

---

# May 2023 Market Update

US stocks posted positive returns in May with a 0.4% increase, international stocks dropped 3.5%, bonds lost 1.1% and real estate dropped 4.0%. U.S. stocks posted the best performance year-to-date with an 8.8% return, followed by international stocks at 5.2%, bonds at 2.6% and real estate which has declined 2.1% YTD.

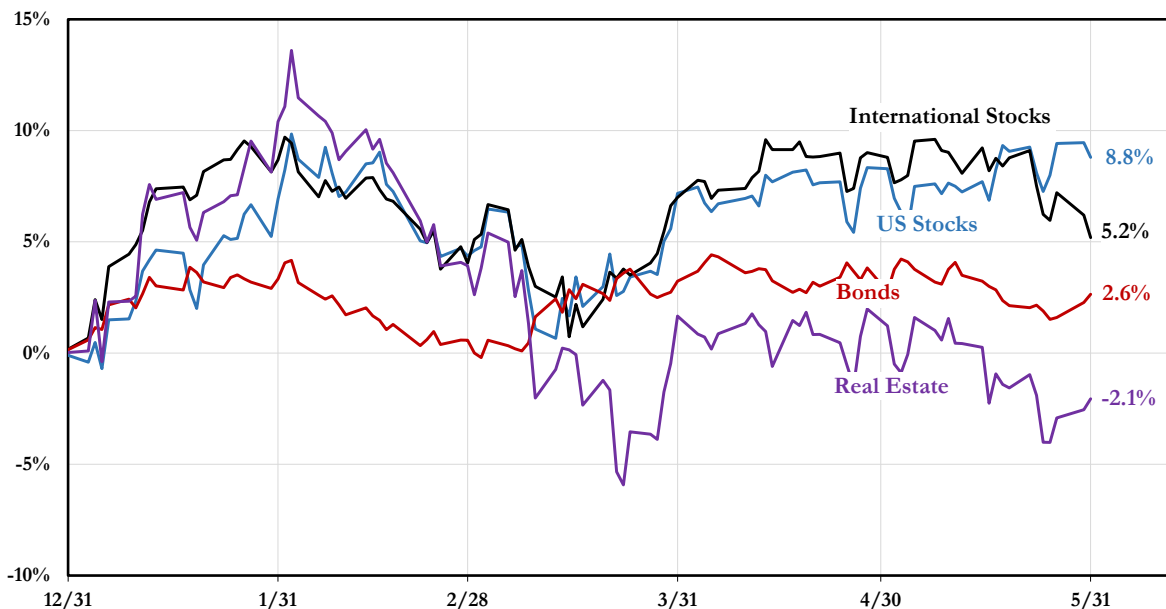
The growth vs. value decision has been the most consequential broad investing decision over the past several years and May's performance was an extreme example. U.S. large cap growth stocks outperformed large cap value stocks by a whopping 9.3% as investors piled into Artificial Intelligence stocks like Nvidia, Microsoft, and Google. US large cap growth stocks are up 24.6% year-to-date while large cap value stocks are down 3.4% for a total return differential of 28.0%. Keep in mind, however, that 2022 saw the exact opposite situation as growth lost 31% to value.

Treasury yields ended the month 20 bps higher on long Treasuries and 40 bps higher on short Treasuries. Short Treasury Bill yields were affected by the possibility of a government default due to the exhaustion of the debt ceiling. Once again, a default was avoided at the last moment.

May's CPI inflation was up 4.9% year-over-year and core inflation (ex-food and energy) up 5.5%. Predictions of a recession continue to be pushed further forward as the U.S. economy continues grow slowly. We expect the FOMC to "skip" an interest rate increase at next week's meeting to allow past rate increases to affect economic conditions.

Stocks remain over-valued by some metrics but we are not compelled to adjust allocations. We are evaluating our overweight to growth stocks and may pare those in the future.

**Chart 1: Year-to-Date Market Performance as of May 31, 2023**



# Benchmark Performance Summary

## *Asset Class Benchmark Returns*

Asset Class	1 Mo	YTD	2022	5 Yr
<b>Global Equities</b>	-1.2%	7.4%	-18.0%	6.7%
<b>U.S. Equities</b>	0.4%	8.8%	-19.5%	10.0%
U.S. Large Cap Equities	0.7%	10.0%	-19.9%	10.8%
U.S. Large Cap Growth	5.2%	24.6%	-33.2%	13.2%
U.S. Large Cap Value	-4.1%	-3.4%	-2.1%	8.1%
U.S. Small Cap Equities	-2.0%	0.5%	-17.5%	5.0%
U.S. Small Cap Growth	0.0%	6.7%	-28.4%	4.8%
U.S. Small Cap Value	-3.4%	-3.8%	-9.4%	4.4%
<b>Ex-U.S. Equities</b>	-3.5%	5.2%	-16.1%	2.4%
Developed Market Equities	-3.7%	6.7%	-15.4%	3.2%
Developed Market Growth	-2.7%	11.2%	-23.1%	4.3%
Developed Market Value	-5.2%	3.7%	-5.2%	1.6%
Emerging Market Equities	-3.0%	0.3%	-18.0%	0.3%
<b>Fixed Income</b>	-1.1%	2.6%	-13.0%	0.8%
Ultrashort	0.4%	1.9%	1.5%	1.5%
Short Term	-0.4%	1.5%	-3.9%	1.0%
Inflation Protected	-1.2%	2.3%	-12.0%	2.6%
U.S. Aggregate Bond	-1.1%	2.6%	-13.0%	0.8%
<b>Real Estate</b>	-4.0%	-2.1%	-26.2%	4.1%
<b>Cash</b>	0.4%	1.9%	1.5%	1.5%

## *Portfolio Benchmarks*

Portfolio	1 Mo	YTD	2022	5 Yr
<b>Vanguard Total World Stock ETF</b>	-1.2%	7.4%	-18.0%	6.7%
<b>Vanguard Total U.S. Stock ETF</b>	0.4%	8.8%	-19.5%	10.0%
Vanguard Lifestrategy Growth Fund 80/20	-1.1%	6.3%	-17.1%	5.8%
Vanguard Lifestrategy Mod Growth Fund 60/40	-1.0%	5.5%	-16.0%	4.6%
Vanguard Lifestrategy Cons Growth Fund 40/60	-0.9%	4.7%	-15.0%	3.4%
Vanguard Lifestrategy Income Fund 20/80	-0.8%	3.9%	-13.9%	2.1%
<b>Vanguard Total U.S. Bond Market ETF</b>	-1.2%	2.6%	-13.1%	0.9%