

# ETF Strategies Overview

THIRD QUARTER 2016

## Strategy Commentary

- Another quarter of policy fixated headlines has come and gone leaving markets largely unchanged with only brief bouts of volatility that muddled the waters of the investment landscape. The market began the quarter gripped by Brexit uncertainty (that still exists given Article 50 has yet to be triggered) and is ending with all eyes on the FOMC for another potential rate hike to close out 2016.
- Municipals moderately underperformed their taxable counterparts with the broad market muni (MUB) posting -0.48% vs. the broad market taxable aggregate (AGG) up 0.38% for the quarter. Due to the steady demand for municipals, we expect this lagging performance to be a temporary theme while the market works through a heavier Fall new issuance calendar. We continue to closely monitor the Municipal-to-Taxable allocation within the Tactical Opportunity strategy.
- Historic money market reform measures that go into effect October 14th have taken their toll on the front-end of US yield curves with most short dated securities posting flat to negative performance over the quarter. Short Municipal (SHM), Short Credit (CSJ) and Short Government (SHY) ETFs had broadly lackluster performance postings of -0.24%, 0.05% and -0.15% respectively for the 3rd quarter.
- Looking forward we continue to see limited risk to significantly higher rates in the near-to-medium term as growth languishes and global central bank policies remain accommodative.

## Caprin ETF Strategies

### TACTICAL OPPORTUNITY ETF

AS OF: 9/30/2016

Duration: 5.27 yrs

Highlights: Neutral Duration,  
Muni 50%/Taxable 50%

### TACTICAL MUNI ETF

AS OF: 9/30/2016

Duration: 5.04 yrs

Highlights: Neutral Duration,  
Overweight to CA

### CORE PLUS ETF

AS OF: 9/30/2016

Duration: 5.33 yrs

Highlights: Neutral Duration,  
Overweight to Treasuries

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 9/30/16)

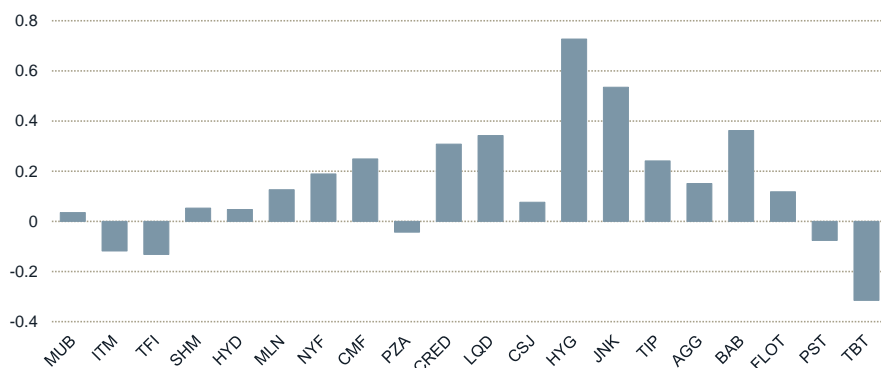
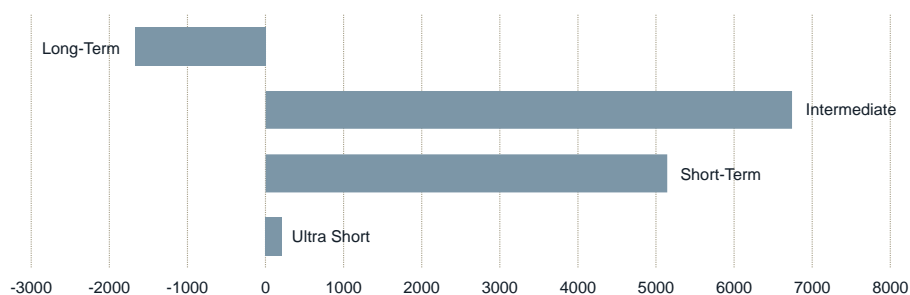


FIGURE 2: QUARTERLY FUND FLOWS BY MATURITY (\$MM)



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

FIGURE 3: FIXED INCOME ETF UNIVERSE

ETF TICKER	QRTLY TREND	% Q RETURN	STD DEV
MUB	↘	-0.48	0.46
ITM	↘	-0.48	0.09
TFI	↘	-0.50	0.20
SHM	↘	-0.24	0.12
HYD	↗	0.76	0.05
MLN	↘	-0.66	0.10
NYF	↘	-0.52	0.43
CMF	↘	-0.57	0.46
PZA	↘	-1.17	0.16
CRED	↗	1.17	0.53
LQD	↗	1.16	0.71
CSJ	↗	0.05	0.10
HYG	↗	4.42	0.77
JNK	↗	4.51	0.33
TIP	↗	1.05	0.66
AGG	↗	0.38	0.36
BAB	↗	0.64	0.21
FLOT	↗	0.50	0.08
PST	↗	0.98	0.20
TBT	↘	-0.28	0.84

\* 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 an 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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