

US Equity	Sep-15	YTD
S&P 500	-2.5%	-5.3%
Russell 1000	-2.7%	-5.2%
Russell 1000 Value	-3.0%	-9.0%
Russell 1000 Growth	-2.5%	-1.5%
Russell 2000	-4.9%	-7.7%
Russell 2000 Value	-3.5%	-10.1%
Russell 2000 Growth	-6.3%	-5.5%
Non-US Equity		
MSCI All-Country World ex-US	-4.6%	-8.3%
MSCI EAFE	-5.0%	-4.9%
MSCI Europe	-4.7%	-4.8%
MSCI Japan	-6.7%	0.5%
MSCI EAFE Value	-6.2%	-7.7%
MSCI EAFE Growth	-3.9%	-2.1%
MSCI Emerging Markets	-3.0%	-15.2%
MSCI BRIC	-3.2%	-14.4%
Fixed Income ¹		
U.S. Intermediate Treasuries	0.8%	2.1%
U.S. Long Treasuries	1.5%	0.2%
U.S. TIPS	-0.6%	-0.8%
Corporate IG Bonds	0.7%	-0.5%
High-Yield Bonds	-2.6%	-2.5%
Tax-Exempt Bonds	0.7%	1.8%
Currencies		
US Dollar ²	0.5%	6.7%
Euro	-0.3%	-7.6%
Yen	1.1%	-0.2%
Emerging Markets ³	-0.9%	-6.6%
Real Assets		
Commodities ⁴	-3.4%	-15.8%
Energy	-9.9%	-20.9%
Industrial Metals	-1.3%	-20.3%
Gold	-1.5%	-6.2%
Real Estate Investment Trusts ⁵	2.1%	-4.5%
Hedge Strategies ⁶		
Equity Hedge	-2.9%	-4.0%
Equity Market Neutral	1.6%	4.1%
Event Driven	-4.0%	-7.1%
Relative Value Arbitrage	-2.2%	-0.9%
Distressed	-3.1%	-5.1%
Macro	-0.6%	-1.6%

Overview

One of the more anticipated decisions in the history of central banking left investors wary and uncertain as the Yellen-led Federal Reserve blinked. The Fed failed to raise its Fed Funds target citing concerns about economic growth and financial turmoil that has wiped out nearly \$11 trillion of global share value in the last quarter. China is grappling with slower growth and flagging confidence in its stock market as Japan faces uncertainty about the success of Abenomics and Europe confronts deflation. Sentiment is negative and volatility predictably elevated.

US Equity

US stocks added to their year-to-date losses even as September's last trading day witnessed a strong rally with traders attempting to dress up what has been the worst quarter in four years. Despite employment gains and strong, consumer-led GDP growth (final 2Q GDP jumped to 3.9%), the Fed remains cautious and acting to support US consumers who are the world's buyer of last resort. Within US equities, the dispersion between value and growth stocks generally continues to widen as interest rate concerns and falling energy prices hammer value strategies.

Non-US Equity

Recent negative momentum in the Chinese stock market carried on into September amid weaker manufacturing data and declining industrial profits. Even with positive growth and a higher trade surplus, European equities suffered major losses in response to investor fears regarding the possible effects of slowing global growth. Japanese equities also continued to decline this month feeling the pressure of dampening profits from a weaker Chinese economy and uncertainty surrounding the benefits of central bank easing.

Fixed Income

Treasury yields fell after the Fed's vacillation and revised forecasts for inflation and growth. Short maturity interest rates fell the most and the 10-year Treasury yield ended the month down 11 basis points compared to 18 basis points for the 6-month Treasury. Municipal bond prices rose, buoyed by increased demand and a drop in issuance. High yield bonds performed poorly as technical concerns about market liquidity and fundamental concerns about slowing growth and volatile interest rates led spreads over Treasuries to widen significantly.

Currencies

Several emerging market currencies hit record lows against the US dollar this month in reaction to the Fed's rate decision and a challenged commodity complex. Among those hardest hit were the Mexican Peso and the Brazilian Real which has lost over 70% of its value to the US dollar in the past year owing to corruption and a struggling economy. The Yen strengthened this month when the Bank of Japan refrained from additional stimulus against data suggesting a recovering economy and encouraging inflation trends.

Real Assets

Crude oil prices took another nose-dive notwithstanding further declines in US oil production and storage counts. A global oversupply and weak demand from China and other importing countries remain concerns for traders. Also feeling the negative demand effects of a weakening Chinese economy were industrial metals that posted further declines. REITs received a boost after the Fed's delay in lifting the Fed Funds rate, ending the month up 2.1% (one of the few bright spots in risk assets).

Hedge Strategies

Most hedge fund strategies declined on the month with event-driven strategies leading the losses despite strong M&A activity which exceeded \$1 trillion in value for the third quarter – the third highest on record. Equity hedge strategies also declined this month but outpaced global equities by almost 100 basis points. Deviating from the broader trend were equity market neutral strategies which gained 1.6% as investors moved to reduce risk in their portfolios while waiting on the Fed to raise interest rates.

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>