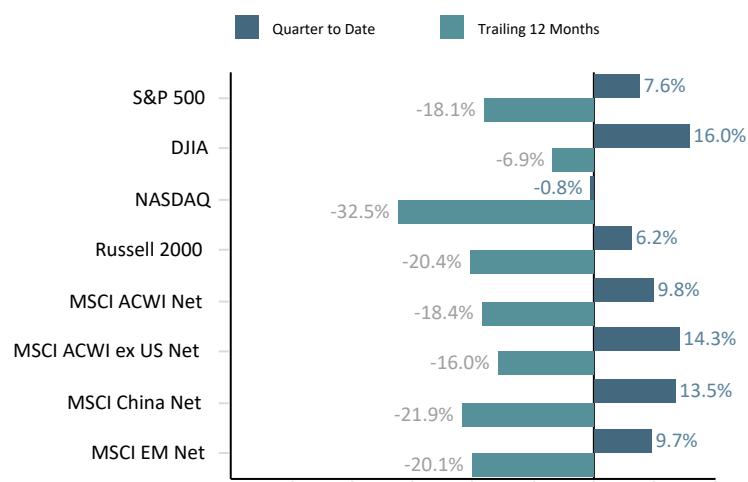


## Market Commentary - Q4 2022

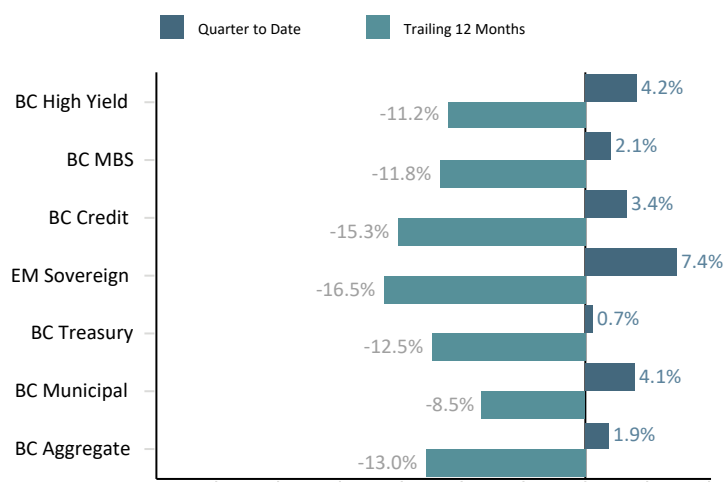
In 2022, persistent global inflationary pressures and coordinated central bank rate hikes led equities to decline to bear market lows and fixed income to experience the sharpest losses in decades. This was the first time in modern history where both US stocks and long-term bonds declined by double digits in a year. The traditional 60% stock/40% bond portfolio lost -16.1% in 2022, the worst return in more than 50 years. Meanwhile, as interest rates rose following the FOMC rate-hiking campaign, which was structured to lessen the highest level of inflation in 40 years, US investment grade fixed income posted a decline of -13.0% for 2022, the weakest annual total return for this index since its 1976 inception.

Inflation remained elevated even as the US Headline CPI Inflation cooled to 7.1% year-over-year in November, a decline from the June peak of 9.1%. Since the inflation rate remained well above the FOMC's target of 2%, the Committee raised interest rates 1.25% during 4Q. This brought the total amount of the FOMC's rate increase to 4.25%. The FOMC does not anticipate inflation will come down quickly due to the strength of the labor market and notes that additional hikes are possible.

### Equity Sector Performance



### Bond Market Performance



### Equity Markets Commentary

In the US, the S&P 500 gained 7.5% sequentially in 4Q22 after reaching the 2022 bear market low on October 12. During the quarter, the value style outperformed the growth style, while large- and mid-caps outpaced small-caps. The Dow Jones Industrial Average increased 16.0% in 4Q, whereas the NASDAQ Composite was one of the few US equity indices to decline (-0.8%). The MSCI All country World Index, a global equity index, gained 9.9%, while the MSCI Europe and MSCI Emerging Markets indices recovered 19.9% and 9.6% respectively.

Nine of the eleven sectors posted positive returns in 4Q. Energy, Industrials, and Materials performed the strongest returning 22.8%, 19.2%, and 15.0% respectively. The poorest performing sectors in 4Q were Consumer Discretionary and Telecommunications. Each posting -10.2%, and -1.4% respectively.

### Fixed Income Markets Commentary

Credit spreads tightened across the quarter on improved risk sentiment. Although strong performance was tempered slightly into year end, US and European investment grade and high yield credit generated positive returns and outperformed government bonds over 4Q22. The US 10-year yield rose from 3.83% to 3.88%, with the two-year rising from 4.28% to 4.42%.

All sectors of the bond market improved in the fourth quarter of 2022. The Bloomberg US Aggregate Index increased by 1.9%. BC High Yield also increased 4.2%. EM Sovereign Debt had the greatest improvement of 7.4% in the fourth quarter.

**Information Disclosures:** The underlying data has been obtained from sources the Foundation believes to be reliable but we do not guarantee their accuracy, and any such information may be incomplete or condensed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security or a recommendation of the services supplied by any money management organization.

Further information, including current portfolio size, performance, fees, underlying investment holdings and detail, can be obtained from the Foundation office by contacting 919-828-4387 or via email at [info@nccommunityfoundation.org](mailto:info@nccommunityfoundation.org),

North Carolina Community Foundation  
3737 Glenwood Ave, Suite 460, Raleigh, NC 27612  
[www.nccommunityfoundation.org](http://www.nccommunityfoundation.org)

