



Canterbury Consulting

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Quarterly Asset Class Report

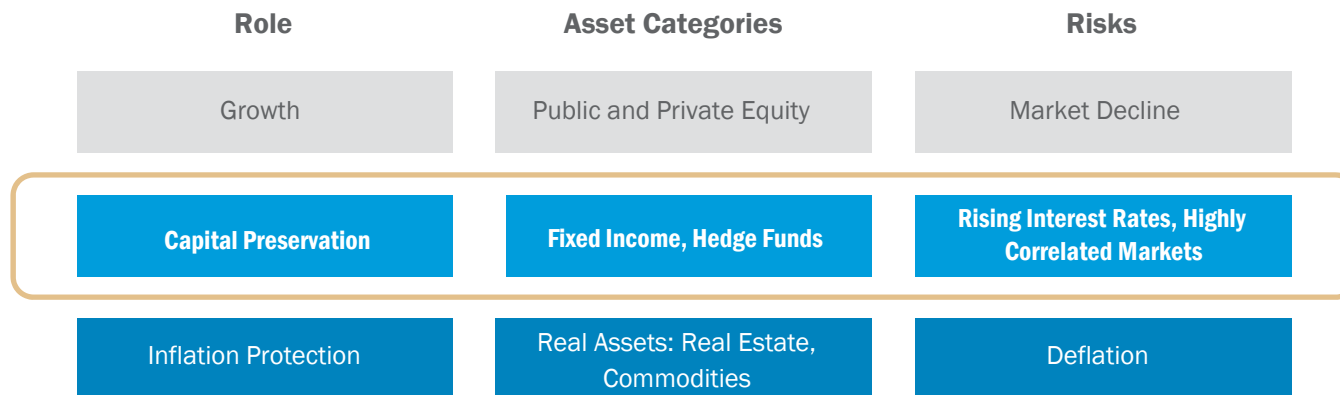
Tax Exempt Fixed Income

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December 31, 2016

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) Provide measured exposure to the diverse universe of fixed income securities
- (iii) Exhibit returns uncorrelated to equity markets



- Canterbury fixed income portfolios are expected to deliver consistent net of fees excess returns and moderate tracking error versus the Barclays Global Aggregate
- Relative to the index, Canterbury’s current fixed income portfolios will exhibit lower duration, similar credit quality, and higher yields

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	-7.07	2.09	2.09	-0.19	0.21	1.72	3.29
Barclays US Agg Bond	-2.98	2.65	2.65	3.03	2.23	3.62	4.34
Canterbury Benchmark ¹	-5.81	3.91	3.91	1.27	1.16	2.78	4.07

U.S. Treasuries

BofAML 3M US Treasury Note	0.06	0.34	0.34	0.15	0.13	0.13	0.82
Barclays Short Treasury	0.09	0.53	0.53	0.25	0.21	0.22	0.99
Barclays Intermediate Treasury	-2.25	1.06	1.06	1.60	1.03	2.41	3.50
Barclays Long Term US Treasury	-11.67	1.33	1.33	7.78	2.52	7.03	6.67
Barclays U.S. Treasury TIPS 0-5Y	-0.16	2.81	2.81	0.54	0.48	1.45	2.78
Barclays US Treasury US TIPS	-2.41	4.68	4.68	2.26	0.89	3.38	4.36

U.S. Corporate Credit

Barclays US Corp IG	-2.83	6.11	6.11	4.23	4.13	5.38	5.47
S&P/LSTA Leveraged Loan	2.26	10.16	10.16	3.58	5.11	5.29	4.64
BofAML US HY Master II	1.88	17.49	17.49	4.72	7.35	8.00	7.34
BofAML US HY BB-B Constrained	1.26	14.72	14.72	4.89	7.05	7.81	6.94
BofAML US Corporate AAA	-4.73	3.18	3.18	4.33	2.48	4.16	4.03
BofAML US Corporate AA	-3.02	3.80	3.80	3.88	3.39	4.39	4.45
BofAML US Corporate A	-3.13	4.38	4.38	4.08	3.98	5.18	4.75
BofAML US Corps BBB	-2.57	8.14	8.14	4.44	4.79	6.11	6.34
BofAML US High Yield BB	0.68	13.22	13.22	5.68	7.26	8.16	7.58
BofAML US High Yield B	2.11	16.94	16.94	4.02	6.83	7.50	6.16
BofAML US High Yield CCC	5.94	36.46	36.46	4.15	8.94	8.69	8.12

Securitized

Barclays ABS	-0.70	2.03	2.03	1.72	1.70	2.77	3.02
Barclays MBS	-1.97	1.67	1.67	3.07	2.06	3.11	4.28
Barclays CMBS	-3.15	2.68	2.68	2.21	3.07	5.76	5.09

Municipals

Barclays Municipal	-3.62	0.25	0.25	4.14	3.28	4.18	4.25
Barclays Muni 1-10	-2.32	-0.15	-0.15	1.96	1.79	2.66	3.48

Global

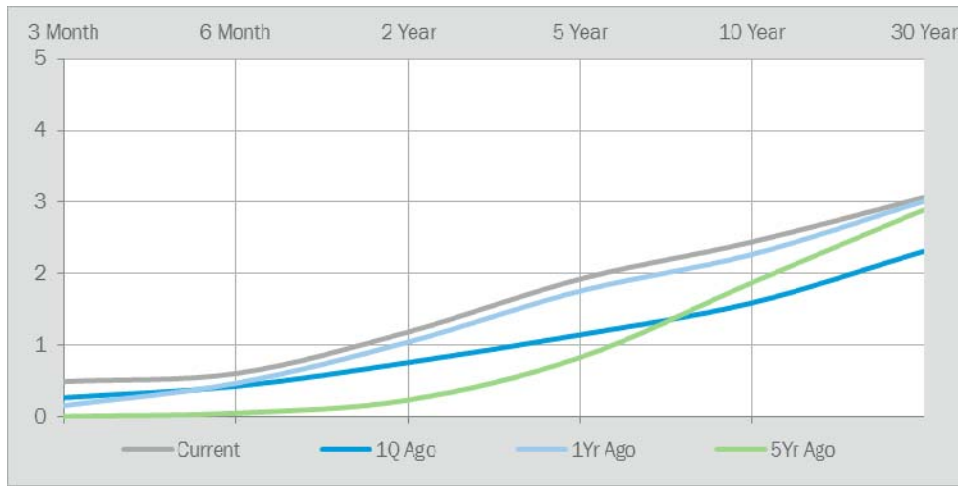
Citi WGBI	-8.53	1.60	1.60	-0.84	-0.99	0.89	2.99
Barclays Gbl Agg Ex USD	-10.26	1.49	1.49	-2.59	-1.39	0.30	2.44
JPM EMBI Plus	-5.32	9.62	9.62	5.82	5.10	6.62	6.60

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

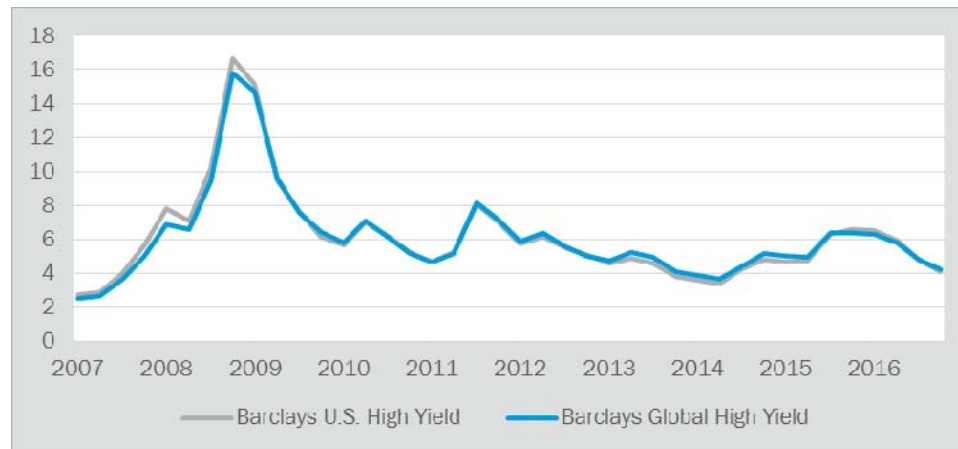
Market Environment

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*	MXN*	SPA	CAN
Rates (9/30)	1.59	-0.10	2.70	-0.12	1.19	0.18	0.74	11.56	6.04	0.88	0.99
Rates (12/30)	2.44	0.05	3.00	0.20	1.81	0.68	1.23	11.37	7.40	1.38	1.71

*local currency

- Developed market bond yields rose quickly and swiftly as a result of Donald Trump’s U.S. Presidential Election victory and the Federal Reserve’s December rate hike. Markets are expecting the Trump Administration to implement significant fiscal stimulus by way of infrastructure spending. As a result, pro-growth market sentiment led to a ‘risk-on’ rally which negatively affected U.S. Treasuries
- Emerging market debt was mixed during the quarter. Mexican bonds were negatively affected by Trump’s victory as trade and protectionist concerns led to a bond sell-off. Brazilian rates held steady as the country continued down the path of positive economic and political reform
- Investment grade and high yield spreads continued to narrow on the back of pro-growth market sentiment. Speculative-grade bonds in energy and industrial sectors performed well in anticipation of Trump’s infrastructure spending plan

Portfolio Characteristics

Fixed Income

Sector Distribution

	Current Portfolio	Barclays Global Aggregate	Barclays Aggregate
US Treasury	26.4%	14.9%	36.3%
Agency	2.3%	4.7%	2.5%
Local Authority (non-US)	0.5%	2.7%	0.0%
Municipal (US)	0.8%	0.3%	0.0%
Sovereign (non-US)	18.9%	42.5%	0.0%
Supranational	0.4%	2.3%	0.0%
Corporate	17.9%	20.9%	26.0%
Bank Loans	3.6%	0.0%	0.0%
MBS	29.2%	11.2%	27.7%
ABS	2.5%	0.2%	0.5%
CMBS	3.1%	0.4%	1.7%
Other & Cash	-5.8%	0.0%	5.5%

Regional Distribution - Country Allocation

	Current Portfolio	Barclays Global Aggregate	Barclays Aggregate
US	70.8%	37.5%	91.2%
Non-US Developed	15.3%	54.8%	7.1%
Non-US Emerging	13.9%	7.7%	1.7%

Currency Allocation

	Current Portfolio	Barclays Global Aggregate	Barclays Aggregate
US	88.3%	43.5%	100.0%
Non-US Developed	-4.1%	53.5%	0.0%
Non-US Emerging	15.7%	3.0%	0.0%

Portfolio Characteristics

	Current Portfolio	Barclays Global Aggregate	Barclays Aggregate
Effective Duration	3.90	6.80	5.51
Yield to Maturity (%)	3.48	1.12	1.97
Coupon Rate (%)	3.99	2.75	3.19
Average Credit Quality (Barclays)	A	AA	AA

Portfolio Checklist

	Current Portfolio	Barclays Global Aggregate	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

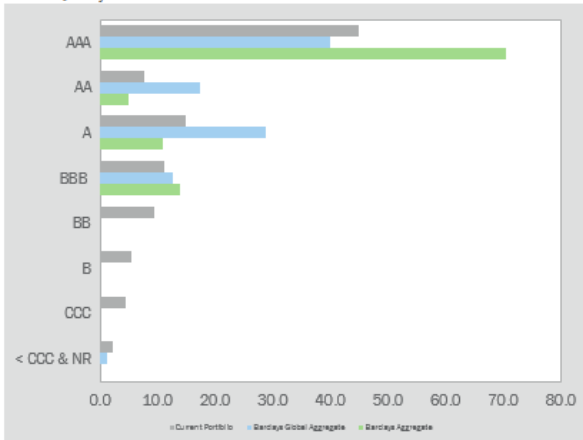
2. Duration should not exceed the benchmark

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

Credit Quality Distribution vs. Benchmark



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

Source of Benchmark Information: Barclays

- Canterbury recommends targeting a portfolio duration less than that of the benchmark (Barclays Global Aggregate) in order to reduce interest rate risk

- Investors can lower portfolio duration (while maintaining yield) by allocating to credit and diversifying globally

- To ensure the fixed income allocation reduces overall portfolio risk and provides diversification, Canterbury seeks to maintain a portfolio that, on average, is investment grade or better

- With low yields in non-U.S. developed fixed income markets, investors should consider maintaining an underweight exposure to the region relative to the Barclays Global Aggregate