Canterbury Consulting

Global Positioning Statement™

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September 30, 2016

Drivers of the Market

Global Equities Rise as the Fed Remains on Hold

- In September, the FOMC decided to keep the federal funds rate unchanged, citing the need for further improvement in the labor market. While the committee remains constructive on the economy, the group reiterated that rate hikes will happen in a gradual manner given current economic conditions and global externalities. In a rare move, three FOMC Members officially dissented and subsequently voted to raise the federal funds target range by 0.25%
- The quarter saw a 'risk-on' rally in U.S. equities, led by the following factors: high beta beating low beta, cyclicals cruising past defensives, small caps surpassing large caps, and growth gaining on value
- In international markets, sterling devaluation continued to lift UK multi-nationals while accommodative monetary policy and a recovery in commodities pricing eased pressure on emerging markets
- Investment grade and high yield spreads continued to tighten as investor demand remained strong. Outside of the U.S., the ECB continued monthly bond purchases of 80 billion euros and two European companies issued Investment Grade debt at negative yield to maturities. CCC-rated securities continued to rally over the quarter. In aggregate, the CCC universe has returned over 28% YTD

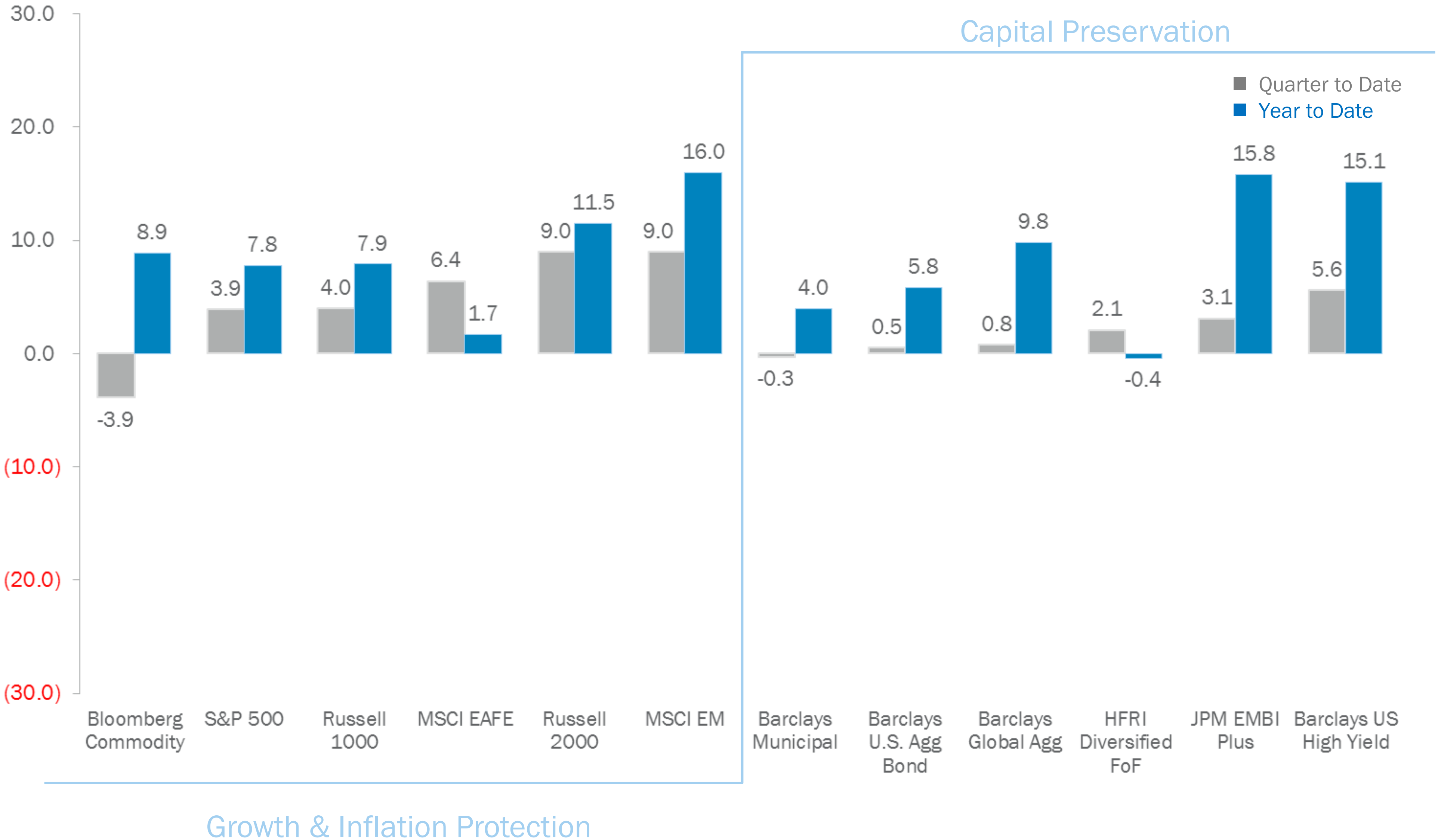
Returns through September 30, 2016

Index	QTD	YTD	1 Year
Growth MSCI ACWI	5.3%	6.6%	12.0%
Capital Preservation Barclays Global Aggregate	0.8%	9.9%	8.8%
Inflation Protection Morningstar U.S. Real Asset*	1.1%	7.5%	8.8%

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

Index Returns (%)

Through September 30, 2016



Source: Morningstar

Economic Data

Year over Year Statistics

	September 30, 2011	September 28, 2012	September 30, 2013	September 30, 2014	September 30, 2015	September 30, 2016
S&P 500	1,131.42	1,440.67	1,681.55	1,972.29	1,920.03	2,168.27
S&P 500 EPS	89.48	97.19	103.30	113.43	109.15	106.17
P/E of S&P 500	12.64	14.82	16.28	17.39	17.59	20.42
P/E of MSCI EAFE	11.24	15.94	18.49	17.32	18.50	24.99
P/E of MSCI EM	9.54	12.14	11.71	12.45	11.97	15.43
S&P 500 Earnings Yield	7.91	6.75	6.14	5.75	5.69	4.90
Fed Funds Effective Rate	0.08	0.14	0.08	0.09	0.14	0.40
3 Month LIBOR	0.37	0.36	0.25	0.24	0.33	0.85
10 Year Treasury Yield	1.92	1.63	2.61	2.49	2.04	1.59
30 Year Mortgage Rate	4.03	3.43	4.28	4.12	3.84	3.34
Barclays U.S. Agg Yield	3.83	2.79	3.30	3.10	3.42	2.84
Barclays HY Spread	8.07	5.51	4.61	4.24	6.30	4.80
Gold ($/oz)	1,623.79	1,772.25	1,329.03	1,208.15	1,115.09	1,315.87
WTI Crude Oil ($/bbl)	79.20	92.19	102.33	91.16	45.09	48.24
Unemployment Rate	9.00	7.80	7.30	6.00	5.10	5.00
Headline CPI[2]	3.90	2.00	1.20	1.70	0.00	1.10
VIX Index	42.96	15.73	16.60	16.31	24.50	13.29

Forward Looking Forecasts[3]

	Real GDP	CPI	Unemployment	10-Yr Treasury
2016	1.5%	1.2%	4.9%	1.7%
2017	2.2%	2.2%	4.6%	2.2%

	S&P 500 EPS[1]	Forward P/E[1]
2016	$127.77	16.97
2017	$133.75	16.21

	MSCI EAFE EPS[1]	Forward P/E[1]
2016	$114.96	14.80
2017	$120.47	14.13

	MSCI EM EPS[1]	Forward P/E[1]
2016	$70.40	12.83
2017	$75.73	11.93

(1) Source: Bloomberg
(2) Values are carried forward from the most recent reported value (08/31/2016)
(3) Forecasts are consensus opinions from 98 forecasting agencies

Current U.S. Economic Conditions: Slow 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

— Notable changes from the prior quarter's economic conditions include: 1) **GDP Growth YoY** trended lower over the quarter (One Year Avg: 1.3%) 2) **Volatility (VIX)** moved to the low end of the 'Normal Range' (One Year Avg: 15.68)

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

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