



2Q 2021 Rebalance – ETF Global® Dynamic Model Portfolios
Wednesday, April 7, 2021

While the COVID-19 pandemic remains far from over, key elements to a transition to normalcy began to either take root or accelerate in the first quarter of 2021. Domestically, the outlook brightened considerably with supportive fiscal and monetary stimulus and a promising vaccination rollout. By the end of the quarter, the federal government had authorized, and was in the process of deploying, another \$1.9 trillion in COVID-19 relief, bringing the total fiscal support to nearly \$5 trillion since the onset of the pandemic in March 2020. The optimism sparked by this new, sizeable relief package was bolstered by the Federal Reserve’s pledge to continue to hold interest rates near zero and a vaccination campaign that has yielded around one-third of all U.S. adults receiving at least one vaccine dose as of the end of March.

It is against this backdrop that we present our [ETF Global Dynamic Model Portfolios](#) quarterly update –

1Q 2021 Equity Positions		2Q 2021 Equity Positions	
Equity		Equity	
Domestic		Domestic	
IJS	iShares S&P Small-Cap 600 Value ETF	IJK	iShares S&P Mid-Cap 400 Growth ETF
IYY	iShares Dow Jones U.S. ETF	IJJ	iShares S&P Mid-Cap 400 Value ETF
DSI	iShares MSCI KLD 400 Social ETF	IJS	iShares S&P Small-Cap 600 Value ETF
RFV	Invesco S&P MidCap 400 Pure Value ETF	SPYG	SPDR Portfolio S&P 500 Growth ETF
Developed International		Developed International	
DWMF	WisdomTree International Multifactor Fund	PTEU	Pacer Trendpilot European Index ETF
FDT	First Trust Developed Markets ex-US AlphaDEX Fund	FNDF	Schwab Fundamental International Large Company Index ETF
EWS	iShares MSCI Singapore ETF	EWS	iShares MSCI Singapore ETF
EWY	iShares MSCI South Korea ETF	EWY	iShares MSCI South Korea ETF
Emerging		Emerging	
FEM	First Trust Emerging Markets AlphaDEX Fund	FNDE	Schwab Fundamental Emerging Markets Large Company Index ETF
EMMF	WisdomTree Emerging Markets Multifactor Fund	FNI	First Trust Chindia ETF

While the composition of our equity fund allocations changed noticeably from Q1 to Q2, several factors remained in favor by our model. The size and value factors continued to score well. This orientation towards the size and value factors first emerged towards the end of 2020, as investors began to look beyond high-flying technology companies and towards beaten-down sectors that would benefit from a post-COVID economic reopening.

In our domestic equity allocation, the size factor figured prominently. Three of our four domestic equity positions are either mid or small cap funds, with our top ranked fund being the iShares S&P Mid-Cap 400 Growth ETF (IJK). This replaced the iShares S&P Small-Cap 600 Value ETF (IJS), which moved down to our third ranked spot. As in the first quarter, value remained in favor by our model, occupying two of the four funds in our domestic equity allocation. However, in a reversal from past quarters, our model now sees merit in the growth factor, with our first and fourth ranked domestic equity funds having growth tilts. After being outperformed by value stocks on a year-to-date basis by

the widest margin since 2001, our model indicates that the growth sell-off may have been overdone and there are some attractive opportunities within the space.

Internationally, our two single country positions held steady. However, there was an interesting shakeup in the regional and factor orientations of our other two positions. Occupying the top spot, the Pacer Trendpilot European Index ETF (PTEU) supplanted the WisdomTree International Multifactor Fund (DWMF). In the second position, the Schwab Fundamental International Large Company Index ETF (FNDF) replaced First Trust Developed Markets ex-US AlphaDEX Fund (FDT). Last quarter, our model favored broad regional and factor exposures. Now, there has been a shift towards more targeted exposures, with emphases on developed European equities and the value factor. This shift captures a key trend in our model that previously out-of-favor groups appear poised to benefit as vaccinations and economic re-openings gather pace.

Echoing our other regional equity allocations, the value factor held primacy within our emerging markets allocation with the Schwab Fundamental Emerging Markets Large Company Index ETF (FNDE) ranking as our top fund. As with our international allocation, there was a similar Q1 to Q2 shift from multifactor to value and broad-based to regional funds.

Thank you for following the ETF Global Dynamic Model Portfolios, you can find an overview and performance information at <http://www.etfg.com/about-model-portfolios>. To learn more about our ETFG Model Portfolio strategy, please email us at sales@etfg.com or call us at (212) 223-ETFG (3834).

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