Unitarian Universalist Common Endowment Fund

Monthly Market Report for February 2011

Index Returns as of 2/28/2011 (Preliminary):

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	3.4%	5.9%	22.6%	2.2%	2.9%
	S&P Mid Cap 400	4.7%	6.8%	32.8%	8.8%	6.1%
	Russell 2000	5.5%	5.2%	32.6%	7.8%	3.8%
Domestic Bonds:	Barclays Aggregate	0.3%	0.4%	4.9%	5.4%	5.8%
	High Yield Bonds	1.3%	3.6%	17.5%	12.7%	9.2%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.6%	2.3%
Non-US Stocks:	MSCI EAFE	3.3%	5.7%	20.0%	-2.6%	2.4%
	MSCI Emerg Mkts	-0.9%	-3.6%	20.9%	0.5%	9.6%
Global Bonds:	Citi World Gov't	0.4%	0.4%	5.1%	4.1%	7.0%

Global developed market stocks continued to advance in February, shrugging off political turmoil in the Middle East and the consequent rise in oil prices.

US equity investors chose to focus on continued improvements in economic indicators such as manufacturing, consumer spending and a modest uptick in employment, even as house prices continued to decline.

The popular protests in Tunisia, Egypt, Libya and elsewhere in the Arab world negatively affected Emerging Market equities, the only broad component of the global stock market to decline in the month. Treasury yields rose modestly in February, continuing a trend in place since late November of last year. Corporate debt spreads tightened during the month as bond buyers deemed the overall credit environment to be constructive.

The continuing upheaval in Libya, Bahrain, Yemen, and elsewhere reminds us that event-risk remains a threat to risky assets. Food-price inflation helped catalyze unrest in these Arab countries, which has led to energy cost increases throughout the balance of the world. We recommend that investors pursue risk-balanced portfolio construction with broadly diversified exposures to asset categories that will perform well in extreme environments, including inflation-hedging strategies.

While the longer-term prospects for returns in the developed stock and bond markets appear muted, we remain convinced that the secular outlook for emerging markets investing is attractive and the current volatility may present buying opportunities.

[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.]