GREYCOURT

Capital Markets Flash Report

For the Month Ending November 30, 2016

US Equity	Nov-16	YTD
S&P 500	3.7%	9.8%
Russell 1000	3.9%	10.0%
Russell 1000 Value	5.7%	14.5%
Russell 1000 Growth	2.2%	5.8%
Russell 2000	11.1%	18.0%
Russell 2000 Value	13.3%	26.5%
Russell 2000 Growth	8.9%	9.8%
Non-US Equity		
MSCI All-Country World ex-US	-2.3%	2.4%
MSCI EAFE	-2.0%	-1.9%
MSCI Europe	-2.2%	-4.8%
MSCI Japan	-2.4%	1.7%
MSCI EAFE Value	-0.6%	1.0%
MSCI EAFE Growth	-3.4%	-4.8%
MSCI Emerging Markets	-4.6%	11.3%
MSCI BRIC	-3.6%	13.7%
Fixed Income[1]		
U.S. Intermediate Treasuries	-1.7%	1.1%
U.S. Long Treasuries	-7.4%	1.9%
U.S. TIPS	-1.9%	4.8%
Corporate IG Bonds	-3.0%	3.7%
High-Yield Bonds	-0.5%	15.0%
Tax-Exempt Bonds	-3.7%	-0.9%
Currencies		
US Dollar[2]	3.1%	2.9%
Euro	-3.6%	-2.5%
Yen	-8.4%	5.1%
Emerging Markets[3]	-2.6%	3.3%
Real Assets		
Commodities[4]	1.3%	9.5%
Energy	4.3%	6.6%
Industrial Metals	10.3%	26.3%
Gold	-8.0%	9.8%
Real Estate Investment Trusts[5]	-2.4%	4.0%
Hedge Strategies[6]		
Equity Hedge	1.2%	-0.3%
Equity Market Neutral	0.1%	-3.9%
Event Driven	1.7%	8.8%
Relative Value Arbitrage	0.3%	0.1%
Distressed	1.1%	16.8%
Macro	-1.1%	-3.8%

Overview

The surprise election of Donald Trump dominated market performance in November. Investors with dry powder moved quickly to express their views regarding expected growth and inflation. Expectations of increased infrastructure spending, reduced regulations, and lower taxes proved bullish for stocks and the US dollar while bearish for bonds. Markets also discounted concerns regarding trade policies on the global political economy. Clearly, investors are sorting out the future in an environment of extreme surprise, strong emotion, and uncertainty about policies and policy makers. Overshooting is a distinct possibility.

US Equity

US stock indices soared to new highs as investors priced in prospects for earnings growth resulting from favorable policy and regulatory changes under a Trump administration. Industrials and financials led the move on expectations of increased infrastructure spending, higher interest rates, and substantial reductions in banking regulations. With a surging US dollar, small cap stocks vastly outpaced large cap stocks, as small caps have a much higher concentration of domestic revenues. Third quarter real GDP was revised higher to 3.2%, backed by strong consumer spending and exports and a downgrade in inventory growth.

Non-US Equity

The impact of currencies on international stock returns for US investors was significant in November. The most noticeable impact was seen in Japan. Local currency equity returns, boosted by the BoJ's asset purchase program and strong returns from export-driven companies, were up almost 6%. Accounting for changes in the yen, however, investors lost 2.4% in US dollars. European stock returns were also negative, pressured by the looming Italian referendum and uncertainty about further ECB stimulus efforts. Returns on emerging market equities were hit hard by fears of trade restrictions and higher US interest rates.

Fixed Income

Global government bonds witnessed heavy sell-offs in anticipation of higher growth and inflation under a new Trump administration. In response, global bond yields spiked and yield curves steepened. The 10-year Treasury yield rose 53 basis points to end the month at 2.37% while Germany's 10-year bund yield rose as high as 0.35% intra-month—both climbing to levels not seen since last year. Municipal bond yields rose faster than Treasuries as investors priced in the prospects of lower tax rates and concerns that the municipal tax-exemption might also be at risk.

Currencies

The US dollar flirted with 14-year highs last week on expectations the Trump administration would boost inflation and drive interest rates higher. The yen fell significantly, offering some relief for Japan's export-driven economy while the yuan fell to its lowest level since 2008 fueled by fresh accusations of currency manipulation and prospects for trade tariffs on China. Conversely, the pound edged higher against the US dollar amid positive UK economic data that pushed Brexit uncertainty to the back burner for now.

Real Assets

Commodities, in aggregate, were up over 1% with strong gains in industrial metals offset by losses in precious metals. Industrial metals surged over 10% on hopes of stronger manufacturing data and increased infrastructure spending in the US. OPEC clinched a historic deal to cut oil production for the first time in eight years sending oil prices surging nearly 9% on the last trading day and back to $50/bbl. REITs declined amid greater prospects for a Fed rate hike in December with healthcare REITs falling the hardest, suffering from uncertainty surrounding Trump's 'repeal and replace' approach to the Affordable Care Act.

Hedge Strategies

Hedge fund performance was mostly positive across strategies with volatility spiking at the beginning of the month to eventually subside. Long-biased hedge strategies with a US-cyclical focus witnessed modest gains while Europe-based equity funds saw minor losses. Event-driven strategies received a boost by strong M&A activity this month, especially in the tech industry while macro strategies recorded losses against a backdrop of political uncertainties and fluctuations in global currencies.

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