

# ETF Strategies Overview

THIRD QUARTER 2021

## Strategy Commentary

- After 18 months of rapid economic recovery off pandemic lows, the US economy continued to improve over the quarter, although at a moderating pace. The S&P 500 ended effectively flat after a ~5% selloff during September, and although there was a quick uptick to end Q3, UST yields finished largely unchanged from June levels. Numerous cross-currents exist, with debt ceiling and fiscal policy uncertainty, supply chain issues, and price pressures all beginning to weigh on investor and consumer sentiment.
- Although municipals spent much of the quarter trading in a very tight yield range, late quarter UST volatility allowed for a much needed break to modestly higher yields and more favorable Muni-to-UST ratios. Within the Muni Plus and Opportunity Plus Strategies we reduced some exposure to High Yield municipals later in the quarter. Although we believe the credit landscape should remain on sound fundamental footing, further volatility in other risk assets can affect shorter-term demand for the sector.
- Corporate credit spreads remained well anchored, despite heightened equity market volatility. The sector has benefitted from a rapid reduction of balance sheet debt many companies incurred to shore up liquidity during the early stages of the pandemic. However, given the current tight spread levels and potential market catalysts, we also reduced the allocation to Corporate ETFs in Core Plus in favor of broader market exposure. Despite these allocation adjustments into less spread oriented sectors, 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: 9/30/21

Duration: 5.27 yrs

Highlights: Near Neutral Duration,  
Muni 40%/Taxable 60%,  
Reduced High-Yield Muni and  
IG Corporate Allocation

### MUNI PLUS ETF

AS OF: 9/30/21

Duration: 4.45 yrs

Highlights: Near Neutral Duration,  
Reduced High-Yield Muni  
Allocation

### CORE PLUS ETF

AS OF: 9/30/21

Duration: 6.06 yrs

Highlights: Near Neutral Duration,  
Reduced IG Corporate

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 9/30/21)

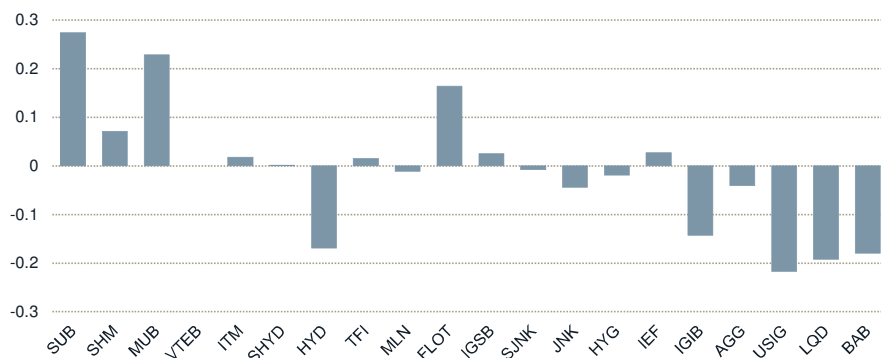
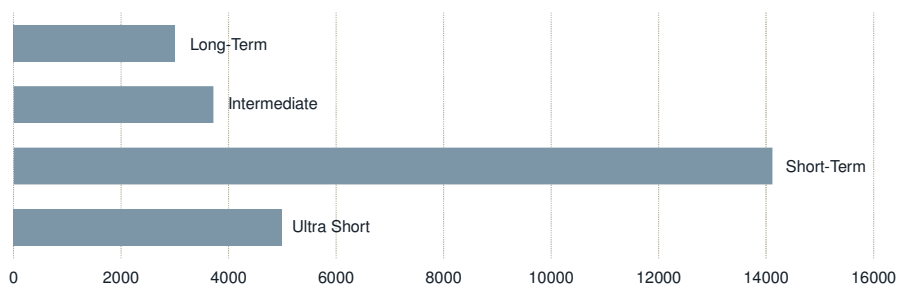


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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		↘ -0.07	0.11
SHM		↘ -0.13	0.07
MUB		↘ -0.44	0.41
VTEB		↘ -0.57	0.19
ITM		↘ -0.70	0.22
SHYD		↘ -0.78	0.12
HYD		↘ -0.95	0.37
TFI		↘ -0.62	0.21
MLN		↘ -1.25	0.15
FLOT		↗ 0.14	0.02
IGSB		↗ 0.06	0.07
SJNK		↗ 0.31	0.08
JNK		↗ 0.49	0.39
HYG		↗ 0.34	0.31
IEF		↔ -0.03	0.75
IGIB		↘ -0.21	0.24
AGG		↔ -0.01	0.42
USIG		↘ -0.25	0.28
LQD		↘ -0.45	0.74
BAB		↘ -0.17	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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