GREYCOURT

Capital Markets Flash Report

For the Month Ending November 30, 2015

US Equity	Nov-15	YTD
S&P 500	0.3%	3.0%
Russell 1000	0.3%	2.8%
Russell 1000 Value	0.4%	-1.7%
Russell 1000 Growth	0.3%	7.2%
Russell 2000	3.3%	0.6%
Russell 2000 Value	2.8%	-2.3%
Russell 2000 Growth	3.7%	3.6%
Non-US Equity		
MSCI All-Country World ex-US	-2.1%	-3.5%
MSCI EAFE	-1.5%	0.9%
MSCI Europe	-1.8%	0.2%
MSCI Japan	-1.0%	9.5%
MSCI EAFE Value	-2.5%	-3.4%
MSCI EAFE Growth	-0.7%	5.3%
MSCI Emerging Markets	-3.9%	-12.7%
MSCI BRIC	-3.3%	-11.6%
Fixed Income[1]		
U.S. Intermediate Treasuries	-0.3%	1.4%
U.S. Long Treasuries	-0.8%	-1.2%
U.S. TIPS	-0.1%	-0.6%
Corporate IG Bonds	-0.3%	-0.4%
High-Yield Bonds	-2.2%	-2.0%
Tax-Exempt Bonds	0.4%	2.6%
Currencies		
US Dollar[2]	3.3%	11.0%
Euro	-4.0%	-12.7%
Yen	-2.0%	-2.8%
Emerging Markets[3]	-1.3%	-5.8%
Real Assets		
Commodities[4]	-7.3%	-22.3%
Energy	-10.6%	-31.7%
Industrial Metals	-8.7%	-29.3%
Gold	-6.7%	-10.5%
Real Estate Investment Trusts[5]	-0.2%	1.5%
Hedge Strategies[6]		
Equity Hedge	0.1%	-1.2%
Equity Market Neutral	-0.4%	5.2%
Event Driven	-1.6%	-5.8%
Relative Value Arbitrage	-2.4%	-1.3%
Distressed	-3.6%	-8.0%
Macro	2.2%	-0.3%

Overview

After October's surge in equity prices, markets took a breath in November. Global growth remains positive, driven by strong household demand in the developed economies. The pattern of growth, however, is mixed and much weaker in commodity producing economies and emerging market economies that rely on external capital flows. With the Fed expected to raise rates in the near term, monetary policy elsewhere will remain very stimulative, especially as underlying inflation in Europe and Japan is weak. The complexity and dynamics of these factors will lead to significant volatility and investing opportunities.

US Equity

US large cap stocks closed the month up modestly while small cap stocks had a very strong November, up 3.3%. Growth improved as third quarter US GDP was revised higher to 2.1%, boosted by a gain in inventories and continued strength in the consumer segment. Despite expanding multiples, large cap equity returns were constrained by a strong US dollar, weak capital expenditures affected by commodity prices and global output gaps, and declining profits. Small cap stocks, with less of these exposures and pushed by strong gains in consumer staples, returned to positive year-to-date returns.

Non-US Equity

Non-US developed market stocks rose slightly in local currency terms but fell in US dollar terms given the strength of the US dollar. In local currency terms, Europe was up 1.8% and Japan, despite slipping back in to recession (third quarter growth contracted 0.8%), increased by 1.1%. In Europe and Japan, there is considerable expectation of additional quantitative easing that should support equity prices. Emerging market equities added to year-to-date losses, dragged down by sharp declines in the Chinese A-shares market.

Fixed Income

With the exception of tax-exempt bonds, fixed income markets were generally down. Weakened by falling commodity prices (energy prices in particular), high yield bonds declined 2.2%. The fall was exacerbated by concerns about Fed policy, rising global high yield defaults, lack of revenue growth, and reduced dealer liquidity. US Treasuries fell given growth data and interest rate concerns. The curve also flattened as yields on the 2-year Treasury Note rose faster than on the 10-year Note. Tax-exempt municipals proved resilient as credit conditions continue to improve for investment grade issuers.

Currencies

The US dollar outperformed other global currencies given weaker economic data abroad and geopolitical tensions that induce flights to quality. With low inflation expectations anchored globally and a positive real interest rate differential favoring the United States, the US dollar will remain attractive. Negative real yields and requirements for easy monetary policies will pressure the Euro and Yen. Valuations for emerging currencies are returning to fairer values, placing emphasis on investor risk appetites as opposed to interest rate differentials.

Real Assets

Commodities continued to be hammered as virtually all components in the index fell. US oil prices declined while a stumbling Chinese economy provoked worries about decreased demand. Industrial metals and gold also fell considerably. Macroeconomic and geopolitical factors are taking a toll on commodity prices while the presence of contango in most commodity futures markets is imposing a significant burden on long investors who experience losses when rolling futures contracts.

Hedge Strategies

Hedge fund strategies were mostly negative this month with distressed strategies declining the most, on track to post their worst year since 2008. Hedge funds that specialize in distressed debt continue to feel pressure from the rout in commodity prices causing the debt on companies such as oil drillers and coal miners to fall further. Benefitting from a strong US dollar, sharp price declines in commodities, and diverging monetary policies with the Fed's decision for a rate hike at the forefront, global macro strategies gained 2.2%.

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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