

Income Securities

BUILDING YOUR WEALTH WITH BONDS, CONVERTIBLES & PREFERREDS

INVESTOR



Richard Lehmann

Volume XXXV Issue 3

Corporate Updates 2

Recommendations

Preferred Stocks 3

CEFs 3, 4

Common Stocks 4

Master Ltd. Partnerships . . 4

Pricing

Corp. Bonds & MLPs . . . 5

Preferreds 6

Common Stock 7

Closed End Funds 7

Rating Changes 8

New Preferreds 8

Model Portfolios 9

Interest Rates & Yields . . 10

ALL PRICING AS OF 2/28/18

Pick of the Month

This issue's Pick of the Month has a colorful history. The company was started by a mushroom magnate who bought a depleted iron ore mine to get more space to grow his product. When the mushroom market business slowed down in the 1950s, he repurposed the mine to protecting corporate data from nuclear attacks. Later on, Iron Mountain added above-ground storage and was the first to use bar codes to provide real-time access to documents stored in boxes. Currently, increasing demand for data storage and protection services makes this REIT attractive for tax-deferred accounts of all risk levels. For details see page 4.

It's the Inflation, Stupid

This past month saw the first hesitancy in a stock market that was setting almost daily records in January despite a healthy run-up for the entire year 2017. The Dow Industrials' first 1,000-point break occurred the day new Federal Reserve Chairman Jerome Powell was sworn in. The markets' message for him that day was, "Welcome to the party, Powell." The market's swoon was attributed to concern that the Fed's deflating of its \$4 trillion balance sheet would drive up interest rates. A second reading of events now suggests that it was short-sale covering by speculators that drove the decline. If the latter is true, it is a sorry reflection on the state of our stock market. We already knew there was widespread concern about overpricing. Now we also know that the market is hugely vulnerable to speculators who focus on momentum rather than valuation. Nevertheless, Chairman Powell stands to get the blame if and when the party ends because markets and presidents always need a fall guy.

The fact is that the market is right to be concerned about interest rates, but not because of what the Fed will be doing. Rather, it is because we are heading into a growth economy where inflation will be the major feature. Interest rates are going up because

inflation is going up. Inflation is going up because we are stimulating an already healthy economy further with tax cuts. And this is being done in the context of seemingly full employment. What happens when growth and full employment coincide is that companies must lure away other companies' employees with higher pay. Why do you think all those companies announced special bonuses to all employees following the tax cut? It was to head off personnel losses they see coming, given that they may have been less than generous during the last few years, when employees were glad just to keep their jobs.

Another inflation-related concern is, "Who is short of production capacity and seeing rising demand?" Increases in production capacity take time to implement, so companies' short-term solution is to ration supply by raising prices. That means more inflation. In fact, current stock market valuations may not be that far off, given that inflation is a stimulus to earnings. Perhaps those elevated price-to-earnings ratios are not so elevated, since no corporate management will include in its earnings guidance the impact of inflation that is highly uncertain as to timing and amount.

continued on page 10

Rising Interest Rates and Asset Selection

Martin Fridson – Chief Investment Officer, LLF Advisors LLP

Where should you focus your income investments if you think the recent rise in long-term interest rates will continue? Recent experience is worth taking into account.

The accompanying table shows how a variety of income investments lost—or in some cases, actually gained—value as the ten-year Treasury yield soared from 2.41% at the end of 2017 to an interim peak of 2.94% on Valentine's Day. In most cases, price changes during that period were essentially driven entirely by the rise in rates. The market didn't lower these securities' valuations on account of any perceived increase in credit risk, as evidenced by an unchanged yield-spread-versus-Treasuries on the ICE BofA Merrill Lynch Corporate Index between December 31 and February 14.

Hardest hit were real estate investment trusts

(REITs). They rely heavily on borrowing to fund their dividend growth, so investors perceive them to be particularly vulnerable to rising interest rates. Among the best performers were leveraged loans and adjustable rate preferreds. Payouts on these instruments are not fixed but increase as benchmark rates rises. That lends stability to their trading prices. Another strategy that has worked well this year is to own beneficiaries of a strong economy, the underlying cause of rising interest rates. Dividend growth stocks participated in the period's net gain for the S&P500, while master limited partnerships (MLPs) benefited from rebounding oil prices.

Bearing in mind the principle that past performance is not necessarily indicative of future returns, look also

continued on page 2

CORPORATE UPDATES

TravelCenters of America LLC; 8.00% Senior Notes (PET Bonds) due 10/15/30; Par \$25.00; Annual Cash Payment \$2.00; Current Price \$24.86 Current Yield 8.05%; Call 10/15/18 at \$25.00; Yield to Call 8.92%; Pay Cycle 3m; Exchange NYSE; Ratings, Moody's NR, S&P NR; CUSIP 894174408; Family PET Symbol TANNZ (www.ta-petro.com)

TravelCenters of America LLC (TA) was initially recommended in November, 2015 and added to the High-Risk portfolio. TA is the largest publicly traded truck stop operator in the U.S., with more than 250 truck stops and over 225 convenience stores. The company's core business is selling diesel fuel and providing truck repair service. With the decline in fuel prices during 2015-2016, margins were compromised. However, the rebound and stabilization in energy prices during 2017 into 2018 have been encouraging. Nonetheless, TA remains challenged in other business areas. The company adopted an aggressive expansion strategy of its convenience store business using debt. The expansion effort has caused some digestion problems, cutting into net revenues as capital expenditures have moved higher. As a result, EBITDA has steadily declined since 2016 through last year's Q1 period, which saw a net loss of \$29.4 million. Our expectation last summer was that TA would continue to face challenges throughout the remainder of 2017 but could see an improving outlook in 2018. We removed the above PET issue from our High-Risk portfolio in July, also changing our recommendation to Hold from Buy. The company's Q2 and

Q317 financial results showed some improvement, despite modest declines in fuel sales volume. But the Q417 period saw a \$20.6 million net loss. EBITDA remains under pressure, although it showed some traction during late last year. **We continue to recommend TA as a Hold and will review the company again by the Q3-Q4 period in 2018.**

Virtu Financial Inc.; Current Price \$29.70; Current Annualized Yield 3.23%; Last Dividend Paid 12/15/17; Exchange NYSE; Ratings, Moody's NR, S&P NR; Pay Cycle 3m; CUSIP 928254101; Family Common Stock; Symbol VIRT (www.virtufinancial.com)

Virtu Financial Inc. (VIRT) was initially recommended in July 2017 with a target price of \$17.50 and a targeted annualized yield at the time of 5.50%. Since late last year VIRT common stock has performed strongly. The company is one of the largest high frequency trading and market making firms. VIRT provides two-sided quotations, trading electronically in equities, commodities, options, fixed income, on over 235 exchanges, markets, and dark pools, in 35 countries. The biggest stock and commodities exchanges include the NYSE and its affiliates, NASDAQ, CMEX, and LSE. While VIRT's financial performance has been solid, revenues and cash flows are subject to volatility, the competitive nature of electronic market making, and reliance on volume and client activity. The company recently announced very

continued on page 8

Advantage Data provides financial information invaluable to the analysis underlying these recommendations.

Rising Interest Rates and Asset Selection

(continued from page 1)

at what happened the last time ten-year Treasuries climbed to 3% — measuring from April 30 to December 31, 2013. In that period, as in the more recent one, REITs suffered the biggest price decline. Also similar to the 2018 pattern, dividend growth stocks, Treasury bills, leveraged loans, and MLPs were among the five best-performing asset classes.

One big difference between 2013 and 2018 is that adjustable rate preferreds declined sharply in 2013. Payouts on these instruments are typically pegged to the London Interbank Offered Rate (LIBOR). To the consternation of many investors, LIBOR did not rise much when Treasury yields skyrocketed in 2013, so neither did the payouts on adjustable rate preferreds. That strange outcome attracted the attention of securities regulators, who launched an investigation of traders suspected of manipulating LIBOR.

Events less bizarre than the LIBOR affair may produce some variation from the past in the ranking of asset classes by price volatility, if and when the ten-year Treasury yield continues its upward march. You should also consider how much current income you're willing to sacrifice for the sake of stable market value. Three-month T-Bills reliably hold steady when interest rates rise, but they yield only 1.63% (as of February 28). Remember, too, that many securities are currently depressed because of the rate rise but will eventually be redeemed at par, enabling you to invest the proceeds at presumably higher rates. Finally, our Recommendations in coming months may identify issues in the worst-performing asset classes that have become undervalued.

INTEREST RATE SENSITIVITY BY ASSET CLASS

Asset Class	Price Change (%)
December 31, 2017 to February 14, 2018	
Real Estate Investment Trusts	-10.89
Investment Grade Corporates	-3.19
Fixed Rate Preferreds	-3.13
Perpetual Preferreds	-3.13
Below Investment Grade Preferreds	-3.00
Treasury Bonds	-2.72
Mortgage Backed Securities	-2.55
Municipal Bonds	-1.98
Below Investment Grade Corporates	-1.95
Dividend Growth Common Stocks	-1.01
Adjustable Rate Preferreds	-0.97
Treasury Bills (3 Months)	0.15
Leveraged Loans	0.43
Master Limited Partnerships	0.45
April 30, 2013 to December 31, 2013	
Real Estate Investment Trusts	-13.63
Adjustable Rate Preferreds	-13.16
Fixed Rate Preferreds	-11.59
Perpetual Preferreds	-10.73
Municipal Bonds	-7.36
Below Investment Grade Preferreds	-6.34
Investment Grade Corporates	-5.95
Treasury Bonds	-5.58
Mortgage Backed Securities	-3.38
Below Investment Grade Corporates	-2.25
Leveraged Loans	-0.10
Treasury Bills (3 Months)	0.05
Master Limited Partnerships	1.61
Dividend Growth Common Stocks	13.24

Sources: Bloomberg, ICE BofA Merrill Lynch Index System, used with permission

Preferred Stocks

MB Financial, Inc.; 6.00% Fixed Rate, Non-Cumulative, Perpetual; Par \$25.00; Annual Cash Dividend \$1.50; Current Price \$24.85; Current Indicated Yield 6.04%; Call 11/25/22 at \$25.00; Yield to Call 6.14%; Pay Cycle 3m; Exchange NASDAQ; Ratings, Moody's Ba3, S&P NR; CUSIP 55264U405; Symbol MBFIO (www.mbfinc.com)

The above inaugural MB Financial (MBFI) 6.00% preferred issue is perpetual, but callable at the company's option, anytime on or after 11/25/22. MBFI is one of the smaller regional bank holding companies in the Midwest, based in Chicago, with approximately \$20 billion in total assets. The banking company offers commercial and consumer banking products and services, as well as private client and trust services, and investments through its wealth management group. MBFI's subsidiary operations include leasing, equipment finance, commercial productivity solutions, portfolio management, and wealth advisory. The company reported Q417 net income of \$144.2 million, compared to \$47.2 million a year earlier. Diluted EPS was \$1.67 versus \$0.53 in the Q416 period. Operating earnings of \$47.4 million were down 8.5% from a year earlier. Reported net income for Q417 was boosted by a \$104.2 million tax benefit as a result of the new tax enactment. Core revenue and earnings momentum in 2017 continued to benefit from strong loan growth, higher net interest income, strong lease financing revenues, and healthy credit quality measures. Despite this preferred stock's non-investment grade ratings, we recommend the issue for all taxable risk portfolios. Dividends are qualified and taxed at the 15-20% rate. **Buy up to \$26.80, which represents a current yield of 5.60% and a yield to call of 4.33%.**

Webster Financial Corp.; 5.25% Fixed Rate, Non-Cumulative, Perpetual; Par \$25.00; Annual Cash Dividend \$1.3125; Current Price \$24.16; Current Indicated Yield 5.43%; Call 12/15/22 at \$25.00; Yield to Call 6.05%; Pay Cycle 3m; Exchange NYSE; Ratings, Moody's Baa2, S&P BB-; CUSIP 947890505; Symbol WBS-F (need preferred designation before F) (www.websterbank.com)

Webster Financial Corp's (WBS) 5.25% preferred issue is perpetual, but callable at the company's option, anytime on or after 12/15/22. WBS is a regional bank holding company with over \$26 billion in total assets at 09/30/17. Based in Waterbury, CT, WBS operates throughout Connecticut, Southern Massachusetts, Providence, Rhode Island, and Westchester

Closed End Funds

Macquarie Global Infrastructure Tot Ret Fund; Current Price \$22.33; Current Annualized Yield 6.63%; Exchange NYSE; Discount to Net Asset Value -11.04%; Pay Cycle 3m; Expense Ratio 1.83%; Leverage Ratio 29.77%; CUSIP 55608D101; Family Closed-End Fund; Symbol MGU (www.macquarie.com)

Macquarie Global Infrastructure Tot Ret Fund's (MGU) primary investment objective is to provide a high level of total return, which is generated from dividends, other income, and capital appreciation. The fund typically invests at least 80% of its total assets in equity and equity-like securities, such as common and preferred stocks, convertible debt and preferred issues, and hybrid capital instruments issued by global companies, primarily owning or operating infrastructure assets. The fund seeks to manage its investments so that 25% of distributions are treated as qualified dividend income for U.S. federal income tax purposes. MGU's top

County, NY. The bank provides Commercial Banking services including asset-based lending, commercial real estate, equipment finance, and treasury and payment solutions. Consumer services, provided through WBS's Community Banking group, include full-service lending, as well as brokerage, investment advisory, and other securities-related services. The company reported Q417 net income of \$67.7 million or \$0.73 per share, topping analysts' estimates of \$0.67. Net income rose a sharp 22% from a year earlier. Stronger earnings reflected increased revenue momentum, fueled by a double-digit, year-over-year increase in net interest income. We recommend this preferred stock investment for low- to medium-risk taxable portfolios. Dividends are qualified and taxed at the 15-20% rate. **Buy up to \$26.25, which equals a current yield of 5.00% and a yield to call of 4.15%.**

B. Riley Financial, Inc.; 7.25% Fixed Rate, PET Senior Notes due 12/31/27; Par \$25.00; Annual Cash Interest Payment \$1.8125; Current Price \$25.01; Current Indicated Yield 7.25%; Call 12/31/20 at \$25.00 + Accrued Interest; Yield to Call 7.23%; Pay Cycle 3m; Exchange NASDAQ; Ratings, Moody's NR, S&P NR; CUSIP 05580M405; Symbol RILYG (www.brileyfin.com)

B. Riley Financial Corp.'s (RILY) 7.25% preferred exchange traded (PET) senior notes have a final maturity of 12/31/27 but are callable at the company's option anytime on after 12/31/20 at par plus accrued interest. RILY is a regional financial services company, based in Los Angeles, offering investment banking products and services through its Corporate Finance; Corporate Research; and Sales & Trading operations. Clients include institutions, corporations, and high net worth individuals. B. Riley FBR, Inc. is RILY's investment banking arm. The firm offers investment, asset, and wealth management advisory services through its Asset and Wealth Management subsidiaries and provides asset valuation and disposition services, and auction solutions. Commercial lending and real estate advisory services are provided through RILY's Great American Group subsidiary. The company reported Q317 adjusted net income of \$10.4 million or \$0.38 per share. Adjusted net income declined 8.9% from the Q316 period, largely due to higher SG&A expenses and restructuring costs in RILY's capital markets segment, in addition to weaker results from the company's auction and liquidation segment. We recommend this PET bond for medium- to high-risk tax-deferred portfolios. Interest payments are not qualified and are taxed as ordinary income. **Buy up to \$26.25 for a current yield of 6.90%, and a yield to call of 5.45%.**

sector weightings in its portfolio at the end of the Q317 period included Utilities (40%), Industrials (35%), Energy (15%), and Communication Services (7%). Geographic exposure was represented by North America (44%), Greater Europe (42%), and Greater Asia (13%). The lion's share of the fund's geographic risk was from developed markets, accounting for over 96% of total assets. MGU's performance has been very strong, especially in 2017, which saw a total return of 38.88% based on market price. The MGU fund is suitable for all medium- and high-risk portfolios. **Buy up to \$29.25, which is a 5.06% annualized yield.**

Calamos Global Dynamic Income Fund; Current Price \$9.13; Current Annualized Yield 9.20%; Exchange NASDAQ; Discount to Net Asset Value -2.04%; Pay Cycle 1m; Expense Ratio 1.46%; Leverage Ratio 30.75%; CUSIP

(continued on next page)

Closed End Funds *(continued from page 3)*

12811L107; *Family Closed-End Fund; Symbol CHW (www.calamos.com)*

The primary investment objective of the Calamos Global Dynamic Investment Fund (CHW) is to provide a high level of current income, with a secondary objective of capital appreciation. The fund has the flexibility to allocate its investments across common equities, preferred and convertible securities, fixed income, and alternative investment asset classes. While CHW typically invests 40% of its total assets in foreign securities, the fund can invest up to 100% in non-U.S. assets. The fund may invest in debt, preferred, and convertible issues, rated as low as the "C" category. CHW can also write covered call options in order to generate added income. The top 5 sector weightings at 12/31/17 were Informa-

Common Stocks

Iron Mountain Inc.; *Current Price \$31.46; Current Annualized Yield 7.46%; Last Dividend Paid 01/02/18; Exchange NYSE; Ratings, Moody's Ba3, S&P BB-; Pay Cycle 3m; CUSIP 46284V101; Family Common Stock; Symbol IRM (www.ironmountain.com)*

Iron Mountain Inc. (IRM) is a real estate investment trust (REIT) that provides storage, protection, and disposition services for all types of information to its more than 230,000 customers. IRM's services range from business documents and electronic files to medical data and fine art. Records & Information Management represents the lion's share of IRM's business, accounting for 75% of revenue and over 80% of the company's gross profits. Data Management accounts for 15% of revenue, followed by Shredding, which represents 10% of revenue. IRM has a network of more than 85 million square feet across almost 1500 facilities, both leased and owned, in 46 countries. Storage rental revenues account for 60% of total revenues, while service revenue is roughly 40%. IRM reported Q417 funds from operation (FFO) of \$86.7 million or \$0.53 per share, missing analysts' estimates by \$0.04. Revenue growth exceeded expectations. Adjusted funds from operations (AFFO) were \$154.2 million. With data storage and protection services seeing increased demand, the profit and expansion picture for the company looks healthy. IRM common stock is suitable for all risk portfolios. However, distributions are taxed as ordinary income, so the security is more appropriate for portfolios with tax-deferred strategies. **Buy up to \$41.75 for a 5.62% annualized yield.**

Master Limited Partnerships

Cheniere Energy Partners, LP; *Current Price \$29.32; Current Annualized Yield 6.82%; Exchange NYSE; Ratings, Moody's Ba2, S&P BB; Pay Cycle 3m; CUSIP 16411Q101; Family Master Limited Partnership; Symbol CQP (www.cheniere.com)*

Cheniere Energy Partners, LP (CQP) is a master limited partnership (MLP) created by Cheniere Energy. The MLP's wholly owned operating subsidiaries include the Sabine Pass LNG LP; the Cheniere Creole Trail Pipeline LP, located in Louisiana; and the Sabine Pass Liquefaction LLC. CPQ's primary business objectives are to generate stable cash flows to pay quarterly distributions to unit-holders, as well as increase its cash distributions over time. Cash flow and distributions from the partnership's three operating subsidiaries are the primary source of funds for distributions to unit-holders and debt repayment. CQP has a highly

leveraged capital structure with Debt-to-EBITDA in excess of 6x. Partly offsetting the high leverage are the low-risk services that CPQ's operating subsidiaries provide, under long-term take-or-pay contracts. Moreover, counter-party credit risk is sound. CPQ's credit outlook remains stable at both Moody's and S&P. The partnership reported Q417 net income of \$374.0million, compared to a year-ago net income of \$86 million. Adjusted EBITDA for the Q417 period was sharply higher at \$612.0 million, compared to \$202 million in Q416. High earnings, EBITDA, and cash flow were driven by higher income from operations, primarily due to the further build-out of the Sabine Liquefaction LLC. As a result, CQP raised its 2018 guidance. Distributions are tax-advantaged, but on a variable basis according to the K-1 filing. This investment is suitable for high-risk taxable portfolios. **Buy up to \$34.50 for a 5.80% annualized yield.**

New York Community Bancorp, Inc.; *Current Price \$13.62; Current Annualized Yield 4.99%; Last Dividend Paid 02/27/18; Exchange NYSE; Ratings, Moody's Baa2, S&P BBB-; CUSIP 6494451031; Family Common Stock; Symbol NYCB (www.mynycb.com)*

New York Community Bancorp, Inc. (NYCB) is among the 25 largest U.S. bank holding companies with total assets of almost \$50 billion. On 09/30/17 the banking company had \$29 billion in total deposits across 255 branches in Metro New York City, New Jersey, Florida, Arizona, and Ohio. Growth has been largely driven by mergers and acquisitions, which include two FDIC-assisted transactions between 2000 and 2010. NYCB is a leading producer/originator of multi-family housing loans for its portfolio in New York City, with a focus on rent-regulated buildings, which typically feature below-market rents. The company reported Q417 net income of \$136.5 million or \$0.26 per share, \$0.08 ahead of analysts' estimates, as NYCB benefited from a larger than expected net tax credit. Net income rose a sharp 20% from a year earlier, benefiting from the tax credit, higher volume, and lower provisions for loan losses. Asset quality metrics continue to be healthy and the balance sheet solid. NYCB common stock dividends are taxed at the 15-20% rate, making this investment suitable for low- to medium-risk taxable portfolios. **Buy up to \$17.20, which is a current annualized yield of 3.95%.**

Exch	Issuer	Coupon Rate %	Maturity	CUSIP	Current Price	Current Yield %	Yield to Maturity %	Ratings Moody	Ratings S&P	Call Date	Call Price	Yield to Worst %	Recommend
BONDS													
OTC	AT&T Inc	3.9	8/14/2027	00206REMO	99.52	3.9	3.9	Baa1 /*-	BBB+ /*-	5/14/2027	100.0	3.9	Buy
OTC	Cincinnati Bell Inc	7.3	6/15/2023	171870AK4	102.48	7.1	6.6	Ba3	BB-	N/A	N/A	6.6	Hold
OTC	Consolidated Natural Gas	6.8	12/15/2027	209615BS1	113.01	6.0	5.0	Baa2	BBB	N/A	N/A	5.0	Hold
NYSE	EQT Corp	3.9	10/1/2027	26884LAF6	95.86	4.1	4.4	Baa3	BBB /*-	7/1/2027	100.0	4.4	Buy
OTC	Hillshire Brands Co/The	6.1	11/1/2032	803111AM5	112.52	5.4	4.8	WR	BBB	N/A	N/A	4.8	Hold
OTC	Mondelez International	6.5	11/1/2031	50075NAC8	123.29	5.3	4.2	Baa1	BBB	N/A	N/A	4.2	Hold
OTC	Office Depot Inc	5.0	3/1/2030	023663AB3	73.38	6.8	8.5	B3	NR	4/2/2018	103.0	8.5	Hold
OTC	Owens Corning	7.0	12/1/2036	690742AB7	127.80	5.5	4.7	Ba1	BBB	N/A	N/A	4.7	Hold
OTC	Qwest Corp	7.1	11/15/2043	912920AG0	96.48	7.4	7.3	Ba2	BBB-	4/2/2018	102.0	7.3	Buy
OTC	Safeway Inc	7.3	2/1/2031	786514BA6	83.79	8.7	9.4	B3	CCC+	N/A	N/A	9.4	Buy
OTC	Sprint Capital Corp	6.9	11/15/2028	852060Ad4	95.15	7.2	7.5	B3	B	N/A	N/A	7.5	Hold
OTC	Vale Overseas Limited	6.9	11/21/2036	91911TAH6	120.14	5.7	5.2	Ba1	BBB-	N/A	N/A	5.2	Hold

Exch	Issuer	Coupon Rate %	Maturity	CUSIP	Current Price	Current Yield %	Yield to Maturity %	Moody Rating	S&P Rating	Conversion Rate	Common Price \$	Yield to Worst %	
OTC	Jefferies Group LLC	3.9	11/1/2029	472319AG7	99.10	3.9	N/A	WR	WR	25.50/76	23.64	N/A	
INVESTMENT GRADE CONVERTIBLE BONDS													
BELOW INVESTMENT GRADE CONVERTIBLE BONDS													
OTC	Liberty Interactive LLC4.0		11/15/2029	530715AG6	72.21	5.5	7.5	B2	B2	22.9486	27.56	7.5	

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 \$	Target \$
CQP	NYSE	Cheniere Energy Partners LP	29.53	6.78	Var	33.47	26.41	4/30/2018	2/14/2018	Quarter	1.7	34.50
DCP	NYSE	DCP Midstream LP	35.90	8.70	Var	42.79	29.70	5/7/2018	2/14/2018	Quarter	3.1	38.35
DMLP	NASDAQ	Dorchester Minerals LP	15.55	9.95	Var	19.10	13.90	4/27/2018	2/8/2018	Quarter	0.9	20.00
EQM	NYSE	EQT Midstream Partners LP	62.94	6.51	Var	80.44	60.59	4/30/2018	2/14/2018	Quarter	3.8	80.50
GMLP	OTC	Golar LNG Partners LP	19.68	11.74	Var	23.49	18.49	5/10/2018	2/14/2018	Quarter	2.3	26.00
HEP	NYSE	Holly Energy Partners, L.P.	29.37	8.85	Var	37.56	28.48	5/4/2018	2/14/2018	Quarter	2.5	36.75
MMP	NYSE	Magellan Midstream Part LP	63.10	5.83	Var	78.48	62.36	5/7/2018	2/14/2018	Quarter	3.5	80.00
MPLX	NYSE	MPLX LP	34.89	6.96	Var	39.38	30.88	N/A	2/14/2018	Quarter	2.3	40.00
NRP	NYSE	Natural Resource Partners LP31.05		5.80	Var	45.60	22.81	5/3/2018	2/14/2018	Quarter	1.8	43.10
PSXP	NYSE	Phillips 66 Partners LP	49.63	5.46	Var	56.71	44.40	N/A	2/13/2018	Quarter	2.4	56.25
SEP	NYSE	Spectra Energy Partners LP	39.55	7.47	Var	46.47	38.42	5/14/2018	2/28/2018	Quarter	2.8	50.50
SMLP	NYSE	Summit Midstream Part, LP	16.80	13.69	Var	24.90	16.30	5/10/2018	2/14/2018	Quarter	2.3	24.25
SUN	NYSE	Sunoco LP	28.64	11.53	Var	33.11	23.09	5/14/2018	2/14/2018	Quarter	3.3	30.00
TEP	NYSE	Tallgrass Energy Partners LP	38.64	9.99	Var	54.49	35.37	4/27/2018	2/14/2018	Quarter	3.7	53.50
TLP	NYSE	Transmontaigne Partners LP	35.23	8.74	Var	49.31	35.23	4/27/2018	2/8/2018	Quarter	2.8	48.50
VLP	NYSE	Valero Energy Partners LP	39.31	5.16	Var	50.07	38.11	N/A	2/13/2018	Quarter	1.9	44.85

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

PREFERRED

previously recommended

Symbol	Exch.	Family	Issuer	Coupon	Div. \$	Tax	Cycle	CUSIP	Current Price \$	Current Yield %	Moody/S&P Rating	Call Date	Call Price \$	Yield to Call %	Debt Maturity	Target \$
PREFERRED																
AGNCN	OTC	Perp	AGNC Investment Corp	7.00	1.75	OI	3m	00123Q500	25.15	6.96	NR/NR	10/15/2022	25.00	7.09	N/A	26.50
ALLB	NYS	PB	Allstate Corp	5.10	1.28	OI	3m	20002309	26.21	4.85	Baa1/BBB	1/15/2023	25.00	4.06	1/15/2053	27.20
ACGLO	OTC	Perp	Arch Capital Group Ltd	5.45	1.36	15%	3m	03939A107	24.21	5.62	NR/BBB	8/17/2022	25.00	6.48	N/A	26.10
AHTF	NYS	REIT	Ashford Hospitality Trust	7.38	1.84	OI	1m	044103604	23.32	7.91	NR/NR	7/15/2021	25.00	10.04	N/A	25.50
ASB D	NYS	Perp	Assoc Banc-Corp	5.38	1.34	15%	3e	045488608	24.68	5.45	Baa3/BB	9/15/2021	25.00	5.62	N/A	25.65
RILYG	NAS	PET	B. Riley Financial, Inc	7.25	1.81	OI	3m	05580M405	24.89	7.27	NR/NR	12/31/2020	25.00	7.53	12/31/2027	26.25
CHSCL	NYS	Perp	CHS Inc	7.50	1.88	15%	3e	12542R803	28.38	6.60	NR/NR	1/21/2025	25.00	5.30	N/A	30.80
CLNS-I	NYS	REIT	Colony NorthStar Inc	7.15	1.79	OI	3m	19625W872	22.35	8.02	NR/NR	6/5/2022	25.00	10.56	N/A	26.25
CLNS-J	NYS	Perp	Colony NorthStar Inc	7.13	1.78	OI	3m	19625W864	22.29	8.00	NR/NR	9/22/2022	25.00	10.42	N/A	26.20
CUBIE	NYS	Perp	Customers Bancorp Inc	6.45	1.61	15%	3m	23204G605	26.10	6.19	NR/NR	6/15/2021	25.00	4.86	N/A	26.90
CUBIF	NYS	Perp	Customers Bancorp Inc	6.00	1.50	15%	3m	23204G704	25.96	5.86	NR/NR	12/15/2021	25.00	5.18	N/A	27.00
DDR A	NYS	REIT	DDR Corp	6.38	1.59	15%	3m	23317H870	24.04	6.70	NR/BB	6/5/2022	25.00	7.68	N/A	26.25
DTW	NYS	PB	DTE Energy Co.	5.25	1.31	OI	3m	233331859	23.88	5.50	Baa2/BBB-	12/1/2022	25.00	6.37	12/1/2077	26.25
FPI B	NYS	Perp	Farmland Partners Inc	6.00	1.50	OI	3m	31154R208	25.69	5.88	NR/NR	9/30/2021	25.00	5.47	N/A	26.25
	OTC	Perp	JPMorgan Chase & Co	4.63	46.25	15%	6m	48128BAD3	97.50	4.78	Baa3/BBB-	11/1/2022	1000.00	4.67	N/A	N/A
LTS A	NYS	Perp	Ladenburg Thalmann Fin S	8.00	2.00	15%	M	50575Q201	25.39	7.72	NR/NR	5/24/2018	25.00	3.40	N/A	25.60
MBFIO	NAS	Perp	MB Financial Inc	6.00	1.50	15%	3m	55264U405	24.77	6.07	Ba3/NR	11/25/2022	25.00	6.27	N/A	26.80
PLYM A	NYS	Perp	Plymouth Industrial REIT, Inc7.50	1.88	1.88	OI	3m	729640201	25.00	7.61	NR/NR	12/31/2022	25.00	5.86	N/A	26.65
SRC A	NYS	Perp	Spirit Realty Capital, Inc	6.00	1.50	OI	3m	84860W201	22.47	6.66	Ba1/BB	10/3/2022	25.00	8.87	N/A	26.35
SFBNS	PB	Stifel Financial Corp	5.20	1.30	OI	3m	860630607	24.44	5.32	NR/BBB-	10/15/2022	25.00	5.90	10/15/2047	26.35	
TCF D	NYS	Perp	TCF Financial Corp	5.70	1.43	15%	3m	872275300	24.95	5.72	Ba1/BB-	12/1/2022	25.00	5.76	N/A	26.35
VR B	NYS	Perp	Validus Holdings Ltd	5.80	1.45	15%	3m	91915W300	25.33	5.72	Baa3/BBB-	6/21/2022	25.00	5.40	N/A	26.15
VLY B	NYS	Perp	Valley National Bancorp	5.50	1.38	15%	3m	919794305	25.75	5.32	NR/BB	9/30/2022	25.00	4.87	N/A	26.75
WBSF	NYS	Perp	Webster Financial Corp	5.25	1.31	15%	3m	947890505	24.16	5.44	Baa3/BB	12/15/2022	25.00	6.01	N/A	26.25
WFCY	OTC	Perp	Wells Fargo	5.63	1.41	15%	3m	94988U656	24.95	5.63	Baa2/BBB-	6/15/2022	25.00	5.62	N/A	26.10
MANDATORY CONVERTIBLE PREFERRED																
AGN A	MD	Allergan PLC	5.50	55.00	OI	EP0481507	543.50	10.09	NR/NR	1.3082	4.07	148.19	03/18*	N/A	N/A	N/A
AEUA	MD	Anadarko Petroleum Corp	7.50	3.75	OI	032511404	33.04	11.44	NR/NR	0.4299	22.27	36.50	6/18	N/A	N/A	N/A
BKHU	MD	Black Hills Corp	7.75	3.88	OI	092113125	57.23	6.79	NR/NR	1.0911	6.26	50.97	11/18*	N/A	N/A	N/A
DTV	MD	DTE Energy Co	6.50	3.25	OI	233331883	51.21	6.33	NR/NR	2.8345	18.93	100.73	10/19*	N/A	N/A	N/A
HES A	MD	Hess Corp	8.00	4.00	OI	42809H404	54.83	7.30	NR/NR	1.5440	10.29	45.67	02/19*	N/A	N/A	N/A
KMLA	MD	Kinder Morgan Inc/Delawa	9.75	4.88	OI	49456B200	33.22	14.63	NR/NR	2.9030	33.61	16.21	10/18*	N/A	N/A	N/A
OPTIONAL CONVERTIBLE PREFERRED																
BAC L	OP	Bank Of America Corp	7.25	72.50	15%	060505682	1271.63	5.72	Ba1/BBB-	20.0000	102.0	31.48	NC	N/A	N/A	N/A
BGEPF	OP	Bunge Ltd	4.88	4.88	OI	EP0237628	110.00	4.45	Ba1/BB+	1.0846	23.8	75.98	NC	N/A	N/A	N/A
WFCL	OP	Wells Fargo & Company	7.50	75.00	15%	949746804	1275.00	5.89	Baa2/BBB	6.3814	249.1	57.31	NC	N/A	N/A	N/A
HCNI	OP	Welltower Inc	6.50	3.25	OI	95040Q203	55.20	N/A	NR/NR	0.8460	22.8	N/A	NC	N/A	N/A	N/A

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

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	Target \$
COMMON STOCKS														
AB	NYSE	AllianceBernstein Holding LP	01881G106	26.25	12.82	Var	28.15	20.40	5/11/2018	3/8/2018	Quarter	2.30	US	25.90
AHT	NYSE	Ashford Hospitality Trust Inc	044103109	5.58	8.60	OI	7.20	5.42	3/28/2018	1/16/2018	Quarter	0.48	US	8.10
BBVA	NYSE	BBVA	05946K101	8.21	5.16	15%	9.54	6.66	4/6/2018	10/25/2017	Quarter	N/A	SP	9.85
CXW	NYSE	CoreCivic, Inc.	21871N101	21.32	8.07	OI	35.10	19.59	6/29/2018	4/16/2018	Quarter	1.68	US	28.00
HTGC	NYSE	Hercules Capital Inc	427096508	11.89	10.43	OI	15.68	11.64	5/10/2018	3/12/2018	Quarter	1.24	US	16.20
HPT	NYSE	Hospitality Properties Trust	44106M102	24.90	8.35	OI	32.68	24.54	4/19/2018	2/22/2018	Quarter	2.07	US	31.50
IBM	NYSE	International Business Mach Corp	459200101	153.81	3.90	15%	182.55	139.13	5/9/2018	3/10/2018	Quarter	6.00	US	185.00
IRM	NYSE	Iron Mountain Inc	46284V101	31.63	7.43	OI	41.53	30.95	6/14/2018	4/2/2018	Quarter	2.27	US	41.75
MPW	NYSE	Medical Properties Trust Inc	58463J304	12.53	7.98	OI	14.22	11.82	6/13/2018	4/12/2018	Quarter	0.96	US	14.80
MCY	NYSE	Mercury General Corp	589400100	45.08	5.55	15%	63.23	41.40	6/13/2018	3/29/2018	Quarter	2.50	US	60.00
NAVI	OTC	Navient Corp	63938C108	12.95	4.94	OI	16.97	11.48	5/31/2018	3/16/2018	Quarter	0.64	US	14.25
NYCB	NYSE	New York Comm Bancorp, Inc	649445103	13.79	4.93	15%	15.59	11.67	5/3/2018	2/27/2018	Quarter	0.68	US	17.20
OLP	NYSE	One Liberty Properties Inc	682406103	22.45	8.02	OI	27.70	21.02	3/22/2018	1/5/2018	Quarter	1.66	US	25.50
PACW	OTC	PacWest Bancorp	695263103	52.12	3.84	15%	57.53	43.08	5/18/2018	2/28/2018	Quarter	2.00	US	54.00
SNH	OTC	Senior Housing Properties Trus	81721M109	15.44	10.10	OI	22.52	14.90	4/19/2018	2/22/2018	Quarter	1.56	US	21.60
SRC	NYSE	Spirit Realty Capital, Inc	84860W102	7.82	9.21	OI	10.98	6.64	3/28/2018	1/12/2018	Quarter	0.72	US	10.25
BANX	OTC	StoneCastle Financial Corp	861780104	21.38	7.11	Var	22.12	19.01	#N/A N/A	1/3/2018	Quarter	1.16	US	22.75
BX	NYSE	The Blackstone Group L.P.	09253U108	33.57	10.13	OI	37.52	28.45	4/27/2018	2/20/2018	Quarter	2.70	US	35.29

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	Target \$
AFB	AllianceBernstein Natl Mini Inc Fund	12.58	4.37	4.82	14.36	-12.04	14.22	12.57	9/1/2017	3/1/2018	1m	14.90
BOE	BlackRock Enhanced Global Divi	11.73	7.98	19.49	12.70	-5.51	13.08	10.92	1/16/2018	3/14/2017	2e	14.00
BBK	BlackRock Municipal Bond Trust	14.42	5.28	5.31	15.82	-8.53	16.4652	14.26	8/3/2017	2/6/2018	1m	17.90
CHY	Calamos Convertible & High Inc Fund	11.60	10.34	10.34	11.75	-0.43	12.42	10.60	1/24/2018	2/6/2018	1m	14.90
CHW	Calamos Global Dynamic Inc Fund	9.01	9.32	9.32	9.14	-0.98	9.87	7.53	1/24/2018	3/9/2017	1m	11.20
FOF	Cohen & Steers Closed-End Oppo	12.53	8.33	8.33	13.49	-7.14	13.52	11.60	1/26/2018	2/5/2018	M	14.85
MIE	Cohen & Steers MLP Inc & Enrgy Opp	9.79	9.44	9.44	10.18	-3.05	11.75	8.87	3/1/2017	11/15/2017	M	10.85
RNP	Cohen & Steers REIT and Prefer	18.65	7.98	7.98	20.68	-9.82	21.98	17.91	10/16/2017	2/6/2018	3e	21.80
DNP	DNP Select Income Fund Inc	10.00	7.80	7.80	8.68	15.83	11.57	9.71	10/13/2017	2/6/2018	1m	15.30
DBL	DoubleLine Opportunistic Credit Fund	21.74	9.22	9.22	20.89	4.00	26.09	21.15	7/3/2017	2/6/2018	M	27.85
ETV	Eaton Vance Tax-Managed Divers	11.62	8.71	8.71	12.21	-3.36	12.565	10.17	1/22/2018	2/5/2018	M	13.45
FEO	First Trust Aberdeen Emerging	16.53	4.84	8.47	18.07	-8.44	17.42	14.28	1/25/2018	3/9/2017	3m	18.25
DFP	Flaherty & Crumrine Dynamic Fund	24.57	7.23	7.64	25.61	-4.32	28.3546	23.50	12/15/2017	3/9/2017	1m	29.75
FFC	Flaherty & Crumrine Preferred	19.25	7.11	7.63	19.95	-3.76	22.44	18.35	7/17/2017	1/26/2018	M	22.55
GOF	Guggenheim Strategic Opp Fund	19.91	10.98	10.98	19.42	2.78	21.85	18.80	1/10/2018	2/6/2018	1m	25.25
JHI	John Hancock Investors Trust	16.99	7.18	7.82	18.13	-6.60	18.85	16.43	8/23/2017	3/15/2017	3m	20.75
KYN	Kayne Anderson MLP Investment	17.33	10.39	10.39	17.61	-0.91	20.38	14.05	1/24/2018	11/29/2017	1m	22.80
MGU	Macquarie Global Infra. Tot Ret Fund	22.13	6.69	6.69	25.00	-11.04	26.5	21.48	9/18/2017	3/14/2017	3m	29.25
CXE	MFS High Income Municipal Trust	4.90	5.88	6.13	5.31	-7.17	5.51	4.87	11/28/2017	2/22/2018	1m	6.25
NVG	Nuveen AMT-Free Municipal Cred	14.38	6.05	6.09	15.95	-9.66	15.8239	14.03	9/13/2017	3/13/2017	M	17.40
JPC	Nuveen Preferred Income Opport	9.77	7.98	7.95	10.51	-7.22	10.75	9.57	8/3/2017	3/10/2017	3m	11.75
PHK	PIMCO High Income Fund	7.46	12.98	12.98	6.68	11.68	8.96	7.19	3/7/2017	11/15/2017	1m	9.65
ZTR	Virtus Global Dividend & Inc Fund Inc	11.30	12.00	12.00	11.30	1.86	14.18	11.23	1/24/2018	3/10/2017	1m	17.25
IDE	Voya Infrastructure Industrial	15.46	7.50	7.50	16.38	-4.76	17.6614	13.81	12/26/2017	3/6/2017	1m	15.50
EAD	Wells Fargo Income Opportuniti	8.08	7.72	8.63	9.15	-12.00	8.97	7.80	8/7/2017	2/6/2018	M	9.50

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.;** beginning of month; **m:** middle of month; **e:** end of month; **two numbers, e.g., 5/11:** semiannual pay. **3. Recommend:** accumulate at or below this price. **NR:** not rated. **NA:** not applicable. **4. Family:** Fg=foreign, PB=PET Bonds, TP= Trust Preferreds, TTPP= 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
7-Eleven Inc	M	+	Baa1
A Schulman Inc	S	+	B+*+
Abbott Laboratories	M	+	Baa2
Advanced Micro Devices Inc	M	+	B2
Alon USA Partners LP	S	+	BB
AMC Entertainment Inc	M	-	B3
BakerCorp International Inc	S	-	CCC+
Barclays Financial LLC	M	-	A1*-
Barrick Gold Corp	M	+	Baa2
Boston Properties Inc	M	+	Baa2
Calceus Acquisition Inc	M	+	B3
Calfrac Well Services Ltd	S	+	B-
Cogent Communications Group Inc	M	+	Ba3
Compass Bank	M	+	Baa3*+
David's Bridal Inc	M	-	Caa3
Denbury Resources Inc	S	+	CCC+
Dollar Tree Inc	M	+	Baa3*+
Enterprise Holdings Inc	S	+	A-
EQT Corp	S	-	BBB*-
Family Dollar Stores Inc	M	+	Baa2
FCA US LLC	S	+	BB+
First Industrial LP	S	+	BBB
Flexi-Van Leasing Inc	S	+	B-

Preferred Rating Changes

Issuer	Agency	Action	Rating
Barclays Bank PLC	M	-	Ba2*-
Firststar Realty LLC	M	-	A3*-
US Bancorp	M	-	A3*-
USB Realty Corp	M	-	A3*-

Corporate Updates

(continued from page 2)

strong Q417 earnings on the heels of increased volatility across all markets. Quarterly results were a record \$25.3 million, versus \$9.0 million a year earlier, propelling the stock higher by over 25% in one day on the heels of the company's financial results. **With VIRT's**

Issuer	Agency	New Action	Rating
Gategroup Holding AG	S	-	B-
General Mills Cereals LLC	S	-	BBB
Genworth Life Insurance Co	M	-	B3
Hellenic Republic	M	+	B3
High Ridge Brands Co	M	-	B3
HRG Group Inc	M	+	B2*+
JG Wentworth LLC	S	+	CCC+
Jones Energy Holdings LLC	M	-	Caa2
K Hovnanian Enterprises Inc	M	+	B2
Kirby Corp	S	-	BBB
Lamar Media Corp	S	+	BB
MEG Energy Corp	M	+	B3
Molina Healthcare Inc	M	-	B3
NBG Finance PLC	M	+	Caa2
NuStar Energy LP	M	-	B1
Oshkosh Corp	M	+	Ba1
Phoenix Loan Holdings Inc	M	+	Ba2*+
Rio Tinto America Inc	S	+	A

+ : upgrade; - : downgrade; *- : possible downgrade; *+ : possible upgrade

New Preferreds

Issuer	Symbol	Issue	Moody/S&P Ratings	Par Value
1347 Property	PPNSP	8.000	NR/NR	25.00
Newtek Business	NEWTI	6.250	NR/NR	25.00
Preferred Apt Co	N/A	6.000	NR/NR	1000.00
Preferred Apt Co	N/A	5.750	NR/NR	1000.00
Sotherly Hotels	SOHOK	7.250	NR/NR	25.00
Westpac Bank	WBCPH	FRN	NR/NR	100.00

*initial rating

common now trading at \$29.70 and greatly exceeding our target price of \$17.50, we are changing our recommendation to a Hold from a Buy. Indeed, investors looking to take some profit at this point cannot be faulted, but long-term, we recommend VIRT as a Hold.

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	Target
ACGLO	Arch Capital Group Ltd	5.62	24.19	400	1/18	\$26.10
DNP	DNP Select Income Fund	7.80	10.05	900	1/18	\$15.30
AGM B	Farmer Mac	6.51	26.50	400	2/15	N/A
FFC	Flrty&Crum/Clay Pfd In	7.11	19.20	450	12/15	\$22.50
GOV	Government Pptys Inc T	12.63	13.72	550	1/17	\$24.50
MS K	Morgan Stanley	5.52	26.59	350	6/17	\$27.50
NTRSP	Northern Trust Corp	5.49	26.73	400	1/17	\$26.50
NVG	Nuveen Enhd AMT-Fr Mun	6.05	14.40	600	6/16	\$18.20
SFB	Stifel Financial Corp	5.32	24.37	400	10/17	\$26.35
WFC L	Wells Fargo Company	5.89	1275.00	10	6/15	\$1,400.00

Summary Statistics

Monthly Payout Average:	\$533
Current yield on portfolio:	6.62%
Inception Value: (1/1/18)	\$102,184
Last month's value:	\$98,837
Current value of portfolio	\$96,644
Current value + year to date income:	\$97,376
Year to Date Total Return	-4.71%

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	Target
BAC L	Bank of America	5.72	1279.53	10	5/17	\$1,600.00
BGEPF	Bunge Ltd	4.45	109.50	100	6/15	\$111.00
CLNS I	Colony NorthStar Inc	8.02	23.90	400	7/17	\$26.25
GGN	GAMCO Gbl Gold	12.10	5.00	1200	1/18	\$7.00
GOF	Guggenheim Strat Opp Fund	10.98	19.96	450	12/15	\$25.25
JHI	John Hancock Investors Trust	7.18	16.98	550	1/18	\$20.75
KKR B	KKR	6.22	25.95	400	5/17	\$27.50
KMI A	Kinder Morgan Inc/Delw	14.63	33.32	250	12/15	\$47.00
MPW	Medical Properties Tr	7.98	12.26	750	1/17	\$14.80
SNH	Senior Housing Pptys	10.10	15.14	500	3/15	\$24.00

Summary Statistics

Monthly Payout Average:	\$644
Current yield on portfolio:	8.30%
Inception Value: (1/1/18)	\$101,417
Last month's value:	\$96,580
Current value of portfolio	\$93,101
Current value + year to date income:	\$94,169
Year to Date Total Return	-7.15%

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	Target
AHT F	Ashford Hospitality Tr	7.91	23.26	400	1/17	\$26.50
CHY	Calamos Cvt & High Inc Fund	10.34	11.70	850	1/18	\$14.90
CHSCL	CHS Inc	6.60	28.18	350	2/15	\$29.00
FUN	Cedar Fair L.P.	5.35	66.81	150	2/16	\$68.50
STK	Columbia Seligman Tech	8.38	22.28	450	12/15	\$28.00
DBL	DoubleLine Opp Credit Fund	9.22	21.60	450	9/17	\$27.85
HEP	Holly Energy Partners L.P.	8.85	29.40	300	12/17	\$36.75
L TSA	Ladenburg Thalman	7.72	25.34	400	2/16	\$26.60
PHK	PIMCO High Income Fund	12.98	7.46	1350	1/17	\$9.65
BANX	StoneCastle Financial Corp	7.11	21.57	500	1/18	\$23.75

Summary Statistics

Monthly Payout Average:	\$694
Current yield on portfolio:	8.44%
Inception Value: (1/1/18)	\$99,839
Last month's value:	\$99,629
Current value of portfolio	\$98,692
Current value + year to date income:	\$99,681
Year to Date Total Return	-0.16%

Multi-driver Portfolio

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

Symbol	Issuer	Yield	Price	Qty	Rpt Date	Target
ALL B	Allstate Corp	4.85	26.33	400	1/18	\$27.20
UTF	Cohen & Steers Infr	8.75	21.50	400	1/15	\$28.50
CUBI F	Customers Bancorp Pfd	5.86	26.40	400	12/18	\$27.00
DLC	Digital Realty Trust	6.19	26.78	350	3/14	\$27.25
HCP	HCP Inc	6.75	21.64	400	1/18	\$27.50
HES A	Hess Corp	7.30	54.76	150	3/16	\$67.00
TCF D	TCF Financial Corp	5.72	24.76	400	10/17	\$26.35
HQL	Tekla Life Scis Invst	8.34	19.27	500	1/15	\$24.75
VOD	Vodafone Group	4.18	28.31	300	9/12	\$36.00
IDE	Voya Infrst	7.50	15.60	600	1/16	\$21.50

Summary Statistics

Monthly Payout Average:	\$506
Current yield on portfolio:	6.51%
Inception Value: (1/1/18)	\$99,285
Last month's value:	\$97,786
Current value of portfolio	\$93,326
Current value + year to date income:	\$94,240
Year to Date Total Return	-5.08%

Comparative Current Yields

Security Type	Yields 2/28/18	Net Change Month	Net Change Y.T.D.	Spread 12/31/17	Spread 2/28/18
U.S. TREASURIES & EURO BENCHMARKS					
Ten Year	2.86	16	18.8%	N/A	N/A
Inflation Indexed	0.74	15	76.2%	-199	-212
Ten Year Euro(1)	0.66	23	52.6%	-198	-221
Euro Spot Rate	1.22	-2	1.6%	N/A	N/A

CORPORATE BONDS²

AAA	3.38	20	15.4%	52	52
AA	3.25	24	17.3%	36	39
BBB	4.02	26	12.3%	117	116
BB	4.87	38	12.5%	192	201
B	6.61	71	13.6%	341	375
CCC	9.38	23	-0.7%	704	652

PREFERRED STOCKS³

AA&A	5.10	-8	4.2%	249	224
BBB	5.50	-20	-0.2%	310	264
BB	6.03	-10	0.9%	357	317
B	8.32	25	8.6%	525	546

QUALIFIED DIVIDEND INCOME (QDI) PFDS⁴ — Yields —

Investment Grade	5.60	-10	2.8%	227%	196%
Below Inv. Grade	5.80	-1	0.3%	240%	203%

MUNICIPAL BONDS⁵ — Yields —

AA	2.48	11	12.7%	91%	87%
A	2.82	11	20.0%	98%	99%
BBB	3.42	12	11.4%	128%	119%

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.

It's the Inflation, Stupid

continued from page 8

Fixed income investors don't have the luxury of waiting to see when inflation will accelerate and by how much; they need steady income now. If they have been following our recommendations, their portfolios currently yield between 5% and 7%. That leaves a lot of ground that the bond market must make up before it can compete with such rates. Income investors need to think in terms of the next three to five years. They may see some volatility over the next five years but if they are earning a 6% cash return now, then at the end of that period, their capital should still be intact and they will have earned a cash 6% return the entire time. How many equities investors today can say the same with confidence?

Those who don't need to be fully invested should keep 5% to 10% cash in their accounts until this year's volatility plays out. Income securities will get whipsawed by the stock market's volatility, which should open up buying opportunities. I suggest that instead of cash, you buy a gold ETF such as GLD to park your cash. Gold will do well in 2018, I believe. I close with a piece of wisdom from my friend Michael Lewitt, who in his excellent newsletter *The Credit Strategist* writes; "If investors complain they are not paying a manager to sit in cash, their manager should explain they are paying him or her to know when to sit in cash."

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