



Canterbury Consulting

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Quarterly Asset Class Report Real Assets

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December 31, 2023

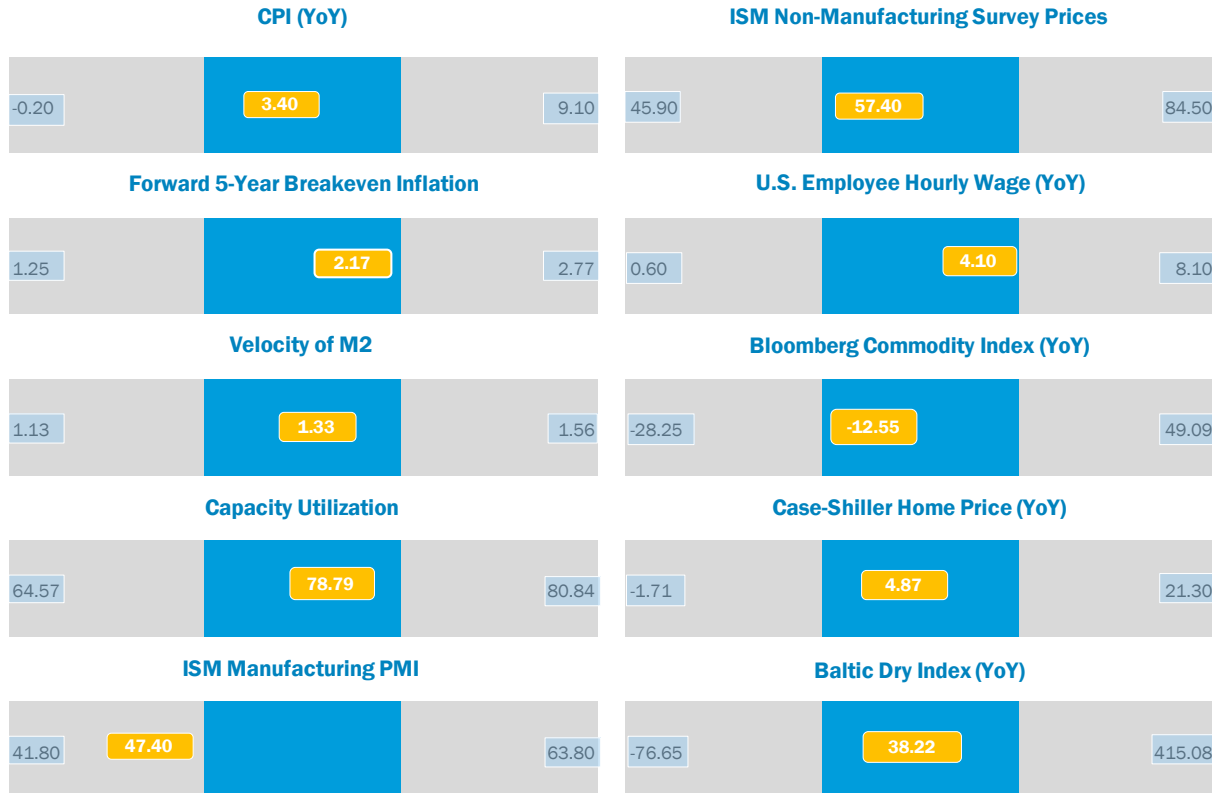
Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of real asset strategies designed to (in aggregate):

- 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, while limiting volatility.
- Portfolio allocations will differ depending on the client’s risk tolerance.

Asset Class Indicators



Real Assets

Current

+1 Standard Deviation From the Mean

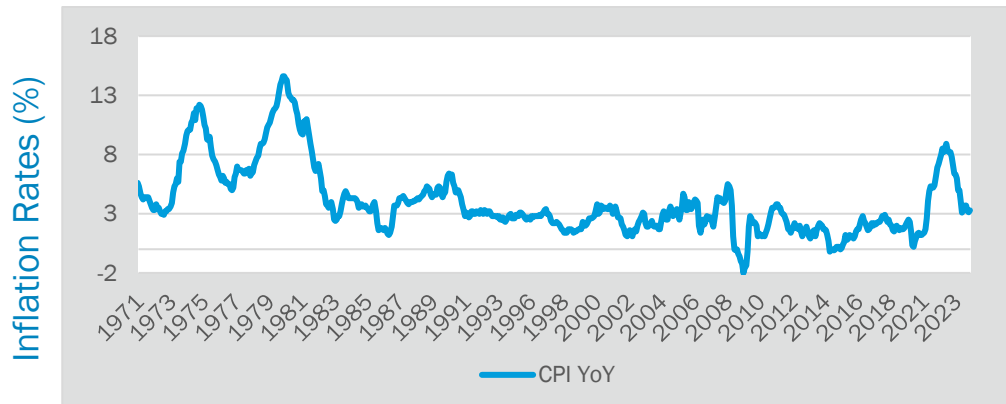
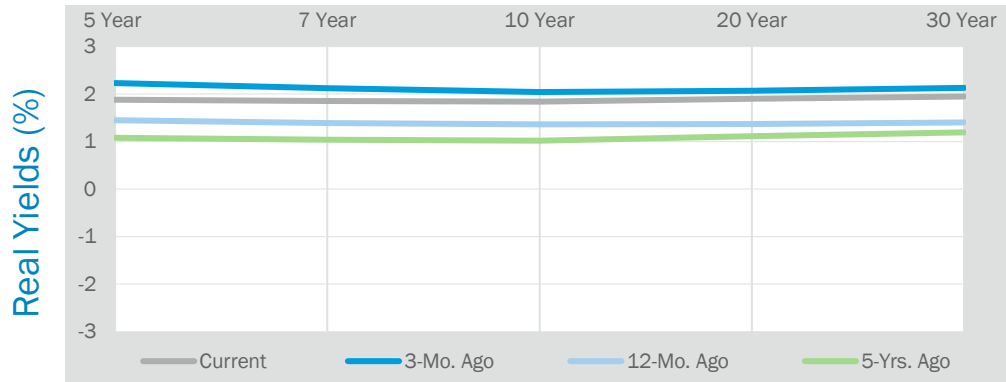
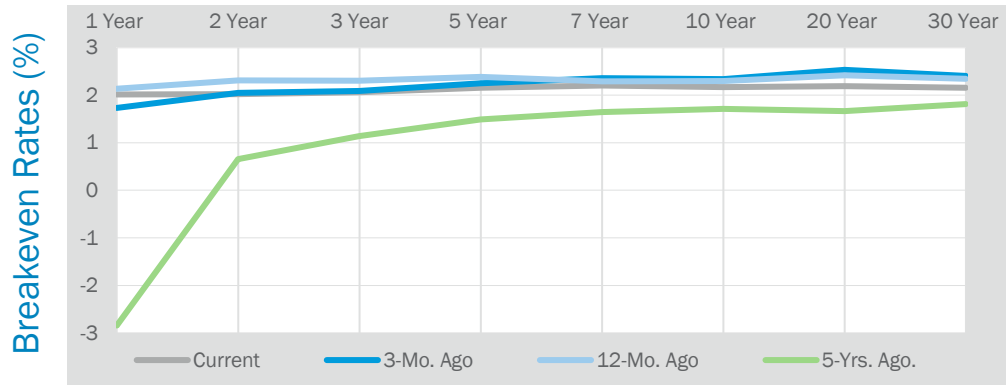
10-Year High and Low

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Inflation, measured by CPI, decreased in October and November but increased in December to a year-over-year rate of 3.4%. CPI excluding food and energy, generally viewed as sticky inflation or Core CPI, fell to a year-over-year rate of 3.9% from 4.1% in September.
- Indicators used to measure U.S. economic activity such as the ISM Manufacturing and Non-Manufacturing indexes marginally decreased over the quarter. ISM Manufacturing PMI continued to show contractionary economic activity while ISM Non-Manufacturing showed expansionary economic activity, creating an uncertain outlook of taming inflation for the Fed.
- Housing prices represented by the Case-Shiller Home Price Index rose to 4.87% on a year-over-year basis, showing that housing prices have regained momentum. Housing prices are currently being supported by low supply of housing, despite high mortgage rates.

Source: Bloomberg as of December 31, 2023

Market Environment as of December 31, 2023

Real Assets

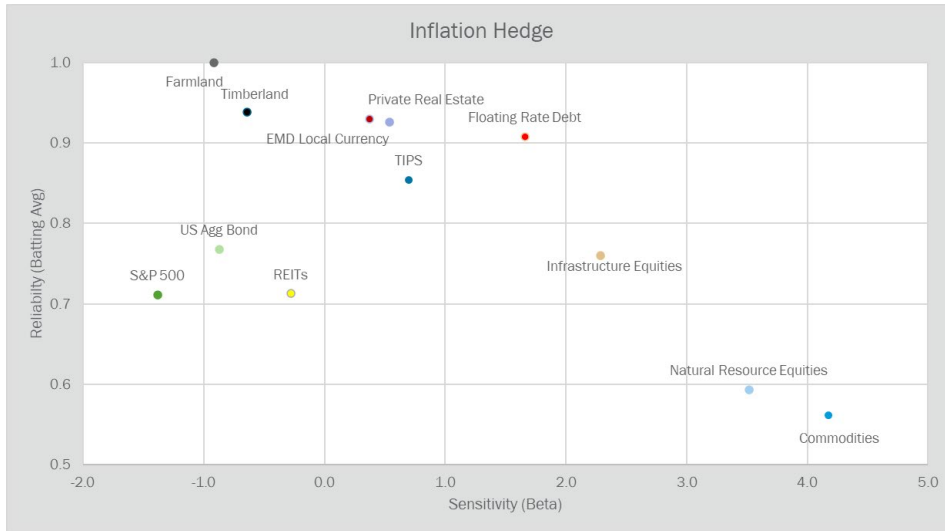


- Front-end breakeven inflation rates remained relatively unchanged while intermediate-to-long-term breakevens slightly fell towards 2%. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a treasury bond from the nominal yield.
- Breakeven rates currently imply that inflation should trend in line with the Fed's original inflation target of 2% in the near-term while intermediate-to-long-term breakevens imply that inflation could trend slightly higher than the Fed's inflation target.
- Real yields from the 5-year maturity and beyond marginally fell, showing that inflation outpaced nominal yields.
- Inflation continues to be driven by supply/demand imbalances, economic growth, tight labor markets, high wage growth, and high spending within services.

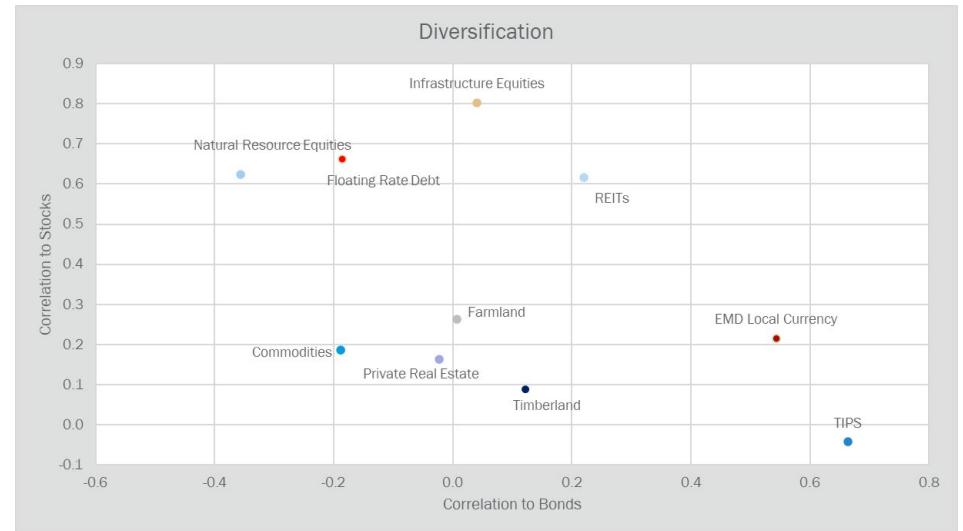
Source: Bloomberg, FRED, CPI & PCE Data, U.S. Breakeven Rates, U.S. Treasury Inflation-Indexed Rates. Data as of 12/31/2023.

Sub-Asset Class Statistics

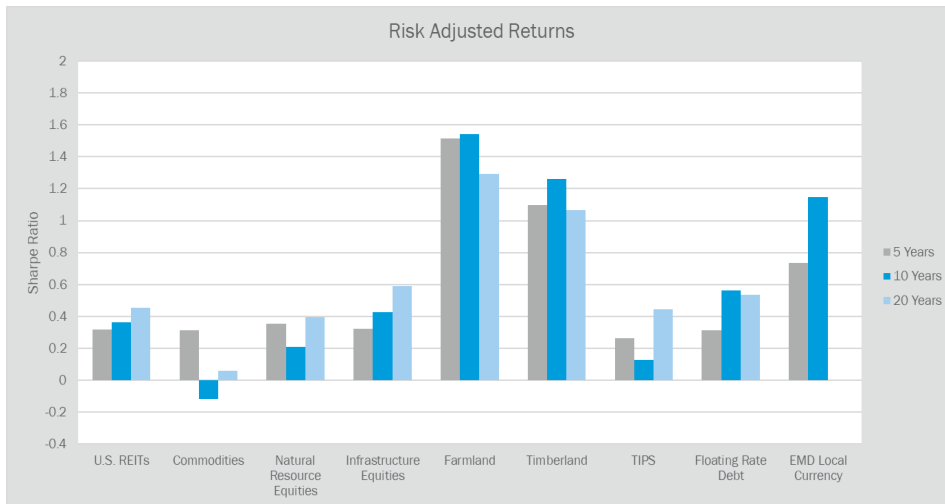
Real Assets



Charts are based on 10-yr rolling data since inception, take average from 10-yr rolling data



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All charts as of June 30, 2023

- Inflation Reliability (% of time asset is positive when inflation is positive)
- Inflation Sensitivity (rate of change, i.e. how many units an asset moves given a 1 unit change in inflation)
- Risk-adjusted returns of the remaining asset classes are used to help optimize real asset portfolios