Unitarian Universalist Common Endowment Fund

			Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
	Monthly Market Commentary for August 2015						
Domestic Stocks	S&P 500		-6.0%	-2.9	0.5	14.3	15.9
	S&P Mid Cap 400		-5.6%	-1.5	0.0	15.1	16.1
	Russell 2000		-6.3%	-3.0	0.0	14.1	15.6
Domestic Bonds	Barclays Aggregate		-0.1%	0.5	1.6	1.5	3.0
	High Yield Bonds		-1.7%	0.2	-2.9	4.9	7.3
	91-Day T-Bills		0.0%	0.0	0.0	0.0	0.1
Non-US Stocks	MSCI EAFE (Net)		-7.4%	-0.2	-7.5	8.5	7.1
	MSCI Emerg Mkts (Net)		-9.0%	-12.9	-23.0	-2.4	-0.9
Global Bonds	Citi World Gov't		0.5%	-3.1	-7.7	-2.7	0.1

August was a difficult month as China's surprise devaluation of the yuan fueled concerns around global growth and unleashed a wave of volatility, sparing few asset classes. For instance, the MSCI EM Index fell 9% as emerging market equities—especially China's major trade partners—took a hit. Meanwhile, within developed markets, the S&P 500 dropped 6% and the MSCI EAFE declined 7.4% as investors recognized the potential for contagion from an economic slowdown in China. That said, markets were on firmer footing by month end, despite sharp losses across numerous equity and bond indices, as investors responded to favorable economic news in the US. Within currencies, emerging markets continued to struggle in August, spurring losses of 5.4% in the local debt-denominated JP Morgan GBI-EM Global Diversified Index; the dollar-denominated JP Morgan EMBI Global Diversified Index was up 0.5% for the month. US Treasury rates seesawed in August with the 10-year note initially falling to 2.01% as investors sought relatively safer securities, but then ended the month mostly flat at 2.21%. As a result, domestic fixed-income indices were relatively unchanged, with the Barclays Aggregate Bond Index declining 0.1%. High-yield bonds fell 1.7%, according to the Barclays US Corporate High Yield Index, with sustained low oil prices pressuring the energy sector. A flat month for commodity markets—the Bloomberg Commodity Index lost 0.9%—concealed another challenging stretch as real assets followed the path of the broader investment markets (with crude oil dipping below $40 a barrel at one point) followed by some recovery to close out the month.

Though August's selloff was challenging, it is not without precedent as equity markets tend to experience such corrections approximately every two years. We still believe that non-US developed equities are more attractive than domestic stocks and suggest an overweight relative to global weights. In emerging markets, we think volatility is likely to continue as China adjusts to a slowing local economy and gradually liberalizes its economy. However, we believe that fundamentals remain in place over the long run and long-term investors should hold dedicated emerging market exposure at current policy weights and use multi-asset strategies, such as global asset allocation, to gain additional exposure tactically when conditions warrant. Though this selloff has been particularly steep, especially in light of the mostly calm environment after the financial crisis, we believe it represents a prime opportunity to rebalance to diversified policy targets, which will benefit investors over the long term.

[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.]