

MANAGED ETF
PORTFOLIO
CHARACTERISTICS**

AS OF: JUNE 30, 2012

Municipal Strategy:
Effective Duration: 5.66yrs
Average Maturity: 7.69yrs
Blended 30 Day
SEC Yield: 2.24%

Taxable Strategy:
Effective Duration: 4.50yrs
Average Maturity: 6.59yrs
Blended 30 Day
SEC Yield: 2.11%

Blend Strategy:
Effective Duration: 5.55yrs
Average Maturity: 8.45yrs
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.

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PERSPECTIVES

Global Markets & Drivers

Europe: Outlook remains murky with Spanish and Italian 10 year bond yields hovering in the 6-7% range, close to "distressed" levels. Internal German wrangling over support of bailout fund challenges ECB responsiveness through at least September. EUR continues to trade down, testing \$1.20 lows set briefly in 2006 and 2010.

FOMC: Most recent FOMC meeting minutes suggest burgeoning appetite for additional stimulus. Macro data continue to show a softening US economy and benign inflationary pressure, providing wiggle room for continued aggressive accommodation.

Jobs: Continued disappointing numbers leave the Fed focused on full employment. As our recent Investment Newsletter outlines, persistent uncertainty is keeping decision makers on the sidelines rather than deploying job-building investments.

US Equity Market: Range bound as macro uncertainty hampers breakout indications. Very early into 2Q earnings with only 6% of S&P reporting; YOY comparisons favorable by 3-1 ratio, with negative surprises slightly exceeding positives roughly 5-3. Do not expect earnings and outlooks to end recent stock malaise.

US Treasuries: Benefitting from renewed global flight to quality trade as European concerns increase again. 10-year yield again dipping below 1.5%, testing record lows seen in early June. Momentum continues in contrast to the channel-bound Equity market.

Investment Grade Corporate Bonds: Tracking equity performance, particularly as finance sector volatility drives both markets. Value remains as spread variations offset Treasury rate fluctuations.

High Yield Bonds: Favorable environment persists as investors starved for income continue to flock to higher yielding assets. A softening, but not rapidly deteriorating, economic outlook is not scaring away the yield-hungry buyer.

Municipal Bonds: Investors shaking off creeping bankruptcy headlines with three California cities recently seeking protection from creditors. Favorable yields relative to Treasury alternatives and digestible new supply. Near term support driven by market treating credit events to-date as isolated and manageable.

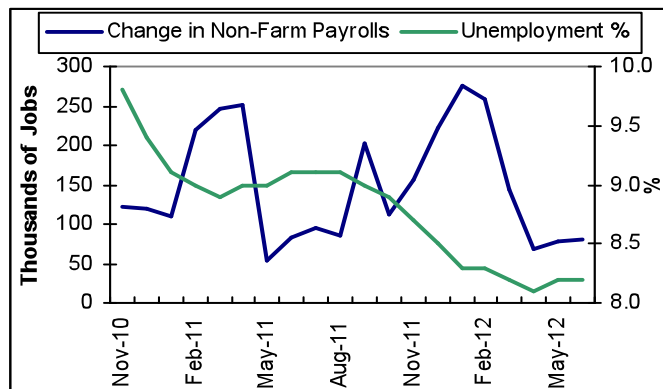
TIPS: Softening macro picture and cooling price indicators blunt any enthusiasm for inflation protection assets. Inflation concerns muted with commodity prices well below highs earlier this year.

Global 10 Year Bond Yields – Watching Italy & Spain

	July 16, 2012	3 Mo Low	3 Mo High
United States	1.455	1.452	1.998
Canada	1.611	1.611	2.097
France	2.130	2.130	3.080
Germany	1.230	1.171	1.748
Greece	23.959	19.566	28.985
Italy	6.080	5.364	6.188
Spain	6.730	5.685	7.076
United Kingdom	1.494	1.494	2.172
Japan	0.768	0.764	0.931

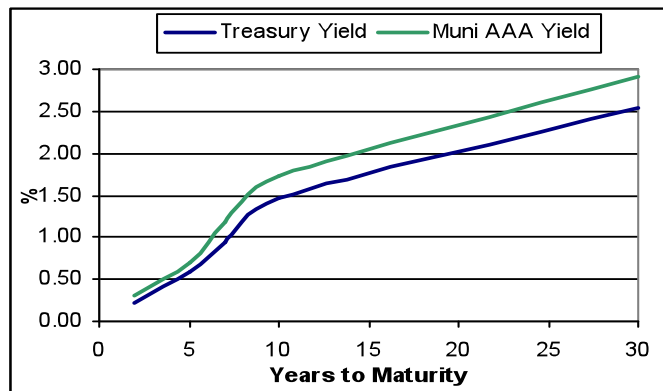
Source: Bloomberg

Labor Market – Ebbing Momentum



Source: Bloomberg

Municipal Ratios to Treasuries Attractive (7/16/2012)



Source: Bloomberg, Municipal Market Data

CAPRIN MANAGED ETF STRATEGIES

Positioning Across Strategies

Duration: All strategies positioned long of benchmarks with murky economic path and ongoing Fed accommodation. Even with long bias, ETF mix and short-term trading opportunities can produce drift from target.

High Yield: Maintaining allocation in each strategy, to take advantage of favorable market driven by investor appetite for income. Positioning is contingent upon confidence that credit issues remain manageable through a middling economic picture.

Municipal Considerations

State Specific Issues: Maintaining slight underweight to California despite its slightly higher yield. Focused on recent bankruptcy announcements for hints of elevating investor fears, but market still shows resilience. If recent activity becomes a broader trend, investors may begin avoiding "riskier" states.

Premium/Discount Trades: Volatility driven Q1 alpha trades have since quieted and limited tactical opportunities in near term. Remaining patient and diligent in seeking out disconnects and trades when volatility spikes.

Taxable Considerations

International: Avoiding European sovereign debt since early May given ongoing overseas developments. Seeing few catalysts for improvement.

Investment Grade Corporate Bonds: Exited corporate-specific ETFs in late April amid shift to "risk-off" and re-entered near the end of May as wider spreads created an attractive entry point.

Taxable Municipals: Attractive risk-adjusted yield in Taxable Municipal sector remains, and the long maturity bias of BAB ETFs contributes to longer duration profile of overall strategy.

Mortgages: Maintaining position in Mortgage-Backed Security ETF (MBB) for duration and risk management. Strive for neutral or overweight as Fed considers QE3 and direct purchases of mortgage securities.

Tactical Blend Considerations

Muni/Treasury Weighting: Currently carrying a meaningful 65% / 35% overweight to the Muni market, as yields remain attractive relative to Treasuries and Muni supply remains digestible. Muni supply spike and/or adjustment in difference in yields could spark a rebalance.

Municipal Performance

	June 2012	Q2 2012	YTD 2012	2011
Caprin Managed Municipal ETF Strategy	-0.44%	1.87%	4.44%	14.56%
iShares National Tax Free Muni ETF (MUB)	-0.71%	1.35%	2.95%	12.98%
Barclays Municipal Bond Index	-0.11%	1.88%	3.67%	10.70%

Municipal Note: "Risk on" posture and now-exited California allocation (CMF) have generated strong total return and performance relative to benchmarks.

Taxable Performance

	June 2012	Q2 2012	YTD 2012	2011
Caprin Managed Taxable ETF Strategy	0.09%	1.94%	2.97%	6.57%
iShares US Aggregate Bonds ETF (AGG)	-0.02%	1.97%	2.11%	7.69%
Barclays US Aggregate Bond Index	0.04%	2.06%	2.37%	7.84%

Taxable Note: More defensive positioning in Q2 led to index-neutral returns. June performance aided by High Yield and Investment Grade Corporates allocations. Longer maturity Taxable Munis underperformed.

Tactical Blend Performance

	June 2012	Q2 2012	YTD 2012	2011
Caprin Managed Tactical Blend ETF Strategy	-0.11%	2.01%	4.09%	10.45%
50% MUB/50% AGG	-0.37%	1.66%	2.53%	10.34%
50% Muni Index/50% Taxable Index	-0.03%	1.97%	3.02%	9.27%

Blend Note: Periodic Muni supply/demand imbalance opportunities and tactical overweights between Munis and Taxables were modestly helpful to performance through June.

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