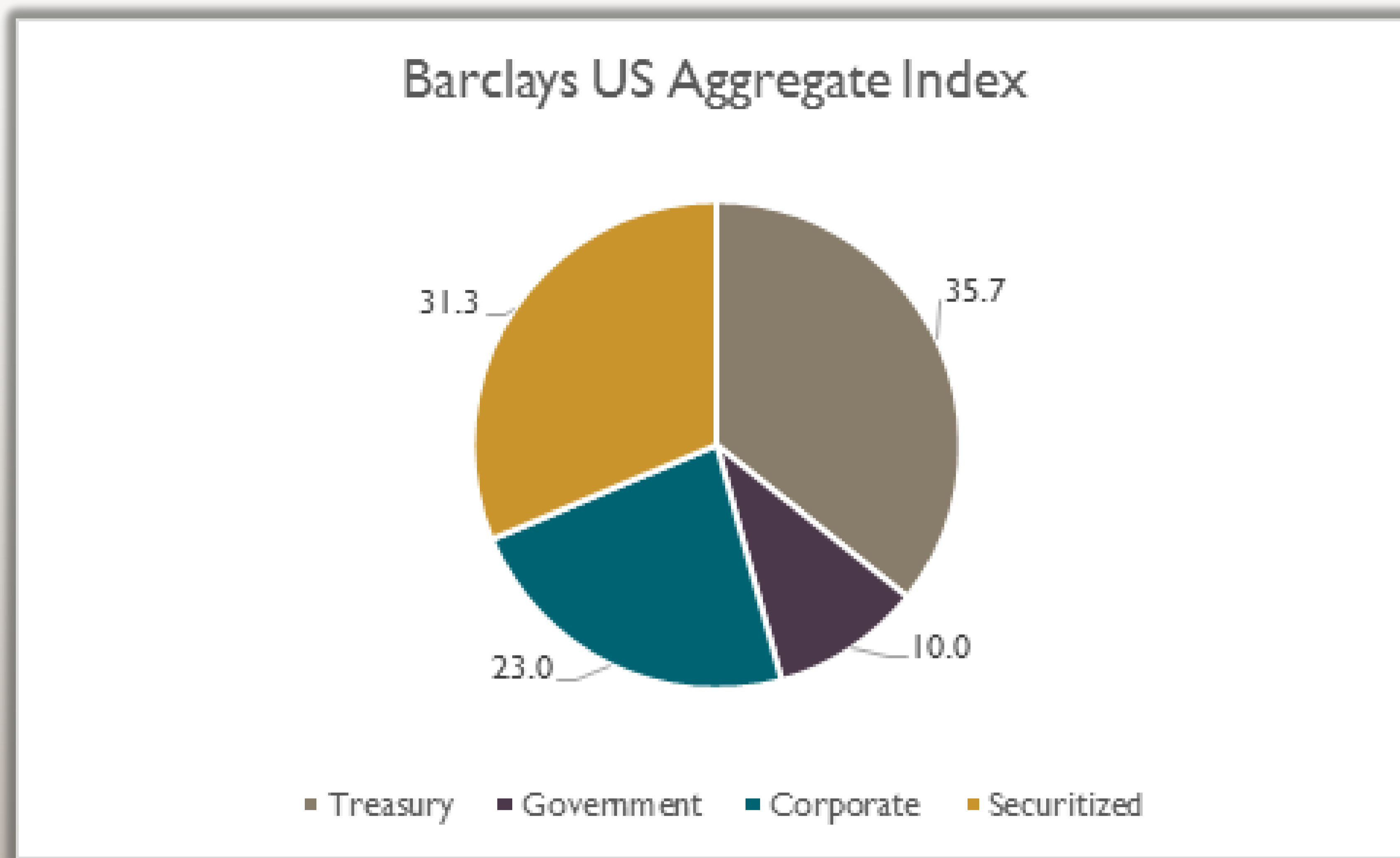




**BEYOND THE AGG: 3 SOLUTIONS TO PUMP UP YIELD ON A TRADITIONAL BOND ETF PORTFOLIO**

**J.J. Schenkelberg, CFA, Senior Portfolio Manager**  
**Case Eichenberger, Client Portfolio Manager**

# Barclays Aggregate Bond Index



Yield 2.1%

Duration 5.5

Risk Score 0.03



## Positive Attributes of the Aggregate Bond Index

- Lower portfolio volatility
- Increase diversification
- Provide Income

## Limitations of Aggregate Bond Index

- Interest Rate Risk
- Yield Historically Low
- Limited Diversification



## Strategies Beyond the Agg

1. Corporate Bonds/Hybrid Securities
2. International Bonds
3. Master Limited Partnerships/REITs

## Solution: Multi-Asset Approach



# Strategies Beyond the Agg

- 1. Corporate Bonds/Hybrid Securities**
2. International Bonds
3. Master Limited Partnerships/REITs

## Solution: Multi-Asset Approach



## Advantages

- Lower interest rate risk versus U.S. Treasury Bonds
- Higher Income Yield
- Economic exposure

### ETF Ideas

HYG	iShares iBoxx \$ High Yield Corporate Bond
BKLN	PowerShares Senior Loan Portfolio
PFF	iShares S&P U.S. Preferred Stock Index



**HYG**      **iShares iBoxx \$ High Yield Corporate Bond**

Yield	5.5%
Duration	4.0
Risk Score	0.30

**BKLN**      **PowerShares Senior Loan Portfolio**

Yield	4.0%
Duration	1.6
Risk Score	0.37

**PFF**      **iShares S&P U.S. Preferred Stock Index**

Yield	4.6%
Duration	5.9
Risk Score	0.63





## Strategies Beyond the Agg

1. Corporate Bonds/Hybrid Securities
- 2. International Bonds**
3. Master Limited Partnerships/REITs

## Solution: Multi-Asset Approach





# Advantages

- Credit Diversification
- Currency Diversification
- Yield

## ETF Ideas

EMB	iShares TR JPM US Emerging Markets Bond
BWX	SPDR Barclays International Treasury Bond
BNDX	Vanguard Total International Bond Index ETF



**EMB          iShares JPMorgan USD Emerging Markets Bond**

Yield            4.4%

Duration        7.1

Risk Score     0.46

**BWX          SPDR Barclays International Treasury Bond**

Yield            1.2%

Duration        7.7

Risk Score     0.20

**BNDX        Vanguard Total International Bond Index ETF  
(currency hedged)**

Yield            1.6%

Duration        6.8

Risk Score     0.05



# Strategies Beyond the Agg

1. Corporate Bonds/Hybrid Securities
2. International Bonds
- 3. Master Limited Partnerships/REITs**

## Solution: Multi-Asset Approach



## Advantages

- Higher Income Yield
- Industry Exposure

### ETF Ideas

AML	ALPS Alerian Master Limited Partnership ETF
IYR	iShares Dow Jones U.S. Real Estate Index Fund
IFGL	iShares FTSE EPRA/NAREIT Global Real Estate ex-US



**AMLPS ALPS Alerian Master Limited Partnership ETF**

Yield	5.9%
Duration	N/A
Risk Score	0.78

**IYR iShares Dow Jones U.S. Real Estate Index Fund**

Yield	3.6%
Duration	N/A
Risk Score	1.04

**IFGL iShares FTSE EPRA/NAREIT Global Real Estate ex-U.S.**

Yield	3.4%
Duration	N/A
Risk Score	1.02



## Strategies Beyond the Agg

1. Corporate Bonds/Hybrid Securities
2. International Bonds
3. Master Limited Partnerships/REITs

**Solution: Multi-Asset Approach**





## Seeks to Provide

- Dependability
- Security
- Flexibility
- Consistency

## Utilizes

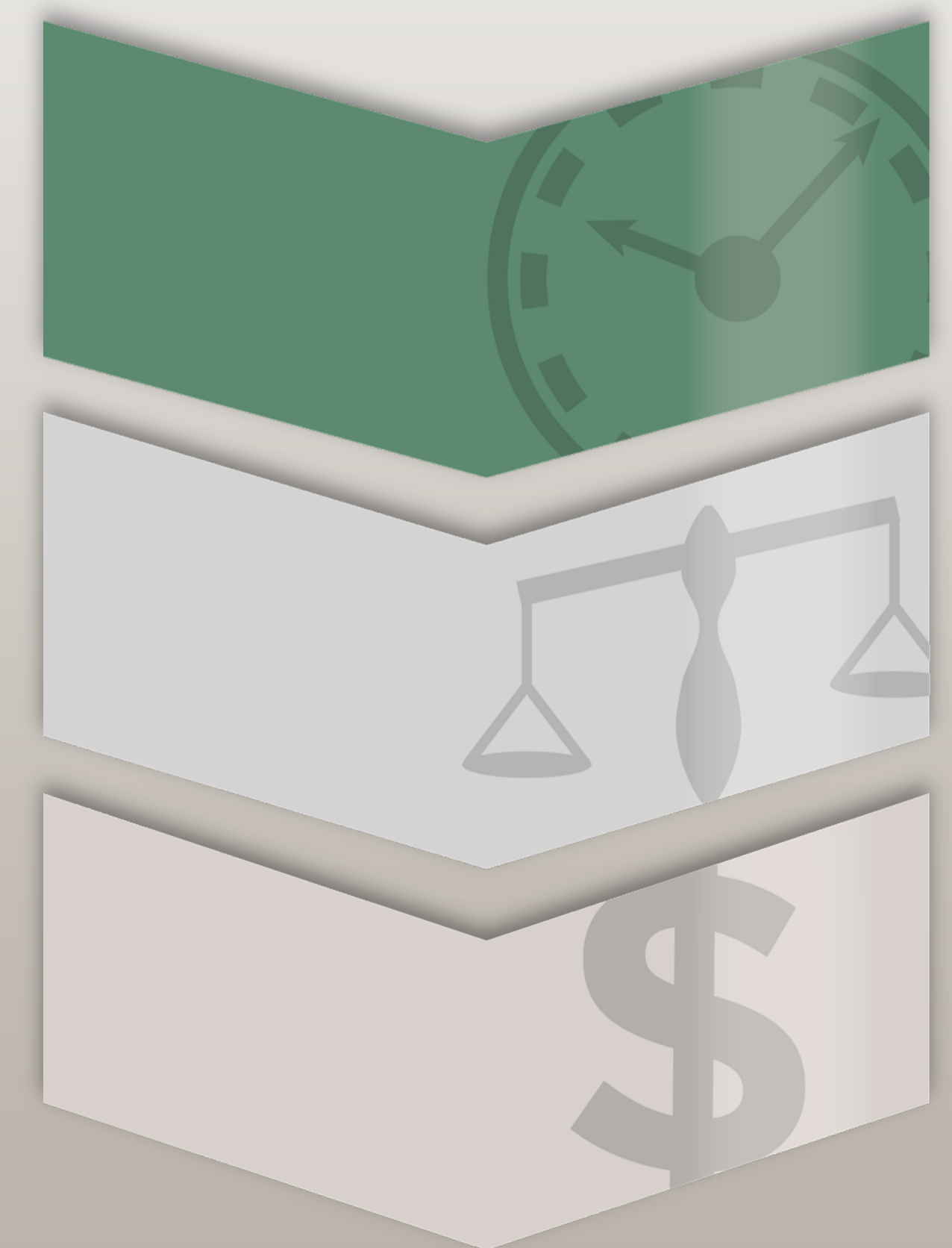
- Reserve Bucket System
- Income-Generating Investments
- Risk-Budgeted Portfolios





## Income-Generating Investments (Long-Term)

- Represents the bulk of the client's portfolio
- Dividends and capital gains from these assets either:
  - replenish the client's cash or reserve buckets
  - are reinvested
  - are paid directly to the client
- Includes a variety of income-generating investments



# Income Generating Assets

- Example: Adaptive Use of Multiple Income Generating Assets:
  - Bonds
  - Preferred Stocks
  - REITs
  - High Dividend Stocks
  - Covered Calls

**Income-Producing Investments, Ranked by Annual Total Return**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
High	High Dividend Stocks	High Dividend Stocks	REITs	REITs	REITs	REITs	REITs	Equity Call Options	Inv. Grade Bonds	High Yield Bonds	High Dividend Stocks	High Dividend Stocks	REITs	High Dividend Stocks	Preferred Stocks
	Preferred Stocks	Inv. Grade Bonds	Inv. Grade Bonds	High Dividend Stocks	High Dividend Stocks	Inv. Grade Bonds	High Dividend Stocks	Inv. Grade Bonds	Preferred Stocks	REITs	REITs	Equity Call Options	High Yield Bonds	Equity Call Options	High Dividend Stocks
	REITs	Preferred Stocks	Preferred Stocks	High Yield Bonds	High Yield Bonds	Equity Call Options	Equity Call Options	High Yield Bonds	High Yield Bonds	Equity Call Options	High Yield Bonds	High Yield Bonds	Preferred Stocks	High Yield Bonds	REITs
	Inv. Grade Bonds	REITs	High Yield Bonds	Equity Call Options	Equity Call Options	High Dividend Stocks	High Yield Bonds	High Dividend Stocks	Equity Call Options	Inv. Grade Bonds	Preferred Stocks	Inv. Grade Bonds	Inv. Grade Bonds	REITs	Inv. Grade Bonds
	Equity Call Options	High Yield Bonds	High Dividend Stocks	Preferred Stocks	Inv. Grade Bonds	High Yield Bonds	Preferred Stocks	Preferred Stocks	High Dividend Stocks	Preferred Stocks	Inv. Grade Bonds	Preferred Stocks	High Dividend Stocks	Inv. Grade Bonds	Equity Call Options
Low	High Yield Bonds	Equity Call Options	Equity Call Options	Inv. Grade Bonds	Preferred Stocks	Preferred Stocks	Inv. Grade Bonds	REITs	REITs	High Dividend Stocks	Equity Call Options	REITs	Equity Call Options	Preferred Stocks	High Yield Bonds



The graphs and charts are for informational purposes only. No graph or chart should be regarded as a guide to investing.

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## Model Holdings for ETF Managed Income Strategy\*

Asset Class	Risk Budget 75	Risk Budget 60	Risk Budget 45	Risk Budget 30
Large-Cap Value	13%	13%	9%	4%
Large-Cap Core	7%	3%		
Small/Mid Cap Value	17%	12%	7%	6%
Developed International	10%	9%	6%	3%
Emerging Markets	9%	4%	5%	3%
High Yield Bonds	11%	16%	20%	16%
Intermediate/Long-Term Bonds	11%	25%	38%	45%
Short-Term Bonds/Cash	2%	2%	2%	18%
Other	20%	16%	13%	5%

\*as of 12/31/2014

Any actual holdings displayed are as of the date provided at the bottom of the chart or graph. Current holdings may differ.



# CLS's Approach to Interest Rate Risk Mitigation

- Global multi-asset allocation
- Management of duration
- Exposure to variable-rate securities



**Questions?**

