

US Equity	Dec-14	YTD
S&P 500	-0.3%	13.7%
Russell 1000	-0.2%	13.2%
Russell 1000 Value	0.6%	13.4%
Russell 1000 Growth	-1.0%	13.0%
Russell 2000	2.8%	4.9%
Russell 2000 Value	2.7%	4.2%
Russell 2000 Growth	3.0%	5.6%
Non-US Equity		
MSCI All-Country World ex-US	-3.6%	-3.4%
MSCI EAFE	-3.4%	-4.5%
MSCI Europe	-4.3%	-5.7%
MSCI Japan	-1.4%	-3.7%
MSCI EAFE Value	-3.4%	-4.9%
MSCI EAFE Growth	-3.5%	-4.1%
MSCI Emerging Markets	-4.6%	-1.8%
MSCI BRIC	-5.3%	-2.6%
Fixed Income <sup>1</sup>		
U.S. Intermediate Treasuries	-0.3%	2.6%
U.S. Long Treasuries	2.9%	25.1%
U.S. TIPS	-1.1%	3.6%
Corporate IG Bonds	0.0%	7.1%
High-Yield Bonds	-1.5%	2.5%
Tax-Exempt Bonds	0.5%	9.1%
Currencies		
US Dollar <sup>2</sup>	2.2%	12.8%
Euro	-2.8%	-12.0%
Yen	-0.9%	-12.0%
Emerging Markets <sup>3</sup>	-2.2%	-4.3%
Real Assets		
Commodities <sup>4</sup>	-7.6%	-17.0%
Energy	-22.1%	-39.3%
Industrial Metals	-4.3%	-6.9%
Gold	0.7%	-1.7%
Real Estate Investment Trusts <sup>5</sup>	1.3%	28.0%
Hedge Strategies <sup>6</sup>		
Equity Hedge	-0.6%	1.4%
Equity Market Neutral	0.1%	3.7%
Event Driven	-0.5%	-4.1%
Convertible Arbitrage	-1.2%	-9.6%
Distressed	-1.4%	0.1%
Macro	0.2%	5.1%
Relative Value Arbitrage	-2.0%	-3.1%

## Overview

GDP growth rates continue to diverge as Europe faces recession, Japan's economy slumps from April's consumption-tax increase, and China is grappling with an industrial slowdown. Meanwhile, the US economy is expanding at its fastest pace since the third quarter of 2003. American consumers—and the US economy—are benefitting from the global energy glut that has driven crude oil into a bear market, confirmed by third quarter GDP growth of 5%. Most oil producing countries, however, will face significant budget and social challenges as long as OPEC maintains current production levels and oil prices stay low.

## US Equity

The S&P 500 finished the month down 0.3%, notwithstanding a mid-month rebound after the Fed promised to remain patient on its timeline for raising interest rates. Nearly half of large cap losses came within the final 30 minutes of 2014 as large caps lost 1%. After trailing their large cap counterparts for most of 2014, small cap stocks advanced as the year closed out. The Russell 2000 gained 2.8%, bringing the year-to-date gain to 4.9%, roughly one-third of the S&P 500's 13.7% increase.

## Non-US Equity

A worsening economic outlook and deflation concerns pushed developed non-US stocks 3.4% lower for the month. Even as central banks provide unprecedented stimulus, investors question if European leaders' can reform their economies and effectively coordinate with the ECB in preventing Eurozone stagnation. Emerging market stocks fell 4.6% this month as China continues to decelerate, Brazil enters a bear market on plunging commodity prices, and Russia's economy has been racked by oil's decline and stiff economic sanctions.

## Fixed Income

Fixed Income markets were mixed in December. Low inflation, persistent global turmoil, and attractive relative sovereign yields kept the focus on US Treasuries. Long-dated Treasuries advanced 2.9%, bringing the year-to-date gain to 25.1%. Municipal bonds continued to augment their longest string of monthly gains in more than two decades, returning 0.5% for the month and 9.1% for the year. High yield and US TIPS declined for the month as plunging oil prices spurred a sell-off in energy bonds and reduced inflation expectations.

## Currencies

Against a backdrop of Japanese and European central banks' deflation-fighting stimulus measures, plunging oil prices, and geopolitical turmoil, the US dollar gained against all of its major counterparts for the first time since data began in 1989. The dollar increased 2.2% for the month and 12.8% for the year, buoyed by strong relative growth, the Federal Reserve's plan to raise rates in 2015, and stability and safety in a period of significant geopolitical uncertainty and macroeconomic risk.

## Real Assets

Significant surplus supplies and slowing global growth pushed commodity returns down 7.6% for the month. Oil prices fell 46% in 2014, representing the largest decline since 2008 as the highest production of high quality light oil from the US in more than 30 years add to mounting global stockpiles. REITs increased 1.3% for the month, extending their positive momentum aided by improving consumer confidence and near-record low borrowing rates. For the year, REITs returned 28%, outperforming the S&P 500 by 1,430 basis points.

## Hedge Strategies

Hedge strategies were flat to negative in December as volatility spiked early in the month for L/S equity managers with energy sector exposures. Hedge funds pared overall bullish bets on Brent crude for the first time since before OPEC's decision to maintain production levels. Macro strategies continued their November advance on gains from short oil and long dollar exposures, rewarding investors who remained invested over the past few years.

Data Source: Bloomberg, MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. <sup>1</sup> Fixed Income reported on Barclays Indices. <sup>2</sup> US Dollar Index

<sup>3</sup> MSCI Emerging Markets Currency Index <sup>4</sup> Bloomberg Commodity Indices <sup>5</sup> FTSE NAREIT Equity REIT Index <sup>6</sup> Hedge strategy returns are SPA reported on HFRX Indices with one day lag. For complete Index Descriptions, see <http://www.greycourt.com/indices.html>