CanterburyConsulting

Global Positioning Statement™

canterburyconsulting.com

September 30, 2018

Global Growth Continues amid Trade War Rhetoric

- The third quarter saw continued economic growth. U.S. equities were up over 7% in the quarter. GDP reached over 4% and earnings and revenue growth were over 25% in the quarter. Tax cuts, improved margins, and a strong consumer contributed to growth. However, trade wars, a strong U.S. dollar, rising rates in the U.S., and geopolitical uncertainty continue to be a cause for concern in other risk markets.

- International equities were up 1.3% in the quarter, however they are still down 1.5% for the year. Developed international has been more resilient than emerging markets, which were down over 1% for the quarter and down nearly 8% for the year. The strong U.S. dollar has affected the space, in particular those countries with current account deficits. Trade tensions between China and the U.S. have also continued to put a strain on the asset class.

- U.S. high yield continued to be the best performing asset class in fixed income as strong growth and solid underlying fundamentals resulted in slightly tighter spreads over the quarter. U.S. core fixed income posted flat returns on the back of rising inflation expectations. Emerging Market debt continued to exhibit volatility as escalating concerns over global trade and an appreciating dollar put pressure on the space.

- The metals and mining sector endured a difficult quarter as U.S. trade policy uncertainty clouded future demand for various commodities. Given that China consumes a large portion of the world's commodities, investors worry that a lower Chinese growth outlook could have a negative effect on future consumption.

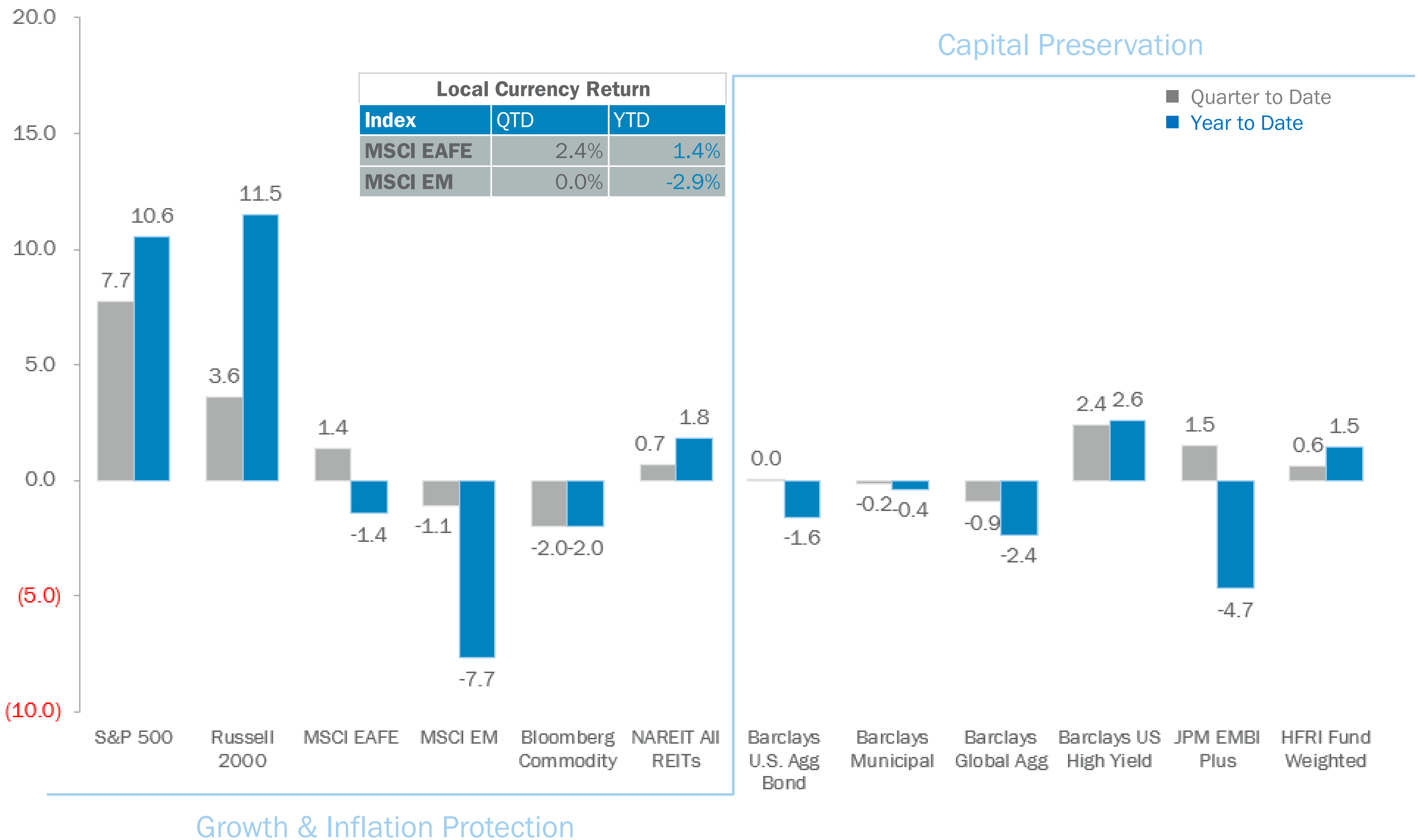
Returns through September 30, 2018

Index	QTD	YTD	1 Year
Growth MSCI ACWI	4.3%	3.8%	9.8%
Capital Preservation Barclays Global Aggregate	(0.9%)	(2.4%)	(1.3%)
Inflation Protection Morningstar U.S. Real Asset*	1.4%	3.9%	7.3%

*40% TIPS, 30% L/S Commodity, 15% REITs, 10% Global Nat. Resources, 5% MLPs

Index Returns (%)

Through September 30, 2018



Local Currency Return

Index	QTD	YTD
MSCI EAFE	2.4%	1.4%
MSCI EM	0.0%	-2.9%

Source: Morningstar

CanterburyConsulting

Year over Year Statistics[1]

	September 30, 2013	September 30, 2014	September 30, 2015	September 30, 2016	September 29, 2017	September 28, 2018
S&P 500	1,681.55	1,972.29	1,920.03	2,168.27	2,519.36	2,913.98
S&P 500 EPS	103.33	113.13	109.38	106.39	118.11	138.28
P/E of S&P 500	16.27	17.43	17.55	20.38	21.33	21.07
P/E of MSCI EAFE	18.49	17.32	18.50	23.27	19.21	15.59
P/E of MSCI EM	11.76	12.82	11.87	16.08	15.14	12.64
S&P 500 Earnings Yield	6.14	5.74	5.70	4.91	4.69	4.75
Fed Funds Effective Rate	0.08	0.09	0.14	0.40	1.15	1.95
3 Month LIBOR	0.25	0.24	0.33	0.85	1.33	2.40
10 Year Treasury Yield	2.61	2.49	2.04	1.59	2.33	3.06
30 Year Mortgage Rate	4.28	4.12	3.84	3.34	3.80	4.57
Barclays U.S. Agg Yield	3.30	3.10	3.42	2.84	3.16	4.07
Barclays HY Spread	4.61	4.24	6.30	4.80	3.47	3.16
Gold ($/oz)	1,329.03	1,208.15	1,115.09	1,315.87	1,279.75	1,190.88
WTI Crude Oil ($/bbl)	102.33	91.16	45.09	48.24	51.67	73.25
Unemployment Rate	7.20	5.90	5.00	5.00	4.20	3.70
Headline CPI[2]	1.20	1.70	0.00	1.50	2.20	2.30
VIX Index	16.60	16.31	24.50	13.29	9.51	12.12

Forward Looking Forecasts[1]

	Real GDP[3]	CPI[3]	Unemployment[3]	10-Yr Treasury[3]	S&P 500 EPS[4]	Forward P/E[4]	MSCI EAFE EPS[4]	Forward P/E[4]	MSCI EM EPS[4]	Forward P/E[4]
2018	2.9%	2.5%	3.9%	3.2%	$167.44	16.84	$154.38	11.99	$93.16	10.25
2019	2.5%	2.4%	3.6%	3.5%	$176.28	16.00	$148.34	12.48	$96.02	9.94

(1) Source: Bloomberg
(2) Values are carried forward from the most recent reported value (9/30/2018)
(3) Forecasts are consensus opinions from 98 forecasting agencies (Median)
(4) 2018: Forward 12 month estimate 2019: Forward 24 month estimate
Estimate calculated from quarter end (i.e. Sep. 30, 2018 – Sep. 30, 2019). Price in P/E ratio static as of quarter end

Current U.S. Economic Conditions: Normal Growth

Contraction

U.S. GDP Growth: 0.0% - 1.9%

U.S. Earnings: Meeting forecasts

U.S. Credit Markets: Expanding spreads

Volatility (VIX): 25-40

Yield Curve: Flattening yield curve

Investor Sentiment: Demand greater risk premium

Normal Growth

U.S. GDP Growth: 2.0% - 4.0%

U.S. Earnings: Meet or Exceed forecasts

U.S. Credit Markets: Normal spreads, Normal defaults

Volatility (VIX): Normal 15-25

Yield Curve: Yield curve stable

Investor Sentiment: Investors showing rational buying

Panic

U.S. GDP Growth: Negative

U.S. Earnings: Worse than pessimistic forecasts

U.S. Credit Markets: Wide spreads, High defaults

Volatility (VIX): > 40

Yield Curve: Inverted yield curve

Investor Sentiment: Investors sell indiscriminately

Manic Growth

U.S. GDP Growth: Greater than 4.0%

U.S. Earnings: Exceed optimistic forecasts

U.S. Credit Markets: Low defaults, Low spreads

Volatility (VIX): Below 15

Yield Curve: Yield curve steepens

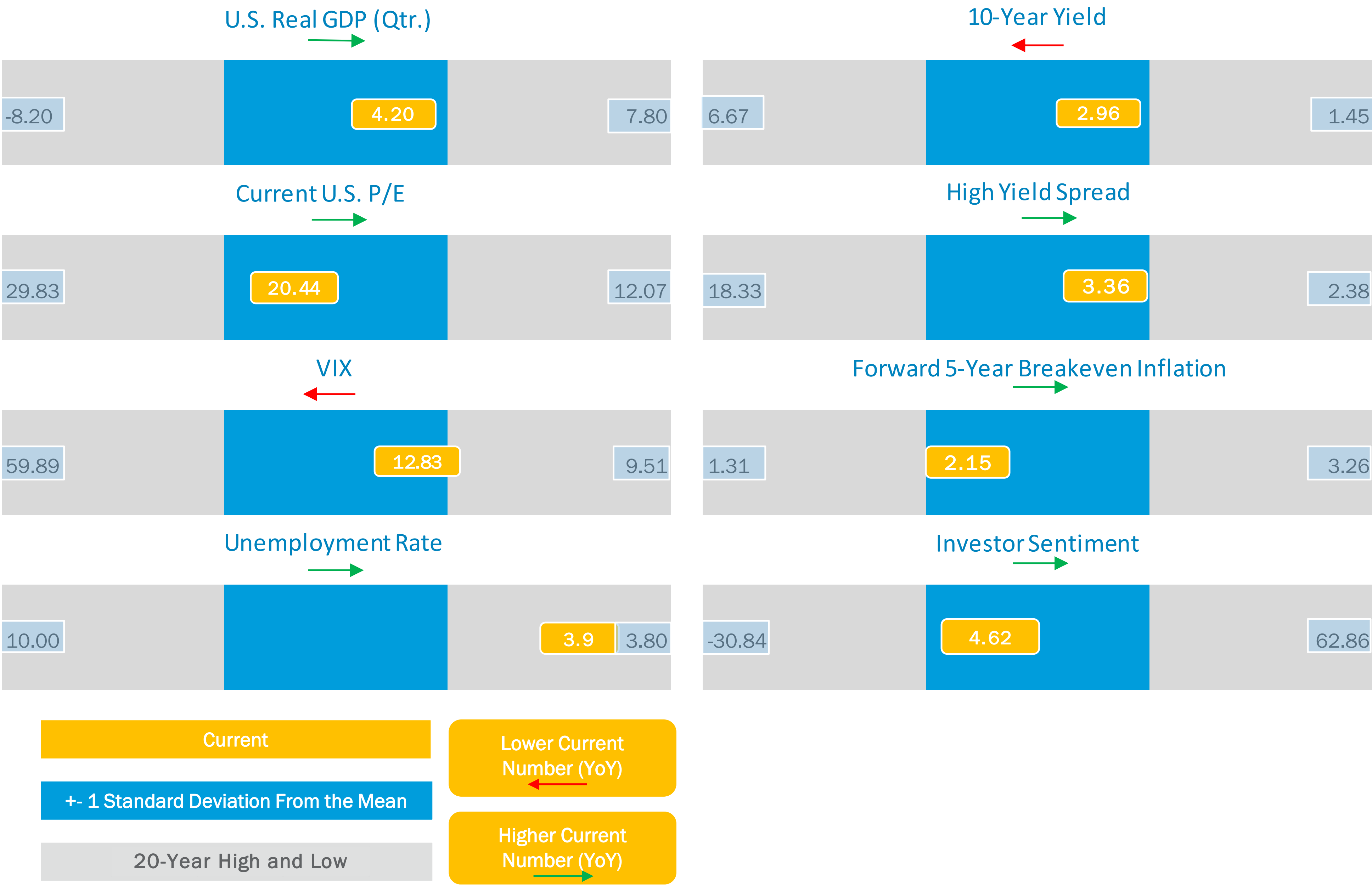
Investor Sentiment: Investors eager to purchase at any price

Measurements

U.S. GDP Growth: *Quarterly U.S. Real GDP standard deviation from 10 year U.S. Real GDP*
U.S. Earnings: *Compare S&P earnings estimates to the % of earnings that met or exceeded forecasts*
Spreads: *Quarterly Barclays HY Bond spread standard deviation from 10 year Barclays HY Bond spread*
Defaults: *Quarterly HY default rate standard deviation from 10 year HY default rate*
Volatility: *Quarterly VIX standard deviation from 10 year VIX*
Yield Curve: *Difference between U.S. 30 year rates and 2 year rates*
Sentiment: *Spread between Bull Sentiment Index and Bear Sentiment Index. Quarterly spread standard deviation from 10 year spread*

Global Positioning Indicators

Through September 30, 2018



Global Positioning Statement™

Canterbury's Position

	GROWTH		CAPITAL PRESERVATION		INFLATION PROTECTION
Asset Class	Public Equity	Private Equity	Fixed Income	Hedge Funds	Real Assets
Benchmark	MSCI ACWI	Cambridge U.S. Private Equity Index	Barclays Global Aggregate	HFRI Fund Weighted	Morningstar U.S. Real Asset
Canterbury Positioning	1. Consider rebalancing back to emerging markets target if underweight 2. Allocate to high active share strategies	1. Focus on operational hands-on strategies 2. Prudent use of leverage	1. Maintain diversification & defensive posture with interest rates and credit 2. Maintain home country bias	1. Balance allocations between long/short equity and long/short credit	1. Diversify exposure to real assets 2. Rebalance real asset exposure
Reason	1. Better diversification and lower valuations in emerging markets 2. Later stage recovery and rising interest rates support thoughtful security selection	1. Persistent value creation independent of market cycle 2. Late stage in the recovery	1. Interest rate risk is expensive in the current low rate environment. Credit spreads are tighter than median levels 2. Less non-U.S. developed currency risk and a better hedge against investor liabilities	1. Equity and credit strategies look equally attractive	1. Increases the reliability of the asset class against inflation 2. Many investors' allocations to real assets have fallen below target ranges
Positioning Shifts	None	None	None	None	None