GREYCOURT

Capital Markets Flash Report

For the Month Ending January 31, 2016

US Equity	Jan-16	YTD
S&P 500	-5.0%	-5.0%
Russell 1000	-5.4%	-5.4%
Russell 1000 Value	-5.2%	-5.2%
Russell 1000 Growth	-5.6%	-5.6%
Russell 2000	-8.8%	-8.8%
Russell 2000 Value	-6.7%	-6.7%
Russell 2000 Growth	-10.8%	-10.8%
Non-US Equity		
MSCI All-Country World ex-US	-6.8%	-6.8%
MSCI EAFE	-7.2%	-7.2%
MSCI Europe	-6.6%	-6.6%
MSCI Japan	-8.2%	-8.2%
MSCI EAFE Value	-8.1%	-8.1%
MSCI EAFE Growth	-6.4%	-6.4%
MSCI Emerging Markets	-6.5%	-6.5%
MSCI BRIC	-10.0%	-10.0%
Fixed Income[1]		
U.S. Intermediate Treasuries	1.6%	1.6%
U.S. Long Treasuries	5.0%	5.0%
U.S. TIPS	1.5%	1.5%
Corporate IG Bonds	0.3%	0.3%
High-Yield Bonds	-1.6%	-1.6%
Tax-Exempt Bonds	1.2%	1.2%
Currencies		
US Dollar[2]	1.0%	1.0%
Euro	-0.3%	-0.3%
Yen	-0.7%	-0.7%
Emerging Markets[3]	-1.3%	-1.3%
Real Assets		
Commodities[4]	-1.7%	-1.7%
Energy	-7.3%	-7.3%
Industrial Metals	-1.4%	-1.4%
Gold	5.3%	5.3%
Real Estate Investment Trusts[5]	-3.5%	-3.5%
Hedge Strategies[6]		
Equity Hedge	-5.5%	-5.5%
Equity Market Neutral	-0.6%	-0.6%
Event Driven	-4.4%	-4.4%
Relative Value Arbitrage	-2.4%	-2.4%
Distressed	-3.5%	-3.5%
Macro	0.5%	0.5%

Overview

Markets entered an increasingly uncertain and volatile New Year focused on slowing growth and material deflationary forces. After stopping QE two years ago, the Fed's first rate hike–during a corporate profits recession–was associated with weakened US growth. At the same time, a rising US dollar and falling oil prices placed immense credit pressures on global US dollar debt issuers. Together, these factors precipitated a global stock market sell-off and exacerbated investor fears that central banks are losing their ability to avert a major recession.

US Equity

US stocks plunged and multiples compressed, dragged down by lower oil prices, disappointing earnings, and an apologetic, post-rate-hike Fed. As many expected, the Fed left rates unchanged this month reflecting slower growth in the US and expectations that inflation will remain low in the near term. US GDP grew at a 0.7% pace during the fourth quarter as a result of weakness in exports and consumer spending. Small cap stocks entered bear market territory over prospects of rising interest rates and slower growth.

Non-US Equity

Non-US developed stocks declined more than comparable US stocks. European equity markets suffered major losses against a backdrop of weak corporate earnings and falling oil prices. Japanese equities sank into bear market territory this month yet received a small boost when the Bank of Japan announced a *negative* interest-rate policy in another effort to spur inflation. China's GDP slowed to its lowest level since 2009 (6.8%) renewing concerns over China's policy management given stock and credit market turmoil and currency devaluation.

Fixed Income

Returns in fixed income were mixed with US Treasury prices surging on a mini flight-to-quality. High yield bond prices fell over concerns of further defaults in energy-related companies and USD dollar debts issued by non-dollar obligors. Turmoil in financial markets has pushed Treasury yields down with the 10-year note ending the month at 1.94%, 33 bps lower than December's month-end yield. Positive supply/demand fundamentals led municipal bonds higher, up 1.2%.

Currencies

Prior to the Bank of Japan announcing its negative interest rate policy, gains in the US dollar had been relatively muted in January, weighed down by the Fed's decision to keep interest rates unchanged this month. The surprise decision by the Bank of Japan pushed the Yen lower and escalated concerns of global currency wars. Emerging market currencies ended down on falling commodity prices and China's currency management issues.

Real Assets

Commodities continued to fall (-1.7% in aggregate), led once again by the unabated decline in energy. Oil prices tumbled under $30 a barrel for the first time in 12 years, fueled by global oversupply and weak demand from China and other importing countries. International nuclear sanctions against Iran were lifted supporting increased oil production which will only add to the supply glut and potentially allow Iran to recover its position as OPEC's second largest oil producer. Gold prices received a boost as investors sought safe-haven in a tumultuous stock market.

Hedge Strategies

Despite a pick-up in volatility, hedge fund strategies were mostly negative in January with equity hedge strategies leading the decline. As expected, equity hedge strategies, in aggregate, outperformed global equity markets this month. Event driven strategies also felt pressure this month, dragged down by declines in distressed and special situation strategies. Macro strategies continue to benefit from declines in the energy sector, specifically oil, and diverging monetary policies.

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

Greycourt & Co., Inc., 2100 Wharton Street, Suite 600, Pittsburgh, Pennsylvania • 707 SW Washington Street, Suite 900, Portland, Oregon
808 Travis Street, Suite 914, Houston, Texas • 222 S. 9th Street, Suite 1600, Minneapolis, Minnesota