Unitarian Universalist Common Endowment Fund

	Monthly Market Commentary for September 2016						
			Last Month	**YTD**	**Last Year**	**Last 3 Years**	**Last 5 Years**
Domestic Stocks	S&P 500		0.0%	7.8	15.4	11.2	16.4
	S&P Mid Cap 400		-0.6%	12.4	15.3	9.4	16.5
	Russell 2000		1.1%	11.5	15.5	6.7	15.8
Domestic Bonds	Barclays Aggregate		-0.1%	5.8	5.2	4.0	3.1
	High Yield Bonds		0.7%	15.1	12.7	5.3	8.3
	91-Day T-Bills		0.0%	0.2	0.2	0.0	0.1
Non-US Stocks	MSCI EAFE (Net)		1.2%	1.7	6.5	0.5	7.4
	MSCI Emerg Mkts (Net)		1.3%	16.0	16.8	-0.6	3.0
Global Bonds	Citi World Gov't		0.7%	11.1	9.7	1.8	0.8

Equities posted modest gains in September amid oscillating investor sentiment fueled by uncertainty around potential interest rate hikes by the Federal Reserve. Earlier last month, Boston Fed President Eric Rosengren surprised markets with a more hawkish view regarding future interest rate increases. In response, stocks sold off but subsequently rebounded as the Fed confirmed that interest rates would remain unchanged. The S&P 500 ended the month flat while the Russell 2000 returned 1.1%. Non-US developed market equities gained 1.2%, but were only marginally positive in local currency terms as a result of currencies appreciating against the dollar. Emerging market stocks continued to rally with the MSCI EM Index gaining 1.3%; it is now up 16.0% year-to-date as both currencies and emerging equity markets recover. US Treasury yields also seesawed, ending the month a tad higher with the 10-year Treasury at 1.60%. The Barclays US Treasury Index fell slightly, contributing to a modest 0.1% loss for the Barclays US Aggregate Bond Index. Non-investment grade bonds gained 0.7% as yield-seeking investors pushed credit spreads lower. Emerging market debt issues were also positive on the month as local interest rates fell and stabilizing currencies in many economies provided a tailwind.

So far this year, nearly all major asset classes have posted gains. Still, we would like to remind investors to adhere to their rebalancing policies and reduce exposures to assets that have exceeded expectations. The recent gains of US equities offer one such opportunity and we encourage investors to tilt exposure to developed market and emerging market equities. In fixed income, we recommend investors eliminate stand-alone global bond mandates as low government bond yields offer a marginal diversification benefit for investors. Furthermore, we encourage investors to rebalance US duration exposure, for instance, core bonds, and shift to a dedicated TIPS allocation. At NEPC, we strongly encourage diversification and believe disciplined rebalancing best serves investors' ability to weather a multitude of economic environments 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.]