Unitarian Universalist Common Endowment Fund

Monthly Market Report for April 2011

Index Returns as of 4/30/2011 (Preliminary):

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	3.0%	9.1%	17.2%	1.7%	3.0%
	S&P Mid Cap 400	2.7%	12.3%	25.1%	8.3%	6.4%
	Russell 2000	2.6%	10.8%	22.2%	8.0%	3.9%
Domestic Bonds:	Barclays Aggregate	1.3%	1.7%	5.4%	5.8%	6.3%
	High Yield Bonds	1.6%	5.5%	13.4%	11.9%	9.3%
	90-Day T-Bills	0.0%	0.1%	0.2%	0.5%	2.2%
Non-US Stocks:	MSCI EAFE (Net)	6.0%	9.5%	19.2%	-2.9%	1.5%
	MSCI Emerg Mkts (Net)	3.1%	5.2%	20.7%	2.7%	9.9%
Global Bonds:	Citi World Gov't	3.2%	3.9%	11.2%	5.4%	7.5%

Global stock, bond, and commodity markets advanced across the board in the month of April, spurred by strong corporate earnings growth and the continued easy money environment created by the Federal Reserve's quantitative easing program.

The US dollar fell against the basket of major foreign currencies as the European Central Bank raised its short term rate and the UK pursued austerity measures. In this declining dollar environment, non-US developed market stocks led all broad market segments. Driven by the same currency tailwind, global bonds led all fixed income segments for the month. In the US bond market, Treasury yields declined modestly and credit spreads continued to tighten.

Commodities prices maintained their upward direction, driven by high marginal demand from rapidly growing developing countries (led by China) and concerns about the potential for supply shocks.

The US economy decelerated in the first quarter, with GDP increasing 1.8%, more modest than the 3.1% rate seen in the last quarter of 2010. While the manufacturing sector has been strong and small businesses appear to be starting to hire, the consumer remains reticent amidst rising energy and food prices and the housing sector has yet to show signs of recovery. With the second round of quantitative easing coming to a close in June and the US government budget likely to move towards deficit-reduction, several underpinnings of the recovery will be removed. As a result, the probabilities of an environment characterized by higher commodity prices with slowing growth appear elevated.

We recommend clients pursue a risk-balanced approach to portfolio construction with allocations to assets which will perform well in multiple economic environments, including inflation-sensitive assets and risk parity strategies. While emerging countries have benefited from significant capital inflows, we still believe that there are attractive segments of these markets including local consumer-oriented stocks and local currency debt. We also believe that patient investors who can afford to lock-up capital can take advantage of attractive opportunities in direct lending, corporate restructuring, and other private debt 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.]