CanterburyConsulting

Global Positioning Statement™

canterburyconsulting.com

June 30, 2017

Positive Global Growth Leads to Risk-On Rally

- The Federal Open Market Committee (FOMC) decided to raise the target federal funds rate 25 basis points to the 1%-1.25% range in June for the second time this year. The committee views the recent slowing growth in economic activity as a transitory event with long-run targets unchanged. The FOMC also detailed their plan for balance sheet reduction. Economists are split on whether there will be another rate hike in 2017

- In U.S. equities, growth continued to outperform value in the second quarter. Technology, health care, and discretionary sectors led the way, while utilities and REITs lagged. This was a tailwind for active managers. Over half (54%) of large-cap managers outperformed their benchmarks in the first half of the year for the first time since 2009

- Fixed income finished the quarter positive despite a second rate hike from the Fed in June. With long run targets unchanged, long-term interest rates remained anchored as inflation and term premiums remain subdued. High yield and EM debt have been the strongest sectors within fixed income year-to-date

- Energy-related assets plunged as the OPEC-led coalition did not include more supportive terms beyond what the market already expected in May. The continued increase in crude oil exports by US exploration and production companies was a key contributor to price pressure in the energy complex

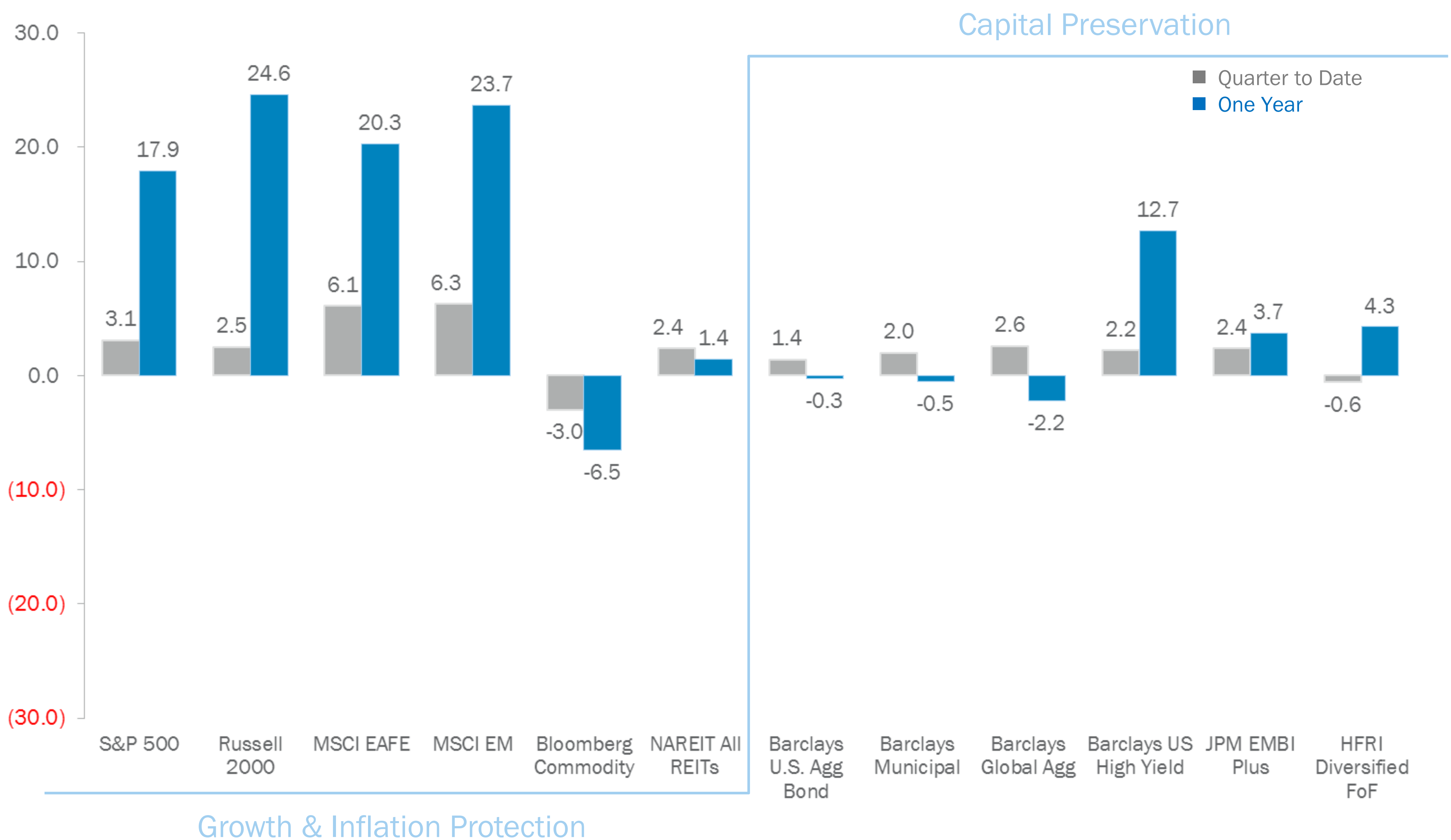
Returns through June 30, 2017

Index	QTD	YTD	1 Year
Growth MSCI ACWI	4.3%	11.5%	18.8%
Capital Preservation Barclays Global Aggregate	2.6%	4.4%	(2.2%)
Inflation Protection Morningstar U.S. Real Asset*	(0.3%)	(1.4%)	(2.6%)

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

Index Returns (%)

Through June 30, 2017



Source: Morningstar

Year over Year Statistics[1]

	June 29, 2012	June 28, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
S&P 500	1,362.16	1,606.28	1,960.23	2,063.11	2,098.86	2,423.41
S&P 500 EPS	96.91	101.49	111.14	110.20	105.41	112.95
P/E of S&P 500	14.06	15.83	17.64	18.72	19.91	21.45
P/E of MSCI EAFE	13.92	16.67	18.53	18.42	23.25	20.95
P/E of MSCI EM	11.65	11.23	12.93	14.34	14.31	15.33
S&P 500 Earnings Yield	7.11	6.32	5.67	5.34	5.02	4.66
Fed Funds Effective Rate	0.16	0.09	0.10	0.13	0.38	1.04
3 Month LIBOR	0.46	0.27	0.23	0.28	0.65	1.30
10 Year Treasury Yield	1.64	2.49	2.53	2.35	1.47	2.30
30 Year Mortgage Rate	3.69	4.39	4.15	4.17	3.53	3.87
Barclays U.S. Agg Yield	3.27	3.35	2.91	3.36	2.88	3.19
Barclays HY Spread	6.15	4.92	3.37	4.76	5.94	3.64
Gold ($/oz)	1,597.45	1,234.53	1,327.33	1,172.35	1,321.90	1,241.61
WTI Crude Oil ($/bbl)	84.96	96.56	105.37	59.47	48.33	46.04
Unemployment Rate	8.20	7.50	6.10	5.30	4.90	4.40
Headline CPI[2]	1.70	1.80	2.10	0.10	1.00	1.90
VIX Index	17.08	16.86	11.57	18.23	15.63	11.18

Forward Looking Forecasts[1]

	Real GDP[3]	CPI[3]	Unemployment[3]	10-Yr Treasury[3]
2017	2.2%	2.2%	4.4%	2.7%
2018	2.3%	2.2%	4.2%	3.1%

S&P 500 EPS[4]	Forward P/E[4]
$130.59	18.56
$146.22	16.57

MSCI EAFE EPS[4]	Forward P/E[4]
$123.14	15.29
$132.78	14.18

MSCI EM EPS[4]	Forward P/E[4]
$77.85	12.98
$87.51	11.55

(1) Source: Bloomberg
(2) Values are carried forward from the most recent reported value (5/31/2017)
(3) Forecasts are consensus opinions from 98 forecasting agencies (Median)
(4) 2017: Forward 12 month estimate 2018: Forward 24 month estimate
Estimate calculated from quarter end (i.e. June 30, 2017 – June 30, 2018). Price in P/E 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

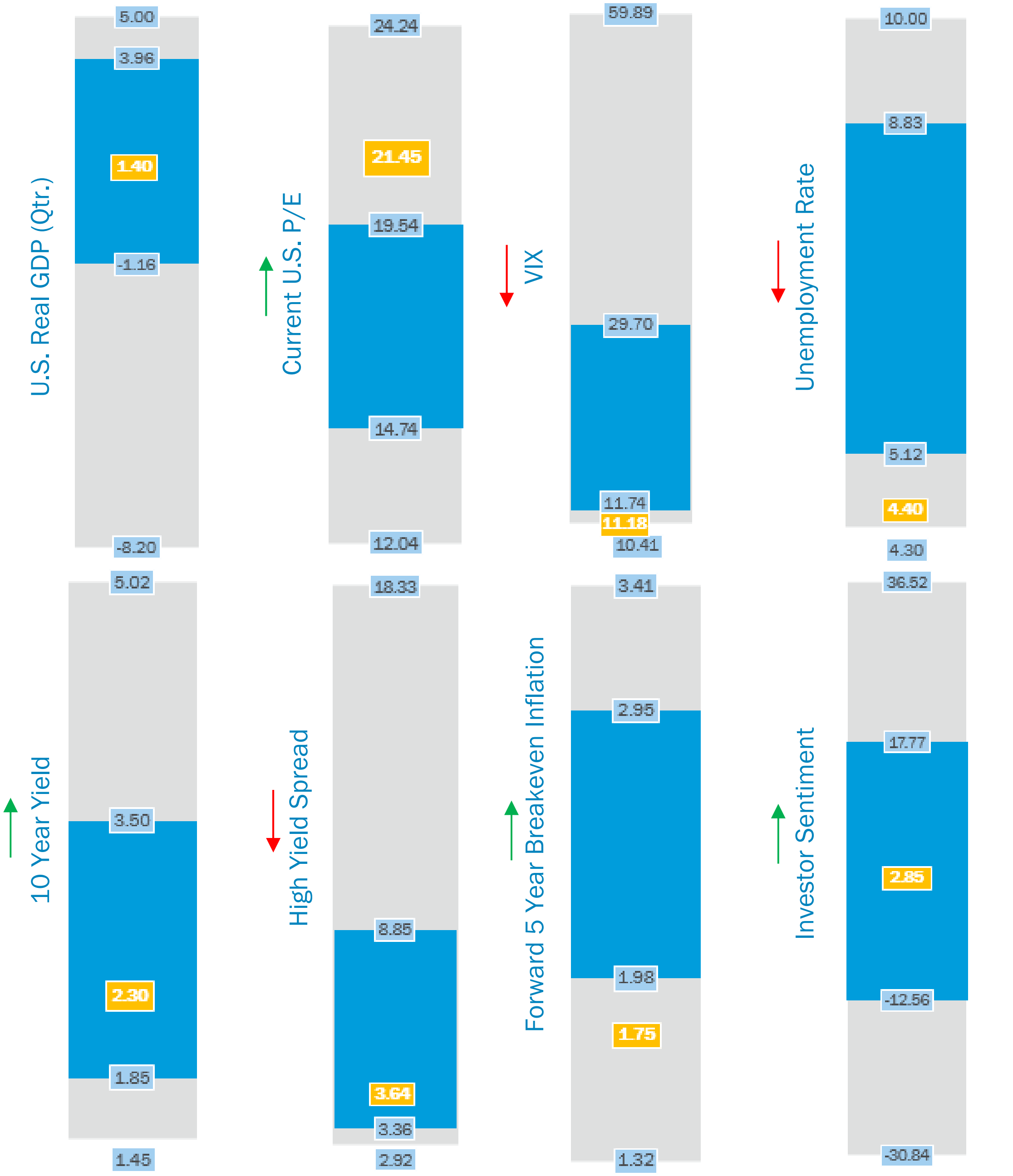
Yield Curve: Yield curve steepens

Investor Sentiment: Investors eager to purchase at any price

Data is based on quarterly averages and compared to 10 year averages

Global Positioning Indicators

Second Quarter 2017



Current

+- 1 Standard Deviation From the Mean

10-Year High and Low

Higher Current Number (YoY)

Lower Current Number (YoY)

- Canterbury monitors several economic and market indicators to help detect potential imbalances or trends
- GDP growth moderated in the second quarter, but investors expect a stronger second half. Investor sentiment rose sharply while the VIX and unemployment rate dropped
- While the Fed raised short-term rates, high yield spreads narrowed and 10 year treasury yields fell slightly during the quarter, buoyed by strong demand

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 of Funds Index	Morningstar U.S. Real Asset
Canterbury Positioning	1. Consider rebalancing back to emerging markets target 2. Allocate to high active share strategies	1. Focus on value add and operational hands-on strategies	1. Trade interest rate risk for credit risk 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	1. Interest rate risk is expensive in the current low rate environment 2. Less currency risk, more yield, and a better hedge against investor liabilities	1. No discernable opportunity between equity and credit	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

June 30, 2017