

MANAGED ETF  
PORTFOLIO  
CHARACTERISTICS\*\*  
AS OF: 9/19/2013

Tactical Muni ETF:  
Duration: 3.56yrs  
Average Maturity: 4.57yrs  
Indicated Yield: 2.43%  
Blended 30-Day  
SEC Yield: 2.21%

Core Plus ETF:  
Duration: 2.64yrs  
Average Maturity: 3.60yrs  
Indicated Yield: 1.98%  
Blended 30-Day  
SEC Yield: 1.82%

Tactical Opportunity ETF:  
Duration: 3.11yrs  
Average Maturity: 4.21yrs  
Indicated Yield: 2.44%  
Blended 30-Day  
SEC Yield: 2.13%

\*\*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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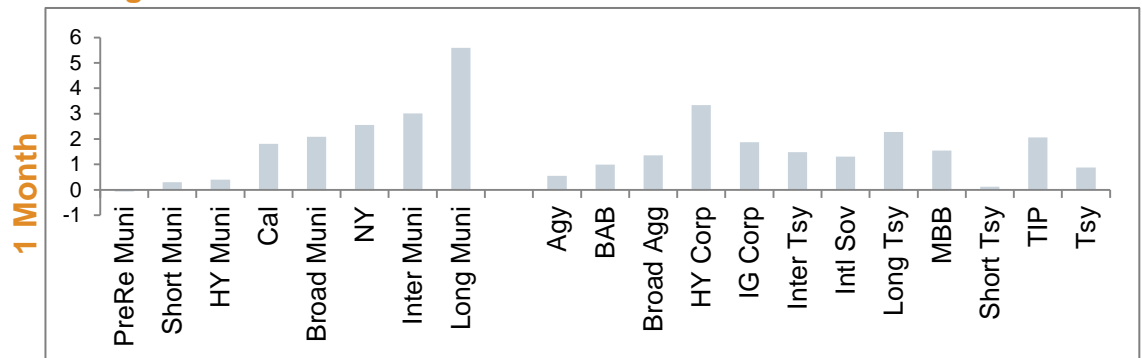
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## Strategic Overview

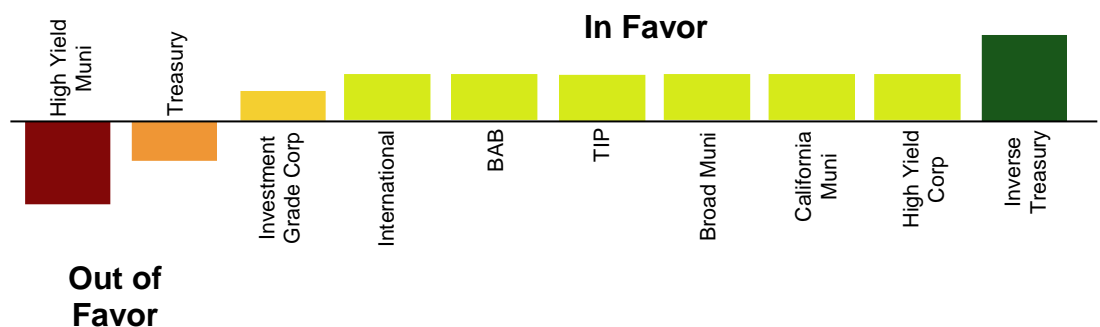
- Many investors in US markets spent the first half of the month preparing for "Sep-taper," pulled into action by the Fed's running commentary since May and economic data that seemingly supported a slow and fairly steady US recovery. But the Fed's decision to delay the taper surprised most investors, especially as they made their decision process more data dependent. If economic releases continue to support the path to tapering, we expect further upward pressure on rates, particularly for maturities longer than 2 years. Though with such uncertainty surrounding the timing of Fed policy over the next several months, rate markets will struggle to find equilibrium.
- The initial reaction to September 18<sup>th</sup>'s "non-taper" was decidedly positive for asset prices. Equity indices hit all-time highs, and US Treasury yields rallied significantly, doing an about face from their two year highs. Follow-through has been somewhat muted, and some of the effects of tapering previously priced into the market have clearly diminished – at least until economic data and more Fed speak pile up and the speculation machine kicks back into high gear approaching the last two Fed meetings of 2013.
- As markets digest the "non-taper" news, trading ranges are evolving and near-term expectations are resetting. Wednesday's shock sent 10 year Treasury yields towards the 2.70% lower limits of a trading range established over the past few months, and we are closely watching market technicals and any new developments from the Fed and/or economic data releases for any signs of near-term breakouts. Finally, we continue to eye potential market unrest stemming from looming battles in our nation's capital for signs that we need to adjust near-term positioning.
- We remain defensive in our duration positioning with a slight preference towards risk assets and expect continued longer term rate pressure as slow recovery ultimately supports less Fed accommodation.

## Trending



Source: Bloomberg as of 9/19/13

## Caprin Views



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