



Canterbury Consulting

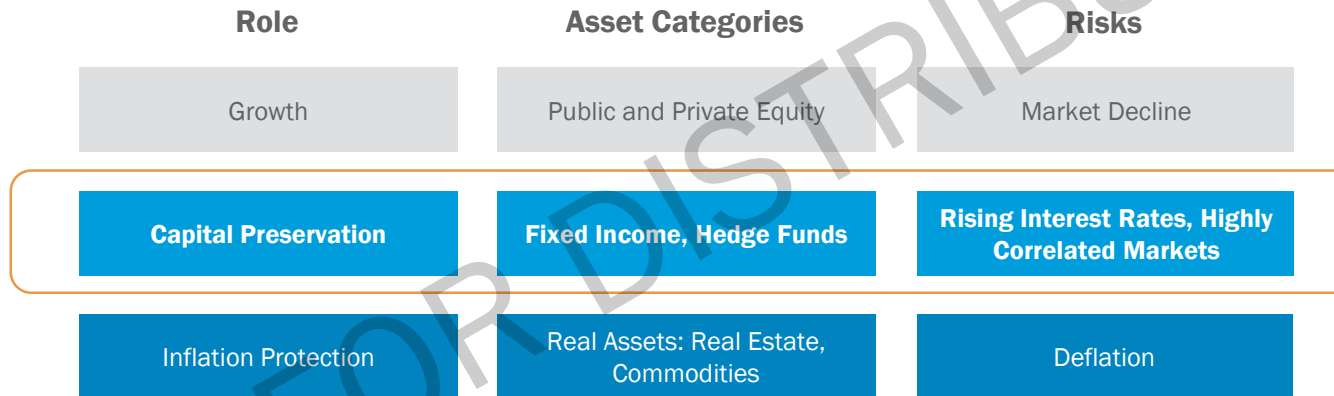
Quarterly Asset Class Report Tax-Exempt Fixed Income

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June 30, 2021

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 capital and mitigate volatility
- Provide measured exposure to the diverse universe of fixed income securities
- Exhibit returns uncorrelated to equity markets



- Canterbury fixed income portfolios are expected to deliver consistent net-of-fees excess returns and moderate tracking error versus the Barclays Global Aggregate.
- Relative to the index, Canterbury’s current fixed income portfolios will exhibit lower duration, similar credit quality, and higher yields.

Index Returns as of June 30, 2021

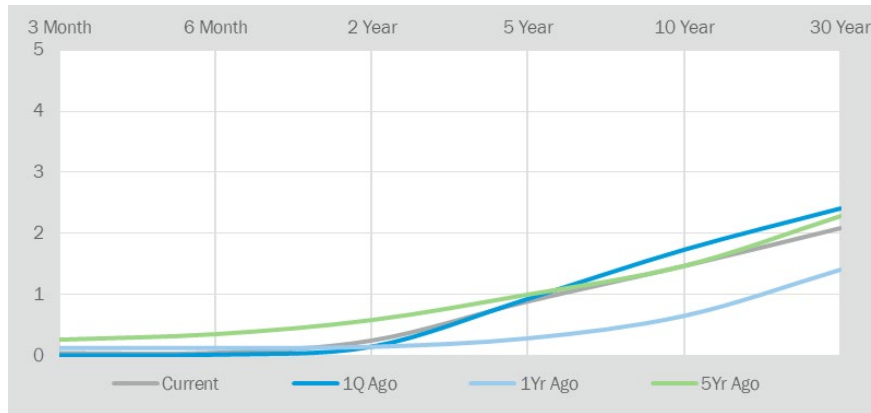
Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	1.31	-3.21	2.63	4.22	2.34	1.83	2.05
Barclays US Agg Bond	1.83	-1.60	-0.33	5.34	3.03	3.28	3.39
U.S. Treasurys							
BofAML 3M US Treasury Note	0.02	0.07	0.13	1.40	1.20	0.90	0.65
Barclays Short Treasury	0.00	0.04	0.11	1.51	1.26	0.97	0.72
Barclays Intermediate Treasury	0.62	-1.14	-1.18	3.96	1.93	2.21	2.16
Barclays Long Term US Treasury	6.46	-7.92	-10.58	7.99	3.14	5.76	6.66
BBgBarc U.S. Treasury TIPS 1-5Y	1.71	2.88	6.40	4.48	2.96	2.07	1.78
Barclays US Treasury US TIPS	3.25	1.73	6.51	6.53	4.18	3.33	3.40
U.S. Corporate Credit							
Barclays US Corp IG	3.55	-1.27	3.30	7.79	4.90	4.73	5.17
S&P/LSTA Leveraged Loan	1.47	3.28	11.65	4.39	4.99	3.94	4.39
BofAML US HY Master II	2.77	3.70	15.62	7.15	7.30	5.33	6.50
BofAML US HY BB-B Constrained	2.57	2.88	13.44	7.39	7.00	5.37	6.43
BofAML US Corporate AAA	4.84	-2.91	-0.41	8.09	4.69	5.07	4.70
BofAML US Corporate AA	3.74	-1.75	0.91	6.64	3.91	4.20	4.30
BofAML US Corporate A	3.36	-1.71	1.64	7.25	4.35	4.45	4.82
BofAML US Corps BBB	3.73	-0.38	5.79	8.38	5.63	4.99	5.67
BofAML US High Yield BB	2.90	2.68	13.09	8.62	7.20	5.98	6.83
BofAML US High Yield B	2.11	3.32	14.25	6.07	6.87	4.70	6.01
BofAML US High Yield CCC	4.09	9.51	32.30	4.26	8.44	4.79	6.45
Securitized							
Barclays ABS	0.34	0.18	1.34	3.65	2.39	2.33	2.37
Barclays MBS	0.33	-0.77	-0.42	3.78	2.27	2.56	2.64
Barclays CMBS	1.87	-0.50	2.26	5.98	3.35	3.46	3.77
Municipals							
Barclays Municipal	1.42	1.06	4.17	5.10	3.25	3.83	4.28
Barclays Muni 1-10	0.51	0.30	2.18	3.64	2.33	2.47	2.68
Global							
Citi WGBI	0.98	-4.75	0.76	3.59	1.66	1.36	1.42
Barclays Gbl Agg Ex USD	0.92	-4.42	4.60	3.12	1.63	0.66	0.99
JPM EMBI Plus	4.42	-3.12	4.13	5.59	3.17	3.77	4.79

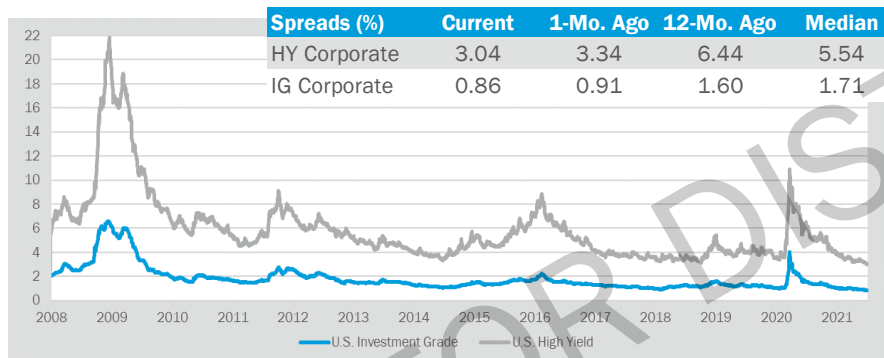
Market Environment as of June 30, 2021

Fixed Income

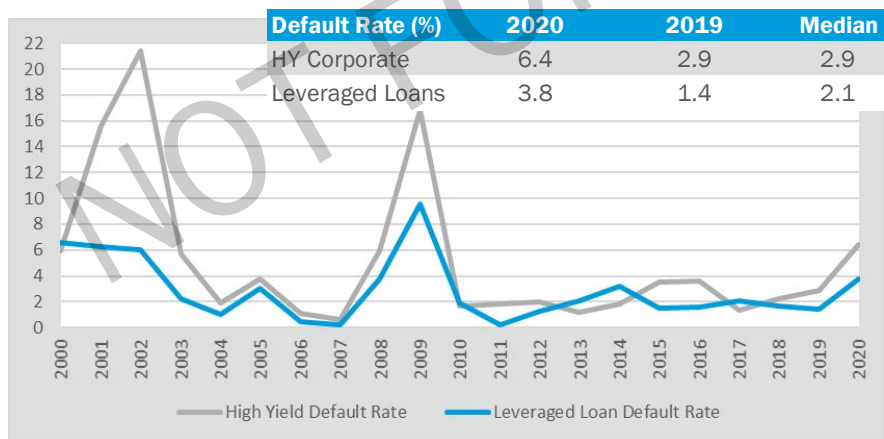
U.S. Treasury Rates



Corporate Spreads



Default Rates

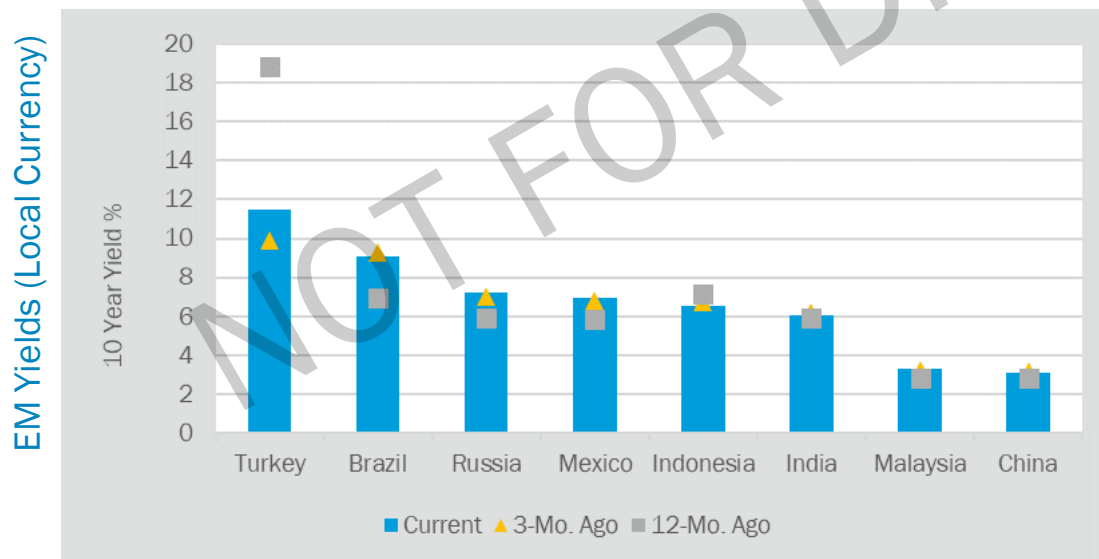
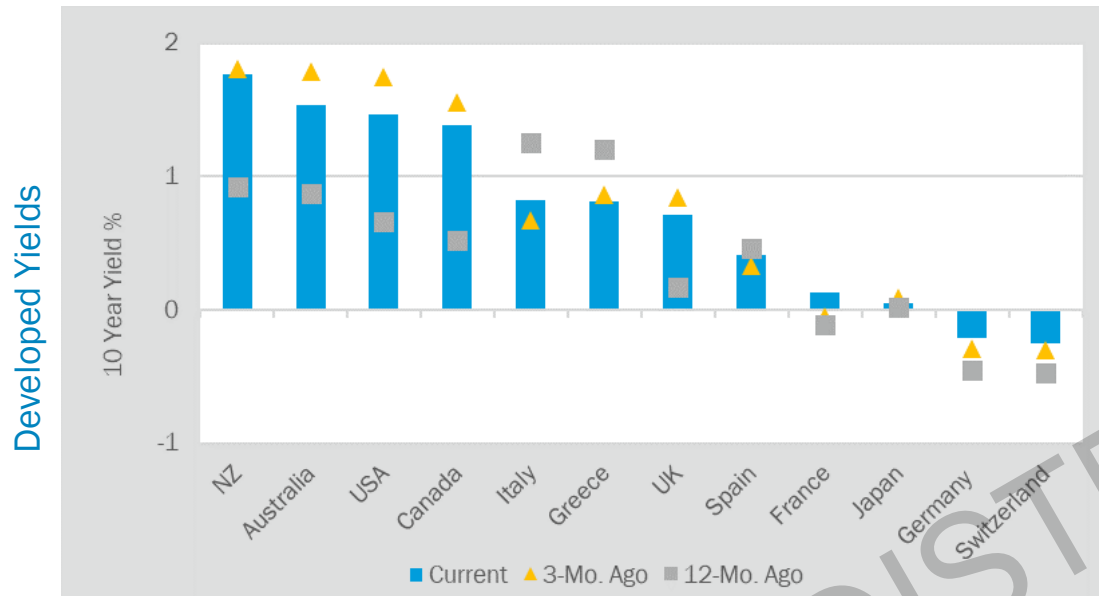


- U.S. core bonds ended the second quarter with positive returns as economic activity increased and fundamentals continued to improve. The Fed moved up its timeline in raising interest rates and discussed slowing down its asset purchase program at the latest FOMC meeting. The treasury yield curve slightly flattened as the bond market disregarded inflation concerns.
- Investment grade (IG) and high yield (HY) spreads grinded tighter over the quarter. Corporate credit spreads have continued to narrow since the peak in March 2020 and are now at historic tights.
- Most risk assets such as IG corporate bonds, HY corporate bonds, and local currency emerging market debt performed well due to the economic reopening.

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

Market Environment as of June 30, 2021

Fixed Income



- Developed sovereign bond yields marginally decreased over the quarter. Yields in most countries remained at the highest level in over 12 months, except for those that were hardest hit by the pandemic such as Greece, Italy, and Spain.
- Emerging markets (EM) sovereign debt yields stabilized over the quarter as vaccine distribution began to ramp up.
- EM currencies have significantly rebounded from their lows in March of 2020. Additionally, EM currencies outperformed in the second quarter as the U.S. dollar depreciated on the back of rising commodity prices.

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.



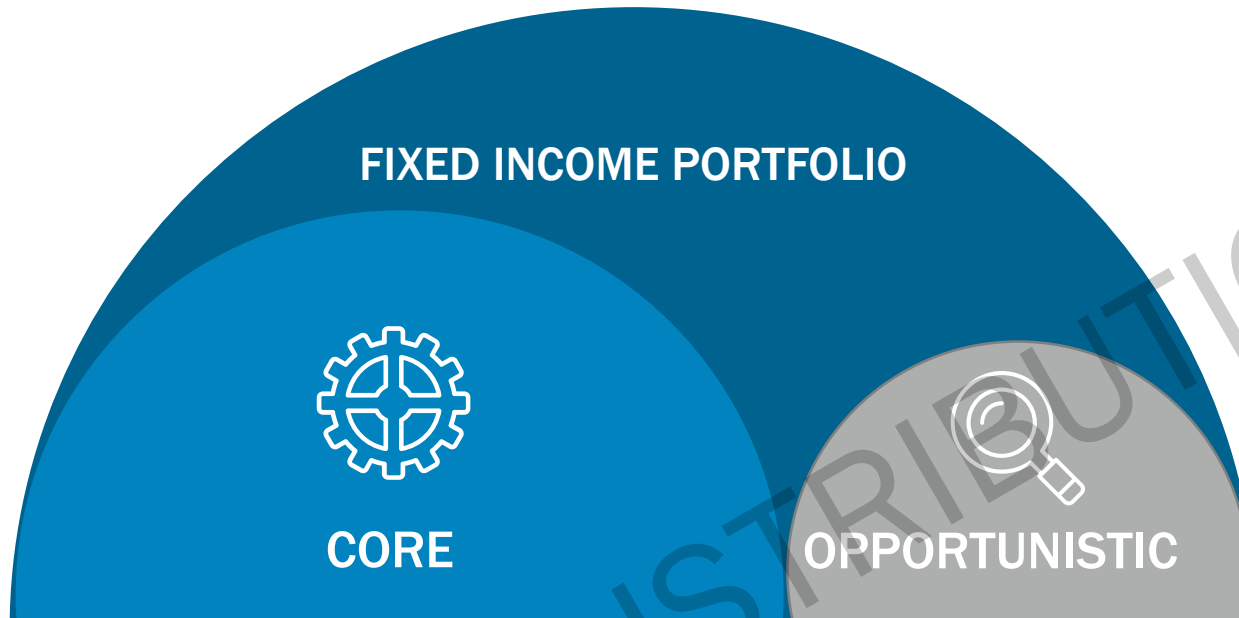
Tax Considerations

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



Time Horizon

- Does the client have short term or long term goals?
- Are spending requirements quarterly, annually, 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
- Investment grade corporate
- MBS



Characteristics

- Income orientated
- Total return focus
- Uncorrelated to core bonds



Exposure

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