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# 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 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

## FIXED INCOME CONTINUES TO YIELD OPPORTUNITY

Fixed income markets continue to provide the best opportunities for income-seeking investors. Credit sensitive sectors such as Corporate Bonds and High-Yield Bonds continued to steadily improve over the third quarter but remain attractively valued. One drawback of the steady improvement, however, is the lower overall level of yields. Lower yields are more pronounced among Investment-Grade Corporate Bonds compared to High-Yield Bonds and Emerging Market Debt, which still possess relatively high absolute yields. Still, when assessing the broader investment landscape, equities provide little challenge to bonds from an income perspective. Widespread dividend cuts over the prior four quarters have not been reversed and dividend increases are expected to remain few and far between over the fourth quarter. Since dividends are the key component of income for common equity and despite the lower overall level of yields, we still believe the best income opportunities lie in the fixed income market. Our best ideas for income generation are the following:

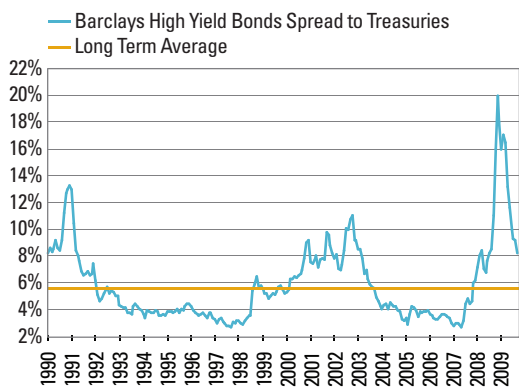
- High-Yield Bonds (taxable and tax-free)
- Emerging Market Debt
- Investment-Grade Corporate Bonds (intermediate and long-term)
- Preferred Stocks
- Floating Rate Bank Loans

Our bias within fixed income is high yield bonds and Emerging Market Debt (EMD), our new entrant to this quarter's publication. The steady improvement in credit sensitive bond sectors over the third quarter has led to lower yields thereby complicating the job of income seeking investors. In our view, high yield bonds and emerging market debt provide income investors the best combination of yield and price stability. Yields for each sector have not fallen as far and improving fundamentals should help support prices. The wider yield spreads of High-Yield Bonds and EMD provide a greater buffer against rising interest rates.

Emerging Market Debt (EMD) benefited from International Monetary Fund (IMF) stimulus and EM nations rebounding 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.

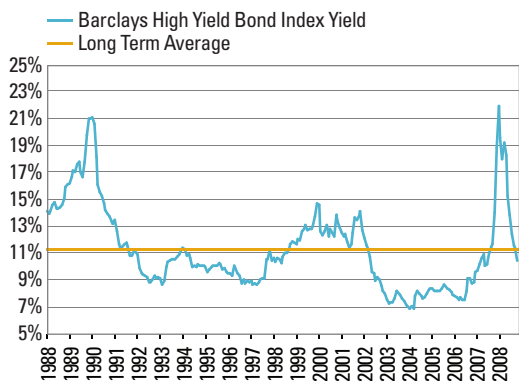
Yield spreads on Investment-Grade Corporate Bonds remain attractive and despite lower yields remain one of the better income producing options in fixed income markets especially considering historically low Treasury and Mortgage-Backed Securities (MBS) yields. Steady improvement in economic data, better than expected earnings and attractive valuations continue to support corporate bonds.

**1 Yield Spreads on High Yield Bonds Remain Wide by Historical Comparison**



Source: Barclays, Bloomberg, LPL Financial

**2 Yields Have Declined in the High Yield Market but Remain Elevated**



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.

Like other fixed income sectors, Preferred Stocks improved further in the third quarter and while yields declined valuations are still attractive. Risks of some preferred issuers being forced to convert preferred issues to common 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, when interest rates rise, pay a higher rate. Given our belief of an improving economic environment and longer-term expectation of higher interest rates, we find bank loans an attractive source for income.

Individually, our best ideas for income currently reside in fixed income. For a more extensive portfolio solution, 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 has witnessed an impressive rebound. Despite the stellar performance we believe there is room for further improvement as valuations remain attractive. Defaults remain high with the Moody's speculative grade default rising to 12.0% at the end of the third quarter but the number of companies defaulting actually declined in the third quarter. Moody's expects that trend to continue and expects the default rate to decline to 4.5% by September 2010.

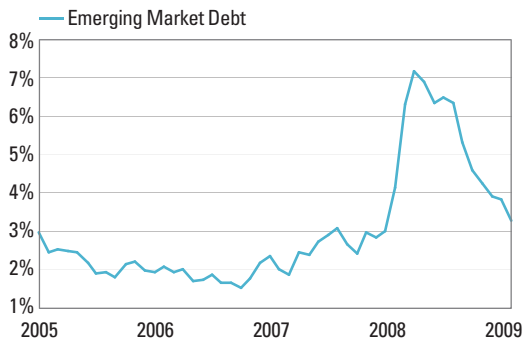
Since default rates and High-Yield Bond spreads are highly correlated, the average High-Yield Bond spread to Treasuries, 8.0% as of October 9, is attractive. Not only is it high relative to the expected decline in defaults but also is high compared to the historical average of 5.5% [Chart 1]. A decline 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.

Furthermore, the average yield of High-Yield Bonds of 10.3% (as of October 9) is slightly below the 20-year average of 11.2% [Chart 2]. In a fixed income world where many bonds offer historically low yields, High-Yield Bonds stand out. Like Investment-Grade Corporate Bonds, High-Yield Bond issuers have posted better than expected earnings and benefited from economic improvement. We expect this trend to continue to provide a favorable fundamental backdrop for high yield investors.

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. Core high yield funds provide yields between 6.5% and 9.5% currently, but of course entail the greater credit risk of non-investment grade bonds.

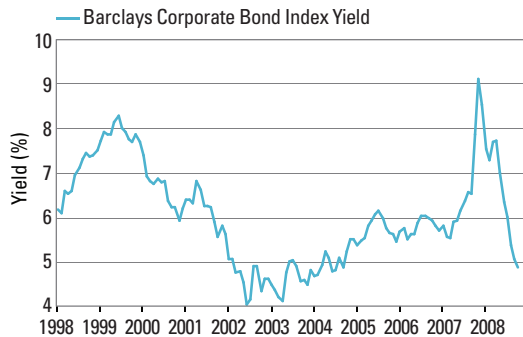


### 3 EMD Yield Spreads Remain Wide Relative to Recent History Which Better Reflects Credit Quality Improvements



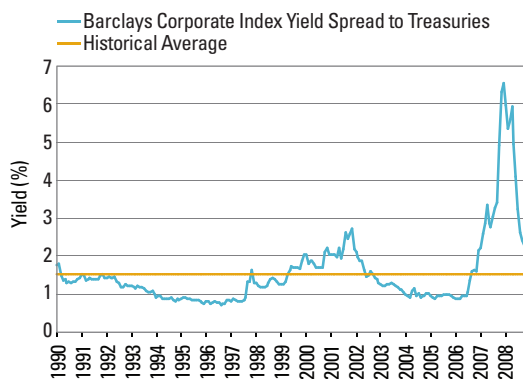
Source: Barclays, Bloomberg, LPL Financial  
International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

### 4 Corporate Bond Yields Have Declined but Remain a Good Income Option



Source: Barclays, Bloomberg, LPL Financial

### 5 Although Overall Yields are Lower, Corporate Bond Yield Spreads Remain Wide



Source: Barclays, Bloomberg, LPL Financial

Higher tax-bracket investors may wish to consider tax-free high-yield bonds. Again, we recommend investors use a mutual fund to gain exposure. Municipal High-Yield Bonds have rebounded strongly so far in 2009, but have 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 AMT. Please contact fund companies directly for the percentage of income subject to AMT.

## Emerging Market Debt

Our new entrant enjoyed a strong third quarter performance similar to high yield bonds. 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.

Even with the improvement, yield spreads to Treasuries remain attractive and we believe have room for further improvement. The average EMD yield spread to comparable Treasuries was 3.3% as of October 9 according to Barclay's data. Unlike, high yield or investment grade corporate bonds, EMD spreads are below their longer-term (10-year) average of 4.8%. The narrower yield spread reflects credit quality improvements that have seen the EMD market migrate up to an average BBB-rating up from a BB-rating. On that score, yield spreads remain wide relative to recent history [Chart 3], a period that better reflects the current credit quality composition of emerging market debt. Moreover, the added 1.1% yield advantage of EMD to investment grade corporate bonds, which hold an average A-rating, is considerable.

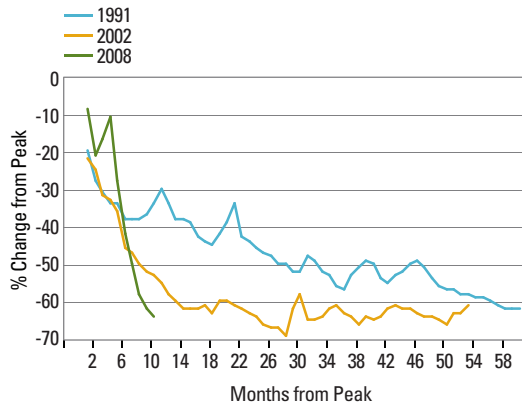
In addition, the current yield of the Barclays Global Emerging Markets Bond Index, 7.1% as of October 9, is attractive for income generation particularly given still improving fundamentals. Going forward EMD issuers will benefit from faster economic growth than their developed nation counterparts. EMD 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.

## Investment-Grade Corporate Bonds

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 [Chart 4]. This is especially true considering historically low Treasury and Mortgage-Backed Securities (MBS) yields. As of October 9, the average investment grade corporate bond yield spread to Treasuries was 2.2%, still above the 1.5% historical average and considerable advantage to Treasuries [Chart 5]. The above average yield spread will help provide a buffer when interest rates rise.



## 6 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.

The preferred market, as measured by the Merrill Lynch Hybrid Preferred Securities Index, had an average yield of 6.6% with an average S&P rating of BBB+.

In 2009, Corporate Bonds benefitted from steady improvement in economic data, better than expected earnings, and attractive valuations. In addition, the new issue market has come back to life to aid liquidity and new issuance is on a record pace. We believe Corporate Bonds have room for further improvement. Historically, once corporations embark on a path of improving 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 6]. 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 both yields and valuations remain attractive. As of October 9, 2009, the preferred market, as measured by the Merrill Lynch Hybrid Preferred Securities Index, had an average yield of 6.6% with an average S&P rating of BBB+.

Over the third quarter, 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 is the risk of the issuer's right to delay payments. While dividend/interest deferral remains a risk, it is now more company specific rather than a broad market risk. The better than expected second quarter earnings results, translated in higher capital ratios for the vast majority of banks. Higher capital ratios indicated a reduced risk of regulators forcing financial companies to convert preferred stock into common to boost capital adequacy ratios. Third quarter earnings season will provide additional clarity on the health of financial institutions.

## 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 Interbank 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 third quarter as Libor rates steadily declined. However, since the average Bank Loan trades at only 85 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 third quarter earnings seasons 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 of an improving economic environment and subsequent higher interest rates, we find bank loans both as an attractive investment opportunity and good source for income.

## 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 tweak 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
MWP Income Focused	14.99	21.28	-5.29	-13.72
AG Benchmark	15.46	20.18	-5.85	
<b>+ / - Benchmark</b>	<b>-0.47</b>	<b>1.10</b>	<b>0.56</b>	
MWP Income Focused	14.51	20.61	-4.10	-12.58
G Benchmark	13.53	17.99	-3.03	
<b>+ / - Benchmark</b>	<b>0.98</b>	<b>2.62</b>	<b>-1.07</b>	
MWP Income Focused	13.34	22.36	0.18	-9.06
G&I Benchmark	10.98	14.99	0.56	
<b>+ / - Benchmark</b>	<b>2.36</b>	<b>7.38</b>	<b>-0.37</b>	
MWP Income Focused	12.09	23.09	5.70	-4.97
IMG Benchmark	8.40	11.77	3.74	
<b>+ / - Benchmark</b>	<b>3.70</b>	<b>11.33</b>	<b>1.95</b>	
MWP Income Focused	10.62	22.83	8.63	-2.06
ICP Benchmark	5.81	8.41	6.59	
<b>+ / - Benchmark</b>	<b>4.81</b>	<b>14.42</b>	<b>2.04</b>	

Source: FactSet As of 09/30/09



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	-9.45	4.08		1.86	4/10/00	1.04		www.columbiainvestments.com
Hartford Capital Appreciation II I	HCTIX	2.46			-0.26	8/31/06	1.08		
Parnassus Equity Income - Inv	PRBLX	-4.95	5.21	6.99	9.55	9/1/92	0.99	1.47	www.parnassus.com
Eaton Vance Tax-Managed Dividend Inc I	EIDIX	-4.67	2.09		-12.63	8/27/07	0.90	3.66	www.eatonvance.com
Allianz NFJ Dividend Value Instl	NFJEX	-19.57	1.16		5.79	5/8/00	0.67		www.allianzinvestors.com
Eagle Mid Cap Stock I	HMCJX	-5.07	3.71	8.37	-1.39	6/6/06	0.81		www.eagleasset.com
Alpine Dynamic Dividend	ADVDX	-12.85	-1.98		2.98	9/22/03	1.18		www.alpinefunds.com
Westport Select Cap I	WPSCX	-0.10	4.57	7.43	8.67	2/17/98	1.15		www.westportfunds.com
Royce Dividend Value Invmt	RDVIX	-1.10	5.38		-5.25	9/14/07	2.84		www.roycefunds.com
Allianz NFJ International Value Instl	ANJIX	-1.46	11.14		17.60	1/31/03	1.05		www.allianzinvestors.com
Oppenheimer Developing Markets Y	ODVYX	19.97	20.15	18.20	14.53	9/7/05	0.95		www.oppenheimerfunds.com
T. Rowe Price Emerging Markets Bond	PREMX	17.49	9.95	13.12	12.57	12/30/94	0.98	7.10	www.troweprice.com
Loomis Sayles Bond Instl	LSBDX	19.84	6.49	8.79	10.16	5/16/91	0.64	6.00	www.loomissayles.com
Principal Preferred Securities Inst	PPSIX	38.67	2.15		3.77	5/1/02	0.74	7.38	www.principal.com
RidgeWorth Seix Floating RT High Inc I	SAMBX	5.12			2.53	3/2/06	0.49		www.ridgeworthfunds.com
Artio Global High Income I	JHYIX	19.50	7.64		10.25	1/30/03	0.77	7.44	www.artiofunds.com
American Funds Capital Inc Bldr F-2	CAIFX	0.09	5.00	7.04	-7.94	8/1/08	0.10	4.12	www.americanfunds.com

Source: FactSet As of 09/30/09  
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
<b>Intermediate/Long High Yield Bond</b>								
Artio Global High Income I	JHYIX	19.50	7.64		10.25	1/30/03	0.77	7.44
MainStay High Yield Corporate Bond I	MHYIX	12.93	5.53	6.14	5.88	1/2/04	0.87	8.06
Pioneer Global High Yield Y	GHYIX	9.08	5.23		3.42	12/27/05	0.74	9.35
PIMCO High Yield Instl	PHIIX	17.96	5.09	5.80	7.74	12/16/92	0.53	9.13
Delaware High-Yield Opportunities A	DHOAX	15.99	5.39	6.05	6.27	12/30/96	1.37	8.27
Pax World High Yield	PAXHX	9.96	5.71		5.18	10/8/99	1.19	7.83
Barclays Capital US High Yield Bond		22.34	6.13	6.25				

Source: MorningStar Direct As of 09/30/09

### 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
<b>Taxable High Yield Bonds</b>												
iShares iBoxx \$ High Yield Corporate Bd	HYG	13.45			1.19	4/4/07	0.50	9.35	18.15			1.28
SPDR Barclays Capital High Yield Bond	JNK	15.70			-0.26	11/28/07	0.40		14.07			-0.01
Barclays Capital US High Yield Bond		22.34	6.13	6.25								

Source: MorningStar Direct As of 09/30/09

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); GHYIX: [www.pioneerinvestments.com](http://www.pioneerinvestments.com); PHIIX: [www.pimcofunds.com](http://www.pimcofunds.com); DHOAX: [www.delawarefunds.com](http://www.delawarefunds.com); PAXHX: [www.paxfund.com](http://www.paxfund.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.



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
<b>Tax Free High Yield</b>								
Nuveen High Yield Municipal Bond I	NHMRX	-1.50	-0.29	4.24	3.72	6/7/99	0.77	7.08
Franklin High Yield Tax-Free Inc Adv	FHYVX	15.15	4.52	4.90	3.82	1/3/06	0.53	5.03
Vanguard High-Yield Tax-Exempt	VWAHX	14.17	4.31	5.33	7.00	12/27/78	0.15	4.03
Oppenheimer Rochester National Muni A	ORNAX	2.34	-1.85	2.86	3.56	10/1/93	2.97	8.93
<b>Barclays High Yield Municipal</b>		<b>4.55</b>	<b>3.48</b>					

Source: MorningStar Direct As of 09/30/09

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
<b>High Yield Tax Free Bonds</b>												
Market Vectors High-Yield Muni ETF	HYD				26.29	2/4/09	0.71					26.21
<b>Barclays High Yield Municipal</b>		<b>4.55</b>	<b>3.48</b>									

Source: MorningStar Direct As of 09/30/09

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
<b>Emerging Market Bonds</b>								
T. Rowe Price Emerging Markets Bond	PREMX	17.49	9.95	13.12	12.57	12/30/94	0.98	7.10
MFS Emerging Markets Debt A	MEDAX	20.73	9.90	15.17	12.43	3/17/98	1.40	6.05
<b>JPM EMBI Global</b>		<b>18.67</b>	<b>8.81</b>	<b>11.53</b>				

Source: MorningStar Direct As of 09/30/09

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
<b>Emerging Market Bonds</b>												
PowerShares Emerging Mkts Sovereign Debt	PCY	22.15			7.30	10/11/07	0.50		25.90			8.88
iShares JPMorgan USD Emerg Markets Bond	EMB	18.49			6.34	12/17/07	0.60	5.74	19.46			7.05
<b>JPM EMBI Global</b>		<b>18.67</b>	<b>8.81</b>	<b>11.53</b>								

Source: MorningStar Direct As of 09/30/09

For the most recent month end performance please visit the respective fund's website: NHMRX, NPSRX: www.nuveen.com; ORNAX: www.oppenheimerfunds.com, FHYVX: www.franklin-templeton.com, VWAHX: www.vanguard.com, PREMX: www.troweprice.com, MEDAX: www.mfs.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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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	18.95	7.07	8.76	8.49	12/31/96	0.53	4.56
Dodge & Cox Income	DODIX	17.88	5.28	6.63	7.75	1/3/89	0.43	7.45
Federated Total Return Bond Instl	FTRBX	11.63	5.42	6.41	6.61	10/1/96	0.53	4.19
Metropolitan West Total Return Bond I	MWTIX	15.30	6.30	6.74	6.81	3/31/00	0.44	6.43
Columbia Intermediate Bond Z	SRBFX	16.01	4.55	6.12	8.03	12/5/78	0.64	4.99
Loomis Sayles Bond Instl	LSBDX	19.84	6.49	8.79	10.16	5/16/91	0.64	6.00
<b>Barclays Capital Aggregate</b>		<b>10.56</b>	<b>5.13</b>	<b>6.30</b>				
<b>Long High Quality Bond</b>								
Vanguard Long-Term Investment-Grade	VWESX	23.44	5.54	7.34	8.63	7/9/73	0.23	5.59
<b>Barclays Capital Govt Credit Long</b>		<b>18.36</b>	<b>5.99</b>	<b>7.81</b>				
<b>Eclectic Fixed Income</b>								
Delaware Diversified Income A	DPDFX	20.48	6.97	8.61	8.26	12/29/97	1.02	5.21
Franklin Strategic Income Adv	FKSAX	15.23	6.02	7.28	7.26	8/12/99	0.64	5.49
<b>Barclays Capital Aggregate</b>		<b>10.56</b>	<b>5.13</b>	<b>6.30</b>				

Source: MorningStar Direct As of 09/30/09

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
<b>Intermediate/Long High Quality Bond</b>												
iShares Barclays Intermediate Credit Bd	CIU	16.35			5.62	1/5/07	0.20	3.80	17.72			6.19
iShares iBoxx \$ Invest Grade Corp Bond	LQD	21.70	4.24		5.59	7/22/02	0.15	4.87	26.02	4.42		5.75
SPDR Barclays Capital Interm Credit Bond	ITR				8.71	2/10/09	0.15					7.76
Vanguard Intermediate-Term Bond ETF	BIV	14.22			7.23	4/3/07	0.10	4.02	15.16			7.48
<b>Barclays Capital Aggregate</b>		<b>10.56</b>	<b>5.13</b>	<b>6.30</b>								
<b>Long High Quality Bond</b>												
SPDR Barclays Capital Long Credit Bond	LWC				24.71	3/10/09	0.15					24.60
Vanguard Long-Term Bond ETF	BLV	18.59			7.79	4/3/07	0.10	5.05	18.28			7.98
<b>Barclays Capital Govt Credit Long</b>		<b>18.36</b>	<b>5.99</b>	<b>7.81</b>								

Source: MorningStar Direct As of 09/30/09

For the most recent month end performance please visit the respective fund's website: LSIIX, LSBDX: [www.loomissayles.com](http://www.loomissayles.com); DODIX: [www.dodgeandcox.com](http://www.dodgeandcox.com); FTRBX: [www.federatedinvestors.com](http://www.federatedinvestors.com); MWTIX: [www.mwamllc.com](http://www.mwamllc.com); SRBFX: [www.columbiafunds.com](http://www.columbiafunds.com); VWESX: [www.vanguard.com](http://www.vanguard.com); DPDFX, DHOAX: [www.delawarefunds.com](http://www.delawarefunds.com); FKSAX, FHYVX: [www.franklin-templeton.com](http://www.franklin-templeton.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
<b>Preferred Securities</b>								
Principal Preferred Securities Inst	PPSIX	38.67	2.15		3.77	5/1/02	0.74	7.38
Nuveen Preferred Securities I	NPSRX	33.75			-2.87	12/18/06	1.26	7.83
<b>Merrill Lynch Preferred Stock Hybrid</b>		<b>30.20</b>	<b>-0.53</b>	<b>3.60</b>				

Source: MorningStar Direct As of 09/30/09

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
<b>Preferred Securities</b>												
iShares S&P U.S. Preferred Stock Index^	PFF	45.70			-4.59	3/26/07	0.48	7.11	42.52			-4.44
PowerShares Financial Preferred^	PGF	38.67			-7.53	12/1/06	0.69		30.69			-7.55
PowerShares Preferred	PGX	28.34			-14.32	1/31/08	0.50		22.83			-14.27
<b>Merrill Lynch Preferred Stock Hybrid</b>		<b>30.20</b>	<b>-0.53</b>	<b>3.60</b>								

Source: MorningStar Direct As of 09/30/09

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
<b>Bank Loan</b>								
RidgeWorth Seix Floating RT High Inc I	SAMBX	5.12					2.53	3/2/06
<b>Barclays Capital US High Yield Loans</b>		<b>13.01</b>						

Source: MorningStar Direct As of 09/30/09

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](http://www.principalfunds.com); NPSRX: [www.nuveen.com](http://www.nuveen.com); SAMBX: [www.ridgeworthfunds.com](http://www.ridgeworthfunds.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.



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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.

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