Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for March 2021

		Last Month	Last Quarter	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	4.4%	6.2	6.2	56.4	16.8	16.3
	S&P Mid Cap 400	4.7%	13.5	13.5	83.5	13.4	14.4
	Russell 2000	1.0%	12.7	12.7	94.8	14.8	16.4
Domestic Bonds	Barclays Aggregate	-1.2%	-3.4	-3.4	0.7	4.7	3.1
	High Yield Bonds	0.2%	0.9	0.9	23.7	6.8	8.1
	91-Day T-Bills	0.0%	0.0	0.0	0.1	1.4	1.1
Non-US Stocks	MSCI EAFE (Net)	2.3%	3.5	3.5	44.6	6.0	8.8
	MSCI Emerg Mkts (Net)	-1.5%	2.3	2.3	58.4	6.5	12.1
Global Bonds	FTSE World Gov't	-2.1%	-5.7	-5.7	1.8	2.1	2.1

Global equities ended the first quarter in the black as ongoing inoculations and fresh fiscal stimulus in the U.S. provided a supportive environment for risk assets. Domestic equities outperformed their global counterparts with the S&P 500 Index increasing 4.4% in March; non-U.S. equities were negatively impacted by a strengthening dollar, though the MSCI All Country World Index eked out a 2.7% gain for the month.

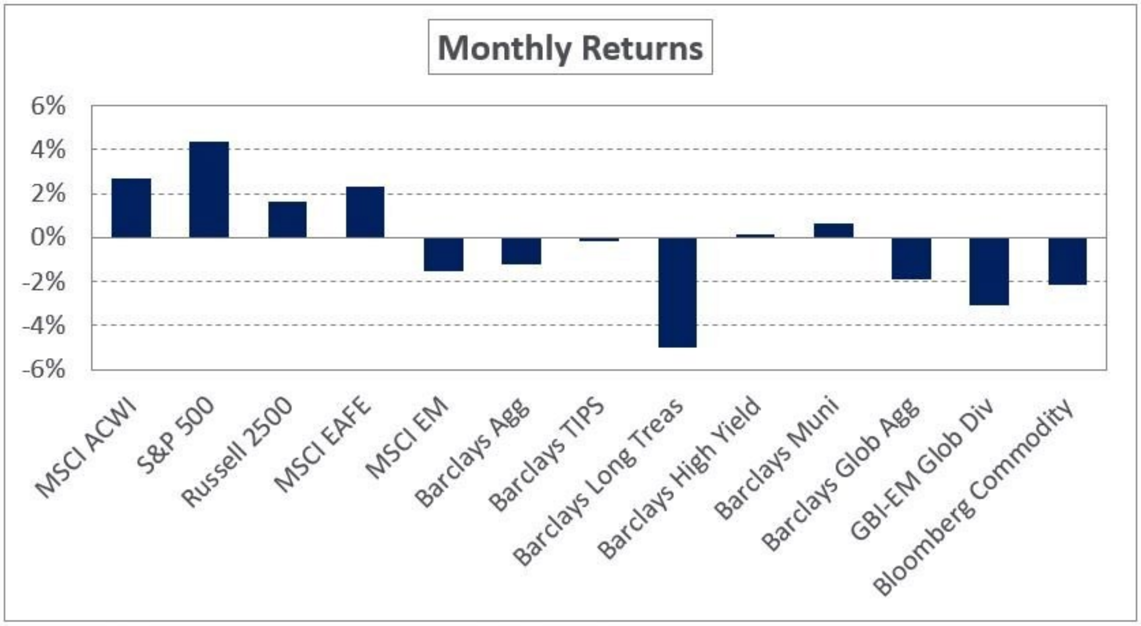
Meanwhile, Treasury yields continued their upward trend in March, reflecting the improving outlook for growth and the expectations of a tick-up in inflation. The 10- and 30-year Treasury yields increased 28 and 23 basis points, respectively, during the month. The significant move in interest rates negatively impacted broad fixed-income returns; longer-duration indexes experienced the largest declines with the Barclays U.S. Long Treasury Index down 5% in March.

Despite the upward movement in inflation expectations, the Federal Reserve held interest rates steady during its March meeting and announced it would maintain its pace of asset purchases until there is further progress on employment and inflation goals. The updated median dot plot reflects no change in the Fed Funds rate through 2023 – signaling the central bank's belief that inflation will not sustainably breach the target – while market futures are now pricing in almost three hikes over that same period.

In real assets, spot WTI Crude Oil fell 3.9% last month, though the commodity remains up 22.4% for the quarter. The decline underscored a stronger dollar, increased inventories, and renewed concerns around demand in Europe given the uncertainty around the ongoing vaccine roll out.

The broadly improving macroeconomic backdrop has resulted in higher growth and inflation expectations in the near term. While the corresponding increase in interest rates is notable, we continue to advocate for investors to maintain a dedicated allocation to Treasuries to support liquidity levels and cash flow needs in the event of a market dislocation. Further, the ongoing support from monetary and fiscal interventions continues to provide a supportive environment for equities. As such, we encourage investors to maintain strategic equity targets even in the face of modestly higher interest rates.

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.]



As of 03/31/2021, Source: S&P, Russell, MSCI, JPM, Bloomberg, Factset

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