

MANAGED ETF
PORTFOLIO
CHARACTERISTICS**
AS OF: 10/28/2013

Tactical Muni ETF:

Duration: 3.97yrs
Average Maturity: 5.30yrs
Indicated Yield: 2.50%
Blended 30-Day
SEC Yield: 2.35%

Core Plus ETF:

Duration: 4.01yrs
Average Maturity: 5.21yrs
Indicated Yield: 2.08%
Blended 30-Day
SEC Yield: 2.15%

Tactical Opportunity ETF:

Duration: 4.02yrs
Average Maturity: 5.35yrs
Indicated Yield: 2.44%
Blended 30-Day
SEC Yield: 2.36%

**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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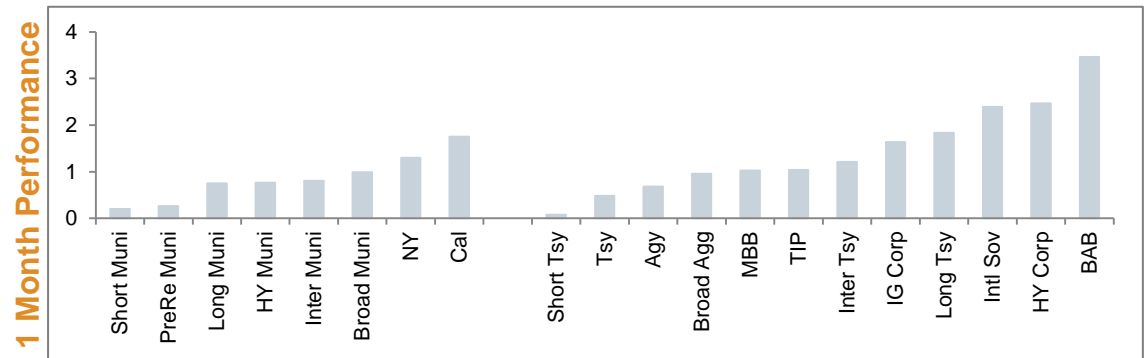
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Strategic Overview

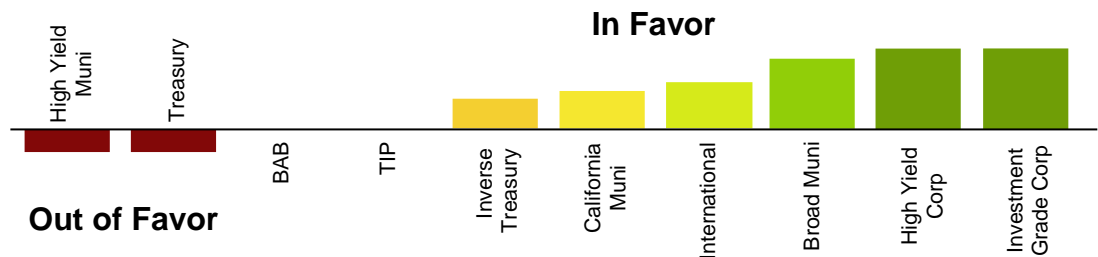
- Beltway combatants agreed to a set of temporary extensions and managed to avert a worst-case US default scenario. However, relief will be short-lived as the next debate is already scheduled for January. Washington's current circumstances, coupled with Janet Yellen's nomination to assume Bernanke's seat, reduces the likelihood of any taper before 2014. And the recent rallies in US Treasuries and equities suggest investors agree.
- Bonds prices have gained some near-term price support from softening trends in economic data, as of yet unknown consequences of DC infighting, and a Fed again on pause. Accordingly, we have become less defensive in our duration profile, though still somewhat short of benchmark exposure. This positioning balances expectations of near-term bond firmness with expected upward pressure in interest rates beginning in early to mid-2014. We will monitor any new developments both inside and outside the beltway as we continuously update our short and long term outlooks.
- For the first time since January, we introduced International ETF exposure into the Core Plus and Tactical Opportunity ETF strategies – to the benefit of each. Domestic uncertainty encouraged us to look overseas for protection and to diversify away from the US dollar.
- A stable-to-strengthening Muni bond universe limited tactical trading opportunities over the period as discounts generally narrowed. For instance, MUB (iShares National AMT-Free Muni Bond ETF), the largest US Muni ETF, sits at its smallest discount since the month of May. This Muni firmness comes just in time, as the forward-looking supply calendar is also building with issuers looking to capture the yield reprieve.

Trending



Source: Bloomberg as of 10/28/13

Caprin Views



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