

BALANCED
PORTFOLIO



King Investment Advisors, Inc.

Balanced Portfolios

KING has managed balanced portfolios since its inception in 1981. A balanced portfolio combines both a multi-cap or large-cap equity portfolio with an income portfolio.

Investment Advantages and Characteristics

KING recommends a balanced portfolio for clients:

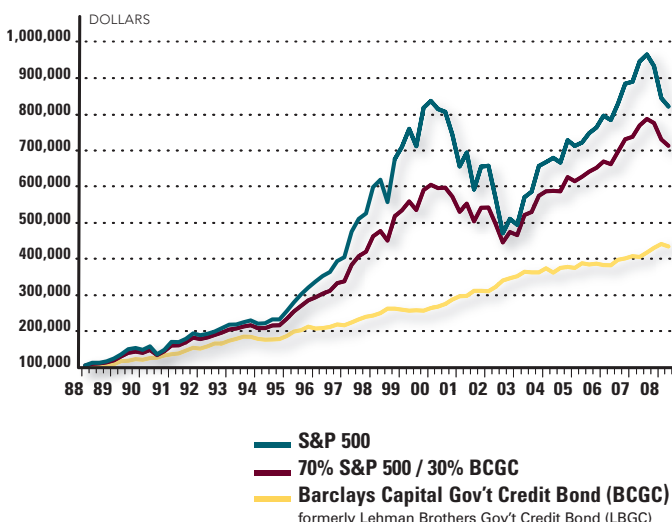
- whose investment objectives include current income generation, and
- who desire less volatility of return in their portfolio.

It is important to accurately determine the appropriate asset allocation for your portfolio to ensure it reflects your long-term objectives. As shown below, having a significant portion of your portfolio in income securities not only reduces the volatility of your portfolio but also may reduce the long-term returns.

Depending on the income needs or risk assessment, KING and the client will jointly customize a target proportion of equities and income.

GROWTH OF \$100,000

SINCE JANUARY 1, 1988, THROUGH JUNE 30, 2008



Portfolio Construction

In addition to equities, the income portion of the portfolio employs Treasuries, Agencies, and investment-grade corporate bonds, including convertibles, preferred stock, and income mutual funds and ETFs.

KING manages income assets with a value-oriented approach similar to our equity selection process.

- For tax-exempt portfolios, KING focuses on the yield spreads between Treasuries, Agencies, and corporate issues, and we buy and hold bonds with the greatest total return potential relative to the credit risk involved.
- For taxable portfolios, we add municipal bonds if the expected total after-tax returns are greater than they would be if using comparable taxable issues.

Balanced Buy Discipline

As with the 100% pure equity portfolio, balanced portfolios are typically invested over a 30 to 90 day period. We review client portfolio holdings daily and purchase stocks that meet our buy criteria. We typically defer buying stocks that have had recent, sharp, upward moves, or that are near our target price.

Balanced Sell Discipline

The income securities in a balanced portfolio are held for a long period of time. The two reasons for liquidating a holding are:

- Credit deterioration
- A more attractive alternative is identified

For the equity portion of the portfolio, we evaluate securities for sale as fundamentally as we do for purchase. Our primary reasons for selling a security are:

- Price objectives are met
- Fundamentals change
- More attractive alternatives are identified
- A secondary consideration is price deterioration versus a broad market index



Investment Style

Our investment style, a blend of value with a growth overlay, emphasizes private-market value, historical valuation, and growth at a reasonable price (GARP), and is aimed at uncovering securities often overlooked by other investors.

Our Business Valuation Approach identifies companies selling for less than their true intrinsic values. These companies sell at (1) a discount to their private-market values, (2) a discount to their historical valuations, or (3) low multiples relative to their expected growth rates. KING invests in these companies believing the stock market will eventually realize their intrinsic values, causing their prices to rise.

What Distinguishes KING from Other Managers?

Our emphasis is on private-market value (the amount an individual or institution would pay for an entire, publicly-traded company). We buy a stock when its perceived value (the price at which the market values it) is at a significant discount to its private-market value; the wider gap, the better. Quite simply, we try to buy a dollar for fifty cents.

King Investment Advisors

- Founded in 1981 in Houston, Texas
- Disciplined investing with proven long-term performance
- Fundamental, bottom-up approach to investment analysis
- Proprietary research methods independent of Wall Street
- National clientele of foundations, endowments, corporate pension funds, and high net worth individuals
- Individually managed private-client portfolios
- Tax-efficient strategies to increase wealth
- Experienced staff and established investment process

*We capitalize on opportunities
often overlooked by other investors.*

OUR STRATEGY FOR MAKING YOUR INVESTMENTS WORK FOR YOU

King Investment Advisors, Inc.
was founded in 1981. We are
value investors with a growth overlay
and a vision to provide outstanding
long-term investment results while
minimizing the risk of our clients' capital.

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We adhere to the *Business Valuation Approach*. We seek to identify attractive investment opportunities using a broad definition of value, uncovering securities often overlooked by other investors. This Approach has served our clients well for many years in different economic environments.

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We are dedicated to providing a high level of professional service to our clients. Additionally, we are committed to the highest level of ethical standards by always placing the interests of our clients first. We manage our clients' assets as if they were our own.



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