

Integrated|Capital|Management

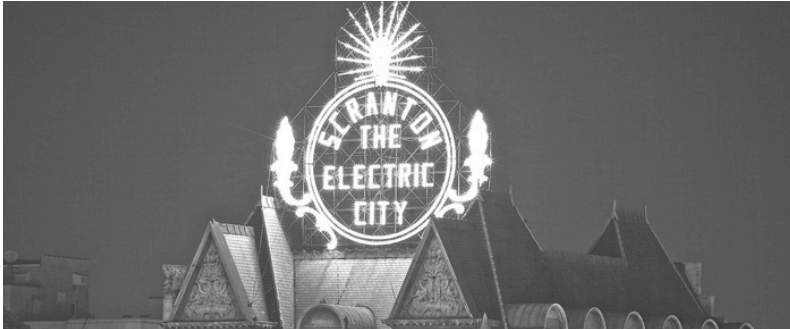
# TACTICAL INCOME PORTFOLIOS

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STRATEGY GUIDE FOR  
TACTICAL INCOME CLOSED END (TICE) &  
TICE ALPHA OPPORTUNITIES



## ABOUT ICM



### FOUNDED IN 2009

iCM currently manages over \$1.4 billion of assets for a diverse group of clients. Our valuations-based investment process traces its origins back more than 25 years to one of the nation's largest pension plans.

### DIVERSE MIX OF CLIENTS

iCM is proud to serve a wide variety of investors including the mass affluent market, high net worth individuals, institutions, and governmental agencies.



### INDUSTRY RECOGNIZED

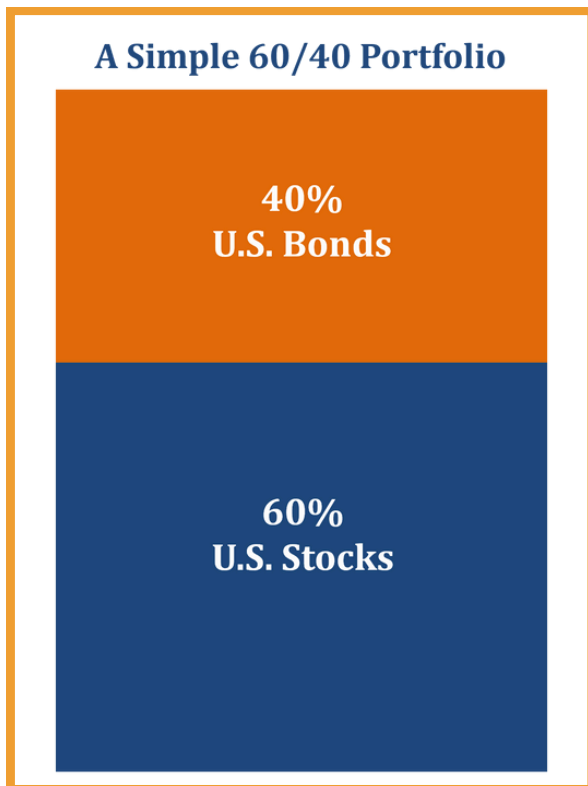
iCM's portfolios are broadly distributed and available to more than 40,000 financial advisors and their clients.

### PROPRIETARY RESEARCH

iCM uses its focus on valuations across all of its investment offerings.



## THE STARTING POINT - THE TRADITIONAL PORTFOLIO



### ADVANTAGES

- Diversification
- Easy to implement
- Relatively inexpensive

### DRAWBACKS

- Generally static in nature
- May feel forced to own assets regardless of valuation
- Can be influenced by preconceived notions and biases, which can lead to sub-optimal outcomes



## USING THIS AS OUR STARTING POINT, WHAT CAN ICM IMPROVE?

### ADD A DIVERSIFYING SOURCE OF RETURN!

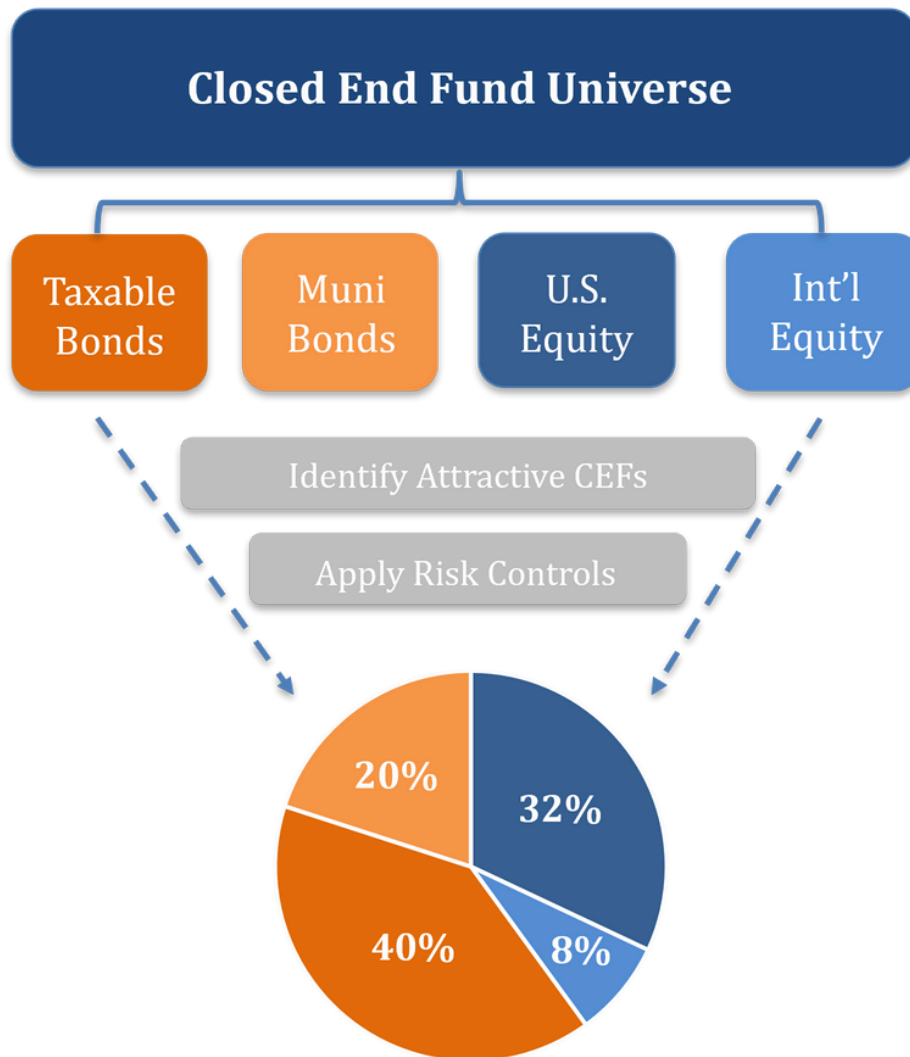
Market inefficiencies may allow investors to buy \$1 worth of closed end fund assets for less than a dollar, or at a discount. A unique source of return, “CEF Alpha”, can be created as discounts revert to NAV over time.

While CEFs may often be overlooked, they were introduced in the United State in 1893 predating open-end mutual funds by 30 years. CEFs are structured as collective investment companies just like open-end mutual funds and exchange traded funds (ETFs).

Since closed end funds have historically offered a yield advantage over traditional equity and fixed income assets purchasing them at a discount only serves to further enhance yield.

With iCM’s Tactical Income suite of portfolios investors may be able to capitalize on this unique opportunity to harness a unique source of return while also capturing an above average yield.

## TACTICAL INCOME CLOSED END - TICE INVESTMENT PROCESS



- 1** Start with entire CEF universe which consists of >400 individual funds.
- 2** Separate universe into its 4 key asset classes and analyze using proprietary database with data back to the late 1990s.
- 3** Identify funds trading at significant discounts to their long-term average.
- 4** Risk management process eliminates illiquid or overly concentrated funds.
- 5** Construct an equal-weighted portfolio of up to 98 CEFs that meet criteria, owning ETFs where opportunities do not exist.

## TICE KEY POINTS

- Many CEFs are designed to deliver a high level of income and have historically offered a yield advantage over traditional asset classes.
- When a CEF trades at a discount-to-NAV an investor's yield is further enhanced....similar to buying a discount bond.
- Rather than holding a static portfolio of CEFs, the iCM TICE Strategy tactically allocates between CEFs and ETFs based on the market environment.

Additional Strategy Details	
Asset Allocation	40% Equity / 60% Fixed Income
Management Style	Active / Tactical
Investment Vehicles	Closed End Funds (CEFs) & ETFs

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## THE EVOLVING APPLICATION OF TICE

### THE ORIGIN OF TICE ALPHA OPPORTUNITIES (TAO)

The almost immediate popularity of TICE, upon its release in 2016, gave rise to demand for a wider application across more investor risk profiles.

In 2020, iCM took the next step to make the TICE strategy more widely available for investors with a broad range of investment goals. To solve for this, iCM sought to combine TICE with our proprietary, valuations-based approach to asset allocation.

This resulted in the creation of TICE Alpha Opportunities (TAO). iCM released five risk-based portfolios to allow for this unique suite to be deployed by investors with goals ranging from income generation, growth & income, to long-term growth.

TAO provides the benefits of the iCM TICE strategy's closed end fund alpha with our tactically managed high conviction assets to meet the needs of a wider range of investors.

## TICE ALPHA OPPORTUNITIES - OVERVIEW

### A COMPELLING APPROACH TO PORTFOLIO MANAGEMENT

#### A FLEXIBLE APPROACH

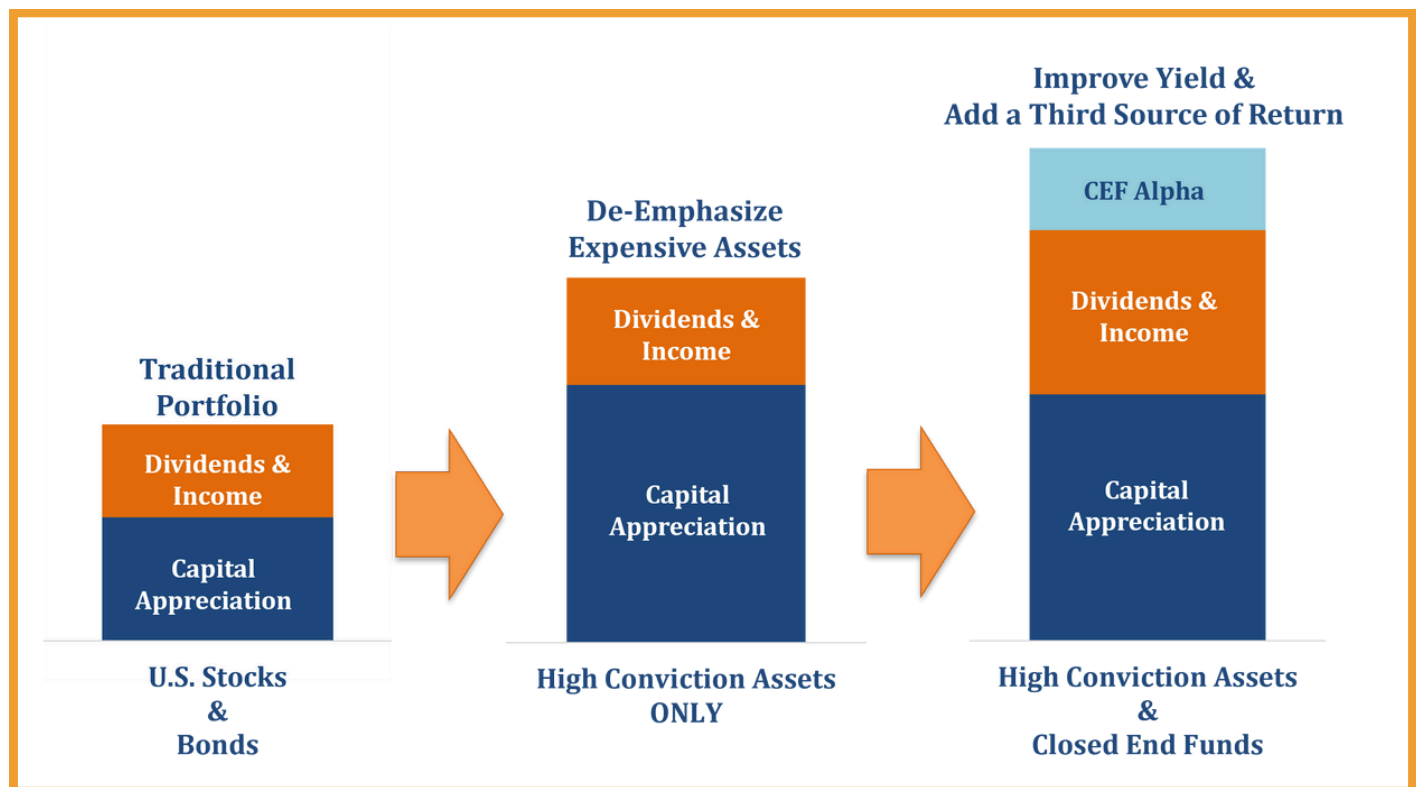
TAO adopts a flexible approach, focusing on the most attractive opportunities across equity and fixed income markets, regardless of geography, market cap, style, or fixed income segment.

#### HARNESSING DIVERSIFIED SOURCES OF RETURN

TAO aims to diversify potential sources of alpha across various time frames and market environments by combining a portfolio of “high conviction tactical assets” (long-term) with a tactical closed end fund strategy (short/intermediate-term).

#### POTENTIAL FOR ENHANCED YIELD

Closed end funds have historically offered a yield advantage over traditional equity and fixed income assets and purchasing them at a discount only serves to further enhance yield.



The Building Blocks are purely illustrative of the potential sources of return within the strategy. This illustration does not infer the promise or guarantee of positive returns, or that additional building blocks increase returns. Actual results may be positive or negative based on market conditions.



## TICE ALPHA OPPORTUNITIES (TAO) - STRUCTURE

Each TAO risk tolerance portfolio's assets are split equally between two distinct sleeves, which we refer to as High Conviction Assets (long-term tactical) and Closed End Fund Alpha (short-term tactical).

### HIGH CONVICTION ASSETS LONG-TERM TACTICAL

**Goal:** Enhance total return of a traditional diversified portfolio by focusing on undervalued assets

**Strategy:** Tactically purchase inexpensive assets within global opportunity set that offer the most attractive future risk-adjusted returns

**Implementation:** ETFs & open-end mutual funds

**Time Horizon:** Long-term (generally a market cycle of 4-7 years)

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### TACTICAL CLOSED END FUND ALPHA SHORT-TERM TACTICAL

**Goal:** Add incremental return via closed end fund alpha and enhanced yield characteristics

**Strategy:** Tactically allocate assets between CEFs and ETFs, targeting CEFs that are trading at statistically significant discounts

**Implementation:** Closed end funds (CEFs) & ETFs

**Time Horizon:** Short/Intermediate-Term (generally a period of 12-18 months)

## BENEFITS OF COMBINING SHORT & LONG-TERM TACTICAL ASSETS

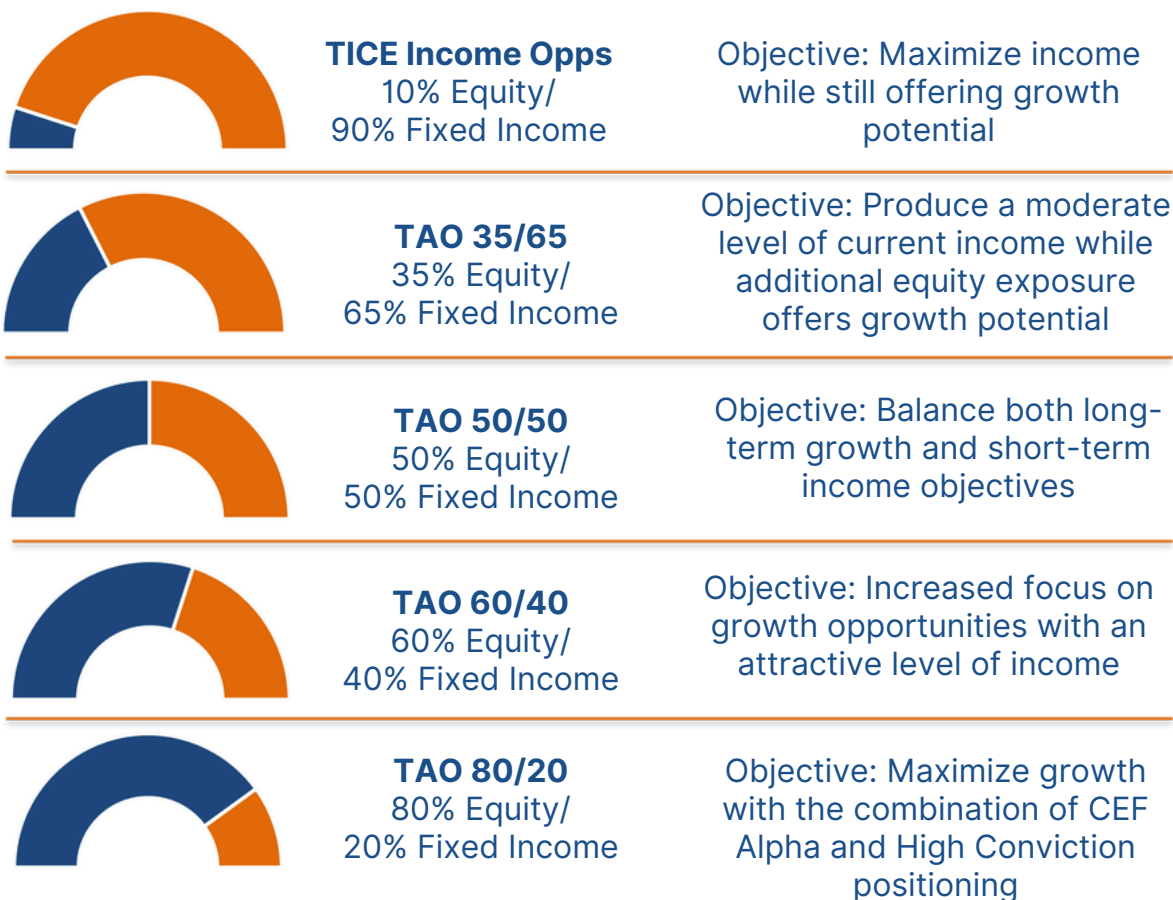
- 1** **Valuations are key driver of future returns:** Historically, lower starting valuations have led to higher future returns, while higher starting valuations have led to lower future returns.
- 2** **Valuations are intuitive:** The probability of achieving an above average future return increases as your starting valuation decreases (and vice versa).
- 3** **CEF Discounts:** iCM seeks to purchase CEFs at a discount to their NAV. This enhances the yield while also adding an additional source of return.
- 4** **Unique Combination:** iCM's use of these distinct sources of return has created a suite of portfolios that stood out in a wide range of market environments.

## A RANGE OF STRATEGIES TO MEET YOUR GOALS

TICE ALPHA OPPORTUNITIES (TAO) SEEKS TO ACCOMPLISH THE FOLLOWING:

- 1** Increase return potential by focusing on attractively valued assets.
- 2** Enhance yield characteristics by purchasing discounted closed end funds.
- 3** Add incremental return to a traditional portfolio via closed end fund premium/discount alpha.

### MULTIPLE RISK TOLERANCE PROFILES





# IMPORTANT DISCLOSURES

Integrated Capital Management, Inc. is an SEC registered investment advisor. Registration does not imply a certain level of skill or training. Past performance is no guarantee of future results, and every investment may lose money. No guarantees or assurances can be made as to future performance.

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Closed end funds are exchange traded, may trade at a discount to their net asset values and may deploy leverage. When the strategy purchases shares of a closed-end fund at a discount to its net asset value, there can be no assurance that the discount will decrease and may possibly increase. If a closed-end fund uses leverage, increases and decreases in the value of its share price may be magnified. Distributions by a closed-end fund may include a return of capital, which would reduce the fund's net asset value and its earnings capacity. Closed end funds are offered by prospectus. The prospectus and/or other applicable offering documents contain this and other important information about the investment strategy. You should read the prospectus and/or other applicable offering documents carefully before investing. iCM uses third-party data that is believed to be accurate and complete. All data is subject to change.

Indexes are unmanaged and it is not possible to invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges. (MMXXVI)



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