

HIPS

GraniteShares HIPS US High Income ETF

Fund Description

HIPS tracks an equal-weighted index of US-listed assets that produce high income and pass through that income without being taxed at the constituent level. The portfolio includes REITs, MLPs, BDCs, and closed-end funds.

FactSet Analyst Report

HIPS offers a twist on the popular multi-asset income space: a focus on pass-through securities (those that pass on most of their income to their owners). The owners pay taxes on that income, while the entities themselves don't, thereby eliminating the double taxation associated with stock dividends. The portfolio allocates equally to four alternative income segments: closed-end funds (CEFs), business development companies (BDCs), real estate investment trusts (REITs), and energy master limited partnerships (MLPs). The top 10 securities with the highest dividend yield and lowest volatility in each segment are selected and the resulting portfolio of 40 securities is weighted equally. It should be noted that while income from REITs, MLPs and BDCs can be high, these are typically taxed at ordinary-income rates instead of the beneficial qualified dividends rate. As such, investors in taxable accounts should consider their after-tax yield. Also, the fund explicitly aims to beat fixed-income yield while providing returns that aren't correlated with bonds. Before March 16, 2023, the fund tracked the TFMS HIPS Index.

