

October 2023 Investment Report

Highlights

- The S&P 500 Index of U.S. blue chip stocks fell 2.1%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI, declined 4.3% in October. The Bloomberg U.S. Aggregate Bond Index lost 1.6%.
- Core personal consumption expenditures (PCE) price index, the preferred measure of inflation the U.S. Federal Reserve monitors, rose 0.3% in September.
- U.S. employers added 150,000 non-farm jobs in October and the unemployment rate rose slightly to 3.9%. The relatively modest job growth indicates the labor market may be cooling, but is resilient.
- The U.S. Equity Fund – P Series, Inflation Protection Fund – P Series and the Multiple Asset Fund – P Series underperformed their respective benchmarks, while the International Equity Fund – P Series and Fixed Income Fund – P Series outperformed their respective benchmarks.

Monthly Overview

U.S. Economic Expansion Gains Strength in the 3rd Quarter

U.S. real Gross Domestic Product (GDP) grew at an annual rate of 4.9% in the third quarter, which is higher than economists had expected. The significant increase was due to strong consumer spending, and an increase in inventories, exports, residential investment and government spending.

Bond Yields Move Higher

While the Fed Funds rate held steady, longer maturity bonds experienced higher yields. The increase was primarily due to supply-demand dynamics. The significant amount of Treasury debt refinancing needed, along with reduced foreign government and bank demand, has put upward pressure on rates. See the Chart of the Month on page 3 for more information about the 10-year U.S. Treasury Bond yield.

Corporate Earnings

As of the writing of this report, 81% of S&P 500 companies have released third quarter financial results. So far, the earnings growth rate for S&P 500 companies is 3.7% for the quarter, year-over-year. The strongest performing sectors are expected to be communication services and consumer discretionary.

UAW Union Strike Ends

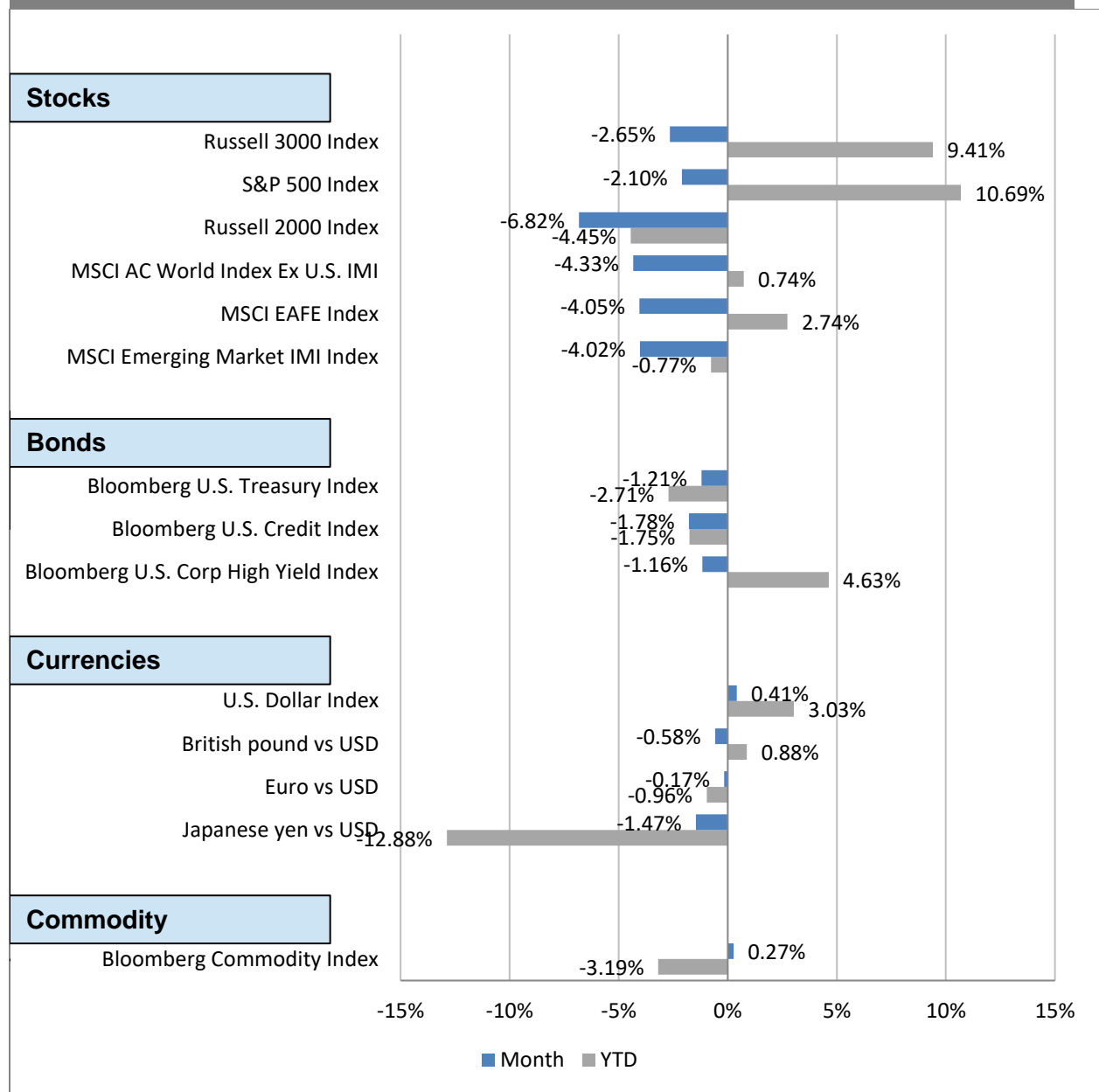
The United Auto Workers (UAW) union reached tentative deals with Ford, General Motors and Stellantis in late October to end a six-week strike. If the tentative agreements are ratified, workers will receive 25% pay increases by April 2028. The UAW said workers' wages rose 23% from 2001 through 2022. The automakers knew they would negotiate with the UAW this year—and had time to look for cost-saving measures in other areas. Analysts think the higher wages won by the UAW won't be too big of a burden for the automakers.

Hamas Terrorists Attack Israel

On October 7, geo-political risk increased after Hamas attacked Israel, killing over 1,400 civilians and taking over 200 hostages, resulting in Israel retaliating and tensions in the region significantly increasing.

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

Market Performance



Source: FactSet, as of October 31, 2023.

Key Monthly Economic Statistics

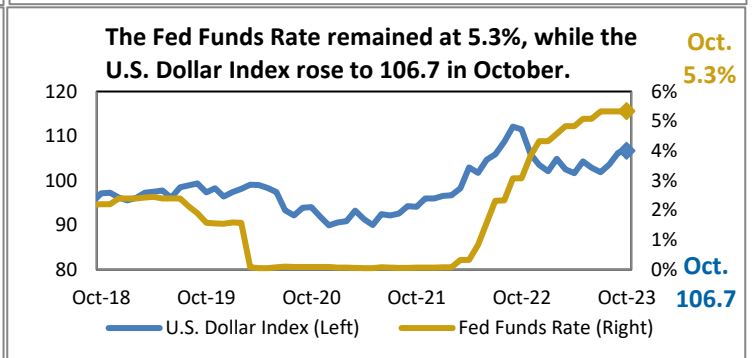
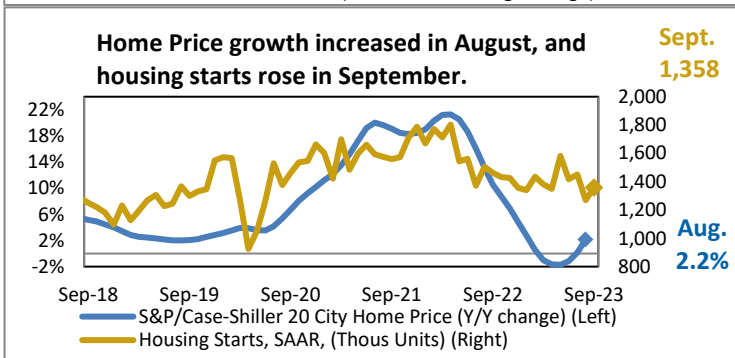
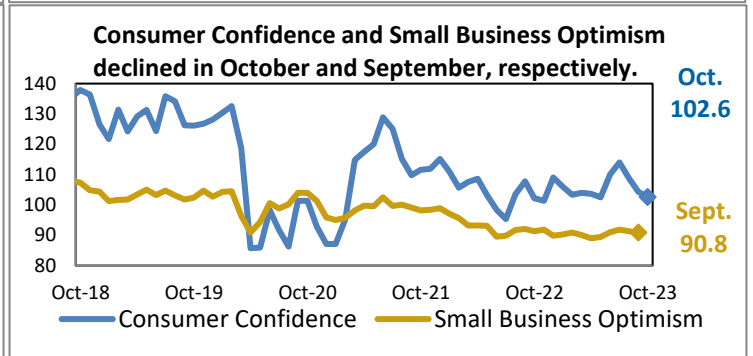
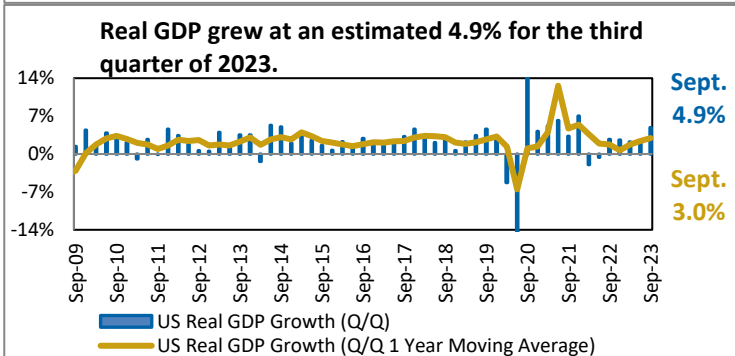
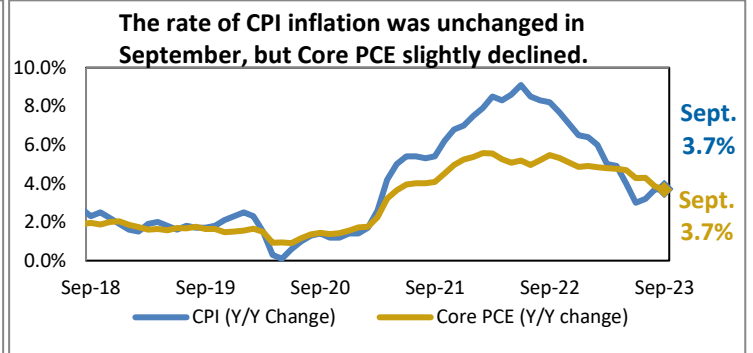
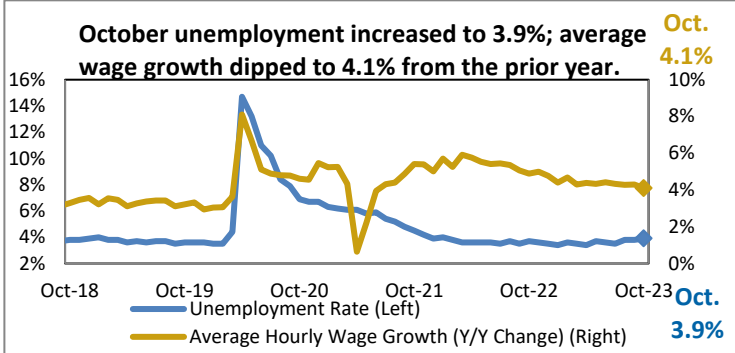
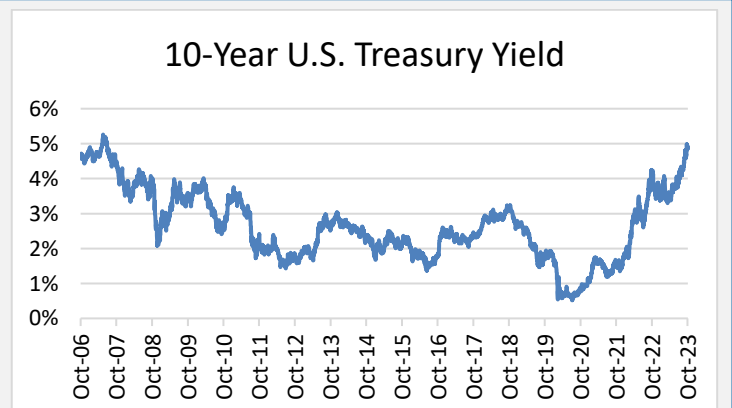


Chart of the Month

- At the end of October, the 10-Year U.S. Treasury Bond Yield was near its highest level since 2007.
- The run-up of long-term treasury yields suggests Wall Street believes in interest rates staying higher for longer.
- An increasing supply of U.S. Treasury securities in the first three quarters of 2023, coupled with the resilience of the U.S. economy, is leading to higher rates.
- Higher yields tighten financial conditions for both businesses and consumers.



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)ⁱ

Equity Funds

U.S. Equity Fund

Fund	October	YTD
U.S. Equity Fund	-4.06%	6.34%
Russell 3000 Index	-2.65%	9.41%
Difference (percentage points)	-1.41	-3.07

- During the month, the fund underperformed its benchmark due to four out of six active managers underperforming their respective benchmarks, particularly growth-oriented managers. In addition, the fund's strategic overweight allocation to small- and mid-cap companies detracted from performance.
- Year to date, the fund's holdings in private markets and an underweight to strong performing mega-tech growth companies were key detractors from relative performance. To a lesser extent, the fund benefited from active managers' investments, particularly growth-oriented strategies, and excluding certain stocks in accordance with Wespath's Investment Exclusions policies (described [here](#)).

International Equity Fund

Fund	October	YTD
International Equity Fund	-3.98%	-1.25%
MSCI ACWI ex U.S. Investable Market Index (Net)	-4.33%	0.74%
Difference (percentage points)	+0.35	-1.99

- During the month, the fund's holdings in private markets positively contributed to relative performance and resulted in the fund outperforming its benchmark.
- Year to date, the fund underperformed its benchmark. Active managers' underperformance is primarily attributable to investments in the emerging markets and investments in companies best positioned to benefit from the transition to a low-carbon economy.

U.S. Equity Index Fund

Fund	October	YTD
U.S. Equity Index Fund	-2.77%	9.43%
Russell 3000 Index	-2.65%	9.41%
Difference (percentage points)	-0.12	+0.02

- 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](#)) negatively impacted relative performance. However, year to date, these same stocks contributed positively to relative performance.

Fixed Income Funds

Fixed Income Fund

Fund	October	YTD
Fixed Income Fund	-1.17%	-0.11%
Bloomberg U.S. Universal (ex MBS) Index	-1.34%	-1.46%
Difference (percentage points)	+0.17	+1.35

- For October, the allocation to global bonds helped the fund outperform its benchmark. The overweight allocation to, and manager issue selection within, emerging market debt also helped. Core plus manager issue selection detracted.
- Year to date, overweight allocations to, and manager issue selection within, emerging market debt helped the fund outperform its benchmark. In addition, high yield and investment grade credit contributed to benchmark relative results. Overweight allocations to the Positive Social Purpose Lending program and Agency CMBS also added relative value.

Extended Term Fixed Income Fund

Fund	October	YTD
Extended Term Fixed Income Fund	-2.99%	-5.20%
Bloomberg U.S. Government/Credit Long Term Index	-4.50%	-9.65%
Difference (percentage points)	+1.51	+4.45

- The fund has a policy of maintaining a lower sensitivity to interest rate movements. However, when the 30-year U.S. Treasury bond yield reached 5% in October, it triggered a change to the fund. Wespath is in the process of extending duration of the fund to approximate the duration of the benchmark.
- For the month, the fund's shorter duration relative to the benchmark was the largest positive driver of benchmark-relative performance.
- Year-to-date, asset manager security selection contributed positively to benchmark-relative performance. The well diversified fund's allocations to high yield, emerging market and securitized debt also positively contributed.

Inflation Protection Fund

Fund	October	YTD
Inflation Protection Fund (IPF)	-0.81%	-0.07%
IPF Benchmark ⁱⁱ	-0.62%	-1.09%
Difference (percentage points)	-0.19	+1.02

- During October, the fund's allocation to, and issue selection within, floating rate senior secured loans positively contributed to relative results, as did the allocation to developed market global inflation-linked bonds. However, this was more than offset by the allocation to emerging market inflation-linked bonds.
- Year to date, the fund's allocations to floating rates senior secured loans and emerging market inflation-linked bonds contributed positively to relative results. Manager issue selection within emerging markets also helped benchmark-relative performance.

Balanced Fund

Multiple Asset Fund

Fund	October	YTD
Multiple Asset Fund (MAF)	-2.98%	1.85%
MAF Benchmark ⁱⁱⁱ	-2.62%	3.06%
Difference (percentage points)	-0.36	-1.21

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

Social Values Choice Suite of Funds

Social Values Choice Equity Fund

Fund	October	YTD
Social Values Choice Equity Fund (SVCEF)	-2.69%	9.17%
SVCEF Benchmark ^{iv}	-2.98%	8.85%
Difference (percentage points)	+0.29	+0.32

- 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 to date.

Social Values Choice Bond Fund

Fund	October	YTD
Social Values Choice Bond Fund	-1.55%	-1.53%
Bloomberg U.S. Universal (ex MBS) Index	-1.34%	-1.46%
Difference (percentage points)	-0.21	-0.07

- The fund's overweight allocation to investment grade credit and the overweight to, and allocation within, Agency MBS detracted from performance relative to the benchmark during the month. The overweight allocation to non-agency mortgage-backed securities contributed positively to relative performance. The underweight to high yield and emerging market debt also contributed positively.
- Year to date, the fund's duration positioning and manager security selection contributed positively to benchmark-relative performance. Positive results were more than offset by the overweight to and selection within Agency MBS and the underweight to, and selection within, high yield.

U.S. Treasury Inflation Protection Fund

Fund	October	YTD
U.S. Treasury Inflation Protection Fund	-0.85%	-2.11%
Bloomberg U.S. Inflation Linked Bond Index	-0.82%	-1.68%
Difference (percentage points)	-0.03	-0.43

- 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.
- Year to date, the performance difference is due to a modest difference between fund and benchmark durations. The modest difference resulted in underperformance given the meaningful increase in real yields.

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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 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.

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.