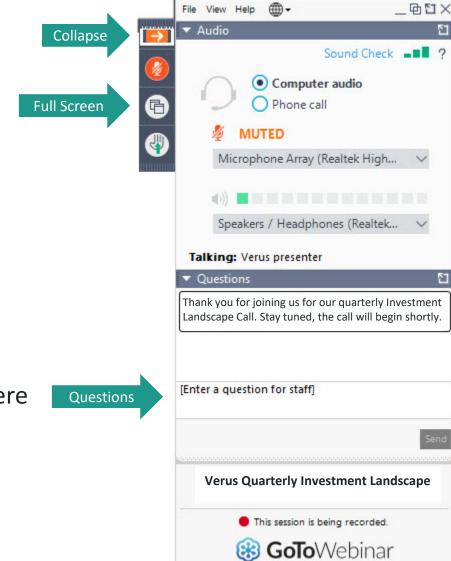


Call instructions



Use the orange arrow to expand or collapse the control panel



Ask questions here

3rd quarter conference call



VERUSINVESTMENTS.COM

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IMPORTANT INFORMATION

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

Access Code: 897-241-732

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

Expansion of Verus ownership

Fourteen new shareholders as of July 15

CONSULTING



Mark Brubaker, CFA Managing Director, Senior Consultant



Managing Director, **Business Development**





Jason Taylor Managing Director, Senior Consultant



Jason Moss

Managing Director, **Business Development**

Victor Lee Senior Consultant



Michael Kamell, CFA, **CAIA** Senior Consultant



Brian Kwan, CFA, **CAIA** Senior Consultant

RESEARCH



Marianne Feeley, CFA Managing Director, **Public Markets**



Vincent Francom, CFA, CAIA Director, Public Markets



Thomas Garrett, CFA, FRM, CAIA Director, Strategic Research



John Wasnock Senior Associate Director, Private Markets

RISK



Daniel Sullivan, CAIA, **FRM** Director, Risk

MARKETING



Margie Lane Director, Marketing

ANALYTICS



Justin Hatley Director, Performance Analytics

Thirty owners, 100% employee-owned



Jeffrey MacLean Chief Executive Officer



Shelly Heier, CFA, CAIA lan Toner, CFA President, Senior Consultant



Chief Investment Officer



Kraig McCoy, CFA CFO, COO



Scott Whalen, CFA, CAIA **Executive Managing** Director, Senior Consultant



Max Giolitti Chief Risk Officer



Emmanuel Canteras Senior Marketing Associate



Eileen Neill, CFA Managing Director, Senior Consultant



Faraz Shooshani Managing Director, Senior PvM Consultant



Steve Hempler Managing Director, Senior PvM Consultant Senior Consultant



John Nicolini, CFA Managing Director,



Margaret Jadallah Managing Director, Senior Consultant



Annie Taylor, CFA Managing Director, Senior Consultant



Brent Nelson Managing Director, Senior Consultant



Anne Westreich, CFA Managing Director, Senior Consultant



Brad Ness Managing Director, Senior Consultant



Mark Brubaker, CFA Managing Director, Senior Consultant



Ted Hermann Managing Director, **Business Development**



Michael Kamell. CFA, CAIA Senior Consultant



Brian Kwan, CFA, CAIA Senior Consultant



Victor Lee Senior Consultant



Jason Moss Managing Director. **Business Development**



Jason Taylor Managing Director, Senior Consultant



Marianne Feeley, CFA Managing Director, **Public Markets**



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Thomas Garrett, CFA, FRM, CAIA Director, Strategic Research



John Wasnock Senior Associate Director, Private Markets



Daniel Sullivan, CAIA, **FRM** Director, Risk



Justin Hatley Director, Performance **Analytics**



Margie Lane Director, Marketing

2nd quarter summary

THE ECONOMIC CLIMATE

- U.S. GDP grew at a 0.3% rate year-over-year in Q1 (-5.0% quarterly annualized rate). The slowdown was broadbased, as consumer purchases slowed, businesses cut back investment, inventories were drawn down, and exports weakened. Q2 GDP growth forecasts suggest a severe contraction of -35%, though estimates vary widely.
- The U.S. labor market experienced a historic shock in Q2, as unemployment jumped from 4.4% in March to 14.7% in April, then recovered partially to 11.1% in June. Recent labor market data have beat expectations materially, but the severity of the shock is notable. A majority of the unemployed have reported their job losses as temporary. It will be important to watch what portion of these losses are indeed temporary rather than permanent.

PORTFOLIO IMPACTS

- Most major equity benchmarks are within 15% of all-time highs, despite major damage that COVID-19 has inflicted on the global economy. Some of this damage has been mitigated by government support, but some damage is likely yet to be felt.
- U.S. core inflation fell steeply from 2.1% in March to 1.2% in June, while food prices have risen. COVID-19 has led to a significant rise in at-home meal preparation (greater demand for certain items), while reportedly negatively impacting food processing facilities (less supply).

THE INVESTMENT CLIMATE

- The Federal Reserve continued to roll out the litany of support programs that were announced in the first quarter.
 The Fed's balance sheet grew from \$5.3 trillion to \$7.1 trillion over the second quarter.
- Moves in the CBOE VIX Index moderated in June. The longterm average of the index is near 19. It has remained above that level since February, reaching a high point of 85 on March 18th, and closing June at 30.
- The Fed expanded the list of eligible securities for purchase to include corporate debt. While the Fed will primarily target investment grade debt securities, it will also buy some non-investment grade debt from "fallen angels" which were investment-grade prior to the pandemic.

ASSET ALLOCATION ISSUES

- U.S. equities delivered an incredible comeback, following a sudden and significant sell-off in March. The S&P 500 rallied +20.5% in the second quarter, bringing year-to-date performance to -3.1%, and positive +7.5% over the past twelve months.
- The U.S. dollar weakened in Q2, falling -2.3%. The market recovery (less demand for safe-haven currencies) and materially lower U.S. interest rates (less attractive U.S. dollar) have likely contributed to depreciation.

A mildly underweight risk stance appears appropriate in today's environment

We remain watchful of the COVID-19 second wave and its impact on economic reopening



What drove the market in Q2?

"The second wave of coronavirus: How bad will it be as lockdowns ease?"

U.S. DAILY NEW CONFIRMED COVID-19 CASES

1/31	2/29	3/31	4/30	5/31	6/30
2	8	26,169	29,419	19,665	45,596

Article Source: The Philadelphia Inquirer, May 6th, 2020

"Early results from Moderna coronavirus vaccine trial show participants developed antibodies against the virus"

MODERNA U.S. EQUITY SHARE PRICE

1/31	2/29	3/31	4/30	5/31	6/30
\$20.51	\$25.93	\$29.95	\$45.99	\$61.50	\$64.21

Article Source: CNN, May 18th, 2020

"Nasdaq erases losses for 2020 as mega-cap tech rallies offset coronavirus drag"

NASDAQ COMPOSITE INDEX TOTAL RETURN MINUS S&P 500 TOTAL RETURN

Jan	Feb	Mar	Apr	May	Jun
+2.1%	+2.0%	+2.3%	+2.7%	+2.1%	+4.1%

Article Source: Business Insider, May 7th, 2020

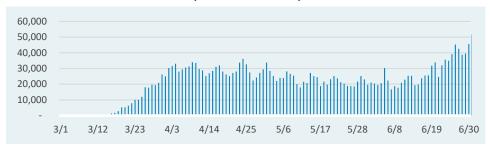
"How China's national security law could change Hong Kong forever"

HONG KONG VISITOR ARRIVALS (YEAR OVER YEAR CHANGE)

Dec	Jan	Feb	Mar	Apr	May
-51.5%	-52.7%	-96.4%	-98.6%	-99.9%	-99.9%

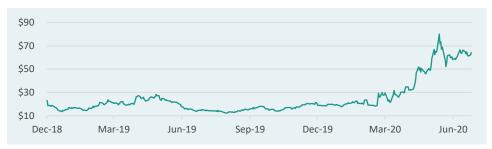
Article Source: CNBC, July 1st, 2020

DAILY NEW COVID-19 CASES (UNITED STATES)



Source: Bloomberg, as of 6/30/20

MODERNA INC. SHARE PRICE



Source: Bloomberg, as of 6/30/20

U.S. EQUITY INDEX PERFORMANCE (INDEXED 12/31/2019=100)

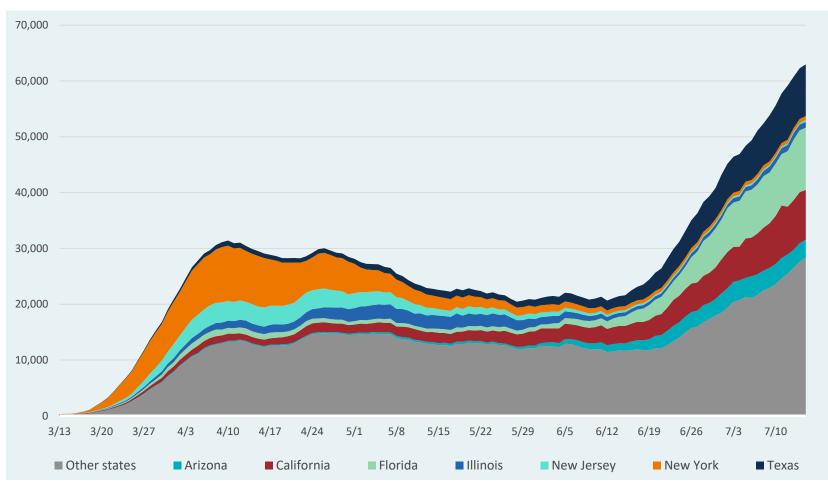


Source: NASDAQ, Standard and Poor's, FTSE Russell, Bloomberg, as of 6/30/20



COVID-19 update

U.S. DAILY NEW CASES DECOMPOSITION (7-DAY TRAILING AVERAGE)



Toward the end of June, daily case growth began to indicate the emergence of a second wave of COVID-19

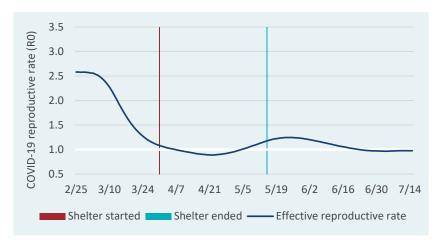
Most of the resurgence has occurred across a small group of U.S. states

Source: Bloomberg, as of 7/15/20

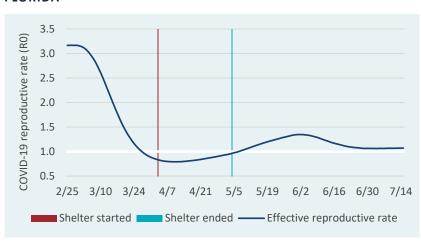


Reproductive rates (R0) by state hot spot

ARIZONA

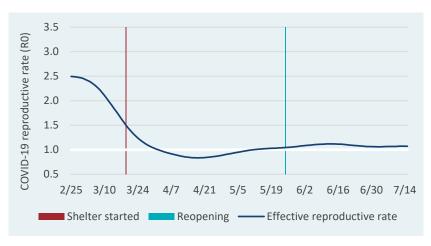


FLORIDA

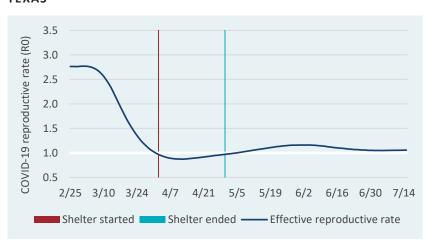


In many states around the country, resurgences in R0 rates above 1.0 began prior to the formal ending of shelter-inplace orders

CALIFORNIA



TEXAS



Source: rt.live, as of 7/15/20. The RO rate represents the average number of additional people each infected person will transmit the virus to. RO rates below 1.0 indicate the virus will decline and eventually die out.



U.S. economics summary

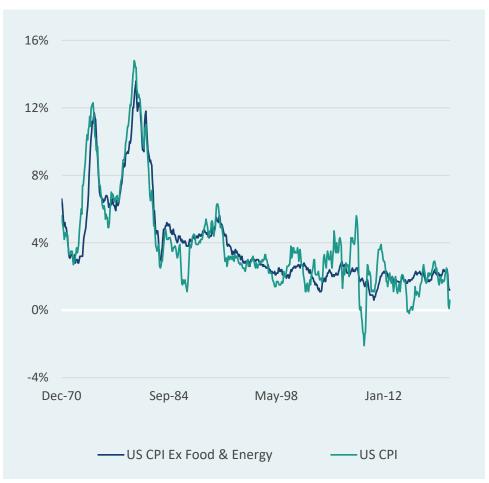
	Most Recent	12 Months Prior
GDP (YoY)	0.3% 3/31/20	2.7% <i>3/31/19</i>
Inflation (CPI YoY, Core)	1.2% 5/31/20	2.0% 5/31/19
Expected Inflation (5yr-5yr forward)	1.5% 6/30/20	1.8% 6/30/19
Fed Funds Target Range	0% – 0.25% 6/30/20	2.25% – 2.50% 6/30/19
10 Year Rate	0.7% 6/30/20	2.0% 6/30/19
U-3 Unemployment	11.1% 6/30/20	3.7% 6/30/19
U-6 Unemployment	18.0% 6/30/20	7.2% 6/30/19

Source: Bloomberg



U.S. inflation

U.S. CPI (YOY)



BREAKEVEN INFLATION RATES



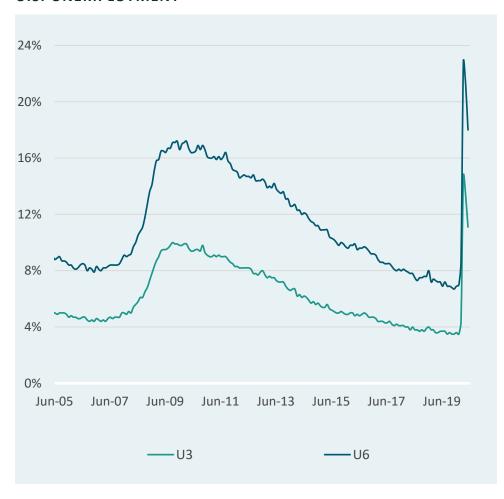
Source: Bloomberg, as of 6/30/20

Source: Bloomberg, as of 6/30/20

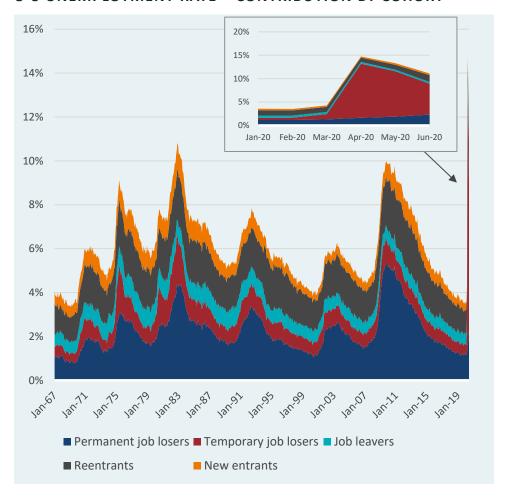


Labor market

U.S. UNEMPLOYMENT



U-3 UNEMPLOYMENT RATE - CONTRIBUTION BY COHORT

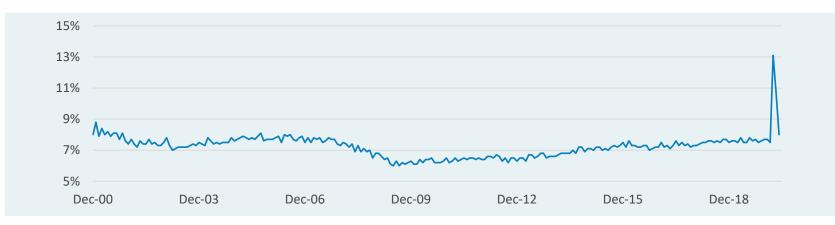


Source: FRED, as 6/30/20 Source: BLS, as of 6/30/20



Labor market churn

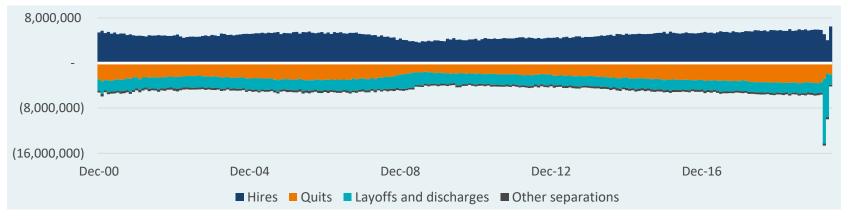
U.S. HIRES RATE PLUS U.S. SEPARATIONS RATE



While voluntary separations (quits) have slowed, both hires and involuntary separations have spiked to record levels

Source: BLS, as of 5/31/20 – Chart illustrates the total percentage of U.S. workers departing work and starting new work.

MONTHLY JOB HIRES, QUITS, LAYOFFS & DISCHARGES, AND OTHER SEPARATIONS LEVELS



Source: BLS, as of 5/31/20

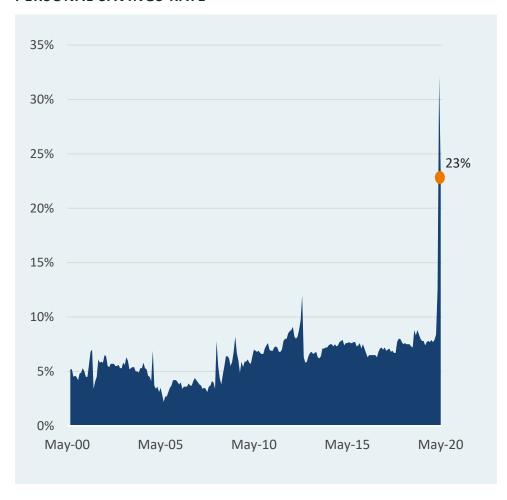


U.S. consumer

U.S. REVOLVING CREDIT OUTSTANDING



PERSONAL SAVINGS RATE



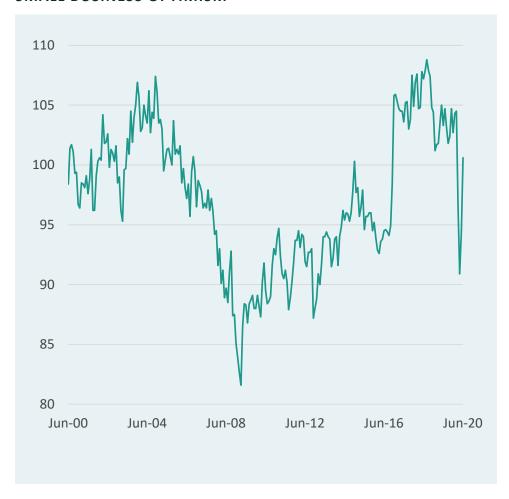
Source: Federal Reserve, as of 5/31/20

Source: FRED, as of 5/31/20

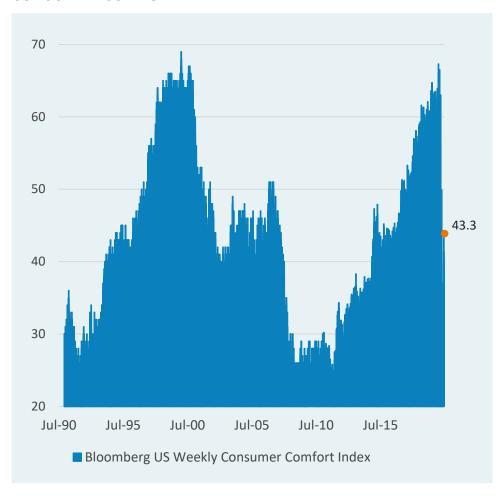


U.S. sentiment

SMALL BUSINESS OPTIMISM



CONSUMER COMFORT



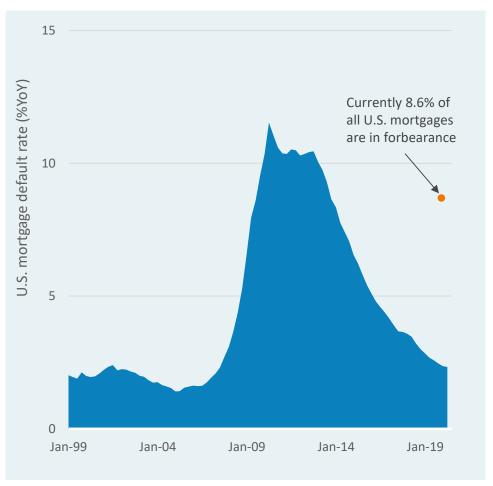
Source: NFIB, as 6/30/20

Source: Bloomberg, as of 6/30/20

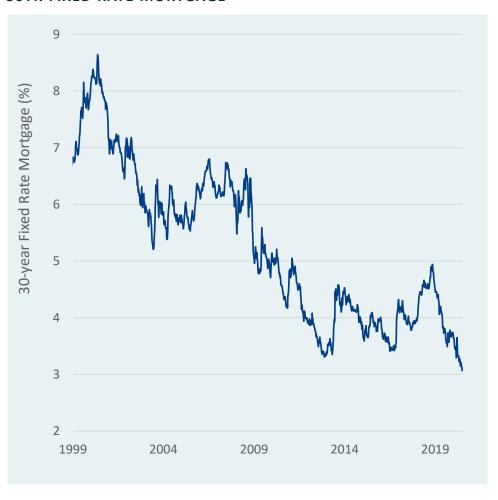


U.S. housing

MORTGAGE DEFAULT RATE (%)



30YR FIXED RATE MORTGAGE



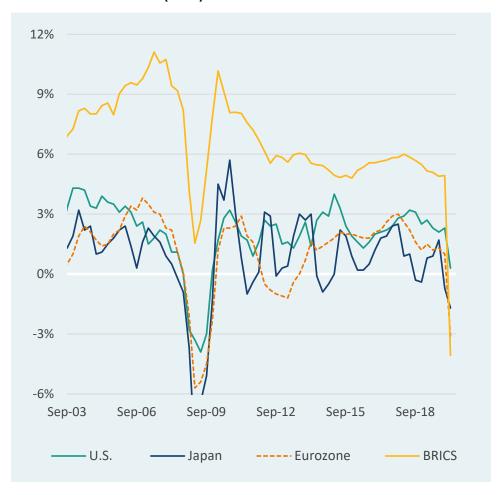
Source: FRED, as of 3/31/20 Source: FRED, as of 6/30/20



International economics summary

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	0.3% 3/31/20	0.1% <i>5/31/20</i>	11.1% <i>6/30/20</i>
Eurozone	(3.1%) 3/31/20	0.3% 6/30/20	7.4% 5/31/20
Japan	(1.7%) 3/31/20	0.3% 6/30/20	2.9 % 5/31/20
BRICS Nations	(4.1%) 3/31/20	4.9% <i>3/31/20</i>	5.1% 3/31/20
Brazil	(0.3%) 3/31/20	1.9% 5/31/20	12.9% 5/31/20
Russia	1.6% 3/31/20	2.9% 5/31/20	6.1% 5/31/20
India	4.7% 12/31/19	5.8% 3/31/20	8.5% 12/31/17
China	(6.8%) 3/31/20	2.4% 5/31/20	3.7% 3/31/20

REAL GDP GROWTH (YOY)



Source: Bloomberg, as of 3/31/20 or most recent release



U.S.-China tensions escalating

January 15th – U.S. and China sign the Phase One Deal. Agreements include the rollback of recently applied tariffs, increased purchases of certain goods, greater intellectual property protection, and limited currency practices.

May 1st – The Trump Administration directs the Federal Retirement Thrift Investment Board, a retirement fund with over \$500 billion in assets, to halt its plans to invest in Chinese the contested Spratly Islands, and equities. The U.S. Labor Secretary explained that these investments would put American funds "in risky companies" that pose a threat to U.S. national securities."

July 14th – The U.S. Navy conducts a freedom of navigation operation near sends a guided missile destroyer into waters which China claims as its own.

January 31st – The U.S. implements a ban against all non-U.S. citizens who have visited China recently, amid COVID-19 fears.

June 30th – China passes a sweeping new Hong Kong national security law, effectively eliminating free speech and the right to protest, and eroding the sovereignty of the country. Under the new law, any talk or protesting for Hong Kong independence, or of anti-China sentiment, can result in imprisonment.

July 22nd – The U.S. orders China to close its consulate in Houston. Texas, "in order to protect American intellectual property and Americans' private information" said U.S. State Department spokeswoman Morgan Ortagus.

2019

2020

March 18th – China ousts American journalists from the country, including the Wall Street Journal, the New York Times, and the Washington Post. China adds new requirements that these companies must share details of their operations with the Chinese government.

October 9th – The U.S. Secretary of State announces visa restrictions against Chinese officials accused of human rights abuses of ethnic populations in the Xinjiang region, including "mass detentions in internment camps; pervasive, hightech surveillance; draconian controls on expressions of cultural and religious identities; and coercion of individuals to return from abroad to an often perilous fate in China."

May 15th - In a continued push to stop China's proliferation of its 5G technology, the U.S. Commerce Department amends export rules which cut off Huawei from global chip manufacturers that use American technology.

June 30th – The United States revokes its special trade status with Hong Kong—a move which signals that Hong Kong is no longer viewed as autonomous from China. All U.S. trade with Hong Kong will effectively be treated as trade with China.

> July 10th – President Trump comments that he is not focused on a Phase Two Trade Deal, and that the U.S. relationship with China has been "severely damaged" by the outbreak of COVID-19. The President continues his comments that China is at fault for failing to prevent the global spread of the virus.

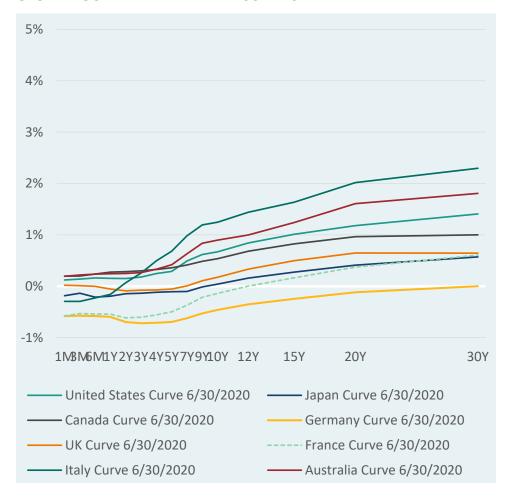
> > July 13th – The U.S. announces new interpretations of China's recent claims in the South China Sea. "We are making clear: Beijing's claims to offshore resources across most of the South China Sea are completely unlawful, as is its campaign of bullying to control them." —Secretary of State Mike Pompeo



Interest rate environment

Area	Short Term (3M)	10-Year	
United States	0.13%	0.66%	
Germany	(0.56%)	(0.46%)	
France	(0.52%)	(0.11%)	
Spain	(0.49%)	0.46%	
Italy	(0.29%)	1.26%	
Greece	0.32%	1.20%	
U.K.	0.01%	0.17%	
Japan	(0.17%)	0.02%	
Australia	0.21%	0.87%	
China	1.74%	2.84%	
Brazil	2.04%	6.83%	
Russia	4.57%	5.92%	

GLOBAL GOVERNMENT YIELD CURVES



Source: Bloomberg, as of 6/30/20



Yield environment

U.S. YIELD CURVE

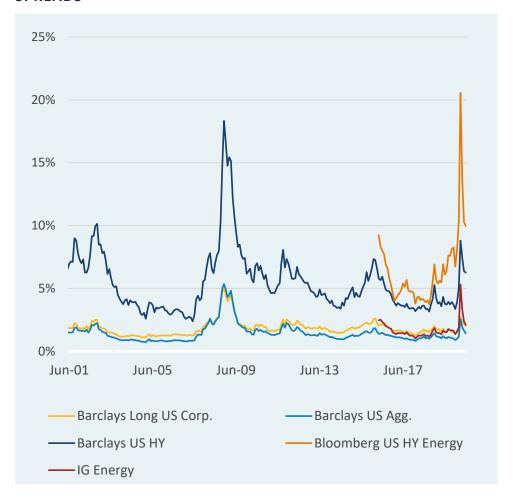


Source: Bloomberg, as of 6/30/20



Credit environment

SPREADS



	Credit Spread (OAS)		
Market	6/30/20	6/30/19	
Long U.S. Corp	2.0%	1.6%	
U.S. Inv Grade Corp	1.5%	1.2%	
U.S. High Yield	6.3%	3.8%	
U.S. Bank Loans*	6.2%	4.4%	

Source: Barclays, Bloomberg, as of 6/30/20

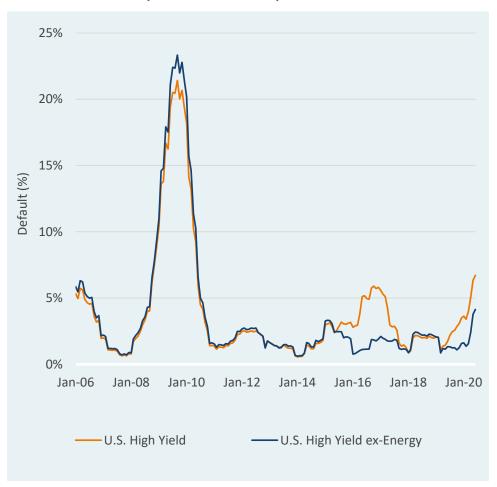
Source: Barclays, Credit Suisse, Bloomberg, as of 6/30/20

*Discount margin (4-year life)

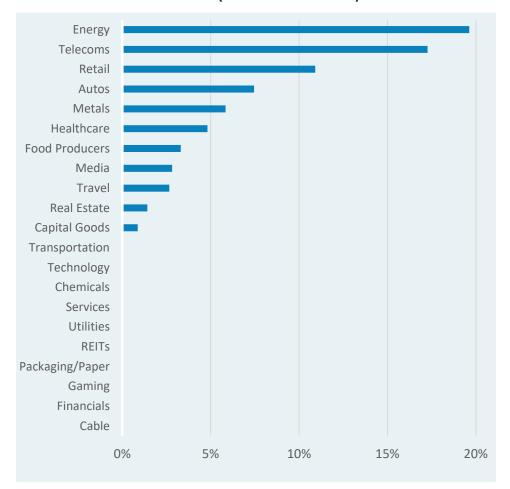


Defaults

HY DEFAULT RATE (ROLLING 1-YEAR)



U.S. HY SECTOR DEFAULTS (LAST 12 MONTHS)



Source: BofA Merrill Lynch, as of 6/30/20

Source: BofA Merrill Lynch, as of 6/30/20 – par weighted



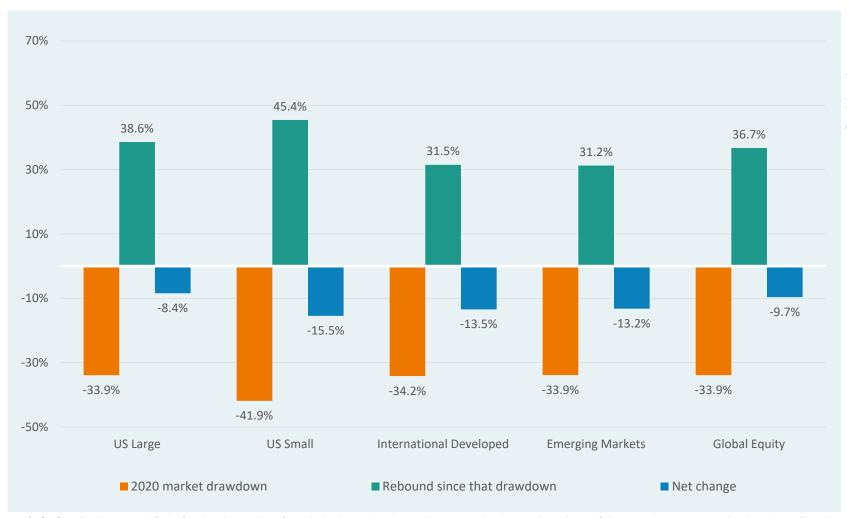
Equity environment

	QTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)
US Large Cap (S&P 500)	20.5%		7.5%	
US Small Cap (Russell 2000)	25.	4%	(6.6%)	
US Large Value (Russell 1000 Value)	14.3%		(8.8)	3%)
US Large Growth (Russell 1000 Growth)	27.8%		23.3%	
International Large (MSCI EAFE)	14.9%	12.9%	(5.1%)	(2.1%)
Eurozone (Euro Stoxx 50)	20.1%	17.8%	(6.4%)	(2.7%)
U.K. (FTSE 100)	9.0%	9.2%	(15.9%)	(12.2%)
Japan (NIKKEI 225)	17.9%	18.2%	6.6%	9.0%
Emerging Markets (MSCI Emerging Markets)	18.1%	16.6%	(3.4%)	1.7%

Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 6/30/20



Equity market peak-to-trough



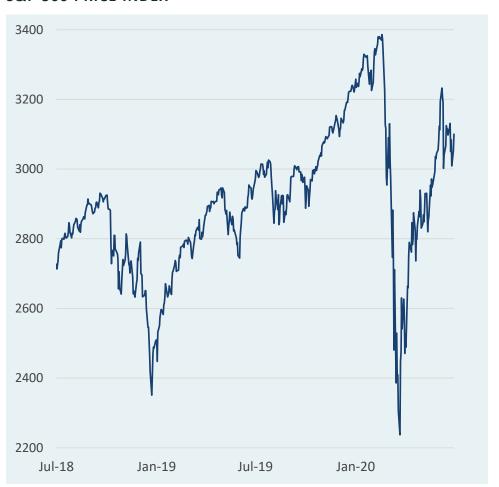
Equity markets around the world have recovered most of their losses

As of 6/30/20 - "Peak-to-trough" is defined as the total loss from the highest value achieved in 2020 to the lowest value achieved following the COVID-19 market drawdown. "Net change" is the difference between the market price on June 30th and the highest value achieved in 2020. Indexes include: S&P 500, Russell 2000, MSCI EAFE, MSCI Emerging Markets, MSCI ACWI.

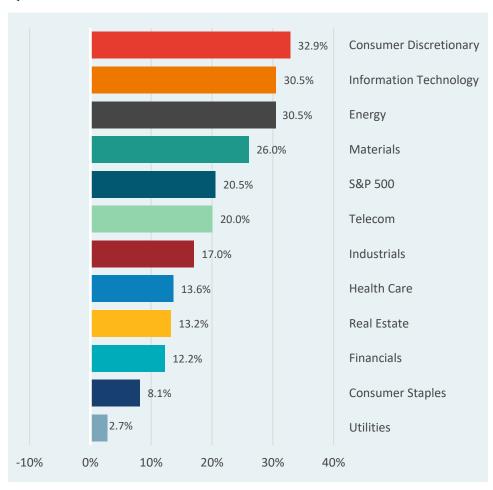


Domestic equity

S&P 500 PRICE INDEX



Q2 SECTOR PERFORMANCE



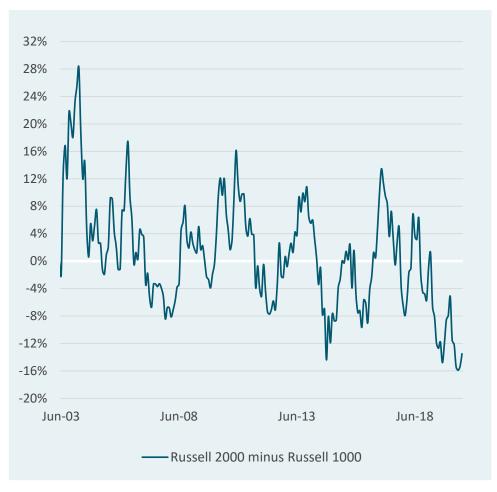
Source: Standard & Poor's, as of 6/30/20

Source: Standard & Poor's, as of 6/30/20

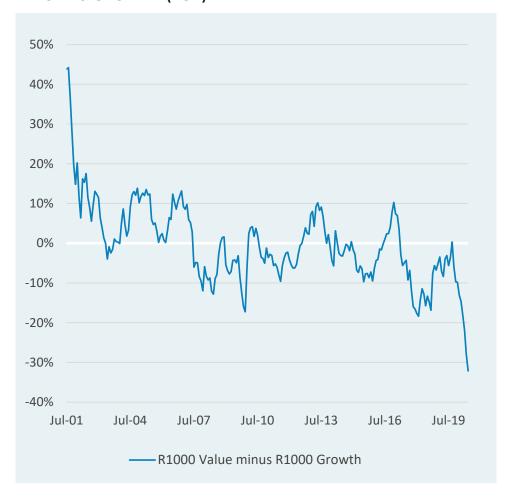


Domestic equity size & style

SMALL CAP VS LARGE CAP (YOY)



VALUE VS GROWTH (YOY)



Source: FTSE, Bloomberg as of 6/30/20

Source: FTSE, Bloomberg, as of 6/30/20

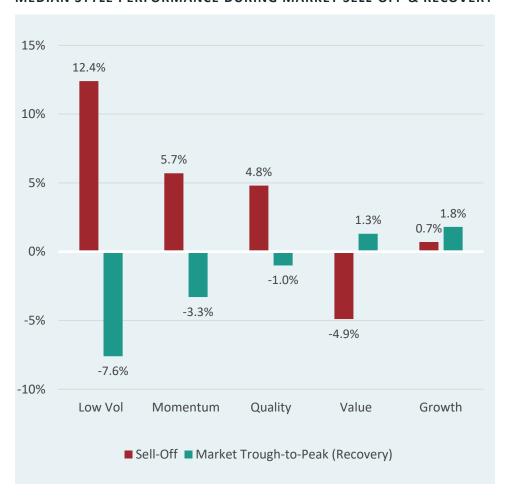


Equity factor monitor

FACTOR PERFORMANCE (INDEXED 1/2/2017=100)



MEDIAN STYLE PERFORMANCE DURING MARKET SELL-OFF & RECOVERY



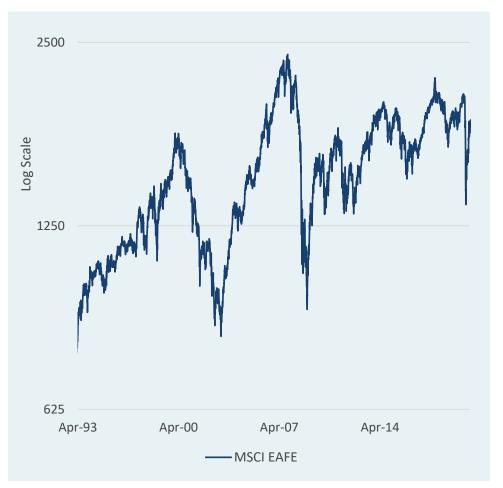
Source: J.P. Morgan, as of 6/26/20

Source: J.P. Morgan, as of 6/26/20



Global equity

INTERNATIONAL DEVELOPED EQUITY



EFFECT OF CURRENCY (1-YEAR ROLLING)



Source: MSCI, as of 6/30/20 Source: MSCI, as of 6/30/20

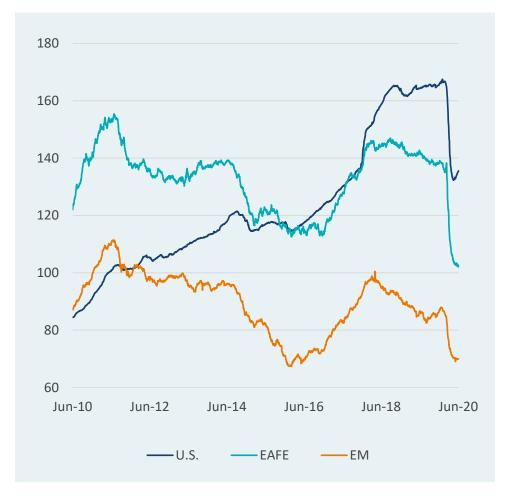


Equity valuations

FORWARD P/E RATIOS



BLENDED FORWARD 12-MONTH EPS ESTIMATES



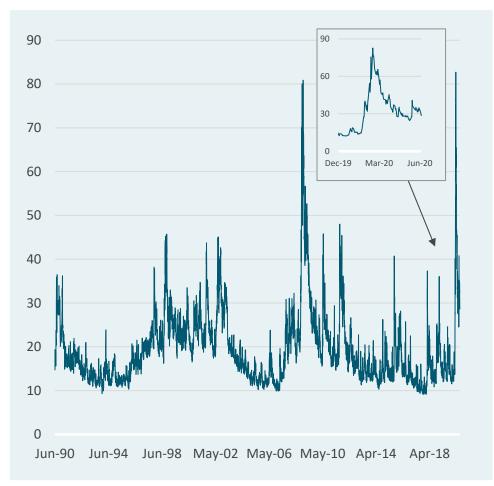
Source: MSCI, 12m forward P/E, as of 6/30/20

Source: Bloomberg, MSCI as of 6/30/20 - trailing P/E

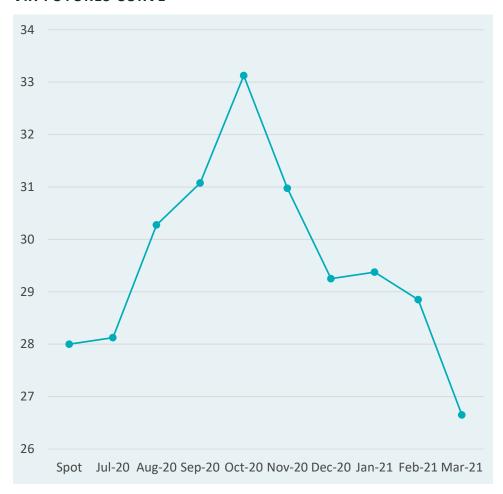


Equity volatility

U.S. IMPLIED VOLATILITY (VIX)



VIX FUTURES CURVE



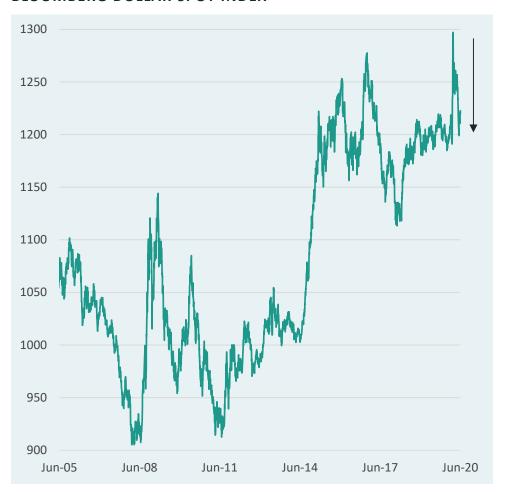
Source: CBOE, as of 6/30/20

Source: CBOE, Bloomberg, as of 6/30/20



Currency

BLOOMBERG DOLLAR SPOT INDEX



EMBEDDED CURRENCY VS CURRENCY BETA



Source: Bloomberg, as of 6/30/20

Source: MSCI, Bloomberg, as of 6/30/20



2nd quarter summary

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- U.S. GDP grew at a 0.3% rate year-over-year in Q1 (-5.0% quarterly annualized rate). The slowdown was broadbased, as consumer purchases slowed, businesses cut back investment, inventories were drawn down, and exports weakened. Q2 GDP growth forecasts suggest a severe contraction of -35%, though estimates vary widely.
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- Most major equity benchmarks are within 15% of all-time highs, despite major damage that COVID-19 has inflicted on the global economy. Some of this damage has been mitigated by government support, but some damage is likely yet to be felt.
- U.S. core inflation fell steeply from 2.1% in March to 1.2% in June, while food prices have risen. COVID-19 has led to a significant rise in at-home meal preparation (greater demand for certain items), while reportedly negatively impacting food processing facilities (less supply).

THE INVESTMENT CLIMATE

- The Federal Reserve continued to roll out the litany of support programs that were announced in the first quarter.
 The Fed's balance sheet grew from \$5.3 trillion to \$7.1 trillion over the second quarter.
- Moves in the CBOE VIX Index moderated in June. The longterm average of the index is near 19. It has remained above that level since February, reaching a high point of 85 on March 18th, and closing June at 30.
- The Fed expanded the list of eligible securities for purchase to include corporate debt. While the Fed will primarily target investment grade debt securities, it will also buy some non-investment grade debt from "fallen angels" which were investment-grade prior to the pandemic.

ASSET ALLOCATION ISSUES

- U.S. equities delivered an incredible comeback, following a sudden and significant sell-off in March. The S&P 500 rallied +20.5% in the second quarter, bringing year-to-date performance to -3.1%, and positive +7.5% over the past twelve months.
- The U.S. dollar weakened in Q2, falling -2.3%. The market recovery (less demand for safe-haven currencies) and materially lower U.S. interest rates (less attractive U.S. dollar) have likely contributed to depreciation.

A mildly underweight risk stance appears appropriate in today's environment

We remain watchful of the COVID-19 second wave and its impact on economic reopening

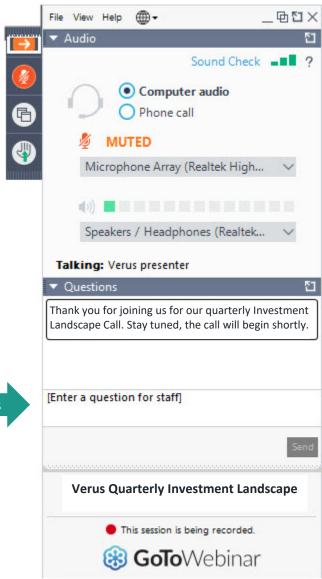






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Thank you

