

July 2024 Investment Report

Highlights

- The S&P 500 Index of U.S. stocks rose 1.2%, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI, rose 2.6% in July. The Bloomberg U.S. Aggregate Bond Index rose 2.3%.
- In a turnaround from the first half of the year, small-cap stocks significantly outperformed their larger-cap counterparts around the globe.
- President Joe Biden exited the presidential race and endorsed Vice President Kamala Harris as the candidate for the Democratic Party. This is expected to lead to a tighter race in November, resulting in potentially higher volatility in the markets.
- Economic activity in the second quarter was stronger than expected driven by a strong consumer, government spending and a sizeable inventory buildup. Real GDP growth was at 2.8% for the second quarter 2024, compared to expectations of 2.1% growth.
- The U.S. Equity Fund and Multiple Asset Fund outperformed their benchmarks for the month. The International Equity Fund, Fixed Income Fund and Inflation Protection Fund underperformed.

Monthly Overview

Small-cap stocks stage a comeback, bonds outperform equities

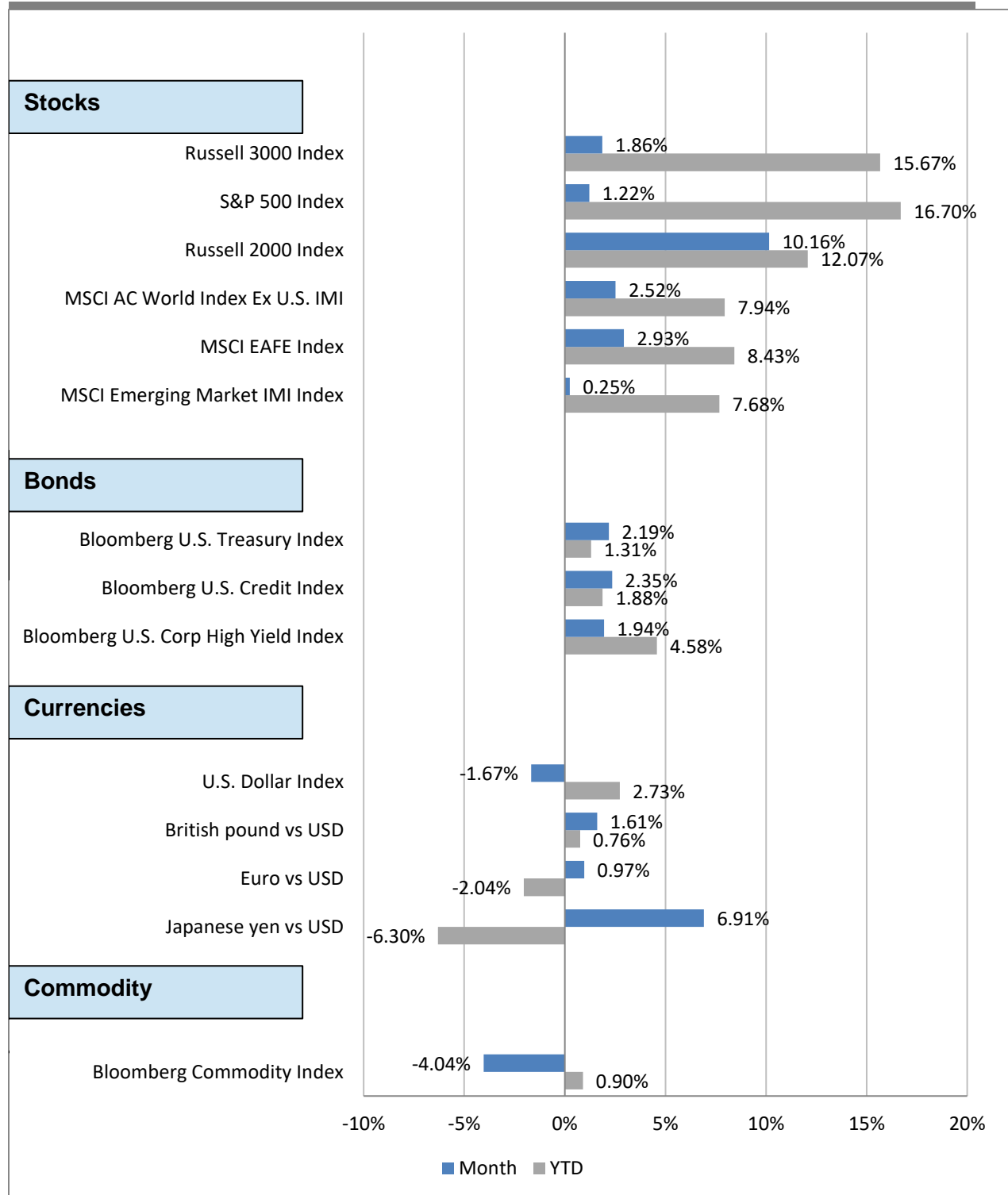
U.S. equities rose in July, driven by small-cap value stocks. The Russell 2000 Value Index, which measures the performance of small company stocks with lower forecasted growth values, rose 12.2%. By comparison, the S&P 500 Index increased 1.2%. Generally, smaller caps outperformed larger caps and value outperformed growth. The “Magnificent Seven” captured much of the market attention in the first half of the year, but in July, negative returns for most of those stocks, with the exception of Tesla and Apple, led to the significant difference in returns between the large- and small-cap indices. Fixed income had strong returns in July as yields moved lower across the yield curve. The broad market, as represented by the Bloomberg U.S. Aggregate, returned 2.3% in July. Results were positive across the board with the Bloomberg U.S. Treasury Index increasing 2.2% and the Bloomberg U.S. Credit Index returning 2.4%. The U.S. Federal Reserve (Fed) has signaled that it will begin to cut the overnight borrowing rate in September as inflation continues to move toward the Fed’s target. The Core Personal Consumption Expenditures (also known as PCE) Price Index, which excludes food and energy and is the Fed’s preferred measure for informing monetary policy decisions, rose by 2.6% in June over the previous 12 months. Additionally, there continues to be support for corporate bond valuations despite a slowdown in consumer spending and a modest slowdown in the labor market. So, while the risk of a recession has increased recently, the prospect of lower borrowing rates is supportive for economic growth.

International Markets Positive in July

Developed market equities outperformed emerging market equities in July, with the MSCI EAFE Index returning 2.9% versus a return of 0.3% for the MSCI Emerging Markets Index. For the year-to-date period, both indices had similar returns of 8.4% for EAFE and 7.7% for Emerging Markets. Similar to what we saw in the U.S., small caps reversed the trend and outperformed large caps in July: The MSCI ACWI ex-US Small Cap Index was up 5.6%, while the corresponding large cap index rose 2.1%.

Sources: AP, Bureau of Economic Analysis, Bureau of Labor Statistics, Wall Street Journal, Bloomberg Reuters, CNBC and FactSet.

Market Performance



Source: FactSet, as of July 31, 2024.

Key Monthly Economic Statistics

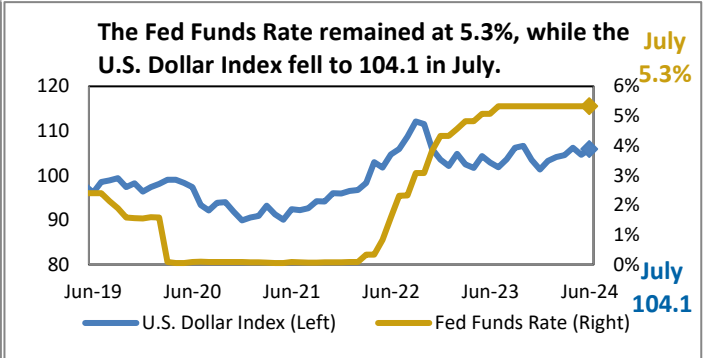
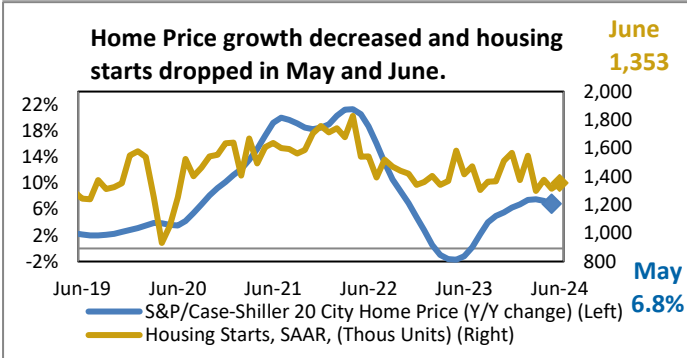
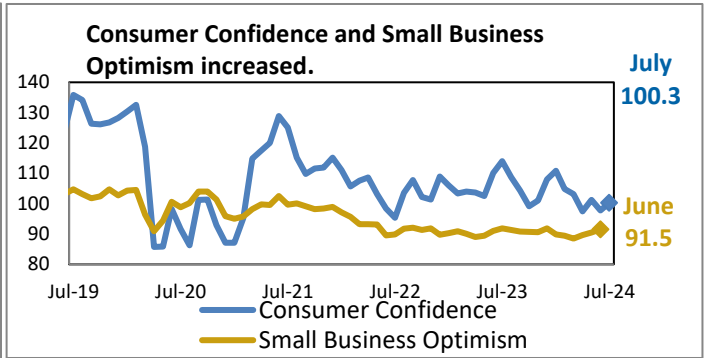
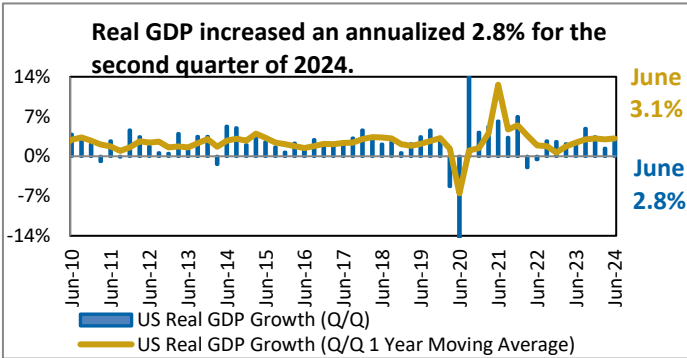
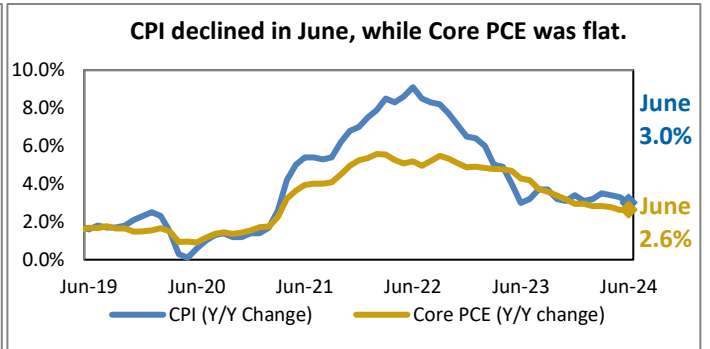
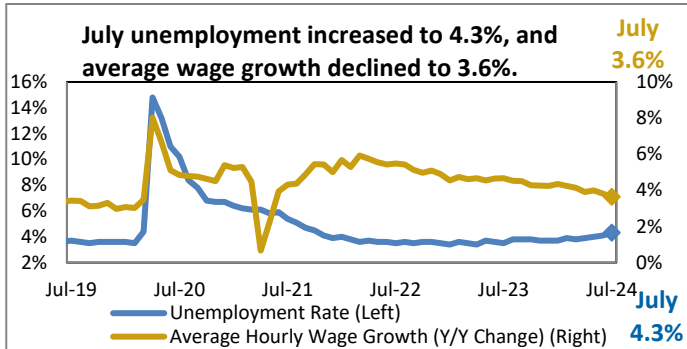
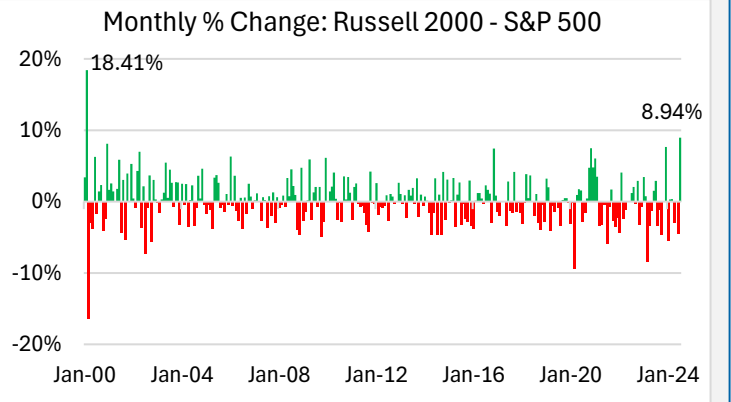


Chart of the Month

- July saw the largest outperformance of the Russell 2000 relative to the S&P 500 since 2000.
- In July, the Russell 2000 returned 10.2% and the S&P 500 returned 1.2%.
- Despite the strong results in July, the Russell 2000 continues to lag the S&P 500 for the year-to-date. The S&P 500 has returned 16.7%, while the Russell 2000 has returned 12.1%.
- Small cap valuations remain low relative to mega cap tech names.



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

Equity Funds

U.S. Equity Fund

Fund	July	YTD
U.S. Equity Fund	2.92%	12.07%
Russell 3000 Index	1.86%	15.67%
Difference (percentage points)	+1.06	-3.60

- During the month, the fund's underweight to mega-cap stocks and the strategic overweight to small- and mid-cap stocks helped benchmark-relative performance.
- Year-to-date, the fund underperformed its benchmark. The strategic overweight to small- and mid-cap stocks and underweight to mega-cap stocks detracted from relative performance. The fund's allocation to private equity and real estate also detracted from benchmark-relative performance. Wespath's Investment Exclusion policies (described [here](#)) helped benchmark-relative performance.

International Equity Fund

Fund	July	YTD
International Equity Fund	1.68%	4.26%
MSCI ACWI ex U.S. Investable Market Index (Net)	2.52%	7.94%
Difference (percentage points)	-0.84	-3.68

- In July, the fund underperformed its benchmark primarily due to active managers' investments in IT, industrials and consumer discretionary stocks. The fund's allocation to private equity and real estate also detracted from benchmark-relative performance.
- Year to date, the fund has underperformed its benchmark due to active managers' investments in industrial, consumer discretionary and IT stocks. The fund has also been hurt by its allocation to private equity and real estate.

U.S. Equity Index Fund

Fund	July	YTD
U.S. Equity Index Fund	1.84%	15.51%
Russell 3000 Index	1.86%	15.67%
Difference (percentage points)	-0.02	-0.16

- The U.S. Equity Index Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. For the month certain stocks excluded in accordance with Wespath's Investment Exclusion policies (described [here](#)) detracted from relative performance, but contributed for the year-to-date period.

Fixed Income Funds

Fixed Income Fund

Fund	July	YTD
Fixed Income Fund	2.10%	2.29%
Bloomberg U.S. Universal (ex MBS) Index	2.17%	2.09%
Difference (percentage points)	-0.07	+0.20

- In July, the core plus manager's selection decisions contributed positively to relative results, but that was more than offset by modest detractors including the overweight allocation to high yield and emerging-market debt.
- Year to date, the overweight allocation to high yield and agency commercial mortgage-backed securities, as well as the out of benchmark allocations to Wespath's Positive Social Purpose Lending Program and alternatives, contributed positively to benchmark-relative results. The core plus manager's issue selection also contributed positively. Results were partially offset by the allocation to global bonds and overweight allocation to emerging-market debt.

Extended Term Fixed Income Fund

Fund	July	YTD
Extended Term Fixed Income Fund	3.15%	-0.09%
Bloomberg U.S. Government/Credit Long Term Index	3.35%	-0.88%
Difference (percentage points)	-0.20	+0.79

- For the month, security selection within the long duration government credit plus and long duration collateralized mortgage obligation accounts detracted from benchmark-relative results.
- Year to date, all four managers outperformed, with the long government credit plus manager outperforming by the biggest margin.

Inflation Protection Fund

Fund	July	YTD
Inflation Protection Fund	1.01%	1.48%
IPF Benchmark ⁱⁱ	1.20%	2.37%
Difference (percentage points)	-0.19	-0.89

- For July, the allocation to developed market inflation-linked bonds, and issue selection within the commodities and emerging market inflation-linked bond accounts contributed positively to relative performance. Results were more than offset by the allocations to senior secured floating rate securities and emerging market inflation-linked bonds.
- Year to date, the allocations to alternatives and floating rate senior secured loans, as well as the commodities manager's issue selection, contributed positively to relative performance. Positive results were more than offset by the allocation to, and issue selection within, the emerging market inflation-linked bond and developed market inflation-linked securities portfolios.

Short Term Investment Fund

Fund	July	YTD
Short Term Investment Fund (STIF)	0.48%	3.12%
BofA Merrill Lynch 3-Month Treasury Bill Index	0.45%	3.11%
Difference (percentage points)	+0.03	+0.01

- For the month and year-to-date, the fund performed in line with the benchmark.
- This fund is not available for direct investment by participants.

Balanced Fund

Multiple Asset Fund

Fund	July	YTD
Multiple Asset Fund	2.15%	6.31%
MAF Benchmark ⁱⁱⁱ	2.07%	8.56%
Difference (percentage points)	+0.08	-2.25

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

Social Values Choice Suite of Funds

Social Values Choice Equity Fund

Fund	July	YTD
Social Values Choice Equity Fund (SVCEF)	0.69%	14.13%
SVCEF Benchmark ^{iv}	0.86%	14.08%
Difference (percentage points)	-0.17	+0.05

- The Social Values Choice Equity Fund is a passively managed fund designed to closely match the fund benchmark, less fees and expenses. For the month, certain stocks excluded in accordance with Wespath's Investment Exclusion policies (described [here](#)) hurt benchmark relative performance. Year to date, the excluded stocks have contributed positively to benchmark-relative performance.

Social Values Choice Bond Fund

Fund	July	YTD
Social Values Choice Bond Fund	2.25%	2.49%
Bloomberg U.S. Universal (ex MBS) Index	2.17%	2.09%
Difference (percentage points)	+0.08	+0.40

- For the month, interest rate strategies contributed positively to benchmark-relative results as did security selection, especially selection within investment grade credit and Agency MBS. Selection within high yield and inflation-linked bonds partially offset positive results.
- Year to date, interest rate strategies added to relative results. Security selection within investment grade credit, mortgage-backed securities and exposure to inflation-linked bonds contributed. Positive results were partially offset by selection with high yield credit and emerging-market debt.

U.S. Treasury Inflation Protection Fund

Fund	July	YTD
U.S. Treasury Inflation Protection Fund	1.85%	2.75%
Bloomberg U.S. Inflation Linked Bond Index	1.81%	2.48%
Difference (percentage points)	+0.04	+0.27

- 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, and year to date, the fund outperformed the benchmark due to security selection decisions.

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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, including fees and expenses. This is not an offer to purchase securities.

ⁱⁱ 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% Bloomberg 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.