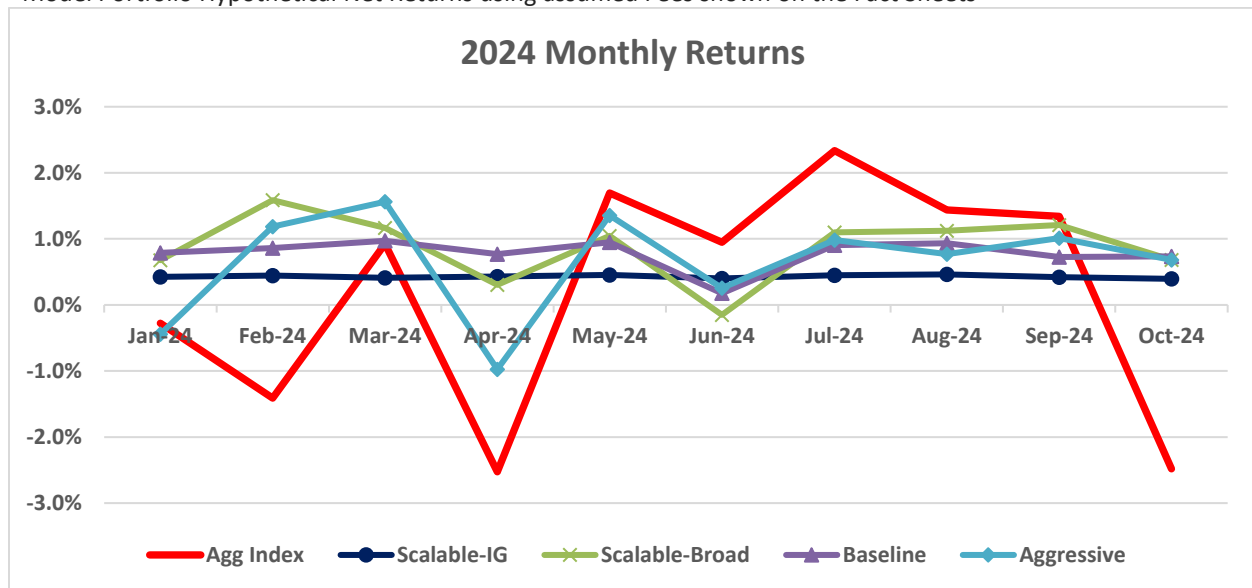


Oct 2024 - PlusAlpha: Systematic Active Fixed Income ETF Model Portfolios

PlusAlpha Active Model Portfolios & Benchmarks*	Oct 2024	YTD 2024	1-year	3-year	5-Year	ITD 1/2016	Annual Alpha - AGG	Beta- AGG	Corr - AGG	Number of Positive Mths
ARAM Active Model Portfolios using 400+ ETFs (Net returns)										
Baseline	0.7%	7.2%	10.9%	5.7%	25.8%	56.7%	4.4%	0.6	0.47	71%
Aggressive	0.6%	5.7%	14.3%	-9.6%	51.4%	96.0%	7.1%	1.0	0.38	66%
Scalable - IG	0.4%	4.0%	4.8%	-4.4%	4.2%	28.6%	1.7%	0.8	0.67	65%
Scalable - Broad	0.6%	8.6%	13.5%	10.3%	10.2%	33.6%	2.4%	0.7	0.56	64%
Passive Benchmark Indices										
Agg Index	-2.5%	1.9%	10.5%	-6.5%	-1.1%	14.4%	0.0%	1.00	1.00	54%
U.S. Treasury	-2.4%	1.4%	8.4%	-7.4%	-3.4%	8.5%	-0.5%	0.91	0.94	
Govt-Related	-2.1%	2.3%	9.0%	-3.6%	0.6%	17.8%	0.6%	0.85	0.96	
Corporate	-2.4%	2.8%	13.6%	-6.1%	2.7%	28.8%	1.0%	1.27	0.91	
Securitized	-2.7%	1.7%	11.3%	-5.7%	-2.4%	9.2%	-0.4%	0.93	0.95	
MBS	-2.8%	1.5%	11.4%	-6.1%	-3.0%	8.2%	-0.5%	0.95	0.95	
High Yield	-2.5%	1.9%	10.5%	-6.5%	-1.1%	14.4%	5.3%	0.77	0.53	

*Model Portfolio Hypothetical Net Returns using assumed Fees shown on the Fact Sheets



Our models have avoided getting whipsawed this year, unlike traditional Fixed Income, demonstrating the advantages of Systematic Active Risk Targeting.

Our portfolios significantly improve on the number of months with positive returns over the long term as well, and thus create Alpha, compared to benchmarks.

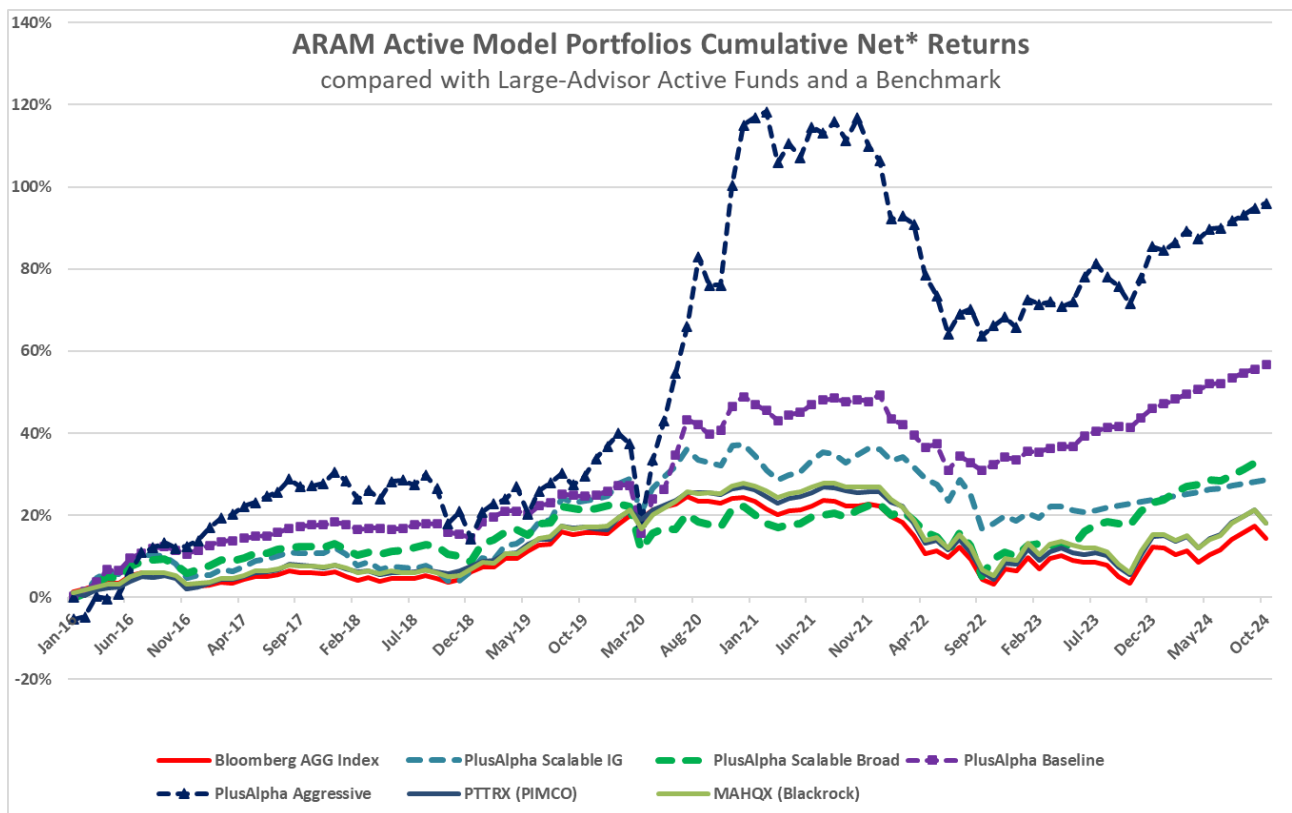
Our Active Fixed Income Model Portfolios are available on [Schwab's iRebal](#), and [Indexone.io](#).

We have a new deck that I can supply on request that has details on how our portfolios are created, and why this generates Alpha while traditional Fixed Income fails to do so.

The title of the deck is "Unlocking the Potential of Fixed Income".

We believe that our process is the future of Fixed Income. The end game for fixed income will be ETFs that represent Risk Factors, with PMs and market makers to manage the ETFs, with Risk Targeting processes to construct portfolios from Factor ETFs. Fixed Income will finally resemble Equities.

Fixed Income investors deserve Returns and Liquidity, with reduction of Risk, and our Model Portfolios deliver these.



Our Model Portfolios are ideal for independent Wealth Managers and RIAs who are not limited to the offerings from their custody platforms.

We also use our algorithms to create Active model portfolios using an individual Advisor's fund products (eg Vanguard, JP Morgan, Blackrock, PIMCO, Capital Research, etc). These Advisor portfolios significantly outperform an Advisor's own Active and Multi Asset funds created by their internal groups. We have supplements to our decks for these products.

These can be used by Advisors and other investor types like Foundations, who are limited to their custody platform's products, but are Fiduciaries and want to deliver returns. We are also looking to be Sub-Advisors for the Advisors, creating funds from the model portfolios described above.

We can customize portfolios for specific needs. Our Model Portfolios are starting points for a conversation about a customized portfolio.

Baseline

This is our primary recommended Active model portfolio. It includes ETFs of most asset classes that are used by other 'Active' Fixed Income funds – basically IG plus High Yield.

Aggressive

This adds Convertibles to the Baseline portfolio construction, as many Active funds and ETFs use this sector in their portfolios for more 'yield'.

Scalable – IG (Investment Grade)

This model portfolio uses 8 very large Benchmark Sector ETFs from only IG sectors, matching the definition of the Agg Index. I think this has more capacity than more investors will have in Fixed Income.

Scalable – Broad

This model portfolio adds High Yield to the Scalable IG construction. With HYG being very liquid and very diversified, it takes away most arguments for not using High Yield.

None of our model portfolios use any leverage. The Alpha of our portfolios is generated through systematic Active Management, by using the portfolio construction process and algorithms derived from our research on market structure and behavioral biases in FI.

All the model back-test total returns are 'out-of-sample', with implied fees, after systematic rebalancing creates the following period's portfolio. The only risk to these return numbers that we can identify come from execution risk. To handicap this, our Fact Sheets display Bloomberg's LQA (Liquidity Analysis) statistics for the current portfolio – this was described in the [April 2024 newsletter](#).

To recap: we target the risk of a benchmark index - the AGG, HYG, etc - and systematically build portfolios of Fixed Income ETFs, and rebalance the portfolios of ETFs periodically to reflect changes in market risk, making this an Active Strategy.

We believe this is the only true Active Fixed Income strategy offered in the market – our research is available in our paper [‘Are “Active” Fixed Income Funds Active?’](#).

Quick takeaway – if a fund is truly ‘Active’, it will have volatile Beta and low correlation with its benchmark.

Our strategy was conceived in 2016 as a result of our research into Behavioral Biases in Fixed Income and Flaws in the Market Structure. **Our systematic solution takes advantage of biases and flaws** in Fixed Income management to realize the potential returns available in Fixed Income, and to capture the attendant benefits to portfolio construction and asset allocation (low correlations, positive skewness, higher Sharpes).

The long-term Alpha is significant. The Risk Targeting algorithms are continuously improved, and the Alpha has been persistent.

Unlike many quant strategies, we expect the Alpha in our Systematic Fixed Income Strategy to remain persistent.

We currently custody at Charles Schwab and Interactive Brokers for our systematic strategies.

We are also seeking institutions, wealth managers and TAMPs that might have interest in licensing our customizable Model Portfolios.

Please call with questions.

Regards, Samir

November 15, 2024

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