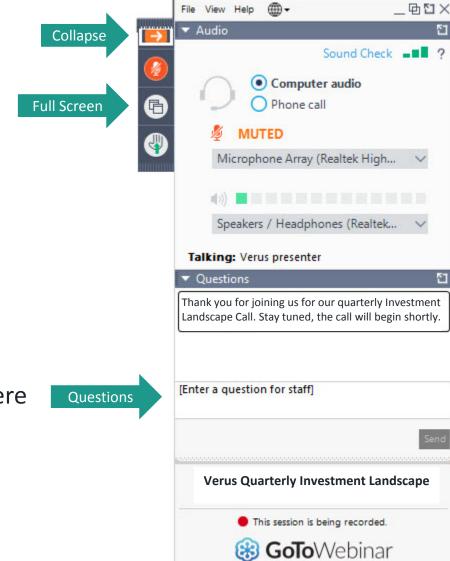


Call instructions



Use the orange arrow to expand or collapse the control panel



Ask questions here

4th quarter conference call



VERUSINVESTMENTS.COM

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IMPORTANT INFORMATION

Dial in:	1 (86	6) 901-6455	U.S. &	Canada
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Access Code: 568-942-160

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



lan Toner, CFA
Chief Investment Officer

3rd quarter summary

THE ECONOMIC CLIMATE

- The U.S., Mexico, and Canada reached a new trade agreement. The new deal, USMCA, involves few changes to NAFTA, but may create mildly more favorable terms for U.S. businesses.
- The U.S. continued to outshine other developed economies in Q2 with its strongest quarterly growth since 2014. A few smaller emerging market economies experienced idiosyncratic weakness that led to concerns of economic contagion, but fundamentals in most countries still appear strong.

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- Emerging market equities delivered slight losses in Q3, but seem to have stabilized as currency depreciation recently subsided (MSCI Emerging Markets Index -1.1%, JP Morgan EM Currency Index -1.6%). We maintain a positive outlook on emerging market equities.
- The Fed raised the target range for the fed funds rate by 0.25% to a range of 2.00%-2.25%. The probability of a December rate hike was 78%, as of October 8th.
- U.S. trade discussions have narrowed in on China.
 Negotiations between the two countries in recent months do not appear to have produced tangible results.

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- Another strong quarter of U.S. corporate earnings is expected in Q3 on both an absolute and relative basis. S&P 500 earnings and revenue growth are forecast to be 19.3% and 6.9% YoY, respectively.
- Fixed income yields around the world rose slightly. The U.S.
 Treasury yield hit a 7-year high of 3.23%, reigniting investor concerns over rising interest rates.
- The Italian coalition government sparred with the European Commission over its fiscal spending plans. Fading ECB stimulus will likely lift interest rates on European bonds, which is creating doubts around the sustainability of Italy's debt.

ASSET ALLOCATION ISSUES

- Capital market returns have been largely flat-to-negative in 2018, with U.S. equities being the exception. Diversification remains important, but has been painful for investors in this environment.
- Trade conflicts between the U.S. and its trading partners appear to be mostly resolved. All eyes are on negotiations between U.S. and Chinese representatives, though it increasingly appears that these negotiations are broader in nature than trade alone.

A neutral to mild risk overweight may be warranted in today's environment



What drove the market in Q3?

"Bullish U.S. stocks leave the rest of the world trailing"

S&P 500 VS. MSCI ACWI EX U.S. RELATIVE MONTHLY PERFORMANCE

Apr	May	Jun	Jul	Aug	Sep
-3.1%	3.2%	1.4%	1.4%	4.6%	-0.1%

Article Source: Financial Times, September 13th, 2018

"Traders take Fed's cues, pile on bets on U.S. rate hikes"

YEAR-END 2020 MARKET IMPLIED FED FUNDS RATE

Apr	May	Jun	Jul	Aug	Sep
2.70%	2.55%	2.65%	2.72%	2.62%	2.82%

Article Source: Reuters, September 17th, 2018

"Fitch cuts Italy's credit outlook on debt and governance concerns"

10-YEAR ITALIAN-GERMAN YIELD SPREAD

Apr	May	Jun	Jul	Aug	Sep
123	245	238	228	291	268

Article Source: Financial Times, August 31st, 2018

"No breakthrough in U.S.-China trade talks as new tariffs kick in"

U.S. IMPORTS SUBJECT TO RECENTLY ENACTED TARIFFS (\$ BILLIONS)

Apr	May	Jun	Jul	Aug	Sep
33	33	56	90	106	306
Article Source	e. CNRC Augus	t 23rd 2018			

U.S. VS. NON-U.S. EQUITY YTD PERFORMANCE



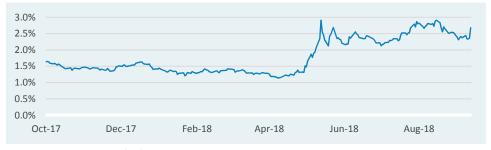
Source: Bloomberg, as of 9/30/18

MARKET IMPLIED FED FUNDS PRICING VS. FED DOTS (YEAR-END)



Source: Bloomberg, Federal Reserve, as of 10/8/18

10-YEAR ITALIAN-GERMAN SOVEREIGN YIELD SPREAD



Source: Bloomberg, as of 9/30/18



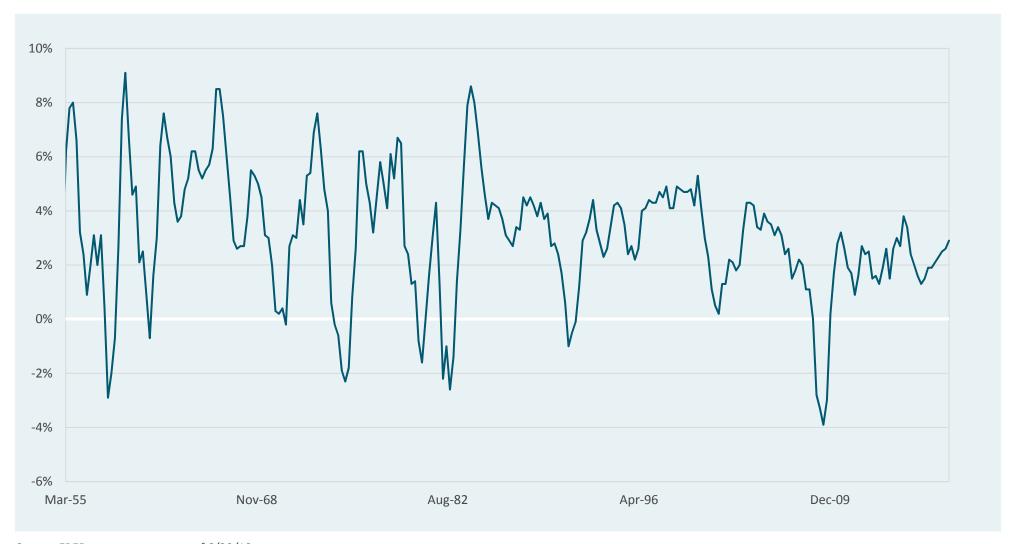
U.S. economics summary

	Most Recent	12 Months Prior
GDP (YoY)	2.9% 6/30/18	2.1% 6/30/17
Inflation (CPI YoY, Core)	2.2% 9/30/18	1.7% 9/30/17
Expected Inflation (5yr-5yr forward)	2.2% 9/30/18	2.0% 9/30/17
Fed Funds Target Range	2.00 – 2.25% 9/30/18	1.00 – 1.25% 9/30/17
10 Year Rate	3.1% 9/30/18	2.3% 9/30/17
U-3 Unemployment	3.7% 9/30/18	4.2% 9/30/17
U-6 Unemployment	7.5% 9/30/18	8.3% 9/30/17

Source: Bloomberg



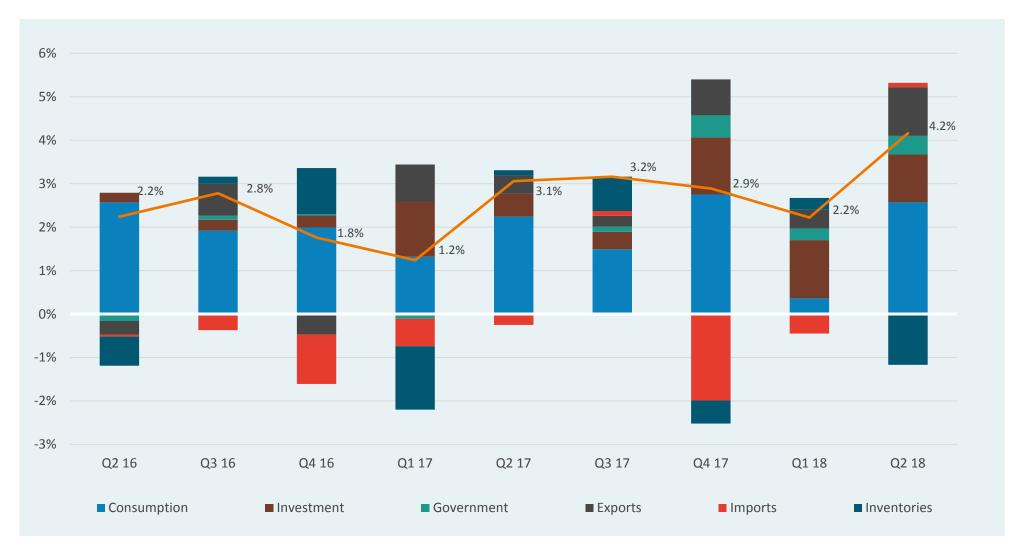
U.S. GDP growth



Source: FRED, year-over-year, as of 6/30/18



Sources of GDP growth

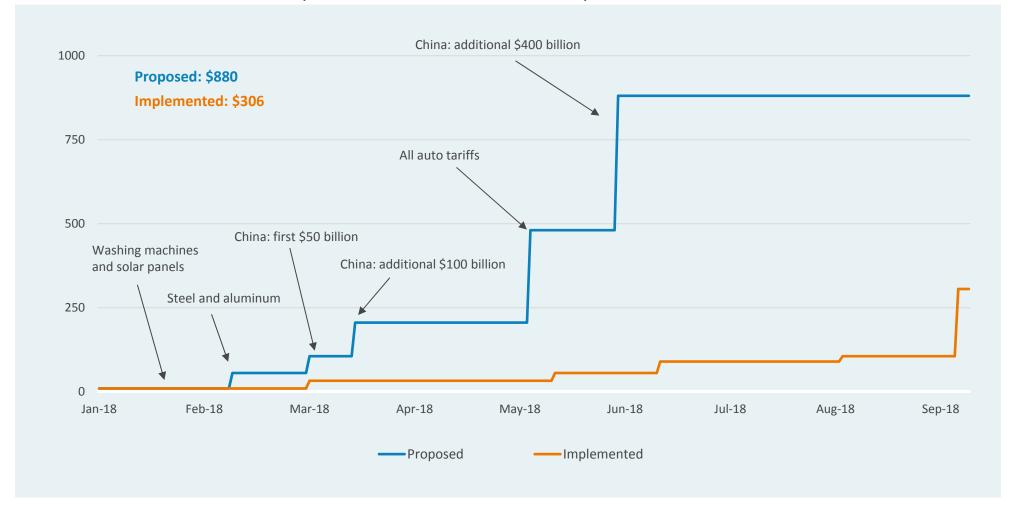


Source: BEA, annualized quarterly rate, as of 6/30/18



U.S. trade

PROPOSED VS IMPLEMENTED U.S. TARIFFS (GOODS SUBJECT TO TARIFFS IN \$BILLIONS)

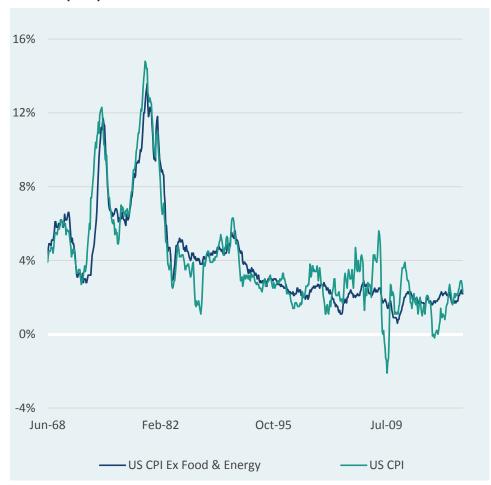


Source: Verus, as of 9/30/18, only includes recently proposed or implemented tariffs

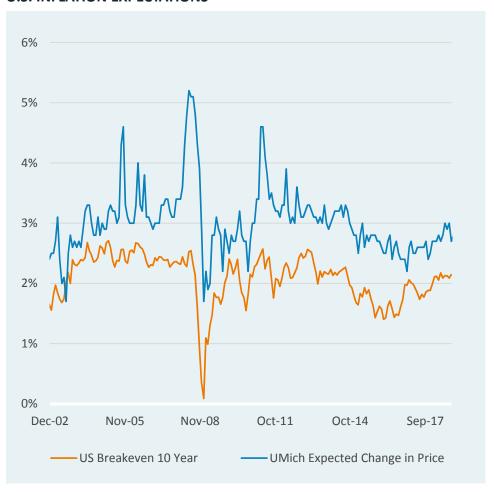


U.S. inflation

U.S. CPI (YOY)



U.S. INFLATION EXPECTATIONS



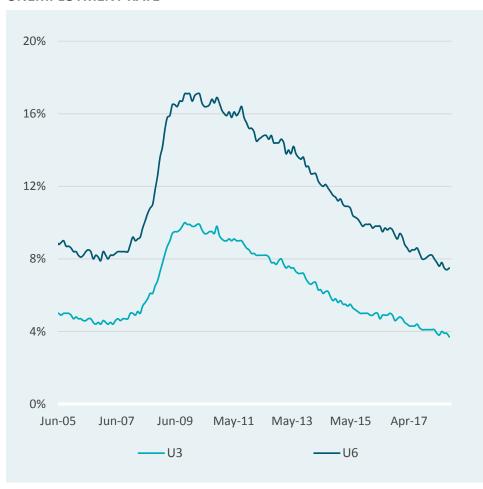
Source: FRED, as of 9/30/18

Source: Bloomberg, as of 9/30/18

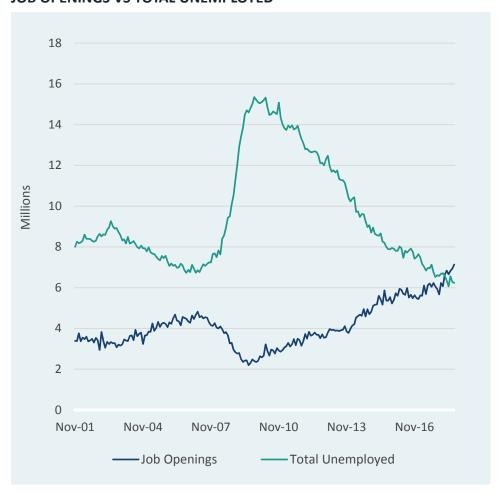


U.S. labor market

UNEMPLOYMENT RATE



JOB OPENINGS VS TOTAL UNEMPLOYED

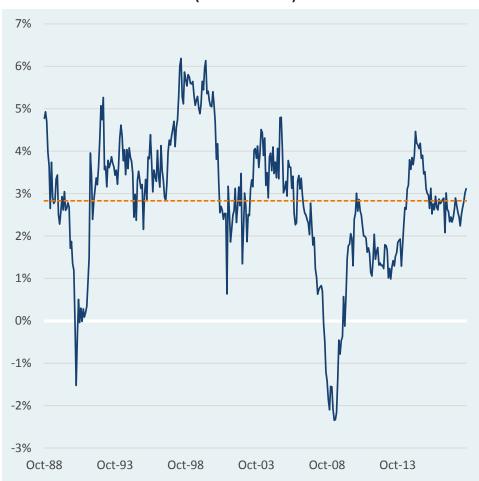


Source: FRED, as of 9/30/18 Source: Bloomberg, as of 8/31/18

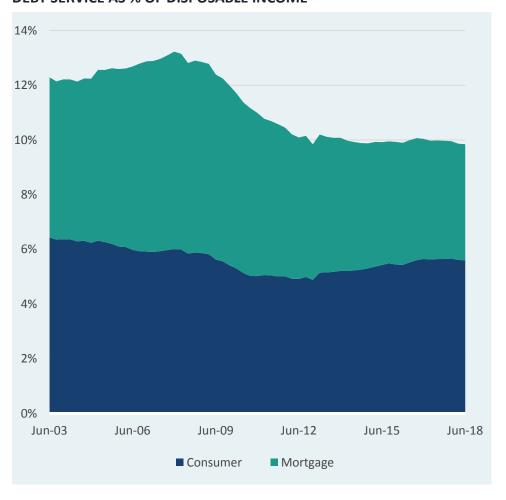


U.S. consumers

REAL CONSUMER SPENDING (YOY GROWTH)



DEBT SERVICE AS % OF DISPOSABLE INCOME



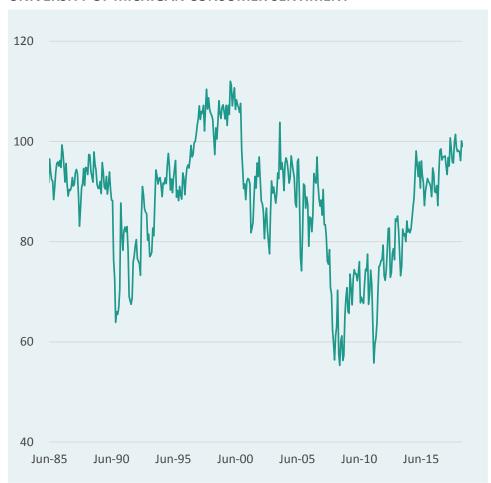
Source: Bloomberg, as of 8/31/18

Source: Federal Reserve, as of 6/30/18

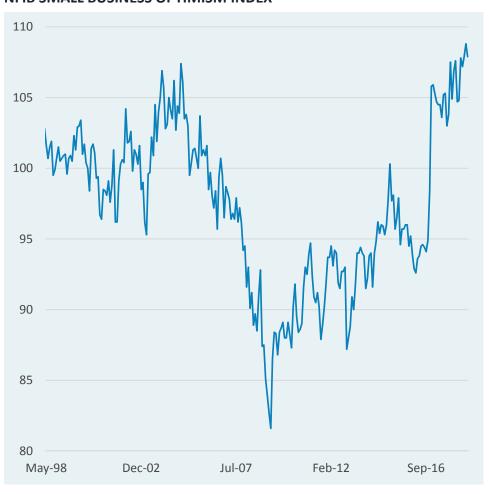


U.S. sentiment

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT



NFIB SMALL BUSINESS OPTIMISM INDEX



Source: University of Michigan, as of 9/30/18

Source: NFIB, as of 9/30/18



International economics

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	2.9% 6/30/18	2.7% <i>8/31/18</i>	3.8% 9/30/18
Eurozone	2.1% 6/30/18	2.1% 9/30/18	8.3% 6/30/18
Japan	1.3% 6/30/18	1.3% 8/31/18	2.4% 6/30/18
BRICS Nations	5.8% 6/30/18	2.5% 6/30/18	5.5% 6/30/18
Brazil	1.0% 6/30/18	4.5% 9/30/18	12.2% <i>9/30/18</i>
Russia	1.9% 6/30/18	3.4% 9/30/18	4.6% 8/31/18
India	8.2 % <i>6/30/18</i>	3.7% 8/31/18	8.8% 12/31/17
China	6.7% 6/30/18	2.3% 8/31/18	3.8% 6/30/18

Source: Bloomberg



Global GDP and inflation

REAL GDP GROWTH (YOY)



INFLATION (CPI, YOY)



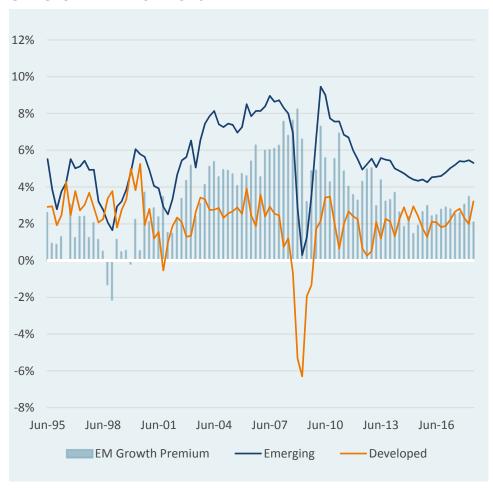
Source: Bloomberg, as of 6/30/18

Source: Bloomberg, as of 8/31/18

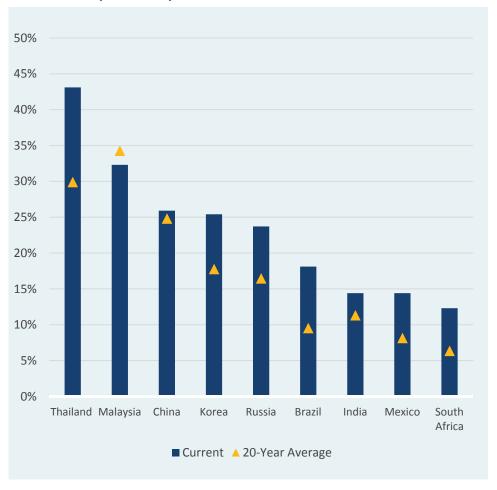


Emerging market economies

GDP GROWTH EXPECTATIONS



FX RESERVES (% OF GDP)

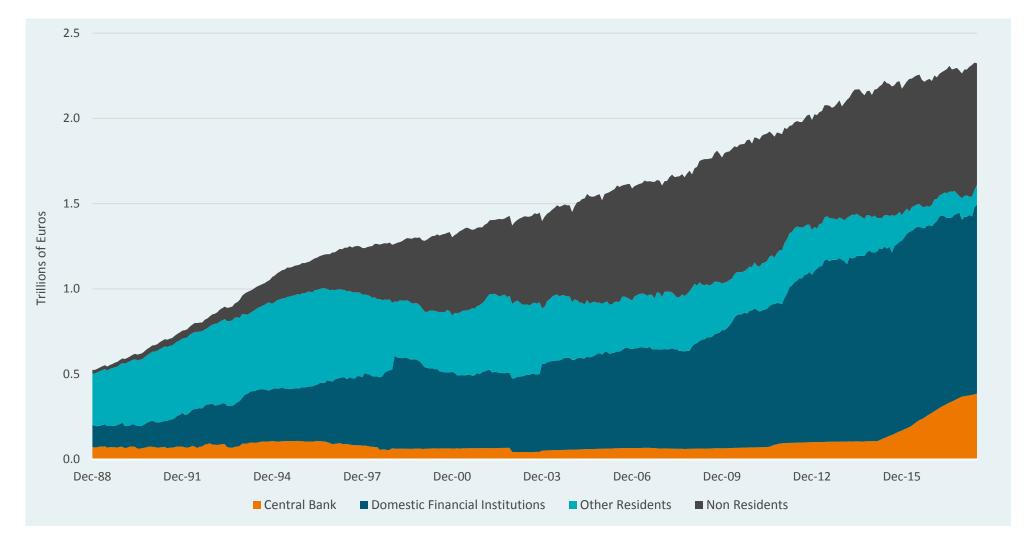


Source: IMF, as of 6/30/18

Source: IMF, GDP as of 6/30/18, FX reserves as of 8/31/18



Italian debt ownership



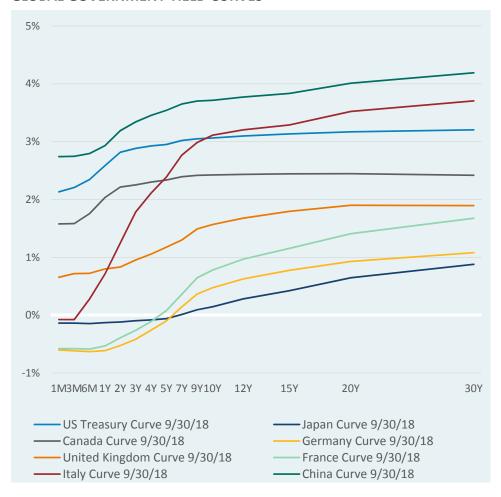
Source: Bank of Italy, as of 6/30/18



Interest rate environment

Area	Short Term (3M)	10 Year
United States	2.19%	3.06%
Germany	(0.56%)	0.47%
France	(0.56%)	0.80%
Spain	(0.39%)	1.50%
Italy	0.01%	3.15%
Greece	1.12%	4.18%
U.K.	0.77%	1.57%
Japan	(0.13%)	0.13%
Australia	1.89%	2.67%
China	2.97%	3.63%
Brazil	6.58%	11.76%
Russia	7.02%	8.69%

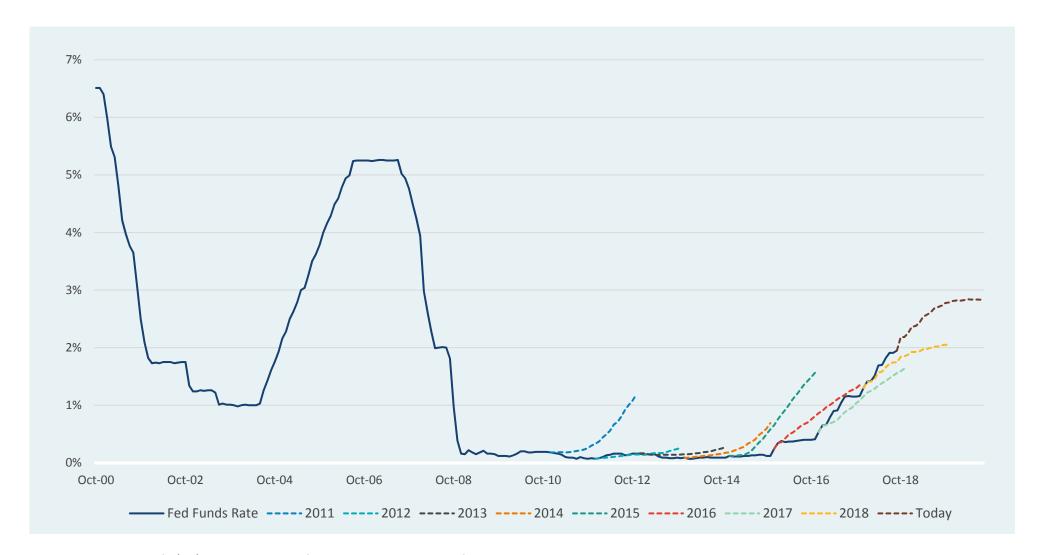
GLOBAL GOVERNMENT YIELD CURVES



Source: Bloomberg, as of 9/30/18



Fed tightening vs. expectations

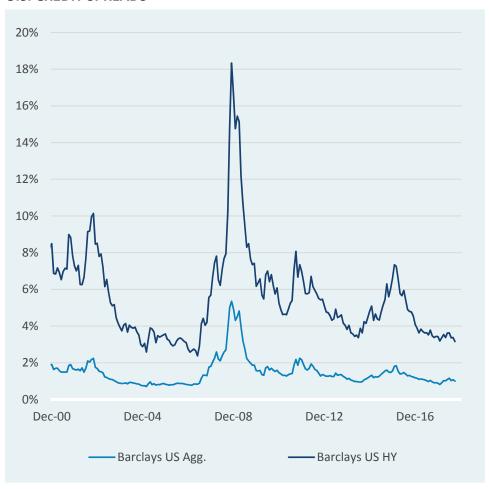


Source: Bloomberg, as of 9/30/18, dotted lines are forward pricing at the start of the year

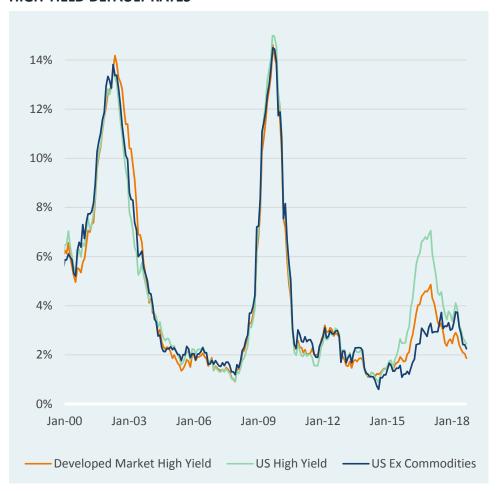


Credit environment

U.S. CREDIT SPREADS



HIGH YIELD DEFAULT RATES



Source: Bloomberg, as of 9/30/18

Source: BofA Merrill Lynch, as of 9/30/18



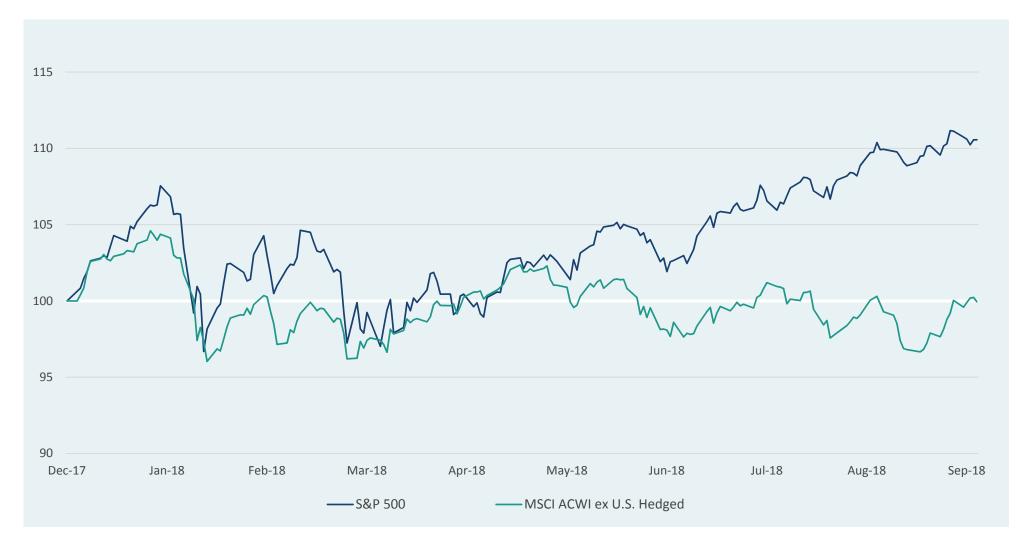
Equity environment

	QTD TOTA	L RETURN	YTD TOTAL RETURN		1 YEAR TOT	1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)	(unhedged)	(hedged)	
US Large Cap (Russell 1000)	7.4	%	10.	5%	17.	8%	
US Small Cap (Russell 2000)	3.6	%	11.	5%	15.	2%	
US Large Value (Russell 1000 Value)	5.7	%	3.9	9%	9.5	5%	
US Large Growth (Russell 1000 Growth)	9.2	%	17.	1%	26.	3%	
International Large (MSCI EAFE)	1.4%	2.9%	0.1%	2.9%	2.7%	7.1%	
Eurozone (Euro Stoxx 50)	(0.2%)	1.2%	(2.5%)	1.6%	(4.6%)	(0.3%)	
U.K. (FTSE 100)	(1.8%)	(0.2%)	(2.7%)	2.0%	3.2%	7.4%	
Japan (NIKKEI 225)	6.2%	8.7%	6.8%	7.4%	19.7%	20.7%	
Emerging Markets (MSCI Emerging Markets)	(1.1%)	(0.2%)	(7.7%)	(3.8%)	(0.8%)	1.9%	

Source: Russell Investments, MSCI, Stoxx, FTSE, Nikkei, as of 9/30/18



Divergence in regional equity returns

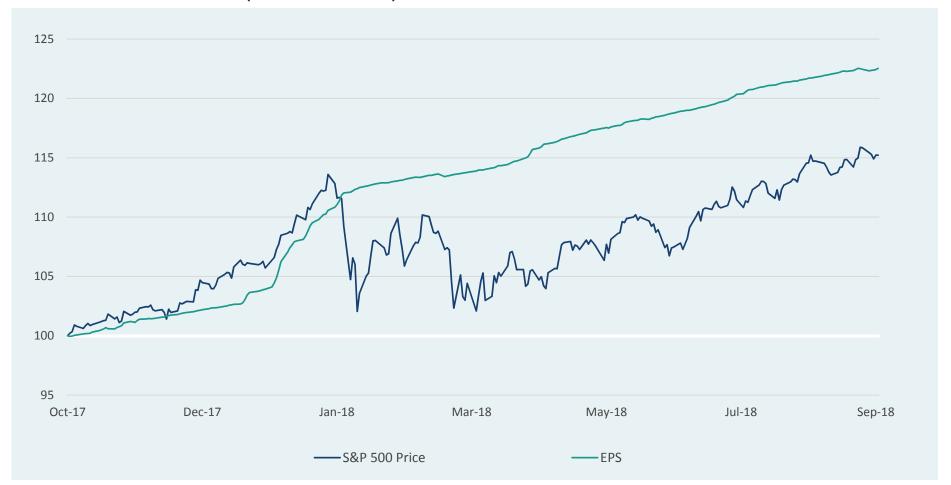


Source: Bloomberg, as of 9/30/18



Domestic equity

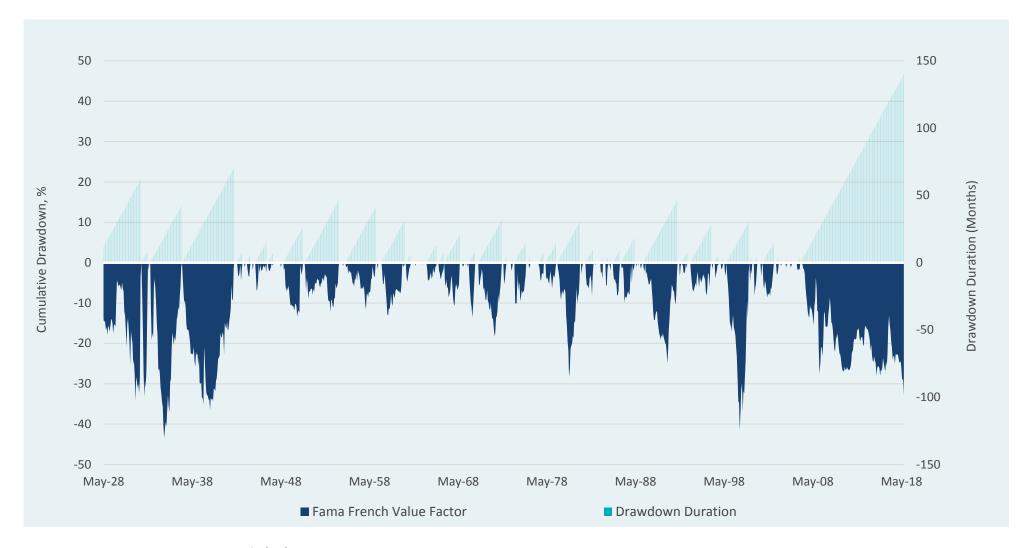
S&P 500 PRICE INDEX & EARNINGS (NORMALIZED TO 100)



Source: Bloomberg, as of 9/30/18, 12 month forward EPS



Perspective on value

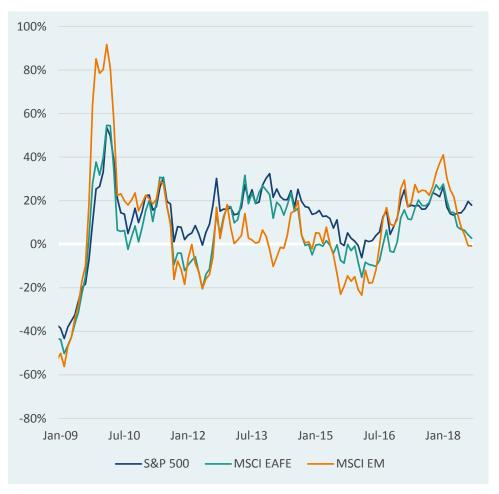


Source: Kenneth French Data Library, as of 8/31/18

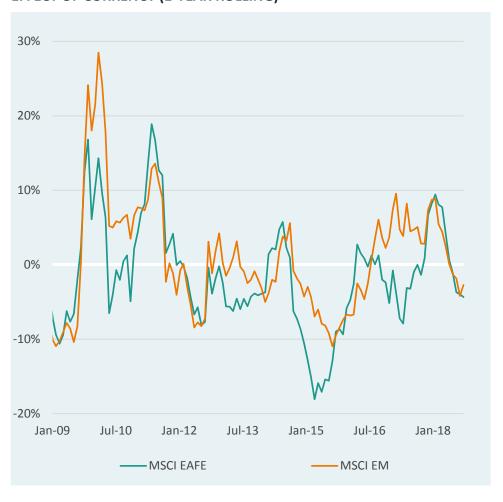


International equity

1-YEAR ROLLING PERFORMANCE



EFFECT OF CURRENCY (1-YEAR ROLLING)

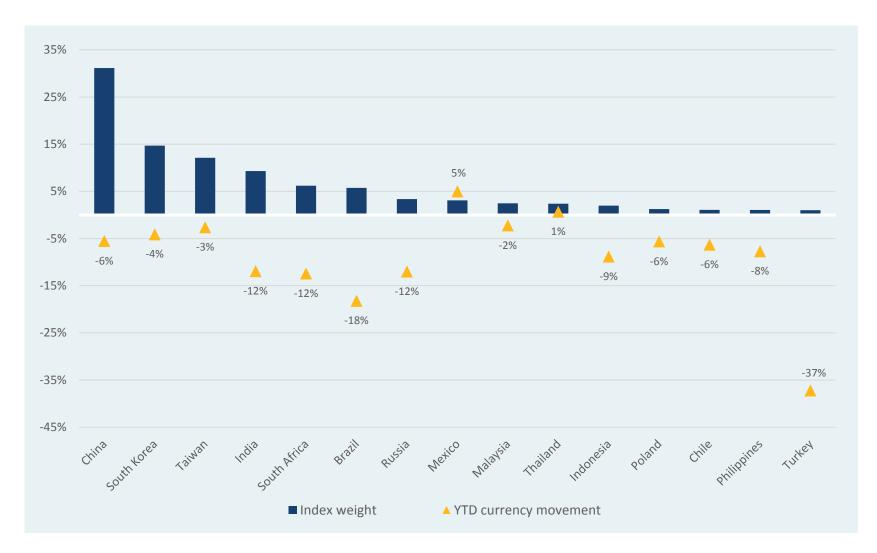


Source: Morningstar, as of 9/30/18

Source: Morningstar, as of 9/30/18



Emerging market currency movement



Source: MSCI, Bloomberg, as of 9/30/18



Equity valuations

FORWARD P/E RATIOS



FORWARD P/E SPREADS RELATIVE TO U.S.



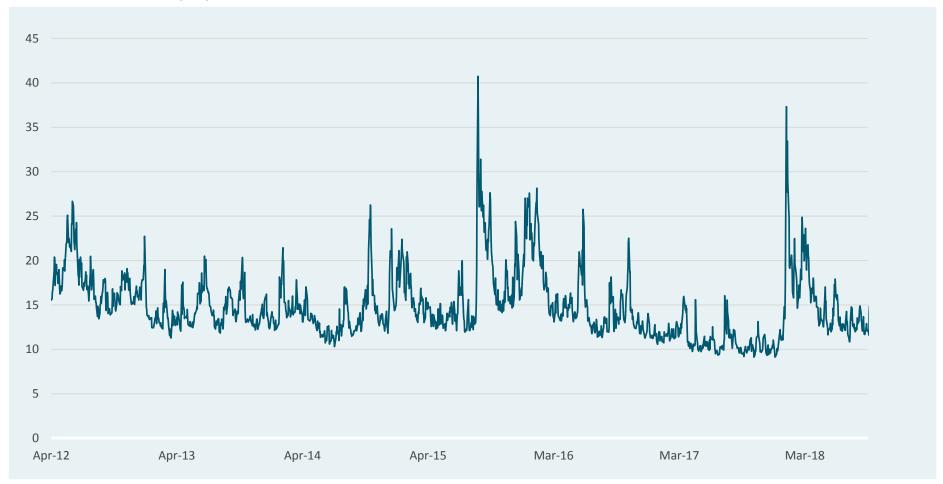
Source: Bloomberg, as of 9/30/18

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Equity volatility

U.S. IMPLIED VOLATILITY (VIX)

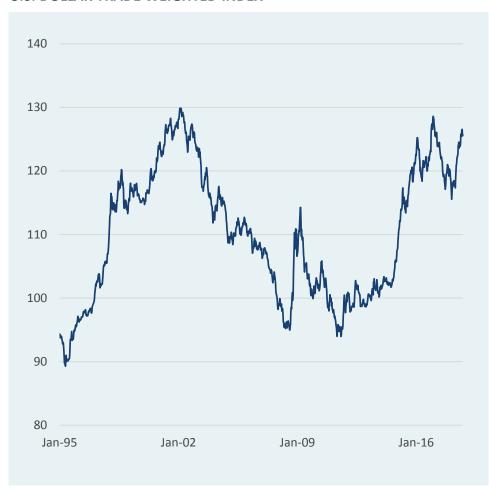


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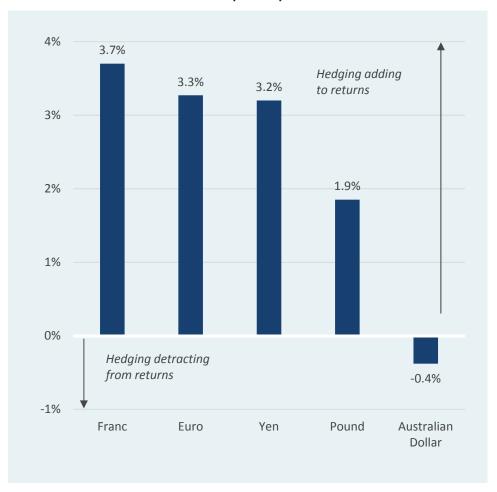


Currency

U.S. DOLLAR TRADE WEIGHTED INDEX



ANNUALIZED FX HEDGING COSTS (GAINS)



Source: Federal Reserve, as of 9/30/18

Source: Bloomberg, as of 9/30/18, based on 3-month FX forwards



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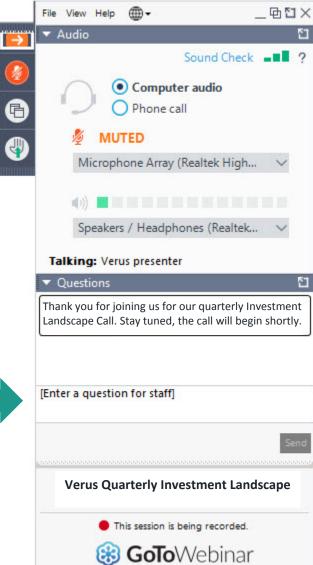
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Use the orange arrow to expand the control panel

Ask questions here Questions



Thank you

