



Canterbury Consulting

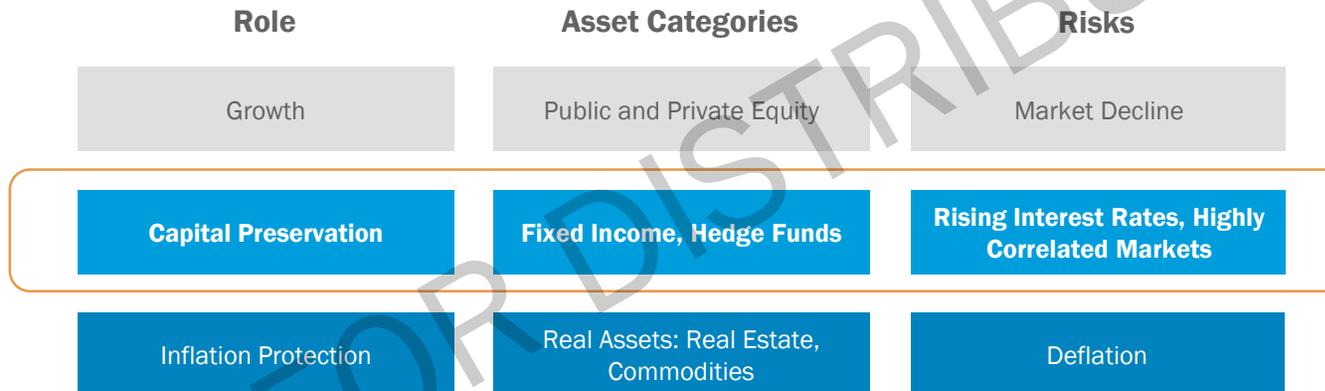
Quarterly Asset Class Report Tax-Exempt Fixed Income

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December 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 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 set up with a goal 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 December 31, 2021

Fixed Income

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Barclays Global Aggregate	-0.67	-4.71	-4.71	3.59	3.36	2.22	1.77
Barclays US Agg Bond	0.01	-1.54	-1.54	4.79	3.57	3.00	2.90

U.S. Treasuries

BofAML 3M US Treasury Note	0.01	0.08	0.08	1.04	1.17	0.90	0.65
Barclays Short Treasury	-0.02	0.04	0.04	1.14	1.22	0.97	0.71
Barclays Intermediate Treasury	-0.57	-1.72	-1.72	3.04	2.33	1.98	1.68
Barclays Long Term US Treasury	3.08	-4.65	-4.65	8.82	6.55	4.65	4.51
BBgBarc U.S. Treasury TIPS 1-5Y	1.17	5.53	5.53	5.44	3.48	2.90	1.97
Barclays US Treasury US TIPS	2.36	5.96	5.96	8.44	5.34	4.25	3.09

U.S. Corporate Credit

Barclays US Corp IG	0.23	-1.04	-1.04	7.59	5.26	4.51	4.70
S&P/LSTA Leveraged Loan	0.75	5.20	5.20	5.63	4.27	4.36	4.69
BofAML US HY Master II	0.66	5.36	5.36	8.57	6.10	6.03	6.72
BofAML US HY BB-B Constrained	0.73	4.60	4.60	8.56	6.04	5.92	6.54
BofAML US Corporate AAA	0.97	-2.38	-2.38	7.80	5.74	4.62	4.10
BofAML US Corporate AA	0.43	-1.44	-1.44	6.12	4.50	3.87	3.94
BofAML US Corporate A	0.13	-1.77	-1.77	6.80	4.80	4.13	4.39
BofAML US Corps BBB	0.13	-0.19	-0.19	8.28	5.79	4.94	5.28
BofAML US High Yield BB	0.72	4.53	4.53	9.53	6.55	6.35	6.91
BofAML US High Yield B	0.82	4.88	4.88	7.53	5.50	5.47	6.16
BofAML US High Yield CCC	-0.18	10.42	10.42	7.41	5.61	6.20	7.26

Securitized

Barclays ABS	-0.57	-0.34	-0.34	2.88	2.39	2.17	2.04
Barclays MBS	-0.37	-1.04	-1.04	3.01	2.50	2.24	2.28
Barclays CMBS	-0.64	-1.16	-1.16	4.98	3.78	3.21	3.43

Municipals

Barclays Municipal	0.72	1.52	1.52	4.72	4.17	3.48	3.72
Barclays Muni 1-10	0.10	0.43	0.43	3.19	2.86	2.33	2.32

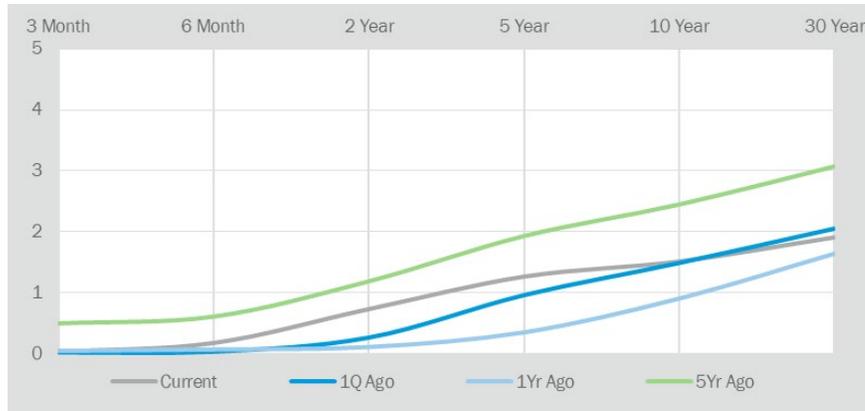
Global

Citi WGBI	-1.10	-6.97	-6.97	2.75	2.95	1.80	0.96
Barclays Gbl Agg Ex USD	-1.18	-7.05	-7.05	2.46	3.07	1.49	0.82
JPM EMBI Plus	-0.34	-4.52	-4.52	4.80	3.36	4.01	4.23

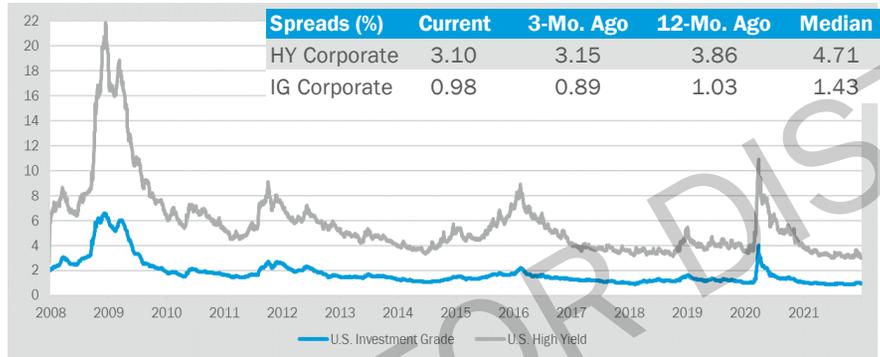
Market Environment as of December 31, 2021

Fixed Income

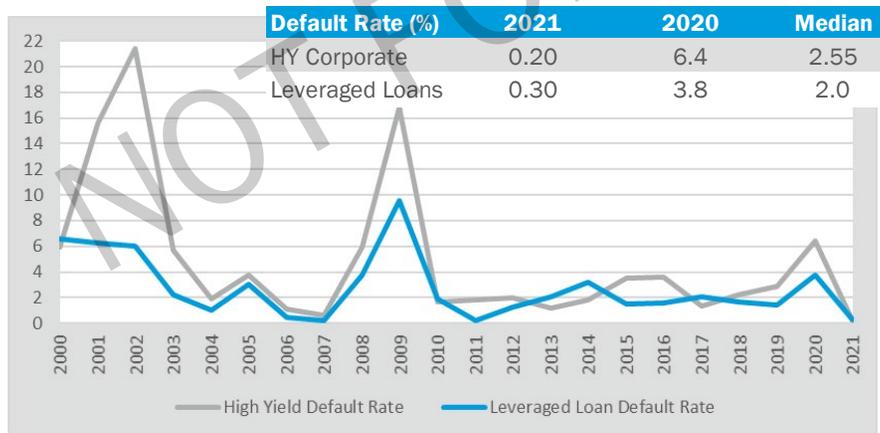
U.S. Treasury Rates



Corporate Spreads



Default Rates

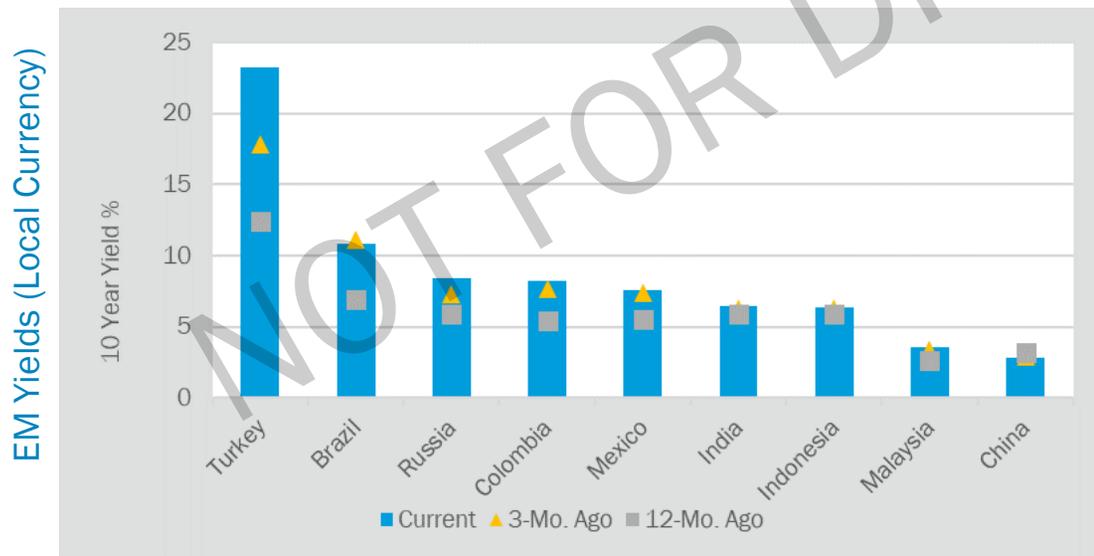
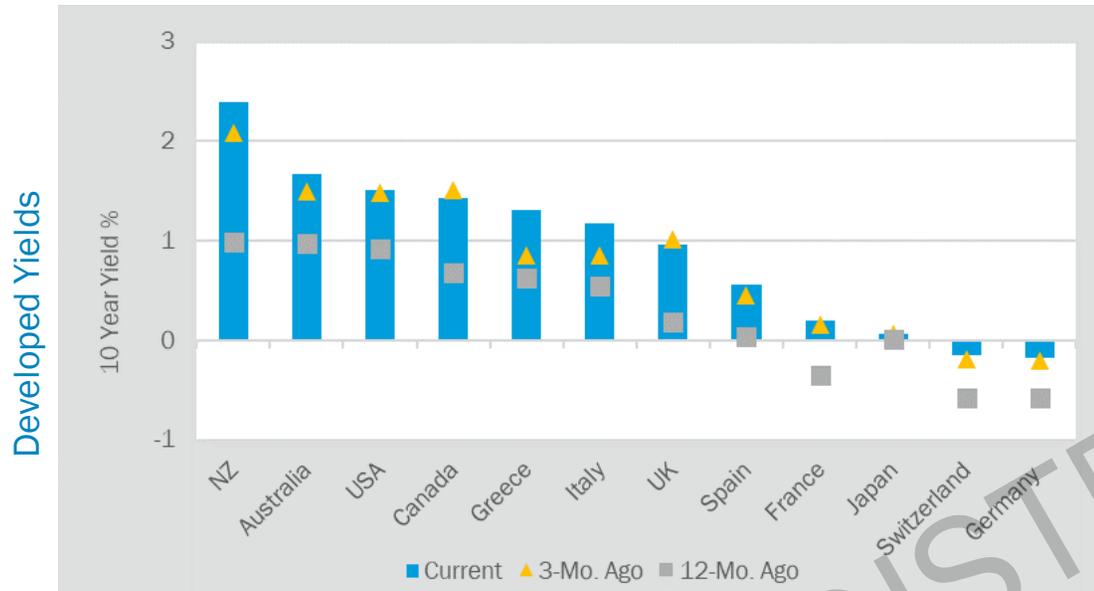


- In December, the Fed expressed a more hawkish tone by communicating that they will reduce their asset purchases by a larger amount than originally planned. With the updated reduction in asset purchases, the Fed will be on track to end its taper program by March of 2022. By revising their taper timeline, the central bank acknowledged the growing risk of persistent inflation.
- Chairman Powell has expressed that “rate liftoff” is unlikely during tapering, which insinuates that the first rate hike may happen as soon as March.
- The treasury yield curve experienced volatility across maturities due to uncertainty of lasting inflation and central bank policy tightening. The short-to-intermediate portion of the yield curve ended the quarter higher as the market digested tighter monetary conditions.
- Investment grade (IG) spreads widened by approximately 10 basis points over the quarter while high yield (HY) spreads marginally tightened. Credit spreads across IG and HY continue to be below pre-pandemic levels.

Sources: Federal Reserve Economic Data, World Bank, U.S. Treasury Department, Barclays, Moody's, S&P LCD

Market Environment as of December 31, 2021

Fixed Income



- Developed sovereign bond yields ended the quarter relatively unchanged. Countries that faced higher inflation prints and hawkish central bank signaling saw long-term yields rise higher than others.
- Emerging markets (EM) sovereign yields remained relatively stable on a quarter-over-quarter basis, with the exception of Turkey. Turkey continues to face high inflation and loose monetary policy.
- EM currencies ended the quarter with mixed results. Countries with higher central bank credibility generally performed better than others.

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.



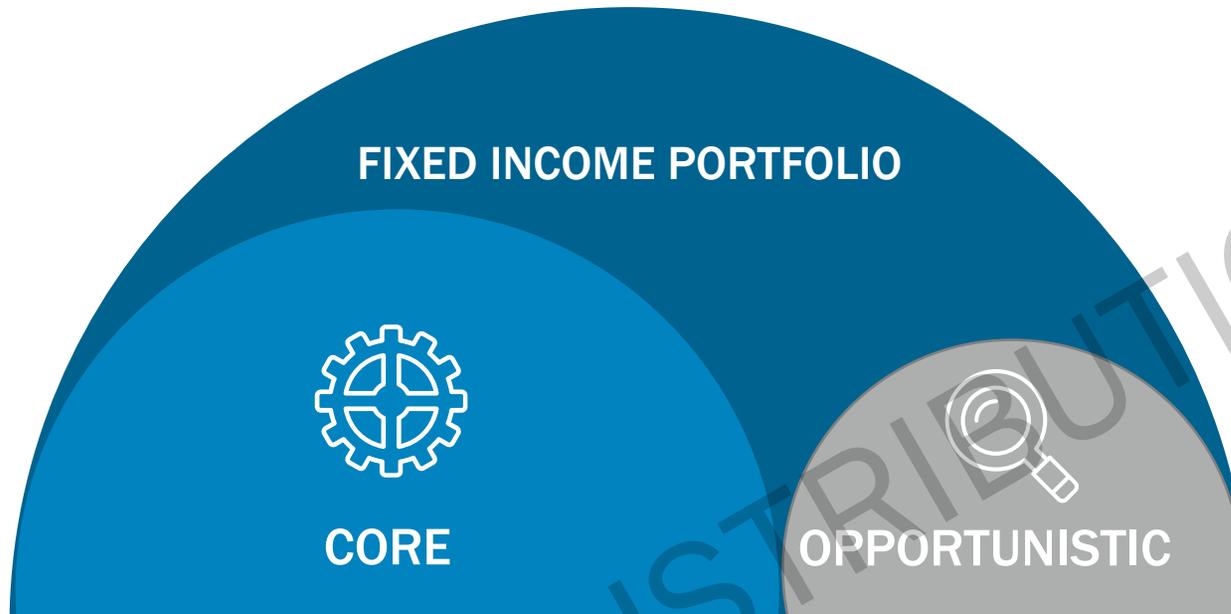
Tax Considerations

- 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