May 2024 – ARAM AGG Plus Alpha - Returns and Newsletter

AGG Plus Alpha – Systematic Active Fixed Income ETF Model Portfolios

	May24 % Net Return	2024 YTD Net %	1 year Net %	3 year Net %	5 Year Net %	Cum Net % since 1/2016	12mo Beta to AGG	12mo Correl to AGG	12mo Ret/St Dev
Baseline: (ModelPort20)	**+0.96%**	**+4.6%**	**+13.2%**	**+6.9%**	**+21.4%**	**+39.8%**	**0.24**	**72%**	**4.9**
Aggressive: (ModelPort55)	**+1.08%**	**+4.3%**	**+12.6%**	**+3.0%**	**+23.6%**	**+55.6%**	**0.30**	**76%**	**4.1**
CoreAGG: (ModelPort91)	**+1.04%**	**+3.9%**	**+12.3%**	**+3.6%**	**+14.4%**	**+26.9%**	**0.22**	**58%**	**4.3**
Diversified: (ModelPort1)	**+1.09%**	**+2.9%**	**+10.9%**	**+3.3%**	**+24.1%**	**+41.9%**	**0.33**	**68%**	**3.3**
Large-Diversified (ModelPort3)	**+1.14%**	**+2.1%**	**+8.6%**	**+0.9%**	**+17.3%**	**+32.5%**	**0.40**	**80%**	**2.2**
AGG ETF	**1.7%**	**-1.6%**	**1.3%**	**-8.9%**	**-1.1%**	**9.9%**	**1.0**	**100%**	**0.2**
U.S. Treasury	1.5%	-1.9%	-0.2%	-9.8%	-3.3%	5.1%			
Govt-Related	1.4%	-0.9%	2.1%	-6.3%	1.3%	14.1%			
Corporate	1.9%	-1.1%	4.4%	-7.9%	5.0%	23.9%			
Securitized	2.0%	-1.9%	0.8%	-9.3%	-3.5%	5.3%			
MBS	2.0%	-2.1%	0.5%	-9.6%	-4.2%	4.3%			

Bonds rallied in May, and duration differences resulted in a range of positive returns. All of our Systematic Active Model Portfolios were up for the month, however, they were outperformed by the benchmarks, which all have longer duration than our portfolios. YTD, and over longer periods, our Active Models exhibit significantly higher returns, with lower risk (see the new column on the right of the table).

Our Fact Sheets incorporate the LQA (Liquidity Analysis) of our model portfolios – this was described in the April 2024 newsletter.

The long-term Alpha is significant. This 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 these biases and flaws 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 performance has been tracked since 2017, with the Risk Targeting algorithms 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, since the SEC has shown no interest in fixing the Fixed Income Market Structure.

To recap: we target the risk of the AGG, 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 '<u>Are "Active" Fixed Income Funds Active?</u>'.

The model returns shown are all out of sample, after systematic rebalancing creates the following period's portfolio. Monthly total returns for funds used by our models and systems use Bloomberg's calculators to combine price changes and income returns. These are compounded to compute the Model Portfolio returns.

Please click on the linked Fact Sheets for more statistics. Please review our previous newsletters for details on the portfolio construction and rebalancing.

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

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

Please call with questions.

Regards, Samir

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