

## MANAGED ETF PORTFOLIO CHARACTERISTICS\*\*

AS OF: 9/30/2013

### Tactical Muni ETF:

Duration: 2.95yrs  
 Average Maturity: 3.33yrs  
 Indicated Yield: 2.34%  
 Blended 30-Day SEC Yield: 2.13%

### Core Plus ETF:

Duration: 2.55yrs  
 Average Maturity: 3.41yrs  
 Indicated Yield: 1.83%  
 Blended 30-Day SEC Yield: 1.88%

### Tactical Opportunity ETF:

Duration: 2.75yrs  
 Average Maturity: 3.49yrs  
 Indicated Yield: 2.27%  
 Blended 30-Day SEC Yield: 2.16%

\*\*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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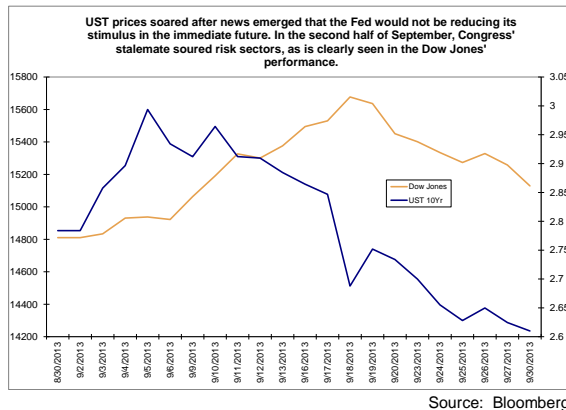
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## Strategic Overview

- The Fed's decision to delay the "Taper" caught almost everyone off guard in mid-September. Since that announcement, all participants' eyes have turned to Congress, whose unwillingness to compromise has markets teetering with the next debt ceiling deadline approaching swiftly. Congress and the White House continue to flirt with creating a much larger economic emergency, creating uncertainty that is the primary driver of our current defensive positioning.
- We still view the likelihood of a US default as highly unlikely, but DC infighting nears a fever pitch. The reaction to any debt ceiling increase will largely depend on how far down the road Congress kicks the can - a band aid solution is not enough to restore stability in US markets. Given the uncertainty, we are holding duration targets at 50% of their respective benchmarks.
- In September our defensive bias hurt relative performance due to the powerful rally in US debt markets that followed the "non-taper." Instead of decreasing our Inverse UST ETF exposure, we saw (and still see) a likelihood of higher rates over the next 6 months, especially if Washington gets out of its own way. In October thus far, strategies are benefiting from the conservative approach; however, we expect a highly reactionary environment for at least the next several weeks.

## Chart of Interest



## What We Are Reading

- [Investors Use Short-Term Bond ETFs to Hedge Rising Rates](#)
- [Obama Says Real Boss in Default Showdown Means Bonds Call Shots](#)
- [Puerto Rico Yields Above Venezuela's in Worst Rout](#)
- [Debt-Ceiling Alarm Freezes Market With Least Supply](#)

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.

## Managed ETF Performance (Net of Fees)

**Tactical Muni ETF:** Shortened duration structure hurt relative performance in September. Strategy benefited from premium/discount positioning.

	September 2013	YTD 2013	12 Months Ending 9/13
<b>Tactical Muni ETF Strategy</b>	<b>2.38%</b>	<b>-2.68%</b>	<b>-3.07%</b>
iShares National Tax Free Muni ETF (MUB)	2.79%	-3.75%	-4.06%
Barclays Municipal Bond Index	2.15%	-2.87%	-2.22%

**Core Plus ETF:** Shortened duration dragged performance below the strategy's benchmarks, though our position in IPE (SPDR Barclays TIPS ETF) helped performance as the TIPS sector rallied.

	September 2013	YTD 2013	12 Months Ending 9/13
<b>Core Plus ETF Strategy</b>	<b>0.65%</b>	<b>-2.29%</b>	<b>-2.13%</b>
iShares US Aggregate Bonds ETF (AGG)	1.12%	-1.99%	-2.01%
Barclays US Aggregate Bond Index	0.95%	-1.88%	-1.67%

**Tactical Opportunity ETF:** Like the other strategies, the shortened duration hurt performance, though our overweight to Munis for the first part of September contributed positively.

	September 2013	YTD 2013	12 Months Ending 9/13
<b>Tactical Opportunity ETF Strategy</b>	<b>1.67%</b>	<b>-2.71%</b>	<b>-2.63%</b>
50% MUB/ 50% AGG	1.96%	-2.86%	-3.01%
50% Muni Index/ 50% Taxable Index	1.55%	-2.37%	-1.93%