

MANAGED ETF
PORTFOLIO
CHARACTERISTICS**
AS OF: 9/30/2012

Municipal Strategy:

Effective Duration: 5.24yrs
Average Maturity: 7.68yrs
Blended 30 Day
SEC Yield: 2.11%

Taxable Strategy:

Effective Duration: 5.21yrs
Average Maturity: 8.51yrs
Blended 30 Day
SEC Yield: 2.54%

Blend Strategy:

Effective Duration: 5.47yrs
Average Maturity: 9.29yrs
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: Keeping our longer duration bias amid a continued lackluster macro backdrop and year-end uncertainty over the election and fiscal cliff. While the latest jobs data showed a declining unemployment rate, a dig deeper into the release inspired little optimism.

High Yield: We maintain our position in High Yield, but with added vigilance entering into what looks to be a weaker-than-expected earnings season. Year-end macro and political jitters could pressure risk assets. Still, the hunt for yield keeps funds flowing to High Yield.

Municipal Considerations

Supply: After September's jump in Municipal supply following a slow summer, we were briefly concerned a sustained increase could pressure returns. That has not happened – and we presently see a reasonable \$10 billion in visible supply.

State Specific Concerns: For all the large deals coming out of New York and California, the latter continues to stand out for all the wrong reasons. Gas prices are soaring and the city of Atwater could be California's fourth municipal bankruptcy this year. We are still underweight the Golden State.

Taxable Considerations

International: German Courts have blessed Berlin's ability to write checks to back bailouts, so the chances of Europe succumbing to a 2008-like bank-liquidity crisis have diminished. We have modestly increased our international exposure, mindful of Europe's long-term structural problems.

Investment Grade Corporate Bonds: Though we remain constructive on Corporates, consensus expectations for a weak earnings season may pressure share prices and credit spreads. Balance sheets look good – maybe *too* good if the temptation arises to raid them for big buybacks and other shareholder initiatives.

Taxable Municipals: The ability of state and local governments to enjoy full subsidies from Washington is threatened by non-resolution of the fiscal cliff. While the longer duration BAB ETF currently helps us maintain our overall longer portfolio bias, we remain cognizant of the position's sensitivity to a rapid jump in interest rates.

Mortgages: We have maintained a position in a Mortgage-Backed Security ETF (MBB) as a duration and risk management play. QE3 brought the Fed to the Agency mortgage market in a big way. We don't mind buying what Mr. Bernanke is buying.

Tactical Blend Considerations

Muni/Treasury Weighting: We now favor Taxables over Munis (55% Taxable/45% Muni). With Muni supply up from summer lows, amid a continually evolving credit picture, we put September's cash to work in the Taxable market

Municipal Performance

	September 2012	YTD 2012	12 Months Ending 9/12
Caprin Managed Municipal ETF Strategy	0.46%	6.96%	9.36%
iShares National Tax Free Muni ETF (MUB)	0.57%	5.53%	8.27%
Barclays Municipal Bond Index	0.60%	6.05%	8.30%

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

Taxable Performance

	September 2012	YTD 2012	12 Months Ending 9/12
Caprin Managed Taxable ETF Strategy	0.13%	4.86%	5.28%
iShares US Aggregate Bonds ETF (AGG)	0.26%	3.77%	4.94%
Barclays US Aggregate Bond Index	0.14%	4.00%	5.17%

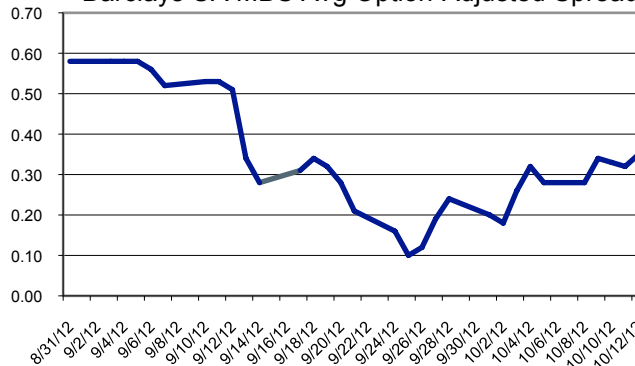
Taxable Note: Long bias expressed through Taxable Munis coupled with High Yield and Investment Grade Corporate allocations have supported Caprin returns vs Indexes.

Tactical Blend Performance

	September 2012	YTD 2012	12 Months Ending 9/12
Caprin Managed Tactical Blend ETF Strategy	0.47%	6.13%	7.83%
50% MUB/ 50% AGG	0.42%	4.66%	6.61%
50% Muni Index/ 50% Taxable Index	0.37%	5.03%	6.73%

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

Barclays UA MBS Avg Option-Adjusted Spread



Source: Bloomberg

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.