



Canterbury Consulting

canterburyconsulting.com

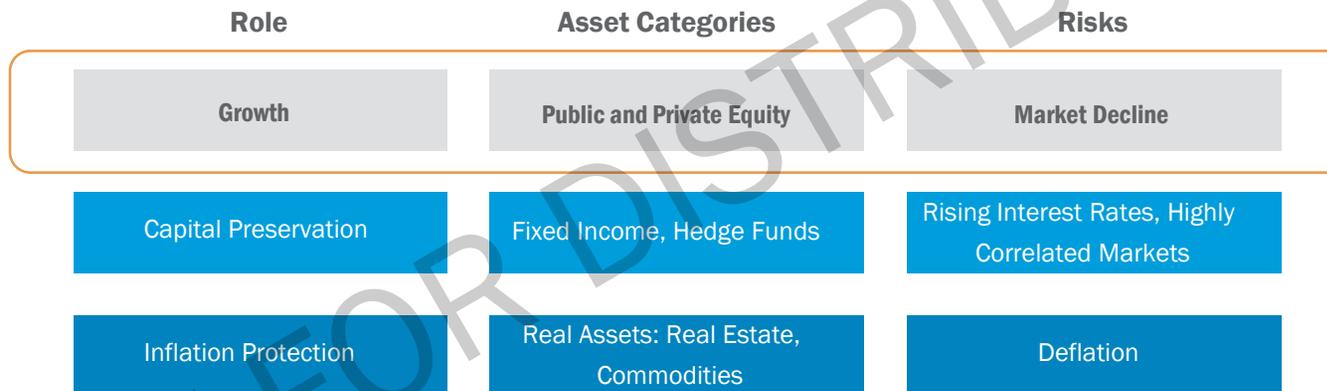
Quarterly Asset Class Report Global Equity

Canterbury Consulting (“CCI”) is an SEC registered Investment Adviser. Information pertaining to CCI’s advisory operations, services, and fees is set forth in CCI’s current Form ADV Part 2 (Brochure), a copy of which is available upon request and at www.adviserinfo.sec.gov. Information provided through CCI’s Quarterly Outlook related to market or asset class performance figures is believed to be derived from reliable sources. However, CCI assumes no responsibility for their content or the manner in which the viewer utilizes such information. The performance information presented in certain charts or tables is for informational purpose only and represents historical performance based on available market data results for the quarterly period shown above and does not reflect any performance related to trading in actual accounts. Any recommendations or statement made in the Quarterly Outlook is not to be construed as specific investment advice. The viewer should be aware of the inherent limitations of data derived from the retroactive application of historical data developed with the benefit of hindsight and that actual results may differ. Actual performance with client accounts would be materially less than the stated performance results for the same period when including the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid.

June 30, 2019

Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of long-only equity strategies designed to (in aggregate):

- Provide growth of portfolio assets in excess of inflation and spending rates
- Maintain comparable exposure to the global equity market
- Exhibit returns uncorrelated to fixed income markets



- Canterbury global equity portfolios are expected to deliver consistent net of fees excess returns and moderate tracking error versus the MSCI All Country World Index over longer periods of time.

Performance (%) as of June 30, 2019

Equity Review



Blue dots represent the returns of the respective Russell & MSCI benchmarks; gray floating bar charts represent the peer groups by quartile

- All major indices continued their positive run in the quarter despite concerns in May over the U.S.-China trade war. By the end of the quarter, markets were supported by increasingly accommodative central banks and trade progress between the two countries.
- U.S. growth stocks continued to outperform value stocks in the quarter. Return dispersion leveled out across the board after a period of relatively high dispersion in the first quarter of 2019.
- Both non-U.S. developed and emerging markets stocks were positive, continuing from their strong performance in the prior quarter. However, emerging market shares lagged their developed market counterparts as trade uncertainty weighed on Asian stocks.

Sources: Morningstar Direct, Russell, MSCI

Market Capitalization Mix

Equity: U.S. Market Cap		Current	10 Year Avg	Deviation from Mean*	Large	Neutral	Small
Valuation	Russell Top 200 Current P/E (Large Cap)	19.18	17.31	0.77		-	
	R2000 Current P/E (Small Cap)	40.04	42.96	-0.25		-	
	Avg P/E Ratio (Large/Small)	0.48	0.46	0.22		-	
	Russell Top 200 EV/EBITDA [^] (Large Cap)	13.21	10.43	1.48			+
	R2000 EV/EBITDA (Small Cap)	17.07	15.13	0.70		-	
	Avg EV/EBITDA Ratio (Large/Small)	0.77	0.69	1.23			+
	Russell Top 200 P/S (Large Cap)	2.34	1.77	1.48			+
	R2000 P/S (Small Cap)	1.10	1.08	0.09		-	
	Avg P/S Ratio (Large/Small)	2.13	1.64	2.41			++
Solvency	Russell Top 200 Debt/EBITDA (Large Cap)	4.22	4.40	-0.34		-	
	Russell 2000 Debt/EBITDA (Small Cap)	6.75	5.82	0.96		-	
	Avg Debt/EBITDA Ratio (Large/Small)	0.63	0.77	-1.12	+		
Growth	Russell Top 200 LT EPS Gr (Fwd) (Large Cap)	7.97	9.34	-0.39		-	
	R2000 LT EPS Gr (Fwd) (Small Cap)	10.73	10.19	0.17		-	
	Avg Growth Ratio (Large/Small)	0.74	0.92	-0.29		-	
Economy	Case Shiller Home Price (YoY)	2.54	3.77	-0.22		-	
	Total Leading Economic Indicators	111.80	94.86	1.70			+
	Currency (USD v Broad Basket)	96.13	87.20	1.05			+
	Curve Steepness 2's to 10's	0.25	1.55	-1.66	+		

*Deviation from mean represents how many standard deviations the current value is above or below the 10-year average, also known as the "Z-Score". '+' denotes one standard deviation, and '++' denotes two standard deviations in favor of the asset class

[^]EV/EBITDA, also known as the "enterprise multiple," is a ratio used to determine the value of a company. Unlike P/E, the enterprise multiple takes debt into account. This is often the ratio used by companies looking to acquire another business

Equity Review

- There are various metrics used to value the equity universe. Canterbury prefers Price/Earnings, EV/EBITDA, and Price/Sales.
- P/E multiples for small caps remained below their long-term average in the quarter. U.S. large caps are trading above their long-term average following positive returns in the quarter.
- Growth estimates have declined for large caps given a slowdown in growth in 2019. However, small cap growth estimates have ticked up above their 10 year averages.
- The spread between the 10-year and 2-year U.S. Treasury widened slightly in the quarter. The Fed changed its rhetoric from no rate rises anticipated at the start of the year, to a likely rate cut in 2019.

Source: Russell

Region Mix – U.S. vs. R.O.W.

Equity: Region (U.S./Global)		Current	10 Year Avg	Deviation from Mean*	U.S.	Neutral	R.O.W.
Valuation	S&P 500 Current P/E	19.32	17.78	0.61		-	
	MSCI ACWI Current P/E	17.58	17.51	0.02		-	
	Avg P/E Ratio (US /ACWI)	1.10	1.02	0.97		-	
	S&P 500 EV/EBITDA^	13.50	10.79	1.51			+
	MSCI ACWI EV/EBITDA	11.37	9.99	1.08	+		
	Avg EV/EBITDA Ratio (US/ACWI)	1.19	1.08	1.88			+
	S&P 500 P/S	2.18	1.67	1.43			+
	MSCI ACWI P/S	1.61	1.31	1.37	+		
Avg P/S Ratio (US/ACWI)	1.35	1.27	1.04			+	
Solvency	S&P 500 Debt/EBITDA	4.16	4.30	-0.25		-	
	MSCI ACWI Debt/EBITDA	5.61	6.11	-0.75		-	
	Avg Debt/EBITDA Ratio (US/ACWI)	0.74	0.70	1.03			+
Growth	S&P 500 LT EPS Gr (Fwd)	8.06	9.08	-0.28		-	
	MSCI ACWI LT EPS Gr (Fwd)	6.06	9.89	-0.25		-	
	Avg Growth Ratio (US/ACWI)	1.33	0.97	1.04	+		
Economy	Currency (USD v Broad Basket)	96.13	87.20	1.05			+

*Deviation from mean represents how many standard deviations the current value is above or below the 10-year average, also known as the "Z-Score". '+' denotes one standard deviation, and '++' denotes two standard deviations in favor of the asset class

^EV/EBITDA, also known as the "enterprise multiple," is a ratio used to determine the value of a company. Unlike P/E, the enterprise multiple takes debt into account. This is often the ratio used by companies looking to acquire another business

Equity Review

- Valuation multiples continued to tick up for both U.S. equities and equities outside of the U.S. From a relative standpoint, global equities remain more attractively valued.
- Debt levels remain below long-term averages for both U.S. and global (R.O.W.) stocks, suggesting healthy leverage conditions.
- Expected earnings growth has fallen slightly below 10-year averages for both domestic and R.O.W. equities.
- The U.S. dollar edged lower in the quarter and provided a small tailwind to certain international markets. Geopolitical uncertainty may cause the dollar to strengthen in the coming quarters. However, a more dovish Fed may result in dollar weakness.

Sources: MSCI and Standard & Poor's

Region Mix – Non-U.S. Developed vs. R.O.W.

Equity Review

Equity: Region (Non-U.S. Dev/Global)	Current	10 Year Avg	Deviation from Mean*	Non-U.S. Dev	Neutral	R.O.W.
Valuation	MSCI EAFE Current P/E	16.14	18.76	-0.22	-	
	MSCI ACWI Current P/E	17.58	17.51	0.02	-	
	Avg P/E Ratio (EAFE/ACWI)	0.92	1.05	-0.43	-	
	MSCI EAFE EV/EBITDA^	9.19	9.25	-0.06	-	
	MSCI ACWI EV/EBITDA	11.37	9.99	1.08	+	
	Avg EV/EBITDA Ratio (EAFE/ACWI)	0.81	0.93	-2.16	++	
	MSCI EAFE P/S	1.18	1.02	1.04		+
	Avg P/S Ratio (EAFE/ACWI)	0.73	0.78	-1.55	+	
Solvency	MSCI EAFE Debt/EBITDA	7.36	8.57	-1.10	+	
	MSCI ACWI Debt/EBITDA	5.61	6.11	-0.75	-	
	Avg Debt/EBITDA Ratio (EAFE/ACWI)	1.31	1.40	-1.59	+	
Growth	MSCI EAFE LT EPS Gr (Fwd)	4.42	5.82	-0.03	-	
	MSCI ACWI LT EPS Gr (Fwd)	6.06	9.89	-0.25	-	
	Avg Growth Ratio (EAFE/ACWI)	0.73	0.75	-0.01	-	
Economy	USD/EUR	1.14	1.25	-0.91	-	

*Deviation from mean represents how many standard deviations the current value is above or below the 10-year average, also known as the “Z-Score”. ‘+’ denotes one standard deviation, and ‘++’ denotes two standard deviations in favor of the asset class

^EV/EBITDA, also known as the “enterprise multiple,” is a ratio used to determine the value of a company. Unlike P/E, the enterprise multiple takes debt into account. This is often the ratio used by companies looking to acquire another business

- Both non-U.S. developed and R.O.W. equity valuations continued to move closer to their long-term averages, with the MSCI ACWI slightly surpassing its 10-year average. Non-U.S. equities continue to remain slightly more attractive from a valuation standpoint.
- Debt levels continue to remain low for non-U.S. developed stocks and R.O.W. equities.
- Earnings growth forecasts for both non-U.S. developed and R.O.W. equities have fallen below their long-term averages. These estimates tend to fluctuate significantly from quarter to quarter.
- The euro remained relatively flat in the quarter vs. the dollar, and the dollar remains strong relative to its historical average. A strong dollar benefits European exporters with costs in euros and revenues in dollars.

Source: MSCI

Region Mix – Emerging Markets vs. R.O.W.

Equity Review

Equity: Region (EM/Global)		Current	10 Year Avg	Deviation from Mean*	EM	Neutral	R.O.W.
Valuation	MSCI EM Current P/E	13.78	13.60	0.08		-	
	MSCI ACWI Current P/E	17.58	17.51	0.02		-	
	Avg P/E Ratio (EM/ACWI)	0.78	0.78	0.06		-	
	MSCI EM EV/EBITDA^	8.69	8.08	0.73		-	
	MSCI ACWI EV/EBITDA	11.37	9.99	1.08	+		
	Avg EV/EBITDA Ratio (EM/ACWI)	0.76	0.82	-0.68		-	
	MSCI EM P/S	1.25	1.18	0.47		-	
	MSCI ACWI P/S	1.61	1.31	1.37	+		
Avg P/S Ratio (EM/ACWI)	0.77	0.92	-0.79		-		
Solvency	MSCI EM Debt/EBITDA	4.44	3.91	0.80		-	
	MSCI ACWI Debt/EBITDA	5.61	6.11	-0.75		-	
	Avg Debt/EBITDA Ratio (EM/ACWI)	0.79	0.65	1.05			+
Growth	MSCI EM LT EPS Gr (Fwd)	4.38	8.82	-0.27		-	
	MSCI ACWI LT EPS Gr (Fwd)	6.06	9.89	-0.25		-	
	Avg Growth Ratio (EM/ACWI)	0.72	0.78	-0.11		-	

*Deviation from mean represents how many standard deviations the current value is above or below the 10-year average, also known as the "Z-Score". '+' denotes one standard deviation, and '++' denotes two standard deviations in favor of the asset class

^EV/EBITDA, also known as the "enterprise multiple," is a ratio used to determine the value of a company. Unlike P/E, the enterprise multiple takes debt into account. This is often the ratio used by companies looking to acquire another business

- Both EM equities and R.O.W. equities slightly surpassed their historical valuations and EM equities continue to trade at an appropriate discount to R.O.W. equities.
- Elevated debt levels continue to be more of a concern for emerging markets than they are for R.O.W., particularly for those EM countries with dollar denominated debt, if there is continued U.S. dollar strength.
- Growth estimates tend to fluctuate from quarter to quarter, and both EM and R.O.W. EPS growth estimates have fallen below their long-term averages.

Source: MSCI

Portfolio Characteristics

Recommended Ranges

Market Cap (U.S.)	Minimum	Maximum	R3000
Large Cap (> \$26.4B)	50.0%	70.0%	69.9%
Mid Cap (\$3.0B - \$26.4B)	25.0%	40.0%	24.7%
Small Cap (< \$3.0B)	2.5%	12.5%	5.4%

Region	Minimum	Maximum	MSCI ACWI
U.S.	45.0%	65.0%	55.1%
Non-U.S. Developed	25.0%	40.0%	33.2%
Emerging Markets	5.0%	20.0%	11.7%

Client objectives and constraints may cause allocations to vary from recommended ranges

Equity Review

- Canterbury believes non-U.S. equities are attractively valued compared to U.S. equities due to the strong U.S. dollar and high valuations in U.S. equities.
- Our market cap exposures target a neutral position. Valuation, growth, and economic indicators do not support a major shift at this time.
- As the equity market cycle matures, Canterbury believes its utilization of active managers that can avoid overvalued regions, sectors, and securities will contribute positively to performance.