



Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for April 2014

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	0.7%	2.6	20.4	13.8	19.1
	S&P Mid Cap 400	-1.6%	1.4	18.6	11.8	21.1
	Russell 2000	-3.9%	-2.8	20.5	10.7	19.8
Domestic Bonds	Barclays Aggregate	0.8%	2.7	-0.3	3.6	4.9
	High Yield Bonds	0.6%	3.6	6.3	8.7	15.7
	91-Day T-Bills	0.0%	0.0	0.0	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)	1.5%	2.1	13.4	5.7	13.6
	MSCI Emerg Mkts (Net)	0.3%	-0.1	-1.8	-3.7	11.1
Global Bonds	Citi World Gov't	1.1%	3.8	1.4	1.2	4.1

Markets in April mimicked first quarter trends as equities, with the exception of US small cap, were marginally positive and falling Treasury yields continued to provide a modest tailwind to fixed income assets. In the US, better than expected earnings reports drove much of the gain in large cap stocks. In Europe, continued recovery pushed international developed equities higher as the MSCI EAFE returned 2.1% despite a negative contribution from Japan. Bond yields in Europe, especially in the periphery, contracted as five year government bond yields in Spain, Italy, and Ireland closed April near or below the five year US Treasury yield of 1.68%. Such conditions have persisted as employment rates have seen little recovery and inflation has remained stubbornly low, prompting speculation about future stimulative action from the European Central Bank (ECB). Emerging market stocks were slightly positive on the month as the market weighed the consequences of sanctions on Russia and kept tabs on elections in India. China's year-over-year GDP growth came in at a sturdy 7.4% but was met with a lukewarm reaction from investors with shared concerns over credit issues and a longer-term slowing growth trend. On the final day of the month markets shrugged off a lower-than-estimated US GDP growth figure of 0.1%, instead taking the news in stride and attributing much of the miss to poor weather. Commodities continued their strong performance as precious metals prices rose on the month and corn prices continued to rise off their precipitous 2013 dip on speculation of lingering weather effects.

Looking forward, various macroeconomic uncertainties remain as potential disruptions to the otherwise slow but steady market environment of 2014. The Federal Reserve, which predictably continued the taper of Quantitative Easing by cutting \$10 billion from its asset purchase program, will have to navigate a potentially delicate path as it evaluates economic reactions and conditions outside of the scrapped 6.5% unemployment threshold. The ECB will have to decide what measures, if any, it may have to take to work around structural issues and the prospect of deflationary pressure. In emerging markets investors await additional clarity on the conflict in Ukraine, slowing growth in China, and a number of important elections throughout 2014. Despite these forward looking challenges, we have seen markets act resiliently in 2014 and do not discount their ability to do so again, especially if US growth recovers from a lackluster Q1 as expected. We continue to recommend a balanced approach to investing in this tricky environment, utilizing multi-asset strategies and active management where appropriate to opportunistically take advantage of continued divergence in global markets.

[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.]