



Canterbury Consulting

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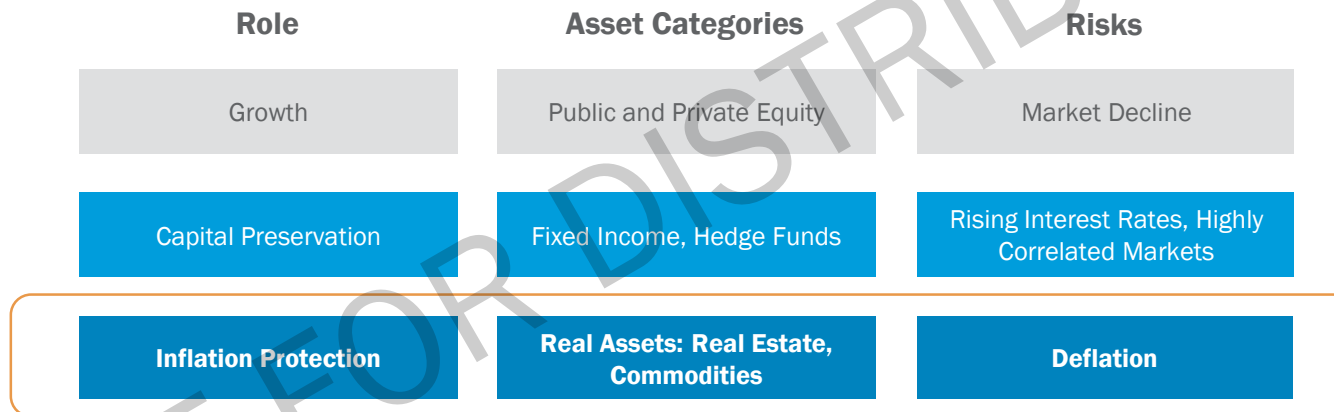
Quarterly Asset Class Report Real Assets

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December 31, 2020

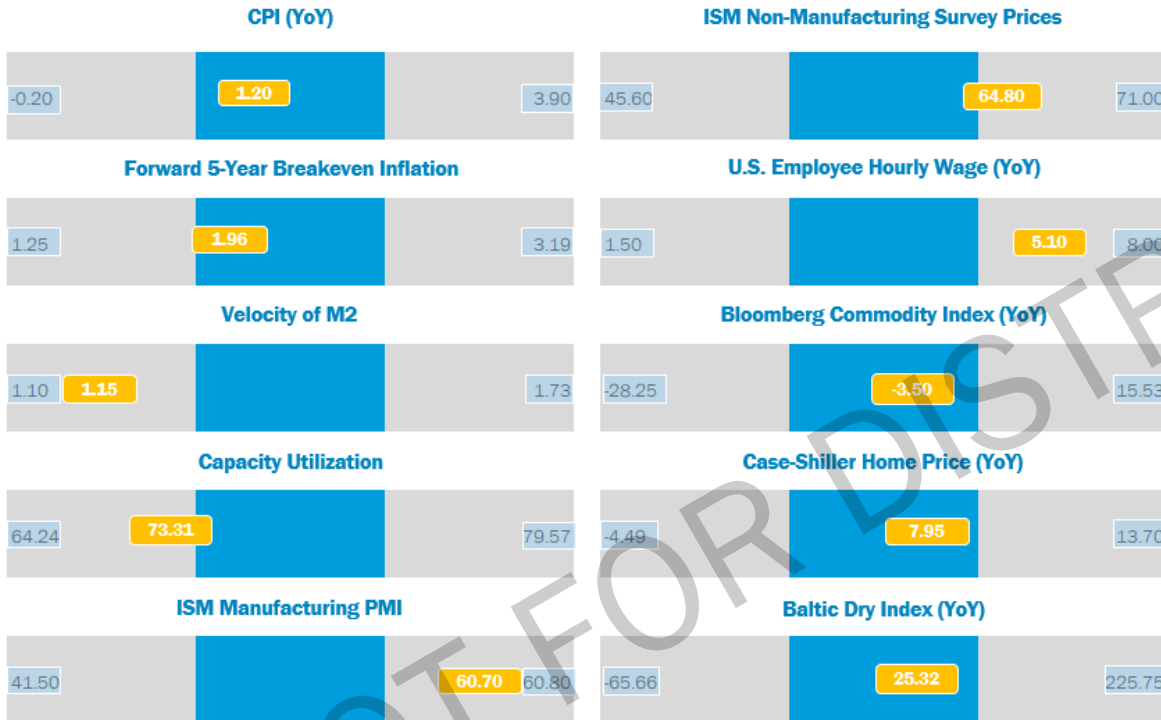
Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of real asset strategies designed to (in aggregate):

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



- 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.
- Portfolio allocations will differ depending on the client’s risk tolerance.

Asset Class Indicators



Real Assets

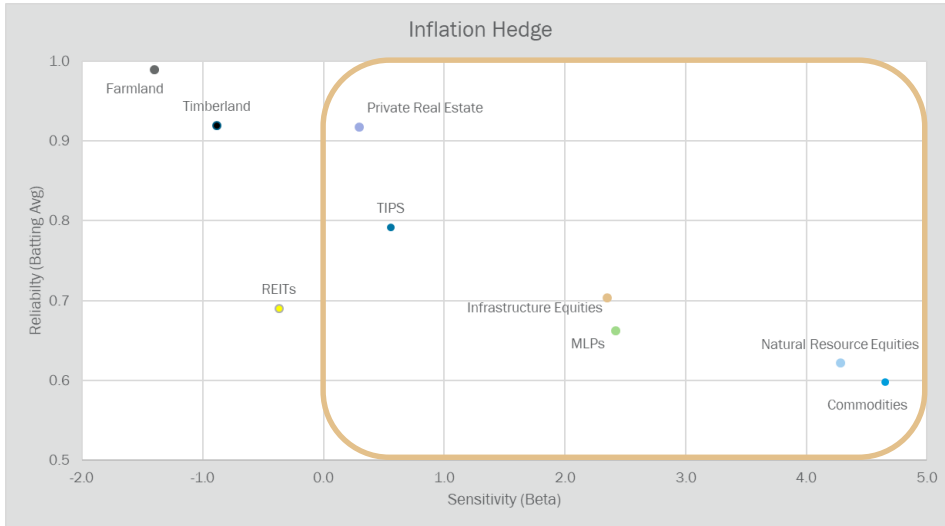
Current

+ 1 Standard Deviation From the Mean

10-Year High and Low

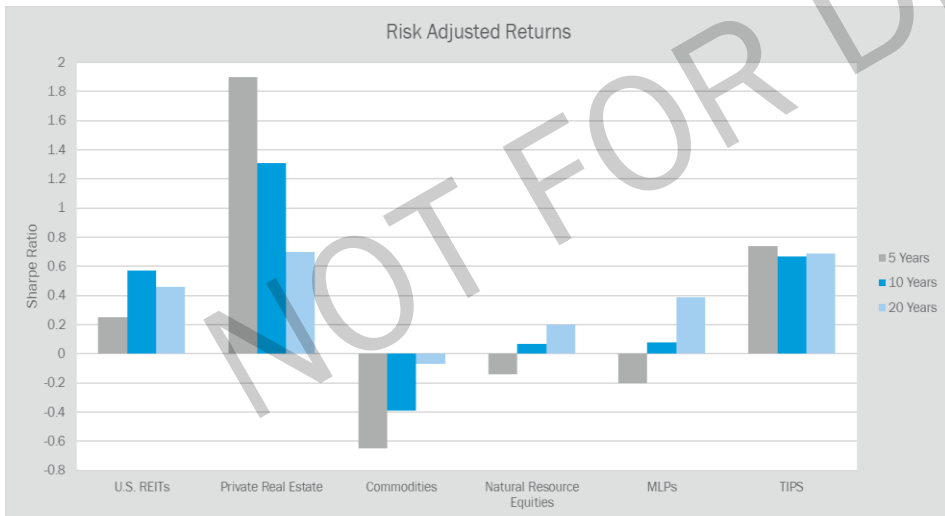
- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Inflation breakeven rates moved slightly higher as the Fed signaled that they may let inflation run above their 2% target for an extended period of time.
- Commodities and energy-related assets generated positive returns as the global economic restart narrative took hold. Demand for precious metals and other inflation-hedged assets soared as the market assessed the potential for significant currency debasement, given easing Central Bank guidance.

Source: Bloomberg as of December 31, 2020



Farmland, Timberland, and REITs are screened from inclusion in real asset portfolios because they don't exhibit a sensitivity to inflation of greater than zero.

Infrastructure equities are screened from real asset portfolios because they have a correlation of greater than 0.8 to equities.

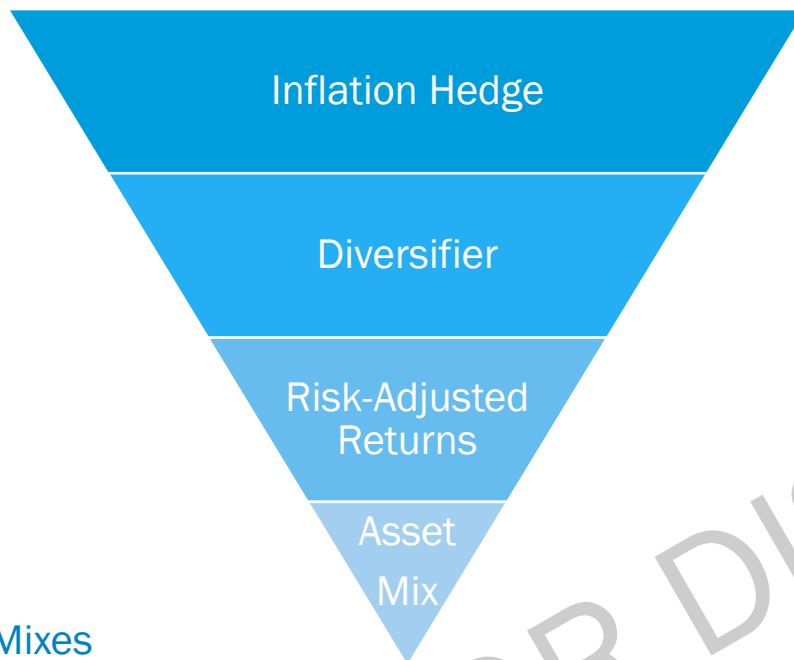


Risk-adjusted returns of the remaining asset classes are used to help optimize real asset portfolios.

1) Based on 10-yr rolling data since inception 2) Takes average from 10-yr rolling data: FTSE NAREIT All Equity (1972), Bloomberg Commodity (1991), S&P NA Natural Resources (1996), Alerian MLP (1996), S&P Global Infra. (2002), NCREIF Property (1978), NCREIF Farmland (1992), NCREIF Timberland (1987), & Barclays US TIPS (1997) 3) as of June 30, 2020

Portfolio Process & Construction

Screening Process



Asset Mixes

| Mixes | Sensitivity | Reliability | Correlation to Stocks | Correlation to Bonds | Sharpe Ratio |
|-----------------------------------|-------------|-------------|-----------------------|----------------------|--------------|
| Liquid Direct | 2.86 | 0.68 | 0.22 | 0.11 | 0.12 |
| Dynamic Multi-Asset* | 1.97 | 0.71 | 0.35 | 0.19 | 0.36 |
| Diversified Direct | 2.22 | 0.74 | 0.19 | 0.06 | 0.32 |
| Morningstar U.S. Real Asset Index | 0.83 | 0.78 | 0.68 | 0.05 | 0.42 |
| CPI | 1.00 | 1.00 | -0.11 | -0.28 | NA |

* Principal DRA Strategy Mix

Based on historical data from 3/1/1997 to 6/30/2020

Sharpe ratios are 10-year trailing returns

Real Assets

- Canterbury utilizes a screening process to narrow down the asset classes for inclusion in real asset portfolios based on pre-specified roles:
 - **Inflation Hedge**
High reliability (>50%) and sensitivity (>0) to inflation
 - **Diversifier**
Low correlation (<0.8) to stocks and bonds
 - **Risk-Adjusted Returns**
Sharpe ratio is considered when optimizing the allocations to remaining asset classes
- These roles are used to help build portfolios of real assets that exhibit a high degree of sensitivity (>1) and reliability (>60%) to inflation, show a low correlation to stocks and bonds (<0.6), and generate competitive risk-adjusted returns (>0.5).