



Model Goals

- Seek regular income consistent with capital preservation
- Seek to minimize investment risk through risk control measures

The *Income Model* is intended for investors who:

- Wish to employ an active approach to portfolio management
- Are comfortable with portfolio turnover resulting from active management
- Are comfortable with owning a variety of bonds
- Are comfortable maintaining a portfolio which could potentially hold concentrated positions

Minimum Account Size: \$50,000

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Note: This Factsheet is intended to be viewed in conjunction with **WDC Advised Portfolios – An Introduction** brochure.

Model Thesis

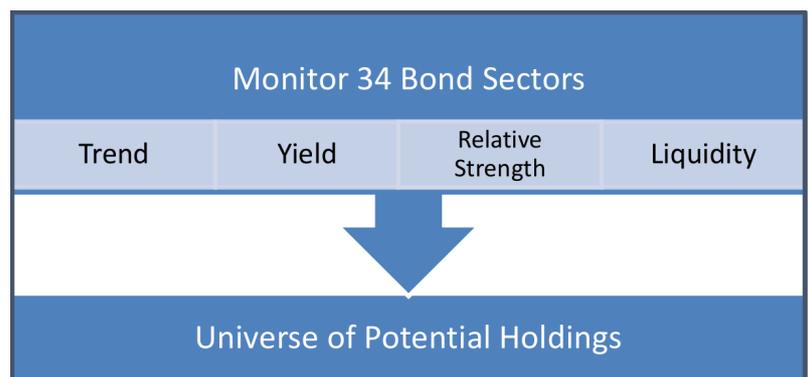
- Regular cash flow is an important component of total return.
- Using “baskets” of bonds (e.g. ETFs or Mutual Funds) may provide opportunities for more frequent cash flows than individual bonds.

Model Strategy

1	Monitor Broad Universe of Bond Sectors
2	Assess, Grade, and Rank Relative Strength of each constituent
3	Buy or Hold constituents which have high Relative Strength at time of purchase
4	Maintain Risk Controls
5	Monitor and Reallocate as needed

An Inventory of Investment Possibilities

1 To date, we have identified 34 Bond Sectors. These bond sectors make up an inventory of Investment Possibilities. We describe this inventory as the *Universe of Potential Holdings*.



Income Model

An investment model based on Yield, Relative Strength, and Market Trends

Relative Strength Journal Sample

	6/30/2016		6/29/2016	
1	7-10 Year Treasury Bonds	+2	1-3 Year International Treasury Bonds	0
2	Low Duration Opportunities	0	Low Duration Opportunities	+1
3	1-3 Year International Treasury Bonds	-2	7-10 Year Treasury Bonds	-1
4	TIPs Bonds	0	TIPs Bonds	0
5	Vanguard Total Bond Market	+1	First Trust Senior Loan Fund	0
6	CMBS	+1	Vanguard Total Bond Market	+1
7	Intermediate Credit Bonds	+1	CMBS	+1
8	iShares Core U.S. Aggregate Bond	+1	Intermediate Credit Bonds	+1
9	First Trust Senior Loan Fund	-4	iShares Core U.S. Aggregate Bond	+1

Picking Investment Possibilities

2 **3** Each Bond Universe constituent is ranked according to Relative Strength vs. all other constituents and vs. multiple benchmark indices.

The model seeks to purchase and hold candidates that are in positive Relative Strength Trends and sell candidates that are in negative Relative Strength Trends.

By combining robust financial screens with Relative Strength assessments, the Income Model seeks to hold a portfolio of bond funds which are exhibiting high Relative Strength and positive trends at the time of purchase.

Active Management

4 **5** Model holdings are reviewed and monitored on an ongoing basis. As securities rise in value, positions may be trimmed to harvest gains. Once a company's Relative Strength begins to weaken, the model will typically begin to sell shares of that company to reduce exposure to that position. Diversification is achieved through effective position sizing. Strategic stop and limit orders may be utilized to further reduce risk.

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