GREYCOURT

Capital Markets Flash Report

For the Month Ending June 30, 2015

US Equity	Jun-15	YTD
S&P 500	-1.9%	1.2%
Russell 1000	-1.9%	1.7%
Russell 1000 Value	-2.0%	-0.6%
Russell 1000 Growth	-1.8%	4.0%
Russell 2000	0.7%	4.8%
Russell 2000 Value	0.1%	0.8%
Russell 2000 Growth	1.3%	8.7%
Non-US Equity		
MSCI All-Country World ex-US	-2.7%	4.3%
MSCI EAFE	-2.8%	5.9%
MSCI Europe	-3.0%	4.3%
MSCI Japan	-1.7%	13.8%
MSCI EAFE Value	-3.1%	4.5%
MSCI EAFE Growth	-2.6%	7.2%
MSCI Emerging Markets	-2.5%	3.1%
MSCI BRIC	-2.8%	8.4%
Fixed Income[1]		
U.S. Intermediate Treasuries	-0.4%	0.8%
U.S. Long Treasuries	-3.8%	-4.7%
U.S. TIPS	-1.0%	0.3%
Corporate IG Bonds	-1.8%	-1.2%
High-Yield Bonds	-1.5%	2.5%
Tax-Exempt Bonds	-0.1%	0.1%
Currencies		
US Dollar[2]	-1.5%	5.8%
Euro	1.5%	-7.9%
Yen	1.3%	-2.3%
Emerging Markets[3]	-0.1%	-0.3%
Real Assets		
Commodities[4]	1.7%	-1.6%
Energy	-0.4%	1.8%
Industrial Metals	-4.8%	-10.3%
Gold	-1.5%	-1.3%
Real Estate Investment Trusts[5]	-4.1%	-5.4%
Hedge Strategies[6]		
Equity Hedge	-1.1%	2.2%
Equity Market Neutral	1.1%	0.9%
Event Driven	-1.2%	1.2%
Relative Value Arbitrage	-0.9%	1.9%
Distressed	-1.6%	0.9%
Macro	-2.4%	-1.1%

Overview

Against a backdrop of stretched valuations, uncertainty and volatility surged at the end of June as investors grappled with the significance and relationship of important financial and policy events. The obvious triggers were the standoff between Greece and its creditors and Puerto Rico's possible default. Diverging policies also mattered as the Fed prepared to raise rates while China's central bank cut its benchmark rate to a record low after stocks there plummeted. Adding to these signals, global growth is slowing, first quarter US GDP growth, although revised upward, contracted by 0.2%, and reported profit growth for S&P 500 companies was meager.

US Equity

The S&P 500 fell 2% at month end despite positive trends in US economic data. Better-than-expected job growth, strong manufacturing data, construction spending, and surging housing sales strengthened the US dollar making overseas sales less valuable to major US multinationals. Conversely, small cap stocks which tend to have concentrated domestic sales significantly outpaced large caps for the month (0.7% versus -1.9%), which only widened the year-to-date performance differential between the two indices (year-to-date: Russell 2000 +4.8% versus S&P +1.2%).

Non-US Equity

Non-US developed economies saw economic growth across their services and manufacturing sectors accelerate to a four-year high in June. The Eurozone PMI rose to 54.1 from 53.6 in May, the highest level since 2011, beating analysts' expectations. Germany and France led the expansion, with new order growth accelerating at its fastest pace since August 2011, and employment growing for the fourth straight month. Emerging market equities fell 2.5% for the month with BRICs falling 2.8% as Chinese equity markets plunged in response to concerns over surging equity valuations and escalating levels of margin debt.

Fixed Income

Fixed income markets also experienced heightened volatility, as improving US economic data drove investors out of safe assets earlier in the month only to see a return to safe assets at the end of June in response to Greece and Puerto Rico. US Treasuries finished down 3.8%, despite posting their sharpest gain in two years when Greek PM Tsipras unexpectedly abandoned talks with creditors. The 10-year Treasury yield at month end was 2.35%, down significantly from its intra-month peak of 2.49%. Municipals also faced a volatile end of the month following Puerto Rico's admission of its inability to pay creditors.

Currencies

The US dollar weakened in June, pressured early by positive European inflation data, and later by concerns that Greece's potential default might constrain the Fed's ability to raise interest rates in the US. While turbulence played out in European bond markets, the Euro's advance of 1.5% reflected optimism that there would be no spillover from Greece. In response to weaker economic growth and a slumping equity market, China took additional steps to stimulate its economy.

Real Assets

Broad-based weakness characterized commodity markets as weakness in energy and industrial metals was more than offset by a surge in agricultural commodity prices (+12.8%). Weak end-use demand and elevated global inventories weighed heavily on industrial metals, specifically nickel which fell the most this year, down 20.9%. Adverse weather in June, affecting the US Midwest, France, and Canada, has sparked the largest rally in wheat and corn prices in nearly three years (both up over 20%). Intensified speculation over higher borrowing costs in September and rising US Treasury yields hurt REIT markets in June.

Hedge Strategies

Performance results for hedge strategies were generally negative for the month with the exception of equity market neutral, rising 1.1%. June witnessed a wider dispersion among equity hedge funds and a modest breakdown in correlations. Exposure to small cap and global healthcare names were accretive, while emerging markets have been a net drag offsetting those gains. Macro and distressed strategies struggled, declining by 2.4% and 1.6% respectively.

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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