# Unitarian Universalist Common Endowment Fund

## Monthly Market Report for May 2011

**Index Returns as of 5/31/2011 (Preliminary):**

| | | Last Month | YTD | Last Year | Last 3 Years | Last 5 Years |
|---|---|---|---|---|---|---|
| Domestic Stocks: | S&P 500 | -1.1% | 7.8% | 26.0% | 0.9% | 3.3% |
| | S&P Mid Cap 400 | -1.4% | 10.8% | 33.0% | 6.0% | 7.0% |
| | Russell 2000 | -1.9% | 8.7% | 29.8% | 5.8% | 4.7% |
| Domestic Bonds: | Barclays Aggregate | 1.3% | 3.0% | 5.8% | 6.5% | 6.6% |
| | High Yield Bonds | 0.5% | 6.0% | 18.2% | 12.0% | 9.4% |
| | 90-Day T-Bills | 0.0% | 0.1% | 0.2% | 0.5% | 2.1% |
| Non-US Stocks: | MSCI EAFE (Net) | -3.0% | 6.3% | 30.7% | -4.1% | 1.7% |
| | MSCI Emerg Mkts (Net) | -2.6% | 2.5% | 28.8% | 1.2% | 11.7% |
| Global Bonds: | Citi World Gov't | -0.1% | 3.8% | 12.2% | 5.9% | 7.1% |

Global stock markets sold off in May, with every major benchmark – large cap, small cap, US, Non-US, developed and emerging – posting negative returns. Stock market investors took their bearish cues from slowing economic growth in the US and abroad, an impending reduction in government economic stimulus, and rising concerns over the plight of Greece and other heavily indebted peripheral European economies. In the middle of the month, these concerns were amplified by what began as a technical sell-off in the over-heated silver market and expanded to a brief but vicious sell-off in the broad commodities markets (DJ UBS Commodities Index -5.1% in May). As a result, US large company stocks declined each week of the month, although the total loss for the period was relatively modest. Non-US stocks sold off to a greater degree, although a portion of this can be attributed to a rise in the value of the dollar during the month.

US Treasury yields defied consensus by falling during the month, as concerns over slowing economic growth and the even more perilous state of other developed country balance sheets led investors to buy Treasury securities. Going forward, we are watching the bond markets closely as countervailing pressures are playing out in a "tug of war" on interest rates. On one hand, slowing economic growth, an apparent peak in commodity prices (and the corresponding impact on CPI), and the safe-haven nature of Treasuries relative to the PIGS put downward pressure on rates. Conversely, the end of QE2, more austere fiscal policy globally (and the approaching debt ceiling in the US) and potential for additional commodity-driven price inflation could drive rates higher. In this highly uncertain environment, we recommend clients maintain a risk-balanced approach to investing with exposure to asset classes and strategies that will do well in multiple economic environments.

[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.]