

# ETF Strategies Overview

THIRD QUARTER 2020

## Strategy Commentary

- Risk assets posted another constructive quarter, supported by the Federal Reserve's strong forward guidance showing short rates remaining low for at least the next several years. Adding to the optimism was the continued development of a Covid-19 vaccine, and the possibility of additional stimulus. Uncertainties still loom, with the outcome of a polarizing and potentially contested presidential election being at the forefront.
- Municipal issuers continue to grapple with the fallout from Covid related revenue shortfalls; however, market volatility was at record lows during Q3. Demand remained steady while supply was mostly subdued, painting a positive technical picture for the sector. Strategy allocations, particularly in high yield Munis, continued to rebound over the quarter with SHYD (VanEck Short High Yield Muni) returning 3.12% vs. 1.15% for the benchmark.
- Investor demand for U.S. corporate debt remained strong, despite heavy new issuance, as yield starved buyers contend with a large portion of global sovereign debt trading close to or below 0%. Within both the Core Plus and Opportunity Plus strategies, corporate focused ETFs like USIG (iShares Investment Grade Bond) produced returns of approximately 1.30% for the quarter versus the Aggregate benchmark at 0.62%.
- For the Caprin ETF strategies we continue to see an environment where a combination of low yields and very accommodative monetary policies will help support well diversified allocations to higher yielding sectors. While we remain cautious of further volatility and the risk within certain individual names, we believe that the demand for higher income producing ETFs will remain strong.

## Caprin ETF Strategies

### OPPORTUNITY PLUS ETF

AS OF: 09/30/20

Duration: 5.42 yrs

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

### MUNI PLUS ETF

AS OF: 9/30/20

Duration: 4.73 yrs

Highlights: Near Neutral Duration

### CORE PLUS ETF

AS OF: 9/30/20

Duration: 6.16 yrs

Highlights: Near Neutral Duration

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 9/30/20)

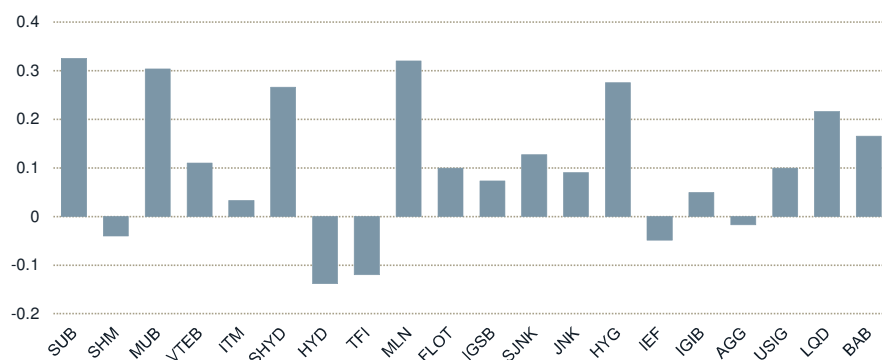
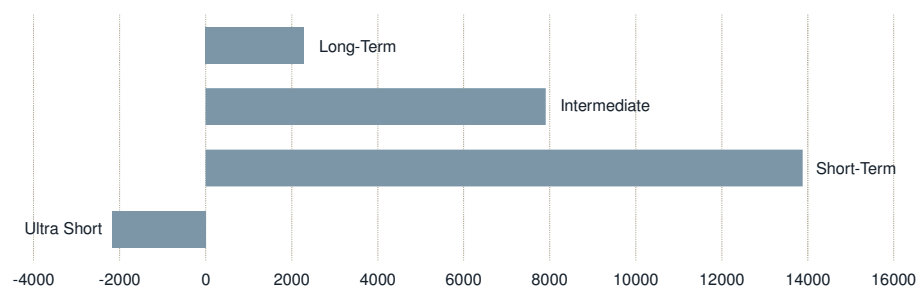


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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		0.52	0.17
SHM		0.29	0.07
MUB		0.97	0.51
VTEB		1.05	0.24
ITM		1.16	0.28
SHYD		3.12	0.21
HYD		1.88	0.47
TFI		1.00	0.28
MLN		1.79	0.15
FLOT		0.47	0.07
IGSB		0.89	0.10
SJNK		4.09	0.26
JNK		4.46	1.38
HYG		4.05	1.03
IEF		0.20	0.38
IGIB		1.36	0.31
AGG		0.40	0.48
USIG		1.28	0.46
LQD		0.82	1.33
BAB		2.01	0.21

\* 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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