Unitarian Universalist Common Endowment Fund

Monthly Market Report for June 2011

Index Returns as of 6/30/2011 (Preliminary):

		Last Month	Last Qtr	YTD	Last Year	Last 3 Years
Domestic Stocks:	S&P 500	-1.7%	0.1%	6.0%	30.7%	3.3%
	S&P Mid Cap 400	-2.0%	-0.7%	8.6%	39.4%	7.8%
	Russell 2000	-2.3%	-1.6%	6.2%	37.4%	7.8%
Domestic Bonds:	Barclays Aggregate	-0.3%	2.3%	2.7%	3.9%	6.5%
	High Yield Bonds	-1.0%	1.1%	5.0%	15.6%	12.7%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.2%	0.4%
Non-US Stocks:	MSCI EAFE (Net)	-1.3%	1.6%	5.0%	30.4%	-1.8%
	MSCI Emerg Mkts (Net)	-1.5%	-1.2%	0.9%	27.8%	4.2%
Global Bonds:	Citi World Gov't	0.2%	3.3%	4.0%	10.5%	5.8%

Global capital markets declined across the board for the second straight month as investors were confronted by a variety of challenges including slowing growth in the US, fiscal and monetary tightening, including the winding down of QE2, and the increasingly intractable European debt situation.

In fact, before a robust rally in the last days of June, stock markets had given up all of their gains for the year. As it was, the S&P 500 finished roughly flat for the second quarter, while US small caps fell for the three months ended June 30. Both indices remain in positive territory year-to-date.

Developed non-US stocks were up modestly on the quarter, while nearly matching US stocks so far in 2011. Emerging market stocks have been laggards in the month-, quarter-, and year-to-date periods, even as emerging markets bonds have posted robust returns (BarCap Emerging Market Bond Index +5.0% year-to-date). Treasury yields rose at the end of the month to finish June slightly higher than where they started, but lower than at the start of the year.

Going forward, we believe interest rates will be subject to a tug of war between concerns about low growth and high unemployment on the one hand, and the end of QE2 plus the prospect of a potential legislative impasse regarding the national debt limit in early August on the other. While we do not foresee either a "double dip" recession or elevated inflation in the near-term, we do see slow economic growth leading to continued muted market return expectations. In addition, we recognize the possibility of market over-reactions to continued bad news. As we enter the heart of the summer months, we recommend clients maintain a risk-balanced approach with broad diversification to asset categories 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.]