Quarterly Asset Class Report
Real Assets

Canterbury Consulting

canterburyconsulting.com

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Role in the Portfolio

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

Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	**Real Assets: Real Estate, Commodities**	**Deflation**

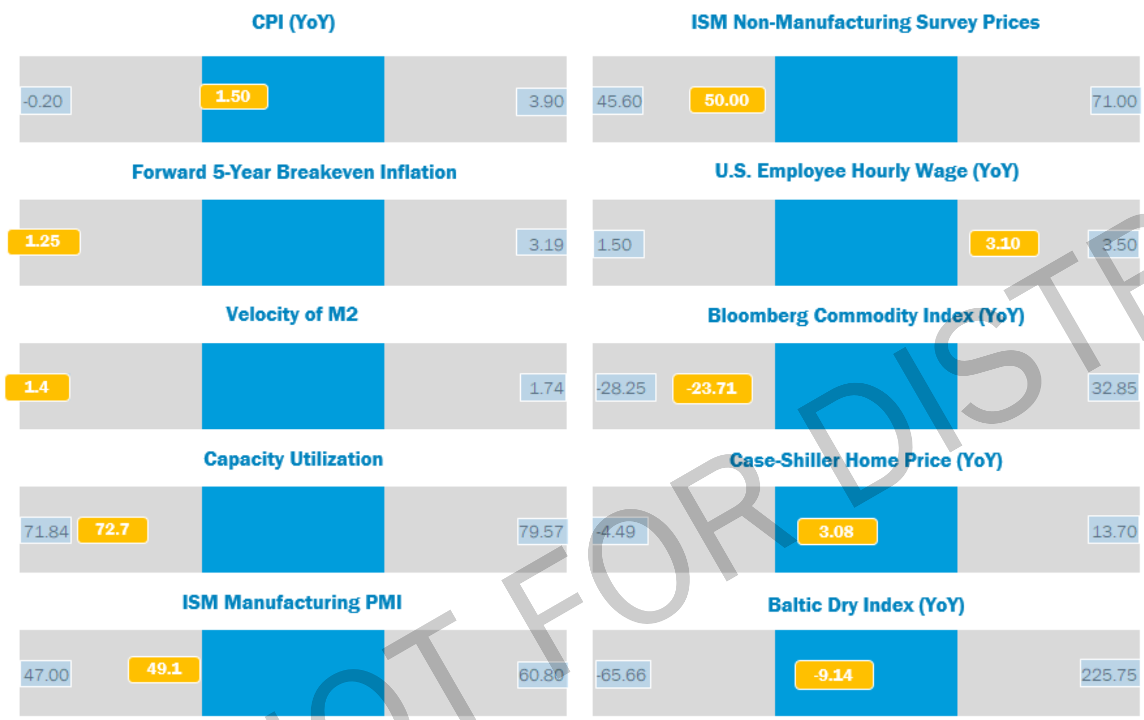
— Real assets are appropriate for investors with long time horizons (10+ years) and inflation-linked liabilities.

— Real asset portfolios should aim to maximize high inflation sensitivity and high inflation reliability.

— Portfolio allocations will differ depending on the client's risk tolerance.

Asset Class Indicators

Real Assets



Current

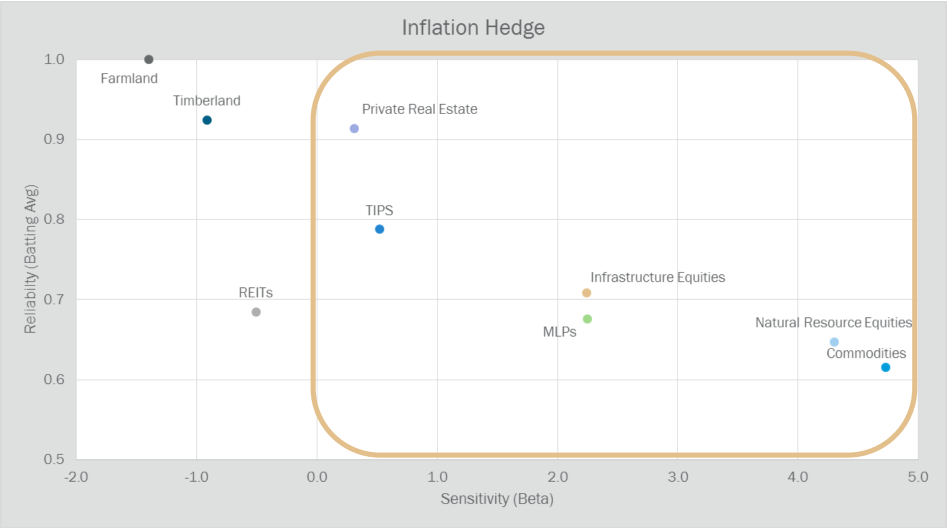
+- 1 Standard Deviation From the Mean

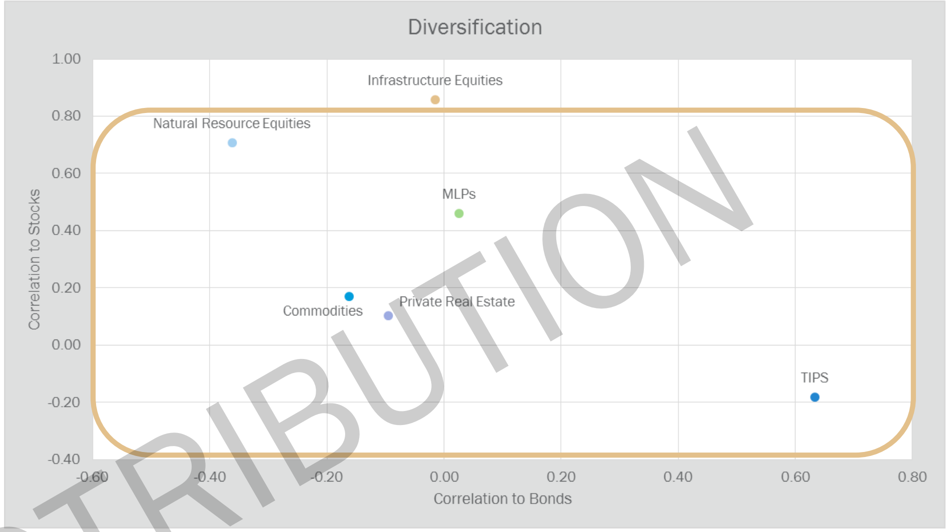
10-Year High and Low

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Tensions between Russia and Saudi Arabia, along with a demand shock from the coronavirus, resulted in a precipitous decline in oil prices.
- While the duration of the ongoing oil price war is uncertain, energy producers generally cannot generate a profit if oil prices are at or below $30.
- Forward breakeven rates collapsed as the impact of the coronavirus pandemic resulted in lower inflation expectations.
- PMI Manufacturing indicators dropped below 50 during the quarter. Numbers below 50 typically represent a manufacturing recession.

Source: Bloomberg

Sub-Asset Class Statistics





Farmland, Timberland, and REITs are screened from inclusion in real asset portfolios because they don't exhibit a sensitivity to inflation of greater than zero.

Infrastructure equities are screened from real asset portfolios because they have a correlation of greater than 0.8 to equities.

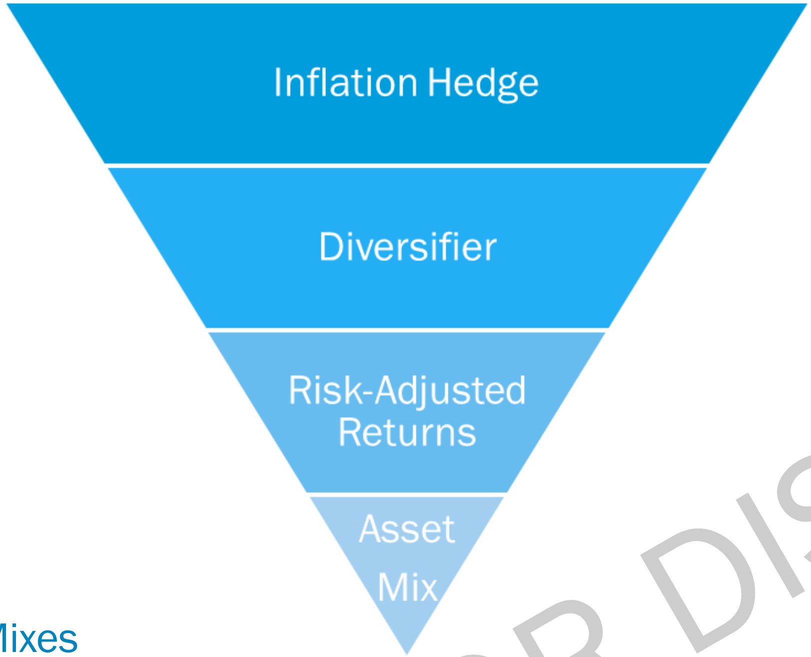
Risk-adjusted returns of the remaining asset classes are used to help optimize real asset portfolios.

1) Based on 10-yr rolling data since inception 2) Takes average from 10-yr rolling data: FTSE NAREIT All Equity (1972), Bloomberg Commodity (1991), S&P NA Natural Resources (1996), Alerian MLP (1996), S&P Global Infra. (2002), NCREIF Property (1978), NCREIF Farmland (1992), NCREIF Timberland (1987), & Barclays US TIPS (1997) 3) as of June 30, 2018

Portfolio Process & Construction

Real Assets

Screening Process



Asset Mixes

Mixes	Sensitivity	Reliability	Correlation to Stocks	Correlation to Bonds	Sharpe Ratio
Liquid Direct	2.85	0.69	0.19	0.10	0.07
Dynamic Multi-Asset*	1.88	0.75	0.46	0.00	0.36
Diversified Direct	2.21	0.74	0.17	0.05	0.23
Morningstar U.S. Real Asset Index	0.77	0.77	0.65	0.04	0.39
CPI	*1.00*	*1.00*	*-0.11*	*-0.28*	*NA*

** Principal DRA Strategy Mix*
Based on historical data from 3/1/1997 to 6/31/2018
Sharpe ratios are 10-year trailing returns

- Canterbury utilizes a screening process to narrow down the asset classes for inclusion in real asset portfolios based on pre-specified roles:
  - Inflation Hedge
    High reliability (>50%) and sensitivity (>0) to inflation
  - Diversifier
    Low correlation (<0.8) to stocks and bonds
  - Risk-Adjusted Returns
    Sharpe ratio is considered when optimizing the allocations to remaining asset classes
- These roles are used to help build portfolios of real assets that exhibit a high degree of sensitivity (>1) and reliability (>60%) to inflation, show a low correlation to stocks and bonds (<0.6), and generate competitive risk-adjusted returns (>0.5).