THE Vermont Community Foundation

June 2023 Performance Summary

Global equity markets rallied higher in June, with the S&P 500 posting a 6.6% gain, followed by the MSCI EAFE (+4.6%) and Emerging Markets (+3.8%). Core bonds posted moderate declines (-0.4%) as interest rates ticked higher during the month.

The Fed elected to pause in June, keeping the fed funds target at 5.0-5.25%, though it did leave the door open for potential future hikes later in the year. U.S. economic data was relatively strong during the month, and the pace of inflation continued to ease, with the CPI decelerating to a 3.2% year-over-year increase. Stylistically, growth-style equities narrowly topped value during the month, and small cap outperformed large cap.

In Europe, central banks continued to raise policy rates as inflation persisted and economic data was relatively soft. China's post-pandemic recovery has stalled, which caused the People's Bank of China to cut rates in an attempt to stimulate growth. The Japanese economy continued to build on its economic momentum, with strong auto- and semiconductor-related export sales, as well as strengthening sentiment for the services sector.

In June, the Long-Term Pool returned +3.4%, a result that matched the policy benchmark. The pool's domestic large-cap equity and hedge fund allocations were the largest relative outperformers for the month while domestic small cap and special opportunities equities were the largest relative detractors. Year-to-date, the Pool gained 7.8%, which trailed the benchmark by 20 basis points.

The Socially Responsible Pool gained 4.3% for the month, outperforming its policy benchmark return by 70 basis points. The pool's above target allocation to equities coupled with strong active manager performance contributed to outperformance for the month. Year-to-date, the Pool gained 9.6%, which topped the benchmark by 60 basis points.

The Mid-Term Pool returned +2.4% for the month, trailing its policy benchmark by 30 basis points. Year-to-date, the Pool gained 6.6%, which trailed the benchmark by 50 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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