

Income Securities

BUILDING YOUR WEALTH WITH BONDS, CONVERTIBLES & PREFERREDS

INVESTOR



Richard Lehmann

Volume XXXV Issue 10

Corporate Updates2

Recommendations

Preferred Stocks3

CEFs3, 4

Common Stocks4

Master Ltd. Partnerships :4, 8

Pricing

Corp. Bonds & MLPs .. 5

Preferreds6

Common Stock7

Closed End Funds7

Rating Changes 8

New Preferreds 8

Model Portfolios 9

Interest Rates & Yields .. 10

ALL PRICING AS OF 9/28/18

Pick of the Month

Synovus Financial Corp. got its start when a Georgia textile worker's dress got entangled in a machine. The money she had sewn into the hem spilled onto the floor. After she explained that she believed her clothing was the safest place for her savings, a manager offered to store her money in the mill's vault and pay her interest. Before long, the company extended the service to all employees. That was the origin of Columbus Bank and Trust Company, now known as Synovus. Its 6.30% preferred, currently yielding 5.14%, is our Pick of the Month. See page 3 for details.

www.isinewsletter.com

"Bring on the Risk!" Say Investors

In our 2Q 2018 review we noted that opportunities frequently arise in the wake of events like the March 15 Federal Regulatory Commission (FERC) tax ruling that triggered indiscriminate selling in Master Limited Partnerships (MLPs). That comment was validated by the Alerian MLP Index's 3Q 2018 total return of 6.57% , which was helped by a modification of FERC's initial ruling. The MLPs' performance led the asset classes highlighted in *Income Securities Investor*.

Investors' attraction to the beaten-down MLPs was part of a broader revival of courage in the face of risk. Below-investment grade bonds returned a hefty 2.44%. Their risk premium (yield advantage over default-risk-free Treasuries) contracted from 371 to 328 basis points. Below-investment grade preferreds returned a highly respectable 1.61% for the quarter, far outpacing their investment grade counterparts'

0.19% return.

Further indicating investors' renewed boldness was the drop in the stock market's "fear gauge," officially known as the CBOE Volatility Index, or VIX.

Investors became more courageous in the face of risk in 3Q 2018.

It averaged just 12.86 in 3Q 2018, down from 15.34 in 2Q 2018. To put these numbers in perspective, VIX has averaged 19.29 since its 1990 inception.

At this point, the concern is that investors may be too complacent. After all, the risks that created anxiety earlier in the year have not disappeared. For example, tariff disputes with China could still escalate sufficiently to impede global trade and economic growth in a material way.

Another ongoing economic risk is the possibility

continued on page 10

Model Portfolios*	2013	2014	2015	2016	2017	September YTD 2018	Cum. Growth of \$1
Low Risk	7.67%	22.44%	-6.97%	12.34%	9.50%	-0.41%	\$1.50
Medium Risk	3.98%	22.11%	-7.64%	14.47%	7.67%	2.49%	\$1.48
High Risk	4.09%	9.07%	5.92%	16.00%	8.38%	5.09%	\$1.59
Multi-Driver	14.24%	4.22%	1.26%	6.08%	15.54%	1.81%	\$1.50

Mkt. Indexes*	2013	2014	2015	2016	2017	September YTD 2018	Cum. Growth of \$1
S&P 500	32.04%	13.52%	1.72%	11.76%	21.60%	8.83%	\$2.26
Dow Jones IA	29.32%	9.86%	0.21%	16.16%	27.70%	10.56%	\$2.33
NASDAQ	39.89%	14.71%	7.08%	8.84%	29.58%	17.49%	\$2.85

*Total Return

Benchmark Follies

One of comedian Henny Youngman's jokes went: "How's your wife?" Answer: "Compared to what?" This gag is too misogynistic to make it nowadays, but it captures an idea that many investors subscribe to: Returns can be judged only relative to some standard. That's usually an index such as the S&P 500 or the Bloomberg Barclays US Aggregate.

These benchmarks have valid applications, but they can also be misused. Too often, the goal of beating the benchmark over the short run begins to overshadow

an investor's real objectives. Consider the table on the next page.

The two bonds depicted are equivalent in rating and maturity. After one year, the Ball Corp. issue appeared to be the better investment, judging by its performance versus the BB corporate benchmark. Its 2015 price change of -2.06% meant it was down by a bit less than the BB index and far less than the Oneok bond, at -21.61%.

That conclusion turned out to be short-sighted,

continued on page 2

CORPORATE UPDATES

Kinder Morgan, Inc.; Current Price \$17.73; Current Annualized Yield 4.51%; Last Dividend Paid 08/15/18; Exchange NYSE; Ratings, Moody's Baa3, S&P BBB-; Pay Cycle 3m; CUSIP 49456B101; Family Common Stock; Symbol KMI (www.kindermorgan.com)

Kinder Morgan, Inc.; 9.75% Fixed Rate, Mandatory Convertible Preferred Stock, due 10/26/18; Current Price \$33.25; Current Annualized Yield 14.66%; Exchange NYSE; Ratings, Moody's NR, S&P NR; CUSIP 49456B200; Symbol KMI-A (need preferred designation before A) (www.kindermorgan.com)

KMI is among the largest energy infrastructure companies in North America. The company had financial problems in early 2016 with the decline in energy prices. As a result, the dividend was cut by 75% in early 2016. However, early this year, KMI raised its dividend by 60%, reflecting higher energy prices and an improving financial outlook. Distributable cash is up almost 10% in 2018. **We lowered KMI's common equity target price to \$22.50 from \$37.50 in Q118, and remain comfortable with this target.**

KMI's 9.75% mandatory convertible preferred matures on 10/26/18. This issue will convert into KMI common at a ratio of 1.8142 shares per unit of preferred, should the common trade at \$27.58 or lower. With the closing 09/28/18 price of \$17.73, it's highly likely the above conversion ratio will prevail on 10/26/18. Based on the month-end price of KMI's common stock, the intrinsic conversion value of the preferred is \$31.16. **With the conversion, we are removing KMI-A from our Medium-Risk Model Portfolio, effective 10/26/18.**

We are adding Assurant, Inc.'s 6.50% Fixed Rate, Mandatory Convertible Preferred (AIZP) to the Medium-Risk portfolio on 10/26/18. AIZP trades at \$113.87 with a current yield of 5.71%. The issue has a mandatory conversion date on 03/15/21. See the September 2018 Newsletter for AIZP comments.

Kayne Anderson MLP Investment Co.; Current Price \$17.85; Current Annualized Yield 10.92%; Exchange NYSE; Discount to Net Asset Value -6.45%; Pay Cycle 1m; Expense Ratio 4.60%; Leverage Ratio

33.84%; CUSIP 486606106; Family Closed-End Fund; Symbol KYN (www.kaynefunds.com)

Kayne Andersen MLP Investment Co. (KYN) invests in the equity securities of energy-related MLPs. We recommended KYN in 2011 and reaffirmed our recommendation in late 2014. However, the fund's performance since 2014 has been sub-par, with the 3-year total return through the end of 2017 at -11.76%, based on market price. The dividend was cut by 15.4% to \$0.55 on 10/10/14, followed by another 18.2% cut on 04/21/17. **Given the fund's poor relative performance, we lowered our recommendation from Buy to Hold in April 2018.** The fund's stock price has declined 53% since 12/31/14, to its present price of \$17.85. The YTD total return based on market price through 06/30/18 was 3.97%, helped by higher energy prices. **We are maintaining our Hold recommendation and will review KYN again after year-end 2018.**

Arch Capital Group Ltd.; 5.45% Fixed Rate, Non-Cumulative, Perpetual; Par \$25.00; Annual Cash Dividend \$1.3625; Current Price \$23.57; Current Yield 5.78%; Call 08/17/22 at \$25.00; Yield to Call 7.13%; Pay Cycle 3m; Exchange NASDAQ; Ratings, Moody's Baa2, S&P BBB; CUSIP 03939A107; Symbol ACGLO (www.archcapgroup.com)

Arch Capital Group Ltd. (ACGL) is a Bermuda-based insurance company with principal lines of business that include primary insurance and reinsurance (excess) underwriting, worldwide. The company's financial strength ratings are A2 (Moody's), A+ (S&P), A+ (Fitch), and A+ (A.M. Best). **ACGL has a fair share of hurricane reinsurance risk, and taking into consideration the threat of higher interest rates, we are removing this issue from our Low-Risk Model Portfolio. We are also changing our recommendation from Buy to Hold.**

We are adding to the low-risk portfolio the Charles Schwab Corp. 5.95% perpetual preferred (SCHW-D) (808513600). This issue is rated investment grade (Baa3/BBB-) and trades at \$25.48 for a current yield of 5.84% and a YTC of 5.48% (05/16/23 call date). See the June 2018 Newsletter for SCHW-D comments.

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

Benchmark Follies

(continued from page 1)

Issue	Average Rating	Year-End Price			Total Return 12/31/14-12/31/16
		2014	2015	2016	
Oneok 4-1/4% 2/1/22	BB+	93	70.55	100.64	17.56%
Ball Corp. 5% 3/15/22	BB+	104.08	101.94	105.27	10.98%
ICE BAML BB Index	BB	103.05	97.21	102.96	12.04%

though. Oneok, like other pipeline companies, lost favor in 2015 as energy prices plummeted. When prices rebounded in 2016, so did the Oneok bond, which jumped by 42.65%. That year the Ball Corp. issue's 3.27% rise was less than the index's.

The last column in the table shows total returns over the full two-year period. For the bonds, we calculated the sum of price

change, coupon income (as a percentage of the initial price), and interest on interest. Oneok's bond was the hands-down winner over Ball Corp., 17.57% to 10.98%.

In short, the Oneok bond was by far the better investment over the full period, despite underperforming the index in 2015. The Ball Corp. issue underperformed the index over the two years. Pity investors who got carried

away with benchmarking, losing sight of the basic objectives of high income and long-run appreciation. Seeing the first-year results, they would have sold the Oneok bond at the bottom, taking a 22-point loss instead of ultimately achieving a gain of nearly 8 points.

The recommendations we publish in *Income Securities Investor* are not geared to beating benchmarks over one quarter or one year. We look for high income. If it's obtainable at less than a security's intrinsic value, all the better. Investors should leave it to the market to decide when the security reaches its intrinsic value, rather than trying to impose a timetable through overreliance on a benchmark.

'The index's price change can't be calculated from the year-end prices shown in the table. Each month, issues enter and exit the index, producing changes in its price that do not arise from market movements. The BB benchmark's actual price change was -6.63% in 2015 and +6.33% from year-end 2014 to year-end 2016.

Preferred Stocks

Synovus Financial Corp.; 6.30% Fixed-to-Floating Rate, Non-Cumulative Perpetual; Par \$25.00; Annual Cash Dividend \$1.575; Current Price \$26.22; Current Indicated Yield 6.01%; Call Date 06/21/23 at \$25.00; Yield to Call 5.14%; Pay Cycle 3m; Exchange NYSE; Ratings, Moody's Ba3, S&P BB-; CUSIP 87161C600; Symbol SNV-D (need preferred designation before D) (www.synovus.com)

Synovus Financial Corp. (SNV) is a regional bank holding company based in Columbus, Georgia, with \$32.0 billion in total assets. SNV provides commercial and retail banking services, as well as investment and mortgage banking services through 250 branches located across the Southeast. The company's 6.30% preferred issue is a fixed-to-floating rate structure that adjusts to three-month LIBOR plus 3.352% after 06/21/23. The structure does have reference rate successor language in the event LIBOR is no longer quoted. Successor reference rate language refers to a benchmark rate that will take the place of LIBOR. This issue is non-cumulative and dividend payments are qualified and taxed at the 15-20% rate. SNV reported Q218 adjusted net income of \$108.6 million or \$0.91 per share, beating analysts' estimates of \$0.88. Earnings advanced 47.9% from a year earlier, while EPS jumped 51.7%. Stronger net interest income, improved productivity, and a reduced tax rate tied to recent tax reform paced operating results. This investment is suitable for low- to medium-risk taxable portfolios. **Buy up to \$27.30 for a 5.77% current yield, and a yield to call of 4.16%.**

First Republic Bank; 5.50% Fixed Rate, Non-Cumulative Perpetual; Par \$25.00; Annual Cash Dividend \$1.3725; Current Price \$24.54; Current Indicated Yield 5.59%; Call Date 06/30/23 at \$25.00; Yield to Call 5.94%; Pay Cycle 3m; Exchange NYSE; Ratings, Moody's Baa3, S&P BBB-; CUSIP 336158803; Symbol FRC-I (need preferred designation before I) (www.firstrepublic.com)

This issue is a fixed rate structure that is callable on 06/30/23 or anytime thereafter, at par. First Republic Bank (FRC) offers private banking and private wealth management services, including investment, trust, and private brokerage services to affluent clients. The banking company's branches and offices are largely located in high net worth areas such as San Francisco, Los Angeles, Santa Barbara, San Diego, Boston, New York City, and Palm Beach, FL. FRC offers a full array of banking products for both individuals

and businesses. FRC reported strong Q218 financial results. Net income of \$209.8 million was up 12.4% from a year earlier, fueled by strong loan demand, healthy deposit growth, and excellent credit quality measures. Earnings per share of \$1.20 beat analysts' estimates of \$0.88. This issue is rated investment grade and is suitable for low- to medium-risk taxable accounts. Dividend distributions are qualified and taxed at the 15-20% rate, depending on the tax rate, **Buy up to \$26.25 for a current yield of 5.23%, and a yield to call of 4.34%.**

Summit Midstream Partners, LP; 9.50% Fixed-to-Floating Rate, Cumulative, Perpetual; Par \$1000; Annual Cash Dividend \$95.00; Current Price \$100.75; Current Indicated Yield 9.43%; Call 12/15/22 at \$1000; Yield to Call 9.29%; Pay Cycle 6m; Exchange OTC; Ratings, Moody's B3, S&P B-; CUSIP 866142AA0; Symbol SMLP (Corporate Bond) (www.summitmidstream.com)

The above \$1000 preferred issue is a fixed-to-float structure that pays 9.50% per annum until the 12/15/22 call date. If not redeemed, the coupon thereafter adjusts to three-month LIBOR plus 7.43% every quarterly reset date. There is successor rate and change of control language to protect investors. The issue trades like a corporate bond. Summit Midstream Partners, L.P. (SMLP), based in Dallas, is a MLP with a focus on owning and operating midstream energy infrastructure assets. SMLP's operations are positioned in the core gas producing areas of North American shale formations. Proceeds from this issue were used to prepay SMLP's deferred payment obligation (DPPO) due in 2020, thereby reducing leverage. Despite the partnership's credit-positive event, SMLP's common stock remains under pressure this year. The MLP has paid the same distribution for more than 12 consecutive quarters. The partnership reported a Q218 net loss of \$49.9 million, or -\$0.79 per share, considerably missing analysts' estimates. The Q218 net loss was tied to a \$69.3 million non-cash expense, related to the increase in the undiscounted value of the partnership's DPPO - Utica and Niobrara shale formations. The formations were dropdown assets purchased from Summit Midstream Partners Holdings. Distributions from this investment are not qualified, and the company will issue a K-1 to preferred investors. This preferred issue is suitable for high-risk taxable portfolios. **Buy up to \$105.5, which equals a 9.00% yield and an 7.98% yield to call.**

Closed End Funds

Eagle Growth & Income Opportunities Fund (due 05/14/27); Current Price \$15.19; Current Indicated Yield 6.32%; Exchange NYSE; Discount to Net Asset Value -18.25; Pay Cycle 1m; Expense Ratio 2.89%; Leverage Ratio 25.11%; CUSIP 26958J105; Family Closed-End Fund; Symbol EGIF (www.fwcapitaladvisors.com)

Eagle Growth & Income Opportunities Fund (EGIF) is a limited-term, closed-end fund terminating on 05/14/27. The investment objective of EGIF is to provide total return through both current income and capital appreciation. The fund invests at least 80% of its assets in dividend or other income-paying equity securities, including preferred issues and debt obligations. Investments in most cases exclude securities that distribute a return of capital. The fund can invest up to 20% of assets in non-investment grade debt. At 06/30/18, the portfolio's largest asset classes consisted of Common Stocks (49.25%), Preferred Stocks (20.48%), and Corporate Bonds (13.18%). The fund's top three holdings were SPDR

High Yield Bond ETF (4.15%), Seagate Technology (-2.82%), and Cisco Systems (2.57%). EGIF's performance was solid in 2017, especially given higher interest rates and lower energy prices. The fund posted a total return based on market price of 8.39%. For the six months ended 06/30/18, EGIF reported a total return of -4.67%. With Federal Reserve rate increases expected to moderate toward year-end, and with energy prices on the rebound, we expect returns to improve into 2019. This investment is suitable for medium-risk taxable portfolios. **Buy up to \$20.00 for an annualized yield of 4.80%.**

Western Asset Inv. Grade Defined Opp. Trust; Current Price \$20.87; Current Indicated Yield 4.60%; Premium to Net Asset Value 3.87%; Pay Cycle 1m; Expense Ratio 0.78%; Leverage Ratio 0.00%; CUSIP 95790A101; Family Closed-End Fund; Symbol IGI (www.leggmason.com)

Western Asset Inv. Grade Defined Opportunity Trust (IGI) is a lim-

continued on page 4

Closed End Funds *(continued from page 3)*

ited-term closed-end fund, with the primary investment objective of providing investors with current income, ultimately liquidating and distributing the fund's net assets to shareholders on 12/02/24. To achieve its investment objectives, the fund will invest, under normal market conditions, at least 80% of its net assets in investment grade corporate securities, as well as preferred shares, senior secured loans, and subordinated debt. The fund has the latitude to invest up to 20% of its net assets in non-investment grade securities as well as common stock. The fund's top three corporate bond issues at 06/30/18 were FirstEnergy Corp. 7.375%

at 1.84% of assets; 21st Century Fox America 6.65% at 1.47%; and Goldman Sachs Group 6.25% at 1.41%. Investment grade debt accounted for 77.4% of the portfolio at the end of Q218, while non-investment grade issues represented 11.6%. Fund performance has been solid, with a 2017 total return of 17.93%, based on market price. The return through the first four months of 2018 was -6.95%, reflecting the rising interest rate environment. This fund is suitable for low- to medium-risk tax-deferred portfolios, as distributions are largely taxed as ordinary income. **Buy up to \$23.00 for an annualized yield of 4.17%.**

Common Stocks

Duke Energy Corp.; *Current Price \$80.02; Current Annualized Yield 4.64%; Last Dividend Paid 09/17/18; Exchange NYSE; Ratings, Moody's Baa1, S&P A-; Pay Cycle 3m; CUSIP 26441C204; Family Common Stock; Symbol DUK (www.duke-energy.com)*

Duke Energy Corp. (DUK) is one of the largest energy companies focused on electric power and gas distribution in the Americas. The company also has a growing portfolio of renewable energy assets. DUK services approximately 7.6 million retail customers, with almost half in North Carolina. Unfortunately, the devastation from Hurricane Florence and its potential financial impact for DUK are undefined at this time. But we believe a considerable amount of the expense will be covered by insurance and that net costs to DUK will be manageable. We do not see any threat to the

dividend and the current stock price looks attractive. DUK's commercial and international businesses own and operate a diverse portfolio of power generation assets. The Electric Utilities and Infrastructure unit operates primarily through the regulated utilities of Duke Carolinas, Duke Progress, Duke Florida, Duke Indiana, and Duke Ohio. DUK reported solid Q218 GAAP earnings of \$575 million and adjusted net earnings of \$711 million or \$0.93 per share, falling short of analysts' estimates. However, total operating income rose 7.1% from a year ago to \$6.14 billion. DUK has maintained a steady increase in dividend growth, while maintaining sound credit quality measures. Dividends on this common stock are qualified and taxed at the 15-20% rate. DUK is suitable for low- to medium-risk taxable portfolios. **Buy up to \$88.00 for an annualized yield of 4.22%.**

Master Limited Partnerships

Consolidated Coal Resources, LP; *Current Price \$17.95; Current Annualized Yield 10.26%; Exchange NYSE; Ratings, Moody's NR, S&P NR; Pay Cycle 3m; CUSIP 20855T100; Family Master Limited Partnership; Symbol CCR (www.ccrpl)*

Consolidated Coal Resources, LP (CCR) is a Canonsburg, PA-based Master Limited Partnership (MLP) that produces high bituminous thermal coal that is largely sold to electricity generators in the eastern U.S. The partnership's assets include a 25% undivided ownership interest and management control rights in its managing partner Consolidated Energy Inc.'s (CEIX) Pennsylvania mining complex. The complex has three underground mines and related infrastructure. The mining complex also has a train load-out facility with dual rail access to The Norfolk Southern and The CSX railways. CCR trades at a deep discount to comparable MLPs, despite a sound balance sheet, while the partnership's dividend is sufficiently covered by free cash flow. The MLP's underperformance may be attributed to the lack of market liquidity and a limited analyst following. Sales for 2018 and expectations for 2019 are strong, with pricing and margins improving. Moreover, CCR reported Q218 net income of \$19.4 million, with earnings per unit of \$0.69 topping consensus estimates of \$0.65. Debt leverage has declined over the year to 1.5x from over 2.0x. Distribution coverage for the Q218 period was 1.6x. This investment is suitable for high-risk taxable portfolios. CCR issues a K-1 to investors and distributions are taxed on a variable basis. **Buy up to \$23.00 for an annualized yield of 8.90%.**

Brookfield Property Partners, LP; *Current Price \$20.89; Current Annualized Yield 6.03%; Exchange NASDAQ; Ratings, Moody's NR, S&P BBB-; Pay Cycle 3m; CUSIP G16249107; Family Limited Partnership; Symbol BPY (www.brookfieldpropertypartners.com)*

Brookfield Property Partners, LP (BPY) is a Bermuda-based, diversified global commercial property company, focused on office, retail, multi-family, industrial, hospitality, self-storage, student, and manufactured housing properties. BPY's objective is to generate attractive long-term returns on equity of 12%-15%, based on stable cash flows, asset appreciation, and distribution growth of 5%-8% per year. Over the last three years BPY has generated a 9% compound annual growth rate (CAGR) in per-unit funds from operations (FFO). Over the same period, the partnership saw its distribution per unit grow at a 6% CAGR. BPY has more than \$285 billion in assets under management, with the recent acquisition of GGP Properties. The partnership's portfolio is characterized by three segments, Core Office; Core Retail; and Opportunistic. Q218 FFO of \$246.0 million or \$0.35 per unit topped analysts' estimates. Strong performance across most operating units and high occupancy were responsible for solid operating results. Distributions on this investment are taxed on a variable basis. BPY issues a K-1 to investors. This MLP is suitable for low- to medium risk taxable portfolios. **Buy up to \$25.00 for an annualized yield of 5.04%.**

continued on page 8

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													
NYSE	ANR Pipeline	7.0	6/1/2025	001814AS1	107.78	6.5	5.5	A3	BBB+	N/A	N/A	5.5	Buy
OTC	Cincinnati Bell Inc	7.3	6/15/2023	171870AK4	102.29	7.1	6.5	Ba3	BB-	N/A	N/A	6.5	Hold
OTC	Consolidated Natural Gas	6.8	12/15/2027	209615BS1	110.35	6.2	5.3	Baa2	BBB	N/A	N/A	5.3	Hold
OTC	Crown Cork & Seal Co Inc	7.4	12/15/2026	228255AH8	109.32	6.7	5.9	B1	B+	N/A	N/A	5.9	Hold
NYSE	EQT Corp	3.9	10/1/2027	26884LAF6	93.69	4.2	4.8	Baa3	BBB *	7/1/2027	100.0	4.8	Buy
OTC	Hillshire Brands Co/The	6.1	11/1/2032	803111AM5	108.95	5.6	5.2	WR	BBB	N/A	N/A	5.2	Hold
OTC	Mondelez International	6.5	11/1/2031	50075NAC8	117.99	5.5	4.6	Baa1	BBB	N/A	N/A	4.6	Hold
OTC	Office Depot Inc	5.0	3/1/2030	023663AB3	75.31	6.6	8.4	B3	NR	10/29/2018	103.0	8.4	Hold
OTC	Owens Corning	7.0	12/1/2036	690742AB7	114.56	6.1	5.7	Ba1	BBB	N/A	N/A	5.7	Hold
OTC	Qwest Corp	7.1	11/15/2043	912920AG0	100.73	7.1	7.0	Ba2	BBB-	10/29/2018	102.0	7.0	Buy
OTC	Safeway Inc	7.3	2/1/2031	786514BA6	95.65	7.6	7.8	B3	B	N/A	N/A	7.8	Buy
OTC	Sprint Capital Corp	6.9	11/15/2028	852060Ad4	100.58	6.8	6.8	B3 *	B *	N/A	N/A	6.8	Hold
OTC	Vale Overseas Limited	6.9	11/21/2036	91911TAH6	115.80	5.9	5.5	Baa3	BBB-	N/A	N/A	5.5	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	N/A	N/A	N/A	WR	WR	25.5076	21.96	N/A	
INVESTMENT GRADE CONVERTIBLE BONDS													
BELOW INVESTMENT GRADE CONVERTIBLE BONDS													
OTC	Liberty Interactive LLC4.0		11/15/2029	530715AG6	69.24	5.8	8.2	B2	B2	22.9486	N/A	8.2	

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 \$
BPY	NASDAQ	Brookfield Prop Ptnrs, LP;	20.89	6.03	Var	24.96	18.13	11/29/2018	9/28/2018	Quarter	N/A	25.00
CCR	NYSE	Consol. Coal Resources, LP	17.95	11.42	Var	19.16	12.56	N/A	8/15/2018	Quarter	2.1	23.00
DKL	NYSE	Delek Logistics Partners, LP;	34.00	9.06	Var	35.50	26.50	N/A	8/13/2018	Quarter	2.8	38.00
EQM	NYSE	EQT Midstream Partners LP	52.78	8.26	Var	77.97	48.91	11/2/2018	8/14/2018	Quarter	3.8	80.50
GEL	NYSE	Genesis Energy	23.78	8.92	Var	26.55	18.42	10/30/2018	8/14/2018	Quarter	2.5	26.00
HESM	NYSE	Hess Midstream Partners LP	22.81	6.05	Var	24.51	18.32	N/A	8/13/2018	Quarter	0.9	25.00
HEP	NYSE	Holly Energy Partners, L.P	31.46	8.39	Var	35.84	26.09	10/31/2018	8/9/2018	Quarter	2.5	36.75
MPLX	NYSE	MPLX LP	34.68	7.24	Var	39.38	31.60	11/2/2018	8/14/2018	Quarter	2.3	40.00
NBLX	NYSE	Noble Midstream Ptnrs LP	35.41	6.06	Var	57.98	33.51	N/A	8/13/2018	Quarter	1.8	56.00
PBFX	NYSE	PBF Logistics LP	21.55	9.19	Var	22.70	17.75	11/8/2018	8/30/2018	Quarter	1.9	26.50
PSXP	NYSE	Phillips 66 Partners LP	51.14	5.88	Var	56.48	44.40	10/30/2018	8/13/2018	Quarter	2.4	56.25
POPE	NASDAQ	Pope Resources LP	72.50	4.41	Var	73.50	66.60	11/20/2018	9/20/2018	Quarter	2.8	78.00
SHLX	NYSE	Shell Midstream Partners LP	21.38	6.83	Var	31.19	19.42	10/31/2018	8/14/2018	Quarter	1.2	26.50
SRLP	NYSE	Sprague Resources LP	26.95	9.91	Var	29.00	21.80	N/A	8/10/2018	Quarter	2.5	30.00
SUN	NYSE	Sunoco LP	29.55	11.17	Var	33.11	24.46	11/6/2018	8/15/2018	Quarter	3.3	30.00
VLP	NYSE	Valero Energy Partners LP	37.88	5.82	Var	48.66	33.25	N/A	8/13/2018	Quarter	1.9	44.85
WES	NYSE	Western Gas Partners LP	43.68	8.70	Var	54.40	40.44	10/30/2018	8/13/2018	Quarter	3.6	55.00

1. Recommend: 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	25.98	6.72	NR/NR	10/15/2022	25.00	5.76	N/A	26.50	
ALLG	NYS	Perp	Allstate Corp	5.63	1.41	15%	3m	020002127	24.98	5.63	Baa3/BBB-	4/15/2023	25.00	5.56	N/A	26.75	
NLYD	NYS	REIT	Annaly Capital Mgmt	7.50	1.88	OI	3e	035710805	25.35	7.38	NR/NR	10/30/2018	25.00	-11.31	N/A	25.50	
NLYG	NYS	Perp	Annaly Capital Mgmt	6.50	1.63	OI	3m	035710862	24.19	6.70	NR/NR	3/31/2023	25.00	7.30	N/A	26.50	
APOB	NYS	Perp	Apollo Global Mgmt LLC	6.38	1.59	15%	3m	037612504	24.84	6.43	NR/BBB+	3/15/2023	25.00	6.63	N/A	26.50	
ACGLO	OTC	Perp	Arch Capital Group Ltd	5.45	1.36	15%	3m	03939A107	23.57	5.78	NR/BBB	8/17/2022	25.00	7.13	N/A	26.10	
ASB D	NYS	Perp	Assoc Banc-Corp	5.38	1.34	15%	3e	045488608	23.94	5.63	Baa3/BB	9/15/2021	25.00	7.05	N/A	25.65	
RILYG	NAS	PET	B. Riley Financial, Inc	7.25	1.81	OI	3m	05580M405	25.17	7.22	NR/NR	12/31/2020	25.00	7.51	12/31/2027	26.25	
RILYH	NYS	Perp	B. Riley Financial, Inc	7.38	1.84	OI	3m	05580M504	26.02	7.08	NR/NR	5/31/2020	25.00	7.20	5/31/2023	26.50	
BAC B	NYS	Perp	Bank of America Corp	6.00	1.50	15%	3m	060505229	26.00	5.77	Ba1/BBB-	5/16/2023	25.00	5.22	N/A	27.25	
SCHW D	NYS	Perp	Charles Schwab Corp	5.95	1.49	15%	3m	808513600	25.48	5.83	Baa2/BBB	6/1/2021	25.00	5.28	N/A	27.00	
CHSCL	NYS	Perp	CHS Inc	7.50	1.88	15%	3e	12542R803	27.33	6.85	NR/NR	1/21/2025	25.00	5.67	N/A	30.80	
CMSA	NYS	PB	CMS Energy Corp	5.63	1.41	15%	3m	125896860	24.50	5.72	Baa2/BBB-	3/15/2023	25.00	6.06	3/15/2078	26.75	
CUBLF	NYS	Perp	Customers Bancorp Inc	6.00	1.50	15%	3m	23204G704	25.58	5.87	NR/NR	12/15/2021	25.00	5.21	N/A	27.00	
FITBI	NAS	Perp	Fifth Third Bancorp	6.63	1.66	15%	3m	316773605	27.50	5.99	Baa3/BB+	12/31/2023	25.00	4.23	N/A	27.50	
FRC I	NYS	Perp	First Republic Bank	5.50	1.38	15%	3m	336158803	24.54	5.61	Baa3/BBB-	6/30/2023	25.00	5.96	N/A	26.25	
OTC	Perp	JPMorgan Chase & Co	4.63	1.16	15%	6m	48128BAD3	94.48	4.87	Baa3/BBB-	11/1/2022	1000.00	6.06	N/A	NA		
KEY I	NYS	Perp	KeyCorp Inc	6.13	1.53	15%	3m	493267702	26.73	5.71	Baa3/BB+	12/15/2026	25.00	5.06	N/A	27.85	
MBFIO	NAS	Perp	MB Financial Inc	6.00	1.50	15%	3m	55264U405	25.29	5.94	Ba3+*/NR	11/25/2022	25.00	5.84	N/A	26.80	
STT G	NYS	Perp	State Street Corp	5.35	1.34	15%	3m	857477855	25.71	5.20	Baa1/BBB	3/15/2026	25.00	4.91	N/A	27.25	
SEBNYS	PB	Stifel Financial Corp	5.20	1.30	OI	3m	860630607	23.80	5.49	NR/BBB-	10/15/2022	25.00	6.51	10/15/2047	26.35		
SMPLP	OTC	Perp	Summit Midst Partners, LP	9.50	2.38	OI	6m	866142AA0	99.71	9.53	B3/B-	12/15/2022	1000.00	10.25	N/A	105.50	
SNV D	NYS	Perp	Synovus Financial Corp	6.30	1.58	15%	3m	87161c600	26.22	6.03	NR/BB-	6/21/2023	25.00	5.24	N/A	27.30	
TCF D	NYS	Perp	TCF Financial Corp	5.70	1.43	15%	3m	872275300	24.09	5.91	Ba1/BB-	12/1/2022	25.00	6.74	N/A	26.35	
TSCAP	NAS	Perp	TriState Capital Holdings, Inc	6.75	1.69	15%	3m	89678F209	26.24	6.51	NR/NR	4/1/2023	25.00	5.59	N/A	27.75	
VR B	NYS	Perp	Validus Holdings Ltd	5.80	1.45	15%	3m	91915W300	26.10	5.55	Baa3/BBB-	10/30/2018	25.00	2.62	N/A	26.15	
VLY B	NYS	Perp	Valley National Bancorp	5.50	1.38	15%	3m	919794305	25.26	5.45	NR/BB	9/30/2022	25.00	5.17	N/A	26.75	
WRBE	NYS	Perp	W.R. Berkley Corp	5.70	1.43	OI	3m	084423703	24.46	5.85	Baa2/BBB-	3/30/2023	25.00	6.34	3/30/2058	26.25	
MANDATORY CONVERTIBLE PREFERRED																	
Symbol	Family	Issuer	Issue %	Div. \$	Tax	CUSIP	Cycle	CUSIP	Current Price \$	Current Yield %	Moody/S&P Rating	Conversion Rate	Premium %	Common Price \$	Call Date	Call Price \$	Yield to Call %
AIZP	MD	Assurant Inc	6.50	6.50	OI	04621X207	113.33	5.74	NR/NR	0.935	24.66	106.94	12/18*	N/A	N/A	N/A	
BKHU	MD	Black Hills Corp	7.75	3.88	OI	092113125	62.46	6.17	NR/NR	1.091	2.34	58.09	11/18*	N/A	N/A	N/A	
DTV	MD	DTE Energy Co	6.50	3.25	OI	233331883	51.72	6.11	NR/NR	2.835	15.93	109.13	10/19*	N/A	N/A	N/A	
HESA	MD	Hess Corp	8.00	4.00	OI	42809H404	79.48	5.03	NR/NR	1.544	2.02	71.58	02/19*	N/A	N/A	N/A	
NYCB U	MD	New York Comm Cap Trust	6.00	3.00	15%	64944P307	49.23	6.10	Baa3/BB-	2.495	90.33	10.37	N/A	N/A	N/A	N/A	
OPTIONAL CONVERTIBLE PREFERRED																	
BAC L	OP	Bank Of America Corp	7.25	72.50	15%	060505682	1294.25	5.61	Ba1/BBB-	20.000	119.7	29.46	NC	N/A	N/A	N/A	
BGEFF	OP	Bunge Ltd	4.88	4.88	OI	EP0237628	108.50	4.53	Ba1/BB+	1.085	32.6	68.71	NC	N/A	N/A	N/A	
WFC L	OP	Wells Fargo & Company	7.50	75.00	15%	949746804	1290.88	5.83	Baa2/BBB	6.381	284.9	52.56	NC	N/A	N/A	N/A	
WELL I	OP	Welltower Inc	6.50	3.25	OI	95040Q203	60.52	5.38	Baa2/BBB-	0.846	7.6	64.32	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. 5. 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														
NLY	NYSE	Annaly Capital Management	035710409	10.71	11.21	OI	12.58	9.95	9/27/2018	9/10/2018	Quarter	1.20	US	13.50
BBVA	NYSE	BBVA	05946K101	6.21	2.98	15%	9.54	6.00	10/2/2018	4/25/2018	Quarter	N/A	SP	9.85
BGS	NYSE	B&G	05508R106	31.55	6.02	15%	39.75	22.00	12/27/2018	10/30/2018	Quarter	1.86	US	31.50
BMO	NYSE	BMO Financial Group	063671101	81.13	3.61	15%	84.71	71.72	1/31/2019	11/27/2018	Quarter	N/A	US	83.50
BX	NYSE	The Blackstone Group L.P.	09253U108	36.99	6.27	OI	37.52	29.57	10/26/2018	8/6/2018	Quarter	2.32	US	35.29
CXW	NYSE	CoreCivic, Inc.	21871N101	25.78	6.67	OI	27.50	18.61	12/31/2018	10/15/2018	Quarter	1.68	US	28.00
ENB	NYSE	Enbridge Inc	29250N105	34.35	5.96	15%	42.10	29.00	11/14/2018	9/1/2018	Quarter	N/A	CA	38.50
GPT	NYSE	Gramercy Property Trust	385002308	27.38	5.48	OI	31.26	21.12	#N/A	7/16/2018	Quarter	1.50	US	27.50
HPT	NYSE	Hospitality Properties Trust	44106M102	28.99	7.31	OI	31.27	23.83	10/26/2018	8/16/2018	Quarter	2.07	US	31.50
HTGC	NYSE	Hercules Capital Inc	427096508	13.49	9.19	OI	13.97	11.55	11/9/2018	8/20/2018	Quarter	1.24	US	16.20
ING	NYSE	ING Group N.V. (ADRs)	04930A104	13.34	4.08	15%	20.58	13.16	4/30/2019	8/21/2018	Quarter	N/A	NE	18.50
MPW	NYSE	Medical Properties Trust Inc	58463J304	14.98	6.68	OI	15.08	11.82	12/5/2018	10/11/2018	Quarter	0.96	US	14.80
PACW	OTC	PacWest Bancorp	695263103	50.81	4.72	15%	55.86	43.08	11/16/2018	8/31/2018	Quarter	2.00	US	54.00
PBI	NYSE	Pitney Bowes, Inc	724479100	7.39	10.15	15%	14.80	7.05	11/15/2018	9/11/2018	Monthly	0.75	US	12.50
PPL	NYSE	PPL Corp.	69351T106	30.07	5.45	15%	39.90	25.30	12/7/2018	10/1/2018	Quarter	1.58	US	33.50
RWT	NYSE	Redwood Trust Inc	758075402	17.05	7.04	OI	17.50	14.29	12/13/2018	9/28/2018	Quarter	1.12	US	18.50
SBRA	OTC	Sabra Health Care REIT, Inc.	78573L106	23.48	7.67	15%	23.79	15.78	11/14/2018	8/31/2018	Quarter	1.73	US	23.25
SKT	NYSE	Tanger Factory Outlet Ctrs, Inc.	875465106	23.76	5.89	OI	26.73	19.86	10/30/2018	8/15/2018	Quarter	1.35	US	27.50
WRI	OTC	Weingarten Realty Investors	948741103	30.89	5.11	Var	33.11	25.67	12/6/2018	9/14/2018	Quarter	2.29	US	32.00
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 Muni Inc Fund	12.39	4.44	4.59	14.11	-12.19	14	10/3/2017	12.17	10/3/2017	9/20/2018	1m	14.90	
BCX	BlackRock Resources & Commodit	9.07	6.83	6.83	10.16	-10.73	10.4977	1/16/2018	8.57	1/16/2018	8/15/2018	3e	10.25	
FOF	Cohen & Steers Closed-End Oppo	12.94	8.07	8.07	13.53	-4.36	13.52	1/26/2018	11.60	1/26/2018	2/5/2018	M	14.85	
RNP	Cohen & Steers REIT and Prefer	19.53	7.62	7.62	21.74	-10.17	21.98	10/16/2017	17.91	10/16/2017	2/6/2018	3e	21.80	
SRV	Cushing MLP Total Return Fund	11.85	9.15	9.15	13.24	-10.51	13.05	1/16/2018	10.00	1/16/2018	11/15/2017	M	15.30	
DNP	DNP Select Income Fund Inc	11.07	7.05	7.05	9.26	19.52	11.57	10/13/2017	9.71	10/13/2017	2/6/2018	1m	15.30	
EGIF	Eagle Growth & Income Opp Fund	15.19	1.82	5.88	18.78	-19.12	16.9547	10/11/2017	14.78	10/11/2017	3/23/2018	1m	20.00	
ETY	Eaton Vance Tax-Managed Divers	12.84	7.88	7.88	12.78	0.47	13.05	9/13/2018	10.17	9/13/2018	2/5/2018	M	13.45	
FEO	First Trust Aberdeen Emerging	13.03	3.07	12.28	14.92	-12.67	17.0916	1/25/2018	12.17	1/25/2018	9/11/2018	3m	18.25	
FFC	Flaherty & Crumrine Preferred	18.22	7.51	7.62	19.18	-5.01	21.555	10/18/2017	17.99	10/18/2017	9/27/2018	M	22.55	
GOF	Guggenheim Strategic Opp Fund	21.00	10.41	10.41	18.99	10.58	22.39	7/10/2018	18.80	7/10/2018	2/6/2018	1m	25.25	
INSI	Insight Select Income Fund	18.62	4.30	5.59	20.20	-7.82	20.5924	12/20/2017	18.03	12/20/2017	7/25/2018	1m	20.85	
VBF	Invesco Bond Fund	17.62	4.70	5.73	19.15	-7.99	20.1599	1/8/2018	17.47	1/8/2018	6/15/2018	M	21.00	
HEQ	John Hancock Hedged Eq & Inc Fund	15.76	9.54	10.54	16.17	-2.54	17.7366	10/23/2017	15.50	10/23/2017	9/19/2018	3m	20.50	
JHI	John Hancock Investors Trust	16.09	6.68	7.72	17.52	-8.16	18.46	10/13/2017	15.85	10/13/2017	6/18/2018	3m	20.75	
MSP	Madison Strategic Sector Prem Fund	11.89	8.75	8.75	12.18	-2.38	12.1575	10/6/2017	10.72	10/6/2017	2/6/2018	3m	15.00	
JDD	Nuveen Diversified Divid and Inc Fund	10.90	8.81	11.72	11.86	-8.09	12.7047	10/13/2017	10.78	10/13/2017	9/27/2018	3m	16.50	
PCN	Pimco Corporate & Inc Strategy Fund	18.29	7.38	7.38	14.80	23.58	19.25	9/14/2018	16.03	9/14/2018	3/23/2018	M	21.50	
PHK	PIMCO High Income Fund	8.39	11.54	11.54	6.43	30.48	9.04	9/12/2018	7.19	9/12/2018	11/15/2017	1m	9.65	
RMT	Royce Micro-Cap Trust	10.21	7.05	7.25	10.95	-6.76	10.68	8/27/2018	8.85	8/27/2018	11/15/2017	3m	12.30	
TSI	TCW Strategic Income Fund, Inc.	5.60	5.53	6.44	5.83	-3.95	5.97512	12/27/2017	5.34	12/27/2017	2/6/2018	3m	7.00	
TEI	Templeton Emerg Mkts Inc Fund Inc	10.00	8.94	8.85	11.19	-10.63	11.98	2/13/2018	9.78	2/13/2018	9/14/2018	M	14.50	
EAD	Wells Fargo Income Opportuniti	7.92	9.24	8.15	9.01	-12.10	8.77	10/2/2017	7.80	10/2/2017	2/6/2018	M	9.50	
IGI	Western Asset Inv. Grade Defined Opp. Trust	20.87	4.89	4.89	19.88	4.98	23.67	3/15/2018	19.56	3/15/2018	7/26/2018	1m	23.00	

1. Symbol: symbols in parentheses require no preferred designation, all others require a preferred designation. **2. Cycle:** denotes dividend payment months. **3. Recommendation:** accumulate at or below this price. **4. Family:** Fg=foreign, PB=PET Bonds, TP= Trust Preferreds, TPTP= Third Party Trust Preferreds, PERP = Perpetual. **5. Tax:** OI=Ordinary Income Rate, 15%=15% tax rate.

RATING CHANGES AND NEW ISSUANCE

Corporate Bond Rating Changes

Issuer	Agency	New Action	Rating
Alabama Power Co.....	S	+	A-2
Mississippi Power Co.....	S	+	A-2
Columbus McKinnon Corp/NY.....	S	+	BB-
Georgia Power Co.....	S	+	A-2
BD White Birch Investment LLC.....	S	+	B+
Intertape Polymer Group Inc.....	S	+	BB-
Anchor Glass Container Corp.....	S	-	B-
Diamond Resorts International Inc.....	S	-	B-
SMS Systems Maintenance Services Inc.....	S	-	CCC+
BlackRock Capital Investment Corp.....	S	-	BB+
CyrusOne Inc.....	S	+	BB+
Inter Pipeline Corridor Inc.....	S	-	BBB+
21st Century Fox America Inc.....	S	+	BBB+ *+
Comcast Corp.....	S	+	A-
Ascent Resources Utica Holdings LLC.....	S	+	B+
Legacy Reserves LP.....	S	-	SD
Colorado Interstate Gas Co LLC.....	S	+	BBB- *+
Tennessee Gas Pipeline Co LLC.....	S	+	BBB- *+
American Midstream Partners LP.....	S	+	B
Marsh & McLennan Cos Inc.....	S	-	A- *-
Maxar Technologies Ltd.....	S	-	BB-
W&T Offshore Inc.....	M	+	SGL-2
Vertiv Group Corp.....	M	-	Caa1

Issuer	Agency	New Action	Rating
Columbia Pipeline Group Inc.....	M	+	Baa1
Spectra Energy Capital LLC.....	M	-	WR
Calumet Specialty Products Partners LP.....	M	+	SGL-2
CHS/Community Health Systems Inc.....	M	-	Caa1
Conoco Funding Co.....	M	+	A3
IRB Holding Corp.....	M	-	B1 *-
Tosco Corp.....	M	+	A3
Charah LLC.....	M	-	WR
Polar Tankers Inc.....	M	+	A3
NN Inc.....	M	-	Caa1
Westlake Chemical Corp.....	M	+	Baa2
G-III Apparel Group Ltd.....	M	+	SGL-2
US West Capital Funding Inc/Old.....	M	+	A3
NBCUniversal Enterprise Inc.....	M	+	Baa3
DTI Holdco Inc.....	M	-	B3
Odyssey Logistics & Technology Corp.....	M	+	B2
Envigo Laboratories Inc.....	M	-	Caa2
Radian Group Inc.....	M	+	Ba2

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

Preferred Rating Changes

Issuer	Agency	Action	Rating
Alexandria Real Estate Equities Inc	M	+	Baa2
Pacific Gas & Electric Co	M	-	Baa3
SCE Trust II	M	-	Baa2
Zions Institutional Capital Trust A	F	-	WD

Master Limited Partnerships *(continued from page 4)*

Delek Logistics Partners, LP; Current Price \$34.00; Current Annualized Yield 9.06%; Exchange NYSE; Ratings, Moody's B1, S&P BB-; Pay Cycle 3m; CUSIP 24664T103; Family Limited Partnership; Symbol DKL (www.deleklogistics.com)

Delek Logistics Partners, LP (DKL), based in Brentwood, Tennessee, owns and operates logistics and marketing assets for crude oil, as well as intermediate and refined assets. DKL operates in select regions of the southeastern U.S. and west Texas. The partnership operates in two segments— Pipelines and Transportation, and Wholesale Marketing and Terminals. DKL focuses on the gathering, transportation, and storage of crude oil; storing intermediate products and feed stocks; and the mar-

New Preferreds

Issuer	Symbol	Issue	Moody/S&P Ratings	Par Value
Allianzgi Cvt & Inc Fund	NCV A	5.625	NR/NR	25.00
Assoc Banc-Corp	ASB E	5.875	Baa3/NR	25.00
Centerpoint Energy Inc	CNPLL	7.000	NR/NR	50.00
Chimera Invest. Corp	cim c	7.750	NR/NR	25.00
Cms Energy Corp	CMSC	5.875	Baa2/BBB-	25.00
Conifer Holdings Inc	CNFR	6.750	NR/NR	25.00
Hercules Capital Inc	HCCY	6.250	NR/NR	25.00
JPMorgan Chase & Co	JPMLL	5.750	Baa3/BBB-	25.00

*initial rating

keting, distribution, transportation, and storage of refined products. DKL reported Q218 net income of \$25.6 million or \$0.79 per limited partner unit, narrowly missing analysts' estimates. However, results were up 34.7% from a year earlier. Revenue and earnings growth benefited from increased margins and improved performance from the partnership's Paline Pipeline and a new East Texas marketing agreement. The partnership increased its distribution per limited partner by 9.7% from a year ago, with distributable cash flow coverage at 1.34x. Distributions from this partnership are taxed on a variable basis. DKL is recommended for high-risk taxable portfolio and issues a K-1 to unit holders. **Buy up to \$38.50 for an annualized yield of 8.00%.**

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
BGS	B&G Foods	6.99	27.45	300	4/18	\$31.50
SCHW D	Charles Schwab Corp	5.85	25.48	414	9/30	\$27.00
DNP	DNP Select Income Fund	7.07	11.07	900	1/18	\$15.30
AGM B	Farmer Mac	6.61	26.18	400	2/15	\$26.80
FFC	Flrty&Crum/Clay Pfd In	7.52	18.22	450	12/15	\$22.50
MS K	Morgan Stanley	5.77	25.43	350	6/17	\$27.50
NTRSP	Northern Trust Corp	5.77	25.45	400	1/17	\$26.50
NVG	Nuveen Enhd AMT-Fr Mun	5.37	14.56	600	6/16	\$18.20
SFB	Stifel Financial Corp	5.60	23.80	400	10/17	\$26.35
WFC L	Wells Fargo Company	5.83	1290.88	10	6/15	\$1,400.00

Summary Statistics

Monthly Payout Average:	\$505
Current yield on portfolio:	6.21%
Inception Value: (1/1/18)	\$102,184
Last month's value:	\$100,113
Current value of portfolio	\$97,663
Current value + year to date income:	\$101,769
Year to Date Total Return	-0.41%

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	5.61	1294.25	10	5/17	\$1,600.00
BGEPF	Bunge Ltd	4.54	108.50	100	6/15	\$110.00
GGN	GAMCO Gbl Gold	12.81	4.70	1200	1/18	\$7.00
GOF	Guggenheim Strat Opp Fund	10.28	21.00	450	12/15	\$25.25
JHI	John Hancock Investors Trust	6.66	16.09	550	1/18	\$20.75
KEY I	KeyCorp Inc	5.77	26.73	377	8/31	\$27.85
KKR B	KKR	6.22	26.21	400	5/17	\$27.50
KMI A	Kinder Morgan Inc/Delw	14.51	33.25	250	12/15	\$47.00
MPW	Medical Properties Tr	6.71	14.91	750	1/17	\$14.80
STT G	State Street Corp	5.22	25.71	300	5/18	\$27.25

Summary Statistics

Monthly Payout Average:	\$591
Current yield on portfolio:	7.43%
Inception Value: (1/1/18)	\$97,840
Last month's value:	\$97,127
Current value of portfolio	\$95,495
Current value + year to date income:	\$100,276
Year to Date Total Return	2.49%

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	7.66	23.92	400	1/17	\$26.50
CHY	Calamos Cvt & High Inc Fund	8.98	13.27	850	1/18	\$14.90
CHSCL	CHS Inc	6.85	27.33	350	2/15	\$29.00
FUN	Cedar Fair L.P.	6.81	52.08	150	2/16	\$68.50
STK	Columbia Seligman Tech	8.65	21.38	450	12/15	\$28.00
DBL	DoubleLine Opp Credit Fund	9.72	20.57	450	9/17	\$27.85
HEP	Holly Energy Partners L.P.	8.29	31.46	300	12/17	\$36.75
LTS A	Ladenburg Thalmann	8.05	25.02	400	2/16	\$26.60
PHK	PIMCO High Income Fund	11.53	8.39	1350	1/17	\$9.65
BANX	StoneCastle Financial Corp	6.73	22.42	500	1/18	\$23.75

Summary Statistics

Monthly Payout Average:	\$693
Current yield on portfolio:	8.39%
Inception Value: (1/1/18)	\$99,839
Last month's value:	\$100,546
Current value of portfolio	\$99,084
Current value + year to date income:	\$104,917
Year to Date Total Return	5.09%

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	5.11	25.00	400	1/18	\$27.20
UTF	Cohen & Steers Infr	8.29	22.13	400	1/15	\$28.50
CUBI F	Customers Bancorp Pfd	5.87	25.58	400	12/18	\$27.00
DLR C	Digital Realty Trust	6.31	26.24	350	3/14	\$27.25
HCP	HCP Inc	5.65	26.32	400	1/18	\$27.50
HES A	Hess Corp	4.90	79.48	150	3/16	\$67.00
TCF D	TCF Financial Corp	5.95	24.09	400	10/17	\$26.35
HQL	Tekla Life Scis Invst	7.75	20.42	500	1/15	\$24.75
VOD	Vodafone Group	10.95	21.70	300	9/12	\$36.00
IDE	Voya Infrst	7.45	15.73	600	1/16	\$21.50

Summary Statistics

Monthly Payout Average:	\$532
Current yield on portfolio:	6.62%
Inception Value: (1/1/18)	\$99,141
Last month's value:	\$97,242
Current value of portfolio	\$96,512
Current value + year to date income:	\$100,934
Year to Date Total Return	1.81%

Comparative Current Yields

Security Type	Yields 9/28/18	Net Change Month	Net Change Y.T.D.	Spread 12/31/17	Spread 9/28/18
U.S. TREASURIES & EURO BENCHMARKS					
Ten Year	3.06	20	27.1%	N/A	N/A
Inflation Indexed	0.91	15	117.6%	-199	-215
Ten Year Euro(1)	0.47	14	9.3%	-198	-259
Euro Spot Rate	1.16	0	-3.2%	N/A	N/A

CORPORATE BONDS²

AAA	3.60	11	22.9%	52	54
AA	3.58	14	29.2%	36	52
BBB	4.43	10	23.7%	117	137
BB	5.09	3	17.6%	192	203
B	6.46	-3	11.0%	341	340
CCC	9.68	83	2.4%	704	662

PREFERRED STOCKS³

AA&A	5.31	28	8.4%	249	225
BBB	5.59	15	1.4%	310	253
BB	6.04	1	1.0%	357	298
B	7.69	0	0.4%	525	463

QUALIFIED DIVIDEND INCOME (QDI) PFDS⁴

	— Yields —				
Investment Grade	5.51	13	1.1%	227%	180%
Below Inv. Grade	6.14	-1	6.2%	240%	200%

MUNICIPAL BONDS⁵

	— Yields —				
AA	2.66	18	20.9%	91%	87%
A	2.99	17	27.2%	98%	98%
BBB	3.49	14	13.7%	128%	114%

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.

"Bring on the Risk!" Say Investors

continued from page 1

of a yield curve inversion. Recessions are consistently preceded by a period in which the two-year Treasury rate exceeds the ten-year rate. The difference between the two rates finished 3Q 2018 at a slim 24 basis points, down from 33 one quarter earlier and 85 one year earlier. The Fed's undiminished determination to hike short-term rates makes this an outcome that can't be dismissed out of hand.

Yet when investors looked at the stock market last quarter, they saw nothing but blue skies. The S&P 500 racked up a stunning 9.63% return in 3Q 2018. How could earnings falter, investors reasoned, when real Gross Domestic Product grew by 4.2% in the most recently reported quarter? Investors chose to overlook economists' warnings that the impact of the December 2017 tax cut would eventually start to fade. The median 2019 GDP forecast among economists surveyed by Bloomberg is just 2.5%.

Even investors who are more optimistic about the economy should consider hedging their equity exposure with a well-diversified income portfolio. A period lies ahead when dividends and interest will be a welcome offset to falling stock prices. That period may be closer than most market participants think likely.

Note: ICE BofAML Indexes referenced in this report include the US High Yield Index, the High Yield Preferred Securities Index, the Fixed Rate Preferred Securities Index, Current 2-Year US Treasury Index and Current 10-Year US Treasury Index.

Forbes/Lehmann Income Securities Investor

is published monthly by
Income Securities Advisors LLC
Planetarium Station • P.O. Box 13
New York, NY 10024

To subscribe, call toll free: (800) 472-2680.

Subscription by postal or E-mail delivery:

To subscribe go to www.isinewsletter.com

1 year (12 issues), \$195.00 (\$220.00 mail copy); 2 years (24 issues), \$345.00 (\$395.00 mail copy).

Copyright 2018 by Forbes Inc. and Income Securities Advisor Inc.

Forbes/Lehmann Income Securities Investor (ISI) is a monthly newsletter which is published by Income Securities Advisor, Inc. and offered to the general public on a subscription basis. ISI's publisher is Richard Lehmann, who is President of Income Securities Advisor, Inc.

ISI provides information, pricing, recommendations, and investment ideas on bonds, preferred stocks and other income securities. Current and past recommendations are available to subscribers at www.isinewsletter.com. ISI does not guarantee that these securities will produce profits or that they will equal past performance. Although all content is derived from data believed to be reliable, accuracy cannot be guaranteed. Principals, employees and advisory clients of Income Securities Advisors, Inc., its affiliates, and Forbes, Inc. may be holders of securities recommended herein. ISI is not a dealer in bonds or other securities, nor are its principals engaged in such activities. For information on research or advisory services call (305) 557-1832 or e-mail chiefeditor@isinewsletter.com.

Editor: Martin Fridson
Senior Contributing Analyst:
 Joe Labriola
Subscriber Services: 800-472-2680

Forbes Newsletter Group
Editor: Matthew Schiffrin
Subscription Services:
 866-891-2748