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The
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Unlocking Powerful Strategies to Achieve Superior Returns

Tom Hutchinson, Editor

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A High Yield Tailor-Made for a Tricky Market

A recent decision I made turned out to involve way more than I bargained for. I thought it would be a good idea to start some home improvements.

Since that fateful moment, I have taken on a long string of projects, one after the other, with no end in sight. I could probably do a project every month for the rest of my life and still never finish.

The latest nuisance — I mean project — is replacing the sliding door leading out to the patio. The lock was broken on the old door, but the main problem was insulation. Too much heat and air conditioning was escaping. To solve the problem, though, we had to order a custom-built door.

> "Many investors feel compelled to overcommit to stocks at a time when the market is relatively high-priced."

Ordinarily, I don't have things custom built, but in this case I had no choice. This particular doorway had some quirks that meant a standard door couldn't fit snugly.

The idea of getting something custom made got me thinking, so I went online and looked up custom-made suits. I've never had a bespoke suit before, but the idea always interested me. Suits off the rack usually fit me pretty well and I thought tailor-made suits would do more for people with a more unconventional body type. On the other hand, I guess anyone would look better in a suit that fits perfectly.

Here's what the ad on one of the websites said: *Hong Kong Custom Tailors has been crafting the highest-quality custom suits for over four decades. Masterpieces created by paying undivided attention to two imperatives: fit and personal style. The process begins and ends with you: your body, your sartorial sensibility.*

I don't even know what sartorial sensibility is, but maybe that's what I've been missing. All these years I've been running around without it. Well, those days are over. I'm getting a custom suit.

A custom solution is also what's needed in today's quirky investment environment. Conservative income investors find themselves in an odd and unconventional situation where the normal, off-the-rack strategies are not sufficient.

For example, bonds historically have provided income investors with a safe and reliable means of generating cash flow. But in this environment of incredibly low rates and the threat of rising ones, bonds have ceased to be a solid place for portfolio balance and reliable income. As a result, conservative income investors must invest almost entirely in the stock market to earn a decent income.

That's a problem, because many investors feel compelled to violate their sense of balance and overcommit to stocks at a time when the market is relatively high priced. At the same time, simply holding onto cash has been a poor solution; indeed, over the past 10 years, cash has been the worst performing asset class of all.

However, I have found a seemingly customcrafted solution for today's investing quandary. In this issue, I will highlight an investment that pays a high, fixed, investment-grade yield in an asset class outside the traditional stock market. At the same time, this investment provides a unique feature that protects against the risk of rising interest rates.

With interest rates at historically low levels, 10-year U.S. Treasury yields have dipped, falling even further than this chart shows, to 1.90 percent in 2015. Such low levels of interest make traditionally safe bond investments unusually risky.

SOURCE: Federal Reserve

Out of Balance

Bonds are a natural for conservative income investors. They pay regular, reliable income like clockwork and guarantee your principal investment back at maturity. Bonds and CDs have typically been the best way to get a decent return on your money while taking a minimal amount of risk.

In fact, I spent more than a decade investing for retired people. For the most part, they needed their nest egg to help generate an income to live on. In almost every meeting I had with clients, they would repeatedly emphasize the point that because they were no longer working, they couldn't replace this money. "If I lose it, it's gone," they would say.

Bonds were just what the doctor ordered for risk-averse retirees. I would put together a portfolio of highly rated bonds or bond funds. They would receive a reliable income without much volatility, and they would be happy.

Unfortunately, bonds no longer fit the bill for income-oriented retirees. If you had a long investment time horizon, bonds provided a critical balance. High-quality bonds and other fixed-income investments don't correlate to the stock market. When the stock market has had a bad year, bonds have tended to perform well, and vice versa. In fact, over the past 60 years there was only one year in which both stocks and bonds were down the same time.

So holding bonds has helped smooth out the ride. Having bonds in a portfolio has made down years in the stock market less painful and easier to endure. As a result, an investor with a more balanced portfolio will tend to stay invested and reap the longer-term rewards the market historically has offered. And in down markets, investors could reallocate from bonds into beaten-down stocks and improve returns that way.

Pension plans and 401(k)s that offer guidance and fiduciary responsibility have for years recommended spreading investments between stocks and bonds. Such plans typically recommend younger investors hold more in stocks and older investors more in bonds.

It has worked beautifully. From 1980 through 2013, the Barclays US Aggregate Bond Index, a benchmark of investment-grade U.S. bonds, had a positive return for 31 of those 34 years. The average gain in those 31 years was 8.42 percent. But things have changed.

As I'm sure you're aware, rates have fallen to near all-time low levels. Just a few years ago you could find a 5 percent tax-free municipal bond or a 5 percent yield on a five-year CD. To give you an idea of how things have deteriorated, from 1993 to 2007 the rate on a one-year jumbo CD averaged about 4.8 percent. Now a one-year CD is paying about 1.07 percent. Here's a look at some of the current rates on other traditional fixed income investments.

Investment	Rates
10-Year Treasury	1.90%
30-Year Treasury	2.56%
Two-Year CD	1.24%
iShares iBoxx $ Investment-Grade Corporate Bond ETF (LQD)	3.32%

After inflation and taxes, you're lucky to wind up with a positive cash flow from any of the listed investments. But now there's also some risk involved.

Interest rates and bond prices have an inverse relationship. As interest rates rise, bond prices fall, and vice versa. Interest rates have been mostly on the descent for more than 30 years. That's why bond market returns have been so good.

Now we have the opposite. A 30-year bull market in bonds is likely at or very near the end. There's a lot more room for rates to move higher than lower from here.

If rates were to rise to their historical averages, existing bond prices could lose as much as 40 or 50 percent. But even if rates move up only a couple of percentage points, there is still significant downside. Right now, all signs point to the Fed starting to raise rates later this year.

Why take all that risk? Even if bond prices don't budge you're still getting a near 0 percent return.

Income investors' only good option, then, has been to put money into stocks. So far, things have worked out well. Stocks have been, and likely still are, the best place to be. The market is up about 200 percent since the recession. If you invested in income stocks, chances are you've done well.

But the bull market can't last forever. Sooner or later stocks will fall. And this bull market is over six years old now. Even with the confidence that several years of successful investing brings, many are wary about putting more money in stocks, especially with the market seeming expensive.

Without more balance in our portfolios, it's starting to feel like the Fed (by keeping rates so low) is setting us up for slaughter.

But there is another way — a way to diversify away from the stock market and still earn a respectable income. Another asset class exists that can provide some answers.

A Hybrid Solution

Preferred stock is class of ownership in a corporation that has properties of both stocks and bonds. A key advantage of this type of security is that historically it has had a very low correlation to both the stock and bond markets, which makes it an excellent choice for diversification and balance.

When a company issues a preferred stock, it sets the annual dividend and sells the shares at a preset price, typically $25. The initial coupon rate (yield) is the fixed payout as a percentage of the issue price (for example, a share paying $1.50 annually yields 6 percent). Payments are typically made quarterly.

A preferred stock is like a regular or common stock in two ways:

1. Dividends. This relates to tax treatment of the payout. Most preferred issues have fixed payments classified for tax purposes as dividends rather than interest. Bond interest is taxed as ordinary income, but dividends are only subject to a maximum tax rate of 15 or 20 percent. This fact makes the after-tax income of preferred stock higher.

2. Liquidity. Preferred stock can be bought and sold at a quoted price any day the market is open. Most bonds are not sold on exchanges and the price is not openly disclosed. Also, most preferred issues sell in bite-size $25 denominations where any quantity of shares can be traded. Bonds are usually sold in $1,000 increments with minimum purchase amounts of $5,000, $10,000, or $25,000.

A preferred stock is similar to a bond in six ways:

1. Fixed payment. Preferred stocks pay a very specific and bankable fixed payment that doesn't change, unlike a stock dividend.

2. Less volatility. These investments are not nearly as volatile as stocks. The price stays steady compared to stocks, and the price chart generally shows a relatively flat line. There can be movement in the price associated with interest rates.

3. Seniority over common stock. In the event of a bankruptcy, preferred shareholders must be

▸ About Tom Hutchinson

I've worked in finance my entire career, from the back office of a Wall Street firm to the floor of the New York Mercantile Exchange learning how markets work. Eventually, I became a financial adviser where I met with thousands of investors and managed the portfolios of hundreds over the course of about 15 years. I left my career as a financial adviser, writing for The Motley Fool as well as StreetAuthority LLC, researching companies, industries, and markets. In The High Income Factor, I can bring you the full benefit of my years of investing experience.

paid before holders of common stock. Plus, in the overwhelming majority of cases, common shareholders cannot receive dividends until after preferred shareholders have been paid. In the case of cumulative preferred stock, shareholders must be paid all dividends, including any that were missed, before common shareholders can get anything.

4. Interest rate sensitivity. As an investment vehicle that pays a fixed amount in dividends, preferred stocks are sensitive to changes in interest rates. When rates go higher, the price has downward pressure and vice versa (more on this later).

5. Ratings. Preferred stocks carry ratings from major rating agencies to reflect the creditworthiness of the investment.

6. Callable. The stocks are usually callable five years after issuance, and are callable in perpetuity from that date forward.

While offering aspects of both common stock and bonds, this investment vehicle is a hybrid that typically yields more than either one. Further augmenting that high yield is the fact that it pays dividend income taxed at a maximum 15 percent rate. That's a huge advantage making an already high yield even higher on a relative basis.

As I mentioned above, historically the performance has not been highly correlated with either asset class. It therefore provides part of the crucial missing balance in a portfolio: the diversification vacated by bonds.

But there is still a huge problem: interest rate risk. Preferred stock, like a bond, is highly vulnerable to rising interest rates. In fact, since maturities of preferred stocks are often perpetual, they are even more sensitive to a given change in interest rates than the longest maturity bonds. Here's how it works.

Let's say you own a $25 preferred stock that pays $1.50 per share, which is a 6 percent yield. Suppose that prevailing interest rates (on similar investments) then rise to 7 percent. No one would want to buy a preferred issue paying 6 percent at $25 per share. Instead, buyers would theoretically only be willing to pay $21.43 per share because, at that price, the $1.50 annual dividend would equate to the new 7 percent return ($1.50 divided by $21.43).

So what can you do?

An Answer in Hiding

There is an obscure but rapidly growing subsector of preferred securities called adjustable-rate preferred stock. As the name implies, these securities provide rates that can adjust with changes in interest rates. The dividend can change, usually on a quarterly basis, in synch with changes in a predetermined benchmark rate, like the London Interbank Offered Rate (Libor), which is the international benchmark of short-term rates, or the Treasury bill rate.

The preferred stock sector offers balance and diversification lost on bonds. And the adjustable rate takes care of the interest rate risk. You can diversify and get a dependable fixed rate of income outside the stock market without taking on the risks the current bond market presents.

This would seem to provide the perfect answer, addressing both the diversification problem and interest rate risk.

Of course, it isn't quite that easy. While the

PICK AT A GLANCE

HSBC USA INC., ADJUSTABLE RATE DEPOSITARY SHARES CUMULATIVE PREFERRED STOCK, SERIES D (HUSI-PD)

SECURITY TYPE: Adjustable-rate preferred stock

INDUSTRY: Banking

PRICE: $25.37 (as of April 7, 2015)

52-WEEK RANGE: $24.70–$25.86

YIELD: 4.42%

PROFILE: These are adjustable-rate preferred shares of HSBC USA, a subsidiary of global banking giant HSBC Holdings plc (HSBC).

POSITIVES

- The issue pays a solid minimum rate on its original price of $25 (4.5%).
- It offers insurance against rising interest rates on any part of the yield curve.
- Income is only taxable at the maximum 15% or 20% rate.

RISKS

- The stock can be called away by HSBC before rates are raised, although you will still at least get your money back ($25 per share).
- Until rates get near the trigger levels, this stock will likely trade like a regular fixed security.

adjustable-rate preferred stock sector provides the ideal solution in theory, it sometimes comes up short in practice. The problem is that the adjustment triggers offered by the overwhelming majority of issues don't make sense. In the meantime, the securities are lower yielding than their straight-rate counterparts and tend to be more volatile with interest rate changes in the near term.

However, I found one adjustable-rate preferred stock that does make sense. This security has peculiarities that separate it from the pack. And I believe it will deliver on its promise.

HUSI-PD was originally issued in 1994 by Republic New York Corp., which was purchased by HSBC USA, a subsidiary of HSBC North America, which is an indirect subsidiary of HSBC Holdings plc (HSBC).

London-based HSBC Holdings plc is the second-largest bank in the world (by total assets) and the No. 1 global trade finance bank in the world. The bank was created in 1865 to facilitate trade between China and Europe.

HSBC is incredibly well established in the fast-growing Asian economies, where it derives about three-quarters of its profits. HSBC also has a strong presence in its home country, the U.K., as well as in the United States, and it has growing exposure in Latin American markets. The business model provides a great blend of Western stability and Eastern growth.

We actually sold HSBC common stock from the portfolio in November after a little less than a year. The bank is currently experiencing some headwinds. It has run into a slew of regulatory issues as watchdogs have imposed tougher rules on large banks after the financial crisis. HSBC has also grown too large and too difficult to manage and is in the process of restructuring. Combine these factors with a slow global economy and you have a stock that likely will not perform well in the near term, which is why we exited.

While earnings growth may be challenged this year, it won't matter for the preferred issues. Preferred stock depends only on the financial condition of the institution, which is, and will likely remain, rock solid. In fact, HUSI-PD is one of the very few bank preferred stocks on the market with an investment grade rating (Baa2 by Moody's and BBB- by S&P).

HUSI-PD has peculiar features even for a variable-rate preferred stock. But it is precisely these differences that make it a compelling investment.

The main differentiating feature of HUSI-PD is its adjustment trigger. The stock pays a minimum fixed dividend of $1.1125 per share annually, which is 4.5 percent of the original $25 issue price and 4.42 percent of the current price ($25.37). As interest rates are still near all-time lows, HUSI-PD currently pays the minimum and has for some time.

But the rate can go up if interest rates rise. For these preferred shares, the dividend is calculated every quarter to pay the established minimum of 81 percent of the highest rate among the three-month Treasury bill, the 10-year Treasury, or the 30-year Treasury (see Chart 2 on Page 6). The rate can never exceed a cap of 10.5 percent.

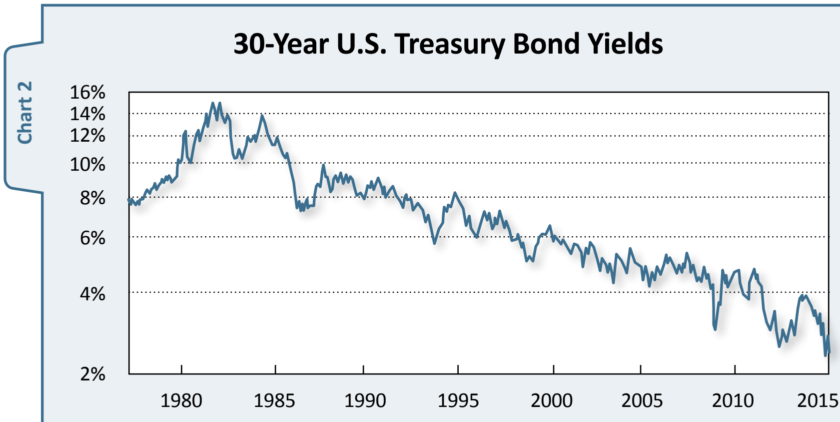
These adjustment conditions are truly outstanding and exceptional in the asset class. Most variable-rate preferred issues base a rate hike on the Libor rate plus anywhere from 0.5 to 1.0 percent. The three-month Libor is currently 0.27 percent.

Libor would have quite a way to go to prompt a rate rise on these issues. And this only considers the short end of the yield curve. Given the unprecedented level of central bank manipulation, who knows what level interest rates could ultimately reach? It could be that long-term rates skyrocket but banks keep short-term rates at low levels. If this is the case, an investor in most of the other variable-rate preferred offerings could be stuck with a low rate as interest rates soar.

HUSI-PD is different. It doesn't depend on some ridiculous set of conditions. Rising rates in any way, shape, or form (to a certain level) will prompt a higher payout. If any part of the yield curve rises, your rate can rise. The rate triggers for HUSI are, as of this writing, at the following levels.

Investment	Rate
3-Month Treasury Bill	0%
10-year Treasury Bond	1.91%
30-Year Treasury Bond	2.54%

In order to get an upward rate adjustment for HUSI-PD, the rate on any one of these maturities would have to rise above 5.56 percent (81 percent of which is 4.5 percent).



Interest rates are abnormally low. Once the Fed begins to raise interest rates again, it might not be long before rates return to more typical levels of the past two decades.

SOURCE: Yahoo Finance

That may seem like a long way off, but things can change fast.

There are a few limitations you should be aware of. First, this security is callable at any time at $25, and has been since 1999. I believe HUSI-PD is unlikely to be called soon because a regular, straight rate issue would command a higher rate of interest than this security currently pays. But anything is possible.

The call feature could also come into play if and when rates rise up to the adjustment level. Rather than raising the payout, HSBC could simply call the issue away and you might never see higher rates from this security. In fact, you would be prudent to assume that will be the case.

However, even if a call occurs before the rate is raised, you will still get your money back ($25 per share) and you will not have lost any principal by holding a fixed-rate security during times of rapidly rising interest rates. Instead you can reinvest the money at a higher rate. It would be a similar outcome to having purchased a CD that paid 4.5 percent and getting your money back when it matured. Try finding that in this environment.

You should also be aware that HUSI-PD probably will not trade like an interest-rate-protected security in the short run. In other words, if interest rates begin to rise but are still not near the trigger level, it will simply trade as a lower-paying security in a rising rate environment. The price will likely dip more than the price of higher-yielding, straight rate preferred stocks in the early stages of rising rates.

It is also possible that rates don't reach the targeted rates for a long time. But this security will provide some insurance against possible significant interest rate rises in the years ahead. Few other fixed-rate securities provide that.

▸ Conclusion: HSBC USA Inc., Adjustable Rate Depositary Shares Cumulative Preferred Stock, Series D provides a solid 4.5 percent tax-advantaged yield (a maximum of 15 percent) on an investment-grade fixed-rate security. Investors can get dependable income from a rare investment that offers a level of protection against rising interest rates. This variable-rate preferred stock makes a nice addition to an income portfolio. I recommend HSBC USA Inc., Adjustable Rate Depositary Shares Cumulative Preferred Stock, Series D (HUSI-PD) at or below $25.75 per share for the Income Strategies Portfolio.

Best Buys of the Month

"Best buys" highlight what I think are especially good values among all the current holdings in our portfolio as we go to press. They're the answer to the question, "If I were just starting to invest in the High Income Factor Portfolio or I have new capital to deploy, which securities should I buy first?"

MAY BEST BUYS

Security	Price*	52-Week Range	Yield
Kinder Morgan (KMI)	$41.99	$32.10 – $43.18	4.29%
BHP Billiton (BBL)	$43.72	$38.54 – $71.44	5.67%

* As of April 7, 2015

KINDER MORGAN (KMI)

Kinder Morgan is one of the largest energy-focused companies in the country. But it is unique because unlike the big integrated energy companies such as **Exxon Mobil** (**XOM**) or **Chevron** (**CVX**), Kinder focuses on infrastructure. It operates a massive network of pipelines and storage terminals that store and transport both oil and natural gas across the country.

The beauty of the infrastructure focus is that

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The High Income Factor Portfolio

THE HIGH INCOME PORTFOLIO

Recommendation	Ticker	Entry Date	Entry Price	Recent Price	Buy at or Under	Current Yield	Effective Yield	Dividend Pay Date	Total Return
Navios Maritime Partners	NMM	01-Mar-12	$16.37	$12.13	$17.50	14.59%	10.81%	5/13/15	2.22%
Terra Nitrogen	TNH	01-Apr-12	$249.75	$147.95	$150.00	6.76%	4.00%	6/3/15	-17.97%
FLY Leasing Limited	FLY	27-Nov-12	$11.97	$14.70	$14.00	6.80%	8.35%	5/20/15	40.77%
Teekay LNG Partners LP	TGP	20-Dec-12	$38.30	$37.41	$42.00	7.48%	7.31%	6/12/15	13.22%
Prospect Capital	PSEC	26-Feb-13	$11.06	$8.39	$11.50	11.87%	9.01%	4/27/15	-4.49%
Main Street Capital	MAIN	21-Aug-13	$29.21	$30.95	$32.00	6.79%	7.19%	4/20/15	19.68%
LinnCo	LNCO	27-Oct-14	$23.25	$10.87	$25.00	11.48%	5.37%	5/20/15	-51.16%
Williams Partners	WPZ	01-May-12	$57.30	$47.86	$58.00	7.75%	6.47%	5/12/15	12.36%

THE WEALTH BUILDER PORTFOLIO

Recommendation	Ticker	Entry Date	Entry Price	Recent Price	Buy at or Under	Current Yield	Effective Yield	Dividend Pay Date	Total Return
PepsiCo	PEP	01-Apr-12	$66.74	$96.21	$72.00	2.72%	3.93%	4/30/15	56.07%
Eli Lilly	LLY	01-Apr-12	$40.48	$71.70	$52.00	2.79%	4.94%	4/9/15	99.13%
Vodafone	VOD	27-Sep-12	$28.72	$33.17	$34.00	5.49%	6.34%	6/11/15	18.12%
Intel	INTC	27-Nov-12	$19.98	$31.26	$30.00	3.07%	4.80%	6/3/15	66.79%
Riocan REIT	REI-UN.TO	20-Mar-13	$26.97	$23.23	$29.00	6.04%	5.21%	5/18/15	22.92%
General Mills	GIS	19-Apr-13	$49.94	$56.08	$50.00	2.92%	3.28%	6/3/15	17.72%
Kinder Morgan	KMI	22-May-13	$35.62	$41.99	$44.00	4.29%	5.05%	5/18/15	28.86%
Brookfield Infrastr Ptnrs	BIP	03-Jun-13	$36.00	$45.88	$42.00	4.53%	5.78%	4/28/15	38.28%
Realty Income	O	18-Dec-13	$39.14	$50.65	$40.00	4.48%	5.79%	4/23/15	38.28%
Verizon	VZ	21-Feb-14	$47.27	$49.27	HOLD	4.47%	4.65%	5/4/15	7.77%
Northern Tier Energy	NTI	26-Mar-14	$26.00	$24.10	$28.00	8.13%	7.54%	6/2/15	4.52%
Ventas, Inc.	VTR	23-Apr-14	$64.42	$74.97	$65.00	3.09%	3.60%	6/2/15	21.63%
Textainer	TGH	25-Sep-14	$33.04	$30.34	$40.00	6.20%	5.69%	6/2/15	-6.83%
Deere & Company	DE	07-Oct-14	$80.00	$88.44	$80.00	2.71%	3.00%	5/4/15	12.02%
General Motors	GM	23-Dec-14	$33.43	$35.73	$36.00	3.36%	3.59%	2/4/15	10.80%
BHP Billiton	BBL	10-Mar-15	$46.00	$43.72	$46.00	5.67%	5.39%	3/31/15	-4.96%
Altria Group	MO	26-Mar-15	$50.00	$51.70	$50.00	4.02%	4.16%	4/1/15	3.40%

INCOME STRATEGIES PORTFOLIO

Recommendation	Ticker	Entry Date	Entry Price	Recent Price	Buy at or Under	Current Yield	Effective Yield	Dividend Pay Date	Total Return
Blackrock Enhanced Cap Fund	CII	01-Jan-12	$12.50	$14.93	$13.00	8.04%	9.60%	4/27/15	53.30%
PowerShares Preferred	PGX	24-Oct-12	$14.84	$14.89	Hold	5.88%	5.90%	4/13/15	13.60%
PowerShares Sr Loan Port	BKLN	25-Sep-13	$24.77	$24.21	$25.00	3.67%	3.58%	4/13/15	5.87%
People's United Financial	PBCT	25-Aug-14	$14.90	$15.13	$15.00	4.36%	4.43%	6/17/15	4.98%
Duke Energy	DUK	06-Mar-15	$75.00	$77.65	$75.00	4.10%	4.24%	6/16/15	3.53%
BUY HSBC Preferred Series D	HUSI-PD	—	—	$25.37	$25.75	4.42%	—	—	–

Notes on all portfolios: In order to receive the dividend payment, you will need to own the stock several weeks before the pay date. The "Total Return" column includes all reinvested dividends at concurrent recommended buy prices. Returns calculated based on a purchase of $1,000 of the security on the listed entry date and price. The "Effective Yield" column reflects the yield investors receive assuming they bought at the entry price and followed all subsequent recommendations. #Denotes recommendation not yet purchased. To see the chart of previous "sold" positions, subscribers can log onto www.highincomefactor.com (under the "Portfolio" tab). All chart data is as of close April 7, 2015.

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the company is not significantly exposed to volatile energy prices but rather collects a fee for the servicing of oil and gas. The energy industry may be struggling right now, but the energy boom in this country is here to stay. The recent struggles in the industry provide an excellent opportunity to pick up this gem at a reasonable price. It's a buy at or under $44 per share.

BHP BILLITON (BBL)

This Australian-based miner is the world's largest diversified natural resource company. BHP finds, produces, and sells a wide array of industry's most essential raw materials like iron ore, copper, and coal.

Given the slow world economy, this is a very contrarian play right now. While there is potential downside in the near term, I think over the next couple of years this stock should be a big winner for us.

I believe it is worth the risk because the company can continue to pay the stellar yield (currently 5.67 percent) even if the global economy continues to sputter. When things improve there is a lot of upside, as the stock is currently selling 39 percent below the 52-week high. It's a buy at or under $46 per share.

Actions to Take Now

Action No. 1: Look to buy **HSBC USA Inc., Adjustable Rate Depositary Shares Cumulative Preferred Stock, Series D** (**HUSI-PD**) at or below $25.75 per share for the Income Strategies Portfolio.

Action No. 2: Note that per an email trade alert issued on April 1, we sold **Barclays Bank PLC 7.75% Preferred** (**BCS-PC**) — if you haven't yet, you should exit this position at market price upon receipt of this issue. Officially, we netted a 23.76 percent profit including dividends, buying originally on Sept. 27, 2012, at $25.52 per share and selling on April 1 at $26.08.

Action No. 3: Be sure to visit our website, www.highincomefactor.com, to find past monthly issues and weekly updates. For password assistance, contact my team at 800-485-4350 or customerservice@newsmax.com. ■

Sincerely,

Thomas Hutchinson

Tom Hutchinson
Editor, The High Income Factor

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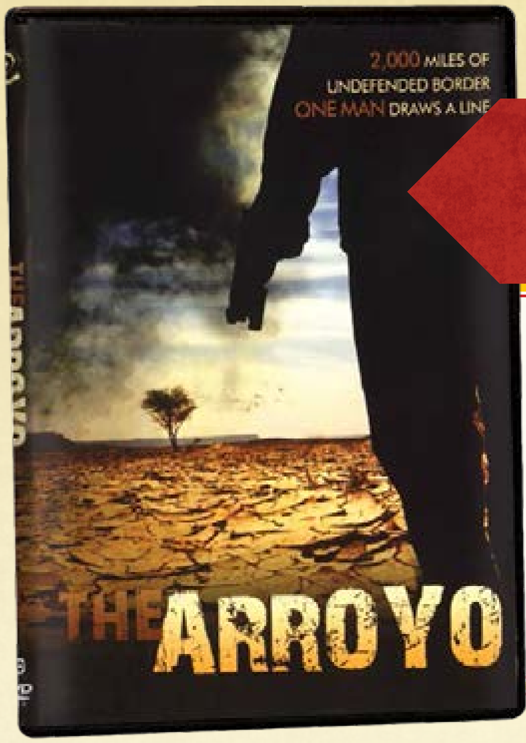

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Law enforcement can't stop it. The Mexican drug cartels are too organized, too determined.

Now a new powerful movie puts this issue in sharp focus for the rest of the country.

THE ARROYO shows what can happen when the fight against illegal immigration turns deeply personal — when the violence and drug trafficking are literally in your own backyard. This movie has audiences buzzing, and right now **NEWSMAX** has limited supplies of the DVD in stock.

THE ARROYO is set in the rugged Arizona-Mexico border. Kenny Maines plays Jim Weatherford, a ranch owner who has seen enough of the drug violence and illegal-alien trafficking on his land.

This 90-minute full feature film focuses on the struggles of Weatherford and his family as they become more and more frustrated and angry over discovering bodies on their property. It's a danger for him, his cattle, and his family.

His continual pleas for help from law enforcement meet with consistent inaction. As the violence escalates, he takes matters into his own hands to protect his family, and their way of life.

This rancher represents values we want to champion. He is a man of action.

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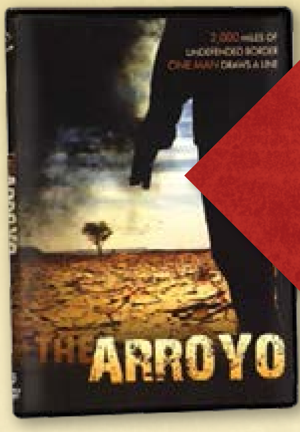

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