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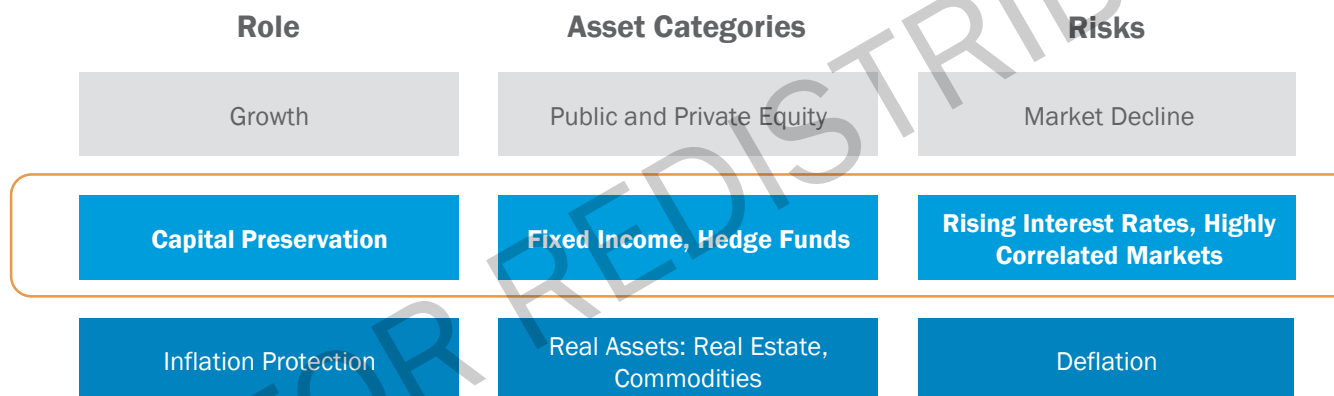
Quarterly Asset Class Report Taxable Fixed Income

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March 31, 2025

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 Bloomberg 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. Portfolio diversification will depend on the client's state of domicile and individual goals (i.e. income vs. capital preservation).

Index Returns as of March 31, 2025

Fixed Income

	QTD (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Bloomberg Global Aggregate	2.64	2.64	3.05	-1.63	-1.38	-0.46	0.61
Bloomberg US Agg Bond	2.78	2.78	4.88	0.52	-0.40	1.58	1.46

U.S. Treasurys

BofAML 3M US Treasury Note	1.06	1.06	4.93	4.24	2.56	2.48	1.89
Bloomberg Short Treasury	1.05	1.05	5.07	4.16	2.48	2.47	1.90
Bloomberg Intermediate Treasury	2.49	2.49	5.35	1.76	-0.06	1.74	1.35
Bloomberg Long Term US Treasury	4.67	4.67	1.26	-7.21	-7.89	-0.97	-0.57
Bloomberg U.S. Treasury TIPS 1-5Y	3.40	3.40	7.26	2.91	4.00	3.51	2.79
Bloomberg US Treasury US TIPS	4.17	4.17	6.17	0.06	2.36	3.04	2.51

U.S. Corporate Credit

Bloomberg US Corp IG	2.31	2.31	4.90	1.14	1.51	2.48	2.43
Morningstar LSTA US LL TR USD	0.48	0.48	6.86	7.21	8.96	5.31	4.98
BofAML US HY Master II	0.94	0.94	7.60	4.84	7.21	4.80	4.92
BofAML US HY BB-B Constrained	1.16	1.16	6.69	4.47	6.55	4.70	4.71
BofAML US Corporate AAA	2.60	2.60	2.97	-1.34	-1.62	1.52	1.68
BofAML US Corporate AA	2.42	2.42	4.23	0.12	-0.10	1.70	1.73
BofAML US Corporate A	2.42	2.42	5.03	1.18	0.97	2.35	2.25
BofAML US Corps BBB	2.29	2.29	5.72	2.05	2.91	2.99	2.93
BofAML US High Yield BB	1.45	1.45	6.66	4.33	6.33	4.93	4.88
BofAML US High Yield B	0.70	0.70	6.73	4.56	6.91	4.46	4.55
BofAML US High Yield CCC	-0.67	-0.67	13.73	7.08	11.60	4.92	5.87

Securitized

Bloomberg ABS	1.53	1.53	5.90	3.51	2.37	2.61	2.18
Bloomberg MBS	3.06	3.06	5.39	0.55	-0.69	1.10	1.11
Bloomberg CMBS	2.57	2.57	6.46	2.22	1.26	2.53	2.17

Municipals

Bloomberg Municipal	-0.22	-0.22	1.22	1.53	1.07	2.07	2.13
Bloomberg Muni 1-10	0.81	0.81	2.32	2.07	1.30	1.90	1.70

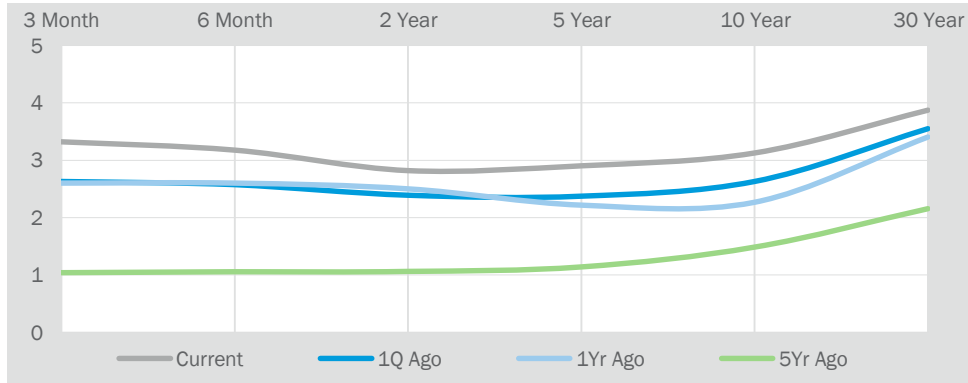
Global

Bloomberg Global Aggregate TR Hdg USD	1.17	1.17	4.59	1.55	0.42	1.92	1.94
Bloomberg Gbl Agg Ex USD	2.53	2.53	1.46	-3.47	-2.35	-2.18	-0.18
FTSE WGBI	2.57	2.57	2.10	-2.89	-2.97	-1.51	-0.05

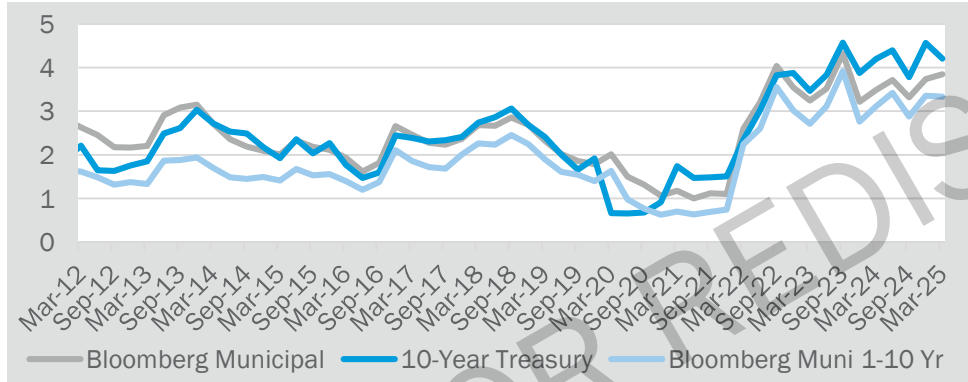
Market Environment as of March 31, 2025

Fixed Income

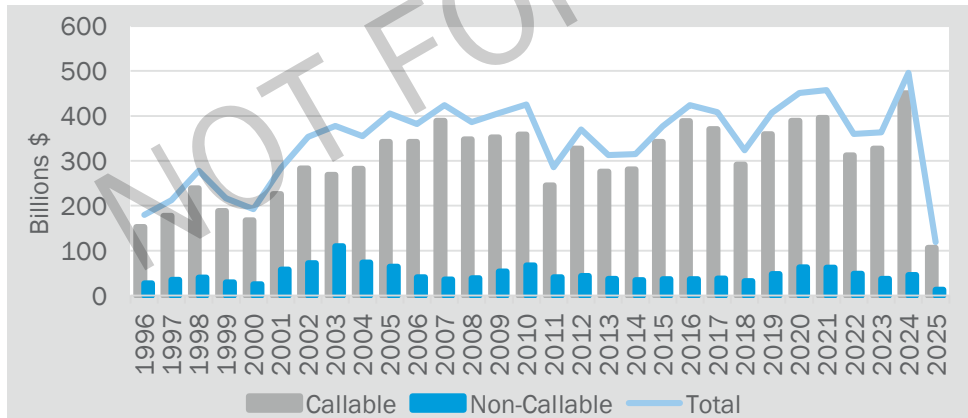
Municipal Yield Curve (%)



Yield Comparison (%)



U.S. Municipal Issuance (\$)



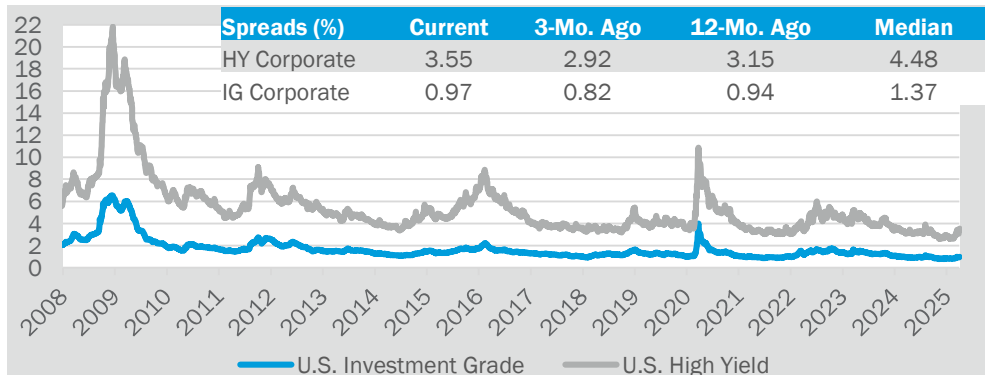
- In the first quarter, the Federal Reserve maintained the target Fed funds rate in the 4.25% – 4.50% range.
- At the March FOMC meeting, Chair Powell highlighted solid economic growth, a stable labor market with low unemployment, and moderating inflation as signs of progress, even though inflation remains above the 2% target.
- In its latest economic outlook, the Fed revised inflation and unemployment expectations upward, while growth projections were revised downward. Given the persistence of inflation and increased uncertainty across the economic landscape and capital markets, the Federal Reserve signaled that fewer rate cuts are expected in 2025.
- Rates across the municipal yield curve rose during the quarter, reflecting higher inflation expectations.
- Municipal bond issuance in the first quarter totaled \$119 billion, up from \$99 billion in the first quarter of 2024, representing a 20% year-over-year increase.

Sources: Securities Industry and Financial Markets Association (SIFMA). U.S. Treasury Department, Bloomberg Indices. Data as of 3/31/2025

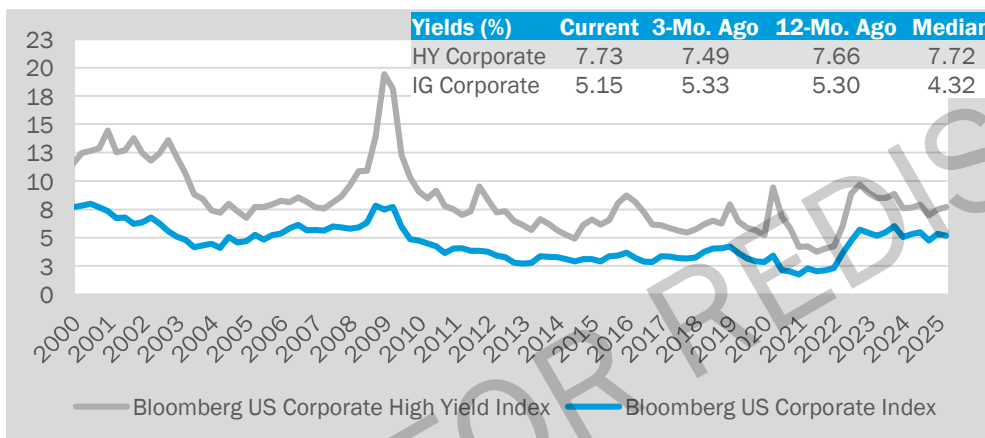
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Fixed Income

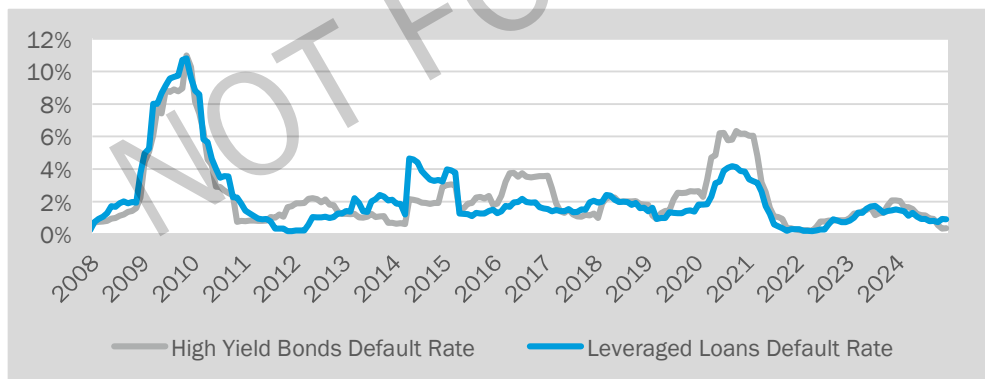
Corporate Spreads (%)



Corporate Yields (%)



Default Rates (%)



- Investment-grade (IG) and high-yield (HY) credit spreads widened over the quarter but remained well below their long-term median levels. [1]
- The yield on investment-grade corporate bonds declined from 5.33% to 5.15% over the first quarter, while the yield on high-yield corporate bonds rose from 7.49% to 7.73%.
- Although credit spreads stayed below long-term medians, IG corporate bond yields remained modestly above historical averages, and HY yields finished the quarter marginally above their historical levels. [2]

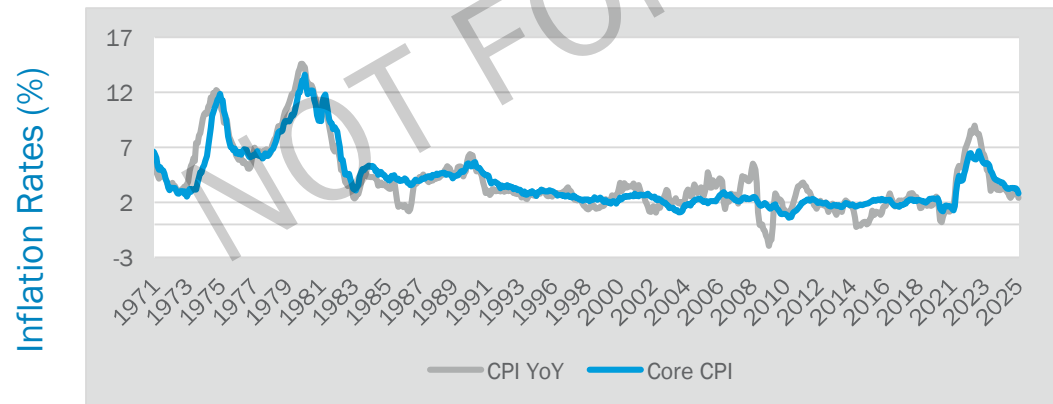
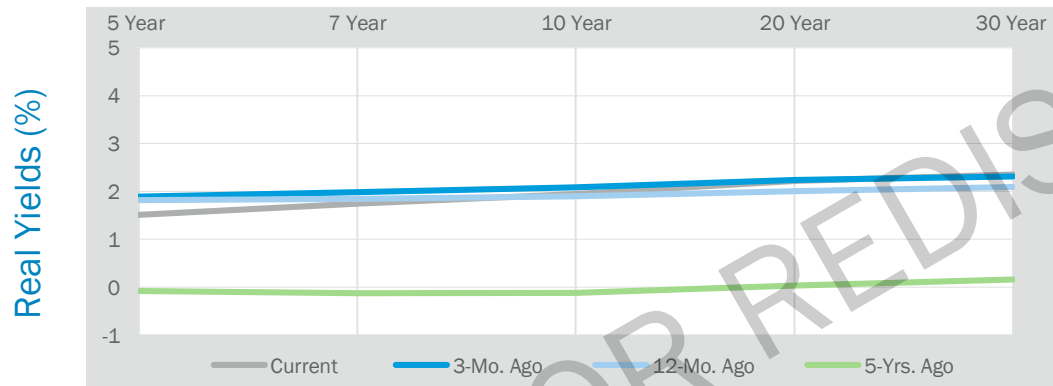
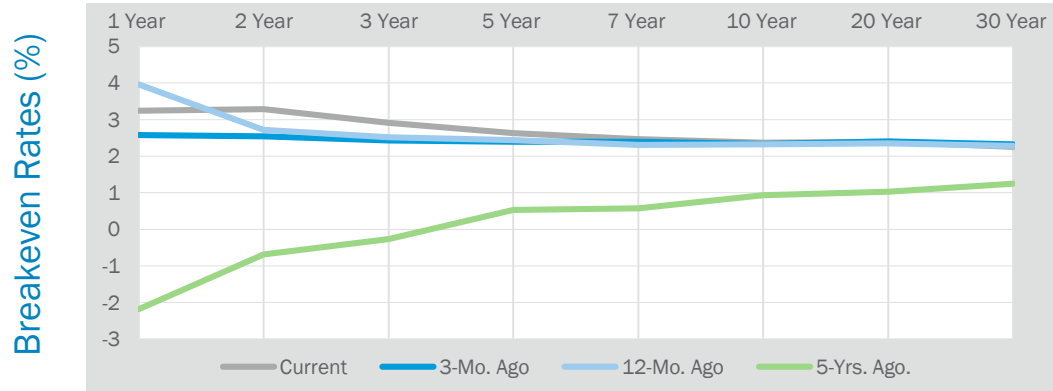
Sources: Federal Reserve Bank of St. Louis, U.S. Treasury Department. Data as of 3/31/2025. S&P LCD Lev Loan Defaults, JP Morgan HY Bond Defaults, Data as of 3/31/2025

[1] Long-term median is defined as median data starting in 2006.

[2] Defined as data starting in 2000.

Market Environment as of March 31, 2025

Fixed Income



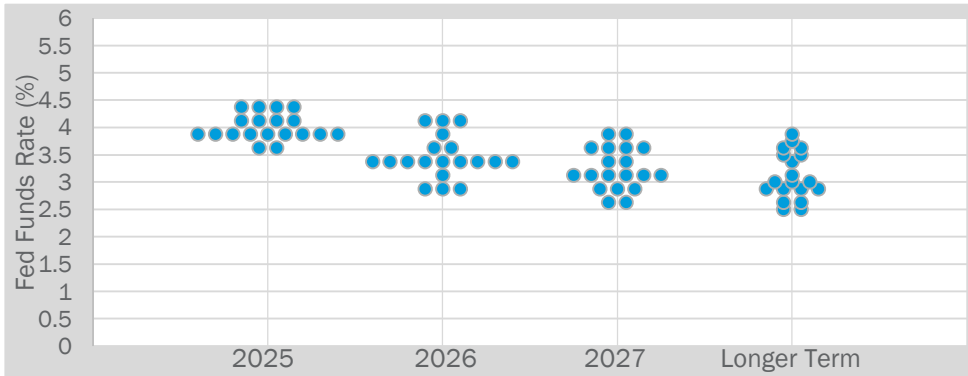
- Front-end breakeven inflation rates rose during the quarter, while long-term breakeven rates remained relatively range-bound, hovering slightly above 2%. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a Treasury bond from the nominal yield.
- Breakeven rates currently imply that short-term inflation should trend around 3%, while intermediate-to-long-term breakevens imply that inflation should run marginally above 2%.
- Real yields declined across most maturities, except for the 30-year, with real yields on 5- to 10-year maturities dipping back below 2%.
- Inflation slowed in the first quarter, with Core CPI dipping below 3% for the first time since early 2021. Lower gasoline prices contributed to the softer March reading, although grocery prices remain elevated.

Source: Federal Reserve Bank of St. Louis, Bureau of Labor Statistics CPI & PCE Data, U.S. Treasury Department, U.S. Treasury Inflation-Indexed Rates. Data as of 3/31/2025.

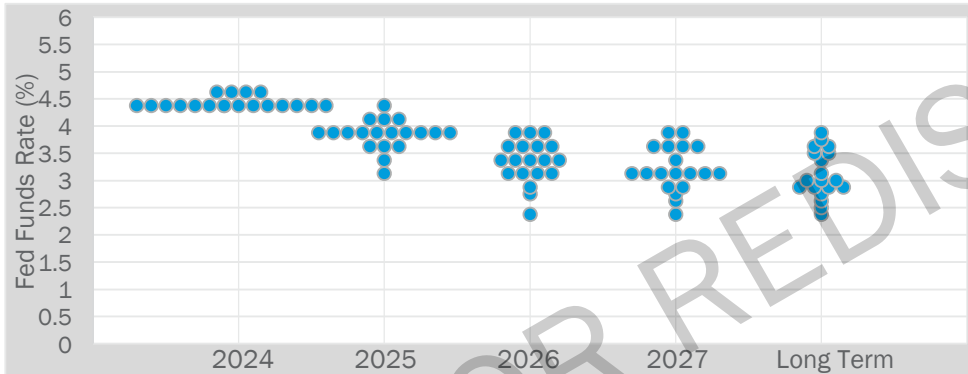
Market Environment as of March 31, 2025

Fixed Income

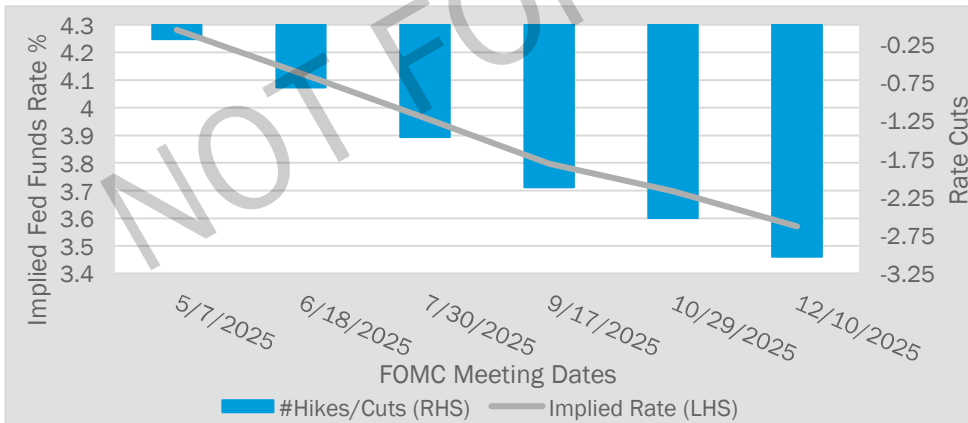
Fed Dot Plot
March 2025



Fed Dot Plot
December 2024



Implied Fed Funds Rate
& Rate Hike Probabilities



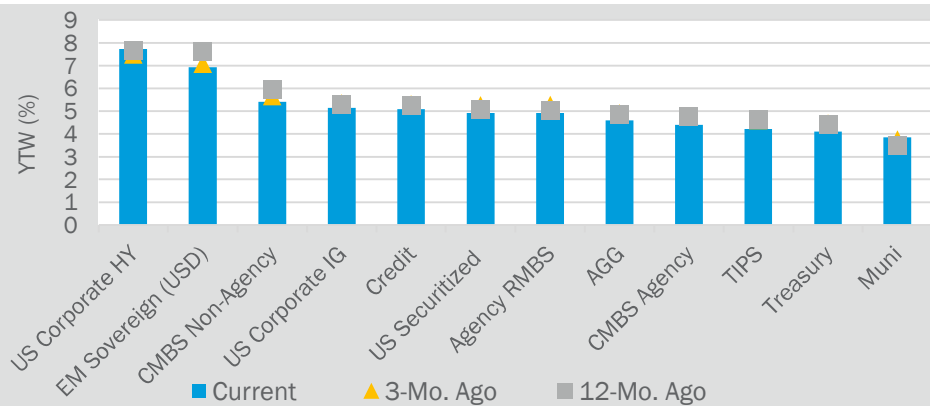
- The December Fed funds rate forecast projected only two rate cuts by the end of 2025. Projections from the March meeting remained unchanged, although there is notable disagreement among FOMC members amid heightened economic uncertainty.
- Market participants, as reflected in the Fed funds futures market, are currently pricing in approximately three 25 basis point rate cuts by the end of 2025.
- The Fed Dot Plot represents where each of the Federal Open Market Committee (FOMC) members believes 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: Board of Governors of the Federal Reserve System, Fed Funds Futures as of 3/31/2025.

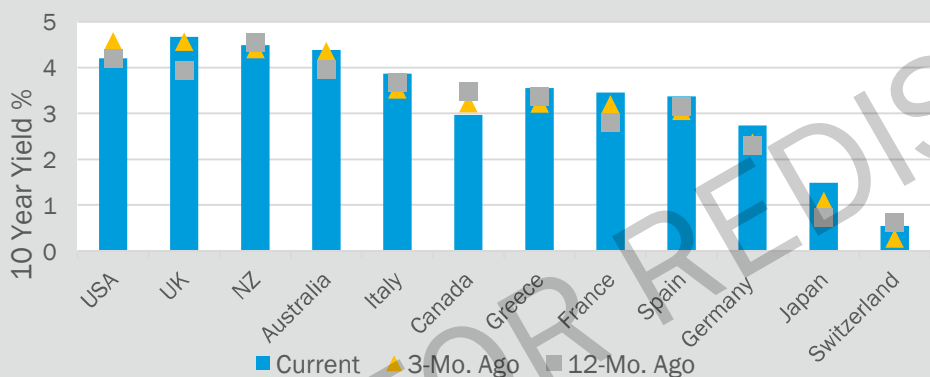
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Fixed Income

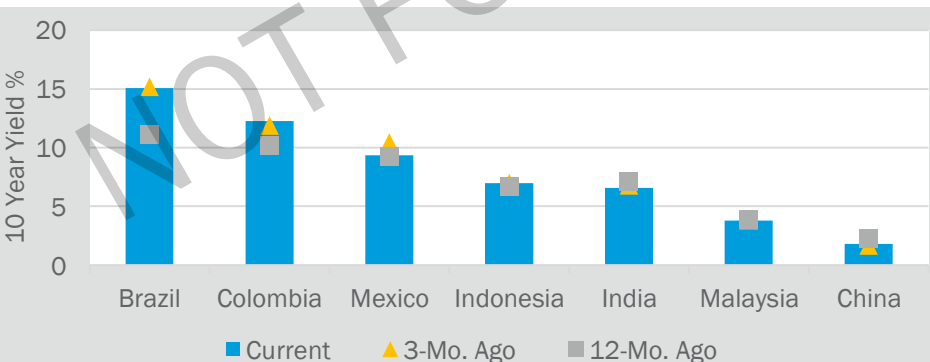
Domestic Yields



Developed Yields (Local Currency)



EM Yields (Local Currency)



- Yields moved in varying directions across U.S. fixed income sectors, driven by mixed economic sentiment and heightened uncertainty.
- Similarly, yields in global developed markets were mixed, with most countries experiencing increases due to revised growth and inflation outlooks. In contrast, sovereign yields in Canada and the United States moved lower, driven by weaker economic outlooks and uncertainties surrounding tariffs.
- Emerging market (EM) sovereign yields were volatile throughout the quarter but ultimately ended relatively flat. Yields on Mexican sovereign debt declined by approximately 107 basis points, largely due to expectations of slower growth stemming from U.S. trade policy.

Source: Bloomberg Indices. 10-year global sovereign yields. Data as of 3/31/2025.



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.



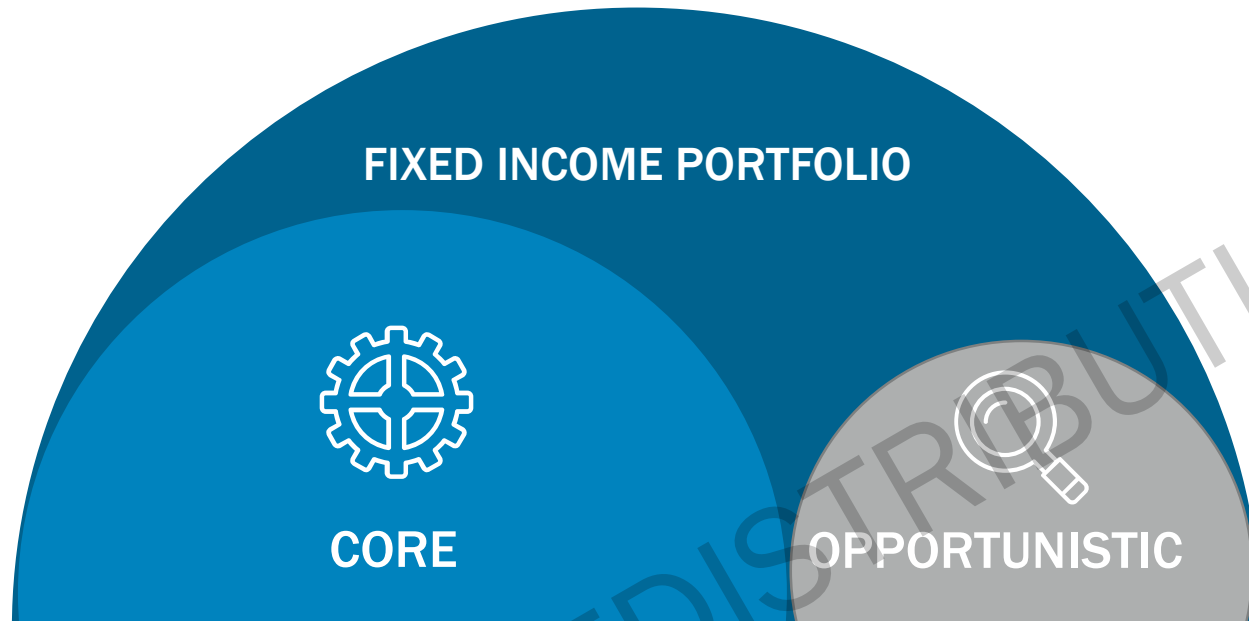
Tax Considerations

- 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