



Canterbury Consulting

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Quarterly Asset Class Report Real Assets

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December 31, 2022

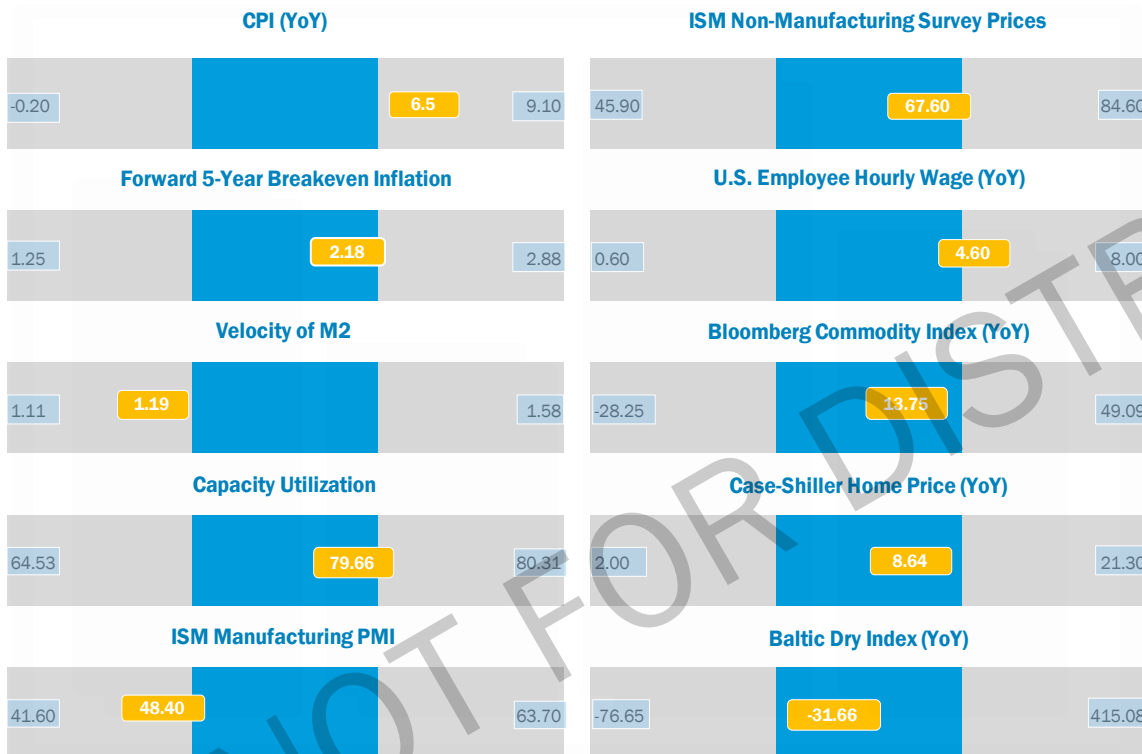
Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of real asset strategies designed to (in aggregate):

- 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

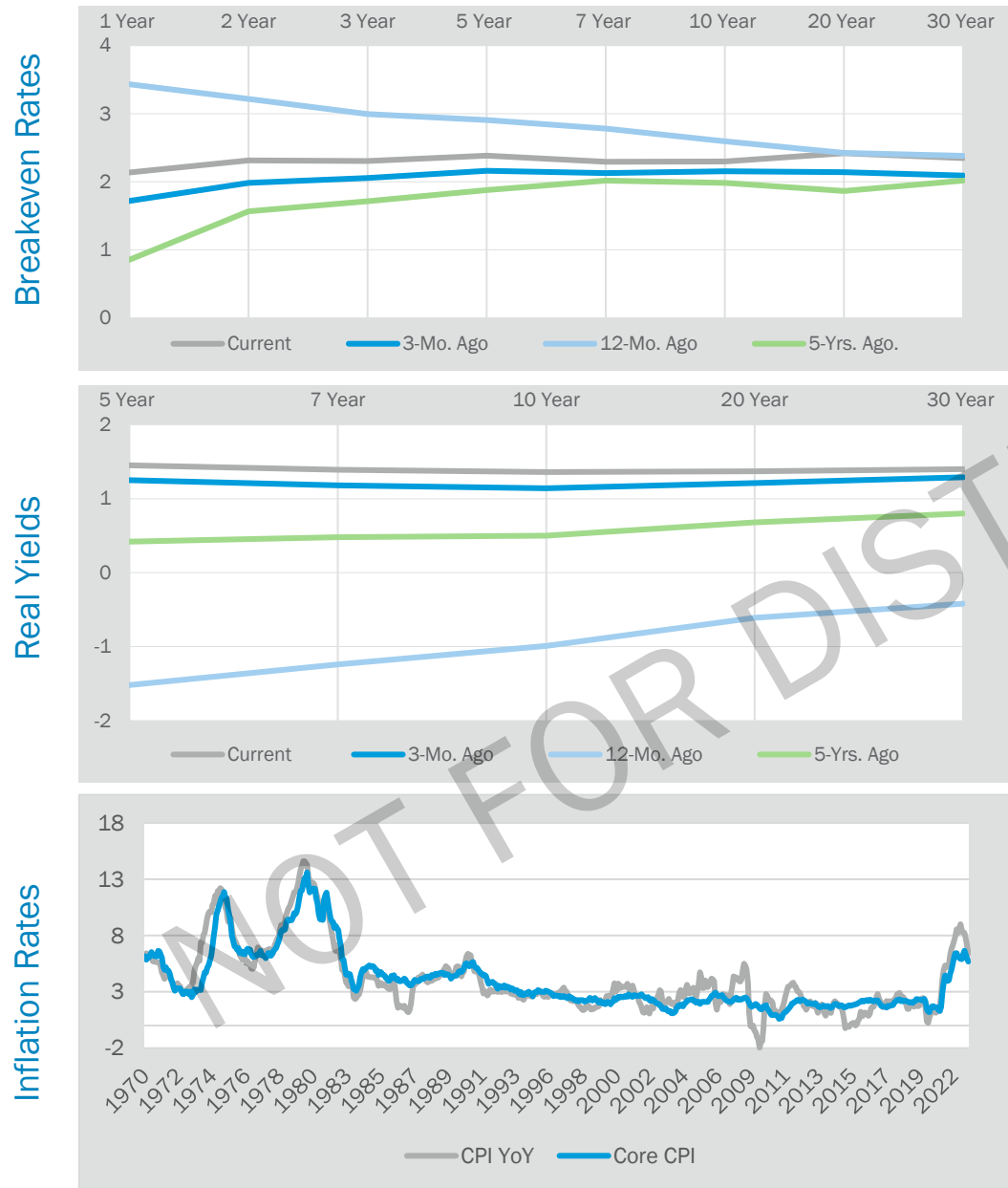
10-Year High and Low

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Inflation, measured by CPI, remained persistently elevated over the quarter but slowed down to a year-over-year rate of 6.5% in December. CPI excluding food and energy, generally viewed as sticky inflation or Core CPI, decreased to a year-over-year rate of 5.7%.
- Indicators used to measure U.S. economic activity such as the ISM Manufacturing and Non-Manufacturing indexes, continued to decline over the quarter. As a result, concerns of a slowing economy increased.
- Mortgage rates remained elevated, leading housing demand to slow. Nevertheless, housing prices, represented by the Case-Shiller Home Price Index, remained high.

Source: Bloomberg as of December 31, 2022

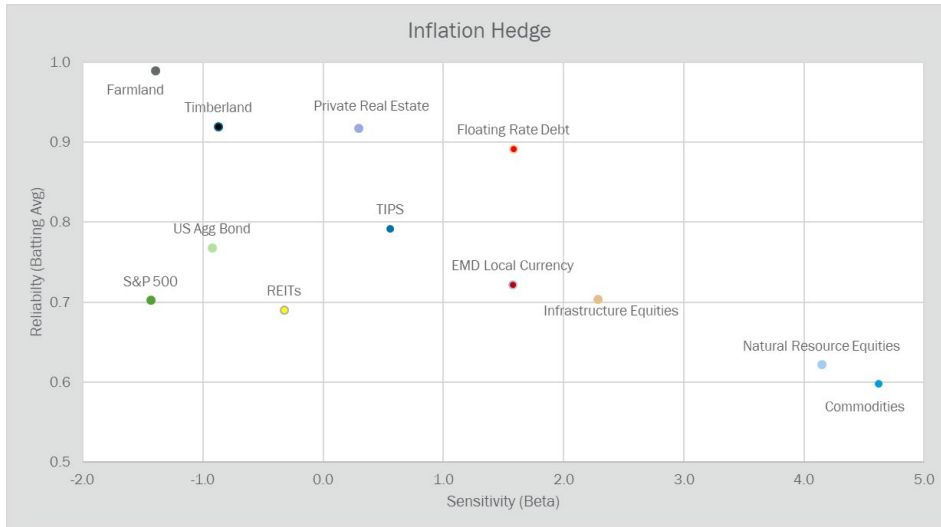
Market Environment as of December 31, 2022

Real Assets

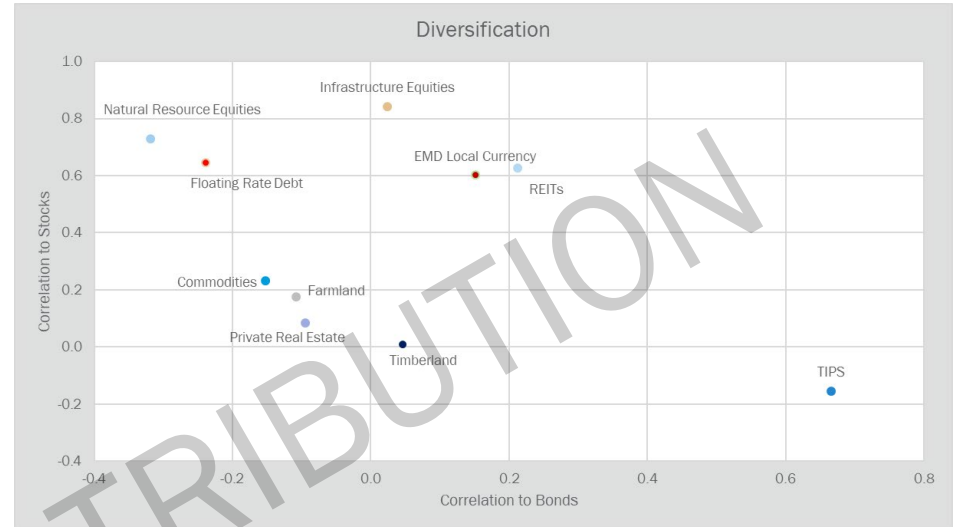


- Breakeven inflation rates marginally increased across the curve over the quarter. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a treasury bond from the nominal yield.
- Current long-term breakeven rates imply that inflation should trend above the Fed's original inflation target of 2% in the long run.
- Real yields across the curve marginally increased, showing that nominal yields kept up with the pace of inflation.
- Inflation continues to be driven by supply/demand imbalances as a result of the pandemic, the Ukraine/Russia war, tight labor market, high wage growth, and various supply chain disruptions across the globe.

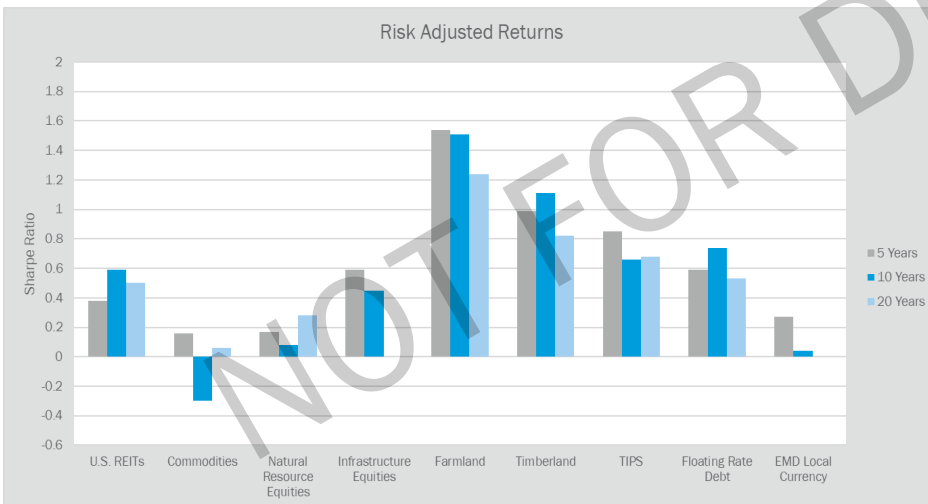
Source: Bloomberg, FRED, CPI & PCE Data, U.S. Breakeven Rates, U.S. Treasury Inflation-Indexed Rates. Data as of 12/31/2022.



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



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All charts as of June 30, 2022

- 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