



Unitarian Universalist Common Endowment Fund

Monthly Market Report for June 2012

Index Returns as of 6/30/2012 (preliminary)

		Last Month	LAST QTR	YTD	Last year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	4.1%	-2.8%	9.5%	5.5%	16.4%	0.2%
	S&P Mid Cap 400	1.9%	-4.9%	7.9%	-2.3%	19.4%	2.6%
	Russell 2000	5.0%	-3.5%	8.5%	-2.1%	17.8%	0.5%
Domestic Bonds	Barclays Aggregate	0.0%	2.1%	2.4%	7.5%	6.9%	6.8%
	High Yield Bonds	2.1%	1.8%	7.3%	7.3%	16.3%	8.5%
	90-Day T-Bills	0.0%	0.0%	0.0%	0.1%	0.1%	1.0%
Non-US Stocks	MSCI EAFE (Net)	7.0%	-7.1%	3.0%	-13.8%	6.0%	-6.1%
	MSCI Emerg Mkts (Net)	3.9%	-8.9%	3.9%	-16.0%	9.8%	-0.1%
Global Bonds	Citi World Gov't	0.1%	0.9%	0.3%	2.7%	5.4%	7.3%

After giving back all of the gains of 2012 in April and May, global stock markets turned positive once again in June. European authorities provided Spanish banks with an infusion of capital, the US Federal Reserve extended Operation Twist, the Greeks provided a measure of stability by electing a pro-bailout party, and the month closed with clear action steps from the EU Summit to provide support for struggling peripheral countries. Each of these headlines was a catalyst for a market upswing. Investors reacted favorably to these macroeconomic signals despite the US employment picture remaining cloudy and growth statistics continuing to indicate slowing conditions.

Equity markets were broadly positive for June, with MSCI EAFE leading the way. After the US 10 year Treasury yield reached record low levels in May (below 1.50%), rates were up across the curve as investors sought more risk. The 10-year Treasury finished the month yielding 1.64% and the 30-year yield increased 11 basis points to 2.75%. In general, credit sectors experienced positive performance despite rising Treasury rates. After approaching record highs mid-month, Spanish and Italian bond yields fell 50-100 basis points on the last day of the month, reacting to the agreement reached at the EU Summit for further support. While oil was down for the month, commodities broadly advanced, though they still sit in negative territory year-to-date in 2012.

The pendulum swung back to positive sentiment in June, reinforcing how quickly markets can reverse and highlighting the benefits of a risk-balanced approach to asset allocation. While it is important to have exposure to strategies that do well in a flight-to-safety environment (such as high quality sovereign debt), it is equally important that investment programs have balanced exposure to markets (such as equities and credit) that react positively in a "flight-to-risk" environment like this past month. In particular, despite the recent rally, emerging markets have participated less meaningfully and remain attractively priced. In addition, as the European crisis continues to evolve, we expect opportunities in distressed credit strategies to become quite interesting.

[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.]