



# Unitarian Universalist Common Endowment Fund

## Monthly Market Commentary for April 2013

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	1.9%	12.7%	16.9%	12.8%	5.2%
	S&P Mid Cap 400	0.6%	14.2%	18.8%	13.8%	8.4%
	Russell 2000	-0.4%	12.0%	17.7%	11.3%	7.3%
Domestic Bonds	Barclays Aggregate	1.0%	0.9%	3.7%	5.5%	5.7%
	High Yield Bonds	1.8%	4.8%	14.0%	11.1%	11.1%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.1%	0.2%
Non-US Stocks	MSCI EAFE (Net)	5.2%	10.6%	19.4%	7.4%	-0.9%
	MSCI Emerg Mkts (Net)	0.8%	-0.9%	4.0%	3.1%	-0.3%
Global Bonds	Citi World Gov't	1.1%	-1.7%	-1.1%	4.4%	3.7%

US large company stocks scaled new highs in April, with the S&P 500 beating the previous peak level from October 2007, and closing above 1,600 in early May. The bullish run continued to be fueled by the Federal Reserve's accommodative monetary policy, even as fiscal cuts put a damper on the economic outlook. Non-US developed market stocks also surged last month. The Japanese equity market--bolstered by a flush of liquidity from its central bank--led the pack, while European shares gained on the back of a bailout package for Cypriot banks. In contrast, emerging market stocks posted modest returns on the heels of China's disappointing first quarter GDP growth of 7.5%.

US Treasury interest rates fell in April as bond investors bet on a continuing stream of easy money from the Fed. Declining yields boosted returns across fixed-income markets, while corporate credit spreads tightened as investors snapped up new issues from Apple and IBM. Commodities dropped as energy and industrial metals prices reflected lower expectations for inflation; gold plummeted amidst speculation that several large investors were unwinding significant positions.

We entered 2013 with the view that the robust performance of equity and credit markets in the US and other developed countries had outstripped underlying economic improvements. We highlighted the possibility that this trend could continue, given the supportive monetary policies of global central banks. Thus far, the impact of an accommodative monetary policy has offset the specter of fiscal austerity. Volatility remains subdued and the market has shrugged off potential calamities such as the Cyprus bailout. This appears to be an opportune time to review and return to strategic asset allocation. To this end, we recommend rebalancing overall equity exposure to target levels, and channeling profits from developed markets stocks into relatively more attractively-priced emerging markets equities. Furthermore, yield-seeking investors with the ability to lock up capital can tap into direct lending strategies in the US, Europe and Asia.

[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.]