

# ETF Strategies Overview

THIRD QUARTER 2019

## Strategy Commentary

- The notable decline in interest rates during the second quarter, driven primarily by the market's anticipation of Federal Reserve rates cuts, extended into Q3. The FOMC followed through with two 25bps cuts over the period (July & September) primarily to offset downside risks from ongoing trade disputes. Treasury yields plunged in August, with the 10-year yield touching 1.47% while the 30-yr hit its all-time low of 1.95%; trading below 2% for the first time ever. The Caprin ETF strategies posted strong positive returns for the period and continued to benefit from the longer positioning trades executed earlier this year.
- The story remained the same for munis during Q3 in regards to demand. Lipper reported inflows of \$1.6 billion into the space for the week ended September 25, the 38th consecutive week of inflows. Not only is the number of consecutive weeks record breaking, but the total dollars flowing in is equally impressive. In the Muni Plus and Opportunity Plus strategies, this seemingly insatiable demand for tax-exempt yield and stable municipal credit backdrop helped drive another quarter of strong returns for HYD (VanEck High Yield Muni) - in excess of 2.0% for the quarter and 8.5% for the year.
- Despite the relentless back and forth on U.S. and China trade negotiations, Federal Reserve uncertainty, and the third-busiest month on record (September) for investment-grade corporate issuance, taxable spreads remained stable over the quarter as global yield seekers continued to favor U.S. debt. In Core Plus, investment grade corporate ETFs like USIG (iShares Investment Grade Corp) were up more than 3% for the quarter, now up more than 12% YTD.

## Caprin ETF Strategies

### OPPORTUNITY PLUS ETF

AS OF: 9/30/2019

Duration: 5.08 yrs

Highlights: Neutral Duration  
Longer Avg. Maturity  
Muni 50%/Taxable 50%  
Remain Constructive on

### MUNI PLUS ETF

AS OF: 9/30/2019

Duration: 4.69 yrs

Highlights: Neutral Duration  
Longer Avg. Maturity  
Remain Constructive on

### CORE PLUS ETF

AS OF: 9/30/2019

Duration: 5.55 yrs

Highlights: Neutral Duration  
Overweight IG Credit

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 9/30/19)

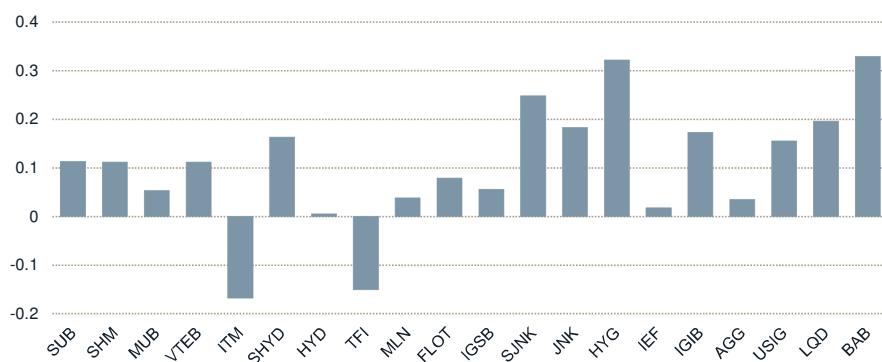
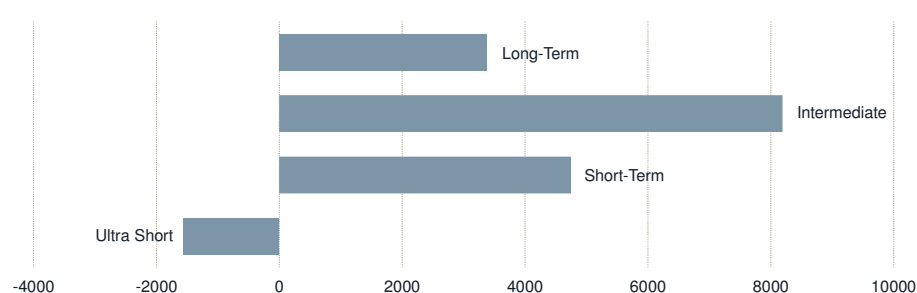


FIGURE 2: QUARTERLY FUND FLOWS BY MATURITY (\$MM)



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		0.39	0.26
SHM		0.47	0.17
MUB		1.49	0.77
VTEB		1.63	0.37
ITM		1.68	0.45
SHYD		1.40	0.13
HYD		2.09	0.42
TFI		1.64	0.42
MLN		2.58	0.24
FLOT		0.81	0.05
IGSB		1.20	0.17
SJNK		0.58	0.12
JNK		1.19	0.59
HYG		1.29	0.47
IEF		2.76	1.70
IGIB		2.60	0.55
AGG		2.34	1.08
USIG		3.00	0.69
LQD		3.36	1.81
BAB		3.97	0.61

\* 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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