

Strategic Overview

- US Treasury yields now rest near their highest points in more than two years, driven by continued speculation that the Fed will begin reducing its stimulus programs sooner rather than later. US economic releases are carrying greater weight, with the market presuming that the Fed's upcoming decisions will be primarily influenced by whether the US recovery shows signs of weakening. Thus far, data has been somewhat mixed yet sufficiently positive to fuel speculation that a September "tapering" announcement is a distinct possibility.
 - If economic releases continue to support the path to tapering, we expect further upward pressure on rates, particularly for maturities longer than 2 years. With such uncertainty for the timing of Fed policy over the next several months, rate markets will struggle to find equilibrium, which leaves us continually reassessing expected trading ranges.
 - Lack of clarity from the Fed continues to plague riskier asset classes also. The Dow has fallen over 700 points since its all-time high as of this writing due to concerns over the effect of potentially reducing Fed support. Coupled with a weaker earnings season, Investment Grade and High Yield Corporate ETFs have lagged broad market benchmarks recently after a strong start to the third quarter.
 - Relative to benchmarks, our ETF strategies continue to benefit from a defensive position with the use of Inverse UST ETFs. On a net basis, our strategies have been tactically positioned with approximately 50-60% exposure to the market since late June.
 - A number of potential curveballs exist:
 - Unrest in the Middle East could reignite another "flight to quality" cycle.
 - The recent upswing in rates might meaningfully upset the housing recovery and delay Fed tapering.
 - Congress will be back in session gearing up for yet another round of budget and debt ceiling battles.
- One or more of these variables could spark a bond market rally, causing a reassessment of our base-case outlook.

MANAGED ETF
PORTFOLIO
CHARACTERISTICS**
AS OF: 8/19/2013

Tactical Muni ETF:
Duration: 3.14yrs
Average Maturity: 3.59yrs
Indicated Yield: 2.34%
Blended 30-Day
SEC Yield: 1.98%

Core Plus ETF:
Duration: 2.63yrs
Average Maturity: 3.59yrs
Indicated Yield: 1.92%
Blended 30-Day
SEC Yield: 1.79%

Tactical Opportunity ETF:
Duration: 3.05yrs
Average Maturity: 4.08yrs
Indicated Yield: 2.35%
Blended 30-Day
SEC Yield: 2.03%

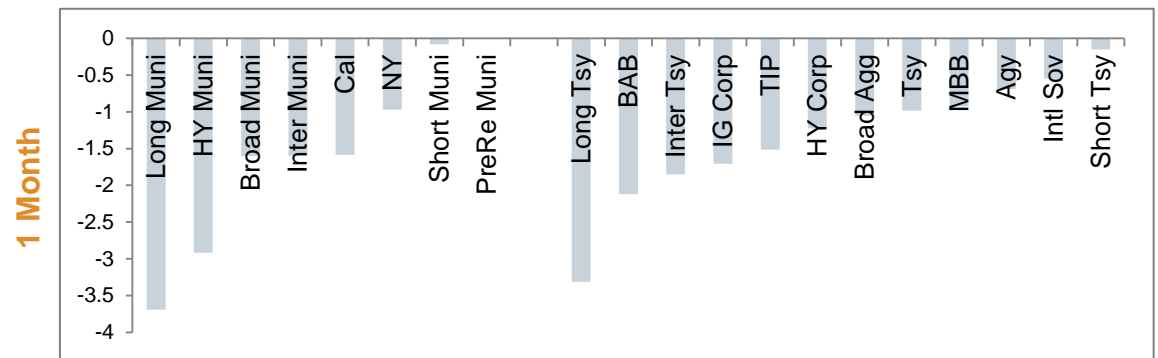
**Blended Portfolio
Characteristics based upon official Fund data published by each sponsor firm and have been compiled using weighted averages of then current portfolio positioning. These characteristics are believed to be accurate but are not guaranteed.

1802 Bayberry Court, Suite 202
Richmond, Virginia 23226
804] 648-3333

CAPRINBONDS.COM

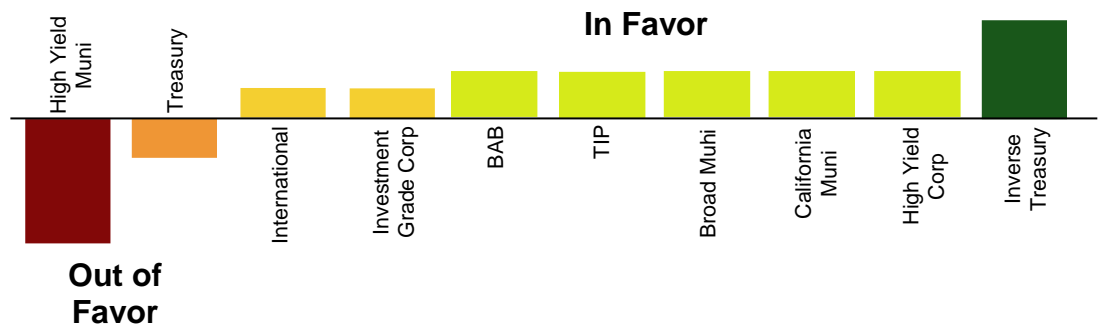
Media Contact:
aplotkin@caprinbonds.com

Trending



Source: Bloomberg as of 8/26/13

Caprin Views



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.