Unitarian Universalist Common Endowment Fund

	Monthly Market Commentary for March 2015						
			Last Month	Last Qtr	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500		-1.6%	1.0	12.7	16.1	14.5
	S&P Mid Cap 400		1.3%	5.3	12.2	17.0	15.7
	Russell 2000		1.7%	4.3	8.2	16.3	14.6
Domestic Bonds	Barclays Aggregate		0.5%	1.6	5.7	3.1	4.4
	High Yield Bonds		-0.6%	2.5	2.0	7.5	8.6
	91-Day T-Bills		0.0%	0.0	0.0	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)		-1.5%	4.9	-0.9	9.0	6.2
	MSCI Emerg Mkts (Net)		-1.4%	2.2	0.4	-0.3	1.8
Global Bonds	Citi World Gov't		-1.1%	-2.5	-5.5	-1.6	1.4

Stocks reversed course in March amid subdued economic data, expectations of lower US earnings growth, and ongoing geopolitical tensions. The S&P 500 finished the month down 1.6% amid weaker than expected GDP growth of 2.2% in the fourth quarter and a declining earnings forecast fueled by low oil prices and a stronger dollar which affects US companies doing business overseas. US small caps were the one bright spot with the Russell 2000 returning 1.7% in March. Across the pond, the MSCI EAFE Index fell 1.5% as a declining euro took the wind out of the sails of European stocks boosted by expectations of stronger economic growth and the start of the ECB's debt-buying program. Within emerging markets, equities seesawed, with the MSCI EM Index eventually down 1.4%, driven largely by the effect of lower oil prices on Russian equities and economic weakness in Brazil. Oil prices bounced around, remaining depressed in the high $40's from over $100 a barrel a year earlier.

Meanwhile, US debt posted modest gains in March with the yield on the 10-year Treasury dropping six basis points to 1.94%. As expected, the Fed adjusted the wording of its March statement: it dropped its pledge to "be patient" and, instead, emphasized the need to be "reasonably confident" of inflation moving to the 2% target over the medium term before raising rates. These comments pushed the market's expectations for a rate increase farther out into the calendar year. Accordingly, Treasury yields fell and the Barclays Aggregate Index gained 0.5%. Investors, skittish around Fed policy timing and depressed oil prices, pulled out nearly $3 billion from high yield bond mutual funds in the two weeks ending March 20; the Barclays US Corporate High Yield Index fell 55 basis points. Separately, the Citigroup World Global Bond Index declined 1.1% in March as concerns around Greece's failure to secure additional short-term financing or access remaining bailout funds offset gains spurred by the ECB's bond purchases. Hard-currency emerging market debt recorded moderate gains, benefitting from declining US Treasury yields. Geopolitical concerns and currency depreciation, led by the Brazilian real, were headwinds for local currency emerging market debt, with the JP Morgan GBI-EM Global Diversified Index falling 3.0% in March.

We expect volatility to continue amid speculation around Fed policy, the globally diverging measures being taken by central banks, and a fragile economic scenario overseas. We believe skilled active managers should benefit from this trend and are especially keen on dynamic approaches, such as global equity strategies and macro hedge funds. We recommend investors stay committed to their diversified asset allocation targets, and remain nimble should market volatility increase and present an attractive opportunity. One such opportunity is the dislocation in energy markets, which may offer an appealing entry point for investors with a long-term horizon who are looking to deploy capital in oil-related investments.

[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.]