

# Q4

## Quarterly Market Review

Fourth 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. The report concludes with a quarterly topic.

## Overview:

Market Commentary

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World Stock Market Performance

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International Developed Stocks

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Country Returns

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Global Fixed Income

# Quarterly Market Commentary

Fourth Quarter 2023 – January 18, 2024

If there's a message to take from 2023 markets, it is this: Timeless wisdom best informs timely decisions.

Here's how Morgan Housel describes this concept in his new book, "[Same as Ever](#)."

"The typical attempt to clear up an uncertain future is to gaze further and squint harder—to forecast with more precision, more data, and more intelligence. Far more effective is to do the opposite: Look backward and be broad. Rather than attempting to figure out little ways the future might change, study the big things the past has never avoided."

Following are a few timeless tenets that offer timely investment insights for the year ahead.

## Timing the Market is Never Good

Last year demonstrated how randomly and rapidly markets can move. As The Wall Street Journal reported at year-end:

"Almost no one thought 2023 would be a blockbuster year for stocks. They could hardly have been more wrong."

Another [financial journal](#) observed:

"What was supposed to go up went down, or listed sideways, and what was supposed to go down went up — and up and up. The S&P 500 climbed more than 20% and the Nasdaq 100 soared over 50%, the biggest annual gain since the go-go days of the dot-com boom. ... 'I've never seen the

consensus as wrong as it was in 2023,' said Andrew Pease, the chief investment strategist at Russell Investments."

Many financial pundits offered elaborate explanations for the year's fortunes, and why (in hindsight) their projections were so far off. While their reasons may be accurate, the implication is, were it not for this, that, or the other thing, their forecasts would have been correct.

The problem is, there's almost always "this, that, or the other thing" going on in this big, busy world. Thus, it really should come as no surprise that routine surprises regularly randomize the market's next moves.

We've known this for years—since at least 1973, when Burton Malkiel published the first edition of "[A Random Walk Down Wall Street](#)." Even after 50 years, Malkiel's message represents one of the most timeless truths explaining why we don't try to time market trends.

## Beware of Catchy Catchphrases

In 2023, just seven stocks within the S&P 500 Index explained almost two-thirds of the index's total annual gains. Their striking performance scored them the catchy title, "[Magnificent Seven](#)."

What should we expect for this star lineup in the coming year? Search today's popular press, and you'll find timely tips galore on whether to bulk

up on more magnificence or sell while the selling is good. Forecasts hinge on the usual suspects: Whether inflation rises or falls, a recession lands or recedes, technologies advance or retreat, and so on.

Taking a more timeless view, we would suggest being wary of celebrated stocks bearing trendy titles. Chasing after stellar returns with their own nicknames may work for a while. But eventually, one of those "surprises" tends to come along, turning once-hot stocks into cold plays.

## Diversification Is Prudent

Viewing 2023 up close, there may be a temptation to chase after the market's recent winning streak, bulking up on more of that which has been so pleasantly surprising of late.

Zooming out, our perspective remains unchanged: We recommend maintaining a globally diversified portfolio, tailored for your needs. In this spirit, we wish you a well-diversified investment portfolio in 2024, along with abundant concentrations of health, happiness, and harmonious well-being for you and yours.

Regards,







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
Q4 2023	STOCKS				BONDS	
	12.07%	10.51%	7.86%	15.47%	6.82%	5.36%
						
Since Jan. 2001						
Average Quarterly Return	2.3%	1.6%	2.5%	2.3%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2023 Q4</b>	<b>2023 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 © 2024 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 2024, all rights reserved. Bloomberg data provided by Bloomberg.

# Long-Term Market Summary

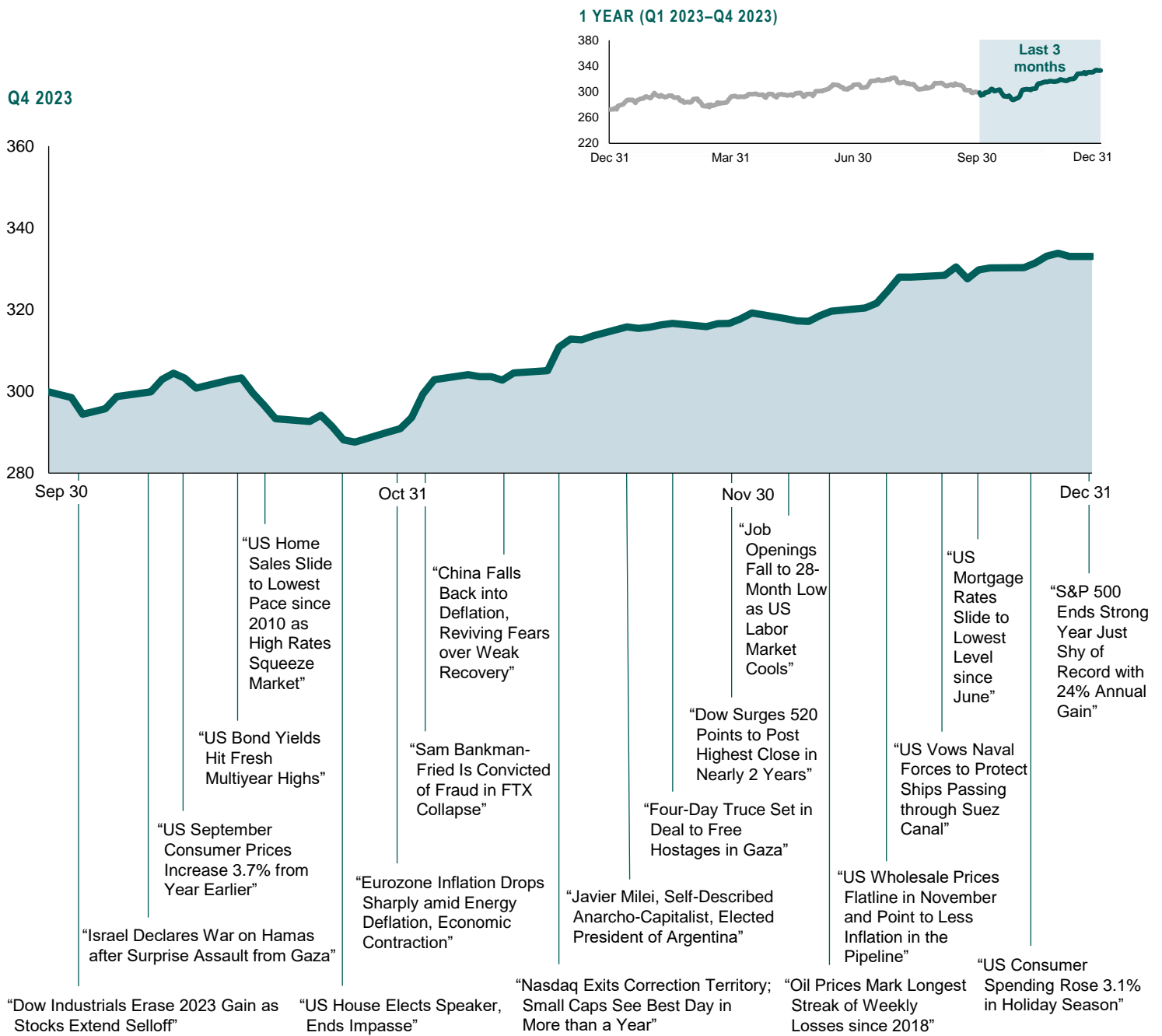
Index returns as of December 31, 2023

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>1 Year</b>	STOCKS				BONDS	
	25.96%	17.94%	9.83%	10.23%	5.53%	8.32%
						
<b>5 Years</b>						
	15.16%	8.45%	3.68%	4.16%	1.10%	1.50%
						
<b>10 Years</b>						
	11.48%	4.32%	2.66%	4.72%	1.81%	2.80%
						

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# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2023

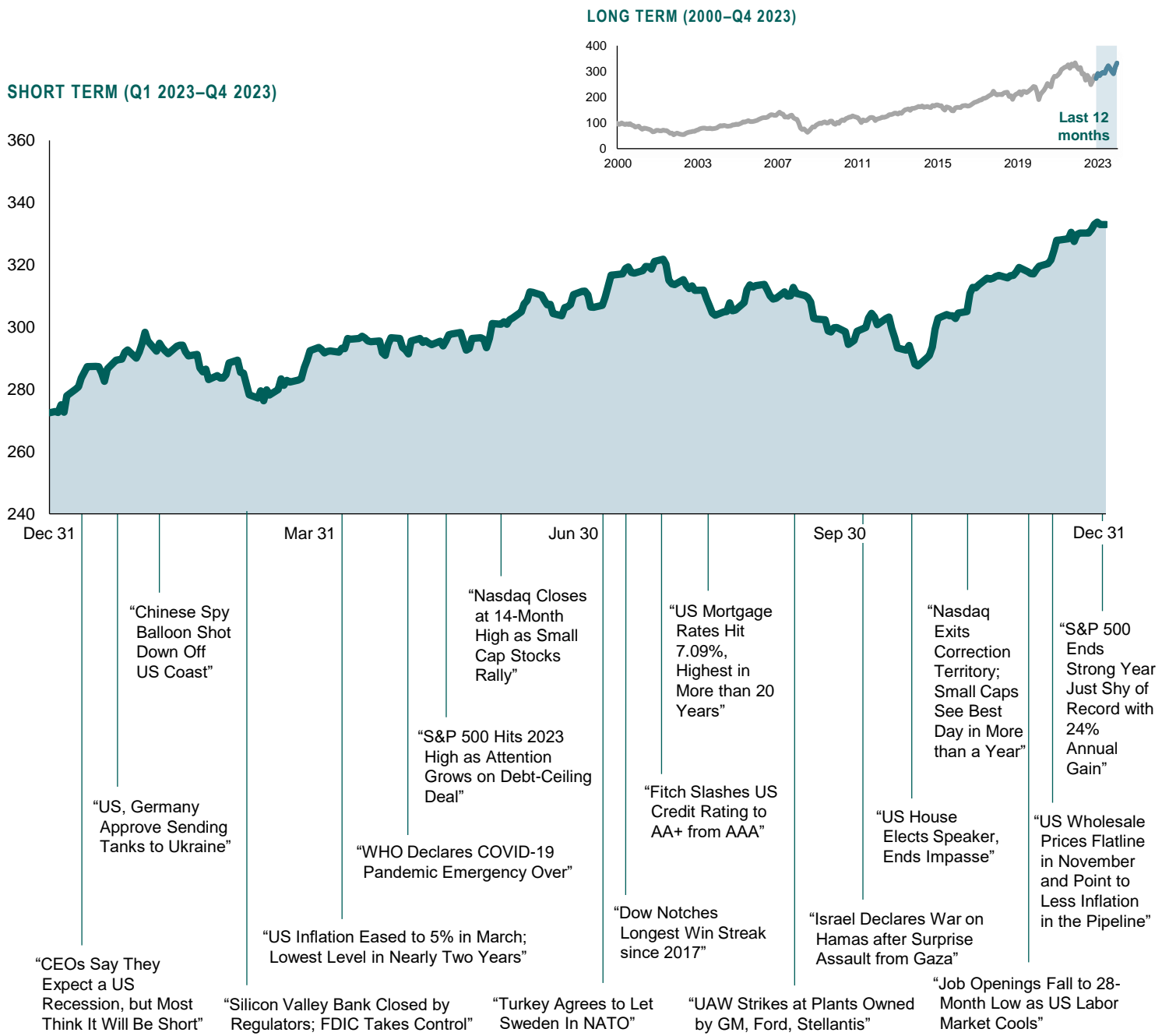


*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, 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 2024, 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

## Fourth quarter 2023 index returns

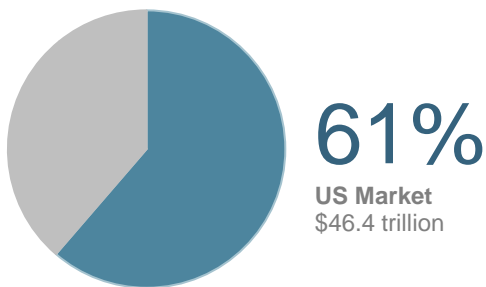
The US equity market posted positive returns for the quarter and outperformed both non-US developed and emerging markets.

Value underperformed growth within large caps and outperformed within small caps.

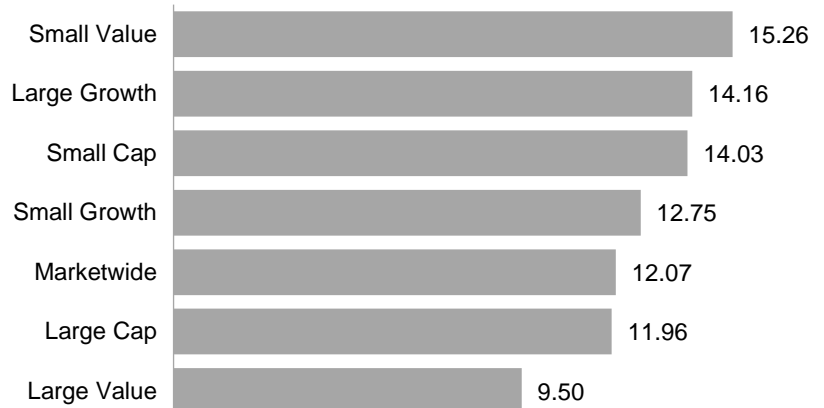
Small caps outperformed large caps.

REIT indices outperformed equity market indices.

### World Market Capitalization—US



### Ranked Returns (%)



### Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Small Value	15.26	14.65	7.94	10.00	6.76
Large Growth	14.16	42.68	8.86	19.50	14.86
Small Cap	14.03	16.93	2.22	9.97	7.16
Small Growth	12.75	18.66	-3.50	9.22	7.16
Marketwide	12.07	25.96	8.54	15.16	11.48
Large Cap	11.96	26.53	8.97	15.52	11.80
Large Value	9.50	11.46	8.86	10.91	8.40

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. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.



# International Developed Stocks

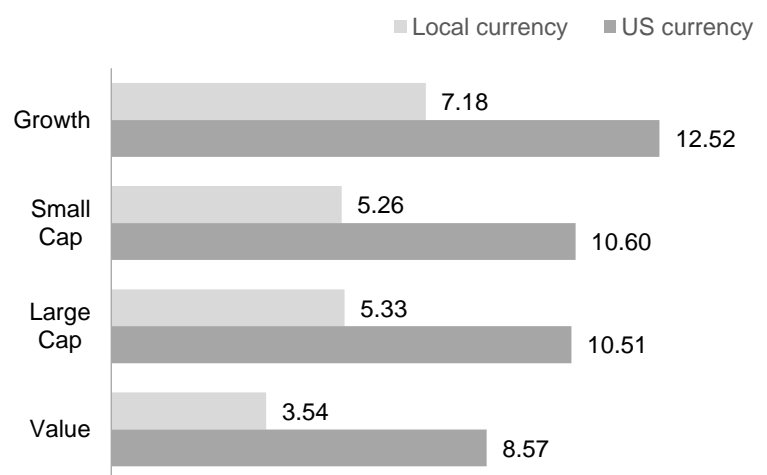
Fourth quarter 2023 index returns

Developed markets outside of the US posted positive returns for the quarter and underperformed the US market but outperformed emerging markets.

Value underperformed growth.

Small caps outperformed large caps.

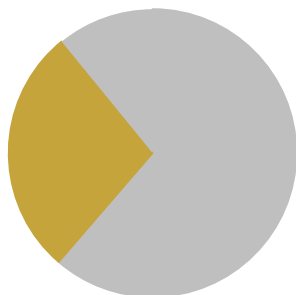
## Ranked Returns (%)



## World Market Capitalization— International Developed

**28%**

International  
Developed Market  
\$21.0 trillion



## Period Returns (%)

Asset Class	QTR	1 Year	3 Years	Annualized	
				5 Years	10 Years
Growth	12.52	17.45	0.44	8.94	5.08
Small Cap	10.60	12.62	-0.20	7.05	4.63
Large Cap	10.51	17.94	4.42	8.45	4.32
Value	8.57	18.48	8.19	7.48	3.29

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# Emerging Markets Stocks

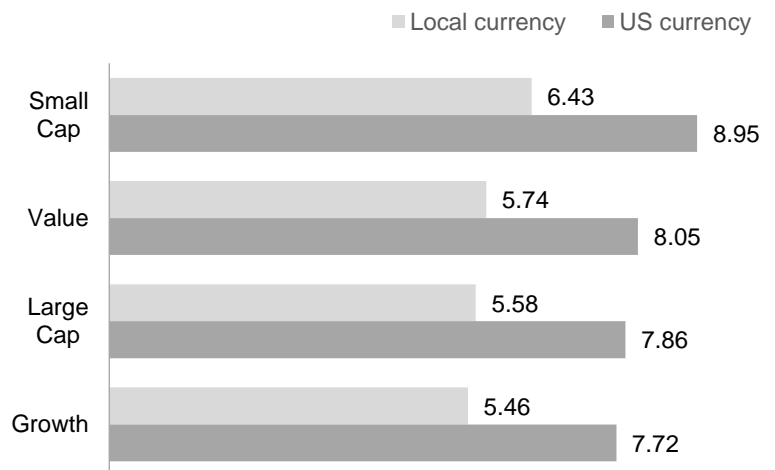
Fourth quarter 2023 index returns

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

Value outperformed growth.

Small caps outperformed large caps.

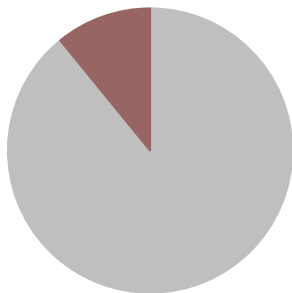
## Ranked Returns (%)



## World Market Capitalization— Emerging Markets

**11%**

Emerging Markets  
\$8.2 trillion



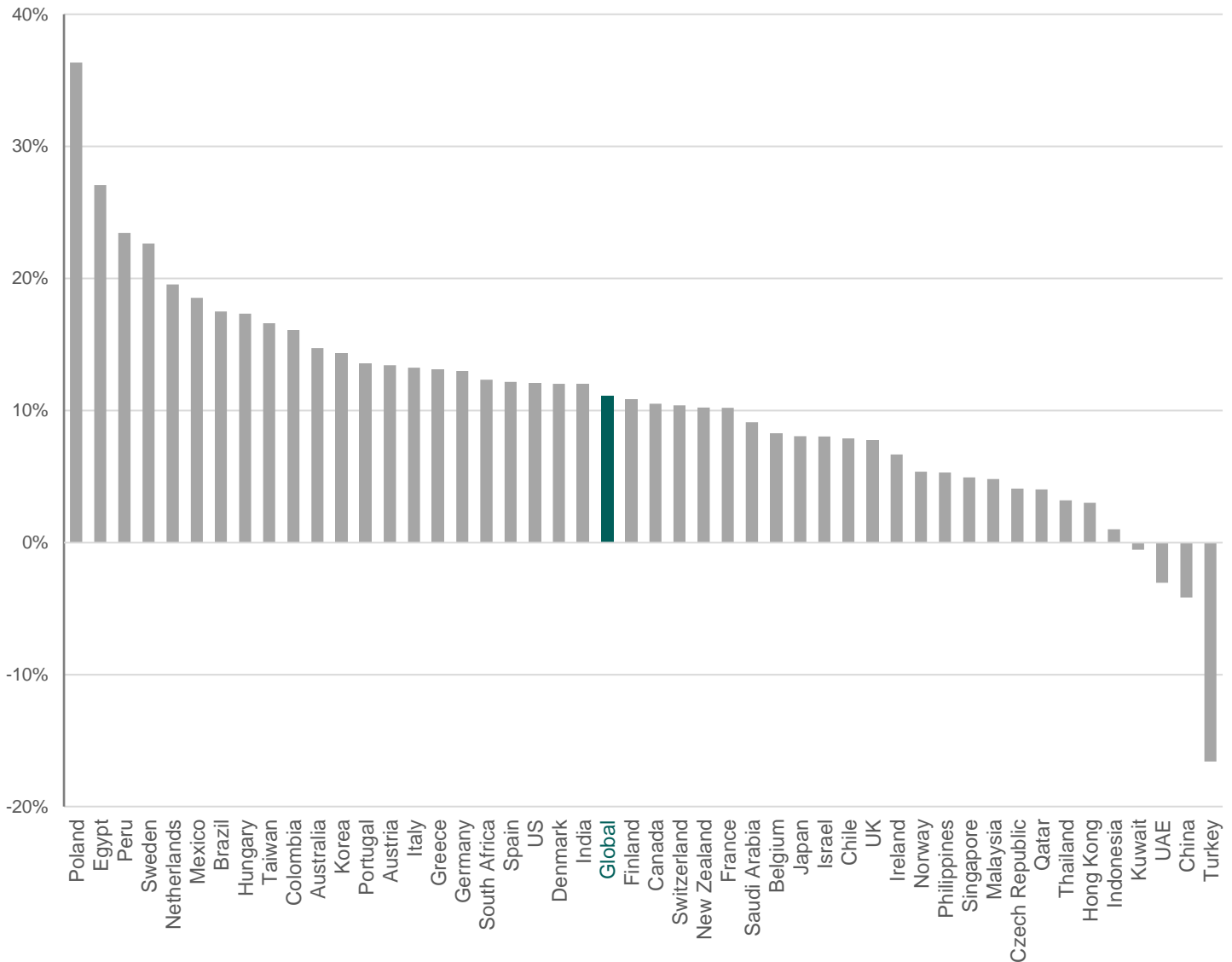
## Period Returns (%)

Asset Class	QTR	1 Year	3 Years	Annualized	
				5 Years	10 Years
Small Cap	8.95	23.92	6.45	9.92	5.34
Value	8.05	14.21	-0.01	3.37	1.94
Large Cap	7.86	9.83	-5.08	3.68	2.66
Growth	7.72	5.83	-9.67	3.90	3.28

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# Country Returns

Fourth quarter 2023 index returns



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

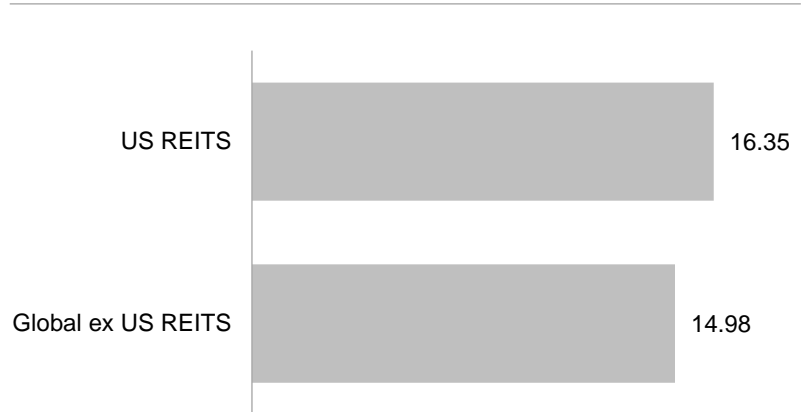
Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

# Real Estate Investment Trusts (REITs)

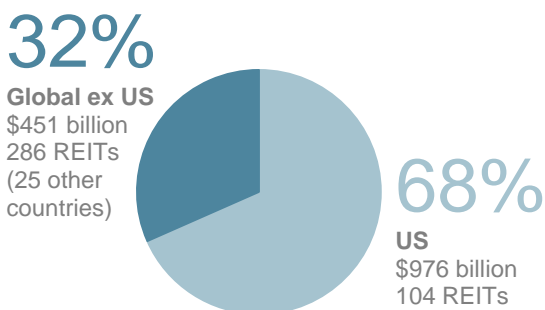
Fourth quarter 2023 index returns

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

## Ranked Returns (%)



## Total Value of REIT Stocks



## Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
US REITs	16.35	13.96	13.96	7.18	6.12	7.00
Global ex US REITs	14.98	5.59	5.59	-2.69	0.48	1.92

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 © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

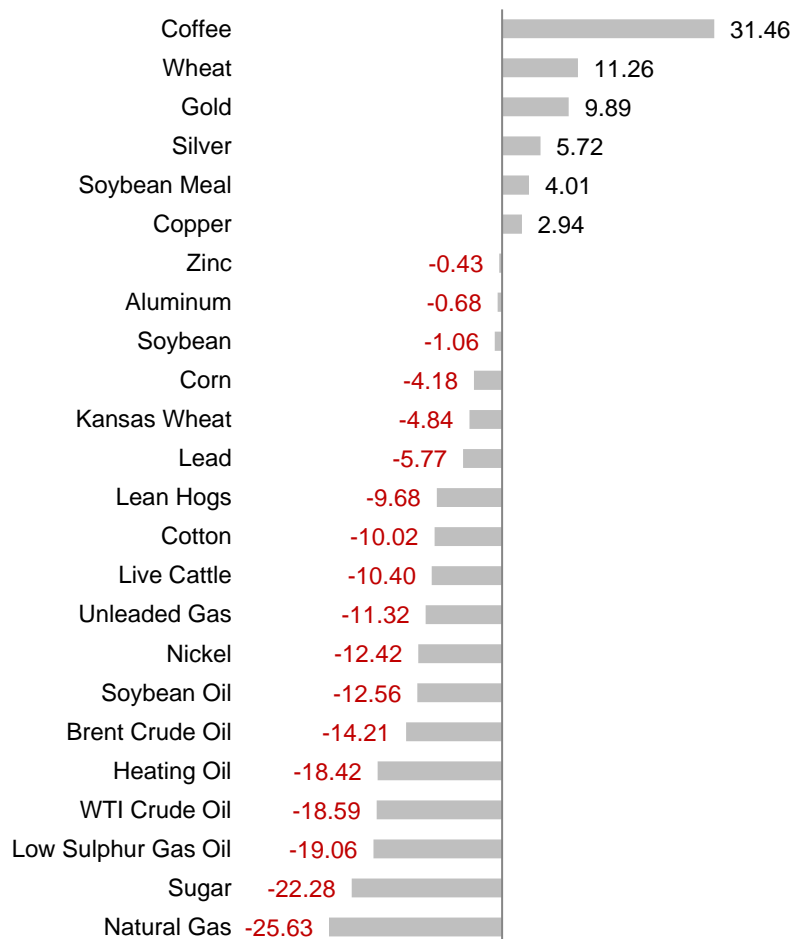
# Commodities

## Fourth quarter 2023 index returns

The Bloomberg Commodity Total Return Index returned -4.63% for the fourth quarter of 2023.

Natural Gas and Sugar were the worst performers, returning -25.63% and -22.28% during the quarter, respectively. Coffee and Wheat were the best performers, returning +31.46% and +11.26% during the quarter, respectively.

### Ranked Returns (%)



### Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Commodities	-4.63	-7.91	-7.91	10.76	7.23	-1.11

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

# Fixed Income

## Fourth quarter 2023 index returns

Interest rates generally decreased in the US Treasury market for the quarter.

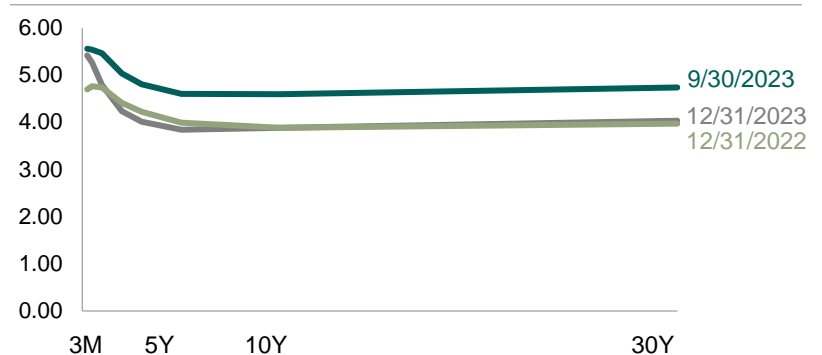
On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 5 basis points (bps) to 5.60%, while the 1-Year US Treasury Bill yield decreased 67 bps to 4.79%. The yield on the 2-Year US Treasury Note decreased 80 bps to 4.23%.

The yield on the 5-Year US Treasury Note decreased 76 bps to 3.84%. The yield on the 10-Year US Treasury Note decreased 71 bps to 3.88%. The yield on the 30-Year US Treasury Bond decreased 70 bps to 4.03%.

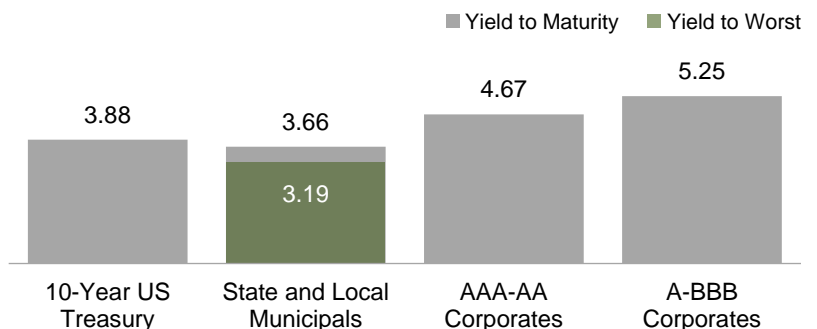
In terms of total returns, short-term US treasury bonds returned +3.21% while intermediate-term US treasury bonds returned +3.99%. Short-term corporate bonds returned +4.12% and intermediate-term corporate bonds returned +5.86%.<sup>1</sup>

The total returns for short- and intermediate-term municipal bonds were +3.53% and +6.53%, respectively. Within the municipal fixed income market, general obligation bonds returned +7.79% while revenue bonds returned +8.15%.<sup>2</sup>

### US Treasury Yield Curve (%)



### Bond Yields Across Issuers (%)



### Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Bloomberg U.S. Government Bond Index Long	12.69	3.11	3.11	-11.35	-1.23	2.27
Bloomberg Municipal Bond Index	7.89	6.40	6.40	-0.40	2.25	3.03
Bloomberg U.S. High Yield Corporate Bond Index	7.16	13.44	13.44	1.98	5.37	4.60
Bloomberg U.S. Aggregate Bond Index	6.82	5.53	5.53	-3.31	1.10	1.81
FTSE World Government Bond Index 1-5 Years	4.95	4.79	4.79	-2.95	-0.07	-0.44
Bloomberg U.S. TIPS Index	4.71	3.90	3.90	-1.00	3.15	2.42
FTSE World Government Bond Index 1-5 Years (hedged to USD)	3.09	5.26	5.26	-0.09	1.34	1.44
ICE BofA 1-Year US Treasury Note Index	1.79	4.74	4.74	1.18	1.66	1.18
ICE BofA US 3-Month Treasury Bill Index	1.37	5.01	5.01	2.15	1.88	1.25

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 (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2024 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2024 ICE Data Indices, LLC. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

# Global Fixed Income

## Fourth quarter 2023 yield curves

Interest rates generally decreased across global developed markets for the quarter.

Realized term premiums were generally positive across global developed markets, as longer-term bonds generally outperformed shorter-term bonds.

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

### Changes in Yields (bps) since 09/30/2023

	1Y	5Y	10Y	20Y	30Y
US	-65.2	-76.9	-72.2	-70.3	-67.8
UK	-59.7	-93.9	-84.8	-72.8	-73.1
Germany	-52.7	-84.6	-76.3	-72.1	-74.9
Japan	3.9	-10.3	-13.3	-4.1	0.8
Canada	-58.0	-106.2	-90.0	-85.7	-80.5
Australia	-30.6	-48.0	-51.1	-53.2	-52.9

