

ETF Strategies Overview

FOURTH QUARTER 2020

Strategy Commentary

- Anticipation of a strong rebound in growth and an uptick in inflation during the second-half of 2021 led longer-term rates higher over the quarter. The 10-yr UST finished the year just above .90%, a level not seen since March. Risk assets rallied on the optimism, with major equity indices posting double digit returns for the period, and fixed income spreads moving down to pre-pandemic levels.
- The municipal market continued to show resilience, with strong investor demand that easily absorbed heightened new issuance pushed forward prior to the election. Although pandemic related budget recovery will continue well into 2021, indications from many state and local governments point to less severe declines than anticipated. Yield oriented ETFs like SHYD and HYD (VanEck Short and Intermediate High Yield Muni) returned nearly 2.8% and 4.30% for the quarter versus 1.33% for the benchmark. While we remain cautious of further volatility and the risk within certain municipal issuers, we believe that the demand for well-diversified, higher income producing ETFs will remain robust.
- Corporate credit finished 2020 with an impressive rally on the expectation of a split congress, further vaccine progress, and the unprecedented fiscal and monetary support. Within both the Core Plus and Opportunity Plus strategies, corporate focused ETFs like USIG (iShares Investment Grade Bond) produced returns of approximately 2.90% for the quarter, versus the Aggregate benchmark at 0.67%. ETFs in the high yield sector saw returns in excess of 6%. As we look forward into 2021, we see conditions that support corporate credit remaining in play.

Caprin ETF Strategies

OPPORTUNITY PLUS ETF

AS OF: 12/31/2020

Duration: 5.29 yrs

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

MUNI PLUS ETF

AS OF: 12/31/2020

Duration: 4.64 yrs

Highlights: Near Neutral Duration,
Yield Emphasis

CORE PLUS ETF

AS OF: 12/31/2020

Duration: 5.93 yrs

Highlights: Near Neutral Duration,
Overweight Credit

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 12/31/20)

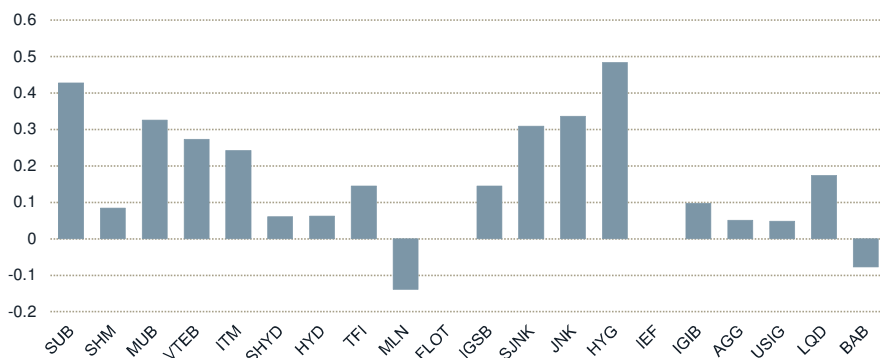
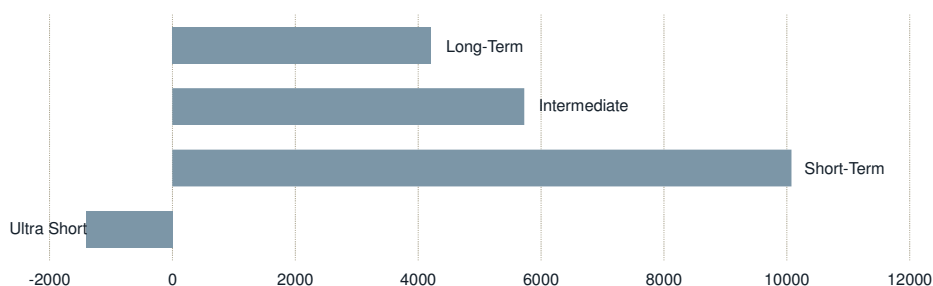


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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

FIGURE 3: FIXED INCOME ETF UNIVERSE

ETF TICKER	QRTLY TREND	% Q RETURN	STD DEV
SUB		0.35	0.10
SHM		0.26	0.05
MUB		1.78	0.77
VTEB		2.02	0.41
ITM		2.26	0.43
SHYD		2.79	0.27
HYD		4.28	0.83
TFI		1.84	0.36
MLN		2.52	0.26
FLOT		0.17	0.02
IGSB		1.22	0.09
SJNK		6.04	0.37
JNK		6.23	1.52
HYG		5.80	1.10
IEF		-1.28	0.65
IGIB		2.48	0.35
AGG		0.73	0.30
USIG		2.89	0.49
LQD		3.40	1.35
BAB		1.09	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 \(MUB, NYF, CMF, USIG, LQD, CSJ, HYG, TIP, AGG, BAB, IGOV, FLOT\): iShares Bond ETF Overview Page](#)

[Van Eck Market Vectors Municipal Bond ETF Information \(ITM, SHYD, HYD, MLN\): 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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