



Wespath

BENEFITS | INVESTMENTS

OCTOBER 2017

Economic and Market Update

AUMCPBO

Agenda



Fund Performance Review



Investment Beliefs



Investment Worldview



Economic Update

Fund Performance Review



Multiple Asset Fund

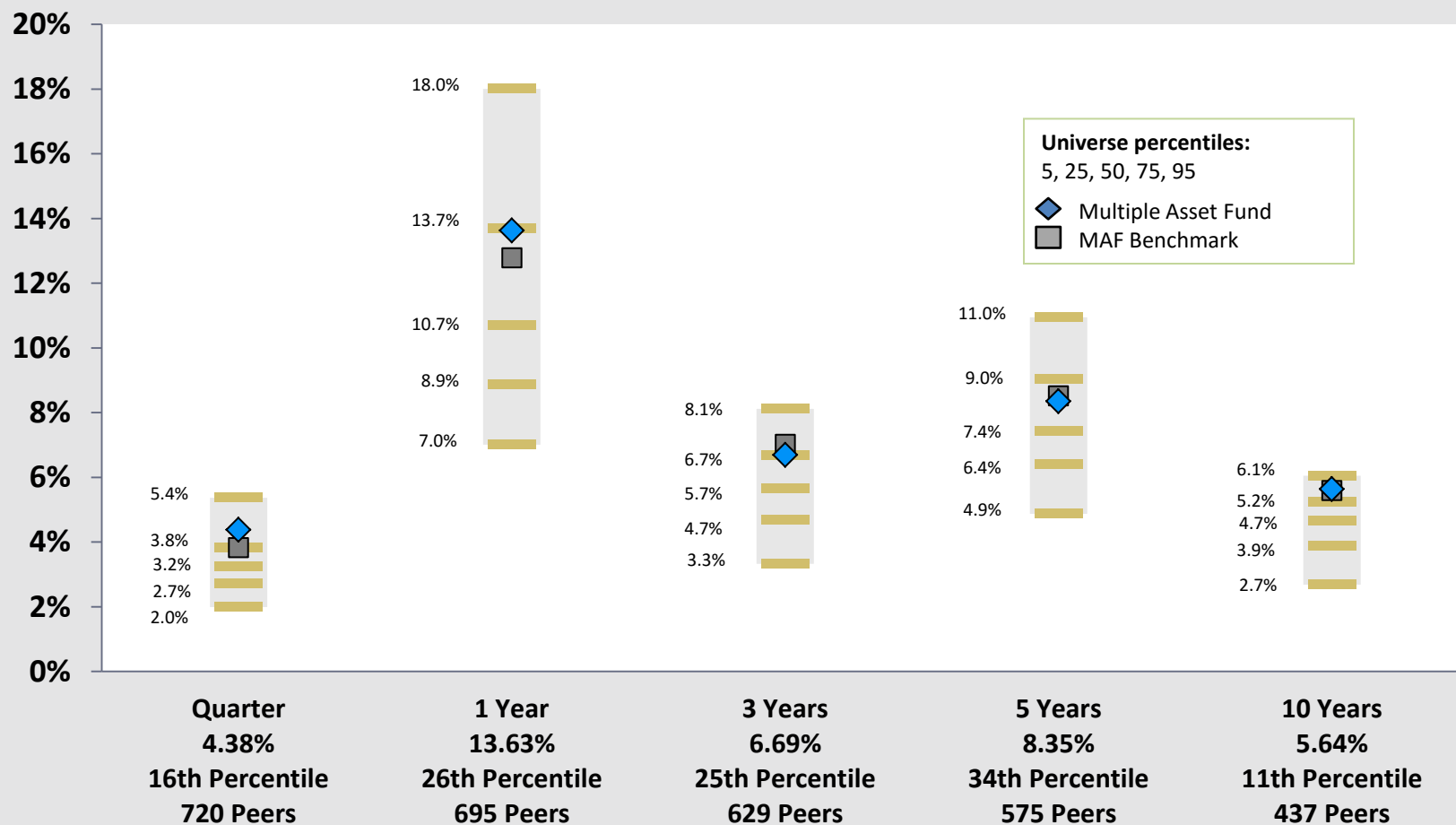
Fund Performance (Net-of-Fees) as of September 30, 2017

Fund	Annualized						Since Inception
	Qtr	1 Year	3 Years	5 Years	7 Years	10 Years	
Multiple Asset Fund	4.38%	13.63%	6.69%	8.35%	8.41%	5.64%	7.34%
<i>Blended Benchmark</i>	3.83%	12.31%	7.02%	8.52%	8.78%	5.59%	7.02%
Excess Return	0.55%	1.32%	-0.33%	-0.17%	-0.37%	0.05%	0.32%

Inception: 5/1/2002

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. Offers will only be made through the Investment Funds Description. Please refer to the disclosures at the end of this presentation for additional information.

Multiple Asset Fund—September 30, 2017



Source: Factset and Wilshire Lipper Universe. Data as of September 30, 2017.

Performance is net-of-fees. 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. Offers will only be made through the Investment Funds Description. Please refer to the disclosures at the end of this presentation for additional information.

Wespath's Investment Beliefs



Investor Focus



Optimistic Worldview



Sustainability



Low-Carbon Transition



Long-Term Perspective



Diversification



Culture



Active Management



Stewardship



Expertise

Investment Beliefs—Low-Carbon Transition

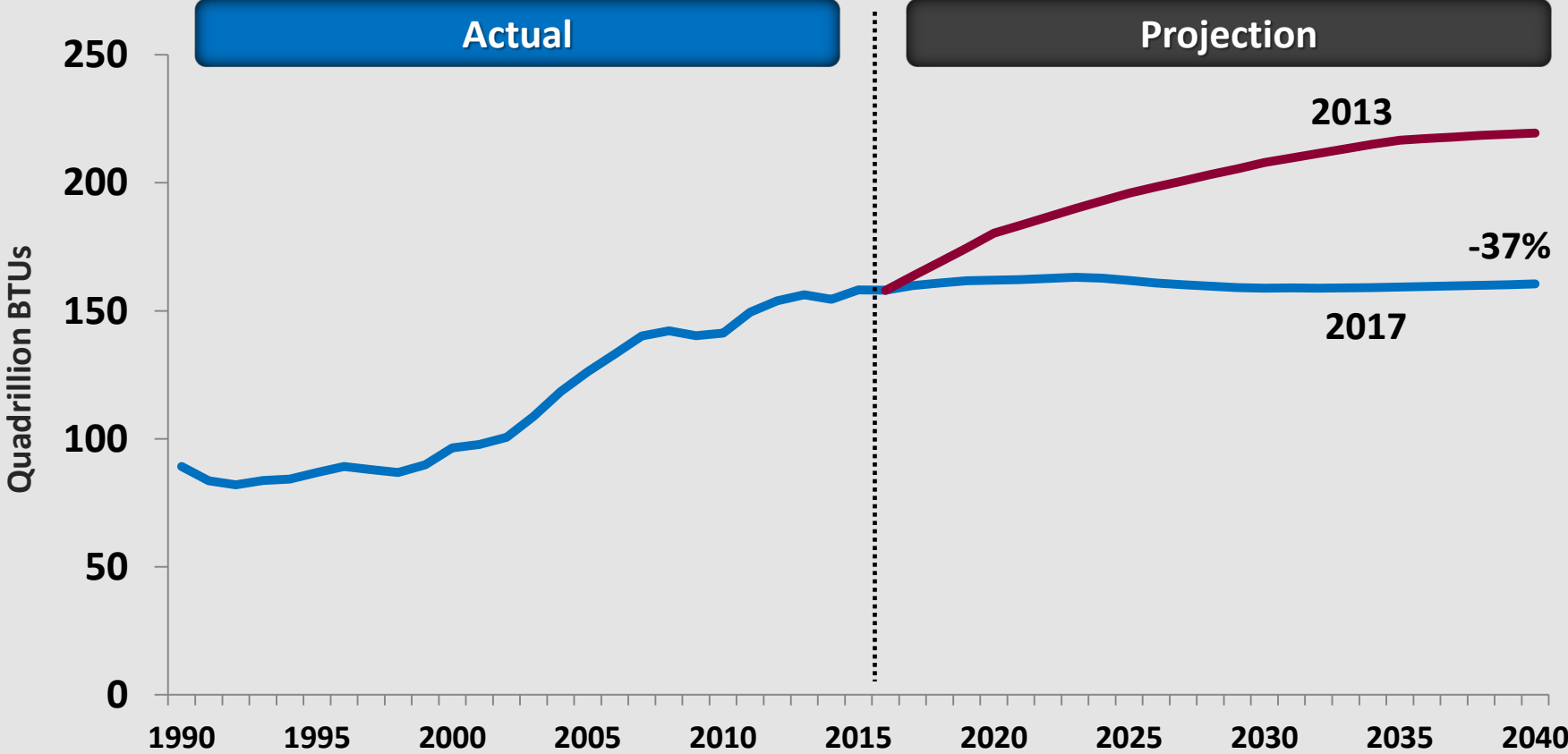
Low-Carbon Transition Investment Belief



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.

<https://www.wespath.com/assets/1/7/5066.pdf>

Forecasted Demand for Coal Sharply Reduced



Source: U.S. International Energy Agency, International Energy Statistics Database, Annual Energy Outlook 2013 and 2017, Financial Times

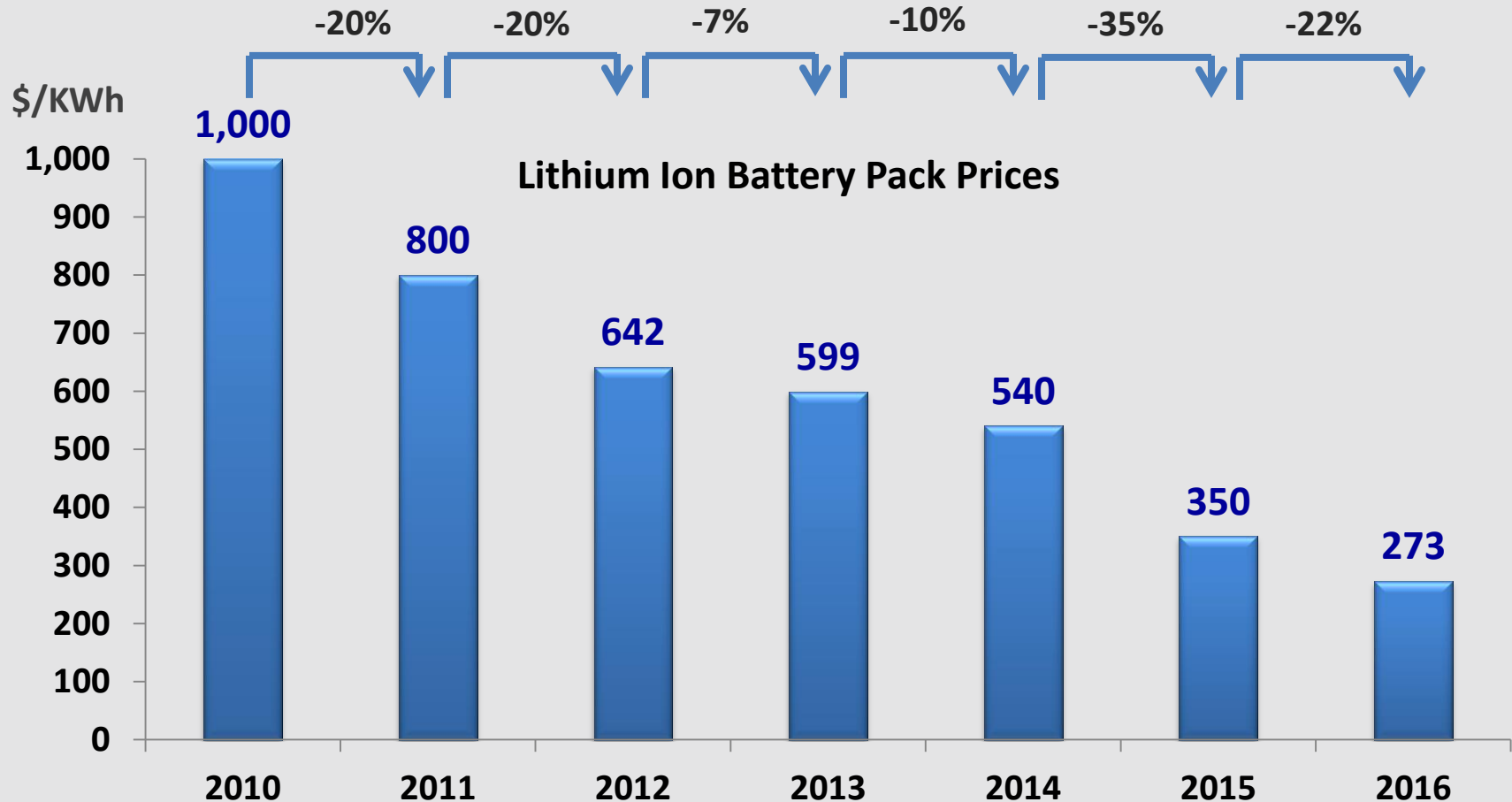
Countries Banning Internal Combustion Engine (ICE) Vehicles



2020	
2025	 
2030	 
2040	 

Source: Wespath

Rapidly Declining Prices for Electric Vehicle Battery Packs



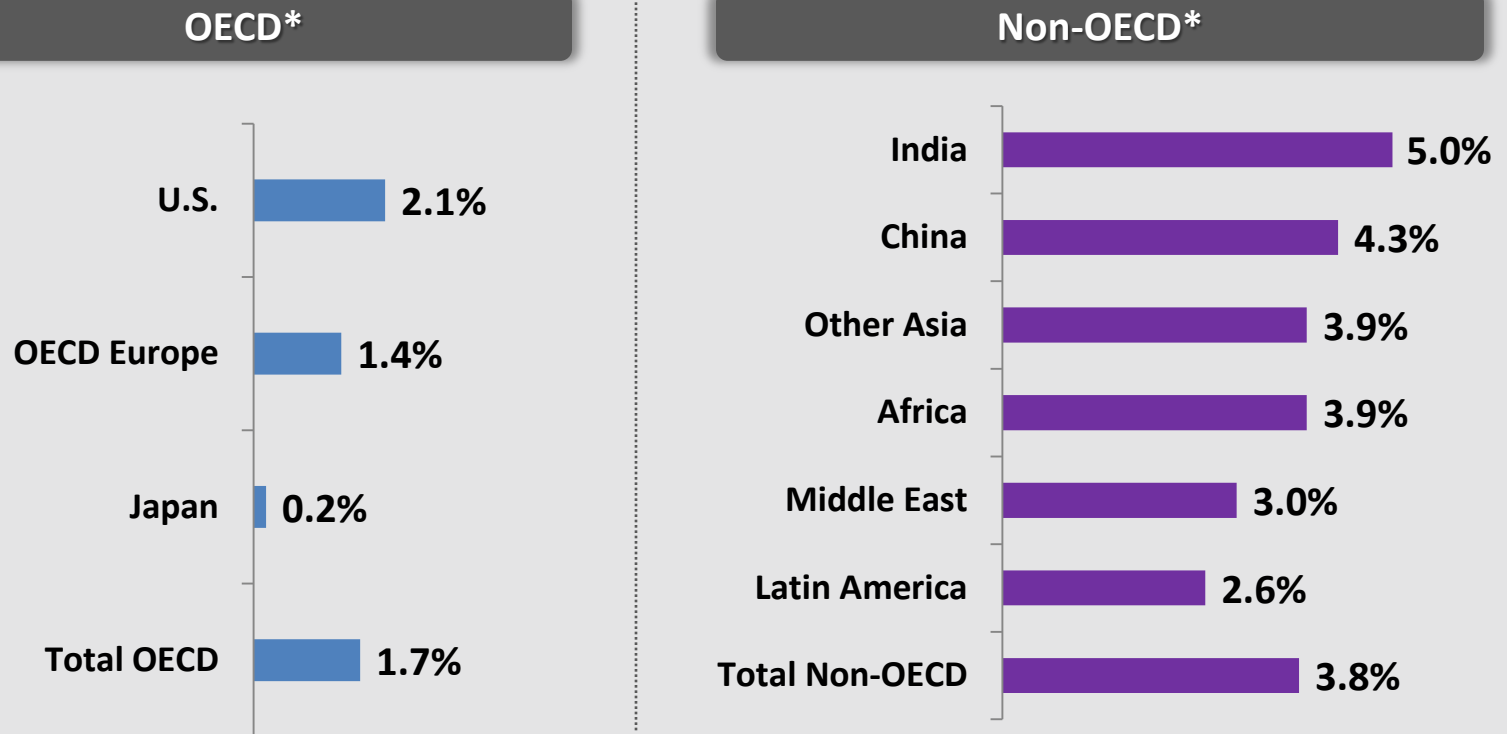
Source: Bloomberg New Energy Finance, GMO

Investment Worldview



Long-Term Economic Growth Forecast

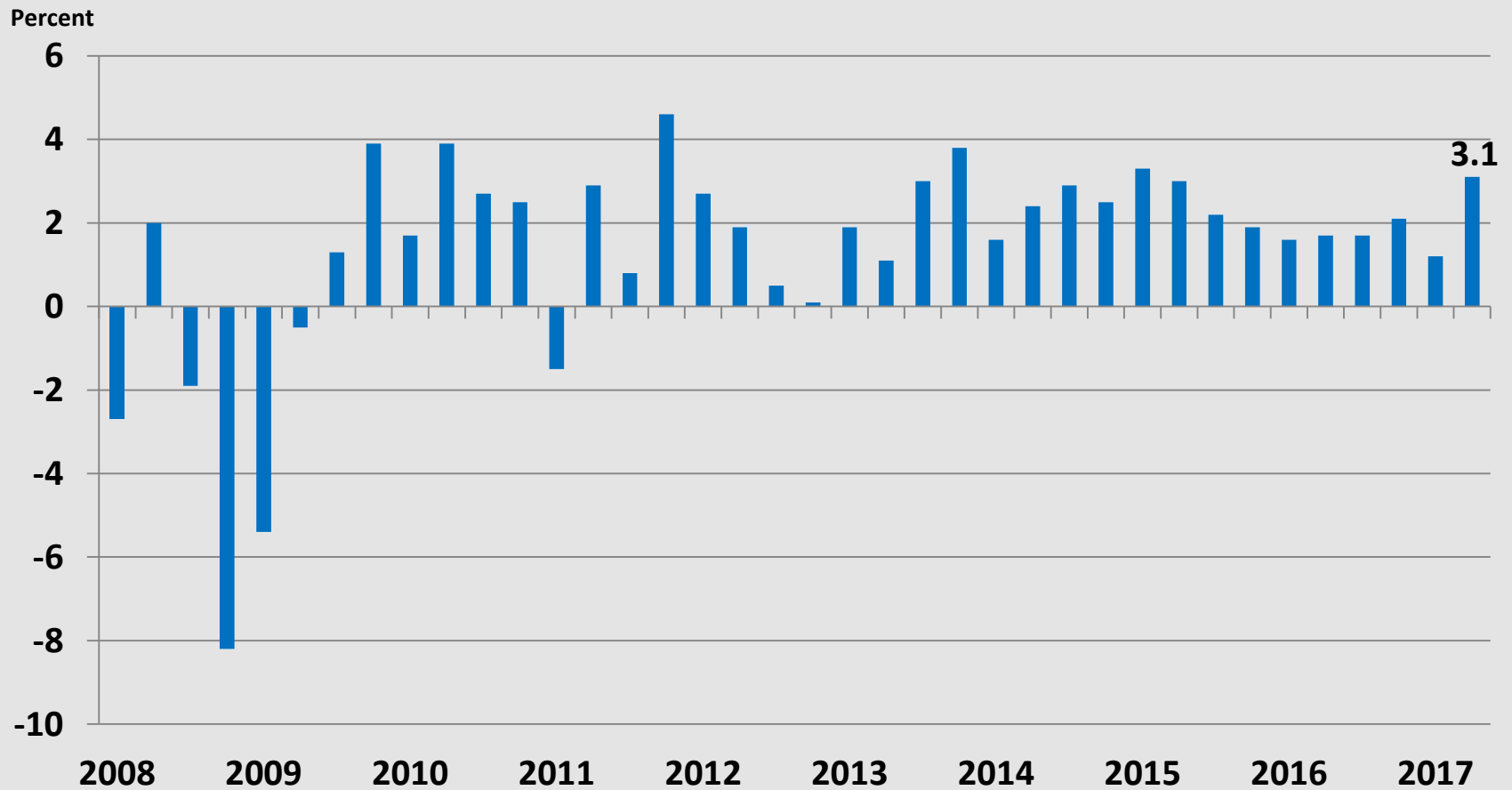
Projected Average Annual Percent Change in GDP 2015–2040



* OECD: Organisation for Economic Cooperation and Development

Source: International Energy Outlook 2017, U.S. Energy Information Administration; September 14, 2017

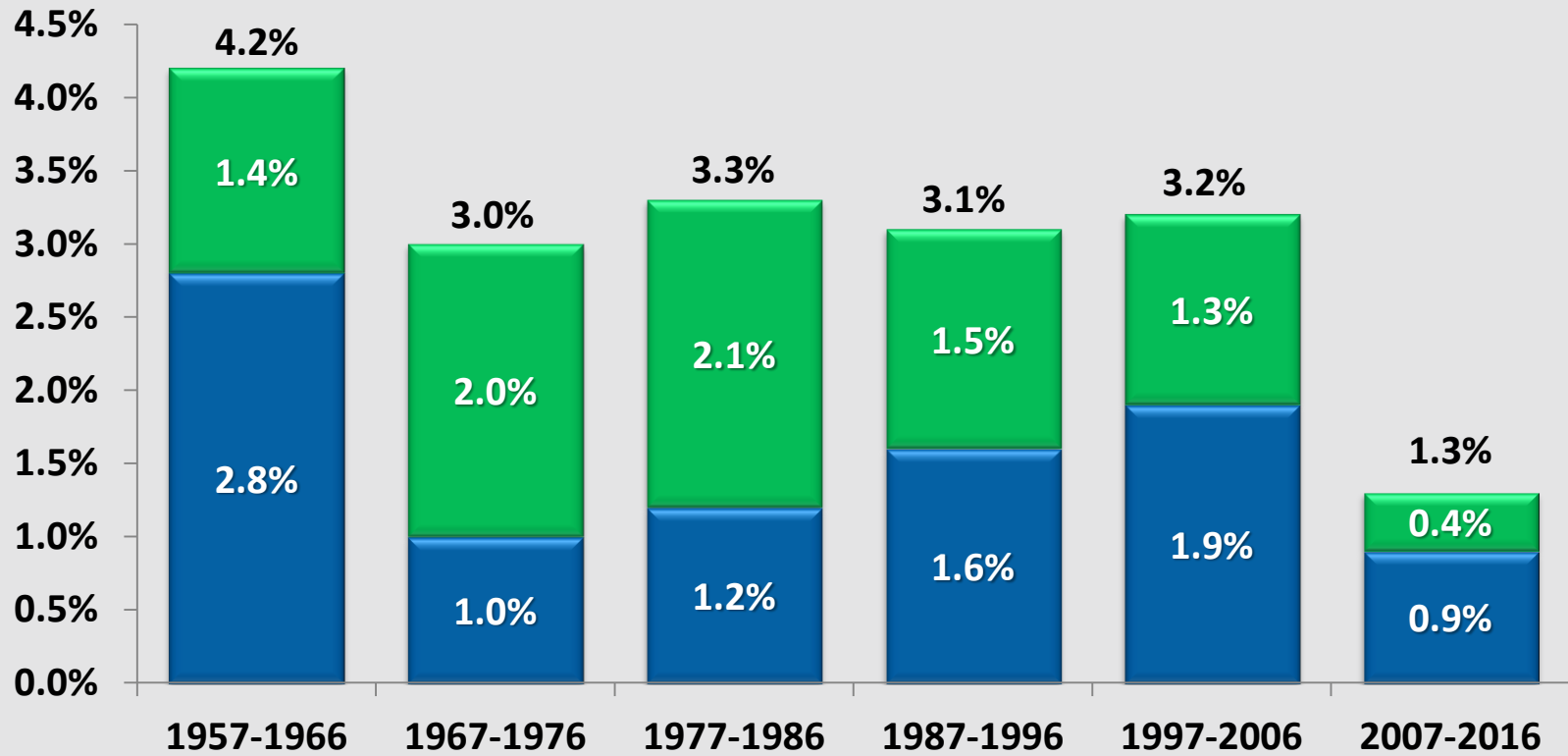
U.S. Real GDP Growth



Seasonally Adjusted Annual Rate
Source: Bureau of Economic Analysis; FactSet
Data as of September 30, 2017

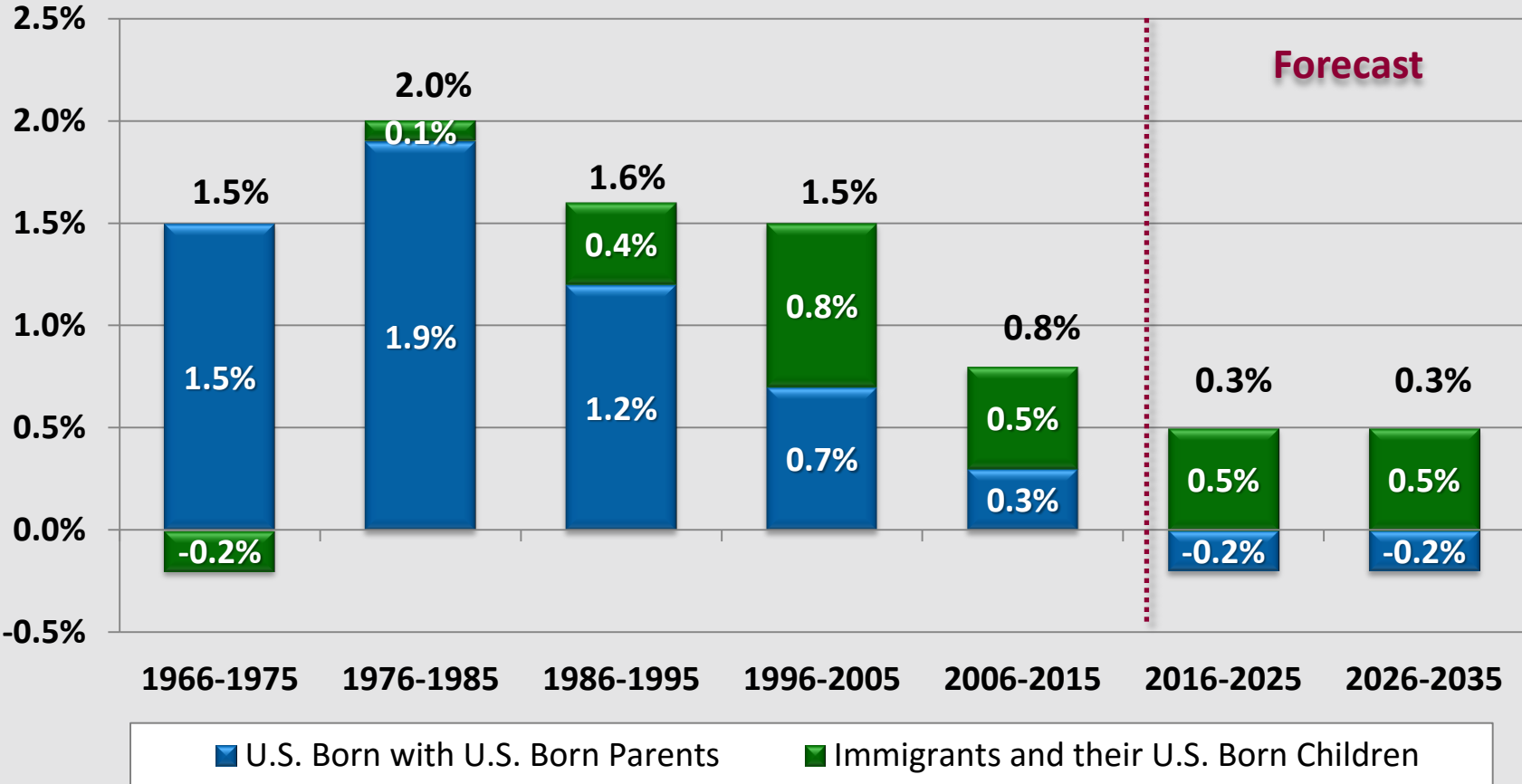
Drivers of U.S. GDP Growth

Growth in Workers + Productivity Growth = Real GDP Growth



Source: J.P. Morgan Asset Management, Bureau of Economic Analysis
Data as of December 31, 2016

Growth in Working Age Population



Source: Pew Research Center, Immigration projected to drive growth in U.S. working age population through at least 2035, Jeffrey S. Passel, and D'Vera Cohn; March 8, 2017

Productivity Trending Down

Five-Year Trailing Average Quarterly Worker Productivity Increase



Source: U.S. Department of Labor, Bureau of Labor Statistics, Factset
Data as of August 31, 2017

U.S. Economic Update



Employment



Few Available Workers to Fill Jobs

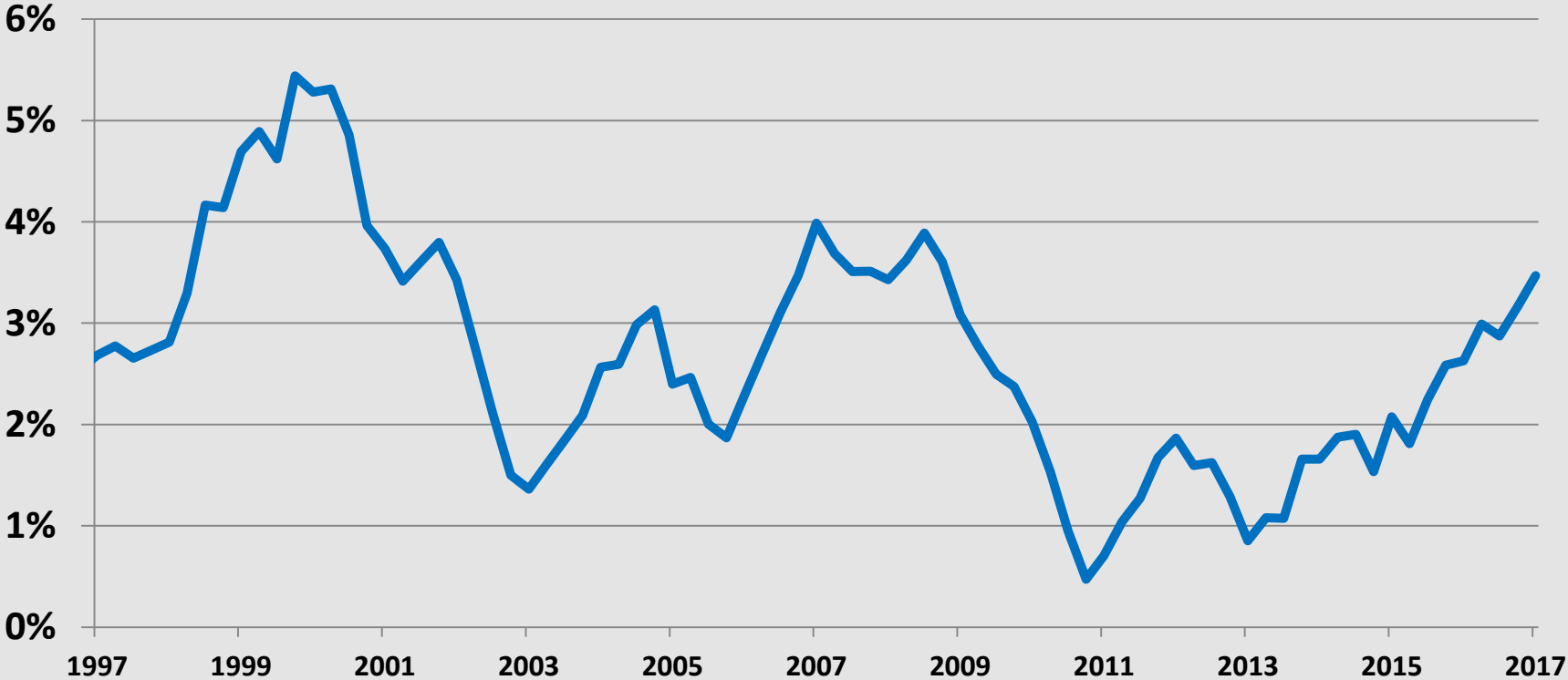
Number of Unemployed Per Job Opening



Source: U.S. Department of Labor, Bureau of Labor Statistics
Data as of August 31, 2017

Employee Wages Increasing

One-Year Trailing Average Quarterly Increase

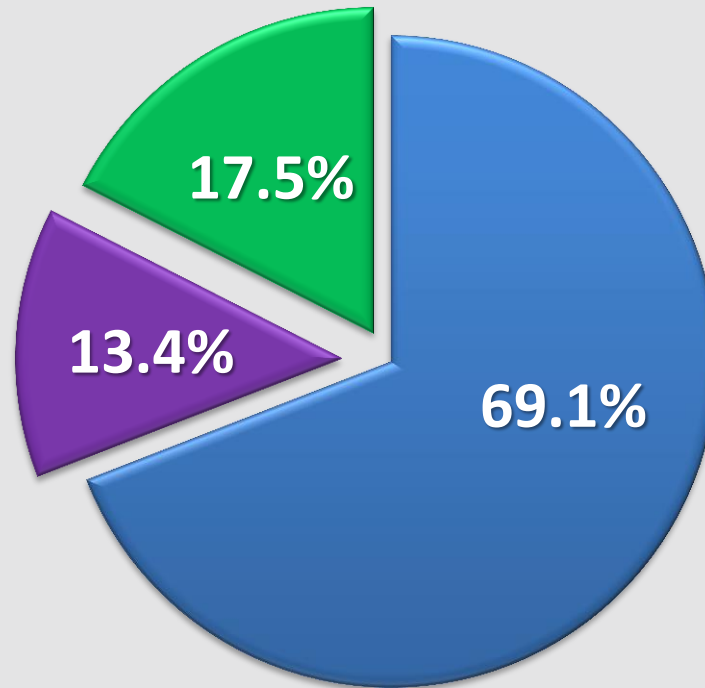


Source: Bureau of Labor Statistics, Median usual weekly earnings, Employed full time, Wage and salary workers
Data as of June 30, 2017

Consumer



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



■ Personal Consumption

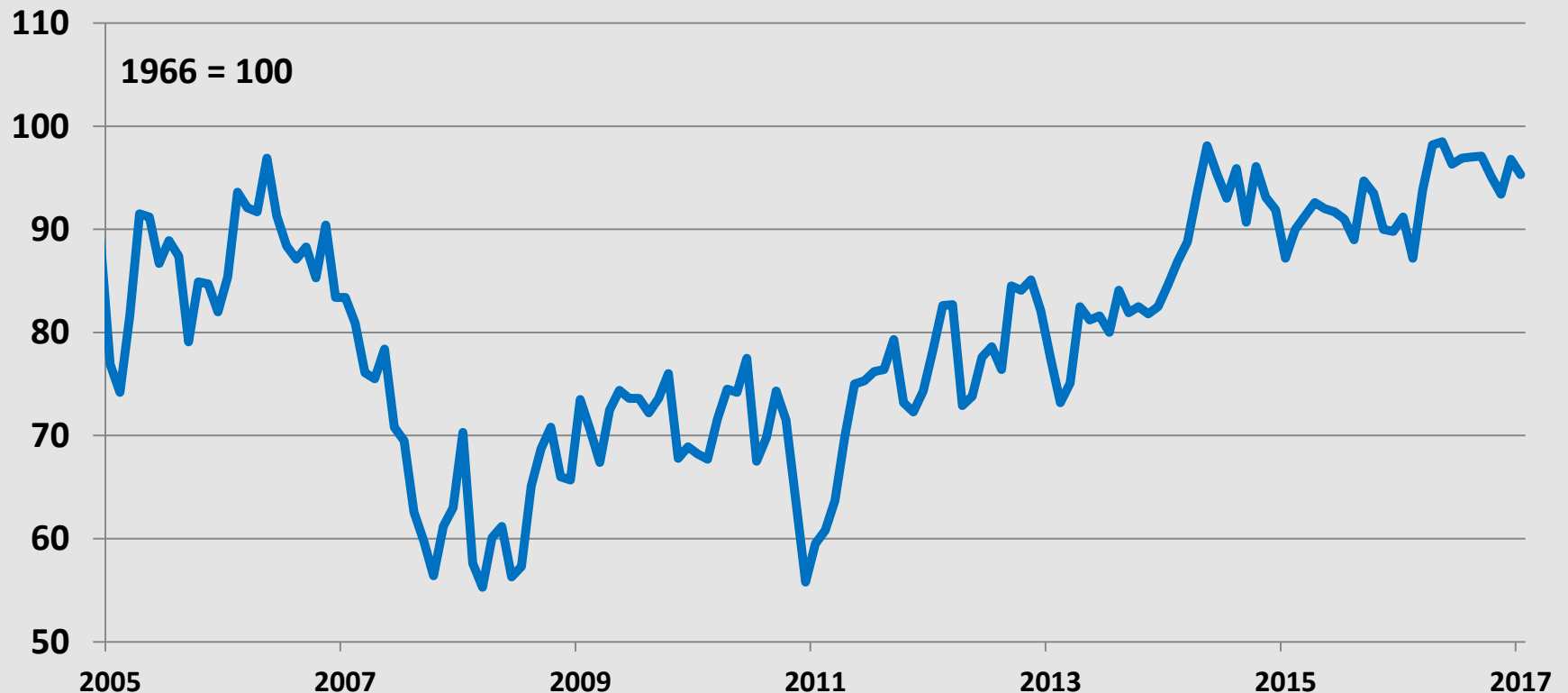
■ Business Investment and Net Trade

■ Government Spending

Source: U.S. Department of Labor Bureau of Economic Analysis
Data as of August 31, 2017

Consumers Remain Optimistic About the Economy

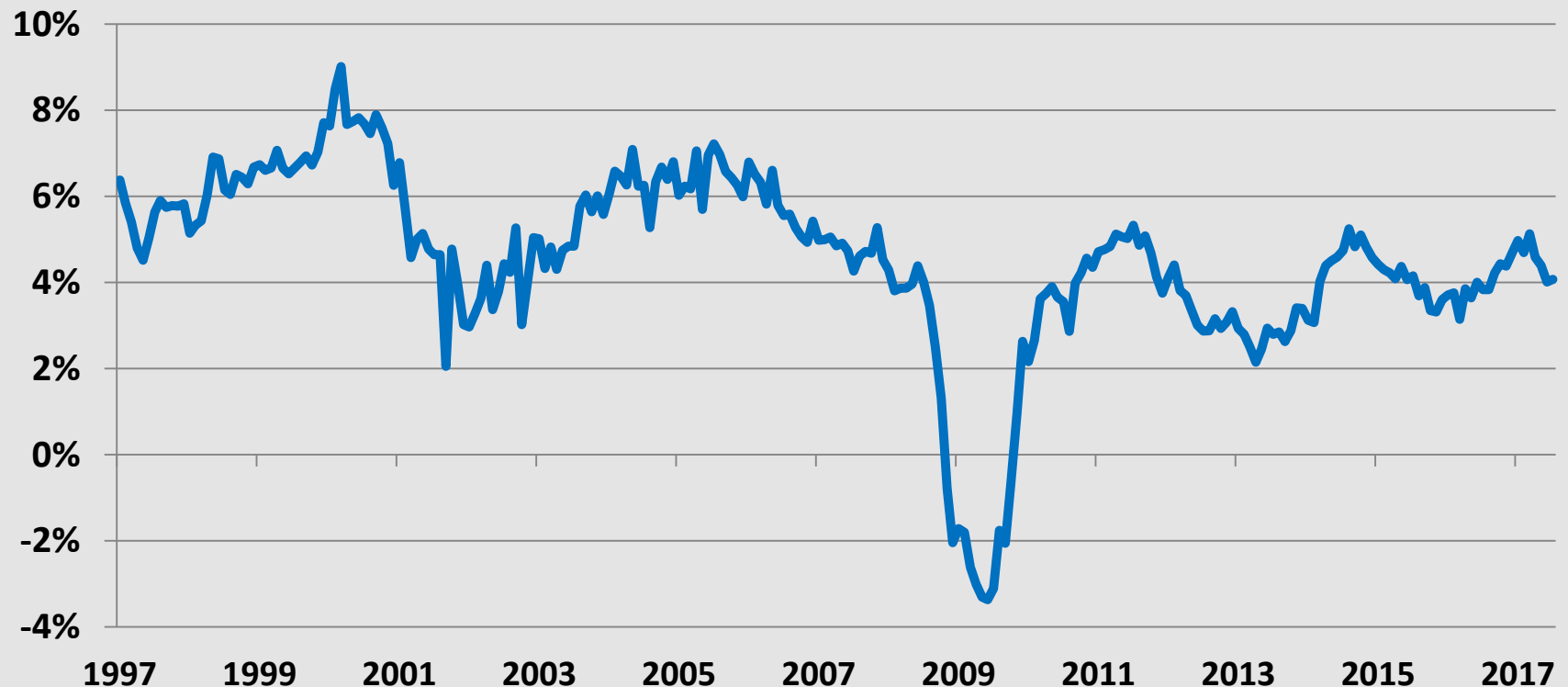
Index of Consumer Sentiment



Source: University of Michigan Survey of Consumers
Data as of September 15, 2017

Increase in Consumer Expenditures Remain Modest

Change in Personal Consumption Expenditures—12-Month Trailing



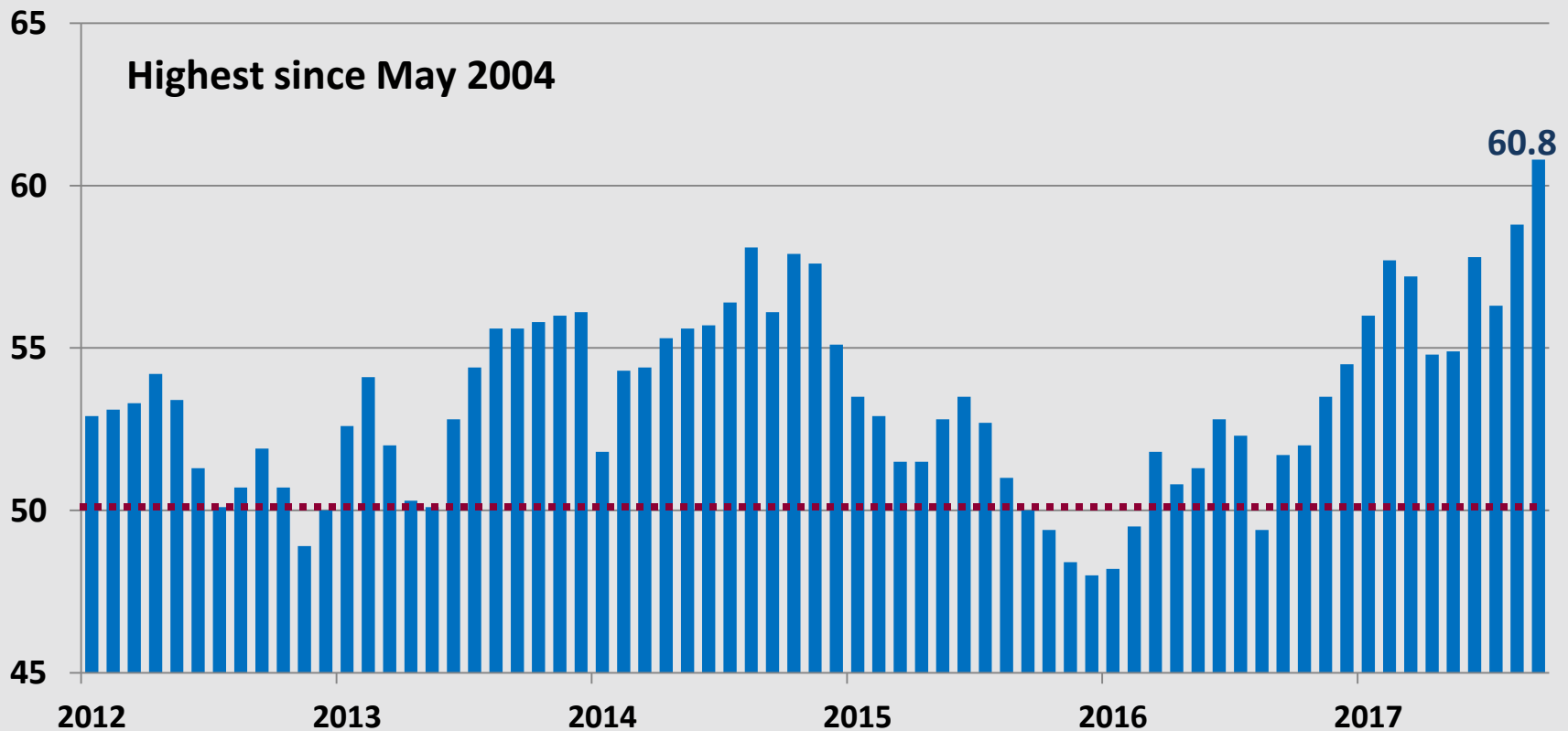
Source: Department of Commerce, Bureau of Economic Analysis, FactSet
Data as of August 31, 2017

Business



Manufacturing Activity Shows Strength

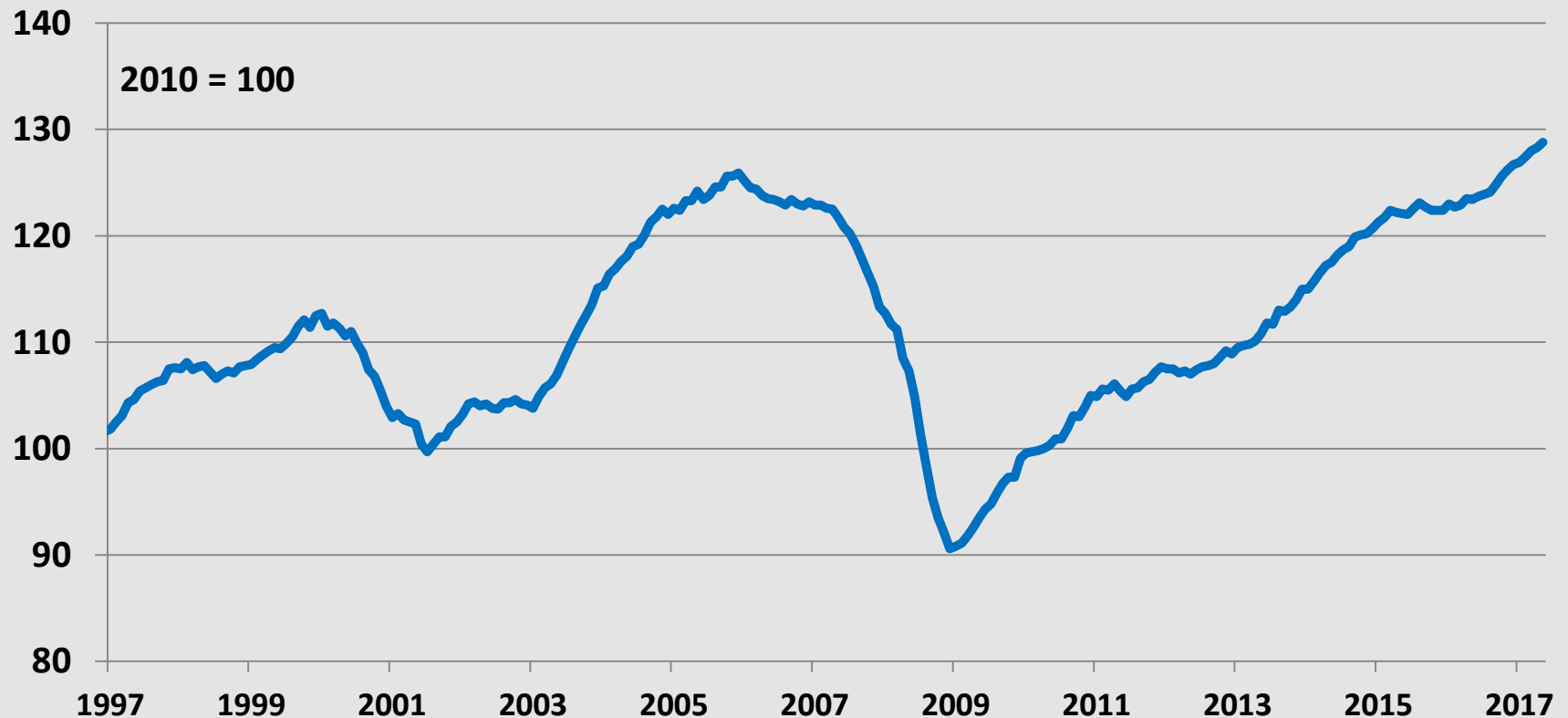
Institute of Supply Management Purchasing Managers Index



Source: Institute of Supply Management, FactSet
Data as of September 30, 2017

Business Outlook Remains Positive

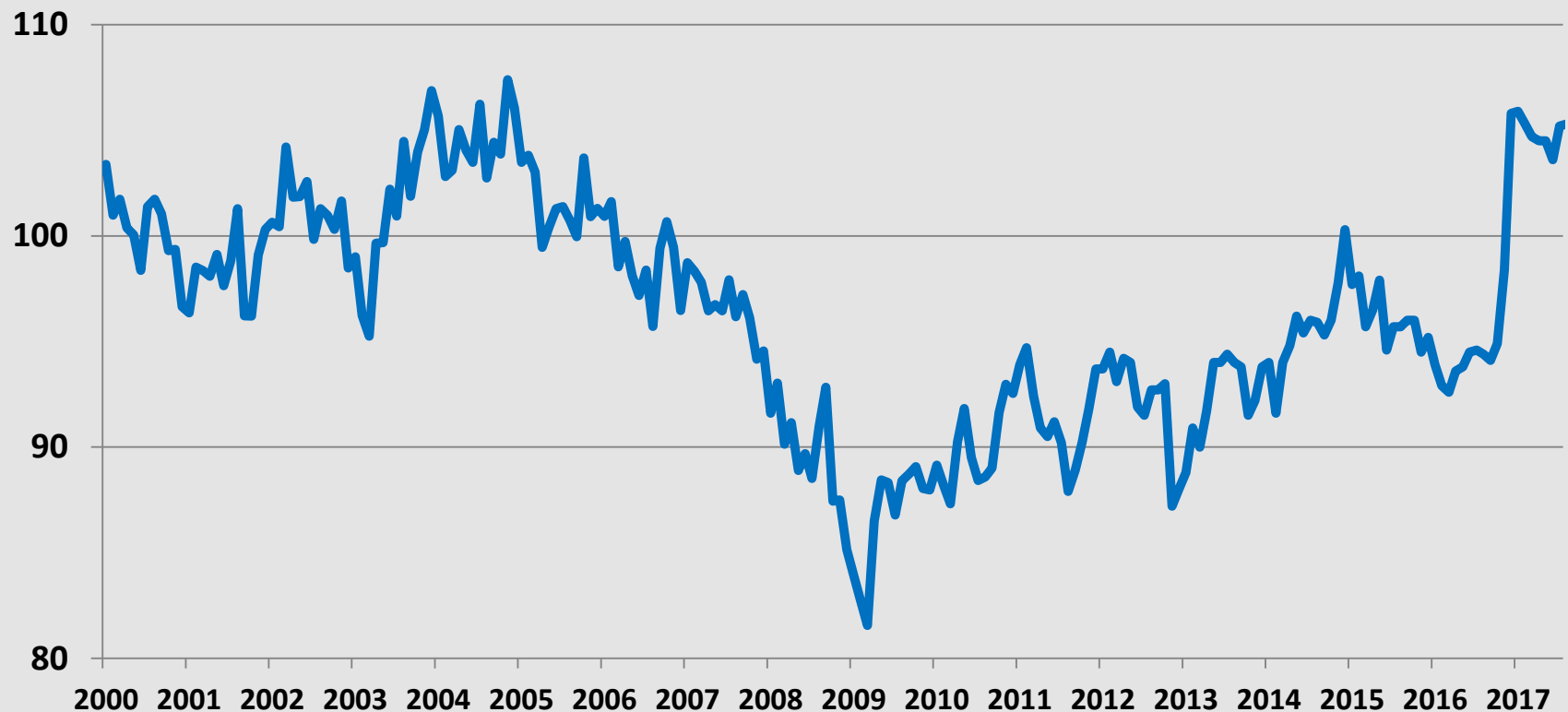
Conference Board Leading Economic Index



Source: The Conference Board and FactSet
Data as of July 31, 2017

U.S. Small Business Optimism Remains High

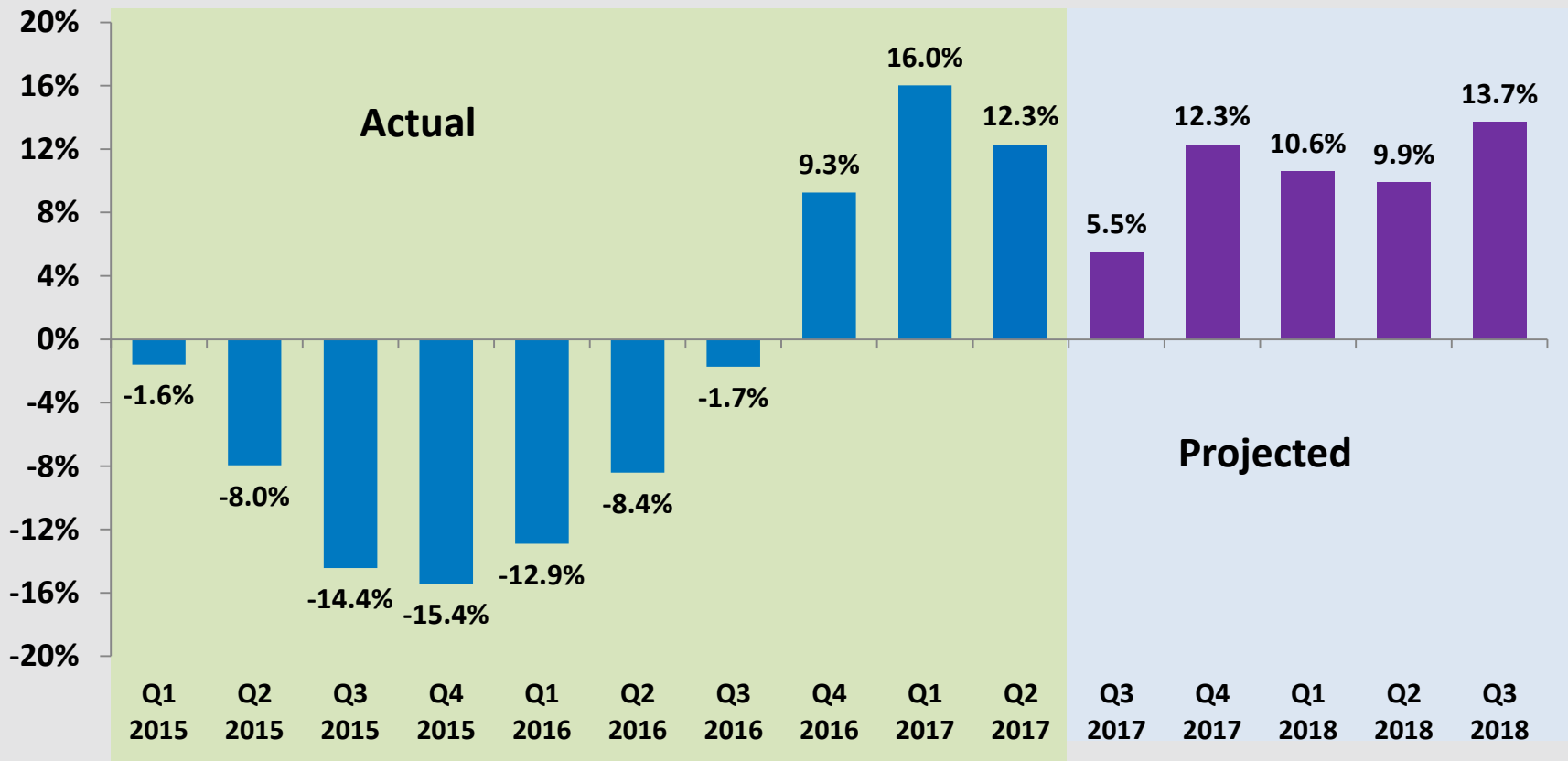
NFIB Small Business Economic Trends Optimism Index



Source: National Federation of Independent Businesses, FactSet. Data updated through August 31, 2017.

Corporate Profits Are Improving

S&P 500 Earnings Growth Rate



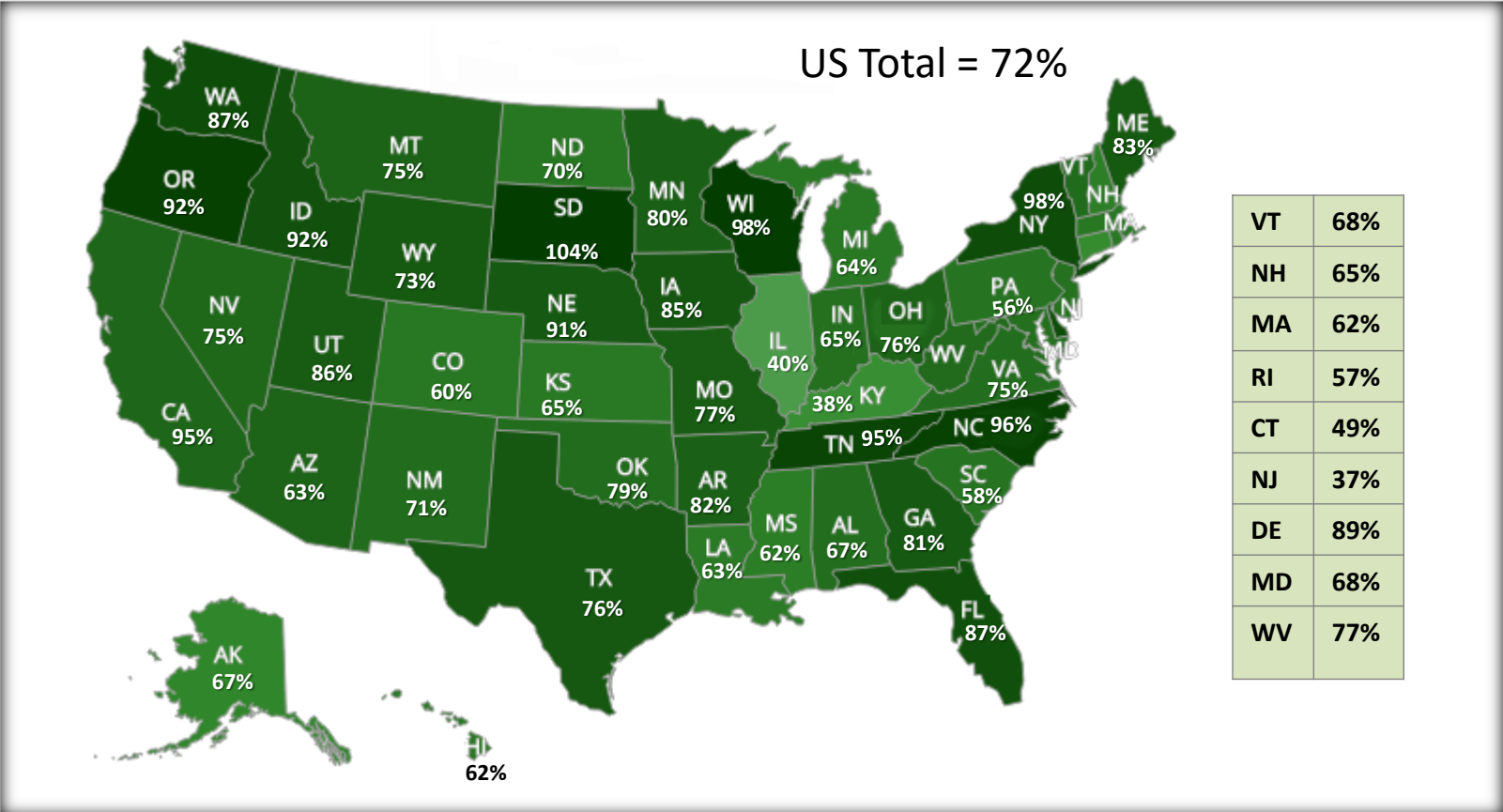
Source: Actual – Standard and Poor’s, multpl.com; Projected – Thomson Reuters, I/B/E/S
Data as of October 03, 2017

U.S. Retirement Funding Crisis



State Public Pension Plans Are Significantly Underfunded

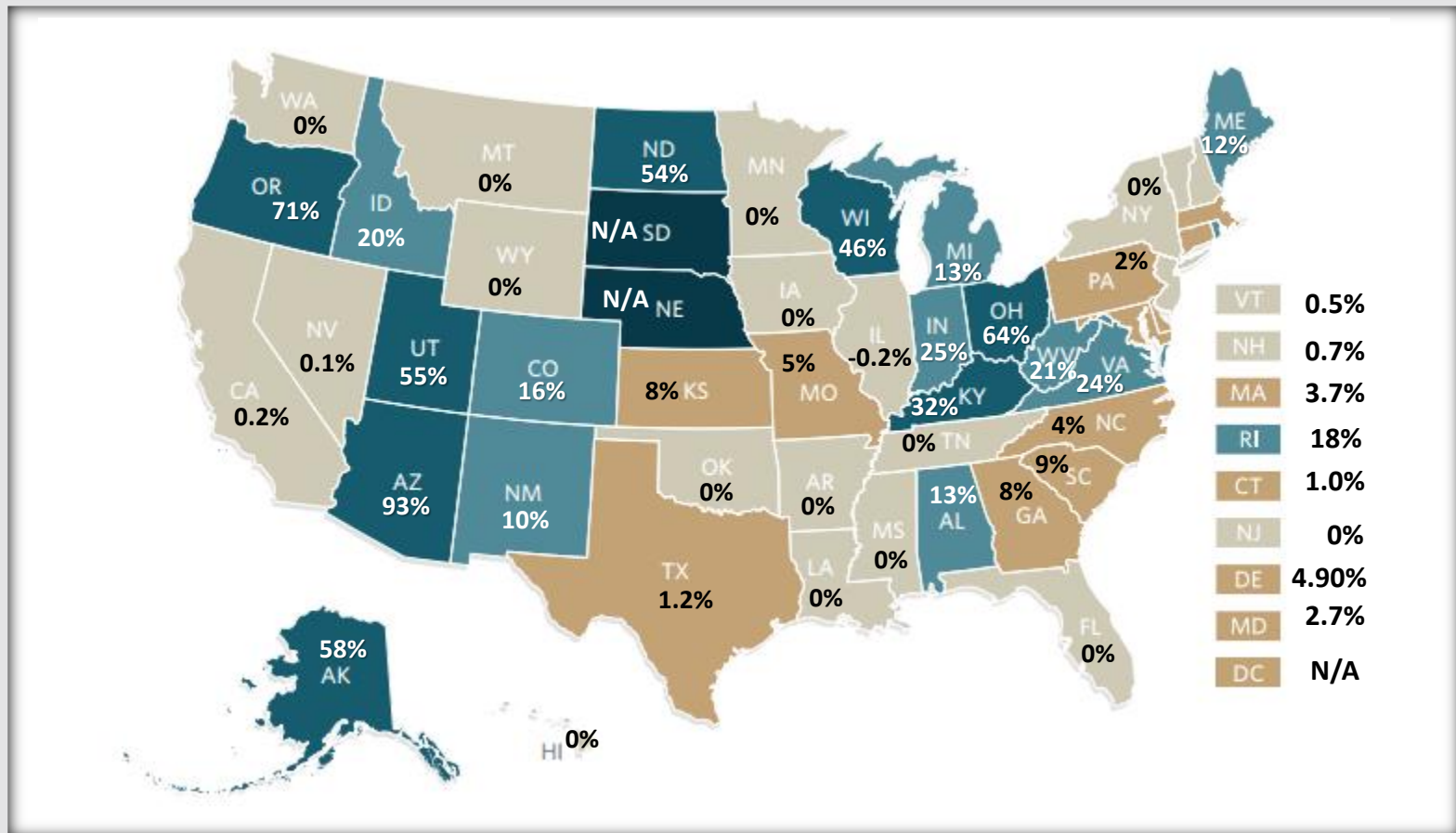
As of Fiscal Year 2015



Source: National Conference of State Legislatures; Pew Charitable Trust, April 20, 2017

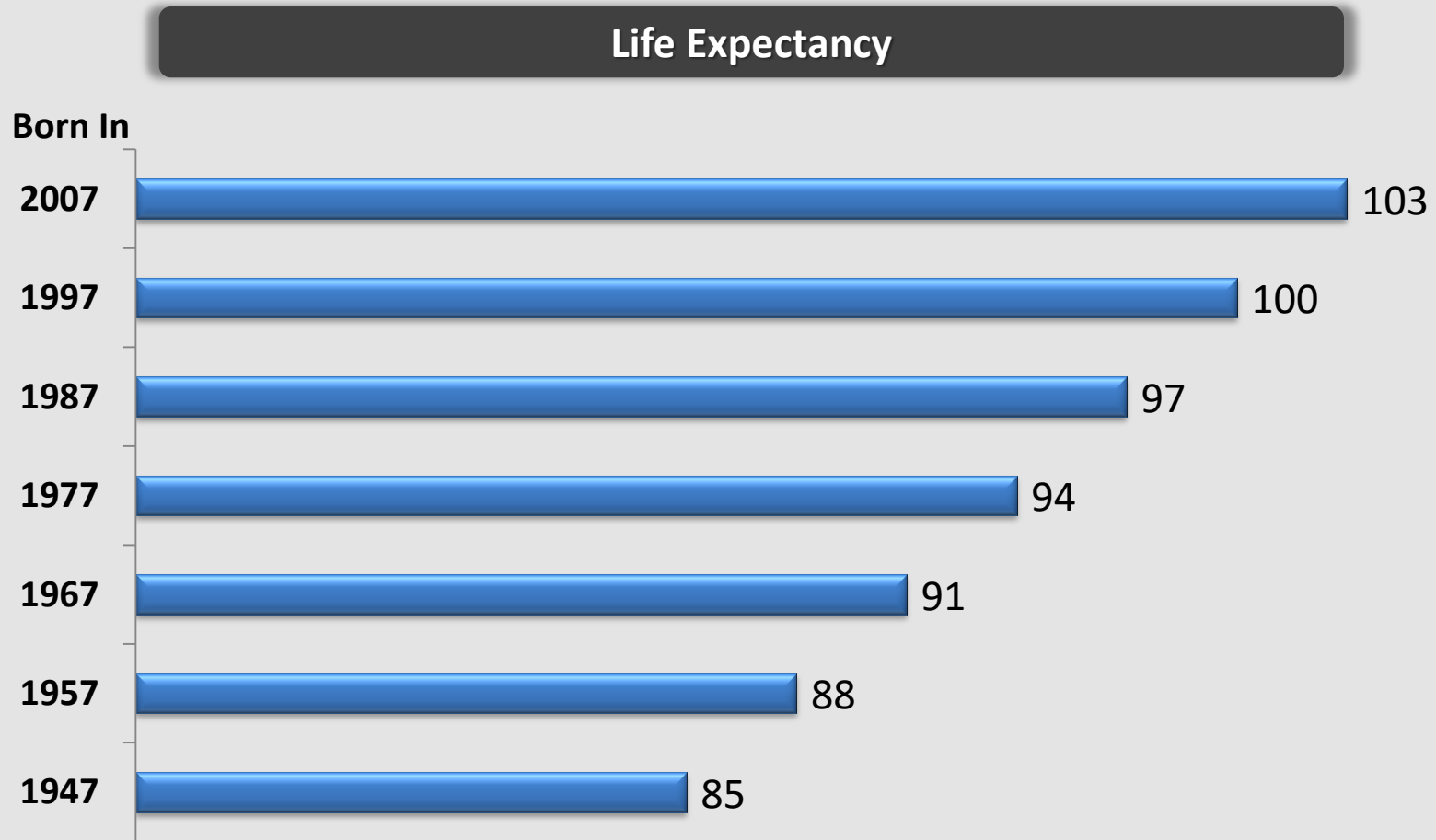
\$645 Billion State Retiree Medical Shortfall

2015 Estimated Funded Ratios



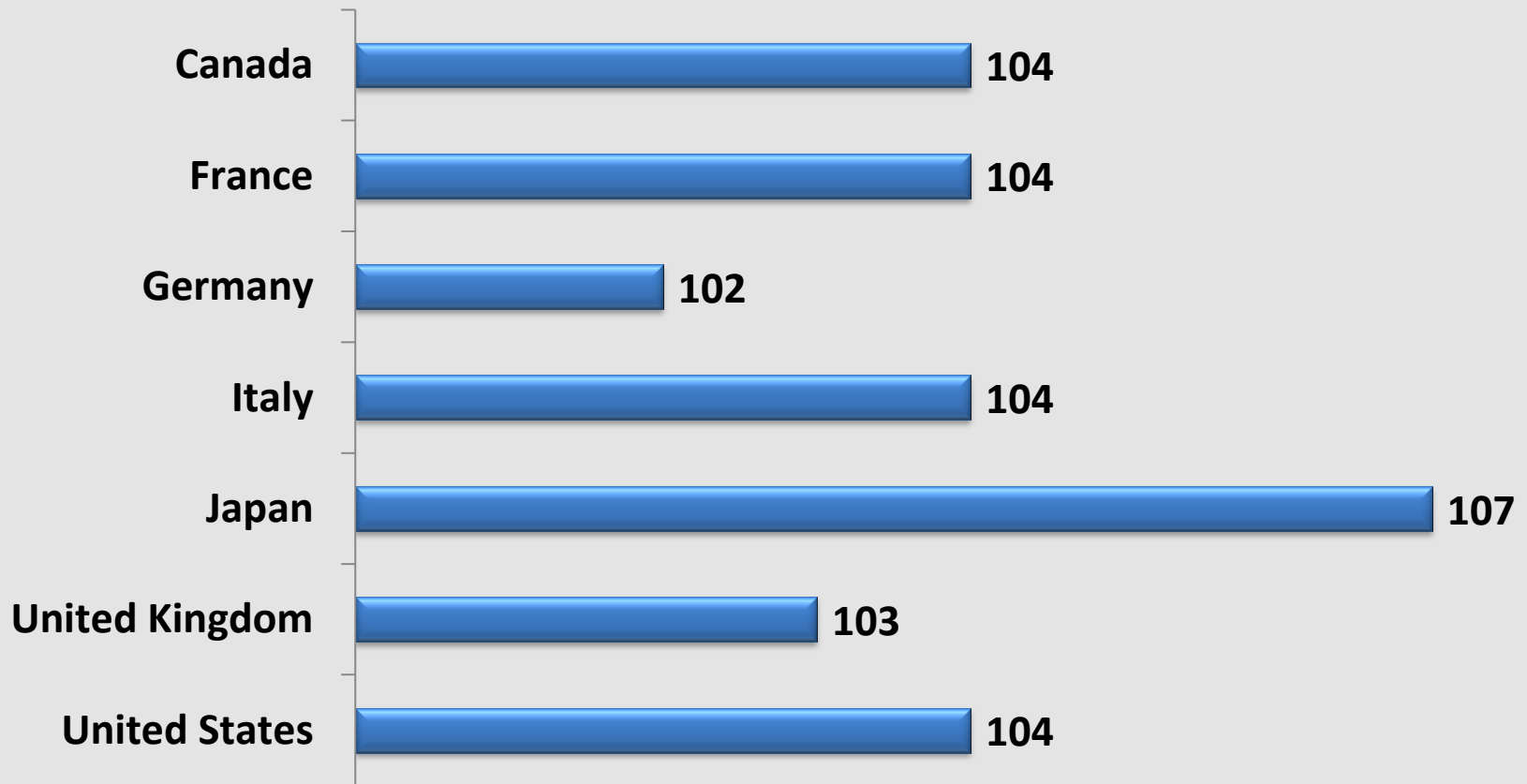
Source: State Retiree Health Care Liabilities: An Update, The Pew Charitable Trusts; September, 2017

Life Expectancies Continue Increasing



Source: The 100-Year Life by Lynda Gratton and Andrew Scott; calculated using data from Human Mortality Database, University of California, Berkeley (USA) and Max Planck Institute for Demographic Research (Germany). Available at www.mortality.org. For an explanation, see 'Broken Limits to Life Expectancy' by Jim Oeppen and James Vaupel, Science, May 2002, vol. 296

At Least Half of Babies Born in 2007 Will Live Even Longer



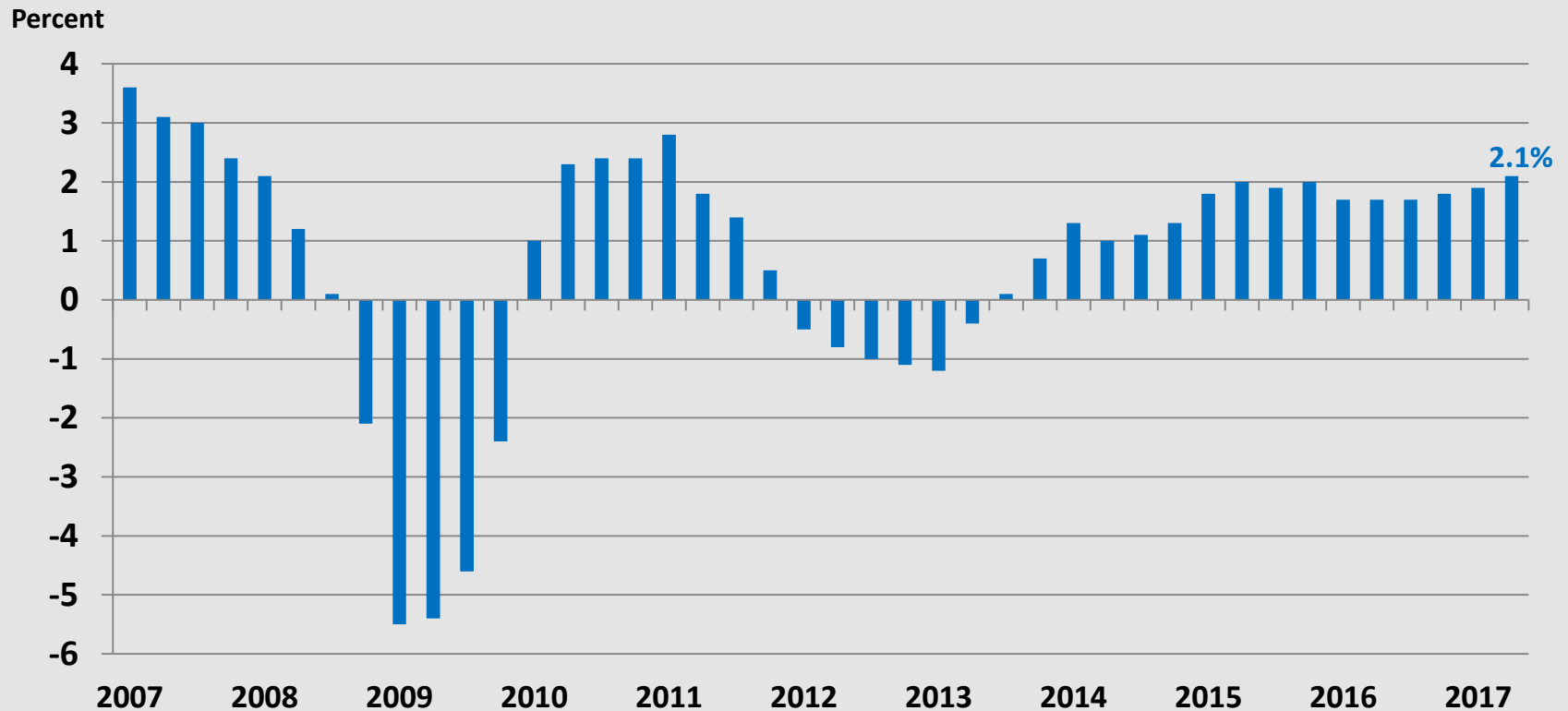
Source: The 100-Year Life by Lynda Gratton and Andrew Scott; Human Mortality Database, University of California, Berkeley (USA) and Max Planck Institute for Demographic Research (Germany). Available at www.mortality.org

Europe



Eurozone GDP Growth Modestly Improves

Annual Increase in Gross Domestic Product



Seasonally Adjusted Annual Rate
Source: OECD; FactSet
Data as of June 30, 2017

Conditions Positive for Most of Europe

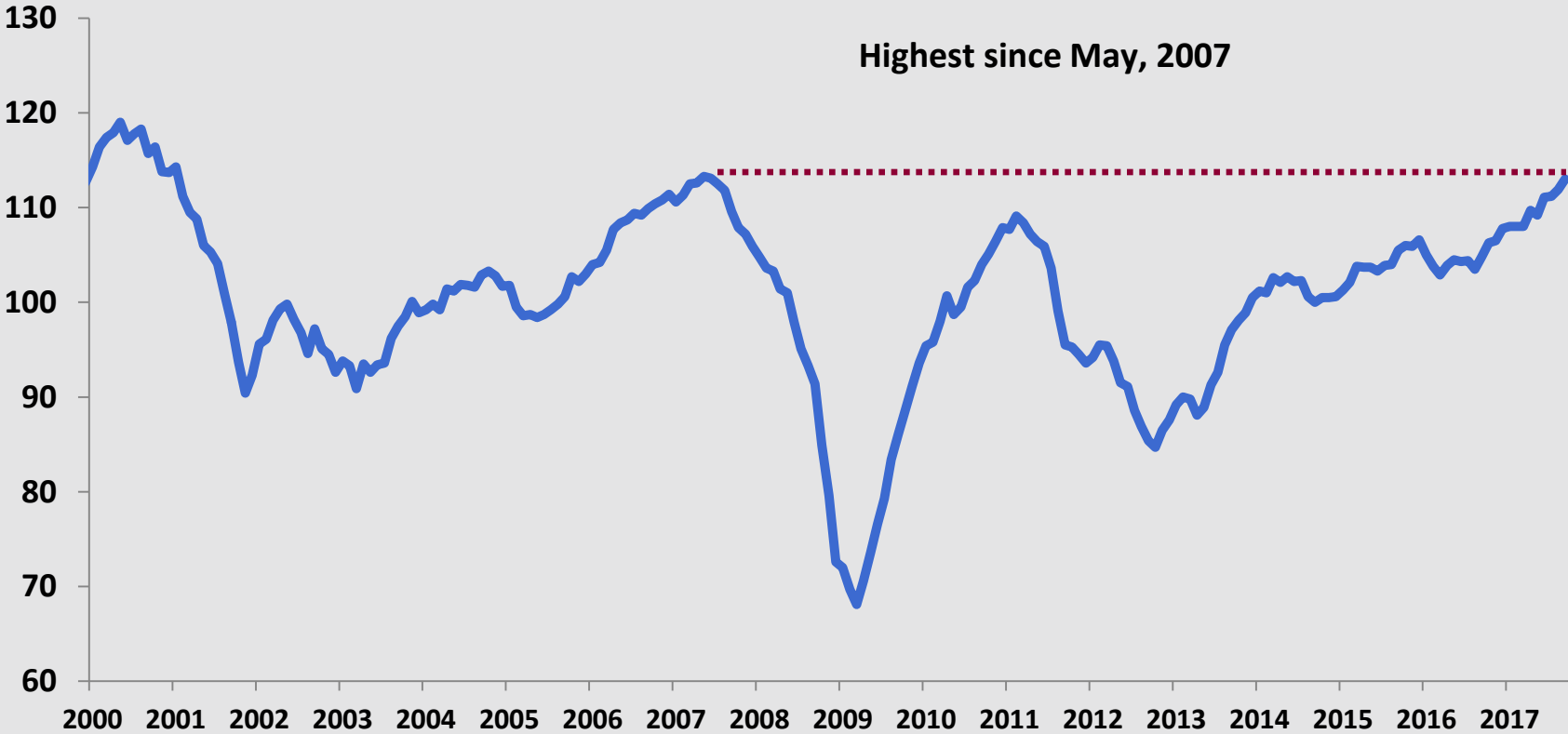
Purchasing Managers Index for Manufacturing

	2015			2016									2017											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
United Kingdom	54.5	52.4	51.2	52.2	50.9	51.3	49.6	50.5	53.1	48.4	53.0	55.6	54.2	53.4	55.8	55.4	54.6	54.3	57.2	56.4	54.2	55.2	56.7	55.9
Euro Area	52.3	52.8	53.2	52.3	51.2	51.6	51.7	51.5	52.8	52.0	51.7	52.6	53.5	53.7	54.9	55.2	55.4	56.2	56.7	57.0	57.4	56.6	57.4	58.1
Germany	52.1	52.9	53.2	52.3	50.5	50.7	51.8	52.1	54.5	53.8	53.6	54.3	55.0	54.3	55.6	56.4	56.8	58.3	58.2	59.5	59.6	58.1	59.3	60.6
France	50.6	50.6	51.4	50.0	50.2	49.6	48.0	48.4	48.3	48.6	48.3	49.7	51.8	51.7	53.5	53.6	52.2	53.3	55.1	53.8	54.8	54.9	55.8	56.0
Italy	54.1	54.9	55.6	53.2	52.2	53.5	53.9	52.4	53.5	51.2	49.8	51.0	50.9	52.2	53.2	53.0	55.0	55.7	56.2	55.1	55.2	55.1	56.3	56.3
Spain	51.3	53.1	53.0	55.4	54.1	53.4	53.5	51.8	52.2	51.0	51.0	52.3	53.3	54.5	55.3	55.6	54.8	53.9	54.5	55.4	54.7	54.0	52.4	54.3
Greece	47.3	48.1	50.2	50.0	48.4	49.0	49.7	48.4	50.4	48.7	50.4	49.2	48.6	48.3	49.3	46.6	47.7	46.7	48.2	49.6	50.5	50.5	52.2	52.8

Source: Markit, J.P. Morgan Guide to the Markets, 3Q 2017
Data as of September 30, 2017

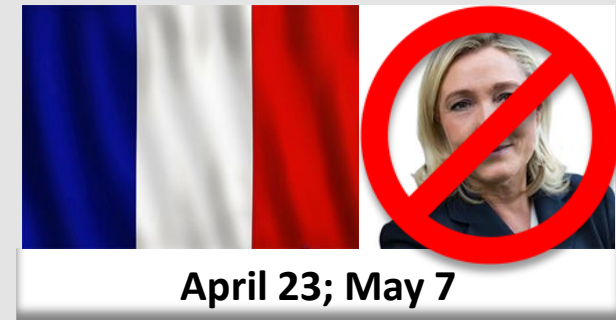
Improving Confidence in the Economy

Euro Area Economic Sentiment Indicator



Source: European Commission
Data as of September 2017

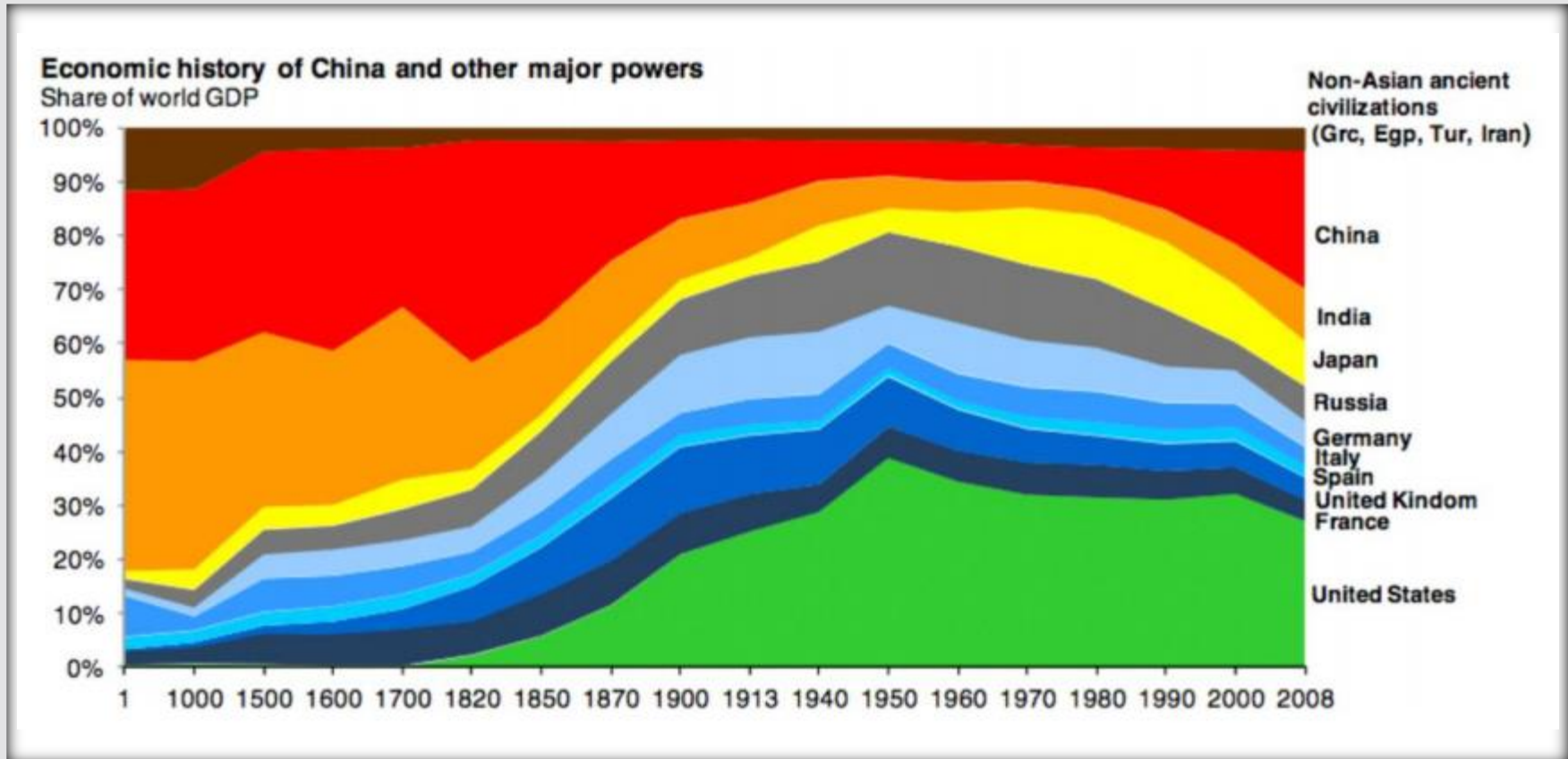
Europe's 2017 Elections



China

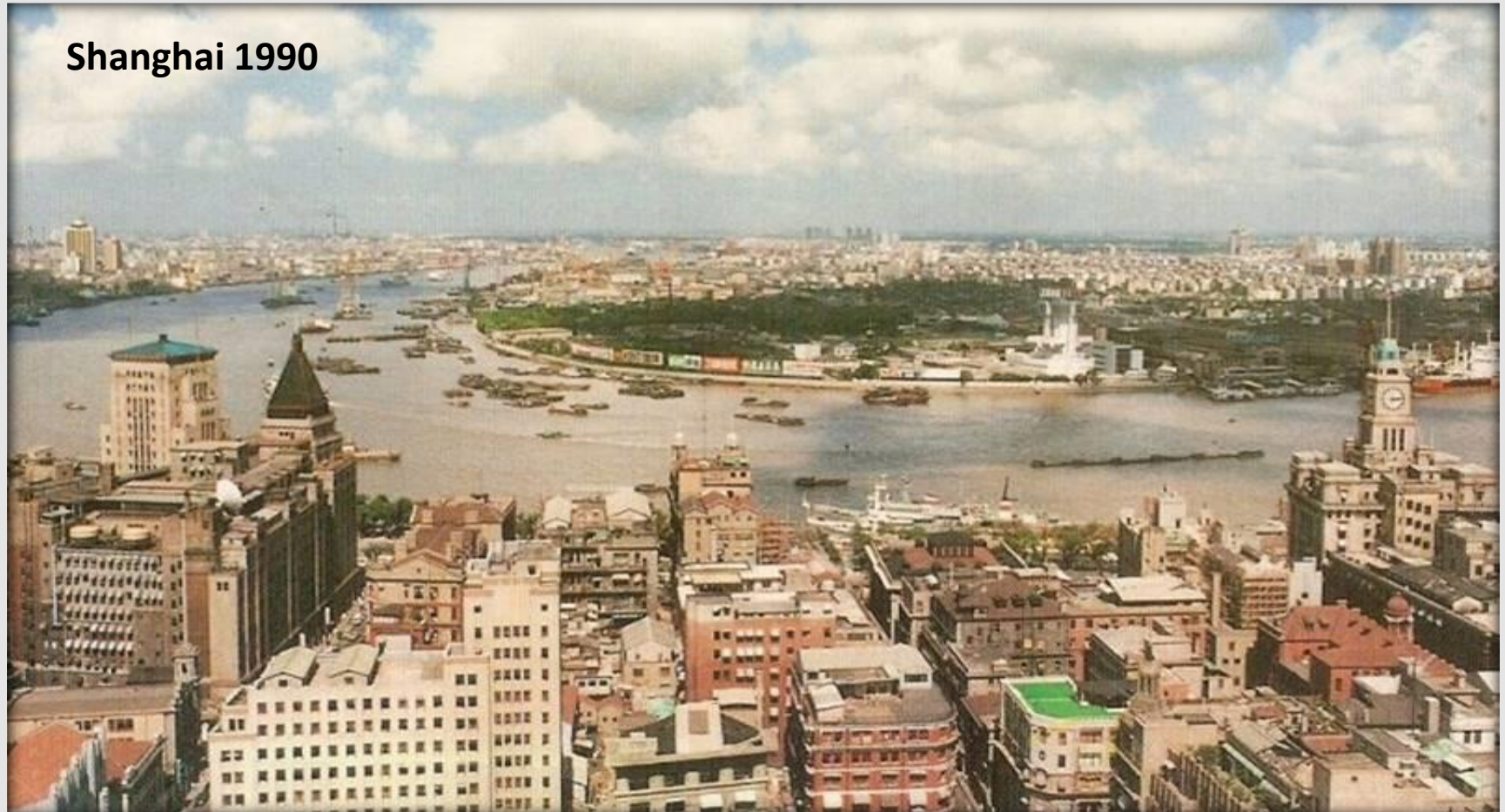


India and China Have Historically Dominated the World's Economy



Source: Angus Maddison of the University of Groningen , Statistics on World Population, GDP and Per Capita GDP, 1-2008; JP Morgan

Change Is Rapidly Occurring



Source: Catherine Rampell, *The Atlantic* and Brendan Ahren, *Kranshares*

Change Is Rapidly Occurring



Source: Catherine Rampell, The Atlantic and Brendan Ahren, Kranshares

U.S. Cities with > One Million People



Chinese Cities with > One Million People



One Belt and One Road



Source: European Institute for One Belt One Road Economic and Cultural Cooperation and Development.

Markets

The image shows a blurred financial data table with multiple columns and rows. The data is presented in a grid format with varying colors for different values. The colors used are red, green, and white on a dark blue background. The values are arranged in a grid that is slightly tilted and out of focus.

3.08	-1.29	10,112,300	30,665	11,500					
5.15	+1.98	10,059,200	51,034	9,347	17.08	2.38	5.47	10.00	1.00
1.84	+0.55	10,002,900	18,724	1,472	18.53	2.25	3.26	0.10	0.10
3.66	0.00	9,946,000	36,450	4,180	9.83	1.23	3.06	0.10	0.10
3.26	+3.16	9,856,900	32,779	2,727		1.07	1.00	0.10	0.10
110	+4.27	9,703,300	1,076,564	64,472	22.17	7.19	3.00	1.00	1.00
1.19	-2.46	9,314,600	11,136	3,077		0.99	2.39		
59.5	+1.71	9,121,500	540,447	288,277	13.14	1.16	3.00	1.00	1.00
13.3	+3.91	9,107,700	119,128	15,900	43.32	8.07	1.10	0.10	0.10
			79,568	6,480	41.85	4.29	1.10	0.10	0.10

Headlines Warn Investors

Two-thirds of U.S. investors think stocks are overvalued

Published: July 21, 2017 4:51 p.m. ET

TheStreet

3 Reasons Why the Stock Market Is Now Dangerously Overvalued

Here's what's likely to happen entering earnings season.

Chris Versace [Follow](#) Jul 20, 2017 10:34 PM EDT

MarketWatch

Any way you look at it, this stock market is overvalued, Goldman Sachs says

Thomas Franck | @tomwfranck

Published 12:35 PM ET Mon, 24 July 2017 | Updated 12:53 PM ET Mon, 24 July 2017



The Stock Market's in Nosebleed Territory — Time to Get Out?

With valuations stretched, and markets setting records, is there no place to go but down?

By Stacy Johnson on August 9, 2017

MoneyTalksNEWS

Market Is Very Overvalued

Carl Swenlin | August 18, 2017 at 12:18 PM

BARRON'S

Top Economist: Get Ready for a Stock Market Drop

Mark Zandi
Aug 10, 2017



FORTUNE

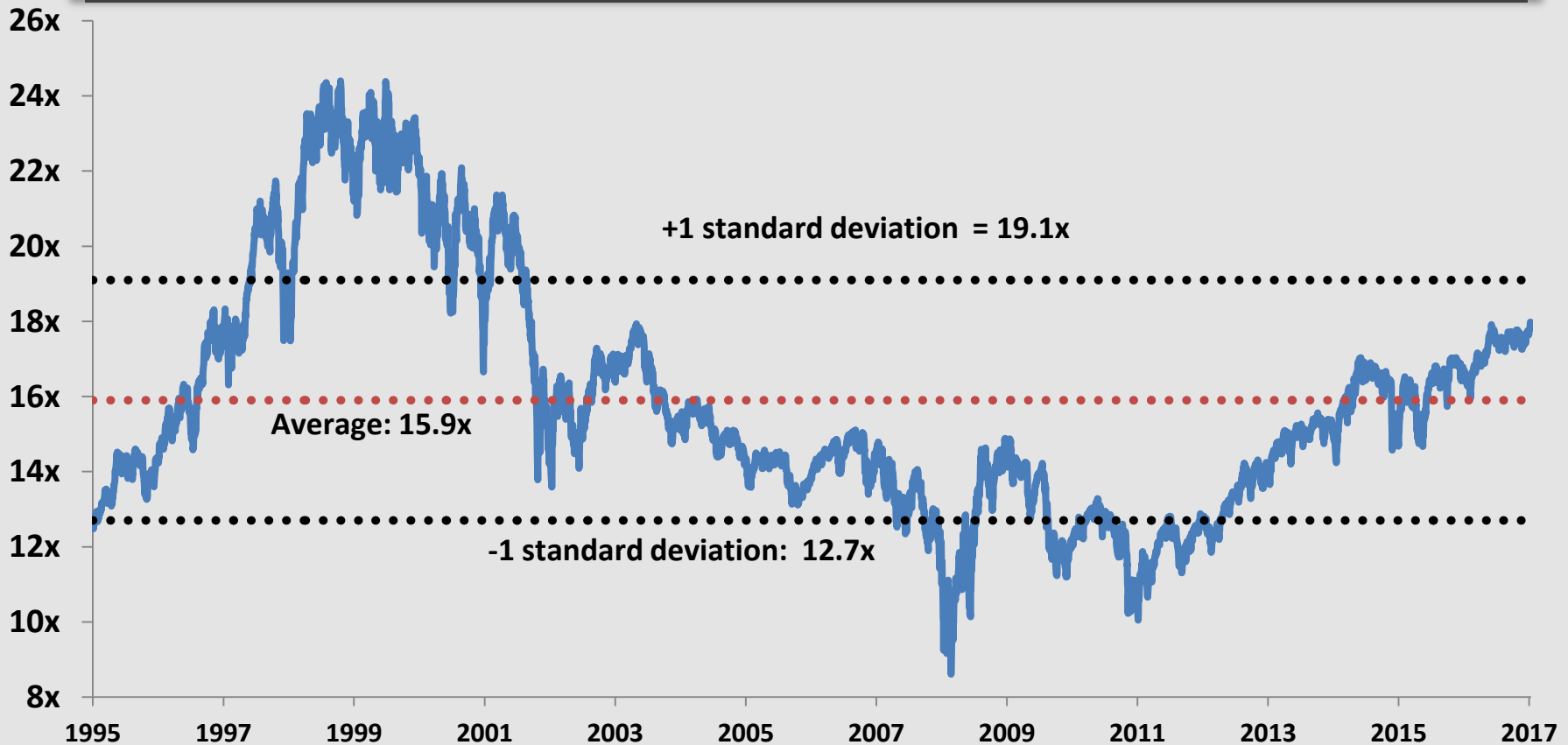
Fund Managers Say Stocks Overvalued

Aug. 15, 2017 10:54 a.m. ET

 **StockCharts**

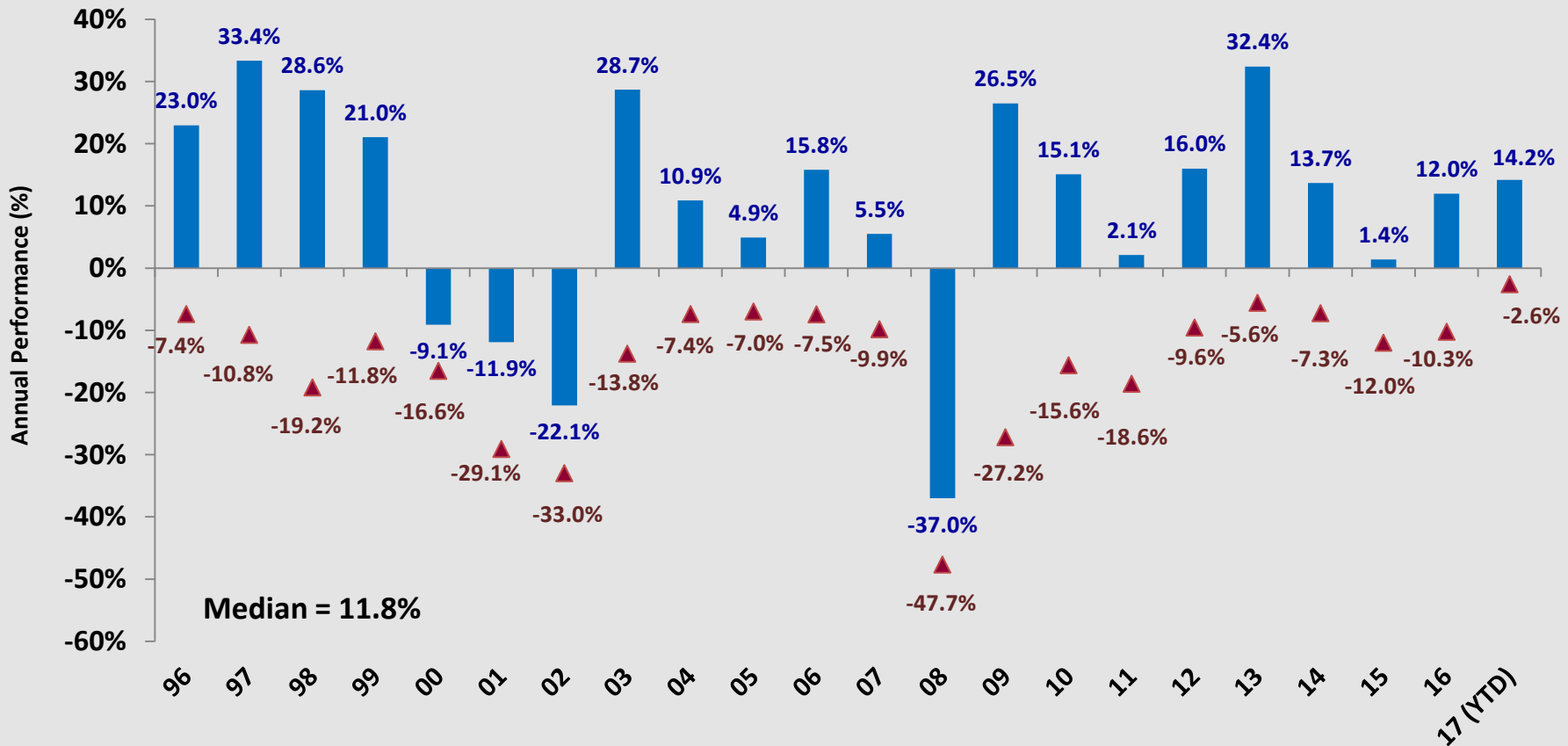
Stock Prices Historically High, But Not Unreasonably High

Price/Earnings Ratio Based on 12-Month Forward Earnings Estimates



Source: FactSet and Wespath
Data as of October 9, 2017

Average Decline During Any Year Nearly 12% for 20 Years



Source: Morningstar, Nanette Abuhoff Jacobson, Hartford Funds. Data as of September 29, 2017.

Sustainable Investment Strategies

Investing for Performance. Investing for Impact. Our framework of *Avoid—Engage—Invest* drives our activities



Avoid

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



Engage

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



Invest

We seek to invest in companies that will generate a market-rate return and demonstrable social and environmental impact

Data as of September 30, 2017; \$2 billion PSP figure reflects cumulative investments since 1990.



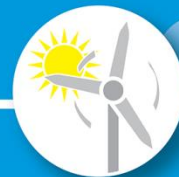
Sustainable investment approach covers all **\$23 billion** in assets



Making our **voice heard** by voting proxies at **5,400** global companies



Over **\$2 billion** dedicated to positive social purpose investments including over **52,000** affordable housing units in the U.S.



\$560 million invested in companies worldwide providing **low-carbon solutions**



\$1.3 billion allocated to **women and/or minority-owned** asset managers

Disclosures

General Board of Pension and Health Benefits of The United Methodist Church, Incorporated in Illinois ("Wespath Benefits and Investments" or "Wespath") 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 Wespath is to act as the plan administrator of various retirement, disability, death and health benefits plans, programs and funds that Wespath administers. Benefit Board acts as the trustee of all funds received, including the funds discussed in this presentation.

Wespath 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. Wespath, 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. Wespath, Benefit Board, 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 Wespath should be preceded by a complete review of the Investment Funds Description and Investment Policy Statement, which are available upon request or online at http://www.wespath.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, custody fees, and administrative and overhead expenses. Our fees and expenses are described in the Investment Funds Description. The returns will be reduced by the amount of fees and expenses charged to the funds.

Blended Benchmark for the Multiple Asset Fund (MAF): On January 1, 2017, the benchmark for MAF became 35% Russell 3000 Index, 30% MSCI All Country World Index (ACWI) ex-USA Investable Market Index (IMI), 25% Bloomberg Barclays U.S. Universal Index ex-Mortgage Backed Securities (MBS) and 10% Inflation Protection Fund (IPF) Custom Benchmark. The IPF Custom Benchmark consists of 80% Bloomberg Barclays World Government Inflation Linked Bond Index (Hedged), 10% Bloomberg Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged) and 10% Bloomberg Commodity Index. From January 1, 2016 to December 31, 2016, the benchmark for MAF was 40% Russell 3000 Index, 25% MSCI ACWI ex-USA IMI, 25% Bloomberg Barclays U.S. Universal Index ex-MBS, and 10% IPF Custom Benchmark. From January 1, 2014 to December 31, 2015, the benchmark for MAF was 40% Russell 3000 Index, 25% MSCI ACWI ex-USA IMI, 25% Bloomberg Barclays U.S. Universal Index ex-MBS, and 10% Bloomberg Barclays U.S. Government Inflation Linked Bond Index. From January 1, 2006 to December 31, 2013, the benchmark for MAF was 45% Russell 3000 Index, 20% MSCI ACWI ex-USA IMI, 25% Bloomberg Barclays U.S. Universal Index MBS and 10% Bloomberg Barclays U.S. Government Inflation-Linked Bond Index. Prior to January 1, 2006, the benchmark for MAF was 47% Russell 3000 Index, 15% MSCI EAFE Index, 3% MSCI Emerging Markets Index and 35% Lehman Brothers U.S. Universal Index.



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