

# Yield AND Income

## NEWSLETTER

Every properly constructed portfolio will contain securities to generate income.

*Yield and Income Newsletter* strives to present you with timely income investment insights from analysts throughout the United States. Bonds, preferred stocks, real estate investment trusts, or master limited partnerships can be a part of a successful income portfolio – and *Yield and Income Newsletter* gives you the edge.

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### Merrill Lynch/ Emerging Markets

Meanwhile, Merrill has declared an end to the recent panic in emerging markets stocks, which saw a staggering \$8.9 billion of redemptions from emerging markets equity funds in the week to March 7 alone.

Sure, it believes more fund redemptions are probable and global interest rates are likely to rise further in coming months. "The halcyon days of 'ample liquidity' are behind us," the bank asserts. "As forecast, evidence continues to build that the epic outperformance of EM equities versus both developed markets and EM debt markets in the past five years is faltering."

Even so, Merrill still likes a few markets. For example, it especially likes the Korean equity market. It trades well, remains cheap, the consensus is notably underweight and the domestic economy is likely to surprise on the upside according to Asia economist TJ Bond. Merrill says banks, construction, and consumer companies are set to benefit.

### Citigroup/Strategy

The investment bank has cut its earnings estimate for the S&P 500 for the first time since early 2003. Citi reduced the 2007 growth rate from 7.2% to 6.6%.

It says the major sector sources of the 2007 earnings slowdown will be commodities and financials. It adds that compared with its January forecast, it expects slightly smaller declines in materials and energy, and slightly weaker earnings per share for financials. "U.S. growth at the end of 2006 was less robust than earlier estimates, and the starting point for this year's activity is lower," it explains in a recent report to clients.

It also cut the full-year average U.S. GDP forecast for 2007 from 3.1% to 2.7%. ➔

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## Merrill Lynch/REITs

A number of brokerage firms recently upgraded their ratings on a wide number of real estate investment trusts after the recent selloff in the group.

Merrill Lynch points out that the recent decline was caused in part by high valuations, a concern over widening credit spreads, and a general view that real estate values would decline due to the possibility of higher interest rates. "The pullback in the REIT sector has created an attractive entry point for several high quality blue-chip stocks," it adds.

The investment bank says that based on current fundamentals, the recent decline in stock prices, and slowing GDP growth, its favorite asset class remains regional malls followed by the office sector. However, it recently upgraded seven REITs to buy from neutral in the apartment, industrial, and storage sectors due to the pullback.

"While many non-dedicated REIT investors continue to focus on relative dividend yields and price to cash flow multiples as meaningful valuation metrics, we believe that the most important metric is net asset value (NAV), especially when attempting to determine where a 'floor' is for the sector or individual stocks," it adds.

## Merrill Lynch/Emerging Markets continued from page 1

Of the so-called BRIC (Brazil, Russia, India and China).markets, Merrill asserts that Brazil looks the most attractive. "Even excluding energy and materials, it is by far the cheapest of the BRIC markets," it adds. "Brazil should also benefit from rising expectations for commodity prices."

In EMEA (Europe, the Middle East and Africa), Merrill thinks South African retailers and banks are cheap, underowned and susceptible to upside surprises from

It points out that in general, REITs are currently trading at a 5% premium to NAV which is in-line with the sector's long-term average and below the 8% premium at the start of the year. "To put these figures in perspective, the REIT sector has traded between 80% and 130% of NAV over the past 11 years with extended periods at both extremes representing good buying and selling opportunities," it adds.

Here are the seven REITs Merrill recently upgraded to "buys."

## Archstone Smith

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | ML Target Price |
|--------|---------------|---------------|---------------|--------------|-----------------|
| ASN    | \$55.53       | \$44.81-64.77 | 3.30%         | 3.30%        | 3.30%           |

The Englewood, CO owns and operates high-rise and garden apartment communities concentrated in many of the most desirable neighborhoods in the Washington, D.C. metropolitan area, Southern California, the San Francisco Bay area, the New York City metropolitan area, Boston, Southeast Florida, Chicago and Seattle. As of June 30, 2006, Archstone-Smith owned or had an ownership position in 267 communities, representing 82,491 units, including

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consolidation and M&A activity. "We would also very much high light the cheap, uncorrelated Gulf markets which have held up incredibly well year-to-date," it adds.

It especially points out that Saudi equities relative to Russia are the cheapest since 1997. "The laggard Dubai market is the best way for investors to gain exposure to the Gulf," Merrill adds, stressing that it continues to rate mega-cap, EM energy stocks as great contrarian buys. ➦

units under construction. Merrill calls Archstone “one of the most aggressive and successful developers among the apartment REITs.” It adds that its \$62 price objective is based on ASN trading at a 10% premium to its forward NAV estimate of \$56.41.

## Federal Realty

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | ML Target Price |
|--------|---------------|---------------|---------------|--------------|-----------------|
| FRT    | \$91.49       | \$64.00-98.92 | 2.50%         | \$95.32      | \$100           |

Federal Realty’s portfolio (excluding joint venture properties) specializes in retail assets, especially grocery-anchored shopping centers. It contains about 18.8 million square feet located primarily in strategic metropolitan markets in the Northeast, Mid-Atlantic, and California. In addition, it has an ownership interest in approximately 0.7 million square feet of retail space through its joint venture with Clarion Lion Properties Fund in which the Trust has a 30% interest. The Trust’s operating portfolio (excluding joint venture properties) was 96.5% leased to national, regional, and local retailers as of December 31, 2006, with no single tenant accounting for more than approximately 2.5% of annualized base revenue. Federal Realty has paid quarterly dividends to its shareholders continuously since its founding in 1962, and has increased its dividend rate for 39 consecutive years, the longest consecutive record in the REIT industry. “Federal possesses the highest quality shopping center portfolio in the public market as measured by surrounding demographics,” Merrill asserts. As a result, Federal has consistently maintained a strong occupancy rate and generated above average net operating income (NOI) growth, it adds.

## Regency Centers

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | ML Target Price |
|--------|---------------|---------------|---------------|--------------|-----------------|
| REG    | \$83.59       | \$59.04-93.49 | 3.20%         | \$84.12      | \$84.12         |

Regency owns, operates, and develops neighborhood and community shopping centers. As of September 30, 2006, the company owned and managed 399 retail properties in 37 of the top 50 MSAs, representing over 53 million square feet of gross leasing area (GLA). Since 2000, Regency has developed 163 shopping centers, including those currently in process, representing an investment at completion of approximately \$2.4 billion. Merrill asserts that Regency owns the second highest quality portfolio as measured by surrounding demographics and the company has focused on well established neighborhoods in affluent suburban communities throughout the country.

As a result, the median household income surrounding the company’s properties is \$66,552, which is 22% above the peer group average, the investment bank adds. As a result of these attractive demographic trends, Regency’s portfolio has consistently maintained an occupancy rate above 94% and the company has generated 3.5% net operating income (NOI) growth for the past eight years, an 80 basis point premium to the group average, according to the bank.

## ProLogis

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | ML Target Price |
|--------|---------------|---------------|---------------|--------------|-----------------|
| ASN    | \$55.53       | \$44.81-64.77 | 3.30%         | 3.30%        | 3.30%           |

ProLogis is a provider of distribution facilities and services, with more than 2,460 facilities owned, managed and under development in 80 markets

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throughout North America, Europe and Asia. The company operates in three segments: Property Operations, Fund Management, and Corporate Distribution Facilities Services (CDFS). The Property Operations segment engages in the ownership, management, and leasing of industrial distribution and retail properties. As of December 31, 2005, this segment consisted of 1,461 operating properties with approximately 186.7 million square feet. The Fund Management segment provides investment management services for unconsolidated property funds and other properties. As of the above date, this segment had investments in approximately 14 property funds. The CDFS segment primarily develops properties that are contributed to a property fund or sold to third parties. This segment also engages in commercial mixed-use development activities, such as selling the land or completed projects to third parties. As of the above date, this segment had approximately 72 distribution properties. "We view PLD as the preeminent global provider of logistic and warehouse space," Merrill asserts. It adds that the company has posted solid earnings while providing outsized funds from operations (FFO) growth expectations, continues to grow its expansive global footprint and development pipeline and its stock has declined significantly after reaching an all-time high of \$71.64 on February 20.

## Public Storage

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | ML Target Price |
|--------|---------------|---------------|---------------|--------------|-----------------|
| PLD    | \$65.46       | \$46.66-72.08 | 2.90%         | \$65.26      | \$72            |

Public Storage manages over 2,100 self-storage facilities located in 38 U.S. states and seven European nations with about 132 million net rentable square feet. In many markets, it offers container storage

service with PS Pickup. Through one of our affiliates, PS Business Parks, it has an equity interest in approximately 18 million net rentable square feet of commercial and industrial space located in eight states. "We believe PSA is the blue chip stock in the storage REIT sector and historically has been a pioneer relating to bold ideas (pickup and delivery) and operating initiatives," Merrill asserts. One potential catalyst: a sale or IPO of its European operations it acquired in the Shurgard merger. "Given the demand for storage in Europe, we would expect top-dollar pricing in either scenario and the capital could be used to further fund domestic growth," the investment bank adds.

## Extra Space Storage

| Ticker | Current Price | 52-Week Range  | Current Yield | NAV Estimate | ML Target Price |
|--------|---------------|----------------|---------------|--------------|-----------------|
| PSA    | \$99.18       | \$70.26-117.16 | 2.00%         | \$96.27      | \$106           |

Extra Space Storage is the second largest operator of self storage in the U.S. As of August 15, 2005, Extra Space Storage owns and operates 632 properties in 34 states including the District of Columbia. 191 of the properties are wholly-owned, 331 are owned in joint-ventures, and 110 are managed for unaffiliated third parties. Extra Space Storage has been investing in self-storage facilities since 1977 and has developed or acquired over 700 facilities. Merrill points out that this is a relatively new company, having gone public in 2004. The company focuses operations in more supply constrained locations, "supported by superior demographics and portfolio characteristics," Merrill noted. Unlike the other six companies Merrill upgraded, however, Extra Space's stock quickly rebounded to near its price target.

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## Corporate Office

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | ML Target Price |
|--------|---------------|---------------|---------------|--------------|-----------------|
| EXR    | \$20.03       | \$14.40-20.50 | 4.70%         | \$20.51      | \$20.51         |

The company focuses on suburban office properties, primarily in select Mid-Atlantic submarkets. It is among the largest owners of suburban office properties in the Greater Washington, DC region. The Company currently owns 188 office properties totaling 15.9 million rentable square feet, which includes 18 properties totaling 805,000 square feet held through joint ventures. As of December 31, 2005, the company's portfolio consisted of 165 office properties; 14 wholly owned office properties under construction or development; and land parcels totaling 311 acres. As of the same date, the company, through joint ventures, owned 18 operating properties, 2 office properties, and land parcels totaling 138 acres. Merrill asserts there are four key reasons to own shares of Corporate Office: above-average earnings growth of 9.6% forecast through 2011 versus 7.5% for the peer group average; consensus NAV estimates are 10-15% too low as they fail to capture the fair market value for OFC's 1,390 acres of land held for future development; above-average dividend growth of 7.2% forecasted thru 2011 versus 4.8% for its peers; and OFC's DC metro/suburban Baltimore portfolio is focused on defense-related tenants which should continue to benefit from increased national security spending while adding to the cash flow stability of its properties. ↗

## UBS/REITS

UBS also recently upgraded three apartment REITs. The investment bank asserts that it expects to see M&A/privatization should the group's stocks continue to trade at discounts to NAV. "While lower yielding deals are tougher to make pencil, those trading at higher yields could work in the current financing environment," it adds.

### Apartment Investment & Management Co.

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | UBS Target Price |
|--------|---------------|---------------|---------------|--------------|------------------|
| OFC    | \$49.68       | \$37.32-56.45 | 2.50%         | \$51         | \$56             |

The Denver company is the nation's largest owner and operator of apartment communities, with nearly 1,370 communities that include approximately 240,000 units. It operates in 47 states, the District of Columbia and Puerto Rico, serving about one million residents each year. AIMCO owns a broad range of apartment communities, including both conventional and affordable communities. Affordable communities are primarily subsidized by the U.S. Department of Housing and Urban Development and state housing agencies, or financed with tax credits. "Our upgrade is predicated in part on valuation," UBS asserts.

### BRE Properties Inc.

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | UBS Target Price |
|--------|---------------|---------------|---------------|--------------|------------------|
| AIV    | \$57.41       | \$41.41-65.79 | 4.20%         | \$74.20      | \$66             |

As of July 19, 2005, the company owned and operated 84 apartment communities totaling 23,826 units in California, Arizona, Washington, and Colorado. It also had nine other properties in various stages of development and construction consisting of 2,339

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units, as well as joint venture interests in two additional apartment communities comprising 488 units. Although UBS likes the stock based on its valuation, it trimmed its target price by \$3, to \$71.

### Camden Property Trust

| Ticker | Current Price | 52-Week Range | Current Yield | NAV Estimate | UBS Target Price |
|--------|---------------|---------------|---------------|--------------|------------------|
| BRE    | \$63.87       | \$49.50-72.95 | 3.40%         | \$71.90      | \$71             |

As of December 31, 2006, Camden owned interests in and operates 186 properties containing 63,843 apartment homes geographically dispersed across the United States from Washington DC to Southern California. Its development pipeline is substantial, with over \$2.2 billion in current and future projects. Upon completion of 11 properties under development, the company's portfolio will increase to 67,605 apartment homes in 197 properties ➔

## Bear Stearns/REITs

### Sunstone Hotel

| Ticker | Current Price | 52-week Range | Current Yield | BS Target Price |
|--------|---------------|---------------|---------------|-----------------|
| SHO    | \$27.84       | \$26.04-31.45 | 4.80%         | \$31            |

The southern California-based REIT owns 61 hotels primarily in the upper-upscale and upscale segments operated under brands such as Marriott, Renaissance, Hyatt, Hilton, and Fairmont. The investment bank recently upped its rating to outperform because it deemed the stock to be what it calls "an attractive risk-reward." Bear likes the stock in part because it deems there to be increased visibility on issues that have plagued investor sentiment, with early signs of recovery at its Fairmont Newport Beach/Century Plaza hotels after undergoing major capital expenditures and a clearly defined renovation schedule for its six major projects that end in the second quarter of this year. "Steven Goldman's (new CEO) extensive expertise/network in hotel development/acquisitions bode well for the successful execution of major capital projects and provide an additional edge in acquisitions," the investment bank adds. ➔

## Master Limited Partnerships

### Citigroup/Exploration & Production MLPs

The investment bank is recommending a number of master limited partnerships that it deems to be key mid-continent shale plays. It points out that in the past few years, U.S. exploration and production companies have ramped up capital spending toward onshore unconventional natural gas plays, while reducing exposure to offshore projects. "The primary reason for this new focus is improved risk-adjusted

returns," it adds. It says no region better exemplifies this new focus than the Barnett Shale in North Texas.

"Following the success producers are having in the Barnett Shale, other unconventional natural gas plays, such as the Fayetteville Shale in Arkansas and the Woodford Shale in Oklahoma, are beginning to gain momentum," Citi elaborates. "Combined, these new mid-continent onshore natural gas plays should make up an increasing percentage of U.S. production as they grow and mature."

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Citi singles out three master limited partnerships that are poised to take advantage of these trends.

## Energy Transfer Partners

| Ticker | Current Price | 52-week Range | Current Yield |
|--------|---------------|---------------|---------------|
| ETP    | \$53.56       | \$37.26-57.66 | 5.75%         |

The company owns and operates a diversified portfolio of energy assets. ETP's natural gas operations include approximately 12,000 miles of natural gas gathering and transportation pipelines, with an aggregate throughput capacity of 7.2 billion cubic feet of natural gas per day, and includes natural gas treating and processing assets located in Texas and Louisiana. ETP is also the fourth largest retailer of propane in the United States, serving more than 700,000 customers from coast to coast. "We believe Energy Transfer Partners stands to benefit the most, as both of its intrastate Barnett Shale expansions are expected to be on line in 2007," Citi states in a recent report.

## Energy Transfer Equity LP

| Ticker | Current Price | 52-week Range | Current Yield |
|--------|---------------|---------------|---------------|
| ETE    | \$33.21       | \$22.50-36.43 | 4.1%          |

Energy Transfer Equity, L.P.'s (ETE) revenues are primarily derived from its partnership interests in Energy Transfer Partners, L.P. (ETP). These interests consist of: All of the General Partner interests of ETP, which includes 100% of the Incentive Distribution Rights, and approximately 36.4 million ETP common units and 26.1 million ETP Class G units held directly by ETE. Citi recommends this issue for more aggressive investors since it has leveraged growth to ETP as a result of its ownership of incentive distribution rights (IDRs).

## Boardwalk Pipeline LP

| Ticker | Current Price | 52-week Range | Current Yield |
|--------|---------------|---------------|---------------|
| BWP    | \$35.79       | \$19.97-38.48 | 4.6%          |

The MLP is engaged in the interstate transportation and storage of natural gas. Boardwalk conducts its operations through three subsidiaries: Gulf Crossing Pipeline Company LLC, Gulf South Pipeline Company, LP, and Texas Gas Transmission, LLC. Gulf Crossing will transport gas from the Barnett Shale play in North Texas and is expected to go into service in 2008. Gulf South gathers gas from the prolific basins of the Gulf Coast and delivers that gas to on-system markets and to off-system markets in the Northeast and Southeast. Texas Gas provides long-haul transportation from the Gulf Coast supply areas to on-system markets in the Mid-West and off-system markets in the Northeast. Gulf South and Texas Gas directly serve customers in 11 states and have approximately 13,400 miles of pipeline and 11 underground storage fields with aggregate certificated working gas capacity of approximately 146 billion cubic feet. Citi says it also expect Boardwalk to become a major provider of incremental capacity in the region..

## Preferred Stock

### UBS/Preferreds

The investment bank points out that a half dozen or so bank issuers recently had their preferred ratings raised by both Standard & Poor's and Moody's. They include **Bank of America, Citigroup, JP Morgan, US Bancorp, Wachovia, and Wells Fargo.**

S&P acted first, in mid-February. "The rating agency acknowledged improvements in the credit fundamentals of each and cited positive strides in profitability, cost controls, and earnings growth as additional reasons for the upgrades," UBS noted.

The investment bank also points out that these companies were also among the banks that benefited from Moody's recent adoption of a new joint default

analysis (JDA) methodology. It explains that the new system starts with a bank financial strength rating and then considers the various support levels that banks would likely receive from external parties in the event of financial hardship.

"We consider the ratings actions to be positive developments for preferred holders," UBS emphasizes. "This is particularly the case for S&P's ratings upgrades since they stemmed from an improved assessment of each bank's credit quality rather than from a change in methodology."

UBS adds that an additional positive development for certain non-cumulative preferreds occurred after Moody's decided not to implement a proposal that would notch these preferreds lower. 📌

## Dividend Yields

### Merrill Lynch/ Dividend Yield Screen

Each month, the investment bank screens for higher quality companies that offer relatively secure dividend yield. The stocks are selected from the Merrill Lynch Universe that currently consists of approximately 1650 companies.

The criteria:

1) S&P Common Stock Rank of A+, A, or A-. The brokerage stresses that the S&P Common Stock rankings are the main measure of quality. These rankings are based primarily on the growth and stability of earnings and dividends over a 10-year period.

- 2) Return on Equity (ROE) greater than the average S&P 500 ROE.
- 3) Debt/Equity lower than the S&P 500.
- 4) Dividend Yield greater than the S&P 500.
- 5) Merrill Lynch Investment Opinion indicates the likelihood that the dividend will remain the same or be increased
- 6) The ratio of the last 12-months' free cash flow to dividends must be greater than 1.0.

This month, 17 stocks were kicked out from the screen. We highlight the four whose current yields exceed 3%.

# Dividend Yields

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## Altria

| Ticker | Current Price | 52-week Range | Trailing P/E | Current Yield |
|--------|---------------|---------------|--------------|---------------|
| MO     | \$84.28       | \$68.36-90.50 | 15.17        | 4.08%         |

Altria Group is the parent company of Kraft Foods, Philip Morris International, Philip Morris USA and Philip Morris Capital Corporation. In addition, Altria Group, Inc. has a 28.6% economic and voting interest in SABMiller.

## Merck

| Ticker | Current Price | 52-week Range | Trailing P/E | Current Yield |
|--------|---------------|---------------|--------------|---------------|
| MRK    | \$55.15       | \$32.75-46.55 | 21.85        | 21.85         |

One of the world's largest pharmaceutical companies, it is well known for a number of drugs. They include Singulair for the chronic treatment of asthma, and relief of symptoms of allergic rhinitis; Cozaar/Hyzaar and Vasotec for the treatment of hypertension/heart failure; Fosamax and Fosamax Plus D for the treatment and prevention of osteoporosis; Zocor, an atherosclerosis product; Primaxin and Cancidas, anti-bacterial/anti-fungal products; Cosopt and Trusopt, the ophthalmological products; Proscar, an urology product

for the treatment of symptomatic benign prostate enlargement; Maxalt, an acute migraine product; and Propecia for the treatment of male pattern hair loss.

## Kimberly-Clark

| Ticker | Current Price | 52-week Range | Trailing P/E | Current Yield |
|--------|---------------|---------------|--------------|---------------|
| KMB    | \$68.00       | \$56.96-70.28 | 20.59        | 3.12%         |

Kimberly-Clark is a major consumer products company with operations in 37 countries and whose brands are sold in more than 150 countries. Its well-known family care and personal care brands include Kleenex, Scott, Andrex, Huggies, Pull-Ups, Kotex, Poise and Depend. It holds the No. 1 or No. 2 share position globally in more than 80 countries.

## Chevron

| Ticker | Current Price | 52-week Range | Trailing P/E | Current Yield |
|--------|---------------|---------------|--------------|---------------|
| CVX    | \$68.52       | \$54.26-76.20 | 8.8          | 3.04%         |

The integrated energy company conducts business in about 180 countries. Its brands include Caltex, Texaco and Chevron. ↗

# Fixed Income

## Citigroup/Fixed-Income Strategy

The investment bank points out that despite upbeat remark from the Fed about the state of the economy, futures contracts are currently pricing in a 25-basis point cut to the 5.25% overnight rate at the June 28 FOMC meeting.

Why the concerns? Growing problems in the subprime mortgage market, the downturn in China and suggestions from former Fed chairman Alan Greenspan that a recession could arrive by the end of the year.

This said, Citi assures it continues to be comfortable that the high-yield bond market will provide an important source of support of the stock market.

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"We remain cautious, however, on purchasing high-yield bonds directly," it warns.

It adds, however, that while high-yield corporate bonds and emerging market securities have cheapened and present better buying opportunities than a few weeks ago, valuations are still not compelling. It points out that the high-yield market index is trading at a 293-basis point spread to Treasuries. This compared to a historical average of 509 basis points for 5-year paper and 810 points for 10-year notes. "Spread relationships in other typically high-risk bond sectors are, in fact, well below long-term median and average levels as well," Citi adds.

All in all, the financial services giant asserts that it continues to be comfortable that the high-yield bond market will provide an important source of support of the stock market. However, it remains cautious for what it call a new incursion into the high-yield bond market itself. "We think it is unlikely that the widening of spreads from all-time record levels will be retraced any time soon," it adds. "Moreover, additional signs of weakening in the U.S. or global economy could push spreads a bit wider from here. If that were to occur, we would probably become more sanguine about adding to high-yield allocations in individual investor portfolios." ↗

## Distressed Debt Investor/ High Yield Opportunity

### Propex 10% Senior Notes

Current price - \$87.00

Propex, Inc. is a manufacturer and marketer of primary and secondary carpet backing and woven and non-woven polypropylene fabrics and fibers. The newsletter points out that the company is a market leader in categories that represent more than 50% of its revenues, due in part to the acquisition of

SI Concrete Systems Corporation and SI Geosolutions Corp., a significant competitor, in early 2006.

It likes the 10% Senior Notes at 82 or below. It points out that the paper declined since April 2006 due to weak operating performance and difficult market conditions. "Furthermore, we expect the company to post very weak results in its fourth quarter and perhaps face difficult operating comparisons through the first half of 2007," it adds.

Even so, DDI believes the 10% Senior Notes could be a profitable long position at a price. It points out that the Company possesses leading market positions, relatively favorable credit metrics, and ample liquidity. In addition, cost savings from SI integration efforts and more stable industry conditions should eventually lead to improved operating performance, it adds. "Furthermore, the company should possess sufficient financial flexibility to weather adverse industry conditions due to recently obtained covenant relief," it adds. ↗

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**PUBLISHER:** David Landes | **EDITOR:** Stephen Taub  
**SUBSCRIBER SERVICES:** Andrea Anderson

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