



Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for March 2014

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	0.8%	1.8	21.9	14.7	21.2
	S&P Mid Cap 400	0.4%	3.0	21.2	13.4	24.9
	Russell 2000	-0.7%	1.1	24.9	13.2	24.3
Domestic Bonds	Barclays Aggregate	-0.2%	1.8	-0.1	3.8	4.8
	High Yield Bonds	0.2%	3.0	7.5	9.0	18.3
	91-Day T-Bills	0.0%	0.0	0.0	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)	-0.6%	0.7	17.6	7.2	16.0
	MSCI Emerg Mkts (Net)	3.1%	-0.4	-1.4	-2.9	14.5
Global Bonds	Citi World Gov't	-0.1%	2.7	1.4	1.9	3.8

Global stocks seasawed in March as the crisis in Ukraine and the Federal Reserve took center stage. The month ended with markets bucking the unified “risk-on, risk-off” trend of recent years as international equities rallied even while US stocks declined. Developing country equities led most major asset classes with the MSCI Emerging Markets Index gaining 3.1% in March. These gains were fueled by rising hopes of stimulus in China to combat slowing growth, reinforced political stability in Turkey on the heels of a key election, and a containment of the events in Ukraine. Investors responded to this additional clarity, and a flattening Treasury yield curve, by snapping up emerging market debt which had fallen out of favor in 2013.

The early months of 2014 have been characterized by back-and-forth trading as investors reacted to a gamut of headlines, ranging from mixed economic data in the US and China, to revised guidance from the Fed, and geopolitical conflict. The first quarter has underscored the importance of a risk-balanced approach to asset allocation, particularly as signs of divergence play out across markets.

While most major asset classes are in the black for the year, many, most notably US equities—the star of 2013—have followed a rocky road to get there. Meanwhile, some of last year’s worst performers, such as commodities and broad fixed income markets, have turned in robust gains so far. As such, we continue to view dynamically managed multi-asset vehicles, for instance, global asset allocation strategies, as durable building blocks of a diversified portfolio. Similarly, we recommend investors employ actively managed strategies for emerging market equities and debt where volatility and market inefficiencies appear especially prevalent.

[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.]