

MANAGED ETF
PORTFOLIO
CHARACTERISTICS**
AS OF: AUGUST 31, 2012

Municipal Strategy:

Effective Duration: 5.51yrs
Average Maturity: 9.55yrs
Blended 30 Day
SEC Yield: 2.25%

Taxable Strategy:

Effective Duration: 5.13yrs
Average Maturity: 8.45yrs
Blended 30 Day
SEC Yield: 2.65%

Blend Strategy:

Effective Duration: 5.61yrs
Average Maturity: 9.42yrs
Blended 30 Day
SEC Yield: 2.74%

**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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Positioning Across Strategies

Duration: Maintaining longer duration bias in run up to QE3 and some positive news out of Europe. Macro view remains with expectation for continued economic sluggishness, but near-term momentum for risk assets demands a less aggressive duration profile.

High Yield: High Yield exposures across strategies remain intact as low yields continue to support demand in the sector. Comfort derived from overall corporate and municipal health despite sluggish macro environment. High Yield fund inflows remain one of the strongest in all of fixed income.

Municipal Considerations

Supply: New Municipal issuance slowed dramatically as the summer months progressed, coming to a near-halt around Labor Day. Supply now showing signs of traction as we enter the middle of September, potentially pressuring returns.

State Specific Issues: Still underweight California, though splashy bankruptcy headlines have subsided. Bankrupt San Bernardino failed to pass an emergency budget and continues to deal with the implications of filing for Chapter 9 protection. The California credit story is far from over.

Taxable Considerations

International: A quiet Euro awoke on September 6th with Draghi announcing the ECB's crisis plan. Economic growth in Europe and Asia remains highly constrained. Cautiously re-entering the international sector now that the German Courts have approved legitimacy of the German checkbook to back bailouts. QE3 impact on \$USD also favors currency diversification.

Investment Grade Corporate Bonds: Remain constructive on Corporates as the sector has benefited from a summer-long move to tighter spreads. Lack of bad news from Europe and relatively healthy corporate financials continue to push investor demand for any available yield.

Taxable Municipals: The sector continues to offer attractive risk-adjusted opportunities. Currently utilizing the longer duration BAB ETF to help maintain overall longer portfolio bias. Remain cognizant of the position's sensitivity to a quick move higher in interest rates.

Mortgages: Maintaining a position in a Mortgage-Backed Security ETF (MBB) as a duration and risk management play, and as QE3 brings the Fed to the Agency mortgage market.

Tactical Blend Considerations

Muni/Treasury Weighting: Currently indifferent between the Taxable and Muni markets (45% Taxable/45% Muni, with 10% cash). While Munis tend to hold up better in the early stages of an interest rate backup, growing Muni supply will need to be monitored closely.

Municipal Performance

	August 2012	YTD 2012	12 Mo 8/12	2011
Caprin Managed Municipal ETF Strategy	-0.03%	6.47%	9.64%	14.56%
iShares National Tax Free Muni ETF (MUB)	-0.15%	4.93%	7.62%	12.98%
Barclays Municipal Bond Index	0.11%	5.42%	8.77%	10.70%

Municipal Note: Long bias and High Yield exposure have benefitted Caprin vs Bond Indexes.

Taxable Performance

	August 2012	YTD 2012	12 Mo 8/12	2011
Caprin Managed Taxable ETF Strategy	0.11%	4.72%	5.56%	6.57%
iShares US Aggregate Bonds ETF (AGG)	0.00%	3.50%	5.47%	7.69%
Barclays US Aggregate Bond Index	0.07%	3.86%	5.78%	7.84%

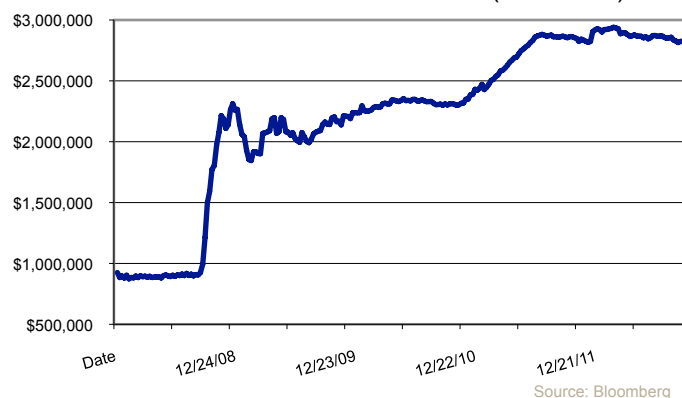
Taxable Note: Long bias expressed through Taxable Munis coupled with High Yield and Investment Grade Corporate allocations have supported Caprin returns vs Indexes.

Tactical Blend Performance

	August 2012	YTD 2012	12 Mo 8/12	2011
Caprin Managed Tactical Blend ETF Strategy	0.17%	5.64%	7.72%	10.45%
50% MUB/ 50% AGG	-0.07%	4.23%	6.56%	10.34%
50% Muni Index/50% Taxable Index	0.09%	4.64%	7.27%	9.27%

Blend Note: Tactical trading around Muni and Taxable market relationships has helped boost returns versus blended benchmarks.

US Federal Reserve Balance Sheet (in millions)



Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.