Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for August 2022

		Month	QTR TD	Calendar YTD	One Year	Three Years	Five Years
Domestic Stocks	S&P 500	-4.1%	4.8	-16.1	-11.2	12.4	11.8
	Russell 2000	-2.0%	8.2	-17.2	-17.9	8.6	6.9
Domestic Bonds	Bloomberg Aggregate	-2.8%	-0.5	-10.8	-11.5	-2.0	0.5
	Bloomberg High Yield	-2.3%	3.5	-11.2	-10.6	1.0	2.6
Non-US Stocks	MSCI EAFE	-4.7%	0.0	-19.6	-19.8	2.4	1.6
	MSCI Emerg Mkts	0.4%	0.2	-17.5	-21.8	2.7	0.6
Global Bonds	Bloomberg Global Agg	-3.9%	-1.9	-15.6	-17.6	-4.4	-1.5

Following a strong rebound in July, equities came under pressure last month as central banks around the globe reiterated their commitment to tighter monetary policies amid persisting inflationary pressures despite softening growth. In the U.S., the S&P 500 Index fell 4.1%, pulling year-to-date returns to -16.1%. Value stocks outperformed on a relative basis with continued upward pressure in rates: the Russell 1000 Value Index fell 3%, while the Russell 1000 Growth Index declined 4.7%. Emerging market equities were the bright spot among public markets – eking out a gain of 0.4% during the month.

In fixed income, developed market bond yields faced upward pressure amid the more hawkish stance from central banks. In the U.S., the yield curve flattened with the 10- and 30-year yields rising 49 and 26 basis points, respectively. The 10-year German Bund yield also increased 70 basis points to 1.54% amid inflation pressures in the Eurozone.

In real assets, commodities experienced another volatile month amid concerns around weakening global demand and supply constraints as Russia halted supply from the Nord Stream 1 pipeline to Europe. Notably, spot WTI Crude Oil fell 11.6% in August to $90 per barrel.

NEPC's stance towards risk assets remains unfavorable given the uncertain dynamics around growth and inflation. We recommend building exposure to short-term investment-grade credit as higher yields offer an attractive defensive position. We also suggest adding exposure to value stocks in U.S. large-cap equity to mitigate the portfolio impact of rising interest rates and inflation normalizing above market expectations. In addition, we still encourage a dedicated allocation to assets that support liquidity needs in periods of stress.

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.]