

A decorative overlay consisting of a grid of interconnected triangles in various shades of blue and green, with some triangles filled and others outlined, is positioned on the left side of the page.

**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

JUNE 2023  
Capital Markets Update



# Market commentary

## U.S. ECONOMICS

- June offered a mixed bag of labor market data. Nonfarm payrolls increased by 209,000 and showed further signs of cooling. However, the number of persons employed part time for economic reasons (not enough work or worsening business conditions, etc.) rose by 452,000 to 4.2 million which could signal some weakness.
- Alternatively, private sector job employment as measured by ADP trounced expectations (220,000) and grew by 497,000 jobs, the highest monthly change in more than a year. The June figure shocked markets as it followed 350bps of rate hikes enacted by the Federal Reserve over the last twelve months.
- The ISM Manufacturing Index fell -0.9 to 46.0. All components of the index are now under 50, which suggests contracting business conditions. The Production and Employment indices – which were the only components above 50.0 in May – fell to 46.7 and 48.1, respectively.

## U.S. EQUITIES

- U.S equities ended the quarter on a high note. The S&P 500 – which returned +8.7% for the quarter and +6.6% in June – was likely boosted by improved earnings projections through year end, greater optimism surrounding the economy, and the Fed’s rate pause.
- The Fed released results from its annual banking stress test. This year’s test was only applicable to the “too big to fail” classification of banks, but results helped ease lingering concerns of potential bank failures as all 23 banks passed. The stress test assumed a 10% unemployment rate, 40% decline in commercial real estate prices, a 38% decline in home prices and a minimum 4.5% capital ratio. Financials stocks gained +6.7%.

## U.S. FIXED INCOME

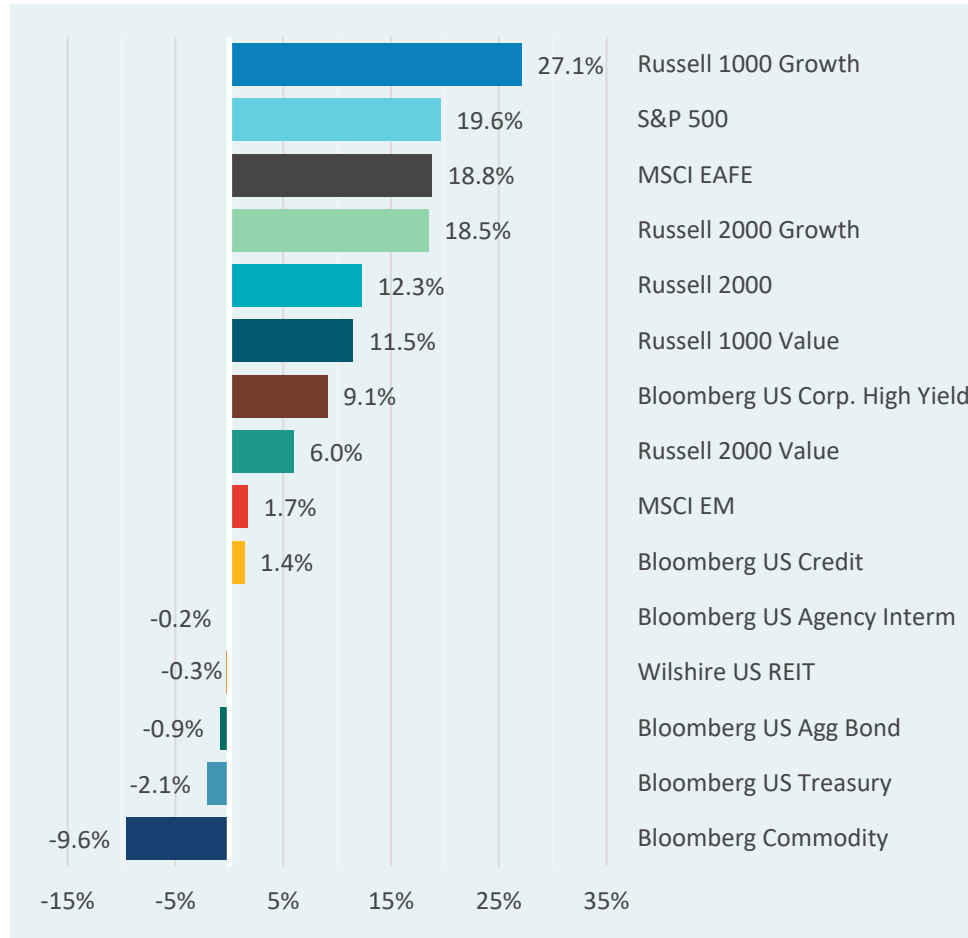
- The Fed held rates constant at a range of 5.00%-5.25%. This was referred to by many as a “hawkish pause”, after the Fed signaled that there would likely be more hikes later in the year. Minutes from the meeting show some officials would have supported another 25-bps hike. FOMC members noted the tight labor market, continued economic momentum, and questioned if the effects of prior hikes had yet been realized.
- Looking ahead, investors await the July 25<sup>th</sup> FOMC meeting for which a high probability of a +25bps increase is now priced in. Markets are assuming a peak rate of 5.6% in the fall of 2023.
- The U.S. yield curve ended the month mildly flatter as 3-month Treasuries declined by -9bps while the 10-year Treasury rose +17bps and the 30-year remained stable at 3.85%. Aside from a -3bps decline in March, the 3-month had been consistently moving higher since August 2021.

## INTERNATIONAL MARKETS

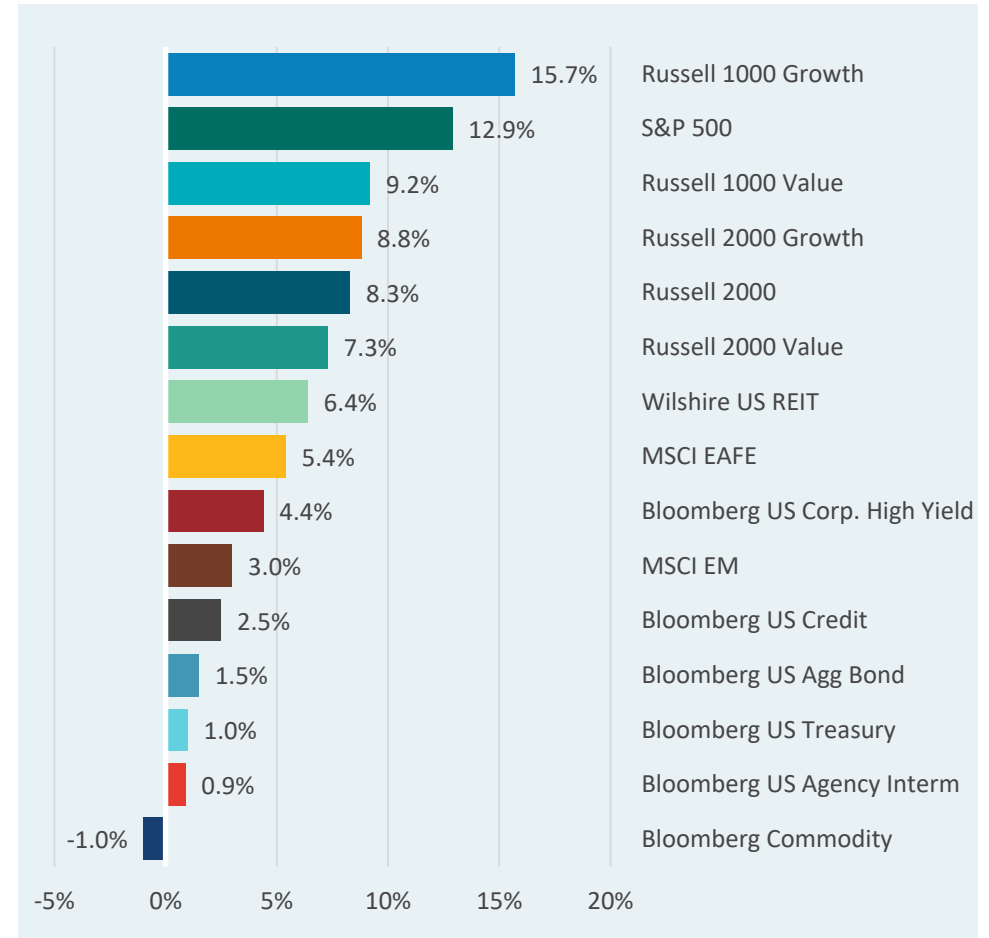
- Unlike the Fed, many central banks opted for more rate hikes amid similar backdrops of continued economic strength and persistent inflation. The Bank of England voted 7-2 for a +50bps increase while the European Central Bank and Bank of Canada hiked +25bps. The ECB also raised year-end core inflation projections to 5.4% and lowered GDP expectations to 0.9% for the year.
- On June 16<sup>th</sup>, the Bank of Japan announced that they would keep their low-rate policy unchanged. The dovish stance, including expectations for cooling inflation, was negative for the yen. Following the announcement, the yen fell and continued to fall through month-end to finish -2.5% lower against the dollar.

# Major asset class returns

ONE YEAR ENDING JUNE



TEN YEARS ENDING JUNE



\*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 6/30/23

Source: Morningstar, as of 6/30/23

# U.S. large cap equities

- The S&P 500 (+6.6%) jumped to a 13-month high intramonth as investors became increasingly hopeful of a *no recession* scenario and a nearing pivot in Fed policy. In contrast to prior months, moves were broadly positive across sectors and 90% of index constituents moved higher.
- Year-to-date gains continue to be dominated by a small number of names. In fact, the YTD S&P 500 return would be negative if the top 44 index members were removed. The S&P Top 50 Index has risen +27.6% in the first six months of the year, +10.7% higher than the broader index.
- All 11 sectors gained, led by Consumer Discretionary (+12.1%) and Industrials (+11.3%), while Telecom (+1.6%) and Utilities (+2.6%) rose the least. Cyclical sectors broadly outperformed defensive sectors, perhaps reflecting renewed expectations that the U.S. economy will remain strong.
- U.S. equity market volatility fell sharply following the Fed's decision to pause rate hikes, and then remained markedly low as investor optimism saw continual improvement. The VIX fell -4.4 points to 13.6 in June and touched a 3-year low on June 22<sup>nd</sup>.

**S&P 500 PRICE INDEX**



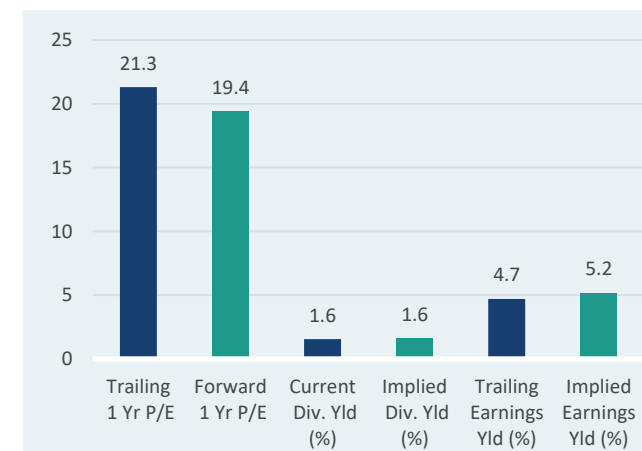
Source: Bloomberg, as of 6/30/23

**IMPLIED VOLATILITY (VIX INDEX)**



Source: Cboe, as of 6/30/23

**S&P 500 VALUATION SNAPSHOT**

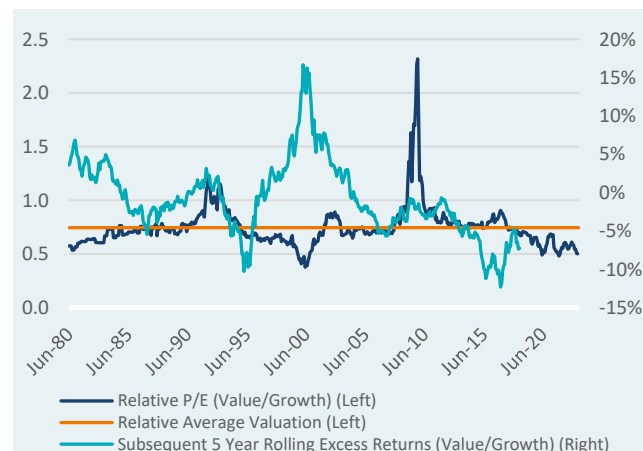


Source: Bloomberg, as of 6/30/23

# Domestic equity size and style

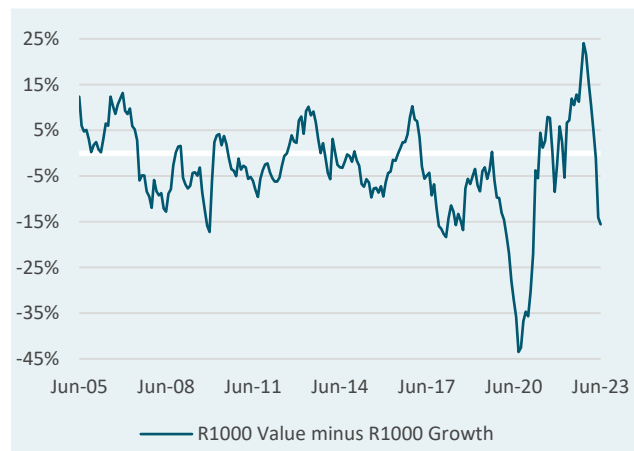
- Large-cap growth equities (+6.8%) were mostly in-line with value equities (+6.6%). Growth outperformed by a smaller margin than in recent months, as sector performance was less pronounced. Strength in cyclicals beyond tech and telecom helped level the playing field as well.
- Strong gains in mega-cap tech heavyweights continued to fuel overall growth index performance. Nvidia saw its valuation surpass \$1 trillion in June, and Apple – which now occupies 13.4% of the Russell 1000 Growth Index – rallied +9.4% and became the first \$3 trillion U.S. company.
- Small- (+8.1%) and mid-cap equities (+8.3%) beat large-caps (+6.8%) in a reversal of the recent trend. Small-cap Industrials, Energy, and Materials – which are highly sensitive to changes in expectations for the domestic economy – each posted double-digit gains.
- Small-cap Financials (+7.4%) saw a brief rally after three months of declines on regional banking stress. Smaller U.S. banks moved higher as deposits recovered slightly from April lows and the influx of negative headlines slowed. However, further efforts to increase deposits are expected to put pressure on Q2 earnings.

**VALUE VS. GROWTH RELATIVE VALUATIONS**



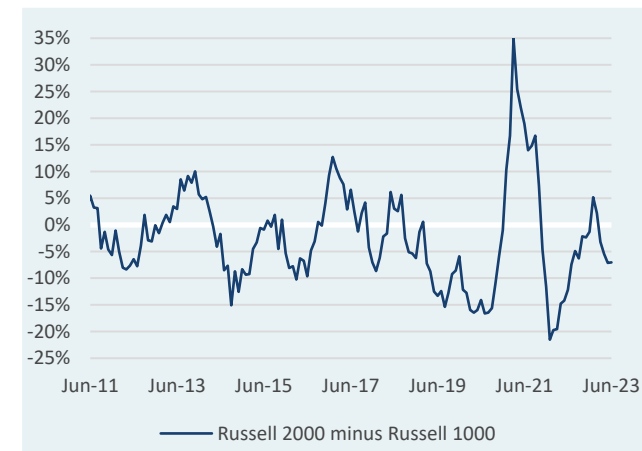
Source: FTSE, Bloomberg, as of 6/30/23

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 6/30/23

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**

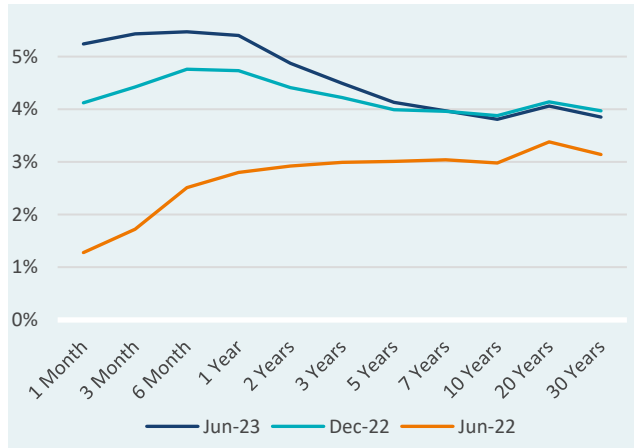


Source: FTSE, Bloomberg, as of 6/30/23

# Fixed income

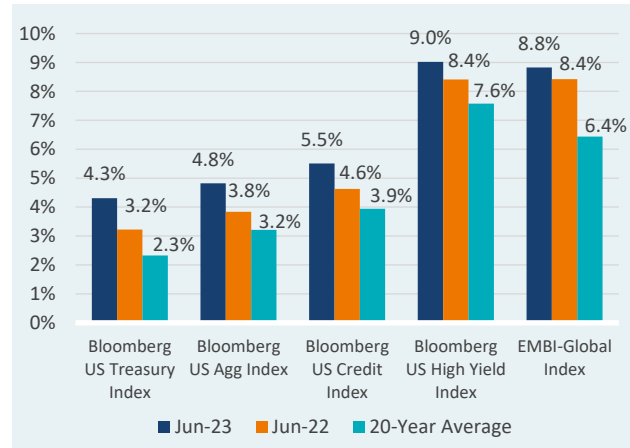
- Rate moves were mostly muted on the short- and long-end of the curve though June proved to be a tumultuous month for rates on intermediate-dated tenors. June yield curve movements largely reflected the Fed pause and mounting expectations of additional 2023 hikes. Yields on 2-year Treasuries climbed +47bps to 4.87%, their highest level since March.
- Longer-term interest rates remain anchored despite recent interest rate hikes. This has resulted in the most deeply inverted U.S. yield curve since the early 1980s at -1.06% (10-year Treasury yield minus 2-year Treasury yield).
- Bond market volatility fell after a cooler-than-expected May CPI print released early in the month solidified investor bets on the subsequent Fed pause. The MOVE Index – which measures the volatility of U.S. Treasury futures – retreated -25.4 points to 110.6 in a continuation of its descent from 15-year highs observed in March.
- High yield corporate credit (Bloomberg U.S. Corporate High Yield +1.7%) widely outperformed the domestic fixed income landscape. High yield spreads compressed dramatically, falling -64bps to end the month at 405 bps and near 1-year lows.

U.S. TREASURY YIELD CURVE



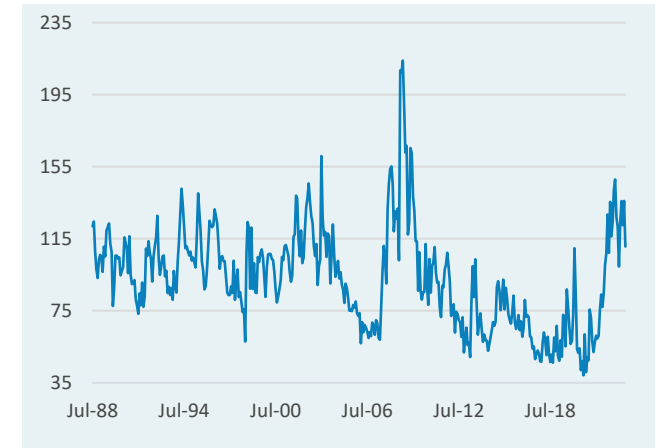
Source: Bloomberg, as of 6/30/23

NOMINAL YIELDS



Source: Morningstar, as of 6/30/23

U.S. TREASURY IMPLIED VOL (“MOVE” INDEX)

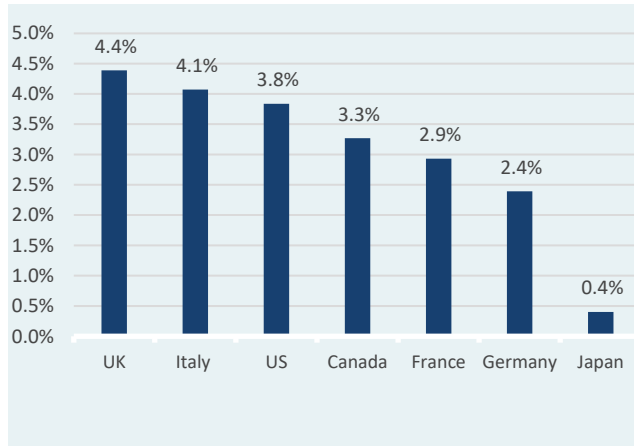


Source: Bloomberg, as of 6/30/23

# Global markets

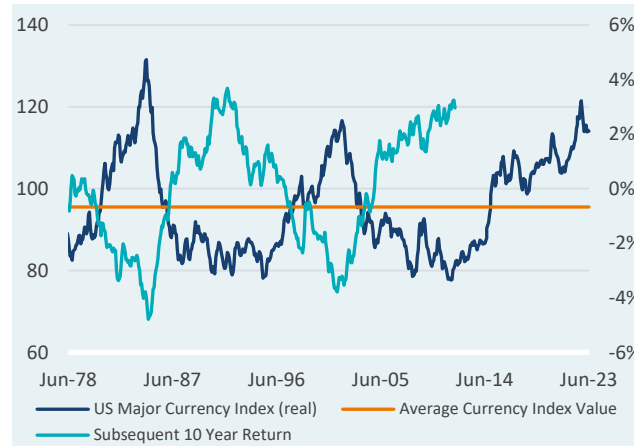
- International equities partially rebounded from May declines (MSCI ACWI ex USA +4.4%) but trailed domestic equities. Strong performance in Euro countries (+6.4%) drove international stocks, although gains were widespread across both developing and emerging markets.
- Japanese equities (MSCI Japan +4.1%) rose on commentary from BOJ governor Ueda which suggested interest-rates would remain in negative territory. Japan has been the top performing major market year-to-date in local currency terms as the TOPIX closed June +22.7% higher than the prior year end.
- The MSCI EM Latin America Index (+12.0%) was one of the best performing regional indices as all constituents displayed signs of improved political stability and economic outlook. Additionally, Brazil was propped up by commodities, including a surge in soybean and soybean oil prices of which it is one of the top exporters in the world.
- Global bonds (Bloomberg Global Aggregate ex US +0.3%) narrowly outperformed domestic bonds as dollar weakness offset slight increases in yields across most developed markets. EM debt continued to outperform in both hard and local denominations.

## GLOBAL SOVEREIGN 10-YEAR YIELDS



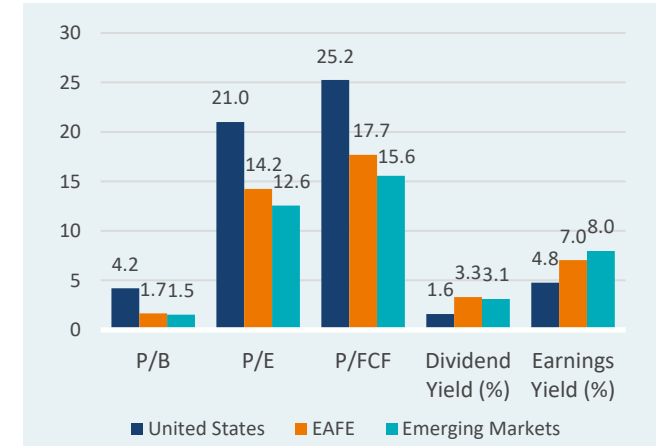
Source: Bloomberg, as of 6/30/23

## U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 6/30/23

## MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 6/30/23

# Commodities

- The Bloomberg Commodity Index was up +4.0% on the month but still ended down -2.6% for the quarter. Most sub-sectors finished broadly negative for the quarter with only livestock (+9.7%) and softs (+2.4%) posting positive returns.
- The month-end USDA Acreage report helped boost soybean (+10.9%) and soybean oil (+33.5%) prices but contributed to a sharp decline in corn prices (-17.8%). Total corn acres planted increased 6% YoY while soybean planted area decreased 5% YoY. The estimated 94.1 million acres of corn planted represents the third highest planted acreage in the U.S. since 1944.

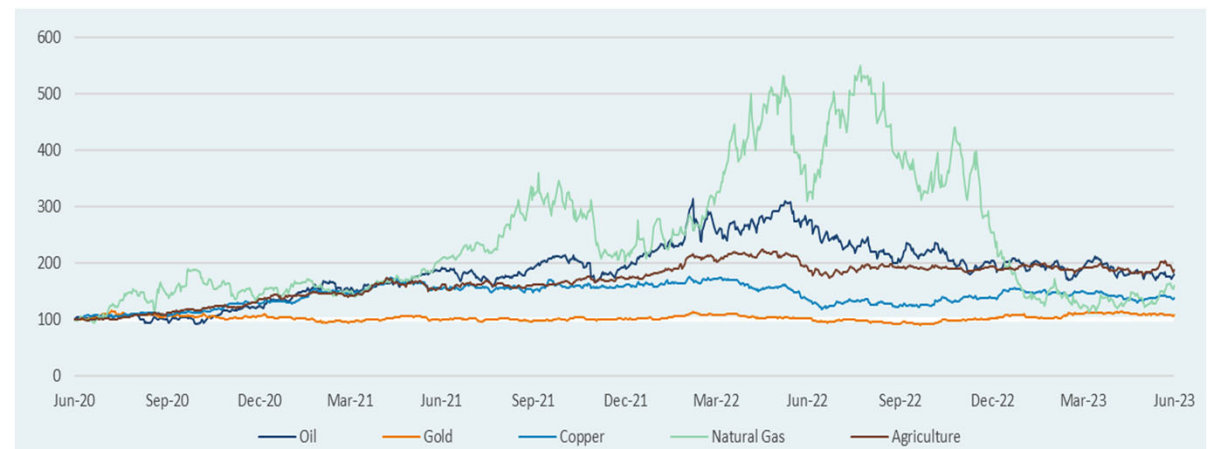
- Industrial metals (+1.1%) performance was mixed. Zinc (+6.5%) delivered a light rally on news of mine disruptions and shrinkage in concentrate inventories. Conversely, aluminum (-5.4%) struggled amid increasing supply due in part to weaker industrial consumption in China and softer demand in sectors like autos and construction.
- Energy and grains – which make up 52% of the commodity index – helped buoy performance for the month. All sub-indices within energy were in the green but natural gas spiked 23.5% on slowing production and warmer weather forecasts as well as the subsequent expected increases in demand for the summer season.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	4.0	(2.6)	(7.8)	(9.6)	17.8	4.7	(1.0)
Bloomberg Agriculture	5.1	(1.0)	(1.0)	1.2	25.3	10.2	(0.1)
Bloomberg Energy	8.4	(1.6)	(20.0)	(31.1)	20.9	(3.8)	(8.5)
Bloomberg Grains	6.2	(3.7)	(6.0)	(4.5)	22.5	9.1	(2.0)
Bloomberg Industrial Metals	1.1	(10.5)	(12.4)	(5.4)	12.3	3.4	2.1
Bloomberg Livestock	9.8	9.7	5.0	16.8	12.6	(1.8)	(2.3)
Bloomberg Petroleum	5.6	(3.1)	(8.9)	(18.9)	37.0	3.3	(4.1)
Bloomberg Precious Metals	(2.4)	(3.1)	3.0	7.8	2.2	7.4	3.0
Bloomberg Softs	(6.6)	2.4	11.9	4.6	24.1	8.0	(0.5)

Source: Morningstar, as of 6/30/23

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 6/30/23



# Appendix

# Periodic table of returns

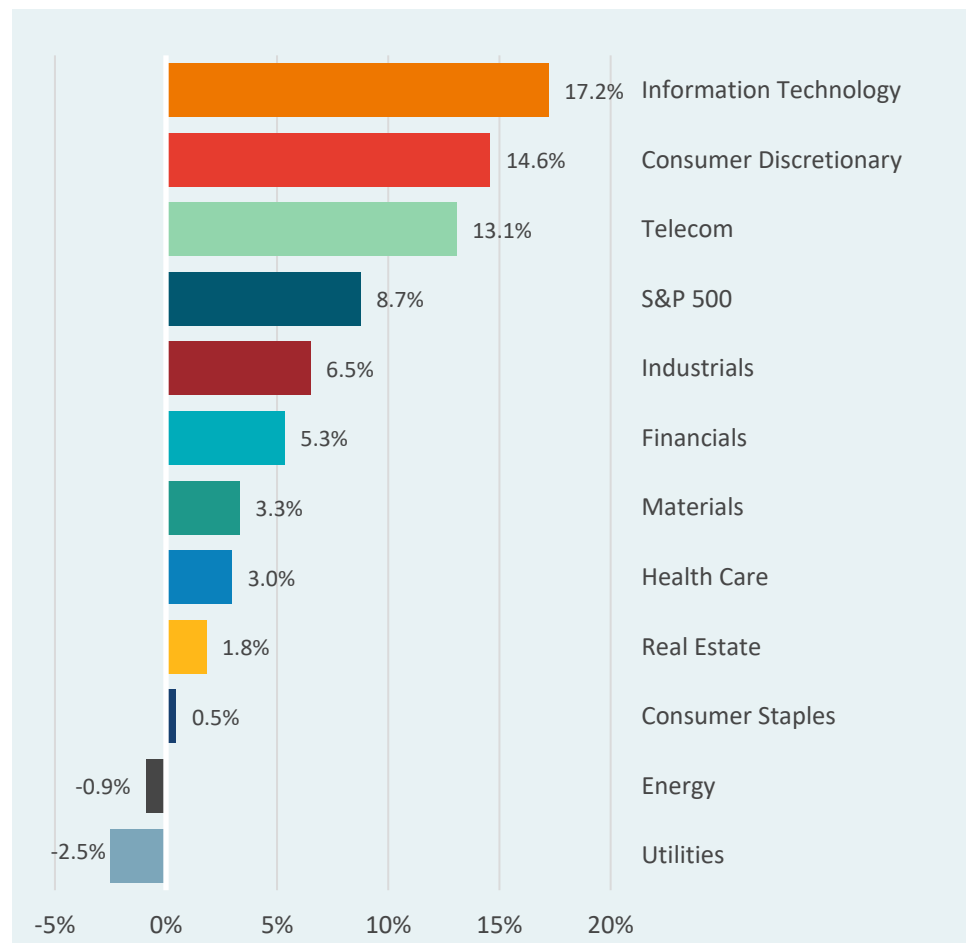
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	5-Year	10-Year
Large Cap Growth	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	29.0	15.1	15.7
Large Cap Equity	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	16.7	11.9	12.6
Small Cap Growth	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	13.6	8.1	9.2
International Equity	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	11.7	6.7	8.8
60/40 Global Portfolio	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	8.8	4.7	8.3
Small Cap Equity	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.4	14.0	17.7	-13.0	8.1	4.6	8.3
Large Cap Value	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.0	10.3	14.8	-14.5	5.1	4.4	7.3
Emerging Markets Equity	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	4.9	4.2	5.5
Small Cap Value	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	2.5	4.2	5.4
Hedge Funds of Funds	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	2.3	3.5	3.4
Cash	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	2.3	3.3	3.0
US Bonds	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	2.1	1.5	1.5
Real Estate	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	-1.8	0.9	0.9
Commodities	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-7.8	0.8	-1.0



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 3/31/23.

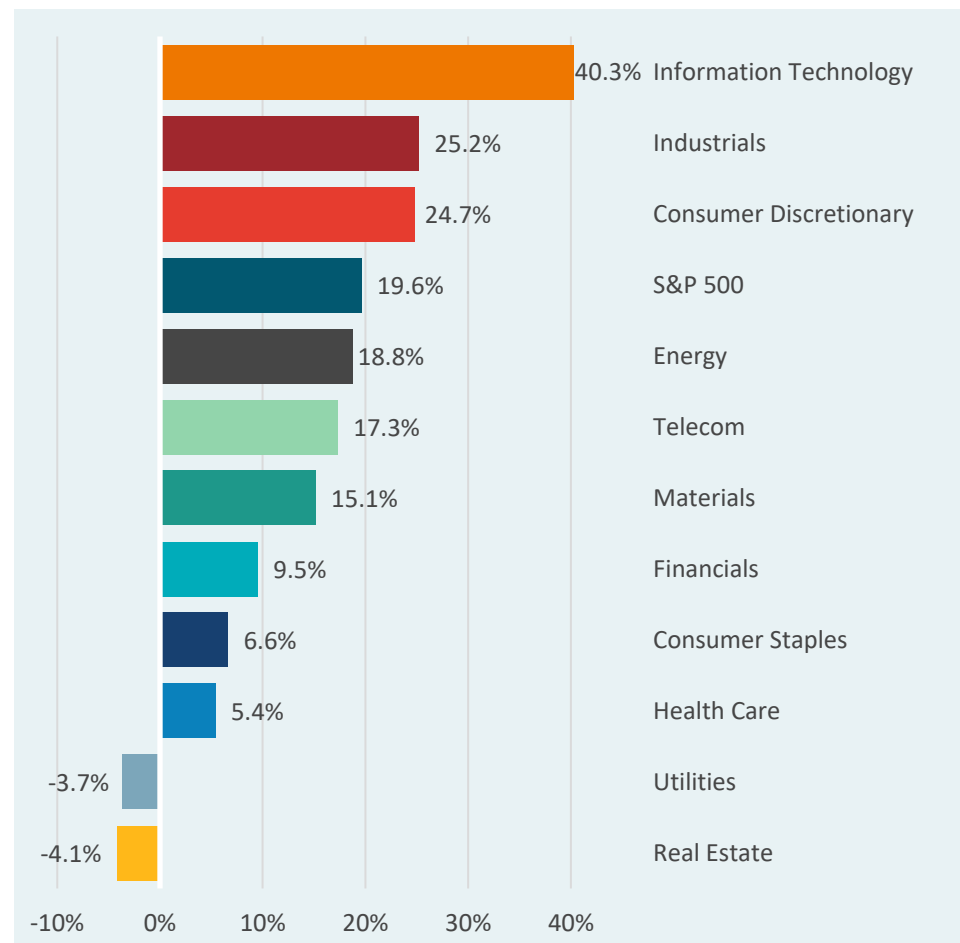
# S&P 500 sector returns

QTD



Source: Morningstar, as of 6/30/23

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/23

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	6.6	8.7	16.9	19.6	14.6	12.3	12.9
S&P 500 Equal Weighted	7.7	4.0	7.0	13.8	15.8	10.2	11.5
DJ Industrial Average	4.7	4.0	4.9	14.2	12.3	9.6	11.3
Russell Top 200	6.2	9.9	19.4	20.9	14.6	13.2	13.5
Russell 1000	6.8	8.6	16.7	19.4	14.1	11.9	12.6
Russell 2000	8.1	5.2	8.1	12.3	10.8	4.2	8.3
Russell 3000	6.8	8.4	16.2	19.0	13.9	11.4	12.3
Russell Mid Cap	8.3	4.8	9.0	14.9	12.5	8.5	10.3
<b>Style Index</b>							
Russell 1000 Growth	6.8	12.8	29.0	27.1	13.7	15.1	15.7
Russell 1000 Value	6.6	4.1	5.1	11.5	14.3	8.1	9.2
Russell 2000 Growth	8.3	7.1	13.6	18.5	6.1	4.2	8.8
Russell 2000 Value	7.9	3.2	2.5	6.0	15.4	3.5	7.3

## INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
MSCI ACWI	5.8	6.2	13.9	16.5	11.0	8.1	8.8
MSCI ACWI ex US	4.5	2.4	9.5	12.7	7.2	3.5	4.7
MSCI EAFE	4.6	3.0	11.7	18.8	8.9	4.4	5.4
MSCI EM	3.8	0.9	4.9	1.7	2.3	0.9	3.0
MSCI EAFE Small Cap	2.9	0.6	5.5	10.2	5.7	1.3	6.2
<b>Style Index</b>							
MSCI EAFE Growth	3.5	2.8	14.2	20.2	6.3	5.4	6.4
MSCI EAFE Value	5.6	3.2	9.3	17.4	11.3	2.9	4.1
<b>Regional Index</b>							
MSCI UK	3.9	2.2	8.4	13.2	12.6	2.8	3.9
MSCI Japan	4.1	6.4	13.0	18.1	5.7	3.1	5.2
MSCI Euro	6.4	3.8	19.9	32.7	11.7	5.2	6.2
MSCI EM Asia	2.7	(0.8)	4.0	(0.9)	1.2	1.2	4.7
MSCI EM Latin American	12.0	14.0	18.5	29.8	16.4	4.8	1.1

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	(0.3)	(1.4)	1.9	(1.4)	(0.1)	2.5	2.1
Bloomberg US Treasury Bills	0.4	1.2	2.3	3.6	1.2	1.5	1.0
Bloomberg US Agg Bond	(0.4)	(0.8)	2.1	(0.9)	(4.0)	0.8	1.5
Bloomberg US Universal	(0.2)	(0.6)	2.3	(0.0)	(3.4)	1.0	1.8
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	(0.5)	(0.6)	1.0	0.1	(1.1)	0.9	0.8
Bloomberg US Treasury Long	(0.0)	(2.3)	3.7	(6.8)	(12.1)	(0.9)	1.8
Bloomberg US Treasury	(0.8)	(1.4)	1.6	(2.1)	(4.8)	0.4	1.0
<b>Issuer</b>							
Bloomberg US MBS	(0.4)	(0.6)	1.9	(1.5)	(3.7)	0.0	1.1
Bloomberg US Corp. High Yield	1.7	1.7	5.4	9.1	3.1	3.4	4.4
Bloomberg US Agency Interm	(0.5)	(0.4)	1.5	(0.2)	(2.0)	0.7	0.9
Bloomberg US Credit	0.3	(0.3)	3.1	1.4	(3.4)	1.7	2.5

## OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Index</b>							
Bloomberg Commodity	4.0	(2.6)	(7.8)	(9.6)	17.8	4.7	(1.0)
Wilshire US REIT	5.4	3.3	6.7	(0.3)	8.6	4.4	6.4
CS Leveraged Loans	2.2	3.1	6.3	10.1	6.2	4.0	4.1
S&P Global Infrastructure	3.0	(0.1)	3.8	4.2	10.6	5.3	6.7
Alerian MLP	4.5	6.2	9.8	31.5	31.2	5.9	0.8
<b>Regional Index</b>							
JPM EMBI Global Div	2.2	2.2	4.1	7.4	(3.1)	0.6	2.8
JPM GBI-EM Global Div	3.3	2.5	7.8	11.4	(1.4)	0.3	(0.6)
<b>Hedge Funds</b>							
HFRI Composite	2.2	2.2	3.5	5.1	8.2	5.0	4.7
HFRI FOF Composite	1.2	1.5	2.3	3.7	5.0	3.3	3.4
<b>Currency (Spot)</b>							
Euro	2.3	0.4	2.2	4.4	(1.0)	(1.4)	(1.7)
Pound Sterling	2.6	2.8	5.7	4.7	1.0	(0.8)	(1.8)
Yen	(3.3)	(7.9)	(8.7)	(6.0)	(9.3)	(5.2)	(3.7)

Source: Morningstar, HFRI, as of 6/30/23.



# Detailed private market returns

## Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	(8.7)	19.7	16.2	13.8
Global Private Equity Direct Funds *	(9.4)	19.2	17.3	15.9
U.S. Private Equity Direct Funds *	(9.1)	21.8	19.5	17.6
Europe Private Equity Direct Funds *	(9.4)	16.8	15.6	14.0
Asia Private Equity Direct Funds *	(8.3)	11.3	10.3	12.8

Public Index Time-weighted Returns				
MSCI World	(18.1)	4.9	6.1	8.9
S&P 500	(18.1)	7.7	9.4	12.6
MSCI Europe	(15.1)	1.3	1.9	4.6
MSCI AC Asia Pacific	(17.2)	(0.8)	0.2	4.3

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	5.8	12.0	10.9	12.7

Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	(24.4)	(0.1)	3.7	6.5

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	5.3	15.3	12.3	11.3

Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	(0.6)	1.9	3.1	3.2

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	20.8	10.9	5.0	3.6
Global Infrastructure	8.1	11.2	10.4	10.9

Public Index Time-weighted Returns				
S&P Global Natural Resources	10.3	11.6	7.3	4.9
S&P Global Infrastructure	(0.2)	1.7	3.9	6.5

Source: Pooled IRRs are from Thompson Reuters CJA and Time-weighted Returns are from Investment Metrics, as of December 31<sup>st</sup>, 2022. All returns in U.S. dollars.

\* Includes Buyout, Growth Equity and Venture Capital.

\*\* Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

\*\*\* Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

# Notices & disclosures

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