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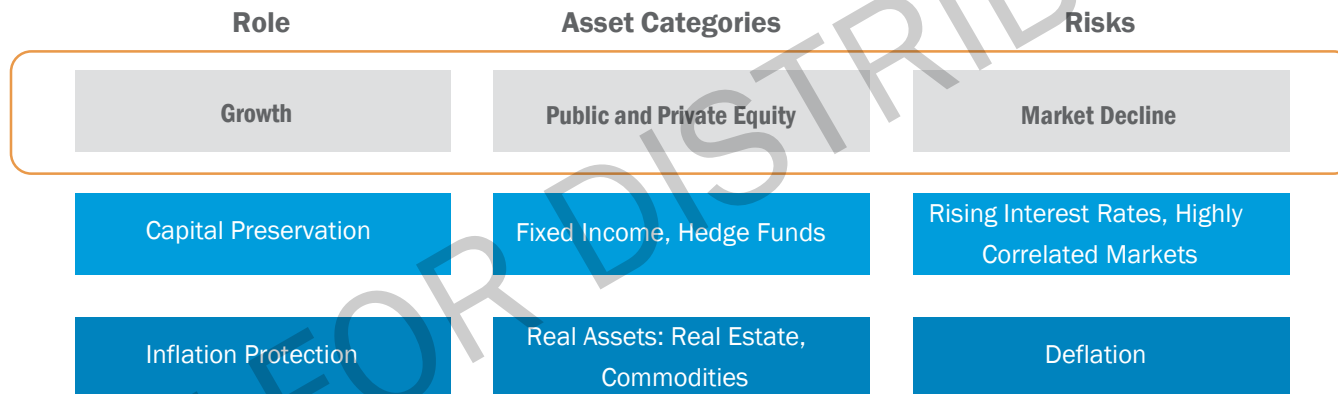
Quarterly Asset Class Report Global Equity

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September 30, 2019

Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of long-only equity strategies designed to (in aggregate):

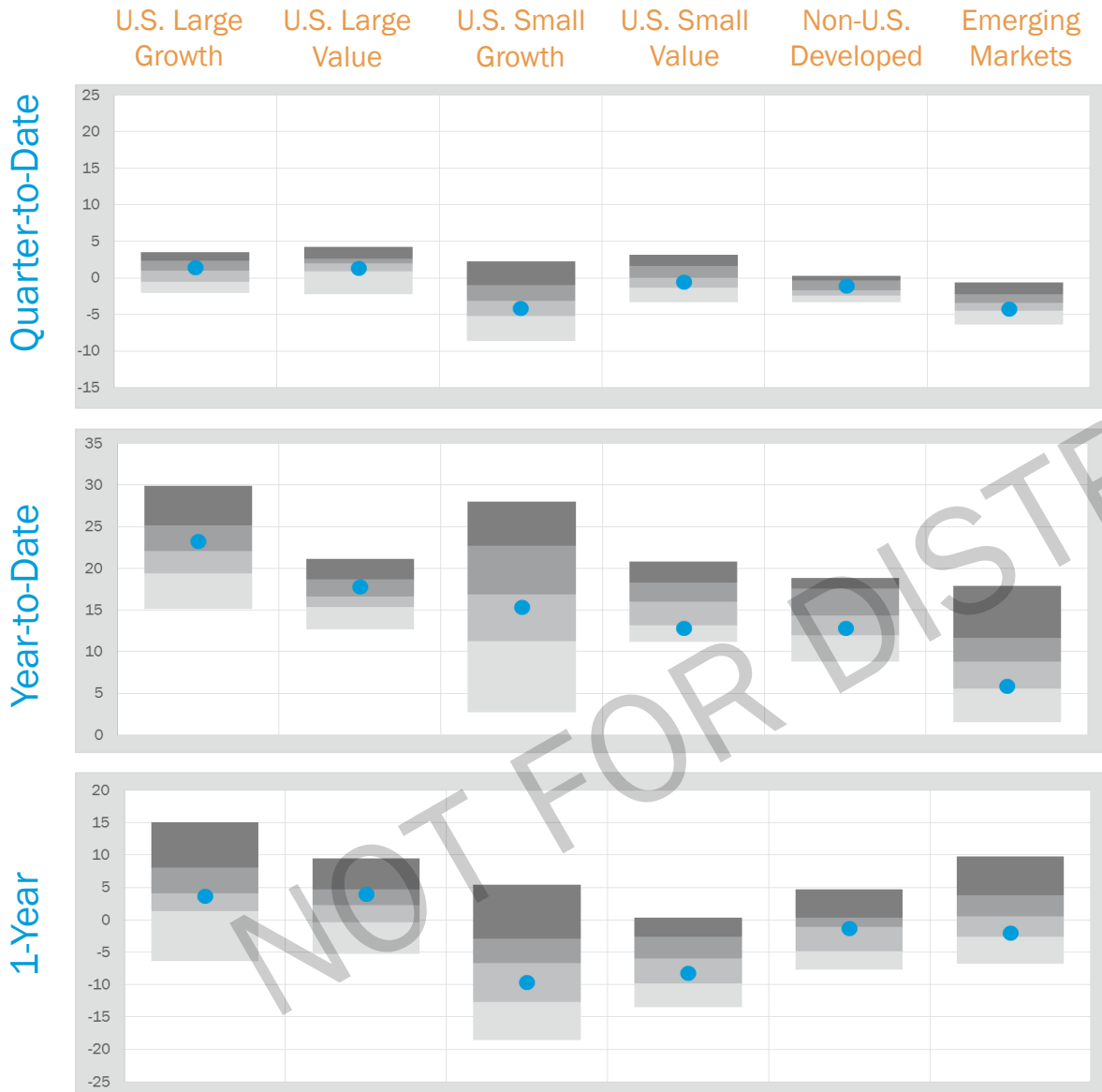
- Provide growth of portfolio assets in excess of inflation and spending rates
- Maintain comparable exposure to the global equity market
- Exhibit returns uncorrelated to fixed income markets



- Canterbury global equity portfolios are expected to deliver consistent net of fees excess returns and moderate tracking error versus the MSCI All Country World Index over longer periods of time.

Performance (%) as of September 30, 2019

Equity Review



Blue dots represent the returns of the respective Russell & MSCI benchmarks; gray floating bar charts represent the peer groups by quartile

- Major index returns were mixed in the quarter. U.S. small growth and small value were negative, but still up double digits year to date. U.S. large value and large growth ended the quarter in positive territory.
- After two years of relative underperformance, value outperformed growth in the quarter, though the spread was more pronounced at the lower end of the market cap spectrum. In the U.S. large cap space, returns spreads were negligible.
- Both non-U.S. developed and emerging markets stocks fell in the quarter, a reversal from their strength in the first half of the year. Emerging markets continued to lag their developed market counterparts as trade uncertainty weighed heavier on Asian stocks.

Sources: Morningstar Direct, Russell, MSCI

Market Capitalization Mix

Equity Review

Equity: U.S. Market Cap		Current	10 Year Avg	Deviation from Mean*	Large	Neutral	Small
Valuation	Russell Top 200 Current P/E (Large Cap)	19.74	17.40	0.95		-	
	R2000 Current P/E (Small Cap)	40.89	40.76	0.01		-	
	Avg P/E Ratio (Large/Small)	0.48	0.47	0.23		-	
	Russell Top 200 EV/EBITDA [^] (Large Cap)	13.29	10.55	1.43			+
	R2000 EV/EBITDA (Small Cap)	14.73	15.15	-0.15		-	
	Avg EV/EBITDA Ratio (Large/Small)	0.90	0.70	2.67			++
	Russell Top 200 P/S (Large Cap)	2.44	1.81	1.67			+
	R2000 P/S (Small Cap)	0.96	1.09	-0.82		-	
	Avg P/S Ratio (Large/Small)	2.55	1.65	3.57			++
Solvency	Russell Top 200 Debt/EBITDA (Large Cap)	4.17	4.35	-0.40		-	
	Russell 2000 Debt/EBITDA (Small Cap)	5.91	5.79	0.13		-	
	Avg Debt/EBITDA Ratio (Large/Small)	0.71	0.77	-0.49		-	
Growth	Russell Top 200 LT EPS Gr (Fwd) (Large Cap)	7.73	9.40	-0.48		-	
	R2000 LT EPS Gr (Fwd) (Small Cap)	11.85	10.14	0.58		-	
	Avg Growth Ratio (Large/Small)	0.65	0.92	-0.40		-	
Economy	Case Shiller Home Price (YoY)	2.00	4.01	-0.41		-	
	Total Leading Economic Indicators	112.10	95.74	1.66			+
	Currency (USD v Broad Basket)	99.38	87.72	1.36			+
	Curve Steepness 2's to 10's	0.04	1.49	-1.80	+		

*Deviation from mean represents how many standard deviations the current value is above or below the 10-year average, also known as the "Z-Score". '+' denotes one standard deviation, and '++' denotes two standard deviations in favor of the asset class.

[^]EV/EBITDA, also known as the "enterprise multiple," is a ratio used to determine the value of a company. Unlike P/E, the enterprise multiple takes debt into account. This is often the ratio used by companies looking to acquire another business.

- There are various metrics used to value the equity universe. Canterbury prefers Price/Earnings, EV/EBITDA, and Price/Sales.
- P/E multiples for small caps remained near their long-term average following a negative quarter. U.S. large caps are trading above their long-term average following positive returns in the quarter.
- Growth estimates have declined for large caps given a slowdown in growth in 2019. However, small cap growth estimates improved in the quarter and remain above their 10-year averages.
- The Fed cut interest rates twice and the spread between the 10-year and 2-year U.S. Treasury was negative in late August before turning positive again toward the end of the quarter. An inversion of the 2-year/10-year Treasury curve has historically been followed by a recession. Narrower spreads tend to favor large cap stocks.

Source: Russell

Region Mix – U.S. vs. R.O.W.

Equity: Region (U.S./Global)		Current	10 Year Avg	Deviation from Mean*	U.S.	Neutral	R.O.W.
Valuation	S&P 500 Current P/E	19.58	17.78	0.72		-	
	MSCI ACWI Current P/E	17.78	17.29	0.15		-	
	Avg P/E Ratio (US /ACWI)	1.10	1.03	1.03			+
	S&P 500 EV/EBITDA^	13.37	10.90	1.37			+
	MSCI ACWI EV/EBITDA	11.36	10.05	1.02	+		
	Avg EV/EBITDA Ratio (US/ACWI)	1.18	1.08	1.65			+
	S&P 500 P/S	2.19	1.70	1.38			+
	MSCI ACWI P/S	1.59	1.32	1.18	+		
Avg P/S Ratio (US/ACWI)	1.38	1.28	1.34			+	
Solvency	S&P 500 Debt/EBITDA	4.14	4.25	-0.23		-	
	MSCI ACWI Debt/EBITDA	5.71	6.05	-0.58		-	
	Avg Debt/EBITDA Ratio (US/ACWI)	0.73	0.70	0.61		-	
Growth	S&P 500 LT EPS Gr (Fwd)	6.57	9.10	-0.70		-	
	MSCI ACWI LT EPS Gr (Fwd)	8.15	9.88	-0.11		-	
	Avg Growth Ratio (US/ACWI)	0.81	0.98	-0.49		-	
Economy	Currency (USD v Broad Basket)	99.38	87.72	1.36			+

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Equity Review

- Valuation multiples fell slightly for both U.S. equities and equities outside of the U.S. From a relative standpoint, global equities remain more attractively valued.
- Debt levels remain below long-term averages for both U.S. and global (R.O.W.) stocks, suggesting healthy leverage conditions.
- Expected earnings growth remains below 10-year averages for both domestic and R.O.W. equities. However, the latter's growth estimates have improved since last quarter.
- The U.S. dollar edged higher in the quarter and was a headwind to international returns. Geopolitical uncertainty may cause the dollar to strengthen in the coming quarters and forward guidance from other central bankers suggest broad-based easing in the months ahead. These factors may be headwinds to global stocks.

Sources: MSCI and Standard & Poor's

Region Mix – Non-U.S. Developed vs. R.O.W.

Equity Review

Equity: Region (Non-U.S. Dev/Global)	Current	10 Year Avg	Deviation from Mean*	Non-U.S. Dev	Neutral	R.O.W.
Valuation	MSCI EAFE Current P/E	16.65	17.61	-0.09	-	
	MSCI ACWI Current P/E	17.78	17.29	0.15	-	
	Avg P/E Ratio (EAFE/ACWI)	0.94	1.02	-0.34	-	
	MSCI EAFE EV/EBITDA [^]	9.37	9.26	0.12		-
	MSCI ACWI EV/EBITDA	11.36	10.05	1.02	+	
	Avg EV/EBITDA Ratio (EAFE/ACWI)	0.82	0.93	-1.80	+	
	MSCI EAFE P/S	1.15	1.02	0.79		-
	MSCI ACWI P/S	1.59	1.32	1.18	+	
Avg P/S Ratio (EAFE/ACWI)	0.72	0.77	-1.80	+		
Solvency	MSCI EAFE Debt/EBITDA	7.62	8.48	-0.85	-	
	MSCI ACWI Debt/EBITDA	5.71	6.05	-0.58	-	
	Avg Debt/EBITDA Ratio (EAFE/ACWI)	1.33	1.40	-1.14	+	
Growth	MSCI EAFE LT EPS Gr (Fwd)	10.64	5.76	0.09		-
	MSCI ACWI LT EPS Gr (Fwd)	8.15	9.88	-0.11		-
	Avg Growth Ratio (EAFE/ACWI)	1.31	0.74	0.14		-
Economy	USD/EUR	1.09	1.24	-1.24	+	

*Deviation from mean represents how many standard deviations the current value is above or below the 10-year average, also known as the “Z-Score”. ‘+’ denotes one standard deviation, and ‘++’ denotes two standard deviations in favor of the asset class

[^]EV/EBITDA, also known as the “enterprise multiple,” is a ratio used to determine the value of a company. Unlike P/E, the enterprise multiple takes debt into account. This is often the ratio used by companies looking to acquire another business

- Both non-U.S. developed and R.O.W. equity valuations remained relatively close to their long-term averages. Non-U.S. equities continue to remain slightly more attractive from a valuation standpoint.
- Debt levels continue to remain low for non-U.S. developed stocks and R.O.W. equities.
- Earnings growth forecasts for both non-U.S. developed and R.O.W. equities have improved from last quarter. These estimates tend to fluctuate significantly from quarter to quarter.
- The euro fell in the quarter versus the dollar, and the dollar remains strong relative to its historical average. A strong dollar benefits European exporters with costs in euros and revenues in dollars.

Source: MSCI

Region Mix – Emerging Markets vs. R.O.W.

Equity Review

Equity: Region (EM/Global)		Current	10 Year Avg	Deviation from Mean*	EM	Neutral	R.O.W.
Valuation	MSCI EM Current P/E	13.30	13.46	-0.07		-	
	MSCI ACWI Current P/E	17.78	17.29	0.15		-	
	Avg P/E Ratio (EM/ACWI)	0.75	0.78	-0.51		-	
	MSCI EM EV/EBITDA^	8.59	8.10	0.59		-	
	MSCI ACWI EV/EBITDA	11.36	10.05	1.02	+		
	Avg EV/EBITDA Ratio (EM/ACWI)	0.76	0.81	-0.75		-	
	MSCI EM P/S	1.18	1.18	0.01		-	
	MSCI ACWI P/S	1.59	1.32	1.18	+		
Avg P/S Ratio (EM/ACWI)	0.74	0.90	-0.92		-		
Solvency	MSCI EM Debt/EBITDA	4.58	3.95	0.96		-	
	MSCI ACWI Debt/EBITDA	5.71	6.05	-0.58		-	
	Avg Debt/EBITDA Ratio (EM/ACWI)	0.80	0.66	1.10			+
Growth	MSCI EM LT EPS Gr (Fwd)	7.59	8.84	-0.08		-	
	MSCI ACWI LT EPS Gr (Fwd)	8.15	9.88	-0.11		-	
	Avg Growth Ratio (EM/ACWI)	0.93	0.89	0.07		-	

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^EV/EBITDA, also known as the "enterprise multiple," is a ratio used to determine the value of a company. Unlike P/E, the enterprise multiple takes debt into account. This is often the ratio used by companies looking to acquire another business

- Both EM equities and R.O.W. equities remain slightly above or near their historical valuation multiples, and EM equities appear to trade at an appropriate discount to R.O.W. equities.
- Elevated debt levels continue to be more of a concern for emerging markets than they are for R.O.W., particularly for those EM countries with dollar-denominated debt, if there is continued U.S. dollar strength.
- Growth estimates tend to fluctuate from quarter to quarter, and both EM and R.O.W. EPS growth estimates remain below their long-term averages.

Source: MSCI