CanterburyConsulting

Global Positioning Statement™

June 30, 2022

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Drivers of the Market

Second Quarter 2022

Recession Fears Loom

- U.S. equity markets fell significantly in the quarter. Recession fears and an accelerated Federal Reserve interest rate hike trajectory weighed heavy on markets, leading to the weakest first half performance of the S&P 500 in decades.
- European equities and emerging markets (EM) equities also fell in the quarter, although less significantly than U.S. equities. Potential gas shortages, waning consumer confidence, and higher inflation weighed on equity markets. China was the one bright spot in EM equities, ending the quarter in positive territory, as factory activity improved and COVID lockdowns eased.
- Amid growing inflation, the Federal Reserve raised the key interest rate twice, 50 basis points in May and 75 basis points in June. Chairman Powell communicated that he is prepared to move more quickly to reduce policy support if supply/demand imbalances and externalities from the Russia/Ukraine war continue to weigh on inflation. The FOMC is prepared to raise interest rates up to 3.25% - 3.5% by year end. The Fed officially began reducing its balance sheet on June 1st by $47.5 billion a month and will reduce by $95 billion after three months.
- The treasury yield curve increased across all maturities, particularly on the short-end, resulting in a relatively flat yield curve. Investment grade (IG) spreads widened by approximately 40 basis points (bps) over the quarter, while high yield (HY) spreads widened by roughly 240 basis points. Bonds are on track for their worst performance in recent history, surpassing the lows of the 1970's and 1980's.
- Indicators used to measure U.S. economic activity, ISM Manufacturing and Non-Manufacturing indexes, declined over the past three months. As a result, concerns of a slowing economy led commodity prices to weaken towards the end of the quarter. Despite rising mortgage rates, the Case-Shiller Home Price Index remained persistently high as demand for U.S. real estate outpaced supply, albeit a slower pace.

Returns through June 30, 2022

Index	QTD	YTD
Growth MSCI ACWI	-15.7%	-20.2%
Capital Preservation Bloomberg Global Aggregate	-8.3%	-13.9%
Inflation Protection Morningstar U.S. Real Asset*	-9.4%	-8.1%

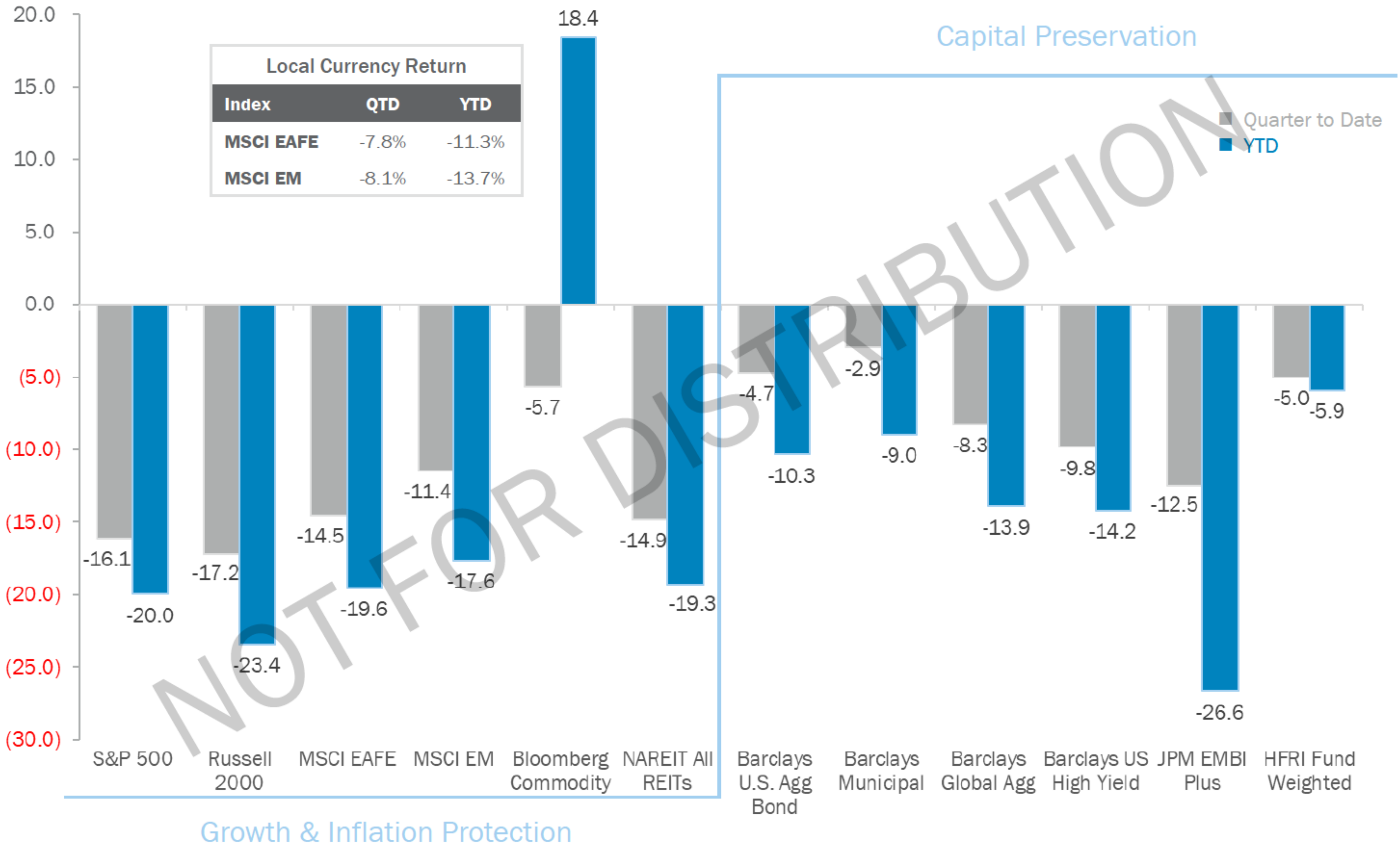
**40% TIPS, 30% L/S Commodity, 15% REITs, 10% Global Nat. Resources, 5% MLPs*

Index Returns (%)

Through June 30, 2022

Local Currency Return

Index	QTD	YTD
MSCI EAFE	-7.8%	-11.3%
MSCI EM	-8.1%	-13.7%



Source: Morningstar

Year over Year Statistics[1]

	June 30, 2017	June 29, 2018	June 28, 2019	June 30, 2020	June 30, 2021	June 30, 2022
S&P 500	2,423.41	2,718.37	2,941.76	3,100.29	4,297.50	3,785.38
S&P 500 EPS	117.17	138.24	152.95	131.21	164.70	199.79
P/E of S&P 500	20.68	19.66	19.23	23.63	26.09	18.95
P/E of MSCI EAFE	18.70	15.50	16.86	32.84	18.91	13.92
P/E of MSCI EM	14.98	11.93	14.11	18.43	16.08	12.54
S&P 500 Earnings Yield	4.84	5.09	5.20	4.23	3.83	5.28
Fed Funds Effective Rate	1.04	1.82	2.38	0.08	0.08	1.21
3 Month LIBOR	1.30	2.34	2.32	0.30	0.15	2.29
10 Year Treasury Yield	2.30	2.86	2.01	0.66	1.47	3.01
30 Year Mortgage Rate	3.87	4.40	3.80	3.27	3.13	5.83
Barclays U.S. Agg Yield	2.55	3.29	2.49	1.25	1.50	3.72
Barclays HY Spread	3.64	3.63	3.77	6.26	2.68	5.69
Gold ($/oz)	1,241.61	1,252.60	1,409.55	1,780.96	1,770.11	1,807.27
WTI Crude Oil ($/bbl)	46.04	74.15	58.47	39.27	73.47	105.76
Unemployment Rate	4.30	4.00	3.60	11.00	5.90	3.60
Headline CPI[2]	1.60	2.90	1.60	0.60	5.40	9.10
VIX Index	11.18	16.09	15.08	30.43	15.83	28.71

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	2.4%	7.6%	3.6%	3.17%	$235.30	16.09	$159.76	11.56	$88.92	11.25
2023	1.8%	3.4%	3.6%	3.17%	$248.00	15.26	$161.95	11.40	$95.92	10.43

1) *Source: Bloomberg*
2) *Values are carried forward from the most recent reported value (6/30/2022)*
3) *Forecasts are consensus opinions from forecasting agencies throughout the month of June (Median)*
4) *Index Forecasts - Forward 12-month estimate, Forward 24-month estimate*
   Estimate calculated from quarter end (i.e. June 30 , 2022 – June 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.

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

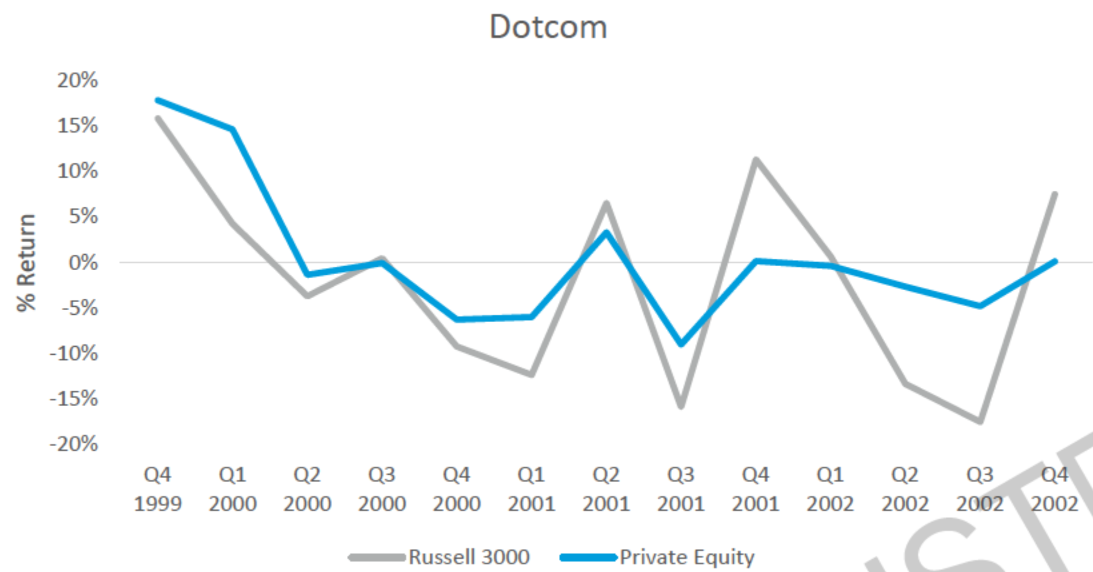
Metrics	Quarter avg.	10-year avg.
U.S. GDP Growth: Prior quarter U.S. Real GDP versus the 10 year U.S. Real GDP average*	-1.6%	2.3%
U.S. Unemployment: Quarter avg. unemployment rate versus the 10 year average	3.7%	5.6%
U.S. Credit Markets: Quarter avg. Barclays US Corporate HY Average OAS versus the 10 year average	451	436
Volatility (VIX): Quarter avg. VIX average versus the 10 year VIX average	29.4	17.9
Yield Curve: Quarter avg. 30-year yield minus the quarter avg. 2-year yield versus the 10 year average	33 bps	170 bps
Investor Sentiment: Quarterly Sentiment spread versus the 10 year average spread. Spread measured by difference between Bull Sentiment Index and Bear Sentiment Index.	-33.5	3.1

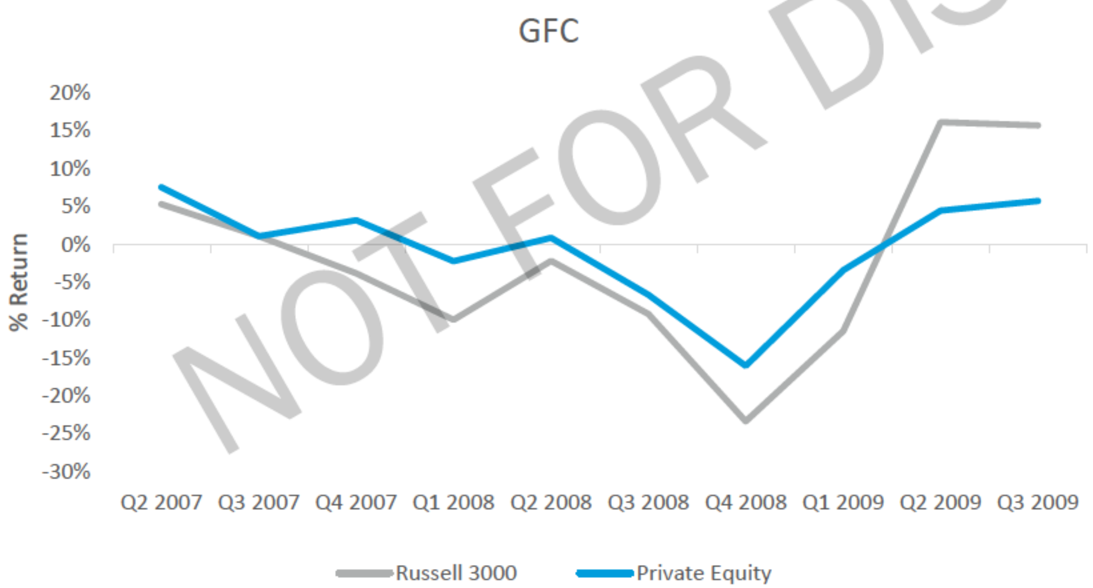
**U.S. GDP Growth is the current, end of previous quarter reading*

Source: Bloomberg

Source: Bloomberg

Private vs. Public Performance in Market Downturns



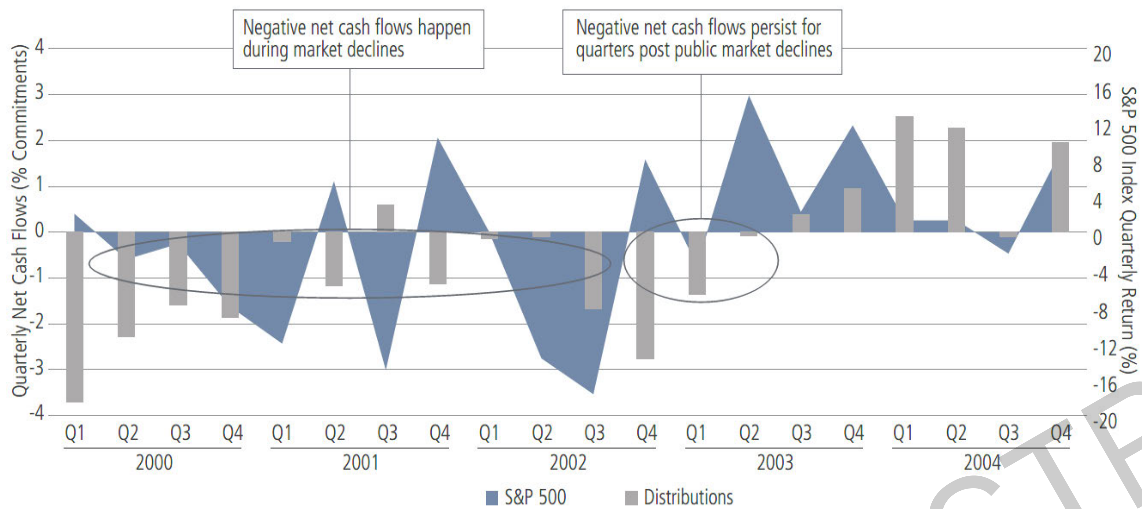


- The graphs highlight quarterly public vs. private performance in the two most recent prolonged public market downturns.
- Private equity returns were "smoother" in both time periods, declining less in down quarters but also increasing less in up quarters during the public market recovery.
- This takeaway was consistent throughout the full analysis period. In all 30 quarters that the Russell 3000 produced negative returns between March 1995 and September 2021, the private equity index has either been down by a lesser amount or positive.
- In contrast, in 42 quarters where the Russell 3000 produced returns at or above 5%, private equity index returns were lower in 33 of them.
  - Three of those quarters (Q3 2020, Q1 2021, Q2 2021) were in the four most recent quarters of the dataset.
- In an analysis of quarters with significant movement (Russell 3000 more than 10% up or 5% down), private equity up capture relative to the index averaged 52.8%, while down capture averaged 35.9%.

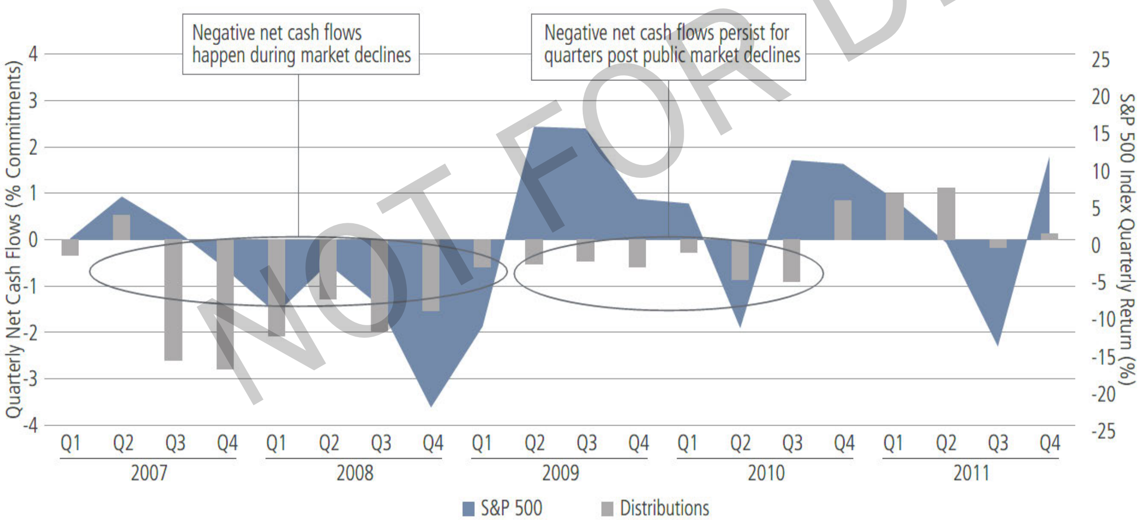
Source: Bloomberg, Cambridge Associates U.S. Private Equity index. Dataset from March 31, 1995 through September 30, 2021

Private Equity Net Cash Flows in Past Downturns

Net Cash Flows Analysis (% of Committed Capital): Q1 2000 – Q4 2004



Net Cash Flows Analysis (% of Committed Capital): Q1 2007 – Q4 2011



Source of Graphs: Neuberger Berman, "The Historical Impact of Economic Downturns on Private Equity"
Underlying data source: Cambridge Associates, FactSet

- In both the global financial crisis- and dotcom-related recessions, net cash flows were most negative just prior to and in the early years of the downturn; both contributions and distributions were reduced in subsequent quarters.
- In both cases, it took several quarters for net cash flows to turn positive (distributions exceeding contributions) following the public market rebound due to a sharp decrease in exit activity. This was driven in large part by longer portfolio company hold periods due to GP's not wanting to sell companies at lowered valuations.
- Credit lines, which typically delay capital calls six months to one year following deployment, were not nearly as prevalent in both periods analyzed. Investors may therefore expect a longer period of negative net cash flows during the downturn but for them to return to positive more quickly as well.