



Portfolio Shift Commentary: June 13, 2013

With yields on 10-year U.S. Treasury notes uncomfortably high for some, we have seen net outflows from high-yield bond markets in search of bonds with lower duration. Many investors are on the edge of their seats, anticipating the next move within the bond market.

High yield markets have been popular among investors willing taking on more risk to boost yield with the Federal Reserve keeping short-term rates near zero. However, junk bonds have recently taken a hit on rising Treasury yields and hints the Fed may scale back its bond purchases.

Credit spreads on high yield bonds are starting to widen along with the impact of rising interest rates, which is putting downward pressure on the high yield markets. As a result, we have exited our high yield position and moved the proceeds into a floating rate note position.

Floating rate notes have a variable interest rate that adjusts to the prevailing interest rate. These securities will help hedge against interest rate hikes.

As always, we thank you all for your continued support and look forward to discussing any or all of our thoughts at your convenience.

Sincerely,

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There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Floating-Rate investments involve greater risks and are not appropriate for all investors. They can be more volatile and have greater risk of default than higher-quality securities. They are often obligations of borrowers who are highly leveraged. They may not be fully collateralized and therefore may decline significantly in value. They may decline in value if their interest rates do not rise as much as interest rates in general. Raymond James & Associates, Inc, member New York Stock Exchange/SIPC.

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