

MARCH 2023

# MARKET MINUTE

An investment report from the Kansas Methodist Foundation

## Rate of Return:

As of March 31, 2023 net-of-investment fees

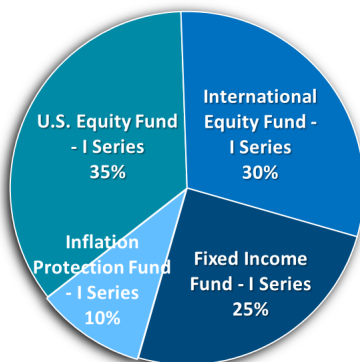
Fund Name	Mar-23	YTD	Annualized				
			1 Year	2 Years	3 Years	5 Years	10 Years
<b>Balanced Fund</b>	<b>1.89%</b>	<b>5.70%</b>	<b>-6.43%</b>	<b>-3.64%</b>	<b>10.33%</b>	<b>5.14%</b>	<b>6.37%</b>
Benchmark	2.45%	5.55%	-6.61%	-1.61%	10.00%	5.17%	6.43%
<b>Equity Fund</b>	<b>1.94%</b>	<b>7.23%</b>	<b>-8.45%</b>	<b>-4.67%</b>	<b>15.02%</b>	<b>6.46%</b>	<b>8.16%</b>
Benchmark	2.48%	6.97%	-7.75%	-1.17%	15.50%	6.71%	8.34%
<b>U.S. Equity Index Fund</b>	<b>2.61%</b>	<b>7.28%</b>	<b>-8.89%</b>	<b>1.00%</b>	<b>18.40%</b>	<b>n/a</b>	<b>n/a</b>
Benchmark	2.67%	7.18%	-8.58%	1.15%	18.48%		
<b>Fixed Income Fund</b>	<b>2.03%</b>	<b>3.09%</b>	<b>-4.43%</b>	<b>-4.11%</b>	<b>-0.23%</b>	<b>1.11%</b>	<b>1.82%</b>
Benchmark	2.47%	3.05%	-4.54%	-4.29%	-1.65%	1.30%	1.80%
<b>Short Term Fund</b>	<b>0.21%</b>	<b>0.79%</b>	<b>1.80%</b>	<b>1.57%</b>	<b>1.53%</b>	<b>1.98%</b>	<b>1.20%</b>

\*Historical returns are not indicative of future performance. The Balanced Fund performance is the Wespath Multiple Asset Strategy performance. The Equity Fund returns represent the historical data for the Wespath U.S. Equity Fund (55%) and the Wespath International Equity Fund (45%) until October 2022, when the asset allocation changed to Wespath U.S. Equity Fund (45%), Wespath U.S. Equity Index Fund (20%), and Wespath International Equity Fund (35%). The U.S. Equity Index Fund is the Wespath U.S. Equity Index Fund. The Fixed Income Fund performance is the Wespath Fixed Income Fund. More information about the funds and benchmarks can be found at <https://www.wespath.com/funds>. The Short Term Income Fund is a combination of multiple investment instruments of the Foundation. The Foundation hired Wespath Institutional Investments on November 1, 2019. The Administration Fee of the Foundation is not included.

## KMF Funds:\*

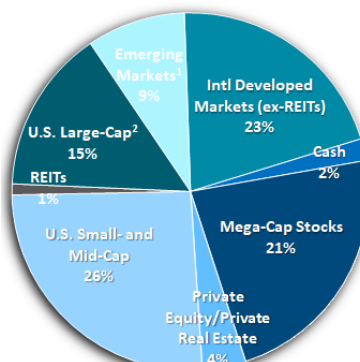
### Balanced Fund

65% Equities  
35% Fixed Income



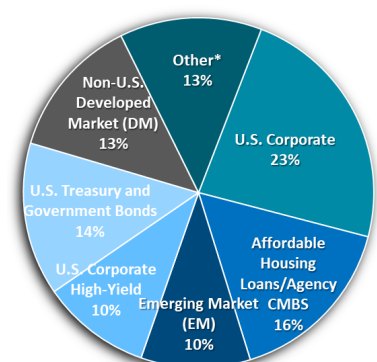
### Equity Fund

45% US Equities  
20% US Equity Index Fund  
35% International Equities



### Fixed Income Fund

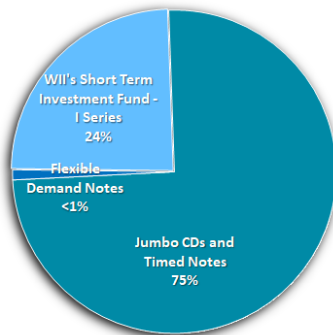
100% Fixed Income



\*Fund allocations as of September 30, 2022. Investors can choose a mix of their choice from the funds provided by KMF.

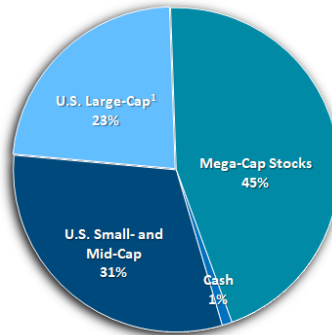
## KMF Funds cont'd:\*

### Short Term Income Fund



**\*NEW\***

### US Equity Index Fund (Track Russell 3000)



### Certificate of Participation

A Certificate of Participation provides the security of a fixed income type vehicle at competitive rates for 1-year and 2-year investments. Certificates of Participation are the funding source of KMF's Church Development Loan Fund, providing loans throughout the Great Plains Conference.

Visit [kansasmethodistfoundation.org](https://kansasmethodistfoundation.org) to view current rates.

\*Fund allocations as of September 30, 2022. Investors can choose a mix of their choice from the funds provided by KMF. WII stands for Wespath Institutional Investments.

## March 2023 Highlights:

*from the Wespath Institutional Investments March 2023 Investment Report*

- The Federal Reserve (Fed) raised the federal funds rate 0.25% to a range of 4.75-5.00% at the March Federal Open Market Committee meeting.
- The S&P 500 Index of U.S. stocks increased 3.7% in March, while non-U.S. stocks, represented by the MSCI ACWI ex-U.S. IMI Index, increased 2.1%. The Bloomberg U.S. Aggregate Bond Index increased 2.5%.
- Silicon Valley Bank (SVB) collapsed, marking the second-largest bank failure in U.S. history.
- The U.S. economy added 236,000 non-farm jobs in March, and the unemployment rate decreased to 3.5%.
- IEF-I outperformed its benchmark in March, while USEF-I, FIF-I, IPF-I and MAF-I underperformed their respective benchmarks.

## Monthly Overview:

*from the Wespath Institutional Investments March 2023 Investment Report*

### Markets Rally Amid Banking Turmoil and Increased Rates from the Fed

The stock market rallied in March despite banking sector turmoil stemming from the two largest bank failures since the 2008 Great Financial Crisis. The Fed continued its battle against inflation by increasing rates by 0.25% but softened its outlook for further rate hikes from “ongoing increases” to “some additional policy firming may be appropriate.” The S&P 500 gained 3.7%, aided by strong performance from the technology and communications sectors. The Russell 3000 gained 2.7%, overcoming poor performance from the financial sector. International equities, measured by the MSCI ACWI ex-U.S. IMI, increased 2.1% as the U.S. Dollar Index declined 2.3%.

Fixed income markets rallied on expectations that the Fed is nearing the end of its most rapid rate hiking cycle in decades. The Bloomberg U.S. Aggregate Index and U.S. High Yield Index returned 2.5% and 1.1%, respectively. The yield on the 10-year U.S. Treasury Note declined 0.42% in March to finish the month at 3.49%.

### Bank Failures

During March, SVB was unable to fulfill large-scale withdrawals of customer deposits and became the second largest bank failure in U.S. history. Prior to its demise, SVB announced the need to raise capital to shore up its balance sheet in response to significant market losses on its Treasury bond holdings. Word of SVB’s potential liquidity issues rapidly spread via Twitter, leading to a “run” on the bank when many customers rushed to withdraw deposits. Signature Bank subsequently also collapsed, becoming the third-largest bank failure in U.S. history. The U.S. Treasury, the Federal Reserve and the Federal Deposit Insurance Corporation worked to quell fears of possible contagion by guaranteeing all deposits at the two failed U.S. institutions. In Switzerland, authorities orchestrated the acquisition of Credit Suisse by rival bank UBS to prevent contagion in the global banking system.

### Home Prices Decline, Layoff Announcements Continue

The National Association of Realtors reported the median existing home sale price declined year-over-year by 0.2% to \$363,000 in February, ending a record streak of 131 months of annualized price increases. Citigroup, Tyson Foods, Meta, Amazon and Disney announced significant layoffs in March. Despite notable layoff announcements throughout the first three months of 2023, the unemployment rate remained at a low 3.5%. However, the Labor Department reported that job openings decreased in February to the lowest level since May 2021.

# Investment Insights Blog

## Key Takeaways from First Quarter's Markets



**By Joe Holwax**  
**Managing Director,**  
**Institutional Investment Services**

April 4, 2023

- Bank industry fragility dominates headlines, causes spike in volatility
- Fed hikes rates by 25 basis points at March meeting, markets expect cuts in 2023
- Inflation continues to moderate, employment remains strong
- Equity and fixed income markets in positive territory, despite banking uncertainty

Index	Q1 2023
S&P 500 Index—Gross Return	7.50%
MSCI EAFE Index—Net Return	8.47%
Bloomberg U.S. Aggregate Bond Index	2.96%
Bloomberg Global Aggregate Bond Index	3.01%
Bloomberg Commodity Index—Total Return	-5.36%

### Q1 Recap

The first quarter began largely positive for global financial markets as moderating inflation remained the dominant theme of the first two months of the year. Nevertheless, in March attention quickly shifted to volatility in the banking industry, as the U.S. witnessed the second- and third-largest bank failures in its history.

We are seeing that as we return to a higher inflation / higher interest rate world, there will be challenges. Simply put, the Fed is in the difficult position of needing to squash inflation while also trying to cause as little damage to the economy, asset prices, and institutions that are hyper rate sensitive like banks.

For more information and to access the full blog, visit [wespath.org](https://wespath.org).

## Let's Connect

**If you have questions about your account or fund performance, contact Dustin Petz, President and CEO of the Kansas Methodist Foundation.**

**Email: [dustin@kansasmethodistfoundation.org](mailto:dustin@kansasmethodistfoundation.org)**

**Phone: 620-664-9623**



“You will be enriched in every way so that you can be generous on every occasion, and through us your generosity will result in thanksgiving to God.”

- 2 Corinthians 9:11