CanterburyConsulting

Quarterly Asset Class Report
Real Assets

canterburyconsulting.com

March 31, 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):

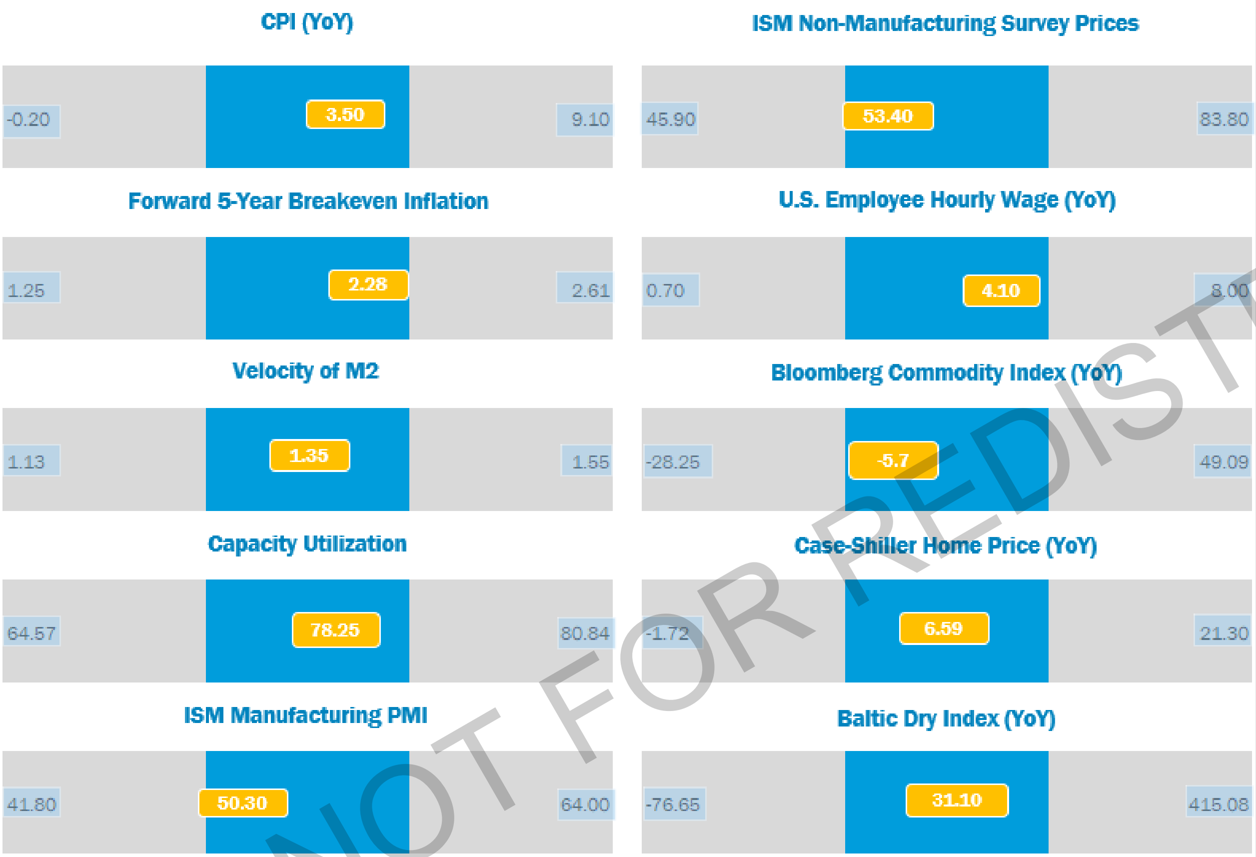
- Preserve purchasing power
- Generate uncorrelated returns to other asset classes
- Manage the volatility profile of the segment

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



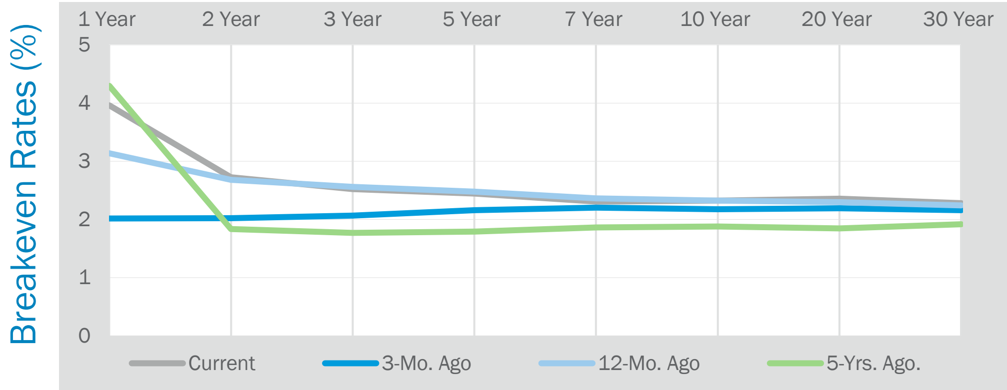
Current

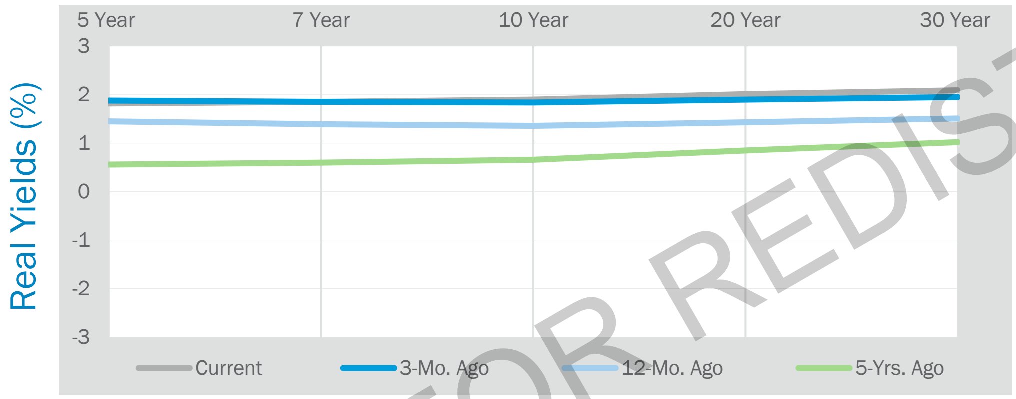
+- 1 Standard Deviation From the Mean

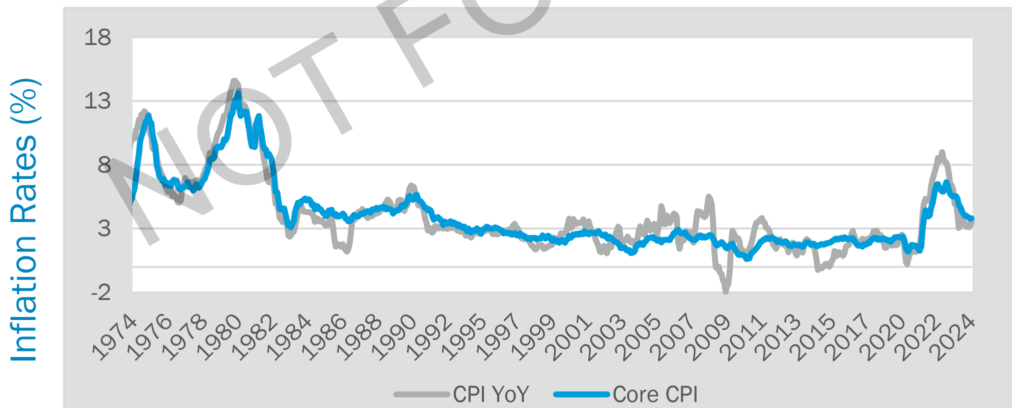
10-Year High and Low

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Inflation, measured by CPI, increased from 3.3% in December to a year-over-year rate of 3.5% in March. CPI excluding food and energy, generally viewed as sticky inflation or Core CPI, remained relatively unchanged at a year-over-year rate of 3.8%.
- Indicators used to measure U.S. economic activity such as the ISM Manufacturing and Non-Manufacturing indexes both signaled expansionary economic activity, further complicating the inflation and interest rate outlook for the Fed.
- Housing prices represented by the Case-Shiller Home Price Index continued to rise to a year-over-year rate of 6.6%. Despite elevated mortgage rates, housing prices remained supported by 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 March 31, 2024.

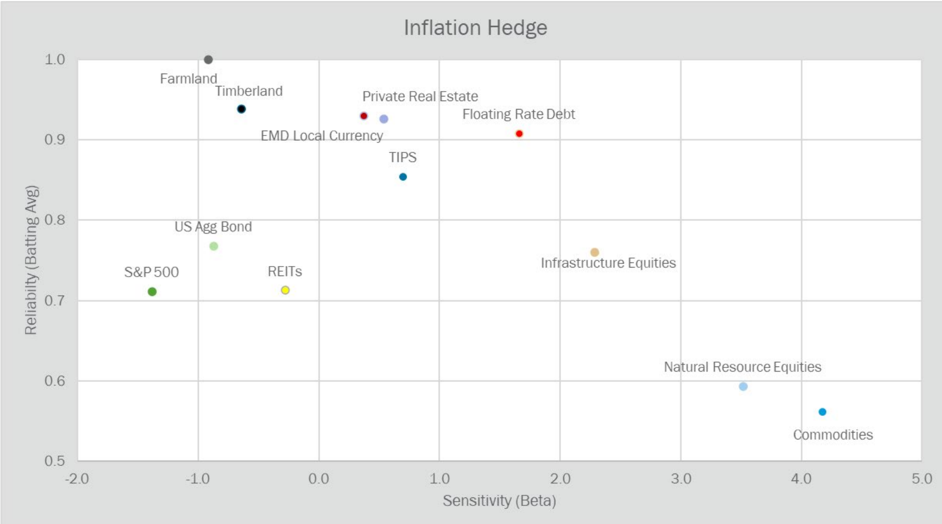




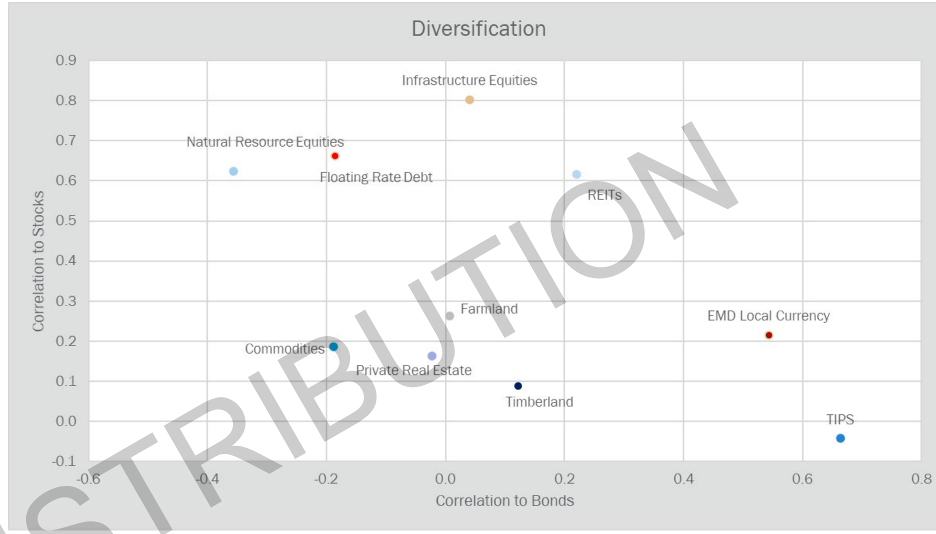


- Front-end and intermediate breakeven inflation rates rose during the quarter while long-term breakeven rates continued to marginally increase above 2%. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a treasury bond from the nominal 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 maturity and beyond remained unchanged, showing that nominal yields kept up with inflation.
- Inflation continues to be driven by economic growth, tight labor markets, elevated wage growth, high spending within services, and supply/demand imbalances in specific sectors.

Source: Bloomberg. Federal Reserve Bank of St. Louis. Bureau of Labor Statistics. U.S. Department of the Treasury. Data as of 3/31/2024.



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



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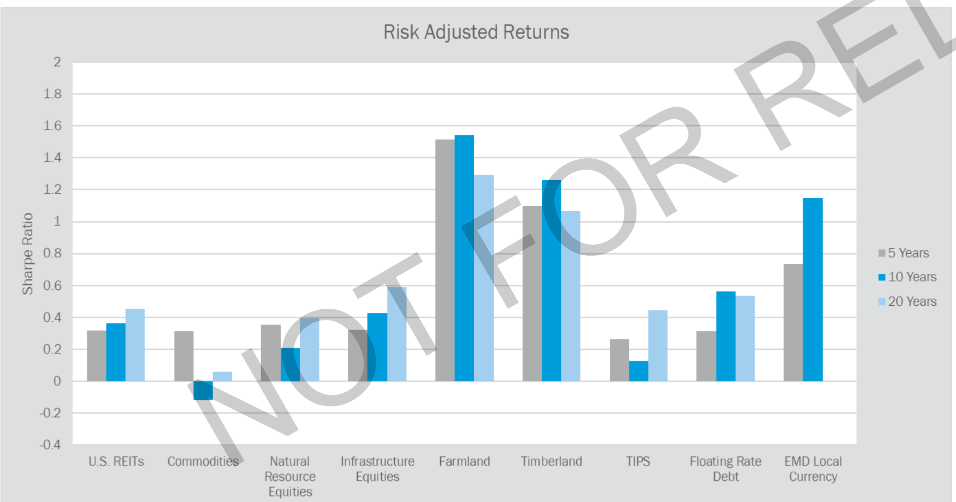

- Inflation Reliability (% of time asset is positive when inflation is positive)
- Inflation Sensitivity (rate of change, i.e. how many units an asset moves given a 1 unit change in inflation)

- 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, 2023