



Canterbury Consulting

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## Quarterly Asset Class Report Real Assets

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June 30, 2023

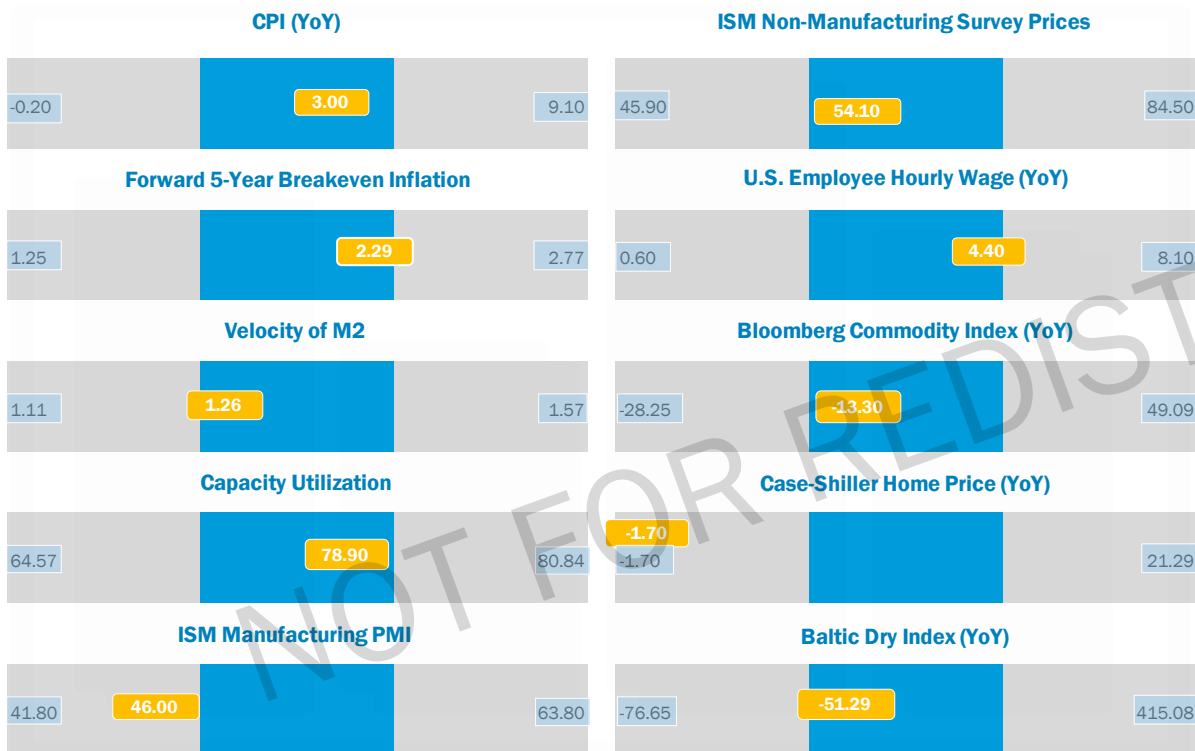
Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of real asset strategies designed to (in aggregate):

- 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
<b>Inflation Protection</b>	<b>Real Assets: Real Estate, Commodities</b>	<b>Deflation</b>

- 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

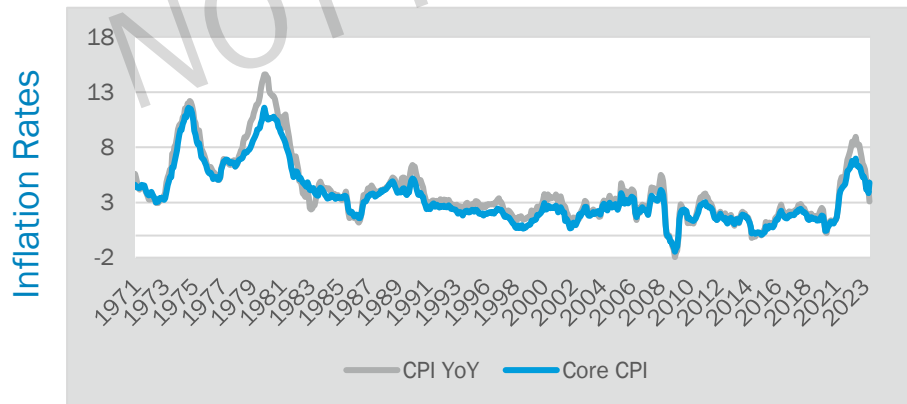
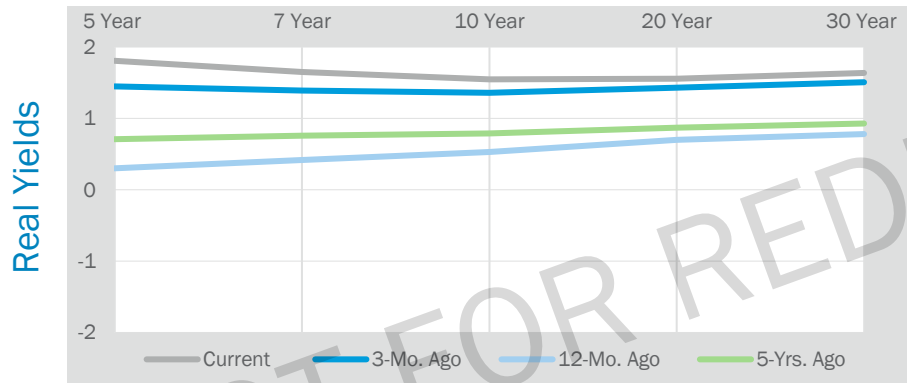
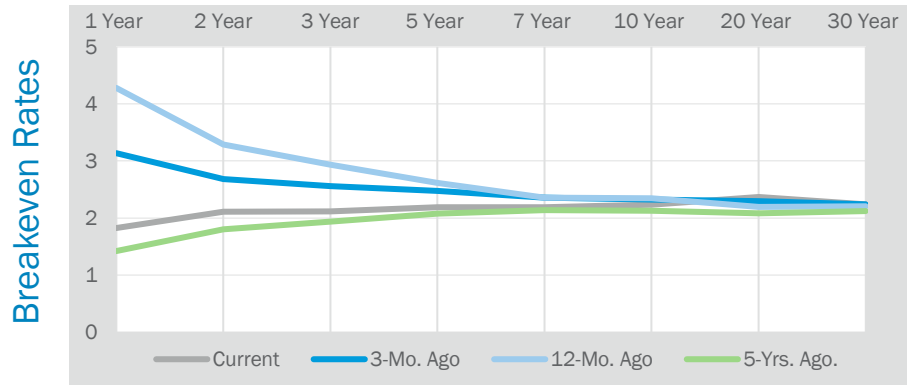
10-Year High and Low

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Inflation, measured by CPI, significantly decreased but remained elevated over the quarter to a year-over-year rate of 3% in June. CPI excluding food and energy, generally viewed as sticky inflation or Core CPI, fell but also remained elevated at a year-over-year rate of 4.8%.
- Indicators used to measure U.S. economic activity such as the ISM Manufacturing and Non-Manufacturing indexes continued to decline over the quarter, albeit at a slower pace.
- Mortgage rates remained elevated, leading housing demand to slow. Housing prices represented by the Case-Shiller Home Price Index contracted -1.7% on a year-over-year basis.

Source: Bloomberg as of June 30, 2023

# Market Environment as of March 31, 2023

## Real Assets

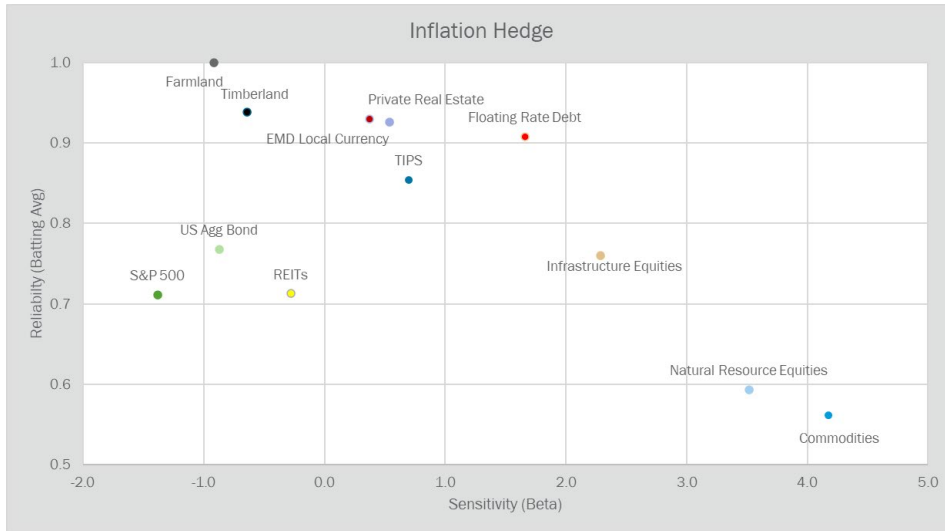


- Front-end breakeven inflation rates fell over the quarter while intermediate-to-long-term breakevens remained unchanged. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a treasury bond from the nominal yield.
- Breakeven rates imply that inflation should trend in line with the Fed's original inflation target of 2% in the near-term, a sharp reversal from last quarter's move.
- Real yields from the 5-year maturity and beyond marginally increased, showing that nominal yields outpaced implied inflation.
- Inflation continues to be driven by supply/demand imbalances, the Ukraine/Russia war, tight labor markets, and high wage growth.

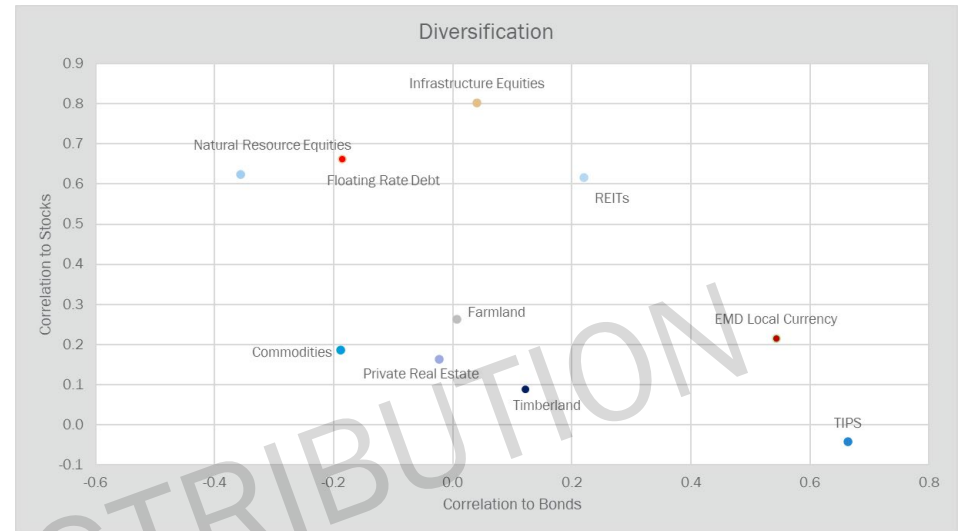
Source: Bloomberg. FRED. CPI & PCE Data. U.S. Breakeven Rates. U.S. Treasury Inflation-Indexed Rates. Data as of 06/30/2023.

# Sub-Asset Class Statistics

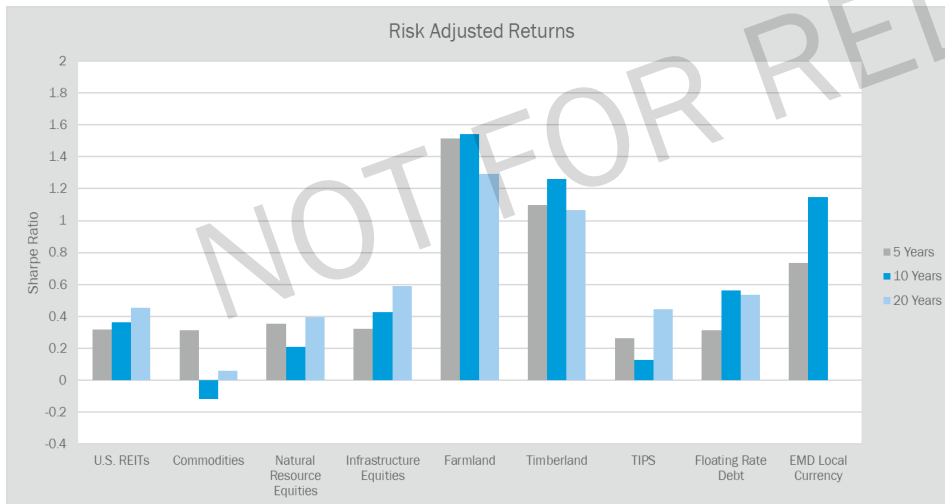
## Real Assets



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, 2023

- 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