

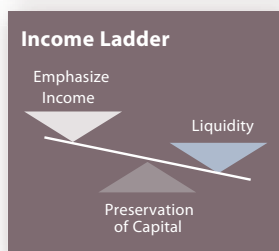
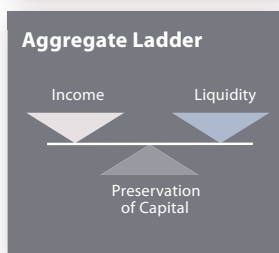
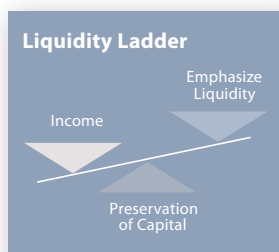


# Fixed Income Strategy

## Objective & Strategy

Capital Advisors' approach to managing bond portfolios is distinguished by the degree of portfolio customization we allow our clients. Within an overall philosophy that emphasizes preservation of capital, we offer three alternative portfolio structures:

- A liquidity-driven strategy for clients seeking low volatility and ready access to capital.
- An income-driven structure intended to maximize monthly cash flows.
- Between these two ends of the spectrum we execute an "Aggregate" approach that strikes a balance between liquidity and income objectives.



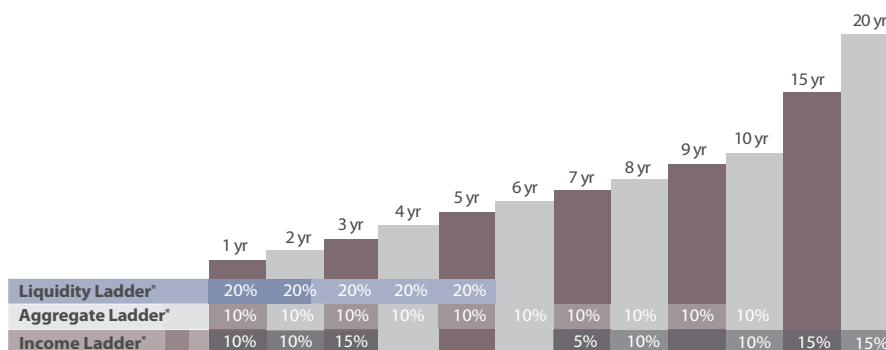
## Portfolio Construction

Within an overall philosophy that emphasizes preservation of capital we customize fixed income portfolios for the distinct priorities of each client. This may involve broad customization around the objectives of capital preservation, income, or a combination of the two; or it might go deeper by matching the maturity schedule of individual bonds with specific liquidity needs in an investor's future. Bond portfolios are also customized through security selection, where we may emphasize tax-exempt municipal bonds for taxable investors, or corporate, government and agency securities for clients' tax-deferred/tax-exempt portfolios.

We control risk in all of our fixed income endeavors by adhering to the following basic principals:

- Diversification of Credits
- Staggered Maturity Structures
- Customized Maturity Limits

## Portfolio Illustration



	Maturity	Yield**
<b>Liquidity Ladder*</b>	2.5 yrs.	3.5%
<b>Aggregate Ladder*</b>	5.0 yrs.	5.0%
<b>Income Ladder*</b>	9.5 yrs.	6.0%

\* Average capital allocation by maturity are hypothetical measures intended for illustration purposes only.

\*\* Average maturity and yield in this presentation are hypothetical measures intended for illustration purposes only.

## Portfolio Characteristics

June 30, 2011

	Liquidity Ladder	Aggregate Ladder	Income Ladder
<b>Avg. SEC Yield</b>	1.23%	2.41%	3.32%
<b>Avg. Duration</b>	2.72 years	3.10 years	3.46 years

The portfolio characteristics listed here are derived from the ETF/mutual fund model portfolios for each Fixed Income strategy as of June 30, 2011. The Average SEC Yield and Duration represent the weighted average for these variables for all of the ETFs and/or mutual funds included in each model portfolio, and are derived from the providers of each ETF and/or mutual fund. Fixed Income portfolios designed with individual bonds rather than ETFs and mutual funds may have a higher or lower average yield or duration than the figures quoted above.

These strategies are Model Portfolios and do not reflect the actual investment results of any individual client participating in a Capital Advisors managed portfolio. There are inherent limitations of showing composite portfolio characteristics based on model results. Unlike actual performance records, model results cannot accurately reflect the effect of material economic or market factors on the price of the securities, and therefore, results may be over or under-stated due to the impact of these factors. Since model results do not represent actual trading and may not accurately reflect the impact of material economic and market factors, it is unknown what effect these factors might have had on the firm's decision-making if we were actually managing the money. The model results are a function of the market environment. If this environment were to change materially, model results portrayed would more than likely reflect different results.

## Fixed Income 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.

**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.

### Risk Considerations

We control risk in all of our fixed income endeavors by adhering to the following basic principals: Diversification of Credits, Staggered Maturity Structures, Customized Maturity Limits.

The risk management process incorporated into the **Fixed Income Strategy** is not optimal for all market conditions.

### More Information

**Web site:** [www.CapitalAdv.com](http://www.CapitalAdv.com)

**Phone:** 918-599-0045

**Fax:** 918-584-8866

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

### Investment Universe

Fixed income portfolios with \$500,000 or more in assets are designed with individual bonds. Portfolios might include investment-grade bonds issued by municipalities, corporations or the U.S. Government and its agencies.

Fixed income allocations with less than \$500,000 available for investment are constructed from a strategic blend of exchange-traded index funds (ETFs) and mutual funds. We maintain model portfolios for three fixed income strategies—Preservation, Income and Aggregate.

### Our Value-Added

Capital Advisors adds value for fixed income investors through:

- **Institutional Pricing**—As a fee-based advisor our incentive is to minimize markups on the bonds we buy for clients. We do this by aggregating bond trades into larger blocks that can be allocated into multiple client portfolios; participating in new issues; accessing a broad network of dealers for bonds rather than the captive inventory of a single firm; and/or negotiating tight spreads from the dealer network we access.
- **Access to Opportunity**—The dynamics of a constantly changing marketplace produce attractively-priced bonds among dealer inventories from time to time. Our experienced professionals, who are “in the market” on a daily basis, can recognize these opportunities and take advantage of them for our clients.
- **Fundamental Analysis**—The dismal track record of the major ratings agencies during the financial crisis of 2008-09 highlights the potential benefit of proprietary credit analysis above and beyond that provided by the ratings agencies. Capital Advisors goes beyond the ratings for the bonds it buys for clients.
- **Risk Management**—Many investors characterize bonds as the “safe” asset class, but bonds can lose a lot of money for investors caught on the wrong side of a major rise in interest rates, or a severe deterioration in credit support for a bond they own. These risks might be reduced by Capital Advisors’ resources and experience in the industry.

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. 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.

Bond Investments are affected by interest rate changes and the creditworthiness of the issues held in the portfolio. A rise in interest rates will cause a decrease in the value of fixed income positions. Please contact Capital Advisors, Inc. for performance and a more detailed presentation on the above-referenced Portfolios.