Canterbury Consulting

Global Positioning Statement™

canterburyconsulting.com

March 31, 2017

Positive Global Growth Leads to Risk-On Rally

- Positive global economic data led to a rally in risky assets over the quarter. Emerging markets outperformed all major asset classes as improving global growth characteristics resulted in better trade prospects. Risk-on assets also benefited as U.S. trade and protectionist concerns subsided

- In U.S. equities, growth beat value and large-caps beat small-caps, reversing the previous quarter's trend. Many of the popular "Trump trades" stalled in 1Q amidst policy uncertainty, while technology stocks rallied as investors sought sources of idiosyncratic growth

- Fixed income generated positive performance despite the Fed hiking rates in March. While the rate hike was somewhat unexpected in the beginning of the year, the Fed reiterated its cautious and data-dependent stance to normalizing interest rates. Spread sectors continued to tighten on the back of strong corporate data. Local currency EM debt outperformed as investors shifted to higher growth regions

- Energy-related assets generated negative returns as higher U.S. inventory levels and OPEC production uncertainty put downward pressure on oil prices. Base metals posted positive performance on the back of higher global infrastructure demand

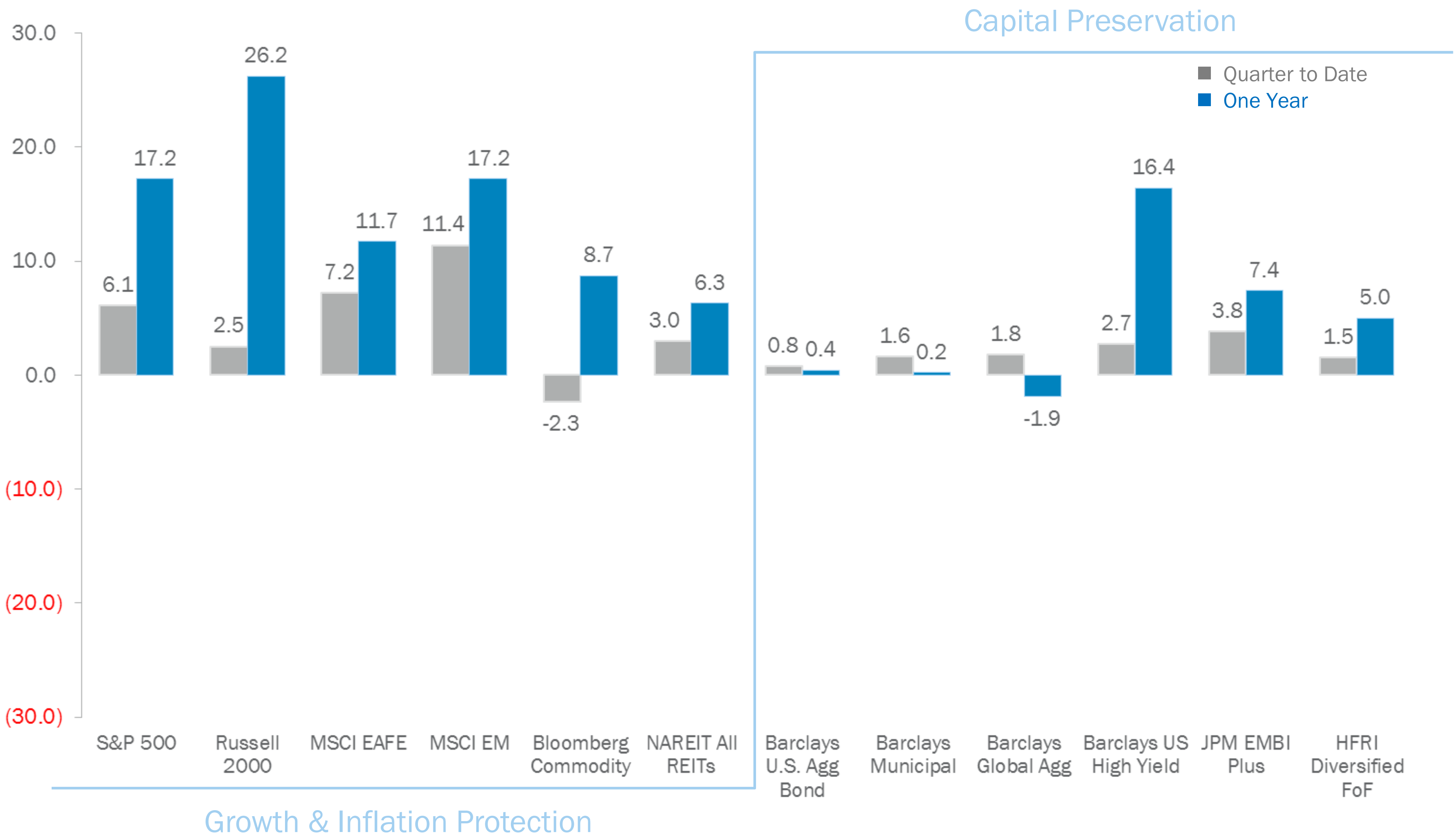
Returns through March 31, 2017

Index	QTD	YTD	1 Year
Growth MSCI ACWI	6.9%	6.9%	15.0%
Capital Preservation Barclays Global Aggregate	1.8%	1.8%	(1.9%)
Inflation Protection Morningstar U.S. Real Asset*	(1.0%)	(1.0%)	1.7%

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

Index Returns (%)

Through March 31, 2017



Source: Morningstar

Year over Year Statistics[1]

	March 30, 2012	March 29, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
S&P 500	1,408.47	1,569.19	1,872.34	2,067.89	2,059.74	2,362.72
S&P 500 EPS	95.09	100.04	107.29	111.25	106.53	108.55
P/E of S&P 500	14.81	15.69	17.45	18.59	19.33	21.77
P/E of MSCI EAFE	15.30	17.23	18.36	17.74	22.13	21.69
P/E of MSCI EM	11.80	12.87	12.34	13.72	16.52	15.56
S&P 500 Earnings Yield	6.75	6.41	5.73	5.38	5.17	4.59
Fed Funds Effective Rate	0.13	0.14	0.08	0.11	0.36	0.79
3 Month LIBOR	0.47	0.28	0.23	0.27	0.63	1.15
10 Year Treasury Yield	2.21	1.85	2.72	1.92	1.77	2.39
30 Year Mortgage Rate	3.97	3.67	4.38	3.79	3.65	3.99
Barclays U.S. Agg Yield	3.40	2.76	3.10	2.91	3.21	3.33
Barclays HY Spread	5.76	4.57	3.58	4.66	6.56	3.83
Gold ($/oz)	1,668.15	1,597.50	1,284.01	1,183.57	1,232.75	1,249.20
WTI Crude Oil ($/bbl)	103.02	97.23	101.58	47.60	38.34	50.60
Unemployment Rate	8.20	7.50	6.70	5.40	5.00	4.70
Headline CPI[2]	2.70	1.50	1.50	(0.10)	0.90	2.70
VIX Index	15.50	12.70	13.88	15.29	13.95	12.37

Forward Looking Forecasts[1]

	Real GDP[3]	CPI[3]	Unemployment[3]	10-Yr Treasury[3]
2017	2.2%	2.5%	4.6%	2.5%
2018	2.3%	2.4%	4.5%	2.8%

S&P 500 EPS[4]	Forward P/E[4]
$130.03	18.17
$144.78	16.32

MSCI EAFE EPS[4]	Forward P/E[4]
$117.53	14.74
$127.12	13.63

MSCI EM EPS[4]	Forward P/E[4]
$76.39	12.55
$85.13	11.26

(1) Source: Bloomberg
(2) Values are carried forward from the most recent reported value (02/28/2017)
(3) Forecasts are consensus opinions from 98 forecasting agencies (Median)
(4) 2017: Forward 12 month estimate 2018: Forward 24 month estimate
Estimate calculated from quarter end (i.e. March 31, 2017 – March 31, 2018). Price in P/E static as of quarter end

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

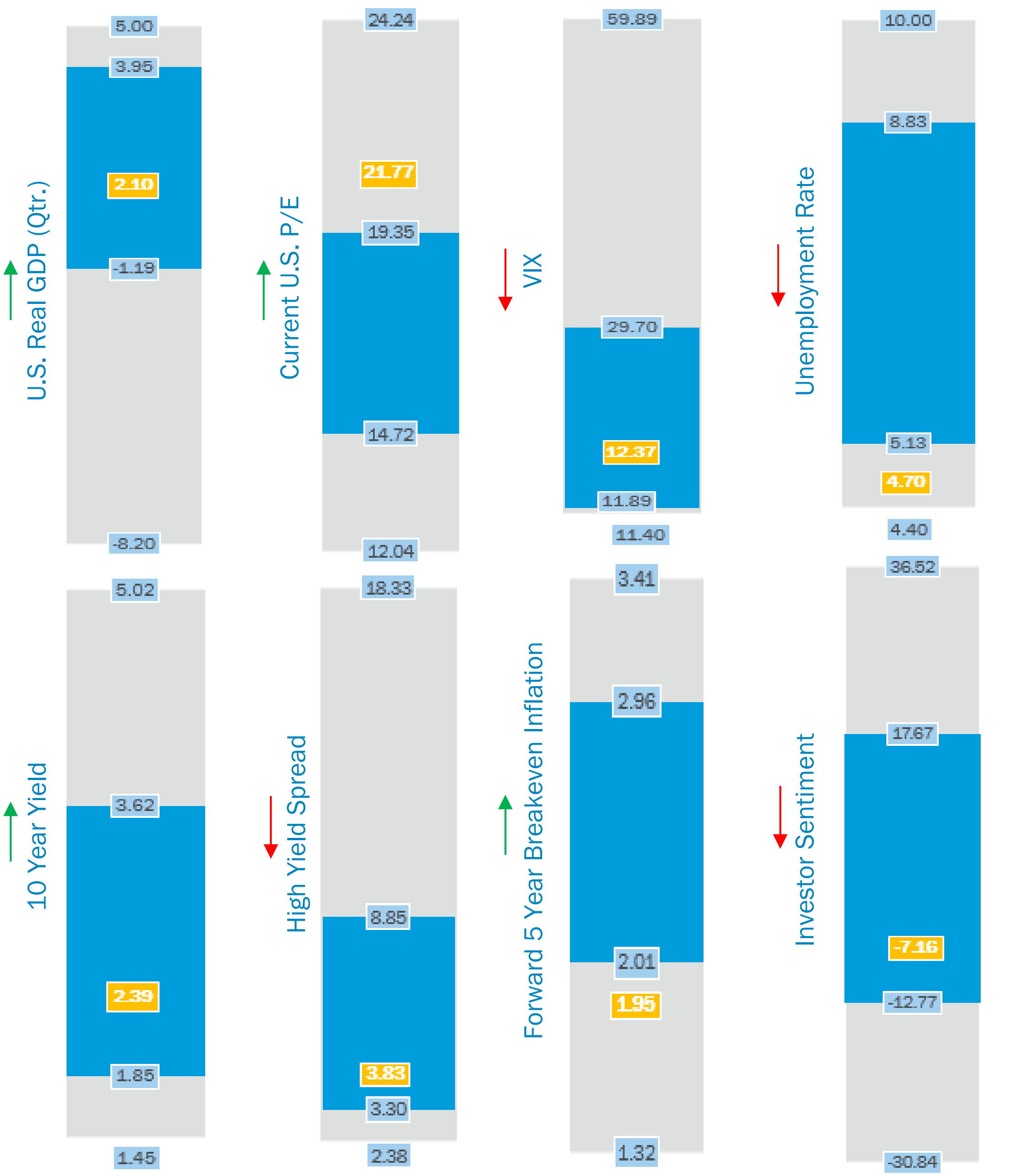
Investor Sentiment: Investors eager to purchase at any price

March 31, 2017

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

Global Positioning Indicators

First Quarter 2017



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
- 10 year treasury yields and inflation expectations stayed range-bound over the quarter, however, both have trended higher YoY. Tight monetary and expansionary fiscal policies have led to these moves

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