CanterburyConsulting

Quarterly Asset Class Report
Real Assets

canterburyconsulting.com

June 30, 2024

Role in the Portfolio

Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of real asset strategies designed to (in aggregate):

— Preserve purchasing power

— Generate uncorrelated returns to other asset classes

— Manage the volatility profile of the segment

Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	**Real Assets: Real Estate, Commodities**	**Deflation**

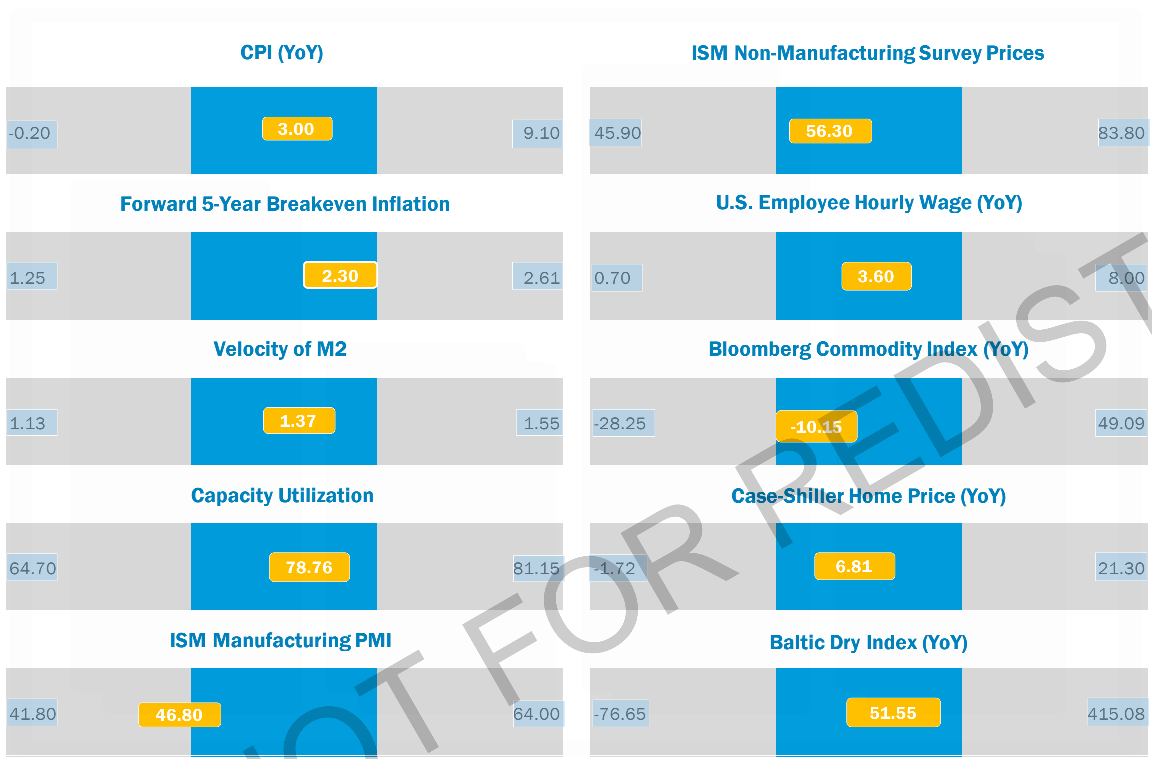
— Real assets are appropriate for investors with long time horizons (10+ years) and inflation-linked liabilities.

— Real asset portfolios should aim to maximize high inflation sensitivity and high inflation reliability, while limiting volatility.

— Portfolio allocations will differ depending on the client's risk tolerance.

Asset Class Indicators

Real Assets



Current

+- 1 Standard Deviation From the Mean

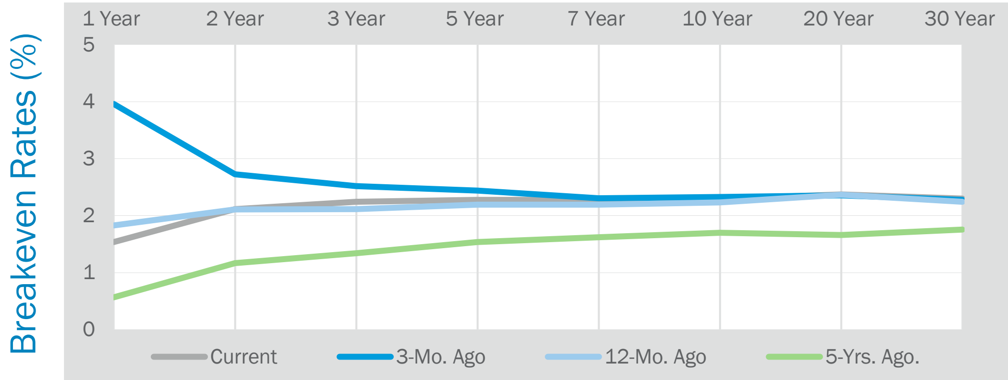
10-Year High and Low

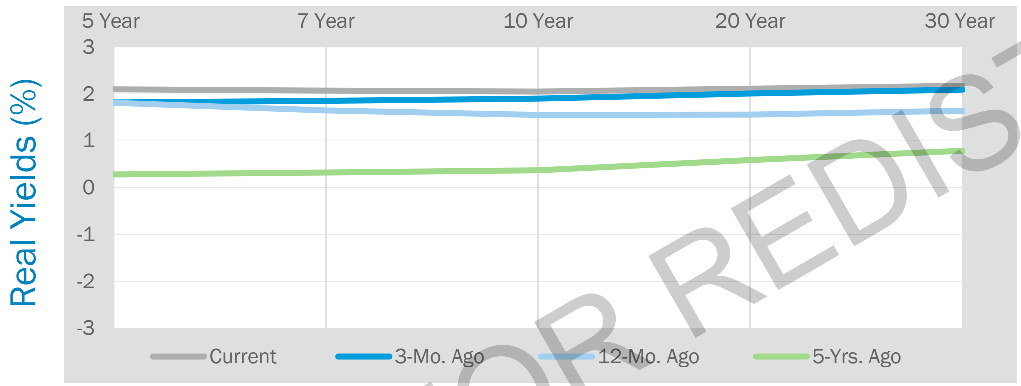
- Canterbury monitors several inflation and real asset indicators to help detect imbalances that could lead to price pressures.
- Inflation, as measured by the CPI, decreased from 3.5% in March to a year-over-year rate of 3% in June. The CPI excluding food and energy, often referred to as Core CPI or sticky inflation, decreased from 3.8% in March to 3.3% in June.
- Indicators used to measure U.S. economic activity, such as the ISM Manufacturing and Non-Manufacturing indexes, showed mixed signals of contractionary and expansionary activity, respectively, further complicating the inflation and interest rate outlook for the Fed.
- Housing prices, represented by the Case-Shiller Home Price Index, continued to remain elevated at a year-over-year rate of 6.8%. Despite elevated mortgage rates, housing prices have remained supported by the low supply of homes.

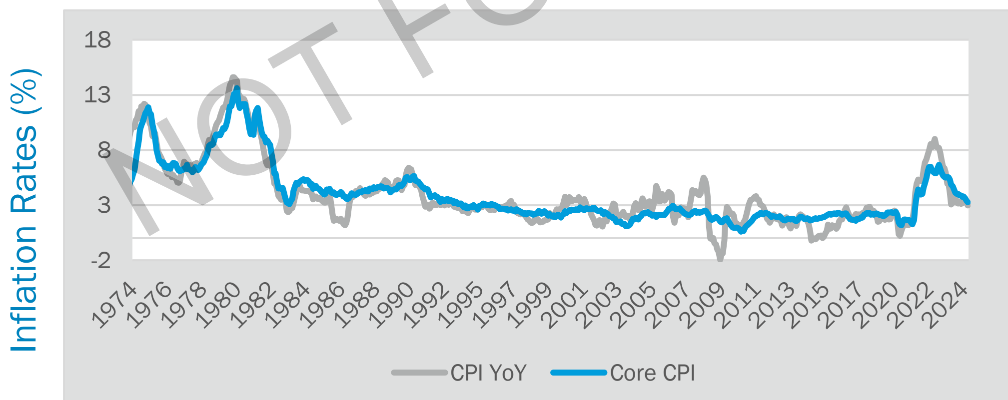
Source: Institute for Supply Management. Federal Reserve Bank of St. Louis. Bureau of Labor Statistics. U.S. Department of the Treasury. Bloomberg data available as of June 30, 2024.

Market Environment as of June 30, 2024

Real Assets



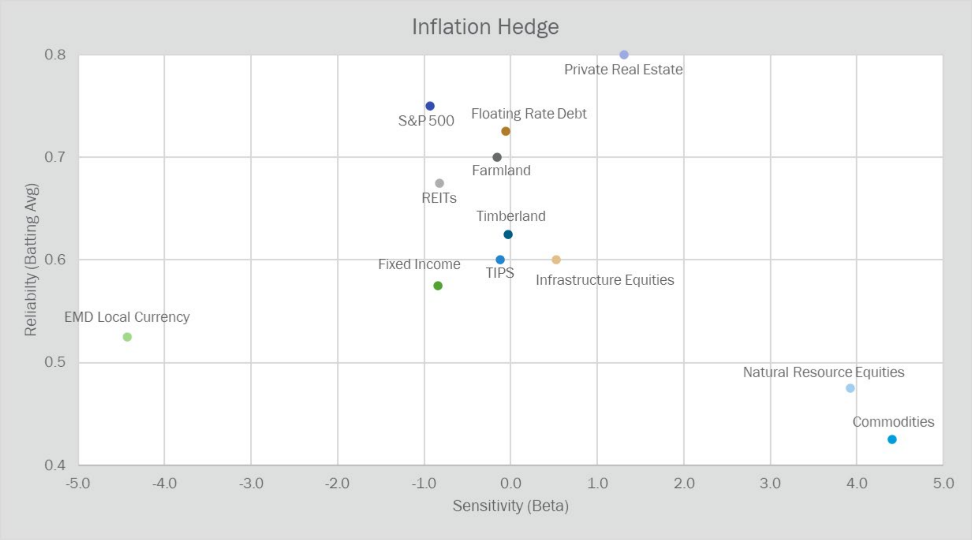




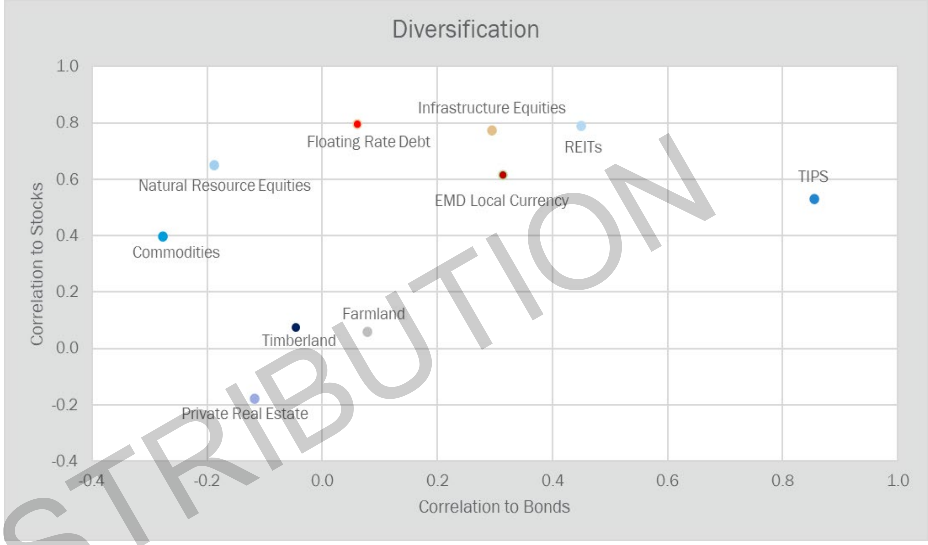
- Front-end breakeven inflation rates fell during the quarter while long-term breakeven rates remained steady at approximately 2%. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a treasury bond from the nominal yield.
- Breakeven rates currently imply that inflation should remain elevated in the near term while intermediate-to-long-term breakevens imply that inflation should run slightly higher than the Fed's 2% inflation target.
- Real yields from the 5-year to the 10-year maturities marginally increased to keep up with inflation, while long-term real yields remained relatively unchanged.
- Inflation continues to be driven by resilient economic growth, tight labor markets, elevated wage growth, high spending within services, and supply/demand imbalances in specific sectors.

Source: Bloomberg. FRED. CPI & PCE Data. U.S. Breakeven Rates. U.S. Treasury Inflation-Indexed Rates. Data as of 6/30/2024.

Sub-Asset Class Statistics

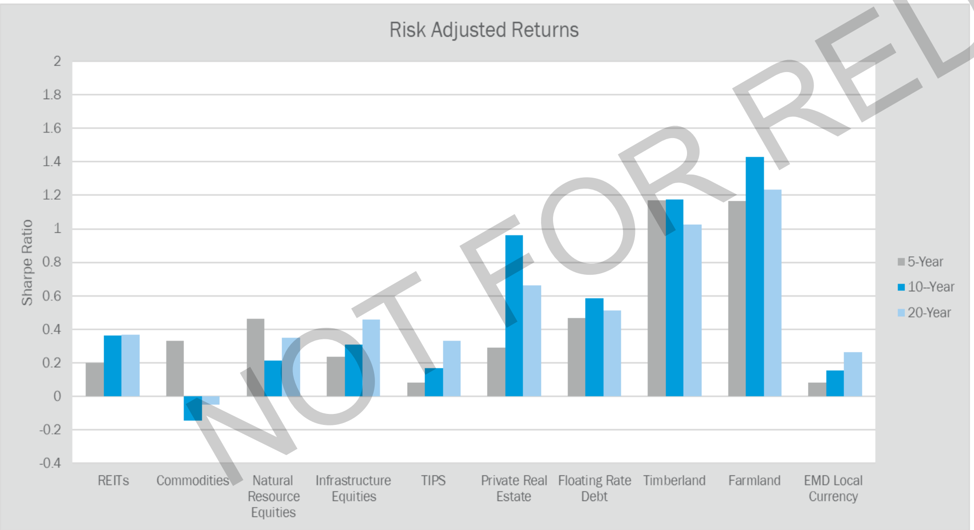


Charts are based on 10-yr rolling data since inception, take average from 10-yr rolling data



Charts are based on 10-yr rolling data since inception, take average from 10-yr rolling data

- Inflation Reliability (% of time asset is positive when inflation is positive)
- Inflation Sensitivity (rate of change, i.e. how many units an asset moves given a 1 unit change in inflation)



- Risk-adjusted returns of the remaining asset classes are used to help optimize real asset portfolios

Source: Morningstar
Charts are based on 10-yr rolling data since inception, take average from 10-yr rolling data
All charts as of June 30, 2024