



Fourth Quarter 2011

The Search for Income

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New Year, Lower Yields

Overview

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

In 2011, higher-quality bond yields finished the year notably lower, complicating the task for income-seeking investors as 2012 begins. On a positive note, the lower yields were a direct result of higher prices on high-quality bonds. The bond market posted its best annual total return since 2002, as the Barclays Aggregate Bond Index returned 7.8%.

For investors more focused on income generation, however, there is cause for optimism. The average yield of high-yield bonds, a key income producing sector, actually increased over 2011 and helps income-seeking investors attain their goals. Yields increased even though underlying fundamentals improved, which would typically lead to lower yields. In sum, the now higher yield comes without sacrificing quality. After rising at double-digit rates over the first three quarters of 2011, corporate earnings are forecast to finish 2011 10% higher versus year-end 2010. The improved profitability was matched by a decline in the default rate to less than 2.0%. In 2011, high-yield bonds paid greater attention to European debt problems rather than improvement in the United States. Most high-yield bond issuers are domiciled in the U.S., and therein lies the opportunity for income investors.

U.S. Treasuries finished 2011 with more expensive valuations than witnessed during the height of the financial crisis in 2008. As 2012 begins, the yield on the 10-year Treasury is below the annualized rate of inflation as measured by core CPI (Consumer Price Index). Due to the strength of Treasuries in 2011, yield differentials between Treasuries and more economically sensitive bonds, such as corporate bonds, increased. We believe income-seeking investors should consider more economically sensitive bonds such as High-Yield Bonds, Investment-Grade Corporate Bonds, Emerging Market Debt and Preferred Securities.

Among more economically-sensitive bond sectors, High-Yield Bonds stand out as one of our favorite investments and a source of income generation. Currently, our best ideas for income generation are:

- High-Yield Bonds (Taxable and Tax-Free)
- Emerging Market Debt (EMD)
- Investment-Grade Corporate Bonds (Intermediate- and Long-Term)
- Preferred Stocks
- Build America Bonds (BAB)

High-Yield Bonds remain our bias within fixed income as the sector provides a combination of yield and compelling valuations. For 2012, Europe will likely continue to dominate investors' attention, continuing a theme from 2011. Therefore, volatility is likely to remain elevated over the first quarter. Until further clarity on a more robust solution to the European debt problem emerges, prices may remain volatile. Over the longer term, the current average yield advantage of more than 7.0% (as of 12/31/11) to comparable U.S. Treasuries has historically translated into outperformance relative to Treasuries over a longer, one-year horizon.

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

Emerging Market Debt (EMD) prices witnessed bouts of volatility in 2011 but ultimately benefited from the strength of bonds overall. Fears that troubles in Europe would adversely affect faster-growing developing economies contributed to a wider yield differential between EMD and Treasuries, a sign investors placed a greater risk premium on EMD. We believe the stronger growth trajectory of emerging market countries remains on track and may be aided by central bank rate cuts in 2012. EMD valuations remain attractive, and the sector remains a higher quality alternative compared to High-Yield Bonds for income-seeking investors.

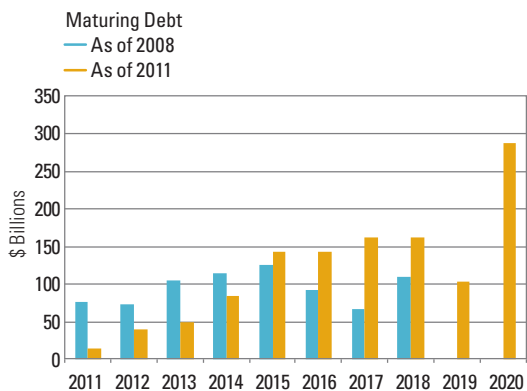
Investment-Grade Corporate Bonds lagged Treasuries in 2011 but still benefited from high-quality bond strength. Similar to high-yield bonds, improving corporate profitability improved the credit quality backdrop underlying corporate bonds. We believe the health of the corporate sector remains strong and valuations are attractive. With an average yield advantage of 2.3% to comparable Treasury bonds (as of December 30, 2011) they remain the best income-producing option among high-quality domestic bonds, especially considering the low yields on other high-grade bond sectors, such as Treasuries and Mortgage-Backed Securities (MBS). The high-quality nature of Investment-Grade Corporate Bonds makes them more sensitive to future rises in interest rates; however, we expect a modest but manageable increase in yields for 2012.

Preferred Stocks were affected by bank worries in Europe over the second half of 2011. In our view, most domestic banks are more than sufficiently capitalized to withstand losses stemming from a Greek government bond default. Pressure on the European banking system remains, but European issuers have reduced peripheral European government bond exposure and also comprise a much smaller portion of the preferred market. Nonetheless, fear of contagion to U.S. banks drove weakness in Preferred Stocks, which are primarily issued by financial companies. Overall, we believe banks have done a good job boosting capital levels to help buffer against future losses and view preferred stocks as a good income vehicle consideration. Yields remain favorable compared to similarly rated Investment-Grade Corporate Bonds. In addition, new issuance remains extremely limited, keeping a favorable supply-demand balance in place for investors.

Build America Bonds (BABs) are among the most interest rate sensitive of our income-producing ideas, but similar to other high-quality bonds, BAB bond prices finished higher in 2011 as high-quality bond yields fell sharply. The sector has also benefited from the strength in the broader municipal bond market and from a scarcity premium due to the lack of new issuance. We believe BABs can still be used for income generation with high overall credit ratings and an average yield of roughly 4.9%, according to Wells Fargo Index data.

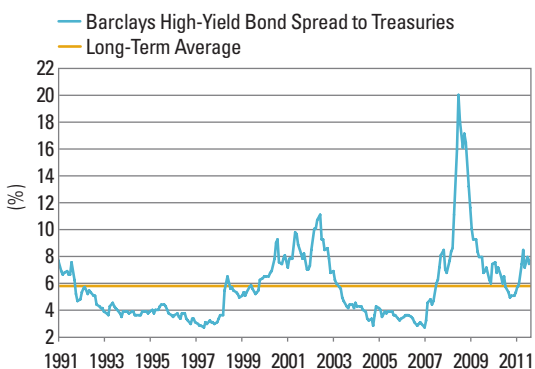
Another strategy to consider would be the income-focused theme in Model Wealth Portfolios (MWP), which combines multiple asset classes and sectors. The goals of this portfolio are to seek excess total return and, secondarily, to generate significantly higher overall yields than the LPL Financial Research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

1 High-Yield Issuers Have Done an Excellent Job of Refinancing Debt Obligations



Source: JP Morgan, LPL Financial 12/31/11

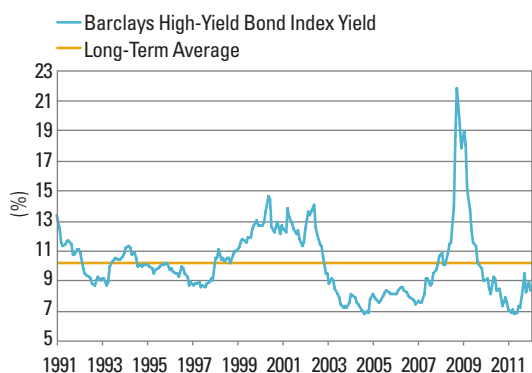
2 The Average Yield Advantage of High-Yield Bonds More Than Compensates For an Increase in Defaults



Source: Barclays, Bloomberg, LPL Financial 12/30/11

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

3 Yields Are at Their Highest Levels in Over a Year



Source: Barclays, Bloomberg, LPL Financial 12/30/11

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

Favorite Sector/Asset Class Ideas

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

High-Yield is an obvious asset class for income-seeking investors. Despite modest price weakness, high-yield bonds still managed a positive 4.9% total return according to Barclays Index data. We continue to view High-Yield Bonds as one of the more attractive investments in the bond market. The average yield advantage, or spread relative to Treasuries, stood at 7.1% as of December 30, 2011, up from 5.8% at the end of 2010. The global default rate declined further to 1.7% in December 2011, down from a peak of 13% at the end of 2009. We believe defaults may increase modestly in 2012 but remain low by historical comparison. We find valuations more than adequate to compensate for an increase in defaults. Moody's has forecast an increase to 2.9% by year-end 2012.

Furthermore, high-yield issuers have taken advantage of low interest rates and done an excellent job of refinancing existing debt obligations. Approximately 60% of new issuance in 2011 has been used for refinancing purposes, which we view as healthy and a positive for credit quality. With few maturing bonds coming due through the end of 2012 [Chart 1], the risk of an unexpected surge in defaults is limited.

Since default rates and High-Yield Bond spreads are highly correlated, the average High-Yield Bond spread to Treasuries, at 7.1%, is attractive. In our view, this spread level more than compensates for the current and expected level of defaults [Chart 2].

The average yield of High-Yield Bonds (8.4% as of December 30, 2011) is below the 20-year average of 10.5% [Chart 3] but increased by nearly one percentage point in 2011.

For diversification purposes and to reduce individual security risk, LPL Financial Research strongly recommends investors use a mutual fund or ETP (Exchange-Traded Product) for exposure to this asset class. In general, High-Yield Bond funds provide yields between 6.0% and 9.0% (according to Morningstar data), but of course entail greater credit risk relative to Investment-Grade Bonds.

Investors, regardless of tax-bracket, may wish to consider Tax-Free High-Yield Bonds. High-Yield Municipal Bond prices defied their taxable counterparts and posted a strong 9.3% total return in 2011, according to Barclays Index data. The local-only exposure of Municipal High-Yield Bonds insulated them from market concerns over Europe and helped support prices. While municipal finances remain under stress, issuers continue to make positive incremental progress. State and local revenues increased over the first three quarters of 2011 and have now improved for seven consecutive quarters. We continue to find the asset class attractive with an average yield of 6.8%, according to the Barclays High-Yield Municipal Index (as of 12/31/11).

Municipal defaults declined for the third consecutive year in 2011. According to Municipal Market Advisors, municipal defaults totaled \$2.6 billion in 2011



Please contact fund or ETF companies directly to obtain a copy of the prospectus for the percentage of income subject to AMT.

versus \$3.6 billion in defaults witnessed in 2010, which in turn is down from \$7.3 billion in 2009 and a peak of \$8.5 billion in 2008. We believe defaults will continue to be concentrated in more speculative issues allowing an investment manager ample room to find attractive investments. According to Municipal Market Advisors, 82% of defaults since July 1, 2009 have come from issuers that did not have any rating at all (non-rated). Furthermore, housing-related bond issues comprise 69% of all defaults. Given the speculative excesses in the housing market, the fact that housing-related issues represent the largest number of defaults is no surprise.

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

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

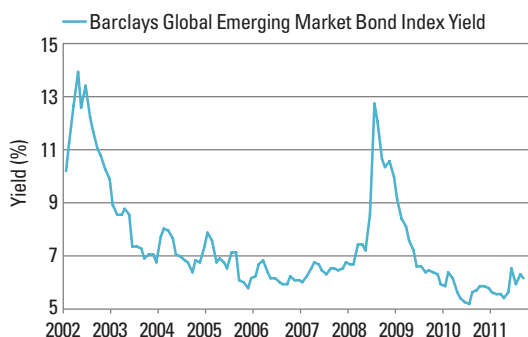
High-Yield/Junk Bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

Government Bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of a fund shares is not guaranteed and will fluctuate.

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

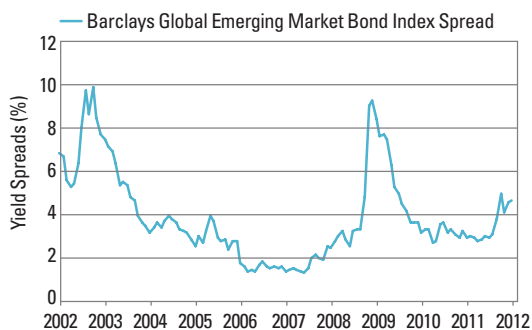
4 EMD Yields Are Their Highest Since 2009



Source: Barclays, Bloomberg, LPL Financial 12/30/11

The Barclays Global EM Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

5 Yield Spreads Are at Their Highest Levels of the Past Two-years



Source: Barclays, Bloomberg, LPL Financial 12/30/11

The Barclays Global EM Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

Emerging Market Debt (EMD): Benefitting From Emerging Markets Growth

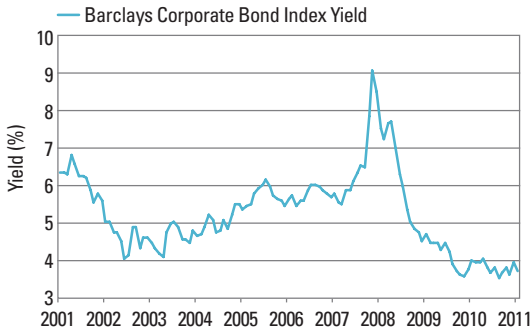
Emerging Market Debt (EMD) prices witnessed bouts of volatility in 2011 but ultimately benefited from price strength of bonds overall. Fears that problems in Europe would adversely affect faster-growing developing economies contributed to a wider yield differential between EMD and Treasuries, a sign investors placed a greater risk premium on EMD. We believe that the stronger growth trajectory of emerging market countries remains on track and may be aided by central bank rate cuts in 2012. We believe that fear is misplaced, leaving investors to take advantage of cheaper EMD valuations. The average yield advantage of EMD increased to 4.6% over 2011.

The current yield of the Barclays Global Emerging Markets Bond Index, 6.1% as of December 30, 2011, is attractive for income generation, particularly given still strong fundamentals. For investors seeking a higher quality alternative to High-Yield Bonds, EMD may be the right solution. EMD issuers may continue to benefit from faster economic growth than their developed nation counterparts. EMD issuers also possess better credit characteristics: debt-to-GDP ratios are lower than developed nations and most EMD issuers possess large currency reserves. Inflation has stabilized and emerging market central banks have begun to lower interest rates. Interest rate cuts should help avoid economic growth risks and provide a tailwind for EMD prices.

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



6 Average Corporate Bond Yields Remain Near Record Lows but Remain a High-Quality Income Option



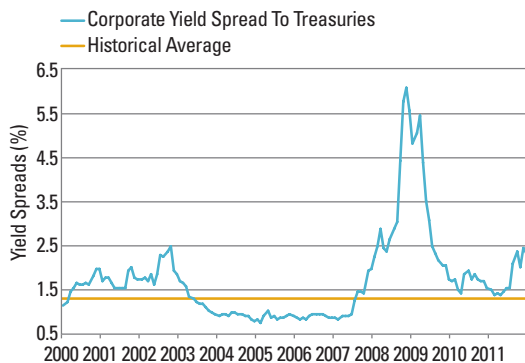
Source: Barclays, Bloomberg, LPL Financial 12/30/11

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

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

The average Investment-Grade Corporate Bond yield remains low by historical comparison [Chart 6], but valuations relative to Treasuries remain attractive by historical comparison. For some investors, such yield levels may not be exciting, but yields vary depending on the specific investment used. We believe Investment-Grade Corporate Bonds can still be used as an income-producing option in fixed income markets considering historically low Treasury and MBS yields. As of December 30, 2011, the average Investment-Grade Corporate Bond yield spread to Treasuries was 2.3%, still above the 1.3% historical average and a considerable advantage over Treasuries [Chart 7]. Current yield spreads are typically witnessed only during recessions, and we believe this presents a potential opportunity for higher-quality income-seeking investors since we believe a recession will be avoided. A slow growth environment still allows for corporate credit quality to be stable and not necessarily turn into a threat for bondholders.

7 Corporate Bond Yield Spreads Are Attractive in Our View and Above the Historical Average



Source: Barclays, Bloomberg, LPL Financial 12/30/11

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

Government Bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of a fund shares is not guaranteed and will fluctuate.



The preferred market, as measured by the Merrill Lynch Hybrid Securities Index, had an average yield of 6.0%.

Preferred Stocks: Could Benefit From Favorable Supply/Demand Imbalance

Preferred Stocks have provided higher current yields than comparably rated corporate bonds. Although called “stocks,” Preferred Stocks possess bond-like characteristics, and income-seeking investors should consider the asset class. Preferred Stocks’ prices declined during the third quarter as fear of contagion to U.S. banks drove weakness in Preferred Stocks, which are primarily issued by financial companies. Overall, we believe banks have done a good job boosting capital levels to buffer against future losses and view recent weakness as an opportunity. Both yields and valuations remain attractive. As of December 30, 2011, the preferred market, as measured by the Merrill Lynch Hybrid Securities Index, had an average yield of 6.0%. However, due to the varied composition of the preferred market specific investment product yields may vary (see Implementation section for details).

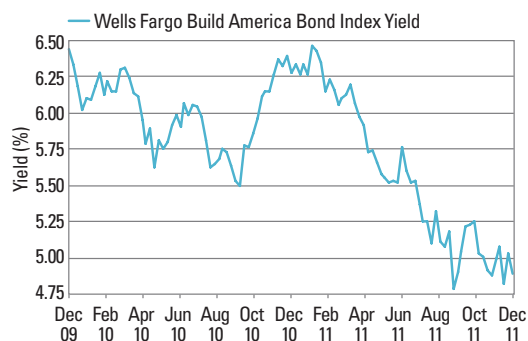
We believe financial preferred issuers should be able to absorb European debt shocks or increased regulatory requirements without materially impacting their ability to service preferred securities interest payments. In our view, most domestic banks and the large European banks are sufficiently capitalized to withstand losses stemming from a Greek government bond default.

On balance, financial regulatory reform has turned out to be a modest positive for Preferred Stocks. Bank capital rules put in place in 2010 require some financial institutions to retire certain types of Preferred Securities over the coming three years. Retiring the issues will require companies to redeem Preferred Securities at par value. Since issuance of new Preferred Stocks has been minimal over the past two years, the reductions have helped create a favorable supply-demand balance. In fact, several issuers were proactive during the first half of 2011 and redeemed select issues early to help take advantage of low overall interest rates. The demand for yield should help support a shrinking base of preferred securities.

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

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

8 Build America Bonds Yields Declined in 2011



Source: Wells Fargo, Bloomberg, LPL Financial 12/30/11

The Wells Fargo Build America Bond Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

Build America Bonds (BABs)

BABs originated from the American Recovery and Reinvestment Act (ARRA) to allow municipalities to issue taxable bonds for qualifying infrastructure projects. By expanding the investor base to taxable investors, BAB issuance was intended to facilitate municipalities' ability to obtain funding for important infrastructure projects given still uncertain markets in the wake of the financial crisis. BABs have been a success, and the market has grown to \$188 billion according to *The Bond Buyer*.

Build America Bonds: Insulated From Significant Credit Quality Deterioration

The BAB program expired at the end of 2010 after exclusion from tax-cut extension legislation that was signed into law in late 2010. Despite the expiration, BAB prices have proven resilient as a scarcity premium developed and BAB prices increased alongside other high-quality bond options in 2011. Born from the \$787 billion ARRA, Build America Bonds (BABs) have been well received as taxable bond investors have embraced BABs as a diversification investment to existing holdings of Corporate, Treasury, and Mortgage-Backed Bonds in their portfolios. BABs are included in the widely followed Barclays Capital Bond Indexes, and therefore are subject to regular purchases from passive investors who closely mimic benchmark positions.

BABs are not without risks, and interest rate risk remains the greatest potential threat. The vast majority of issuance is long-term, with 90% of BABs maturing beyond 10 years, according to *The Bond Buyer* data. The longer-term maturities of BABs make them among the more sensitive to interest rate changes within the bond market. Although interest rates declined in 2011, investors should remain aware of this potential longer-term risk. We expect interest rates to rise only modestly in 2012, but price declines associated with rising interest rates may offset the benefit of higher interest income.

In a low-yield world, BABs remain an option for income-seeking investors with an average 4.9% yield, according to Wells Fargo index data [Chart 8]. On the negative side, the yield has declined steadily in 2011 along with other high-quality bond yields; however, the yield advantage to Treasuries has increased and is substantial at 2.1% above comparable maturity Treasuries. State revenues continue to improve, but many local government budgets will remain tight in 2012 and likely beyond. Municipal defaults remain concentrated among the most speculative issues, a trend we expect to continue. BABs are among the highest-quality municipal bonds, and we expect them to be insulated from significant credit quality deterioration. Since most BABs are issued for qualifying infrastructure projects, the essential service nature provides an extra level of security.

The issuance of Build America Bonds began in April of 2009. They were authorized by the ARRA economic stimulus of 2009 and can be issued for qualifying infrastructure projects. They are taxable municipal bonds and are considered a category of bonds.

Implementation

Model Wealth Portfolios (MWP) – Income Focused

In this publication, we highlight our favorite individual sector and asset class ideas for income. However, with Model Wealth Portfolios (MWP), LPL Financial Research combines multiple asset classes and sectors to create a complete portfolio that seeks excess return and, secondarily, generates significantly higher overall yields than the LPL Financial blended benchmarks.

Within these Income Focused Models, we modify our asset allocation models to increase their income-generating ability. Fund selection is focused on identifying those mutual funds that have historically performed very well with a good portion of their performance coming from income. The following table highlights relevant statistics of MWP Income Focused Models.

Income Focused Model Wealth Portfolio Performance

Model Portfolios	3-Months	YTD	1-Year	2-Year	3-Year	Annualized Since 3/1/08
Aggressive Growth						
MWP Income Focused	9.88%	-3.30%	-3.30%	4.14%	11.77%	-2.41%
AG Benchmark	11.51%	1.03%	1.03%	8.32%	14.19%	1.21%
+ / - Benchmark	-1.63%	-4.33%	-4.33%	-4.18%	-2.42%	-3.63%
Growth						
MWP Income Focused	8.49%	-2.66%	-2.66%	4.65%	11.85%	-1.83%
G Benchmark	9.87%	2.20%	2.20%	8.32%	13.19%	2.22%
+ / - Benchmark	-1.38%	-4.87%	-4.87%	-3.67%	-1.34%	-4.05%
Growth With Income						
MWP Income Focused	6.86%	-0.69%	-0.69%	5.28%	12.70%	-0.06%
G&I Benchmark	7.67%	3.68%	3.68%	8.19%	11.73%	3.41%
+ / - Benchmark	-0.81%	-4.36%	-4.36%	-2.91%	0.98%	-3.47%
Income With Moderate Growth						
MWP Income Focused	5.71%	-0.62%	-0.62%	4.97%	12.71%	1.45%
IMG Benchmark	5.45%	4.89%	4.89%	7.75%	9.97%	4.31%
+ / - Benchmark	0.26%	-5.51%	-5.51%	-2.77%	2.75%	-2.85%
Income With Capital Preservation						
MWP Income Focused	4.18%	0.04%	0.04%	5.98%	13.33%	3.34%
ICP Benchmark	3.21%	5.91%	5.91%	7.08%	8.00%	4.96%
+ / - Benchmark	0.97%	-5.87%	-5.87%	-1.09%	5.34%	-1.62%

Source: FactSet, LPL Financial 12/31/11

Benchmark Indices	Aggressive Growth	Growth	Growth with Income	Income with Moderate Growth	Income with Capital Preservation
Russell 3000 Index	95%	80%	60%	40%	20%
Barclays Aggregate Bond Index	0%	15%	35%	53%	70%
Citigroup 3-month Tbill	5%	5%	5%	7%	10%

For further information about the model portfolios, please contact your LPL Financial advisor.

All indices are unmanaged and cannot be invested into directly.

*Please refer to pages 16 & 17 for index descriptions and investment objectives.

Income Focused Model Wealth Portfolio Mutual Funds

Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Expense Ratio	30-Day SEC Yield	Web Address
Harbor Capital Appreciation Instl	HACAX	0.61	2.37	2.63	10.39	12/29/87	0.68	0.11	www.harborfunds.com
MainStay Large Cap Growth I	MLAIX	-0.19	3.86	N/A	6.29	4/1/05	0.82	N/A	www.nylim.com/MainStay
Allianz NFJ Dividend Value P	ADJPX	3.43	-2.39	N/A	-0.91	7/7/08	0.81	3.81	www.allianzinvestors.com
Oppenheimer Rising Dividends Y	OYRDX	2.62	1.54	4.53	5.79	12/16/96	0.87	1.76	www.oppenheimerfunds.com
Royce Value Invmt	RVVHX	-7.17	2.97	N/A	2.77	3/15/07	1.16	0.60	www.roycefunds.com
Royce Dividend Value Invmt	RDVIX	-4.46	3.43	N/A	3.56	9/14/07	1.38	1.14	www.roycefunds.com
Principal Preferred Securities P	PPSPX	1.51	N/A	N/A	1.89	9/27/10	0.76	6.84	www.principal.com
Loomis Sayles Bond Instl	LSBDX	3.76	6.53	10.00	10.10	5/16/91	0.63	5.11	www.loomissayles.com
Forward Credit Analysis Long/Short Inv	FLSRX	5.83	N/A	N/A	8.48	5/1/08	3.39	3.83	www.forwardfunds.com
Delaware High-Yield Opportunities In	DHOIX	2.25	6.30	9.14	7.21	12/30/96	0.90	8.90	www.delawarefunds.com
Pioneer Global High Yield Y	GHYYX	-1.99	4.77	N/A	5.86	12/27/05	0.74	8.88	www.pioneerinvestments.com
Oppenheimer Senior Floating Rate Y	OOSYX	2.62	3.76	N/A	4.42	11/28/05	0.78	6.04	www.oppenheimerfunds.com
Nuveen High Yield Municipal Bond I	NHMRX	11.75	-1.28	3.91	4.21	6/7/99	0.68	7.00	www.nuveen.com
RS Global Natural Resources A	RSNRX	-7.31	4.08	15.43	10.56	11/15/95	1.47	N/A	www.rsim.com
Forward Global Infrastructure Instl	KGIYX	-5.92	N/A	N/A	-3.82	6/29/07	1.26	2.71	www.forwardfunds.com

Source: Morningstar Direct, LPL Financial 12/31/11

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

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

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

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

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

Income Focused Model Wealth Portfolio Weights (As of 12/31/11)

Fund Name	Ticker	LPL Financial Statement Asset Class	Aggressive Growth	Growth	Growth w/ Income	Income w/ Moderate Growth	Income w/ Capital Preservation
Harbor Capital Appreciation	HACAX	Large Growth	10.0%	8.0%	6.0%	4.0%	4.0%
MainStay Large Cap Growth	MLAIX	Large Growth	11.5%	11.0%	8.5%	5.0%	3.5%
Allianz NFJ Dividend Value	ADJPX	Large Value	18.0%	14.0%	13.0%	9.0%	0.0%
Oppenheimer Rising Dividends	OYRDX	Large Blend	20.0%	10.0%	9.0%	3.0%	0.0%
Royce Value Invmt	RVVHX	Mid Blend	8.0%	6.0%	0.0%	0.0%	0.0%
Royce Dividend Value	RDVIX	Small Value	11.0%	10.5%	5.0%	4.0%	3.0%
Principal Preferred Securities	PPSPX	Preferred Securities	0.0%	4.0%	6.0%	8.0%	10.0%
Loomis Sayles Bond	LSBDX	Intermediate-/Long-Term Bond	0.0%	2.0%	0.0%	11.0%	15.0%
Forward Long/Short Credit Analysis	FLSRX	Intermediate-/Long-Term Bond	0.0%	0.0%	5.0%	5.0%	5.0%
Delaware High-Yield Opportunities In	DHOIX	High-Yield Bond	0.0%	6.5%	8.0%	9.0%	10.5%
Pioneer Global High Yield	GHYYX	High-Yield Bond	0.0%	9.0%	16.0%	20.0%	30.0%
Oppenheimer Senior Floating Rate1	OOSYX	Bank Loans	0.0%	0.0%	3.0%	3.0%	4.0%
Nuveen High Yield Municipal Bond	NHMRX	Tax-Free High-Yield Bond	0.0%	0.0%	3.0%	3.0%	4.0%
RS Global Natural Resource	RSNRX	Sector (Commodities: Natural Resources)	10.0%	9.0%	8.0%	7.0%	4.0%
Forward Global Infrastructure	KGIYX	Sector (Infrastructure)	6.0%	5.0%	5.0%	4.0%	2.0%
Cash*			5.5%	5.0%	4.5%	5.0%	5.0%
TOTAL			100.0%	100.0%	100.0%	100.0%	100.0%

* The cash portion of this portfolio is represented by money market instruments.

Mutual Fund and ETP Income Producing Ideas

The following list comprises our suggestions for mutual funds and ETPs that provide exposure to the income-producing sectors we have outlined in this report.

Taxable High-Yield Bond Exposure – Mutual Funds

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Intermediate/Long High-Yield Bond								
Artio Global High Income I	JHYIX	0.09	6.72	N/A	9.62	1/30/03	0.74	8.01
MainStay High Yield Corporate Bond I	MHYIX	6.03	5.79	N/A	7.11	1/2/04	0.74	6.76
Pioneer Global High Yield Y	GHYYX	-1.99	4.77	N/A	5.86	12/27/05	0.74	8.88
Hotchkis and Wiley High Yield A	HWHAX	1.89	N/A	N/A	15.59	5/29/09	1.01	8.24
PIMCO High Yield Instl	PHLPX	3.90	6.14	N/A	6.86	4/30/08	0.65	6.43
Delaware High-Yield Opportunities A	DHOAX	1.95	5.98	8.81	6.90	12/30/96	1.20	8.20
Pax World High Yield	PAXHX	2.00	5.57	6.57	5.56	10/8/99	0.99	7.58
Barclays Capital US High Yield Bond		1.78	7.08	8.78	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

Taxable High-Yield Bond Exposure – ETPs

Exchange-Traded Product	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Taxable High-Yield Bonds												
iShares iBoxx \$ High Yield Corporate Bd	HYG	5.88	N/A	N/A	5.37	4/4/07	0.50	7.64	6.81	N/A	N/A	5.60
SPDR Barclays Capital High Yield Bond	JNK	4.70	N/A	N/A	5.78	11/28/07	0.41	6.81	5.16	N/A	N/A	5.78
Barclays Capital US High Yield Bond		1.78	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

All indices are unmanaged and cannot be invested into directly.

For the most recent month end performance please visit the respective fund's website: JHYIX: www.artioglobal.com; MHYIX: www.nylim.com/portal/site/MainStay; GHYYX: www.pioneerinvestments.com; PHLPX: www.pimcofunds.com; DHOAX: www.delawarefunds.com; PAXHX: www.paxfund.com; HYG: www.ishares.com; JNK: www.spdrs.com.

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

Tax-Free High-Yield Bond Exposure – Mutual Funds

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Tax Free High-Yield Bonds								
Nuveen High Yield Municipal Bond I	NHMRX	11.75	-1.28	3.91	4.21	6/7/99	0.68	7.00
Franklin High Yield Tax-Free Inc Adv	FHYVX	12.55	4.19	N/A	4.72	1/3/06	0.53	4.77
Oppenheimer Rochester National Muni A	ORNAX	11.70	-4.64	2.56	3.71	10/1/93	1.10	6.96
Barclays High Yield Municipal		4.18	2.48	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

Tax-Free High-Yield Bond Exposure – ETPs

Exchange-Traded Product	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Tax Free High-Yield Bonds												
Market Vectors High-Yield Muni ETF	HYD	9.45	N/A	N/A	12.43	2/4/09	0.35	5.11	11.03	N/A	N/A	11.75
Barclays High Yield Municipal		4.18	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

Emerging Market Debt Exposure – Mutual Funds

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Emerging Market Bonds								
T. Rowe Price Emerging Markets Bond	PREMX	3.47	6.61	11.05	11.96	12/30/94	0.95	6.50
MFS Emerging Markets Debt A	MEDAX	5.84	7.68	11.73	11.76	3/17/98	1.15	4.63
PIMCO Emerging Local Bond P	PELPX	-0.88	8.14	N/A	6.91	5/30/08	1.00	3.61
JPM EMBI Global		1.28	7.81	10.48	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

Emerging Market Debt Exposure – ETPs

Exchange-Traded Product	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Emerging Market Bonds												
PowerShares Emerging Mkts Sovereign Debt	PCY	8.25	N/A	N/A	8.00	10/11/07	0.50	5.47	8.44	N/A	N/A	8.02
iShares JPMorgan USD Emerg Markets Bond	EMB	7.18	N/A	N/A	7.69	12/17/07	0.60	4.87	7.65	N/A	N/A	7.81
JPM EMBI Global		1.28	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

All indices are unmanaged and cannot be invested into directly.

For the most recent month end performance please visit the respective fund's website: NHMRX, ORNAX: www.oppenheimerfunds.com; FHYVX: www.franklin-templeton.com; PREMX: www.troweprice.com; MEDAX: www.mfs.com; PELPX: www.pimcofunds.com; HYD: www.ishares.com; PCY: www.powershares.com; EMB: www.ishares.com

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

Investment-Grade Corporate Bond Exposure – Mutual Funds

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Intermediate/Long High Quality Bond								
Loomis Sayles Investment Grade Bond Y	LSIIX	5.08	7.75	8.88	8.47	12/31/96	0.56	4.09
Dodge & Cox Income	DODIX	4.76	6.34	5.91	7.58	1/3/89	0.43	3.72
Pimco Total Return	PTTPX	4.06	7.98	N/A	7.38	4/30/08	0.56	2.98
Federated Total Return Bond Instl	FTRBX	6.28	6.63	5.98	6.61	10/1/96	0.45	2.97
Metropolitan West Total Return Bond I	MWTIX	5.52	7.75	6.74	7.21	3/31/00	0.42	4.14
Western Asset Core Plus Bond I	WACPX	6.72	6.89	6.90	6.90	7/8/98	0.45	2.87
Loomis Sayles Bond Instl	LSBDX	3.76	6.53	10.00	10.10	5/16/91	0.63	5.11
Barclays Capital Aggregate		5.26	6.53	5.66	N/A	N/A	N/A	N/A
Long High Quality Bond								
Vanguard Long-Term Investment-Grade	VWESX	17.18	8.41	7.82	8.77	7/9/73	0.24	4.70
Barclays Capital Govt Credit Long		12.74	9.39	8.26	N/A	N/A	N/A	N/A
Eclectic Fixed Income								
Delaware Diversified Income A	DPDFX	6.38	8.14	8.19	8.19	12/29/97	0.97	3.17
Franklin Strategic Income Adv	FKSAX	2.91	6.42	7.85	7.32	8/12/99	0.63	5.22
Barclays Capital Aggregate		5.26	6.53	5.66	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

Investment-Grade Corporate Bond Exposure – ETPs

Exchange-Traded Products	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Intermediate/Long High Quality Bond												
iShares Barclays Intermediate Credit Bd	CIU	5.15	N/A	N/A	5.92	1/5/07	0.20	2.84	5.83	N/A	N/A	6.09
iShares iBoxx \$ Invest Grade Corp Bond	LQD	8.89	6.61	N/A	6.20	7/22/02	0.15	3.92	9.75	6.73	N/A	6.31
SPDR Barclays Capital Interm Credit Bond	ITR	4.86	N/A	N/A	7.69	2/10/09	0.16	3.32	5.54	N/A	N/A	7.10
Vanguard Intermediate-Term Bond ETF	BIV	10.61	N/A	N/A	8.02	4/3/07	0.11	2.47	11.14	N/A	N/A	8.08
Barclays Capital Aggregate		5.26	6.53	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long High Quality Bond												
SPDR Barclays Capital Long Credit Bond	LWC	14.99	N/A	N/A	16.98	3/10/09	0.17	4.82	16.84	N/A	N/A	16.71
Vanguard Long-Term Bond ETF	BLV	22.15	N/A	N/A	10.09	4/3/07	0.11	3.94	22.93	N/A	N/A	10.23
Barclays Capital Govt Credit Long		12.74	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

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Preferred Stock Exposure – Mutual Funds

Fund/Model Name	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield
Preferred Securities								
Principal Preferred Securities Inst	PPSPX	1.51	4.35	N/A	1.89	9/27/10	0.76	6.84
Nuveen Preferred Securities I	NPSRX	-0.39	3.02	N/A	3.01	12/18/06	0.85	6.61
Merrill Lynch Preferred Stock Hybrid		0.76	1.34	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

Preferred Stock Exposure – ETPs

Exchange-Traded Product	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Preferred Securities												
iShares S&P U.S. Preferred Stock Index	PFF	-2.21	N/A	N/A	0.67	3/26/07	0.48	6.82	-2.00	N/A	N/A	0.70
PowerShares Financial Preferred	PGF	-1.61	-0.59	N/A	-0.58	12/1/06	0.66	7.03	-1.74	-0.67	N/A	-0.73
PowerShares Preferred	PGX	3.25	N/A	N/A	-2.13	1/31/08	0.50	6.84	3.54	N/A	N/A	-2.22
Merrill Lynch Preferred Stock Hybrid		0.76	1.34	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

Build America Bond Exposure – ETPs

Exchange-Traded Product	Ticker	1-Year	5-Year	10-Year	Since Inception	Inception Date	Gross Exp. Ratio	30-Day SEC Yield	Mkt Ret Annlzd 1-Year	Mkt Ret Annlzd 5-Year	Mkt Ret Annlzd 10-Year	Mkt Ret Annlzd Since Incep
Build America Bond												
PowerShares Build America Bond	BAB	20.95	N/A	N/A	12.74	11/17/09	0.35	5.08	21.00	N/A	N/A	12.68
Wells Fargo Build America Bond Index		17.27	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Morningstar Direct, LPL Financial 12/31/11

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For the most recent month end performance please visit the respective fund's website: PSPIX: www.principalfunds.com; NPSRX: www.nuveen.com; PFF: www.ishares.com; BAB, PGF & PGX: www.powershares.com.

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IMPORTANT DISCLOSURES

This report has been prepared by LPL Financial from sources believed to be reliable but no guarantee can be made as to its accuracy or completeness. The opinions expressed herein are or general information only, are subject to change without notice, and are not intended to provide specific advice or recommendations for any individuals.

LPL Financial does not engage in investment banking services nor has LPL Financial or the analyst(s) been compensated during the previous 12 months by any company mentioned in this report for any non-investment banking securities-related services and non-securities services nor has any company mentioned been a client of LPL Financial within the past 12 months.

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

Core CPI is a subset of the total Consumer Price Index (CPI) that excludes the highly volatile food and energy prices. It is released by the Bureau of Labor Statistics around the middle of each month. Compare to Personal Consumption Expenditures (PCE); Core PPI; Producer Price Index (PPI).

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

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

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

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

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

Non-rated bonds have not been issued a rating by bond rating agencies such as Standard and Poor's and Moody's. Bonds that have not been rated by an agency are usually considered to be junk bonds or fall below investment grade.

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

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

Government Bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of funds shares is not guaranteed and will fluctuate.

Mortgage-Backed Securities are subject to credit risk, default risk, and prepayment risk that acts much like call risk, where you get your principal back sooner than the stated maturity, extension risk, the opposite of prepayment risk, and interest rate risk.

Correlation is a statistical measure of how two securities move in relation to each other. Correlations are used in advanced portfolio management.

Debt-to-GDP is a measure of a country's federal debt in relation to its gross domestic product (GDP). By comparing what a country owes and what it produces, the debt-to-GDP ratio indicates the country's ability to pay back its debt. The ratio is a coverage ratio on a national level.

Financials sector companies are involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investment, and real estate, including REITs.

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

Preferred Stock investing involves risk which may include loss of principal.

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

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

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

Investors should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus contains this and other information about the investment company. They can obtain a prospectus from you. Read carefully before investing.

INDEX DESCRIPTIONS

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

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

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

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

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

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

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

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

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

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

MODEL DESCRIPTIONS

Aggressive Growth

Aggressive Growth will essentially be fully invested in equity assets at all times (with the exception of a 5% cash position). Investors in this portfolio should have a long time horizon of 10 years or more, an understanding of the volatile history of equity investments, and a propensity to add money to the account on a systematic basis.

This portfolio is very aggressive by nature and should not be considered by anyone unwilling to take on significant risk.

Growth

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

Growth With Income

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

Income With Moderate Growth

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

Income With Capital Preservation

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



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