



# Unitarian Universalist Common Endowment Fund

## Monthly Market Commentary for August 2013

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	-2.9%	16.2%	18.7%	18.4%	7.3%
	S&P Mid Cap 400	-3.8%	17.1%	23.7%	19.7%	9.4%
	Russell 2000	-3.2%	20.0%	26.3%	20.5%	8.0%
Domestic Bonds	Barclays Aggregate	-0.5%	-2.8%	-2.5%	2.6%	4.9%
	High Yield Bonds	-0.6%	2.7%	7.6%	9.9%	11.4%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.1%	0.1%
Non-US Stocks	MSCI EAFE (Net)	-1.3%	8.2%	18.7%	9.3%	1.6%
	MSCI Emerg Mkts (Net)	-1.7%	-10.2%	0.5%	1.1%	1.9%
Global Bonds	Citi World Gov't	-0.5%	-4.8%	-5.3%	1.2%	3.6%

Global equity markets were pulled lower in August by concerns around an impending “tapering” of accommodative monetary policy in the US, and fears of escalating conflict in Syria affecting global energy supplies. Led downward by the shares of smaller companies, US stocks underperformed non-US equity, reversing a trend that held for most of the year so far. Yields on US Treasuries continued to climb during the month as investors priced in expectations of a less supportive Federal Reserve, with the 10-year note ending the month at 2.78%, up more than 1% since the start of the year. While rising rates typically push bond prices down, emerging market bonds issued in local currency fared the worst amid expectations of lower growth that are fueling alarm about a possible balance of payment squeeze in a number of developing countries. Commodities--led higher by spiking oil prices powered by unrest in the Middle East, and, renewed interest in gold as a hedge against macro risks--were the best performing asset category in August.

It has been a difficult year for diversified investment portfolios: US stocks, by far, have been the best performing asset category, while non-US developed market equities lagged. Treasuries, TIPS, bonds, commodities, and emerging markets--equity and debt--are in the red so far this year. The historically volatile month of September is unlikely to put investors at ease as we face a gamut of uncertainties, ranging from conflict in the Middle East to a pivotal election in Germany, and a new stance by the Fed. We take this opportunity to remind investors that allocations to a balanced set of risk exposures are the best way to be positioned for the long-term. In August, diversification was somewhat rewarded, as US equities sold off more than any other category with the exception of local currency emerging market debt. In addition, as we evaluate global markets, we recognize that emerging economy stocks and bonds appear attractive on a valuation basis. While it has been painful to buy into these markets amidst their decline so far this year, we recommend investors re-allocate to emerging stock and bond markets on a measured basis over the coming months as we acknowledge the possibility of more volatility in the near term. For investors with the ability to lock-up capital, we continue to see compelling opportunities in private markets, particularly in strategies which replace traditional bank activities such as direct lending.

[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.]