

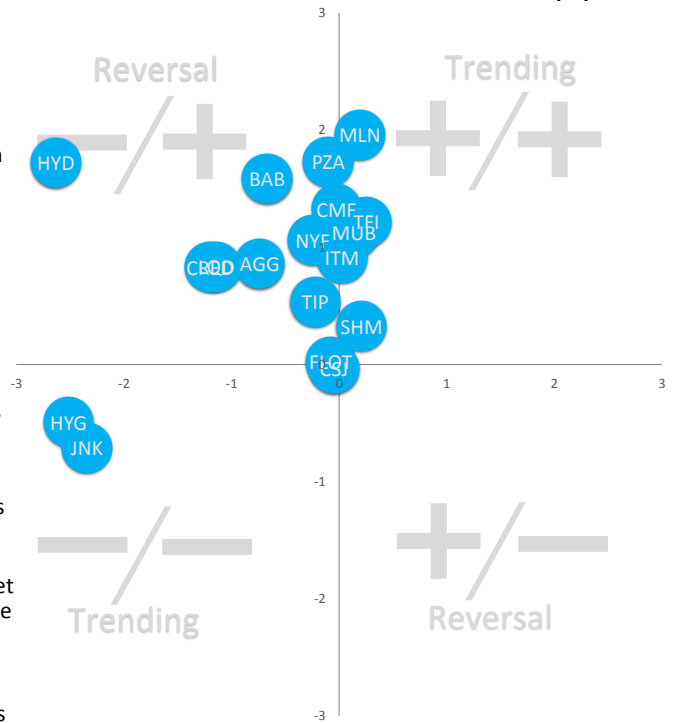
Market Commentary




- With the first month of Q3 in the books, persistent volatility in rates has crafted a unique landscape across fixed income markets. Shorter term US Treasury rates rose in anticipation of the FOMC increasing their target bands for Fed Funds rates while longer maturity yields fell on mixed US economic data.
- Overall broad market municipals outperformed their taxable counterparts by a quarter of a percent, attributable mostly to a muted muni sell off mid-month when US Treasuries were hit hard.
- Although IG credit spreads had a volatile month, they only finished mildly wider. Cash spreads, as tracked by Barclays, however, widened dramatically, making a case for the underperformance of credit and its effect on tickers like LQD and CRED.
- Puerto Rico continued to steal the spotlight as the island defaulted due to an incomplete payment on August 1st. It is important to understand that there are several credit layers within most of the island's issuers, and the imminent restructuring of debt will likely effect subordinate tranches the most. Despite these developments, HY muni funds such as HYD bounced back for the month, gaining 1.72% in July.

Strategy Commentary





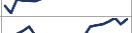















- Our Tactical Opportunity and Tactical Municipal strategies were a highlight this month outperforming benchmarks. As stated above, municipals outperformed in July, and our overweight in Tactical Opportunity proved to be fruitful.
- Given our expectation of continued softness within the corporate credit market with spreads widening through earnings season, we remain underweight to the sector and do not see a reason to rush back into credit.
- Looking forward, markets will remain hypersensitive to all US economic releases given the data dependent Fed, as well as global headwinds that could hinder/delay FOMC action. Volatility across all asset classes will likely persist as markets are guided by the Fed into a new phase.

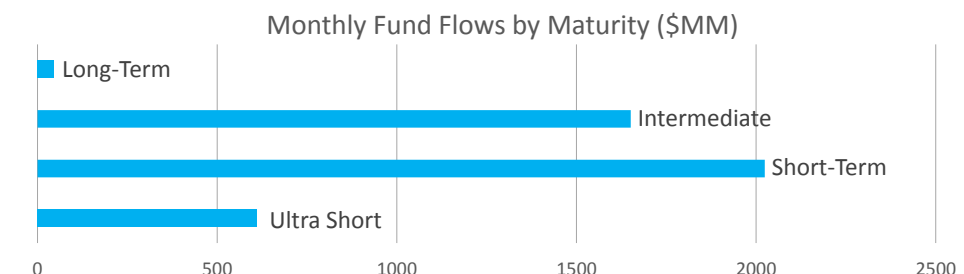
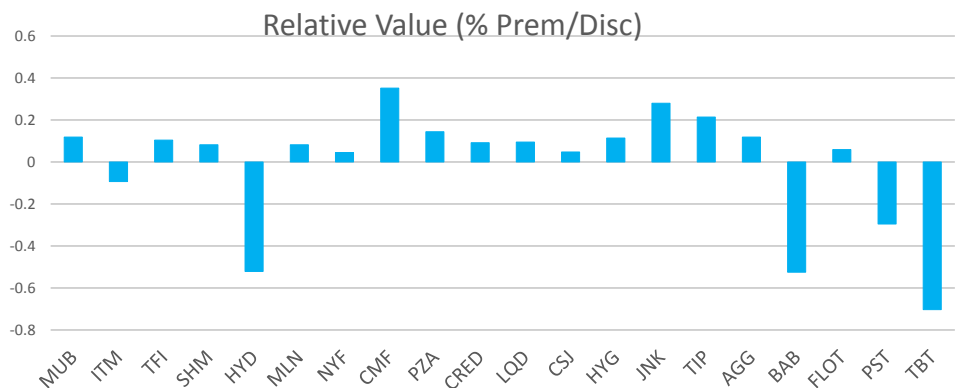
MONTH OVER MONTH RETURN TREND (%)



Name	Target Duration Position	Highlights*
Tactical Opportunity ETF	Min  Max	Slightly Short, Neutral Munis to Taxables
Tactical Muni ETF	Min  Max	Slightly Short, Overweight to CA
Core Plus ETF	Min  Max	Slightly Short, Overweight to Treasuries

Market Overview

	1M Trend	% 1M Return	Std Dev
MUB		1.12	0.35
ITM		0.91	0.08
TFI		1.22	0.10
SHM		0.33	0.03
HYD		1.72	0.18
MLN		1.96	0.12
NYF		1.06	0.39
CMF		1.33	0.48
PZA		1.73	0.12
CRED		0.83	0.37
LQD		0.83	0.47
CSJ		-0.03	0.09
HYG		-0.49	0.59
JNK		-0.71	0.26
TIP		0.54	0.40
AGG		0.86	0.34
BAB		1.59	0.17
FLOT		0.03	0.01
PST		-3.31	0.29
TBT		-9.16	1.85



* Strategy positioning highlights are current as of date shown and subject to change without prior notice.

Sources: ETF return, standard deviation, premium and discount, and fund flow data are obtained through Bloomberg Professional Service. Information obtained from these sources is believed to be reliable but is not guaranteed and is subject to change without notice.

Definitions:

Standard Deviation: A measure of the dispersion of a set of data from its mean. Standard deviation is calculated as the square root of variance.

Duration: A measure of the timing of cash flows (i.e., the interest payments and the principal repayment) to be received from a given fixed income security. Duration is used to assess price volatility for given changes in interest rates, the reinvestment risk associated with a given portfolio or the interest rate risk associated with matching particular interest-rate-sensitive assets and liabilities.

Fund Premium and Discount: A pricing situation that occurs when the share value of an exchange traded fund is trading above or below the net asset value (NAV) of its components.

Net Asset Value (NAV): The value of each share of a fund as determined by the value of its underlying holdings, including any cash in the portfolio. NAV is calculated by dividing a fund's total net assets by its number of shares outstanding.

Month Over Month Return Trend: Fund plots represent returns for a two month period, with the X-axis value being prior month's total return and the y-axis value being the current month total return as of publication.

ETF Information:

[iShares Bond ETF Information \(MUB, NYF, CMF, CRED, LQD, CSJ, HYG, TIP, AGG, BAB, IGOV, FLOT\): iShares Bond ETF Overview Page](#)

[Van Eck Market Vectors Municipal Bond ETF Information \(ITM, HYD, MLN\): Market Vectors Municipal Income ETF Overview Page](#)

[SPDR Fixed Income ETF Information \(TFI, JNK\): SPDR ETF Product Information Page](#)

[Powershares ETF Information \(PZA\): PZA Product Information Page](#)

[ProShares ETF Information \(PST, TBT\): ProShares Leveraged Inverse Treasury Information Page](#)

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