

## How can investors play the reflation trade within the equity income space?

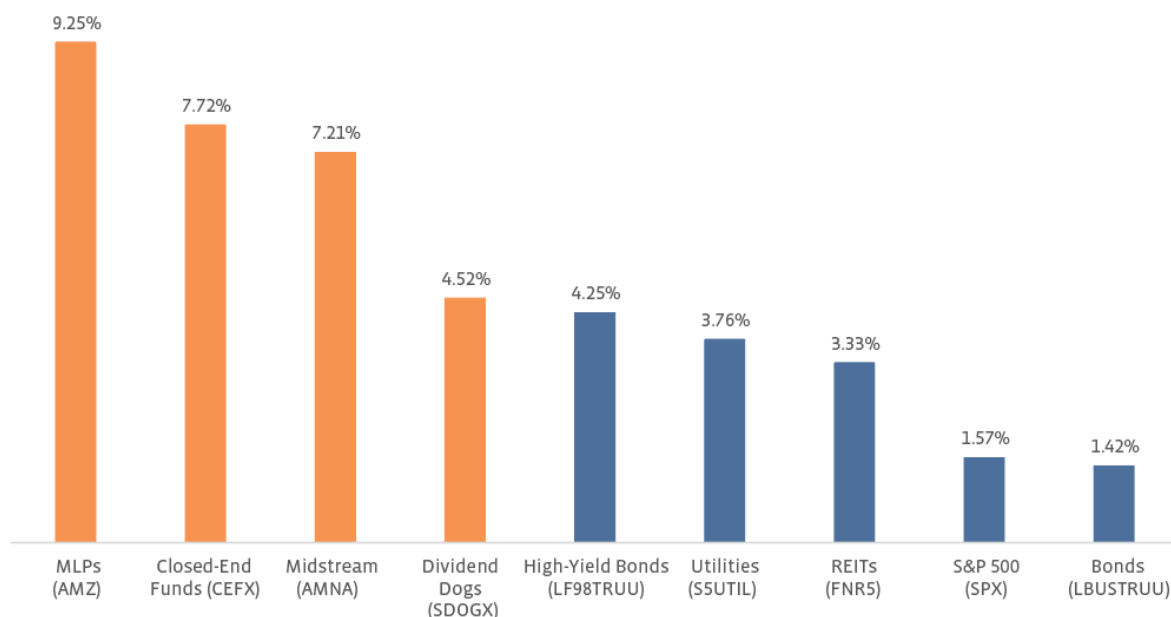
March 4, 2021

The reflation trade remains in focus given positive expectations for economic growth and ongoing inflation concerns with bond yields rising. The 10-year Treasury yield settled at a high of 1.52% on February 25 – the highest level seen since February 2020. Last week, Fed Chair Jerome Powell outlined the case for continued easy monetary policy, noting that inflation and employment remain well short of the Fed’s targets. How can income investors play the reflation trade?

After a tumultuous 2020, energy has been the top-performing sector in 2021, boosted by the reflation trade and a 26.75% increase in benchmark US oil prices year-to-date through February. For income-seeking investors, MLPs and midstream offer attractive income and stand to benefit from a continuation of the reflation trade given their energy exposure. MLPs and broader midstream have gained 14.07% and 12.08% on a total-return basis this year through February, respectively.

For those wanting exposure to the reflation trade with greater diversification, the equal weighting of the S-Network Sector Dividend Dogs Index (SDOGX) results in overweight exposure to energy compared to other broad market indexes. Year-to-date through February, SDOGX has outperformed the S&P 500 by 600 basis points on a total-return basis while boasting a yield 300 basis points higher than the S&P 500 as of the end of February.

Alerian/S-Network Indexes Showcase Attractive Income Opportunities Beyond Bonds, REITs, and Utilities



AMZ and AMNA yields are calculated by Alerian. All other yields are Bloomberg data. Source: Alerian, S-Network Global Indexes, Bloomberg as of February 26, 2021

## Current Yields vs. History

### Midstream & MLPs

Index Name	Ticker	YTD Total Return	Yield		
			Current	5-Year Average	10-Year Average
Alerian Midstream Energy Index	AMNA	12.08%	7.21%	6.56%	N/A
Alerian MLP Index	AMZ	14.07%	9.25%	8.78%	7.55%
Alerian MLP Infrastructure Index	AMZI	13.87%	9.22%	8.73%	7.42%
Alerian Midstream Energy Dividend Index	AEDW	12.30%	8.59%	7.59%	N/A
Alerian Midstream Energy Select Index	AMEI	12.73%	6.91%	6.34%	5.33%

Source: Alerian as of February 26, 2021

Midstream and MLPs continue to offer current yields above historical five- and ten-year averages even after a strong start to the year.

### Sector Dividend Dogs

Index Name	Ticker	YTD Total Return	Yield	
			Current	5-Year Average
S-Network Sector Dividend Dogs Index	SDOGX	7.74%	4.52%	4.43%
S-Network International Sector Dividend Dogs Index	IDOGX	2.63%	5.15%	5.18%
S-Network Emerging Sector Dividend Dogs Index	EDOGX	-0.84%	5.43%	4.86%
S-Network REIT Dividend Dogs Index	RDOGX	4.72%	5.31%	6.07%

Source: S-Network Global Indexes, Bloomberg as of February 26, 2021

Among the Sector Dividend Dogs, SDOGX stands out for solid year-to-date performance and a current yield slightly above the five-year average.

### Closed-End Funds

Index Name	Ticker	YTD Total Return	Yield			
			Current	Tax-Equivalent <sup>1</sup>	5-Year Average	10-Year Average
S-Network Composite Closed-End Fund Index	CEFX	1.98%	7.72%	N/A	8.19%	8.47%
S-Network Municipal Bond Closed-End Fund Index	CEFMX	-0.72%	4.50%	7.14%	5.06%	N/A

<sup>1</sup> Calculated using a 37% federal tax rate.

Source: S-Network Global Indexes, Bloomberg as of February 26, 2021

Closed-end funds continue to represent an attractive option for income. The smart-beta approach of CEFX capitalizes on NAV discounts to further enhance yield.

## Related Research:

[4Q20 Midstream/MLP Dividend Recap: Steady Improvement Continues](#)

[A Smarter Approach to Closed-End Funds](#)

[Dog Days of COVID-19: Evaluating the Case for Equity Income with SDOGX](#)

## Underlying Index

### Midstream/MLPs

[Alerian Midstream Energy Index \(AMNA\)](#)

[Alerian MLP Index \(AMZ\)](#)

[Alerian Midstream Energy Dividend Index \(AEDW\)](#)

[Alerian MLP Infrastructure Index \(AMZI\)](#)

[Alerian Midstream Energy Select Index \(AMEI\)](#)

### Sector Dividend Dogs

[S-Network Sector Dividend Dogs Index \(SDOGX\)](#)

[S-Network International Sector Dividend Dogs Index \(IDOGX\)](#)

[S-Network Emerging Sector Dividend Dogs Index \(EDOGX\)](#)

[S-Network REIT Dividend Dogs Index \(RDOGX\)](#)

### Closed-End Funds

[S-Network Composite Closed-End Fund Index \(CEFX\)](#)

[S-Network Municipal Bond Closed-End Fund Index \(CEFMX\)](#)

## Associated Product

ETRACS Alerian Midstream Energy Index ETN (AMNA)

JP Morgan Alerian MLP Index ETN (AMJ), ETRACS Alerian MLP Index ETN Series B (AMUB, ETRACS Quarterly Pay 1.5X Levered Alerian MLP Index ETN (MLPR)

ETRACS Alerian Midstream Energy High Dividend Index ETN (AMND), Alerian Midstream Energy Dividend UCITS ETF (MMLP)

Alerian MLP ETF (AMLPL), ETRACS Alerian MLP Infrastructure Index ETN Series B (MLPB)

Alerian Energy Infrastructure ETF (ENFR)

ALPS Sector Dividend Dogs ETF (SDOG)

ALPS International Sector Dividend Dogs ETF (IDOG)

ALPS Emerging Sector Dividend Dogs ETF (EDOG)

ALPS REIT Dividend Dogs ETF (RDOG)

Invesco CEF Income Composite ETF (PCEF), ETRACS 1.5X Leveraged Closed-End Fund ETN (CEFD)

VanEck Vectors CEF Municipal Income ETF (XMPT)

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