



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

2ND QUARTER 2017
Investment Landscape Call

Call instructions

Verus⁷⁷⁷

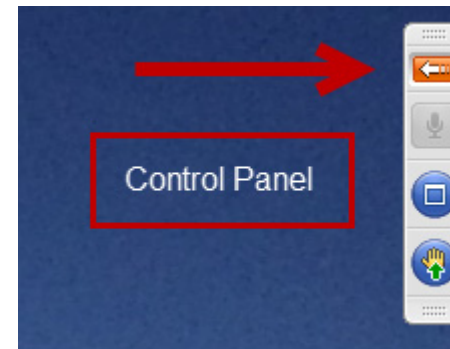
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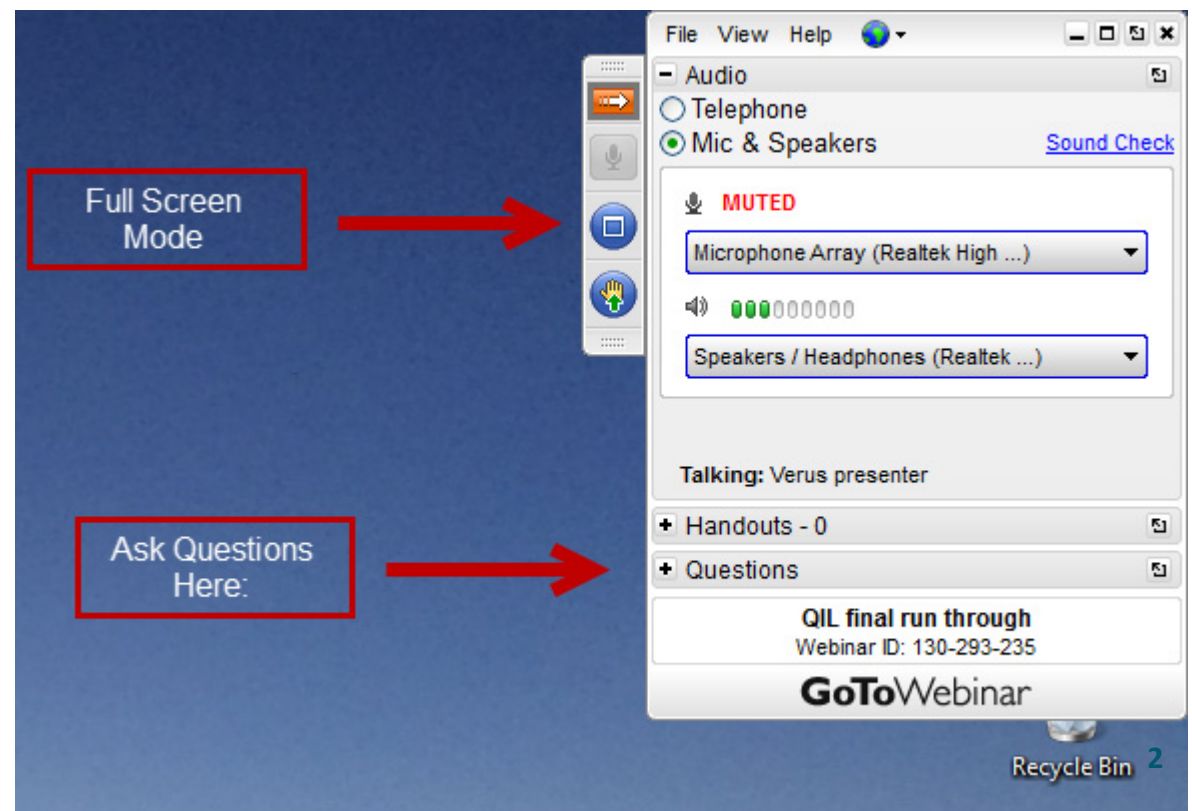
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Ask questions for the Q&A session in the Questions window.



2nd quarter conference call

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IMPORTANT INFORMATION

Dial in: 1 (877) 309-2071 U.S. & Canada

Access Code: 912-613-955

Playback Info: Will be available on the website after the call
www.verusinvestments.com

Audio Options: You may choose to listen through the webcast on your computer *or* dial in.

Introduction by: Jeffrey MacLean, Chief Executive Officer

Presented by: Ian Toner, CFA, Chief Investment Officer



Jeffrey J. MacLean
Chief Executive Officer



Ian Toner, CFA
Chief Investment
Officer

1st quarter summary

THE ECONOMIC CLIMATE

- Developed economies continued to experience steady, moderate expansion with fourth quarter real GDP growth in the U.S., the Eurozone, and Japan all between 1.5-2.0%. The base effect of lower oil prices led to higher year-over-year headline inflation in many countries.
- During the first quarter, the global economy exhibited a coordinated pick up in economic activity. Data generally exceeded expectations, especially in the U.S. and the Eurozone.

MARKET PORTFOLIO IMPACTS

- The U.S. Treasury curve flattened in the first quarter. Short-term rates were driven higher by the Fed, while the long end of the curve remained unchanged. Even with Fed tightening, the U.S. may not be in a typical rising rate environment.
- A better outlook for commodity performance, as well as a flattening of the futures curve in some markets increases the attractiveness of commodities as an inflation hedge.

THE INVESTMENT CLIMATE

- While central banks are still accommodative outside of the U.S., most appear to be in later stages of the easing cycle. Developed central banks appear to be broadly entering a period of policy normalization.
- The market is expecting better earnings growth in U.S. equities. According to FactSet, the estimated Q1 earnings growth for the S&P 500 is 9.2% from the previous year. Higher earnings growth may help justify above average valuations.

ASSET ALLOCATION ISSUES

- Stabilizing currencies and commodity prices, as well as higher growth outlooks, may benefit emerging market equities.
- With U.S. Treasury yields still at historic lows and the expectation of additional tightening from the Fed, investors may not be adequately compensated for taking duration risk in the current environment.

We continue
to be neutral
towards risk

What drove the market in Q1?

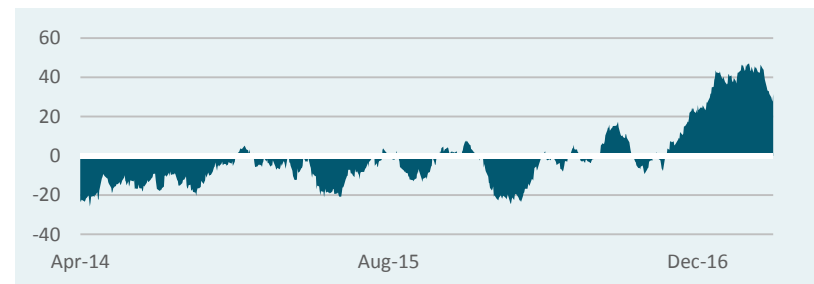
“The Global Economy Enjoys a Synchronized Upswing”

CITI GLOBAL ECONOMIC SURPRISE INDEX

Oct 31 st	Nov 30 th	Dec 31 st	Jan 31 st	Feb 28 th	Mar 31 st
3.1	17.1	27.0	37.0	43.8	38.8

Source: The Economist, March 16th 2017

CITI GLOBAL ECONOMIC SURPRISE INDEX



Source: Bloomberg, 4/13/17

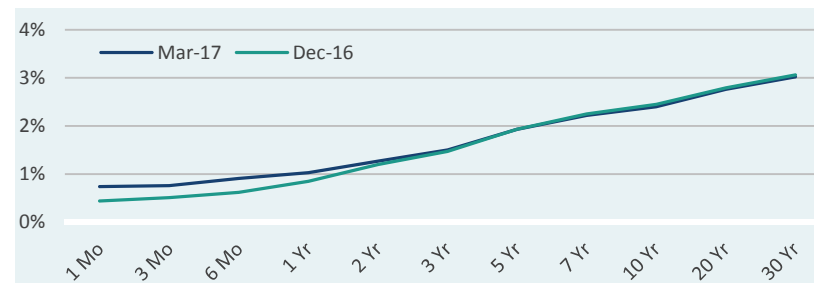
“Rates Rise, But Yield Curve Keeps Flattening”

U.S. TREASURY 10-YR MINUS 2-YEAR YIELD SPREAD

Oct 31 st	Nov 30 th	Dec 31 st	Jan 31 st	Feb 28 th	Mar 31 st
0.98%	1.26%	1.25%	1.26%	1.14%	1.13%

Source: Barron's, March 28th 2017

U.S. TREASURY CURVE



Source: Bloomberg, as of 3/31/17

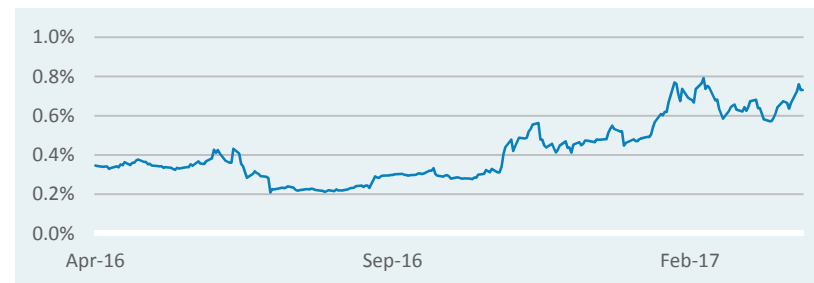
“French Political Turmoil Hits Bond Spreads”

GERMAN-FRENCH 10-YR YIELD SPREAD

Oct 31 st	Nov 30 th	Dec 31 st	Jan 31 st	Feb 28 th	Mar 31 st
0.30%	0.48%	0.48%	0.60%	0.68%	0.64%

Source: Financial Times, February 6th 2017

GERMAN-FRENCH 10-YR YIELD SPREAD



Source: Bloomberg, as of 4/12/17 – German 10yr yield minus French 10yr yield

“The Market Conundrum of (Low) Volatility and Uncertainty”

CBOE VIX (10-YEAR AVERAGE, 20.7)

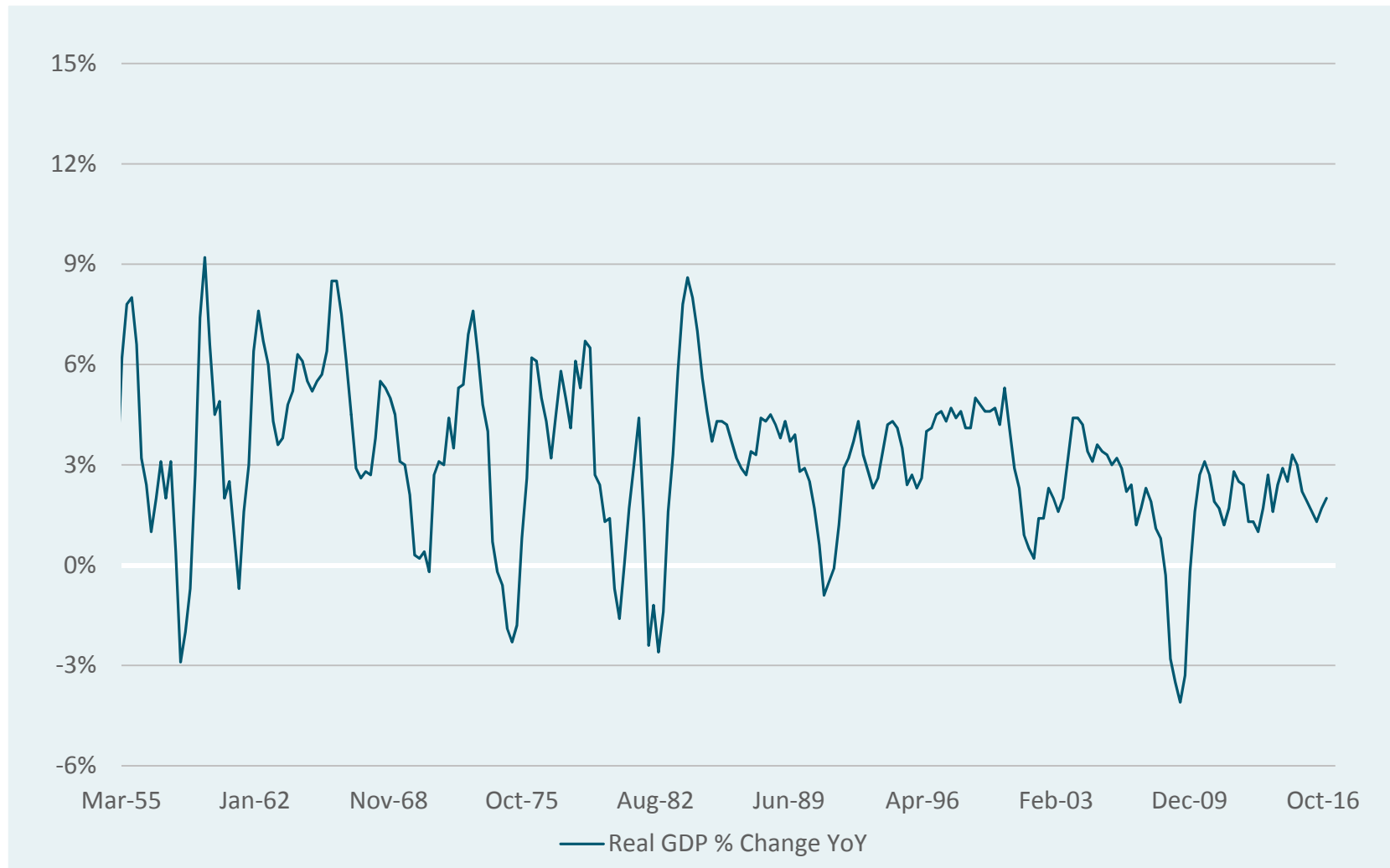
Oct 31 st	Nov 30 th	Dec 31 st	Jan 31 st	Feb 28 th	Mar 31 st
17.1	13.3	14.0	12.0	12.9	12.4

Source: Bloomberg, January 30th 2017

U.S. economics summary

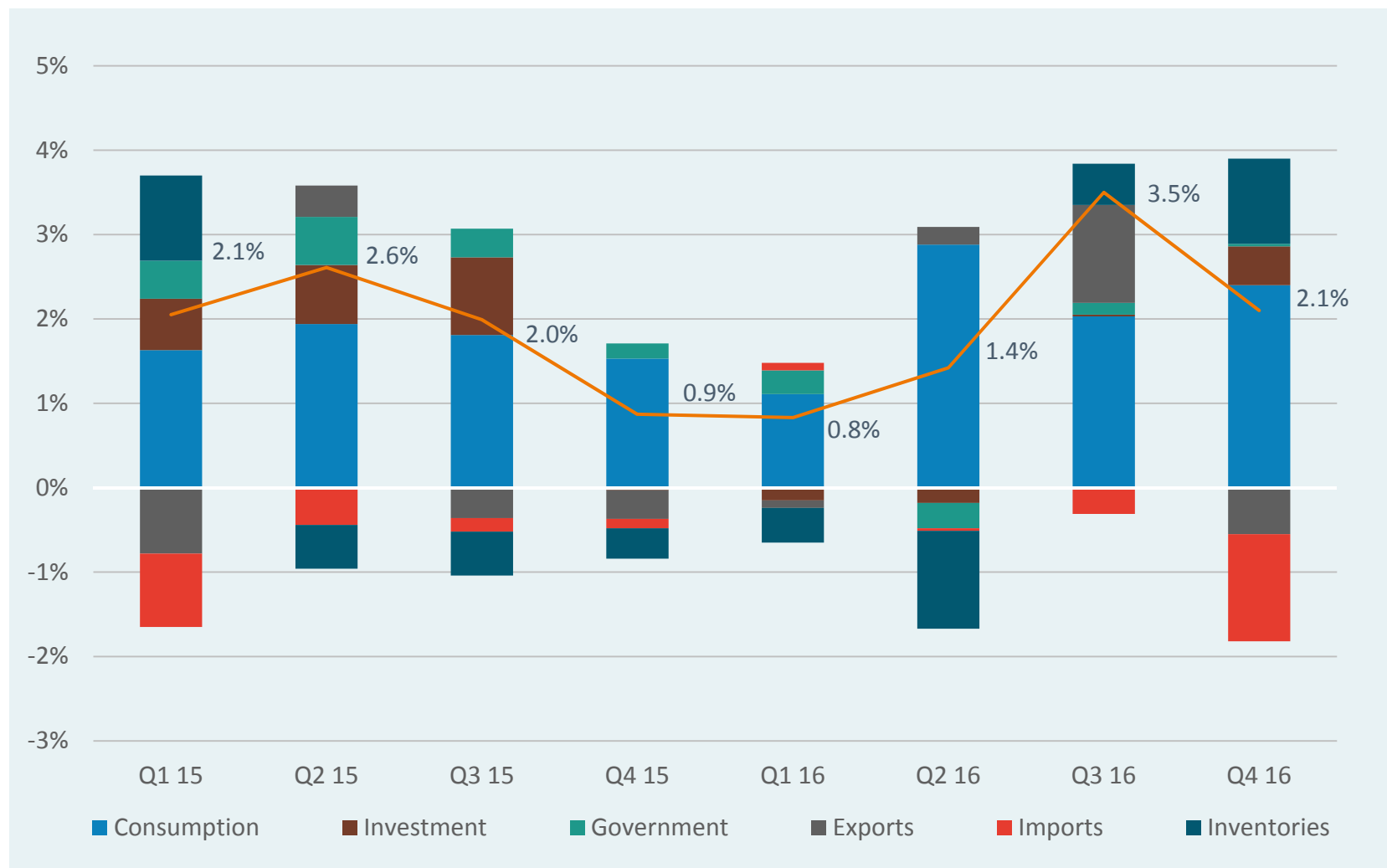
	Most Recent	12 Months Prior
GDP (<i>annual YoY</i>)	2.0% <i>12/31/16</i>	1.9% <i>12/31/15</i>
Inflation (<i>CPI YoY, Headline</i>)	2.8% <i>2/28/17</i>	1.0% <i>2/29/16</i>
Expected Inflation (<i>5yr-5yr forward</i>)	2.2% <i>3/31/17</i>	1.8% <i>3/31/16</i>
Fed Funds Rate	0.75% <i>3/31/17</i>	0.25% <i>3/31/16</i>
10 Year Rate	2.4% <i>3/31/17</i>	1.8% <i>3/31/16</i>
U-3 Unemployment	4.5% <i>3/31/17</i>	5.0% <i>3/31/16</i>
U-6 Unemployment	8.9% <i>3/31/17</i>	9.8% <i>3/31/16</i>

U.S. GDP growth



Source: FRED, as of 12/31/16

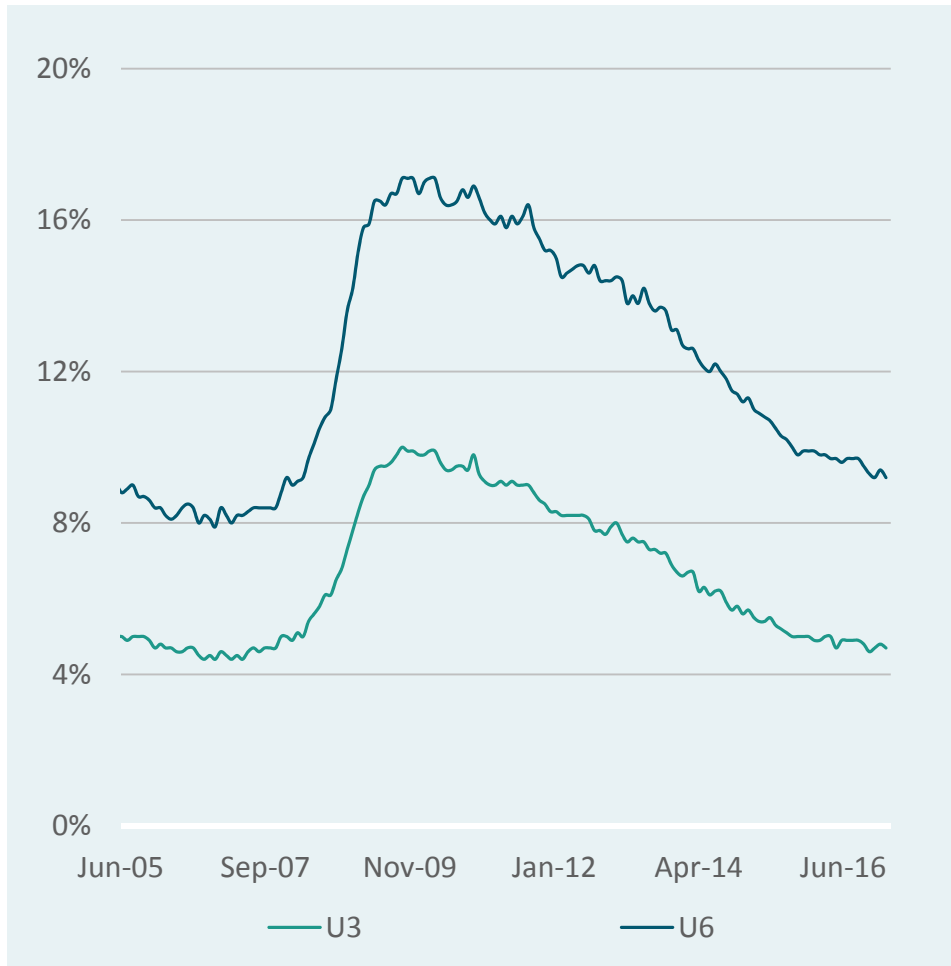
Sources of GDP growth



Source: BEA, annualized quarterly rate, as of 12/31/16

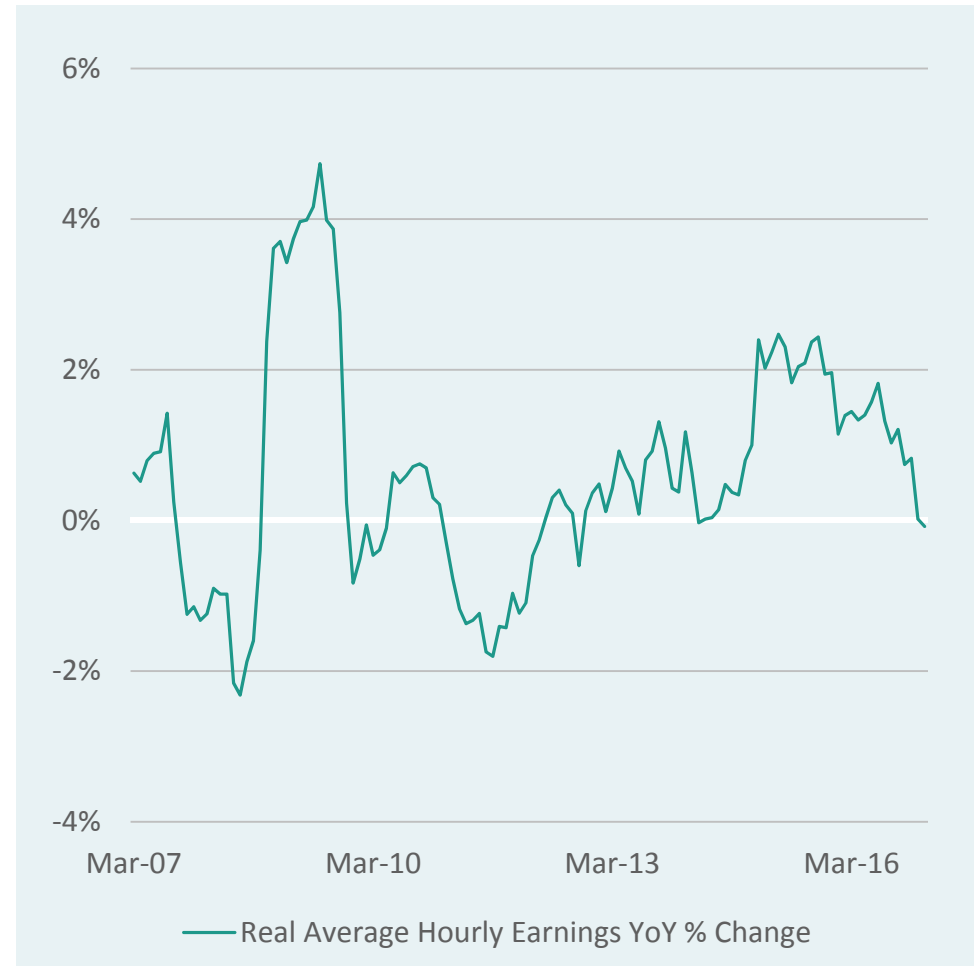
U.S. employment

U.S. UNEMPLOYMENT



Source: FRED, as of 2/28/17

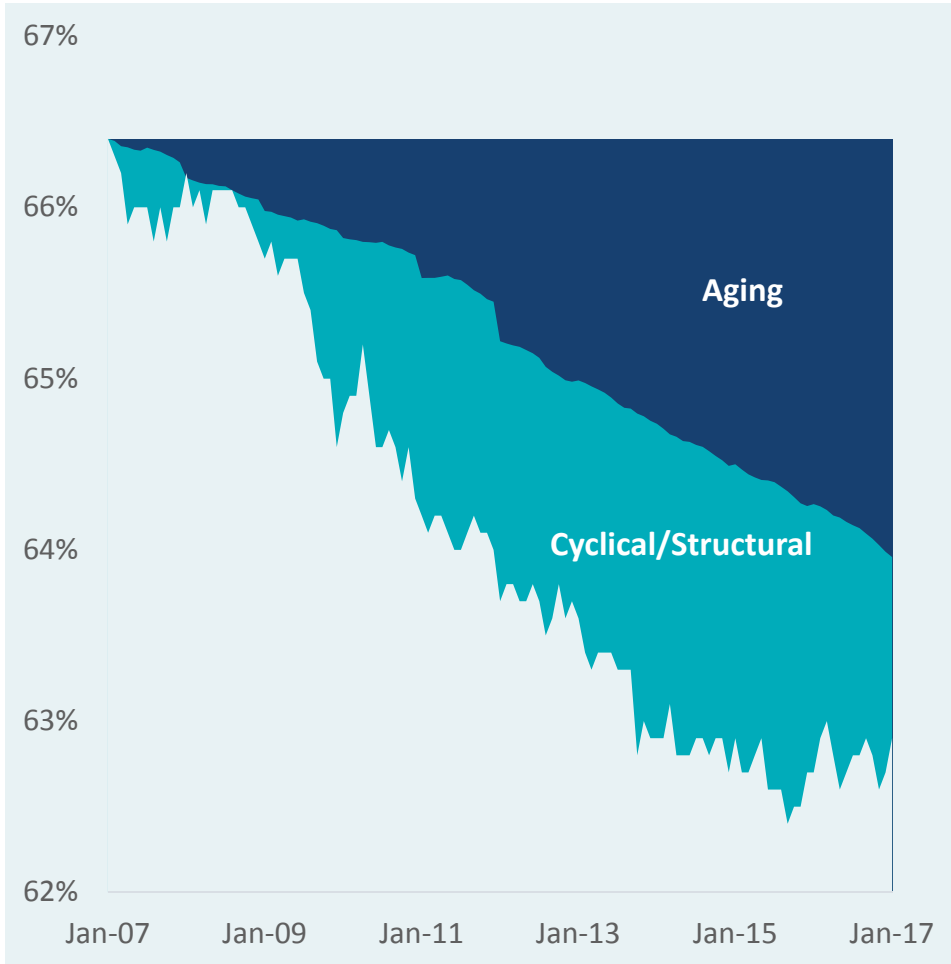
REAL AVERAGE HOURLY EARNINGS



Source: FRED, as of 2/28/17

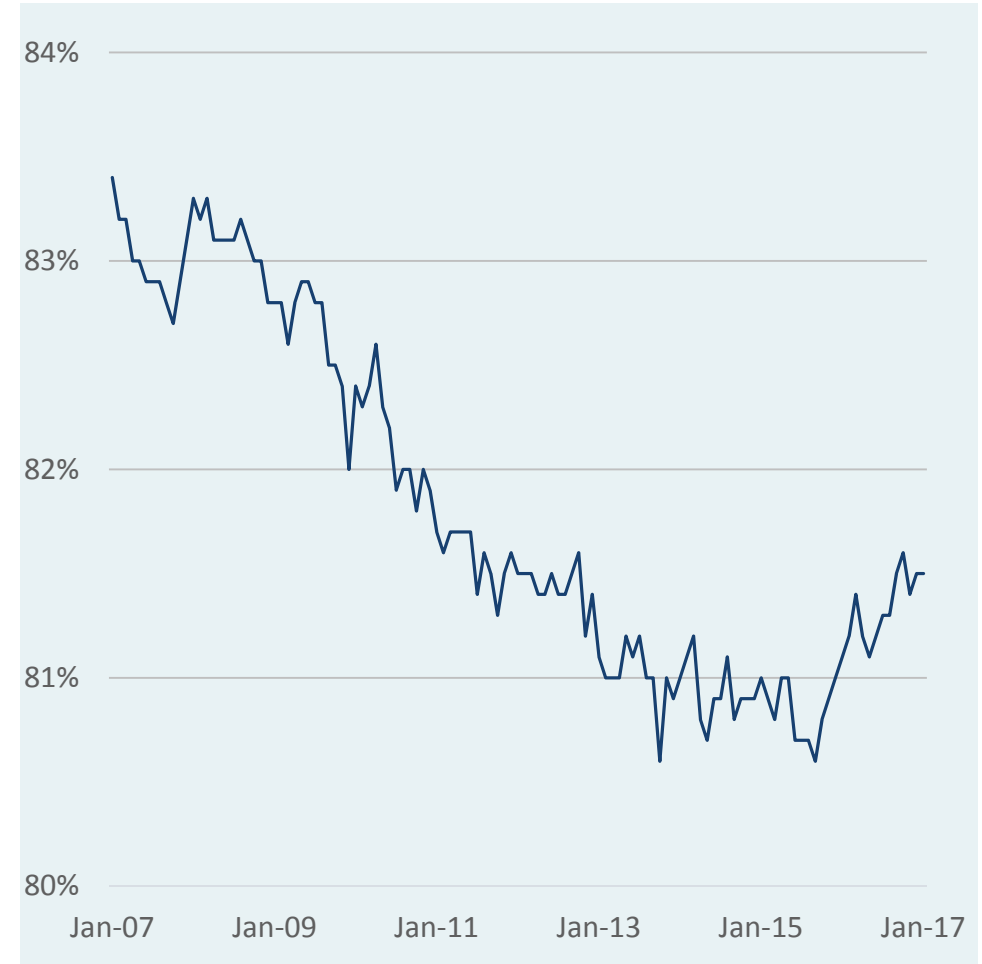
U.S. participation

U.S. LABOR FORCE PARTICIPATION



Source: BLS, Verus, as of 1/31/17

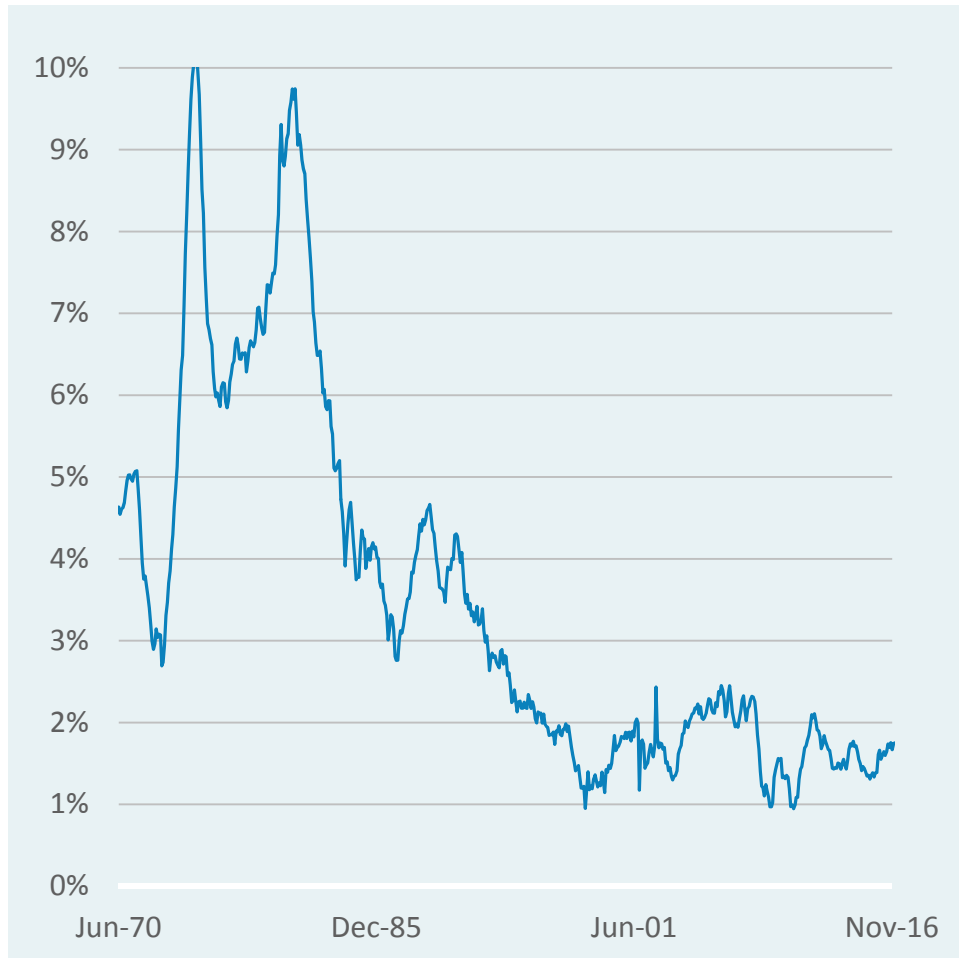
CORE AGE GROUP (25-54) PARTICIPATION



Source: BLS, as of 1/31/17

Consumer spending and credit

CONSUMER SPENDING GROWTH (YOY)



Source: Bloomberg, as of 2/28/17

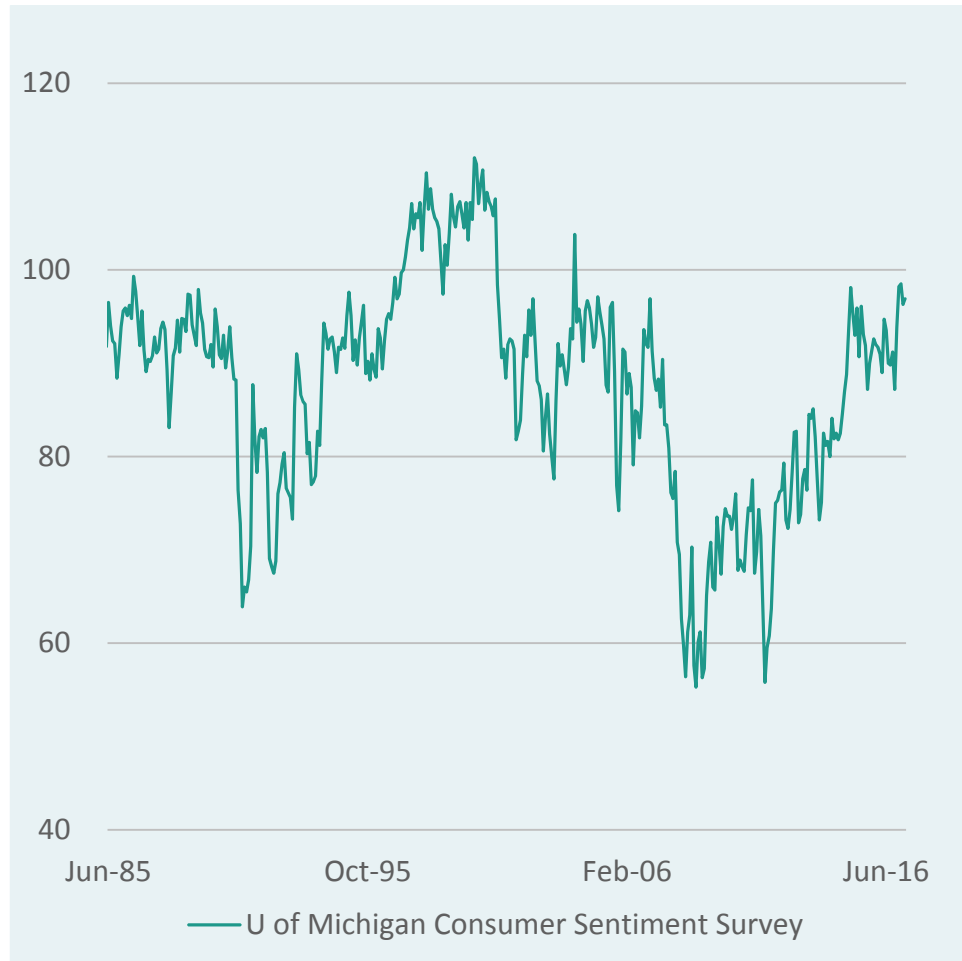
CONSUMER CREDIT GROWTH (YOY)



Source: FRED, as of 1/31/17

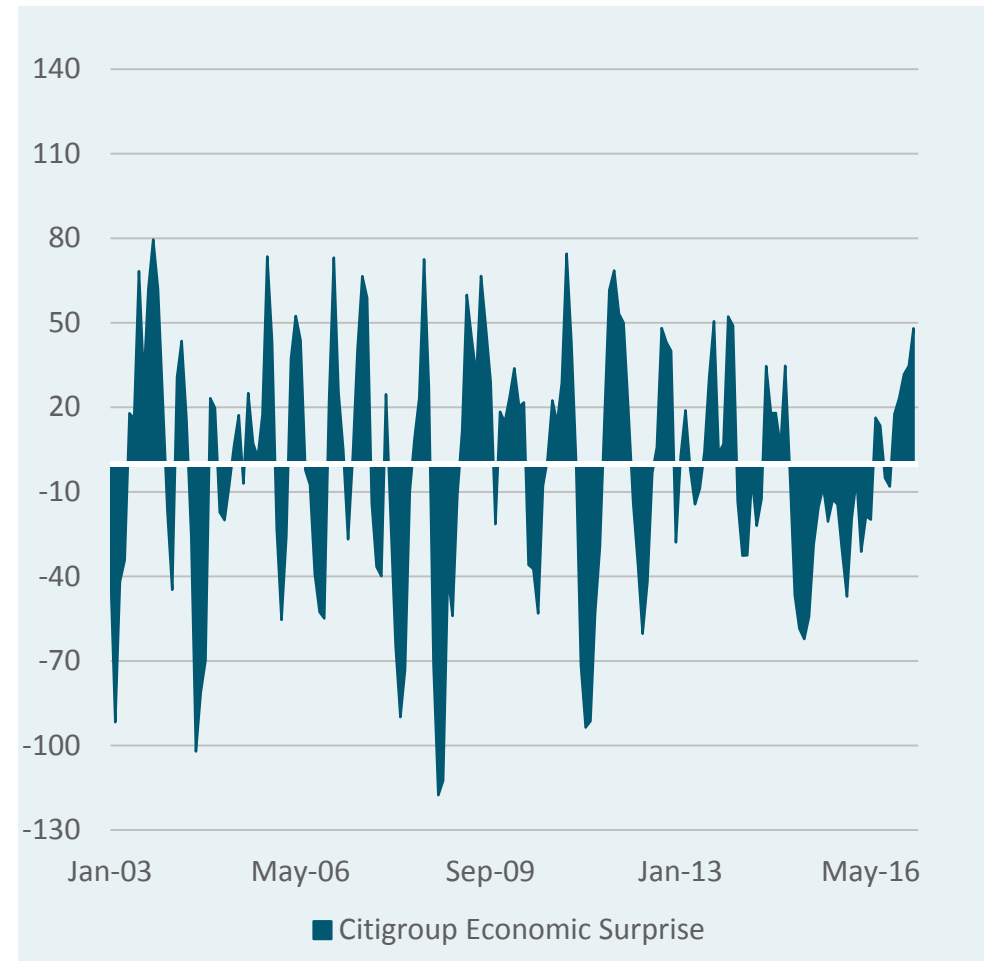
U.S. sentiment

CONSUMER SENTIMENT



Source: University of Michigan, as of 3/31/17

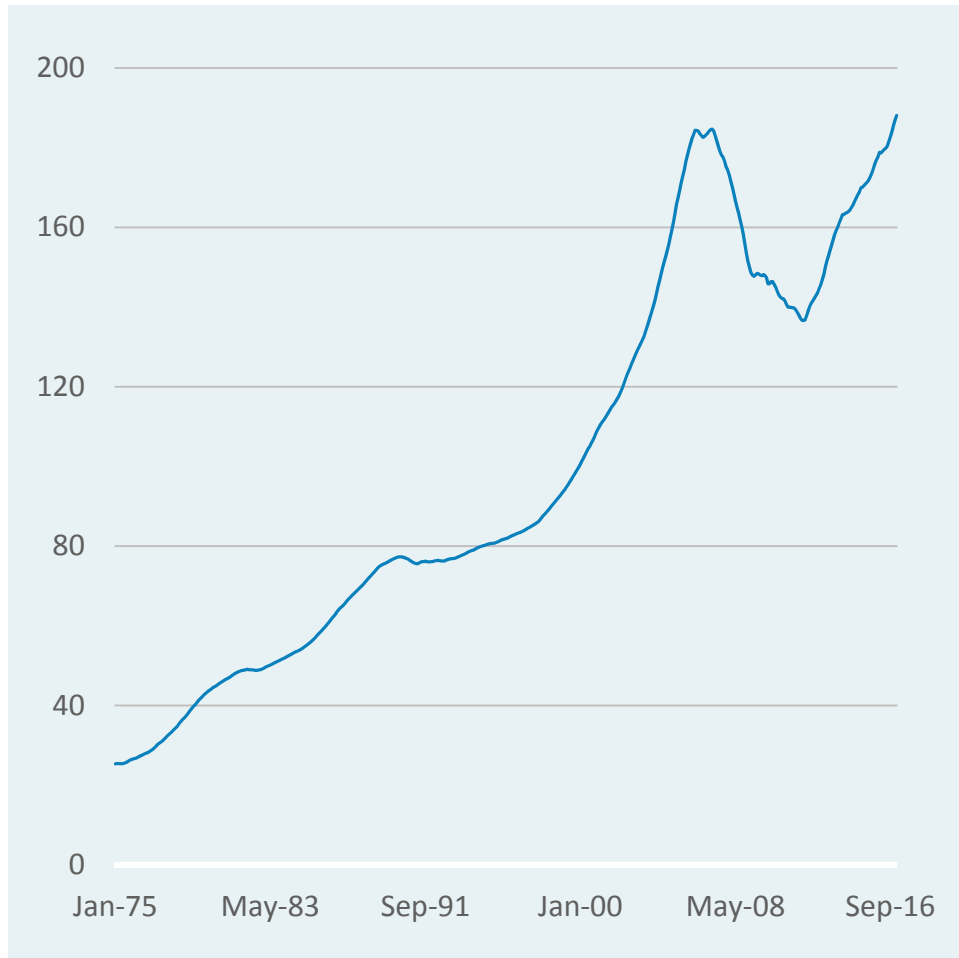
ECONOMIC SURPRISE



Source: Bloomberg, as of 3/31/17

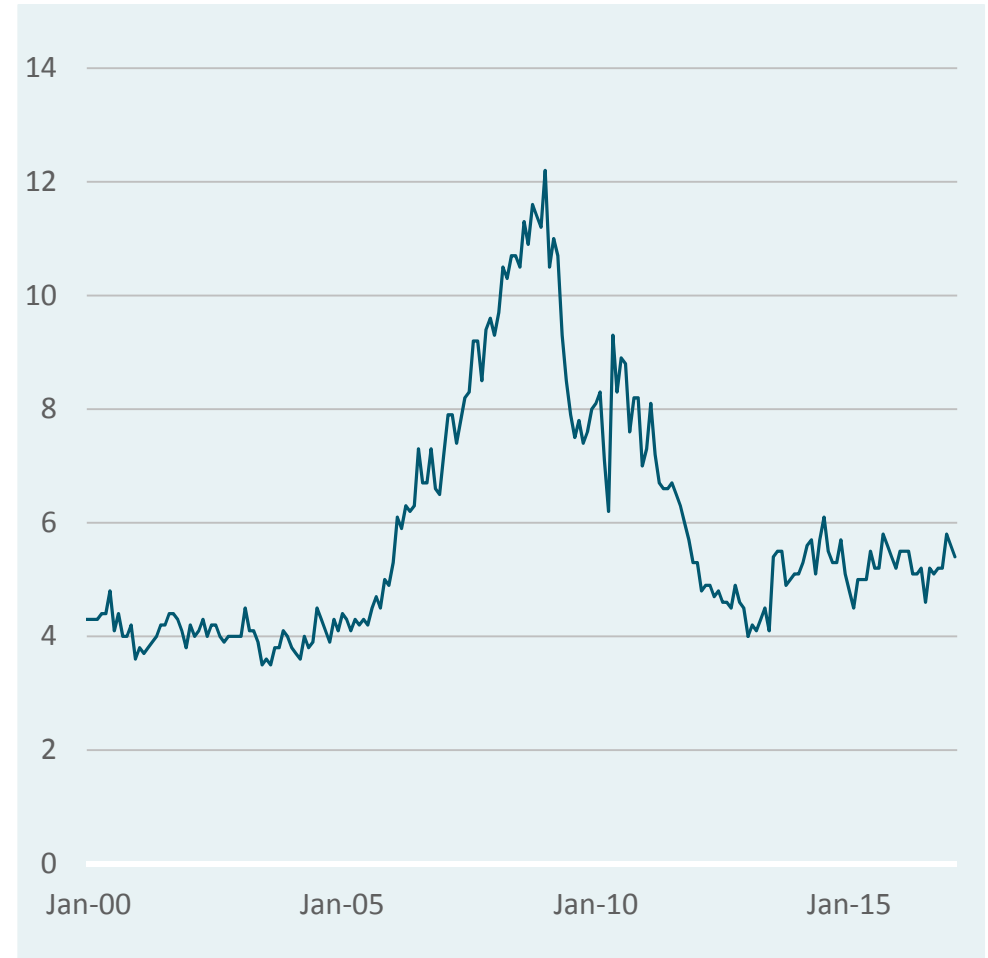
U.S. housing

CASE-SHILLER HOME PRICE INDEX



Source: FRED, as of 1/31/17

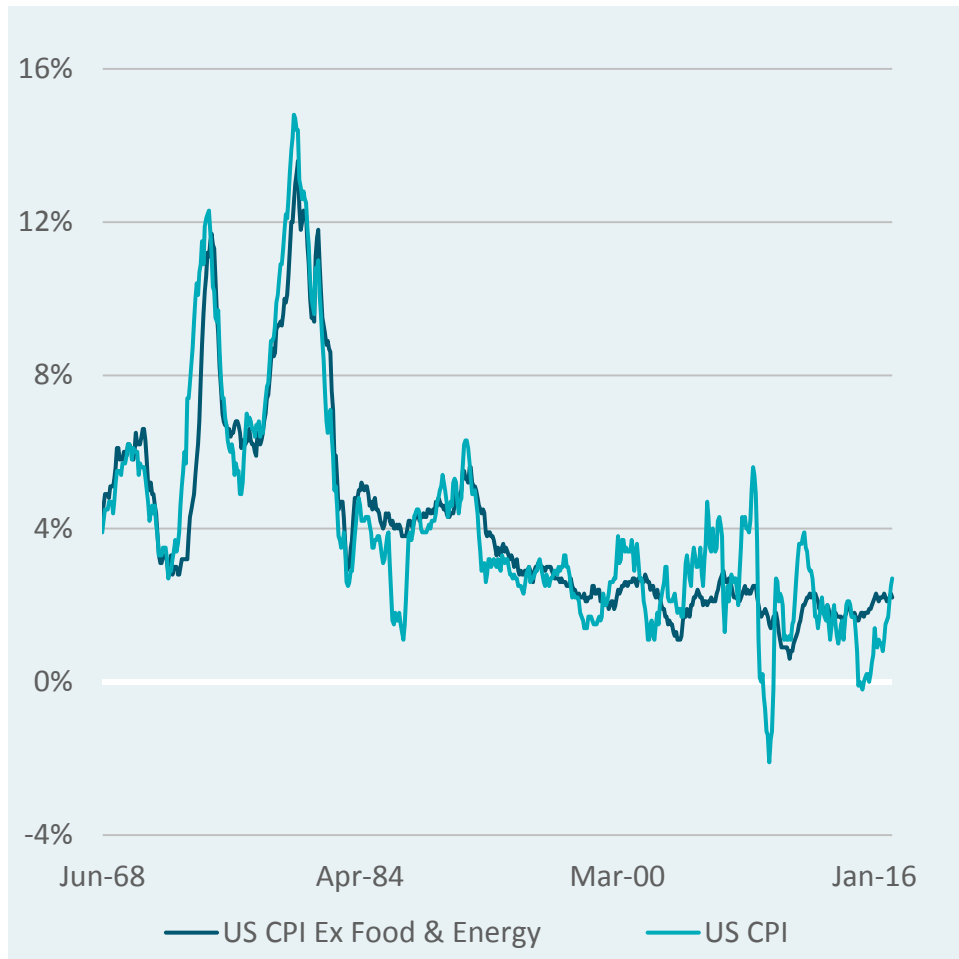
MONTHLY SUPPLY OF HOMES



Source: FRED, as of 2/28/17

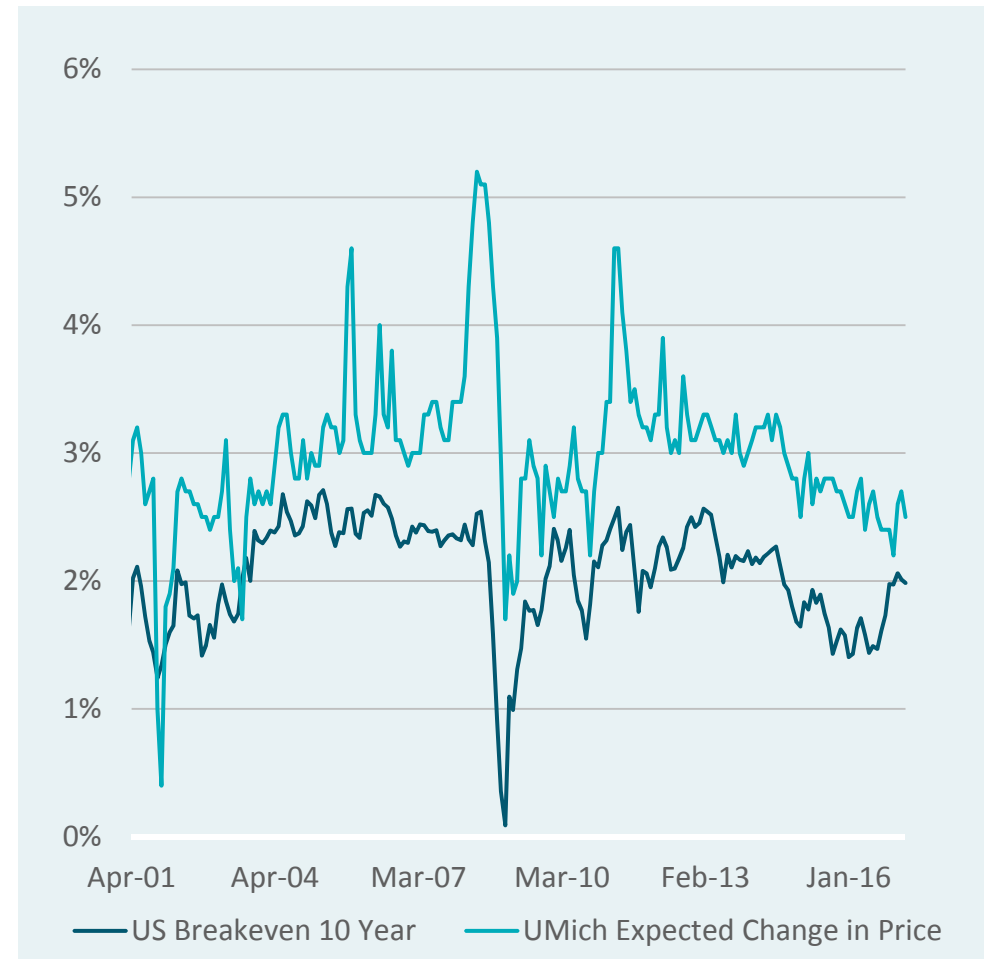
U.S. inflation

U.S. CPI (YOY)



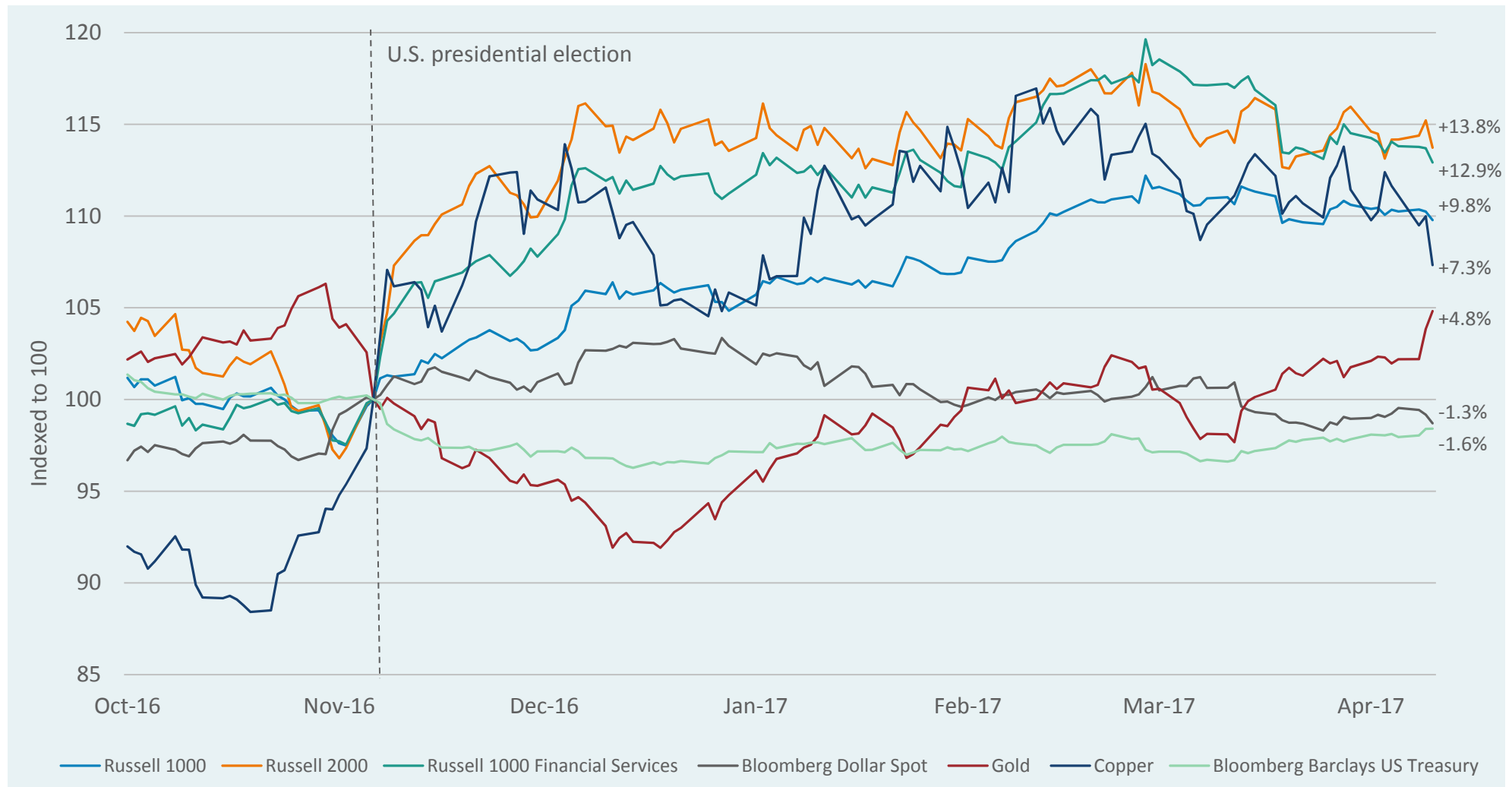
Source: FRED, as of 2/28/17

INFLATION EXPECTATIONS



Source: Bloomberg, as of 3/31/17

Post-election price movements

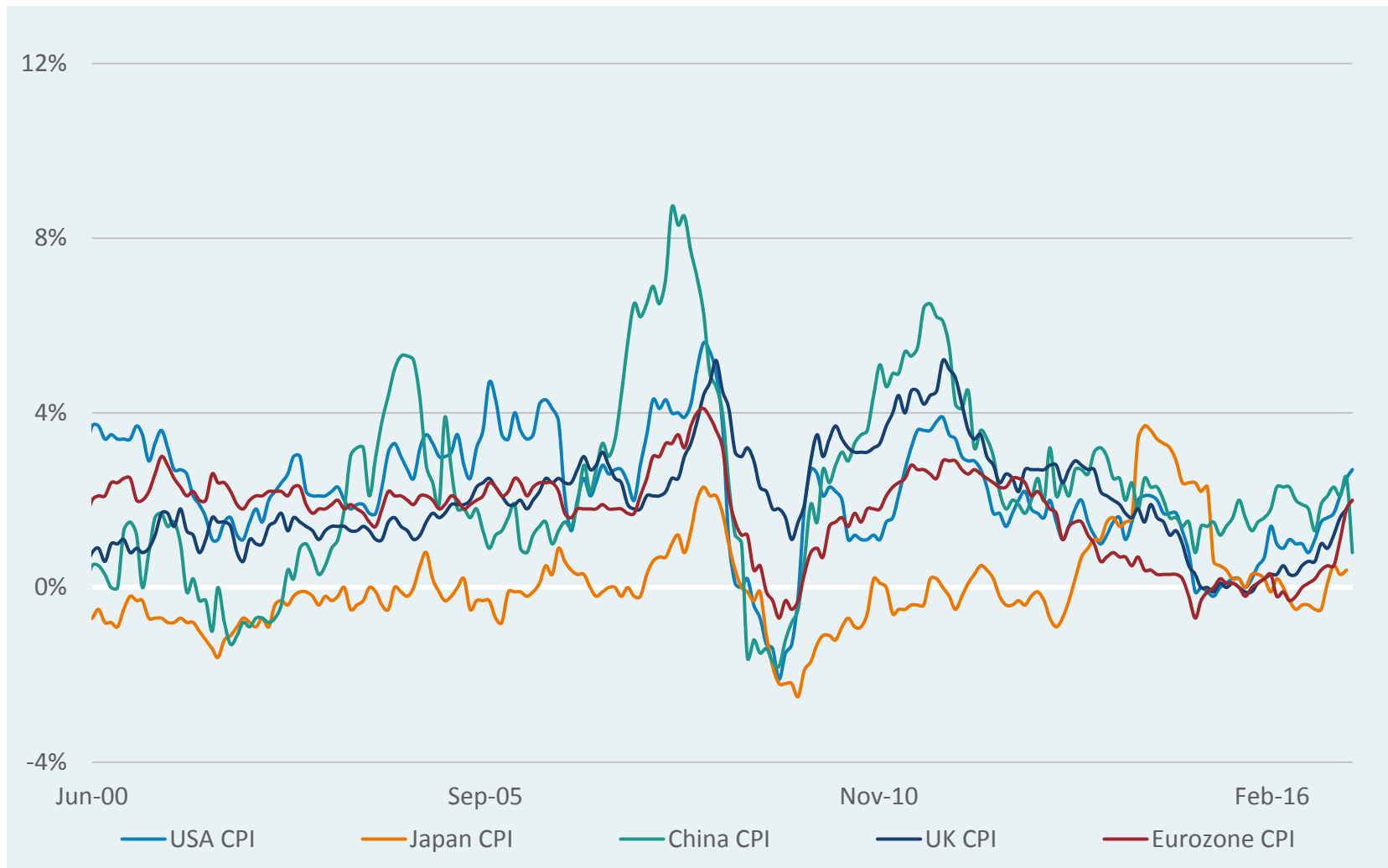


Source: Bloomberg, 10/3/16-4/10/17

International economics

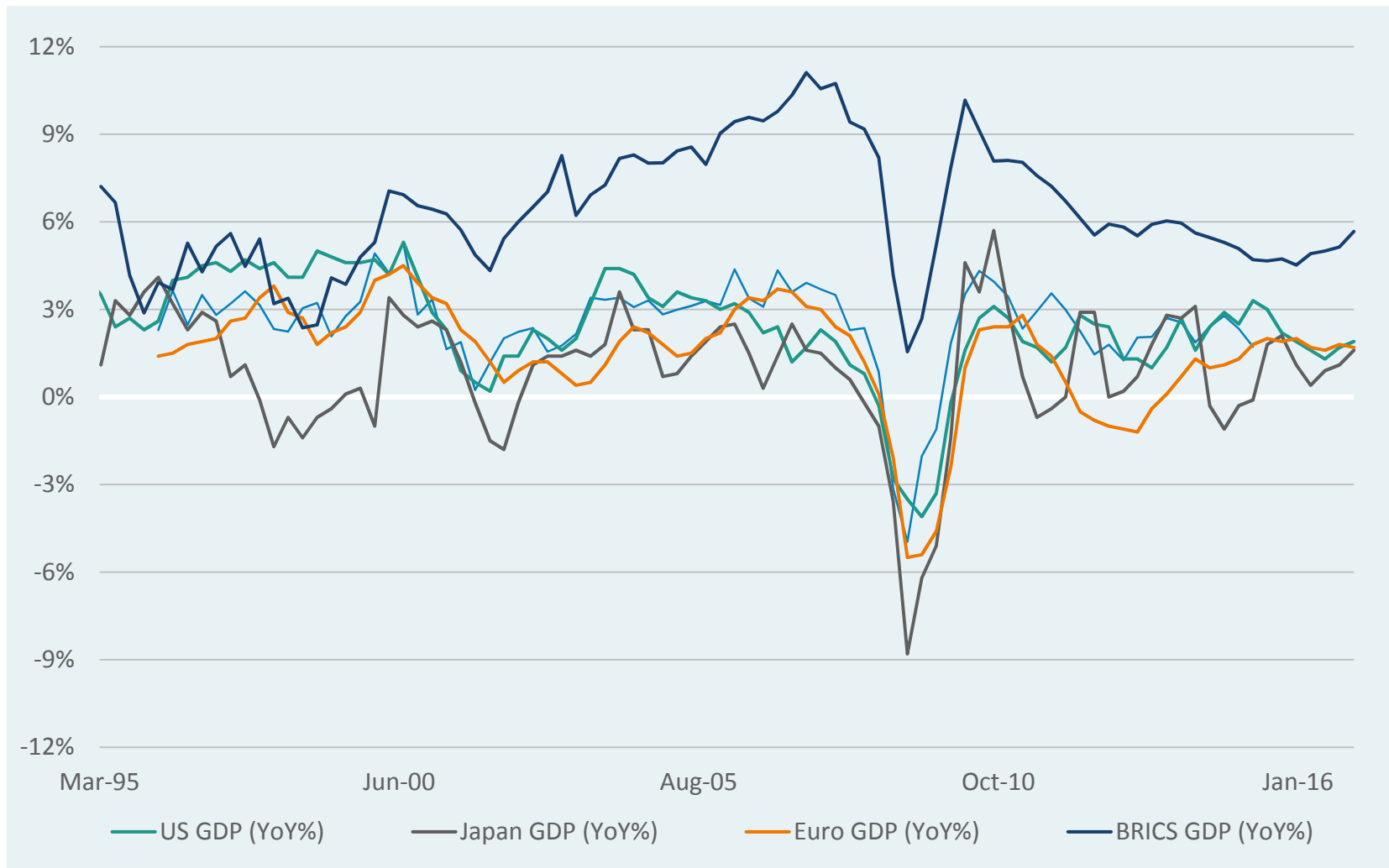
Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	2.0% 12/31/16	2.7% 2/28/17	4.5% 3/31/17
Western Europe	1.8% 12/31/16	1.5% 3/31/17	8.6% 12/31/16
Japan	1.6% 12/31/16	0.3% 2/28/17	2.8% 2/28/17
BRIC Nations	5.2% 12/31/16	3.1% 12/31/16	5.5% 12/31/16
Brazil	(2.5%) 12/31/16	4.6% 3/31/17	12.9% 3/31/17
Russia	0.3% 12/31/16	4.3% 3/31/17	5.4% 12/31/16
India	7.0% 12/31/16	3.7% 2/28/17	7.1% 12/31/15
China	6.8% 12/31/16	0.8% 2/28/17	4.0% 12/30/16

Global inflation



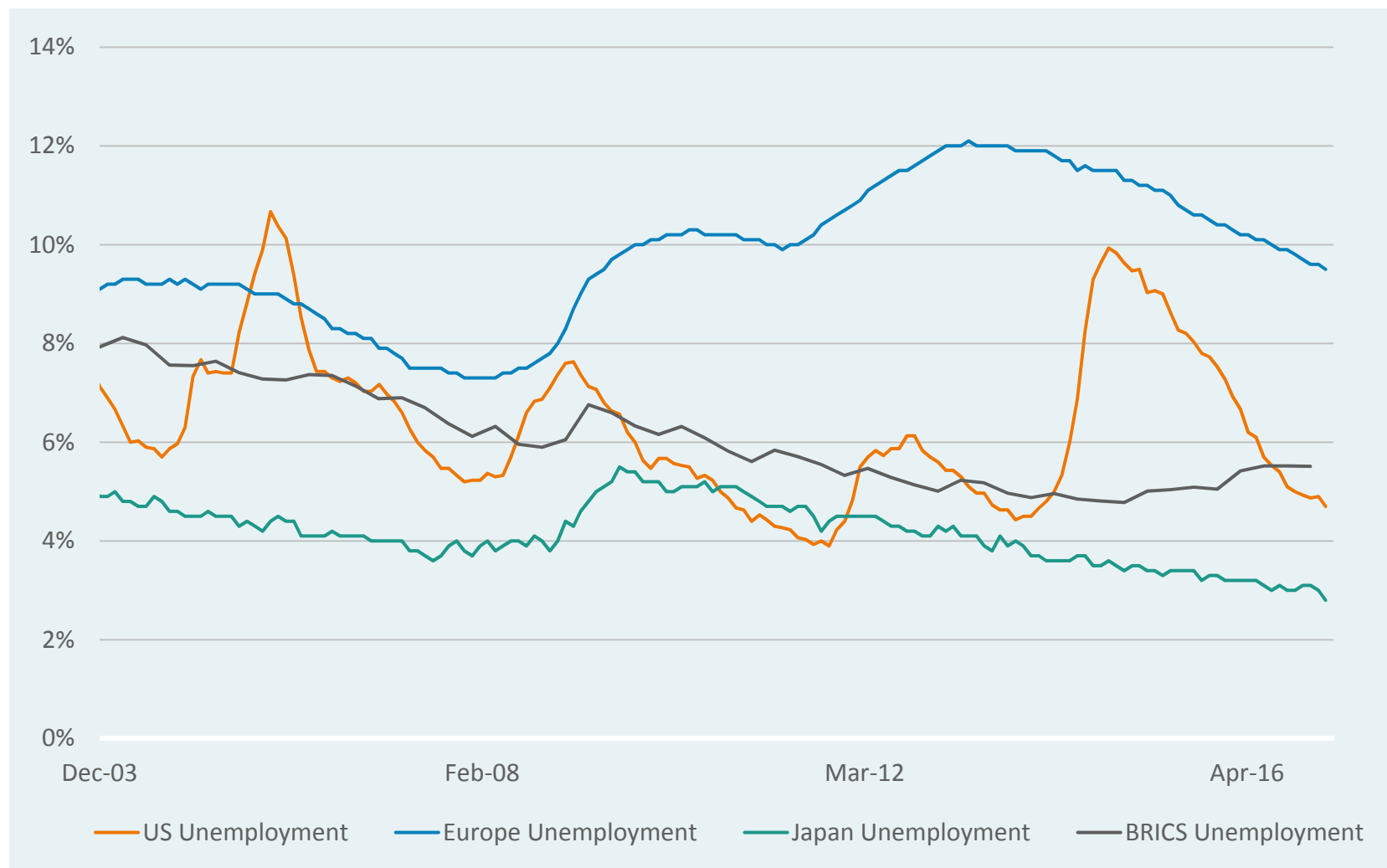
Source: Bloomberg, as of 2/28/17

Global GDP



Source: Bloomberg, as of 12/31/16

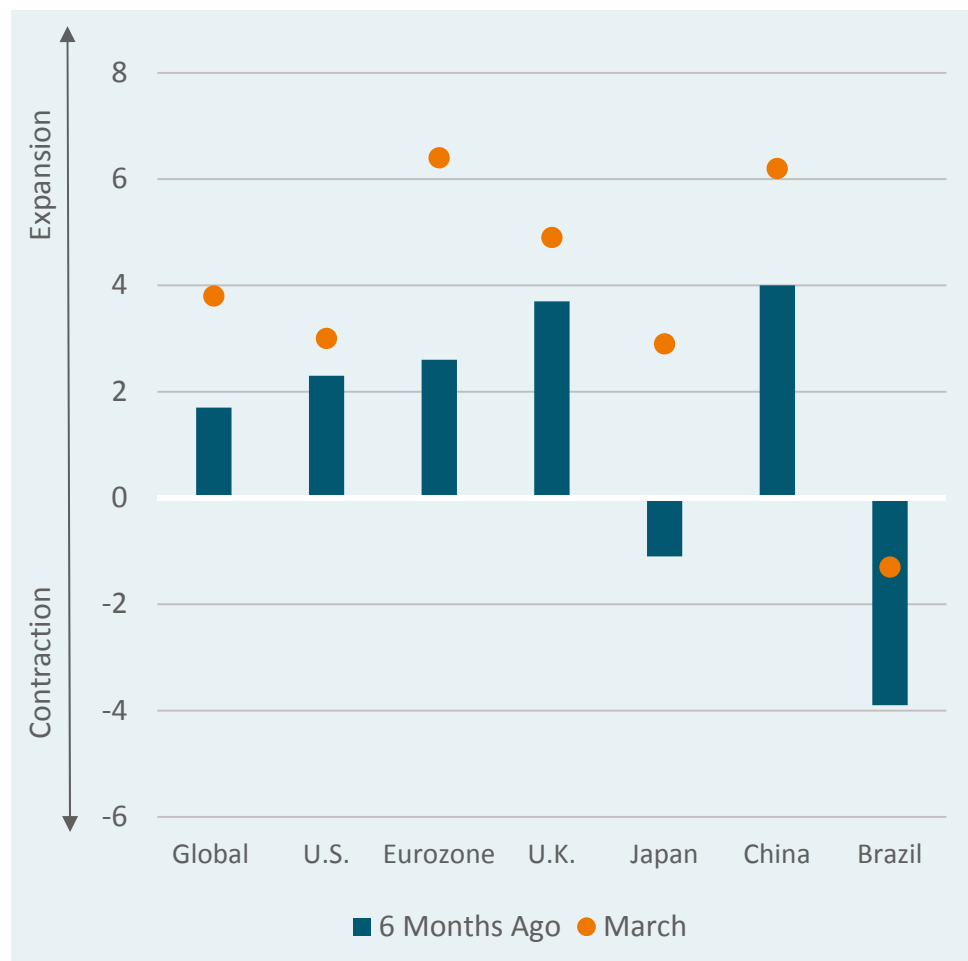
Global unemployment



Source: Bloomberg, as of 2/28/17 or most recent release

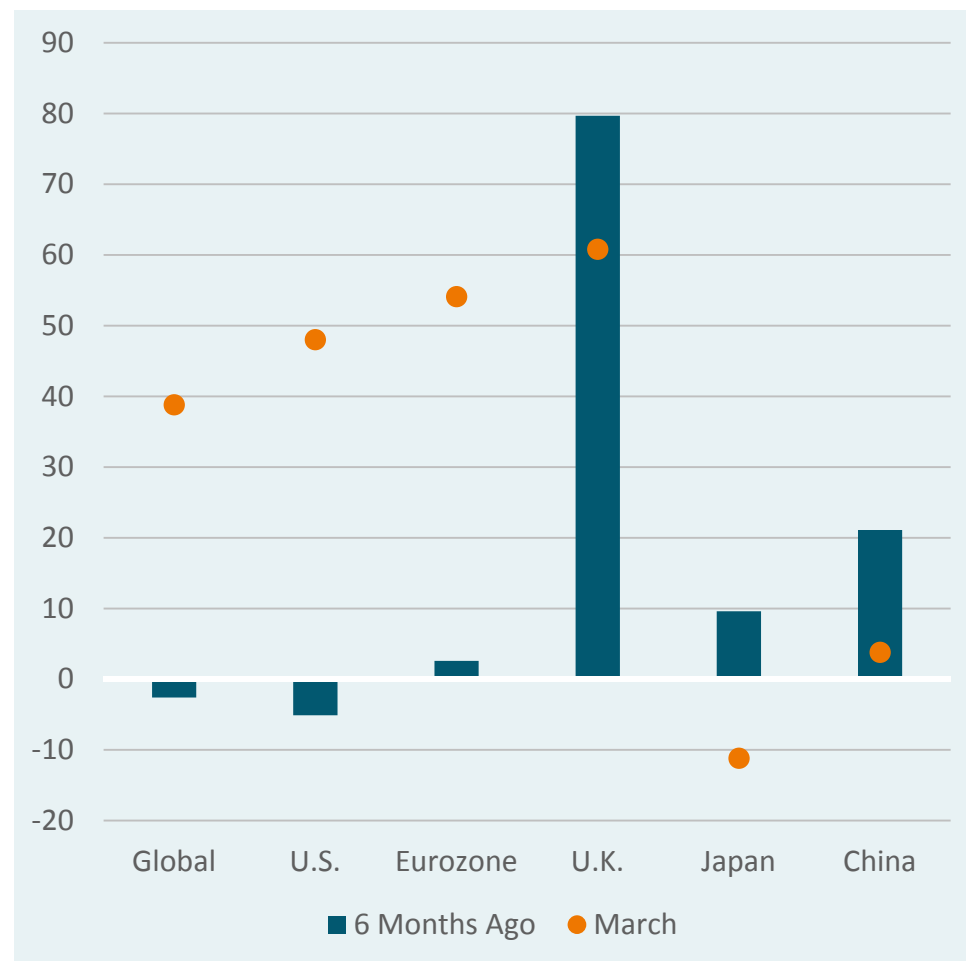
Global economic pickup

PURCHASING MANAGERS' INDEXES



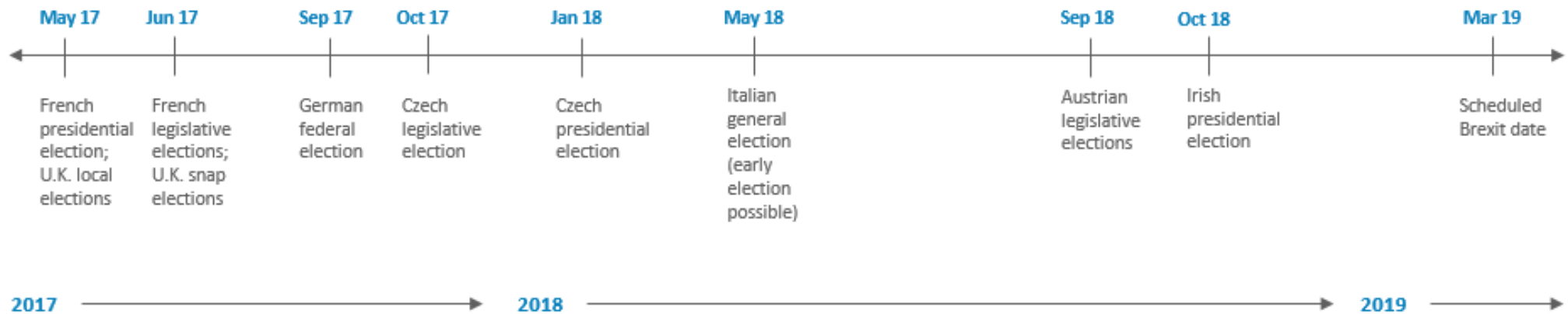
Source: Bloomberg, as of 3/31/17

CITI ECONOMIC SURPRISE INDEXES



Source: Bloomberg, as of 3/31/17

The European election cascade

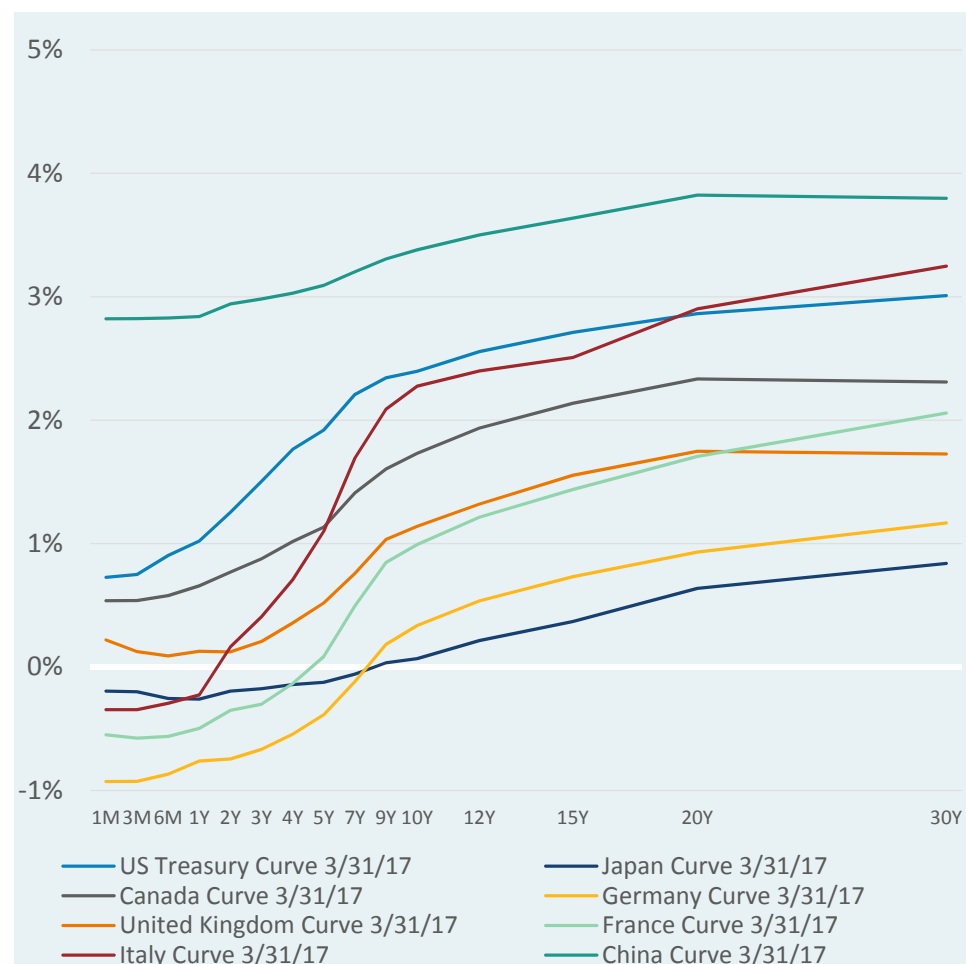


Fixed income

INTEREST RATE ENVIRONMENT

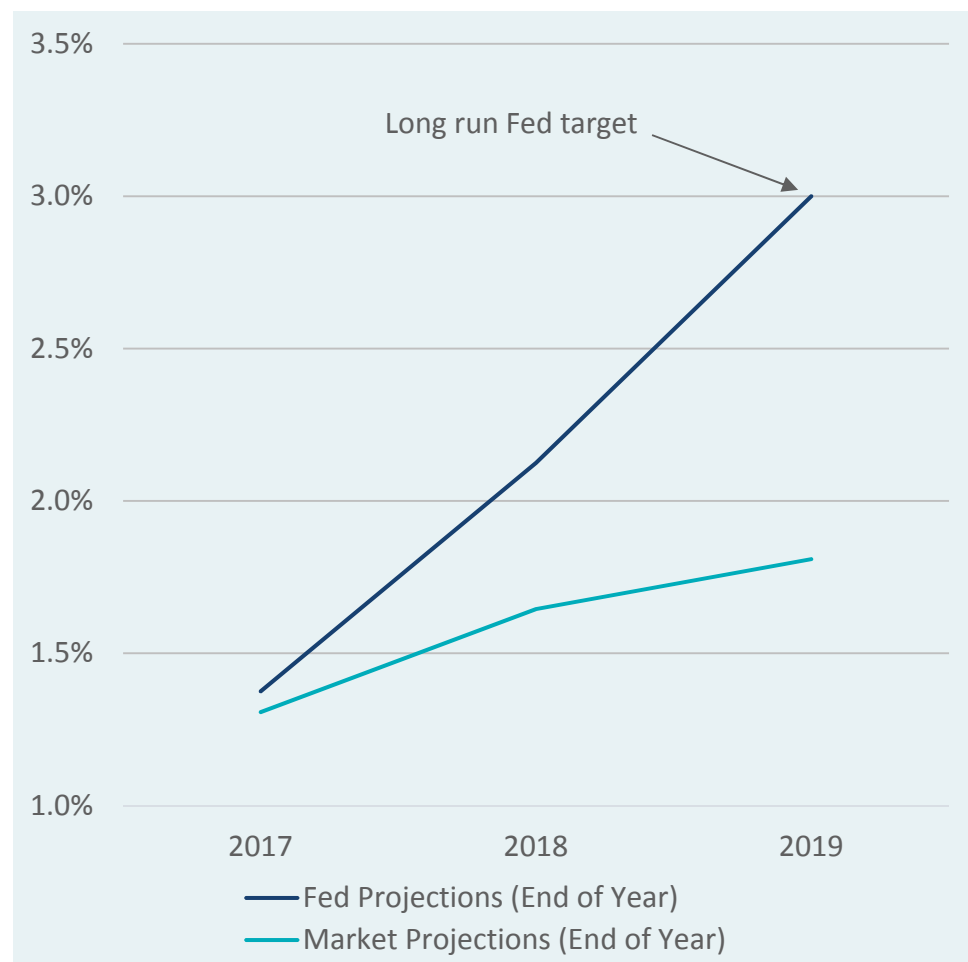
Area	Short Term (3M)	10 Year
United States	0.75%	2.39%
Germany	(0.92%)	0.33%
France	(0.57%)	0.97%
Spain	(0.39%)	1.65%
Italy	(0.34%)	2.31%
Greece	2.39%	6.90%
U.K.	0.13%	1.14%
Japan	(0.20%)	0.07%
Australia	1.59%	2.70%
China	2.93%	3.28%
Brazil	10.91%	10.06%
Russia	9.50%	7.87%

GLOBAL GOVERNMENT YIELD CURVES



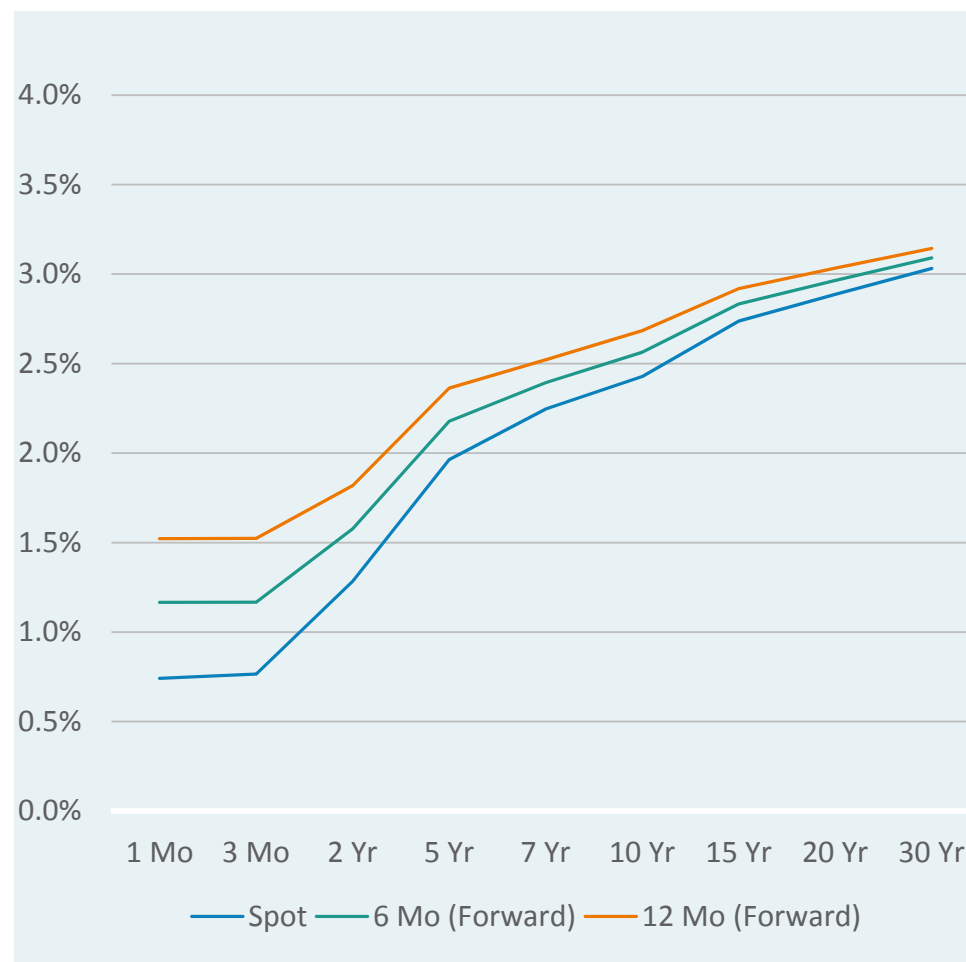
Monetary tightening

FED FUNDS PROJECTED RATE



Source: Bloomberg, as of 3/31/17

U.S. TREASURY FORWARD CURVE

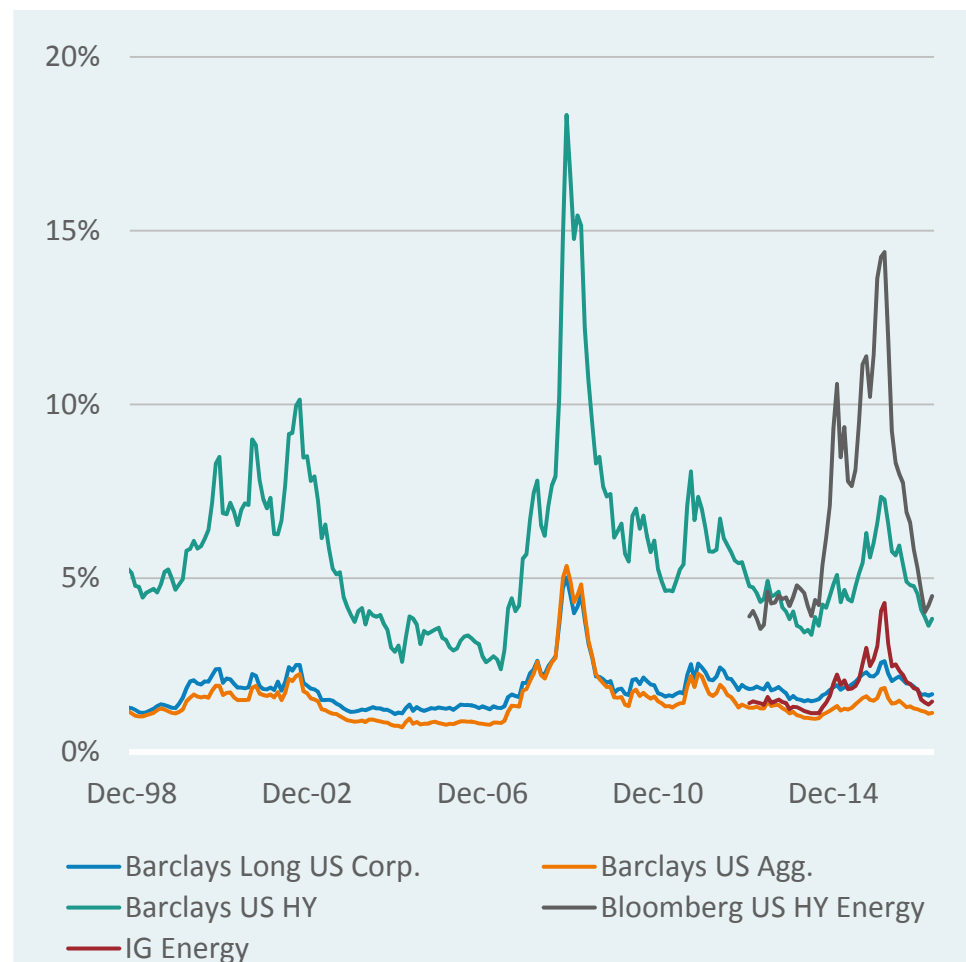


Source: Bloomberg, as of 3/31/17

Credit environment

Market	Credit Spread (3/31/17)	Credit Spread (1 Year Ago)
Long US Corporate	1.5%	2.1%
US Aggregate	0.9%	1.1%
US High Yield	4.1%	7.0%
US High Yield Energy	4.5%	11.9%
US Bank Loans	3.8%	3.9%

CREDIT SPREADS



Equity environment

	QTD TOTAL RETURN		YTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)	(unhedged)	(hedged)
US Large Cap (Russell 1000)	6.0%		6.0%		17.4%	
US Small Cap (Russell 2000)	2.5%		2.5%		26.2%	
US Large Value (Russell 1000 Value)	3.3%		3.3%		19.2%	
US Large Growth (Russell 1000 Growth)	8.9%		8.9%		15.8%	
International Large (MSCI EAFE)	7.2%	5.0%	7.2%	5.0%	11.7%	18.9%
Eurozone (Euro Stoxx 50)	8.3%	7.2%	8.3%	7.2%	12.9%	21.7%
U.K. (FTSE 100)	4.9%	3.8%	4.9%	3.8%	7.3%	23.3%
Japan (NIKKEI 225)	4.3%	0.1%	4.3%	0.1%	15.8%	14.7%
Emerging Markets (MSCI Emerging Markets)	11.4%	7.3%	11.4%	7.3%	17.2%	12.5%

Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 3/31/17

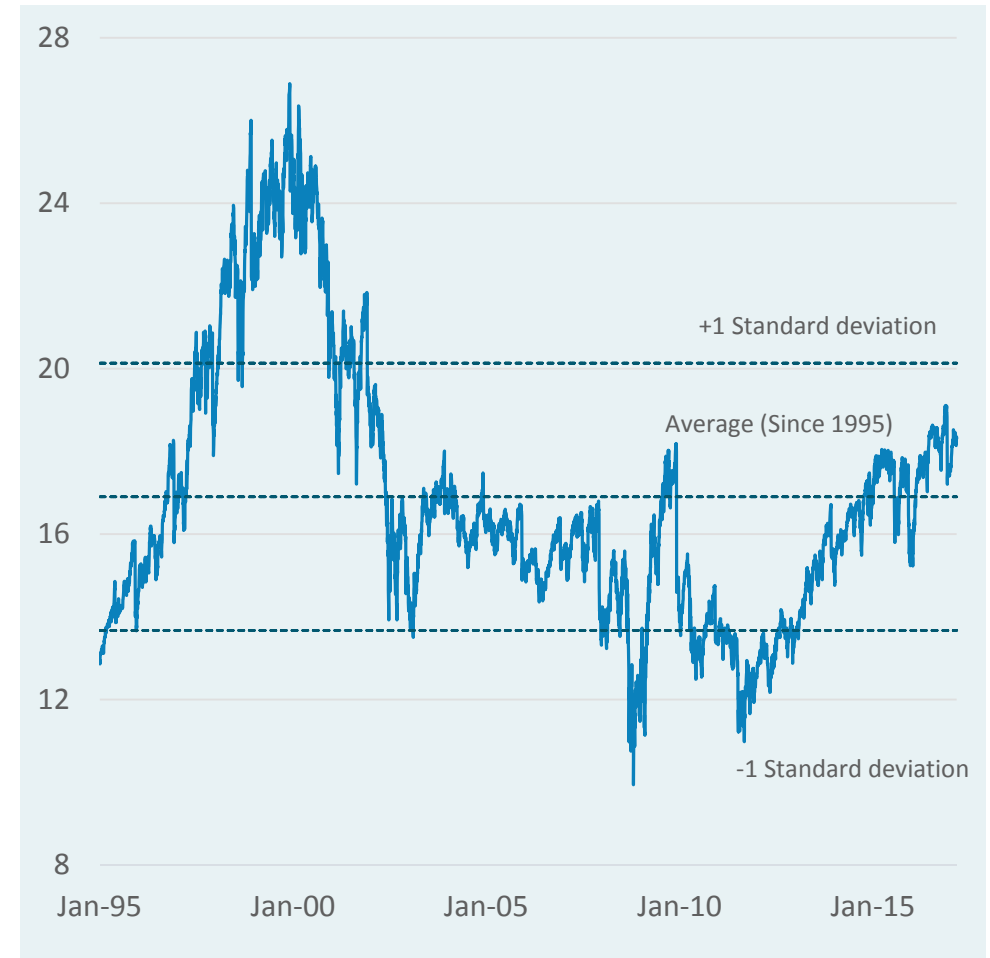
U.S. equity

S&P 500 EPS GROWTH



Source: Bloomberg, as of 12/31/16

S&P 500 FORWARD P/E



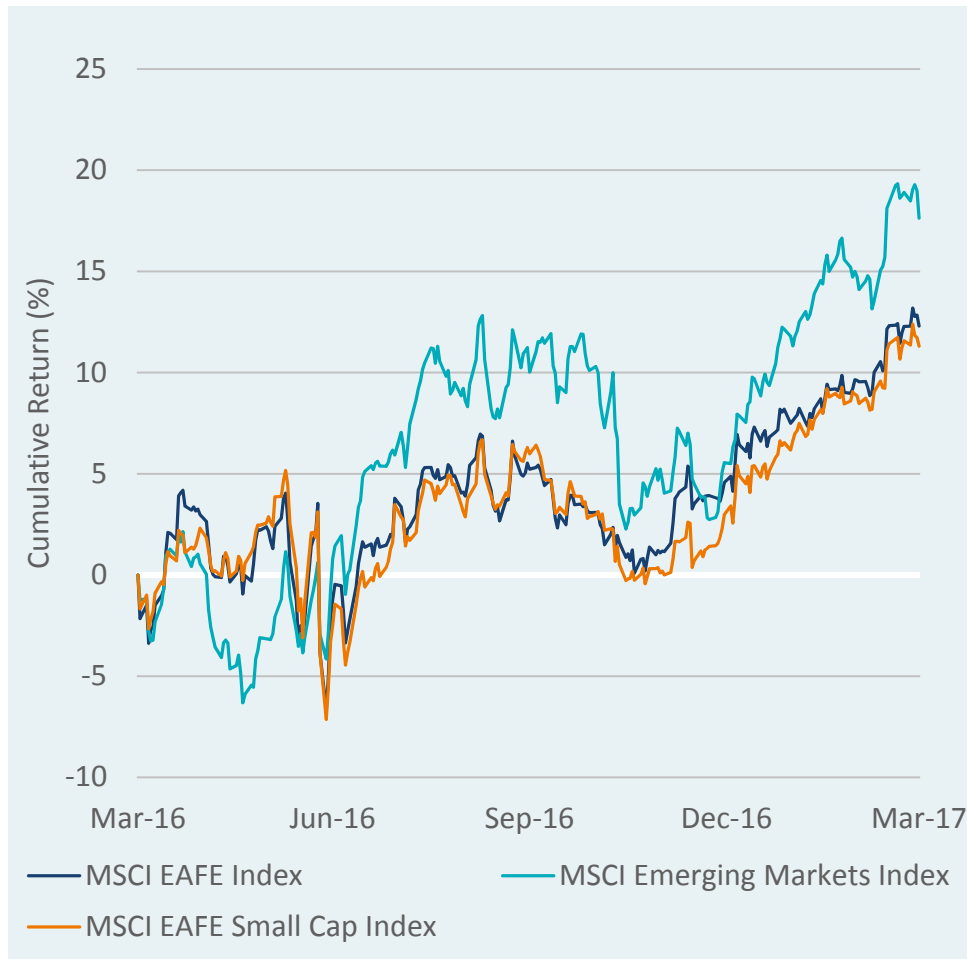
Source: Bloomberg, as of 3/31/17

Equity market corrections



International equity

GLOBAL EQUITY PERFORMANCE



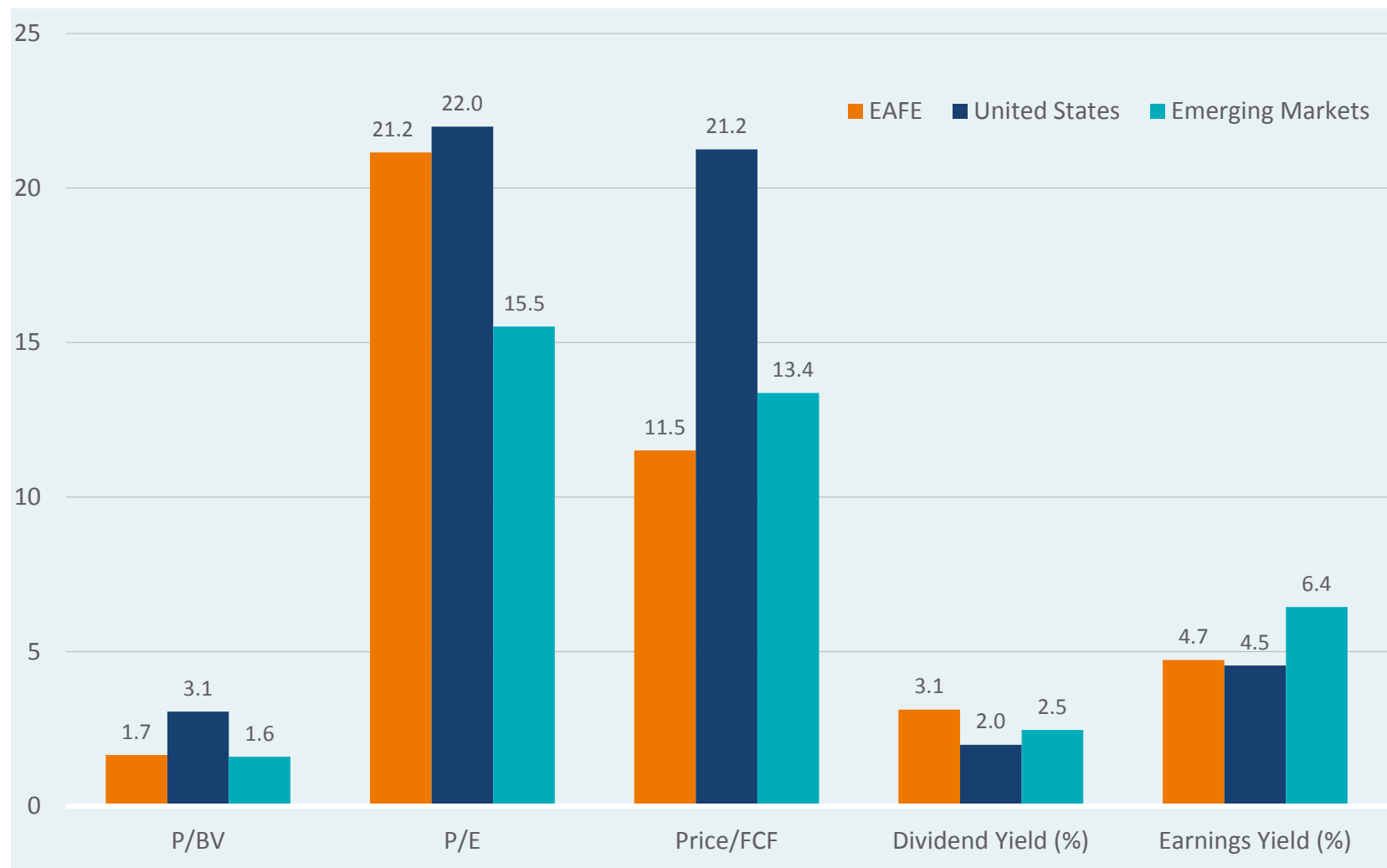
Source: Bloomberg, as of 3/31/17

EFFECT OF CURRENCY (1 YEAR ROLLING)



Source: MSCI, as of 3/31/17

Equity valuations



Source: Bloomberg, as of 3/31/17

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Q&A

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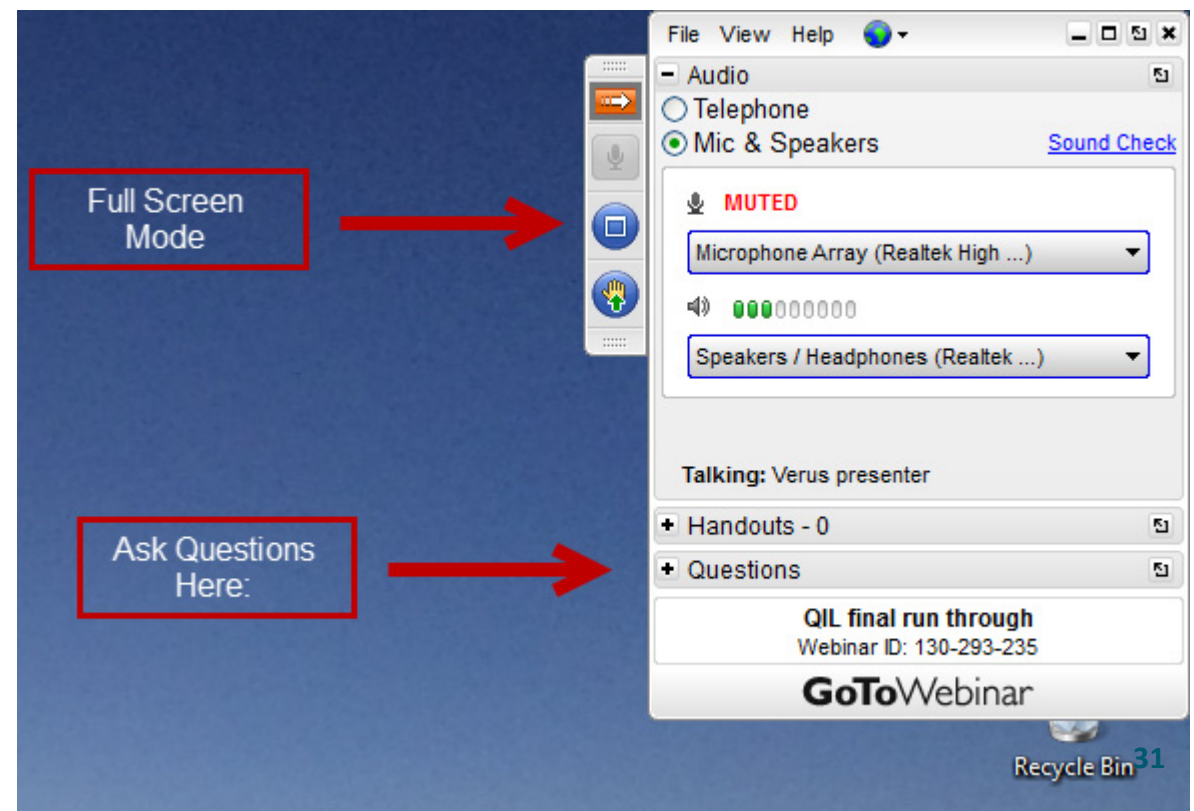
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Thank you