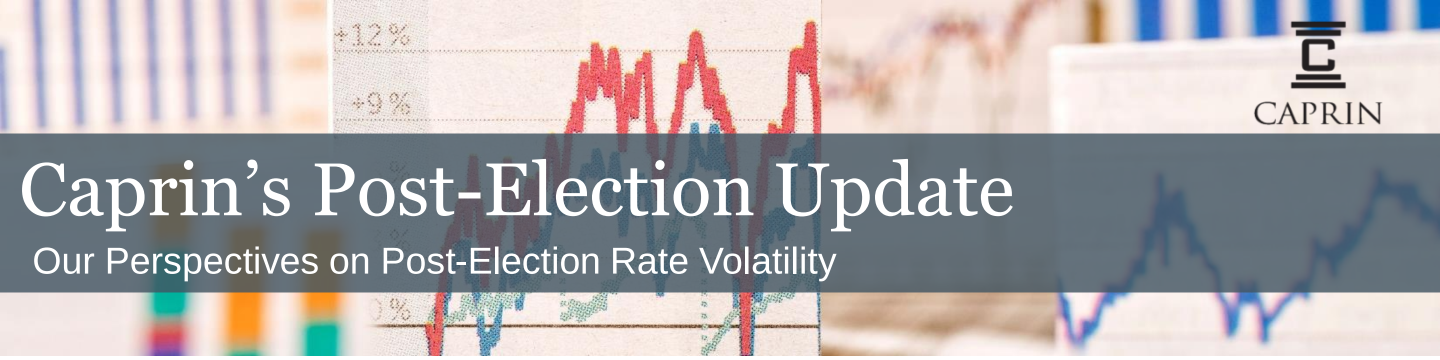

Caprin's Post-Election Update

Our Perspectives on Post-Election Rate Volatility

Last Tuesday's Presidential election shocked many in the electorate and the financial markets. We saw interest rates move higher at a pace not seen since 2013. So what might the markets be thinking? Keep in mind both the 10 Year US Treasury and the 30 Year US Treasury averaged 2.21% and 2.97% respectively for the last 8 months of 2015, and today's levels are in line with end of 2015 rates.

To us, current rates are more 'rebound' than 'surge,' suggesting markets may be pricing incremental economic potential under the new administration versus the drag seen in many economic indicators during 2016. Some have speculated this move higher in US Treasury rates, particularly in longer dated bonds, is a sign of higher inflation resulting from Trump policies, but we do not see a substantive case for those concerns.

We view the likelihood of implementation and efficacy for both heightened deficit spending and more restrictive trade policies at this point to be measurably less than the market reaction. On the policy front, lower tax rates may in theory help spur growth over the long term, but the effect could be less pronounced than anticipated as both individuals and corporations remain reluctant to spend.

Our fundamental assessment of both domestic and global economies remains intact despite the election results, and we continue to see near-to-medium term growth remaining at subdued levels. In the US, growth is unlikely to rise above its recent averages of approximately 2% as the shallow recovery may begin to show more signs of age. Household consumption, though it continues to keep growth positive, is unlikely to move notably higher without significant upward wage pressure, while further strength in the US dollar will place added pressure on already soft business fixed investment.

Within the municipal landscape, rates have generally moved higher in concert with US Treasuries as price discovery remains expectedly opaque in the days immediately following the election. We anticipate near-term technicals of a moderating supply calendar and potentially calmer US rates market will be supportive for tax-conscious investors as we head into year-end and early 2017.

Any time we have a new administration in the White House, the question of municipal bond tax-exemption is discussed within investor circles. From our standpoint, we view the likelihood of change to the current status as low. More importantly, it would be counterproductive to raise the cost of financing on the municipal sector as the Trump administration seeks to execute on its infrastructure commitments.

While we view the current move higher in rates as sentiment driven at present, we will closely monitor developments from the Trump administration for more clarity on future policy and will be proactive in strategy adjustments if conditions warrant.