March 2024 Performance Summary

Global equity markets continued their ascent in March, with the S&P 500, MSCI EAFE and MSCI Emerging indices gaining 10.6%, 5.8%, and 2.4% respectively for the first quarter of 2024. A resilient US economy, stead earnings growth, and expectations around rate cuts by The Federal Reserve and European Central Bank added energy to the rally that started in 2023.

Within equities, growth outperformed value by 260 basis points during the quarter fueled by continued stock price momentum across the "Magnificent 7" mega-cap stocks that constitute a large portion of the S&P 500 index. While the S&P 500 posted a solid gain, the Japanese market was the strongest performing geography in Q1. Emerging markets lagged developed markets as investors remained cautious about China's growth prospects.

US Treasury yields rose during the quarter, walking back some of the steep declines that occurred in the final quarter of 2023, and leading to negative returns for bonds during Q1. The yield curve's shift higher can be attributed to the continuation of solid economic growth and sticky inflation, which have not slowed, defying expectations. Indeed, core inflation appears to be re-accelerating—although the year-over-year rate through February is 2.8%, the six-month trailing annualized rate is 2.9% and the three-month trailing annualized rate is 3.5%.

In December, the Long-Term Pool returned +1.8%, a result that trailed the policy benchmark by 30 basis points. The Pool's domestic small cap and special opportunities equities segments both trailed their benchmarks by 220 basis points, which detracted from results. Conversely, global equities and hedge funds outperformed by healthy margins.

The Socially Responsible Pool returned +2.4% for the month, performing in-line with its policy benchmark. The Pool's above target allocation to equities was a positive contributor, while relative returns in the emerging markets and global equities asset classes trailed their benchmarks.

The Mid-Term Pool returned +1.8% for the month, underperforming its policy benchmark by 10 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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