Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for December 2019

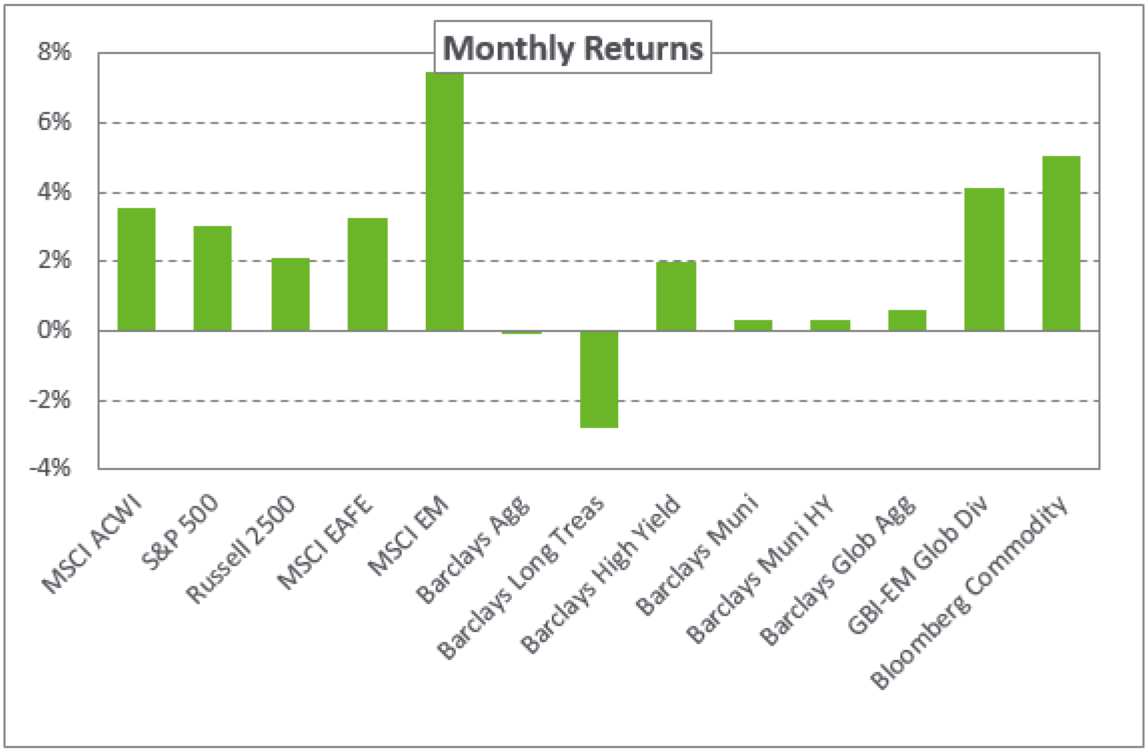
		Last Month	Last Qtr	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	3.0%	9.1	31.5	31.5	15.3	11.7
	S&P Mid Cap 400	2.8%	7.1	26.2	26.2	9.3	9.0
	Russell 2000	2.9%	9.9	25.5	25.5	8.6	8.2
Domestic Bonds	Barclays Aggregate	-0.1%	0.2	8.7	8.7	4.0	3.0
	High Yield Bonds	2.0%	2.6	14.3	14.3	6.4	6.1
	91-Day T-Bills	0.1%	0.4	2.1	2.1	1.6	1.1
Non-US Stocks	MSCI EAFE (Net)	3.3%	8.2	22.0	22.0	9.6	5.7
	MSCI Emerg Mkts (Net)	7.5%	11.8	18.4	18.4	11.6	5.6
Global Bonds	FTSE World Gov't	0.3%	-0.4	5.9	5.9	4.1	2.0

Global equities went out with a bang, building on their already robust returns for the year, with the MSCI ACWI Index up 26.5% in 2019. US stocks led the charge with the S&P 500 Index returning 31.5% for the 12 months ended December 31. International and emerging markets also posted solid results, with the MSCI EAFE and MSCI Emerging Markets indexes up 21.9% and 18.3%, respectively, during the same period.

In fixed income, rates ended December modestly higher with the 10- and 30-year Treasury yields increasing 14 and 19 basis points, respectively. Despite this movement, yields in most developed markets are significantly lower relative to 2018. Additionally, spreads continued to compress across the credit spectrum with spreads on the Barclays US Investment Grade and High Yield indexes declining 12 and 34 basis points, respectively, last month. High-yield spreads experienced the most significant move in 2019, falling 1.90% to end the year at 3.36%. Within emerging markets, local-currency debt outperformed hard-currency securities during the month as currencies broadly appreciated relative to the US dollar. The JPM GBI-EM Global Diversified Index increased 4.1% in December – notching up year-to-date gains of 13.4%.

Within real assets, spot WTI Crude Oil increased 5.1% during the month, reflecting heightened geopolitical risks and dwindling supply. Spot prices increased 35.3% for the year – marking the largest annual gain since 2016.

As the curtain goes up on 2020, we encourage investors to rebalance overall equity exposure given its strong performance, and the potential for heightened volatility during this late stage of the US economic cycle. Additionally, we remind investors that while markets are still exhibiting late-cycle characteristics, accommodative monetary policies from central banks globally can further extend the cycle and provide a supportive backdrop for equity returns.



As of 12/31/2019, Source: S&P, Russell, MSCI, JPM, Bloomberg, Factset

[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.]