GRADIENT LADDERED INCOME STRATEGY

CUSTOM CASH FLOW SOLUTION

WHAT IS A BOND LADDER?

A bond ladder is a strategy for managing fixed-income investments such as certificates of deposits (CDs), bond-related exchange traded funds (ETFs), U.S. Treasury notes and individual bonds, agency securities, corporate bonds, and zero coupon bonds. The ladder is constructed using fixed-income instruments that mature at regular intervals. After the nearest bond matures, the proceeds are reinvested at the next time interval past the end of the current ladder or sent to your bank account to be used for planned expenses. The fundamental investment theme behind a bond ladder is diversification by maturity. It also curbs reinvestment risk as the portfolio produces a steady stream of cash flow.

BUILD YOUR OWN ANNUITY

It is tough to find yield on money you will need in the next five years. Our custom cash flow solution is geared to preserve principal and generate yield through a diversified bond portfolio whereby an equal amount of the portfolio matures in each year for consecutive years. Three- to seven-year ladders are available.

THE LADDERED INCOME SOLUTION

Typically investors who are looking for yield will use individual bonds or bond mutual funds. Individual bonds can be effective because they provide defined maturities but are difficult to diversify, and liquidity can be an issue. Bond mutual funds provide great diversification but do not provide a maturity date, therefore bringing interest rate risk into the equation in a low rate environment. At Gradient Investments, LLC we take a different approach. We combine the best of both worlds by utilizing diversified, liquid investment vehicles with a defined maturity.

THE LADDERED INCOME STRATEGY IS DESIGNED TO:

Deliver more consistent returns – If interest rates rise, the maturing bonds in the portfolio can be reinvested at higher rates. If interest rates fall, the laddered bond portfolio will produce more income than the current market.

Earn higher average yields – Generally the yield curve is upward sloping (higher yields for longer maturities). That means the longer end of the ladder will produce higher yields, and the short end of the ladder will provide yield and liquidity.

Lower reinvestment risk – With a bond ladder, reinvestment risk is less because you are always averaging into the market as bonds mature at prevailing rates.

Add diversification – In addition to diversifying maturities, the portfolio is constructed using multiple issuers with a variety of credit ratings.

Provide liquidity – In addition to using liquid investments, the portfolio is designed to provide maturities at regular intervals so you can always choose to reinvest the principal or redirect cash flow for daily expenses.

Lower expenses – Lower cost ETFs and other vehicles can lower overall expenses versus higher cost mutual funds.

GRADIENT BOND LADDER VS. TRADITIONAL BOND ETFS AND MUTUAL FUNDS

	MITIGATE INTEREST RATE RISK	CREDIT DIVERSIFICATION	EXCHANGE TRADED LIQUIDITY	CUSTOM STRATEGY	PROFESSIONAL PORTFOLIO MANAGEMENT
GRADIENT LADDERED INCOME STRATEGY	X	X	X	X	X
MUTUAL FUNDS AND ETFs		X	X		X
INDIVIDUAL BONDS	X			X	

GRADIENT INVESTMENTS, LLC
An SEC Registered Investment Advisor

CUSTOM CASH FLOW INVESTMENT PROCESS

- You determine the duration of your bond ladder and income needs. Three- to seven-year ladders are available.
- We divide the principal sum of investable funds in equal amounts to be spread over the duration of the ladder.
- We evaluate the risk/return trade-off between yield and credit quality across the yield curve. Because credit spreads widen and tighten over time, we look to balance the yield versus the risk of the portfolio.
- We identify the best fixed income securities per maturity bucket and invest the portfolio.
- We continuously monitor and manage the ladder and pay income to you as needed.

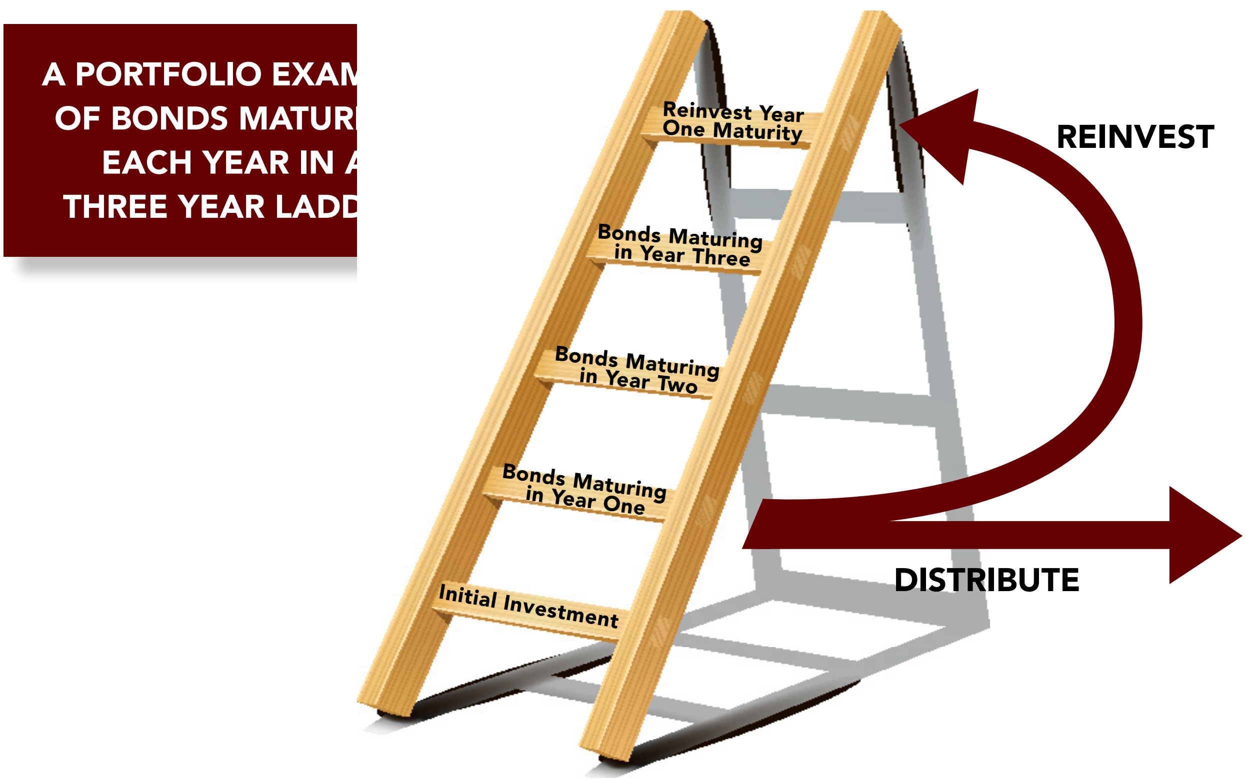
OPTIMIZING CASH FLOW DISTRIBUTIONS

In any given year, a portion of your portfolio matures. The portfolio does not simply mature on December 31 of every year. Throughout the year, individual bonds mature and roll into shorter-term fixed income vehicles. Our investment team constantly monitors the fixed income environment looking for an opportune time to convert the current year fixed income vehicles to cash which can be rolled to the next rung in the ladder or distributed to you.

The keys to building a steady and reliable bond ladder are security selection, proper diversification and ongoing management. Our universe of investable assets is fixed income securities with a known maturity date. Our preference is to use diversified, exchange-traded vehicles and other investment opportunities to provide proper diversification and yield.

The Gradient Laddered Income Strategy is ideal for those looking to preserve principal, generate yield, and maintain flexibility each and every year when money matures.

A PORTFOLIO EXAMPLE OF BONDS MATURING EACH YEAR IN A THREE-YEAR LADDER



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