



Unitarian Universalist Common Endowment Fund

Monthly Market Report for July 2011

Index Returns as of 7/31/2011 (Preliminary):

		Last Month	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	-2.0%	3.9%	19.7%	2.9%	2.4%
	S&P Mid Cap 400	-3.5%	4.7%	25.8%	7.2%	6.5%
	Russell 2000	-3.6%	2.4%	23.9%	5.2%	4.0%
Domestic Bonds:	Barclays Aggregate	1.6%	4.4%	4.4%	7.1%	6.6%
	High Yield Bonds	1.2%	6.2%	13.0%	13.6%	9.3%
	90-Day T-Bills	0.0%	0.1%	0.1%	0.4%	1.9%
Non-US Stocks:	MSCI EAFE (Net)	-1.6%	3.3%	17.2%	-1.2%	10%
	MSCI Emerg Mkts (Net)	-0.4%	0.4%	17.5%	5.4%	11.0%
Global Bonds:	Citi World Gov't	2.3%	6.4%	9.1%	6.5%	7.7%

Headlines during the month of July highlighted the Greek debt crisis and, in the US, the political brinksmanship around the raising of the US debt ceiling. Investors, however, focused on the slowing US economy and the poor economic prospects going forward.

US GDP growth in the second quarter came in at a disappointing 1.3% and first quarter growth was revised downward to 0.4%. As a result global stock markets retreated during the month and the dollar fell relative to most major currencies. Bond investors appeared to brush off the possibility of a US default or downgrade to bid Treasury yields lower during the month while emerging markets debt continued to perform well.

While we appear to have avoided a default in the US, we are concerned that the proposed budget deficit reductions may not be large enough to prevent one or more rating agencies from downgrading the US. While it is impossible to forecast the impact of a US government downgrade on markets, based on the current pricing of US government securities (the 10-year Treasury is currently yielding approximately 2.61%, near secular lows and well below its yield as recently as six months ago) we do not believe such an action will be disastrous for investors in the near-term.

This is a fluid and rapidly evolving situation. We expect uncertainty around the US budget-cutting process and a potential downgrade of US debt to create volatility in global stock and bond markets until there is more clarity available. Therefore, we continue to stress broad diversification and caution against making any dramatic moves in the short-term.

[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.]