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PINNACLE QUARTERLY

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Ken Solow

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Turning Retirement Assets Into Income

Ken Solow
Founding Partner

Is a portfolio worth $500,000 a lot of money for retirement? How about $1 million? What if you've saved $5 million? I get asked this a lot, and I find it helps to reframe the question: Is $2,000 a month a lot of money? What about $5,000 a month? Or $10,000?

When you look at it this way, you probably already know your answer. That's because we generally conceive of wealth in terms of current income and not assets. Think about it: We pay *income* taxes and see our tax withholding on every pay stub, and we routinely deal with monthly bills and expenses that must be paid with current *income*.

Clearly, the answer to the question about whether $500,000, $1 million, or $5 million is "a lot" of money for retirement depends on how much income you need the portfolio to generate. By "income" I mean how much cash does the portfolio need to provide you on a monthly basis in order for you to pay your bills. Interestingly, people who retire on a pension and social security don't have to worry about their portfolio generating income. It just comes every month, like clockwork. Folks who retire on a pension don't worry about the size of the pension fund of the company they retired from. They just deposit the check and continue to worry about other, more important matters. (Note: This doesn't mean they shouldn't worry about their company pension plan…. Unfortunately most people are simply unaware.)

I recommend to clients that they think of their retirement income as a pension payment that is funded by their personal account. With the help of their advisor, they will determine the proper amount of monthly cash they need to live on. I usually suggest they have the monthly withdrawal direct deposited into their checking account so they don't have to bother with it. If you want a quick rule of thumb, figure you can take about 4% to 5% of your portfolio as income each year. So a $500,000 portfolio will afford you an annual payout of $20,000 to $25,000 per year, or $1,666 to $2,083 per month. (Please check with your financial advisor about sustainable withdrawal rates to get the withdrawal rate that works in your individual situation.) Generally speaking, your job is to not spend more than your monthly portfolio payment plus whatever other sources of income you might have. Enjoy yourself. Spend your time thinking of creative ways to entertain the grandkids.

However, *our* job is a lot more complicated. We have to figure out exactly how to find the 4% to 5% of your portfolio value we will pay out to you during the year. The first thing you should note is that Pinnacle invests your money to earn the highest total return possible for the amount of risk you are willing to take. We don't invest your money to generate current income. The income from the securities in your portfolio is counted

as part of the portfolio's total return. So if the income from your portfolio is 2% of the portfolio value, and the securities in your portfolio appreciate in value by 4%, then the total return of your portfolio is 6% (2% income plus 4% appreciation.) Pinnacle will use the income generated by the portfolio and / or sell the appreciated or depreciated securities in your portfolio, in order to pay you your monthly retirement distribution (or as I prefer to call it, your personal pension payment). This is an especially good thing, because in a world with very depressed interest rates, it's almost impossible to invest in securities that drive enough income for you to live on your portfolio alone. And 'reaching for yield' by buying higher risk securities is often a major cause of catastrophic investment mistakes.

Once we determine how much monthly (or bi-monthly, or quarterly) income you need, your wealth manager works with you to decide which individual account (s) will be the source of your monthly income payments. In making this decision, your advisor will be considering a number of issues relevant to your income bracket. Clients are often surprised when their advisor recommends taking distributions from both taxable and tax-deferred accounts, because it is actually in your best interest to generate more rather than less taxable income to maximize your tax situation.

After we decide on the correct portfolio(s) to fund your withdrawal, we rely on software tools to make some sophisticated decisions in terms of selling securities. That's correct: Turning assets into income typically involves selling securities, and the trick is to sell the right ones. We subscribe to a sophisticated computer program that is based on the general rule that it's best to buy assets at low prices and sell them at high prices, and then make appropriate sell decisions to generate your most efficient retirement income. Here are four decision rules that are built into the program:

1. The yield, or current income, from the securities in your portfolio is not reinvested, but is 'swept' directly to the cash account in your portfolio. The software will recognize this additional cash as being available to fund your monthly retirement payment.

2. Securities to fund monthly payouts are sold based on how far they are from the target percentage in your portfolio model. So if you own a security that is 0.9% over its target weight, it will be sold before a different security that is only 0.3% over its target weight.

3. We can program specific rules for taxes into your individual retirement plan. For example, we can specify a limit to the amount of taxes we generate from selling transactions. Or we can create rules for limiting realized short-term capital gains. Clients have to balance the benefit of any custom rules they create against the possible cost of running their portfolio differently than Pinnacle's model portfolio strategy. Our financial advisors are there to help advise on these tricky tax questions.

4. You can specify 'back-up cash' if you want to have an emergency fund of cash to fund monthly payouts. It isn't recommended because it will ultimately reduce your portfolio total return, but those who feel better knowing that cash is available at all times to fund their monthly payment can do so.

Turning assets into income is an important part of any financial plan. After all, you get a portfolio statement every month from your custodian telling you how much you own in assets, but the money that shows up in your checking account each month is what you get to spend and enjoy!

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How the New Financial Law Affects Pinnacle Clients

As the laws governing how financial professionals guide client retirement assets are set to change, financial advisors are being required to place the interests of their clients first. With this change, all advisors must not only recommend investments that are suitable for their clients, but more importantly, they must act as a fiduciary and place their clients' interests ahead of their own.

So how will this affect the investments of Pinnacle clients? **It won't.**

Since we opened our doors in 1993, we have been registered as Investment Advisors and served as a fiduciary to every client account. Up until now, financial advisors registered as Registered Representatives (RR) of a Broker/Dealer have been able to recommend investments that were merely suitable for a client. The new law will require the RR to become a fiduciary with a greater level of responsibility to all clients (in other words, they'll be required to be more like us).

The new law only applies to retirement accounts and will often be a factor when clients seek to rollover their 401k plans to other investments to fund their retirement. These are the large and life-changing investments that the law is seeking to protect. Unlike the new ruling, at Pinnacle, we act as a fiduciary for all accounts —not just retirement accounts. In our work with clients, we offer an array of planning and portfolio management services with a focused approach on managing risk, fees, and taxes—all to benefit our clients.

The FPA and You
A Conversation with Deb Kriebel

Pinnacle partner and Wealth Manager Deb Kriebel is the 2016 President of the Financial Planning Association of Maryland. We spoke with her about her new role with the FPA, the organization's purpose and activities, and her plans for 2016.

Pinnacle: What does the Financial Planning Association of Maryland do? What's its mission?

Deb: I like to think we have a multi-layered mission. First of all, we offer professional development for financial planners. That includes continuing education. We also help planners grow their businesses by identifying 'best practices'. We share the processes and techniques that can be used to help planners better serve their clients, and how they can effectively support and nurture their employees.

The Maryland FPA also carries out a lot of community outreach. We're active throughout Maryland, and we offer community education, free financial evaluations, and opportunities to ask planners questions on everything from budgeting to handling student loans.

Lastly, we're involved in financial planning advocacy over certain issues, laws, or policies. We're involved at both the state and national level. For example, each year we travel to Annapolis to meet with our representatives and to encourage them to support current issues that are important to financial planners—financial literacy education and the new fiduciary law, for example.

How long have you been involved with the organization?

I've been with it from the very beginning in 2000. Since then, I've served on just about every committee. The FPA plays an important role in the profession and in the community, so I've been very happy to support it. We also support and recognize the importance of being a Certified Financial Planner (CFP®).

You mentioned community involvement. Is this primarily charitable work?

Some of it is, but we reach out to all parts of the community, across economic demographics. We have programs for everyone from middle-schoolers to retirees. We also offer a financial planner search function at the organization's website (fpamd.org).

You mean, if a person is looking for a Wealth Manager and somehow hasn't heard of Pinnacle?

Yes, exactly. [Laughter]

As president, what are your plans for the year?

I hope to get involved in all the various areas of the FPA, and to get to know as many people as I can. We need to energize our membership and get them excited about the financial planning profession. This is a great field! I also want to encourage more women to get involved in planning. Only about 30% of

Certified Financial Planners® are women, and I think we can do better than that.

It's great that the national meeting for the Financial Planning Association will be held in Baltimore this year.

Yes, we're very excited. This is the largest gathering of financial planning professionals in the country, and it covers every aspect of professional development. People come from all over the nation—even internationally—to attend the meeting and share ideas and insights.

For example, there's a group of advisors coming in from Brazil to attend the conference. They reached out to the Maryland FPA to find a local firm to serve as hosts, and we're gladly participating. We'll be introducing them to Pinnacle and sharing how we do things here, and we'll be learning from their own experiences as well. Everyone wins—the advisors, the FPA, and most of all, our clients.

Q2 Market Review | Executive Summary

The first quarter of 2016 has been a rollercoaster in the markets and has challenged investors with both bullish and bearish views.

We question whether a volatile bear market will continue or if it has run its course for now and will turn into a new bull market cycle earlier than we anticipated. We believe there are three possible scenarios developing in regards to which direction the markets might head from here.

The first scenario—and the one that we believe is the most likely—is that we are in the middle of a bear market that is experiencing a rally fueled by a reflex action of an oversold market.

An alternative possibility is that the global bear market was somewhat short and shallow, and is actually over. In this view of the world, the markets are grinding up, as many investors are still in disbelief that the market cycle has turned for the better.

A final consideration is that the market might be locked in a wide trading range rather than a trending bull or bear market. Those investors believing in this trading range acknowledge that there are many risks, but also don't feel like there is a reason for the bottom to fall out of the markets, either.

A resumption of the bull market is currently our lowest conviction scenario. Nevertheless, the possibility of this scenario developing keeps us holding some of our cyclically sensitive investments and refraining from selling even further into the market rally in case we are incorrect.

The trading range thesis is also not what we believe will come to fruition, but we'd assign a higher probability to this view than the aforementioned resumption of the bull market. Even if this view turns out to be correct, our belief is that we are much closer to the top of the range than the bottom, which means there is little reason to add any risk to portfolios at this juncture. However a drop towards the lower end of the range may become an interesting time to add back some holdings, if we believe the range story is gaining some traction.

Currently our greatest expectation continues to be that the current market rally is likely nothing more than a counter trend movement within a recently established primary downtrend. Under this view we believe there is little reason to alter our defensive positioning.

Given the recent market run and our assessment of the probabilities of each scenario, we think it's currently prudent to stay patient with our defensive positioning and watch what develops at important resistance levels in a variety of markets. Should we begin to see renewed signs of pressure, we may elect to trim our volatility targets even further. With an already defensive profile, we feel little pressure to further de-risk the portfolio at this time, particularly given that we may be close to an important inflection point in the markets and the probabilities of scenarios that are not our base case have risen since last quarter.

How the market resolves itself in the coming weeks and months might set the stage for more defensive positioning, or could tip us in a more positive direction. At times like this, the most important thing we can do is be patient, remain flexible, and be prepared to move in the direction that the evidence most supports.

MARKET REVIEW

Rick Vollaro
Chief Investment Officer

Carl Noble
Senior Analyst

Sean Dillon
Technical Analyst

Sauro Locatelli
Quantitative Analyst

The beginning of 2016 started in an emotional frenzy, as world markets dropped sharply out of the gates on fears of a sputtering world economy, plummeting commodity prices, a stubbornly hawkish Federal Reserve, and a decelerating earnings backdrop. The violence of the move in January was stunning, and by early February the number of world markets that had fallen more than 20% from their highs clearly argued that a bear market across the globe was taking place. But with share prices falling so fast, gloom quickly took hold and set the market up for a rally off the lows. What has unfolded since mid-February is a rally to the upside that has been just as violent and abrupt as the drop in markets that preceded it. The genesis of the rally was likely too much short term pessimism and oversold conditions, but it was also aided by more European central bank intervention and a Federal Reserve that was forced to pull back some of its hawkish rhetoric.

In the early part of 2016, the markets have been on an emotional roller coaster ride that has amounted to a vicious tug of war between fear and greed. This ride has tested investors' nerves, patience, and has generally served to confuse those that are looking for signs for what is next.

What Next?

With so many cross currents swirling in just the first three months of the year, we continually reassess our strategy to favor protecting our clients' portfolios. We continue to believe that the latest move is likely a classic bear market rally, though we also acknowledge that there is some chance that our base case call may have run its course. While some analysts might challenge the notion that we have experienced anything more than a correction during the last few quarters, our belief is that the number of markets and individual stocks that fell into bear market territory (>20% top to bottom losses) during this cycle makes for a compelling case that a bear market had gripped markets worldwide over the last few quarters.

But whether or not a bear market has taken place is debatable and distracts from the main question we ponder today: Will the volatile bear market environment continue, or is there a chance it could be over and evolving into a new bull market cycle already? Unfortunately no one rings a bell for investors at the top or bottom of markets, and so our team is forced to scour the evidence and reassess what the future might hold for the markets. We currently believe there are three possible scenarios developing in regards to which direction the markets might head from here. We are prepared to act in each.

Scenario 1: Bear Market Growls Again

The first scenario postulates that global markets are currently in the middle of primary downtrends, and that the rally that has unfolded since February has been nothing more than a simple reflex that occurs when a market gets oversold enough for a rubber band-like snap back. Given the ferocity of the move off the bottom, it is natural that some investors are questioning whether or not a bear market rally could be so robust. We understand this reaction to a strong market move, as even the somewhat defensively oriented S&P 500 has climbed 13% off of its February lows. But despite the scorching nature of the current market rally, it is not uncommon for bear market rallies to experience runs of this magnitude. Lowry's is a well-respected technical research service that tracks such statistics in an effort to stay on the correct side of the primary trend in markets. In a recent study, they listed five historical periods where bear market rallies exceeded 13%, with the average reaching nearly 18%. We understand that these numbers by themselves don't prove that the current rally off the bottom is a bear market rally, but we do think that they provide important context in regards to whether the recent bounce could have taken place within the confines of a primary trend that is currently down.

Our assessment is that the rally we are experiencing is well within the range of a typical bear market countertrend rally, and more importantly that the market is approaching significant levels that should be difficult to penetrate meaningfully to the upside if our thesis is correct. In addition, stocks are also severely overbought in the short-term, which makes them susceptible to profit taking soon when the right catalyst arrives.

Beyond the technical environment, the broad market still carries high valuations in the U.S. at a time when there continues to be much uncertainty regarding the ultimate direction of U.S. monetary policy. Meanwhile the U.S. economic trajectory has been down, and our anticipation is that we'll see another sub-par first quarter for growth to start 2016. Across the globe, Japan and Europe appear to be suffering from a recent surge in currency appreciation, and in the emerging markets there is continuing evidence accumulating of structural challenges with many economies seemingly in the midst of a long lasting slump. Poor world growth has weighed on global pricing power, and earnings continue to sag. While central banks are trying to keep a floor under inflation and growth rates, markets seem to be starting to question the effectiveness of current central bank policies, particularly newly enacted negative interest rates that are weighing on global banking shares. To compound things, the global political environment is contentious and markets must digest the ongoing presidential election in the U.S. and the potential for a British exit from the European Union.

In short, we still think the highest probability is that the market is close to the end of its bear market rally phase, and may soon resume declining. Currently we'd assign about a 50% probability that our bear market thesis is still correct, which currently makes it our highest conviction scenario. Under this view we believe there is little reason to alter our defensive positioning. Should we begin to see renewed signs of pressure, we may elect to trim our volatility targets even further. But with an already defensive profile we feel little pressure to further de-risk the portfolio, particularly given that we may be close to an important inflection point, and that the probabilities of scenarios that are not our base case have risen since last quarter.

Scenario 2: Bull Market Pain Trade

While we continue to think the odds favor a renewed downturn, there is a chance that a different path could be developing. The late Barton Biggs had a term for markets where participants get trapped the wrong way and the market grinds against them: the pain trade. An alternative possibility is that the global bear market was somewhat short and shallow, and is actually already over. In this view of the world, the markets are grinding up as many investors are still in disbelief that the market cycle has turned for the better. The last time we had a true bull market pain trade occurred in 2011, when the possibility of European banks and the Euro currency collapsing had many investors fearful that system risk was too high to invest. In hindsight we now know that the bull market began climbing a new wall of worry in October of 2011, though we also know that it took several quarters to convince many investors that a new and lasting bull market was in motion.

2011 was not that long ago, and we'd like to think that cycle taught us some lessons. Maybe one of the most important lessons is to listen to the markets and not dig in too deeply on any one view. At minimum, we know not to rule out this type of scenario from occurring again. Despite our current view, we acknowledge that some evidence has improved in line with the recent rise in market prices.

One positive has come in the form of a stabilization in commodities prices, which if it persists could drastically lower the risk of defaults in the energy patch and commodity producing regions of the world, and might put a floor under struggling energy earnings. Another possible bullish catalyst is that central bankers throughout the globe may have been forced to get back in synch with one another in an effort to defeat deflation, poor growth rates, and strains running through the global banking system. The European Central Bank pulled out all the stops at their recent meeting, and the Federal Reserve surprised the markets by pulling expectations of future rate hikes down from four to two during their March Federal Open Market Committee Meeting. At the same time, the People's Bank of China has recently been floating potential policy options to backstop an enormous amount of non-performing loans that threaten to cripple credit markets abroad. Another positive from a currency perspective is that the U.S. dollar has begun to pull back and the Chinese renminbi has stabilized. The former should help earnings and trade in the U.S., and the latter might quell fears of a destabilizing drop that could unleash a potential currency war.

Lastly, in a sea of tepid to poor economic data, we have taken note that the latest series of Federal Reserve regional manufacturing surveys surged back from contractionary to expansionary levels. At present we don't find this evidence compelling enough yet to change our view, but it does imply that there is some chance that markets could be starting to react to a possible inflection point in growth in coming quarters. If this is the case, then an increasing number of world economic data points should start to fall in line and reflect this thesis, and the rally in markets should gradually broaden to include more sectors and industries. While some positives have grown and there is a chance the bull is reasserting itself, we currently mark this scenario as a somewhat low probability development. For now we give the resumption of the bull market a 20% probability. At 20%, it is enough to keep us holding some of our cyclically sensitive investments and refraining from selling even further into the market rally in case we are incorrect. But it's also not enough to begin building risk back in the portfolios yet.

Scenario 3: Range Bound Roller Coaster Markets

There is one more scenario that may be gaining some traction, and that is the idea the market might be locked in a wide trading range rather than a trending bull or bear market. This thesis acknowledges that U.S. valuation is high, that growth across the globe isn't great, and that politics and earnings may continue to weigh on markets, particularly in the U.S. where share prices are generally more expensive than other parts of the globe. But those looking for a trading range also don't feel like there is a reason for the bottom to fall out either. Supports for oversold markets can be found in central banks that may be back in liquidity overdrive, world growth rates that are very slow yet stable, and with little to no excesses showing that might typically lead to an all-out bust. Believers in the range trade acknowledge that investors may have to be more selective by market and a little quicker to the trigger in markets that may be more prone to be zigging and zagging rather than trending up and down. In a range bound market, value will mostly likely be found by scouring the world for markets and sectors that offer good relative value at a time broad markets may effectively deliver next to nothing for those who buy and hold. While it's not our base case, this thesis is more plausible than it was a quarter or so ago. Should we come around to this view of the world, we may have to shift tactics and be a bit more nimble to short term opportunities, until we think a trending market has again taken over. At present, we'd give this thesis a 30% probability, which is an upgrade from prior quarters, but is still substantially below the base case of a bear market resumption. Even if this view turns out to be correct, our hunch would be that we are much closer to the top of the range than the bottom, which means there is little reason to add any risk to portfolios right now. But a drop towards the lower end of the range may become an interesting time to add back some holdings if we believe the range story is gaining some traction.

Staying Patient but Remaining Flexible

There is much in flux within the markets and our team feels a technical inflection point may be close. Given the recent market run and our ranking of the probabilities of each scenario, we think it's prudent to stay patient with our defensive positioning and monitor what develops at important resistance levels in a variety of markets. How the market resolves itself in coming months might set the stage for more defensive positioning, or could tip us in a more positive direction. At times like this, the most important thing we can do is be patient, remain flexible, and be prepared to move in the direction that the evidence most supports.

For now, we remain in risk management mode as a precaution that we may be passing through the eye of the storm and approaching another wave of volatility. If we are correct, then it is most important to keep defensive. If we are incorrect, then we should soon start to see evidence accumulate that the world is in repair, and if it is, we stand ready to reengage and make money while the tide of a new cycle is going in.

Whippy volatile markets tend to fray nerves and wear down the patience of investors, but at times like this, we lean on our investment process. That process is built on objectively weighing evidence, having flexibility, and applying judgment. It is the process that has produced healthy risk adjusted returns over the long term, and we believe it will continue to pay dividends for investors who can stay patient through this temporary whipsaw and ride out a full market cycle.

Note: The above discussion applies to the management of Pinnacle's Dynamic Prime models.

Below is a brief description of changes during the quarter to the Dynamic Market Series and the quantitative component of the Dynamic Quant, which are rules-based strategies and thus are not managed according to Pinnacle's macro outlook.

Dynamic Market Series

The satellite of the Dynamic Market strategies, comprising 30% of the portfolios, remained on a defensive posture and avoided stocks altogether throughout the first quarter of 2016. Such defensive posture was mostly the result of our valuation model for the S&P 500 index continuing to indicate that the stock market is overvalued.

In addition, the technical component of the model has been on a "sell" signal for stocks since January 21st, thus reinforcing the strategy's defensive posture. Whenever this strategy moves out of stocks, it relies on the technical component of the model to determine whether to invest in quality bonds (i.e. the Barclays Aggregate Bond index) or keep the funds in short-term T-bills. The technical component has been on a "buy" signal for bonds since the fourth quarter of last year. As a result, the satellite was invested in quality bonds for the entire first quarter. This turned out to be a winning trade for the quarter, with the Barclays Aggregate Bond index returning 3.03% compared to just 1.34% for the S&P 500 index and 0.06% for short-term T-bills. At the time of writing, there have been no changes to the positioning of the strategy so far in the second quarter.

Dynamic Quant Series

The Dynamic Quantitative strategy entered the first quarter with a neutral posture, which means its satellite was fully invested in stocks according to the sector rotation component of the model. At the time, the sector rotation component was prescribing large overweights to the financials and technology sectors as well as more moderate overweights to the energy and telecom sectors. These moves were mostly the result of the attractive relative valuation of these sectors.

As we entered 2016, a renewed bout of weakness and heightened volatility in global markets caused the trend of the stock market to once again deteriorate, resulting in the technical component of the model issuing a "sell" signal for the MSCI USA index on January 21st. Whenever this strategy moves out of stocks, it relies on the technical component of the model to determine whether to invest in quality bonds (i.e. the Barclays Aggregate Bond index) or keep the funds in short-term T-bills. The technical component has been on a "buy" signal for bonds since the fourth quarter of last year. As a result, on January 22nd we liquidated the equity sector ETFs held in the satellite and invested the proceeds in quality bonds, which is where they remained invested for the remainder of the quarter (as well as at the time of writing).

Over the past several weeks, the stock market has been experiencing a fairly strong rebound. While the rebound has yet to qualify as a re-establishment of the prior trend, which would result in the technical component issuing a new "buy" signal for stocks, there is a possibility this could happened within the next few weeks if the rebound continues. As always with this strategy, we will follow the model closely and position the portfolios accordingly.

Pinnacle's Three Dynamic Strategies

PRIME SERIES

Pinnacle's Prime Series offers investors an array of actively managed portfolios that are globally diversified and designed to provide market-like returns with less risk. Our Prime Series is comprised of five distinct options that include conservative portfolios that prioritize stability and income, moderate portfolios seeking a balance of stability and growth, and growth portfolios designed for appreciation and growth.

The Prime Series portfolios are managed by our experienced investment team to pursue value anywhere in the world—in any asset class—and evaluate opportunities using both qualitative judgment and quantitative tools. Our over-arching strategy is based on long-term economic themes where we build our portfolios in line with the strengths and weaknesses in the market. Our investment team evaluates the qualitative and quantitative data and adjusts our portfolios accordingly. These portfolios have been managed by our investment team since 2002 through all market cycles and have a GIPS verified track-record. The Prime Series should appeal to clients who want an active, tactical management strategy that blends the best of qualitative judgment and quantitative tools.

MARKET SERIES

Pinnacle's Market Series provides an investor with a globally diversified portfolio that is primarily managed with strategic asset allocation and complimented with tactical management in a smaller portion of the portfolio. The strategic holdings are low cost and efficient, and the satellite portion provides a way for the portfolio to increase return potential when markets are cheap, and dampen risk when markets are expensive or volatility increases.

The series offers three portfolios to investors: Conservative, Moderate, and Appreciation. The strategic allocation comprises 70% of the portfolio and is diversified across twelve asset classes that are systematically rebalanced to retain targeted allocations. The tactical allocation comprises 30% of the portfolio and consists of U.S. stocks and fixed income securities. The tactical satellite includes the flexibility to move between stocks, bonds, or cash, and rotates between them depending on market valuations and technical conditions. By combining both strategic and tactical strategies, the Market Series offers the benefits of both passive and active management.

QUANTITATIVE SERIES

The Pinnacle Quantitative Portfolio provides investors with an actively managed portfolio that uses a 'Core and Satellite' approach to combine tactical asset management and quantitative analysis. The Core strategy invests approximately 60% of the portfolio in our Dynamic Moderate Growth model, which strikes a balanced approach between capital appreciation and income. The Satellite strategy comprises about 40% of the portfolio and uses sophisticated quantitative analysis that leverages value and momentum data as it rotates equity sectors, bonds, and cash to balance growth and risk.

Our proprietary quantitative model evaluates current market conditions based on a set of valuation and technical indicators, and rotates the allocation between ten U.S. equity sectors and bonds or cash. This portfolio will appeal to clients who are looking for a heavily rules-based approach to investing and are willing to make aggressive allocation changes depending on market conditions.