DECISION BRIEF

Dedicated Spending Sleeve: Fund Selection

Scope	This *brief* describes the instrument selection of investment grade/high yield target maturity bond funds for Rain Dog's dedicated portfolio sleeves.
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1. Summary

This *brief* describes Rain Dog's selection of target-maturity bond ETFs ("bullet funds") used to build dedicated portfolio spending sleeves ("spending sleeve" or "sleeve").

Decision. The sleeve is constructed from two principal product families—Invesco BulletShares for IG and iShares iBonds for HY—selected against the criteria in §3. Each rung of the maturity ladder is funded with the defined-maturity ETF(s) maturing in the target spending year.

2. Scope & Application

The institutional dedicated portfolio strategy reduces the need to withdraw funds from volatile portions of a client's portfolio during down markets and can also offer a client peace of mind knowing that multiple years of spending are protected from market volatility. However, the institutional strategy faces numerous limitations for individual households: (1) there is high mathematical complexity in matching specific bond interest rates, payment schedules, and maturity dates to a specific client's needs, (2) there is significant cost inefficiency in trading small lots of bonds, and (3) most households' assets are not sufficient to allow for high diversification of bond holdings that target specific years. Collectively, these limitations put this strategy out of reach for most households.

Rain Dog's dedicated portfolio strategy uses *defined maturity bond ETFs,* aka *bullet funds***.** These ETFs hold diversified portfolios of bonds that mature in a common year and return principal in cash on a defined terminal date. This achieves diversity in holdings, cost-efficiency in transactions, and protection from interest-rate risk when held to maturity—all of which makes an institutional cash-flow-matching strategy accessible to mass affluent, HNW, and VHNW households.

Application. This *brief* is limited to instrument selection. It does not cover sleeve sizing, IG/HY weighting, the decision to deploy the strategy in a specific client account, account placement policy, or rebalancing, which are addressed separately.

3. Selection Criteria & Methodology

Candidate instruments were evaluated against the following criteria:

1. **Defined-maturity** — The fund must hold bonds maturing in a single target year and distribute terminal net asset value in cash at maturity (in contrast to perpetual-horizon bond funds).
2. **Maturity-years** — ETFs must offer consecutive target years to build the ladder.
3. **Bond quality** — Availability of IG series to provide predictability at each maturity.
4. **Bond yield** — Availability of HY series to provide increased yield at each maturity.
5. **Liquidity** — Trade at the sizes traded with minimal bid/ask spread.
6. **AUM** — Sufficient fund size to support financial stability and liquidity.
7. **Net expense ratio** — Considered as a tie-breaker only.
8. **Parent** — Overall financial health of the ETF's issuer.

Candidates were screened against these criteria, and two families met the requirements: Invesco BulletShares for IG and iShares iBonds for HY.

Invesco BulletShares for HY did not meet all requirements because those funds contained long-term bonds that matured after the funds' target maturity years.

iShares iBonds with maturities more than 5 years away did not meet the liquidity requirement. The 2032 fund currently has only $29M in AUM and the 2033 fund has only $16M.

4. References

4.1 Related Documents

- Rain Dog Financial, dedicated portfolio strategy *Decision Brief*.
- Rain Dog Financial, household asset-location *Decision Brief*.

4.2 Data Sources

- YCharts—fund-level expense ratios, AUM, SEC 30-day yield, yield-to-worst, duration, credit-quality breakdown, and historical series.
- Issuer materials—iShares (BlackRock) and Invesco prospectuses, fact sheets, credit-quality breakdown, holdings lists, and methodology documents for defined-maturity mechanics and terminal-distribution treatment.

5. Data Appendix

5.1 Appendix A—Candidate fund inventory

Representative structure. Tickers and figures were populated from the sources in §4 at finalization; the data in the cells below is for sake of illustration.

Fund (family / series)	Class	Target yr	Expense	AUM	SEC 30-day yield	Avg credit
Invesco BulletShares 2027 Corporate Bond ETF	IG	2027	0.10%	4.6B	4.18%	BBB/A
Invesco BulletShares 2028 Corporate Bond ETF	IG	2028	0.10%	3.5B	4.40%	BBB/A
iShares iBonds Dec 2027 High Yield & Income ETF	HY	2027	0.35%	500M	5.74%	BB/B
iShares iBonds 2028 Term High Yield & Income ETF	HY	2028	0.35%	452M	5.96%	BB/B

5.2 Appendix B—Retained source files

- YCharts export(s) for the candidate set (CSV / XLSX).
- YCharts fund reports for selected funds (CSV).

6. Notes & Disclosures

This brief is prepared first for Rain Dog's internal documentation purposes and second for compliance and record keeping purposes. It is also shared with current and prospective clients for sake of offering transparency into Rain Dog's methods and approach. It is informational and does not constitute individualized investment advice. Investing involves risk, including possible loss of principal. The figures here depend on the default, recovery, and yield assumptions used as inputs; they are conservative estimates and structured judgment, not predictions, and past default and recovery experience is not a guarantee of future results.

Revision history

Version	Date	Change	By
1.0	2026-06-20	Initial issue.	SCM