



Canterbury Consulting

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Global Positioning Statement™

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September 30, 2019

Drivers of the Market

Markets Pose Mixed Returns

- Shares in U.S. equity markets fell in early August then edged higher into mid-September to end the quarter in positive territory. Slowdown concerns and continued uncertainty over the U.S.-China trade war have impacted the region. However, the Fed cut rates twice during the quarter and suggested it was prepared to move aggressively if the U.S. economy showed additional signs of weakening.
- International equities advanced in the quarter in their local currencies, but fell slightly for U.S. investors, given the strong dollar headwind. European economies, particularly Germany, have been experiencing a slowdown as escalating trade tensions between the U.S. and China have impacted the region, and a decline in world trade volumes has weighed on growth. Emerging market shares lagged their developed markets counterparts during the quarter.
- As the Fed cut interest rates in July and September, U.S. Treasury bonds delivered positive returns during the quarter. Global growth concerns have created a large bid for government bonds, not only in the U.S., but also in other developed economies. Further stimulus from the European Central Bank resulted in local bond yields moving further into negative territory. Negative-yielding debt represents approximately \$17 trillion of the global bond market as of quarter end.
- Both investment grade and high yield corporate bonds generally performed well in the third quarter as investors sought incremental yield. Higher quality corporate credit outperformed lower quality corporate credit, and CCC-rated debt posted negative returns. Investors have tended to avoid the CCC space, given the deteriorating fundamentals of underlying companies.
- Oil markets fluctuated, but moved lower during the quarter as investors assessed the lack of global growth and demand. While geopolitical issues in Saudi Arabia and Venezuela affected oil supply, the lack of optimism over a U.S.-China trade deal had a significant impact on prices.

Third Quarter 2019

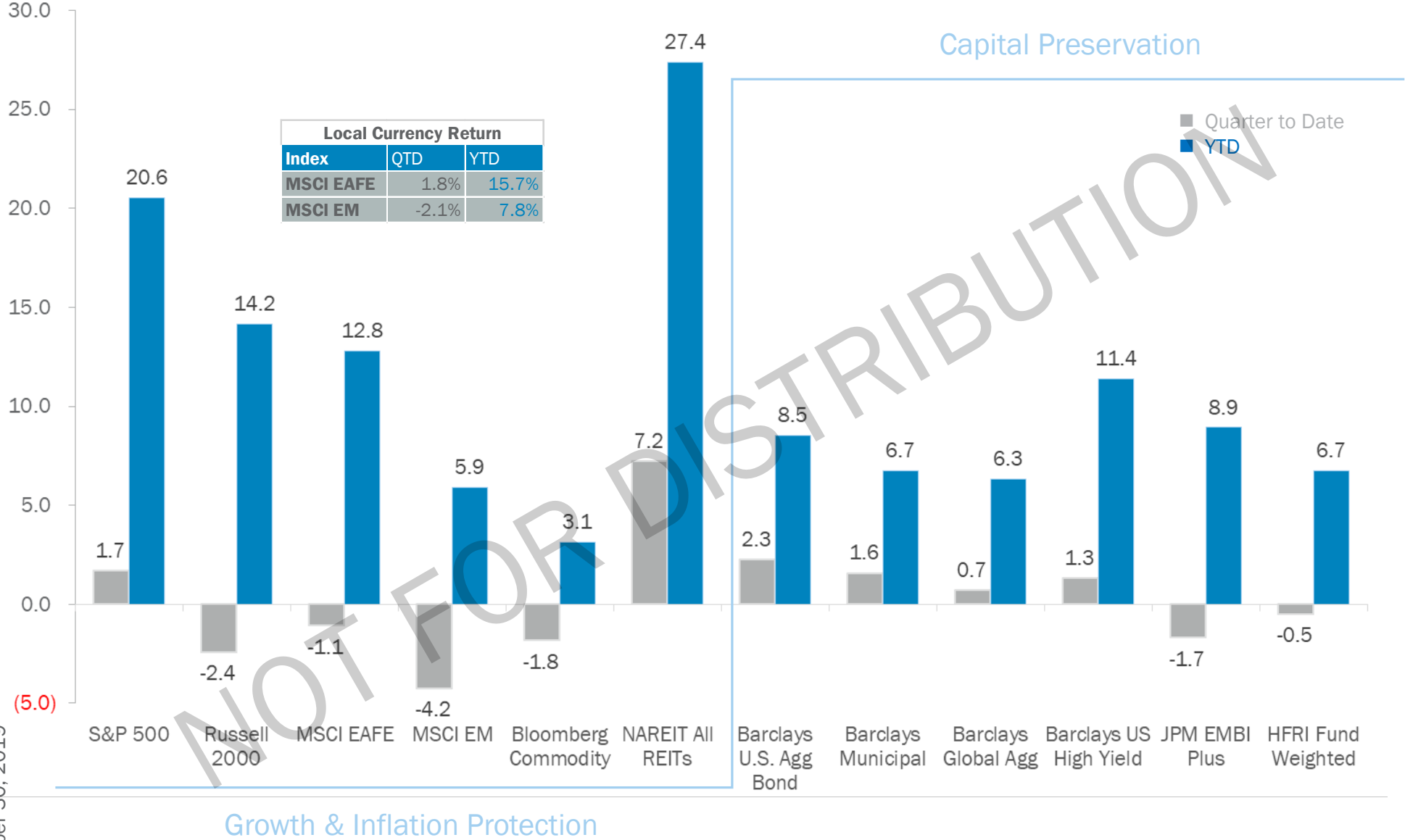
Returns through September 30, 2019

| Index | QTD | YTD | 1 Year |
|------------------------------|---------|-------|--------|
| Growth | | | |
| MSCI ACWI | (0.03%) | 16.2% | 1.4% |
| Capital Preservation | | | |
| Barclays Global Aggregate | 0.7% | 6.3% | 7.6% |
| Inflation Protection | | | |
| Morningstar U.S. Real Asset* | 0.9% | 8.4% | 0.9% |

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

Index Returns (%)

Through September 30, 2019



September 30, 2019

Source: Morningstar

Year over Year Statistics¹

| | September 30, 2014 | September 30, 2015 | September 30, 2016 | September 29, 2017 | September 28, 2018 | September 30, 2019 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| S&P 500 | 1,972.29 | 1,920.03 | 2,168.27 | 2,519.36 | 2,913.98 | 2,976.74 |
| S&P 500 EPS | 112.53 | 110.47 | 106.00 | 119.12 | 151.18 | 152.04 |
| P/E of S&P 500 | 17.53 | 17.38 | 20.45 | 21.15 | 19.27 | 19.58 |
| P/E of MSCI EAFE | 17.32 | 18.50 | 23.27 | 19.21 | 15.53 | 16.65 |
| P/E of MSCI EM | 12.65 | 12.16 | 16.29 | 15.03 | 12.50 | 13.32 |
| S&P 500 Earnings Yield | 5.71 | 5.75 | 4.89 | 4.73 | 5.19 | 5.11 |
| Fed Funds Effective Rate | 0.09 | 0.14 | 0.40 | 1.15 | 1.95 | 2.04 |
| 3 Month LIBOR | 0.24 | 0.33 | 0.85 | 1.33 | 2.40 | 2.09 |
| 10 Year Treasury Yield | 2.49 | 2.04 | 1.59 | 2.33 | 3.06 | 1.66 |
| 30 Year Mortgage Rate | 4.12 | 3.84 | 3.34 | 3.80 | 4.57 | 3.72 |
| Barclays U.S. Agg Yield | 3.10 | 3.42 | 2.84 | 3.16 | 4.07 | 2.91 |
| Barclays HY Spread | 4.24 | 6.30 | 4.80 | 3.47 | 3.16 | 3.73 |
| Gold (\$/oz) | 1,208.15 | 1,115.09 | 1,315.87 | 1,279.75 | 1,190.88 | 1,472.49 |
| WTI Crude Oil (\$/bbl) | 91.16 | 45.09 | 48.24 | 51.67 | 73.25 | 54.07 |
| Unemployment Rate | 5.90 | 5.00 | 5.00 | 4.20 | 3.70 | 3.50 |
| Headline CPI² | 1.70 | 0.00 | 1.50 | 2.20 | 2.30 | 1.70 |
| VIX Index | 16.31 | 24.50 | 13.29 | 9.51 | 12.12 | 16.24 |

Forward Looking Forecasts

| | 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 |
|------|-----------------------|------------------|---------------------------|-----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| 2019 | 2.3% | 1.8% | 3.7% | 1.7% | \$170.48 | 17.46 | \$133.78 | 14.12 | \$79.95 | 12.52 |
| 2020 | 1.7% | 2.0% | 3.8% | 2.0% | \$181.70 | 16.38 | \$140.99 | 13.40 | \$87.13 | 11.49 |

(1) Source: Bloomberg

(2) Values are carried forward from the most recent reported value (9/30/2019)

(3) Forecasts are consensus opinions from 98 forecasting agencies (Median)

(4) Index Forecasts - Forward 12-month estimate, Forward 24-month estimate

Estimate calculated from quarter end (i.e. Sep. 30, 2019 – Sep. 30, 2020). Price in P/E ratio static as of quarter end.

Current U.S. Economic Conditions: Normal Growth/Contraction

Contraction

U.S. GDP Growth: Below average growth

U.S. Earnings Yield: Below average earnings yield

U.S. Credit Markets

Volatility (VIX)

Yield Curve

Investor Sentiment: Below average sentiment

Normal Growth

U.S. GDP Growth

U.S. Earnings Yield

U.S. Credit Markets: Spreads below average

Volatility (VIX): Below average volatility

Yield Curve

Investor Sentiment

Panic

U.S. GDP Growth

U.S. Earnings Yield

U.S. Credit Markets

Volatility (VIX)

Yield Curve: Significantly below average spread

Investor Sentiment

Manic Growth

U.S. GDP Growth

U.S. Earnings Yield

U.S. Credit Markets

Volatility (VIX)

Yield Curve

Investor Sentiment

| Metrics | Quarter avg. | 10-year avg. |
|---|--------------|--------------|
| U.S. GDP Growth: Prior quarter U.S. Real GDP versus the 10 year U.S. Real GDP average | 2.0%* | 2.3% |
| U.S. Earnings Yield: Quarter avg. S&P 500 earnings yield versus the 10 year S&P 500 earnings yield average | 5.2% | 5.7% |
| U.S. Credit Markets: Quarter avg. Barclays US Corporate HY Average OAS versus the 10 year average | 379 | 492 |
| Volatility (VIX): Quarter avg. VIX average versus the 10 year VIX average | 17.1 | 17.5 |
| Yield Curve: Quarter avg. 30-year yield minus the quarter avg. 2-year yield versus the 10 year average | 53 bps | 228 bps |
| Investor Sentiment: Quarterly Sentiment spread versus the 10 year average spread. Spread measured by difference between Bull Sentiment Index and Bear Sentiment Index. | -6.8 | 5.2 |

*U.S. GDP Growth is the current, end of previous quarter reading

Source: Bloomberg

International Equity & U.S. Equity

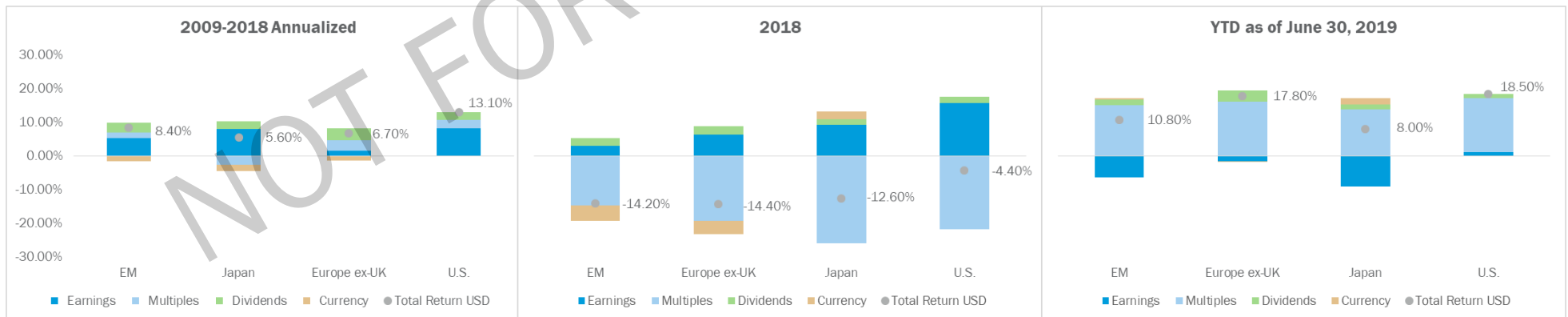
- International and U.S. equities have historically alternated periods of leadership, but over longer time horizons, returns have evened out.
- In shorter periods, such as 2018 and YTD 2019 as of June 30, 2019, multiple expansion and contraction can drive the bulk of performance.
- Over full market cycles, earnings and dividends tend to drive performance across international and U.S. equity categories.
- Current earnings and dividend yield data favor non-U.S. equities.

| Years | MSCI EAFE | S&P 500 |
|--------------------|-------------|--------------|
| 1970 - 1989 | 16.3% | 11.6% |
| 1990 - 2001 | 2.7% | 12.9% |
| 2002 - 2007 | 14.8% | 6.1% |
| 2008 - 2018 | 0.9% | 7.3% |
| 1970 - 2018 | 9.1% | 10.3% |

Sources: S&P, MSCI

| Index | Earnings Yield | Dividend Yield |
|-----------|----------------|----------------|
| S&P 500 | 5.17% | 1.91% |
| MSCI EAFE | 6.19% | 3.53% |
| MSCI EM | 7.25% | 2.74% |

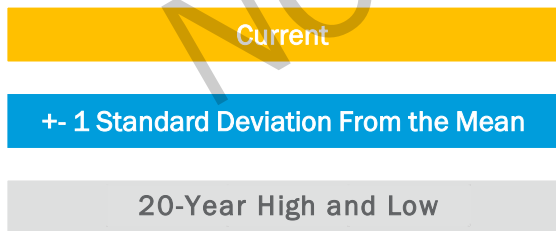
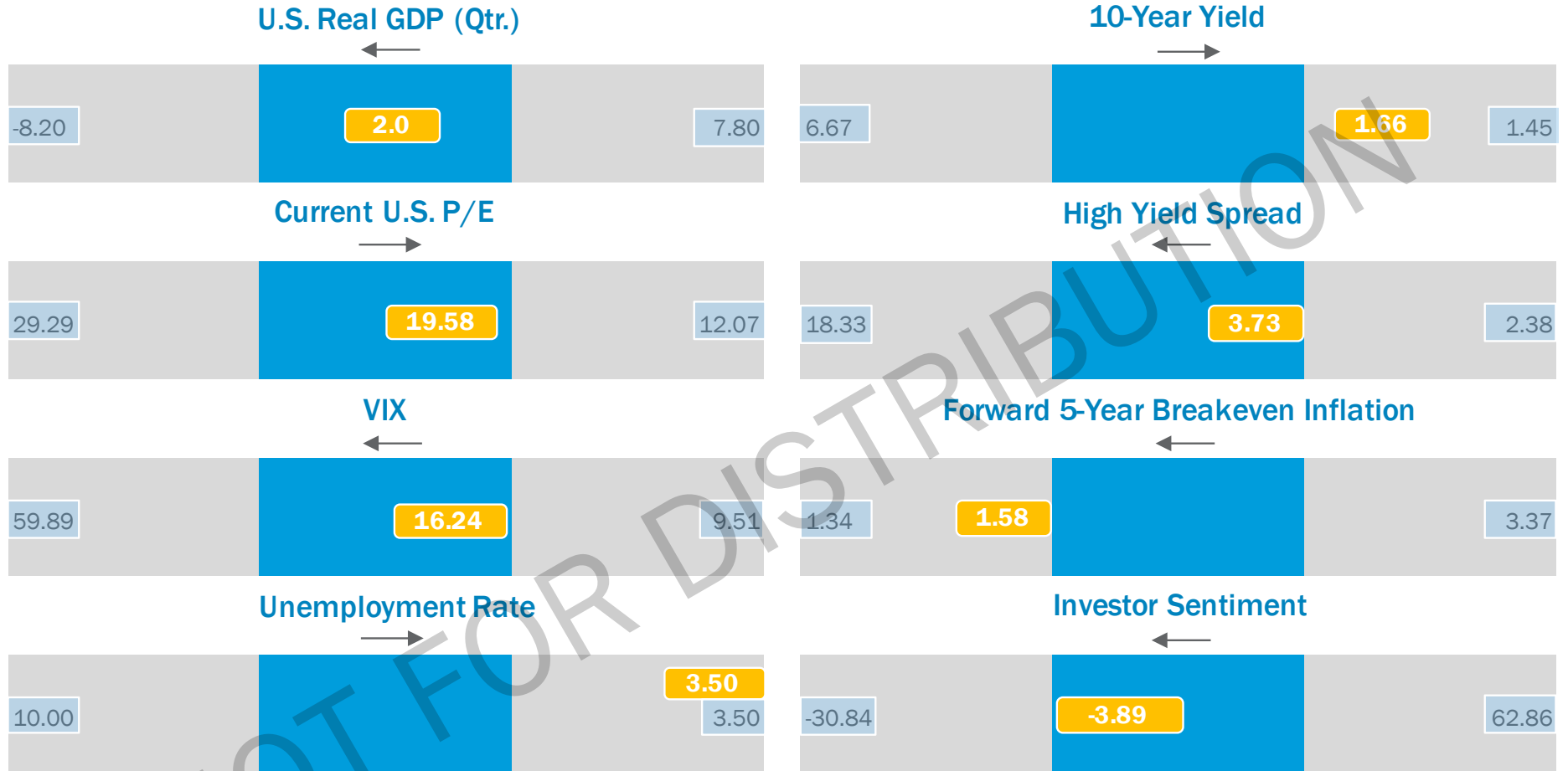
Source: Bloomberg, as of 6/30/2019



Sources: FactSet, MSCI, S&P, J.P. Morgan Asset Management

Global Positioning Indicators

Through September 30, 2019



Source: Bloomberg

September 30, 2019