



Second Quarter 2011

# The Search for Income

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## Summary

The *Search for Income* publication is a quarterly guide to our best 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 products (ETPs). Many of the asset classes/sectors can be used individually or in a diversified portfolio, and several are currently employed in our model portfolios.

## Q2 Déjà Vu

The second quarter of 2011 provided a little déjà vu for income-seeking investors. Income-generating securities underperformed Treasuries for the first time since the second quarter of 2010, when similar concerns over Europe and the health of the global economy dominated bond market performance. Concerns over a return to recession, the economic disruption resulting from the Japan earthquake, and another flare up of European debt fears caused investors to favor government bonds over income-generating fixed income securities, which are more economically sensitive. Most of our favorite income-generating ideas underperformed government bonds during the quarter, but price declines were limited, enabling interest income to produce positive overall total returns for income generating sectors. In this respect, the performance differential between the second quarter of 2011 was much narrower compared to the performance disparity during the second quarter of 2010.

However, we maintain a favorable outlook on income-producing securities and believe second quarter underperformance presents an opportunity. Valuations on high-yield bonds, investment-grade corporate bonds, and preferred securities all cheapened during the quarter. In the case of high-yield bonds, the average yield increased over the quarter and increases the allure of the sector. We believe the economic expansion remains on track, and as the economic soft spot passes, these sectors may be poised to benefit relative to Treasuries in addition to providing higher income.

Among more economically sensitive bond sectors, High-Yield Bonds stand out as one of our favorite investments and a source of income generation. Currently, our top ideas for income generation are the following:

- High-Yield Bonds (taxable and tax-free)
- Emerging Market Debt (EMD)
- Investment-Grade Corporate Bonds (intermediate- and long-term)
- Preferred Stocks
- Build America Bonds (BABs)

Our bias within fixed income remains High-Yield Bonds, as the sector provides a combination of yield and price stability. In the second quarter of 2011, taxable High-Yield Bonds once again benefited from good earnings growth which further improved key credit metrics. Defaults continued to decline over the second quarter and we expect a further decline over the course of 2011. Additionally, high-yield issuers have done an excellent job of refinancing near-term maturities and hold substantial cash on hand, so we do not expect a near-term pick up in defaults, even if the domestic economy grows slowly.

Emerging Market Debt (EMD) performed best among our income-generating ideas as prices rose and global government bond yields declined. A strong finish to June enabled EMD to buck the trend and valuations finished the quarter relatively unchanged. Volatility from the first quarter carried over into the second quarter as concerns over inflation in emerging market countries

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.

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



## Build America Bonds (BABs)

BABs originated from the American Recovery and Reinvestment Act (ARRA) to allow municipalities to issue taxable bonds for qualifying infrastructure projects. By expanding the investor base to taxable investors, BAB issuance was intended to facilitate municipalities' ability to obtain funding for important infrastructure projects given still uncertain markets in the wake of the financial crisis. BABs have been a success and the market has grown to \$184 billion according to *The Bond Buyer*, December 31, 2010.

and China's continued attempts to slow domestic growth via central bank rate increases pressured valuations for much of the quarter. Since the beginning of 2009, both higher interest income and cheap valuations enabled EMD to absorb any jump in interest rates. However, with valuations near what we believe is fair value, interest income provides the main buffer to interest rate risk going forward. Emerging Market (EM) countries are expected to lead global economic growth in 2011, with a projected growth rate triple that of the developed world, suggesting valuations will likely remain firm while investors continue to reap an attractive yield that exceeds comparable Treasuries by 2.7%.

Investment-Grade Corporate Bond valuations are modestly attractive but, like EMD, are also approaching fair value. Still, with an average yield advantage of 1.5% to comparable Treasury bonds (as of June 30, 2011) they remain the best 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 make them more sensitive to future rises in interest rates and this remains a risk going forward. We do not expect bond yields to soar higher in 2011, and still expect positive total returns in the low-to-mid single-digit range.

We continue to find Preferred Stocks attractive and the asset class has continued to be a good income generator. Valuations cheapened during the quarter due to economic concerns and to worries over increased regulation, especially in the financial services area. We believe the regulatory risk is manageable due to the ability of financial firms to boost their capital reserves over the past two years. The capital reserves act as a buffer during periods of economic stress. Furthermore, we believe capital levels are adequate to absorb the potential impact of any potential Greek government bond restructuring. Given the improved ability of financial companies to manage these risks, we find the extra yield attractive. Yields remain favorable compared to similarly rated Investment-Grade Corporate Bonds. In addition, new issuance remains extremely limited keeping a favorable supply-demand balance in place for investors.

Build America Bonds (BABs) remain a viable income option despite the expiration of the BAB program on December 31, 2010. Due to their longer-term nature, BABs are among the most interest rate sensitive of our income-producing ideas but continue to benefit from a scarcity premium due to the lack of issuance. Similar to other high-quality bonds, BAB prices finished higher over the second quarter. We believe BABs can still be used for income generation with high overall credit ratings and an average yield of roughly 5.8%, according to Wells Fargo Build America Bond Index data.

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

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

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.

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.

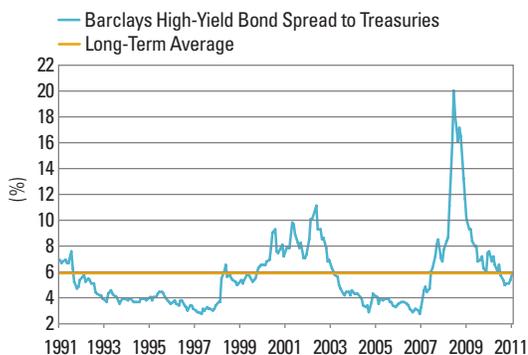
Mortgage-Backed Securities are subject to credit, default risk, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extension risk, the opposite of prepayment risk, and interest rate risk.

Preferred Stock investing involves risk which may include loss of principal.

The issuance of Build America Bonds (BAB) began in April of 2009. They were authorized by the ARRA economic stimulus of 2009 and can be issued for qualifying infrastructure projects. They are taxable municipal bonds and are considered a category of bonds.



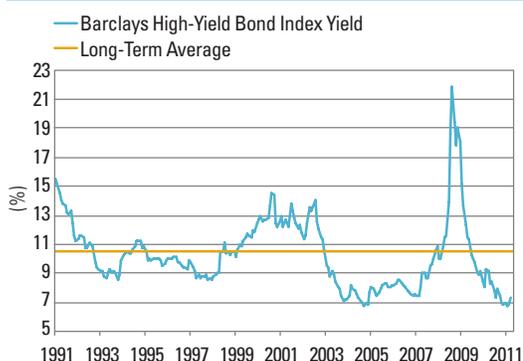
## 1 A Declining Default Rate Bodes Well for Narrower Yield Spreads and Thus Higher Valuations



Source: Barclays, Bloomberg, LPL Financial 06/30/11

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

## 2 Yields Are Low by Historical Comparison but High Relative to Low High-Grade Bond Yields



Source: Barclays, Bloomberg, LPL Financial 06/30/11

The Barclays High-Yield Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

Investors, regardless of tax-bracket, may wish to consider Tax-Free High-Yield Bonds.

## Favorite Sector/Asset Class Ideas

### High-Yield Bonds (Taxable And Tax-Free)

High-Yield is an obvious asset class for income-seeking investors. Taxable High-Yield Bonds performed well since the end of the financial crisis in 2008, but valuations cheapened during the second quarter of 2011 for the first time since the second quarter of 2010. We do not believe that the change in valuations suggests a shift in high-yield bond fundamentals and rather view it as an opportunity. The average yield advantage, or spread relative to Treasuries, stood at 5.8% as of June 30, 2011, up from 5.2% at the end of March, and a level that is more than adequate to compensate for low and declining defaults. The global default rate declined further to 2.4% in May 2011 down from a peak of 13% at the end of 2009. Moody's has forecast a further decline to 1.5% by year-end 2011. A projected decline in the default rate, which we agree with, provides a favorable backdrop for High-Yield Bonds. Furthermore, high-yield issuers have taken advantage of low interest rates and done an excellent job of refinancing existing debt obligations. Although new issuance remained elevated, over 60% of 2011 new issuance was used for refinancing purposes, which we view as healthy and a positive for credit quality. With few maturing bonds coming due in 2011, the risk of an unexpected surge in defaults seems limited.

Since default rates and High-Yield Bond spreads are highly correlated, the average High-Yield Bond spread to Treasuries, at 5.8%, is attractive. In our view, this spread level more than compensates for the level of defaults [Chart 1].

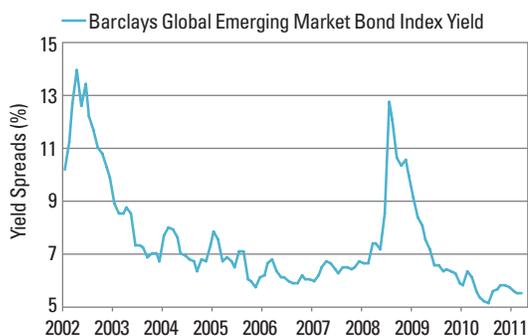
The average yield of High-Yield Bonds (7.3% as of June 30, 2011) is below the 20-year average of 10.5% [Chart 2]. In a fixed income world where many bonds offer historically low yields, High-Yield Bonds still stand out. Like Investment-Grade Corporate Bonds, High-Yield Bond issuers have posted better-than-expected earnings and benefited from economic improvement. We anticipate this trend may continue to provide a favorable fundamental backdrop for high-yield investors in 2011.

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. In general, high-yield funds provide yields between 5.5% and 8.5% (according to Morningstar data as of 6/30/11), but of course entail greater credit risk relative to Investment-Grade Bonds.

Investors, regardless of tax-bracket, may wish to consider Tax-Free High-Yield Bonds. High-yield municipal bond prices defied their taxable counterparts and finished the second quarter higher. High-yield municipal bonds continued to recoup underperformance related to a supply-demand imbalance in late 2010. Concerns over a spike in municipal defaults proved misguided and investors are focusing on true underlying fundamentals. While municipal finances remain under stress, issuers continue to make positive incremental progress. Over the first quarter of 2011, state revenues increased at their fastest rate since the second quarter of 2006 and have now improved for



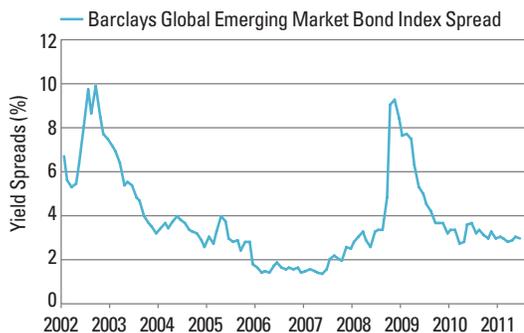
### 3 EMD Yields Imply Lower Returns Going Forward



Source: Barclays, Bloomberg, LPL Financial 06/30/11

The Barclays Global EM Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

### 4 Yield Spreads Are Near Fair Value but Above the Narrowest Levels of the Past Decade



Source: Barclays, Bloomberg, LPL Financial 06/30/11

The Barclays Global EM Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

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.

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.

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

five consecutive quarters. Despite good performance during the second quarter, we continue to find the asset class attractive with an average yield (6.9% according to Barclays High-Yield Municipal Index 6/30/11) that approaches that of taxable high-yield bonds. Given the tax advantage of high-yield municipal bonds, we believe a greater yield differential should exist.

Furthermore, defaults continue to decline on a year-over-year basis. According to Income Securities Advisors, municipal defaults total \$600 million through the end of May 2011. At that pace, defaults would decline significantly from the \$2.7 billion in defaults witnessed in 2010, which in turn is down from \$7.3 billion in 2009 and a peak of \$8.5 billion in 2008. We believe that defaults will continue to be concentrated in more speculative issues allowing an investment manager ample room to find attractive investments. According to Municipal Market Advisors, 83% of defaults since July 1, 2009, have come from issuers that did not have any rating at all (non-rated). Furthermore, housing-related bond issues comprise 73% of all defaults. Given the speculative excesses in the housing market, the fact that housing-related issues represent the largest number of defaults is no surprise.

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 mutual fund to gain exposure. Please contact fund companies directly or obtain a copy of the prospectus for the percentage of income subject to AMT.

## Emerging Market Debt (EMD)

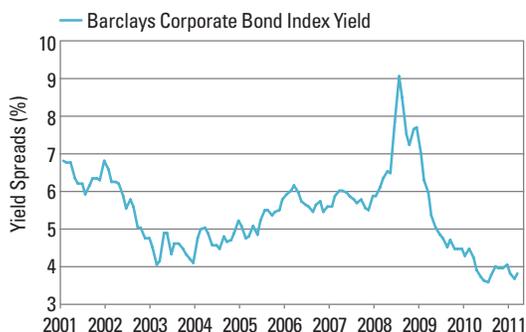
Emerging market economies weathered the financial crisis better than most developed countries and continue to exhibit the strongest economic growth globally. Investor interest in EMD has increased as the European debt problem highlighted the rising debt burdens facing many developed European countries, as well as the United States. Most EMD issuers have very manageable debt burdens and continue to benefit from stronger domestic economic growth.

However, inflation concerns and China's attempt to slow domestic economic growth, which may adversely affect broader EM economic growth, led to another quarter of volatility. Valuations finished the quarter relatively unchanged, but EMD still managed to outperform Treasuries for the quarter due to their higher yield. With less room for valuation improvement, inflation concerns or interest rate fluctuations may continue to impact EMD performance [Charts 3 and 4].

The current yield of the Barclays Global Emerging Markets Bond Index, 5.6% as of June 30, 2011, is attractive for income generation, particularly given still strong fundamentals. EMD issuers are likely to continue to benefit from faster economic growth than their developed nation counterparts. EMD issuers also possess better credit characteristics: debt-to-GDP ratios are lower than developed nations and most EMD issuers possess large currency reserves. Rising inflation continues to pose a risk as emerging market central banks increase interest rates. However, active fund managers have some latitude to offset this risk by taking select emerging market currency



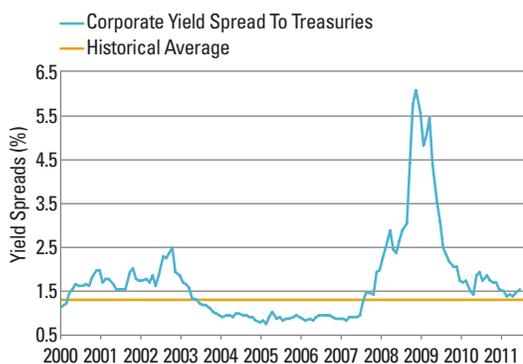
## 5 Average Corporate Bond Yields Are Near Record Lows but Remain a High-Quality Income Option



Source: Barclays, Bloomberg, LPL Financial 06/30/11

The Barclays Corporate Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

## 6 Corporate Bond Yield Spreads Are Attractive in Our View and Above the Historical Average



Source: Barclays, Bloomberg, LPL Financial 06/30/11

The market value of Corporate Bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield.

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.

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

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

exposure, which may benefit from a weaker US dollar. As highlighted in our *2011 Mid-Year Outlook*, we believe the US dollar may remain under pressure as the Federal Reserve (Fed) maintains a high level of stimulus in the financial system even though large-scale bond purchases have ended. In addition, select emerging market countries are likely to revalue their currency modestly higher rather than use interest rate increases to keep local economies from overheating.

## Investment-Grade Corporate Bonds

The average Investment-Grade Corporate Bond yield declined over the second quarter of 2011 reflecting the general decline in high-quality bond yields globally. The average yield remains low by historical comparison [Chart 5]. Such a yield level may not be exciting for many investors, 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. As of June 30, 2011, the average Investment-Grade Corporate Bond yield spread to Treasuries was 1.5%, still above the 1.3% historical average and a considerable advantage over Treasuries [Chart 6]. We believe further gains to corporate credit quality will be difficult to achieve but expect corporations to maintain credit quality achievements of the past two years.

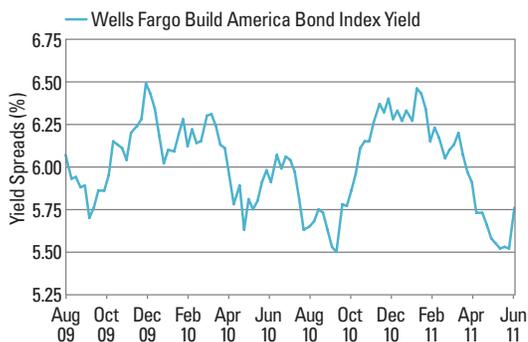
## Preferred Stocks

Preferred Stocks provide higher current yields than comparably rated Corporate Bonds. Although called "stocks," Preferred Stocks possess bond-like characteristics, and income-seeking investors should consider the asset class. Like other credit sensitive sectors, Preferred Stocks followed up a strong 2009 rebound with an impressive 2010. Nonetheless, both yields and valuations remain attractive. As of June 30, 2011, the preferred market, as measured by the Merrill Lynch Hybrid Securities Index, had an average yield of 5.3%. However, due to the varied composition of the preferred market specific investment product yields may vary (see Implementation section for details).

Regulatory risk increased during the second quarter as regulators look to bolster financial companies' ability to weather a shock. Talk of further boosting minimum capital ratios or the potential impact from European debt exposure led to cheaper valuations among preferred securities during the second quarter of 2011. We believe financial preferred issuers should be able to absorb European debt shocks or increased regulatory requirements without materially impacting their ability to service preferred securities interest payments.

On balance, financial regulatory reform has turned out to be a modest positive for Preferred Stocks. Bank capital rules put in place one year ago require some financial institutions to retire some preferred securities over the coming four years. Retiring the issues will require companies to redeem preferred securities at par value. Since issuance of new Preferred Stocks has been minimal over the past two years, the reductions have helped create

7 Build America Bonds Can Offer Diversification and Yield to Income-Seeking Investors



Source: Barclays, Bloomberg, LPL Financial 06/30/11

The Wells Fargo Build America Bond Index is an unmanaged index, which cannot be invested into directly. All indices are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

The issuance of Build America Bonds began in April of 2009. They were authorized by the ARRA economic stimulus of 2009 and can be issued for qualifying infrastructure projects. They are taxable municipal bonds and are considered a category of bonds.

a favorable supply-demand balance. In fact, several issuers were proactive during the first half of 2011 and redeemed select issues early to take advantage of low overall interest rates. The demand for yield should help support a shrinking base of preferred securities.

Over the longer term, however, investors should realize that interest rate increases remain a risk even though Preferred Stocks exhibited good resiliency over the past nine months. Since Preferred Stocks are perpetual or 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.

### Build America Bonds

The BAB program expired at the end of 2010 after exclusion from tax-cut extension legislation that was signed into law in late 2010. Despite the expiration, BAB prices have proven resilient in 2011 as a scarcity premium has begun to develop. Born from the \$787 billion ARRA, Build America Bonds (BABs) have been well received, as taxable bond investors have embraced BABs as a diversification investment to existing holdings of Corporate, Treasury, and Mortgage-Backed Bonds in their portfolios. BABs are included in the widely followed Barclays Capital Bond Indexes, and therefore are subject to regular purchases from passive investors who closely mimic benchmark positions.

BABs are not without risks and interest rate risk remains the greatest potential threat. The vast majority of issuance is long-term, with 90% of BABs maturing beyond 10 years according to *The Bond Buyer* data. The longer-term maturities of BABs make them among the more sensitive to interest rate changes within the bond market. Although interest rates have been range-bound in 2011, investors should remain aware of this potential risk. We do not expect a sharp and rapid rise in interest rates in 2011, but price declines associated with rising interest rates may offset the benefit of higher interest income.

The lack of new issuance may increase BAB volatility throughout the year. Bond dealers may be less willing to participate in actively trading BABs without a steady flow of new bonds. This may lead to illiquid trading conditions that may exacerbate price fluctuations in both up and down markets.

In a low-yield world, BABs remain an attractive option for income-seeking investors with an average 5.8% yield according to Wells Fargo index data [Chart 7]. The yield advantage to Treasuries, although now narrower, remains substantial at 1.6% above comparable maturity Treasuries. Municipal budgets, and therefore credit quality, will likely remain under pressure for most of 2011 but we do not foresee widespread defaults. Municipal defaults remain concentrated among the most speculative issues, a trend we expect to continue. BABs are among the highest-quality municipal bonds and we expect them to be insulated from significant credit quality deterioration. Since most BABs are issued for qualifying infrastructure projects, the essential service nature may provide an extra level of security.

## 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 and, secondarily, generates significantly higher overall yields than the LPL Financial blended benchmarks.

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 relevant statistics of MWP Income Focused Models.

#### Income Focused Model Wealth Portfolio Performance

Model Portfolios	3-Months	YTD	1-Year	2-Year	Annualized Since 3/1/08
<b>Aggressive Growth</b>					
MWP Income Focused	-0.77%	4.34%	26.31%	20.68%	-0.06%
AG Benchmark	-0.02%	6.03%	30.60%	22.53%	2.87%
<b>+ / - Benchmark</b>	<b>-0.75%</b>	<b>-1.69%</b>	<b>-4.29%</b>	<b>-1.85%</b>	<b>-2.93%</b>
<b>Growth</b>					
MWP Income Focused	-0.82%	4.34%	24.93%	20.00%	0.16%
G Benchmark	0.33%	5.50%	26.12%	20.02%	3.54%
<b>+ / - Benchmark</b>	<b>-1.15%</b>	<b>-1.16%</b>	<b>-1.19%</b>	<b>-0.02%</b>	<b>-3.38%</b>
<b>Growth With Income</b>					
MWP Income Focused	-0.15%	4.51%	21.82%	18.77%	1.62%
G&I Benchmark	0.80%	4.79%	20.29%	16.64%	4.27%
<b>+ / - Benchmark</b>	<b>-0.95%</b>	<b>-0.28%</b>	<b>1.53%</b>	<b>2.13%</b>	<b>-2.65%</b>
<b>Income With Moderate Growth</b>					
MWP Income Focused	0.44%	4.29%	17.66%	17.72%	3.51%
IMG Benchmark	1.22%	4.01%	14.53%	13.08%	4.70%
<b>+ / - Benchmark</b>	<b>-0.78%</b>	<b>0.28%</b>	<b>3.13%</b>	<b>4.64%</b>	<b>-1.19%</b>
<b>Income With Capital Preservation</b>					
MWP Income Focused	0.92%	4.37%	16.90%	17.33%	5.45%
ICP Benchmark	1.61%	3.20%	8.90%	9.45%	4.90%
<b>+ / - Benchmark</b>	<b>-0.69%</b>	<b>1.17%</b>	<b>8.00%</b>	<b>7.88%</b>	<b>0.55%</b>

Source: FactSet, LPL Financial 06/30/11

Benchmark Indices	Aggressive Growth	Growth	Growth with Income	Income with Moderate Growth	Income with Capital Preservation
Russell 3000 Index	95%	80%	60%	40%	20%
Barclays Aggregate Bond Index	0%	15%	35%	53%	70%
Cash	5%	5%	5%	7%	10%

For further information about the model portfolios, please contact your LPL Financial advisor.

All indices are unmanaged and cannot be invested into directly.

\*Please refer to pages 14 & 15 for index descriptions and investment objectives.

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
Columbia Marsico 21st Century Z	NMYAX	27.68	2.16	7.36	3.65	4/10/00	1.06	N/A	www.columbiainvestments.com
MainStay Large Cap Growth I	MLAIX	38.37	6.98	N/A	8.11	4/1/05	0.94	N/A	www.mainstayinvestments.com
Oppenheimer Rising Dividends Y	OYRDX	31.18	5.03	4.35	6.32	12/16/96	0.80	0.30	www.oppenheimerinvestments.com
Allianz NFJ Dividend Value P	ADJPX	31.81	0.99	N/A	0.22	7/7/08	0.80	0.90	www.allianzinvestors.com
Eagle Mid Cap Stock I	HMCJX	31.72	4.68	N/A	4.85	6/6/06	0.79	N/A	www.eagleasset.com
Royce Dividend Value Invmt	RDVIX	34.64	7.71	N/A	6.59	9/14/07	1.38	1.10	www.roycefunds.com
Forward Credit Analysis Long/Short Inv	FLSRX	4.18	N/A	N/A	9.49	5/1/08	3.39	0.90	www.forwardfunds.com
Loomis Sayles Bond Instl	LSBDX	16.26	8.72	10.59	10.50	5/16/91	0.64	4.29	www.loomissayles.com
MainStay High Yield Corporate Bond I	MHYIX	12.58	7.15	N/A	7.36	1/2/04	0.78	5.21	www.mainstayinvestments.com
Pioneer Global High Yield Y	GHYYX	18.05	7.97	N/A	7.63	12/27/05	0.73	7.60	www.pioneerinvestments.com
Oppenheimer Senior Floating Rate Y	OOSYX	11.31	4.68	N/A	4.98	11/28/05	1.05	5.31	www.oppenheimerinvestments.com
Federated Income Instl	FICMX	2.63	6.12	5.23	7.79	3/30/82	0.70	3.39	www.federatedinvestors.com
Principal Preferred Securities P	PPSPX	17.27	6.82	N/A	6.68	9/27/10	N/A	5.93	www.principal.com
Nuveen High Yield Municipal Bond I	NHMRX	2.66	-1.33	3.74	3.89	6/7/99	0.68	7.57	www.nuveen.com
Goldman Sachs Commodity Strategy IR	GCCTX	27.72	N/A	N/A	-8.59	11/30/07	0.71	N/A	www.goldmansachsfunds.com
RS Global Natural Resources A	RSNRX	37.38	6.13	15.97	11.77	11/15/95	1.47	N/A	www.rsim.com
Forward Global Infrastructure Instl	KGIYX	39.11	N/A	N/A	-0.80	6/29/07	1.26	N/A	www.forwardfunds.com

Source: Morningstar Direct, LPL Financial 06/30/11

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 does not reflect the maximum advisory fee of 3.0%. Such fee, if taken into consideration, will reduce the performance quoted above.

Income Focused Model Wealth Portfolio Weights (As of 06/30/11)

Fund Name	Ticker	LPL Financial Statement Asset Class	Aggressive Growth	Growth	Growth w/ Income	Income w/ Moderate Growth	Income w/ Capital Preservation
Columbia Marsico 21st Century Growth	NMYAX	Large Growth	6.0%	5.0%	4.0%	0.0%	0.0%
Mainstay Large Growth	MLAIX	Large Growth	11.5%	11.0%	8.5%	5.0%	3.5%
Allianz NFJ Dividend Value	ADJPX	Large Value	13.0%	14.0%	13.0%	7.0%	0.0%
Oppenheimer Rising Dividends	OYRDX	Large Blend	20.0%	10.0%	9.0%	3.0%	0.0%
Eagle Mid-Cap Stock	HMCJX	Mid Growth	4.0%	3.0%	0.0%	0.0%	0.0%
Royce Dividend Value	RDVIX	Small Value	4.0%	4.0%	0.0%	0.0%	0.0%
Forward Long/Short Credit	FLSRX	Intermediate-/Long-term Bond	0.0%	0.0%	5.0%	5.0%	5.0%
Loomis Sayles Bond	LSBDX	Intermediate-/Long-term Bond	0.0%	2.0%	0.0%	6.0%	15.0%
Mainstay High Yield Corp	MHYIX	High-Yield Bond	0.0%	3.0%	4.0%	0.0%	0.0%
Pioneer Global High Yield	GHYYX	High-Yield Bond	0.0%	9.0%	16.0%	20.0%	30.0%
Oppenheimer Floating Rate	OOSYX	Bank Loans	0.0%	0.0%	3.0%	3.0%	4.0%
Federated Income Trust	FICMX	Mortgage-Backed Securities	0.0%	0.0%	0.0%	9.0%	3.0%
Principal Preferred Securities	PPSPX	Preferred Securities	0.0%	1.0%	2.0%	4.0%	8.0%
Nuveen High Yield Municipal	NHMRX	Tax-Free High-Yield Bond	0.0%	0.0%	3.0%	3.0%	4.0%
Goldman Sachs Commodity Strategy	GCCTX	Sector (Commodities: Natural Resources)	9.0%	7.0%	6.0%	5.0%	4.0%
RS Global Natural Resource	RSNRX	Sector (Commodities: Natural Resources)	5.0%	5.5%	5.0%	4.0%	0.0%
Forward Global Infrastructure	KGIYX	Sector (Infrastructure)	6.0%	5.0%	5.0%	4.0%	2.0%
Forward Global Infrastructure	KGIYX	Sector (Infrastructure)	6.0%	5.0%	5.0%	4.0%	2.0%
Cash*			21.5%	20.5%	16.5%	22.0%	21.5%
<b>TOTAL</b>			<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

## 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

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
<b>Intermediate/Long High-Yield Bond</b>								
Artio Global High Income I	JHYIX	15.74	9.47	N/A	10.88	1/30/03	0.75	6.96
MainStay High Yield Corporate Bond I	MHYIX	12.58	7.15	N/A	7.36	1/2/04	0.78	5.21
Pioneer Global High Yield Y	GHYYX	18.05	7.97	N/A	7.63	12/27/05	0.73	7.60
Hotchkis and Wiley High Yield A	HWHAX	18.11	N/A	N/A	21.09	5/29/09	1.12	6.34
PIMCO High Yield Instl	PHLPX	13.74	N/A	N/A	8.10	4/30/08	0.65	5.30
Delaware High-Yield Opportunities A	DHOAX	17.20	8.25	9.49	7.36	12/30/96	1.25	6.58
Pax World High Yield	PAXHX	12.88	7.44	6.84	5.99	10/8/99	0.99	N/A
<b>Barclays Capital US High Yield Bond</b>		<b>15.63</b>	<b>9.30</b>	<b>8.99</b>	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

### Taxable High-Yield Bond Exposure – ETPs

Exchange-Traded Product	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
<b>Taxable High-Yield Bonds</b>												
iShares iBoxx \$ High Yield Corporate Bd	HYG	14.47	N/A	N/A	5.73	4/4/07	0.50	6.88	16.37	N/A	N/A	5.70
SPDR Barclays Capital High Yield Bond	JNK	15.87	N/A	N/A	6.50	11/28/07	0.40	8.39	17.36	N/A	N/A	6.43
<b>Barclays Capital US High Yield Bond</b>		<b>15.63</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

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For the most recent month end performance please visit the respective fund's website: JHYIX: [www.artioglobal.com](http://www.artioglobal.com); MHYIX: [www.nylim.com/portal/site/MainStay](http://www.nylim.com/portal/site/MainStay); GHYYX: [www.pioneerinvestments.com](http://www.pioneerinvestments.com); PHYYX: [www.pimcofunds.com](http://www.pimcofunds.com); DHOAX: [www.delawarefunds.com](http://www.delawarefunds.com); PAXHX: [www.paxfund.com](http://www.paxfund.com); HYG: [www.ishares.com](http://www.ishares.com); JNK: [www.spdrs.com](http://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

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
<b>Tax Free High-Yield Bonds</b>								
Nuveen High Yield Municipal Bond I	NHMRX	2.66	-1.33	3.74	3.89	6/7/99	0.68	7.57
Franklin High Yield Tax-Free Inc Adv	FHYVX	3.78	4.05	N/A	3.97	1/3/06	0.53	5.19
Oppenheimer Rochester National Muni A	ORNAX	4.30	-4.24	2.35	3.56	10/1/93	1.25	7.65
<b>Barclays High Yield Municipal</b>		<b>5.47</b>	<b>2.51</b>	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

### Tax-Free High-Yield Bond Exposure – ETPs

Exchange-Traded Product	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
<b>Tax Free High-Yield Bonds</b>												
Market Vectors High-Yield Muni ETF	HYD	1.77	N/A	N/A	12.92	2/4/09	0.44	N/A	1.07	N/A	N/A	11.84
<b>Barclays High Yield Municipal</b>		<b>5.47</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

### Emerging Market Debt Exposure – Mutual Funds

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
<b>Emerging Market Bonds</b>								
T. Rowe Price Emerging Markets Bond	PREMX	13.02	9.22	11.37	12.42	12/30/94	0.95	5.96
MFS Emerging Markets Debt A	MEDAX	11.17	9.78	12.64	12.11	3/17/98	1.19	4.47
PIMCO Emerging Local Bond P	PELPX	17.76	N/A	N/A	10.49	5/30/08	1.00	4.82
<b>JPM EMBI Global</b>		<b>11.73</b>	<b>9.59</b>	<b>10.21</b>	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

### Emerging Market Debt Exposure – ETPs

Exchange-Traded Product	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
<b>Emerging Market Bonds</b>												
PowerShares Emerging Mkts Sovereign Debt	PCY	9.95	N/A	N/A	8.21	10/11/07	0.50	4.96	9.78	N/A	N/A	8.62
iShares JPMorgan USD Emerg Markets Bond	EMB	10.93	N/A	N/A	8.08	12/17/07	0.60	4.57	10.60	N/A	N/A	8.00
<b>JPM EMBI Global</b>		<b>11.73</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

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For the most recent month end performance please visit the respective fund's website: NHMRX, ORNAX: [www.oppenheimerfunds.com](http://www.oppenheimerfunds.com); FHYVX: [www.franklin-templeton.com](http://www.franklin-templeton.com); PREMEX: [www.troweprice.com](http://www.troweprice.com); MEDAX: [www.mfs.com](http://www.mfs.com); HYD: [www.ishares.com](http://www.ishares.com); PCY: [www.powershares.com](http://www.powershares.com); EMB: [www.ishares.com](http://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

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
<b>Intermediate/Long High Quality Bond</b>								
Loomis Sayles Investment Grade Bond Y	LSIIX	11.25	9.07	9.36	8.76	12/31/96	0.56	4.15
Dodge & Cox Income	DODIX	6.02	7.10	6.26	7.69	1/3/89	0.43	3.70
Pimco Total Return	PTTPX	5.83	8.75	N/A	8.24	4/30/08	0.56	2.51
Federated Total Return Bond Instl	FTRBX	4.85	6.98	6.07	6.59	10/1/96	0.45	3.91
Metropolitan West Total Return Bond I	MWTIX	6.81	8.62	6.88	7.30	3/31/00	0.42	4.28
Western Asset Core Plus Bond I	WACPX	7.21	7.63	7.09	6.92	7/8/98	0.45	2.88
Loomis Sayles Bond Instl	LSBDX	16.26	8.72	10.59	10.50	5/16/91	0.64	4.29
<b>Barclays Capital Aggregate</b>		<b>3.90</b>	<b>6.52</b>	<b>5.74</b>	N/A	N/A	N/A	N/A
<b>Long High Quality Bond</b>								
Vanguard Long-Term Investment-Grade	VWESX	4.76	7.49	7.05	8.53	7/9/73	0.24	5.32
<b>Barclays Capital Govt Credit Long</b>		<b>3.20</b>	<b>7.67</b>	<b>7.24</b>	N/A	N/A	N/A	N/A
<b>Eclectic Fixed Income</b>								
Delaware Diversified Income A	DPDFX	6.82	8.93	8.39	8.27	12/29/97	0.98	3.31
Franklin Strategic Income Adv	FKSAX	11.48	7.98	8.37	7.75	8/12/99	0.63	4.71
<b>Barclays Capital Aggregate</b>		<b>3.90</b>	<b>6.52</b>	<b>5.74</b>	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

### Investment-Grade Corporate Bond Exposure – ETPs

Exchange-Traded Products	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
<b>Intermediate/Long High Quality Bond</b>												
iShares Barclays Intermediate Credit Bd	CIU	5.91	N/A	N/A	6.13	1/5/07	0.20	2.60	5.44	N/A	N/A	6.16
iShares iBoxx \$ Invest Grade Corp Bond	LQD	6.60	6.75	N/A	5.94	7/22/02	0.15	4.02	6.43	6.88	N/A	5.99
SPDR Barclays Capital Interm Credit Bond	ITR	5.73	N/A	N/A	8.57	2/10/09	0.15	2.95	5.61	N/A	N/A	7.78
Vanguard Intermediate-Term Bond ETF	BIV	5.32	N/A	N/A	7.33	4/3/07	0.11	2.93	5.21	N/A	N/A	7.35
<b>Barclays Capital Aggregate</b>		<b>3.90</b>	<b>6.52</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Long High Quality Bond</b>												
SPDR Barclays Capital Long Credit Bond	LWC	5.22	N/A	N/A	15.16	3/10/09	0.15	5.50	4.72	N/A	N/A	14.22
Vanguard Long-Term Bond ETF	BLV	2.89	N/A	N/A	6.99	4/3/07	0.11	4.80	2.40	N/A	N/A	7.01
<b>Barclays Capital Govt Credit Long</b>		<b>3.20</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

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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.

Preferred Stock Exposure – Mutual Funds

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
<b>Preferred Securities</b>								
Principal Preferred Securities Inst	PPSPX	17.27	6.82	N/A	6.68	9/27/10	N/A	5.93
Nuveen Preferred Securities I	NPSRX	18.89	N/A	N/A	4.65	12/18/06	0.91	5.92
<b>Merrill Lynch Preferred Stock Hybrid</b>		<b>14.01</b>	<b>3.38</b>	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

Preferred Stock Exposure – ETPs

Exchange-Traded Product	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
<b>Preferred Securities</b>												
iShares S&P U.S. Preferred Stock Index	PFF	15.30	N/A	N/A	2.40	3/26/07	0.48	6.16	15.04	N/A	N/A	2.43
PowerShares Financial Preferred	PGF	19.76	N/A	N/A	0.93	12/1/06	0.66	6.74	19.67	N/A	N/A	0.81
PowerShares Preferred	PGX	13.33	N/A	N/A	-2.03	1/31/08	0.50	6.42	12.99	N/A	N/A	-2.15
<b>Merrill Lynch Preferred Stock Hybrid</b>		<b>14.01</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

Build America Bond Exposure – ETPs

Exchange-Traded Product	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
<b>Build America Bond</b>												
PowerShares Build America Bond	BAB	6.58	N/A	N/A	8.98	11/17/09	0.35	5.13	5.40	N/A	N/A	8.20
<b>Wells Fargo Build America Bond Index</b>		<b>7.58</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 06/30/11

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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.

LPL Financial does not engage in investment banking services nor has LPL Financial or the analyst(s) been compensated during the previous 12 months by any company mentioned in this report for any non-investment banking securities-related services and non-securities services nor has any company mentioned been a client of LPL Financial within the past 12 months.

Selling bonds prior to maturity may make the actual yield differ from their advertised yield and may involve a loss or gain. Bond values will decline as interest rates rise. Government Bonds have a Government guarantee that applies only to timely payment of principal and interest only and not to the anticipated price or yield which may fluctuate with market conditions.

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 be 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 involves risk, including possible loss of principal. Investments in specialized industry sectors have additional risks, which are outlined in the prospectus.

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.

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

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

Non-rated bonds have not been issued a rating by bond rating agencies such as Standard and Poors and Moody's. Bonds that have not been rated by an agency are usually considered to be junk bonds or fall below investment grade.

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

The market value of Corporate Bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield.

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 funds shares is not guaranteed and will fluctuate.

Mortgage-Backed Securities are subject to credit risk, default risk, and prepayment risk that acts much like call risk, where you get your principal back sooner than the stated maturity, extension risk, the opposite of prepayment risk, and interest rate risk.

Correlation is a statistical measure of how two securities move in relation to each other. Correlations are used in advanced portfolio management.

Debt-to-GDP is a measure of a country's federal debt in relation to its gross domestic product (GDP). By comparing what a country owes and what it produces, the debt-to-GDP ratio indicates the country's ability to pay back its debt. The ratio is a coverage ratio on a national level.

Correlation is a statistical measure of how two securities move in relation to each other. Correlations are used in advanced portfolio management.

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

BBB: An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB: An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

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.

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.

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.

Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

Bank Loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk.

Nontraditional investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

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.

**Investors should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus contains this and other information about the investment company. They can obtain a prospectus from you. Read carefully before investing.**

## INDEX DESCRIPTIONS

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.

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 Capital U.S. High Yield Index covers the universe of fixed rate, non-investment grade rated debt. Global bonds (SEC registered) of issuers in non-Emerging Market countries are included. Bonds must have the following: at least one year remaining to maturity, at least \$150 million outstanding, rated Ba1/BB+ or lower by at least two of the three major rating agencies (Moody's, S&P, Fitch), and publically issued. Bonds must also be dollar denominated.

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

J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. Currently, the EMBI Global covers 188 instruments across 33 countries.

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 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.

The Merrill Lynch 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.

The Barclays Aggregate Bond Index is composed of securities from Lehman Brothers Government/Credit 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.

#### INVESTMENT OBJECTIVES

**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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