

ETF Strategies Overview

SECOND QUARTER 2020

Strategy Commentary

- The second quarter 2020 saw fixed income spreads in both corporate and municipal markets dramatically recover and produced one of the best periods on record for the S&P. Stimulus programs from the Federal Reserve and Congress both attempting to mitigate fallout from the COVID shutdown produced a strong shift in sentiment and confidence.
- Municipal yields quickly retreated in April and May after hitting multi-year highs in mid-March. The more favorable risk tone helped calm Municipal investors while the relative attractiveness of Munis versus other income investments really brought investors back. Strategy allocations, particularly in high yield Munis, saw a meaningful rebound in returns with positions in SHYD (VanEck Short High Yield Muni) and HYD (VanEck High Yield Muni) producing 6.7% and 14.8% respectively for the quarter.
- The Federal Reserve's buying programs to support investment grade corporates and ETFs produced a grab for bonds and the fast contraction in spreads. Corporate focused ETFs like USIG (iShares Investment Grade Bond) produced returns of nearly 9% for the quarter and helped both Core Plus and Opportunity Plus outperform for the period.
- With yields now at historical lows, balancing risk and income generation becomes paramount for investors. Caprin's ETF strategies continue to benefit from higher distribution yields on ETFs, and we see an environment where accommodative monetary policies will continue to support well diversified allocations to higher yielding sectors. We remain cautious about further volatility and risk within certain individual names, but we believe a constructive landscape for income producing ETFs will continue.

Caprin ETF Strategies

OPPORTUNITY PLUS ETF

AS OF: 6/30/20

Duration: 5.22 yrs

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

MUNI PLUS ETF

AS OF: 6/30/20

Duration: 4.75 yrs

Highlights: Near Neutral Duration

CORE PLUS ETF

AS OF: 6/30/20

Duration: 6.09 yrs

Highlights: Near Neutral Duration

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 6/30/20)

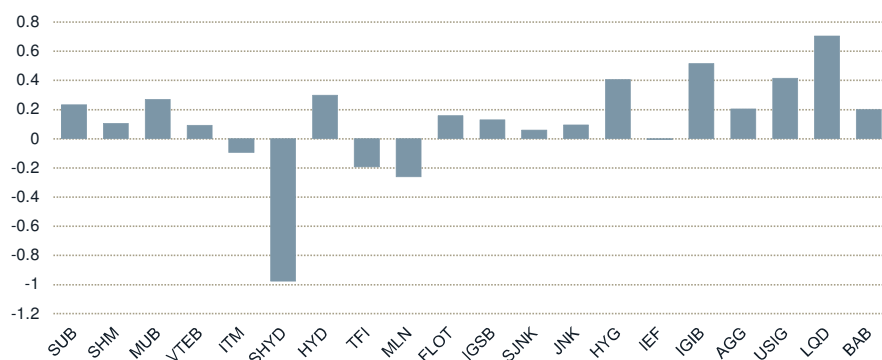
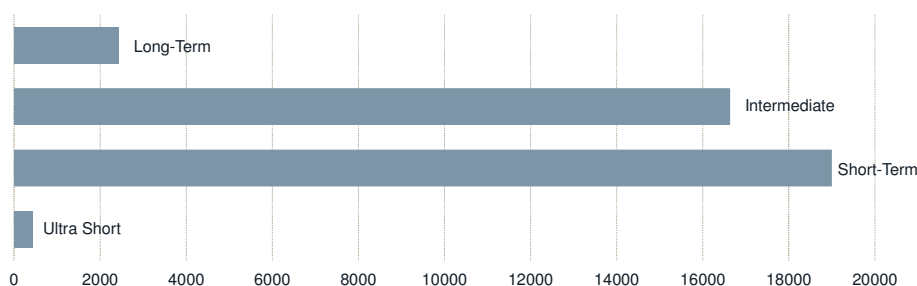


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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

FIGURE 3: FIXED INCOME ETF UNIVERSE

ETF TICKER	QRTLY TREND	% Q RETURN	STD DEV
SUB		1.83	0.77
SHM		2.31	0.46
MUB		2.71	1.53
VTEB		2.92	0.67
ITM		4.29	1.09
SHYD		6.74	0.72
HYD		14.84	2.08
TFI		3.85	0.83
MLN		4.24	0.47
FLOT		4.34	0.45
IGSB		5.18	0.70
SJNK		8.62	0.75
JNK		8.39	3.35
HYG		7.36	2.52
IEF		0.65	0.53
IGIB		10.84	1.57
AGG		3.08	0.76
USIG		8.73	1.29
LQD		9.72	3.30
BAB		7.44	0.64

* 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](#)

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.