Unitarian Universalist Common Endowment Fund

Monthly Market Report for March 2010

Index Returns as of 3/31/2010 (Preliminary):

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	6.0%	5.4%	49.8%	-4.2%	1.9%
	S&P Mid Cap 400	7.1%	9.1%	64.1%	-0.8%	5.2%
	Russell 2000	8.1%	8.9%	62.8%	-4.0%	3.4%
Domestic Bonds:	Barclays Aggregate	-0.1%	1.8%	7.7%	6.1%	5.4%
	High Yield Bonds	3.1%	4.6%	56.2%	6.7%	7.8%
	90-Day T-Bills	0.0%	0.0%	0.2%	2.0%	2.9%
Non-US Stocks:	MSCI EAFE	6.2%	0.9%	54.4%	-7.0%	3.8%
	MSCI Emerg Mkts	8.1%	2.4%	81.1%	5.2%	15.7%
Global Bonds:	Citi World Gov't	-1.7%	-1.3%	6.3%	7.2%	4.8%

Global stock markets surged in March, continuing February's rebound from a fretful opening to the year. Equity investors focused on signs of returning economic health such as rising corporate profits, declining unemployment claims, and signs of stability in housing even as the Fed ended their mortgage purchase program to close the month. Disconcerting notes from government bond markets, including the near-default of Greece and poor investor response to high levels of Treasury issuance (and accompanying rising yields), could not deter investors from buying risk assets during the period. US Small Company Stocks and Emerging Market Stocks led the way during the month (Russell 2000 and MSCI Emerging Market Stock Index both up 8.1%), while the S&P 500 and MSCI EAFE both advanced strongly (+6.0% and +6.2%, respectively). High yield bonds and bank loans posted positive returns (BarCap High Yield Index +3.1% and CSFB Leveraged Loan Index +2.9%) and companies continued to react to the improving credit environment, issuing a one-month record for high yield debt of over $30 billion.

As we enter the second quarter of 2010, we remained focused on the outlook for growth and inflation. While the Fed continues to hold short rates at near-zero levels, the extreme steepness of the Treasury yield curve indicates expectations that rates will rise eventually. At the same time, with unemployment and excess capacity at high levels, concerns remain about the possibility of a "double dip" recession. Elevated government debt levels, particularly in the European periphery, have heightened focus on sovereign risk and led to dollar appreciation. In this highly uncertain environment we recommend broad global diversification including allocations to the more rapidly growing and financially robust developing economies. Furthermore we counsel clients to build exposure to real assets to help protect against future inflation risk. Finally, we believe that the opportunity in the credit markets has evolved toward longer lock-up distressed strategies, and suggest that clients who can take on illiquid investments consider the broad array of strategies in this area.

[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.]