# Monthly ETF Overview

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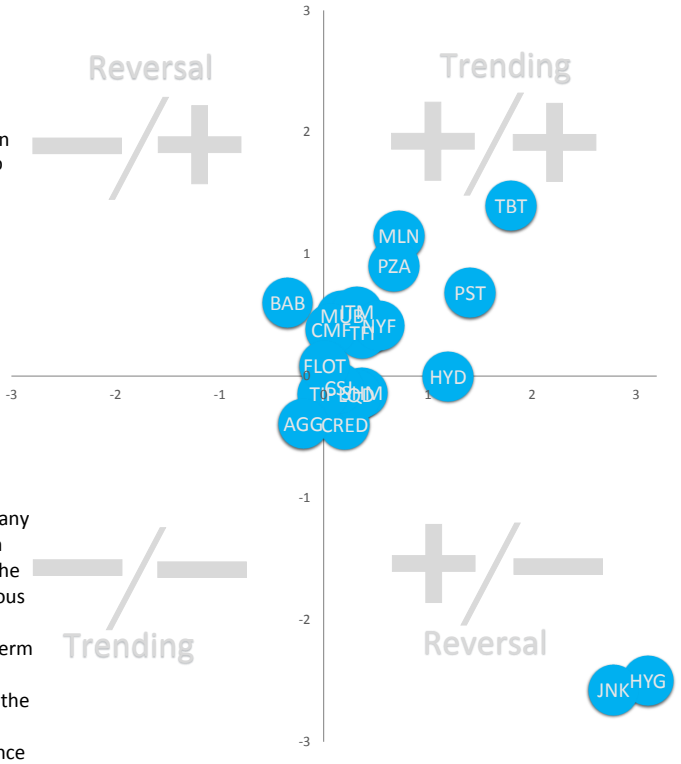
## Market Commentary

- The blockbuster NFP print to open November repositioned market expectations for FOMC action at the December meeting. The initial move was a parallel shift, but as the month progressed, front end rates were the only ones to stay elevated, which left the curve flatter by month end. According to fed funds data , with an 11/30 spot, the market now calculates a 74% probability the Fed adjusts the target benchmark range in December.
- A high yield bond debate is heating up amongst investors as spreads have tightened to levels not seen since 2012. Major street firms and large asset managers have come out on both sides of the argument with some money managers advising clients to sell paper into this strength while others see this as an opportunity to buy into the credit cycle. We continue to be cautious within the HY credit space as commodity prices remain volatile and this impacts related sectors.
- Perhaps the biggest story of the month is the outperformance of Munis compared to most fixed asset classes. As showcased by the returns of MUB ("intermediate" muni) and MLN ("long" muni) at +0.50% and +1.15% respectively, Muni's have proven resilient through Fed expectation volatility. The same factors discussed last month are still driving this performance and show no sign of diminishing into year-end. Street firms and investors (including crossover buyers) are battling to own bonds going into a period where new issuance is traditionally extremely light. The appetite is greatest for longer-dated bonds where expectations for outperformance remain constructive.

## Strategy Commentary

- Regardless of the actual 'lift-off' date, the key will be getting fixed income allocations positioned for the transition to normalized monetary policy. One aspect Yellen and company have made abundantly clear is the notion of a slow and gradual rate path for rate hikes in 2016 and beyond. With the ECBs extension of their asset buying program into 2017 and the Fed's own growth projections continually being revised downward, there still lacks a serious driver in the US, and globally, for sustained economic growth. Our view remains that this sluggishness, coupled with low inflation, will continue to depress intermediate and long term rates for some time.
- Combine the "hike or bust" meeting only two weeks away with seasonally-low activity in the fixed space and markets could be in for an explosive month. As certain market-moving events this year have shown us, global financial markets can be extremely fragile. Prudence is paramount with regard to risk tolerance and portfolio objectives heading into year-end and more importantly into 2016.

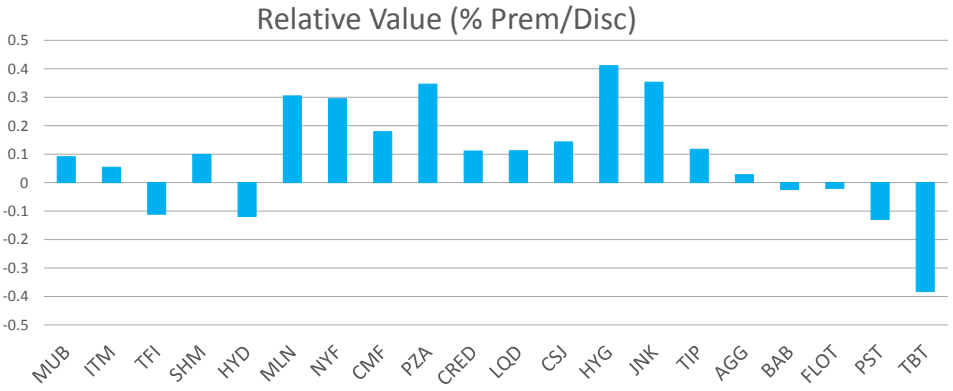
## MONTH OVER MONTH RETURN TREND (%)

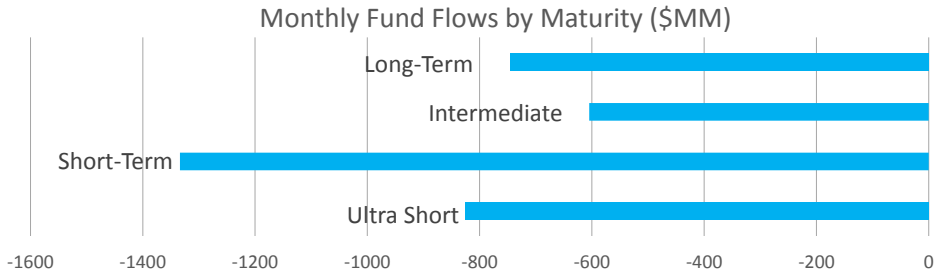



| Name | Target Duration Position | Highlights* |
|---|---|---|
| ***Tactical Opportunity ETF*** | Min – Max | **Neutral Duration, Overweight Munis** |
| ***Tactical Muni ETF*** | Min – Max | **Neutral Duration, Overweight to CA** |
| ***Core Plus ETF*** | Min – Max | **Neutral Duration, Overweight to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

## Market Overview

| | 1M Trend | % 1M Return | Std Dev |
|---|---|---|---|
| MUB | | 0.50 | 0.39 |
| ITM | | 0.53 | 0.11 |
| TFI | | 0.36 | 0.09 |
| SHM | | -0.13 | 0.03 |
| HYD | | 0.00 | 0.10 |
| MLN | | 1.16 | 0.10 |
| NYF | | 0.42 | 0.35 |
| CMF | | 0.39 | 0.48 |
| PZA | | 0.91 | 0.08 |
| CRED | | -0.40 | 0.34 |
| LQD | | -0.15 | 0.41 |
| CSJ | | -0.10 | 0.06 |
| HYG | | -2.50 | 0.93 |
| JNK | | -2.57 | 0.42 |
| TIP | | -0.14 | 0.49 |
| AGG | | -0.39 | 0.23 |
| BAB | | 0.60 | 0.17 |
| FLOT | | 0.09 | 0.02 |
| PST | | 0.69 | 0.18 |
| TBT | | 1.40 | 0.81 |




*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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