

TMF Funds invest in Wespath I Series Funds discussed in this Monthly Investment Report. Please see <https://texasmethodistfoundation.org/investments/equity-and-bond-funds> more information about TMF Funds including in which Wespath I Series Funds they invest.

# August 2024 Investment Report

## Highlights

- The S&P 500 Index of U.S. stocks was up 2.4% for the month; non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, increased by 2.7% in August. The Bloomberg U.S. Aggregate Bond Index increased 1.4%.
- The core Personal Consumption Expenditure (PCE) price index rose 2.6% over the last 12 months, in line with expectations.
- U.S. GDP growth for Q2 was revised a second time, from 2.8% to 3%, based on increases to consumer spending and private inventory investment.
- The U.S. economy added 142,000 jobs, and the unemployment rate declined slightly to 4.2% in August.
- The Wespath International Equity Fund-I and Wespath Fixed Income Fund-I outperformed their respective benchmarks, while the Wespath U.S. Equity Fund-I and Wespath Inflation Protection Fund-I underperformed their benchmarks.

## Monthly Overview

### Turbulence, recovery and lingering uncertainty

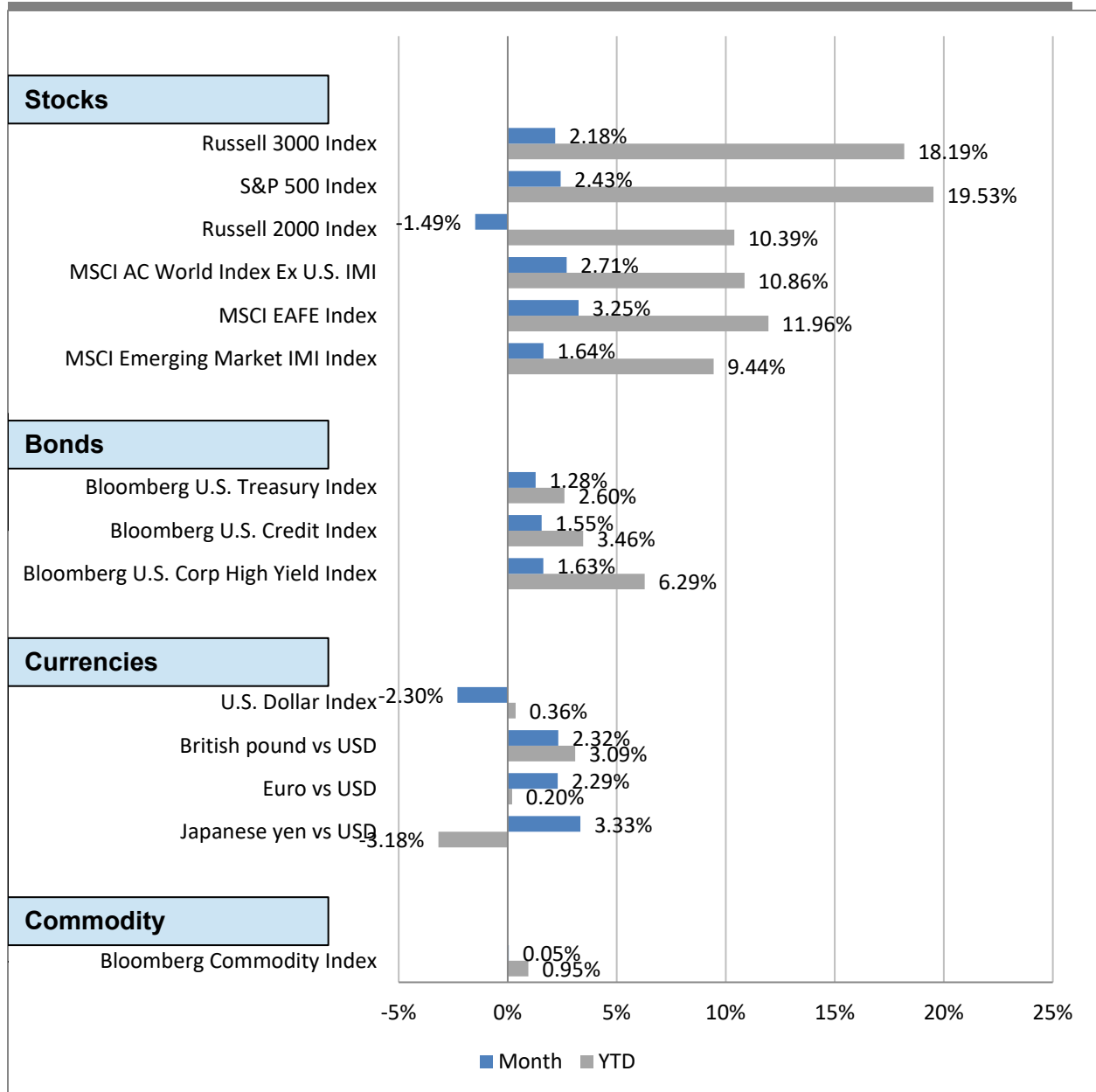
Equity markets were volatile in early August amid concerns over mixed economic data and geopolitical events, including the [unwind of the Japanese Yen carry trade](#). Despite a sharp sell-off in early August, stocks began to recover mid-month and ended in positive territory at month-end. The S&P 500 Index of U.S. stocks reported gains for the fourth straight month and was up 2.4%. Emerging market equities underperformed developed market equities in August. The MSCI Emerging Markets IMI Index rose 1.6% in August (information technology, financials and health care topped the list of best performing sectors), while the MSCI EAFE Index of developed market stocks saw a 3.3% return for the month. The MSCI AC World ex USA IMI, which represents a broad universe of non-U.S. stocks in both developed and emerging markets, increased 2.7% in August. In the bond market, the Bloomberg U.S. Aggregate Index increased 1.4%, the Bloomberg U.S. Treasury Index increased 1.3%, and the Bloomberg U.S. Credit Index rose 1.6% during the month.

### U.S. economy, cooling inflation and likely rate cuts

The sudden increase in recession fears during early August gradually receded. Core PCE, which excludes food and energy prices because they tend to swing more dramatically and more often than other prices, held steady, increasing 0.2% in August and 2.6% year-over-year. For the first time since March 2021, the Consumer Price Index measure of inflation dropped below 3% year-over-year, registering 2.9% in July. The U.S. Federal Reserve (Fed) held its annual Jackson Hole Economic Symposium on August 23, where the likelihood of rate cuts beginning in September was all but solidified when Fed Chair Jerome Powell remarked that “the direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.” According to the Bureau of Labor Statistics, non-farm employment increased by 142,000 jobs, falling short of expectations. Unemployment dropped from 4.3% in July to 4.2% in August. The S&P Global U.S. Composite Purchasing Managers’ Index (PMI) fell to a four-month low but remained above 50 for a 19<sup>th</sup> straight month as business activity continued to expand. A PMI over 50 reflects an expansion compared to the previous month, while a 50 indicates no change.

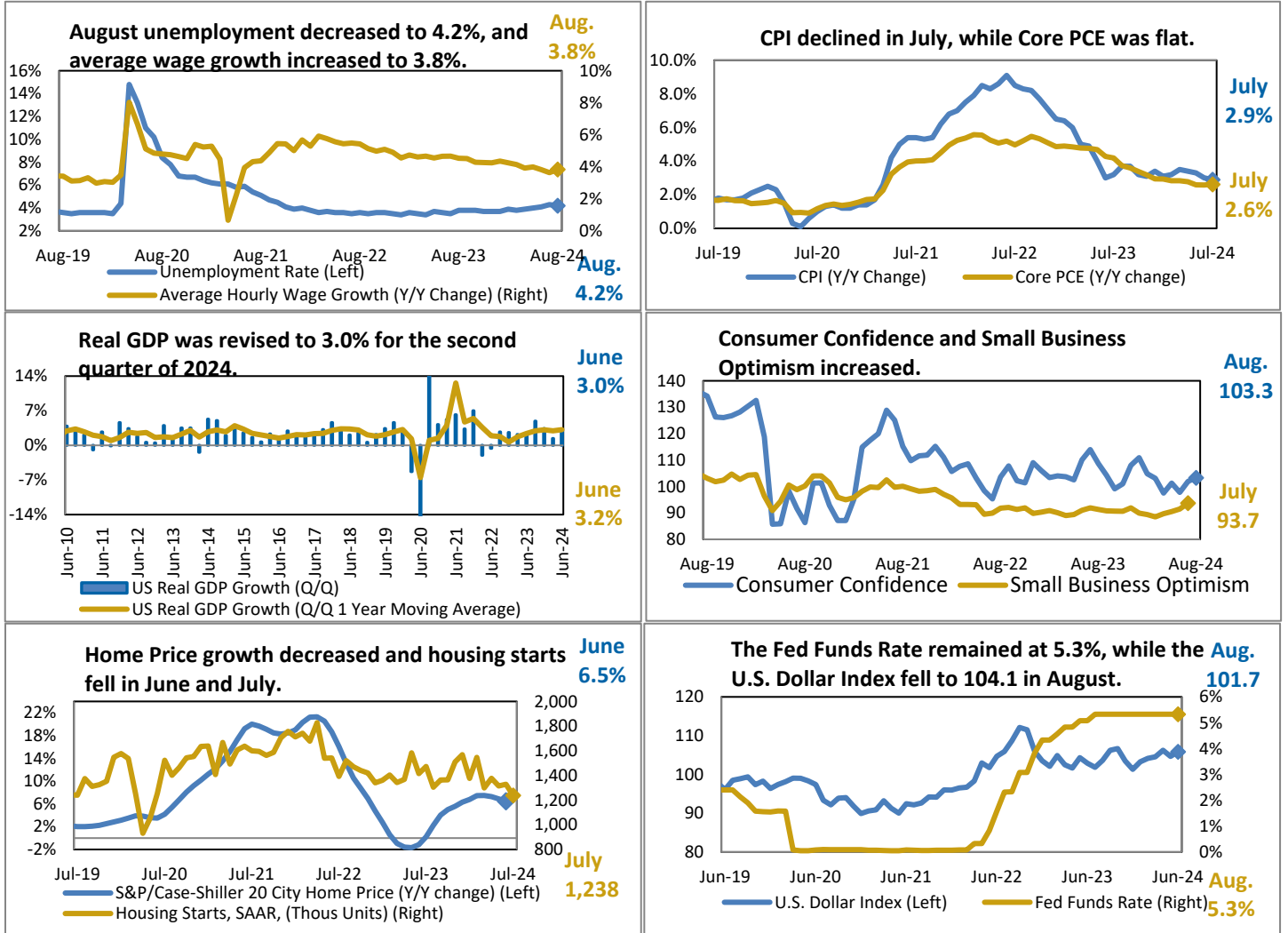
Sources: Associated Press, Bureau of Economic Analysis, Bureau of Labor Statistics, Wall Street Journal, Bloomberg Reuters, CNBC, and FactSet.

## Market Performance



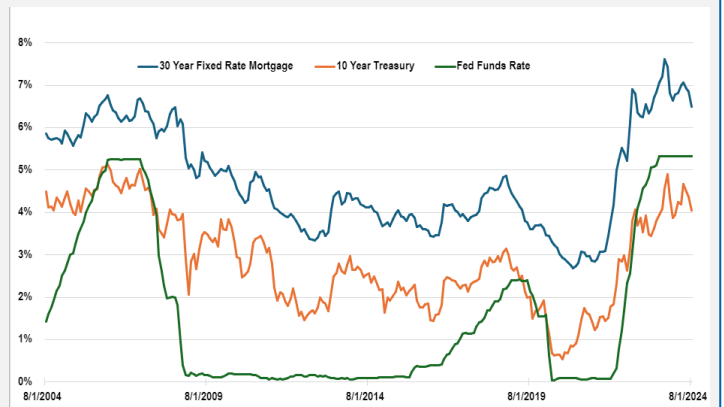
Source: FactSet, as of August 31, 2024.

## Key Monthly Economic Statistics



### Chart of the Month

- As inflation cools toward the Fed’s 2% target, the Fed will likely decrease the fed funds rate (overnight rate at which banks lend to each other) which may allow bond yields to decline, which can in-turn influence various areas of the economy, including the U.S. mortgage market.
- Lower interest rates can make home purchases more affordable thanks to reduced payments.
- According to Freddie Mac, the 30-year-fixed rate mortgage averaged 6.35% in the U.S. in the final week of August, down from a high of nearly 7.8% in October 2023.



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-Wespath Fees Performance)<sup>i</sup>

### Equity Funds

#### Wespath U.S. Equity Fund – I Series

Fund	August	YTD
Wespath U.S. Equity Fund – I Series	1.26%	13.75%
Russell 3000 Index	2.18%	18.19%
Difference (percentage points)	-0.92	-4.44

- During the month, the fund underperformed its benchmark due to poor relative performance by active managers. The fund's investments in private equity and private real estate also detracted from relative performance.
- Year to date, the fund's holdings in private markets and an underweight to strong performing mega-tech growth companies were key detractors from relative performance. Exclusions in accordance with the Investment Exclusions policies (described [here](#)) slightly contributed to relative performance.

#### Wespath International Equity Fund – I Series

Fund	August	YTD
Wespath International Equity Fund – I Series	2.87%	7.47%
MSCI ACWI ex U.S. Investable Market Index (Net)	2.71%	10.86%
Difference (percentage points)	+0.16	-3.39

- In August, the fund outperformed its benchmark primarily due to the fund's fair market valuation policy (described [here](#)) and active managers' investments in consumer discretionary, health care, and financial stocks. The fund's allocation to private equity and real estate 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. The fund has been helped by the fair market valuation policy (described [here](#)).

## Fixed Income Funds

### Wespath Fixed Income Fund – I Series

Fund	August	YTD
Wespath Fixed Income Fund – I Series	1.47%	3.97%
Bloomberg U.S. Universal (ex MBS) Index	1.43%	3.55%
Difference (percentage points)	+0.04	+0.42

- In August, the positive benchmark-relative contribution from the overweight to emerging market debt was partially offset by the allocations to the Positive Social Purpose (PSP) Lending Program and to Agency Commercial Mortgage-Backed Securities (CMBS).
- Year to date, issue selection within core plus was the biggest positive contributor to benchmark-relative results. The overweight to, and issue selection within, high yield and emerging market debt also benefited relative results. The allocations to the PSP Lending Program and Agency CMBS also contributed. Results were partially offset by the allocation to non-U.S. developed market bonds.

### Wespath Inflation Protection Fund – I Series

Fund	August	YTD
Wespath Inflation Protection Fund – I Series (IPF-I)	0.62%	1.99%
IPF-I Benchmark <sup>ii</sup>	0.71%	3.10%
Difference (percentage points)	-0.09	-1.11

- For August, the allocation to, and issue selection within, emerging market debt contributed positively to benchmark-relative performance. Positive results were more than offset by issue selection decisions within the commodities account and the allocation to developed market inflation-linked bonds.
- Year-to-date, the allocation to floating rate senior secured bank loans and issue selection within the commodities account contributed positively to relative results. Positive results were more than offset by the allocations to, and issue selection within, the emerging market inflation-linked and developed market inflation-linked securities portfolios.

**For additional information, please contact:****Derek S. Casteel, CFA***Director of Investment Services*

Texas Methodist Foundation

(512) 515-1431 direct

(312) 953-9345 mobile

[dcasteel@texasmethodistfoundation.org](mailto:dcasteel@texasmethodistfoundation.org)**Sara Beltran***Assistant Vice President**Fund Administration*

Texas Methodist Foundation

(512) 583-1920 direct

(512) 331-9971 general

[sbeltran@texasmethodistfoundation.org](mailto:sbeltran@texasmethodistfoundation.org)

11709 Boulder Lane

Suite 100

Austin, TX 78726

[www.texasmethodistfoundation.org](http://www.texasmethodistfoundation.org)

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<sup>i</sup> Rates of return for Wespath I Series Funds reflect past performance and are no guarantee of comparable future results. The prices of the Wespath 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 Wespath I Series Funds, including investment management, custody and administrative and operating expenses. They do not, however, reflect the deduction of TMF administrative fees for TMF Funds which invest in Wespath I Series Funds. These TMF Fund administrative fees are assessed monthly at an annualized rate of 0.50%.

Investors should consider investment objectives, risks, charges and expenses before investing in a fund. Information regarding this and other information relating to Wespath I Series Funds is contained in Wespath's [Investment Funds Description – I Series](#). Please see <https://tmf-fdn.org/investments/equity-and-bond-funds> for information about TMF Funds including in which Wespath I Series Funds they invest.

<sup>ii</sup> 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.