



Unitarian Universalist Common Endowment Fund

Monthly Market Report for January 2011

Index Returns as of 1/31/2011 (Preliminary):

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	2.4%	2.4%	22.2%	-0.1%	2.2%
	S&P Mid Cap 400	2.0%	2.0%	33.5%	6.4%	5.0%
	Russell 2000	-0.3%	-0.3%	31.4%	4.6%	2.6%
Domestic Bonds:	Barclays Aggregate	0.1%	0.1%	5.1%	5.4%	5.8%
	High Yield Bonds	2.2%	2.2%	16.2%	11.7%	9.0%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.6%	2.4%
Non-US Stocks:	MSCI EAFE	2.4%	2.4%	15.4%	-3.2%	1.7%
	MSCI Emerg Mkts	-2.7%	-2.7%	22.5%	3.3%	9.8%
Global Bonds:	Citi World Gov't	0.0%	0.0%	5.0%	4.9%	6.8%

Developed market large company stocks started 2011 where they'd left off 2010 – on the upswing. Both the S&P 500 and EAFE indexes rose 2.4% in January, as improving economic growth prospects boosted earnings expectations.

US small cap stocks gave back some of their strong 2010 performance, falling 0.3% in January. Emerging market stocks sold off at the

end of the month in response to rising political turmoil in Tunisia, Egypt, and elsewhere in the Arab world. Commodities rose for the month, led by the agriculture sector, as higher-than-expected growth rates, particularly in emerging markets, put pressure on basic resource prices. Commodity market participants ended the month keenly watching the events unfolding in Egypt and weather in Australia, gauging the potential effect on food and other key resource price levels.

In the bond markets, high yield issues performed well as credit quality continued to improve, even as interest rates rose for the month. Municipal bonds experienced significant selling pressures during the month, as taxable investors grew increasingly concerned about the future structural challenges of state and local government finances.

As we enter 2011, our return expectations for most major asset categories over the coming five-to-seven year horizon are as low as we have ever forecasted. In this environment investors should not "reach" for return by taking on excessive and concentrated market risk, but should maintain a strong orientation toward balanced risk management including exposure to assets that will perform well in extreme economic environments such as inflation-hedging strategies. We do believe that pockets of opportunity for higher returns exist in emerging market stocks and local currency bonds, and in less liquid distressed and direct lending strategies.

[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.]