



Canterbury Consulting

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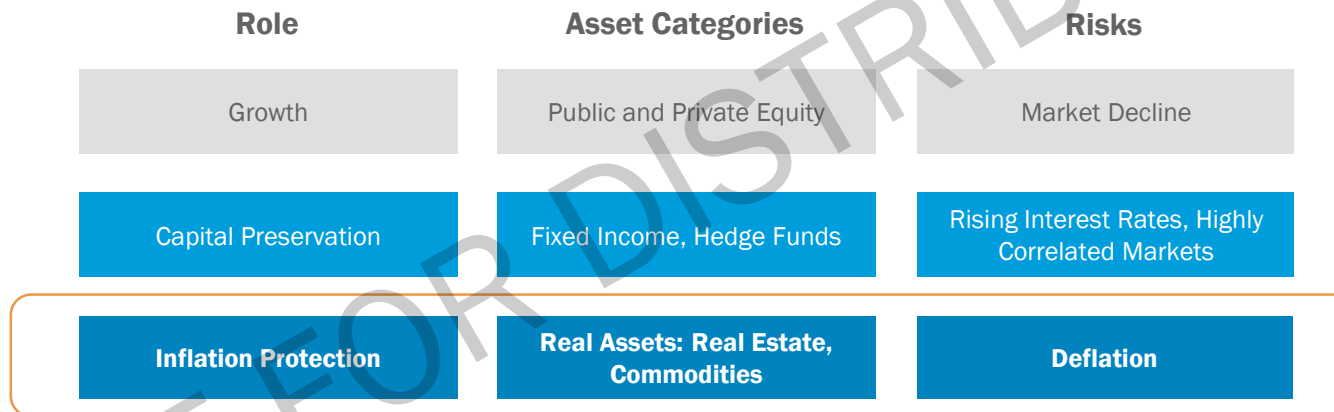
## Quarterly Asset Class Report Real Assets

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March 31, 2022

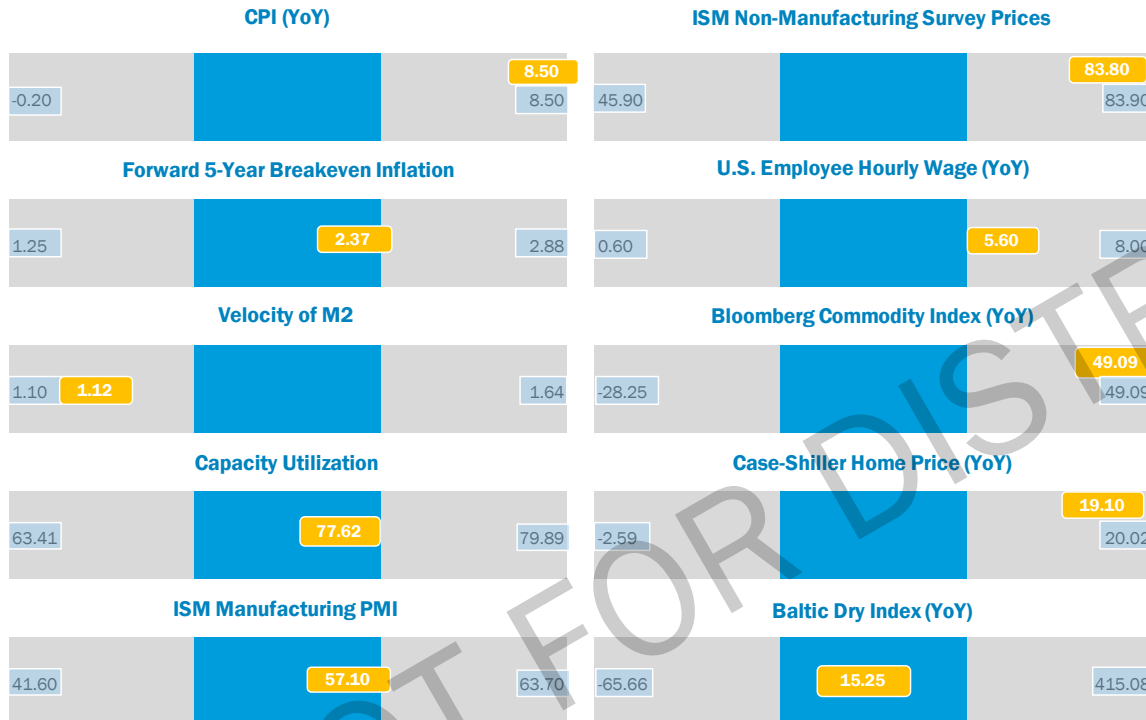
Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of real asset strategies designed to (in aggregate):

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



- 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

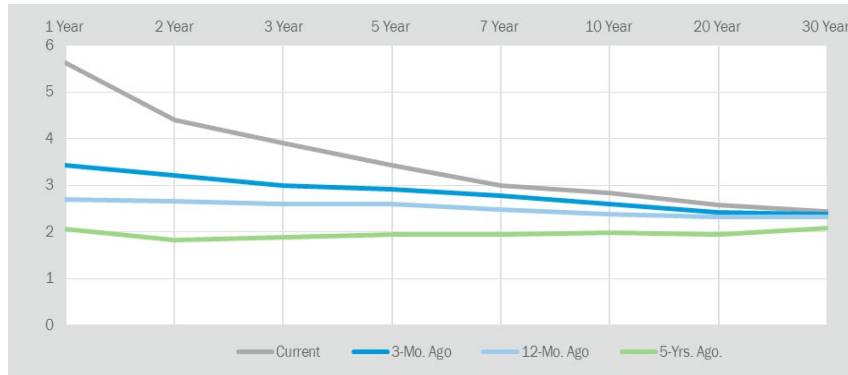
- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Inflation, measured by CPI, remained persistently elevated over the quarter, reaching a high of 8.5%. Inflation breakeven rates continued to increase across maturities, reaching a long-term breakeven rate above the Fed's 2% inflation target.
- Commodity prices continued to rise due to supply constraints and elevated demand. Energy prices increased as a result of sanctions levied on Russia. Major developed economies are looking for alternative sources of energy outside of Russia.
- The Case-Shiller Home Price Index remained persistently high as demand for U.S. real estate outpaced supply.

Source: Bloomberg as of March 31, 2022

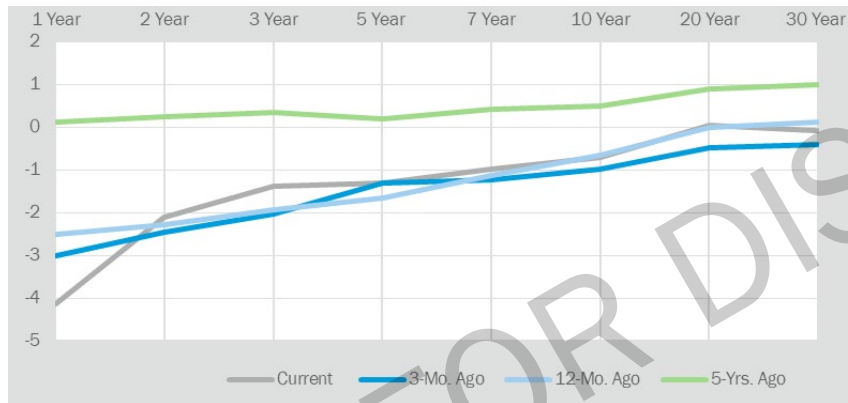
# Market Environment as of March 31, 2022

## Real Assets

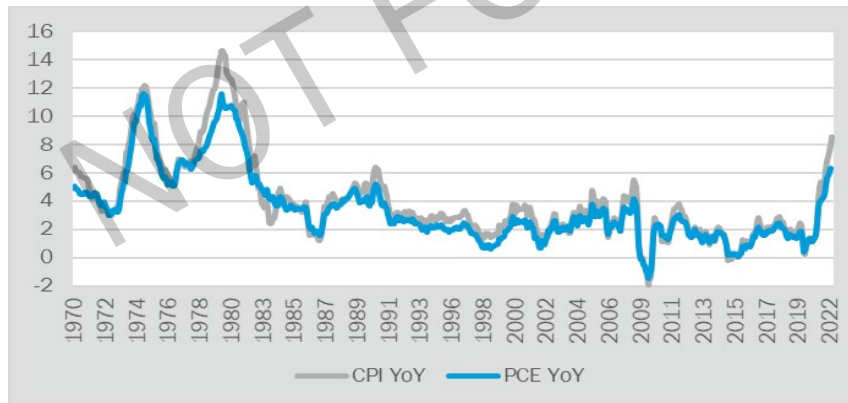
Breakeven Rates



Real Yields

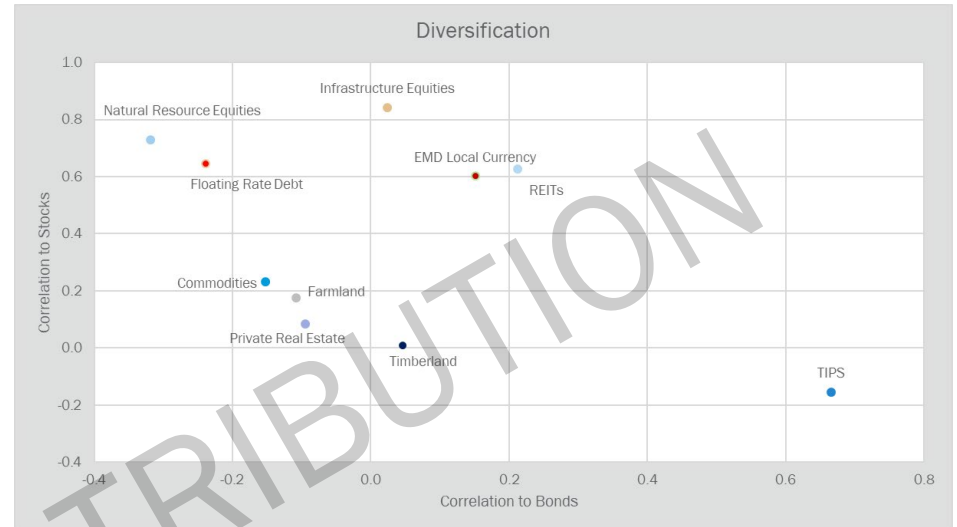
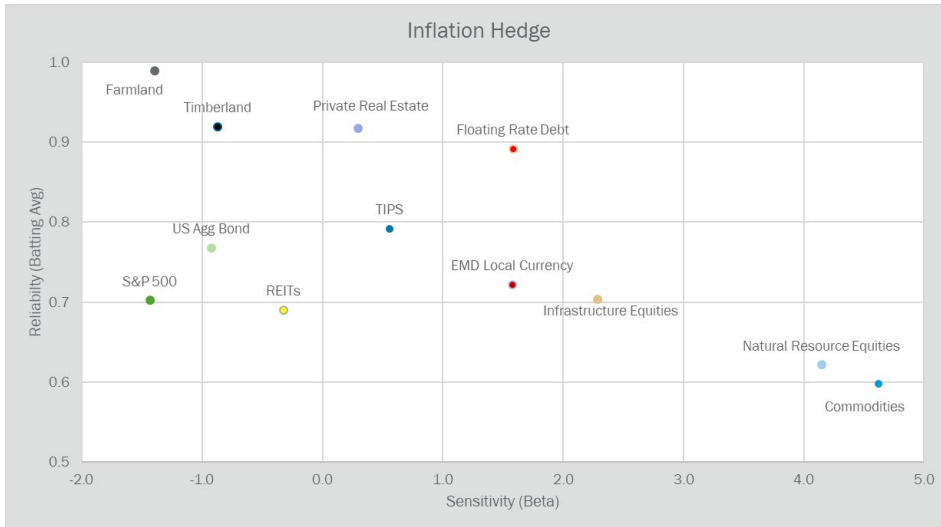


Inflation Rates



- Breakeven inflation rates have persistently moved higher across all time periods. 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.
- As inflation rose, short-term real yields moved further into negative territory as the market assessed the Fed's rate hike path.
- Inflation is being driven by supply/demand imbalances, the Ukraine/Russia war, a 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 3/31/2022



- 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

1) Based on 10-yr rolling data since inception 2) Takes average from 10-yr rolling data 3) as of June 30, 2021