CanterburyConsulting

Global Positioning Statement™

canterburyconsulting.com

December 31, 2016

Drivers of the Market

Fourth Quarter 2016

U.S. Market Rallies After Surprise Election Outcome

- Developed market bond yields rose quickly and swiftly as a result of higher growth, higher inflation prospects, and faster than expected interest rate increases by the Fed. Moreover, markets are expecting President Trump to implement significant fiscal stimulus by way of infrastructure spending. As a result, pro-growth market sentiment led to a 'risk-on' rally which negatively affected U.S. Treasurys and other 'safe haven' assets.

- As 2016 drew to a close, U.S. equity markets anticipated that corporate tax reform, lessened regulation, and infrastructure spending would lead to faster economic growth along with higher inflation and interest rates. As a result, banks, commodity stocks, and small companies rallied while technology and health care stocks fell out of favor.

- Emerging markets sank during the quarter, led lower by India, China, and Mexico. Trump's anti-free trade campaign rhetoric, the strengthening U.S. dollar, and higher U.S. interest rates contributed to the decline. Despite the decline, emerging markets equities finished the year ahead of the MSCI ACWI due to a strong first half.

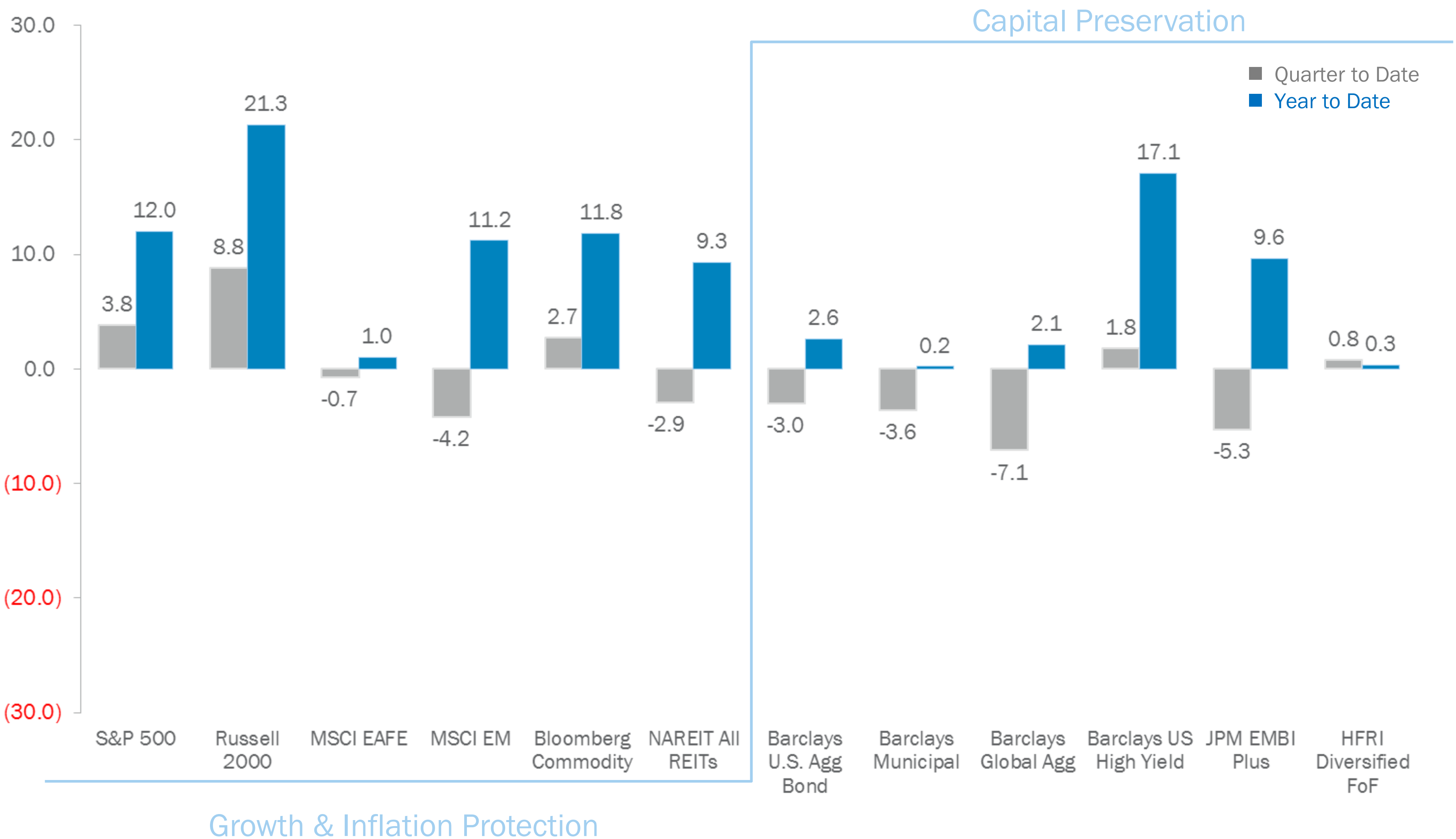
Returns through December 31, 2016

Index	QTD	YTD	1 Year
Growth MSCI ACWI	1.2%	7.9%	7.9%
Capital Preservation Barclays Global Aggregate	(7.1%)	2.1%	2.1%
Inflation Protection Morningstar U.S. Real Asset*	(2.4%)	4.9%	4.9%

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

Index Returns (%)

Through December 31, 2016



Source: Morningstar

Year over Year Statistics

	December 30, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 30, 2016
S&P 500	1,257.60	1,426.19	1,848.36	2,058.90	2,043.94	2,238.83
S&P 500 EPS	93.62	99.21	105.93	112.57	108.85	106.80
P/E of S&P 500	13.43	14.37	17.45	18.29	18.78	20.96
P/E of MSCI EAFE	13.90	16.79	17.97	16.75	21.35	22.95
P/E of MSCI EM	10.18	12.98	10.81	13.02	15.28	15.46
S&P 500 Earnings Yield	7.44	6.96	5.73	5.47	5.33	4.77
Fed Funds Effective Rate	0.07	0.16	0.09	0.12	0.24	0.54
3 Month LIBOR	0.58	0.31	0.25	0.26	0.61	1.00
10 Year Treasury Yield	1.88	1.76	3.03	2.17	2.27	2.44
30 Year Mortgage Rate	3.94	3.40	4.54	3.99	3.90	4.06
Barclays U.S. Agg Yield	3.74	2.71	3.26	3.11	3.67	3.37
Barclays HY Spread	6.99	5.11	3.82	4.83	6.60	4.09
Gold ($/oz)	1,564.91	1,675.35	1,201.64	1,184.37	1,061.10	1,147.50
WTI Crude Oil ($/bbl)	98.83	91.82	98.42	53.27	37.04	53.72
Unemployment Rate	8.50	7.90	6.70	5.60	5.00	4.70
Headline CPI[2]	3.00	1.70	1.50	0.80	0.70	1.70
VIX Index	23.40	18.02	13.72	19.20	18.21	14.04

Forward Looking Forecasts[3]

	Real GDP	CPI	Unemployment	10-Yr Treasury
2016	1.6%	1.3%	4.8%	2.5%
2017	2.2%	2.3%	4.7%	2.8%

S&P 500 EPS[1]	Forward P/E[1]
$130.91	17.10
$145.64	15.37

MSCI EAFE EPS[1]	Forward P/E[1]
$118.31	14.49
$122.33	14.01

MSCI EM EPS[1]	Forward P/E[1]
$73.28	12.02
$80.94	10.89

(1) Source: Bloomberg
(2) Values are carried forward from the most recent reported value (10/31/2016)
(3) Forecasts are consensus opinions from 98 forecasting agencies

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

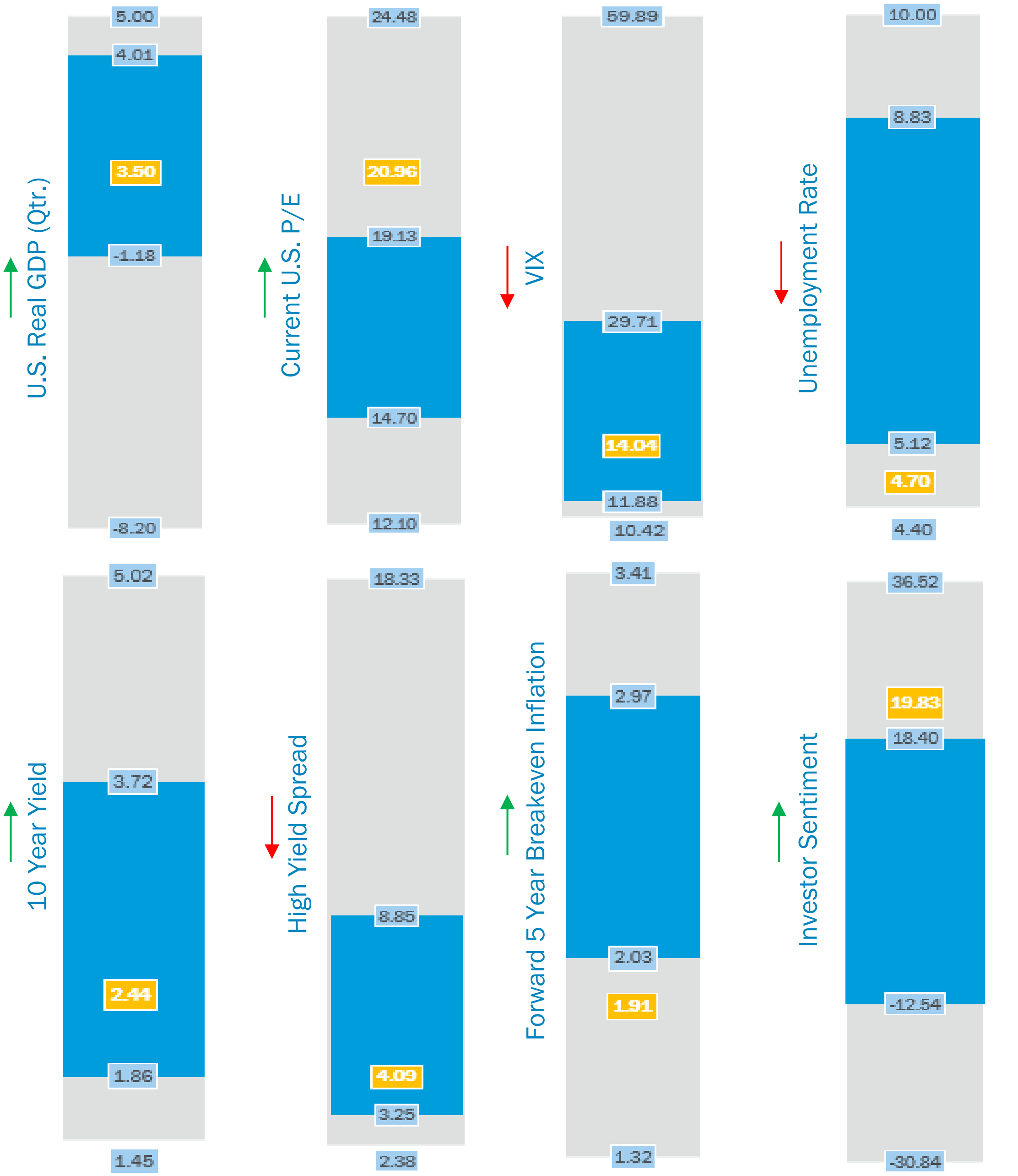
Yield Curve: Yield curve steepens

Investor Sentiment: Investors eager to purchase at any price

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

Global Positioning Indicators

Fourth Quarter 2016



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

- Most market trends point to a growing and healthy U.S. economy. For example, U.S. Real GDP growth continues to trend higher while the Unemployment Rate and High Yield Spreads continue to trend lower

- Other indicators are undergoing potential reversals. 10 year treasury yields and inflation expectations have both started to move higher. The higher likelihood of further Fed rate hikes and more fiscal stimulus has led to these shifts

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