Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for March 2016

		Last Month	Last Qtr	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	6.8%	1.4	1.8	11.8	11.6
	S&P Mid Cap 400	8.5%	3.8	-3.6	9.5	9.5
	Russell 2000	8.0%	-1.5	-9.8	6.8	7.2
Domestic Bonds	Barclays Aggregate	0.9%	3.0	2.0	2.5	3.8
	High Yield Bonds	4.4%	3.4	-3.7	1.8	4.9
	91-Day T-Bills	0.0%	0.1	0.1	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)	6.5%	-3.0	-8.3	2.2	2.3
	MSCI Emerg Mkts (Net)	13.2%	5.7	-12.0	-4.5	-4.1
Global Bonds	Citi World Gov't	2.7%	7.1	5.9	0.5	1.2

Following a rocky start to the first quarter, stocks rallied in March as global currencies strengthened versus the dollar amid renewed investor confidence, and commodity prices showed signs of stabilization. Emerging market equities led the charge with the MSCI EM Index returning 13.2%; the S&P 500 gained 6.8%, swinging back to positive territory year-to-date as the Fed indicated it would take a more measured approach to raising rates. Small-cap stocks, which experienced an even stronger drawdown in January, returned 8% last month, according to the Russell 2000 Index. Stocks in international developed markets were in the black with the MSCI EAFE Index gaining 6.5%.

Global bonds also benefited from currency strength. Gains were especially pronounced in local currency emerging market debt, with the JPM GBI-EM Global Diversified Index returning 9.1%. Sovereign debt yields in the US and Germany seesawed during the month but ended near recent lows, while Japanese bond yields were pushed further into negative territory. US high-yield debt got a boost from net inflows, while a continued rise in oil prices helped compress spreads for some distressed energy-related issues. The Bloomberg Commodity Index returned 3.8% as oil prices are now nearly flat for the year, halting their precipitous decline.

With the first quarter behind us, we have observed a continuation of the trends which distinguished the market environment in 2015 from the protracted bull markets of 2012-2014. While the US economy seems on stable footing, providing a backdrop for earnings growth, stretched profit margins indicate lower expected returns for US equities. Though we expect continued volatility in emerging market stocks amid concerns around slowing growth in China, we have seen positive developments in the form of currency stabilization and the return of investors to these regions. We still recommend clients maintain exposure to emerging market equities, especially in select opportunities such as small-cap and consumer-oriented strategies. We also continue to suggest an overweight to non-US developed equities and believe that a partial currency hedge will benefit investors in a time of pervasive central bank influence. In credit markets, especially high yield, we are seeing some pockets of opportunity but recommend investors approach these areas selectively in what appears to be the mid-to-later stages of the credit cycle.

[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.]