

# Kalos Dividend Strategy

## Objective

The Kalos Dividend Strategy seeks to provide investors with a desirable mix of income and total return through stock dividends and capital appreciation of equity holdings. This strategy explicitly targets stocks believed to be undervalued by fundamental measures. Strong future appreciation potential is emphasized along with current income. Our total return target and benchmark remains the S&P 500<sup>1</sup> even though performance is likely to differ from the index, possibly markedly, because of the different nature and return characteristics of stocks that pay higher dividends.

The portfolio targets dividend income approximately double the S&P 500, although dividend levels may differ markedly from this target according to ongoing dividend and market fluctuations.

## Investment Approach

Only individual stocks are normally held in the portfolio although the manager may include different types of holdings such as exchange traded funds in unique or special circumstances. Most or all holdings are U.S. stocks, but international<sup>2</sup> positions may be added if it is believed to add value to the portfolio. The portfolio is diversified across various market sectors and may include real estate and master limited partnerships<sup>3</sup>.

## Management

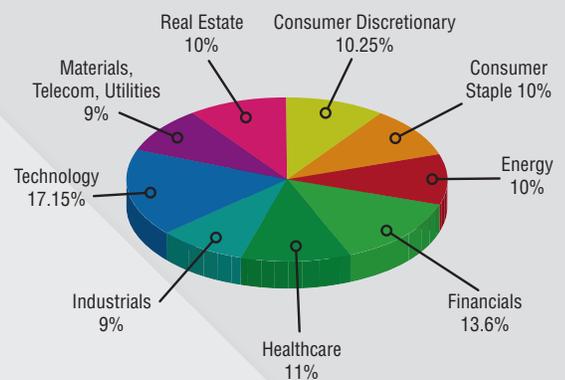
All positions are monitored and analyzed by management on at least a bi-weekly basis. Annual turnover of the portfolio is targeted at less than 50% although market conditions, special

circumstances, and periods of market duress may lead to more frequent trading. Holding periods of at least one year are pursued, and some positions will likely be held much longer. However, holdings may be added or sold at any time, and short-term and long-term gains or losses are always possible during any particular year.

## Risks

In seeking higher income, trade-offs between stocks with higher return expectations and stocks with higher dividends are required that could adversely affect performance. Higher dividend stocks that provide some returns through dividends may experience less volatile performance, but returns should be assumed to have all the volatility and uncertainty associated with equity markets. In addition, dividends can also be reduced.

*Please read the disclosure, located on the reverse side, which is integral to your investment decision-making process.*



The chart above outlines the broad strategy allocation. Within any strategy, investments are diversified across various market sectors and specific investments. Exact allocation percentages allocated to different sectors in your account will vary over time for various reasons including market fluctuations, actions taken by your investment manager, evolving investment opportunities and/or risks, and the ongoing administration of your account.



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<sup>1</sup>The S&P 500 Index is a capitalization-weighted unmanaged composite index of 500 widely traded stocks, created by Standard & Poor's, and considered to represent the total return performance of the stock market in general. S&P 500™ is a registered trademark of the McGraw-Hill Companies, Inc.

<sup>2</sup>If international positions are added to the portfolio, they could increase volatility due to socio-economic, market, and currency value instability. Their inclusion could also reduce portfolio volatility because of lower correlation with other holdings.

<sup>3</sup>If real estate securities or master limited partnerships are included, they may be affected by ability to provide liquidity; local market conditions or other competitive factors where properties are concentrated; property occupancy and rental rates; and risks relating to development or redevelopment activities.

Minimum Account Value is \$75,000.

# Explanation, Disclosure, and Disclaimer

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Kalos and its affiliates do not guarantee any minimum level of investment performance or the success of any portfolio or investment strategy. Further, there can be no assurance that any portfolio will achieve its investment objective. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's securities, when redeemed, may be worth more or less than their original cost. Depending upon unique and changing client and market situations we may customize the construction and implementation of the portfolios for particular clients. Therefore, your return may be materially different from that of other Kalos Management clients with the same investment objective and any comparative benchmark provided. Registration of an investment adviser does not imply any level of skill or training.

***Specific to Kalos Equity Commodity Strategy:*** The exposure to the commodities and stock markets that this strategy seeks to obtain creates inherent risks and limitations. Commodities price changes and expected volatility is likely to affect the prices of stocks operating in these markets both negatively and positively and can create substantial volatility. No attempt will be made to diversify into other sectors or asset classes outside of the natural resource and commodity sectors. The targeted focus of this strategy will likely result in price movements very different from the general stock market and could cause substantial under performance relative to the broader stock market. In addition, investing in equities carries both security selection and market risk which can cause substantial losses in individual holdings or across the entire portfolio. This strategy will hold equities – or other securities as appropriate – believed to provide growth or defensive advantages within the natural resource and commodities sector. While it is envisioned that all holdings will be stocks of individual companies, we recognize that future developments could make other investment vehicles more attractive, and it is possible that other vehicles could be added in part or whole to the strategy.

***Specific to Kalos Fixed Income Strategies:*** In an environment where interest rates may trend upward, rising rates will negatively impact most bond funds and bond exchange traded funds, and fixed income securities held by a fund or exchange traded funds are likely to decrease in value. Bond funds and exchange traded funds, and individual bonds with a longer duration tend to be more sensitive to changes in interest rates usually making them more volatile than securities with shorter durations. Duration is a measure of a portfolio's price sensitivity expressed in years.



*Investment Advisory Services offered through Kalos Management, Inc.  
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