

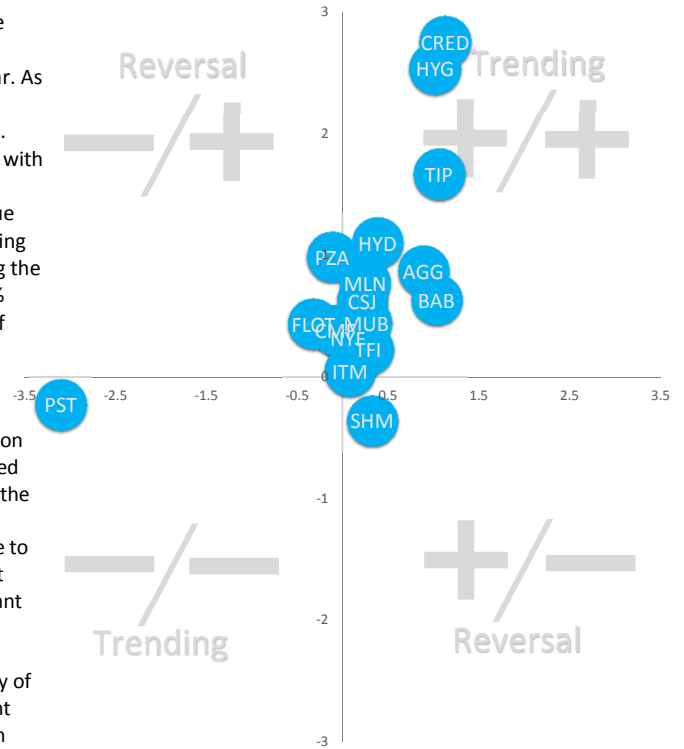
Market Commentary




- Aside from the marginal upward surprise to Nonfarm Payrolls, generally dovish fed speak and unconvincing economic growth data dominated March. The results of the FOMC meeting were unsurprising as governors cut their aggressive 2016 rate hike projections in half, bringing the median expectation down to only two hikes this year. As expected in such an environment, bonds posted positive performance as traders continue to challenge the Fed and wager that rate markets remain lower for longer.
- After reaching multi-year wides in February, IG credit spreads retraced dramatically with momentum and technicals still keeping them compressed as of this writing. Mario Draghi, on behalf of the ECB, announced early in the month its intentions to continue aggressive easing measures and add non-financial corporate debt to their bond buying program. This sparked a credit rally that subsequently bled into US credit, increasing the already technically driven rally. The iShares aggregate bond ETF (AGG) posted 0.87% total return vs iShares intermediate Credit ETF (CIU) printing 1.51% for the month of March.

Strategy Commentary



















- March is seasonally a weak month for municipal markets, and 2016's performance followed suit. Although a heavy new issuance calendar and weaker secondary trading on lighter volume was seen, demand for many new issue deals remained robust. Illustrated by 25+ weeks of positive muni fund flows and meek dealer balance sheets, we expect the lag in performance to be short lived.
- Municipal ETFs continued to underperform broad market taxables, mainly attributable to the aforementioned technical factors and persistent firmness in Treasury and IG credit trading. Within the muni ETFs, months similar to March remind investors how important understanding the embedded optionality of a fund is and its significant impact on performance.
- Looking ahead, derivative markets have adjusted yet again, pushing out the probability of the next Fed hike to just above a coin flip for the December 2016 meeting as sentiment has shifted softer. We continue to see a weaker global landscape and very little reason for the FOMC to aggressively raise rates, thus strategies are positioned with more emphasis on the intermediate and longer portion of the yield curve.

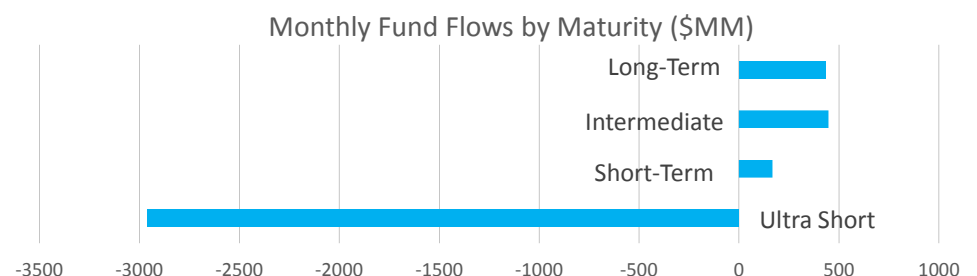
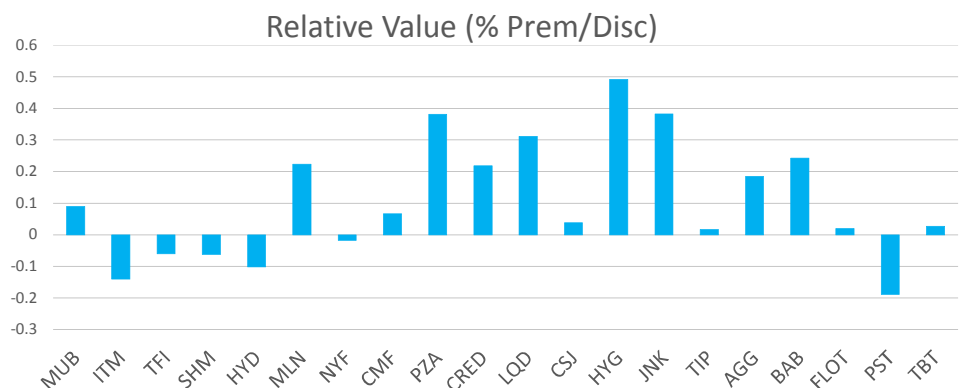
MONTH OVER MONTH RETURN TREND (%)



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		0.44	0.25
ITM		0.05	0.08
TFI		0.23	0.13
SHM		-0.36	0.06
HYD		1.10	0.11
MLN		0.77	0.09
NYF		0.32	0.34
CMF		0.38	0.31
PZA		0.98	0.10
CRED		2.75	0.91
LQD		3.62	1.47
CSJ		0.63	0.19
HYG		2.54	0.67
JNK		3.03	0.33
TIP		1.67	0.81
AGG		0.87	0.42
BAB		0.63	0.12
FLOT		0.43	0.08
PST		-0.22	0.22
TBT		-0.27	0.57



* 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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