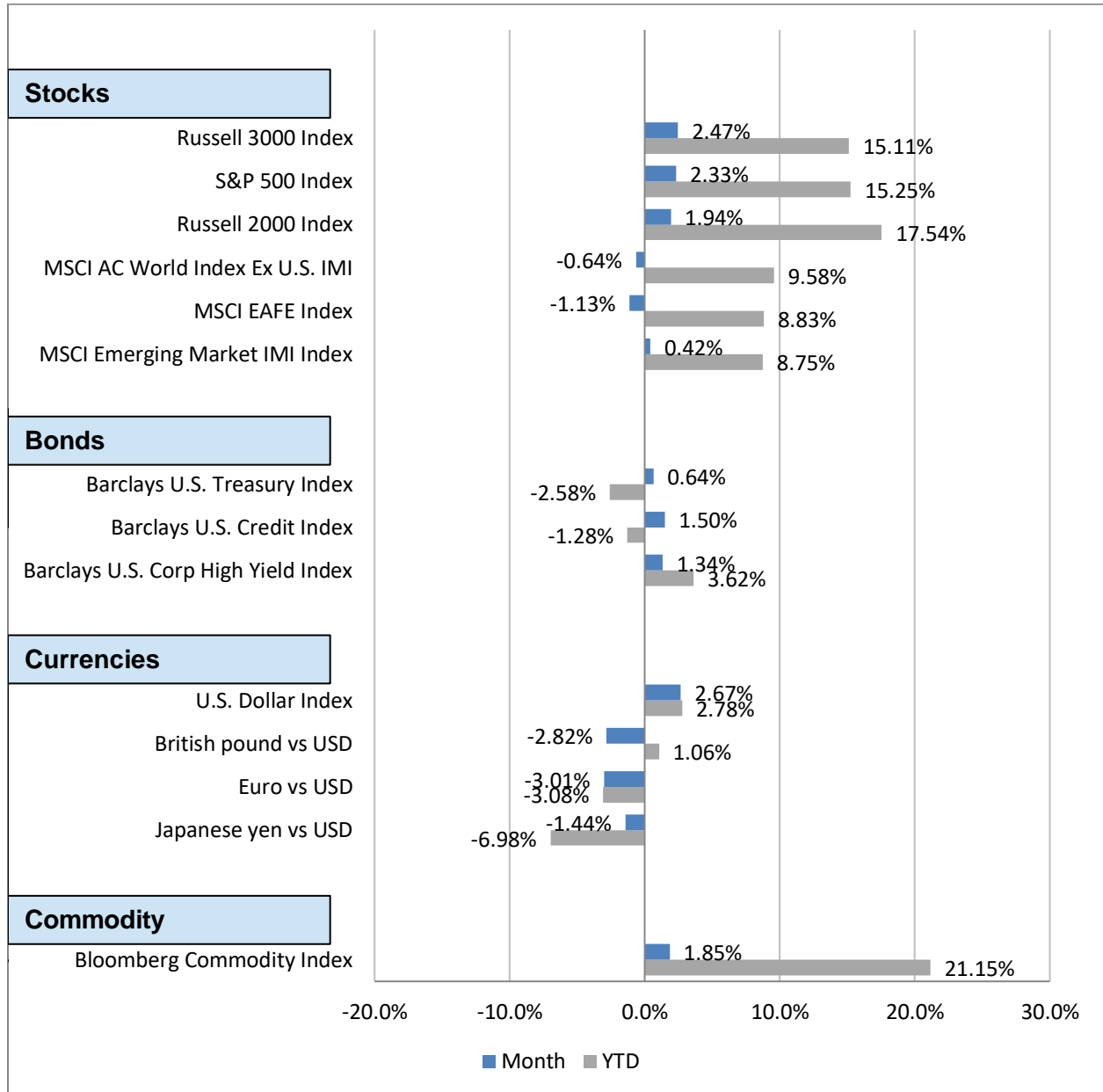
According to Johns Hopkins University, there have been nearly 4 million COVID-19-related deaths on more than 182 million confirmed cases globally. In the United States, those figures reached 33.5 million confirmed cases and over 605,000 deaths. More than 3 billion vaccine doses have been administered around the world. Over half of all Americans aged 18 and older have been fully vaccinated against COVID-19. However, areas with low vaccination rates are still experiencing high case counts. Several new variants have appeared, including the much-discussed Delta variant. The Delta variant appears to spread faster, though its health consequences are uncertain for now.

Home Prices

Home values climbed almost 15% in the last 12 months, the biggest increase since 1988, according to the S&P CoreLogic Case-Shiller Index of property values. As part of its securities purchasing activity, the Fed is buying about \$40 billion of mortgage-backed securities per month, which is keeping mortgage interest rates low. Freddie Mac 30-year fixed-rate mortgages ended June at 3.0%. Home prices have also been supported by a lack of home inventory.

Sources: Reuters, The Wall Street Journal, Bloomberg, Goldman Sachs, John Hopkins University, US Census, National Association of Realtors, FactSet, FDA, CDC, Ceres, S&P CoreLogic Case-Shiller, PIMCO.

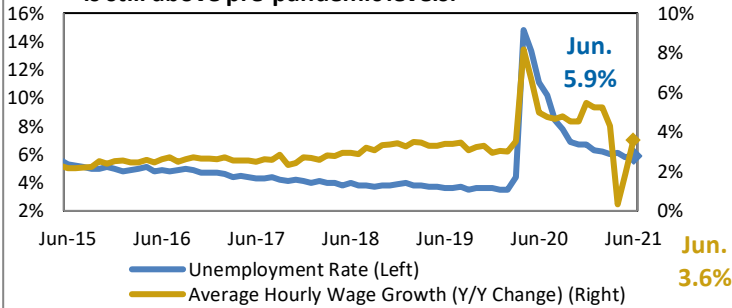
Market Performance



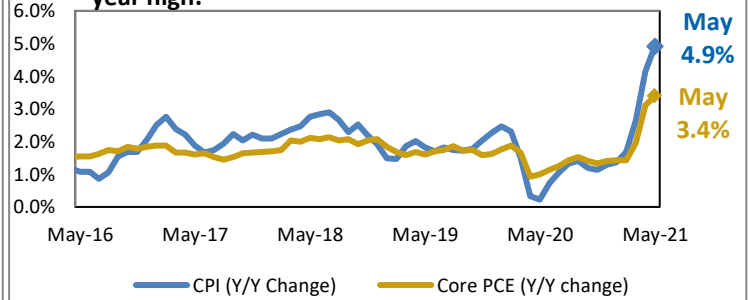
Source: FactSet, as of June 30, 2021

Key Monthly Economic Statistics

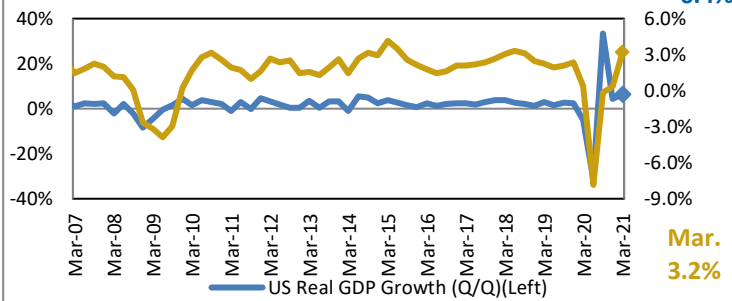
The Unemployment Rate has greatly improved but is still above pre-pandemic levels.



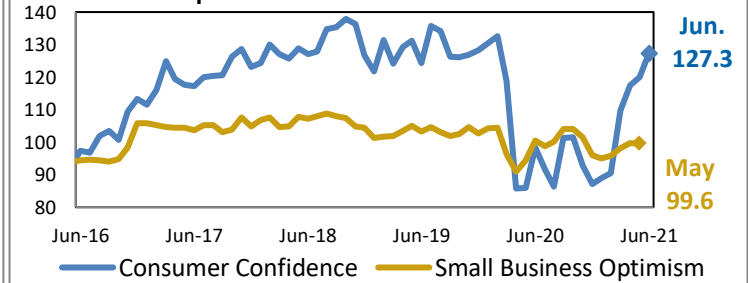
Core PCE is at highest since 1992. CPI reached a 13-year high.



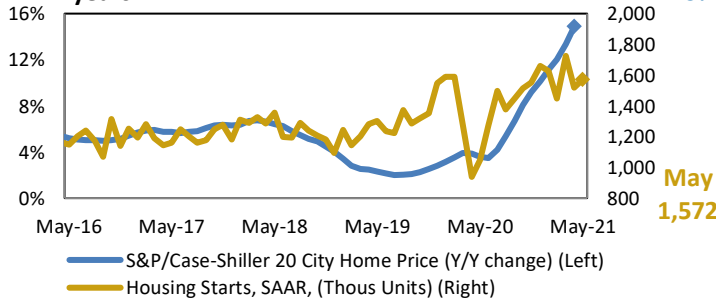
Full year U.S Real GDP is expected to be about 7%.



Consumer Confidence surged to its highest level since the pandemic.



Home Prices increased at the highest rate in 33 years.



The Fed Funds Rate remained near zero. The Trade Weighted U.S Dollar Index increased slightly.

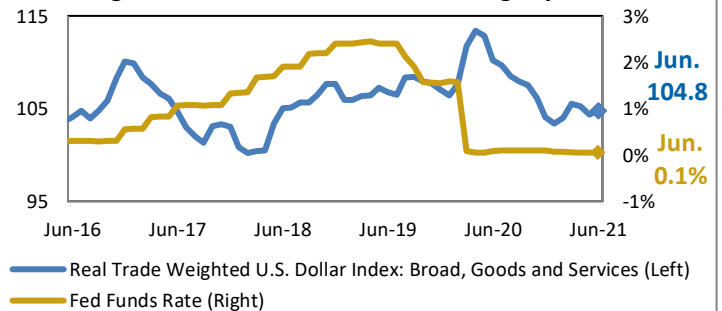
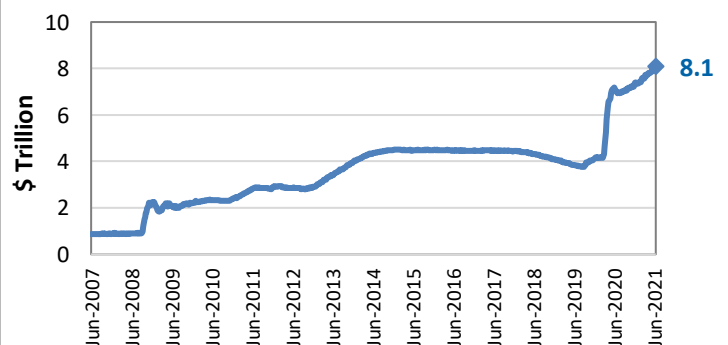


Chart of the Month

- The Federal Reserve has supported employment, economic growth and markets in many ways. One example is quantitative easing (QE) or buying assets like bonds in the open market.
- “Taper” refers to the Fed reducing the scope of its purchases or even starting to sell its holdings.
- The Fed’s balance sheet is at its highest level in history. The central bank is currently buying \$120 billion of assets every month.

Federal Reserve Balance Sheet Assets



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

Equity Funds

U.S. Equity Fund

Fund	June	QTD	YTD
U.S. Equity Fund	+2.49%	+6.38%	+12.83%
Russell 3000 Index	+2.47%	+8.24%	+15.11%
Difference (percentage points)	+0.02	-1.86	-2.28

- During the month of June, the fund performed in line with the benchmark. Quarter to date, the fund underperformed the benchmark primarily due to an underweight to strong performing large-cap growth companies and underperforming investments held by an active mid-cap growth manager. Specifically, investments in several consumer discretionary and technology companies within the mid-cap growth segment of the market detracted from benchmark-relative performance.
- Year to date, the fund underperformed the benchmark as a result of an overweight to underperforming small- and mid-cap growth companies, dedicated investments in private equity and private real estate, and investments held by an all-cap growth manager and small-cap growth manager.

International Equity Fund

Fund	June	QTD	YTD
International Equity Fund	-0.09%	+5.35%	+7.99%
MSCI ACWI ex U.S. Investable Market Index (Net)	-0.64%	+5.60%	+9.58%
Difference (percentage points)	+0.55	-0.25	-1.59

- During the month, the fund outperformed the benchmark as a result of an underweight to developed markets and corresponding dedicated investments in private equity and private real estate, as well as strong performance by two growth-oriented managers.
- Quarter to date, the fund modestly underperformed the benchmark primarily due to its allocation to underperforming alternative investments and from not holding stocks excluded in accordance with Wespath's Exclusions Policy (described [here](#)). Year to date, underperforming alternative investments and strong performing excluded stocks, along with poor performance by a number of active growth-oriented managers, contributed to the fund's relative underperformance. Similar to the U.S. equity markets, value-oriented companies outperformed in non-U.S. capital markets year to date.

U.S. Equity Index Fund

Fund	June	QTD	YTD
U.S. Equity Index Fund	+2.52%	+8.29%	+15.12%
Russell 3000 Index	+2.47%	+8.24%	+15.11%
Difference (percentage points)	+0.05	+0.05	+0.01

- 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	June	QTD	YTD
Fixed Income Fund	+0.72%	+2.37%	-0.96%
Barclays U.S. Universal (ex MBS) Index	+0.95%	+2.44%	-1.25%
Difference (percentage points)	-0.23	-0.07	+0.29

- Emerging market and global debt detracted from benchmark-relative performance in June. Corporate debt—both high-yield and investment-grade rated—and manager selection added to relative performance. During the second quarter, global debt and opportunistic credit detracted from benchmark-relative performance, while high-yield and investment-grade rated corporate bonds, emerging market bonds, and manager selection added.
- For the year, high-yield corporate debt, opportunistic credit and manager selection positively contributed to benchmark-relative performance, while allocations to emerging market and global bonds detracted. The fund is moderately less sensitive to changes in interest rates than its benchmark, which negatively impacted benchmark-relative performance during June and Q2 but added to relative performance for the year.

Extended Term Fixed Income Fund

Fund	June	QTD	YTD
Extended Term Fixed Income Fund	+2.42%	+4.43%	-3.07%
Barclays U.S. Government/Credit Long Term Index	+3.56%	+6.44%	-4.64%
Difference (percentage points)	-1.14	-2.01	+1.57

- The fund's policy of maintaining a lower sensitivity to interest rate movements negatively affected benchmark-relative returns during the month and quarter but added to relative performance for the year-to-date period. Manager sector and security selection decisions added in all time periods.

Inflation Protection Fund

Fund	June	QTD	YTD
Inflation Protection Fund	+0.89%	+3.94%	+3.30%
IPF Benchmark ⁱⁱ	+0.50%	+4.12%	+2.13%
Difference (percentage points)	+0.39	-0.18	+1.17

- Commodities, U.S. inflation-linked bonds and manager security selection decisions added to benchmark-relative performance in June. Floating-rate senior loans and emerging market inflation-linked securities detracted. During the second quarter, U.S. and global inflation-linked bonds, as well as floating-rate senior loans, detracted from benchmark-relative performance, while commodities and emerging market inflation linked-bonds added.
- For the year, commodities and floating-rate senior loans positively affected benchmark-relative performance, while allocations to U.S., global and emerging market inflation-linked bonds detracted. The fund's underweight exposure to U.K. inflation-linked securities added to benchmark-relative performance for all periods.

Balanced Fund

Multiple Asset Fund

Fund	June	QTD	YTD
Multiple Asset Fund	+1.11%	+4.82%	+7.05%
MAF Benchmark ⁱⁱⁱ	+0.96%	+5.59%	+7.93%
Difference (percentage points)	+0.15	-0.77	-0.88

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

Social Values Choice Suite of Funds

Social Values Choice Bond Fund

Fund	June	QTD	YTD
Social Values Choice Bond Fund	+1.04%	+2.50%	-1.05%
Barclays U.S. Universal (ex MBS) Index	+0.95%	+2.44%	-1.25%
Difference (percentage points)	+0.09	+0.06	+0.20

- The fund's duration positioning detracted from benchmark-relative performance for the month and quarter but added for the year. Security selection decisions in high-yield and investment-grade corporate bonds contributed positively to benchmark-relative performance in all periods.

Social Values Choice Equity Fund

Fund	June	QTD	YTD
Social Values Choice Equity Fund	+1.48%	+7.70%	+13.53%
SVCEF Benchmark ^{iv}	+1.52%	+7.68%	+13.60%
Difference (percentage points)	-0.04	+0.02	-0.07

- 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](#)) modestly affected benchmark-relative performance during all three periods.

U.S. Treasury Inflation Protection Fund

Fund	June	QTD	YTD
U.S. Treasury Inflation Protection Fund	+0.78%	+3.44%	+1.54%
Barclays U.S. Inflation Linked Bond Index	+0.70%	+3.46%	+1.57%
Difference (percentage points)	+0.08	-0.02	-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.
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