



Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for July 2013

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	5.1%	19.6%	25.0%	17.7%	8.3%
	S&P Mid Cap 400	6.2%	21.7%	33.0%	19.2%	10.6%
	Russell 2000	7.0%	24.0%	34.8%	18.7%	9.5%
Domestic Bonds	Barclays Aggregate	0.1%	-2.3%	-1.9%	3.2%	5.2%
	High Yield Bonds	1.9%	3.3%	9.5%	10.2%	11.7%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.1%	0.1%
Non-US Stocks	MSCI EAFE (Net)	5.3%	9.6%	23.5%	8.6%	1.1%
	MSCI Emerg Mkts (Net)	1.0%	-8.6%	2.0%	1.0%	0.6%
Global Bonds	Citi World Gov't	1.4%	-4.4%	-4.1%	2.0%	3.3%

US stocks led a rebound in global markets in July as the S&P 500 jumped more than 5% to approach 20% in returns for 2013. In fact, stocks of smaller companies appreciated even more robustly. European shares led a similar rally in non-US developed country stocks during the month, although the EAFE benchmark trails the S&P 500 by 10% so far this year. Emerging markets stocks posted modest gains in July, but continue to lag developed markets by a wide margin in 2013. Yields on US Treasuries edged higher last month, fueling moderate returns in fixed income securities while providing a brief respite to investors after the jarring sell-off in the second quarter. Greater demand for energy and precious metals triggered a modest recovery for commodities in July.

Looking ahead, markets appear to be most sensitive to changes in positioning by central banks, led by the US Federal Reserve. Investors seem to have accepted that although the Fed will be reducing, or tapering, monetary stimulus in the coming months, an accommodative monetary policy will remain in place for the foreseeable future. This led to the stabilization of volatility seen in May and June, and provided support for the ongoing rally in developed market equities. At this juncture, we recommend that investors revisit their strategic asset allocation, using profits within their equity portfolios to allocate selectively to asset categories that have trailed so far this year, including emerging markets equity and debt, and inflation-hedging strategies. In particular, the stabilizing of interest rates after a dramatic increase in the second quarter presents a compelling opportunity for corporate defined benefit plan sponsors to evaluate their glide path and consider de-risking to lock in recent gains in funded status.

More broadly, yield-seeking investors with the ability to lock up capital can tap into private debt strategies such as direct lending in the US, Europe and Asia. For more details on our views on the markets, please see our Second Quarter Market Thoughts, entitled "Changing Weather: Risks and Opportunities amid Rising Interest Rates."

[Commentary courtesy of New England Pension Consultants (NEPC). UUCEF has a consultancy agreement with NEPC to assist in the oversight of investment managers and provide other advisory services to the UUCEF Investment Committee. NEPC® is an independent, full service investment consulting firm, providing asset allocation, manager search, performance evaluation and investment policy services to middle and upper market institutional investment programs.]