Search for Income

Fourth Quarter 2013

New Year, New Yields

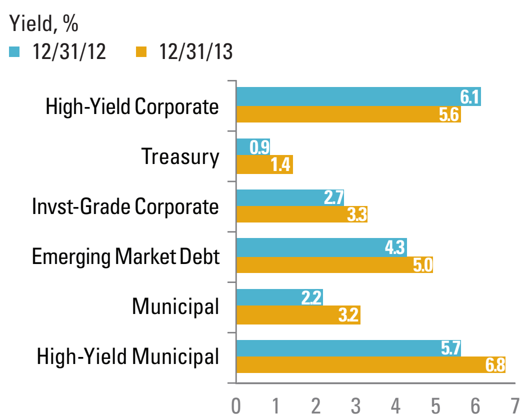
Overview

The *Search for Income* publication is a quarterly guide to our top ideas for income-producing securities and strategies. This publication offers active and passive income suggestions from our current mutual fund recommended list, along with suggested exchange-traded funds (ETFs). Many of the asset classes/sectors can be used individually or in a diversified portfolio, and several are currently employed in our model portfolios. This publication highlights the following sections:

- Favorite Sector/Asset Class Ideas
- Implementation

Please note: all return figures are as of December 31, 2013 unless otherwise stated.

1 Stabilization in September Helped Yields Finish the Quarter Little Changed



Source: LPL Financial Research, Barclays Index data 12/31/13

Indices: Barclays US Treasury Index, Barclays Municipal Bond Index, Barclays Capital U.S. Corporate Index, Barclays EM USD Aggregate, Barclays Capital High Yield Municipal Bond Index, Barclays US Corporate High Yield

All Barclays indexes mentioned herein are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges or expenses. Index performance is not indicative of any particular investment. Past performance is no guarantee of future results.

LPL Financial

Higher yields are the saving grace for income-seeking investors after a difficult 2013. Most of the price declines and yield increases occurred over the second and third quarters of 2013, but yields on most high-quality fixed income sectors ended the year near two-and-a-half year highs. This results in an opportunity for investors to lock in more attractive yields than at any time during the past couple of years [Figure 1].

We expect 2014 to be gentler to bond investors compared with 2013, but the battle of rising interest rates and lower prices is likely continue. Bond market *total* returns could likely be flat as yields rise with the 10-year Treasury yield ending the year at 3.25–3.75%. (Based upon our expectation for a 1% acceleration in U.S. gross domestic product [GDP] over the pace of 2013, a reduction in Federal Reserve [Fed] bond purchases, and lower bond valuations.) Our view of yields rising beyond what the futures market has priced in warns of the risk in longer-maturity bonds now that conditions have turned for the bond market. Please see our *Outlook 2014* publication for additional information. The twin forces that drove yields higher in 2013—the onset of a reduction in Fed bond purchases and stronger economic growth—may likely to continue to pressure high-quality bond yields higher and prices lower. For 2014, we expect better economic growth to be the primary driver of higher bond yields.

For two of our income-generating ideas, high-yield bonds and bank loans, rising interest rates did not pose a problem. Both sectors stayed true to their historical resilience against rising interest rates and prices finished 2013 unchanged to higher. The average yield of high-yield bonds actually declined as a result. In general, lower-rated sectors of the bond market fared best in 2013, a trend we expect to continue. Lower-rated bond sectors are often more economically sensitive. An expanding economy in 2014 is likely to support good credit quality metrics—the ability of most borrowers to continue making timely interest payments—and keep defaults near historical low levels.

Both municipal bonds and emerging market debt (EMD) were among the laggards in a difficult 2013 but begin 2014 with higher yields and better valuations. In 2013, illiquid trading conditions and steady mutual fund outflows exacerbated price declines associated with rising interest rates for municipal bonds. Late in 2013, investors began to take note of cheaper valuations, as measured by municipal-to-Treasury yield ratios, and top-quality yields approaching 5%, a key yield level.

The economic forecasts set forth in the publication may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

We believe EMD may benefit from the economic improvement we expect in 2014, as outlined in our *Outlook 2014*. Near-term uncertainty over the pace of economic growth in emerging market (EM) countries, led by China, and fears over the impact of Fed tapering may keep EMD volatile. However, we find valuations attractive and yields are higher for investors willing to ride out any near-term bumps.

We removed Build America Bonds (BABs) from our list of income-generating ideas this quarter. BABs remain a high-quality income option but possess above-average interest rate risk. Based on our expectation of rising interest rates in 2014, we believe potential price weakness may offset the income benefit.

Among income-producing sectors, high-yield bonds stand out as one of our favorite investments. In general, we prefer to look domestically for income-generating investments given the more favorable economic backdrop, which should continue to support credit quality. Currently, our ideas for income generation are:

- High-yield bonds (taxable and tax-free)
- Bank loans (floating rate funds)
- Preferred stocks
- Investment-grade corporate bonds (intermediate- and long-term)
- Emerging market debt (EMD)

High-yield bonds (taxable) remain one of our favorite ideas within fixed income, due to the combination of yield and the sector's ability to weather rising interest rates. On the negative side, average yields declined in 2013 to 5.6% — not a very "high" yield. The lower yields mean total returns may be lower in 2014 compared to 2013. On the positive side, however, the average yield still comprises a 4.3% advantage over comparable Treasuries, which stands out in a low-yield world. The average yield advantage is below the historical average of 5.8% but likely to remain low due to the low default environment that is likely to persist in 2014.

Bank loans were one of the most resilient sectors, along with high-yield bonds, during the bond market sell-off in 2013. The lack of interest rate sensitivity and above-average yield helped the sector weather rough fixed income markets. Bank loans have historically exhibited much less volatility than high-yield bonds and therefore may be an option for more conservative clients, who seek yield while simultaneously avoiding interest rate risk.

Preferred stocks were impacted by broad fixed income market weakness over the spring and summer of 2013 but less so than most sectors. Although preferred stocks have exhibited little sensitivity to rising interest rates over the past few years, price weakness over 2013 was a reminder that the sector does possess interest rate risk. On a positive note, banks' credit quality trends are generally positive based upon earnings results for the first three quarters of 2013, all of which helps to support issuer credit quality. Yields increased over 2013 to 5.8%. Valuations became more attractive with an average 2.3% yield advantage relative to comparable Treasuries, up from 2.1% at the end of 2012.

Investment-grade corporate bond prices declined in 2013 but to a lesser degree than Treasury bonds. The better performance was reflected in a narrower 1.1% yield advantage over comparable maturity Treasury bonds compared to a 1.4% advantage at the start of 2013. Investment-grade corporate bonds remain an income-producing option among high-quality domestic bonds, especially considering the low yields on other high-grade bond sectors, such as Treasuries and mortgage-backed securities (MBS). The high-quality nature of investment-grade corporate bonds makes them more sensitive to rising interest rates, as illustrated during the bond market pullback of 2013.

Emerging market debt. The combination of better valuations and our expectation of accelerating global economic growth maintain EMD as an attractive income option. We believe risks are much better balanced now and the prospects of improving economic growth may make EMD prices more resilient to rising interest rates. Average yields increased by 0.7% in 2013, according to the JPMorgan Emerging Market Bond Index. The average yield advantage of EMD to Treasuries increased to 3.4% at the end of 2013, up from 2.5% at the start of last year.

Another strategy to consider would be the income-focused theme in Model Wealth Portfolios (MWP), which combines multiple asset classes and sectors. The goals of these portfolios are to seek excess total return and, secondarily, to pursue higher overall yields than the LPL Financial Research blended benchmarks.

Favorite Sector/Asset Class Ideas

High-Yield Bonds (Taxable and Tax-Free): Our Preferred Asset Class Within Fixed Income

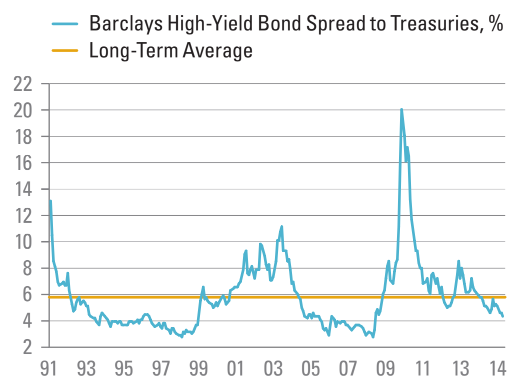
High-yield is an obvious asset class for income-seeking investors to consider. High-yield bond prices actually managed price gains in 2013 bucking the trend of lower high-quality bond prices. Although yields declined in 2013, average yields still provide a notable advantage over Treasuries and combined with still-strong credit quality make the sector one of the more attractive income vehicles for investors.

In 2013, high-yield bonds once again delivered on its traditional role as one of the more defensive sectors against rising interest rates. Lower-rated bonds shrugged off the rise in interest rates and outperformed higher-quality bonds. The Barclays High-Yield Bond Index finished 2013 with an impressive 7.4% total return compared to a 2.0% average loss for high-quality bonds as measured by the Barclays Aggregate Bond Index.

The average yield advantage, or spread, of high-yield bonds to Treasuries contracted to 4.3% by January 14, 2013, down from a 5.5% yield spread at the start of 2013 and below the historical average [Figure 2].

We believe the current yield spread on high-yield bonds is a reflection of a low default environment [Figure 3]. The global high-yield default rate decreased to 2.6% in 2013 from 2.8% based upon the number of issuers. On a dollar volume basis, the default rate declined to 1.0% illustrating how

2 High-Yield Bond Valuations Are Slightly Expensive Relative to History…



Source: LPL Financial Research, Barclays, Bloomberg 12/31/13

The Barclays High-Yield Bond Index is an unmanaged index and cannot be invested into directly. The returns do not reflect fees, sales charges or expenses. Index performance is not indicative of any particular investment. Past performance is no guarantee of future results.

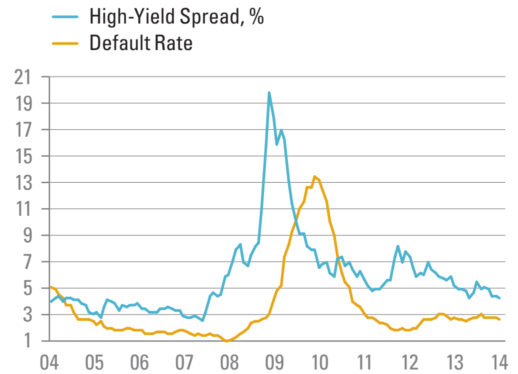
High-yield spread is the yield differential between the average yield of high-yield bonds and the average yield of comparable maturity Treasury bonds.

No strategy assures success or protects against loss.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

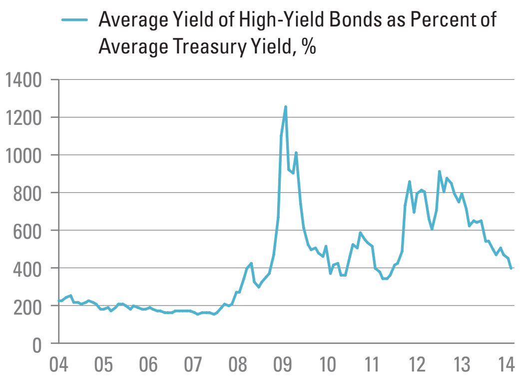
High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

3 …But the Average Yield Advantage of High-Yield Bonds Reflected Low Defaults



Source: LPL Financial Research, Barclays, Moody's 12/31/13

4 Yields Stood Out in a Low-Yield World



Source: LPL Financial Research, Barclays, Bloomberg 12/31/13

High-yield spread is the yield differential between the average yield of high-yield bonds and the average yield of comparable maturity Treasury bonds.

An investment in Exchange Traded Product (ETP), structured as a mutual fund or unit investment trust, involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETPs involves additional risks such as not diversified, price volatility, competitive industry pressure, international political and economic developments, possible trading halts, and index tracking errors.

An increase in interest rates may cause the price of bonds and bond mutual funds to decline.

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

Important Notes:
Please note while many municipal bonds may remain suitable investments, when longer-term interest rates increase, some municipalities may be forced to roll over retiring debt at higher rates, which could lead to financial distress in municipalities.

If long-term rates rise, selling pressure may subject funds and ETPs to greater volatility and unanticipated losses.

rare defaults have been. Moody's Investor Service has forecast that it will remain low in 2014, with a forecast of 2.3% by the end of 2014.

We find Moody's default forecast reasonable, given the tremendous amount of debt that high-yield companies have refinanced. High-yield issuers have taken advantage of low interest rates, and very few high-yield bonds mature over the coming 12 months.

The average yield of high-yield bonds remains low by historical comparison but must be put in the context of what still is a low-yield environment and a notable advantage to Treasuries [Figure 4]. On a percentage basis, the average yield of high-yield bonds is down substantially from recent peaks but still nearly double that of pre-recession levels. We believe the sector still stands out in a low-yield world given the low level of Treasury yields and other competing fixed income investments.

For diversification purposes and to reduce individual security risk, LPL Financial Research strongly recommends investors use a mutual fund or ETP (exchange-traded product) for exposure to this asset class.

Investors, regardless of tax bracket, may wish to consider municipal (tax-free) high-yield bonds. The average yield of tax-free high-yield bonds is 6.7%, according to the Barclays High-Yield Municipal Index (as of 1/14/14), higher than that of the taxable high-yield market. The average yield advantage of high-yield municipal bonds to AAA-rated municipal bonds is 3.0%, in line with the four-year average but a notable yield advantage. The greater yield is not without risks. Municipal high-yield bonds have longer maturities and therefore tend to be more interest rate sensitive than their taxable counterparts, a risk worth noting should interest rates continue to rise. Interest rate sensitivity was one of the primary drivers of high-yield municipal bond weakness in 2013.

Credit quality trends, like that of the taxable market, are largely supportive of the sector in our view. According to the Municipal Securities Rulemaking Board (MSRB) and Municipal Market Advisors data, the number of defaulted municipal issuers fell by almost half in 2013, the fourth consecutive year of declines. In general, municipal defaults that have occurred remain concentrated in the most speculative sectors, with the vast majority coming from issuers that did not have any rating at all.

Please be aware that the vast majority of tax-free high-yield funds generate income that is subject to AMT (alternative minimum tax). Again, we recommend investors use a fund to gain exposure. Please contact fund or ETP companies directly to obtain a copy of the prospectus for the percentage of income subject to AMT.

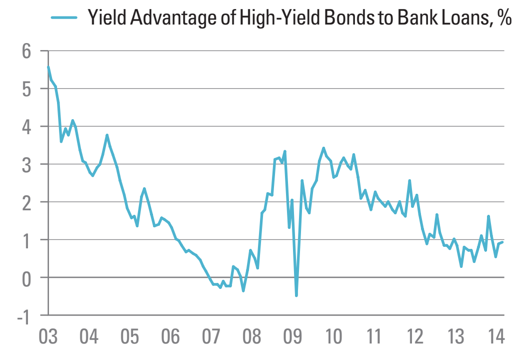
Floating Rate Bank Loans: More Conservative Approach to High Yield

Companies rated below investment grade issue loans via banks (hence the name "bank loans") for their short-term funding needs. Most bank loans are senior secured debt, as the companies generally pledge specific tangible assets for the loan, ranking them above traditional bonds and equities in a corporation's capital structure. These securities typically pay a higher yield than short-term securities (generally 2.5–4.0% above Libor,

*Such as T-bills and Treasuries and corporate notes maturing within two years.

Floating rate bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve interest rate risk, credit and default risk, market and liquidity risk.

5 The Yield Disparity Between Bank Loans and High-Yield Bonds Has Been Relatively Modest



Source: LPL Financial Research, S&P Leveraged Loan Index, Barclays High-Yield Index 12/31/13

All indices mentioned above are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges or expenses. Index performance is not indicative of any particular investment. Past performance is no guarantee of future results.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

Preferred stock investing involves risk, which may include loss of principal.

the London Interbank Offered Rate) and seek to provide protection against rising interest rates since the interest rate on bank loans adjusts at regular intervals to reflect changes in a short-term rate (usually 3-month Libor). Unlike traditional fixed-rate bonds, where rising interest rates hurt their prices, when rates rise, bank loans pay a higher rate and their prices do not necessarily fall.

Bank loans have re-emerged as an income alternative as investors balance the need for income generation with interest rate risk. Bank loans were one of the least impacted sectors during the bond market sell-off of 2013 due to their lack of interest rate sensitivity. Along with an above-average yield, the sector managed to weather rough fixed income markets well.

The yield differential between bank loans and high-yield bonds continues to hover near 1%, a relatively modest yield discount compared to history [Figure 5]. Bank loans have historically exhibited much less volatility than high-yield bonds and therefore may be an option for more conservative clients. Given the possibility of higher interest rates, bank loans can still play a role for investors seeking yield while trying to avoid interest rate risk.

Like high-yield bonds, credit quality metrics for bank loans are good, and defaults remain well below the historical average. Moody's forecasts a low default rate through 2014, a forecast we agree with given our outlook for improving growth that has traditionally been good for corporate debt obligations like bank loans.

Preferred Stocks: Shrinking Market With Attractive Yields

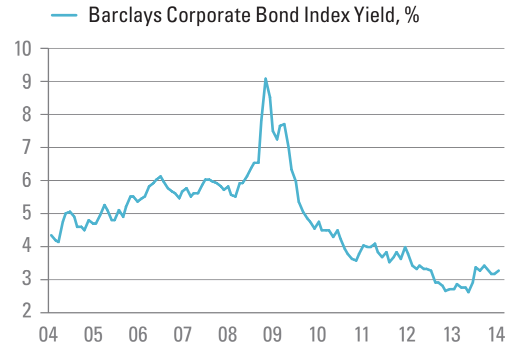
Preferred stocks are fixed income securities and income-seeking investors may want to consider the asset class. Preferred stocks, which are primarily issued by financial companies, were not immune to fixed income market weakness and witnessed lower prices during the bond market pullback.

Although 2013 was a challenging year with modest losses for preferred investors, we still believe the sector can be used as an income generator in today's fixed income environment. Preferred stock prices held up better than most fixed income sectors against rising interest rates in 2013. The financial sector, which comprises roughly 80% of all preferred issuers, benefited from an improving economy and exhibited stronger credit quality. We believe the above-average income coupled with gradually improving bank credit quality still make preferred securities a good income vehicle.

Average yields of preferred stocks increased to 5.8% from 5.2% at the start of 2013. The average yield advantage to Treasuries increased modestly to 2.3% from 2.1% over last year and remains slightly above the 10-year average of 2.0%. We find this yield advantage attractive given the still low-yield environment. Due to the varied nature of the preferred market, the yield advantage to comparable Treasuries may vary depending on the specific investment product.

The tailwind of a shrinking preferred supply faded over 2013, but the market still shrank overall according to Bank of America Merrill Lynch Index data. Issuers have largely adapted to regulatory changes likely to affect the

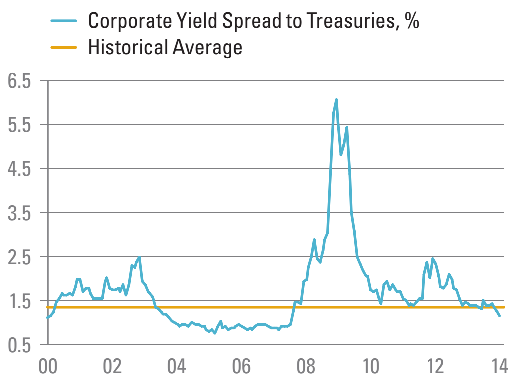
6 Average Corporate Bond Yields Remain Above 3% but Remained Near Historic Lows



Source: LPL Financial Research, Barclays, Bloomberg 12/31/13

The Barclays Corporate Bond Index is an unmanaged index and cannot be invested into directly. The returns do not reflect fees, sales charges or expenses. Index performance is not indicative of any particular investment. Past performance is no guarantee of future results.

7 Corporate Bond Yield Spreads Were Just Below the Historical Average



Source: LPL Financial Research, Barclays, Bloomberg 12/31/13

Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

Please note regardless of credit quality, longer duration fixed income corporate bonds could potentially suffer market losses associated with a rapid, uncontrolled increase in interest rates

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of a fund shares is not guaranteed and will fluctuate.

The risks associated with investment-grade corporate bonds are considered significantly higher than those associated with first-class government bonds. The difference between rates for first-class government bonds and investment-grade bonds is called investment-grade spread. The range of this spread is an indicator of the market's belief in the stability of the economy.

market between now and 2015. However, net issuance remains negligible and may help support the sector in 2014 by keeping supply limited.

The sector exhibited good resiliency over bouts of rising interest rates over the past three years, but 2013 price weakness served as a reminder to investors. Since preferred stocks are perpetual, meaning they have extremely long 30- to 50-year maturities, they possess interest rate sensitivity. The yield advantage to Treasuries will help offset higher interest rate risk, but investors need to be aware of this risk.

Investment-Grade Corporate Bonds: Historically Stable in a Slow-Growth Environment

Investment-grade corporate bond yields remain low by historical comparison but the asset class continues to remain an income-producing option for investors seeking higher-quality bonds [Figure 6]. The average yield of investment-grade corporate bonds increased over 2013 to 3.3% from 2.7% at the end of 2012. For some investors, such yield levels may not be exciting, but yields vary depending on the specific investment used. We believe investment-grade corporate bonds can still be used as an income-producing option in fixed income markets, considering historically low Treasury and MBS yields. Among higher-quality bond options, investment-grade corporate bonds provide a better combination of yield for a given level of interest rate risk.

As of January 15, 2014, the average investment-grade corporate bond yield spread to Treasuries was 1.1%, just below the historical average of 1.3% but a notable advantage over Treasuries [Figure 7]. The yield spread contracted over 2013 as investors sought higher yielding investments to buffer against price declines associated with rising interest rates.

Corporate credit quality metrics plateaued in mid-2012 but remain stable and provide a firm underpinning. Improving economic growth allows for steady corporate credit quality and does not necessarily turn into a threat for bondholders. Good credit quality was another factor that drew investors to the sector.

Emerging Market Debt: Benefited From Emerging Markets Growth

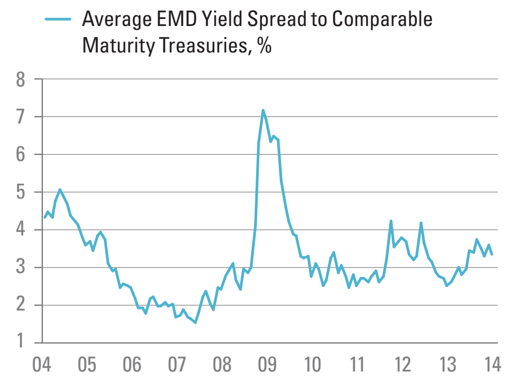
Emerging market debt endured a volatile 2013 and was among the laggard fixed income sectors. EMD showed signs of stabilizing late in the year as investors took note of higher yields and more attractive valuations. Concerns over the pace of EM economic growth, including that of China, continue to linger over EMD, as do fears about what impact a reduction in the pace of Fed bond purchases-tapering- will have on EMD markets, which can be sensitive to reduced liquidity.

We expect EMD performance to potentially improve in 2014 based on higher yields, more attractive valuations, and our above-consensus economic growth forecast that should alleviate EM economic growth concerns. Economic growth worries as well as Fed tapering fears may lead to bouts of volatility early in 2014 and rising interest rates will likely pose a headwind. Still, with

International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

Significant upward pressure on domestic interest rates rates and a corresponding widening of credit spread could negatively impact the market price of emerging debt markets.

8 EMD Yield Spreads Increased in 2013 Making Valuations More Attractive



Source: LPL Financial Research, JP Morgan, Bloomberg 12/31/13

The JP Morgan Global Emerging Market Bond Index is an unmanaged index, which cannot be invested into directly. The returns do not reflect fees, sales charges or expenses. Index performance is not indicative of any particular investment. Past performance is no guarantee of future results.

better valuations and fundamental improvement we expect indicated that EMD can still be used for income-seeking and total-return oriented investors.

The average yield advantage of EMD increased to 3.3% above comparable Treasuries over 2013 from 2.5% at the start of the year, according to the JPMorgan Emerging Market Bond Index [Figure 8]. We find that level fair to attractive given near-term challenges and bouts of volatility may be used as buying opportunities. In 2013, yield spreads increased to 3.8% on two occasions and were met with strong demand. Given the narrowing in high-yield bond spreads over 2013, an increase in EMD yield spreads to close to 4.0% makes EMD a compelling alternative despite its greater interest rate sensitivity.

On a longer-term basis, we believe the fundamentals underpinning EMD remain intact and that growth may exceed that of developed nations. Faster growth dynamics relative to their developed country counterparts should help support credit quality over a longer horizon. ■

Implementation

Model Wealth Portfolios (MWP) – Income Focused

In this publication, we highlight our favorite individual sector and asset class ideas for income. However, with Model Wealth Portfolios (MWP), LPL Financial Research combines multiple asset classes and sectors to create a complete portfolio that seeks excess return.

Within these Income Focused Models, we modify our asset allocation models to increase their income-generating ability. Fund selection is focused on identifying those mutual funds that have historically performed very well with a good portion of their performance coming from income. The following table highlights actual portfolio performance and relevant statistics of MWP Income Focused Models.

Income Focused MWP performance data will be forthcoming.

Income Focused Model Wealth Portfolio Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Expense Ratio	30-Day SEC Yield	Web Address
AllianzGI NFJ Dividend Value P	ADJPX	29.07	14.34	N/A	6.71	7/7/08	0.81	2.89	www.allianzinvestors.com
Baron Asset Instl	BARIX	39.25	N/A	N/A	20.56	5/29/09	1.06	0.00	www.baronfunds.com
Delaware High-Yield Opportunities In	DHOIX	9.09	18.11	8.79	7.91	12/30/96	0.86	4.78	www.delawareinvestments.com
Eaton Vance National Municipal Income I	EIHMX	-7.13	10.58	3.56	4.58	7/1/99	0.53	5.04	www.eatonvance.com
MainStay Epoch Global Equity Yield I	EPSYX	23.94	14.81	N/A	7.87	12/27/05	0.88	2.83	www.mainstayinvestments.com
Pioneer Global High Yield Y	GHYYX	5.07	18.42	N/A	7.04	12/27/05	0.80	7.51	www.pioneerinvestments.com
Harbor Capital Appreciation Instl	HACAX	37.66	20.47	8.61	11.53	12/29/87	0.68	0.08	www.harborfunds.com
Loomis Sayles Growth Y	LSGRX	35.36	19.96	6.62	7.61	5/16/91	0.82	0.30	NGAM.natixis.com
Oppenheimer SteelPath MLP Select 40 Y	MLPTX	22.93	N/A	N/A	12.45	3/30/10	0.88	5.75	www.oppenheimerfunds.com
Nuveen High Yield Municipal Bond I	NHMRX	-4.52	13.85	3.59	4.66	6/7/99	0.65	6.86	www.nuveen.com
JPMorgan Mortgage-Backed Securities Sel	OMBIX	-0.66	6.76	5.43	6.31	8/18/00	0.74	3.00	www.jpmorgan.com
Oppenheimer Senior Floating Rate Y	OOSYX	6.70	14.21	N/A	5.23	11/28/05	0.93	4.30	www.oppenheimerfunds.com
Principal Preferred Securities P	PPSPX	1.61	N/A	N/A	6.82	9/27/10	0.85	5.68	www.principal.com
Royce Dividend Value Invmt	RDVIX	31.23	21.53	N/A	9.67	9/14/07	1.22	1.05	www.roycefunds.com
Thornburg Investment Income Builder I	TIBIX	16.85	15.47	9.85	10.33	11/3/03	1.12	4.07	www.thornburg.com
Wells Fargo Advantage S/T Hi Yld Bd Adm	WDHYX	3.75	N/A	N/A	4.99	7/30/10	0.88	2.19	www.wellsfargo.com/advantagefunds

Source: LPL Financial Research, Morningstar Direct 12/31/13

30-day yield: The fund's 30-day yield is based on yield to maturity of a fund's investments over a 30-day period and not on the dividends paid by the fund, which may differ.

Gross expense ratio: The gross expense ratio is the fund's total annual operating expense ratio. It is gross of any fee waivers or expense reimbursements.

The performance data quoted represents past performance. Past performance is not an indicator of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current month-end performance information, please refer to the manager's websites displayed in the table above.

The performance data quoted reflects the reinvestment of dividends and capital gains, is net of expenses and reflects the maximum advisory fee of 2.5%.

The volatility of the benchmark used to compare performance is materially different from that of the portfolio.

Income Focused Model Wealth Portfolio Weights (as of 12/31/13)

Name	Ticker	LPL Financial Statement Asset Class	Aggressive Growth	Growth	Growth w/ Income	Income w/ Moderate Growth	Income w/ Capital Preservation
AllianzGI NFJ Dividend Value P	ADJPX	Large Value	18.0%	14.0%	13.0%	9.0%	0.0%
Baron Asset Instl	BARIX	Mid Growth	6.0%	5.0%	5.0%	0.0%	0.0%
Delaware High-Yield Opportunities In	DHOIX	High-Yield Bond	0.0%	6.5%	8.0%	9.0%	10.5%
Eaton Vance National Municipal Income I	EIHMX	Long-Term Municipal Bond	0.0%	0.0%	0.0%	4.0%	4.0%
MainStay Epoch Global Equity Yield I	EPSYX	Global Stock	10.0%	9.0%	8.0%	5.0%	0.0%
Pioneer Global High Yield Y	GHYYX	High-Yield Bond	0.0%	4.0%	0.0%	0.0%	5.0%
Harbor Capital Appreciation Instl	HACAX	Large Growth	21.5%	15.0%	11.5%	6.0%	4.0%
Loomis Sayles Growth Y	LSGRX	Large Growth	7.5%	6.0%	0.0%	0.0%	0.0%
Oppenheimer SteelPath MLP Select 40 Y	MLPTX	Sector (Energy)	10.0%	8.0%	7.0%	6.0%	5.0%
Nuveen High Yield Municipal Bond I	NHMRX	Tax-Free High-Yield Bond	0.0%	2.0%	3.0%	9.0%	12.0%
JPMorgan Mortgage-Backed Securities Sel	OMBIX	Mortgage-Backed Securities	0.0%	0.0%	9.0%	15.0%	20.0%
Oppenheimer Senior Floating Rate Y	OOSYX	Bank Loans	0.0%	5.0%	10.0%	12.0%	11.5%
Principal Preferred Securities P	PPSPX	Preferred Securities	0.0%	4.0%	6.0%	8.0%	10.0%
Royce Dividend Value Invmt	RDVIX	Small Value	11.0%	10.5%	5.0%	4.0%	3.0%
Thornburg Investment Income Builder I	TIBIX	Balanced	11.0%	6.0%	5.0%	0.0%	0.0%
Wells Fargo Advantage S/T Hi Yld Bd Adm	WDHYX	High-Yield Bond	0.0%	0.0%	5.0%	8.0%	11.0%
Cash*	CASH	CASH	5.0%	5.0%	4.5%	5.0%	4.0%
TOTAL			100.0%	100.0%	100.0%	100.0%	100.0%

Source: LPL Financial Research 12/31/13

* The cash portion of this portfolio is represented by money market instruments.

Please refer to pages 13–14 for index descriptions and investment objectives.

Mutual Fund and ETP Income Producing Ideas

The following list comprises our suggestions for mutual funds and ETPs that provide exposure to the income-producing sectors we have outlined in this report.

Taxable High-Yield Bond Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Artio Global High Income I	JHYIX	9.77	17.20	8.63	10.16	1/30/03	0.74	0.53
MainStay High-Yield Corporate Bond I	MHYIX	6.35	15.44	N/A	7.64	1/2/04	0.75	4.50
Pioneer Global High-Yield Y	GHYYX	5.07	18.42	N/A	7.04	12/27/05	0.80	7.51
Hotchkis and Wiley High-Yield A	HWHAX	8.46	N/A	N/A	14.43	5/29/09	1.00	5.58
PIMCO High-Yield P	PHLPX	5.67	15.59	N/A	7.94	4/30/08	0.65	3.93
Delaware High-Yield Opportunities A	DHOAX	8.66	17.74	8.46	7.59	12/30/96	1.11	4.33
Pax World High-Yield Bond Individual Inv	PAXHX	6.91	13.61	7.02	6.19	10/8/99	0.98	4.65
BlackRock High-Yield Bond Instl	BHYIX	9.29	19.03	8.73	8.15	11/19/98	0.64	5.25
Wells Fargo Advantage S/T Hi Yld Bd Adm	WDHYX	3.75	N/A	N/A	4.99	7/30/10	0.88	2.19
Fidelity Advisor High Income Advantage A	FAHDX	9.99	20.93	8.43	9.63	1/5/87	1.02	3.88
Barclays Capital U.S. High-Yield Bond		**7.44**	**18.93**	**8.62**	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

Taxable High-Yield Bond Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
iShares iBoxx $ High-Yield Corporate Bd	HYG	5.90	15.01	N/A	6.65	4/4/07	0.50	4.86	5.41	12.16	N/A	6.40
SPDR Barclays High-Yield Bond	JNK	5.89	16.87	N/A	7.17	11/28/07	0.40	5.12	5.20	14.56	N/A	6.95
Barclays Capital U.S. High-Yield Bond		**7.44**	**18.93**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

All indices are unmanaged and cannot be invested into directly.

For the most recent month end performance please visit the respective fund's website: JHYIX: www.artiofunds.com; MHYIX: mainstayinvestments.com; GHYYX: www.pioneerinvestments.com; HWHAX: www.hwcm.com; PHLPX: www.pimco-funds.com; DHOAX: www.delawarefunds.com; PAXHX: www.paxworld.com; BHYIX: www.blackrock.com; WDHYX: www.wellsfargo.com/advantagefunds; FAHDX: www.advisor.fidelity.com; HYG: www.ishares.com; JNK: www.spdrs.com.

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Gross expense ratio: The gross expense ratio is the fund's total annual operating expense ratio. It is gross of any fee waivers or expense reimbursements.

Tax-Free High-Yield Bond Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Nuveen High-Yield Municipal Bond I	NHMRX	-4.52	13.85	3.59	4.66	6/7/99	0.65	6.86
Franklin High-Yield Tax-Free Inc Adv	FHYVX	-6.71	8.97	N/A	4.00	1/3/06	0.55	4.73
Oppenheimer Rochester National Muni A	ORNAX	-7.17	13.67	1.57	3.84	10/1/93	0.99	7.31
Wells Fargo Advantage Interm T/AmtF Inv	SIMBX	-1.68	6.37	4.15	4.90	7/31/01	0.83	2.30
Barclays High-Yield Municipal		**-5.51**	**11.78**	**5.16**	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

Tax-Free High-Yield Bond Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Market Vectors High-Yield Muni ETF	HYD	-8.13	N/A	N/A	8.72	2/4/09	0.35	6.03	-7.23	N/A	N/A	8.01
Barclays High-Yield Municipal		**-5.51**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

Emerging Market Debt Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
T. Rowe Price Emerging Markets Bond	PREMX	-7.19	11.92	8.66	11.25	12/30/94	0.94	5.85
MFS Emerging Markets Debt A	MEDAX	-6.40	11.36	8.60	10.94	3/17/98	1.16	4.27
PIMCO Emerging Local Bond P	PELPX	-11.04	8.75	N/A	4.92	5/30/08	1.00	4.61
JPM EMBI Global		**-6.58**	**11.52**	**8.30**	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

Emerging Market Debt Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
PowerShares Emerging Mkts Sovereign Debt	PCY	-9.74	11.98	N/A	6.86	10/11/07	0.50	5.17	-9.01	10.37	N/A	6.65
iShares JPMorgan USD Emerg Markets Bond	EMB	-7.42	10.61	N/A	6.57	12/17/07	0.60	4.99	-6.69	9.36	N/A	6.44
JPM EMBI Global		**-6.58**	**11.52**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

All indices are unmanaged and cannot be invested into directly.

For the most recent month end performance please visit the respective fund's website: NHMRX: www.nuveen.com; FHYVX: www.franklintempleton.com; ORNAX: www.oppenheimerfunds.com; SIMBX: www.wellsfargo.com/advantagefunds; HYD: www.vaneck.com; PREMX: www.troweprice.com; MEDAX: www.mfs.com; PELPX: www.pimco-funds.com; PCY: www.invescopowershares.com; EMB: www.ishares.com.

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Gross expense ratio: The gross expense ratio is the fund's total annual operating expense ratio. It is gross of any fee waivers or expense reimbursements.

Investment-Grade Corporate Bond Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Intermediate/Long High Quality Bond								
Loomis Sayles Investment Grade Bond Y	LSIIX	1.36	11.16	7.23	8.26	12/31/96	0.59	3.36
Dodge & Cox Income	DODIX	0.64	7.20	5.10	7.31	1/3/89	0.43	2.23
PIMCO Total Return P	PTTPX	-2.02	6.81	N/A	6.15	4/30/08	0.56	1.74
Federated Total Return Bond Instl	FTRBX	-0.87	6.21	5.09	6.16	10/1/96	0.47	3.34
Metropolitan West Total Return Bond I	MWTIX	0.50	9.15	6.63	7.02	3/31/00	0.40	2.69
Western Asset Core Plus Bond I	WACPX	-1.07	10.10	5.80	6.46	7/8/98	0.46	2.95
Barclays Capital U.S. Aggregate		**-2.02**	**4.44**	**4.55**	N/A	N/A	N/A	N/A
Long High Quality Bond								
Vanguard Long-Term Investment-Grade Inv	VWESX	-5.87	8.20	6.37	8.46	7/9/73	0.22	4.60
Barclays Capital U.S. Govt Credit Long		**-8.83**	**6.40**	N/A	N/A	12/29/72	N/A	N/A
Eclectic Fixed Income								
Delaware Diversified Income A	DPDFX	-1.37	8.67	6.23	7.48	12/29/97	0.90	3.02
Franklin Strategic Income Adv	FKSAX	3.45	10.89	6.81	7.40	8/12/99	0.64	3.67
Loomis Sayles Bond Instl	LSBDX	5.88	14.53	8.01	10.12	5/16/91	0.63	3.52
Barclays Capital U.S. Aggregate		**-2.02**	**4.44**	**4.55**	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

Investment-Grade Corporate Bond Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Intermediate/Long High Quality Bond												
iShares Barclays Intermediate Credit Bd	CIU	-0.39	6.85	N/A	5.26	1/5/07	0.20	2.18	0.25	5.89	N/A	5.26
iShares iBoxx $ Invest Grade Corp Bond	LQD	-2.49	7.73	5.25	5.88	7/22/02	0.15	3.39	-1.10	7.09	5.20	5.90
SPDR Barclays Cap Interm Term Corp Bnd	ITR	-0.19	N/A	N/A	6.28	2/10/09	0.15	2.35	0.60	N/A	N/A	5.79
Vanguard Intermediate-Term Bond ETF	BIV	-3.44	5.99	N/A	6.10	4/3/07	0.10	2.87	-2.12	5.84	N/A	6.07
Barclays Capital U.S. Aggregate		**-2.02**	**4.44**	**4.55**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long High Quality Bond												
SPDR Barclays Capital Long CorpTerm Bd	LWC	-5.90	N/A	N/A	10.79	3/10/09	0.15	5.07	-3.45	N/A	N/A	10.18
Vanguard Long-Term Bond Index ETF	BLV	-9.03	6.26	N/A	6.79	4/3/07	0.10	4.61	-5.86	7.02	N/A	6.80
Barclays Capital U.S. Govt Credit Long		**-8.83**	**6.40**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

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Preferred Stock Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Principal Preferred Securities P	PPSPX	1.61	N/A	N/A	6.82	9/27/10	0.85	5.68
Nuveen Preferred Securities I	NPSRX	4.64	17.44	N/A	6.14	12/18/06	0.82	5.72
BofAML Preferred Stock Hybrid		**-0.94**	**7.94**	N/A	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

Preferred Stock Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
iShares S&P U.S. Preferred Stock Index	PFF	-0.59	12.78	N/A	2.90	3/26/07	0.48	6.58	0.25	11.68	0.00	2.83
PowerShares Financial Preferred	PGF	-0.89	14.02	N/A	2.13	12/1/06	0.64	6.61	-0.69	11.08	0.00	1.95
PowerShares Preferred	PGX	-1.83	9.21	N/A	0.58	1/31/08	0.50	6.57	-0.97	7.56	0.00	0.37
BofAML Preferred Stock Hybrid		**-0.94**	**7.94**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

Bank Loan Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
RidgeWorth Seix Floating RT High Inc I	SAMBX	5.15	11.24	N/A	4.77	3/1/06	0.60	3.94
Eaton Vance Floating Rate I	EIBLX	4.83	13.29	4.37	4.34	1/30/01	0.77	3.71
Oppenheimer Senior Floating Rate Y	OOSYX	6.70	14.21	N/A	5.23	11/28/05	0.93	4.30
Barclays Capital U.S. High-Yield Bond		**7.44**	**18.93**	**8.62**	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

Bank Loan Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
PowerShares Senior Loan Port	BKLN	4.32	N/A	N/A	4.41	3/3/11	0.66	4.06	3.53	N/A	N/A	4.18
Barclays Capital U.S. High-Yield Bond		**7.44**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: LPL Financial Research, Morningstar Direct 12/31/13

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IMPORTANT DISCLOSURES

This report has been prepared by LPL Financial from sources believed to be reliable but no guarantee can be made as to its accuracy or completeness. The opinions expressed herein are or general information only, are subject to change without notice, and are not intended to provide specific advice or recommendations for any individuals.

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There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies. Investing involves risks including possible loss of principal.

Default rate is the rate in which debt holders default on the amount of money that they owe. It is often used by credit card companies when setting interest rates, but also refers to the rate at which corporations default on their loans. Default rates tend to rise during economic downturns, since investors and businesses see a decline in income and sales while still required to pay off the same amount of debt.

Municipal Market Advisors is an independent strategy, research and advisory firm.

Principal risk: An investment in exchange-traded funds (ETFs), structured as a mutual fund or unit investment trust, involves the risk of losing money and should considered as part of an overall program, not a complete investment program. An investment in ETFs involves additional risks: not diversified, the risks of price volatility, competitive industry pressure, international political and economic developments, possible trading halts, Index tracking error.

Investing in mutual funds involve risk, including possible loss of principal. Investments in specialized industry sectors have additional risks, which are outlines in the prospectus.

An obligation rated ‘AAA’ has the highest rating assigned by Standard & Poor’s. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong.

Spread is the difference between the bid and the ask price of a security or asset.

Credit quality: One of the principal criteria for judging the investment quality of a bond. As the term implies, credit quality informs investors of a bond or bond portfolio’s credit worthiness, or risk of default.

London Interbank Offered Rate (LIBOR): An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers’ Association. The LIBOR is derived from a filtered average of the world’s most creditworthy banks’ interbank deposit rates for larger loans with maturities between overnight and one full year.

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

The Moody’s default rate represents the percentage of companies rated below investment-grade (Baa3) by Moody’s, which have defaulted over the preceding 12 months. Default is defined as a failure to make an interest payment, repay principal at maturity, or debt exchanges where bondholders are forced to accept a reduced principal amount at maturity and terms of original debt are materially altered.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Investors should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus, and if available, the summary prospectus contains this and other information about the investment company. You can obtain a prospectus from your financial representative. Read carefully before investing.

INDEX DESCRIPTIONS

Barclays Aggregate Bond Index: is comprised of the Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $100 million.

The Barclays Build America Bond Index is a subset of the Barclays Capital Taxable Municipal Bond Index. The Index consists of all direct pay Build America Bonds that satisfy the rules of the Barclays Capital Taxable Municipal Index. The Barclays Capital Taxable Municipal Bond Index represents securities that are SEC-registered, taxable, dollar denominated, and issued by a U.S. state or territory, and (i) have at least one year to final maturity regardless of call features, (ii) have at least $250 million par amount outstanding, (iii) are rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies.

The Barclays Capital Long Government/Credit Index measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds with maturities longer than 10 years. The average maturity is approximately 20 years.

The Barclays Capital U.S. High-Yield Municipal Bond Index is an unmanaged index made up of bonds that are non-investment grade, unrated, or rated below Ba1 by Moody’s Investors Service with a remaining maturity of at least one year.

Barclays Corporate Bond Index is an unmanaged index of investment grade rated bonds issued by corporations and quasi-government agencies. Corporate bonds issued by foreign entities but denominated in US dollars are also included in the index.

The Barclays Global Emerging Markets Bond Index is an unmanaged index of external debt instruments of the emerging market nations. This includes US dollar-denominated Brady Bonds, loans, and Eurobonds.

Barclays High-Yield Bond Index is an unmanaged index of corporate bonds rated below investment grade by Moody’s, S&P or Fitch Investor Service. The index also includes bonds not rated by the ratings agencies.

The BofAML Preferred Stock Hybrid Securities Index is an unmanaged index consisting of a set of investment-grade, exchange-traded preferred stocks with outstanding market values of at least $50 million that are covered by Merrill Lynch Fixed Income Research. The Index includes certain publicly issued, $25- and $100-par securities with at least one year to maturity.

Citigroup 3-Month Tbill Index represents monthly return equivalents of yield averages of the last 3 month Treasury Bill issues.

The JPMorgan Emerging Markets Bond Index Global (“EMBI Global”) tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the JPMorgan EMBI+. As with the EMBI+, the EMBI Global includes U.S. dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least $500 million. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity.

Russell 3000® Index: measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. As of the latest reconstitution, the average market capitalization was approximately $4.8 billion; the median market capitalization was approximately $944.7 million. The index had a total market capitalization range of approximately $386.9 billion to $182.6 million.

The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the largest facilities in the leveraged loan market. It mirrors the market-weighted performance of the largest institutional leveraged loans based upon market weightings, spreads, and interest payments. The index consists of 100 loan facilities drawn from a larger benchmark, the S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index (LLI).

The Wells Fargo Build America Bond Index is a comprehensive, rules-based index measuring the performance of certain types of municipal bonds issued under the American Recovery and Reinvestment Act of 2009.

MODEL DESCRIPTIONS

Aggressive Growth

Aggressive Growth will essentially be fully invested in equity assets at all times (with the exception of a 5% cash position). Investors in this portfolio should have a long time horizon of 10 years or more, an understanding of the volatile history of equity investments, and a propensity to add money to the account on a systematic basis. This portfolio is very aggressive by nature and should not be considered by anyone unwilling to take on significant risk.

Growth

Growth will be targeted to an allocation of 80% in equity assets and 20% in fixed income assets (including a 5% cash position). Investors in this portfolio should have a long time horizon, an understanding of the volatile history of equity investments, and a propensity to add money to the account on a systematic basis. This portfolio is aggressive by nature and should not be considered by anyone unwilling to take on significant risk.

Growth With Income

Investors in this portfolio should have a long time horizon, and an understanding of the volatile history of equity investments. The primary investment objective of this portfolio is growth of principal. Fixed income assets are included to generate income and reduce overall volatility.

Income With Moderate Growth

Income With Moderate Growth will be targeted to a normal allocation of 40% in equity assets and 60% in fixed income assets (including a 7% cash position). Investors in this portfolio should have a time horizon of more than five years, and be comfortable with the volatile history of equity investments. The primary investment objective of this portfolio is income, with growth of principal an important consideration. Fixed income assets form the core of the portfolio, generating income and lowering the portfolio's overall volatility. Equity assets provide the opportunity for long-term growth of principal.

Income With Capital Preservation

Income With Capital Preservation will be targeted to a normal allocation of 21% in equity assets and 79% in fixed income assets (including a 10% cash position). Investors in this portfolio should have a time horizon of more than five years, and be comfortable with the volatility that will occur within the modest equity portion of their investment portfolio. The primary investment objective of this portfolio is income, with growth of principal as a secondary concern. Fixed income assets form the core of the portfolio, generating a steady income stream. A small investment in equity assets provides the opportunity for modest long-term growth of principal.

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