

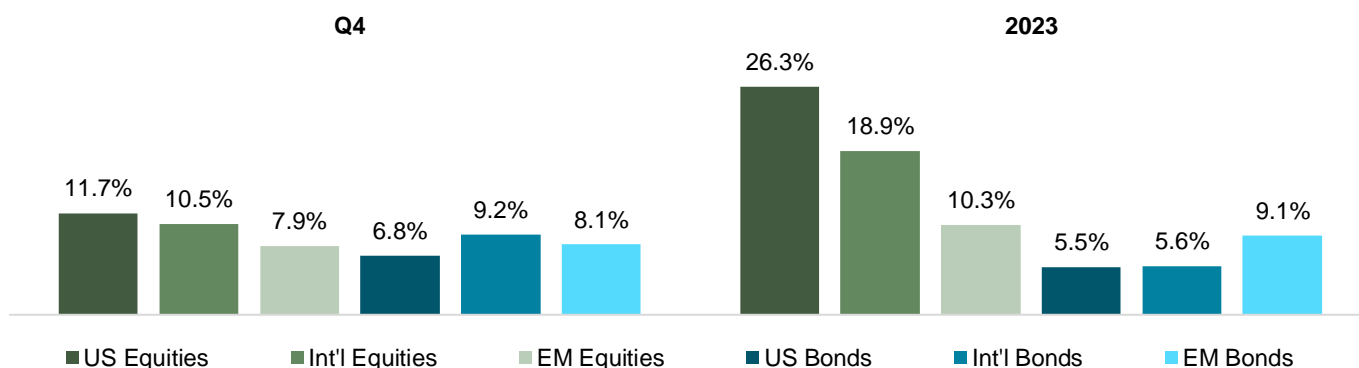


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Quarterly Market Review

After a brutal 2022, investors were delighted in 2023 as markets were driven higher by a stronger-than-expected economy, falling inflation, and light at the end of the tunnel with respect to the Federal Reserve’s interest rate hiking cycle.

Returns as of December 31, 2023



Source: FactSet

Global equities had its best year since 2019. Within global equities, US stocks led 2023 markets with a 26.3% return driven by a handful of technology stocks tied to artificial intelligence enthusiasm. In international equities, better-than-expected progress on inflation in Europe and a weaker yen, paired with optimism from corporate governance reform in Japan, led to an 18.9% gain for developed international equities. On the other hand, emerging market equities ended the year with a 10.3% gain as strong gains in Taiwan, India, and Korea offset losses in China.

US sector performance was uneven in 2023. Technology and its related sectors enjoyed strong gains, while defensive sectors such as Utilities and Consumer Staples had negative returns in 2023.

Across size, bigger stocks did better and, within style, growth trounced value. Large caps (S&P 500) rose by 26.3% and outperformed small caps (S&P 600), which only rose by 16.1%. This divergent performance can be attributed to the fact that the small-cap index has a lower weight of technology stocks. Finally, across style, the Nasdaq, a heavy growth and technology-oriented index, gained 44.6%, while the Dow Jones 30, a value-oriented index often synonymous with dividend payers, was up 16.1%.

Bond investors breathed a sigh of relief after avoiding a potential third straight year of losses. Instead, the broader bond market rallied late in the year, with the US bonds up 5.5% in 2023. Bond prices surged in the fourth quarter of 2023 as investors were comforted by the Fed’s shift to potential interest rate cuts in 2024. Lower quality bonds, such as high yield, were surprisingly resilient on strong fundamentals and gained 13.4%.

Finally, across other asset classes, commodities fell while gold and REITs gained. Despite the geo-political conflict, oil prices fell 21% as US production soared and demand weakened from China. Gold, viewed as the ultimate safe haven asset, gained 15.1%. Lastly, REITs gained 11.4%, supported by strong demand for data centers and lower interest rates in 2024.

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.
Dow	Dow Jones Industrial Average	The Dow Jones Industrial Average® (The Dow®) is a price-weighted measure of 30 US blue-chip companies.
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.
Gold	Bloomberg Sub Gold	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.
Nasdaq	Nasdaq Composite	The Nasdaq Composite Index measures all Nasdaq domestic and international-based common-type stocks listed on The Nasdaq Stock Market.
Oil	WTI Crude Oil	Is represented by the near-month crude oil futures contract traded on the NYMEX.
Small Caps	S&P 600	Measures the performance of 600 small-sized companies in the US Constituents that generally have a market cap between \$400 million and \$1.8 billion and meet criteria to ensure they are liquid and financially viable.
Sector - Energy	S&P 500 Sector Energy	Measures the performance of companies involved in the development and production of crude oil, and natural gas and provides drilling and other energy-related services.
Sector - Financials	S&P 500 Sector Financials	Measures the performance of companies in an array of diversified financial service firms, insurance, banks, capital markets, consumer finance, and thrift companies.
Sector - Technology	S&P 500 Sector Technology	Measures the performance of companies involved in technology hardware, storage and peripherals, software, communications equipment, semiconductors and semiconductor equipment, internet software and services, IT services, electronic equipment, instruments, and components.
TIPS	Treasury Inflation-Protected Securities	Treasury Inflation-Protected Security (TIPS) is a Treasury bond that is indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money.
US Dollar	US Dollar Index	Measures the value of the US dollar relative to the value of a 'basket' of currencies of the majority of the US's most significant trading partners. Factors the exchange rates of six major world currencies: euro, Japanese yen, Canadian dollar, British pound, Swedish krona, and Swiss franc.

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 that generally have a market cap above \$5 billion and represent approximately 80% of the investable market.
US Long Treasuries	Bloomberg US Treasury Long	Measures the performance of long-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of ten or more years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate, and have \$250 or more of outstanding face value.
US Short Treasuries	Bloomberg US Treasury Short	Measures the performance of short-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of between one and three years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate, and have \$250 or more of outstanding face value.
US REIT	FTSE NAREIT All Equity REITs	Measures the performance of a comprehensive family of REIT indexes that spans the commercial real estate space across the US economy. The index series provides investors with exposure to all investment and property sectors.
US Growth	S&P 500 Growth	Measures the performance of large-cap growth stocks in the US, which are identified by sales growth, price-to-earnings, and momentum. Constituents generally have a market cap above \$5 billion.
US Value	S&P 500 Value	Measures the performance of value stocks in the US, which are identified by sales growth, price-to-earnings, and momentum. Constituents generally have a market cap above \$5 billion.
US High Yield	Bloomberg Barclays US Corporate High Yield	Measures the performance of USD-denominated, non-investment-grade, fixed-rate taxable corporate bonds. "High-yield" securities have the middle rating from Moody's, Fitch, or S&P of Ba1/BB+/BB+ or below. Index excludes emerging market debt.

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C24-20723 | 01/2024 | EXP 01/31/2026