GREYCOURT

Capital Markets Flash Report

For the Month Ending July 31, 2015

US Equity	Jul-15	YTD
S&P 500	2.1%	3.4%
Russell 1000	1.9%	3.7%
Russell 1000 Value	0.4%	-0.2%
Russell 1000 Growth	3.4%	7.5%
Russell 2000	-1.2%	3.5%
Russell 2000 Value	-2.8%	-2.0%
Russell 2000 Growth	0.4%	9.2%
Non-US Equity		
MSCI All-Country World ex-US	-0.3%	4.1%
MSCI EAFE	2.1%	8.1%
MSCI Europe	3.1%	7.5%
MSCI Japan	0.5%	14.3%
MSCI EAFE Value	1.7%	6.3%
MSCI EAFE Growth	2.4%	9.8%
MSCI Emerging Markets	-6.9%	-4.0%
MSCI BRIC	-8.3%	-0.6%
Fixed Income[1]		
U.S. Intermediate Treasuries	0.4%	1.2%
U.S. Long Treasuries	3.5%	-1.3%
U.S. TIPS	0.2%	0.6%
Corporate IG Bonds	0.6%	-0.6%
High-Yield Bonds	-0.6%	1.9%
Tax-Exempt Bonds	0.7%	0.8%
Currencies		
US Dollar[2]	1.9%	7.8%
Euro	-1.5%	-9.2%
Yen	-1.1%	-3.4%
Emerging Markets[3]	-2.4%	-2.8%
Real Assets		
Commodities[4]	-10.6%	-12.0%
Energy	-14.5%	-12.9%
Industrial Metals	-7.3%	-16.9%
Gold	-6.7%	-7.9%
Real Estate Investment Trusts[5]	5.0%	-0.7%
Hedge Strategies[6]		
Equity Hedge	-0.3%	2.0%
Equity Market Neutral	1.1%	1.9%
Event Driven	-2.0%	-0.6%
Relative Value Arbitrage	0.1%	2.0%
Distressed	-0.9%	0.0%
Macro	2.8%	1.4%

Overview

Markets were guarded in July as investors navigated Greece's third bailout deal, a plunging Chinese stock market, and renewed concerns about Puerto Rico. With US-led major world powers striking a historic nuclear deal with Iran that will ease oil export sanctions, energy markets anticipated significant supply increases applying downward price pressure to an already oversupplied oil market. Complicating matters, the Fed was less-than-hawkish after US second quarter GDP growth posted a 2.3% pace with only a slight pickup in inflation raising questions again about the timing of a rate "liftoff."

US Equity

Against a backdrop of mostly positive US economic data, such as an improving job market, encouraging signs from the housing market, and a steady pace of manufacturing and industrial output, domestic large cap equities gained 2.1% in July. As the Fed edges closer to announcing its first interest rate hike in nearly a decade, core small cap stocks erased the year-to-date gain over core large caps with a decline of 1.2% this month. Across capitalization indices, value stocks continued to underperform growth stocks in part as a result of value's larger skew towards the declining energy sector.

Non-US Equity

With the risk of a *Grexit* waning as Greece enters negotiations for its third bailout deal, non-US developed markets equities ended the month up 2.1% led by European stocks which gained 3.1%. Japanese equities rose a modest 0.5% as investors reacted to IMF forecasts for slower growth. Despite an attempt by the Chinese government to bolster their stock market, Chinese equities have fallen over 30% since mid-June as investors continue to worry about the country's financial stability and sluggish growth in the world's second largest economy, pushing emerging market equities down 6.9% in July.

Fixed Income

Investors fled to safe-haven US Treasuries to ride out volatility in global equity markets this month. US Long-Term Treasuries returned 3.5% while the 10-Year Treasury yield ended the month at 2.20%, down from 2.43% at the beginning of July. Municipal bonds returned 0.7% as yields fell somewhat despite concerns regarding Puerto Rico. The high yield bond market came under pressure, falling 0.6%, as investors worried about retail investor flows and the risk of illiquidity in crisis periods.

Currencies

The US dollar rose against most major currencies in July buoyed by the Fed's comments regarding growth and labor market improvements. Emerging market currencies hit 15-year lows, feeling the effects of China's equity market rollercoaster and tumbling commodity prices. The yen declined against the US dollar following the release of Japan's trade deficit data while the Euro also declined with continued uncertainty about Greece.

Real Assets

Returns from the commodities segment came under pressure during the month with crude oil prices dipping below $50 for the first time since April driven by expectations of easing energy sanctions on Iran, a persistent supply glut, and declining demand from China. Also faced with oversupply concerns and weak export demand, wheat prices tumbled nearly 20% on the month. Likewise, industrial and precious metals were hurt by the stronger US dollar and investor concerns about economic slowdown in China. Commodities, in aggregate, ended the month down 10.6%.

Hedge Strategies

With volatility bouncing from year-highs to year-lows this month, hedge fund strategies posted mixed results. Macro strategies were up the most, returning 2.8%, benefitting from continued trends in a rising US dollar, declining oil prices, diverging monetary policies, and volatility in Chinese stocks. Despite the continued growth in M&A activity and an abundant supply of corporate actions, event-driven strategies were down 2% on the month pulling year-to-date gains into negative territory.

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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