



**Wespath**

BENEFITS | INVESTMENTS



CONFERENCE FORUM

# Macroeconomic Overview

# Agenda



Fund Performance Review



Investment Beliefs



Investment Worldview



2017 Top 10

# Fund Performance Review



# Stable Value Fund

## Fund Performance (Net of Fees) as of December 31, 2016

Fund	Qtr	Annualized					Since Inception
		1 Year	3 Years	5 Years	7 Years	10 Years	
Stable Value Fund	0.35%	1.36%	2.51%	2.41%	2.63%	3.11%	3.27%
<i>SVF Benchmark</i>	<i>0.09%</i>	<i>0.33%</i>	<i>2.16%</i>	<i>2.19%</i>	<i>2.43%</i>	<i>2.87%</i>	<i>3.00%</i>
<b>Excess Return</b>	<b>0.26%</b>	<b>1.03%</b>	<b>0.35%</b>	<b>0.22%</b>	<b>0.20%</b>	<b>0.24%</b>	<b>0.27%</b>

Inception: 11/18/2002

Please see Appendix for performance and benchmark disclosures

# Inflation Protection Fund

## Fund Performance (Net of Fees) as of December 31, 2016

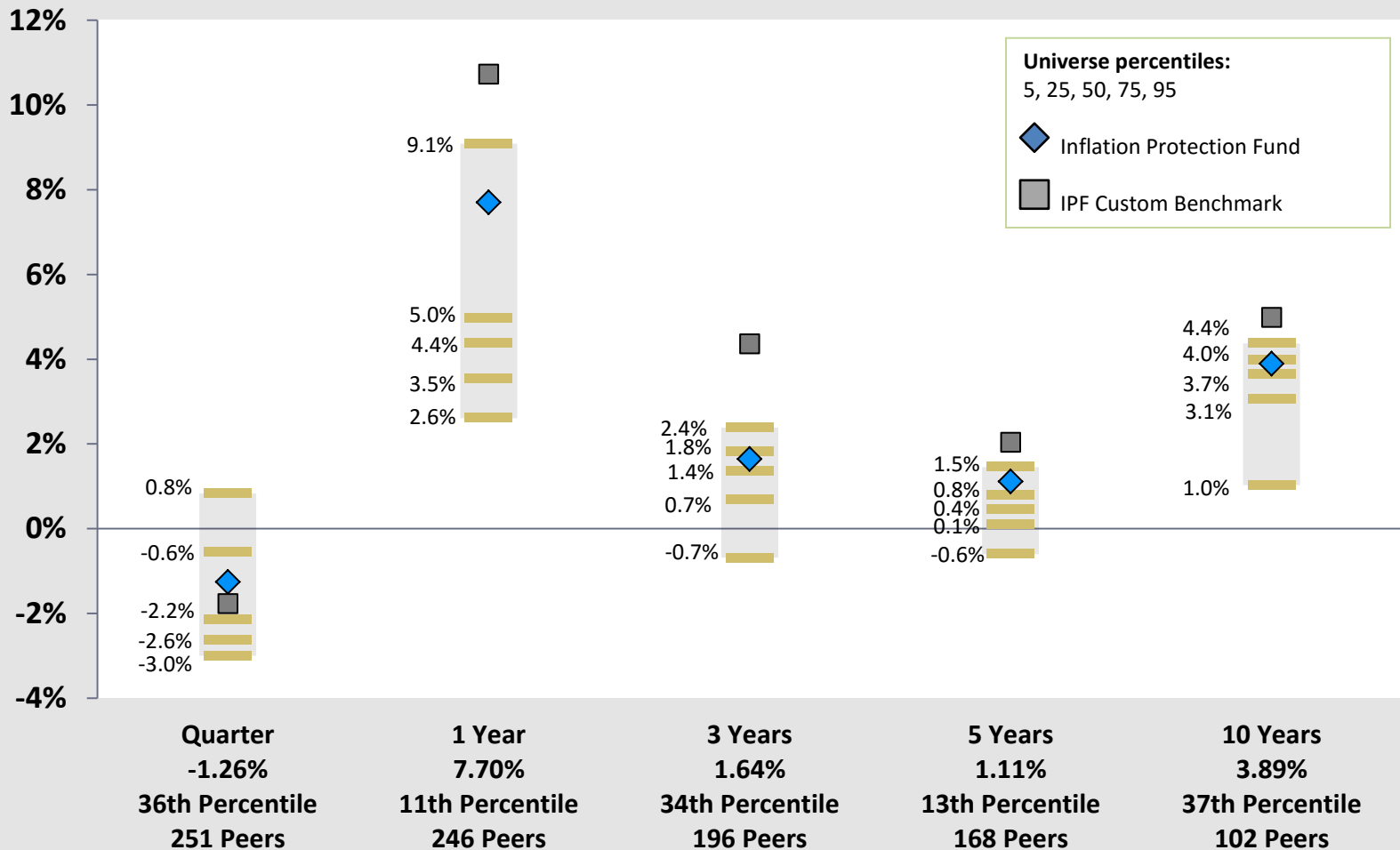
Fund	Qtr	Annualized					Since Inception
		1 Year	3 Years	5 Years	7 Years	10 Years	
<b>Inflation Protection Fund</b>	-1.26%	7.70%	1.64%	1.11%	3.25%	3.89%	3.90%
<i>IPF Benchmark</i>	-1.77%	10.73%	4.36%	2.04%	4.28%	4.99%	4.74%
<b>Excess Return</b>	<b>0.51%</b>	<b>-3.03%</b>	<b>-2.72%</b>	<b>-0.93%</b>	<b>-1.03%</b>	<b>-1.11%</b>	<b>-0.84%</b>

Inception: 1/5/2004

Inflation since inception = 2.1%

Please see Appendix for performance and benchmark disclosures

# Inflation Protection Fund— December 31, 2016



Net of fees

Source: Wilshire Lipper Universe; as of 12/31/2016

Please see Appendix for performance and benchmark disclosures

# Fixed Income Fund

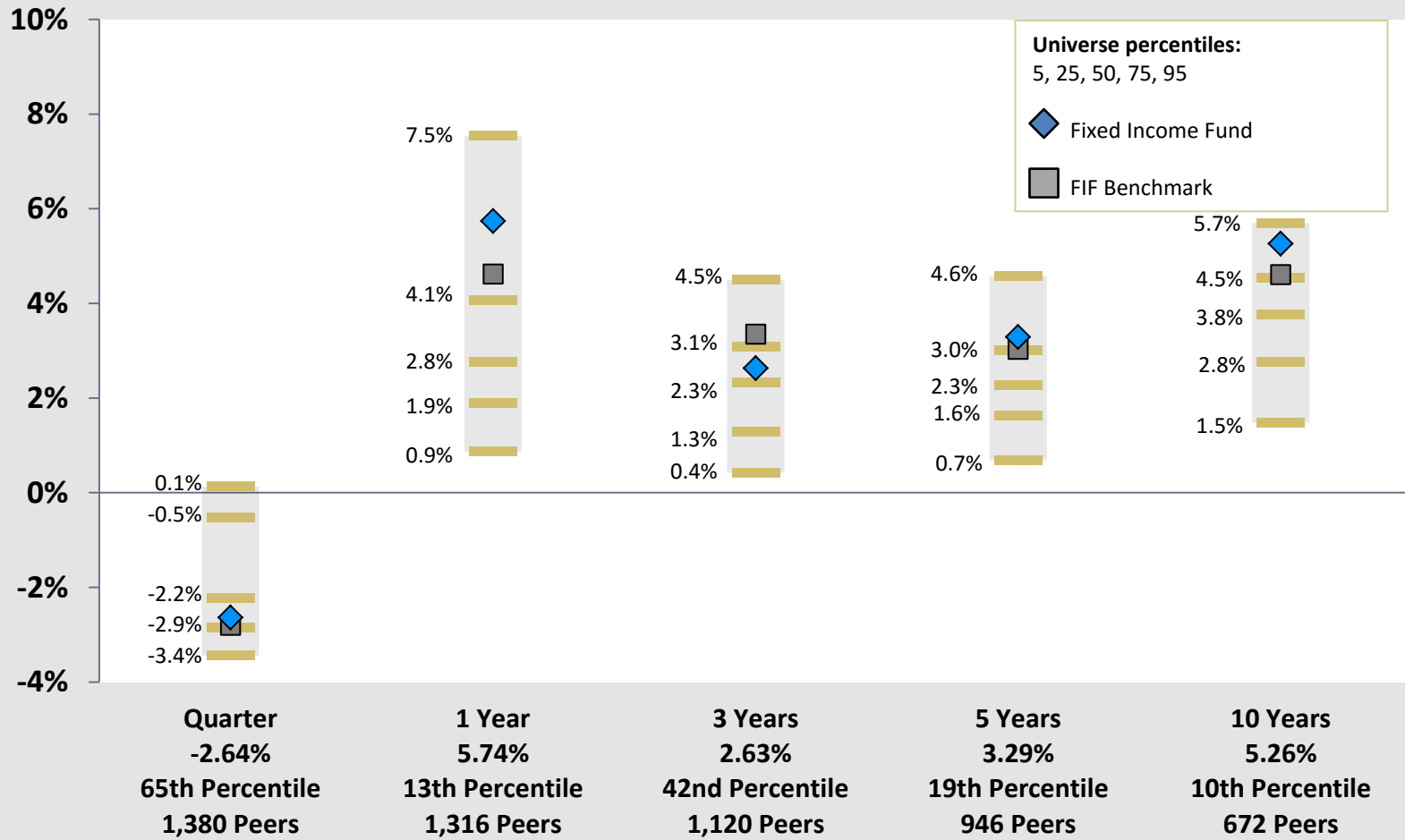
## Fund Performance (Net of Fees) as of December 31, 2016

Fund	Qtr	Annualized					Since Inception
		1 Year	3 Years	5 Years	7 Years	10 Years	
Fixed Income Fund	-2.64%	5.74%	2.63%	3.29%	4.45%	5.26%	5.57%
<i>FIF Benchmark</i>	-2.80%	4.62%	3.35%	3.03%	4.41%	4.61%	5.20%
Excess Return	0.16%	1.12%	-0.72%	0.26%	0.04%	0.65%	0.37%

Inception: 1/1/1998

Please see Appendix for performance and benchmark disclosures

# Fixed Income Fund— December 31, 2016



Net of fees

Source: Wilshire Lipper Universe; as of 12/31/2016

Please see Appendix for performance and benchmark disclosures



# Extended Term Fixed Income Fund

## Fund Performance (Net of Fees) as of December 31, 2016

Fund	Qtr	Annualized	
		1 Year	Since Inception
Extended Term Fixed Income Fund	-4.78%	5.44%	2.24%
<i>ETFIF Benchmark</i>	-7.84%	6.67%	2.51%
<b>Excess Return</b>	<b>3.06%</b>	<b>-1.23%</b>	<b>-0.27%</b>

Inception: 6/1/2015

Please see Appendix for performance and benchmark disclosures

# U.S. Equity Index Fund

## Fund Performance (Net of Fees) as of December 31, 2016

Fund	Qtr	Annualized	
		1 Year	Since Inception
US Equity Index Fund	4.07%	12.35%	5.90%
<i>USEIF Benchmark</i>	4.21%	12.74%	6.43%
<b>Excess Return</b>	<b>-0.14%</b>	<b>-0.39%</b>	<b>-0.53%</b>

Inception: 1/1/2015

Please see Appendix for performance and benchmark disclosures

# U.S. Equity Fund

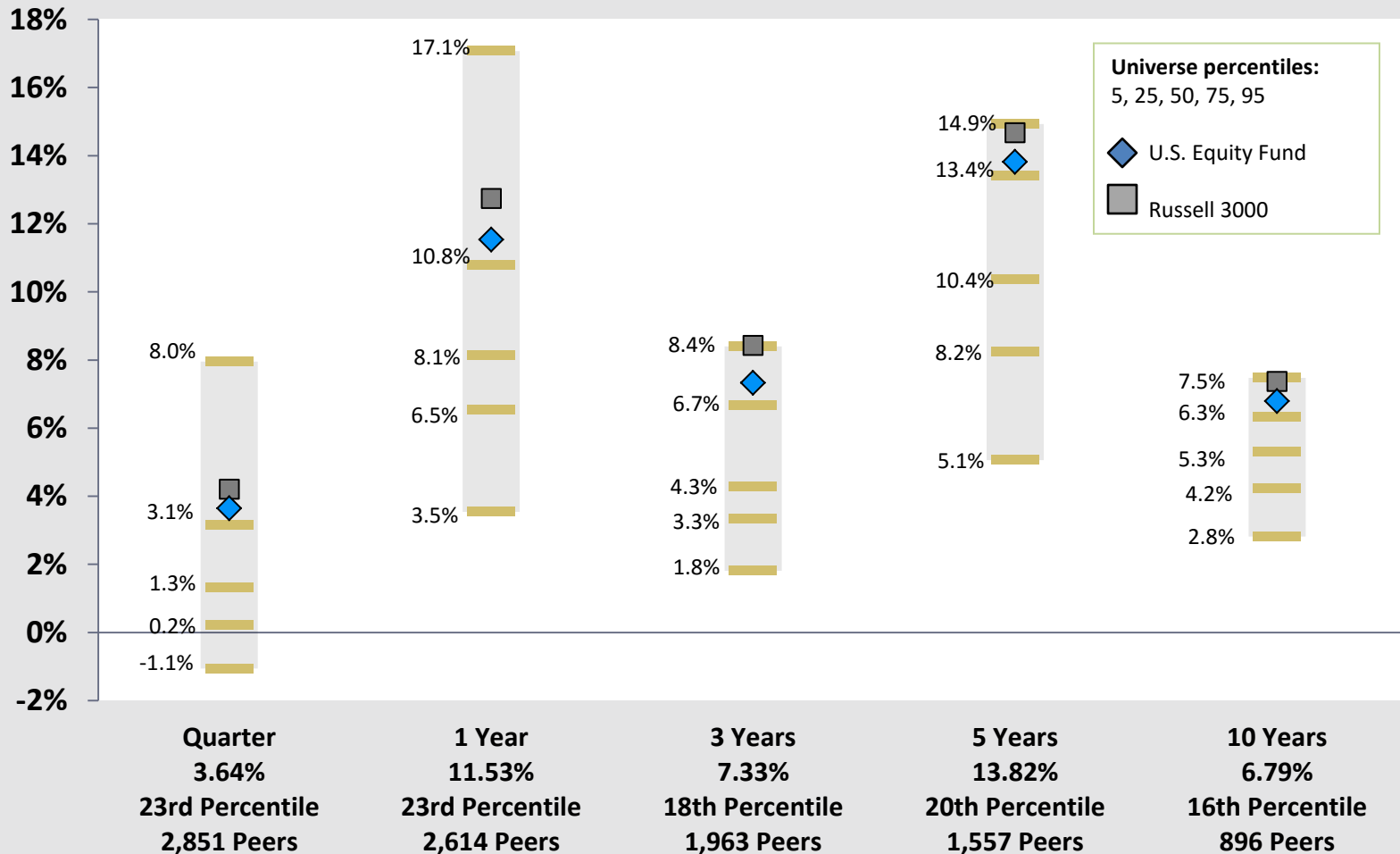
## Fund Performance (Net of Fees) as of December 31, 2016

Fund	Qtr	Annualized					Since Inception
		1 Year	3 Years	5 Years	7 Years	10 Years	
U.S. Equity Fund	3.64%	11.53%	7.33%	13.82%	12.20%	6.79%	6.50%
<i>USEF Benchmark</i>	4.21%	12.74%	8.43%	14.67%	12.92%	7.07%	6.72%
<b>Excess Return</b>	<b>-0.57%</b>	<b>-1.21%</b>	<b>-1.10%</b>	<b>-0.85%</b>	<b>-0.72%</b>	<b>-0.28%</b>	<b>-0.22%</b>

Inception: 1/1/1998

Please see Appendix for performance and benchmark disclosures

# U.S. Equity Fund— December 31, 2016



Net of fees

Source: Wilshire Lipper Universe; as of 12/31/2016

Please see Appendix for performance and benchmark disclosures

# Equity Social Values Plus Fund

## Fund Performance (Net of Fees) as of December 31, 2016

Fund	Qtr	Annualized	
		1 Year	Since Inception
Equity Social Values Plus Fund	1.09%	6.97%	2.84%
<i>ESVPF Benchmark</i>	1.21%	7.19%	3.19%
<b>Excess Return</b>	<b>-0.12%</b>	<b>-0.22%</b>	<b>-0.35%</b>

Inception: 1/1/2015

Please see Appendix for performance and benchmark disclosures

# International Equity Fund

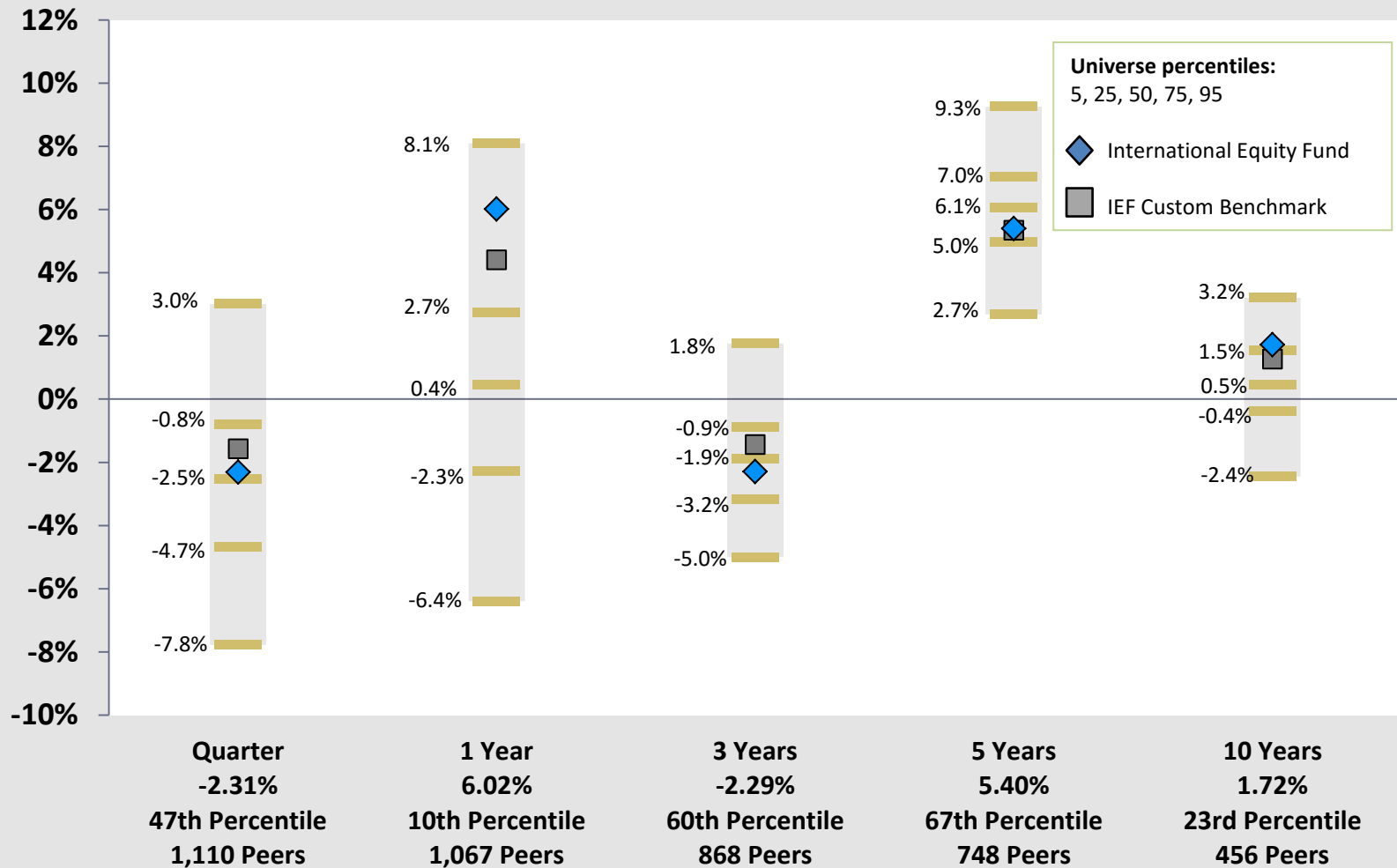
## Fund Performance (Net of Fees) as of December 31, 2016

Fund	Qtr	Annualized					Since Inception
		1 Year	3 Years	5 Years	7 Years	10 Years	
International Equity Fund	-2.31%	6.02%	-2.29%	5.40%	3.51%	1.72%	5.79%
<i>IEF Benchmark</i>	-1.57%	4.41%	-1.44%	5.35%	3.28%	1.27%	4.59%
<b>Excess Return</b>	<b>-0.74%</b>	<b>1.61%</b>	<b>-0.85%</b>	<b>0.05%</b>	<b>0.23%</b>	<b>0.45%</b>	<b>1.20%</b>

Inception: 1/1/1998

Please see Appendix for performance and benchmark disclosures

# International Equity Fund— December 31, 2016



Net of fees

Source: Wilshire Lipper Universe; as of 12/31/2016

Please see Appendix for performance and benchmark disclosures

# Multiple Asset Fund

## Fund Performance (Net of Fees) as of December 31, 2016

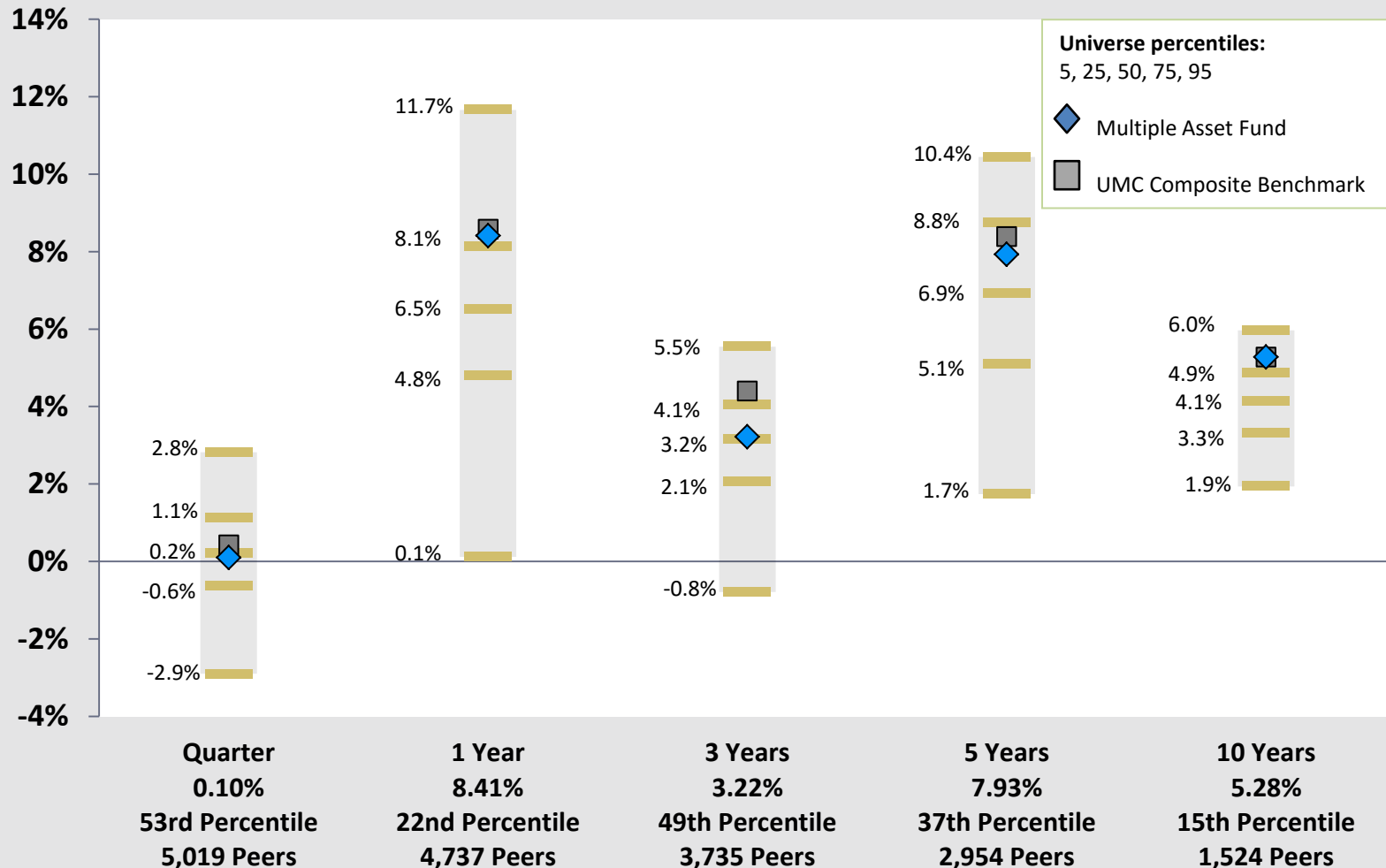
Fund	Qtr	Annualized					Since Inception
		1 Year	3 Years	5 Years	7 Years	10 Years	
Multiple Asset Fund	0.10%	8.41%	3.22%	7.93%	7.52%	5.28%	6.80%
<i>MAF Benchmark</i>	<i>0.43%</i>	<i>8.58%</i>	<i>4.40%</i>	<i>8.39%</i>	<i>7.98%</i>	<i>5.28%</i>	<i>6.54%</i>
<b>Excess Return</b>	<b>-0.33%</b>	<b>-0.17%</b>	<b>-1.18%</b>	<b>-0.46%</b>	<b>-0.46%</b>	<b>0.00%</b>	<b>0.26%</b>

Inception: 5/1/2002

Please see Appendix for performance and benchmark disclosures



# Multiple Asset Fund— December 31, 2016



Net of fees

Source: Wilshire Lipper Universe; as of 12/31/2016

Please see Appendix for performance and benchmark disclosures

# Investment Beliefs



**Investment Focus**



**Sustainability**



**Optimistic Worldview**



**Long-Term Perspective**



**Active Management**



**Diversification**



**Stewardship**

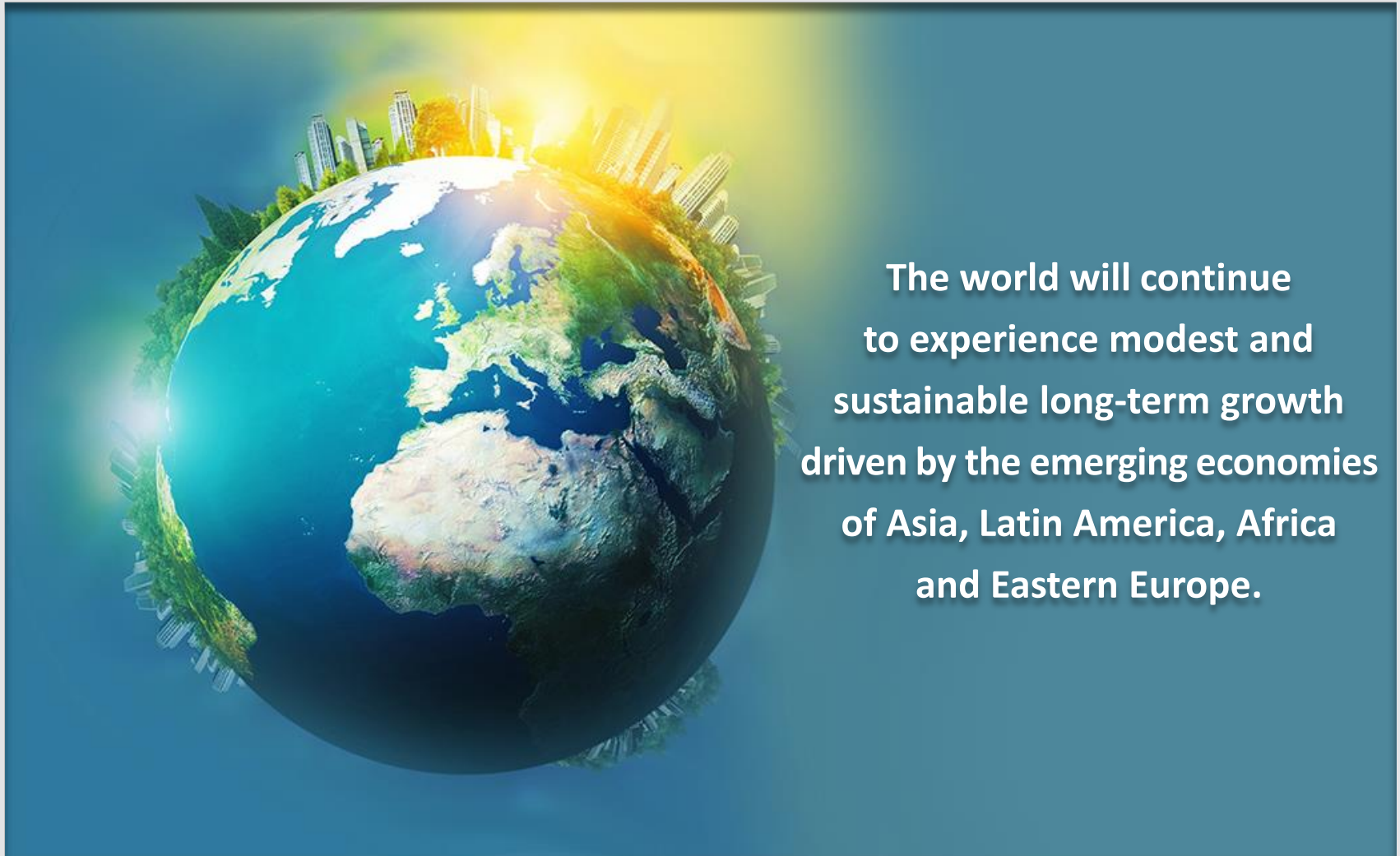


**Culture**



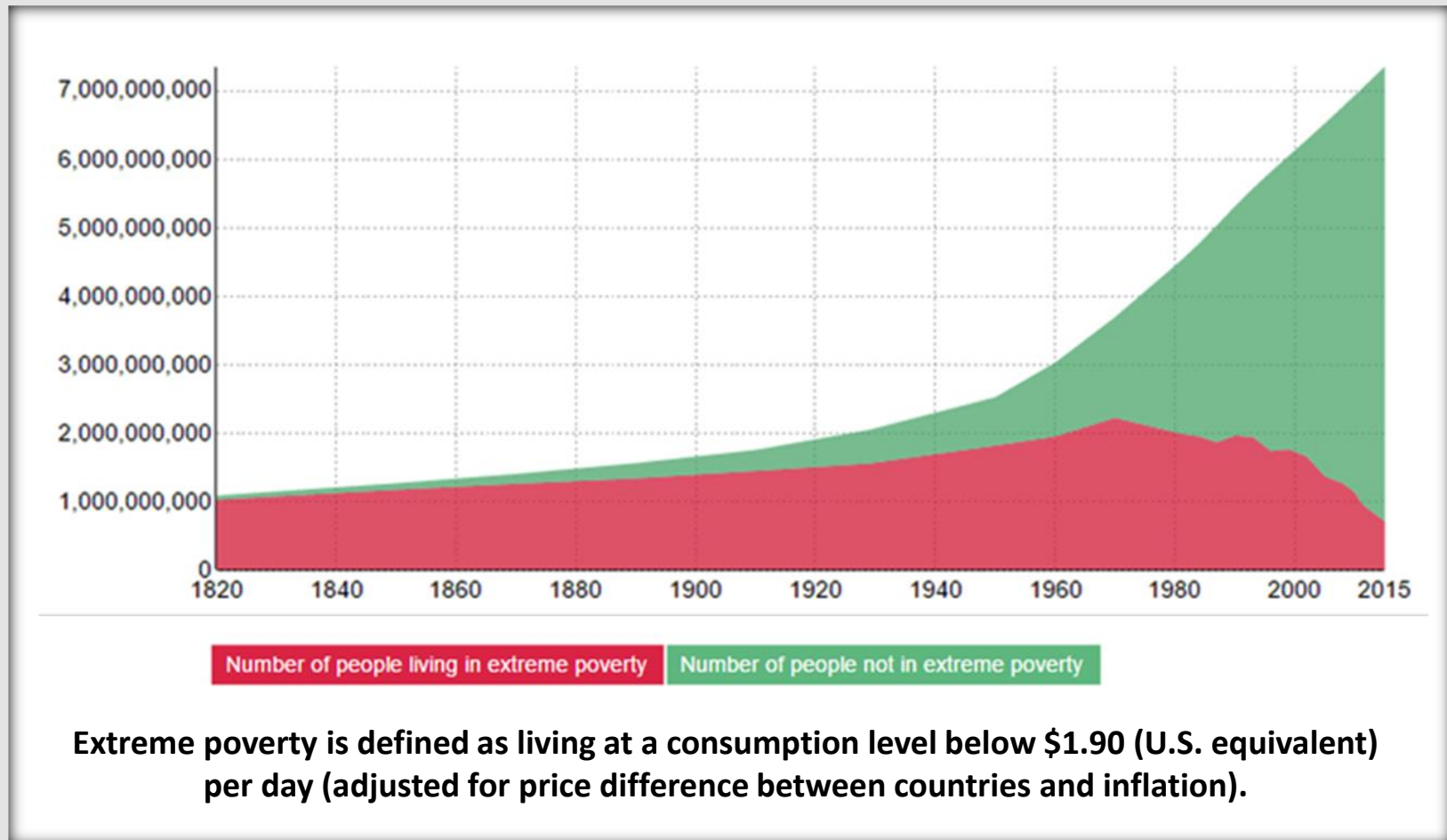
**Expertise**

# Investment Worldview



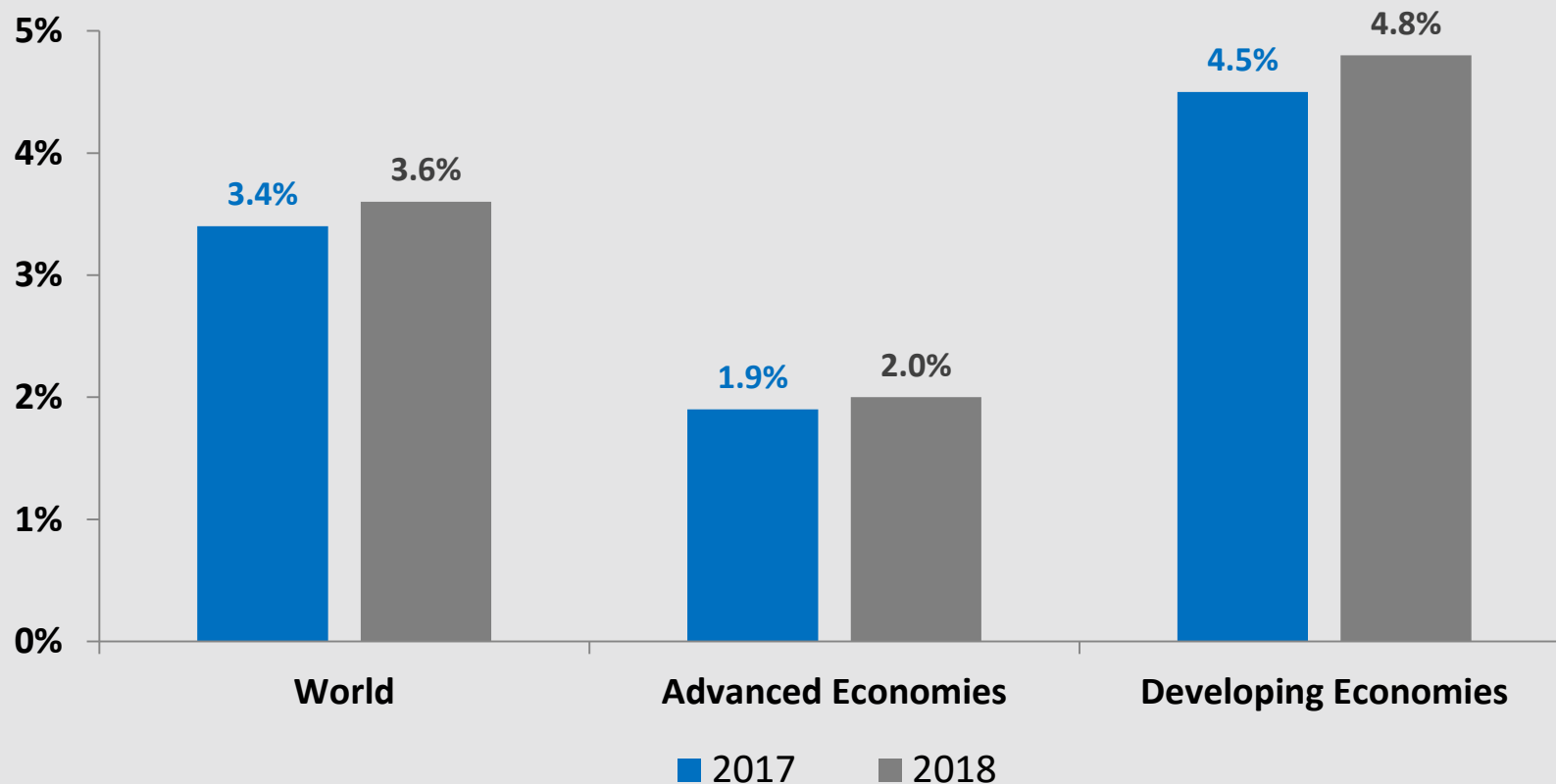
**The world will continue to experience modest and sustainable long-term growth driven by the emerging economies of Asia, Latin America, Africa and Eastern Europe.**

# Extreme Poverty Declining



Source: *World Poverty in absolute numbers* (Max Roser based on World Bank and Bourguignon and Morrison, 2002); *Our World in Data*

# Sources of World Economic Growth— 2017 and 2018



Source: International Monetary Fund World Economic Outlook, January 16, 2017

**Dave's List**

# **Top 10**

(5 Long-Term and 5 Near-Term)

**World Economic Issues  
and Concerns for 2017**

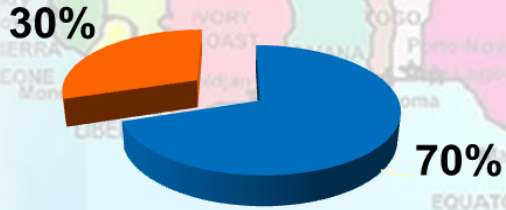


# Emergence of Africa

10

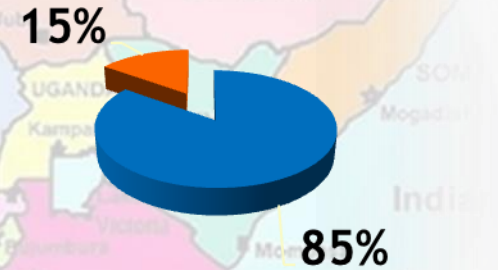


## Natural Resources



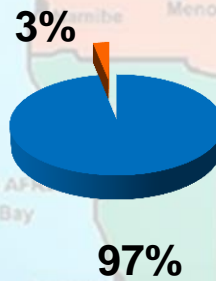
■ World ex Africa ■ Africa

## Population



■ World ex Africa ■ Africa

## GDP



■ World ex Africa ■ Africa



# Disruptive Technological Innovations

9



# Major Disruptions Are Underway



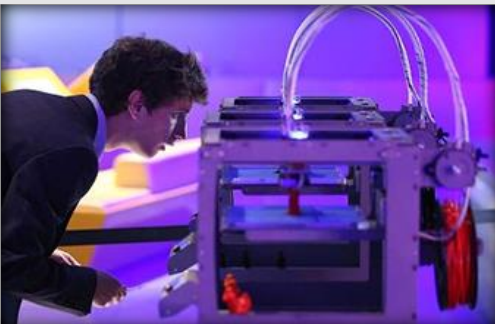
**Big Data**



**The Gig Economy**



**Virtual Reality**



**3D Printing**



**Autonomous Vehicles**



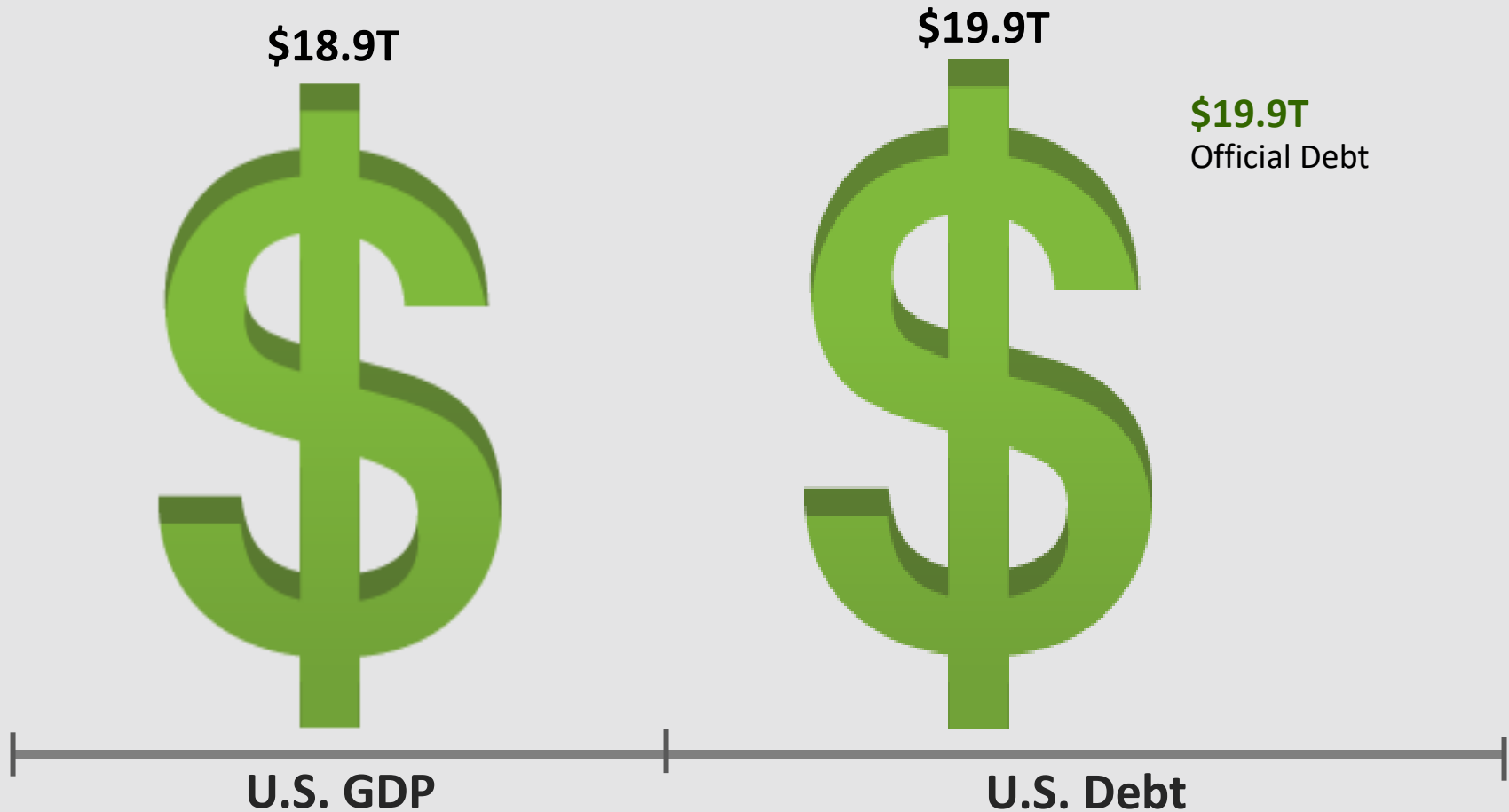
**Artificial Intelligence**

# U.S. Retirement Funding Crisis

8

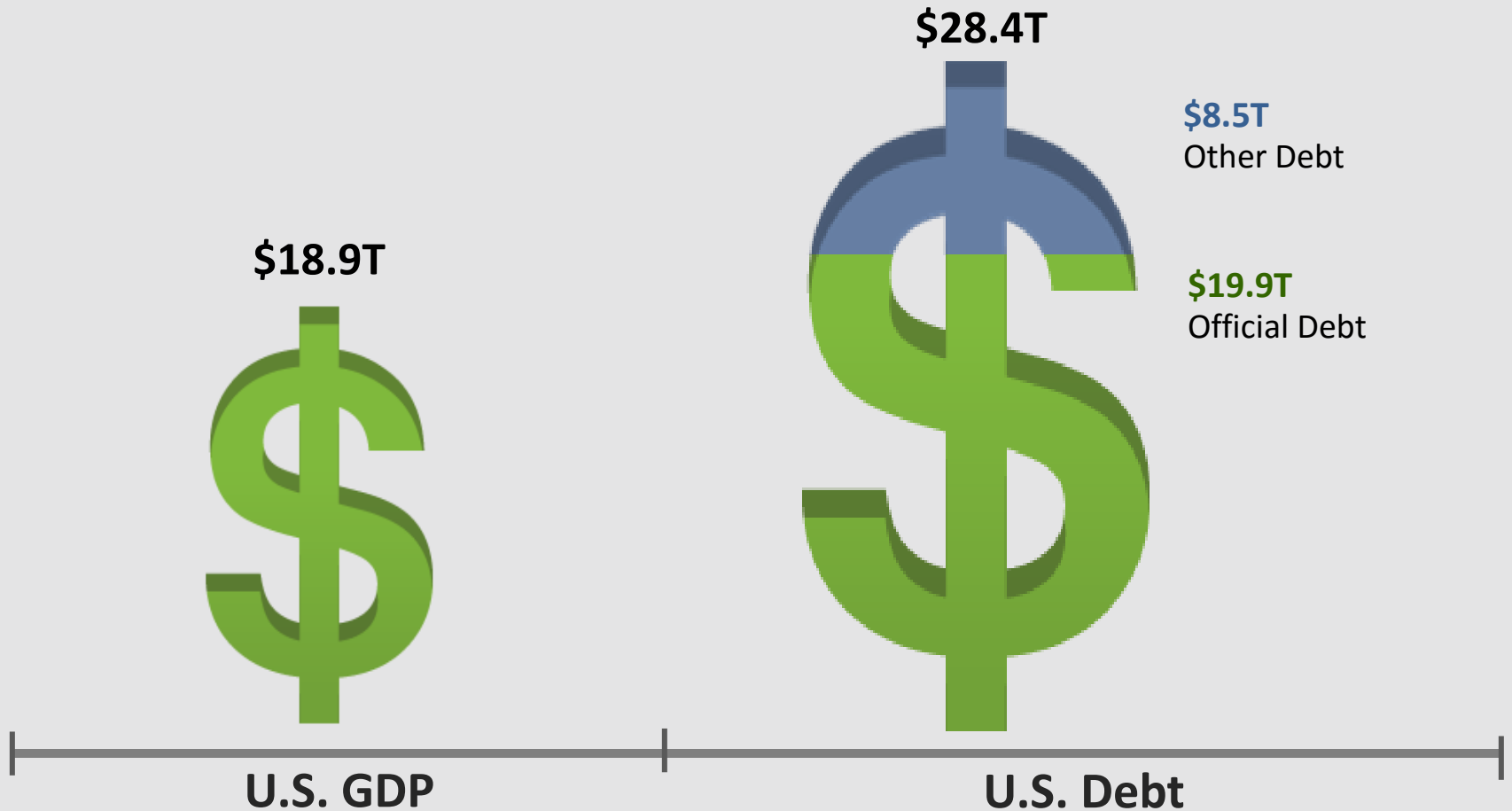


# U.S. Debt to GDP Appears Reasonable



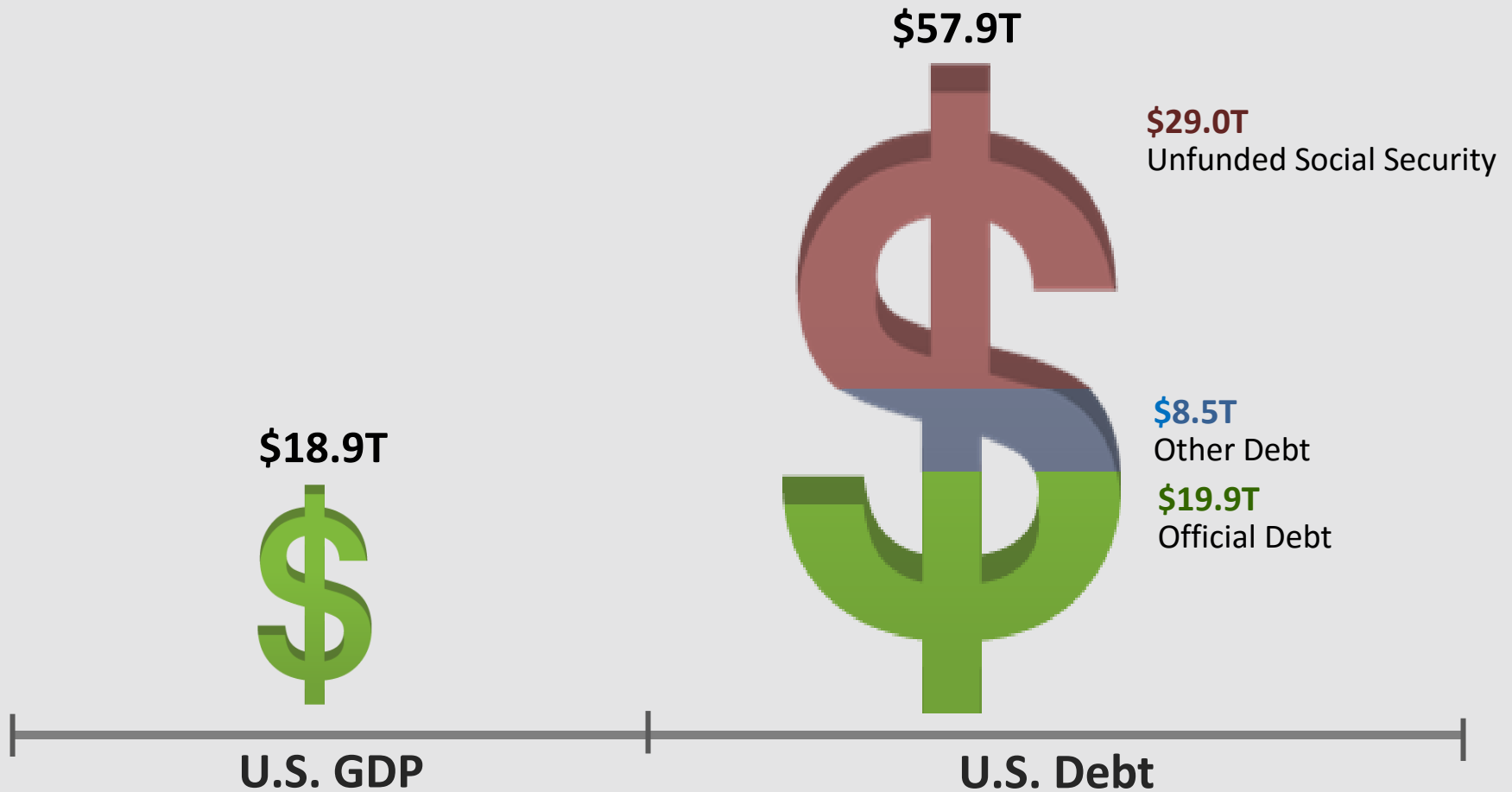
Source: U.S. Department of Treasury

# But There Are Other Obligations



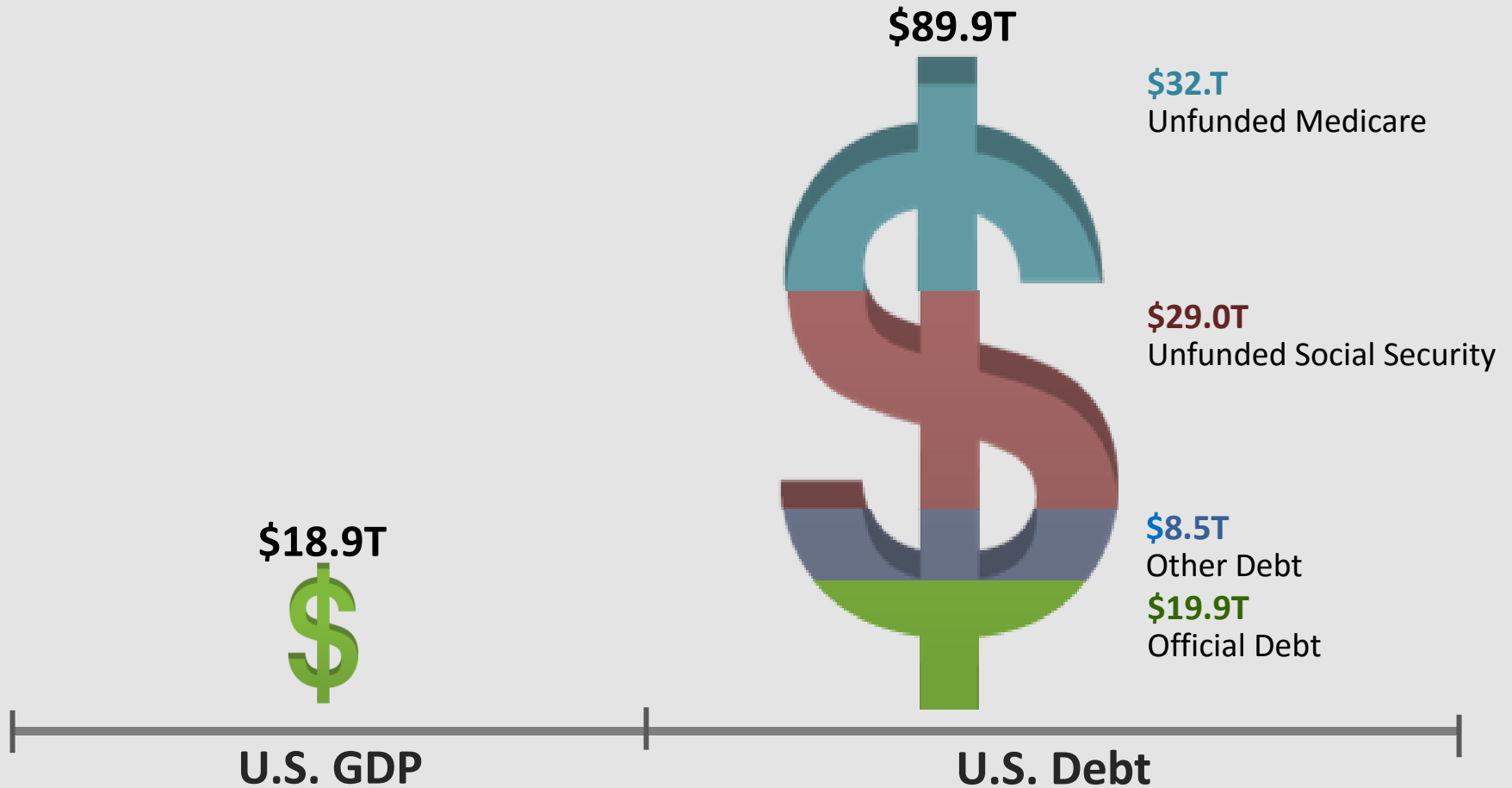
Source: U.S. Department of Treasury

# Unfunded Social Security Further Increases Total U.S. Obligations



Source: U.S. Department of Treasury, U.S. Social Security Administration

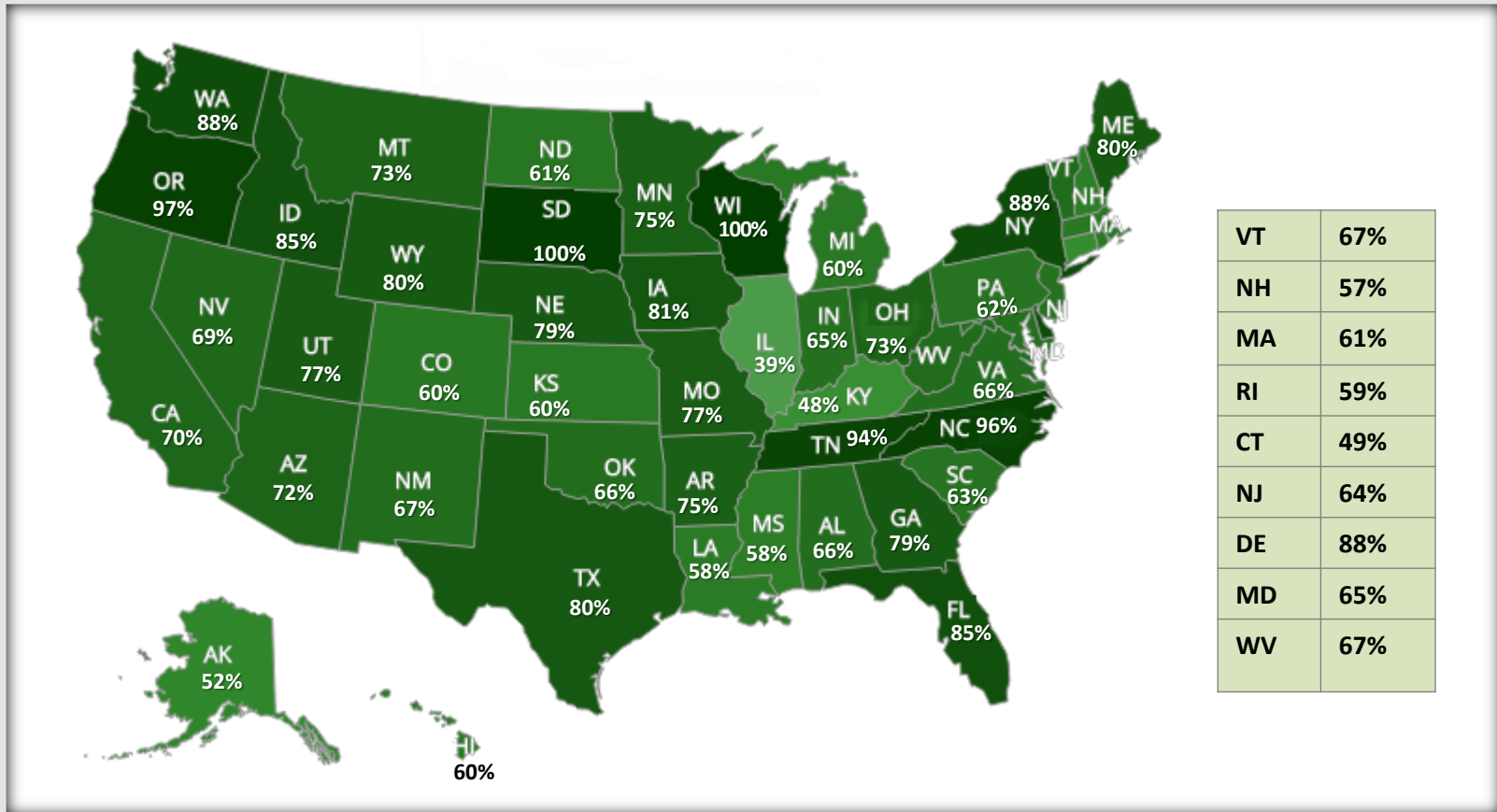
# Unfunded Medicare Adds Even More



Source: U.S. Department of Treasury, U.S. Social Security Administration, U.S. Department of Health and Human Services



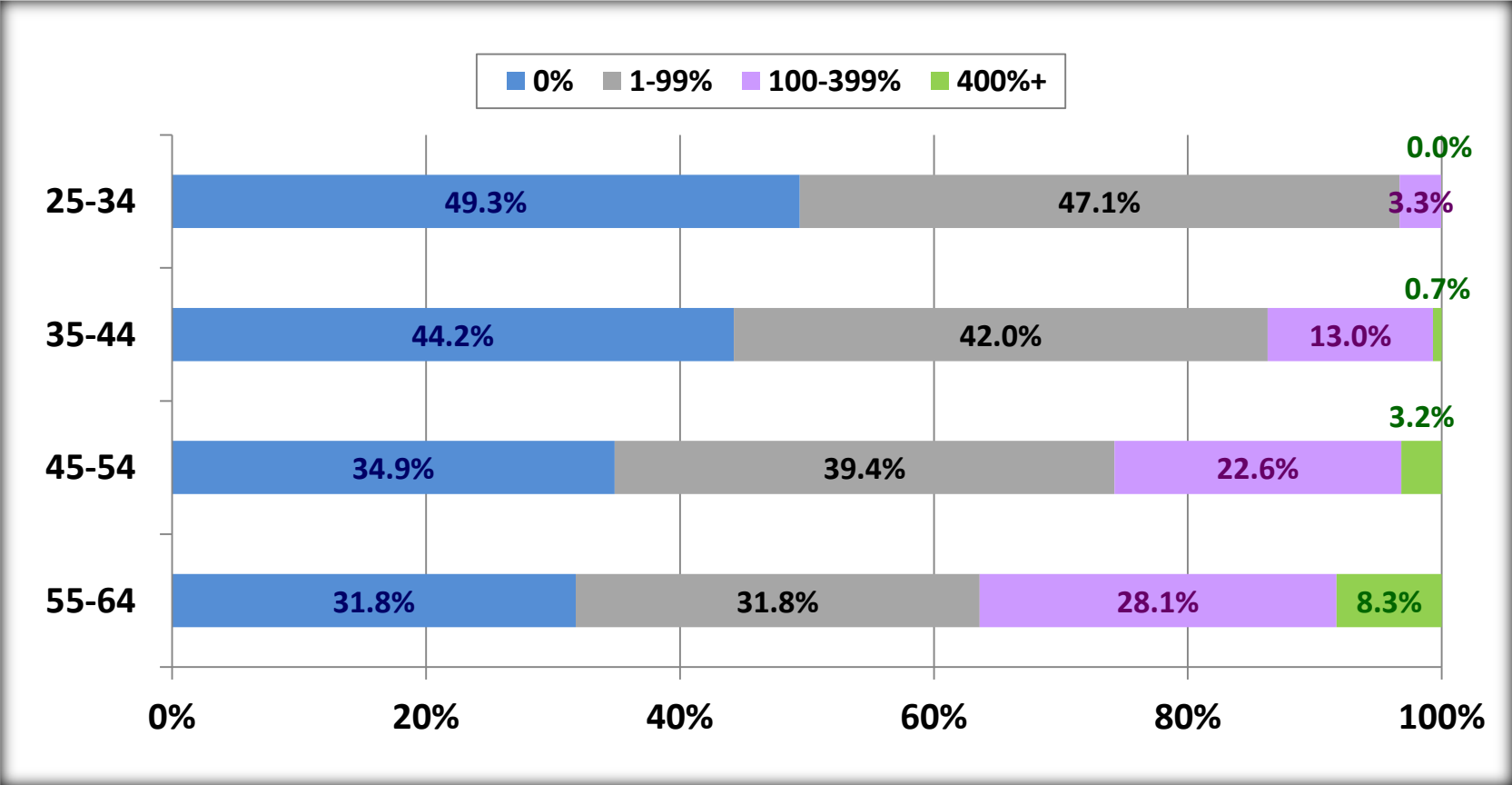
# U.S. Public Pension Funding Crisis



Source: National Conference of State Legislatures; S&P; Pensions and Investments, July 2015

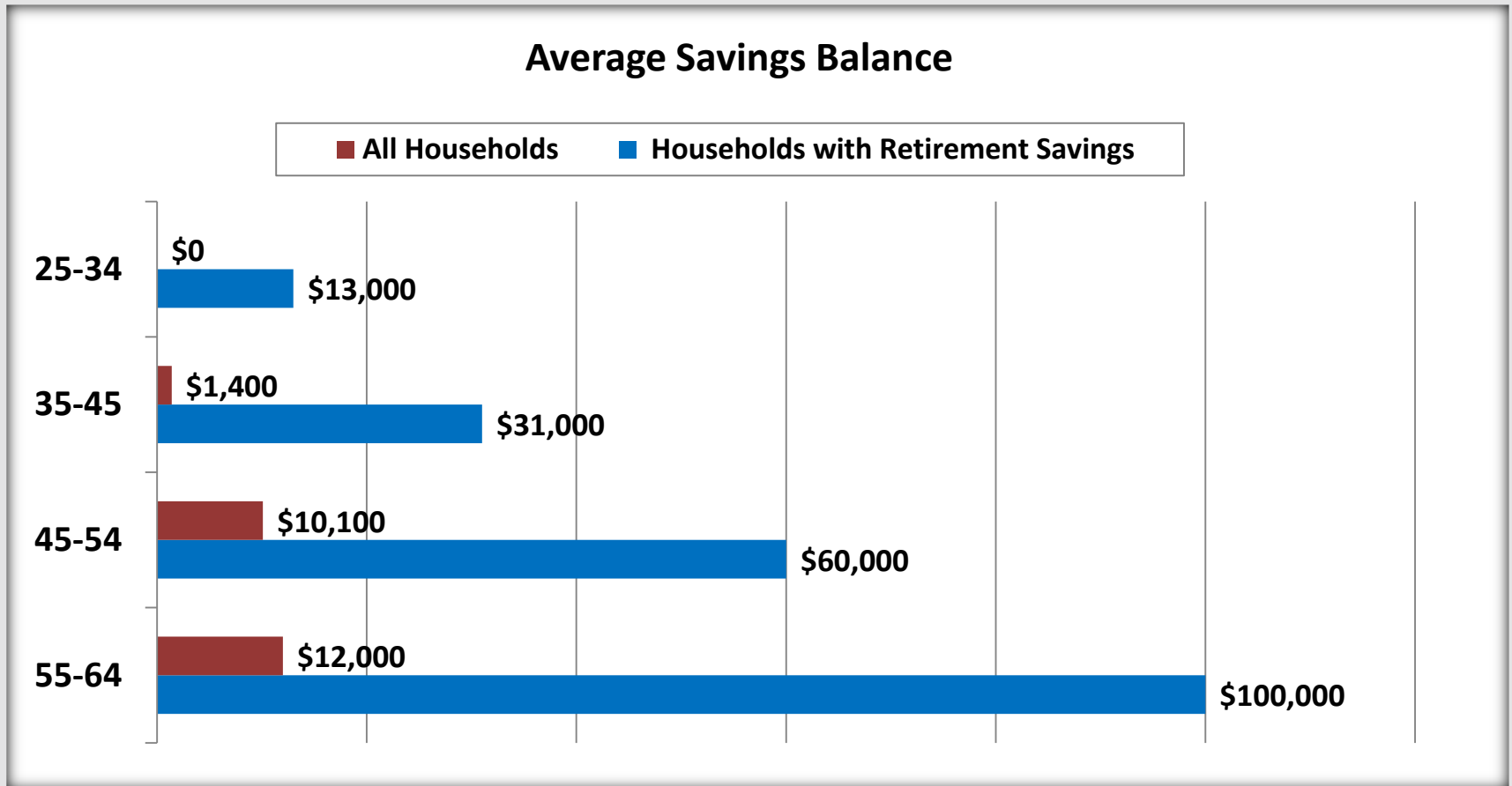


# Four out of Five Households: Retirement Savings < 1x Annual Income



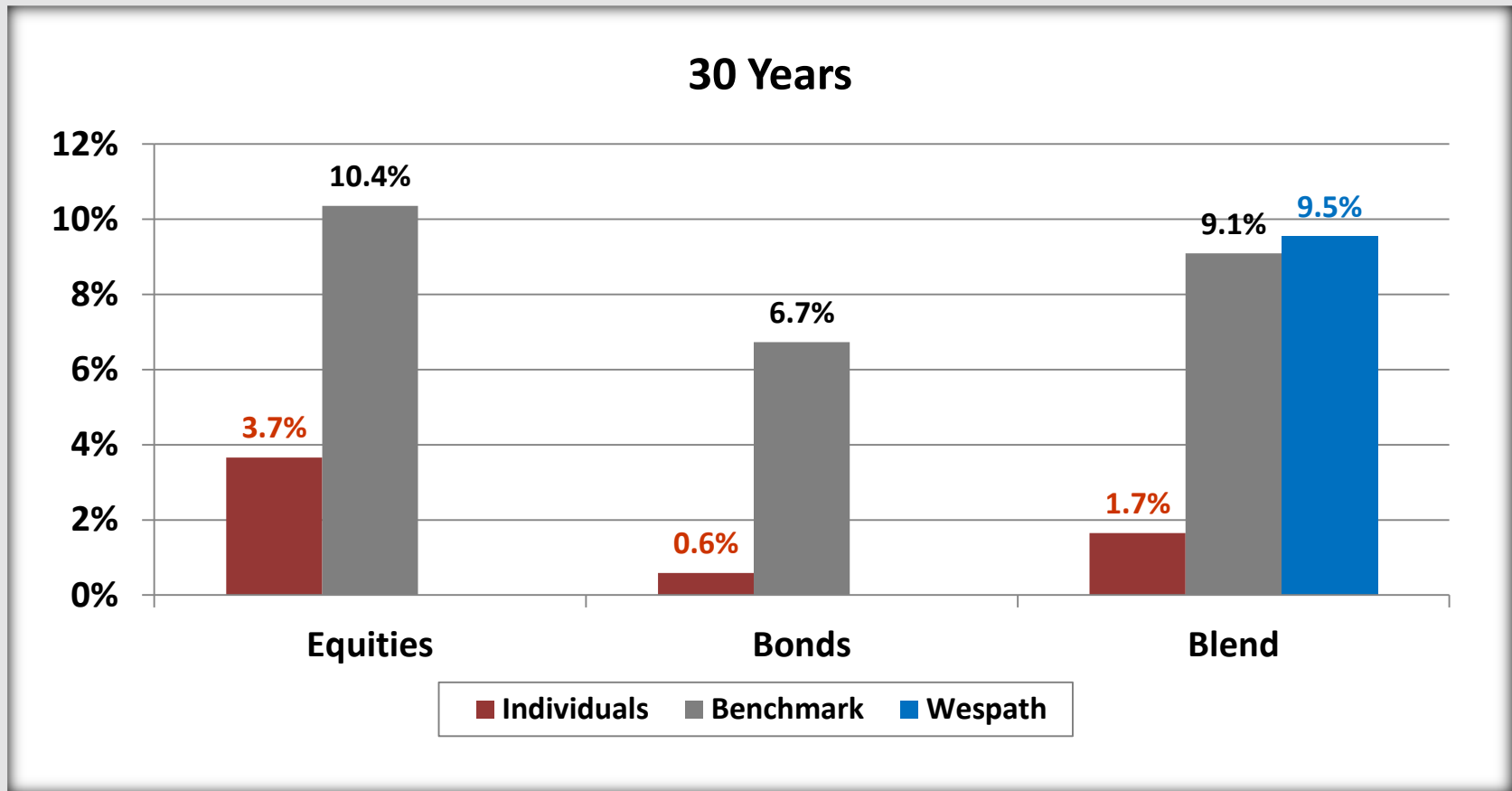
Source: Nari Rhee, PhD, "The Retirement Savings Crisis: Is it Worse Than We Think?", National Institute of Retirement Security, June 2013

# Americans Have Minimal Retirement Savings



Source: Nari Rhee, PhD, "The Retirement Savings Crisis: Is it Worse Than We Think?", National Institute of Retirement Security, June 2013

# Individual Investors Significantly Underperform the Markets



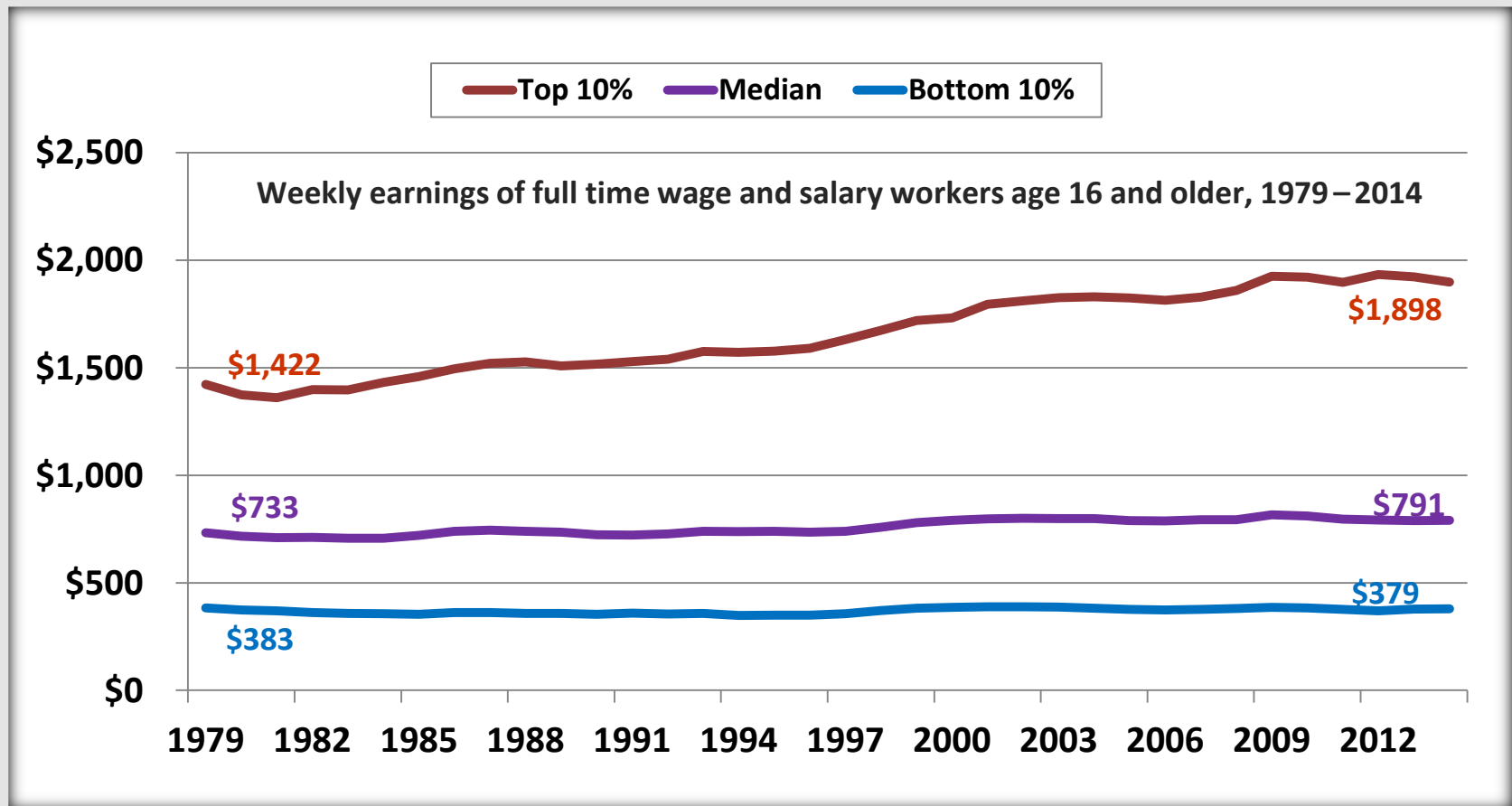
Source: Dalbar and Wespath. Benchmarks are S&P 500 Index for stocks, Bloomberg Barclays Aggregate Bond Index for bonds, and Blend is 65% S&P 500/35% BB Agg. Wespath is Diversified Investment Fund credits paid from 01/01/86 to 04/16/06 and Multiple Asset Fund returns from 04/17/06 to 12/31/15 net of fees

# Income Inequality

7

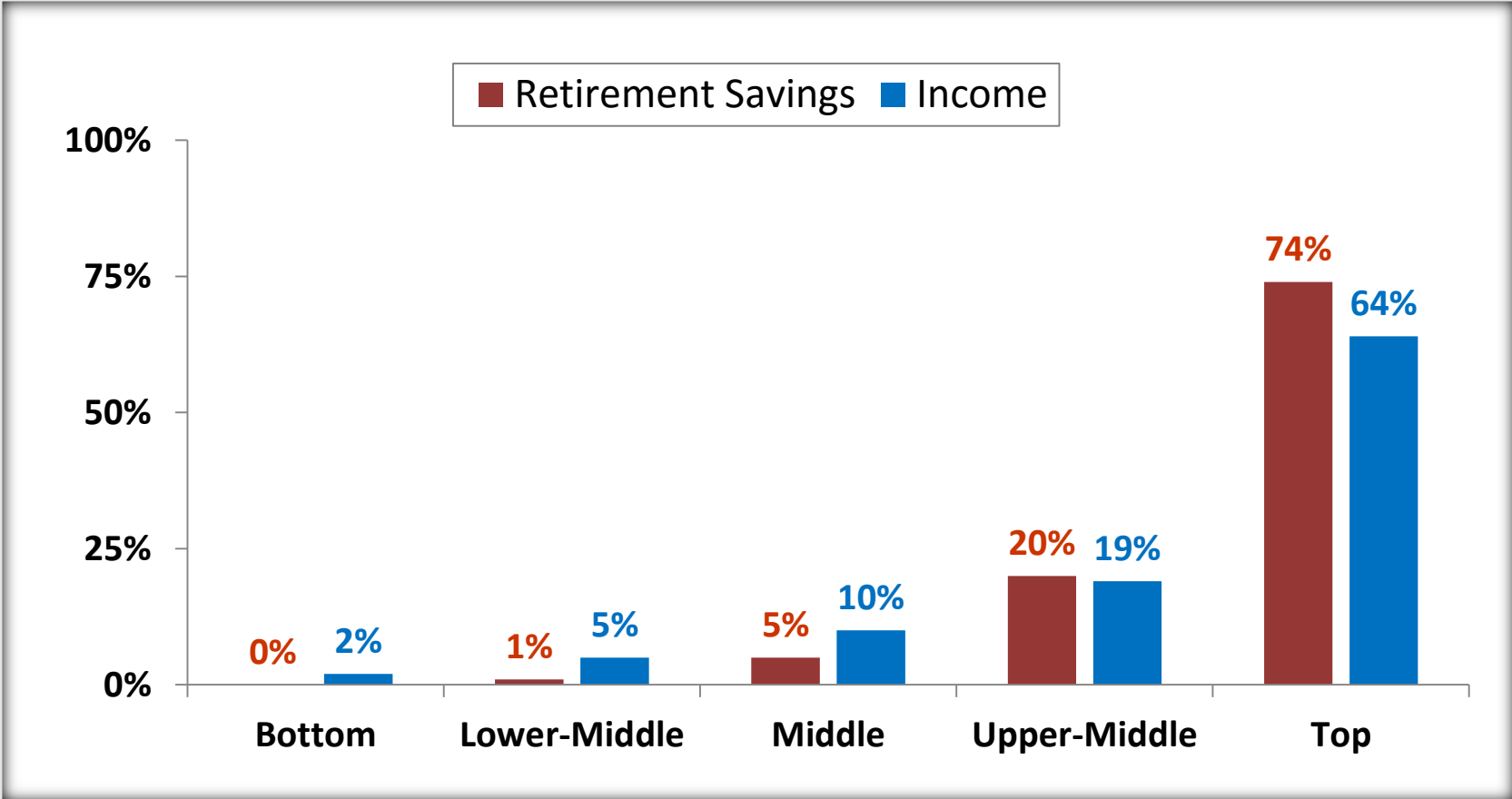


# U.S. Income Disparity Has Increased



Source: Bureau of Labor Statistics, *A Look at Pay at the Top, Bottom, and In Between*, May 2015  
Earnings expressed in 2014 dollars

# Top 20% of Families Hold Vast Majority of Retirement Savings



Share of total retirement account savings and total income for families age 32–61 by income quintile, 2013

Source: Economic Policy Institute analysis of Consumer Finance data, 2013

# Low-Carbon Transition

6



# The Transition Is Underway



Written on 8th February 2017

## Sweden announces plan to go carbon neutral by 2045



## 36% of Electrical Power Coming Online is From Solar or Wind

JEFF DESJARDINS on December 20, 2016 at 11:55 am



## Solar Power Is Now the Cheapest Form of Energy in Almost 60 Countries

We just hit a major turning point.

DAVID NIELD 23 DEC 2016



WEATHER | NEWS 30 NOVEMBER 2016

## India unveils the world's largest solar power plant

*The country is on schedule to be the world's third biggest solar market next year.*



MARKETS & POLICY

## Google Will Achieve 100 Percent Renewable Energy in 2017

by Julian Spector

December 06, 2016



# The Transition Is Underway

## POWERSOURCE

ENERGY NEWS. IN CONTEXT.  
Pittsburgh Post-Gazette

Shell sells stakes in 10 North Sea fields for \$3.8 billion

January 31, 2017 5:16 PM



Shell-led consortium to build 700MW offshore Dutch wind farm

December 12, 2016



GLOBAL ENERGY NEWS | Tue Dec 13, 2016 | 12:01pm EST

Shell takes aim at British and German offshore wind deals

## THE WALL STREET JOURNAL.

WASHINGTON WIRE | ENVIRONMENT

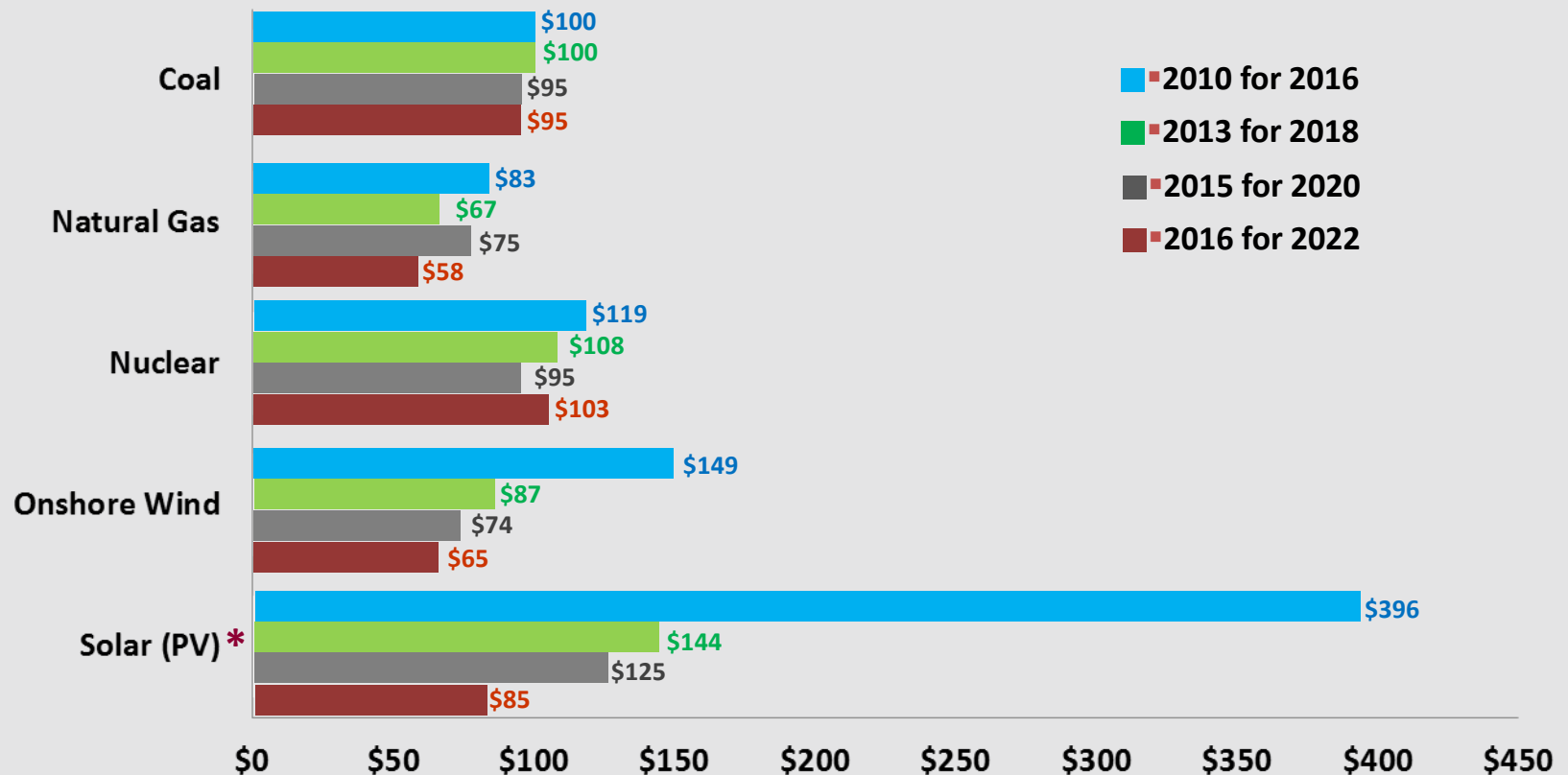
GOP Climate Group Tries to Warm White House to Carbon Tax

By **AMY HARDER**

Feb 8, 2017 4:43 pm ET

# Renewable Energy Costs Declining Rapidly

Levelized Cost of Electricity Per Megawatt Hour

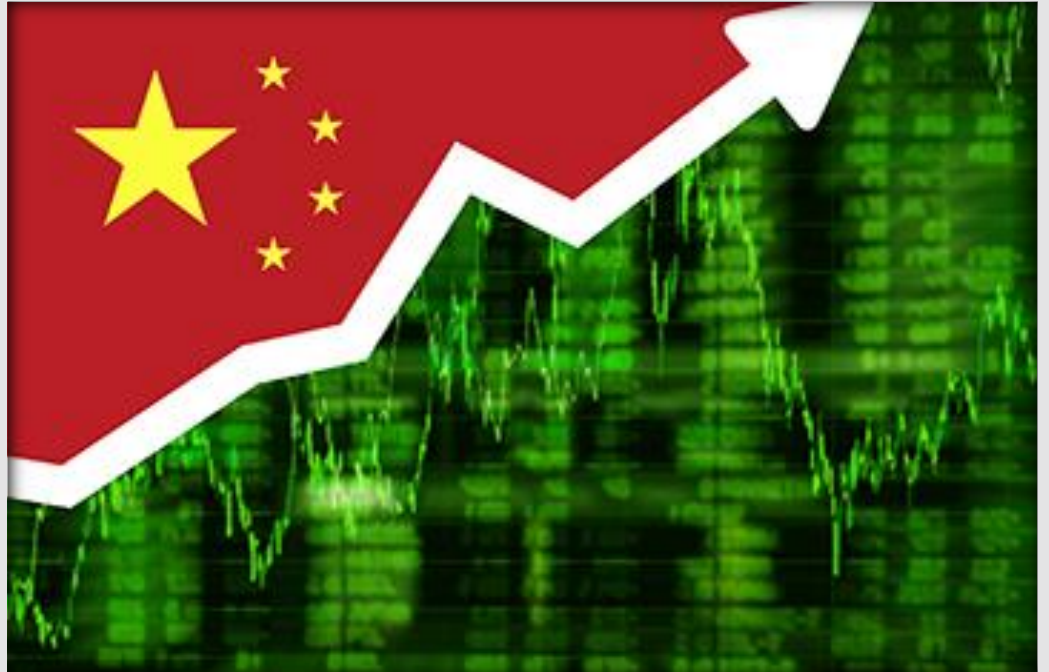


\* PV: Photovoltaic

Source: U.S. Energy Information Agency Annual Energy Outlook, 2010, 2013, 2015, and 2016, Wikipedia  
 Coal cost not estimated in 2016 report, 2015 cost assumed

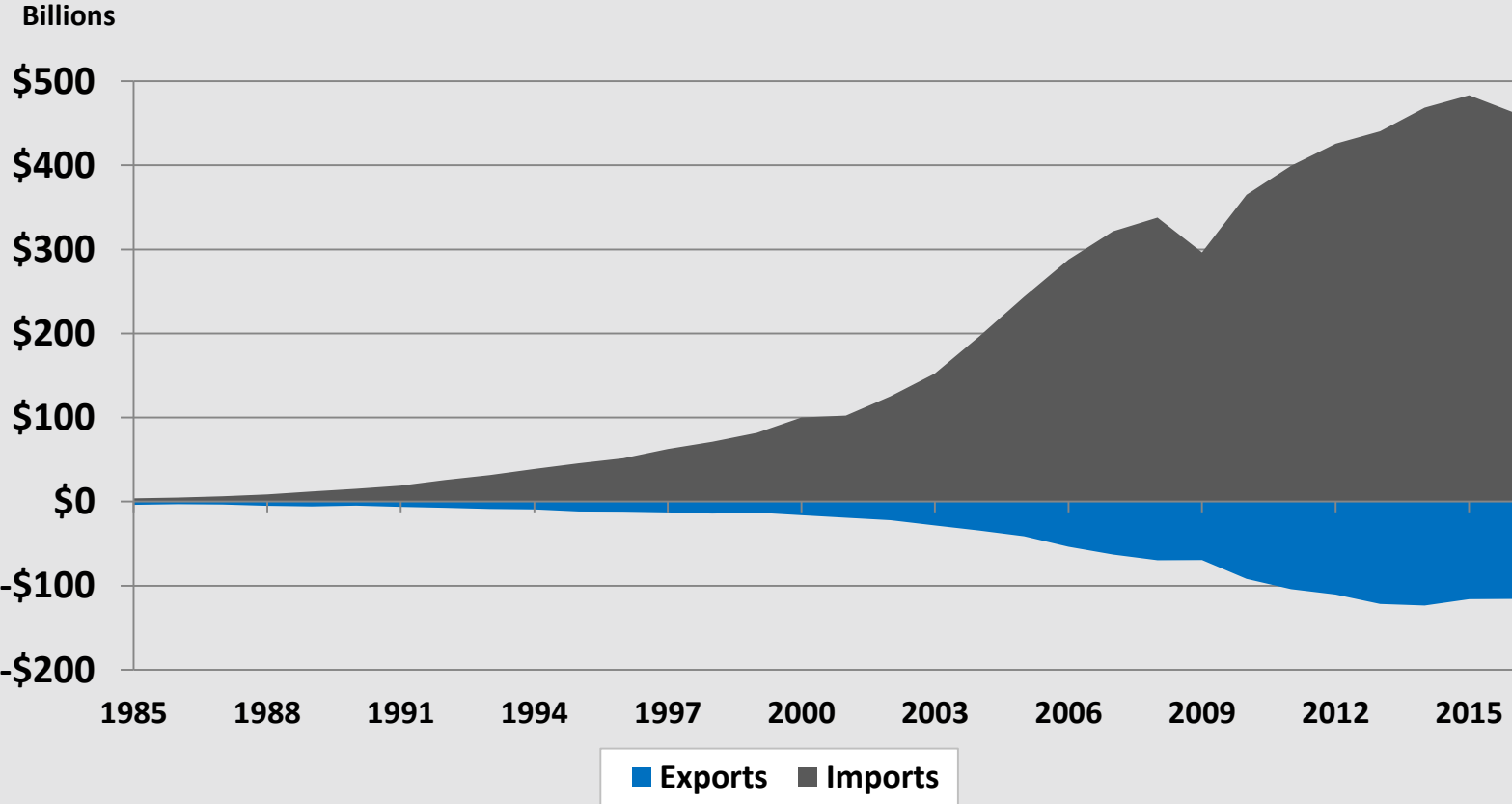
# China

5





# U.S. Trade with China 1985 to 2016



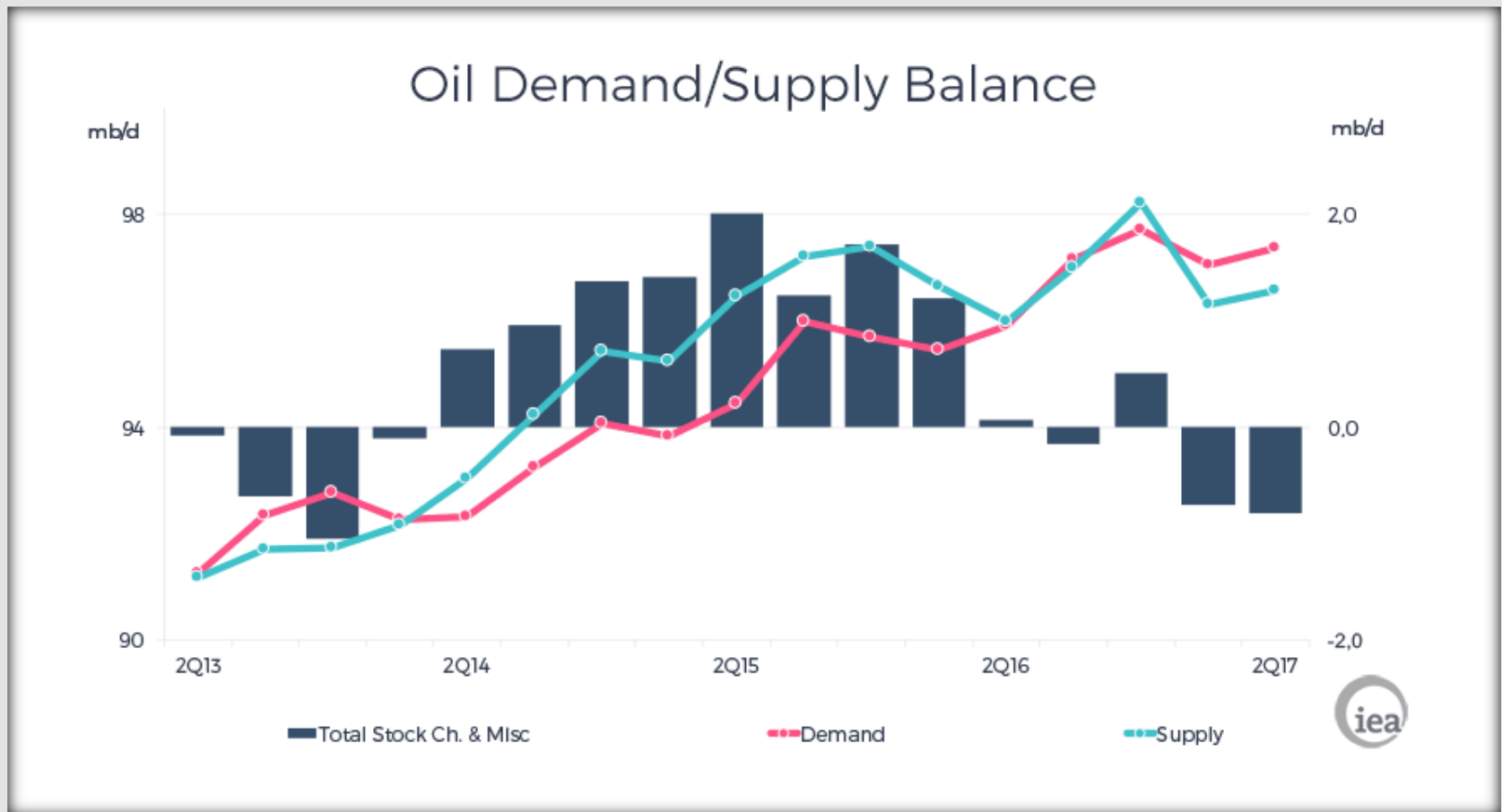
Source: United States Census Bureau, Trade with China, Wespath

# OPEC Cooperation

4



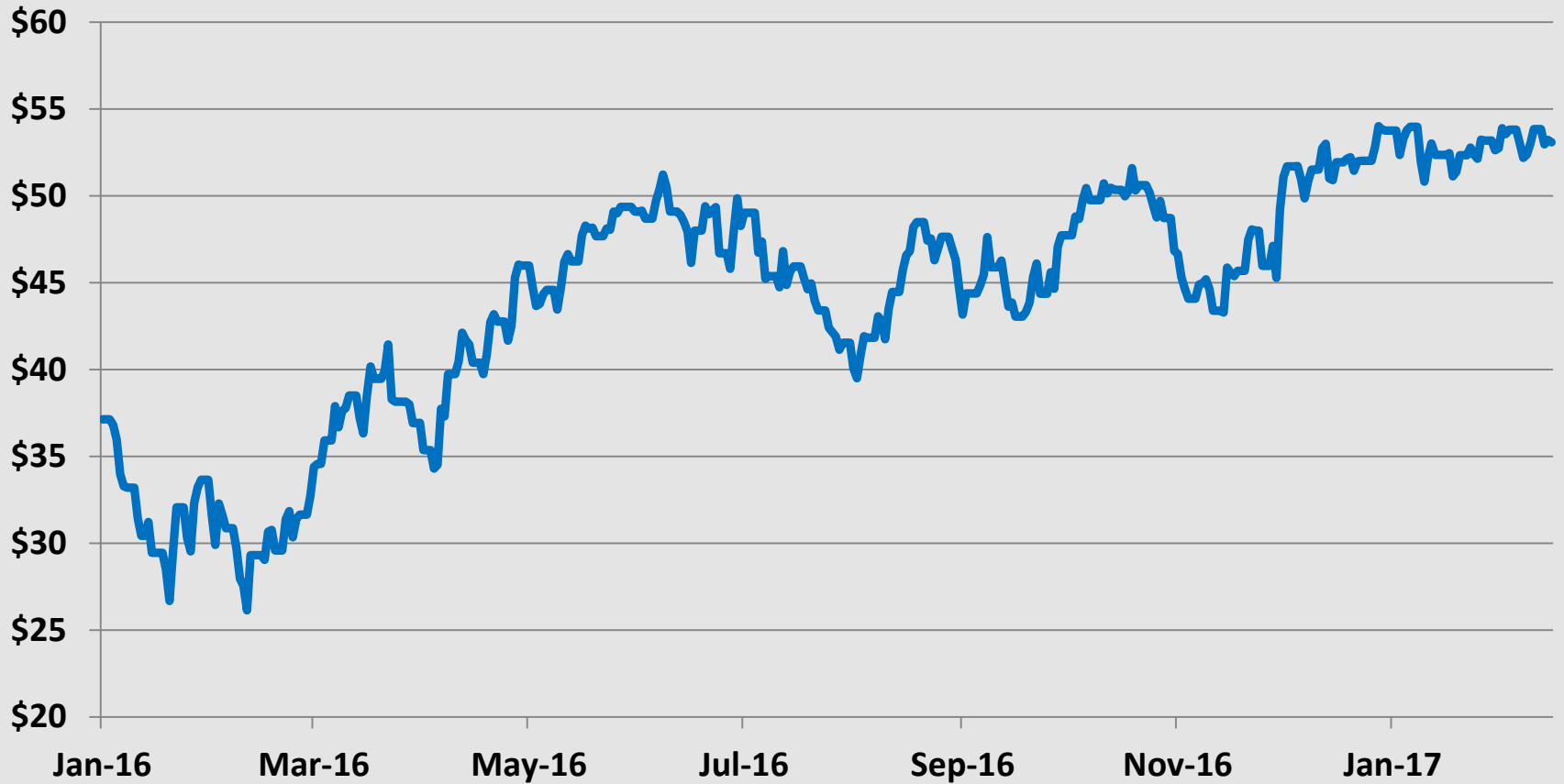
# Oil Inventories Are Declining



Source: International Energy Agency  
As of January 31, 2017



# Oil Prices Holding Steady



Source: FactSet  
Data as of February 20, 2017



# Europe's 2017 Elections

3

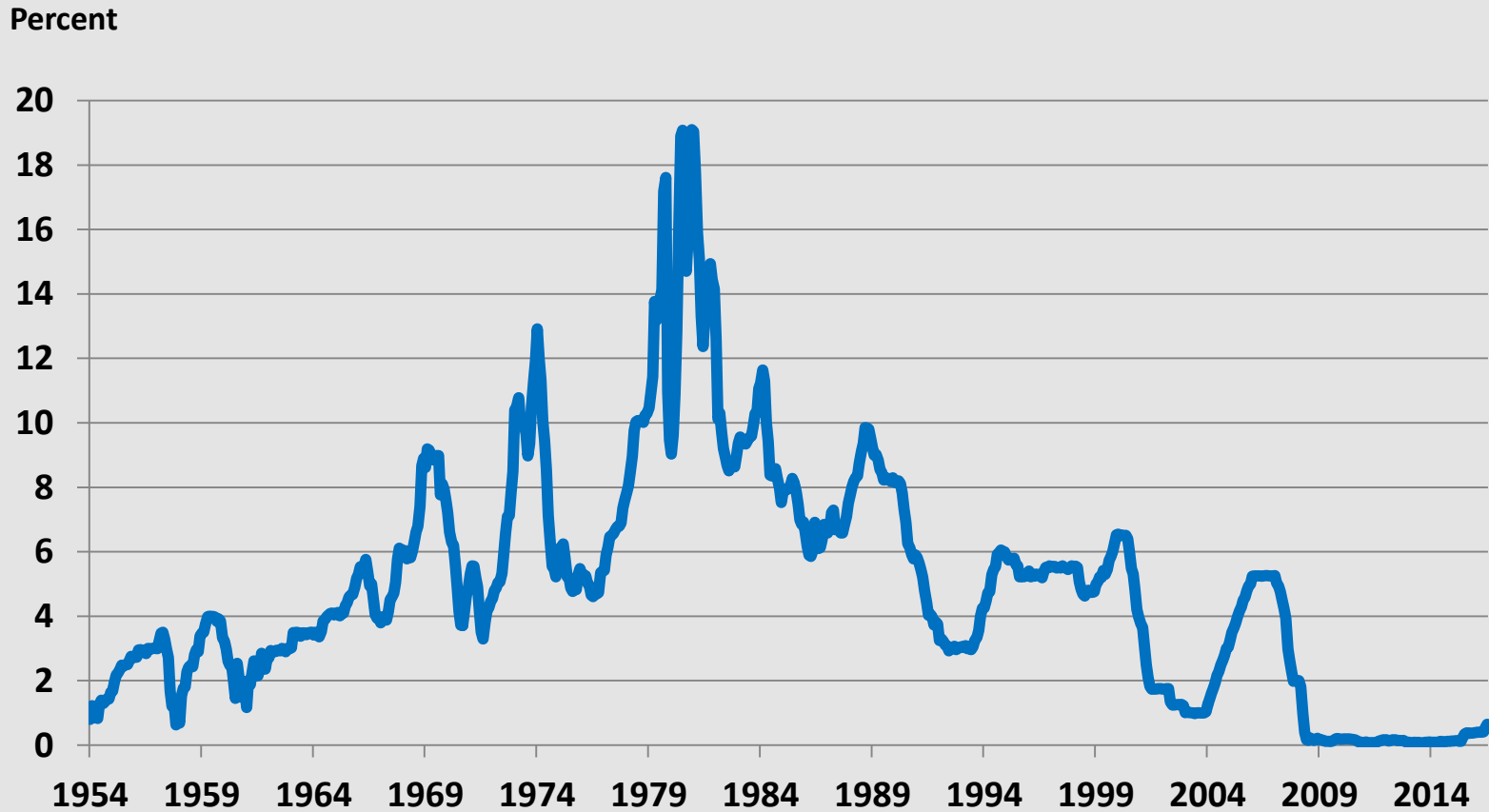


# Federal Reserve Action

2

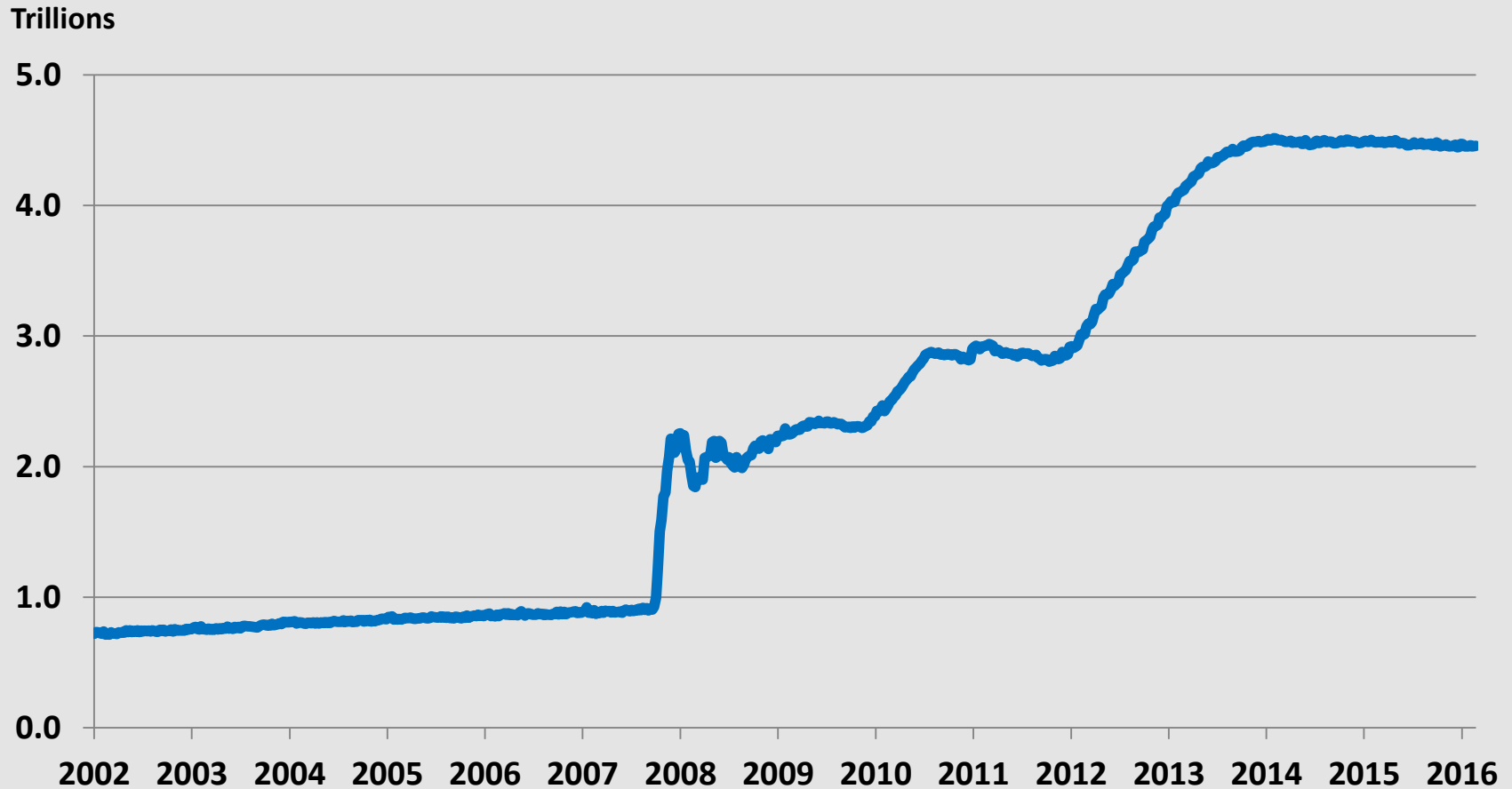


# Fed Funds Rate Remains Near Historic Lows



Source: Federal Reserve Bank of St. Louis

# Federal Reserve Assets Remain at Historic Highs



Source: Federal Reserve Bank of St. Louis

# U.S. Fiscal and Other Policies

1





# Policies That Could Affect Markets



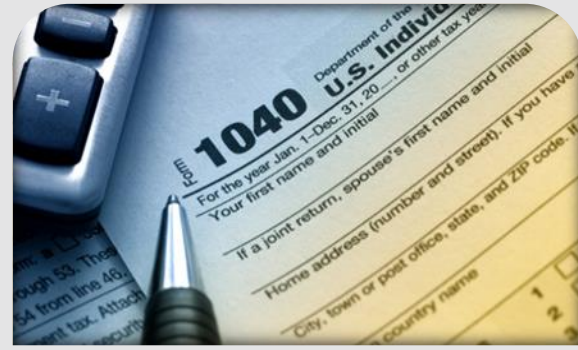
**Trade**



**Immigration**

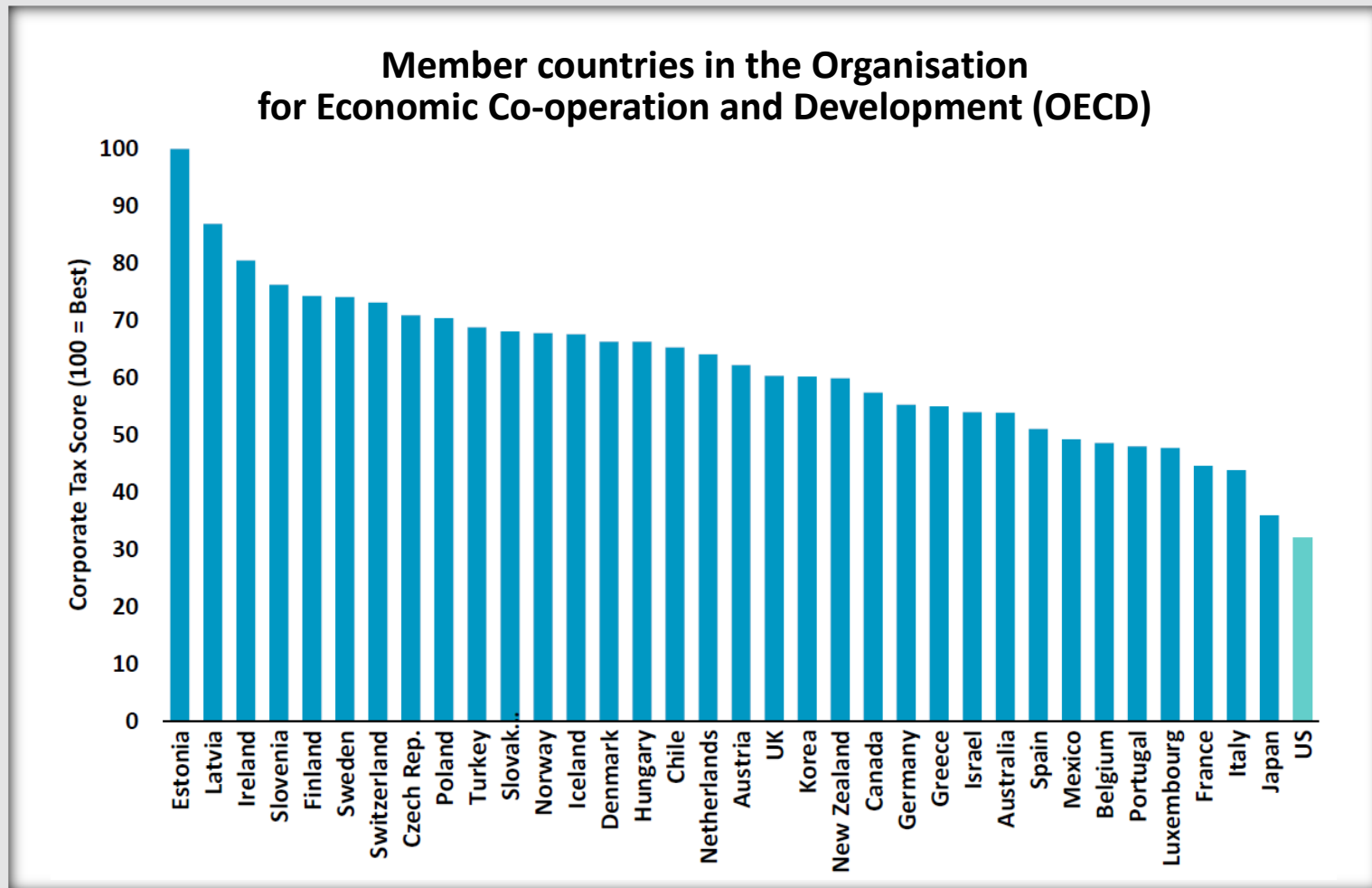


**Infrastructure**



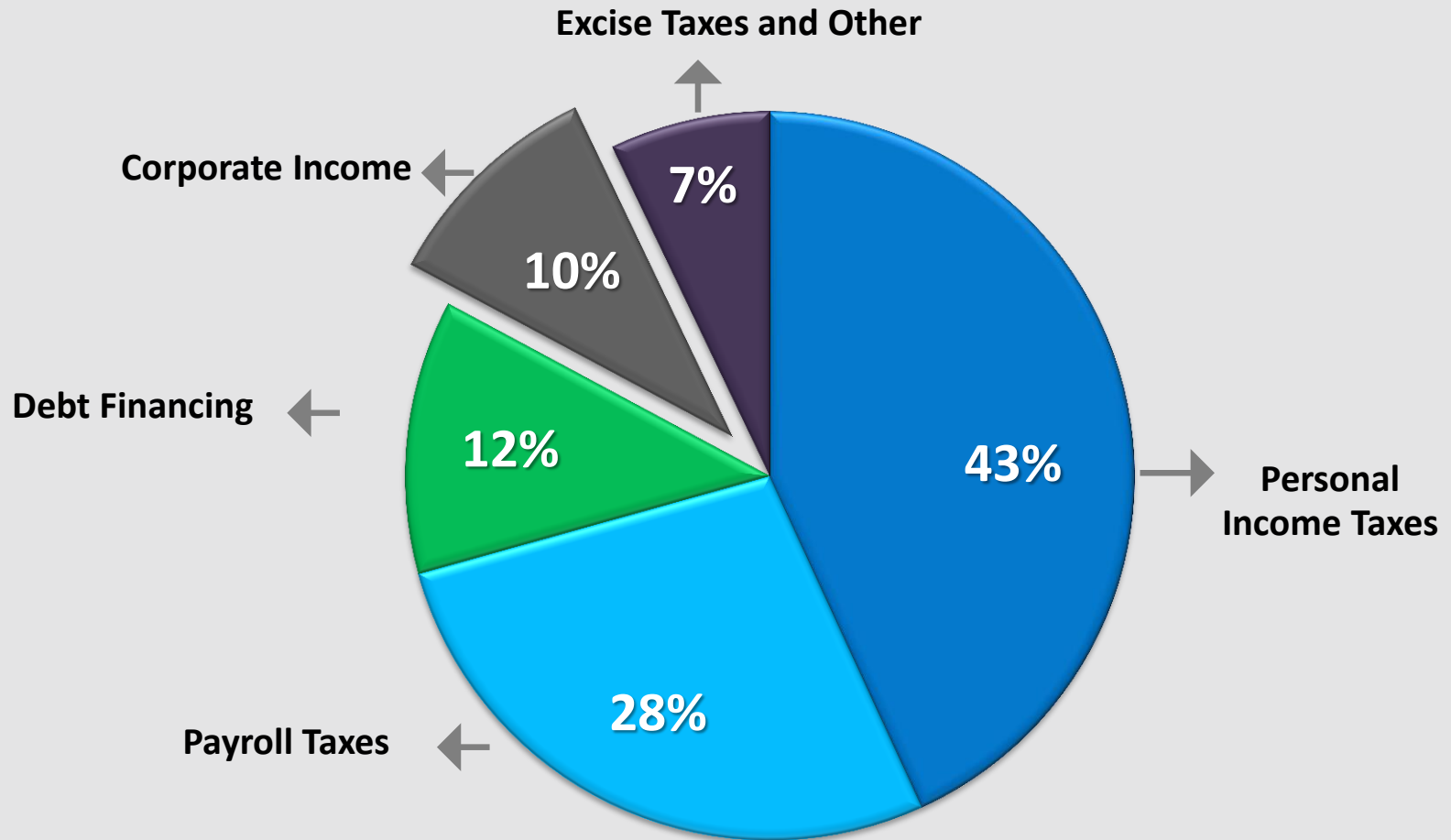
**Tax Reform**

# Corporate Tax Policy Revision Needed



Source: Kyle Pomerleau, *International Tax Competitiveness Index 2016*, Tax Foundation

# Corporate Taxes = 10% of U.S. Budget

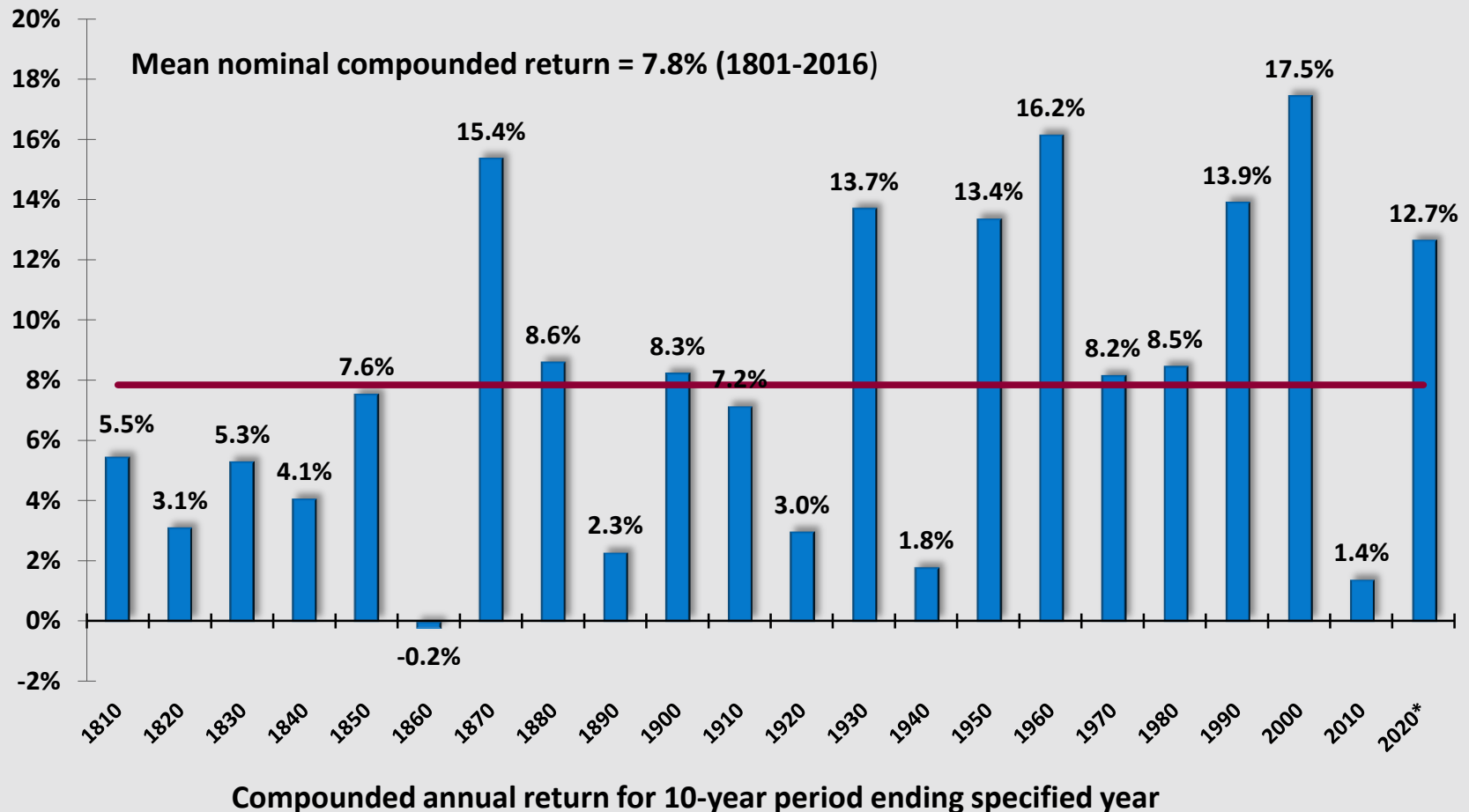


Source: Office of Management and Budget, [usgovernmentrevenue.com](http://usgovernmentrevenue.com), Byron Wein Blackstone Fiscal Year 2017 forecast



# U.S. Stock Market—Returns by Decade

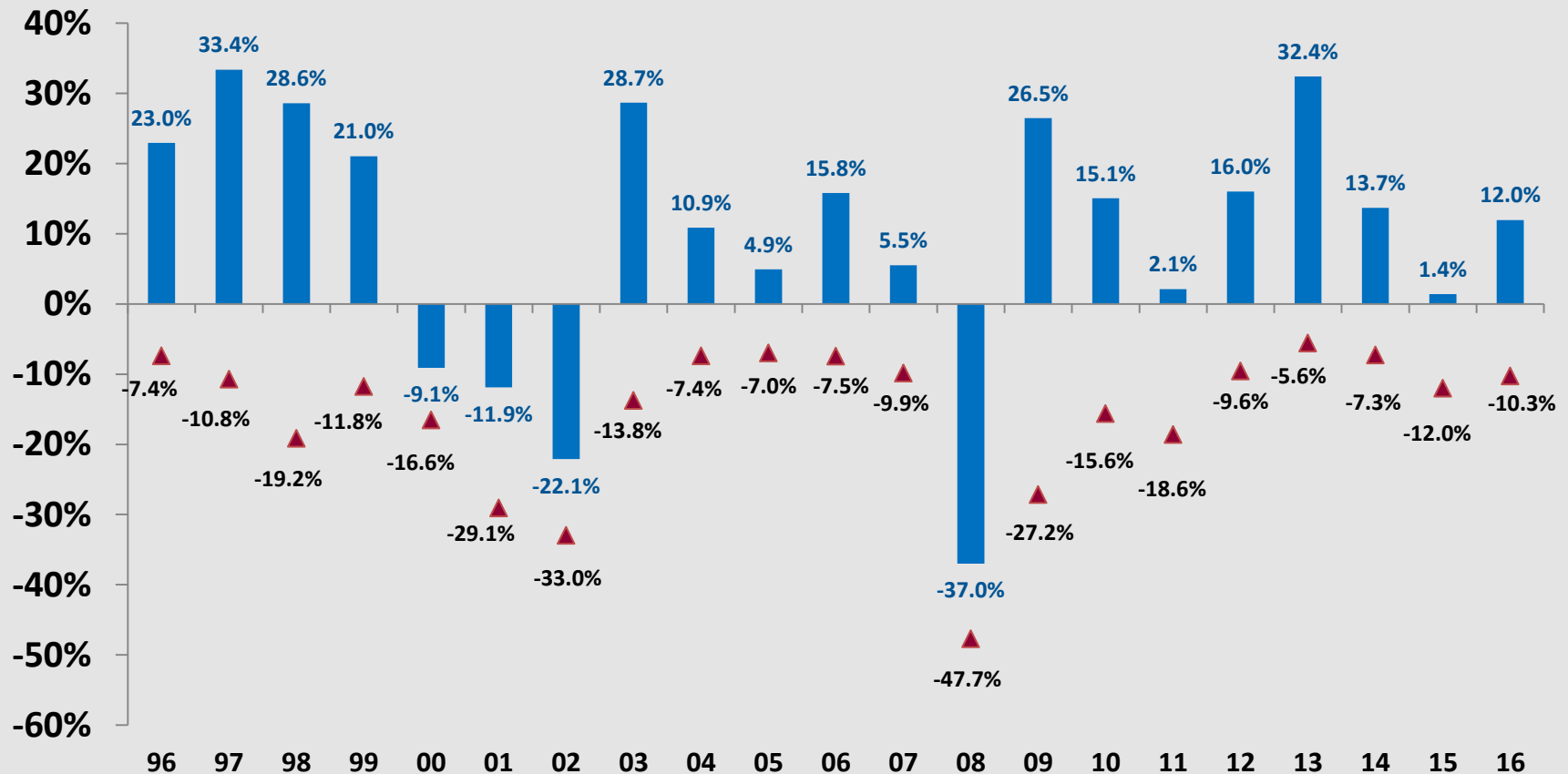
As of 12/31/2016



Source: Ibbotson Associates and Global Financial Data

\*Compounded annual returns through 12/31/2016

# Annual Drawdown S&P 500



Source: Morningstar, Nanette Abuhoff Jacobson, Hartford Funds



**Question and Answer**

# Performance Disclosures

- Wespeth Benefits and Investments is a not-for-profit, administrative agency of the religious denomination known as The United Methodist Church. It functions with a related not-for-profit corporation, UMC Benefit Board, Inc. (the “Benefit Board”).
- Collectively, the corporations are responsible for the general supervision and administration of retirement, disability, death and health benefit plans, programs and funds as authorized by General Conference, the highest legislative authority of The United Methodist Church (sometimes referred to as the “Church”). One of the functions of Wespeth Benefits and Investments is to act as the plan administrator of various retirement, disability, death and health benefits plans, programs and funds that Wespeth Benefits and Investments administers. The Benefit Board acts as the trustee of all funds received, including the funds discussed in this presentation.
- Wespeth Benefits and Investments and Benefit Board are not registered investment advisers under the Investment Advisers Act of 1940, as amended, or under any comparable local, state or federal law or statute. Wespeth Benefits and Investments, Benefit Board and the funds also are not registered as an investment company under the Investment Company Act of 1940 in reliance upon an exemption from registration. Benefit Board, Wespeth Benefits and Investments and the funds are not subject to registration, regulation or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934 or the Investment Advisers Act of 1940. Investors, therefore, will not be afforded the protections of those provisions of those laws and related regulations.
- The investment funds referred to in this document are neither insured nor guaranteed by the government. No government entity has approved or disapproved these funds or passed upon the adequacy of this document.
- This presentation is for informational purposes only; it does not constitute an offer to sell any investments, and may be subject to changes and corrections. The material in this document contains summary information and is not a complete description of the investment guidelines, investment objectives, policies and risks or other matters associated with the investment funds. An offer for the sale of interests in the funds will only be made through the *Investment Funds Description*. Any decision to invest with Wespeth Benefits and Investments should be preceded by a complete review of the *Investment Funds Description* and *Investment Policy Statement*, which are available upon request or online at [wespeth.com/research\\_and\\_resources/resources](http://wespeth.com/research_and_resources/resources).
- Historical returns are not indicative of future performance. Except as otherwise noted, the performance in this presentation is presented net of fees—that is, with the deduction of investment management fees, custodial fees, and administrative and overhead expenses. All of these fund operating expenses are described in the Investment Funds Description. The returns will be reduced by the amount of all fund operating expenses.

# Performance Disclosures

- **Benchmarks and Universes**
- Throughout this document, the terms “benchmark” and “universe” are used to refer to comparisons of each fund’s performance. A benchmark is a standard that investors use to evaluate how well a fund has performed. Comparing a fund to this fixed standard allows investors to evaluate how well the fund did in terms of meeting its goals, whether the goal was to match returns of the benchmark or to attain a return above the benchmark. A universe is a group of comparable funds that have a similar investment strategy and similar benchmarks to the subject fund. A universe comparison is useful because it allows the investor to compare the performance of the subject fund to funds offered by other providers. Wilshire Associates, a data provider for Benefit Board, provides universe data from various Lipper mutual fund universes used to compare fund performance.
- The investment fund performance benchmarks have varied over the years. The returns for several of the fund benchmarks represent the collective returns of the benchmark(s) that were in place at the time (see next page for information regarding the periods specific benchmarks were in use). The universes have also varied over the years, but the rankings noted are based on universes provided by the vendors at the time of the report.
- The fund performance information for the BNY Mellon Master Trust Universe is provided gross of fees because the fees of the institutional investors that comprise the Universe varies.
- On January 1, 2016, the benchmark for the Stable Value Fund became the BofA Merrill Lynch 3-Month Treasury Bill Index. From December 1, 2002 to December 31, 2015, the benchmark was the BofA Merrill Lynch Wrapped 1-5 Year Corporate/Government Index.
- On January 1, 2016, the benchmark for the Inflation Protection Fund became 80% Barclays World Government Inflation Linked Bond Index (Hedged), 10% Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. From January 1, 2006 to December 31, 2015, the benchmark was the Barclays Capital U.S. Government Inflation Linked Bond (Series B) Index. From April 1, 2005 to December 31, 2005, the benchmark was a blended index based on the following weightings: Barclays Capital U.S. Government Inflation-Linked Bond Index (50%) and Barclays Capital Global Inflation-Linked Bond Index (50%). Prior to April 1, 2005, the benchmark was the Barclays Capital U.S. Government Inflation-Linked Bond Index. On August 24, 2016, Bloomberg acquired the fixed income indices from Barclays. Barclays and Bloomberg have partnered to co-brand the indices as the Bloomberg Barclays Indices.

# Performance Disclosures

- On January 1, 2006, the benchmark for the Fixed Income Fund became the Barclays Capital (formerly Lehman Brothers) U.S. Universal ex-Mortgage Backed Securities Index. Prior to this date, the benchmark is the Barclays Capital (formerly Lehman Brothers) U.S. Universal Index. On August 24, 2016, Bloomberg acquired the fixed income indices from Barclays. Barclays and Bloomberg have partnered to co-brand the indices as the Bloomberg Barclays Indices.
- On June 1, 2015, the benchmark for the Extended Term Fixed Income Fund became the Barclays Capital U.S. Long Government Credit Index. On August 24, 2016, Bloomberg acquired the fixed income indices from Barclays. Barclays and Bloomberg have partnered to co-brand the indices as the Bloomberg Barclays Indices.
- On January 1, 1998, the benchmark for the U.S. Equity Fund became the Russell 3000 Index.
- On January 1, 2015, the benchmark for the U.S. Equity Index Fund became the Russell 3000 Index.
- On January 1, 2015, the benchmark for the Equity Social Values Plus Fund became the MSCI World Custom ESG Special Weighted Index.
- On January 1, 2008, the benchmark for the International Equity Fund became the MSCI All Country World Index (ACWI) ex USA Investable Market Index (IMI). From January 1, 2006 through 2007, the benchmark is the MSCI ACWI ex USA Index. Prior to 2006, the benchmark is the MSCI EAFE Index.
- On January 1, 2016, the performance Benchmark for MAF became 40% Russell 3000 Index, 25% 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) Custom Benchmark. The IPF Custom Benchmark consists 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. Prior to January 1, 2006, the benchmark for the Multiple Asset Fund (MAF) was a blended index with weightings as follows: 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index and 35% Lehman Brothers U.S. Universal Index. On January 1, 2006, the performance benchmark for MAF became a blended index based on the following weightings: 45% Russell 3000 Index, 20% MSCI All Country World Index ex USA IMI, 25% Barclays Capital U.S. Universal Index ex-Mortgage Backed Securities and the 10% Barclays Capital U.S. Government Inflation-Linked Bond Index. On January 1, 2014, the performance Benchmark for MAF became 40% Russell 3000 Index, 25% 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% Barclays Capital U.S. Government Inflation-Linked Bond Index. On August 24, 2016, Bloomberg acquired the fixed income indices from Barclays. Barclays and Bloomberg have partnered to co-brand the indices as the Bloomberg Barclays Indices.



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