

# Kalos Recommended Strategy

## Objective

The Kalos Recommended Strategy creates an investment portfolio that is tailored to specific investor needs according to their answers to the Investment Strategy Questionnaire. Account attributes such as time-frame, growth expectations, desired income, willingness to risk loss and account size are used to create a customized and diversified portfolio with holdings in domestic and international markets using equities and/or fixed income. The recommended portfolio targets a higher level of return for a given level of risk by combining various Kalos strategies that target different domestic and international markets and sectors.

## Investment Approach

The specific vehicles used to create your portfolio will depend upon the strategies identified as most appropriate to your particular objectives and your account size. Portfolios of \$200,000 or greater will generally use specific strategies that employ individual stocks for domestic equity holdings and country specific exchange traded funds for foreign equity holdings. Portfolios smaller than \$200,000 will normally use exchange traded funds for domestic and international equity investments that target broader sectors such as U.S. large company stocks and international regions or markets. Exchange traded funds will be used for all fixed income investments regardless of account size.

## 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 the mix of strategies, market conditions, special circumstances, and periods of market duress may lead to more or substantially less 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

The portfolio targets exposure to various domestic and international markets, and may also include exposure to different asset classes such as stocks and bonds. Depending on your specific portfolio requirements, trade-offs may result between holdings that are expected to generate greater income, return, stability, or diversification. These choices are likely to affect various elements of your portfolio performance including income generation, short and long-term returns, and portfolio volatility. Regardless of the level of diversification, holdings should be assumed to have all the volatility and uncertainty associated with their respective asset class such as domestic stocks, international stocks and fixed income.

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



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# 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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