

# Capital Income Management, LLC

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This brochure provides information about the qualifications and business practices of Douglas Albo. If you have any questions about the contents of this brochure, please contact us at (503) 929-0448 or [douglas@capincmgt.com](mailto:douglas@capincmgt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional Information about Douglas Albo also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

*2) Material Changes Since Last Filing*

As of December of 2020, the total assets managed on a discretionary basis by Capital Income Management is approximately \$26,000,000.

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#### 4) Advisory Business

Capital Income Management, LLC (CIM) is an investment advisory service offering individual account management for high net worth individuals, trusts, pensions and retirement plans, corporations and endowments. CIM is registered in the State of Oregon and regulated by the Department of Consumer & Business Services, Division of Financial Regulation, 350 Winter Street NE, Salem, OR 97301.

CIM was formed as a Limited Liability Company in August of 2009 though did not actively solicit investment advisory services until 2011. Mr. Douglas Albo has served as CIM's Principal since inception. CIM's advisory business consists of establishing separate client accounts and developing and managing diversified portfolios of securities through the use of equity based Exchanged Traded funds (ETF's) and Closed-End funds (CEF's). CIM specializes in high income and growth portfolios with manageable risk through certain income and hedging strategies as described in the *Methods of Analysis, Investment Strategies & Risk of Loss*.

CIM's ongoing business is to monitor client accounts and make portfolio adjustments based on current or anticipated market conditions that may affect its income or investment strategy. CIM does not provide any other investment services other than that described above. Currently, CIM manages approximately \$32 million in assets.

CIM first seeks to review each client's financial status and investment goals to assure suitability with CIM's investment strategy and style. CIM does not provide total financial planning and generally does not offer multiple strategies or tailored strategies to clients based on their risk assessment or investment objectives. CIM's investment style should be considered only a part of a client's overall investment plan.

#### 5) Fees & Compensation

CIM charges an annual management fee for its investment services. These fees are outlined below and are based on assets under management for each client or household. Household is defined as any number of individuals sharing a residence *or* members of the same nuclear family, regardless of residence. Fees are applied on a graduated basis to the total portfolio value of a client or household account(s) as of certain month end periods described below. Total portfolio value is identified as all securities, money market funds and any dividend income due which has been earned but not credited to the account.

The annual compensation for CIM for its services as investment adviser is set forth as follows:

On the first \$250,000	1.00%
\$250,001 - \$500,000	0.80%
\$500,001 - \$1,000,000	0.70%
Over \$1,000,000	0.50%

CIM's annual management fee shall be administered on a tri-annual basis and will be applied to client account statement(s) issued by the Custodian for the month-end periods of April, August and December for each calendar year. Clients may choose to be billed directly or may choose to have management fees deducted from their account(s). CIM reserves the right to negotiate fees based on larger account sizes or to initiate accounts at a negotiated fee.

Clients also incur a trading commission from the custodian for each transaction in their account(s). CIM may seek to negotiate volume discounts for commissions or may choose a custodian based on its commission schedule. CIM does not share in any commissions nor does CIM receive compensation in any other manner in its Advisory business other than its management fee, however, CIM does receive compensation from its relationship with Seeking Alpha.

6) Performance Based Fees and Side-By-Side Management

Not applicable.

7) Types of Clients

CIM offers individual account management for high net worth individuals, trusts, pensions and retirement plans, corporations and endowments. Up until 2011, CIM had been managing only family related and personal accounts of its Principal, Douglas Albo. Beginning in 2011, CIM opened its services for investment management to clients as described above or who meet certain requirements. CIM has a minimum account size of \$250,000 in cash and/or securities; however, CIM retains the right to start accounts of lesser value if CIM believes the account may be funded with the minimum at a later date.

CIM believes its investment strategies to be suitable for income oriented clients with a moderate risk profile. CIM uses securities and investment strategies that involve risk in seeking high levels of income and growth for its clients and as such, CIM may not be suitable for income only or conservative risk investors.

8) Methods of Analysis, Investment Strategies and Risk of Loss

CIM utilizes a proprietary relative valuation model to analyze and invest in diversified securities listed and traded on established exchanges during normal and extended business hours. Such diversified securities are commonly known as Exchange Traded funds (ETF's) and Closed-End funds (CEF'S). Diversified securities such as ETF's and CEF's are distinct from non-diversified securities such as individual stocks and bonds in that ETF's and CEF's include a portfolio of individual equities (stocks) and/or fixed-income assets (bonds) which together make up the fund's Net Asset Value (NAV). Currently, CIM only includes analysis and investments in equity based ETF's and CEF's where equity based is defined as at least two-thirds (2/3) of the funds' portfolio is invested in listed stocks traded on domestic and international market exchanges during regular and extended business hours. CIM retains the right to include investments in fixed-income ETF's and CEF's in its sole discretion.

CIM uses active portfolio management of these two mostly passive investment classes (ETF's and CEF's) to offer high level income and growth portfolios to clients. CIM's primary strategy is to provide relative valuation analysis on correlated ETF's and CEF's based on market inefficiencies that exist between these two asset classes. Such relative valuation characteristics may include information and analysis from third parties that CIM may utilize as part of its overall valuation of such securities.

Relative valuation characteristics generally include the discount or premium levels of CEF market prices to their Net Asset Value (NAV) as well as the discount or premium levels of CEF's NAV's to other correlated securities such as ETF's and even other CEF's. Because CIM's primary investment objective is high levels of income for its model portfolio, relative valuation characteristics also include dividend and interest yields of such securities as well as the methods by which a security generates its income in current market conditions. CEF's in particular, utilize several strategies to generate their high levels of dividend and/or interest payments and part of CIM's analysis is to analyze the appropriateness of each strategy in current or expected market conditions. Other relative valuation characteristics may include certain historical trends of securities such as its dividend history or its normalized discount/premium price as well as its relative valuation to other securities in its class.

From these general valuation characteristics, CIM can apply ratings to ETF's and CEF's as to their relative under or overvaluation. CIM then develops portfolios of CEF's and ETF's based around these relative valuations. CIM may use hedging or arbitrage strategies also based on these relative valuations. The level and use of such strategies may be for reducing risk in client portfolios or may be for appreciation purposes. CIM also uses dividend and interest income strategies to generate enhanced levels of investment income for client portfolios.

CIM makes no warranties as to the effectiveness of these strategies. CIM utilizes securities and strategies that involve a certain level of risk and that any one of these securities or strategies

may result in a loss of value. CIM attempts to manage and reduce this risk in several ways. Most importantly, CIM invests only in diversified securities such as ETF's and CEF's which reduces the risk of a sudden and significant loss of capital that is inherent in non-diversified securities. Second, CIM attempts to further reduce risk by deploying hedging or arbitrage strategies that in its determination will reduce portfolio volatility. And finally, CIM seeks a high level of investment income to be recurring in all market environments. CIM's strategies to generate income and reduce portfolio risk may include more active trading periods which may result in higher total commissions during a period. Such higher commissions during a period may affect portfolio performance.

CIM does not utilize any other analysis or strategies other than those described above. CIM does not invest in nor analyze non-diversified securities such as individual stocks or bonds. CIM does not invest in nor provide analysis of mutual funds, real estate investment trusts (REIT's), Master Limited Partnerships (MLP's), Unit Investment Trusts (UIT's), commodity, currency or any other specialized securities or markets. However, CIM's analysis of ETF's and CEF's may include funds that hold or invest in such securities.

#### 9) Disciplinary Information

On September 1, 2017, Douglas Albo received a Civil Penalty assessment of \$1,000.00 by the Oregon Division of Financial Regulation for a books and records violation from a routine examination in July of 2015. The violation was as a result of failure to produce and maintain a *Client Agreement* for a particular client in the firm's investment advisory business. Douglas Albo agreed to pay the Civil Penalty settlement of \$1,000.00 under the condition that there would be no further violations for a 3-year period from the date of the order.

#### 10) Other Financial Industry Activities and Affiliations

In addition to serving as CIM's Principal and Executive Officer, Douglas Albo also contributes industry related articles to financial news and/or financial market research websites as part of his marketing effort to generate client interest as well as to generate interest in the securities he analyzes and manages for clients. Full disclosure is made of any security position(s) CIM has which are included in such articles. CIM may receive compensation for the publication of such articles however these activities shall not establish any material relationship or arrangement with related financial industry participants or any material conflicts of interest. Neither CIM nor its Principal receive any other compensation or have any business relationships between other advisory firms.

### 11) Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CIM had adopted a Policy and Procedures manual which describes CIM's Code of Ethics statement as well as other fiduciary responsibilities advisor has with client. A copy of CIM's Code of Ethics is available to clients upon request and is summarized below.

The Adviser holds their directors, officers, and employees accountable for adhering to and advocating the following general standards to the best of their knowledge and ability:

- Always place the interest of the clients first and never benefit at the expense of advisory clients.
- Always act in an honest and ethical manner, including in connection with, and the handling and avoidance of, actual or potential conflicts of interest between personal and professional relationships.
- Always maintain the confidentiality of information concerning the identity of security holdings and financial circumstances of clients.
- Fully comply with all applicable laws, rules and regulations of federal, state and local governments and other applicable regulatory agencies.
- Proactively promote ethical and honest behavior with the Adviser, including, without limitation, the prompt reporting of violations of, and being accountable for adherence to, this Code of Ethics.

CIM's Policy and Procedures also describes prohibitive transactions that could create a conflict of interest between the Advisor and clients. Such conflicts generally include transactions in which the Advisor invests in or is permitted to invest in the same securities that Advisor recommends to clients or trades in the same securities at or about the same time as client.

### 12) Brokerage Practices

Currently, CIM does not employ any other Advisors other than its Principal, Douglas Albo. There is no determination at this time how or whether additional advisors will be hired or what the nature of their compensation would be.

CIM does not utilize any soft dollar arrangements or benefits that might create a conflict of interest such as directing and executing transactions through a particular broker.

### 13) Review of Accounts

Client accounts are continuously reviewed by CIM and its Principal, Douglas Albo. Daily reviews include account positions and asset weightings of securities and cash balances. Monthly reviews entail account performance as measured against correlated market indices. Unusual or volatile market conditions may trigger additional reviews or assessments as well as any material news that affects securities that CIM follows in its normal course of business.

Each quarter or as agreed to with client, CIM will review with client all pertinent account information including performance, asset allocation and security positions. In addition, CIM will review with client overall market conditions and outlook, any changes in CIM's asset allocation models or any changes in the client's financial status or circumstances.

### 14) Client Referrals and Other Compensation

Neither CIM nor its Principal, Douglas Albo currently have any client referral arrangements or any economic benefit arrangements from a non-client for providing advisory services.

### 15) Custody

CIM uses TD Ameritrade as its custodian for private client assets after Scottrade, Capital Income Management's previous custodian, was purchased by TD Ameritrade. As one of the largest online brokerage firms, TD Ameritrade offers a competitive commission schedule, state-of-the-art trading platforms and comprehensive client services and reporting capabilities. CIM retains the right to change custodians at any time; however clients must be notified ahead of time and any changes to the custodian must be to the benefit of clients.

Client shall receive monthly statements from the custodian identifying all security positions, money market balances, security transactions, credits such as dividends and interest received, debits such as cash disbursements and end of the month account valuations. Should no activity occur in client accounts during a monthly period, the custodian may not issue a monthly account statement but in no circumstances shall a client not receive a statement less than quarterly. Clients should review their statements carefully and contact CIM if there are any errors or questions.

Client shall also receive consolidated year-end and tax-related statements from the custodian identifying all security transactions; dividend and interest income received and cash disbursements. Client may also, at any time, enroll to have internet access to their account for review. Client may also elect to have duplicate trade confirmations sent to them either electronically or through postal mail. Should a cost be incurred for such confirmation notices, client agrees to pay such cost either directly or through reimbursement.

CIM does not issue client statements nor shall CIM at any time have physical possession of any of Client's investment account assets, whether they be cash, securities, or other assets.

*16) Investment Discretion*

CIM uses limited discretionary authorization on all accounts in the purchase, sale, allocation, reinvestment and exchange of all stocks, bonds, options, Exchange Traded funds, Closed-End funds or other securities held in client accounts. Clients grant CIM limited trading authority to make investment decisions without the client's prior consent subject to and governed by the Custodian's policies regarding trading authorizations.

*17) Voting Client Securities*

CIM adheres to the policy of voting proxies in the best interests of clients. Clients may receive proxy materials directly through the postal mail for security positions held at CIM. Should client receive proxy voting materials as a result of positions held at CIM, CIM shall describe to clients the relevant background and choices contained in such solicitations. Clients may but are not required to vote in accordance with CIM.

*18) Financial information*

CIM maintains a Surety Bond at all times as required by the State of Oregon. No other material financial disclosures to report.

*19) Requirements for State-registered Advisers*

Douglas Albo serves as CIM's Principal and Executive Officer. Douglas Albo's formal education and business background is as follows:

**Education:**

University of California at Los Angeles, Los Angeles, CA

*Bachelor of Arts – Economics*

1979 – 1983

**Licenses:**

*Series 65 – Uniform Investment Advisor*

**Experience:**

Capital Income Management, LLC

*Principal*

2009 - Present

Morgan Stanley Dean Witter

*Vice-President, Financial Advisor*

2001 – 2004

Smith Barney Shearson

*Vice-President, Financial Consultant*

1993 – 2001