Unitarian Universalist Common Endowment Fund

Monthly Market Report for September 2010

Index Returns as of 9/30/2010 (Preliminary):

		Last Month	Last Qtr	YTD	Last Year	Last 3 Years
Domestic Stocks:	S&P 500	8.9%	11.3%	3.9%	10.2%	-7.2%
	S&P Mid Cap 400	11.3%	13.1%	11.6%	17.8%	-1.7%
	Russell 2000	12.5%	11.3%	9.1%	13.4%	-4.3%
Domestic Bonds:	Barclays Aggregate	0.1%	2.5%	7.9%	8.2%	7.4%
	High Yield Bonds	3.0%	6.7%	11.5%	18.4%	8.8%
	90-Day T-Bills	0.0%	0.0%	0.1%	0.1%	1.1%
Non-US Stocks:	MSCI EAFE	9.8%	16.5%	1.1%	3.3%	-9.5%
	MSCI Emerg Mkts	11.1%	18.0%	10.8%	20.2%	-1.5%
Global Bonds:	Citi World Gov't	2.4%	8.2%	7.2%	5.1%	8.2%

Global stock markets rallied in the month of September, responding to very modestly constructive economic reports and the prospect of further monetary stimulus from the Federal Reserve. While the overall outlook remains one of slow growth with elevated unemployment and significant excess manufacturing capacity, equity market investors appear to have been sufficiently reassured that the prospects of a “double dip” recession are somewhat lessened. The S&P 500 rose 8.8% for the month representing the best September since 1939.

For the quarter, the S&P 500 rose 10.7% and now is well into positive territory for the year. Smaller company stocks also advanced strongly in September and are ahead of the S&P 500 for the year-to-date period. Non-US markets rallied as well for the month and quarter, with Emerging Markets stocks rising more than the developed markets.

Yields on US Treasuries fell again during the month and credit spreads continued to tighten even as corporate issuance remained high. With Treasury bonds providing very low yields (2.5% for the 10-year, and 0.41% for the 2-year), credit spreads around historical averages, and a very modest outlook for corporate earnings growth, we believe that expected capital market returns for the coming five-to-seven year period will be even more muted than at the start of this year.

The upcoming mid-term elections also present a source of potential volatility. In this uncertain environment, we continue to recommend a risk-balanced approach to portfolio construction with allocations, where appropriate, to higher expected-return categories of the global capital markets such as emerging markets stocks and bonds, as well as less-liquid distressed and opportunistic credit 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.]