



# Unitarian Universalist Common Endowment Fund

## Monthly Market Report for May 2012

### Index Returns as of 5/31/2012 (preliminary)

		Last Month	YTD	last year	Last 3 Years	Last 5 Years
<b>Domestic Stocks</b>	S&P 500	-6.0%	5.2%	-0.4%	14.9%	-0.9%
	S&P Mid Cap 400	-6.5%	5.9%	-6.1%	18.9%	1.7%
	Russell 2000	-6.6%	3.4%	-8.9%	16.5%	-0.7%
<b>Domestic Bonds</b>	Barclays Aggregate	0.9%	2.3%	7.1%	7.1%	6.7%
	High Yield Bonds	-1.3%	5.1%	4.0%	16.6%	7.6%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.1%	1.1%
<b>Non-US Stocks</b>	MSCI EAFE (Net)	-11.5%	-3.8%	-20.5%	3.4%	-7.3%
	MSCI Emerg Mkts (Net)	-11.2%	0.1%	-20.3%	7.9%	0.1%
<b>Global Bonds</b>	Citi World Gov't	-0.6%	0.3%	2.8%	5.4%	7.2%

In the oft-characterized "risk on/risk off" market environment of the last several years, May 2012 represented a full-blown return to "Risk Off" selling after the year opened with a robust "Risk On" rally. Investors reacted to weak jobs and manufacturing reports in the US, fears of a Greek exit of the single currency amidst broader European debt concerns, and evidence of slowing growth in China to punish equity markets across the board. US large company stocks gave up more than half their gains for the year so far while small cap benchmarks fell more dramatically. Non-US stocks were hit even harder during the month, reflecting both the proximity to challenged economies as well as the strength of the US dollar. Credit spreads widened during the month and commodities sold off as growth prospects dimmed.

As investors sought to invest in relatively safe assets, yields on the highest quality sovereign bonds declined, often to record low levels. The 10-year US Treasury finished the month yielding 1.56%, down more than 30 basis points since the beginning of the year. Yields on government issues from Germany, the UK and Japan also explored record low territory.

The current environment reminds us why it is important to pursue a risk-balanced approach to asset allocation. Exposure to strategies that do well in a flight-to-safety environment, such as high quality sovereign debt, risk parity, and long-duration bonds, can help investment programs ride out short-term volatility. At the same time, the recent sell-off has accentuated the attractiveness of long-term investments in emerging markets equities and local currency debt, as well as credit strategies particularly those positioned to take advantage of dislocations in Europe.

[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.]