

US Equity	Apr-14	YTD
<b>Large Stocks:</b>		
S&P 500	0.7%	2.6%
Russell 3000	0.1%	2.1%
Russell 1000	0.5%	2.5%
Russell 1000 Growth	0.0%	1.1%
Russell 1000 Value	0.9%	4.0%
<b>Small Stocks:</b>		
Russell 2000	-3.9%	-2.8%
Russell 2000 Growth	-5.1%	-4.7%
Russell 2000 Value	-2.6%	-0.8%
<b>International Equity**</b>		
MSCI All-Country World ex-US	1.4%	2.0%
MSCI EAFE	1.5%	2.3%
MSCI EAFE Growth	0.8%	1.0%
MSCI EAFE Value	2.3%	3.6%
MSCI Europe	2.6%	4.9%
MSCI Japan	-2.6%	-7.9%
MSCI Emerging Markets	0.4%	0.0%
<b>Hedge Funds***</b>		
<b>HFRX Indexes:</b>		
Convertible Arbitrage	-0.3%	1.0%
Distressed	-0.9%	1.2%
Equity Hedge	-0.4%	2.9%
Equity Market Neutral	-1.5%	-0.3%
Event Driven	0.3%	2.4%
Macro	-0.7%	2.1%
Relative Value Arbitrage	-0.9%	1.5%
<b>Fixed Income</b>		
U.S. Intermediate Treasuries <sup>(1)</sup>	0.4%	1.0%
U.S. Long Treasuries <sup>(2)</sup>	2.0%	9.2%
U.S. TIPS <sup>(3)</sup>	1.4%	3.3%
Tax-Exempt Bonds <sup>(4)</sup>	1.2%	4.5%
Corporate Bonds <sup>(5)</sup>	1.2%	4.1%
High-Yield Bonds <sup>(6)</sup>	0.6%	3.6%
<b>Real Assets</b>		
Commodities <sup>(7)</sup>	2.4%	9.6%
Real Estate Investment Trusts <sup>(8)</sup>	3.0%	11.8%

**Overview**

US GDP grew at a 0.1% annual rate for the first quarter, well below expectations for 1.2% growth. Much of the weakness was blamed on harsh winter conditions. Stronger growth is expected to pickup in the second quarter and consistent with that view, the FOMC voted to reduce bond purchases by \$10 billion, marking the fourth consecutive reduction. Monthly purchases now stand at \$45 billion, roughly half of the peak. Fed officials remain optimistic about growth, believe the GDP slowdown is temporary, see little prospect of inflation, and pledged to hold the Fed Funds Rate near zero "for a considerable time" after tapering ends. Geopolitical tensions remain elevated in Ukraine as its security is threatened by unrest and additional sanctions are imposed on Russia.

**US Equity**

US large caps posted a modest gain in April as investors weighed mixed economic data and generally positive corporate earnings results. The 0.7% return for the S&P 500 belied intra-month volatility experienced by large cap investors. Small cap and technology stocks had the heaviest losses for the month as the Russell 2000 fell 3.9%, erasing all gains from the first quarter. Repeating March's performance, both large and small cap value stocks continued to outperform their growth counterparts in April. With the rotation in market leadership, investors are wondering if it signals below-average returns going forward and increases the chances of significant corrections.

**International Equity**

Developed international stocks gained 1.5% in April bringing performance for the year to 2.3%. Encouraging PMI data shows modest economic growth within the Eurozone manufacturing sector led by Germany. Japanese equities fell 2.6% for the month as widening trade deficits, slowing industrial production, and the downward revision of economic views raised concern about Japan's ability to re-inflate its economy. Emerging market equities were slightly positive for the month as investors still face uncertainty with the Ukrainian crisis and slowing Chinese exports. Although growth has remained steady across the EM economies, regional performance has varied considerably. In particular, EM Europe growth (ex-Russia) has accelerated in contrast to other regions.

**Hedge Funds**

Returns on hedge strategies declined in April, as hedge fund managers struggled with their slowest start to the year since the depths of the financial crisis in 2009. Activist led M&A activity continued to benefit event driven strategies for the month. In general, macro bets on the effects of Japan's Abenomics have failed to deliver recently. April's steep declines in technology and biotechnology stocks along with the continued rotation from growth to value caused some equity hedge managers to trim equity exposure a bit, but nothing dramatic. Performance for many long/short equity managers has been hurt by the continued momentum-reversal in equity markets.

**Fixed Income**

Long-term Treasuries continued their first quarter momentum in April, the best start since 1988, gaining 2.0% for the month and bringing year-to-date returns to 9.2%. Subject to new risk limiting regulations, US banks have regained their appetite for Treasuries in 2014, redeploying record deposits in US government debt. Tax-exempt municipals have also seen their best start since 2009, returning 4.5% for the year. In April, investment grade corporate bonds gained 1.2%, outpacing high yield bonds (up 0.6%) as investors flocked to purchase new 30-year bonds issued by Bank of America, GE, and Walmart. Also locking in long term, low interest rates was the government of Canada which recently issued a 50-year bond yielding just below 3%!

**Real Assets**

Commodities led by natural gas returned 2.4% for the month, bringing the year-to-date return to 9.6% (700 basis points ahead of the S&P 500). After a record \$50B in outflows in 2013, it appears investors are once again looking at commodities as a diversifier within their portfolios (or perhaps a speculative play on inflation/easy monetary policies). \$6B has come back to the commodity strategies so far in 2014. REITs gained 3.0% for the month and are now up 11.8% for the year; REIT pricing has improved in response to low interest rates. So much for the premature claims in 2013 that diversification is dead!

\*Data Source: Bloomberg \*\* The MSCI returns are gross returns calculated in US Dollars. \*\*\* Hedge Fund Index returns are reported using Simple Price Appreciation and are only available on a one day lag. For complete Index Descriptions, please go to <http://www.greycourt.com/indices.html>

(1) Barclays US Total Treasury Intermediate Total Return (2) Barclays US Total Treasury Long Total Return (3) Barclays US Treasury Inflation-Protected Securities Total Return (4) Barclays Municipal Bond Total Return (5) Barclays US Corporate Investment-Grade Total Return (6) Barclays High-Yield US Corporate Total Return (7) Dow Jones UBS Commodity Total Return (8) FTSE NAREIT Equity REIT Index Total Return