



Canterbury Consulting

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Global Positioning Statement™

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June 30, 2019

Drivers of the Market

Markets Extend Gains

- Shares in U.S. equity markets gained in Q2, despite declines in May due to increased concerns over the U.S.-China trade war. By the end of the quarter however, markets were supported by increasingly accommodative central banks and trade progress following the G20 Summit as both leaders agreed to get back to the negotiating table.
- International equities advanced in the quarter, experiencing a similar sharp drop to that of their U.S. counterparts in May, between gains in April and June. European Central Bank (ECB) President Mario Draghi signaled further monetary easing if the inflation outlook fails to improve, boosting Eurozone shares. Emerging market shares lagged their developed market counterparts as trade uncertainty weighed on Asian stocks.
- Core fixed income generated positive returns as heightened trade tariff concerns, lower growth, and inflation expectations resulted in declining long-term interest rates. During the quarter, the 10-year Treasury moved from 2.4% to 2.0%, and the 30-year Treasury moved from 2.8% to 2.5%. Concurrently, the Fed continued to communicate dovish guidance and signaled that a rate cut may occur as early as July.
- Oil markets experienced modest volatility on the back of global trade concerns and declining bond yields. However, markets eventually stabilized as OPEC extended production cuts and U.S. oil inventories moved lower. Conversely, gold benefited from many of the same global uncertainties during the quarter.

Second Quarter 2019

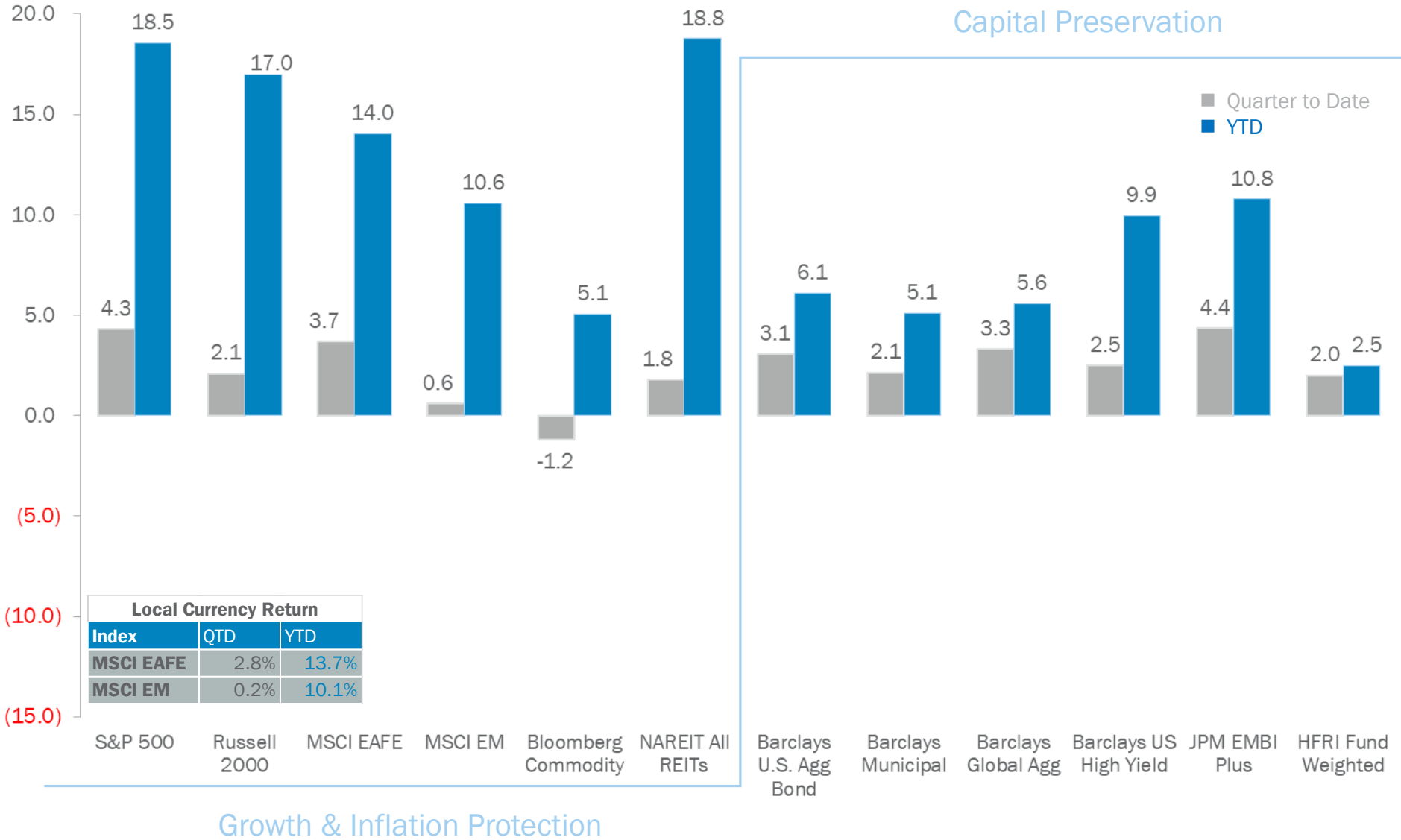
Returns through June 30, 2019

Index	QTD	YTD	1 Year
Growth			
MSCI ACWI	3.6%	16.2%	5.7%
Capital Preservation			
Barclays Global Aggregate	3.3%	5.6%	5.9%
Inflation Protection			
Morningstar U.S. Real Asset*	0.7%	7.5%	1.5%

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

Index Returns (%)

Through June 30, 2019



June 30, 2019

Source: Morningstar

Year over Year Statistics¹

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 29, 2018	June 28, 2019
S&P 500	1,960.23	2,063.11	2,098.86	2,423.41	2,718.37	2,941.76
S&P 500 EPS	110.10	111.45	105.50	115.55	143.19	152.19
P/E of S&P 500	17.80	18.51	19.89	20.97	18.98	19.33
P/E of MSCI EAFE	18.53	18.42	23.25	18.70	15.50	16.12
P/E of MSCI EM	12.95	14.40	14.34	14.82	12.89	13.75
S&P 500 Earnings Yield	5.62	5.40	5.03	4.77	5.27	5.17
Fed Funds Effective Rate	0.10	0.13	0.38	1.04	1.82	2.38
3 Month LIBOR	0.23	0.28	0.65	1.30	2.34	2.32
10 Year Treasury Yield	2.53	2.35	1.47	2.30	2.86	2.01
30 Year Mortgage Rate	4.15	4.17	3.53	3.87	4.40	3.80
Barclays U.S. Agg Yield	2.91	3.36	2.88	3.19	4.02	3.16
Barclays HY Spread	3.37	4.76	5.94	3.64	3.63	3.77
Gold (\$/oz)	1,327.33	1,172.35	1,321.90	1,241.61	1,252.60	1,409.55
WTI Crude Oil (\$/bbl)	105.37	59.47	48.33	46.04	74.15	58.47
Unemployment Rate	6.10	5.30	4.90	4.30	4.00	3.70
Headline CPI²	2.10	0.10	1.00	1.60	2.90	1.80
VIX Index	11.57	18.23	15.63	11.18	16.09	15.08

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	2.5%	1.8%	3.7%	2.2%	\$173.97	16.91	\$139.82	13.75	\$84.28	12.52
2020	1.8%	2.1%	3.7%	2.3%	\$184.23	15.97	\$146.48	13.12	\$91.74	11.50

(1) Source: Bloomberg

(2) Values are carried forward from the most recent reported value (6/30/2019)

(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. June 30, 2019 - June 31, 2020). Price in P/E ratio static as of quarter end.

Current U.S. Economic Conditions: Normal Growth

Contraction

U.S. GDP 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: Above average 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	3.1%*	2.2%
U.S. Earnings Yield: Quarter avg. S&P 500 earnings yield versus the 10 year S&P 500 earnings yield average	5.3%	5.7%
U.S. Credit Markets: Quarter avg. Barclays US Corporate HY Average OAS versus the 10 year average	389	504
Volatility (VIX): Quarter avg. VIX average versus the 10 year VIX average	15.6	17.7
Yield Curve: Quarter avg. 30-year yield minus the quarter avg. 2-year yield versus the 10 year average	69 bps	235 bps
Investor Sentiment: Quarterly Sentiment spread versus the 10 year average spread. Spread measured by difference between Bull Sentiment Index and Bear Sentiment Index.	-1.5	5.3

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

Source: Bloomberg

International Equity & U.S. Equity

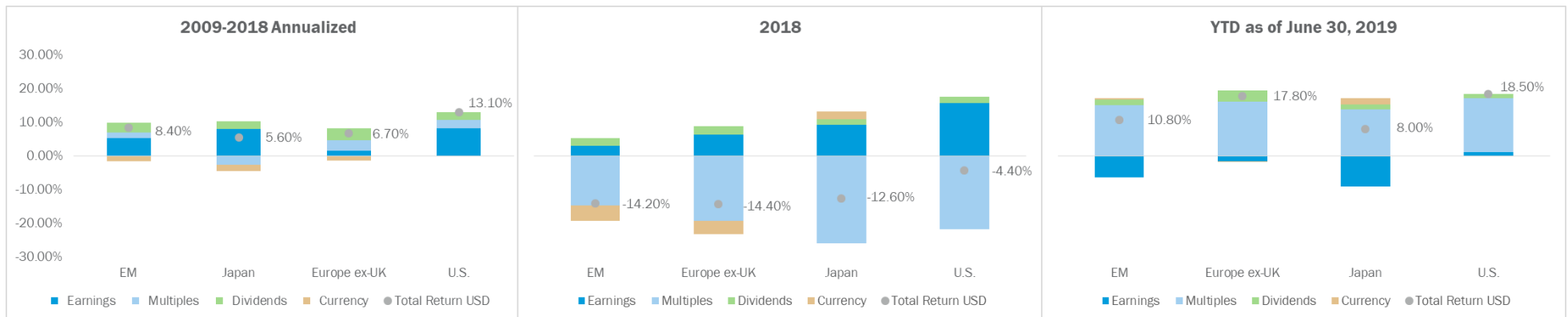
- International and U.S. equities have historically alternated periods of leadership, but over longer time horizons, returns have evened out.
- In shorter periods, such as 2018 and YTD 2019 as of June 30, 2019, multiple expansion and contraction can drive the bulk of performance.
- Over full market cycles, 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%

Source: 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%

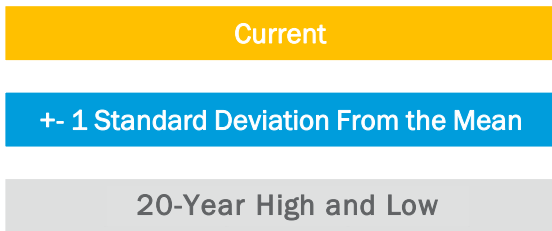
Source: Bloomberg, as of 6/30/2019



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

Global Positioning Indicators

Through June 30, 2019



Source: Bloomberg

June 30, 2019

	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 Weighted	Morningstar U.S. Real Asset
Canterbury Positioning	<ol style="list-style-type: none"> 1. Consider rebalancing back to emerging markets target if underweight 2. Allocate to high active share strategies 	<ol style="list-style-type: none"> 1. Focus on operational hands-on strategies 2. Prudent use of leverage 	<ol style="list-style-type: none"> 1. Maintain diversification & defensive posture with interest rates and credit 2. Maintain home country bias 	<ol style="list-style-type: none"> 1. Balance allocations between long/short equity and long/short credit 	<ol style="list-style-type: none"> 1. Diversify exposure to real assets 2. Rebalance real asset exposure
Reason	<ol style="list-style-type: none"> 1. Better diversification and lower valuations in emerging markets 2. Later stage recovery and rising interest rates support thoughtful security selection 	<ol style="list-style-type: none"> 1. Persistent value creation independent of market cycle 2. Late stage in the recovery 	<ol style="list-style-type: none"> 1. Interest rate risk is expensive in the current low rate environment. Credit spreads are tighter than median levels 2. Less non-U.S. developed currency risk and a better hedge against investor liabilities 	<ol style="list-style-type: none"> 1. Equity and credit strategies look equally attractive 	<ol style="list-style-type: none"> 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