



December 2023 Performance Summary

Stock and bond markets continued to rally in December, building on the strong gains experienced in the prior month when easing inflation, expectations of more aggressive rate cuts, and economic resilience sparked an inflection in market sentiment.

2023 proved to be a very profitable year for most public market investors as shown below.

	<u>Calendar 2023</u>
Russell Top 200 Growth	46.6%
S&P 500	26.3%
Russell Top 200 Value	10.6%
MSCI All Country World	22.2%
Russell 2000	16.9%
Bloomberg High Yield	13.4%
MSCI EAFE	18.2%
MSCI EM	9.8%
Bloomberg Aggregate	5.5%
MSCI China	-11.2%
Bloomberg Commodity	-7.9%
Consumer Prices	3.3%

The dominance of the “Magnificent 7” has been well documented, although it is interesting to observe the degree to which a strong year-end advance left many areas with solid gains for the year.

Ultimately, this has been a tale of two markets. On one hand, we have the Magnificent 7 priced at nearly 40x trailing earnings—this is the ultimate “what can go wrong?” valuation. On the other, we have scores of beaten-down stocks both inside and outside the US trading at what seem to be exceptionally low valuations even following the recent 2-month rally.

On balance, we continue to believe that monetary policy is on a slow yet undoubtedly erratic path towards normalization thanks to higher structural inflation. This introduces many less familiar but well-documented risks that investors will have to face whether they like it or not. Given that everyone, including us, lack foresight into the future, the primary

factor worth considering is the strong tendency of low valuations to create a wider array of scenarios in which equities produce acceptable returns.

In December, the Long-Term Pool returned +4.4%, a result that outperformed the policy benchmark by 60 basis points. Outperformance was broad-based, with 5 of the 6 equity categories beating their benchmarks. For calendar year 2023, the Pool gained 12.7%, which trailed the benchmark by 40 basis points.

The Socially Responsible Pool returned +4.9% for the month, outperforming its policy benchmark return by 70 basis points. The pool's above target allocation to equities contributed to the relative outperformance for the month. For the full year, the Pool gained 15.9%, which topped the benchmark by 80 basis points.

The Mid-Term Pool returned +2.7% for the month, underperforming its policy benchmark by 130 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. For the year, the Pool gained +10.4%, which trailed the target benchmark by 220 basis points.

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