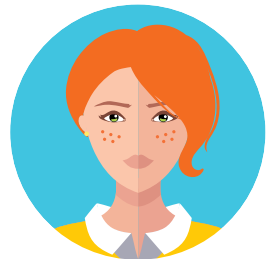
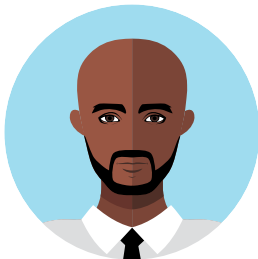
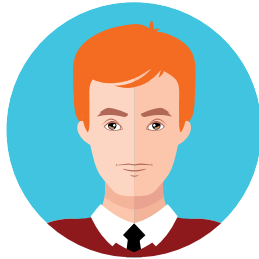


ETFReport

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CHOOSING
CLIENTS
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WHY I OWN ANGL

Market Vectors Fallen
Angel High Yield Bond

KIM NORDMO

Founder



FIRM: Artience Capital Management
LOCATION: San Francisco
FOUNDED: 2009
AUM: \$55 million
% ETFs: 95% +

When did you first invest in the Market Vectors Fallen Angel High Yield Bond ETF (ANGL|C-49)?

I've just started to build positions in this fund. I started adding it to my model in the past month [June].

ANGL looks for value in bonds that were investment grade at first, but were later downgraded. Why would you recommend that approach to high-yield-bond investing over other ETFs?

It's all about methodology, and how and when the bonds get added to the index. Within my core and income portfolios, I've already made the decision to allocate a portion to high yield. It then comes down to looking at the universe of options within the category and figuring out why this particular process adds value.

These bonds start out investment grade, so we're talking about higher-quality issuers. When bonds get put on negative credit watch, institutional fund managers don't want to or can't hold these bonds, and they eventually get added to the Fallen Angel index. They tend to get oversold pretty quickly, so you're getting these bonds at pretty good price points. It's a good value play within high yield.

From a numbers perspective — within what I call the "pure play category" — of high yield, ANGL's returns are sensational.

Does it concern you that the fund has only \$39 million in assets?

It's definitely something you want to take into consideration when you're looking at adding any ETF to your portfolios. Sometimes no matter how compelling fundamentals might be, there are other "technical" factors that matter; specifically, in the

case of ANGL, it just comes down to getting the story out there.

What would be a trigger for you to get out of ANGL?

It would come down to whether I want to get out of the high-yield category in general. The primary driver there is going to be spreads relative to Treasuries. If spreads start to get really tight, I'll start to consider whether I'm getting paid enough to be in this category going forward.

You have to also consider defaults in high yield, which we're starting to see more of. But when you look at what sectors are represented among the defaults, it's dominated by energy and metals.

One of the other reasons I like ANGL is because it's more broadly diversified — it has a reasonable allocation outside the U.S. There's also a fair amount of financials exposure, and financials tend to do well in a rising rate environment.

If the Fed raises rates this year, do you see your outlook on high-yield bonds or fixed-income investing changing?

Not simply because of rising rates. I'm going to be holding fixed income no matter what in my core and income portfolios. Generally, I'm focused on total-return investing. It's just a question of what within that category I'm going to hold, and what duration risk I'll take. If you look back historically, high yield tends to do well in a rising rate environment.

But in the short term, there's the issue of flight to quality, fearmongering among some well-known hedge fund managers, and volatility in the market. Longer term, it should continue to perform well. And you have a cushion — the cushion of higher coupons — which somewhat insulates you from rising rates. ●

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Investing involves substantial risk and high volatility, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. An investor should consider the investment objective, risks, charges and expenses of the Fund carefully before investing. To obtain a [prospectus and summary prospectus](#), which contains this and other information, call 888.MKT.VCTR or visit marketvectorsetfs.com. Please read the [prospectus and summary prospectus](#) carefully before investing.