



Guided Portfolio: Prime Income

Monthly Report

May 4, 2012

The Guided Portfolio: Prime Income is designed for conservative equity investors who seek above-average current income with relatively modest market risk.

- In selecting stocks for this Portfolio, we focus on well-established companies which, in our opinion, have low business and financial risk, attractive dividend yields, and some measure of capital appreciation potential. In addition, we emphasize consistency of dividends and potential for dividend growth.
- Targeted sectors generally include Utilities, Real Estate Investment Trusts (REITs), Telecom Services, and Master Limited Partnerships (MLPs); but we may also include shares of any company with a relatively high current distribution yield and low relative risk.
- The Guided Portfolio: Prime Income is actively managed. We strive for tax efficiency. Stocks are selected from the universe of companies followed by our fundamental research sources
- For additional details on methodology, please turn to page 9.

Three Yards and a Cloud of Dust...

The reference above refers to the conservative football style of the legendary Woody Hayes. Rather than complicated plays, his strategy of consistently moving the ball forward yielded many one of the most enviable track records of any college football coach.

The benefits of owning quality equity income stocks are much like this football strategy because the benefits accrue over time. This portfolio has had low annualized turnover of 24.9% since inception and risk metrics that are well below that of its benchmark. In our view, this lower-risk hallmark is as important, if not more important, than price performance. As our parents told us...“it’s not what you make, it’s what you keep that matters.” This portfolio has historically experienced less volatility than the market, and has also demonstrated a strong ability to preserve more capital.

Lower Volatility, Solid Risk-Adjusted Performance

GUIDED PORTFOLIO: PRIME INCOME				
Portfolio Risk Metrics				
	Alpha	Beta	Standard Deviation	Sharpe Ratio
GPPI	5.06	0.68	15.08	0.78
S&P 500 Value	1.00	1.00	19.35	0.34

Source: Zephyr Analytics, for the period 2/1/03-3/30/12

As the chart above illustrates, the risk metrics of beta and standard deviation illustrate less price movement variation of returns vs. the benchmark. Additionally, the Sharpe ratio and alpha suggest solid stock-picking ability as well as compelling risk-adjusted returns.

Want A Compelling Yield Over Time?

We evaluated each of the stocks currently in the portfolio and compared the initial dividend/distribution received when the stock was added versus the current payment today. The results underscore our view that patience can be a cash flow virtue for equity income investors.

(continued on page 3)

Guided Portfolio: Prime Income Investment Committee

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Symbo	Company Name	Price 4/30/12	52-Wk Range	Performance		EPS (Calendar)			P/E		Div	Annual	Market
				Entry Date	Entry Price ★	2011A	2012E	2013E	2012A	2013E	Yield	Div	Cap (B)
Consumer Staples													
MO	Altria Group Inc.	\$32.21	32 - 23	11/02/07	\$22.24	\$2.05	\$2.21	\$2.36	14.6x	13.6x	5.09%	\$1.64	\$65.54
HNZ	H.J. Heinz Co.	\$53.31	55 - 48	8/03/10	\$45.30	\$3.25	\$3.50	\$3.79	15.2x	14.0x	3.60%	\$1.92	\$17.05
LO	Lorillard, Inc.	\$135.29	139 - 96	1/29/09	\$61.66	\$7.88	\$8.68	\$9.64	15.6x	14.0x	4.58%	\$6.20	\$17.66
Energy													
DO	Diamond Offshore Drilling Inc. @	\$68.55	76 - 51	5/29/09	\$84.28	\$6.92	\$4.25	\$5.18	16.1x	13.2x	0.73%	\$0.50	\$9.53
RDS.B	Royal Dutch Shell PLC	\$73.36	79 - 58	5/19/11	\$71.12	\$9.22	\$9.12	\$9.33	8.0x	7.9x	4.69%	\$3.44	\$97.32
Financials													
BMO	Bank Of Montreal	\$59.37	66 - 52	12/29/09	\$52.74	\$5.10	\$5.75	\$6.38	10.3x	9.3x	4.82%	\$2.86	\$38.02
Healthcare													
BMJ	Bristol-Myers Squibb Co.	\$33.37	35 - 26	2/13/09	\$21.75	\$2.28	\$1.96	\$1.92	17.0x	17.4x	4.08%	\$1.36	\$56.36
LLY	Eli Lilly & Co.	\$41.39	42 - 34	1/29/09	\$37.97	\$4.41	\$3.26	\$3.68	12.7x	11.3x	4.74%	\$1.96	\$48.03
MRK	Merck & Company, Inc.	\$39.24	39 - 29	9/28/09	\$32.03	\$3.77	\$3.82	\$3.70	10.3x	10.6x	4.28%	\$1.68	\$119.40
Master Limited Partnerships													
EPD	Enterprise Products Partners LP	\$51.54	53 - 36	11/13/03	\$22.61	\$2.38	\$2.43	\$2.63	21.2x	19.6x	4.87%	\$2.51	\$45.44
KMP	Kinder Morgan Energy Partners LP	\$82.44	91 - 63	1/15/03	\$35.45	\$1.72	\$2.26	\$2.64	36.5x	31.2x	5.82%	\$4.80	\$19.32
PAA	Plains All American Pipeline LP	\$81.93	84 - 55	8/11/11	\$63.18	\$5.24	\$4.94	\$4.96	16.6x	16.5x	5.10%	\$4.18	\$13.16
WPZ	Williams Partners LP	\$57.44	65 - 45	2/20/07	\$43.09	\$3.69	\$3.37	\$3.36	17.1x	17.1x	5.41%	\$3.11	\$18.15
Real Estate Investment Trusts (REITs)#													
NLY	Annaly Capital Management, Inc.	\$16.32	19 - 14	5/29/09	\$13.94	\$2.57	\$1.94	\$2.09	8.4x	7.8x	13.48%	\$2.20	\$15.86
CBL	CBL & Associates Properties, Inc.	\$18.63	20 - 10	5/25/10	\$13.55	\$2.22	\$2.03	\$2.12	9.2x	8.8x	4.72%	\$0.88	\$2.77
DLR	Digital Realty Trust, Inc.	\$75.09	75 - 51	1/27/11	\$53.80	\$4.06	\$4.42	\$4.97	17.0x	15.1x	3.89%	\$2.92	\$8.19
NNN	National Retail Properties, Inc.	\$27.38	28 - 23	12/30/11	\$26.38	\$1.57	\$1.68	\$1.75	16.3x	15.6x	5.62%	\$1.54	\$2.92
Telecommunications													
T	AT&T Inc.	\$32.91	33 - 27	8/29/03	\$22.46	\$2.20	\$2.39	\$2.56	13.8x	12.9x	5.35%	\$1.76	\$193.35
BCE	BCE, Inc.	\$40.53	43 - 35	12/29/09	\$27.17	\$3.13	\$3.18	\$3.25	12.7x	12.5x	5.36%	\$2.17	\$31.43
CTL	CenturyLink, Inc.	\$38.56	43 - 31	5/19/11	\$43.36	\$2.67	\$2.38	\$2.34	16.2x	16.5x	7.52%	\$2.90	\$23.95
Utilities													
D	Dominion Resources, Inc.	\$52.19	54 - 44	1/15/03	\$27.85	\$3.05	\$3.21	\$3.43	16.2x	15.2x	4.04%	\$2.11	\$29.83
FE	FirstEnergy Corp.	\$46.82	47 - 39	9/02/10	\$37.46	\$3.64	\$3.39	\$3.19	13.8x	14.7x	4.70%	\$2.20	\$19.58

Avg. Yield: 5.11%

Cumulative Performance	YTD	Last 12	Since
	Through 4/30/12	Months Through 4/30/12	Inception Through 4/30/12
Guided Portfolio: Prime Income	7.3%	14.3%	213.5%
S&P 500 Value	11.4%	1.5%	84.0%

★ The entry price has been adjusted for a stock split, stock dividend, or business spin-off that would change the cost basis of the holding.

@ DO pays a 2-stage dividend: a regular dividend of \$0.50 annually and declares a special dividend quarterly, currently at \$0.75; we believe the total for 2012 could be closer to \$3.50/share combined.

The figures in the EPS and P/E columns for REITs refer to funds from ops.

Inception date is January 15, 2003

Source: FactSet and our national research correspondents.

A stands for actual earnings, E stands for estimated earnings based on First Call Consensus estimates. Information regarding returns is presented as total return and therefore includes dividends as well as capital appreciation and presumes reinvestment of dividends. Return is calculated on an equal-weighted, total return basis, and includes dividends, which are assumed to be reinvested. Return calculations do not include the deduction of commissions, advisory program fees, interest charges or other expenses that would be associated with an investment in the securities mentioned that are paid to RBC Wealth Management will reduce the client's overall return. Return calculations for the Guided Portfolio: Prime Income include securities that have been removed from the portfolio. Performance information on removed stocks is available upon request. Prices utilized for performance calculation purposes are closing prices one full trading session following additions to or removals from the Guided Portfolio: Prime Income. Standard and Poor's 500 Value Contains those securities in the Standard & Poor's 500 Index with a below-average growth orientation. Constituent securities tend to possess higher book value-to-price ratios, cash flow-to-price ratios, sales-to-price ratios, and dividend yields compared to their counterparts in the Standard & Poor's 500/Citigroup Growth Index. The benchmark is often used as a measure of large-capitalization, value-oriented common stock performance in the United States. An investment cannot be made directly into an index. S&P 500 Value P/E ratios are based on First Call Consensus estimates, excluding figures that haven't been updated within 90 days. Past performance should not be viewed as an indicator of future results.

As this table illustrates, the power of rising cash flows within a committed dividend/distribution policy can yield strong benefits for patient investors. The ability to grow cash flows, in our view, mitigates some of the risk incurred when investing in equities compared to fixed income securities. The ability to grow as economic growth improves should help investors deal with the eventual rise in inflation. While we do not see meaningful inflation on the horizon, we believe the pricing power in many of these business models should help position investors for the day when it arrives.

Guided Portfolio Prime Income: Dividend/Distribution Growth Perspective

Security	Stock Symbol	Portfolio Entry Date	Price Added	Annualized Div Rate (at entry)	Annualized Div Rate (Current)	2012 Dividend Action	Current Yield	Yield On Cost
Consumer Staples								
Altria Group	MO	11/2/07	\$22.24	1.14	1.64	TBD	5.09%	7.37%
H.J. Heinz	HNZ	8/3/10	\$45.30	1.80	1.92	TBD	3.60%	4.24%
Lorillard Inc.	LO	1/29/09	\$61.66	3.68	6.20	19.00%	4.58%	10.06%
Energy								
Diamond Offshore Drilling	DO	5/29/09	\$84.28	8.00	3.50	steady	5.11%	4.15%
Royal Dutch Shell "B"	RDS'B	5/19/11	\$71.12	3.36	3.44	TBD	4.69%	4.84%
Financials								
Bank of Montreal	BMO	12/29/10	\$52.74	2.80	2.85	TBD	4.82%	5.40%
Healthcare								
Bristol-Myers Squibb Co.	BMJ	2/12/09	\$21.75	1.24	1.36	TBD	4.08%	6.25%
Eli Lilly & Co.	LLY	1/29/09	\$37.97	1.96	1.96	TBD	4.74%	5.16%
Merck & Company	MRK	9/28/09	\$32.03	1.52	1.68	TBD	4.28%	5.25%
Master Limited Partnerships								
Enterprise Product Ptrs L.P.	EPD	11/13/03	\$22.61	1.49	2.51	5.00%	4.87%	11.10%
Kinder Morgan Energy L.P.	KMP	1/15/03	\$35.45	2.50	4.80	5.26%	5.82%	13.54%
Plains All American L.P.	PAA	8/11/11	\$63.18	3.93	4.18	7.73%	5.10%	6.62%
Williams Pipeline Ptrs L.P.	WPZ	2/20/07	\$43.09	1.88	3.11	8.36%	5.41%	7.22%
Real Estate Investment Trusts								
Annaly Capital Mgmt	NLY	5/29/09	\$13.94	2.40	2.20	VAR	13.48%	15.78%
CBL & Associates	CBL	5/25/10	\$13.55	0.80	0.88	4.76%	4.72%	6.49%
Digital Realty Trust	DLR	1/27/11	\$53.80	2.12	2.92	7.35%	3.89%	5.43%
National Retail Properties	NNN	12/29/11	\$26.38	1.54	1.54	TBD	5.62%	5.84%
Telecom Services								
AT&T Inc.	T	8/29/03	\$22.46	1.13	1.76	TBD	5.35%	7.84%
BCE Inc.	BCE	12/29/09	\$27.17	1.62	2.21	10.15%	5.36%	8.13%
CenturyLink	CTL	5/19/11	\$43.36	2.50	2.90	TBD	7.52%	6.69%
Utilities								
Dominion Resources	D	1/15/03	\$27.85	1.29	2.11	7.11%	4.04%	7.58%
FirstEnergy Corporation	FE	11/2/10	\$37.46	2.20	2.20	TBD	4.70%	5.87%

Average Yield on Cost for Existing Portfolio Stocks: 7.31%

Portfolio Average Yield (Current): 5.31%

Note: Diamond Offshore (DO) and Annaly Capital Management (NLY) have dividend policies where announced quarterly dividends may vary from period to period.

Source: RBC Wealth Management, Thomson One, Standard & Poor's, company reports,

Guided Portfolio: Prime Income Changes

We make changes to the Guided Portfolio: Prime Income based primarily on fundamental changes in the underlying business, such as balance sheet deterioration, declining cash flows, rising dividend payout ratios, or other changes that could negatively impact the company's ability to pay its dividend. We also take into consideration market activity and valuation. Removal from the list does not necessarily imply investors should sell a stock. We state our justification for removal and immediately provide appropriate follow-up information via a published report and also through our internal communication systems.

Additions: There were no additions since our last publication.

Deletions: There were no deletions since our last publication.

Company Highlights

Dominion Resources Inc. (D)

- The company reported earnings in line with management's recently reduced guidance. Dominion reported \$0.85 in earnings due to milder-than-expected weather. The milder weather factored into a -\$0.11 impact to earnings in the quarter. If weather had been normal, earnings would have been in the \$0.95-\$0.96 area. Management is guiding for second-quarter earnings in the range of \$0.55-\$0.65 and \$3.10-\$3.35 for the year.
- The company announced binding precedent agreements with two companies advancing LNG liquefaction from Cove Point. These agreements fully absorb the planned 1.0 bcf/d of export capabilities from Cove Point. The company continues to negotiate binding terminal service agreements with the parties and expects to complete them later this summer. One of the parties has been identified as Sumitomo Corp. After the Fukushima nuclear accident, it appears Japan is looking for more structural gas supply security, which could be a nice boost for Dominion.

Digital Realty Inc. (DLR)

- Digital reported first-quarter results that were pretty much as expected. The company reported FFO of \$1.06, which was in line with expectations. NOI increased by 8.4% year over year, and occupancy improved 90 basis points to 94.4%. Leasing volumes were a little below plan, but higher rental rates helped make up for the shortfall.
- Recent common and preferred offerings have given the company plenty of liquidity to make acquisitions and spend on development and redevelopment projects to help drive future FFO growth.
- The board declared the recently increased first-quarter dividend of \$0.73 that will be paid on June 29 to shareholders of record June 15.

Lorillard Inc. (LO)

- Lorillard reported first-quarter 2012 earnings of \$1.74, considerably less than the consensus estimate of \$1.99. Domestic shipments declined 2.5%, which was less than the industry average of a decline of 4%. A large part of the earnings miss, \$0.16 was attributed to changes in inventory patterns. The company gained market share in the quarter and now has an all-time high 14.5% market share. Newport market share and the total menthol segment market share both increased to new all-time highs of 36.8% and 40%, respectively. Lorillard is expected to continue to gain market share, which should help drive earnings growth and free cash flow growth, supporting dividend growth and share repurchases. The company bought back 1.6 million shares in the quarter at a cost of \$188 million.
- The company also announced the acquisition of blu Cigs, the leading electronic cigarette company, for \$135 million in cash. The acquisition provides Lorillard with the leading brand, offering the best consumer experience and unique social networking features in the rapidly growing e-cigarette category.

Altria Group (MO)

- The company reported first-quarter adjusted diluted earnings of \$0.49, which was in line with expectations. Reported diluted earnings were \$0.48. As with its peers, shipment volumes were negatively impacted by inventory movements. Volumes were flat, which was better than the industry average. Management is reaffirming fiscal-year guidance in the range of \$2.17-\$2.23 adjusted diluted and \$2.14-\$2.20 reported diluted, which represents 9% and 6% growth, respectively, over 2011.
- The company continues to return cash to its shareholders through dividends and share repurchases. Altria plans to maintain a targeted 80% dividend payout ratio on its adjusted diluted earnings. The company bought back 9.9 million shares at a cost of roughly \$294 million in the quarter. Altria has \$378 million remaining on its \$1 billion repurchase program, which it intends to complete by year end.

Master Limited Partnership Commentary

- **Williams Partners L.P. (WPZ)** Williams Partners reported another solid quarter with slight beats on EBITDA and DCF. The company reported \$645M in EBITDA and \$1.15 in DCF, both better than the RBCCM estimates of \$625.1M and \$1.09, respectively. Management maintained its guidance. The partnership continues to execute on its vision of developing large-scale, fee-based infrastructure solutions to link growing supply sources with demand centers. The company has plans for \$20 billion in CapEx projects through 2017 that should help drive future distribution growth. RBC believes the partnership will be able to grow its distribution between 8% and 10% annually for the next several years.

Company Descriptions

Annaly Capital Management (NLY)

Annaly Capital Management owns and manages a portfolio of high-quality agency, mortgage-backed securities (MBS). The company's principal business objective is to generate net income for distribution to stockholders from the spread between the interest income on its mortgage-backed securities and the cost of borrowing to finance its acquisition of mortgage-backed securities. Annaly does not originate mortgages. The company also operates a fixed-income investment management subsidiary, FIDAC, which currently holds net and gross assets under management of \$12.4 billion and \$20.1 billion, respectively. Annaly is organized as a real estate investment trust (REIT) for tax purposes. The company, founded in 1996, is based in New York City.

AT&T Inc. (T)

AT&T Inc. is one of the world's largest communications companies and is the largest in the United States. Operating globally under the AT&T brand, AT&T companies are recognized as the leading worldwide providers of IP-based services to business and as leading U.S. providers of high-speed DSL Internet, local and long-distance voice, directory publishing, and advertising services. With the acquisition of Bell South, AT&T Inc. holds a 100% ownership interest in AT&T Wireless, the No. 1 U.S. wireless service provider, with more than 52 million wireless customers.

Bank of Montreal (BMO)

Established in 1817, Bank of Montreal (BMO) is a diversified Canada-based financial services firm. Ranked the fourth-largest bank in Canada based on market capitalization, Bank of Montreal operates in the United

States and 17 other countries. It also owns Harris Bankcorp based in Chicago, Illinois, as well as BMO Nesbitt Burns, a full-service broker-dealer. The company recently closed the acquisition Marshall & Ilsley in a \$4.1 billion stock deal. Its major business lines include personal & commercial banking in both Canada and the United States, which contribute about 50% to earnings; wholesale banking (35%); and wealth management (15%). Bank of Montreal has approximately 37,000 employees.

BCE Inc. (BCE)

BCE, Inc., founded in 1880, is the largest diversified telecommunications firm in Canada. Telecom services, including wireline, wireless, video, and internet access, are provided through its wholly owned subsidiary Bell Canada. Nearly 85% of its revenues are derived from the wholly owned Bell Canada unit. The company is organized into four units: Bell Wireline, Bell Wireless, Bell Media and Bell Aliant. BCE also owns 100% of CTV, one of Canada's largest television networks. BCE and its subsidiaries provide telecom services to close to 70% of Canadians, with primary concentration in Ontario and Quebec.

Bristol-Myers Squibb (BMY)

Bristol-Myers Squibb is a global biopharmaceutical company. Its key disease focus is on cardiovascular, anti-cancer, anti-infectives (including HIV/AIDs), and the central nervous system. Plavix, its largest-selling drug through a joint venture with Sanofi-Aventis, generated \$6.7 billion in revenues in 2010. Research and Development represents 17.5% of sales, with more than 50 drugs in the development pipeline. Bristol-Myers seeks to broaden its pharmaceutical reach by developing drugs with strategic partners such as Astra-Zeneca, Pfizer and Eli Lilly. Foreign

sales reached 35% in 2011. The company was founded in 1887, and is based in New York City.

CBL & Associates Properties (CBL)

CBL & Associates owns, operates, manages, develops, redevelops, and acquires primarily regional malls in addition to community and neighborhood centers. CBL owns 157 properties, including 87 regional mall/open air centers in 26 states, totaling 85.9 million square feet of gross leasable area. CBL & Associates' properties are located primarily in the Southeast and Midwest regions of the United States. The company focuses on the middle markets where it can be the dominant retail landlord. CBL generates revenue predominately through long-term leases to retail merchants and recovers most property operating expenses from its tenants through contractual agreement. Tenants include major department stores and other retailers. The company is based in Chattanooga, TN and was founded in 1993.

CenturyLink Inc. (CTL)

CenturyLink is the nation's third-largest telecom company, operating in 37 states and serving 17 million access lines and 5 million broadband customers following the closure of the Qwest Communications acquisition in 2011. CenturyLink was formed by the mergers of CenturyTel and Embarq in 2009 and the recently closed merger with Qwest Communications. The company has primarily a rural footprint and offers local and long-distance voice, data, wholesale, internet access, broadband, and satellite video services, as well as sales of communications equipment and providing fiber transport, competitive local exchange carrier, security monitoring, and other communications services. Founded in 1968 and based in Monroe, Louisiana, the company changed its name to CenturyLink, Inc. in May 2010.

Diamond Offshore Drilling, Inc. (DO)

Diamond Offshore Drilling, Inc. is one of the world's largest offshore drilling companies. Formerly a wholly owned subsidiary of Loews Corporation, a 30% share went public in 1995. Today, Loews Corporation owns just over half of the company. The company owns 47 mobile offshore drilling rigs, including 32 semisubmersibles (or "floaters"), 13 jackup rigs, and 3 drillships, with two more on order. In 2010, 81% of revenues came from outside the United States, while two customers in Brazil accounted for 38% of revenues. Diamond Offshore currently has the capability to drill in depths exceeding 10,000 feet.

Digital Realty Trust (DLR)

Digital Realty Trust, Inc. is a Real Estate Investment Trust (REIT) primarily comprised of technology-related real estate assets, notably Turn-Key and Power Based Building Data centers. The REIT portfolio holds 96 properties, with 16.8 million square feet in 28 markets throughout North America, Europe, and Singapore. Its data center customers include domestic and international tenants across a range of industries, including manufacturing, telecommunications, technology, and financial services. Nearly 2.3 million square feet of space is currently held for redevelopment. Top investment markets include New

Jersey, Northern Virginia, Silicon Valley, Dallas, London, Paris, Amsterdam, and Singapore.

Dominion Resources, Inc. (D)

Dominion Resources is a diversified utility holding company that produces, transports, distributes, and markets natural gas to customers in the Northeast and Mid-Atlantic regions of the United States. It operates in three segments: DVP, Dominion Generation, and Dominion Energy. The DVP segment includes regulated electric transmission and distribution operations that serve residential, commercial, industrial, and governmental customers in Virginia and North Carolina. This segment is also involved in non-regulated retail energy marketing of electricity and natural gas. The Dominion Generation segment includes electricity generation through coal, nuclear, gas, oil, and renewables, as well as related energy supply operations. It is also comprised of generation operations of the company's merchant fleet and energy marketing as well as price risk management activities for these assets. The Dominion Energy segment includes the company's Ohio and West Virginia regulated natural gas distribution companies, regulated gas transmission pipeline and storage operations, natural gas gathering and by-products extraction activities, and regulated LNG import and storage operations. Dominion also provides producer services, which aggregates natural gas supply, engages in natural gas trading and marketing activities and is involved in natural gas supply management. Headquartered in Richmond, Virginia, the company was founded in 1909.

Eli Lilly & Co. (LLY)

Eli Lilly & Co. discovers, develops, manufactures, and sells pharmaceutical products for humans and animals. The company's products are sold in countries around the world. Lilly's products include neuroscience and endocrine products, anti-infectious drugs, cardiovascular agents, oncology products, an anti-ulcer agent, and animal health products. Eli Lilly distributes its products through independent wholesale distributors, as well as directly to pharmacies. The company was founded in 1876 and is based in Indianapolis, Indiana.

FirstEnergy Corporation (FE)

Based in Akron, Ohio, FirstEnergy Corporation is a diversified energy company involved in the generation, transmission, and distribution of electricity. Its nearly 4.5 million customers are located in Ohio, New Jersey, and Pennsylvania. In 2010, its regulated utility business accounted for nearly 93.9% of consolidated revenues. Its unregulated business, Power Supply Management Services, that owns and operates the power generation assets and provides energy management and wholesale power services, accounted for 6.1% of 2010 revenues. FirstEnergy's current fuel mix is: coal (54%), nuclear (29%), oil/natural gas (12%), and hydro/other (5%).

H.J. Heinz Company (HNZ)

H. J. Heinz Company manufactures and markets food products for consumers, foodservice, and institutional customers. It offers ketchup, condiments and sauces,

frozen food, soups, desserts, entrees, snacks, frozen potatoes, appetizers, beans and pasta meals, infant nutrition, and other processed food products. The company is recognized primarily for its iconic ketchup brand, but it also manages a broad portfolio of food products. Notable brands include Ore-Ida, Weight Watchers (licensed), Smart Choice, Boston Market, Bagel Bites, and Classico. The company also owns or leases office space, warehouses, distribution centers, research, and other facilities. It sells its products through its sales organizations, independent brokers, agents, and distributors to grocery accounts, convenience stores, bakeries, pharmacies, mass merchants, club stores, and foodservice distributors, as well as to institutions including hotels, restaurants, hospitals, health-care facilities, and various government agencies. H. J. Heinz Company has operations in North America, Africa, Latin America, Europe, the Asia Pacific, and the Middle East. The company was founded in 1869 and is based in Pittsburgh, Pennsylvania.

Lorillard, Inc. (LO)

Lorillard, Inc., through its subsidiaries, engages in the manufacture and sale of cigarettes in the United States. The company offers 41 different product offerings under the Newport, Kent, True, Maverick, Old Gold, and Max brand names. It sells its products primarily to wholesale distributors, who in turn service retail outlets, chain store organizations, and government agencies, including the United States' Armed Forces. The company was founded in 1760 and is based in Greensboro, North Carolina.

Altria Group Inc. (MO)

Altria Group, Inc., through its subsidiaries, engages in the manufacture and sale of cigarettes, wine, and other tobacco products in the United States and internationally. It primarily offers cigarettes under the Marlboro, Virginia Slims, and Parliament brands; smokeless tobacco products under the Copenhagen, Skoal, Red Seal, and Husky brands, as well as Marlboro snuff; and machine-made large cigars and pipe tobacco. The company also owns approximately 28.6% of SABMiller p.l.c. and 100% of Philip Morris Capital Corp. In addition, the company maintains a portfolio of leveraged and direct finance leases principally in transportation, including aircraft, as well as power generation and manufacturing equipment and facilities. It serves wholesalers (including distributors); large retail organizations, such as chain stores, and the armed services. The company was founded in 1919 and is headquartered in Richmond, Virginia.

Merck & Co. (MRK)

Merck & Co., Inc. is one of the largest global pharmaceutical companies, with strong franchises in asthma, allergies, diabetes, and hypertension. The company's foreign operations accounted for 57% of total sales in 2011. Merck is also a leader in vaccines, which accounted for 9.4% of human health sales in 2011. The company also participates in a number of product joint ventures with Johnson & Johnson, AstraZeneca and Sanofi-Aventis. The company serves drug wholesalers and retailers, hospitals, government agencies, physicians,

physician distributors, veterinarians, animal producers, and managed health care providers, as well as food chain and mass merchandiser outlets in the United States and Canada. Merck & Co., Inc. was founded in 1891 and is headquartered in Whitehouse Station, New Jersey.

National Retail Properties (NNN)

National Retail Properties, Inc. is a leading owner of retail real estate in the U.S. In total, the company has ownership interest in 1,298 properties in its investment portfolio that spans 47 states and totals 15.3 million square feet. The company also owns 17 properties in its portfolio, which includes assets held for development and exchange. In addition to owning triple-net retail, National Retail Properties is the majority owner of Orange Avenue Mortgage Investments, which has investments in residential interests of commercial real estate loans. A triple-net lease agreement designates the lessee or tenant as being solely responsible for all of the costs relating to the property being leased in addition to the rental fee applied under the terms of the lease. This structure requires the lessee or tenant to pay for net real estate taxes on the leased property, net building insurance, and net common area maintenance, which is how the lease structure got its name. Triple-net leases are typically comprised of individual properties and generally have longer lease durations than that of many regional mall REITs.

Royal Dutch Shell Plc "B" (RDS.B)

Royal Dutch Shell Plc is among the largest integrated oil and gas companies in the world. Based in the U.K., its businesses have a footprint in more than 100 countries. Oil & gas exploration and production accounted for more than 58% of group earnings in 2010. Shell is the global leader in LNG (liquefied natural gas) and has a large position in the Athabasca Oil Sands Project in Canada. Exposure to oil sands and heavy crude accounts for more than 40% of the production portfolio is economic at \$40/bbl oil. Shell is also one of the world's largest chemical companies and has significant global refining operations. The "B" shares have a dividend declared in British sterling and converted to U.S. dollars. Due to the nature of the tax treaty with the U.K., the "B" share dividend does not incur foreign tax withholding.

Master Limited Partnerships

MLPs are similar in almost every way to publicly traded companies but have several advantages because of their unique partnership structure. Unlike corporations, whose profits are taxed by the federal and state governments, partnerships do not pay tax on their income and may, therefore, pass the full amount of their cash flows to their unit holders, avoiding the "double taxation" to which corporations are subject. Capital gains and losses, amortization and depreciation, and all other credits and deductions are included in an individual's allocation of income and are passed directly through to the unit holder through a K-1. The tax burden falls completely on the unit holder. Instead of receiving a 1099 form for tax purposes, investors receive a K-1 form, which usually arrives in late

February or early March. Some MLPs operate in several states, and filing taxes in these states can be cumbersome. When we use the phrase “tax-advantaged distribution” regarding MLPs, we are referring to the fact that the distribution contains a high percentage of “return of capital,” which serves to offset the cost basis in the underlying unit. Please consult with your tax advisor on issues that may pertain to Master Limited Partnerships.

Enterprise Products Partners, L.P. (EPD)

Enterprise Products Partners is one of the leading midstream energy service companies in North America, providing complete services of processing, fractionation, transportation, and storage to producers. The partnership serves the largest producing basins of natural gas, crude oil, and natural gas liquids in the United States, including the Gulf of Mexico, Rocky Mountains, San Juan Basin, Permian Basin, Texas, and Louisiana Gulf Coast region, East Texas, and Mid-Continent. Enterprise Products believes it is a leader in the development of midstream infrastructure in the deepwater Gulf of Mexico. The partnership has an estimated tax deferral of 90% for new investors. Enterprise Products Partners L.P. was founded in 1968 and is based in Houston, Texas.

Kinder Morgan Energy Partners, L.P. (KMP)

Kinder Morgan Energy Partners, L.P. owns and manages energy transportation and storage assets. Its Products Pipelines segment delivers gasoline, diesel fuel, jet fuel, and natural gas liquids to various markets. The company's Natural Gas Pipelines segment gathers, transports, stores, processes, and sells natural gas through approximately 15,500 miles of natural gas transmission pipelines and gathering lines, as well as natural gas storage, treating, and processing facilities. Its CO₂ segment produces and transports carbon dioxide through approximately 2,000 miles of pipelines to oil fields that use carbon dioxide to increase production of oil. The company's Terminals segment transloads, stores, and delivers bulk, petroleum, petrochemical, and other liquids products through approximately 124 liquid and bulk terminal facilities; and approximately 33 rail transloading and materials handling facilities. Its Kinder Morgan Canada segment transports crude oil and refined petroleum products through approximately 2,500 miles of pipelines from Alberta, Canada, to marketing terminals and refineries in British Columbia, the state of Washington, and the Rocky Mountains, as well as in the central regions of the United States. Kinder Morgan G.P., Inc. serves as the general partner of the company. It operates primarily in the United States, Canada, and Mexico. The company was founded in 1992 and is based in Houston, Texas. We estimate the tax deferral for new investors is 90%.

Plains All American Pipeline L.P. (PAA)

Plains All American Pipeline L.P. is a master limited partnership primarily engaged in the transportation, storage, terminaling and marketing of crude oil, refined product and LPG plus other natural gas related petroleum products. Approximately 73% of its revenue is fee-based, primarily tied to the transportation and facilities units, including PAA Natural Gas Storage LP (PNG). The supply

& logistics unit contributes a mix of margin-based and fee-equivalent revenues. The M&A strategy seeks to build off of a core infrastructure and knowledge base. By targeting assets that offer an opportunity for improved utilization optimization and commercial gains, Plains has been able to exploit the natural inefficiencies within the crude oil market, including supply imbalances, bottlenecks, and product differentials. Plains All American Pipeline L.P. was founded in 1998 and is based in Houston, Texas. It carries an investment grade credit rating of BBB- from S&P. We estimate the tax deferral for new investors is 70%.

Williams Partners, L.P. (WPZ)

Williams Partners L.P. is a diversified master limited partnership and focuses on transporting; gathering, treating, and processing; storing natural gas; and natural gas liquid fractionating and oil transporting activities. The company operates in two segments, Gas Pipeline and Midstream Gas and Liquids. The Gas Pipeline segment owns and operates approximately 13,900 miles of pipelines with annual throughput of approximately 2,700 trillion British thermal units of natural gas and delivery capacity of approximately 12 million dekatherms of gas. This segment also owns interests in joint venture interstate and intrastate natural gas pipeline systems. The Midstream Gas and Liquids segment operations include natural gas gathering, treating, and processing, as well as oil transportation pipelines that serve the producing basins in Colorado, Wyoming, Pennsylvania, the Gulf Coast, and the Gulf of Mexico. Williams Partners GP LLC serves as the general partner of the company. Williams Partners L.P. was founded in 2005 and is based in Tulsa, Oklahoma. We estimate the tax deferral for new investors is 80%.

Methodology to the Guided Portfolio: Prime Income

The Portfolio Advisory Group uses specific investment criteria when selecting companies for inclusion on the Guided Portfolio: Prime Income.

These include:

- The Investment Committee, noted on the front page of this report, selects and monitors the companies included in the Guided Portfolio: Prime Income. Members of the Investment Committee are also members of the Portfolio Advisory Group. The universe of companies for selection encompasses the stocks under fundamental research by RBC Capital Markets, RBC Wealth Management, and our third-party providers of research.
- We will evaluate companies in the traditional equity income areas such as electric and gas utilities, and REITs, and Master Limited Partnerships.
- We will also evaluate non-traditional income stocks for possible inclusion that provide a high current dividend yield relative to the group and relatively low business risk.
- Our GPPI selections will be chosen with emphasis placed on balance sheet strength, low business risk, strong dividend coverage, industry average or lower payout ratios and an investment grade debt rating.
- Stocks will be monitored on these criteria.
- We reserve the right to consider companies with improving profiles that may not meet one or more of these objectives.
- Companies chosen for inclusion on this list will be primarily judged on the stability of the cash flows from the company and the strength or pending improvement of the balance sheet.
- Historically, we use the 10-year treasury as a benchmark for the targeted yield for the stocks. For traditional equity income sectors, we target a yield at or above the current 10-year treasury. For non-traditional equity income stocks, we will consider stocks that have a yield 100 to 150 basis points below the current yield, given there is strong cash flow, a commitment to a dividend historically and opportunity for dividend increases based on the growth of the underlying businesses. The target yield will fluctuate with movement of the both fixed income and equity yield benchmarks.
- Our selection universe of companies must have at least a neutral rating stock rating from our research sources, within an industry that is rated at least neutral or market weight.
- The Guided Portfolio: Prime Income is published on a monthly basis.

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

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Rating	Count	%	Investment Banking Services Provided During Past 12 Months	
			Count	%
Buy (TP/O)	769	51.64	226	29.39
Hold (SP)	653	43.85	154	23.58
Sell (U)	67	4.50	3	4.48

Definitions of Rating Categories

An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector, but does not attempt to provide the analyst's view of how the stock will perform relative to: (i) all companies that may actually exist in the company's sector, or (ii) any broader market index.

Ratings:

Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio, approximately 10% of analyst's recommendations.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Qualifiers:

Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; and/or fairly liquid.

Above Average Risk (AA): Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; and/or low market cap or float.

Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; and/or risk of being delisted.

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