

US Equity	Aug-18	YTD
S&P 500	3.3%	9.9%
Russell 1000	3.4%	10.1%
Russell 1000 Value	1.5%	3.7%
Russell 1000 Growth	5.5%	16.4%
Russell 2000	4.3%	14.3%
Russell 2000 Value	2.4%	9.9%
Russell 2000 Growth	6.2%	18.5%
Non-US Equity		
MSCI All-Country World ex-US	-2.1%	-3.2%
MSCI EAFE	-1.9%	-1.9%
MSCI Europe	-2.8%	-2.3%
MSCI Japan	0.2%	-1.2%
MSCI EAFE Value	-3.6%	-5.0%
MSCI EAFE Growth	-0.3%	1.2%
MSCI Emerging Markets	-2.7%	-6.9%
MSCI BRIC	-4.1%	-7.4%
Fixed Income <sup>1</sup>		
U.S. Intermediate Treasuries	0.6%	-0.3%
U.S. Long Treasuries	1.6%	-2.9%
U.S. TIPS	0.7%	0.2%
Corporate IG Bonds	0.5%	-3.5%
High-Yield Bonds	0.7%	2.0%
Tax-Exempt Bonds	0.3%	0.3%
Currencies		
US Dollar <sup>2</sup>	0.6%	3.3%
Euro	-0.8%	-3.4%
Yen	0.7%	1.5%
Emerging Markets <sup>3</sup>	-2.0%	-5.0%
Real Assets		
Commodities <sup>4</sup>	-1.8%	-3.9%
Energy	3.8%	11.8%
Industrial Metals	-4.3%	-13.7%
Gold	-2.0%	-8.7%
Master Limited Partnerships <sup>5</sup>	1.6%	7.6%
Real Estate Investment Trusts <sup>6</sup>	2.4%	4.3%
Hedge Strategies <sup>7</sup>		
Equity Hedge	-0.1%	0.8%
Equity Market Neutral	0.3%	0.3%
Event Driven	0.1%	-4.9%
Relative Value Arbitrage	0.4%	2.6%
Distressed	0.2%	-5.7%
Macro	2.3%	-0.6%

### Overview

This month marked the longest bull market on record for the S&P 500 as investors celebrated a strong economy, modest inflation, surging corporate profits, and the announcement of a bilateral trade agreement between Mexico and the US. At the same time, slowing recoveries and political issues in Europe, as well as currency crises and contagion fears in the emerging markets, held global investing sentiment in check. Markets should heed current pricing that implies US outperformance will continue for many years to come.

### US Equity

US stocks continued their strong 2018 posting significant monthly returns. The strong performance was driven by robust growth, booming earnings, favorable employment trends, and the highest levels of consumer confidence since late 2000. Good jobs data, rising incomes, and realized tax savings have buoyed consumer optimism. As a result, small cap stocks outperformed larger stocks reaching new highs. Information tech continued to lead sectors as growth, momentum, and quality factors performed well.

### Non-US Equity

The global synchronized growth narrative is officially dead, confirmed by international stocks trailing US stock markets by 1,310 basis points year-to-date. Slowing growth, mounting political and trade issues, and a strong US dollar continue to negatively impact US-dollar returns. Balance of payment issues and US-dollar debts prompted currency crises in emerging and frontier markets, seen most clearly in Turkey. Contagion risks are overblown at this point as the issues are idiosyncratic, and Turkey represents a small portion of the global economy and markets.

### Fixed Income

The 10-year Treasury yield retreated from its 3% high at the start of the month as investors sought safe-haven from a troubled Turkey and economic uncertainty overseas. The 2-year to 10-year Treasury yield spread ended the month at 24 basis points. At these levels, after-tax yield on 2-year Treasuries are equal to comparable 2-year municipal yields. Come September, technical factors in municipal markets will reset the normal balance. Low defaults and favorable market characteristics still support high yield bonds that are up 2% on the year.

### Currencies

The big story in currency markets was the sharp decline in the Turkish lira, plunging over 30% against the US dollar. This drop caused a broader—albeit temporary—sell-off in other emerging market currencies, pushing the EM currency index to multi-year lows. Political woes and trade policy concerns are negatively impacting most major EM currencies including the Brazilian real, Russian ruble, and the Argentinian peso. The yen received a flight-to-quality boost and support from rising consumer and business spending in Japan.

### Real Assets

The strong US dollar and continued trade worries hurt commodities prices. The bright spot in the diversified commodity price index was energy, supported by favorable supply and demand fundamentals for oil and gas. MLPs continued their rally on encouraging sentiment from the revised FERC tax policy last month. Investors searching for yield in MLPs current enjoy a 475 basis point yield spread over the 10-year Treasury. REITs also delivered strong returns on better-than-expected earnings reports and the pullback in interest rates.

### Hedge Strategies

Performance across directional and less directional hedge fund strategies was generally flat to modestly positive. Equity hedge strategies ended up slightly, with losses in fundamental growth strategies partially offsetting gains in fundamental value and equity market neutral strategies. Macro strategies witnessed the largest monthly gain of just over 2%, led by strong gains in systematic, quant-driven strategies that focus on trends and technical patterns in markets.

Data Source: Bloomberg. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. <sup>1</sup> Fixed Income reported on Barclays Indices. <sup>2</sup> US Dollar Index <sup>3</sup> MSCI Emerging Markets Currency Index <sup>4</sup> Bloomberg Commodity Indices <sup>5</sup> Alerian MLP Index <sup>6</sup> FTSE NAREIT Equity REIT Index <sup>7</sup> Hedge strategy returns are SPA reported on HFRX Indices with one day lag. For complete Index Descriptions, see <http://www.greycourt.com/indices.html>