



# **R**RIEGER **B**REPORT<sup>®</sup>

**A Passive RO/RO Strategy: PTBD**

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## Passive Risk-Off/Risk-On Fixed Income with an ETF! PTBD

The Rieger Report has initiated coverage of the Pacer TrendPilot® US Bond ETF, symbol PTBD.

What caught my attention to this relatively new ETF is that it is a passive rotation strategy for periods of time that are either risk-off or risk-on. In my view, the Pacer concept is beautifully simple: as investors shift to either risk-on or risk-off positions that in turn can drive performance in specific bond market segments. Shifting exposure to those markets to capture the performance is the goal.

To determine the risk-on/risk-off cycles, the PTBD ETF is based on a Pacer developed index which calculates the Risk Ratio<sup>1</sup> between two broad asset classes, junk bonds and risk-free Treasury bonds.

- Risk-on is represented by the S&P U.S. High Yield Corporate Bond Index
- Risk-off is represented by the S&P U.S. Treasury Bond 7-10 Year Index

To alternate exposure, the underlying Pacer index and its Risk Ratio must, over a 5-day consecutive period, trend higher or lower than the 100-day simple moving average.

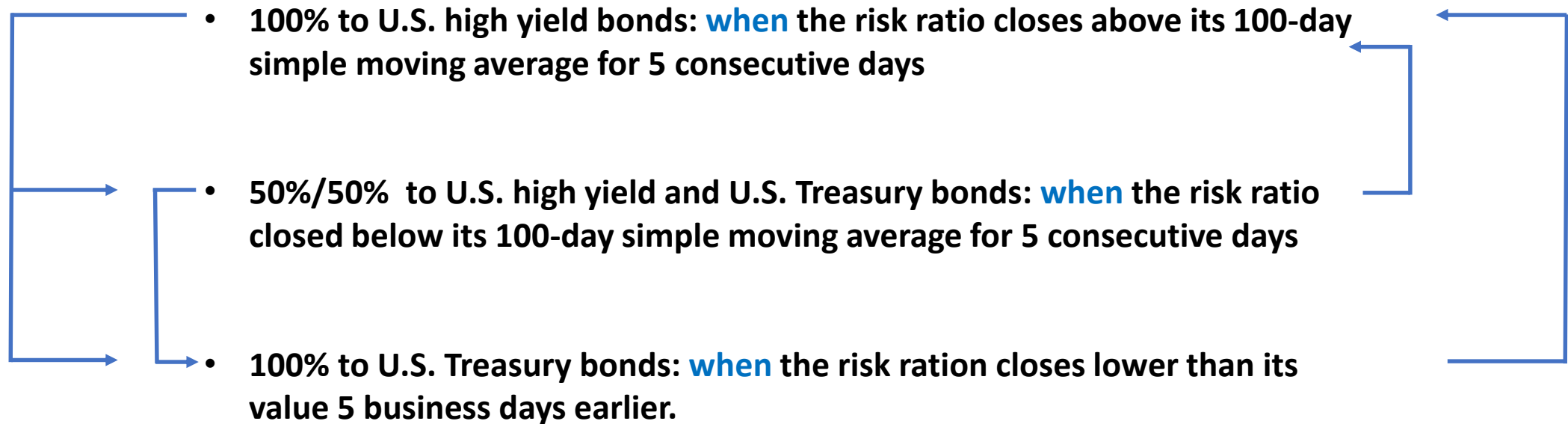
<sup>1</sup>Risk Ratio is calculated by dividing the S&P U.S. High Yield Corporate Bond Index total return by the S&P U.S. Treasury Bond 7-10 year Index total return.

Source: [Pacerefs.com](http://Pacerefs.com).

Risk-off  
markets

The Pacer PilotTrend® US Bond ETF rotates risk exposure:

Risk-on  
markets



Source: [Paceretfs.com](http://Paceretfs.com).

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## Rieger Report Perspectives on PTBD

### Potential benefits of PTBD:

- Bond exposure that is easy to explain and understand.
- Rules based passive risk-on/risk-off fixed income strategy.
- The risk ratio 5-day consecutive trigger and the 100-day simple moving average should help keep transaction costs down while adhering to the overall strategy.
- Currently, the ETF based on Assets Under Management (AUM) is relatively small and holds 100 securities. This nimble size should be beneficial to the execution of the strategy.

### Potential pitfalls of PTBD:

- When in the risk-on time periods, PTBD invests in corporate junk bond issues. While these tend to be the larger more liquid bond issues there can still be transaction costs associated with buying & selling these bonds as well as periods where liquidity may vary.
- The passive allocation to a rotation strategy such as this has limited real-life experience. Performance overtime should be telling.

Source: [Paceretfs.com](http://Paceretfs.com).

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## Comparing PTBD to SPDR JNK

	Pacer TrendPilot® US Bond PTBD	SPDR Bloomberg Barclays High Yield JNK
Active/Passive:	Passive - Strategy	Passive
Inception Date:	10/22/2019	11/28/2007
Assets:	\$74million	\$10billion
Management Fee:	60bps	40bps
Year-to-Date Return:	0.67%	-0.28%
30 Day SEC Yield:	4.28%	4.68%
Yield to Maturity:	5.71%	6.06%
Yield to Worst:	5.11%	5.47%
Exchange:	NYSE	NYSE
Index:	Pacer TrendPilot® US Bond Index	Bloomberg Barclays High Yield Very Liquid Index

Sources: [Paceretfs.com](http://Paceretfs.com), Pacer ETFs, [SSGA.com](http://SSGA.com) and Yahoo.com. Table is provided for illustrative purposes only. Past performance is not a guarantee of future results. Data as 1/31/2020.

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## Data Resources Used in this Report

- Pacer ETFs: [www.paceretfs.com](http://www.paceretfs.com)
- SPDR ETFs: [www.ssga.com](http://www.ssga.com)
- Yahoo Finance [www.yahoo.com](http://www.yahoo.com)

January 16th, 2020



### **Analyst Disclosure:**

- **At the time of this writing, JR Rieger's fixed income exposure is in individual municipal bonds and a municipal bond fund.**
- **JR has not received compensation in any form from Pacer ETFs in the compilation or publication of this report.**

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