CanterburyConsulting

Quarterly Asset Class Report
Real Assets

canterburyconsulting.com

September 30, 2021

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, while limiting volatility.

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

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Asset Class Indicators
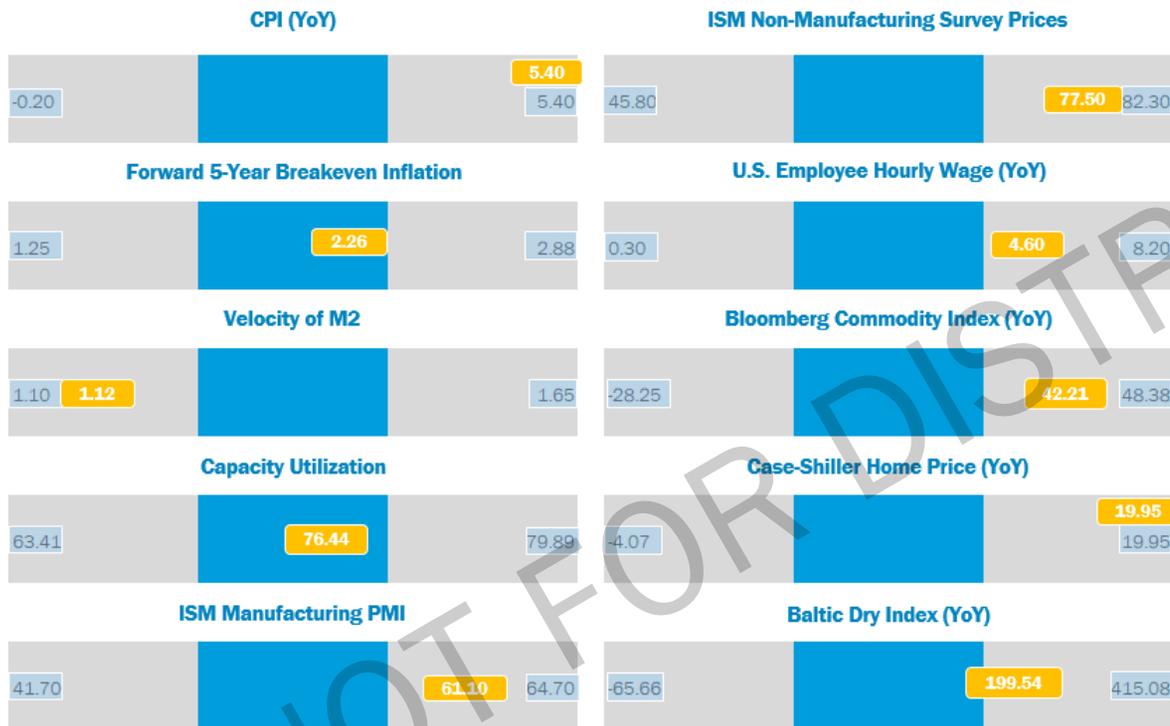
Current

+- 1 Standard Deviation From the Mean

10-Year High and Low

CPI (YoY)
-0.20 | **5.40** | 5.40

Forward 5-Year Breakeven Inflation
1.25 | **2.26** | 2.88

Velocity of M2
1.10 | **1.12** | 1.65

Capacity Utilization
63.41 | **76.44** | 79.89

ISM Manufacturing PMI
41.70 | **61.10** | 64.70

ISM Non-Manufacturing Survey Prices
45.80 | **77.50** | 82.30

U.S. Employee Hourly Wage (YoY)
0.30 | **4.60** | 8.20

Bloomberg Commodity Index (YoY)
-28.25 | **42.21** | 48.38

Case-Shiller Home Price (YoY)
-4.07 | **19.95** | 19.95

Baltic Dry Index (YoY)
-65.66 | **199.54** | 415.08

- Canterbury monitors several inflation and real asset indicators to help detect imbalances that are expected to cause price pressures.

- Inflation, measured by CPI, stayed persistently high over the quarter. Inflation breakeven rates marginally increased over the quarter and remained above 2%.

- Commodities and energy-related-assets performed well on a relative basis as global supply constraints resulted in higher prices. Inflation concerns also acted as a tailwind for commodities.

- The Case-Shiller Home Price Index rose to an all-time high as demand for U.S. real estate reached a fervor pitch.

Source: Bloomberg as of September 30, 2021

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Inflation Hedge

Diversification
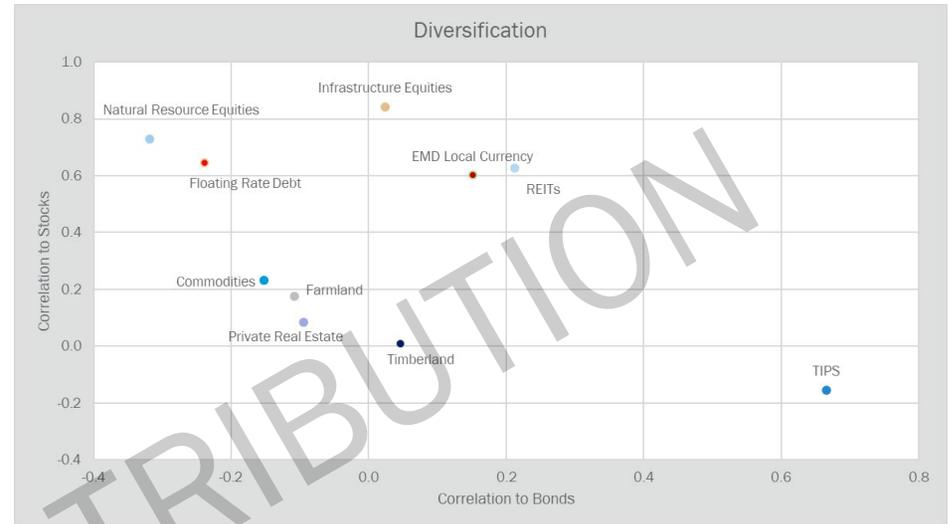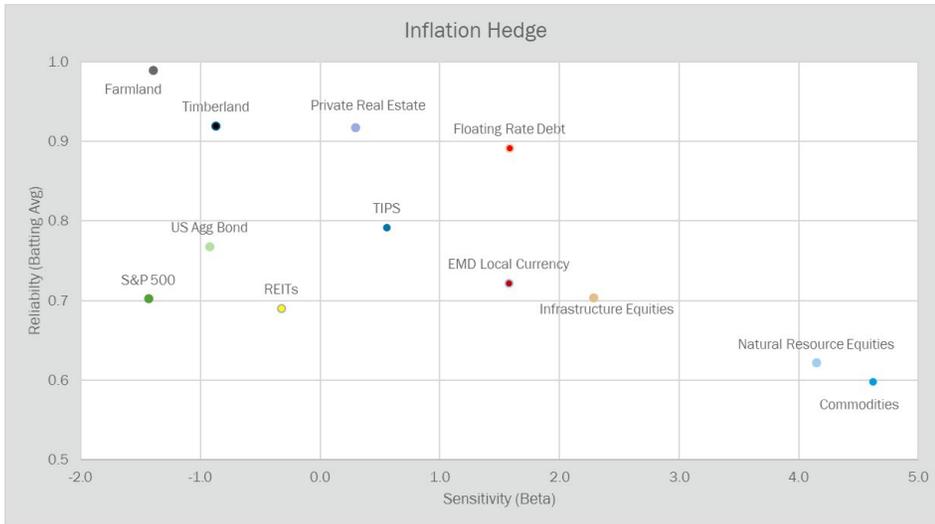
- <u>Inflation Reliability</u> (% of time asset is positive when inflation is positive)
- <u>Inflation Sensitivity</u> (rate of change, i.e. how many units an asset moves given a 1 unit change in inflation)

Risk Adjusted Returns

- 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 3) as of June 30, 2021

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