

ETF Strategies Overview

FIRST QUARTER 2017

Strategy Commentary

- After the ‘post-election selloff’ that closed 2016, fixed-income markets began the year in a rather contrarian way. Even with a quarter point increase to the Fed Funds target, market participants ultimately drove bond yields lower, generating moderately positive performance over the period. More recent equity and bond movements have made it relatively clear that markets are now demanding action over words from the new administration to keep momentum behind the recent trajectory of financial markets.
- Municipal ETFs broadly outperformed their taxable counterparts as Muni-to-Treasury ratios remained lower than recent averages, and spreads compressed. A comparison of two large broad market ETFs shows AGG (iShares US Aggregate) +0.81% vs MUB (iShares Municipal) +1.11% for the quarter. Shorter duration muni ETFs, where ratios are most notably lower, also surpassed short credit focused ETFs with SHM (SPDR Nuveen Short Municipal) posting +1.23% vs CSJ (iShares 1-3 Year Credit) +.54%.
- An overweight to IG intermediate credit in the Core Plus (taxable) strategy continued to be additive over the period as corporate spreads remained firm. We also found it an opportune time to reestablish a position in the high-yield tax-exempt sector through the use of VanEck’s High-Yield Municipal ETF (HYD) in our Tactical Muni and Tactical Opportunity strategies. This was a bright spot for the aforementioned models with HYD posting +2.05% from our entry point in early February.
- In the near term, we are cautious of potential increases in rate market volatility given France’s upcoming election, but generally we see more range bound trading until there is greater clarity on fiscal policy out of the White House with particular focus on tax reform, ACA, infrastructure spending.

Caprin ETF Strategies

TACTICAL OPPORTUNITY ETF

AS OF: 3/31/2017

Duration: 5.30 yrs

Highlights: Near Neutral Duration,
Muni 50%/Taxable 50%,
Reestablished Position to
High-Yield Muni

TACTICAL MUNI ETF

AS OF: 3/31/2017

Duration: 5.34 yrs

Highlights: Near Neutral Duration,
Reestablished Position to
High-Yield Muni

CORE PLUS ETF

AS OF: 3/31/2017

Duration: 5.47 yrs

Highlights: Near Neutral Duration,
Overweight Credit

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 3/31/17)

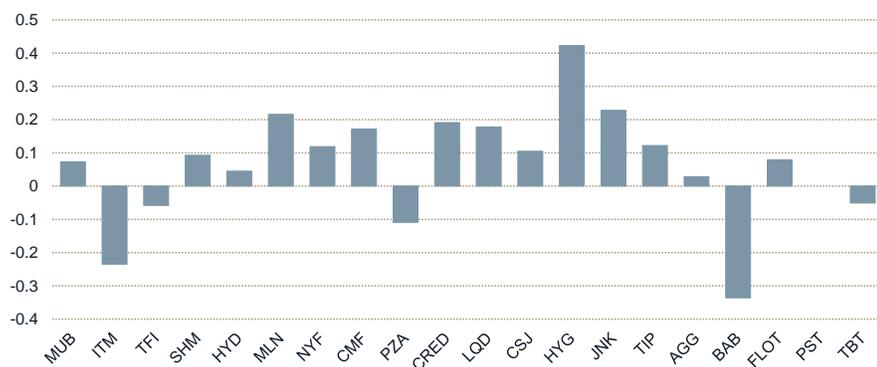
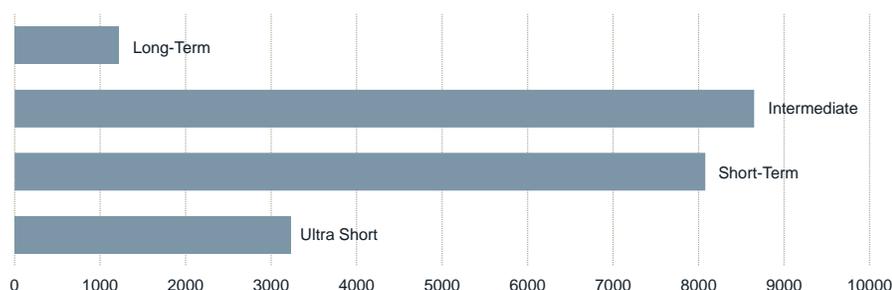


FIGURE 2: QUARTERLY FUND FLOWS BY MATURITY (\$MM)



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		1.11	0.39
ITM		1.45	0.11
TFI		1.39	0.20
SHM		1.23	0.12
HYD		3.76	0.22
MLN		1.54	0.10
NYF		1.60	0.36
CMF		1.09	0.39
PZA		1.33	0.12
CRED		1.16	0.48
LQD		1.17	0.65
CSJ		0.54	0.12
HYG		2.31	0.52
JNK		2.28	0.24
TIP		1.31	0.48
AGG		0.81	0.41
BAB		2.01	0.14
FLOT		0.48	0.05
PST		-2.22	0.22
TBT		-4.14	0.86

* 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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