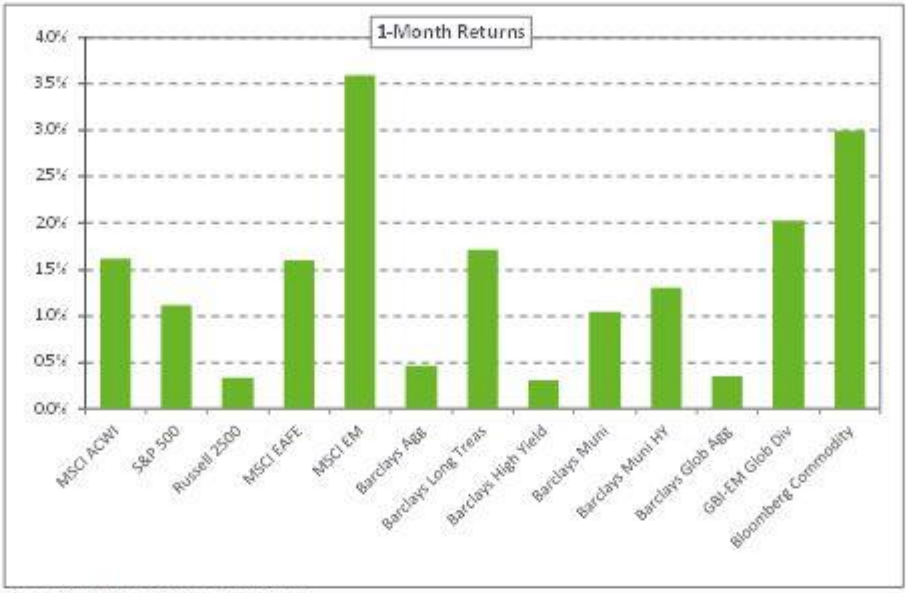
Unitarian Universalist Common Endowment Fund

	Monthly Market Commentary for December 2017						
			Last Month	**Last Qtr**	**Last Year**	**Last 3 Years**	**Last 5 Years**
Domestic Stocks	S&P 500		1.1%	6.6	21.8	11.4	15.8
	S&P Mid Cap 400		0.2%	6.3	16.2	11.1	15.0
	Russell 2000		-0.4%	3.3	14.6	10.0	14.1
Domestic Bonds	Barclays Aggregate		0.5%	0.4	3.5	2.2	2.1
	High Yield Bonds		0.3%	0.5	7.5	6.4	5.8
	91-Day T-Bills		0.1%	0.3	0.9	0.4	0.3
Non-US Stocks	MSCI EAFE (Net)		1.6%	4.2	25.0	7.8	7.9
	MSCI Emerg Mkts (Net)		3.6%	7.4	37.3	9.1	4.4
Global Bonds	Citi World Gov't		0.2%	1.0	7.5	1.7	0.1

Equities rounded out a banner year with additional gains on the back of strong earnings and economic growth. Maintaining their lead, emerging market stocks returned 3.6% in December, according to the MSCI EM index, racking up gains of 37.9% in 2017. The S&P 500 was up 1.1% on the month and—setting a new record—was in the black every month of the calendar year.

The Fed raised rates in December, for the third time in 2017, despite inflation remaining below the central bank's target levels. In response, the yield curve continued to flatten with the 10-year unchanged at 2.41% and the 30-year down nine basis points to 2.74%. While the 10-year ended only four basis points lower than at the end of 2016, the 10-2 spread declined to its lowest level in nearly a decade. As has been the story for most of the year, longer-duration fixed income fared well with the Barclays Long Credit Index and Barclays Long Treasury Index up 2.0% and 1.7%, respectively, in December.

As we turn the page to 2018, our views at NEPC remain mostly unchanged. Despite significant run-ups in international equities, we still find non-US stocks attractive relative to domestic equities, given the potential for continued growth in international developed and emerging economies. Within fixed income, we suggest investors shift away from credit risk as spreads have fallen well below median levels in both US investment-grade and high-yield spaces and, as such, future return expectations have declined. We also remind investors of the importance of rebalancing back to target, particularly in light of the recent sustained outperformance of equities.



As of 12/31/2017, 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.]