

The ETF Angle

March 2024 Dynamic Prudent Yield Update

ETF Research

Prudent Yield is fully invested, supported by BofA insights

The BofA Dynamic Prudent Yield strategy remains fully invested, with no changes for March. Prudent Yield sector ETFs showed strength, averaging 0.6% returns as the 10Y US Treasury yield marched above 4%.

In the month that was, we reiterated our bullish view on [HY munis](#), discussed the strong 2024 outlook for [preferreds](#) with Michael Youngworth, and revisited our [preference for credit](#) over equities and bonds in a “5% world”.

We include a table of all our 1-rated Prudent Yield ETFs on page 3. These ETFs may be used interchangeably to invest in the strategy. As a reminder, back tested returns and trading signals are based on total return indexes for the relevant sectors (see page 2).

Prudent Yield holds steady versus Treacherous Treasuries

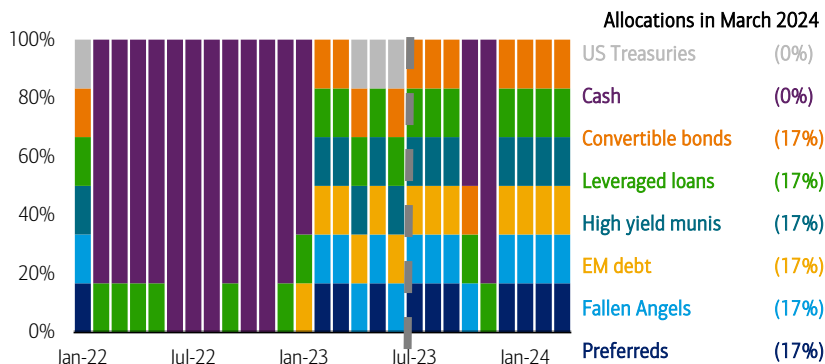
Five out of six Prudent Yield sectors rose in February, with all of our top ETFs outperforming the US Aggregate Bond Index (-2%) and TLT (-3.8%). Leveraged loans were the best performing sector in February, up 1.5%. Preferreds (+1.1%) were a top performing sector for the second month in a row and have the best returns year to date (+4.3%). Bouncing off a rough January, convertibles gained 0.8%.

4th month in a row for status quo

Most Prudent Yield assets are 4-5% above their 10 month moving averages. Preferreds show the most strength, 7% above its average. Treasuries trade in line with their 10-month moving average as “higher for longer” sentiment returns.

Exhibit 2: Dynamic Prudent Yield remains fully invested

Historical allocation of backtested Dynamic Prudent Yield Strategy, 2022-2024



Source: BofA ETF Research, Bloomberg, ICE Data Services LLC. Note: weights rounded from 16.7%. This performance is backtested and does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herein. See appendix for more details

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01 March 2024

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Exhibit 1: Prudent Yield ETF returns

Total returns for ETFs in Prudent Yield

Category	ETF	MTD Returns, %	YTD Return, %
Preferred stock	PFXF	1.1%	4.3%
Fallen Angels	ANGL	-0.6%	0.8%
HY munis	HYD	0.1%	1.3%
EM debt	VWOB	0.2%	-0.3%
Leveraged loans	SRLN	1.5%	1.7%
Convertibles	ICVT	0.8%	-0.4%
Cash (T-bills)	BIL	0.8%	1.3%
US Treasury bond	TLT	-3.8%	-4.2%

Source: BofA ETF Research, Bloomberg; MTD returns 1/31/2024-2/29/2024

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For details on the Dynamic Prudent Yield Strategy including the full Appendix see: [The RIC Report: A new bond strategy for the end of 60/40](#).

Monthly updates can be received via email immediately after publishing by subscribing to “The ETF Angle”.

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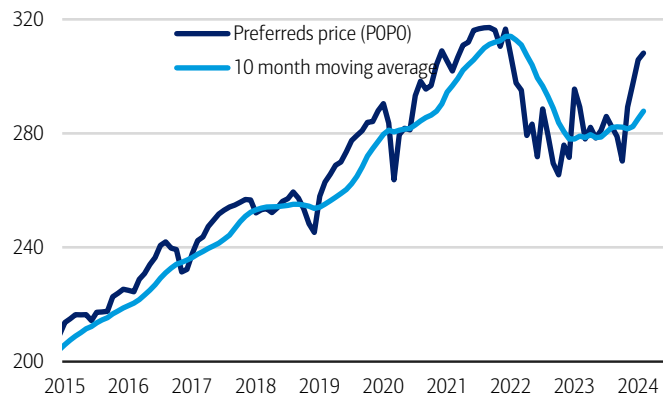
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Dynamic Prudent Yield assets

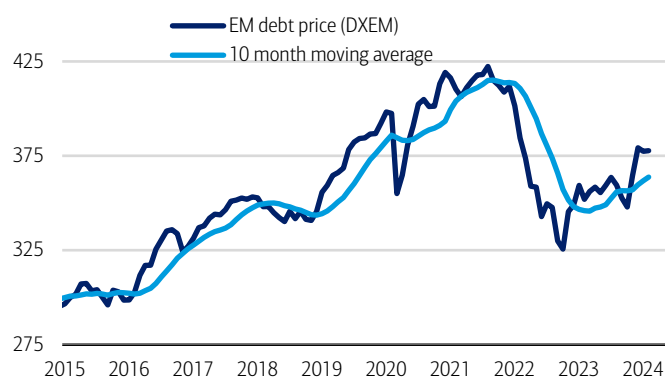
Exhibit 3: Preferred stocks are 7.1% above 10-month moving average
Preferreds index level vs. 10-month moving average



Source: BofA ETF Research, Bloomberg, ICE Data Services LLC

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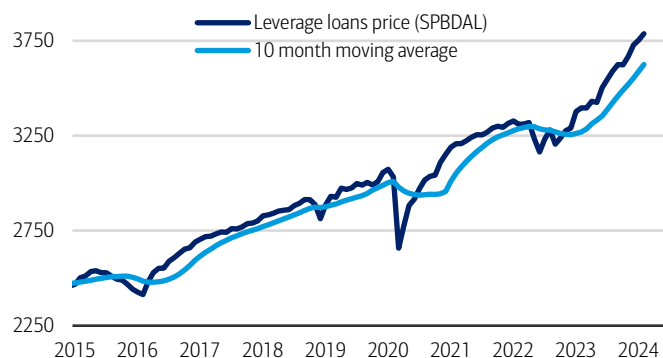
Exhibit 5: EM Debt is 4.0% above 10-month moving average
EM Debt index level vs. 10-month moving average



Source: BofA ETF Research, Bloomberg, ICE Data Services LLC

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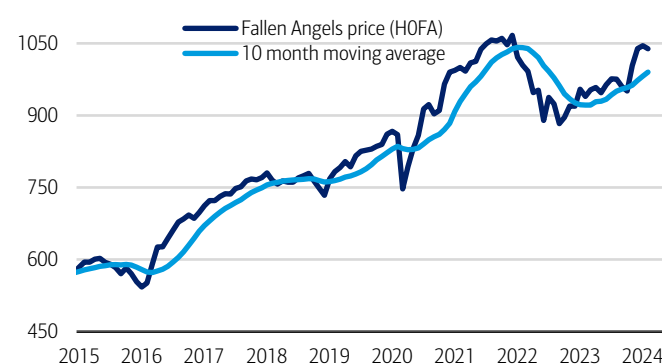
Exhibit 7: Leveraged loans are 4.5% above 10-month moving average
Leveraged loan index level vs. 10-month moving average



Source: BofA ETF Research, Bloomberg, ICE Data Services LLC

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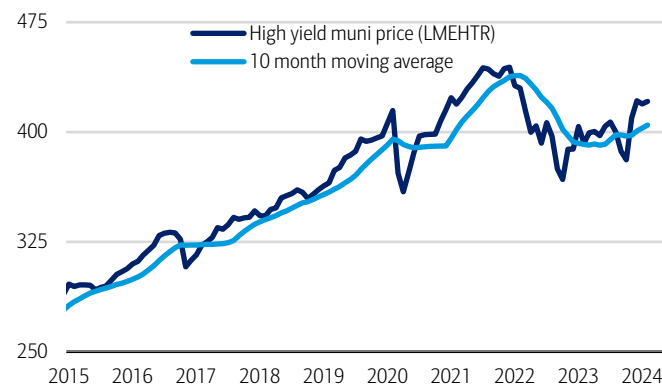
Exhibit 4: Fallen Angels are 5.1% above 10-month moving average
Fallen Angels index level vs. 10-month moving average



Source: BofA ETF Research, Bloomberg, ICE Data Services LLC

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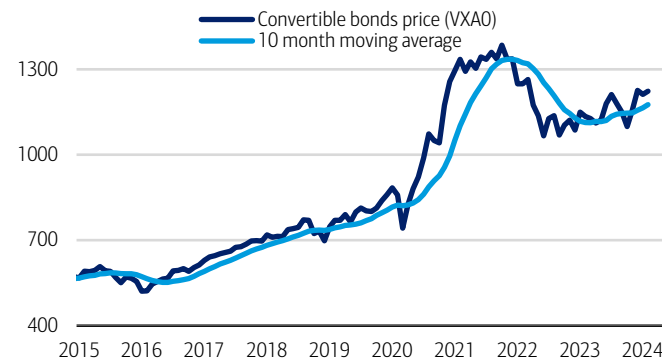
Exhibit 6: High Yield Munis are 4.2% above 10-month moving average
High Yield Muni index level vs. 10-month moving average



Source: BofA ETF Research, Bloomberg, ICE Data Services LLC

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Exhibit 8: Convertibles are 4.3% above 10-month moving average
Convertible bond index level vs. 10-month moving average



Source: BofA ETF Research, Bloomberg, ICE Data Services LLC

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Exhibit 3: Top rated Dynamic Prudent Yield Strategy ETFs

Ticker, name, rating, subcategory, AUM, expense ratio

Ticker	Name	Rating	Sub-Category	AUM (\$bn)	Expense ratio
CWB	SPDR Bloomberg Convertible Securities ETF	1-FV	Convertible Bonds	4.74	0.40%
ICVT	iShares Convertible Bond ETF	1-FV	Convertible Bonds	1.44	0.20%
VWOB	Vanguard Emerging Markets Government Bond ETF	1-FV	Emerging Market Bonds	3.41	0.20%
EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF	1-FV	Emerging Market Bonds	3.53	0.30%
FALN	iShares Fallen Angels USD Bond ETF	1-FV	Fallen Angels	1.39	0.25%
ANGL	VanEck Fallen Angel High Yield Bond ETF	1-FV	Fallen Angels	2.94	0.35%
SRLN	SPDR Blackstone Senior Loan ETF	1-FV	Leveraged loans	4.60	0.70%
HYMB	SPDR Nuveen Bloomberg High Yield Municipal Bond ETF	1-FV	Municipal Bonds	1.95	0.35%
FMHI	First Trust Municipal High Income ETF	1-FV	Municipal Bonds	0.41	0.55%
HYD	VanEck High Yield Muni ETF	1-FV	Municipal Bonds	2.92	0.32%
PFF	iShares Preferred & Income Securities ETF	1-FV	Preferreds	13.13	0.45%
PFFD	Global X US Preferred ETF	1-FV	Preferreds	2.29	0.23%
PFXF	VanEck Preferred Securities ex Financials ETF	1-FV	Preferreds	1.23	0.40%

Source: BofA ETF Research, Bloomberg

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