CanterburyConsulting

Quarterly Asset Class Report
Real Assets

March 31, 2021

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):

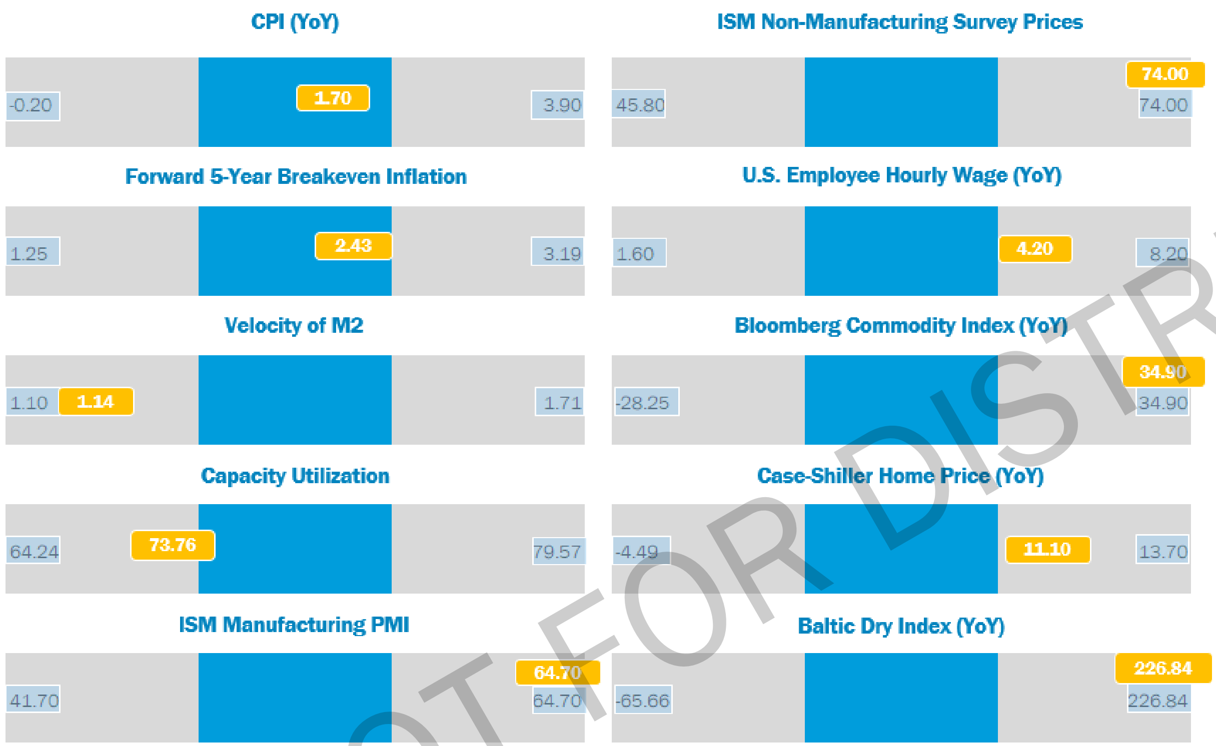
- Preserve purchasing power
- Generate uncorrelated returns to other asset classes
- Manage the volatility profile of the segment

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

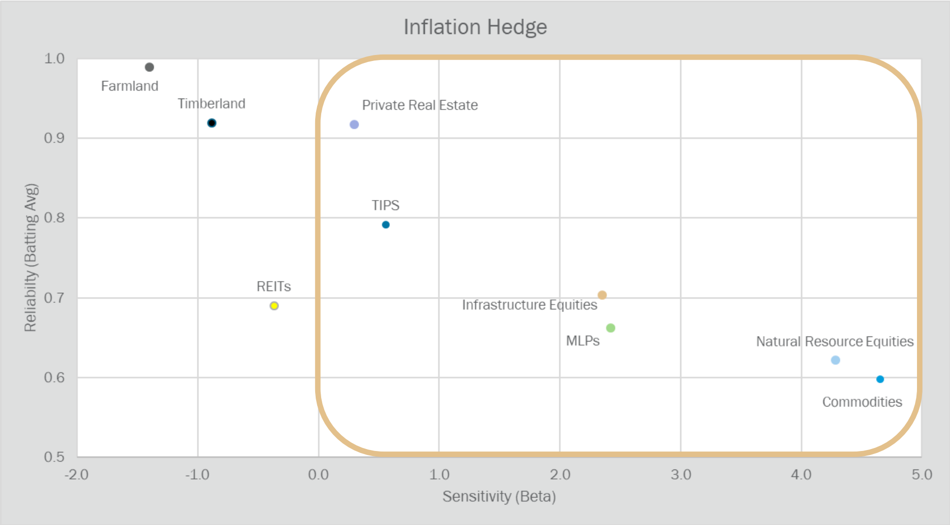
+- 1 Standard Deviation From the Mean

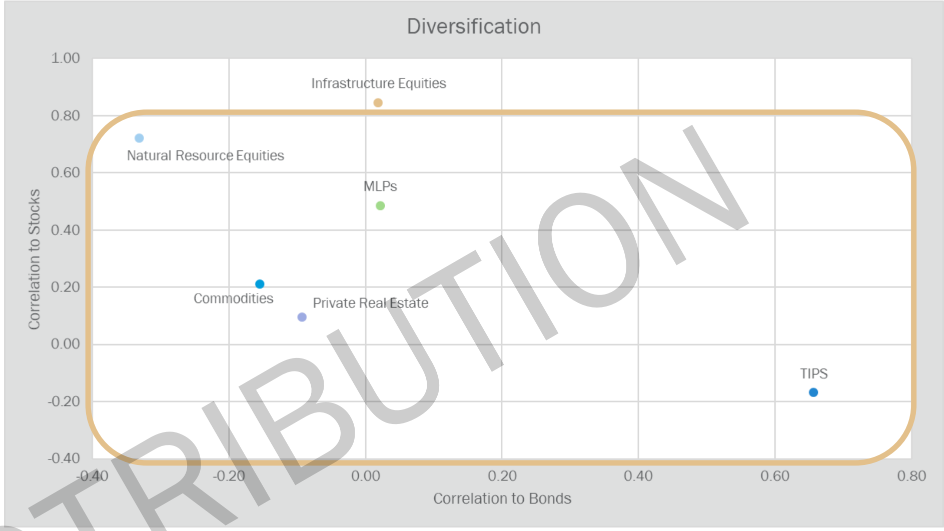
10-Year High and Low

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.
- Inflation, measured by CPI, marginally increased over the quarter to 1.7%, creeping closer to the Fed's 2% target. Inflation breakeven rates rose over the quarter, above 2%, as inflation expectations increased on the back of positive vaccine development and higher growth projections.
- Commodities and energy-related assets continued to benefit from renewed demand from economic reopening.
- ISM manufacturing and non-manufacturing indicators reached new highs over the quarter due to a rebuilding of inventories and increased optimism for economic activity.

Source: Bloomberg as of March 31, 2021.

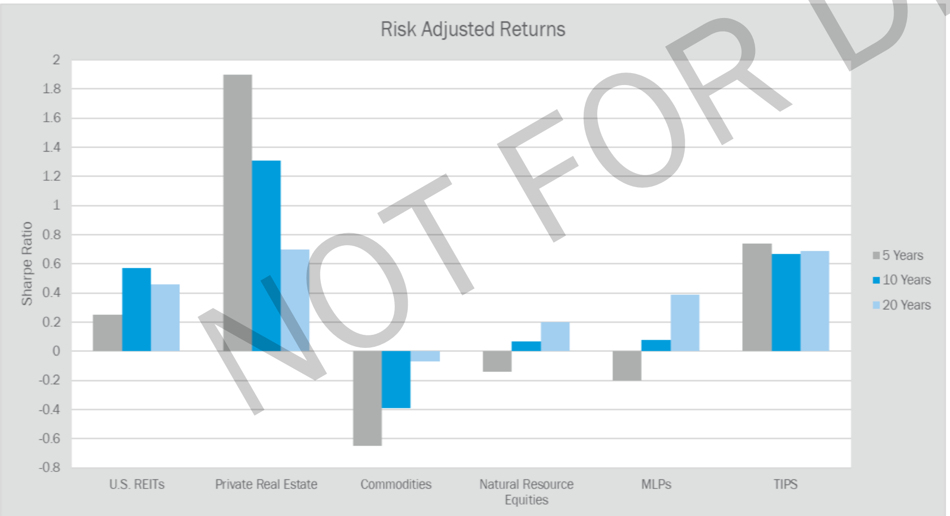
Sub-Asset Class Statistics





Farmland, Timberland, and REITs are screened from inclusion in real asset portfolios because they do not 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.

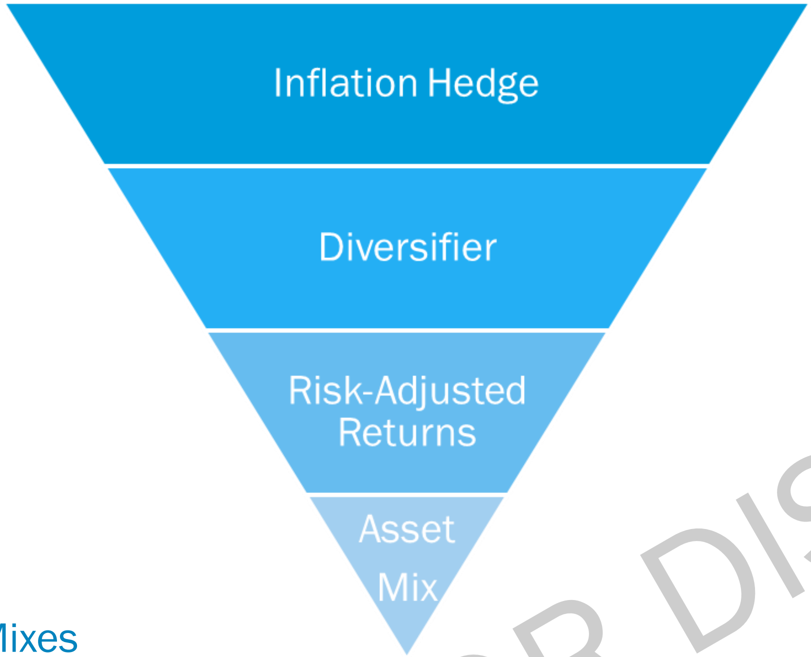


Risk-adjusted returns of the remaining asset classes are used to help optimize real asset portfolios.

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

- Canterbury utilizes a screening process to narrow down asset class 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).