

Managed Equity Strategy

Objective & Strategy

The Managed Equity Strategy invests in large and medium-sized growth companies where we find evidence of positive change, momentum and attractive valuation. The Strategy seeks to provide investors with long-term growth of capital while tactically adjusting the risk profile of the portfolio as conditions in the asset markets change over time.

Market Gauge



AS OF 6/30/11



AS OF 3/31/11



AS OF 12/30/10

The Strategy actively manages the risk-reward profile of its portfolio by adjusting the weightings among three categories of growth stocks – Stable Earners, Accelerated Growers and Emerging Franchises. During times of elevated market stress the Strategy may also raise cash reserves to manage risk. The “speedometers” above reflect an objective measure to the Strategy’s chosen risk-reward profile as of dates shown.

Portfolio Characteristics

Number of Holdings	35-45
% of Portfolio in Top 10 Holdings	36%
3-Year Average Turnover	68%
Benchmark	Russell 1000 Growth
Investment Style	Large-Cap Growth

Process & Portfolio Construction

We screen approximately 1,000 large and mid-cap stocks weekly to identify markers for low valuation and positive change. Stocks that emerge from both of these filters simultaneously are then subjected to rigorous fundamental analysis to narrow the potential universe to approximately 50-60 investable ideas. We then construct a concentrated portfolio of approximately 35 stocks that is strategically diversified among sectors, industries and individual securities.

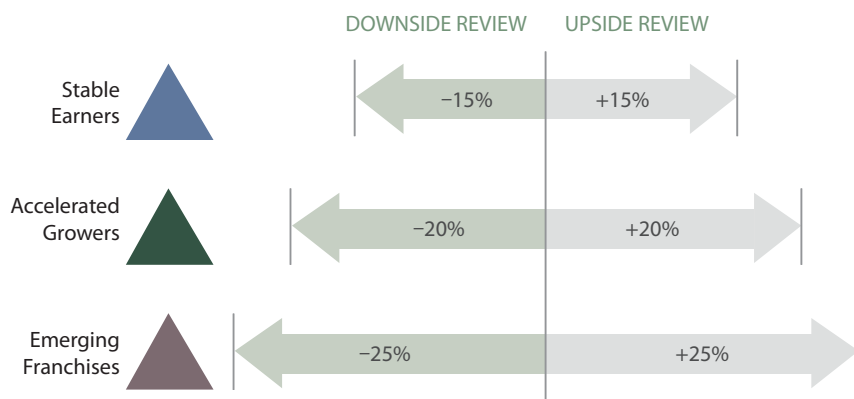
We assign stocks into one of three categories based upon business model considerations and risk/reward dynamics.

- **Stable Earners** demonstrate a history of steady, predictable growth in earnings and dividends.
- **Accelerated Growers** exhibit faster growth in sales and earnings relative to benchmark averages and the economy as a whole.
- **Emerging Franchises** participate in the emergence of new industries, or apply novel business models to existing market sectors.

Relative weightings among these three categories of stocks can be actively managed to adjust the risk profile of the portfolio with changes in the overall risk climate of the stock market.

Sell Discipline

Our sell discipline complements our risk management process by adjusting for the variance in risk-reward dynamics among Stable Earners, Accelerated Growers and Emerging Franchises. Our objective is to maintain balance between risk tolerance and return objective for each of these three stock categories.



We put “teeth” into our sell discipline by removing stocks from our Buy List whenever a price review is triggered. This discipline forces prompt analysis from the investment team. The ultimate outcome of a downside or upside price review is driven by:

- **Diversification Effects**—Target weightings may be reduced or eliminated to make room for a better opportunity.
- **Valuation Effects**—Stocks are sold when the upside potential to our target price fails to justify perceived downside risk.
- **Fundamental Effects**—Every effort is made to eliminate positions in the earliest stages of any permanent deterioration in fundamental value.

Managed Equity Strategy

About Capital Advisors

Capital Advisors was founded in 1978 and is headquartered in Tulsa, Oklahoma. As of June 30, 2011, we managed and advised on \$919 million in assets for high net worth individuals and mid-sized institutional investors.

Keith C. Goddard, CFA

President/CEO

Keith Goddard oversees investment strategies at Capital Advisors and has been President since 2003. He joined Capital Advisors in 1991 after graduating from the University of Colorado, Boulder with a B.A. in Journalism. He earned the Chartered Financial Analyst (CFA) designation in 1995.

Channing S. Smith, CFA

Managing Director—Equity Strategies

Channing Smith is director of equity strategies at Capital Advisors. He joined the firm in 2004 after earning his M.B.A. with a focus in Finance and Accounting from Southern Methodist University. He graduated with a B.S. in Entrepreneurship from Indiana University in 1998.

Monty L. Butts

Managing Director—Credit Strategies

Monty Butts is director of credit strategies at Capital Advisors. He joined the firm in 1988 after 12 years at the Bank of Oklahoma. Monty's 34-year career in fixed income involves all aspects of the business, including sales, underwriting, corporate finance and portfolio management.

Top 10 Holdings

Company	Percent Assets
Pepsico	4.9
Apple	4.2
Johnson & Johnson	4.0
AT&T	3.8
Visa	3.8
Qualcomm	3.3
UnitedHealth	3.2
Google	3.1
Range Resources	2.8
Celanese	2.7

Top 10 Sectors

Sector	Percent Assets
Technology	21.8
Healthcare	11.5
Industrial	11.2
Financial	10.8
Consumer Goods	9.6
Telecommunications	6.1
Materials	5.1
Energy	4.3
Consumer Services	3.9
Utilities	2.7

Portfolio holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. Current and future portfolio holdings are subject to risk.

Risk Management

Our investment process combines fundamental analysis with quantitative disciplines to manage risk. We continuously track objective markers for valuation, trend and risk in the stock market to guide tactical adjustments in the risk profile of the Managed Equity Strategy. When the quantitative indicators we track indicate a favorable market climate we might design the portfolio with a higher commitment to stocks in the **Accelerated Grower** and **Emerging Franchise** categories. When the market climate is deemed to be unfavorable we might raise the weighting in **Stable Earners** and/or increase cash reserves in the portfolio.

More Information

Web site: www.CapitalAdv.com

Phone: 918-599-0045

Fax: 918-584-8866

Address: 2200 S. Utica Place, Ste. 150
Tulsa, OK 74114

This commentary does not purport to be a statement of all material facts relating to the securities mentioned. The information contained herein, while not guaranteed as to accuracy or completeness, has been obtained from sources believed to be reliable. The Top Ten Holdings are examples of the securities held, bought and/or sold in the strategy during the last three months. These investments may not be representative of the current or future investments of that composite. You should not assume that investments in the securities identified in this article were or will be profitable. We will furnish, upon your request, a list of all securities purchased, sold or held in the composite during the 12 months preceding the date of this article. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities presented. The securities mentioned do not represent all securities bought, sold, or recommended to clients of Capital Advisors, Inc. Due to differences in timing, objectives, or portfolio size, issues discussed in this note may not apply to all clients. Opinions expressed herein are subject to change without notice. Capital Advisors, Inc., or one or more of its officers or employees, may have a position in the securities discussed herein, and may purchase or sell such securities from time to time. Specific information regarding topics covered in this report is available upon request. Additional information, including management fees and expenses, is provided on Capital Advisors' Form ADV Part II. The actual return and value of an account fluctuate and, at any time, the account may be worth more or less than the amount invested. Past performance results are not indicative of future results. The underlying holdings of any presented portfolio are not federally or FDIC insured and are not deposits or obligations of, or guaranteed by, any financial institution. Please contact Capital Advisors, Inc. for performance and a more detailed presentation on the above-referenced Portfolios. © 2011 by Capital Advisors, Inc. All rights reserved.