March 2023 Performance Summary

March was marked by a banking crisis that began with the collapse of Silicon Valley Bank during the first half of the month. While these developments around the banking sector caused some brief market turmoil during the month, markets eventually shrugged off these events and the broad market ended March in positive territory.

US mega cap stocks again functioned as “flight to safety” despite their lofty valuations, and mega-cap growth stocks led all asset classes with an 8.1% return. Growth outperformed value by 700 basis points during the month, and large cap outperformed small cap by 800bps. International equity markets did not keep pace with the U.S. during the month, however EAFE and EM equities both posted positive returns.

The Fed continued with its interest rate hikes, raising an additional 25bps in March, however the Fed’s guidance and commentary caused market participants to believe the Fed was getting closer to the end of its hiking cycle, which caused bond markets to rally and return low single digits for the month.

In March, the Long-Term Pool returned +1.1%, trailing the policy benchmark by 70 basis points. On a relative basis, the Pool’s domestic large cap and emerging market equity asset classes were the largest detractors, while small-cap domestic equity and hedge funds posted the largest relative outperformance. Year-to-date, the Long-Term Pool gained 5.0%, which represented a 30 basis points premium to the benchmark.

The Socially Responsible Pool returned +1.6% for the month, underperforming its policy benchmark return by 50 basis points. Year-to-date, the Pool gained 5.8%, which topped the benchmark by 50 basis points. The Pool’s above target allocation to public equities and outperformance within domestic and global equity have been the largest contributors to year-to-date performance, however they detracted from results for the month.

The Mid-Term Pool gained +1.8% for the month, trailing its policy benchmark by 30 basis points. Year-to-date, the Pool gained 4.3%, 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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