

# ETF Strategies Overview

FOURTH QUARTER 2019

## Strategy Commentary

- Renewed optimism surrounding a possible phase one trade deal between China and the United States helped U.S. equities stage an impressive Q4 rally, bringing returns for the full year in excess of 30% (S&P 500). The Federal Reserve cut overnight interest rates an additional 25bps at their October meeting, with 3 cuts in 2019 totaling 75bps. Bond yields ended Q4 marginally higher; however, for the calendar year rates were notably lower across the curve. The Caprin ETF strategies posted another quarter of positive returns, continuing to benefit from the positioning trades executed earlier this year.
- A surge in municipal supply late in the year did little to dampen market technicals or overall muni performance. High yield municipal exposure in both the Muni Plus and Opportunity Plus strategies was again additive over the quarter as strong demand for tax-exempt yield, and a stable municipal credit backdrop helped drive another period of solid returns for HYD (VanEck High Yield Muni), approximately .70% for the quarter and 9.34% for the year.
- Corporate credit spreads tightened to levels not seen since February 2018 over the quarter as risk assets reached all-time highs. Looking into 2020, lower net supply, still positive US growth, and an accommodative Federal Reserve for the foreseeable future should all continue to draw yield starved investors into U.S. corporate bonds. In Core Plus, investment grade corporate ETFs like USIG (iShares Investment Grade Corp) were up more than 1.12% for the quarter, and more than 14% YTD.

## Caprin ETF Strategies

### OPPORTUNITY PLUS ETF

AS OF: 12/31/2019

Duration: 5.17 yrs

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

### MUNI PLUS ETF

AS OF: 12/31/2019

Duration: 4.69 yrs

Highlights: Neutral Duration,  
Longer Avg. Maturity,  
Remain Constructive on  
High-Yield Muni

### CORE PLUS ETF

AS OF: 12/31/2019

Duration: 5.68 yrs

Highlights: Neutral Duration  
Overweight IG Credit

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 12/31/19)

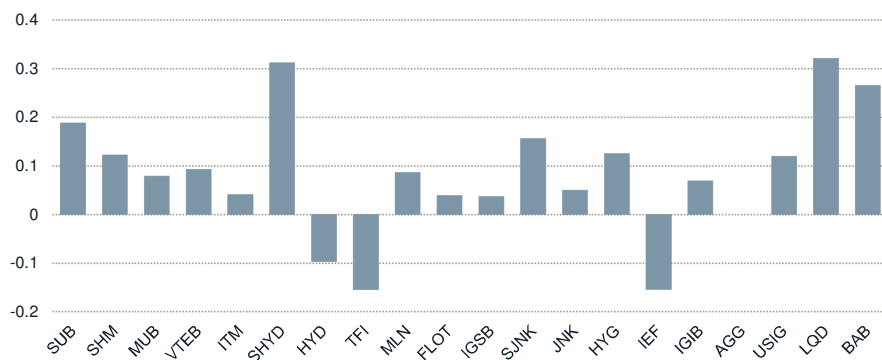
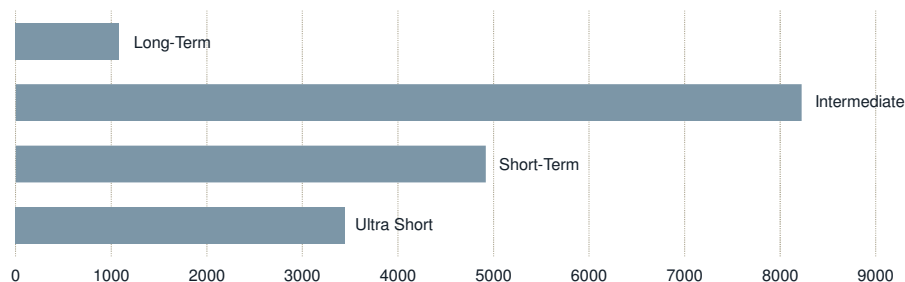


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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	↗	0.74	0.09
SHM	↗	0.72	0.06
MUB	↗	0.61	0.29
VTEB	↗	0.60	0.14
ITM	↗	0.69	0.19
SHYD	↗	1.17	0.06
HYD	↗	0.73	0.16
TFI	↗	0.49	0.18
MLN	↗	0.33	0.09
FLOT	↗	0.71	0.04
IGSB	↗	0.94	0.08
SJNK	↗	1.58	0.12
JNK	↗	2.54	0.66
HYG	↗	2.48	0.51
IEF	↘	-1.42	0.91
IGIB	↗	1.19	0.17
AGG	↗	0.13	0.41
USIG	↗	1.12	0.23
LQD	↗	1.45	0.67
BAB	↘	-1.37	0.28

\* 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](#)

[Invesco ETF Information \(PZA\): PZA Product Information Page](#)

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

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