

Notice of Rebalancing

The Kelly Group generally rebalances the bulk of our clients' portfolios annually, usually in January of each year including 2020. There are also times when we find it appropriate to rebalance during the year as a result of major market moves, up or down. In light of the extensive market volatility we have recently experienced, The Kelly Group's Investment Committee has decided that another rebalancing of many of our client portfolios is appropriate. As a result, you may have recently received, or shortly be receiving, trade confirmations reflecting our adjustments.

Not all portfolios will be affected. In determining which client portfolios to rebalance, we take into account various factors such as: whether the portfolio is in accumulation or distribution mode; tax considerations; and the degree to which parts of the portfolio have moved in opposite directions from others.

Let me use this notice as a reminder of the potential benefits of rebalancing.

Rebalancing is valuable for two reasons. First, it helps maintain the original investment weightings in a portfolio. To take a simple example, suppose together we concluded that you should hold 60% of your portfolio in stock funds. Assume that, over the course of the year, those funds decline relative to fixed income. As a result, your stock funds are now 60% of your portfolio. Meanwhile, your bond funds, originally 40% of your portfolio, now constitute 60%. To return your portfolio to the allocations you started with, we sell a portion of your fixed income funds and increase holdings of equity funds. This returns your portfolio to the allocations we originally agreed upon.

Note a second advantage to rebalancing: We have sold investments that have outperformed and bought more of those that underperformed. While at first blush, that action might appear counterintuitive to some--we're decreasing the "winners" and increasing the "losers"--for long-term investment success, this is exactly what a

wise investor should do. Rebalancing helps to reinforce an investment discipline essential to long-term financial success.

When and how often should we rebalance? There is no one magical time of year or frequency. As mentioned, we rebalance once a year, in January. This way, we are avoiding the tendency to "time" the market. But when the market is unusually volatile--either up or down--allocations become misaligned more than usual. This offers an opportunity to take advantage of overreaction, locking in gains of investments that have moved unreasonably high and purchasing investments that have fallen unreasonably low. We have determined that this is such an opportunity.

If you have any questions about **your** portfolio, please feel free to contact your financial advisor.

Best Regards,

A handwritten signature in black ink, appearing to read "Brian Kelly".

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