

Market Update

Where are the Good Risk-Adjusted Returns?

San Diego Chapter AAll – Risk Management SIG

Presented by Rob Bernstein, President RGB Capital Group LLC

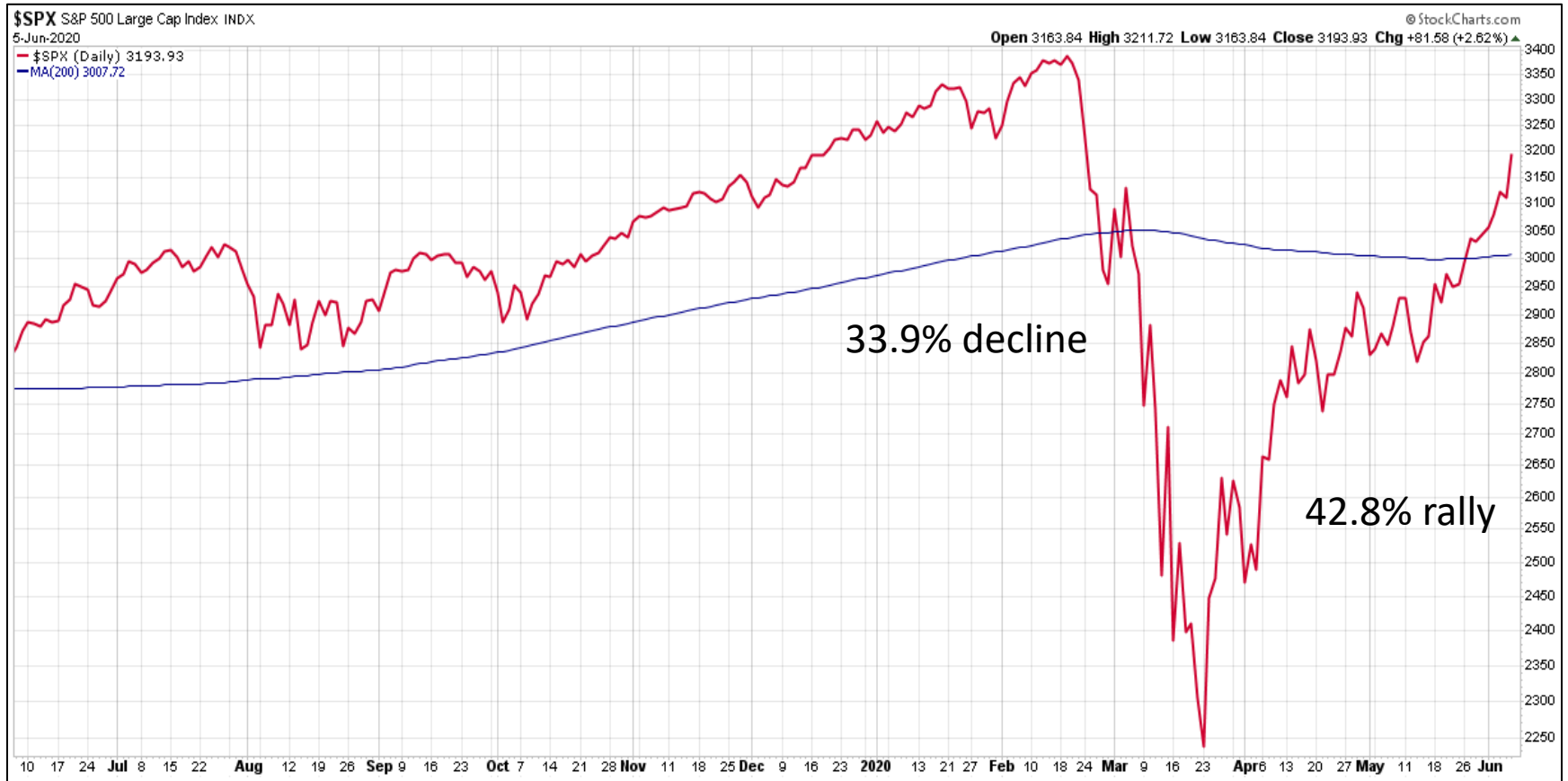
June 6, 2020

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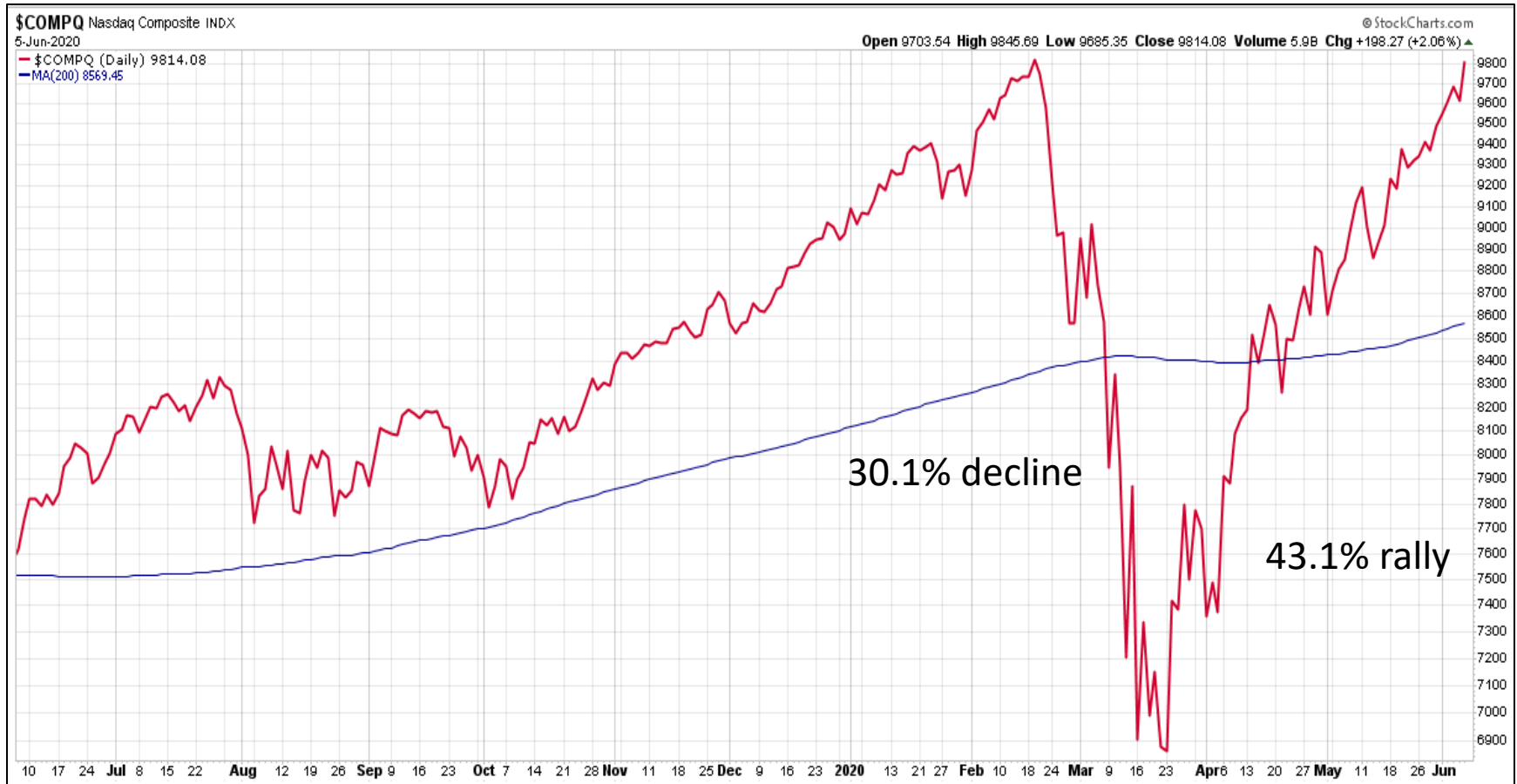
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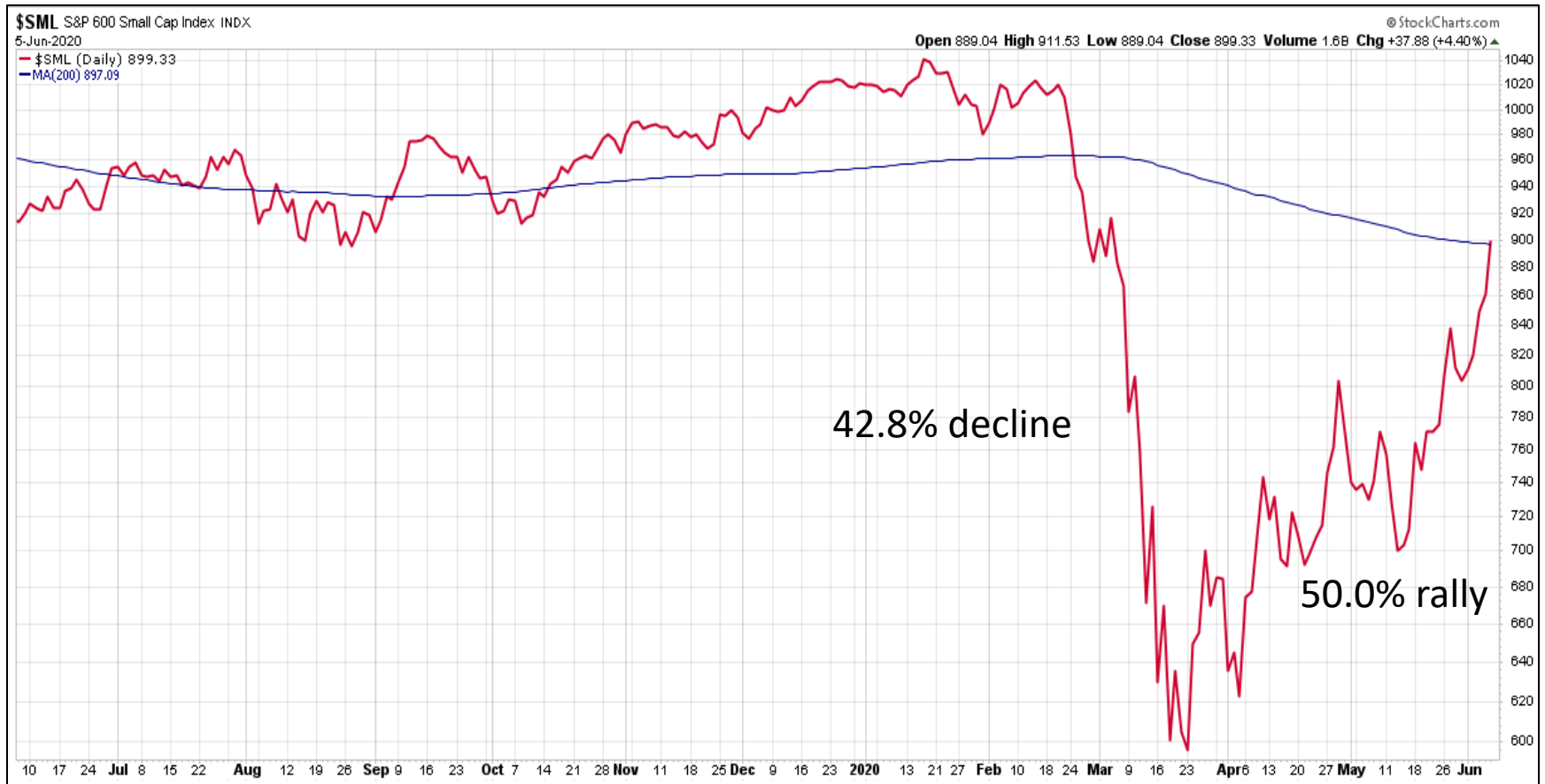
S&P 500 One-Year Chart



Nasdaq Composite Index One-Year Chart



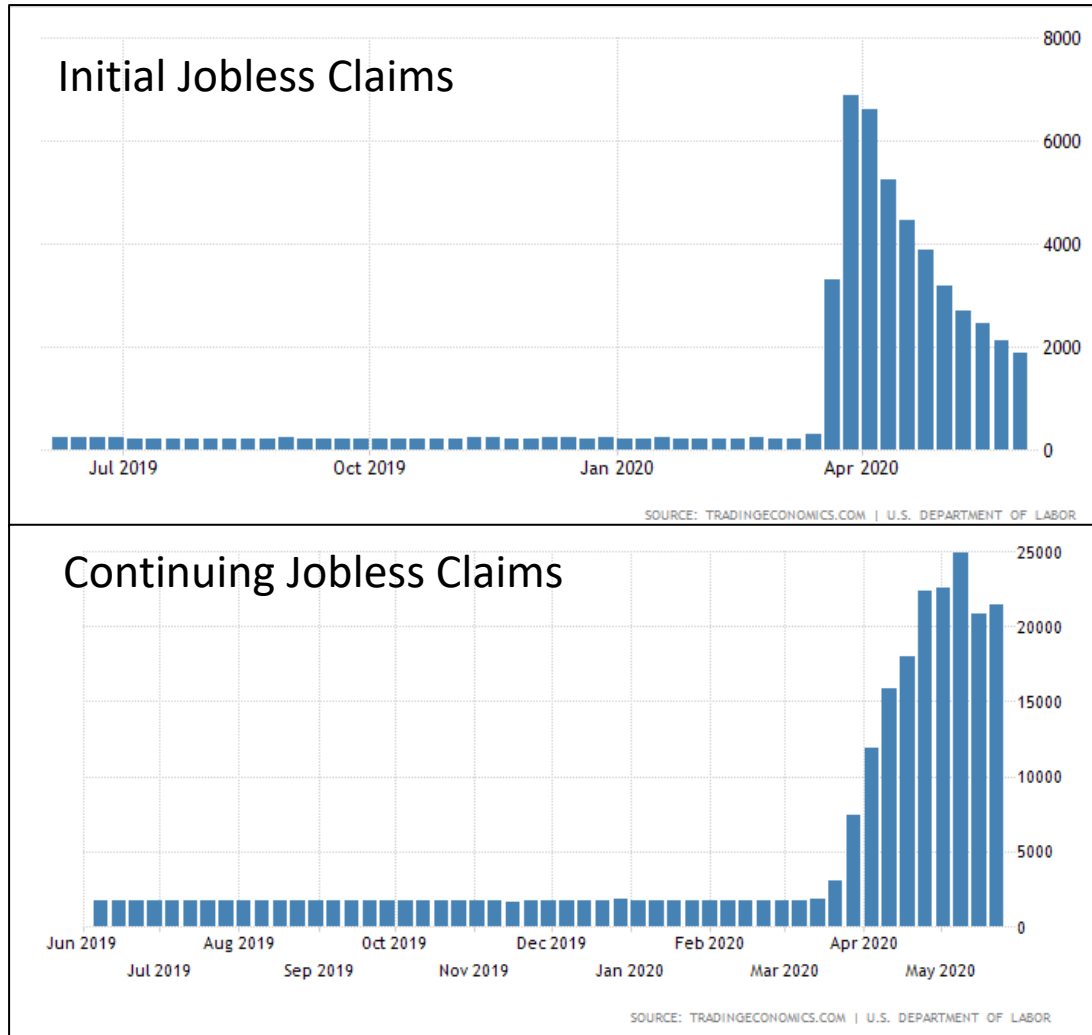
S&P 600 Index One-Year Chart



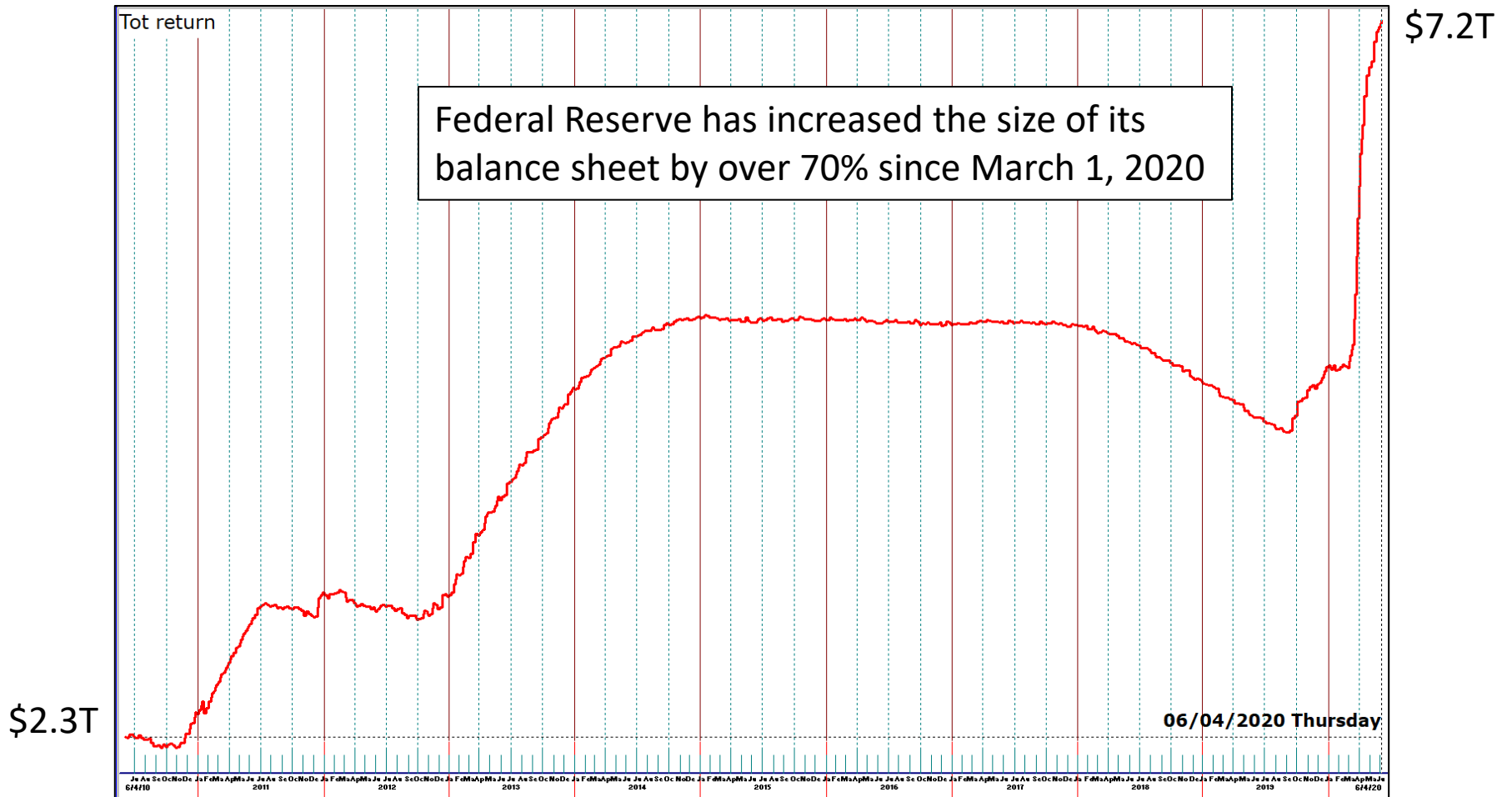
Disconnect Between Market Prices and Economic Reality?



Jobless Claims



Federal Reserve Total Assets 10-Year Chart



Federal Reserve Total ETF Purchases

Ticker	Fund Name	Shares Purchased	Market Value as of May 19, 2020 (US \$)
LQD	iShares iBoxx US Dollar Investment Grade Corporate Bond ETF	2,521,892	326,282,387
VCIT	Vanguard Intermediate-Term Corporate Bond ETF	2,483,885	228,095,160
VCSH	Vanguard Short-Term Corporate Bond ETF	2,776,786	226,196,988
HYG	iShares iBoxx High Yield Corporate Bond ETF	1,255,084	100,657,737
JNK	SPDR Bloomberg Barclays High Yield Bond ETF	905,284	89,532,588
IGSB	iShares Short-Term Corporate Bond ETF	1,639,301	88,341,931
SPIB	SPDR Portfolio Intermediate Term Corporate Bond ETF	1,942,325	69,030,231
IGIB	iShares Intermediate-Term Corporate Bond ETF	997,134	57,973,371
SPSB	SPDR Portfolio Short Term Corporate Bond ETF	1,339,345	41,613,449
USIG	iShares Broad US Dollar Investment Grade Corporate Bond ETF	616,593	35,922,708
ANGL	VanEck Vectors Fallen Angel High Yield Bond ETF	410,585	11,106,324
HYLB	Xtrackers US Dollar High Yield Corporate Bond ETF	240,996	11,006,287
SLQD	iShares 0-5 Year Investment Grade Corporate Bond ETF	198,064	10,208,219
SHYG	iShares 0-5 Year High Yield Corporate Bond ETF	171,837	7,175,913
USHY	iShares Broad US Dollar High Yield Corporate Bond ETF	104,979	3,884,223
TOTAL		17,604,090	1,307,027,514

Source: @ernietedeschi

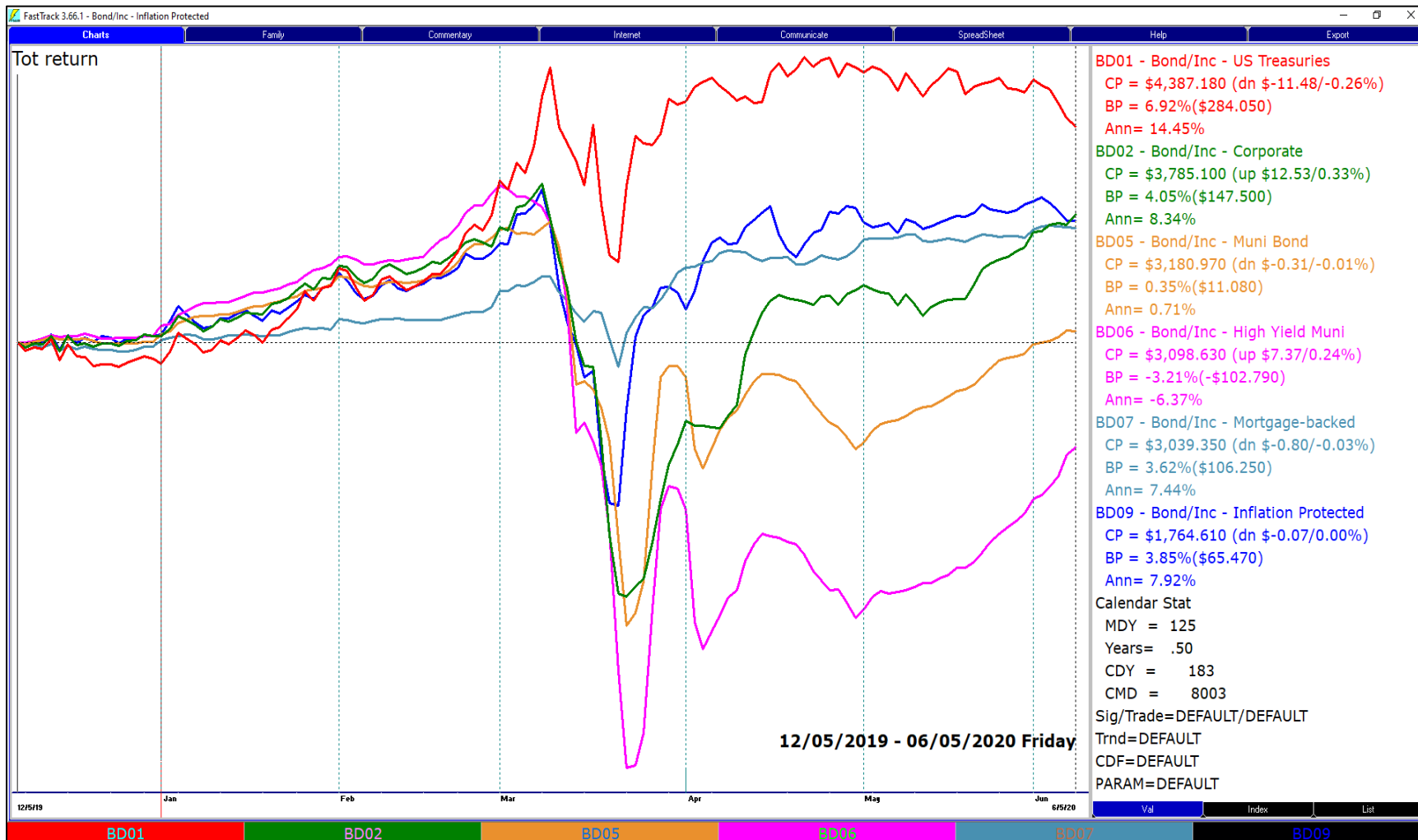
Total Junk Bond Purchases: \$233,363,072

Low Volatility Asset Classes

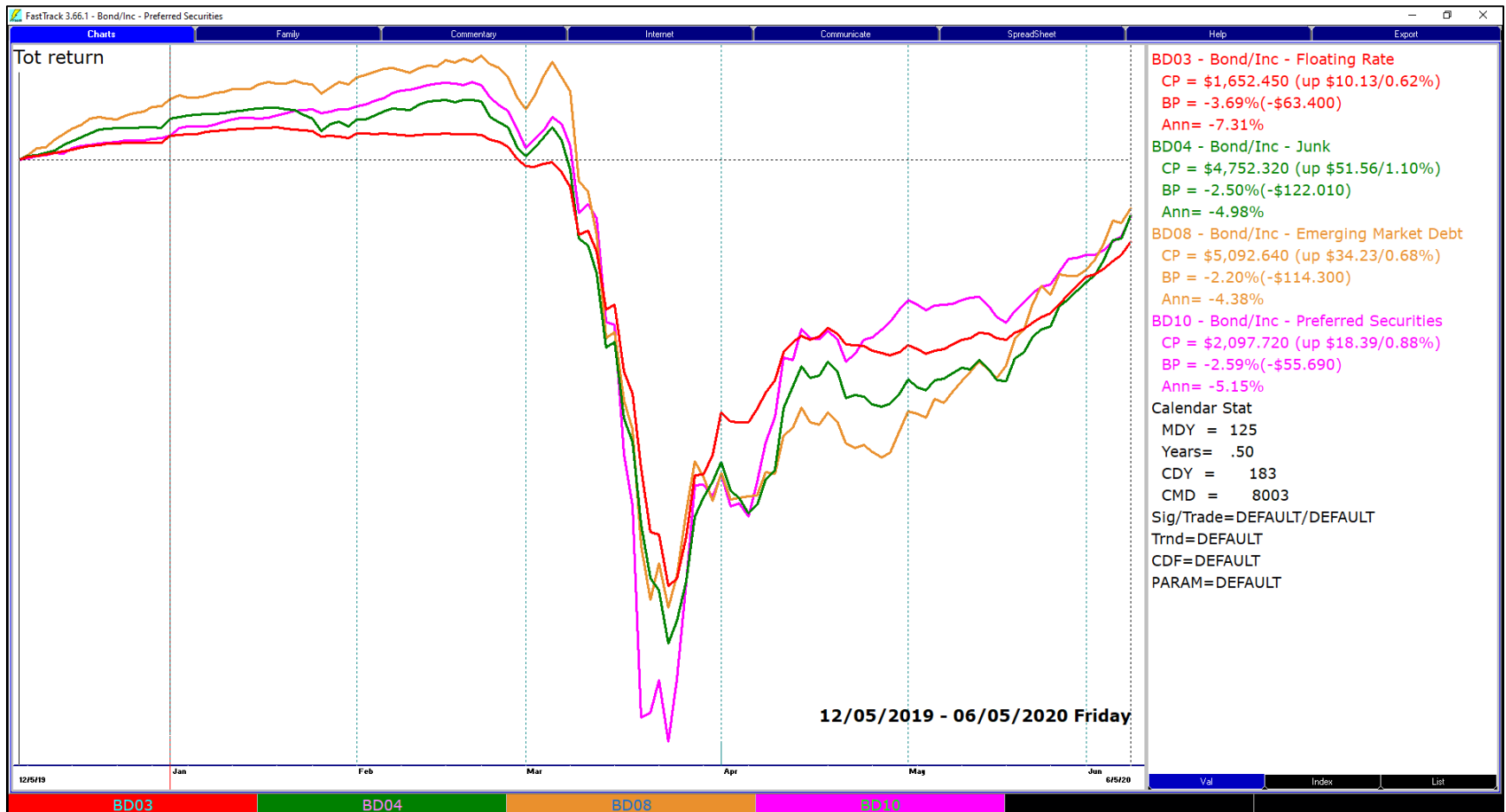
Symbol	Description	Sensitivity
BD01	US Treasury Bonds	Interest Rate
BD02	Corporate Bonds	Interest Rate
BD03	Floating Rate Bonds	Economic
BD04	Junk Bonds	Economic
BD05	Municipal Bonds	Interest Rate
BD06	High-Yield Muni Bonds	Interest Rate
BD07	Mortgage-backed Securities	Interest Rate
BD08	Emerging Market Bonds	Economic
BD09	Inflation Protected	Interest Rate
BD10	Preferred Securities	Economic

The bond / income groups are comprised of equally weighted groups mutual funds representing each group and are available monthly through the RGB Market Monitor newsletter. Symbols refer to symbols used in the Market Monitor newsletter. You cannot invest directly in these indices.

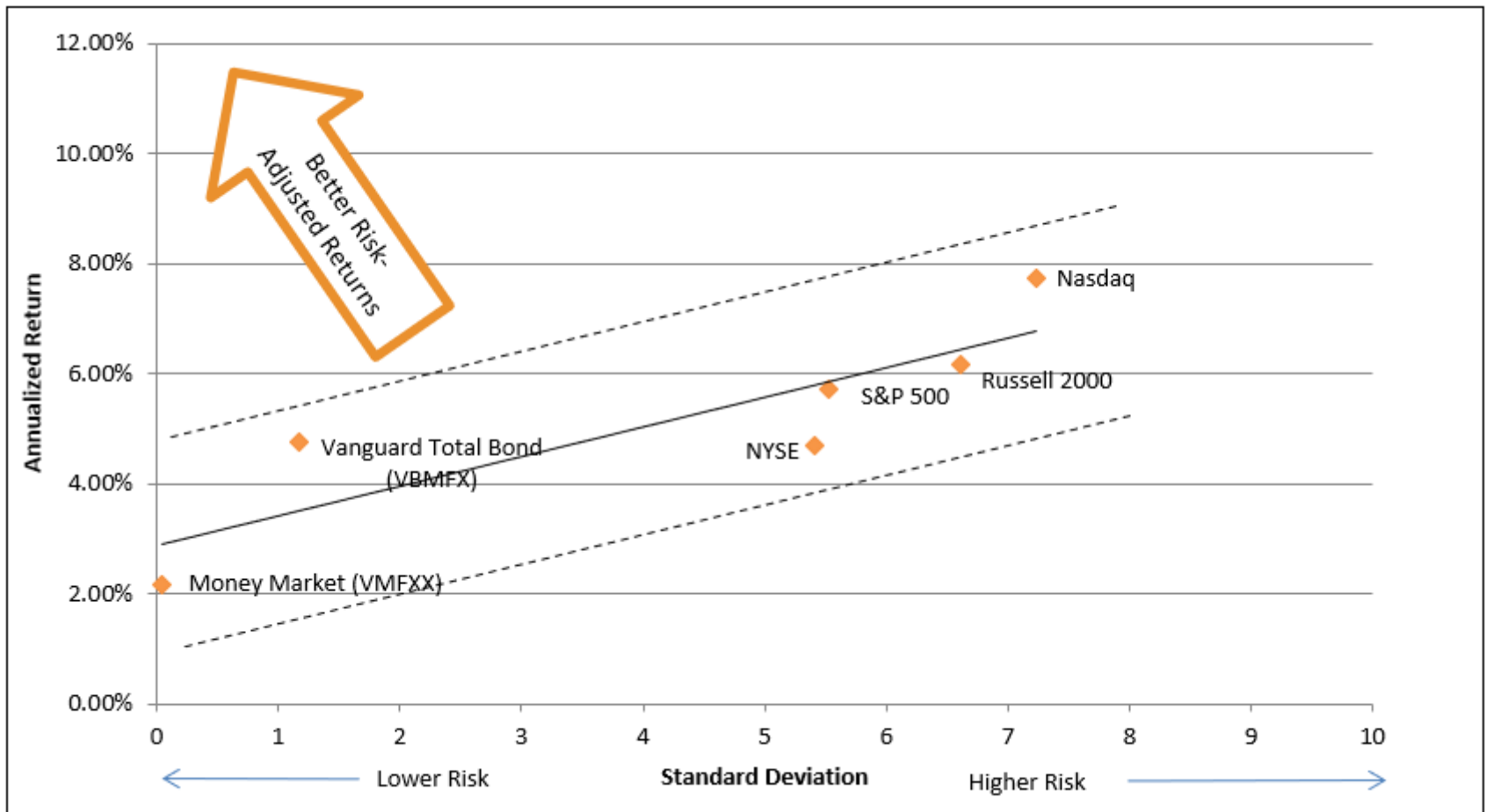
Interest Rate Sensitive Bonds 6-Month Chart



Economic Sensitive Bonds 6-Month Chart



Risk-Adjusted Returns



Best Risk-Adjusted Returns

Symbol	Description	Statistics for 4/9/20 - 6/5/20						YTD	One Year
		Return	Annual Return	ULCER	UPI*	MaxDrawDown	SD	Return	Return
BD08	Bond/Inc - Emerging Market Debt	11.08%	97.15%	0.82	117.84	-2.25%	2.55%	-4.91%	0.57%
BD10	Bond/Inc - Preferred Securities	6.70%	52.09%	0.46	111.81	-1.53%	2.00%	-3.69%	3.82%
BD02	Bond/Inc - Corporate	4.45%	32.49%	0.29	107.67	-0.95%	1.16%	3.86%	9.18%
BD04	Bond/Inc - Junk	9.32%	77.87%	0.88	87.15	-2.06%	2.34%	-4.34%	0.94%
BD03	Bond/Inc - Floating Rate	5.25%	39.19%	0.6	63.35	-1.25%	1.16%	-4.77%	-2.79%
BD07	Bond/Inc - Mortgage-backed	0.77%	5.11%	0.15	27.76	-0.36%	0.51%	3.56%	6.01%
BD06	Bond/Inc - High Yield Muni	3.60%	25.69%	1.2	20.51	-2.57%	1.22%	-3.70%	-0.03%
BD05	Bond/Inc - Muni Bond	2.02%	13.78%	0.98	12.98	-2.32%	0.93%	0.11%	2.68%
BD09	Bond/Inc - Inflation Protected	0.20%	1.30%	0.58	0.52	-1.56%	1.23%	3.60%	6.15%
BD01	Bond/Inc - US Treasuries	-0.93%	-5.87%	0.82	-8.41	-2.14%	1.57%	7.63%	10.71%

* The bond / income groups above are sorted by UPI (a measure of risk-adjusted return) for the time period 4/9/2020 through 6/5/2020.

RGB Market Monitor - March 12, 2020

- “**This is an opportunity in the making.** Protecting capital, especially for those with a low tolerance for risk, during these difficult times is critical so that when the market bottoms (and it will bottom 😊) we can take advantage of the emerging opportunity.” (Page 1)
- “The bond / income groups are in downtrends or indicating possible topping patterns with the exception of US Treasuries. **If you use a moving average as a stop for your bond / income holdings, you would most likely have sold by this point.** Cash is an attractive asset class when compared to these other groups. While the returns on money markets are not great, it is best to protect your capital during volatile periods such as this. There will be a great buying opportunity down the road and if we protect our capital now, we can take full advantage of the opportunity when it presents itself. **Spend the time now to prepare for the eventual bottom in the market.**” (Page 9)

RGB Market Monitor - April 9, 2020

- “While I have less certainty in the future direction of the stock market, the bond markets have reacted favorably to the stimulus that has been provided. After plummeting throughout most of March, all the bond / income groups on page 8 have bounced off their lows. This is likely a unique opportunity for individual investors to take advantage of the potential rebound.” (Page 1)
- “The steep declines in the bond / income groups have created a unique opportunity for investors to benefit from the potential rebound in these groups. While most have not crossed above their 50-day moving averages, all but the most conservative investors might consider stepping back into the market to take advantage of the potential recovery as the Federal Reserve quantitative easing program provides support, either directly or indirectly, for these groups. If you do re-enter the market, remember to set ‘mental’ stops to so that if the market turns down, you know your risk exposure.” (Page 9)

RGB Market Monitor - May 14, 2020

- “I believe individual investors would be better served by researching the better risk-adjusted returns being provided by the bond / income groups.” (Page 1)
- “There are several good opportunities for good risk-adjusted returns within the bond / income groups. **The most compelling groups are the economically sensitive groups that tend to do well when the economy is doing well. In particular, Preferred Securities (BD-10), Junk Bonds (BD-04) and Emerging Market Debt (BD-08) are providing some attractive risk-adjusted returns.** Given the volatility of the market, these trends could change at any moment and mental stops should be placed on all holdings to limit downside risk. ” (Page 10)

33% Junk Bonds / 33% EM Debt / 33% Preferred Securities

