Monthly ETF Overview

@ Caprin_Asset

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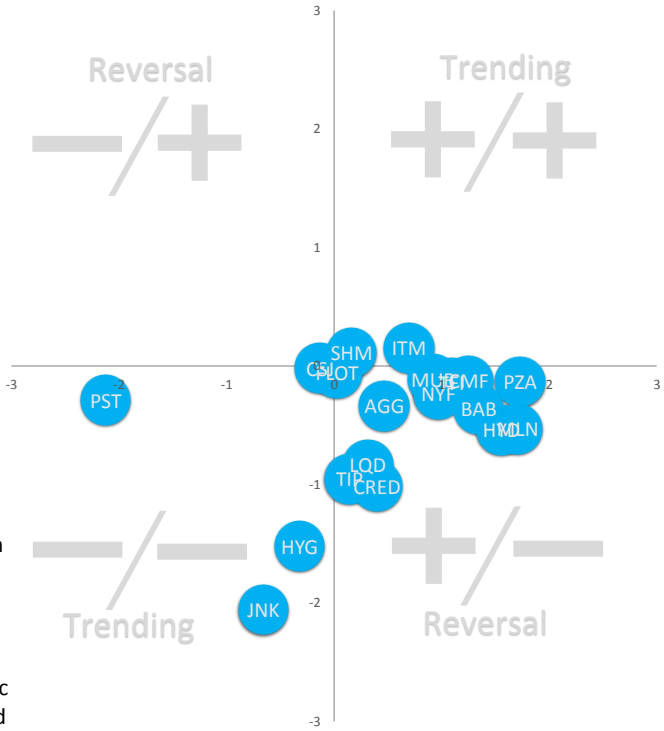
Market Commentary

- Volatility across financial markets shot to recent highs toward the end of August. Various factors, including a potential Federal Reserve rate hike, a global slowing of economic growth, and an equity trading calamity reinforced the benefit of having a dynamic set of fixed income solutions.
- Historically, municipal cash markets are less active during bouts of higher volatility, and this month was no different. Munis posted positive performance for August, and price variance was muted compared to their taxable counterparts. However, due to a larger than average discount to MUB's NAV at month end, the fund posted slightly negative performance.
- In the taxable fixed space, yields finished modestly higher for the month resulting in negative performance for AGG. The continued spread widening in investment grade corporate names exacerbated that performance drag.

Strategy Commentary

- Though a few fixed income ETFs displayed uncharacteristic moves when volatility spiked, overall we were pleased to see that markets remained liquid and composed during this unexpected 'test'.
- As we have discussed in strategy notes prior, our outlook for continued spread widening in the corporate sector led us to further lower our credit weighting in mid-August within Core Plus and to ramp up exposure to Treasuries.
- In our Tactical Opportunity strategy we shifted to a slight overweight in the municipal sector given our positive outlook and the lower volatility expectations for the muni space.
- Looking forward, we anticipate markets will remain hypersensitive to economic data and global headlines. Speculation will be rampant across all mediums, and it will be important to tune out the noise and remain focused on fundamentals.

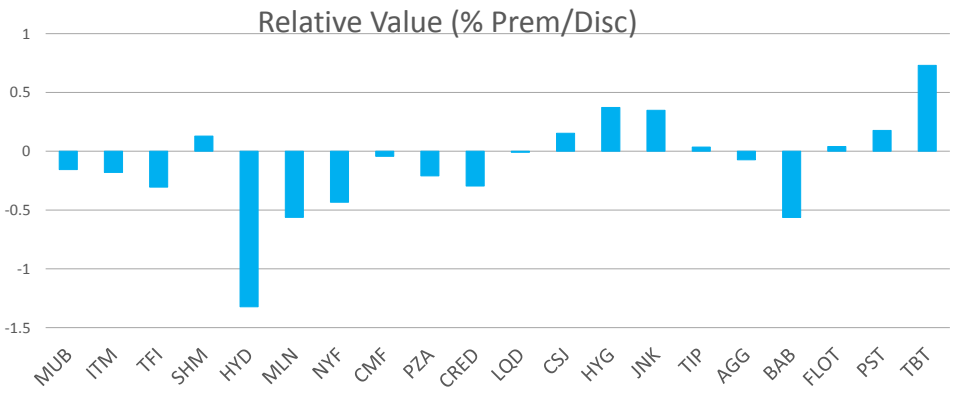
MONTH OVER MONTH RETURN TREND (%)

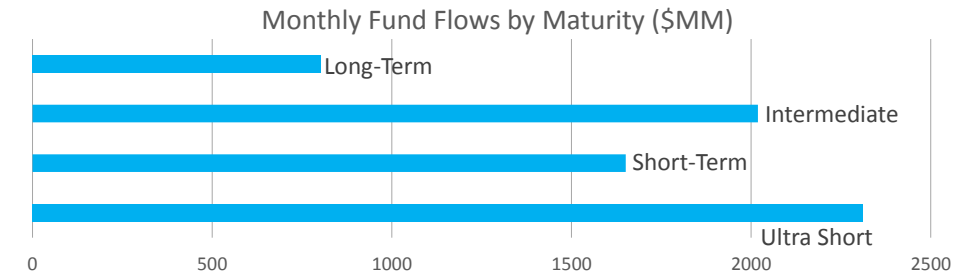


Name	Target Duration Position	Highlights*
Tactical Opportunity ETF	Min — Max	**Neutral Duration, Overweight Munis**
Tactical Muni ETF	Min — Max	**Neutral Duration, Overweight to CA**
Core Plus ETF	Min — Max	**Neutral Duration, Overweight to Treasuries**

Market Overview

	1M Trend	% 1M Return	Std Dev
MUB		-0.11	0.16
ITM		0.15	0.05
TFI		-0.14	0.05
SHM		0.11	0.03
HYD		-0.54	0.17
MLN		-0.53	0.05
NYF		-0.24	0.23
CMF		-0.12	0.25
PZA		-0.13	0.07
CRED		-1.01	0.38
LQD		-0.83	0.39
CSJ		-0.02	0.09
HYG		-1.52	0.79
JNK		-2.05	0.41
TIP		-0.95	0.41
AGG		-0.34	0.26
BAB		-0.36	0.14
FLOT		-0.06	0.05
PST		-0.29	0.25
TBT		0.62	1.06





Please refer to the second page for sources, definitions, and disclosure information.

***** Strategy positioning highlights are current as of date shown and subject to change without prior notice.

Sources: ETF return, standard deviation, premium and discount, and fund flow data are obtained through Bloomberg Professional Service. Information obtained from these sources is believed to be reliable but is not guaranteed and is subject to change without notice.

Definitions:

Standard Deviation: A measure of the dispersion of a set of data from its mean. Standard deviation is calculated as the square root of variance.

Duration: A measure of the timing of cash flows (i.e., the interest payments and the principal repayment) to be received from a given fixed income security. Duration is used to assess price volatility for given changes in interest rates, the reinvestment risk associated with a given portfolio or the interest rate risk associated with matching particular interest-rate-sensitive assets and liabilities.

Fund Premium and Discount: A pricing situation that occurs when the share value of a exchange traded fund is trading above or below the net asset value (NAV) of its components.

Net Asset Value (NAV): The value of each share of a fund as determined by the value of its underlying holdings, including any cash in the portfolio. NAV is calculated by dividing a fund's total net assets by its number of shares outstanding.

Month Over Month Return Trend: Fund plots represent returns for a two month period, with the X-axis value being prior month's total return and the y-axis value being the current month total return as of publication.

ETF Information:

iShares Bond ETF Information (MUB, NYF, CMF, CRED, LQD, CSJ, HYG, TIP, AGG, BAB, IGOV,FLOT): iShares Bond ETF Overview Page

Van Eck Market Vectors Municipal Bond ETF Information (ITM, HYD, MLN): Market Vectors Municipal Income ETF Overview Page

SPDR Fixed Income ETF Information (TFI, JNK): SPDR ETF Product Information Page

Powershares ETF Information (PZA): PZA Product Information Page

ProShares ETF Information (PST, TBT): ProShares Leveraged Inverse Treasury Information Page

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