CanterburyConsulting

Quarterly Asset Class Report

Institutional Fixed Income

canterburyconsulting.com

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Role in the Portfolio

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

(i) Preserve capital and mitigate volatility

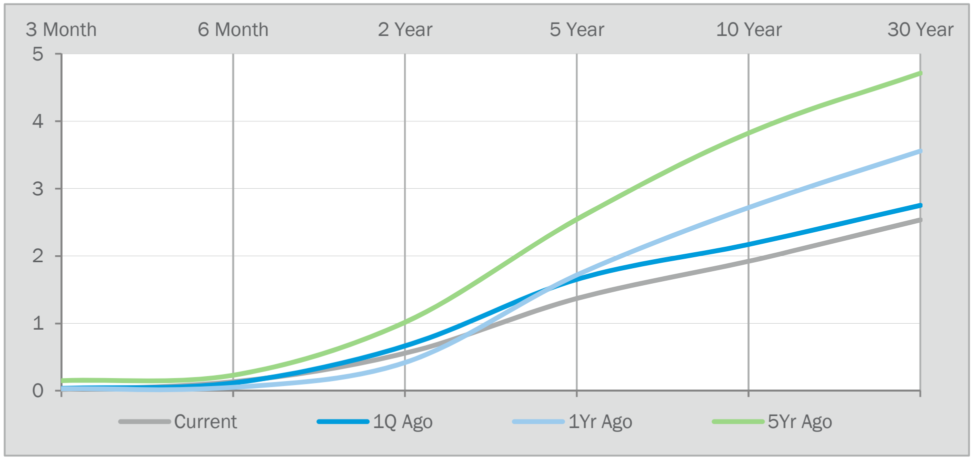
(ii) Maintain comparable exposure to the global fixed income market

(iii) Exhibit returns uncorrelated to equity markets

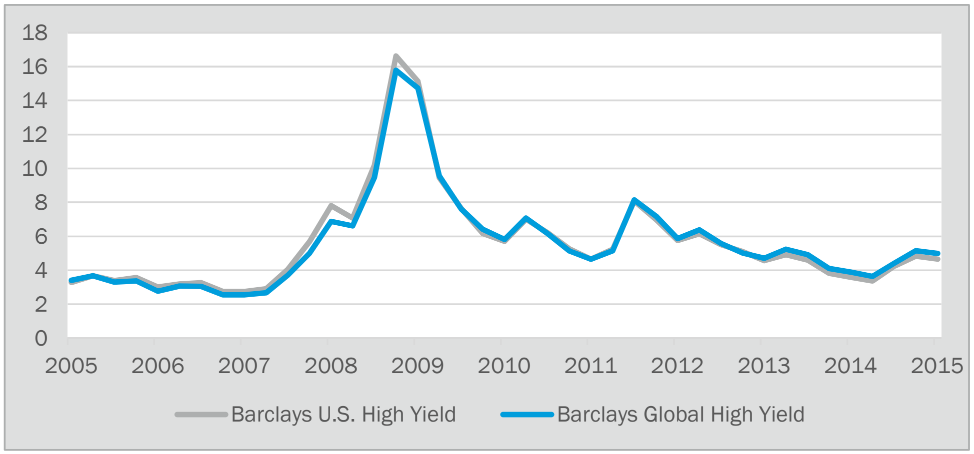
Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	**Fixed Income, Hedge Funds**	**Rising Interest Rates, Highly Correlated Markets**
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

- Canterbury global fixed income portfolios are expected to deliver consistent net of fees excess returns and moderate tracking error versus the blended benchmark: 50% Barclays U.S. Aggregate Bond/40% Barclays Global Aggregate ex U.S./10% BofA ML High Yield Master II
- Relative to the index, Canterbury's current fixed income portfolios will exhibit lower duration, similar credit quality, and higher yields

U.S. Treasury Rates



High Yield Spreads



World Bond Yields

10-Year Sovereign Rates (%)

Country	US	JAP	CHI	GER	ITL	FRA	UK	BRA	SPA	CAN
Yield	1.86	0.37	3.60	0.17	1.27	0.45	1.54	12.83	1.20	1.31

- Short term U.S. interest rates ended the quarter generally where they started, however, intermediate and long term rates continued to decrease from the previous quarter
- While the FOMC dropped its pledge to remain patient with potential rate increases, Fed policy makers signaled that they won't rush to raise interest rates. Low inflation relative to expected targets and stagnant wage growth may contribute to a rate hike delay
- Non-U.S. fixed income continued to lag the broader fixed income market in the first quarter due to U.S. currency appreciation
- Rates continued to trend lower around the world, especially in the Eurozone. In January, the ECB announced their own Quantitative Easing program in order to combat deflation and spur economic growth

Source: Federal Reserve Economic Data; World Bank; U.S. Treasury Department; Barclays

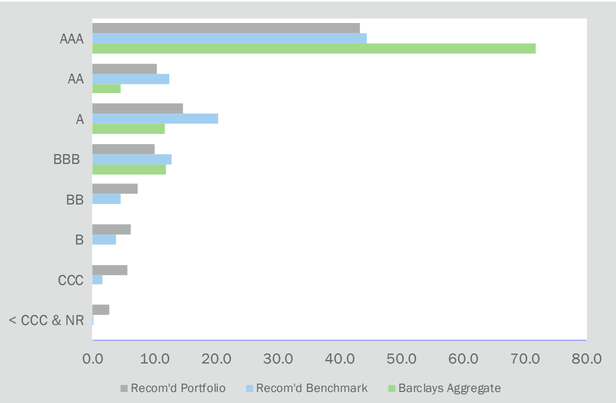
Portfolio Characteristics

Fixed Income

Sector Distribution

	Recom'd Portfolio	Recom'd Benchmark	Barclays Aggregate
US Treasury	21.5%	17.9%	35.8%
Agency	2.9%	4.2%	3.3%
Local Authority (non-US)	0.0%	1.7%	0.0%
Municipal (US)	1.4%	0.0%	0.0%
Sovereign (non-US)	20.3%	27.5%	0.0%
Supranational	0.7%	0.0%	0.0%
Corporate	12.9%	27.8%	23.3%
Bank Loans	4.5%	0.0%	0.0%
MBS	23.4%	16.4%	28.8%
ABS	3.3%	0.4%	0.5%
CMBS	3.8%	1.0%	2.0%
Other & Cash	5.5%	3.1%	6.2%

Credit Quality Distribution vs. Benchmark



Regional Distribution

	Recom'd Portfolio	Recom'd Benchmark	Barclays Aggregate
US	69.2%	53.8%	90.9%
Non-US Developed	19.8%	39.9%	2.2%
Non-US Emerging	11.0%	6.3%	6.9%

Portfolio Characteristics

	Recom'd Portfolio	Recom'd Benchmark	Barclays Aggregate
Effective Duration	3.88	6.13	5.60
Yield to Maturity (%)	3.27	2.14	2.25
Coupon Rate (%)	3.78	3.61	3.40
Average Credit Quality (Barclays)	A	A	AA

Portfolio Checklist

	Recom'd Portfolio	Recom'd Benchmark	Barclays Aggregate
Yield[1]	☑	☑	☑
Duration[2]	☑	☑	☑
Credit Quality[3]	☑	☑	☑
Sector Diversification[4]	☑	☑	☒
Region Diversification[5]	☑	☑	☒

[1]The yield-to-maturity ("YTM") should be 80% of the YTM of the benchmark or greater
[2]Duration should not exceed the benchmark
[3]Average credit quality, using Barclays methodology, should be BBB or higher
[4]No sector should exceed 50% of the total allocation and at least half of the sectors should have allocations greater than 2.5%
[5]No region (see "Regional Distribution") should exceed 75% of the of the total allocation

- Canterbury recommends reducing interest rate exposure by targeting a portfolio duration less than that of the benchmark
- Investors can lower portfolio duration (while maintaining yield) by allocating to credit and diversifying globally
- This shift to credit can be done while maintaining a similar average credit quality to the benchmark
- Canterbury attempts to maximize the risk return relationship of fixed income portfolios by spreading risk across several factors (interest rate, credit, prepayment, liquidity, currency, political, counterparty, etc.)

The representative portfolio has allocations to the following investment manager types: 45% Core Plus, 30% Global, 10% Credit, and 15% Mortgage-Backed

The representative benchmark has allocations to the following indices: 50% Barclays U.S. Agg, 40% Barclays Global Agg ex U.S., 10% BofA High Yield Master II