

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 – I Series and Multiple Asset Fund – I Series outperformed their benchmarks for the month while the International Equity Fund – I Series and Inflation Protection Fund - I Series underperformed. The Fixed Income Fund – I Series matched the benchmark return in July.

Monthly Overview

Small-cap stocks stage a comeback, bonds outperform equities

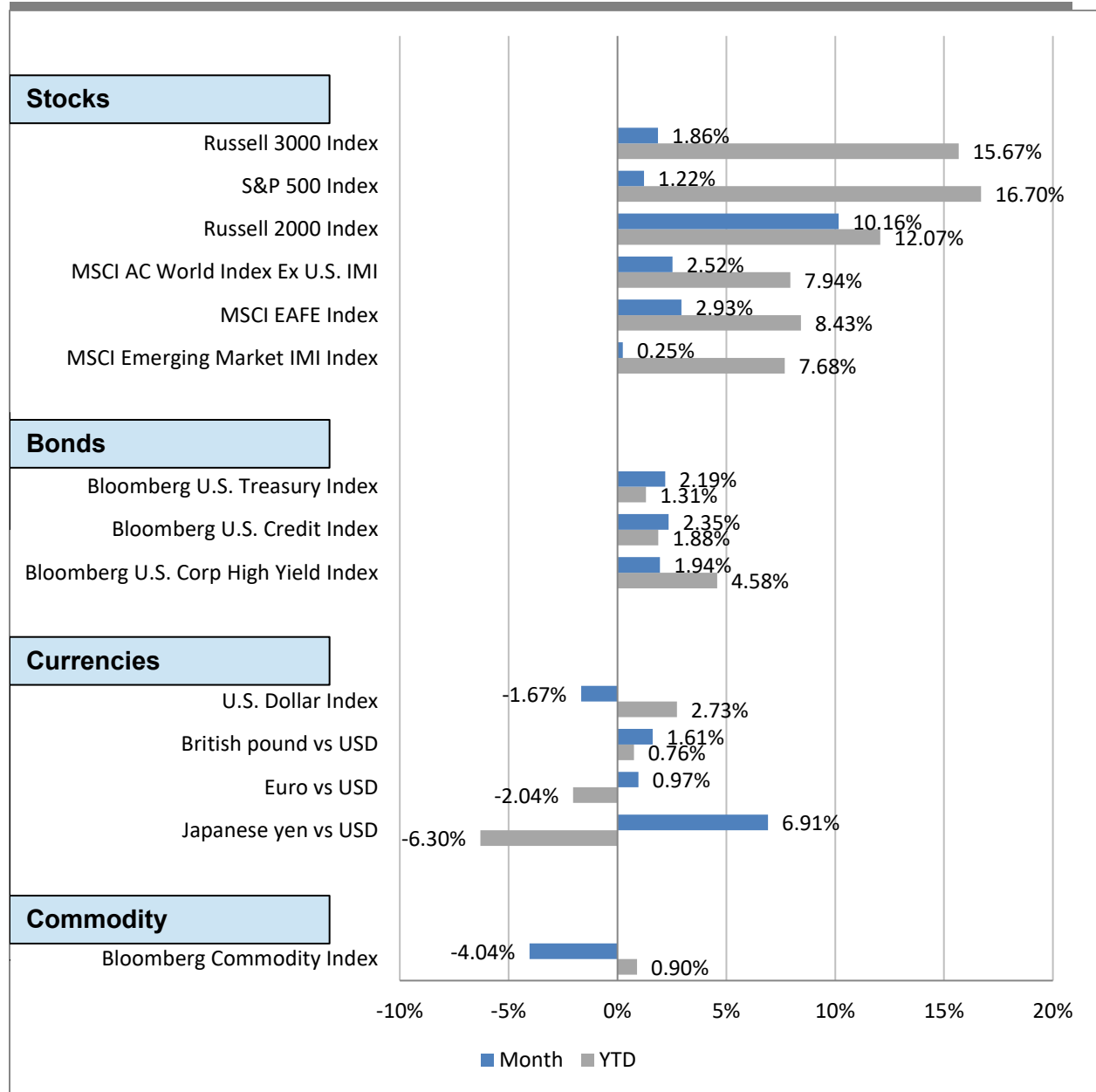
U.S. equities rose in July, driven by small-cap value stocks. The Russell 2000 Value Index, which measures the performance of small company stocks with lower forecasted growth values, rose 12.2%. By comparison, the S&P 500 Index increased 1.2%. Generally, smaller caps outperformed larger caps and value 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: Associated Press, 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

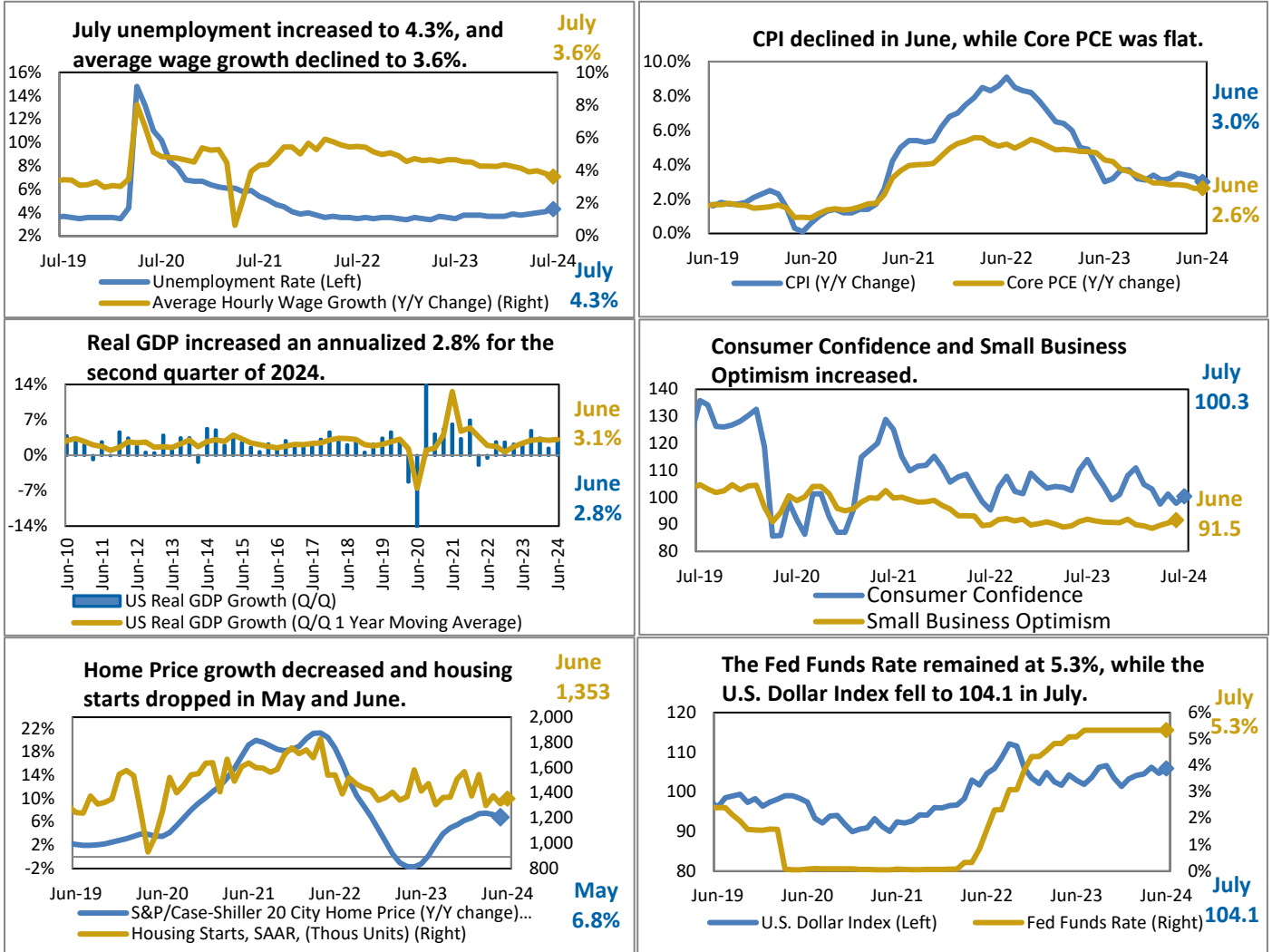
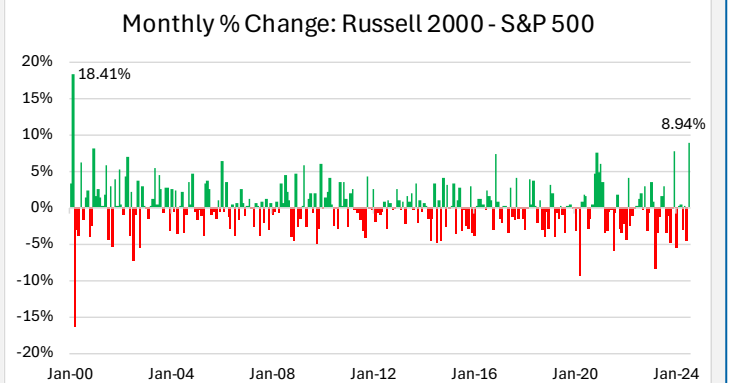


Chart of the Month

- 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.



Sources: 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 – I Series

Fund	July	YTD
U.S. Equity Fund – I Series	3.03%	12.34%
Russell 3000 Index	1.86%	15.67%
Difference (percentage points)	+1.17	-3.33

- 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 has 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 private real estate also detracted from benchmark-relative performance. Wespeth's Investment Exclusion policies (described [here](#)) helped benchmark-relative performance.

International Equity Fund – I Series

Fund	July	YTD
International Equity Fund – I Series	1.90%	4.48%
MSCI ACWI ex U.S. Investable Market Index (Net)	2.52%	7.94%
Difference (percentage points)	-0.62	-3.46

- 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 – I Series

Fund	July	YTD
U.S. Equity Index Fund – I Series	1.79%	15.60%
Russell 3000 Index	1.86%	15.67%
Difference (percentage points)	-0.07	-0.07

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

Fixed Income Funds

Fixed Income Fund – I Series

Fund	July	YTD
Fixed Income Fund – I Series	2.17%	2.46%
Bloomberg U.S. Universal (ex MBS) Index	2.17%	2.09%
Difference (percentage points)	0.00	+0.37

- In July, the core plus manager’s selection decisions contributed to benchmark-relative results, but were offset by modest selection and allocation decisions.
- Year to date, overweight allocations to below investment grade corporate credit and agency commercial mortgage-backed securities, as well as the out-of-benchmark allocation to Wespath’s Positive Social Purpose Lending Program contributed to benchmark-relative results. The core plus and emerging market manager’s issue selection decisions also contributed. Results were partially offset by the allocation to global bonds and overweight allocation to emerging market debt.

Inflation Protection Fund – I Series

Fund	July	YTD
Inflation Protection Fund – I Series (IPF-I)	1.06%	1.36%
IPF-I Benchmark ⁱⁱ	1.20%	2.37%
Difference (percentage points)	-0.14	-1.01

- For July, the allocations to developed market inflation-linked bonds and issue selection decisions within the commodities and emerging market inflation-linked bond strategies added to relative results. Positive results were more than offset by the allocations to senior secured floating rate bank loans and emerging market inflation-linked bonds.
- Year to date, the allocation to floating rate senior secured bank loans and issue selection within the commodities and Treasury Inflation Protected Securities (TIPS) accounts contributed positively to relative results. Positive results were more than offset by the allocations to, and issue selection within, the emerging market inflation-linked bond and developed market inflation-linked securities portfolios.

Short Term Investment Fund – I Series

Fund	July	YTD
Short Term Investment Fund – I Series (STIF-I)	0.47%	3.08%
BofA Merrill Lynch 3-Month Treasury Bill Index	0.45%	3.11%
Difference (percentage points)	+0.02	-0.03

- For the month and year to date, the fund performed in line with the benchmark.

U.S. Treasury Inflation Protection Fund – I Series

Fund	July	YTD
U.S. Treasury Inflation Protection Fund – I Series	1.84%	2.73%
Bloomberg U.S. Inflation Linked Bond Index	1.81%	2.48%
Difference (percentage points)	+0.03	+0.25

- 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.

Balanced Fund

Multiple Asset Fund – I Series

Fund	July	YTD
Multiple Asset Fund – I Series (MAF-I)	2.28%	6.45%
MAF-I Benchmark ⁱⁱⁱ	2.07%	8.56%
Difference (percentage points)	+0.21	-2.11

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

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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 – I 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 – I Series is 90% Bloomberg U.S. Treasury Inflation-Linked Bond Index and 10% Bloomberg Commodity Index.
- ⁱⁱⁱ The benchmark for the Multiple Asset Fund – I Series 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% IPF Benchmark.
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