



Canterbury Consulting

canterburyconsulting.com

Global Positioning Statement™

Canterbury Consulting ("CCI") is an SEC registered Investment Adviser. Information pertaining to CCI's advisory operations, services, and fees is set forth in CCI's current Form ADV Part 2 (Brochure), a copy of which is available upon request and at www.adviserinfo.sec.gov. Information provided through CCI's Quarterly Outlook related to market or asset class performance figures is believed to be derived from reliable sources. However, CCI assumes no responsibility for their content or the manner in which the viewer utilizes such information. The performance information presented in certain charts or tables is for informational purpose only and represents historical performance based on available market data results for the quarterly period shown above and does not reflect any performance related to trading in actual accounts. Any recommendations or statement made in the Quarterly Outlook is not to be construed as specific investment advice. The viewer should be aware of the inherent limitations of data derived from the retroactive application of historical data developed with the benefit of hindsight and that actual results may differ. Actual performance with client accounts would be materially less than the stated performance results for the same period when including the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid.

March 31, 2020

Drivers of the Market

Economic Toll of COVID-19

- Industries across the U.S. were forced to reduce capacity or close due to social distancing policies carried out to reduce the spread of the coronavirus. As a result, the longest U.S. expansion on record is over and the U.S. market (S&P 500) experienced its worst quarterly performance since the fourth quarter of 2008.
- Both international and emerging market (EM) countries continue to face challenges. The social distancing measures enacted across most nations resulted in losses in international and EM equities that have been unseen in over a decade. Like the U.S., many of these countries have enacted economic relief plans for both businesses and individuals.
- Core bonds performed well as the Fed cut interest rates to zero and implemented aggressive expansionary monetary policies to combat the negative market effects from the coronavirus. While interest rate volatility was extremely high, the best performing fixed income sector was long term Treasuries, as the 10-year moved from 1.9% to 0.7% during the quarter.
- Corporate credit sold off along with other risk assets during the quarter. Both investment grade and high yield experienced significant spread widening on the back of higher default expectations and market liquidity concerns. High yield energy debt experienced a meaningful drawdown as the oil price war between Russia and Saudi Arabia put U.S. energy companies in a precarious position. EM debt denominated in local currency also performed poorly as demand for U.S. dollars skyrocketed.
- Tensions between Russia and Saudi Arabia along with a demand shock from the coronavirus resulted in a precipitous decline in oil prices. While the duration of the ongoing oil price war is uncertain, energy producers cannot generate a profit if oil prices are \$30 or below.

First Quarter 2020

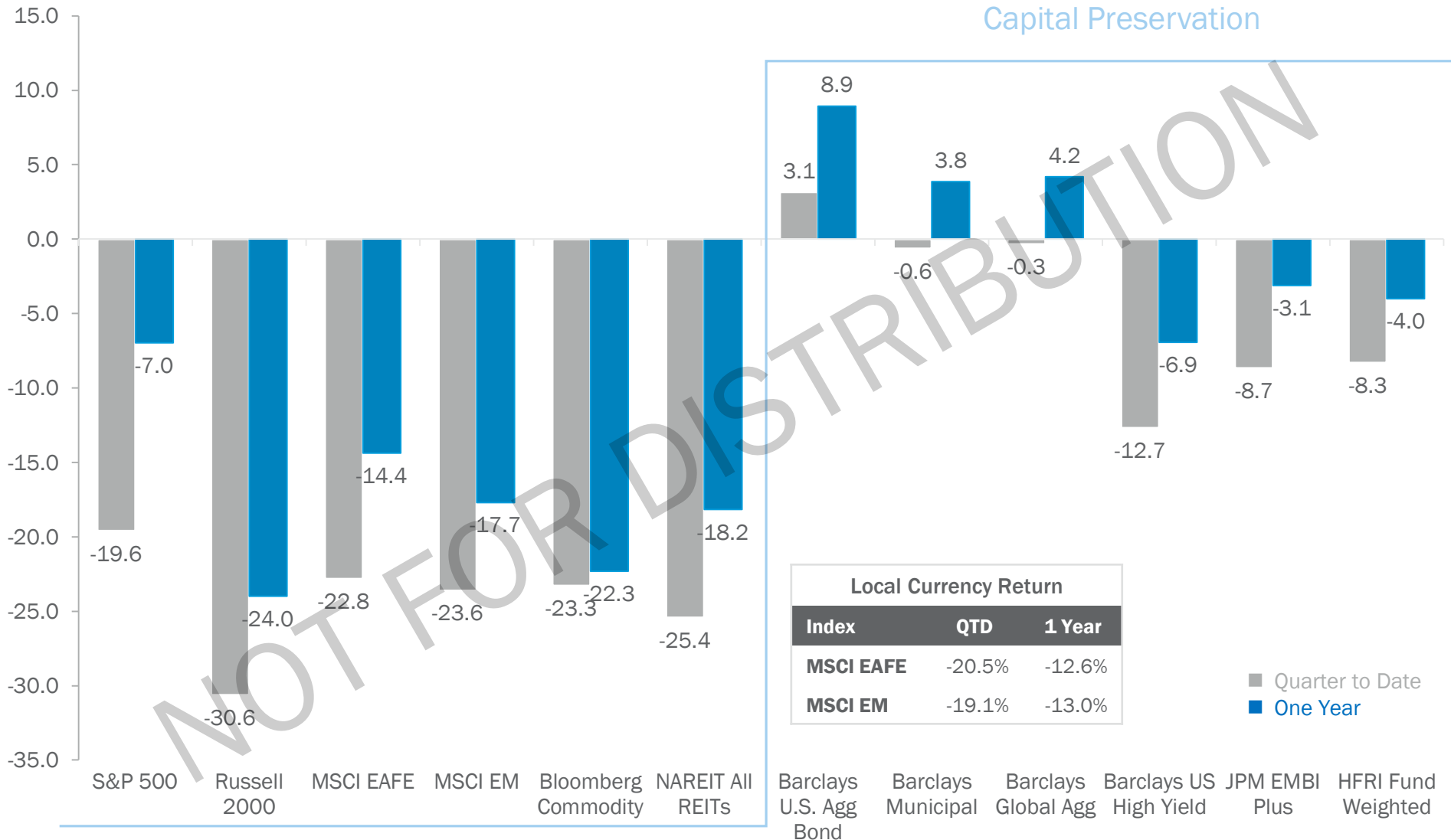
Returns through March 31, 2020

Index	QTD	1-Year
Growth MSCI ACWI	-21.4%	-11.3%
Capital Preservation Barclays Global Aggregate	-0.3%	4.2%
Inflation Protection Morningstar U.S. Real Asset*	-10.6%	-7.9%

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

Index Returns (%)

Through March 31, 2020



Growth & Inflation Protection

Capital Preservation

Source: Morningstar

Year over Year Statistics¹

	March 31, 2015	March 31, 2016	March 31, 2017	March 30, 2018	March 29, 2019	March 31, 2020
S&P 500	2,067.89	2,059.74	2,362.72	2,640.87	2,834.40	2,584.59
S&P 500 EPS	112.05	105.91	112.44	130.06	151.49	151.69
P/E of S&P 500	18.45	19.45	21.01	20.31	18.71	17.04
P/E of MSCI EAFE	17.74	22.13	19.22	16.57	15.68	14.82
P/E of MSCI EM	13.70	16.93	14.87	14.69	13.41	11.95
S&P 500 Earnings Yield	5.42	5.14	4.76	4.92	5.34	5.87
Fed Funds Effective Rate	0.11	0.36	0.79	1.51	2.41	0.65
3 Month LIBOR	0.27	0.63	1.15	2.31	2.60	1.45
10 Year Treasury Yield	1.92	1.77	2.39	2.74	2.41	0.67
30 Year Mortgage Rate	3.79	3.65	3.99	4.27	4.08	3.86
Barclays U.S. Agg Yield	2.91	3.21	3.33	3.76	3.63	3.43
Barclays HY Spread	4.66	6.56	3.83	3.54	3.91	8.80
Gold (\$/oz)	1,183.57	1,232.75	1,249.20	1,325.48	1,292.38	1,577.18
WTI Crude Oil (\$/bbl)	47.60	38.34	50.60	64.94	60.14	20.48
Unemployment Rate	5.40	5.00	4.40	4.00	3.80	3.50
Headline CPI²	(0.10)	0.90	2.40	2.40	1.90	2.30
VIX Index	15.29	13.95	12.37	19.97	13.71	53.54

Forward Looking Forecasts

	Real GDP ³	CPI ³	Unemployment ³	10-Yr Treasury ³	S&P 500 EPS ⁴	Forward P/E ⁴	MSCI EAFE EPS ⁴	Forward P/E ⁴	MSCI EM EPS ⁴	Forward P/E ⁴
2020	1.0%	1.7%	3.7%	1.1%	\$156.89	16.47	\$116.27	13.41	\$73.26	11.58
2021	2.0%	2.1%	3.9%	1.6%	\$180.85	14.29	\$131.26	11.88	\$85.08	9.97

1) Source: Bloomberg

2) Values are carried forward from the most recent reported value (3/31/2020)

3) Forecasts are consensus opinions from 78 forecasting agencies (Median)

4) Index Forecasts - Forward 12-month estimate, Forward 24-month estimate

Estimate calculated from quarter end (i.e. March. 31, 2020 – Mar. 31, 2021). Price in P/E ratio static as of quarter end.

Global GDP Estimates

Real GDP Growth Estimates as of March 31, 2020 (Year-over-Year %)

United States	2020	2021	2022
Median	1.3	2.0	2.0
High	2.4	5.3	3.0
Low	-9.0	-0.8	0.9
Responses	74	70	32

Japan	2020	2021	2022
Median	-0.9	1.1	0.8
High	0.8	6.0	1.4
Low	-7.5	-0.9	0.0
Responses	58	54	9

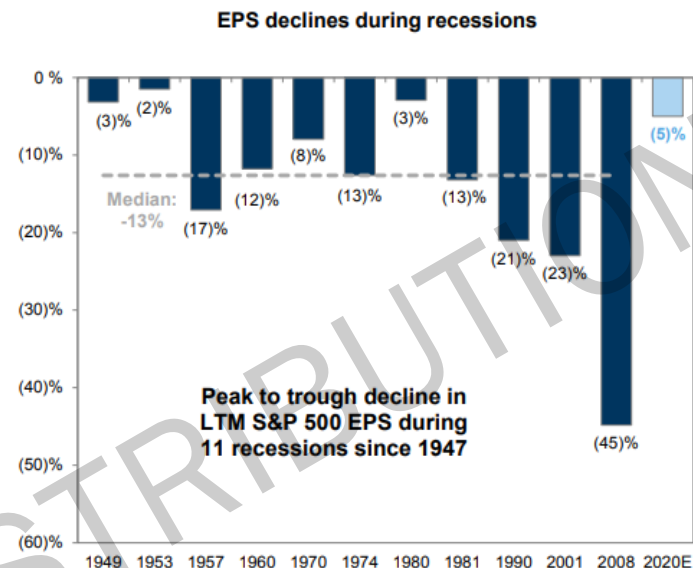
Europe	2020	2021	2022
Median	-2.7	1.9	1.3
High	1.3	10.0	1.6
Low	-13.0	0.6	0.8
Responses	53	51	9

Global	2020	2021	2022
Median	2.5	3.4	3.3
High	3.4	7.3	4.0
Low	-2.6	1.2	2.8
Responses	38	36	10

S&P 500 P/E and Earnings

S&P 500 as of	12/31/19	3/31/20
P/E	21.61	17.04
EPS	\$149.50	\$151.69
Est P/E	18.88	16.47
Est EPS	\$171.13	\$156.89

S&P 500 as of 3/31/20
2,584.59



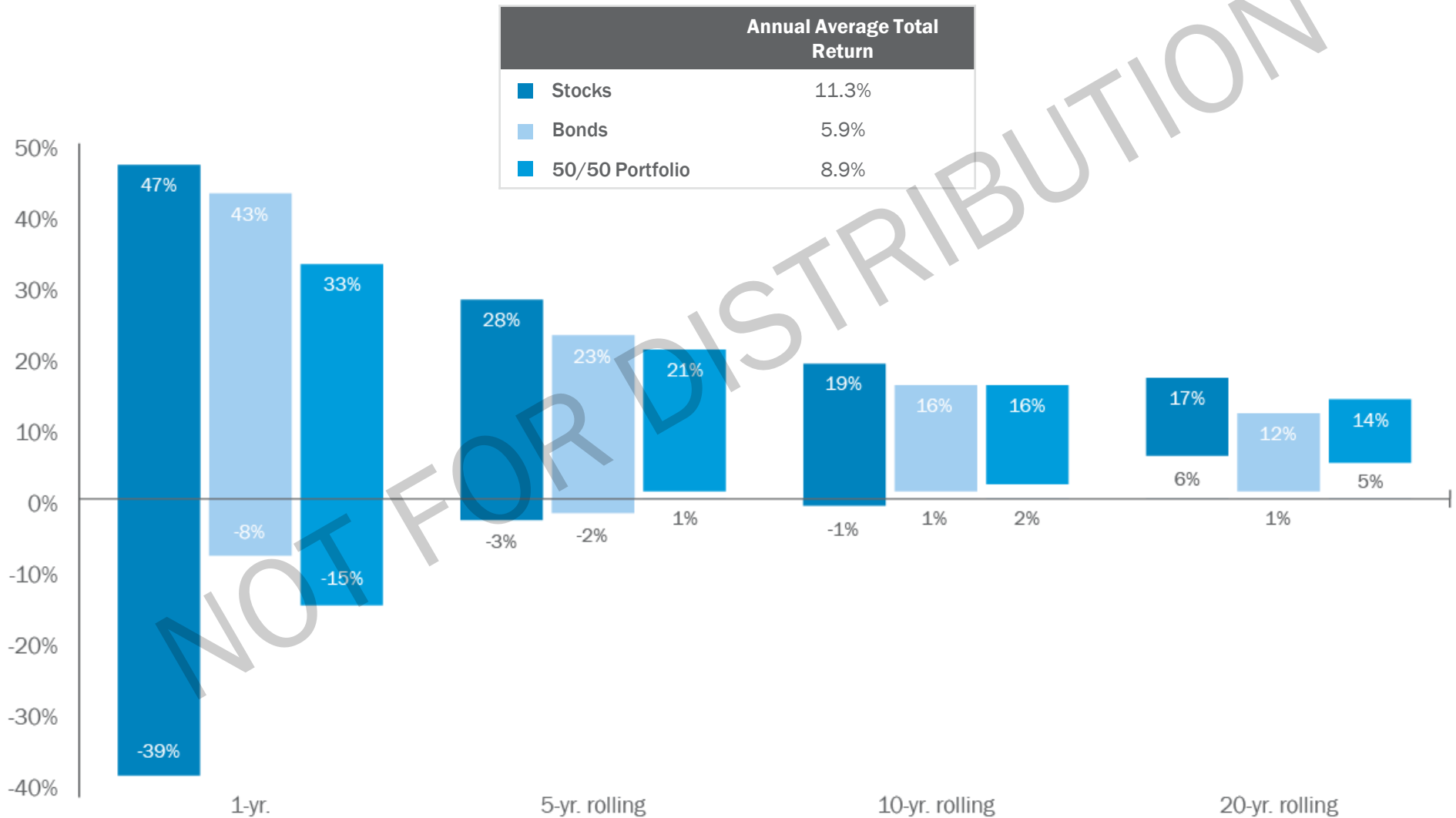
Source: Goldman Sachs Global Investment Research, estimate as of March 2020 by Goldman Sachs

Earnings Drawdown Scenarios	12.9 P/E (-2SD)	15.3 P/E (-1SD)	17.8 P/E (median)	20.3 P/E (+1 SD)	22.7 P/E (+2SD)
0%	1960.03	2324.68	2704.53	3084.38	3449.04
-10%	1764.02	2092.21	2434.08	2775.94	3104.13
-20%	1568.02	1859.75	2163.63	2467.51	2759.23
-30%	1372.02	1627.28	1893.17	2159.07	2414.33
-40%	1176.02	1394.81	1622.72	1850.63	2069.42

S&P 500 P/E SD (standard deviation) calculated using last 10 years of monthly P/E data
Source: Bloomberg

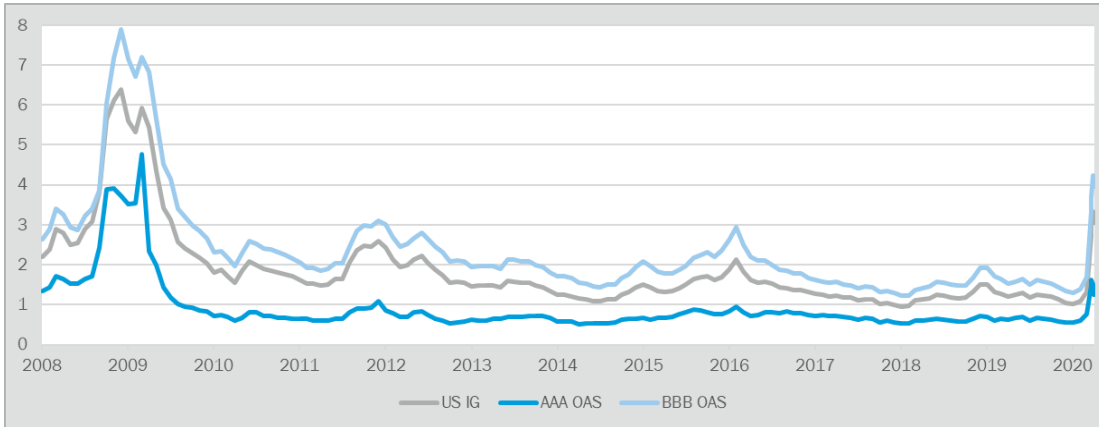
Time, Diversification, and the Volatility of Returns

Range of Stock, Bond, and Blended Total Returns
Annual Total Returns, 1950–2019

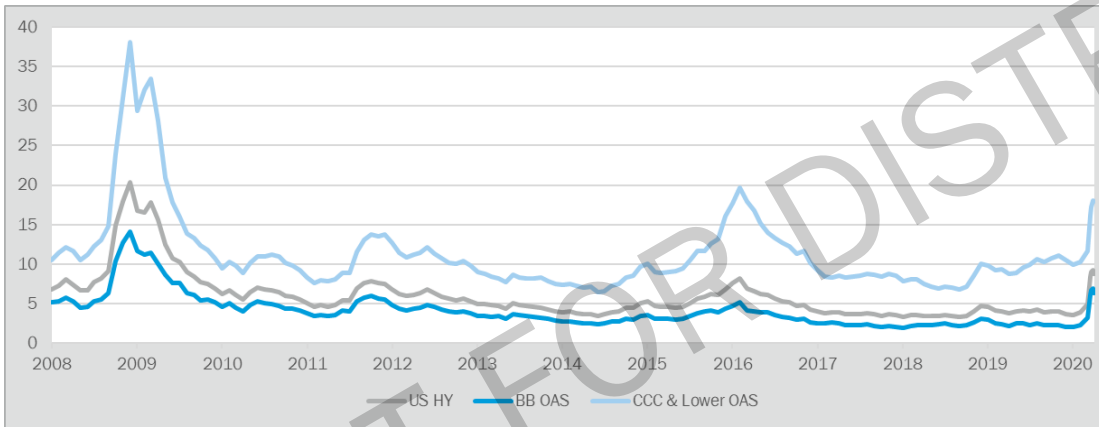


Credit

IG Spreads



HY Spreads



Previous HY Spreads

Date	HY Spread (bps)	Duration of Spreads Over 900bps	Maximum Spread Reached	1 Yr Return from Initial 900bp level	3 Yr Return from Initial 900bp level
December 2000	901	1 month	916	4.5%	9.5%
September 2001	924	2 months	1018	-2.7%	12.2%
July 2002	936	5 months	1059	25.4%	16.3%
September 2008	919	11 months	1988	22.4%	13.7%

References BofA US High Yield Index month-end spreads and returns. Returns are annualized

Market Insights

- Market liquidity diminished and bid-asks spreads widened significantly during the quarter. Dealers are less willing to commit balance sheet capital to facilitate trading.
- Investment grade and high yield ETFs experienced significant outflows and traded at meaningful discounts. For instance, LQD was trading at a 500 basis point discount to fair value, when it normally trades at 6 basis points.
- However, the Fed's recent implementation of the commercial paper and corporate bond facilities has improved corporate bond liquidity.
- The average price for an energy high yield bond is \$50. This price is lower than both the Great Financial Crisis (\$68) and that of the 2015 energy selloff (\$65). Markets are currently pricing in a 28% default rate for the energy complex. The sector represents 9.5% of the high yield market.
- As of March 31, 2020, investment grade (IG) spreads reached 300 basis points, which surpassed the sector's median level of 150 basis points. Lack of liquidity had a meaningful impact on IG valuations during the quarter.
- High yield spreads were 880 basis points by quarter-end. The median spread was 500 basis points and the spread reached a high of 1988 basis points during the GFC. High yield spreads increased over 100% from their lows, which was the quickest percent increase in the history of the high yield market.
- The last chart on the left displays all the previous time periods when high yield spreads surpassed 900bps. While the duration and maximum spread reach differ, 3-year annualized forward returns were always positive
- Managers that we speak with believe that investment grade corporate credit offers an attractive entry point given the Fed's corporate facility. Opportunities also exist in bank loans, select BBB-rated names, and senior CLOs.
- The high yield opportunity set will most likely revolve around "Fallen Angels," which are investment grade issuers that get downgraded to high yield status.

Current U.S. Economic Conditions: Contraction/Panic

Contraction

U.S. GDP Growth: Below average growth

U.S. Earnings Yield: Below avg. earnings yield

U.S. Credit Markets: Spreads above average

Volatility (VIX)

Yield Curve

Investor Sentiment:

Panic

U.S. GDP Growth

U.S. Earnings Yield: Sig. below avg. earnings yield

U.S. Credit Markets

Volatility (VIX): Significantly above avg. volatility

Yield Curve: Significantly below average spread

Investor Sentiment: Significantly below average

Normal Growth

U.S. GDP Growth

U.S. Earnings Yield

U.S. Credit Markets: Spreads below average

Volatility (VIX): Below average volatility

Yield Curve

Investor Sentiment: Above average sentiment

Manic Growth

U.S. GDP Growth

U.S. Earnings Yield

U.S. Credit Markets

Volatility (VIX)

Yield Curve

Investor Sentiment

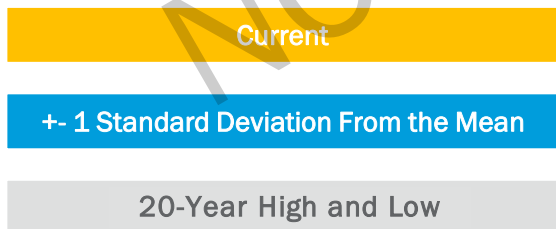
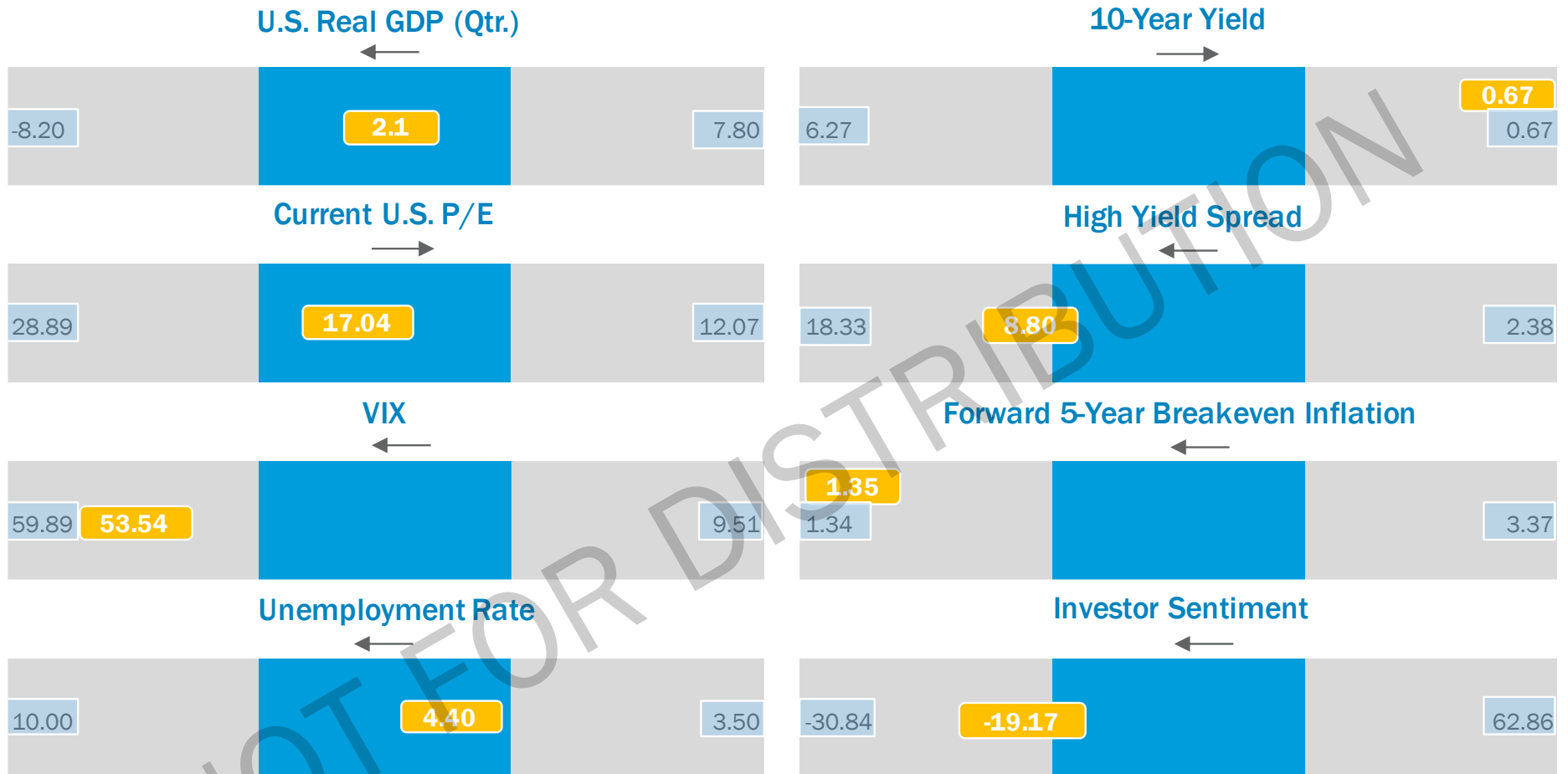
Metrics	Quarter avg.	10-year avg.
U.S. GDP Growth: Prior quarter U.S. Real GDP versus the 10 year U.S. Real GDP average	2.1%*	2.3%
U.S. Earnings Yield: Quarter avg. S&P 500 earnings yield versus the 10 year S&P 500 earnings yield average	5.2%	5.7%
U.S. Credit Markets: Quarter avg. Barclays US Corporate HY Average OAS versus the 10 year average	590	481
Volatility (VIX): Quarter avg. VIX average versus the 10 year VIX average	37.5	17.5
Yield Curve: Quarter avg. 30-year yield minus the quarter avg. 2-year yield versus the 10 year average	84 bps	215 bps
Investor Sentiment: Quarterly Sentiment spread versus the 10 year average spread. Spread measured by difference between Bull Sentiment Index and Bear Sentiment Index.	-10.9	5.1

*U.S. GDP Growth is the current, end of previous quarter reading

Source: Bloomberg

Global Positioning Indicators

Through March 31, 2020



Source: Bloomberg