J W KORTH & COMPANY
INVESTMENT MANAGEMENT DIVISION

FIRST QUARTER ACCOUNT MANAGEMENT REVIEW FOR OUR GLOBAL HIGH YIELD SEPARATELY MANAGED ACCOUNTS

April 15, 2012

We believe most people who have achieved a significant level of wealth desire to earn income, relax and retire with a comfortable portfolio of liquid assets. We continue to define a "comfortable portfolio" as one which achieves the highest reasonable current income while being insulated by broad diversity to the highest possible degree from all imaginable economic shocks.

We continue our basic recommendation that to achieve these goals and preserve estate wealth, our clients should strongly consider allocating most of their liquid assets to a managed portfolio of fixed income instruments selected in the broadest possible way from all security types and worldwide markets.

Currently for all accounts, even those with higher tax brackets, we are recommending taxable instruments. This is because tax exempt bonds have generally risen to a level where even after a taxable bond portfolio of similar maturities and ratings is discounted for the tax exposure, we estimate the investor takes home approximately 1.00% more than on a similarly designed tax exempt portfolio. Last year at this time, due to the statements of a noted analyst that predicted broad municipal defaults (which thus far has been erroneous), it was the reverse. The relative values between these two markets are constantly monitored by our firm.

For taxable bonds, we believe the highest reward vs. risk is achieved with bonds in the BB-BBB categories. From 1981 -2010 according Standard and Poor's the average annual default rate for bonds within the BBB category was approximately 2/10ths of 1.00% and for the BB categories it was approximately 9/10ths of 1.00%. Yields in these categories can be achieved that are as much as 4.00% higher than stronger rated bonds. Consequently, if held to maturity, a highly diversified portfolio of carefully selected bonds could realize very solid returns with coupon payment disruptions very few to none. To add a higher level of security, wherever we can we look for secured bonds and bonds with Standard and Poor's Recovery Ratings of 3 or lower as presented on Bloomberg. This professional estimate means that even if an issuer chooses to reorganize that bondholders are estimated to receive 50-70% of their principal. We also actively monitor issuers, and sell bonds that we believe are showing strains and could have payment issues.

As long as our Federal Reserve does not continue too much more Quantitative Easing (translate: money creation program) we believe inflation is expected to remain in the low 2.00-2.50% range for the next year or two but could come under upward pressure when the money

the federal reserve has already created and resides within banks is loaned out aggressively to businesses and individuals as a real growth cycle emerges. This means that portfolios with a target yield of 7.00% should produce 4.50%-5.00% without diminishing the purchasing power of the asset base in the near term. The current low level of inflation has made inflation protected products inexpensive based on principal prices. We continue to add some inflation protected municipals bonds and structured notes to portfolios and continue to monitor opportunities for acquiring these types of notes for clients at discounts to principal value.

Regarding the general level of US interest rates, the prime driver – the Federal Reserve Board of Governors - has pledged to keep their benchmark rates near zero until late 2014. As a result, we have extended our target portfolio average life out to seven years. If the Fed holds true to its promise, this means a portfolio today, if unchanged until 2014, will essentially become a four year average life portfolio at that time. For a seven years average life portfolio, each 1.00% up move in interest rates reduces the market value of the portfolio approximately 5.00%. We currently believe that interest rates will remain low for many years going forward -- Just as they have in Japan, an economy which appears to have similar characteristics to ours.

Even if rates go up substantially, two things operate in our portfolio's favor. First, bonds can be held to maturity and thereby capture the principal that would discounted if sold before maturity. Second, because interest rates for short maturities are most often lower than interest rates for long maturities, as portfolio bonds move toward maturity they naturally increase in principal value. In extending portfolio maturities in the first quarter, we chose to add several quality highly liquid issues of preferred stocks with yields in excess of 8.00%. These have increased in value approximately 4.00% since their acquisition and we will continue to monitor their performance continuously with a view toward reallocating the positions in the face of a change in rate sentiment. First quarter bond purchases saw us acquire hard line US telephone companies with strong bases and good cash flow, collateral trust bonds for airplanes, and some mortgage portfolios which we believe have strong assets.

Because the financial community is now very global and because the US dollar may decline somewhat as a reserve currency over the next few years, our portfolios also have strong international components. We focus on the currencies of growing countries like Russia, Brazil, Australia, New Zealand, and Turkey and find exposure there through issues from stronger US banks and supranational corporations with very strong ratings. We avoid government bonds despite their high ratings because of their poor record in dealing with their creditors when things get really tough. Historically, in our experience, we have seen that large private entities will often be good credits even when the governments are not. We monitor the currencies of many countries and attempt to enter and exit them at appropriate times. Currently we are avoiding the Euro zone as we believe the scenario there is unpredictable as the European Union countries must adjust their economic policies to deal with the large amount of debt that has been incurred, and the prospects for slow or negative growth.

In the first quarter, we limited our international purchases as the central banks for some of the stronger international currencies, particularly Brazil, announced an aim to reduce their

currency values and lowered their interest rates. Turkey came under pressure with both Iran and Syria on its borders but the high coupons on the bonds acquired there appear to be steadily insulating investors from the currency moving lower. We continue to monitor the Housing Finance Bonds from Iceland where our portfolios continue to collect currency but have been restricted by trading rules by the Iceland Central bank to an offshore exchange rate which we find too low to recommend conversion. We do believe that the economics of Iceland are slowly improving. We did invest portfolios in Norway and believe the Scandinavian countries show some solid value.

Overall, our portfolios reflect our best judgments as to the direction of the financial markets with a very strong emphasis on diversity (which we believe is the largest driver of safety) and on reasonable yields. These can be selected by finding those instruments that appear in the marketplace without informational support and need investigation before placing in ours or our clients' accounts. It is these instruments that often appreciate after purchase and therefore show the most value. Our managed portfolios are most often considered for these opportunities before they are offered to other clients who manage their own accounts.

During the first quarter in the US, we saw a dramatic increase in principal values and a lowering of overall market interest rates primarily in January. We had to adjust our target yield for portfolio purchase averages down from 7.50% to 7.00% due to this market change. As the quarter continued the market became steady as there was strong buying and a substantial increase in new issues. Late in the quarter, the European financial crisis began to come to the forefront again and volume across the board slowed. This quarter we currently expect a modest fall back in prices and a rise in bond yields as more timid investors maintain excess income in cash and wait for clarity in the European situation. We believe the United States does not have a very large exposure to Europe as only about 14% of our international trade is delivered there and our banks appear to have made adjustments to their exposures. We have found that these periods of adjustment to international news create values in the marketplace and we expect to continue our portfolio purchases and may be able to raise our target yields back toward the 7.50% range during the summer. We are watching the presidential election in the US closely with an eye to the impending US budget and tax events scheduled for a lame duck congress just after the November presidential vote. This big decision by our nation has the chance to roil markets during the late summer and fall. For us, we believe it may present excellent buying and selling opportunities for committed fixed income investors. Stay tuned.

We trade the positions in our portfolios for two reasons. First, according to Standard and Poor's research, BB rated bonds average 5 years from the time of that rating to the time they could default and BBB bonds average 7.5 years. This gives us time. We follow economic trends and if the risk/reward scenario for a certain bond issuer deteriorates to point where we believe there is principal risk, we will sell it and replace it with a better issue. Second, bonds often appreciate, especially as they move closer to maturity, and we are always looking to take substantial gains on individual securities and then replace them with instruments we believe have additional gain potentials while keeping our portfolio parameters within target ranges.

This basic trading is supported with our reasons in our trading notes and these are available to all our clients as they relate to their accounts.

During the first quarter we sold a lot of corporate bonds and municipal bonds at extraordinary profits and reinvested many of them in longer maturities as we adjusted the maturities to a higher average life. Many of these bonds earned as much as three years in interest by taking principal profits. These profits were invested at higher yields to maturity than the bonds sold thereby increasing the income of the portfolios.

Lastly, for our Global High Yield Separately Managed Accounts and for other managed accounts, we tailor each portfolio to the specific orientation of our clients. As an example, we have an account that wants to be composed of a certain percentage of US dollar based securities and a certain percentage of a particular different currency. We accommodated the client while still specifically targeting a specific rating level and maturity average.

While all investing has risk and our portfolios may not perform up to expectations, we believe they represent the best risk vs. reward scenario for investors who want income from their investment account while preserving their wealth. For many years, nearly 100% of our clients have earned solid aggregate returns on our bond portfolios.

Overall, the professionals at J W Korth are watching the markets worldwide every business day and collaborating with dealers large and small to bring focus and the best results to our portfolio customers and help them earn income, relax and retire with a comfortable portfolio of liquid assets.

This report is updated quarterly and the principles are applied to our managed accounts on a continuous basis.

As always, we thank our customers for their business and faith in our efforts.

Sincerely,

J W KORTH & COMPANY