



Diversified Equity Growth Strategy

Strategy Facts

Market Sector Diversification

10 Global Sectors

Underlying Securities

Approximately 4,200

ETF Expense Ratio

Minimum 0.12%

Maximum 0.56%

Average* 0.28%

Availability

Separate Account (SMA) Yes

Mutual Fund No

Model Portfolio Turnover

3-Year Average Turnover 63%

*Simple average of the ten ETFs in the strategy.

Portfolio Construction

The Diversified Equity Growth Strategy systematically adjusts its asset allocation among 10 global market sectors on a quarterly basis. The sectors cover each of the market capitalization slices for domestic equities, international stocks, emerging markets, natural resources, real estate and high-yield bonds. The strategy invests in exchange traded funds, or "ETFs" that track an appropriate index for each of these 10 sectors. At the end of every quarter we measure the relative price strength of these 10 sectors. Three sectors that show the greatest relative strength will be over-weighted for the subsequent quarterly holding period, while three sectors showing the greatest relative weakness are under-weighted for the subsequent quarterly period. Four of the 10 sectors in the strategy carry a neutral weighting each quarter. The **Diversified Equity Growth Strategy** remains fully invested in the equity asset class in aggregate at all times. Unlike more traditional investment processes that periodically re-balance to static asset allocation targets, the **Diversified Equity Growth Strategy** changes its sector targets as conditions in the global equity markets change over time.

Objective & Strategy

Capital Advisors' **Diversified Equity Growth Strategy** uses an objective marker for relative price strength to direct asset allocation changes among 10 broad sectors of the global equity markets. The strategy seeks to optimize its exposure to global equities by systematically over-weighting positions in market sectors that demonstrate relative price strength while reducing exposure to sectors demonstrating relative price weakness. The objective of the strategy is to keep more money invested in asset sectors when they are performing well on a relative basis, and less money in sectors when they are performing poorly, over successive market cycles of three-to-five years.

Investment Approach

Wealthy individuals and institutional investors have ready access to informed opinions about the asset markets. Capital Advisors strives to provide something different for its clients by measuring statistical tendencies in the markets with purely objective data. We track conditional probabilities associated with relative strength, moving averages, credit spreads and valuation to determine when asset markets are statistically most likely to perform well, and when they are not. We do this by measuring correlations between pre-conditions and post-conditions in the asset markets over long periods of time.

For example, over the past 138 years we know that the average monthly return for the U.S. stock market has been materially higher, and the frequency of losing money has been materially lower, in months following a positive moving average measurement for the market index compared to months following a negative reading. Armed with this knowledge we may choose to invest differently when the market index is trading above its monthly moving average compared to periods when it is not.

Each of the asset allocation models we offer at Capital Advisors, including the **Diversified Equity Growth Strategy**, incorporates this kind of logic into its investment process. The strategies are designed to systematically increase exposure to asset sectors that demonstrate favorable conditional probabilities, while decreasing exposure to sectors that do not.

Asset Allocation History

Over/Under-Weighted Sectors By Quarter

	4Q2010	1Q2011	2Q2011	Current Qtr.
Overweight	Mid Cap	Mid Cap	Mid Cap	Mid Cap
Overweight	Real Estate	Real Estate	Real Estate	Real Estate
Overweight	Emg. Markets	Small Cap	Small Cap	Small Cap
Underweight	Large Value	H-Y Bonds	H-Y Bonds	H-Y Bonds
Underweight	International	International	International	Large Value
Underweight	Japan	Japan	Japan	Japan

The table above shows the over-weighted and under-weighted sectors as indicated by the model portfolio of the **Diversified Equity Growth Strategy** during each of the most recent four quarters. The model portfolio has been maintained by Capital Advisors in real time since the third quarter of 2007 on a portfolio accounting system from Checkfree APL.

See disclosures on reverse side



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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

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.

More Information

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Investment Universe

Large-Cap Growth	iShares S&P 500 Growth Index ETF (IVW)
Large-Cap Value	iShares S&P 500 Value Index ETF (IVE)
Mid-Cap Stocks	iShares S&P MidCap 400 Index ETF (IJH)
Small-Cap Stocks	iShares S&P SmallCap 600 Index ETF (IJR)
International Developed Markets	Schwab International Equity ETF (SCHF)
Emerging Markets	Vanguard Emerging Markets Stock ETF (VWO)
Japan	iShares MSCI Japan Index ETF (EWJ)
Natural Resources	iShares N. Amer. Natural Resources ETF (IGE)
Real Estate	Vanguard REIT Index ETF (VNQ)
High-Yield Bonds	iShares iBoxx High-Yield Corp. Bond ETF (HYG)

Risk Considerations

The risk management process incorporated into the **Diversified Equity Growth Strategy** is not optimal for all market conditions. The natural volatility of asset markets should be expected to trigger false signals from the relative strength markers that direct asset allocation changes for the strategy such that some of the purchase and sale transactions in the strategy may turn out to be poorly timed in hindsight. Investors considering the **Diversified Equity Growth Strategy** for a taxable portfolio should expect more frequent taxable gains and losses relative to more static buy-and-hold investment strategies.

The information presented for the Diversified Equity Growth portfolio represents back-tested results based on combined simulated index data and live (or actual) Exchange Traded Funds (ETF's) results from January 1989 to the period ending date shown using the strategy of buying, holding and quarterly rebalancing ETF portfolios. An ETF is an investment company that typically has an investment objective of striving to achieve a similar return as a particular market index. The ETF will invest in either all, or a representative sample of the securities included in the index it is seeking to imitate. Like closed-end funds, ETFs can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value (NAV). If these shares trade at a price above their NAV they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

Back-tested portfolios are hypothetical (it does not reflect trading in actual accounts) and is provided for informational purposes to indicate historical performance had the index portfolios been available over the relevant period. Capital did not offer this strategy until May 2007.

Back-tested results do not represent actual performance and should not be interpreted as an indication of such performance. Actual performance for client accounts may be materially lower than that of the ETF portfolios.

Back-tested results have certain inherent limitations. Such results do not represent the impact that material economic and market factors might have on an investment adviser's decision-making process if the adviser were actually managing client money. Back-tested performance also differs from actual performance because it is achieved through the retroactive application of model portfolios designed with the benefit of hindsight. As a result, the models theoretically may be changed from time to time to obtain more favorable performance results.

Back-tested performance results assume the reinvestment of dividends and capital gains and quarterly rebalancing. In reality, client's accounts will be rebalanced either more or less frequently depending on the fluctuation of the asset classes and the cash flow activity of the client. It is Capital's opinion that the assumption of quarterly rebalancing is a reasonable approximation to reality.

Past performance is not a guarantee of future results. Additional information, including management fees and expenses, is provided on Capital's Form ADV Part II. Presentation is prepared by Capital Advisors, Inc. © 2011 by Capital Advisors, Inc. All rights reserved.