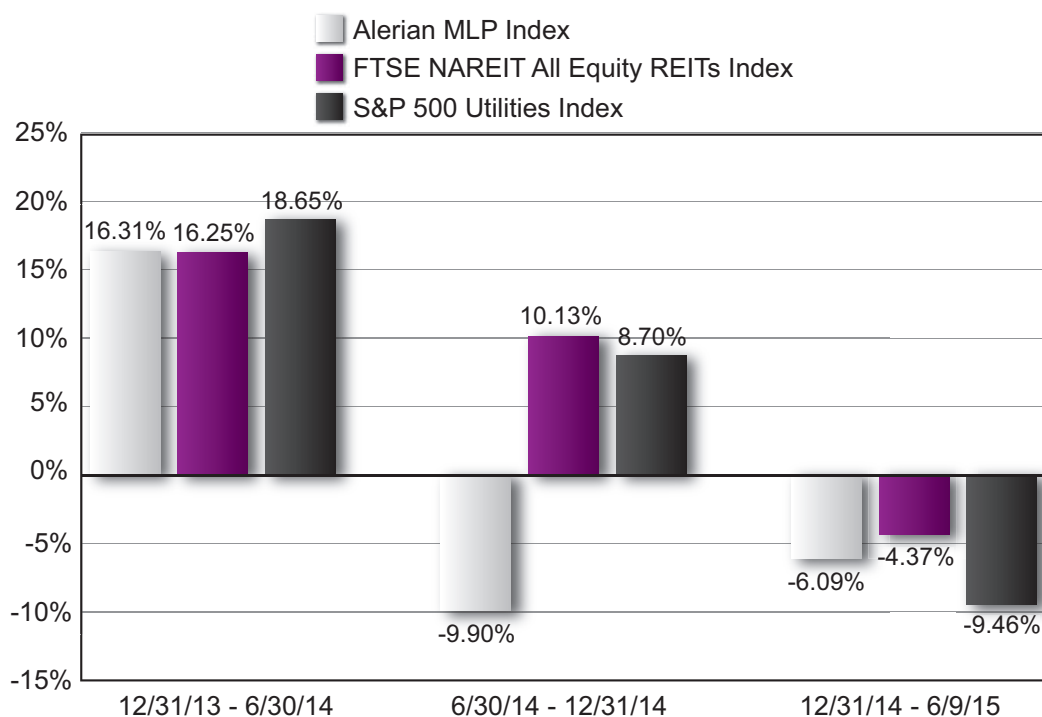


These Three Equity Income Asset Classes Have Sold-Off Following Strong Gains

Total Returns On Equity REITs, MLPs & Utilities



Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post seeks to briefly address some inquiries we have been getting lately regarding three sectors of the market often pursued by investors seeking relatively high levels of equity income.
2. The common thread running through the recent sell-off in equity REITs, master limited partnerships (MLPs) and utilities is that they all had been performing extremely well prior to a shift in sentiment.
3. While all three of these sectors are influenced by the direction of interest rates, some of the recent selling pressures extend beyond the 80 basis point rise in yield on the 10-Year Treasury Note from 1.64% (1/30/14) to 2.44% (6/9/15), in our opinion.
4. In 2014, the total returns on the three indices featured in the chart were as follows (Bloomberg): (+4.80%) Alerian MLP Index; (+28.03%) FTSE NAREIT All Equity REITs Index; and S&P 500 Utilities (+28.98%). For comparative purposes, the S&P 500 posted a gain of 13.69% in 2014, according to Bloomberg.
5. When you break down 2014 into two halves, you will notice that MLPs began their sell-off in the second half of the year. MLPs decoupled from the rally primarily due to the plunge in crude oil and natural gas prices that commenced in late June.
6. While the Alerian MLP Index declined by 9.9% in the second half of 2014, MLPs held up fairly well, in our opinion, considering the price of oil and natural gas fell 49.4% and 35.2%, respectively, over the same period, according to Bloomberg.
7. As mentioned above, the primary headwind for these three sectors so far in 2015 has been the rise in interest rates, but some soft economic data has also contributed, in our opinion.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The Alerian MLP Index is a capitalization-weighted composite of energy master limited partnerships. The FTSE NAREIT All Equity REITs Index is a free float adjusted market capitalization-weighted index that includes all tax qualified REITs listed on the major U.S. exchanges. The S&P 500 Utilities Sector Index is capitalization-weighted and comprised of S&P 500 constituents representing the utilities sector. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.