

Holdings & Performance Update: Orderly Sell-Off, Attractive Opportunities Ahead.

As you can see in the following chart, December was a rough end to a rough fourth quarter, with the S&P 500 (SPY) declining another 8.8% for the month. The good news is the sell-off was orderly, and stocks have rebounded significantly in the last two weeks. This report reviews the performance of our investment strategies, including commentary on individual holdings. We also highlight where we're seeing the best opportunities going forward, assuming (of course) you can stick to your disciplined long-term investment strategy (i.e. don't make silly mistakes).

Key Takeaways:

- **Understand the Risk-vs-Reward Trade-Off**, and use it to your advantage.
- **Attractive Opportunities now:** PCI, TGP.B, TOO.B, SQ, ACN, RVT.
- **Be proactive** (not reactive) with security selection.



The 4th Quarter Sell-Off Was Orderly:

When we say the market sell-off was orderly, we mean it unfolded exactly as would be expected. Specifically, the investments that are traditionally considered higher risk (such as Growth and Tech stocks) sold-off more. And the investments that are traditionally considered less risk (e.g. Utilities stocks), sold-off less. This phenomenon is the classic "risk versus reward" tradeoff whereby risk is measured by volatility and reward is measured by returns. One thing that investors should take away from this, is that if you cannot handle the volatility, you should invest in less volatile types of investments. And of course, you should always select attractive investments within whatever risk-level investment types are most appropriate for you in achieving your goals. For example, if you like less volatility, and high dividends, don't buy FANG stocks. Instead, select an investment allocation that is most appropriate for you, and perhaps consider some of the lower volatility blue chip dividend payers as we will discuss more later in this report.

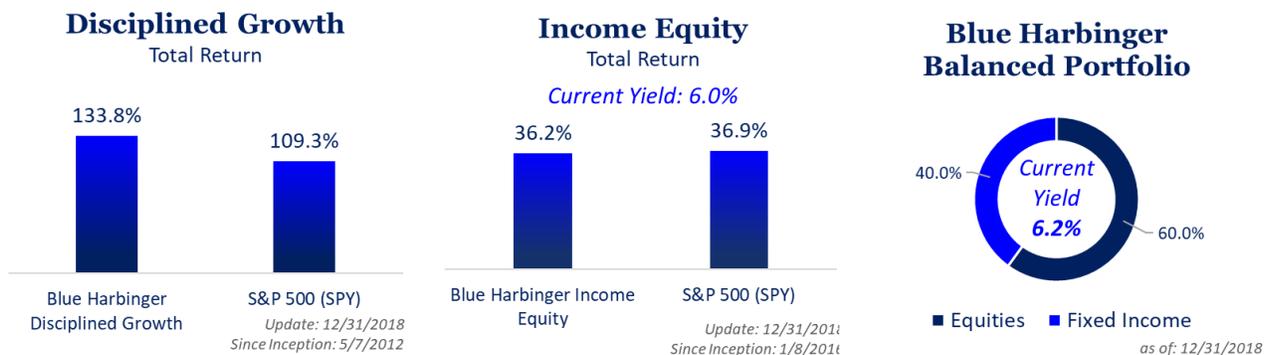
2019 Rebound?

Near-Term: The markets are up so far in 2019, and there are good reasons why they should be, such as low unemployment numbers, strong GDP growth, and more attractive valuations compared to the start of the last quarter. Additionally, there are several strong catalysts that could propel the market significantly higher in the near-term. For example, the government shutdown could get resolved, the “trade war” with China could move towards resolution, and the Fed could continue its recently renewed sense of flexibility and less “hawkishness,” to name a few. We don’t know with certainty where the markets will go in the short-term, but we do know that the economy is relatively healthy and there are a variety of potential strong near-term catalysts on the horizon. Even though the media is pushing “gloom and doom,” sentiment could turn positive quickly.

Long-Term: And in the long-term, the US (and global) economies are practically unstoppable, in our opinion. The world population continues to grow, economies continue to grow, and the human spirit remains as strong as it ever was. The long-term resilience of the US economy and people, as well as people around the globe, is practically unstoppable. Not to mention, there are many amazing, powerful companies that are currently very attractively priced relative to their value, following the Q4 sell-off, and we’ll cover specific names in a moment.

Blue Harbinger Performance and Holdings

As the overall market sold-off in December, our Blue Harbinger strategies did also, while they also continued to kick-off varying levels of attractive income to investors depending on the strategy. And as a critically important reminder, long-term investing is about the risk (volatility) versus reward tradeoff. We understand and accept short-term volatility because that’s the price you pay for attractive long-term returns (you could buy all low-risk US treasuries instead, but then your long-term returns would be very low). And despite the sell-off, we particularly like our specific holdings, and we’ll have more to say about the specific attractive opportunities in a moment.



Disciplined Growth Strategy				Tot Ret	Weight as of	Tot Ret
Ticker	Yield	Dec'18	12/31/18	Dec	Yield	
Emerson Electric Co.	EMR	3.3%	-11.5%	6.3%		
American Express Company	AXP	1.5%	-15.1%	7.3%		
Walt Disney Co	DIS	1.6%	-4.3%	7.1%		
Paylocity Holding Corp	PCTY	0.0%	-10.2%	6.7%		
Procter & Gamble Co	PG	3.1%	-2.7%	7.0%		
Johnson & Johnson	JNJ	2.8%	-12.2%	4.5%		
Netflix	NFLX	0.0%	-6.5%	3.6%		
U.S. Bancorp	USB	3.2%	-15.4%	7.0%		
Union Pacific Corporation	UNP	2.3%	-10.1%	5.6%		
Shopify	SHOP	0.0%	-9.3%	7.9%		
Zillow Group	ZG	0.0%	-13.2%	4.5%		
Accenture Plc	ACN	2.0%	-14.3%	6.9%		
Facebook Inc	FB	0.0%	-6.8%	7.7%		
iShares Russell 2000 Value Index (ETF)	IWN	1.9%	-12.1%	3.5%		
ServiceNow	NOW	0.0%	-3.9%	4.1%		
Health Care SPDR (ETF)	XLV	1.6%	-9.4%	3.7%		
iShares Trust	IXUS	3.0%	-4.9%	6.4%		
				-9.7%	1.6%	

Big Movers and Attractive Opportunities:

Following the December sell-off, attractive opportunities are emerging. Here are the biggest price moves among our current holdings, including specific attractive long-term investment opportunities.

Royce Value Trust (RVT),

Yield 9.7%: We like this high dividend small cap closed-end fund in particular right now for its strong management, high income distributions, relatively low management fee, discounted price versus its net asset value, and we like the small cap space in particular right now. Small caps are generally considered riskier than large caps (because they're smaller, less proven organizations), and as the market has sold-off, small caps in general have sold-off harder. We believe this fund offers opportunities for outsized returns going forward because it's on sale now, and when the market resumes its upward trend (which it will), and eventually starts hitting new all-time highs (which it will), these shares will do even better than the

Income Equity Strategy				Tot Ret	Weight as of	Tot Ret
Ticker	Yield	Dec'18	12/31/18	Dec	Yield	
New Residential Investment Corp	NRZ	13.8%	-14.5%	4.1%		
Barrings BDC	BBDC	4.1%	-9.2%	2.1%		
Williams Companies	WMB	5.6%	-11.7%	5.9%		
Omega Healthcare Investors Inc	OHI	7.4%	-7.4%	3.5%		
Tsakos Energy Navigation Ltd.	TNP	6.6%	-21.1%	2.4%		
General Electric Company	GE	0.5%	1.1%	1.4%		
Eastgroup Properties Inc	EGP	3.0%	-7.6%	4.8%		
International Business Machines Corp.	IBM	5.2%	-8.5%	2.8%		
Procter & Gamble Co	PG	3.1%	-2.7%	3.5%		
Phillips 66	PSX	3.6%	-7.9%	5.0%		
Evergy	EVRG	3.4%	-4.4%	3.7%		
First American Financial Corp	FAF	3.6%	-6.8%	3.6%		
Johnson & Johnson	JNJ	2.8%	-12.2%	3.9%		
Automatic Data Processing	ADP	2.1%	-10.6%	5.9%		
U.S. Bancorp	USB	3.2%	-15.4%	4.3%		
iShares Trust	IXUS	3.0%	-4.9%	13.5%		
Royce Value Trust Inc	RVT	7.3%	-14.7%	6.1%		
Royce Micro Capital Trust Inc.	RMT	6.8%	-12.5%	6.6%		
Adams Diversified Equity Fund Inc	ADX	12.9%	-10.6%	12.5%		
Tekla World Healthcare Fund	THW	10.5%	-13.4%	4.2%		
				-10.0%	6.0%	

rest of the market, and they'll keep paying attractive big income payments to investors.

New Residential (NRZ), Yield, 12.7%: As we recently wrote in detail in this report, NRZ shares had sold-off hard... to hard in our view. The shares have already rebounded significantly in 2019, but we believe they have more upside ahead. And the very large dividend payments of this residential-mortgage-related real estate investment trust ("REIT") are particularly attractive. To reiterate, the idea is to buy low, not high. Don't panic, don't sell low. Stick to your long-term plan.

Balanced Portfolio	Ticker	Yield	Tot Ret Dec'18	Weight as of 12/31/18	Tot Ret Dec	Yield
Teekay Offshore 8.50% Series B Preferred	TOO-B	10.3%	-10.6%	2.7%	-8.3%	6.2%
Teekay LNG Partners Preferred Fix/Float	TGP-B	9.4%	-5.5%	3.1%		
NuStar Preferred Fix/Float	NS-C	9.9%	-6.8%	3.0%		
BlackRock Credit Allocation CEF	BTZ	7.2%	-3.1%	8.2%		
Cleveland Cliffs 2040 Bonds 6.25%	CLF	8.0%	-0.6%	3.2%		
Albertsons/Safeway 2024 Bonds 6.625%	n/a	7.1%	-2.2%	3.2%		
Transocean 2038 Bonds 6.8%	RIG	9.9%	-3.1%	2.8%		
Pimco Dynamic Credit and Mortg Incm Fnd	PCI	8.9%	-5.7%	8.4%		
Ferrellgas 2020 Bonds	FGP	12.2%	-4.1%	2.5%		
Seagate 2027 Bonds	STX	5.8%	-4.1%	2.9%		
Adams Diversified Equity Fund Inc	ADX	12.9%	-10.6%	7.3%		
AmeriGas Partners, L.P.	APU	12.9%	-31.9%	2.0%		
Digital Realty Trust, Inc.	DLR	3.8%	-6.6%	3.2%		
Emerson Electric Co.	EMR	3.3%	-11.5%	3.1%		
Johnson & Johnson	JNJ	2.8%	-12.2%	3.3%		
New Residential Investment Corp	NRZ	13.8%	-14.5%	2.9%		
Procter & Gamble Co	PG	3.1%	-2.7%	3.5%		
Phillips 66	PSX	3.6%	-7.9%	2.7%		
Royce Micro Capital Trust Inc.	RMT	6.8%	-12.5%	3.5%		
Royce Value Trust Inc	RVT	7.3%	-14.7%	3.6%		
Barrings BDC	BBDC	4.1%	-9.2%	3.0%		
Main Street Capital	MAIN	6.6%	-10.4%	3.1%		
Square	SQ	0.0%	-19.7%	4.2%		
W.P. Carey Inc. REIT	WPC	6.3%	-2.0%	3.5%		
Service Now	NOW	0.0%	-3.9%	3.4%		
Skyworks Solutions Inc	SWKS	2.3%	-7.9%	2.1%		
Emerging Markets	VWO	2.8%	-3.3%	5.5%		

Square (SQ): When it comes to future growth potential, this leading fin tech innovator has enormous potential. This is not one of our income ideas (Square pays no dividend) it is a powerful growth stock. And in this recently orderly market sell-off, growth stocks have predicatably sold-off harder. Square is a very attractive growth stock right now, in our view, as we have written about in more detail [here](#).

Accenture (ACN): You don't get a lot of companies that we consider both "blue chip" and "growth," but Accenture is one, and the shares are currently trading at an attractive price after the sell-off. As a leading and well-respected consultant in the rapidly growing digital and cloud technology world, picking up shares of Accenture at its

current price is worth considering, as we wrote about in detail [here](#).

American Express (AXP) and US Bank (USB): We're grouping these two big bank financial stocks together because they both sold off in December for similar reasons... The Fed. The Federal Reserve's tone turned less hawkish in December as volatile markets implored the Fed to tame interest rate hike expectations. Specifically, big banks earn money on the net interest margin (i.e. the difference between the low rate they pay on deposits versus the higher rate they earn when they reinvest those customer deposits elsewhere). As interest rate hike expectations have slowed, so have the future earnings estimates of big bank stocks. Both AXP and USB are healthy banks that easily exceed the very strict post financial crisis reserve requirement, and when the market volatility slows, the fed will resume its more hawkish tone, and these bank stocks will rise. We view this as a "buy low" opportunity for bank stocks, and we like both AXP and USB in particular because of there blue chip nature and strong ties to the overall economy; as the economy improves, so too will these bank stocks.

AmeriGas (APU), Yield, 12.9%: was our biggest loser during the month, however shares have already begun to rebound sharply this year and have more upside ahead, not to mention a large 12.9% distribution yield. We are not selling, and consider the shares of this

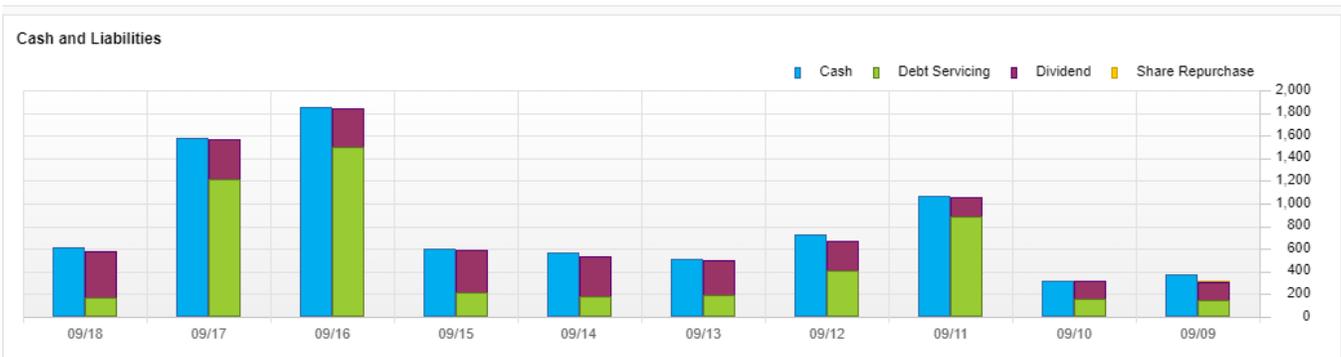
leading propane company to be attractive. The sell-off was due to a variety of factors the energy sell-off, the sell-off of of very high-yielders in general, and a sympathy sell-off with propane peer, FerrellGas (which we'll have more to say about later in this report, with regard to FerrellGas bonds). However, from a cash flow standpoint, AmeriGas remains strong (i.e. it generates plenty of cash to support the high-yield, as shown in the following cash flow tables.

AmeriGas Partners, L.P. (APU) \$29.63 Next Rpt Date: 05 Feb '19 Key Statistics FactSet Fundamentals

	SEP '18 365 DAYS	SEP '17 365 DAYS	SEP '16 366 DAYS	SEP '15 365 DAYS	SEP '14 365 DAYS	SEP '13 365 DAYS	SEP '12 366 DAYS	SEP '11 365 DAYS	SEP '10 365 DAYS	SEP '09 365 DAYS
Operating Activities										
Net Income / Starting Line	194.0	165.9	211.2	215.0	294.4	225.1	12.7	140.9	167.5	224.6
Depreciation, Depletion & Amortization	185.8	190.5	190.0	194.9	197.2	202.9	169.1	94.7	87.4	83.8
Other Funds	75.4	69.7	-3.9	48.9	29.6	11.4	29.5	48.1	14.6	-27.3
Funds from Operations	455.2	426.1	397.3	458.7	521.3	439.3	211.3	283.7	269.5	281.2
Changes in Working Capital	-44.9	-69.3	25.6	65.1	-41.2	-83.7	133.2	-94.9	-50.7	86.3
Net Operating Cash Flow	410.3	356.8	422.9	523.9	480.1	355.6	344.4	188.9	218.8	367.5
Investing Activities										
Capital Expenditures	-101.3	-98.2	-101.7	-102.0	-113.9	-111.1	-103.1	-77.2	-83.2	-78.7
Net Assets from Acquisitions	-10.1	-36.8	-37.6	-20.8	-15.7	-19.9	-1,425.0	-34.0	-34.3	-50.1
Sale of Fixed Assets & Businesses	27.2	20.0	14.6	23.8	19.9	22.1	8.1	5.1	2.6	49.3
Net Investing Cash Flow	-84.2	-115.0	-124.6	-99.0	-109.7	-108.9	-1,520.1	-106.1	-114.9	-79.5
Financing Activities										
Cash Dividends Paid	-402.6	-351.4	-345.6	-368.4	-346.7	-304.4	-256.1	-165.1	-161.6	-165.3
Change in Capital Stock	0.8	1.5	1.1	3.5	2.5	0.0	277.5	0.6	0.6	-0.3
Issuance/Reduction of Debt, Net	82.9	150.8	94.6	-52.7	-20.2	36.5	1,221.6	90.9	7.9	-71.7
Other Funds	-7.6	-51.1	-47.4	-5.9	-5.1	-26.2	-15.9	-8.2	-2.2	-2.4
Net Financing Cash Flow	-326.5	-250.3	-297.3	-423.5	-369.5	-294.2	1,227.1	-81.8	-155.4	-239.7
Net Change in Cash	-0.44	-8.51	1.07	1.28	0.85	-47.47	51.47	0.91	-51.49	48.30
Free Cash Flow	309.0	258.6	321.3	421.8	366.1	244.5	241.3	111.6	135.6	288.8
Free Cash Flow per Share	3.3	2.8	3.5	4.5	3.9	2.6	3.0	2.0	2.4	5.1
Free Cash Flow Yield (%)	8.40	6.18	7.56	10.92	8.63	6.11	6.79	4.44	5.30	14.04

All figures in millions of U.S. Dollar except per share items.

AmeriGas Partners, L.P. (APU) \$29.45 Next Rpt Date: 05 Feb '19 Key Statistics FactSet Fundamentals



AmeriGas is not without risk (for example, warmer winters reduce demand). However, buy low, as the saying goes. We own AmeriGas.

Tsakos Energy Navigation (TNP), Yield 6.4%: This Greece-based shipping company took it hard on the chin in December as the market sold-off and as oil prices sold-off too (Tsakos is involved in crude shipping). However, the shares have already begun to rebound

very significantly in 2019, and we believe they have more upside (and more attractive dividend payments) in the months and years ahead. As we have written in the past, the company also offers big-dividend preferred shares, which are also attractively priced right now.

Blue Chips: Not surprisingly, many of the blue chip stocks we own, sold-off less than the overall market during the recent market wide sell-off. For example, we own shares of Disney (DIS), Procter & Gamble (PG), General Electric (GE), utility stock Evergy (EVRG) and W.P. Carey REIT (WPC). We consider most of these names to be long-term “holds” with attractive long-term growth and income, generally. However, now generally is NOT the best time to add more, considering they sold-off less in the orderly sell-off, but will likely rise less during the upcoming melt-up as prices revert back higher over the long-term. As contrarians, we like to buy these types of names when the market is getting frothy, not after a sell-off.

Attractive Preferreds:

Sticking with the theme of things that are less volatile, many of our preferred stocks and bond holding have performed better than the overall market during the recent sell-off, and we still consider them attractive long-term investments for varying reasons. For example, we already mentioned the attractive preferred shares offered by Tsakos (mentioned above), but we also really like the preferred shares of two additional differentiated shipping industry companies:

Teekay Offshore (TOO-B) (Yield: 10.9%) and **Teekay LNG (TGP-B) (Yield: 9.2%)**. We wrote about these preferred stocks [here](#), and their big yields and discounted prices are attractive now, particularly if you seek income and less volatility.

Bonds: On the bonds front, credit spreads widened, and higher-yield bonds sold-off, although not as much as most equities. For example, we like specific higher-yielding bonds, and consider them particularly attractive buying opportunities now because credit spreads will eventually narrow again and these bond prices will rise back towards par, while they also keep paying big coupon payment to investors. Here are examples, of specific bonds that we currently own and like, especially at these attractively lower prices.

SEAGATE HDD CAYMAN

 Coupon Rate
4.875%

 Maturity Date
06/01/2027

Symbol	CUSIP	Next Call Date	Callable
STX4380193	81180WAR2	03/01/2027	Yes

Last Trade Price	Last Trade Yield	Last Trade Date	US Treasury Yield
\$87.00	6.944%	01/09/2019	—

[Trade History](#)

Price/Yield Chart



Classification Elements

Bond Type	US Corporate Debentures
Debt Type	Senior Unsecured Note
Industry Group	Industrial
Industry Sub Group	Manufacturing
Sub-Product Asset	CORP
Sub-Product Asset Type	Corporate Bond
State	—
Use of Proceeds	—
Security Code	—

Special Characteristics

Medium Term Note	N
------------------	---

Issue Elements

Offering Date	06/30/2016
Dated Date	06/01/2016
First Coupon Date	12/01/2016
Original Offering*	\$700,000.00
Amount Outstanding*	\$700,000.00
Series	—
Issue Description	—
Project Name	—
Payment Frequency	Semi-Annual

Credit and Rating Elements

Moody's® Rating	Baa3 (05/01/2018)
Standard & Poor's Rating	—
TRACE Grade	High Yield
Default	—

FERRELLGAS PARTNERS L P / FERRELLGAS PAR

Coupon Rate	Maturity Date	Symbol	CUSIP	Next Call Date	Callable
8.625%	06/15/2020	FGR.GI	315295AE5	06/15/2019	Yes
Last Trade Price	Last Trade Yield	Last Trade Date	US Treasury		
\$75.07	31.607%	01/09/2019	Yield	—	
Trade History			Prospectus		

Price/Yield Chart

Classification Elements

Bond Type	US Corporate Debentures
Debt Type	Senior Unsecured Note
Industry Group	Industrial
Industry Sub Group	Oil And Gas
Sub-Product Asset	CORP
Sub-Product Asset Type	Corporate Bond
State	—
Use of Proceeds	—
Security Code	—
Special Characteristics	
Medium Term Note	N

Issue Elements

Offering Date	03/31/2010
Dated Date	04/13/2010
First Coupon Date	06/15/2010
Original Offering*	\$280,000.00
Amount Outstanding*	\$182,000.00
Series	—
Issue Description	—
Project Name	—
Payment Frequency	Semi-Annual

Credit and Rating Elements

Moody's® Rating	Ca (12/17/2018)
Standard & Poor's Rating	CC (11/09/2018)
TRACE Grade	High Yield
Default	—

FRONTIER COMMUNICATIONS CORP

Coupon Rate 7.125%	Maturity Date 01/15/2023	Symbol FTR3887874	CUSIP 35906AAM0	Next Call Date —	Callable Yes
Last Trade Price \$62.00	Last Trade Yield 21.808%	Last Trade Date 01/08/2019	US Treasury Yield —		
		Trade History	Prospectus		

Price/Yield Chart

Classification Elements

Bond Type	US Corporate Debentures
Debt Type	Senior Unsecured Note
Industry Group	Industrial
Industry Sub Group	Media/Communications
Sub-Product Asset	CORP
Sub-Product Asset Type	Corporate Bond
State	—
Use of Proceeds	—
Security Code	—
Special Characteristics	
Medium Term Note	N

Issue Elements

Offering Date	08/08/2012
Dated Date	08/15/2012
First Coupon Date	01/15/2013
Original Offering*	\$600,000.00
Amount Outstanding*	\$850,000.00
Series	—
Issue Description	—
Project Name	—
Payment Frequency	Semi-Annual

Credit and Rating Elements

Moody's® Rating	Caa1 (03/07/2018)
Standard & Poor's Rating	CCC+ (08/03/2018)
TRACE Grade	High Yield
Default	—

TRANSOCEAN INC

 Coupon Rate
6.800%

 Maturity Date
03/15/2038

Symbol	CUSIP	Next Call Date	Callable
RIG.GX	893830AT6	—	Yes

Last Trade Price	Last Trade Yield	Last Trade Date	US Treasury Yield
\$78.03	9.269%	01/09/2019	—

[Trade History](#)
[Prospectus](#)
Price/Yield Chart

Price Chart	Yield Chart
-------------	-------------

 01/09/2009 - 01/09/2019 Zoom: 5D 1M 3M YTD 1Y 3Y 5Y **10Y** Max

— Price


Classification Elements

Bond Type	US Corporate Debentures
Debt Type	Senior Unsecured Note
Industry Group	Industrial
Industry Sub Group	Oil And Gas
Sub-Product Asset	CORP
Sub-Product Asset Type	Corporate Bond
State	—
Use of Proceeds	—
Security Code	—
Special Characteristics	
Medium Term Note	N

Issue Elements

Offering Date	12/05/2007
Dated Date	12/11/2007
First Coupon Date	03/15/2008
Original Offering*	\$1,000,000.00
Amount Outstanding*	\$1,000,000.00
Series	—
Issue Description	—
Project Name	—

Credit and Rating Elements

Moody's® Rating	Caa2 (06/27/2018)
Standard & Poor's Rating	B- (08/30/2018)
TRACE Grade	High Yield

ALBERTSONS INC

 Coupon Rate
6.625%

 Maturity Date
06/15/2024

Symbol	CUSIP	Next Call Date	Callable
ABS4516077	013093AB5	06/15/2019	Yes

Last Trade Price	Last Trade Yield	Last Trade Date	US Treasury Yield
\$98.15	7.039%	01/09/2019	—

[Trade History](#)
[Prospectus](#)
Price/Yield Chart
 Price Chart Yield Chart

 07/26/2017 - 01/09/2019 Zoom: 5D 1M 3M YTD 1Y 3Y 5Y 10Y Max

— Price


Classification Elements

Bond Type	US Corporate Debentures
Debt Type	Senior Unsecured Note
Industry Group	Industrial
Industry Sub Group	Manufacturing
Sub-Product Asset	CORP
Sub-Product Asset Type	Corporate Bond
State	—
Use of Proceeds	—
Security Code	—

Special Characteristics

Medium Term Note	N
------------------	---

Issue Elements

Offering Date	06/29/2017
Dated Date	06/15/2017
First Coupon Date	12/15/2017
Original Offering*	\$1,249,864.00
Amount Outstanding*	\$1,249,864.00
Series	—
Issue Description	—
Project Name	—

Credit and Rating Elements

Moody's® Rating	B3 (04/18/2018)
Standard & Poor's Rating	B+ (04/18/2018)
TRACE Grade	High Yield

CLIFFS NAT RES INC

 Coupon Rate
6.250%

 Maturity Date
10/01/2040

Symbol	CUSIP	Next Call Date	Callable
CLF.AC	18683KAC5	—	Yes

Last Trade Price	Last Trade Yield	Last Trade Date	US Treasury
\$77.45	8.550%	01/09/2019	Yield

[Trade History](#)
[Prospectus](#)
Price/Yield Chart

Classification Elements

Bond Type	US Corporate Debentures
Debt Type	Senior Unsecured Note
Industry Group	Industrial
Industry Sub Group	Mining/Refining
Sub-Product Asset	CORP
Sub-Product Asset Type	Corporate Bond
State	—
Use of Proceeds	—
Security Code	—
Special Characteristics	
Medium Term Note	N

Issue Elements

Offering Date	09/15/2010
Dated Date	09/20/2010
First Coupon Date	04/01/2011
Original Offering*	\$500,000.00
Amount Outstanding*	\$298,415.00
Series	—
Issue Description	—
Project Name	—
Payment Frequency	Semi-Annual

Credit and Rating Elements

Moody's® Rating	B3 (10/09/2018)
Standard & Poor's Rating	CCC+ (02/10/2017)
TRACE Grade	High Yield
Default	—

Bond Closed-End Funds: If owning individual bonds is too much of a hassle for you, then you might want to consider bond closed-end funds. Two that we like and own are:

PIMCO's mortgage income fund (PCI) (Yield: 8.8%) and **BlackRock's Credit Allocation Fund (BTZ) (Yield: 6.9%)**. Both continue to pay very attractive high income, and both sold off less than stocks recently. However, the smaller sell offs they have experiences have created attractive buying opportunities in both names. You can read more about them [here](#).

Conclusion:

The December (and Q4) sell-off was orderly in the sense that traditionally more volatile names sold off more, and traditionally less volatile names sold off less. This is a very important reminder to investors about the risk-reward trade-off of investing. Specifically, if you want higher long-term returns, you generally have to accept more near-term volatility. This is also an important reminder to investors that you should structure your investment portfolio to meet your needs, based on your risk tolerance and needs. We believe the best way to do this is to select attractive individual securities within the broader investment categories (growth, income, value) that meet your needs. We are excited about our investments going forward, we're pleased with the income they've continued to generate, and we consider now an increasingly attractive time to considering adding some of the attractive names that have sold off harder than the rest of the market, so long as it is consistent with your long-term investment strategies and goals in terms of risk versus reward and your tolerance for volatility. The bottom line, don't panic and do anything crazy (such as selling everything, or going all-in on things that are not consistent with your strategy). Disciplined long-term investing is a proven strategy for success.