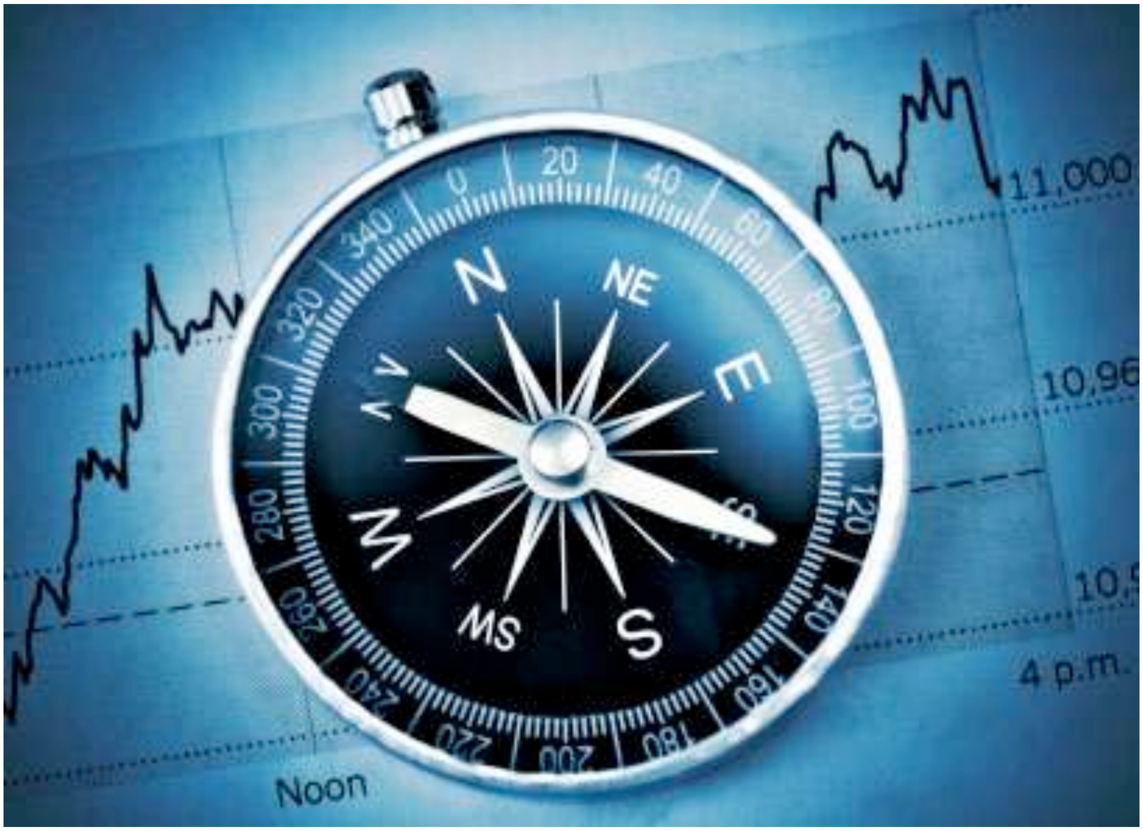
Special Report:
9 Must-Own Income Stocks for 2012

A Special Report for Bull Market Report Subscribers



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Bull Market's 2012 High Yield Stock Report:

9 Must-Own Income Stocks for 2012

2012 Prologue:

Our first two annual high-yield special reports managed to produce some outstanding returns, with 2009's report generating a 1-year return of 75.1% and 2010's report producing a 43.0% return. Last year, we didn't fare nearly as well, with Niska a big drag.

With this year's report, we want to get back on the right track with a focus on stocks we know thoroughly that have been performing very well operationally. We have tried to keep the selections diversified, and as such four of the selections are holdovers from last year. We considered some other alternatives, but think these four stocks remain among the best in their respective industries.

Six of the stocks, meanwhile, are from our Recommended List, and five were previously High Yield selections. Only two stocks will be completely "new." (Note we have written about both in the past). One is a Canadian bank that we have long admired, whose price has come down despite a continued strong operational performance. The other is a specialty waste hauler whose end markets have been showing strength and who is now the North American hazardous waste disposal market share leader following an acquisition.

2011 Review

Before we start with the picks for the 2012 High Yield Special Report, we wanted to review last year's picks.

Name (ticker)	Opening Price 11/23/10	Closing Price 11/23/11	Dividends Paid	1-year Total Return
Associate Estates (AEC)	$14.50	$15.18	$0.68	9.4%
Energy Transfer (ETP)	$51.04	$43.31	$3.576	-8.1%
Exterran Partners (EXLP)	$23.93	$22.28	$1.922	1.1%
Fly Lease International (FLY)	$13.32	$11.63	$0.80	-6.7%
Medical Properties Trust (MPW)	$10.64	$9.00	$0.80	-7.9%
PennantPark (PNNT)	$11.27	$9.83	$1.07	-3.3%
Philip Morris International (PM)	$58.77	$71.02	$2.69	25.4%
Niska Gas Storage (NKA)	$19.60	$8.86	$1.40	-47.7%
Teekay LNG (TGP)	$35.75	$31.03	$2.52	-6.2%
Safe Bulkers (SB)	$7.80	$6.00	$0.60	-15.4%
2011 Total				-5.9%
2010 Total				43.0%
2009 Total				75.1%
3-Year Cumulative Return:				135.6%

After total returns of 75.1% and 43.0% the first two years of our annual High Yield Special Report, the -5.9% return for 2011 is disappointing. The selections were near breakeven before the most-recent market downturn, and excluding Niska would have been down -1.3%, just above the -1.6% return of the S&P over the same period. As a reminder, each pick is static and cannot be removed or changed throughout the year. Overall, the 3-year cumulative return of 135.6% has greatly outpaced the 45.2% return of the S&P over the same period. Here are our current thoughts on each 2011 pick:

Associated Estates (AEC): Associated Estates has done a nice job of pushing price to drive impressive same-store NOI and average monthly rent numbers, and should continue to benefit from the turmoil in the housing market. With the REIT continuing to trade below estimates of its net asset value (NAV) (around $21.50) and below peers, we think the stock can be accumulated at current levels.

Energy Transfer Partners (ETP): The pending acquisition of **Southern Union (SUG)** by its GP **Energy Transfer Equity (ETE)** and the sale of its propane business to **AmeriGas (APU)** made for a transformative year for ETP. The dropdown assets ETP is likely to receive are a great complement to its network, as its pipeline network is primarily within supply regions, while Southern Union's pipelines link supply regions with consumer hubs. The combination will give ETP a much more complete network and help diversify its cash flow base.

The sale of its propane business to AmeriGas, meanwhile, will shed a slow growth business while the cash portion of the deal will help reduce the amount of equity it will need to raise to help pay for the Southern Union dropdowns.

All in all, we remain positive on ETP based on the two deals, its yield premium, and the likely return to distribution growth next year. Equity raises do add some risk to the name next year, though.

Exterran Partners (EXLP): The MLP is benefiting from drop-down acquisitions from GP **Exterran Holdings (EXH)** and drilling activity in liquids-rich shale plays, which require compression services much earlier than conventional plays. Not surprisingly, demand from conventional gas plays remains weak due to low natural gas prices. Note that due to the shorter-term nature of its contracts, EXLP depends in part on natural gas production and thus is riskier than a pipeline MLP. However, we think drilling activity in Eagle Ford, Marcellus, Barnett, and eventually Utica should keep demand for compression services strong for the foreseeable future. We remain positive on the stock.

Fly Lease International (FLY): Fly has been a very well-managed company in the past, nicely navigating the economic upheaval a few years ago and smartly buying back its depressed debt at big discounts to par. Its latest coup was a move to make a huge transformative purchase of 49 additional aircraft without having to issue any equity. The deal increases Fly's aircraft portfolio by 82%, broadens its customer base, and lowers the overall age of its aircraft portfolio. Its portfolio is now completely leased, with an average remaining lease term of 4 years.

While Fly's results can be a bit lumpy at times, the stock continues to trade below the net asset value of its fleet and its dividend payout ratio remains very low, while giving off a nice nearly 7% yield. Both earnings and ACF (available cash flow) should accelerate next year with the bigger aircraft portfolio. All in all, we still remain positive on the stock despite the uncertain economic environment.

Medical Property Trust (MPW): MPT is a solid healthcare REIT with very strong rent coverage ratios across its portfolio. That said, leverage is expected to increase given its capital deployment plan, and $80 million in construction projects slated for next year should be a bit of a drag on results in 2012, given timing issues. We like how the company is diversifying its portfolio, but the somewhat controversial Prime Healthcare Services remains a very large tenant.

With a greater than 8.5% yield, MPT trades at a big yield premium to some of its larger competitors. As such, we think it remains a solid high-yield option for investors to consider at current levels and on weakness, although its ties to Prime do add some risk.

PennantPark Investments (PNNT): PennantPark has a number of positives going for it, including a well-respected management team, solid history of credit quality, low-cost SBIC financing, and it is one of the few BDCs to be solidly out-earning its distribution. Last quarter the company was taking advantage of a favorable environment for new investments with better yield spreads. Trading under book value, we continue to like the stock.

Philip Morris International (PM): Philip Morris turned in a strong year despite some industry volume slippage, as it gained market share and increased prices. Meanwhile, the company continues to create investor value through buying back shares and raising its dividend. We continue to think the stock is still a "Buy."

Niska Gas Storage (NKA): Our selection of Niska last year was a mistake. We had expected a glut of natural gas would lead to strong storage demand. However, that thesis never played out. Instead, the glut of natural gas ended up depressing natural gas prices and significantly reducing the typical seasonal spread seen in natural gas prices, creating very poor industry dynamics. This hurt both short-term contracts and the hedged trading business, both of which Niska is heavily involved in.

While Niska management can point to possible reasons why natural gas storage fundamentals could improve, the amount of natural gas production in the U.S. is likely only to increase given the low-cost shale development in the Marcellus and now Utica Shale. Thus while Niska's distribution looks like it is safe due to its subordinated units, we think any investment in the natural gas storage space is very difficult at the moment, as while it seems tough for conditions to get much worse, there is no indication that they will get better any time soon.

Teekay LNG (TGP): Teekay LNG is a stock we continue to like. It has one of the steadiest, most visible business models in the MLP space, with a clear path to additional growth through the addition of more vessels (including a big recent vessel acquisition set to close in early 2012), and as such should command a lower risk-yield premium than it currently does. We would be buyers of the stock at current levels and on weakness.

Safe Bulkers (SB): A young fleet, high charter coverage, fleet growth, and an attractive valuation continues to make Safe Bulkers an interesting drybulk shipping play. However, its charter coverage rate drop in 2012 (from 77% to 59%) and the rate outlook continues to look poor due to supply-demand imbalance and too many new vessels set to come online. We'd move on to other ideas, as the industry backdrop is just too tough.

2012 Picks (in alphabetical order):

- **American Capital Agency (AGNC)**
- **Associated Estates Realty (AEC)**
- **Enterprise Products Partners (EPD)**
- **MarkWest (MWE)**
- **PennantPark Investments (PNNT)**
- **Philip Morris International (PM)**
- **Teekay LNG (TGP)**
- **Toronto-Dominion Bank (TD)**
- **U.S. Ecology (ECOL)**

Associated Estates Realty

Ticker Symbol: AEC

Yield: 4.5% at $15.20 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$0.68	$0.68	$0.68	$0.68	$0.68

Structure: Real Estate Investment Trust

Market Cap: $642 million

Website: http://www.associatedestates.com

Business Description: Associated Estates is a REIT engaged in the ownership and operation of multifamily residential units. It also provides asset and property management services to third-party owners of those types of properties. Associated Estates' portfolio consists of 53 properties containing 13,908 units located in eight states.

Strengths:

- Has made consistent dividend payments that are well covered.
- Trades at a deep discount to its net asset value (NAV), estimated at between $20.00-$22.00.
- Rent and occupancy trends have been strong, helped by a poor housing market.
- Solid acquisition activity has helped reposition the portfolio in economically stronger parts of the country.
- The REIT has been able to sell off properties in weaker markets at good prices.
- Exit of third-party construction business should relieve overhang.
- Recent credit upgrade by S&P is a positive to lower financing costs and management believes it can get investment grade credit rating within the next two years.
- Planned move into Southern California via discounted land purchases and development could be a solid growth driver in 3-5 years.

Weaknesses:

- Still has a significant concentration in the Midwest, which has been particularly hurt by job losses.
- A prolonged downturn could lead to reduced rental income as more units go unoccupied.
- No dividend increase over last six years.
- Some analysts have criticized the company for poor asset allocation decisions, as the moves into higher-growth markets have come at lower cap rates than what AEC's stock trades for, and can initially be dilutive.
- The Washington D.C. market has shown some recent signs of weakness due to new supply and a loss of government jobs. However, management has noted that the tenants of its D.C. properties are largely non-government employees.

Most-Recent Earnings: The apartment REIT posted funds from operations (FFO) of $11.1 million, or 27 cents per share, compared to $7.8 million, or 24 cents per share, a year ago when it had a lot fewer shares. The analyst consensus was for FFO of 28 cents.

The REIT paid a 17-cent dividend in the quarter, giving it a 63.0% FFO payout ratio. Funds available for distribution (FAD) were $8.7 million, up from $5.5 million a year ago, and the FAD payout ratio improved to 81.0% from 100.0%.

Net loss applicable to common shareholders was $12.2 million, or 29 cents per share, versus a year-ago loss of -$1.8 million, or -6 cents per share. This quarter's results were aided by 35 cents from the sale of two properties. Revenue rose 19% to $46.6 million.

Same community net operating income (NOI) rose 7.9%, bolstered by a 4.7% increase in revenue and a 170 basis point increase in margins to 58.2%.

Physical occupancy fell to 95.0% from 96.8% at the end of Q2. Same community average net rent collected per unit for the quarter was $921 per month, compared with $889 per month in Q2 and $881 a year ago. Net rent collected per unit rose 5.4% to $836 per month in the Midwest, 4.7% to $1,262 per month in the Mid-Atlantic, and 2.4% to $923 in the Southeast.

Associated Estates' undepreciated book value of real estate assets stood at $1.31 billion at the end of Q3 and debt to total market capitalization was 48.2%.

For 2011, Associated Estates lowered its guidance to adjusted FFO of $1.02 to $1.04 per share on a 5.0% to 5.5% increase in NOI. Previously, the company was forecasting adjusted FFO of $1.05 to $1.09 per share on a 5.0% to 5.5% increase in NOI. The company expects a -5 cent loss from its third-party construction business versus earlier projections of a -1 cent loss. Otherwise, the guidance was pretty much unchanged (there was a slight reduction in occupancy).

Other Recent News: Standard & Poor's raised its credit rating on the company to BB+ from BB in September, citing its strong operational performance buoyed by solid occupancy trends and moderate rent increases. "Although we note the company's high floating-rate debt exposure, we expect that current fundamentals will support cash flow growth, which should help mitigate any potential near-term modest rise in interest rates," credit analyst Eugene Nusinzon said. S&P raised its credit rating on AEC before last year's report as well.

With earnings, Associated Estates also announced that it has decided to exit the third-party construction business and expects to substantially complete all remaining projects by the end of the fourth quarter.

Top-5 Shareholders:

#	Insider	Value($M)	% Outstanding
1	Columbia Wagner	$67.7	10.5%
2	Vanguard	$66.1	10.3%
3	Cowen & Steers	$65.8	10.3%
4	Daiwa Securities	$44.7	7.0%
5	BlackRock	$40.7	6.3%

Thomson/First Call Analyst Ratings:

Strong Buy	7
Buy	1
Hold	2
Underperform	0
Sell	0

Analyst Quote: "We remain positive on management's efforts at re-positioning AEC by: 1) increasing exposure to faster-growth markets while reducing exposure to slower growth markets, and 2) improving AEC's balance sheet. However, making accretive acquisitions in fast growing markets is a tough proposition given AEC's cost of capital.

That said, execution on acquisitions year-to-date has been solid and we expect solid FFO/share & dividend growth in 2012.

"Given: 1) our forecast of 19%/18% FFO/share growth in 2011/2012, and 2) an attractive and well covered 4.2% dividend yield, we believe the valuation discount on AEC shares relative to the Apartment REIT sector (30% P/FFO discount and 24% discount to NAV/share) is unwarranted. We reiterate our Buy rating on AEC shares." – Omotayo Okusanya, Jefferies & Co.

BMR Take: A holdover from last year's report, we continue to like the dynamics of the apartment REIT sector, which is benefiting from a weak housing market. Rent and occupancy trends have both been strong at AEC properties, while the company has been able to push up rental prices. AEC has also done a good job of selling off properties in weaker markets at good prices while picking up solid properties in stronger markets. The REIT continues to trade at a steep discount to NAV and below the metrics of its peers despite posting solid results throughout the year and getting its second credit ratings upgrade within a year's time. AEC's stock had a solid year last year, and we're expecting another good performance over the next 12 months as well.

American Capital Agency

Ticker Symbol: AGNC

Yield: 20.2% at $27.76 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$5.60 est.	$5.60	$5.15	$2.51 partial year	N/A

Structure: Mortgage REIT

Market Cap: $5.15 billion

Website: http://www.agnc.com/

Business Description: American Capital Agency operates as a mortgage REIT that primarily generates earnings from the spread between the interest income on the mortgage-backed securities (MBS) it purchases and its borrowing costs to buy the securities. The firm typically uses between 7 to 10 times leverage to further boost returns. AGNC invest exclusively invests in MBS that is backed by the government (Ginnie Mae) or government agencies, (Fannie Mae and Freddie Mac), giving it virtually zero credit risk. As a REIT, it pays no taxes at the corporate level and must pay out 90% of its earnings to shareholders in the form of dividends.

The firm employs an active trading and hedging strategy.

At the end of the quarter, AGNC's investment portfolio was comprised of 52% less-than-or-equal-to 15-year fixed-rate securities, 2% 20-year fixed-rate securities, 37% 30-year fixed-rate securities, 8% ARMs, and 1% CMOs backed by fixed and adjustable-rate agency securities

Strengths:

- With a portfolio consisting of over 100% agency-backed securities, AGNC faces virtually no credit risk.
- Its portfolio is specifically designed to keep prepayment levels low, with less than 5% of its holdings eligible for the revised HARP (Home Affordable Refinance Program) program. Approximately 93% of its 15-year securities and 86% of its 30-year securities are either lower loan balance loans or loans already refinanced via HARP.
- The firm has a top management team that actively trades its portfolio and has seemingly been a step or two ahead of its peers over the last several years.
- Undistributable taxable income of 85 cents (or between 69-71 after secondary) helps protect the dividend.
- With the Fed intent on keeping interest rates unchanged until mid-2013, AGNC and other mortgage REITs have great visibility into one of their biggest potential risks.
- The firm is also very well hedged to protect itself from a surprise increase in interest rates.

Weaknesses:

- New investments in mortgage-backed securities (MBS) are not as attractive as they were as the Fed tries to push down the higher end of the yield curve with Operation Twist, reducing interest rate spreads.
- A jump in prepayments due to refinancing would be a negative.
- The SEC eliminating the longstanding leverage exception for mortgage REITs as regulated investment companies (RIC) would be a huge negative.
- Core EPS does not cover the distribution, although trading gains have helped supplement the shortfall.

- Any disruption in the repo market, which is how mortgage REITs fund their MBS purchases, would be a negative.
- In a rising interest rate cycle, book value would decrease and mortgage REITS typically underperform.

Most-Recent Earnings: AGNC reported a profit of $250.4 million, or $1.39 a share, compared to $60.0 million, or $1.69 a share, a year ago when it had fewer shares. Core EPS was about $1.16, while taxable EPS was $1.86. Net interest income rose to $231.7 million from $44.1 million.

During the quarter, American Capital recorded $41.3 million, or 23 cents, in other income. This was comprised of $262.8 million in net realized gains on sales of agency securities, -$1.8 million of net realized losses on periodic interest settlements of interest rate swaps, -$173.2 million of net realized losses on other derivative instruments and securities, -$0.9 million of net unrealized losses on interest rate swaps, and -$45.6 million of net unrealized losses on other derivative instruments and securities.

Looking at some important metrics, leverage at the end of Q3 was 7.7:1, up from 7.5:1 at the end of Q2.

The annualized interest rate spread came in at 2.14%, as average funding costs were 1.00% and the average yield was 3.14%. The spread last quarter was 2.46%, while last year it was 2.21%.

The constant prepayment rate (CPR) was 8% during Q3, down from 9% in Q2.

Book value was $26.90, up from $26.76 in Q2 and up from $23.43 a year ago.

Other Recent News: The firm announced a $37 million secondary offering. The company said total gross proceeds of the offering would be approximately $1 billion.

The firm also gave underwriters the option to purchase an additional 5.55 million shares for overallotments. AGNC will use the proceeds to buy additional agency-backed mortgage securities and for general corporate purposes.

Please see the important disclosures at the end of this report.

Top-5 Shareholders:

#	Insider	Value($M)	% Outstanding
1	FMR Corp. (Fidelity)	$294.3	5.9%
2	BlackRock	$220.6	4.4%
3	Vanguard	$147.9	3.0%
4	SAB Capital	$110.1	2.2%
5	Anchor Capital	$92.9	1.9%

Thomson/First Call Analyst Ratings:

Strong Buy	4
Buy	9
Hold	6
Underperform	0

Analyst Quote: "Overall [Q3] results confirm to us that AGNC is the preeminent manager of Agency mortgage securities in volatile markets. Despite a marginal increase, 1%, in book value to $26.90, we believe AGNC's portfolio will maintain one of the highest net spreads, and lowest CPRs in the mortgage REIT space for 4Q11." – Analyst Daniel Furtado, Jefferies

BMR Take: While it does face some risks, we believe that AGNC is the best-positioned mortgage REIT in the industry given the make-up of its portfolio, which has been designed to keep prepayments low. With the Fed setting a date to keep interest rates at record low levels until at least mid-2013, it creates the best visibility into interest rates in history, which is hugely beneficial to mortgage REITs. The main reason for owning AGNC is its huge yield, and we think the dividend remains safe in the near term and that it should see only minimal erosion over the next couple of years.

Enterprise Products Partners

Ticker Symbol: EPD

Yield: 5.6% at $44.12 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$2.406	$2.286	$2.166	$2.046	$1.916

Structure: Master Limited Partnership

Market Cap: $39.8 billion

Website: http://www.epplp.com

Business Description: Enterprise is one of the largest service providers to the U.S. energy sector. The company has a collection of pipelines, storage facilities, processing plants, and platforms in the Gulf of Mexico, along the Gulf coast, in the Southeast, Midwest, and into the Rockies.

The company has about 18,000 miles of natural gas pipelines, over 13,500 miles of natural gas liquid (NGL) pipelines, and over 1,500 miles of Gulf pipelines. It has 13 NGL fractionation plants, 26 natural gas processing plants, six offshore hubs, 155 million barrels of NGL storage capacity, and 33 billion cubic feet of natural gas storage capacity.

With the assets it has woven together via construction and acquisition, it services the energy sector, collecting fees for gathering, processing, storing, and shipping energy products, including natural gas and natural gas liquids (NGL) like propane, ethane, and butane. Its assets give it access to 92% of the production and 88% of proved reserves in the lower 48 states.

Enterprise derived 53% of its operating profits from its NGL segment in 2010; about 22% from its Onshore Natural Gas segment; 15% from Offshore Pipelines; and 10% from Petrochemical Services.

Strengths:

- Operates very fixed-cost businesses with few variable costs that offer visible revenue and cash flow streams. Over 80% of its business is fee-based.
- Has consistently increased its quarterly distributions, including for 29 straight quarters.
- Pays no incentive distributions rights (IDR) to a General Partner, giving it a cost of capital advantage and meaning unitholders keep more of the cash Enterprise generates compared to other MLPs.
- MLP structure provides tax advantages to the company as well as unitholders. Distributions deemed return of capital, typically 80-90%, can be tax deferred until the stock is sold.
- Carries a very robust coverage ratio, meaning its distribution is well covered by its distributable cash flow (DCF). Excluding an asset sale, the coverage ratio was 1.3x last quarter.
- Has a strong pipeline of growth projects, which should lead to solid DCF and distribution growth.

Weaknesses:

- While Enterprise hedges most of its commodity price exposure, it does have some exposure to commodity prices.
- Rising funding costs could make future growth projects less desirable.
- As an MLP, "cash" distributions from all MLPs over $1,000 in non-taxable accounts, such as an IRA, are considered unrelated business taxable income (UBTI) and could create a tax liability.
- A rising rate environment has historically been negative for MLPs.
- MLPs typically issue new stock to help fund growth, which can temporarily cause the unit price of the stock to fall.
- Any change in the government tax code to tax MLPs at the corporate level would be a big blow.

Most-Recent Earnings: Enterprise recorded distributable cash flow of $856 million for the third quarter, which represented a distribution coverage ratio of 1.7x. Enterprise retained approximately $341 million of its DCF to fund future expansion efforts. DCF for Q3 included $190 million of net proceeds from asset sales, including its sale of 4.1 million common units of **Energy Transfer Equity (ETE)** in July 2011. Excluding proceeds from asset sales, DCF was still a record $666 million, which represented a still-strong 1.3x coverage ratio.

The company announced last month that it was boosting its quarterly payout to 61.25 cents per unit, or $2.45 annualized. The quarterly distribution increase was its 29th in a row.

Enterprise generated $11.33 billion in revenue, up from $8.07 billion in Q3 2010, with a gross operating margin of $973 million. Operating income grew to $681 million from $543 million a year ago. Adjusted EBITDA was also a record $956 million, compared with $836 million last year.

The company reported net income of $471.4 million, or 55 cents per share, up from just $37.0 million, or 18 cents per share, in the year-ago quarter.

Other Recent News: The company announced a JV with **Enbridge (ENB)** to reverse the direction of crude oil flow from the Seaway pipeline to transport oil from Cushing, Oklahoma to the U.S. Gulf Coast. Enterprise expects the pipeline to begin operating in reverse with a capacity of 150,000 barrels per day by second quarter 2012. Capacity will climb to 400,000 barrels per day in mixed service by early 2013 following pump station additions and modifications. The companies are expected to spend $300 million in total on the project.

Top-5 Shareholders:

#	Insider	Value($M)	% Outstanding
1	Randa Duncan Williams	$13,838.5	38.7%
2	Tortoise Capital	$508.4	1.5%
3	Kayne Anderson	$508.0	1.5%
4	Goldman Sachs	$441.2	1.3%
5	JP Morgan	$387.6	1.1%

Thomson/First Call Analyst Ratings:

Strong Buy	9
Buy	9
Hold	3
Underperform	0
Sell	0

Analyst Quote: "In our opinion, given an improving economic outlook, an improving natural gas and crude oil price environment, and increased activity within many of EPD's existing areas of operation as well as in new shale plays, we believe EPD is well positioned to continue benefiting from completing current expansion projects that are underway. That said, as we expect distributable cash flow to improve significantly, we forecast that EPD could raise its distribution an average of 5.0%-8.0% (a CAGR of 6.4%) over the 2011-13 period, and potentially at a higher rate over time." – Analyst Eduardo Seda, Ladenburg Thalmann

BMR Take: Enterprise is quite simply one of the best-run companies in the MLP space. It has a great management team, a track record for consistent distribution increases, a robust coverage ratio, and a very strong pipeline of growth projects. With the buyout of its GP, it also has a nice cost-of-capital advantage that helps separate it from its peers. We consider the stock a core long-term holding for income-oriented investors.

MarkWest

Ticker Symbol: MWE

Yield: 5.5% at $53.01 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$2.75	$2.56	$2.56	$2.44	$2.09

Structure: Master Limited Partnership

Market Cap: $4.4 billion

Website: http://www.markwest.com

Business Description: MarkWest is engaged in the gathering, transportation, and processing of natural gas and refinery off-gas; the transportation, fractionation, marketing, and storage of natural gas liquids (NGLs); and the gathering and transportation of crude oil. It is the largest natural gas processor in the Appalachian region of the United States and has extensive natural gas gathering, processing, and transmission operations in the Southwestern and Gulf Coast regions. The company is actively involved in building processing and fractionation capacity in the Marcellus Shale play.

Approximately 36% of its contracts are fee-based, 37% keep whole, and 27% POP and POI contracts. The company has exposure to commodity prices, but as of March 31st, 2011 it was 66% hedged this year.

The company pays no incentive distribution rights to its GP.

Strengths:

- Is benefiting from the big disparity in oil and natural gas prices, leading to a strong NGL (natural gas liquids) environment.
- Well positioned to benefit from helping build out the midstream infrastructure of the burgeoning Marcellus Shale. Big recent natural gas discoveries in the nearby Utica Shale could also present an opportunity.
- Has a strong organic growth pipeline and some of the best distribution growth prospects in the MLP space. We're conservatively projecting a year-end 2012 quarterly distribution of 83 cents per share, up from the current payout of 73 cents.
- Pays no incentive distributions rights (IDR) to a General Partner, giving it a cost of capital advantage and meaning unitholders keep more of the cash MarkWest generates compared to other MLPs.
- MLP structure provides tax advantages to the company as well as unitholders. Distributions deemed return of capital, typically 80-90%, can be tax deferred until the stock is sold.
- Carries a very robust coverage ratio, meaning its distribution in well covered by its distributable cash flow (DCF). The coverage ratio was 1.38x last quarter.

Weaknesses:

- While MarkWest hedges its commodity price exposure, it is much more exposed to commodity price fluctuations than a pipeline based MLP.
- The company is also exposed to drops in natural gas production and NGL demand.
- Its current yield reflects some of its strong growth prospects.
- As an MLP, "cash" distributions from all MLPs over $1,000 in non-taxable accounts, such as an IRA, are considered unrelated business taxable income (UBTI) and could create a tax liability.
- A rising rate environment has historically been negative for MLPs.
- MLPs typically issue new stock to help fund growth, which can temporarily cause the unit price of the stock to fall.
- Any change in the government tax code to tax MLPs at the corporate level would be a big blow.

Most-Recent Earnings: MarkWest reported Q3 earnings after the bell on November 7th, once again posting record quarterly distributable cash flow (DCF) and upping its guidance.

DCF jumped 56% to $85.3 million, up from $54.7 million a year ago. That led to a distribution coverage ratio of 1.38x for the quarter.

Net income attributable to the partnership was $140.3 million, or $1.77 per share, compared to a loss of -$27.2 million, or -39 cents per share, a year earlier. As we've noted previously, earnings aren't a very good performance measure for master limited partnerships (MLPs) given all the non-cash expenses in the numbers. Operating revenue rose 37% to $400.9 million.

Adjusted EBITDA rose 28% to $107.0 million from $83.7 million. Segment operating income, which does not include realized gains/losses on commodity derivative instruments, rose to $147.8 million from $106.6 million. This increase was the result of higher commodity prices, expanding operations at its Liberty and Northeast segments, and increased processing volumes in its Southwest segment.

Looking forward, the company once again raised its 2011 DCF guidance to a range of $325-$345 million, up from a prior forecast of $300-$330 million. MarkWest's original 2011 guidance was for DCF of $240-$280 million. Growth CapEx will be $675-$700 million for the year, including a $230 million acquisition completed in February.

For 2012, the company guided for DCF of $380-$440 million, representing a 1.65x coverage ratio based on the current distribution. Growth CapEx is projected to be $675-$700 million for the year.

Other Recent News: In early October, MarkWest priced a secondary offering, selling 5.0 million units at a price of $45.52 a unit. Underwriters were also given the option to sell 725,000 additional units for overallotments.

MarkWest expects to receive net proceeds of $218.3 million from the offering, not including any proceeds from the overallotment. The MLP said it plans to use the proceeds to help pay down its revolving credit line.

Top-5 Shareholders:

#	Insider	Value($M)	% Outstanding
1	Kayne Anderson	$289.7	8.0%
2	Tortoise Capital	$156.3	4.3%
3	Clearbridge Advisors	$107.9	3.0%
4	Deutsche Bank	$95.7	2.6%
5	Goldman Sachs	$70.5	1.9%

Thomson/First Call Analyst Ratings:

Strong Buy	4
Buy	4
Hold	1
Underperform	0
Sell	0

Analyst Quote: "MarkWest is well positioned to benefit from many of the long-term trends in the natural gas development via its footprint in the growing shale plays in Woodford, Marcellus and east Texas. We believe MWE's valuation does not fully reflect (1) its secure distribution, (2) solid liquidity position, and (3) long-term distribution growth potential. About 90% of MWE's distributions is tax deferred. – Analyst Michael Blum, Wells Fargo

BMR Take: MarkWest is benefiting from robust oil prices and weak natural gas prices as well as a strong NGL pricing environment overall. The MLP is well positioned in the burgeoning Marcellus Shale, and has a long runway for growth by helping to build out the midstream infrastructure in the region. The company has some of the best distribution growth prospects in the MLP space, and based on its 2012 DCF guidance, management's commitment to keep a coverage ratio of between 1.2x and 1.3x, and the assumption that it will issue about 10 million new units next year, we estimate that it will end with a year-end quarterly distribution of about 83 cents per unit, up from current 73-cent quarterly distribution. We believe investors will view that type of distribution growth as very desirable moving forward.

PennantPark Investments

Ticker Symbol: PNNT

Yield: 11.3% at $9.57 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$1.09	$1.00	$0.96	$0.90	$0.36*

* Dividend was paid only for Q3 and Q4 in 2007

Structure: Business Development Corp.

Market Cap: $449 million

Website: http://www.pennantpark.com

Business Description: PennantPark is a business development company (BDC) that focuses on investing in middle-market private U.S. companies in the form of mezzanine debt, senior secured loans, and equity investments. It typically structures its mezzanine loans at fixed rates, with an interest-only component in the first few years. Senior loans are typically variable rate loans where amortization of principal begins in the first year.

It looks to invest primarily in companies that are operating cash flow positive, and for equity investments, trading at a low multiple. It was invested in 48 companies as of September 30th, 2011, and its portfolio consisted of 36% senior secured debt, 20% second lien, 37% subordinated debt and 7% equity.

Strengths:

- PennantPark sports an experienced management team with over 95 years of experience, led by founder Arthur Penn.
- Solid history of investing in high-credit-quality debt; of the 115 companies PennantPark has invested in since 2007, only three have been placed on non-accrual status and al were successfully reorganized.
- Highly diversified portfolio of companies; PennantPark doesn't concentrate on a particular sector.
- It's been a favorable environment for new investments with better yield spreads and PennantPark has been putting money to work.
- Its SBIC subsidiary gives the firm a cheap source of funding and additional leverage to work with above the BDC limit of 1:1.
- Value-oriented investment philosophy with a focus on the preservation of capital.
- One of the few BDCs that solidly out-earns its distribution.

Weaknesses:

- As a BDC, the company always runs the risk that its debt investments might not get repaid.
- Any deterioration in credit quality is always a risk for BDCs.
- The firm saw some credit quality issues pop up in Q3, with one portfolio company restructuring and another seeing its debt downgraded.
- Its book value declined in Q3, but it was consistent with declines throughout the BDC space.

Most-Recent Earnings: PennantPark posted a Q4 2011 net loss of -$31.2 million, or -68 cents per share, compared to $6.6 million, or 20 cents per share, a year ago.

Net investment income (NII) rose 68% to $15.1 million from $9.0 million, and increased to 33 cents from 27 cents on a per share basis. Analysts were looking for NII of 30 cents.

The company recorded net unrealized depreciation on investments of approximately -$53.8 million, and $0.1 million of net appreciation on its credit facility. The company also booked approximately $7.6 million in actual gains.

Investment income climbed 56% to $26.1 million from $16.7 million. The firm derived approximately $9.6 million in investment income from senior secured loans, $5.2 million from second lien secured debt investments, and $11.2 million from subordinated debt investments.

Other Recent News: None.

Top-5 Shareholders:

#	Insider	Value($M)	% Outstanding
1	Clough Capital	$20.1	4.9%
2	Vanguard Group	$16.9	4.2%
3	JP Morgan Chase	$15.0	3.7%
4	T. Rowe Price	$14.6	3.6%
5	Goldman Sachs	$9.8	2.4%

Thomson/First Call Analyst Ratings:

Strong Buy	7
Buy	2
Hold	3
Underperform	0
Sell	0

Analyst Quote: "The investing environment, while slowing from the pace earlier this year, is still active and pricing has moved back into middle market lenders' favor. Fear in the credit markets is providing better net spreads for new investments with similar amounts of underlying leverage at portfolio companies. While this environment can be difficult for existing asset fair values (i.e., NAV drop this quarter), it provides a solid fundamental backdrop for adding new investments that will likely carry better than average returns through a cycle." -- Arren Cyganovich, Evercore Partners

BMR Take: PennantPark Investments returns to our list of annual high-yield selections for the second consecutive year. While there were a few small bumps in the road in the most-recent quarter, the company's credit quality overall remains strong. Any deterioration in credit quality is always a risk for BDCs, but PennantPark's track record remains very good.

All in all, we like how PennantPark continues to perform; we think the environment for new investments is attractive and that the stock looks attractively priced, trading below a depressed book value of $10.13. The firm should also continue to benefit from the rotation out of lower-yielding legacy assets into higher-yielding newer vintages.

Philip Morris International

Ticker Symbol: PM

Yield: 4.3% at $71.31 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$3.08	$2.56	$2.32	1.54*	N/A

* PMI was spun out of Altria Group on March 28th, 2008

Structure: Corporation

Market Cap: $125 billion

Website: http://www.pmi.com

Business Description: Philip Morris International is one of the largest tobacco companies in the world, with 2011 projected sales of $30.7 billion, excluding the excise taxes it collects on behalf of taxing jurisdictions around the world, up from $27.2 billion in 2010. Its estimated share of the world cigarette market, excluding China, the USA and duty-free, increased from 23.7% to 27.6% through the first nine months of 2011.

PMI is home to seven of the top 15 cigarette brands in the world, including the rights to *Marlboro, L&M, Chesterfield, Lark,* and *Parliament* outside of the U.S. Other brands include *Bond Street* and *Philip Morris.* Its products are sold in 160 countries around the world. It operates everywhere in the world except the United States.

Though the company is officially headquartered in New York and incorporated in Virginia, management operates out of Lausanne, Switzerland.

Strengths:

- One of the top allocators of capital we cover with a rock-solid balance sheet.
- Uses its prodigious cash flow to regularly increase dividends, aggressively buy back shares, and make accretive bolt-on acquisitions.
- While not free of regulation, smoking in many of its markets is better tolerated than in the U.S. and PMI faces fewer regulatory burdens.
- PMI was able to both selectively increase prices and generate a 2% volume increase through the end of Q3 2011.
- Over the next five years, cigarette industry volume outside the USA and duty-free is projected to grow by up to 1.3% a year.
- Smokers in emerging markets are increasingly shifting to premium products.
- A solid track record for introducing innovative new products.

Weaknesses:

- China's tobacco market remains largely closed to outsiders. PMI has a deal with China National Tobacco, but Marlboro's market share is still tiny.
- Recent putative excise tax increases in Japan, Mexico and Turkey have crimped volume growth in those countries.
- High unemployment rates in several European countries has pushed some consumers to trade down to cheaper brands.
- A proposed plain-packaging law in Australia is a potential headwind; PMI has vowed to fight the proposal with all of its resources.
- While growing in Latin America, PMI still trails the No. 1 player in the market, **British American Tobacco (BTI).**
- Currency fluctuations can be a challenge.
- Attitudes towards smoking could shift in favor of stronger regulation; at this point management considers the regulatory state to be "manageable."

Most-Recent Earnings: The company reported a 30% increase in net income to $2.38 billion, or $1.35 per share, for Q3 2011, compared with $1.82 billion, or 99 cents per share, a year earlier. Excluding one-time items, the company reported a profit of $1.37 per share, ahead of the consensus analyst estimate of $1.24 per share.

Price hikes in Japan, Australia, and Indonesia along with rising demand out of Asia and emerging markets led to a 26% increase in revenue to $8.36 billion, excluding the excise taxes the company collects. Revenue growth was 16% on a constant currency basis. Analysts had forecast net sales of $7.27 billon.

Cigarette shipments grew by 4.4% excluding acquisitions in Q3. PMI said it shipped 239.5 billion cigarettes during the quarter. Shipment growth was the strongest in Asia, growing by 12.6% to 79.1 billion units. It also shipped 79.1 billion units in Eastern Europe, Middle East & Africa (EEMA), representing year-over-year growth of 5.1%. Volumes declined by -3.5% in the European Union to 56.2 billion and by -1.1% in Latin America & Canada to 25.2 billion.

Shipments of its industry-leading Marlboro brand were up by 3.9% to 78.9 billion units driven primarily by growth in EEMA of 10.2%. The growth was especially strong in the Middle East and North Africa, the company said. Asia's growth was driven by demand from Indonesia, Japan, and Korea.

Other Recent News: The company raised its guidance for 2011 full-year earnings to at least $4.85 per share in November. It had previously guided for profits to fall in the range of $4.75 to $4.80 per share.

Top-5 Shareholders:

#	Insider	Value($B)	% Outstanding
1	Capital Research Global Inv.	$6.90	6.4%
2	State Street	$4.67	4.3%
3	Vanguard Group	$4.43	4.1%
4	Capital World Advisors	$3.34	3.1%
5	BlackRock Institutional Trust	$2.66	2.5%

Thomson/First Call Analyst Ratings:

Strong Buy	4
Buy	9
Hold	4
Underperform	0
Sell	0

Analyst Quote: "PMI is the largest cigarette company with a leading international brand, Marlboro. While organic global cigarette volume growth is limited, with emerging market growth offset by declines in mature markets, PM offers a double digit EPS outlook driven by favorable pricing and mix, cost savings, share buy backs and positive currency. These factors and a focus on acquisitions should fuel above avg growth for 2 to 3 years. We see a solid focus on gaining premium share, pricing and profits." – Lisa Lewandowski, BoA Merrill Lynch

BMR Take: This is the third consecutive year that Philip Morris International has made our list of high-yield selections for the coming year. It returns for the same reason it appeared the prior two years: steady performance and the likelihood of another dividend increase in 2012. The tobacco business may not appeal to everyone, but cigarettes are a legal product from which Philip Morris International generates huge cash flows. It is happy to return substantial parts of that cash to shareholders in the form of dividends and share repurchases.

We have been impressed at the company's ability to grow its market share and even more surprised at the volume increases. We look for the company to also make some accretive acquisitions going forward, especially in newer emerging markets where it has limited presence to date. The business isn't completely immune to economic downturns, and the challenge in markets like Europe is large, but we look for PMI to manage its way through those challenges.

Teekay LNG

Ticker Symbol: TGP

Yield: 8.2% at $30.92 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$2.52	$2.37	$2.28	$2.18	$1.985

Structure: Master Limited Partnership (MLP)

Market Cap: $1.9 billion

Website: http://www.teekaylng.com

Business Description: Teekay provides LNG (liquefied natural gas), LPG (liquefied petroleum gas), and crude oil marine transportation services under long-term, fixed-rate time charter contracts. Teekay transports LNG internationally between liquefaction facilities and import terminals. Its fleet consists of 17 LNG carriers, three LPG/Multigas carriers and 11 conventional Suez tankers. It also has 4 LNG carriers and 3 LPG vessels that are currently being built. Teekay LNG is also acquiring interests in eight LNG vessels together with joint venture partner Marubeni, a Japanese conglomerate. The deal is expected to close early next year.

How Teekay LNG generates revenue is that it is paid monthly in advance based on one or both of two components -- a capital cost component and an operating expense component. The capital component adjusts for floating interest rates to make sure that its costs for financing the vessels doesn't affect how much money it is making by chartering them out. The operating component adjusts annually for inflation and ensures that the company is profiting from operating the vessels.

For most of its vessels, the margin is built into the operating component, although three Suzemax charters are fixed with no adjustments at all. For one Suezmax tanker, the Teide Spirit, the company can earn additional revenue when current market rates exceed specified amounts under its time charter. This is really the only vessel whose revenue could partially be affected by spot rates.

The company carries a fair amount of debt, but its visible stream of cash flow should allow it to handle its commitments over the next few years. A secondary offering in the future is a possibility, though.

One important thing to remember about Teekay LNG is that its earnings aren't a very good gauge of how the company is performing. The reason is that Teekay LNG often shows large foreign currency translation gains or losses on its income statement. However, the company is not materially exposed to foreign currency fluctuations because its euro-denominated revenues approximate its euro-denominated expenses and debt-service costs. For accounting purposes, however, it is required to revalue all foreign currency-denominated assets and liabilities based at the end of each reporting period. This has no effect on cash flows or the calculation of distributable cash flow, but it results in the recognition of unrealized foreign currency exchange gains or losses in the income statement.

Strengths:

- Long-term charters with build-in operating cost escalators provides for predictable cash flow growth.
- Good track record for annual distribution increases.
- Disciplined approach to growing its fleet; relationship to parent **Teekay Corp. (TK)** provides for easy asset drop downs.
- Steady performance track record with rarely a negative surprise.
- Acquisition of eight LNG vessels together with joint venture partner Marubeni from A.P. Moller-Maersk is a bid acquisition that will be immediately accretive.
- Three LNG vessels from the A.P. Moller-Maersk acquisition will come off charter in the next two years, allowing the company to participate in the strong LNG shipping market. One of the three does have an extension option, though, that likely will be exercised.
- With 100% of its revenues generated outside the U.S., the company is not exposed to any changes in U.S. tax laws.

Weaknesses:

- A decline in demand for LNG products could crimp future growth.
- Another funding crisis like what occurred in 2008 would raise the cost of acquiring new vessels.
- TGP's euro-denominated revenues and expenses can skew bottom-line reported results and lead to investor confusion.
- Debt level is relatively high, but it has no near-term maturities and no loan covenant concerns.
- Teekay LNG has 11 Suezmax tankers and the market for oil tankers remains weak due to supply-demand imbalance. However, all the tankers are on long-term contracts, with the first ones not coming off charter until near the end of 2015, when three vessels chartered to **ConocoPhillips (COP)** come up for renewal.
- MLPs typically issue new stock to help fund growth, which can temporarily cause the unit price of the stock to fall.

Most-Recent Earnings:

The partnership grew its distributable cash flow (DCF) by 19% to $43.7 million compared to $36.7 million a year ago. The company said the increase was mainly due to acquisitions and fewer off-hire days, partially offset by the sale of the Dania Spirit LPG carrier in November 2010. Over the past year, the company has acquired a 50% interest in two LNG carriers, one Multigas carrier, a 33% interest in one LNG carrier, and one LPG carrier.

The MLP reported a net profit attributable to partners of $27.6 million in Q3, compared to a loss of -$40.0 million a year earlier. Adjusted net income rose 24% to $29.7 million. Adjusted net income excludes a number of non-cash items that had the effect of increasing net income by $2.0 million for the most-recent quarter and increasing it by $63.9 million in Q3 2010.

Net voyage revenues rose 6% to $96.9 million from $91.4 million in the year-ago quarter. Revenue rose 3% in its liquefied gas segment, where it recorded revenue of $68.9 million. In its tanker segment, revenue rose 13% to $28.0 million.

Cash flow from vessel operations totaled $70.4 million, up 6% from $66.6 million. It rose 4% to $56.0 million in the liquefied gas segment and 12% to $14.4 million in the tanker segment.

Teekay earlier declared a cash distribution of 63 cents per unit for the third quarter, which will be paid out on November 14th. Its coverage ratio was about 1.17x in the quarter.

Other Recent News: Teekay LNG announced its largest vessel acquisition ever, acquiring interests in eight LNG vessels together with joint venture partner Marubeni, a Japanese conglomerate. Combined, the companies will pay an aggregate of $1.4 billion to purchase the vessels from A.P. Moller-Maersk.

The transaction is expected to be immediately accretive to Teekay LNG's distributable cash flow after it closes in early 2012.

The JV will take 100% ownership in six of the vessels and a 26% stake in two additional LNG carriers. Five of the vessels are under long-term, fixed-rate time-charters with an average duration of 17 years, plus extension options. The other three ships are operating under short-term, fixed-rate time-charters, with one of them having an extension option to turn it into a long-term contract. The JV will also have the right to acquire the remaining interest in the two vessels it has a 26% interest in.

Teekay will have a 52% interest in the JV, while Marubeni's stake will be 48%.

The company subsequently sold 5.5 million units at a price of $33.40 per unit to help fund the acquisition. The LNG shipper also gave underwriters the option to purchase 825,000 additional units for overallotments.

Top-5 Shareholders:

#	Insider	Value($M)	% Outstanding
1	Neuberger Berman	$85.0	4.6%
2	Goldman Sachs	$55.7	3.0%
3	Kayne Anderson	$50.3	2.7%
4	Clearbridge Advsors	$46.6	2.5%
5	Deutsch Bank	$46.0	2.5%

Thomson/First Call Analyst Ratings:

Strong Buy	1
Buy	2
Hold	5
Underperform	0
Sell	0

Analyst Quote: "Our long-term outlook is positive as distribution growth has become more visible given recent additions to the partnerships' fleet. Stable long-term contracts, recent acquisitions and newbuild projects could lead to distribution growth of 6% annually over the next three years. As a result of this and the current valuation, we rate the units Outperform. Approximately 70% if the distribution is estimated to be tax deferred for new unitholders."– Ronald Londe, Wells Fargo

BMR Take: A holdover from last year's report, Teekay LNG's stock didn't have a great performance last year. However, operationally the shipper continued to post its normal steady, solid results, and the fundamentals look even better next year after it closes the LNG vessel acquisition from A.P. Moller-Maersk.

The LNG shipping market, meanwhile, remains one of the few areas of the shipping industry showing strength, as the high cost to build LNG vessels has held supply down, despite increasing demand. With the A.P. Moller-Maersk vessels acquisition, the company will also be able to take advantage of this market strength, as two of the vessels coming off charter in the next two years will likely be chartered at much higher rates.

With some of the best visibility in the MLP space, combined with strong distribution growth prospects (the board increased it by 7% recently), we continue to believe that Teekay LNG trades at an unwarranted yield premium and that it should command a yield premium closer to a pipeline MLP, not other sea transport shippers whose markets are struggling. With a recent secondary behind it and a nice distribution increase set for May, we're upbeat about Teakay LNG's prospect in 2012.

Toronto-Dominion Bank

Ticker Symbol: TD

Yield: 4.0% at $65.29 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$2.61*	$2.44*	$2.44*	$2.36*	$2.11

* As paid in Canadian currency. The U.S. dollar equivalent for 2011 is $2.59 at recent exchange rates.

Structure: Canadian Corporation

Market Cap: $53 billion

Website: http://www.td.com

Business Description: Toronto-Dominion is a bank holding company with operations throughout North America and internationally. It is the second-largest bank in Canada by assets and the 10th largest in the U.S. It operates in four segments: Canadian Commercial and Personal Banking; Wealth Management; U.S. Commercial and Personal Banking; and Wholesale Banking. It operates more than 2,700 automated banking machines and a network of approximately 1,130 branches located in Canada. It has approximately 1,270 branches in the U.S., mostly on the East Coast from Maine to Florida. Its wealth management business consists of TD Waterhouse Securities and TD Asset Management. It also owns an equity stake in the U.S. online broker **TD Ameritrade (AMTD).**

Strengths:

- Strong, well-capitalized balance sheet; Canadian banks didn't need a government bailout during the financial crisis.
- A history of growth through targeted bolt-on acquisitions; recent deals include the credit card portfolio of MBNA Canada and the auto finance business of Chrysler Corp. in the U.S.

- Steady dividend payments; TD didn't cut its dividend during the recession, and it could be poised to raise it next year.
- Solid performance on controlling operating costs.
- Organic loan growth has been strong, and prospects remain positive moving forward.
- Provisions for credit losses (PCLs) have been shrinking.
- The bank is known for its strong customer service, which has helped give it a large, cheap deposit base.
- The potential for share-price appreciation with the stock trading near its one-year low.

Weaknesses:

- It's a bank and banks aren't very popular at the moment given concerns about their exposure to European sovereign debt.
- It's U.S presence makes it subject to increased regulatory costs and reduced fee income.
- Difficult capital markets environment is crimping trading revenue.

Most-Recent Earnings: Toronto-Dominion reported a profit of C$1.45 billion (US$1.48 billion), or C$1.58 a share, for the three months ended July 31st, compared with C$1.18 billion, or C$1.29, a year earlier.

Its earnings on an adjusted basis increased to C$1.72 a share, well ahead of the consensus analyst estimate of C$1.62.

Credit-loss provisions rose 10% to C$374 million to cover potential losses from bad loans it acquired through acquisitions in the U.S. The increase was partially offset by lower credit-loss provisions at TD Canada Trust, the company's domestic personal and commercial bank.

Net income from its global wealth management division, excluding its interest in TD Ameritrade, grew by 26% to C$195 million. Wholesale Banking net income dropped to C$105 million as revenue declined -20%. Its fixed-income and currency trading revenue also dropped sharply, but that was consistent with reports from other Canadian banks for the period.

Other Recent News: The bank reported last month that it had earned C$54 million (US$52.9 million) from its interest in TD Ameritrade for the quarter ended September 30th.

Top-5 Shareholders:

#	Insider	Value($B)	% Outstanding
1	BlackRock	$2.96	4.6%
2	Harris Financial	$2.54	4.0%
3	FMR Corp.	$2.52	4.0%
4	Jarislowsky Fraser	$1.59	2.5%
5	TD Asset Management	$1.51	2.4%

Thomson/First Call Analyst Ratings*:

Strong Buy	4
Buy	9
Hold	3
Underperform	0
Sell	1

* Ratings of Canada-based analysts; the 6 U.S. analysts covering TD rate the NYSE-traded shares a "buy" or "strong buy."

Analyst Quote: "Overall, TD's FQ3 results were the best of the peer group in terms of both the magnitude of the beat and its quality. The strength of the bank's core P&C franchise on both sides of the border was further highlighted this quarter, especially as it was able to drive the bottom line despite significant weakness in the wholesale banking segment. Although the Q3 pace of loan growth is not sustainable, particularly in the United States, we still believe that TD should be able to outperform its peers on this front in coming quarters." -- Robert Sedran, CIBC World Markets.

BMR Take: Canada's banks generally weathered the recession and financial crisis much better than their U.S. counterparts. They had much less exposure to the toxic assets that had built up on the balance sheets of U.S. banks, and while the Canadian economy also suffered during that period it rebounded sooner. The bank's loan business is expected to grow in both the U.S. and Canada markets in 2012 on an organic basis and additional acquisitions are always a possibility. As with other financial institutions, TD's credit quality has improved.

The bank's trading arm had a horrible third quarter; otherwise it would have delivered an even stronger earnings beat in the estimation of most analysts. Despite little evidence of any significant exposure to European sovereign debt, the stock has been unfairly battered by the general flight of investors from the banking sector in our view. It has some of the best growth prospects in the banking space, and trades at a reasonable 9x FY12 EPS multiple.

U.S. Ecology

Ticker Symbol: ECOL

Yield: 4.3% at $16.56 (close on November 25th)

Dividends:

Year Paid:	2011	2010	2009	2008	2007
Dividend:	$0.72	$0.72	$0.72	0.68	0.60

Structure: Corporation

Market Cap: $307 million

Website: http://www.americanecology.com

Business Description: Boise, Idaho-based U.S. Ecology was known as American Ecology until February 2010. The company says it is one of the oldest radioactive and hazardous waste processing companies in the country. Its customers include refineries and chemical production facilities, manufacturers, electric utilities, steel mills, medical and academic institutions, and waste broker/aggregators, and U.S. government agencies like the Army Corps. of Engineers.

Its "Base" business derives income from the processing of recurring waste streams. Its "Events" business handles discrete projects. The company expanded into Canada last year through the acquisition of Stablex, which provides comprehensive inorganic waste treatment and disposal services.

Strengths:

- Consistent dividend payments.
- Business from recurring waste streams tends to be reasonably steady, though there is some fluctuation.
- Both the Base and Events businesses reported robust growth through the first nine months as disposal volumes grew sharply.

- Stablex acquisition added $9-$10 million in quarterly revenue.
- Cash flow from operations has doubled in the last year.
- The company does a lot of business with U.S. government agencies and the military, which has been a strength in the past.
- Could be a takeout candidate for a larger waste management company.

Weaknesses:

- The stock has been somewhat volatile; it has traded between $15 and $18.50 for the past year.
- The Events business can be an inconsistent revenue stream.
- The company does considerable business with U.S. government agencies and could be impacted by budget cuts.
- Dividend has not been increased since the middle of 2008.
- As a small company, the loss of a handful of large customers could crimp its performance.

Most-Recent Earnings: U.S. Ecology reported robust revenue and profit growth in Q3 2011. Its adjusted net income grew to 33 cents per share, up from 22 cents in the corresponding 2010 period and a nickel better than the 28 cents per share analyst consensus.

On a GAAP-basis, the company reported $3.72 million, or 20 cents per share, down from $3.94 million, or 22 cents per share. The reported net income was reduced by -$3.8 million, or roughly 13 cents per share, as the result of a pre-tax, non-cash loss related to currencies.

Revenue jumped by 53% to $39.7 million from $26.0 million. Stablex Canada contributed $9.4 million; excluding Stablex, revenue grew by 16%.

Base business revenue grew by 76%, while Event revenue grew by 48%. Excluding Stables, the growth was 32% and 7%, respectively.

The company raised its estimated for adjusted EPS from 82-90 cents to 90-95 cents, excluding impact from foreign currency gains or losses. The revised estimate reflects growth of 43% to 51% over 2010 earnings per share.

Other Recent News: None

Top-5 Shareholders:

#	Insider	Value($M)	% Outstanding
1	Killen Group	$24.9	8.8%
2	T. Rowe Price	$18.3	6.5%
3	Vanguard Group	$15.3	5.4%
4	Silvercrest Asset Mgt.	$9.4	3.3%
5	American Century	$8.8	3.1%

Thomson/First Call Analyst Ratings:

Strong Buy	1
Buy	1
Hold	1
Underperform	0
Sell	0

Analyst Quote: "Following a good Q3 earnings report, we remain bullish on ECOL and see the stock as an attractive safe haven in a volatile market. The company is executing well, in our view, and overall hazardous waste industry trends are positive, including both pricing and volume growth." -- Eric Prouty, Canaccord Adams

BMR Take: U.S. Ecology may be an under-the-radar small cap, but it is a solid player in a niche industry. There will always be a need for specialists that can handle the clean-up and disposal of hazardous waste and the company has been doing it for a long time. The company is actively looking for additional bolt-on acquisitions that can help it to grow, but if it can't find any it will use its excess cash to pay down its roughly $64 million in debt at the end of Q4 or return it to shareholders through dividends. It's a shareholder friendly formula.

The stock does tend to bounce up and down, but it is within a fairly narrow range that shouldn't cause investors much angst. It has been a steady dividend payer throughout its history and we think an increase is possible as the company grows.

Other High-Yield Stocks:

Group: Business Development Corps (5)

Hercules Technology Growth Capital (HTGC)

Yield: 10.3%

Description: Hercules is a business development corp. (BDC) that is focused on investing in life science and technology companies. It provides mezzanine and subordinated loans, and often gets equity warrants. At the end of Q3, approximately 14.1% of its portfolio was in drug discovery companies, 11.6% in drug delivery companies, 11.4% in Internet consumer & business services firms, and 10.7% in specialty pharmaceutical companies. As of September 30th, 2010, over 99.2% of the company's debt investments were in a first lien position, and more than 91.1% of the debt investment portfolio is priced with a floating interest rate or floating interest rate with a LIBOR floor.

BMR Quick Take: Hercules is a solid BDC that has been transitioning its investments more toward early-stage ventures. It also likes to gets warrants with its investment to participate in the equity upside. While the move towards early-stage ventures helps lessen its portfolio's economic sensitivity and gives it a high effective yield, it does come with some extra risk. On the downside, credit quality has been mixed in the past, and last quarter NII came in below expectations. Trading below its $9.61 book value, it is a stock worth considering.

Apollo Investment (AINV)

Yield: 16.8%

Description: Apollo is a business development corporation (BDC) that invests in debt, preferred, and equity securities. At the end September 30th, the firm had a portfolio consisting of investments in 69 companies. Apollo said that 30% of its portfolio was in senior secured loans, 60% in subordinated debt, 1% in preferred stock, and 9% in common equity and warrants. The firm generally invests in larger companies than the average BDC.

BMR Quick Take: Apollo turned in a poor Q3, with a -17% drop in book value to $8.12 and both the top- and bottom-line missing estimates. Two investments in one portfolio company went on non-accrual status, bringing the total at the end of the quarter to three. We'd stay on the sidelines.

Ares Capital (ARCC)

Yield: 9.8%

Description: Ares is a business development corp that provides integrated debt and equity financing solutions to U.S. middle market companies. At the end of Q3, Ares had investments in 141 companies, which is down considerably compared to last year following its purchase of Allied Capital. Its $4.85 billion of portfolio investments (excluding cash and cash equivalents) was comprised of approximately 38% in first lien senior secured debt securities, 17% in the Senior Secured Loan Program, 16% in second lien assets, 11% in senior subordinated debt securities, 11% in equity/other securities, 5% preferred equity, and 2% in collateralized loan obligations.

BMR Quick Take: Ares had a very good Q3, highlighted by record investment activity and strong debt structuring fees. Non-accrual rates remain somewhat high following the Allied acquisition, though, and deteriorated modestly to 4.0% at cost from 3.5% last quarter (it was 1.6% at fair value, unchanged quarter over quarter). Leverage remains low at 0.58x. Book value edged down to $15.13 from $15.28 in the quarter. Overall, we consider Ares one of the strong players in the BDC space.

Prospect Capital (PSEC)

Yield: 13.6%

Description: Prospect Capital is a business development corp. (BDC) that used to focus on the debt of energy and manufacturing firms, but it has been diversifying into other industries.

At the end of its fiscal Q1 ended September 30th, the firm had investments in 76 portfolio companies. The firm's largest investment is in midstream gas gatherer and processor Gas Solutions, in which it owns 100% of the equity and secured notes.

BMR Quick Take: Prospect turned in a decent Q3. While NII was towards the low end of guidance, book value rose 5 cents to $10.41, investment activity was solid, and its credit quality stats improved with no new loans on non-accrual status. However, the firm continues to under earn its dividend and we still don't like a sneaky dividend cut (switching to a monthly payment and missing two months) it made last year.

Solar Capital (SLRC)

Yield: 11.0%

Description: Solar Capital is a business development corp (BDC) that IPO'd in February 2010, but which initially raised money in 2007. The firm is headed by the cofounder and former CEO of **Apollo Investment Corporation (AINV)** Michael Gross. The firm primarily invests in senior secured loans, mezzanine loans, and equity securities. At the end of Q3, Solar had investments in 41 portfolio companies.

BMR Quick Take: Solar Capital has a number of things going for it, including very low leverage (about 0.2x), a solid, experienced management team, and strong credit quality (no loans on non-accrual). On the downside, its net investment income (NII) has been less than its dividend (57 cents in Q3 versus a 60-cent dividend) and book value fell nearly -9% to $21.20 from $23.22. As the firm leverages up, NII should rise. Trading above 1.08x book value, there are cheaper BDCs to consider.

Group: Mortgage REITs (5)

Annaly (NLY)

Yield: 15.1%

Description: Annaly is a mortgage REIT that invests solely in agency-backed securities. About 90% of Annaly's portfolio was in fixed-rate securities at the end of Q3; however, after taking into account the effect of interest rate swaps, the mix was 41% floating-rate, 9% adjustable-rate, and 50% fixed-rate assets. Leverage at the end of Q3 was 5.5:1, while book value was $16.22.

BMR Quick Take: Annaly is a solid mortgage REIT with a long track record, but its portfolio appears more exposed to prepayment risks than many of its peers. Given that the Fed is trying to narrow the yield curve via Operation Twist, this adds to the risk. The firm doesn't have the best transparency (which it cites doing purposely for competitive reasons), but given its size, the belief is that its recent investments have largely been in 30-year fixed rate TBAs (To Be Announced), which are more susceptible to refinancing in general. As such, we'd stay on the sidelines.

Anworth (ANH)

Yield: 15.3%

Description: Anworth is a mortgage REIT that invests primarily in agency-backed securities. At the end of the quarter, 50% of Anworth's portfolio was in agency adjustable-rate MBS (2-5 year reset); 23% was in agency adjustable-rate MBS (1 year or less reset); about 14% was in agency fixed-rate 15-year MBS; 6% was in fixed-rate 30-year MBS; and less than 1% was in agency floating-rate collateralized mortgage obligations (CMOs). Leverage at the end of Q3 was 7.2:1, while book value was $6.93.

BMR Quick Take: Trading at below book value Anworth is relatively cheap. However, operationally the firm has been very inconsistent, and its constant prepayment rate remains elevated (26% last quarter). In our view, management isn't doing enough to create value.

Capstead Mortgage (CMO)

Yield: 15.0%

Description: Capstead is a mortgage REIT that invests primarily in ARM agency-backed securities. At the end of the Q3, its leverage was 8.2:1, while book value was $12.50.

BMR Quick Take: Capstead is another mortgage REIT that has tended to be inconsistent, although it has turned in a fairly good operational performance overall in 2011. However, its focus on short-duration assets when the Fed is set to hold interest rates steady is not ideal in this environment. Trading below book value, the stock is relatively cheap, but we think there are better options in the mortgage REIT space.

Hatteras Financial (HTS)

Yield: 15.8%

Description: Hatteras is a mortgage REIT that invests primarily in ARM agency-backed securities. Its portfolio consisted of 93.6% of adjustable-rate MBS and 6.4% of 15-year fixed-rate MBS. About 80% of the portfolio is in 37-84 month reset hydrid ARMS. Leverage at the end of the quarter was 7.9:1, while book value was $26.32.

BMR Quick Take: Hatteras turned in a lackluster Q3, as core EPS missed the mark, spread contracted, book value fell meaningfully, and prepayments were elevated. The stock also trades below book value, but once again, it is another mortgage REIT we are largely neutral on.

Chimera (CIM)

Yield: 20.0%

Description: Chimera invests primarily in residential mortgage loans, residential mortgage backed securities, real estate related securities, and various other asset classes in the United States. It invests in prime, jumbo prime, and Alt-A residential mortgage loans, non-agency and agency residential mortgage backed securities (MBS), debt and equity tranches of CDOs, commercial mortgage backed securities, and consumer and non-consumer asset backed securities. Book value was $3.27 at the end of Q3.

BMR Quick Take: Given that Chimera invests in non-agency securities (unlike the other mortgage REITS mentioned above), it's more of a story of whether or not risk spreads shrink in the non-agency MBS market, whether the securitization market returns, and how credit quality holds up. Given the uncertainty of the economy and housing market, we'd prefer to stay on the sidelines and think the stock is best suited for more aggressive investors.

Group: (Former) Canadian Energy Trusts (5)

Penn West (PWE)

Yield: 6.5%

Description: Penn West is a large Canadian energy producer. It is predominantly weighted to oil production, with roughly 60% of its 165,000 boe/day of production coming from oil and natural gas liquids. At the end of 2009, it had overall reserve-life-index (RLI) of 11.1 years and proved plus probable reserves of 687 million barrels of oil equivalent (mmboe).

The company owns over 7 million acres in Canada's Western Sedimentary Basin with a focus on light and conventional oil. The company's holdings stretch from a relatively new development in southwestern Manitoba, across southern Saskatchewan, through the heart of Alberta and up to the northernmost regions of British Columbia.

BMR Quick Take: 2010 was a transition year for Penn West, as it worked to become a more growth-oriented company on the heels of switching to a corporation from a trust. On that front, it cut its dividend during the year and reduced its debt by -$787 million through the end of October, good for a debt to funds flow run rate of 2.1x (2.3x including convertibles), which is much more reasonable than in the past. The company has also boosted its CapEx budget and 2011 production is expected to rise to between 172,000-177,000 boe/day. We like the progress Penn West has made heading into 2012, and think the stock is fairly attractive in the low $20s if energy prices hold up.

Baytex (BTE)

Yield: 4.9%

Description: Baytex is a Calgary, Alberta-based energy producer engaged in the acquisition, development, and production of oil and natural gas in the Western Canadian Sedimentary Basin. Approximately 85% of its production is crude and NGLs, with heavy oil making up about 71% of the total.

BMR Quick Take: Baytex has some of the best assets in the former Canadian trust space and a strong balance sheet. Operationally, the company has been very strong, with strong production growth. The company should also benefit from a drop in heavy oil pricing differential due to heavy oil refining projects in the Mid-Continent region. As long as oil prices remain strong, Baytex is a solid buy.

Pengrowth (PGH)

Yield: 8.5%

Description: Pengrowth is an E&P company principally operating in the Western Canada Sedimentary Basin and offshore Nova Scotia in eastern Canada. The company has been one of the most aggressive in shifting strategies ahead converting to a corporation and is currently focusing on low-cost, low-risk, repeatable drilling opportunities in the Western Canadian Sedimentary Basin. Specifically, the company will focus on its Carson Creek, shallow gas, and coalbed methane (CBM) assets. It will also direct more capital towards its Lindbergh, enhanced oil recovery (EOR), and Horn River resource plays.

BMR Quick Take: Pengrowth turned in an essentially in-line Q3, with fund flows in line with expectations and production just a tad ahead on the analyst consensus. The company has indicated that it wants to defend its dividend, which currently equates to a robust yield of 8.6%.

That said, production growth will likely be modest next year, and its balance sheet at quarter end was not as strong as its peers. However, it has plenty of liquidity following its secondary offering and asset acquisitions to boost production aren't out of the question. The stock is an option for investors looking for a higher yield with less growth.

Enerplus (ERF)

Yield: 8.8%

Description: Enerplus owns a diversified portfolio of crude oil and natural gas assets located in western Canada and the United States. The company's resource plays include shallow gas/coal bed methane, deep tight gas, crude oil waterfloods, Bakken/Tight oil, an interest in the Marcellus Shale, and oil sands located in British Columbia, Alberta, Saskatchewan, and Manitoba. Approximately 55% of its production is weighted to natural gas.

BMR Quick Take: Enerplus didn't have a good Q3, as delays in completion and tie-in activity related to bad weather caused production to come up short of expectations and costs rose higher than expected. However, it has a strong set of assets with operations in some of the hottest plays in North America (the Bakken, Marcellus Shale, and Viking). The company has also been adding to its land portfolio, spending $100 million to acquire 38,000 acres of land in the liquids-rich natural gas Duvernay play and add to its acreage in emerging oil plays.

With its high yield, strong assets, and a solid balance sheet, and our belief that the issues impacting Q3 are transient in nature, we think Enerplus looks attractive at current levels and that the initial test results from its recent acreage purchases could serve as a catalyst next year.

Provident Energy (PVX)

Yield: 5.8%

Description: Provident Energy operates a midstream services and marketing business that is involved in natural gas liquids (NGL) extraction, storage, fractionation, and transport. Last year, the company divested its upstream production business, combining it with Midnight Oil Exploration Ltd. in a $460 million transaction to create a new growth oriented, intermediate sized oil and gas producer. Provident received $120 million in cash and 324 million shares of Midnight valued at $340 million.

BMR Quick Take: Provident has been performing well, helped by a strong NGL environment, and we believe the decision to sell off its upstream business to focus solely on midstream operations was the right move. That said, we think U.S. MLP natural gas gatherer and processors generally have a cost of capital advantage and they haven't run into the same extraction premium headwind as Provident.

Group: MLPs Diversified (2)

Kinder Morgan (KMP)

Yield: 6.1%

Description: Kinder Morgan is the largest pipeline and energy storage company in North America. It operates more than 37,000 miles of pipelines that transport natural gas, crude oil, petroleum products, and carbon dioxide (CO2), and more than 155 terminals that store, transfer, and handle products like gasoline and coal.

Kinder operates predominantly fee-based businesses and is the largest independent transporter of refined petroleum products and the second largest transporter of natural gas in the United States. It is also the largest independent terminal operator; the largest transporter and marketer of CO2; a major transporter and storage operator of natural gas in the Texas, Rocky Mountain, and Midwest areas; second-largest oil producer in Texas and it operates the only oil-sands pipeline serving Vancouver and Washington state.

The company currently derives about 30% of its distributable cash flow from natural gas pipelines, 20% from refined product pipelines, 27% from CO2, 18% from terminals, and 5% from its Canadian segment.

The general partner interest is now owned by **Kinder Morgan Inc. (KMI)**, which was a successful IPO earlier this year. Kinder's other related business is **Kinder Morgan Management (KMR).**

Kinder Morgan Inc. recently announced it would buy **El Paso Corp. (EP)** for $21.1 billion. The deal would dramatically increase its footprint in the transportation of natural gas by creating the nation's largest midstream operator and the fourth-largest overall energy company.

BMR Quick Take: The granddaddy of MLPs, Kinder Morgan is as solid and stable as they come, with the vast majority of its businesses fee-based (90+%). The company has consistently raised its distribution the past decade, and done a good job continuing to grow its operations.

The acquisition of El Paso's fee-based pipelines by KMI is a costly but sound strategic move that should result in higher payouts to Kinder's various shareholders over time. Overall, we like the acquisition and think it makes KMP a more attractive stock given its higher expected distribution growth profile. We'd consider accumulating the stock at current levels and on dips.

ONEOK (OKS)

Yield: 4.8%

Description: ONEOK is focused on the gathering, processing, storage and transportation of natural gas in the U.S. It owns one of the nation's largest natural gas liquids (NGL) systems, connecting much of the natural gas and NGL supply in the Mid-Continent region with key market centers like Chicago.

ONEOK Partners operates in three business segments: Natural Gas Gathering & Processing; Natural Gas Pipelines; and Natural Gas Liquids.

The general partnership interest is 47.7%, owned by ONEOK Partners GP, which is a subsidiary of **ONEOK, Inc. (OKE)**, a diversified energy company that is one of the largest natural gas distributors in the country.

BMR Quick Take: With only about two-thirds of its business fee-based, ONEOK is much more dependant on commodity prices and spreads than some of its diversified peers. The company turned in an outstanding Q3 driven by strong natural gas liquids (NGL) price differentials and substantially raised its 2011 guidance. The company has also been forecasting strong annual EBITDA and distribution growth in 2012 and 2013. That said, **MarkWest (MWE)** is more of a pure play on NGL and trades at a higher yield with similar expected growth. As such, we'd prefer it over ONEOK.

Group: MLP Natural Gas Pipelines and Storage (5)

El Paso (EPB)

Yield: 6.1%

Description: El Paso owns and operates pipeline, storage and other midstream businesses consisting of about 12,900 miles of pipeline and associated storage facilities with aggregate underground working natural gas storage capacity of 97 billion cubic feet.

Its assets consist of three wholly owned entities, Wyoming Interstate Company, an interstate pipeline transportation business primarily located in Wyoming and

Colorado; Southern LNG Company, which owns an LNG storage and re- gasification terminal near Savannah, Georgia; and Elba Express Pipeline Company, an interstate pipeline company which is located in Georgia and South Carolina.

EPB also own an 85% interest in Southern Natural Gas Company, an interstate natural gas company located in the southeastern United States, and a 58% interest in Colorado Interstate Gas Company, an interstate pipeline company which is located in the Rocky Mountains.

In October, EPB's general partner, **El Paso Corp. (EP)** agreed to be acquired by **Kinder Morgan Inc. (KMI)**.

BMR Quick Take: With over 90% of its business fee-based and a solid distribution coverage ratio, El Paso is a solid stock. It also had (/has) one of the best-growth profiles in the MLP space, but the Kinder deal might make that a bit more uncertain, as the thought now is that that KMP will get the best drop-down assets from El Paso Corp. that were originally pegged for EPB. However, Kinder said that it would continue to drop down assets to EPB after the deal closes and that EPB should grow its distribution at an average annual growth rate of about 9% through 2015. With the stock off its highs and yielding near 6%, we think El Paso looks attractive at current levels.

TC Pipelines (TCLP)

Yield: 6.6%

Description: TC PipeLines has investments in six FERC regulated, low-risk energy infrastructure pipelines, capable of moving 8.9 billion cubic feet per day of natural gas. Revenues from these assets are derived almost entirely from fee- based charges. The MLP's parent is **TransCanada Corp. (TRP)**, which continues to operate many of its assets.

It owns a 46.45% general partner interest in Great Lakes Gas Transmission, which owns a 2,115-mile natural gas pipeline system that extends across Minnesota, Northern Wisconsin, and Michigan and redelivers gas at the Canadian border near Sault Ste. Marie and St. Clair, Ontario.

The company also owns a 50% general partner interest in Northern Border Pipeline Company that transports natural gas from the Montana-Saskatchewan border to the U.S. Midwest through a pipeline system of 1,249 miles. Northern Border transports natural gas produced in the Williston Basin of Montana and North Dakota, and the Powder River Basin of Wyoming and Montana, as well as synthetic gas produced at the Dakota Gasification plant in North Dakota

TC also owns a 100% interest in North Baja Pipeline, LLC, which owns an 80- mile interstate pipeline system that transports natural gas between an interconnection with El Paso Natural Gas near Ehrenberg, Arizona and an interconnection near Ogilby, California on the California/Mexico border with the Gasoducto Bajanorte natural gas pipeline system; and a 100% interest in the Tuscarora Gas Transmission Company, which owns 240 miles of pipeline system that transports natural gas from Oregon.

In May it completed the acquisition of 25% of the Gas Transmission Northwest and Bison Pipeline subsidiaries of TransCanada for $605 million, including $81 million, or one-quarter, of those units' debt.

BMR Quick Take: TC has a low 25% IDR cap; a low debt to EBITDA ratio, which should allow it to take on more drop-down acquisitions; and a solid yield. However, the MLP has not generated the distributable cash flow growth this year we had been hoping for, in part due to the company keeping cash at the asset level of one subsidiary because of an operating disruption and another because of a rate case settlement. Given the drop in El Paso (EPB) and its strong growth profile, we currently prefer it in the natural gas pipeline space.

Boardwalk Pipeline Partners (BWP)

Yield: 8.2%

Description: Boardwalk is a subsidiary of **Loews Corp. (L)**, the New York-based holding company with interests in insurance, hotels, offshore oil drilling, and gas transmission through Boardwalk. Loews owns 70% of the company and the 2% GP interests. The master limited partnership operates three subsidiaries: Gulf South Pipeline, Texas Gas Transmission, and Gulf Crossing Pipeline.

Its Gulf South Pipeline unit operates a pipeline network that gathers gas from basins between Texas and Alabama and delivers it to markets within its footprint. It also connects to third-party systems that deliver gas to the Northeast and Southeast.

Texas Gas Transmission is a traditional long-haul pipeline that moves gas from Gulf Coast supply areas to more distant markets in the Midwest through its own network, and to other markets in the Northeast via interconnections with third- party pipelines. Gulf Crossing Pipeline was formed to operate a new interstate pipeline.

A significant portion, 78%, of the MLP's revenues were backed by firm long-term contracts with capacity reservation charges in 2010. Another 15% came from utilization charges of firm contracts, and 7% from interruptible service charges.

BMR Quick Take: A bloated balance sheet and some weakness in the storage business have hurt Boardwalk this year, as DCF is down year over year. While the valuation is interesting, the operational performance just hasn't been to our liking. We're largely neutral on the name.

Spectra (SEP)

Yield: 6.3%

Description: Spectra is a fee-based, midstream natural gas pipeline and storage company. It provides natural gas gathering and processing, transportation and storage and distribution services to customers across the U.S. and Canada. Its natural gas storage and transportation assets generate steady cash flows, primarily backed by long-term contracts. All of its business is fee-based and approximately 90% of its revenues come from fees that reserve capacity on its pipelines and storage facilities.

It owns 100% of East Tennessee Natural Gas and Ozark Gas Transmission, and 49% of Gulfstream Natural Gas System. East Tennessee operates 1,510 miles of pipeline that can carry 1.5 Bcf per day. Ozark is a 930-mile pipeline with 0.5 Bcf per day of capacity. Gulfstream operates a 745-mile long pipeline that stretches across the Gulf of Mexico from Mobile, Alabama, to Tampa, Florida, and carries 1.26 Bcf per day.

Its storage assets include 50% of Market Hub Partners, which operates storage facilities with approximately 43 Bcf of storage capacity in Texas and Louisiana. It wholly owns Saltville storage, with 5.5 Bcf of capacity.

BMR Quick Take: With a very high percentage of its business fee-based, a solid coverage ratio, a low debt to EBITDA level, and solid DCF growth, Spectra is a very solid MLP option. We think the stock is attractively priced at current levels and would accumulate the stock at current levels.

PAA Natural Gas Storage (PNG)

Yield: 8.4%

Description: PAA Natural Gas Storage is a fee-based, growth-oriented limited partnership formed by Plains All American to own, operate and grow the natural gas storage business that PAA acquired in 2005.

The business consists of the acquisition, development, operation and commercial management of natural gas storage facilities. The company currently owns and operates three natural gas storage facilities located in Louisiana, Mississippi and Michigan.

Most of the revenue is derived from the provision of firm storage services under multi-year, fee-based contracts.

BMR Quick Take: Spun out of **Plains All American Pipeline (PAA)**, operationally PAA has been a solid operational performer given the high fee-based nature of its business and multi-year contracts. However, the underlying fundamentals of the natural gas storage market are very poor. As such, we'd stay away.

Group: MLP Crude and Refined Pipeline Operators (5)

Plains All American Pipeline (PAA)

Yield: 6.2%

Description: Plains All American Pipeline owns and operates approximately 16,000 miles of crude oil and refined product pipelines; approximately 90 million barrels of crude oil, refined products and LPG terminalling and storage capacity; and a full complement of truck transportation and injection assets.

Plains handles, on average, over 3.0 million barrels per day of crude oil, refined product and LPG through its network of assets located in key producing basins and transportation gateways in the U.S. and Canada.

In October, the company made an unsolicited offer to acquire rival **SemGroup (SEMG)**.

BMR Quick Take: We consider Plains a very solid crude pipeline operator with a steady, reliable business. Meanwhile, its 2012 distribution growth target of 6-7% is a nice jump from its prior growth rate projections. As such, we think investors can consider the stock on weakness.

Enbridge Energy Partners (EEP)

Yield: 7.1%

Description: Enbridge Energy Partners owns and operates the 1,900-mile Lakehead System that has been in operation for nearly 60 years and is the primary transporter of crude oil from Western Canada to the U.S.

The system spans from the international border in North Dakota to the international border near Marysville, Michigan, with an extension across the Niagara River into the Buffalo, N.Y. area.

Lakehead serves all the major refining centers in the Great Lakes, Midwest, and Ontario, Canada, and through connections with the affiliated Canadian pipeline, this system has access to refineries in the Mid-Continent and Gulf Coast.

The partnership operates in two segments: Liquids and Natural Gas. The Liquids segment reflects its ownership of the Lakehead pipeline, while the Natural Gas segment consists of gathering, transmission, processing, treating and marketing subsidiaries operating in the Mid-Continent and Gulf Coast regions.

BMR Quick Take: Enbridge offers investors similar metrics to Plains All American, but a higher yield offset by likely smaller distribution growth (approximately 5%, which is the high-end of its 2-5% target forecast versus 6-7% for PAA). We like how the company has been deriving a much higher percentage of its revenue from fee-based businesses than several years ago. It is a solid option on weakness.

Holly Energy Partners (HEP)

Yield: 6.4%

Description: Holly operates a system of petroleum product and crude gathering pipelines in Texas, New Mexico, Oklahoma and Utah; distribution terminals in Texas, New Mexico, Arizona, Utah, Idaho, Oklahoma and Washington; and refinery tankage in New Mexico and Utah.

One hundred percent of the company's revenue is fee based and derived from long-term contracts. It has no exposure to commodity prices. It has a close relationship with GP and refiner **Holly Corp (HOC),** which also owns 45% of Holly Energy. It has 15-year pipelines and terminals agreements with Holly Corp. and **Alon USA Energy (ALJ).**

BMR Quick Take: Holly is a steady little performer with 100% of its business fee-based and solid distribution growth. On the downside, it is highly dependant on GP refiner **Holly Corp (HOC)**, which adds some concentration risk to the story. It's not our favorite MLP, but we think it is a decent option to consider.

Magellan Midstream Partners (MMP)

Yield: 5.0%

Description: Magellan Midstream Partners is mainly a petroleum pipeline operator. As of the end of 2010 it owned 9,600 miles of petroleum pipelines with 51 petroleum terminals. It also owns 27 inland petroleum product terminals and seven marine terminals; as well as 1,100 miles of ammonia pipelines. The company expects fee-based activities to make up over 85% of its operating margin.

The company has three main segments: Petroleum Pipelines, Petroleum Terminals, and Ammonia Pipelines.

It previously merged with its GP, Magellan Midstream Holdings, which eliminated incentive distribution rights (IDRs) and lowered its cost of capital. and reducing administrative costs associated with a second publicly traded entity."

BMR Quick Take: 2010 was somewhat of another transition for Magellan after the acquisition of its GP, but it has set up the company for outsized growth in the coming years, helped by having a cost of capital advantage given the elimination of its IDRs. Its results so far in 2011 have been solid, led by strong Petroleum Pipeline and Terminal results. The MLP should see 7% distribution growth this year and is guiding for at least 7% next year. The one downside to the name is that the valuation is a little rich. As such, we'd accumulate the stock on weakness.

Sunoco Logistics (SXL)

Yield: 4.8%

Description: Sunoco Logistics provides transportation, terminalling and storage of refined products and crude oil. It also buys and sells crude oil in the U.S.

Its Refined Products Pipeline System provides transportation services for multiple grades of gasoline and middle distillates, such as heating oil, diesel, and jet fuel, originating from refineries in the Philadelphia; Toledo/Lima, Ohio; and Beaumont/Port Arthur, Texas, areas. It owns 2,200 miles of pipelines.

On May 17th it acquired a controlling interest in Inland Corp., which operates a 350-mile refined products pipeline and related facilities in Ohio. Sunoco said it paid approximately $100 million. It has an 84% economic interest and a 70% voting interest in Inland.

The Crude Oil Pipeline System consists of approximately 5,400 miles of crude oil pipelines, located principally in Oklahoma and Texas.

The Terminal Facilities consist of approximately 10 million shell barrels of refined products terminal capacity and approximately 24 million shell barrels of crude oil terminal capacity (including approximately 21 million shell barrels of capacity at the Nederland Terminal on the Gulf Coast of Texas).

The company also tracks inventories in Cushing, Oklahoma, which is the trade point for the West Texas Intermediate Crude contract on the New York Mercantile Exchange.

When inventories at Cushing are high, it tends to depress the current-month price for crude below the futures price, which is the definition of a contango marketplace.

When that happens Sunoco makes use of unused storage to buy spot oil and immediately sell a futures contract, locking in the difference. The business is only available, however, when the contango conditions exist.

BMR Quick Take: Despite the company not being able to profit from its contango trading business, with the oil market even slipping into backwardation last quarter, Sunoco has put up impressive results this year, as high demand for West Texas crude has led to strong demand for its services. The MLP has a very robust coverage ratio of 1.8x through the first nine months of the year, and it expects strong 7% distribution growth next year. Its lower-than-peer yield is the biggest negative for the stock right now.

Group: MLP Natural Gas Gathering & Processing (3)

Copano Energy (CPNO)

Yield: 7.1%

Description: Copano Energy is a midstream natural gas company that provides gas gathering, intrastate transmission, processing, conditioning, and treating. The company's operations are located in Oklahoma, Texas, Wyoming, and Louisiana.

It owns 6,700 miles of natural gas gathering and transmission pipelines, as well as 10 natural gas processing plants with approximately 1.2 billion cubic feet per day of combined processing volumes. It also operates one NGL fractionation plant with total capacity of 22,000 barrels per day.

Copano is another operator structured as a limited liability company. It receives the tax-advantages of an MLP, but Copano has no general partner and thus no responsibility for incentive distribution rights payments.

BMR Quick Take: Despite a strong NGL environment, Copano has continued to lag operationally for a second year in a row and its distribution has been exceeding its DCF all year, with coverage ratios of 0.87x in Q1, 0.97x in Q2, and 0.95x in Q3. There are better companies in the space to invest in.

Regency Energy Partners (RGP)

Yield: 8.1%

Description: Regency owns approximately 5,259 miles of gathering pipeline, nine active midstream-operated treating/processing plants and approximately 850,000 horsepower of third-party revenue generating horsepower of compression.

Regency's assets also include a 49.99% ownership interest in the Haynesville Joint Venture, which owns the Regency Intrastate Gas System, consisting of 450 miles of intrastate pipeline in North Louisiana, a 49.9% interest in the Midcontinent Express Pipeline, which consists of approximately 507 miles of interstate pipeline stretching from southeast Oklahoma to an interconnect in Alabama, and a 30% interest in Lone Star NGL, an NGL storage, fractionation and transportation business.

Regency's assets are located in some of the most prolific gas producing regions of the United States, including the Haynesville, Eagle Ford, Barnett, Fayetteville and Marcellus shale regions, as well as the west Texas and Mid-continent regions.

About 75% of the company's business is fee-based, with that expected to rise past 80% this year. Regency has three primary reporting segments: Gathering & Processing, Joint Ventures, and Contract Compression.

In May 2011 it announced that it had teamed with **Energy Transfer Partners (ETP)** and bought LDH Energy Asset Holdings from Louis Dreyfus Highbridge Energy for $1.925 billion in cash. Regency contributed $577.5 million for a 30% interest. LDH owns and operates a natural gas liquids, or NGL, storage, fractionation and transportation business, primarily in Texas and Louisiana.

The company's general partner is **Energy Transfer Equity (ETE)**.

BMR Quick Take: Regency has become much more fee-based over the last few years, and the company should benefit from its GP's purchase of **Southern Union (SUG)**, as it should get some nice drop-down acquisition opportunities that will help add diversity. The company has returned to distribution growth, albeit at a slow pace, but its coverage ratio fell below 1.0x last quarter due to an equity raise. Overall, Regency is a decent stock with an attractive yield.

Targa Resources Partners (NGLS)

Yield: 6.5%

Description: Targa is engaged in the business of gathering, compressing, treating, processing and selling natural gas and storing, fractionating, treating, transporting and selling natural gas liquids and NGL products.

The partnership owns an extensive network of integrated gathering pipelines and gas processing plants and currently operates along the Louisiana Gulf Coast, accessing the Coastal and offshore region of Louisiana, the Permian Basin in West Texas and Southeast New Mexico and the Fort Worth Basin in North Texas.

Additionally, its natural gas liquids logistics and marketing assets are located primarily at Mont Belvieu and Galena Park near Houston, Texas and in Lake Charles, Louisiana with terminals and transportation assets across the United States.

The company says that a large portion of its business is either fee-based or hedged. Field gathering and processing (G&P) is 45% of the business; coastal G&P is 22%; Logistics is 15%, Marketing & Distribution is 15% and Other makes up the remaining 3%.

Field G&P is almost entirely percent of proceeds (POP) contracts and well hedged. Coastal G&P is primarily hybrid contracts with a fee floor, but have been settling at POL (percent of liquids) given a high frac spread. Logistics is entirely fee-based, while Marketing & Distribution is made up of fee and margin-based contracts.

BMR Quick Take: Targa is benefiting from a strong NGL environment and has a solid pipeline of growth projects set to come online over the next few years. Given that its business is more spread and commodity based, the stock is more risky than a pipeline–oriented MLP, but we think it looks attractive at current levels.

Group: MLP Oil and Gas Production (5)

Linn Energy (LINE)

Yield: 7.8%

Description: Houston-based independent oil and gas producer Linn Energy focuses on developing long-life properties in the United States. The bulk of Linn's production comes from the Texas Panhandle, but it also has assets in Oklahoma, Kansas, Louisiana, Illinois, Michigan, California, and the Bakken play in North Dakota and Montana.

Linn said based on current production estimates it's now approximately 100% hedged on natural gas through 2015, while oil production is 100% hedged through 2013, and approximately 80% for 2014 and 2015.

Linn is legally an LLC and does not pay incentive distribution rights to a general partner.

BMR Quick Take: Linn didn't turn in the best Q3, but overall the story remains unchanged. The company has done a tremendous job of increasing production through both asset acquisitions and its organic drilling programs, and it has the best hedging program in the oil and gas space, which creates solid DCF (distributable cash flow) visibility. Linn does face a pretty steep hedge revision for natural gas next year, but its strong production growth, oil hedges, and solid coverage ratio should allow it to maintain its distribution, although DCF could decline year over year as a result. We'd buy the stock on any dips.

EV Energy (EVEP)

Yield: 4.8%

Description: EV Energy Partners is an E&P firm active in the Barnett Shale, the Appalachian Basin, the Mid Continent area, the San Juan Basin, the Monroe field in Louisiana, the Permian Basin, Central and East Texas, and Michigan. It had total estimated proved reserves of 817.3 billion cubic feet equivalent at the end of 2010.

It also owns 159,000 net acres in the Utica Shale in Ohio.

BMR Quick Take: A huge find in the Utica Shale by **Chesapeake Energy (CHK)** suddenly turned EV's assets in the region as potentially very valuable. Using the midpoint of the valuation ($14,000 per net acre) that Chesapeake placed on its assets would value EV's Utica assets at around $2.2 billion. With EV sporting an enterprise value of only around $2.7 billion, its Utica Shale assets obviously represent a big untapped resource, and it has formed a JV with Chesapeake to develop these assets.

Right now, a takeout value of EV (based on it assets) is a lot higher than valuing the company based on its operational results. EV also has the added caveat that Utica is largely undeveloped and its (and others') acreage in the region may not have the same economics as the initial results from Chesapeake suggest. As such, EV has to be viewed as a high risk/reward stock whose stock price will largely depend on its drilling results in the Utica Shale or a possible land sale or takeout.

Legacy Reserves (LGCY)

Yield: 8.7%

Description: Legacy Reserves is a production company that primarily operates in the Permian Basin and mid-continent regions. Management and insiders own approximately 27% of the company and it pays no incentive distribution rights.

At year-end 2010, Legacy had proved reserves of approximately 52.8 MMBOE, of which 74% were oil and natural gas liquids (NGLs) and 86% were classified as proved developed producing, 2% were proved developed non-producing, and 12% were proved undeveloped.

Its proved reserves had a standardized measure of $774.8 million; and the proved reserves to production ratio was approximately 14.0 years based on the average daily net production of 10,337 BOE/d (approximately 70% operated) for the three months ended December 31, 2010.

BMR Quick Take: Legacy is a solid oil-weighted E&P MLP. While not as well hedged as Linn, it has a solid hedge book and should continue to grow its distribution helped by recent acquisitions and its drilling program. Its coverage ratio of 1.13x for the last nine months and 1.10x last quarter, though, is a little weak.

Pioneer Southwest (PSE)

Yield: 7.1%

Description: Pioneer Southwest owns producing oil and gas properties in the Spraberry field in the Permian Basin of West Texas, property that was dropped down into the MLP from its parent **Pioneer Natural Resources (PXD)**.

The Spraberry field stretches across parts of Texas and eight counties in the southeast region of New Mexico. It is the fifth-largest onshore oil and gas field in the U.S. and it is also the only one considered to still be growing, according to Energy Information Administration data. Spraberry features a low decline rate (4- 6% per year) after the initial seven to eight years of production.

Pioneer Natural Resources owns a majority stake of the MLP, and the two entities share executive leadership. Pioneer is eventually expected to sell about $200 million in long life reserves to Pioneer Southwest, but there has been no activity on that front in awhile.

About 84% of Pioneer Southwest's reserves are liquids and 16% natural gas.

BMR Quick Take: Pioneer Southwest is a solid oil-weighted E&P MLP, but we've been disappointed that it hasn't been more aggressive using its strong balance sheet to be more acquisitive. We hope the company will use the proceeds from a recent equity offering to be more aggressive on this front.

BreitBurn Energy (BBEP)

Yield: 10.4%

Description: BreitBurn Energy is an oil and gas exploration and development MLP. Its reserves are located in the Los Angeles Basin in California; the Wind River and Big Horn Basins in central Wyoming; the Permian Basin in West Texas; the Sunniland Trend in Florida; the Antrim Shale in Michigan; and the New Albany Shale in Indiana and Kentucky.

Approximately 48% of its 2010 production was from oil and 52% natural gas. However 65% of its reserves are natural gas. Its reserve life index is 17+ years, while 91% is proven developed.

BMR Quick Take: BreitBurn has a big yield and robust coverage ratio, which makes it attractive. Importantly, it is also well hedged. However, production growth has been lackluster, and its reserves are still largely geared toward natural gas, although production has been geared more towards liquids. It's a decent high-yield option to consider.

Group: Propane Distribution (4)

AmeriGas (APU)

Yield: 6.9%

Description: AmeriGas is a retail propane distributor with operations in nearly all 50 states serving approximately 1.3 million customers. Approximately 89% of sales (based on gallons sold) are to retail accounts and approximately 11% are to wholesale.

Sales to residential customers in fiscal 2010 represented approximately 41% of retail gallons sold; commercial/industrial customers 36%; motor fuel customers 13%; and agricultural and transport customers 10%. The customer base is diverse, with no single customer accounting for more than 5% of revenue.

AmeriGas sold 893.4 million gallons of propane in 2010. It's the nation's largest propane distributor by volume with a market share of 10% in a highly fragmented industry. The company targets acquiring 20 million additional gallons each year, which is doable given the large number of independent marketers.

Its ACE cylinders were available at approximately 28,000 retail locations throughout the United States.

The company recently agreed to purchase the propane business of **Energy Transfer (ETP)** for $1.5 billion in cash and about $1.3 billion in AmeriGas units.

BMR Quick Take: The propane business has been one of our least favorite sectors in the MLP space. The business is highly seasonal given the use of propane in residential heating, and weather also plays a big role in its consumption. Natural gas is generally a cheaper heating source that is used for many newer homes, although the cost of bringing natural gas lines to some areas can be prohibitive, which makes propane still a viable option. Overall, it's generally a slow growth business, and the companies tend to do best when propane prices are falling.

That said, AmeriGas has been one of the most consistent companies in the space, and the Energy Transfer deal should help growth.

Inergy (NRGY)

Yield: 12.0%

Description: Inergy serves customers in 33 states from over 350 retail franchises that operate under a variety of local brand names. Its propane distribution is concentrated in the states east of the Mississippi River. The company says it is now the nation's fourth-largest propane dealer.

The company also operates a 78 Bcf natural gas storage business; a liquid petroleum gas storage business; a solution-mining and salt production company; and a propane supply logistics, transportation and wholesale marketing business that serves independent dealers and multi-state marketers in the United States and Canada.

Roughly 52% of 2010 EBITDA came from the midstream business and the remainder was from propane sales.

The company bought its GP last year and pays no incentive distribution rights (IDRs).

Earlier this year, Inergy announced that it would spin off its Northeast U.S. midstream storage and transportation business. Inergy would own the "substantial majority" of the limited partner interests as well as IDRs in the new midstream MLP to be called Inergy Midstream.

BMR Quick Take: While separating Inergy a year after bringing the company under one roof through the purchase of its GP seems counterintuitive, splitting the steady, but slow-growth propane business from the largely fee-based, faster-growing midstream business makes sense, and should allow the midstream business to be given a better valuation. The midstream business has been seeing some pressure in the natural gas storage business, particularly at its Tres Palacios facility in Texas, where the company is struggling to get firm commitments on contract renewals at the rates it wants given the weak natural gas storage environment. Notably, Tres will stay a part of Inergy and not be a part of the new Northeast-centered midstream MLP.

When all is said and done, we'd rather own Inergy Midstream after it goes public over Inergy.

Suburban (SPH)

Yield: 7.4%

Description: Suburban serves approximately 800,000 customers in 30 states. It operates primarily on the East and West coasts. It is the fifth largest propane distributor in the country based on the volume of gallons distributed annually.

The company sells propane primarily to six customer markets: residential, commercial, industrial (including engine fuel), agricultural, other retail users and wholesale. Approximately 97% of the propane gallons sold by Suburban in fiscal 2010 were to retail customers: 45% to residential customers, 28% to commercial customers, 7% to industrial customers, 5% to agricultural customers and 15% to other retail users. The balance of approximately 3% of the propane gallons sold in fiscal 2010 was for risk management activities and wholesale customers.

No single customer accounted for 10% or more of Suburban's propane revenues during fiscal 2010.

BMR Quick Take: With no IDRs, low debt, a bountiful coverage ratio, and the lowest EV/DCF ratio in the group, Suburban remains a solid option in the propane sector. As noted above, though, the propane business is one of our least favorite sectors in the MLP space.

Ferrelgas (FGP)

Yield: 9.0%

Description: Ferrellgas serves approximately one million customers in all 50 states, Washington D.C, and Puerto Rico and says it is the second-largest distributor of propane by volume.

It transports propane purchased from third parties to propane distribution locations, and then to tanks on customers' premises or to portable propane tanks delivered to nationwide and local retailers.

The company conducts its portable tank exchange operations under the brand name Blue Rhino through a network of independent and partnership-owned distribution outlets. It is the largest cylinder exchange program in the country.

The company recently announced it was buying Polar Gas Company, its third acquisition since August.

BMR Quick Take: Ferrelgas has done a good job of growing by acquisition, but its coverage ratio is lower and its debt/EBITDA ratio is higher than its two pure play peers.

Group: MLP Coal Royalty & Production (3)

Natural Resource (NRP)

Yield: 8.1%

Description: Huntington, West Virginia-based Natural Resource owns and manages coal properties in Appalachia, the Illinois Basin, and the Powder River Basin regions. It's the fifth-largest owner of coal reserves in the U.S.

The company leases its properties to coal mine operators in exchange for royalty payments. It also engages in the coal infrastructure business and the ownership of aggregate reserves that are leased to operators. In addition, the partnership manages oil and gas properties and timber assets in Appalachia.

At the end of 2010, the company owned or controlled approximately 2.3 billion tons of proven and probable coal reserves, and 228 tons of aggregate coal reserves. Coal royalties accounted for approximately 74% of NRP's revenue stream.

Producers that leased its properties produced 47.1 million tons of coal and paid Natural Resources $221.8 million in royalties in 2010.

BMR Quick Take: Operationally NRP has been performing well, propelled by strong volumes and pricing in both metallurgical and steam coal, and with a new Illinois Basin facility coming online, production growth should be solid next year. As long as coal pricing holds up, NRP should be a good stock to own.

Alliance Resources (ARLP)

Yield: 5.6%

Description: Tulsa, Oklahoma-based Alliance Resources is one of two coal- producing companies structured as a master limited partnership. Alliance is the fifth-largest Eastern U.S. coal producer. It produces low-, medium- and high- sulfur coal, coal used by utilities and industrial companies.

At year-end 2010, the company had approximately 697.4 million tons of coal reserves in Illinois, Indiana, Kentucky, Maryland, Pennsylvania and West Virginia. It produced 28.9

million tons of coal and sold 30.3 million tons, of which 8% was low sulfur, 20.7% was medium sulfur and 71.3% was high sulfur. It sold 9.5% of its output to utility operators.

Alliance operates nine underground mining complexes in Illinois, Indiana, Kentucky, Maryland, and West Virginia. It is building a new mining complex in West Virginia, and also operates a coal loading terminal on the Ohio River at Mt. Vernon, Indiana.

BMR Quick Take: Alliance continues to perform well operationally, as it benefits from a strong market for metallurgical coal. Management, however, did caution about slowing volume trends in Q4 due to seasonal factors and start-up costs. Alliance has the best EV/DCF valuation, a great balance sheet, an extremely robust coverage ratio, and it has reported tremendous growth in 2010 and thus far in 2011. As long as met coal stays strong, Alliance is a solid stock to own.

Penn Virginia Resources (PVR)

Yield: 8.6%

Description: Penn Virginia Resource owns and manages coal and natural resource properties and related assets, and midstream natural gas gathering and processing businesses.

PVR owns more than 800 million tons of proven coal reserves in Northern and Central Appalachia, and the Illinois and San Juan Basins. Like Natural Resource Partners (NRP), PVR earns revenue from royalties but doesn't engage in actual coal mining.

Eighty percent of its coal royalties are from contracts that pay the higher of a percentage of gross sales per ton or a fixed rate. Most contracts average 10 to 15 years in length.

Its midstream natural gas assets are located principally in Texas, Oklahoma and Pennsylvania and include more than 4,263 miles of natural gas gathering pipelines and 7 processing systems with approximately 420 million cubic feet per day of capacity.

The gas business contributed about 39% to the MLP's long-term margin and EBITDA in 2010. For the gas processing business, 22% was fee-based in 2010, 62% was from percent of proceeds contracts, and 16% keep whole. The unit has a deal with **Range Resources (RRC)** to build and operate gas gathering pipelines and compression facilities in the Marcellus Shale.

The company targets hedging 50-60% of its price-sensitive volumes.

BMR Quick Take: Penn Virginia is another MLP that decided to merge with its GP last year eliminating its IDRs. This should improve its cost of capital over the long term, but was highly dilutive in the short term, and has hampered per share results in the near term. The first nine months of the year have been solid, but the company did reduce guidance when it reported its results last quarter. PVR is operating in two segments that have strong current dynamics, although the stock has been a bit lackluster.

Group: MLP Sea Transport (3)

Navios Partners (NMM)

Yield: 13.0%

Description: Navios Maritime Partners is a drybulk shipper whose fleet consists of 16 vessels that are mostly of the Panamax and Capesize classes. One vessel is in the Ultra-Handymax category. Their average age is five years; three were built between 1994 and 1997, the rest were built from 2000 through 2010.

Panamax vessels are highly flexible vessels capable of carrying a wide range of drybulk commodities, including iron ore, coal, grain and fertilizer and of being accommodated in most major discharge ports, while Capesize vessels are primarily dedicated to the carriage of iron ore and coal.

Its fleet is operating on charters that at present average 4.3 years in length as of the end of Q1 2011. The company also carries credit default insurance on all of its charters, so if a counter party defaults it is protected.

Navios Partners said it was currently contracted out 100.0% for 2011 and 92% for 2012.

BMR Quick Take: With all its vessels chartered out next year, Navios shouldn't run into the problems faced by many in the shipping industry. However, the drybulk market remains very weak, and 2013 – when a number of its vessels come off charters -- isn't that far around the corner. While its huge yield that should be safe in the near term is tempting, we want to stay away from drybulk shippers given the weak underlying fundamentals of the industry.

Teekay Offshore (TOO)

Yield: 7.5%

Description: Teekay Offshore is an international provider of marine transportation and storage services to the offshore oil industry. The company owns a 100% of Teekay Offshore Operating L.P. (OPCO), a limited partnership with a fleet of 36 shuttle tankers (including four chartered-in vessels), ten double-hulled conventional crude oil tankers, five FSO (floating storage and offtake) segment vessels, and two floating production storage and offloading) FPSO segment vessels.

Teekay Offshore typically signs customers to 3-10 year contracts.

BMR Quick Take: Teekay Offshore has performed well and is growing nicely via acquisition. It also had a very robust coverage ratio of over 1.5x in Q3. That said, we like its sister, Teekay LNG, better due to its longer contract structure and similar distribution growth dynamics.

Teekay Tankers (TNK)

Yield: 16.4%

Description: Teekay Tankers is a crude oil shipper. The company owns a fleet of nine double-hull Aframax-class oil tankers, six double-hulled Suezmax-class oil tankers and its building one double-hulled Very Large Crude Carrier (VLCC).

Of all the Teekays it is the one most exposed to spot rates, though it has moved nine of its vessels over to fixed charters.

Teekay Tankers' policy is to pay a variable quarterly dividend equal to its cash available for distribution, subject to any reserves its board of directors may from time to time determine are required.

The company provides a chart each quarter showing where its dividend is likely to fall based on spot rates for Suezmax and Aframax vessels.

BMR Quick Take: Teekay Tankers has the highest yield in the group, which is appropriate given its high spot market exposure. It's also worth noting that the stock pays a variable dividend based on its quarterly results. The tanker market is just too tough at the moment, and the stock is best left only to very aggressive investors.

Group: MLP Others (2)

Terra Nitrogen (TNH)

Yield: 9.9%

Description: Terra Nitrogen is a nitrogen fertilizer maker with the capacity to produce 1.9 million tons (32% nitrogen basis) of urea ammonium nitrate solutions (UAN) annually and 1.1 million tons of ammonia, the basic ingredient for most nitrogen fertilizer and many industrial products.

The company operates one nitrogen manufacturing facility in Verdigris, Oklahoma, and terminal operations in Blair, Nebraska and Pekin, Illinois. The company is now a subsidiary of **CF Industries Holdings (CF)**, which acquired the MLP's former parent Terra Industries in 2010.

BMR Quick Take: We've never been big fans of Terra Nitrogen's business model, largely due to its complete lack of trying to grow its business, but a good agricultural market and low U.S. natural gas prices (its biggest input cost) should bode well for this fertilizer name. In essence, the stock is a pure nitrogen-based fertilizer pricing play. Given our favorable outlook on agricultural stocks, we think the stock should do well in the medium term.

StoneMor (STON)

Yield: 8.2%

Description: StoneMor is the second-largest cemetery and funeral home operator in the U.S. but the only death-care MLP. It owns 260 cemeteries in 26 states and Puerto Rico. It also operates 58 funeral homes, about half of which are on the grounds of its cemeteries. It generates revenue through the sale of burial plots and related merchandise. Approximately 60% of its sales are at-need, while 40% is pre-need.

As of December 31st, 2010, StoneMor held over 12,000 acres of land, equivalent to a weighted average sales life of 260 years.

Cemeteries are required to deposit funds into trusts. Approximately 10-15% of a lot's selling price goes into a perpetual care trust, where the company is the beneficiary and gains and losses stay in the fund. The company also has a merchandise trust, which is an asset and the gains and losses are income for the company.

BMR Quick Take: StoneMor, the second-best performing selection from our 2010 HY report, is a solid company, but its Q3 results were just so-so as its adjusted operating profit fell year over year. We think the stock looks close to fairly valued.

Group: Others (4)

B&G Foods (BGS)

Yield: 4.5%

Description: B&G produces a variety of shelf-stable foods, in other words, food that can stay in your pantry for a year or two without going bad. It markets its products under a number of brands, but the best-known ones are probably Ortega Mexican food products, the Polaner brand of fruit spreads, and Cream of Wheat cereal. It also sells basics like pickles and relishes under the B&G label, and the "flavor enhancer" Ac'cent, which is basically MSG.

Last month, it picked up six new products, buying Culver Specialty Brands from **Unilever NV (UN)** for $325 million.

BMR Quick Take: B&G's stock has been on a strong run since the beginning of October, propelled in part by an accretive acquisition last month and a solid, but in line, quarterly earnings report.

The Culver acquisition looks like a nice pickup for B&G. They are the kind of niche brands the company handles and is able to profit from. B&G's debt was a bit high before the purchase and it will go higher, but in the current low-rate environment it's not a bad time to be making an accretive deal like this. B&G's cash flow is more than ample to cover the added interest costs and still pay out its dividend. There don't appear to be any major integration issues with bringing these brands on board since they are manufactured by third parties.

If there is any more profit taking in the market, we could become interested in the stock again if it drifts back into the teens.

Altria Group (MO)

Yield: 6.0%

Description: Altria Group is a tobacco company with operations in the U.S. Through its Philip Morris USA, U.S. Smokeless Tobacco Company, and John Middleton subsidiaries, it sells cigarettes, smokeless tobacco, and cigars. Its brands include Marlboro, Copenhagen, Skoal and Black & Mild. The company also owns Ste. Michelle Wine Estates and a stake in brewer SABMiller.

BMR Quick Take: Tobacco is a slowly dying industry in the U.S., with volume continuing to shrink, but Altria has been able to continue to grow its bottom line through price hikes. The company and industry face longer-term headwinds, but the stock can be accumulated on weakness.

World Wrestling Entertainment (WWE)

Yield: 5.3%

Description: WWE is the home of the world's most popular wrestling "league." The company has evolved into a unique entity that's difficult to classify. WWE has used pay-per-view (PPV), broadcast TV, live events, on-demand, and DVD sales to meld a sort of self-contained universe of sports and soap opera. It plays out at live events and on TV each week, with character story lines advancing on top-rated shows, then, as the company says, culminating or changing direction in its monthly pay-per-view events.

BMR Quick Take: WWE had to take a big dividend cut earlier this year, as results have largely been lackluster. The balance sheet remains in very good shape, and cash flow should support the lower distribution. However, it's not a stock that gets us excited.

Cherokee Corp (CHKE)

Yield: 6.6%

Description: Cherokee is a licensor of a variety of apparel brands to major retailers. It markets and directly licenses brands and trademarks such as Cherokee, Sideout, Sideout Sport, Carole Little, CLII, Saint Tropez-West, Chorus Line, All That Jazz, and Molly Malloy, to retailing partners, usually in exclusive regional relationships.

It has a strategic relationship with **Target (TGT)** that gives the retailer the exclusive right in the U.S. to use the Cherokee trademarks in various categories of merchandise. The company also has deals with **Wal-Mart (WMT)**; **TJX Companies (TJX)**, operator of the

TJ Maxx and Marshall's stores; Tessco Plc in Britain, Ireland, and Central Europe; Canada's Zellers; South Africa's Pick 'n Pay; and others around the world.

The way the business works is that the retailer licenses the brand name from Cherokee, but the store owner has the responsibility for sourcing, designing, and producing the actual product. Cherokee derives revenue based on a percentage of sales.

BMR Quick Take: While Cherokee has a low-cost business model and nice dividend, it has cut its dividend four times in the last five years and has taken on debt this year after previously being debt free. As such, we'd stay on the sidelines.

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