



### Market Overview

- Global equity markets sold off as the World Health Organization announced a new mutation of the COVID-19 virus believed to be much more transmissible. The timing of the new health threat was a cause of concern as the winter and holidays approached in the northern hemisphere. Concerns over the virus' impact on economic growth coupled with ongoing supply disruptions and rapidly increasing inflation sent stocks and other risk markets lower.
- The U.S. equity market demonstrated its resiliency once again given U.S. company dominance in the faster growing technology segment. The S&P 500 Index had a modest pull back in November with losses of -0.7% while non-U.S. developed markets and emerging markets stocks sold off by more than 4% as did more economically sensitive U.S. small cap stocks.
- Comments coming from the U.S. central bank became increasingly hawkish, acknowledging that inflation was much more persistent and running higher than expected. During his periodic congressional testimony, the U.S. Federal Reserve Board Chairman indicated that the taper of asset purchases would likely proceed at a faster pace given inflationary pressures. The news sent market interest rates higher, particularly at the short end of the yield curve, while interest rates on longer maturities declined on concerns over economic growth. As governments imposed new travel restrictions and fears spread over new potential lockdowns, global interest rates declined while corporate credit sectors underperformed government bond markets. Traditional safe-haven assets were all higher on the month, including government bonds, the U.S. Dollar and the Japanese Yen.
- Against a backdrop of concerns over economic growth, energy prices plummeted with WTI crude down 19%. Industrial metals prices were down 2-3% while gold was off fractionally at -0.5%. Real estate markets were also lower in November with the Global REIT index losing 2.2%.

### Equity Markets

The S&P 500 Index was down only 0.7% as growth stocks outperformed value by 470 bps. Across industry sectors, the best relative performers and the only sectors recognizing gains for the month were information technology (4.4%) and consumer discretionary (2.2%) while laggards included financials (-5.7%), communication services (-5.2%) and energy (-5.1%). Small cap stocks underperformed large cap stocks by a wide margin. In some parts of Europe and Japan, travel restrictions were reintroduced to protect against the spread of the Omicron variant. Overall, international developed market stocks lost -4.7% on concerns over economic growth while emerging market stocks particularly Turkey as well as China and Russia were down on the month.

### Fixed Income Markets

Global government bond markets were largely higher on flight to quality flows. In the U.S., the yield curve flattened with the yield on the 2-year Treasury increasing by 9 bps to 0.59% and the 10-year yield declining by 9 bps to 1.47%. Corporate credit spreads widened on growth concerns as well as higher than expected new issuance on robust M&A activity. Spread sectors underperformed with investment grade corporates underperforming like duration Treasuries by 89 bps while residential mortgage backed securities (MBS) and asset backed securities (ABS) underperformed by 46 bps and 9 bps, respectively. High yield was down nearly 1.0% in November. Treasury Inflation Protected (TIPS) securities continued to attract flows on inflation concerns.

### Alternative Strategies

Hedge funds lost ground on the month as most asset classes, except high quality bonds, sold off. Some of the worst performing segments included CTA/managed futures strategies as commodity markets declined sharply and equity and rate markets reversed course. While most long/short equity and credit-oriented event driven strategies were lower on the month, relative value strategies such as market neutral and convertible arbitrage held firm as did merger arbitrage on continued M&A activity. The fund of funds composite index returned -1.6% in November.

### Developed Market Returns (%)

|                            | Month  | Year to Date |
|----------------------------|--------|--------------|
| S&P 500                    | (0.69) | 23.18        |
| Russell 2000               | (4.17) | 12.31        |
| MSCI EAFE (\$)             | (4.65) | 5.84         |
| MSCI Europe (\$)           | (5.16) | 9.09         |
| MSCI UK (\$)               | (5.36) | 10.43        |
| MSCI Japan (\$)            | (2.47) | (0.18)       |
| MSCI Pacific ex Japan (\$) | (6.30) | 1.34         |

Source: eVestment Alliance, MSCI, S&P, Russell

### Emerging Market Returns (%)

|                            | Month  | Year to Date |
|----------------------------|--------|--------------|
| MSCI EM (\$)               | (4.08) | (4.34)       |
| MSCI EM Asia (\$)          | (3.63) | (6.22)       |
| MSCI EM EMEA (\$)          | (6.99) | 15.38        |
| MSCI EM Latin America (\$) | (2.98) | (13.25)      |

Source: eVestment Alliance, MSCI

### U.S. Fixed Income Returns (%)

|                                         | Month  | Year to Date |
|-----------------------------------------|--------|--------------|
| Bloomberg Barclays Aggregate            | 0.30   | (1.29)       |
| Bloomberg Barclays Government           | 0.74   | (1.78)       |
| Bloomberg Barclays U.S. TIPS            | 0.89   | 5.62         |
| Bloomberg Barclays U.S. Inv. Grade Corp | 0.06   | (0.96)       |
| Bloomberg Barclays U.S. Mort. Backed    | (0.09) | (0.95)       |
| Bloomberg Barclays U.S. High Yield      | (0.97) | 3.34         |
| Credit Suisse Leveraged Loan            | (0.15) | 4.74         |

Source: eVestment Alliance, Bloomberg Barclays, Credit Suisse

### Non-U.S. Fixed Income Returns (%)

|                             | Month  | Year to Date |
|-----------------------------|--------|--------------|
| FTSE Non-U.S. WGBI Hedged   | 1.44   | (1.22)       |
| FTSE Non-U.S. WGBI Unhedged | (0.63) | (9.07)       |
| JP Morgan EMBI Global       | (1.45) | (2.89)       |

Source: eVestment Alliance, FTSE, JP Morgan

### Hedge Fund Strategy Comparison

