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Yield and Income Newsletter

Every properly constructed portfolio will contain securities to generate income.
Yield and Income Newsletter strives to present you with timely income investment insights from analysts throughout the United States. Bonds, preferred stocks, real estate investment trusts, or master limited partnerships can be a part of a successful income portfolio – and *Yield and Income Newsletter* gives you the edge.

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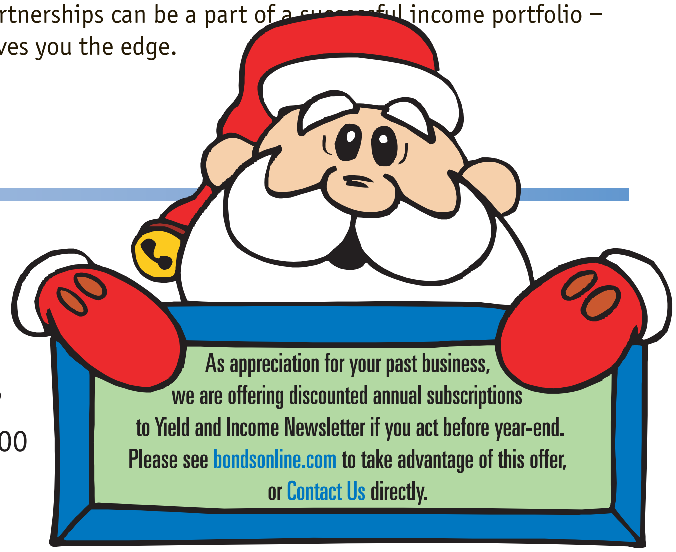

Strategy/Citigroup Investment Research

Citi recently lifted its targets for the S&P 500. It is looking for the index to top 1100 at year-end, from its previous forecast of 1000. However, it is looking for just a slight gain in 2010, to 1150 by year-end from its previous forecast of 1100.

The bank, however, says it is very possible that these targets will be overshot, to the 1200-1250 range, if money flows into equities pick up. “While we normally prefer not to respond to the market’s whims, we see little reason to expect any major correction in the absence of a substantive liquidity shift in the near term given recent commentary by the G-20 and the Fed,” Citi adds in a recent note to investors.

Citi says its Panic/Euphoria Model—its key sentiment metric—recently slipped into “panic” territory. This is good news, it assures. The bank says it generates a supportive backdrop. “This indicator has proven itself quite helpful in identifying market trends,” it adds.

Citi also asserts that valuation remains reasonable and volatility argues for more upside. “Our lead indicators for volatility still contend that one should experience higher markets next year and valuation remains fairly reasonable,” it adds. “However, there may be some issues later in 2010 should the Fed raise rates, as is expected, which most likely would cause some P/E multiple compression, limiting index gains even in the face of teen-like EPS growth.”

The investment bank also believes the earnings trajectory is supportive. It explains that better credit conditions support stronger industrial activity which historically has driven earnings. It also points out that its margin and leading profits indicators shore up the market’s potential for further gains in 2010 as equity markets generally track earnings patterns.

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Strategy/JPMorgan Chase

JPMorgan recently raised its 2010 EPS estimate for the S&P 500 to $80 from $76, asserting that the current higher earnings base seen in 2009 is mostly sustainable. It also says continued low interest rates and expected GDP expansion should enable companies to generate substantial operating leverage.

The investment bank points out that the $80 estimate is 13% above the Bloomberg Strategist Consensus of $70.

"Typically, the S&P 500 has re-attained peak EPS within 12 months of a business cycle trough, and our revised estimate forecasts 18 months, similar to 2002," the bank recently told clients in a research note, stressing that its forecasts could prove conservative.

Financials should play a big role in boosting overall Index earnings. JPMorgan figures that in 2010, loan loss provisions should shift from a $15 drag on S&P 500 earnings to a $6 drag. This is a $9 swing in one year. The bank does concede, however, that lower securities gains could offset the expected improvement in loan loss provisions. "But, overall EPS growth should be more than 70% and would still reflect profits more than 53% off the prior highs," it adds.

The upshot: JPMorgan's year-end 2009 target for the S&P 500 is now 1160, up from 1100, driven by its increased EPS estimate as well as potential pro-cyclical catalysts in the next six weeks such as: positive development in payrolls (the report was written shortly before Labor Department jobs report on Dec. 4); further evidence of stabilization in housing; and greater M&A in 2009 versus the prior year.

What should investors do? JPMorgan expects Industrials, Technology and Energy to see the greatest upside into year-end given their greater GDP sensitivity and current low relative valuations.

More specifically, JPMorgan identified 25 cyclical stocks that it thinks could benefit from this "pro-Cyclical" move into year-end. In each case, the firm's analyst EPS forecast is 10% above the Street, the stock's market cap exceeds $4 billion, and the stock is rated Neutral or Overweight by JPM Analysts. Of the 25 stocks, three yield more than 3%.

Company	Industry	Ticker	Current Price	52-week Range	Current Yield
Kinder Morgan Energy	Energy MLP	KMP	$58.26	$40.19 - 58.42	7.30%
Mead Westvaco	Packaging	MWV	27.37	7.53 - 28.00	3.50
Wynn Resorts	Casinos	WYNN	65.54	14.50 - 74.90	9.50

SMID Strategy/JPMorgan Chase

JPMorgan's SMID analysts say the Russell 2000 could reach 690 sometime in 2010, which would work out to roughly a 17% gain from current levels. The bulk of the gains will be driven by cyclicals and GDP-sensitive groups.

"We're entering 2010 constructive on equities, as the synchronized global GDP recovery bodes well for earnings power, while global slack argues for stable interest rates," the bank recently told clients in a note. "In other words, a scenario that favors risk assets, with the case further aided by an anticipated fall in volatility."

One reason it favors cyclicals: The bank anticipates a surge in M&A compared with 2009 and 2008. This expectation favors smaller companies, it adds. "Additionally, we believe stock picking will enable managers to handily outperform the Russell 2000, as many did in 2009," JPMorgan asserts.

In general, JPMorgan recommends an Overweight of Energy, Industrials, Materials, Technology, Discretionary, and Financials. It stresses it is not making major changes to its sector mix in 2010.

It is Underweight Healthcare, Staples, and Utilities and is Neutral on Telecom Services.

"We believe it is still too early to favor Defensives such as Healthcare, Staples, Utilities, and Telecoms," it told

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clients. Standby. JPMorgan says in the second half of 2010, it would favor adding exposure to these groups as potentially higher asset price volatility in the second half improves the performance of Defensives.

Strategy/Credit Suisse Securities

Credit Suisse recently lifted its recommended rating of Continental Europe to 5% overweight from 5% underweight. This is the first time it is overweight Europe since 2007.

The bank cited a number of reasons for this change. For one thing, it noted that Europe typically starts to outperform nine months after the trough in global lead indicators. In addition, Europe tends to outperform when interest rate expectations start to rise, due to its low leverage and high fixed debt.

CS also noted that European lead indicators now suggest the same GDP growth as in the U.S. In addition, Europe as a region has much lower leverage in aggregate and in the consumer sector than the U.S., Japan or U.K. From a valuation standpoint, CS pointed out that the sector-adjusted 12-month forward P/E in Europe is 14% below that of the U.S. compared with a norm of 2%.

Among the countries that comprise continental Europe, Credit Suisse says Germany looks particularly attractive. "Its recovery is stronger than the rest of Europe, aided, in particular, by its large manufacturing and capital goods exposure," it explains. "As the world's second-biggest exporter (after China), it is particularly leveraged into the rebound in global trade."

CS also likes the fact that Germany has low leverage. It notes that the country has a structural primary budget surplus, a household savings ratio of 11% and consumers are net floating-rate creditors. "As a result, Germany is the European market most resilient to rises in rates/bond yields," the bank adds.

So, where should investors take the money from to change their European weighting? Credit Suisse recommends downgrading Japan to benchmark from

25% overweight, citing, in part, its strong yen and its tightening fiscal policy. CS also notes that Japan has slipped to the bottom of its macro scorecard and monetary policy is tight.

Strategy/Merrill Lynch

In a recent report to clients, Merrill Lynch wonders whether the U.S. is entering a lost decade, similar to Japan during the 1990s. Afterall, both periods saw severe recessions induced by the simultaneous bursting of credit and real estate bubbles, it notes.

In addition, both countries faced aging populations, economies with declining global market share and rising unemployment, Merrill notes. "Similar to what we are witnessing now in the U.S., nominal Japanese interest rates plummeted and the yield curve steepened to record levels in 1995," the bank adds. "This occurred while Japanese fiscal spending appeared to be accelerating out of control."

However, the bank also stresses there are some critical differences. For one thing, the speed and magnitude of the U.S. policy response was drastically different, forcing the banks to recognize losses and raise capital, as well as providing massive monetary and fiscal stimulus.

As a result, whereas it took the Japanese stock market 5.5 years to stabilize, it took less than 18 months for the U.S. "Thus, assuming the U.S. stock market's lows have been set, the relevant period of comparison is Japan from 1995 onward, not 1989-90 onward," Merrill adds.

The investment bank also points out that Japan's credit bubble was concentrated within the corporate sector. The U.S. credit bubble was concentrated in the

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household sector. "The need for extensive corporate balance sheet repair hobbled Japan's economy and stocks," it adds..

Strategy/Wells Fargo Advisors

Wells Fargo recently reiterated its target of 1135-1175 for the S&P Composite Index for later next year, citing its breadth of models and studies of past bull market behaviors.

However, it told clients in a note that a combination of stronger than expected earnings and lower than expected inflation may encourage the firm to lift its year-end 2010 target to an even higher level.

In any case, it recommended that investors continue to average into this market in coming months. "We believe the S&P 500 will be higher than current levels one year out," it added. "While some consolidation and pullback is probably overdue, our advice is to stay invested."

Wells Fargo also pointed out that the S&P could move to an even higher level based on one critical factor it likes to look at—market breadth.

It noted that between October 2008 and August 2009, between 27 and 28 of a diversified set of 28 sub-groups were lower than they were a year earlier. "Our message through most of that period was that there was more room for positive surprises and a return to more favorable investor sentiment from such extremely negative levels of breadth and sentiment," the bank explained, noting that at the time the market was looking for a bottom.

Now, just two industry groups are still lower than a year ago —the electric utility group, which Wells current is underweighting, and the international integrated oils group, for which it carries an Even Weight or Neutral rating.

Wells noted that in the past, the median forward performance of the S&P Composite Index was roughly 12.5% when only two of the 28 groups were still down.

This would work out to a move toward the 1245 area by November of 2010.

It continues to underweight the less cyclically sensitive Health Care, Consumer Staples, and Utilities sectors of the market.

Strategy/Deutsche Bank Securities

Deutsche Bank points out in a new report that one reason investors have been reluctant to join the market rally since March is because it has been led by higher beta—lower quality stocks. However, it stressed that this is normal. "The recent underperformance of quality stocks has been very much in line with the historical pattern, which is generally countercyclical," it added.

However, it also stressed that history suggests the downside risks for further underperformance of high quality stocks from here are limited. "High quality stocks have massively underperformed in this rally and, as a group, have reached a relative level that has historically acted as a trough," it added.

Investors can take advantage of this situation by buying high quality stocks cheap on normalized earnings. It screened for the top 50 high quality stocks that are cheapest on normalized EPS. Wells used a two-step process.

First, it filtered out the lowest quality, using five factors to measure quality on a sector relative basis: five-year ROA (return on assets), five-year ROE (return on equity), five-year EBITDA margin, five-year asset turnover, and debt to capital. "Relative performance

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across the top tiers of the quality spectrum does not vary much," Wells pointed out.

It noted, however, that the bottom tiers in terms of quality underperform over time. So, it filters out the bottom half of firms ranked on quality, based on the average of the five metrics. This leaves the firm with the top half of high quality firms in the S&P 500. It then selects the top 20% of this group, or the top 50 firms.

Wells insists back testing found the strategy has outperformed the S&P 500 by 10% annually. Periods of underperformance are limited to very late stages of equity market rallies "when there is little medium-term value left in the market," it noted in the report.

The following are the 18 companies that met Wells Fargo's screen of top 50 companies that have a current yield of at least 3%. Wells Fargo stresses that not all of these stocks are currently recommended by the individual analysts who follow them..

Company	Industry	Ticker	Current Price	52-week Range	Current Yield
Pepco Holdings	Utilities	POM	$16.75	$10.07 - 18.71	6.70%
AT&T	Telecom Services	T	27.18	21.44 - 30.65	6.10
Valero Energy	Energy	VLO	16.08	15.10 - 26.20	3.80
Pfizer	Health Care	PFE	18.85	11.62 - 18.90	3.50
Sunoco	Energy	SUN	25.68	21.45 - 47.40	4.70
Ameren	Utilities	AEE	26.58	19.51 - 35.35	6.00
ConocoPhillips	Energy	COP	52.26	34.12 - 57.44	3.90
Lockheed Martin	Industrials	LMT	78.93	57.41 - 87.06	3.30
Edison Intl.	Utilities	EIX	34.60	23.09 - 35.20	3.70
Pitney Bowes	Industrials	PBI	23.14	17.62 - 27.46	6.20
Reynolds American	Consumer Staples	RAI	50.84	31.55 - 51.78	6.60
Carnival	Consumer Discretionary	CCL	32.13	16.80 - 34.95	5.00
Eaton	Industrials	ETN	65.43	30.02 - 67.06	3.10
Nucor	Materials	NUE	43.29	29.84 - 51.08	3.40
American Electric Power	Utilities	AEP	33.04	24.00 - 34.34	5.20
Altria Group	Consumer Staples	MO	19.07	14.42 - 19.48	7.20
NYSE Euronext	Financials	NYX	25.28	14.52 - 31.93	4.80
Eli Lilly	Health Care	LLY	37.09	27.21 - 40.78	5.30

Energy Master Limited Partnerships

MLPs/Morgan Stanley

Morgan Stanley points out that so far this year master limited partnerships have risen 52% on a price return basis compared with 21% for the S&P500. "We have been surprised at how well MLPs have held up following third-quarter earnings results," the bank noted in a recent weekly report to clients.

It was anticipating some weakness, given the lack of recent catalysts and potential year-end portfolio adjusting.

Even so, Morgan Stanley currently rates five Midstream Energy MLP stocks as Overweight.

Buckeye GP Holdings L.P.

Ticker	Current Price	52-Week Range	Price Target	Current Yield
BGH	$28.39	$10.63 - 30.00	$34.00	5.60%

Buckeye GP Holdings owns and controls Buckeye GP LLC, which is the general partner of Buckeye Partners, L.P. (BPL). Its primary cash-generating assets are its general partner interests in Buckeye, which consist of general partner units, or GP units, in Buckeye, the incentive distribution rights in Buckeye, and about 1% general partner interests in Buckeye's subsidiary operating partnerships. Buckeye Partners, L.P. owns and operates one of the largest independent refined petroleum products pipeline systems in the United

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States in terms of volumes delivered, with about 5,400 miles of pipeline. Buckeye Partners, L.P. also owns 64 refined petroleum products terminals, operates and maintains approximately 2,400 miles of pipeline under agreements with major oil and chemical companies, owns a major natural gas storage facility in northern California, and markets refined petroleum products in certain of the geographic areas served by its pipeline and terminal operations.

Morgan Stanley asserts that recent cost cutting should provide a boost in 2010 "We believe the majority owners (ArcLight and Kelso) are committed to growing distributions via organic projects and acquisitions," it states in its recent report.

El Paso Pipeline Partners, L.P.

Ticker	Current Price	52-Week Range	Price Target	Current Yield
EPB	$23.72	$13.75 - 23.96	$27.00	5.90%

The MLP was formed by El Paso Corp. to own and operate natural gas transportation pipelines, storage and other midstream assets. Its assets consist of Wyoming Interstate Co. Ltd., a wholly-owned interstate pipeline transportation business; a 58% interest in Colorado Interstate Gas, an interstate pipeline company; and a 25% interest in Southern Natural Gas, an interstate natural gas company. Combined, these three interstate pipeline businesses consist of about 12,300 miles of pipeline and associated storage facilities with aggregate underground working natural gas storage capacity of 89 billion cubic feet (Bcf).

Morgan Stanley notes that the partnership enjoys strong sponsor support as El Paso Corp. owns the GP and also 65% of the outstanding LP units. "Pipeline assets provide stable cash flow with an average contract life of six years and 90% capacity demand charges locked in," it adds.

Regency Energy Partners LP

Ticker	Current Price	52-Week Range	Price Target	Current Yield
RGNC	$19.97	$7.00 - 20.90	$22.00	8.90%

Regency specializes in the gathering and processing, contract compression, and transportation of natural gas and natural gas liquids. Its general partner is owned by an affiliate of GE Energy Financial Services, a business unit of GE.

"Strong GP committed to RGNC through asset dropdowns and financing," Morgan Stanley notes in a recent report.

Enterprise GP Holdings L.P.
Energy Transfer Equity

Ticker	Current Price	52-Week Range	Price Target	Current Yield
EPE	$36.76	$16.13 - 37.85	$43.00	5.60%
ETE	29.68	14.92 - 31.00	34.00	7.30

Enterprise GP Holdings L.P. owns general and limited partner interests of publicly traded partnerships engaged in the midstream energy industry and related businesses. Currently, investments are held in Enterprise Products Partners, L.P. and Energy Transfer Equity, L.P. and their respective general partners. Enterprise Products Partners is a midstream energy company providing a wide range of services to producers and consumers of natural gas, NGLs, crude oil, and certain petrochemicals. In addition, Enterprise Products Partners develops pipeline and other midstream energy infrastructure in the continental United States and Gulf of Mexico. Enterprise GP Holdings holds about 39 million common units of Energy Transfer Equity and about 34.9% of its general partner.

"Diversified holdings provide multiple avenues for growth," Morgan Stanley notes in a recent report. However, it says that the inclusion of large LP interests diminishes the growth multiplier somewhat.

Energy Transfer Equity owns the general partner of Energy Transfer Partners, L.P. and about 62.5 million ETP limited partner units. "Solid cash flows and predictable growth underpin our stance on the stock," Morgan Stanley points out.

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MLPs/Credit Suisse

Energy Transfer Partners. L.P.
Energy Transfer Equity. L.P.

Ticker	Current Price	52-Week Range	Price Target	Current Yield
ETP	$43.21	$30.05 - 47.44	$48.00	8.30%
ETE	29.68	14.92 - 31.00	35.00	7.30

Energy Transfer offers two separate publicly-traded securities: Energy Transfer Partners, L.P., a Master Limited Partnership, and Energy Transfer Equity, L.P., a “GP” MLP. ETP offers greater distribution income but less accelerated growth; ETE offers less distribution income but faster growth.

Energy Transfer Partners has pipeline operations in Arizona, Colorado, Louisiana, New Mexico, and Utah, and owns the largest intrastate pipeline system in Texas. ETP’s natural gas operations include intrastate natural gas gathering and transportation pipelines, natural gas treating and processing assets and three natural gas storage facilities located in Texas. These assets include about 14,600 miles of intrastate pipeline in service. In addition, ETP owns 2,700 miles of interstate pipeline in service and has a 50% interest in a joint venture that has about 500 miles of interstate pipeline under construction. ETP is also one of the three largest retail marketers of propane in the United States, serving more than one million customers across the country.

Energy Transfer Equity owns the general partner of Energy Transfer Partners, L.P. and about 62.5 million ETP limited partner units.

Credit Suisse recently reiterated its Outperform rating on both securities. However, the bank said in a recent note to investors that it believes Energy Transfer Equity remains a more attractive way to invest in Energy Transfer. “We are not changing our estimates, and, although we reiterate our Outperform rating on ETP as it offers an attractive total return proposition of 18%, ETE, ETP’s general partner, still has a higher total return potential of 26%.,” it added.

MLPs/UBS

Inergy LP

Ticker	Current Price	52-Week Range	Price Target	Current Yield
NRGY	$33.07	$13.85 - 33.70	$35.00	8.20%

Inergy sells propane and leases propane supplies and equipment to retail consumers – residential, commercial, industrial and agricultural. The company also provides complete wholesale propane supply, price risk management and logistics services to customers throughout the United States and Canada. The company also operates a growing natural gas business. Inergy operates a natural gas gathering/processing, fractionation and terminaling business on the west coast as well as a natural gas storage business in New York.

UBS recently raised its 12-month price target to $35 from $32, and maintained its Buy recommendation. The bank said the price target incorporates a lower discount rate after successfully extending and expanding its credit facility. Inergy recently replaced its revolving credit facility with a new $525 million four-year revolver, which UBS asserted reduces capital market risk. “We believe this new revolver and minimal credit balance positions NRGY to opportunistically purchase both midstream and propane assets,” UBS stated in a recent note to clients.

It added that the price target implies an 8.1% yield on the bank’s fourth quarter 2010 target run-rate of $2.83 per unit, versus the peer average of 8.3%.

MLPs/Barclays Capital

Targa Resources Partners LP

Ticker	Current Price	52-Week Range	Price Target	Current Yield
NGLS	$20.30	$6.04 - 20.99	$24.50	10.40%

Targa is a large provider of integrated midstream natural gas services. It owns or operates over 11,300

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miles of natural gas gathering and NGL pipelines, with natural gas gathering systems covering about 14,400 square miles and 22 natural gas processing plants with over 10,250 MMcf/d of gross processing capacity. Its onshore and straddle plant assets access natural gas supplies in the Permian Basin, Fort Worth / Bend Arch Basin, South Louisiana Basin, deepwater and deep shelf Gulf of Mexico.

In addition, it has a significant, integrated NGL logistics and marketing business, with 13 terminals. Targa also owns 13 storage/transport terminal facilities in a number of states.

Barclays recently raised its price target to $24.50—from a previous target of $21 —based on a 12-month distribution run rate of $2.20 and target yield of 9%. “We believe NGLS offers compelling investment opportunity given attractive current yield and solid growth prospects leading to above 15% annual total return prospect,” Barclays recently told clients in a note. “Importantly management has shown solid execution capability despite significant direct commodity exposure.”

REITs

Mortgage REITs/Credit Suisse Securities

Credit Suisse asserts that residential mortgage REITs continue to offer an attractive risk/reward outlook.

In a new report, it points out that book values across the residential mortgage REITs have benefited from continued MBS price appreciation in the fourth quarter. In November, fixed-rate Agency MBS showed the largest increase. The biggest beneficiary was Annaly.

“The operating environment for the residential mortgage REITs remains favorable in the fourth quarter and is likely to continue into 2010,” CS points out. It expects the majority of the return to come from the dividend over the next 12-months.

It reiterated Outperform ratings on six REITs —Annaly, Anworth, Invesco Mortgage, MFA, PennyMac, and Walter.

Annaly Capital Management

Ticker	Current Price	52-Week Range	Price Target	Current Yield
NLY	$18.49	$12.07 - 19.74	$19.00	15.00%

Annaly manages assets on behalf of institutional and individual investors worldwide. Annaly’s principal business objective is to generate net income for distribution to investors from its investment securities and from dividends it receives from its subsidiaries.

Anworth Mortgage Asset Corp

Ticker	Current Price	52-Week Range	Price Target	Current Yield
ANH	$7.18	$7.15 - 7.23	$8.00	15.60%

Anworth invests primarily in securities guaranteed by the U.S. Government, such as Ginnie Mae, or guaranteed by federally sponsored enterprises, such as Fannie Mae or Freddie Mac. Anworth generates income for distribution to shareholders primarily based on the difference between the yield on its mortgage assets and the cost of its borrowings.

Invesco Mortgage Capital

Ticker	Current Price	52-Week Range	Price Target	Current Yield
IVR	$21.30	$19.25 - 22.18	$22.00	11.50%

Invesco acquires, finances and manages residential and commercial mortgage-backed securities and mortgage loans. It aims to provide attractive risk-

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adjusted returns primarily through dividends and secondarily through capital appreciation. Its portfolio consists of residential mortgage-backed securities for which a U.S. Government agency or a federally chartered corporation guarantees payment of principal and interest – commonly referred to as Agency RMBS; Residential mortgage-backed securities that are not issued or guaranteed by a U.S. government agency (Non-agency RMBS); Commercial mortgage-backed securities (CMBS); and Residential and commercial mortgage loans.

MFA Financial

Ticker	Current Price	52-Week Range	Price Target	Current Yield
MFA	$7.49	$5.00 - 8.39	$8.00	13.20%

MFA Financial is primarily engaged in the business of investment, on a leveraged basis, in a portfolio of both Agency and non-Agency residential mortgage-backed securities. The mortgage-backed securities that MFA acquires are primarily secured by pools of hybrid and adjustable-rate mortgage loans on single family residences. Hybrid mortgage loans have interest rates that are fixed for a specified period and, thereafter, generally adjust annually to an increment over a pre-determined interest rate index. Interest rates on the hybrid and adjustable-rate mortgage loan collateralizing MFA's mortgage-backed securities are based on an index rate, such as the one-year constant maturity treasury rate or the London Interbank Offered Rate (LIBOR). MFA utilizes repurchase agreements, which typically bear interest rates reflective of the short-term LIBOR, to finance the acquisition of its hybrid and adjustable-rate mortgage-backed securities and other assets. MFA primarily generates net income by maintaining a positive spread between the interest and other income it earns on its investments and the cost of financing such investments and its operating costs.

PennyMac Mortgage Investment Trust

Ticker	Current Price	52-Week Range	Price Target	Current Yield
PMT	$17.75	$16.70 - 20.00	$20.50	NA

NA: not applicable

PennyMac raised $320 million in an initial public offering back in July. Its Chief Executive Officer, Stanford L. Kurland, was president and chief operating officer of Countrywide Financial Corp., whose collapsing sub-prime loans forced the company founded by Anthony Mozilo to sell to Bank of America Corp. in 2008. PennyMac was created to invest primarily in residential mortgage loans and mortgage-related assets. Its objective is to provide attractive risk-adjusted returns to investors over the long-term, primarily through dividends and secondarily through capital appreciation. It intends to achieve this objective by investing in mortgage loans, a substantial portion of which may be distressed and acquired at discounts to their unpaid principal balances.

Walter Investment Management

Ticker	Current Price	52-Week Range	Price Target	Current Yield
WAC	$12.70	$0.08 - 18.13	$15.00	16.40%

Walter is a mortgage portfolio owner and mortgage servicer specializing in subprime, non-conforming and other credit challenged mortgage assets.

REITs/Barclays Capital

Barclays points out in a recent report to clients that REITs have rallied considerably since June 30 — up 37.2% versus 20.7% for the S&P 500. Barclays attributes this performance to three primary factors: a more stable fundamental outlook than the market had priced in; the expectation of opportunistic external expansion; a rally in the credit markets and gains in financial stocks broadly.

Even so, it continues to have a positive investment outlook on the group. However, it stresses that this is a long-term view, stressing that REITs appear fairly valued at current levels. "With limited near-term catalysts on the horizon, we believe that the group could be range-bound over the next few quarters as fundamentals continue to deteriorate," Barclays stresses. "That said, we believe that the stocks remain

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attractive on an absolute basis for long term holders, and could move higher when growth expectations for 2011 become more visible and fully priced in."
Even so, Barclays says it continues to believe that companies with clean balance sheets and access to capital—such as Vornado Realty Trust, Boston Properties, AvalonBay Communities and Simon Property Group —are positioned to take advantage of opportunities as they arise from the pending distress in commercial real estate broadly. "Those opportunities, however, are difficult to forecast and may not materialize for another 6-18 months," Barclays warns.

Rather, it singles out three names it believes present attractive relative valuation plays.

ProLogis

Ticker	Current Price	52-Week Range	Price Target	Current Yield
PLD	$13.24	$ 3.25 - 16.68	$15.00	4.50%

ProLogis is a global provider of distribution facilities, with more than 475 million square feet of industrial space in markets across North America, Europe and Asia. It leases industrial space to manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs.

Barclays points out that ProLogis and AMB Property—which it also rates Overweight —have "embedded upside" potential from vacancy within their existing portfolios, especially the development pipelines. "These pipelines are currently less than 50% occupied, and the improving demand picture...should drive improved occupancy over the coming year or two," the bank notes in its report. It adds that both AMB and ProLogis have de-levered their balance sheets to the point where they can hold these development projects.

Mack Cali Realty

Ticker	Current Price	52-Week Range	Price Target	Current Yield
CLI	$32.65	$13.73 - 37.63	$35.00	5.70%

Mack-Cali owns, manages, and develops class A office properties. Its portfolio consists of about 33.2 million square feet of primarily office and office/flex buildings in the Northeast and Mid-Atlantic regions, as well as over 11 million square feet of land to accommodate additional commercial development.

"Near-term risks to our target price include a weaker than expected office market, especially in the suburbs, leasing challenges, unexpected large tenant defaults, declining asset values, dividend coverage, capital needs, and funds flow away from real estate generally," Barclays points out in its recent report.

Kimco Realty

Ticker	Current Price	52-Week Range	Price Target	Current Yield
KIM	$12.76	$6.33 - 20.90	$14.00	2.00%

The retail REIT specializes in the acquisitions, development, and management of neighborhood and community shopping centers. As of December 31, 2008, it owned interests in 1,950 properties comprising 182 million square feet of leasable space across 45 states, Puerto Rico, Canada, Mexico and South America.

Kimco recently completed the purchase of the remaining 85% interest in PL Retail LLC, an entity comprising 21 shopping centers that the company manages and in which the company previously held a 15% interest. It paid about $175 million, based on an enterprise price of $825 million, less the assumption of approximately $564 million in non-recourse mortgage debt and $50 million of perpetual preferred stock. The company funded the acquisition from its existing credit facility.

"Near-term risks to our target price include a slowdown consumer spending, tenant bankruptcy/store closings, inability to lease development projects, risk of financing development projects, and funds flow out of REITs generally," Barclays warned in its report.

Utilities/Deutsche Bank

Deutsche Bank recently initiated coverage of the Utilities & Power sector. However, it is not wildly bullish.

"Utilities have lagged the market rally significantly and we expect this trend to continue so long as the macro outlook is improving," the bank told investors in a lengthy report.

It asserted that higher Beta diversified names are best positioned for recovery. However, it warned their fundamentals are clouded by demand uncertainty, tightening federal environmental mandates and commodity pressure as hedges roll off and technology gains keep pressure on natural gas.

Rather, it currently has Buy ratings on three utilities in the regulated area—American Electric Power, CMS Energy and ITC Holdings. "Regulated utilities, which have lagged the most in 2009, look reasonably attractive for equity investors positioning for a market pullback," Deutsche Bank noted.

DB also has Buy ratings on Edison International and PSEG.

American Electric Power

Ticker	Current Price	52-Week Range	Price Target	Current Yield
AEP	$34.05	$24.00 - 34.35	$37.00	5.00%

AEP owns nearly 38,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a nearly 39,000-mile network that includes more 765 kilovolt extra-high voltage transmission lines than all other U.S. transmission systems combined. AEP's transmission system directly or indirectly serves about 10% of the electricity demand in the Eastern Interconnection, the interconnected transmission system that covers 38 eastern and central U.S. states and eastern Canada, and about 11% of the electricity demand in ERCOT, the transmission system that covers much of Texas.

CMS Energy

Ticker	Current Price	52-Week Range	Price Target	Current Yield
CMS	$14.80	$9.12 - 15.14	$17.00	3.40%

CMS Energy's business strategy is focused primarily on its principal subsidiary, Consumers Energy, an electric and natural gas utility serving about 6.5 million of Michigan's 10 million residents. CMS Enterprises is CMS Energy's non-utility businesses subsidiary. CMS Energy also is engaged in independent power generation in several states. EnerBank USA, a wholly owned subsidiary, is FDIC insured.

ITC Holdings

Ticker	Current Price	52-Week Range	Price Target	Current Yield
ITC	$46.54	$32.26 - 48.69	$50.00	2.70%

ITC is the nation's largest independent electric transmission company. It focuses solely on electric transmission. Its three operating companies – ITC*Transmission*, Michigan Electric Transmission Company, LLC (METC), and ITC Midwest – serve an area of nearly 80,000 square miles in five states. It operates about 15,000 circuit miles of overhead and underground transmission lines, carrying more than 25,000 megawatts (or 25 billion watts) of electric power.

Edison International

Ticker	Current Price	52-Week Range	Price Target	Current Yield
EIX	$35.04	$23.09 - 35.51	$37.00	3.60%

Edison International, through its subsidiaries, is a generator and distributor of electric power and an investor in infrastructure and energy assets, including renewable energy. It is the parent company of Southern California Edison, one of the nation's largest electric utilities, and Edison Mission Group, a competitive power generation business and parent company to Edison Mission Energy and Edison Capital.

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PSEG

Ticker	Current Price	52-Week Range	Price Target	Current Yield
PEG	$32.33	$23.65 - 34.02	$37.00	4.20%

PSEG is one of the 10 largest electric companies in the U.S. Its principal subsidiaries are: Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Energy Holdings. PSE&G is a regulated public utility company engaged in the transmission and distribution of gas and electricity to nearly three quarters of New Jersey's population. PSEG Power is a major supplier of electric energy in the constrained Northeast and Mid-Atlantic markets, with three main subsidiaries: PSEG Fossil, PSEG Nuclear, and PSEG Energy Resources and Trade. PSEG Energy Holdings through its PSEG Global subsidiary is focused on operating segments in the electric industry as its PSEG Resources subsidiary is focused on financial investments in the energy industry, while managing potential tax risk associated with its lease portfolio.

Closed-End Funds

Equity Closed-End Funds/ Stifel Nicolaus

Stifel Nicolaus currently has a Buy rating on three equity funds. But, it stresses that investors should realize that they are more complex than simply funds that invest in stocks. In addition, each fund uses leverage in its portfolio, which adds risk.

Eaton Vance Tax-Advantaged Dividend Income Fund

Ticker	Current Price	Prem/Dis	Current Yield
EVT	$15.66	-6.18%	8.75%

Stifel says the fund invests in a combination of common equity and preferred stock. Preferred stock is largely issued by companies in the financial industry. "Because of the use of leverage and the exposure to financials, we feel that EVT is best suited for aggressive investors," the investment bank says in its quarterly closed-end funds report. It notes the fund had 24.9% of its portfolio invested in preferred shares and 72% invested in common stock as of September 30, 2009.

Macquarie Global Infrastructure Total Return Fund

Ticker	Current Price	Prem/Dis	Current Yield
MGU	$15.37	-18.22%	4.25%

Stifel notes that MGU invests in a combination of common stocks of global infrastructure companies and domestic master limited partnerships (MLPs). As of September 30, 2009, the fund had about 86.7% of its investments in developed markets and about 13.4% invested in emerging markets. "We believe that the fund's investments in non-dollar denominated assets (approximately 75% of the fund's holdings) are an attractive feature to investors wishing to diversify their currency exposure," Stifel told clients in its report.

Lazard Global Total Return & Income Fund

Ticker	Current Price	Prem/Dis	Current Yield
LGI	$15.10	-12.36%	5.30%

LGI invests in a combination of common equity and emerging markets' currencies. As of October 31, 2009, the fund had about 70.8% invested in common equity and 26.5% in forward currency contracts and debt securities. "We believe that the fund's exposure to emerging markets' currencies will likely benefit the fund's total return should the U.S. dollar weaken over time," Stifel told clients in the report.

Preferred Stocks/UBS

UBS believes that certain preferreds offer attractive relative value when compared to other fixed income alternatives even though it considers prices to be fairly valued following their recovery.

The investment bank notes it expects Treasury yields to rise in the next year. So, in this scenario, it favors high coupon preferreds and those with floating coupons that should fare best in a rising rate environment.

UBS points out that the financial crisis resulted in unprecedented price declines and subsequent appreciation for most preferreds. "During this time it was the price fluctuation that primarily drove returns," it adds.

However, now it believes we are entering a phase where price volatility will be lower, leaving coupon income as the primary source of their total return. "As a result, instead of preferreds behaving as 'equity-like' and having capital gain potential, we once again go back to a relative value assessment of individual securities by comparing their yield advantage in relation to their credit and interest rate price risks," UBS adds.

Beware, though. UBS warns that further price gains will probably be much more limited and future returns will be driven primarily by their income payments.

"Despite this situation, however, we believe certain preferreds are attractive from a yield standpoint relative to other fixed income alternatives but we also remind holders to also be cognizant of the equity-like risk characteristics that preferreds exhibit relative to bonds," it adds.

UBS says the following preferred issues on its Attractive List may offer a higher total return over the holding period relative to the preferreds of other similarly-rated issuers. Here is a sampling of recommendations:

Bank of America Corp.	fixed coupon	
Fleet Capital Trust IX	6%	8/1/33
Fleet Capital Trust VIII	7.2%	3/15/32
Merrill Lynch Pfd Cap Tr lll	7% Perpetual	
Merrill Lynch Pfd Cap Tr lV	7.12% Perpetual	
Merrill Lynch Pfd Cap Tr V	7.28% Perpetual	
MBNA Capital D	8.125%	10/1/32
MBNA Capital E	8.100%	02/15/33
Barclays Bank Plc	8.125% Perpetual	
Credit Suisse	7.90% Perpetual	
Deutsche Bank Contingent Capital Trust III	7.60% DTK	
Dominion Resources Inc.	8.375%	6/15/64
FPL Group Capital	8.75%	3/01/69
Goldman Sachs Group floating coupon	3 issues	
HSBC Holdings plc	8.125% Perpetual	
HSBC USA Inc. floating coupon	2 issues	
MetLife, Inc.	3mo LIBOR+100bps;	4% floor
Morgan Stanley	floating coupon	
Morgan Stanley	3mo LIBOR+70bps;	4% floor
National City Cap Trust IV	8.00%	9/15/47
PNC Financial Services	9.875% Perpetual	

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