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Berman Capital Advisors LLC

Justin F. Berman, MBA, Founder and Principal

“In today’s low interest-rate environment, what **higher-yielding investments** should I consider?”

By Justin F. Berman

CHASING YIELD

In today’s low interest-rate environment, it’s tempting to abandon money market accounts, Treasury bonds and investment grade bonds in search of alternatives promising higher yield. Some alternatives are priced attractively and promise attractive yields, but reaching for that yield can change the underlying interest rate, credit quality and liquidity risks of the client’s portfolio. To borrow from James Grant, founder of *Grant’s Interest Rate Observer*, people are looking for riskless return, but what they are getting is returnless risk.

Here are some options for investors to add yield and diversification without adding significant risk and volatility to the portfolio.

MONEY MARKET/CASH

With the Federal Reserve planning to keep short-term rates low through 2014, some community banks are offering high bank deposit rates that are liquid daily. Of course, we recommend staying under the FDIC limit to ensure that cash is safe in the event of a bank failure. Some banks in our region are offering 1.0 percent for daily money.

FIXED INCOME

Appropriately allocated, higher yielding municipal and corporate bonds can add yield without significant risk. Investing in separately managed accounts rather than mutual funds helps

mitigate interest rate risk: If interest rates increase and bond values decline, separate accounts allow investors the option of holding bonds to maturity, whereas mutual fund managers have been known to sell at depressed prices, resulting in realized losses to investors.

Emerging market debt is another fixed income option. The key here is to invest in countries with strong balance sheets and adequate reserves to withstand any local currency issues.

Finally, investment grade residential mortgage-backed securities, particularly those underwritten during the middle of the last decade, with good FICO scores, geographic diversification and a large percentage of owner-occupied units, offer a strong risk-adjusted return at the top end of the capital structure.

EQUITIES

Over 50 percent of the companies that make up the S&P 500 currently yield more than a 10-Year Treasury Bond. Dividend-paying U.S. equities still have a place in a balanced portfolio, particularly those of multi-national corporations with significant cash on their balance sheets. And while the situation in Europe remains fragile, top blue chips in the Eurozone with worldwide exposure are trading at significant discounts to U.S. companies of similar size.

Master Limited Partnerships (MLPs) offer attractive yields, along with some

tax benefits. MLPs are investments in physical assets such as pipelines transporting natural gas, crude oil and other refined products.

ALTERNATIVE INVESTMENTS

There remains a void in the middle market for traditional bank loans, where supply has not kept up with demand. Lenders offering senior and mezzanine loans to mid-sized companies are pricing loans to creditworthy companies at relatively high rates. Mezzanine debt often carries some form of equity kicker in addition to high coupons.

Another alternative offering attractive yield is multi-family real estate. While some markets are overheating, there continues to be value in growing cities, where the supply of new developments is low and employment is improving, thereby increasing rents. Both of these alternatives, however, can tie up capital for five to ten years, so liquidity requirements will need to be addressed elsewhere in the portfolio.

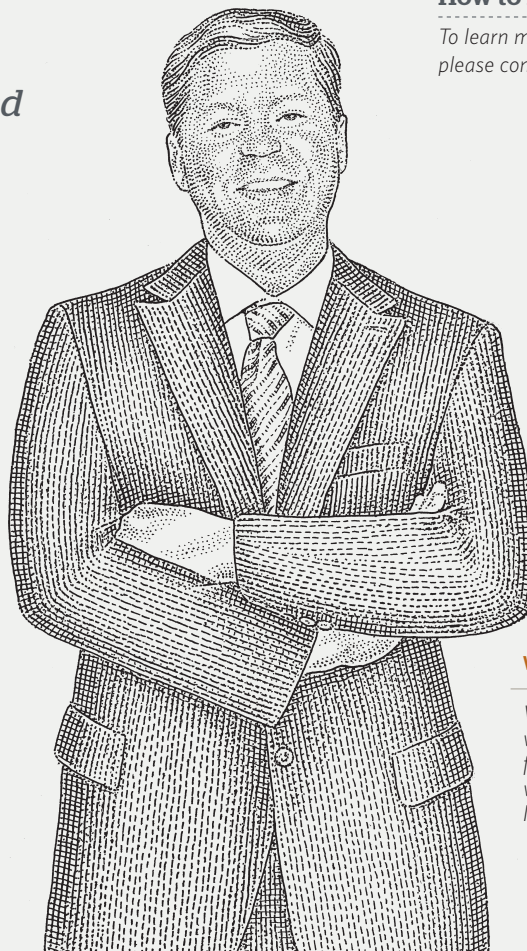
We work closely with our clients to understand their tolerance for the given types of portfolio risk. We believe that proper asset allocation is the key to long-term investing success, and currently, we believe that with the proper implementation—separate account managers, rather than mutual funds—appropriate allocations to the above asset classes can provide additional portfolio yield as well as diversification. ☺

"Reaching for that yield can change the underlying interest rate, credit quality and liquidity risks of the client's portfolio."

—Justin F. Berman

WHAT MAKES A GOOD WEALTH ADVISOR...

A good wealth advisor's only agenda is to provide excellent service to clients, with a top-notch team assembled to anticipate and proactively tend to clients' needs.



How to reach **Justin F. Berman**

To learn more about Berman Capital Advisors, please contact me at 404.554.4999.

IF I WEREN'T A WEALTH ADVISOR, I'D BE...

An athletic director at a major college

WHAT MAKES A GOOD CLIENT...

We particularly enjoy clients willing to be educated about the financial markets and investments, who are philanthropic and seek to leave a legacy for the community.

About Justin F. Berman

Justin F. Berman founded Berman Capital Advisors in 2010 to provide objective wealth management and investment consulting services to high net worth clients. Previously he was a vice president in the Private Wealth Management Group of Goldman Sachs and was a member of the firm's leadership council. He has also held positions within the Investment Advisory Group of MyCFO, Inc. and the Private Client Group at Arthur Andersen. Educated at Georgetown University, where he received his BSBA degree and graduated summa cum laude, he also holds an MBA degree from The Wharton School, at the University of Pennsylvania, where he was a Palmer Scholar. In his nonprofit activities, he is a trustee for Families First, Georgia's leading foster care agency; a trustee of Georgetown University's athletic department; a board member of the Assistance in Healthcare program for The Cancer Treatment Centers of America, Southeast Region; and a member of the American Jewish Committee.

Assets Under Management
\$1.2 billion

Minimum Net Worth Requirement
\$10 million (for planning and investment services)

Minimum Fee for Initial Meeting
None required

Largest Client Net Worth
Confidential

Financial Services Experience
13 years

Compensation Method
Asset-based and fixed fees

Professional Services Provided
Planning, investment advisory, money management and family office services

Primary Custodian for Investor Assets
Pershing, a BNY Mellon Company

Website
www.bermancapitaladv.com

Email
justin.berman@bermancapitaladv.com



Justin F. Berman, MBA
Founder and Principal

Berman Capital Advisors LLC
3475 Lenox Road, Suite 970
Atlanta, GA 30326
Tel. 404.554.4999

justin.berman@bermancapitaladv.com
www.bermancapitaladv.com

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