GREYCOURT

Capital Markets Flash Report

For the Month Ending May 31, 2015

US Equity	May-15	YTD
S&P 500	1.3%	3.2%
Russell 1000	1.3%	3.6%
Russell 1000 Value	1.2%	1.4%
Russell 1000 Growth	1.4%	5.8%
Russell 2000	2.3%	4.0%
Russell 2000 Value	0.8%	0.6%
Russell 2000 Growth	3.7%	7.3%
Non-US Equity		
MSCI All-Country World ex-US	-1.5%	7.3%
MSCI EAFE	-0.4%	8.9%
MSCI Europe	-0.6%	7.6%
MSCI Japan	1.3%	15.8%
MSCI EAFE Value	-0.8%	7.8%
MSCI EAFE Growth	0.0%	10.0%
MSCI Emerging Markets	-4.0%	5.8%
MSCI BRIC	-4.4%	11.5%
Fixed Income[1]		
U.S. Intermediate Treasuries	0.0%	1.2%
U.S. Long Treasuries	-1.6%	-0.9%
U.S. TIPS	-0.8%	1.3%
Corporate IG Bonds	-0.7%	0.6%
High-Yield Bonds	0.3%	4.1%
Tax-Exempt Bonds	-0.3%	0.2%
Currencies		
US Dollar[2]	2.4%	7.4%
Euro	-2.1%	-9.2%
Yen	-3.8%	-3.6%
Emerging Markets[3]	-1.2%	-0.3%
Real Assets		
Commodities[4]	-2.7%	-3.2%
Energy	-2.1%	2.3%
Industrial Metals	-7.7%	-5.8%
Gold	0.5%	0.2%
Real Estate Investment Trusts[5]	-0.2%	-1.4%
Hedge Strategies[6]		
Equity Hedge	0.0%	3.4%
Equity Market Neutral	-0.2%	0.0%
Event Driven	0.6%	2.6%
Relative Value Arbitrage	0.0%	2.6%
Distressed	0.5%	2.4%
Macro	1.0%	1.6%

Overview

The message of the first quarter US GDP revision into contraction (down 0.7%) is partly one of bad weather, labor strikes, wider-than-expected trade deficits, shrinking business inventories, and weaker consumer spending. More importantly, it spotlights economic susceptibility to shocks when productivity, employment, and real GDP growth are low and central bank action is the only game in town. Without pro-growth policies, volatile growth data and financial asset prices will be the norm amid myriad concerns spanning a possible "Grexit," the efficacy of Chinese policies, bond market liquidity, and the constant handicapping of the Fed's moves in interest rates and the divergence in central bank policies that highlights less-than-robust global growth.

US Equity

Large cap stocks gained 1.3% this month aided by favorable US economic data that included a positive surprise in housing prices and encouraging employment trends. Entering the first quarter earnings season, analysts lowered earnings expectations in response to a strong US dollar and falling oil prices. As a result, 70% of companies surpassed earnings estimates while only 36% exceeded revenue estimates. Earnings for the S&P 500, including energy companies, declined 4% year-over-year. Driven by strong domestic demand, small cap stocks outpaced their large cap counterparts this month, returning 2.3%.

Non-US Equity

Non-US stocks declined modestly in May, falling 0.4%, as markets in Europe and Asia dealt with uncertain growth prospects. European stocks sold off as Greece's debt crisis took center stage and finished the month down 0.4%. Japanese stocks returned 1.3% given favorable employment data and an uptick in industrial output. Emerging market stocks declined 4% with Chinese shares declining sharply in response to tighter margin rules and weaker export growth.

Fixed Income

May witnessed a global selloff in bonds pushing sovereign yields higher. The US 10-Year Treasury yield now yields 2.12% (an increase of 7 basis points from April) after climbing as high as 2.28% at mid-month. German Bund yields also spiked over 40 basis points during the month as a result of soft debt auctions. TIPs declined 0.8% as market demand for the securities fell discounting a small uptick in core inflation. High yield bonds were nearly flat for the month but remain the leading bond sector year-to-date with a 4.1% gain as the demand for yield in total return portfolios continues to outweigh concerns over bond market liquidity.

Currencies

Diverging monetary policies in the US, Japan, and Europe continue to play out in the currency markets as an uptick in inflation and firming employment in the US bolstered support for the Fed's first rate hike. The US dollar bounced back from its rapid decline last month, hitting 12-year highs against the Yen after the Fed announced that a move in interest rates will occur this year. The Euro also shifted in its tracks this month, down 2.1%, as investors revisited their anxieties regarding the outcome of Greece's "rescue" deal.

Real Assets

Commodities remain volatile in a slowing and lower growth world, down 2.7% in May as speculation over rising US interest rates supported a rally in the US dollar. Industrial metals led the decline, down 7.7% this month amid weaker Chinese growth and a drop in industrial production in the US. Energy also slipped this month, down 2.1%; oil continued its recent rally through most of May until the rebound in the US dollar. Further pressuring oil prices was Iraq's announced intention to boost crude exports next month to a record 3.75M barrels per day.

Hedge Strategies

Most hedge fund strategies generated modestly positive results in May. Macro and event driven strategies were up the most, driven by currency volatility, instability in oil prices, and strong M&A activity (also providing a catalyst for equity market gains). Volatility across major asset classes picked up this month as global bonds sold off and prices for gold and oil saw extreme moves. Nonetheless, volatility levels remain subdued relative to historical averages.

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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