



# Unitarian Universalist Common Endowment Fund

<b>Monthly Market Commentary for June 2015</b>							
		<b>Last Month</b>	<b>Last Qtr</b>	<b>YTD</b>	<b>Last Year</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>
Domestic Stocks	S&P 500	-1.9%	0.3	1.2	7.4	17.3	17.3
	S&P Mid Cap 400	-1.3%	-1.1	4.2	6.4	18.6	17.8
	Russell 2000	0.8%	0.4	4.8	6.5	17.8	17.1
Domestic Bonds	Barclays Aggregate	-1.1%	-1.7	-.01	1.9	1.8	3.4
	High Yield Bonds	-1.5%	0.0	2.5	-0.4	6.8	8.6
	91-Day T-Bills	0.0%	0.0	0.0	0.0	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)	-2.8%	0.6	5.5	-4.2	12.0	9.5
	MSCI Emerg Mkts (Net)	-2.6%	0.7	3.0	-5.1	3.7	3.7
Global Bonds	Citi World Gov't	-0.3%	-1.6	-4.0	-9.0	-2.5	1.1

Global markets seesawed in June as investors turned their attention to Greece's negotiations with its creditors and deliberated the likelihood of yet another bailout. In the early part of the month, developed market equities responded positively as Greece and its creditors appeared to be making progress. But these gains were subsequently reversed when Greek Prime Minister Alexis Tsipras halted negotiations and it became clear that Greece would default on its July 1 payment to the IMF. The MSCI EAFE Index ended the month down 2.8% but it remains up 5.5% for the year. In the US, smaller-cap equities, which started the month on firmer footing than large cap equities, held on to some of their gains despite being hit harder; the Russell 2000 returned 0.75% while the S&P 500 fell 1.94%. Emerging market equities ended the month in the red, down 2.6% as extreme volatility in China's equity market rattled investors. Still, the MSCI Emerging Markets Index is up 2.95% for the year.

While fixed income markets reacted positively to the Fed's statements mid-month that short-term rates would remain unchanged, volatility in US Treasury and German Bund yields provided headwinds in June. The yield on the 10-year Treasury note reached a high of 2.50% before ending at 2.40%. The Barclays Aggregate Index declined 1.09% and the Citigroup WGBI Index fell 29 basis points during the month. Sovereign bond markets in Europe were fairly quiet despite the increased likelihood of Greece's exit from the Eurozone; however, peripheral European spreads widened modestly on fears of contagion. Risk aversion also weighed on emerging market debt. Hard currency debt, as measured by the JPM EMBI Index, fell 1.56%, while local currency debt also slumped with the JPM GBI-EM Index losing 1.22%.

Looking forward, Greece remains a wildcard even after the July 5 referendum vote rejecting its creditors' proposal. While the results increase the possibility of a "Grexit," a clear path for the country's exit does not exist, and it would likely take a period of time to enact. While exposure to Greece is variable by client and by investment manager, direct exposure is generally minimal. Regardless, the ripple effects from developing events will likely impact financial markets. That said, we believe that any fallout will be short term in nature as a default by Greece has been widely expected by investors and appears well priced into markets unlike, for instance, the collapse of Lehman Brothers in 2008. We still view the accommodative central bank policies in Europe and Japan as favorable to potential growth and recommend investors consider an equal or overweight allocation to international developed equities relative to US stocks. That said, recognizing the political and monetary policy risks present in currencies, we suggest a partial currency hedge for developed market equity exposure because we believe that holding foreign developed currencies involves additional risk over the long term without any discernable return premium. While reaction and volatility in the short term to headlines related to Greece may be significant, a quick solution is unlikely. To this end, we recommend clients maintain their diversified asset allocation targets and remain nimble should attractive opportunities arise.

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.]