
FLEXIBLE INCOME PORTFOLIO EXECUTIVE SUMMARY



INVESTMENT OBJECTIVE

We strive to provide high total return consistent with Capital Preservation.

HOW WE DO IT

Your money will be invested in bond mutual funds and exchange traded funds (ETFs), including inverse and leveraged funds, currency funds, including precious metals that may be used as currencies and income producing stocks whose price trend is up. If the price cycles down, holdings are replaced with new investments that are going up, repeating as needed. Growth stocks are not used.

CLIENT PROTECTION AND INVESTMENT DISCRETION

Our primary custodian is Trust Company of America. All accounts are held at a Qualified Custodian, providing third-party protection for all accounts. Hepburn Capital does not hold client moneys. Accounts are managed on a discretionary basis with notification of account activity provided in monthly or quarterly statements prepared by an independent custodian.

SUITABILITY

If you want to pursue greater returns that are available from traditional savings vehicles and more consistent returns and a lower surprise factor than is available through growth stock investing the Flexible Income strategy may be appropriate for you.

MINIMUMS

The Flexible Income Growth strategy as described is designed for accounts of \$250,000 and above, although the same decision making process may be used in smaller accounts using different investments. The minimum fee is \$195 per month.

ADDITIONAL DETAILS

PERFORMANCE OBJECTIVE

The performance objective of the **FLEXIBLE INCOME STRATEGY** is to outperform (after deduction of HCM's maximum fees and all trading costs) the Barclays U.S. Aggregate Bond Index, considered representative of the entire bond market. This index may not accurately reflect the performance of individual segments of the bond market. At times this strategy will invest in securities that are not included in this index so comparisons with this index may not always be appropriate. There can be no assurance that the objectives of this strategy will be met.



INCEPTION DATE

March 15, 2001

CONCEPT

FLEXIBLE INCOME gets its name from its ability to invest in a wide range of income oriented investment vehicles. Investments considered for inclusion in Flexible Income portfolios include, Government, corporate, high yield (junk), global and municipal bonds, high dividend stocks, currency funds, including precious metals which may be used as currencies, and a money market fund or cash reserve account. Growth stocks are not used in this strategy.

Holdings may come from any segment of the income markets and from time to time may be concentrated in a single market segment. Primary investment vehicles are ETFs, mutual funds and individual securities.

Investors in Flexible Income portfolios may experience risks, including Mutual Fund or Exchange Traded Fund Risk which is largely determined by the underlying investments and management of the fund owned, Market Risk as interest rates or equity markets fluctuate, Foreign Risk to the extent we invest in foreign securities, Management Risk, Short Selling or Inverse Mutual Funds and ETF Risk, including Derivatives and Leveraged Fund Risk to the extent we use those types of funds.

Flexible Income portfolios may invest in both long and short positions, and thus may lose or make money regardless of market direction. Short or Inverse funds by themselves can cause large losses if bought and held for long periods, which HCM does not intend do. Our objective in using this type of

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fund is primarily to offset market risk in other holdings, stabilizing the portfolio value during times of market turmoil. Leverage in both long and short funds may be used which can increase potential profits and losses. Inverse funds average less than 10% of portfolio holdings in this strategy but at times may be large enough create a net short position for the portfolio.

THE EDGE PROVIDED TO INVESTORS

THE FLEXIBLE INCOME STRATEGY adapts to changing markets[®] by using an evolving diversification plan designed to avoid being caught in a prolonged market decline while offering the potential for gains in up markets.

At Hepburn Capital we believe that investment success comes from having more money in investments that are going up and less in investments that are going down and our **FLEXIBLE INCOME STRATEGY** is one way of systematically implementing that philosophy.

ADAPTING TO CHANGING MARKETS[®] by overweighting the better performing investments and retreating or hedging during market declines is designed to provide account growth with only modest exposure to risk.

SUITABILITY

The **FLEXIBLE INCOME STRATEGY** is designed for investors seeking either to avoid the volatility of equity (growth stock) investments or the balance in a portfolio that fixed income investments can provide, and who also wish to avoid having their money exposed to prolonged bond market downturns.

TAX CONSIDERATIONS

Gains from this strategy, if any, are expected to be taxable as ordinary income or short term or long term capital gains. This strategy may be implemented in taxable accounts, but it is especially well suited to an IRA or other retirement plan accounts.

OTHER CONSIDERATIONS

Implementation of the *Flexible Income strategy* may involve the use of mutual funds including exchange traded funds. Mutual funds are not insured by the FDIC or any other agency, are not guaranteed by any financial institution, are not obligations of any financial institution, and involve

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investment risk, including possible loss of principal. Investment returns and principal will fluctuate so that your shares, when redeemed, may be worth more or less than their purchase price. Please read our disclosure Brochure, SEC form ADV, Part 2A, before investing. The Brochure is available on our website, www.HepburnCapital.com.

Flexible Income portfolios may invest in both long and short positions, and thus may lose or make money regardless of market direction. Leverage may be used which can increase potential profits and losses.

Despite our efforts to capture and quantify the key financial and economic relationships relating to this objective, our knowledge about many of the important linkages is far from complete and in all likelihood will remain so. Every investment model, no matter how detailed or how well designed, conceptually and empirically, is a vastly simplified representation of the securities markets with all its intricacies and variables. Consequently, even with large advances in computational capabilities and greater comprehension of economic linkages, our knowledge base is barely able to keep pace with the ever-increasing complexity of our global markets. No claim is made that the strategy will perform in the future as it has in the past or as described above. Also, there can be no assurances that the strategy will produce a profit in the future; it is possible that the strategy will produce losses.

Flexible Income is an investment advisory service offered by Hepburn Capital Management, LLC, a Registered Investment Advisor. **Adapting to Changing Markets®** is a registered service mark of Will Hepburn.

Hepburn Capital Management, LLC is located at 2069 Willow Creek Road, Suite A, Prescott, AZ 86301