



Unitarian Universalist Common Endowment Fund

Monthly Market Report for July 2010

Index Returns as of 7/31/2010 (Preliminary):		<u>Last</u> <u>Month</u>	<u>YTD</u>	<u>Last</u> <u>Year</u>	<u>Last 3</u> <u>Years</u>	<u>Last 5</u> <u>Years</u>
Domestic Stocks:	S&P 500	7.0%	-0.1%	13.8%	-6.8%	-0.2%
	S&P Mid Cap 400	6.9%	5.5%	22.8%	-2.4%	2.5%
	Russell 2000	6.9%	4.8%	18.4%	-4.3%	0.5%
Domestic Bonds:	Barclays Aggregate	1.1%	6.5%	8.9%	7.6%	6.0%
	High Yield Bonds	3.6%	8.2%	23.7%	9.1%	7.6%
	90-Day T-Bills	0.0%	0.1%	0.2%	1.4%	2.7%
Non-US Stocks:	MSCI EAFE	9.5%	-5.0%	6.3%	-10.3%	2.1%
	MSCI Emerg Mkts	8.3%	1.7%	19.9%	-1.6%	13.0%
Global Bonds:	Citi World Gov't	3.6%	2.3%	5.1%	8.1%	6.1%

Global stock markets surged in the month of July, responding to strong corporate earnings as well as relief buying after the second quarter sell-off.

The S&P 500 advanced 7.0% during the month and is now essentially flat for the year. Smaller company US stocks gained a similar amount in July, but are positive on the year. Non-US developed markets stocks benefited from some dollar weakness

during the month, but remain behind US stocks year-to-date. Emerging markets stocks also advanced and are slightly positive in 2010. Credit markets also posted gains during the month as spreads resumed their tightening trend amidst a low overall interest rate environment.

As we enter the dog days of summer, however, we are focused on economic prospects in the latter part of the year. Second quarter US GDP growth came in lower than expected at 2.4% and probably foreshadows more tepid growth for the coming quarters. While a "double dip" recession does not seem like the most likely outcome, near-term deflationary risks in the developed world remain. In stark contrast, many emerging countries continue to display robust growth with strong financial positions.

We continue to recommend that clients increase exposure to emerging country stock, bond, and currency markets to at least a market-weight position and, over time, to an overweight allocation.

[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.]