



AUMCPBO and NAACT—September 2019



**Wespath**

BENEFITS | INVESTMENTS

# Investments Update

# Agenda

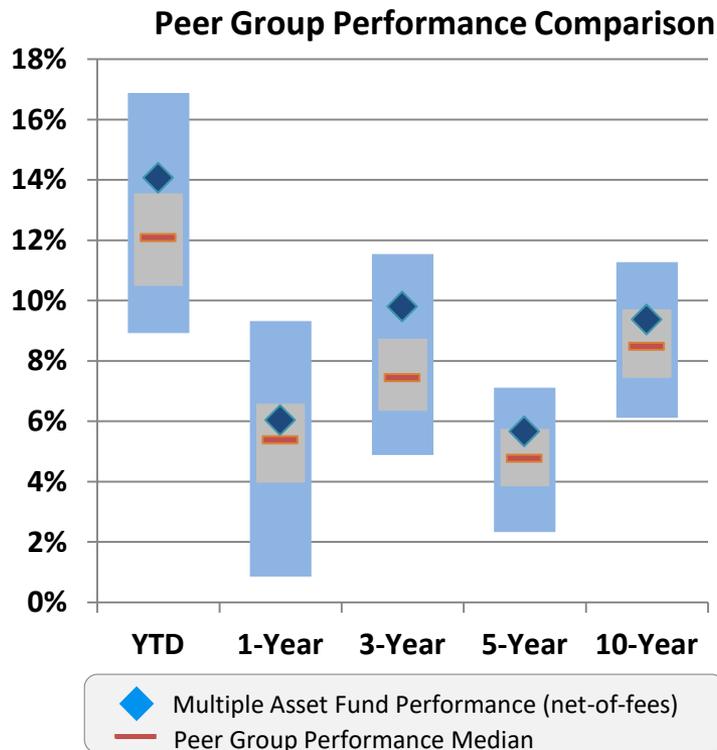
- Fund Performance Review
- Markets Update
- Economic Update
- Sustainable Investments Update



# Fund Performance Review



# Multiple Asset Fund vs. Lipper Multiple Asset Funds Universe—As of June 30, 2019



## Annualized Performance (net-of-fees)

	YTD	1-Year	3-Years	5-Years	10-Years
<b>Multiple Asset Fund</b>	14.07%	6.04%	9.80%	5.66%	9.38%
<b>Median</b>	12.09%	5.39%	7.44%	4.78%	8.48%
<b>Rank in Universe</b>	22 <sup>nd</sup>	34 <sup>th</sup>	18 <sup>th</sup>	27 <sup>th</sup>	31 <sup>st</sup>
<b># of Observations</b>	759	751	683	616	453

Historical returns are not indicative of future performance. Please refer to the Investment Funds Description at wespath.org for more information about the Fund. This is not an offer to purchase securities. Please refer to the disclosures at the end of this presentation for additional information.

Source: Lipper

Lipper Multiple Asset Fund Universe is a group of mutual funds comparable to MAF. Lipper utilized all mutual funds included in the pre-defined Lipper classification universes of "Mixed-Asset Target Allocation Moderate" and "Mixed-Asset Target Allocation Aggressive Growth" to construct this Universe.

# U.S. Equity Fund vs. Lipper Multi-Cap Core Funds Universe—As of June 30, 2019



## Annualized Performance (net-of-fees)

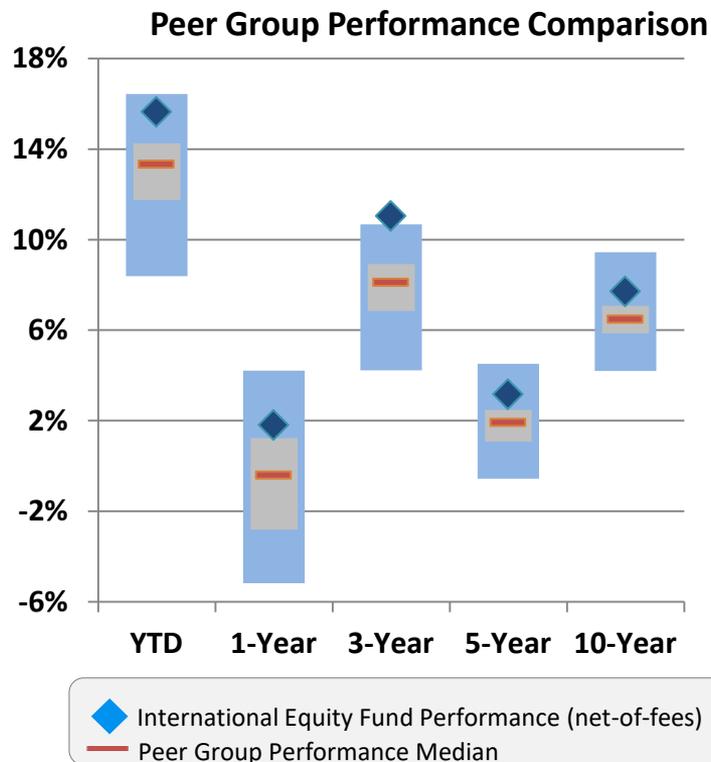
	YTD	1-Year	3-Year	5-Year	10-Year
<b>U.S. Equity Fund</b>	20.46%	7.99%	14.29%	9.60%	13.79%
<b>Median</b>	17.60%	6.46%	12.58%	8.22%	12.97%
<b>Rank in Universe</b>	15 <sup>th</sup>	36 <sup>th</sup>	16 <sup>th</sup>	21 <sup>st</sup>	28 <sup>th</sup>
<b># of Observations</b>	750	736	637	549	384

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Source: Lipper

Lipper Multi-Cap core Universe is a group of mutual funds comparable to USEF. This Universe consists of a Lipper predefined Universe of "Multi-Cap Core" funds.

# International Equity Fund vs. Lipper International Equity Funds Universe—As of June 30, 2019



## Annualized Performance (net-of-fees)

	YTD	1-Year	3-Year	5-Year	10-Year
<b>International Equity Fund</b>	15.65%	1.81%	11.05%	3.17%	7.71%
<b>Median</b>	13.36%	-0.40%	8.11%	1.92%	6.48%
<b>Rank in Universe</b>	9 <sup>th</sup>	17 <sup>th</sup>	3 <sup>rd</sup>	13 <sup>th</sup>	16 <sup>th</sup>
<b># of Observations</b>	425	403	350	267	184

Historical returns are not indicative of future performance. Please refer to the Investment Funds Description at [wespath.org](http://wespath.org) for more information about the Fund. This is not an offer to purchase securities. Please refer to the disclosures at the end of this presentation for additional information.

Source: Lipper

Lipper International Equity Funds Universe is a group of mutual funds comparable to IEF. Lipper utilized all mutual funds included in the pre-defined Lipper classification universes of "Int'l Multi-Cap Core" to construct this Universe.

# Fixed Income Fund vs. Lipper Bond Funds Universe— As of June 30, 2019



## Annualized Performance (net-of-fees)

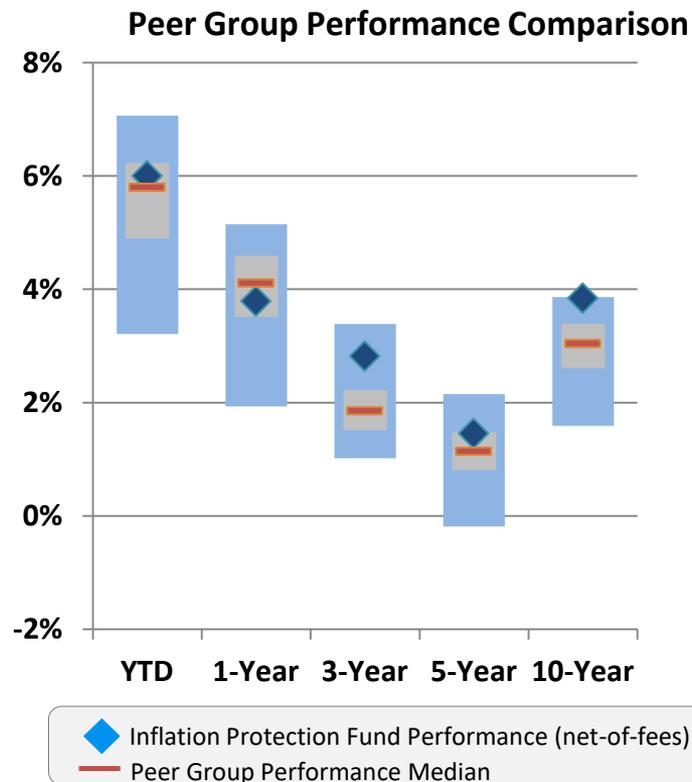
	YTD	1-Year	3-Year	5-Year	10-Year
<b>Fixed Income Fund</b>	7.31%	8.15%	3.85%	3.08%	5.30%
<b>Median</b>	6.82%	7.81%	3.07%	2.93%	4.96%
<b>Rank in Universe</b>	33 <sup>rd</sup>	33 <sup>rd</sup>	13 <sup>th</sup>	40 <sup>th</sup>	35 <sup>th</sup>
<b># of Observations</b>	306	294	240	197	127

Historical returns are not indicative of future performance. Please refer to the Investment Funds Description at [wespath.org](http://wespath.org) for more information about the Fund. This is not an offer to purchase securities. Please refer to the disclosures at the end of this presentation for additional information.

Source: Lipper

Lipper Bond Funds Universe is a group of mutual funds comparable to FIF. Lipper utilized all mutual funds included in the pre-defined Lipper classification universe of "Core Plus Bond" to construct this Universe.

# Inflation Protection Fund vs. Lipper Inflation Protection Funds Universe—As of June 30, 2019



**Annualized Performance (net-of-fees)**

	YTD	1-Year	3-Year	5-Year	10-Year
<b>Inflation Protection Fund</b>	6.00%	3.79%	2.82%	1.45%	3.84%
<b>Median</b>	5.80%	4.11%	1.85%	1.14%	3.04%
<b>Rank in Universe</b>	41 <sup>st</sup>	66 <sup>th</sup>	11 <sup>th</sup>	27 <sup>th</sup>	5 <sup>th</sup>
<b># of Observations</b>	226	224	195	166	92

Historical returns are not indicative of future performance. Please refer to the Investment Funds Description at wespath.org for more information about the Fund. This is not an offer to purchase securities. Please refer to the disclosures at the end of this presentation for additional information.

Source: Lipper

Lipper Inflation Protection Funds Universe is a group of mutual funds comparable to IPF. The Lipper Universe used for this comparison was Inflation Protected Bonds.

# Markets Update

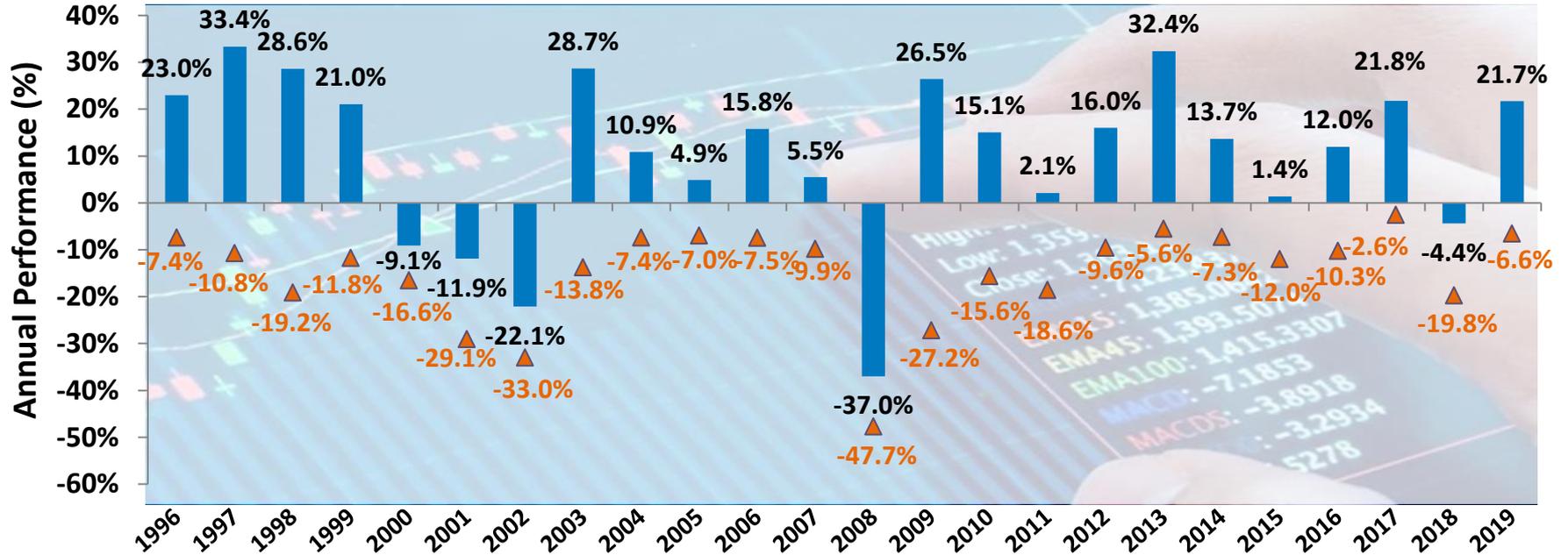


+0.88	10,257,100	11,869
-1.29	10,112,300	30,665
+1.98	10,059,200	51,034
+0.55	10,002,900	18,724
0.00	9,946,000	36,450
+3.16	9,856,900	32,779
+4.27	9,703,300	1,076,56
-2.46	9,314,600	11,136
+1.71	9,121,500	540,447
+3.91	9,107,700	119,128
-2.26	9,099,400	78,568



# Stock Market Up 21.7% Through Sept. 13, 2019

## Annual Return and Drawdown of S&P 500



Source: Morningstar, Nanette Abuhoff Jacobson, Hartford Funds and Yahoo Finance Data as of September 13, 2019.

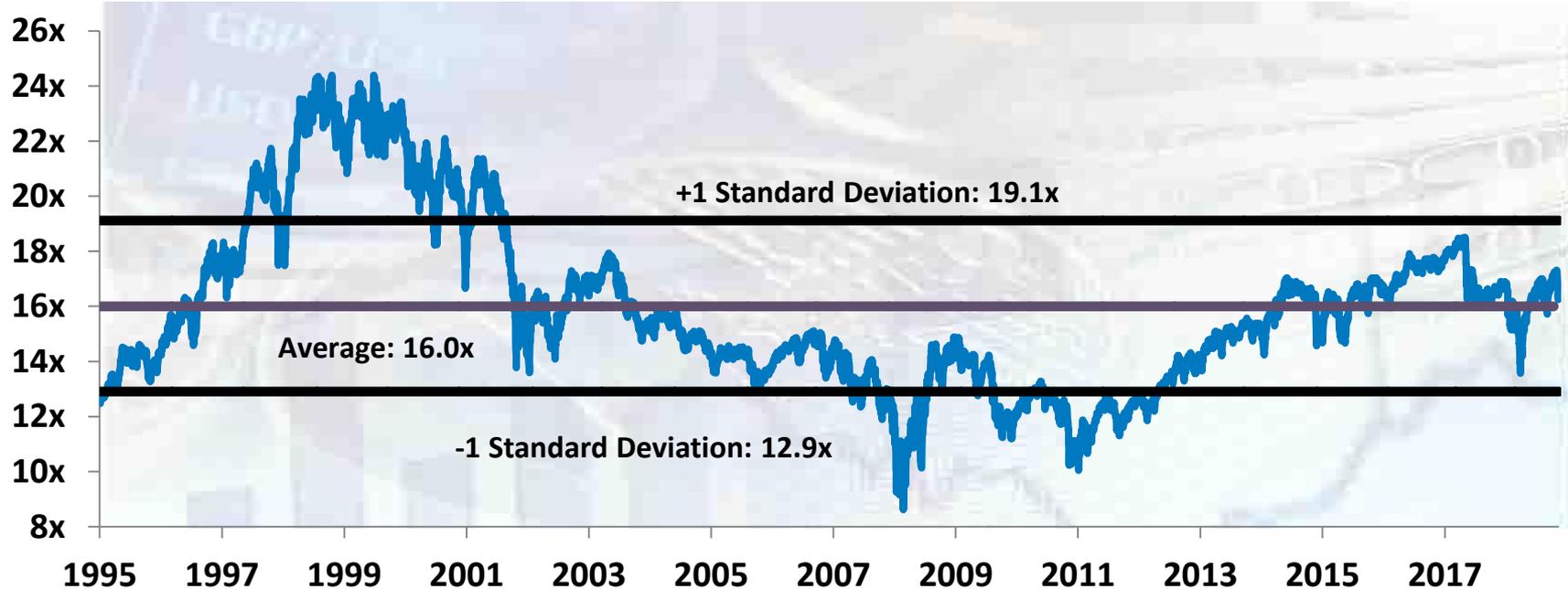
# Two 6%+ Drawdowns in 2019



Source: Yahoo Finance. Data as of September 13, 2019.

# U.S. Stocks Trade at 25-Year Average P/E

S&P 500 Price/Earnings Ratio Based on 12-Month Forward Earnings Estimates



Source: FactSet and Wespath. Data as of August 12, 2019.

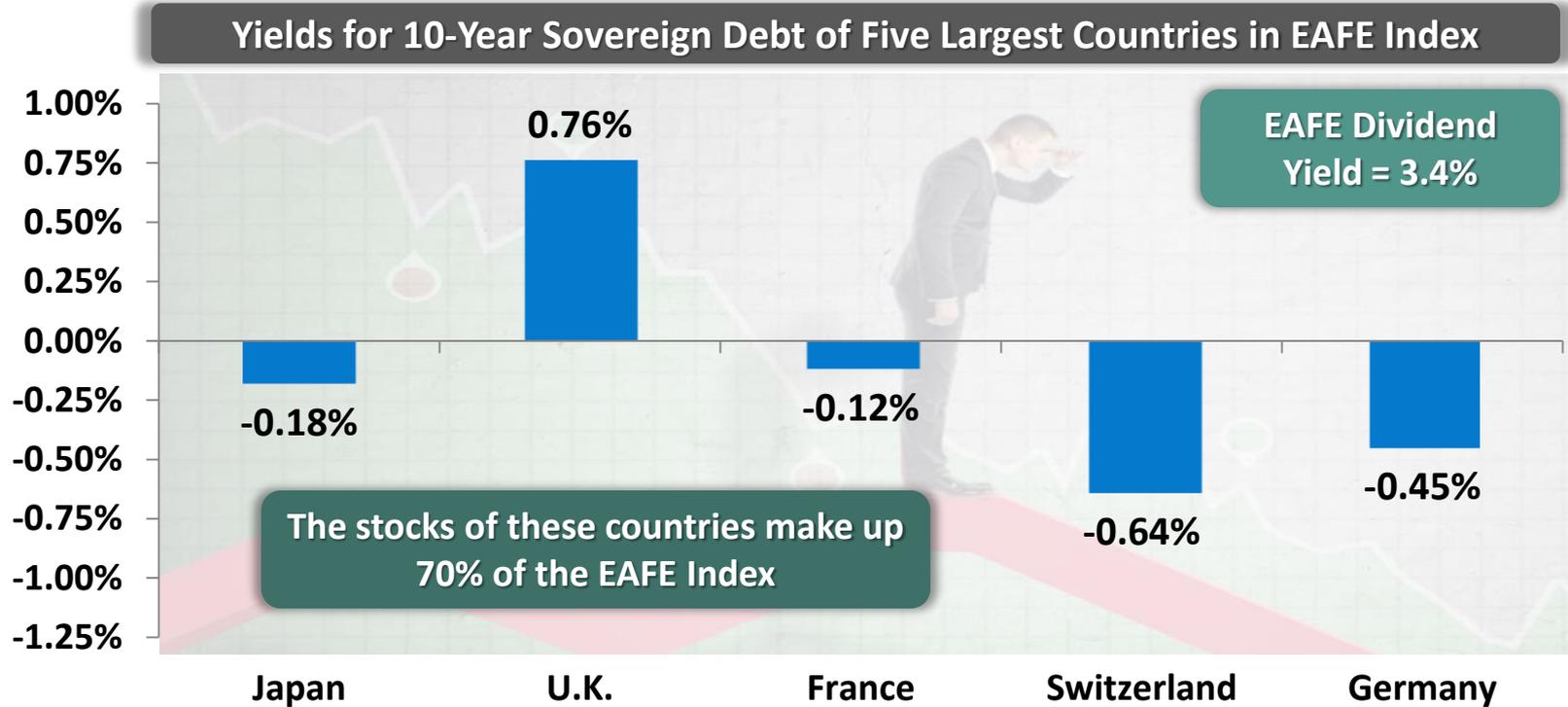
# How Low Can U.S. Interest Rates Go?

10-Year U.S. Treasury Constant Maturity Rate



Source: Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate , retrieved from FRED, Federal Reserve Bank of St. Louis; Data as of Sept.13, 2019.

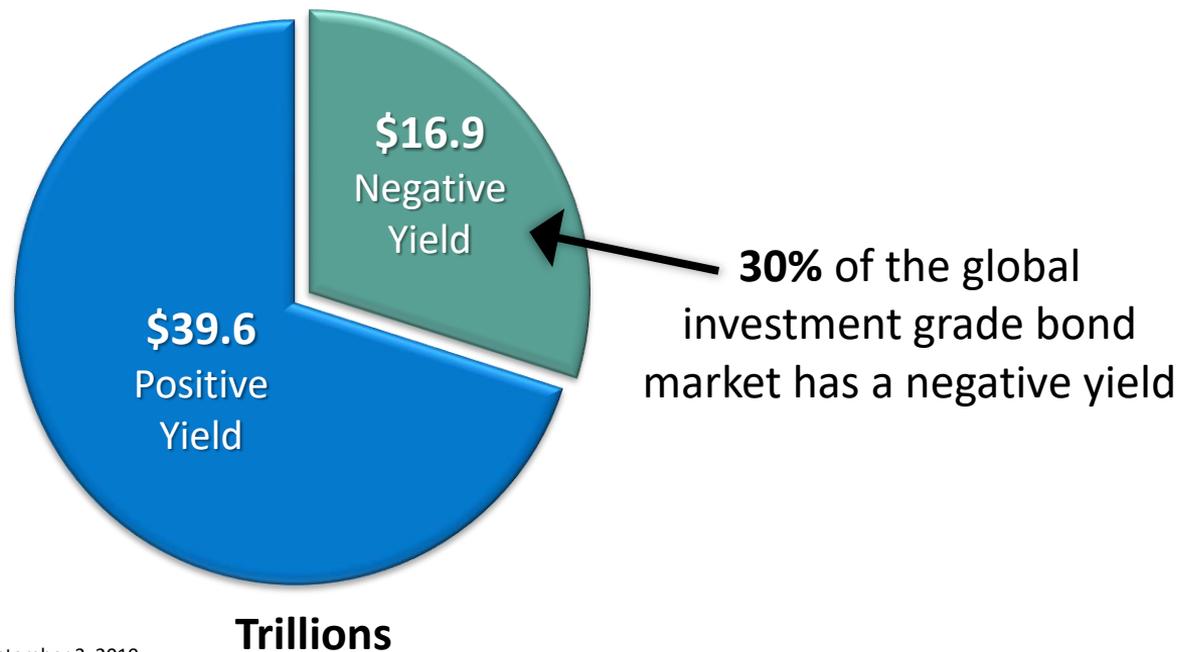
# Global Interest Rates Have Never Been Lower



Source: Bloomberg. Data as of September 13, 2019.

# Over One-Quarter of Global Investment Grade Bond Market Is Negative Yielding

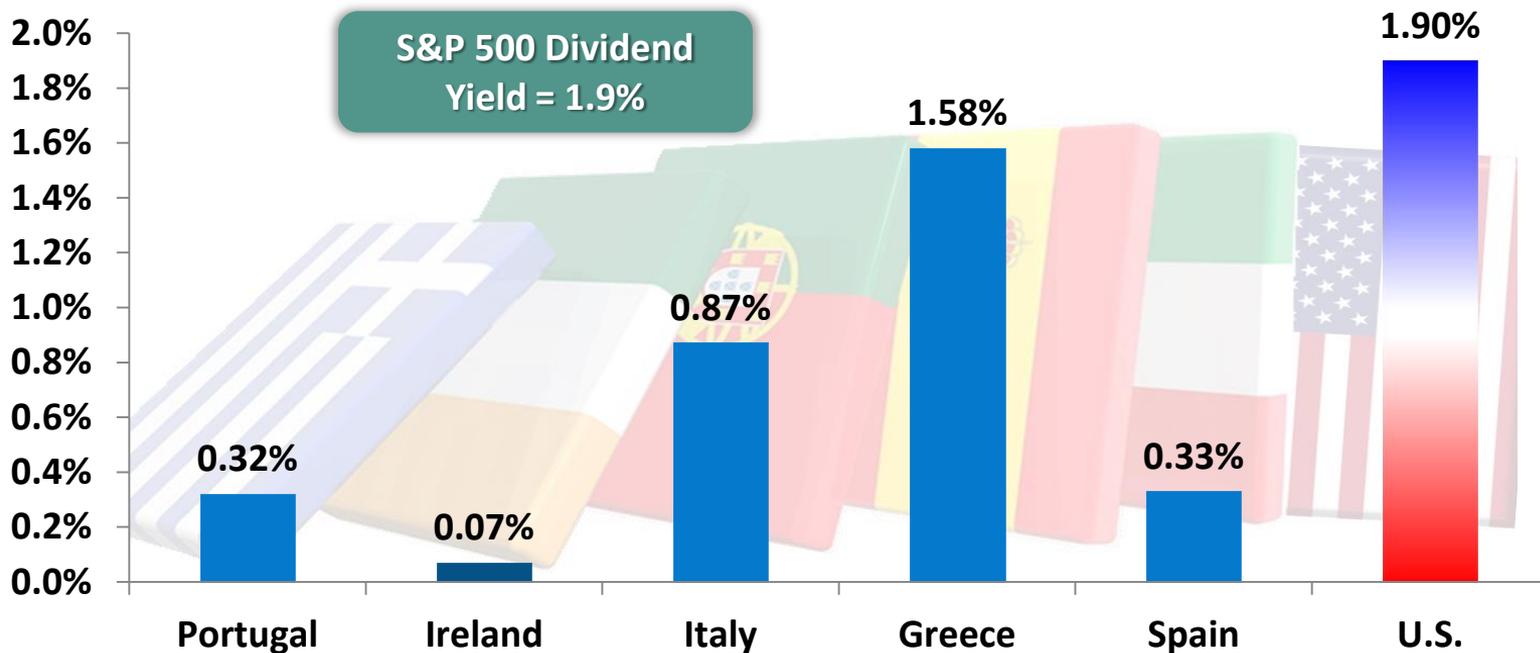
Positive and Negative Yielding Bonds in Bloomberg Barclays Global Aggregate



Source: Bloomberg. Data as of September 3, 2019.

# European Periphery Yields Lower or Near U.S. Yield

Yields for 10-Year Sovereign Debt for European Periphery and U.S.

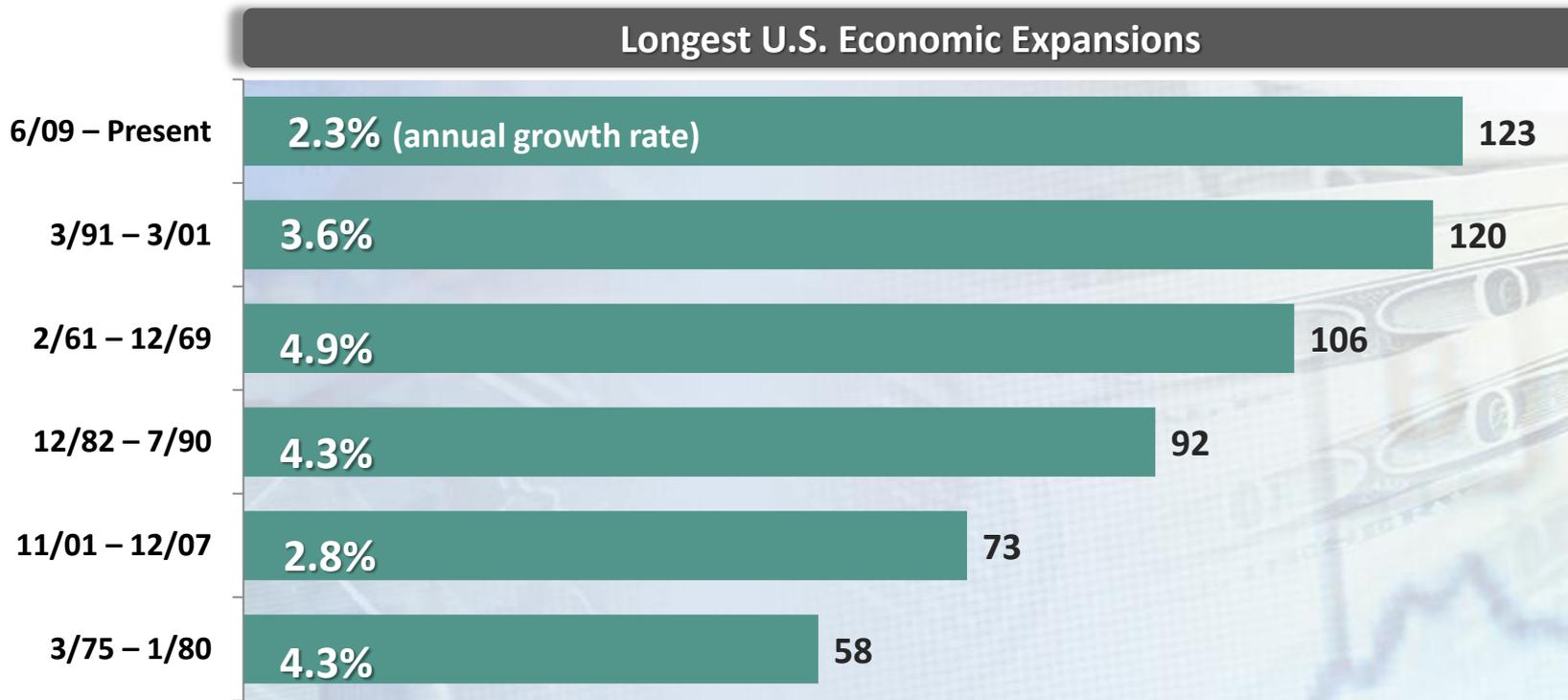


Source: Bloomberg. Data as of September 13, 2019.

# U.S. Economic Update

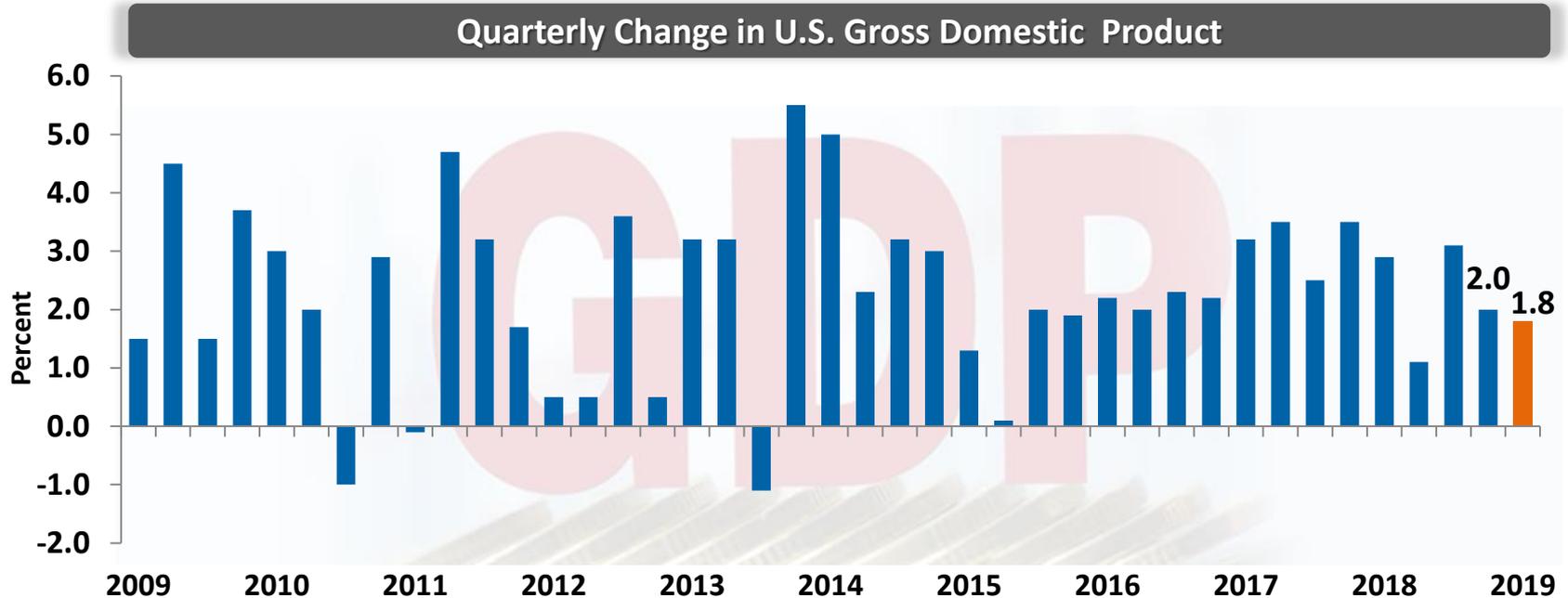


# Current Expansion Is the Longest in U.S. History



Source: National Bureau of Economic Research. Data as of August 2019.

# Actual U.S. GDP Growth Modest but Steady



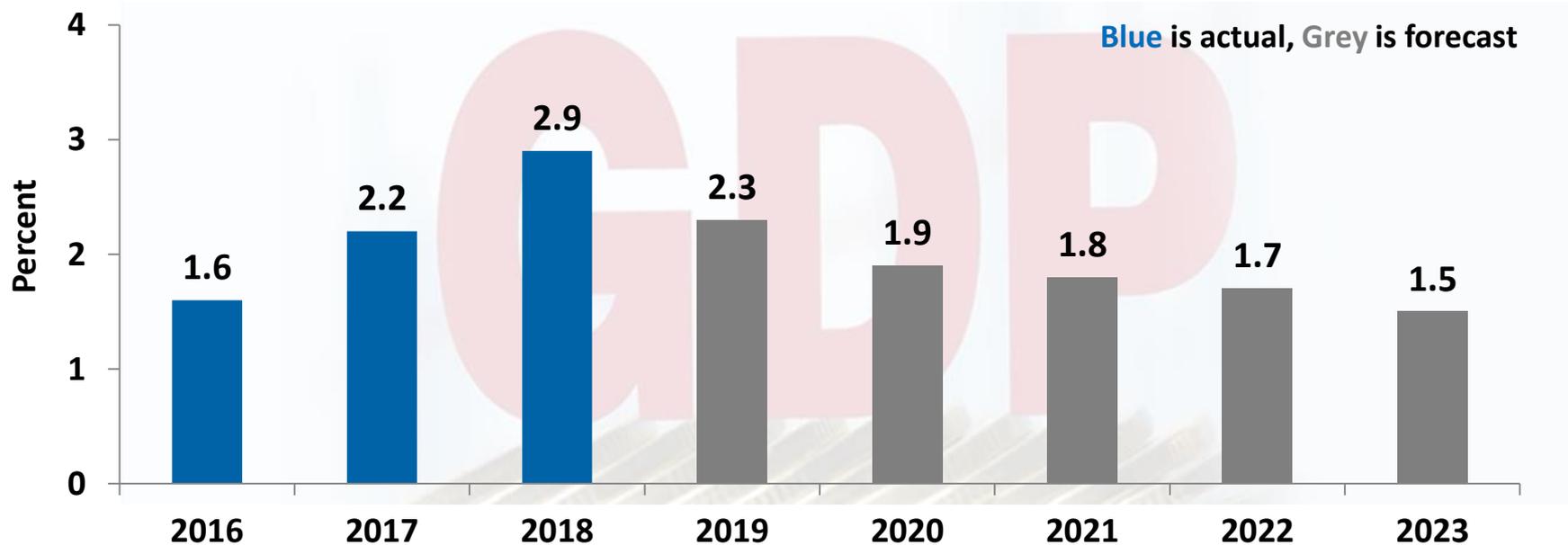
Seasonally-adjusted Annual Rate

Source: Actual U.S. Bureau of Economic Analysis, Real Gross Domestic Product [A191RL1Q225SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis;

Forecast is Atlanta Fed GDPNow as of September 13, 2019.

# Future Expected Economic Growth Tepid

U.S. Real Gross Domestic Product Growth (Actual and Forecast)

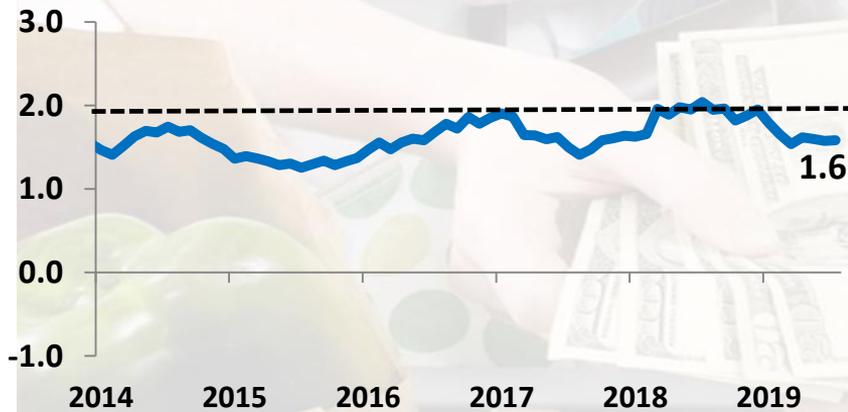


Source: International Monetary Fund World Economic Outlook, July 2019.

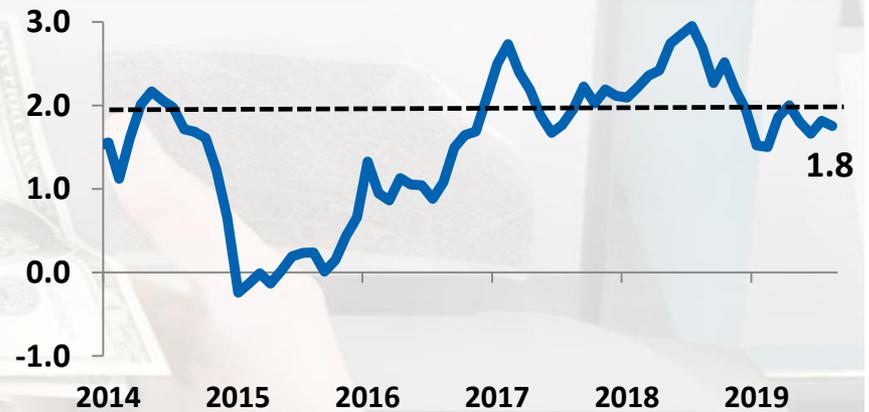


# Inflation Subdued: Below 2% Fed Target

Personal Consumption Expenditures (PCE) Price Index



Consumer Price Index All Urban Consumers (CPI-U)



Market-Based Breakeven Inflation Rates

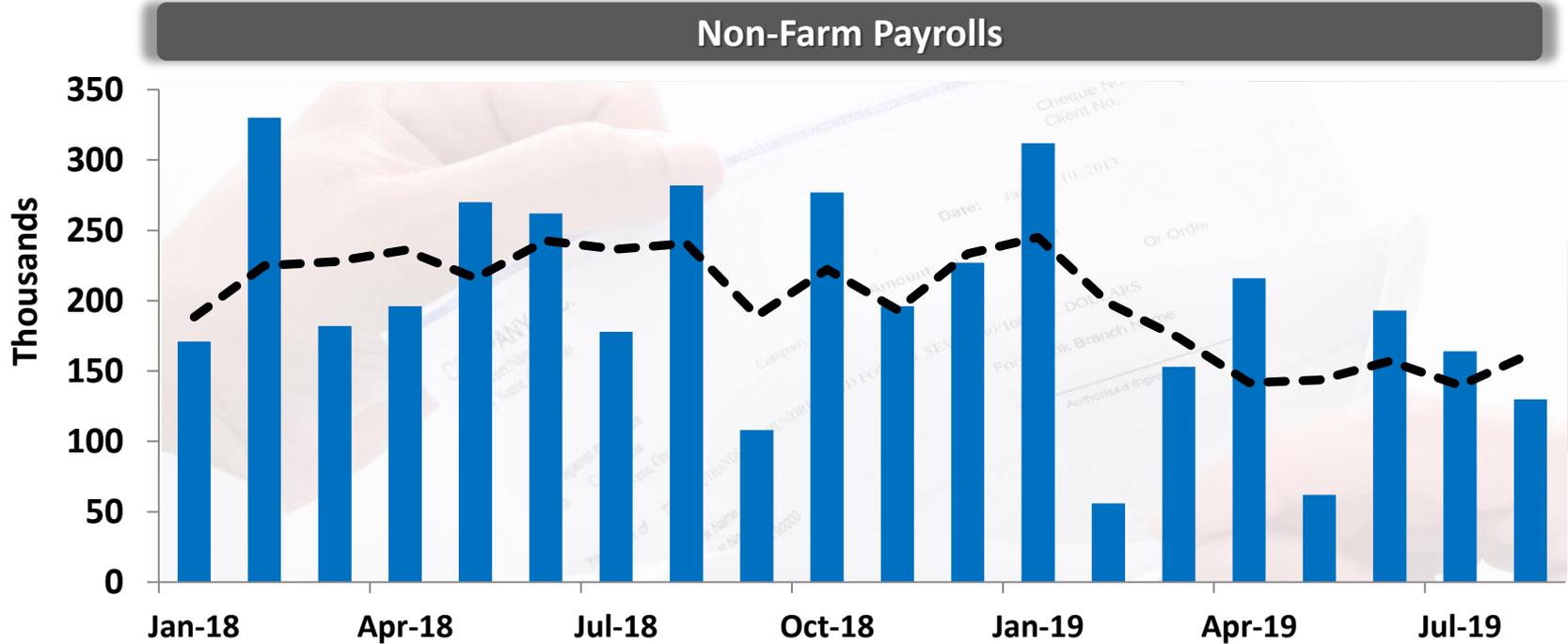
5 Years	10 Years	20 Years	30 Years
1.49%	1.68%	1.70%	1.73%

Source: PCE and CPI-U: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of June 30 (PCE) and July 31 (CPI-U), 2019. Breakeven Inflation Rate is Bloomberg. Data as of September 13, 2019.

# Employment

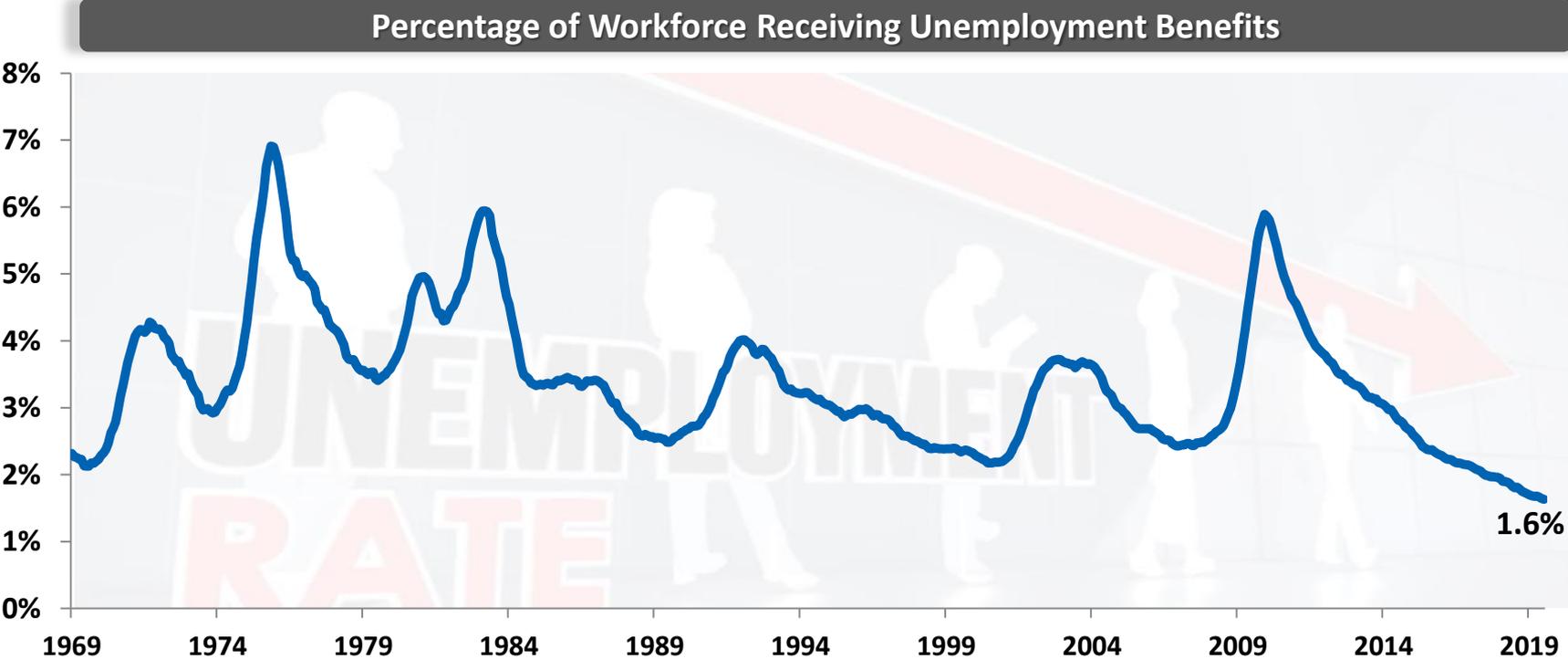


# Strong and Steady Job Gains



Source: U.S. Bureau of Labor Statistics. Data as of August 31, 2019.

# Historic Low for Workers Receiving Unemployment Benefits

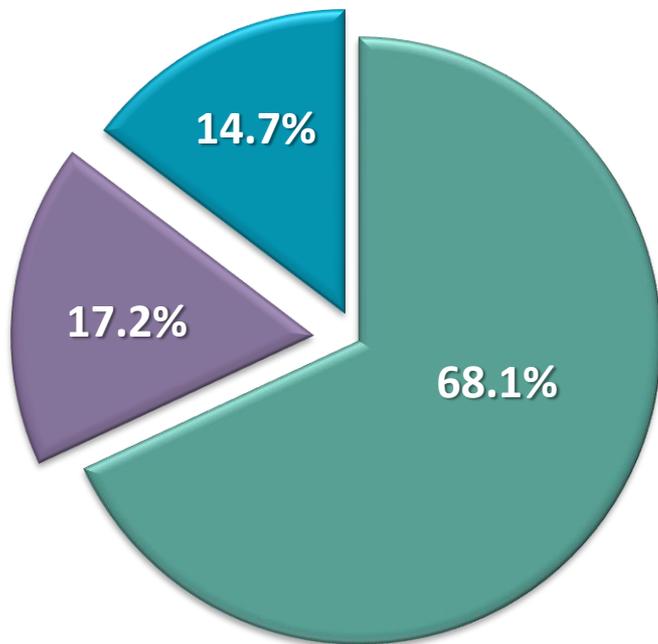


Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis; Wespath. Data as of July 31, 2019.

# Consumer



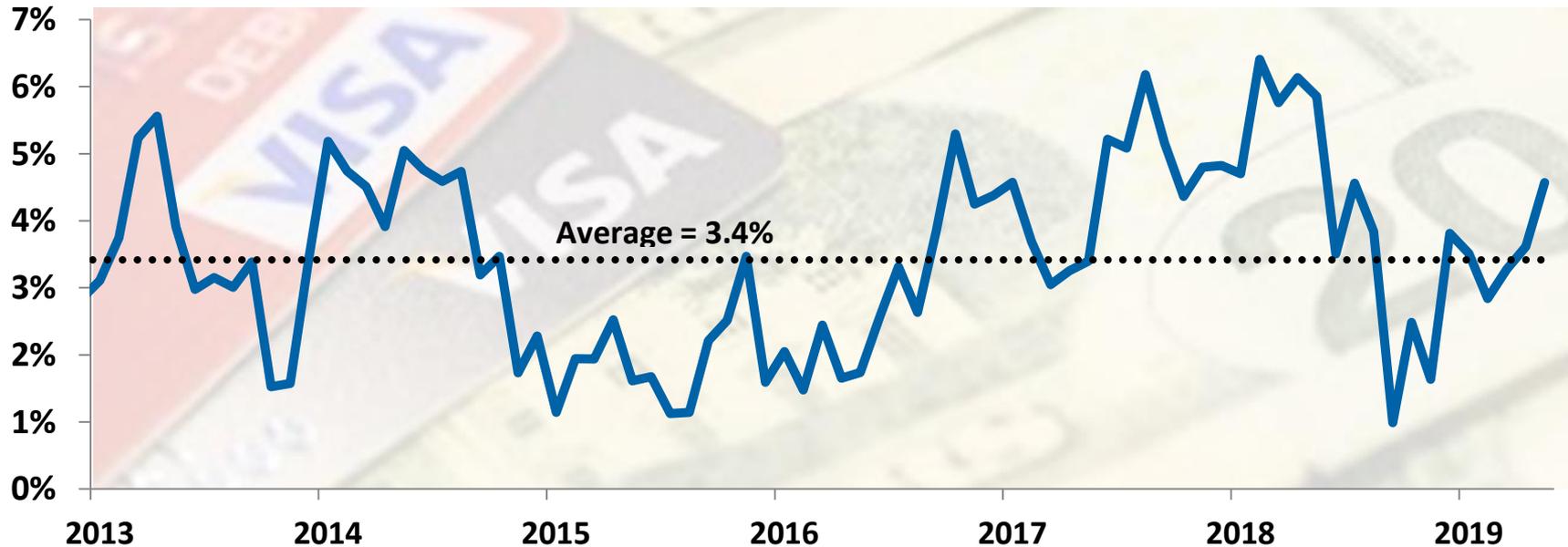
# Consumer Spending Accounts for Over Two-Thirds of the U.S. Economy



Source: U.S. Department of Labor Bureau of Economic Analysis. Data as of December 31, 2018.

# Consumer Spending Levels Are Healthy

Advance Retail Sales (Excluding Food Services) – Year-Over-Year Percent Change



Source: U.S. Bureau of the Economic Analysis, Federal Reserve Bank of St. Louis, FRED. Data as of August 31, 2019.

# Consumer Sentiment Dips

University of Michigan Index of Consumer Sentiment



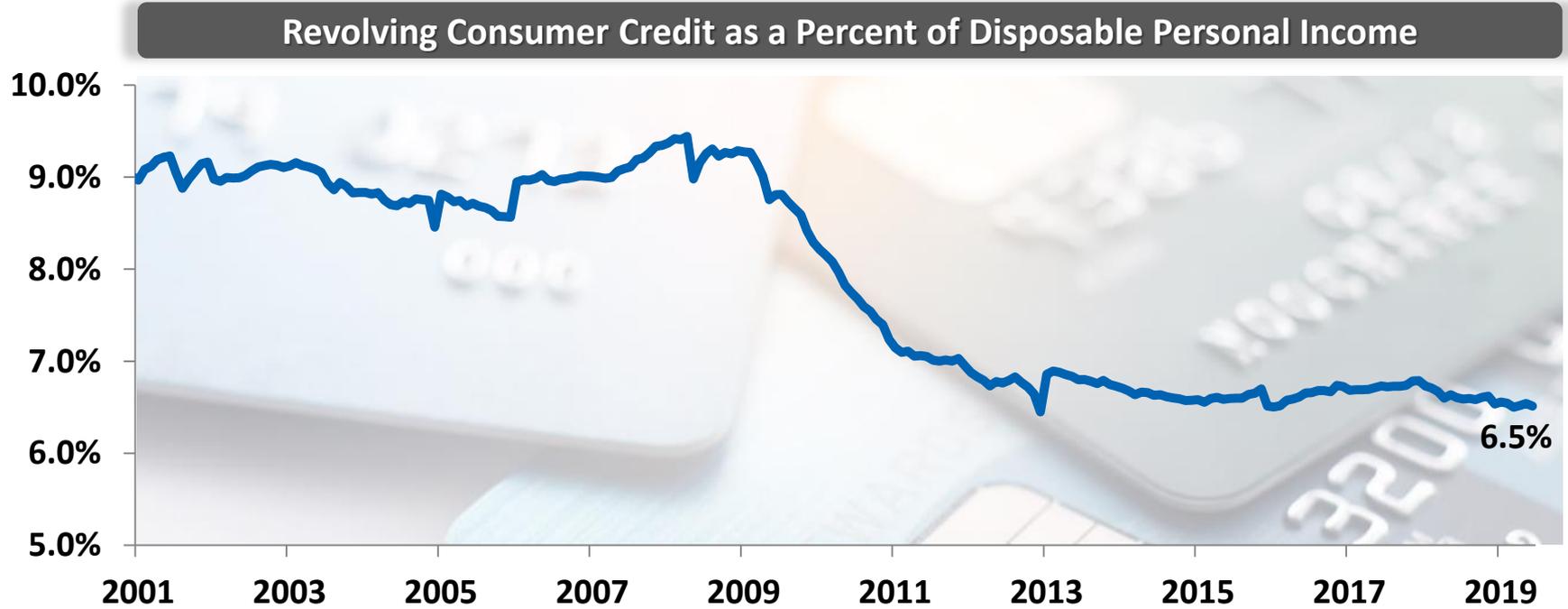
Source: University of Michigan Survey of Consumers. Data as of September 13, 2019.

# Consumer Savings Rates Are Excellent



Source: U.S. Bureau of the Economic Analysis, Federal Reserve Bank of St. Louis, FRED. Data as of July 31, 2019.

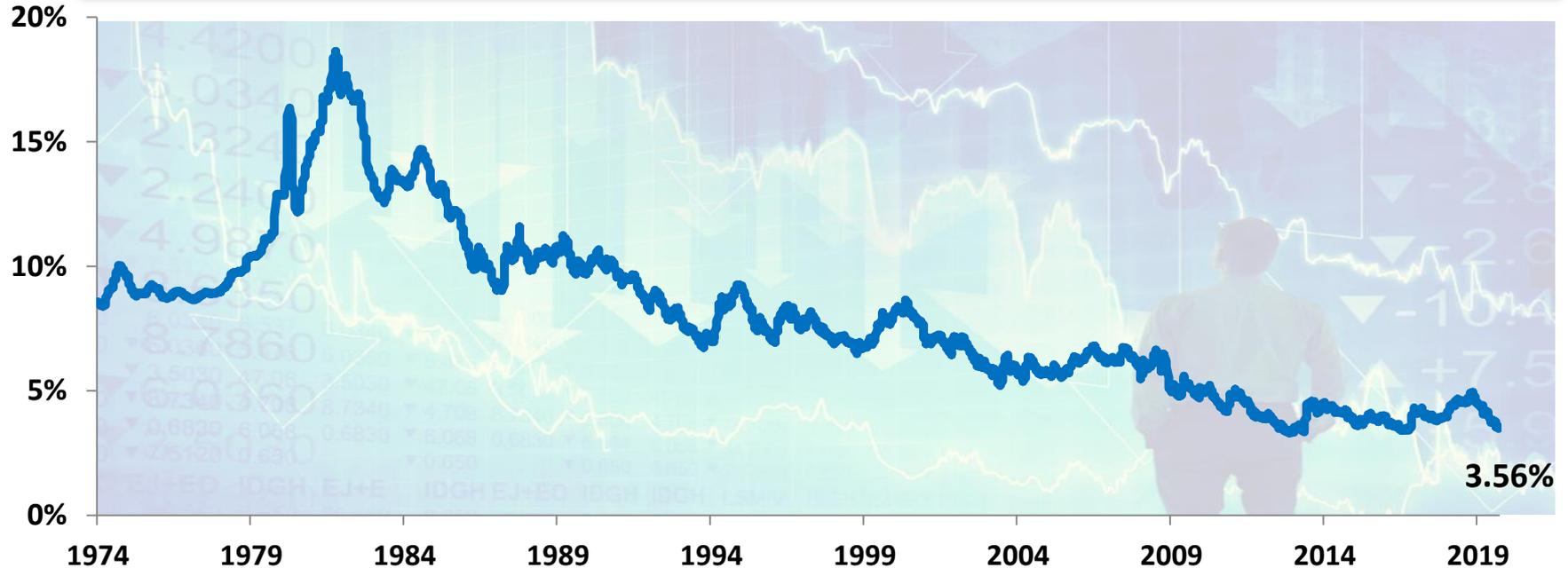
# Consumer Credit Remains Controlled



Source: Board of Governors of the Federal Reserve System, U.S. Bureau of Economic Analysis, Disposable Personal Income [DSP], retrieved from FRED, Federal Reserve Bank of St. Louis, Wespath. Data as of June 30, 2019.

# Mortgage Interest Rates Nearing Generational Lows

30-Year Fixed Rate Mortgage Average in the United States

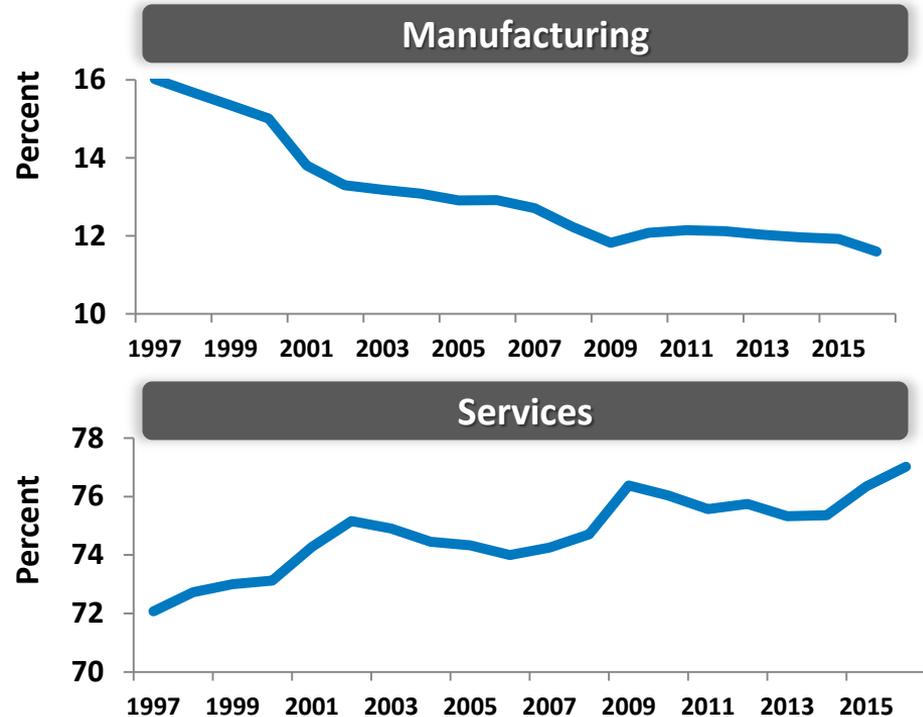
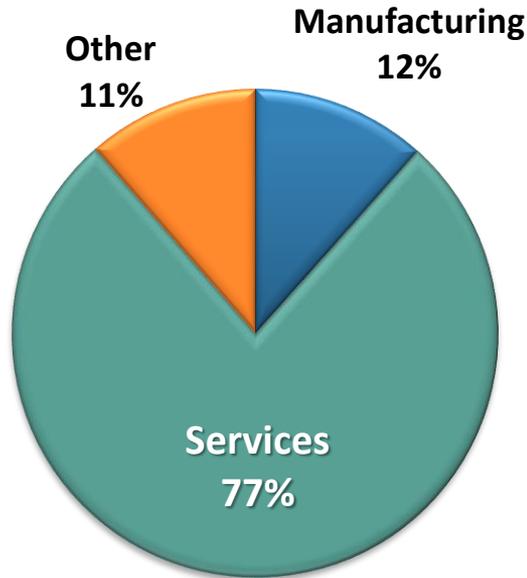


Source: Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis; Data as of September 13, 2019.

# Business



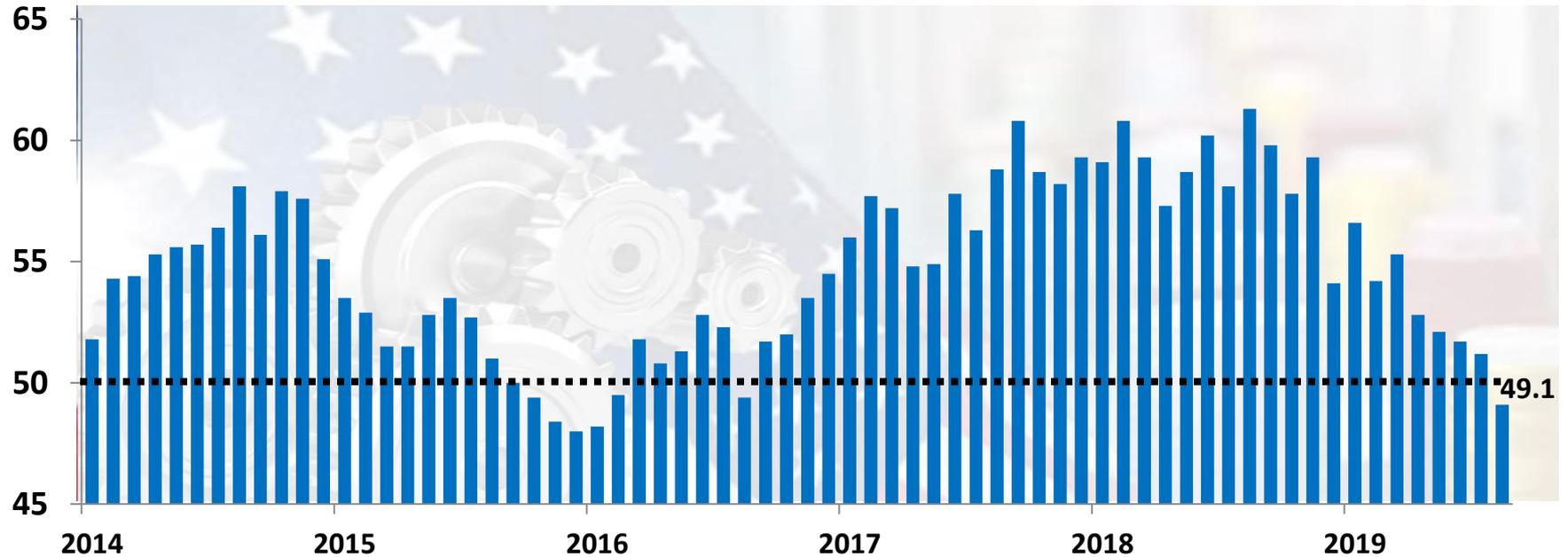
# Value Added to GDP by Economic Sector



Source: World Bank National Accounts data, and OECD National Accounts data files. Data as of December 31, 2016.

# U.S. Manufacturing Activity Declining and Now in Contraction

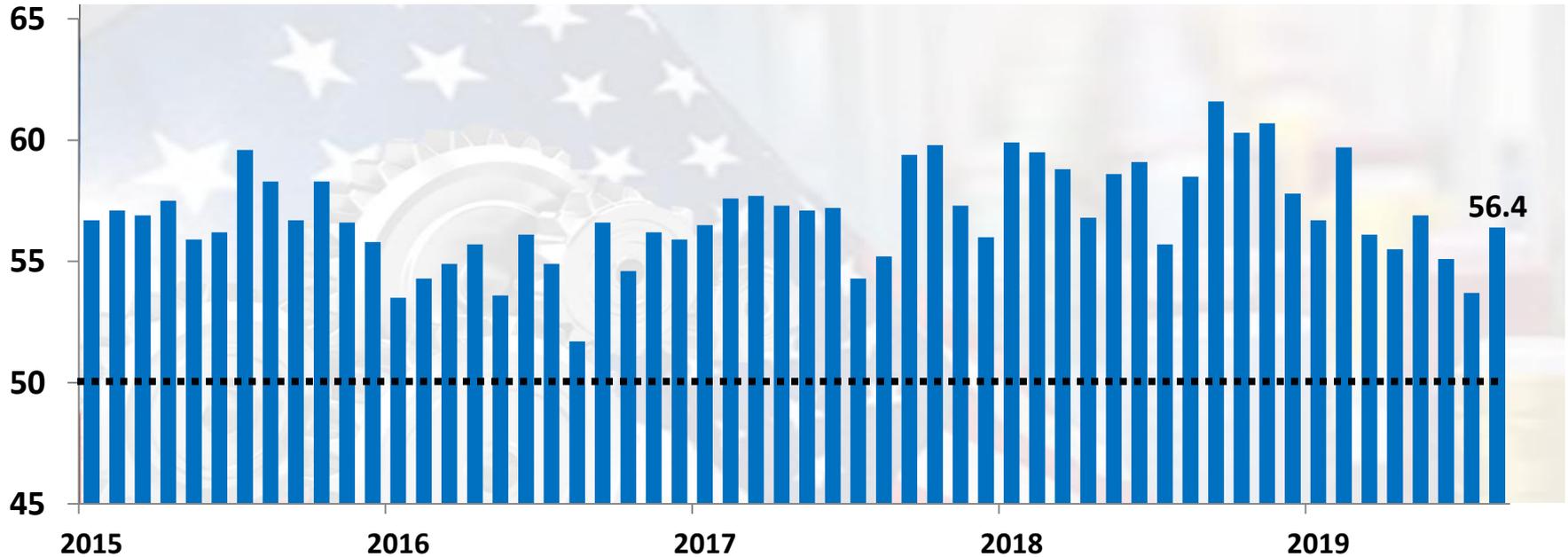
## Institute of Supply Management Manufacturing Purchasing Managers Index



Source: Institute of Supply Management, FactSet. Data as of August 31, 2019.

# Services Activity Remains Strong

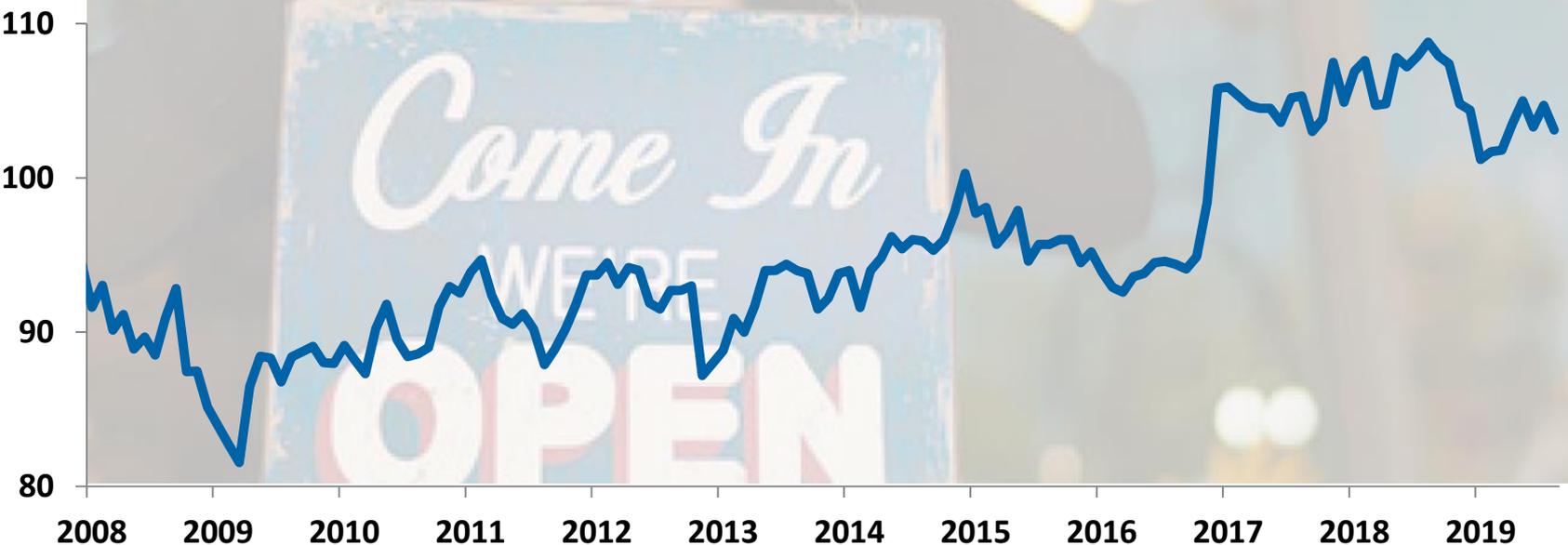
## Institute of Supply Management Non-Manufacturing Purchasing Managers Index



Source: Institute of Supply Management, FactSet. Data as of August 31, 2019.

# Small Business Optimism Remains Solid

NFIB Small Business Economic Trends Optimism Index



Source: National Federation of Independent Businesses, FactSet. Data updated through August 31, 2019.

# Will There Be an Earnings Recession?

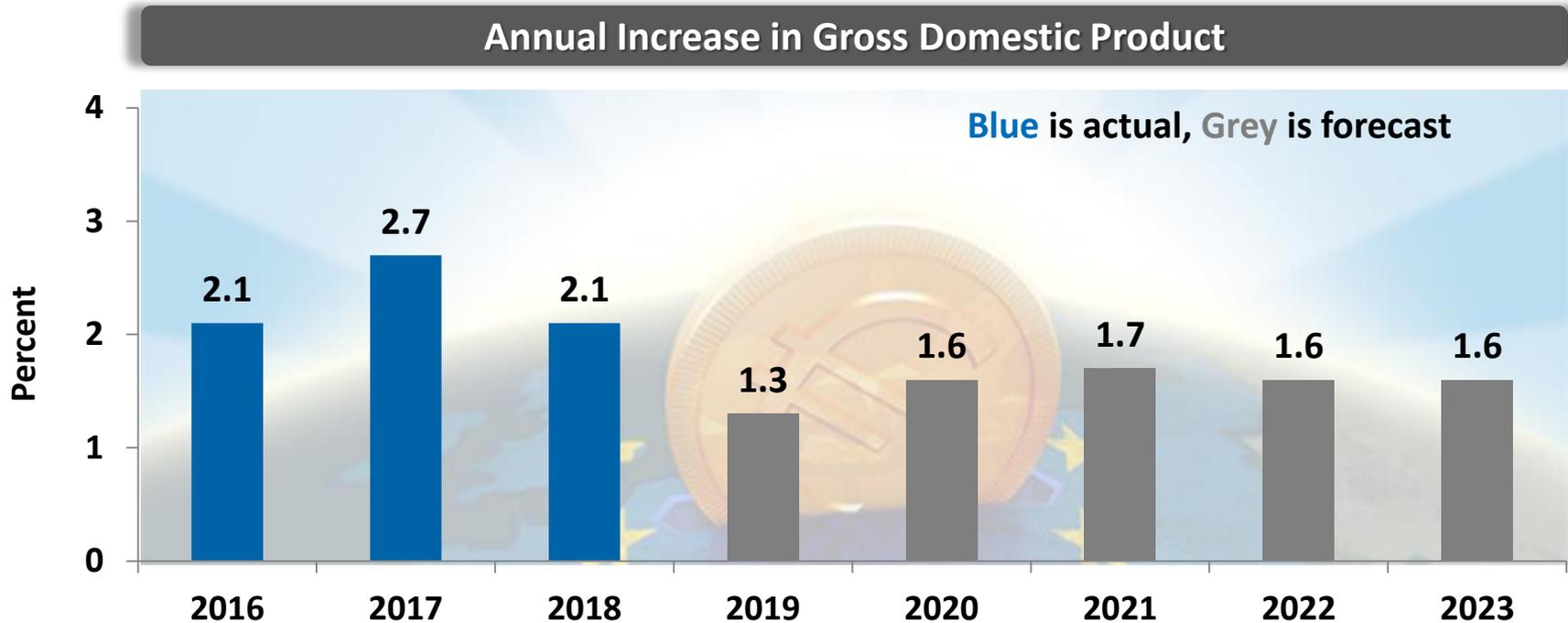


Source: 2015: multpl.com, 2016-2018 S&P 500 Earnings Scorecard, Thomson Reuters I/B/E/S., FactSet Data as of September 13, 2019.

# Europe



# Modest European Union GDP Growth Forecasted



Source: Organisation for Economic Cooperation and Development, FactSet (actual) and International Monetary Fund World Economic Outlook (forecast). Actual data as of December 31, 2018. Forecasted data as of July, 2019.

# Europe Manufacturing in Contraction

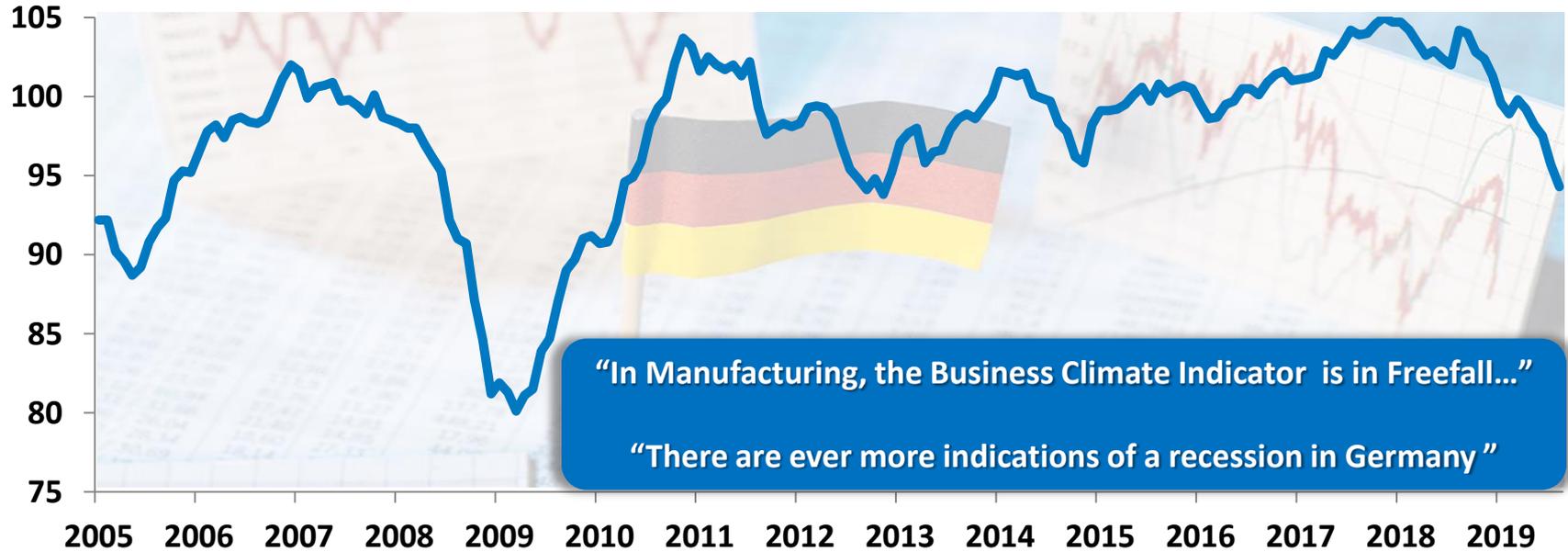
## Manufacturing Purchasing Managers Index

	2018								2019									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July		Aug
U.K.	53.9	54.3	54.4	53.8	52.8	53.8	51.1	53.6	54.2	52.8	52.1	55.1	53.1	49.4	48.0	48.0	47.4	85 Month Low
Euro Area	56.2	55.5	54.9	55.1	54.6	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.8	47.7	47.6	46.5	47.0	
Germany	58.1	56.9	55.9	56.9	55.9	53.7	52.2	51.8	51.5	49.7	47.6	44.1	44.5	44.3	45.0	43.5	43.6	
France	53.8	54.4	52.5	53.3	53.5	52.5	51.2	50.8	49.7	51.2	51.5	49.7	49.6	50.6	51.9	51.0	51.0	
Italy	53.5	52.7	53.3	51.5	50.1	50.0	50.0	48.6	49.2	47.8	47.7	47.4	49.1	49.7	48.4	48.5	48.7	
Spain	54.4	53.4	53.4	52.9	53.0	51.4	51.8	52.6	51.1	52.4	49.9	50.9	51.8	50.1	47.9	48.2	48.8	
Greece	52.9	54.2	53.5	53.5	53.9	53.6	53.1	54.0	53.8	53.7	54.2	54.7	56.6	54.2	52.4	54.6	54.9	

Source: Markit, J.P. Morgan Guide to the Markets, 2Q 2019. and Trading Economics. Data as of August 31, 2019.

# German Economy Stumbles

## Ifo Business Climate Index Germany



Source: ifo Institute, Center for Economic Studies. Data as of July 25, 2019.

# Emerging Economies

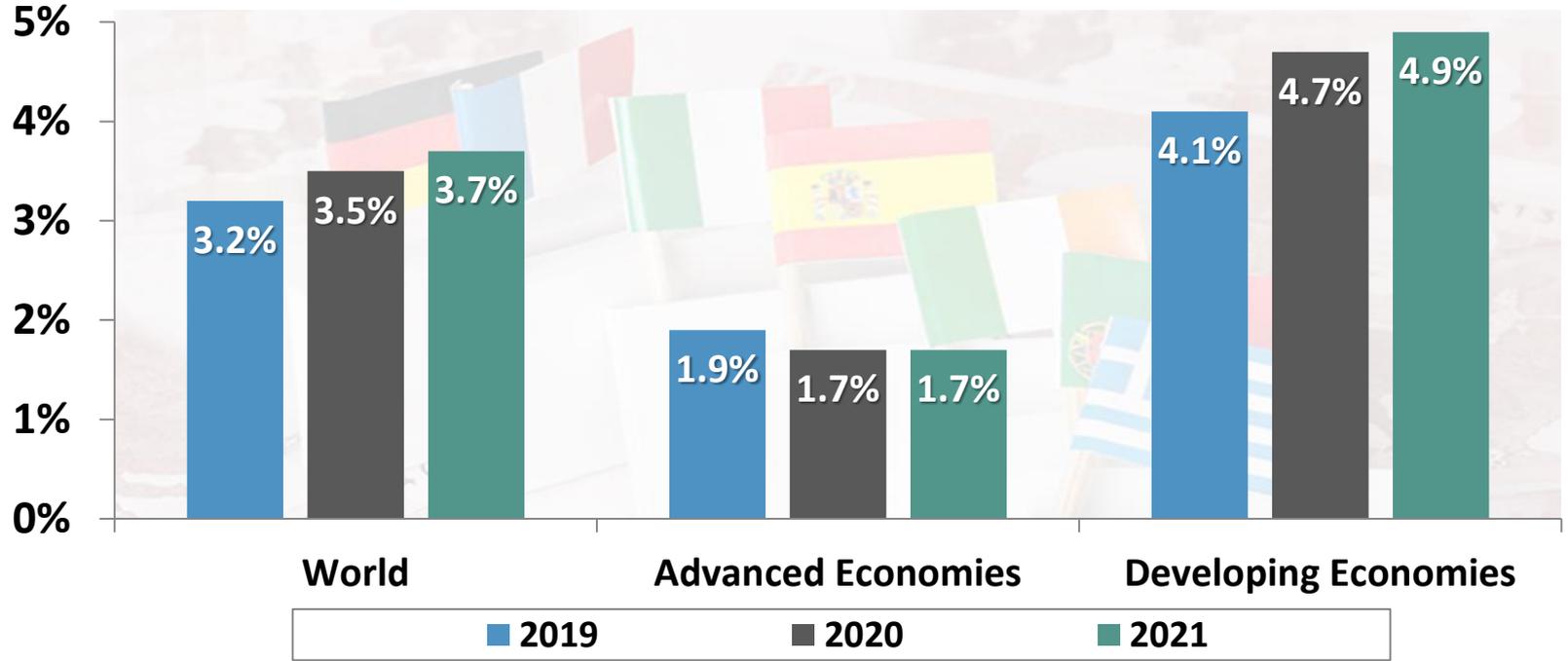


# Optimistic Worldview Investment Belief

**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.**



# World Economic Growth Forecast 2019 – 2021



Source: International Monetary Fund World Economic Outlook. Data as of July 2019.

# Emerging Markets Manufacturing Activity Remains Subdued

## IHS Markit Manufacturing Purchasing Managers Index

	2018										2019						
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
China	51.1	51.1	51.0	50.8	50.6	50.0	50.1	50.2	49.7	48.3	49.9	50.8	50.2	50.2	49.4	49.9	50.4
Indonesia	51.1	51.2	50.3	50.5	51.9	50.7	50.5	50.4	51.2	49.9	50.1	51.2	50.4	51.6	50.6	49.6	49.0
So. Korea	48.4	48.9	49.8	48.3	49.9	51.3	51.0	48.6	49.8	48.3	47.2	48.8	50.2	48.4	47.5	47.3	49.0
Taiwan	55.0	53.6	54.4	53.2	53.2	50.8	50.8	48.6	47.7	47.5	46.3	49.0	48.2	48.4	45.5	48.1	47.9
India	51.6	51.2	53.1	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.7	52.1	52.5	51.4
Brazil	52.3	50.8	49.8	50.5	51.1	50.9	51.1	52.7	52.6	52.7	53.1	52.9	51.5	50.2	51.0	49.9	52.5
Mexico	51.6	51.0	52.1	52.1	50.7	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.0	49.2	49.8	49.0
Russia	51.3	49.8	49.6	48.1	48.9	50.0	51.3	52.6	51.7	50.9	50.1	52.8	51.7	49.8	48.6	49.3	49.1

Source: Markit, J.P. Morgan Guide to the Markets, 2Q 2018. Data as of July 31, 2019.

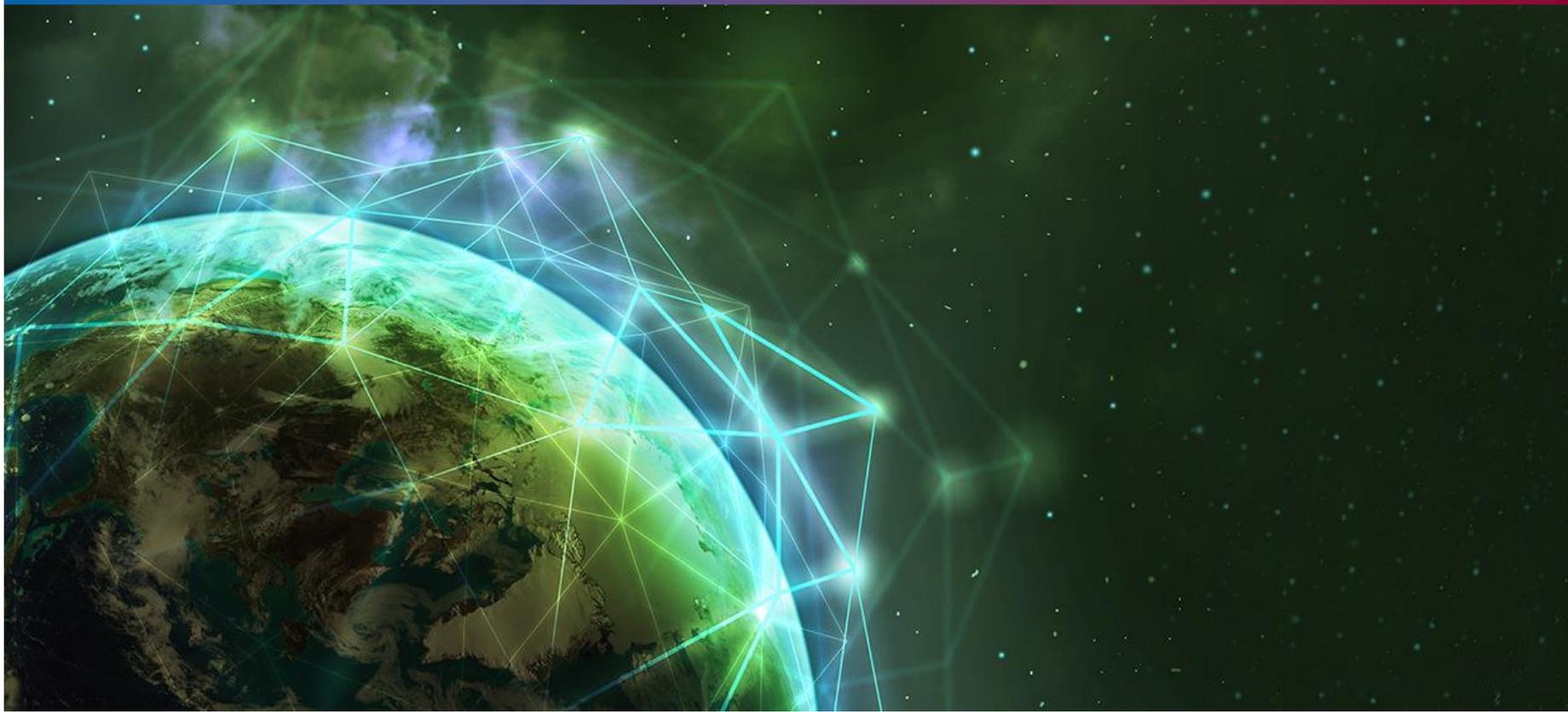
# Costco Comes to China!



*“...He Jinfeng, purchases included 28 croissants, two Hawaiian pizzas and three packets of hot dogs.”*

Source: Wall Street Journal, August 27, 2019

# Sustainable Investment Strategies



# Sustainable Investment Framework

## Invest



- External manager ESG benchmarking
- Positive Social Purpose Lending Program
- Low-carbon energy solutions

## Engage



- Proxy voting
- Shareholder resolutions
- Corporations
- Policymakers

## Avoid



- Ethical exclusions
- Financial risk exclusions

Wespath Benefits and Investments implements the Sustainable Investment Strategies for investment funds made available through it and its subsidiaries, including Wespath Institutional Investments.

# Wespath's Sustainable Investment Vision

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**Long-Term  
Prosperity for All**



**Social Cohesion**



**Environmental  
Health**

# Wespath's Low Carbon Transition Belief



A global transition to a low-carbon economy is underway, driven by the world's assessment of environmental risks. We believe public policies, emerging technologies and physical impacts associated with concerns about climate change are creating winners and losers across companies, industries and countries, impacting investment returns. As prudent fiduciaries, we must assess these global risks and opportunities in the management of our funds.

# Wespath, BlackRock 'Transition Ready' Investment Strategy



**Wespath**  
BENEFITS | INVESTMENTS

**BLACKROCK**

# TRP Allocation to Wespath Funds



**\$750 Million**  
in 'Transition Ready'  
Assets

**\$400 million – U.S. Equity Fund**

**\$350 million – International Equity Fund**

# 'Transition Ready' Goal

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- Minimize risks and maximize opportunities associated with the Low-carbon Transition, and in doing so, **outperform traditional indexes**
- Identify companies' **future** preparedness for:
  - A society more efficient in producing goods and services
  - One that is less reliant on carbon producing technologies
  - The “decoupling” of economic growth from emissions

# Defining 'Transition Ready'

## Climate Change Risks and Opportunities



Physical



Technological



Social



Regulatory



## Five Investable Transition Readiness Pillars

Energy  
Production

Carbon Efficient  
Technologies

Energy  
Management

Water  
Management

Waste  
Management

# TRP Performance Results

Strategy/Benchmark	Returns	Strategy/Benchmark	Returns
Russell 1000 Value TRP	+4.15%	MSCI World ex USA TRP	+5.04%
Russell 1000 Index	+2.85%	MSCI World ex USA Index	+4.75%
Account Excess Return	+1.30%	Account Excess Return	+0.29%
Impact of Ethical Exclusions	-0.09%	Impact of Ethical Exclusions	+0.69%
Strategy Excess Return	+1.21%	Strategy Excess Return	+0.98%

Inception: December 1, 2018

As of August 30, 2019

Historical returns are not indicative of future performance. Fund returns are net of fees. This is not an offer to purchase securities.

# Largest Electricity Users

## Largest Absolute



6,167



3,971



1,243



1,020



929

## Terawatt Hours

## Largest Per Capita



50,613



35,848



24,006



19,062



18,130

## Kilowatt hrs per year



= 12,071

Source: Global Statistical Yearbook 2019 . Data as of 2018. The World Factbook , CIA, 2014

# UN Principles for Responsible Investment (PRI)— 2019 Annual Assessment



**Over 2,200+ global institutions representing \$82 trillion in assets under management are PRI signatories**

*Wespath is a founding signatory*

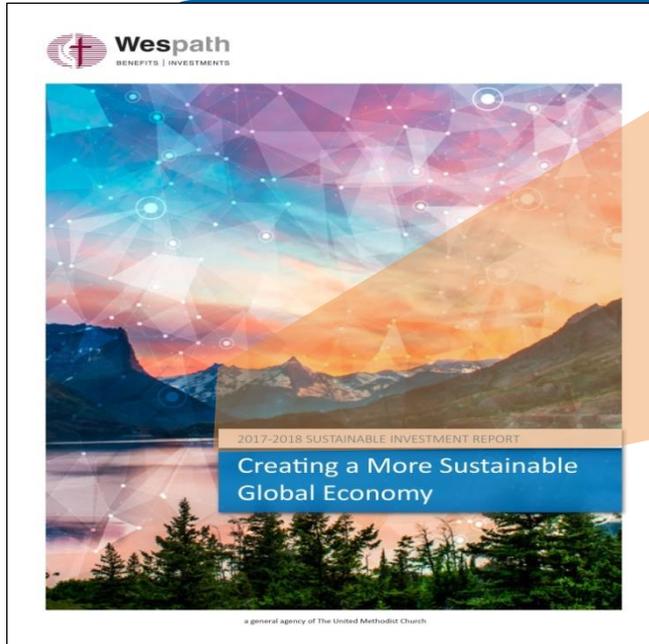
- Signatories required to complete annual questionnaire on integration of environmental, social, governance (ESG) into investment practices
- PRI produces individual ‘Assessment Reports’ grading performance across multiple categories and asset classes

As of April 2019

# PRI Assessment Results—2018

PRI Assessment Module	Wespath PRI Score	Industry Mean
Strategy and Governance	A+	A
<b>INDIRECT—MANAGER SELECTION, APPOINTMENT AND MONITORING</b>		
Listed Equity	A+	A
Fixed Income	A	B
Fixed Income—Corporate Financial	A+	B
Fixed Income—Corporate Non-Financial	A+	B
Fixed Income—Securitized	A+	B
Private Equity	A	A
Property	A	A
Infrastructure	A	B
<b>DIRECT AND ACTIVE OWNERSHIP</b>		
Listed Equity Active Ownership	A	B
Fixed Income	B	B
Fixed Income—Securitized	B	C

# Wespath Sustainable Investment Report



## An Overview

Creating a More Sustainable  
Global Economy

## Stories of Impact



Invest



Engage



Avoid



**Wespath**

BENEFITS | INVESTMENTS