**ETF Trading Game: Opening Position Paper**

My Investopedia username is max-stevens and I made six initial trades to start out the ETF trading game. The six ETFs that I bought and are my initial positions are TIP, PFF, MBB, HYG, VRIG and LQDH. I used VRIG in place of FLOT since it wasn’t available on the site to trade, and I used LQDH instead if IGHG for the same reason. My main strategy when I was deciding how to make up my portfolio was having diversification. I don’t have much experience in investing and almost none in making my own portfolio; however, the biggest theme that I have heard in almost all my finance and other business classes is the importance of diversification. ETFs with very similar characteristics are likely to go up or down in value in accordance with each other most likely; therefore, my portfolio could be doing really good or really bad, but it would be too reliant on very few factors. With diversification, I can have some underperforming ETFs, but still have an overall portfolio that is still performing well or above average, which is the goal.

One of the main metrics that I was looking at when I was deciding on ETFs to add to my portfolio was the LTM Return. I tried to avoid the ETFs that had large negative returns over the last twelve months and go for the ones that had been performing positively in the same time frame because I felt like the metric was a good gauge on what ETFs are performing well or poor recently, but also in a larger sample size. For TIP, I thought that the high credit rating and protection against inflation were good attributes to have. Inflation has been an issue recently, so I wanted an ETF with some protection against it. For VRIG (FLOT replacement) and LQDH (IGHG replacement), I liked the characteristic of these ETFs because of their protection against interest rates in their own respective ways. I wanted ETFs with protection against interest rates because interest rates are supposed to be going up soon, so they should be expected to be somewhat of an issue in the near future, unless the war in Ukraine continues to keep interest rates low. For the ETFs of PFF and HYG, I liked the potential of high yields and the returns in recent times from both. PFF also had higher credit ratings compared to the lower ones of HYG, so I thought having both would lessen some of the risk of HYG. And finally, for MBB, I invested in it because it had positive returns in the recent and I wanted to add some more ETFs to my portfolio with less risk to try to offset some of the risk that I have in some of the higher yield and riskier ETFs of my portfolio.

Overall, I wanted a diversified portfolio that had potential of high yields, but also with ETFs that were protected against factors thar are high risk and very relevant in the current market, like inflation and interest rates. I wasn’t too concerned about having all high credit rated ETFs, they didn’t all need to be AAA or AA; however, I did want to include some high credit rated ETFs so I wouldn’t have a large potential credit risk. I also wanted to make sure that a few ETFs weren’t dominating the portfolio in case they perform poorly and makes the entire portfolio poor because of it. I used the various iShares websites for all of the ETFs along with the PowerPoints of the ETFs in deciding which ETFs to invest in and how much to invest. I also used the link to Guggenheim and their fixed income outlook to get a better idea of the fixed income market currently.

Sources:

<https://www.ishares.com/us>

<https://www.guggenheimpartners.com/perspectives/portfolio-strategy>