

# CoreStates 8 Cylinder Engine

*Markets in the United States are increasingly reacting to domestic and global events. To survive in this volatile new market, investors require more information, more education, and more qualified expertise than ever before.*

*The time has come for the **traditional four cylinder engine of stocks, bonds, cash and real estate** to be rebuilt. We call this innovative investment strategy "global asset allocation." The theory behind global asset allocation doesn't abandon the four cylinder domestic model. It expands on its strengths by adding four more cylinders to our engine, each chosen specifically for its global presence as an asset class: raw materials and commodities, the energy complex, precious metals, and foreign currencies.*

## Raw Materials & Commodities

Raw materials and commodity prices, like stocks, move in alignment with supply and demand. For most investors, there are ample opportunities to take advantage of price trends in raw materials and commodities. Interestingly, these trends typically have no correlation to the trends in traditional markets. It is well known that many of these raw materials and commodities have higher volatility than blue chip stocks and are much riskier. But at CoreStates we can provide you access to trading managers who manage these positions who seek to take advantage of both negative and positive trends. Overall, this asset class is an excellent alternative investment where trading managers have the potential to profit on trends independent of the equity market.

## Energy

In the energy complex, some savvy oil and gas managers take advantage of daily price changes and longer-term trends by betting on price fluctuations in the energy market. Other experienced managers are able to strategically position themselves long or short because they monitor the capacity of supply reserves and increases in global consumption while other managers take advantage of opportunities presented in owning companies that benefit from the use of energy commodities. These companies may include the travel, tourism, transportation and plastics industries.

## Precious Metals

Investment advisors may recommend precious metals to provide capital appreciation potential, liquidity, and a hedge against conventional paper assets. Because precious metals have a negative correlation to paper assets, the intention of diversification into gold, silver and platinum is to reduce the total risk within the overall portfolio and preserve wealth. Because the characteristics of gold, silver, and platinum differ substantially and because each metal reacts differently to economic and world events, some managers build positions in all three.

## Currencies

Currencies are unique because they form the largest capital market in the world yet most U.S. investors have little knowledge of the trading of currencies or how they are viewed globally as a separate asset class. There are several hundred managers who specifically trade currencies as an asset class based on technical trends and fundamental data. As an example, in its simplest form, a portfolio manager may believe the U.S. dollar will gain against the yen because of interest rate differentials and price trends. That manager will purchase the dollar versus the yen in the cash market. Currencies are typically traded by every large multinational institution, including banks, central banks, and government.



*Combined with the original domestic asset classes, these four additional cylinders make use of alternative investment classes to create a stronger, more responsive engine, an eight cylinder dynamo that finally brings to personal investing the one thing it has sorely lacked: global equilibrium. Investments are balanced across eight areas instead of four with the intention of further reducing risk and increasing stability.*