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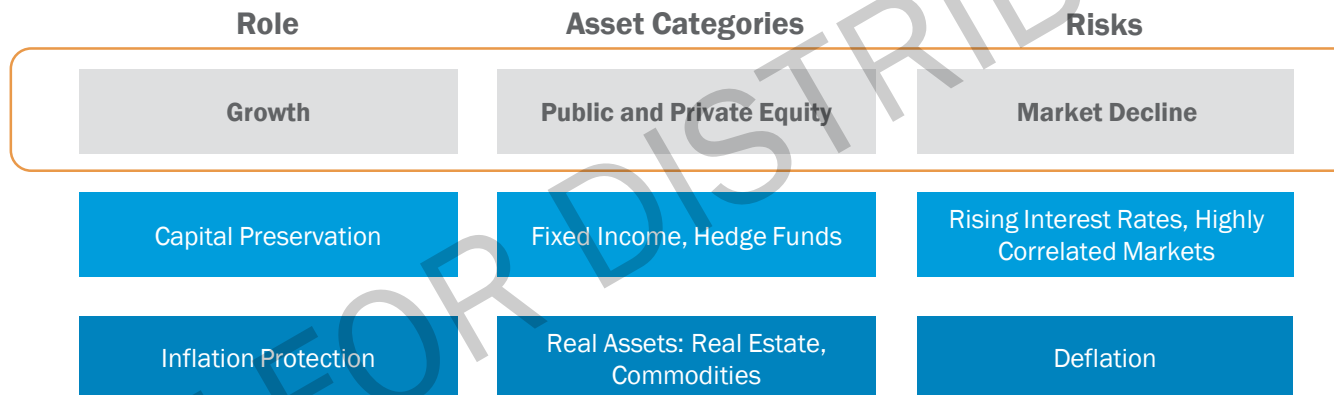
## Quarterly Asset Class Report Global Equity

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September 30, 2020

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):

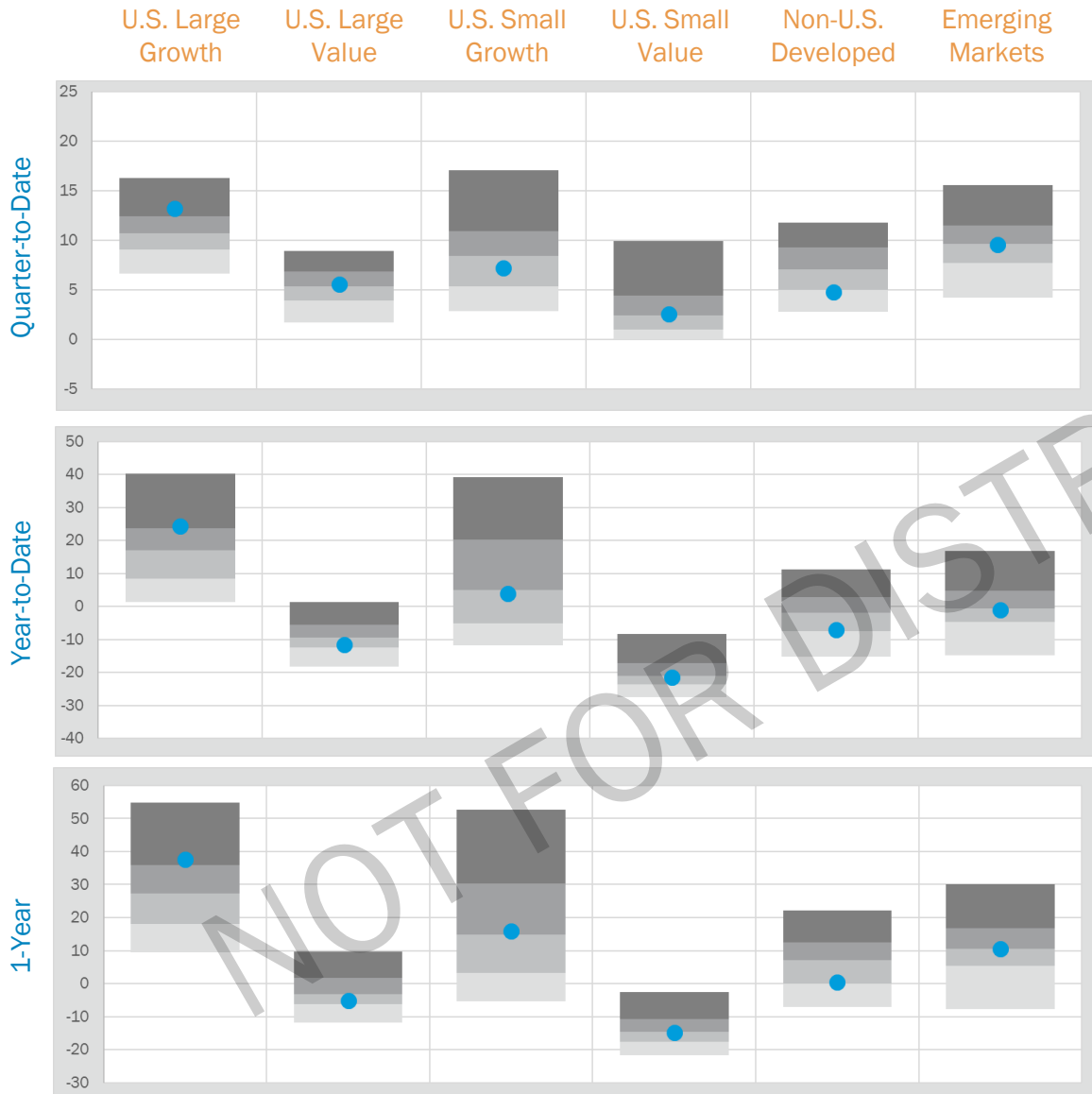
- Provide growth of portfolio assets in excess of inflation and spending rates
- Maintain comparable exposure to the global equity market
- Exhibit returns uncorrelated to fixed income markets



- 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 September 30, 2020

## 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. index returns rose in the quarter. U.S. large-cap stocks outperformed small-cap stocks, a reversal from last quarter. U.S. large-cap stocks have also outperformed U.S. small-cap stocks over the one-year time period.
- Value stocks continued to lag growth stocks in the quarter. The performance spread between growth and value was most pronounced at the higher end of the market cap spectrum.
- Both non-U.S. developed and emerging markets (EM) rallied in the quarter and benefited from currency tailwinds. EM equities outperformed non-U.S. developed equities in the quarter and the year-to-date.

Sources: Morningstar Direct, Russell, MSCI

## Market Capitalization Mix

## Equity Review

Equity: U.S. Market Cap		Current	10 Year Avg	Deviation from Mean*	Large	Neutral	Small
Valuation	Russell Top 200 Current P/E (Large Cap)	27.46	17.88	3.14			++
	R2000 Current P/E (Small Cap)	79.56	41.00	4.38	++		
	Avg P/E Ratio (Large/Small)	0.35	0.45	-1.42	+		
	Russell Top 200 EV/EBITDA <sup>^</sup> (Large Cap)	16.52	11.07	2.55			++
	R2000 EV/EBITDA (Small Cap)	31.28	15.96	4.18	++		
	Avg EV/EBITDA Ratio (Large/Small)	0.53	0.69	-2.43	++		
	Russell Top 200 P/S (Large Cap)	3.00	1.93	2.54			++
	R2000 P/S (Small Cap)	1.07	1.11	-0.33		-	
	Avg P/S Ratio (Large/Small)	2.80	1.73	3.11			++
Solvency	Russell Top 200 Debt/EBITDA (Large Cap)	4.71	4.27	1.75			+
	Russell 2000 Debt/EBITDA (Small Cap)	13.52	6.08	4.31	++		
	Avg Debt/EBITDA Ratio (Large/Small)	0.35	0.72	-2.50	++		
Growth	Russell Top 200 LT EPS Gr (Fwd) (Large Cap)	9.49	9.27	0.05		-	
	R2000 LT EPS Gr (Fwd) (Small Cap)	11.77	10.29	0.28		-	
	Avg Growth Ratio (Large/Small)	0.81	0.90	-0.13		-	
Economy	Case Shiller Home Price (YoY)	3.95	4.33	-0.09		-	
	Total Leading Economic Indicators	106.50	98.38	0.92		-	
	Currency (USD v Broad Basket)	93.89	89.42	0.52		-	
	Curve Steepness 2's to 10's	0.56	1.26	-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.

<sup>^</sup> 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.

- There are various metrics used to value the equity universe. Canterbury prefers Price/Earnings, EV/EBITDA, and Price/Sales.
- Valuation metrics continued their upward trajectory for both small caps and large caps in the quarter. All but one of the metrics are above their long-term averages.
- Growth estimates moved above their long-term averages for both small caps and large caps.
- The interest rate spread between the 10-year and two-year U.S. Treasury widened slightly in the quarter, but remains below its long-term average.

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	26.14	18.13	2.89			++
	MSCI ACWI Current P/E	27.29	17.52	3.56	++		
	Avg P/E Ratio (US /ACWI)	0.96	1.03	-1.37	+		
	S&P 500 EV/EBITDA^	16.41	11.32	2.52			++
	MSCI ACWI EV/EBITDA	14.28	10.30	2.69	++		
	Avg EV/EBITDA Ratio (US/ACWI)	1.15	1.10	1.03			+
	S&P 500 P/S	2.48	1.80	1.91			+
	MSCI ACWI P/S	1.85	1.38	2.02	++		
Avg P/S Ratio (US/ACWI)	1.34	1.30	0.72		-		
Solvency	S&P 500 Debt/EBITDA	5.00	4.18	2.69			++
	MSCI ACWI Debt/EBITDA	7.13	5.93	3.11	++		
	Avg Debt/EBITDA Ratio (US/ACWI)	0.70	0.70	-0.11		-	
Growth	S&P 500 LT EPS Gr (Fwd)	8.36	8.92	-0.11		-	
	MSCI ACWI LT EPS Gr (Fwd)	7.81	9.83	-0.08		-	
	Avg Growth Ratio (US/ACWI)	1.07	1.00	0.14		-	
Economy	Currency (USD v Broad Basket)	93.89	89.42	0.52		-	

\*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 ticked up across the board for both U.S. equities and equities outside of the U.S., and are above their 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.
- Expected earnings growth remains below 10-year averages for both domestic and R.O.W. equities. However, R.O.W. growth estimates increased from last quarter.
- 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	34.87	17.66	4.27			++
	MSCI ACWI Current P/E	27.29	17.52	3.56	++		
	Avg P/E Ratio (EAFE/ACWI)	1.28	1.01	3.26			++
	MSCI EAFE EV/EBITDA <sup>^</sup>	11.65	9.34	2.46			++
	MSCI ACWI EV/EBITDA	14.28	10.30	2.69	++		
	Avg EV/EBITDA Ratio (EAFE/ACWI)	0.82	0.91	-1.59	+		
	MSCI EAFE P/S	1.24	1.05	1.23			+
	Avg P/S Ratio (EAFE/ACWI)	0.67	0.76	-2.68	++		
Solvency	MSCI EAFE Debt/EBITDA	10.23	8.34	2.45			++
	MSCI ACWI Debt/EBITDA	7.13	5.93	3.11	++		
	Avg Debt/EBITDA Ratio (EAFE/ACWI)	1.43	1.40	0.53		-	
Growth	MSCI EAFE LT EPS Gr (Fwd)	7.14	6.69	0.01		-	
	MSCI ACWI LT EPS Gr (Fwd)	7.81	9.83	-0.08		-	
	Avg Growth Ratio (EAFE/ACWI)	0.91	0.64	0.11		-	
Economy	USD/EUR	1.17	1.22	-0.38		-	

\*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.

<sup>^</sup> 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 remain above their long-term averages. Non-U.S. developed equities appear more attractive from a valuation standpoint.
- Debt levels for both non-U.S. developed and R.O.W. equities are now above their long-term averages.
- Earnings growth forecasts for both non-U.S. developed and R.O.W. rose in the quarter. Non-U.S. developed growth estimates are now above their 10-year average.
- The euro strengthened versus the dollar. The dollar remains strong, relative to its historical 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	20.01	13.52	3.29			++
	MSCI ACWI Current P/E	27.29	17.52	3.56	++		
	Avg P/E Ratio (EM/ACWI)	0.73	0.77	-0.72		-	
	MSCI EM EV/EBITDA <sup>^</sup>	11.51	8.24	3.21			++
	MSCI ACWI EV/EBITDA	14.28	10.30	2.69	++		
	Avg EV/EBITDA Ratio (EM/ACWI)	0.81	0.81	0.02		-	
	MSCI EM P/S	1.46	1.17	2.10			++
	MSCI ACWI P/S	1.85	1.38	2.02	++		
	Avg P/S Ratio (EM/ACWI)	0.79	0.86	-0.49		-	
Solvency	MSCI EM Debt/EBITDA	5.77	4.15	2.31			++
	MSCI ACWI Debt/EBITDA	7.13	5.93	3.11	++		
	Avg Debt/EBITDA Ratio (EM/ACWI)	0.81	0.70	0.94		-	
Growth	MSCI EM LT EPS Gr (Fwd)	22.67	10.53	0.75		-	
	MSCI ACWI LT EPS Gr (Fwd)	7.81	9.83	-0.08		-	
	Avg Growth Ratio (EM/ACWI)	2.90	0.86	3.47	++		

- Both EM equities and R.O.W. equity valuations are above their historical valuation multiples. EM equities appear to be at an appropriate discount to R.O.W. equities.
- Debt levels for both EM countries and for the R.O.W. have increased.
- Growth estimates have improved for both EM and R.O.W. equities. EM growth estimates, which tend to fluctuate significantly from quarter to quarter, have moved well above long-term averages.

\*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.

<sup>^</sup> 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.

Source: MSCI