



Canterbury Consulting

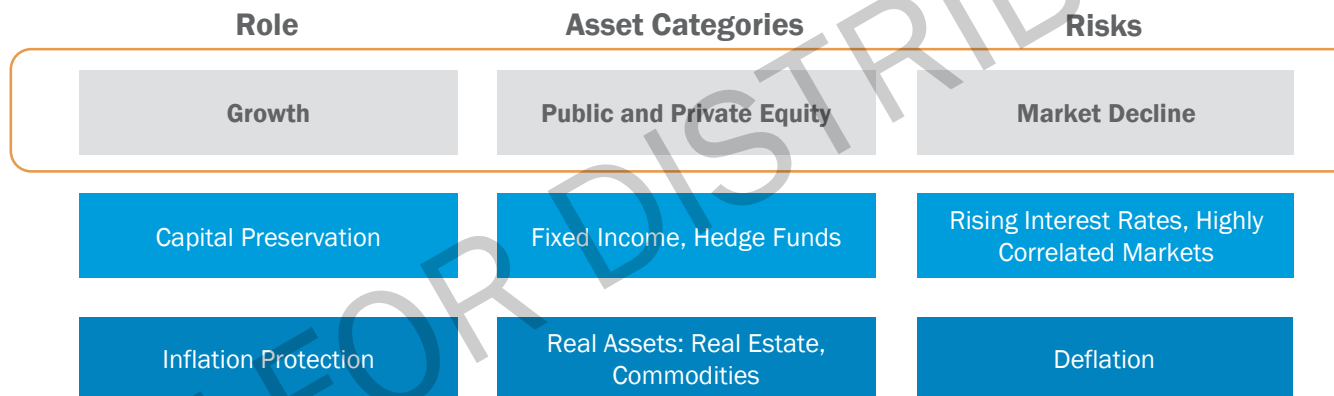
Quarterly Asset Class Report Global Equity

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June 30, 2021

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, 2021

Equity Review



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

- Major U.S. indices rose in the quarter with large-cap stocks outperforming small-cap stocks.
- Large growth companies made a comeback in the second quarter, outperforming large value companies. Value has outperformed growth over the YTD and 1-year time periods.
- Non-U.S. developed and emerging markets (EM) equities rallied in the quarter. EM equities slightly lagged non-U.S. developed equities in the quarter but have outperformed over the one-year time period.

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)	28.75	18.92	2.46		++
	R2000 Current P/E (Small Cap)	N/A	49.72	N/A		-
	Avg P/E Ratio (Large/Small)	N/A	0.40	N/A		-
	Russell Top 200 EV/EBITDA [^] (Large Cap)	18.32	11.72	2.49		++
	R2000 EV/EBITDA (Small Cap)	27.88	17.46	2.35	++	
	Avg EV/EBITDA Ratio (Large/Small)	0.66	0.68	-0.33		-
	Russell Top 200 P/S (Large Cap)	3.60	2.06	2.87		++
	R2000 P/S (Small Cap)	1.59	1.15	2.59	++	
	Avg P/S Ratio (Large/Small)	2.26	1.79	1.22		+
Solvency	Russell Top 200 Debt/EBITDA (Large Cap)	4.35	4.27	0.35		-
	Russell 2000 Debt/EBITDA (Small Cap)	9.08	6.62	1.29	+	
	Avg Debt/EBITDA Ratio (Large/Small)	0.48	0.67	-1.32	+	
Growth	Russell Top 200 LT EPS Gr (Fwd) (Large Cap)	15.19	9.27	1.26	+	
	R2000 LT EPS Gr (Fwd) (Small Cap)	9.45	10.01	-0.10		-
	Avg Growth Ratio (Large/Small)	1.61	0.92	0.94		-
Economy	Case Shiller Home Price (YoY)	14.88	5.48	2.12		++
	Total Leading Economic Indicators	114.50	100.33	1.66		+
	Currency (USD v Broad Basket)	92.44	90.54	0.24		-
	Curve Steepness 2's to 10's	1.22	1.16	0.09		-

*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.
- Valuation metrics for both small caps and large caps remain above 10-year averages. The P/E ratio is labeled N/A for the small cap index due to negative earnings in the quarter.
- The growth estimate for large caps is above its long-term average whereas small caps growth estimate is slightly below its average.
- After a sharp rise in the first quarter, the interest rate spread between the 10-year and two-year U.S. Treasury narrowed closer to its long-term average.

Source: Russell

Region Mix — U.S. vs. R.O.W.

Equity Review

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	29.57	19.09	2.69			++
	MSCI ACWI Current P/E	26.97	18.48	2.15	++		
	Avg P/E Ratio (US /ACWI)	1.10	1.03	1.09			+
	S&P 500 EV/EBITDA [^]	18.46	11.99	2.48			++
	MSCI ACWI EV/EBITDA	16.18	10.80	2.70	++		
	Avg EV/EBITDA Ratio (US/ACWI)	1.14	1.11	0.69		-	
	S&P 500 P/S	3.12	1.91	2.83			++
	MSCI ACWI P/S	2.28	1.45	2.82	++		
Avg P/S Ratio (US/ACWI)	1.37	1.31	1.30			+	
Solvency	S&P 500 Debt/EBITDA	4.57	4.20	1.08			+
	MSCI ACWI Debt/EBITDA	6.55	5.99	1.16	+		
	Avg Debt/EBITDA Ratio (US/ACWI)	0.70	0.70	-0.13		-	
Growth	S&P 500 LT EPS Gr (Fwd)	14.13	8.92	1.04	+		
	MSCI ACWI LT EPS Gr (Fwd)	15.45	9.58	0.23		-	
	Avg Growth Ratio (US/ACWI)	0.91	0.96	-0.09		-	
Economy	Currency (USD v Broad Basket)	92.44	90.54	0.24		-	

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- Earnings and EV multiples fell for both U.S. equities and equities outside of the U.S. Valuations remain above long-term averages.
- Debt levels remain above long-term averages for both U.S. and global (R.O.W.) stocks, suggesting more concerning leverage conditions.
- R.O.W. and domestic equities earnings growth expectations are above their long-term averages.
- The U.S. dollar weakened in the quarter and was a relative tailwind to international returns.

Sources: MSCI, 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	29.80	19.12	1.75		+
	MSCI ACWI Current P/E	26.97	18.48	2.15	++	
	Avg P/E Ratio (EAFE/ACWI)	1.11	1.03	0.77		-
	MSCI EAFE EV/EBITDA [^]	12.66	9.62	2.41		++
	MSCI ACWI EV/EBITDA	16.18	10.80	2.70	++	
	Avg EV/EBITDA Ratio (EAFE/ACWI)	0.78	0.90	-1.85	+	
	MSCI EAFE P/S	1.55	1.09	2.54		++
	MSCI ACWI P/S	2.28	1.45	2.82	++	
Avg P/S Ratio (EAFE/ACWI)	0.68	0.75	-1.92	+		
Solvency	MSCI EAFE Debt/EBITDA	9.72	8.41	1.44		+
	MSCI ACWI Debt/EBITDA	6.55	5.99	1.16	+	
	Avg Debt/EBITDA Ratio (EAFE/ACWI)	1.48	1.40	1.28		+
Growth	MSCI EAFE LT EPS Gr (Fwd)	5.54	6.24	-0.02		-
	MSCI ACWI LT EPS Gr (Fwd)	15.45	9.58	0.23		-
	Avg Growth Ratio (EAFE/ACWI)	0.36	0.64	-0.11		-
Economy	USD/EUR	1.19	1.20	-0.15		-

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- Both non-U.S. developed and R.O.W. equity valuations remain above their long-term averages.
- Debt levels for both non-U.S. developed and R.O.W. fell slightly in the quarter but remain above their long-term averages.
- Earnings growth forecasts improved for R.O.W. equities in the quarter whereas non-U.S. developed equities growth remains below its 10-year average.
- The euro strengthened versus the dollar but remains slightly below its 10-year average. A weaker dollar can benefit U.S. companies with revenues in Europe and costs in U.S. 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	17.11	13.88	1.14		+
	MSCI ACWI Current P/E	26.97	18.48	2.15	++	
	Avg P/E Ratio (EM/ACWI)	0.63	0.76	-2.34	++	
	MSCI EM EV/EBITDA [^]	14.41	8.53	3.63		++
	MSCI ACWI EV/EBITDA	16.18	10.80	2.70	++	
	Avg EV/EBITDA Ratio (EM/ACWI)	0.89	0.80	1.79		+
	MSCI EM P/S	1.64	1.19	2.41		++
	MSCI ACWI P/S	2.28	1.45	2.82	++	
	Avg P/S Ratio (EM/ACWI)	0.72	0.83	-1.07	+	
Solvency	MSCI EM Debt/EBITDA	4.91	4.32	0.82		-
	MSCI ACWI Debt/EBITDA	6.55	5.99	1.16	+	
	Avg Debt/EBITDA Ratio (EM/ACWI)	0.75	0.72	0.28		-
Growth	MSCI EM LT EPS Gr (Fwd)	8.65	8.53	0.01		-
	MSCI ACWI LT EPS Gr (Fwd)	15.45	9.58	0.23		-
	Avg Growth Ratio (EM/ACWI)	0.56	0.79	-0.46		-

- Both EM equities and R.O.W. equity valuations are above their historical valuation multiples. EM equities appear to be attractively valued from an earnings multiple standpoint.
- Debt levels for both EM countries and for R.O.W. remain above long-term averages.
- Growth expectations for both EM and R.O.W. equities moved above their historical averages.

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Source: MSCI