

ETF Strategies Overview

FIRST QUARTER 2022

Strategy Commentary

- Over the quarter the ongoing Russian conflict coupled with a hawkish pivot from the Fed resulted in a significant upward shift in rate expectations with an abrupt bear flattening of the yield curve. For the period, the 2yr UST moved higher by approximately 160 basis points while the 30yr UST was higher by 54bps, leading to an inversion of the yield curve from 3 years out to 30 years. Looking forward, the question now becomes to what degree will the Fed need, or be able, to tighten before slower growth and potentially weaker employment eventually forces the policy to pause or even reverse course.
- Given the rapidly evolving interest rate landscape in both municipal and taxable bonds, we made several model adjustments early in the quarter. In Muni Plus, we replaced SHM (SPDR Nuveen Short-Term Municipal ETF) with JMST (JP Morgan Ultra-Short Municipal ETF). This change lowered the overall duration and maturity profile of the strategy and reduced the exposure to a portion of the municipal curve we viewed as relatively overbought. JMST's very short duration (<.75 yrs) should also help allow its dividend yield to more quickly adjust higher to the current interest rate landscape.
- Within the Core Plus and Opportunity Plus strategies, we made similar adjustments by increasing allocations to FLOT (iShares Floating Rate Bond ETF). FLOT's very low effective duration (<.10 yrs) is a result of the underlying bonds having adjustable coupons based on a short-term/floating benchmark rate like T-Bills, SOFR, or LIBOR plus a fixed spread.

Caprin ETF Strategies

OPPORTUNITY PLUS ETF

AS OF: 3/31/22

Duration: 4.98 yrs

Highlights: Short/Neutral Duration
Increased Floating Rate
Position

MUNI PLUS ETF

AS OF: 3/31/22

Duration: 4.24 yrs

Highlights: Short/Neutral Duration
Established Ultra-
Short Muni Position

CORE PLUS ETF

AS OF: 3/31/22

Duration: 5.72 yrs

Highlights: Short/Neutral Duration
Increased Floating Rate
Position

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 3/31/22)

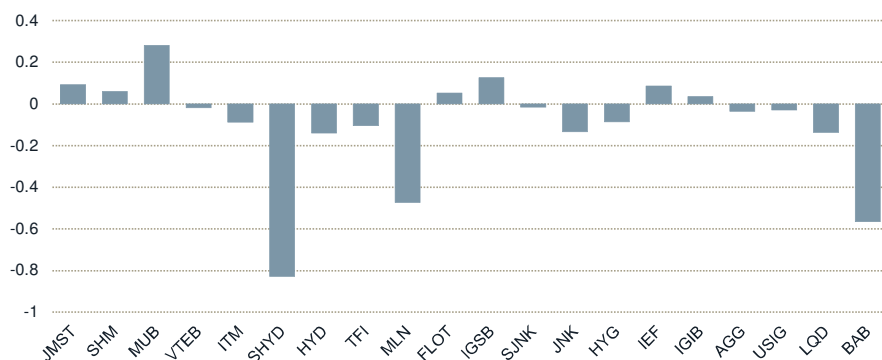
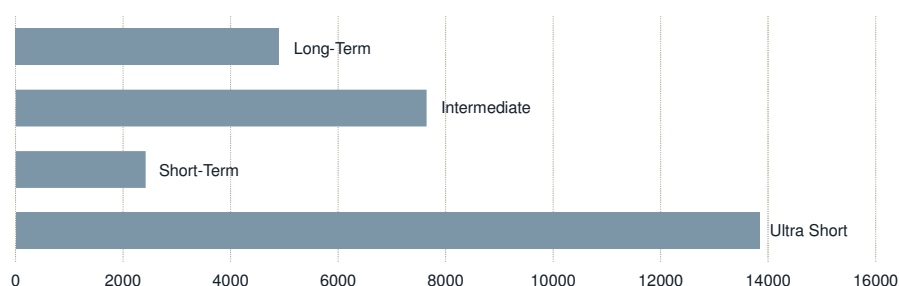


FIGURE 2: QUARTERLY MUNI / TAXABLE BOND ETF FUND FLOWS BY MATURITY (\$MM)



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 |
|------------|-------------|------------|---------|
| JMST | | -0.77 | 0.12 |
| SHM | | -3.66 | 0.52 |
| MUB | | -5.43 | 1.98 |
| VTEB | | -5.85 | 0.99 |
| ITM | | -7.46 | 1.16 |
| SHYD | | -7.18 | 0.58 |
| HYD | | -7.54 | 1.51 |
| TFI | | -7.19 | 1.12 |
| MLN | | -10.05 | 0.68 |
| FLOT | | -0.35 | 0.11 |
| IGSB | | -3.77 | 0.71 |
| SJNK | | -2.64 | 0.40 |
| JNK | | -4.88 | 2.30 |
| HYG | | -4.73 | 1.78 |
| IEF | | -6.37 | 2.08 |
| IGIB | | -7.06 | 1.36 |
| AGG | | -5.85 | 2.05 |
| USIG | | -7.50 | 1.52 |
| LQD | | -8.38 | 3.75 |
| BAB | | -9.37 | 0.99 |

* 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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