



Canterbury Consulting

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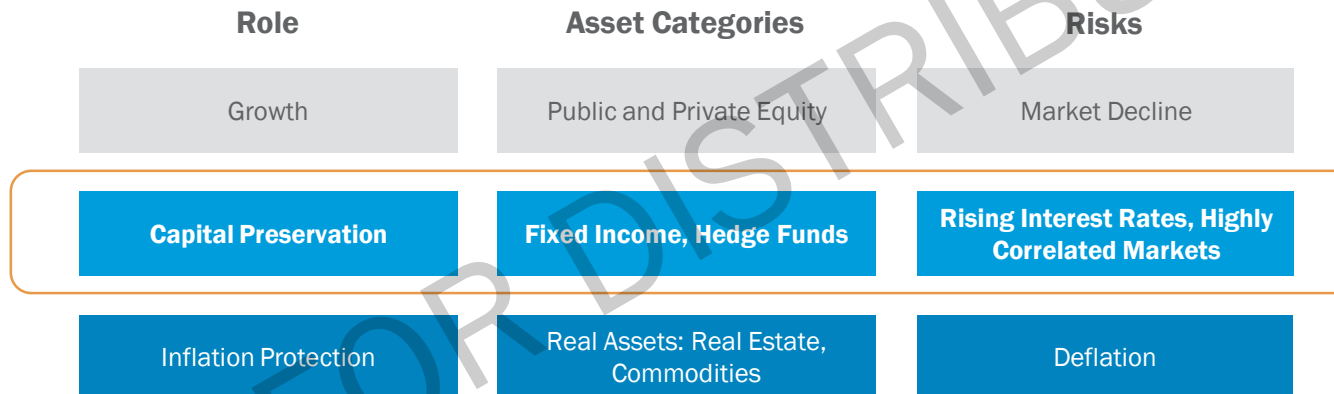
## Quarterly Asset Class Report Tax-Exempt Fixed Income

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September 30, 2020

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 capital and mitigate volatility
- Provide measured exposure to the diverse universe of fixed income securities
- 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.

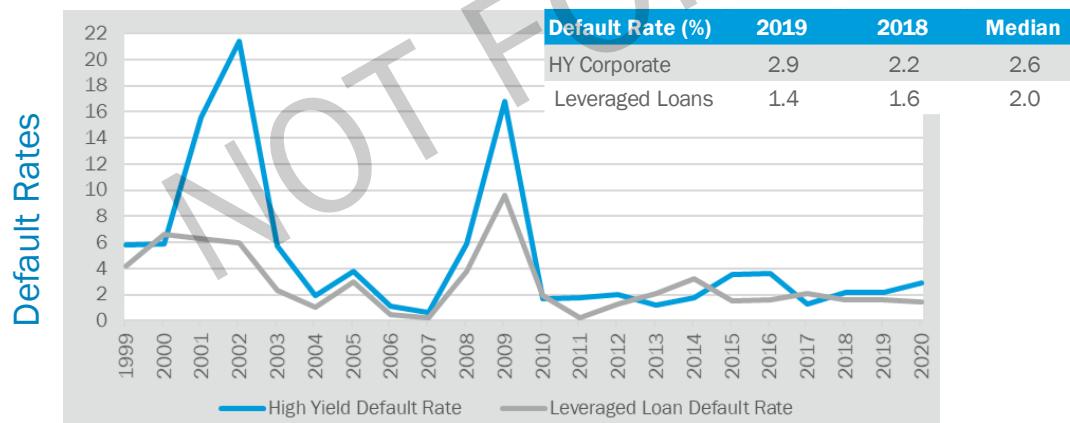
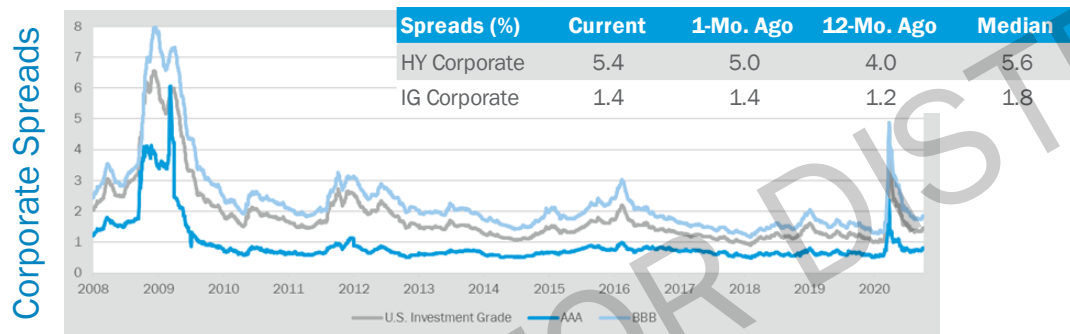
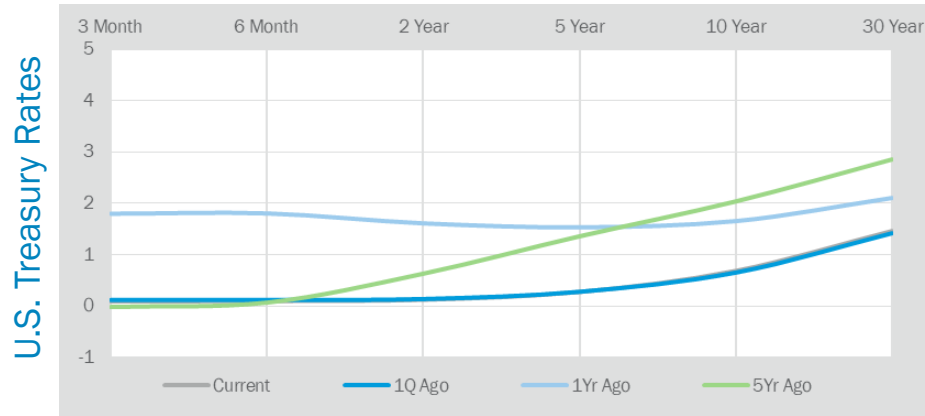
# Index Returns as of September 30, 2020

Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	2.66	5.72	6.24	4.10	3.92	2.47	2.36
Barclays US Agg Bond	0.62	6.79	6.98	5.24	4.18	3.97	3.63
<b>U.S. Treasuries</b>							
BofAML 3M US Treasury Note	0.05	0.73	1.19	1.75	1.23	0.89	0.66
Barclays Short Treasury	0.05	0.92	1.43	1.83	1.31	0.97	0.74
Barclays Intermediate Treasury	0.19	6.02	6.03	4.06	2.77	2.57	2.34
Barclays Long Term US Treasury	0.12	21.35	16.34	11.87	8.20	8.77	7.21
BBgBarc U.S. Treasury TIPS 1-5Y	1.91	4.16	5.36	3.24	2.59	1.70	1.84
Barclays US Treasury US TIPS	3.03	9.22	10.08	5.79	4.61	3.38	3.57
<b>U.S. Corporate Credit</b>							
Barclays US Corp IG	1.54	6.64	7.90	6.40	5.97	5.46	5.14
S&P/LSTA Leveraged Loan	4.14	-0.66	1.06	3.10	4.01	3.54	4.26
BofAML US HY Master II	4.71	-0.30	2.30	3.83	6.61	5.18	6.28
BofAML US HY BB-B Constrained	4.33	0.55	3.14	4.41	6.58	5.41	6.29
BofAML US Corporate AAA	1.01	10.52	10.34	8.03	6.63	6.08	4.85
BofAML US Corporate AA	0.92	7.56	7.73	6.12	5.18	4.92	4.38
BofAML US Corporate A	1.32	7.58	8.39	6.39	5.62	5.25	4.90
BofAML US Corps BBB	2.14	5.57	7.34	6.35	6.42	5.72	5.59
BofAML US High Yield BB	4.17	2.73	5.16	5.18	7.04	6.09	6.64
BofAML US High Yield B	4.60	-1.95	0.83	3.48	6.11	4.64	5.89
BofAML US High Yield CCC	7.68	-8.32	-5.75	-1.15	5.77	3.22	5.50
<b>Securitized</b>							
Barclays ABS	0.79	4.14	4.55	3.47	2.68	2.49	2.40
Barclays MBS	0.11	3.62	4.36	3.68	2.98	3.16	3.01
Barclays CMBS	1.71	6.98	6.63	5.42	4.11	3.74	4.16
<b>Municipals</b>							
Barclays Municipal	1.23	3.33	4.09	4.28	3.84	4.32	3.99
Barclays Muni 1-10	1.04	3.12	4.03	3.21	2.70	2.76	2.70
<b>Global</b>							
Citi WGBI	2.94	7.14	6.77	4.36	3.95	2.22	1.86
Barclays Gbl Agg Ex USD	4.14	4.77	5.48	3.07	3.59	1.28	1.35
JPM EMBI Plus	1.75	1.34	4.76	2.50	5.47	4.87	4.81

# Market Environment as of September 30, 2020

## Fixed Income



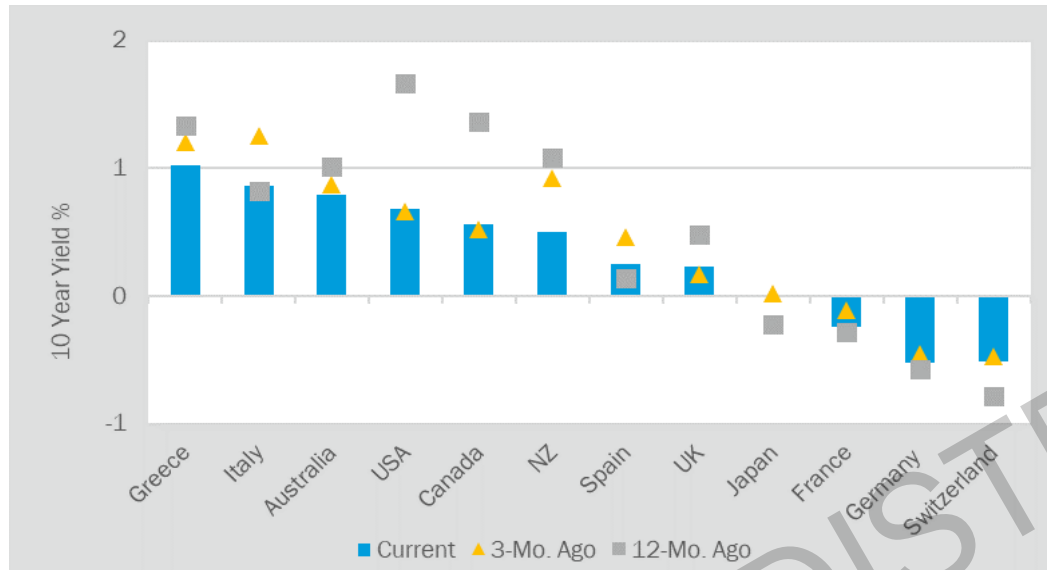
- U.S. interest rates stayed range-bound across the yield curve as the Fed continued to signal an accommodative monetary policy stance. Many non-U.S. developed rates moved further into negative-yielding territory as global central banks showed no signs of tightening for the foreseeable future.
- Investment grade (IG) and high yield (HY) spreads tightened and the corporate bond sector continued to recover from the March 2020 lows. Lower-rated bonds outperformed their higher-rated counterparts as default concerns abated.
- The U.S. dollar weakened while the euro appreciated during the quarter. Market participants hypothesize that the euro's move higher is related to the ECB's increased willingness to mutually lend, which would result in further stability for the eurozone.

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

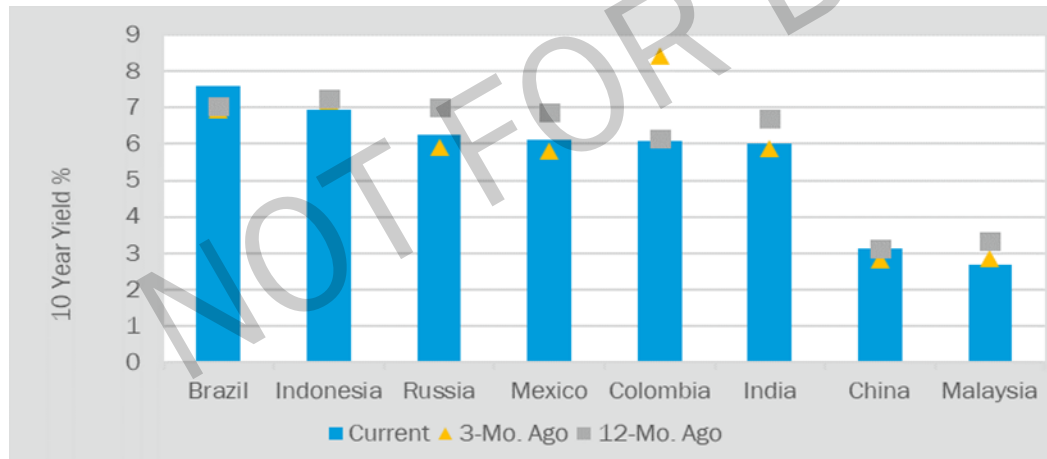
## Market Environment as of September 30, 2020

## Fixed Income

Developed Yields



EM Yields (Local Currency)



- Developed sovereign bond yields were either static or lower during the quarter. The current Treasury yield to worst (YTW) figure remained near an all-time low.
- Emerging Markets (EM) sovereign debt was largely range-bound during the quarter. EM yields remain elevated relative to developed market yields.
- While EM currencies slightly retraced from significant depreciation in Q1, many countries still exhibit historically cheap currencies relative to the U.S. dollar.

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.



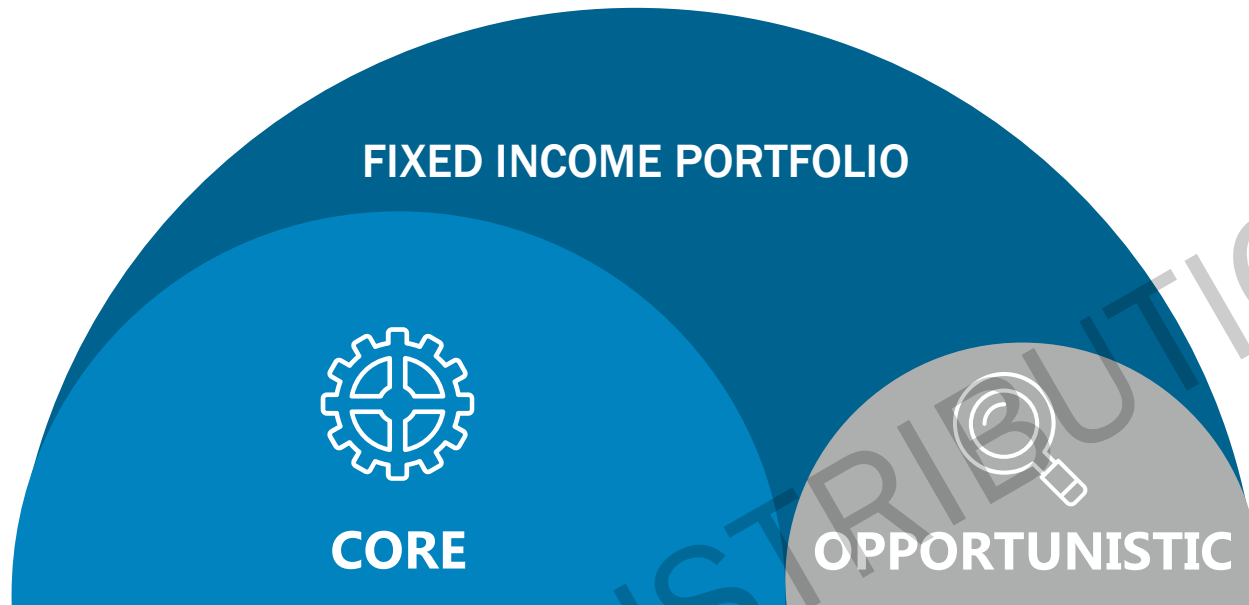
## Tax Considerations

- Is the client's status taxable or tax-exempt?
- Does the client have a higher 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