



# Unitarian Universalist Common Endowment Fund

## Monthly Market Commentary for November 2013

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	3.1%	29.1	30.3	17.7	17.6
	S&P Mid Cap 400	1.3%	29.5	32.3	16.9	22.3
	Russell 2000	4.0%	36.1	41.0	17.9	21.0
Domestic Bonds	Barclays Aggregate	-0.4%	-1.5	-1.6	3.1	5.3
	High Yield Bonds	0.5%	6.9	8.6	9.8	20.6
	90-Day T-Bills	0.0%	0.0%	0.1%	0.1%	0.1%
Non-US Stocks	MSCI EAFE (Net)	0.8%	21.0	24.8	10.5	13.4
	MSCI Emerg Mkts (Net)	-1.5%	-1.2	3.7	0.7	16.9
Global Bonds	Citi World Gov't	-1.1%	-3.1	-4.0	2.2	3.9

US stocks surged in November as the resolution of the debt ceiling impasse and the re-opening of the government allowed investors to focus on signs of improving economic growth. Shares of non-US developed markets trailed US equities even as European and Japanese stocks advanced during the month. Treasury yields rose in anticipation of a potential earlier tapering of monetary stimulus fueled by improving growth prospects in the US. The higher rates pushed down prices of investment-grade bonds. In contrast, high-yield issues and bank loans gained as they took their cues from stocks. Emerging markets' equities and bonds suffered in November as rising US interest rates reignited fears of capital flight and balance of payments challenges in countries such as Brazil, Turkey, South Africa, Indonesia and India. Commodities sold off--with falling oil prices leading the way--amid low inflation.

The Standard & Poor's 500 Index has risen more than 29% in the first 11 months of the year with US small company stocks posting even more dramatic gains. So far this year, US stocks have benefitted from continued monetary stimulus and robust inflows as investors moved away from investment-grade bonds, emerging markets, and commodities. While the momentum for US equities may continue into 2014, it is important to note that corporate profits remain at secular high levels and stocks are richly valued. As a result, we remind clients to rebalance from US equities, taking profits and investing in more attractively-valued segments of global markets. To this end, emerging markets seem appealing on a valuation basis although we expect short-term volatility to continue accompanied by divergences across countries. So, we recommend utilizing active strategies to pursue this opportunity. For investors who can lock-up capital, we also recommend strategies that replace traditional bank activities such as direct lending to medium-sized companies, and real estate lending in Europe.

[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.]