

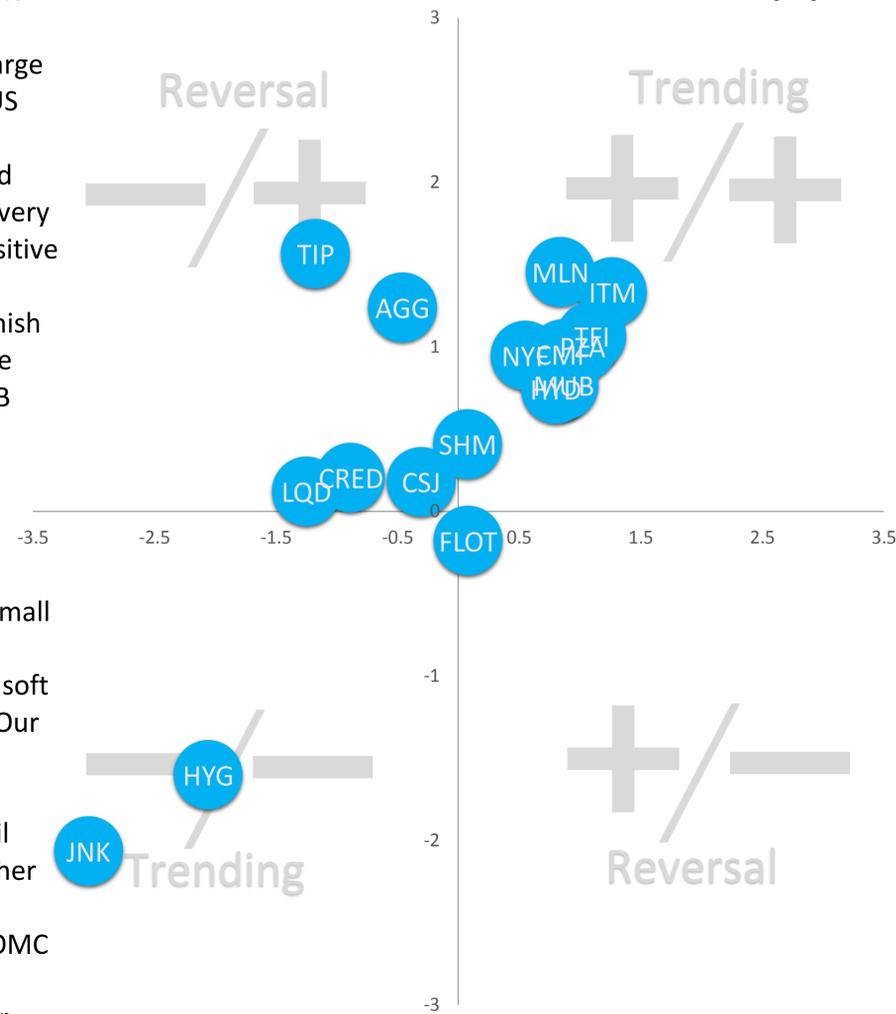
Market Commentary

- The FOMC's December rate hike was not enough to keep interest rates propped up to begin 2016. Global financial markets found themselves faced with a continued soft growth landscape and a bleak outlook on commodity prices, with oil leading the charge lower. In line with historical equity performance following central bank rate hikes, US equities are off to a disappointing start, declining almost 5% in January.
- Increased volatility amongst macro trading instruments has fragmented markets and begun to alter some historical correlations, challenging the fixed income price discovery process. The asset class in general, as expected in a risk-off environment, put up positive performance with the aggregate bond ETF (AGG) posting a total return of 1.24%. Municipals underperformed this month mostly on technical drivers after a strong finish to 2015. Diminished demand due to historically tight muni-to-treasury ratios and the return of supply in the primary market, were the largest contributing factors to MUB posting only 0.77% for the month.

Strategy Commentary

- Tightening in muni-to-treasury ratios served as a catalyst that led us to remove our overweight to tax-exempts, bringing the allocation back to 50% in our Tactical Opportunity strategy. In addition, we began adjusting allocations to certain ETFs in small increments to fine tune option adjusted risk metrics.
- Markets had little to cheer about in the first month of the New Year as the reality of soft and muted global growth and heightened international market concerns took hold. Our yield curve positioning, slightly long of benchmark, proved additive in the ensuing, aggressive fixed income sector rally.
- Fed Funds futures probabilities are predicting the next rate hike will not happen until 2017. The FOMC has not thrown in the towel just yet and continues to forecast further tightening this year, however market conditions are making that a hard scenario to swallow. We will get a better picture of the governors' sentiment after the March FOMC meeting, the release of their forecasts, and the post-meeting press conference. We continue to position strategies with the expectations of mediocre growth and subpar inflation while we proactively monitor and scrutinize Fed actions.

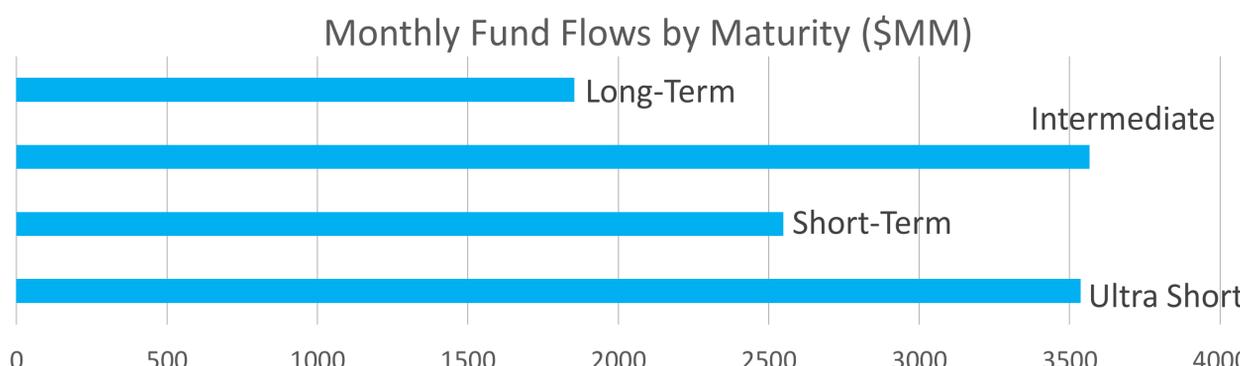
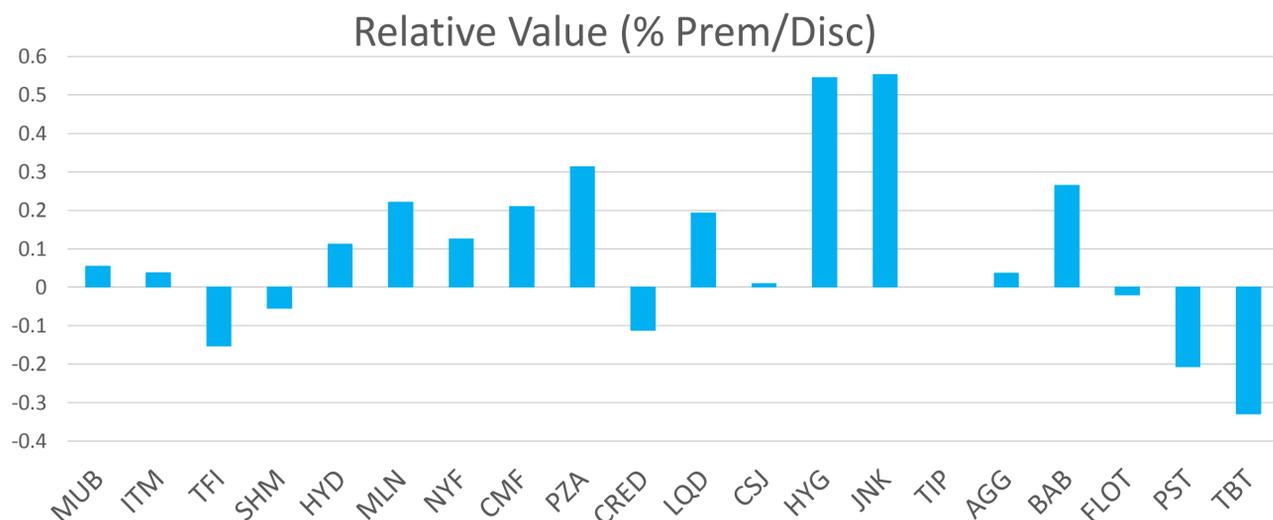
MONTH OVER MONTH RETURN TREND (%)



Name	Target Duration Position	Highlights*
Tactical Opportunity ETF	Min  Max	Neutral Duration, Even Muni/Taxable Ratio
Tactical Muni ETF	Min  Max	Neutral Duration, Overweight to CA
Core Plus ETF	Min  Max	Neutral Duration, Overweight to Treasuries

Market Overview

	1M Trend	% 1M Return	Std Dev
MUB		0.77	0.30
ITM		1.34	0.09
TFI		1.07	0.09
SHM		0.41	0.04
HYD		0.74	0.06
MLN		1.46	0.09
NYF		0.95	0.31
CMF		0.96	0.31
PZA		1.00	0.06
CRED		0.21	0.29
LQD		0.12	0.45
CSJ		0.18	0.06
HYG		-1.60	0.97
JNK		-2.06	0.48
TIP		1.57	0.40
AGG		1.24	0.37
BAB		3.19	0.23
FLOT		-0.18	0.04
PST		-6.13	0.40
TBT		-10.55	1.43



* 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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