TMF is the exclusive distributor of the I Series of the Wespath Institutional Investments (Wespath) funds to current and former Methodist and Wesleyan entities within the States of Texas and New Mexico.

July 2023 Investment Report

Highlights

- U.S. real Gross Domestic Product (GDP) grew at an annual rate of 2.4% in the second quarter.
- The S&P 500 Index of U.S. stocks increased 3.2% in July, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, increased 4.2%. The Bloomberg U.S. Aggregate Bond Index decreased 0.1%.
- Annual inflation decreased to 3.0%, as measured by the June Consumer Price Index (CPI).
- The U.S. Federal Reserve (Fed) raised its Fed Funds target interest rate by 0.25% in July.
- The U.S. economy added 187,000 non-farm jobs in July, and the unemployment rate slightly decreased to 3.5%.
- The Wespath U.S. Equity Fund – I Series, the Wespath International Equity Fund – I Series, the Wespath Fixed Income Fund – I Series, and the Wespath Inflation Protection Fund – I Series outperformed their respective benchmarks.

Monthly Overview

Global Equity Markets Rose

The S&P 500 Index of large-cap stocks increased 3.2% in July, and the Russell 2000 Index of small-cap stocks increased 6.1%. All 11 industry sectors increased, led by energy (+8.0%) and communications (+6.8%). International equity markets also rose as the MSCI ACWI ex-U.S. IMI Index increased 4.2%, and the MSCI Emerging Markets IMI Index increased 6.3%.

In the bond market, the 30-year Treasury bond yield increased 0.17% to end the month at 4.02% while the yield on the 2-year note was little changed. The Bloomberg U.S. Aggregate Bond Index decreased 0.1%, but the Bloomberg U.S. High Yield Index rose 1.4%. The Bloomberg Commodity Index rose 6.3% as the price of West Texas Intermediate (WTI) crude oil increased 15.8% for the month of July.

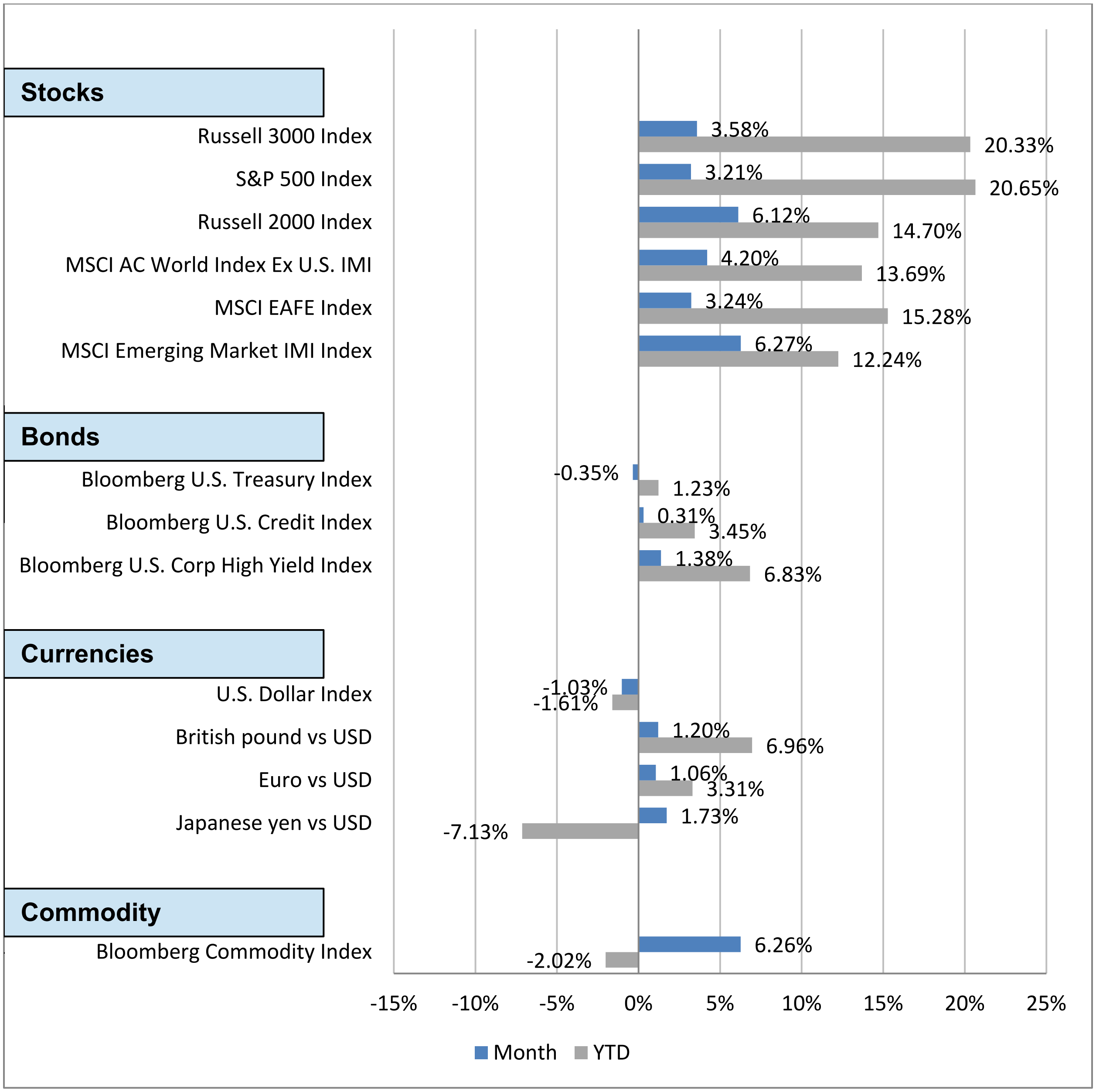
U.S. Economic Growth Beat Expectations

U.S. real GDP grew at an annual rate of 2.4% in the second quarter of 2023, as measured by the advance estimate from the Bureau of Economic Analysis. Business investment and consumer spending accounted for four-fifths of the positive GDP growth. Annual CPI growth slowed to 3.0% in June as energy prices fell 16.7% over the last year. Core CPI inflation, which excludes food and energy, remained elevated at 4.8% due to high shelter and transportation services costs. The U.S. economy added 187,000 non-farm jobs in July, and the unemployment rate slightly decreased to 3.5%.

Fed Interest Rate Hit 22-Year High

The Fed raised interest rates by 0.25% in July to a new range of 5.25% to 5.50%, which marked a 22-year high. It was the 11th increase since early last year. The European Central Bank (ECB) also raised its key interest rate by a quarter percentage point, its ninth hike in a row. Stubborn inflation has caused both the Fed and the ECB to be cautious in recent months, but higher inflation and a weaker growth outlook have caused more uncertainty in Europe than in the U.S. The Bank of Japan did not change its interest rate target but said it would tolerate higher yields in their longer-term government bonds.

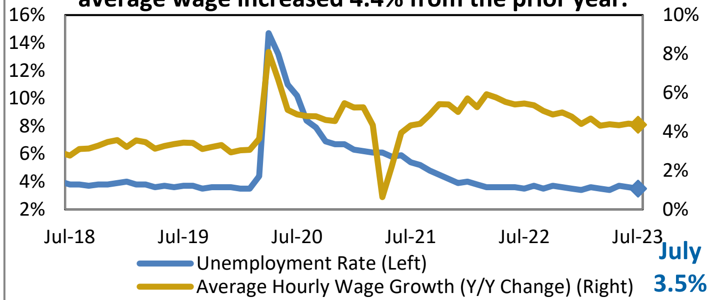
Market Performance



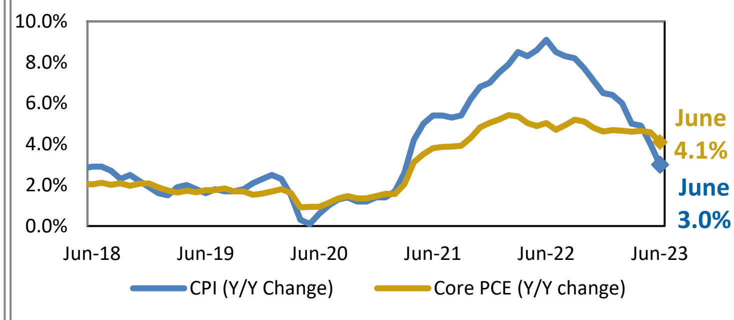
Source: FactSet, as of July 31, 2023.

Key Monthly Economic Statistics

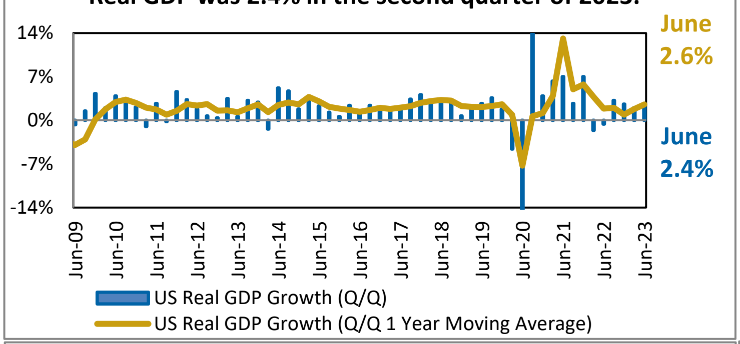
July unemployment declined to 3.5%, and the average wage increased 4.4% from the prior year.



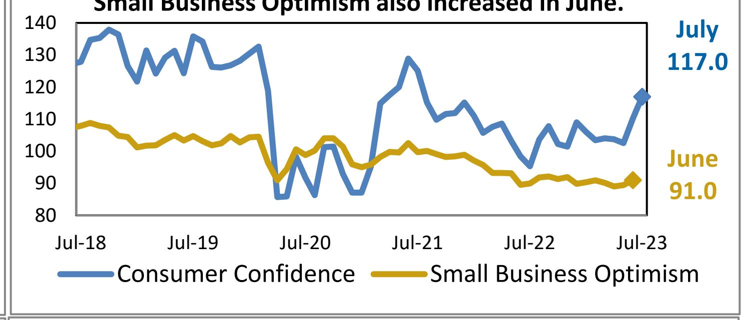
Both CPI inflation and Core PCE declined in June.



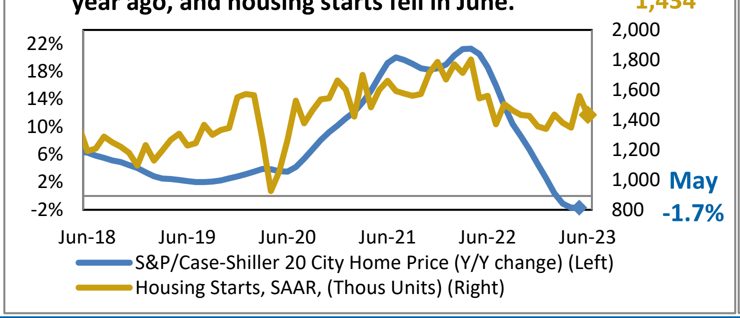
Real GDP was 2.4% in the second quarter of 2023.



Consumer Confidence rose significantly in July, and Small Business Optimism also increased in June.



Home Prices continued to decline compared to a year ago, and housing starts fell in June.



The Fed Funds Rate increased in July, while the U.S. Dollar Index fell to 101.9.

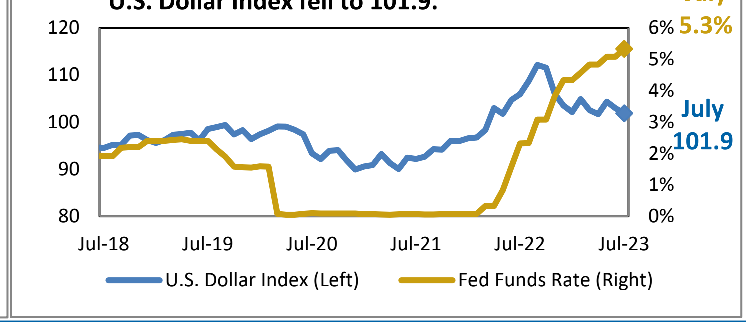
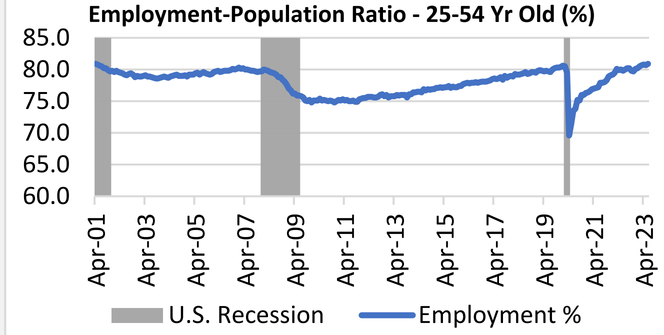


Chart of the Month

- The percentage of people aged 25-54 who are employed increased to 80.9% in June, the highest level since 2001.
- Compared to the late 2000s recession, the pandemic caused a much sharper decline in employed people between 25-54 years old. However, the labor market recovered to pre-recession highs much more quickly following the pandemic.
- Despite rising interest rates, the labor market has been resolute, which has helped the economy steer clear of a recession through the first seven months of 2023.

Employment-Population Ratio - 25-54 Yr Old (%)



Wespath Investment Fund Review (Net-of-Wespath Fees Performance)[i]

Equity Funds

Wespath U.S. Equity Fund – I Series

Fund	July	YTD
Wespath U.S. Equity Fund – I Series	4.21%	20.18%
Russell 3000 Index	3.58%	20.33%
Difference (percentage points)	+0.63	-0.15

- During the month, the fund outperformed its benchmark as a result of four out of six active asset managers outperforming their respective benchmarks. The fund's investments in private equity and private real estate investments detracted from relative performance.
- Year to date, the fund's investments in private markets and an underweight to strong performing mega-tech companies detracted from relative performance. To a lesser extent, the fund benefited from active managers' investments, particularly growth-oriented strategies, and excluding certain stocks in accordance with the Investment Exclusions policies (described here).

Wespath International Equity Fund – I Series

Fund	July	YTD
Wespath International Equity Fund – I Series	4.25%	14.08%
MSCI ACWI ex U.S. Investable Market Index (Net)	4.20%	13.69%
Difference (percentage points)	+0.05	+0.39

- During the month and year to date periods, the fund slightly outperformed its benchmark. The fund benefited from active managers' investments in growth-oriented companies. To a lesser extent, investments in private equity and private real estate detracted from relative performance.

Fixed Income Funds

Wespath Fixed Income Fund – I Series

Fund	July	YTD
Wespath Fixed Income Fund – I Series	0.61%	3.81%
Bloomberg U.S. Universal (ex MBS) Index	0.15%	2.62%
Difference (percentage points)	+0.46	+1.19

- The fund's overweight allocations to below investment grade and emerging market debt largely drove the positive benchmark-relative performance for both the month and year-to-date periods. The emerging market overweight was the largest contributor followed by selection within emerging markets.

Wespath Inflation Protection Fund – I Series

Fund	July	YTD
Wespath Inflation Protection Fund – I Series (IPF-I)	1.16%	3.74%
IPF-I Benchmark[ii]	0.74%	2.19%
Difference (percentage points)	+0.42	+1.55

- The fund's allocation to emerging market inflation-linked securities was the largest positive contributor to benchmark-relative performance for the month and year to date. The fund's allocation to floating rate senior loans also contributed positively for both periods.

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[i] Rates of return reflect past performance and are no guarantee of comparable future results. The prices of the I Series Funds will rise and fall with the value of the investments held in the funds, so investors may lose money. Investment results shown reflect the deduction of all fees incurred by the I Series Funds, including investment management, custody and administrative and operating expenses. They do not, however, reflect the deduction of TMF administrative fees, which are assessed monthly at an annualized rate of 0.50%.

Investors should consider investment objectives, risks, charges and expenses before investing. This and other information is contained in Wespath's ***Investment Funds Description – I Series.***

[ii] The benchmark for the Wespath Inflation Protection Fund – I Series was comprised 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 through January 31, 2023. Effective February 1, 2023, the benchmark for the Wespath 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 Wespath 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.