

Special Report: Astoria’s 10 ETF Themes for 2022

- Investors’ love affair with past winners is **insatiable**. The ‘conventional wisdom’ on Wall Street is that **US Large-Cap index stocks, Mega Cap Technology, and NFTs** will continue to be the ‘*big winners*’ in the years to come. Unfortunately, yesterday’s darlings seldom outperform in the future with the **same risk-adjusted returns per unit of liquidity risk** (this is important) as they did in the past. Paradigm shifts typically happen *slowly* and *quietly*, with most investors realizing **after the fact**.
- Many firms put out their 2022 reports with forecasts and predictions, but **very few of them are actionable**. We wish the authors would attach a link to their prior-year forecasts so we can judge how well they did. The goal of this piece is to not only provide **unique thought leadership** but to provide investors with **actionable investment ideas**. Here are our 10 ETFs for 2021 (click [here](#)) so you can evaluate our calls.

Exhibit 1. Astoria’s 10 ETF Themes for 2022

Astoria's 10 ETF Themes for 2022			
Theme	Ticker	Name	Segment
1). Inflation	PPI	AXS Astoria Inflation Sensitive ETF*	Inflation
1). Inflation	BCI	abrdrn Bloomberg All Commodity Strategy K-1 Free ETF	Global Broad Market
1). Inflation	KBWB	Invesco KBW Bank ETF	U.S. Banks
2). Dividend Income	SDY	SPDR S&P Dividend ETF	U.S. Large-Cap
2). Dividend Income	SPYD	SPDR Portfolio S&P 500 High Dividend ETF	U.S. Large-Cap
3). Real Estate	NETL	NETLease Corporate Real Estate ETF	U.S. Real Estate
4). MLPs	MLPA	Global X MLP ETF	U.S. Energy
5). Blockchain	BLOK	Amplify Transformational Data Sharing ETF	Global FinTech
6). Homebuilders	ITB	iShares U.S. Home Construction ETF	U.S. Homebuilding
7). Defensive Equity	USMV	Ishares MSCI USA Min Vol Factor ETF	U.S. Broad Market
7). Defensive Equity	XLU	Utilities Select Sector SPDR Fund	U.S. Utilities
7). Defensive Equity	XLV	Health Care Select Sector SPDR Fund	U.S. Health Care
8). Overwriting	QYLD	Global X NASDAQ 100 Covered Call ETF	U.S. Large-Cap
9). Fixed Income Alternatives	SRLN	SPDR Blackstone Senior Loan ETF	Global Senior Loans
9). Fixed Income Alternatives	HYD	VanEck High Yield Muni ETF	U.S. High Yield
10). International Equities	IHDG	WisdomTree International Hedged Equity Wuality Dividend Growth Fund	Dev Ex-U.S. Broad Market

Source of 10 ETF Themes for 2022: Astoria Portfolio Advisors. Segment data retrieved from ETF Action on December 22, 2022. Please refer to disclaimers at the back of this report for which ETFs Astoria holds on behalf of our clients. *Please see disclaimers at the back of this report for important information regarding PPI as it relates to Astoria Portfolio Advisors being a subadvisor for the ETF.

#1. Inflation: PPI (AXS Astoria Inflation Sensitive ETF*), BCI (Aberdeen Bloomberg All Commodity Strategy K-1 Free ETF), and KBWB (Invesco KBW Bank ETF)

PPI (AXS Astoria Inflation Sensitive ETF*)

- Historically, cyclically oriented sectors such as energy, materials, industrials, and financials have shown higher sensitivity to rising inflation. Hence, we believe this cohort of stocks can benefit from higher inflation. Additionally, commodities serve to provide additional protection as they tend to move at a different stage of the inflation cycle. Astoria has had an out-of-consensus view dating back to 2020 that inflation would be higher than most were expecting.
- It has been a perfect storm for higher inflation. **Supply chains broken + tons of liquidity being pumped into the system by governments and central banks = higher than expected inflation.** Remember, inflation was largely ignored over the past decade, and we think we are still in the early stages of the inflation cycle. Moreover, inflation-linked assets still offer an attractive margin of safety.
- PPI invests in securities across multiple asset classes with the potential to benefit, either directly or indirectly, from higher inflation. The ETF will generally hold 40-50 stocks in the energy, materials, industrial, and financial sectors. PPI may invest in other ETFs with exposure to physical commodities or commodity equities. At times, the ETF may also invest in sector ETFs that are expected to benefit from rising inflation. Astoria holds PPI on behalf of our client accounts.

KBWB (Invesco KBW Bank ETF) & BCI (Aberdeen Bloomberg All Commodity Strategy K-1 Free ETF)

- Astoria holds **KBWB** in our **Dynamic Aggressive, Growth, Growth & Income, and Conservative ETF Portfolios**. We hold both **KBWB** and **BCI** in our **Inflation Sensitive ETF Portfolio and Renaissance Risk Managed Rotation Portfolio**. **BCI** is also held in our **Multi-Asset Risk Strategy ETF Portfolio**. Both ETFs are additional ways that Astoria believes can be utilized to play higher inflation.

#2. Dividend Income: SDY (SPDR S&P Dividend ETF) and SPYD (SPDR Portfolio S&P 500 High Dividend ETF)

- We believe US large cap index returns will be relatively lower in the years to come. Hence, we think investors should focus more on total return of which dividends play a crucial role. Consistent high-yielding, low-cost dividend ETFs have a place in strategic portfolios.
- **SDY** and **SPYD** track the returns of the S&P High Yield Dividend Aristocrats Index and the S&P 500 High Dividend Index, respectively, while providing a healthy dividend in the meantime. **SDY** provides a 2.6% yield and was up 25% in 2021. **SPYD** yields 3.7% and was up 33% in 2021. Astoria holds **SPYD** in our **Enhanced Income Portfolio** and holds both **SPYD** and **SDY** in our **Renaissance Risk Managed Rotation Portfolio**. (Data Source: ETF Action. Data as of December 31, 2021)

#3. Real Estate: NETL (NETLease Corporate Real Estate ETF)

- Net Lease agreements are long-term agreements in which the lessee is responsible for most of or all the property expenses. As a result, Net Lease REITs have predictable sources of income, pay favorable dividends, as well as offer attractive after-tax returns. Additionally, owning a portfolio of Net Lease REITs in an ETF package is favorable amid unprecedented and rising inflation. Rent escalation provisions in many leases could allow for better inflation-adjusted returns. Astoria uses **NETL** in our **Enhanced Income ETF Portfolio**.

#4. MLPs: MLPA (Global X MLP ETF)

- **MLPA** is utilized in our **Enhanced Income ETF Portfolio**. Owning shares of an MLP or an MLP ETF is a unique income tool. MLPs are traded along with public companies but are taxed as a private partnership. They do not pay corporate income taxes and their investors receive tax-sheltered distributions. **MLPA** has a yield of 8.9% and a 2022E EPS of 37%. (Data Source: ETF Action. Data as of December 31, 2021)

#5. Blockchain: BLOK (Amplify Transformational Data Sharing ETF)

- The digital transaction recording and asset tracking technology that is blockchain has been permeating the market. Many companies are working to develop innovations for utilizing this new technology; **BLOK** invests in the securities of companies it believes will profit from the growth of blockchain. Astoria recognizes the growth and potential of blockchain and holds **BLOK** in our **Disruptive Growth ETF Portfolio**, as well as our **Cryptocurrency ETF Portfolio**.

#6. Homebuilders: ITB (iShares U.S. Home Construction ETF)

- Homebuilders have struggled for materials in their backed-up supply chains; supplies are low, but demand is high. As COVID-19 becomes less of a threat with vaccinations, treatments, and various other factors, supply chains should begin to ease up. We believe homebuilders are uniquely positioned to benefit from the COVID migration out of cities into rural parts of the US, as well as overall higher inflation rates.

#7. Defensive Equity: USMV (iShares MSCI USA Min Vol Factor ETF), XLU (Utilities Select Sector SPDR Fund), and XLV (Health Care Select Sector SPDR Fund)

- As markets begin to transition to the later stage of the economic cycle, we think balancing cyclically orientated sectors with low volatility and defensive cohorts is attractive from a risk/return standpoint. Dampening the volatility of your portfolio and exposure to stable, inelastic sectors like healthcare and utilities can help soften portfolio volatility. ETFs like **USMV**, **XLU**, and **XLV** are three instruments that investors can utilize for defensive posturing. All three have relatively attractive ROE, ROA, and yield attributes (see Exhibit 2).

#8. Overwriting: QYLD (Global X NASDAQ 100 Covered Call ETF)

- In a market with high stock prices, exuberant sentiment, and extreme volatility, covered call overwriting is attractive. In this unprecedented time, taking advantage of these overwriting opportunities in an ETF wrapper saves investors time and hassle. **QYLD** is providing a TTM yield of 12.8%. (Data Source: ETF Action. Data as of December 31, 2021)

#9. Fixed Income Alternatives: SRLN (SPDR Blackstone Senior Loan ETF) and HYD (VanEck High Yield Muni ETF)

- The future of fixed income is uncertain. As we remain unsure of how quickly the Fed will act, **SRLN** and **HYD** provide attractive opportunities as alternatives for fixed income. At yields of 4.5% and 3.5%, respectively, **SRLN** and **HYD** have tremendous income characteristics and are held in Astoria's **Enhanced Income ETF Portfolio**. (Data Source: ETF Action. Data as of December 31, 2021)

#10. International Equities: IHDG (WisdomTree International Hedged Quality Dividend Growth Fund)

- International equities are attractive for their competitive valuations and yield. **IHDG** provides investors with high quality dividend growth exposure for international stocks. Astoria holds the **IHDG** ETF in our **Dynamic Aggressive, Growth, Multi-Asset Risk Strategy, Growth & Income, Conservative, and Income ETF Portfolios**.

Exhibit 2. Valuation Data for Astoria's Equity ETFs for 2022

Astoria's Equity ETFs for 2022					
Ticker	Yield	2022E EPS	PE Ratio	ROE	ROA
QYLD	12.8%	9.4%	32.2	22.7%	8.7%
IHDG	2.8%	-5.8%	16.3	21.2%	8.8%
XLV	1.3%	6.8%	24.0	20.2%	7.1%
USMV	1.3%	7.4%	26.1	19.3%	6.2%
ITB	0.4%	15.5%	12.9	17.0%	8.1%
SDY	2.6%	5.1%	17.8	13.3%	3.8%
SPYD	3.7%	2.2%	15.1	11.3%	2.1%
MLPA	8.9%	37.4%	8.6	10.5%	3.2%
XLU	2.8%	5.4%	22.9	10.2%	2.7%
KBWB	2.1%	-12.4%	10.8	8.7%	0.9%
BLOK	14.2%	34.9%	34.2	5.9%	1.0%
NETL	4.0%	7.8%	18.8	5.4%	2.7%

Table Source: Astoria Portfolio Advisors. Data retrieved from ETF Action on December 31, 2021.

Exhibit 3. Characteristics for Astoria's Fixed Income ETFs for 2022

Astoria's Fixed Income ETFs for 2022								
Ticker	Number of Holdings	30 Day SEC Yield	Standard Deviation	Weighted Average Coupon	Weighted Average Maturity	Average Yield to Maturity	12m Trailing Yield	Effective Duration
HYD	1,894	2.4%	13.3%	5.0%	20.96	4.0%	3.6%	6.47 years
SRLN	365	3.8%	8.8%	1.5%	5.00	–	4.5%	0.38 years

Table Source: Astoria Portfolio Advisors. Data Source: Vanguard. Data as of November 30, 2021. 30 Day SEC Yield retrieved from SPDR SRLN Fact Sheet and VanEck HYD Fact Sheet.

Background information on Astoria's 10 ETF Themes for 2022.

- Astoria's Founder & CIO has been producing a dedicated Year-Ahead ETF outlook for close to a decade. We like that our peers are starting to throw their hats into the ring. We try not to repeat our ETFs from one year to the next as our goal is to communicate unique *and* actionable thematic ideas for the investment community. If VTI, IEFA, and SPAB were on our top 10 list every year, then it wouldn't be an interesting report to read, right?
- Astoria runs various ETF managed portfolios with different risk tolerance bands and with different holdings. The commentary in this report is generally centered around our Dynamic ETF Portfolios. Our Strategic ETF Portfolios will vary from the holdings noted in this report.
- The ETFs highlighted in this report are solutions that Astoria finds attractive on a per unit of risk basis. However, this list is not meant to be an asset allocation strategy, a trading idea, or an ETF managed portfolio. As such, this list does not constitute a recommendation of any ETF. There are other ETFs that Astoria currently owns which are not highlighted in this report. Contact us for a list of all of Astoria's ETF holdings.
- Any ETF holdings discussed are for illustrative purposes only and are subject to change at any time. Readers are welcome to follow Astoria's research, blogs, and social media updates to see how our portfolios may shift throughout the year. Refer to www.astoriaadvisors.com or @AstoriaAdvisors on Twitter.
- Past performance is not indicative of future results. Investors should understand that Astoria's 10 ETF Themes for 2022 is not indicative of how Astoria manages money or risk for its investors. Note that Astoria shifts portfolios depending on market conditions, risk tolerance bands, and risk budgeting. As of the time this article was written, Astoria held positions in PPI, USMV, SDY, SRLN, SPYD, HYD, ITB, KBWB, BLOK, IHDG, MLPA, BCI, and NETL on behalf of its clients.

Warranties & Disclaimers

There are no warranties implied. Astoria Portfolio Advisors LLC is a registered investment adviser located in New York. Astoria Portfolio Advisors LLC may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. Astoria Portfolio Advisors LLC's website is limited to the dissemination of general information pertaining to its advisory services, together with access to additional investment-related information, publications, and links. Accordingly, the publication of Astoria Portfolio Advisors LLC's website on the Internet should not be construed by any consumer and/or prospective client as Astoria Portfolio Advisors LLC's solicitation to effect, or attempt to effect transactions in securities, or the rendering of personalized investment advice for compensation, over the Internet. Any subsequent, direct communication by Astoria Portfolio Advisors LLC with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides.

Astoria Portfolio Advisors serves as a subadvisor to the AXS Astoria Inflation Sensitive ETF (PPI). The information contained in this report does not imply a recommendation for PPI. Readers should consult their financial advisor to determine if PPI is a suitable investment for their portfolio. For more information on PPI, please click [here](#).

A copy of Astoria Portfolio Advisors LLC's current written disclosure statement discussing Astoria Portfolio Advisors LLC's business operations, services, and fees is available at the SEC's investment adviser public information website – www.adviserinfo.sec.gov or from Astoria Portfolio Advisors LLC upon written request. Astoria Portfolio Advisors LLC does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party, whether linked to Astoria Portfolio Advisors LLC's website or incorporated herein and takes no responsibility therefor. All such information is provided solely for convenience purposes only, and all users thereof should be guided accordingly. This website and information presented are for educational purposes only and do not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy. This website and information are not intended to provide investment, tax, or legal advice.

Past performance is not indicative of future performance. Indices are typically not available for direct investment, are unmanaged, and do not incur fees or expenses. This information contained herein has been prepared by Astoria Portfolio Advisors LLC on the basis of publicly available information, internally developed data, and other third-party sources believed to be reliable. Astoria Portfolio Advisors LLC has not sought to independently verify information obtained from public and third-party sources and makes no representations or warranties as to the accuracy, completeness, or reliability of such information. All opinions and views constitute judgments as of the date of writing without regard to the date on which the reader may receive or access the information and are subject to change at any time without notice and with no obligation to update. Any ETF Holdings shown are for illustrative purposes only and are subject to change at any time. This material is for informational and illustrative purposes only and is intended solely for the information of those to whom it is distributed by Astoria Portfolio Advisors LLC. No part of this material may be reproduced or retransmitted in any manner without the prior written permission of Astoria Portfolio Advisors LLC. Investing entails risks, including the possible loss of some or all the investor's principal. The investment views and market opinions/analyses expressed herein may not reflect those of Astoria Portfolio Advisors LLC as a whole, and different views may be expressed based on different investment styles, objectives, views, or philosophies. To the extent that these materials contain statements about the future, such statements are forward-looking and subject to a number of risks and uncertainties.