

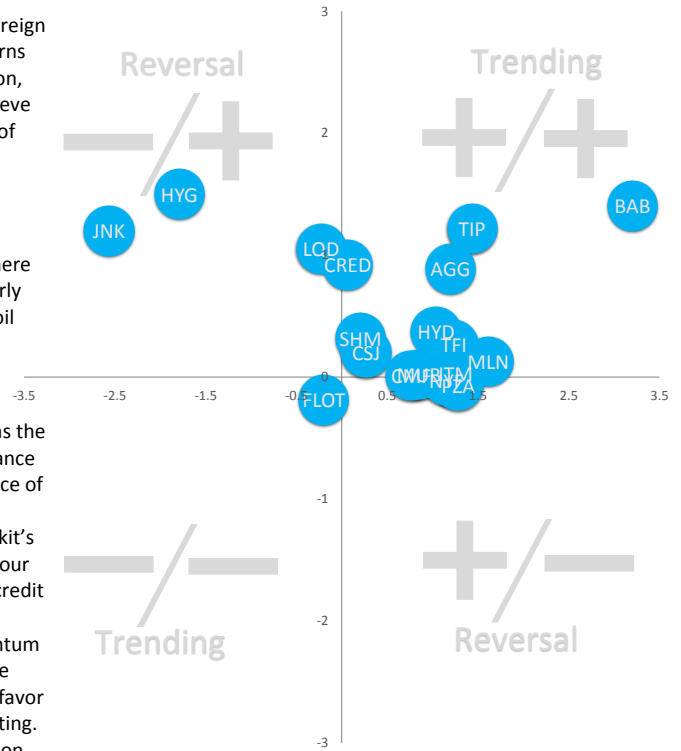
Market Commentary

- Not unlike interest rate action this time last year, the first half of the month's trading sessions were largely dominated by a pronounced risk-off trade. US Treasury and sovereign debt from developed nations rallied to multi year lows on the heels of renewed concerns over Chinese growth and continued commodity price pressure. Contrary to this reaction, several well respected analysts and strategists made public a theory in which they believe rate markets have overcompensated, and are not adequately pricing in the likelihood of continued Fed action in 2016. After a dramatic start though, rates generally finished February only mildly tighter.
- The oil trade has forced its way into the forefront of strategy discussion as price correlations between it and major macro asset classes have strengthened.
- No relationship showcases the aforementioned oil trade quite like our equity indices here at home. Stocks have recouped about half of their losses year to date. This rally is clearly not from a brightening earnings landscape and appears to be technically driven, with oil instability and price action a prime suspect.

Strategy Commentary

- Intermediate municipal ETFs significantly underperformed broad market taxable ETFs as the sector was faced with a challenging technical environment, including a heavy new issuance calendar that put upward pressure on rates. AGG printed February monthly performance of 0.89% vs a mere 0.02% for MUB.
- Credit was in the spotlight in February as Investment Grade spreads, measured by Markit's CDX Index, gapped out to their widest levels since 2012. Given the dramatic move and our outlook on IG credit we saw this as an opportunity to leg back into a more substantial credit position by allocating a model percentage to iShares Intermediate Credit ETF (CIU).
- Looking ahead, even with a Fed meeting on the horizon and optimistic investor momentum that ended February our outlook still holds true that any subsequent rate hikes will take place later in the year, if at all. Derivative markets have adjusted to be slightly more in favor of further Fed tightening, but are not truly pricing another hike until after the July meeting. Strategies continue to be positioned along the yield curve for subpar growth and inflation but deftly allocated to take advantage of relative value opportunities when available.

MONTH OVER MONTH RETURN TREND (%)



Name

Target Duration Position

Highlights*

Tactical Opportunity ETF



Neutral Duration, Even Muni/Taxable Ratio

Tactical Muni ETF



Neutral Duration, Overweight to CA

Core Plus ETF

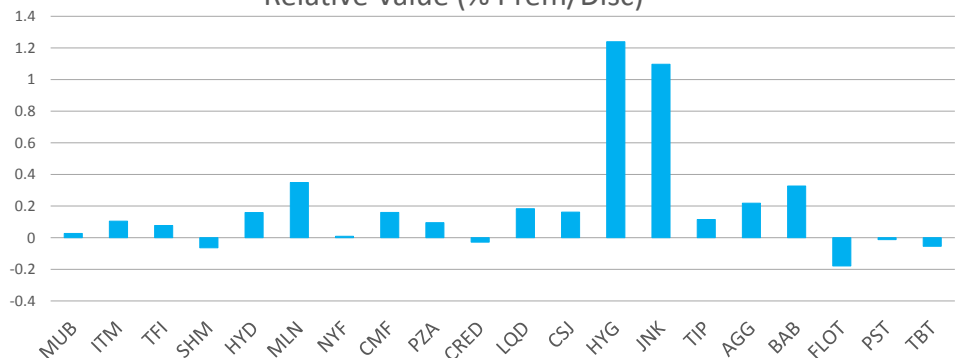


Neutral Duration, Overweight to Treasuries

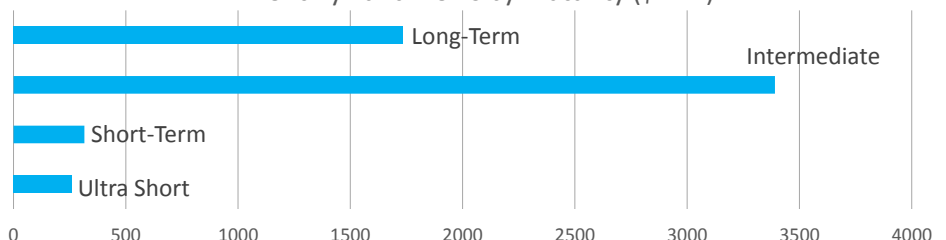
Market Overview

ETF	1M Trend	% 1M Return	Std Dev
MUB		0.02	0.27
ITM		0.03	0.07
TFI		0.27	0.07
SHM		0.32	0.05
HYD		0.37	0.07
MLN		0.13	0.06
NYF		-0.03	0.24
CMF		0.01	0.25
PZA		-0.07	0.09
CRED		0.92	0.40
LQD		1.05	0.60
CSJ		0.21	0.08
HYG		1.50	1.11
JNK		1.20	0.49
TIP		1.22	0.50
AGG		0.89	0.31
BAB		1.41	0.20
FLOT		-0.19	0.04
PST		-2.88	0.25
TBT		-6.24	1.02

Relative Value (% Prem/Disc)



Monthly Fund Flows by Maturity (\$MM)



* 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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