



**Limited principal risk and
reliable income when you
need it**

BOND PORTFOLIO MANAGEMENT STRATEGY (“BPM”)

KCM’s BPM Strategy provides clients:

- competitive total returns and current income (for taxable clients, a tax free income stream)
- principal protection and reduced credit risk
- call protection
- ability to combine individual bonds with bond ETFs and closed-end funds

PORTFOLIO MANAGEMENT PROCESS

KCM seeks out individual bonds with maturities of 2 through 12 years. In general, KCM portfolios would be classified as intermediate in both average maturity and duration. Portfolios tend to have relatively equal weights in each of the maturity years during periods when the yield curve is normal. In periods when the short end is rising, maturities are shortened. In periods when the yield curve is falling, individual bond maturities are lengthened toward the maximum 12 year absolute maturity. Cash is normally held as part of the fixed income allocation in balanced accounts or as a substitute for 1-3 year notes when interest rates are rising. Bond oriented ETF shares and closed-end bond funds can play a major role in our strategy.

In general, tax-free portfolios will hold individual Treasuries and Agencies (Governments). AAA grade corporates (Credits) may also be held if the yield warrants. In taxable accounts highly credit rated tax-free municipal debt will be held and insured issues are preferred. At times, taxable debt may be held in taxable accounts if the client’s tax rate is low enough or the after-tax yield is high enough to justify the position. KCM seeks call protection for as long as possible to ensure the portfolio’s income stream will remain reliable and consistent. KCM does not invest in mortgage backed securities (MBO/CMO) regardless of their credit rating.

KCM believes that its systematic, disciplined, and consistent process limits risk, maintains appropriate diversification, and allows for competitive total returns compared to other intermediate term bond managers. Turnover is relatively low and tax consequences are monitored for taxable accounts.

Contact us for more information as well as the performance history for our bond strategies:

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