

ETF Strategies Overview

FOURTH QUARTER 2021

Strategy Commentary

- Investors faced two dominant themes in Q4: persistently higher inflation readings and an abrupt, hawkish shift by the Fed. On the inflation front, price increases have proven to be stickier than previously anticipated. In November, the CPI index rose 6.8% year over year, the highest level in 39 years. Higher inflation, coupled with a rapidly improving labor market, forced the Fed to react, ultimately resulting in a pronounced flattening of the yield curve.
- Despite higher UST yields inside of five years, municipals rallied over the quarter, capping off a year of outperformance compared to most other fixed income sectors. Leading the way were credit-oriented ETFs like SHYD and HYD (VanEck Short and Intermediate High Yield Muni), both producing returns of approximately 1.00% for the period versus 0.38% for the benchmark. While we did reduce some exposure to the sector late in Q3, given the potential short-term market volatility heading into year-end, we still remain allocated to both based on our fundamental credit outlook for the asset class.
- Investment Grade Corporate ETFs saw somewhat heightened volatility over the period. However, a late December rally in risk assets saw underlying spreads retrace much of their move wider. Looking into 2022, we believe the IG corporate market will continue to be supported by broadly positive improvements in credit metrics and generally lower issuance levels. Overall, we see a flatter yield curve persisting, with shorter-term rates guided by potential Fed action and intermediate-to longer-term rates generally looking past the next six to 12 months, and focusing on what will likely be weaker growth prospects ahead.

Caprin ETF Strategies

OPPORTUNITY PLUS ETF

AS OF: 12/31/2021

Duration: 5.23 yrs

Highlights: Near Neutral Duration, Maintains Yield Advantage vs. Benchmark

MUNI PLUS ETF

AS OF: 12/31/2021

Duration: 4.39 yrs

Highlights: Near Neutral Duration, Maintains Yield Advantage vs. Benchmark

CORE PLUS ETF

AS OF: 12/31/2021

Duration: 6.00 yrs

Highlights: Near Neutral Duration, Maintains Yield Advantage vs. Benchmark

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 12/31/21)

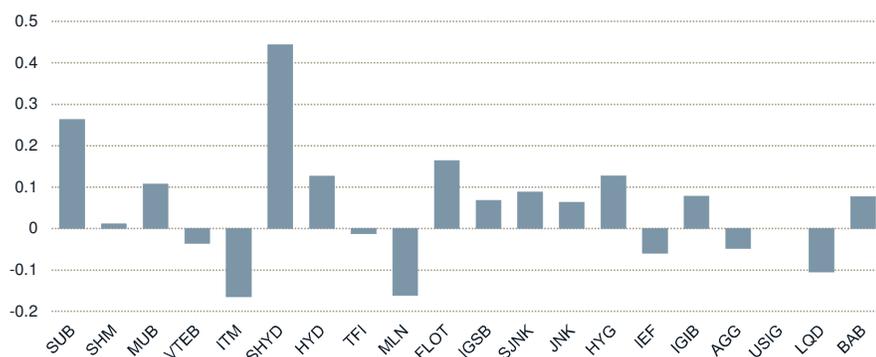
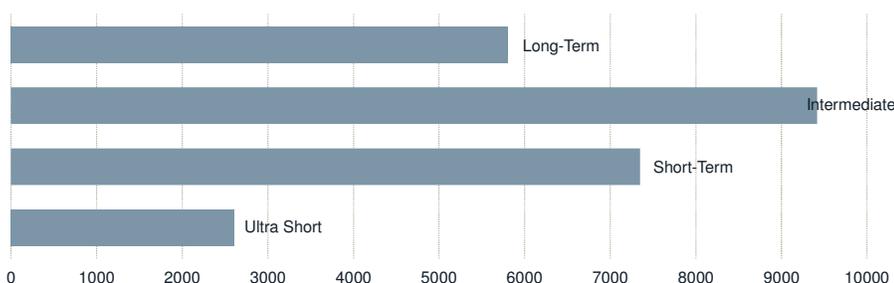


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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	↔	-0.01	0.08
SHM	↘	-0.14	0.06
MUB	↗	0.67	0.29
VTEB	↗	0.79	0.15
ITM	↗	0.60	0.15
SHYD	↗	0.98	0.09
HYD	↗	1.06	0.24
TFI	↗	0.85	0.16
MLN	↗	1.58	0.14
FLOT	↘	-0.09	0.06
IGSB	↘	-0.72	0.26
SJNK	↗	0.58	0.13
JNK	↗	0.70	0.62
HYG	↗	0.77	0.47
IEF	↗	0.12	0.65
IGIB	↘	-0.35	0.29
AGG	↘	-0.10	0.36
USIG	↗	0.15	0.27
LQD	↗	0.38	0.74
BAB	↗	0.81	0.18

* 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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