May 2024 Performance Summary

Equities rallied in May as a result of a strong corporate earnings season. Rhetoric from the Fed coupled with weak jobs data also caused the market to price in expectations for interest rate cuts later this year, which boosted sentiment around risk assets.

The S&P 500 rallied 5.0% during the month, with mega-cap tech companies continuing to lead the way. Small-cap domestic equities kept pace during the month (+5.0%), while international developed equities (+3.9%) and emerging markets (+0.6%) posted more modest gains.

Inflation decelerated modestly to 3.4% for the month, while economic data was mixed. These factors coupled with soft labor market indicators caused bonds to rally, with US core bonds posting a 1.7% gain for the month. The U.S. dollar weakened against all major currencies due to the interest rate outlook.

In May, the Long-Term Pool returned +2.1%, a result that trailed the policy benchmark by 60 basis points. The Pool's special opportunities and domestic small-cap equities were the largest detractors to relative performance. Conversely, global equities and global bonds outperformed their benchmarks during the month.

The Socially Responsible Pool returned +3.5% for the month, outperforming its policy benchmark by 40 basis points. The Pool's above target allocation to equities, and strong performance within the domestic large-cap and emerging market equities categories were the largest contributors to relative outperformance.

The Mid-Term Pool returned +2.7% for the month, outperforming 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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