

US Equity	Aug-14	YTD
Large Stocks:		
S&P 500	4.0%	9.9%
Russell 3000	4.2%	9.2%
Russell 1000	4.1%	9.9%
Russell 1000 Growth	4.6%	9.5%
Russell 1000 Value	3.7%	10.3%
Small Stocks:		
Russell 2000	5.0%	1.8%
Russell 2000 Growth	5.6%	1.4%
Russell 2000 Value	4.3%	2.2%
International Equity**		
MSCI All-Country World ex-US	0.6%	5.5%
MSCI EAFE	-0.2%	2.9%
MSCI EAFE Growth	0.2%	1.7%
MSCI EAFE Value	-0.5%	4.1%
MSCI Europe	0.4%	2.4%
MSCI Japan	-2.2%	-0.8%
MSCI Emerging Markets	2.3%	11.0%
Hedge Funds***		
HFRX Indexes:		
Convertible Arbitrage	-0.4%	-0.1%
Distressed	-0.7%	5.7%
Equity Hedge	1.4%	1.1%
Equity Market Neutral	0.8%	2.2%
Event Driven	1.1%	4.6%
Macro	0.8%	0.5%
Relative Value Arbitrage	0.2%	0.7%
Fixed Income		
U.S. Intermediate Treasuries ⁽¹⁾	0.6%	2.0%
U.S. Long Treasuries ⁽²⁾	4.1%	17.3%
U.S. TIPS ⁽³⁾	0.4%	6.3%
Tax-Exempt Bonds ⁽⁴⁾	1.2%	7.5%
Corporate Bonds ⁽⁵⁾	1.4%	6.9%
High-Yield Bonds ⁽⁶⁾	1.6%	5.7%
Real Assets		
Commodities ⁽⁷⁾	-1.0%	0.7%
Real Estate Investment Trusts ⁽⁸⁾	3.3%	20.1%

Overview

Bolstered by a smaller trade deficit and the biggest gain in corporate spending in more than two years, August reports indicated the US economy expanded in the 2nd quarter by more than previously forecast (4.2% versus 4.0%). Corporate profits also grew by 8%, the most since the third quarter of 2010, significantly outpacing the first quarter's 9.4% drop. Orders for durable goods set a record pace in July, suggesting sustained growth in manufacturing, while favorable data from housing to employment has Fed officials debating the timeframe for tightening monetary policy.

US Equity

US equity markets surged this month, rebounding from losses felt across global equity markets during the final week of July. The S&P 500 returned 4.0% in August and is trading currently at 18x earnings which is its highest level since 2010. Small cap stocks also made a comeback in August, outpacing their large cap counterparts and climbing back into positive territory for the year. The Russell 2000 index gained 5.0% in August bringing its year-to-date return to 1.8%.

International Equity

Geopolitical tensions escalated in August as Russia seemingly prepared for an invasion of Ukraine. Despite concerns over intensifying conflict and further US sanctions, investors poured nearly \$200 million into exchange traded funds tracking Russian stocks. Inflows are on pace for the biggest monthly increase since the crisis began in March. Developed international equities declined 0.2% for the month anticipating possible disinflation in Europe. Japanese stocks lost 2.2% for the month amid growing concern over disappointing GDP, private consumption, and a recent sales tax increase. Emerging markets rallied 2.3% in August and are now outperforming domestic markets by 110 basis points year-to-date.

Hedge Funds

Returns on hedge fund strategies were mostly positive in August led by equity hedge and event driven strategies gaining 1.4% and 1.1%, respectively. Event driven strategies have generated gains virtually every month for the past year with the exception of July when market losses hurt returns. Healthy corporate balance sheets, reduced interest rates, and low organic growth have significantly benefitted activist activity. Macro strategies continued positive momentum from July gaining 0.8% while distressed and convertible arbitrage strategies were the worst performers for the month.

Fixed Income

Across the globe, bonds were up in August, extending strong year-to-date performance. Long-term Treasuries gained 4.1% for the month pushing year-to-date returns to 17.3%. Even as the Fed reduces monthly purchases for a sixth time, Treasuries are attracting buyers seeking safety in response to tensions in Ukraine and speculation over further monetary stimulus by the ECB. The 10-year Treasury yield fell from 2.58% in July to 2.34%, its largest decline since January. Corporate bonds rose 1.4% in August and are on pace to post a 10% annual return for only the second time in 17 years. High yield bonds snapped back from July's technical losses, gaining 1.6%.

Real Assets

Commodities declined 1.0% in August, reducing earlier gains in 2014. Year-to-date, the commodity index has returned 0.7%. Natural gas, the second largest holding in the index, rose 5.8% on expectations for warmer-than-usual weather into September. Conversely, Brent and WTI Crude fell for the month as oversupply and reduction in Chinese manufacturing sparked concerns that demand growth will slow. Real estate rose 3.3% in August, benefitting from a rebound in home construction (up 15.7% in July) as well as an improving job market and cheaper borrowing costs.

*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