

# May 2023 Investment Report

## Highlights

- U.S. stock indexes ended the month of May mixed amid robust performance from technology stocks, while more industrial-focused stocks lagged.
- The S&P 500 Index of U.S. stocks increased 0.4% in May, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, decreased 3.5%. The Bloomberg U.S. Aggregate Bond Index decreased 1.1%.
- The U.S. economy added 339,000 non-farm jobs in May, though the unemployment rate increased from 3.4% to 3.7%.
- Nvidia Corporation (NVDA) became only the seventh company to reach \$1 trillion in market capitalization after the computer chip maker reported better-than-expected quarterly earnings.
- The U.S. Equity Fund, International Equity Fund, Fixed Income Fund, Inflation Protection Fund and Multiple Asset Fund outperformed their respective benchmarks.

## Monthly Overview

### Nvidia Corporation Fuels Technology Sector Stock Rally

The Nasdaq Composite Index, which includes a heavy weighting to technology stocks, increased 5.9% in May. Strong quarterly earnings reports and the growing adoption of artificial intelligence (AI) helped drive this performance. One of the Nasdaq's strongest performers for the month was Nvidia, which increased 31% and reached a market capitalization of \$1 trillion in May. Nvidia, a leader in the AI market, is only the seventh company in the world to reach this trillion-dollar milestone, joining Microsoft, Amazon, Apple, Alphabet, Tesla and Meta. NVDA has increased 164% year to date.

### Mixed Economic Data

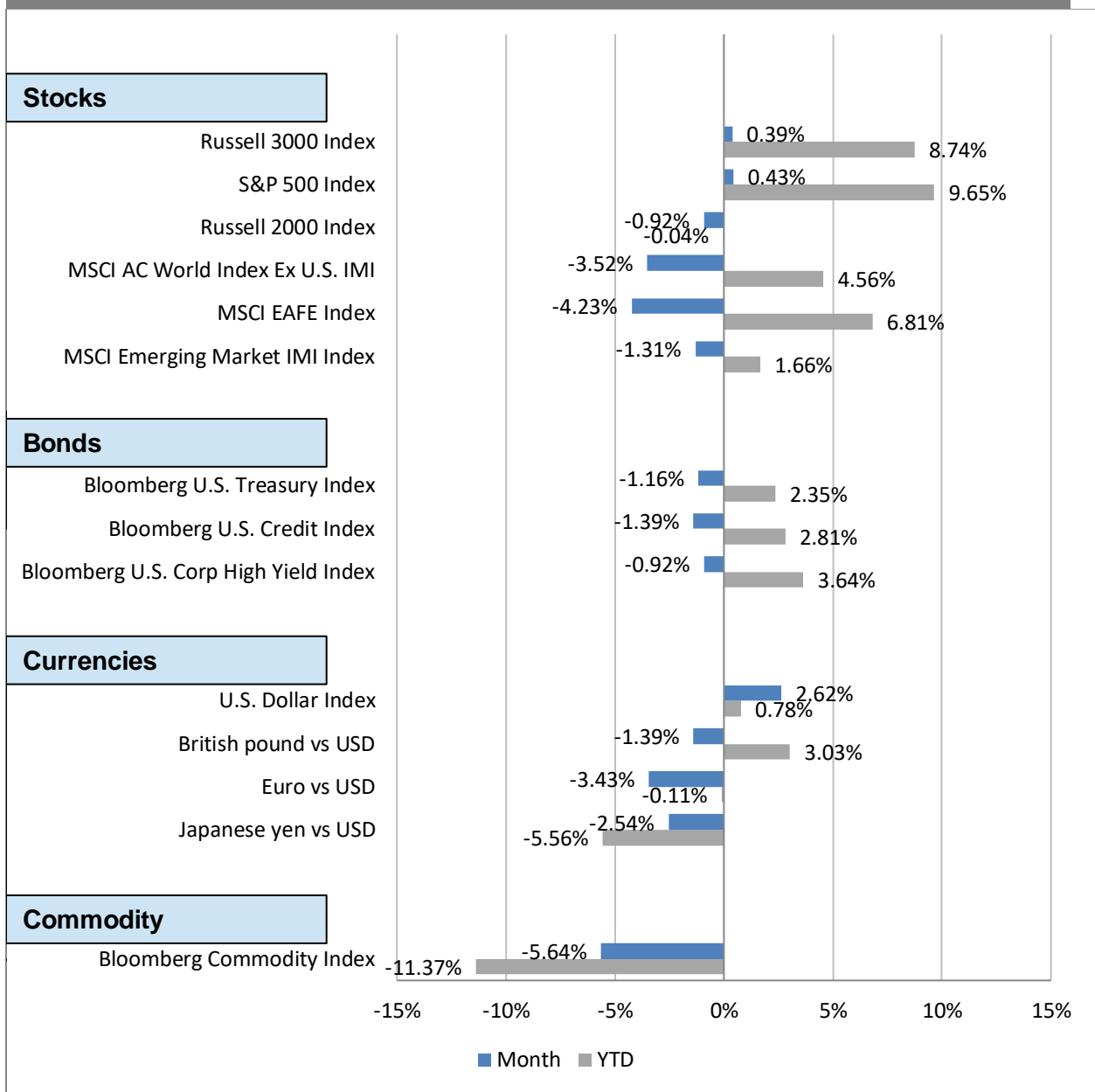
The most recent consumer spending report showed a 0.8% increase, beating economists' estimates, while the Consumer Confidence Index fell modestly in May. Inflation, as measured by the Personal Consumption Expenditures (PCE) Price Index, increased 0.4% in April, up from a 0.1% increase in March. Core PCE, which excludes volatile food and energy prices, also increased 0.4% in April. The Consumer Price Index (CPI) measure of inflation also increased in April, rising 0.4% from the previous month. This increase was driven by shelter, used cars, and trucks and gasoline. The CPI increased 4.9% year over year, its smallest annual increase since April 2021.

### Debt Ceiling Update

President Joe Biden and House Speaker Kevin McCarthy reached a tentative deal on May 27 to suspend the debt ceiling until January 1, 2025, and cap discretionary government spending through fiscal year 2025, along with other provisions. The House of Representatives passed the so-called "Fiscal Responsibility Act" on May 31 in a 314-117 vote. The Senate passed the bill on June 1, sending it to President Biden for his signature just ahead of the estimated June 5 deadline to avert a U.S. government default.

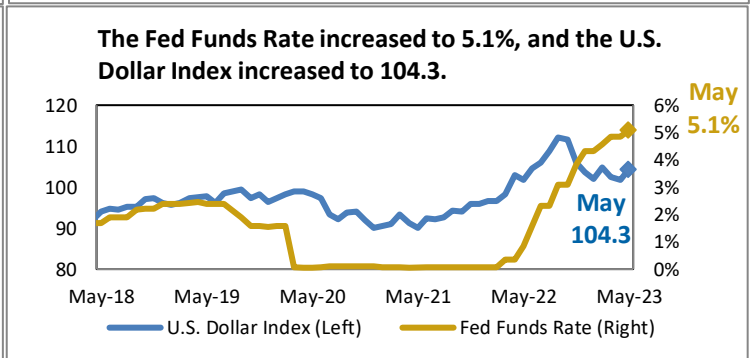
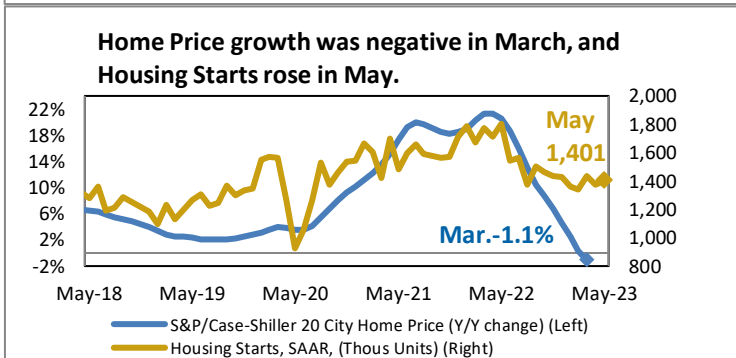
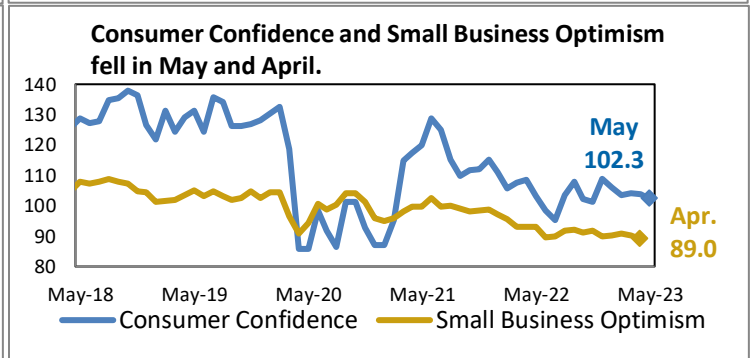
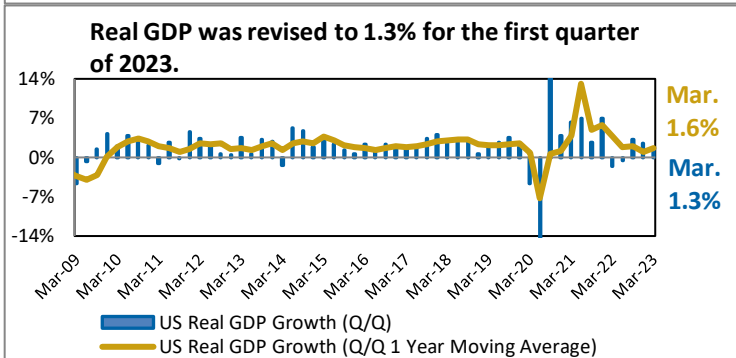
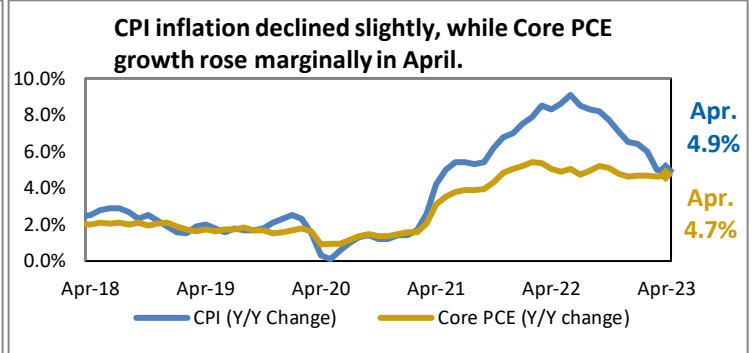
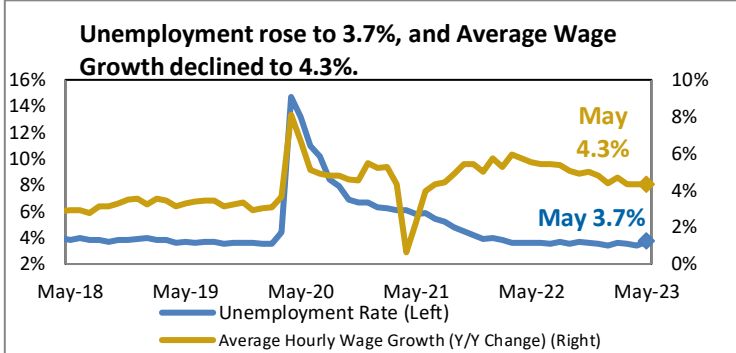
Sources: Bureau of Economic Analysis, Wall Street Journal, Reuters, CNBC, National Association of Realtors, The Conference Board and FactSet.

## Market Performance



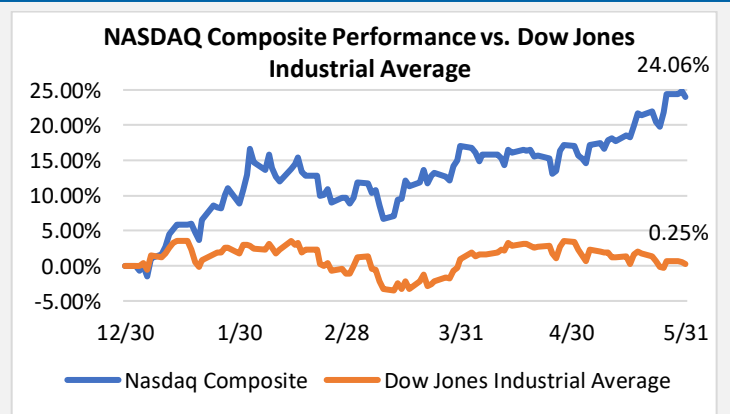
Source: FactSet, as of May 31, 2023.

## Key Monthly Economic Statistics



### Chart of the Month

- The Nasdaq Composite Index, which includes many technology-based companies, increased 5.9% in May, while the Dow Jones Industrial Average decreased 3.2%.
- The Nasdaq is now up 24.1% year to date. The Dow Jones Industrial Average is up only 0.3%.
- The year-to-date difference between the two indices of 24 percentage points is the widest gap since the Nasdaq launched in 1971.



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.

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

### Equity Funds

#### U.S. Equity Fund

Fund	May	YTD
U.S. Equity Fund	0.84%	7.52%
Russell 3000 Index	0.39%	8.74%
Difference (percentage points)	+0.45	-1.22

- During the month, the fund outperformed its benchmark due to strong performing growth-oriented active managers and investments in companies benefiting from a jump in demand related to AI. The fund's underweight to strong performing mega-cap companies detracted from relative performance.
- Year to date, the fund underperformed its benchmark largely due to its strategic underweight to mega-cap companies, an overweight to small- and mid-cap value-oriented companies, and investments in private equity and private real estate. The fund benefited from all but one active manager outperforming their respective benchmarks and from excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)).

#### International Equity Fund

Fund	May	YTD
International Equity Fund	-2.95%	4.74%
MSCI ACWI ex U.S. Investable Market Index (Net)	-3.52%	4.56%
Difference (percentage points)	+0.57	+0.18

- During the month, the fund outperformed its benchmark as a result of positive contribution from private equity and private real estate investments and from excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)).
- Year to date, the fund modestly outperformed its benchmark due to positive contribution from active manager investments, the fund's fair market valuation policy (described [here](#)), and from excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)).

### U.S. Equity Index Fund

Fund	May	YTD
U.S. Equity Index Fund	0.44%	8.86%
Russell 3000 Index	0.39%	8.74%
Difference (percentage points)	+0.05	+0.12

- The U.S. Equity Index Fund is a passively managed fund designed so that it closely matches the fund benchmark, less fees and expenses. Year to date, certain stocks excluded in accordance with Wespath's Investment Exclusions policies (described [here](#)) contributed to relative performance.

### Fixed Income Funds

#### Fixed Income Fund

Fund	May	YTD
Fixed Income Fund	-0.98%	2.73%
Bloomberg U.S. Universal (ex MBS) Index	-1.13%	2.54%
Difference (percentage points)	+0.15	+0.19

- During May, the fund's overweight allocation to—and managers' issue selection in—emerging market debt, as well as allocations to Positive Social Purpose loans and agency CMBS, contributed positively to benchmark-relative performance. The fund's allocation to global bonds and the global bond manager's issue selection detracted from benchmark-relative performance.
- Year to date, the fund's overweight allocation to—and manager's issue selection in—emerging market debt positively contributed to benchmark-relative performance. The fund's overweight allocation to high-yield securities and the core plus managers' issue selection also positively contributed to benchmark-relative performance. The fund's allocation to—and manager's issue selection in—global bonds detracted.

### Extended Term Fixed Income Fund

Fund	May	YTD
Extended Term Fixed Income Fund	-1.86%	3.47%
Bloomberg U.S. Government/Credit Long Term Index	-2.73%	3.60%
Difference (percentage points)	+0.87	-0.13

- The fund's policy of maintaining a lower sensitivity to interest rate movements until interest rates return to more "normal" levels was the largest driver of benchmark-relative performance for the month and year to date. For both periods, asset manager security selection contributed positively to benchmark-relative performance.

### Inflation Protection Fund

Fund	May	YTD
Inflation Protection Fund (IPF)	-1.17%	1.54%
IPF Benchmark <sup>ii</sup>	-1.64%	1.33%
Difference (percentage points)	+0.47	+0.21

- For both month and year to date, the fund's allocation to floating rate senior loans and global inflation-linked bonds positively contributed to benchmark-relative performance. The fund's overweight allocation to—and manager's issue selection in—emerging market inflation-linked bonds also helped during the month.

### Balanced Fund

#### Multiple Asset Fund

Fund	May	YTD
Multiple Asset Fund (MAF)	-0.96%	4.87%
MAF Benchmark <sup>iii</sup>	-1.37%	5.20%
Difference (percentage points)	+0.41	-0.33

- During the month, all four underlying funds positively contributed to benchmark-relative performance.
- Year to date, Inflation Protection Fund, Fixed Income Fund and International Equity Fund contributed positively to benchmark-relative performance, while the U.S. Equity Fund detracted.

### Social Values Choice Suite of Funds

#### Social Values Choice Bond Fund

Fund	May	YTD
Social Values Choice Bond Fund	-0.97%	2.70%
Bloomberg U.S. Universal (ex MBS) Index	-1.13%	2.54%
Difference (percentage points)	+0.16	+0.16

- The fund's duration positioning and manager security selection contributed positively to benchmark-relative performance for the month and year to date.

### Social Values Choice Equity Fund

Fund	May	YTD
Social Values Choice Equity Fund (SVCEF)	-0.59%	9.75%
SVCEF Benchmark <sup>iv</sup>	-0.64%	9.61%
Difference (percentage points)	+0.05	+0.14

- 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 but positively impacted year to date.

### U.S. Treasury Inflation Protection Fund

Fund	May	YTD
U.S. Treasury Inflation Protection Fund	-1.32%	2.20%
Bloomberg U.S. Inflation Linked Bond Index	-1.19%	2.28%
Difference (percentage points)	-0.13	-0.08

- 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 was 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 through January 31, 2023. 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% 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.