



Canterbury Consulting

canterburyconsulting.com

Quarterly Asset Class Report

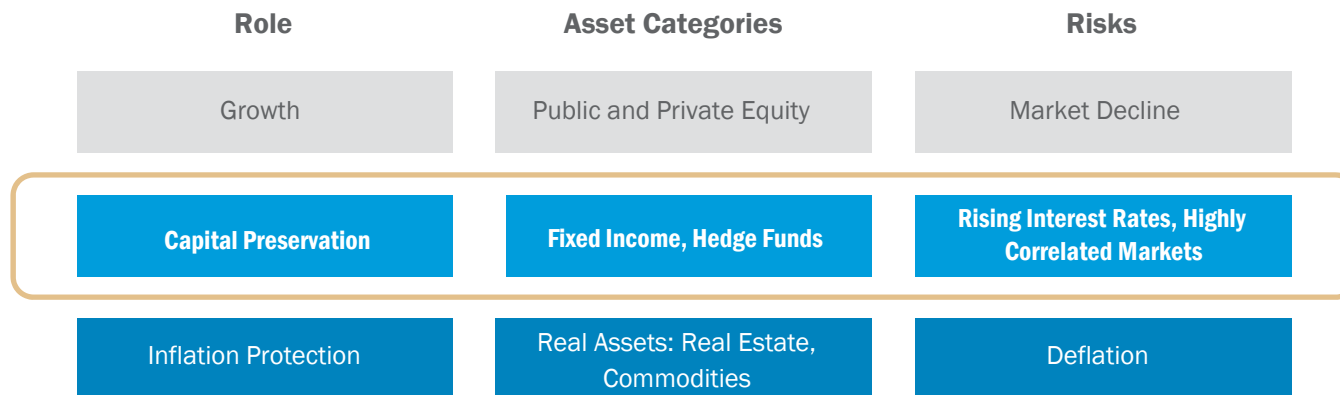
Institutional Fixed Income

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. 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.

June 30, 2015

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



- 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

Index Returns

Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Canterbury Benchmark¹	-1.43	-1.84	-4.48	0.09	2.75	3.79	4.20
Barclays US Agg Bond	-1.68	-0.10	1.86	1.83	3.35	4.59	4.44

U.S. Treasurys

BofAML 3M US Treasury Note	0.01	0.02	0.03	0.07	0.10	0.24	1.43
Barclays Short Treasury	0.05	0.09	0.12	0.14	0.17	0.39	1.57
Barclays Intermediate Treasury	-0.47	0.81	1.81	0.88	2.14	3.22	3.71
Barclays Long Term US Treasury	-8.30	-4.67	6.33	1.17	6.25	7.21	6.18
Barclays U.S. Treasury TIPS 0-5Y	0.60	0.98	-1.91	-0.13	1.33	1.62	2.96
Barclays US Treasury US TIPS	-1.06	0.34	-1.73	-0.76	3.29	3.51	4.13

U.S. Corporate Credit

Barclays US Corp IG	-3.16	-0.92	0.75	3.23	5.11	6.41	5.19
S&P/LSTA Leveraged Loan	0.69	2.83	1.82	4.89	5.48	5.61	4.99
BofAML US HY Master II	-0.05	2.49	-0.55	6.81	8.41	9.12	7.75
BofAML US HY BB-B Constrained	0.02	2.69	0.70	6.76	8.32	8.39	7.21
BofAML US Corporate AAA	-3.78	-1.77	1.81	1.53	3.33	3.92	3.90
BofAML US Corporate AA	-2.41	-0.40	2.11	2.65	4.10	5.00	4.33
BofAML US Corporate A	-2.61	-0.45	1.65	3.19	4.93	5.58	4.57
BofAML US Corps BBB	-2.75	-0.45	0.12	4.17	6.02	7.70	6.10
BofAML US High Yield BB	-0.35	2.30	1.67	6.76	8.41	9.26	7.69
BofAML US High Yield B	0.45	3.17	-0.47	6.70	8.29	7.54	6.81
BofAML US High Yield CCC	-0.44	1.33	-6.93	6.79	8.33	10.11	8.68

Securitized

Barclays ABS	0.17	1.08	1.64	1.38	2.48	4.11	3.32
Barclays MBS	-0.74	0.31	2.28	1.92	2.89	4.45	4.56
Barclays CMBS	-0.80	0.73	1.72	2.76	5.10	6.35	5.20

Municipals

Barclays Municipal	-0.89	0.11	3.00	3.10	4.50	5.11	4.45
Barclays Muni 1-10	-0.39	0.37	1.48	1.89	2.90	3.86	3.70

Global

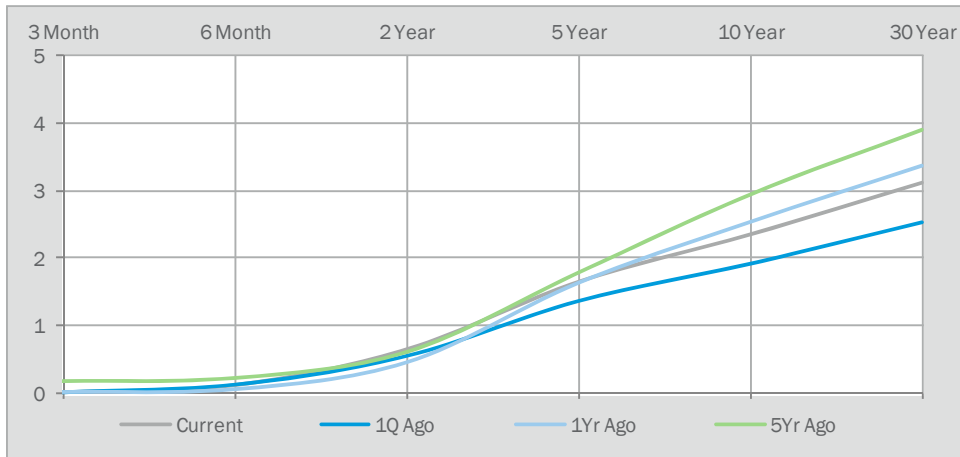
Citi WGBI	-1.55	-4.02	-9.02	-2.45	1.05	1.75	3.08
Barclays Global Aggregate	-1.18	-3.08	-7.09	-0.81	2.07	2.58	3.54
Barclays Gbl Agg Ex USD	-0.83	-5.43	-13.19	-2.83	1.08	1.14	2.83
JPM EMBI Plus	-0.87	0.98	-2.08	2.76	6.15	7.15	7.23

(1) 50% Barclays US Agg/40% Barclays Global Agg ex US/10% BofA ML HY Master II

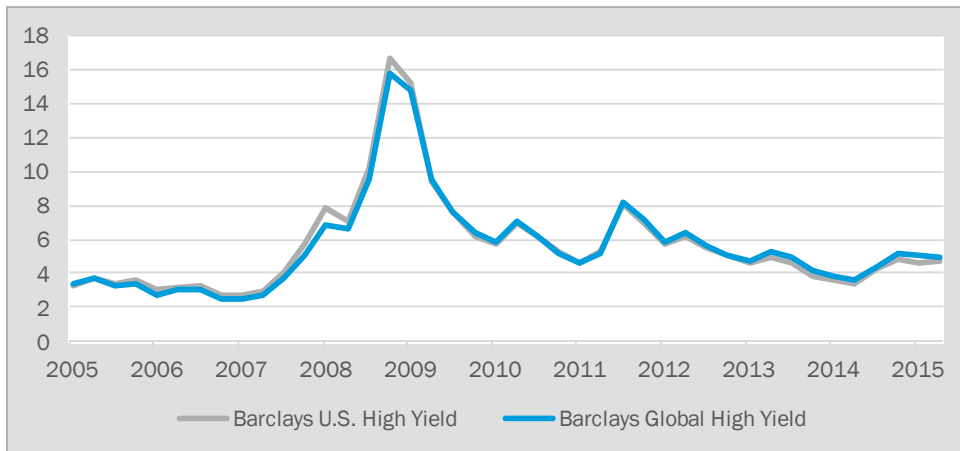
Market Environment

Fixed Income

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
Rates (6/30)	2.35	0.47	3.59	0.81	2.29	1.24	2.10	4.70	2.27	1.68
Rates (3/31)	1.94	0.37	3.60	0.17	1.27	0.45	1.54	4.51	1.20	1.31

- The 10-year Treasury rate rose 41 basis points in the second quarter. This was the first quarterly rise since 2013
- Short-term rates remained low while long-term rates rose in the quarter
- Investors who were positioned in the long end of the curve struggled as the Barclays Long Term Treasury Index returned -8.3% in the quarter
- Investors who traded some interest rate risk for credit risk were rewarded as the BofA ML High Yield Master II was roughly flat in the quarter
- Non-U.S. bonds also struggled as rates rose globally, however, a marginally weak U.S. Dollar provided a tailwind for these securities

Portfolio Characteristics

Sector Distribution

	Recom'd Portfolio	Recom'd Benchmark	Barclays Aggregate
US Treasury	22.5%	18.1%	36.1%
Agency	1.6%	4.2%	3.3%
Local Authority (non-US)	1.8%	1.7%	0.0%
Municipal (US)	1.4%	0.7%	1.3%
Sovereign (non-US)	19.6%	27.5%	0.0%
Supranational	0.2%	0.0%	0.0%
Corporate	12.7%	30.5%	28.6%
Bank Loans	4.6%	0.0%	0.0%
MBS	25.3%	16.1%	28.2%
ABS	2.9%	0.4%	0.5%
CMBS	3.7%	1.0%	2.0%
Other & Cash	3.9%	0.0%	0.0%

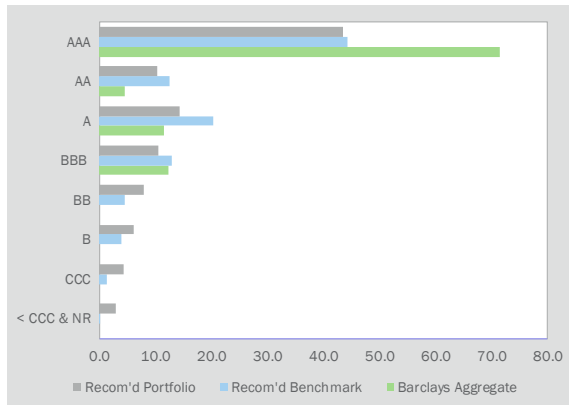
Regional Distribution

	Recom'd Portfolio	Recom'd Benchmark	Barclays Aggregate
US	65.7%	53.8%	90.9%
Non-US Developed	20.5%	41.3%	5.0%
Non-US Emerging	13.9%	4.9%	4.2%

Portfolio Characteristics

	Recom'd Portfolio	Recom'd Benchmark	Barclays Aggregate
Effective Duration	3.65	6.09	5.50
Yield to Maturity (%)	2.99	2.15	2.10
Coupon Rate (%)	3.86	3.48	3.20
Average Credit Quality (Barclays)	A	AA	AA

Credit Quality Distribution vs. Benchmark



Portfolio Checklist

	Recom'd Portfolio	Recom'd Benchmark	Barclays Aggregate
Yield ¹	✓	✓	✓
Duration ²	✓	✓	✓
Credit Quality ³	✓	✓	✓
Sector Diversification ⁴	✓	✗	✗
Region Diversification ⁵	✓	✓	✗

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

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

Fixed Income

- Canterbury recommends reducing interest rate exposure by targeting a portfolio duration less than that of the benchmark
- Below benchmark duration can be achieved while maintaining above benchmark yield by increasing the portfolio's credit risk
- Canterbury still recommends maintaining a portfolio of high quality securities that is rated investment grade or better on average. This reaffirms fixed income's role in the portfolio of a risk mitigator and a diversifier
- Due to high valuations in non-U.S. developed fixed income markets, investors should maintain an underweight exposure to the region relative to the Recommended Benchmark