Search for Income

First Quarter 2013

Mixed Bag

The first quarter of 2013 presented a mixed bag for income-seeking investors but did little to ease the difficult task of income-generation in today's low-yield environment. High-quality bond prices declined over the first quarter, but weakness was modest and yields increased only slightly, limiting opportunity for income-seeking investors. Lower-rated bonds, such as high-yield bonds, bank loans, and preferred securities, witnessed price gains over the first quarter. Higher prices boosted total returns, but the lower yields on these higher yielding segments more than offset the modest increase in high-quality bond yields, making the job of income-seeking investors more difficult.

Price weakness in bonds did provide opportunities for income-seeking investors in municipal bonds and emerging market debt (EMD). While mid- to low-quality municipal bond prices finished the first quarter unchanged to higher, a traditionally difficult month of March lived up to its billing in the municipal bond market and led to price declines among higher-quality bonds. Not all municipal bond yields increased over the quarter, but intermediate- to long-term, top-rated municipal bond yields finished the first quarter higher by 0.2%-0.3%, according to Bloomberg data. Average AAA-rated municipal bond yields remain low in a longer-term historical context but finished the quarter higher than comparable maturity Treasury yields. Municipal-to-Treasury yield ratios, a measure of valuation, closed the quarter at their most attractive valuation of the past six months, providing investors with an opportunity.

EMD prices declined over the first quarter in one of their worst quarterly performances since the end of the financial crisis, according to the JP Morgan Global Emerging Markets Bond Index. Slower-than-expected economic growth among emerging market (EM) countries and a pause among central bank rate cuts-which were a tailwind in 2012- led to lower bond prices. We believe weakness was overdone, as many of the fundamental underpinnings of EMD remain intact. More attractive EMD valuations coupled with continued strength among high-yield bonds and bank loans provide an opportunity for income-seeking investors. Despite a strong start to the second quarter of 2013, we believe there is room for further improvement in EMD.

On a positive note, the price gains of high-yield bonds, bank loans, and preferred stocks resulted in attractive total returns for each sector, even if accompanied by lower yields. Absent a return to recession that would

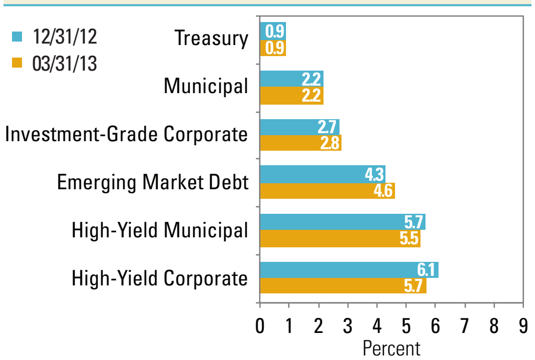
Overview

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

- Favorite sector/asset class ideas
- Implementation

All returns listed herein are as of March 31, 2013, unless otherwise noted.

1 Yield Changes Were Mixed During the First Quarter but Lower for Key Income-Producing Sectors



Source: Barclays Index data, LPL Financial 03/31/13

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

All Barclays indexes mentioned herein are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

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

LPL Financial

undermine the strong fundamentals underlying each sector, we believe these sectors will continue to offer investors the best total returns, even if at a slower pace than what investors enjoyed during the first quarter of 2013.

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 best ideas for income generation are:

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

High-yield bonds (taxable) remain one of our favorite ideas within fixed income, but the average yield dropped to a record low of 5.5% on April 11, 2013, according to the Barclays US High-Yield Corporate Index. While the yield hovers near a record low, it is important to keep it in context in a low-yield bond world, since many other segments of the bond offer near historically low yields as well. Most importantly, valuations remain attractive, in our view, with an average yield advantage, or spread, over comparable Treasuries of 4.8% as of April 11, 2013. Although below the long-term average of 5.8%, that yield spread remains attractive in a low-yield world. Since the average yield spread exceeds the current default rate by 2%, we believe current yield spreads provide adequate compensation for investors given the expected level of defaults for 2013.

Emerging market debt. EMD price declines during the first quarter of 2013 stood in contrast to strength in high-yield bonds and bank loans and led to cheaper relative valuations. The average yield advantage of EMD increased from a low of 2.3% to as much as 3.0% above comparable Treasuries before a contraction at the start of the second quarter. As of April 12, 2013, the average yield spread declined to 2.7%, an attractive level given the strength in other higher-yielding segments of the bond market. The improvement in relative valuations and the fact that EM countries continue to experience robust economic growth, even if slower than expected, have provided an opportunity for income-seeking investors.

Investment-grade corporate bond prices declined, on average, during the first quarter due to a general rise in market interest rates. However, price declines were limited to longer-term bonds as short- and intermediate-term corporate bond yields finished the quarter roughly unchanged. Valuations remained stable, with the average yield advantage to comparable Treasury bonds finishing the quarter unchanged at 1.4%. Investment-grade corporate bonds 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 makes them more sensitive to future increases in interest rates, as illustrated during the first quarter of 2013.

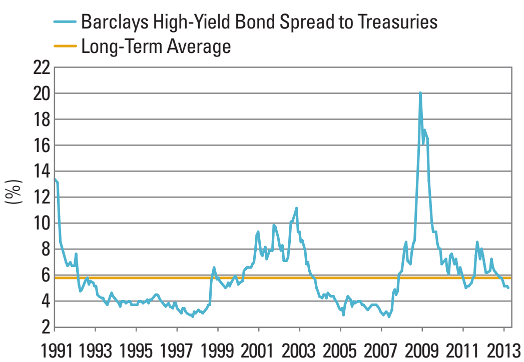
Preferred stocks continued to improve in 2013, continuing a trend from 2012. Banks continuing to bolster minimum capital buffers and strong demand for higher-yielding fixed income sectors boosted preferred stocks. Lower yields and regulatory changes led to a continuation of preferred issuers redeeming their higher interest-paying issues at a steady pace. The furious pace of redemptions caused the preferred market to continue to shrink overall in 2013, according to Bank of America Merrill Lynch Index data. In response, yields declined but remain a viable income option at an average yield of 4.9% (as of March 31, 2013).

Bank loans have been an attractive option for income-seeking investors. Given the increase in high-yield valuations in 2012 and so far in 2013, the yield advantage of high-yield bonds to bank loans has shrunk. Investors may consider bank loans as a high-yield bond alternative, as they have historically exhibited much less volatility than high-yield bonds while foregoing less yield. We still find high-yield bonds attractive, but bank loans are becoming an increasingly attractive alternative, given lower yields and higher valuations across the bond market.

Build America Bonds are among the most interest rate sensitive of our income-producing ideas, but managed to finish the first quarter roughly unchanged despite higher long-term interest rates. A scarcity premium due to the lack of new issuance and high credit quality continue to support BAB prices. We believe BABs can still be used for income generation with high overall credit ratings and an average yield of roughly 4.2%, according to Wells Fargo Index data as of April 12, 2013.

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

2 High-Yield Bond Valuations Have Become More Expensive



Source: Barclays, Bloomberg, LPL Financial 03/31/13

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

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

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

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

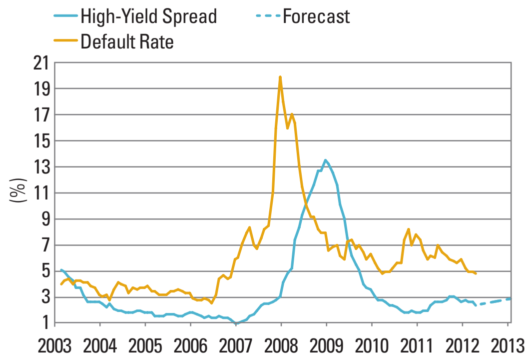
Favorite Sector/Asset Class Ideas

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

High-yield is an obvious asset class for income-seeking investors to consider. High-yield bond prices increased during the first quarter of 2013, with yields dropping to a new record low. We expect additional price improvement will be limited if any, but the sector is still one of the more attractive income vehicles for investors.

The average yield advantage, or spread, of high-yield bonds to Treasuries narrowed to 5.0% over the first quarter of 2013 and contracted to 4.8% as of April 12, 2013. This spread is below the long-term average of 5.8%, but we still find the sector attractive because such a yield level still compensates for the expected level of defaults. High-yield bonds remain viable given the low level of Treasury yields and other competing fixed income investments [Figure 2].

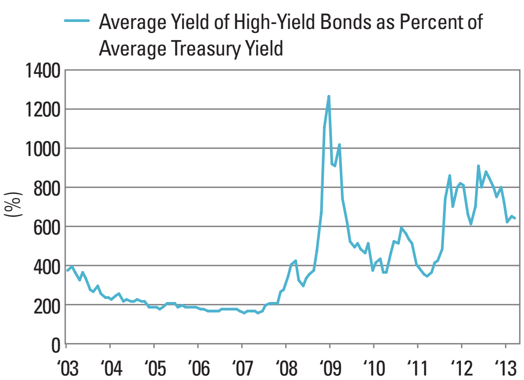
3 The Average Yield Advantage of High-Yield Bonds Compensates for Expected Defaults



Source: Barclays, Moody's, LPL Financial 03/31/13

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

4 Yields on High-Yield Bonds Dropped to New Lows, but Stand Out in a Low-Yield World



Source: Barclays, Bloomberg, LPL Financial 03/31/13

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

Default rate is the interest rate charged to a borrower when payments on a revolving line of credit are overdue. This higher rate is applied to outstanding balances in arrears in addition to the regular interest charges for the debt.

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.

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.

In our view, the current yield spread compensates for the modest increase in defaults we expect over the coming months. The global high-yield default rate decreased during the first quarter of 2013 to 2.4%, down from 2.8% in December 2012. Moody's Investor Service has forecast a slight increase to 2.8% by the end of 2013. We believe the current yield spread on high-yield bonds compensates for expected defaults [Figure 3].

We find Moody's default forecast reasonable, given the tremendous amount of debt that high-yield companies have refinanced. High-yield issuers have taken advantage of low interest rates, and very few high-yield bonds mature between now and the end of 2013. Although new issuance remains robust, the refinancing trend has continued with over 50% of new high-yield issuance used for refinancing purposes, which we view as healthy and a positive for credit quality.

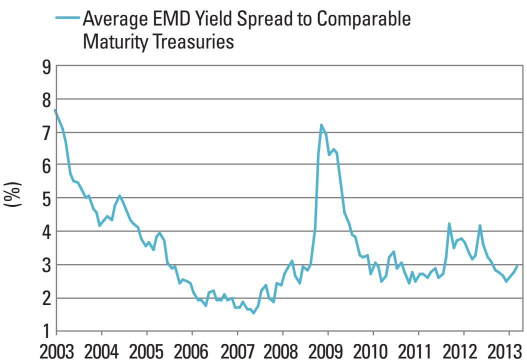
The average yield of high-yield bonds set a new record low of 5.5% in April 2013. The near-record low yield must be put in the context of a low-yield world and still is a notable advantage to Treasuries [Figure 4].

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 bond funds provide yields between 4.5% and 7.5% (according to Morningstar data), but of course entail greater credit risk relative to investment-grade bonds.

Investors, regardless of tax bracket, may wish to consider municipal (tax-free) high-yield bonds. The local-only exposure of municipal high-yield bonds insulated them from market concerns over Europe and helped support prices. While municipal finances remain under stress, issuers continue to make positive incremental progress. According to Municipal Securities Rulemaking Board (MSRB) and Municipal Market Advisors data, the number of defaulted municipal issuers over the first quarter of 2013 was similar to that of the first three months of 2012 and near the lowest pace of the past four years. However, the dollar volume of defaults has increased due to two, large troubled issuers finally failing to make payments. In general, municipal defaults that have occurred remain concentrated in the most speculative sectors, with the vast majority coming from issuers that did not have any rating at all. We continue to find the asset class attractive with an average yield of 5.4%, according to the Barclays High-Yield Municipal Index (as of 4/12/13).

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

5 EMD Yield Spreads Increased Over the First Quarter Leading to More Attractive Valuations

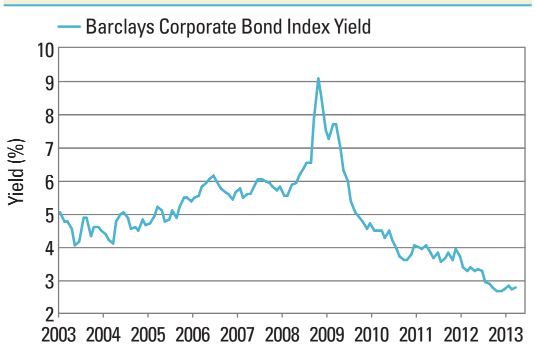


Source: JP Morgan, Bloomberg, LPL Financial 03/31/13

The JP Morgan Global Emerging Market Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

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

6 Average Corporate Bond Yields Remain Near an Historic Low Despite a Modest Rise in Q1



Source: Barclays, Bloomberg, LPL Financial 03/31/13

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

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.

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.

Emerging Market Debt: Benefited From Emerging Markets Growth

EMD prices declined during the first quarter of 2013 and the sector posted one of its worst quarterly performances since the end of the financial crisis. Slower-than-expected economic growth among emerging market (EM) countries and a pause among central rate cuts, which were a tailwind in 2012, led to lower prices. Worries over Chinese economic growth, viewed as the engine of emerging Asia economic growth, also contributed to weakness.

EMD weakness occurred while other higher-yielding segments of the bond market, such as high-yield bonds, bank loans, and preferred stocks, witnessed price gains and lower yields. The increase in average EMD yields contrasted with lower yields among these sectors and creates a potential opportunity.

We believe the fundamentals underpinning EMD remain intact. Emerging market economies will continue to grow notably faster than their developed country counterparts and therefore will help support credit quality.

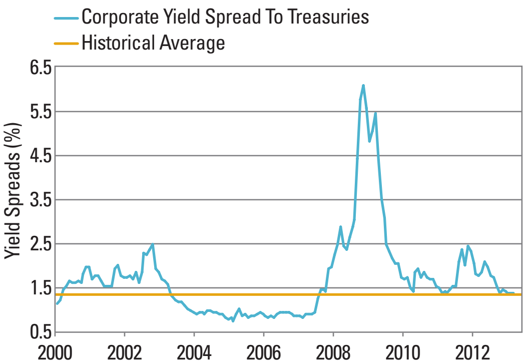
EMD valuations, as measured by yield spreads, widened by as much as 0.7% over the first quarter of 2013 before narrowing at the start of the second quarter. Despite recent tightening in yield spreads, we continue to find them attractive at an average yield spread of 2.7% as of April 12, 2013 [Figure 5].

The current yield of the JP Morgan Global Emerging Markets Bond Index of 4.6% as of April 12, 2013, stands out in a low-yield world and is attractive for income generation, particularly given still-strong economic growth in emerging market economies. For investors seeking a higher-quality alternative to high-yield bonds, EMD may be the right option. Soveriegn EMD issuers may continue to benefit from faster economic growth than their developed nation counterparts. EMD issuers also possess better credit characteristics: debt-to-GDP (gross domestic product) ratios are lower than developed nations, and most EMD issuers possess large excess reserves.

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

Investment-grade corporate bond yields finished the first quarter of 2013 mixed. Long-intermediate to long-term bond yields increased slightly over the quarter, while short and intermediate-term yields were largely unchanged. Still the average investment-grade bond yield remains near record-low territory [Figure 6]. For some investors, such yield levels may not be exciting, but yields vary depending on the specific investment used. We believe investment-grade corporate bonds can still be used as an income-producing option in fixed income markets, considering historically low Treasury and MBS yields. As of April 12, 2013, the average investment-grade corporate bond yield spread to Treasuries was 1.4%, roughly in line with the historical average and a considerable advantage over Treasuries [Figure 7].

7 Corporate Bond Yield Spreads Remain Just Above the Historical Average



Source: Barclays, Bloomberg, LPL Financial 03/31/13

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

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

Corporate credit quality metrics stopped improving mid-way through 2012, but remain stable and provide a firm underpinning. A slow-growth environment for the U.S. economy, which we expect to continue for the foreseeable future, still allows for corporate credit quality to be maintained and not necessarily turn into a threat for bondholders.

Preferred Stocks: Shrinking Market With Attractive Yields

Although called "stocks," preferred stocks possess bond-like characteristics, and income-seeking investors may want to consider the asset class. Preferred stocks, which are primarily issued by financial companies, generally witnessed rising prices over the first quarter of 2013. The marketplace has realized that domestic banks have done an excellent job of building minimal capital levels to be held against future losses.

Strong demand and a shrinking preferred stock market continued to support prices to start 2013. Preferred issuers continue to redeem their higher interest-paying issues both in response to low interest rates and forthcoming regulatory changes. At the same time, new issuance remained muted. The furious pace of redemptions led to additional shrinking of the preferred market during the first quarter of 2013, according to Bank of America Merrill Lynch Index data. In response, yields declined, but with an average yield of 4.9% (as of April 12, 2013) preferred stocks can still be used as an income vehicle.

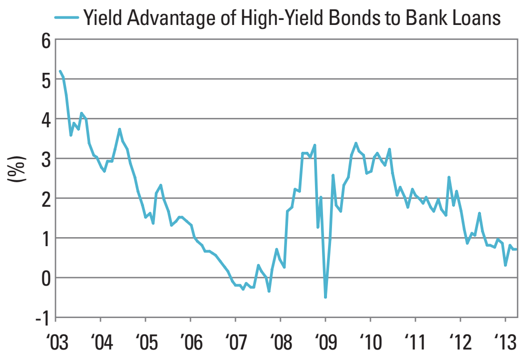
Despite the decline in yields, preferred stocks still yield 1.4% more than comparable Treasuries, according to Merrill Lynch Index data. Again due to the varied nature of the preferred market, the yield advantage to comparable Treasuries may vary depending on the specific investment product.

Financial regulatory reform will continue to impact preferred stocks. Bank capital rules put in place in 2010 continue to push issuers to retire certain types of preferred securities. Redemptions helped create a favorable supply-demand balance for investors, as demand remained high during 2012, while the market gradually shrank. Redemptions are likely to continue in coming months, which means further price gains, if any, are limited. Therefore, the now-lower level of yield will be a primary driver of return. Nonetheless, we believe the above-average income coupled with gradually improving bank credit quality still make preferred securities a good income vehicle.

Over the longer term, however, investors should realize that interest rate increases remain a risk, even though preferred stocks exhibited good resiliency over bouts of rising interest rates over the past three years. Since preferred stocks are perpetual, meaning they have extremely long 30- to 50-year maturities, they possess interest rate sensitivity. The yield advantage to Treasuries will help offset higher interest rate risk, but investors need to be aware of this risk.

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

8 The Yield Disparity Between Bank Loans and High-Yield Bonds Has Narrowed Sharply



Source: S&P Leveraged Loan Index, Barclays High-Yield Index, LPL Financial 03/31/13

All indices mentioned above are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

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

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.

Floating Rate Bank Loans: More Conservative Approach to High-Yield

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

Bank loans have re-emerged as an income alternative since yield differentials between bank loans and other income-generating sectors, such as high-yield bonds and emerging market debt, narrowed considerably in 2012 and remained narrow during the first quarter of 2013 [Figure 8]. During credit market downturns, bank loans have historically been less volatile than either high-yield bonds or emerging market debt. Given the higher valuations of both high-yield bonds and emerging market bonds, bank loans make an attractive alternative when considering lower-rated bonds that still generate above-average interest income.

Like high-yield bonds, credit quality metrics for bank loans are good, and defaults remain well below the historical average. Moody's forecasts a low default rate to persist through much of 2013, a forecast we agree with given our outlook for sluggish but positive growth that has traditionally been good for corporate debt obligations like bank loans.

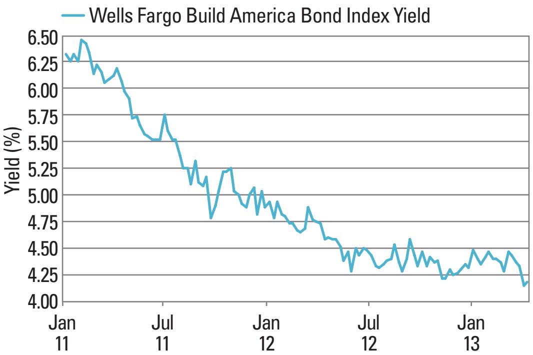
Build America Bonds: Insulated From Significant Credit Quality Deterioration

The Build America Bond (BAB) program expired at the end of 2010, but BAB prices have benefited from broad high-quality bond strength since then. Their high-quality and a scarcity premium also helped support bond prices.

Born from the $787 billion American Recovery and Reinvestment Act (ARRA)—signed into law in 2009, Build America Bonds 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 87% of BABs maturing beyond ten years, according to Bloomberg data. The longer-term maturities of BABs make them among the more sensitive to interest rate changes within the bond market. Price declines associated with rising interest rates may offset the benefit of higher interest income.

9 Build America Bonds Yields Bucked the Trend of Rising Long-Term Yields During the First Quarter



Source: Wells Fargo, Bloomberg, LPL Financial 04/12/13

The Wells Fargo Build America Bond Index is an unmanaged index 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.

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 $188 billion, according to *The Bond Buyer*.

Our base path for 2013—as detailed in our *Outlook 2013* publication—is that interest rates remain relatively range-bound and may not increase immediately. We expect lower returns as further price gains are limited in addition to the now-lower level of yields. We believe the decline in high-quality bond yields has run its course, which makes higher interest rates a potential risk.

Despite weakness among long-term bonds across the high-quality bond market, BABs bucked the trend and prices finished the first quarter of 2013 roughly unchanged. The average yield of BABs ended the first quarter of 2013 at 4.3% and declined slightly to 4.2% yield, according to Wells Fargo Index data [Figure 9] as of April 12, 2013. Even at this lower yield, BABs remain an option for income-seeking investors with an average yield advantage of 1.5% above comparable maturity Treasuries.

Federal spending cuts known as sequestration took effect on March 1, 2013, and pose two modest risks to BABs issuers. First, BABs issuers will see government subsidies, which are used to offset the higher interest cost of taxable debt, reduced by approximately 8% as a result of sequestration. The reduced revenue may adversely impact credit quality, as issuers are under slightly more stress to make payments. However, since the vast majority of BAB issuers are very large, with multiple revenue sources, we believe the reduced payments are manageable. However, smaller, less diversified issuers may be at risk of limited downgrades.

The second risk stems from redemption risk since BABs may be redeemed in response to certain extraordinary events such as a reduction in government subsidies. The majority of BABs contain language that would require redemptions at significant premiums, even greater than current premium prices. Therefore, redemption risk to most bond investors is limited. However, a small percentage may be redeemed at par, well below current market prices for many BABs issuers. Such redemptions may subject investors to losses, but whether bonds will be redeemed or not depends on many factors, including whether a redemption is worth the cost of replacing with new, tax-exempt debt.

BABs are among the highest-quality municipal bonds, and we expect them to be insulated from significant credit quality deterioration. We believe state revenues will continue to improve, but many local government budgets will remain tight in 2013 and likely beyond. Municipal defaults remain concentrated among the most speculative issues, a trend we expect to continue. Since most BABs are issued for qualifying infrastructure projects, the essential service nature provides an extra level of security, and we do not believe sequestration-related risks are too onerous. ■

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 Research 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, Annualized (Gross)

Model Portfolios	3-Months	YTD 2013	1-Year	3-Year	Since Inception 3/1/08
Aggressive Growth					
MWP Income Focused	8.44%	8.44%	8.66%	8.60%	2.32%
AG Benchmark	10.51%	10.51%	13.84%	12.36%	5.89%
+ / - Benchmark	-2.07%	-2.07%	-5.17%	-3.75%	-3.57%
Growth					
MWP Income Focused	7.05%	7.05%	9.57%	8.77%	2.74%
G Benchmark	8.80%	8.80%	12.25%	11.39%	6.03%
+ / - Benchmark	-1.75%	-1.75%	-2.67%	-2.62%	-3.29%
Growth With Income					
MWP Income Focused	5.79%	5.79%	9.96%	8.82%	3.90%
GwI Benchmark	6.53%	6.53%	10.11%	10.01%	6.06%
+ / - Benchmark	-0.74%	-0.74%	-0.15%	-1.19%	-2.16%
Income With Moderate Growth					
MWP Income Focused	4.35%	4.35%	9.49%	7.99%	4.69%
IMG Benchmark	4.29%	4.29%	7.87%	8.41%	5.83%
+ / - Benchmark	0.06%	0.06%	1.62%	-0.41%	-1.14%
Income With Capital Preservation					
MWP Income Focused	2.92%	2.92%	8.97%	8.14%	5.82%
ICP Benchmark	2.08%	2.08%	5.58%	6.65%	5.38%
+ / - Benchmark	0.84%	0.84%	3.39%	1.48%	0.44%

Source: LPL Financial 03/31/13

Benchmark Indices Weights (as of 03/31/13)

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%
Citigroup 3-month Tbill	5%	5%	5%	7%	10%

Source: FactSet 03/31/13

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 page 16 for index descriptions and investment objectives.

Income Focused Model Wealth Portfolio Performance, Annualized (Net)

Model Portfolios	3-Months	YTD 2013	1-Year	3-Year	Since Inception 3/1/08
Aggressive Growth					
MWP Income Focused	7.77%	7.77%	5.98%	5.93%	0.17%
AG Benchmark	10.51%	10.51%	13.85%	12.36%	5.89%
+ / - Benchmark	-2.74%	-2.74%	-7.87%	-6.43%	-5.73%
Growth					
MWP Income Focused	6.38%	6.38%	6.87%	6.11%	0.46%
G Benchmark	8.80%	8.80%	12.26%	11.40%	6.03%
+ / - Benchmark	-2.41%	-2.41%	-5.39%	-5.29%	-5.57%
Growth With Income					
MWP Income Focused	5.13%	5.13%	7.24%	6.16%	1.58%
GwI Benchmark	6.53%	6.53%	10.12%	10.01%	6.06%
+ / - Benchmark	-1.40%	-1.40%	-2.88%	-3.86%	-4.49%
Income With Moderate Growth					
MWP Income Focused	3.70%	3.70%	6.79%	5.26%	2.39%
IMG Benchmark	4.29%	4.29%	7.88%	8.41%	5.83%
+ / - Benchmark	-0.59%	-0.59%	-1.10%	-3.15%	-3.44%
Income With Capital Preservation					
MWP Income Focused	2.28%	2.28%	6.28%	5.38%	3.45%
ICP Benchmark	2.08%	2.08%	5.60%	6.66%	5.39%
+ / - Benchmark	0.20%	0.20%	0.68%	-1.28%	-1.93%

Source: LPL Financial 03/31/13

Benchmark Indices Weights (as of 03/31/13)

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%
Citigroup 3-month Tbill	5%	5%	5%	7%	10%

Source: FactSet 03/31/13

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 page 16 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
Allianz NFJ Dividend Value P	ADJPX	14.40	2.81	N/A	4.19	7/7/08	0.81	3.46	www.allianzinvestors.com
Delaware High-Yield Opportunities In	DHOIX	14.03	10.74	10.31	7.94	12/30/96	0.88	5.07	www.delawarefunds.com
Eaton Vance National Municipals	EIHMX	8.94	6.07	5.58	5.49	7/1/99	0.53	3.43	www.eatonvance.com
MainStay Epoch Global Equity Yield I	EPSYX	13.45	5.32	N/A	6.65	12/27/05	0.88	3.01	www.mainstayinvestments.com
Forward Credit Analysis Long/Short Inv	FLSRX	8.02	N/A	N/A	9.41	5/1/08	4.32	2.47	www.forwardinvesting.com
Pioneer Global High Yield Y	GHYYX	12.35	8.81	N/A	7.55	12/27/05	0.80	8.15	www.pioneerinvestments.com
Harbor Capital Appreciation Instl	HACAX	3.87	6.84	9.01	10.78	12/29/87	0.68	0.38	www.harborfunds.com
ING Global Real Estate W	IRGWX	17.39	3.14	N/A	3.57	2/12/08	1.05	2.16	www.ingfunds.com
Forward Global Infrastructure Instl	KGIYX	5.82	-0.45	N/A	-0.09	6/29/07	1.28	1.27	www.forwardinvesting.com
SteelPath MLP Select 40 I	MLPTX	16.39	N/A	N/A	13.14	3/30/10	0.97	5.93	www.steelpath.com
Nuveen High Yield Municipal Bond I	NHMRX	15.09	5.23	5.23	5.44	6/7/99	0.65	5.14	www.nuveen.com
JPMorgan Mortgage-Backed Securities Sel	OMBIX	3.98	7.06	5.79	6.78	8/18/00	0.74	2.81	www.jpmorganfunds.com
Oppenheimer Rising Dividends Y	OYRDX	10.94	5.06	9.60	6.74	12/16/96	0.83	1.20	www.oppenheimerfunds.com
Principal Preferred Securities P	PPSPX	13.50	9.88	N/A	9.45	9/27/10	0.85	5.13	www.principal.com
Royce Dividend Value Invmt	RDVIX	14.75	9.52	N/A	7.52	9/14/07	1.22	1.30	www.roycefunds.com
Wells Fargo Advantage S/T Hi Yld Bd Adm	WDHYX	5.17	5.32	N/A	5.41	7/30/10	0.89	2.66	www.wellsfargo.com/advantagefunds
Oppenheimer Senior Floating Rate	OOSYX	7.38	7.17	N/A	5.19	11/28/05	0.91	5.04	www.oppenheimerfunds.com

Source: Morningstar Direct, LPL Financial 03/31/13

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

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

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

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

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

Income Focused Model Wealth Portfolio Weights (as of 03/31/13)

Name	Ticker	LPL Financial Statement Asset Class	Aggressive Growth	Growth	Growth w/ Income	Income w/ Moderate Growth	Income w/ Capital Preservation
Allianz NFJ Dividend Value P	ADJPX	Large Value	18.0%	14.0%	13.0%	9.0%	0.0%
Delaware High-Yield Opportunities In	DHOIX	High-Yield Bond	0.0%	6.5%	8.0%	9.0%	10.5%
Eaton Vance National Municipals	EIHMX	Long-Term Municipal Bond	0.0%	0.0%	0.0%	4.0%	4.0%
MainStay Epoch Global Equity Yield I	EPSYX	Global Stock	10.0%	9.0%	8.0%	5.0%	0.0%
Forward Credit Analysis Long/Short Inv	FLSRX	Intermediate-/Long-Term Bond	0.0%	0.0%	5.0%	5.0%	5.0%
Pioneer Global High Yield Y	GHYYX	High-Yield Bond	0.0%	4.0%	0.0%	0.0%	5.0%
Harbor Capital Appreciation Instl	HACAX	Large Growth	21.5%	15.0%	11.5%	6.0%	4.0%
ING Global Real Estate W	IRGWX	REITs: Global/International	8.0%	6.0%	4.0%	4.0%	3.0%
Forward Global Infrastructure Instl	KGIYX	Sector (Infrastructure)	6.0%	5.0%	5.0%	4.0%	2.0%
SteelPath MLP Select 40 I	MLPTX	Sector (Energy)	6.0%	5.0%	4.0%	6.0%	5.0%
Nuveen High Yield Municipal Bond I	NHMRX	Tax-Free High-Yield Bond	0.0%	2.0%	3.0%	9.0%	12.0%
JPMorgan Mortgage-Backed Securities Sel	OMBIX	Mortgage-Backed Securities	0.0%	0.0%	9.0%	15.0%	20.0%
Oppenheimer Rising Dividends Y	OYRDX	Large Blend	15.0%	9.0%	8.0%	0.0%	0.0%
Principal Preferred Securities P	PPSPX	Preferred Securities	0.0%	4.0%	6.0%	8.0%	10.0%
Royce Dividend Value Invmt	RDVIX	Small Value	11.0%	10.5%	5.0%	4.0%	3.0%
Wells Fargo Advantage S/T Hi Yld Bd Adm	WDHYX	High-Yield Bond	0.0%	0.0%	0.0%	3.0%	6.0%
Oppenheimer Senior Floating Rate	OOSYX	Bank Loans	0.0%	5.0%	6.0%	5.0%	5.5%
Cash*	CASH	CASH	4.5%	5.0%	4.5%	4.0%	5.0%
TOTAL			100.0%	100.0%	100.0%	100.0%	100.0%

Source: LPL Financial 03/31/13

* 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

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Artio Global High Income I	JHYIX	12.70	10.11	10.03	10.31	1/30/03	0.74	7.18
MainStay High-Yield Corporate Bond I	MHYIX	11.62	9.35	N/A	7.87	1/2/04	0.75	4.57
Pioneer Global High-Yield Y	GHYYX	12.35	8.81	N/A	7.55	12/27/05	0.80	8.15
Hotchkis and Wiley High-Yield A	HWHAX	13.97	N/A	N/A	15.97	5/29/09	1.01	6.51
PIMCO High-Yield P	PHLPX	11.31	N/A	N/A	8.48	4/30/08	0.65	4.18
Delaware High-Yield Opportunities A	DHOAX	13.69	10.41	9.98	7.63	12/30/96	1.18	4.55
Pax World High-Yield Bond Individual Inv	PAXHX	10.34	7.94	7.75	6.20	10/8/99	0.98	5.26
BlackRock High-Yield Bond Instl	BHYIX	13.82	11.25	10.12	8.17	11/19/98	0.64	5.32
Wells Fargo Advantage S/T Hi Yld Bd Adm	WDHYX	5.17	N/A	N/A	5.41	7/30/10	0.89	2.66
Fidelity Advisor High Income Advantage A	FAHDX	14.06	9.77	10.65	9.68	1/5/87	1.03	4.19
Barclays Capital U.S. High-Yield Bond		**13.13**	**11.65**	**10.12**	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

Taxable High-Yield Bond Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
iShares iBoxx $ High-Yield Corporate Bd	HYG	11.79	N/A	N/A	13.05	4/4/07	0.35	4.66	10.68	N/A	N/A	12.21
SPDR Barclays High-Yield Bond	JNK	11.41	9.02	N/A	7.51	11/28/07	0.40	6.07	11.61	8.72	N/A	7.22
Barclays Capital U.S. High-Yield Bond		**13.13**	**11.65**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

All indices are unmanaged and cannot be invested into directly.

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

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 2.5%. Such fee, if taken into consideration, will reduce the performance quoted above. The volatility of the benchmark used to compare performance is materially different from that of the portfolio.

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.

Tax-Free High-Yield Bond Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Nuveen High-Yield Municipal Bond I	NHMRX	15.09	5.23	5.23	5.44	6/7/99	0.65	5.14
Franklin High-Yield Tax-Free Inc Adv	FHYVX	7.39	6.89	N/A	5.47	1/3/06	0.54	3.16
Oppenheimer Rochester National Muni A	ORNAX	13.46	3.81	5.10	4.50	10/1/93	1.07	5.41
Wells Fargo Advantage Interm T/AmtF Inv	SIMBX	5.31	5.63	4.93	5.42	7/31/01	0.85	1.34
Barclays High-Yield Municipal		**14.30**	**7.18**	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

Tax-Free High-Yield Bond Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Market Vectors High-Yield Muni ETF	HYD	11.79	N/A	N/A	2/4/09	0.35	4.66	10.68	N/A	N/A	N/A	12.21
Barclays High-Yield Municipal		**14.30**	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 03/31/13

Emerging Market Debt Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
T. Rowe Price Emerging Markets Bond	PREMX	10.38	9.13	11.15	12.11	12/30/94	0.94	4.19
MFS Emerging Markets Debt A	MEDAX	10.48	9.88	11.06	11.88	3/17/98	1.13	3.40
PIMCO Emerging Local Bond P	PELPX	6.81	8.26	N/A	8.25	5/30/08	1.00	2.84
JPM EMBI Global		**10.44**	**9.81**	**10.59**	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

Emerging Market Debt Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
PowerShares Emerging Mkts Sovereign Debt	PCY	11.40	9.66	N/A	9.05	10/11/07	0.50	4.25	12.11	9.08	N/A	8.88
iShares JPMorgan USD Emerg Markets Bond	EMB	9.32	8.76	N/A	8.47	12/17/07	0.60	3.83	9.52	8.67	N/A	8.32
JPM EMBI Global		**10.44**	**9.81**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

All indices are unmanaged and cannot be invested into directly.

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

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 2.5%. Such fee, if taken into consideration, will reduce the performance quoted above. The volatility of the benchmark used to compare performance is materially different from that of the portfolio.

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.

Investment-Grade Corporate Bond Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Intermediate/Long High Quality Bond								
Loomis Sayles Investment Grade Bond Y	LSIIX	8.45	8.36	8.66	8.64	12/31/96	0.59	2.85
Dodge & Cox Income	DODIX	5.40	6.99	5.55	7.54	1/3/89	0.43	2.94
PIMCO Total Return P	PTTPX	7.81	N/A	N/A	7.70	4/30/08	0.56	1.27
Federated Total Return Bond Instl	FTRBX	4.78	6.18	5.56	6.51	10/1/96	0.47	2.30
Metropolitan West Total Return Bond I	MWTIX	9.68	8.76	7.93	7.48	3/31/00	0.41	2.77
Western Asset Core Plus Bond I	WACPX	6.73	8.63	6.61	6.92	7/8/98	0.45	2.04
Barclays Capital U.S. Aggregate		**3.77**	**5.47**	**5.02**	N/A	N/A	N/A	N/A
Long High Quality Bond								
Vanguard Long-Term Investment-Grade Inv	VWESX	10.49	10.03	7.39	8.77	7/9/73	0.22	4.16
Barclays Capital U.S. Govt Credit Long		**8.94**	**9.55**	N/A	N/A	N/A	N/A	N/A
Eclectic Fixed Income								
Delaware Diversified Income A	DPDFX	5.85	7.61	7.47	7.99	12/29/97	0.95	2.26
Franklin Strategic Income Adv	FKSAX	9.15	7.94	8.27	7.69	8/12/99	0.66	3.33
Loomis Sayles Bond Instl	LSBDX	10.46	8.66	9.70	10.32	5/16/91	0.63	3.52
Barclays Capital U.S. Aggregate		**3.77**	**5.47**	**5.02**	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

Investment-Grade Corporate Bond Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Intermediate/Long High Quality Bond												
iShares Barclays Intermediate Credit Bd	CIU	5.63	6.21	N/A	6.05	1/5/07	0.20	1.70	5.80	6.01	N/A	6.04
iShares iBoxx $ Invest Grade Corp Bond	LQD	7.83	8.07	5.94	6.50	7/22/02	0.15	2.89	8.78	7.78	5.94	6.50
SPDR Barclays Cap Interm Term Corp Bnd	ITR	6.33	N/A	N/A	7.65	2/10/09	0.15	2.74	6.20	N/A	N/A	7.08
Vanguard Intermediate-Term Bond ETF	BIV	6.64	7.18	N/A	7.58	4/3/07	0.11	1.91	7.11	7.21	N/A	7.55
Barclays Capital U.S. Aggregate		**3.77**	**5.47**	**5.02**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long High Quality Bond												
SPDR Barclays Capital Long CorpTerm Bd	LWC	9.60	N/A	N/A	14.07	3/10/09	0.15	4.26	11.92	N/A	N/A	13.43
Vanguard Long-Term Bond Index ETF	BLV	9.32	9.50	N/A	9.10	4/3/07	0.11	3.81	10.84	9.82	N/A	9.07
Barclays Capital U.S. Govt Credit Long		**8.94**	**9.55**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

All indices are unmanaged and cannot be invested into directly.

For the most recent month end performance please visit the respective fund's website: LSIIX: www.funds.natixis.com; DODIX: www.dodgeandcox.com; PTTPX: www.pimco-funds.com; FTRBX: www.federatedinvestors.com; MWTIX: www.mwamllc.com; WACPX: www.leggmason.com; VWESX, BIV, & BLV: www.vanguard.com; DPDFX: www.delawarefunds.com; FKSAX: www.franklintempleton.com; LSBDX: www.loomissayles.com; CIU& LQD: www.ishares.com; ITR & LWC: 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 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 2.5%. Such fee, if taken into consideration, will reduce the performance quoted above. The volatility of the benchmark used to compare performance is materially different from that of the portfolio. The volatility of the benchmark used to compare performance is materially different from that of the portfolio.

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.

Preferred Stock Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Principal Preferred Securities P	PPSPX	13.50	N/A	N/A	9.45	9/27/10	0.85	5.13
Nuveen Preferred Securities I	NPSRX	16.86	10.49	N/A	6.72	12/18/06	0.82	4.50
BofAML Preferred Stock Hybrid		**7.69**	**5.17**	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

Preferred Stock Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
iShares S&P U.S. Preferred Stock Index	PFF	10.29	6.85	N/A	3.86	3/26/07	0.48	5.18	9.97	6.25	N/A	3.87
PowerShares Financial Preferred	PGF	10.43	5.61	N/A	2.99	12/1/06	0.66	6.17	9.87	5.41	N/A	2.87
PowerShares Preferred	PGX	10.61	2.95	N/A	1.58	1/31/08	0.50	6.40	10.22	2.10	N/A	1.47
BofAML Preferred Stock Hybrid		**7.69**	**5.17**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

Bank Loan Exposure – Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
RidgeWorth Seix Floating RT High Inc I	SAMBX	7.67	6.22	N/A	4.84	3/1/06	0.65	4.93
Eaton Vance Floating Rate I	EIBLX	6.94	6.19	4.59	4.38	1/30/01	0.77	4.22
Oppenheimer Senior Floating Rate Y	OOSYX	7.38	7.17	N/A	5.19	11/28/05	0.91	5.06
Barclays Capital U.S. High-Yield Bond		**13.13**	**11.65**	**10.12**	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 03/31/13

Bank Loan Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
PowerShares Senior Loan Port	BKLN	7.83	N/A	N/A	4.92	3/3/11	0.66	3.96	7.36	N/A	N/A	4.58
Barclays Capital U.S. High-Yield Bond		**13.13**	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 03/31/13

All indices are unmanaged and cannot be invested into directly.

For the most recent month end performance please visit the respective fund's website: PPSPX: www.principal.com; NPSRX: www.nuveen.com; PFF: www.ishares.com; PGF: www.powershares.com; PGX & BKLN: www.invescopowershares.com, SAMBX:www.ridgeworth.com; EIBLX: www.eatonvance.com; OOSYX:www.oppenheimerfunds.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 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 2.5%. Such fee, if taken into consideration, will reduce the performance quoted above. The volatility of the benchmark used to compare performance is materially different from that of the portfolio.

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.

Build America Bond Exposure – ETPs

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
PowerShares Build America Bond	BAB	9.67	N/A	N/A	11.78	11/17/09	0.28	4.12	10.23	N/A	N/A	11.58
Barclays Build America Bond Index		**10.38**	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 03/31/13

All indices are unmanaged and cannot be invested into directly.

For the most recent month end performance please visit the respective fund's website: BAB: www.invescopowershares.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 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 2.5%. Such fee, if taken into consideration, will reduce the performance quoted above. The volatility of the benchmark used to compare performance is materially different from that of the portfolio.

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.

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.

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

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

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

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

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

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

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

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

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

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. You can obtain a prospectus from your financial representative. Read carefully before investing.

INDEX DESCRIPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

MODEL DESCRIPTIONS

Aggressive Growth

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

Growth

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

Growth With Income

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

Income With Moderate Growth

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

Income With Capital Preservation

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

RES 4141 0413
Tracking #1-160393 (Exp. 04/14)