GREYCOURT

Capital Markets Flash Report

For the Month Ending April 30, 2015

US Equity	Apr-15	YTD
S&P 500	1.0%	1.9%
Russell 1000	0.7%	2.3%
Russell 1000 Value	0.9%	0.2%
Russell 1000 Growth	0.5%	4.4%
Russell 2000	-2.6%	1.7%
Russell 2000 Value	-2.1%	-0.2%
Russell 2000 Growth	-2.9%	3.5%
Non-US Equity		
MSCI All-Country World ex-US	5.1%	8.9%
MSCI EAFE	4.2%	9.4%
MSCI Europe	4.5%	8.2%
MSCI Japan	3.5%	14.3%
MSCI EAFE Value	4.5%	8.7%
MSCI EAFE Growth	3.8%	10.0%
MSCI Emerging Markets	7.7%	10.2%
MSCI BRIC	12.6%	16.6%
Fixed Income[1]		
U.S. Intermediate Treasuries	-0.1%	1.2%
U.S. Long Treasuries	-3.1%	0.7%
U.S. TIPS	0.7%	2.2%
Corporate IG Bonds	-0.7%	1.4%
High-Yield Bonds	1.2%	3.8%
Tax-Exempt Bonds	-0.5%	0.5%
Currencies		
US Dollar[2]	-3.8%	4.8%
Euro	4.6%	-7.2%
Yen	0.6%	0.3%
Emerging Markets[3]	2.4%	1.0%
Real Assets		
Commodities[4]	5.7%	-0.5%
Energy	13.8%	4.5%
Industrial Metals	7.8%	2.1%
Gold	-0.1%	-0.3%
Real Estate Investment Trusts[5]	-4.9%	-1.2%
Hedge Strategies[6]		
Equity Hedge	1.5%	3.7%
Equity Market Neutral	-1.3%	0.4%
Event Driven	0.6%	2.0%
Relative Value Arbitrage	1.0%	2.6%
Distressed	1.3%	1.8%
Macro	-2.0%	1.3%

Overview

Global monetary policies and economic growth rates continue to diverge. The Fed haltingly prepares to raise interest rates while the European Central Bank and the Bank of Japan pursue easing strategies intended to inflate risky asset prices and devalue the Euro and the Yen. Low oil prices and the strong US dollar damage commodity exporters and impede US growth as traders increasingly pile into similar bets. In this environment, sharp price swings and volatility will increase because investors are challenged to handicap, let alone value, the efficacy of these unconventional monetary policies even as the policies distort exchange rates and push the prices and returns of risky financial assets higher.

US Equity

Large cap stocks gained 1.0% in April, as investors weighed weaker economic data and lower expectations for corporate earnings results. The positive return of the S&P 500 belied intra-month volatility driven by softer economic data in the US - most notably, March's payroll survey fell short of expectations and Q1 earnings forecasts were downgraded from 5.8% to -3.3%. This was the sharpest decline since 2009. Despite the negative revision, 73% of companies reporting have surpassed bottom-line estimates, consistent with the average rate over the past five years. The Russell 2000 declined 2.6% as volatility picked up late in the month for small caps - widely regarded as a hedge against the rallying dollar.

Non-US Equity

Against a backdrop of currency tailwinds, expanding export volumes, and open-ended monetary stimulus, developed non-US stocks advanced 4.2% in April. European equities gained 4.5% as bullish earnings and manufacturing data outweighed concerns over looming Greek default and possible exit from the EU. Japanese equities advanced 3.5%, as export levels and industrial production grew faster than previously forecast. Emerging market and BRIC stocks soared 7.7% and 12.6% respectively this month, bolstered by the recent aggressive policy actions by the PBoC designed to improve sagging export and domestic demand within China's slowing economy.

Fixed Income

In stark contrast to deflationary concerns resonating during the first quarter, fixed income markets shifted focus in April to inflation and yield. Treasuries fell this month as slowing US growth dampened the allure of US debt globally. The ten-year Treasury yield is now 2.05%, an increase of 18 basis points from March. TIPs rose 0.7%, as demand for inflation protection coincided with a rebound in oil prices and an accommodative FOMC stance on raising borrowing rates. Despite concerns over credit and liquidity, demand for yield continues to attract foreign capital to high-yield bonds, which advanced 1.2% for the month.

Currencies

The US dollar weakened against ten of its developed market peers in April, the first monthly retreat in nearly ten months. Weaker-than-forecast economic reports ranging from manufacturing and industrial production to consumption and hiring precipitated the greenback's decline. While mixed economic data leaves investors second-guessing the Fed's timeframe for increasing rates, slowing of the US dollar's rapid appreciation (up 16% since June) will alleviate some pressure on export-driven domestic producers.

Real Assets

Bolstered by declines in US production, energy related commodities led the broad based commodity index higher by 5.7% in April. WTI and Brent Crude prices surged 20.9% and 18.8% on news from the Energy Information Administration (EIA) that production from shale output is slated to decline for the first time since records began in 2003. Tightening supply and dwindling stockpiles also benefitted industrial metals this month as prices in lead, zinc, and nickel rose 16.5%, 12.5%, and 13.3% respectively.

Hedge Strategies

Hedge fund strategies generally saw positive results for the month, with the notable exception of equity market neutral and macro strategies declining by 1.3% and 2.0% respectively. Despite earnings announcement months historically presenting challenges for stock pickers, equity hedge strategies outperformed hedge counterparts through earnings season, gaining 1.5% in April. Volatility in energy markets picked up again this month, creating opportunities for distressed strategies to capitalize in the energy, retail, and healthcare sectors.

Data Source: Bloomberg. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. [1] Fixed Income reported on Barclays Indices. [2] US Dollar Index [3] MSCI Emerging Markets Currency Index [4] Bloomberg Commodity Indices [5] FTSE NAREIT Equity REIT Index [6] Hedge strategy returns are SPA reported on HFRX Indices with one day lag . For complete Index Descriptions, see http://www.greycourt.com/indices.html

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