

# Q1

## Quarterly Market Review

First Quarter 2023

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This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

## Overview:

Market Commentary

Market Summary

World Stock Market Performance

US Stocks

International Developed Stocks

Emerging Markets Stocks

Country Returns

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income

# Quarterly Market Commentary

First Quarter 2023 – April 17, 2023

The “I’s” had it across the first quarter, as inflation and interest rates continued to dominate popular financial headlines. That is, at least, until the Silicon Valley Bank meltdown took over, followed by the government’s swift reaction to the same.

What should you make of the quarterly news? If you’d missed these events in real time, you may not even have known they’d happened. At quarter-end, inflation continued to simmer on the back burner, as it has for some time. For the [ninth time in a row](#), the Fed raised interest rates, most recently by a quarter point. Once again, many markets ended the quarter up, with big tech stocks leading the way. And to date, widespread bank runs have not materialized.

This suggests, as usual, your best bet is to lead with two different kinds of “I’s.”

## Investment Stamina

A third “I” is our investment strategy, clearly focused on the market’s distant event horizon. A recent [Vanguard Expert Perspective](#) described how breaking news otherwise tempts us to react as if we’re being chased by a grizzly bear:

*“[Y]our body and attention is 100% focused on the next second or maybe 30 seconds, but certainly not your plans for 10 years from now! Understanding that anxiety, fear, and pain shorten decision horizons not*

*only increases the motivation to better curate your news feeds and turn off ‘junk news,’ but it also increases your awareness to hit pause when considering significant decisions.”*

Put another way, across bear and bull markets alike, having a long-term investment outlook as our front-and-center guide better positions us to make thoughtful decisions amidst shifting news.

## Individual Pursuits

When should you buy, sell, or hold particular positions? When is it time to reduce your exposure to market risks, or increase your ability to seize hoped-for rewards? Why are you investing to begin with?

In large part, the answers are found in your fourth “I,” your individual goals.

Speaking of first quarter news, for more than a half century, Berkshire Hathaway’s Warren Buffett has been dispensing words of wisdom each first quarter in his annual Shareholder Letter. Here’s a gem from his [most recent release](#):

*“The disposition of money un.masks humans.”*

Isn’t that so true? How we choose to accumulate, invest, spend, and share our personal wealth says a lot about us.

What does your investment portfolio say about you? As long

as it’s already structured and managed to mirror your goals, your values, and your personality, we suggest staying true to yourself and your investment plans. Buffett offers some fresh advice on that as well:

*“The lesson for investors: The weeds wither away in significance as the flowers bloom. Over time, it takes just a few winners to work wonders.”*

As always, please let us know if we can help you look past the distracting weeds of the daily fray. In the meantime, we wish you and yours a bountiful spring.



Eric Hutchens

**President &  
Chief Investment Officer**  
Allodium Investment Consultants

# Quarterly Market Summary

## Index returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q1 2023	STOCKS				BONDS	
	7.18%	8.02%	3.96%	1.37%	2.96%	2.86%
						
Since Jan. 2001						
Average Quarterly Return	2.2%	1.5%	2.5%	2.2%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2001 Q3</b>	<b>2008 Q4</b>
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2022 Q1</b>	<b>2022 Q1</b>

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved. Bloomberg data provided by Bloomberg.

# Long-Term Market Summary

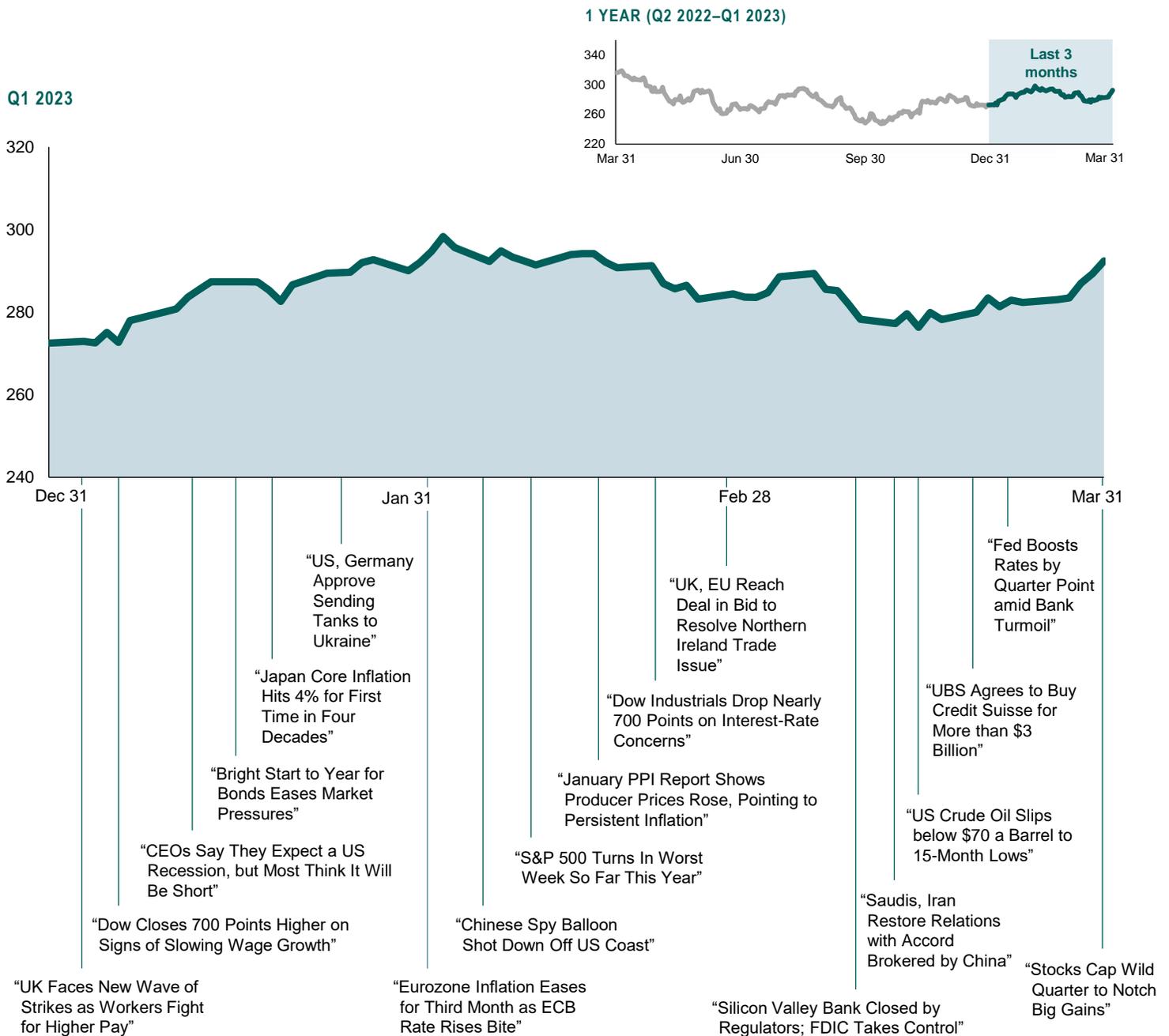
Index returns as of March 31, 2023

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	-8.58%	-2.74%	-10.70%	-20.29%	-4.78%	-3.27%
						
5 Years						
	10.45%	3.80%	-0.91%	2.41%	0.91%	0.90%
						
10 Years						
	11.73%	4.91%	2.00%	3.26%	1.36%	2.28%
						

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# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2023

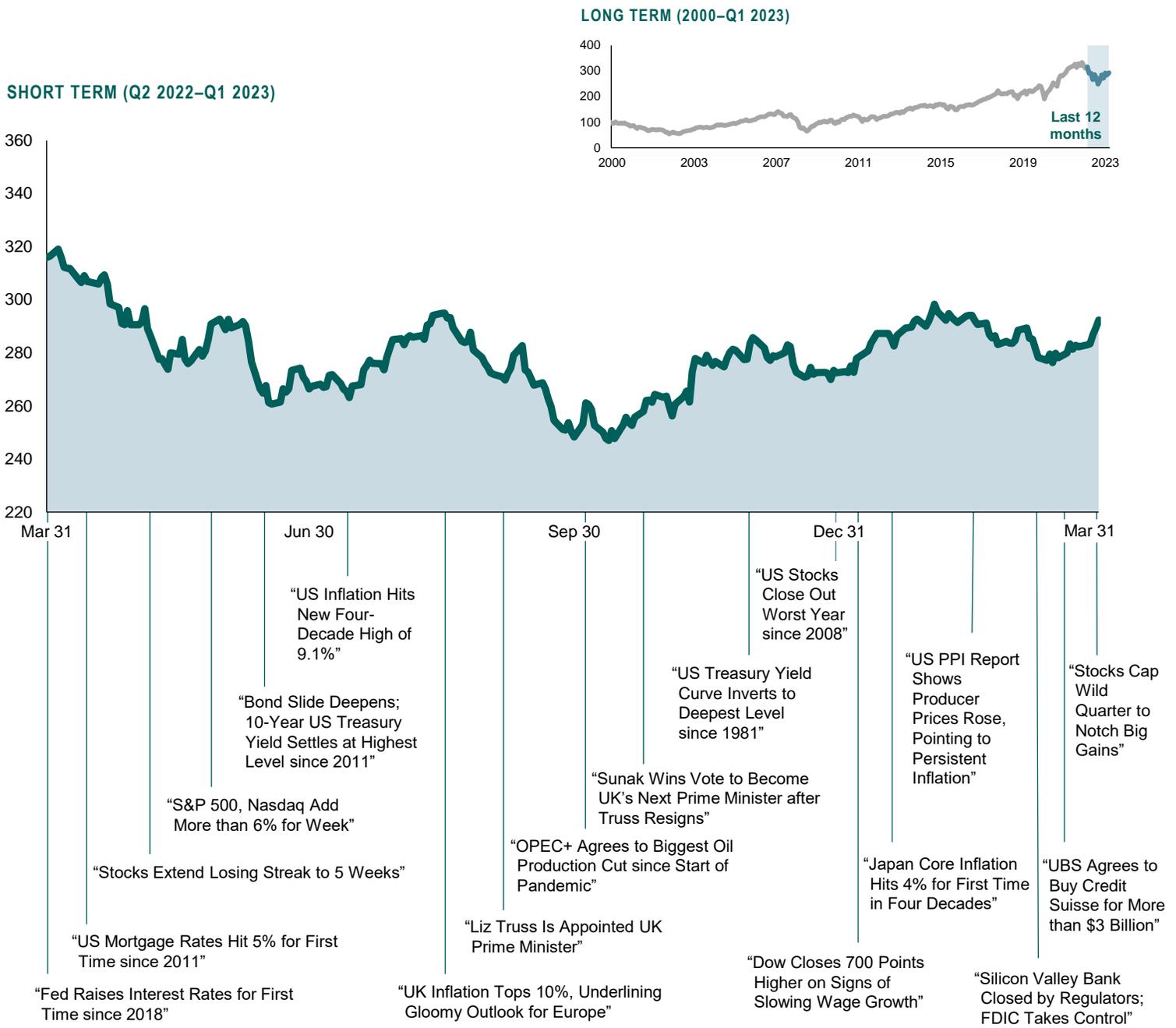


*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2023, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

# World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2023, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

# US Stocks

## First quarter 2023 index returns

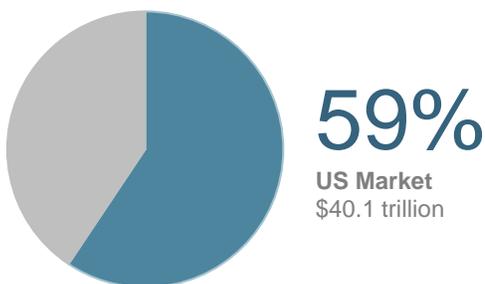
The US equity market posted positive returns for the quarter and underperformed non-US developed markets, but outperformed emerging markets.

Value underperformed growth.

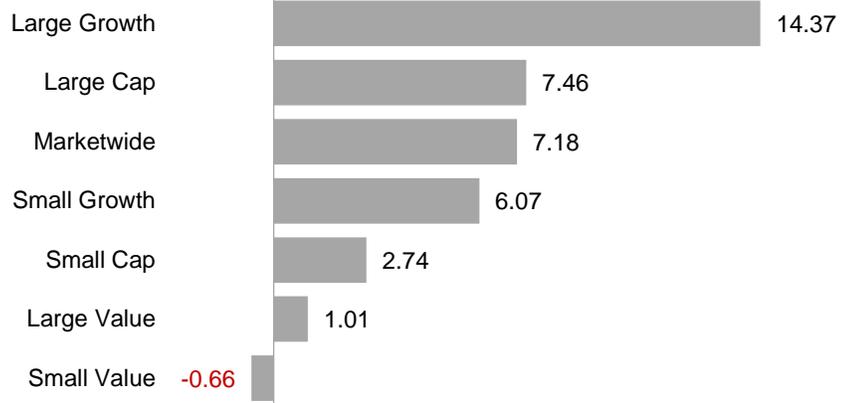
Small caps underperformed large caps.

REIT indices underperformed equity market indices.

### World Market Capitalization—US



### Ranked Returns (%)



### Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Large Growth	14.37	-10.90	18.58	13.66	14.59
Large Cap	7.46	-8.39	18.55	10.87	12.01
Marketwide	7.18	-8.58	18.48	10.45	11.73
Small Growth	6.07	-10.60	13.36	4.26	8.49
Small Cap	2.74	-11.61	17.51	4.71	8.04
Large Value	1.01	-5.91	17.93	7.50	9.13
Small Value	-0.66	-12.96	21.01	4.55	7.22

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved.

# International Developed Stocks

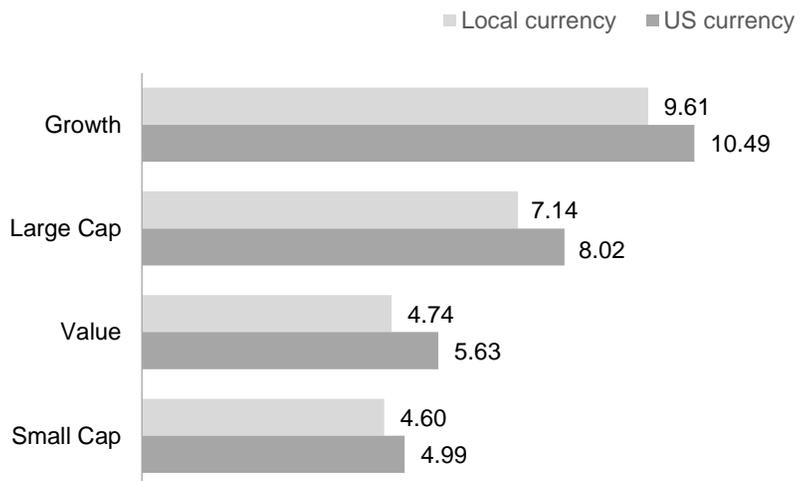
First quarter 2023 index returns

Developed markets outside of the US posted positive returns for the quarter and outperformed both US and emerging markets.

Value underperformed growth.

Small caps underperformed large caps.

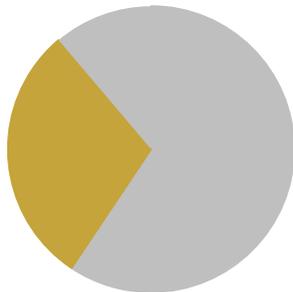
## Ranked Returns (%)



## World Market Capitalization— International Developed

**29%**

International  
Developed Market  
\$19.9 trillion



## Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Growth	10.49	-4.04	11.15	4.96	5.77
Large Cap	8.02	-2.74	13.49	3.80	4.91
Value	5.63	-1.85	15.32	2.18	3.80
Small Cap	4.99	-10.13	13.43	1.54	5.54

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# Emerging Markets Stocks

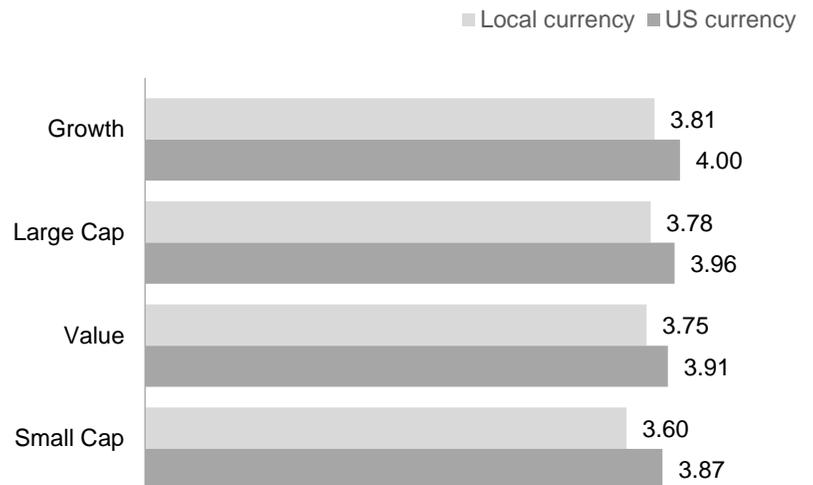
First quarter 2023 index returns

Emerging markets posted positive returns for the quarter and underperformed both US and non-US developed markets.

Value underperformed growth.

Small caps underperformed large caps.

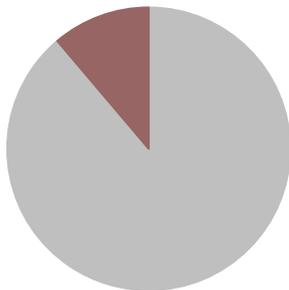
## Ranked Returns (%)



## World Market Capitalization— Emerging Markets

**11%**

Emerging  
Markets  
\$7.6 trillion



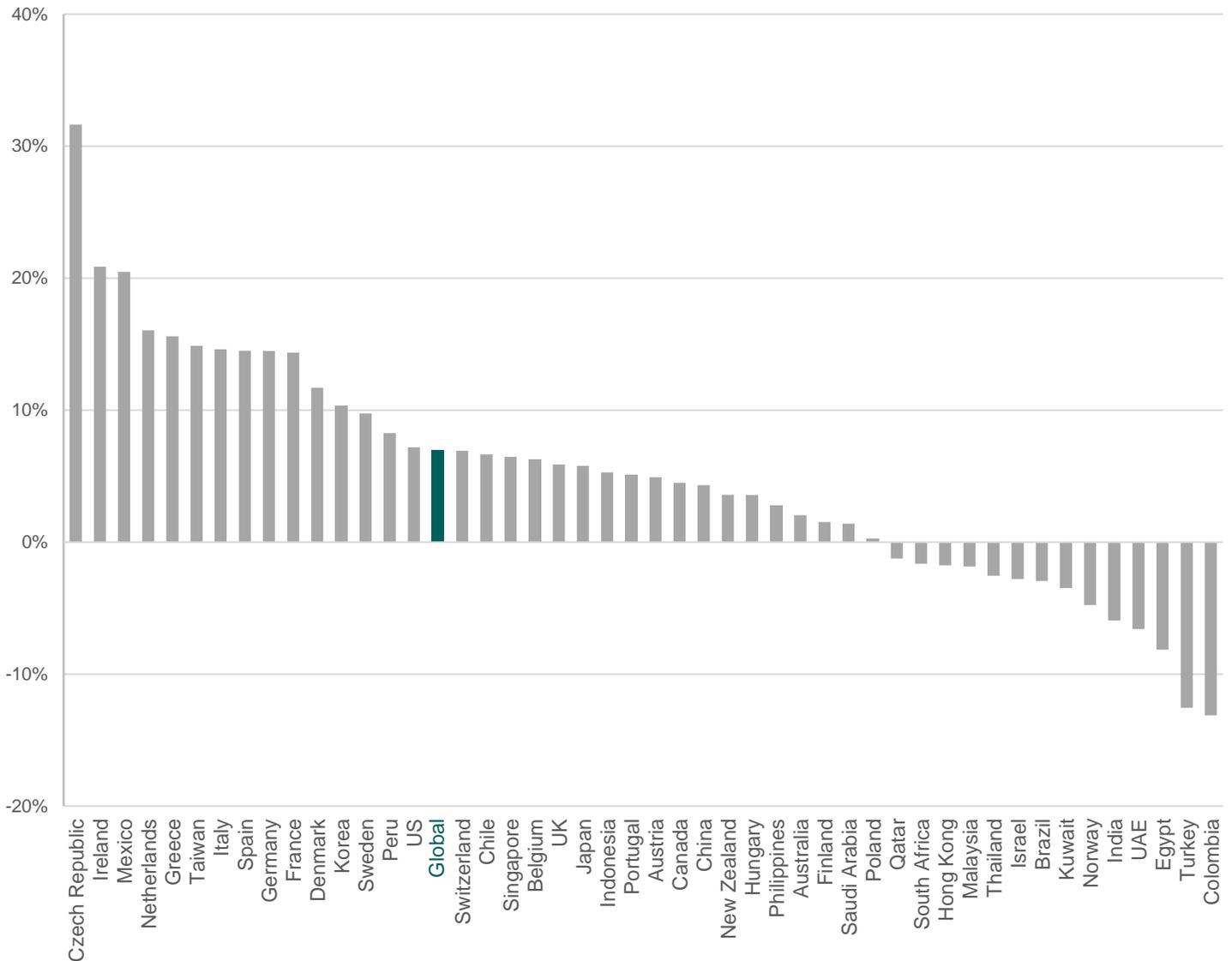
## Period Returns (%)

Asset Class	QTR	1 Year	3 Years	Annualized	
				5 Years	10 Years
Growth	4.00	-11.87	5.65	-0.79	3.18
Large Cap	3.96	-10.70	7.83	-0.91	2.00
Value	3.91	-9.44	10.04	-1.15	0.69
Small Cap	3.87	-10.99	20.68	1.80	3.18

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# Country Returns

First quarter 2023 index returns



**Past performance is no guarantee of future results.**

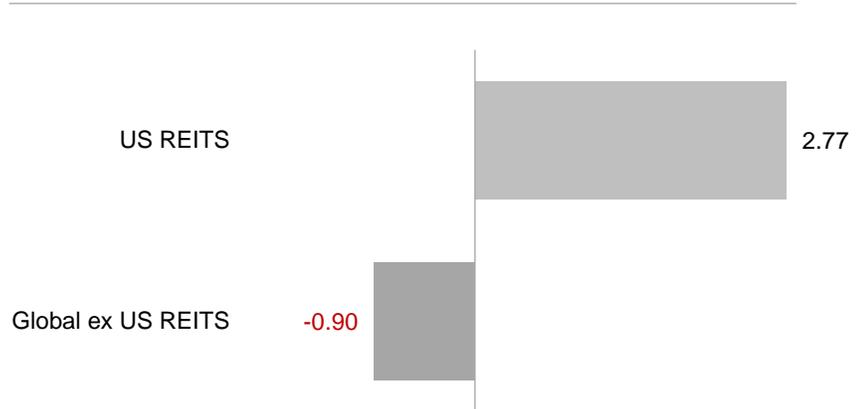
Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved.

# Real Estate Investment Trusts (REITs)

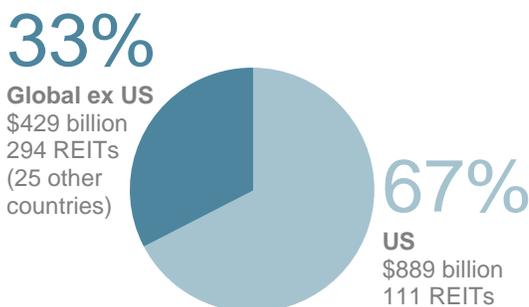
First quarter 2023 index returns

US real estate investment trusts outperformed non-US REITs during the quarter.

## Ranked Returns (%)



## Total Value of REIT Stocks



## Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
US REITS	2.77	-20.98	11.32	4.66	5.31
Global ex US REITS	-0.90	-20.93	4.83	-2.06	0.79

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

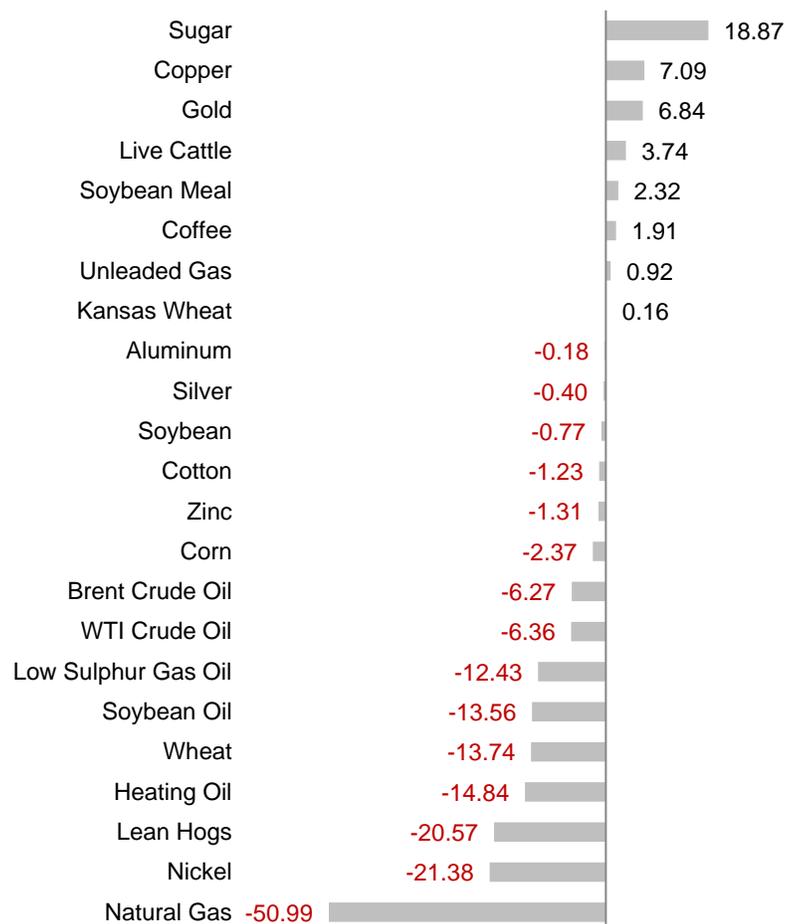
# Commodities

## First quarter 2023 index returns

The Bloomberg Commodity Total Return Index returned -5.36% for the first quarter of 2023.

Natural Gas and Nickel were the worst performers, returning -50.99% and -21.38% during the quarter, respectively. Sugar and Copper were the best performers, returning +18.87% and +7.09% during the quarter, respectively.

### Ranked Returns (%)



### Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Commodities	-5.36	-12.49	20.82	5.36	-1.72

# Fixed Income

## First quarter 2023 index returns

Within the US Treasury market during the first quarter of 2023, interest rates generally increased in the ultrashort-term segment and decreased in the short- to long-term segment.

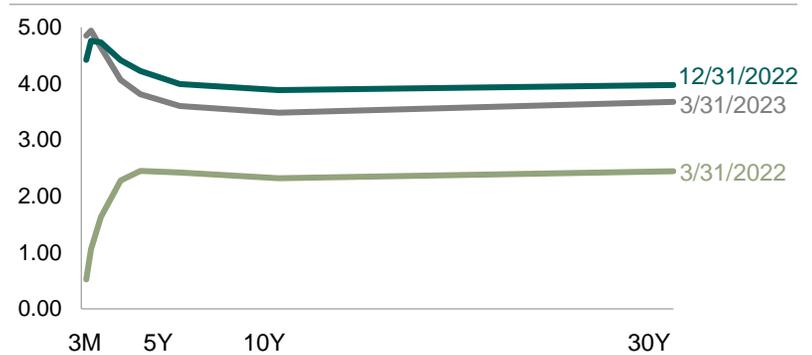
On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 62 basis points (bps) to 4.74%, while the 1-Year US Treasury Bill yield decreased 9 bps to 4.64%. The yield on the 2-Year US Treasury Note decreased 35 bps to 4.06%.

The yield on the 5-Year US Treasury Note decreased 39 bps to 3.60%. The yield on the 10-Year US Treasury Note decreased 40 bps to 3.48%. The yield on the 30-Year US Treasury Bond decreased 30 bps to 3.67%.

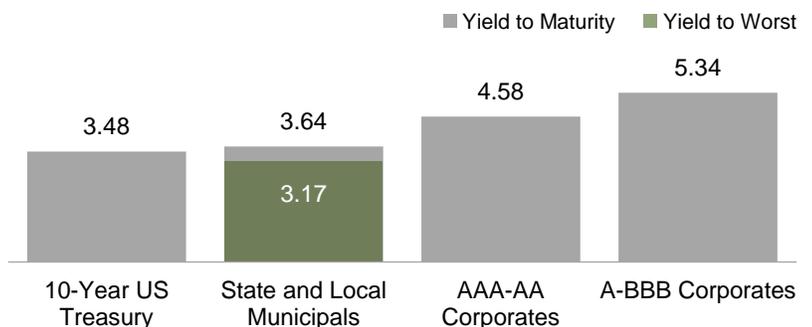
In terms of total returns, short-term US treasury bonds returned +1.87% while intermediate-term US treasury bonds returned +2.27%. Short-term corporate bonds returned +1.68% and intermediate-term corporate bonds returned +2.50%.<sup>1</sup>

The total returns for short- and intermediate-term municipal bonds were +1.37% and +2.35%, respectively. Within the municipal fixed income market, general obligation bonds returned +2.59% while revenue bonds returned +2.96%.<sup>2</sup>

### US Treasury Yield Curve (%)



### Bond Yields Across Issuers (%)



### Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Bloomberg U.S. Government Bond Index Long	6.16	-15.94	-11.25	-0.36	1.44
Bloomberg U.S. High Yield Corporate Bond Index	3.57	-3.34	5.91	3.21	4.10
Bloomberg U.S. TIPS Index	3.34	-6.06	1.75	2.94	1.49
Bloomberg U.S. Aggregate Bond Index	2.96	-4.78	-2.77	0.91	1.36
Bloomberg Municipal Bond Index	2.78	0.26	0.35	2.03	2.38
FTSE World Government Bond Index 1-5 Years	2.08	-3.38	-1.99	-1.06	-0.71
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.81	-0.40	-0.89	1.06	1.14
ICE BofA 1-Year US Treasury Note Index	1.25	1.02	0.08	1.29	0.85
ICE BofA US 3-Month Treasury Bill Index	1.07	2.50	0.89	1.41	0.87

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&BBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2023 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2023 ICE Data Indices, LLC. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

# Global Fixed Income

## First quarter 2023 yield curves

Except for ultrashort-term government bonds in the German and UK markets, interest rates generally decreased within global developed markets for the quarter.

Realized term premiums were positive in global developed markets.

In Japan, ultrashort-term nominal interest rates were negative. In Germany, the UK, Canada, and Australia the short-term segment of the yield curve was inverted.

### Changes in Yields (bps) since 12/31/2022

	1Y	5Y	10Y	20Y	30Y
US	-11.4	-37.9	-34.8	-31.3	-32.2
UK	44.6	-13.5	-24.6	-17.0	-8.8
Germany	56.9	-15.6	-19.5	-11.5	-8.0
Japan	-13.0	-15.9	-15.5	-25.7	-27.0
Canada	-20.3	-39.9	-38.8	-22.7	-22.5
Australia	-19.4	-65.3	-73.3	-61.7	-54.6

