



Canterbury Consulting

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Global Positioning Statement™

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September 30, 2022

Drivers of the Market

Recession Fears Loom

- The U.S. equity markets fell in the quarter following a short-lived market rally in July. Recession fears, persistent inflation pressures, and Federal Reserve monetary policy tightening weighed heavy on markets, continuing the downward trend that started in the first half of the year.
- European equities and emerging markets (EM) equities fell more significantly in the quarter. The Eurozone's ongoing energy and economic concerns and rising inflation were headwinds for the region. Additionally, the euro's 20-year low versus the U.S. dollar significantly impacted returns.
- Amid growing inflation, the Federal Reserve raised the key interest rate twice, 75 basis points in July and 75 basis points in September to a range between 3.0% - 3.25%. The FOMC has increased their fed funds rate forecast range from 3.25% - 3.5% to 4.0% - 4.5% by year-end. Chairman Powell communicated that he is prepared to move more quickly to reduce policy support if inflationary pressures continue, even though it may lead to a recession.
- The treasury yield curve increased across all maturities, particularly on the short-end. This has caused an inverted yield curve between 2-year and 10-year maturities. Investment grade (IG) spreads remained relatively stable at 167 basis points (bps) over the quarter while high yield (HY) spreads narrowed by 44 bps to 543 bps. Bonds are on track for their worst performance on record, surpassing the lows of the 1970's and 1980's.
- Inflation, measured by CPI, remained persistently elevated over the quarter, reaching a high of 8.2%. CPI excluding food and energy, generally viewed as sticky inflation or Core CPI, increased by 6.6% year-over-year (YoY) for the month of September. Indicators used to measure U.S. economic activity such as the ISM Manufacturing and Non-Manufacturing indexes, declined over the quarter. As a result, concerns of a slowing economy increased.

Third Quarter 2022

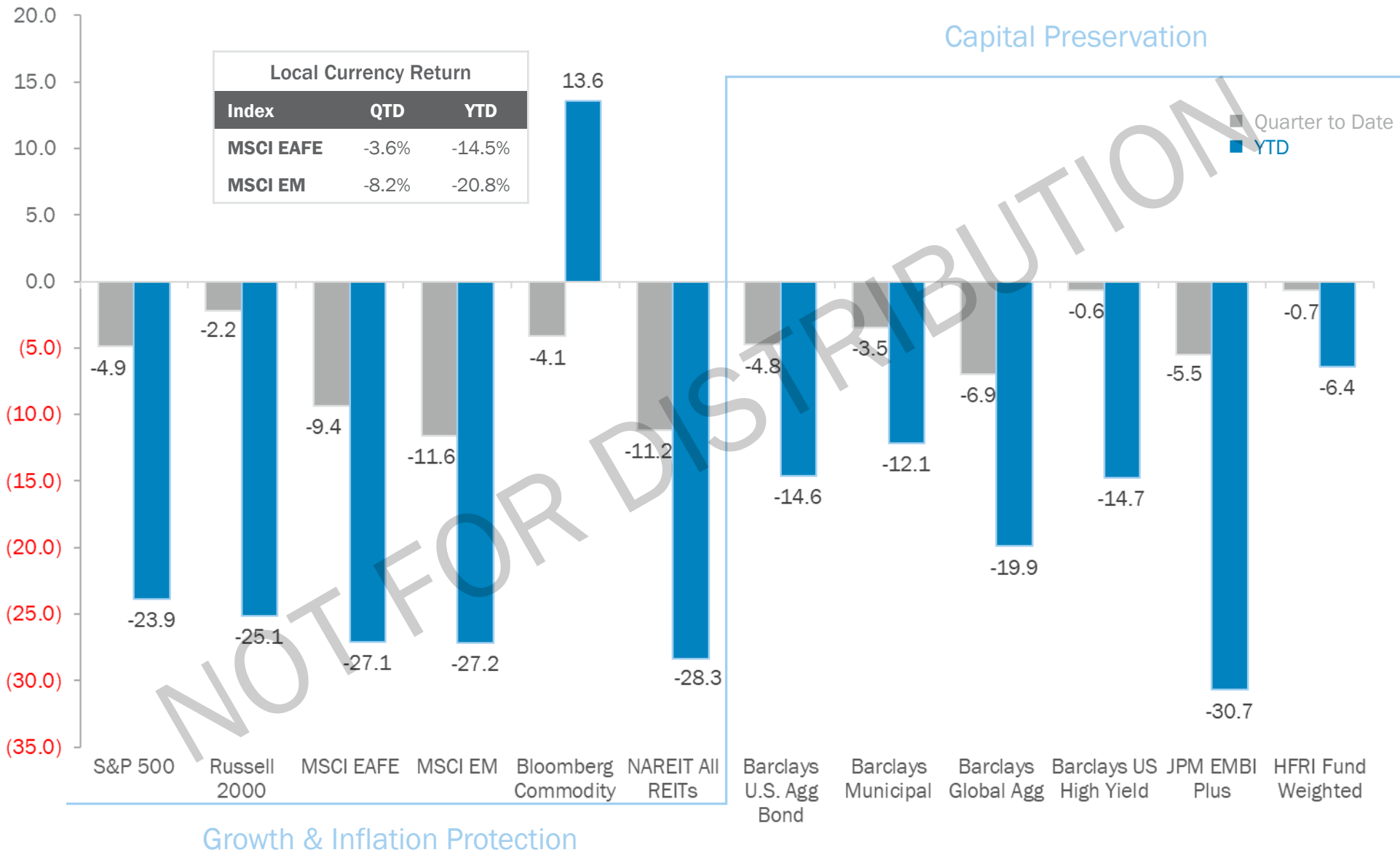
Returns through September 30, 2022

Index	QTD	YTD
Growth MSCI ACWI	-6.8%	-25.6%
Capital Preservation Bloomberg Global Aggregate	-6.9%	-19.9%
Inflation Protection Morningstar U.S. Real Asset*	-6.3%	-13.9%

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

Index Returns (%)

Through September 30, 2022



Source: Morningstar

Year over Year Statistics¹

	September 29, 2017	September 28, 2018	September 30, 2019	September 30, 2020	September 30, 2021	September 30, 2022
S&P 500	2,519.36	2,913.98	2,976.74	3,363.00	4,307.54	3,585.62
S&P 500 EPS	119.72	146.67	151.77	128.62	178.82	204.07
P/E of S&P 500	21.04	19.87	19.61	26.15	24.09	17.57
P/E of MSCI EAFE	19.21	15.53	17.25	36.77	17.13	12.99
P/E of MSCI EM	15.11	11.58	13.66	20.09	14.19	11.48
S&P 500 Earnings Yield	4.75	5.03	5.10	3.82	4.15	5.69
Fed Funds Effective Rate	1.15	1.95	2.04	0.09	0.08	2.56
3 Month LIBOR	1.33	2.40	2.09	0.23	0.13	3.75
10 Year Treasury Yield	2.33	3.06	1.66	0.68	1.49	3.83
30 Year Mortgage Rate	3.80	4.57	3.72	3.08	3.18	7.06
Barclays U.S. Agg Yield	2.55	3.46	2.26	1.18	1.56	4.75
Barclays HY Spread	3.47	3.16	3.73	5.17	2.89	5.52
Gold (\$/oz)	1,279.75	1,190.88	1,472.49	1,885.82	1,756.95	1,660.61
WTI Crude Oil (\$/bbl)	51.67	73.25	54.07	40.22	75.03	79.49
Unemployment Rate	4.30	3.70	3.50	7.90	4.70	3.50
Headline CPI ²	2.20	2.30	1.70	1.40	5.40	8.20
VIX Index	9.51	12.12	16.24	26.37	23.14	31.62

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
2022	1.6%	8.0%	3.7%	3.37%	\$229.70	15.61	\$150.48	11.04	\$81.63	10.73
2023	0.7%	3.8%	4.2%	3.04%	\$241.88	14.82	\$153.72	10.81	\$86.18	10.16

1) Source: Bloomberg

2) Values are carried forward from the most recent reported value (9/30/2022)

3) Forecasts are consensus opinions from forecasting agencies throughout the month of September (Median)

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

Estimate calculated from quarter end (i.e. Sept. 30, 2022 – Sept. 30, 2023). Price in P/E ratio static as of quarter end.

Current U.S. Economic Conditions: Panic/Contraction

Contraction

U.S. GDP Growth

U.S. Unemployment

U.S. Credit Markets: Above avg. spreads

Volatility (VIX)

Yield Curve

Investor Sentiment

Normal Growth

U.S. GDP Growth

U.S. Unemployment: Below avg. unemployment

U.S. Credit Markets

Volatility (VIX)

Yield Curve

Investor Sentiment

Panic

U.S. GDP Growth: Sig. below average

U.S. Unemployment

U.S. Credit Markets

Volatility (VIX): Sig. above average

Yield Curve: Sig. below average

Investor Sentiment: Sig. below average

Manic Growth

U.S. GDP Growth

U.S. Unemployment

U.S. Credit Markets

Volatility (VIX)

Yield Curve

Investor Sentiment

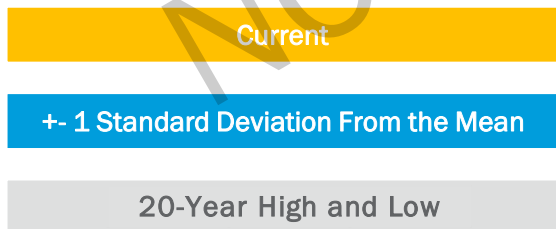
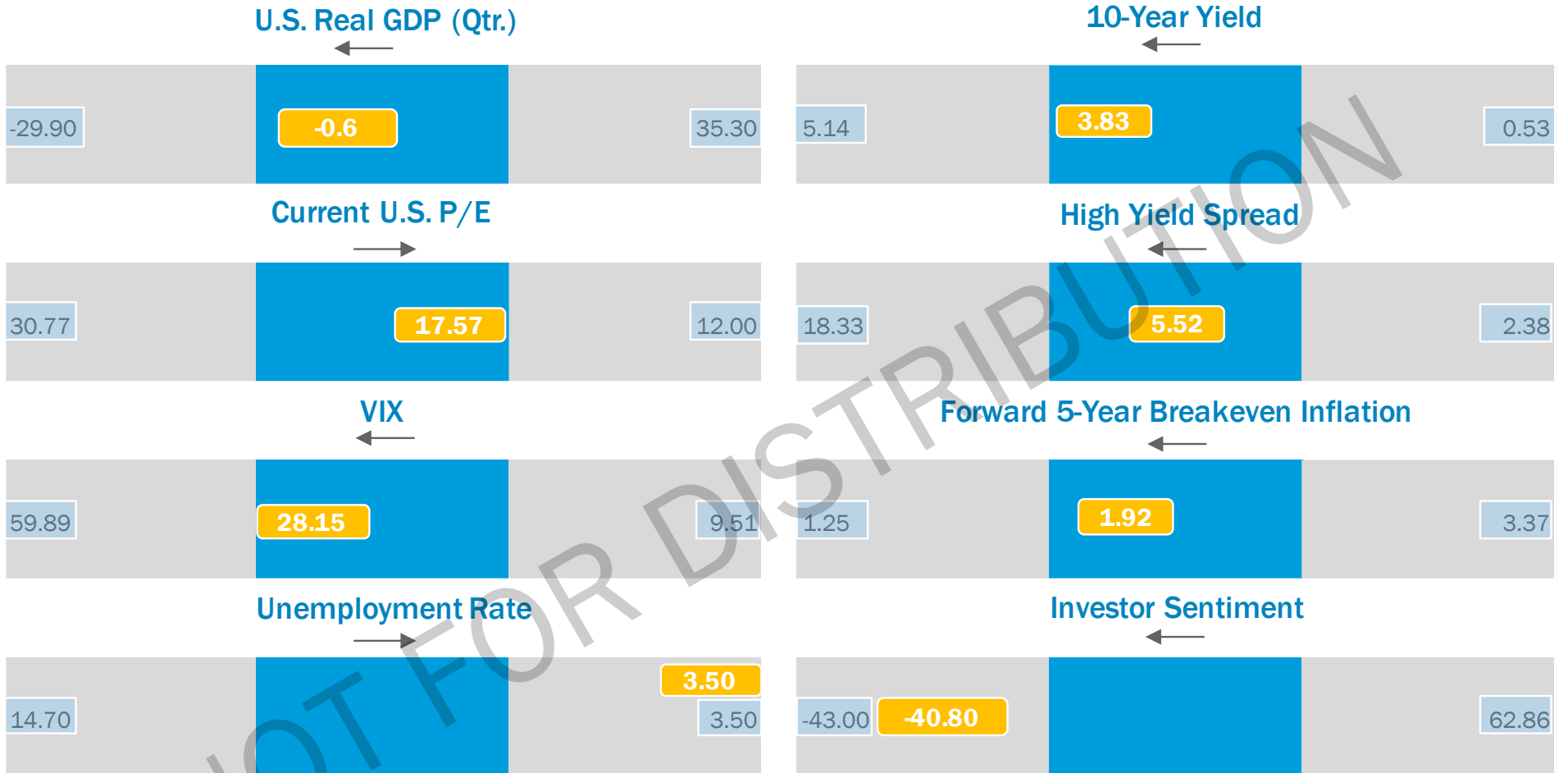
Metrics	Quarter avg.	10-year avg.
U.S. GDP Growth: Prior quarter U.S. Real GDP versus the 10 year U.S. Real GDP average*	-0.6%	2.3%
U.S. Unemployment: Quarter avg. unemployment rate versus the 10 year average	3.6%	5.5%
U.S. Credit Markets: Quarter avg. Barclays US Corporate HY Average OAS versus the 10 year average	502	434
Volatility (VIX): Quarter avg. VIX average versus the 10 year VIX average	26.3	18.1
Yield Curve: Quarter avg. 30-year yield minus the quarter avg. 2-year yield versus the 10 year average	(-19) bps	167 bps
Investor Sentiment: Quarterly Sentiment spread versus the 10 year average spread. Spread measured by difference between Bull Sentiment Index and Bear Sentiment Index.	-22.6	2.8

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

Source: Bloomberg

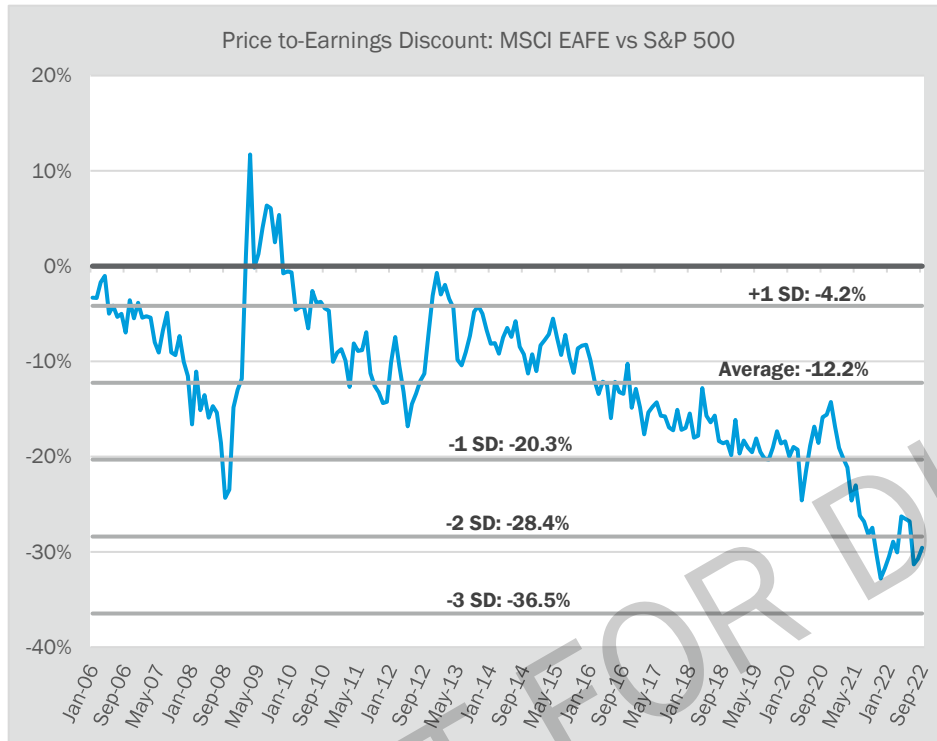
Global Positioning Indicators

Through September 30, 2022



Source: Bloomberg

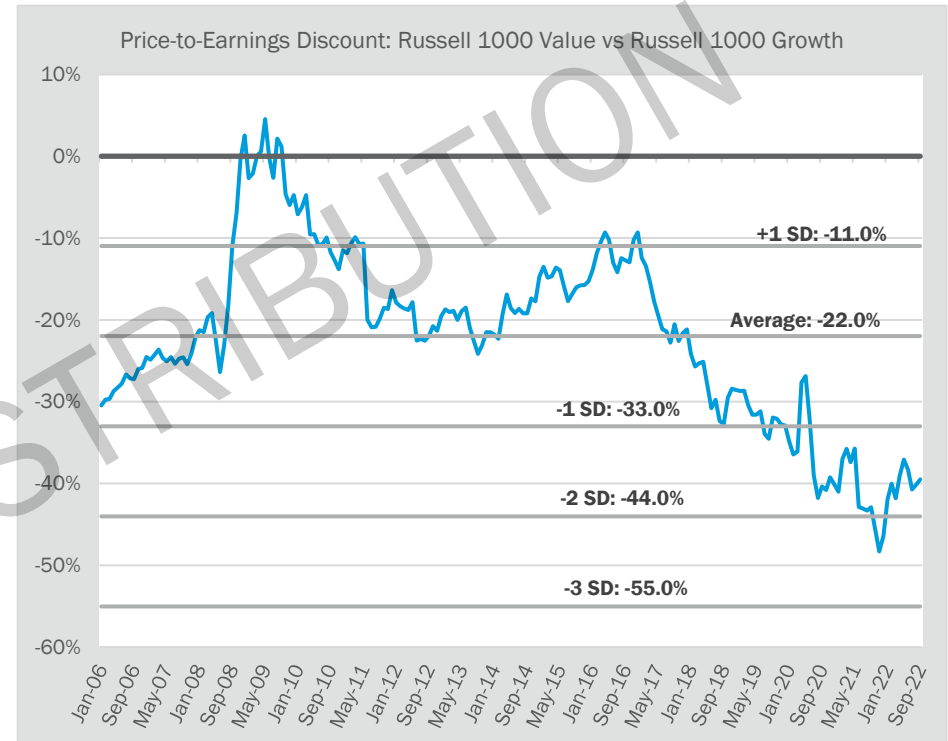
International Developed vs. U.S.



Source: Bloomberg 12 month forward looking P/E ratio for MSCI EAFE and S&P 500. Data as of 09/30/22

At just over negative two standard deviations, the price-to-earnings discount of international developed equities vs U.S. equities is near an all time high.

U.S. Value vs. U.S. Growth



Source: Bloomberg 12 month forward looking P/E ratio for Russell 1000 Value and Russell 1000 Growth. Data as of 09/30/22

At just under negative two standard deviations, the price-to-earnings discount of large cap value equities vs their growth counterparts is near its all time high.

Asset Class	Index Proxy	12/31/2021	9/30/2022	Difference
		Nominal Return (%)	Nominal Return (%)	
Growth Assets				
Equity - Global	MSCI ACWI	3.2	Dividend Yield (2.5) + Real Growth (1.8) + Valuation Change (-1.2) + Inflation (2.2)=5.2	2.0
Equity - US	MSCI US	2.1	Dividend Yield (1.8) + Real Growth (1.9) + Valuation Change (-1.9) + Inflation (2.2)=3.9	1.8
Equity - Non-US Dev	MSCI EAFE	4.5	Dividend Yield (3.6) + Real Growth (1.2) + Valuation Change (-0.1) + Inflation (2.2)=6.8	2.4
Equity - EM	MSCI EM	6.8	Dividend Yield (3.4) + Real Growth (3.0) + Valuation Change (+0.4) + Inflation (2.2)=9.0	2.2
Private Capital	Cambridge PE	4.8	Global Equity Estimate (5.2) + Premium (2.6)=7.8	3.0
Capital Preservation Assets				
Fixed Income	Barclays US Aggregate	2.3	Current Yield (4.8) + Valuation Change (-0.1) + Default Rate (-0.1)=4.6	2.3
Fixed Income - Non-US Dev	Barclays Agg ex US	1.0	Current Yield (2.7) + Valuation Change (-0.2) + Default Rate (-0.1)=2.5	1.5
Fixed Income - Credit	Barclays US High Yield	3.1	Current Yield (9.7) + Valuation Change (-0.5) + Default Rate (-2.0)=7.2	4.1
Fixed Income - Muni	Barclays Municipal	1.7	Current Yield (4.0) + Valuation Change (-0.1) + Default Rate (-0.1)=3.9	2.2
Hedge Funds	50/50 HFRI Equity Hedge/Credit	2.6	L/S Equity (4.2/2) + L/S Credit (5.4/2)=4.9	2.2
Cash	3-Month T-Bills	1.0	Current Yield (3.2) + Valuation Change (-0.7)=2.5	1.5
Inflation Protection Assets				
Real Assets	Morningstar US Real Asset	1.7	40% TIPS (3.5) + 30% Commodities (3.2) + 15% REITs (3.7) + 15% Commodity Stocks (4.2)=3.6	1.9
TIPS	Barclays US TIPS	1.6	Current Yield (3.5) + Valuation Change (0.0) + Default Rate (0.0)=3.5	1.9
Inflation Expectations				
U.S. Inflation (%)		2.59		-0.44
Global Inflation (%)		2.61		-0.42

10-year forward looking asset class return expectations have significantly increased since 12/31/2021. The primary drivers include a significant decrease in valuations across multiple asset classes and an increase in interest rates and yields in debt securities.