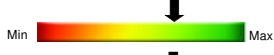



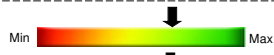

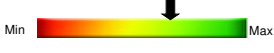

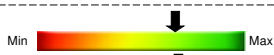




Trading Desk Commentary

Fed Chair Janet Yellen took center stage this morning in Jackson Hole's economics symposium. She carefully selected a middle-of-the-road approach, acknowledging both the progress and the shortfalls in the recovery process. Yellen continues to lean hard on the slack in US labor markets to justify the Fed's accommodation. While true that the U-3 unemployment rate has fallen dramatically since the start of QE3 (8.1% to today's 6.2% level), a comparison to U-6 unemployment calls into question the quality of the improvement and its sustainability. It is this fundamental principal, along with sluggish wage growth, that continues to nag at the Fed. Officials are finding it frustrating to meet their maximum employment mandate when it is unclear how to quantify where that threshold actually exists. Even so, labor markets have seen undeniable improvement in the last two years – enough to warrant the end of the central bank's asset purchases this October. We do not expect the Fed (nor does Yellen) to revise this end date. The obvious next question centers on the timing of a rate hike. At this point, we still believe such a measure is off the table at least until the middle of next year. A lot can happen in 9 months, but this is our base-case scenario. The Fed's mandate is dual-pronged, and inflation data further support the notion that we are still well short of hike-appropriate levels. Today's speech in Jackson Hole did little to dissuade our current stance. Fed funds futures suggest that we will not see a rate hike until the July 29, 2015 meeting. That forecast is consistent with Fed guidance, but it assumes further improvement in the economy. If the recovery's trajectory remains on its current slope, we would expect a rate hike to be even further away than futures imply. We reiterate that the wild card is the geopolitical landscape. On Monday, potential Ukrainian peace talks pulled US Treasury yields higher and provided comfort in US equities. Today's reports of a large build-up of Russian forces along the Ukrainian border ended the equity indices' week-long hot streak. The longer the Fed avoids rocking the boat, geopolitical developments will retain the greatest power over market sentiment.

Munis were forced to give up a bit of ground in a nod to slightly higher US Treasury yields, but new issues and secondary trading looked firm. Underwriters reported aggressive involvement from the street in the new debt they brought to market. Those deals in which we participated were all heavily sought (ex. Aa2/AAA Knoxville Water System revs, A1/NR Alexandria IDA Episcopal High School revs). We bid several large pieces of hospital and power bonds, all of which garnered major attention from an enthusiastic buyer base. Lipper's latest report of Muni mutual fund flows depicts even more demand for Muni exposure. Inflows into the Muni fund arena now total north of \$9.0bln. MUB (iShares National AMT-Free Muni Bond ETF), the largest US Muni ETF in existence, is now up 7.4% YTD. That's outperforming the Dow by almost 5% through this afternoon. Munis are in seriously high demand. They have weathered major credit issues (e.g. Puerto Rico, Detroit) only to rally based on demand for safety and a tax haven. The historically low supply in the face of such a Muni appetite only further boosts tax-exempt performance. Our current mission is still the same. We are likely range-bound based on our Fed and rate beliefs but are fixing a keen eye on overseas developments. It is likely that with a quieter global picture, we would position our portfolios into a longer duration. In a flat rate environment, being longer doesn't hurt you and delivers extra yield to a portfolio. However, the risk of volatility and the unknown in Russia, Israel and Iraq forces us to be more guarded. We are combating the low yields by purchasing issuers and sectors that meet our credit requirements but still offer some incremental value, typically in the housing, education, utility, lease and power revenue sectors. It's a conservative approach, but from our perspective, it's a prudent one.

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			Overweight to CA
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Slight Overweight Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.30	-0.02	0.32	63%
5 Year	1.11	-0.01	1.12	67%
10 Year	2.14	0.05	2.09	89%
30 Year	3.12	0.02	3.10	99%

UST Rates	Current Wk	Prior Wk
2 Year	0.48	0.41
5 Year	1.65	1.53
10 Year	2.40	2.34
30 Year	3.15	3.13

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$1.39	\$3.21
Competitive	\$1.07	\$0.90
TOTAL	\$2.46	\$4.11

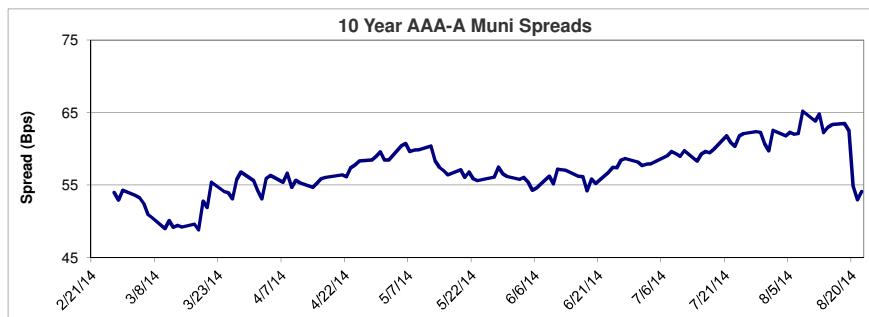
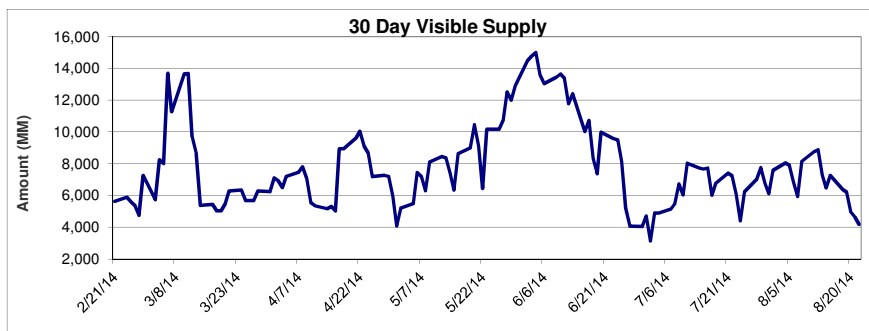
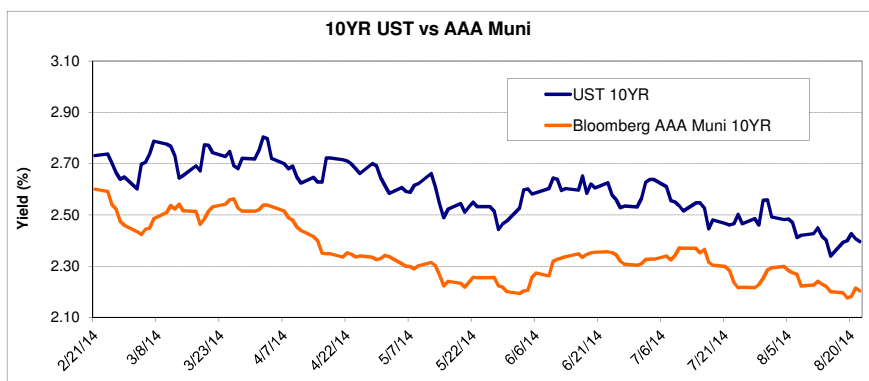
Municipal 30 Day Visible Supply (\$ Bln)	\$4.18	\$7.26
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Bloomberg Muni PICK Offerings (\$ Bln)	\$11.65	\$11.27
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Bond Buyer 20 Municipal G.O. Index	4.21%	4.24%
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Select Economic Releases

Date	Event	Period	Survey	Prior
8/25	New Home Sales	Jul	428K	406K
8/26	Durable Goods Orders	Jul	7.60%	0.70%
8/26	Consumer Confidence Index	Aug	88.50	90.90
8/27	MBA Mortgage Applications	22-Aug	--	1.40%
8/28	Initial Jobless Claims	23-Aug	300K	298K
8/28	GDP Annualized QoQ	2Q S	3.90%	4.00%
8/29	Personal Spending	Jul	0.10%	0.40%
8/29	Personal Income	Jul	0.30%	0.40%
8/29	Chicago Purchasing Manager	Aug	56.50	52.60
8/29	Univ. of Michigan Confidence	Aug F	80.20	79.20



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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