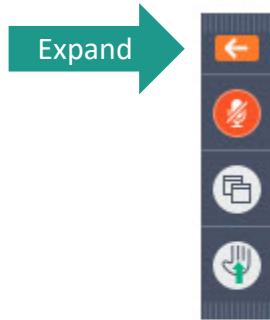


A decorative overlay of semi-transparent geometric shapes, including triangles and hexagons, is positioned on the left side of the image. These shapes are in shades of blue and white, creating a modern, architectural feel.A white triangle icon is positioned to the left of the main title text.

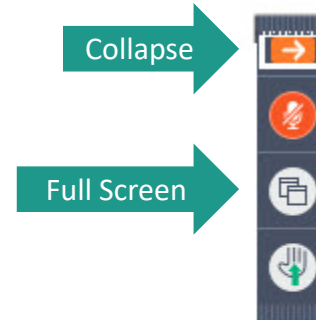
PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

1ST QUARTER 2020
Investment Landscape Webinar

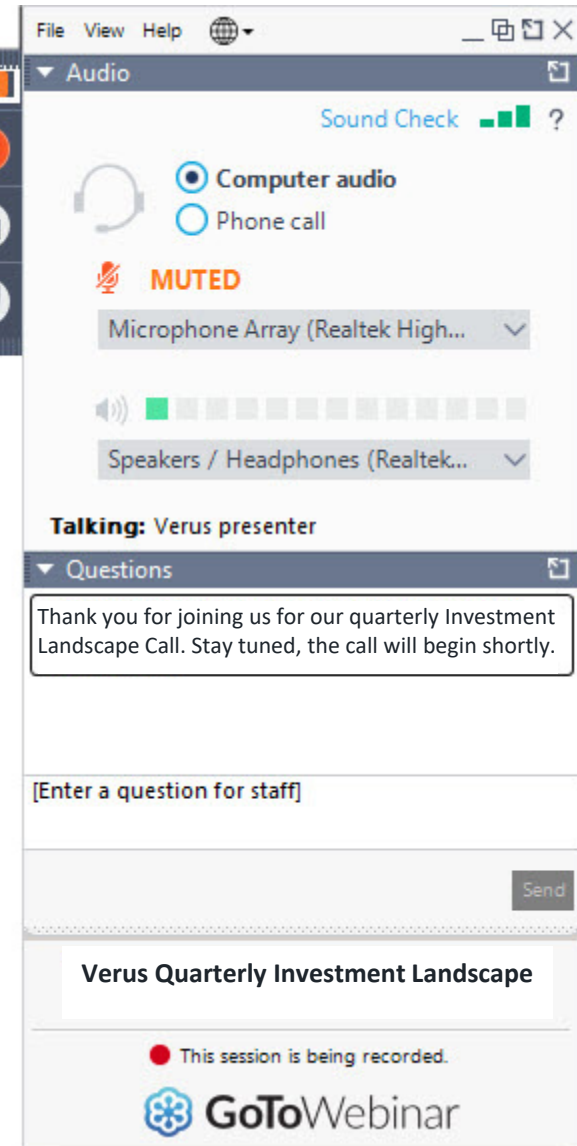
Call instructions



Use the orange arrow to expand or collapse the control panel



Ask questions here



1st quarter conference call



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IMPORTANT INFORMATION

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Access Code: 152-313-905

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

4th quarter summary

THE ECONOMIC CLIMATE

- Real GDP grew at a 2.1% rate year-over-year in the third quarter (2.1% quarterly annualized rate). Falling imports and weak fixed investment (-0.2% contribution) acted as a drag on growth, while personal consumption continued to be the greatest driver of growth.
- U.S. and Chinese negotiators signed the “phase one” trade agreement, and Boris Johnson’s Conservative Party in the U.K. won a decisive victory. These events appear to have removed some uncertainty from the geopolitical landscape over the short- to intermediate-term.

PORTFOLIO IMPACTS

- Global equity markets exhibited strong performance through Q4, and U.S. equity performance was in-line (MSCI ACWI +9.0%, S&P 500 +9.1%). Emerging markets were the top performing asset class (+11.8%).
- U.S. headline inflation increased 2.3% YoY in December, alongside the core inflation growth figure, and up from 1.7% in September. Although this was a notable jump in the inflation rate, investors appear more concerned about global deflationary forces, as indicated by the 10yr U.S. TIPS Breakeven Inflation Rate of 1.73%. Cyclical price pressures remain surprisingly absent from the current environment.

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- In October, the Federal Open Market Committee cut interest rates by 0.25% to a new range of 1.50 – 1.75%. This marked the third consecutive rate cut by the committee.
- Global sovereign bond yields picked up modestly in Q4, on higher inflation and growth prospects. The dollar value of negative-yielding outstanding debt fell from nearly \$15 trillion to just above \$11 trillion. Central bankers appealed for fiscal action, citing the limited capacity of monetary policy to sustain further economic expansion.

ASSET ALLOCATION ISSUES

- Most risk assets provided sizable gains in Q4. Global equities delivered +9.0%, U.S. high yield increased +2.6%, and Emerging Market Local Debt rose +5.2%. Longer duration fixed income saw losses as interest rates rebounded.
- The U.S. dollar weakened -0.5% against both developed and emerging currencies in Q4, reversing moves of the prior quarter. Dollar volatility remains low relative to the big swings that occurred throughout 2014-2018.
- Although risk assets appear to have rocketed higher in 2019, which may create concerns over valuations, it is important to note that much of this performance was due to assets recovering from a sharp fall in late-2018.

A neutral risk stance may be appropriate in today’s environment

What drove the market in Q4?

“U.S. trade deficit falls 7.6% in October to 16-month low on decline in Chinese imports”

U.S. FEDERAL TRADE DEFICIT (\$BILLIONS)

Jun	Jul	Aug	Sep	Oct	Nov
53.7	52.7	53.5	51.1	46.9	43.1

Article Source: MarketWatch, December 5th, 2019

“As markets climb higher, are stocks becoming overvalued?”

BLENDED FORWARD 12-MONTH P/E RATIO OF THE S&P 500 INDEX

Jul	Aug	Sep	Oct	Nov	Dec
17.0x	16.6x	16.9x	17.3x	17.8x	18.3x

Article Source: CNBC, December 30th, 2019

“Fed ‘prepared to adjust’ balance sheet to prevent repo market flare-up”

MONTHLY CHANGE IN THE SIZE OF THE FED BALANCE SHEET (\$BILLIONS)

Jul	Aug	Sep	Oct	Nov	Dec
-47.7	-19.2	97.8	162.1	33.1	112.7

Article Source: Yahoo Canada Finance, December 11th, 2019

“China’s pork price jumps 110 per cent, sending consumer inflation rocketing to eight-year high”

CHINA CPI INFLATION (YoY % CHANGE)

Jul	Aug	Sep	Oct	Nov	Dec
2.8	2.8	3.0	3.8	4.5	4.5

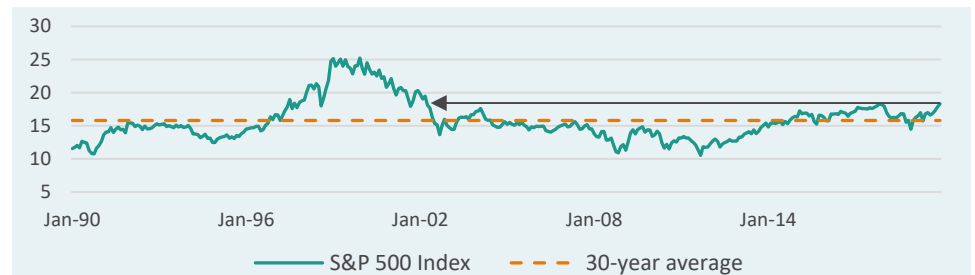
Article Source: South China Morning Post, December 10th, 2019

U.S. MONTHLY TRADE DEFICIT (BILLIONS)



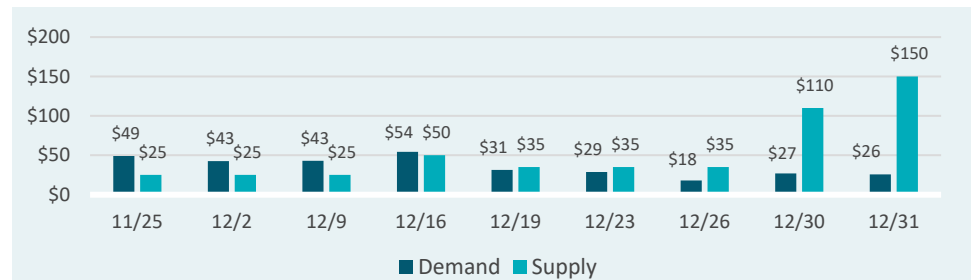
Source: Bloomberg, as of 11/30/19

FORWARD PRICE/EARNINGS RATIO (BLENDED 12-MONTH EARNINGS)



Source: Bloomberg, as of 12/31/19.

YEAR-END LIQUIDITY OFFERED UP BY THE NEW YORK FED (BILLIONS)



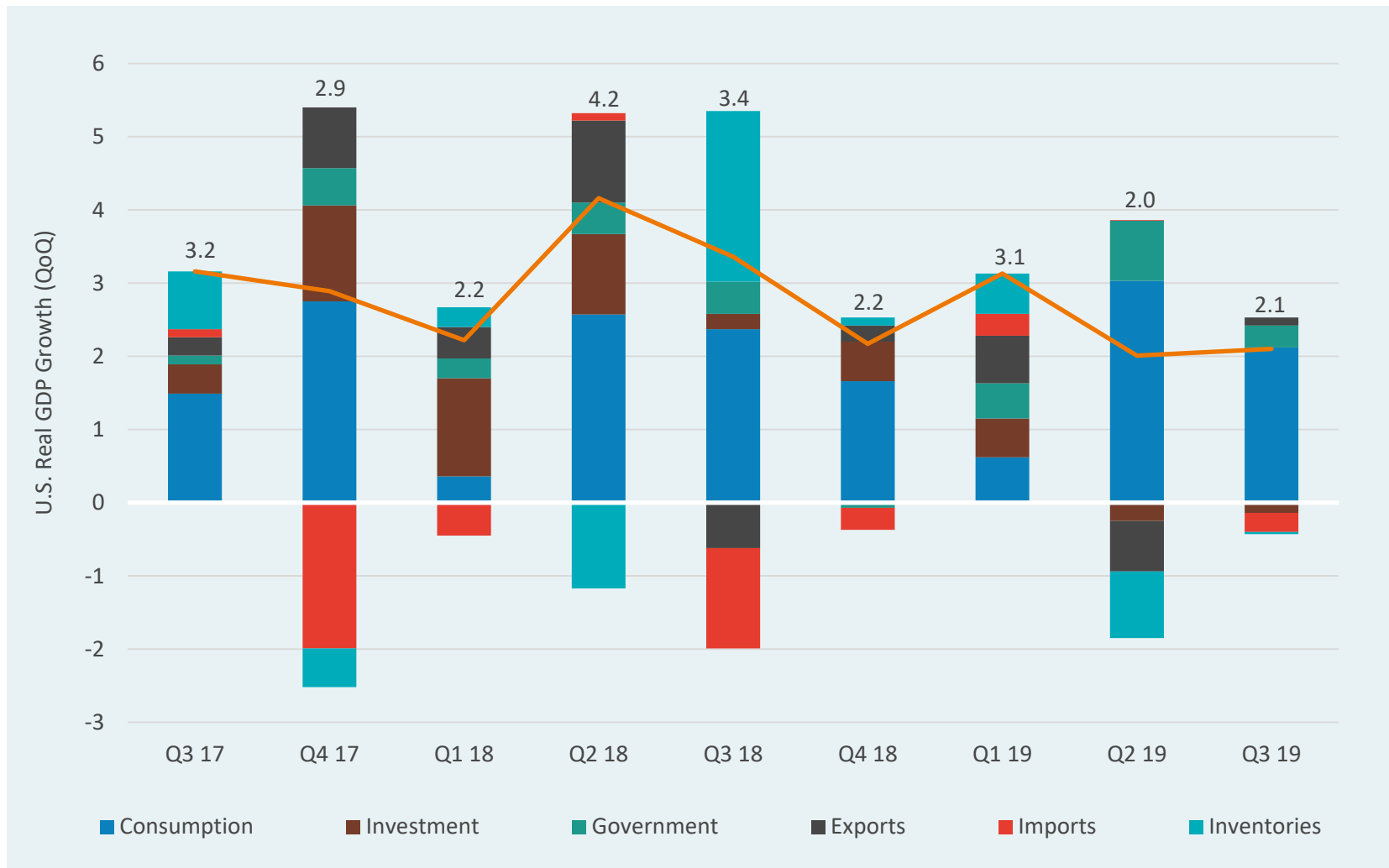
Source: New York Fed, as of 12/31/19.

U.S. economics summary

	Most Recent	12 Months Prior
GDP (YoY)	2.1% <i>9/30/19</i>	3.1% <i>9/30/18</i>
Inflation (CPI YoY, Core)	2.3% <i>12/31/19</i>	2.2% <i>12/31/18</i>
Expected Inflation (5yr- 5yr forward)	1.8% <i>12/31/19</i>	1.8% <i>12/31/18</i>
Fed Funds Target Range	1.50 – 1.75% <i>12/31/19</i>	2.25 – 2.50% <i>12/31/18</i>
10 Year Rate	1.9% <i>12/31/19</i>	2.7% <i>12/31/18</i>
U-3 Unemployment	3.5% <i>12/31/19</i>	3.9% <i>12/31/18</i>
U-6 Unemployment	6.7% <i>12/31/19</i>	7.6% <i>12/31/18</i>

Source: Bloomberg

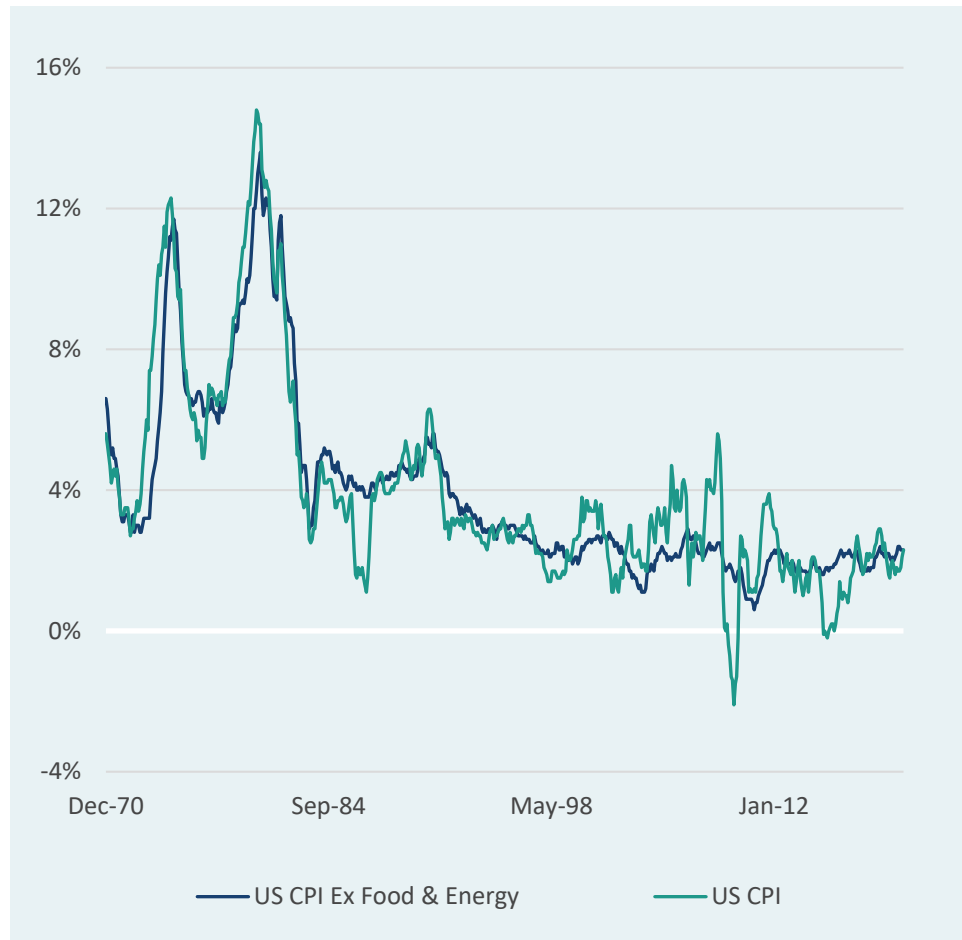
U.S. GDP growth attribution



Source: BEA, annualized quarterly rate, as of 9/30/19

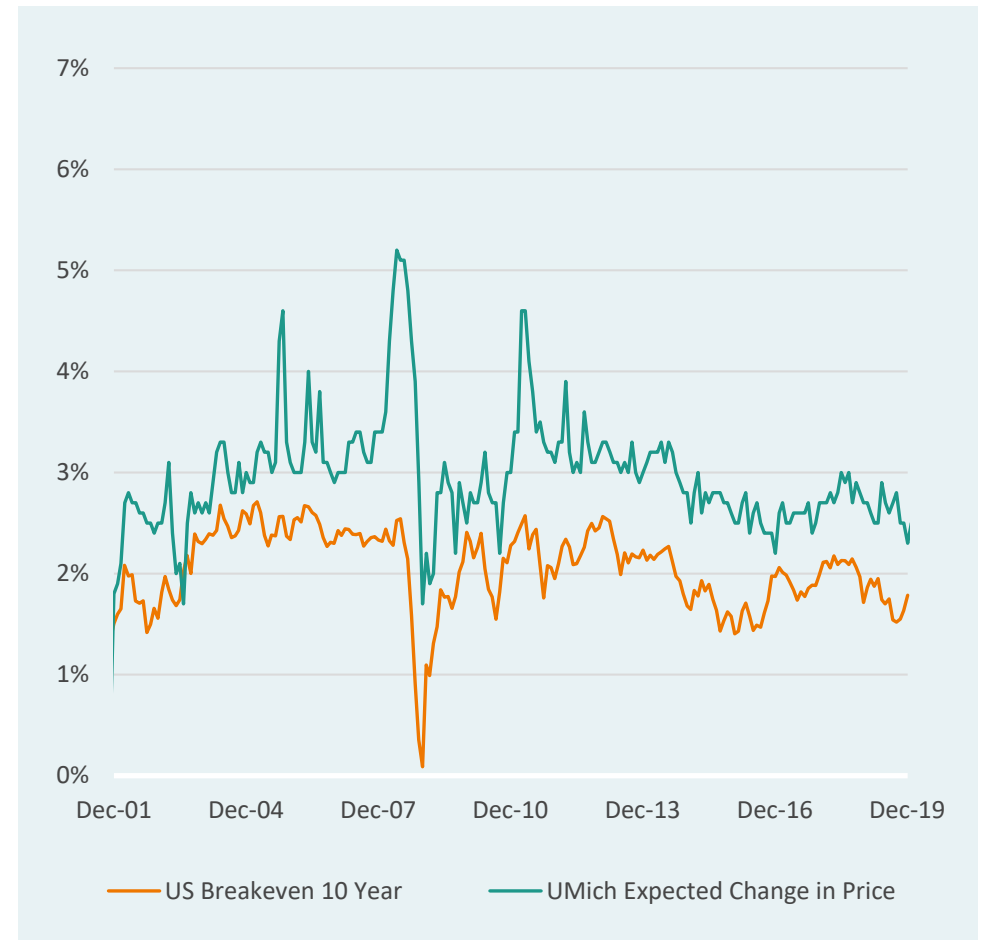
U.S. inflation

U.S. CPI (YOY)



Source: Bloomberg, as of 12/31/19

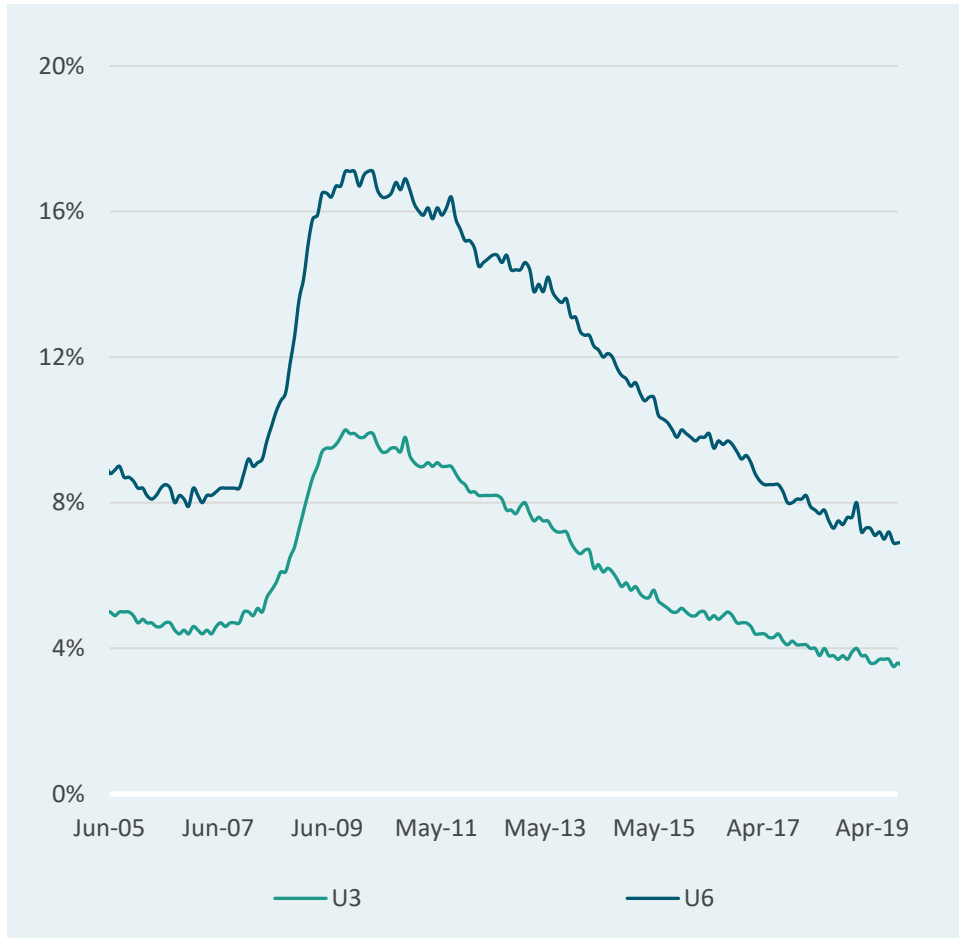
INFLATION EXPECTATIONS



Source: Bloomberg, as of 12/31/19

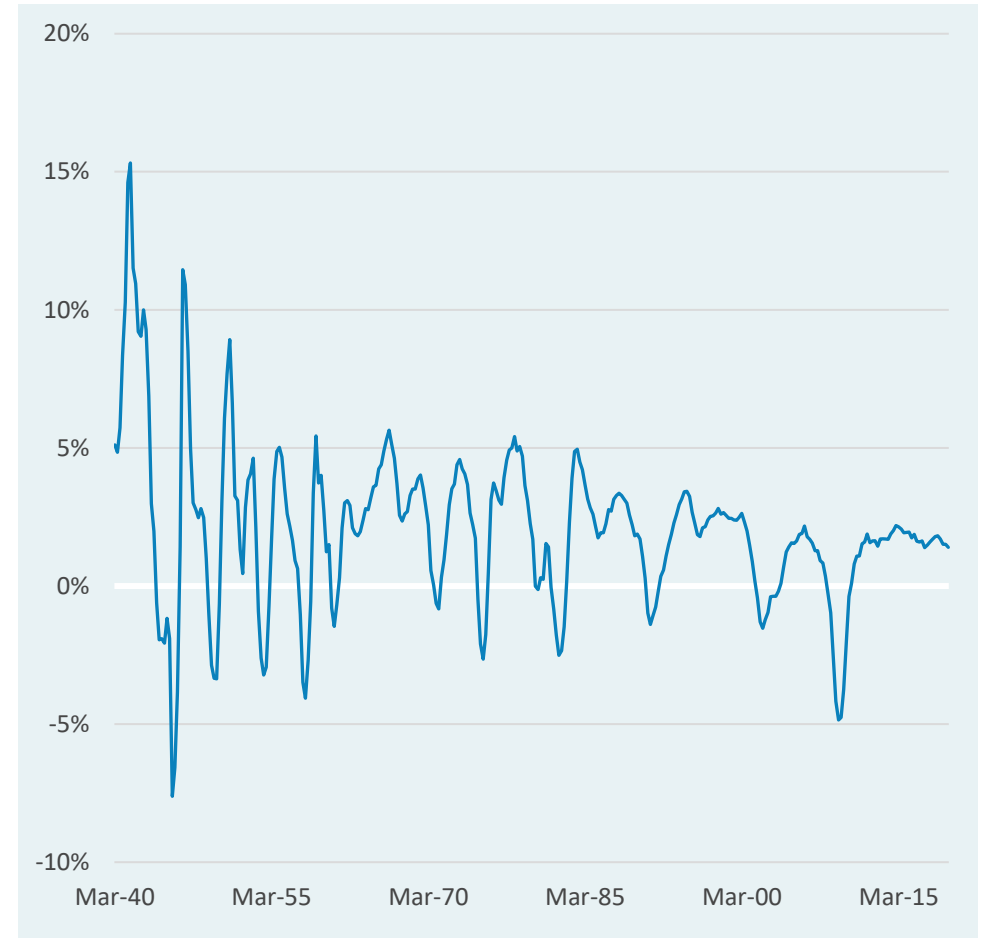
Labor market

U.S. UNEMPLOYMENT



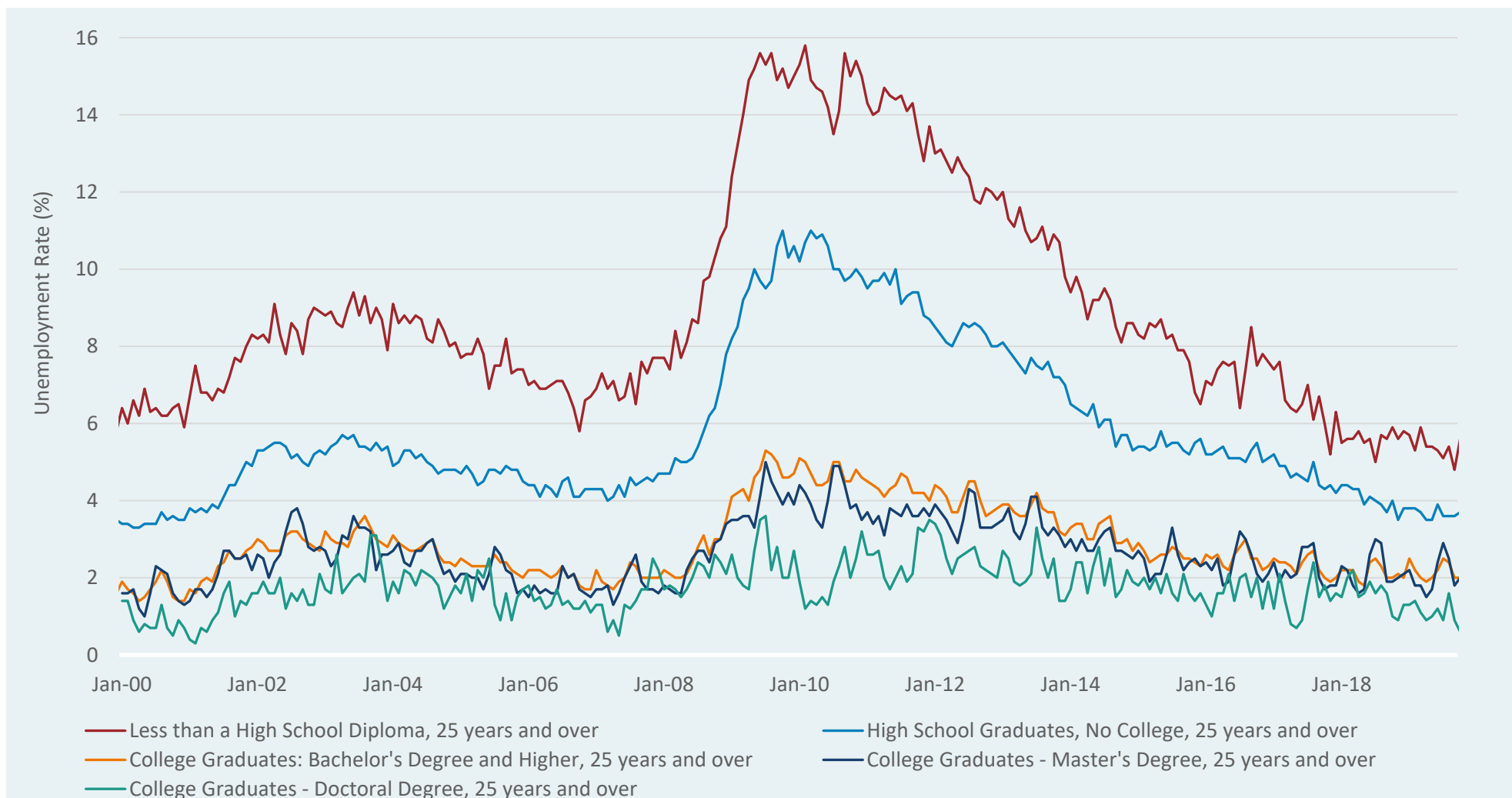
Source: FRED, as of 12/31/19

NON-FARM PAYROLL GROWTH (YOY)



Source: BLS, as of 12/31/19

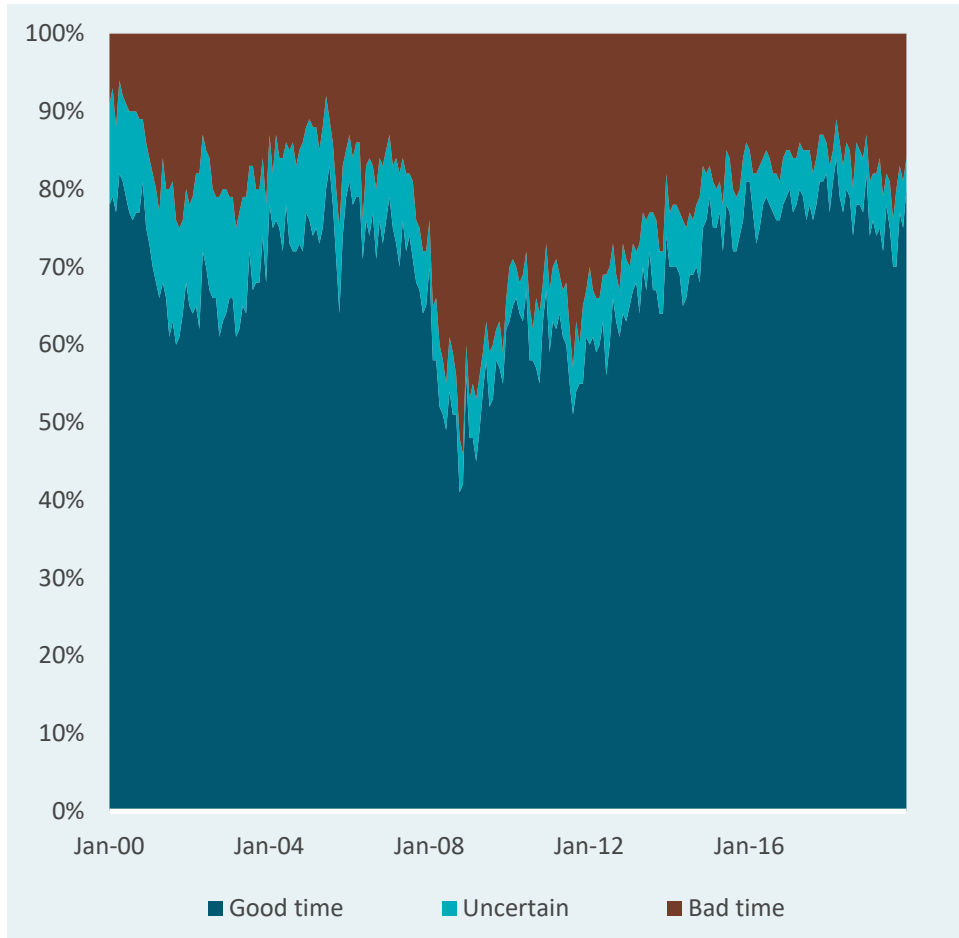
U.S. unemployment



Source: FRED, as of 11/30/19

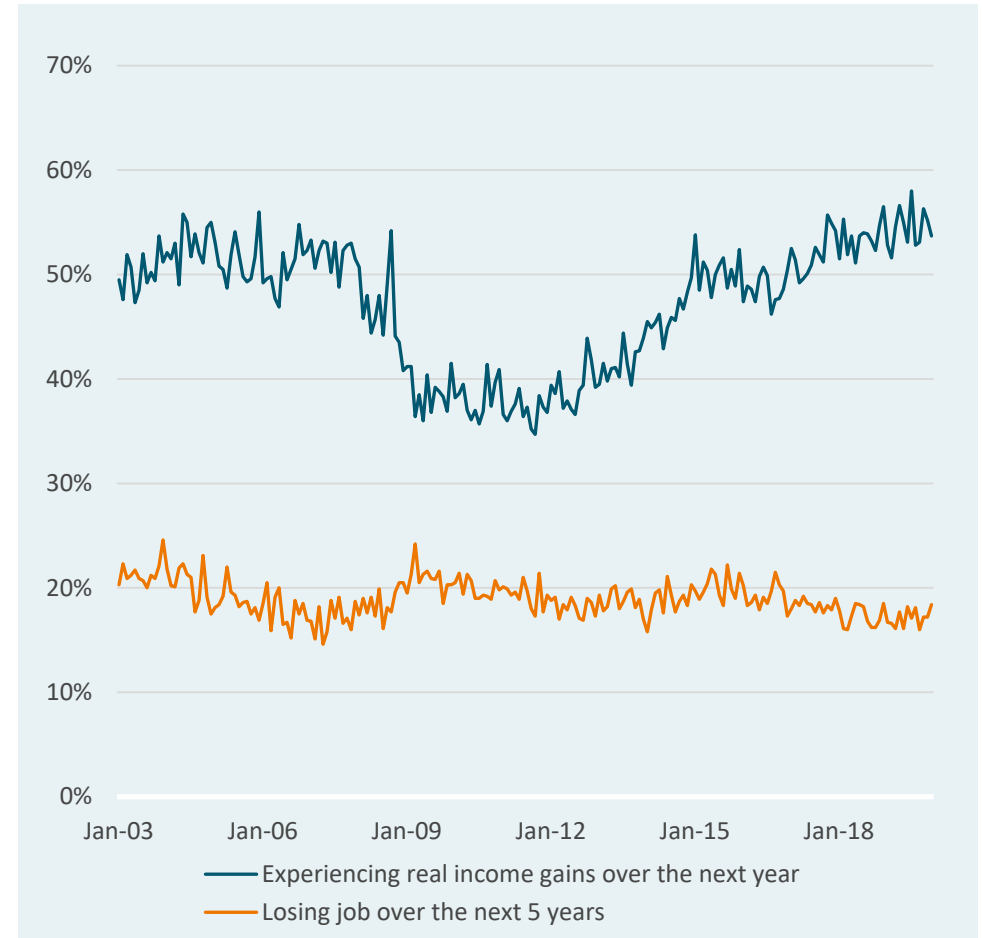
U.S. sentiment

CONDITIONS FOR BUYING BIG-TICKET ITEMS (%)



Source: University of Michigan, as 12/31/19

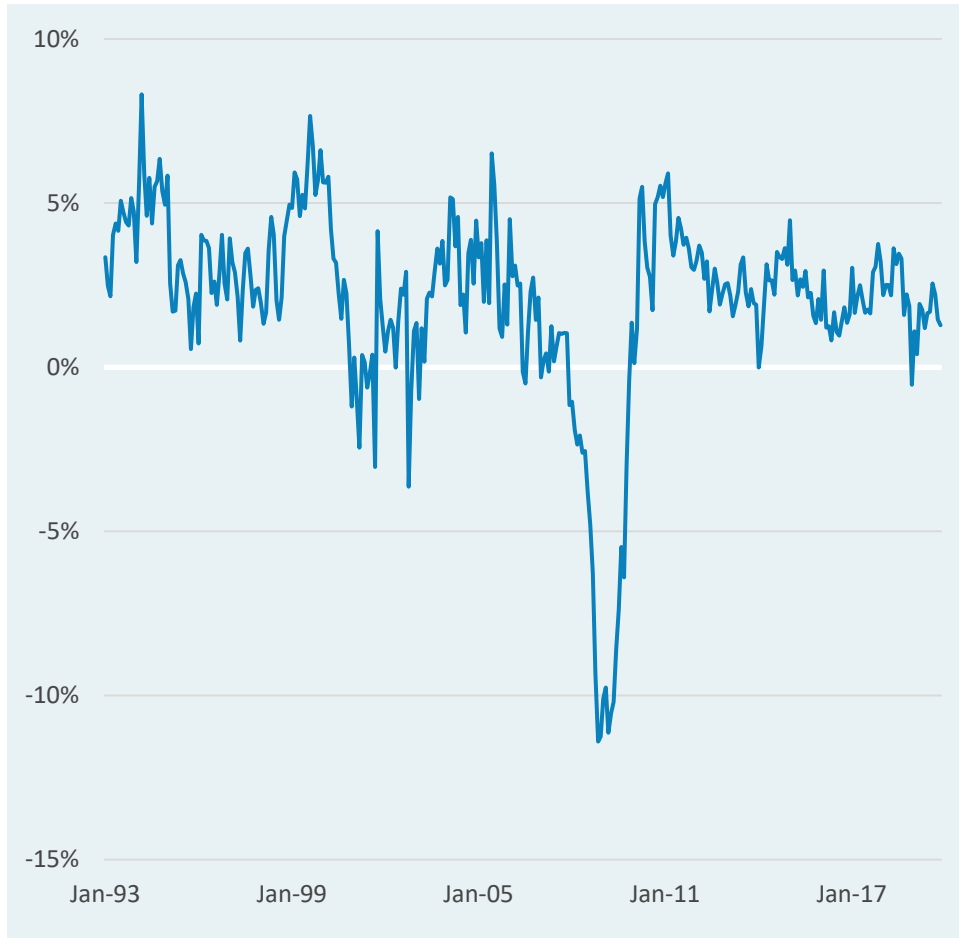
CONSUMER FEAR GAUGE



Source: University of Michigan, as of 12/31/19

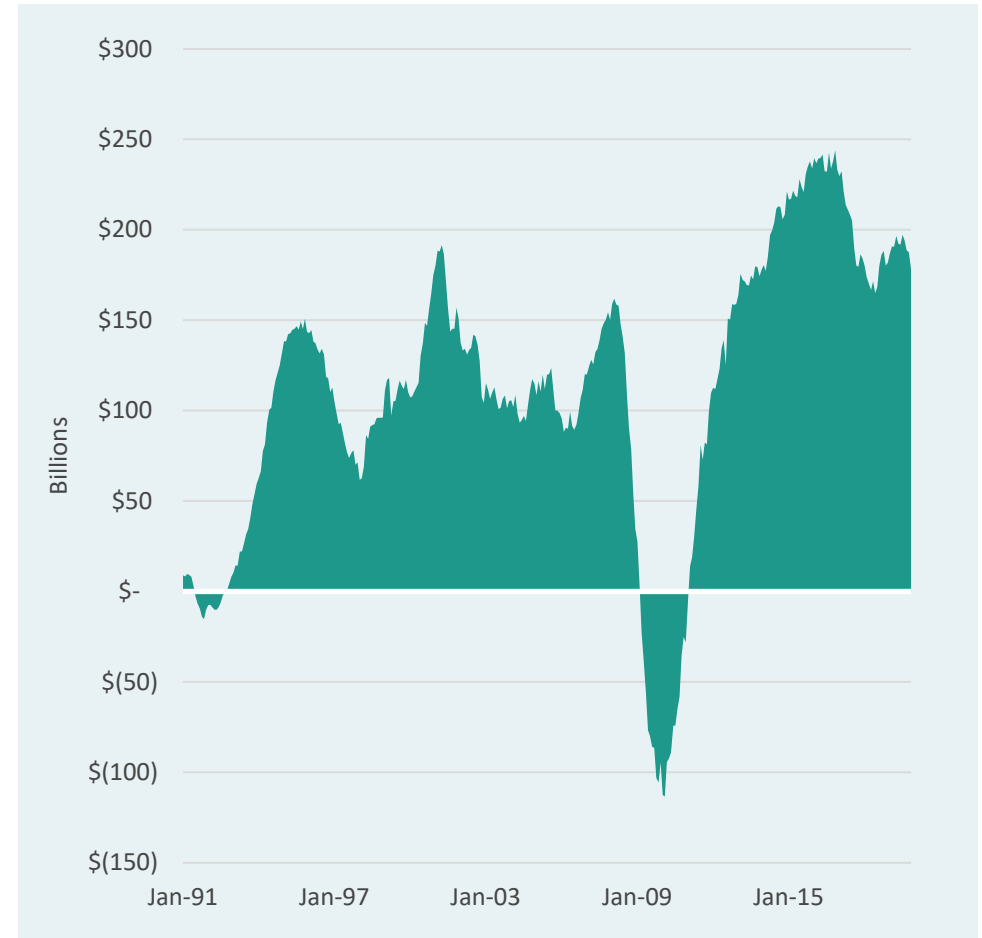
U.S. consumers

REAL RETAIL SALES GROWTH (YOY)



Source: FRED, as of 11/30/19

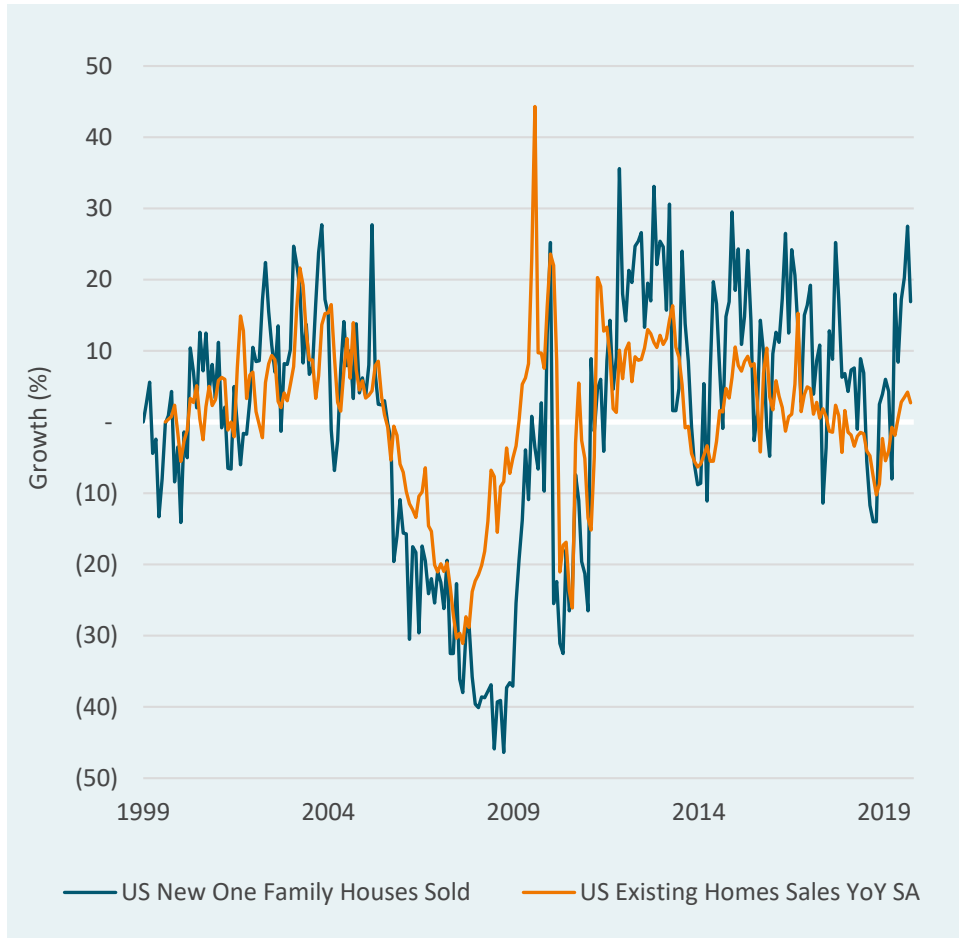
12-MONTH GROWTH IN CONSUMER CREDIT



Source: Federal Reserve, Bloomberg, as of 11/30/19

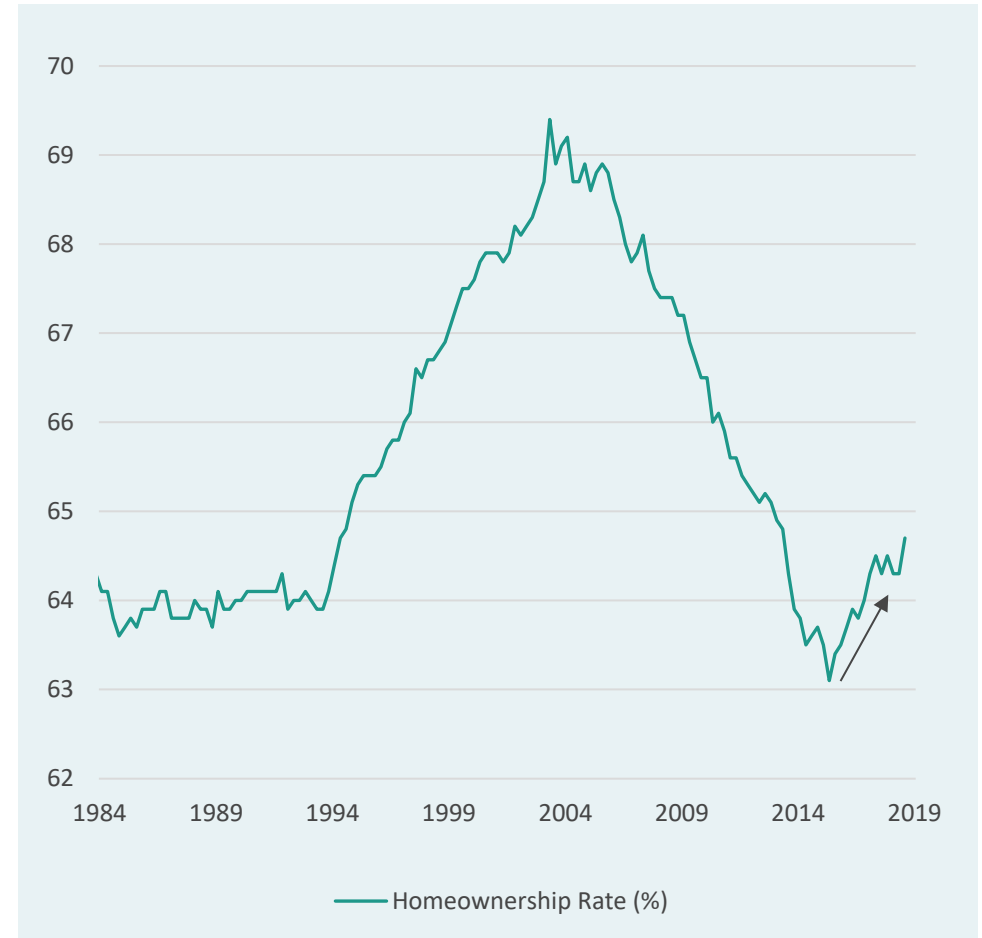
U.S. housing

U.S. HOME SALES (YOY)



Source: FRED, as of 11/30/19

HOMEOWNERSHIP RATE



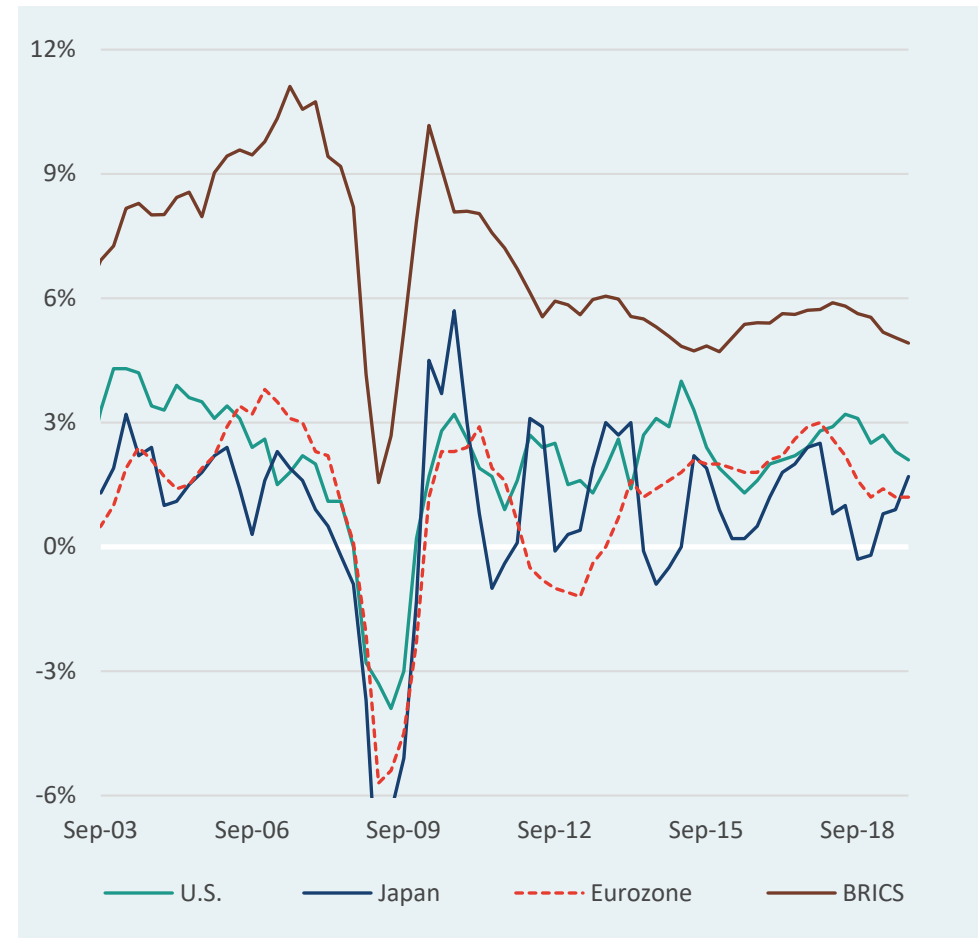
Source: FRED, as of 9/30/19

International economics summary

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	2.1% 9/30/19	2.3% 12/31/19	3.5% 12/31/19
Eurozone	1.2% 9/30/19	1.3% 12/31/19	7.5% 11/30/19
Japan	1.7% 9/30/19	0.9% 12/31/19	2.2% 11/30/19
BRICS Nations	4.9% 9/30/19	4.4% 12/31/19	5.1% 9/30/19
Brazil	1.2% 9/30/19	4.3% 12/31/19	11.2% 11/30/19
Russia	1.7% 9/30/19	3.1% 12/31/19	4.6% 11/30/19
India	4.5% 9/30/19	7.4% 12/31/19	8.5% 12/31/17
China	6.0% 9/30/19	4.5% 12/31/19	3.6% 9/30/19

Source: Bloomberg

REAL GDP GROWTH (YOY)

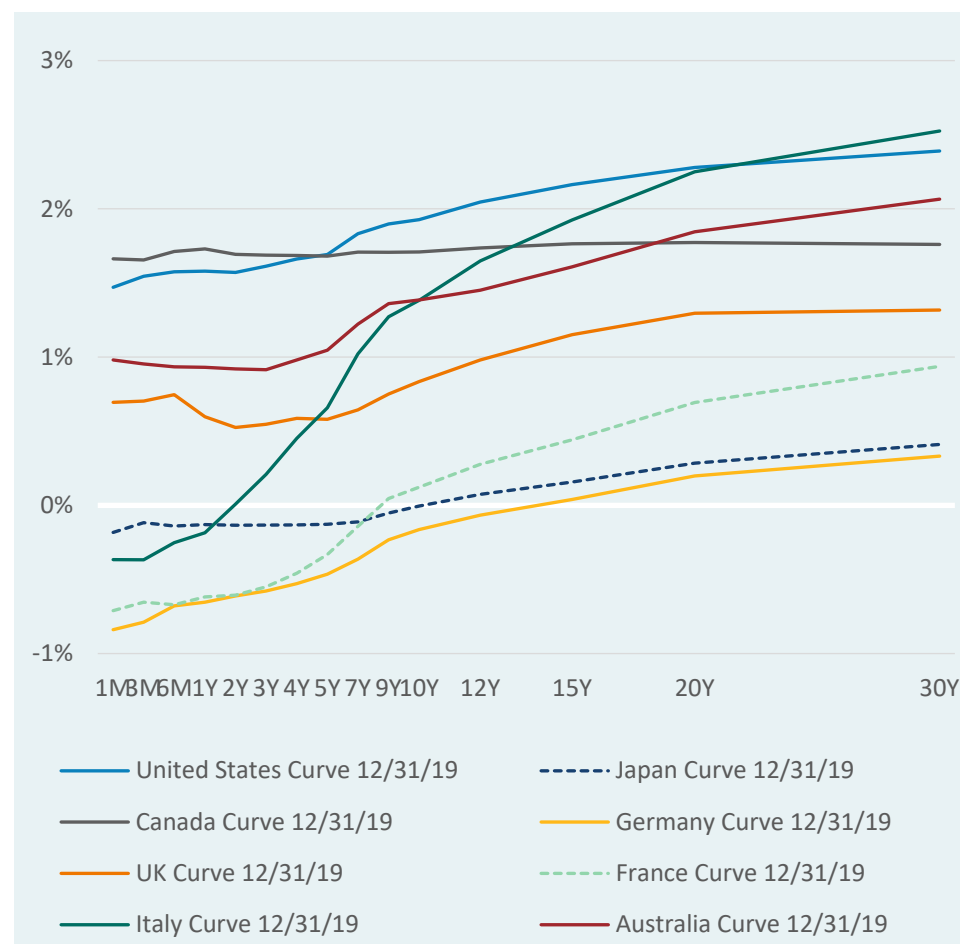


Source: Bloomberg, as of 9/30/19

Interest rate environment

Area	Short Term (3M)	10-Year
United States	1.54%	1.92%
Germany	(0.78%)	(0.19%)
France	(0.65%)	0.12%
Spain	(0.61%)	0.47%
Italy	(0.34%)	1.41%
Greece	0.26%	1.47%
U.K.	0.69%	0.82%
Japan	(0.10%)	(0.01%)
Australia	0.94%	1.37%
China	2.43%	3.14%
Brazil	4.30%	6.79%
Russia	4.95%	6.36%

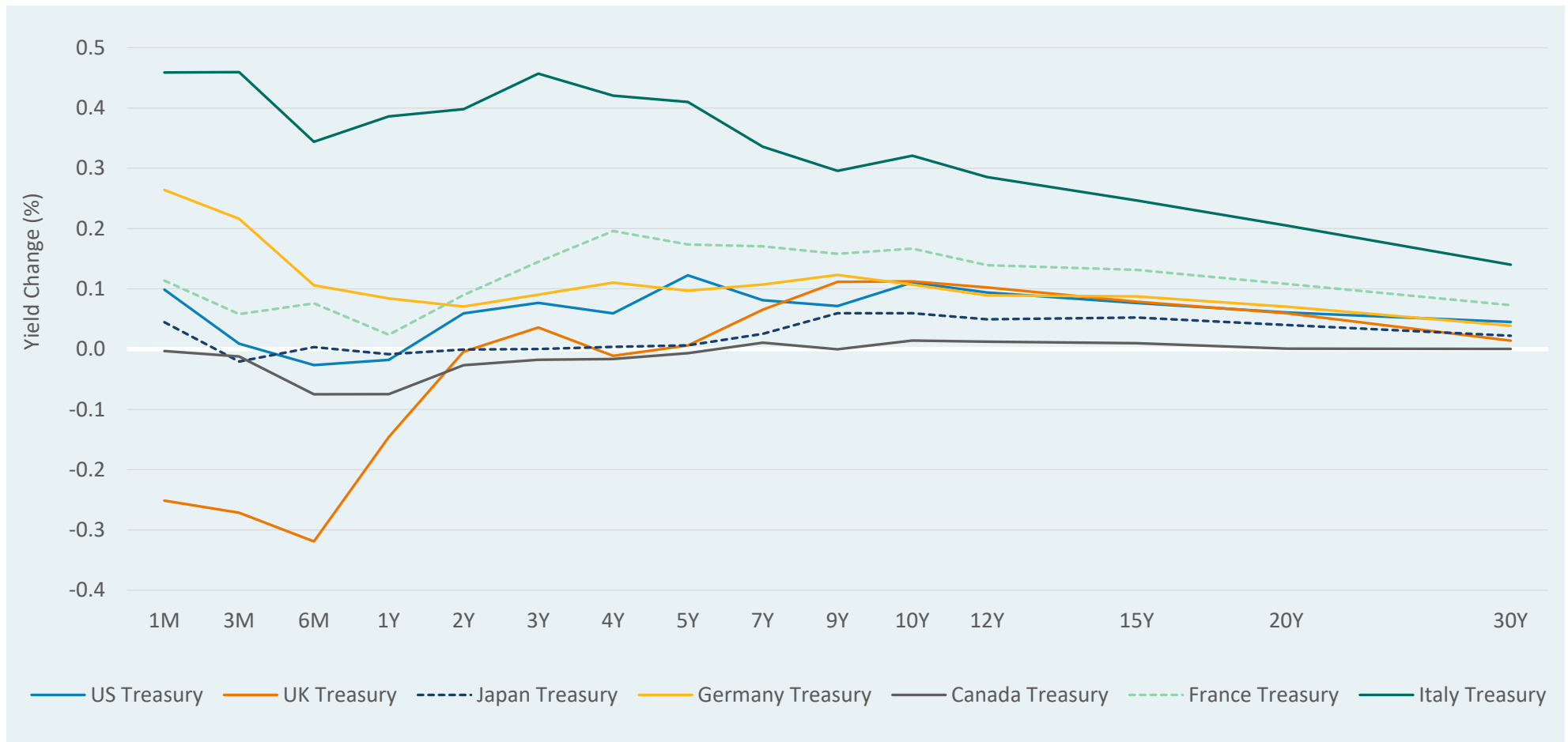
GLOBAL GOVERNMENT YIELD CURVES



Source: Bloomberg, as of 12/31/19

Yield environment

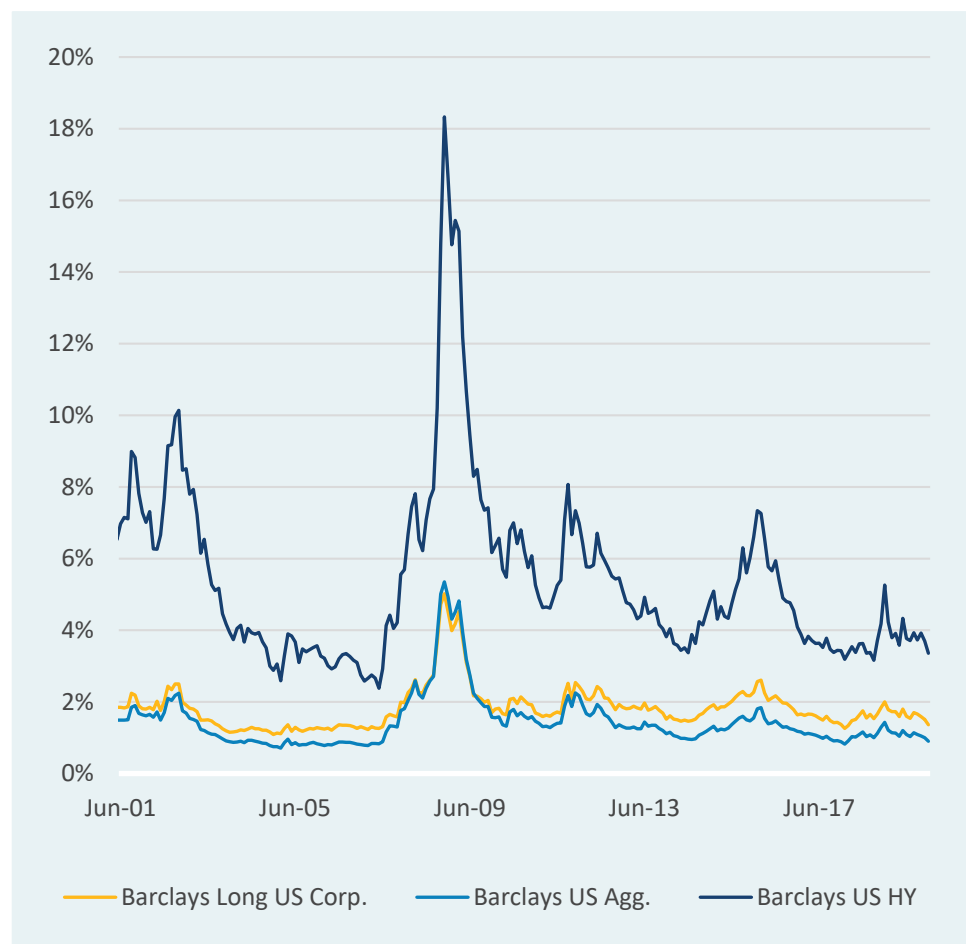
IMPLIED CHANGES OVER NEXT YEAR



Source: Bloomberg, as of 12/31/19

Credit environment

SPREADS



Source: Barclays, Bloomberg, as of 12/31/19

SPREADS

Market	Credit Spread (OAS)	
	12/31/19	12/31/18
Long U.S. Corp	1.4%	2.0%
U.S. Inv Grade Corp	0.9%	1.5%
U.S. High Yield	3.4%	5.3%
U.S. Bank Loans*	4.4%	5.1%

Source: Barclays, Credit Suisse, Bloomberg, as of 12/31/19

High yield – what's in it?

CCC/BB SPREAD RATIO



Source: Standard & Poor's, J.P. Morgan, as of 12/31/19

HIGH YIELD VS. HIGH YIELD DISTRESSED (INDEXED 12/31/2018=100)



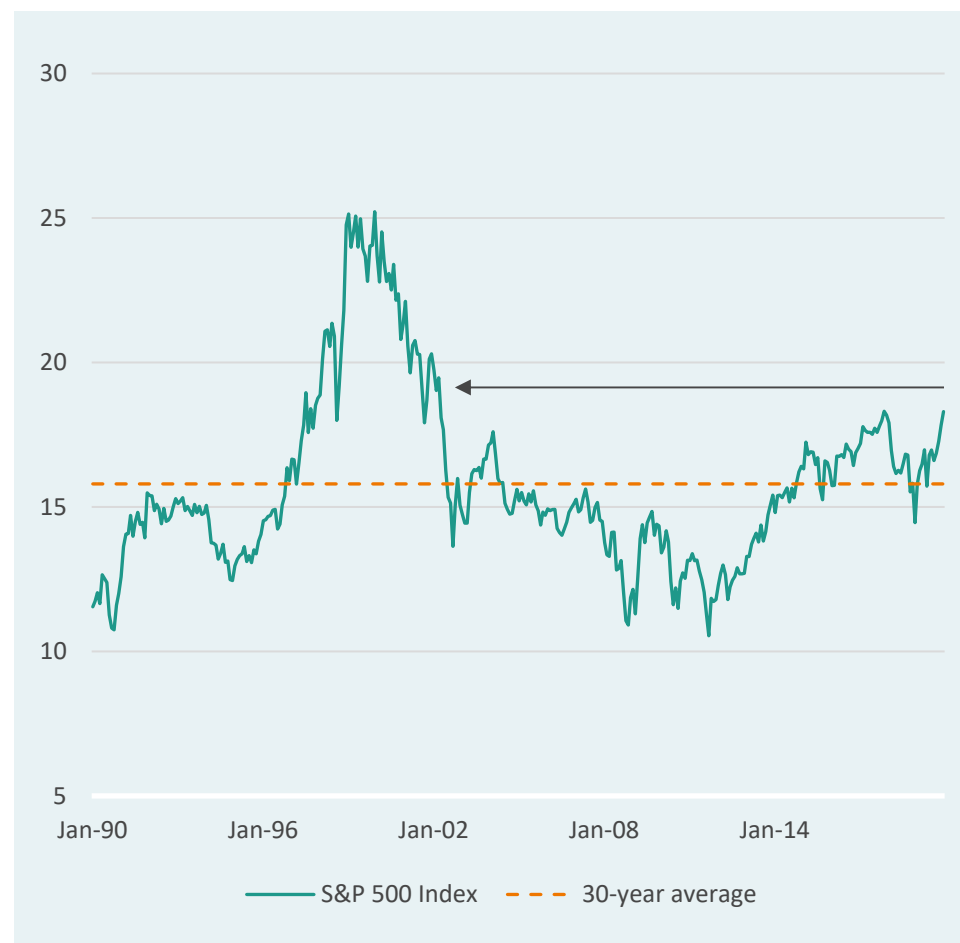
Source: Standard & Poor's, J.P. Morgan, as of 12/31/19

Equity environment

	QTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)
US Large Cap (S&P 500)	9.1%		31.5%	
US Small Cap (Russell 2000)	9.9%		25.5%	
US Large Value (Russell 1000 Value)	7.4%		26.5%	
US Large Growth (Russell 1000 Growth)	10.6%		36.4%	
International Large (MSCI EAFE)	8.2%	5.8%	22.0%	24.6%
Eurozone (Euro Stoxx 50)	8.3%	5.9%	25.9%	32.1%
U.K. (FTSE 100)	10.8%	3.0%	22.1%	19.5%
Japan (NIKKEI 225)	8.2%	9.6%	21.9%	23.5%
Emerging Markets (MSCI Emerging Markets)	11.8%	9.5%	18.4%	17.7%

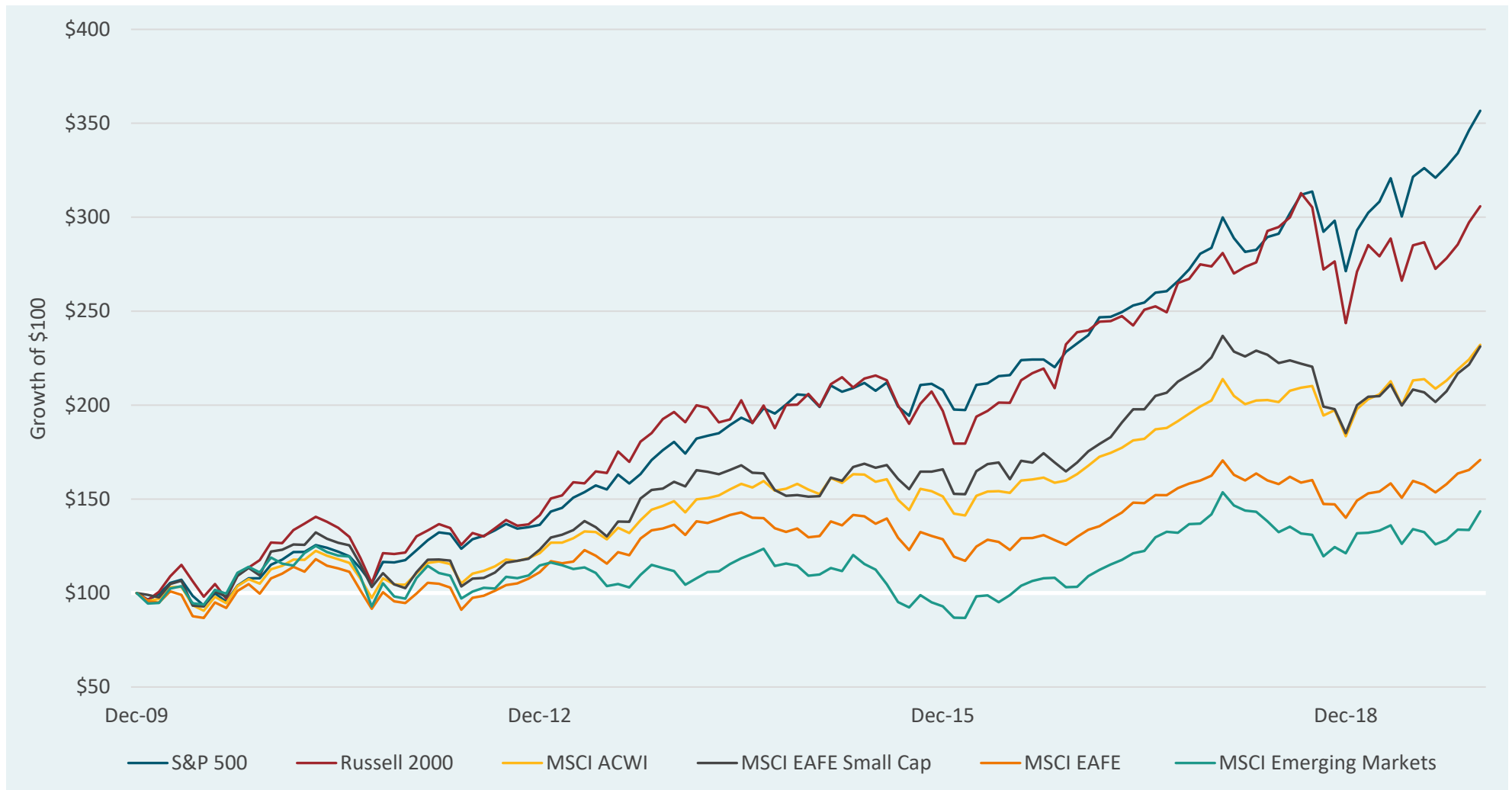
Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 12/31/19

FORWARD P/E RATIOS



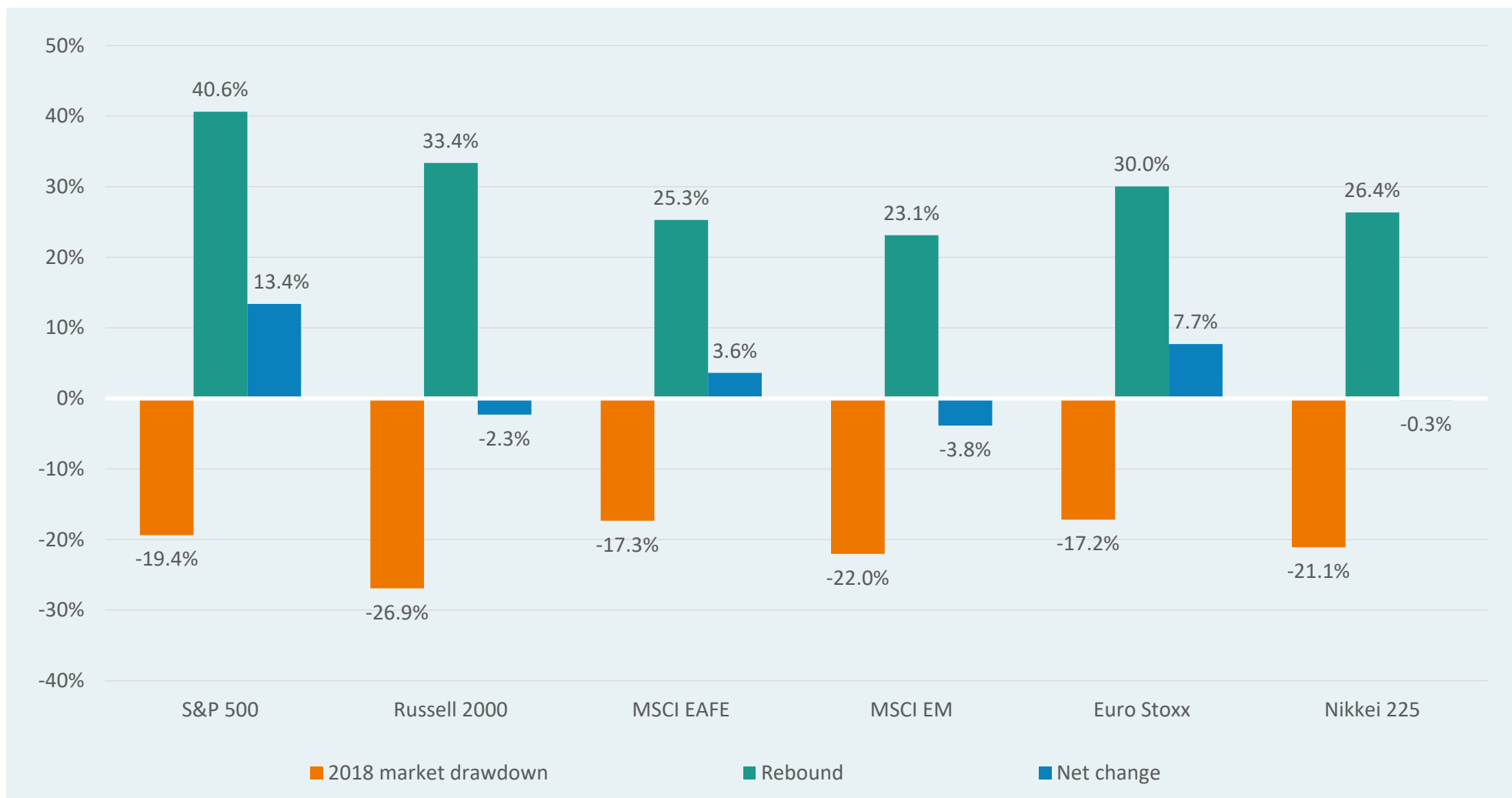
Source: Verus, as of 12/31/19

Long-term equity performance



Source: Standard & Poor's, Russell, MSCI, Bloomberg, as of 12/31/19

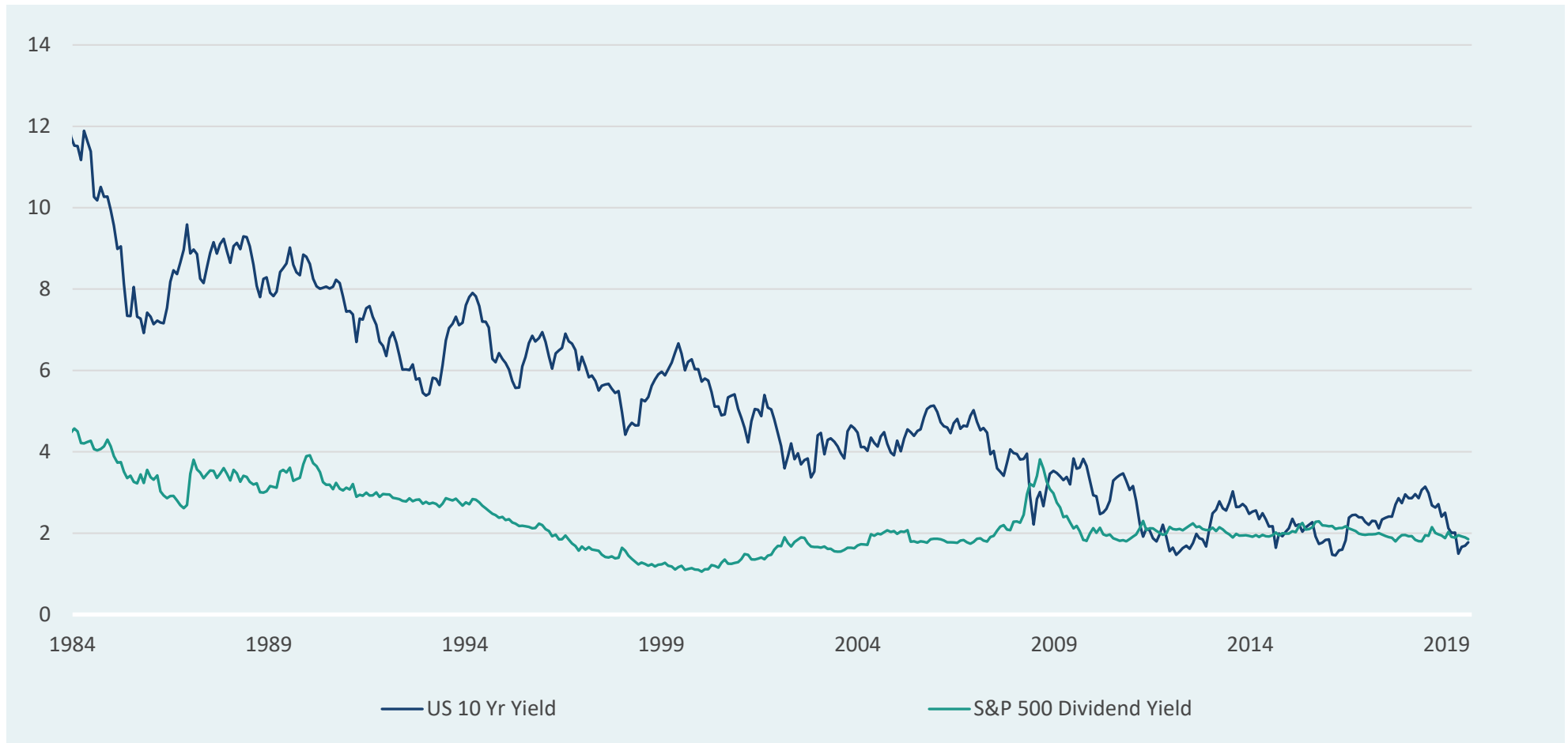
A different look at 2019 performance



Source: Standard & Poor's, MSCI, Verus, as of 12/31/19 – "Drawdown" defined as the total market fall in 2018, "Rebound" defined as the total % return from the low point of the fall to the end of 2019. "Net Change" defined as the % market return from the 2018 high point to the end of 2019.

Domestic equity

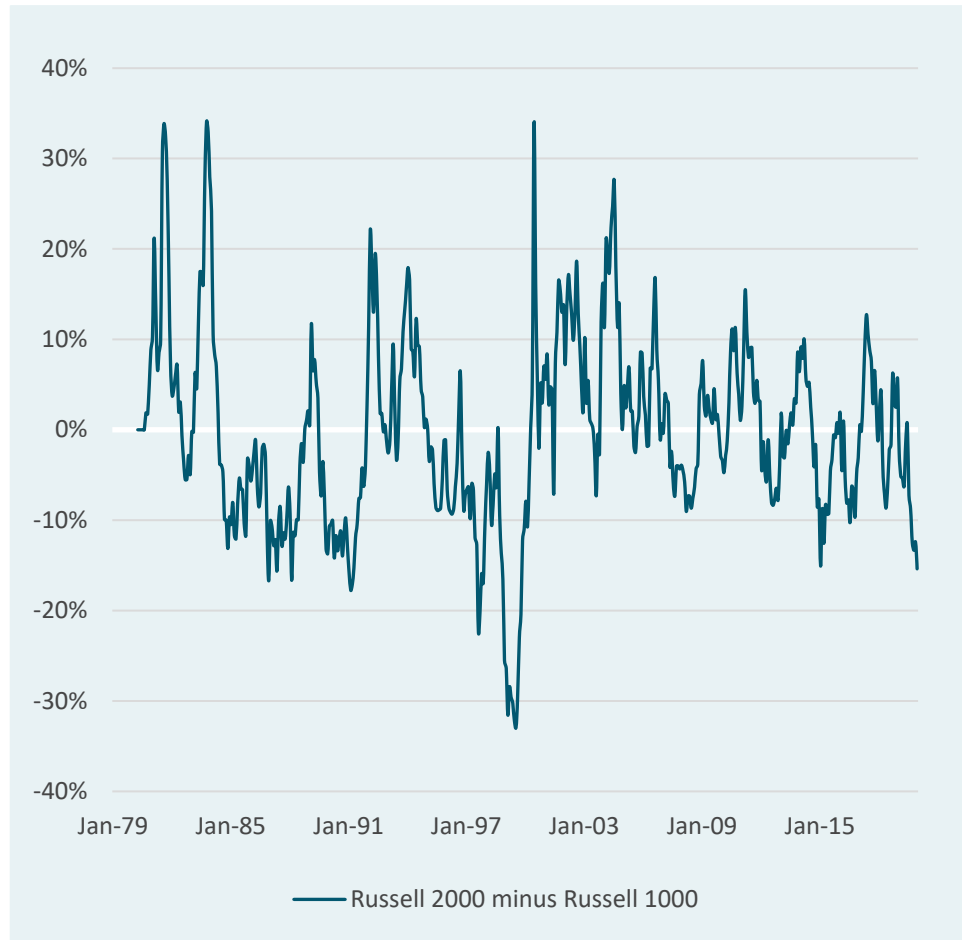
RELATIVE YIELDS (%)



Source: Standard & Poor's, as of 11/30/19

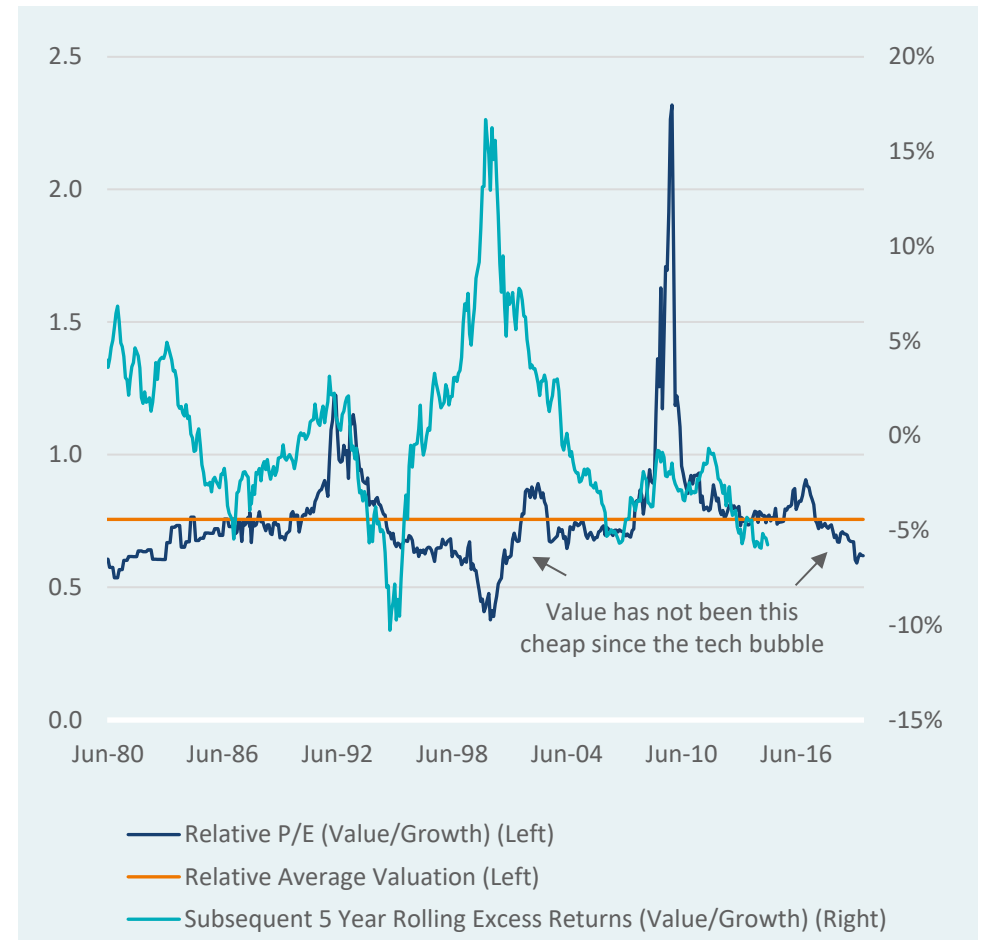
Domestic equity size & style

SMALL CAP VS LARGE CAP (YOY)



Source: FTSE, as of 12/31/19

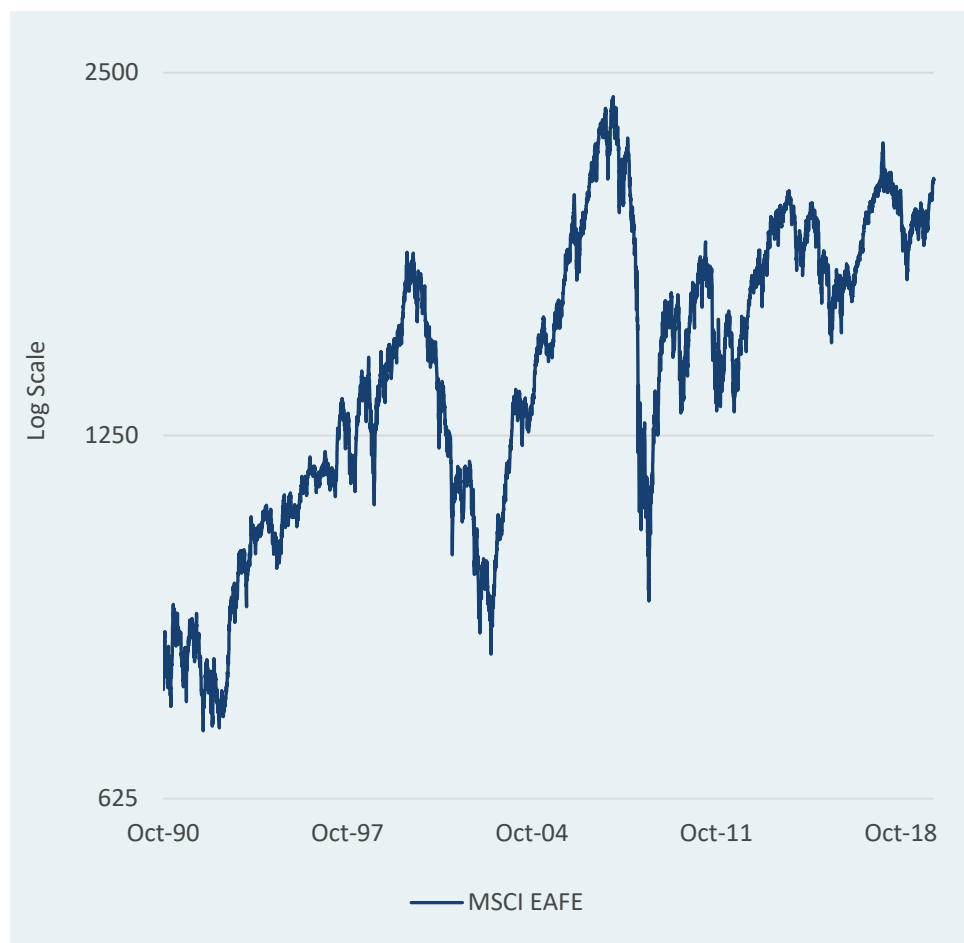
VALUE CONTINUES TO LOOK CHEAP



Source: Russell, Bloomberg, as of 12/31/19

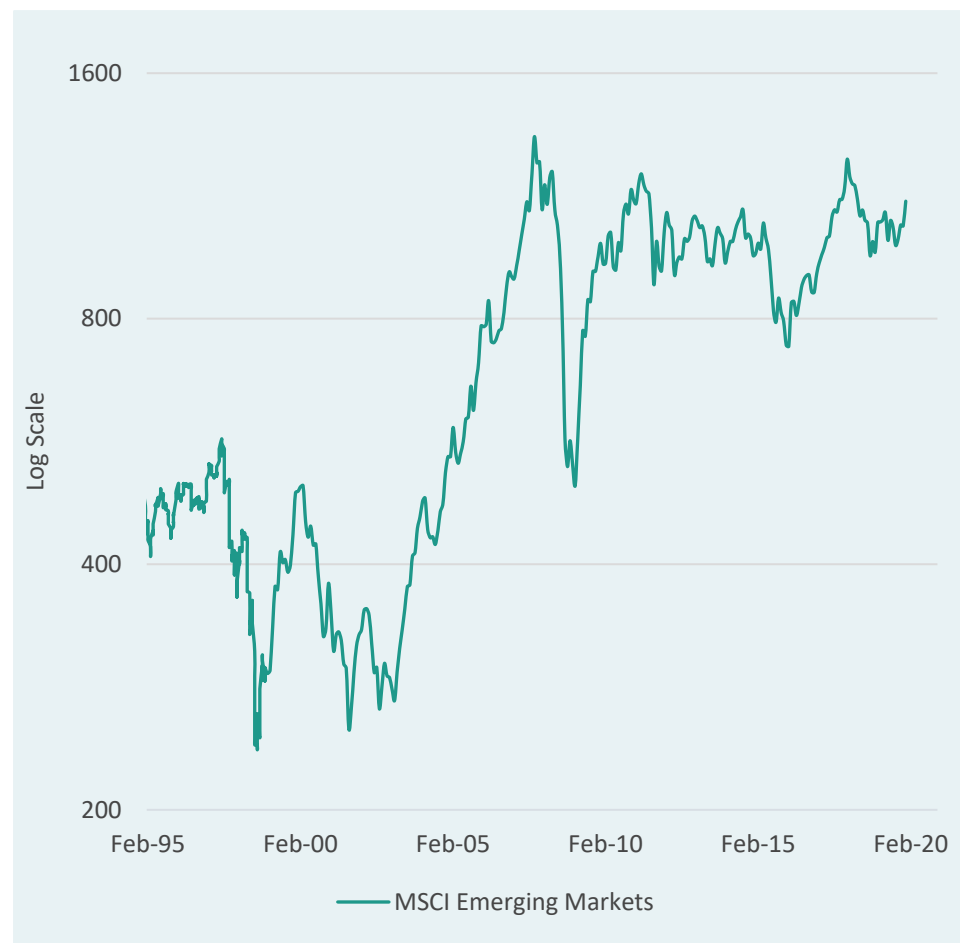
Global equity

INTERNATIONAL DEVELOPED EQUITY



Source: MSCI, as of 12/31/19

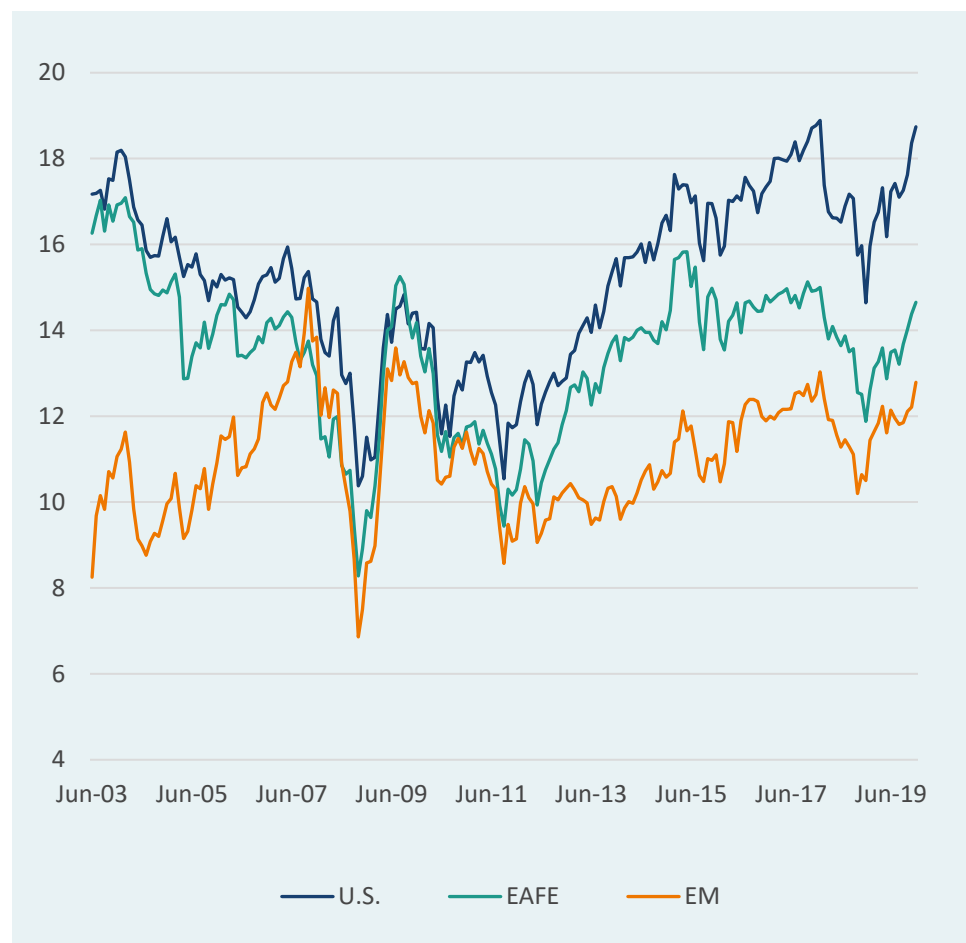
EMERGING MARKET EQUITY



Source: MSCI, as of 12/31/19

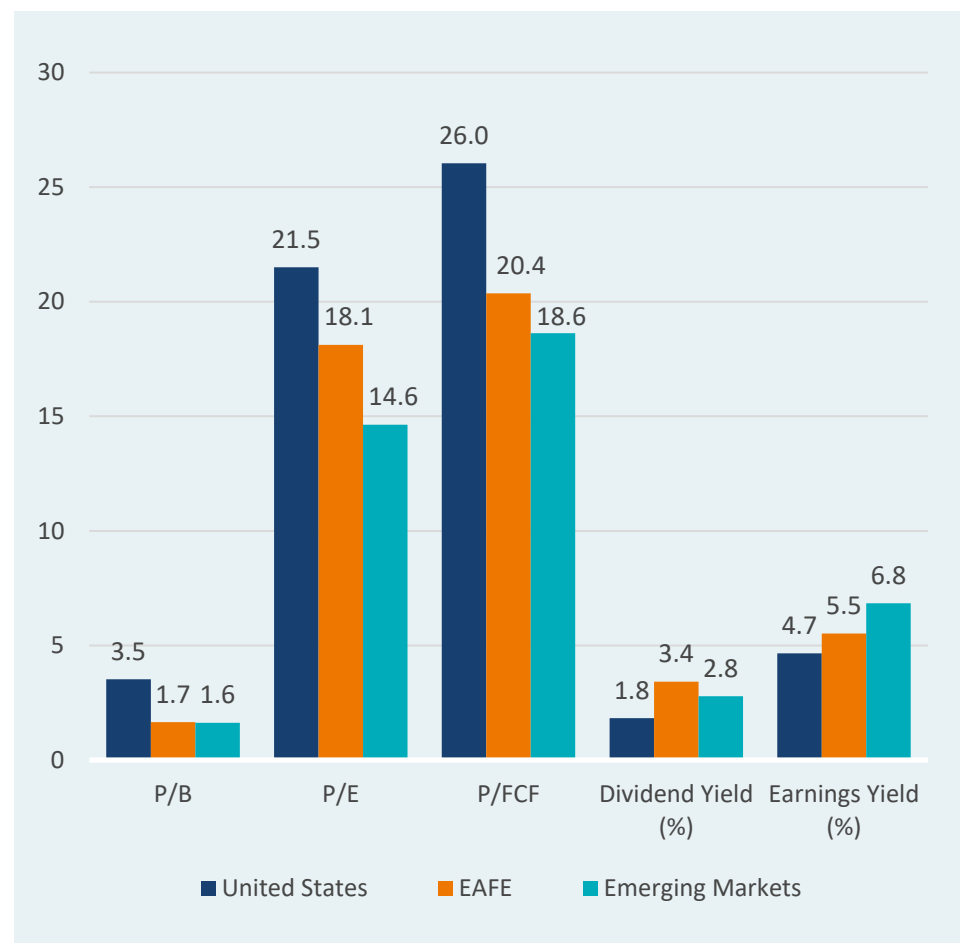
Equity valuations

FORWARD P/E RATIOS



Source: MSCI, 12m forward P/E, as of 12/31/19

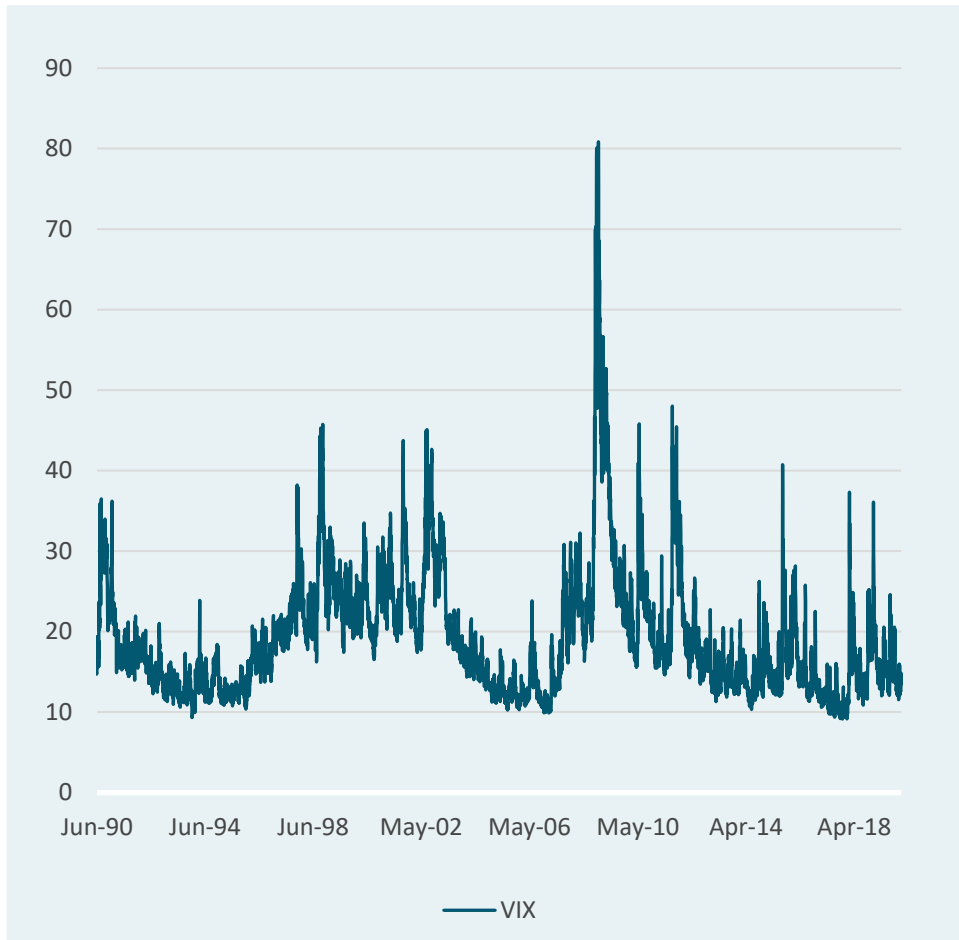
VALUATION METRICS (3-MONTH AVERAGE)



Source: Standard & Poor's, FactSet, as of 1/17/20

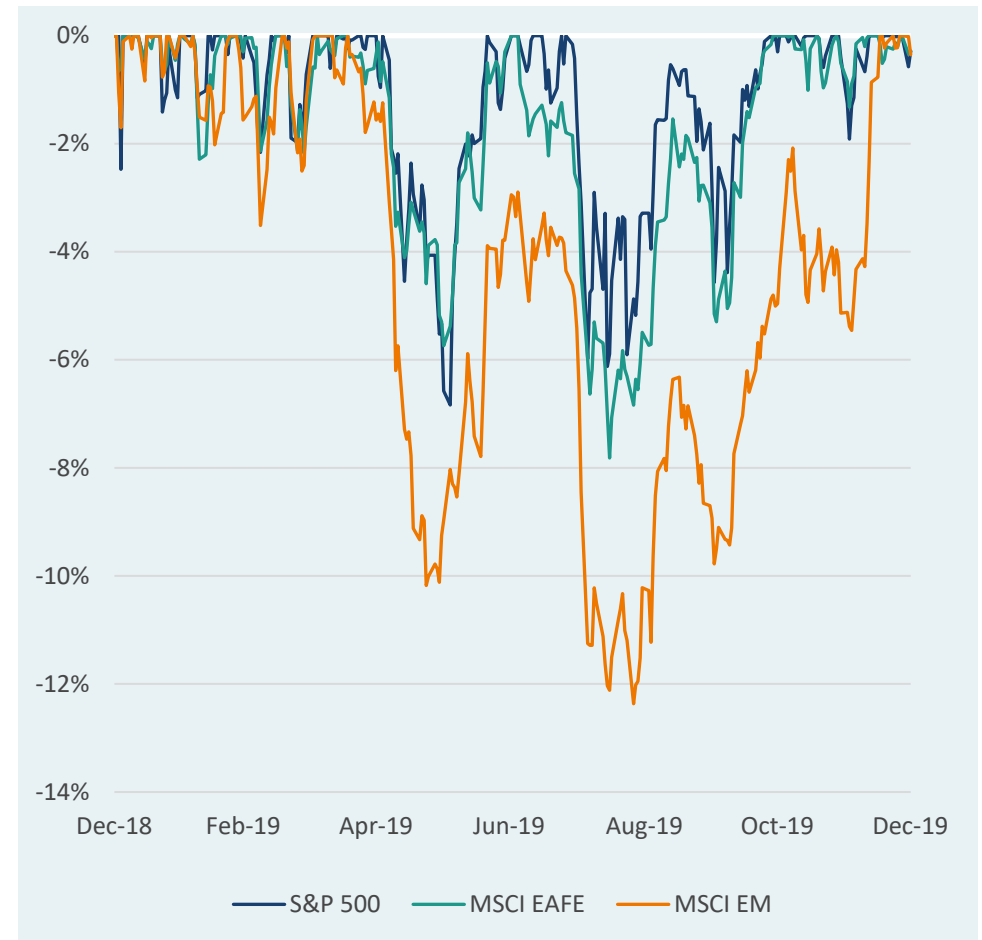
Equity volatility

U.S. IMPLIED VOLATILITY (VIX)



Source: CBOE, as of 12/31/19

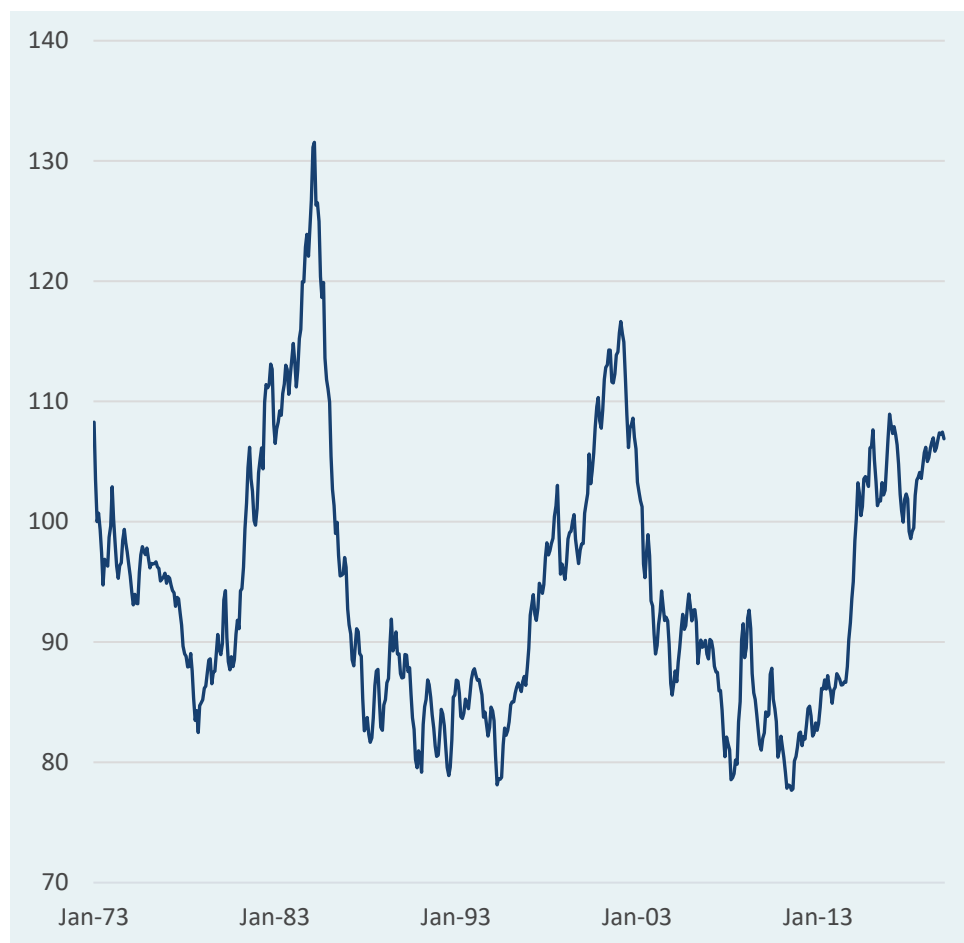
2019 MAX DRAWDOWNS FROM PREVIOUS ALL-TIME-HIGH INDEX LEVELS



Source: Standard & Poor's, MSCI, Bloomberg, as of 12/31/19

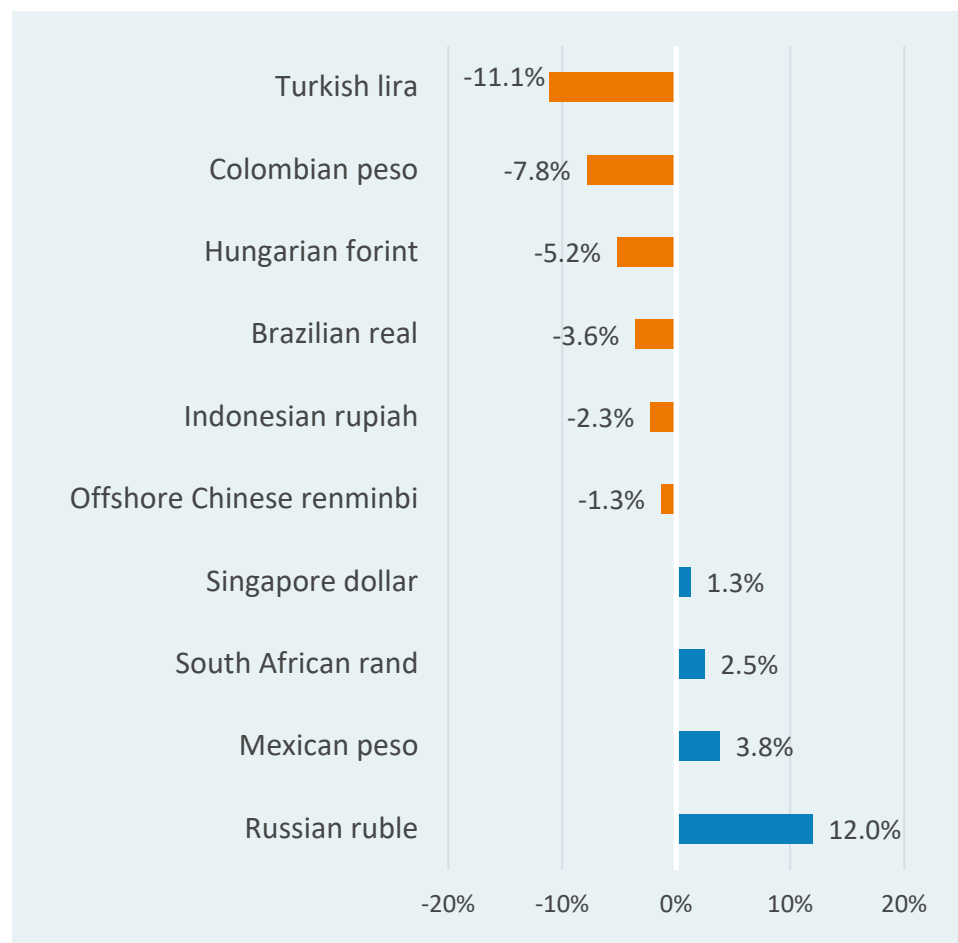
Currency

U.S. DOLLAR TRADE WEIGHTED INDEX



Source: Federal Reserve, Verus, as of 12/31/19

JP MORGAN EMCI CONSTITUENT 2019 RETURNS (VS. USD)



Source: J.P. Morgan, Bloomberg, as of 12/31/19

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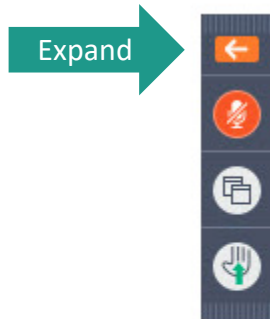
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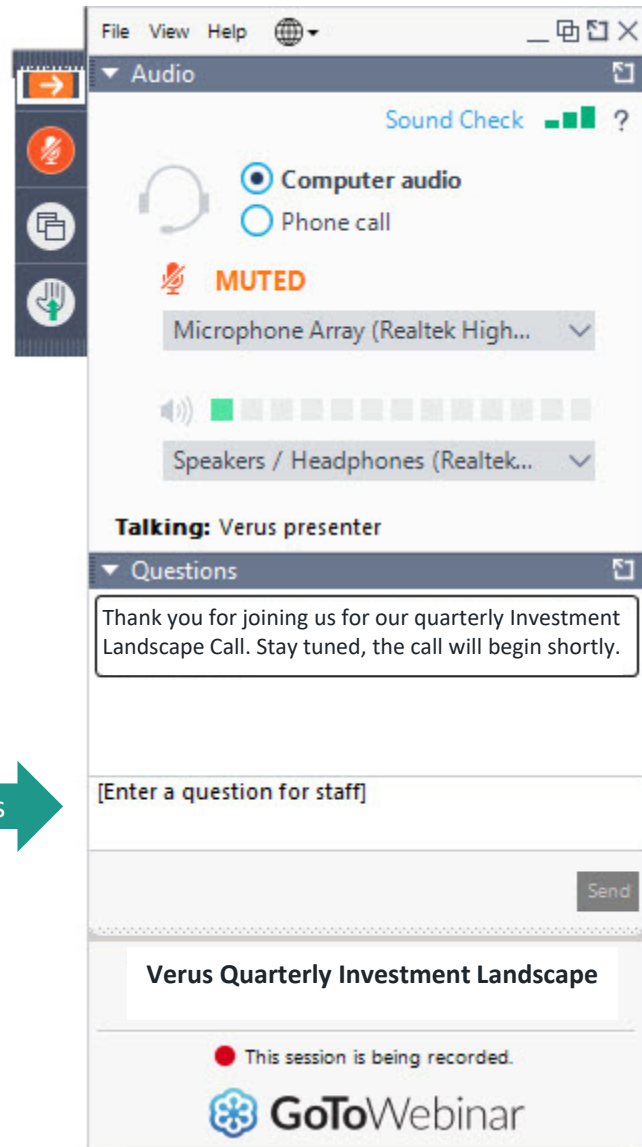
Q&A



Use the orange arrow to expand the control panel

Ask questions here

Questions





Thank you