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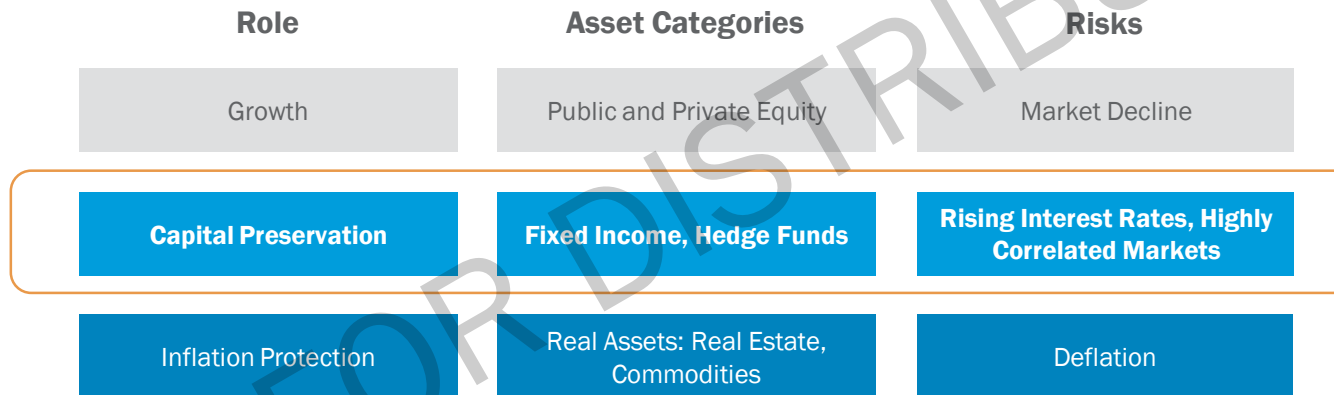
## Quarterly Asset Class Report Taxable Fixed Income

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June 30, 2020

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 the client’s state of domicile and individual goals (i.e. income vs. capital preservation).

# Index Returns as of June 30, 2020

Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	3.32	2.98	4.22	3.79	3.55	2.49	2.81
Barclays US Agg Bond	2.90	6.14	8.74	5.32	4.30	3.96	3.82

## U.S. Treasuries

BofAML 3M US Treasury Note	0.01	0.68	1.73	1.82	1.22	0.89	0.66
Barclays Short Treasury	0.04	0.87	1.95	1.91	1.31	0.97	0.74
Barclays Intermediate Treasury	0.54	5.82	7.07	4.11	2.98	2.60	2.56
Barclays Long Term US Treasury	0.25	21.20	25.41	12.04	9.25	8.40	7.74
BBgBarc U.S. Treasury TIPS 1-5Y	2.96	2.21	3.67	2.75	2.06	1.52	1.74
Barclays US Treasury US TIPS	4.24	6.01	8.28	5.04	3.75	3.04	3.52

## U.S. Corporate Credit

Barclays US Corp IG	8.98	5.02	9.50	6.33	5.83	5.36	5.47
S&P/LSTA Leveraged Loan	9.70	-4.61	-1.99	2.07	2.89	3.12	4.17
BofAML US HY Master II	9.61	-4.78	-1.10	2.94	4.58	4.83	6.48
BofAML US HY BB-B Constrained	9.44	-3.62	0.52	3.60	4.77	5.09	6.53
BofAML US Corporate AAA	4.72	9.42	13.65	8.18	6.88	5.88	5.09
BofAML US Corporate AA	5.84	6.58	9.94	6.16	5.29	4.89	4.69
BofAML US Corporate A	7.45	6.18	10.11	6.35	5.59	5.20	5.26
BofAML US Corps BBB	11.61	3.36	8.42	6.16	5.84	5.54	5.93
BofAML US High Yield BB	9.85	-1.38	3.03	4.46	5.49	5.76	6.94
BofAML US High Yield B	9.11	-6.26	-2.43	2.55	3.94	4.30	6.09
BofAML US High Yield CCC	9.77	-14.86	-14.46	-2.72	2.42	2.58	5.33

## Securitized

Barclays ABS	3.54	3.32	4.68	3.34	2.67	2.40	2.57
Barclays MBS	0.67	3.50	5.67	3.97	3.23	3.29	3.06
Barclays CMBS	3.95	5.19	6.83	5.10	4.05	3.63	4.57

## Municipals

Barclays Municipal	2.72	2.08	4.45	4.22	3.93	4.11	4.21
Barclays Muni 1-10	2.68	2.06	3.65	3.07	2.73	2.71	2.81

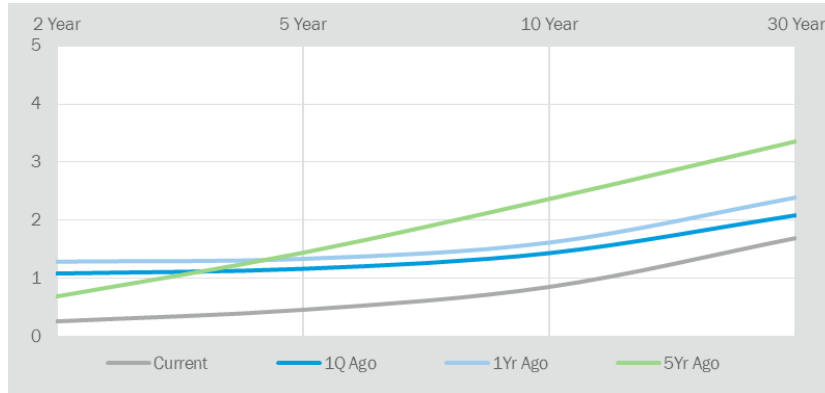
## Global

Citi WGBI	2.04	4.08	4.60	3.98	3.70	2.21	2.37
Barclays Gbl Agg Ex USD	3.38	0.61	0.71	2.52	2.89	1.31	1.98
JPM EMBI Plus	9.06	-0.40	1.23	2.66	4.91	4.69	5.53

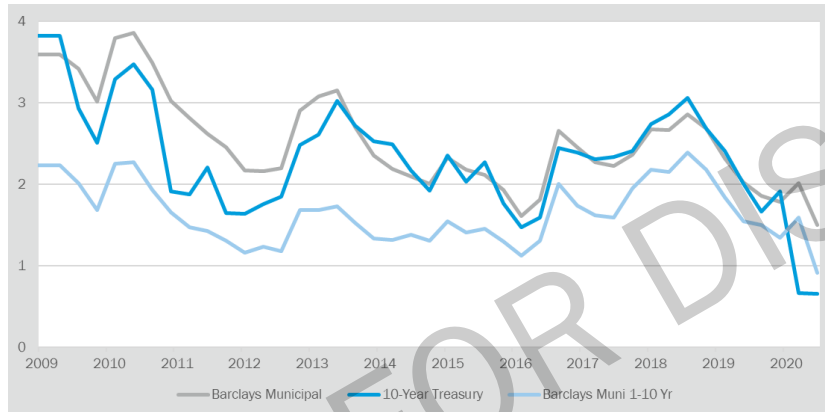
# Market Environment as of June 30, 2020

## Fixed Income

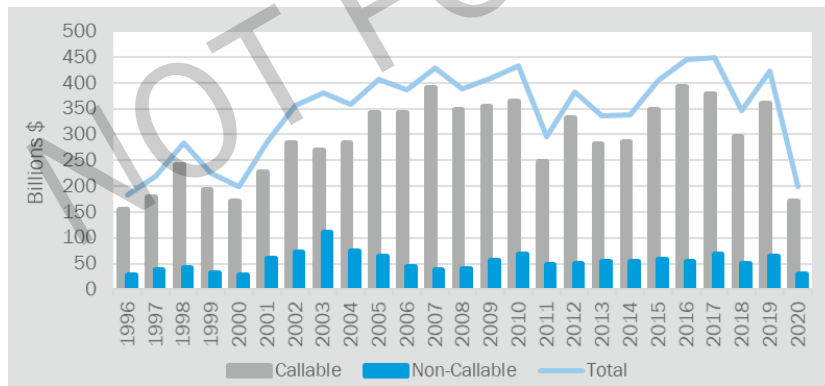
Municipal Yield Curve



Yield Comparison



U.S. Municipal Issuance

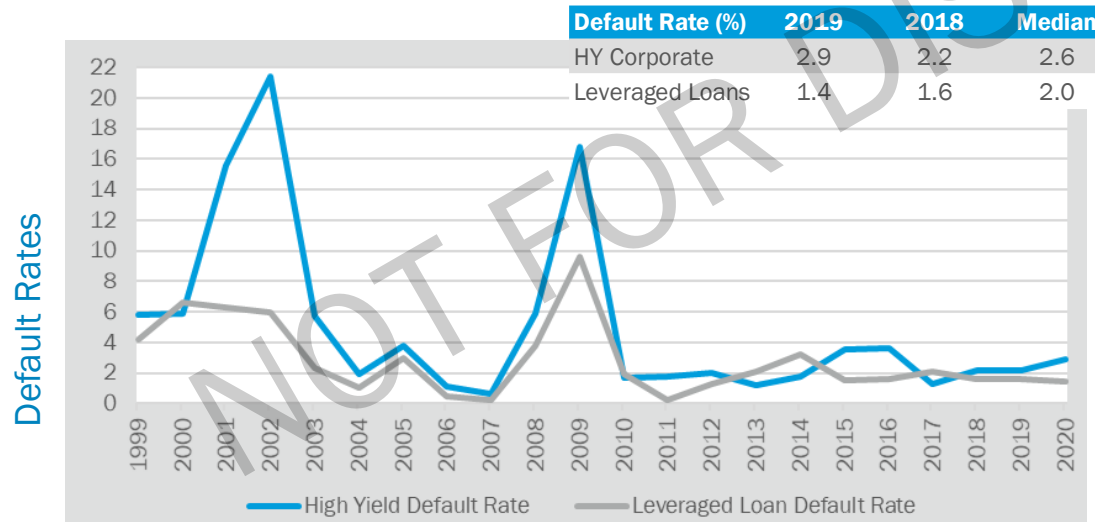
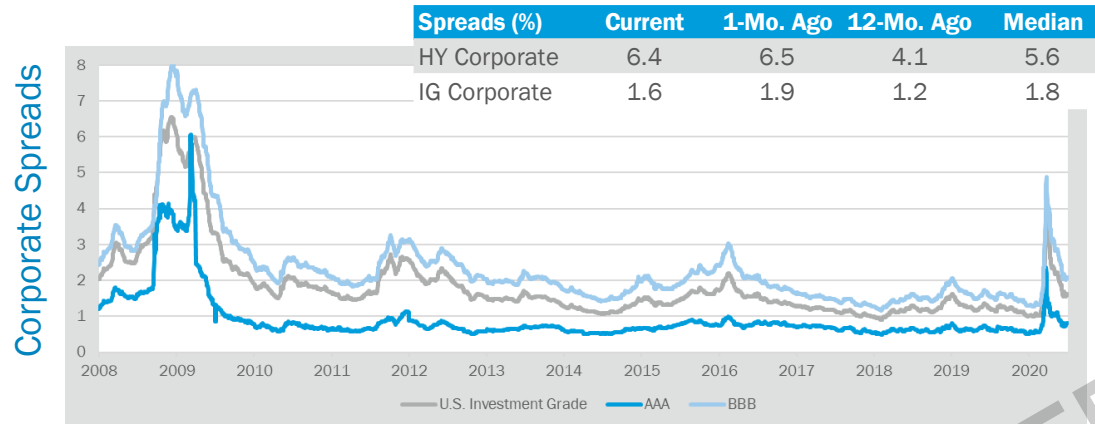


- U.S. interest rates were range-bound as the Fed continued to backstop the bond market with quantitative easing (QE) and credit programs. While equity markets experienced a meaningful rebound, Treasury rates resisted a move higher as investors questioned sustained future growth.
- The municipal bond curve moved lower and flattened during Q2. Muni/Treasury ratios declined as investors bought municipal debt at a greater pace.
- Tax-exempt bond issuance remained muted and was surpassed by taxable bond issuance during the quarter. Municipal debt issuance is slightly lower YoY.

Sources: Securities Industry and Financial Markets Association (SIFMA), U.S. Treasury Department, Barclays, Gurtin

# Market Environment as of June 30, 2020

## Fixed Income



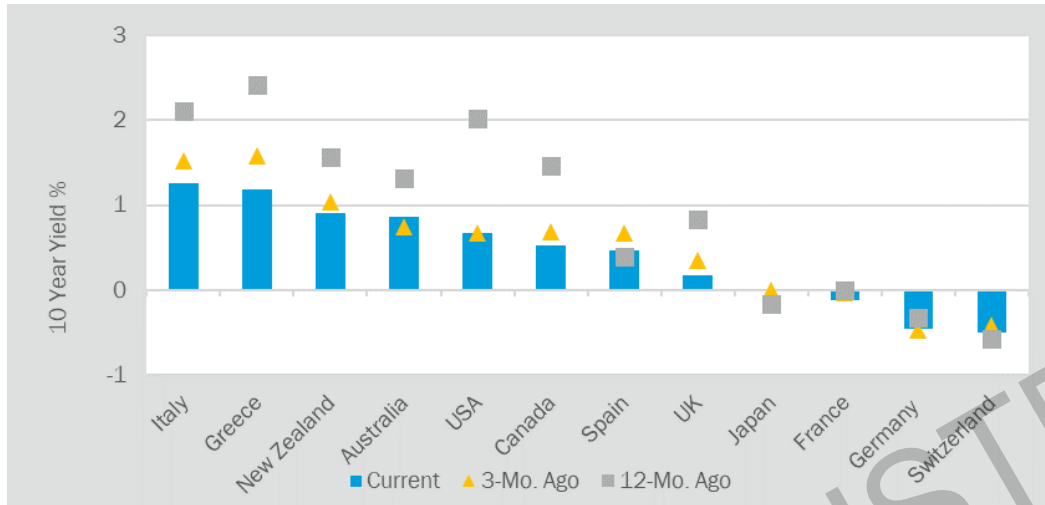
- Investment grade (IG) and high yield (HY) spreads tightened significantly as the Fed purchased several billion dollars worth of IG bonds, ETFs, and HY ETFs. From peak-to-trough, IG spreads tightened approximately 240 basis points while HY spreads tightened approximately 540 basis points.
- From a global perspective, a slightly weaker dollar benefited emerging market debt and local currencies.

Sources: Federal Reserve Economic Data; World Bank, U.S. Treasury Department, Barclays

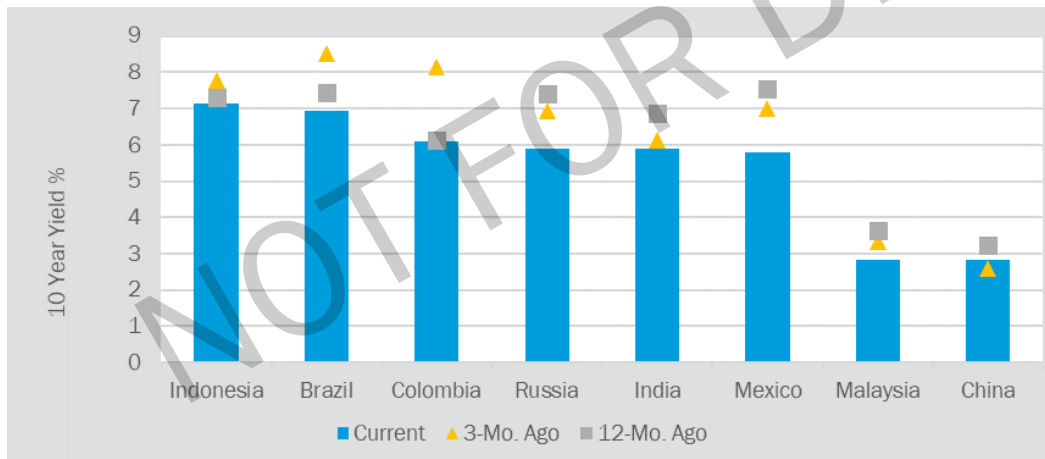
## Market Environment as of June 30, 2020

## Fixed Income

Developed Yields



EM Yields (Local Currency)



- Developed sovereign bond yields were either static or lower during the quarter. The current Treasury yield to worst (YTW) figure remained near an all-time low.
- Emerging Markets (EM) sovereign debt rallied on the back of a general market recovery. The coronavirus impact on bond prices and growth will need to be monitored closely in the near-term.
- While EM currencies slightly retraced from significant depreciation in Q1, many countries still exhibit historically low currencies relative to the U.S. dollar.

Source: Bloomberg



## Goals

- Are clients seeking to preserve capital, generate total return, or blend the two within a fixed income segment?
- What level of risk related to portfolio correlation is the client looking to incur?



## Interest Rate & Inflationary Environment

- How does the current interest rate regime and inflationary environment affect return and risk (i.e. stagnant, slow-rise, rapid rise)?
- What level of interest rate volatility is the client willing to take?



## Risk Tolerance

- How much risk is a client willing to take?
- Duration, yield curve positioning, sector exposure, credit exposure, the correlation to equities, and the client's distribution flows are important factors to measure.



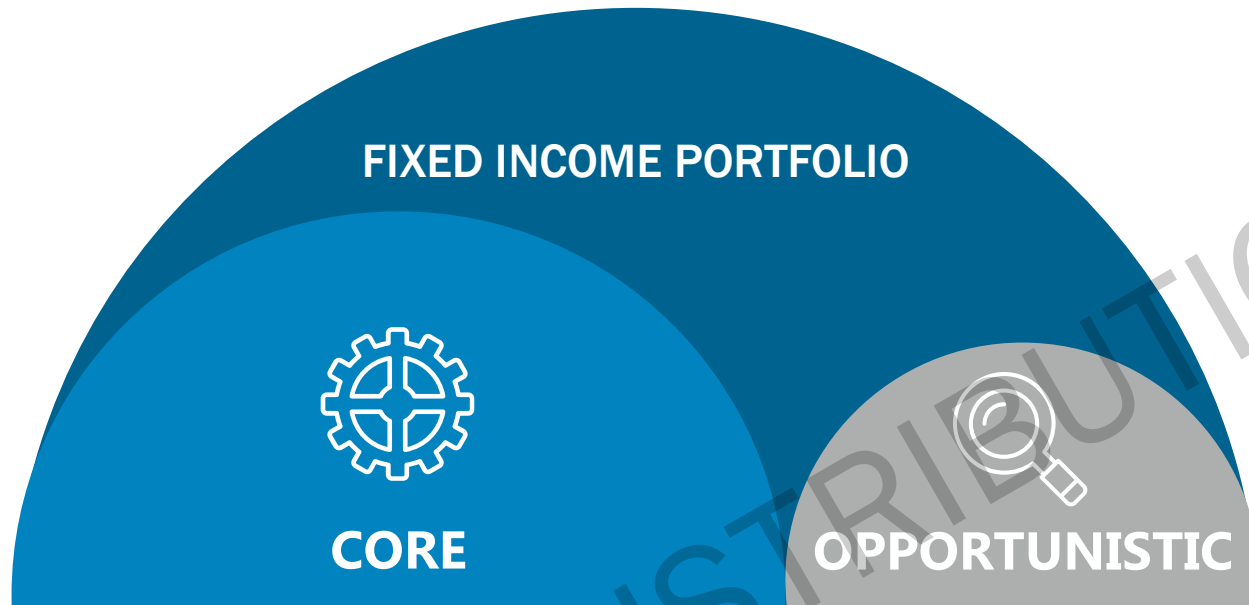
## Tax Considerations

- Is the client's status taxable or tax-exempt?
- Does the client have a return target given the respective tax situation?



## Time Horizon

- Does the client have short term or long term goals?
- Are spending requirements quarterly, annual, or longer?
- Is spending consistent with the return/risk profile of the portfolio?



## Characteristics

- Low volatility
- Uncorrelated to equities
- U.S. focus



## Exposure

- Treasuries
- Agencies
- Municipals
- Investment-grade corporate
- MBS



## Characteristics

- Income orientated
- Total return focus
- Low correlation to core bonds



## Exposure

- Non-U.S. developed sovereigns
- EM sovereigns
- High yield
- Bank loans
- Private debt