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INVESTOR



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Volume XXI Issue 12

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ALL PRICING AS OF 11/30/2004

Fixed Income Will Beat Stocks Again

As we approach year end it is worth looking back at where we started. Ten year Treasury yields are up 33 basis points or 7.5% for the month, but only 10 basis points or 2.3% for the year. Corporate AAA bond yields are up 40 basis points or 9% for the year, but again, they started the year 21 basis points below Treasuries, an obvious temporary disjoint (See the Comparative Current Yields table on Page 10). The real winners this year were high yield bonds of the single B and CCC variety, which delivered both high returns and capital gains. Can they continue to deliver in 2005? Yes, but remember, at current yield levels you are playing Russian roulette.

Investment grade preferreds showed the greatest consistency although they suffered through the temporary April rate shock. Below investment grade preferreds tracked the corporate bonds but continued to maintain a 170 to 260 basis point yield premium over bonds. Single B preferreds were the exception to the downward trend in junk with yields going up 92

basis points to date. This is due to the perilous state of airline issues such as Delta and Northwest which offer fabulous current yields, but may never repay the principal. Better news can be found in the preferreds pay-

If you're making so much money that tax free munis look attractive, then investment grade QDI preferreds should definitely be on your shopping list.

ing dividends subject to only a 15% Federal tax rate, i.e. the QDI preferreds. Yields have declined for both the investment and below investment grade issues reflecting greater recognition by the market of the tax difference. In fact, I have changed the presentation of the QDI preferreds on the yield table to reflect the after tax yield compared to Treasuries. This gives a number comparable to the percentages being shown for municipal bonds. In short, you will find that munis yields

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Pick of the Month

I predicted that preferreds eligible for the 15% tax rate (QDI preferreds) would come into their own in 2004 and this has certainly been the case, even outperforming most junk bonds. One issue I recommended in January was Philippine Long Distance Telephone Company's \$3.50 convertible (PHI A), then selling at \$47.35. As a convertible it has done nothing, selling today at \$48.50, but as a low tax income security, it still yields 7.22%. A year from today, it probably still will have done nothing as a convertible, but you'll have collected another 7%. A few years of such nothings can add up to something and meanwhile, maybe the telephones in the Philippines will begin ringing. See Page 3 for more details.

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A Message to Worry-Warts

There seems to be no shortage of things for investors to worry about going into 2005 and every TV pundit is just pleased as punch to give you new reasons to worry. What few focus on is what could go right in 2005 and what that would do for the economy and investments in general. My favorite targets for undue concern are the trade deficit, the budget deficit, inflation, stock prices, and oil prices just to name a few. Take the budget deficit and its consequence, the national debt. The budget deficit is mainly of concern if it drains most of the available capital in the market to finance it. Since the trade deficit equals the budget deficit, the effect is that foreigners are funding all the Federal government's capital needs. As to the politicians who try to make us feel guilty about leaving trillions of dollars of debt for our children to pay, I say rubbish! The Federal debt will never be paid off, it will just roll over forever. What we are leaving our children are trillions of dollars of infrastructure (roads, bridges, build-

ings, parks, the military, etc.) and the freedom to enjoy them while spending their inheritance, assuming you were successful in your investment selections. As for the trade deficit, this is one of the biggest canards. If foreigners sell us goods and don't want any goods or services in return then they have no choice but to take our paper promises (currency or T bills). Sure, they can buy our stocks or US real estate instead; be my guest. In any case, they've sold us goods and took payment in dollars which they change into local currency to pay their bills. It's their central banks which hold the dollars that are currently depreciating by the minute. Yet central banks are entities that have no bottom line profit motive so they feel little pain. So I say, send us your cars, oil and big screen TVs and we'll send you our biggest export commodity, T bills. Will this go on forever? No, but it still has a long way to run and need not end badly so enjoy the ride.

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BancWest Capital I

BancWest is the parent of Bank of the West and First Hawaiian Bank and is the guarantor of the BancWest Capital I preferred security (BWE Preferred). The 9.5% preferred was recommended in January of 2001 at a price of \$25.50 for a then current yield of 9.32% and a yield to call of 9.14%. The preferred is callable December 1, 2005 at a price of \$25.00. Since the preferred is currently trading at \$26.74, the current yield to call is only 3.25%. The chances of a 9.25% preferred being called are excellent; this might be a good time to take profits. **Recommendation: Sell**

Brookfield Homes

Brookfield Homes is a residential homebuilder and land developer in both master-planned and infill locations. The company was spun-off from Brookfield Properties Co in January 2003. The company's 12.00% bond of 2020 was recommended in August of 2004 at a price of 105 for a yield of 11.31%. This high-risk, un-rated bond is callable at any time, accounting for its low price relative to the rest of the bond market. Unfortunately, the company announced a full call, effective December 20, 2004 at a price of 100. **Recommendation: Hold until called**

CAMECO

Cameco (CCJ) is the largest supplier of uranium to the western world's nuclear power plants. The company's 8.75% preferred (CCJ needs preferred designation) was recommended in August of '02 at a price of \$24.25 for a then current yield of 9.02%. The preferred was callable beginning in October of 2003. Since then, the preferred was subject to call at anytime by the company. On October 25, 2004, Cameco announced a full call of the preferreds effective December 17, 2004 for par (\$25.00) plus accrued but unpaid interest. **Recommendation: Hold until called.**

Delta Airlines

Delta Airlines has finished the brinkmanship with its unions and won the concessions they have been seeking. In addition, Delta has arranged for \$1.1 billion in new financing from General Electric and American Express. The financing gives the airline breathing room while it continues its efforts to restructure the company. Falling oil prices in the past few weeks has also helped to bolster prospects for the company. Standard and Poor's recently put the airline on a positive alert for a ratings increase from its current CC rating. In summary, things are looking up at Delta and prices for their bonds and preferreds may extend recent gains from their lows. We last wrote about the preferreds in our June newsletter, when they were both trading around \$12.00, DNT was at \$12.00 and CDC was trading at \$12.95. They have not changed much in price since then, except for accruing fat dividends. The DNT preferred pays quarterly and goes ex-dividend December 13 for about \$.50. The CDC preferred pays semi-annually and goes ex-dividend December 10, 2004 for \$1.125. **Recommendation: Hold**

ING Group NV; ING Capital Funding Trust II

ING Group NV is an Amsterdam based company involved in insurance and financial services. The company's trust preferred (ING B) was recommended in January of 2001 at a price of \$26.63 for a then current yield of 8.64%. At the time of the recommendation, the preferred had five-year call protection until June of 2005. That date looks a lot closer now. The preferred has a 9.20% coupon making it highly likely to be called by the company. Since the yield to call at its current price of \$26.44 is now only about 1.5%, we recommend a sale of the security. **Recommendation: Sell**

Park-Ohio Industries

Park-Ohio Industries is a leading provider of business-to-business logistics services for fasteners and related components, and a manufacturer of highly engineered products for original equipment manufacturers. The company's B+ rated 9.25% bond of 2007 Cusip (700677AHO) were recommended in August of 2000 for a price of 89.50, for a then current yield of 10.34% and a yield to first call of 16.55%. The company made a tender offer for the bonds that was accepted by 91.7% of the holders. Bondholders who tendered by November 19, 2004 received a premium of 0.403% plus 101.542% of par. If the tender offer is consummated the company will promptly call the remainder of the bonds at 101.542% of par. **Recommendation: Hold until called.**

Petrofund Energy Trust

Petrofund Energy Trust (PTF) is a Canadian Royalty Trust registered in Ontario, Canada. We recommended this security in September of 2004 at a price of \$11.47 for a current yield of 12.75%. Petrofund Energy Trust has dealt with a Canadian law mandating that Canadians must own at least 50% of such royalty trusts. The company will divide its shares in two classes, one intended for Canadians and one for U.S. residents. Both classes of shares will pay the same monthly amounts. U.S. holders whose shares are held by the brokerage firms need take no action; they will automatically receive the new class of shares in exchange for the old. The splitting has some advantages for U.S. residents since as a group they already own a majority of the shares. When Petrofund issues new shares to make an acquisition they will have to be the Canadian variety. This will eventually lead to an undersupply of U.S. shares while demand has not changed. Petrofund is still a good buy at recent prices. **Recommendation: Buy**

If you're looking for the perfect gift to give this holiday season, you've found it; the Forbes/Lehmann Income Securities Investor Newsletter is the gift that keeps on giving all year long. And, if things work out, next year they'll owe you a free subscription.



Corporate Bonds

Goodyear Tire & Rubber Company 7.857%; 8/15/11; Price 101; Current Yield 7.78%; Exchange OTC; Rated B3/B-; Call anytime at 100; Yield to Maturity 7.66%; CUSIP 382550AH4

Goodyear (GT) is the world's third largest tire company. They manufacture tires, engineered rubber products and chemicals in more than 95 facilities worldwide. They also oversee rubber plantations in Indonesia and have over 950 retail outlets in North America. GT reported third quarter sales of \$4.7 billion, which was up from the \$3.9 billion reported for the third quarter 2003. Net income increased substantially to \$36.5 million compared to a loss of \$119.4 million for the same period last year. The growth in sales is a result of improved pricing and product mix, as well as strong commercial tire sales in all of the company's markets. I like this issue for high-risk income investors. Do not overpay for this bond, it can be redeemed at anytime. Goodyear has large bank debt maturing in the next few years and thus a bond call is unlikely. **Buy at or below 102.**

Teekay Shipping Corp 8.32%; 02/01/06; Price 102.25; Current Yield 8.14%; Exchange NY; Rated Ba1/BB+; Call none; Yield to Maturity 6.24%; CUSIP 879006AA2

Teekay Shipping (TK) transports more than 10% of the world's sea-borne oil and has expanded into the liquefied natural gas shipping business. With a fleet of over 160 tankers and offices in 14 countries the company provides a comprehensive line of marine services. Their customers include major oil and gas companies, refiners, trading companies and government agencies. Teekay reported record third quarter 2005 net income of \$245.3 million, substantially higher than the \$20.3 million reported for the same period in 2003. Revenue increased from \$380.5 million to \$520.6 million. I like this bond for medium risk income investors. The bond does have a sinking fund thus do not chase the price. **Buy at or below 104.**

Convertibles

Dominion Resources, Inc. 8.75% (preferred); Par \$50.00; Current Price \$54.68; Current Yield 8.00%; Exchange NY; Rated Baa1/BBB+; Mandatory Conversion to Common Stock 05/15/06; Conversion Rate variable; Common Stock Price \$66.70; Pay Cycle 2m; CUSIP 25746U406; Family Mandatory; Acronym Upper DECS; Symbol D U (need preferred designation)

This hybrid is a unit consisting of a purchase contract and a senior note. On May 15, 2006 this issue will mandatorily convert to 0.6148 shares of common stock if the common is at or above \$81.33. If the common is at or below \$59.80 the conversion rate will be 0.8361. Between the two common stock prices, holders will receive \$50.00 worth of common. Dominion (D) is a diversified utility holding company serving 3.9 million retail customers in 5 states. The company has electric generating capacity of 25,500 megawatts and 6.4 trillion cubic ft. of proven natural gas reserves, which they distribute through 7900 miles of pipeline they oversee. Total revenue reported for the third quarter 2004 was \$3.3 billion versus \$2.85 billion reported for the third quarter 2003. Dominion reported net income of \$337 million for the quarter versus a loss of \$256 million the previous year. I like this issue for low-risk growth and income investors. **Buy at or below \$56.00.**

Nationwide Health Properties Inc. 7.75% (preferred); Par \$100.00; Current Price \$113.75; Current Yield 6.82%; Exchange NY; Rated Ba1/BB+; Call 07/09 at \$103.88; Conversion Rate 4.3975; Common Stock Price \$23.20; Pay Cycle 3e; CUSIP 638620302; Family REIT; Symbol NHP B (need preferred designation)

Nationwide Health (NHP) is a real estate investment trust (REIT) that invests primarily in health care-related facilities and provides fi-

ancing to health care providers. They have over 350 facilities in 38 states operated by 70 different healthcare providers. There are some limitations to the conversion rights including the need for the common stock price to be higher than \$28.425 for at least 20 trading days in the period of 30 consecutive trading days in a quarter. NHP reported third quarter revenues of \$48.8 million versus \$40.5 million a year ago. Funds from operations (FFO) were \$28.5 million versus \$23.9 million last year. Net income increased from \$14.7 million to \$17.9 million. I like this issue for medium-risk growth and income portfolios. **Buy at or below \$116.50.**

Philippine Long Distance Telephone Company, \$3.50; (preferred); Series III; Par \$50.00; Current Price \$48.50; Current Yield 7.22%; Exchange NY; Rated B1/B; Call none; Conversion Rate 1.7130; Common Stock Price \$23.71; Pay Cycle 1m; CUSIP 718252703; Family Foreign; Symbol PHI A (need preferred designation)

Philippine Long Distance (PHI), also known as PLDT, is the nation's largest phone company. The company, a subsidiary of First Pacific Company Limited, provides fixed line, wireless information and communications technology. These Global Depository shares can be converted into American Depository shares, which represent 1 share of common stock of the company. For third quarter 2004, PHI reported (US Dollars) revenue of \$516.90 million and net income of \$156.77 million. Last year they had revenue of \$465 million with net income of \$13.44 million. QDI (Qualified Dividend Income) convertible issues are few and far between. I like this high-risk issue for growth and income investors. **Buy at or below \$53.00.**

Preferreds

Allmerica Financial Corp. 8.00%; Series ALL; Par \$25.00; Price \$25.25; Current Yield 7.92%; Exchange NY; Rated Ba2/B; Call 02/07 at \$25.00; Yield to Call 8.73%; Pay cycle 2m; CUSIP 740434832; Family Third Party Trust Preferred; Acronym PPLUS; Symbol PKM (no preferred designation)

Merrill Lynch is the depositor of this hybrid security issued by Preferred Plus Trust Series ALL-1. The underlying securities are 8.207% capital securities due 2027, issued by Allmerica Financial Corporation (AFC). Allmerica is a holding company for a diversified group of insurance and financial services companies. They market insurance and retirement savings products to both individuals and institutional clients. For the third quarter 2004 total revenue reported was \$763.4 million, which was down from the \$788.8 million reported for the third quarter 2003. Net income increased to \$17.7 million from \$11.4 million. I like this issue for high-risk income portfolios. **Buy at or below \$26.25.**

International Business Machines Corporation; Floating Rate; Series 12; Par \$25.00; Price \$24.15; Current Yield 3.10%; Exchange NY; Rated NR/A+; Call none; Pay Cycle M; CUSIP 86311N201; Family Third Party Trust Preferreds; Acronym STRATS; Symbol GJI (no preferred designation)

This hybrid issued by Synthetic Fixed-Income Securities, Inc, a wholly owned subsidiary of Wachovia Corporation is a Structured Repackaged Asset-Backed Trust Securities series 2004-7. The underlying security is an IBM (IBM) 4.25% senior note due 11/29/2012. This monthly pay-floating rate preferred interest rate will adjust weekly to the Treasury Bill average plus 50 basis points (0.50%). It will never pay less than 3% (floor) or

higher than 6% (ceiling). Currently, it is at the floor 3%. The underlying security issuer (IBM) could redeem their bonds at anytime, however because of the low coupon rate, I do not see this happening. I am recommending this issue for low risk income investors. The high quality of this issue makes it an option to current money markets, which are only paying 1.5%. **Do not chase this issue; buy at or below \$25.00**

Pro-Fac Cooperative Inc \$1.72; Series A; Par \$25.00; Price \$19.92; Current Yield 8.64%; Exchange NASDAQ; Rated NR/NR; Call anytime at \$25.00; Yield to Call High; Pay Cycle 1e; CUSIP 74265P208; Family Perpetual; Symbol PFACP (no preferred designation)

Pro-Fac is an agricultural cooperative consisting of more than 500 members. They provide fruits and vegetables for processing at facilities across the country. Their products are marketed as branded, private label and food service products primarily through its main customer Birds Eye Foods. Pro-Fac maintains a significant minority ownership (40%) in Birds Eye Foods. For their first fiscal quarter 2005 ending September 25, 2004 Pro-Fac reported a net loss of \$545 thousand compared to net income of \$1.8 million for the fiscal first quarter 2004. Birds Eye Foods reported for the same period net sales of \$177.3 million compared to \$189.7 million for the same period last year. Net income declined from \$2.8 million to a loss of \$213 thousand. I suggest this issue for high-risk income investors. Dividends do not qualify for the 15% rate. **Buy at or below \$21.00.**

Closed End Funds

BlackRock Preferred Opportunity Trust (BPP) is a taxable closed-end trust, which began operations in February of 2003. Their objective is to return high current income along with capital preservation. The fund aims to invest at least 80% of its assets in preferred securities and the remainder in municipal bond and other debt securities. Over 80% of their \$685 million portfolios have investment grade credit ratings.

At the current price of \$24.74 the funds indicated yield is 8.08% for the part 12 months the fund has paid \$ 0.1667 monthly per share. Last year BPP distributed \$1.50 per share for the 9 months after it's inception. (February 25, 2003) Twenty six percent of the distribution qualified for the 15% dividend tax rate and a minimal amount was classified as return

of capital. BPP is currently trading at a 5.91% discount to NAV. Note: Net asset value (NAV) is the market value of all securities owned by the fund, minus its total liabilities, divided by the number of shares issued by the fund. Premium/Discount is the difference between the current price and the NAV. I like this fund for low risk investors. **Buy at or below \$26.00.**

<u>Symbol</u>	<u>Issuer</u>	<u>Current Price</u>	<u>Net Asset Value</u>	<u>Premium Discount</u>	<u>Dividend Yield</u>
(BPP)	BlackRock Preferred Opportunity Trust	\$24.74	\$26.01	5.91%	8.08%

Fixed Income Will Beat Stocks Again

continued from page 1

are equivalent to 84% to 98% of Treasuries while investment grade QDI preferreds yield 131% of Treasuries. If you're making so much money that tax free munis look attractive, then investment grade QDI preferreds should definitely be on your shopping list.

Next month, I will be publishing new model portfolios assuming someone was going to put fresh capital to work on January 1, 2005. This annual exercise is done because many of the securities we recommended last January may no longer be the best buys today precisely be-

cause they have had a good year. Some of my selections will be repeats from last year. Looking at Page 9 you can see the total return numbers for the four portfolios through eleven months. Compare these results to the Dow Jones which is down .24%, the NASDAQ which is up 4.64% and the S&P 500 which is up 5.57%. The model portfolios have outperformed these indexes in three of the last four years and it looks like 2004 may make it four out of five. Those who accept the mantra that stocks always outperform bonds may want to rethink matters.

Exch	Issuer	Coupon Rate%	Maturity	CUSIP	Current Price	Current Yield%	Yield to Maturity%	Ratings Moody	Ratings S&P	Call Date	Call Price	Yield to Worst%	Recommend	
INVESTMENT GRADE														
NY	AOL Time Warner I	8.11%	08/15/2006	887315AW9	108.87	7.45%	2.70%	Baa1	BBB+	NC	NA	2.70%	Hold	
N/L	Arrow Electronics	6.88	06/01/2018	042735AL4	101.78	6.75	6.63	Baa3	BBB-	NC	NA	6.63	103	
NY	Burlington N Sant	3.80	01/01/2020	121899CC0	79.00	4.81	5.93	A3	BBB+	NC	NA	5.93	81	
NY	Delphi Corp	6.50	08/15/2013	247126AE5	99.44	6.54	6.57	Baa2	BBB-	NC	NA	6.56	102	
NY	Ford Motor Credit	6.38	11/05/2008	345397GZ0	104.23	6.12	5.11	A3	BBB-	NC	NA	5.11	106	
OTC	Ford Motor Credit	7.00	10/01/2013	345397TZ6	105.00	6.67	6.24	A3	BBB-	NC	NA	6.24	106	
NY	Gen Motors Acc Co	6.13	01/22/2008	370425QS2	102.25	5.99	5.33	A3	BBB-	NC	NA	5.33	Hold	
N/L	Gen Motors Acc Co	6.88	08/28/2012	370425SE1	101.06	6.80	6.67	Baa1	BBB-	NC	NA	6.67	103	
OTC	Household Finance	7.50	02/15/2017	44181EFC7	98.50	7.61	7.69	A1	A	02/05	100	7.69	Hold	
N/L	Oryx Energy Co	8.13	10/15/2005	68763FAM2	104.41	7.78	2.86	Baa3	BBB	NC	NA	2.86	Hold	
N/L	Raytheon Co	7.38	07/15/2025	755111AC5	105.05	7.02	6.91	Baa3	BBB-	07/05	102.88	3.61	106	
OTC	Safeway Inc	7.25	02/01/2031	786514BA6	110.05	6.59	6.45	Baa2	BBB	Any	Var	6.45	Hold	
OTC	Sprint Capital Co	6.88	11/15/2028	852060AD4	105.91	6.49	6.33	Baa3	BBB-	NC	NA	6.33	108	
OTC	Wyeth	5.50	02/01/2014	983024AE0	101.78	5.40	5.23	Baa1	A	NC	NA	5.23	103	
OTC	AK Steel Corp	7.88%	02/15/2009	001546AE0	101.25	7.78%	7.48%	B3	B+	Any	103.94	7.18%	103	
NY	Amer & Foreign Po	5.00	03/01/2030	023663AB3	78.00	6.41	6.84	Ba2	BB	03/09	107.50	6.84	84	
NY	Bausch & Lomb INC	7.13	08/01/2028	071707AG8	103.38	6.89	6.83	Ba1	BBB-	NC	NA	6.83	104	
N/L	Calpine Corp	7.75	04/15/2009	131347AM8	63.25	12.25	20.79	Caa1	CCC+	NC	NA	20.79	67	
N/L	Cincinnati Bell I	7.25	06/15/2023	171870AK4	97.18	7.46	7.54	B1	B+	NC	NA	7.53	99	
NY	Crown Cork & Seal	7.38	12/15/2026	228255AH	94.00	7.85	7.76	B3	B	NC	NA	7.76	96	
NY	Delco Remy Intl I	8.63	12/15/2007	246626AC9	101.25	8.52	8.15	B2	CCC+	Any	102.88	7.33	Hold	
N/L	Delta Airlines	9.75	05/15/2021	247361WH7	44.00	22.16	22.99	Ca	C	NC	NA	22.99	Hold	
N/L	Interpool Inc	7.35	08/01/2007	46062RAH1	92.75	7.92	10.55	Caa3	B+	NC	NA	10.55	96	
N/L	NGC Corp(Dynegy)	7.13	05/15/2018	629121AF1	75.25	9.47	10.62	Caa2	CCC+	NC	NA	10.62	79	
OTC	OM Group Inc	9.25	12/15/2011	670872AB6	103.55	8.93	8.48	Caa1	B-	12/06	104.62	8.26	104	
OTC	Oregon Steel Mill	10.00	07/15/2009	686079AC8	111.45	8.97	7.04	B2	B	07/06	105.00	5.47	Hold	
NY	Sequa Corp	9.00	08/01/2009	817320AH7	112.99	7.97	5.77	B1	BB-	NC	NA	5.77	Hold	
N/L	Tembec Industries	8.50	02/01/2011	87971KAC1	100.50	8.46	8.29	Ba3	BB-	NC	NA	8.29	104	
CLOSED END FUNDS														
Symbol	Issuer	Current Price	Current Yield	12 Mo Yield	Net Asset Value	%Premium Discount	52 Week High	52 Week Low	52 Week High Date	52 Week Low Date	52 Week Low	52 Week Low Date	Pay Periods	Limit
(PFO)	Flaherty&Crumrine Pfd In Op Fd	13.53	6.70	6.92	12.40	10.65	15.18	03/26/2004	12.05	04/26/2004	Monthly	11.00	Monthly	11.00
(IQC)	Nuveen Pfd & Conv Inc Fd 2	13.83	8.46	8.46	14.95	-6.76	15.20	04/02/2004	11.50	05/10/2004	Monthly	-5.20	Monthly	-5.20
(IPS)	Nuveen Qual Pfd Inc Fd II	14.94	8.43	8.43	15.69	-4.02	16.66	04/01/2004	12.37	05/10/2004	Monthly	-3.30	Monthly	-3.30
CANADIAN ENERGY/ROYALTY TRUSTS														
Symbol	Issuer	Current Price	Indicated Yield	Tax	52 Week High	52 Week High Date	52 Week Low	52 Week Low Date	Currency	Pay Periods	Exch	Recommend		
(PVX)	Provident Energy Tr	74386K104	9.50	15%	9.54	10/11/2004	7.59	02/05/2004	USD	Monthly	Am	10.00		
(PTF)	Petrofund Energy Tr	71648W108	13.00	13.04	15%	14.96	01/05/2004	11.03	06/29/2004	USD	Monthly	13.75		
(ERF)	Enerplus Resources	29274D604	35.35	15%	35.35	11/03/2004	23.66	05/10/2004	USD	Monthly	NY	36.50		

1. Recommendation: accumulate at or below this price. NA: not applicable. s: step-up bond. 2. Limit: accumulate at or below this premium/discount %.

CONVERTIBLES

currently or previously recommended

Exch	Issuer	Coupon Rate%	Maturity	CUSIP	Current Price	Current Yield%	Yield to Maturity%	Moody Rating	S&P Rating	Conversion Rate	Common \$Price	Premium %	Call Date	Call Price	Yield to Worst%
INVESTMENT GRADE BONDS															
NY	Devon Energy Corp	4.95%	08/15/2008	25179MAB9	108.50	4.56%	2.52%	Baa2	BBB	9.3283	\$52.39	122.01%	Any	102.50	-77.29%
NY	Devon Energy Corp	4.90	08/15/2008	25179MAA1	109.00	4.50	2.34	Baa2	BBB	9.3300	52.39	123.00	Any	102.50	-83.26
NY	Loews Corporation	3.13	09/15/2007	540424AL2	98.13	3.18	3.65	Baa2	A-	15.3757	34.78	83.50	Any	101.25	3.65
N/L	zUSF&G Corp	0.00	03/03/2009	903290AD6	82.00	0.00	4.74	Baa1	BBB	16.6434	37.47	31.49	Any	80.051	4.74
BELOW INVESTMENT GRADE BONDS															
N/L	Allied Waste Indu	4.25	04/15/2034	019589AD2	86.75	4.90	5.06	B3	B+	48.9476	9.33	89.96	04/09	100.00	5.05
N/L	Amkor Tech Inc.	5.75	06/01/2006	031652AN0	96.54	5.96	7.90	B3	CCC+	28.5714	5.95	467.88	Any	102.30	7.90
N/L	Human Genome Sci	3.75	03/15/2007	444903AH1	96.38	3.89	4.98	NR	CCC	9.1324	11.42	824.14	Any	101.25	4.98
N/L	Intl. Rectifier	4.25	07/15/2007	460254AE5	99.00	4.29	4.45	B2	B	13.5254	45.31	61.54	Any	102.43	4.45
NY	Kerr-McGee Corp.	5.25	02/15/2010	492386AP2	107.34	4.89	3.63	Ba1	BBB-	16.3730	58.16	12.72	02/05	102.62	-19.28
N/L	SCI Systems Inc.	3.00	03/15/2007	783890AF3	96.32	3.11	4.49	B1	B	24.1838	9.10	337.67	Any	101.29	4.49
Am	Trans-Lux Corp	7.50	12/01/2006	893247AD8	100.25	7.48	7.36	NR	NR	71.3623	6.60	112.85	Any	101.78	7.23
NY	zRoyal Caribbean	0.00	02/02/2021	780153AK8	60.00	0.00	3.16	Ba2	BB+	11.7152	50.85	0.72	02/05	46.27	-High Neg
MANDATORY CONVERTIBLE PREFERRED															
(AYZ)	MD Alltel Corp	7.750%			3.88	OI	020039822	51.62	7.51	A2/NR	0.8280	9.97	05/05*	Variable	NA
AHC	MD Amerada Hess Corp	7.000%			3.50	15%	023551401	78.69	4.45	Ba3/BB	0.8305	6.64	12/06*	Variable	NA
COFC	MD Capital One FncI	6.250%			3.13	OI	14040H204	53.90	5.80	Baa3/BB+	0.6361	7.83	05/05*	Variable	NA
STZ A	MD Constellation Brd	5.750%			1.44	15%	21036P306	36.05	3.99	NR/B	0.7319	10.22	09/06*	Variable	NA
GXP	MD Great Plains Ener	8.000%			2.00	OI	391164605	25.89	7.72	Baa2/NR	0.7062	23.81	02/07*	Variable	NA
HIG D	MD Hartford Finl Svs	7.000%			3.50	OI	416515500	61.73	5.67	NR/A-	0.8791	9.86	08/06*	Variable	NA
(GIZ)	MD Lehman Bros Hldgs	6.2500% G			1.56	OI	524908563	25.70	6.08	NR/NR	0.4609	22.58	10/07*	Variable	NA
OKE A	MD Oneok Inc.	8.500%			2.13	OI	682680202	34.79	6.11	Baa1/A-	1.2119	2.82	02/06*	Variable	NA
PNX A	MD Phoenix Cos Inc	7.250%			1.81	OI	71902E406	36.60	4.95	NR/BBB-	2.8343	5.85	02/06*	Variable	NA
SGP M	MD Schering-Plough C	6.000%			3.00	15%	806605606	49.98	6.00	Baa3/BBB	2.2451	24.72	09/07*	Variable	NA
TXU D	MD TXU Corp	8.125%			4.06	OI	873168884	55.51	7.32	Ba1/NR	0.7947	11.19	05/06*	Variable	NA
TK A	MD Teekay Shipping	7.250%			1.81	OI	EP0074831	61.80	2.93	NR/BB-	1.1365	2.10	02/06*	Variable	NA
SPC E	MD The St Paul Cos	9.000%			4.50	OI	792860306	65.20	6.90	A3/BBB+	1.7218	3.80	08/05*	Variable	NA
OPTIONAL CONVERTIBLE PREFERRED															
(AMCR)	OP Ancor Ltd	7.250%			3.63	OI	02341R401	58.13	6.17	Baa2/BBB	2.3474	8.99	11/06	50.00	-1.38
CBB B	OP Cincinnati Bell I	6.750% B			3.38	15%	171871403	40.50	8.33	Caa1/CCC+	1.4420	680.17	Any	51.35	High
F S	OP Ford Motor Cptl T	6.500%			3.25	OI	345395206	52.45	6.20	Baa2/BB	2.8249	30.94	01/07	51.63	5.91
(GPM)	OP General Motors Co	6.250% C			1.56	OI	370442717	26.75	5.84	Baa2/BBB-	0.5250	32.04	07/10	25.83	5.79
NDE	OP Indymac Cptl Tr I	6.000%			3.00	OI	456607209	56.00	5.36	NR/B+	1.5969	7.93	Sft C	50.00	NA
NYB U	OP NY Comm Cap Tr V	6.000%			3.00	OI	64944P307	55.50	5.41	Baa2/BB	2.4953	12.45	Sft C	50.00	NA
OCRA	OP Omnicare Inc	4.000%			2.00	OI	68214L201	52.30	3.82	Ba3/BB	1.2248	31.75	06/09	50.00	3.11
RPT C	OP Ramco-Gershenson	7.950% C			2.27	OI	751452509	32.55	6.96	NR/NR	1.0000	6.97	06/09	28.50	4.76
SPG I	OP Simon Property Gp	6.000%			3.00	OI	828806802	57.13	5.25	Baa3/NR	0.7830	17.53	Sft C	50.00	NA
SBGlp	OP Sinclair Brdct G	6.000% D			3.00	15%	829226505	40.88	7.34	Caa1/B-	2.1918	158.69	Any	51.20	487.42
TXI S	OP Texas Indus Cptl	5.500%			2.75	OI	873119200	49.56	5.55	B3/B-	0.7222	14.37	Any	50.00	32.32
(TPK)	OP Travelers Ppty Cs	4.500%			1.13	OI	89420G307	23.10	4.87	Baa1/BBB-	0.4684	35.19	04/07	25.56	9.24

1. Symbol: symbols in parenthesis require no delimiters, all others require a preferred designation. z: zero-coupon bonds. 2: maturity or mandatory conversion date. 3: Family. MD=Mandatory. OP=Optional. 4: Tax: OI=Ordinary Income Rate, 15%=15% tax rate.

'Symbol	Exch.	'Family	Issuer	Issue	Div.	'Tax	'Cycle	CUSIP	Current Price	Current Yield	Moody/S&P Rating	Call Date	Call Price	Yield to Call	Debt Maturity	'Recom- mend
INVESTMENT GRADE																
ALP N	NY	Perp	Alabama Power Co	5.200%	\$1.30	15%	1b	010392595	\$24.30	5.35%	Baa1/BBB+	08/08	\$25.00	6.33%	NA	\$25.25
(KOE)	NY	TPTP	Aon Corp (CorTS)	7.750	1.94	OI	1/7	22081V206	26.20	7.40	Baa3/BBB	07/06	25.00	6.73	01/27	26.50
(MJO)	NY	TPTP	Aon Corp (SATURN)	7.500 AOC	1.88	OI	1/7	80409X205	26.30	7.15	Baa3/BBB	02/07	25.00	6.49	01/27	26.50
BGE B	NY	TP	BGE Cptl Trust II	6.200	1.55	OI	1m	05541Q206	25.40	6.10	A3/BBB-	11/08	25.00	5.98	10/43	25.75
(KCH)	NY	TPTP	BellSouth Corp (CorTS)	7.000 II	1.75	OI	6/12	22081C208	25.89	6.76	Aa3/A+	03/06	25.00	4.21	12/95	26.25
CHF	NDQ	PB	Converium Finance	8.250	2.06	OI	3m	21248Y202	25.19	8.18	Baa1/BBB+	12/07	25.00	8.64	12/20	25.75
(CYR)	NY	TPTP	DaimlerChrysler (CBTCS)	8.250 DCX	2.06	OI	2/8	21988G841	26.84	7.68	A3/BBB	03/06	25.00	4.52	08/97	Hold
FNM M	NY	Perp	Fannie Mae	4.750	2.38	15%	3e	313586836	40.90	5.81	Aa3/AA-	06/08	50.00	11.39	NA	43.00
(KCX)	NY	TPTP	First Union Cap (CorTS)	7.50% II	1.88	OI	1/7	22081J203	26.65	7.05	A1/BBB+	04/06	25.00	4.64	01/27	26.75
(KSK)	NY	TPTP	Ford Motor Co (CorTS)	7.400	1.85	OI	5/11	22080Q208	25.51	7.25	Baa1/BBB-	02/06	25.00	6.22	11/46	25.75
(JZT)	NY	TPTP	Kraft Foods Inc (CBTCS)	5.875 KFT	1.47	OI	5/11	21988G171	25.20	5.83	A3/BBB+	07/08	25.00	5.79	11/31	25.50
(DKQ)	NY	TPTP	May Dept Strs(SATURNS)	6.250 MAY	1.50	OI	1/7	80411E203	24.15	6.21	NR/BBB	05/08	25.00	8.23	01/32	24.50
(MWR)	NY	TP	Morgan St Cptl Tr III	6.250	1.56	OI	3b	617460209	25.07	6.23	A1/A-	03/08	25.00	6.17	03/33	25.50
(XFF)	NY	TPTP	Motorola Inc (CBTCS)	8.375 MOT	2.09	OI	5/11	21988G387	27.27	7.68	Baa2/BBB	07/07	25.00	4.83	11/28	Hold
(PKO)	NY	TPTP	News Amer Hldgs (PPLUS)	8.050 NAI	2.01	OI	6/12	740434501	26.27	7.65	Baa3/BBB-	12/06	25.00	5.35	12/95	27.00
PREC	NY	Fg	PartnerRe Ltd	6.750 C	1.69	15%	3b	EP0081752	25.73	6.58	Baa1/BBB+	05/08	25.00	5.82	NA	26.00
(PFX)	NY	PB	Phoenix Cos Inc	7.450	1.86	OI	1m	71902E208	25.77	7.22	Baa3/BBB	01/07	25.00	6.39	01/32	26.25
RNRC	NY	Fg	RenaissanceRe Hldgs Ltd	6.080 C	1.52	15%	3b	EP0112524	23.66	6.42	Baa2/BBB+	03/09	25.00	7.56	NA	24.00
(CVI)	NY	TPTP	Ryder Sys (CBTCS)	8.000 R	2.00	OI	6/12	21988G692	26.66	7.50	Baa1/BBB	06/06	25.00	3.43	12/25	Hold
(DHM)	NY	TPTP	Sprint Cptl (COBALTS)	8.125 FON	2.03	OI	5/11	19074V102	27.19	7.47	Baa3/BBB-	11/07	25.00	5.04	11/28	Hold
(SVQ)	NY	PB	Stilwell Fncl Inc	7.875	1.97	OI	1e	860831304	26.46	7.45	Baa2/BBB+	04/07	25.00	5.52	04/32	26.55
(KVI)	NY	TPTP	Walt Disney (CorTS)	6.875 DIS	1.72	OI	3/9	22082D205	26.19	6.57	Baa1/BBB+	06/07	25.00	5.59	03/32	26.25
BELOW INVESTMENT GRADE																
(XKI)	NY	TPTP	AT&T Corp (CBTCS)	7.250% T	\$1.81	OI	3/9	21988G585	\$25.24	7.17%	Ba1/BBB+	09/06	\$25.00	7.62%	03/29	\$26.00
CRO A	NY	REIT	CRT Properties Inc	8.500	2.13	OI	3m	22876P208	26.50	8.02	NR/NR	09/08	25.00	6.60	NA	Hold
(MJD)	NY	TPTP	Citizens Util (SATURNS)	8.625 CZN	2.16	OI	4/10	80409P103	26.25	8.23	Ba3/BBB	05/06	25.00	6.04	10/46	Hold
(DNT)	NY	PB	Delta Airlines	8.125	2.03	OI	1b	247361405	12.05	16.85	NR/CC	Any	25.00	High	07/39	14.00
(DDT)	NY	TP	Dillard's Cptl Tr I	7.500	1.88	OI	2b	25406P200	24.56	7.63	B3/B	Any	25.00	40.57	08/38	24.75
FICA	NY	Perp	Fedders Corp	8.600 A	2.15	15%	3b	313135600	23.29	9.23	NR/NR	NC	NA	0.00	NA	24.25
(FCY)	NY	PB	Forest City Enterp	7.375	1.84	OI	2b	345550404	25.35	7.27	Ba3/BB-	02/09	25.00	7.17	02/09	25.50
(XKK)	NY	TPTP	Goodyear Corp (CBTCS)	8.000 GT	0.80	OI	3/9	21988G577	10.01	7.99	B3/B-	09/06	10.00	9.01	03/28	10.25
MUK A	NY	Pshp	MEPC Intl Cptl LP	9.125 A	2.28	OI	3e	55271M206	25.70	8.88	B3/CCC+	09/05	25.00	7.56	NA	25.75
NVP B	NY	TP	NVP Cptl III	7.750	1.94	OI	3e	62944L201	25.27	7.67	B3/CCC+	Any	25.00	11.60	09/38	Hold
(NWB)	NY	PB	Northwest Airlines	9.500	2.38	OI	2m	667281208	21.60	11.00	Caa1/CCC+	Any	25.00	High	08/39	22.50
OHI B	NY	REIT	Omega Healthcare	8.625 B	2.16	OI	2m	681936308	25.45	8.47	B3/B	Any	25.00	-10.89	NA	Hold
PSB H	Am	REIT	PS Business Parks	7.000 H	1.75	OI	3e	69360J875	24.66	7.10	Ba1/BBB-	01/09	25.00	7.73	NA	25.50
(PIA)	NY	TPTP	Qwest Cptl Fndg (PPLUS)	8.000 QWS	2.00	OI	2/8	740434816	20.60	9.71	Caa2/B	02/07	25.00	19.58	02/31	22.00
(XKR)	NY	TPTP	Royal&Sun All (CBTCS)	7.500 RSA	1.88	OI	4/10	21988G510	25.55	7.36	Ba1/BBB	02/07	25.00	6.91	10/29	25.75
(THB)	NY	PB	Tommy Hilfiger USA	9.000	2.25	OI	3b	430908202	25.41	8.85	Ba1/BB+	12/06	25.00	8.13	12/31	26.50
(PIR)	NY	TPTP	UnumProvident (PPlus)	7.400 UPC	1.85	OI	6/12	740434667	25.20	7.34	Baa3/BB+	12/07	25.00	8.41	12/28	25.75

1. Symbol: symbols in parentheses require no preferred designation, all others require a preferred designation. 2. Cycle: denotes dividend payment months. 1: Jan., Apr., Jul., Oct.; 2: Feb., May, Aug., Nov.; 3: Mar., Jun., Sep., Dec.; M: monthly; b: beginning of month; m: middle of month; e: end of month; two numbers, e.g., 5/11: semiannual pay. 3. Recommendation: accumulate at or below this price. NR: not rated. NA: not applicable. 4. Family: Fg=foreign, PB=PEI Bonds, TP= Trust Preferreds, TPTP= Third Party Trust Preferreds, PERP = Perpetual, pshp=partnership. 5. Tax: OI=Ordinary Income Rate, 15%=15% tax rate.

RATING CHANGES AND NEW ISSUANCE

Corporate Bonds

Issuer	Agency	Action	New Rating
Aetna Inc	S	+	BBB+
Airgas Inc	S	+	BB+
American Standard Co	M	+	Baa3
Ansell Ltd	M	+	Ba1
Apollo Management LP	M/S	+	B1/B
Athena Neurosciences	M/S	+	B/B
Avery Dennison Corp	S	-	A-
Chattam Inc	S	+	B
Cingular Wireless	S	+	A
Cox Enterprises Inc	M	-	Baa3
Crane Co	S	-	BBB
Cullen/Frost Bankers	M	+	Baa1
Dana Corp	S	+	BBB-
Delta Air Lines Inc	S	Alrt+	
Dura Automotive Syst	S	-	B-

Issuer	Agency	Action	New Rating
GFSI Hldgs Inc	M	-	Caa1
Gen Growth Propertie	M/S	-	Ba1/BB+
General Motors Corp	M	-	Baa1
HCA Inc	M	-	Ba2
Harman Intl Industr	S	+	BBB
Health Net Inc	S	-	BB+
Idacorp Inc	S	-	A-
Juniper Generation	M	+	Ba1
Louisiana-Pac Corp	M	+	Baa3
Marsh & McLennan Cos	S	-	BBB
NUI Corp	M	+	Baa1
Natl Health Investor	S	+	B
Oneok Inc	S	-	BBB+
Owens-Illinois Inc	M	+	B3
PG&E Corp	M/S	+	A2/A-

Issuer	Agency	Action	New Rating
Reliant Energy Inc	S	+	B-
Ryerson Tull Inc	M	-	B2
SBC Communications	M	-	A2
Sears Roebuck and Co	M	-	Baa2
Six Flags Inc	M/S	-	Caa1/CCC
Sotheby's Hldgs	M/S	+	B2/BB-
Steel Dynamics Inc	M	+	Ba3
Tommy Hilfiger Corp	S	-	BB
United States Steel	M/S	+	Ba2/BB
Williams Cos Inc	M	+	B1
Winn-Dixie Stores	S	-	CCC+

+ : upgrade; - : downgrade;
Alrt - : possible downgrade; Alrt + : possible upgrade

Preferred Rating Changes

Issuer	Agency	Action	Rating
Aetna Inc	S	+	BBB+
Constellation Brands	M	Alrt-	
DPL Inc	M	Alrt+	
Delta Air Lines Inc	S	Alrt+	
General Motors Corp	M	-	Baa2
Great-West Life & An	M	-	Baa1
Huntington Bancshare	M	Alrt-	
Nextel Comm Inc	S	Alrt+	
North Atlantic Trad	S	Alrt-	
Oneok Inc	S	-	BBB+
Owens-Illinois Inc	M	+	Caa1
SBC Communications	M	-	A2
Sears Roebuck and Co	M	-	Baa2
Six Flags Inc	M/S	-	Caa2/CCC-
Tommy Hilfiger Corp	S	-	BB
Tower Automotive Inc	M/S	Alrt-	
United States Steel	M/S	+	Ba2/BB
UnumProvident Corp	M	Alrt-	
Viacom Inc	S	Alrt-	
Williams Cos Inc	M	+	B1

FAQs

Q. What do the letters that come after the preferred coupon mean?

A. The letters designate different series of preferreds. For example, if IBM issued three preferreds they could be IBM A IBM B IBM C. They don't have much meaning other than to help tell the different issues apart.

New Preferreds Issued in November

Issuer	Symbol	Issue	Moody/S&P Ratings	Par Value
Anworth Mtge Asset C	ANH A	8.630% A	NR/NR	25.00
BAC Capital Trust IV	BAC Y	6.000%	Aa3/A-	25.00
cv Citigroup Gbl Mkts		4.000% D	NR/NR	10.45
Duke Realty Corp	DRELP	6.600% L	Baa2/BBB	25.00
cv Goldman Sachs Group		7.350% AMAT	Aa3/A+	16.08
cv Goldman Sachs Group		8.130% YHOO	NR/NR	36.05
cv Goldman Sachs Group		2.880% BSKT	NR/NR	100.00
Goldman Sachs Group		5.000% CHIR	NR/NR	31.97
cv Goldman Sachs Group		6.250% TXN	NR/NR	24.65
IMPAC Mtge Hldgs Inc	IMHCP	9.130% C	NR/NR	25.00
Merrill Lynch & Co	MER G	3.000%	A2/A-	25.00
cv Morgan Stanley		0.150% MMC	NR/NR	28.25
cv Morgan Stanley		6.250% FRX	NR/NR	40.67
cv Morgan Stanley	SND	0.000% NVDA	NR/NR	19.47
cv Morgan Stanley	MIS	6.000% IGT	NR/NR	8.85
PartnerRe Ltd	PRE D	6.500% D	Baa1/BBB+	25.00
Preferred Plus TR-GS	PYC	6.000% GSC3	A1/A-	25.00
Simon Property Group		8.000% D	NR/NR	30.00
Taubman Centers Inc	TCO G	8.000% G	B1/B+	25.00
Vornado Realty Trust	VNO F	6.750% F	Baa3/BBB-	25.00
cv Xcyte Therapies Inc	XCYTP	6.000%	NR/NR	10.00

cv = convertible

These diversified income portfolios are tailored to investors of different risk levels. The low and medium portfolios are structured to generate roughly the same dividend/interest payouts per month (laddering).

For Investors Seeking Steady Monthly Income

Low-risk Portfolio

This investment-grade portfolio comprises securities with ratings of BBB or better. It will be the lowest yielding, but also the most secure. Capital appreciation is not a goal. Principal protection is primary.

Symbol	Issuer	Coupon	Series	Price	Qty	Rpt Date
BGE B	BGE Cptl Trust II	6.200		25.40	600	01/04
(KCH)	BellSouth Corp (CorTS)	7.000		25.89	300	01/04
(MJD)	Citizens Utl (SATURNS)	8.625		26.25	300	01/04
(CYR)	DaimlerChrysler(CBTCS)	8.250		26.84	500	01/04
FNM M	Fannie Mae*	4.750		40.90	300	12/03
(KCX)	First Union Cap(CorTS)	7.500		26.65	300	01/04
(KSK)	Ford Motor Co (CorTS)	7.400		25.51	400	01/04
(JZT)	Kraft Foods (CBTCS)	5.880		25.20	300	01/04
(MWR)	Morgan St Cptl Tr III	6.250		25.07	400	01/04
(KVJ)	Walt Disney (CorTS)	6.870		26.19	300	02/03

Summary Statistics

Monthly Payout Average:	\$561
Current yield on portfolio:	6.72%
Inception Value: (1/1/04)	\$101,847
Last month's value:	\$100,562
Current value of portfolio	\$100,216
Current value + year to date income:	\$106,387
Year to Date Total Return	4.46%

Medium-risk Portfolio

Some of the securities are rated below BBB. Capital appreciation is not a goal in this portfolio, but rather high current income. Safety of principal and yield are given equal weight.

Symbol	Issuer	Coupon	Series	Price	Qty	Rpt Date
(MJO)	Aon Corp (SATURN)	7.500		26.30	400	11/04
BOL	Bausch & Lomb Inc	7.125		1033.75	12	10/04
CRO A	CRT Properties Inc	8.500		26.25	500	10/03
(XFJ)	Motorola Inc (CBTCS)	8.375		27.27	400	03/03
(PFX)	Phoenix Cos Inc	7.450		25.77	500	11/02
(XKR)	Royal&Sun Alli(CBTCS)	7.500		25.55	500	07/03
(SVQ)	Stilwell Fncl Inc	7.875		26.46	500	02/04
(THB)	Tommy Hilfiger USA	9.000		25.41	600	04/04

Summary Statistics

Monthly Payout Average:	\$642
Current yield on portfolio:	7.62%
Inception Value: (1/1/04)	\$101,169
Last month's value:	\$101,006
Current value of portfolio	\$101,094
Current value + year to date income:	\$108,156
Year to Date Total Return	6.91%

For Investors Seeking Income and Capital Gains

High-risk Portfolio

These securities are all below investment grade, and some are not rated. High current income is the primary goal, but capital appreciation can also be expected. Safety of principal is secondary to yield.

Symbol	Issuer	Coupon	Series	Price	Qty	Rpt Date
(PKM)	Allmerica Fncl (PPLUS)	8.000		25.20	400	07/03
(DNT)	Delta Airlines	8.125		12.05	400	11/01
FJC A	Fedders Corp	8.600		23.29	400	06/04
(XKK)	Goodyear Tire (CBTCS)	8.000		10.01	1000	01/04
MUK A	MEPC Intl Cptl LP	9.125		25.70	400	11/03
NVP B	NVP Cptl III	7.750		25.27	400	01/04
OHI B	Omega Healthcare	8.625		25.45	400	01/04
(OS)	Oregon Steel Mills	10.000		1114.50	10	05/04
PFACP	Pro-Fac Cooperative	6.880		19.99	400	08/03
(PJA)	Qwest Cptl Fd (PPLUS)	8.000		20.60	400	01/04

Summary Statistics

Monthly Payout Average:	\$777
Current yield on portfolio:	9.26%
Inception Value: (1/1/04)	\$103,490
Last month's value:	\$99,023
Current value of portfolio	\$100,683
Current value + year to date income:	\$109,230
Year to Date Total Return	5.55%

Convertible Portfolio

This portfolio aims for growth and income. Most of the converts offer high current income with the prospect of capital appreciation in the years to come.

Symbol	Issuer	Coupon	Series	Price	Qty	Rpt Date
AHC	Amerada Hess Corp*	7.000		78.69	200	01/04
CBB B	Cincinnati Bell Inc*	6.750		40.50	250	02/04
STZ A	Constellation Brds*	5.750		36.05	300	05/04
F S	Ford Motor Cptl Tr II	6.500		52.45	200	02/04
NDE	Indymac Cptl Tr I	6.000		56.00	200	10/04
OKE A	ONEOK Inc.	8.500		34.79	300	10/04
PHI A	Philippine Lg D Tel*	7.000		48.50	300	01/04
(SBGIp)	Sinclair Brdcast Gp*	6.000		40.88	300	05/04
TXI S	Texas Indus Cptl Tr	5.500		49.56	275	06/04

Summary Statistics

Monthly Payout Average:	\$493
Current yield on portfolio:	5.42%
Inception Value: (1/1/04)	\$101,704
Last month's value:	\$106,676
Current value of portfolio	\$109,248
Current value + year to date income:	\$114,671
Year to Date Total Return	12.75%

Symbol: symbols in parentheses require no preferred designation, all others require a preferred designation.
*15% Taxable Dividend

three meals a day. However, goods and services that can be outsourced will come down in price to the lowest cost producer. As to inflation caused by poor management of the money supply by the Fed, that problem seems to be in good hands for now.

INTEREST RATES

So, what if there's low inflation, a resurgent dollar, lower oil prices, declining interest rates and declining budget and trade deficit; all things that may well occur next year. Will stocks and bonds surge? Not likely. Worry-warts will just have to find a new set of concerns like; the real estate bubble, unemployment, education, social security and always popular, world peace.

Comparative Current Yields

Security Type	Yields 11/30/04	Net Change Month	Net Change Y.T.D.	Spread 12/31/03	Spread 11/30/04
U.S. TREASURIES & EURO BENCHMARKS					
Ten Year	4.35	33	10		
Inflation Indexed	1.72	12	-23	-230	-263
Ten Year Euro(1)	3.79	-8	-50	4	-56
Euro Spot Rate	1.328	375	556		

CORPORATE BONDS²

AAA	4.44	29	40	-21	9
A	4.60	26	46	-11	25
BBB	5.16	21	22	69	81
BB	6.16	10	19	172	181
B	7.36	-20	-25	336	301
CCC	10.85	-78	-137	797	650

PREFERRED STOCKS³

AA & A	6.75	3	15	235	240
BBB	7.29	-8	-3	307	294
BB	7.88	-4	-35	398	353
B	10.00	-32	92	483	565

QUALIFIED DIVIDEND INCOME (QDI) PFDS⁴ — Yields —

Invstmt.Grade	5.74	-22	-31	121%	112%
Below Inv.Grade	6.12	-7	-87	136%	120%

MUNICIPAL BONDS⁵ — Yields —

AAA(Insured)	3.66	20	6	85%	84%
A	4.03	23	11	77%	93%
BBB	4.26	20	3	100%	98%

¹Rate for ten-year German government bonds.

²Per Merrill Lynch.

³Per the Income Securities Advisor Index.

⁴Eligible for 15% tax rate. Yields shown at after tax % of US Treasuries rate.

⁵Per Bloomberg. Yields shown at after tax % of US Treasuries rate.

EXPLANATION OF INTEREST RATE TABLE

The monthly table displays **Current Yields** for ten-year maturities of various debt instruments compared to the benchmark ten-year Treasuries. Note that preferred stocks often have no maturity or are callable in less than ten years.

The **Net Change** for the month- and year-to-date shows the change in basis points (100 basis points equals 1% in yield). A change in the U.S. Treasury rate is considered a change in the risk-free interest rate. The changes for the other securities reflect this same change plus whatever other risks investors perceive at the time.

The change in **Spreads** represents the difference between risk-free ten-year U.S. Treasuries and each security. A widening of spreads means an increased concern about credit quality. A sudden widening of spreads is considered a flight to quality. Spreads identify which securities are out of line with historical relationships and represent buying opportunities.

Since **Municipal Bonds** are tax exempt, their **yields** should be looked at in terms of their percentage of Treasury yields. Thus, if a muni yields 87% of Treasuries, it means it should be considered by anyone whose incremental tax rate is higher than the reciprocal of that number, or 13%. Hence, the higher the yield percentage, the lower your incremental tax needs to be, to make munis attractive or to look at them another way, more of their income is retained after taxes.

Forbes/Lehmann Income Securities Investor

is published monthly by

Income Securities Advisor Inc.

6175 NW 153 Street, Suite 201

Miami Lakes, FL 33014

Subscription by postal or E-mail delivery:

1 year (12 issues), \$195.00 ; 2 years (24 issues), \$345.00

Bloomberg terminal users may receive electronic delivery.

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