

US Equity	Jul-14	YTD
Large Stocks:		
S&P 500	-1.4%	5.7%
Russell 3000	-2.0%	4.8%
Russell 1000	-1.6%	5.5%
Russell 1000 Growth	-1.5%	4.7%
Russell 1000 Value	-1.7%	6.4%
Small Stocks:		
Russell 2000	-6.1%	-3.1%
Russell 2000 Growth	-6.1%	-4.0%
Russell 2000 Value	-6.0%	-2.1%
International Equity**		
MSCI All-Country World ex-US	-1.0%	4.9%
MSCI EAFE	-2.0%	3.1%
MSCI EAFE Growth	-2.3%	1.5%
MSCI EAFE Value	-1.6%	4.7%
MSCI Europe	-3.8%	2.0%
MSCI Japan	0.6%	1.4%
MSCI Emerging Markets	2.0%	8.5%
Hedge Funds***		
HFRX Indexes:		
Convertible Arbitrage	0.1%	0.3%
Distressed	-0.1%	6.6%
Equity Hedge	-0.7%	0.6%
Equity Market Neutral	0.4%	1.6%
Event Driven	-0.6%	3.8%
Macro	0.9%	0.2%
Relative Value Arbitrage	-0.8%	0.8%
Fixed Income		
U.S. Intermediate Treasuries ⁽¹⁾	-0.3%	1.3%
U.S. Long Treasuries ⁽²⁾	0.6%	12.8%
U.S. TIPS ⁽³⁾	0.0%	5.9%
Tax-Exempt Bonds ⁽⁴⁾	0.2%	6.2%
Corporate Bonds ⁽⁵⁾	-0.1%	5.4%
High-Yield Bonds ⁽⁶⁾	-1.3%	4.1%
Real Assets		
Commodities ⁽⁷⁾	-5.0%	1.7%
Real Estate Investment Trusts ⁽⁸⁾	0.0%	16.3%

Overview

In July, investors shifted their focus from global economic growth to geopolitical tensions as turmoil between Russia/Ukraine and Israel/Palestine dominated the headlines. US GDP grew 4% during the second quarter, reversing the (revised) contraction of -2.1% during the first quarter. An improving labor market, higher consumer spending, and a more aggressive inventory building helped fuel the acceleration this quarter. In July, the US unemployment rate dropped to 6.1%, its lowest level since September 2008 (with today's jobs number, the rate ticked up to 6.2%). The abundance of positive economic data from the US is already causing investors to worry about earlier than anticipated interest rate increases from the Fed.

US Equity

The S&P 500 declined 1.4% in July bringing the year-to-date total return to 5.7%. Heading into the final trading day of the month, the S&P 500 was in positive territory after closing at an all-time high one week earlier; this was the 26th record close in 2014. Second quarter earnings season kicked off with encouraging results: 76% of companies beat earnings estimates while 67% beat revenue estimates thus far. Despite the positive turnaround last month, small cap stocks began the second half of the year in negative territory after comments from Fed Chair Janet Yellen indicated small cap bio-tech and social media stock valuations were stretched. The Russell 2000 declined 6.1% in July pushing year-to-date total return to negative territory. Nearly half of the monthly loss was realized yesterday.

International Equity

All eyes are on the Russia/Ukraine turmoil this month after the downing of a Malaysian airline and the announcement of additional sanctions against Moscow. Russian equities felt the repercussions ending the month down 8.44%. Developed international equities declined 2%, bringing year-to-date total return to 3.1%. Unemployment and deflation remain Europe's primary concerns. Despite global geopolitical tensions, emerging market equities gained 2% this month bringing year-to-date total return to 8.5%, higher than all domestic equity markets. Economic data from China continued to improve this month with manufacturing and real estate sectors showing signs of positive momentum.

Hedge Funds

Hedge fund performance was mixed in July. Most hedge fund strategies were flat to slightly negative this month as volatility continued to reach historical lows (that is until yesterday when the VIX spiked to 16.95, the highest level since April). Fund managers continue to remain cautious as the likelihood for earlier rate increases with every positive economic data point. The recent default of Argentina government bonds could prove to be a significant P&L event for some credit funds. Despite the negativity surrounding macro funds, they advanced for the month, returning 0.9%. Among the worst performing strategies this month were relative value and equity hedge.

Fixed Income

US Treasury yields initially fell in July as many investors fled to Treasuries in response to rising geopolitical tensions. Towards the end of the month, the 10-year Treasury yield moved higher, ending at 2.58%. Longer-dated Treasuries gained 0.6% this month, bringing the year-to-date total return to 12.8%. Puerto Rico made headlines over default concerns on a subset of public corporate debt including power, transportation and water companies. High yield corporate bonds ended the month in negative territory declining 1.3% after a sharp selloff yesterday. Returns for investment grade corporates, municipals, and TIPS were muted this month.

Real Assets

Commodities declined 5% during the month impeding on the strong gains realized during the first half of the year. Natural gas, the second largest holding in the index, plummeted in July as power plant production fell to a 13-year seasonal low. The price of natural gas fell below \$4.00 for the first time since December of last year. WTI crude oil fell below the \$100/bbl level this month amid supply/demand concerns. With mixed signals from the housing market (prices and sales of existing homes positive while construction and sales of new homes weak), REITs were flat this month and now lead the S&P 500 return by 10.6 percentage points for the year.

*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