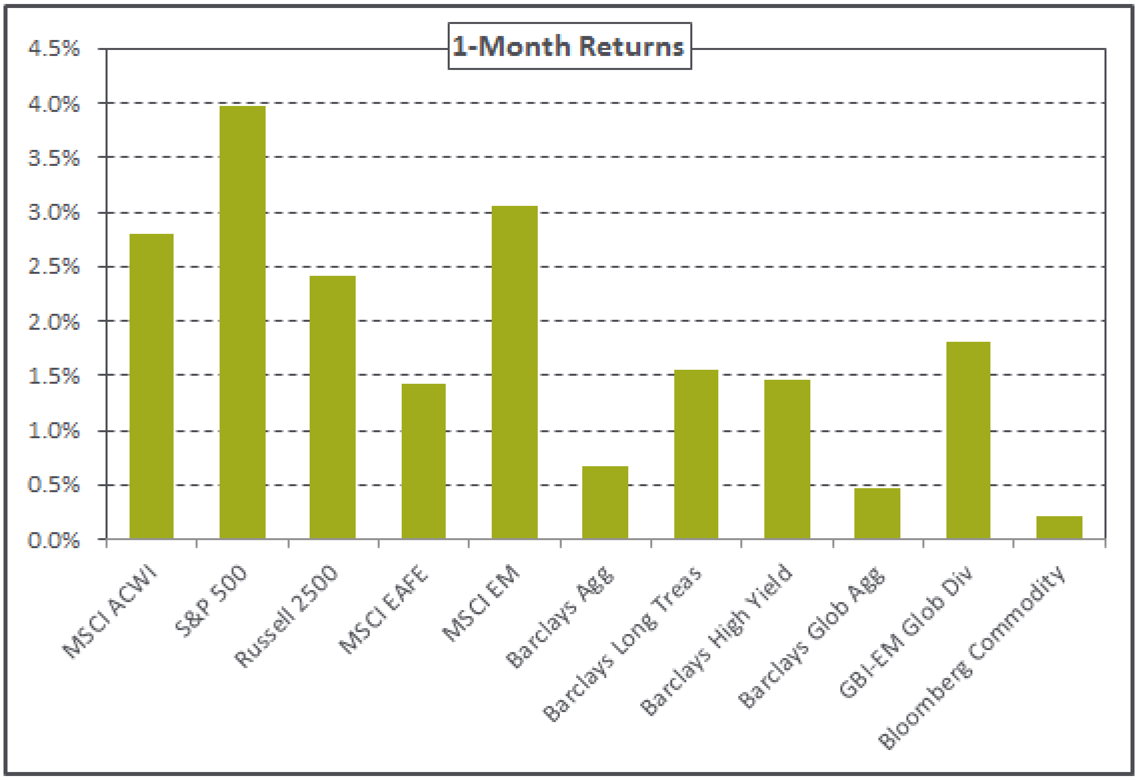
Unitarian Universalist Common Endowment Fund

			Monthly Market Commentary for February 2017				
			Last Month	**YTD**	**Last Year**	**Last 3 Years**	**Last 5 Years**
Domestic Stocks	S&P 500		4.0%	5.9	25.0	10.6	14.0
	S&P Mid Cap 400		2.6%	4.3	31.7	9.6	13.8
	Russell 2000		1.9%	2.3	36.1	6.9	12.9
Domestic Bonds	Barclays Aggregate		0.7%	0.9	1.4	2.6	2.2
	High Yield Bonds		1.5%	2.9	21.8	4.7	6.8
	91-Day T-Bills		0.0%	0.1	0.3	0.1	0.1
Non-US Stocks	MSCI EAFE (Net)		1.4%	4.4	15.8	-0.6	5.2
	MSCI Emerg Mkts (Net)		3.1%	8.7	29.5	1.4	-0.4
Global Bonds	Citi World Gov't		0.4%	1.4	-1.2	-1.3	-0.8

Global equities rallied in February as international stocks got a boost from positive economic data and domestic equities were bolstered by expectations of corporate tax reform and deregulation. The S&P 500 returned 4.0% as major US indices hit record highs following President Trump's address to a joint session of Congress as investors interpreted a more measured approach from the administration. The MSCI EAFE Index returned 1.4% as a depreciating euro moderated gains but European companies benefited from upward earnings revisions. The MSCI EM Index gained 3.1% last month amid broad currency appreciation and a rally in Indian equity markets as they continued to recover from a late 2016 sell-off induced by the Modi administration's demonetization program.

Despite the market pricing in an increased probability of a Fed rate hike in March, yields across the Treasury curve fell slightly in February – providing a tailwind to US fixed-income assets. The Barclays US Aggregate Bond Index returned 0.7% and the Barclays Long Treasury Index was up 1.6% on the month. Credit markets continued to rally with the Barclays High Yield Index earning 1.5% as spreads tightened. Global issues were also positive in February, supported by falling German bund yields. The JP Morgan GBI-EM Global Diversified Index gained 1.8% aided by appreciating emerging market currencies, led by the Mexican peso.

We remind investors to remain disciplined in their rebalancing approach to risky assets. While the US economy appears to be on solid ground, investors have pushed US equity valuations higher amid expectations of easing regulations and tax cuts despite uncertainty around the extent and implementation of such reforms. At NEPC, we favor an overweight to international developed and emerging market equities. In Europe, we continue to observe improving economic fundamentals and a recovery in credit growth in spite of looming political uncertainties. While the case for emerging markets varies across countries, we broadly see attractive valuations, compelling long-term economic growth and renewed asset flows. In fixed income, given compressed bond yields globally, we advocate investors shift some exposure to TIPS as prospects for higher inflation have increased. We also encourage those who have benefited from the year-long spread compression in high yield to shift their exposure to a more flexible credit mandate.



As of 2/28/2017, 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.]