Unitarian Universalist Common Endowment Fund

Monthly Market Report for March 2011

Index Returns as of 3/31/2011 (Preliminary):

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	0.0%	5.9%	15.7%	2.4%	2.6%
	S&P Mid Cap 400	2.5%	9.4%	27.0%	10.0%	6.1%
	Russell 2000	2.6%	7.9%	25.8%	8.6%	3.4%
Domestic Bonds:	Barclays Aggregate	0.1%	0.4%	5.1%	5.3%	6.0%
	High Yield Bonds	0.3%	3.9%	14.3%	12.9%	9.1%
	90-Day T-Bills	0.0%	0.1%	0.2%	0.5%	2.2%
Non-US Stocks:	MSCI EAFE (Net)	-2.2%	3.4%	10.4%	-3.0%	1.3%
	MSCI Emerg Mkts (Net)	5.9%	2.1%	18.5%	4.3%	10.7%
Global Bonds:	Citi World Gov't	0.3%	0.7%	7.3%	3.2%	7.3%

The month of March was characterized by catastrophe in Japan, intervention by the US and allies in the increasingly violent Libyan civil war, and a deepening of the debt crisis in Europe with the downgrading of Spanish, Portuguese, and Greek government debt. As could be expected, the volatility of global markets increased significantly during the month with stock and bond prices rising and falling wildly as each news report hit the wire.

Unexpectedly, the overall trend for risky assets continued to be upward for the month to close out the strongest first quarter for US stocks in thirteen years. US small company stocks led the markets for the month and the quarter, while the S&P 500 was flat for March, but positive year-to-date. Developed market non-US stocks were the worst performing component of the global capital markets in March due to the sell-off in Japanese equities associated with the disaster in that country and increasing concerns over European debt levels. Emerging Markets stocks rebounded from initial selling pressures to finish the month strongly, ending the first quarter in positive territory.

Prices of bonds and commodities oscillated during the month as investors alternatingly fled to "safety", bidding up the value of the US dollar and Treasuries (pushing yields down), then focused on increasing pressure on consumer prices from the rising cost of food and oil. While the initial impact of the tragic situation in Japan may be a reduction in growth in that region (and hence deflationary), the decreased expectations for use of nuclear power going forward caused an increase in demand for fossil fuels and a corresponding rise in oil prices, which moved above $100/barrel during the month. As a result, the DJ UBS Commodity Index was up 2.1% for the month and 4.4% for the quarter.

Looking forward, we continue to believe that segments of the emerging markets are attractive on a long-term basis, and investors able to commit assets for longer time periods can benefit from an attractive illiquidity premium. Price action in commodities markets reminds us that inflation remains a risk to be managed, while the increase in volatility in global markets underlines the importance of a portfolio broadly diversified by risk exposures.

[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.]