



Canterbury Consulting

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Quarterly Asset Class Report

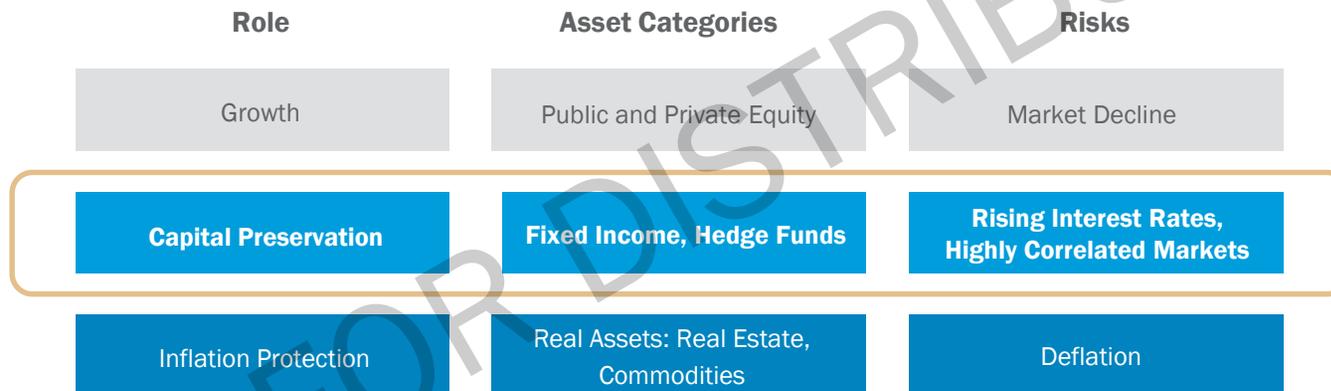
Taxable Fixed Income

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September 30, 2019

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

- Preserve after-tax wealth and mitigate volatility
- Maintain comparable exposure to the broad municipal market. Focus exposure based on state domicile and after-tax returns
- Exhibit returns uncorrelated to equity markets



- Canterbury global fixed income portfolios are expected to deliver consistent after-tax and net of fees excess returns and moderate tracking error versus the Barclays Municipal Bond Index. Taxable fixed income portfolios are expected to have a high quality bias with sensitivity toward taxes.
- Canterbury’s fixed income portfolios will exhibit benchmark-like after-tax yields and credit quality. However, they will do so with more portfolio diversification and lower duration. Portfolio diversification will depend on state of domicile presides and the clients individual goals (i.e. income vs. capital preservation).

Index Returns as of September 30, 2019

Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	0.71	6.32	7.60	1.59	2.00	1.21	2.34
Barclays US Agg Bond	2.27	8.52	10.30	2.93	3.38	2.72	3.75

U.S. Treasuries

BofAML 3M US Treasury Note	0.58	1.85	2.44	1.55	1.00	0.74	0.55
Barclays Short Treasury	0.56	1.95	2.56	1.58	1.05	0.79	0.62
Barclays Intermediate Treasury	1.18	5.22	7.58	1.80	2.19	1.59	2.39
Barclays Long Term US Treasury	7.92	19.77	24.79	4.07	6.77	4.76	6.87
Barclays US Treasury TIPS 1-5Y	0.27	3.88	3.68	1.60	1.28	0.76	1.83
Barclays US Treasury US TIPS	1.35	7.58	7.13	2.21	2.45	1.06	3.46

U.S. Corporate Credit

Barclays US Corp IG	3.05	13.20	13.00	4.50	4.72	4.09	5.56
S&P/LSTA Leveraged Loan	0.99	6.79	3.10	4.53	3.98	4.11	5.22
BofAML US HY Master II	1.22	11.50	6.30	6.07	5.36	5.87	7.85
BofAML US HY BB-B Constrained	1.68	12.21	7.87	6.00	5.49	5.84	7.62
BofAML US Corporate AAA	4.05	14.53	15.96	4.82	5.24	3.94	4.78
BofAML US Corporate AA	2.99	10.60	11.91	3.81	4.30	3.55	4.60
BofAML US Corporate A	2.92	12.09	12.66	4.06	4.49	3.80	5.25
BofAML US Corps BBB	3.17	14.00	13.09	5.04	4.84	4.55	6.29
BofAML US High Yield BB	2.06	13.05	9.67	5.96	5.93	6.03	7.91
BofAML US High Yield B	1.22	11.21	5.81	6.08	5.01	5.59	7.36
BofAML US High Yield CCC	-2.27	6.13	-4.85	6.03	4.44	5.83	8.33

Securitized

Barclays ABS	0.92	4.13	5.42	2.24	2.25	1.79	2.82
Barclays MBS	1.37	5.60	7.80	2.32	2.80	2.36	3.14
Barclays CMBS	1.89	8.64	10.51	3.07	3.47	2.87	5.55

Municipals

Barclays Municipal	1.58	6.75	8.55	3.19	3.66	3.39	4.16
Barclays Muni 1-10	0.67	4.31	5.92	2.21	2.29	2.16	2.78

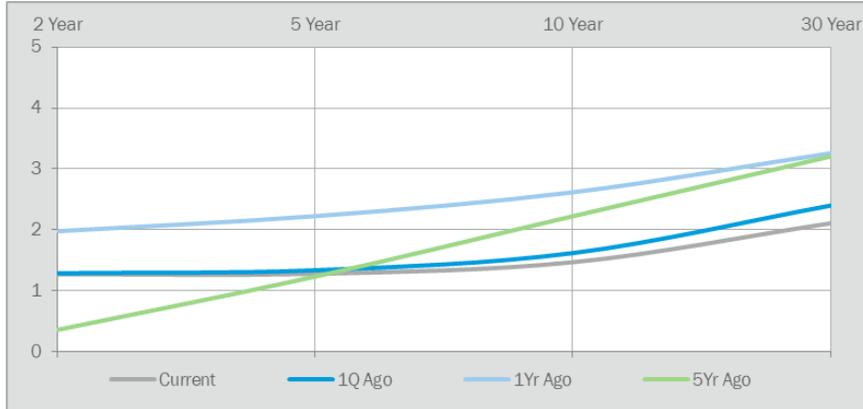
Global

Citi WGBI	0.85	6.27	8.13	1.19	1.80	0.59	1.69
Barclays Gbl Agg Ex USD	-0.58	4.38	5.34	0.43	0.87	0.01	1.28
JPM EMBI Plus	-1.68	8.92	8.20	1.87	4.31	3.27	5.89

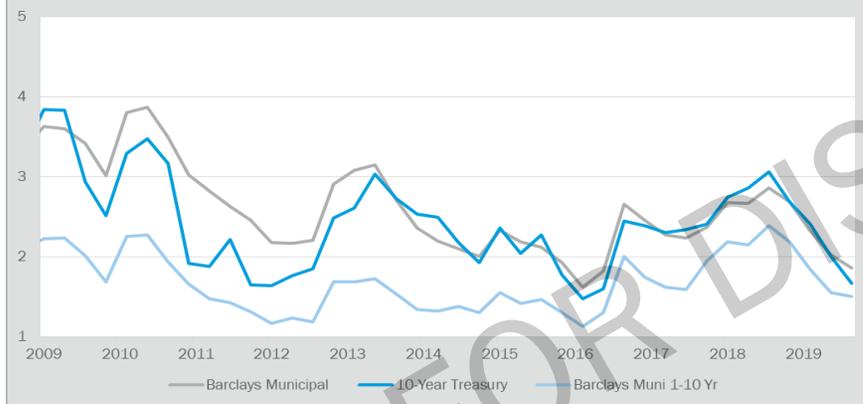
Market Environment

Fixed Income

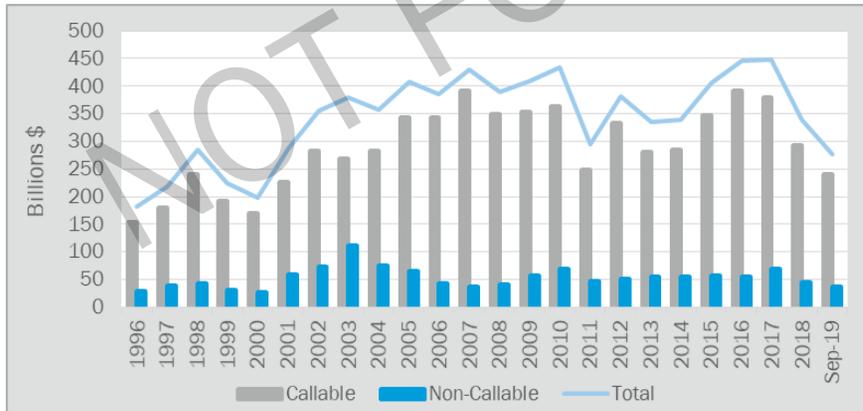
Municipal Yield Curve



Yield Comparison



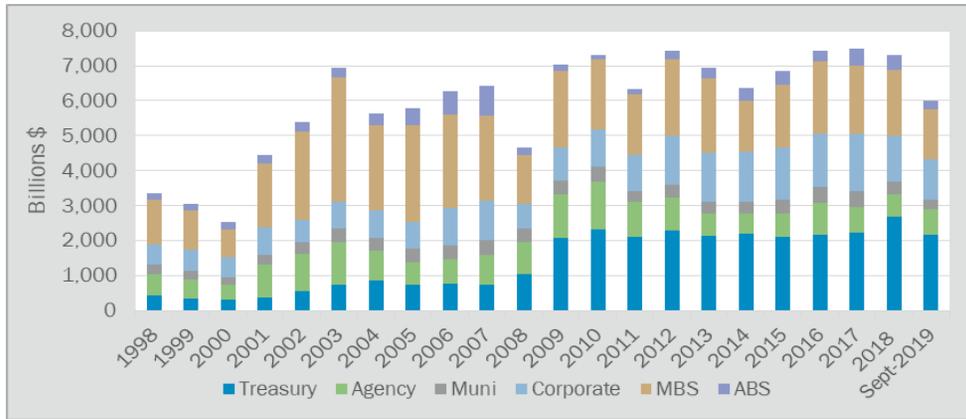
U.S. Municipal Issuance



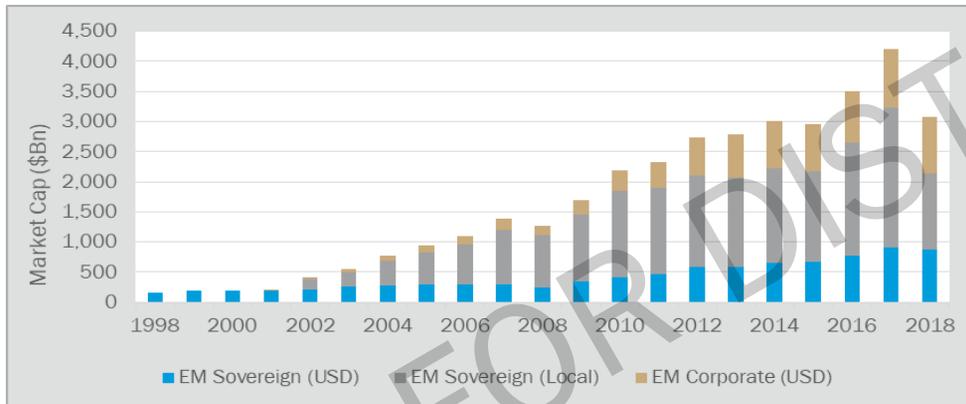
- U.S. Treasuries delivered positive returns during the quarter as the Fed cut interest rates in July and September. Global growth concerns have created a large bid for government bonds, not only in the U.S., but also in other developed economies. Further stimulus from the European Central Bank resulted in local bond yields moving further into negative territory. Negative-yielding debt now represents approximately \$17 trillion of the global bond market.
- Both investment grade and high yield corporate bonds generally performed well in the third quarter as investors continued to seek incremental yield. Higher quality outperformed lower quality corporate credit, and CCC-rated debt posted negative returns. Investors have tended to avoid the CCC space given the deteriorating fundamentals of underlying companies.
- Emerging market debt posted mixed performance. Several companies benefited from accommodative policies from developed central banks. On the other hand, countries such as Argentina made headlines during the quarter as concerns mounted over the country's debt sustainability and pending political election.
- Municipal bonds generated positive performance and rates moved in-tandem with Treasuries. Issuance stayed low and demand remained consistent, especially in high-tax states.

Market Environment

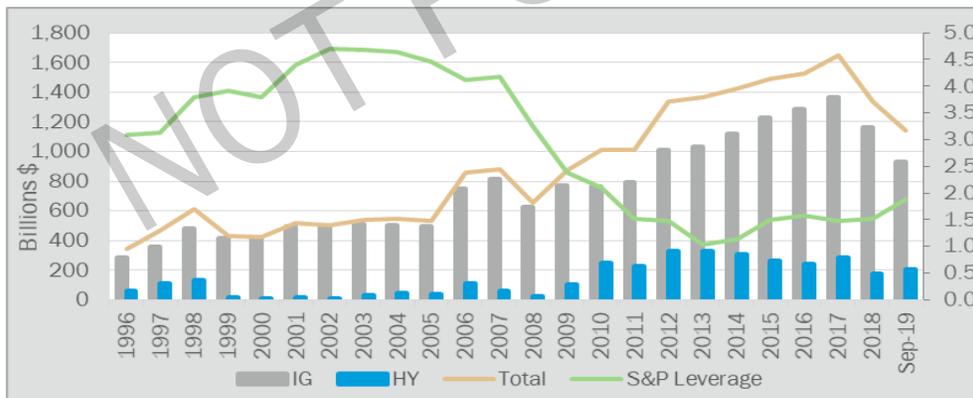
U.S. Bond Issuance



EM Debt Size



Corporate Issuance & Leverage



Asset Class Report Updates

- U.S. Treasury issuance significantly increased after the financial crisis. Since the Fed began tapering, Treasury issuance plateaued while corporate and mortgage-backed security issuance continued to grow.
- The EM debt market has grown significantly since 1996. While investors have worried about EM liabilities denominated in U.S. dollars, debt denominated in local currency has exponentially grown since 2004.
- Corporate leverage significantly decreased after 2008. Leverage in the U.S. and EM has since grown while leverage in Europe and Japan has moderated.