



Unitarian Universalist Common Endowment Fund

Monthly Market Report for January 2012

Global stock markets opened the year with a bang, shaking off concerns about the European debt crisis to rally across the board. An uptick in US GDP growth (2.8% annualized in the fourth quarter) and rising corporate profits drove the S&P 500 to a gain of 4.5% with smaller company stocks advancing even more strongly. Emerging markets stocks led non-US markets, rebounding strongly after a very negative 2011.

Investors' appetite for risky assets extended to the credit markets as high yield and developing country debt rose in price. The US Federal Reserve,

demonstrating their commitment to increased transparency, extended their horizon for rock-bottom interest rates to "late 2014"; in response, yields on intermediate Treasuries fell while the long end of the curve remained relatively unchanged.

The opening month of 2012 appears to provide confirmation that, despite an overall environment of muted long-term return expectations, the premium for owning risky assets appears more attractive than a year ago due to improvements in economic fundamentals and the decline in Treasury yields. Within the global stock and bond markets, many segments of corporate credit appear attractive as do emerging market stocks and bonds. Dislocations in Europe and elsewhere also promise to create significant opportunities for patient capital in distressed and event-driven strategies.

We also remind investors to maintain a risk-balanced approach to investing – as we do expect additional chapters of the European debt crisis to create episodes of higher market volatility.

Index Returns as of 1/31/2012 (Preliminary)

		Last Month	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	4.5%	4.2%	19.2%	0.3%
	S&P Mid Cap 400	6.6%	2.7%	25.3%	3.9%
	Russell 2000	7.1%	2.9%	23.0%	1.2%
Domestic Bonds:	Barclays Aggregate	0.9%	8.7%	7.4%	6.7%
	High Yield Bonds	3.0%	5.8%	23.0%	8.0%
	90-Day T-Bills	0.0%	0.1%	0.2%	1.4%
Non-US Stocks:	MSCIEAFE (Net)	5.3%	-9.6%	13.4%	-3.9%
	MSCI Emerg Mkts (Net)	11.3%	-6.6%	27.3%	4.9%
Global Bonds:	Citi World Gov't	1.5%	7.9%	6.8%	7.7%

[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.]