

# ETF Strategies Overview

FIRST QUARTER 2020

## Strategy Commentary

- Uncertainty surrounding the coronavirus pandemic led to significantly heightened volatility in interest rates and credit spreads for all fixed income sectors during March. The 10YR US Treasury, which reached a historic low yield of 0.54% on March 9, rose to 1.14% by March 19 while global investors sold assets to hoard US dollars. This rush to cash saw liquidity evaporate in all markets and led the Fed to resurrect programs unused since the Financial Crisis.
- Munis did not escape the rush for cash as selling pressure became indiscriminate, overwhelming markets through forced mutual fund selling and causing yields to rise rapidly. The Generic 10YR AAA Municipal, yielding approximately 0.94% at the end of February, shot to nearly 3.00% the week of March 16. The Muni-to-UST ratio on 2YR AAA bonds exceeded 700% at the height of the imbalance.
- Unprecedented Federal Reserve action plus the \$2+ trillion virus-related stimulus package (CARES Act) helped restore market confidence by quarter end. Treasury and Muni market liquidity improved significantly: Treasury yields moved back to pre-outbreak levels, and Intermediate Muni yields retraced roughly 75% of their move higher. Discounts remain in the two high-yield municipal ETFs used within Muni Plus and Opportunity Plus, though they have returned to more normal longer-term ranges seen during times of a credit market disturbance.
- Q1 ETF Strategy returns were driven mostly by the unknowns from the shock closure of the US economy. Economies around the world have lost the trajectory of January 2020, and recoveries will likely take many months. We will look for opportunities to trim some risk from portfolios as liquidity and price discovery improve, while keeping income generation an important factor in our decision making process.

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 3/31/20)

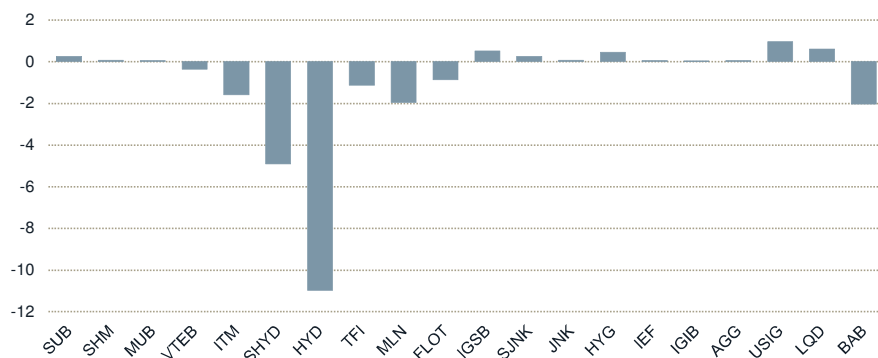
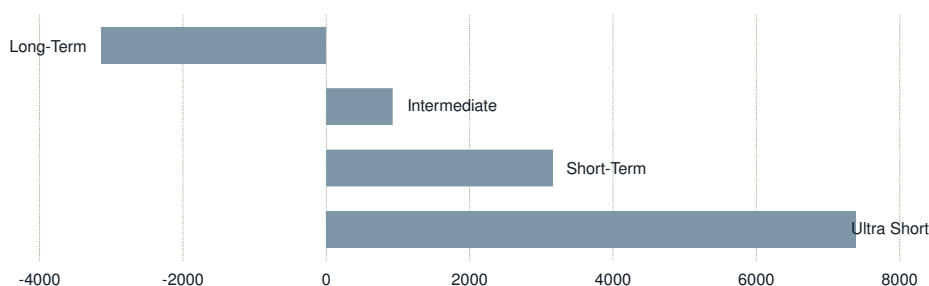


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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

## Caprin ETF Strategies

### OPPORTUNITY PLUS ETF

AS OF: 3/31/2020

Duration: 5.26 yrs

Highlights: Near Neutral Duration, Muni 50%/Taxable 50%,

### MUNI PLUS ETF

AS OF: 3/31/2020

Duration: 4.76 yrs

Highlights: Near Neutral Duration

### CORE PLUS ETF

AS OF: 3/31/2020

Duration: 5.74 yrs

Highlights: Near Neutral Duration

FIGURE 3: FIXED INCOME ETF UNIVERSE

ETF TICKER	QRTLY TREND	% Q RETURN	STD DEV
SUB		-0.21	2.07
SHM		-0.21	1.11
MUB		-0.41	3.53
VTEB		-0.86	1.93
ITM		-1.86	2.53
SHYD		-10.23	2.07
HYD		-17.90	6.51
TFI		-0.81	1.73
MLN		-2.34	1.22
FLOT		-3.94	1.84
IGSB		-1.90	1.57
SJNK		-11.74	1.64
JNK		-12.74	7.56
HYG		-11.61	5.72
IEF		10.50	3.42
IGIB		-4.77	2.37
AGG		3.10	1.93
USIG		-3.41	2.56
LQD		-2.97	6.21
BAB		-1.55	1.77

\* 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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