

# October 2023 Market Update

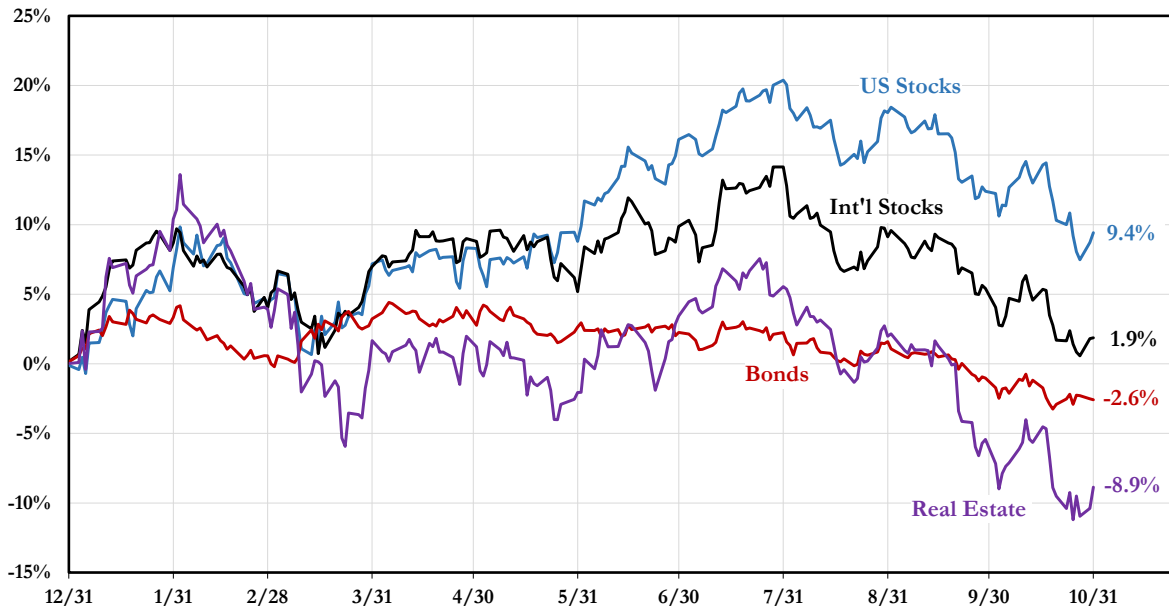
October marked the third month in a row that all asset classes – except cash – took losses. In October, U.S. equities lost 2.6%, international equities dropped 3.4% and real estate lost 3.6%. Over the last 3 months, U.S. equities are down 9.1%, international equities lost 10.8% and real estate is down 13.6%. On a year-to-date basis, U.S. equities are up 9.4%, international equities up 1.9% and real estate down 8.9%.

Like stocks, bond returns were down 4.7% over the past 3 months, a remarkable drop. Over the past three months 10-year Treasury yields rose from 3.97% to 4.88% while short yields were basically unchanged.

A major market shift occurred on Friday November 3<sup>rd</sup> when the government released weak employment data. We believe – and, based on bond market prices, the market believes – that the weak employment data is a signal to Federal Reserve officials that their work to raise rates over the past 1 ½ years has yielded the results they have been hoping to achieve. Long-term interest rates are significantly lower since the 3<sup>rd</sup> and the market is now pricing in an interest rate cut by the Fed in 2024. While we remain skeptical that inflation will achieve the targeted level of 2.0% anytime soon, it appears that the Fed is tacitly accepting that inflation is low enough and that the current trajectory of inflation is satisfactory.

We are maintaining asset allocations close to long-term targets. We are maintaining a small over-allocation to growth equities and we are evaluating an increase in our real estate allocations, based on a view towards recovery in that asset class.

**Chart 1: Year-to-Date Market Performance**



# Benchmark Performance Summary

## *Asset Class Benchmark Returns*

| Asset Class               | 1 Mo         | 3 Mo          | YTD          | 2022          | 3 Yr         | 5 Yr         |
|---------------------------|--------------|---------------|--------------|---------------|--------------|--------------|
| <b>Global Equities</b>    | <b>-2.9%</b> | <b>-9.7%</b>  | <b>6.5%</b>  | <b>-18.0%</b> | <b>6.8%</b>  | <b>7.6%</b>  |
| <b>U.S. Equities</b>      | <b>-2.6%</b> | <b>-9.1%</b>  | <b>9.4%</b>  | <b>-19.5%</b> | <b>9.0%</b>  | <b>10.2%</b> |
| U.S. Large Cap Equities   | -2.2%        | -8.3%         | 11.2%        | -19.9%        | 9.5%         | 10.9%        |
| U.S. Large Cap Growth     | -1.8%        | -8.4%         | 26.1%        | -33.2%        | 7.3%         | 13.7%        |
| U.S. Large Cap Value      | -2.6%        | -8.1%         | -2.5%        | -2.1%         | 12.1%        | 7.8%         |
| U.S. Small Cap Equities   | -5.8%        | -14.4%        | -1.8%        | -17.5%        | 5.8%         | 5.6%         |
| U.S. Small Cap Growth     | -7.1%        | -16.8%        | -0.3%        | -28.4%        | -2.3%        | 4.3%         |
| U.S. Small Cap Value      | -4.8%        | -12.5%        | -2.8%        | -9.4%         | 12.3%        | 5.9%         |
| <b>Ex-U.S. Equities</b>   | <b>-3.4%</b> | <b>-10.8%</b> | <b>1.9%</b>  | <b>-16.1%</b> | <b>3.6%</b>  | <b>3.9%</b>  |
| Developed Market Equities | -3.4%        | -10.7%        | 2.7%         | -15.4%        | 5.4%         | 4.4%         |
| Developed Market Growth   | -2.6%        | -13.0%        | 1.3%         | -23.1%        | 0.5%         | 4.4%         |
| Developed Market Value    | -3.5%        | -7.5%         | 5.8%         | -5.2%         | 11.1%        | 3.5%         |
| Emerging Market Equities  | -3.2%        | -11.2%        | -1.3%        | -18.0%        | -1.9%        | 2.9%         |
| <b>Fixed Income</b>       | <b>-1.6%</b> | <b>-4.7%</b>  | <b>-2.6%</b> | <b>-13.0%</b> | <b>-5.5%</b> | <b>-0.1%</b> |
| Ultrashort                | 0.5%         | 1.4%          | 4.2%         | 1.5%          | 1.9%         | 1.8%         |
| Short Term                | 0.3%         | 0.7%          | 2.0%         | -3.9%         | -0.8%        | 1.0%         |
| Inflation Protected       | -0.7%        | -3.4%         | -1.4%        | -12.0%        | -2.0%        | 2.2%         |
| U.S. Aggregate Bond       | -1.6%        | -4.7%         | -2.6%        | -13.0%        | -5.5%        | -0.1%        |
| <b>Real Estate</b>        | <b>-3.6%</b> | <b>-13.6%</b> | <b>-8.9%</b> | <b>-26.2%</b> | <b>2.1%</b>  | <b>2.3%</b>  |
| <b>Cash</b>               | <b>0.5%</b>  | <b>1.4%</b>   | <b>4.2%</b>  | <b>1.5%</b>   | <b>1.9%</b>  | <b>1.8%</b>  |

## *Portfolio Benchmarks*

| Portfolio                               | 1 Mo         | 3 Mo         | YTD          | 2022          | 3 Yr         | 5 Yr         |
|---|--------------|--------------|--------------|---------------|--------------|--------------|
| <b>Vanguard Total World Stock ETF</b>   | <b>-2.9%</b> | <b>-9.7%</b> | <b>6.5%</b>  | <b>-18.0%</b> | <b>6.8%</b>  | <b>7.6%</b>  |
| <b>Vanguard Total U.S. Stock ETF</b>    | <b>-2.6%</b> | <b>-9.1%</b> | <b>9.4%</b>  | <b>-19.5%</b> | <b>9.0%</b>  | <b>10.2%</b> |
| Vanguard Growth Fund 80/20              | -2.6%        | -8.7%        | 4.6%         | -17.1%        | 4.3%         | 6.2%         |
| Vanguard Mod Growth Fund 60/40          | -2.2%        | -7.4%        | 3.2%         | -16.0%        | 2.0%         | 4.7%         |
| Vanguard Cons Growth Fund 40/60         | -1.8%        | -6.2%        | 1.8%         | -15.0%        | -0.4%        | 3.2%         |
| Vanguard Income Fund 20/80              | -1.5%        | -5.0%        | 0.3%         | -13.9%        | -2.8%        | 1.6%         |
| <b>Vanguard Total U.S. Bond Mkt ETF</b> | <b>-1.5%</b> | <b>-4.6%</b> | <b>-2.4%</b> | <b>-13.1%</b> | <b>-5.5%</b> | <b>0.0%</b>  |