

Canterbury Consulting

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Quarterly Asset Class Report Global Equity

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December 31, 2022

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

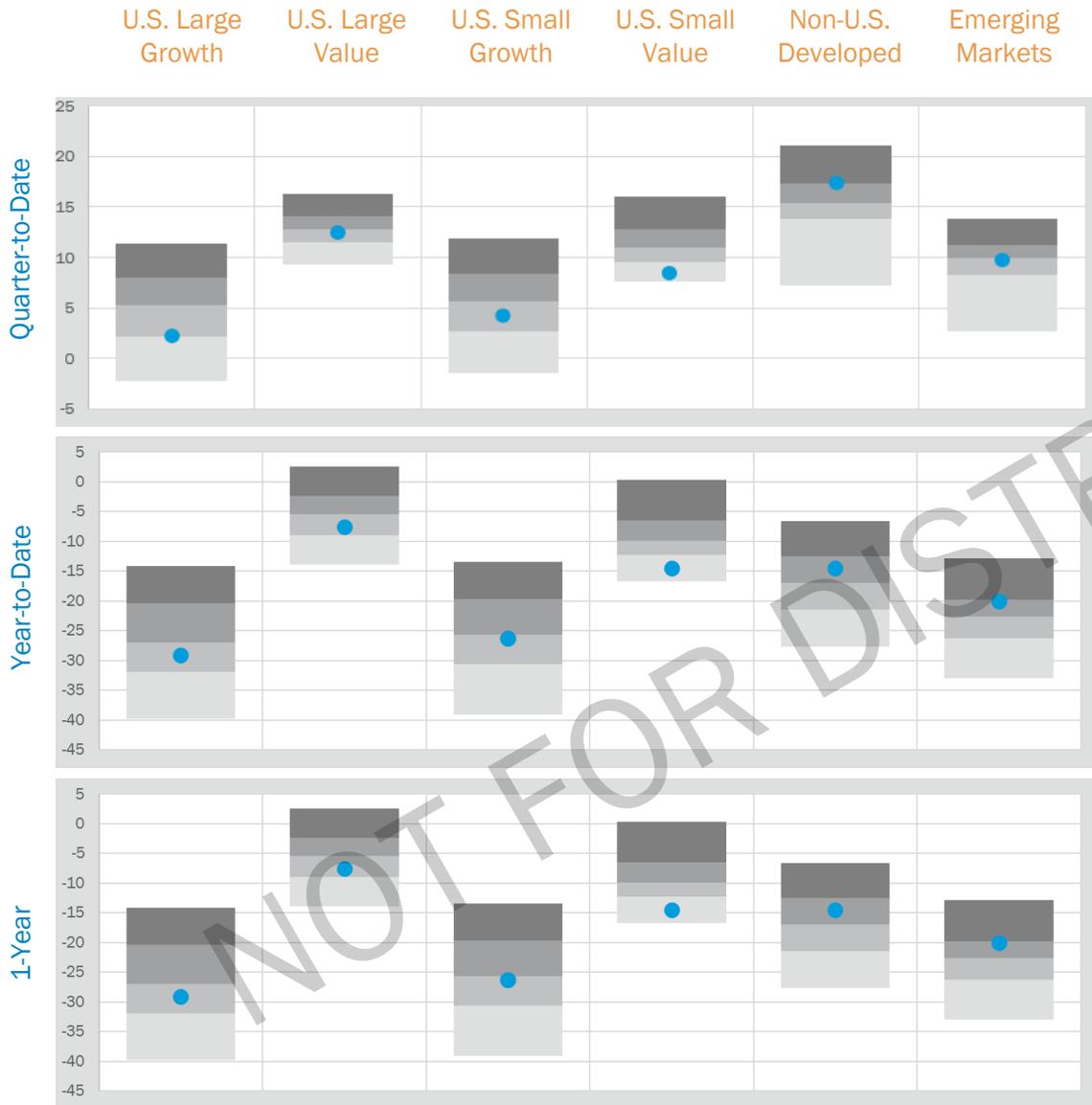
- Provide growth of portfolio assets in excess of inflation and spending rates
- Maintain comparable exposure to the global equity market
- Exhibit returns uncorrelated to fixed income markets



- Canterbury global equity portfolios are set up with a goal 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 December 31, 2022

Equity Review



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

- U.S. indices ended the quarter in positive territory although were negative for the year.
- Small value and large value companies outperformed their growth counterparts in the quarter and significantly outperformed over the 1-year period.
- Non-U.S. developed equities and emerging markets (EM) equities were also positive in the quarter. Non-U.S. developed equities held up relatively better in the quarter versus EM equities.

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)	18.94	20.12	-0.33	-	
	R2000 Current P/E (Small Cap)	47.96	59.96	-1.16		+
	Avg P/E Ratio (Large/Small)	0.39	0.36	0.24	-	
	Russell Top 200 EV/EBITDA [^] (Large Cap)	13.20	12.71	0.21	-	
	R2000 EV/EBITDA (Small Cap)	12.61	17.60	-1.36		+
	Avg EV/EBITDA Ratio (Large/Small)	1.05	0.73	2.17		++
	Russell Top 200 P/S (Large Cap)	2.49	2.31	0.32	-	
	R2000 P/S (Small Cap)	1.07	1.21	-0.94	-	
	Avg P/S Ratio (Large/Small)	2.33	1.92	1.01		+
Solvency	Russell Top 200 Debt/EBITDA (Large Cap)	3.54	4.17	-1.94	+	
	Russell 2000 Debt/EBITDA (Small Cap)	4.96	6.63	-0.92	-	
	Avg Debt/EBITDA Ratio (Large/Small)	0.71	0.65	0.63	-	
Growth	Russell Top 200 LT EPS Gr (Fwd) (Large Cap)	7.36	8.96	-0.19	-	
	R2000 LT EPS Gr (Fwd) (Small Cap)	15.21	10.04	1.59		+
	Avg Growth Ratio (Large/Small)	0.48	0.91	-0.47	-	
Economy	Case Shiller Home Price (YoY)	8.64	8.04	0.12	-	
	Total Leading Economic Indicators	113.50	105.38	0.95	-	
	Currency (USD v Broad Basket)	103.52	93.58	1.39		+
	Curve Steepness 2's to 10's	-0.55	0.95	-2.04	++	

*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.
- The P/E metric for large caps and small caps are below their 10-year averages whereas the P/S metrics are around their long-term averages.
- The interest rate spread between the 10-year and two-year U.S. Treasury remained in negative territory in the quarter and is two standard deviations below its long-term average.

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	18.60	20.19	-0.46		-	
	MSCI ACWI Current P/E	15.73	19.02	-0.94		-	
	Avg P/E Ratio (US /ACWI)	1.18	1.06	1.42			+
	S&P 500 EV/EBITDA^	12.87	12.89	-0.01		-	
	MSCI ACWI EV/EBITDA	10.46	11.35	-0.55		-	
	Avg EV/EBITDA Ratio (US/ACWI)	1.23	1.13	1.61			+
	S&P 500 P/S	2.25	2.11	0.32		-	
	MSCI ACWI P/S	1.72	1.59	0.44		-	
	Avg P/S Ratio (US/ACWI)	1.31	1.33	-0.44		-	
Solvency	S&P 500 Debt/EBITDA	3.55	4.12	-1.43	+		
	MSCI ACWI Debt/EBITDA	4.80	5.89	-1.90			+
	Avg Debt/EBITDA Ratio (US/ACWI)	0.74	0.70	1.25			+
Growth	S&P 500 LT EPS Gr (Fwd)	9.33	8.84	0.05		-	
	MSCI ACWI LT EPS Gr (Fwd)	7.66	10.18	-0.03		-	
	Avg Growth Ratio (US/ACWI)	1.22	0.95	0.36		-	
Economy	Currency (USD v Broad Basket)	103.52	93.58	1.39			+

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Equity Review

- Earnings multiples and EV multiples rose slightly for U.S. equities and non-U.S. equities. Earnings multiples remain below long-term averages.
- Debt levels continue to be below long-term averages for both U.S. and global (R.O.W.) stocks, suggesting less concerning leverage conditions.
- Domestic equities long-term growth estimates remain above their long-term averages and R.O.W. equities growth estimates are slightly below long-term averages.
- The U.S. dollar weakened in the quarter and was a relative tailwind to international returns.

Sources: MSCI, 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	13.63	19.12	-0.93	-	
	MSCI ACWI Current P/E	15.73	19.02	-0.94	-	
	Avg P/E Ratio (EAFE/ACWI)	0.87	1.00	-1.04	+	
	MSCI EAFE EV/EBITDA [^]	7.86	9.77	-1.60	+	
	MSCI ACWI EV/EBITDA	10.46	11.35	-0.55	-	
	Avg EV/EBITDA Ratio (EAFE/ACWI)	0.75	0.86	-1.50	+	
	MSCI EAFE P/S	1.28	1.16	0.72	-	
	MSCI ACWI P/S	1.72	1.59	0.44	-	
	Avg P/S Ratio (EAFE/ACWI)	0.74	0.74	0.09	-	
Solvency	MSCI EAFE Debt/EBITDA	6.43	8.15	-1.59	+	
	MSCI ACWI Debt/EBITDA	4.80	5.89	-1.90		+
	Avg Debt/EBITDA Ratio (EAFE/ACWI)	1.34	1.38	-0.60	-	
Growth	MSCI EAFE LT EPS Gr (Fwd)	4.44	5.94	-0.05	-	
	MSCI ACWI LT EPS Gr (Fwd)	7.66	10.18	-0.03	-	
	Avg Growth Ratio (EAFE/ACWI)	0.58	0.64	-0.03	-	
Economy	USD/EUR	1.07	1.17	-1.01	+	

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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.

- The non-U.S. developed and the R.O.W. P/E ratios rose in the quarter. Most of the valuation metrics for both non-U.S. developed and R.O.W. equity valuations are below their long-term averages.
- Debt levels for both non-U.S. developed and R.O.W. stocks remained below their long-term averages in the quarter.
- Earnings growth forecasts declined for both non-U.S. developed equities and R.O.W. equities.
- The euro strengthened versus the dollar in the quarter benefitting international returns for U.S. investors.

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	10.75	14.01	-1.16	+		
	MSCI ACWI Current P/E	15.73	19.02	-0.94		-	
	Avg P/E Ratio (EM/ACWI)	0.68	0.74	-1.07	+		
	MSCI EM EV/EBITDA [^]	7.89	8.76	-0.61		-	
	MSCI ACWI EV/EBITDA	10.46	11.35	-0.55		-	
	Avg EV/EBITDA Ratio (EM/ACWI)	0.75	0.77	-0.47		-	
	MSCI EM P/S	1.15	1.22	-0.37		-	
	MSCI ACWI P/S	1.72	1.59	0.44		-	
	Avg P/S Ratio (EM/ACWI)	0.67	0.78	-1.68	+		
Solvency	MSCI EM Debt/EBITDA	4.21	4.52	-0.54		-	
	MSCI ACWI Debt/EBITDA	4.80	5.89	-1.90			+
	Avg Debt/EBITDA Ratio (EM/ACWI)	0.88	0.77	1.45			+
Growth	MSCI EM LT EPS Gr (Fwd)	13.26	9.87	0.14		-	
	MSCI ACWI LT EPS Gr (Fwd)	7.66	10.18	-0.03		-	
	Avg Growth Ratio (EM/ACWI)	1.73	0.92	1.60	+		

- The EM equities and R.O.W equities valuation multiples generally rose in the quarter, with valuations below historical averages. EM equities appear to be attractively valued from a relative valuation standpoint.
- Debt levels for EM countries remain around long-term averages and remain below historical averages for R.O.W. equities.
- Growth expectations improved slightly for EM equities and declined for R.O.W. equities.

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Source: MSCI