

## What Detroit's Bankruptcy Means

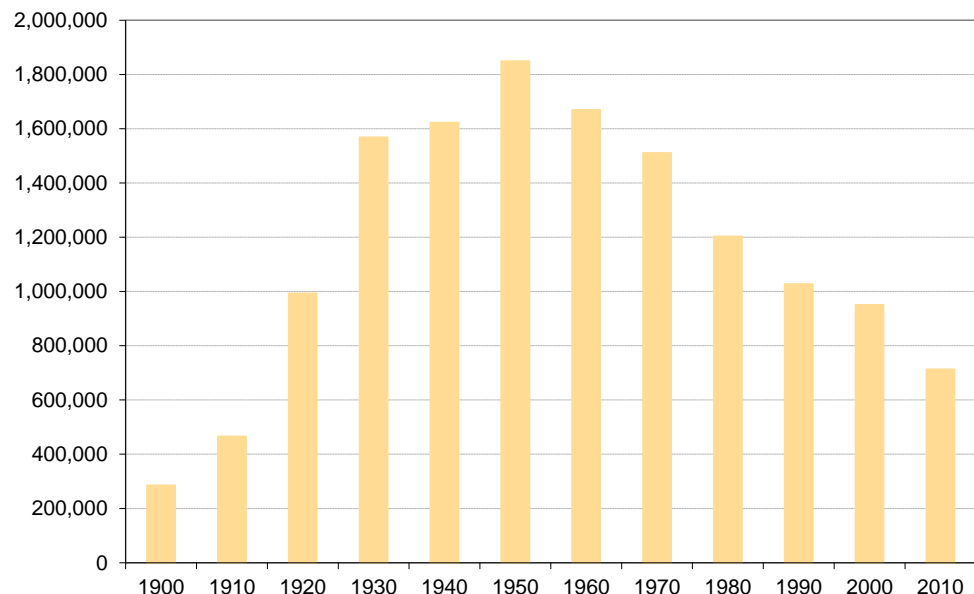
### HIGHLIGHTS

- Detroit filed its long-anticipated bankruptcy on July 18, 2013
- We don't expect a meaningful impact on the broader Muni market
- We do not hold any debt issued by Detroit

Surprising no one, Detroit filed the biggest municipal bankruptcy in history. The city's slow and steady decline has been in the works for decades, wrapped around the decline of the auto industry. Its population has fallen from 1.85 million in 1950 to about 700,000 -- and manufacturing jobs from 296,000 to less than 27,000. Detroit's general retirement system, its largest unsecured creditor, is owed more than \$2 billion in unfunded liabilities, according to court papers. The city is currently running a \$350-\$400 million budget deficit, with its general fund balance having remained in negative figures since FY 2005.

While the record filing will capture investor attention and directly impact approximately \$20 billion of the city's total outstanding debt, we don't expect a meaningful impact on the broader Muni market given how widely this news was expected. What Detroit does highlight is the importance of independent, forward-thinking credit analysis; Detroit carried an investment grade rating as recently as January 2009. We do not hold any debt issued by Detroit, choosing to avoid the risks posed by its huge unfunded pension liabilities and deteriorating operating performance. Ongoing surveillance of the market's credit landscape remains fundamental to delivering on our capital preservation mandate.

Detroit Population Since 1900



Source: US Census Bureau

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.