



# QUARTERLY ASSET CLASS REVIEW

NEPC Research

Fourth Quarter  
2023

## GLOBAL EQUITIES

Equities posted impressive gains in the fourth quarter, ending a strong year on a high note. For the three months ended December 31, U.S. stocks got a shot in the arm from a lower inflation print and robust economic data; during this period, the S&P 500 returned nearly 12%, finishing 2023 up over 26%.

Mega-cap growth stocks continued to lead the charge with the Nasdaq Composite up around 14% for the quarter and over 44% for the year. After lagging the first nine months of the year, small-cap equities outpaced large-cap stocks in the fourth quarter with gains of 14%, ending the year up around 17%.

International developed and emerging market equities were also in the black with the MSCI EAFE Index returning 10% in the fourth quarter and 18% for the year, while the MSCI EM Index gained around 8% for the three months ended December 31 and 10% for 2023.

Meanwhile, fundraising activity in U.S. private equity totaled \$375 billion last year, modestly down from \$379 billion in 2022, according to data from Preqin. The total number of funds raised dropped by around 51%, underscoring a flight to larger and more established funds; the drop was partic-

### Global Equity Market Returns as of 12/31/2023

Global Equity	Quarter	1 Year	3 Yrs	5 Yrs
MSCI ACWI	11.0%	22.2%	5.7%	11.7%
US Equity	Quarter	1 Year	3 Yrs	5 Yrs
S&P 500	11.7%	26.3%	10.0%	15.7%
Russell 1000 Growth	14.2%	42.7%	8.9%	19.5%
Russell 1000 Value	9.5%	11.5%	8.9%	10.9%
Russell 2000	14.0%	16.9%	2.2%	10.0%
Russell 2000 Growth	12.7%	18.7%	-3.5%	9.2%
Russell 2000 Value	15.3%	14.6%	7.9%	10.0%
International Equity	Quarter	1 Year	3 Yrs	5 Yrs
MSCI EAFE	10.4%	18.2%	4.0%	8.2%
MSCI EAFE Hedged USD	5.0%	16.2%	8.6%	9.5%
MSCI EAFE Small Cap	11.1%	13.2%	-0.7%	6.6%
MSCI Europe	11.1%	19.9%	5.8%	9.1%
MSCI Emerging Markets	7.9%	9.8%	-5.1%	3.7%
MSCI Emerging Markets Small Cap	8.9%	23.9%	6.5%	9.9%
MSCI China	-4.2%	-11.2%	-18.4%	-2.8%
Alternative	Quarter	1 Year	3 Yrs	5 Yrs
HFRI Equity Hedge	5.6%	10.5%	3.5%	8.3%
HFRI Emerging Markets	4.2%	8.1%	0.1%	4.8%
HFRI ED: Activist	10.2%	18.1%	4.7%	8.2%
HFRI ED: Merger Arbitrage	4.3%	5.8%	6.4%	6.2%

ularly pronounced in emerging and first-time funds. Fundraising in the U.S. venture market plummeted in 2023 to \$66.9 billion—a record low since 2017—from a high of \$173 billion a year earlier.

New deal activity in U.S. private equity declined to \$645 billion last year compared to \$915 billion in 2022, according to data from PitchBook. Exit activity also fell, totaling \$234 billion in 2023 – a new low since 2011. Venture deal activity stood at \$171 billion in 2023, its lowest level since 2019, as venture capitalists slowed their pace of deployment and portfolio companies streamlined their organizations to increase cash runway.

## GLOBAL FIXED INCOME

Treasuries reversed course in the fourth quarter as the Federal Reserve assumed a more dovish stance after reinforcing the message of higher-for-longer rates in the prior quarter. Treasuries rallied with the two- and three-year maturities experiencing the greatest moves during the quarter. Credit spreads tightened across fixed-income markets and ended the year below long-term median levels, resulting in substantially positive returns in the fourth quarter with longer maturities and lower-quality debt led the way.

For the three months ended December 31, the spread on investment-grade corporate bonds tightened 22 basis points, while high-yield corporate bonds were tighter by 71 basis points. The yield on the 30-year Treasury fell

67 basis points to end the quarter at 4.03%, while the two-year Treasury note yield fell 80 basis points to end the quarter at 4.23%. The Bloomberg U.S. Aggregate Index returned 5.5% in 2023, while the Bloomberg U.S. High Yield Corporate Index was up 13.4% during the same period.

## REAL ASSETS

The fourth quarter was a mixed bag of returns for real assets, in line with the rest of 2023. The Bloomberg Commodity Index was down 4.6%, closing out the year with losses of 7.9%. Crude oil gave back most

### Global Fixed-Income Market Returns as of 12/31/2023

Global Fixed Income	Quarter	1 Year	3 Yrs	5 Yrs
BBG Global Aggregate	8.1%	5.7%	-5.5%	-0.3%
JPM EMBI Global Diversified	9.2%	11.1%	-3.6%	1.7%
JPM GBI-EM Global Diversified	8.1%	12.7%	-3.2%	1.1%
Domestic Fixed Income	Quarter	1 Year	3 Yrs	5 Yrs
BBG Aggregate Bond	6.8%	5.5%	-3.3%	1.1%
BBG Municipal Bond	7.9%	6.4%	-0.4%	2.3%
BBG TIPS	4.7%	3.9%	-1.0%	3.2%
BBG US Treasury	5.7%	4.1%	-3.8%	0.5%
BBG US Long Treasury	12.7%	3.1%	-11.4%	-1.2%
BBG MBS	7.5%	5.0%	-2.9%	0.3%
BBG US Credit	8.2%	8.2%	-3.2%	2.4%
BBG US Long Credit	13.7%	10.7%	-6.5%	2.7%
BBG High Yield	7.2%	13.4%	2.0%	5.4%
BBG Muni High Yield	9.2%	9.2%	0.8%	3.5%
Morningstar LSTA Lev. Loan	3.2%	13.2%	5.2%	5.8%
BBG T-Bills	1.4%	5.1%	2.1%	1.9%
Alternative	Quarter	1 Year	3 Yrs	5 Yrs
HFRI Credit Index	3.1%	7.8%	4.3%	5.1%
HFRI ED: Credit Arbitrage	3.8%	10.5%	5.6%	6.2%
HFRI ED: Distressed/Restructuring	3.2%	6.7%	5.7%	6.3%
HFRI Relative Value	2.6%	7.0%	4.6%	4.9%

of its third-quarter gains, down 21.1%, bringing the losses for 2023 to 10.6%. The midstream market avoided a similar fate, posting a gain of 6.4% for the three months ended December 31; gold was even stronger during this period, returning 11.5%.

Meanwhile, global natural resources gained 3.6% in the fourth quarter, ending the year in the black at 4.1%. The S&P Global Infrastructure Index recovered in the fourth quarter and was up 10.9%. NEPC is constructive on infrastructure, and we continue to favor private markets as a means to implement infrastructure in a portfolio.

Real Asset Returns as of 12/31/2023				
	Quarter	1 Year	3 Yrs	5 Yrs
Bloomberg Commodity	-4.6%	-7.9%	10.8%	7.2%
GSCI Commodity	-10.7%	-4.3%	19.2%	8.7%
Gold Spot	11.5%	13.5%	4.7%	10.7%
WTI Crude Oil Spot	-21.1%	-8.7%	18.7%	8.3%
BBG Commodity - Agriculture	-0.3%	-4.4%	11.8%	10.6%
BBG Commodity - Energy	-18.1%	-21.6%	17.5%	0.8%
BBG Commodity - Industrial Metals	0.2%	-9.1%	4.9%	7.5%
BBG Commodity - Precious Metals	10.4%	9.6%	1.0%	8.7%
S&P Global Natural Resource Equities	3.6%	3.7%	13.0%	11.3%
NAREIT Composite Index	17.6%	11.5%	5.4%	7.1%
NAREIT Global REIT Index	15.6%	10.9%	3.9%	4.6%
Alerian Midstream Index	6.4%	14.0%	24.4%	13.1%

Elsewhere, in public real estate, the NAREIT Global REIT Composite Index rebounded from a rocky year with gains of 15.6% in the fourth quarter to end 2023 in the black. Meanwhile, private real estate returns did not emerge unscathed, posting their fifth straight negative quarter, with the NCREIF ODCE posting a 4.83% preliminary gross loss for the three months ended December 31. The negative total return is inclusive of asset depreciation of 5.77%, as the effects of rising interest rates continue to pressure valuations following historically high returns prior to 2022.

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