Unitarian Universalist Common Endowment Fund

Monthly Market Report for August 2010

Index Returns as of 8/31/2010 (Preliminary):

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	-4.5%	-4.6%	4.9%	-8.7%	-0.9%
	S&P Mid Cap 400	-4.9%	0.2%	11.9%	-4.3%	1.7%
	Russell 2000	-7.4%	-3.0%	6.6%	-7.4%	-0.7%
Domestic Bonds:	Barclays Aggregate	1.3%	7.8%	9.2%	7.7%	6.0%
	High Yield Bonds	0.0%	8.3%	21.5%	8.6%	7.5%
	90-Day T-Bills	0.0%	0.1%	0.1%	1.3%	2.7%
Non-US Stocks:	MSCI EAFE	-3.1%	-8.0%	-2.3%	-10.8%	1.0%
	MSCI Emerg Mkts	-1.9%	-0.3%	18.0%	-1.5%	12.4%
Global Bonds:	Citi World Gov't	2.0%	3.5%	5.1%	8.2%	6.2%

Global stock markets resumed their negative direction in the month of August after a brief respite of positive performance in July.

A series of economic reports and statistics released during the month, ranging from stubbornly high employment statistics to downwardly revised second quarter GDP growth to declining housing activity (even more than expected as home buying stimulus rolls off), caused investors to consider the possibility of a “double dip” recession and prospects of deflation, catalyzing a retreat from riskier assets. As a result, large cap US stocks fell 4.5% in August while smaller company stocks dropped 7.4%. Non-US developed markets declined 3.1% while emerging markets stocks fell only 1.9%. The losses for the month put most major stock benchmarks firmly into negative territory for the year-to-date period. Treasury rates continued to decline for the month as investors sought the most secure instruments; the 2-year note yielding a record low 0.47% and the 10-year note yield plummeting almost 50 basis points below 2.50%. Credit spreads widened slightly, but corporations continued to issue significant amounts of new debt in the low overall interest rate environment.

Looking forward, while we do not believe that a double dip is the most likely outcome, we acknowledge the risk of a slower economic growth environment in the US and the rest of the developed world is significant. At the same time, we observe that many emerging countries are experiencing strong economic growth and enjoy healthy national balance sheets. Given the increased level of uncertainty, we encourage clients to maintain a risk-balanced approach to investing in the broad global markets while building exposure to emerging country stocks, bonds, and currencies.

[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.]