THE Vermont Community Foundation

September 2023 Performance Summary

Capital markets continued to retreat in September, with both equities and bonds posting declines for the month. While U.S. economic data remained relatively strong, interest rates ticked higher during the month, and market participants became more cautious around the potential for interest rates to remain at high levels for a sustained period. leading to a -4.8% return for the S&P 500 and -2.5% return for the Barclays Aggregate Bond Index. Year-to-date, the S&P 500 has returned 13.1%, however the gain has been driven almost entirely by a handful of the largest companies in the index ("Magnificent 7").

Outside of the U.S., developed market equities returned –3.4% while emerging market equities returned -2.6%. In Europe, economic growth remained stagnant, however inflation continued to decelerate. Japan experienced more robust growth as GDP grew for the third consecutive quarter, boosted by a weak yen and rebound in the auto industry. In China, the economy has faced a number of headwinds (e.g. youth unemployment, weak property market, declining exports) that have caused a slowdown in economic activity.

Global government bond yields moved higher during the month and the U.S. dollar appreciated against most major currencies, causing global sovereign bonds to return -3.2% in September. In commodities, energy prices continued to soar, with brent crude oil prices rising by nearly 10% for the month.

In September, the Long-Term Pool returned -3.1%, a result that was in-line with the policy benchmark. Year-to-date, the Pool gained 5.0%, which was also in-line with the benchmark.

The Socially Responsible Pool returned -3.3% for the month, underperforming its policy benchmark return by 30 basis points. The pool's above target allocation to equities contributed to the relative underperformance for the month. Year-to-date, the Pool gained 6.2%, which topped the benchmark by 30 basis points.

The Mid-Term Pool returned -2.4% for the month, outperforming its policy benchmark by 30 basis points. As the Pool is largely invested in index funds, any return differences are primarily driven by cash movement in the Pool that result in temporary deviations from policy asset allocation targets. Year-to-date, the Pool gained 4.4%, was in-line with the target benchmark.

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