CanterburyConsulting

Quarterly Asset Class Report
Real Assets

December 31, 2019

canterburyconsulting.com

Role in the Portfolio

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

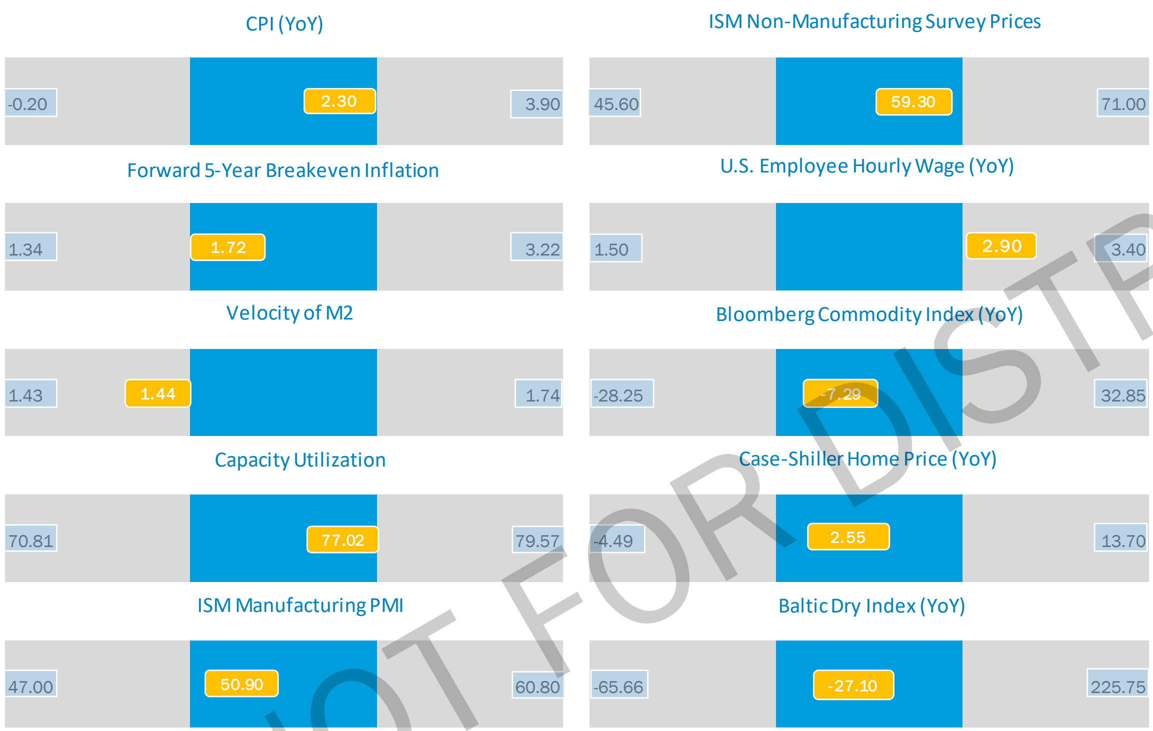
- Preserve purchasing power
- Generate uncorrelated returns to other asset classes
- Provide high inflation sensitivity and reliability while monitoring volatility

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

Asset Class Indicators

Real Assets



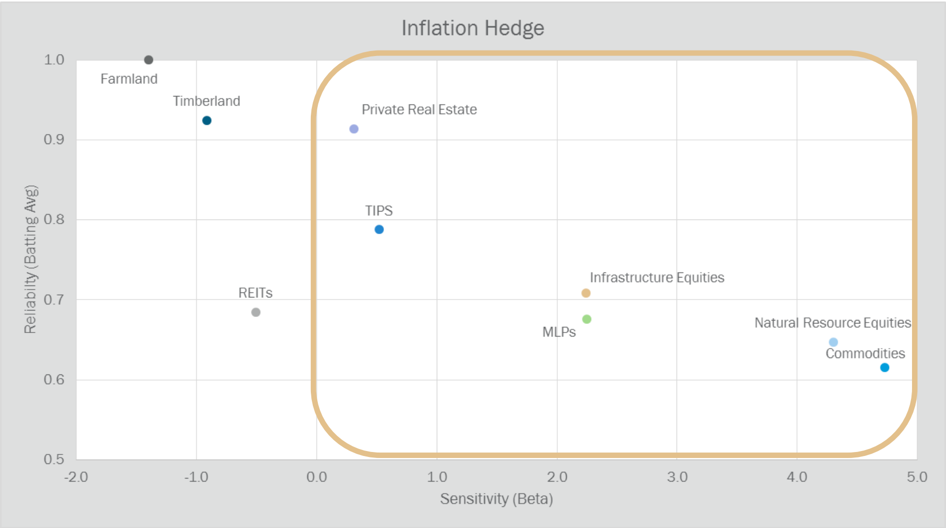
Current

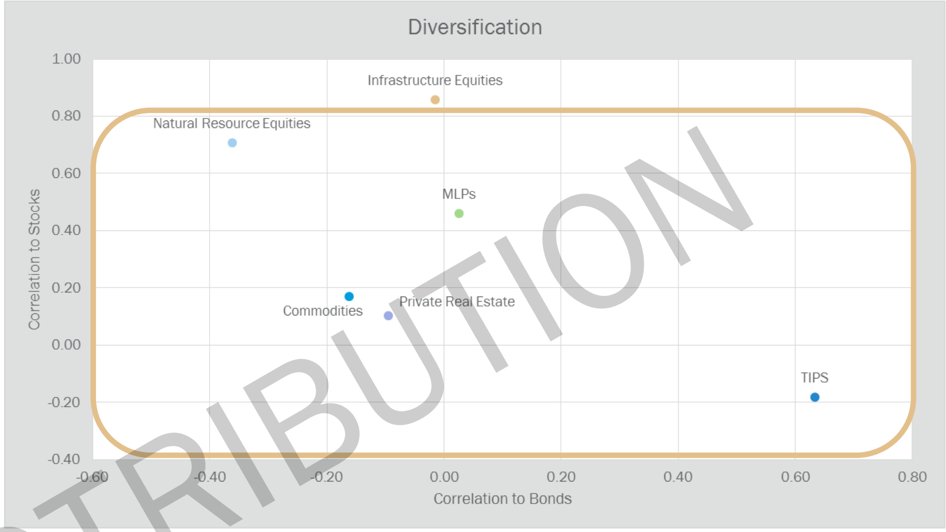
+- 1 Standard Deviation From the Mean

10-Year High and Low

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Most current asset class indicators are within their one standard deviation band. Manufacturing has recently fluctuated between expansion and contraction, which is assessed by whether PMI numbers are above or below 50.
- Energy largely performed well over the quarter and year to date as production cuts from OPEC and easing U.S.-China tensions resulted in a supportive demand environment for oil.

Source: Bloomberg





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.

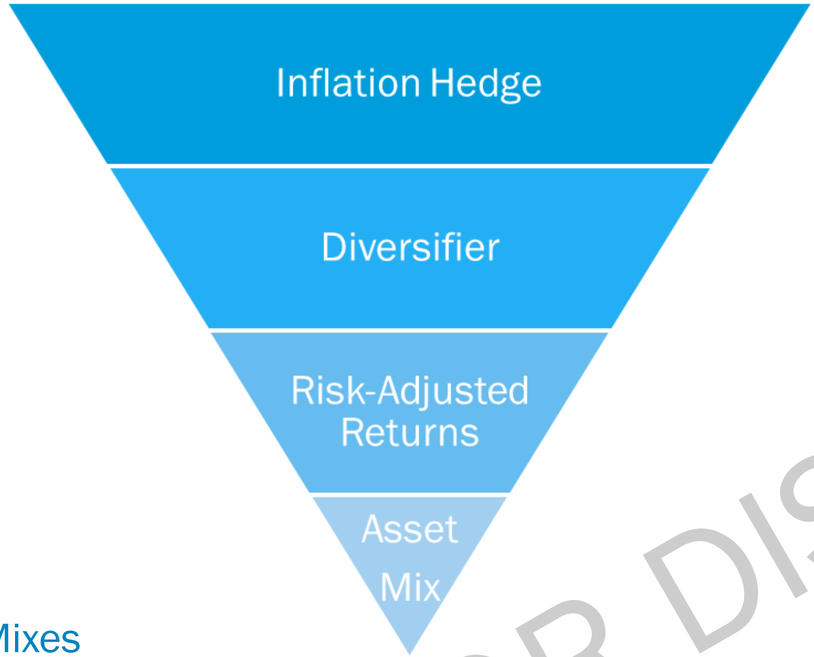
Infrastructure equities are screened from real asset portfolios because they have a correlation of greater than 0.8 to equities.

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, 2018

Portfolio Process & Construction

Screening Process



Asset Mixes

Mixes	Sensitivity	Reliability	Correlation to Stocks	Correlation to Bonds	Sharpe Ratio
Liquid Direct	2.85	0.69	0.19	0.10	0.07
Dynamic Multi-Asset*	1.88	0.75	0.46	0.00	0.36
Diversified Direct	2.21	0.74	0.17	0.05	0.23
Morningstar U.S. Real Asset Index	0.77	0.77	0.65	0.04	0.39
CPI	*1.00*	*1.00*	*-0.11*	*-0.28*	*NA*

** Principal DRA Strategy Mix*
Based on historical data from 3/1/1997 to 6/31/2018
Sharpe ratios are 10-year trailing returns

- 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).