



Canterbury Consulting

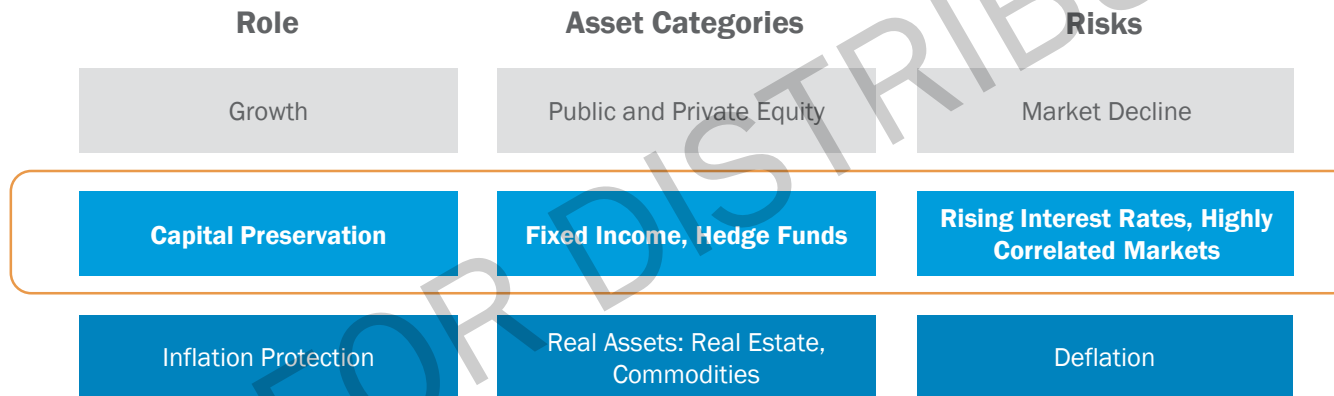
Quarterly Asset Class Report Taxable Fixed Income

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March 31, 2021

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

- Preserve after-tax wealth and mitigate volatility
- Maintain comparable exposure to the broad municipal market
- Focus exposure based on state domicile and after-tax returns
- Exhibit returns uncorrelated to equity markets



- Canterbury global fixed income portfolios aim to deliver consistent after-tax and net-of-fees excess returns and moderate tracking error versus the Barclays Municipal Bond Index. Taxable fixed income portfolios also aim to have a high quality bias with sensitivity toward taxes.
- Canterbury’s fixed income portfolios will exhibit benchmark-like, after-tax yields and credit quality. However, they will do so with more portfolio diversification and lower duration. Portfolio diversification will depend on the client’s state of domicile and individual goals (i.e. income vs. capital preservation).

Index Returns as of March 31, 2021

Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	-4.46	-4.46	4.67	2.80	2.66	2.00	2.23
Barclays US Agg Bond	-3.37	-3.37	0.71	4.65	3.10	3.31	3.44

U.S. Treasuries

BofAML 3M US Treasury Note	0.05	0.05	0.13	1.56	1.21	0.89	0.65
Barclays Short Treasury	0.04	0.04	0.15	1.66	1.29	0.97	0.73
Barclays Intermediate Treasury	-1.76	-1.76	-1.27	3.76	2.06	2.25	2.32
Barclays Long Term US Treasury	-13.51	-13.51	-15.80	5.86	3.13	5.51	6.35
BBgBarc U.S. Treasury TIPS 1-5Y	1.16	1.16	7.72	4.06	2.80	2.09	1.78
Barclays US Treasury US TIPS	-1.47	-1.47	7.54	5.67	3.86	3.41	3.44

U.S. Corporate Credit

Barclays US Corp IG	-4.65	-4.65	8.73	6.20	4.91	4.60	5.04
S&P/LSTA Leveraged Loan	1.78	1.78	20.71	4.13	5.28	3.93	4.25
BofAML US HY Master II	0.90	0.90	23.31	6.53	7.94	5.30	6.31
BofAML US HY BB-B Constrained	0.30	0.30	21.05	6.72	7.42	5.36	6.28
BofAML US Corporate AAA	-7.39	-7.39	-0.52	6.27	4.38	4.71	4.44
BofAML US Corporate AA	-5.29	-5.29	2.97	5.20	3.70	3.96	4.13
BofAML US Corporate A	-4.91	-4.91	5.66	5.80	4.27	4.32	4.71
BofAML US Corps BBB	-3.96	-3.96	13.83	6.63	5.74	4.96	5.55
BofAML US High Yield BB	-0.21	-0.21	20.74	7.55	7.44	5.96	6.68
BofAML US High Yield B	1.18	1.18	22.09	5.86	7.55	4.71	5.86
BofAML US High Yield CCC	5.21	5.21	39.51	4.08	10.47	4.62	6.05

Securitized

Barclays ABS	-0.16	-0.16	4.57	3.68	2.56	2.39	2.51
Barclays MBS	-1.10	-1.10	-0.09	3.75	2.43	2.86	2.83
Barclays CMBS	-2.32	-2.32	4.36	5.30	3.37	3.32	3.81

Municipals

Barclays Municipal	-0.35	-0.35	5.51	4.91	3.49	4.00	4.54
Barclays Muni 1-10	-0.21	-0.21	4.39	3.74	2.47	2.60	2.86

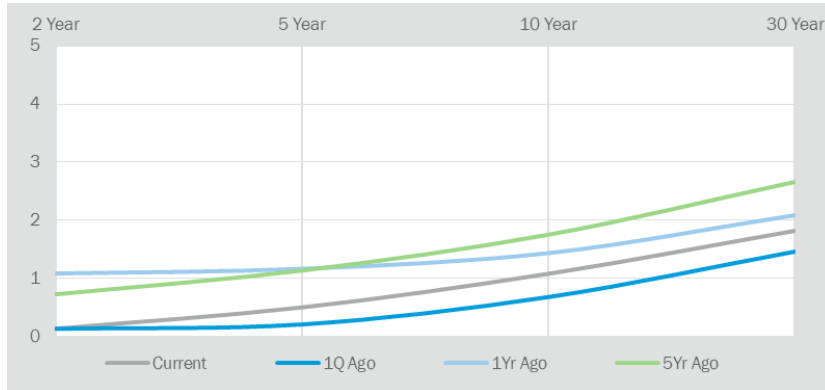
Global

Citi WGBI	-5.68	-5.68	1.82	2.09	2.15	1.54	1.66
Barclays Gbl Agg Ex USD	-5.29	-5.29	7.15	1.15	2.13	0.91	1.26
JPM EMBI Plus	-7.22	-7.22	8.76	2.62	3.48	3.97	4.77

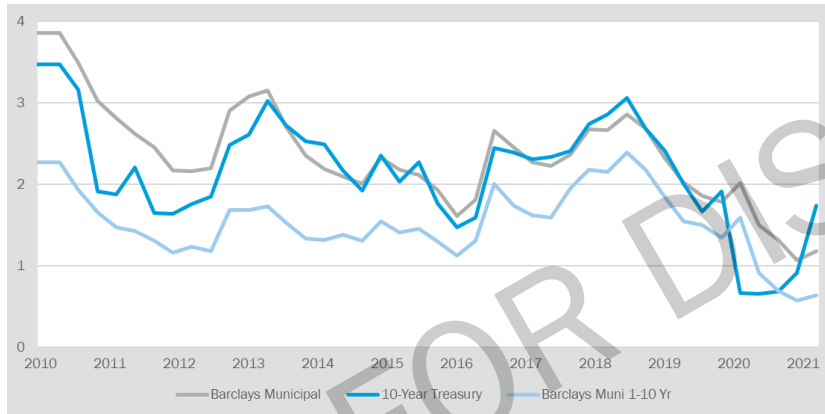
Market Environment as of March 31, 2021

Fixed Income

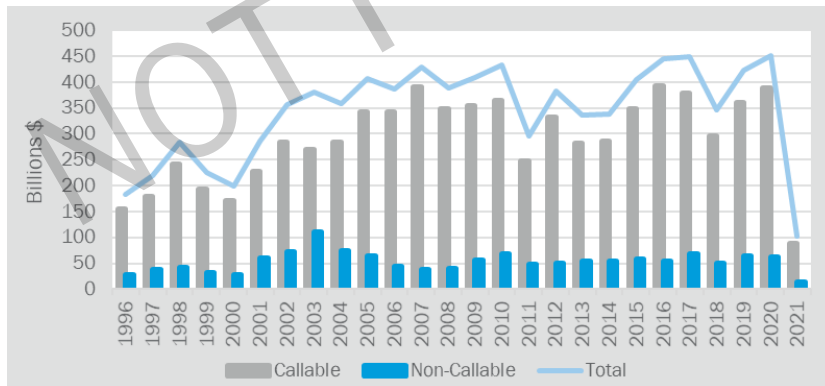
Municipal Yield Curve



Yield Comparison



U.S. Municipal Issuance

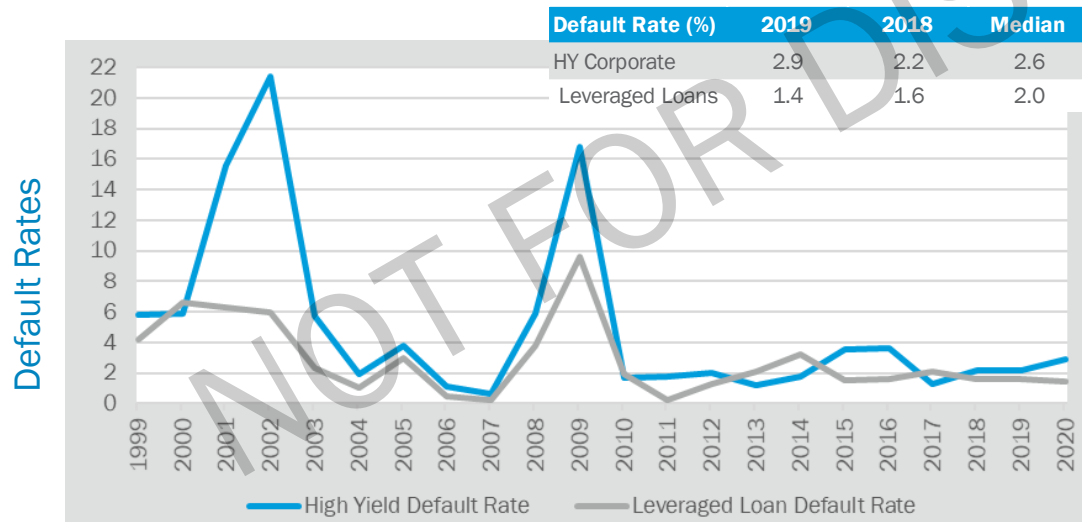
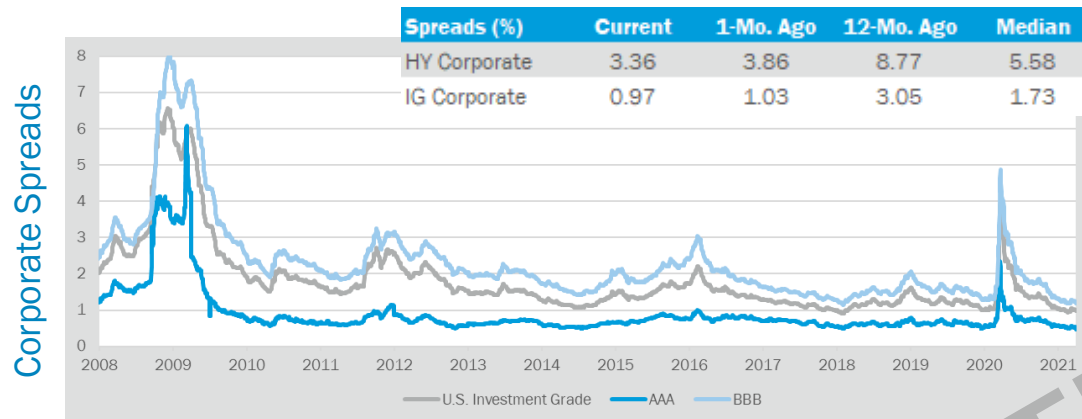


- Long-term U.S. interest rates increased over the quarter as inflation expectations grew. Rapid vaccine distribution, higher growth projections, and a persistently accommodative Fed resulted in higher long-term rates and a steeper U.S. yield curve.
- The municipal bond curve steepened in tandem with that of U.S. Treasuries. Additionally, the Muni/Treasury ratio continued to move lower across maturities despite yield curve steepening.
- Municipal bond issuance is approximately 16%, higher relative to this time last year. Higher issuance is mainly due to the low issuance in March of 2020 as a result of early COVID restrictions.

Sources: Securities Industry and Financial Markets Association (SIFMA), U.S. Treasury Department, Barclays, and Bloomberg.

Market Environment as of March 31, 2021

Fixed Income



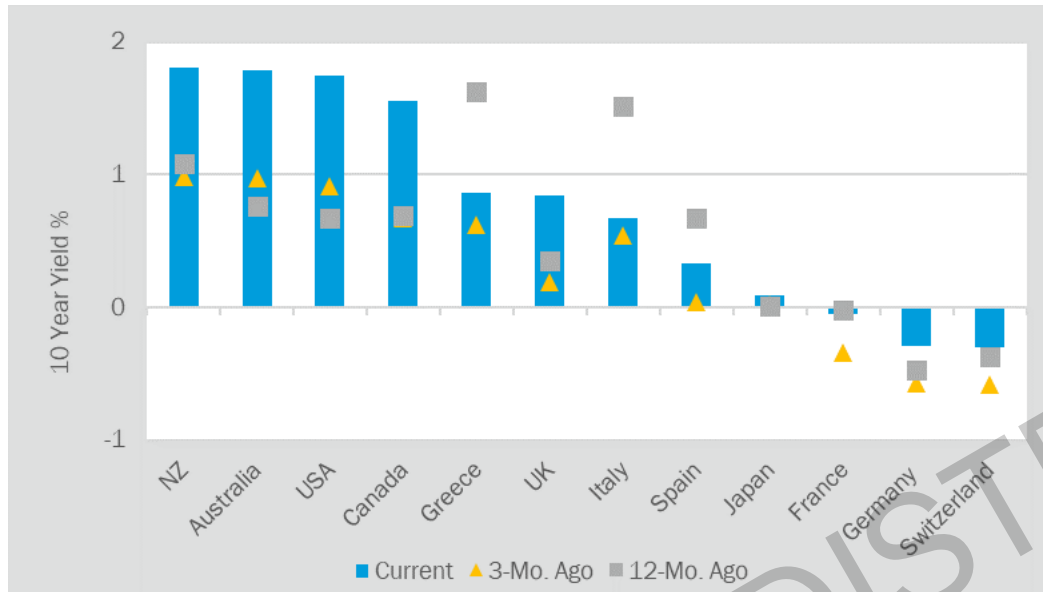
- Investment grade (IG) and high yield (HY) spreads marginally tightened over the quarter. Corporate credit spreads have continued to narrow since the peak in March 2020 and are now at levels that pre-date the pandemic.
- Low-rated credits continued to outperform higher quality credits as optimism over increased economic activity in the U.S. grew. Conversely, emerging market (EM) debt ended the quarter with negative returns as yields rose in tandem with that of Treasuries.

Sources: Federal Reserve Economic Data, World Bank, U.S. Treasury Department, and Barclays.

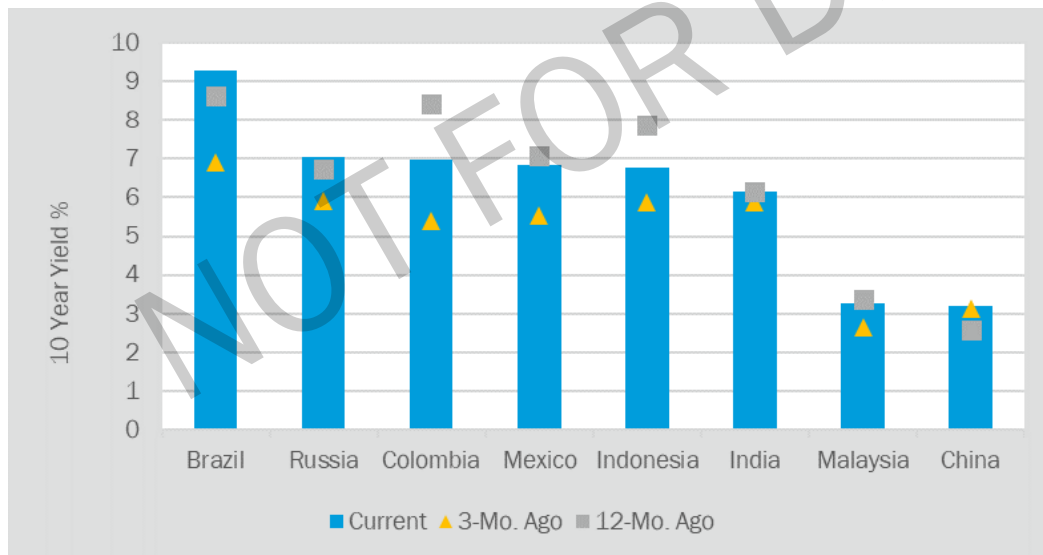
Market Environment as of March 31, 2021

Fixed Income

Developed Yields



EM Yields (Local Currency)



- Developed sovereign bond yields rose across the spectrum in the first quarter. Yields in most countries remain at the highest level in over 12 months, except for those that were hardest hit by the pandemic, such as Greece, Italy, and Spain.
- EM sovereign debt yields also faced upward pressure during the quarter as economic activity expectations across the globe increased. EM yields continue to be elevated relative to developed market yields.
- EM currencies have significantly rebounded from their lows in March of 2020. Conversely, EM currencies underperformed in the first quarter of 2021 as the U.S. dollar appreciated.

Source: Bloomberg



Goals

- Are clients seeking to preserve capital, generate total return, or blend the two within a fixed income segment?
- What level of risk related to portfolio correlation is the client looking to incur?



Interest Rate & Inflationary Environment

- How does the current interest rate regime and inflationary environment affect return and risk (i.e. stagnant, slow-rise, rapid rise)?
- What level of interest rate volatility is the client willing to take?



Risk Tolerance

- How much risk is a client willing to take?
- Duration, yield curve positioning, sector exposure, credit exposure, the correlation to equities, and the client's distribution flows are important factors to measure.



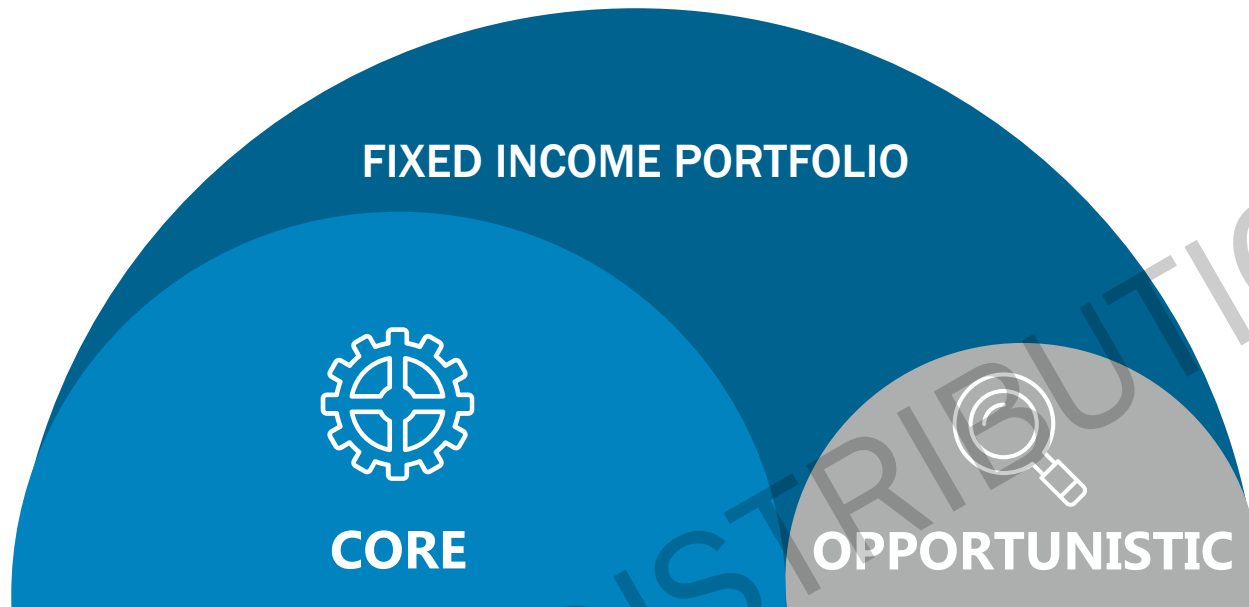
Tax Considerations

- Is the client's status taxable or tax-exempt?
- Does the client have a return target given the respective tax situation?



Time Horizon

- Does the client have short term or long term goals?
- Are spending requirements quarterly, annual, or longer?
- Is spending consistent with the return/risk profile of the portfolio?



Characteristics

- Low volatility
- Uncorrelated to equities
- U.S. focus



Exposure

- Treasuries
- Agencies
- Municipals
- Investment-grade corporate
- MBS



Characteristics

- Income orientated
- Total return focus
- Low correlation to core bonds



Exposure

- Non-U.S. developed sovereigns
- EM sovereigns
- High yield
- Bank loans
- Private debt