# Unitarian Universalist Common Endowment Fund

## Monthly Market Report for November 2010

**Index Returns as of 11/30/2010 (Preliminary):**

| | | Last Month | YTD | Last Year | Last 3 Years | Last 5 Years |
|---|---|---|---|---|---|---|
| Domestic Stocks: | S&P 500 | 0.0% | 7.9% | 9.9% | -5.2% | 1.0% |
| | S&P Mid Cap 400 | 3.0% | 18.9% | 26.3% | 1.3% | 4.6% |
| | Russell 2000 | 3.5% | 17.5% | 27.0% | -0.4% | 2.8% |
| Domestic Bonds: | Barclays Aggregate | -0.6% | 7.7% | 6.0% | 6.4% | 6.2% |
| | High Yield Bonds | -1.2% | 13.1% | 16.8% | 9.8% | 8.7% |
| | 90-Day T-Bills | 0.0% | 0.1% | 0.1% | 0.9% | 2.5% |
| Non-US Stocks: | MSCI EAFE | -4.8% | -0.3% | 1.1% | -10.1% | 1.8% |
| | MSCI Emerg Mkts | -2.6% | 11.0% | 15.3% | -2.5% | 12.5% |
| Global Bonds: | Citi World Gov't | -4.8% | 3.4% | -1.8% | 5.4% | 6.9% |

Global stock markets paused in the month of November, as initial upward moves fueled by US election results and the announcement of a second round of quantitative easing early in the month were offset by tepid economic reports and a resurgence of the European debt crisis. In an environment of increased uncertainty, US large cap stocks were essentially flat on the month and smaller company stocks advanced modestly, while non-US stocks declined both in local terms and due to currency depreciation relative to the safe-haven US dollar.

Bond markets reacted counter-intuitively to the new round of monetary stimulus, dubbed “QE2”, with Treasury yields rising and credit spreads widening in response to concerns about increased future inflation risks and contagion effects from the European Central Bank-orchestrated Irish debt bailout. In this environment, the broad bond benchmarks were negative for the month.

Looking forward, the prospects for economic growth in the developed world appear quite muted. While job growth in the US has provided very modest positive surprises recently and there are signs that consumers are willing to begin spending at a moderate clip again, the drag of financial de-leveraging and the depressed real estate sector will limit overall job growth. While we still do not believe that a “double dip” recession is the most likely outcome, we remain concerned that there is a possibility of near term deflation followed by elevated inflation due to the impact of monetary stimulus. This scenario, which we call “Delav-flation”, is challenging for many investment programs. We continue to recommend a risk-balanced approach to asset allocation with exposure to investment categories that can perform well in these extreme economic environments.

[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.]