

# Investment Performance Summary

As of 3/31/2023

Individual Investment Options	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
<b>Domestic Equity Pool TR*</b>	<b>7.17</b>	<b>2.64</b>	<b>7.17</b>	<b>-8.76</b>	<b>18.38</b>	<b>10.39</b>	
Domestic Equity Benchmark*	7.15	2.63	7.15	-8.77	18.37	10.37	11.70
S&P 500 TR USD	7.50	3.67	7.50	-7.73	18.60	11.19	12.24
<b>International Equity Pool TR*</b>	<b>6.74</b>	<b>2.61</b>	<b>6.74</b>	<b>-4.37</b>	<b>12.82</b>	<b>2.68</b>	
International Equity Benchmark*	6.39	2.13	6.39	-5.61	12.27	2.50	4.59
MSCI ACWI Ex USA NR USD	6.87	2.44	6.87	-5.07	11.80	2.47	4.17
<b>Intermediate-Term Fixed Income Pool TR</b>	<b>3.30</b>	<b>2.84</b>	<b>3.30</b>	<b>-4.01</b>	<b>-1.88</b>	<b>1.42</b>	
Intermediate-Term Fixed Income Benchmark	3.17	2.81	3.17	-3.92	-1.74	1.48	1.68
<b>Short-Term Fixed Income Pool TR</b>	<b>2.12</b>	<b>1.81</b>	<b>2.12</b>	<b>-1.06</b>	<b>-0.86</b>	<b>1.20</b>	
Short-Term Fixed Income Benchmark	2.05	1.76	2.05	-1.01	-0.69	1.30	1.24
<b>Money Market Pool TR</b>	<b>0.83</b>	<b>0.32</b>	<b>0.83</b>	<b>1.41</b>	<b>0.47</b>	<b>0.94</b>	<b>0.54</b>
USTREAS T-Bill Auction Ave 3 Mon	1.21	0.41	1.21	3.28	1.16	1.51	0.94

Individual investment options allow donors to recommend a custom allocation strategy, which can include one or more Investment Pools. Please refer to the quarterly Investment Performance Supplemental Report for benchmark definitions.

\*The Domestic Equity TR, the International Equity TR, the Domestic Equity Benchmark and the International Equity Benchmark have an inception date of 6/30/19: performance prior to that date is pro-forma.

Investment Mix Options	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
<b>Aggressive Mix TR</b>	<b>6.01</b>	<b>2.50</b>	<b>6.01</b>	<b>-5.93</b>	<b>12.73</b>	<b>6.90</b>	<b>8.21</b>
Aggressive Mix Benchmark	5.91	2.39	5.91	-6.15	12.65	6.89	8.21
<b>Moderately Aggressive Mix TR</b>	<b>5.15</b>	<b>2.33</b>	<b>5.15</b>	<b>-4.71</b>	<b>9.78</b>	<b>5.81</b>	<b>6.62</b>
Moderately Aggressive Mix Benchmark	5.07	2.24	5.07	-4.83	9.78	5.83	6.63
<b>Moderate Mix TR</b>	<b>4.16</b>	<b>2.14</b>	<b>4.16</b>	<b>-3.46</b>	<b>6.22</b>	<b>4.32</b>	<b>4.82</b>
Moderate Mix Benchmark	4.11	2.08	4.11	-3.40	6.31	4.41	4.84
<b>Conservative Mix TR</b>	<b>3.08</b>	<b>1.86</b>	<b>3.08</b>	<b>-2.09</b>	<b>2.76</b>	<b>2.78</b>	<b>2.98</b>
Conservative Mix Benchmark	3.08	1.83	3.08	-1.77	2.96	2.93	3.03
<b>Risk Averse Mix TR</b>	<b>0.83</b>	<b>0.32</b>	<b>0.83</b>	<b>1.41</b>	<b>0.47</b>	<b>0.94</b>	<b>0.54</b>
USTREAS T-Bill Auction Ave 3 Mon	1.21	0.41	1.21	3.28	1.16	1.51	0.94

Investment Mix options offer a simple, one-stop approach to an investment strategy that best reflects your charitable goals. Donors recommend one option, which the Community Foundation rebalances.

Returns for periods greater than 1 year are compound annual returns. TR = Total Return

Current Investment Mix Allocations	Domestic Equity Pool	Int'l Equity Pool	Inter-Term Fixed Income Pool	Short-Term Fixed Income Pool	Money Market Pool
Aggressive	55%	22%	10%	10%	3%
Moderately Aggressive	43%	17%	10%	25%	5%
Moderate	29%	11%	15%	35%	10%
Conservative	14%	6%	18%	42%	20%
Risk Averse	0%	0%	0%	0%	100%

#### Estimated Investment Management Fees for the Investment Mix Options

Aggressive	0.05%
Moderately Aggressive	0.06%
Moderate	0.07%
Conservative	0.08%
Risk Averse	0.14%

Performance is presented gross of Kern Community Foundation administrative fees but net of all investment management fees, brokerage, consulting and other transaction costs.

#### Customer Service

If you have any questions about your fund or wish to request a change in your investment mix, please contact Donor Services at 661.616.2617 or [donorservices@kernfoundation.org](mailto:donorservices@kernfoundation.org).

Contact Danette Rinehart at [danette@kernfoundation.org](mailto:danette@kernfoundation.org) or 661.616.2602 for more information on the pools, including their component funds and blended benchmarks or the Investment Policy Statement.

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# Domestic Equity Pool

As of 3/31/2023

## Trailing Returns

Domestic Equity Pool & Benchmark	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Domestic Equity Pool TR</b>	<b>7.17</b>	<b>7.17</b>	<b>-8.76</b>	<b>18.38</b>	<b>10.39</b>	
Domestic Equity Benchmark	7.15	7.15	-8.77	18.37	10.37	11.70
S&P 500 TR USD	7.50	7.50	-7.73	18.60	11.19	12.24
Russell 3000 TR USD	7.18	7.18	-8.58	18.48	10.45	11.73

## Trailing Returns

Equity Pool Holdings & Benchmarks	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Vanguard Instl Ttl Stk Mkt Idx InstlPIs</b>	<b>7.17</b>	<b>7.17</b>	<b>-8.75</b>	<b>18.39</b>	<b>10.40</b>	<b>11.73</b>
CRSP US Total Market TR USD	7.15	7.15	-8.77	18.37	10.37	11.70

## Purpose

The purpose of the Domestic Equity Pool is to facilitate the funding of current and future charitable needs of participating charitable funds and organizations. The long term investment objective of the Equity Pool is to obtain broad equity market exposure utilizing a passive, cost effective approach that is diversified across market capitalizations and regions. A secondary objective is to provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs now and in the future.

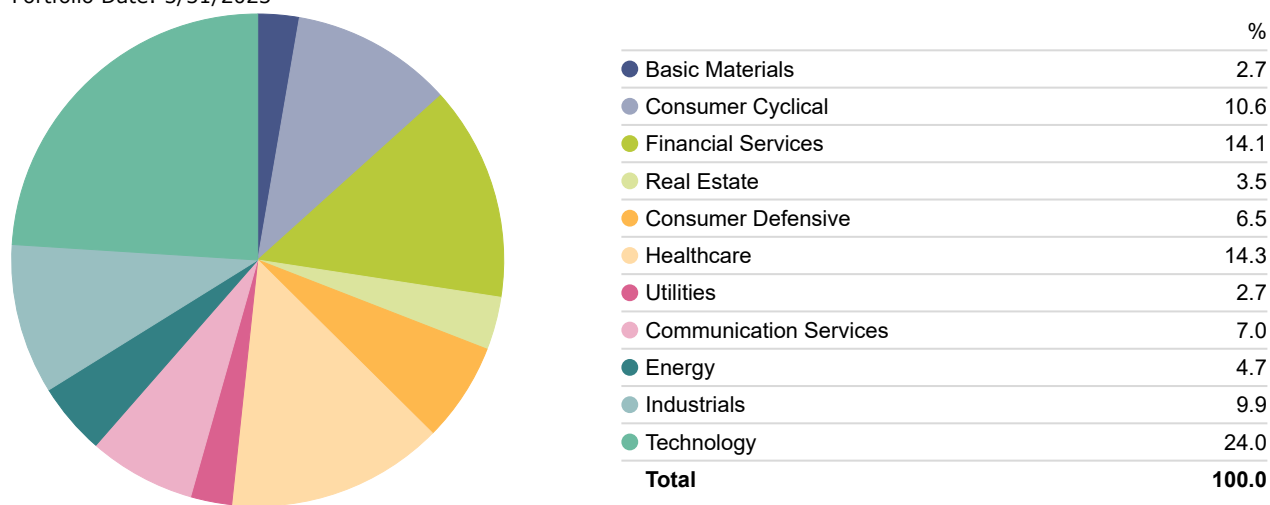
## Top Holdings - Domestic Equity Pool

Portfolio Date: 3/31/2023

Total Market Value: \$493,848,182.41	Market Value (mil)	Portfolio Weighting %
Vanguard Instl Ttl Stk Mkt Idx InstlPIs	\$ 493.8	100%

## Equity Sectors (Morningstar) - Domestic Equity Pool

Portfolio Date: 3/31/2023



Equity Benchmark	Current
CRSP US Total Stock Market	100%

Source: Morningstar Direct

## Top Stock Holdings

1. Apple Inc.
2. Microsoft Corp
3. Amazon.com Inc.
4. Tesla Inc
5. NVIDIA Corp
6. Alphabet Inc Class A
7. Berkshire Hathaway Inc Class B
8. Alphabet Inc Class C
9. Exxon Mobil Corp
10. UnitedHealth Group Inc

Trailing Twelve Month Dividend Yield: 1.61%

Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transaction costs.

Estimated Pool Investment Management Fee: .03%

# International Equity Pool

As of 3/31/2023

## Trailing Returns

Equity Pool & Benchmark	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>International Equity Pool TR</b>	<b>6.74</b>	<b>6.74</b>	<b>-4.37</b>	<b>12.82</b>	<b>2.68</b>	
International Equity Benchmark	6.39	6.39	-5.61	12.27	2.50	4.59
FTSE Global All Cap ex US TR USD	6.50	6.50	-5.40	12.79	2.91	4.81

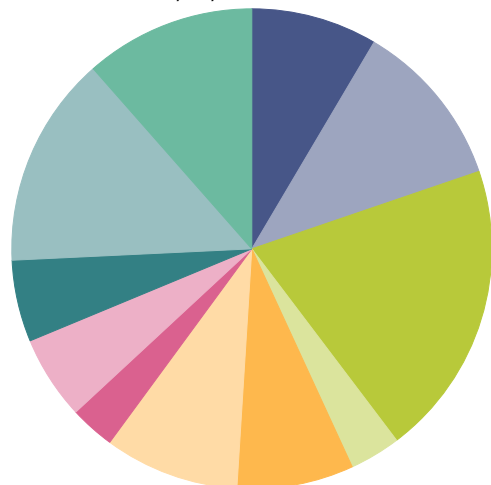
Performance for the International Equity Pool prior to 06/30/2019 is pro-forma based on the experience of the previous Equity Pool

## Trailing Returns

International Equity Pool Holding & Benchmark	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Vanguard Developed Markets Index Instl</b>	<b>7.79</b>	<b>7.79</b>	<b>-2.88</b>	<b>13.86</b>	<b>3.44</b>	<b>5.27</b>
FTSE Developed ex US All Cap NR USD	7.55	7.55	-4.30	13.32	3.22	4.87
<b>Vanguard Emerging Mkts Stock Idx Instl</b>	<b>3.60</b>	<b>3.60</b>	<b>-9.10</b>	<b>9.53</b>	<b>-0.02</b>	<b>2.22</b>
FTSE Emerging NR USD	2.92	2.92	-10.13	8.88	0.07	2.43

## Equity Sectors (Morningstar) - International Equity Pool

Portfolio Date: 3/31/2023



International Equity Benchmark	Current
FTSE Developed ex US All Cap	82%
FTSE Emerging Markets	18%

Source: Morningstar Direct

## Purpose

The purpose of the International Equity Pool is to facilitate the funding of current and future charitable needs of participating charitable funds and organizations. The long term investment objective of the International Equity Pool is to obtain broad international equity market exposure utilizing a passive, cost effective approach that is diversified across market capitalizations and regions. A secondary objective is to provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs now and in the future.

## Top Holdings - International Equity Pool

Portfolio Date: 3/31/2023

Total Market Value: \$174,244,514.80	Market Value (mil)	Portfolio Weighting %
Vanguard Developed Markets Index Ins Pls	\$ 131.5	75%
Vanguard Emerging Mkts Stock Idx Instl	\$ 43.3	25%

## Top Stock Holdings

1. Taiwan Semiconductor Manufacturing Co Ltd
2. Nestle Sa
3. Tencent Holdings Ltd
4. ASML Holding NV
5. Samsung Electronics Co Ltd
6. Novo Nordisk A/S Class B
7. Shell PLC
8. LVMH Moet Hennessy Louis Vuitton SE
9. Roche Holding AG
10. AstraZeneca PLC

Trailing Twelve Month Dividend Yield: 3.47

Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transaction costs.

Estimated Pool Investment Management Fee: .06%

# Intermediate-Term Fixed Income Pool

As of 3/31/2023

## Trailing Returns

Int-Term Fixed Income Pool & Blended Benchmark	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Intermediate-Term Fixed Income Pool TR</b>	<b>3.30</b>	<b>3.30</b>	<b>-4.01</b>	<b>-1.88</b>	<b>1.42</b>	
Intermediate-Term Fixed Income Benchmark	3.17	3.17	-3.92	-1.74	1.48	1.68

## Trailing Returns

Int-Term Fix. Income Pool Holdings & Benchmarks	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Vanguard Interm-Term Bond Index I</b>	<b>3.59</b>	<b>3.59</b>	<b>-4.14</b>	<b>-2.23</b>	<b>1.58</b>	<b>1.68</b>
Bloomberg US 5-10 GovCredit FIAdj TR USD	3.36	3.36	-4.07	-2.17	1.59	1.73
<b>Vanguard Mortgage-Backed Secs Idx Instl</b>	<b>2.42</b>	<b>2.42</b>	<b>-4.65</b>	<b>-3.49</b>	<b>0.12</b>	
Bloomberg US MBS TR USD	2.53	2.53	-4.85	-3.31	0.20	1.00
<b>Vanguard Shrt-Term Infl-Prot Sec Idx Ins</b>	<b>2.28</b>	<b>2.28</b>	<b>-0.30</b>	<b>3.44</b>	<b>2.95</b>	<b>1.51</b>
Bloomberg US TIPS 0-5 Year TR USD	2.19	2.19	-0.32	3.47	2.97	1.55
<b>Xtrackers USD High Yield Corp Bd ETF</b>	<b>3.62</b>	<b>3.62</b>	<b>-3.62</b>	<b>4.37</b>	<b>2.62</b>	
Solactive USD HY Corp Total Mkt TR USD	3.83	3.83	-3.39	4.80	2.84	3.53

## Int.-Term Fixed Income Benchmark Weights

	Percent	Inception Date: January 1, 2014
Barclays US 5-10Y Gov/Credit FIAdj TR USD	70%	Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transactions costs.  Estimated Pool Investment Management Fee: 0.06%
Barclays US MBS Float Adjusted TR USD	20%	
Solactive USD HY Corp Total Mkt TR USD	5%	
Barclays U.S. Treasury TIPS 0-5Y TR USD	5%	

## Purpose

The purpose of the Intermediate-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Pool is diversified across U.S. Treasuries notes and bonds, corporate bonds, bank loans, mortgaged-backed securities and U.S. Treasury Inflation-Protected Securities. The average effective duration and interest rate risk of the Pool will be commensurate with broad fixed income benchmarks such as the Barclays U.S. Aggregate Bond Index.

## Intermediate-Term Fixed Income Pool Holdings

Portfolio Date: 3/31/2023

	Market Value (mil)	Portfolio Weight %
Total Market Value	\$129,304,282	
Vanguard Interm-Term Bond Index Ins Plus	\$ 90.8	70%
Vanguard Mortgage-Backed Secs Idx Instl	\$ 25.8	20%
Xtrackers USD High Yield Corp Bd ETF	\$ 6.4	5%
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	\$ 6.3	5%

## Fixed Income Pool Statistics

Average Yield to Maturity	4.39%
Average Effective Duration	6.09 years
Trailing Twelve Month Yield	2.74%

# Short-Term Fixed Income Pool

As of 3/31/2023

## Trailing Returns

Short-Term Fix. Inc. Pool & Blended Benchmark	Year To Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Short-Term Fixed Income Pool TR</b>	<b>2.12</b>	<b>2.12</b>	<b>-1.06</b>	<b>-0.86</b>	<b>1.20</b>	
Short-Term Fixed Income Benchmark	2.05	2.05	-1.01	-0.69	1.30	1.24

## Purpose

The purpose of the Short-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Pool is diversified across U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgaged-backed securities and U.S. Treasury Inflation-Protected Securities. The Pool will have a lower average effective duration than broad fixed income market benchmarks such as the Barclays U.S. Aggregate Bond Index, hence limiting overall interest rate risk.

## Trailing Returns

Short-Term Fix. Inc. Pool Holdings & Benchmarks	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Vanguard Short-Term Bond Idx I</b>	<b>1.93</b>	<b>1.93</b>	<b>-0.31</b>	<b>-0.81</b>	<b>1.29</b>	<b>1.08</b>
Bloomberg US 1-5Y GovCredit FIAdj TR USD	1.82	1.82	-0.33	-0.79	1.32	1.13
<b>Vanguard Mortgage-Backed Secs Idx Instl</b>	<b>2.42</b>	<b>2.42</b>	<b>-4.65</b>	<b>-3.49</b>	<b>0.12</b>	
Bloomberg US MBS Float Adjusted TR USD	2.55	2.55	-4.55	-3.18	0.25	1.00
<b>Vanguard Shrt-Term Infl-Prot Sec Idx Ins</b>	<b>2.28</b>	<b>2.28</b>	<b>-0.30</b>	<b>3.44</b>	<b>2.95</b>	<b>1.51</b>
Bloomberg US TIPS 0-5 Year TR USD	2.19	2.19	-0.32	3.47	2.97	1.55
<b>Invesco Senior Loan ETF</b>	<b>2.77</b>	<b>2.77</b>	<b>1.54</b>	<b>4.85</b>	<b>2.33</b>	<b>2.38</b>
Morningstar LSTA US LL100 Index TR USD	2.94	2.94	2.42	6.50	3.37	3.31

## Short-Term Fixed Income Pool Holdings

Portfolio Date: 3/31/2023

	Market Value (mil)	Portfolio Weight %
Total Market Value: \$300,677,215		
Vanguard Short-Term Bond Idx InstlPIs	\$ 211.0	70%
Vanguard Mortgage-Backed Secs Idx Instl	\$ 59.9	20%
Invesco Senior Loan ETF	\$ 15.0	5%
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	\$ 14.8	5%

## Short-Term Fixed Income Benchmark Weights

	Percent
Barclays US 1-5Y GovCredit FIAdj TR USD	70%
Barclays US MBS Float Adjusted TR US	20%
Barclays U.S. Treasury TIPS 0-5Y TR USD	5%
S&P/LSTA U.S. Leveraged Loan 100 TR USD	5%

## Inception Date: January 1, 2014

Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transactions costs.

Estimated Pool Investment Management Fee: 0.09%

## Fixed Income Pool Statistics

Average Yield to Maturity	4.51%
Average Effective Duration	3.37 years
Trailing Twelve Month Yield	2.25%

## Purpose

The purpose of the Money Market Pool is to provide liquidity for participating charitable funds and organizations in funding grant making and payment of fees and administrative costs while providing desired principal stability. The long term investment objective of the Money Market Pool is to seek a competitive market return to preserve and grow the portfolio, provide cash flows to meet charitable needs now and those in the future. As such, the Money Market Pool is highly liquid, which enables donors to access funds for grants in a timely manner. The Money Market Pool invests in bank deposits and obligations of the United States government and its agencies.

### Money Market Trailing Returns

Time Period	Money Market Pool	90 Day Treasury Bills
Year to Date	0.83%	1.22%
3 Months	0.83%	1.22%
1 Year	1.41%	3.29%
3 Years	0.47%	1.16%
5 Years	0.94%	1.51%
10 Years	0.54%	0.94%

*Performance periods greater than 12 months are annualized.  
Performance is net of investment management fees but not the  
Foundation's administrative fees.*

**Current Month Return Annualized: 3.84%**

# Investment Commentary

## March 31, 2023

Investment returns were largely positive in the first quarter of 2023, despite a tumultuous series of events in the banking sector. Markets surged to start the year, buoyed by investor optimism that the U.S. Federal Reserve (the "Fed") was nearing the end of its tightening cycle and ahead of the curve concerning inflation, market and economic indicators were stabilizing, and the economy had continued to demonstrate its resiliency. However, things quickly changed in early March when Silicon Valley Bank ("SVB"), the country's 16<sup>th</sup> largest depository institution, collapsed following a run on the bank in which depositors attempted to withdraw more than 80% of the bank's deposits over a two-day period. Ultimately, SVB was forced into FDIC receivership, along with another institution, Signature Bank, sending shockwaves through the banking sector. Regulators acted quickly to put emergency provisions in place, including backstopping the banks' depositors to prevent systematic risk within the sector. In its attempt to tame inflation, these events did not stop the Fed from continuing to hike interest rates, delivering two 25 basis point rate hikes over the quarter. Since beginning its cycle of rate hikes in March 2022, the Fed has increased interest rates nine times, for a total of 4.75%.

As measured by the S&P 500 index, domestic equity markets were positive for the first quarter, returning +7.5%. The Domestic Equity Pool returned +7.17% for the quarter. The tech-heavy NASDAQ Composite Index finished the quarter up +17.1%, marking one of its best quarters since 2020. From a sector perspective, investors flocked back to technology, communication services, and consumer discretionary stocks, as those sectors finished the period up +21.8%, 20.5% and +16.1%, respectively. Their outperformance over the period was even more notable as these sectors were the biggest laggards in 2022. Financials were the worst performing sector, down -5.6%, on the heels of volatility brought upon by bank failures and worries around

systematic risk in the sector. Energy stocks also underperformed the broader market, down -4.7%. From a style perspective, growth stocks meaningfully outperformed value stocks, another reversal from the trends of 2022. As measured by their respective Russell-based indices, large-cap stocks (+7.5%) meaningfully outperformed their mid-cap (+4.1%) and small-cap (+2.7%) counterparts. Developed international equities, as measured by the MSCI EAFE Index, were up +8.6% for the period, continuing their outperformance of domestic equities for the second consecutive quarter. On the heels of that outperformance, international equities are outperforming domestic equities on a one-year annualized basis. Emerging market equities were up +4.0%, as measured by the MSCI EAFE Emerging Markets Index (in U.S. dollar terms). The International Equity Bowl, which combines developed international and emerging markets, returned +6.74% in the first three months of the year.

Despite significant volatility, fixed income returns were also largely positive over the quarter, with the Bloomberg U.S. Aggregate Bond Index finishing up +2.96%. The turmoil in markets in early March led to a rally in the fixed-income markets, marked by the 10-year yield dropping approximately 60 basis points and the 2-year yield dropping over 100 basis points over a few days. As a reminder, bond prices and interest rates are inversely related, so as interest rates rise, bond prices fall. The 10-year yield finished the quarter at 3.48%, approximately 40 basis points lower than year-end. Within the fixed-income market, investment-grade and high-yield bonds posted strong returns of +3.5% and +3.6%, respectively, for the period. Municipal bonds returned +2.8%, and mortgage-backed securities returned +2.5%. U.S. Treasuries posted positive returns, most notably on longer-duration bonds, such as the 30-year, which returned +6.0% over the quarter. These interest rate moves, and current yields contributed to the performance of the Intermediate-Term Fixed Income Pool and Short-Term Fixed Income

# Investment Commentary

## March 31, 2023

Pool performance for the quarter. Their respective returns were +3.30% and +2.12% for the quarter.

As the Fed continued down its path of interest rate hikes to combat inflation that began just over a year ago, bond prices have fallen significantly, particularly long-duration bonds, which are the most sensitive to interest rate moves. This led to one of the worst years for fixed-income markets in 2022. In addition to unrealized losses for investors (in some cases material), the second consequence of interest rate hikes also started to appear during the quarter, as the banking industry was under severe stress.

To shore up its liquidity in the face of unrealized balance sheet losses on its fixed-income securities, SVB was forced to sell a portion of its investments at a loss during the quarter. As this was communicated to the market, investors became skittish, triggering a tidal wave of depositor withdrawal requests (more than \$140 billion over 48 hours) as depositors became concerned about the bank's solvency. A run on the bank ensued, ultimately leading to its collapse, pushing the bank into FDIC receivership over only a few days. Signature Bank, another institution, failed within days of SVB for similar reasons.

The Fed and other regulators acted quickly to mitigate the risk of contagion in the system, backstopping and guaranteeing all deposits and providing funding facilities to the system. While the risk of widespread, systematic issues appears to be mitigated, the sector continued to experience volatility, causing the regional banking index to decline by almost 25%. Large money-center banks (e.g., Bank of America, JP Morgan, Wells Fargo, etc.) also experienced stock price volatility. Still, they ultimately were beneficiaries of the depositor flight from smaller and regional banks over the period. Stress and turmoil in the system were not contained to domestic banks, also spreading quickly to Europe over the period. Capital flight and broader concerns

led to UBS taking over its longtime rival, Credit Suisse, for over \$3 billion. Swiss authorities stepped in to facilitate the merger and ultimately stem a decline in confidence in the global banking system.

Inflation continues to run above the Fed's target, with the most recent Consumer Price Index ("CPI") readings still elevated at around 6% based on February metrics. In response, Chairman Jerome Powell came into the year telling market participants the Fed was prepared to lift rates higher than previously expected to cool the economy and continue to battle inflation. Ultimately, the Fed raised rates twice over the first quarter, although the magnitude of rate hikes was less than in prior periods. Market participants were unsure whether the Fed would raise rates in March, particularly given the stress in the banking system. Still, they ultimately raised benchmark rates by 25 basis points, equivalent to the increase in February. Due to the turmoil in the banking sector, the Fed funds futures curve has significantly repriced, with the market now pricing in an imminent Fed pause and as many as four rate cuts by January 2024. As the Fed has continued tightening monetary policy and draining liquidity from capital markets, most pain has been felt in interest rate-sensitive areas such as housing. The market closely monitors additional risk indicators, whether to corporate earnings, other specific areas of the economy (e.g., banking) or consumers' financial health.