



**If You Can't Beat the Fed, Then Join Them!**

**It has long been said that “if you can’t beat them, join them” and the Fed in 2022 is no exception. Is there hope for fixed income investors? Absolutely!**

Chairman Powell and his friends seem determined to cause pain for fixed income investors on their tireless journey to crush runaway inflation, and the worst part is, they may not be able to do it.

Fixed Income ETFs have suffered greatly at the hands of the Fed this year and there are very few places to hide. Out of 561 fixed income ETFs in the category, only 28 had a positive YTD return<sup>1</sup>. That’s more than 95% that are delivering “pain”, with an average YTD Return of -13.56%, and with some delivering excruciating pain in the -40% neighborhood<sup>2</sup>.

So if you can’t “Fight the Fed”, and you can’t “Hide from the Fed”, what is a fixed income investor to do? *Join the Fed!*

The funds that have shown resilience in this market are those that for the most part invoke unique strategies that display “all-weather” attributes or those that move inversely with the yield curve.

The ClearShares Ultra-Short Maturity ETF (NYSE Arca: OPER) came in at #7 on the list of positive YTD Return ETFs and has tracked closely to the fed funds rate historically. As the Fed continues to raise rates, or even if they pause, OPER investors should benefit.

561 matching funds, 561 matching tickers

Summary	Assets	Cost	Performance	Flow	Liquidity
Top Funds	All Funds				
Ticker	30D Vol	Class Assets (...)	Fund Assets ...	YTD R...	↓
Median	48.32k	138.41	135.10	-12.96%	
1) PFI	374.63k	411.53	411.53	+103.9%	
2) RRH	42.53k	51.51	51.51	+50.71%	
3) RISR	41.92k	86.22	86.22	+32.49%	
4) RINF	32.98k	80.18	80.18	+14.94%	
5) USFR	4.21M	11,918.92	11,918.92	+1.31%	
6) TFLO	1.19M	3,778.48	3,778.48	+1.30%	
7) OPER	29.87k	255.46	255.46	+1.08%	
8) IBHB	15.23k	108.04	108.04	+1.01%	
9) SGOV	1.57M	5,324.45	5,324.45	+0.92%	
10) IBDN	323.95k	1,341.00	1,341.00	+0.81%	
11) FAIL	3.65k	5.41	5.41	+0.78%	
12) BIL	6.82M	25,275.92	25,275.92	+0.74%	
13) PVI	40.20k	76.01	76.01	+0.54%	
14) PULS	1.07M	2,854.94	2,854.94	+0.49%	
15) IBTB	96.99k	201.59	201.59	+0.49%	
16) CLTL	136.62k	984.18	984.18	+0.43%	
17) IBCE	4.02k	38.65	38.65	+0.37%	
18) GBIL	773.74k	4,084.96	4,084.96	+0.34%	
19) IBDD	20.19k	81.79	81.79	+0.33%	
20) BSCM	536.52k	1,671.20	1,671.20	+0.32%	
21) IBMK	90.35k	408.95	408.95	+0.26%	
22) SHV	4.38M	21,104.23	21,104.23	+0.24%	
23) FTSM	1.72M	6,902.58	6,902.58	+0.21%	
24) BILS	120.35k	376.89	376.89	+0.16%	
25) JPST	5.49M	22,122.49	22,122.49	+0.16%	
26) FLRN	1.00M	3,101.11	3,101.11	+0.10%	
27) FLOT	1.68M	9,093.23	9,093.23	+0.10%	
28) ICSH	1.48M	7,036.52	7,036.52	+0.05%	
29) BSMM	12.42k	80.86	80.86	-0.12%	

Source: Bloomberg (11/3/2022)

OPER is a distinct ultra-short strategy that utilizes tri-party repurchase agreements (repos) as it's investment strategy. Repurchase agreements are institutional lending transactions that finance fixed income securities holdings for banks and broker-dealers using the securities as collateral. The securities and cash are held by a tri-party custodian. Some of the key attributes of OPER include:

- Only accepts US government, US Agency, and Agency MBS securities as collateral
- Receives between 2% and 20% of excess collateral over the loan amount providing significant protection from price volatility of the pledged securities
- Trades typically range from overnight up to one month
- BNY Mellon is the fiduciary tri-party custodian
- OPER has the contractual ability to invoke early terminations on repo agreements with counterparties to meet redemptions

When adding a price volatility measurement to this short list of positive YTD Return ETFs, we see that the funds with the highest returns are typically the funds with the highest risk based on Daily Return Standard Deviation\*<sup>3</sup>. Of the funds with a calculated Daily Return Standard Deviation, OPER's value of 0.0050% is the lowest in the group<sup>4</sup>.

When taking into account OPER's very limited volatility and it's positive return profile in the current environment, OPER could be a very viable investment option as a cash alternative or a core fixed income holding for client accounts.

Portfolio Management Team:

Jim Fortescue  
Frank Codey  
Tara Spillane

\*Standard deviation is a statistical measurement that, when applied to the rate of return of an investment, provides an assessment of that investment's historical volatility.

Source Notes:

1. Bloomberg
2. Bloomberg
3. Morningstar
4. Morningstar