

Equity Markets Panel



General Session



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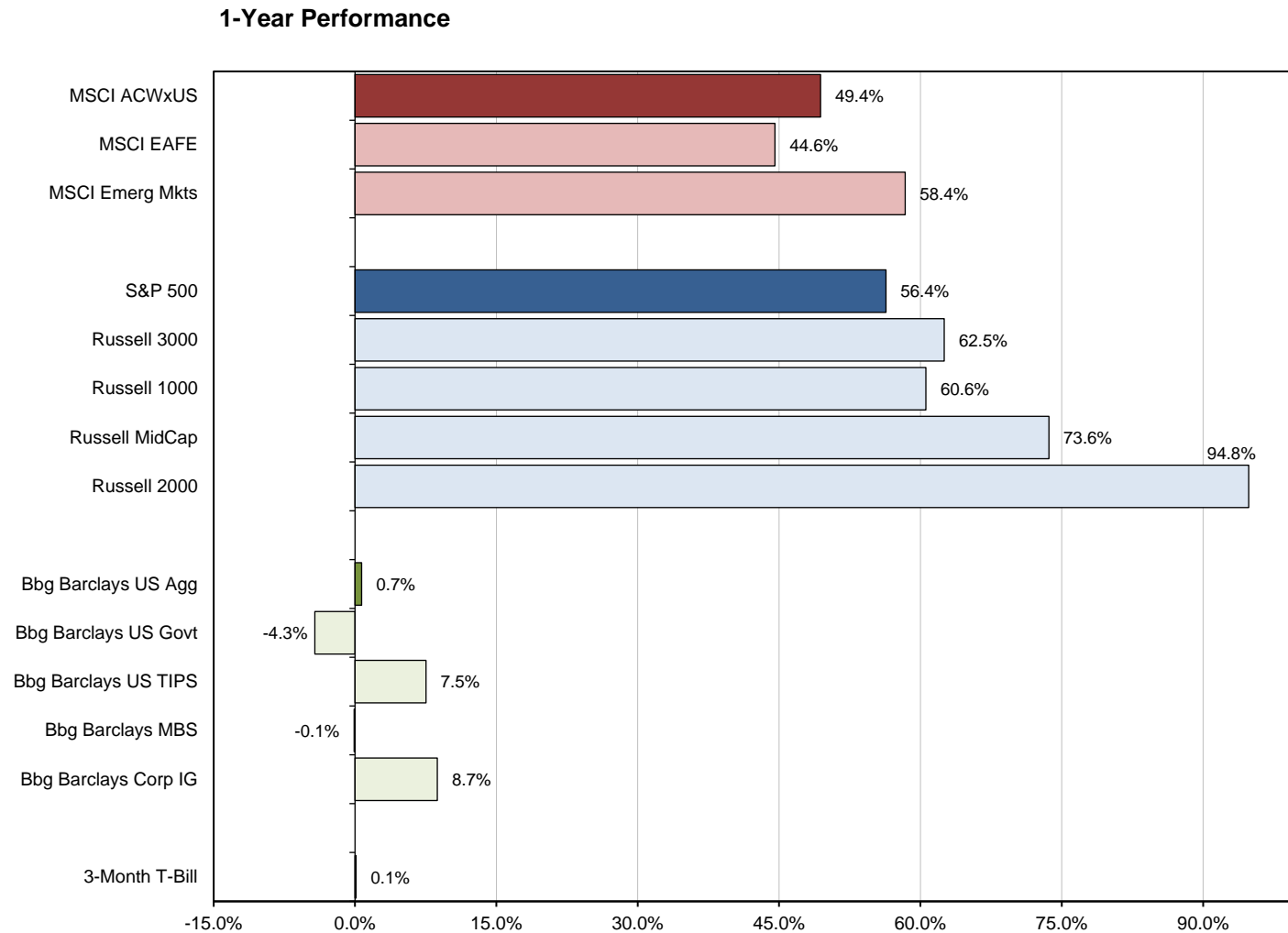
Stephanie C. Jones, CPA
Portfolio Manager, Director Non-US
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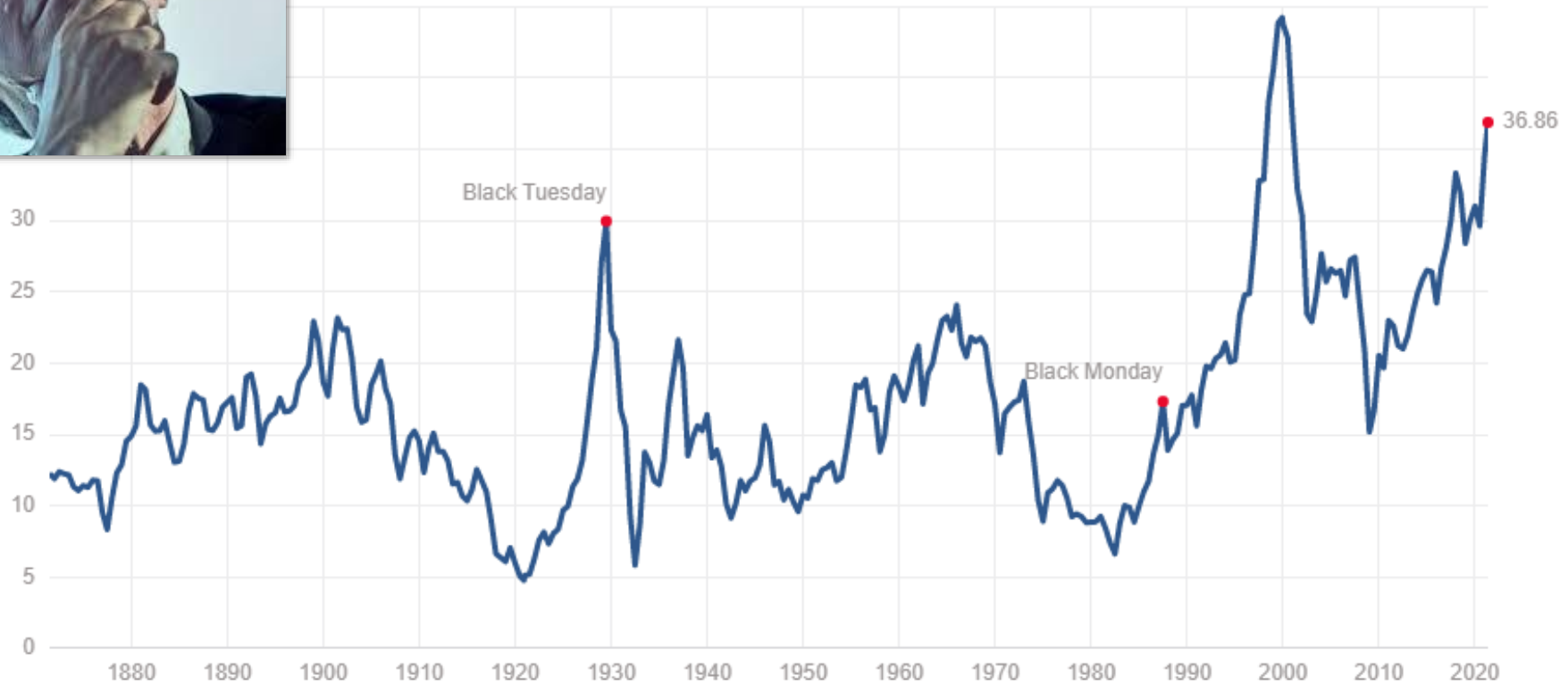
Kevin Vandolder, CFA
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Last 12 Months Have Delivered Strong Results Through March 31, 2021



Shiller PE Ratio – Market Valuations Look a Bit Extended?



Forward Looking Capital Market Assumptions

	E(r)
U.S. Large Cap Stock	5.1%
U.S. Small Cap Stock	6.3%
Developed Non-U.S. Stock	7.8%
Emerging Market Stock	9.2%
U.S. Aggregate Bonds	2.2%
U.S. Core Real Estate	6.5%
U.S. Value Add Real Estate	9.5%
Private Equity	9.4%



Definition: Transitory

- “of brief duration”
- “not persistent”

Source: Merriam-Webster

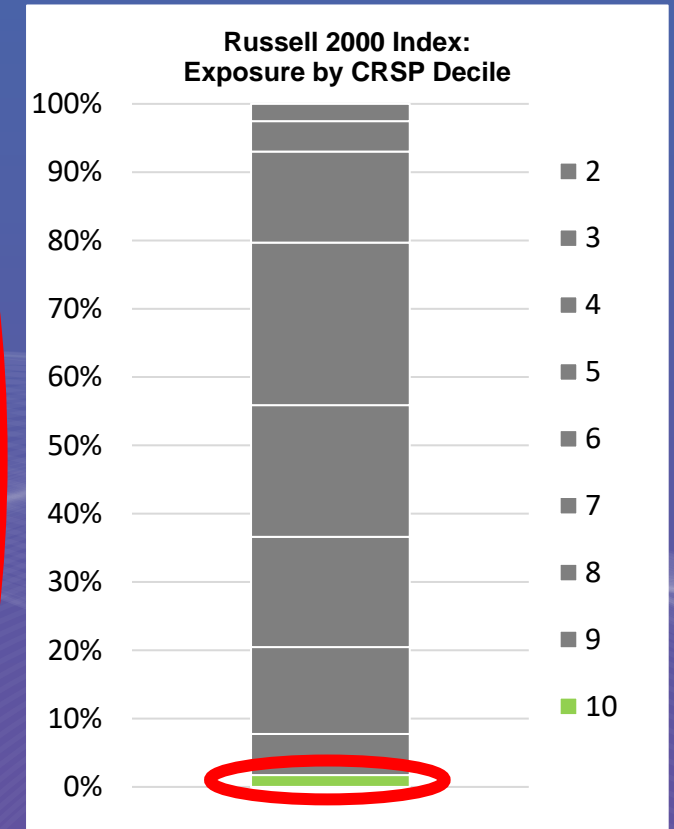
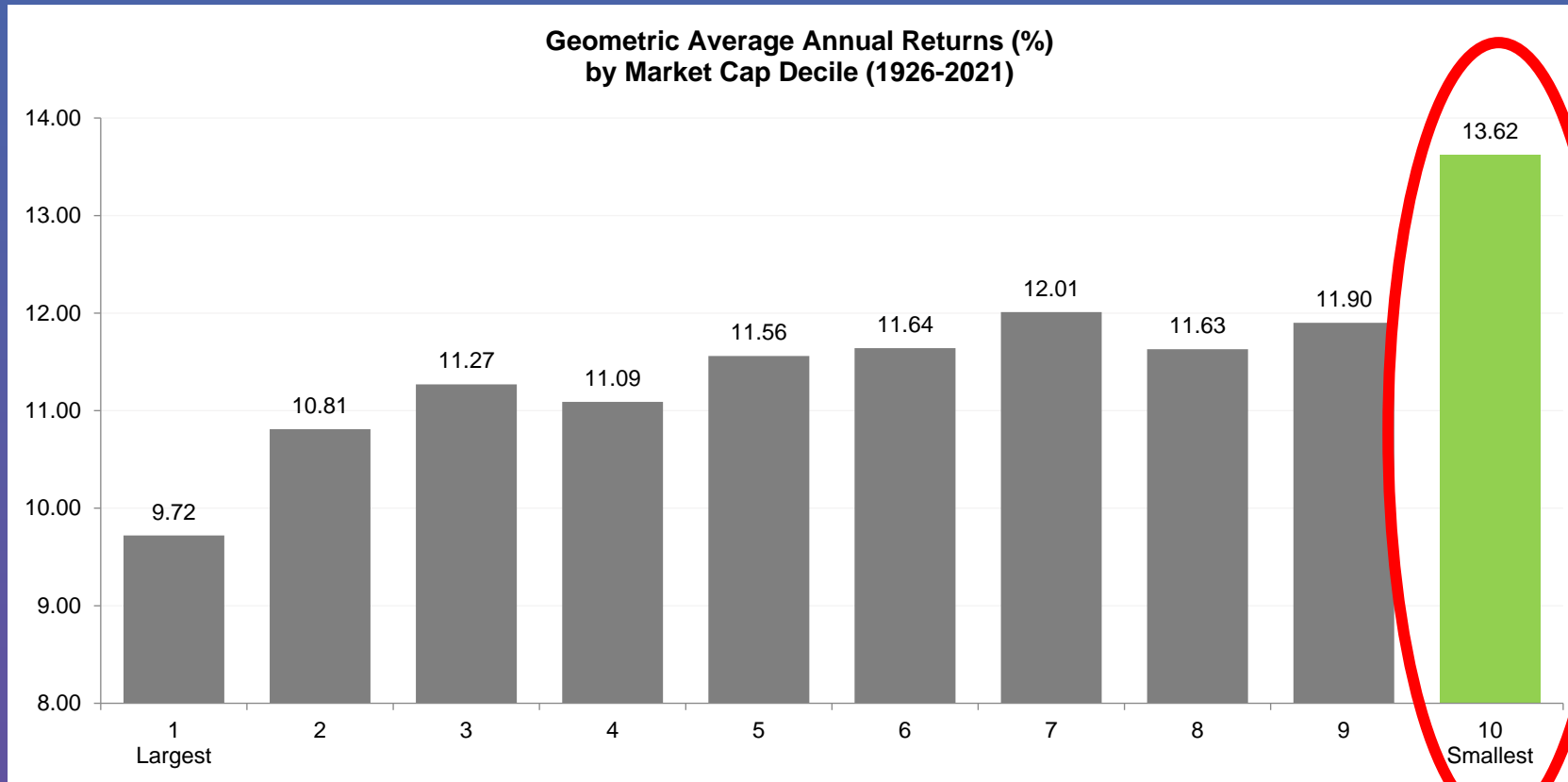
Source: JP Morgan, 2021

E(r) = “Expected Return” are median arithmetic over a long-term period (10- to 15-year) observations.

For illustrative purposes only. These numbers contain forward-looking statements, estimates and projections which are inherently speculative and subject to various uncertainties whereby the actual outcomes or results could differ materially from those indicated.

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OPPORTUNITY: ULTRA SMALL COMPANIES



Bridgeway Research Perspective:
<https://bridgeway.com/perspectives/crisis-and-opportunity-the-overlooked-role-of-ultra-small-stocks>

OPPORTUNITY: SMALL-CAP VALUE

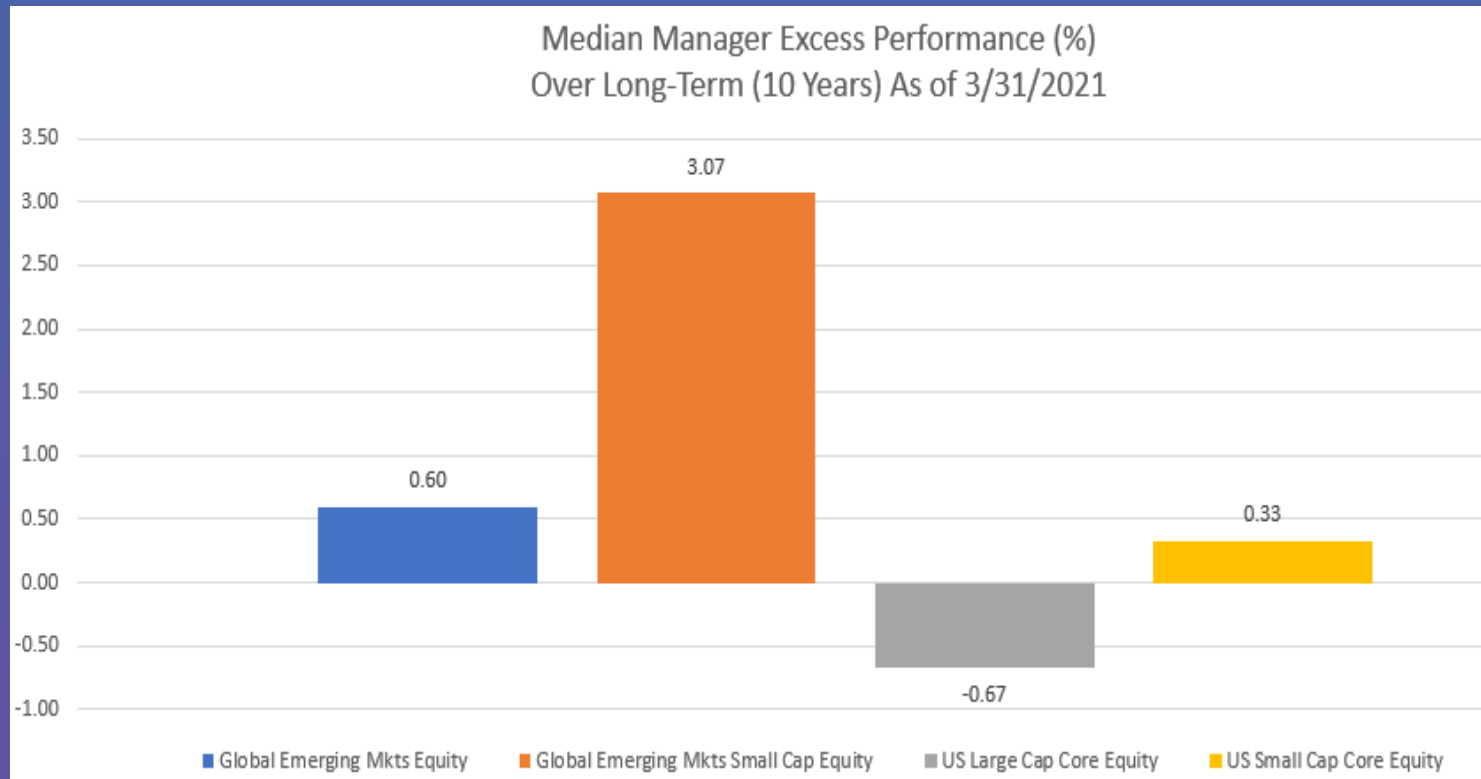
Run, Small Cap Value, Run!



Small-Cap Value.....
Room To Run?

<https://bridgeway.com/perspectives/room-to-run-with-us-small-cap-value-stocks>

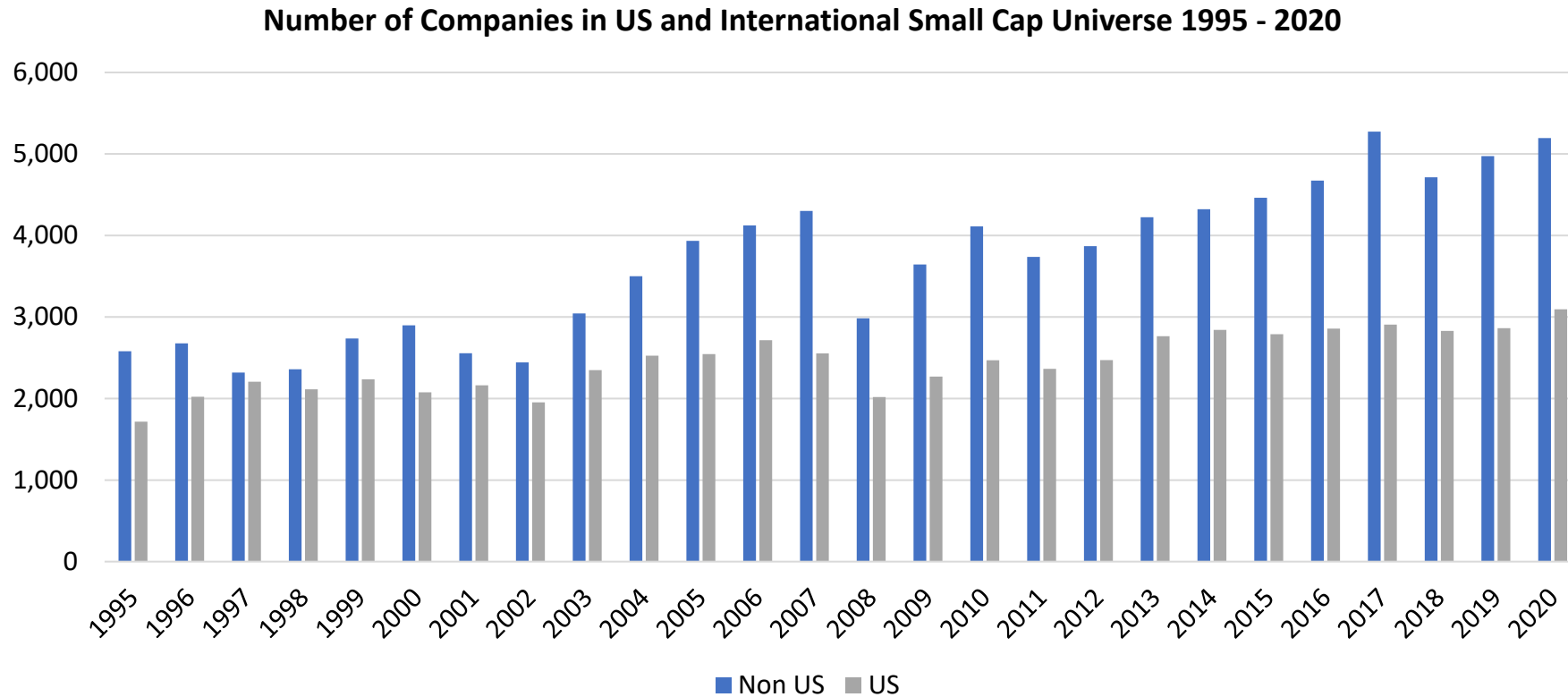
OPPORTUNITY: EMERGING MARKETS SMALL-CAP



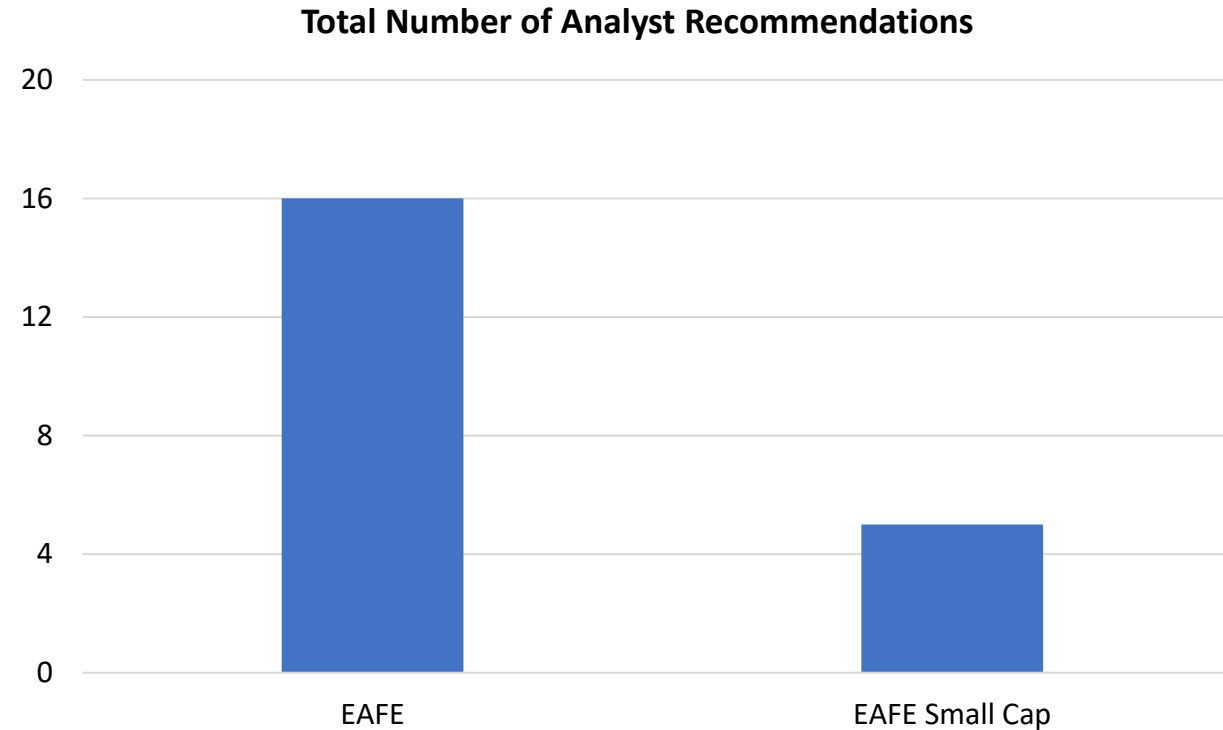
* Source: eVestment; the eVestment universe median calculation is using the default reporting method and default vehicle for all universe constituents to determine the median for each universe.

Bridgeway Research Perspective:
<https://bridgeway.com/perspectives/why-emerging-markets-small-cap>

INTERNATIONAL SMALL CAP OFFERS A LARGE AND GROWING OPPORTUNITY SET

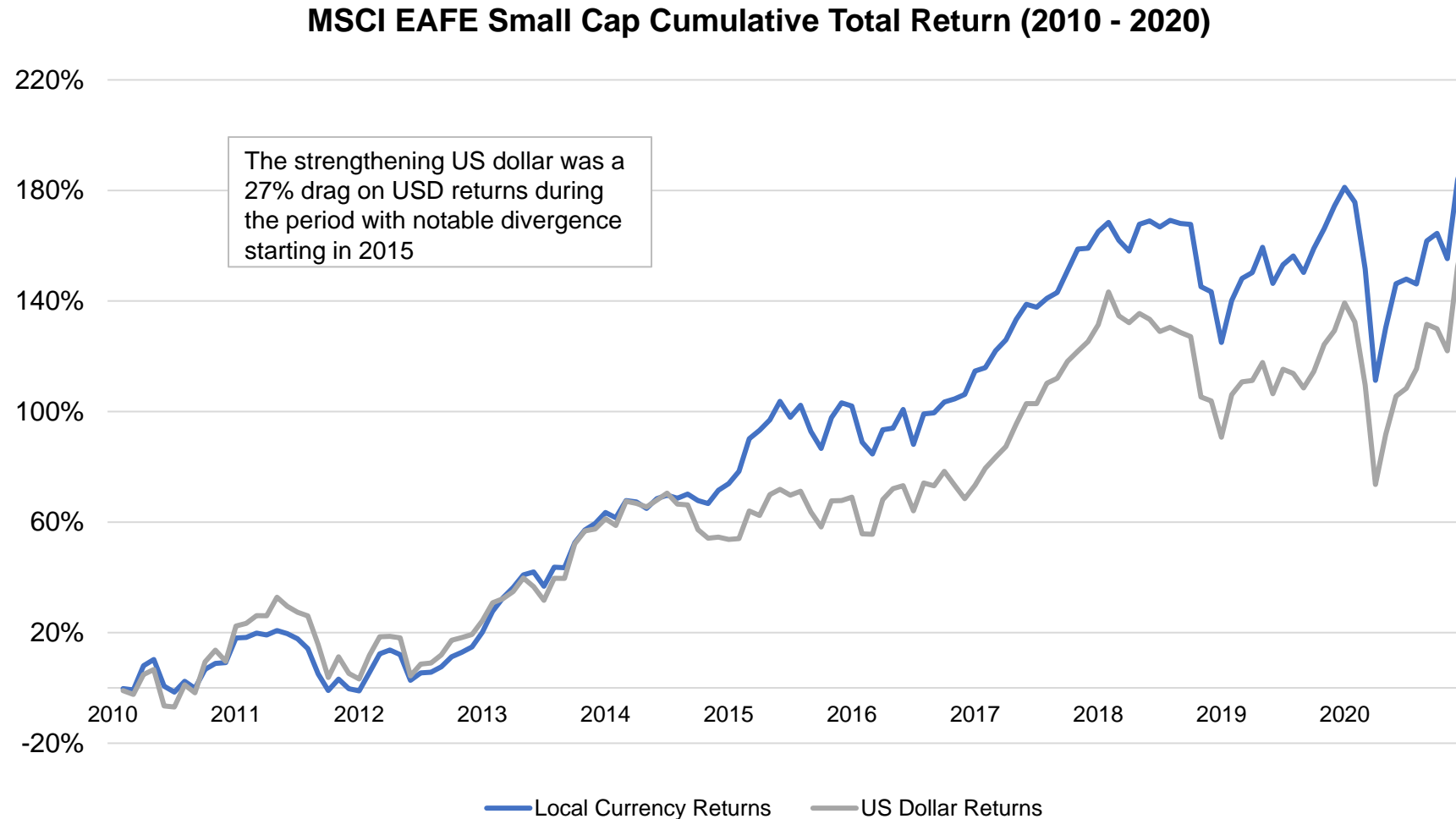


INTERNATIONAL SMALL CAP IS NOT WELL COVERED



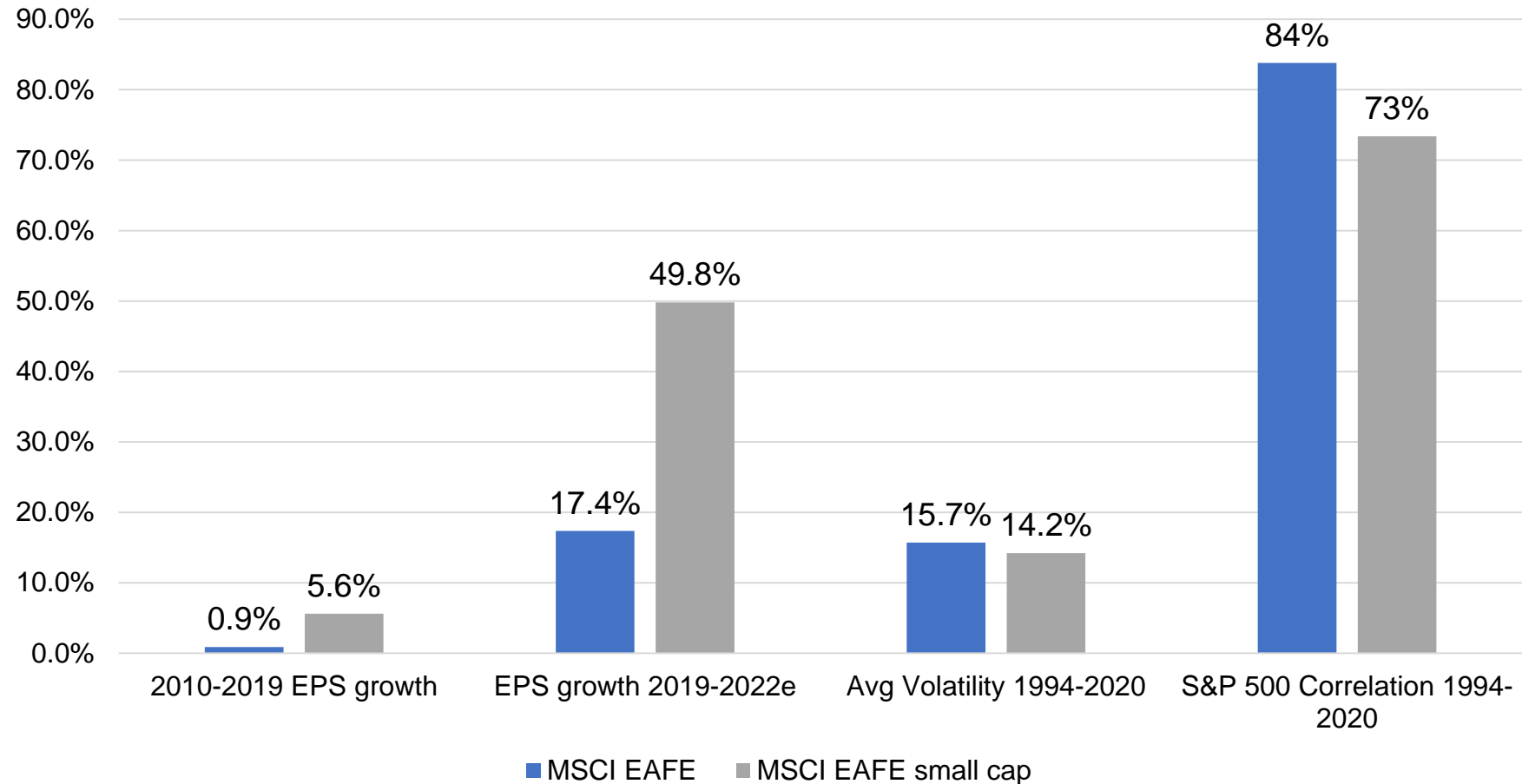
- ▶ International small caps are not well followed by the analyst community
- ▶ 3-5x more large cap analysts compared to small cap

USD STRENGTH NEGATIVELY IMPACTED EAFE SMALL CAP RETURNS



Source: Bloomberg, Factset

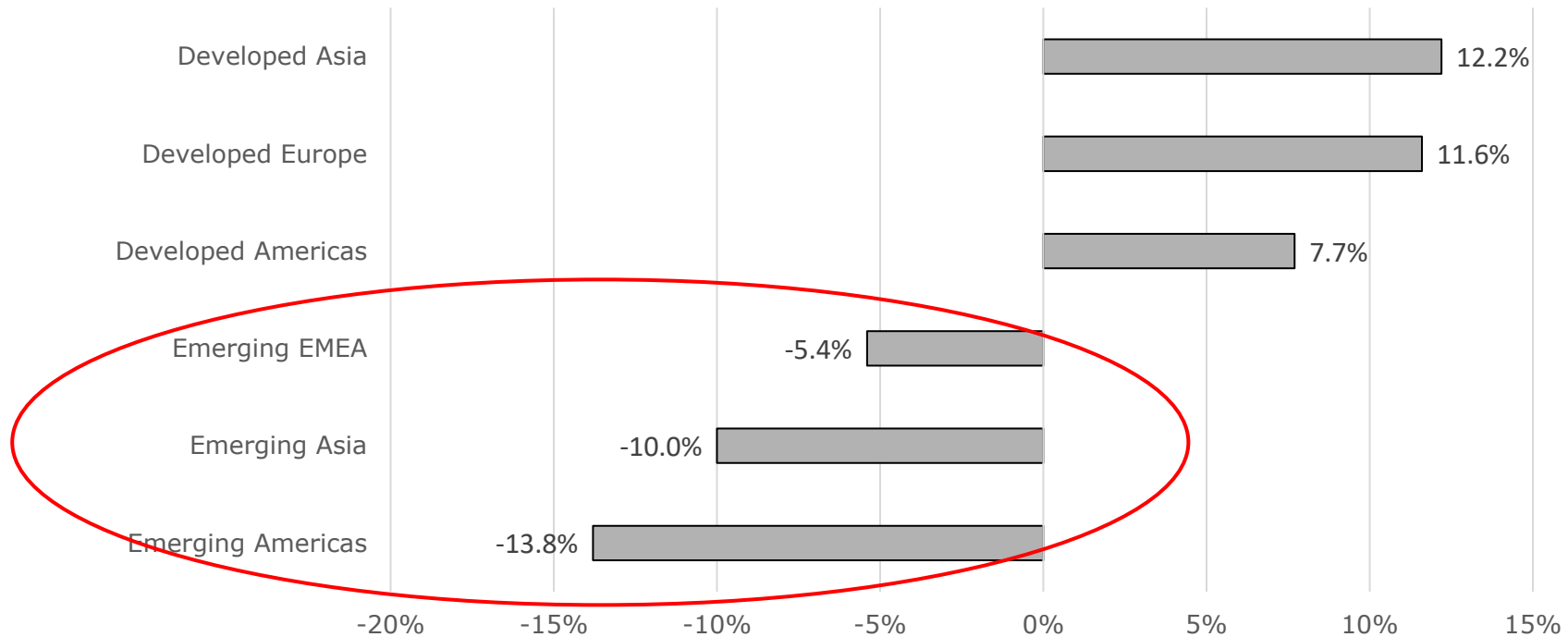
INTERNATIONAL SMALL CAP HAS BETTER RISK-REWARD THAN INTERNATIONAL LARGE CAP



Source: Bloomberg, Factset

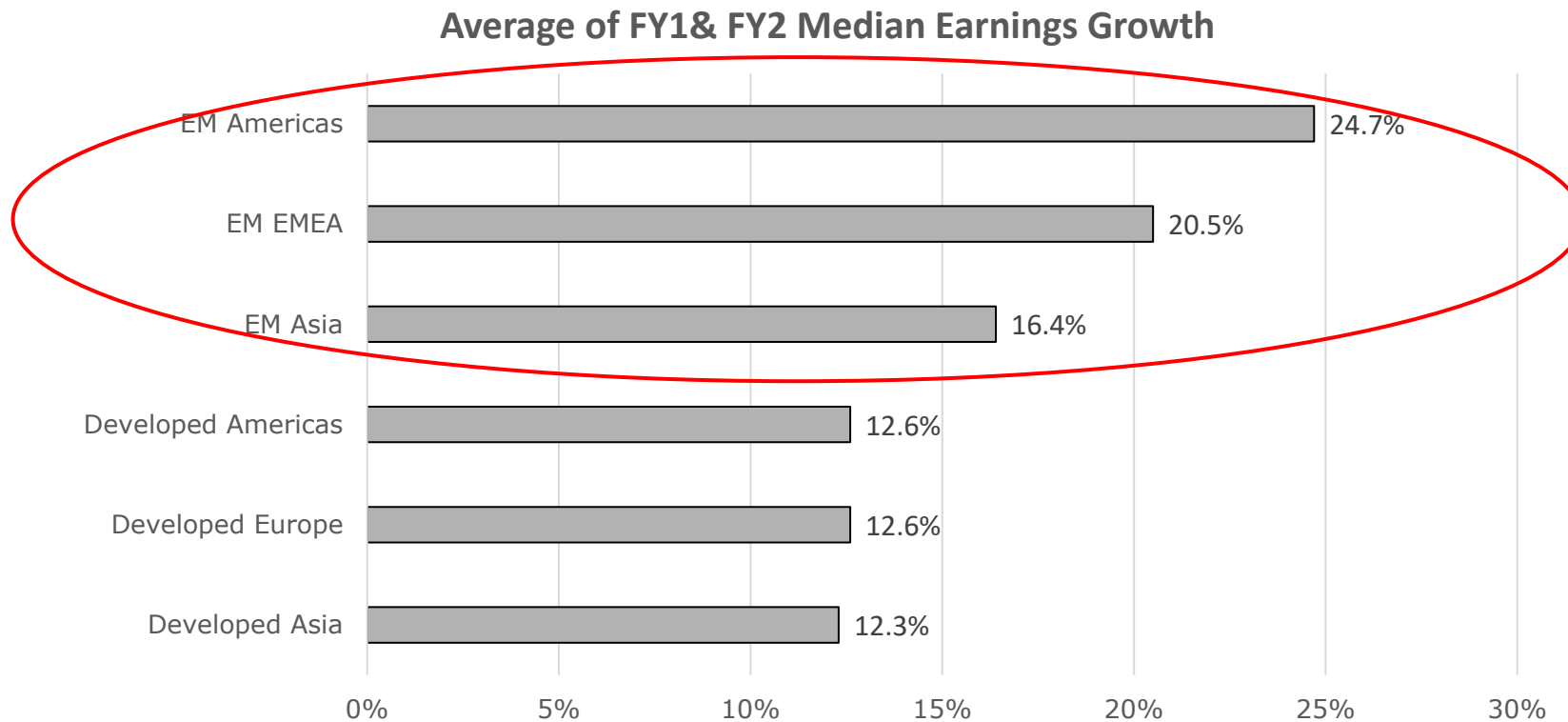
Valuations in Emerging Markets look quite attractive vs. history...

FY1 Price/Earnings vs. 10 Year average



Source: Refinitiv Datastream

**...especially relative to
Expectations for Earnings Growth**



Source: Refinitiv Datastream

**...however, growth rates vary widely
by country within a given region**

Some thoughts on allocation

- True, small caps are attractive, but there are still plenty of opportunities further up the market cap spectrum
- Rising interest rates and rising inflation favor cyclicals – shift in leadership from tech heavy countries to resource intensive ones?
- Given the unevenness in infection/vaccination rates and the pace of economic recovery, a bar-belled approach (offensive vs. defensive) still makes sense

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