GLOBAL EQUITY AND CUMBERLAND INTERNATIONAL FUND STRATEGIES

Second Quarter 2019

Introduction

With the Cumberland Global Equity and Cumberland International Fund strategies being fully invested (holding very little cash), your money has been thriving in the strong global equity markets that we have seen so far this year. We are positioned to continue to take advantage of global growth, and despite strong gains we see a number of reasons to continue to be optimistic for the balance of 2019.

Market Review

Overall, despite a choppy month of May, the second quarter of 2019 was a very positive quarter for global equity investors. Most major equity markets around the world enjoyed strong gains, adding to the already good first quarter performance in 2019. In fact, the MSCI World had its best first half since 1997.

Last quarter, we wrote that history shows us that a strong performing market in the first quarter typically leads to further gains, rather than consolidation or short-term losses. It has been more of a two steps forward and then another step forward, rather than two steps forward and then one step backward as an investor might expect. This is indeed what we have experienced in the second quarter.

Fortunately, history also shows us that a strong first half of the year has usually been followed be a decent second half.

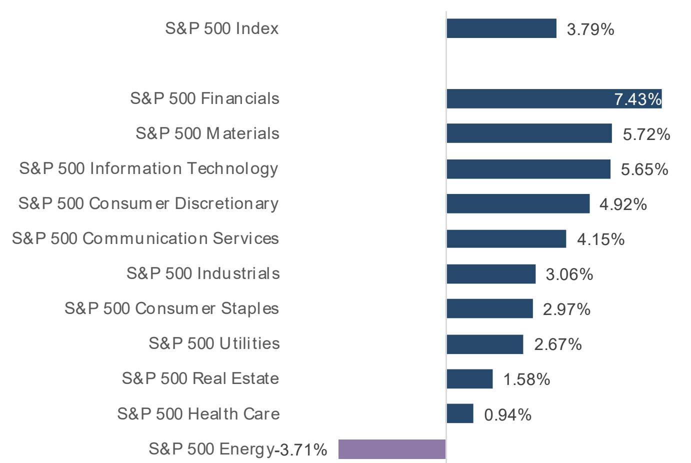
Historical Performance S&P 500 (US$)

Year	First Half	Second Half
1975	39%	-5%
1987	26%	-19%
1983	20%	-2%
1997	19%	10%
1986	19%	-3%
1995	19%	13%
1954	18%	23%
2019	17%	
1998	17%	8%
1976	16%	3%
1985	15%	10%
1989	14%	11%
1955	14%	11%
1958	13%	22%
1967	13%	6%
Average	**18%**	**6%**
Median	**17%**	**9%**
% of positive		**71%**

Source: Scotiabank, GBM Portfolio Strategy, Bloomberg

The following chart ranks the performance of the 11 major S&P 500 Index sectors during the second quarter. On a global basis, sector leaders and laggards were very similar.

S&P500 Index Sector Performance



Source: Bloomberg

Financial services companies (such as banks and insurers) led the way in the second quarter, followed by materials companies (such as miners, chemicals, and packagers). Information Technology, Consumer Discretionary (such as Amazon, and retailers), and Communication Services (such as telecom, and companies like Google/Alphabet) also performed well.

Portfolio Review

Overall, high quality businesses continue to outperform in 2019, which is good news to Cumberland Global Equity and International Fund investors. These two portfolios are full of high quality businesses.

Microsoft (software), Visa (payments technology), and S&P Global (provides ratings, benchmarks, & data), were among the best second quarter performers in the Cumberland Global Equity strategy. SAP (German software), Sika (Swiss specialty chemicals), and Geberit (Swiss plumbing systems) were among the best performers in the Cumberland International Fund and strategy. There were no significant changes made to the portfolio holdings in the second quarter.

Outlook

Growth rates and valuation levels remain very reasonable in our view. As you can see in the following chart, 2019 global earnings per share is forecasted to grow by 5.7%, and the global market (MSCI World Index) is currently valued at a P/E of 15 times. However, in the coming months investors will begin to focus on expectations for earnings growth and valuations in 2020. Fortunately, at the present time, analysts consensus estimates for 2020 look quite attractive. Analysts currently expect 2020 earnings per share growth to be 9.5%, and global equity market valuations (MSCI World Index), measured by P/E, appear attractive at 13.7x.

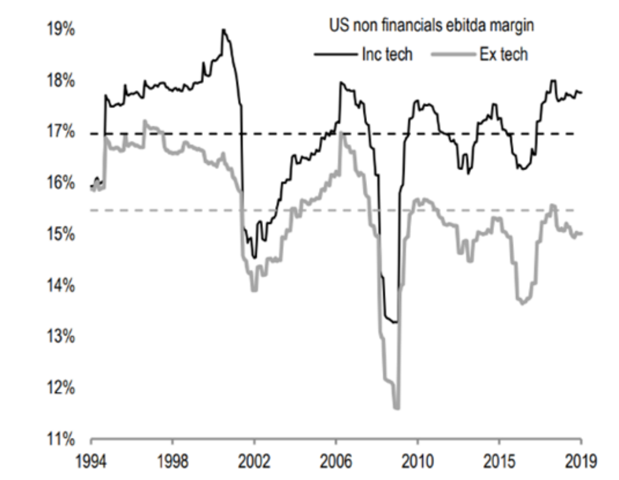
MSCI World Index Consensus Estimates Overview

Measure	2019 Est.	Growth	2020 Est.	Growth
Earnings Per Share (EPS)	146.6	5.74%	160.6	9.50%
Sales Per Share	1387.3	2.20%	1437.4	3.60%
EBITDA Per Share	266.7	4.50%	287.1	7.70%
Valuation Measure	**2019 Est.**	**2020 Est.**		
Price to EPS (P/E)	15.0x	13.7x		
Dividend Yield	2.65%	2.72%		
EV/EBITDA	10.1x	9.4x		
Net Debt/EBITDA	1.9x	1.8x		

Source: Bloomberg

In recent years, one counter argument to reasonable valuation levels has been that corporate profitability is at peak levels, especially when looking at margins. However, we largely dismiss this argument. Margins are high in large part due to technology companies. Looking at the U.S. stock market, excluding the high margin technology sector, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, a widely used profitability measure) margins are actually below their longer term average, not above!

Excluding tech, EBITDA margins are below their longer term average



Source: Refinitiv, Credit Suisse research

So while valuation measures such as P/E continue to be reasonable and allow room for improvement, one could also argue that the non-technology portion of the market still has potential to improve profitability levels (margins) in the near future. Generally speaking, improving valuations and improving company profitability are typically very good news for equity investors.

Of course, there are also risks to contend with. Some measures of macro economic data are weakening, CEO business confidence levels have fallen recently, trade disputes are occurring, and the U.S. 10-year treasury yield at roughly 2% is very low. However, with 2019 earnings growth estimates stabilizing, 2020 earnings growth estimates improving, valuations at reasonable levels, and room for margin improvement, we continue to have an optimistic outlook for global equity markets.

Craig Millar
Lead Manager,
Cumberland* Global and International Equities
July 2, 2019

*Cumberland refers to Cumberland Private Wealth Management Inc. (CPWM) and Cumberland Investment Counsel Inc. (CIC). CIC acts as sub-advisor to certain CPWM investment mandates including the CPWM Global and International Equity mandates with Craig Millar as their lead Portfolio Manager. Craig Millar is Chief Investment Officer of CIC.