Unitarian Universalist Common Endowment Fund

	Monthly Market Commentary for December 2015						
			Last Month	Last Qtr	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500		-1.6%	7.0	1.4	15.1	12.6
	S&P Mid Cap 400		-4.2%	2.6	-2.2	12.8	10.7
	Russell 2000		-5.0%	3.6	-4.4	11.7	9.2
Domestic Bonds	Barclays Aggregate		-0.3%	-0.6	0.6	1.4	3.3
	High Yield Bonds		-2.5%	-2.1	-4.5	1.7	5.0
	91-Day T-Bills		0.0%	0.0	0.0	0.0	0.1
Non-US Stocks	MSCI EAFE (Net)		-1.3%	4.7	-0.8	5.0	3.6
	MSCI Emerg Mkts (Net)		-2.2%	0.7	-14.9	-6.8	-4.8
Global Bonds	Citi World Gov't		0.9%	-1.2	-3.6	-2.7	-0.1

Global equities ended 2015 with a whimper as investors stayed on the sidelines while central banks in Europe and the US provided guidance on monetary policy. At home, the Federal Reserve raised rates, putting its target rate from 25-to-50 basis points. The anticipated move was well received by US markets which received a modest mid-month boost. That said, the S&P 500 fell 1.6% as a strong US dollar cut into profit margins and triggered a slowdown in manufacturing. Small-cap stocks bore the brunt, with the Russell 2000 declining 5.0% amid risk aversion. In Europe, losses were largely driven by the European Central Bank’s decision last month to extend its bond-buying program by six months and cut its deposit rate by 10 basis points. Despite the seemingly accommodative action most investors expected more and the MSCI EAFE fell 1.3%. Emerging market equities continued to struggle amid growth and currency concerns as the MSCI EM declined 2.2%.

In fixed-income markets, a modest increase in the 10-year Treasury rate spurred moderate losses in high-quality issues with the Barclays US Aggregate Bond Index falling 0.3%. US high-yield markets remained strained by low energy prices and declined another 2.5% in December. Emerging market debt struggled as the JPM GBI-EM Global Diversified Index fell 2.2% partly due to continued currency weakness. Commodity prices, especially oil, stayed low with the Bloomberg Commodity Index losing 3.1%; future roll yields remain largely negative too.

Coming off a year in which few traditional assets met their return expectations—and many disappointed—we recommend investors reaffirm commitments to suit their long-term goals. Within equities, we still recommend an overweight to non-US developed markets, where monetary easing provides a backdrop for recovery and earnings growth. Though we are positive on emerging market equities, we recognize a number of near-term risks and believe investors are well served by moving down the capitalization spectrum and into dynamic active managers. Lastly, we believe patient capital will reap the benefits of distress in the energy market and, in the interim, recommend a focus on segments of the public markets offering a positive yield when seeking inflation protection.

[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.]