

LMBS

First Trust Low Duration Opportunities ETF

Fund Description

LMBS is an actively managed fund that invests in a variety of mortgage-backed securities with target duration of less than 3 years.

FactSet Analyst Report

LMBS is an actively managed MBS ETF that has a duration target and reaches beyond agency-backed MBS to include non-agency and commercial MBS, for relative value and yield. As such, the portfolio carries material credit risk that is greater than that of pure-play agency-MBS funds. The fund's low-duration mandate increases its appeal to investors who are nervous about rising interest rates but LMBS short-duration mandate can lead to high portfolio turnover, with further implications for holding costs. Institutions should work with market makers on block trades, as some underlying non-agency-backed MBS and CMBS can be hard to access.