Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for February 2016

		Last Month	Last Qtr	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	-0.1%	-5.1	-6.2	10.8	10.1
	S&P Mid Cap 400	1.4%	-4.4	-10.0	8.2	8.3
	Russell 2000	-0.0%	-8.8	-15.0	5.7	6.1
Domestic Bonds	Barclays Aggregate	0.7%	2.1	1.5	2.2	3.6
	High Yield Bonds	0.6%	-1.0	-8.3	0.7	4.1
	91-Day T-Bills	0.0%	0.0	0.1	0.0	0.1
Non-US Stocks	MSCI EAFE (Net)	-1.8%	-8.9	-15.2	0.4	0.6
	MSCI Emerg Mkts (Net)	-0.2%	-6.6	-23.4	-8.9	-5.4
Global Bonds	Citi World Gov't	2.9%	4.3	2.0	-0.5	0.7

Global equities recorded modest losses in February as mixed economic data gave investors pause on the heels of January's sharp drawdown. The S&P 500 was nearly flat, losing 0.1%, as concerns around slowing global growth trumped positive data on US inflation and an upward revision to fourth quarter GDP. International developed equities lost 1.8%, according to the MSCI EAFE Index. European equities took a hit amid mounting worry around the outcome of a United Kingdom referendum in June to determine whether Britain should leave the European Union. In Japan, equities rallied on expectations of improving corporate profits and anticipated equity purchases by the government's pension fund. The MSCI EM Index fell 0.2% on the month as a selloff in the Indian equity market and subdued growth expectations in China offset gains in Russia and Brazil that were fueled by a moderate recovery in oil prices.

In fixed income, the Barclays US Aggregate Bond Index gained 0.7% as the 10-year Treasury yield fell 20 basis points to 1.74% on the month. Emerging market debt indices were positive in February, posting positive fund flows of $900 million, as volatility among troubled currencies showed signs of stabilization. The Citigroup WGBI Index returned 1.4% amid falling global yields.

At NEPC, we remain modestly constructive on broad risky assets despite the underwhelming market performance last year and the rocky start to 2016. Robust jobs data and healthier inflation levels at home have helped ease concerns of a recession and appear to set a positive backdrop for growth. Accommodative monetary policies in Europe and Japan should also bolster equities. Though we expect volatility to continue in emerging markets, we remain supportive of a strategic allocation to the area as forward-looking long-term returns are elevated. Outside of equities, it is a fertile environment for credit selection and we encourage investors to pursue unique fixed-income strategies to exploit volatility in debt markets. More broadly, we believe the market weakness in 2016 represents an opportune time for investors to rebalance equity and credit exposures back to policy targets.

[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.]