

Income Securities

BUILDING YOUR WEALTH WITH BONDS, CONVERTIBLES & PREFERREDS **INVESTOR**



Richard Lehmann

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ALL PRICING AS OF 9/30/16

Pick of the Month

No matter what you think of commercial real estate investments, there are plenty of opportunities for steady income in this sector. Monmouth Real Estate Investment Corp has a preferred (MNR C) which yields 6.46%. Owning the preferreds of REITs has proven to be a fairly safe play. With this yield and the company's history, this one looks like a steal. See page 4 for more details.

Third Quarter Results and Outlook

Despite the negative commentary we hear on the business media outlets, fixed income is having a great year. This, despite the fear mongering about a meltdown in junk bonds and the effects of a Fed rate hike; whenever. The junk bond meltdown has been primarily in the oil and gas energy companies and the Fed rate hike fears are just hype. How else do you describe the over-reaction to a 25 basis point rate hike? Any hike this year and next will be one-time events, if that. After all, why would a Federal Reserve Bank Board made up of liberal economists want to burden the federal government with heavy interest costs when they can easily continue their policy of picking the pockets of the rich (millionaires and billionaires) or the non-voting insurance and pension industries (made up of pretty much everyone else).

We hear bullish commentary about how the stock market still has room to run despite an economy that is clearly headed into a recession next year. But then, when was the last time you heard a Wall Street pundit

say the market is overblown and lives on the largess of the Fed? However, with such a weak economic outlook, a pumped up stock market still looks like the most promising game in town. I used to use the musical chairs game analogy to describe situations like ours today, but today, this analogy won't fly. That is because this time, when the music finally stops, there'll be few if any chairs left in the game.

While income investors will also suffer from the eventual meltdown being shaped by current Fed policy, they have a better fallback than equity buyers. They have a dedicated income stream that is not interrupted by a crisis except for the occasional companies that actually fail. Yes that is a risk, but then that is why, dear reader, you subscribe to this publication. While our 5-year track record is not pristine, as the below performance record of our model portfolios demonstrates, one can achieve equity returns and high cash income without the volatility of stocks. In fact, the only down cycle for income securities was in 2015, brought on by speculation that the Fed would actually do the right

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Model Portfolios*	2012	2013	2014	2015	3rd Qtr. 2016 YTD	Cumm. Growth of \$1
Low Risk	17.64%	7.67%	22.44%	-6.97%	13.83	1.64
Medium Risk	11.89%	3.98%	22.11%	-7.64%	15.20	1.51
High Risk	15.72%	4.09%	9.07%	5.92%	16.82	1.63
Multi-Driver	2.66%	14.24%	4.22%	1.26%	14.29	1.41
Mkt. Indexes*	2011	2012	2013	2014	3rd Qtr. 2016 YTD	Cumm. Growth of \$1
S&P 500	14.08%	31.02%	11.28%	-0.71%	6.09%	1.75
Dow Jones IA	8.00%	26.40%	7.38%	-2.11%	5.18%	1.51
NASDAQ	16.79%	35.81%	13.30%	5.73%	6.07%	2.02

*Total Return

How Do Elections Affect the Markets?

Martin Fridson – Chief Investment Officer, LLF Advisors LLP

The U.S. presidential campaign is entering the homestretch. Over the next month the financial media will be reporting every twist and turn of the polls and expounding on the respective

implications of a Trump or Clinton victory. Does history point to a viable strategy for income investors who fancy themselves experts in predicting election outcomes?

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Integrus Energy Group

We last recommended Integrus Energy Group 6.00% Pet Bond (IEH) in the September 2013 newsletter at a price of \$24.37. The company was acquired by WEC Energy Group in 2015 and at that time, the security was removed from the exchanges. To trade it today use the CUSIP 45822P204 when calling your broker. This utility preferred is not eligible for QDI status. **Our current recommendation is a HOLD.**

CubeSmart

CubeSmart recently announced that it intends to redeem all of the outstanding shares of its 7.75% Series A Cumulative Redeemable Preferred Shares (CUBE.A) on November 2, 2016. Our last recommendation on this security was March 2014 at a price of \$25.55 showing a yield of 7.58%. CubeSmart is a self-administered and self-managed

real estate investment trust that owns, operates, acquires and develops self-storage facilities in the United States. They are one of the top four owners and operators of self-storage facilities in the country. CubeSmart owns or manages 508 facilities across the United States and operates the CubeSmart Network, which consists of approximately 800 additional self-storage facilities. **CALLED**

PPLUS Trust Certificates Series FAR-1

Merrill Lynch was the depositor of this hybrid security issued by PreferredPlus Trust Series FAR-1. (PJS) was called on 10/03/2016 at par. The underlying security is the 7.55% debentures due 04/01/2028, originally issued by First American Financial Corporation. CoreLogic (CLGX). The last recommendation on this security was in the November 2015 newsletter at a price of \$25.35. **Status CALLED.**

How Do Elections Affect the Markets?

(continued from page 1)

In the table below, bullish bond performance is defined as a drop in Moody's Baa yield. In November of election years from 1920 to 2012, Republican victories produced a slight edge (7 to 5) for the bulls. But so did Democratic victories (7 to 4, with one case of no change in yield). Both results are driven by a general tendency for medium-grade corporate bonds to do well in the month of presidential elections. (There is less than a 10% chance that the bullish bias—14 occurrences out of 24—is just a chance result.)

Post-Election Performance - Baa Bonds						
	November			Year Following Election		
	All	Democrat	Republican	All	Democrat	Republican
BULL	14	7	7	13	9	4
BEAR	9	4	5	11	3	8
FLAT	1	1	0	0	0	0
TOTAL	24	12	12	24	12	12

Sources: Bloomberg, Economagic

Investors who contemplate playing these odds should bear in mind that many of the one-month gains of the past were minor, making such speculation questionable in light of transaction costs. Those with an investment horizon as long as 12 months should consider the data for the year following the election (measured from October 31 to October 31). Overall, there is no strong directional tendency—13 bullish and 11 bearish years. The party breakdown, though, is likely to drive Republicans to demand a recount. In 9 out of 12 cases, election of a Democrat has been followed by a bullish year—a result that

with 95% confidence is no mere matter of chance. By contrast, bear markets have followed Republican victories 8 out of 12 times.

Turning to stocks, the table below covers all elections back to the 1928 Hoover-Smith contest, the first to take place after the Standard & Poor's 500 Index's launch. November performance was about evenly divided between bullish and bearish—overall, as well as for both Democratic and Republican victories. Over the one-year horizon, bull markets followed the election of both Republicans and Democrats in a clear majority of cases. That result, however, was a function of bull markets following elections regardless of which party prevailed. The ratio, 15 bullish years out of 22, was a non-chance result, with 95% confidence.

Post-Election Performance - S&P 500						
	November			Year Following Election		
	All	Democrat	Republican	All	Democrat	Republican
BULL	12	6	6	15	8	7
BEAR	10	6	4	7	4	3
TOTAL	22	12	10	22	12	10

Sources: Bloomberg, Economagic

Conclusion

Significant patterns emerge from analysis of post-election market performance. But for income investors, speculating on this sort of thing should never represent anything more than a sideshow. The true formula for success consists of diversifying among solid companies with sustainable payouts.

Common Stocks

Altria Group, Inc; Current Price \$63.23; Current indicated Yield 3.86%; Last Dividend Paid \$0.610, 07/11/16; Pay Cycle 1m; Exchange NYSE; Ratings Moody's A3/ S&P A-; CUSIP 02209S103; Family Common Stock; Symbol MO. (www.altria.com)

Altria Group is the parent company of Philip Morris USA, U.S. Smokeless Tobacco Company, John Middleton, Nu Mark and Philip Morris Capital Corporation. They also own Ste. Michelle Wine Estates, and have a 27% interest in SABMiller plc, one of the world's largest brewers. The company has approximately half of the U.S. cigarette market, led by Marlboro. Ste. Michelle Wine Estates owns vineyards in Woodinville, Paterson, Benton City, Prosser and Walla Walla, Washington; Dundee, Oregon; and St. Helena and Napa, California. Philip Morris Capital Corporation is an investment company that manages a portfolio of leased assets including domestic and international aircraft, power plants and real estate. Second quarter 2016 revenue for Altria was \$4.88 billion, level with the \$4.87 billion posted in 2015. Net income was \$1.65 billion, a strong improvement over last year's numbers. This diversified companies stock would fit into a low-risk income portfolio. **Buy up to \$66.00.**

GlaxoSmithKline PLC, Current Price \$43.13; Current Indicated Yield 4.63%; Exchange NYSE; Rated Moody's A2, S&P A+ Pay Cycle 1m; CUSIP 37733W105; Family Common Stock; Acronym ADR (Depositary Receipt); Symbol GSK (www.gsk.com)

GlaxoSmithKline PLC is one of the world's leading research-based pharmaceutical and healthcare companies. They research, develop and manufacture vaccines, prescription and over-the counter medicines as well as health-related products. Glaxo has a global presence in more than 150 countries, a network of 89 manufacturing sites in 36 countries and R&D centers in the UK, USA, Spain, Belgium and China. The company's consumer healthcare products are organized into four categories; wellness, oral health, skin health and nutrition. Glaxo also produces treatment for a wide range of conditions as well as more than 40 vaccines worldwide. Glaxo reported turnover (revenue) of \$9.38 billion and net loss of \$624.42 million for the second quarter 2016. Last year the company posted turnover of \$9.03 billion and net income at \$228.46 million. This stock would fit in any portfolio for both growth and income. **Buy up to \$47.00.**

Senior Housing Properties Trust, Current Price \$22.71; Current Indicated Yield 6.87% ; Last Dividend Paid \$0.39, 08/18/16; Pay Cycle 2m; Exchange NYSE; Ratings, Moody's Baa3/ S&P BBB-; CUSIP 81721M109; Family Common Stock; Acronym REIT; Symbol SNH (www.snhreit.com)

Senior Housing Properties Trust is a real estate investment trust, or REIT, which owns senior independent living and assisted living communities, continuing care retirement communities, nursing homes, wellness centers and medical office, clinic and biotech laboratory buildings located in 43 States and Washington, DC. The majority of their 436 properties are triple net leased, meaning that each tenant pays them rent and also is responsible to pay all operating costs, taxes, insurance and maintenance costs that arise from the ownership and use of their property. For their second quarter 2016, Senior Housing

Properties reported revenue of \$261.43. This number is slightly above the \$247.44 reported for the same period in 2015. Net income for the same period in 2016 was \$39.26 million. For the previous year second quarter net income was \$36.48 million. NOTE: In order to qualify to be a REIT, a company must distribute annually at least 90% of its taxable income to its shareholders. REIT's are not QDI eligible. This is a good security for a low to medium-risk growth and income portfolio. **Buy at or below \$23.60.**

Valley National Bancorp.; Current Price \$9.73; Current Indicated Yield 4.52%; Last Dividend declared \$0.11, 10/03/16; Pay Cycle 1b; Exchange NYSE; Rating, Moody's BBB+, S&P BBB; Family Common Stock; CUSIP 919794107; Symbol (VLY) (www.valleynationalbank.com).

Valley National Bancorp is a regional bank holding company headquartered in New Jersey with over \$21 billion in assets. Its principal subsidiary, Valley National Bank, currently operates 211 branches in 147 communities throughout northern and central New Jersey, Manhattan, Brooklyn, Queens and Long Island. The bank offers a wide array of consumer, commercial, and wealth management services. Their Consumer Lending division provides residential mortgages, home equity loans, and automobile loans. Its Commercial Lending division provides floating rate and adjustable rate commercial and industrial loans, as well as fixed rate owner occupied and commercial real estate loans. Financing for general aviation aircraft, and servicing for existing commercial equipment leases is also available. The Wealth Management division offers investment alternatives, financial planning, trust services, and insurance. Valley National Bancorp reported second quarter total revenue of \$175.72 million and net income of \$39 million. Last year's second quarter numbers were slightly lower with total revenue at \$156.48 million and net income at \$32 million. This QDI eligible (15%) security would fit nicely in a low-risk portfolio. **Buy up to \$11.50.**

Vodafone Group PLC.; Current Price \$29.62; Current Indicated Yield 6.91%; Last Dividend declared \$1.02, 08/03/16; Pay Cycle 2/8; Exchange NASDAQ; Rating, Moody's BBB+, S&P BBB; CUSIP 92857W308; Family Common Stock; Acronym ADR (Depositary Receipt); Symbol (VOD) (www.vodafone.com).

Vodafone Group Plc is the second largest wireless phone service carrier in the world in terms of subscribers. The company offers its customers a wide range of services including voice, messaging, data, broadband internet and fixed-line phone service. They have over 404 million customers, over 238,000 base stations, 14000 phone stores and operate in more than 30 countries across 5 continents. The Group's operations are split into three geographic regions; Northern and Central Europe, Southern Europe and AMPS (Africa, Middle East and Asia Pacific) and they also have a 45% share in Verizon Wireless in the United States. Semiannual financials (ending 3/31/16 in US dollars) show revenue at \$35.98 billion and net profit at \$436.91 million. For the same period in the preceding year, reported revenue was \$37.04 billion and net profit was \$677.75 million. This U.K. based company would make a good diverse security in any portfolio.. Its next semiannual pay is in February. **Buy up to \$30.20.**

Preferred Stocks

Discover Financial Services, 6.50%; Series B; Par \$25.00; Current Price \$26.08; Current Yield 5.94%; Exchange NYSE; Rated Ba3/BB-; Call 12/001/2017 @\$25.00; Yield to Call 3.24%; Pay Cycle 3b; CUSIP 254709207; Family Perpetual; Symbol DFS B (need preferred designation) (www.discover.com).

Discover Financial Services (DFS) a direct banking and payment Services Company offers a broad range of direct banking products such as online checking, savings, certificates of deposit, and money market accounts, as well as private student loans, personal loans and home equity loans through their two banking affiliates, Discover Bank and Bank of New Castle. Its payment businesses consist of Discover Network with millions of merchant and cash access locations. They also formed strategic alliances with China UnionPay and JCB to provide reciprocal card acceptance on these networks in many countries around the world. Acquired in 2005, PULSE has operated one of the nation's leading ATM/debit networks for over three decades, serving more than 4,500 banks, credit unions and savings institutions across the U.S. and linking cardholders with ATMs and point-of-sale payment terminals nationwide. Discover also owns and operates Diners Club International, a global payments network in more than 185 countries. Discover reported second quarter 2016 net revenue of \$2.216 billion and net income of \$616 million. For the same period 2015 net revenue was \$2.175 billion and net income was \$599 million. This issue is eligible for the qualified dividend income (QDI) tax rate. This non-cumulative preferred issue would fit nicely into a medium-risk portfolio. **Buy up to \$26.40.**

Legg Mason Inc., 5.45%; Par \$25.00; Current Price \$ 25.07; Current Yield 5.03%; Exchange NYSE; Rated Baa2/BB+; Call 09/15/2021 at \$25.00 Yield to Call 3.6 8%; Pay Cycle 3m; CUSIP 524901600; Family, Pet Bonds; Acronym, Jr Sub Notes; Symbol LMHB (no Preferred designation) (www.leggmason.com)

Legg Mason (LM) is a global asset management firm with \$757 billion in assets under management. The Company through its subsidiaries provides active asset management and related services in many major investment centers throughout the world. They offer these services to institutional and individual clients, company sponsored mutual funds and other pooled investment securities. Fiscal first quarter 2017 (ending 06/30/2016) revenue was \$700.23 million versus the \$708.72 million posted for last year's first quarter. The company showed a net income of \$33.56 million for this year's first quarter which compares to a net income of \$94.54 million last year. This preferred would be a good investment for long term income medium-risk portfolios. **Buy at or below \$26.10.**

Monmouth Real Estate Investment Corporation 6.125%; Series C, Par \$25.00; Current Price \$ 25.91; Current Yield 5.91%; Exchange NYSE; Rated NR/NR; Call 09/15/2021 at \$25.00 Yield to Call 5.38%; Pay Cycle 3m; CUSIP 609720404; Family, Perpetual; Acronym REIT; Symbol MNR C (need Preferred designation) (www.mreic.com).

Monmouth Real Estate Investment Corporation (MNR), a fully integrated and self-managed real estate company, is one of the oldest public equity REITs in the U.S. It specializes in net-leased industrial properties, subject to long-term leases, primarily to investment grade tenants. The company's property portfolio consists of ninety-nine properties located in thirty states, containing a total of approximately 16.0 million rentable square feet. Monmouth's current tenants include: Anheuser-Busch, Best Buy, Caterpillar Coca-Cola, ConAgra, FedEx, General Electric Company, Kellogg's, Sherwin-Williams, Siemens, and United Technologies. For the three months ending June 30 2016 (physical third quarter) Monmouth reported revenue of \$24.1 million net income of \$8.2 million and core Funds From Operation (FFO) of \$12.75 million. For the same period 2015 revenue was \$20.7 million, net income was \$5.2 million and core FFO was \$9.04 million. This REIT preferred is not eligible for QDI tax rate but would be a good long term investment for any medium-risk portfolio, especially tax deferred. **Buy up to \$26.20.**

PartnerRe Ltd, 5.875%; Series F; Par \$25.00; Current Price \$25.76; Current Yield 5.44%; Exchange NYSE; Rated Baa2/BBB; Call 03/01/18 at \$25.00; Yield to Call 4.08%; Pay Cycle 3b; ISIN G686031284; Family Foreign; Acronym Perpetual; Symbol PRE F (need preferred designation) (www.partnerre.com)

PartnerRe Ltd (PRE), is a Bermuda based multi-line global reinsurer, to insurance companies. The Company, through its wholly owned subsidiaries, also offers capital markets products that include weather and credit protection to financial, industrial and service companies. They offer reinsurance in all major business lines including: property, casualty, motor, agriculture, marine, aviation/space, catastrophe, credit/surety, energy, engineering, special risks, life/annuity and health. For the second quarter 2016, PartnerRe reported total revenue of \$1.55 billion and net income of \$150.9 million. For the same period the last year, the company reported total revenue was \$1.19 billion and a net loss of \$88.9 million. This issue, rated for medium to low-risk income portfolios, is QDI eligible. **Buy at or below \$26.00.**

Exch	Issuer	Coupon Rate %	Maturity	CUSIP	Current Price	Current Yield %	Yield to Maturity %	Moody	S&P	Call Date	Call Price	Yield to Worst %	Recommend
BONDS													
OTC	Advanced Micro Dev Inc	7.75	08/01/20	007903AU1	100.85	7.68	0.00	NR	CCC	Any	103.88	0.00	101
OTC	Bausch & Lomb INC	7.13	08/01/28	071707AG8	94.00	7.58	7.91	NR	NR	NC	NA	7.91	102
OTC	Cincinnati Bell Inc	7.25	06/15/23	171870AK4	102.00	7.11	6.87	Ba3	BB-	NC	NA	6.87	106
OTC	Crown Cork & Seal	7.38	12/15/26	228255AH8	112.25	6.57	5.77	B1	B+	NC	NA	5.77	113
OTC	GenOn Energy Inc	7.88	06/15/17	74971XAC1	82.65	9.53	38.65	Caa2	CCC+	NC	NA	38.65	87
NY	OfficeMax Inc	5.00	03/01/30	023663AB3	60.20	8.31	10.64	B3	NR	Any	107.50	10.64	67
OTC	Precision Drilling Corp	6.63	11/15/20	740212AC9	94.12	7.04	8.34	B3	BB	Any	103.31	8.34	97
OTC	Safeway Inc	7.25	02/01/31	786514BA6	99.25	7.25	7.24	B3	B-	Any	Var	7.24	100
OTC	Sara Lee Corp	6.13	11/01/32	803111AM5	114.72	5.28	4.70	NR	BBB	NC	NA	4.70	116
OTC	Sprint Capital Corp	6.88	11/15/28	852060AD4	93.92	7.27	7.57	Caa1	B	NC	NA	7.57	98
OTC	US West Comm	7.13	11/15/43	912920AG0	100.80	7.03	7.02	Ba1	BBB-	Any	102.74	6.96	103
OTC	United States Steel Corp	7.00	02/01/18	912656AG0	104.24	6.68	3.30	Caa1	B	NC	NA	3.30	106
OTC	Vale Overseas Limited	6.88	11/21/36	91911TAH6	97.34	7.02	7.07	Ba3	BBB-	NC	NA	7.07	99
OTC	iHeartComm Inc	6.88	06/15/18	184502AD4	82.13	8.37	19.79	Ca	CC	NC	NA	19.79	86

Exch	Issuer	Coupon Rate %	Maturity	CUSIP	Current Price	Current Yield %	Yield to Maturity %	Moody	S&P	Conversion Rate	Common Price \$	Premium %	Call Date	Call Price	Yield to Worst %
INVESTMENT GRADE CONVERTIBLE BONDS															
OTC	Intel Corp	2.95	12/15/35	458140AD2	138.10	2.13	0.79	NR	A-	31.7162	37.75	15.34	12/12	100.00	0.79
OTC	Jefferies Group	3.88	11/01/29	472319AG7	100.38	3.86	3.84	Baa3	BBB-	25.5076	19.04	106.69	11/17	100.00	3.51
BELOW INVESTMENT GRADE CONVERTIBLE BONDS															
OTC	Liberty Media Cor	4.00	11/15/29	530715AG6	62.00	6.45	8.99	B2	BB	11.4743	0.00	**** *	Any	100.00	8.99

MASTER LIMITED PARTNERSHIPS															
Symbol	Exch	Issuer	Current Price	Dvd Yield %	Tax	52 Wk High	52 Wk Low	Ex Dvd Date	Pay Date	Pay Periods	12 Mo Dvd \$	Recommend \$			
ARLP	OTC	Alliance Resource P	22.18	7.89	Var	24.37	9.96	08/03/16	08/12/16	Quarter	1.750	24.00			
ATAX	OTC	Amer Fst Multifamil	5.90	8.45	Var	6.10	4.27	09/28/16	10/31/16	Quarter	0.500	6.30			
APU	NYSE	AmeriGas Partners L	45.66	8.23	Var	50.10	30.89	08/08/16	08/18/16	Quarter	3.760	51.20			
FUN	NYSE	Cedar Fair L	57.29	5.76	Var	63.36	48.48	09/01/16	09/15/16	Quarter	3.300	62.20			
CAPL	NYSE	CrossAmerica Partne	25.39	9.49	Var	27.53	17.64	08/04/16	08/15/16	Quarter	2.410	27.00			
DLNG	NYSE	Dynagas LNG Partner	15.48	10.92	Var	16.20	6.70	07/08/16	07/19/16	Quarter	1.690	17.40			
ETP	NYSE	Energy Transfer Ptn	37.00	11.41	Var	47.53	18.62	08/04/16	08/15/16	Quarter	4.220	40.80			
GMLP	OTC	Golar LNG Partners	19.15	12.06	Var	5.85	3.81	09/13/16	09/30/16	Quarter	2.380	21.70			
NS	NYSE	NuStar Energy LP	49.58	8.83	Var	53.39	25.65	08/05/16	08/12/16	Quarter	4.380	52.20			
OKS	NYSE	ONEOK Partners LP	39.95	7.91	Var	42.34	21.86	08/04/16	08/14/16	Quarter	3.160	42.30			
OAK	NYSE	Oaktree Capital Gp	42.40	5.47	Var	52.15	38.71	08/04/16	08/12/16	Quarter	2.320	47.20			
OZM	NYSE	Och-Ziff Cptl Mgt G	4.34	0.00	Var	8.63	2.90	05/13/16	/ /	Quarter	0.000	5.50			
STON	NYSE	Stonemor Partners L	25.04	10.56	Var	31.10	22.10	08/03/16	08/12/16	Quarter	2.640	27.40			
SUN	NYSE	Sunoco LP	29.01	11.39	Var	40.02	22.90	08/03/16	08/15/16	Quarter	3.302	33.00			
TOO	NYSE	Teekay Offshore Ptn	25.04	10.56	Var	31.10	22.80	08/03/16	08/12/16	Quarter	2.640	27.20			
USAC	NYSE	USA Compression Par	18.78	11.19	Var	18.90	7.03	07/29/16	08/12/16	Quarter	2.100	19.10			
WPZ	NYSE	Williams Partners L	37.19	9.14	Var	40.31	12.69	08/03/16	08/12/16	Quarter	3.400	41.90			

1. **Recommend:** accumulate at or below this price. NA: not applicable.

PREFERRED

previously recommended

¹ Symbol	Exch.	Family	Issuer	Issue %	Div. \$	Tax	² Cycle	CUSIP	Current Price \$	Current Yield %	Moody/S&P Rating	Call Date	Call Price \$	Yield to Call %	Debt Maturity	³ Recomm. mend \$
INVESTMENT GRADE PREFERRED																
BBT D	NYS	Perp	BB&T Corp	5.850%	1.46	15%	2b	054937206	25.74	5.41	Baa1/BBB-	05/17	25.00	1.62	NA	25.90
KTBA	NYS	TPTP	Bellsouth Corp (CorTS)	7.000%	1.75	OI	6/12	22080E205	31.98	5.47	WR/NR	NC	NA	0.00	12/95	33.70
CHSCL	OTC	Perp	CHS Inc	7.500%	1.88	15%	3e	12542R803	29.53	5.92	NR/NR	01/25	25.00	4.49	NA	31.80
AGM A	NYS	Perp	Farmer Mac	5.875%	1.47	15%	1m	313148801	26.23	5.09	NR/NR	01/18	25.00	-0.12	NA	26.90
KIM I	NYS	REIT	Kimco Realty Corp	6.000%	1.50	OI	1m	49446R794	25.87	5.53	Baa2/BBB-	03/17	25.00	0.61	03/72	25.50
NEE G	NYS	PB	NextEra Energy Inc	5.700%	1.43	OI	3b	65339K605	25.63	5.30	Baa2/BBB	03/17	25.00	0.61	03/72	25.90
RNR C	NYS	Fg	RenaissanceRe Hldg Ltd	6.080%	1.52	15%	3b	EP0112524	25.39	5.95	NR/BBB+	Any	25.00	23.37	NA	25.60
RNR E	NYS	Fg	RenaissanceRe Hldg Ltd	5.375% E	1.34	15%	3b	EP0444109	26.10	4.68	Baa2/BBB+	06/18	25.00	1.39	NA	Hold
VNO K	NYS	REIT	Vornado Realty Trust	5.700%	1.43	OI	1b	929042851	25.55	5.32	Baa3/BBB-	07/17	25.00	2.91	NA	25.70
WFC P	NYS	Perp	Wells Fargo & Co	5.250%	1.31	15%	1m	949746655	25.50	4.91	Baa2/BBB	06/18	25.00	3.30	NA	25.90
BELOW INVESTMENT GRADE PREFERRED																
NLY D	NYS	REIT	Annaly Cptl Mgmt Inc	7.500%	1.88	OI	3e	035710805	25.25	7.01	B2/BB	09/17	25	5.65	NA	25.50
AHL B	NYS	Fg	Aspen Insur Hldgs Ltd	7.250%	1.81	15%	1b	EP0416453	25.89	6.67	Ba1/BBB-	07/17	25.00	2.49	NA	26.20
COF P	NYS	Perp	Capital One Encl Corp	6.000%	1.50	15%	3b	14040H402	25.77	5.65	Baa3/BB	09/17	25.00	4.23	NA	Hold
DTK	OTC	Perp	Deutsche Bank Cptl Fdg	7.600%	1.90	15%	2m	25154A108	23.78	7.76	B1/B+	02/18	25.00	11.04	NA	25.95
DLRF	NYS	REIT	Digital Realty Tr Inc	6.625%	1.66	OI	3e	253868806	25.80	6.12	Baa3/BB+	04/17	25.00	0.36	NA	Hold
GSC	NYS	Perp	Goldman Sachs Gp Inc	Flt C	1.00	15%	2m	38144X609	23.70	3.84	Ba1/BB	Any	25.00	85.66	NA	24.20
HTGX	NYS	PT	Hercules Tech Gwth Cptl	6.250%	1.56	OI	1e	427096862	25.66	5.53	NR/BBB-	07/17	25.00	4.38	NA	26.10
LTS A	NYS	Perp	Ladenburg Thalmann Fncl	8.000% A	2.00	15%	M	50575Q201	25.01	7.28	NR/NR	05/18	25.00	5.37	NA	25.60
JSM	NYS	PB	Navient LLC	6.000%	1.50	OI	3m	78442P304	23.05	0.65	Ba3/BB-	Any	25.00	0.00	12/43	24.50
PEB C	NYS	REIT	Pebblebrook Hotel Trust	6.500%	1.63	OI	1m	70509V407	25.90	6.27	NR/NR	03/18	25.00	3.81	NA	26.40
PYS	NYS	TPTP	R.R.Donnelley (PPLUS)	6.300%	1.58	OI	4/10	73941X593	25.16	6.21	B2/BB-/*	Any	25.00	36.20	04/29	25.90
RF A	OTC	Perp	Regions Financial Corp	6.375%	1.59	OI	3m	7591FP308	25.90	6.15	Ba2 /*+BB	12/17	25.00	3.60	NA	26.65
TOO B	NYS	Perp	Teekay Offshore Partner	8.500%	2.13	15%	2m	EP0485102	22.05	8.76	NR/NR	04/20	25.00	13.01	NA	23.50
TANP	NYS	PB	TravelCenters of Amer L	8.000%	2.00	OI	1m	894174408	25.40	7.86	NR/NR	10/18	25.00	7.78	10/30	25.95
UZB	NYS	TPTP	US Cellular Corp	7.250%	1.81	OI	3b	911684504	26.66	6.18	Ba1/BB	12/19	25.00	5.21	12/63	Hold

¹ Symbol	Family	Issuer	Issue %	Div. \$	Tax	CUSIP	Current Price \$	Current Yield %	Moody/S&P Ratings	Conversion Rate	Premium %	Common Price \$	² Call Date	Call Price \$	Yield to Call %	
MANDATORY CONVERTIBLE PREFERRED																
AA B	MD	Alcoa Inc	5.375% I	2.69	OI	013817309	32.69	0.00	NR/BB	2.5784	25.60	10.14	10/17*	Variable	NA	
AGN A	MD	Alergan PLC	5.500% A	55.00	OI	EP0481507	821.49	6.09	NR/NR	2.8345	38.30	230.31	03/18*	Variable	NA	
ANTX	MD	Anthem Inc	5.250%	2.63	OI	036752202	43.47	6.70	Baa3/BBB+/*	0.2406	46.25	125.31	05/18*	Variable	NA	
DCUC	MD	Dominion Resource	6.375%	3.19	OI	25746U869	49.76	6.25	Baa3/BBB	0.5734	19.05	74.27	09/17*	Variable	NA	
FRNTP	MD	Frontier Comm Cor	11.125% A	11.13	OI	35906A207	83.91	13.26	NA/NA	0.0000	21.72	4.16	06/18*	Variable	NA	
TEVVF	MD	Teva Pharmaceutical	7.000%	70.00	OI	EP0496760	813.31	8.61	NR/NR	13.3333	32.58	46.01	12/18*	Variable	NA	
OPTIONAL CONVERTIBLE PREFERRED																
BACL	OP	Bank of America C	7.250% L	72.50	15%	060505682	1220.84	5.02	Ba2/BB+	20.0000	361.66	15.65	Any	Variable	NA	
BGEPF	OP	Bunge Ltd	4.875%	4.88	OI	EP0237628	95.11	5.13	Ba1/BB+	1.0846	39.95	59.23	NC	NA	NA	
CBB B	OP	Cincinnati Bell I	6.750% B	3.38	15%	171871403	50.12	0.00	Caa1/CCC	1.4420	0.00	4.08	Any	50.67	NA	
EPR E	OP	EPR Properties	9.000% E	2.25	OI	26884U307	37.22	5.63	NR/NR	0.4512	11.55	78.74	Sft C	25.00	NA	
WFC L	OP	Wells Fargo & Co	7.500% L	75.00	15%	949746804	1309.27	5.73	Baa2/BBB	6.3814	363.60	44.28	NC	NA	NA	
AEUA	MD	Anadarko Petroleum	8.000%	3.75	OI	032511404	41.67	9.00	NR/NR	0.0000	38.19	42.49	06/18	NA	NA	

1. Symbol: symbols in parentheses require no delimiters, all others require a preferred designation. **2.** *maturity or mandatory conversion date. **3. Family:** MD=Mandatory, OP=Optional **4. Tax:** OI=Ordinary Income Rate, 15%=15% tax rate.

Symbol	Exch	Issuer	CUSIP	Current Price \$	Indicated Yield %	Tax	52 Week High \$	52 Week Low \$	Ex Div Date	Paydate	Pay Periods	12 Mo Div	Country	Recom-mend \$
COMMON STOCKS														
T	NYSE	AT&T Inc	00206R102	40.61	4.73	15%	43.89	32.22	10/05/16	11/01/16	Quarter	1.920	US	43.70
BCE	NYSE	BCE Inc	05534B760	46.18	4.49	15%	49.03	35.99	09/13/16	10/15/16	Quarter	2.072	Canada	48.50
CNP	NYSE	CenterPoint Energy Inc	15189T107	23.23	4.43		24.71	16.05	08/12/16	09/09/16	Quarter	1.030	US	25.60
CVA	NYSE	Covanta Holding Corp	22282E102	15.39	6.50	15%	18.35	12.49	09/29/16	10/07/16	Quarter	1.000	US	17.50
CCI	NYSE	Crown Castle Internati	22822V101	94.21	3.76	OI	102.76	75.72	09/14/16	09/30/16	Quarter	3.540	US	98.50
DX	NYSE	Dynex Capital Inc	26817Q506	7.42	11.32	OI	7.61	5.22	10/03/16	10/31/16	Quarter	0.840	US	8.20
DEA	NYSE	Easterly Government Pp	27616P103	19.08	4.40	OI	20.82	15.96	08/24/16	09/13/16	Quarter	0.840	US	23.00
FTR	OTC	Frontier Communication	35906A108	4.16	10.10	15%	5.85	3.81	06/13/16	06/30/16	Quarter	0.420	US	6.50
GEO	NYSE	GEO Group Inc/The	36162J106	23.78	10.93	OI	35.13	16.26	07/28/16	08/12/16	Quarter	2.600	US	25.00
GSK	NYSE	GlaxoSmithKline PLC	37733W105	43.13	4.63	15%	45.58	37.41	08/10/16	10/13/16	Quarter	1.997	GB	47.80
GOV	OTC	Government Properties	38376A103	22.62	7.60	OI	24.60	21.85	07/20/16	08/22/16	Quarter	1.720	US	25.40
HTGC	NYSE	Hercules Tech Gwth Cap	427096508	13.56	9.14	OI	14.00	9.93	08/11/16	08/22/16	Quarter	1.240	US	14.20
MAIN	NYSE	Main Street Capital Co	56035L104	34.33	6.46	15%	34.72	24.02	10/18/16	11/15/16	Monthly	2.220	US	36.50
OHI	NYSE	Omega Healthcare Inves	681936100	35.45	6.77	OI	38.09	26.97	07/28/16	08/15/16	Quarter	2.400	US	38.00
PFE	NYSE	Pfizer Inc	717081103	33.87	3.54	15%	37.39	28.25	11/08/16	12/01/16	Quarter	1.200	US	37.90
DOC	NYSE	Physicians Realty Tru	71943U104	21.54	4.18	OI	22.03	15.05	10/04/16	10/18/16	Quarter	0.900	US	23.70
PSEC	OTC	Prospect Capital Cor	74348T102	8.10	12.35	OI%	8.68	5.21	10/27/16	11/17/16	Monthly	1.000	US	9.10
SNH	OTC	Senior Housing Pptyys T	81721M109	22.71	6.87	OI	23.85	20.96	07/20/16	08/18/16	Quarter	1.560	US	23.60
VOD	OTC	Vodafone Group PLC	92857W308	29.15	7.03	15%	34.70	27.93	06/08/16	08/03/16	Semi-Anl	2.048	US	33.00
WPC	NYSE	WP Carey Inc	92936U109	64.53	6.11	OI	72.87	51.15	09/29/16	10/14/16	Quarter	3.940	US	68.50
CLOSED END FUNDS														
Symbol	Issuer	Current Price \$	Current Yield %	12 Mo Yield %	Net Asset Value \$	Premium %	Discount %	52 Week High \$	52 Week Low \$	52 Week High Date	52 Week Low Date	Pay Periods	Recom-mend \$	
AVK	Advent Claymore Conv Inc Fd	14.58	7.73	7.73	16.72	-12.80		15.38	09/06/16	10.92	02/11/16	M	16.20	
BME	BlackRock Hlth Sciences Tr	34.36	6.98	20.23	34.13	0.67		40.99	12/28/15	29.67	02/11/16	3e	38.50	
BST	BlackRock Science & Technology	18.63	6.44	6.44	20.96	-11.12		18.88	09/08/16	14.01	02/11/16	M	20.10	
BSL	Blkstone/GSO Sen Fltg Rate Ter	16.85	6.91	6.70	17.25	-2.32		16.93	09/30/16	13.39	02/11/16	M	18.50	
RQI	Cohen & Str Qual Inc Rlty Fd	13.33	7.20	7.20	14.30	-6.78		14.73	07/29/16	10.12	02/11/16	3m	15.20	
RNP	Cohen & Str REIT & Pfd Fd	20.15	7.38	7.34	22.98	-12.32		21.69	08/17/16	16.16	01/20/16	3e	22.80	
STK	Columbia Seligman Prem Tech	18.60	9.95	9.95	17.81	4.44		19.48	11/10/15	13.69	01/20/16	2m	20.90	
DMF	Dreyfus Muni Income Inc	9.60	5.13	5.61	9.84	-2.44		10.15	04/29/16	9.04	12/14/15	M	10.90	
EVV	Eaton Vance Lmtd Duration I	13.71	7.59	8.79	15.11	-9.27		13.99	08/18/16	11.63	01/20/16	M	15.65	
ETV	Eaton Vance T/M Buy-Write Fd	15.09	8.81	8.81	14.09	7.10		15.44	12/30/15	12.69	01/20/16	M	16.70	
FMO	Fiduciary/Claymore MLP Opportu	15.78	10.92	10.92	15.25	3.48		18.39	10/09/15	8.04	02/11/16	2m	17.50	
FFC	Flrty&Crum Pfd Sec Inc Fd	20.80	7.85	7.85	19.50	6.67		22.25	08/18/16	18.35	01/20/16	M	22.55	
GGN	GAMCO Gbl Gold Nat Resc	6.38	13.17	13.17	6.19	3.07		7.14	05/02/16	3.62	01/20/16	M	7.60	
GRX	Gabelli Hlthc & WellRx Tr	10.42	4.99	4.99	11.78	-11.63		11.32	08/10/16	8.72	01/20/16	3m	11.90	
KYN	Kayne Anderson MLP Invmt Co	20.63	10.66	11.19	19.86	3.88		24.49	10/09/15	9.49	01/20/16	1m	22.00	
NHF	NexPoint Credit Strgies Fd	22.23	12.96	12.96	24.54	-9.41		25.55	10/12/15	16.68	01/20/16	M	24.20	
JPC	Nuveen Pfd Incm Oppt Fd	10.02	8.02	8.02	10.53	-4.84		10.56	07/25/16	8.57	12/14/15	3m	11.75	
RIF	RMR Real Estate Income Fund	21.75	6.07	6.07	26.77	-18.75		22.75	08/01/16	15.94	02/11/16	3e	23.30	
THQ	Tekla Healthcare Oppt	17.48	7.72	9.45	19.14	-8.67		18.38	08/15/16	13.80	01/20/16	M	18.60	
HQL	Tekla Life Sciences Inves	18.73	17.51	15.22	20.01	-6.40		26.23	11/04/15	15.85	02/11/16	3e	19.60	
IDE	Voya Infrs Indu and Matl Fd	13.48	10.83	10.83	14.70	-8.30		13.52	09/30/16	10.33	01/20/16	1m	15.50	

1. Symbol: symbols in parentheses require no preferred designation, all others require a preferred designation. 2. Cycle: denotes dividend payment months. 1: Jan., Apr., Jul., Oct.; 2: Feb., May, Aug., Nov.; 3: Mar., Jun., Sep., Dec.; M: monthly; b: beginning of month; m: middle of month; e: end of month; two numbers, e.g., 5/11: semiannual pay. 3. Recommendation: accumulate at or below this price. NR: not rated. NA: not applicable. 4. Family: Fg=foreign, PB=PBET Bonds, TP= Trust Preferreds, TPTP= Third Party Trust Preferreds, PERP= Perpetual, pslp=partnership. 5. Tax: OI=Ordinary Income Rate, 15%=15% tax rate.

RATING CHANGES AND NEW ISSUANCE

Corporate Bond Rating Changes

Issuer	Agency	New Action	Rating	Issuer	Agency	Action	New Rating	Issuer	Agency	Action	New Rating
Activision Blizzard	M	+	Baa2	Ferrellgas Ptns LP	S	-	B	Plains All American	S	-	BBB-
Alliance One Intl	M	+	Caa1	Fitness Intl LLC	S	+	B+	Questar Corp	S	-	BB-
Allied Irish Banks	M	+	Ba3	Freeport-McMoRan	S	-	BB-	Salesforce.com Inc	M	+	B+
American Elect Pwr	S	+	BBB+	General Electri Co	S	-	AA-	Southern Conn Gas Co	S	+	A-
AstraZeneca PLC	M	-	BBB+	Genworth Life Insur	S	-	BB-	Southern Natl Gas Co	M	+	Baa2
Bank of Ireland	M	+	Ba3	Gypsum Mgmt & Supply	M/S	+	B/B+	Steak n Shake Inc	S	-	B-
Beazer Homes USA Inc	M	+	B3	IMS Health Inc	M	+	Ba3	UTL Holdings Corp	M	+	A-
Berkshire Gas Co	S	+	A-	JC Penney Co Inc	M	+	B3	United Illuminating	M	+	A-
Bristow Group Inc	M	-	B2	Kobe Steel Ltd	M	-	BB+	Vedanta Resources	M	+	B3
Compass Minerals In	M	-	B1	Lear Corp	M	+	Baa3	Viacom Inc	M	-	Baa3
Dell Inc	M	+	Ba2	Lions Gate Entert	S	-	B+	Walter Invest Mgt Cp	M	-	Caa2
Dynamic Precision Gp	S	-	B-	NAVIDIA Corp	S	+	BBB	Westlake Chemical	S	-	BBB
EMC Corp	M/P	-	Ba2/BB+	ON Semiconductor Cp	S	-	BB	Wheeling Power Co	S	+	BBB+
Fairchild Semicond	S	-	BB	Och-Ziff Finance Co	S	-	BBB-				

+ : upgrade; - : downgrade; Alrt - : possible downgrade;
Alrt + : possible upgrade

Preferred Rating Changes

Issuer	Agency	Action	Rating
American Elect Pwr	S	+	BBB+
Freeport-McMoRan	S	-	BB-
General Electri Co	S	-	AA-
Genting Singapore	M	+	Baa2
JC Penney Co Inc	M	+	B3
Och-Ziff Finance Co	S	-	BBB-
Pitney Bowes Inc	M	-	Ba2
Plains All American	S	-	BBB-
UTL Holdings Corp	M	+	A-
United Illuminating	M	+	A-

New Preferreds

Issuer	Symbol	Issue	Moody/S&P Ratings	Par Value
Teekay LNG Partners	TKYLF	9.000%		25.00
cv Great Plains Energy	GXPPP	7.000%		50.00
City Office REIT In	CYORP	6.625% A		25.00
Arch Capital Group	ACGLP	5.250% E	Baa2	25.00
Gladstone Investmen	GAINM	6.250% D		25.00
AmTrust Financial S	AFSI	6.950% F		25.00
cv Wheeler Real Estate	WHLRD	8.750% D		25.00
Aspen Insurance Hol	AHL D	5.625% *	Ba1/BBB-	25.00
Southern Co/The	SOJB	5.250%	Baa3/BBB	25.00
Customers Bancorp I	CUBI	6.000% F		25.00
Entergy Mississippi	EMP	4.900%	A3/A	25.00
Associated Banc-Cor	ASB D	5.375% D	Baa3/BB	25.00
Monmouth REIT	MNR C	6.125% C	NR/NR	25.00

cv = convertible

For Investors Seeking Steady Monthly Income

Low-risk Portfolio

This investment-grade portfolio comprises securities with ratings of BBB or better. It will be the lowest yielding, but also the most secure. Capital appreciation is not a goal. Principal protection is primary.

Symbol	Issuer	Yield	Price	Qty	Rpt Date
(KTBA)	BellSouth Corp (CorTS)	5.47	31.98	400	01/16
CNP	CenterPoint Energy Inc	4.43	23.23	600	11/15
RNP	Cohen & Str REIT&Pfd F	7.38	20.15	500	02/15
AGM A	Farmer Mac	5.09	26.23	400	02/15
FFC	Flrty&Crum/Clay Pfd In	7.85	20.80	500	12/15
GSK	GlaxoSmithKline PLC	4.63	43.13	250	12/14
NEE G	NextEra Energy Cptl HI	5.30	25.63	400	01/14
NVG	Nuveen Enhd AMT-Fr Mun	5.68	16.07	675	06/16
RNR E	RenaissanceRe Hldgs Lt	4.68	26.10	400	01/15
WFC L	Wells Fargo Company	5.73	1309.27	10	06/15

Summary Statistics

Monthly Payout Average:	\$541
Current yield on portfolio:	5.14%
Inception Value: (1/1/16)	\$103,646
Last month's value:	\$114,431
Current value of portfolio	\$113,111
Current value + year to date income:	\$117,980
Year to Date Total Return	13.83%

Medium-risk Portfolio

Some of the securities are rated below BBB. Capital appreciation is not a goal in this portfolio, but rather high current income. Safety of principal and yield are given equal weight.

Symbol	Issuer	Yield	Price	Qty	Rpt Date
BGEPP	Bunge Ltd	5.13	95.11	120	06/15
CHSCL	CHS Inc	5.92	29.53	400	02/15
COF P	Capital One Fncl Co	5.65	25.77	400	02/15
DLR F	Digital Realty Trust I	6.12	25.80	400	02/15
ETP	Energy Transfer Ptns L	11.41	37.00	350	10/15
GS C	Goldman Sachs Gp	3.84	23.70	500	12/15
RF A	Regions Financial Corp	6.15	25.90	400	01/16
SNH	Senior Housing Pptys	6.87	22.71	700	10/16
UZB	US Cellular Corp	6.18	26.66	400	04/15

Summary Statistics

Monthly Payout Average:	\$586
Current yield on portfolio:	6.66%
Inception Value: (1/1/16)	\$96,220
Last month's value:	\$107,662
Current value of portfolio	\$105,574
Current value + year to date income:	\$110,848
Year to Date Total Return	15.20%

For Investors Seeking Income and Growth

High-risk Portfolio

These securities are all below investment grade, and some are not rated. High current income is the primary goal, but capital appreciation can also be expected. Safety of principal is secondary to yield.

Symbol	Issuer	Yield	Price	Qty	Rpt Date
T	AT&T Inc	4.73	40.61	300	03/14
AA B	Alcoa Inc	8.21	32.69	300	12/15
FUN	Cedar Fair L.P.	5.76	57.29	200	02/16
STK	Columbia Seligman Tech	9.95	18.60	550	12/15
EPR E	EPR Properties	5.63	37.22	350	02/15
EVV	Eaton Vance Lmted Durat	7.59	13.71	800	01/16
LTS A	Ladenburg Thalmann	7.28	25.01	400	02/16
JSM	Navient Corp	0.65	23.05	600	09/14
PYS	R.R.Donnelley (PPLUS)	6.21	25.16	400	01/15
TANP	Travelcenters of Amer	7.86	25.40	450	11/15

Summary Statistics

Monthly Payout Average:	\$680
Current yield on portfolio:	7.12%
Inception Value: (1/1/16)	\$101,967
Last month's value:	\$113,925
Current value of portfolio	\$113,001
Current value + year to date income:	\$119,121
Year to Date Total Return	16.82%

Multi-driver Portfolio

The Multiple Driver Portfolio includes diverse income generating sources (drivers).

Symbol	Issuer	Yield	Price	Qty	Rpt Date
NLY D	Annaly Capital Mgmt	7.01	25.25	400	01/16
CBB B	Cincinnati Bell Inc	0.00	50.12	225	02/15
CCI	Crown Castle Intl Corp	3.76	94.21	130	12/14
GEO	Geo Group Inc./The	10.93	23.78	400	09/15
GOV	Government Pptys Inc T	7.60	22.62	700	04/15
KYN	Kayne Anderson MLP	10.66	20.63	700	12/14
RIF	RMR Real Estate Inc Fd	6.07	21.75	600	05/15
STON	Stonemor Partners LP	10.56	25.04	400	02/16
HQL	Tekla Life Scis Invst	17.51	18.73	400	01/15
IDE	Voya Infrst Ind and Ma	10.83	13.48	800	01/16

Summary Statistics

Monthly Payout Average:	\$831
Current yield on portfolio:	7.02%
Inception Value: (1/1/16)	\$106,951
Last month's value:	\$112,940
Current value of portfolio	\$114,753
Current value + year to date income:	\$122,232
Year to Date Total Return	14.29%

INTEREST RATES

Comparative Current Yields

Security Type	Yields 9/30/16	Net Change Month	Net Change Y.T.D.	Spread 12/31/15	Spread 9/30/16
U.S. TREASURIES & EURO BENCHMARKS					
Ten Year	1.60	-1	-67		
Inflation Indexed	-0.03	-16	-43	-187	-163
Ten Year Euro(1)	-0.11	-6	-74	-164	-171
Euro Spot Rate	1.124	1	4		
CORPORATE BONDS²					
AAA	2.30	5	-73	76	70
A	2.84	4	-85	142	124
BBB	3.51	4	-113	237	191
BB	5.29	-80	-132	434	369
B	6.68	-61	-87	528	508
CCC	6.14	-153	-318	705	454
PREFERRED STOCKS³					
AA & A	4.88	-26	-38	299	328
BBB	5.18	-71	-108	399	358
BB	7.04	-20	-59	536	544
B	7.27	-25	-151	651	567
QUALIFIED DIVIDEND INCOME (QDI) PFDS⁴ — Yields —					
Invstmt. Grade	5.30	-7	-41	214%	282%
Below Inv. Grade	5.38	-21	-111	243%	286%
MUNICIPAL BONDS⁵ — Yields —					
AA	1.73	4	-42	95%	108%
A	1.90	6	-61	111%	119%
BBB	2.50	18	-42	129%	156%

¹Rate for ten-year German government bonds.

²Per Merrill Lynch.

³Per the Income Securities Advisor Index.

⁴Eligible for 15% tax rate. Yields shown at after tax % of US Treasuries rate.

⁵Per Bloomberg. Yields shown at % of US Treasuries rate.

EXPLANATION OF INTEREST RATE TABLE

The monthly table displays **Current Yields** for ten-year maturities of various debt instruments compared to the benchmark ten-year Treasuries. Note that preferred stocks often have no maturity or are callable in less than ten years.

The **Net Change** for the month- and year-to-date shows the change in basis points (100 basis points equals 1% in yield). A change in the U.S. Treasury rate is considered a change in the risk-free interest rate. The changes for the other securities reflect this same change plus whatever other risks investors perceive at the time.

The change in **Spreads** represents the difference between risk-free ten-year U.S. Treasuries and each security. A widening of spreads means an increased concern about credit quality. A sudden widening of spreads is considered a flight to quality. Spreads identify which securities are out of line with historical relationships and represent buying opportunities.

Since **Municipal Bonds** are tax exempt, their **yields** should be looked at in terms of their percentage of Treasury yields. Thus, if a muni yields 87% of Treasuries, it means it should be considered by anyone whose incremental tax rate is higher than the reciprocal of that number, or 13%. Hence, the higher the yield percentage, the lower your incremental tax needs to be, to make munis attractive or to look at them another way, more of their income is retained after taxes.

Third Quarter Results and Outlook

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thing. We now know this was like believing the promises of a politician seeking re-election.

I believe you can sum up our condition today as the result of too much of a good thing. In short, this country has become enormously prosperous since WWII because good economic policies and the power of compounding interest have resulted in the accumulation of capital in private hands well beyond the needs of a slowing economy. This slowing economy is brought about by demographic factors which need to work themselves out over a decade or two and can probably be little influenced by government policies, except in a negative way. The political class is seizing on this as an opportunity to mine this mountain of wealth for the benefit of those who (vote and) did not get their “fair” share. Forget about the morality or even good sense of such a policy, it is what it is. In a nutshell, the definition of “fair” is the most important thing at stake in our current Presidential election. The rest is mostly spin.

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Publisher: Richard Lehmann
Senior Analyst: George W. Weinfurtner
Subscriber Services: 800-472-2680

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Subscription Services: Diane Schmid
 212-367-3374