Unitarian Universalist Common Endowment Fund

	Monthly Market Commentary for September 2017						
		Last Month	**Last Qtr**	**YTD**	**Last Year**	**Last 3 Years**	**Last 5 Years**
Domestic Stocks	S&P 500	2.1%	4.5	14.2	18.6	10.8	14.2
	S&P Mid Cap 400	3.9%	3.2	9.4	17.5	11.2	14.4
	Russell 2000	6.2%	5.7	10.9	20.7	12.2	13.8
Domestic Bonds	Barclays Aggregate	-0.5%	0.8	3.1	0.1	2.7	2.1
	High Yield Bonds	0.9%	2.0	7.0	8.9	5.8	6.4
	91-Day T-Bills	0.1%	0.3	0.6	0.7	0.3	0.2
Non-US Stocks	MSCI EAFE (Net)	2.5%	5.4	20.0	19.1	5.0	8.4
	MSCI Emerg Mkts (Net)	-0.4%	7.9	27.8	22.5	4.9	4.0
Global Bonds	Citi World Gov't	-1.2%	1.8	6.4	-2.7	0.9	-0.4

Global stocks continued their march upward in September with gains of 1.9%, according to the MSCI ACWI Index. At home, the S&P 500 Index was up 2.1%, bested by the Russell 2000 which gained 6.0%. Most emerging currencies weakened against the dollar, as the Fed reaffirmed its commitment to raising rates gradually and starting to unwind its balance sheet this month. The declining currencies were a headwind to equity performance, fueling declines of 0.4% in the MSCI EM Index. International-developed equities stayed strong with the MSCI EAFE Index gaining 2.5% despite a slight softening in the euro.

Treasury yields jumped on the news from the Fed, with the 10-year yield ending the month at 2.33%, up 21 basis points from August. As a result, US fixed-income indices saw lackluster returns with the Barclay US Aggregate Index down 0.5% and the Barclays US Long Treasury Index losing 2.2%. However, domestic high-yield debt was in the black as credit spreads further tightened and the Barclays US High Yield Index gained 0.9%. Weakening currencies eroded emerging market returns as the JP Morgan GBI-EM Global Diversified Index fell 1.6%.

While equities have posted significant gains in 2017, we still favor international-developed and emerging-market equities over US stocks. Although the domestic economy remains robust, we believe elevated valuations and profit margins limit upside in US markets. In fixed income, we continue to suggest tilting away from US credit risk and reducing exposure to high-yield bonds. Furthermore, we advocate shifting core bond exposure to TIPS. Given the record low levels of volatility this year, we also encourage investors to add exposure to strategies that can benefit from higher levels of volatility such as macro hedge funds.

As of 6/30/2017, 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.]