

ETF Strategies Overview

THIRD QUARTER 2017

Strategy Commentary

- UST rates fell through much of the quarter as elevated geopolitical tensions, lower inflation, and a more dovish tilt from the Federal Reserve sent yields across much of the curve to YTD lows. Yields began to recover in September on the heels of rising Chinese inflation, stronger commodity prices, and the Fed's reaffirmation of future rate hikes.
- With limited supply and strong demand in the tax-exempt market, Municipal ETFs again outperformed their taxable counterparts. A comparison of two large broad market ETFs shows AGG (iShares US Aggregate) +0.70% vs MUB (iShares Municipal) +1.25% for the quarter.
- Muni-to-Treasury ratios remained at multi-year lows, particularly in shorter maturities where levels have now declined into the mid 60%s. During the quarter we used this as an opportunity to trim short municipal exposure within Tactical Muni and Tactical Opportunity in favor of more attractive yield allocations.
- Although it's hard to make a case for meaningful credit outperformance (tighter spreads) from here, we certainly see a fundamental backdrop of low rates, stable growth, and corporate earnings that could continue to suppress spreads in the near to medium term. As such, we remain comfortable with the IG corporate exposure found in Core Plus, but did trim broad market funds, like AGG (iShares US Aggregate) over the quarter in favor of more direct sector exposure.

FIGURE 1: RELATIVE VALUE (% PREM/DISC AS OF 9/30/17)

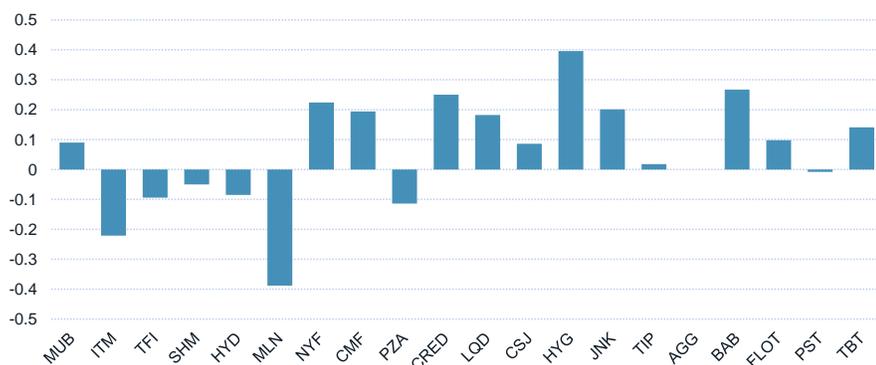
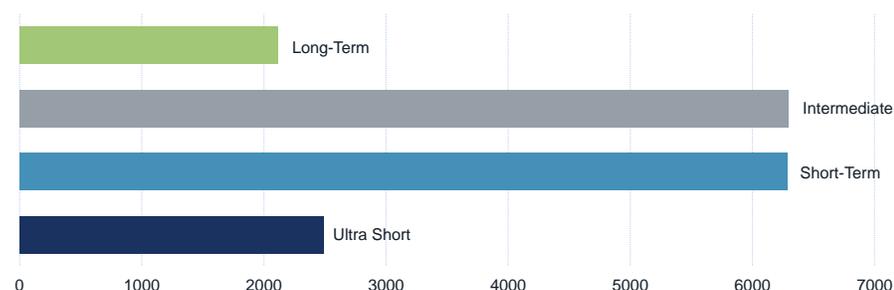


FIGURE 2: QUARTERLY FUND FLOWS BY MATURITY (\$MM)



Please refer to the second page for sources, definitions and disclosure information.

Caprin ETF Strategies

TACTICAL OPPORTUNITY ETF

AS OF: 9/30/2017

Duration: 5.27 yrs

Highlights: Neutral Duration Position, Muni 45%/Taxable 55%, Decreased Short Muni Exposure Based on Relative Value

TACTICAL MUNI ETF

AS OF: 9/30/2017

Duration: 5.40 yrs

Highlights: Neutral Duration Position, Increased Position to High-Yield Muni

CORE PLUS ETF

AS OF: 9/30/2017

Duration: 5.60 yrs

Highlights: Neutral Duration, Lowered Credit Exposure Based on Current Spreads

FIGURE 3: FIXED INCOME ETF UNIVERSE

ETF TICKER	QRTLY TREND	% Q RETURN	STD DEV
MUB	▲	1.25	0.48
ITM	▲	1.09	0.12
TFI	▲	0.99	0.24
SHM	▲	0.46	0.13
HYD	▲	2.35	0.22
MLN	▲	1.26	0.11
NYF	▲	0.96	0.39
CMF	▲	1.22	0.55
PZA	▲	1.17	0.11
CRED	▲	1.26	0.41
LQD	▲	1.40	0.46
CSJ	▲	0.45	0.10
HYG	▲	1.69	0.44
JNK	▲	1.67	0.18
TIP	▲	0.79	0.60
AGG	▲	0.70	0.37
BAB	▲	2.40	0.28
FLOT	▲	0.42	0.03
PST	▲	-0.38	0.29
TBT	▲	-0.81	0.98

* 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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