



Canterbury Consulting

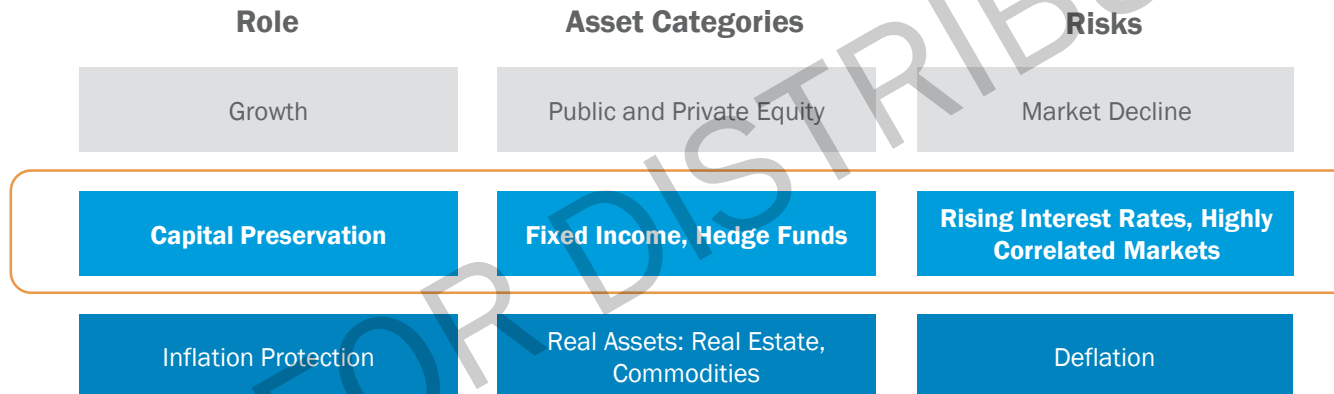
## Quarterly Asset Class Report Tax-Exempt Fixed Income

Canterbury Consulting ("CCI") is an SEC registered Investment Adviser. Information pertaining to CCI's advisory operations, services, and fees is set forth in CCI's current Form ADV Part 2 (Brochure), a copy of which is available upon request and at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Information provided through CCI's Quarterly Outlook related to market or asset class performance figures is believed to be derived from reliable sources. However, CCI assumes no responsibility for their content or the manner in which the viewer utilizes such information. The performance information presented in certain charts or tables is for informational purpose only and represents historical performance based on available market data results for the quarterly period shown above and does not reflect any performance related to trading in actual accounts. Any recommendations or statement made in the Quarterly Outlook is not to be construed as specific investment advice. The viewer should be aware of the inherent limitations of data derived from the retroactive application of historical data developed with the benefit of hindsight and that actual results may differ. Actual performance with client accounts would be materially less than the stated performance results for the same period when including the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid.

March 31, 2021

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 capital and mitigate volatility
- Provide measured exposure to the diverse universe of fixed income securities
- Exhibit returns uncorrelated to equity markets



- Canterbury fixed income portfolios aim to deliver consistent net-of-fees excess returns and moderate tracking error versus the Barclays Global Aggregate.
- Relative to the index, Canterbury’s current fixed income portfolios will exhibit lower duration, similar credit quality, and higher yields.

# Index Returns as of March 31, 2021

Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	-4.46	-4.46	4.67	2.80	2.66	2.00	2.23
Barclays US Agg Bond	-3.37	-3.37	0.71	4.65	3.10	3.31	3.44

## U.S. Treasuries

BofAML 3M US Treasury Note	0.05	0.05	0.13	1.56	1.21	0.89	0.65
Barclays Short Treasury	0.04	0.04	0.15	1.66	1.29	0.97	0.73
Barclays Intermediate Treasury	-1.76	-1.76	-1.27	3.76	2.06	2.25	2.32
Barclays Long Term US Treasury	-13.51	-13.51	-15.80	5.86	3.13	5.51	6.35
BBgBarc U.S. Treasury TIPS 1-5Y	1.16	1.16	7.72	4.06	2.80	2.09	1.78
Barclays US Treasury US TIPS	-1.47	-1.47	7.54	5.67	3.86	3.41	3.44

## U.S. Corporate Credit

Barclays US Corp IG	-4.65	-4.65	8.73	6.20	4.91	4.60	5.04
S&P/LSTA Leveraged Loan	1.78	1.78	20.71	4.13	5.28	3.93	4.25
BofAML US HY Master II	0.90	0.90	23.31	6.53	7.94	5.30	6.31
BofAML US HY BB-B Constrained	0.30	0.30	21.05	6.72	7.42	5.36	6.28
BofAML US Corporate AAA	-7.39	-7.39	-0.52	6.27	4.38	4.71	4.44
BofAML US Corporate AA	-5.29	-5.29	2.97	5.20	3.70	3.96	4.13
BofAML US Corporate A	-4.91	-4.91	5.66	5.80	4.27	4.32	4.71
BofAML US Corps BBB	-3.96	-3.96	13.83	6.63	5.74	4.96	5.55
BofAML US High Yield BB	-0.21	-0.21	20.74	7.55	7.44	5.96	6.68
BofAML US High Yield B	1.18	1.18	22.09	5.86	7.55	4.71	5.86
BofAML US High Yield CCC	5.21	5.21	39.51	4.08	10.47	4.62	6.05

## Securitized

Barclays ABS	-0.16	-0.16	4.57	3.68	2.56	2.39	2.51
Barclays MBS	-1.10	-1.10	-0.09	3.75	2.43	2.86	2.83
Barclays CMBS	-2.32	-2.32	4.36	5.30	3.37	3.32	3.81

## Municipals

Barclays Municipal	-0.35	-0.35	5.51	4.91	3.49	4.00	4.54
Barclays Muni 1-10	-0.21	-0.21	4.39	3.74	2.47	2.60	2.86

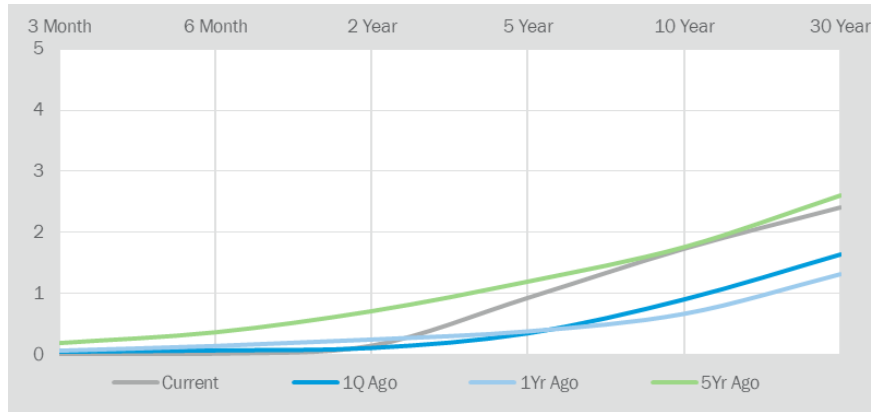
## Global

Citi WGBI	-5.68	-5.68	1.82	2.09	2.15	1.54	1.66
Barclays Gbl Agg Ex USD	-5.29	-5.29	7.15	1.15	2.13	0.91	1.26
JPM EMBI Plus	-7.22	-7.22	8.76	2.62	3.48	3.97	4.77

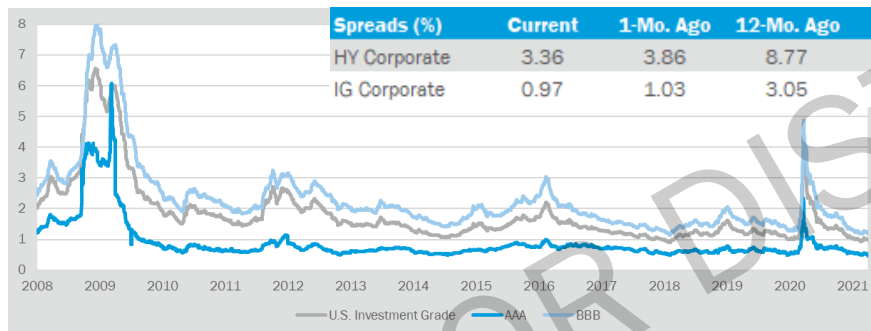
# Market Environment as of March 31, 2021

## Fixed Income

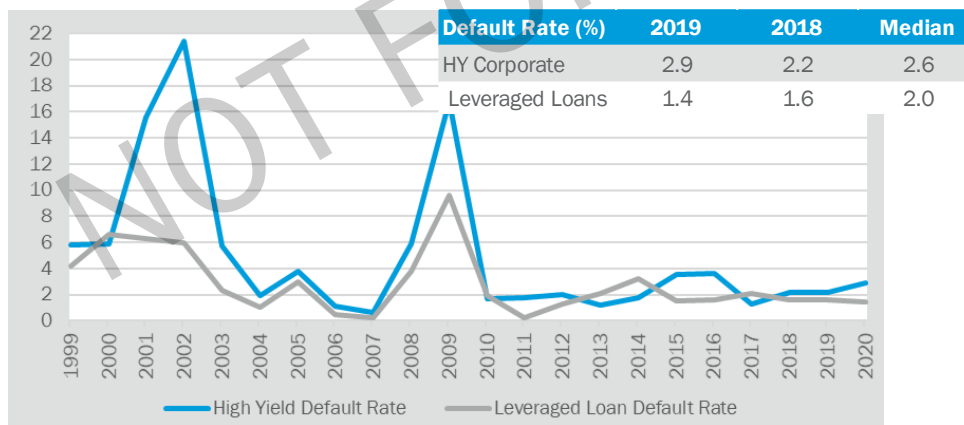
U.S. Treasury Rates



Corporate Spreads



Default Rates

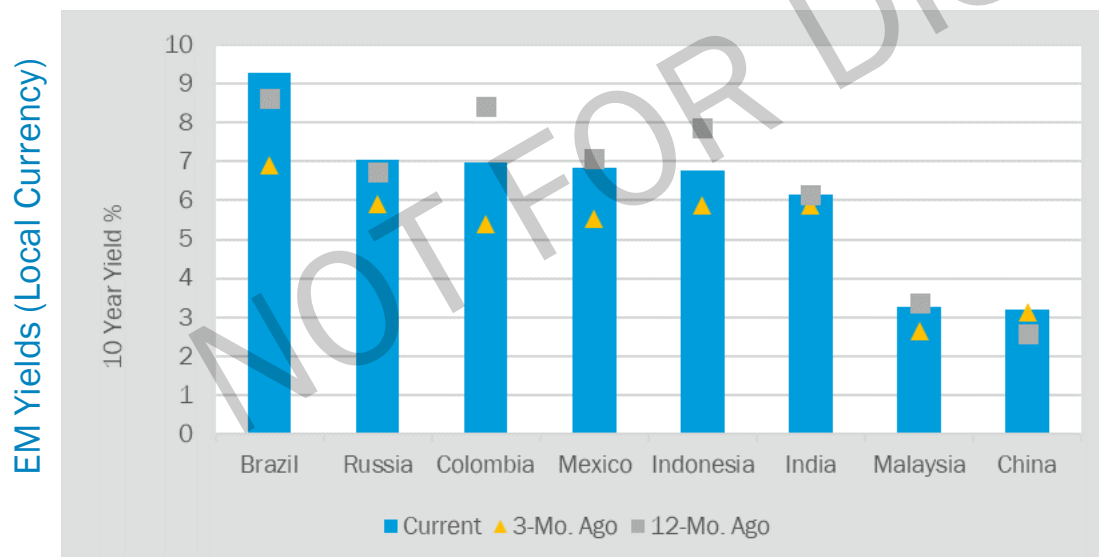
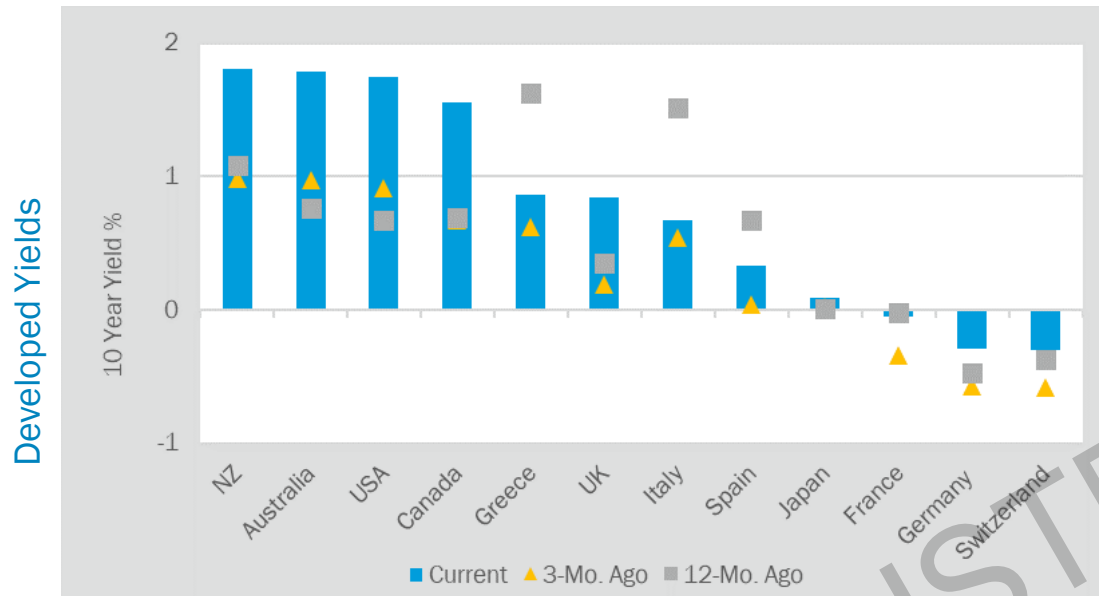


- U.S. core bonds ended the first quarter with negative returns as higher inflation expectations put upward pressure on interest rates. Rapid vaccine distribution, higher growth projections, and a persistently accommodative Fed resulted in higher long-term rates and a steeper U.S. yield curve.
- Investment grade (IG) and high yield (HY) spreads marginally tightened over the quarter. Corporate credit spreads have continued to narrow since the peak in March 2020 and are now at levels that pre-date the pandemic.
- Low-rated credits continued to outperform higher quality credits as optimism over increased economic activity in the U.S. grew. Conversely, emerging market (EM) debt ended the quarter with negative returns as yields rose in tandem with that of Treasuries.

Sources: Federal Reserve Economic Data, World Bank, U.S. Treasury Department, and Barclays.

## Market Environment as of March 31, 2021

## Fixed Income



- Developed sovereign bond yields rose across the spectrum in the first quarter. Yields in most countries remain at the highest level in over 12 months, except for those that were hardest hit by the pandemic, such as Greece, Italy, and Spain.
- EM sovereign debt yields also faced upward pressure during the quarter as economic activity expectations across the globe increased. EM yields continue to be elevated relative to developed market yields.
- EM currencies have significantly rebounded from their lows in March of 2020. Conversely, EM currencies underperformed in the first quarter of 2021 as the U.S. dollar appreciated.

Source: Bloomberg



## 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.



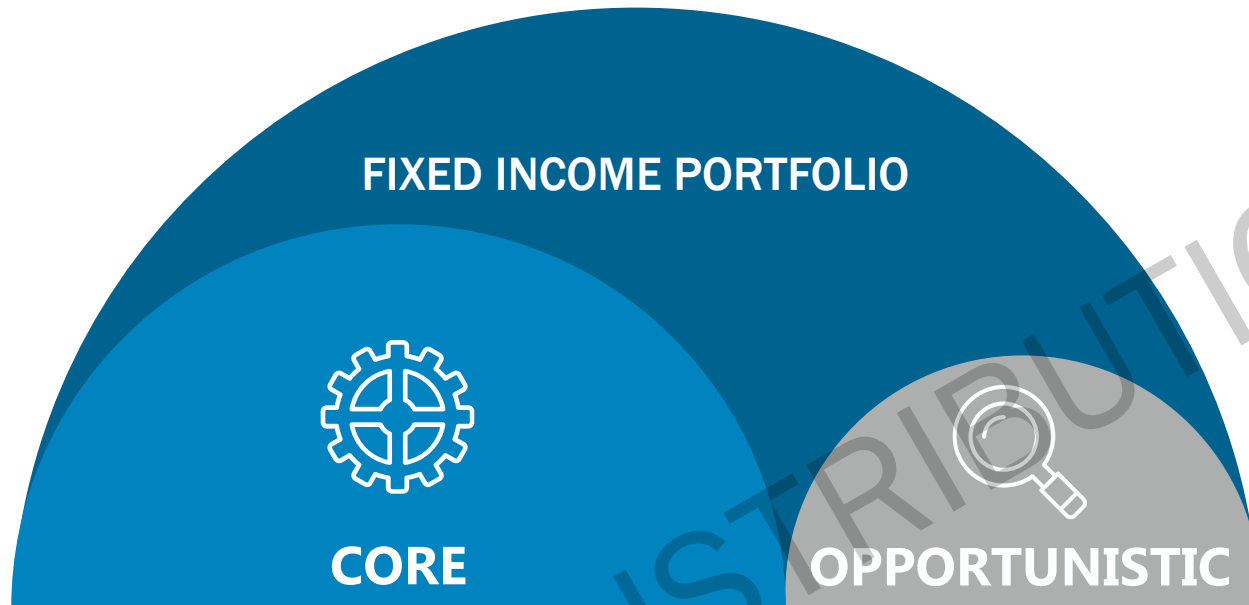
## Tax Considerations

- Is the client's status taxable or tax-exempt?
- Does the client have a higher return target given the respective tax situation?



## Time Horizon

- Does the client have short term or long term goals?
- Are spending requirements quarterly, annual, 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
- Municipals
- Investment-grade corporate
- MBS



## Characteristics

- Income orientated
- Total return focus
- Low correlation to core bonds



## Exposure

- Non-U.S. developed sovereigns
- EM sovereigns
- High yield
- Bank loans
- Private debt