



TARGET DATE STRATEGY (“TDS”)

Our Target Date Strategy (“TDS”) has provided clients competitive total returns, extensive diversification, systematic reduction in portfolio risk and volatility, coupled with increased liquidity as the target date approaches.

PORTFOLIO MANAGEMENT PROCESS

KCM offers various TDS accounts. Depending upon the client’s investment time horizon, liquidity need, and risk tolerance a specific strategy will be selected. The asset mix for TDS accounts is determined on a client-by-client basis. Once a specific TDS portfolio is established, the asset mix will be adjusted periodically to reflect the suitable “risk asset” exposure for the remaining time until the next rebalancing date. Typically, KCM rebalances TDS accounts to their then appropriate target asset mix during the first quarter of each year.

A client’s TDS account could initially contain target allocations to domestic equities, emerging markets equities, real estate, commodities, and fixed income. In a longer dated TDS account, e.g. 2025, there is no initial allocation to fixed income asset. However, as the target date approaches, “risk asset” allocations are reduced and fixed income & cash equivalent allocations are increased. Going into 2025 (the “target date”), “risk assets” are reduced to zero allocations while liquid, fixed income and cash equivalent assets’ allocations would represent the portfolio’s entire asset mix.

Since asset mix is controlled through periodic rebalancing, on average, the asset mix would changes to match the client’s specific situation. However, a change in client circumstance would trigger a review of what new TDS (or other) structure might be suitable and asset mix would then be re-aligned to that new mix.

KCM believes that its systematic, disciplined, and consistent process limits risk, maintains appropriate diversification, and allows for risk-appropriate capital appreciation. Turnover is relatively low. Since KCM tends to employ Exchange Traded Fund (“ETF”) securities in its TDS portfolios tax consequences are generally more attractive in taxable accounts than they would be if a traditional mutual fund based strategy were employed. KCM also utilizes tax-favored debt securities in taxable accounts to further mitigate tax consequences.

KCM makes available its TDS strategies in a single, separately managed portfolio thereby removing the need for multiple managers and multiple accounts.

Contact us for more information as well as the TDS performance history:

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