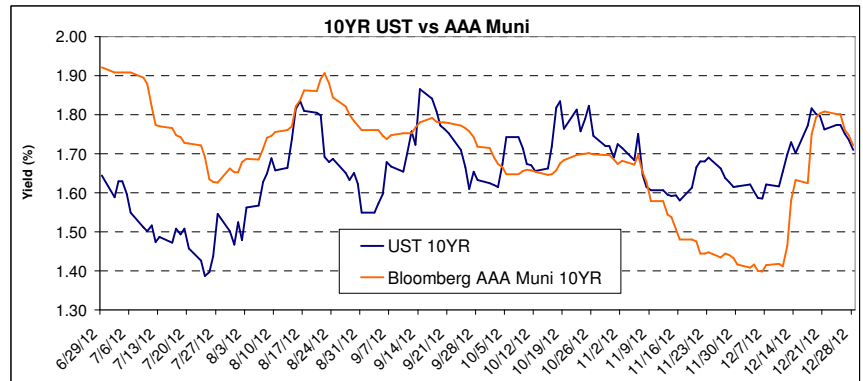


Trading Desk Commentary

A look back at the year's plethora of challenges is an exhausting exercise. Over the past 12 months, it appeared the European Union was potentially on the brink of collapse as Greece, Spain, and Italy each struggled to make debt payments while they watched their sovereign yields skyrocket. China's economy slumped badly at the start of the year only to show a little bounce in its step by the fall months. The US Fed remained historically accommodative and has now tied its rate decisions to inflation and unemployment targets (2.5% and 6.5%, respectively), a landmark change to Fed policy language. A neck and neck US presidential race forced investors into a holding pattern for most of October and early November ahead of what ended up being a decisive Obama win and status quo in Congress. The election results quickly generated more questions than answers - namely, how would the same gridlocked leadership in Washington (who failed miserably to address the debt ceiling in 2011) successfully compromise on spending and tax issues to avoid the fiscal cliff's harsh cuts and tax hikes?

Muni investors would have had plenty to digest on their own without such a tumultuous macro backdrop. In July and August, several California localities initiated high-profile bankruptcies that sparked debates over Chapter 9's efficacy in addressing Muni defaults and whether or not California marked the beginning of a larger trend in the US. What did we learn? Chapter 9 proceedings are very expensive endeavors for municipalities to undergo and likely do long-term damage to a state's, city's, or county's access to the Municipal market. Furthermore, these bankruptcies turned out to be isolated events (as we suspected) and did not signal a broadening weakness in Munis. In fact, we took away just the opposite. In our view, the vast majority of state and local governments have done an admirable job of tightening their belts and addressing their budgetary issues in a timely fashion in response to the stresses of the 2008 downturn. Though Muni performance was assisted by a general demand for haven assets in 2012, Munis look like they will outperform their taxable counterparts for a second straight year (the Barclays Muni Bond Index YTD performance is leading the Barclays US Aggregate Bond Index in excess of 3.00%: 6.83% vs. 3.68%, respectively). Now, the fiscal cliff introduces a new round of uncertainty in Muniland. How Munis are treated tax-wise in 2013 is hard to know for sure given the total lack of progress on a viable budget proposal, as of this writing. We believe that Munis' tax treatment will either remain unchanged or will, at the very least, maintain a large tax benefit versus other investing options. Though frustrating to watch, we will continue to monitor Congress' recommendations for generating new tax revenues and whether or not Muni tax-exemption is part of the discussion. As we enter 2013, we remain constructive in the Muni space; especially over the near-term where supply looks non-existent and Muni-to-Treasury ratios remain enticing. From a macro standpoint, a seemingly inept US Congress and a Eurozone that will still require substantial support should further boost the demand for safety into next year. We hope you have a safe and happy new year.

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.31	0.00	0.31	124%
5 Year	0.81	0.00	0.81	113%
10 Year	1.72	-0.05	1.77	101%
30 Year	2.83	0.00	2.83	98%
UST Rates				
2 Year	0.25	-0.01	0.26	
5 Year	0.72	-0.03	0.75	
10 Year	1.71	-0.04	1.75	
30 Year	2.88	-0.04	2.92	



	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$0.16	n/a
Competitive	\$0.00	n/a
TOTAL	\$0.16	\$0.00

Municipal 30 Day Visible Supply (\$ Bln)	\$3.85	\$3.19
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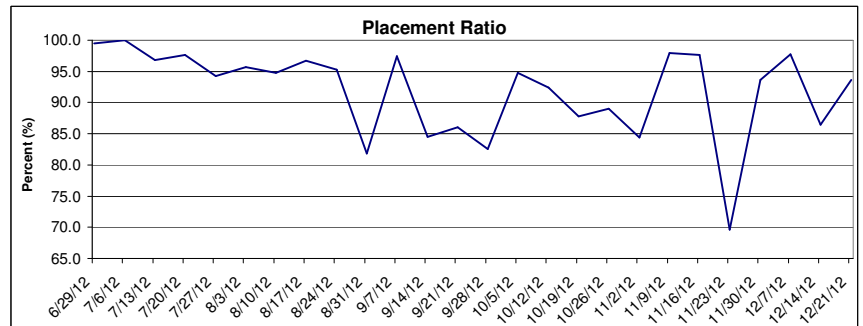
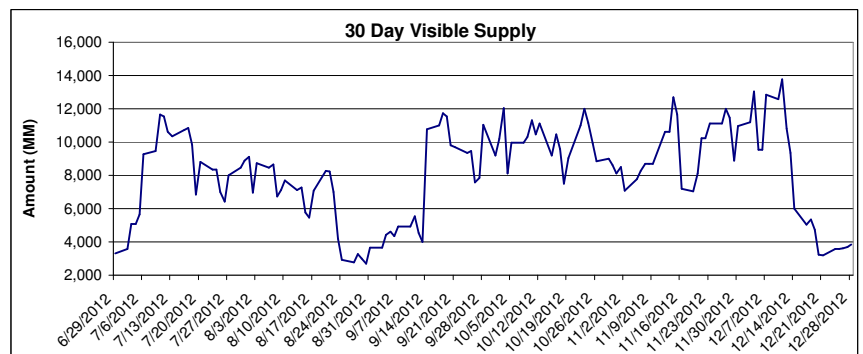
Bloomberg Muni PICK Offerings (\$ Bln)	\$9.97	\$10.86
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Muni Placement Ratio (New Issues)	n/a	93.6%
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Bond Buyer 20 Municipal G.O. Index	3.58%	3.44%
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Select Economic Releases

Date	Event	Period	Survey	Prior
1/2	ISM Manufacturing	Dec	50.3	49.5
1/3	MBA Mortgage Applications	28-Dec	--	-12.3%
1/3	ADP Employment Change	Dec	140K	118K
1/3	Initial Jobless Claims	29-Dec	360K	350K
1/3	Continuing Claims	22-Dec	3223K	3206K
1/4	Change in Nonfarm Payrolls	Dec	150K	146K
1/4	Unemployment Rate	Dec	7.7%	7.7%
1/4	Factory Orders	Nov	0.4%	0.8%
1/4	ISM Non-Manf. Composite	Dec	54.3	54.7



Explanation of Key Measures :

Weekly Municipal Supply - The total dollar volume of municipal securities expected to be offered during the upcoming week, broken down by deal type. This helps gauge near term supply and momentum along with the 30 day visible figure.

30 Day Visible Supply - The total dollar volume of municipal securities expected to be offered over the next 30 days. The visible supply, which is compiled and published by The Bond Buyer, indicates the near-term activity in the municipal market.

Bloomberg PICK Offerings - The total dollar amount of offerings listed on Bloomberg's dealer offerings system. The figure helps gauge secondary supply in the market.

Placement Ratio - The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. The ratio published by The Bond Buyer, helps gauge the demand for municipal bonds in the marketplace.

Bond Buyer 20 G.O. Index - Index published weekly representing the average yield of 20 G.O. bonds with 20 year maturities, rated AA2 by Moody's.

Sources: Weekly municipal supply figures, and municipal rates are produced by Thompson Reuter (Municipal Market Data). 30 day visible figures, and the placement ratio are obtained through The MuniCenter, and produced by The Bond Buyer. The 20 G.O. index yield is obtained through Bloomberg, and produced by The Bond Buyer. Pick offerings par value, UST supply, economic releases, and UST rates are obtained through Bloomberg Professional Service. Information obtained from these sources is believed to be reliable but is not guaranteed.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.