Unitarian Universalist Common Endowment Fund

Monthly Market Report for June 2010

Index Returns as of 6/30/2010 (Preliminary):

		Last Month	Last Qtr	YTD	Last Year	Last 3 Years
Domestic Stocks:	S&P 500	-5.2%	-11.4%	-6.7%	14.4%	-9.8%
	S&P Mid Cap 400	-6.6%	-9.6%	-1.4%	24.9%	-5.9%
	Russell 2000	-7.8%	-9.9%	-2.0%	21.5%	-8.6%
Domestic Bonds:	Barclays Aggregate	1.6%	3.5%	5.3%	9.5%	7.6%
	High Yield Bonds	1.2%	-0.1%	4.5%	26.8%	6.5%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.2%	1.6%
Non-US Stocks:	MSCI EAFE	-1.0%	-14.0%	-13.2%	5.9%	-13.4%
	MSCI Emerg Mkts	-0.7%	-8.4%	-6.2%	23.2%	-2.5%
Global Bonds:	Citi World Gov't	1.7%	0.7%	-0.9%	3.1%	7.9%

The U.S. stock market fell for the second straight month as the S&P 500 dropped more than 10% for the quarter ending June 30, 2010 – the first negative quarter since the three months ending March 31, 2009.

Investors focused on the European debt crisis as well as signs of slowing growth in the U.S and fading consumer confidence. Non-U.S. stocks also declined in the month and the quarter, magnified by continued weakening of many foreign currencies, especially the Euro, down close to 10% relative to the US Dollar in the 2nd quarter and 17% in 2010. Interest rates continued to fall in the U.S. as the Fed remains committed to low short-term rates and investors sought the safety of Treasuries. The 10 year Treasury yield declined over 30 basis points in the month of June and finished the month below 3.0% for the first time since April 2009. Credit markets, after selling off in May, recovered in June as high yield and emerging markets bonds posted positive returns during the month. Commodities prices were flat during the month (DJ UBS Commodity Index +0.3%), but have fallen sharply in the quarter (-4.8%) and in 2010 so-far (-9.7%).

As we move into the second half of 2010, markets appear focused on major macro factors driving investor sentiment. Volatility has increased significantly as securities prices have been rising and falling depending on the latest news items on corporate profits, short-term economic growth, a modest recovery in housing, sovereign debt levels, government interventions (both financial and regulatory), or the unfolding environmental catastrophe in the Gulf of Mexico. In this environment, we encourage a risk-balanced approach to asset allocation and exposure to less-constrained investment strategies that can respond to major macro themes. We remain constructive on developing markets and recommend exposure to the currencies, bonds, and stocks of these more rapidly growing and fiscally healthy economies. We also continue to see opportunities in distressed investing strategies to take advantage of the continued de-leveraging process and the exit of many traditional providers of liquidity to the corporate and real estate markets.

[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.]