Model Wealth Program

Principle-Based Investment Management

Income

Growth

Cornerstone
WEALTH MANAGEMENT LLC
A Registered Investment Advisor

Portfolio Manager

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"Principal-based investing means we focus on investment principals that have stood the test of time rather than basing our 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 our client's portfolios"

Strategy Description

- Income portfolios not only endeavor to generate above-average income relative to their respective benchmarks, but also seek to meet a secondary goal of maximizing returns while minimizing risk.
- The portfolios may have greater allocation to historically dividend-paying stocks and may incorporate potentially higher income generation asset classes such as high-yield bonds.
- The portfolios are implemented with a three-to-five year time horizon, but changes may take place sooner if market conditions changes or if a change in managers is deemed necessary.
- These portfolios may be preferable for investors who place a higher priority on income generation.
- This specific model is designed with a goal to provide capital appreciation potential, limited income, and appropriate diversification among asset classes.

Strategic Allocation

U.S. Equity	53%
International Equity	17%
Fixed Income	30%

Blended Benchmark Composition

US Fund Large Blend	53%
US Fund Foreign Large Blend	17%
US Fund Intermediate-Term Bond	30%

PORTFOLIO MANAGER COMMENTARY

Market Review

- The S&P 500 rose by 4.3% during the second quarter of 2019, bringing the year-over-year total return to 18.54%. 10 out of 11 sectors had positive returns with Financials (7.43%), Materials (5.72%), Information Technology (5.65%), and Consumer Discretionary (4.92 %) sectors leading the way with Energy (-3.71%) detracting. International stocks, as measured by the MSCI EAFE Total Return Index rose by 2.80%, and the bond market, as measured by the Bloomberg Barclays US Aggregate Bond Total Return Index rose by 3.08% during the second quarter 2019 (Source: Ned Davis Research).

Performance Review

- Year-to-date, the portfolio's total return is 12.79% gross of fees, and 12.12% net of an average fee.
- For the trailing five years, the portfolio's total return is 6.03% gross of fees, and 4.55% net of an average fee.
- 5 of 11 sectors positively impacted performance on an absolute basis in this quarter, with the Consumer Discretionary, Real Estate, Energy, Technology, Consumer Staples, and Utilities detracting.

Portfolio Positioning

- This portfolio focuses on managers we feel offer strong potential within the universe of equity managers that focus on dividend-paying stocks.
- The equity portion of the portfolio, compared to the benchmark, had overweight exposure in Materials, Financials, Communication, Energy, Industrials, Consumer Staples, and Utilities and was underweight in Consumer Discretionary, Real Estate, Technology, and Healthcare sectors. At month-end, the equity style breakdown was 87% large cap, and 13% Mid-Small Cap.
- The Bond Credit Rating breakdown was 91% Investment Grade and 9% High-Yield Bonds.

Outlook

- The U.S. economy is expected to grow 2.6 percent in 2019 after 3.0 percent in 2018 [1]. For U.S. stocks, the consensus estimates corporate earnings growth of 7 percent in 2019 and 13 percent in 2020 [2]. The stock market has been buoyed by modest economic growth and the expectation of continued low interest rates. Brexit negotiations, trade disputes, and the strong dollar may limit performance over the near-term for International stocks. However, attractive valuations make international stocks compelling for patient investors. U.S. bonds are benefitting from low inflation and an expectation that the Federal Reserve will cut interest rates.

  Sources: 1. First Quarter 2019 Survey of Professional Forecasters, Federal Reserve Bank of Philadelphia, May 10, 2019; 2. Standard & Poor's, July 16, 2019.

Performance Overview

Net returns are net of the advisory fees

As Of 06/30/2019

	Qtr	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (1/1/2012)
Gross (%)	3.77	12.79	8.25	8.80	6.03	8.57
Net (%)	3.45	12.12	6.83	7.29	4.55	7.01
Blended Benchmark	3.43	13.04	6.64	8.73	5.59	8.50

Footnotes: See next page for blended benchmark composition definitions.

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 **Morningstar US Fund Large Blend Category** includes large-blend 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 US industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

The **Morningstar US Fund Foreign Large Blend Category** includes foreign large-blend portfolios which invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

The **Morningstar US Fund Intermediate-Term Bond Category** includes mangers 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 six years, or an average effective maturity of more than four years but less than 10 years.

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

Cornerstone Wealth Management (CWM) is a registered investment adviser with 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 a compliant presentation and/or list of composite descriptions, please contact Liyin Bao at Liyin.Bao@lpl.com.

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 were 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.

Income Growth Composite includes portfolios that aim to generate above-average income relative to the benchmark through investing in traditionally high dividend-paying strategies as well as non-municipal bond with relatively high yields. These portfolios are designed with a goal to provide capital appreciation potential, income and appropriate diversification among asset classes. The strategic asset allocations are 51.94% in US equity, 16.66% in international equity, 29.40% in fixed income and 2% cash or cash equivalents, with tolerance bands of 5% deviation. As of October 1, 2014, the Equity Income Growth Composite was renamed to the Income Growth Composite. 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 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 cooperate 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. The payment of dividends is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time. 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.