

ETF Strategies Overview

SECOND QUARTER 2021

Strategy Commentary

- Risk assets posted a strong quarter with the S&P 500 rallying more than 8% and with bond credit spreads moving tighter. Despite the soaring demand for goods and services and rising price pressures, particularly noted in various commodities, intermediate and longer-term bond yields fell from their late March highs. Both the Federal Reserve and many market participants continue to see inflation as a shorter-term issue that should ease as supply chains are restored and consumer demand wanes.
- The rally was more muted for municipals versus their taxable counterparts as the sector was already trading at historically low Muni-to-UST ratios. However, the municipal credit landscape continued to display a stronger than anticipated recovery, and credit oriented ETFs like SHYD and HYD (VanEck Short and Intermediate High Yield Muni) produced notable returns of 2.39% and 3.28% for the period versus 0.90% for the benchmark. Allocations to these ETFs in both the Muni Plus and Opportunity Plus Strategies have been particularly additive year-to-date.
- Corporate credit health also continued to improve over the quarter as earnings and margins expanded, and debt issuance declined. Looking forward, we expect this trend of tighter spreads and stability to remain in place with an improved US growth outlook for the next 12-24 months. Within the Core Plus strategy, USIG (iShares Broad IG Bond ETF) produced returns of approximately 3.24% for the quarter, versus the Aggregate Index at 1.77%. Additionally, all three ETF strategies continue to provide a significant distribution yield advantage versus their cash bond benchmarks.

Caprin ETF Strategies

OPPORTUNITY PLUS ETF

AS OF: 6/30/2021

Duration: 5.28 yrs

Highlights: Near Neutral Duration,
Muni 40%/Taxable 60%,
Favor High-Yield Muni

MUNI PLUS ETF

AS OF: 6/30/2021

Duration: 5.39 yrs

Highlights: Near Neutral Duration,
Favor High-Yield Muni

CORE PLUS ETF

AS OF: 06/30/2021

Duration: 6.04 yrs

Highlights: Near Neutral Duration,
Overweight Credit

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 6/30/21)

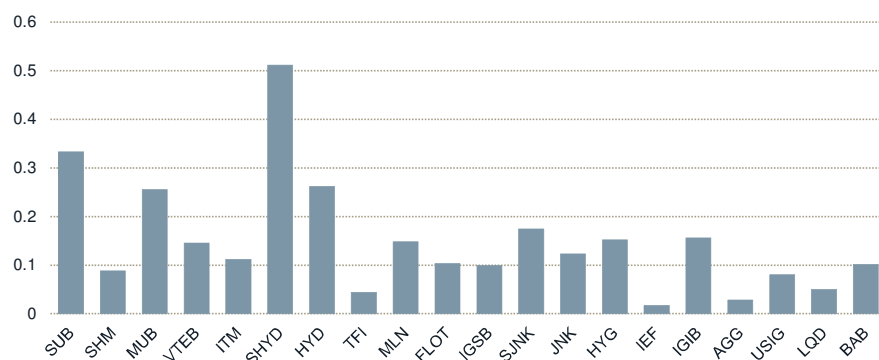
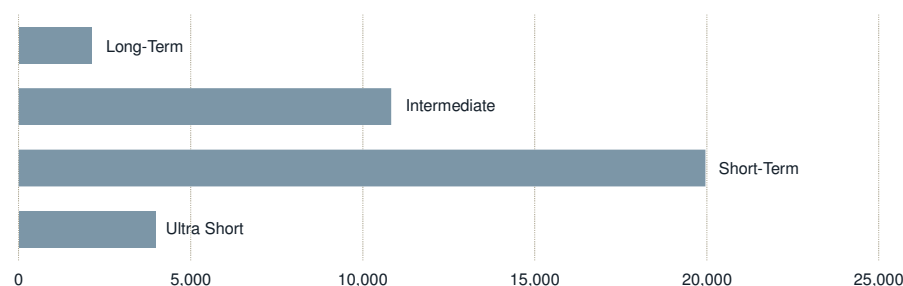


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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		0.21	0.09
SHM		0.20	0.06
MUB		1.46	0.39
VTEB		1.63	0.20
ITM		1.57	0.20
SHYD		2.39	0.13
HYD		3.28	0.47
TFI		1.32	0.17
MLN		3.11	0.15
FLOT		0.20	0.03
IGSB		0.66	0.07
SJNK		1.92	0.08
JNK		2.14	0.38
HYG		2.01	0.28
IEF		2.47	0.64
IGIB		2.76	0.34
AGG		1.77	0.39
USIG		3.24	0.42
LQD		3.92	1.21
BAB		4.28	0.27

* 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](#)

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