

## The ETF Angle

## January 2024 Dynamic Prudent Yield Update

ETF Research

## Fully invested into the New Year

The BofA Dynamic Prudent Yield strategy remains fully invested, with no changes for January. In December, most bond sectors continued to rally on a dovish Fed pause and hopes for material cuts in 2024. In December, TLT 2023 returns flipped positive after being down over -14% this year.

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).

## Fed's New Year's Resolution spurs bonds in December

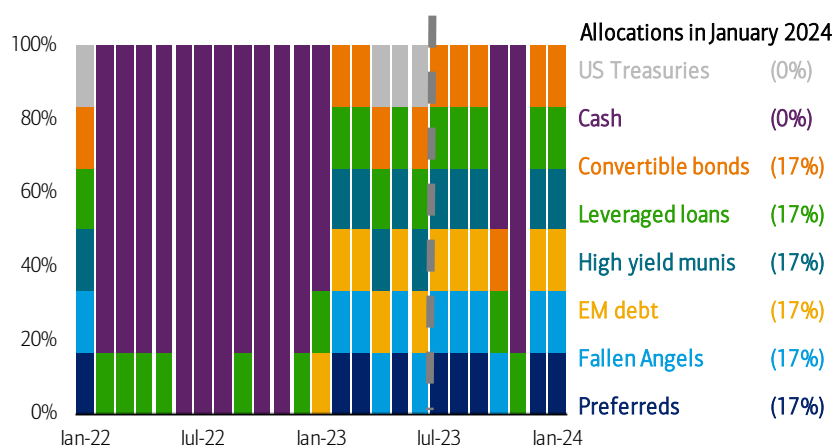
For the second month in a row, TLT outperformed other sectors (+8.7%). Despite strong performance since October, long dated Treasuries were the worst performing sector in 2023, up 2.8% this year. Convertibles had the strongest monthly returns outside of Treasuries, up 6.4%. Top sectors in 2023 posted double digit returns: convertibles (+15%), Fallen Angels (+13%), leveraged loans (+12%), and EM debt (+11%).

## High off moving averages, PY enters '24 on the right foot

All Prudent Yield assets are >4% above 10 month moving averages. Fallen Angels and convertibles have the strongest momentum, 6.8% and 6.2% above their 10 month averages respectively. Preferred, EM debt, HY minis, and loans hover around 5% above their 10 month moving averages. All sectors moved higher off averages vs November.

## Exhibit 2: Dynamic Prudent Yield is now fully invested, adding 5 ETFs

Historical allocation of backtested Dynamic Prudent Yield Strategy, 2022-2023



**Source:** BofA Global 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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## 02 January 2024

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United States  
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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	PFF	2.9%	9.2%
Fallen Angels	FALN	3.2%	13.5%
HY munis	HYD	2.9%	6.5%
EM debt	VWOB	4.9%	10.7%
Leveraged loans	SRLN	1.8%	11.6%
Convertibles	ICVT	6.4%	15.3%
Cash (T-bills)	BIL	0.4%	4.9%
US Treasury bond	TLT	8.7%	2.8%

**Source:** BofA Global Research, Bloomberg; MTD returns 11/30/2023-12/31/2024

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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.](#)

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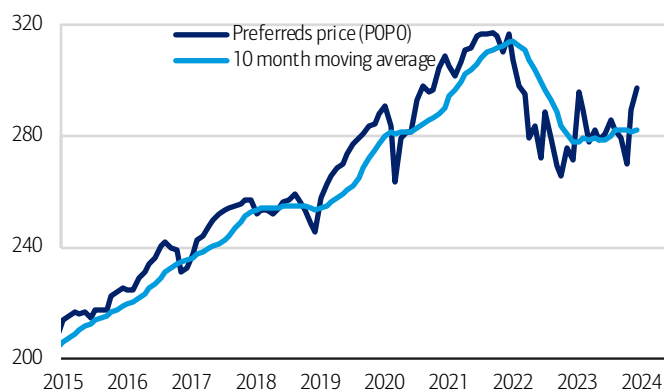
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# Dynamic Prudent Yield assets

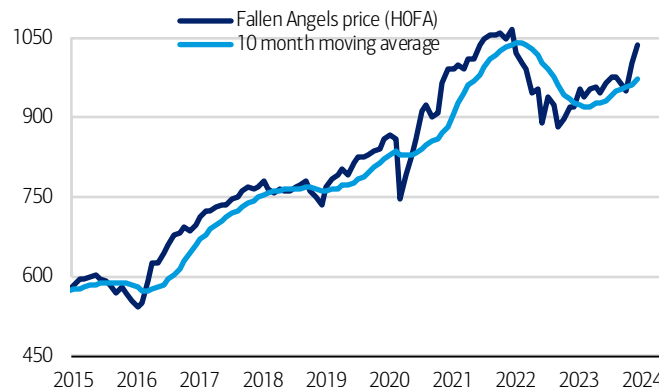
**Exhibit 3: Preferred stocks are 5.3% above 10-month moving average**  
Preferreds index level vs. 10-month moving average



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

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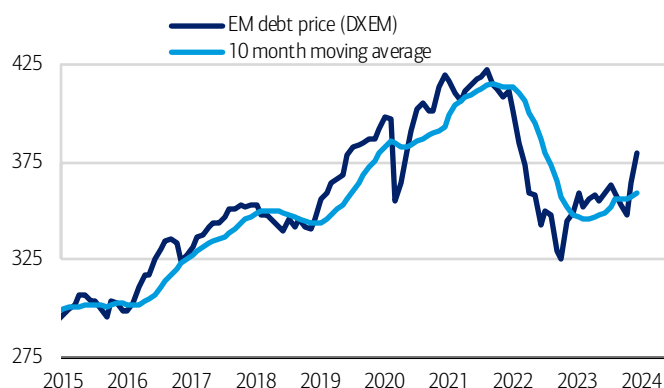
**Exhibit 4: Fallen Angels are 6.8% above 10-month moving average**  
Fallen Angels index level vs. 10-month moving average



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

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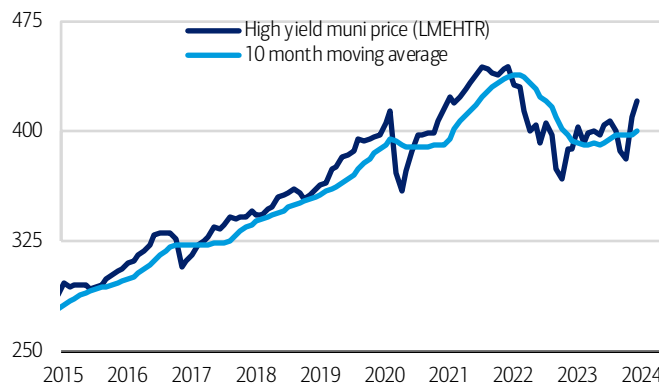
**Exhibit 5: EM Debt is 5.4% above 10-month moving average**  
EM Debt index level vs. 10-month moving average



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

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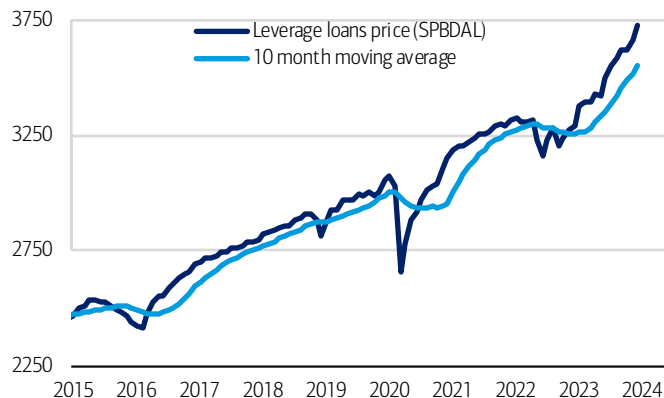
**Exhibit 6: High Yield Munis are 5.1% above 10-month moving average**  
High Yield Muni index level vs. 10-month moving average



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

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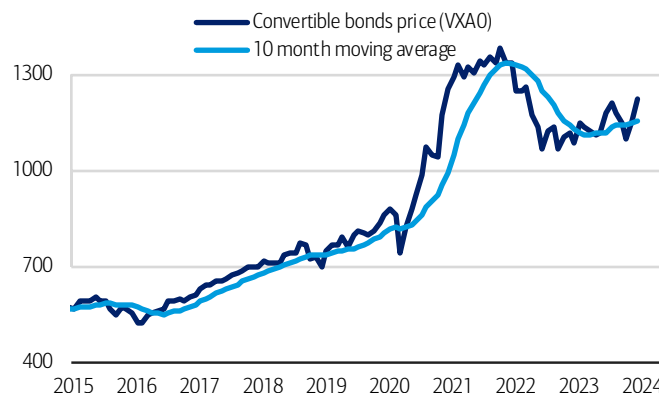
**Exhibit 7: Leveraged loans are 4.9% above 10-month moving average**  
Leveraged loan index level vs. 10-month moving average



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

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**Exhibit 8: Convertibles are 6.2% above 10-month moving average**  
Convertible bond index level vs. 10-month moving average



Source: BofA Global 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%
WVOB	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 Global Research, Bloomberg

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