

US Equity	Mar-15	YTD
S&P 500	-1.6%	1.0%
Russell 1000	-1.2%	1.6%
Russell 1000 Value	-1.4%	-0.7%
Russell 1000 Growth	-1.1%	3.8%
Russell 2000	1.7%	4.3%
Russell 2000 Value	1.7%	2.0%
Russell 2000 Growth	1.8%	6.6%
Non-US Equity		
MSCI All-Country World ex-US	-1.5%	3.6%
MSCI EAFE	-1.4%	5.0%
MSCI Europe	-2.6%	3.6%
MSCI Japan	1.7%	10.3%
MSCI EAFE Value	-1.9%	4.0%
MSCI EAFE Growth	-1.0%	6.0%
MSCI Emerging Markets	-1.4%	2.3%
MSCI BRIC	-1.9%	3.6%
Fixed Income <sup>1</sup>		
U.S. Intermediate Treasuries	0.5%	1.3%
U.S. Long Treasuries	1.2%	4.0%
U.S. TIPS	-0.5%	1.4%
Corporate IG Bonds	0.3%	2.1%
High-Yield Bonds	-0.6%	2.5%
Tax-Exempt Bonds	0.3%	1.0%
Currencies		
US Dollar <sup>2</sup>	3.2%	9.0%
Euro	-4.2%	-11.3%
Yen	-0.4%	-0.4%
Emerging Markets <sup>3</sup>	-0.9%	-1.4%
Real Assets		
Commodities <sup>4</sup>	-5.1%	-5.9%
Energy	-9.2%	-8.2%
Industrial Metals	-1.1%	-5.3%
Gold	-2.6%	-0.2%
Real Estate Investment Trusts <sup>5</sup>	1.0%	4.0%
Hedge Strategies <sup>6</sup>		
Equity Hedge	0.8%	2.4%
Equity Market Neutral	0.9%	1.6%
Event Driven	0.3%	1.4%
Relative Value Arbitrage	-0.1%	1.7%
Distressed	0.0%	0.4%
Macro	0.9%	3.6%

## Overview

As the first quarter ended, investors digested a wide range of data associated with diverging central bank policies. The ECB unveiled details of its quantitative easing program intended to jump start growth and inflation. The prospect of stimulus provided a temporary gain for European stocks and sent the Euro plunging to new lows. The Fed dropped the word *patient* from its latest policy statement indicating rates would rise gradually. It remains focused on wage growth and core inflation as key indicators for an eventual rate hike. US consumer confidence ticked up to 101.3 (from 98.8 in February) as unemployment fell to 5.5%. Global growth remained subdued.

## US Equity

Despite a last minute rally this week, the S&P 500 ended the month down 1.6%, as investors grow increasingly concerned about the strength of the US dollar, negative currency translation effects for large cap stocks that derive over 50% of their profits from foreign operations, and the timing of an interest rate hike. The Russell 2000 hit new all-time highs after the March 18<sup>th</sup> Fed announcement, and ended the month up 1.7%. Against the backdrop of a strong dollar, small cap companies' significant domestic focus and falling energy prices have helped small cap stocks outperform large cap stocks by over 300 basis points in 2015.

## Non-US Equity

Geopolitical tensions escalated as Saudi Arabia and a coalition of nine Arab countries conducted airstrikes against Yemen. Even as the ECB engaged in stimulus to encourage growth, European stocks fell on deflation fears linked to lower oil prices and concerns regarding a possible Greek default. Meanwhile, Japan continues to recover as exports pick up and imports slow as a result of the weakening Yen. Emerging markets equities received a small boost in the final three days of trading on positive Chinese manufacturing data but ended the month down 1.4%. Overall, China's growth continues to slow as producer prices and exports fell, suggesting the need for more monetary policy easing.

## Fixed Income

Rates are suppressed worldwide because of central bank actions. The 10-year German bund is yielding around 0.20% while the 10-year Treasury is near 1.9%. The policy flexibility recently set forth by the Fed has created an unstable setting for US Treasuries. TIPS declined on the month (-0.5%) with core inflation coming in well below the Fed's target of 2% for the 34<sup>th</sup> consecutive month. Municipal bonds were up modestly (0.3%), while high yielding bonds declined 0.6%, as investors attended to credit and liquidity concerns. With little income or prospects for capital appreciation, the total return potential of bonds is generally unattractive and points to equities as the next best alternative.

## Currencies

The US dollar touched 12-year highs this month as central banks, including the ECB, BoJ, PBoC, and the Reserve Bank of India, weakened most currencies against the US dollar in an effort to engineer export-led increases in growth. The Euro experienced a record quarterly drop of 11.3%, based in part on worries about Greece's outstanding debt negotiations. Japan's currency also declined this month (-0.4%) not only as a result of QE, but also after industrial production figures fell on the month.

## Real Assets

After rebounding in February, commodity prices declined in March as China's growth slowed and the US dollar strengthened. The energy sector was hurt by record crude inventories and Saudi Arabia's failure to cut its output. REITs ended the month up 1.0% bringing year-to-date returns to 4.0%. The housing market remains soft yet has recently gained some steam with home sales and mortgage applications increasing. Fueling this growth have been steady improvements in the job market and ultra-low interest rates.

## Hedge Strategies

Most hedge fund strategies generated modest gains this month with equity market neutral strategies leading the way. Volatility picked up as investors anticipated the looming decision from the Fed on when they will raise rates. Currency market volatility also created tailwinds for certain hedge strategies. M&A activity picked up this month, boosting equity prices, and providing a tailwind for event driven hedge strategies, which ended the month up 0.3%.

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>