

ETF Strategies Overview

FOURTH QUARTER 2018



Strategy Commentary

- Volatility across risk markets in December served to define the quarter and the year. Equities posted their worst December since the Great Depression (1931), with the S&P falling approximately 10% on the month, and 14% for the quarter. US Treasuries were the primary beneficiary of the rout as investors sought a safe haven. After touching 3.23% in early November, the 10yr UST rallied 55bps to end the year at 2.68%. Despite this backdrop of uncertainty, the Federal Reserve increased rates an additional 25bps at their December 19th meeting, their fourth rate hike of 2018.
- With intermediate and longer-term rates moving measurably lower on the quarter, broad market investment grade ETFs in both the tax-exempt and taxable sectors posted impressive returns (VTEB +1.89%, AGG +1.85%). Longer dated US Treasury focused ETFs benefited the most from the safe haven bid. IEF (iShares 7-10 Treasury Bond) saw a quarterly return of +3.86%, and helped buffer some of the more spread sensitive ETFs in the Core Plus strategy.
- The Bloomberg Barclays US Aggregate Credit Index widened by 43bp in the quarter to close at +143bps, causing allocations to corporate credit in Core Plus and Opportunity Plus to detract from performance versus the benchmark. Looking ahead, our outlook does not call for a significant deterioration in high grade corporate credit health in the near-term. While economic growth may likely decelerate to some degree in 2019, we do not at this point see an imminent threat of recession.

Caprin ETF Strategies

OPPORTUNITY PLUS ETF

AS OF: 12/31/2018

Duration: 4.76 yrs

Highlights: Shorter Yield Curve Positioning
Muni 60% / Taxable 40%
Maintained Position to High-Yield Muni

MUNI PLUS ETF

AS OF: 12/31/2018

Duration: 4.47 yrs

Highlights: Shorter Yield Curve Positioning
Maintained Position to High-Yield Muni

CORE PLUS ETF

AS OF: 12/31/2018

Duration: 5.19 yrs

Highlights: Shorter Yield Curve Positioning
Maintained Credit Allocation

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 12/31/18)

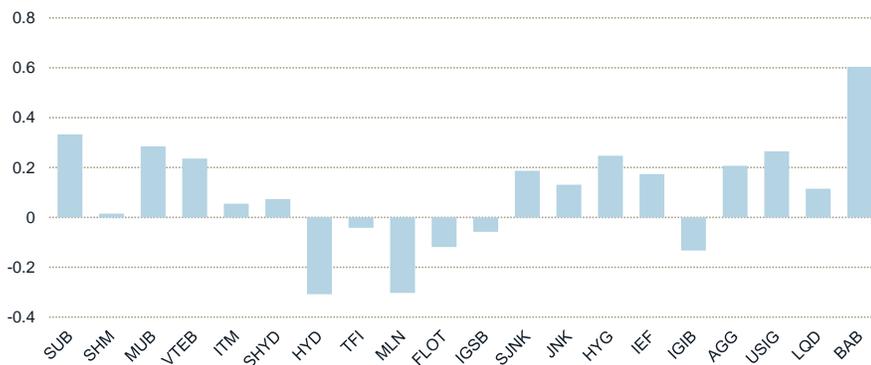
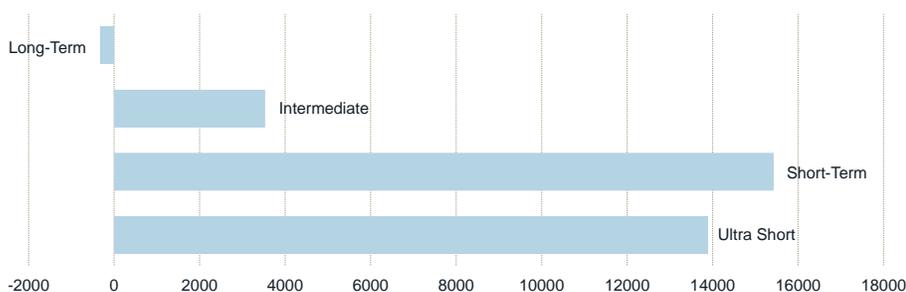


FIGURE 2: QUARTERLY FUND FLOWS BY MATURITY (\$MM)



Please refer to the second page for sources, definitions and disclosure information.

FIGURE 3: FIXED INCOME ETF UNIVERSE

ETF TICKER	QRTLY TREND	% Q RETURN	STD DEV
SUB		1.19	0.32
SHM		1.23	0.21
MUB		1.90	0.72
VTEB		1.89	0.34
ITM		2.64	0.50
SHYD		0.66	0.08
HYD		-0.47	0.38
TFI		2.14	0.39
MLN		2.05	0.18
FLOT		-0.39	0.26
IGSB		0.67	0.08
SJNK		-3.87	0.45
JNK		-4.99	0.69
HYG		-4.41	1.49
IEF		3.86	1.21
IGIB		0.12	0.21
AGG		1.85	0.60
USIG		-0.05	0.25
LQD		-0.59	0.69
BAB		3.21	0.32

* Strategy positioning highlights are current as of date shown and subject to change without prior notice.

SOURCES: ETF return, standard deviation, premium and discount, and fund flow data are obtained through Bloomberg Professional Service. Information obtained from these sources is believed to be reliable but is not guaranteed and is subject to change without notice.

DEFINITIONS:

Standard Deviation: A measure of the dispersion of a set of data from its mean. Standard deviation is calculated as the square root of variance.

Duration: A measure of the timing of cash flows (i.e., the interest payments and the principal repayment) to be received from a given fixed income security. Duration is used to assess price volatility for given changes in interest rates, the reinvestment risk associated with a given portfolio or the interest rate risk associated with matching particular interest-rate-sensitive assets and liabilities.

Fund Premium and Discount: A pricing situation that occurs when the share value of an exchange traded fund is trading above or below the net asset value (NAV) of its components.

Net Asset Value (NAV): The value of each share of a fund as determined by the value of its underlying holdings, including any cash in the portfolio. NAV is calculated by dividing a fund's total net assets by its number of shares outstanding.

Month Over Month Return Trend: Fund plots represent returns for a two month period, with the X-axis value being prior month's total return and the y-axis value being the current month total return as of publication.

ETF INFORMATION

iShares Bond ETF Information (MUB, NYF, CMF, USIG, LQD, IGSB, IGIB, HYG, TIP, AGG, BAB, IGOV, FLOT): [iShares Bond ETF Overview Page](#)

Van Eck Market Vectors Municipal Bond ETF Information (ITM, SHYD, HYD, MLN): [Market Vectors Municipal Income ETF Overview Page](#)

SPDR Fixed Income ETF Information (TFI, SJNK, JNK): [SPDR ETF Product Information Page](#)

Powershares ETF Information (PZA): [PZA Product Information Page](#)

ProShares ETF Information (PST, TBT): [ProShares Leveraged Inverse Treasury Information Page](#)

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