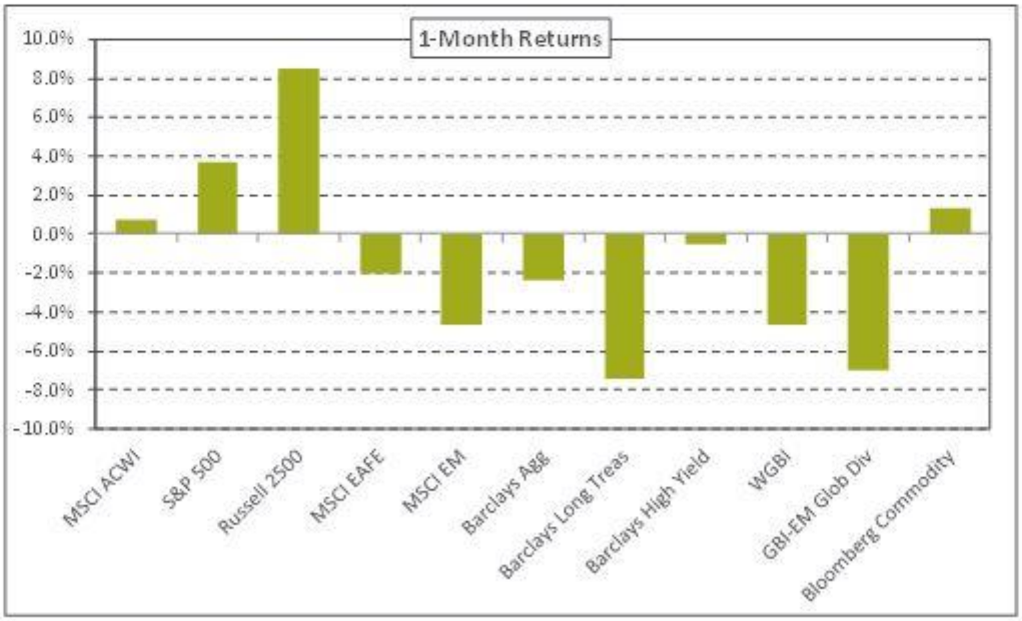
Unitarian Universalist Common Endowment Fund

	Monthly Market Commentary for November 2016						
		Last Month	**Last Qtr**	**YTD**	**Last Year**	**Last 3 Years**	**Last 5 Years**
Domestic Stocks	S&P 500	3.7%	1.8	9.8	8.1	9.1	14.4
	S&P Mid Cap 400	8.0%	4.4	18.2	13.2	9.4	14.7
	Russell 2000	11.2%	7.0	18.0	12.2	6.5	14.0
Domestic Bonds	Barclays Aggregate	-2.4%	-3.2	2.5	2.2	2.8	2.4
	High Yield Bonds	-0.5%	0.6	15.0	12.1	4.2	7.5
	91-Day T-Bills	0.0%	0.1	0.3	0.3	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)	-2.0%	-2.8	-2.3	-3.7	-2.2	5.6
	MSCI Emerg Mkts (Net)	-4.6%	-3.1	10.9	8.5	-3.1	1.0
Global Bonds	Citi World Gov't	-4.6%	-7.3	2.3	3.2	-0.9	0.7

Equities confounded expectations, touching record highs in November, even as an unexpected outcome to the US presidential election heightened global uncertainties. The S&P 500 Index returned 3.7% last month, surpassing the 2200 price level for the first time on November 22; the Russell 2000 Index gained 5.9%, driven by a surge in value stocks. This rally was driven, in part, by expectations of US corporate tax cuts and financial deregulation in 2017, as indicated by Donald Trump during his presidential campaign. Outside the US, stocks fared worse with the MSCI EAFE Index losing 2.0% and the MSCI EM Index falling 4.6%. The declines were partially attributed to the depreciating yen and the euro, which fell relative to the US dollar along with most major emerging market currencies; the Mexican peso suffered a particularly sharp decline, at 8.4% versus the dollar, amid increased uncertainty regarding US trade relations.

US fixed-income markets experienced broad losses in November as rising real rates and signs of inflation caused a repricing of debt. Yields on the 10-year Treasury rose 56 basis points for the month to 2.37%, its highest level since July 2015. As a result, the Barclays US Treasury Index fell 2.7% and the Barclays US Aggregate Bond Index declined 2.4%. Long-duration issues were hit the hardest as the Barclays Long Treasury Index dropped 7.4%, bringing its year-to-date return down to 1.9%. Global bond indices were in the red as sovereign yields reacted to the re-pricing of US interest rates. Emerging market bonds also sold off as the JP Morgan GBI-EM Global Diversified Index lost 7.0% with currency weakness contributing to the negative return.

As US assets have experienced a period of revaluation–with equities surging and bonds selling off–investors are left with a seemingly different landscape from just a month earlier. Despite these recent movements, we stand behind our recommendations as the fundamentals that underlie them endure. Despite positive economic signals at home, we continue to express caution in US equities due to high valuations. We suggest an overweight recommendation for international developed equities–either through a direct or a more globally-oriented mandate–as we believe potential earnings or margin expansion offers greater upside relative to the US. Similarly, we advocate investors stay the course in emerging market equities as valuations appear reasonable and many strained currencies show signs of stabilizing. We also believe emerging-market local debt presents attractive total returns, partly because of the interest rate differential. Even with the uptick in yields, we continue to favor TIPS over core bonds. We think investors should consider allocating part of their traditional bond exposure to TIPS, which offer interest rate and inflation exposure at an attractive entry point. Lastly, we remind investors to adhere to rebalancing principles and policies especially on the heels of rapid market shifts like the one we experienced in November.



As of 11/30/2016, Source: Bloomberg

[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.]