Unitarian Universalist
Common Endowment Fund

Monthly Market Report for October 2011

Index Returns as of 10/31/2011 (Preliminary):

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	10.9%	1.3%	8.1%	11.4%	0.3%
	S&P Mid Cap 400	13.8%	-1.1%	8.6%	17.9%	4.0%
	Russell 2000	15.1%	-4.5%	6.7%	12.9%	0.7%
Domestic Bonds:	Barclays Aggregate	0.1%	6.8%	5.0%	8.9%	6.4%
	High Yield Bonds	6.0%	4.5%	5.2%	23.0%	8.0%
	90-Day T-Bills	0.0%	0.1%	0.1%	0.2%	1.7%
Non-US Stocks:	MSCI EAFE (Net)	9.6%	-6.8%	-4.1%	9.9%	-2.4%
	MSCI Emerg Mkts (Net)	13.3%	-11.5%	-7.7%	23.2%	6.5%
Global Bonds:	Citi World Gov't	0.5%	7.1%	3.7%	8.7%	7.5%

Stocks staged a breathtaking rally in the month of October, shaking off the gloom of the third quarter to bask in the reassurances of European leaders and recession-dispelling economic reports in the US.

Investors favored riskier assets during this period with US small cap stocks outpacing large caps and emerging markets rising more than developed markets. The robust, month-long rally raised the S&P 500 back into positive territory for the year, although small caps and foreign markets remained mired in negative territory.

Even as Treasury yields rose (the 10 year US Treasury moved back above 2%, finishing October at 2.17%), credit markets rallied during October with high yield bonds and emerging market debt up strongly. Commodities also rose in price, as investors re-focused on economic growth, and gold recouped some of its September losses.

November markets opened with a steep price decline, highlighting that volatility still stalks the environment. Driving the price movement was the announcement that Greece would present their austerity and 50% debt haircut plan to a popular referendum. This places the European peripheral debt crisis bailout plan, and potentially the fate of the Euro, in the hands of the disgruntled electorate of a small, deeply-troubled country, casting a long shadow over this week’s G-20 summit in Cannes.

In the US, the congressional “super committee” is scheduled to reveal its budget cutting plan by November 23rd. As a result, we expect markets to continue to be heavily influenced by headlines in the near-term. We remind our clients that it remains important to maintain a risk-balanced approach to asset allocation. Attractive opportunities at this juncture appear to exist in emerging markets stock and bond markets, as well as in less-liquid investments positioned to take advantage of dislocations in the current environment such as private debt, distressed, and event-driven strategies.

[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.]