Asset Class	MTD Performance	YTD Performance
Hedge Funds	2.10%	2.10%
Private Equity	6.97%	6.97%
Real Estate	(7.63%)	(7.63%)
Commodities	2.64%	2.64%
Asset Backed Securities	(0.34%)	(0.34%)
Equities	4.85%	4.85%
Fixed Income	(1.15%)	(1.15%)

Hedge Funds

Hedge funds in 2017 saw a rebound in performance compared to the results of 2016. Overall, Hedge Funds saw a return of 11.43% in 2017. The best performing strategy was long-short equity which saw returns of 13.57%. Relative Value was the worst performing strategy in 2017 with returns of 4.46%. Event driven strategies saw returns of 10.57% while Macro based funds only returned 5.32% in 2017. Morgan Stanley reports that hedge funds have the opportunity to do even better in the coming year. An opportunity for hedge funds to outperform market indices looks likely with overall returns to be more muted due to earnings growth peaks, interest rates hikes, and an increase of volatility. Volatility started low in 2018 but has a potential to increase with threats of rising global inflation, more political uncertainty and differences in monetary policies. Hedge funds have alluring positions to generate returns from both long and short positions. Additionally, 2017 saw an increase of inflows into hedge funds versus the $70 billion of net outflows in 2016. The total industry capital increased by $59 billion. Macro based strategies underperformed the S&P 500 significantly in 2017 and have struggled in recent years. However, recently Macro based strategies are beginning to regain strength. Top Macro funds have performed strongly because of increased market volatility in equities and bonds.

For more hedge funds data: HFR, Preqin

Private Equity

The private equity industry has seen strong deal volume in the middle-market space, which includes deals ranging from $100M to $1B in value. Deal value in this market was up around 9% YOY. According to Pitchbook, “The middle market is growing on two fronts: The number of companies of that size continues to increase, as does the number of investors targeting the middle market. An estimate from late 2017 hinted that 350,000 companies reside in the $5 million to $100 million revenue range, and another 25,000 companies bring in revenues between $100 million to $500 million. That comes out to a little less than 400,000 targets available. Middle-market deal volume has ranged in the low 2,000s annually since 2014—as a raw percentage, that’s a market penetration of barely half a percent.” Red Rocks Global Listed Private Equity Index, which measures the performance of publically traded PE firms, was up 6.97% MTD and had a cumulative annual return of 29.34%.

For more private equity data: Alps Red Rocks PE

Real Estate

Due to a large increase in the number of workers at tech companies such as Google and Amazon, the cost of living has increased. As a result, the demand for housing is higher than the current supply. Rental costs have increased nearly 50% in less than a decade with home prices increasing nearly 98%. To combat this issue, companies like Google, LinkedIn and Facebook have been increasing their involvement in the housing market. They are building lower cost housing for their workers in order to aid in the struggle against price increases in cost of living. Traffic among the east coast ports has resulted in demand for more coastal warehouses. The amount of cargo passing through the port of Virginia increased by 7.2% from 2016 to 2017. Companies are looking for locations with proximity to the port in order to reduce delivery time in order to remain competitive. Over 1 million SF was converted to industrial real estate in the area surrounding the Virginia port. The Port of New York and New Jersey are among the largest in the United States and have seen over 9.1M SF of construction over the past few months. $4.3B was spent on this port with renovations to the Bayonne Bridge to allow larger ships through. President Trump has called upon Congress to pass a bill providing $1.5 trillion dollars for infrastructure improvements for ports. The American Association of Port Authorities CEO Kurt Nagle does not believe that the ports will be able to handle the expected demand in the following years if this bill is not passed.

For more real estate data: FTSE EPRA/NAREIT

Commodities (Agriculture, Metals, Oil)

In the month of January 2018 Crude and Brent oil both rose. Soaring North American production has undermined the efforts led by OPEC and Russia to tighten supplies, but prices are still on track for their strongest start to the year in five years. One of the key drivers for this growth has been the dollar, which has lost 3.2% against a basket of major currencies so far this year, a decline that was exacerbated when U.S. Treasury Secretary Steven Mnuchin suggested President Donald Trump's administration favored a weaker currency. In the last couple of months, oil has tended to move inversely to the dollar, as weakness in the currency makes it cheaper for non-U.S. investors in Crude to buy and vice versa. However, despite generally bullish sentiment, analysts believe the market had been dented by rising output in North America. U.S. Crude production has grown by over 17% since mid-2016 to 9.88 million barrels per day (bpd) in mid-January 2018. Output is expected to break through 10 million bpd soon. U.S. energy companies added 12 oil rigs drilling for new production last week, taking the total to 759. U.S. production is already on par with top exporter and OPEC kingpin Saudi Arabia. Only Russia produces more, averaging 10.98 million bpd in 2017. JP Morgan stated it had increased its 2018 average price forecast by $10 per barrel to $70 per barrel for Brent and by $10.70 per barrel for WTI to $65.63. A drought at the beginning of the season in the Dakotas and Montana caused limited crop yields causing a short-term increase in demand for grains. The January returns reflect this increase in prices due to the shortage. Winter wheat crops in the U.S. fell a fifth straight year to 31.5 million acres, the lowest since 1909.

For more commodities data: DBIQ Optimum Yield Diversified Commodity Index

Asset Backed Securities

Total returns for MBS/ABS MTD is -0.34%. Subprime Auto have been in the news lately due to the higher increase in defaults. However, S&P Senior Analyst Amy Martin states that the issue with subprime defaults is heavily concentrated in deep subprime issuers. Spreads are tight in the sector and the market is expected to go sideways going forward. As of today, the Auto ABS market has a MTD -0.22% and YTD of -0.32%. Overall, the market is in a stable position with an increase of .04% MTD for non Aaa rated loans. MBS spreads widened 17bps to 0.82 in February from 0.65 in early January, it's tightest in half a decade. The Fed continues to reduce reinvestment into MBS as expected. Strong job reports and low unemployment has lead to rate hike fears which reduces the likelihood of prepayment and refinanced loans. Analysts remain neutral/underweight as the Fed's direction regarding rate hikes/inflation is unclear. Short term performance is likely to be directly correlated to treasury yields. Spreads have remained tighter than initially expected, implying a relative calm in the MBS market. MBS returns MTD are -1.67%.

For more ABS/MBS data: Bloomberg Barclays US AGG ABS

Equities

Equities in January continued to grow as the S&P 500 Total Return Index increased by 4.85% in the month. Continuing the strong performance that markets saw in 2017, equities increased as investor optimism persisted and earnings for December were better than expected. Economic data was favorable for investors despite the dollar weakening throughout the month. Volatility in January remained low as the CBOE Volatility Index began at $9.15 and edged slightly higher to $13.54 to end the month. Healthcare in particular had a strong month as the S&P 500 Healthcare Total Return index grew by 5.35% in the first month of 2018 largely due to strong earnings. Biotechs in particular performed well with the SPDR S&P Biotech ETF growing 7.06%. Industrials also had a strong month return of 5.31% according to the S&P 500 Industrials Total Return Index. One of the key drivers for industrials during January was the dollar continuing to weaken. The dollar dropped 3.58% and despite the President's sentiments, will likely continue to face downward pressure. A weaker dollar makes the products that industrials produce more attractive to foreign buyers, which boosts earnings for industrial companies. The Financials sector was not quite as strong in performance as the rest of the market but was still able to post gains for the month of January. According to the S&P 500, the Financials sector had a 5.04% gain, as the usual financials headliners like Goldman Sachs, JPMorgan and Morgan Stanley were able to show a somewhat decent month. The Technology sector is up 7.94% in January, contributing to a YTD performance of the same value. The steady growth is mostly attributed to the recent federal tax cut for large corporations. The tax reform reduces the corporate tax rate from 35% to 21%, slashing operating costs for many large technology companies.

For more equities data: S&P 500

Fixed Income

Spreads on 10-Year Treasuries versus 2-Year Treasuries widened 6bps from 0.54% to 0.60%. This indicates a steepening yield curve brought about by the "melt-up" in Global Equity Markets to start the first month of 2018. The Bloomberg Barclays U.S. Treasury Index finished the month down 136bps in January following what has been regarded as a pivotal breakout by 10-Year Treasuries from the 2.5% level. The breakout from key resistance in 10-Year's was echoed by a 90bp decline for the Bloomberg Barclays U.S. Corporate Investment Grade Credit Index; spreads tightened 8bps for the month. High Yield Bonds fell subject to considerable scrutiny throughout January as experts looked for cracks in the market to indicate a coming end to such substantial equity gains over the month. Still, the Bloomberg Barclays U.S. Corporate High Yield Index remained in positive territory, garnering 60bps to finish January. CME probabilities suggest a median target rate of just over 2.0% in 2018 as the FOMC hopes to curtail inflation concerns throughout the first half of the year. Fixed income and equity investors alike should remain wary of globally overextended markets and view near-unanimity among central bank forecasts as a cautionary tale of what is to come.

For more fixed income data: BofA Merrill Lynch Corporate Bond Index, S&P Municipal Bond Index, St. Louis Fed