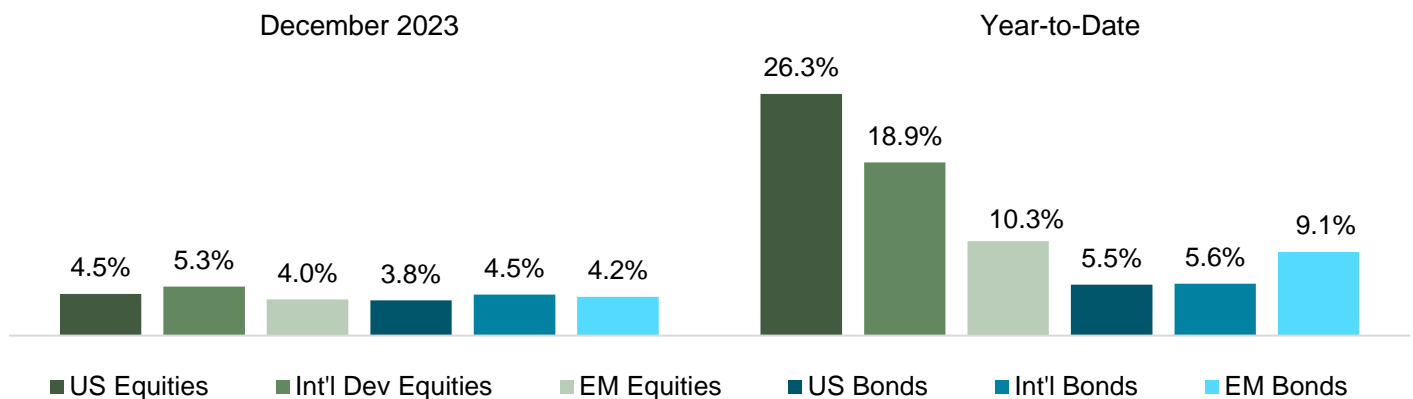


Monthly Market Review

December 2023 Market Review

Returns as of December 29, 2023



Source: FactSet

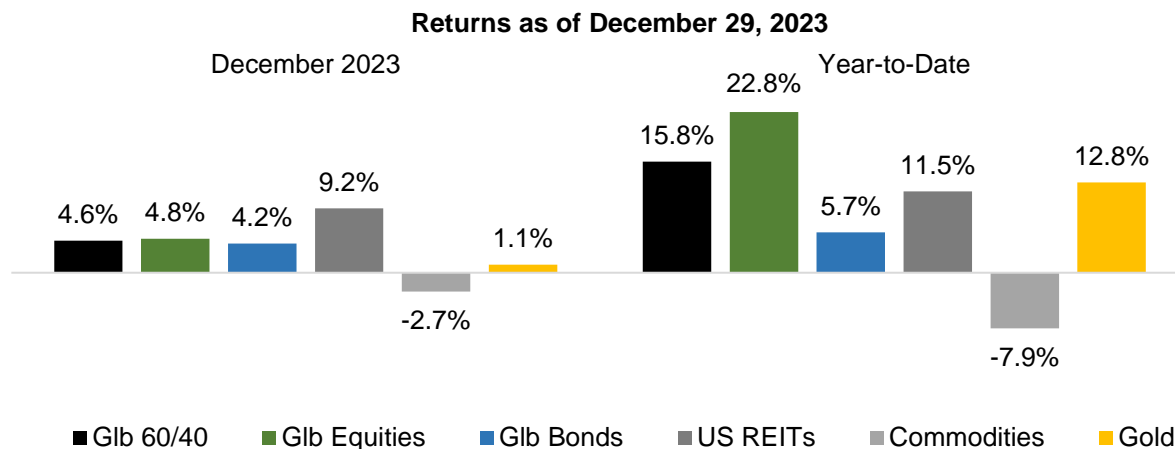
Markets finished the year strong, with positive returns across most major asset classes in December. Investors reacted positively to the Federal Reserve's dovish comments regarding monetary policy, with interest rate cuts potentially coming sooner in 2024 rather than later. Among major regions, international developed equities led December with a gain of 5.3%, followed by US equities up 4.5% and emerging market equities up 4.0%. Emerging markets were held back by China, with growth concerns persisting as China's index fell 2.4% for the month and about 11% for the year.

Sector performance in the US was nearly all positive, with only energy falling narrowly in the negative. Oil was a driving factor for energy's underperformance, with demand concerns looming as well as strong supply being provided by non-OPEC producers. Real estate and other interest rate-sensitive sectors saw the strongest returns as the market priced in rate cuts in 2024. Small-cap and value stocks had a strong month in response to lower potential interest rates as well, outperforming their large and growth counterparts, which were dominant for most of the year.

After a volatile 2023, bonds closed out the year with positive performance, with most major indices seeing gains in December. Gains were driven by expectations of rate cuts, a weakening dollar, and tightening credit spreads. Longer-dated bonds and credit-risky bonds, such as corporate and high-yield bond classes, had the strongest relative performance for the month.

Commodities were one of the few areas of weakness in December, with the broad index falling by 2.7%. Despite gold and industrial metals posting positive returns, most other commodity indexes faltered, with soft commodities like agricultural products and energy leading the decline. REITs, gaining 9.2%, saw some of the strongest performance in December with the prospect of rate cuts.

Traditional balanced portfolios performed modestly in December with the global 60/40 index blend up 4.6%. REITs, equities, bonds, and gold were additive to performance, while commodities detracted from performance both for the month and for the year.



Source: FactSet

INDEX DEFINITIONS

Asset Class	Index	Definition
China	MSCI China	Measures the performance of large and mid-cap shares in China including: China H shares, B shares, Red chips, P chips, and foreign listings (e.g., ADRs). Index covers about 85% of the China equity universe.
Commodities	Bloomberg Commodity	Measures the performance of a broadly diversified exposure to physical commodities via futures contracts.
Emerging Markets Bonds	Bloomberg Emerging Markets USD Aggregate	Measures the performance of hard-currency emerging markets debt, including fixed and floating-rate USD-denominated debt issued from sovereign, quasi-sovereign, and corporate emerging markets debt.
Emerging Markets (EM.) Equity	MSCI Emerging Markets	Measures the equity market performance of countries considered to represent emerging markets.
Global 60/40 Index Blend	60% MSCI ACWI, 40% BBG Barclays Global Aggregate	Measures the performance of a blend of global equities and global bond indexes used as a benchmark for balanced portfolios.
Global Equity	MSCI ACWI	Measures large- and mid-cap equity performance of developed and emerging markets. Represents approximately 85% of the global equity investment universe.
Global Bonds	Bloomberg Global Aggregate	Measures the performance of global, investment-grade debt from 24 local currency markets. This benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.
Gold	Bloomberg Gold – Total Return	Measures the performance of futures contracts on gold and is quoted in USD.
International Bonds	Bloomberg Global Aggregate ex-USD	Measures the performance of investment-grade debt from 24 local currency markets. This multi-currency index includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. It excludes bonds issued in USD.

International Developed Equity	MSCI EAFE	Measures the equity performance of countries considered to represent developed markets, excluding the US and Canada.
US Bonds	Bloomberg US Aggregate	Measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS sectors.
US Equity	S&P 500	Measures the performance of 500 leading companies in the US Constituents generally have a market cap above \$5 billion and represent approximately 80% of the investable market.
US REIT	S&P Composite 1500 Real Estate	Measures the performance of publicly traded US real estate securities, such as real estate investment trusts (REITs) and real estate operating companies.

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