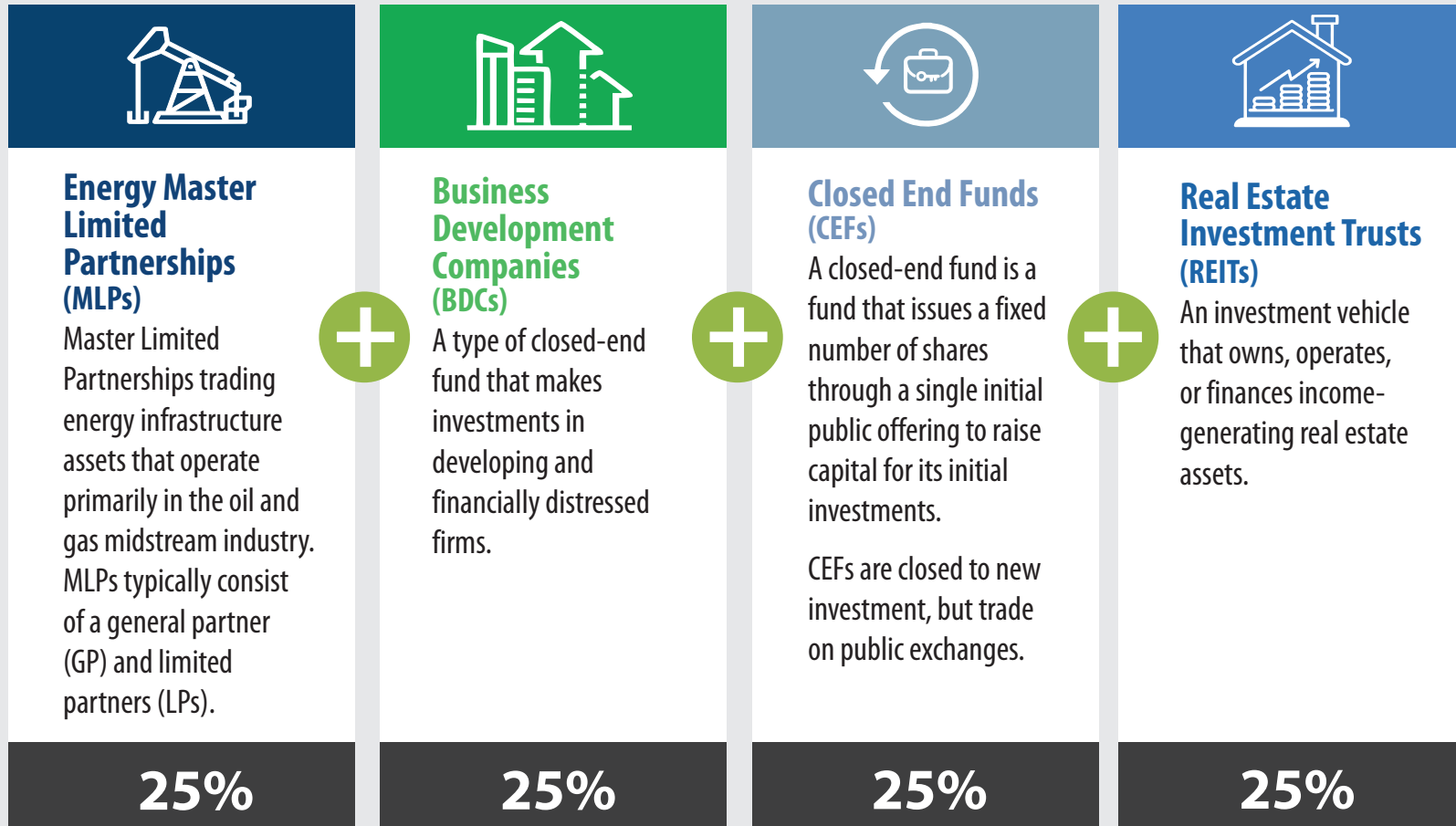# A Diversified Source of Alternative Income
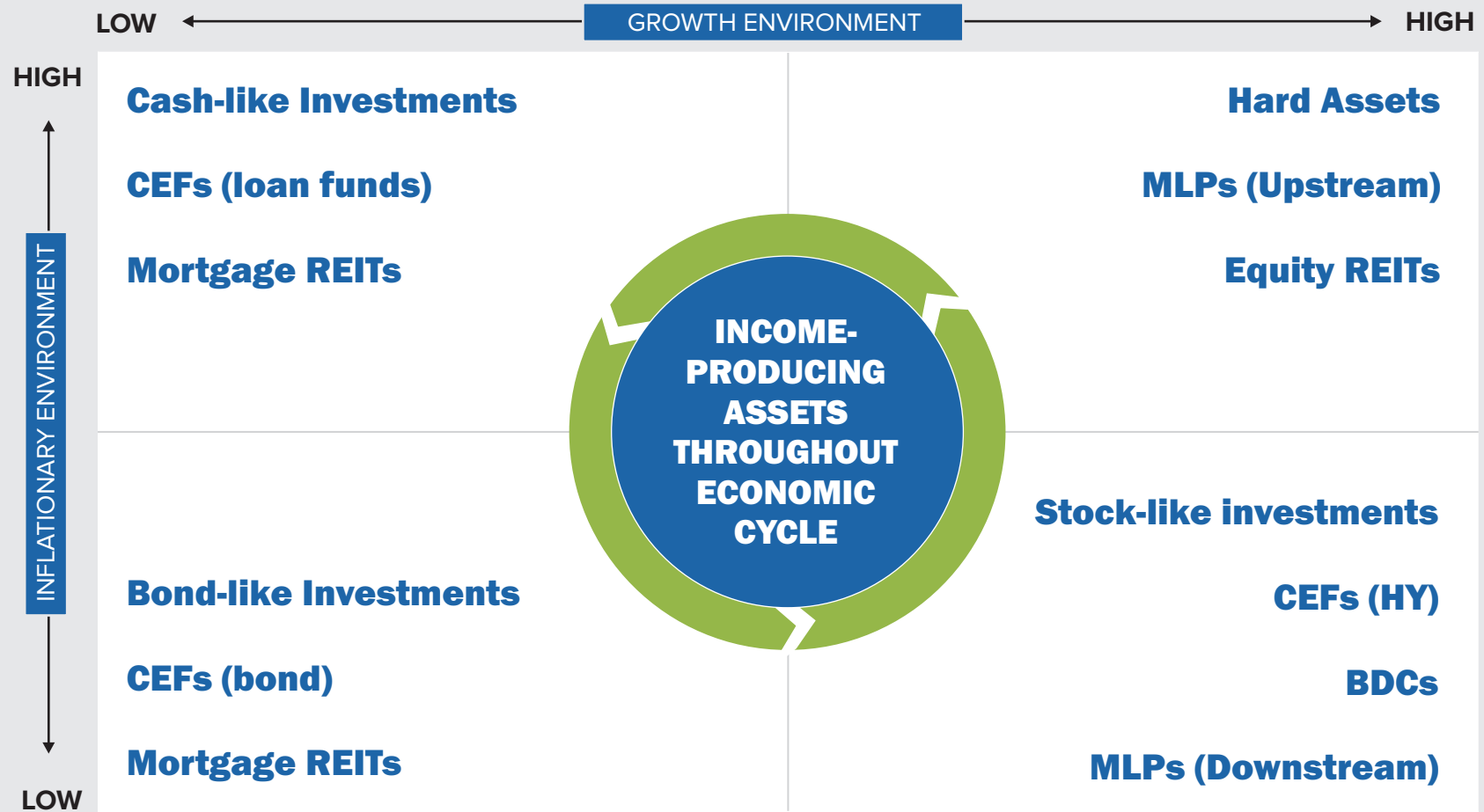
Passive Income Opportunties – Providing convenient, diversified exposure to four alternative, high yielding income categories.

Energy Master Limited Partnerships (MLPs)

Master Limited Partnerships trading energy infrastructure assets that operate primarily in the oil and gas midstream industry. MLPs typically consist of a general partner (GP) and limited partners (LPs).

25%

Business Development Companies (BDCs)

A type of closed-end fund that makes investments in developing and financially distressed firms.

25%

Closed End Funds (CEFs)

A closed-end fund is a fund that issues a fixed number of shares through a single initial public offering to raise capital for its initial investments.

CEFs are closed to new investment, but trade on public exchanges.

25%

Real Estate Investment Trusts (REITs)

An investment vehicle that owns, operates, or finances income-generating real estate assets.

25%

Aiming at Income Generation During Different Market Cycles

Alternating Over Time – Companies, financial institutions, the government, and individuals all react to market fluctuations, causing patterns of expansion and contraction.

GROWTH ENVIRONMENT

LOW ← → HIGH

INFLATIONARY ENVIRONMENT

HIGH

Cash-like Investments

CEFs (loan funds)

Mortgage REITs

Hard Assets

MLPs (Upstream)

Equity REITs

INCOME-PRODUCING ASSETS THROUGHOUT ECONOMIC CYCLE

Stock-like investments

CEFs (HY)

BDCs

Bond-like Investments

CEFs (bond)

Mortgage REITs

MLPs (Downstream)

LOW

EQM INDEXES

EQM High Income Pass-Through Securities Index

For more information, visit us at:
eqmindexes.com

© EQM Indexes
All Rights Reserved, 2023

Sources: EQM Indexes, Granite Shares

# Historical Correlations with Other Indexes

HIPSTR Correlation Characteristics

- HIPSTR is an income play

- However, it behaves more like equity than fixed income

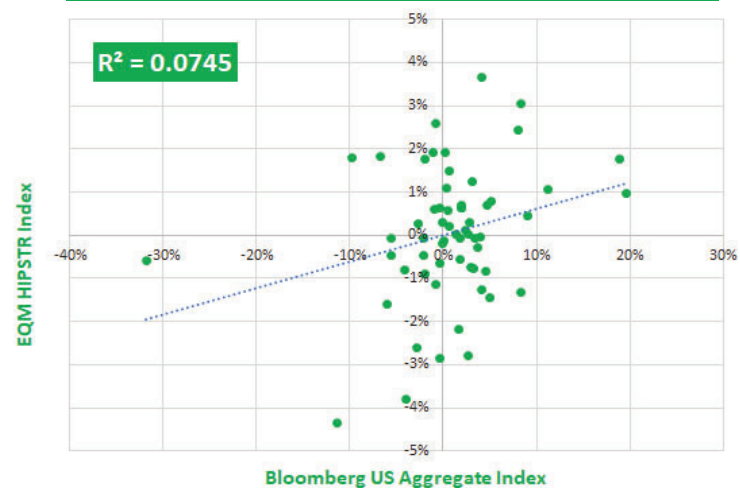- HIPSTR offers a good risk diversification to traditional income portfolios

EQM HIPSTR vs S&P 500 TR Index

R² = 0.6965

EQM HIPSTR Index vs *S&P 500 TR Index*
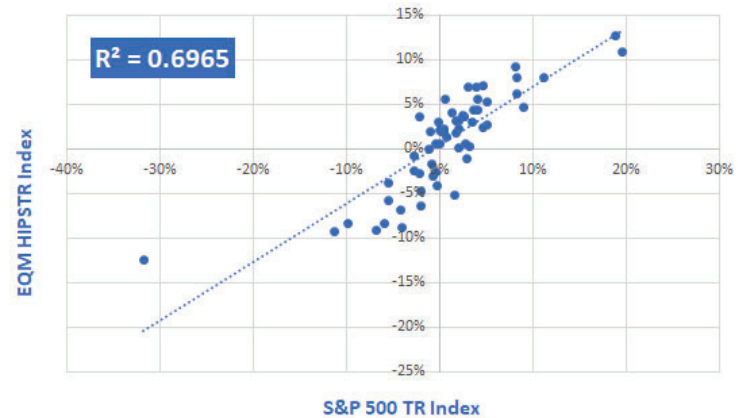
EQM HIPSTR vs 10-Year U.S. Government Index

R² = 0.0521

EQM HIPSTR Index vs *10-Year US Government Index*
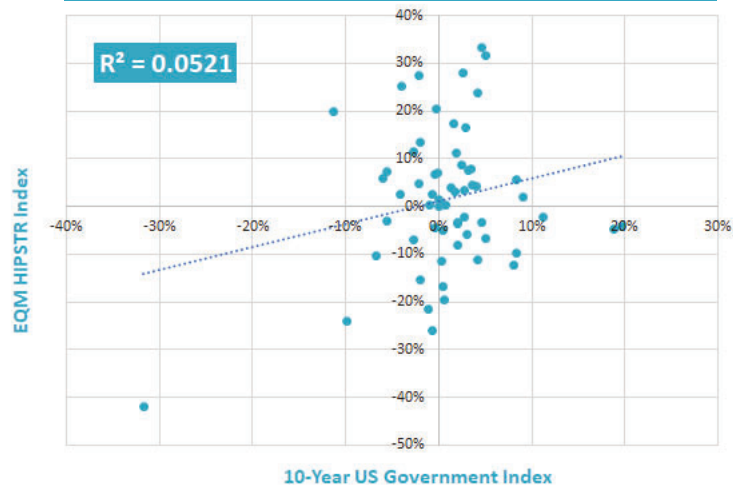
EQM HIPSTR vs Bloomberg U.S. Aggregate Index

R² = 0.0745

EQM HIPSTR Index vs *Bloomberg US Aggregate Index*

Source: Bloomberg data, U.S. Treasury yields 10 tenors. U.S. Treasury securities issued by the federal government are backed by the full faith and credit of the of the U.S. Government. They are however subject to inflation risk which is when Treasury yields may not keep up with inflation thereby reducing purchasing power. Past performance is not a guarantee of future returns. Short term performance may not be indicative of long term results. Time period: February 2018 to February 2023. Based on monthly correlation data.

EQM High Income Pass-Through Securities Index

For more information, visit us at: **eqmindexes.com**

HIPS Asset Class Return Quilt

Income-Oriented Returns Evolve Over Time - The lack of any pattern in returns from one year to the next reinforces the importance of asset allocation diversity rather than trying to predict the next winning asset class.

2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	Asset Class*
2.82	24.18	14.78	-4.10	28.74	4.75	41.20	30.92	**MLPs**
-1.05	18.31	8.69	-7.01	28.16	-4.79	40.17	-9.39	**BDCs**
-3.68	14.81	0.64	-8.26	24.66	-8.85	37.42	-18.03	**CEFs**
-32.59	8.88	-6.52	-12.42	6.56	-28.69	15.79	-25.01	**REITs**

*Annual returns are for the following total return indexes: MLPs = Alerian MLP Index, BDCs = S&P BDC Index, CEFs = S-Network Composite Closed End Fund Index, REITs = Dow Jones REIT Index.
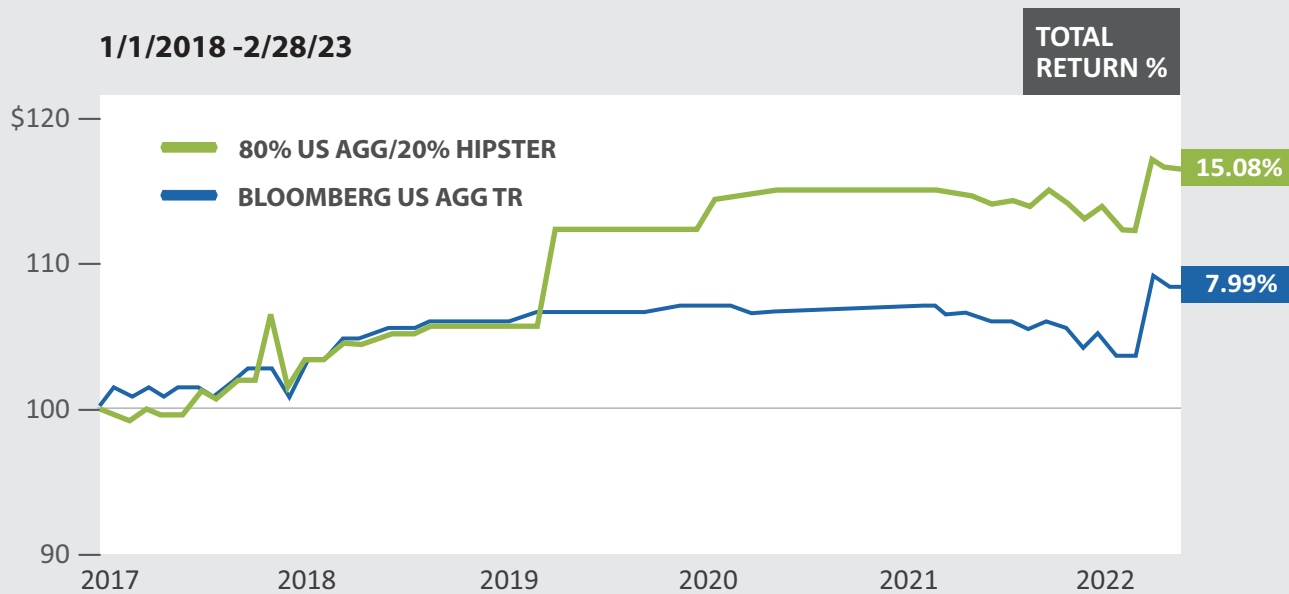
Past performance is not predictive of future returns. It is not possible to invest directly in an index.

EQM INDEXES

EQM High Income Pass-Through Securities Index

For more information, visit us at: eqmindexes.com

Integrating HIPSTR with Bond Exposure

Improved Risk-Reward Ratio Potential – An 80% US Aggregate Bond/20% HIPSTER Blend[1,2] would have generated a superior total return and increased the yield per unit of risk.

80% US Aggregate Bond/20% HIPSTR Blend vs 100% US Aggregate Bond

1/1/2018 -2/28/23

TOTAL RETURN %

— 80% US AGG/20% HIPSTER
— BLOOMBERG US AGG TR

15.08%
7.99%

80% US Government Bond/ 20% HIPS portfolio vs US Aggregate Bond Index

Increased Yield Per Unit of Risk

0.82 — 80-20 Blend Yield/Volatility
0.65 — US Agg Yield/Volatility

As of February 28, 2023

The Bloomberg US AGG Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.
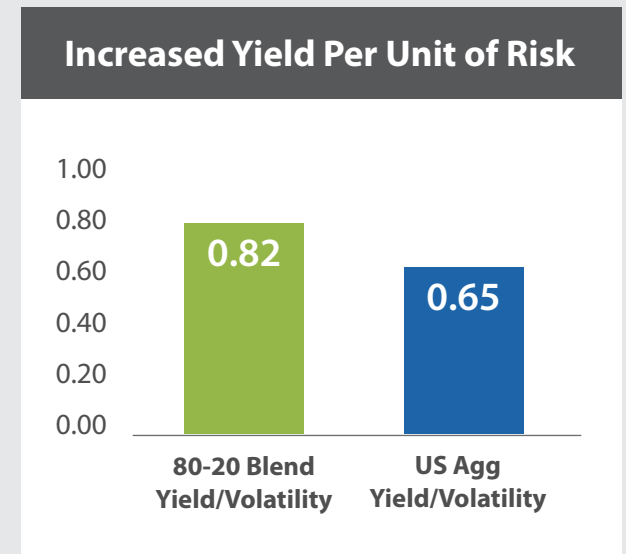
1. HIPSTR Index and Bloomberg US Aggregate Bond TR Index.
2. Past performance is not a guarantee of future returns.
3. Measured through the Standard Deviation.

EQM INDEXES

EQM High Income Pass-Through Securities Index

For more information, visit us at: **eqmindexes.com**

Sources: EQM Indexes, Bloomberg Granite Shares