CanterburyConsulting

Quarterly Asset Class Report
Real Assets

canterburyconsulting.com

December 31, 2024

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):

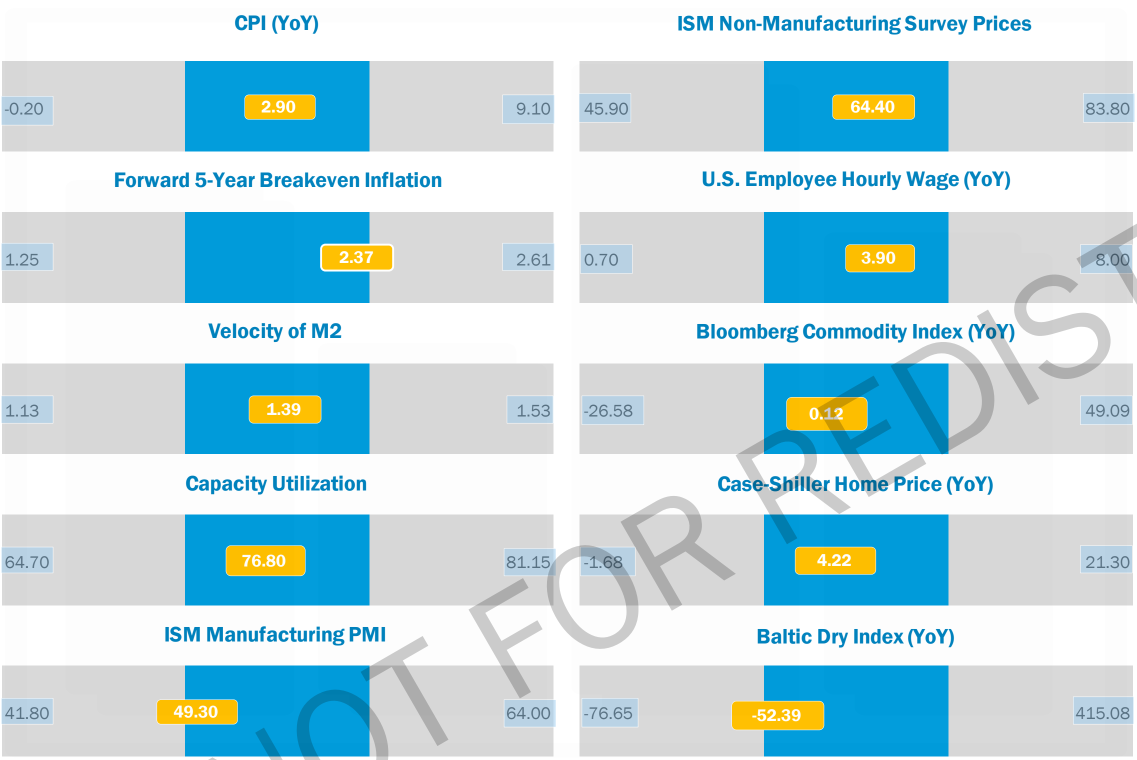
- Preserve purchasing power
- Generate uncorrelated returns to other asset classes
- Manage the volatility profile of the segment

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

Asset Class Indicators

Real Assets



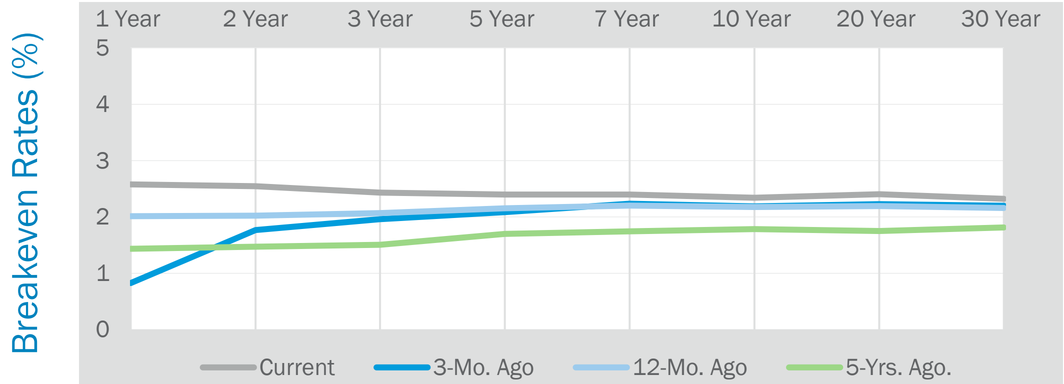
Current

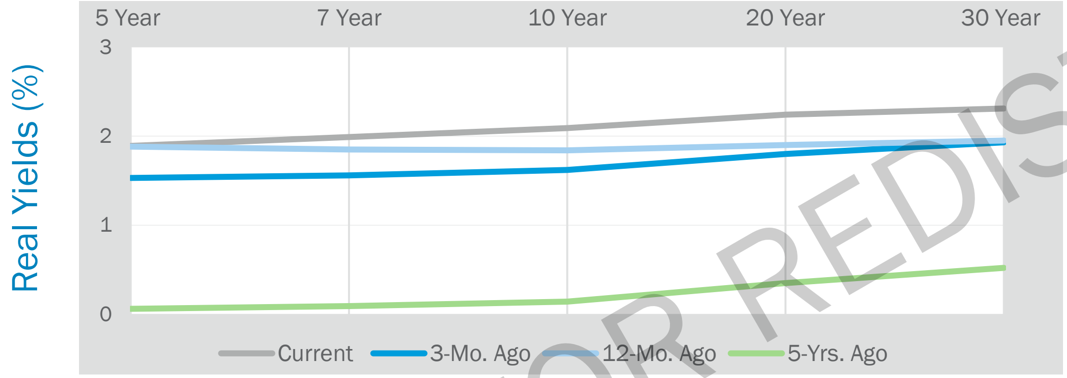
+- 1 Standard Deviation From the Mean

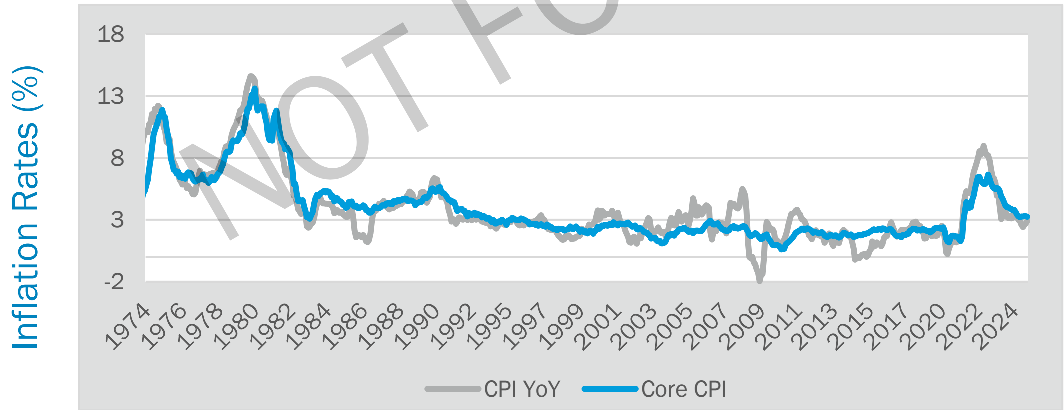
10-Year High and Low

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that could lead to price pressures.
- Inflation, as measured by the CPI, increased from 2.4% in September to a year-over-year rate of 2.9% in December. The CPI excluding food and energy, often referred to as Core CPI or sticky inflation, remained relatively flat at 3.2% quarter-over-quarter.
- Indicators used to measure U.S. economic activity, such as the ISM Manufacturing and Non-Manufacturing indexes, continued to show mixed signals of contractionary and expansionary activity, respectively, further complicating the inflation and interest rate outlook for the Fed.
- Housing prices, represented by the Case-Shiller Home Price Index, continued to remain elevated at a year-over-year rate of 4.2%. Despite elevated mortgage rates, housing prices have remained supported by the low supply of homes.

Source: Institute for Supply Management. Federal Reserve Bank of St. Louis. Bureau of Labor Statistics. U.S. Department of the Treasury. Bloomberg data available as of December 31, 2024.



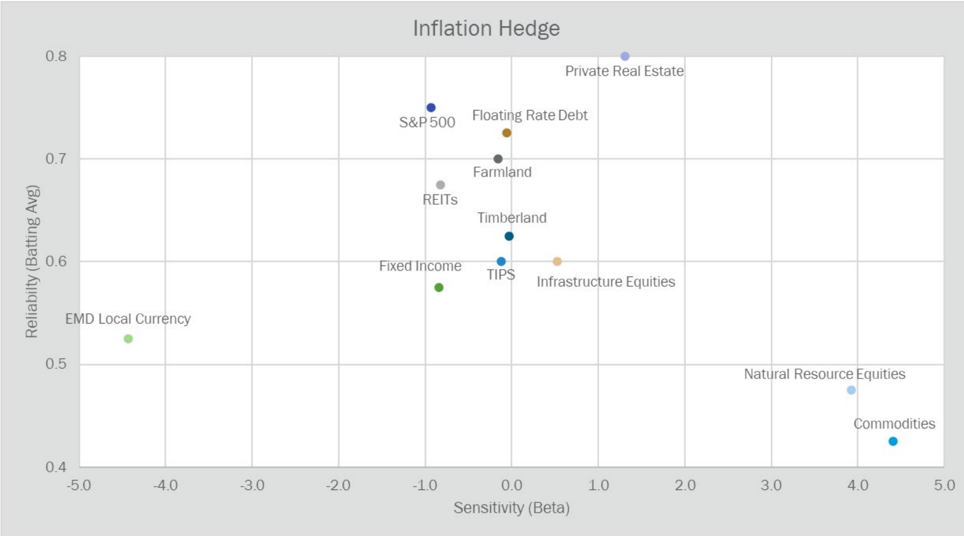




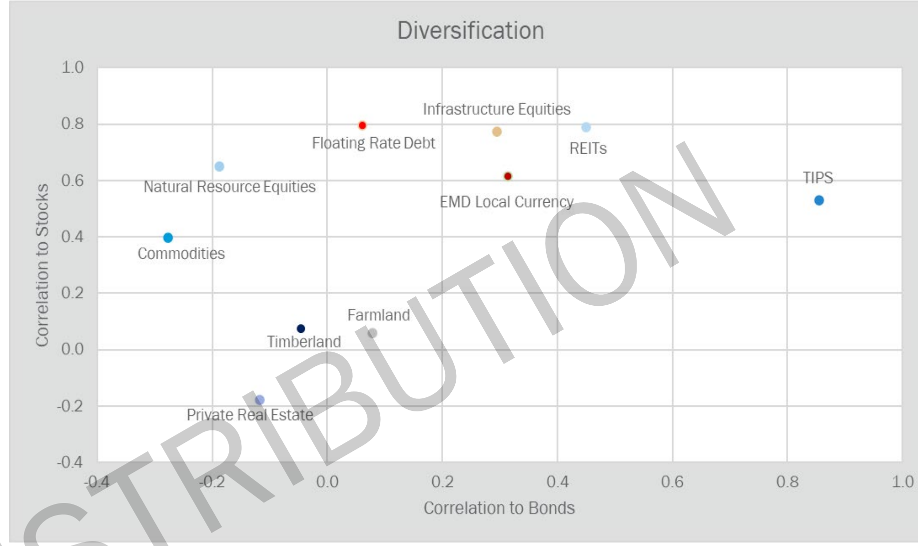
- Front-end breakeven inflation rates rose during the quarter, while long-term breakeven rates remained relatively range-bound around 2%. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a Treasury bond from the nominal yield.
- Breakeven rates currently imply that short-term inflation should trend above the Fed's inflation target of 2%, while intermediate-to-long-term breakevens imply that inflation should run marginally above 2%.
- Real yields from 5-year to 10-year maturities rose above 2%, likely due to rising inflation and economic growth expectations.
- Inflation continued to be driven by resilient economic growth, tight labor markets, elevated spending within services, and supply/demand imbalances in specific sectors.

Source: Bloomberg. FRED. CPI & PCE Data. U.S. Breakeven Rates. U.S. Treasury Inflation-Indexed Rates. Data as of 12/31/2024.

Sub-Asset Class Statistics

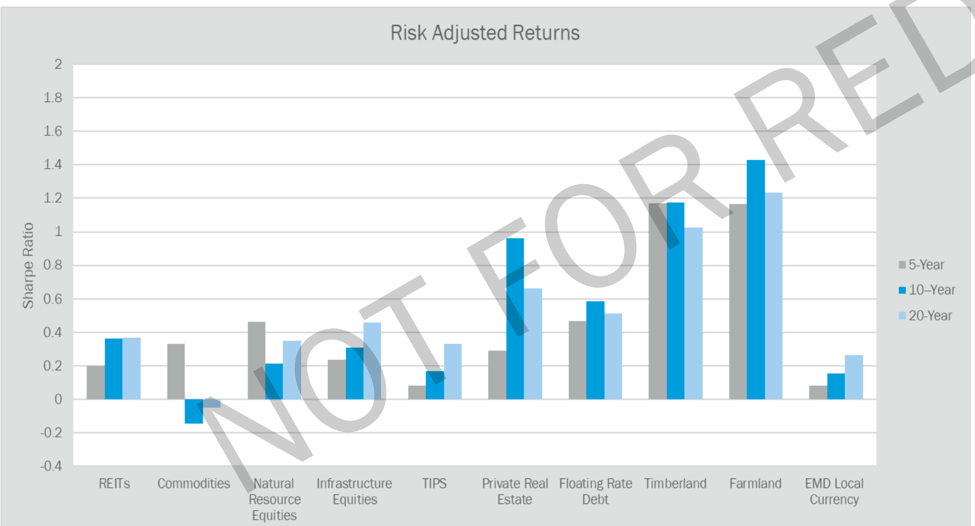


Charts are based on 10-yr rolling data since inception, take average from 10-yr rolling data



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

- 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

Source: Morningstar
Charts are based on 10-yr rolling data since inception, take average from 10-yr rolling data
All charts as of June 30, 2024