

Kalos Mid and Small Company Strategy

Objective

The Kalos Mid and Small Company Strategy seeks to achieve capital appreciation by investing in common stocks of mid and small cap companies that we believe will experience accelerated earnings, strong revenue growth, and/or robust share price appreciation. This strategy specifically targets middle and smaller companies to seek out greater long-term growth.

In assessing and selecting stocks for investment, we analyze economic margin, company valuations, industry economic margin trends, management actions, and pricing momentum. We also seek companies that show persistent growth relative to their peers and industry. We pay particular attention to current valuations versus expected cash flow to minimize the likelihood of overpaying for future earnings. Companies are targeted that we believe are most likely to realize future gains, regardless of their industry or specific style category. This practice may result in over weighting particular market sectors although significant over allocations to specific industries are avoided. We feel this approach is the most likely to yield strong performance without introducing significant additional risk.

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 positions¹ may be added if they are believed to add value to the portfolio.

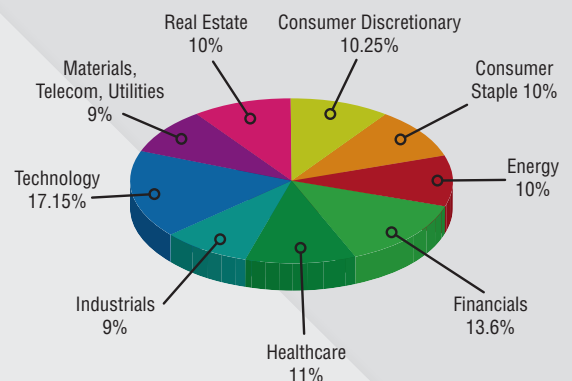
Management

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. As the strategy generally seeks to invest in companies that are growing or likely to experience near-term share price appreciation, if an equity has already experienced significant gains and is judged to offer inferior upside in the near future, it will not be held, and short and long term taxes may be realized.

Risks

All holdings are in mid and small stocks that may generate greater returns than larger capitalization companies. However, these companies can also experience greater price fluctuations which could make the strategy more volatile than large capitalization strategies.

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.

¹If 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 of correlation with other holdings.

Minimum Account Value is \$75,000.



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Explanation, Disclosure, and Disclaimer

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.
an SEC Registered Investment Advisor.*

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