



**BOSTON  
PUBLIC  
LIBRARY**

# MARKET AND PORTFOLIO UPDATE

BOSTON PUBLIC LIBRARY  
ENDING MARCH 31, 2023

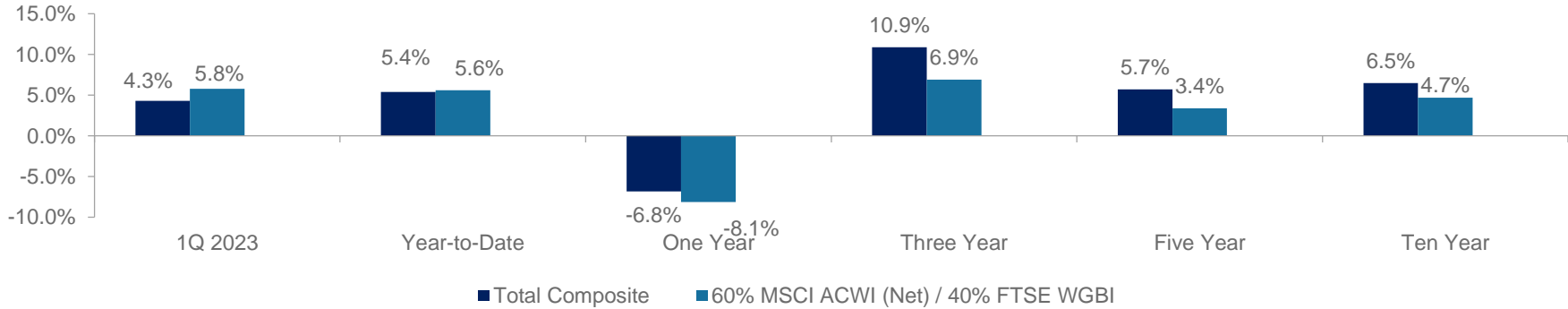
Sebastian Grzejka, CAIA, Partner  
Alexandra Sollers, CFA, Consultant



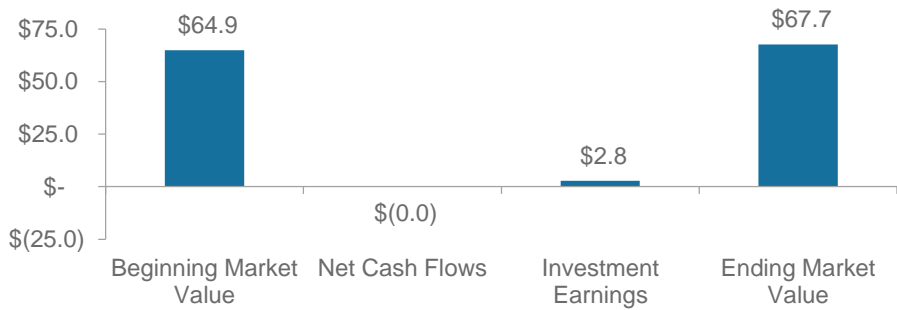
# TOTAL FUND EXECUTIVE SUMMARY

## Boston Public Library

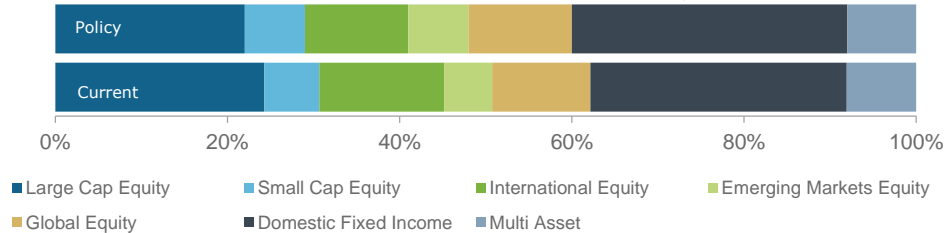
Net of Fee Performance – as of March 31, 2023



CYTD Change In Market Value In Millions



Total Fund Asset Allocation vs. Policy



### Overview of Portfolio and Considerations

- Asset Allocation**
  - The Fund is generally in line with long term targets, and we do not recommend changes currently
- Performance**
  - Long term performance is strong on both an absolute and relative basis
  - First quarter performance has been impacted by recent market volatility, however, active management was generally additive on a relative basis
- Portfolio Updates**
  - Staff is working to add short-term investment grade credit passively via Vanguard
  - Portfolio recently rebalanced to raise annual spend



# TOTAL FUND PERFORMANCE DETAIL (NET)

	Allocation			Performance (%)							
	Market Value (\$)	% of Portfolio	Policy (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Composite</b>	67,664,892	100.0	100.0	4.3	-6.8	10.9	5.7	6.8	6.5	9.0	Jan-81
60% MSCI ACWI (Net) / 40% FTSE WGBI				5.8	-8.1	6.9	3.4	5.2	4.7	-	
<b>Total Domestic Equity</b>	20,746,706	30.7	29.0								
SSgA SRI S&P 500	8,771,147	13.0		8.0	-8.5	18.0	11.1	12.4	12.1	13.5	Jan-09
S&P 500 Index				7.5	-7.7	18.6	11.2	12.4	12.2	13.5	
Diamond Hill Large Cap Class Y Shares	7,654,673	11.3		-0.7	-11.0	17.3	8.0	-	-	-	Mar-17
Russell 1000 Value Index				1.0	-5.9	17.9	7.5	-	-	7.1	
Segall Bryant & Hamill Small Cap	4,320,887	6.4		2.5	-5.1	21.2	10.0	11.6	-	9.1	Jan-15
Russell 2000 Index				2.7	-11.6	17.5	4.7	8.6	-	6.4	
<b>Total Non-US Equity</b>	13,604,692	20.1	19.0								
<b>Total International Equity</b>	9,833,410	14.5	12.0								
Earnest International Investment Trust Fund	9,833,410	14.5		7.3	-4.4	18.3	4.2	7.9	-	4.7	May-14
MSCI AC World ex USA (Net)				6.9	-5.1	11.8	2.5	5.9	-	3.2	
<b>Total Emerging Markets Equity</b>	3,771,282	5.6	7.0								
UBS EME HALO	3,771,282	5.6		2.8	-11.5	4.3	-	-	-	0.7	Jun-19
MSCI Emerging Markets (Net)				4.0	-10.7	7.8	-	-	-	2.3	
<b>Total Global Equity</b>	7,706,158	11.4	12.0								
Impax Global Resource Optimization Fund	7,706,158	11.4		7.0	-8.3	18.8	-	-	-	18.8	Apr-20
MSCI AC World Index (Net)				7.3	-7.4	15.4	-	-	-	15.4	
<b>Total Domestic Fixed Income</b>	20,156,801	29.8	32.0								
IR&M Core Bond Fund II	5,559,155	8.2		3.1	-4.7	-2.5	0.2	0.5	1.1	3.1	Mar-07
Blmbg. U.S. Aggregate Index				3.0	-4.8	-2.8	0.9	0.9	1.4	3.0	
SSgA Treasury Inflation Protected Securities	3,995,715	5.9		3.5	-6.1	1.7	2.9	-	-	2.6	Jan-18
Blmbg. U.S. TIPS				3.3	-6.1	1.8	2.9	-	-	2.6	
Manulife Asset Management	4,866,225	7.2		3.4	-3.1	1.9	1.7	-	-	2.0	Jan-17
Blmbg. Global Aggregate				3.0	-8.1	-3.4	-1.3	-	-	0.3	
State Street U.S. Treasury Index Non-Lending Common Trust Fund	5,735,706	8.5		3.2	-4.5	-	-	-	-	-5.1	Jun-21
Blmbg. U.S. Treasury Index				3.0	-4.5	-	-	-	-	-5.0	
<b>Total Balanced - GAA</b>	5,450,535	8.1	8.0								
PIMCO All Asset	5,450,535	8.1		3.2	-6.5	10.4	3.9	5.8	3.7	-	Jun-12
PIMCO All Asset Index				3.4	-4.6	1.7	2.6	2.9	2.7	3.1	



-PIMCO All Asset Index consists of 40% Bloomberg Aggregate / 30% Bloomberg US TIPS Index/ 10% S&P 500 / 10% HY / 10% JPM EMBI + TR.

-Diamond Hill Large Cap Class Y Shares Cash: \$91,856; Impax Multi Asset Fund Cash: \$632; IR&M Core Bond Fund II Cash: \$148,145; Manulife Cash: \$65,050; PIMCO Cash: \$108,844; Segall Bryant & Hamill SC Cash: \$208,332; SSgA SRI S&P 500 Cash: \$48,924; Earnest International: \$7,107

-New Policy % targets as of 4/1/2020; Returns are net of fees.

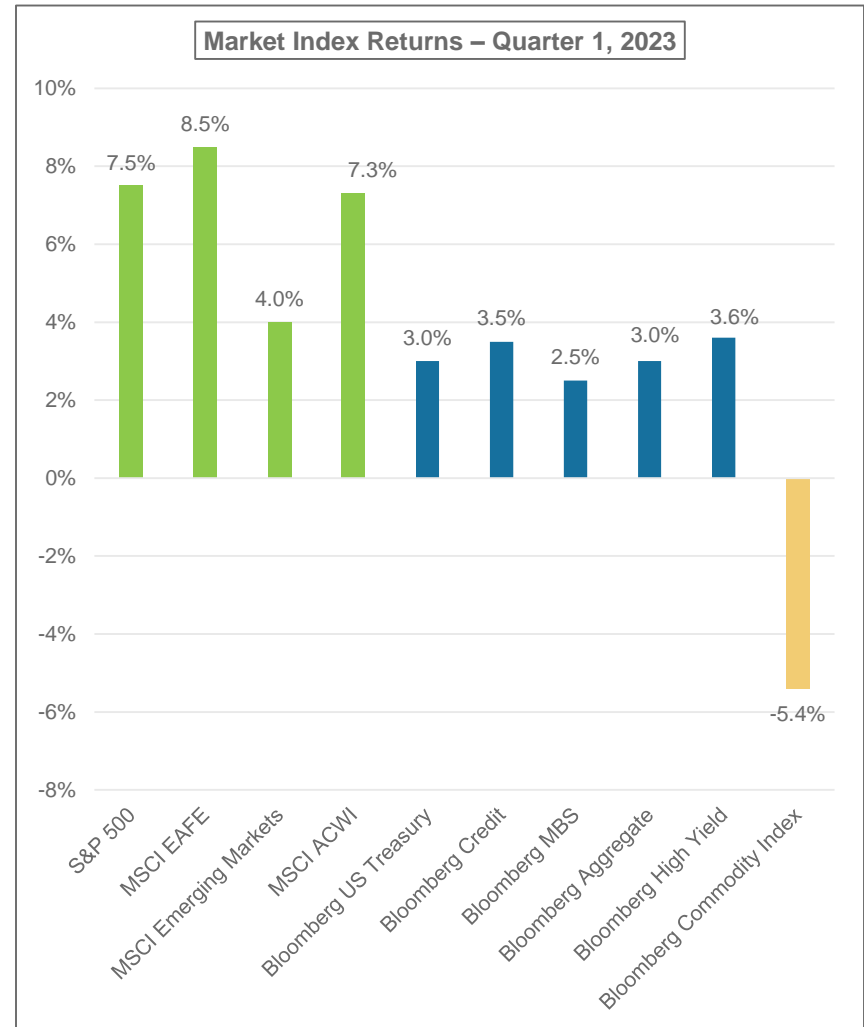
# MARKET UPDATE



PROPRIETARY & CONFIDENTIAL

# Q1 2023 IN REVIEW

- **U.S. stocks ended the first quarter on solid ground even as turmoil in the banking sector threw markets in disarray**
  - Volatility spiked in March following the collapse of Silicon Valley Bank and a handful of other financial institutions
  - However, despite the instability, stocks rallied as regulators stepped in to contain the fallout and interest rates fell in response to the bank failures
  - For the three months ended March 31, the S&P 500 Index gained 7.5%
  - International developed equities were in the black too, with the MSCI EAFE up 8.5%
- **In efforts to contain the fallout from the banking sector, the Federal Reserve raised the benchmark rate just 25 basis points in March to a target range of 4.75% to 5%**
  - Treasuries were up 3%, and investment-grade and high-yield corporate credit gained 3.5% and 3.6%, respectively
- **The first quarter was a mixed bag for real assets**
  - The Bloomberg Commodity Index lost 5.4%, while gold was a bright spot with gains of 8%



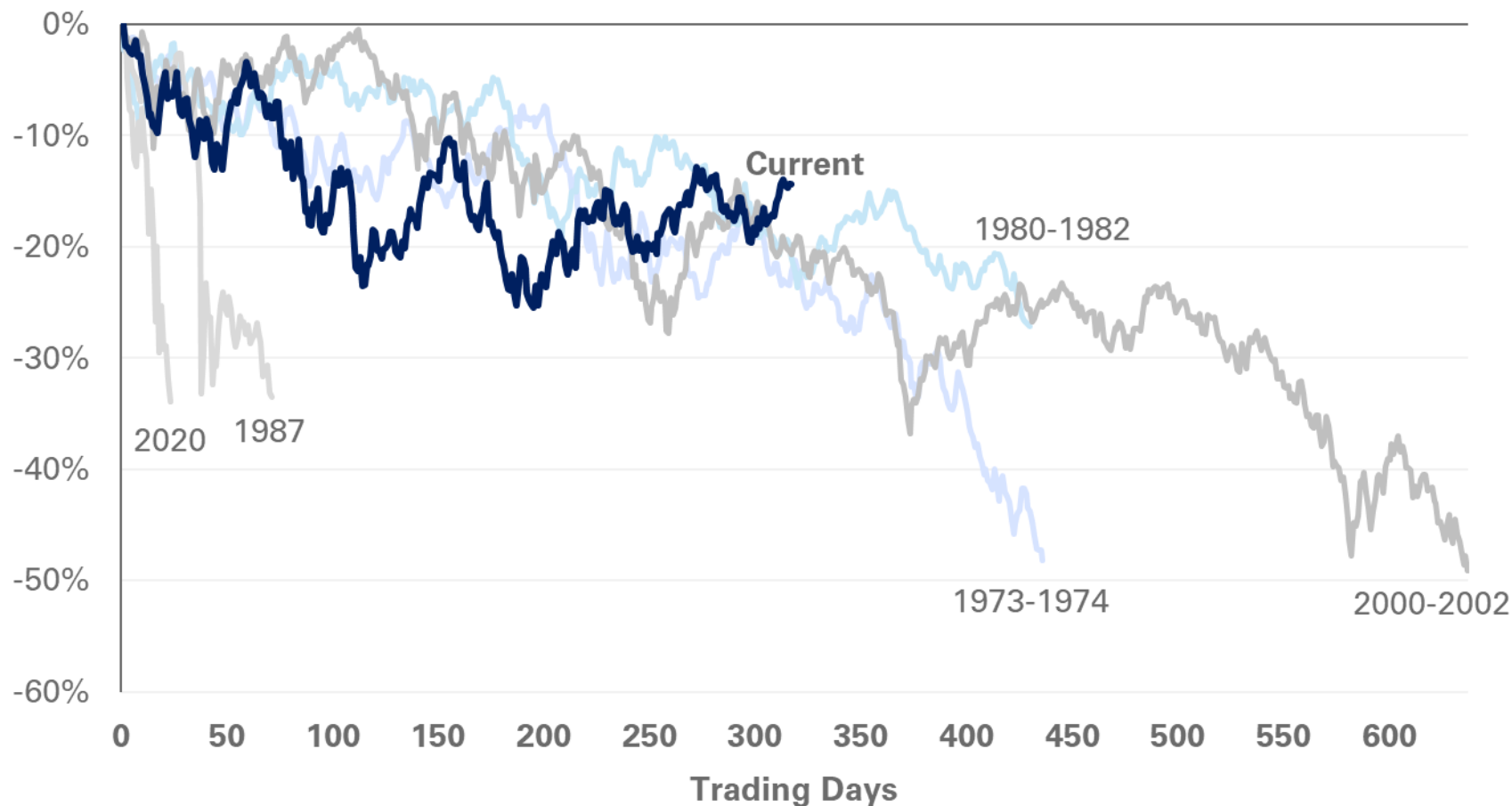
# REBALANCING OPPORTUNITIES REMAIN LIMITED

CUMULATIVE CHANGE IN EQUITY ALLOCATION: 60/40 PORTFOLIO



# BEAR MARKET IS BREAKING FROM PAST TRENDS

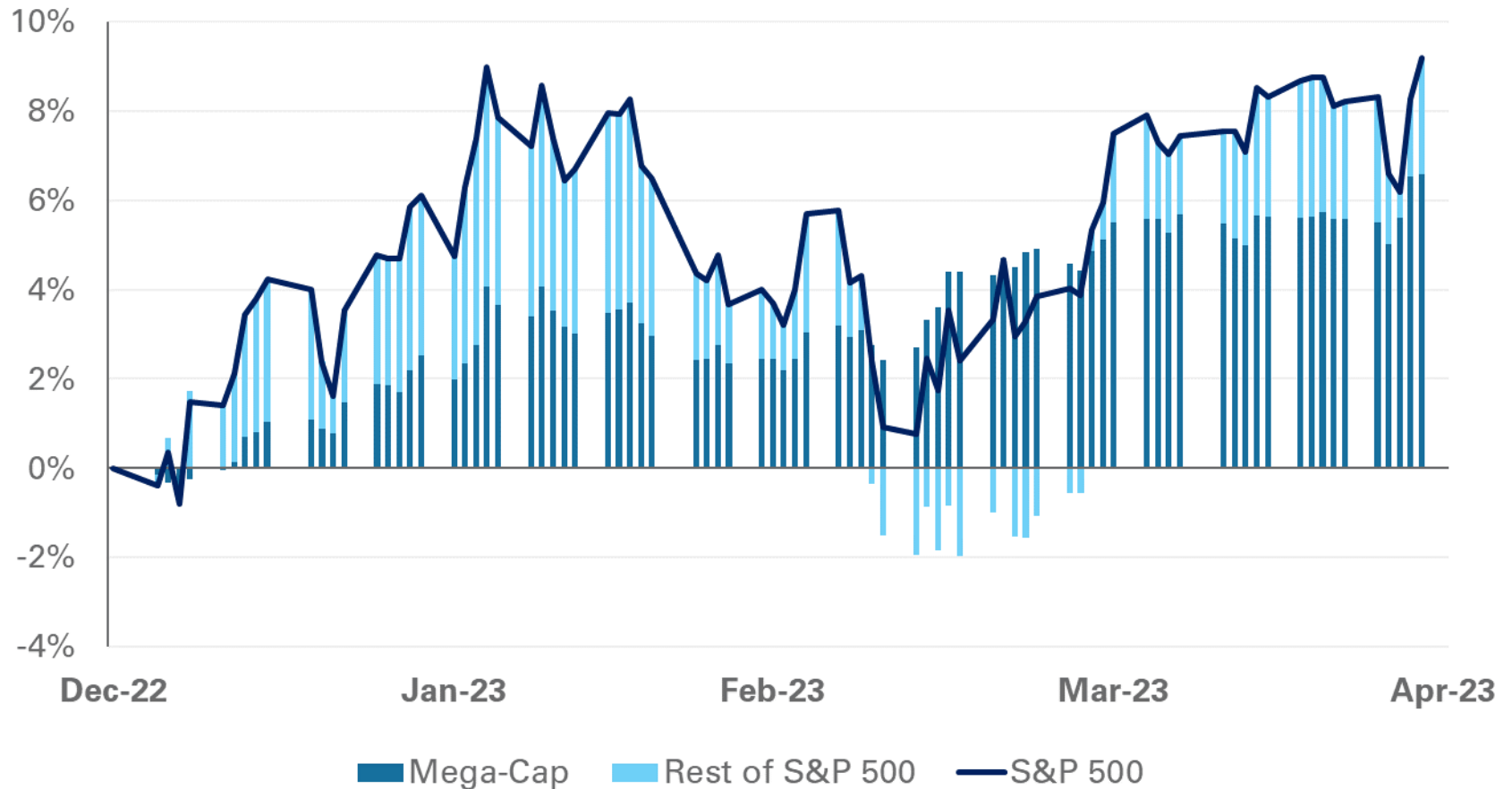
## HISTORICAL S&P 500 BEAR MARKET PATHS RELATIVE TO TODAY



Sources: S&P, FactSet, NEPC

# MEGA-CAPS CONTINUED TO SUPPORT RETURNS

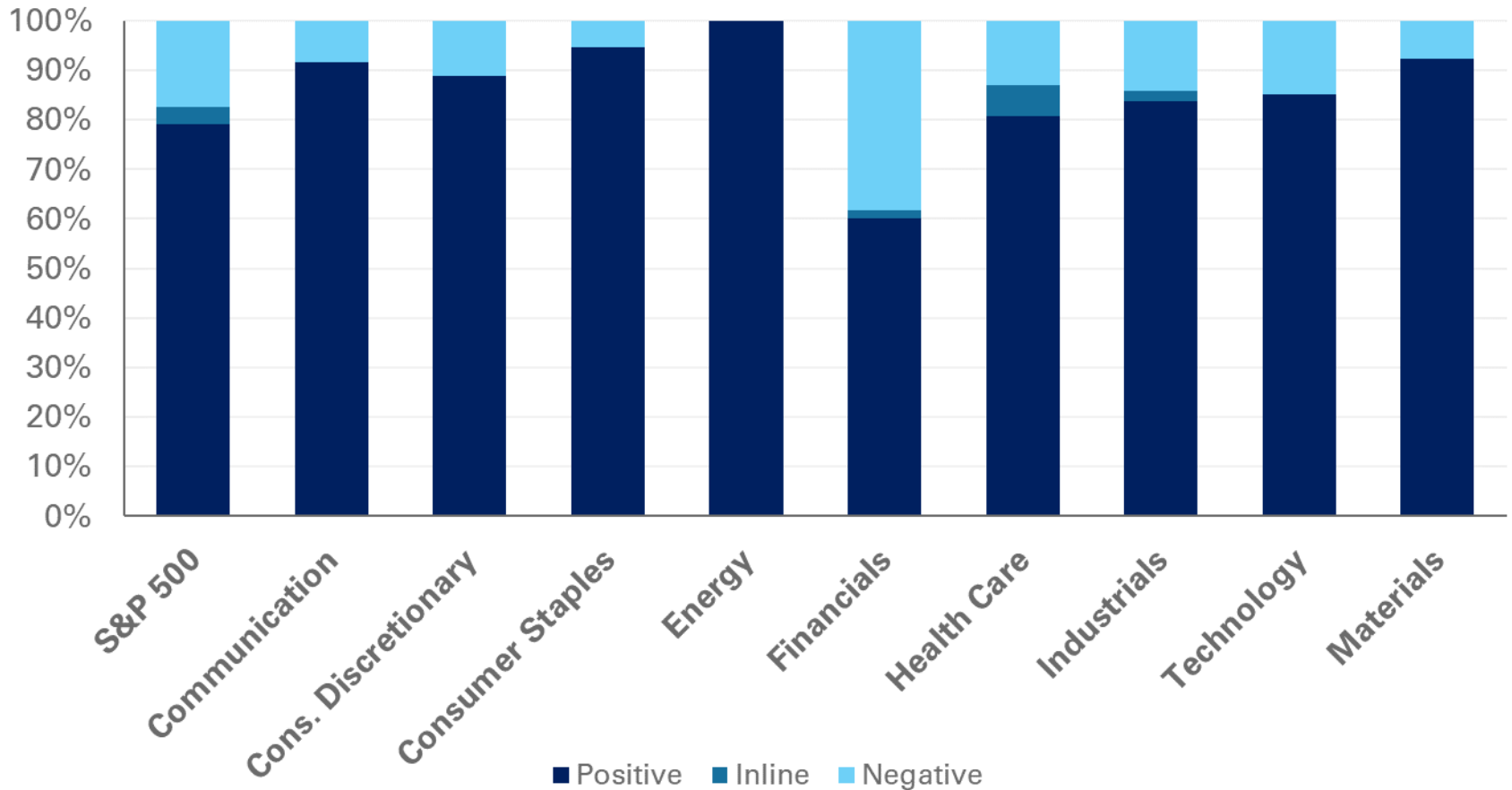
CUMULATIVE CONTRIBUTION TO S&P 500 RETURNS





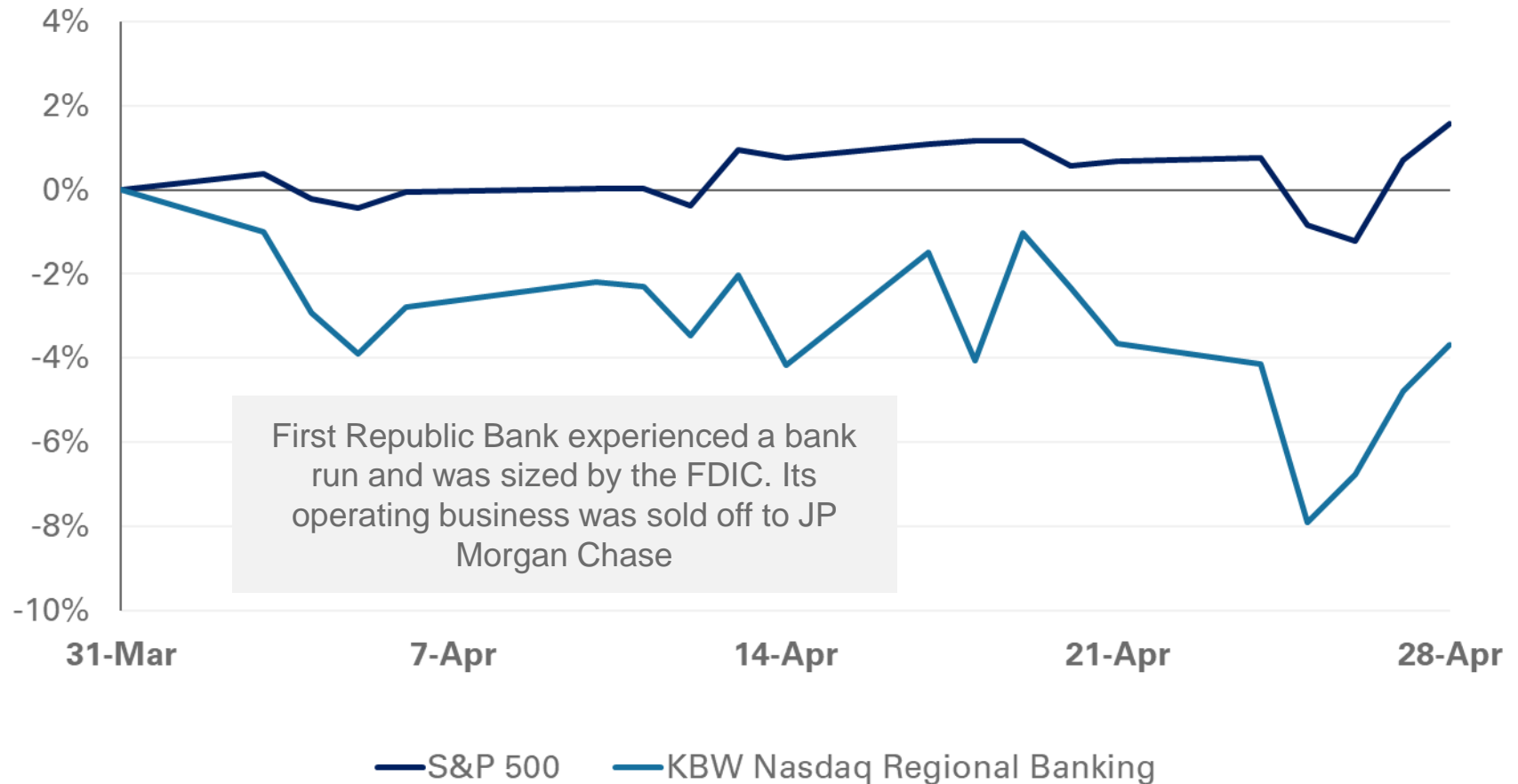
# S&P EARNINGS WERE BETTER-THAN-EXPECTED

S&P 500 EARNINGS SURPRISE FOR THE FIRST QUARTER



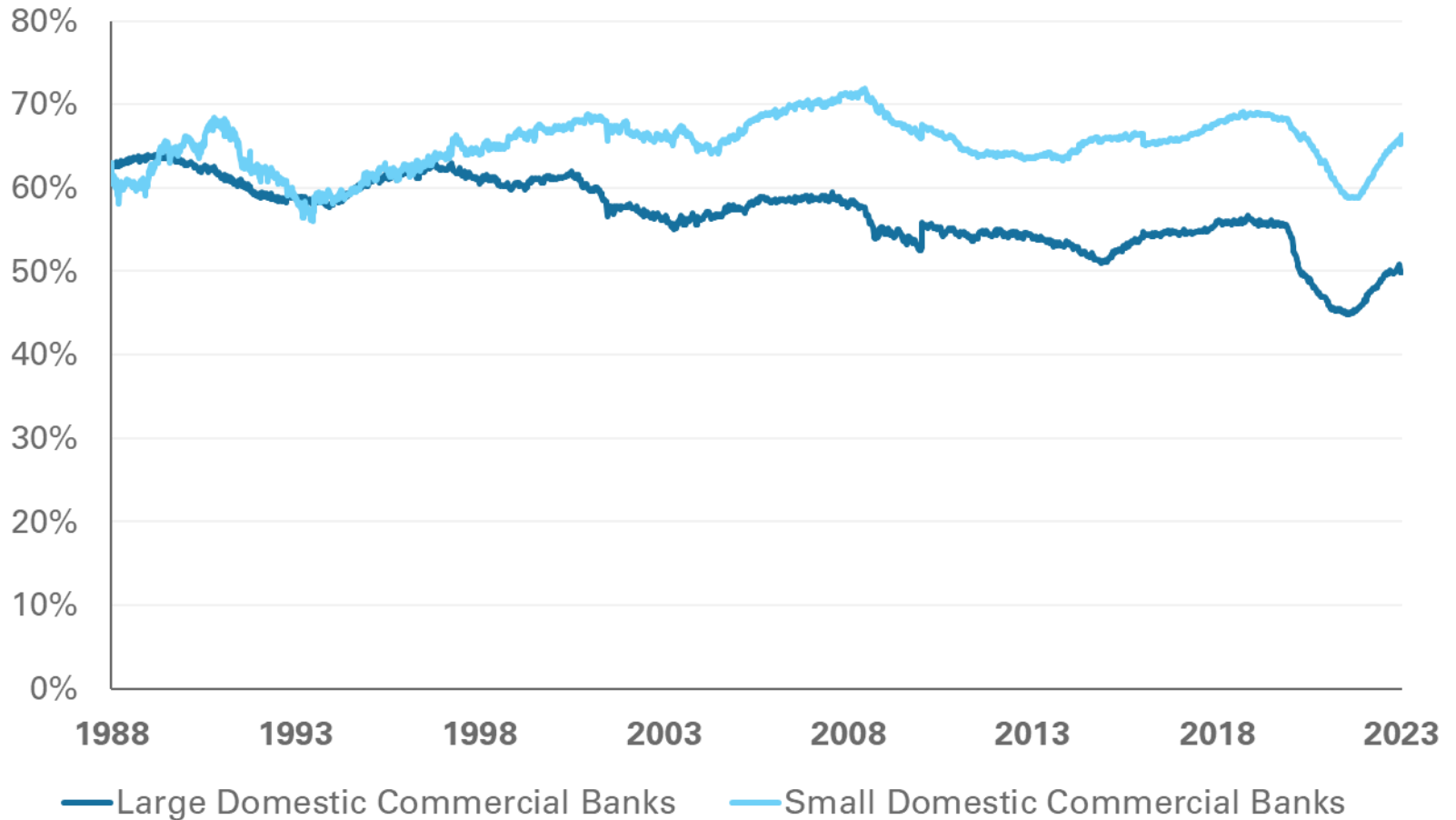
# REGIONAL BANKS REMAIN UNDER PRESSURE

## CUMULATIVE TOTAL RETURN



# CREDIT LENDING IS LINKED TO DEPOSIT LEVELS

LOANS & LEASES IN BANK CREDIT AS % OF TOTAL BANK ASSETS

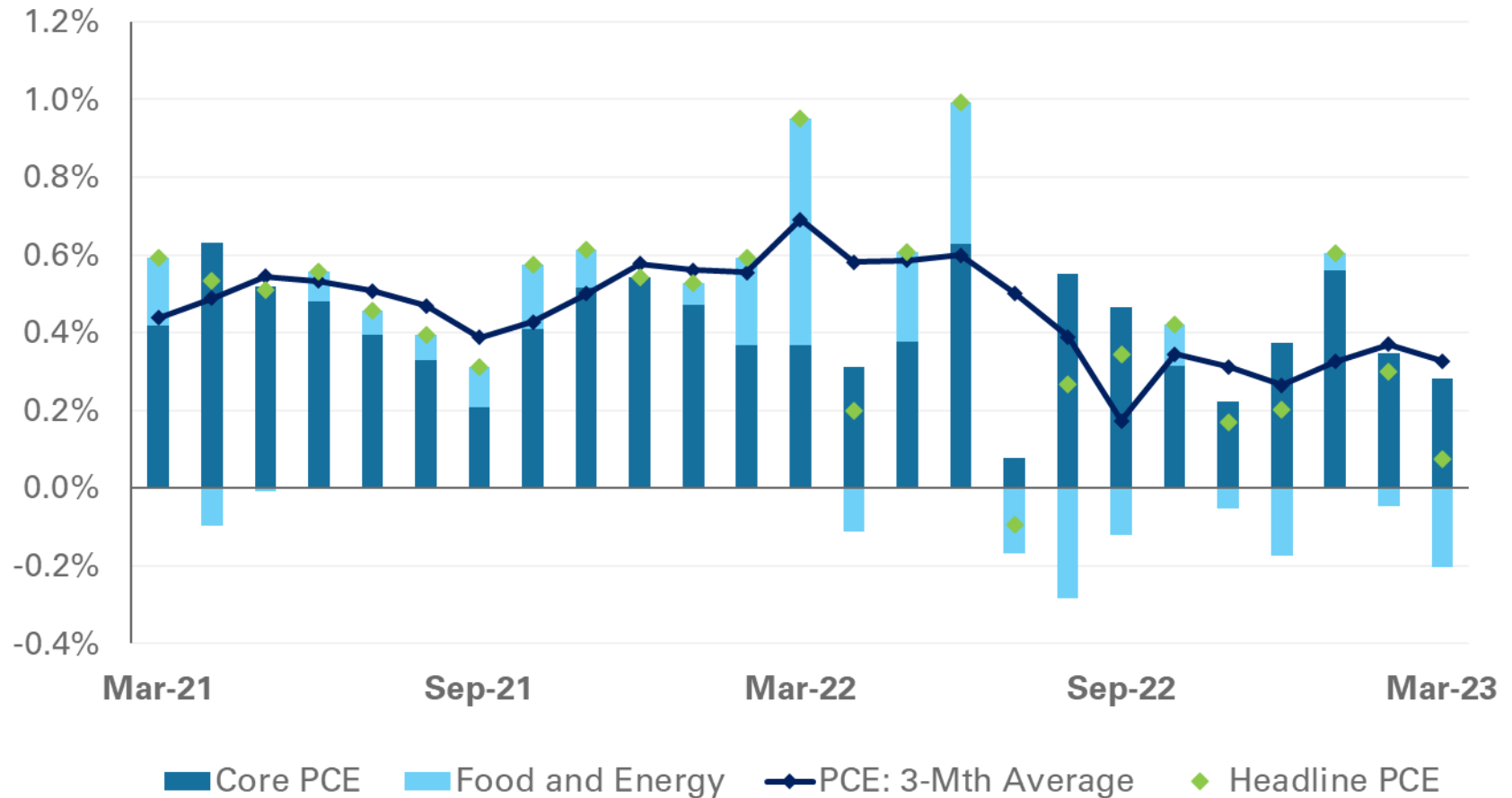


Source: Federal Reserve, FactSet



# CORE INFLATION REMAINED ELEVATED

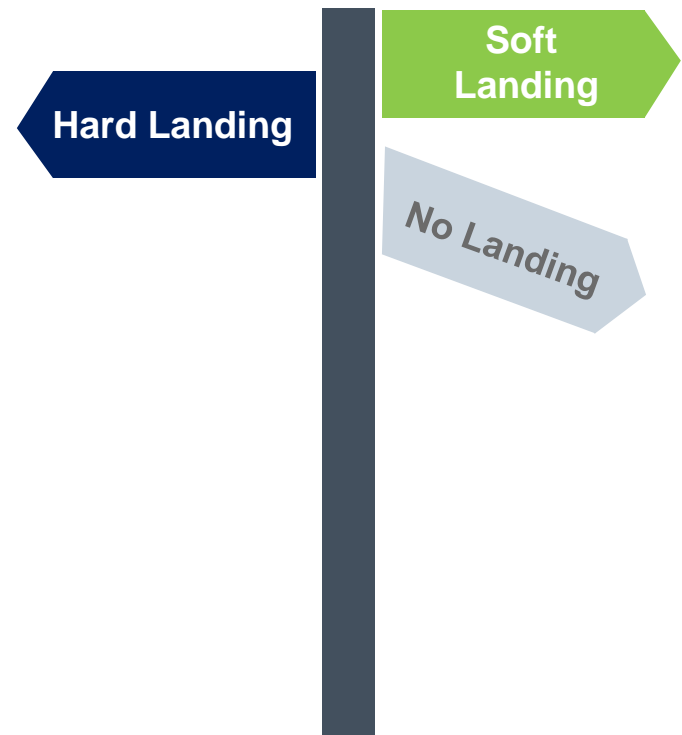
MONTHLY CHANGE IN U.S. PCE PRICE INDEX



# A DATA CONUNDRUM

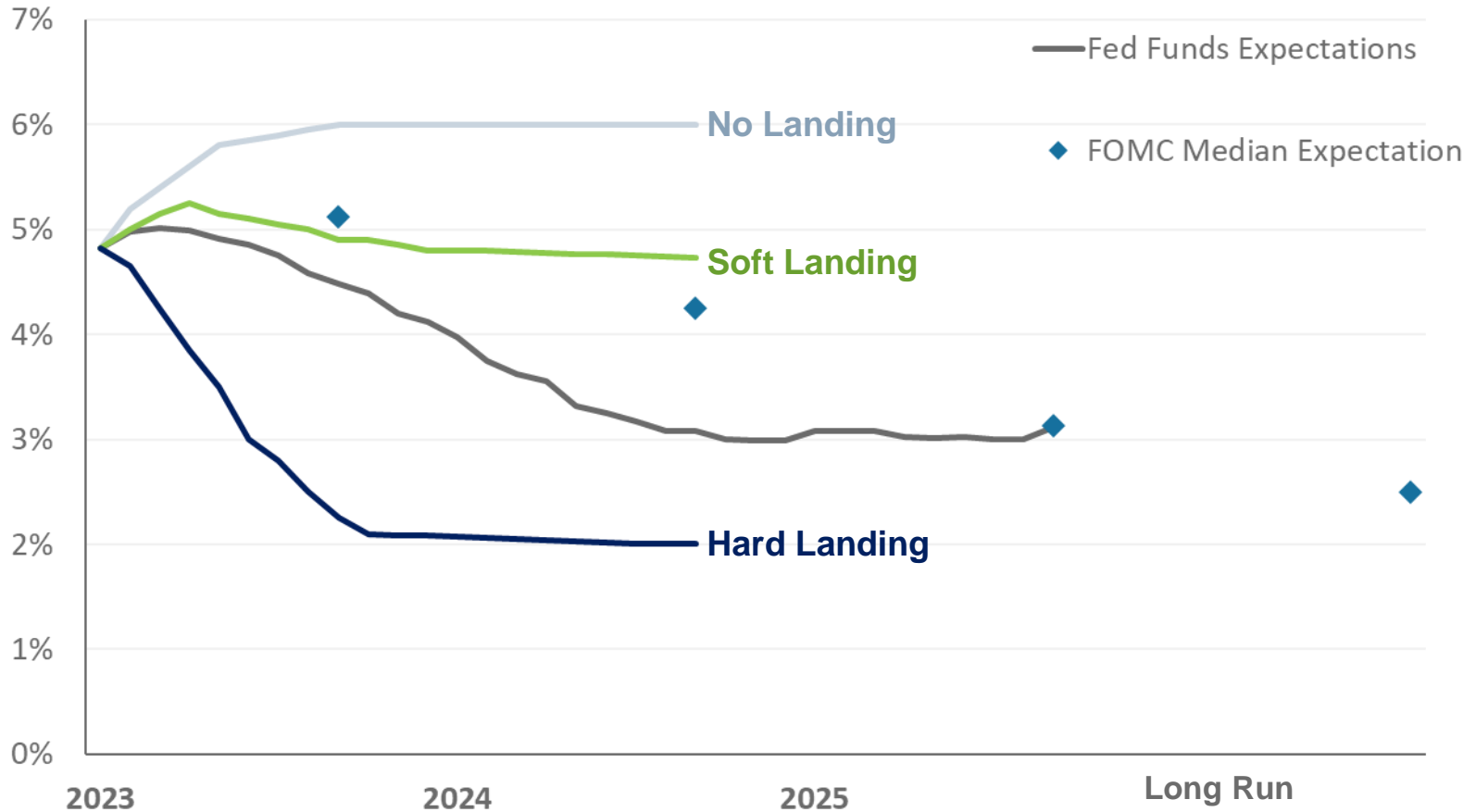
THE MARKET IS DIGESTING THREE ECONOMIC OUTCOMES

Investor Sentiment	No Landing
Labor Market	No Landing
Economic Growth	Soft Landing
Inflation	No Landing
Consumer Spending	Soft Landing
Fed Funds Expectations	Hard Landing
FOMC Expectations	Soft Landing
Interest Rates	Soft Landing
Manufacturing Sector	Hard Landing
Services Sector	No Landing
Commercial Real Estate	Hard Landing



# MARKET PRICING REFLECTS RECESSION CONCERNS

## THE FED DOT PLOT VERSUS FED FUNDS FUTURES



# U.S. ECONOMIC OUTLOOK



The market is struggling to discount the forward path for the U.S. economy given diverging economic data points



Interest rate-sensitive sectors of the economy are realizing the impact of tighter monetary policy – stoking broad recession fears



Resilient data from the services sector and the labor market continue to underpin “no landing” and “soft landing” outcomes



The credit lending impact from banking sector stress is still being realized – this will be a key determinant of the landing path



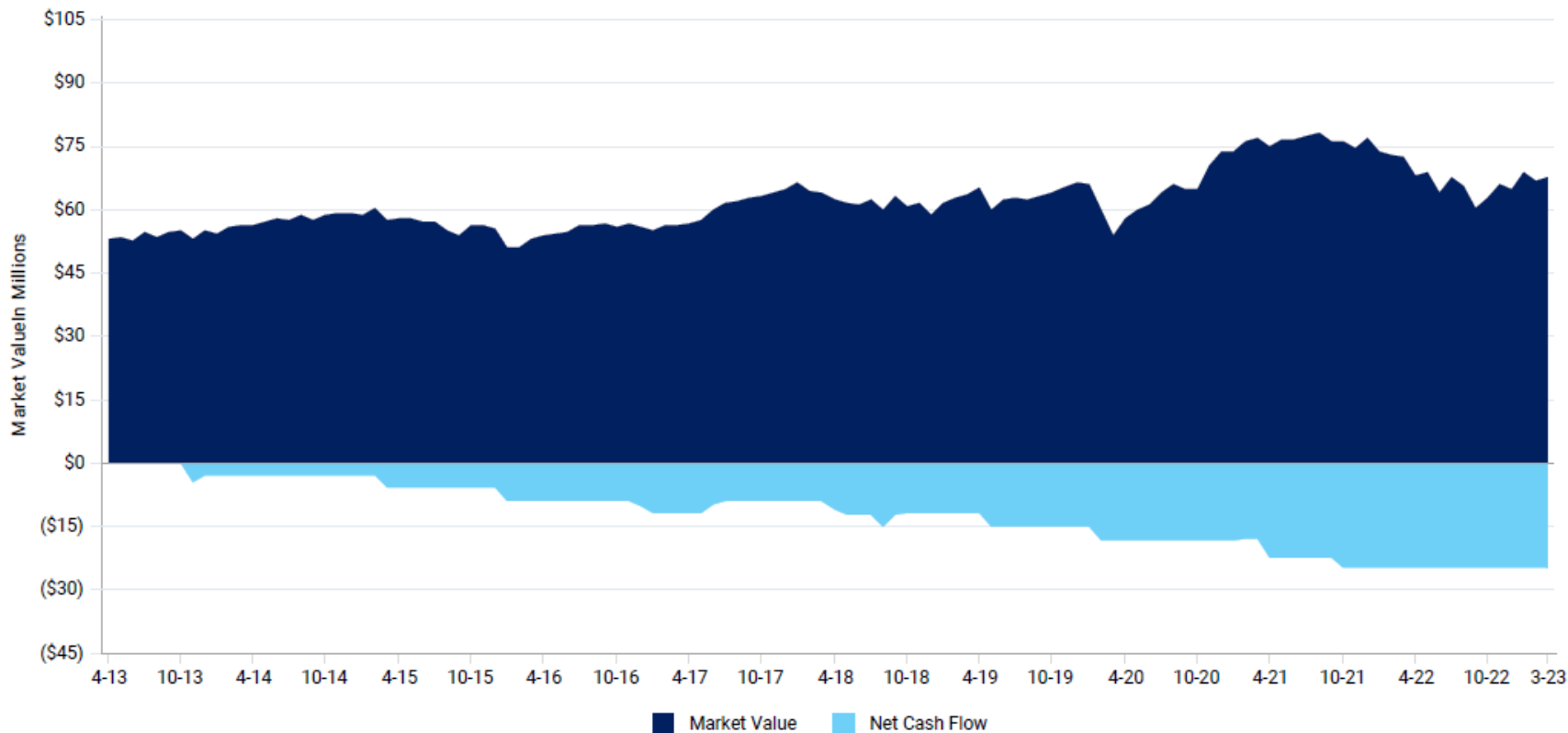
# APPENDIX





# TOTAL FUND ASSET GROWTH SUMMARY

10 Years Ending March 31, 2023

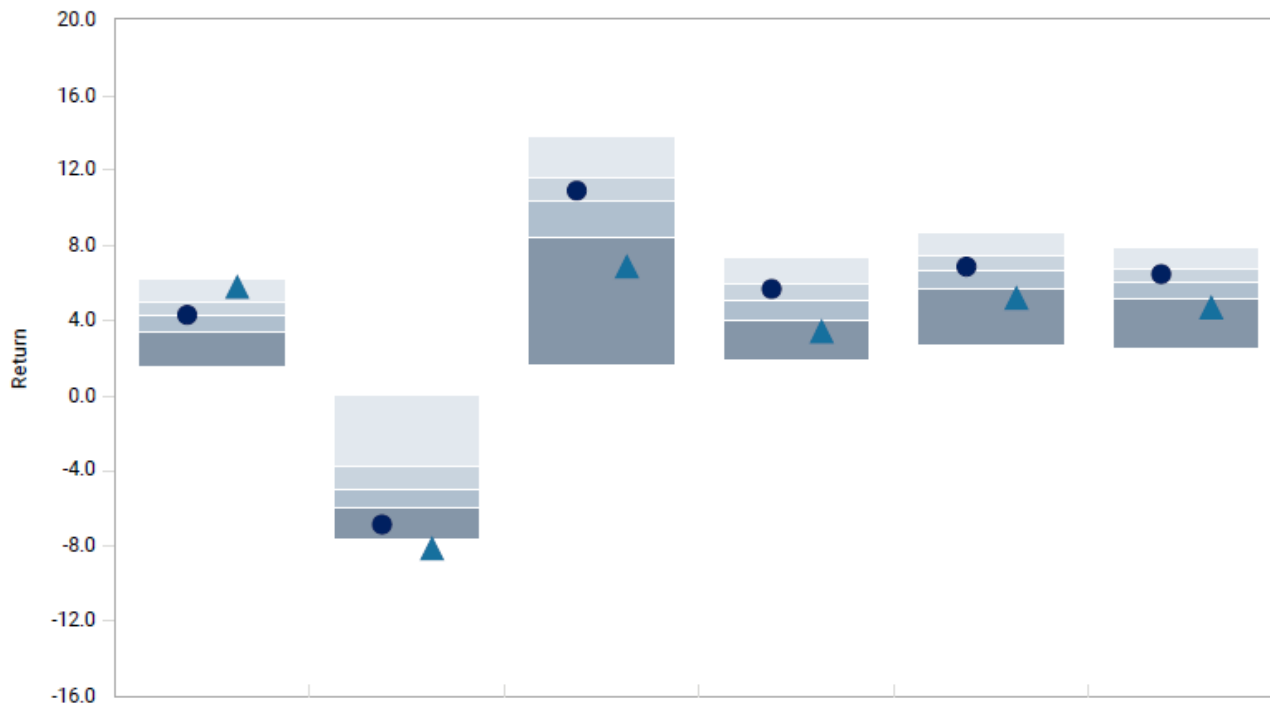


	Last Three Months	1 Year	3 Years	5 Years	7 Years	10 Years
Beginning Market Value	64,873,770	72,589,501	53,758,521	64,217,341	53,300,682	52,494,232
Net Cash Flow	-13,521	-38,554	-6,633,830	-15,821,100	-16,057,590	-24,863,154
Net Investment Change	2,804,643	-4,886,055	20,540,201	19,268,651	30,421,800	40,033,814
<b>Ending Market Value</b>	<b>67,664,892</b>	<b>67,664,892</b>	<b>67,664,892</b>	<b>67,664,892</b>	<b>67,664,892</b>	<b>67,664,892</b>
Net Change	2,791,122	-4,924,609	13,906,371	3,447,551	14,364,210	15,170,660



# TOTAL FUND RETURN SUMMARY VS. PEER UNIVERSE

Composite vs. All Endowment&Foundation-Total Fund

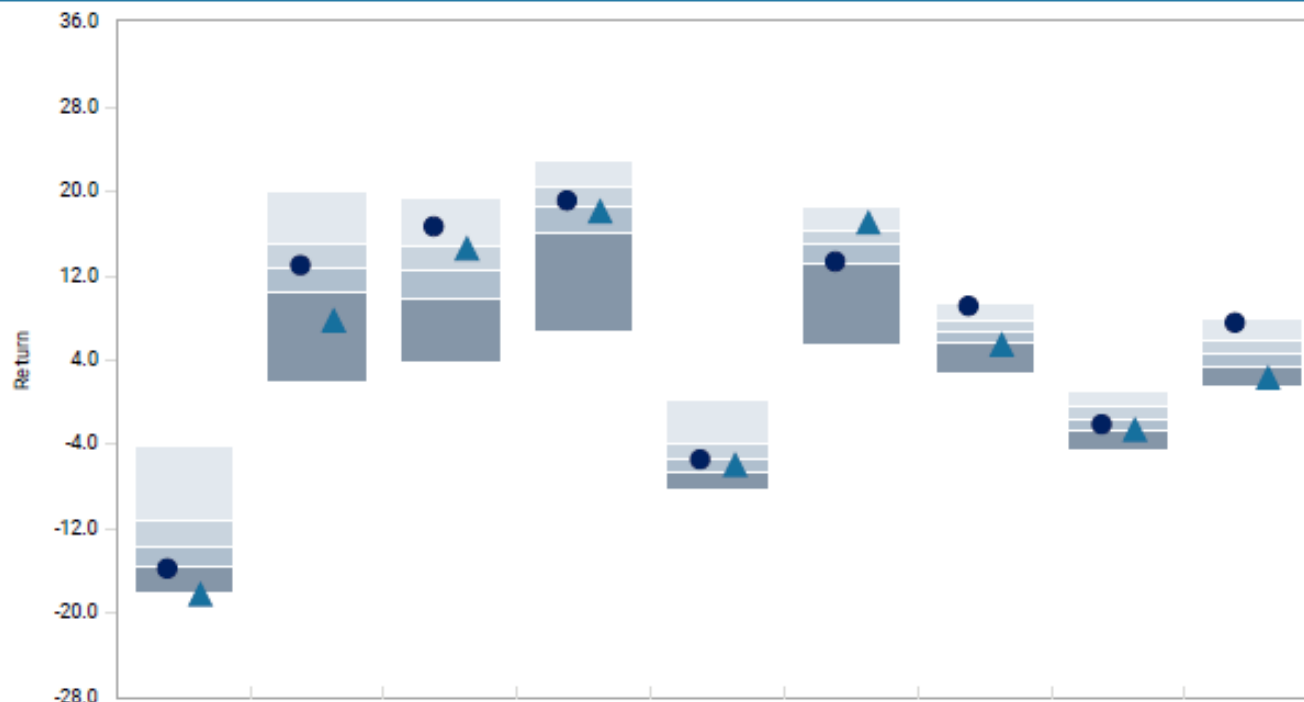


	3 Mo	1 Year	3 Years	5 Years	7 Years	10 Years
● Composite	4.3 (53)	-6.8 (91)	10.9 (38)	5.7 (32)	6.8 (44)	6.5 (35)
▲ 60% MSCI ACWI (Net) / 40% FTSE WGBI	5.8 (9)	-8.1 (98)	6.9 (84)	3.4 (87)	5.2 (83)	4.7 (81)
5th Percentile	6.2	0.1	13.8	7.4	8.6	7.8
1st Quartile	5.0	-3.7	11.6	6.0	7.5	6.8
Median	4.3	-5.0	10.3	5.1	6.6	6.1
3rd Quartile	3.5	-5.9	8.5	4.1	5.6	5.2
95th Percentile	1.5	-7.6	1.6	1.9	2.7	2.6
Population	713	670	626	578	535	438



# TOTAL FUND RETURN SUMMARY VS. PEER UNIVERSE

Composite vs. All Endowment&Foundation-Total Fund

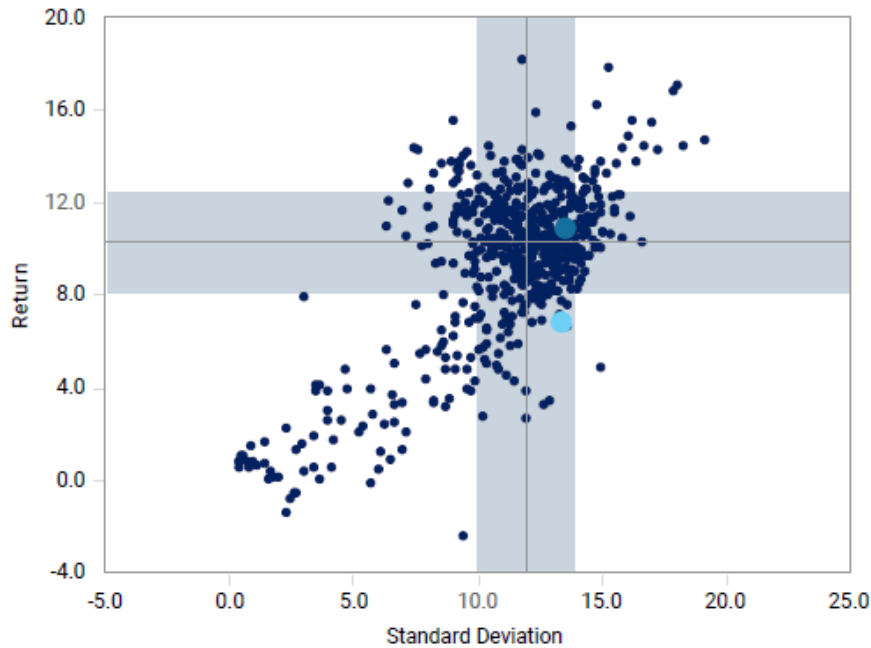


	2022	2021	2020	2019	2018	2017	2016	2015	2014
● Composite	-15.6 (76)	12.9 (50)	16.8 (13)	19.1 (44)	-5.4 (51)	13.3 (75)	9.1 (8)	-2.1 (66)	7.6 (7)
▲ 60% MSCI ACWI (Net) / 40% FTSE WGBI	-18.1 (96)	7.8 (87)	14.5 (28)	18.2 (56)	-5.8 (59)	17.1 (16)	5.5 (77)	-2.6 (76)	2.3 (90)
5th Percentile	-4.2	20.1	19.3	23.0	0.3	18.7	9.6	1.2	7.9
1st Quartile	-11.1	15.2	14.8	20.3	-3.9	16.4	7.8	-0.3	5.9
Median	-13.6	12.9	12.5	18.6	-5.4	15.1	6.7	-1.5	4.6
3rd Quartile	-15.6	10.4	9.9	16.1	-6.6	13.2	5.6	-2.6	3.4
95th Percentile	-18.0	2.0	3.7	6.6	-8.2	5.4	2.9	-4.5	1.5
Population	906	1,094	1,298	1,290	1,076	1,027	985	916	876



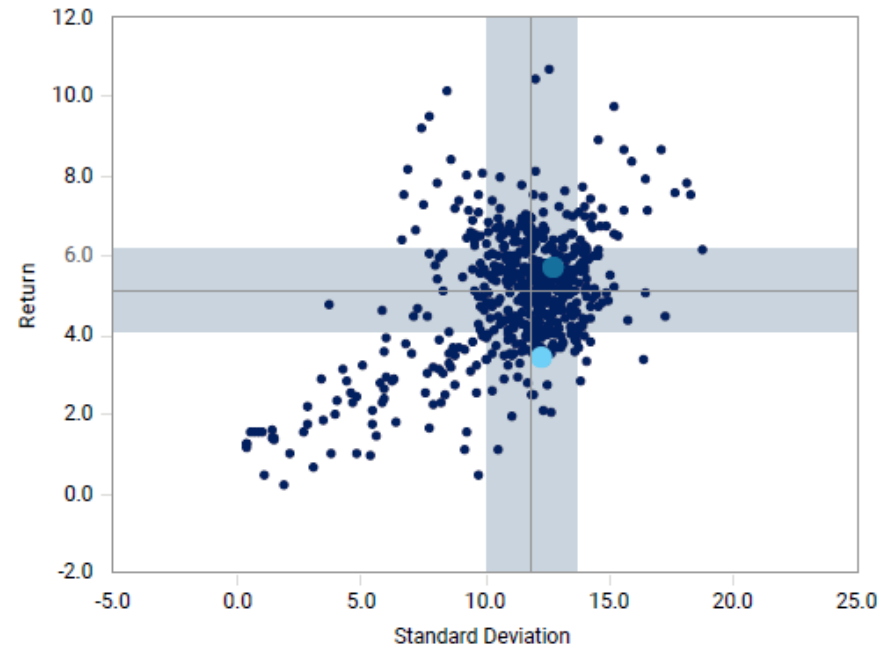
# TOTAL FUND RISK/RETURN - 3 AND 5 YEARS

3 Years Ending March 31, 2023



- All Endowment&Foundation-Total Fund
- Composite
- 60% MSCI ACWI (Net) / 40% FTSE WGBI

5 Years Ending March 31, 2023



- All Endowment&Foundation-Total Fund
- Composite
- 60% MSCI ACWI (Net) / 40% FTSE WGBI

3 Years Ending March 31, 2023

	Return	Standard Deviation	Sharpe Ratio
Composite	10.9 (38)	13.5 (78)	0.8 (50)
60% MSCI ACWI (Net) / 40% FTSE WGBI	6.9 (84)	13.4 (75)	0.5 (89)
Allocation Index	8.8 (73)	12.8 (65)	0.7 (76)
Population	626	626	626

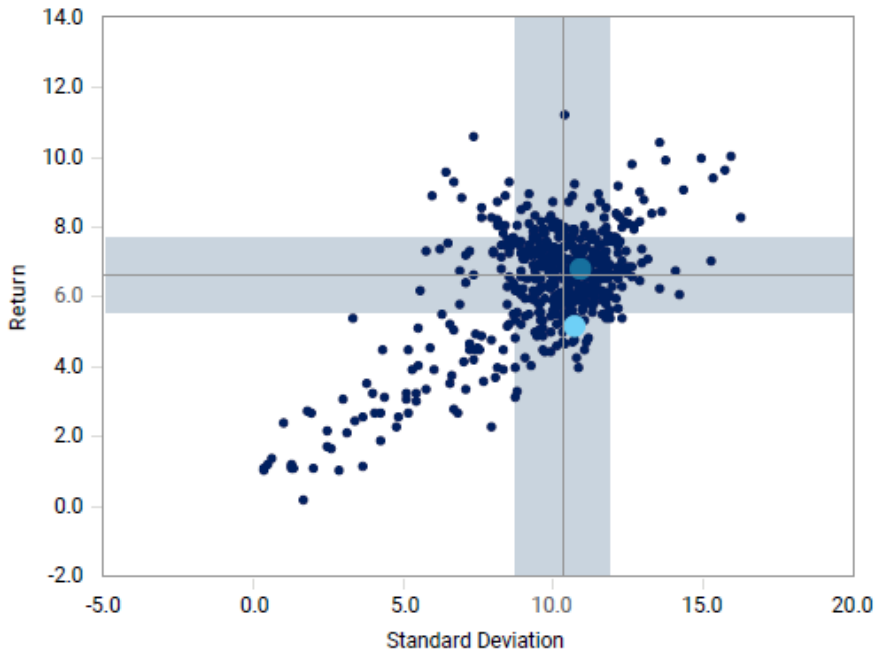
5 Years Ending March 31, 2023

	Return	Standard Deviation	Sharpe Ratio
Composite	5.7 (32)	12.7 (70)	0.4 (39)
60% MSCI ACWI (Net) / 40% FTSE WGBI	3.4 (87)	12.2 (59)	0.2 (91)
Allocation Index	4.8 (61)	11.8 (49)	0.3 (59)
Population	578	578	578



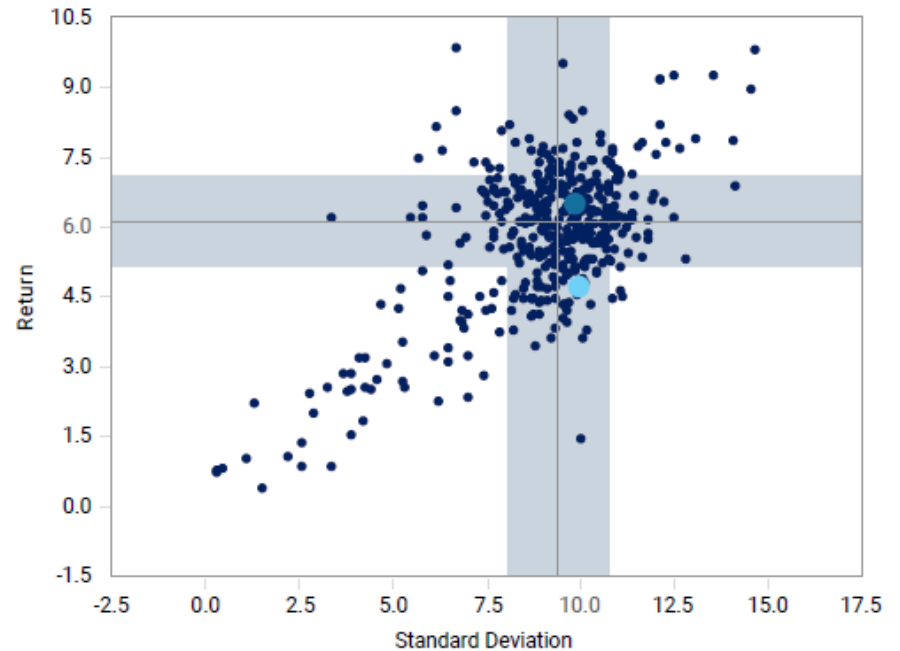
# TOTAL FUND RISK/RETURN - 7 AND 10 YEARS

7 Years Ending March 31, 2023



- All Endowment&Foundation-Total Fund
- Composite
- 60% MSCI ACWI (Net) / 40% FTSE WGBI

10 Years Ending March 31, 2023



- All Endowment&Foundation-Total Fund
- Composite
- 60% MSCI ACWI (Net) / 40% FTSE WGBI

7 Years Ending March 31, 2023

	Return	Standard Deviation	Sharpe Ratio
Composite	6.8 (44)	10.9 (67)	0.5 (50)
60% MSCI ACWI (Net) / 40% FTSE WGBI	5.2 (83)	10.7 (62)	0.4 (89)
Allocation Index	5.9 (72)	10.2 (47)	0.5 (71)
Population	535	535	535

10 Years Ending March 31, 2023

	Return	Standard Deviation	Sharpe Ratio
Composite	6.5 (35)	9.8 (64)	0.6 (41)
60% MSCI ACWI (Net) / 40% FTSE WGBI	4.7 (81)	10.0 (67)	0.4 (89)
Allocation Index	5.8 (58)	9.2 (44)	0.6 (51)
Population	438	438	438



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Past performance is no guarantee of future results.

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Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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# OPERATING BUDGET

## Boston Public Library

### FY24 Budget Development-Status as of 4/12/2023

FY23 Approp	\$	43,955,533	
FY24 Maintenance	\$	46,789,010	
FY24 Recommended	\$	47,684,960	
Increase/(Decrease) from FY23 Approp	\$	3,729,427	8.5%

	FY23 Adopted	FY24 Recom
Operating Headcount	508.61	528.78

	Amount	Head Count
<b>Directed Priority Investments</b>		
Expansion of Branch Services & Hours	\$ 750,000	12.00
Expansion of Multi-Lingual Patron Service Offering	\$ 145,950	2.00
<b>Total Investments</b>	<b>\$ 895,950</b>	<b>14.00</b>

# BUDGET INITIATIVES

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- ➔ Secure Maintenance and operational adjustments to the Operating Budget
- ➔ Initiative area #1: Front Line Staff, geared towards expansion of Hours
  - 13 Positions: Brighton, Codman, Egleston, Faneuil, Grove Hall, Hyde Park, JP, North End, Roxbury , West Roxbury, + 1 Teen Central, 1 HR, 1 travelling custodian.
- ➔ Initiative area # 2: Multilingual Human Services Offering
  - ESL instructor, Bi-Lingual Social Work Capacity



# CAPITAL BUDGET

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- ➔ Construction: Faneuil
- ➔ Complex Planning/Design: Charlestown, Uphams, West End
- ➔ Design: Fields Corner, Egleston, South End, Codman
- ➔ Repair Scoping: Connolly, Hyde Park
- ➔ PENDING: North End, South Boston
- ➔ Central/Systemwide
  - McKim Fire Monitoring System
  - McKim Façade Repairs
  - McKim Renovation
  - Collections Storage Facility Planning
- ➔ Five-year Plan FY24-FY28: \$155m,
  - Full funding for Faneuil, Fields Corner, Egleston, Codman.