

MANAGED ETF
PORTFOLIO
CHARACTERISTICS**
AS OF: 12/31/2013

Tactical Muni ETF:

Duration: 4.96yrs
Average Maturity: 6.71yrs
Indicated Yield: 2.63%
Blended 30-Day
SEC Yield: 2.38%

Core Plus ETF:

Duration: 4.63yrs
Average Maturity: 6.06yrs
Indicated Yield: 2.15%
Blended 30-Day
SEC Yield: 2.05%

Tactical Opportunity ETF:

Duration: 4.74yrs
Average Maturity: 6.47yrs
Indicated Yield: 2.56%
Blended 30-Day
SEC Yield: 2.34%

**Blended Portfolio
Characteristics based upon
official Fund data published by
each sponsor firm and have
been compiled using weighted
averages of then current
portfolio positioning. These
characteristics are believed to
be accurate but are not
guaranteed.

1802 Bayberry Court, Suite 202
Richmond, Virginia 23226
804] 648-3333

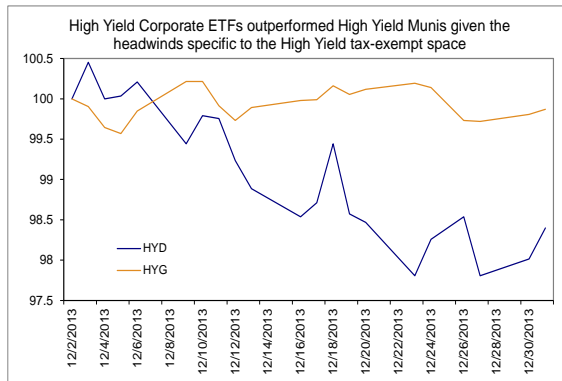
CAPRINBONDS.COM

Media Contact:
aplotkin@caprinbonds.com

Strategic Overview

- Fed officials voted to cut monthly purchases to \$75bln at their December meeting, earlier than most (including us) expected. While the timing was unexpected, markets had largely priced in near-term tapering. Furthermore, the Fed's dovish guidance helped ease anxieties over continued tapering in 2014.
- We maintained a conservative duration profile throughout the month at roughly 90% of benchmark across ETF strategies. Although we did not expect the December taper, our outlook already had us positioned for this to occur in early 2014.
- The equity rally persisted through December despite the less supportive Fed checkbook. Investment Grade and High Yield Corporate ETFs were aided by the decidedly "risk on" bias, while longer duration Muni and Taxable ETFs struggled in the softening rate environment. High Yield Munis lagged most others due to elevated pressure from Puerto Rico and Detroit credits.
- Looking to 2014, we expect a continued, modest economic recovery and slight upward pressure on yields. Accordingly, we have a slightly defensive posture heading into the year. This we are currently achieving through incorporating a blend of short, intermediate, and broad market ETF's while eschewing funds with longer average maturities.

Chart of Interest



Source: Bloomberg

What We Are Reading

- [Bonds Captivate \\$16 Trillion of Pensions](#)
- [Taxes Have Congress Avoiding Roads Bill as Money Runs Low](#)
- [Municipal Bonds Poised for Resurgence \(Barrons, Subscription Required\)](#)
- [Three Lessons Learned in 2013 from ETF Fund Flows](#)

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.

Managed ETF Performance (Net of Fees)

Tactical Muni ETF: Duration and curve positioning were a net positive, offset by lagging California-specific ETF.

	December 2013	4Q	2013
Tactical Muni ETF Strategy	-0.51%	0.22%	-2.47%
iShares National Tax Free Muni ETF (MUB)	-0.41%	0.32%	-3.44%
Barclays Municipal Bond Index	-0.26%	0.32%	-2.56%

Core Plus ETF: Slightly defensive duration positioning and modest overweight to corporate debt contributed to performance versus benchmarks.

	December 2013	4Q	2013
Core Plus ETF Strategy	-0.47%	0.05%	-2.24%
iShares US Aggregate Bonds ETF (AGG)	-0.94%	-0.72%	-2.70%
Barclays US Aggregate Bond Index	-0.57%	-0.14%	-2.02%

Tactical Opportunity ETF: "Risk on" posture and shortened duration profile protected against some of the downside as overall bond market weakened.

	December 2013	4Q	2013
Tactical Opportunity ETF Strategy	-0.43%	0.26%	-2.45%
50% MUB/ 50% AGG	-0.67%	-0.20%	-3.06%
50% Muni Index / 50% Taxable Index	-0.41%	0.09%	-2.28%