

# ETF Strategies Overview

FIRST QUARTER 2019

## Strategy Commentary

- Bond market performance was strong during Q1 2019 as rates rallied across the curve. Yields on benchmark USTs fell 22bps, 28bps and 20bps in the 2-yr, 10-yr, and 30-yr portions of the curve, as policy expectations from the Federal Reserve turned dovish. Our ETF strategies in both the taxable and tax-exempt spaces posted strong positive returns and benefited from the longer positioning trades placed earlier in the year. For context, broad market ETFs like AGG (taxable) and VTEB (muni) were higher by 2.94% and 2.56%, respectively.
- Following a volatile end to 2018, risk assets rebounded in Q1 2019 on more resilient domestic economic activity. The Bloomberg Barclays US Aggregate Credit Index that closed 2018 at +143bps saw spreads quickly retrace to end Q1 2019 at +113bps. In Core Plus, ETFs like USIG (iShares Investment Grade Corp) and SJNK (SPRD Short High Yield Corporate) were up more than 5% in the first 3 months of the year. Looking ahead, our outlook does not call for a significant deterioration in corporate credit health in the near-term. While economic growth may decelerate to some degree in 2019, we do not at this point see an imminent threat of recession.
- On the Muni credit front we have remained constructive on High Yield exposure as we continue to see generally stable revenue trends across sectors and a strong technical demand for the asset class. In Muni Plus and Opportunity Plus, HYD (VanEck High Yield Muni) posted an impressive quarterly return of 3.54%, after besting broad market indices in 2018 also with total returns in excess of 2%.

## Caprin ETF Strategies

### OPPORTUNITY PLUS ETF

AS OF: 3/31/2019

Duration: 4.95 yrs

Highlights: Neutral Duration,  
Muni 50%/Taxable 50%,  
Remain constructive on  
High-Yield Muni

### MUNI PLUS ETF

AS OF: 3/31/2019

Duration: 4.51 yrs

Highlights: Neutral Duration,  
Remain constructive on  
High-Yield Muni

### CORE PLUS ETF

AS OF: 3/31/2019

Duration: 5.59 yrs

Highlights: Near Neutral Duration,  
Overweight Credit

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 3/31/19)

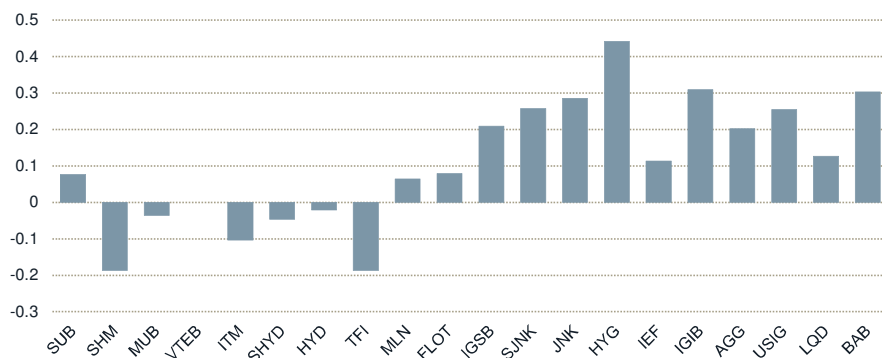
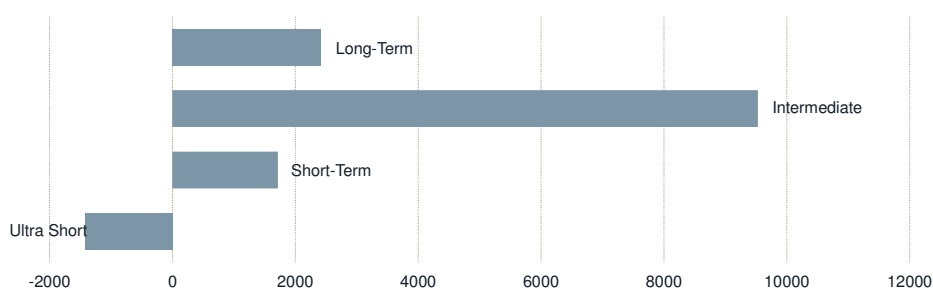


FIGURE 2: QUARTERLY FUND FLOWS BY MATURITY (\$MM)



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		0.84	0.17
SHM		1.12	0.12
MUB		2.42	0.67
VTEB		2.56	0.31
ITM		3.19	0.36
SHYD		2.58	0.12
HYD		3.54	0.48
TFI		2.81	0.34
MLN		4.36	0.22
FLOT		1.59	0.15
IGSB		2.82	0.32
SJNK		5.72	0.28
JNK		8.11	0.54
HYG		7.59	1.20
IEF		2.78	0.82
IGIB		5.87	0.71
AGG		2.94	0.71
USIG		5.05	0.61
LQD		6.18	1.61
BAB		3.60	0.25

\* 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 \(MUB, NYF, CMF, CRED, LQD, CSJ, HYG, TIP, AGG, BAB, IGOV,FLOT\): iShares Bond ETF Overview Page](#)

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

[SPDR Fixed Income ETF Information \(TFI, JNK\): 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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