



Wespath

BENEFITS | INVESTMENTS

Investments and Economic Update

Conference Forum | April 2023



Agenda

Wespath Funds and Investment Services

Investment Performance Update

Q1 Markets and Economic Overview

2023 Risks and Opportunities

Investment Beliefs

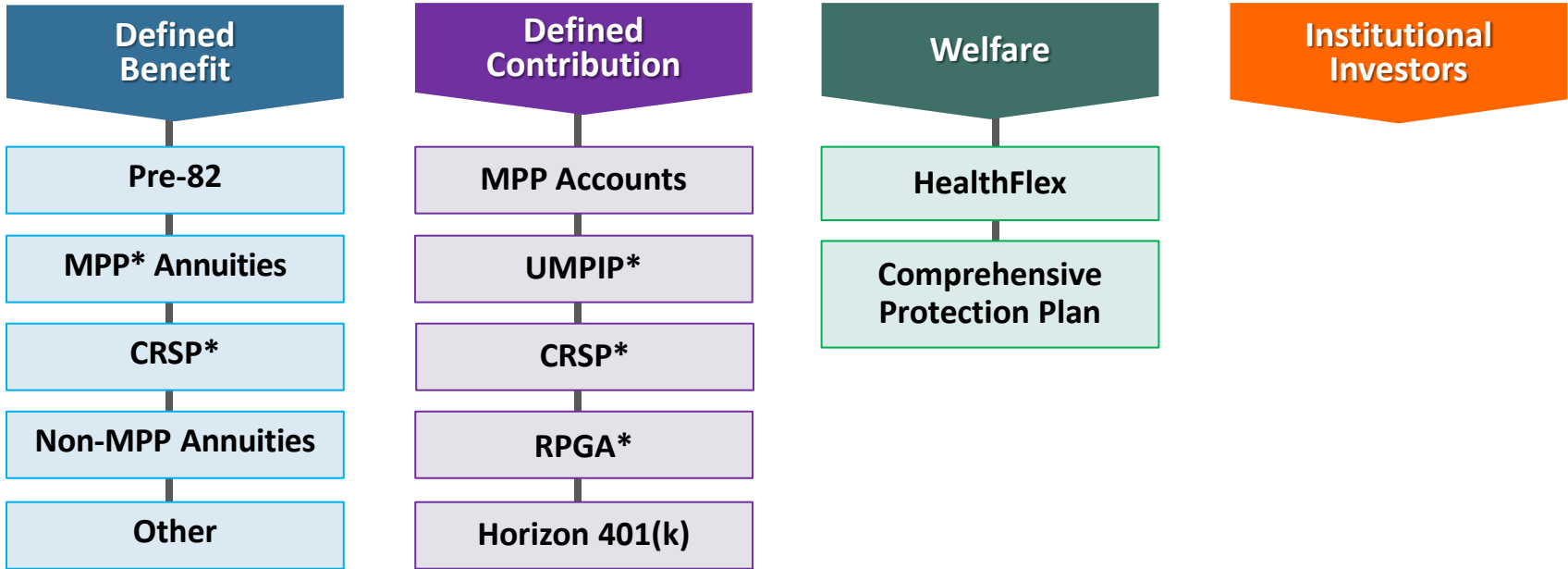
Investing Sustainably





Investment Services and Funds

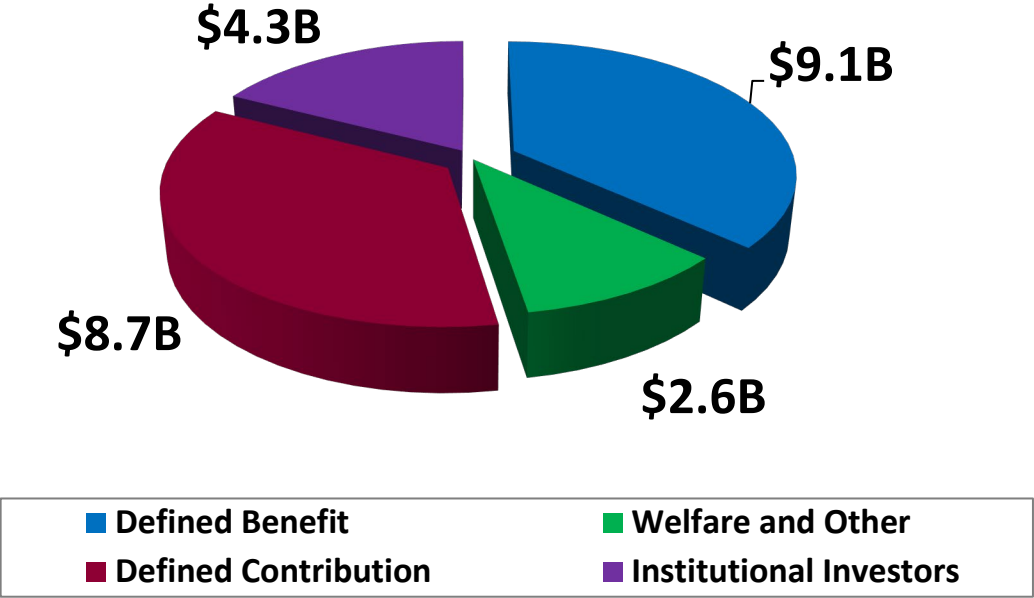
Wespath Administered Programs



* MPP—Ministerial Pension Plan
CRSP—Clergy Retirement Security Program
UMPIP—United Methodist Personal Investment Plan
RPGA—Retirement Plan for General Agencies

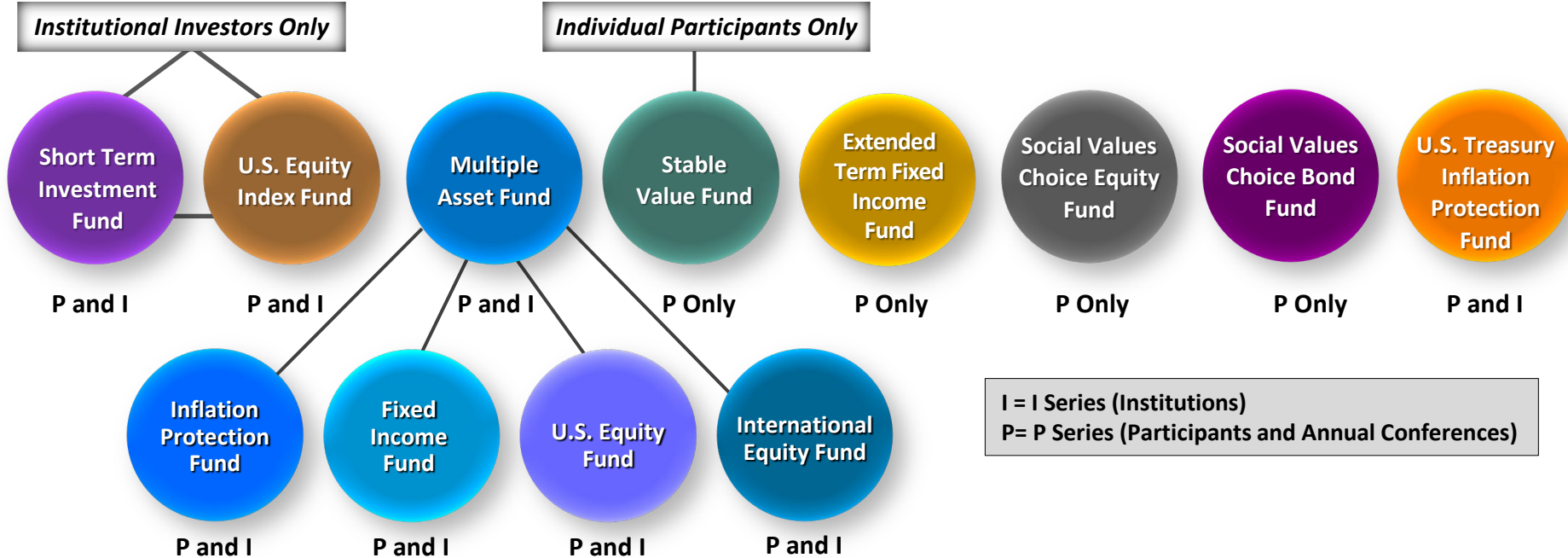
Value of Investments Supporting Wespath Administered Programs

**\$24.7
Billion**



As of December 31, 2022.

Wespath Investment Funds



LifeStage Investment Management

- Social Security eligibility
- Accumulated savings
- Risk tolerance
- Plans for balance at retirement
- Value of Social Security Benefits
- Date to begin benefits
- Age



LifeStage Retirement Income

Manages distributions from defined contribution accounts during retirement

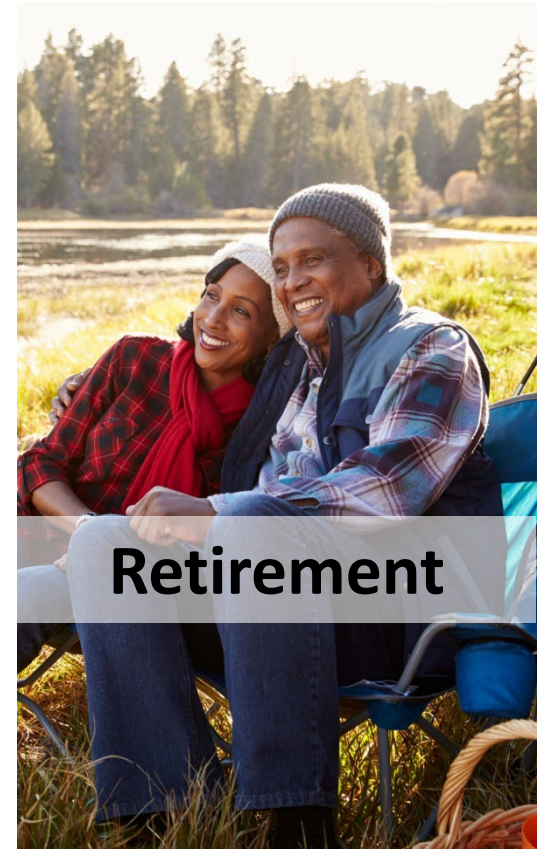
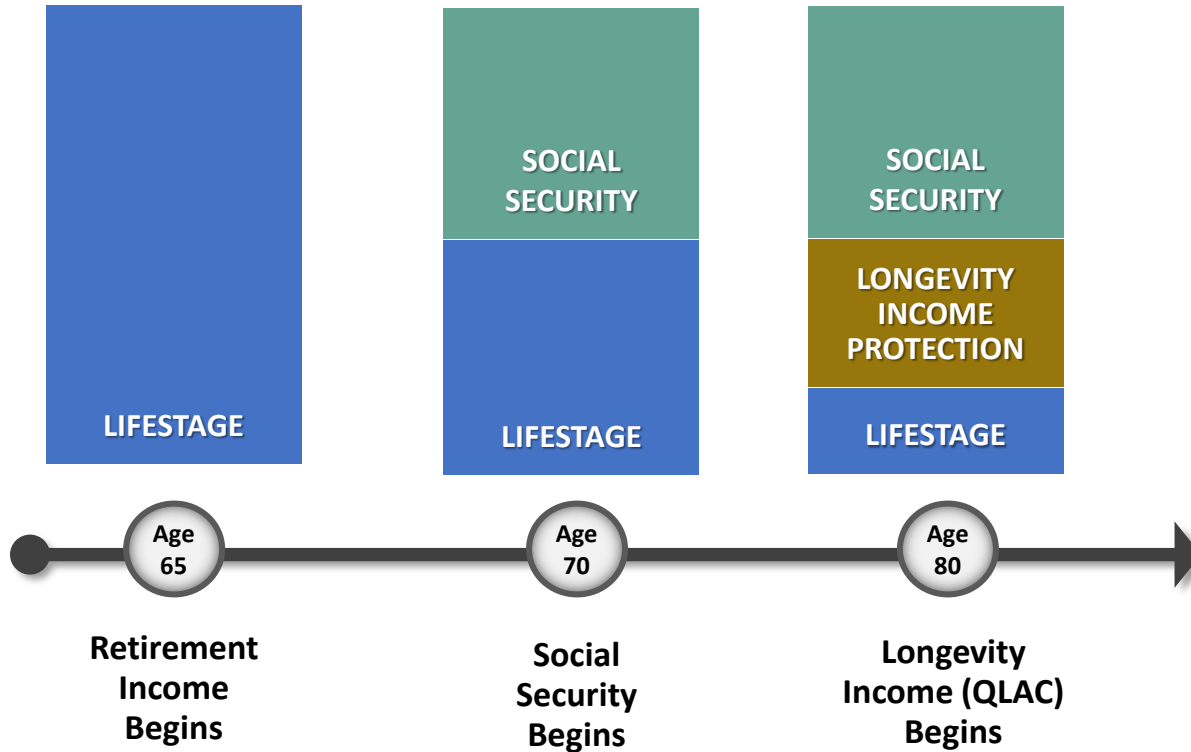
Balance on account can pass to spouse and/or estate at death

Up to 20% of account can be set aside in a low-risk “reserve” to meet emergency needs

Participant must use LifeStage Investment Management



LifeStage Retirement Income Features



EY Financial Planning Services

Services available with no direct cost to*:

- Active participants
- Surviving spouses
- Terminated and retired participants with at least a \$10,000 balance on account

Features

- Advice from qualified financial planners
- Numerous financial planning topics can be addressed
- EY receives no fees directly from participants for its advice, and does not promote specific products or services

* Costs for services are included in Wespath's operating expenses that are paid for by the funds.



Save the Date—Webinar

April 20, 2023

First Quarter 2023 Update

- Markets and the Global Economy
- Wespath Funds
- Sustainable investments

**Mark your calendars and
share with your colleagues!**





2023 Economic Risks and Opportunities

Five Near-term Risks and Opportunities



1

Inflation



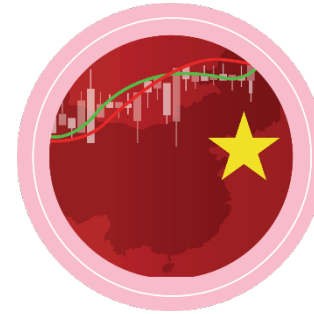
2

**Potential
Recession**



3

Geopolitics



4

China



5

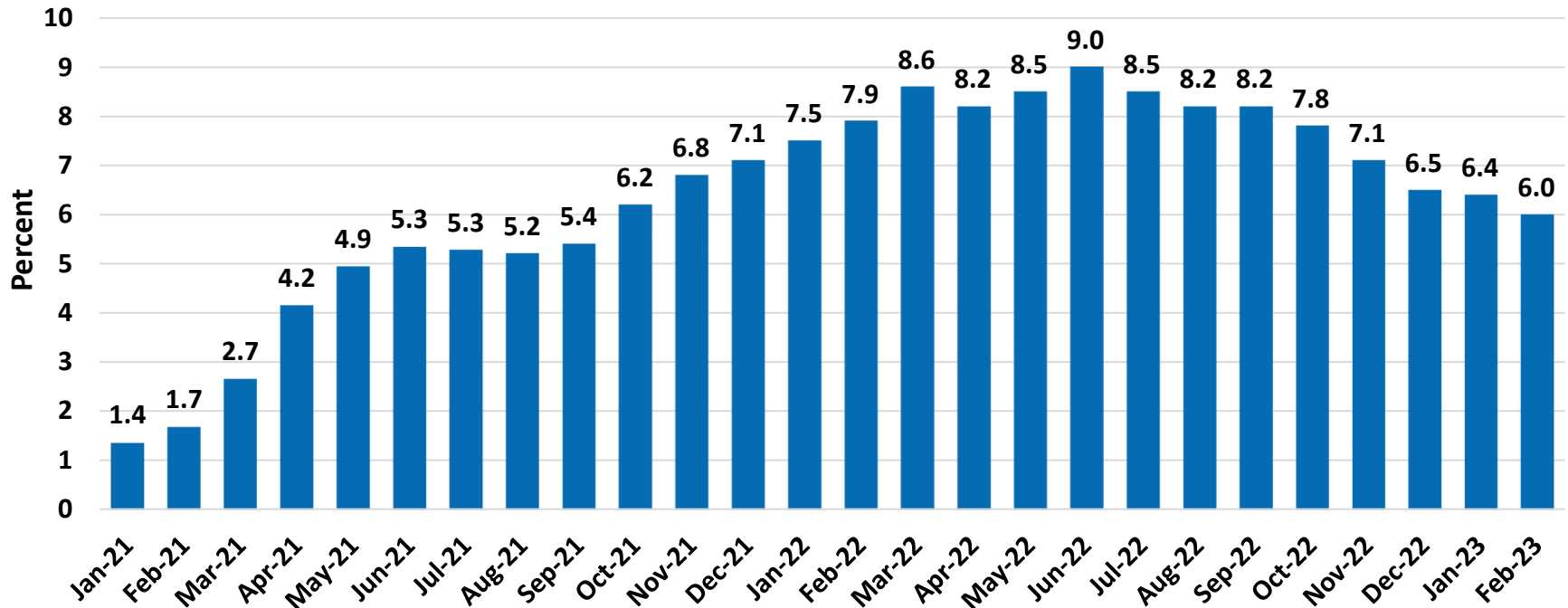
Seven Cs

1 Inflation



CPI Inflation Peaked in June, Gradually Declining

Consumer Price Index All Urban Consumers (CPI-U) – Year over Year



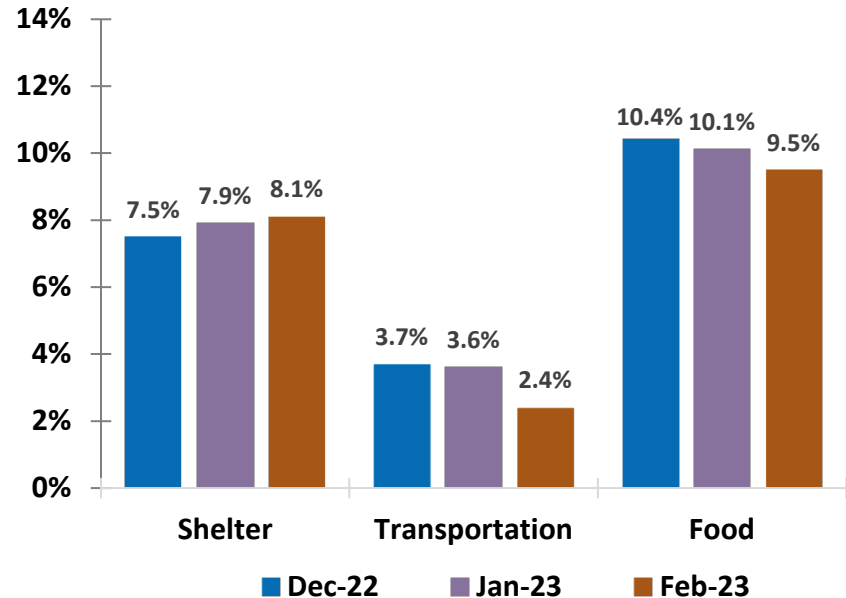
Source: Department of Labor, Bureau of Labor Statistics. Retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of February 28, 2023.

Shelter Costs Continue to Rise

CPI Categories

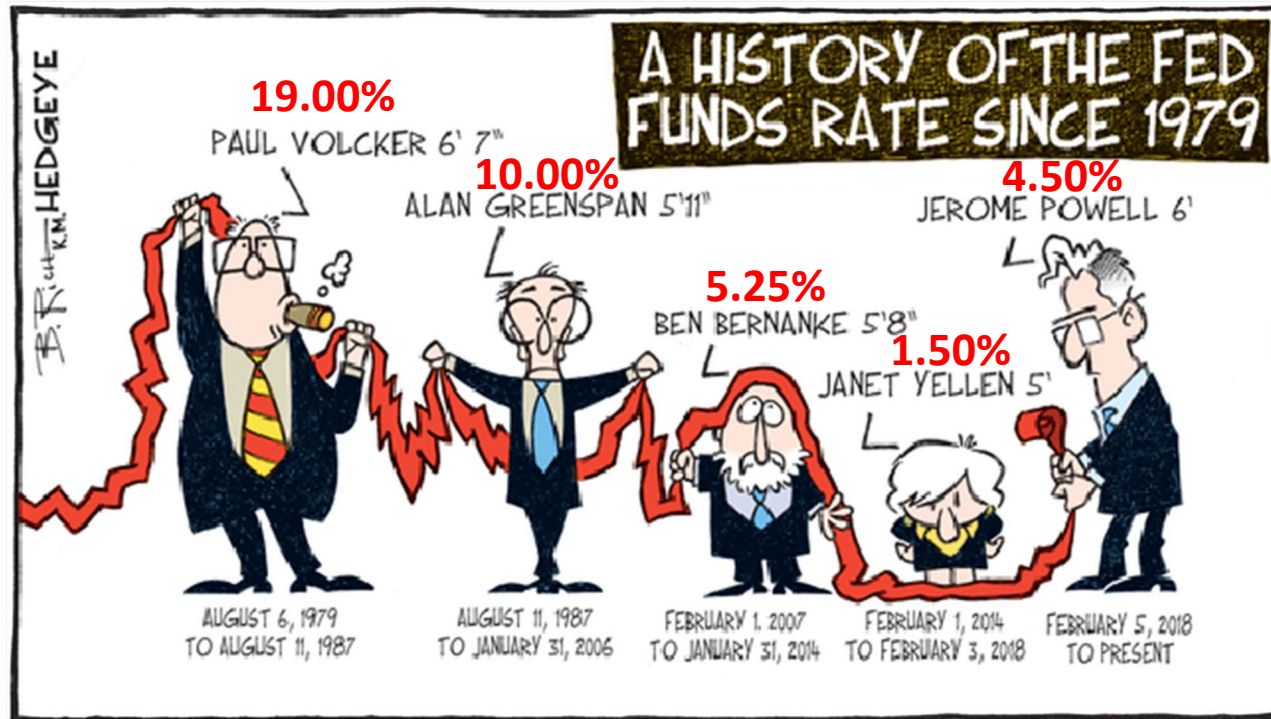
| | |
|-----------------------------|-------|
| Housing | 44.4% |
| Transportation | 16.7% |
| Food and Beverage | 14.4% |
| Medical Care | 8.1% |
| Education and Communication | 5.8% |
| Recreation | 5.4% |
| Apparel | 2.5% |
| Other | 2.7% |

Annual Rates of Inflation for Three Largest Categories



Sources: Left U.S. Department of Labor Bureau of Labor Statistics, <https://www.bls.gov/cpi/tables/relative-importance/2022.htm> . Data as of December 31, 2022. Right BLS retrieved from FRED, Federal Reserve Bank of St. Louis, Data as of February 28, 2023.

Federal Reserve Action: An Illustrative View



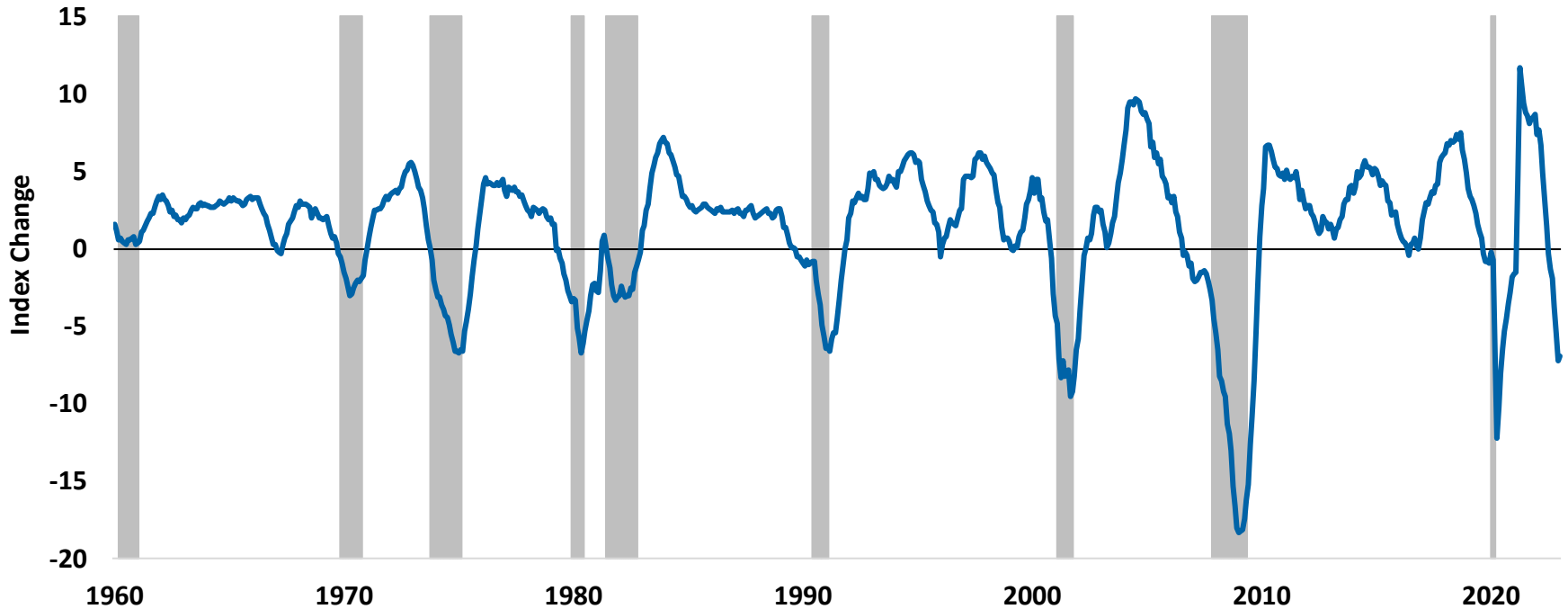
Sources: Hedgey, March 22, 2018, and Federal Reserve Bank of St. Louis (Rates in red are peak rates during indicated Chair's tenure).

2 Potential Recession



Leading Economic Index Predicts Recession

Conference Board Leading Economic Index Year over Year Change



Source: Wikipedia, Conference Board, FactSet. Data as of January 31, 2023. Gray bars represent recessionary periods.

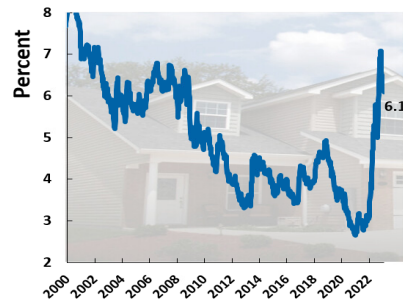
Four Charts Summarizing Current U.S. Economic Conditions

Jobs Are Plentiful



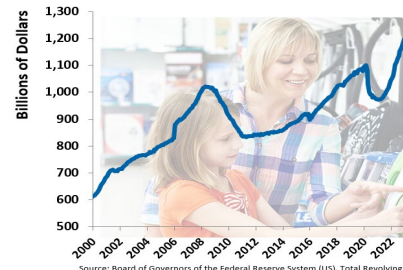
Source: U.S. Bureau of Labor Statistics, Job Openings: Total Nonfarm [JTSJOL], retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of December 30, 2022

Mortgage Rates Elevated



Source: Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States, retrieved from FRED, Federal Reserve Bank of St. Louis, February 2, 2023.

Consumer Debt Rising



Source: Board of Governors of the Federal Reserve System (US), Total Revolving Credit Owned and Securitized, Outstanding [REVOLSLS], retrieved from FRED, Federal Reserve Bank of St. Louis; Data as of: December 31, 2022

Savings Rates are Low



Source: U.S. Bureau of the Economic Analysis, Federal Reserve Bank of St. Louis, FRED Data as of December 31, 2022

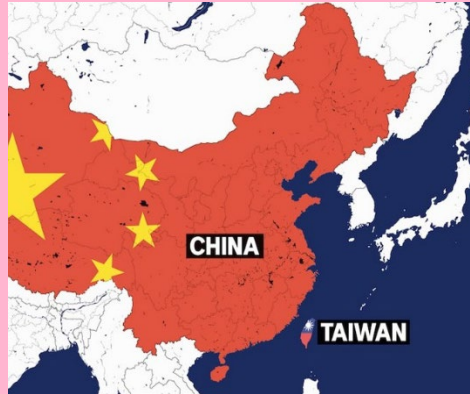
3 Geopolitics



World Events That Could Adversely Affect Markets



4 China



Multiple Risks and Opportunities in China

RISKS



Taiwan



Aging Population



Domestic Debt



Human Rights



Pollution

OPPORTUNITIES



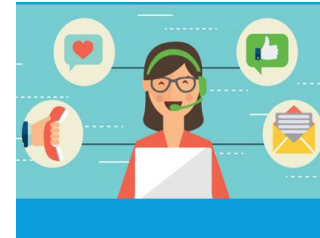
Reopening



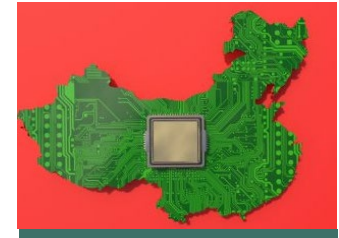
Belt Road



Tech Industry

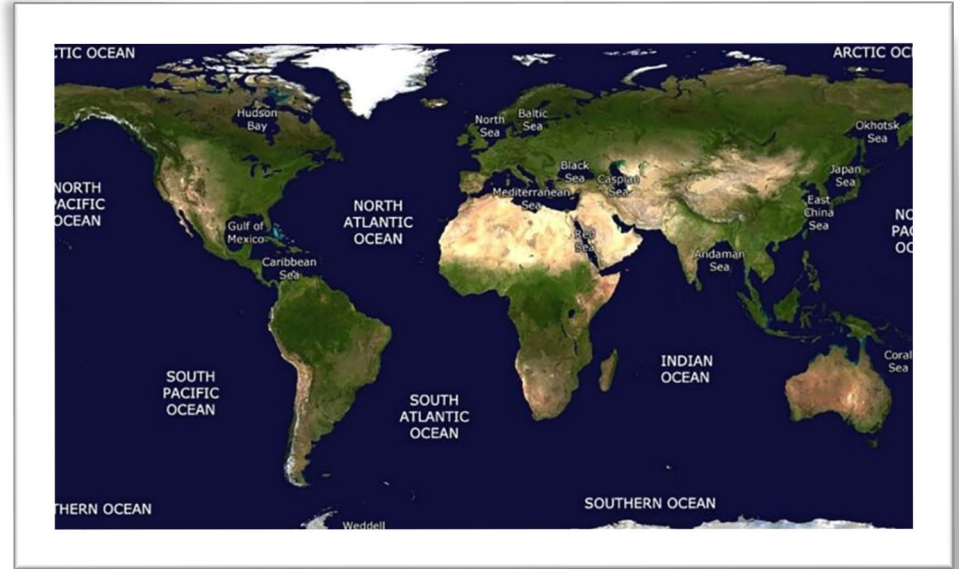


Service Economy

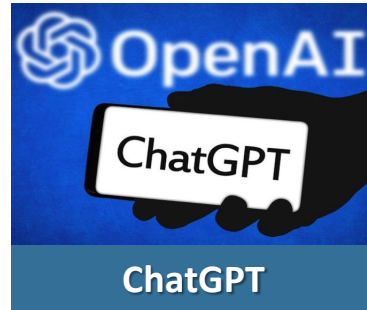
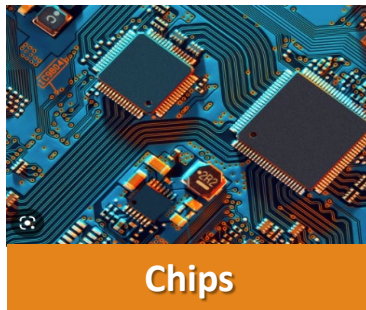
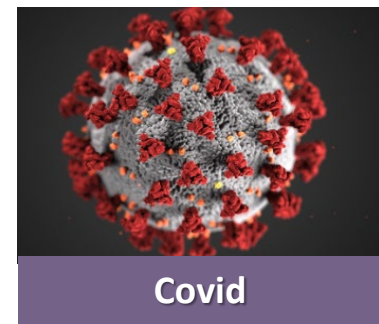


Green Tech

5 The Seven Seas (Cs)



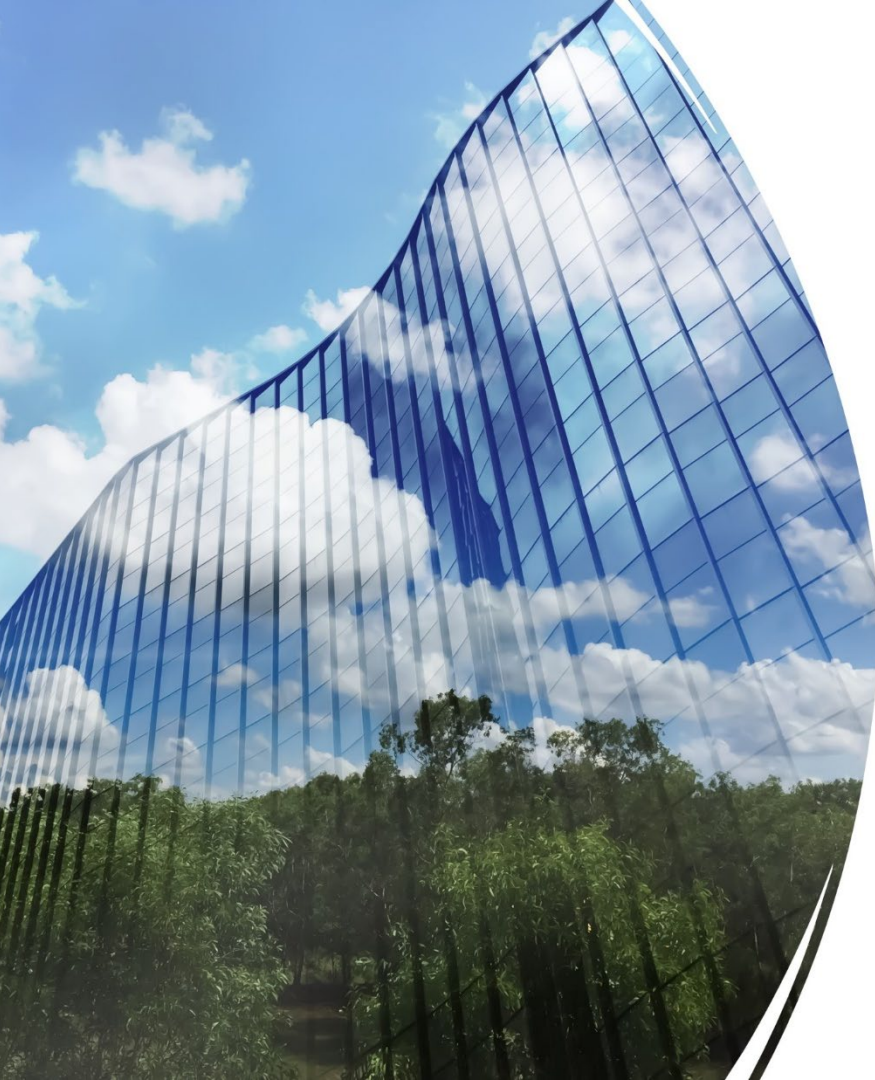
Various Potential Risks and Opportunities





Investment Beliefs





Summary Statement

“We aspire to be recognized as an industry-leading asset management not-for-profit organization with an investment approach that honors the values, mission and traditions of the UMC.”

Fiduciary Focus

Unequivocally states our fiduciary commitment to both our participants and institutional investors



Integrated Sustainability

A cohesive recognition of the wide array of relevant information that we believe investors must consider



Active Management and Engagement

Covers our perspective on two distinct, but related, aspects of how we believe financial markets work



Diversified, Long-Term Perspective

Based on balancing risk and reward rather than focusing solely on one factor or the other



Culture Based Upon Professionalism, Integrity and Diversity

Our team shows up every day to work on behalf of the best interests of our participants and institutional investors





Investing Sustainability for the Long-Term

Sustainable and Socially Responsible Investment Directives

The UMC asks that Wespath and its subsidiaries:

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“...discharge its fiduciary duties... solely in the interest of the participants and beneficiaries... with care, skill, prudence and diligence...”

¶717

“...make a conscious effort to invest... with the goals outlined in the Social Principles”

Resolution 4071: Investment Ethics

“...invest in a sustainable and socially responsible manner, which is an investment discipline that integrates environmental, social and governance (ESG) factors to achieve suitable financial returns and positive social and environmental impact...”



Defining Sustainable Investment

“ ...Meet the needs of the present without compromising the ability of future generations to meet their own needs... ”

1987 United Nations World Commission
on Environment and Development
“Bruntland Commission”



Wespath's Vision of a Sustainable Economy

We organize our efforts through our Sustainable Economy Framework (SEF), in which we define a **sustainable global economy** as one that promotes:



Social cohesion



Long-term prosperity for all



Environmental health



Approach to SEF: Invest, Engage and Avoid



Invest

We seek to invest in ways that will generate strong returns and demonstrable social and environmental impact



Engage

We engage companies, asset managers and policymakers, urging them to adopt sustainable practices and policies



Avoid

We avoid investments related to the UMC's ethical exclusions, or because they pose sustainability-related financial risks



For additional questions,
please email us:

investmentinfo@wespath.org



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