April 2023 Performance Summary

Investor sentiment appears to be caught between 1) optimism in anticipation that the Fed could be pulling in the reins on further interest rate hikes, and 2) skittishness due to the stress in the banking sector and concerns about economic growth. The broad equity and fixed income markets continued to grind higher in April with modest advances for the month. However, the market climate remains challenging at the stock level with a pretty severe difference between large cap names and everything else within the U.S. One plausible explanation for this is that the markets are selectively pricing in a recession and once again, the details of what individual companies will or will not achieve during such a time have been pushed to the side.

Outside of the U.S., European markets rebounded around strong corporate earnings, and Japanese equities gained as a result of strengthening macro conditions and an uptick in sentiment driven in part by a large increase in foreign investor purchases. The emerging markets posted a negative return for the month, with China and Taiwan among the largest detractors as a result of ongoing geopolitical tensions and the potential impacts on semiconductor demand from western nations.

Most government bond yields were relatively flat during the month, though credit markets posted gains as spreads tightened as markets recovered following the volatility from the prior month.

In April, the Long-Term Pool returned +0.5%, trailing the policy benchmark by 30 basis points. On a relative basis, the Pool's global and special opportunities equity asset classes were the largest detractors, while emerging market equities and hedge funds posted the largest relative outperformance. Year-to-date, the Long-Term Pool gained 5.5%, which was in-line with its benchmark.

The Socially Responsible Pool returned +0.4% for the month, underperforming its policy benchmark return by 70 basis points. The pool's domestic and global equity allocations were the largest detractors for the month. Year-to-date, the Pool gained 6.2%, which trailed the benchmark by 30 basis points.

The Mid-Term Pool gained +0.8% for the month, trailing its policy benchmark by 10 basis points. Year-to-date, the Pool gained 5.2%, which trailed the benchmark by 40 basis points. As the Pool is largely invested in index funds, any return differences are primarily driven by cash movement in the Pool that result in temporary deviations from policy asset allocation targets.

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