



Canterbury Consulting

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Quarterly Asset Class Report Real Assets

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September 30, 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

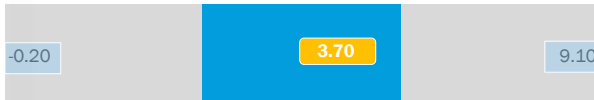
Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

- 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.

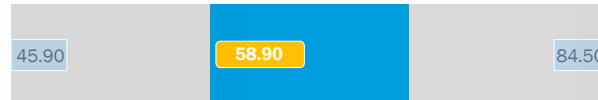
Asset Class Indicators

Real Assets

CPI (YoY)



ISM Non-Manufacturing Survey Prices



Forward 5-Year Breakeven Inflation



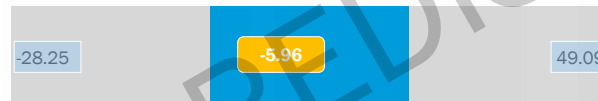
U.S. Employee Hourly Wage (YoY)



Velocity of M2



Bloomberg Commodity Index (YoY)



Capacity Utilization



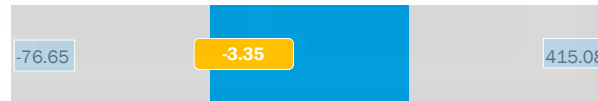
Case-Shiller Home Price (YoY)



ISM Manufacturing PMI



Baltic Dry Index (YoY)



Current

+1 Standard Deviation From the Mean

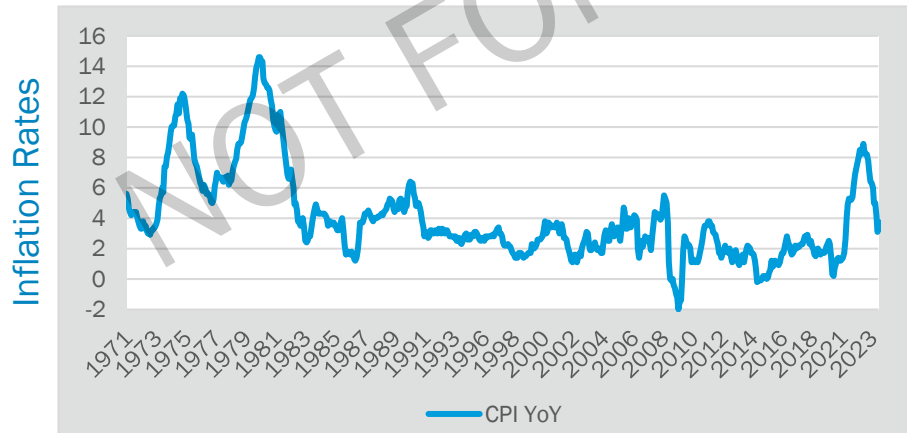
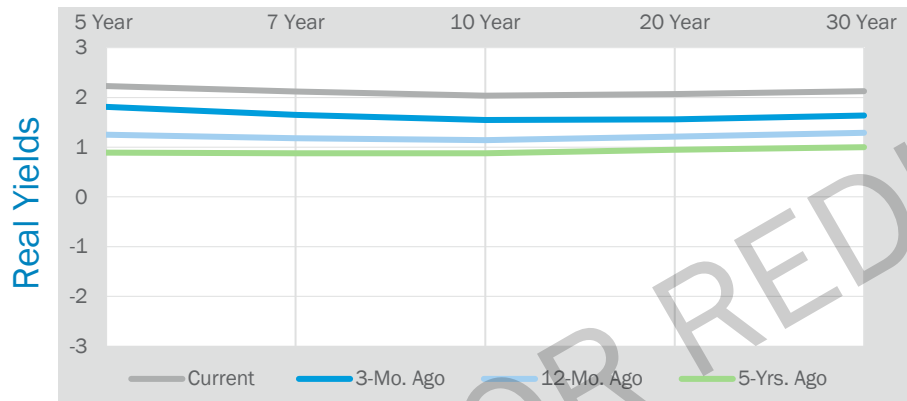
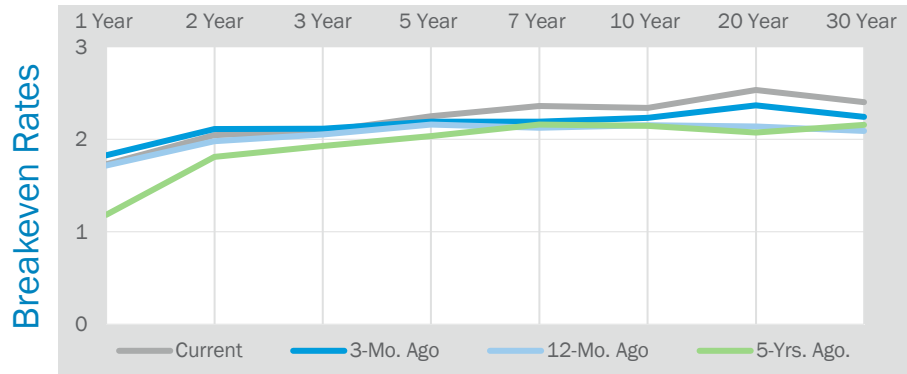
10-Year High and Low

- 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 July but increased in August and September to a year-over-year rate of 3.7%. CPI excluding food and energy, generally viewed as sticky inflation or Core CPI, fell to a year-over-year rate of 4.1% from 4.8% in July.
- Indicators used to measure U.S. economic activity such as the ISM Manufacturing and Non-Manufacturing indexes increased over the quarter, creating an uncertain outlook of taming inflation for the Fed.
- Mortgage rates continued to remain elevated, leading housing demand to slow. Housing prices represented by the Case-Shiller Home Price Index was flat on a YoY basis, ending a fall in housing prices. Housing prices are currently being supported by low supply of housing, despite high mortgage rates.

Source: Bloomberg as of September 30, 2023

Market Environment as of September 30, 2023

Real Assets

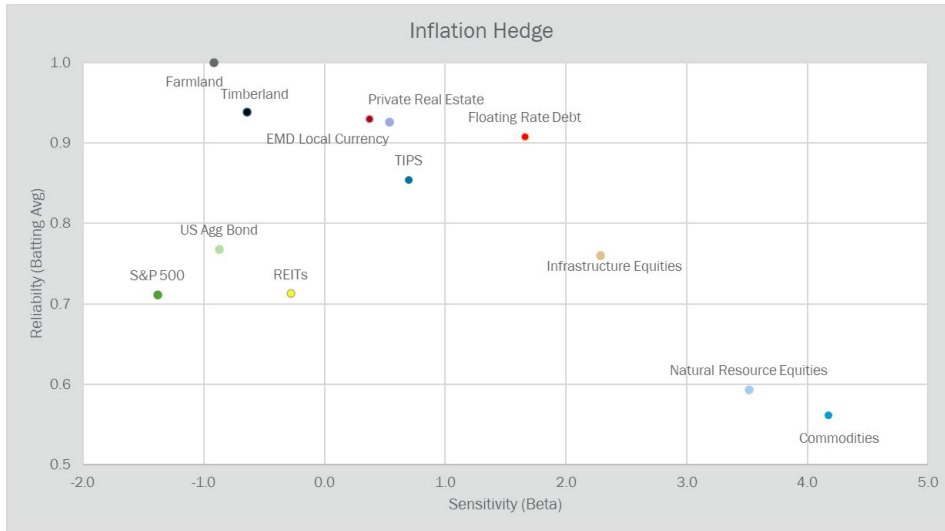


- Front-end breakeven inflation rates remained relatively unchanged while intermediate-to-long-term breakevens rose. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a treasury bond from the nominal yield.
- Breakeven rates currently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

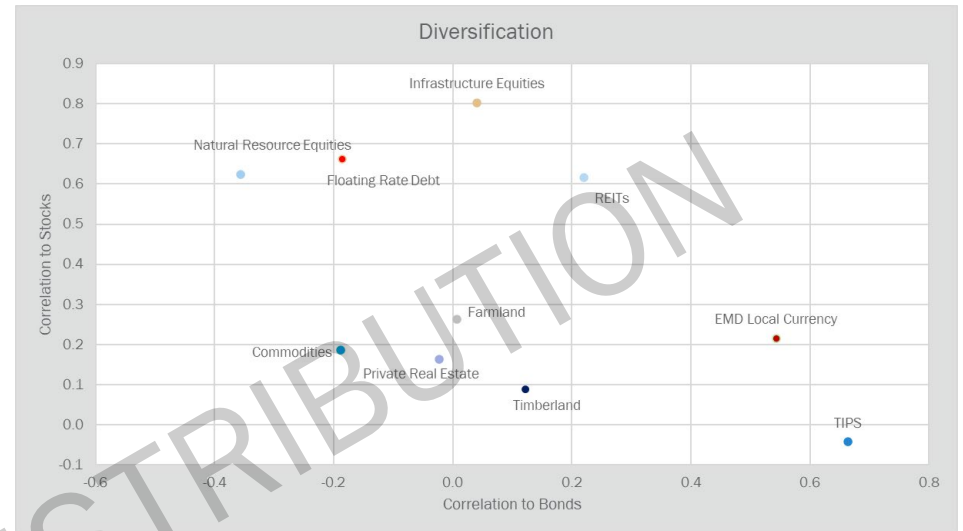
Source: Bloomberg, FRED, CPI & PCE Data, U.S. Breakeven Rates, U.S. Treasury Inflation-Indexed Rates. Data as of 09/30/2023.

Sub-Asset Class Statistics

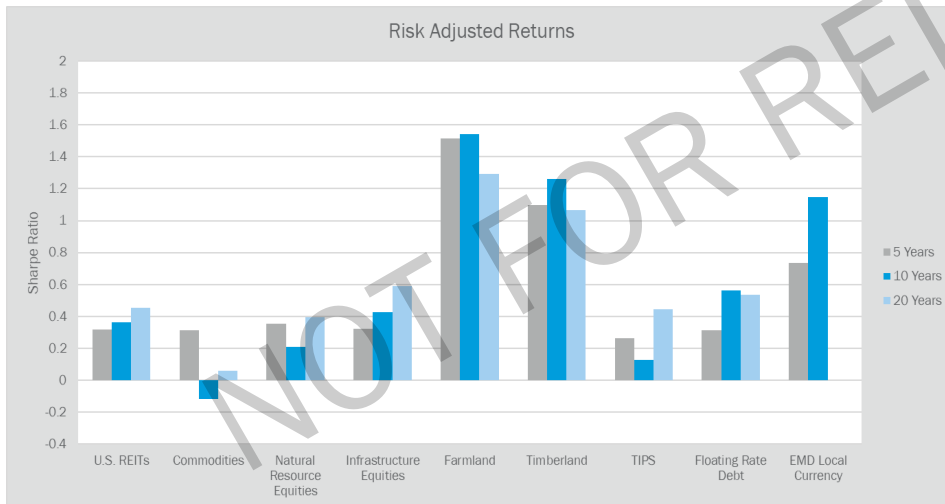
Real Assets



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