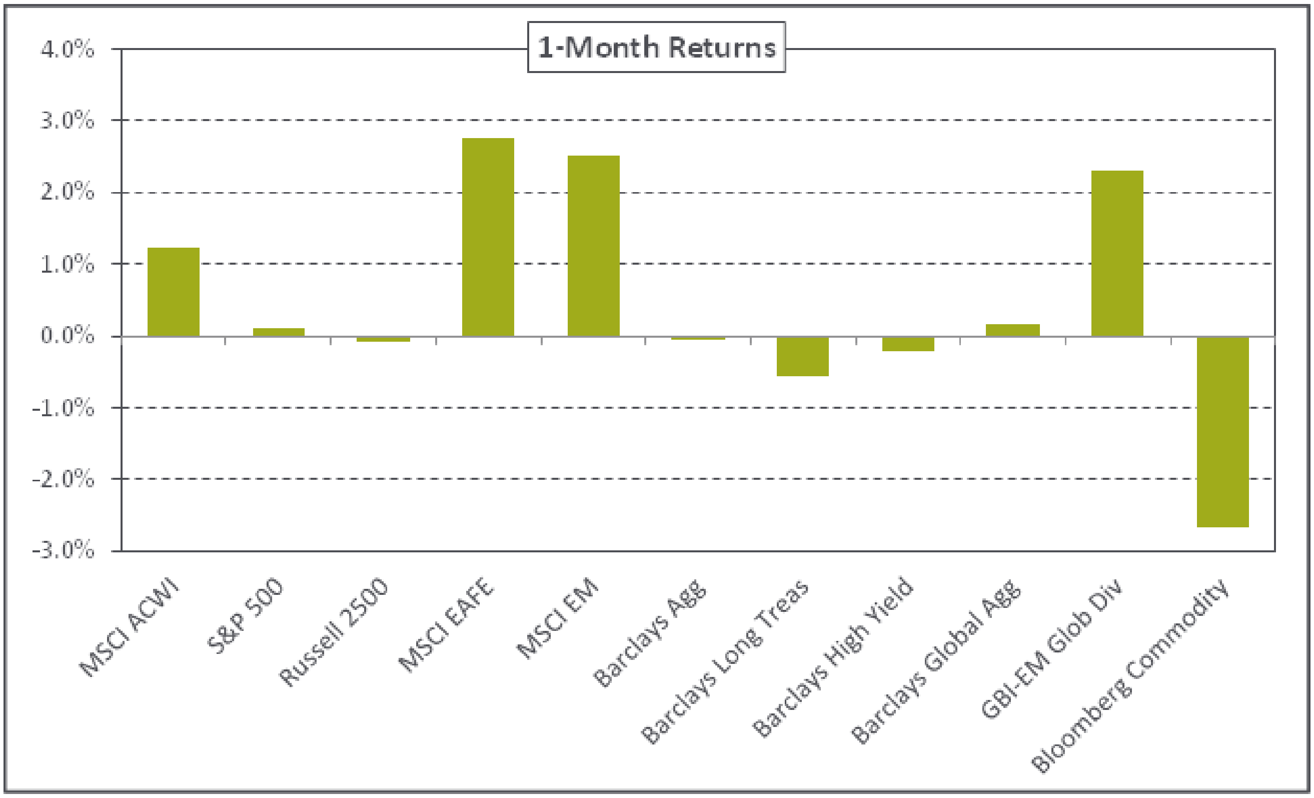
Unitarian Universalist Common Endowment Fund

	Monthly Market Commentary for March 2017						
			Last Month	**YTD**	**Last Year**	**Last 3 Years**	**Last 5 Years**
Domestic Stocks	S&P 500		0.1%	6.1	17.2	10.4	13.3
	S&P Mid Cap 400		-0.4%	3.9	20.9	9.4	13.3
	Russell 2000		0.1%	2.5	26.2	7.2	12.4
Domestic Bonds	Barclays Aggregate		-0.1%	0.8	0.4	2.7	2.3
	High Yield Bonds		-0.2%	2.7	16.4	4.6	6.8
	91-Day T-Bills		0.1%	0.1	0.4	0.2	0.1
Non-US Stocks	MSCI EAFE (Net)		2.8%	7.2	11.7	0.5	5.8
	MSCI Emerg Mkts (Net)		2.5%	11.4	17.2	1.2	0.8
Global Bonds	Citi World Gov't		0.1%	1.6	-3.7	-1.2	-0.6

US equities went out like a lamb in March after coming in like a lion at the beginning of the year. Domestic stocks fell broadly in the aftermath of the GOP's failure to repeal and replace Obamacare as investors questioned the likelihood and efficacy of future tax reforms in light of the ongoing political gridlock. Equities recovered towards the end of the month with the S&P 500 eking out a modest gain of 0.1%. Small cap stocks fared similarly with growth generally outpacing value, and information technology and consumer discretionary sectors leading performance. International equities, bolstered by robust manufacturing data and an uptick in inflation in Europe, outperformed domestic stocks with the MSCI EAFE Index returning 2.8% last month. The MSCI Emerging Markets Index gained 2.5% amid higher growth expectations and currency appreciation. Despite the Federal Open Market Committee's decision to raise its target rate range by 25 basis points mid-month, domestic fixed-income markets were mostly unchanged in March as the rate hike was widely expected and priced in. The 10-year US Treasury yield was flat at 2.39%, fueling marginally positive returns in the Barclays US Treasury Index and the Barclays US Aggregate Bond Index. The Barclays Global Aggregate Index fell 0.2% as growth expectations caused a slight uptick in developed sovereign yields. Emerging market debt fell slightly—the JP Morgan GBI-EM Index declined 0.9%—on the back of the Fed rate hike but a surging Mexican peso offset losses.

In addition to encouraging economic data at home, a number of international economies are also gaining momentum. In Europe, manufacturing has rebounded, while credit growth and a recent upswing in inflation are proof of the effectiveness of the European Central Bank's stimulus measures. In emerging markets, recent economic forecasts show GDP growth outpacing that of the developed world at a faster clip and a positive earnings outlook, allaying investors' concerns around the political climate in these regions. Although year-to-date performance of international stocks relative to the US has been strong, we still recommend a modest overweight to non-US developed and emerging market equities as valuations remain reasonable. In fixed income, we see continued spread compression in line with broadly positive economic data and, as such, recommend investors tilt away from traditional credit exposure toward more dynamic strategies. We remain convinced TIPS are attractively priced, especially given recent Fed actions which indicate a tolerance for higher inflation.



[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.]