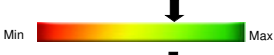



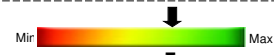

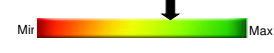

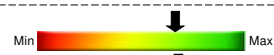




Trading Desk Commentary

Wednesday's release of the minutes from the Federal Reserve's January meeting revealed that some Fed officials are in favor of increasing target borrowing rates sooner rather than later. The minutes showed that, behind closed doors, discussions began for laying forth a potential timeline for increasing interest rates. While the majority remained in favor of a plan similar to that already laid out by Bernanke and endorsed by Yellen, a few officials indicated that a 2015 or 2016 start date for raising rates was not aggressive enough. Some bond investors were caught off-guard by these minority viewpoints within the release. In the months leading up to Chairwoman Yellen taking over the central bank and since her tenure began, her language and guidance have closely mirrored the accommodative posture fostered during the Bernanke years. The 'continuity' she foresees from Bernanke's Fed to hers provides investors with some comfort and reduces the probability of policy blindsides over the next year. Yellen's dovish undertones may have given some participants the false impression that there were not conflicting opinions over the Fed's rate timing. US Treasuries weakened in the trading days following the minutes' release. The Fed still appears on auto-pilot with respect to ending Fed asset purchases. Barring a significant economic shock, we believe the Fed will taper incrementally through year end and bring the stimulus program to a conclusion. Recent economic data has looked somewhat weaker and suggests the Fed's ongoing support is still needed. As we head toward the warmer spring months, the wild card will be how much the harsh winter weather distorted the data over the past three months. If we see a meaningful bounce in jobs and housing numbers due to energy restricted by poor weather conditions, we would expect US Treasury yields to face upward pressure given an improving US outlook. Until now, weather has served as an easy scapegoat for faltering economic activity. The lack of a rebound as weather improves would likely generate serious concerns from investors.

Municipal supply continues to disappoint. With only \$2.5bln issued this week, \$2.35bln expected next week, and The Bond Buyer calling for less than \$6bln in new supply over the next 30 days, this trend isn't going anywhere. Finding bonds via the primary market is a grind. Far too many dollars are chasing far too few new deals. This is leading to: 1) wildly oversubscribed deals, and 2) significant price bumps in the majority of loans that come to market. One exception this week came in the form of a \$156MM (NR/AAA) Georgia Housing and Finance Authority Single Family housing revenue bonds, offering +75 to +90 bps of yield more than a AAA GO in and around the 10-year range. For the past couple of weeks, we have been looking for opportunities to extend our accounts to a fully neutral posture, having been more defensive late last year with the oncoming threat of the Fed taper. After the initial reaction to the announcement, more tepid economic data kept yield increases in check and increased our comfort in re-establishing a more neutral posture. A new issue like the Georgia Housing bonds allows us to sell short-maturity bonds offering negligible yield and to extend portfolios using a high-quality name while improving the yield delivered to our client. In the coming weeks, we will be looking to put together more 'swaps' such as this one when new issuance and/or secondary market blocks permit. This requires a fair amount of patience while staying poised for quick action as attractive offerings emerge. Becoming too passive in this market (something that is easy to do) comes at the great cost of missing value in this challenging Muni landscape.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable			Prefer Corporates and Taxable Munis
Intermediate Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable			Prefer Corporates and Taxable Munis
Tactical Muni ETF			Slight Overweight to CA
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Overweight Taxables to Munis

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.31	0.00	0.31	100%
5 Year	1.08	-0.02	1.10	71%
10 Year	2.50	-0.02	2.52	92%
30 Year	3.84	-0.03	3.87	104%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.31	-0.01	0.32
5 Year	1.53	0.01	1.52
10 Year	2.73	-0.02	2.75
30 Year	3.69	-0.01	3.70

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$1.34	\$1.68
Competitive	\$1.01	\$0.57
TOTAL	\$2.35	\$2.25

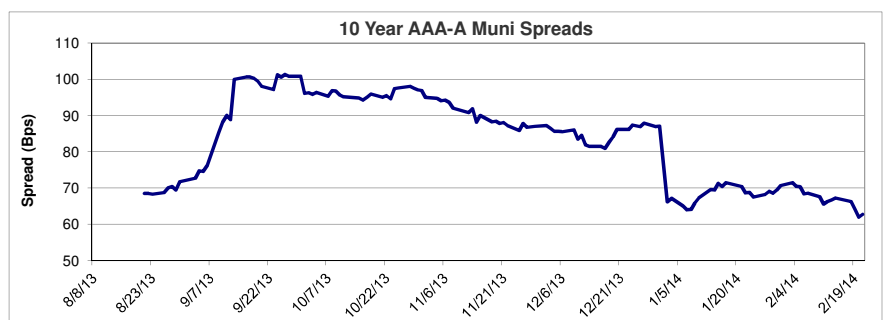
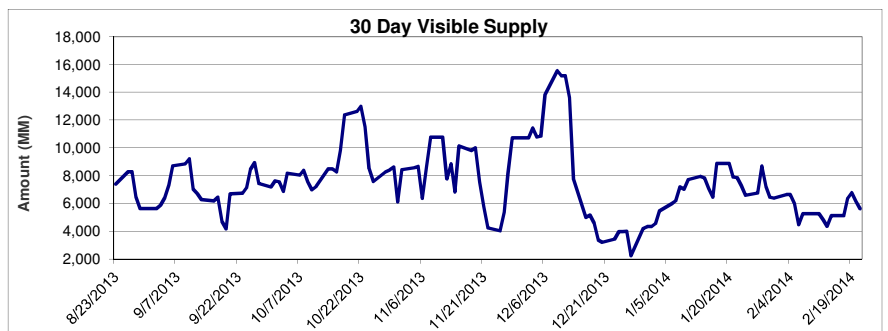
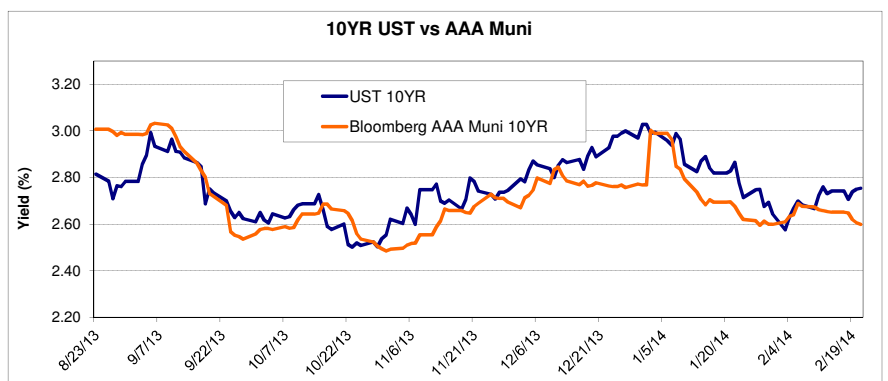
Municipal 30 Day Visible Supply (\$ Bln)	\$5.63	\$5.13
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Bloomberg Muni PICK Offerings (\$ Bln)	\$12.79	\$12.19
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Bond Buyer 20 Municipal G.O. Index	4.44%	4.46%
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Select Economic Releases

Date	Event	Period	Survey	Prior
2/25	Consumer Confidence Index	Feb	80.00	80.70
2/25	Richmond Fed Manufact. Index	Feb	2.00	12.00
2/26	MBA Mortgage Applications	21-Feb	--	-4.10%
2/26	New Home Sales	Jan	400K	414K
2/27	Initial Jobless Claims	22-Feb	335K	336K
2/27	Durable Goods Orders	Jan	-1.50%	-4.30%
2/28	GDP Annualized QoQ	4Q S	2.60%	3.20%
2/28	Core PCE QoQ	4Q S	1.10%	1.10%
2/28	Chicago Purchasing Manager	Feb	56.40	59.60
2/28	Univ. of Michigan Confidence	Feb F	81.20	81.20



Explanation of Key Measures :

Weekly Municipal Supply - The total dollar volume of municipal securities expected to be offered during the upcoming week, broken down by deal type. This helps gauge near term supply and momentum along with the 30 day visible figure.

30 Day Visible Supply - The total dollar volume of municipal securities expected to be offered over the next 30 days. The visible supply, which is compiled and published by The Bond Buyer, indicates the near-term activity in the municipal market.

Bloomberg PICK Offerings - The total dollar amount of offerings listed on Bloomberg's dealer offerings system. The figure helps gauge secondary supply in the market.

AAA-A Muni Spreads - The difference in yield, as expressed in basis points (.01%), between the Bloomberg BVAL AAA 10 Year Benchmark Muni Index and the BVAL A Revenue 10 Year Muni Index.

Bond Buyer 20 G.O. Index - Index published weekly representing the average yield of 20 G.O. bonds with 20 year maturities, rated AA2 by Moody's.

Sources: Weekly municipal supply figures, and municipal rates are produced by Thompson Reuter (Municipal Market Data). 30 day visible figures are obtained through The MuniCenter, and produced by The Bond Buyer. The 20 G.O. index yield is obtained through Bloomberg, and produced by The Bond Buyer. Pick offerings par value, UST supply, economic releases, and UST rates are obtained through Bloomberg Professional Service. Information obtained from these sources is believed to be reliable but is not guaranteed.

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