Unitarian Universalist Common Endowment Fund

Monthly Market Report for December 2011

Index Returns as of 12/31/2011 (Preliminary):

		Last Month	Last Qtr	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks:	S&P 500	1.0%	11.8%	2.1%	14.1%	-0.3%
	S&P Mid Cap 400	-0.4%	13.0%	-1.7%	19.6%	3.3%
	Russell 2000	0.7%	15.5%	-4.2%	15.6%	0.2%
Domestic Bonds:	Barclays Aggregate	1.1%	1.1%	7.8%	6.8%	6.5%
	High Yield Bonds	2.7%	6.5%	5.0%	24.1%	7.5%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.1%	1.5%
Non-US Stocks:	MSCI EAFE (Net)	-1.0%	3.3%	-12.1%	7.7%	-4.7%
	MSCI Emerg Mkts (Net)	-1.2%	4.4%	-18.4%	20.1%	2.4%
Global Bonds:	Citi World Gov't	0.9%	-0.1%	6.4%	4.7%	7.1%

In December markets served as a microcosm for the entire year of 2011. Volatility remained elevated, as headlines alternated between concern over the Euro debt crises and political impasses, and modest signs of economic improvement, driving securities prices on a day-to-day basis.

Yet when the dust finally settled, the S&P 500 ended roughly where it started, non-US stocks were down (especially emerging markets), and Treasury bond prices rose. Overall, in 2011 diversification among risky assets does not appear to have been rewarded as small company, non-US, and emerging stocks as well as commodities delivered negative returns, while large company US stocks, US Treasuries (both nominal and inflation-linked), and global developed market bonds were the best performing components of the global markets. After a promising start to 2011, volatility and high correlations created an extremely difficult environment for active management across the board as markets were driven by macro factors.

Looking into 2012 we expect the low return environment and macro-driven nature of markets to persist as yields remain low and major imbalances in the US and Europe have yet to be resolved. Nevertheless, despite poor growth prospects, risky assets have some upside with relatively attractive valuations in segments of the credit and equity markets and continued pressure for central banks to provide monetary stimulus. For those investors who can accept illiquidity, we believe there are unique opportunities to take advantage of dislocations in Europe and elsewhere in distressed and event-driven hedge fund and private debt 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.]