Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for September 2014

		Last Month	Last Qtr	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	-1.4%	1.1	8.3	19.7	23.0	15.7
	S&P Mid Cap 400	-4.6%	-4.0	3.2	11.8	22.4	16.4
	Russell 2000	-6.1%	-7.4	-4.4	3.9	21.3	14.3
Domestic Bonds	Barclays Aggregate	-0.7%	.2	4.1	4.0	2.4	4.1
	High Yield Bonds	-2.1%	-1.9	3.5	7.2	11.1	10.6
	91-Day T-Bills	0.0%	0.0	0.0	0.0	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)	-3.8%	-5.9	-1.4	4.3	13.7	6.6
	MSCI Emerg Mkts (Net)	-7.4%	-3.5	2.4	4.3	7.2	4.4
Global Bonds	Citi World Gov't	-3.3%	-3.8	1.0	-0.1	-0.5	1.6

Over the course of this year we have noted that divergent global central banking policies will likely have a dramatic effect on the near term investment landscape. This notion was on display in September as the Federal Reserve appeared steadfast in its plan to wind down quantitative easing while the European Central Bank announced partial details of an asset purchasing stimulus program. The actions, while not unanticipated, are in contrast to the monetary policies of the last few years which saw the Fed rapidly expand its balance sheet while ECB holdings due to previous stimulation, particularly the LTRO program, rolled off. Currency markets were the most notably affected as the US dollar strengthened 3.8% against the Euro and 5.1% against the Japanese Yen on the month. Broad equity markets were generally negative in September as US small cap issues continued to struggle and emerging market equities gave back most of their 2014 gains in conjunction with various political concerns in Argentina, Brazil, Russia, and Hong Kong. Declines in the S&P 500, down 1.4%, were more modest as robust company share repurchase activity and moderately positive macroeconomic data helped stem losses. Fixed income markets were also negative on the month as the 10 year US Treasury yield oscillated but closed September at 2.53%, up from 2.35% at August end. Though the Fed has indicated it may raise short-term rates by mid-2015, fixed income investor reaction has appeared range bound to nearer term growth and inflation dynamics. Commodity prices offered little resistance to the stronger US dollar and declined amid a confluence of factors, including concerns about slowing growth and subsequent resource consumption in China.

Overall we continue to see relative attractiveness in emerging market equity and debt, but advise that investors couple this opportunity with an active management view that can help navigate fluctuating macroeconomic conditions. We believe that it remains an opportune time for investors with meaningful developed market foreign currency exposure to evaluate its potential added risk and consider whether a hedged approach better aligns with their investment goals. Investors who have rebalanced equity gains from previous years should remain opportunistically positioned as the effects of multi-track central banking policies continue to play out and create changing market opportunities.

[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.]