Unitarian Universalist Common Endowment Fund

	Monthly Market Commentary for July 2015						
		Last Month	**Last Qtr**	**YTD**	**Last Year**	**Last 3 Years**	**Last 5 Years**
Domestic Stocks	S&P 500	2.1%	1.4	3.4	11.2	17.6	16.2
	S&P Mid Cap 400	0.1%	0.6	4.3	11.3	18.7	16.3
	Russell 2000	-1.2%	1.9	3.5	12.0	17.9	15.3
Domestic Bonds	Barclays Aggregate	0.7%	-0.6	0.6	2.8	1.6	3.3
	High Yield Bonds	-0.6%	-1.8	1.9	0.4	5.9	7.7
	91-Day T-Bills	0.0%	0.0	0.0	0.0	0.0	0.1
Non-US Stocks	MSCI EAFE (Net)	2.1%	-1.3	7.7	-0.3	12.3	8.0
	MSCI Emerg Mkts (Net)	-6.9%	-13.0	-4.2	-13.4	0.6	0.6
Global Bonds	Citi World Gov't	0.5%	-2.2	-3.6	-7.7	-2.6	0.4

The Greek debt crisis and a steep sell-off of overheated local equities in China dominated headlines in July. However, it was slowing growth out of China—the world's second largest economy—that seemed to have the most pervasive impact on markets. Commodity prices experienced a double-dip in July after recovering off first quarter lows with the Bloomberg Commodity Index declining 10.6% on the back of lackluster growth in Chinese imports. This decline filtered through to emerging market equities, spurring losses, especially among major exporters such as Brazil and South Korea. These losses were compounded by weakening emerging market currencies amid a continuing strengthening of the US dollar. Declining currencies have accounted for most of the underperformance in emerging markets so far this year, with the MSCI EM Local Index returning 1.0% and the MSCI EM Index down 4.2% on the year in US dollar terms. Emerging market fixed-income indexes appeared somewhat insulated but were still hurt by currency weakness as the local currency JPM GBI-EM Global Diversified Index fell 2.6%; dollar-denominated issues were slightly positive.

In the US, stocks were a mixed bag in July as the S&P 500 gained 2.1% while the Russell 2000 lost 1.6%. Developed markets mostly shrugged off the Greek debt crisis and modestly rallied mid-month when negotiations led to a temporary bailout. European shares led developed markets as the MSCI Europe Index returned 3.1% and the MSCI EAFE gained 2.1% last month. In fixed income, a moderation in US rates created a modest performance tailwind, especially in long-duration assets. The Barclays Aggregate Index returned 0.7% as the 10-year Treasury yield fell 15 basis points to 2.20% by the end of the month.

In general, we believe ongoing negotiations around Greek debt should have little long-term impact on most globally diversified portfolios, but could spike volatility in the near term. We continue to recommend an overweight position in non-US developed market equities as central banks in Europe and Japan provide a backdrop conducive to earnings improvements. As we look beyond the short-term pain of China's stock bubble bursting, there is some cause for concern, particularly around the global implications of slowing growth in China, especially if its pace cannot be managed through government controls. While we still believe emerging market equities represent an attractive long-term opportunity, we also recognize the potential for elevated interim volatility as many export-reliant economies readjust to changes in China. To this end, we suggest investors employ a market weight allocation to emerging market equities and allow multi-asset mandates to allocate tactically to the space. In fixed income, we generally believe duration exposure in benchmark-like global mandates is not well compensated as yields have been suppressed by ongoing central bank action. We recommend investors with such exposures seek better value in US duration assets. Lastly, we maintain our conviction in multi-asset risk parity and global asset allocation strategies as an important portfolio construction tool.

[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.]