

# Strategic Income with Capital Preservation

## INVESTMENT STRATEGY

Strategic portfolios seek to maximize returns while minimizing risks by investing with managers who offer the potential to outperform their respective benchmarks over a long period of time.

The portfolios are implemented with a three-to-five-year time horizon, but changes may take place sooner if market conditions change or if a change in managers is deemed necessary.

These portfolios may be preferable for investors who pursue an approach that blends both active and passive investing strategies.

This specific model is designed with a goal of providing high current income, some capital appreciation potential, and appropriate diversification among asset classes.

## PORTFOLIO POSITIONING

The portfolio takes a core-satellite approach that aims to lower the cost and tracking volatility while providing an opportunity to outperform the broad market. A core-satellite portfolio combines actively managed strategies (satellite) with index/passive strategies (core).

The equity portion of the portfolio, compared to the benchmark, had overweight exposure in the following sectors:

- Materials
- Financials
- Energy
- Industrials
- Consumer Staples
- Healthcare
- Utilities

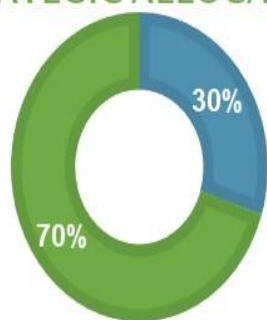
It was underweight in the following sectors:

- Consumer Discretionary
- Real Estate
- Communication
- Technology

At month-end, the equity style breakdown was 77% large cap, and 23% Mid-Small Cap.

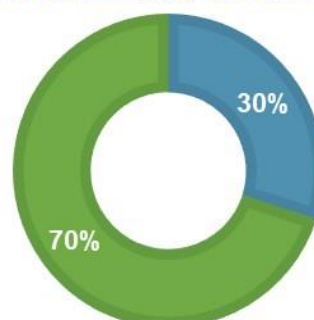
The Bond Credit Rating breakdown was 91% Investment Grade and 9% High-Yield Bonds.

## STRATEGIC ALLOCATION



- U.S. Equity
- Fixed Income

## BLENDED BENCHMARK COMPOSITION



- US Fund Large Blend
- US Fund Intermediate-Term Bond

## PERFORMANCE REVIEW

Year-to-date, the portfolio's total return is 11.06% gross of fees, and 10.15% net of an average fee.

For the trailing five years, the portfolio's total return is 5.67% gross of fees, and 4.29% net of an average fee.

2 of 11 sectors positively impacted performance on an absolute basis in this quarter, with the Materials, Consumer Discretionary, Real Estate, Communication, Energy, Technology, Consumer Staples, Healthcare, and Utilities detracting.

## PERFORMANCE OVERVIEW

Net returns are net of the advisory fees

As Of 12/31/2023

	QTR	YTD	1 YR	3 YRS	5 YRS	SINCE INCEPTION (9/1/2013)
Gross (%)	8.17	11.06	11.06	1.58	5.67	5.44
Net (%)	7.90	10.15	10.15	0.35	4.29	3.99
Blended Benchmark	7.72	10.25	10.25	0.16	4.74	4.46

Footnotes: See the next page for blended benchmark composition definitions.

## ABOUT CORNERSTONE WEALTH PORTFOLIOS

We focus on investment principles that have stood the test of time rather than basing decisions on short-term market predictions. Our goal is to identify a small number of experienced managers who offer the potential to outperform their peers over a long period of time. Our approach is to combine a well-defined quantitative and qualitative due diligence process with proprietary construction tools to build, manage and monitor client portfolios. Cornerstone Wealth Portfolios is a managed fee-based investment program available through Cornerstone Wealth Management LLC. Our investment team has developed sophisticated long-term strategies in an effort to manage and control risk as we help investors pursue their financial goals. For more information about the program, contact your financial advisor.

## IMPORTANT DISCLOSURES

The benchmarks were selected because, in our opinion, they most closely track the types of holdings that are likely to be included in our allocations.

The custom benchmark uses a 29.40% Large Blend, 68.60% Int Bond, and 2.00% Cash rebalanced monthly. The index return is calculated by weighting the respective index return on a monthly basis.

The Large Blend represents The Morningstar US Fund Large Blend Category which includes large-blend fund portfolios which are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index. The Int Bond represents the Morningstar US Fund Intermediate Core Bond which includes fund portfolios that focus on corporate, government, foreign or other issues with an average duration of greater than or equal to 3.5 years but less than or equal to 6 years, or an average effective maturity of more than 4 years but less than 10 years. Past performance is not indicative of future results. Performance shown represents total returns that include income, realized and unrealized gains and losses.

Cornerstone Wealth Management claims compliance with the Global Investment Performance Standards (GIPS®).

Cornerstone Wealth Management (CWM) is a registered investment adviser with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. Our firm is defined for GIPS purposes as the Asset Management division of Cornerstone Wealth Management. Prior to August 2012, the representatives of CWM offered investment advice through LPL Financial, a registered investment advisor and separate entity from CWM. To request GIPS Reports and/or list of composite descriptions, please contact Liyin Bao at Liyin.Bao@lpl.com.

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The composite may include bundled fee portfolios that pay a fee based on a percentage of assets under management. This fee includes investment management, trading costs, portfolio monitoring, consulting services, and in some cases, custodial services. Net of fee returns was calculated using actual fees. Management fees are booked on a cash basis. Gross returns are supplemental to net returns. Gross returns without bundled fee portfolios are presented net transaction costs as well as custodial fees. Gross returns with bundled fee portfolios may be gross transaction costs and custodial fees of those bundled fee portfolios. Both gross returns and net returns are net of tax withholdings on dividends, interest, and capital gains.

Benchmark indices are unmanaged, and cannot be invested into directly.

2% cash is blended into the above allocations in the actual portfolios as well as the benchmarks. The cash position is set to avoid overbuying caused by market fluctuation and other liquidity problems, and will not change because of market conditions. Refer to the next paragraph for the exact allocations.

Strategic Income with Capital Preservation Composite includes portfolios that are implemented with a 3-to-5-year time horizon. These portfolios are designed with a goal to provide high current income, some capital appreciation potential and some diversification among asset classes. The strategic asset allocations are 29.4% in US equity, 68.6% in fixed income and 2% cash or cash equivalents, with tolerance bands of 5% deviation. The U.S. Dollar is the currency used to express performance. Performance includes the reinvestment of income.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All indices are unmanaged and may not be invested into directly.

Market Index Definitions:

The **Standard & Poor's 500 Index** is a capitalization-weighted index of 500 stocks designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Bloomberg Barclays US Aggregate Bond Index** is an index of U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The **MSCI EAFE Index** captures the returns of large and mid-cap equities across developed markets in Europe, Australasia, and the Far East, excluding the U.S. and Canada.

No strategy assures success or protects against loss. All investing involves risk, including potential for loss. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. Investing concentrated in certain markets and sectors carries additional risk such as economic, political, or regulatory development that may affect many or all issuers in that sector.

Past performance is no guarantee of future results. Investors participating in this model portfolio may experience different individual performance results.