

# Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

## Investment Practices and Performance Report for the Texas Pension Review Board

Capital Metropolitan Transportation Authority (“Capital Metro”) requested Gallagher Benefit Services, Inc. (“Gallagher”) to complete an evaluation of the investment practices of the Capital Metropolitan Transportation Authority Plan for Administrative Employees (the “Plan”), as required by Senate Bill 322.

Gallagher Benefit Services, Inc. is a division of Arthur J. Gallagher & Co (NYSE: “AJG”) that delivers a full range of employee benefit consulting services to businesses across the globe, including Investment and Fiduciary Consulting. As of December 31, 2019, Gallagher’s Retirement Plan Practice provides consulting and service expertise to more than 1,850 plans representing \$47.5 billion in assets under care.

Currently, Gallagher acts as a technical advisor to the Plan, providing independent analysis of recordkeepers and investment advisors and conducting Requests For Proposals for third party retirement vendors.

Gallagher, or its related entities, is not involved in directly or indirectly managing investments of the Plan, and no remuneration is received from any source other than from Capital Metro for services provided.

Capital Metro engages Cornerstone Advisors Asset Management, LLC (“Cornerstone”) to provide 3(38) Investment Advisory Services to the Plan. Cornerstone maintains the Plan’s Investment Policy Statement (“IPS”), provides Fiduciary Education to Plan Committee members, and reports quarterly to the Plan Committee. Those quarterly meetings include asset allocation review, capital market assumptions, and methodologies used when making investment decisions. In addition, Cornerstone works in conjunction with the Plan’s auditor to determine future cash flow needs and to assist with assumptions used in the Plan’s annual valuation. Cornerstone was asked to provide a written response to the evaluation components suggested by the Texas Pension Review Board. The following is that response.

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Since its inception, the Capital Metro has implemented a strong and well-documented governance process for the management of its retirement plans. A large part of those responsibilities revolves around the investment practices including asset allocation decisions, risk assessment and performance monitoring. Capital Metro has used a team of professional advisors to help them implement these fiduciary best practices.

### Investment Policy Statement

The objectives of the Plan have been established in conjunction with a comprehensive review of the current and projected financial requirements of the plan. An Investment Policy Statement has been approved, updated and reviewed annually to reflect these objectives which are:

- (1) To maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on Plan assets consistent with plan assumptions.

- (2) To achieve a fully funded status with regard to the Accumulated Benefit Obligation.
- (3) To have the ability to pay all benefit and expense obligations when due.
- (4) To maintain a “funding cushion” for unexpected developments and for possible changes in benefit structure and expense levels.
- (5) To maintain flexibility in determining the future level of contributions.
- (6) To maximize return within reasonable and prudent levels of risk.
- (7) To control costs of administering the plan and managing the investments.
- (8) To be clearly written so that any professional could manage the portfolio based on our intentions.

Maintaining a high level of contributions and achieving the stated investment results are the critical elements in achieving the plan goals.

### **Time Horizon**

The investment guidelines are based upon an investment horizon of greater than five years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Plan's strategic asset allocation is based on this long-term perspective.

### **Risk Tolerances**

The Committee recognizes that in order to achieve the plan's long-term investment objectives the plan must assume some investment risk. Since no investment is guaranteed, the Committee also realizes there will be periods of time where the plan may not meet its investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered. These factors were:

- Capital Metro's financial condition enables it to adopt a long-term investment perspective.
- \* Demographic characteristics of participants suggest a balanced risk tolerance due to the average age of the work force and the timing of the payment of future benefits.
- \* The plan is a relatively new plan and the organization has a goal of accumulating assets to exceed the value of the Plan's total accrued benefit liability. However, future liabilities and investment uncertainties require a moderate degree of growth and therefore investment risk.

In summary, Capital Metro's prospects for the future, current financial condition, and several other factors, suggest collectively that the Plan can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

### **Performance Expectations**

The desired investment objective is a long-term rate of return on assets that is at least 6.75%, which is 4.5% greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI).

The target rate of return for the Plan has been based upon current forward-looking capital market assumptions and is lower than the actual long-term rates of return historically experienced for each asset class in the IPS. Based on the target allocation, expected returns are 6.40% annually with a one-year downside return of -13.0% and a 95% degree of certainty. There is a 48% chance returns will exceed 6.75% in any one year based on the modeling. The Committee realizes that market performance varies and that the target rate of return may not be meaningful during some periods.

Returns are reported net of fees on a quarterly basis. Year-to date, and rolling 1,3,5 and 10- year performance is also reported quarterly. For the fiscal year ending June 30, 2019, returns were 6.44%; 3-year returns were 9.69% annually; 5-year returns were 6.46% annually and 10-year annualized returns were 9.20%.

Over a complete business cycle, generally 3 to 5 years, the Plan's overall annualized total return, after deducting for money management and custodial fees, as well as total transaction costs, should perform above the median of Callan Associates, Inc. Balanced fund universe and above a customized index comprised of market indices weighted by the strategic asset allocation of the Plan.

## **Asset Allocation**

### **Asset Allocation Constraints**

The Committee believes that the Plan's risk and liquidity posture are, in large part, a function of asset class mix. The Committee has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. The following asset classes were selected:

- \* Domestic Equities
- \* International Equities
- \* Emerging Market Equities
- \* Domestic Fixed Income
- \* International Fixed Income
- \* Alternatives
- \* Cash Equivalents

Based on the Plan's time horizon, risk tolerances, performance expectations, asset class preferences and funded status, a target long-term asset allocation was selected. Annually, this is updated based on conversations between the committee, our actuary and our investment advisor. The rate of return assumption of the plan, historical and forward-looking capital market assumptions and expected cash flows are evaluated as part of this discussion to determine they are reasonable. Over time, expected returns have dropped slightly as a result of these conversations.

During the year, based on market condition, tactical shifts may be applied within the confines of the upper and lower limits for each asset class established in the IPS. Tactical shifts are implemented at the discretion of our investment consultant per the terms of their contract.

Our strategic asset allocation appears to be around the median of those plans reported by the TPRB.

A combination of active and passive management styles is employed. Passive is generally used in efficient asset classes like core equity and fixed income, while active managers are used in small

caps, international and alternatives. Alternative investments are liquid, 40 Act Funds which are appropriate given the size of the portfolio. There are currently no investments in private equity or other illiquid funds nor are any currently contemplated. All assets are valued daily.

The strategic asset allocation of the Plan is as follows:

<b>Asset Allocation</b>	<b>Lower <u>Limit</u></b>	<b><u>Strategic Allocation</u></b>	<b>Upper <u>Limit</u></b>
Domestic Equities	35%	<b>45.0%</b>	55%
Large Cap Value		<b>10.0%</b>	
Large Cap Core		<b>15.0%</b>	
Large Cap Growth		<b>10.0%</b>	
Small Cap Value		<b>5.0%</b>	
Small Cap Growth		<b>5.0%</b>	
International Equities	5%	<b>15.0%</b>	25%
All Cap Broad		<b>13.0%</b>	
Emerging Markets		<b>2.0%</b>	
Fixed Income	15%	<b>25.0%</b>	35%
Core Bond		<b>25.0%</b>	
Alternative	0%	<b>10.0%</b>	20%
Cash & Equivalents	0%	<b>5.0%</b>	15%

### **Rebalancing of Strategic Allocation**

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Plan. If there are no cash flows, the allocation of the Plan will be reviewed quarterly.

If the plan fiduciaries judge cash flows to be insufficient to bring the Plan within the strategic allocation ranges, the fiduciaries shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges (Strategic Allocation).

Compliance with asset allocation targets is measured daily and reported to the committee quarterly. Changes are discussed quarterly or more frequently with our investment advisor, depending upon market conditions.

### **Risk Measurement**

There are numerous measures used to measure risk and risk adjusted returns. All are reviewed and reported on quarterly. Benchmarking data relative to policy and peer groups is part of this analysis. Portfolio statistics include Beta, Standard Deviation, Downside Risk, Residual Risk, Tracking Error, Information Ratio, Treynor and Sortino Ratio, as well as Alpha, Sharpe Ratio, Up and Down-Market Capture rates. These statistics are provided at a manager and portfolio level.

## **Expected Risk and Return Assumptions**

Capital market assumptions are derived from numerous sources including Callan Associates, JP Morgan, BNY Mellon, Blackrock and others. Asset class returns, standard deviation and correlation assumptions are provided by Callan Associates. A variety of asset allocation strategies are modeled with returns illustrated in the 10<sup>th</sup>, 25<sup>th</sup>, Median, 75<sup>th</sup> and 95<sup>th</sup> percentiles over a 1,3 and 5-year time-period. This provides the committee with a range of possible outcomes to evaluate in establishing its asset allocation.

Please see Appendix A for the most recent statistical data used in this analysis.

## **Fees**

Fee transparency has been one of the industry best practices the committee has been focused on for years. Several years ago, a Fee Policy Statement was implemented to articulate the committee's views on the matter.

Manager, recordkeeping, advisor and actuarial fees are paid from plan assets. They are transparent and reported on quarterly. The institutional class or lowest cost share class is used for each fund in the portfolio. There is minimal 12-b-1 or finders fees built into any of the funds. On average it works out to about 1 basis point per quarter and are used entirely to offset recordkeeping fees. Advisory fees are a flat fixed fee for the portfolio.

Fund fees are benchmarked quarterly as part of our reviews. Overall fees are benchmarked to the TPRB database of similarly size plans. Our advisory fees are benchmarked to an Ann Schleck database of advisor service models. We have renegotiated platform fees numerous times in the past through RFP's and interim negotiations as plan assets have grown.

Neither plan audit fees nor periodic legal fees are billed to the plan.

## **Plan Governance**

The Committee has established by-laws for the selection, orientation and training of its members. Ongoing responsibilities are articulated in the IPS.

The Committee shall perform the functions of a fiduciary responsible for the prudent management of the plan and investment portfolio. The Committee will comply with all applicable fiduciary, prudence, and due diligence requirements experienced investment professionals would utilize, and with all applicable laws.

The Committee is subject to certain duties and responsibilities, including, but not limited to:

- Determine investment objectives and policies as outlined in this statement.
- Establish a list of acceptable investments and portfolio guidelines.
- Review and approve all plan service agreements.
- Negotiate compensation arrangements for investment service providers. Control and account for all investment-related expenses.

- Monitor the performance of all service providers including money managers, investment managers, and record keepers.
- Establish acceptable peer group performance for each investment manager.
- Provide guidance to service providers on educational and communication programs.
- Avoid conflicts of interest and prohibited transactions.
- Evaluate any administrative issues.
- Amend and update the Investment Policy Statement as appropriate based on the future needs of the plan.

All plan information is stored and distributed through a secured vault for committee members. This information includes governance documents, quarterly review materials, periodic studies and fiduciary training materials.

A typical quarterly review meeting is scheduled for 1.5 hours and covers the following:

- Review of the agenda
- Approval of meeting minutes
- Macroeconomic Overview
- Portfolio performance summary including peer group and benchmark analysis
- Cashflow analysis
- Portfolio attribution
- Manager review
- Fee review
- Activity review
- Special projects including
  - Audit
  - Actuarial Analysis
  - Funding Analysis

Detailed meeting minutes are provided for all meetings. The investment discussion is typically one-third to one half of the discussion depending upon other agenda items.

Committee members typically include members of Executive, Finance, Human Resources, Legal, and Administrative, as well as an independent consultant, investment advisory, actuary and recordkeeper representative. Fiduciary training is provided by the investment advisor as well as the TXRB on an annual basis. All committee members are required to complete training annually.

For years we have used an independent investment consultant and a separate independent investment advisory to help us make plan, vendor and investment decisions. Every 5 to 7 years we are required to run a Request for Proposal (RFP) for both the investment advisor and the Plan recordkeeper. Those were conducted in 2006, 2013 and 2019.

### **Duties and Responsibilities of the Investment Consultant**

The primary duty of the investment consultant is to provide investment advice to the Committee and to work with the Committee and Plan's staff, and to assist with the Committee's management of the investment process. This includes meeting regularly with the Committee to provide information, perspective, and evaluation as to the plan's goals, objectives, investment structure and investment managers which encompass the development, implementation, and monitoring of a properly diversified investment portfolio.

Specific duties of the investment consultant include, but are not limited to, the following:

- Making recommendations to the Committee of appropriate actions, which will enhance the probability of achieving overall objectives such as use of various asset classes, implementation of investment strategy, changes in investment policy and changes in investment managers or other service providers.
- Assisting the Committee in developing an appropriate asset mix through regular studies, which employ analysis of both the assets and liabilities of the Plan.
- Assisting the Committee in deploying an appropriate asset mix through the development of specific investment strategies and supporting policies.
- Providing comprehensive evaluation, on a regular basis, of the investment results of the Plan's total portfolio and individual asset managers, considering the investment guidelines and performance standards contained in this Policy. Such evaluation shall include comparisons to performance universes of other institutional funds as may be applicable and available, as well as performance, style and attribution analysis of all the Plan's portfolios and managers.
- Notifying the Committee of changes in the structure, personnel, ownership, investment philosophy or process of the investment managers serving the Plan and present a course of corrective action when necessary.
- Conducting searches for investment managers as necessary and making recommendations for such positions.
- Monitoring compliance with this Policy by all investment managers.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Disclosing potential conflicts of interest as they become known.
- Providing support as may be necessary to support the Committee's educational and informational needs.
- Acknowledge in writing the acceptance of fiduciary duty with respect to Plan's assets under such manager's control.<sup>1</sup>
- The Committee chair informs the Board of key decisions made by the Committee with respect to this plan.

## **Investment Manager Selection Process**

The Committee, with the assistance of the Consultant, will select appropriate money managers to manage the Plan assets. Managers must meet the following minimum criteria:

- (1) Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.

- (2) Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
- (3) Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.
- (4) Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- (5) Selected firms shall have no outstanding legal judgments or past judgments that may reflect negatively upon the firm.
- (6) Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire IPS set forth herein, and as modified in the future.

The Committee, with the assistance of the Consultant, may also select appropriate mutual funds to manage a portion of the Plan's assets. Mutual funds must meet the following minimum criteria:

- (1) Funds must correspond to the asset classes outlined in the Committee's Investment Policy Statement. For example, the growth component of the IPS must be implemented with a mutual fund invested in growth stocks.
- (2) The fund's manager must have at least three years or more of experience and/or track record that can be evaluated.
- (3) The funds must have been following the same investment strategy for at least three years.
- (4) The fund must have sufficient assets under management so that any single client does not represent 10% of the fund.

### **Duties and Responsibilities of the Money Managers**

The duties and responsibilities of each money manager retained by the Committee include the following:

- (1) Managing the Plan assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein and expressed in separate written agreements when deviation is deemed prudent and desirable by the Committee.
- (2) Exercising investment discretion [including holding cash equivalents as an alternative within the IPS objectives and guidelines set forth herein.
- (3) Promptly informing the Committee in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:
  - a. Investment strategy
  - b. Portfolio structure



- c. Tactical approaches
  - d. Ownership
  - e. Organizational structure
  - f. Financial condition
  - g. Professional staff
  - h. Recommendations for guideline changes
  - i. All legal material, SEC and other regulatory agency proceedings affecting the firm
- (4) Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will deliver a report to the committee at least annually.
- (5) Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like retirement plans with like aims in accordance and compliance with ERISA and all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities.
- (6) Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire IPS set forth herein, and as modified in the future.

**Mutual Funds.** Each mutual fund selected to manage Plan assets must adhere to the terms and conditions set forth in its prospectus. The prospectus shall serve as the securities guideline for all mutual fund investments.

**Performance Objectives**

Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

<b>Asset Category</b>	<b>Index</b>	<b>Peer Group Universe</b>
<b>Large Cap Equity</b>		
Core	S & P 500	Large Core Equity Style
Value	Russell 1000 Value	Large Value Equity Style
Growth	Russell 1000 Growth	Large Growth Equity Style
<b>Small Cap Equity</b>		
Value	Russell 2000 Value	Small Value Equity Style
Growth	Russell 2000 Growth	Small Growth Equity Style
<b>International Equity</b>		

<b>Core Value Growth</b>	MSCI EAFE MSCI EAFE Value MSCI EAFE Growth	Intl Large Core Style Intl Large Value Style Intl Large Growth Style
<b>Emerging Markets Equity</b>	MSCI Emerging Free	Emerging Market Equity Style
<b>Domestic Fixed Income</b> Core Bond Defensive High Yield	Barclays Capital Aggregate Barclays Capital 1-3 Government Credit Barclays Capital High Yield Intermediate	Core Bond Style Defensive FI High Yield Style
<b>International Fixed Income</b>	Barclays Capital Global Aggregate ex U.S.	International FI Style
<b>Alternatives</b>	CPI + 3%	Domestic Balanced Style
Cash	90 Day T-Bills	CAI Active Cash or Money Market Database

The risk associated with each manager's portfolio, as measured by the variability of quarterly returns (standard deviation), must not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark and peer group.

In addition to the information covered during the quarterly reviews, the Committee will meet at least annually to focus on:

- The manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of the manager's respective style universe.
- The Plan's investment performance results compared to the manager's overall composite performance figures to determine unaccounted for dispersion between the manager's reported results and the Plan's actual results.

The Committee is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the manager selection process. Accordingly, a thorough review and analysis of a money manager will be conducted, should:

- \* A Manager performs in the bottom quartile (75th percentile) of their peer group over an annualized time period.
- \* A Manager falls in the southeast quadrant of the risk/return scatterplot for a 3-year period.
- \* A Manager has a 3-year risk adjusted return fall below that of the median within the appropriate peer group.

Furthermore, performance which may require the replacement of a Manager include:

- \* Managers that perform below the median (50th percentile) of their peer group over a rolling 3- year time period.
- \* Managers that perform below the median (50th percentile) of their peer group over a rolling 5- year time period.
- \* Managers with negative alphas for a 3-year period
- \* Major organizational changes also warrant immediate review of the fund/manager, including:
  - o Change in professional
  - o Significant account losses
  - o Significant growth of new business
  - o Change in ownership

The performance of the Committee's investment managers will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

All IPS criteria monitoring is reported to the committee quarterly as part of the review process. All criteria are reported relative to peer groups and indices at a manager and portfolio level.

## **Summary**

Capital Metropolitan Transportation Authority has a comprehensive investment management process, based on fiduciary best practices, implemented by a team of internal and external professionals. This has directly translated into an investment solution with above average long-term returns, below average fees, and efficient administration.

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# 2020 Capital Market Assumptions

## Capital Metropolitan Transportation Authority

May 2020



**CORNERSTONE**  
*Independent Asset Management*

Cornerstone's  
Investment Policy Committee

**Cornerstone Advisors Asset Management, LLC**  
74 W. Broad Street, Suite 340, Bethlehem, PA 18018

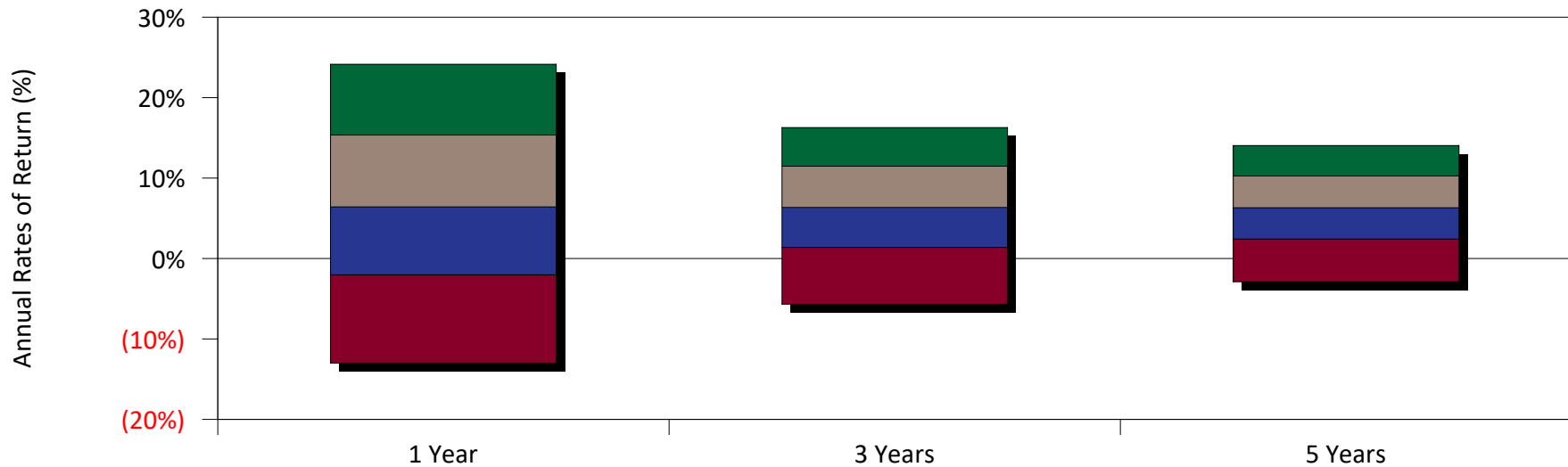
# IPS Allocation

Asset Mix Alternatives  
Optimization Set: 2020

Portfolio Component	CMTA DB [60-25-10-5]
Global ex-US Equity	15
Large Cap US Equity	35
Small/Mid Cap US Equity	10
Core US Fixed	25
Private Equity	5
Hedge Funds	5
Cash Equivalents	5
Totals	100
10 Yr. Geometric Mean Return	6.30%
Projected Standard Deviation	12.31%
10 Yr. Simulated Sharpe Ratio	0.32%
Projected Arithmetic Return	6.89%

# 2020 Allocation Forecasted Ranges

Range of Projected Rates of Return  
 CMTA DB [60-25-10-5]  
 Optimization Set: 2020



	1 Year	3 Years	5 Years
10th Percentile	24.2%	16.3%	14.1%
25th Percentile	15.3%	11.5%	10.3%
Median	6.4%	6.4%	6.3%
75th Percentile	(2.0%)	1.4%	2.4%
95th Percentile	(13.0%)	(5.7%)	(2.9%)
Prob > 6.75%	48.7%	47.8%	47.0%

# 2020 Correlation Matrix

## Asset Mix Correlations Optimization Set: 2020

	Broad US Equity	Global ex-US Equity	Large Cap US Equity	Small/Mid Cap US Equity	Developed ex-US Equity	Emerging Market Equity	Core US Fixed	High Yield	Global ex-US Fixed	Core Real Estate	Private Equity	Hedge Funds	Cash Equivalents	Inflation
Broad US Equity	1.00													
Global ex-US Equity	0.81	1.00												
Large Cap US Equity	1.00	0.79	1.00											
Small/Mid Cap US Equity	0.95	0.80	0.92	1.00										
Developed ex-US Equity	0.78	0.99	0.77	0.78	1.00									
Emerging Market Equity	0.78	0.92	0.78	0.77	0.85	1.00								
Core US Fixed	(0.11)	(0.12)	(0.10)	(0.13)	(0.11)	(0.14)	1.00							
High Yield	0.61	0.59	0.60	0.59	0.57	0.56	0.03	1.00						
Global ex-US Fixed	0.01	0.07	0.01	0.00	0.05	0.10	0.53	0.12	1.00					
Core Real Estate	0.70	0.67	0.70	0.67	0.66	0.63	(0.04)	0.46	(0.05)	1.00				
Private Equity	0.84	0.81	0.83	0.81	0.80	0.77	(0.19)	0.53	0.06	0.60	1.00			
Hedge Funds	0.78	0.76	0.78	0.75	0.75	0.72	0.10	0.56	(0.05)	0.53	0.64	1.00		
Cash Equivalents	(0.03)	(0.04)	(0.03)	(0.05)	(0.03)	(0.07)	0.10	(0.11)	0.00	(0.06)	0.00	(0.07)	1.00	
Inflation	(0.01)	0.01	(0.02)	0.02	0.00	0.03	(0.28)	0.07	(0.10)	0.10	0.06	0.20	0.00	1.00

# Forward Looking Projection Disclosure

*Neither any forward looking projection nor capital market assumption information provided is intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance. Please note that all information shown is based on qualitative analysis. Exclusive reliance on the information is not advised. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Assumptions, opinions and estimates are provided for illustrative purposes only. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material has been prepared for information purposes only and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. The outputs of the assumptions are provided for illustration/discussion purposes only and are subject to significant limitations.*

*Expected return estimates are subject to uncertainty and error. For example, changes in the historical data from which it is estimated will result in different implications for asset class returns. Expected returns for each asset class are conditional on an economic scenario; actual returns in the event the scenario comes to pass could be higher or lower, as they have been in the past, so an investor should not expect to achieve returns similar to the outputs shown herein. References to future returns for either asset allocation strategies or asset classes are not promises of actual returns a client portfolio may achieve. Because of the inherent limitations of all models, potential investors should not rely exclusively on the model when making a decision. The model cannot account for the impact that economic, market, and other factors may have on the implementation and ongoing management of an actual investment portfolio. Unlike actual portfolio outcomes, the model outcomes do not reflect actual trading, liquidity constraints, fees, expenses, taxes and other factors that could impact the future returns. The model assumptions are passive only-they do not consider the impact of active management. A manager's ability to achieve similar outcomes is subject to risk factors over which the manager may have no or limited control.*

*Unless otherwise noted, 10 year nominal return projection information is sourced directly from the published projections provided by Callan Associates, BlackRock, JP Morgan, Voya and State Street Global Advisors (SSGA) as indicated. Cornerstone has gathered this 3rd party information with care but is not responsible for any errors, omissions or post-publication changes.*



# Disclosures

*Securities offered through M Holdings Securities, Inc., MEMBER FINRA/SIPC*

*Investment Advisory Services are offered through Cornerstone Advisors Asset Management, LLC, which is independently owned and operated.*

*Performance quoted is past performance and is no guarantee of future results.*

*Unless otherwise noted, data obtained from Callan Associates.*

*All indices are unmanaged and not available for direct investment.*

*Cornerstone Advisors Asset Management, LLC and Cornerstone Institutional Investors, LLC have exercised reasonable care in the preparation of this presentation. Several portions of this presentation are obtained from third party sources. While we have attempted to verify all information within, we disclaim all responsibility for any errors that may occur due to third party information and data.*

*The information is provided solely for informational purposes and therefore should not be considered an offer to buy or sell a security. Except as otherwise required by law, Cornerstone shall not be responsible for any trading decisions or damages or other losses resulting from, this information, data, analyses or opinions or their use. Please read the prospectus carefully before investing. It is not a replacement for any account statement or transaction confirmation issued by the provider. Please compare this document to your custodial statement for accuracy, as applicable.*

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