



February 2010

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 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.

Fixed income markets continue to provide some of the best opportunities for income-seeking investors. Our best ideas for income generation are the following:

- High-Yield Bonds (taxable and tax-free)
- Emerging Market Debt
- Investment-Grade Corporate Bonds (intermediate and long-term)
- Preferred Stocks
- Floating Rate Bank Loans

A major drawback of the steady improvement, however, is the lower overall level of yields complicating the objectives of income-seeking investors.

We find High-Yield Bonds and emerging market debt most attractive for all bond investors, not just income-seeking investors, as we believe income will be the primary driver of bond market performance in 2010.

HIGH-YIELD AND EMERGING MARKET DEBT CONTINUE TO STAND OUT IN 2010

After good performance in 2009, fixed income markets continue to provide some of the best opportunities for income-seeking investors. Credit sensitive sectors such as corporate bonds and High-Yield Bonds continued to improve over the fourth quarter en route to posting record performance. We continue to find corporate bonds, High-Yield Bonds in particular, attractively valued. A major drawback of the steady improvement, however, is the lower overall level of yields. We cited this drawback last quarter and yields have declined even further, complicating the objectives of income-seeking investors. Lower yields are more evident among Investment-Grade Corporate Bonds, while High-Yield Bonds and Emerging Market Debt still possess relatively high absolute yields that will help income-seeking investors. Still, when assessing the broader investment landscape, equities provide little challenge to bonds from an income perspective. Widespread dividend cuts over much of 2009 have not been reversed and dividend increases are expected to remain rare over the near-term. Since dividends are the key component of income for common equity we still believe the best income opportunities lie in the fixed income market, despite the lower overall level of yields. Our best ideas for income generation are the following:

- High-Yield bonds (taxable and tax-free)
- Emerging Market Debt
- Investment-Grade Corporate Bonds (intermediate- and long-term)
- Preferred Stocks
- Floating Rate Bank Loans

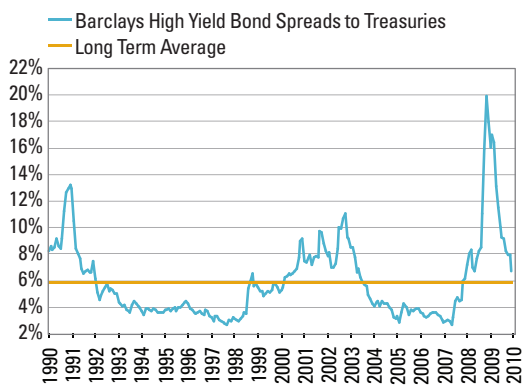
Our bias within fixed income remains High-Yield Bonds and Emerging Market Debt (EMD). The steady improvement in credit sensitive bond sectors over 2009 has led to lower yields thereby complicating the job of income-seeking investors. In our view, High-Yield Bonds and EMD still provide income investors the best combination of yield and price stability. Yields for each sector have fallen but still-improving fundamentals should help support prices. The wider yield spreads of High-Yield Bonds and EMD provide a greater buffer against rising interest rates. We find High-Yield Bonds and Emerging Market Debt most attractive for all bond investors, not just income-seeking investors, as we believe income will be the primary driver of bond market performance in 2010.

In 2009, EMD benefited from a strong policy response from the International Monetary Fund (IMF) and the ability of EM nations to rebound more quickly from the global recession. The IMF is a group of 186 countries working to promote global monetary cooperation, financial stability to promote trade, and global economic growth. The IMF pledged \$1 trillion in various forms of financial assistance to EM countries. Yield spreads to Treasuries have contracted but remain attractive and have room for further improvement given a favorable fundamental backdrop.

Yield spreads on Investment-Grade Corporate Bonds remain attractive and despite lower yields remain one of the better income producing options in fixed income markets, especially considering historically low yields on other

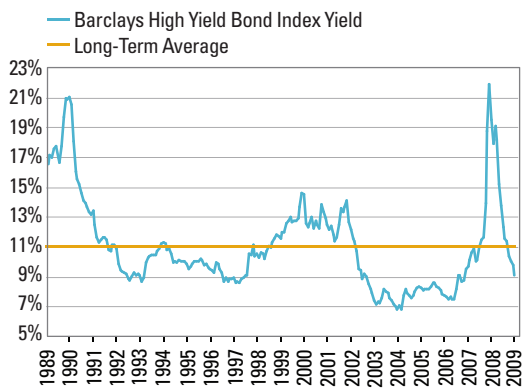


1 A declining default rate bodes well for narrower yield spreads and thus higher valuations.



Source: Barclays, Bloomberg, LPL Financial

2 Yields have declined but remain high relative to near record low high-grade bond yields.



Source: Barclays, Bloomberg, LPL Financial

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

high-grade bond sectors such as Treasuries and Mortgage-Backed Securities (MBS). Steady improvement in economic data, better than expected earnings, and attractive valuations continue to support corporate bonds.

Like other fixed income sectors, Preferred Stocks performed well in 2009 following fundamental improvement. While we find valuations modestly attractive, yields remain higher compared to similarly rated Investment-Grade Corporate Bonds and continue to be a quality income vehicle. (The risks of some preferred issuers being forced to convert preferred shares to common stock or postpone their dividends have declined substantially.)

Floating Rate Bank Loans offer high yields relative to short-term securities, and, given their “floating rate” structure, pay a higher rate when interest rates rise. Given our outlook for an improving economic environment and longer-term expectation of higher interest rates, we find bank loans an attractive source for income. A potential “headwind” for investors, as outlined in our *2010 Outlook* publication, is the possibility of Federal Reserve interest rate increases. However, bank loans would benefit from Fed rate hikes—each rate hike would translate directly into higher interest payments from the underlying bonds.

For a more extensive portfolio strategy, the income-focused theme in Model Wealth Portfolios (MWP) combines multiple asset classes and sectors. The goals of this portfolio are to seek excess return and, secondarily, to generate significantly higher overall yields than the LPL Financial blended benchmarks.

FAVORITE SECTOR/ ASSET CLASS IDEAS

High-Yield Bonds (Taxable and tax-free)

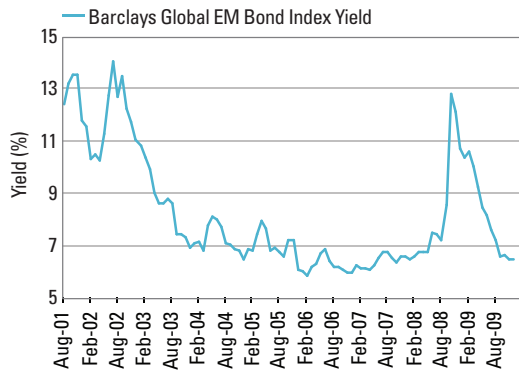
High-Yield is an obvious asset class for income-seeking investors. Taxable High-Yield Bonds were one of the hardest hit sectors during the credit crunch, but 2009 witnessed an impressive rebound. Despite the stellar performance of these bonds, yield levels remain high and we believe there is additional room for improvement in 2010. Default rates are still high but have been declining. In December 2009, the Moody’s speculative grade default rate declined for the first time since November 2007. Although the default rate remains elevated at 13.2% as of the end of December, Moody’s projects defaults to continue to decline to 3.6% by the end of 2010 providing a favorable backdrop for High-Yield Bonds.

Since default rates and High-Yield Bond spreads are highly correlated, the average High-Yield Bond spread to Treasuries, 6.2% as of January 14, 2010 is attractive. Not only is it high relative to the expected decline in defaults, but also is above the historical average of 5.5% [Chart 1]. A decline in the default rate bodes well for further yield spread contraction and higher valuations relative to Treasuries. This should provide important price support against higher interest rates.

The average yield of High-Yield Bonds of 8.6% (as of January 14) is below the 20-year average of 11.0% [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.



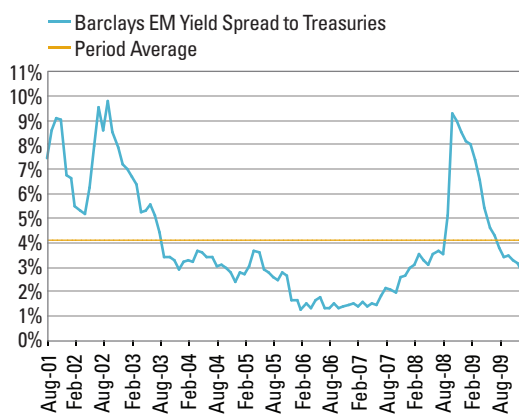
3 Although EMD yields have declined near the lows of the past decade...



Source: Barclays, Bloomberg, LPL Financial
International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

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

4 ...room for valuation improvement, via narrower yield spreads, should support EMD prices.



Source: Barclays, Bloomberg, LPL Financial

We expect this trend to continue to provide a favorable fundamental backdrop for High-Yield investors in 2010.

For diversification purposes and to reduce individual security risk, LPL Financial Research strongly recommends investors use a mutual fund for exposure to this asset class. The average High-Yield Bond fund possessed a 7.75% SEC yield, according to Morningstar data as of December 30, 2009. A particular High-Yield Bond fund may yield more or less than the average depending on how conservative or aggressive portfolio positioning is relative to the peer group.

Higher tax-bracket investors may wish to consider tax-free High-Yield Bonds. Municipal High-Yield Bonds have rebounded strongly in 2009, but lagged the improvement witnessed in taxable High-Yield. Yield spreads remain wide on a historical basis. Municipal High-Yield Bonds are trading cheaper relative to taxable High-Yield given historical defaults and after taking into account tax effects. Please be aware that the vast majority of tax-free High-Yield funds generate income that is subject to Alternative Minimum Tax (AMT). Again, we recommend investors use a mutual fund to gain exposure. Please contact fund companies directly for the percentage of income subject to AMT.

Emerging Market Debt (EMD)

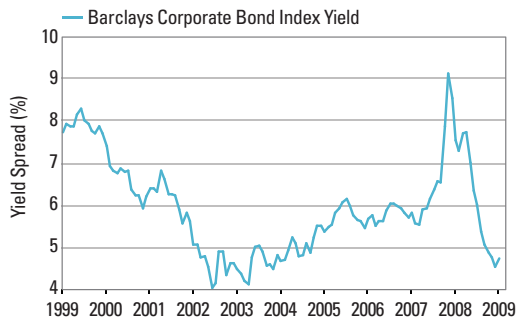
In 2009, EMD benefited from IMF stimulus measures, cheap valuations, and stronger economic growth. EMD also benefited from a favorable supply/demand balance as most EMD issuers used stimulus to address debt-funding needs early in the year. In terms of credit quality, with the exception of Fiji, no Asian emerging country (our favorite region within EMD) experienced a downgrade in 2009.

Even with the improvement, yield spreads to Treasuries remain attractive and we believe there is room for further improvement. The average EMD yield spread to comparable Treasuries was 2.8% as of January 14 according to Barclay's data. Unlike High-Yield or Investment-Grade Corporate Bonds, EMD spreads are below their longer-term average. The narrower yield spread reflects credit quality improvements, such as lower leverage and higher foreign currency; reserves that have seen the EMD market migrate up to an average BBB-rating up from a BB-rating. We believe yield spread contraction will slow but we find the 1.0% yield advantage of EMD relative to Investment-Grade Corporate Bonds, which hold an average A-rating, to be attractive.

In addition, the current yield of the Barclays Global Emerging Markets Bond Index, 6.3% as of January 14, is attractive for income generation, particularly given still-improving fundamentals. EMD issuers are likely 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. A potential risk is that stronger economic growth may result in EM central banks increasing interest rates. However, active fund managers have some latitude to offset this risk by taking select EM currency exposure, which may benefit from higher interest rates relative to the US dollar.

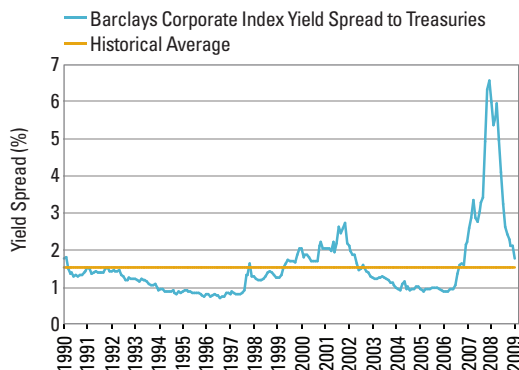


5 Corporate bond yields have declined but remain a high quality income option.



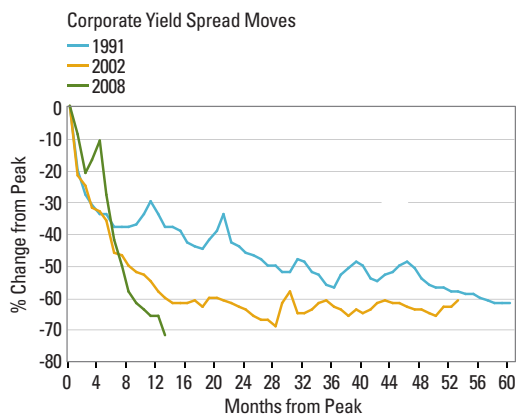
Source: Barclays, Bloomberg, LPL Financial

6 Although overall yields are lower, corporate bond yield spreads remain above average.



Source: Barclays, Bloomberg, LPL Financial

7 Corporate Bond Credit Quality Trends tend to be long lasting.



Source: Barclays, LPL Financial

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. Preferred stock investing involves risk including loss of principal.

Investment-Grade Corporate Bonds

Investment-Grade Corporate Bonds remain attractive—despite lower yields [Chart 5]—as an income producing option in fixed income markets. This is especially true considering historically low Treasury and Mortgage-Backed Securities (MBS) yields. As of January 14, the average investment grade corporate bond yield spread to Treasuries was 1.6%, still above the 1.5% historical average and a considerable advantage to Treasuries [Chart 6]. Given the prospect of massive Treasury issuance in 2010, corporate bond yield spreads could contract below the historical average, even if spreads merely held stable the added yield advantage is significant.

In 2009, corporate bonds have benefited from steady improvement in economic data, better than expected earnings, and attractive valuations. We believe corporate bonds can hold gains and outperform Treasuries in 2010. Historically, once corporations embark on a path of de-leveraging and improving credit quality, the trend has been long lasting. Corporate yield spreads contracted notably following the prior two recessions and remained relatively stable and narrow for years [Chart 7]. Corporate spreads are on a similar, albeit quicker, path following this recession.

Preferred Stocks

Preferred Stocks provide higher current yields than comparably rated corporate bonds. Although called “stocks” Preferred Stocks have bond characteristics and income-seeking investors should consider the asset class. Like other credit sensitive sectors, Preferred Stocks have enjoyed a strong rebound in 2009 but yields remain attractive with valuations fair to attractive. As of January 14, 2010, the preferred market, as measured by the Merrill Lynch Hybrid Preferred Securities Index, had an average yield of 6.3% with an average S&P rating of BBB+.

Over 2009, the greatest risks to Preferred Stocks, dividend deferral, and common conversion, diminished substantially. Since financials comprise roughly 80% of the preferred market, this represents a significant risk in addition to the sector concentration. Interest or dividend deferral, and the issuer's right to delay payments, remains risky. However, it is now more company specific rather than a broad market risk. Better than expected earnings results in the third quarter of 2009 translated in a higher capital ratio for the vast majority of banks. Therefore, the risk of regulators forcing financial companies to convert Preferred Stock into common stock to boost capital adequacy ratios has been reduced.

As 2010 unfolds, interest rate risk could supplant dividend deferral/forced conversion as the primary risk to Preferred Stocks. Since preferred stocks are perpetual or have extremely long 30 to 50-year maturities, they possess some interest rate sensitivity. The yield advantage to Treasuries will help offset higher interest rate risk but investors need to be aware of this risk, which will become more prominent when the Fed begins to signal higher interest rate hikes.



Floating Rate Bank Loans

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 to 3.0 percent above London Inter-bank Offered Rate (LIBOR), and 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.

Yields on bank loans declined over the fourth quarter of 2010 as LIBOR rates declined but at a much slower rate than during the third quarter. Nevertheless, since the average bank loan trades at only 89 cents on the dollar, according to Barclays data, the current yield remains attractive. Similar to High-Yield Bonds, improving economic data coupled with our expectation of a good fourth quarter earnings season should support prices.

Bank loans also make an interesting contrarian play in a diversified income-producing portfolio. At some point in the second half of 2010, we believe the Fed will hike interest rates and bank loans will stand to benefit more than other fixed income sectors. We believe current valuations and yields are attractive enough for investment now. Given our belief in an improving economic environment and subsequent higher interest rates, we find bank loans as both an attractive investment opportunity and a good source for income.

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 risk.

IMPLEMENTATION

Model Wealth Portfolios – Income Focused

While we highlighted our favorite individual sector and asset class ideas for income this quarter within Model Wealth Portfolios (MWP), LPL Financial Research combines multiple asset classes and sectors to create a 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 table below highlights relevant statistics of MWP Income Focused models.

INCOME FOCUSED MODEL WEALTH PORTFOLIO PERFORMANCE

Model Portfolios	Rolling 3-Months	YTD 2009	Annualized 1-Year	Annualized Since 3/1/08
Aggressive Growth				
MWP Income Focused	6.60%	28.89%	28.89%	-9.00%
AG Benchmark "	5.61%	26.91%	26.91%	
+ / - Benchmark	0.99%	1.98%	1.98%	
Growth				
MWP Income Focused	5.94%	27.28%	27.28%	-8.69%
G Benchmark "	4.76%	23.61%	23.61%	
+ / - Benchmark	1.18%	3.67%	3.67%	
Growth with Income				
MWP Income Focused	5.78%	28.68%	28.68%	-5.91%
G&I Benchmark "	3.63%	19.16%	19.16%	
+ / - Benchmark	2.15%	9.52%	9.52%	
Income with Moderate Growth				
MWP Income Focused	5.50%	29.81%	29.81%	-2.37%
IMG Benchmark "	2.49%	14.54%	14.54%	
+ / - Benchmark	3.01%	15.27%	15.27%	
Income with Capital Preservation				
MWP Income Focused	4.94%	29.41%	29.41%	0.30%
ICP Benchmark "	1.34%	9.86%	9.86%	
+ / - Benchmark	3.60%	19.55%	19.55%	

Source: FactSet As of 12/31/09

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.

Indices are unmanaged and cannot be invested into directly.

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	27.84	1.86		2.39	4/10/00	1.04		www.columbiainvestments.com
Hartford Capital Appreciation II I	HCTIX	41.65			1.84	8/31/06	1.16		www.hartfordinvestor.com
Parnassus Equity Income - Inv	PRBLX	28.75	5.91	6.62	9.98	9/1/92	0.99	1.47	www.parnassus.com
Eaton Vance Tax-Managed Dividend Inc I	EIDIX	21.03	1.47		-9.11	8/27/07	0.94	3.28	www.eatonvance.com
Allianz NFJ Dividend Value Instl	NFJEX	13.32	1.12		6.45	5/8/00	0.67		www.allianzinvestors.com
Eagle Mid Cap Stock I	HMCJX	31.52	2.97	6.98	0.57	6/6/06	0.87		www.eagleasset.com
Alpine Dynamic Dividend	ADVDX	25.65	-2.20		4.24	9/22/03	1.20		www.alpinefunds.com
Westport Select Cap I	WPSCX	29.20	2.69	5.77	8.53	2/17/98	1.15		www.westportfunds.com
Royce Dividend Value Invmt	RDVIX	38.22	4.08		-3.01	9/14/07	2.84		www.roycefunds.com
Allianz NFJ International Value Instl	ANJIX	41.99	9.38		17.99	1/31/03	1.05		www.allianzinvestors.com
Oppenheimer Developing Markets Y	ODVYX	82.10	17.64	15.40	15.98	9/7/05	1.08		www.oppenheimerfunds.com
T. Rowe Price Emerging Markets Bond	PREMX	34.95	8.95	11.85	12.47	12/30/94	0.98	6.22	www.troweprice.com
Loomis Sayles Bond Instl	LSBDX	37.19	6.20	8.96	10.26	5/16/91	0.65	5.48	www.loomissayles.com
Principal Preferred Securities Inst	PPSIX	46.57	2.63		4.30	5/1/02	0.74	6.71	www.principal.com
RidgeWorth Seix Floating RT High Inc I	SAMBX	32.31			3.08	3/2/06	0.49		www.ridgeworthfunds.com
Artio Global High Income I	JHYIX	54.89	7.48		10.65	1/30/03	0.76	7.44	www.artiofunds.com
American Funds Capital Inc Bldr F-2	CAIFX	20.90	3.76	7.37	-4.12	8/1/08	0.42	3.76	www.americanfunds.com

Source: FactSet As of 12/31/09

For the most recent month end performance please visit the respective fund's website listed above.

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 manager's website displayed in the table above.

The performance data quoted reflects the reinvestment of dividends and capital gains, is net of expenses and but does not reflect the maximum advisory fee of 3.0%. Such fee, if taken into consideration, will reduce the performance quoted above.

Mutual Fund and ETF Income Producing Ideas

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

TAXABLE HIGH-YIELD FIXED INCOME EXPOSURE - MUTUAL FUNDS

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Intermediate/Long High Yield Bond								
Artio Global High Income I	JHYIX	54.89	7.48		10.65	1/30/03	0.76	7.44
MainStay High Yield Corporate Bond I	MHYIX	42.76	5.20	6.30	6.43	1/2/04	0.83	6.63
Pioneer Global High Yield Y	GHYYX	63.74	4.99		4.91	12/27/05	0.78	9.35
PIMCO High Yield Instl	PHIYX	44.05	5.48	6.24	8.00	12/16/92	0.53	8.09
Delaware High-Yield Opportunities A	DHOAX	49.75	5.47	6.15	6.60	12/30/96	1.37	8.27
Pax World High Yield	PAXHX	38.70	5.59	5.85	5.46	10/8/99	1.19	7.83
Barclays Capital US High Yield Bond		58.21	6.46	6.71				

Source: MorningStar Direct As of 12/31/09

TAXABLE HIGH-YIELD FIXED INCOME EXPOSURE - ETFS

Exchange-Traded Fund	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
Taxable High Yield Bonds												
iShares iBoxx \$ High Yield Corporate Bd	HYG	40.74			2.84	4/4/07	0.50	8.50	28.86			2.93
SPDR Barclays Capital High Yield Bond	JNK	50.46			2.56	11/28/07	0.40		37.65			2.26
Barclays Capital US High Yield Bond		58.21	6.46	6.71								

Source: MorningStar Direct As of 12/31/09

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

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 manager's website displayed above.

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TAX FREE HIGH-YIELD FIXED INCOME EXPOSURE - MUTUAL FUNDS

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Tax Free High Yield								
Nuveen High Yield Municipal Bond I	NHMRX	42.52	-1.02	4.25	3.56	6/7/99	0.77	7.37
Franklin High Yield Tax-Free Inc Adv	FHYVX	27.78	3.76	5.04	3.29	1/3/06	0.53	4.95
Oppenheimer Rochester National Muni A	ORNAX	51.35	-3.35	2.82	3.36	10/1/93	2.97	7.87
Barclays High Yield Municipal		32.74	2.63					

Source: MorningStar Direct As of 12/31/09

TAX FREE HIGH-YIELD FIXED INCOME EXPOSURE - ETFS

Exchange-Traded Fund	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
High Yield Tax Free Bonds												
Market Vectors High-Yield Muni ETF	HYD				25.10	2/4/09	0.71					23.92
Barclays High Yield Municipal		32.74	2.63									

Source: MorningStar Direct As of 12/31/09

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
Emerging Market Bonds								
T. Rowe Price Emerging Markets Bond	PREMX	34.95	8.95	11.85	12.47	12/30/94	0.98	6.22
MFS Emerging Markets Debt A	MEDAX	30.85	8.96	13.78	12.32	3/17/98	1.40	5.32
JPM EMBI Global		28.18	8.10	10.52				

Source: MorningStar Direct As of 12/31/09

EMERGING MARKET DEBT EXPOSURE - ETFS

Exchange-Traded Fund	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
Emerging Market Bonds												
PowerShares Emerging Mkts Sovereign Debt	PCY	33.21			6.26	10/11/07	0.50		35.70			7.47
iShares JPMorgan USD Emerg Markets Bond	EMB	27.17			6.11	12/17/07	0.60	5.66	15.50			6.42
JPM EMBI Global		28.18	8.10	10.52								

Source: MorningStar Direct As of 12/31/09

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

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The performance data quoted reflects the reinvestment of dividends and capital gains, is net of expenses and but does not reflect the maximum advisory fee of 3.0%. Such fee, if taken into consideration, will reduce the performance quoted above.

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
Intermediate/Long High Quality Bond								
Loomis Sayles Investment Grade Bond Y	LSIIX	27.27	6.51	8.92	8.51	12/31/96	0.54	4.56
Dodge & Cox Income	DODIX	16.05	5.40	6.81	7.74	1/3/89	0.43	7.45
Federated Total Return Bond Instl	FTRBX	12.14	5.35	6.54	6.58	10/1/96	0.53	4.19
Metropolitan West Total Return Bond I	MWTIX	17.30	6.45	7.01	6.95	3/31/00	0.44	5.19
Columbia Intermediate Bond Z	SRBFX	19.11	4.69	6.34	8.04	12/5/78	0.64	4.76
Loomis Sayles Bond Instl	LSBDX	37.19	6.20	8.96	10.26	5/16/91	0.65	5.48
Barclays Capital Aggregate		5.93	4.97	6.33				
Long High Quality Bond								
Vanguard Long-Term Investment-Grade	VWESX	8.75	4.53	7.19	8.50	7/9/73	0.23	5.87
Barclays Capital Govt Credit Long		1.92	4.97	7.68				
Eclectic Fixed Income								
Delaware Diversified Income A	DPDFX	25.42	6.69	8.91	8.38	12/29/97	1.02	5.30
Franklin Strategic Income Adv	FKSAX	25.72	5.63	7.30	7.38	8/12/99	0.64	5.32
Barclays Capital Aggregate		5.93	4.97	6.33				

Source: MorningStar Direct As of 12/31/09

INVESTMENT GRADE CORPORATE BOND EXPOSURE - ETFs

Exchange-Traded Fund	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	14.72			5.65	1/5/07	0.20	3.51	12.79			5.93
iShares iBoxx \$ Invest Grade Corp Bond	LQD	12.13	4.01		5.46	7/22/02	0.15	4.71	8.58	4.01		5.46
SPDR Barclays Capital Interm Credit Bond	ITR				10.01	2/10/09	0.15					7.78
Vanguard Intermediate-Term Bond ETF	BIV	6.83			6.55	4/3/07	0.10	3.98	3.93			6.61
Barclays Capital Aggregate		5.93	4.97	6.33								
Long High Quality Bond												
SPDR Barclays Capital Long Credit Bond	LWC				23.06	3/10/09	0.15					20.98
Vanguard Long-Term Bond ETF	BLV	1.82			5.91	4/3/07	0.10	5.32	0.11			6.01
Barclays Capital Govt Credit Long		1.92	4.97	7.68								

Source: MorningStar Direct As of 12/31/09

For the most recent month end performance please visit the respective fund's website: LSIIX, LSBDX: www.loomissayles.com; DODIX:www.dodgeandcox.com; FTRBX: www.federatedinvestors.com; MWTIX: www.mwamlc.com; SRBFX: www.columbiafunds.com; VWESX: www.vanguard.com; DPDFX; FKSAX: www.franklin-templeton.com, CIU & LQD: www.ishares.com; ITR & LWC: www.spdrs.com; BIV & BLV: www.vanguard.com

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 manager's website displayed above.

The performance data quoted reflects the reinvestment of dividends and capital gains, is net of expenses and but does not reflect the maximum advisory fee of 3.0%. Such fee, if taken into consideration, will reduce the performance quoted above.

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
Preferred Securities								
Principal Preferred Securities Inst	PPSIX	46.57	2.63		4.30	5/1/02	0.74	6.71
Nuveen Preferred Securities I	NPSRX	43.78			-0.70	12/18/06	1.26	7.42
Merrill Lynch Preferred Stock Hybrid		14.14	-0.40	4.48				

Source: MorningStar Direct As of 12/31/09

PREFERRED STOCK EXPOSURE - ETFs

Exchange-Traded Fund	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
Preferred Securities												
iShares S&P U.S. Preferred Stock Index	PFF	39.28			-2.72	3/26/07	0.48	6.88	38.70			-2.72
PowerShares Financial Preferred	PGF	40.68			-5.26	12/1/06	0.69		38.50			-5.31
PowerShares Preferred	PGX	19.35			-11.38	1/31/08	0.50		19.69			-11.40
Merrill Lynch Preferred Stock Hybrid		14.14	-0.40	4.48								

Source: MorningStar Direct As of 12/31/09

BANK LOAN EXPOSURE - MUTUAL FUNDS

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Bank Loan								
RidgeWorth Seix Floating RT High Inc I	SAMBX	32.31					3.08	3/2/06
Barclays Capital US High Yield Loans		13.01						

Source: MorningStar Direct As of 12/31/09

We strive to do all we can to provide your advisor with the advice and guidance they need to help manage your portfolio. In those periods, when your desire for income may be of utmost importance, this report offers ideas that provide the potential for not just strong income, but also the possibility of capital appreciation.

Currently these are our strongest income producing ideas. As with any investment, please talk with your financial advisor about the appropriate investment to meet your needs.

For the most recent month end performance please visit the respective fund's website: PPSIX: www.principalfunds.com; NPSRX: www.nuveen.com; SAMBX: www.ridgeworthfunds.com; PFF: www.ishares.com; PGF & PGX: www.powershares.com

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 manager's website displayed above.

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INDEX DESCRIPTIONS

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.

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 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.

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 Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

Barclays Aggregate Bond Index: is comprised of the Barclay's 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 Barclay Aggregate Bond Index is composed of securities from Lehman Brothers Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index.

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