

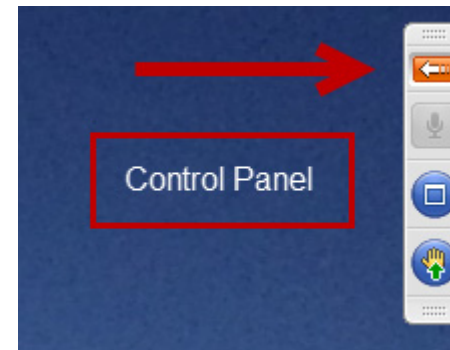


**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

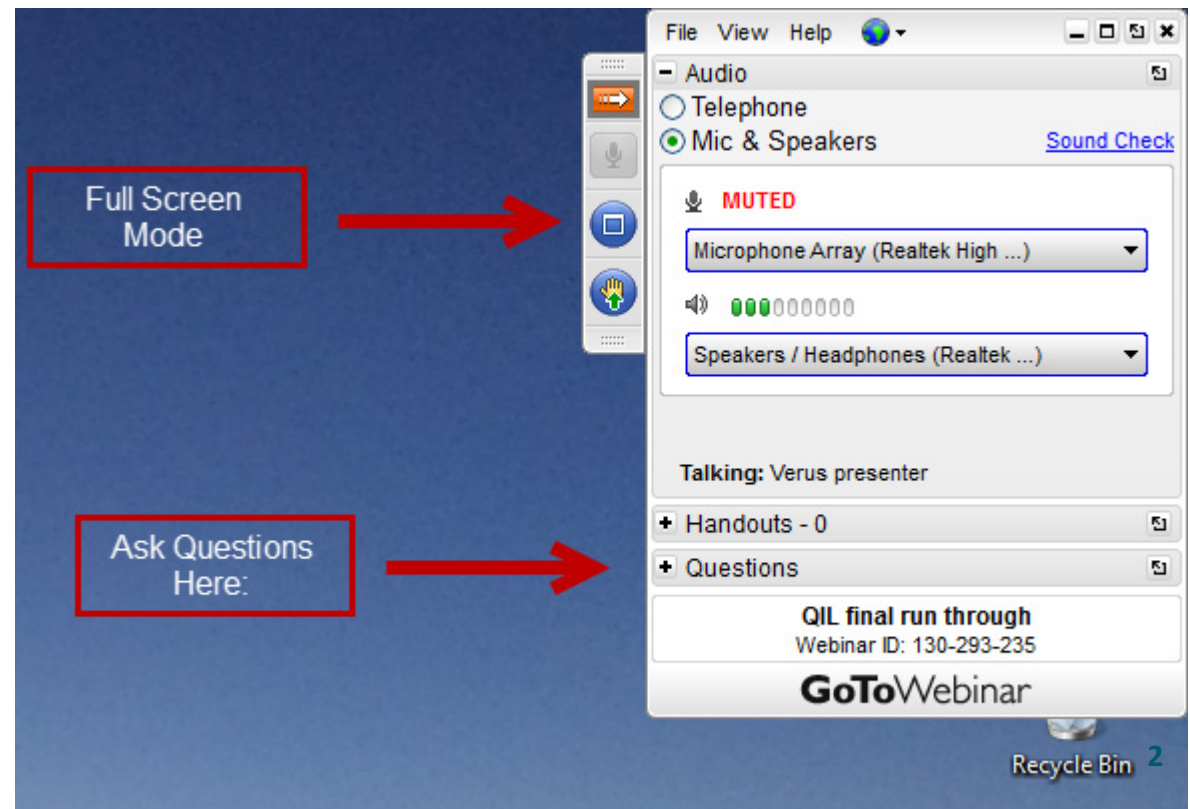
3RD QUARTER 2017
Investment Landscape Call

Call instructions

To expand the control panel, select the orange arrow.



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



3rd quarter conference call



VERUSINVESTMENTS.COM

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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

2nd quarter summary

THE ECONOMIC CLIMATE

- Developed and emerging economies have exhibited coordinated positive growth for the first time in this recovery. Absolute growth remains subdued relative to history.
- Economic releases have begun to miss expectations in the U.S. and U.K. after much upside surprise. The Eurozone continued to deliver positive surprises, but by a smaller margin. Heightened expectations help to explain some of the recent data disappointment.
- Despite a healthy economy and longer than average expansion there is little indication of overheating in the U.S. This suggests the current expansion may have more room to run.

MARKET PORTFOLIO IMPACTS

- Treasury yields fell slightly over the quarter.
- Credit spreads remain tight implying limited upside performance potential. U.S. credit markets have stabilized from recent defaults in the energy and metals/mining sectors.

THE INVESTMENT CLIMATE

- Central banks communicated a more hawkish tone across developed markets. The Fed announced plans for balance sheet reduction, the ECB is expected to reduce easing starting next year, and Mark Carney of the BOE indicated he is receptive to tightening under the right conditions. Central bank governors have shown less concern over the recent decline in inflation than in the past.
- U.S. equities are expected to deliver robust earnings growth in Q2 of 6.8% YoY. Energy sector earnings have provided much of this improvement after a challenging period.

ASSET ALLOCATION ISSUES

- Earnings growth beat expectations in recent quarters leading to a broad fall in trailing equity price-to-earnings multiples (causing equities to become more attractive).
- Realized and implied market volatility is at historic lows across assets classes. This could be a sign of market complacency.

We maintain
a neutral to
slightly
overweight
risk stance

What drove the market in Q2?

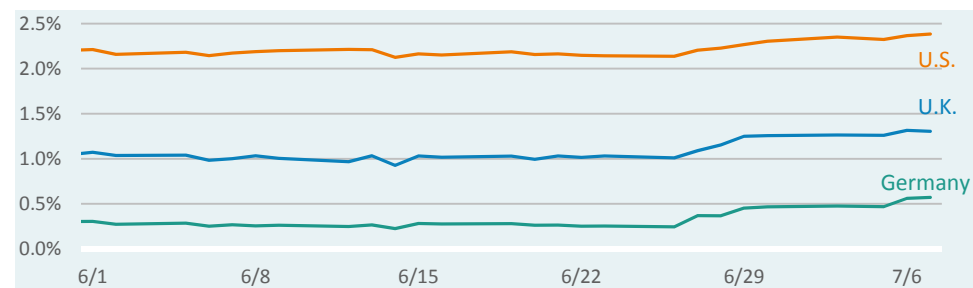
“Bonds Continue Decline as Central Banks Signal Waning Stimulus”

10-YEAR GOVERNMENT YIELDS (%)

U.S.		U.K.		Germany	
Jun 1 st	Jul 7 th	Jun 1 st	Jul 7 th	Jun 1 st	Jul 7 th
2.21	2.38	1.07	1.31	0.30	0.57

Article Source: New York Times, June 30th 2017

DEVELOPED 10-YEAR YIELDS



Source: Bloomberg, 7/7/17

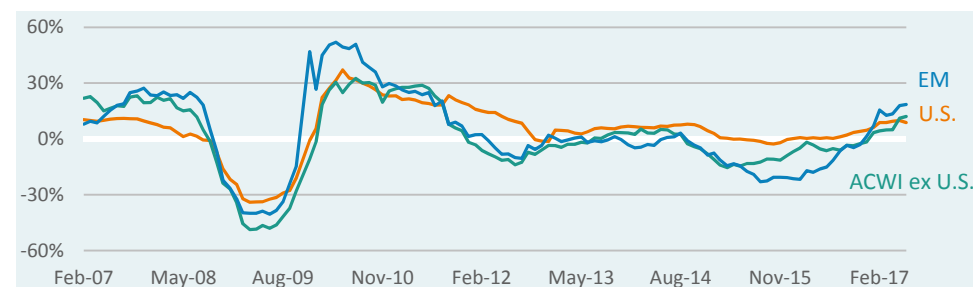
“Investors Look to Global Growth for Earnings Power”

EQUITY EARNINGS GROWTH BY REGION (YOY)

ACWI ex U.S.	U.S.	Emerging Markets
12.0%	8.8%	18.5%

Article Source: Reuters, April 7th 2017

EARNINGS GROWTH (YOY)



Source: Bloomberg, as of 6/30/17

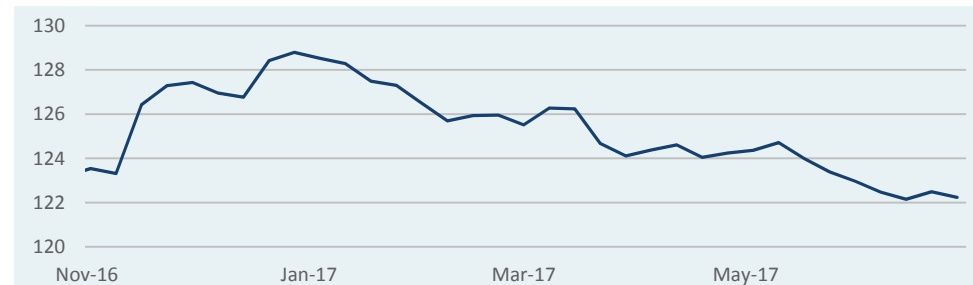
“Dollar Has Worst Week in Over a Year Amid Political Uncertainty”

USD TRADE WEIGHTED INDEX

Jan 31 st	Feb 28 th	Mar 31 st	Apr 30 th	May 31 st	Jun 30 th
127	126	124	124	123	122

Article Source: Reuters, May 19th 2017

USD TRADE WEIGHTED INDEX



Source: FRED, as of 6/28/17

“Tumbling U.S. Inflation Expectations Challenge the Fed”

10-YEAR BREAKEVEN INFLATION RATE (%)

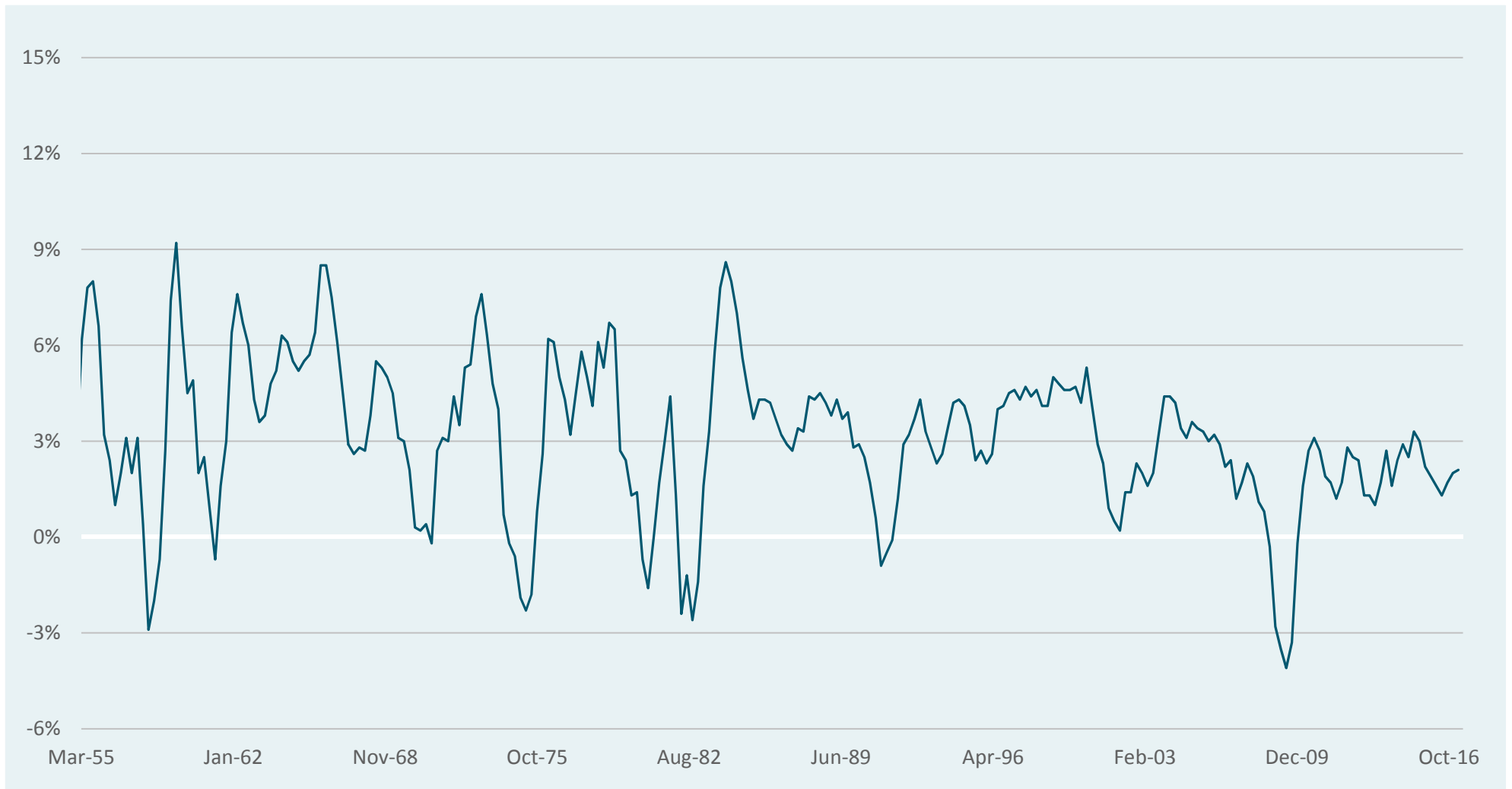
Jan 31 st	Feb 28 th	Mar 31 st	Apr 30 th	May 31 st	Jun 30 th
2.1	2.0	2.0	1.9	1.8	1.7

Article Source: Financial Times, June 15th 2017

U.S. economics summary

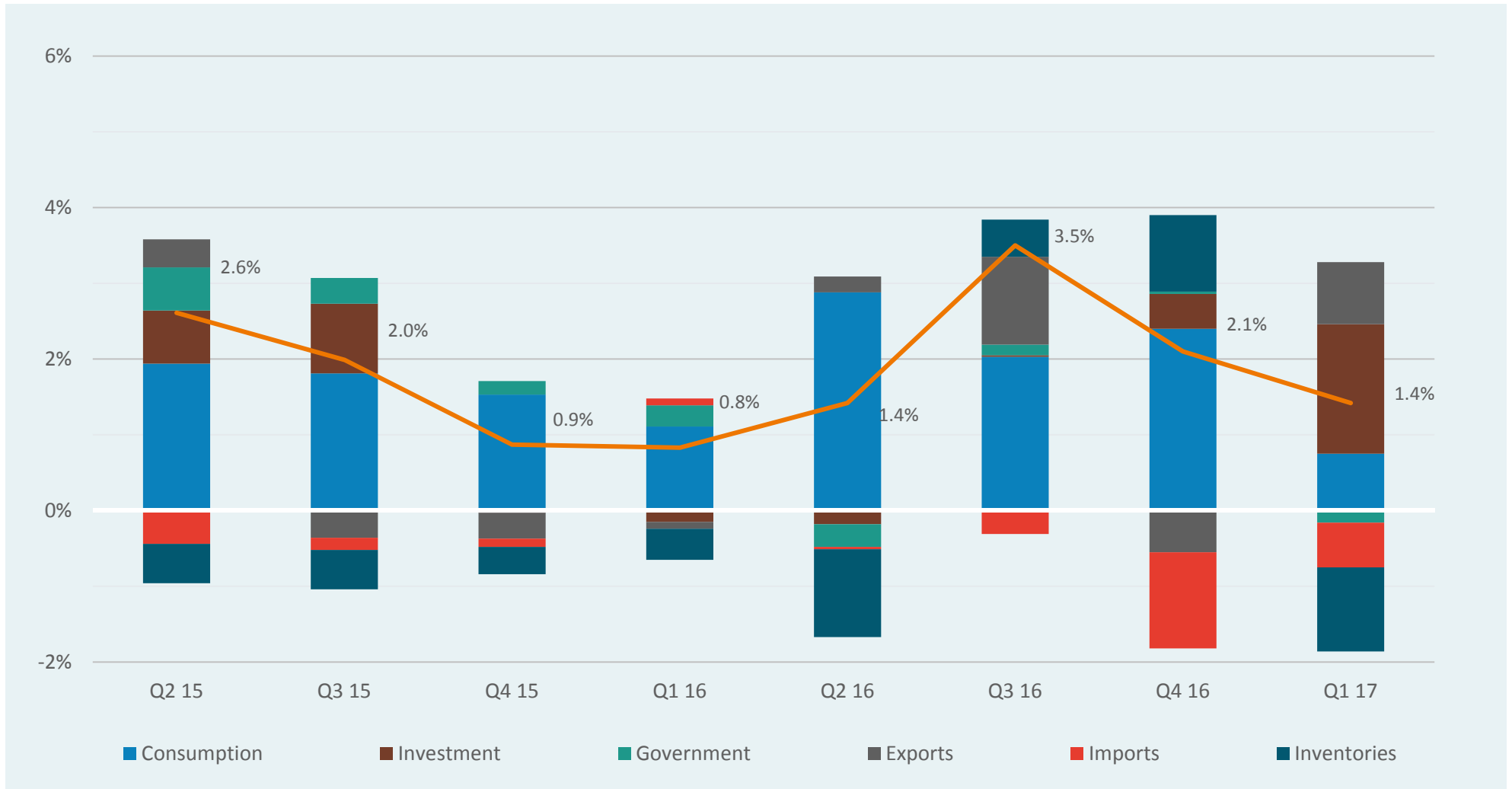
	Most Recent	12 Months Prior
GDP (<i>annual YoY</i>)	2.1% 3/31/17	1.6% 3/31/16
Inflation (<i>CPI YoY, Headline</i>)	1.6% 6/30/17	0.9% 6/30/16
Expected Inflation (<i>5yr-5yr forward</i>)	1.8% 6/30/17	1.5% 6/30/16
Fed Funds Rate	1.25% 6/30/17	0.50% 6/30/16
10 Year Rate	2.3% 6/30/17	1.5% 6/30/16
U-3 Unemployment	4.4% 6/30/17	4.9% 6/30/16
U-6 Unemployment	8.6% 6/30/17	9.6% 6/30/16

U.S. GDP growth



Source: FRED, year-over-year, as of 3/31/17

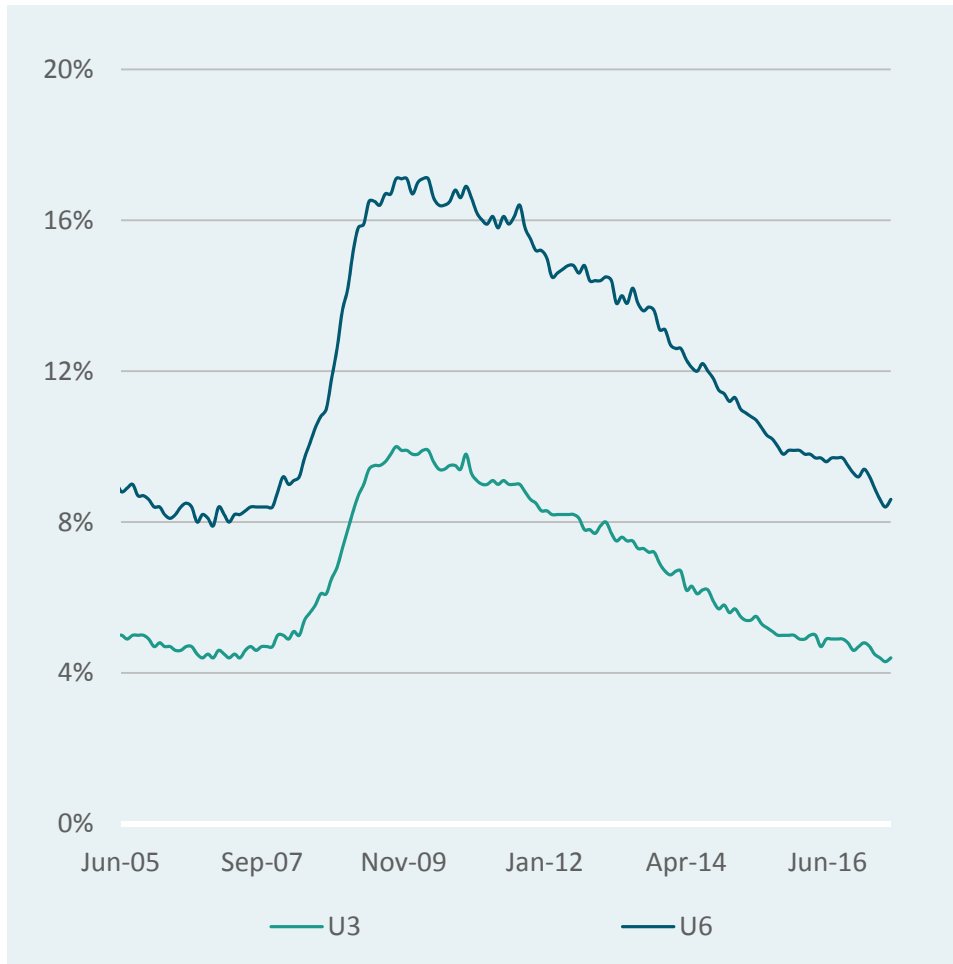
Sources of GDP growth



Source: BEA, annualized quarterly rate, as of 3/31/17

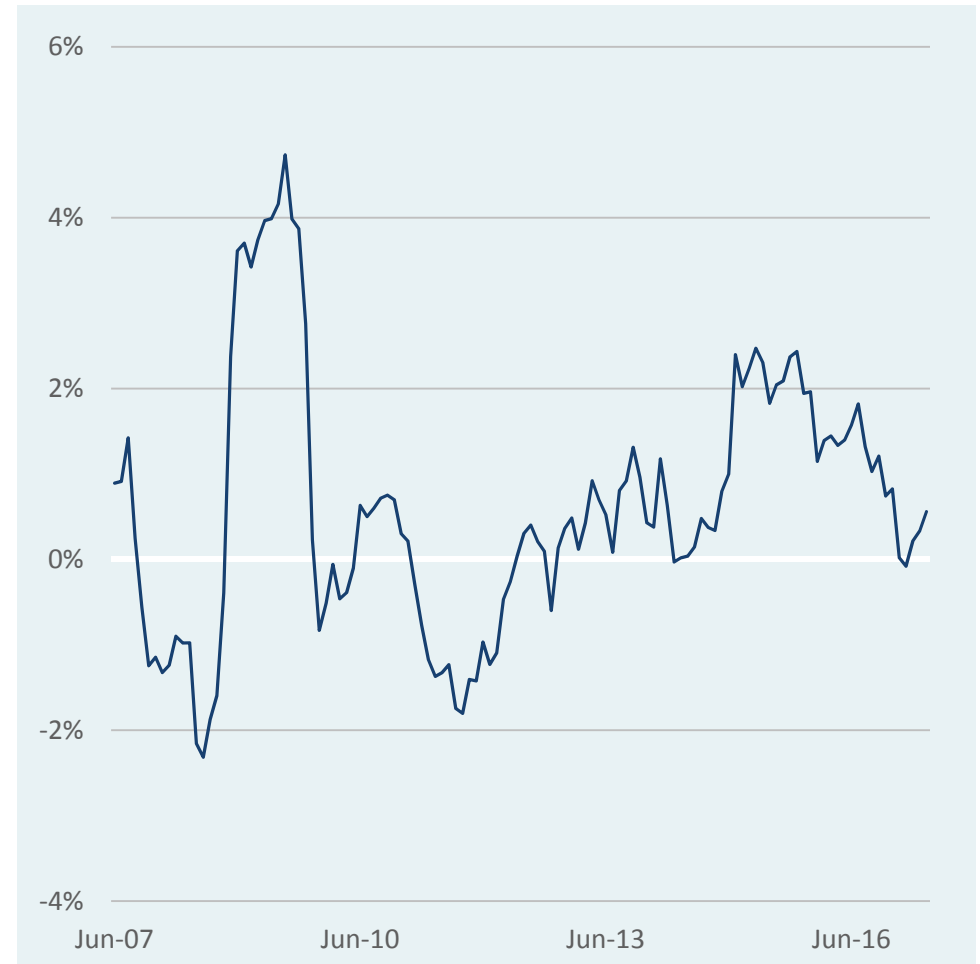
U.S. employment

U.S. UNEMPLOYMENT



Source: FRED, as of 6/30/17

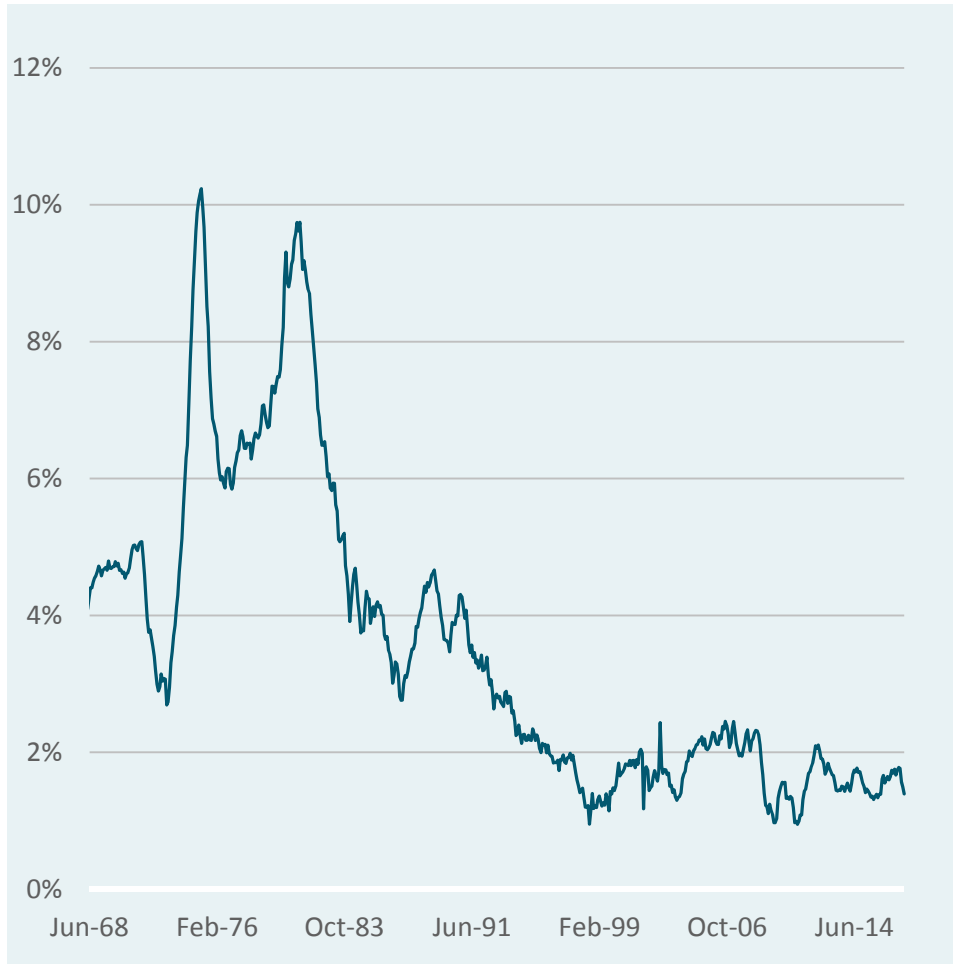
REAL AVERAGE HOURLY EARNINGS



Source: FRED, as of 5/31/17

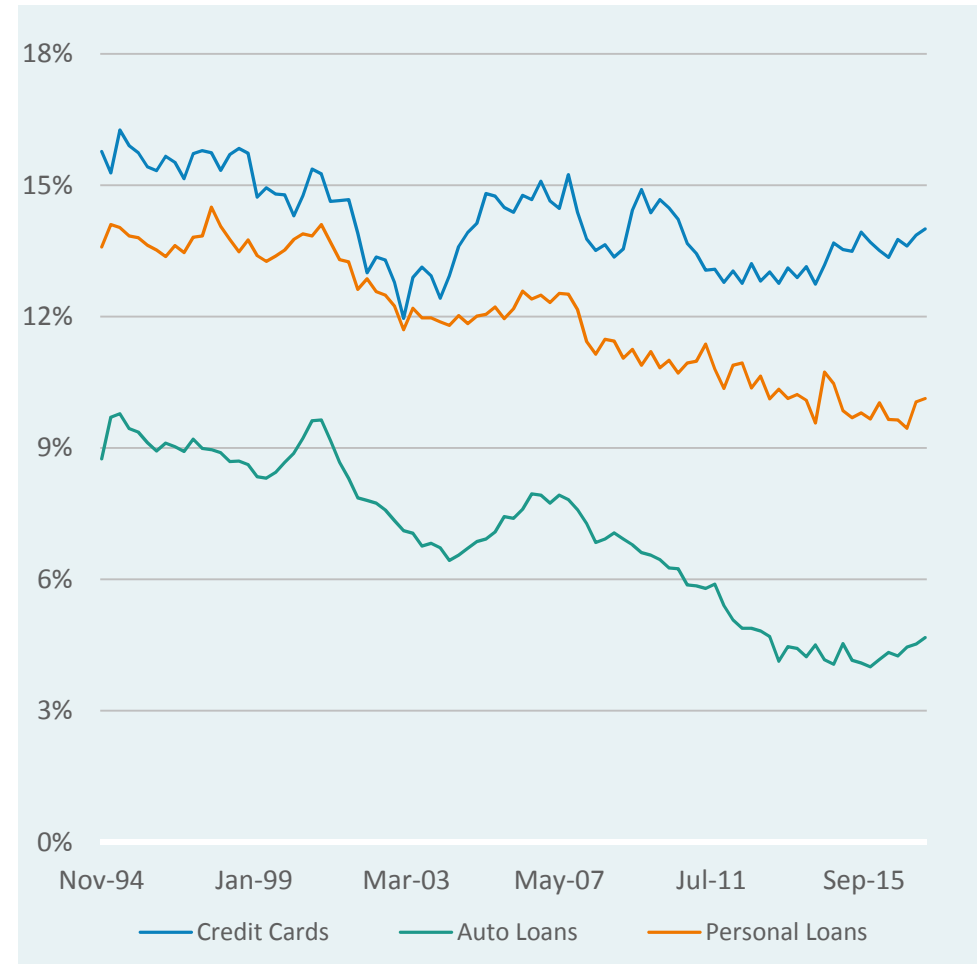
U.S. consumers

CONSUMER SPENDING GROWTH



Source: Bloomberg, as of 5/31/17

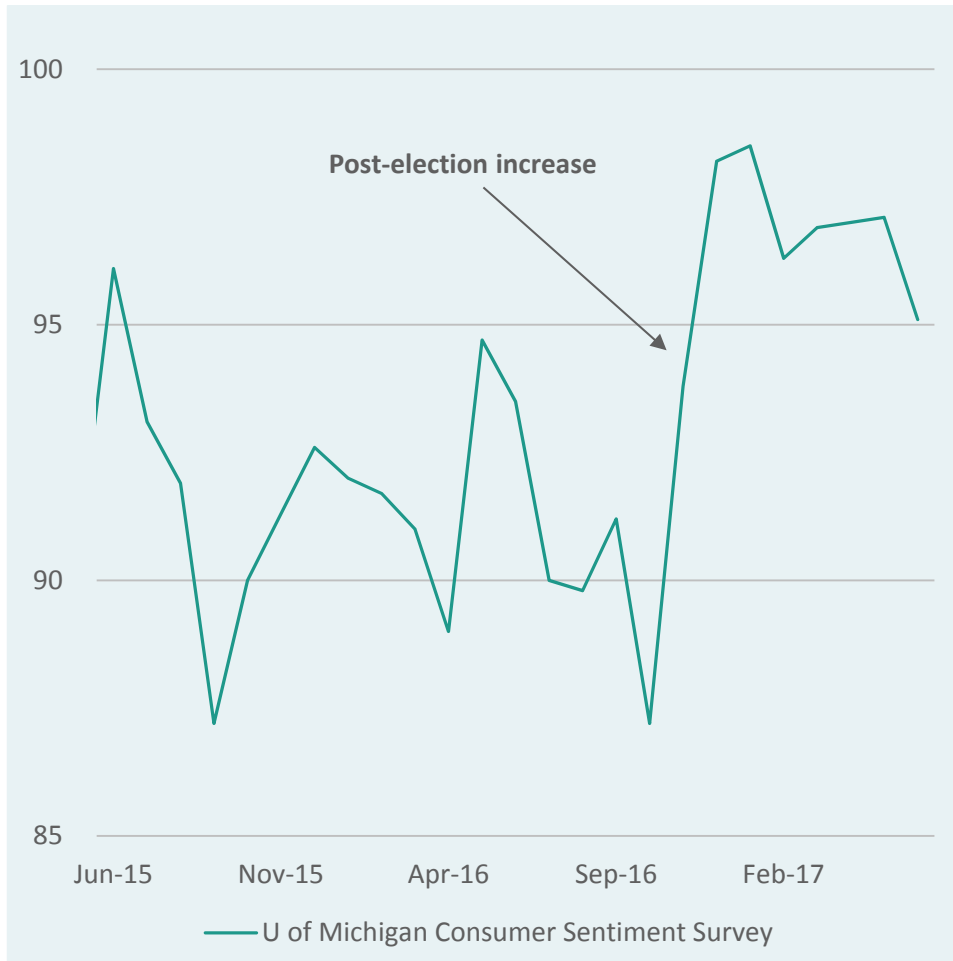
CONSUMER INTEREST RATES



Source: FRED, as of 5/31/17

U.S. sentiment

CONSUMER SENTIMENT



Source: University of Michigan, as of 6/30/17

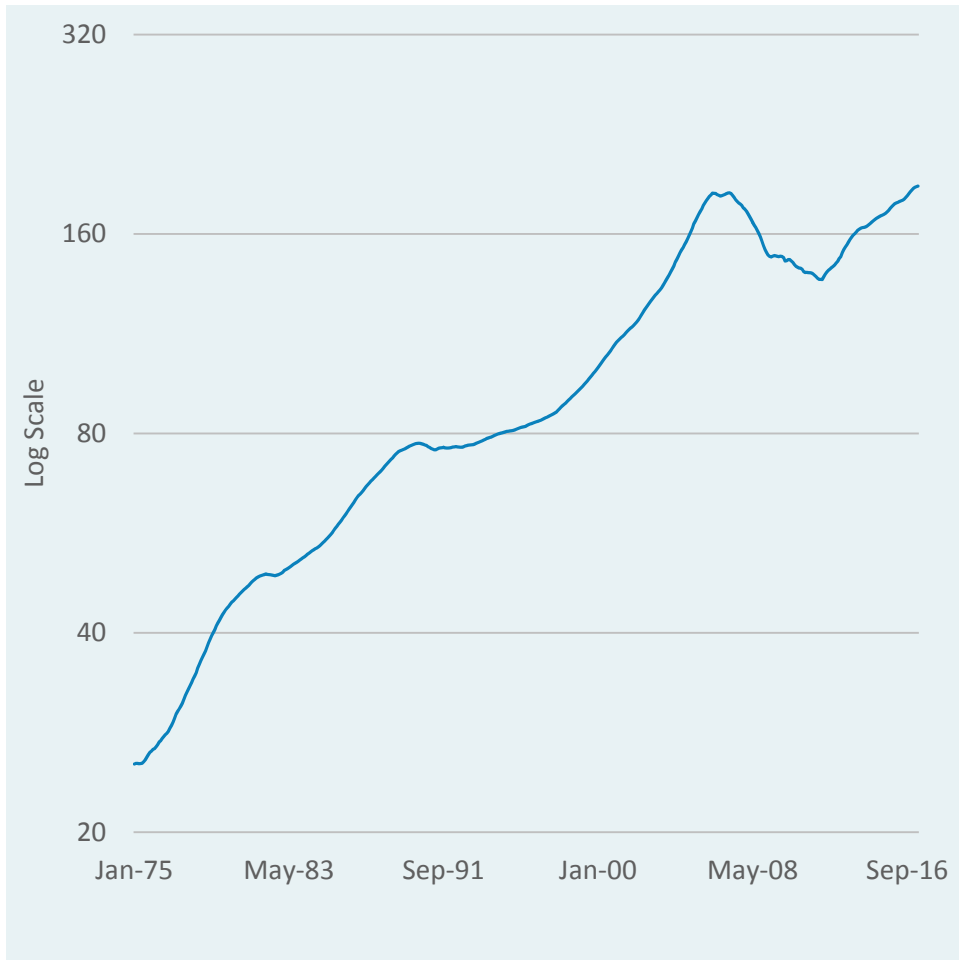
ECONOMIC SURPRISE



Source: Bloomberg, as of 6/30/17

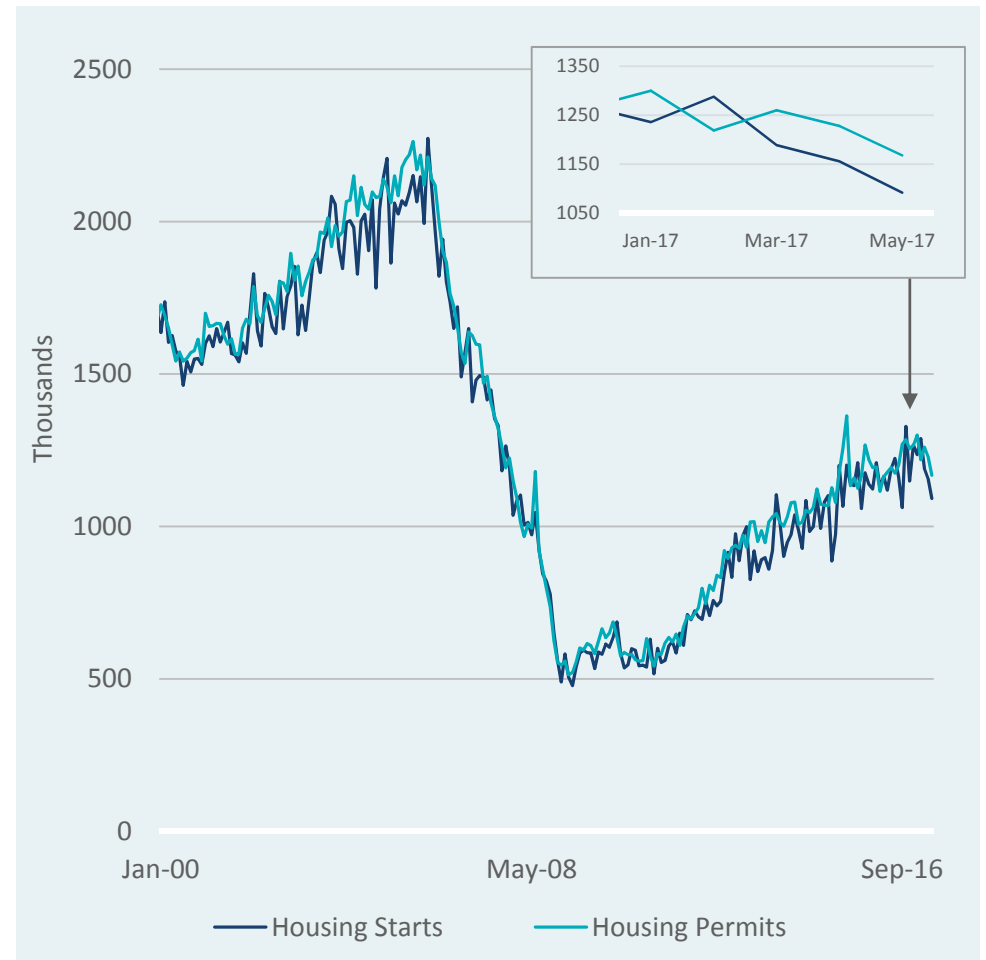
U.S. housing

CASE-SHILLER HOME PRICE INDEX



Source: FRED, as of 4/30/17

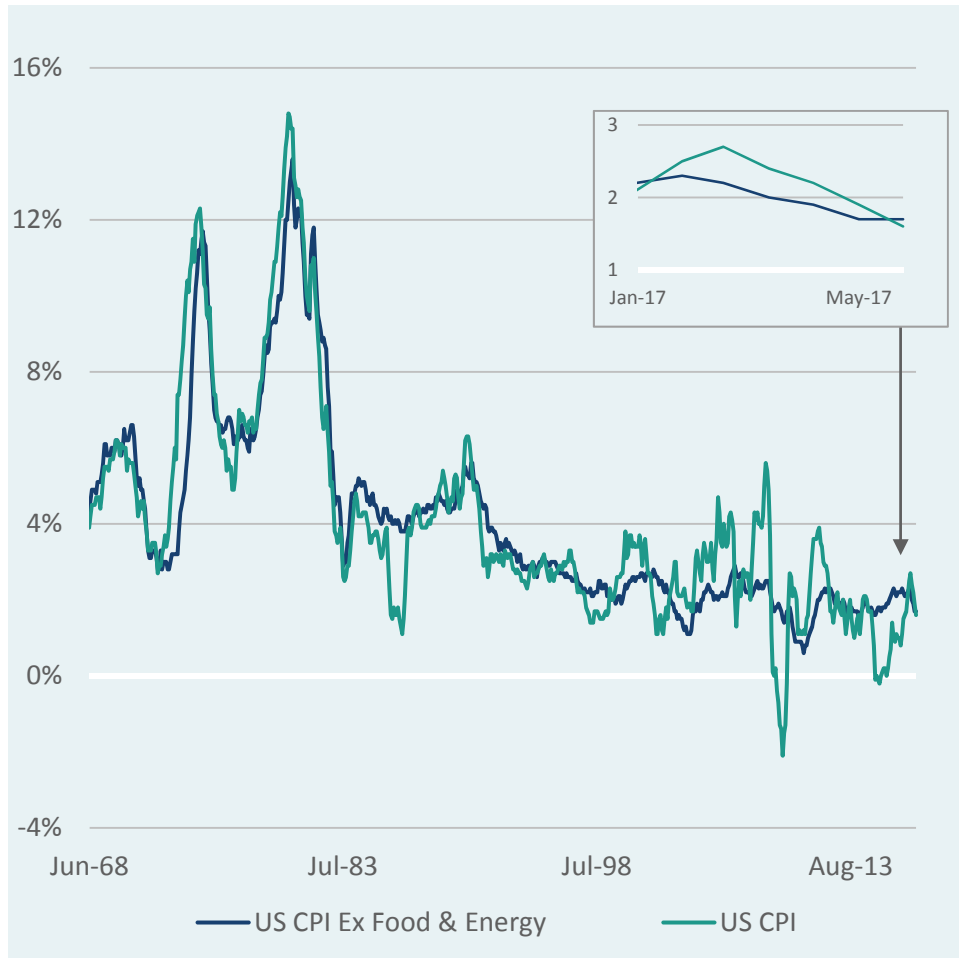
HOME CONSTRUCTION ACTIVITY



Source: FRED, as of 5/31/17

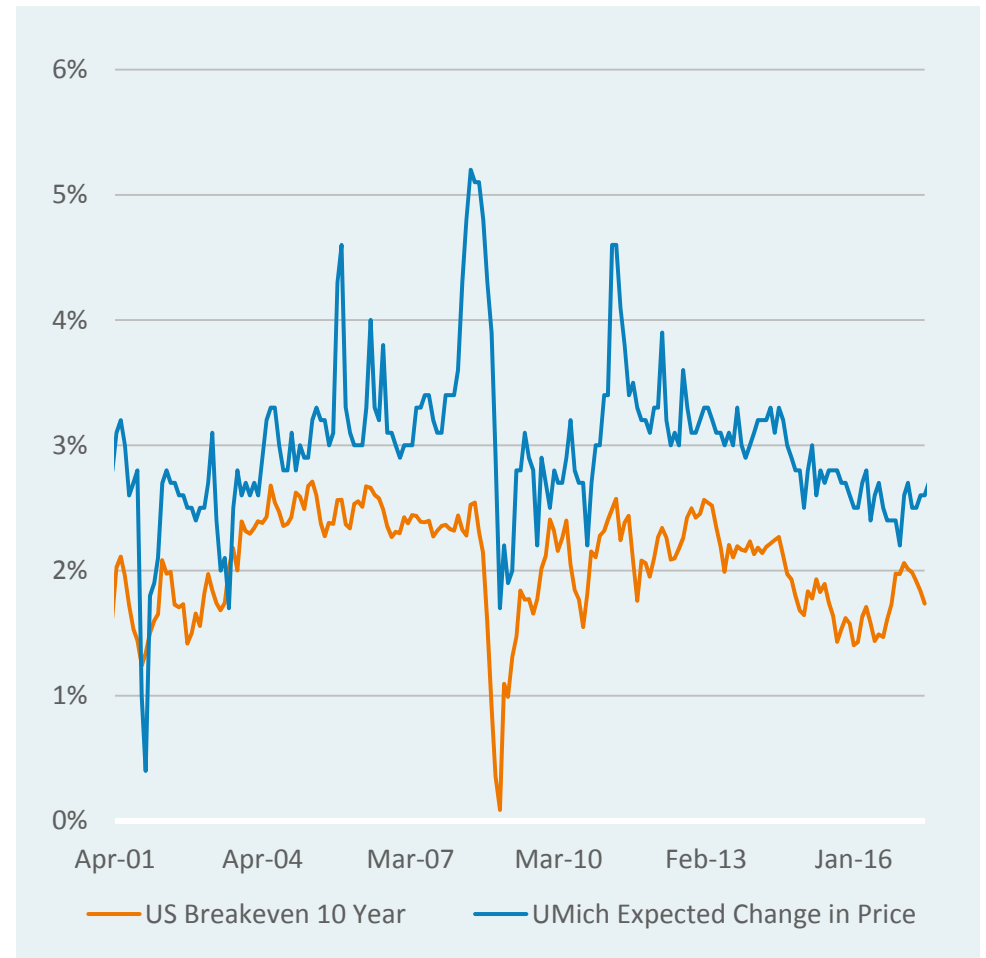
U.S. inflation

U.S. CPI (YOY)



Source: FRED, as of 6/30/17

INFLATION EXPECTATIONS



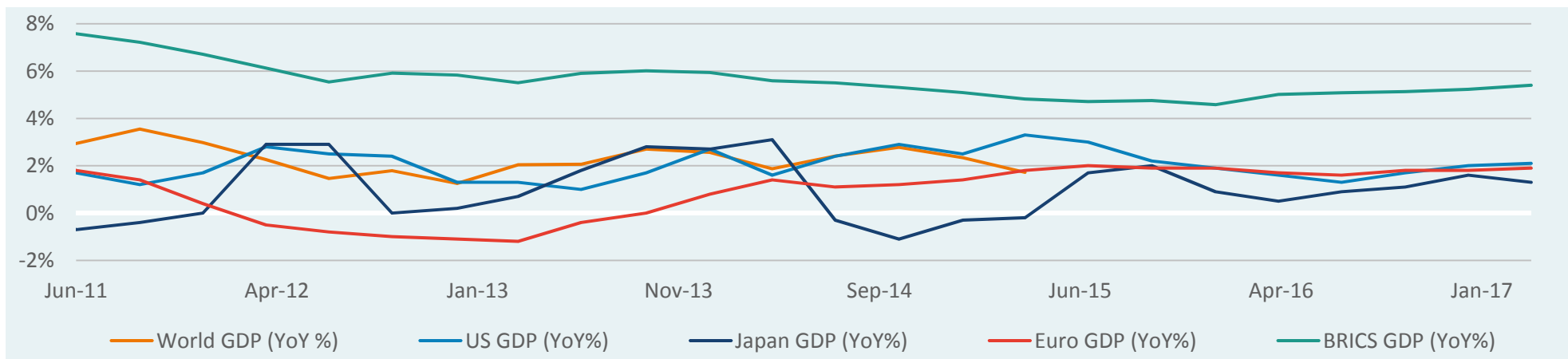
Source: Bloomberg, as of 6/30/17

International economics

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	2.1% 3/31/17	1.6% 6/30/17	4.4% 6/30/17
Western Europe	1.8% 3/31/17	1.3% 6/30/17	8.1% 3/31/17
Japan	1.3% 3/31/17	0.4% 5/31/17	3.1% 5/31/17
BRICS Nations	5.4% 3/31/17	2.3% 3/31/17	5.6% 12/31/16
Brazil	(0.4%) 3/31/17	3.0% 6/30/17	13.5% 6/30/17
Russia	0.5% 3/31/17	4.4% 6/30/17	5.5% 3/31/17
India	6.1% 3/31/17	2.2% 5/31/17	8.4% 12/31/16
China	6.9% 3/31/17	1.5% 5/31/17	4.0% 12/31/16

Synchronized global growth

REAL GDP GROWTH

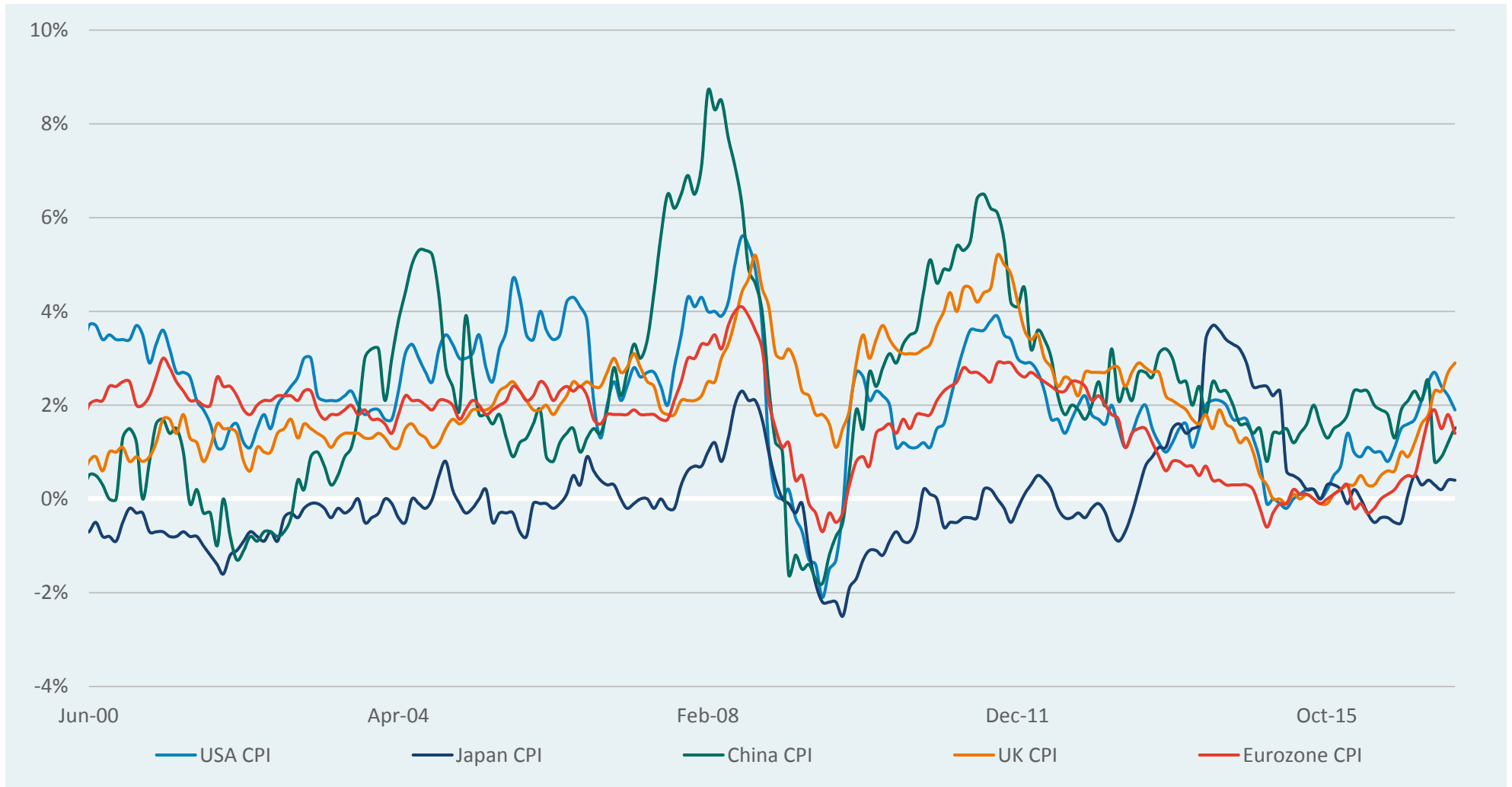


GLOBAL PMI (BLUE STRONGER / ORANGE WEAKER)

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Manufacturing												
Global	51	51	51	52	52	53	53	53	53	53	53	53
Developed	52	51	52	53	53	54	54	54	54	54	54	54
US	52	49	52	52	54	55	56	58	57	55	55	58
Eurozone	52	52	53	54	54	55	55	55	56	57	57	57
Japan	49	50	50	51	51	52	53	53	52	53	53	52
EM	50	50	50	51	51	51	51	51	52	51	51	51
Services												
Global	52	52	52	53	53	53	54	53	54	54	54	54
Developed	51	52	52	54	54	54	55	54	54	54	54	55
US	55	52	57	55	56	57	57	58	55	58	57	57
Eurozone	53	53	52	53	54	54	54	56	56	56	56	55
Japan	50	50	48	51	52	52	52	51	53	52	53	53
EM	53	53	52	53	54	54	54	56	56	56	56	55

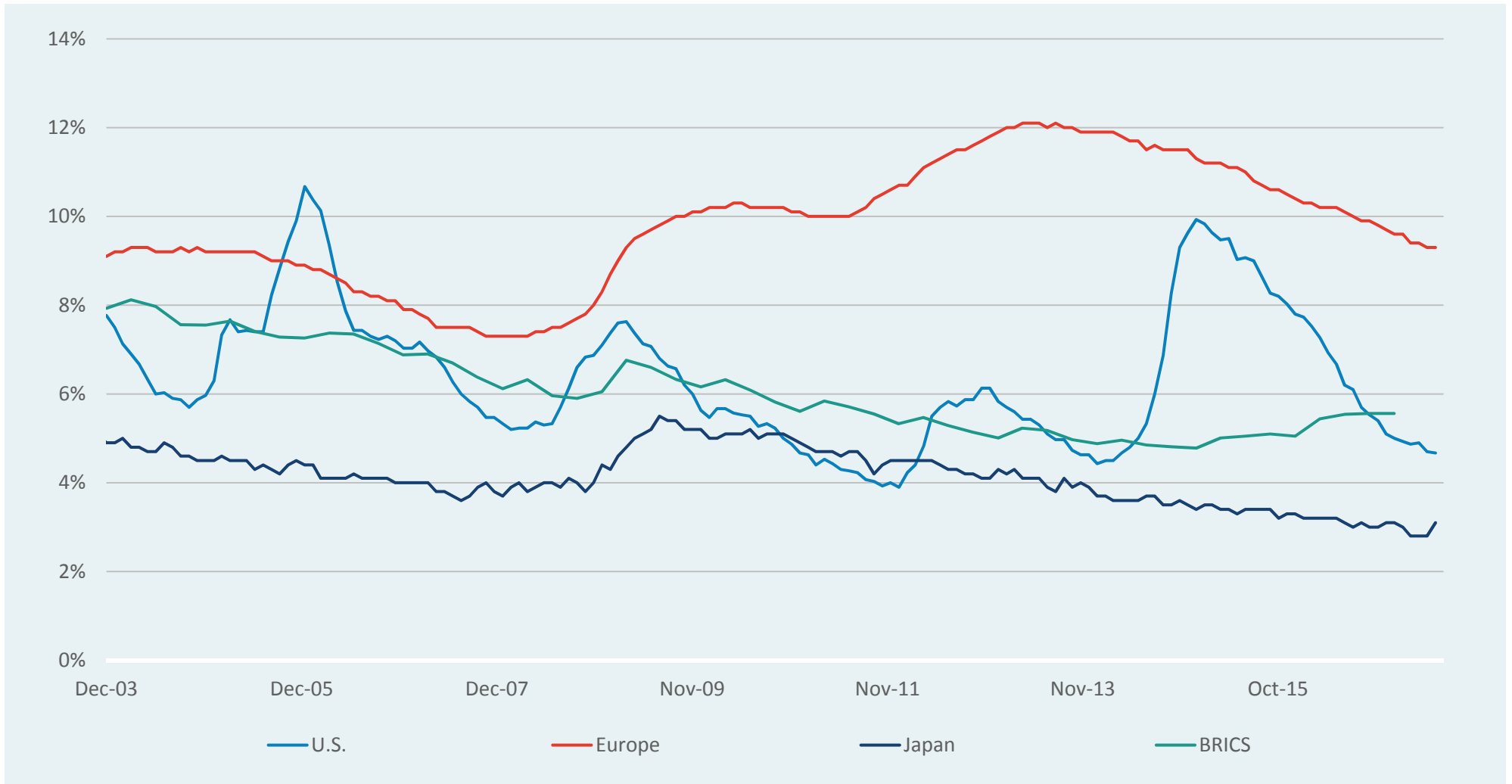
Source: Top chart, Bloomberg, as of 3/31/17, bottom table, Bloomberg, as of 6/30/17

Global inflation



Source: Bloomberg, as of 5/31/17

Global unemployment



Source: Bloomberg, as of most recent release

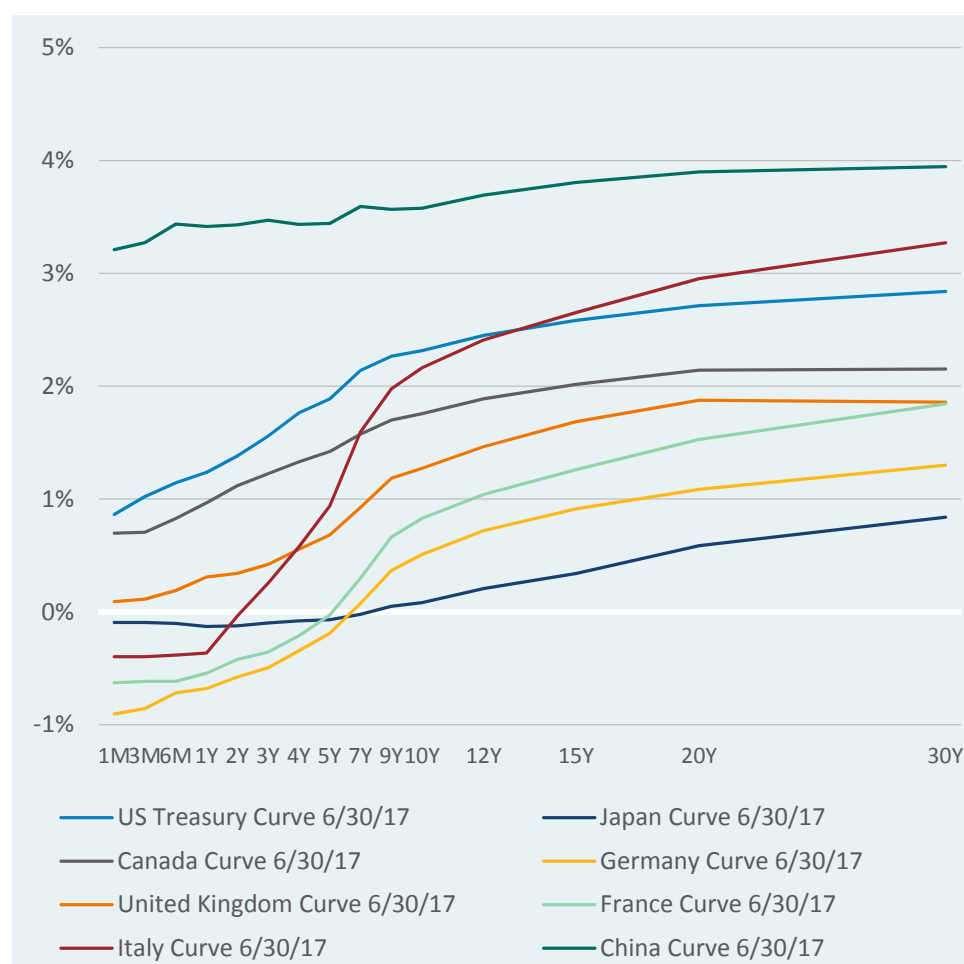
Fixed income

INTEREST RATE ENVIRONMENT

Area	Short Term (3M)	10 Year
United States	1.01%	2.30%
Germany	(0.82%)	0.47%
France	(0.60%)	0.82%
Spain	(0.44%)	1.54%
Italy	(0.38%)	2.16%
Greece	2.43%	5.42%
U.K.	0.17%	1.26%
Japan	(0.10%)	0.09%
Australia	1.63%	2.73%
China	2.63%	3.57%
Brazil	9.41%	10.54%
Russia	8.16%	7.90%

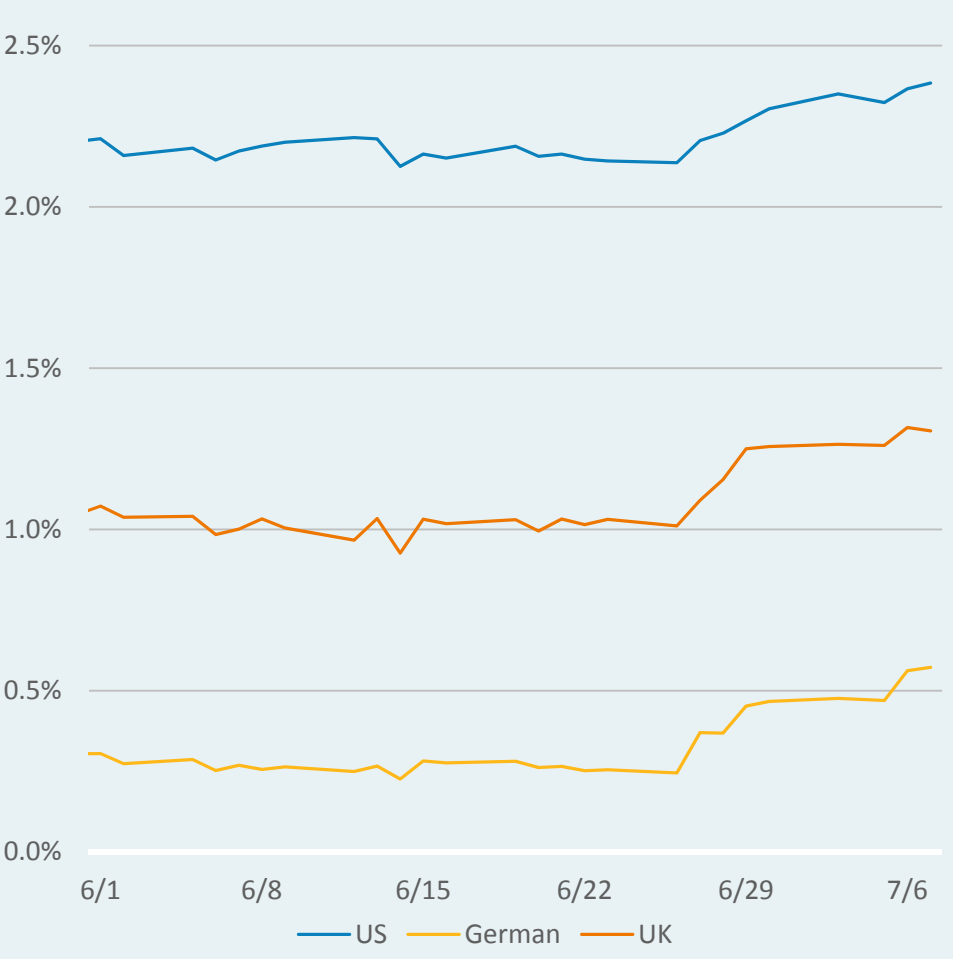
Source: Bloomberg, as of 6/30/17

GLOBAL GOVERNMENT YIELD CURVES



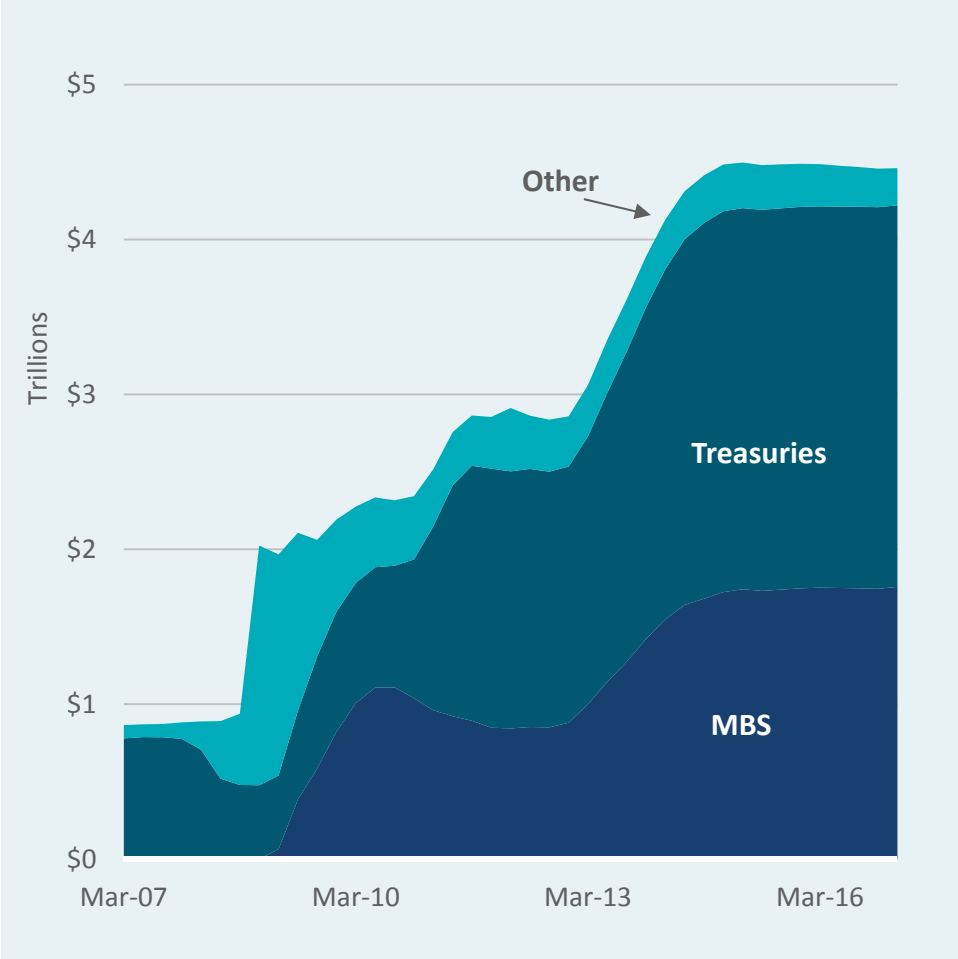
Central bank confidence

DEVELOPED 10-YEAR YIELDS



Source: Bloomberg, as of 7/7/17

FEDERAL RESERVE BALANCE SHEET



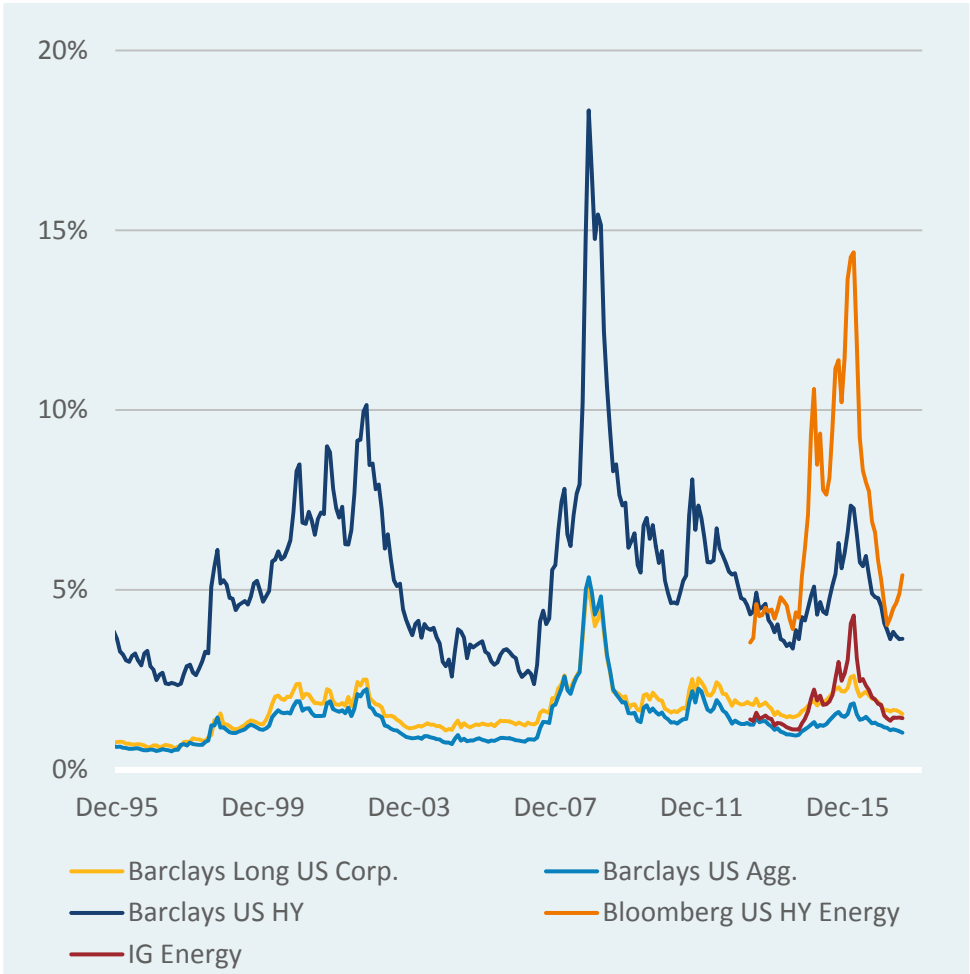
Source: Bloomberg, as of 6/30/17

Credit environment

Market	Credit Spread (6/30/17)	Credit Spread (1 Year Ago)
Long US Corporate	1.6%	2.2%
US Aggregate	1.1%	1.6%
US High Yield	3.6%	5.9%
US High Yield Energy	5.4%	8.0%
US Bank Loans	3.7%	3.9%

Source: Bloomberg, as of 6/30/17

CREDIT SPREADS

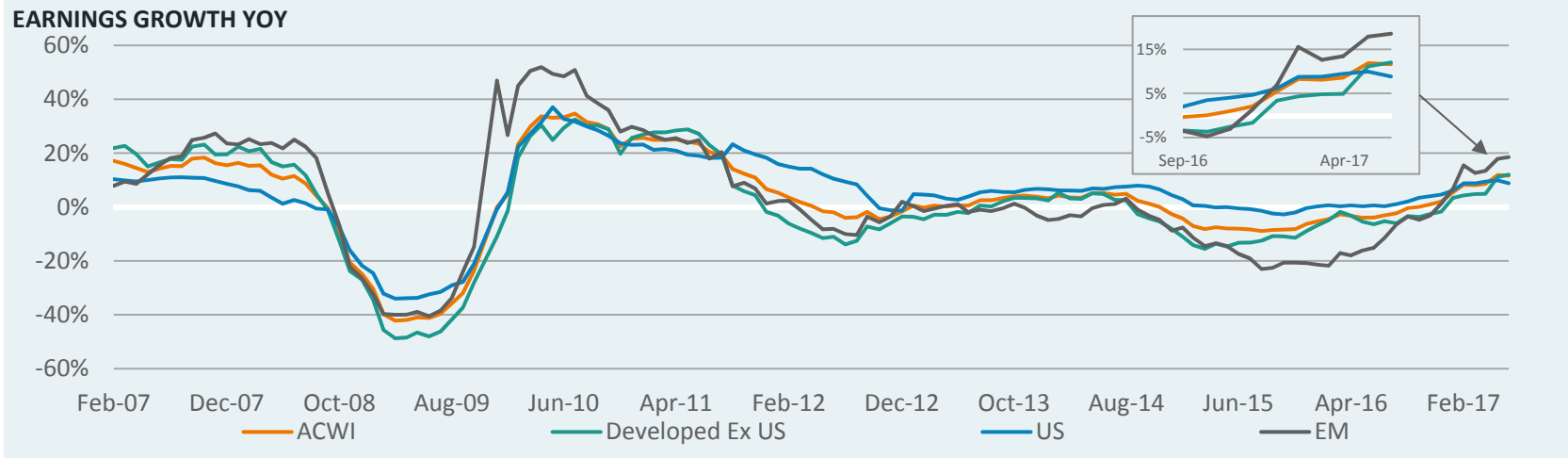


Equity environment

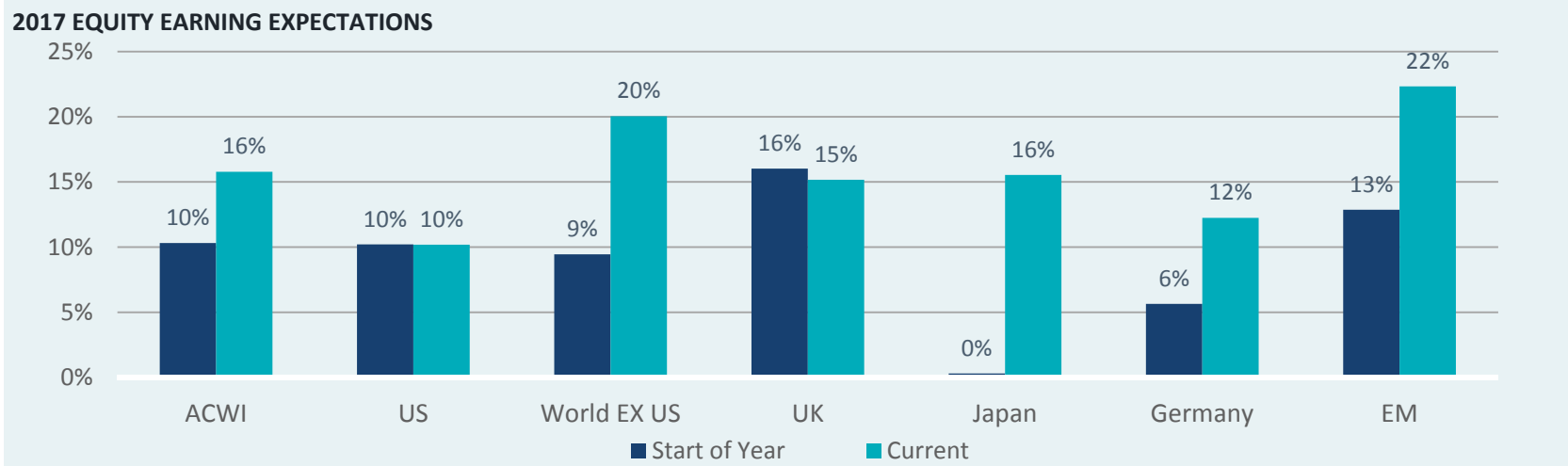
	QTD TOTAL RETURN		YTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)	(unhedged)	(hedged)
US Large Cap (Russell 1000)	3.1%		9.3%		18.0%	
US Small Cap (Russell 2000)	2.5%		5.0%		24.6%	
US Large Value (Russell 1000 Value)	1.3%		4.7%		4.7%	
US Large Growth (Russell 1000 Growth)	4.7%		14.0%		20.4%	
International Large (MSCI EAFE)	6.1%	3.1%	13.8%	16.1%	20.3%	23.5%
Eurozone (Euro Stoxx 50)	6.5%	3.8%	19.1%	22.5%	26.6%	28.3%
U.K. (FTSE 100)	4.9%	1.2%	10.0%	5.0%	13.6%	17.5%
Japan (NIKKEI 225)	5.1%	6.5%	9.6%	6.6%	19.9%	32.0%
Emerging Markets (MSCI Emerging Markets)	6.3%	6.1%	18.4%	11.6%	23.8%	19.3%

Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 6/30/17

Global earnings growth



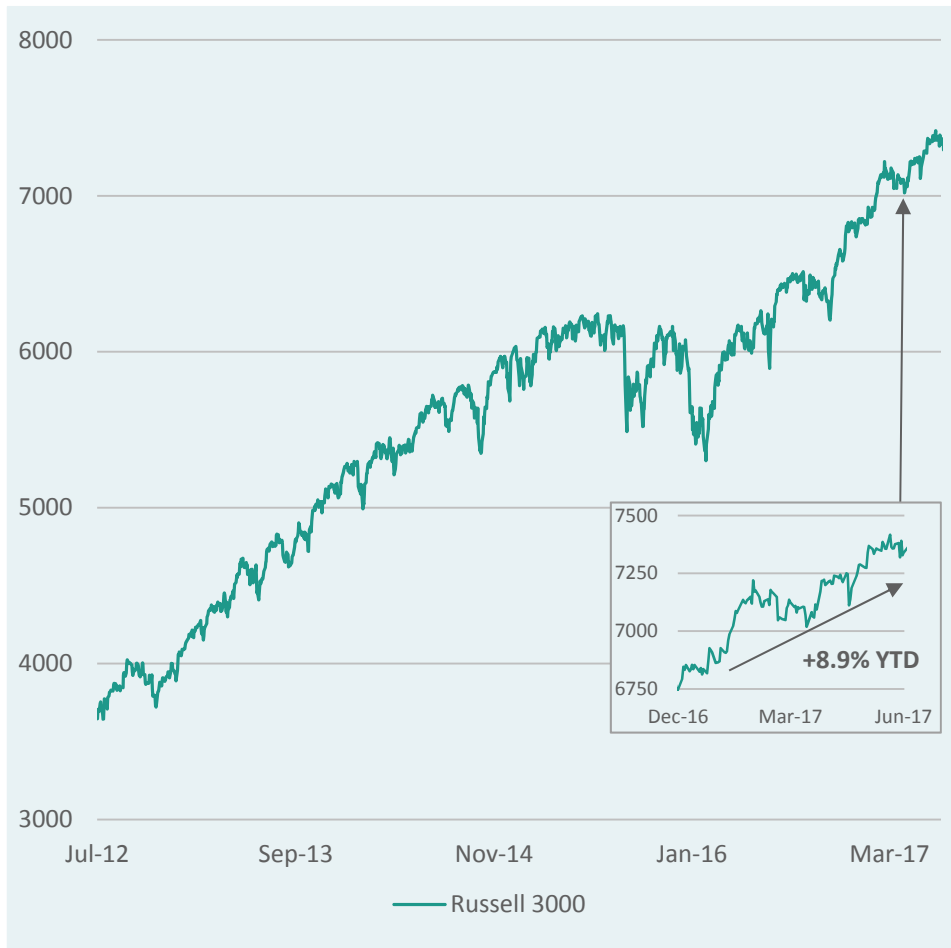
Earnings & earnings expectations have risen considerably across global markets



Source: MSCI, as of 6/30/17

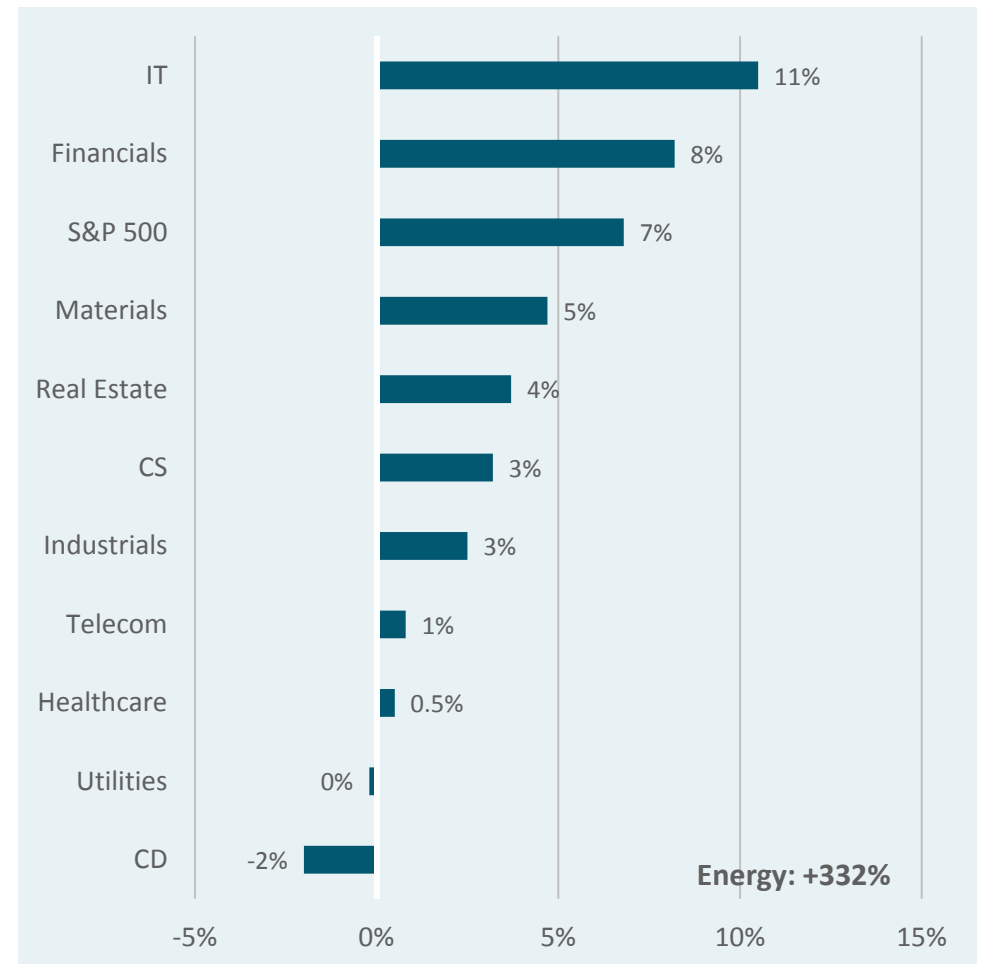
Domestic equity

U.S. EQUITY



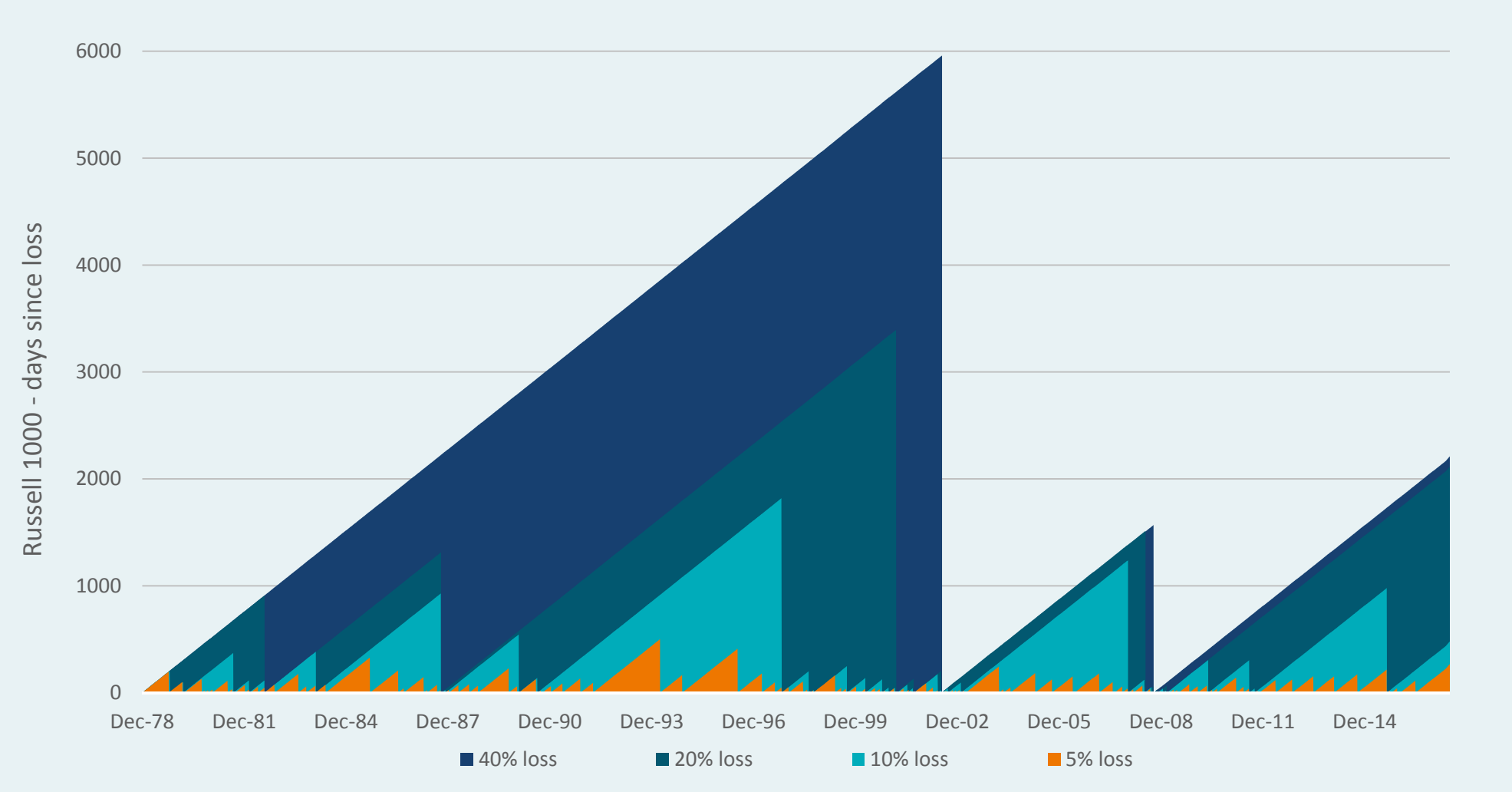
Source: Bloomberg, as of 6/30/17

S&P 500 Q2 FORECAST EPS



Source: FactSet, as of 7/14/17

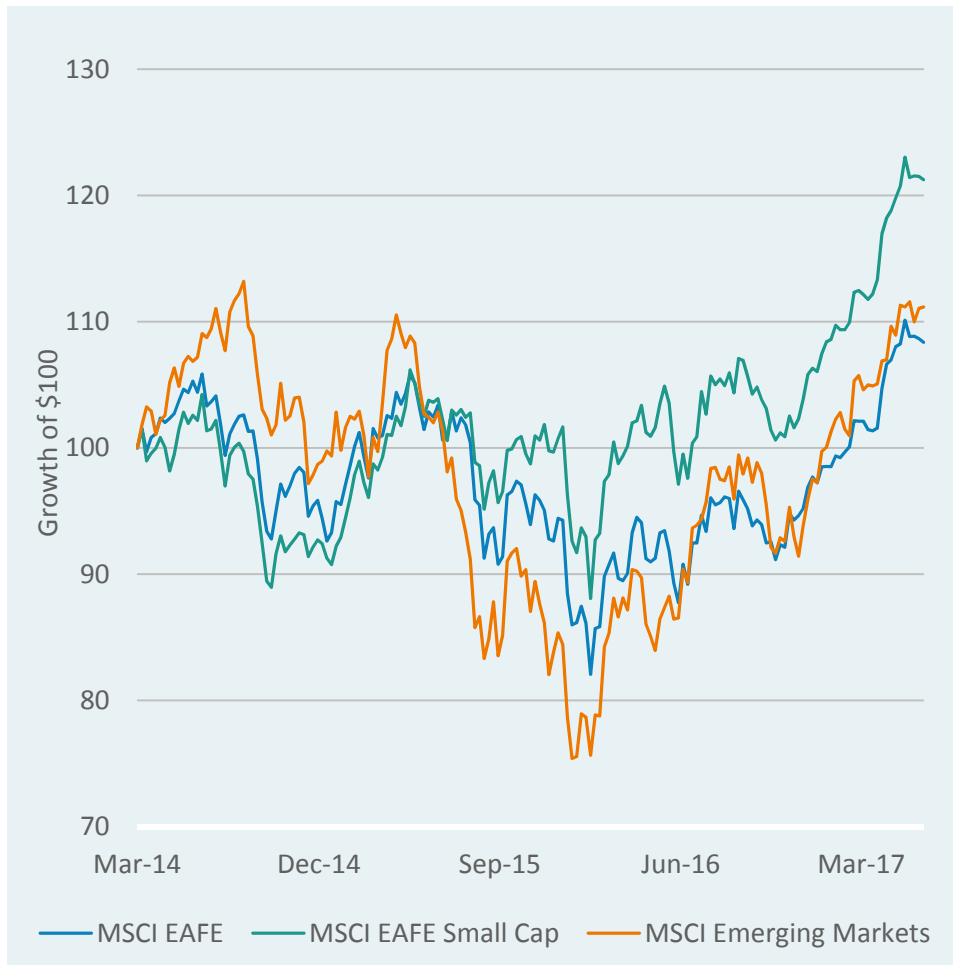
Expect surprises



Source: Bloomberg, as of 6/30/17

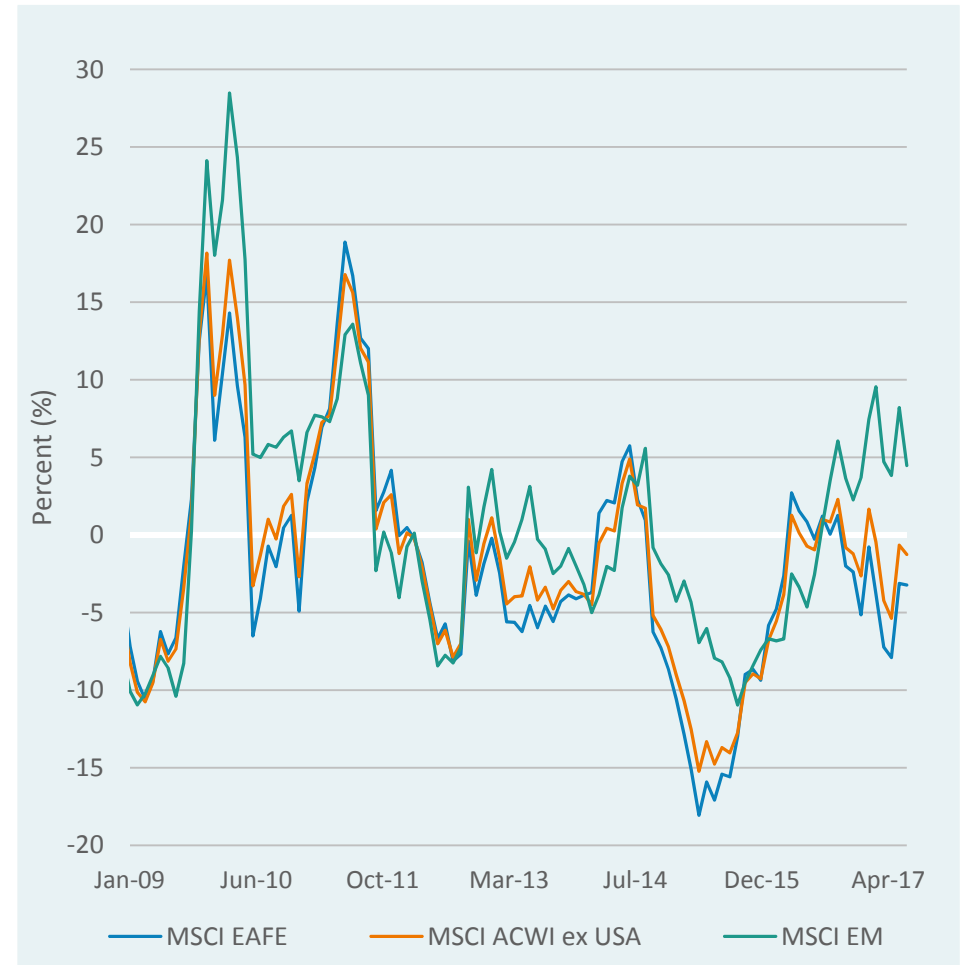
International equity

GLOBAL EQUITY PERFORMANCE



Source: Bloomberg, as of 6/30/17

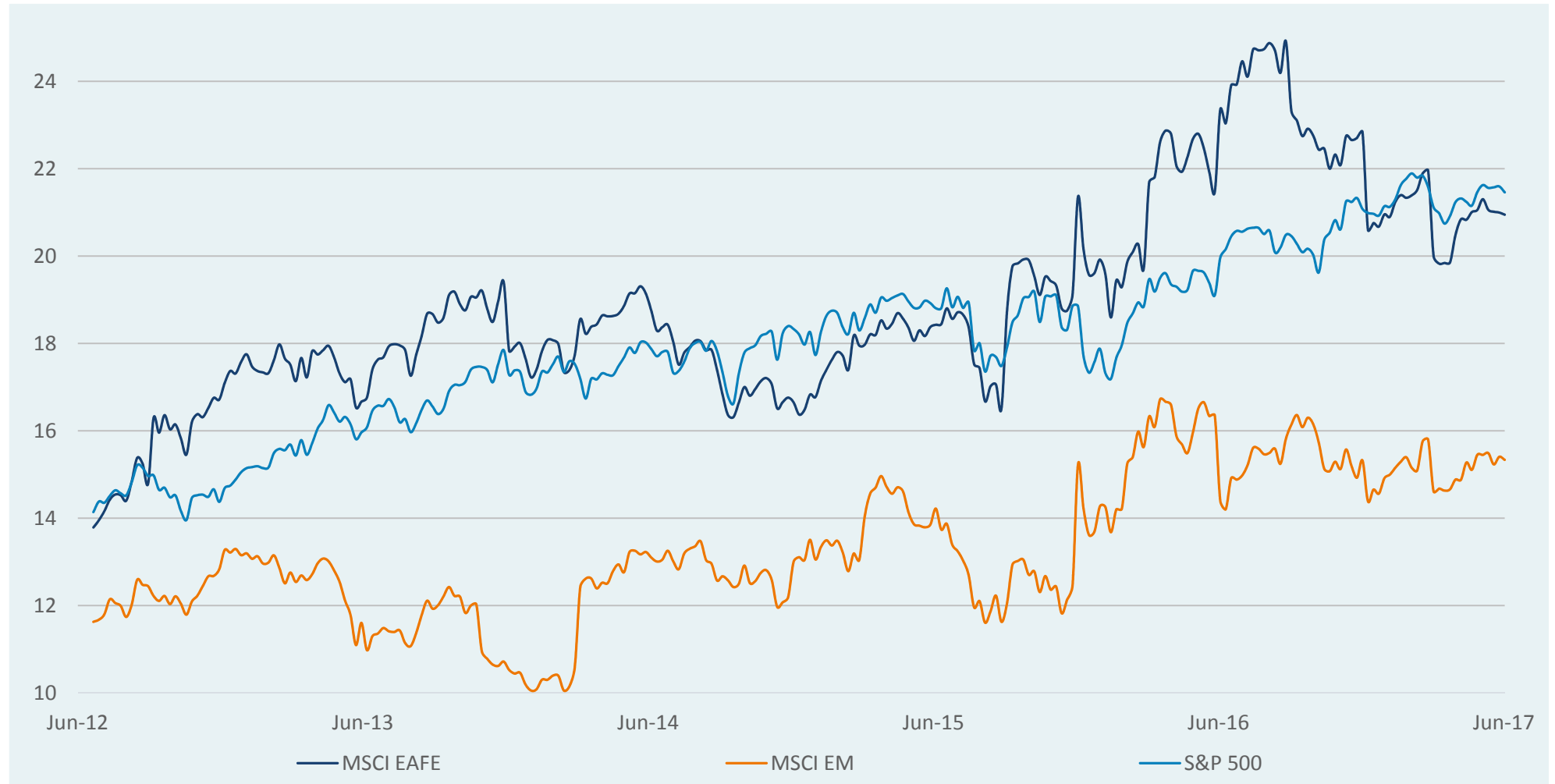
EFFECT OF CURRENCY (1 YEAR ROLLING)



Source: MSCI, as of 6/30/17

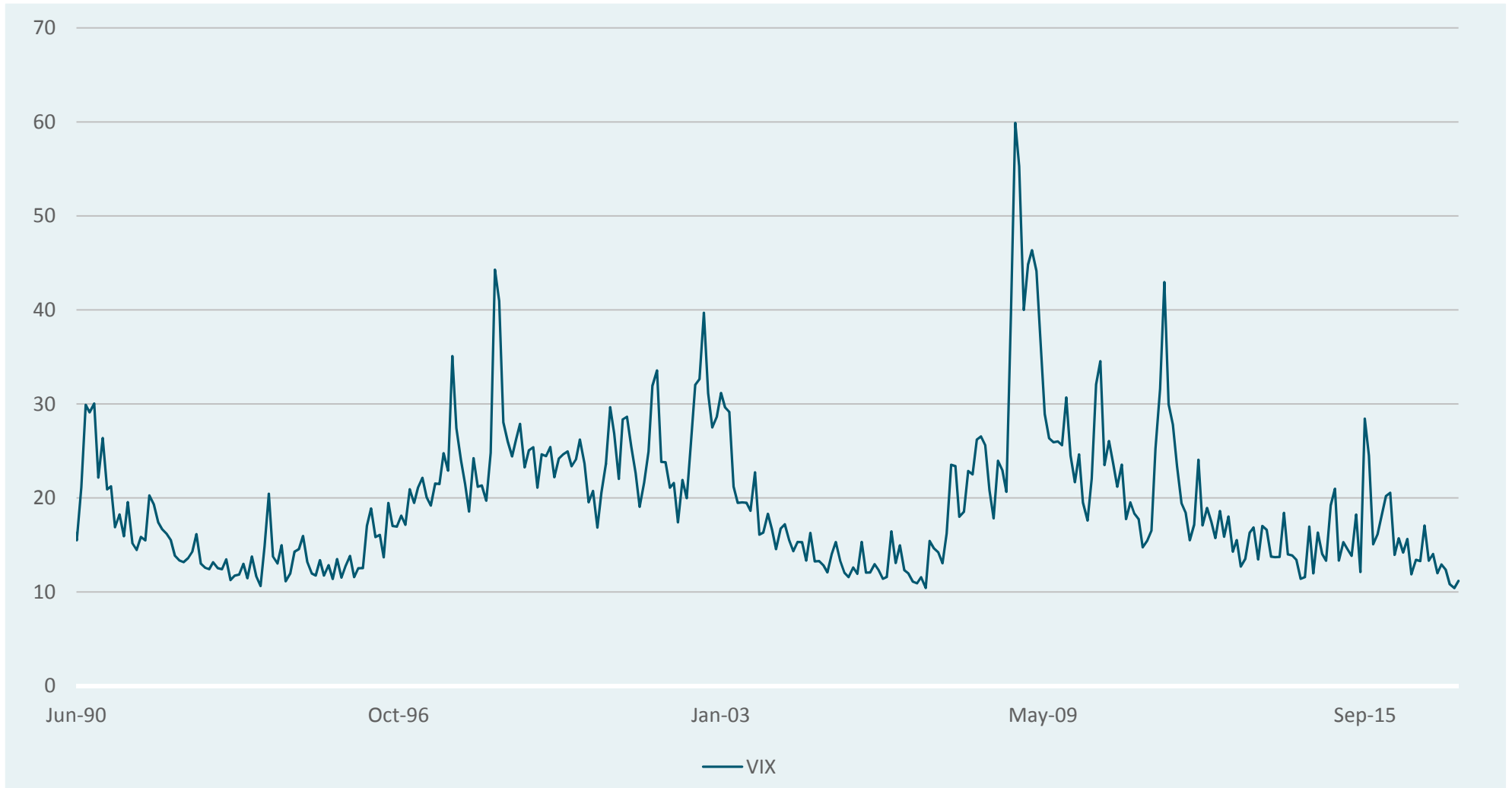
Equity valuations

TRAILING P/E RATIO



Source: Bloomberg, as of 6/30/17

Equity volatility



Source: CBOE, as of 6/30/17

U.S. dollar

U.S. DOLLAR TRADE WEIGHTED INDEX



Source: FRED, as of 6/28/17

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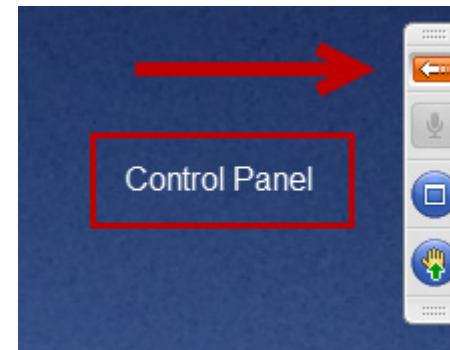
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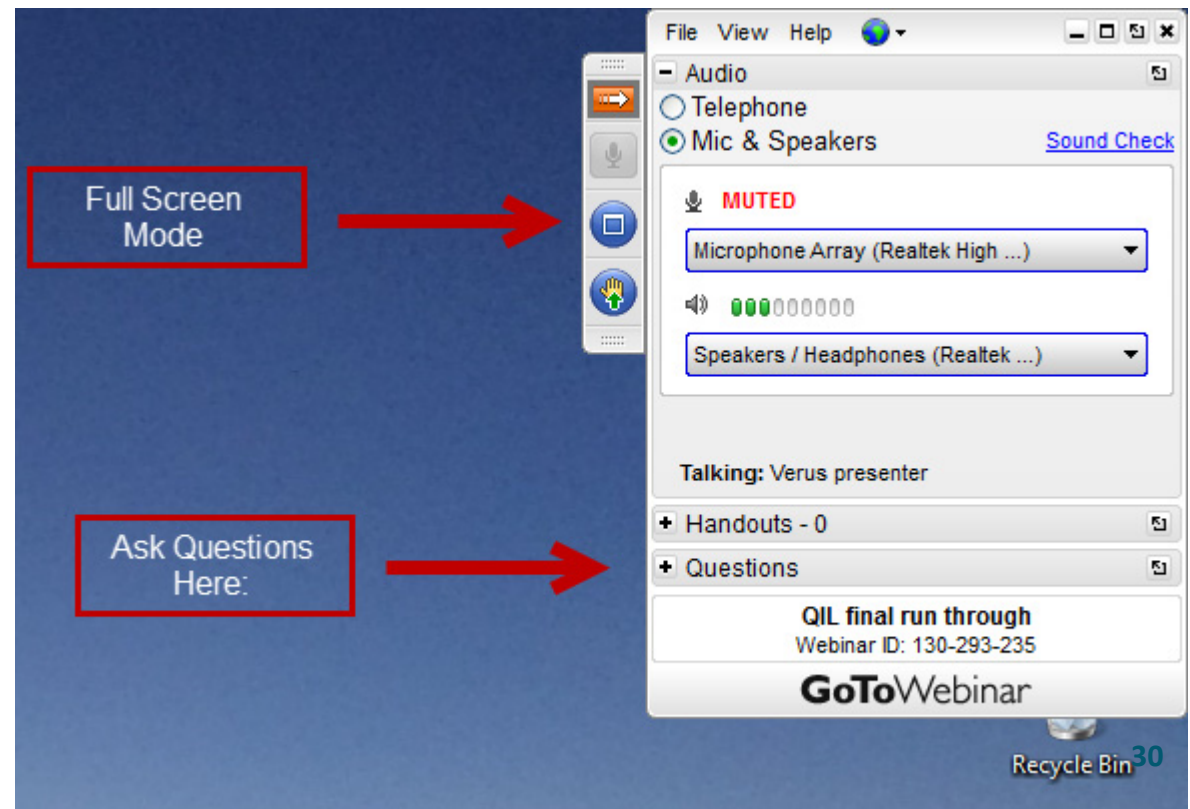
We maintain
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Q&A

To expand the control panel, select the orange arrow.



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





Thank you