

*Capital Investment Advisors*

# Income Investment Methodology



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Please refer to the disclosures on the last page for additional information. Past performance does not indicate future results. Investing involves risk, including the loss of principal.

# Firm Overview



Over \$4.35 billion in assets  
under management\*



20+ years of  
asset management



Over 60 employees  
in 4 states



Deliver income-generating, customized  
portfolios geared towards meeting each  
client's need regardless of situation



Chief Investment Officer leads team of  
25 Portfolio Managers to guide  
allocation decisions

*\*AUM and employee Information as of 12/31/2022 and subject to change*



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# *Investment Style Overview*



Customized portfolios primarily  
utilize individual stocks/bonds  
as well as low-cost ETFs



We focus on high quality companies  
at reasonable valuations



Multi-asset class  
income-investing



Careful inspection of financial health  
to ensure consistent income



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# Asset Class Overview

## *Growth*

### **Equities**

Income-producing, blue chip companies make up the majority of our portfolios

Primary focus on health of the business, as dividend safety is paramount

Strive to protect downside with stringent valuation framework

Sector strategy allows for broad equity exposure with tilts to areas we believe are most favorable

## *Income*

### **Fixed Income**

Goal is to deliver a steady stream of income with historically lower volatility than equities

### **Alternative Asset Classes**

#### **Closed-End Funds (CEFs)**

Inefficient market that can offer opportunities with higher historical yields

#### **Master Limited Partnerships (MLPs)**

Consistent income distributions from energy infrastructure companies

#### **Real Estate Investment Trust (REITs)**

Income producing real estate

#### **Preferreds**

Higher priority dividend cash flow



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# Equities – Blue Chip, Dividend Payers

CIA's Goal is to Deliver Income While Prudently Managing Risks



## Strong Free Cash Flow (FCF)

Must ensure dividends can be covered after all capital expenditure needs are met



## Healthy Balance Sheet

Limited leverage or negative net debt balance sheets are ideal; margin of safety in bad times\*



## Fair (or Cheap) Valuation

Focus on P/E and EV/EBITDA multiples to limit downside and capture upside; low multiples typically come with negative sentiment, which is welcome, as it creates opportunity



## Dividends are a By-Product of These Parameters

Companies with strong FCF, solid balance sheets and reasonable valuations generally come with above average yields

*\*When the market price of a security is significantly below your estimation of its intrinsic value, the difference is the margin of safety.*

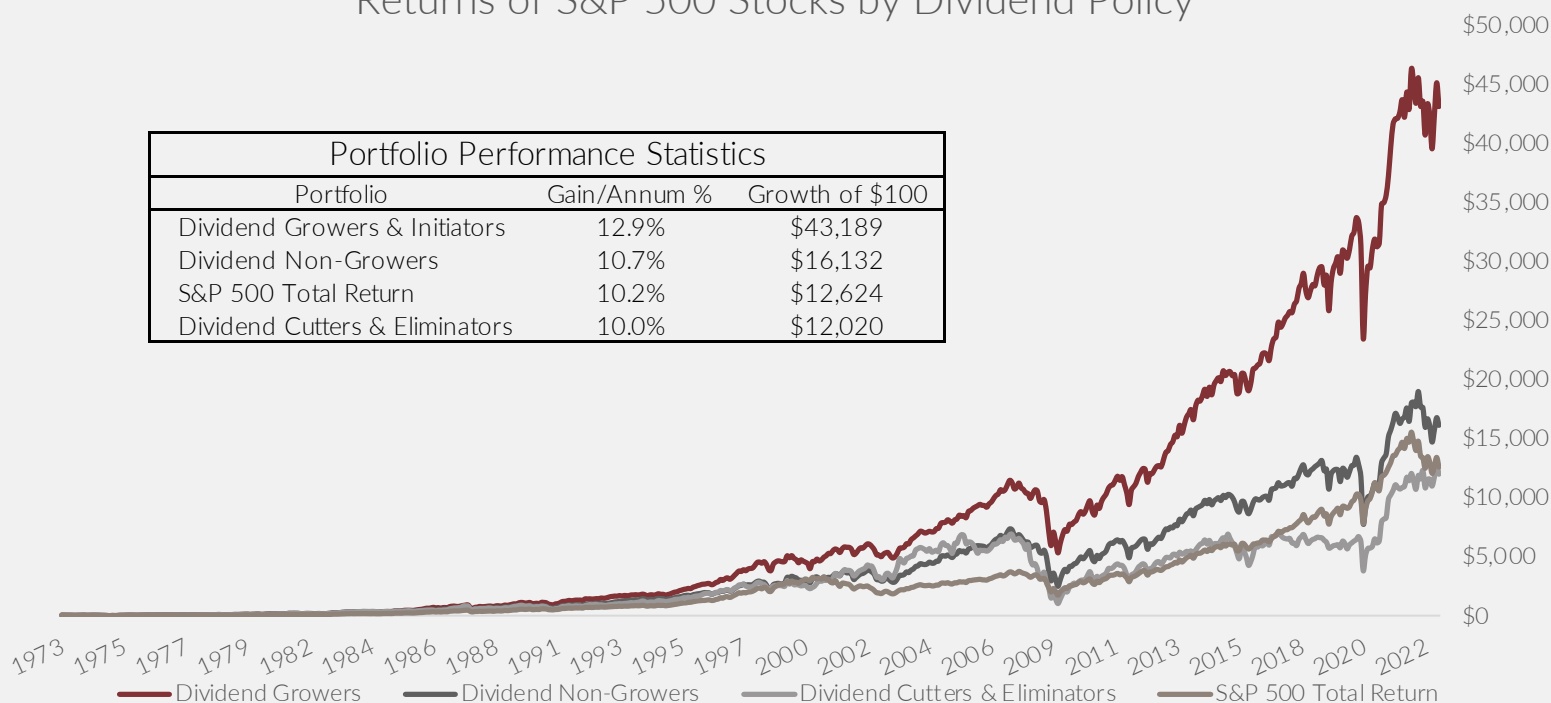


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# Dividend Growers Have Historically Produced Better Returns Over Time

Below shows a long-term history of stocks by dividend policy. Capital's proprietary stock selection process attempts to identify companies that fall into the dividend growers and initiators category. As you can see from the chart, stocks with a growing dividend policy have historically outpaced their counterparts.

Returns of S&P 500 Stocks by Dividend Policy



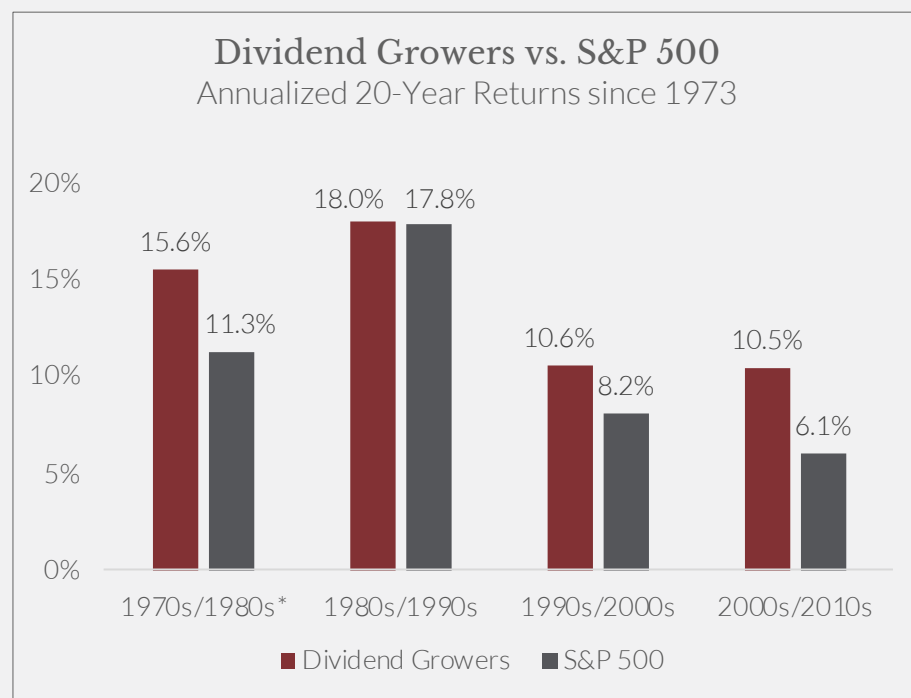
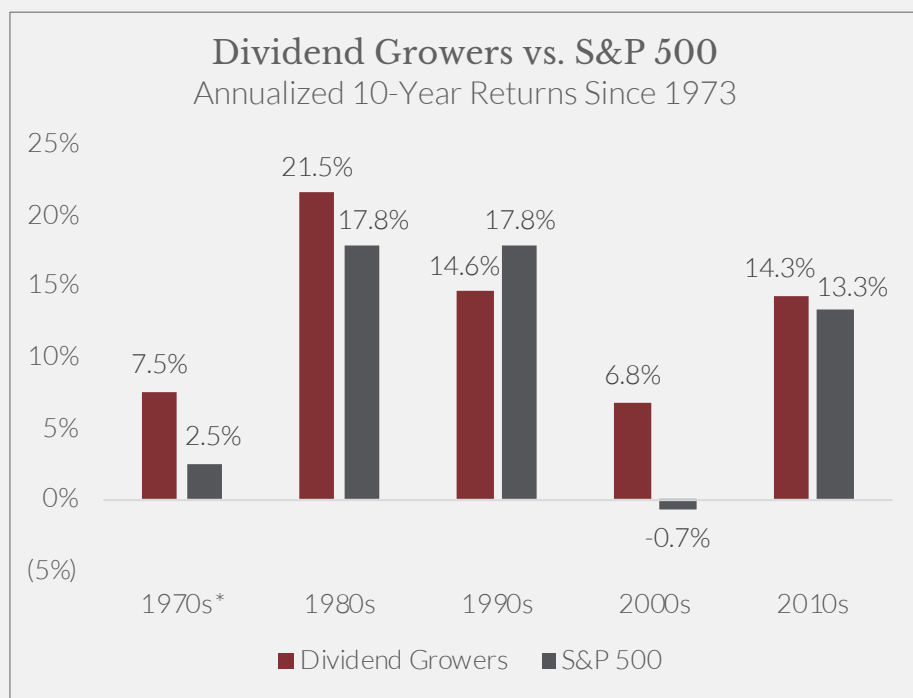
## Data from Ned Davis Research

Performance represents the historical return performance of S&P 500 stocks grouped by dividend policies. For more information, see the Dividend Policy Description in the End Notes.

**S&P 500 Index:** The S&P 500 index is an unmanaged composite of 500 US large-capitalization companies. The index is widely used by professional investors as a performance benchmark for large-cap US stocks. The Index returns do not include any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

# Dividend Growers Have Historically Produced Better Returns Over Time

Below shows a long-term history of dividend growth stocks versus the S&P 500 by decade and multi-decade periods. As you can see from the chart, stocks with a growing dividend policy outpaced the S&P 500 in all but one decade and every multi-decade period back to 1973.



## Data from Ned Davis Research

Performance represents the historical return performance of S&P 500 stocks grouped by dividend policies. For more information, see the Dividend Policy Description in the disclosure pages at the end of this presentation.

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# Dividend Growers Have Historically Produced Higher Returns with Better Drawdowns and Volatility

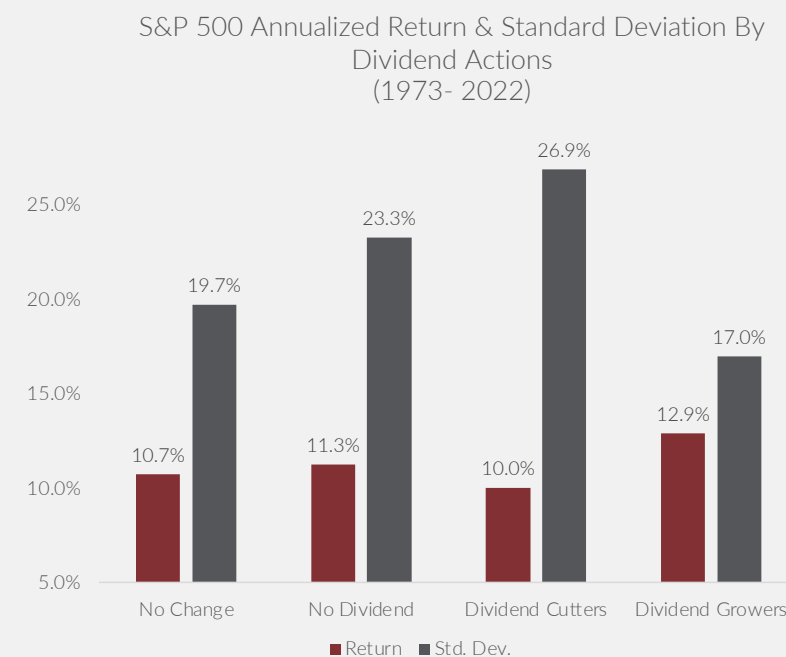
When volatility picks up in the market, companies that grow their dividends tend to suffer less.

In fact, looking at the peak-to-trough periods in each of the past 19 years, the Morningstar U.S. Dividend Growth Index experienced about 84% of the downside seen by the market.

The Morningstar U.S. Dividend Growth Index also outperformed the S&P 500 90% of the time during this period.

Shown another way in the chart below – dividend growers have historically produced better returns with less volatility.

Peak	Trough	S&P 500	Morningstar U.S. Dividend Growth	Downside Capture	Beat?
Feb-04	Aug-04	(7.4%)	(3.3%)	44.6%	Yes
Mar-05	Apr-05	(7.0%)	(6.2%)	89.2%	Yes
May-06	Jun-06	(7.5%)	(5.0%)	66.6%	Yes
Oct-07	Nov-07	(9.7%)	(9.0%)	92.7%	Yes
Jan-08	Nov-08	(47.0%)	(37.6%)	80.0%	Yes
Jan-09	Mar-09	(25.0%)	(24.5%)	98.3%	Yes
Apr-10	Jul-10	(15.6%)	(12.5%)	79.7%	Yes
Apr-11	Oct-11	(18.6%)	(13.2%)	71.1%	Yes
Apr-12	Jun-12	(9.2%)	(6.5%)	70.8%	Yes
May-13	Jun-13	(4.8%)	(4.6%)	95.5%	Yes
Sep-14	Oct-14	(7.2%)	(6.1%)	84.6%	Yes
Jul-15	Aug-15	(11.7%)	(9.8%)	83.8%	Yes
Jan-16	Feb-16	(8.9%)	(5.9%)	66.3%	Yes
Feb-17	Apr-17	(1.5%)	(1.8%)	123.2%	
Sep-18	Dec-18	(19.3%)	(16.7%)	86.4%	Yes
Apr-19	Jun-19	(6.6%)	(5.2%)	79.2%	Yes
Feb-20	Mar-20	(33.8%)	(34.6%)	102.3%	
Sep-21	Oct-21	(5.2%)	(4.6%)	89.1%	Yes
Jan-22	Oct-22	(25.4%)	(20.7%)	81.5%	Yes
Average		(14.2%)	(11.8%)	83.5%	89.5%
Max				123%	
Min				45%	



Data from Ned Davis Research

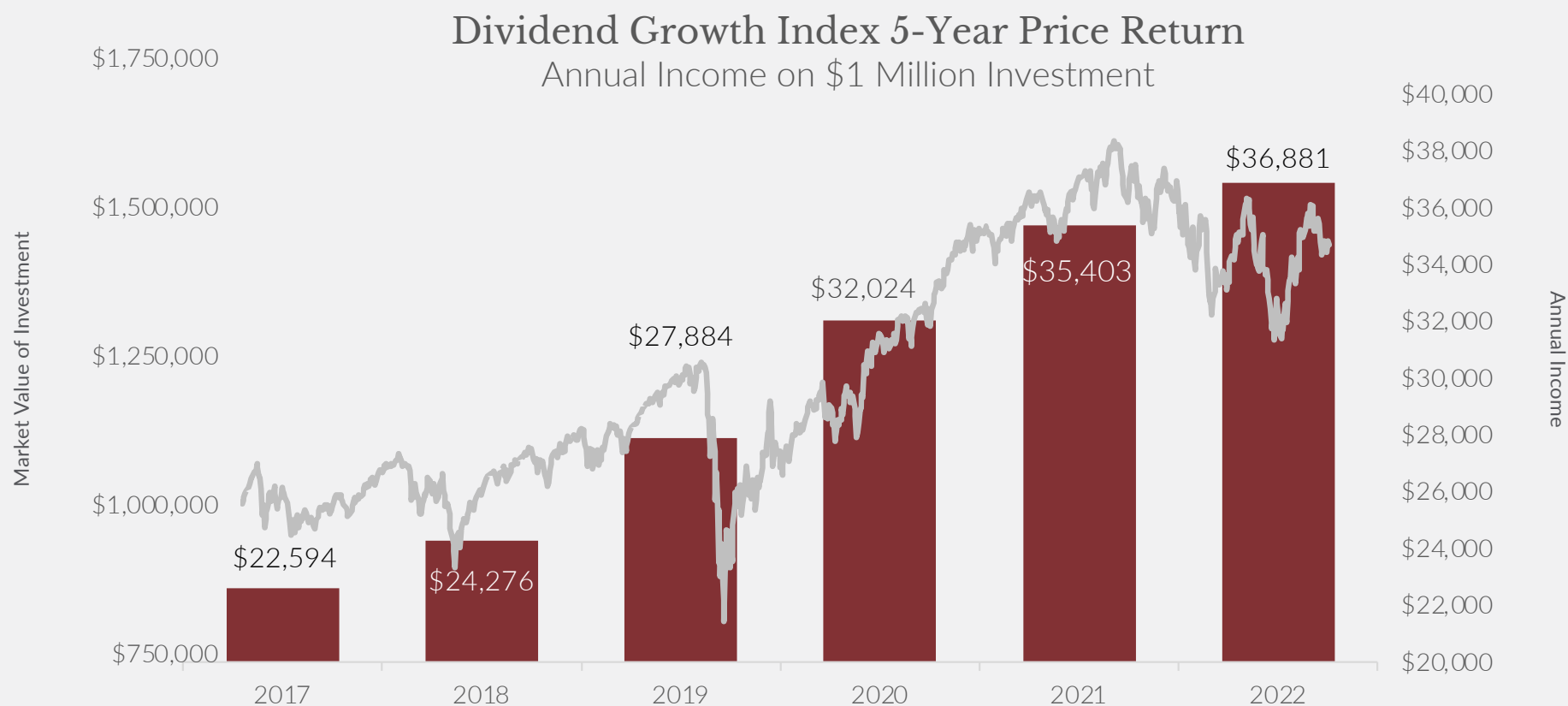
## Data from Bloomberg

Peak-to-Trough is the stage of the business or market cycle from the end of a period of growth (peak) into declining activity and contraction until it hits its ultimate cyclical bottom (trough). Downside Capture measures performance relative to a benchmark when the benchmark declines. Standard Deviation is a statistical measure of portfolio risk which measures the variability of returns around an average, over a specified period of time. The greater the standard deviation, the greater the security's volatility.

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# *Dividend Growers - Historically a Way to Protect Purchasing Power*



Data from Bloomberg; Dividend Growth Index measured by the Morningstar U.S. Dividend Growth Index



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# Summary | Dividend Growers

## *Positives*

From 1973 – 2022, dividend growers had historically better returns: 12.9% for dividend growers versus the S&P 500 at 10.2%

Over the same period, typically experienced lower volatility: 11% – 34% lower than other stocks

Muted downside in market drawdowns: 84% over the past 19 years

A way to combat inflation through dividend growth

## *Negatives*

Can lag in big up years due to more mature nature of companies

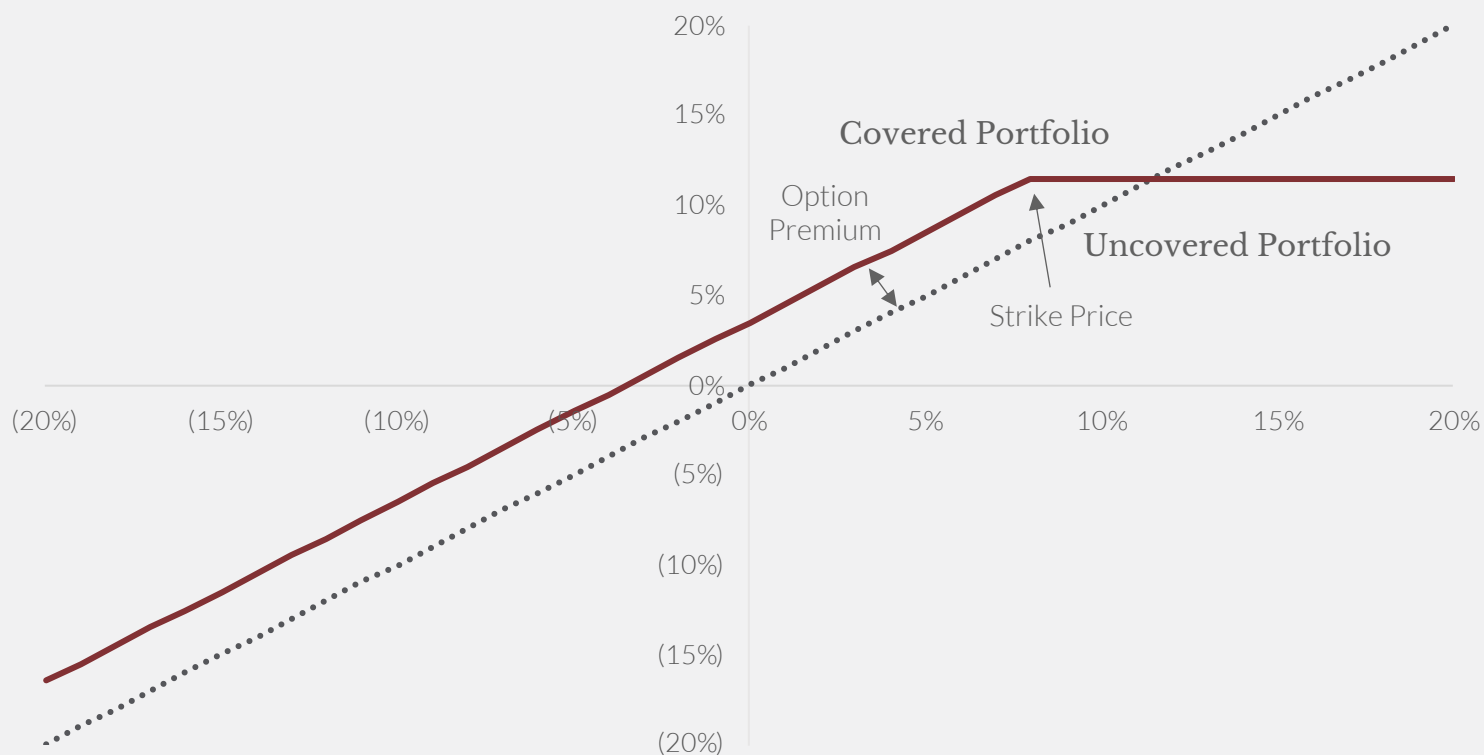
2020, for example  
S&P 500 +18.4%  
Morningstar U.S. Dividend Growth Index (as represented by DGRO) +9.5%



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# Covered Calls | Taking Advantage of Elevated Valuations

Below shows a 1-year hypothetical example of a covered call overlay on an equity portfolio. If the option expires with the underlying security **below** the strike price, the strategy theoretically outperforms the underlying security. If the option expires with the underlying security **above** the strike price, you keep the income, but your security gets called away and your upside is capped.



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# Covered Calls | Implied Volatility & Time Value Decay

Implied volatility has been higher than experienced volatility 88% of the time since 1990. To take advantage of this premium, you want to be a seller of options.

Our strategy focuses on writing call options that are 2 to 3 months from expiration. Generally speaking, this is when options experience the most decay of time value.

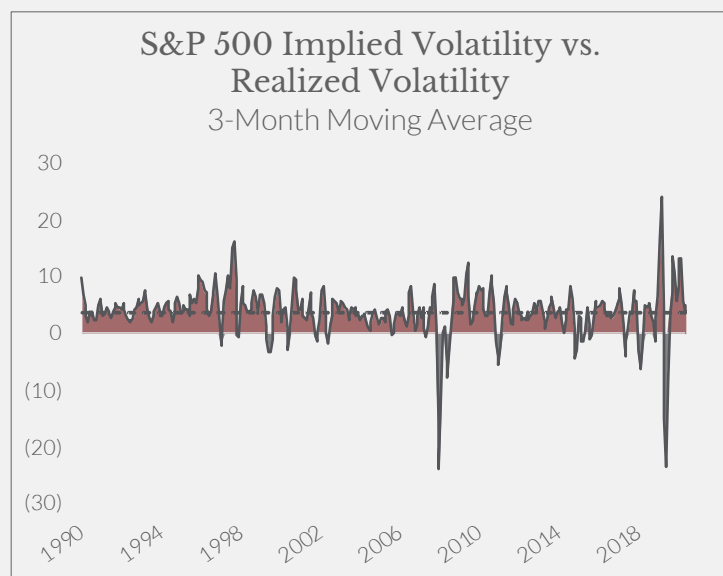
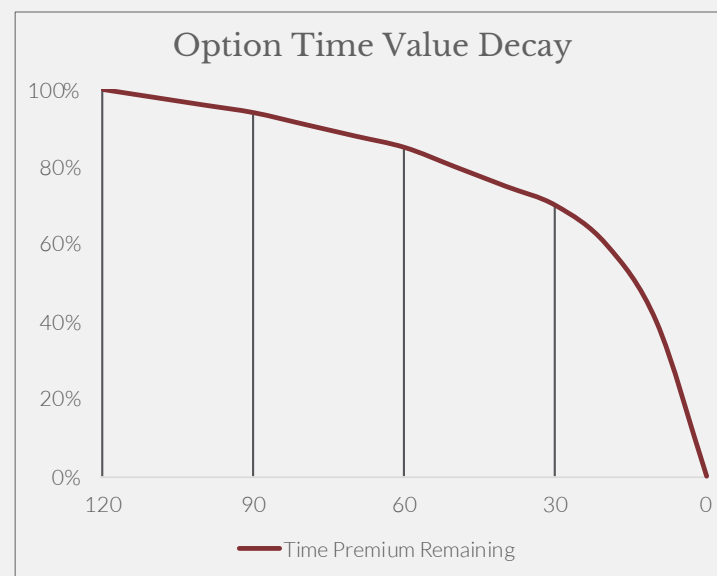


Chart above represents the difference between the 3-month moving average of the VIX index and the 3-month moving average of 30 day volatility of the S&P 500 (with 1-month lag). The VIX index is designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500 Index.

Implied volatility is a metric that captures the market's view of the likelihood of changes in a given security's price. Realized volatility is the actual movement that occurs in a given security over a defined past period.



The premium of any option consists of two components: its intrinsic value and its extrinsic value – which consists of time value and implied volatility. Time value refers to the portion of an option's premium that is attributable to the amount of time remaining until the expiration of the option contract. Intrinsic value refers to the difference between the current price of an asset and the strike price of the option.

Time decay is the erosion of the value of options as time progresses toward the expiration date. The closer the expiration date, the faster the rate of time decay.



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# Summary | Covered Calls

## *Positives*

Can generate high levels of income

Some upside potential

Provides some downside protection

## *Negatives*

Can underperform in big up markets

Income taxed at short-term capital gains

More downside than fixed income  
investments

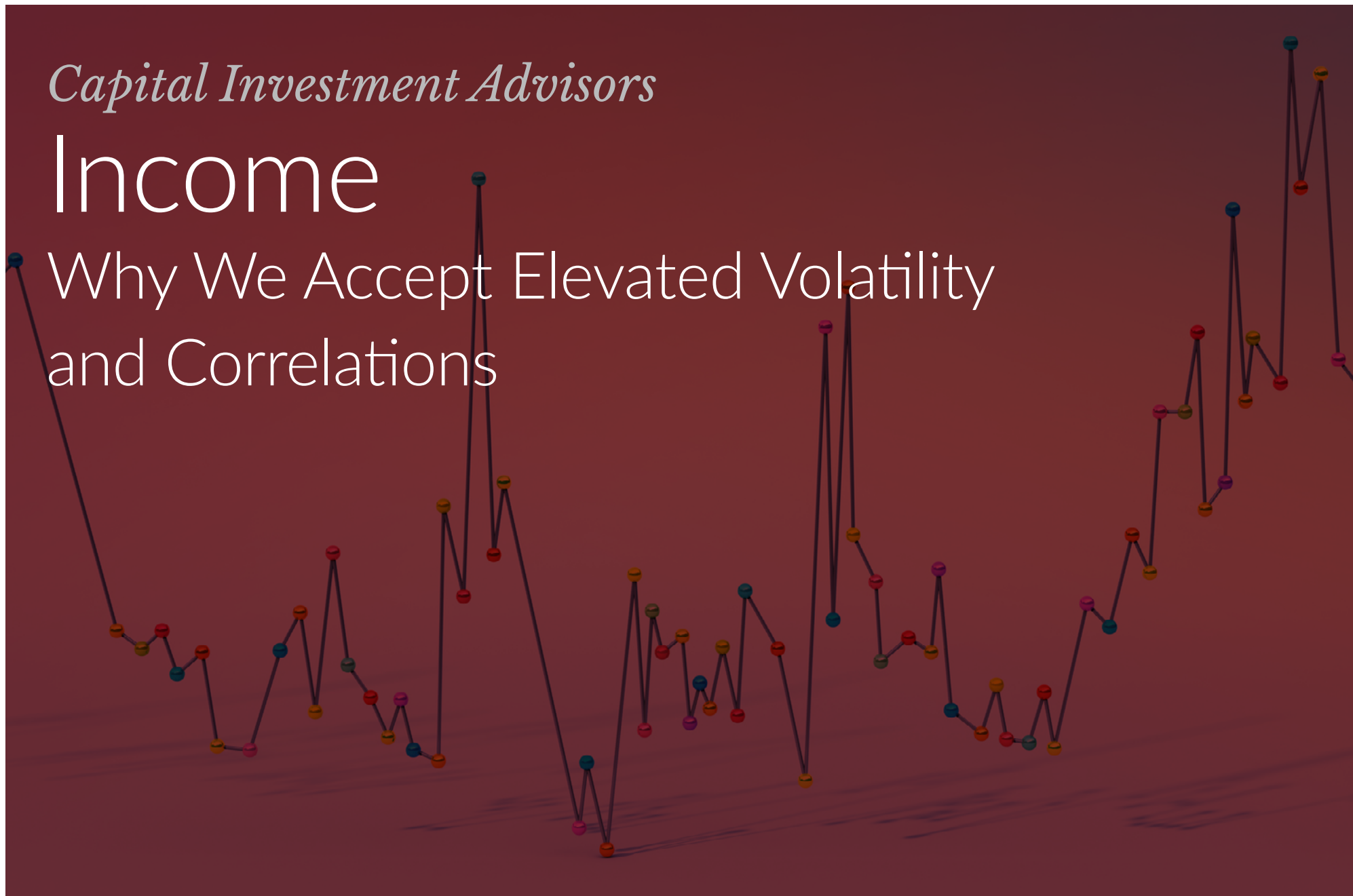


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# Income

Why We Accept Elevated Volatility  
and Correlations



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# *Let's Start with Two Key Facts About CIA's Income Allocation*

1

A portion of our income allocation is strongly positively correlated to U.S. stocks

2

Many pieces are more volatile than U.S. stocks

## **Why Do We Accept This?**

### *Let's Discuss*

	Correlation to S&P 500
REITs	76%
Closed End Funds	80%
High Yield Bonds	74%
MLPs	67%
Preferreds	59%
Aggregate Bond Index	19%

	Volatility
MLPs	29%
REITs	24%
Preferreds	19%
S&P 500	18%
Closed End Funds	19%
High Yield Bonds	12%
Aggregate Bond Index	5%

#### **Data from Bloomberg**

15 years through 12/31/22

Correlation is measured by the correlation coefficient.

Volatility is measured by standard deviation.



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# Bonds – Delivering Income Without Chasing Yield

Quality Companies at Fair Prices Produce Consistent Income Limiting Downside

*Ideal CLA Company*

*How does CLA manage fixed income?*

1

## *Corporate Bonds*

Investment-grade and high-yield bonds make up a large portion of our portfolios

This is the case for two reasons:

- We believe that corporate bonds, specifically investment grade, have historically low default rates
- Spreads can often offer more than enough compensation to take on the credit risk over time

2

## *Duration Management*

is a top priority, in the volatile interest rate environment\*

3

*We are underweight treasuries,* but do maintain an allocation to help protect against a market calamity

\*Duration measures a bond's or fixed income portfolio's price sensitivity to interest rate changes.



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# *Closed-End Funds | A Corner of the Market Where a Dollar Often Sells for 90 Cents*

## *What is a Closed-End Fund (CEF)?*

Essentially, a mutual fund that doesn't take on additional capital after the initial public offering.

Given no new capital, the price fluctuates around the Net Asset Value (NAV), unlike a mutual fund which prices at NAV each day.

CEFs typically use leverage (borrowing) to boost yield and/or returns.

CEFs can own all types of assets — bonds (High-Yield, investment-grade, muni), stocks, MLPs, etc. CEFs just act as a wrapper.

## *Why Does CIA Invest in Closed-End Funds?*

We believe in utilizing a high-yielding portion that is un-investible for larger institutions. This allows CIA to potentially generate additional yield and alpha while attempting to mitigate risk to a degree.

Why is this the case?

For two primary reasons:

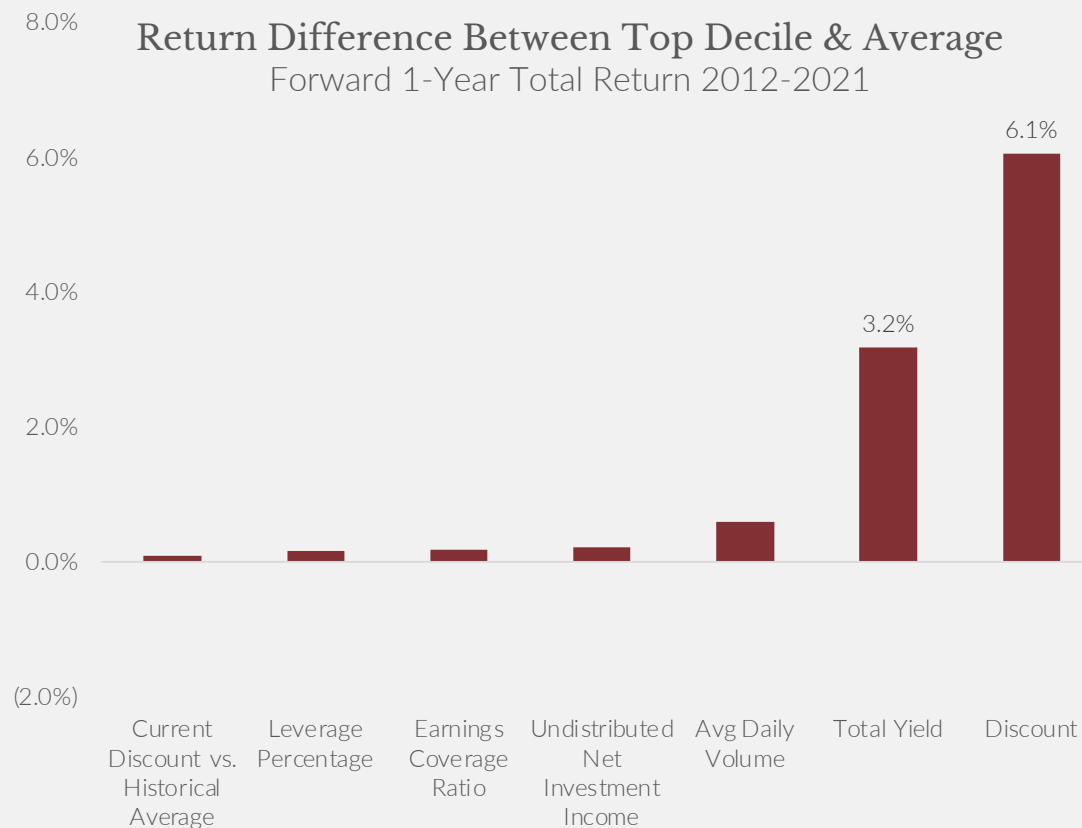
- 1 - The CEF market is relatively small, clocking in at approximately \$300 billion.
- 2 - The small size means institutional money typically cannot invest due to the size of the market, leaving a market largely owned by retail investors (80%).

Data from Investment Company Institute



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# Discount/Yield is the Driving Factor for CEFs



## Basic Example of Why Yield is a Function of Discount

	Year 1	Year 2	
NAV	\$10	\$10	Discount
Price	\$10	\$9	(10%)
Distribution	\$0.7	\$0.7	Dividend Chg.
Yield	7.0%	7.8%	11%

	Year 1	Year 2	
NAV	\$10	\$10	Premium
Price	\$10	\$11	10%
Distribution	\$0.7	\$0.7	Dividend Chg.
Yield	7.0%	6.4%	(9%)

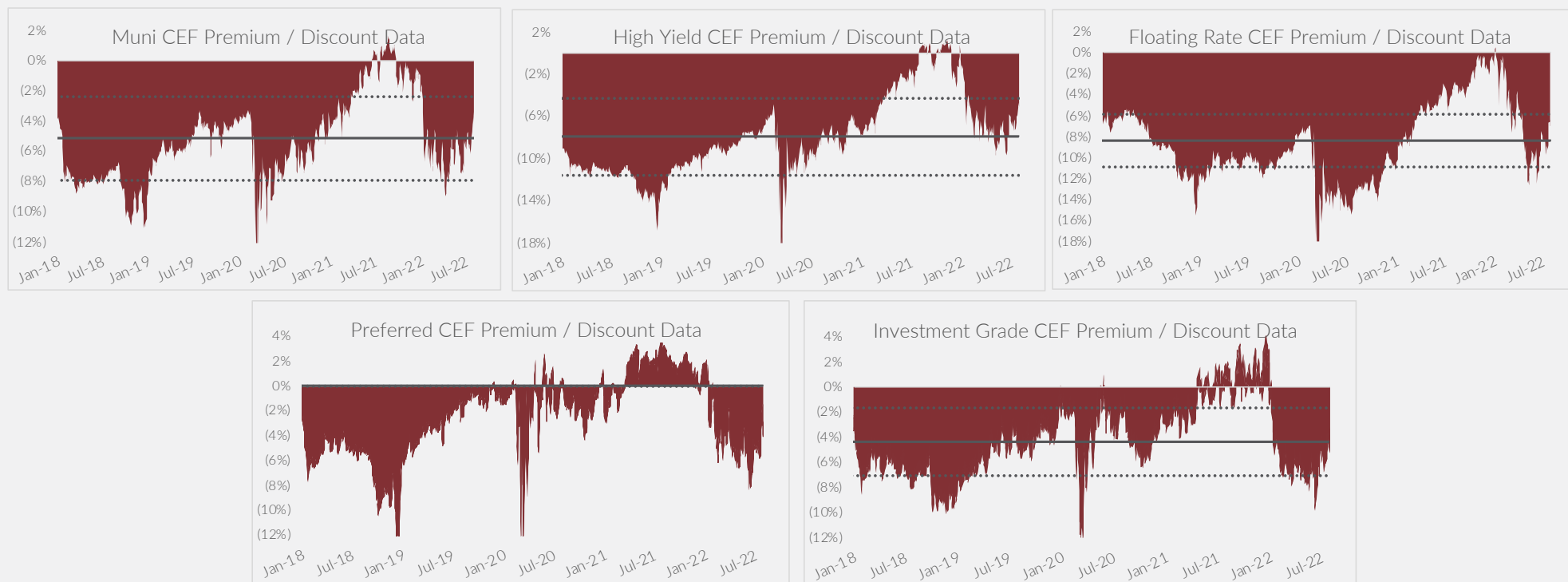
## Data from Closed-End Fund Advisors

The information reflected in the chart is from years 2012 to 2021. The chart reflects which of the measured factors may be the best indicators potential CEF returns. All closed-end funds were ranked by decile based on factors including premium/discount, premium/discount relative to a three-month average, fund leverage percentage, undistributed net investment income (UNII), distribution yield, earnings coverage ratio, average 30-day trading volume, and sum of current premium/discount and relative premium/discount. After ranking the performance all closed-end funds by decile, the forward one-year total return for each fund was averaged together by decile, data point and year. Please note, for premium/discount and fund leverage, the top decile has the lowest numbers; for UNII, distribution yield, earnings coverage ratio and trading volume, the top decile has the highest numbers.

Absolute discounts/premiums are relative to the net asset value (NAV). Relative discounts/premiums are relative to the average discount of the particular CEF being considered. Undistributed net investment income ("UNII") reflects how much, beyond current earnings, a CEF has available to pay future distributions. The differences between the CEF share price and the NAV create discounts and premiums. Shares are said to trade at a "discount" when the share price is lower than the NAV and a "premium" when the share price is higher than the NAV.

# CIA's "Guiding Light" for Attractiveness of CEFs – Discounts!

## 5 Year CEF Summary Sheet (as of 12/31/22)



Data from Bloomberg



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# Summary | Closed End Funds

## *Positives*

Generally produce above average yield – historically in the 7-10% range

Potential for better than average returns stemming from both yields and capital appreciation

Potential to lower volatility by buying at a discount

	Correlation to S&P 500
Closed End Funds	80%

## *Negatives*

More volatile than underlying asset classes due to price component + leverage

More volatile than most open-ended funds

Depending on the amount of leverage, the risk of loss can be magnified

	Volatility
Closed End Funds	19%
S&P 500	18%

### Data from Bloomberg

15 years through 12/31/22

Correlation is measured by the correlation coefficient.

Volatility is measured by standard deviation.



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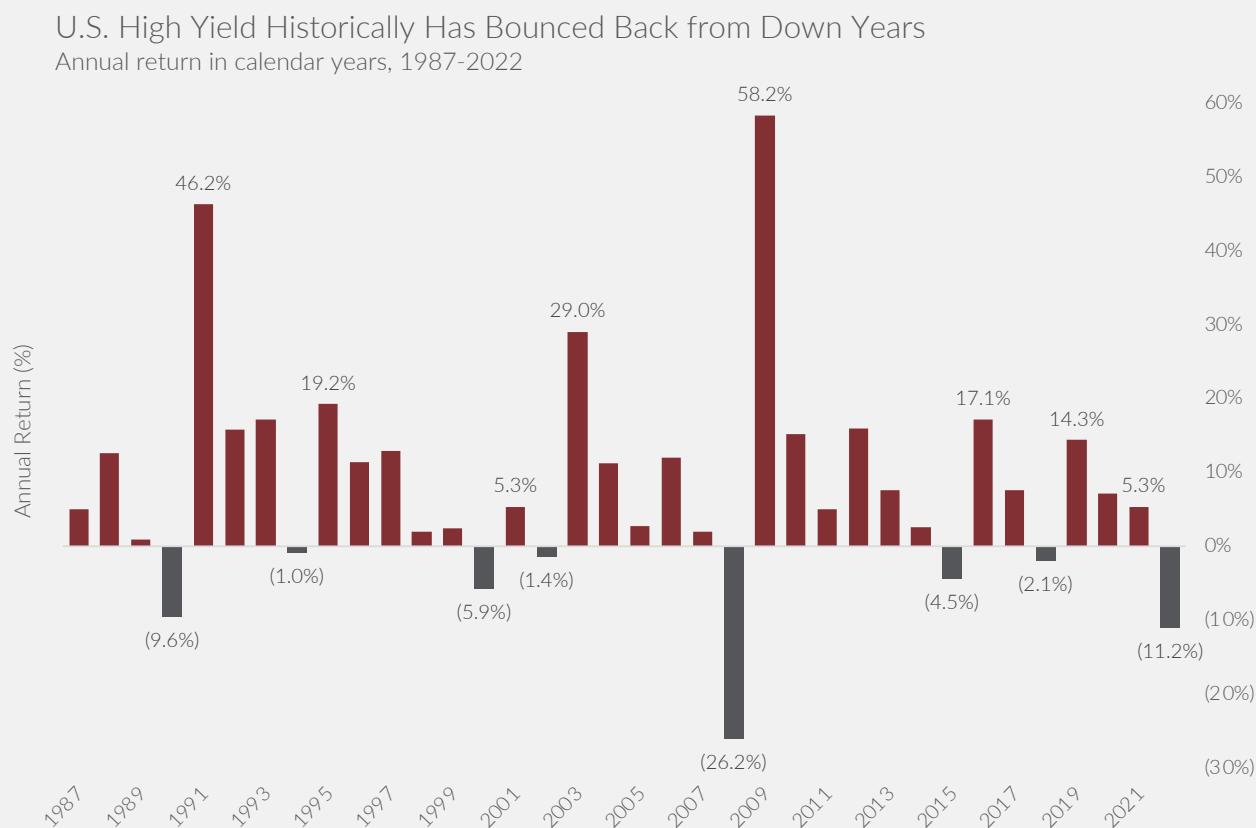
# Fixed Income – Credit, but Let's Focus on High-Yield

Since 2000, High-Yield has carried an average 8.3% yield versus a comparable 5-Year treasury at 2.6%.

Since 2009, High-Yield had an average yield of 7.0% versus a 1.7% yield for the comparable treasury.

But it's not just the yield.

Historically, High-Yield has performed well. In fact, only 8 of the past 35 years (23%) have been negative. And the upside isn't that much lower than stocks.



Data from Lord Abbett, ICE Data Indices

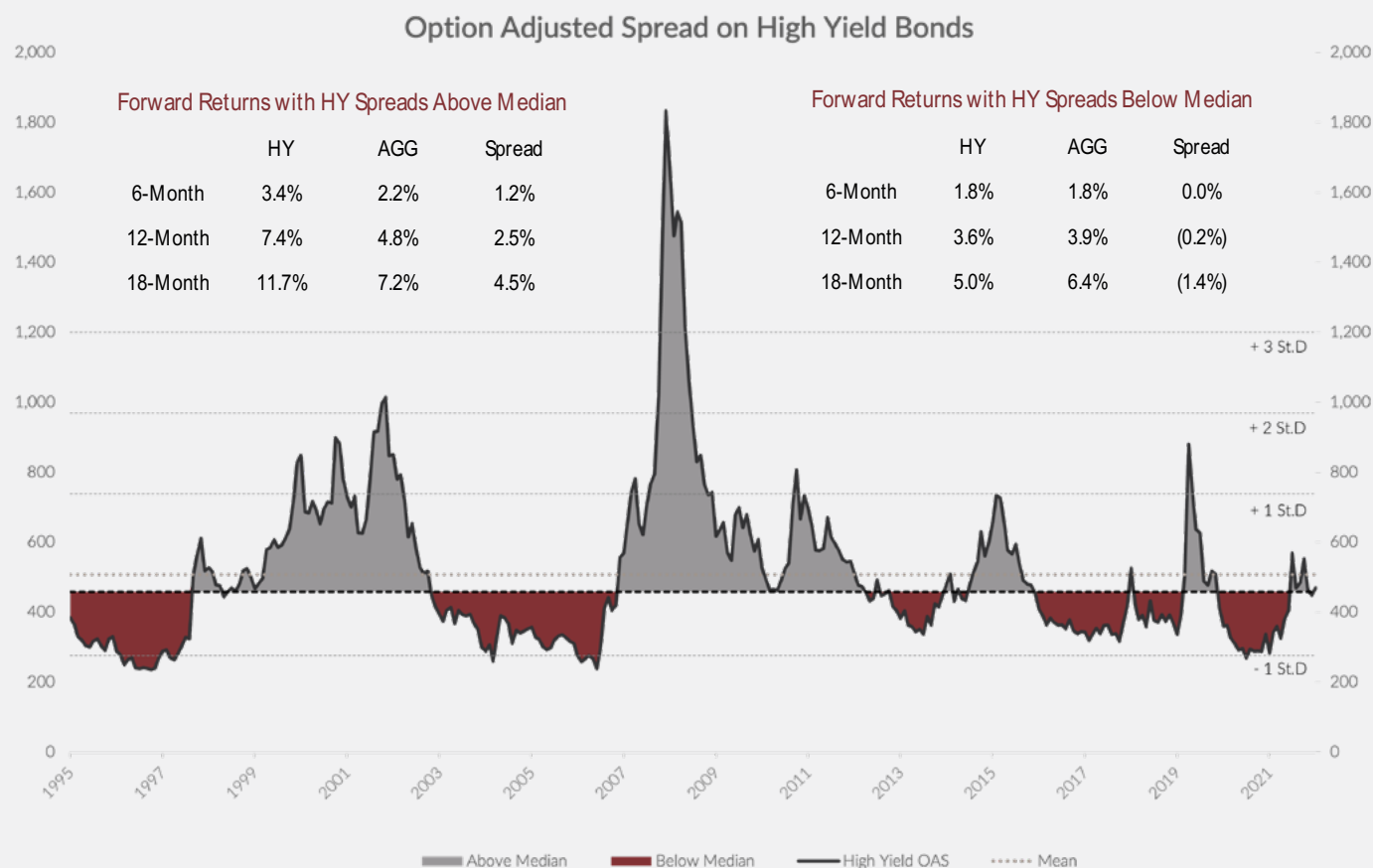


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# The Cyclical Nature of High-Yield

To highlight the way we think about High-Yield, see the below chart.

- Has better than general performance of US Bond Market (“AGG”) returns when spreads are wide
- Has experienced AGG or worse returns when High-Yield is below the median



## Data from Bloomberg

The option-adjusted spread (OAS) measures the difference in yield between a bond with an embedded option, such as an MBS or callables, with the yield on Treasuries. Embedded options are provisions included with some fixed-income securities that allow the investor or the issuer to do specific actions, such as calling back (redeeming) the bonds. Using historical data and volatility modeling, OAS considers how a bond's embedded option can change the future cash flows and thus the overall value of the bond. High Yield returns represented by VHEHX (12/31/95 – 4/5/07) and HYG (4/5/07 – 12/31/22). US Bond Market performance represented by VBTIX (12/31/95 – 9/19/03) and AGG (9/19/03 – 12/31/22).

# Summary | High-Yield Debt

## *Positives*

Has generally generated above average income over the time period shown.

Solid risk adjusted returns over time due to equity-like returns with lower volatility.

	Correlation to S&P 500
High-Yield Bonds	74%

## *Negatives*

More volatility than traditional fixed income.

High-Yield entry and exit points are volatile and impact return.

	Volatility
High-Yield Bonds	12%
S&P 500	18%

### Data from Bloomberg

15 years through 12/31/2022

Correlation is measured by the correlation coefficient.

Volatility is measured by standard deviation.



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# *MLPs and REITs — Obligated to Pay High Levels of Income*

## *Publicly Traded Real Estate Investment Trusts (REITs)*

Required by law to pay out

# 90%

of taxable income as distributions.

## *Master Limited Partnerships (MLPs)*

While not required by law, must follow their operating agreements which generally state a payout of distributable cash flow in the range of

# 60%

or higher.

This has led to above average yields for both MLPs and REITs (2008 - 2022):

- MLPs average yield = 7.8%
- REITs average yield = 4.2%
- U.S. Treasury = 2.4%
- S&P 500 = 2.1%



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# *MLPs and REITs — Both Can Provide Investors with Tax Benefits*

## *Publicly Traded Real Estate Investment Trusts (REITs)*

Pass-through income, so not taxed at the corporate level

Shareholders can now deduct 20% of dividend income (ETFs/Mutual Funds now included as well as individual REITs). Effectively reducing the top tax rate from 37% to 29.6%

## *Master Limited Partnerships (MLPs)*

Pass-through income, so not taxed at the corporate level

Dividends are treated as tax-deferred distributions, meaning you do not pay taxes until you sell. These distributions reduce your cost basis in the MLPs

This makes the step-up in basis for heirs upon a unitholder's death potentially more beneficial



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# *MLPs and REITs — Historical Returns for MLPs & REITs Are Strong*

MLPs & REITs are two of the best performing asset classes among Bonds, Stocks, Oil, MLPs and REITs over the past 25+ years. In sum, over time, these structures have historically worked for investors.

## Comparative Returns for MLPs, Stocks, Bonds, Oil, & REITs 1997-2022



# Summary | MLPs and Publicly Traded REITs

## *Positives*

Generally produce above average income

Superior historical long-term returns

Offer tax advantages to individual investors

Slightly lower correlations than  
traditional equities

	Correlation to S&P 500
REITs	76%
MLPs	67%

## *Negatives*

More volatile than the S&P 500 and  
significantly more volatile than the AGG

While less correlated, still strongly positive

K-1 tax reporting for MLPs

	Volatility
REITs	24%
MLPs	29%
S&P 500	18%

### Data from Bloomberg

15 years through 12/31/2022

Correlation is measured by the correlation coefficient.

Volatility is measured by standard deviation.



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# Preferred Stocks — A Lower Correlated Way to Potentially Generate High Levels of Income

The long-term track record for Preferred Stocks been consistently strong (only 8 down years in the last 33 years and up on average 5.7% per annum).

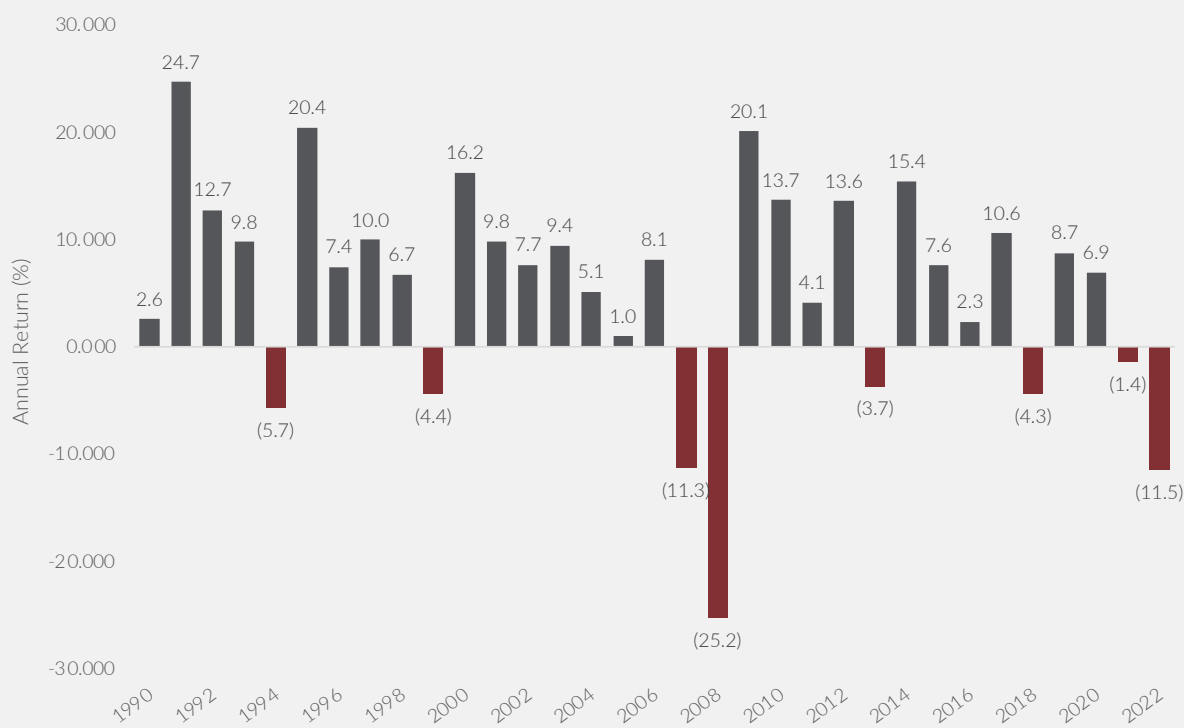
	Correlation to S&P 500
REITs	76%
Closed End Funds	80%
High Yield Bonds	74%
MLPs	67%
Preferreds	59%
Aggregate Bond Index	19%

## Data from Bloomberg

15 years through 12/31/2022

Correlation is measured by the correlation coefficient.

Preferred Securities Calendar Year Total Returns  
1990-2022



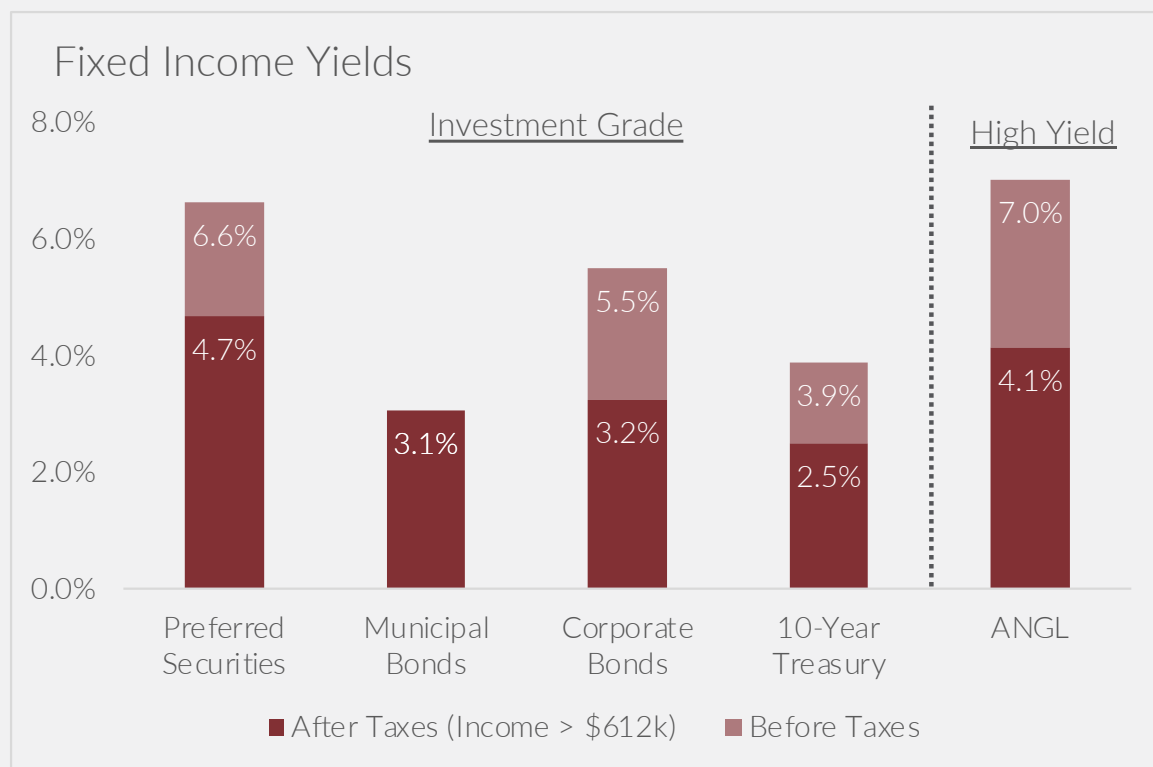
Data from Cohen & Steers, ICE Data Indices



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# Preferred Stocks — Tax Considerations for Preferreds

Preferred Equities are the highest yielding investment-grade asset class, generating near High-Yield-like returns after adjusting for taxes. However, it's worth remembering that they are still Equities. Meaning, in a liquidation scenario, Preferred holders get paid after all bond holders (secured, unsecured, etc.). Hence, volatility above the S&P.



Ordinary Income Tax Rate	Qualified Dividend Tax Rate
10%	0%
12%	0%
22%	15%
24%	15%
32%	15%
35%	15%
35%	20%
37%	20%

\*Qualified Dividend Tax Rate jumps from 15% to 20% with AGI of \$517,201 married, filing jointly for 2022.

Data from Cohen & Steers

Taxation as of 12/31/2022 and subject to change.

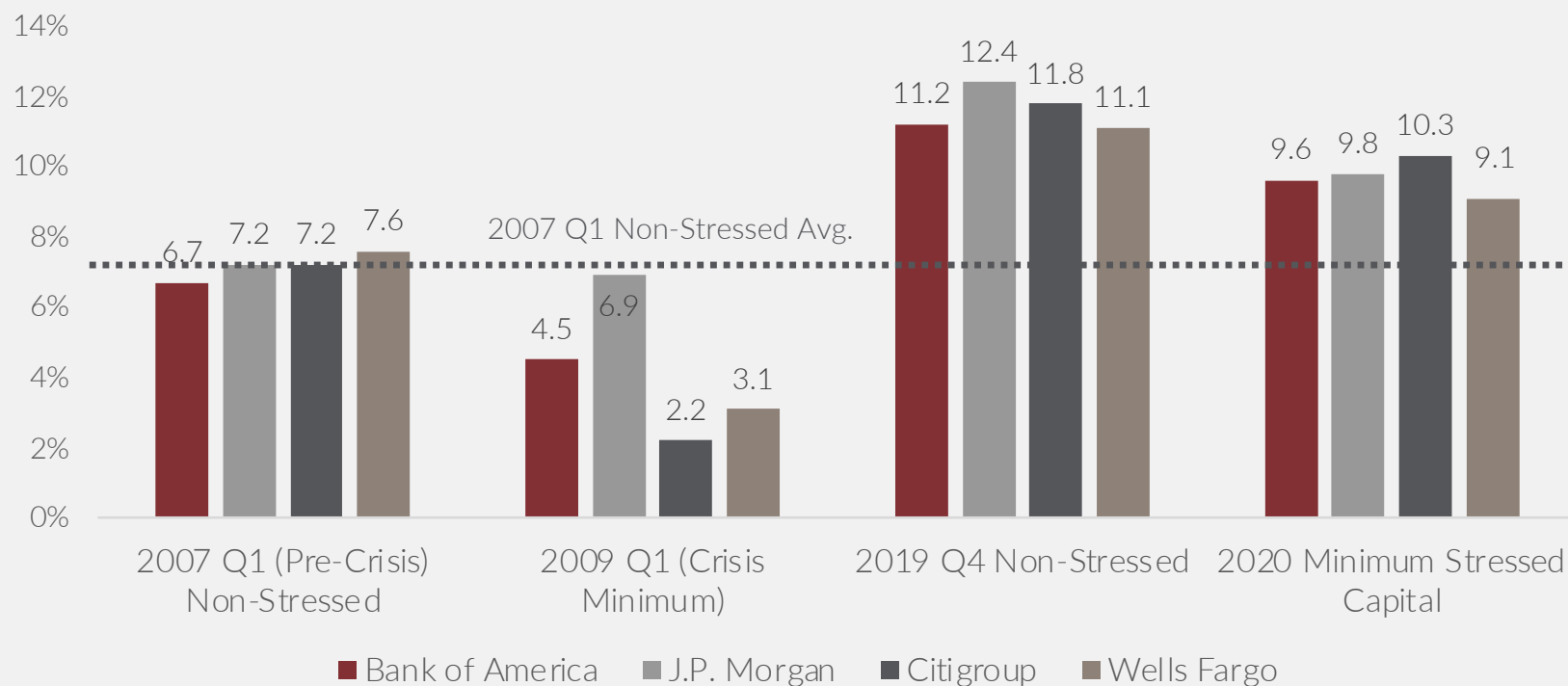


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# *Financials Health Key to Preferreds Given Exposure (~70%) and Place in Capital Stack*

Even in the depth of the COVID-19 Recession, capital ratios were still well in excess of where they were *prior* to the Great Financial Crisis.

## Common Equity Tier One Capital



Data from Cohen & Steers



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# Summary | Preferred Stocks

## Positives

Above average income for comparable investment-grade assets

Lower correlation to stocks than other high income-generating vehicles

Financials are in much better shape than prior to last recession

	Correlation to S&P 500
Preferreds	59%

## Negatives

Preferreds have a lower placement in the capital structure than traditional corporate bonds

Limited upside potential

Lack of dividend growth

	Volatility
Preferreds	19%
S&P 500	18%

### Data from Bloomberg

15 years through 12/31/2022

Correlation is measured by the correlation coefficient.

Volatility is measured by standard deviation.



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# Summary | CIA's Style

## Equity Approach

1

Stocks that pay and grow their dividends

2

Have strong cash flow and sound balance sheets

3

Have demonstrated lower volatility which helps ease the pain of market swoons

## Income Approach

We accept higher levels of correlation and volatility than many other RIAs due to our belief that one can attain better levels of income and return over time. We're also not blind to the issues and aim to prudently manage around the negatives within each space.

### *CEFs*

We focus on CEF's that trade at a discount. This can potentially boost yield, lowers volatility and skews returns to the upside.

### *High-Yield*

We accept additional risk when we are compensated for it in the form of higher yield spreads as we are aware how returns look when spreads are tight or wide.

### *MLPs*

Carefully pick managers and/or MLPs that have defensible business models we believe are able to consistently pay and raise distributions.

### *REITs*

Focus on cheap, out of favor, large REITs to potentially limit downside and boost income.

### *Preferreds*

Focus on an area that isn't overly exposed to long duration.





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## NOTES AND DISCLOSURES

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy. The information provided does not take into account the specific objectives or circumstances of any particular investor or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her advisors. The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions.

Past performance is no guarantee of future results. Investing involves risk; principal loss is possible. All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information, and it should not be relied on as such.

### Definitions:

**Dividend Policy Description:** The performance of each group is based on the equal-weighted geometric average of dividend-paying and non-dividend-paying historical S&P 500 stocks, rebalanced monthly. Each stock's dividend policy is determined on a rolling 12-month basis. For example, a stock is classified as dividend-paying if it paid a cash dividend at any time during the previous 12 months. A stock is reclassified only if its dividend payments change. Dividend growers and initiators include stocks that raised their existing dividend or initiated a new dividend during the preceding 12 months. Dividend cutters or eliminators include stocks that lowered their existing dividend or stopped paying regular dividends during the preceding 12 months. The returns do not reflect the deduction of any fees, expenses or taxes that would reduce performance in an actual client portfolio. Returns for stocks that paid dividends assume reinvestment of all income. The periods shown do not represent the full history of the S&P 500; it is the history maintained by the data source. It is not possible to invest in an index. These groups have been determined by Ned Davis Research, Inc.

The S&P 500 Index is the Standard & Poor's 500 Composite Index of 500 stocks, an unmanaged index of common stock prices. The Index is unmanaged and the figures for the Index do not include any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

**High Yield Slides:** HYG is an exchange traded fund that seeks to track the investment an index dollar-denominated high yield corporate bonds. VWEHX is a mutual fund that in vests primarily in a diversified group of high-yielding, higher-risk corporate bonds. VBITX is a mutual fund that seeks to track the performance of Bloomberg Barclays US 1-5 year maturity government, investment-grade corporate and investment-grade international dollar-denominated bonds. AGG is an exchange traded fund that seeks to track the performance of the total US investment-grade bond market.

Volatility is measured by Standard Deviation. Standard deviation is the statistical measure of market volatility, measuring how widely prices are dispersed from the average price over a specific period of time.

Correlation is measured by R-squared. R-squared is generally interpreted as the percentage of a security's movements that can be explained by movements in a benchmark index. An R-squared of 100% means that all movements of a security (or other dependent variable) are completely explained by movements in the index (or the independent variable(s) you are interested in).



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## RISKS

Covered Call strategies limit upside potential for stock appreciation and are likely to therefore underperform in strong markets. A covered call does not protect a stock from downside risk. The loss for the investor on each position could be the current price of a stock less the premium received for the call option. Withdrawals (such as systematic withdrawals as part of an income strategy) may result in a declining portfolio value over time.

All investments involve risk including the possible loss of principal. There can be no assurance the strategy will achieve its investment objective.

If securities are called away, substantial capital gain tax could be incurred. The sale of stock will produce tax consequences for U.S. taxpayers. Each option transaction also produces a tax consequence. You should discuss with your personal tax advisor how the options transactions and any sales of underlying stock will affect your tax situation. Capital Investment Advisors does not provide tax advice.

Real Estate Investment Trusts (REITs) are subject to risks generally associated with investing in real estate, such as (i) possible declines in the value of real estate, (ii) adverse general and local economic conditions, (iii) possible lack of availability of mortgage funds, (iv) changes in interest rates, and (v) environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.

Master Limited Partnerships (MLPS) are engaged in the energy sector of the economy and are not diversified across numerous sectors of the economy. As a result, these investments are susceptible to adverse economic or regulatory occurrences affecting the energy sector. Changes in the laws, regulations and/or related interpretations relating to the energy infrastructure strategy tax treatment of investments in MLPs or other instruments could negatively impact the value of an investment in an MLP, or otherwise impact the Fund's ability to implement its investment strategy.

Closed-End Funds (CEFs) are subject to market movements and volatility. Changes in interest rate levels can directly impact income generated by a CEF. Funds that have a portfolio with a significant allocation to fixed income assets, like bonds, may be more exposed to this type of risk as interest rates change. Like other exchange traded products, CEFs can experience liquidity risk, credit risk, concentration risk and discount risk.

Preferred Securities risks are similar to those of investing in bonds, including credit risk and interest-rate risk. As nearly all preferred securities have issuer call options, call risk and reinvestment risk are also important considerations. In addition, investors face equity-like risks, such as deferral or omission of distributions, subordination to bonds and other more senior debt, and higher corporate governance risks with limited voting rights. *For Internal Fidelity Use Only – Not for Client Distribution.* IIM UC202302 CC202106

**Capital Investment Advisors • [www.yourwealth.com](http://www.yourwealth.com)**

**10 Glenlake Parkway NE, North Tower, Suite 1000, Atlanta, GA 30328 • 404-531-0018**

**8101 E. Prentice Avenue, Suite 1000, Greenwood Village, CO 80111 • 720-463-0770**

**2502 N. Rocky Point Drive, Suite 675, Tampa, FL 33607 • 813-616-2300**

**2141 East Camelback Road, Suite 205, Phoenix, AZ 85016 • 602-813-0470**