

MULTI-CAP
PORTFOLIO



King Investment Advisors, Inc.

Multi-Cap Investment Advantages

■ Historically, small-cap, mid-cap, and large-cap stocks have had long but varying cycles of relative outperformance, followed by periods of relative underperformance. For example, over multi-year periods, the small-cap stock universe may outperform the large-cap universe, and vice versa. A properly diversified portfolio reduces the capitalization risk and short-term volatility, and allows an investor to maximize long-term returns.

Investment Approach

■ Our Business Valuation Approach identifies companies whose stocks are selling for less than their true intrinsic values. These stocks sell at (1) a discount to their private-market values, (2) a discount to their historical valuations, and/or (3) low multiples relative to their expected growth rates. KING invests in these securities believing their underlying value will eventually be recognized by financial and/or strategic buyers or other investors, resulting in a rise in the price of their stocks.

■ The KING investment approach identifies fundamentally undervalued stocks with catalysts that can unleash their value.

Catalysts to Unleash Value

- Consolidating Industries
- Potential Acquisition Targets
- A Management Commitment to Shareholder Value
- Restructuring Activities
- ~ Stock Buybacks
- ~ Asset Sales
- ~ Subsidiary Spin-offs
- ~ Hidden Balance Sheet Assets

Quantitative Measurements

- Low Price/Cash Flow
- Low Price/Book Value
- Low Price/Earnings
- Low Price/Sales

Portfolio Construction

■ Portfolios typically hold 25-35 stocks. Our goal is to buy the best stock values with the greatest opportunities for price appreciation. Therefore, some industries may be significantly over-weighted or under-weighted. The average holding period for a stock is 18 months. The percentage of stocks in each market cap category will vary.

Equity Buy Discipline

■ Portfolios are typically invested over a 30-90 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.

Sell Discipline

■ We evaluate securities for sale as fundamentally as we do for purchase. Our primary reasons for selling a security are:

- Price objectives met
- Fundamentals change
- More attractive alternatives found

■ A secondary consideration is price deterioration versus a broad market index. Our sell discipline is driven by fundamentals, but poor relative performance may cause a stock to be considered a candidate for sale.

Cash Position

■ Cash is strictly a by-product of the investment process. When the risk/reward for common stocks appears unfavorable, or when price valuations are not attractive, portfolio cash positions may increase by virtue of neither holding nor purchasing stocks that fail to meet our value criteria.



King Investment Advisors, Inc.

- Founded in 1981 in Houston, Texas
- National clientele of foundations, endowments, corporate pension funds, and high net worth individuals
- Individually managed and tailored private-client portfolios
- Tax-efficient strategies to increase wealth

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- Experienced staff and established investment process
 - Portfolio managers averaging over 26 years of investment experience

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- Disciplined investing with proven long-term performance
 - Fundamental, bottom-up approach to investment analysis
 - Proprietary research methods independent of Wall Street

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. This multi-pronged approach has served our clients well for over 25 years and should continue to do so over long periods of time.

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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