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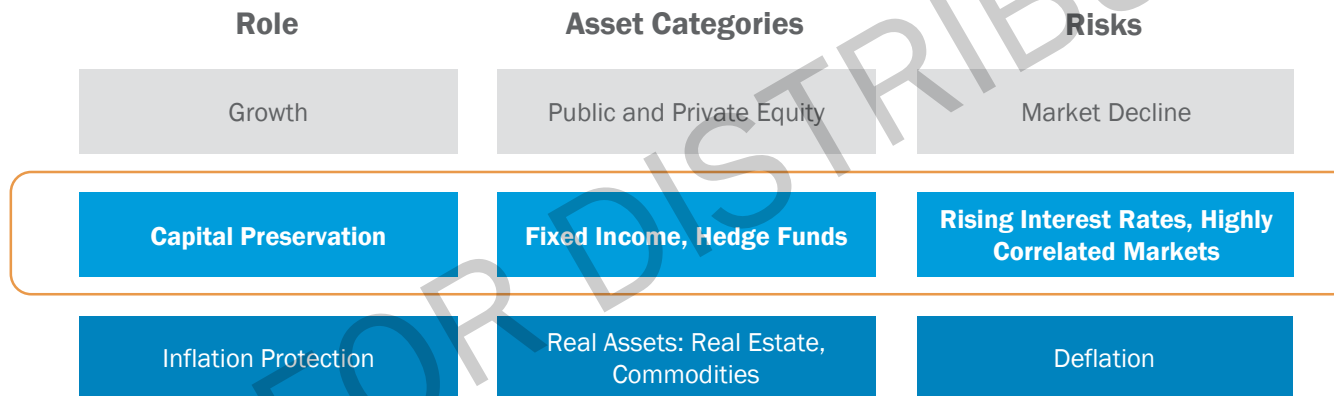
Quarterly Asset Class Report Taxable Fixed Income

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December 31, 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 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 set up with a goal to deliver consistent after-tax and net-of-fees excess returns and moderate tracking error versus the Barclays Municipal Bond Index. The goal for taxable fixed income portfolios are to have a high quality bias with sensitivity toward taxes.
- Canterbury’s fixed income portfolios seek to exhibit benchmark-like, after-tax yields and credit quality through 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 December 31, 2021

Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	-0.67	-4.71	-4.71	3.59	3.36	2.22	1.77
Barclays US Agg Bond	0.01	-1.54	-1.54	4.79	3.57	3.00	2.90

U.S. Treasuries

BofAML 3M US Treasury Note	0.01	0.08	0.08	1.04	1.17	0.90	0.65
Barclays Short Treasury	-0.02	0.04	0.04	1.14	1.22	0.97	0.71
Barclays Intermediate Treasury	-0.57	-1.72	-1.72	3.04	2.33	1.98	1.68
Barclays Long Term US Treasury	3.08	-4.65	-4.65	8.82	6.55	4.65	4.51
BBgBarc U.S. Treasury TIPS 1-5Y	1.17	5.53	5.53	5.44	3.48	2.90	1.97
Barclays US Treasury US TIPS	2.36	5.96	5.96	8.44	5.34	4.25	3.09

U.S. Corporate Credit

Barclays US Corp IG	0.23	-1.04	-1.04	7.59	5.26	4.51	4.70
S&P/LSTA Leveraged Loan	0.75	5.20	5.20	5.63	4.27	4.36	4.69
BofAML US HY Master II	0.66	5.36	5.36	8.57	6.10	6.03	6.72
BofAML US HY BB-B Constrained	0.73	4.60	4.60	8.56	6.04	5.92	6.54
BofAML US Corporate AAA	0.97	-2.38	-2.38	7.80	5.74	4.62	4.10
BofAML US Corporate AA	0.43	-1.44	-1.44	6.12	4.50	3.87	3.94
BofAML US Corporate A	0.13	-1.77	-1.77	6.80	4.80	4.13	4.39
BofAML US Corps BBB	0.13	-0.19	-0.19	8.28	5.79	4.94	5.28
BofAML US High Yield BB	0.72	4.53	4.53	9.53	6.55	6.35	6.91
BofAML US High Yield B	0.82	4.88	4.88	7.53	5.50	5.47	6.16
BofAML US High Yield CCC	-0.18	10.42	10.42	7.41	5.61	6.20	7.26

Securitized

Barclays ABS	-0.57	-0.34	-0.34	2.88	2.39	2.17	2.04
Barclays MBS	-0.37	-1.04	-1.04	3.01	2.50	2.24	2.28
Barclays CMBS	-0.64	-1.16	-1.16	4.98	3.78	3.21	3.43

Municipals

Barclays Municipal	0.72	1.52	1.52	4.72	4.17	3.48	3.72
Barclays Muni 1-10	0.10	0.43	0.43	3.19	2.86	2.33	2.32

Global

Citi WGBI	-1.10	-6.97	-6.97	2.75	2.95	1.80	0.96
Barclays Gbl Agg Ex USD	-1.18	-7.05	-7.05	2.46	3.07	1.49	0.82
JPM EMBI Plus	-0.34	-4.52	-4.52	4.80	3.36	4.01	4.23

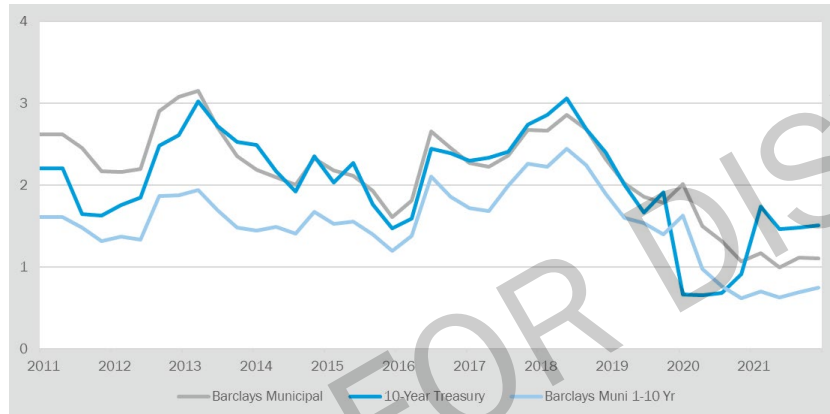
Market Environment as of December 31, 2021

Fixed Income

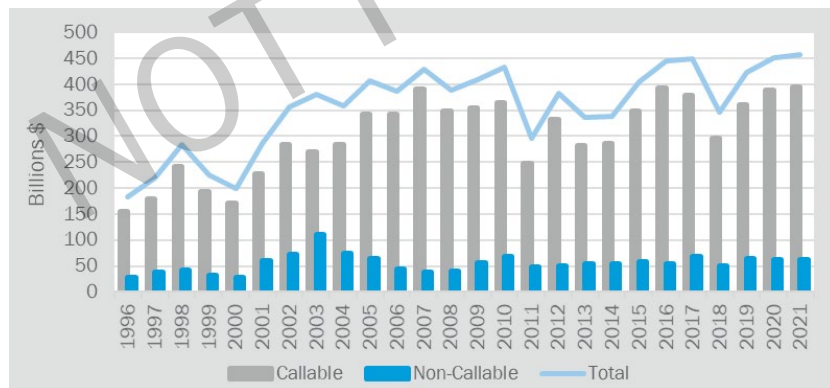
Municipal Yield Curve



Yield Comparison



U.S. Municipal Issuance

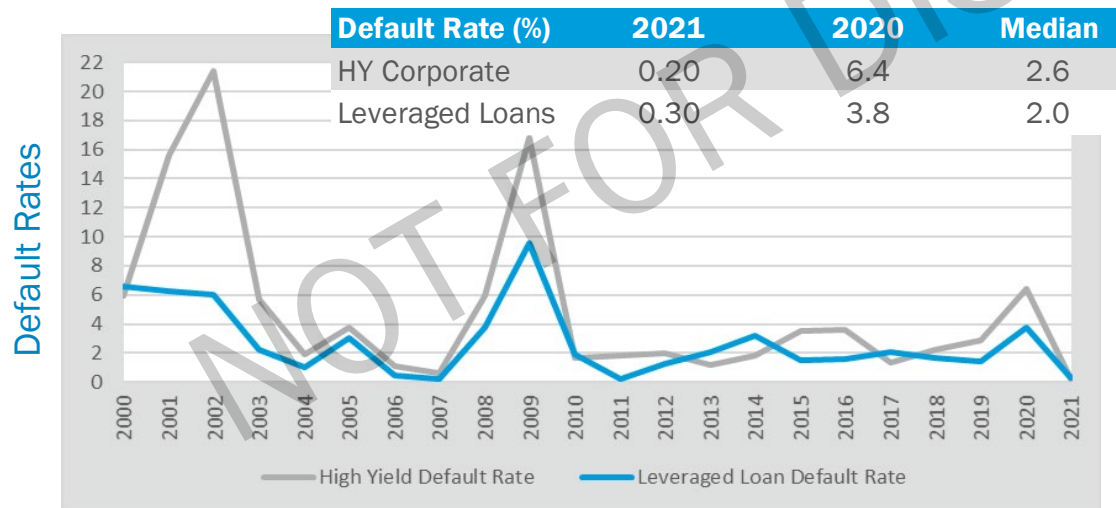
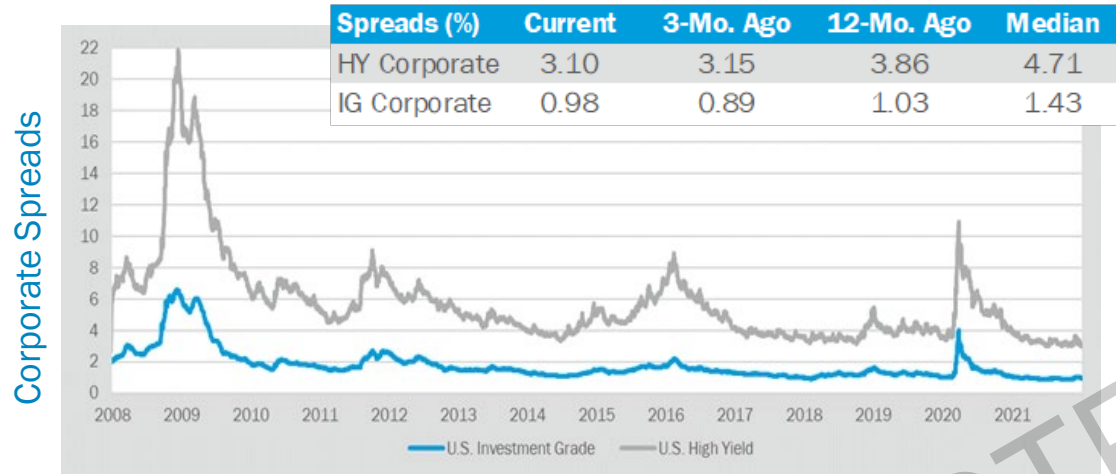


- In December, the Fed expressed a more hawkish tone by communicating that they will reduce their asset purchases by a larger amount than originally planned. With the updated reduction in asset purchases, the Fed will be on track to end its taper program by March of 2022. By revising their taper timeline, the central bank is acknowledging the growing risk of persistent inflation.
- The intermediate portion of the municipal bond curve ended the quarter marginally higher as interest rate projections increased, meanwhile the long-end of the curve flattened. The treasury yield curve experienced similar moves, but in a larger magnitude.
- Muni/Treasury ratios along the curve decreased due to persistent demand for tax-exempt income. Higher income taxes remains likely as the Biden administration continues to push its 'Build Back Better' bill through Congress.
- Municipal bond issuance remained persistent in the fourth quarter and ended the year slightly higher than 2020 levels.

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

Market Environment as of December 31, 2021

Fixed Income



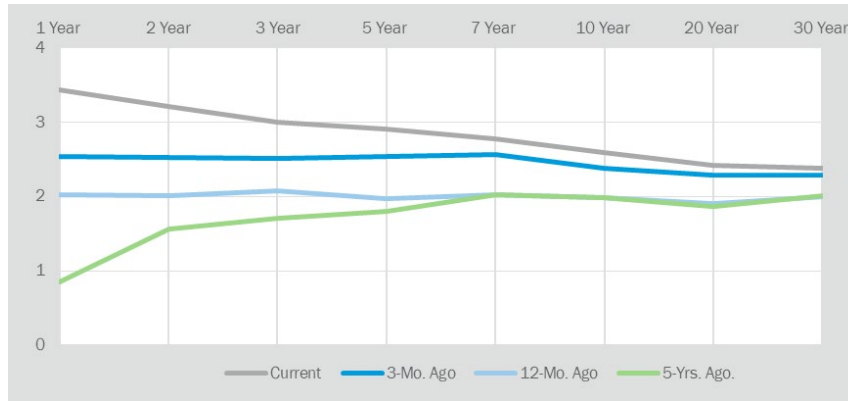
- Investment grade (IG) spreads widened by approximately 10 basis points over the quarter while high yield (HY) spreads marginally tightened. Credit spreads across IG and HY continue to be below pre-pandemic levels.
- The default rate on loans and bonds peaked in 2020 due to accommodative monetary & fiscal policy. As a result, overall bankruptcies are at their lowest levels in over a decade.

Sources: Federal Reserve Economic Data, S&P LCD, American Bankruptcy Institute, Moody's

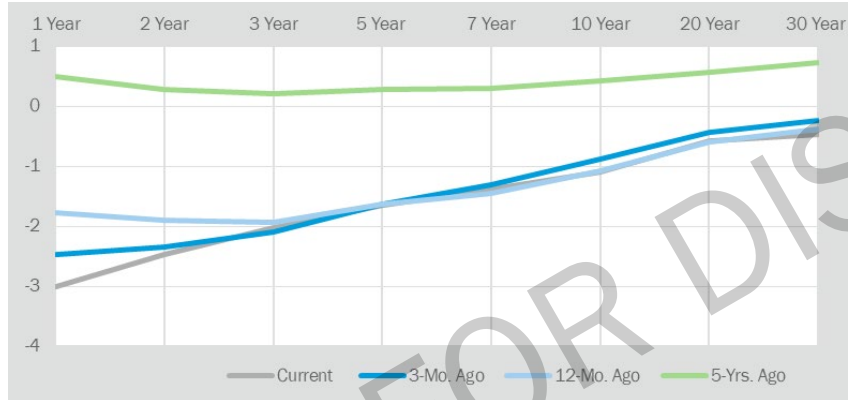
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Fixed Income

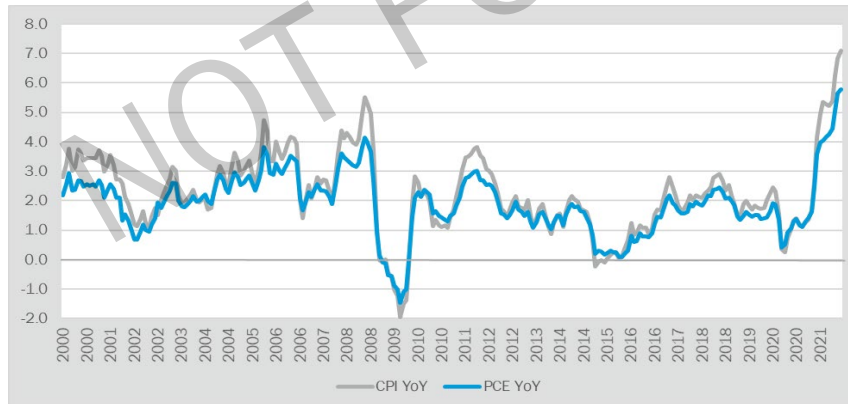
Breakeven Rates



Real Yields



Inflation Rates



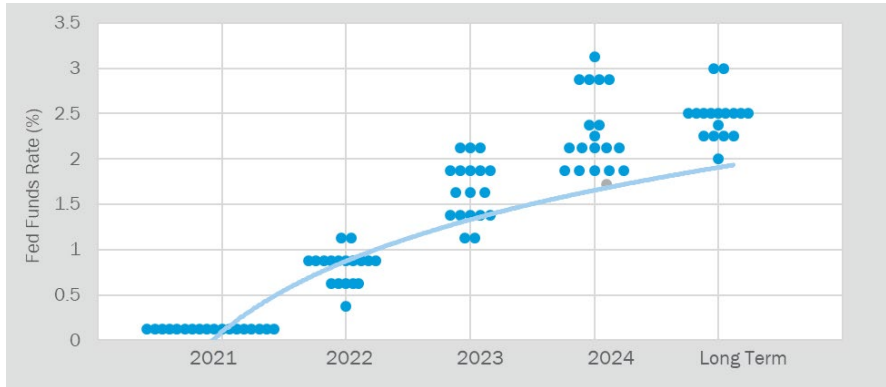
- Breakeven inflation rates have persistently increased throughout 2021 as supply chain disruptions and labor shortages have resulted in higher inflation.
- Current long-term breakeven rates imply that inflation should trend above the Fed's original inflation target of 2% in the long-run.
- As inflation has increased, short-term real yields have moved further into negative territory.
- 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.
- Treasury real yields are calculated using primary and secondary market prices of Treasury Inflation Protected Securities (TIPS).

Source: Bloomberg, FRED, CPI & PCE Data, U.S. Breakeven Rates, U.S. Treasury Inflation-Indexed Rates. Data as of 12/31/2021.

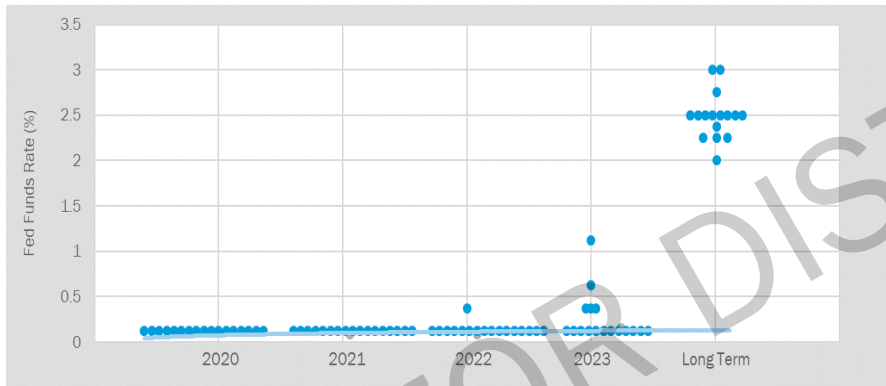
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Fixed Income

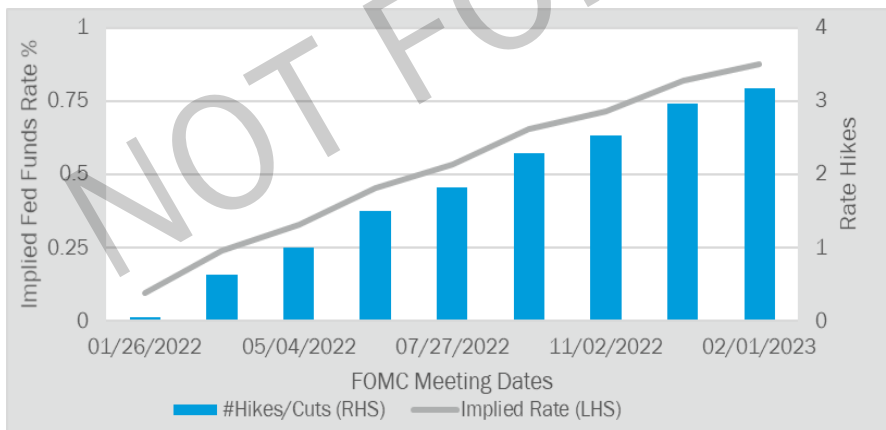
Fed Dot Plot
December 2021



Fed Dot Plot
December 2020



Implied Fed Funds
Rate & Rate Hike
Probabilities



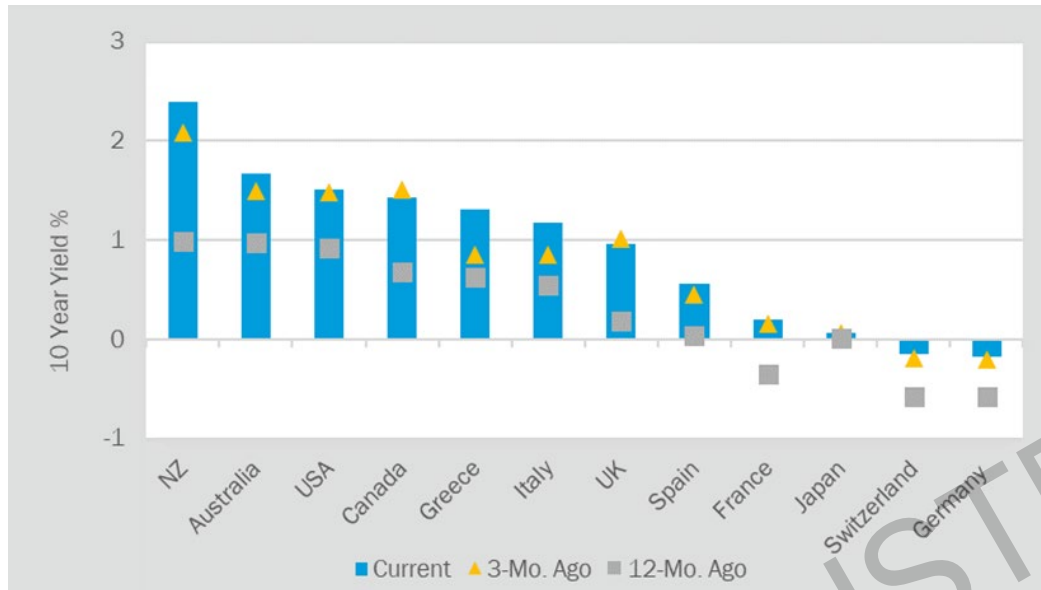
- The Federal Reserve increased its fed funds rate forecast with expectations of three rate hikes in 2022 from one rate hike the prior quarter and zero rate hikes the prior year.
- As of end of December, market participants priced in three 25 bps rate hikes by the end of 2022 with the first rate hike coming as soon as the March FOMC meeting.
- The Fed Dot Plot is a representation of where each of the Federal Open Markets Committee (FOMC) members believe the fed funds rate will be in the future.
- The implied fed funds rate is where market participants believe the fed funds rate will be based on futures prices.

Source: Bloomberg. December FOMC Dot Plot. Fed Funds Futures as of time of December FOMC meeting. Implied Fed Funds Futures & Rate Hike Probabilities as of 12/31/2021.

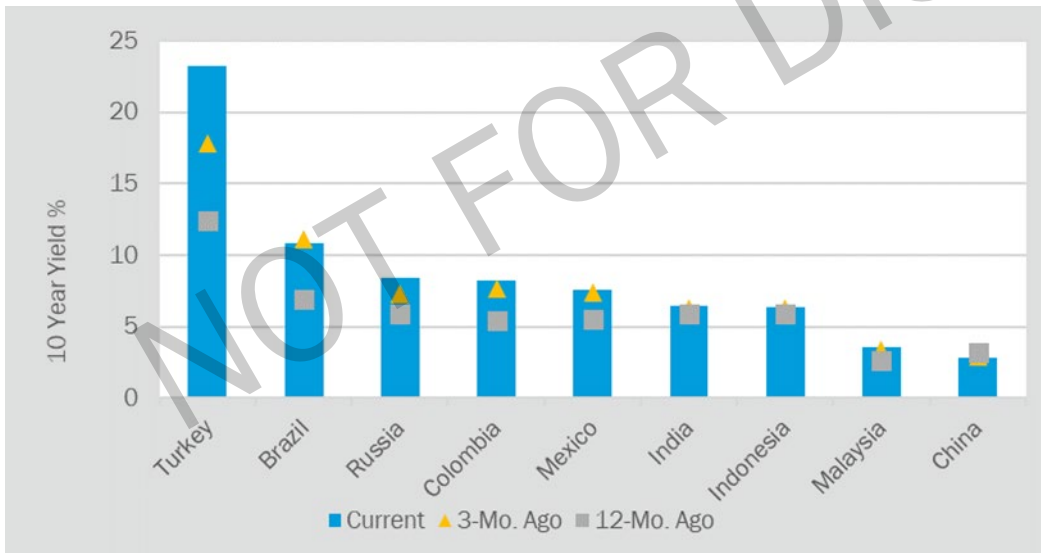
Market Environment as of December 31, 2021

Fixed Income

Developed Yields



EM Yields (Local Currency)



- Developed sovereign bond yields ended the quarter relatively unchanged. Countries that faced higher inflation prints and hawkish central bank signaling saw long-term yields rise higher than others.
- Emerging markets (EM) sovereign yields remained relatively stable on a quarter-over-quarter basis, with the exception of Turkey. Turkey continues to face high inflation and loose monetary policy.
- EM currencies ended the quarter with mixed results. Countries with higher central bank credibility generally performed better than others.

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.



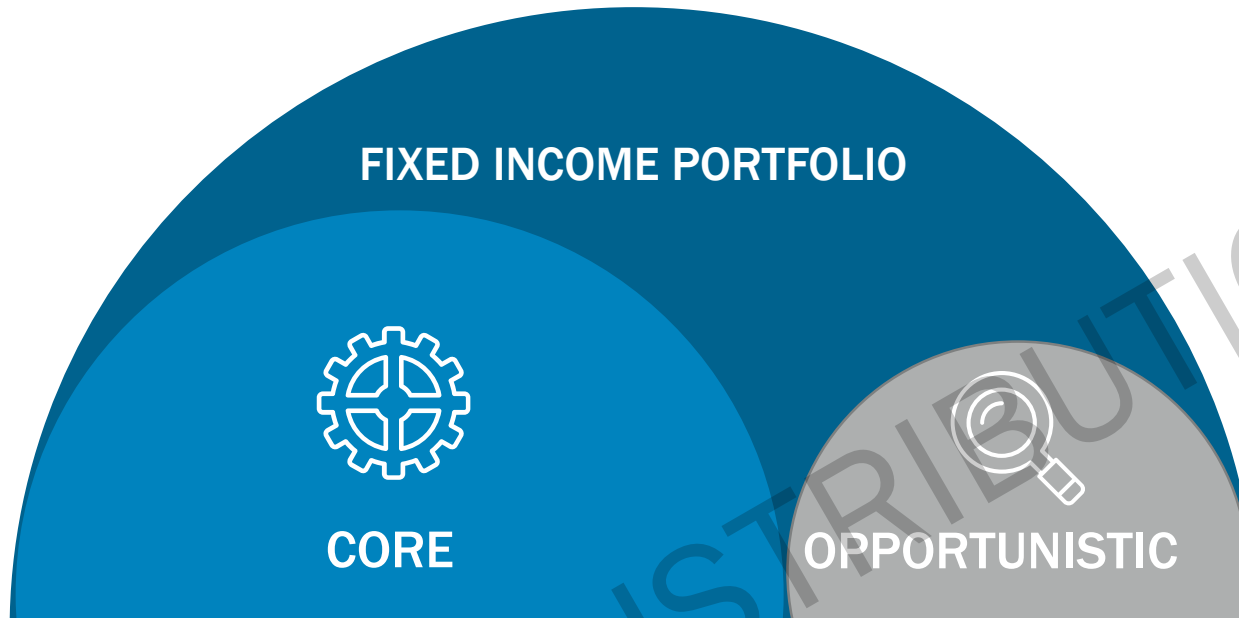
Tax Considerations

- 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