



# Unitarian Universalist Common Endowment Fund

## Monthly Market Commentary for February 2014

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	4.6%	1.0	25.4	14.4	23.0
	S&P Mid Cap 400	4.9%	2.7	26.6	14.1	26.9
	Russell 2000	4.7%	1.8	31.6	14.4	26.6
Domestic Bonds	Barclays Aggregate	0.5%	2.0	0.2	3.8	5.1
	High Yield Bonds	2.0%	2.7	8.4	9.0	18.9
	91-Day T-Bills	0.0%	0.0	0.0	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)	5.6%	1.3	19.3	6.6	17.6
	MSCI Emerg Mkts (Net)	3.3%	-3.4	-6.0	-2.0	16.9
Global Bonds	Citi World Gov't	1.4%	2.8	1.2	2.0	4.4

Global stocks rose dramatically in February as US and non-US developed market benchmarks recouped January's losses. Equity investors focused on continued accommodation by major central banks, including "dovish" comments by Janet Yellen, the new Fed chair; robust corporate earnings; and (on a weather-adjusted basis) positive economic data. In response, the S&P 500 closed the month at a new high; even recent laggards—emerging markets' stock, bonds and currencies--recorded strong gains in February. Interest rates on Treasuries saw little change during the month, providing support to corporate bond prices. Commodities advanced for the second straight month, led higher by gold which recovered a portion of its losses from 2013.

As we enter March, we are reminded of the risks that lurk globally, be it the political crisis in Ukraine that could morph into a regional conflict with Russia, or angry protests on the streets of Venezuela which could threaten the stability of a major oil producer. Additional sources of short-term unrest include the potential for slowing growth in China, and fragile balance of payments positions of other major emerging economies such as Brazil and Turkey.

The early months of 2014 serve as a reminder of the importance of a risk-balanced approach to asset allocation, even on the heels of 2013, when widespread diversification appeared to dampen returns. We recommend that investors pursue a disciplined approach to investing by trimming asset classes that have appreciated significantly, such as US equities, while rebalancing to more attractively priced investment segments. Stocks and bonds of emerging markets continue to appear appealing on a fundamental basis; however, we acknowledge that they may experience additional volatility in the short term. We recommend deploying actively managed strategies in these markets as there are likely to be pronounced winners and losers across countries and sectors.

[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.]