



Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for February 2013

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	1.4%	6.6%	13.5%	13.5%	4.9%
	S&P Mid Cap 400	1.0%	8.3%	14.6%	16.0%	8.6%
	Russell 2000	1.1%	7.4%	14.0%	14.7%	7.4%
Domestic Bonds	Barclays Aggregate	0.5%	-0.2%	3.1%	5.5%	5.5%
	High Yield Bonds	0.5%	1.9%	11.8%	12.0%	11.4%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.1%	0.3%
Non-US Stocks	MSCI EAFE (Net)	-1.0%	4.3%	9.8%	6.9%	-1.3%
	MSCI Emerg Mkts (Net)	-1.3%	0.1%	0.3%	6.6%	0.4%
Global Bonds	Citi World Gov't	-1.2%	-2.5%	-1.4%	3.4%	3.5%

Stock markets started February on an upbeat note, continuing their positive momentum from the previous month, before faltering in the face of sequestration in the US, the electoral stalemate in Italy, and disappointing economic news from China. Amidst this continuing uncertainty, US stocks eked out gains as the recovery in the housing sector and improved consumer confidence helped offset the impact of government spending cuts. The performance of overseas markets was more mixed: European shares dropped as Italian voters signaled the limits to austerity policies as a solution to the Euro-Zone's debt problems; Japanese stocks were boosted by the falling Yen; and Chinese equities took a hit as investors re-evaluated the country's economic growth prospects. US investment-grade bonds posted modest positive returns in February as investors sought safe havens amidst rising volatility late in the month. Commodity markets, taking cues from Europe and the emerging markets, sold off: gold, in particular, defied expectations as its price dropped despite rising fears of competitive currency devaluations.

Looking forward, the global investment landscape remains dotted with more questions than answers. In the US, battles over government spending continue even as the Federal Reserve points to limits to monetary stimulus. Overseas markets face comparable challenges as developed countries struggle with the ongoing de-leveraging process. At the same time, low US Treasury interest rates are pushing yield-seeking investors to riskier assets. In this environment we continue to recommend investors maintain a risk-balanced approach to asset allocation. While few obvious tactical opportunities appear to exist, we believe it is prudent to build strategic allocations in emerging markets stocks and bonds in order to benefit from the long-term growth dynamics in those countries. We also emphasize inflation-hedging strategies to protect against risks associated with loose global monetary policies. For investors who can lock-up capital, we recommend direct lending and other bank-replacement strategies to capture higher returns.

[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.]