



Canterbury Consulting

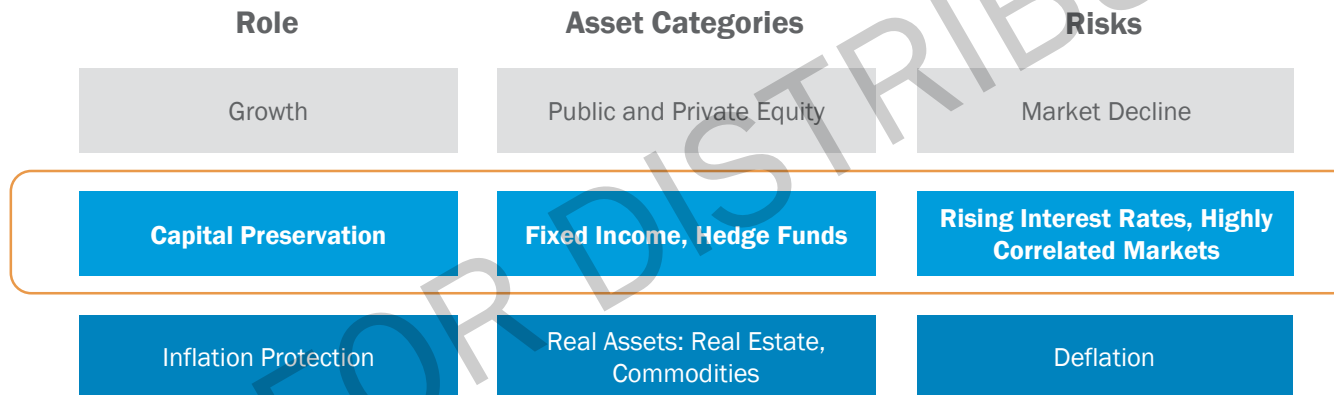
Quarterly Asset Class Report Taxable Fixed Income

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June 30, 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 are expected 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 are expected 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 June 30, 2021

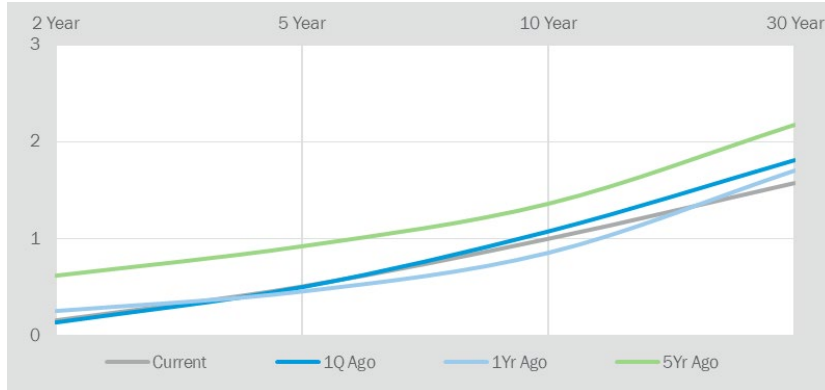
Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	1.31	-3.21	2.63	4.22	2.34	1.83	2.05
Barclays US Agg Bond	1.83	-1.60	-0.33	5.34	3.03	3.28	3.39
U.S. Treasurys							
BofAML 3M US Treasury Note	0.02	0.07	0.13	1.40	1.20	0.90	0.65
Barclays Short Treasury	0.00	0.04	0.11	1.51	1.26	0.97	0.72
Barclays Intermediate Treasury	0.62	-1.14	-1.18	3.96	1.93	2.21	2.16
Barclays Long Term US Treasury	6.46	-7.92	-10.58	7.99	3.14	5.76	6.66
BBgBarc U.S. Treasury TIPS 1-5Y	1.71	2.88	6.40	4.48	2.96	2.07	1.78
Barclays US Treasury US TIPS	3.25	1.73	6.51	6.53	4.18	3.33	3.40
U.S. Corporate Credit							
Barclays US Corp IG	3.55	-1.27	3.30	7.79	4.90	4.73	5.17
S&P/LSTA Leveraged Loan	1.47	3.28	11.65	4.39	4.99	3.94	4.39
BofAML US HY Master II	2.77	3.70	15.62	7.15	7.30	5.33	6.50
BofAML US HY BB-B Constrained	2.57	2.88	13.44	7.39	7.00	5.37	6.43
BofAML US Corporate AAA	4.84	-2.91	-0.41	8.09	4.69	5.07	4.70
BofAML US Corporate AA	3.74	-1.75	0.91	6.64	3.91	4.20	4.30
BofAML US Corporate A	3.36	-1.71	1.64	7.25	4.35	4.45	4.82
BofAML US Corps BBB	3.73	-0.38	5.79	8.38	5.63	4.99	5.67
BofAML US High Yield BB	2.90	2.68	13.09	8.62	7.20	5.98	6.83
BofAML US High Yield B	2.11	3.32	14.25	6.07	6.87	4.70	6.01
BofAML US High Yield CCC	4.09	9.51	32.30	4.26	8.44	4.79	6.45
Securitized							
Barclays ABS	0.34	0.18	1.34	3.65	2.39	2.33	2.37
Barclays MBS	0.33	-0.77	-0.42	3.78	2.27	2.56	2.64
Barclays CMBS	1.87	-0.50	2.26	5.98	3.35	3.46	3.77
Municipals							
Barclays Municipal	1.42	1.06	4.17	5.10	3.25	3.83	4.28
Barclays Muni 1-10	0.51	0.30	2.18	3.64	2.33	2.47	2.68
Global							
Citi WGBI	0.98	-4.75	0.76	3.59	1.66	1.36	1.42
Barclays Gbl Agg Ex USD	0.92	-4.42	4.60	3.12	1.63	0.66	0.99
JPM EMBI Plus	4.42	-3.12	4.13	5.59	3.17	3.77	4.79

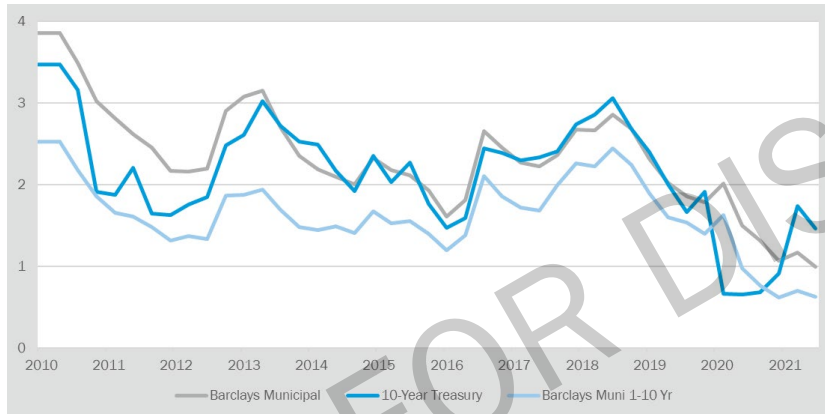
Market Environment as of June 30, 2021

Fixed Income

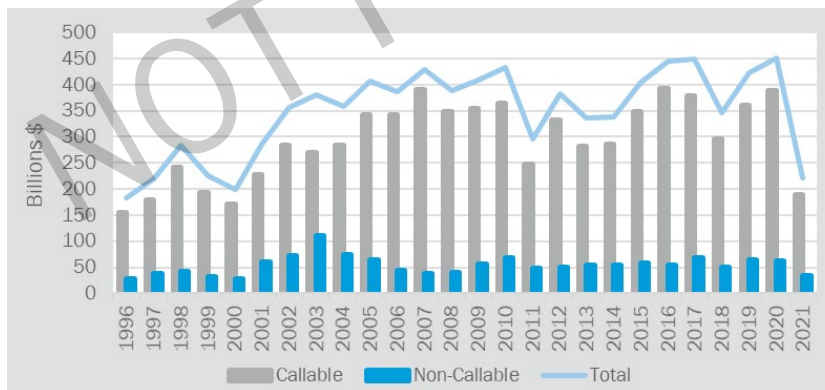
Municipal Yield Curve



Yield Comparison



U.S. Municipal Issuance

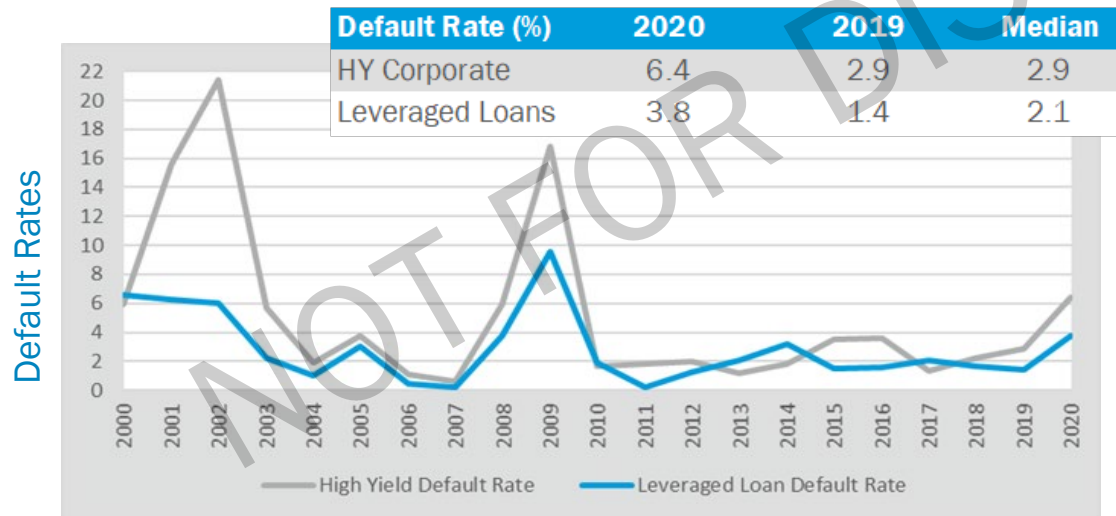
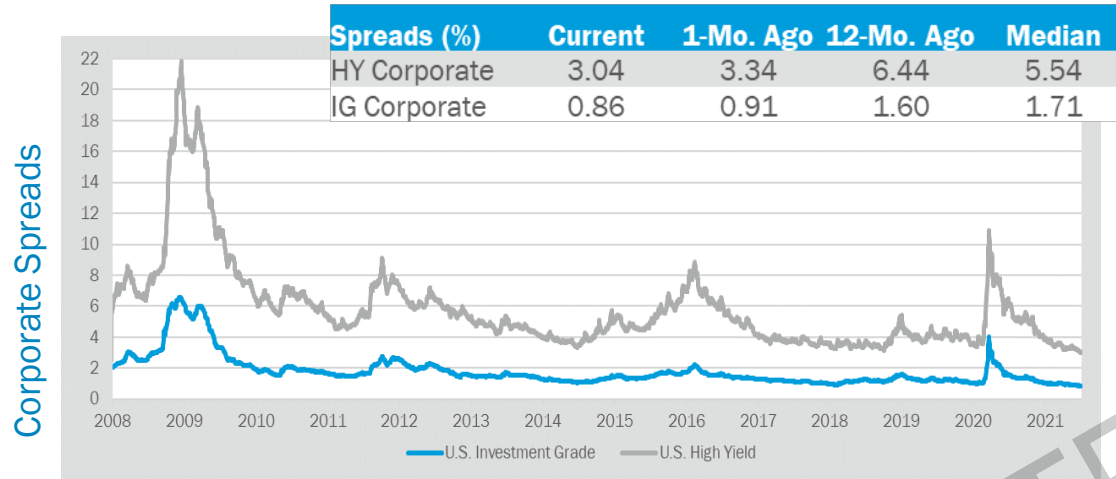


- U.S. core bonds ended the second quarter with positive returns as economic activity increased and fundamentals continued to improve. The Fed moved up its timeline in raising interest rates and discussed slowing down its asset purchase program at the latest FOMC meeting. The treasury yield curve slightly flattened as the bond market disregarded inflation concerns.
- The municipal bond curve flattened in-tandem with that of U.S Treasuries. Additionally, the Muni/Treasury ratio slightly increased, particularly in longer dated maturities as long-term treasury yields fell more relative to municipals.
- Municipal bond issuance is approximately 15% 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, Bloomberg

Market Environment as of June 30, 2021

Fixed Income



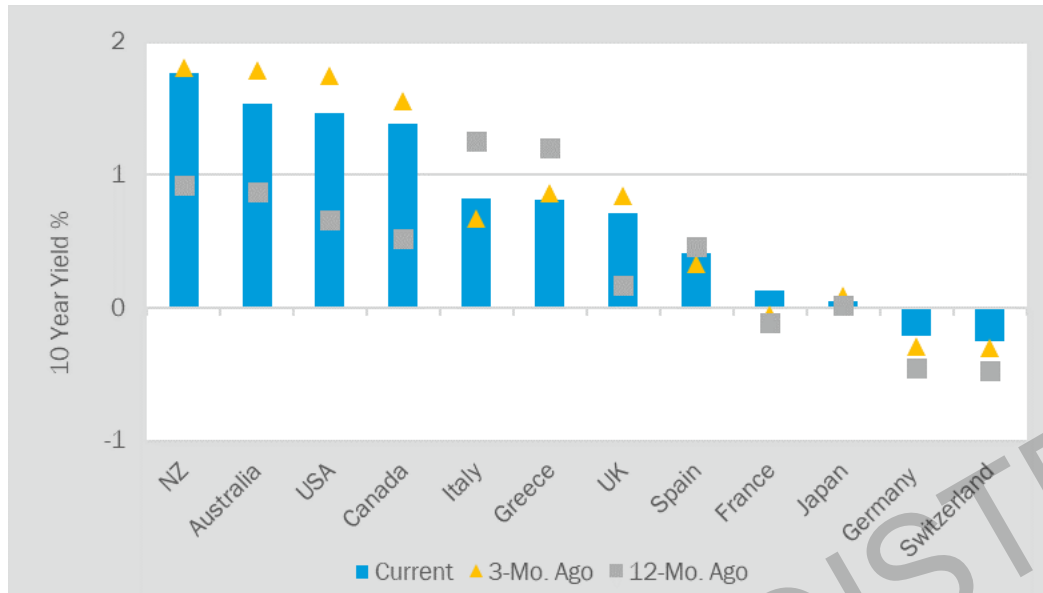
- Investment grade (IG) and high yield (HY) spreads continued to tighten over the quarter. Corporate credit spreads are now at historic tightness due to expansionary monetary policies and supportive fiscal policies.
- Low-rated credits continued to perform well in light of improving fundamentals. Additionally, long-term bonds outperformed as the U.S. yield curve flattened on concerns the Fed will tighten monetary policy sooner than expected.

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

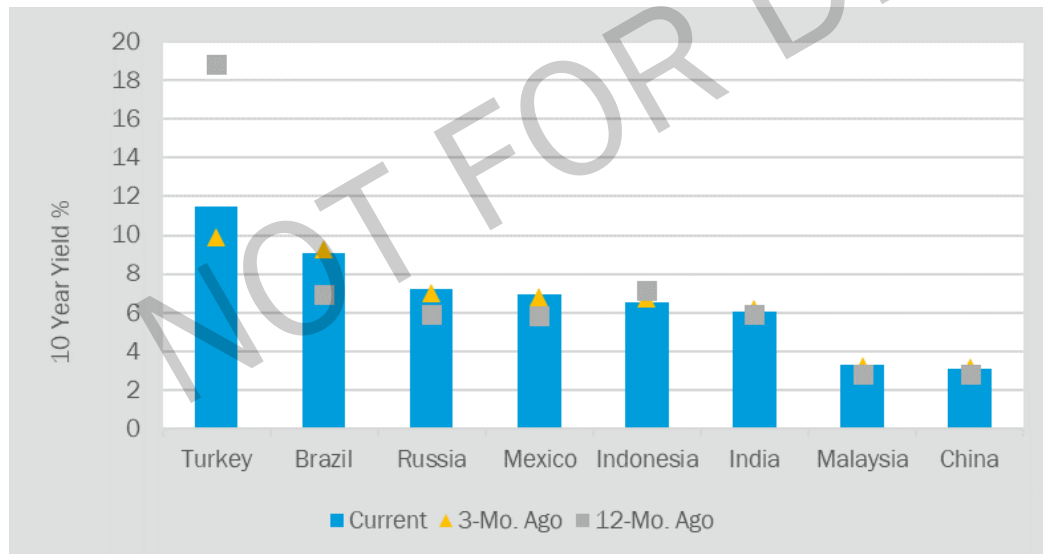
Market Environment as of June 30, 2021

Fixed Income

Developed Yields



EM Yields (Local Currency)



- Developed sovereign bond yields marginally decreased over the quarter. Yields in most countries remained at the highest level in over 12 months, except for those that were hardest hit by the pandemic such as Greece, Italy, and Spain.
- Emerging markets (EM) sovereign debt yields stabilized over the quarter as vaccine distribution began to ramp up.
- EM currencies have significantly rebounded from their lows in March of 2020. Additionally, EM currencies outperformed in the second quarter as the U.S. dollar depreciated on the back of rising commodity prices.

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.



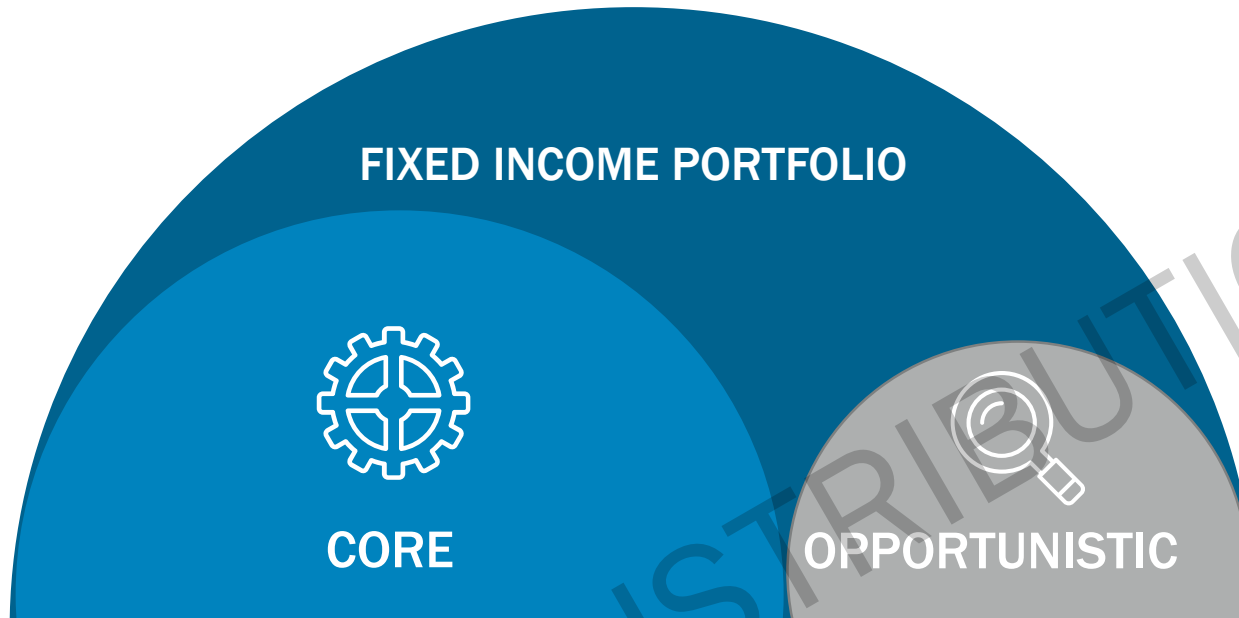
Tax Considerations

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



Time Horizon

- Does the client have short term or long term goals?
- Are spending requirements quarterly, annually, 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
- Investment grade corporate
- MBS



Characteristics

- Income orientated
- Total return focus
- Uncorrelated to core bonds



Exposure

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