

# **Bond Case Briefs**

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## **Schwab Launches Second Actively Managed Fixed-Income ETF.**

This month Schwab Asset Management is launching its second actively managed bond ETF, one based on an existing strategy that has already garnered more than \$100 million in assets.

The Schwab Core Bond ETF (SCCR) launches February 5, and its benchmark is the Bloomberg U.S. Aggregate Bond Index. Schwab said that in a sea of bond products, this one is unique because of its diversity, including its managers' use of taxable municipal bonds, among other investments.

Other funds might choose to outdo their benchmarks by overloading on loans or credit. Schwab's ETF tries a more diverse way, said David Lafferty, director of product management and innovation at Schwab Asset Management (the asset management arm of Charles Schwab). While other products use taxable bonds, he said it's not to the same extent as the new ETF, which focuses on that type of allocation to potentially increase yield within an attractive risk/return framework.

"We think this is a bit more diversifying way to do this," Lafferty said in an interview. "So this would be a great ETF to add to a model because we're trying to get you to the same place, but we're trying to get you there in a different way."

The goal of the ETF is to provide total returns while creating income by investing in U.S. dollar-denominated debt securities. It's modeled after the Wasmer Schroeder Core Bond Separately Managed Account that launched in January 2008.

Schwab acquired Wasmer in 2020 and the strategy has been popular, amassing more than \$100 million in assets under management. With a lot of demand for core bond funds within ETF models, Schwab saw an opportunity to bring its successful strategy into an ETF and expose it to a wider audience.

"We know people like these Wasmer Schroeder strategies," Lafferty said. "It gives us an opportunity to bring Wasmer Schroeder and Schwab's expertise to a client that can't make the separate account minimums."

This is Schwab's second actively managed fixed-income ETF and its 12th fixed-income ETF overall out of 33 total ETFs.

While the firm saw the opportunity with the ETF to bring a specific Wasmer Schroeder strategy to a wider audience, it has no immediate plans to model any additional Wasmer Schroeder strategies for upcoming ETFs.

The new ETF has an expense ratio of 16 basis points, which is one of the lowest among core bond ETFs, Lafferty said. It will trade on the NYSE Arca platform.

It's meant to serve as a core allocation within a portfolio, Lafferty said, adding that it will appeal to a particular group of advisors.

“One of the things we wanted to do was to bring this to people who build ETF models,” he said. “We think financial advisors will find it interesting because they tend to build models.”

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