



Canterbury Consulting

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## Quarterly Asset Class Report Real Assets

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December 31, 2024

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

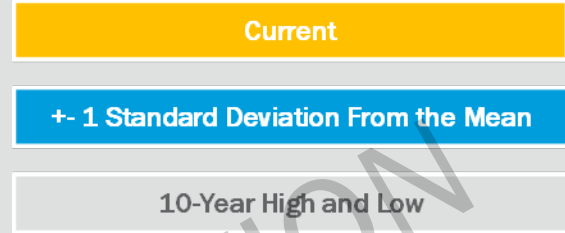
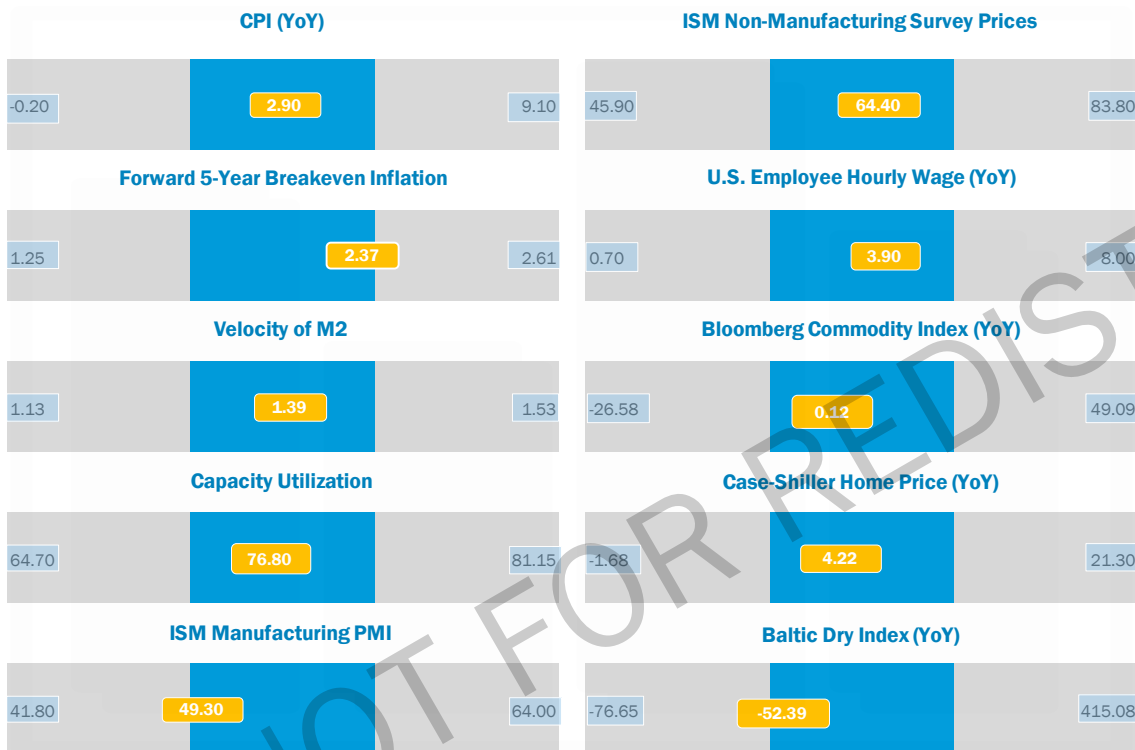
- Preserve purchasing power
- Generate uncorrelated returns to other asset classes
- Manage the volatility profile of the segment

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

- 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

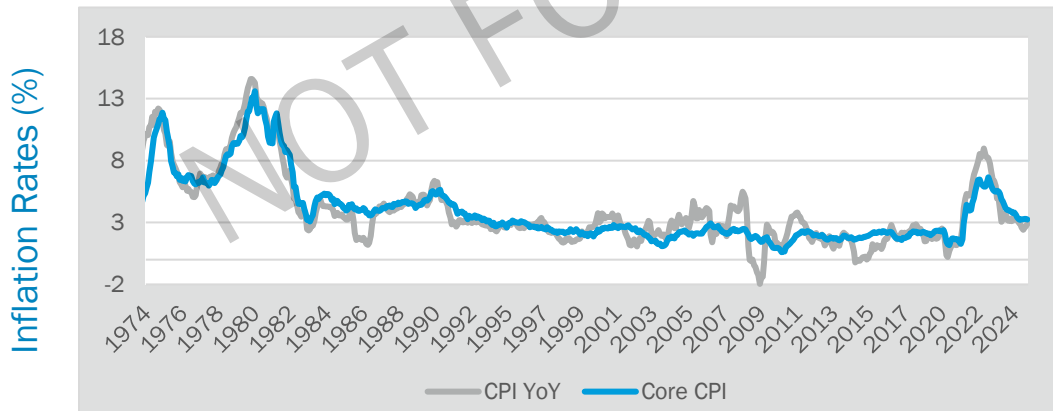
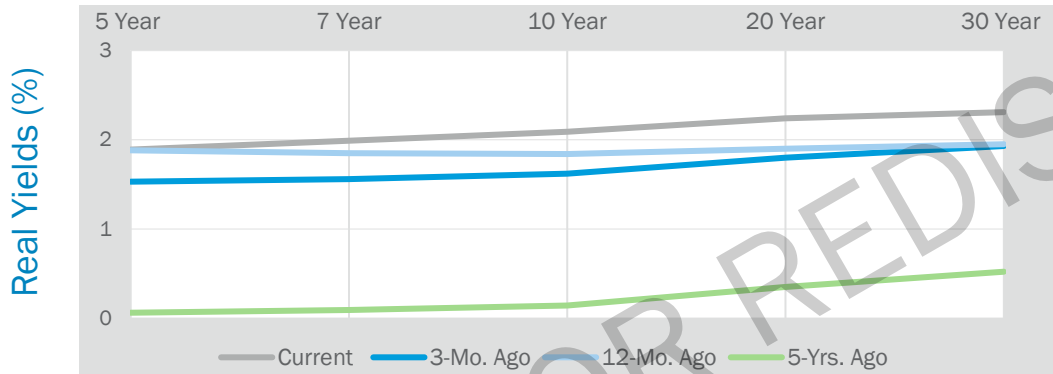
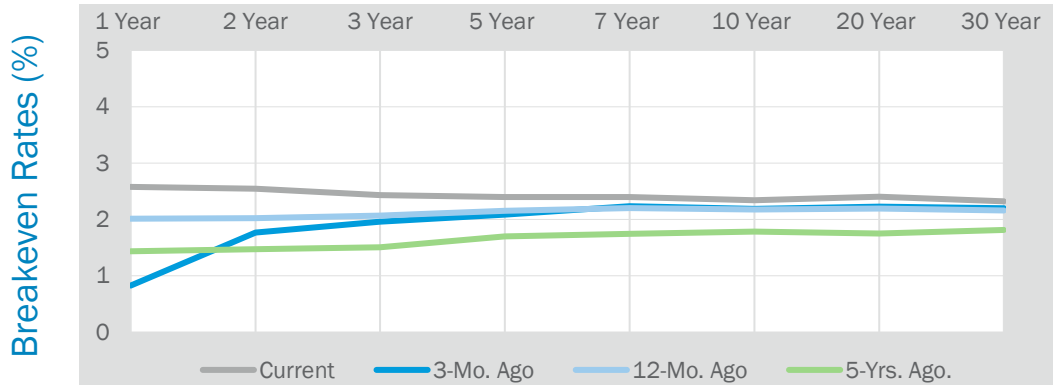


- Canterbury monitors several inflation and real asset indicators to help detect imbalances that could lead to price pressures.
- Inflation, as measured by the CPI, increased from 2.4% in September to a year-over-year rate of 2.9% in December. The CPI excluding food and energy, often referred to as Core 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.

# Market Environment as of December 31, 2024

## Real Assets

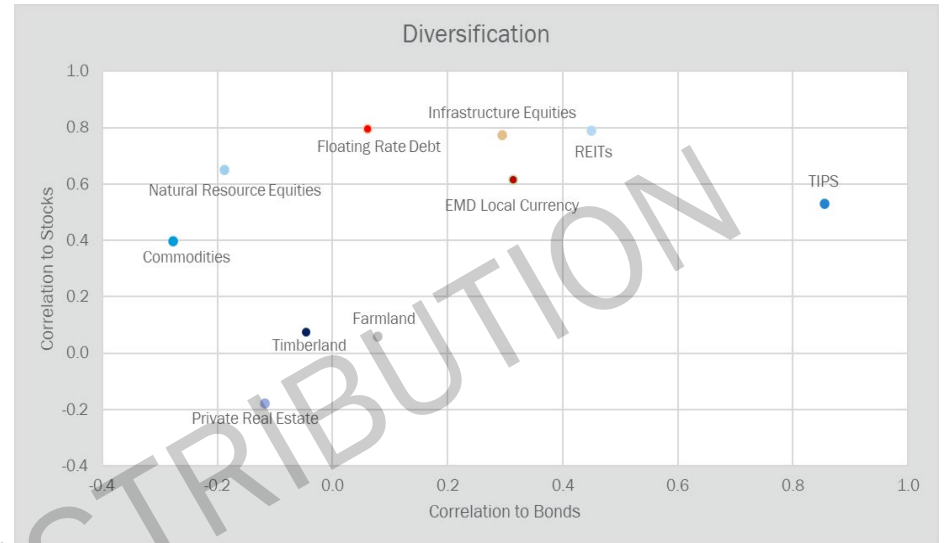
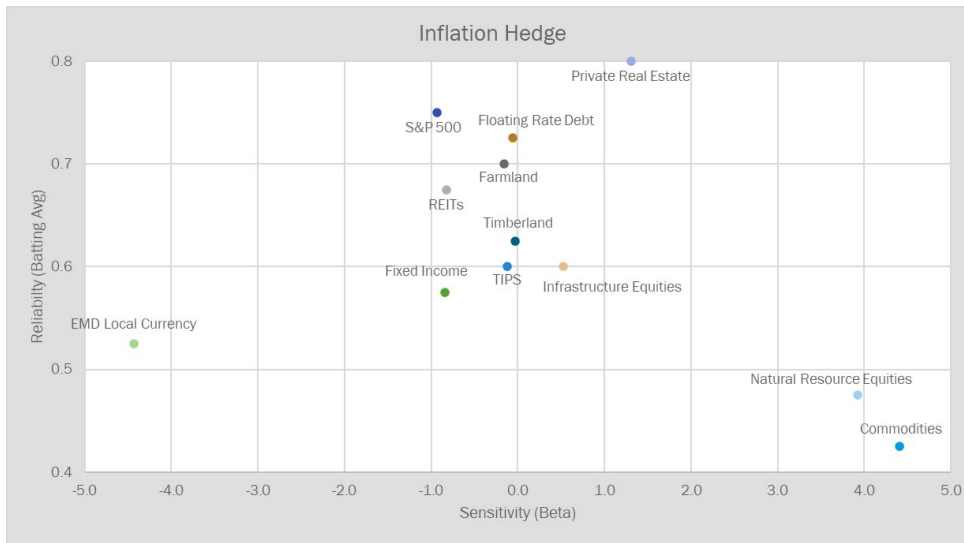


- Front-end breakeven inflation rates rose during the quarter, while long-term breakeven rates remained relatively range-bound around 2%. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a Treasury bond from the nominal yield.
- 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

## Real Assets



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

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- **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