



THE
CORE STORY

For Investors, Change Is the New Constant

The volatility we have seen in markets is no surprise. In fact, at CoreStates Capital Advisors, we believe that the trading action of the past few years shows that investor sentiment is getting back in step with our financial history as a nation. Up and down markets, challenging environments, unexpected political and monetary risks — this is the future we face, and your wealth hangs in the balance. Change is the new constant.

Now that longstanding investing models have been challenged, people naturally would like to see a quick snap back to permanently rising, long-only stock portfolios. We strongly advise against that comforting, yet mistaken, view.

The placid period of the past 25 years has been the exception, not the rule. Investors who hesitate to take such fundamental change at face value do so at their own financial risk.

CoreStates Capital Advisors has a singular mission: Getting ahead of change in defense of your hard-earned wealth. The simple rules of engagement for this new reality start with abandoning one of the long-cherished and most defended biases in money management — that buy-and-hold always wins.

A Dangerous New Illusion

A typical mistake that individual investors make is to confuse the recent past with an extended, imaginary future. Just because a given strategy — whatever the asset class — has worked for a few months or a few years, that's no guarantee that the strategy will continue to pay off. In the case of buy-and-hold, the illusion is all the more dangerous. It has worked for

decades and seems to have turned into a demonstrable fact.

For the big investment banks and their advisors, the past 25 years have been a kind of walking dream: They could, effectively, do nothing and simply take their fees. Many supposed “managers” secretly indexed, tracking the market year-in and year-out, and let compounding interest make them look brilliant. Trading, when it happened, was too often window dressing, or simply about collecting year-end commissions. Since all boats rose together, nobody questioned managers' abilities.

Watch out! The generational bull run for stocks — which began in 1982 and lasted until the credit crisis started in 2007 — is just as unreliable an indicator as many of the recent market mirages you might more

easily recognize. Wall Street itself was fooled by this very dangerous bias toward stocks, and many famous institutional investors hung on to their beliefs all the way to the bottom.

Too many managers were happy to ride the long-equities tide, leaving them intellectually unprepared for change. That's why the so-called “stars” were caught unaware by the crash. And why the flood of mea culpas that

followed offered up useless excuse-making couched in terms such as “historic” and “unprecedented.” According to them, nobody could have foreseen the credit crisis, the collapse of famed investment houses such as Lehman and Bear Stearns, and the huge decline in housing values that ensued. Nobody.

Regulators in Washington, behind the game as usual, now make similarly tired arguments, and they continue to fiddle as markets burn. Politicians cannot help to recover your wealth once it is lost in a few bad trades. You should know by now: You're truly on your own.



Change Your Expectations, Change the Future

CoreStates believes that nothing about the credit crisis or the recent recession is unprecedented — unless your experience of the markets extends back only to the middle of the Reagan years. The 1970s were not that long ago. Even 1987's Black Monday and the dot-com crash were fairly recent. To claim that markets have “changed” is the most ridiculous — and convenient — form of financial revisionism. We have always had volatile times, sometimes lengthy ones, and we always will.

What has changed, and should change, are your expectations of a manager.

One of the byproducts of the “stay invested” philosophy is that few people are comfortable holding cash. Yet cash always beats loss of principal. (As Warren Buffett wryly notes: “The first rule of investing is don't lose money; the second rule is don't forget Rule No. 1.”) Yes, cash can be at risk from inflation, but it's an important tool. Volatile markets demand quick access to cash in order to grab short-term upside when it appears or, in the case of value opportunities, to purchase a margin of safety.

Most people would like to believe that the constant rise of stocks is a given, but the long view of financial history warns us that it is not. You must be ready for damaging swings in asset values, unexpected breakdowns, and “surprise” broken correlations. Tactical investing is returning to the fore, and that means building cash when necessary.

CoreStates, therefore, has no principled bias toward long or short positions in any investment class. The age of “set it and forget it” is over, possibly for decades to come. Nobody with assets to protect and grow has an infinite horizon; defense is a must. “Plain vanilla” money management, passive without personal attention, is now by far the biggest risk for those with wealth to lose.



In the environment we now face, every potential trend implies several counter-trends to assess before investing. It can be daunting at first, but we have learned that volatility can be your best friend. CoreStates approaches the markets fully aware of the risks inherent in trading, so our overarching strategy is designed and tested to provide, at minimum, acceptable returns in disruptive periods, the kinds of times that wipe out the unprepared.

What We Believe, Who We Are

The CoreStates Capital Advisors investment philosophy is simple. The bedrock principles are:

- **20/20 Global Vision:** A permanent, ongoing, careful examination of worldwide economic trends to find investment opportunities both abroad and at home. We seek to hire the best brains in the business and put them to work for you.
- **Political risk management:** Crafting portfolios that reduce dependence on U.S. political, fiscal, and monetary policy while not necessarily increasing foreign risk. No more “unprecedented” shocks to your financial future.
- **Real diversification:** Not just a mix of domestic stocks and bonds, but true risk control that takes advantage of worldwide opportunities for both protection and increased gains.
- **Low correlations:** Break out of the cookie-cutter portfolio approach through global investments that truly offset each other, lowering the risk inherent when panics ensue and traditional markets decline in sync.
- **Serious income research:** Finding and vetting reliable income sources for clients who require cash flow now while taking care to avoid unnecessary credit risk on principal.

- **Personal care:** As a fiduciary, your money matters to us. We work for you and only for you. No commissions, no hidden side deals, no incentive to toe the Wall Street line. CoreStates backs this up with a careful assessment of your needs in advance, continuous communication, and a written investment policy for each client.

So far, so good, but times are far more challenging and the correlations have begun to break down, with some assets moving in tandem or taking wild, out-of-character swings. To broaden the mix, CoreStates funds expand to include four alternative assets, creating an “eight-cylinder” approach. Those include:



- **Raw materials and commodities,** which have a low correlation to traditional markets.
- **The energy complex,** which provides opportunities to invest in trends.
- **Precious metals,** as a hedge against paper assets and as diversification for wealth preservation.
- **And, finally, foreign currencies,** the largest capital market in the world.

In the end, there is no “holy grail” asset to buy. Instead, CoreStates employs a variety of carefully designed financial products, each specifically created to meet the needs of each class of investor but all built to weather the new market reality.

Getting Started

CoreStates provides investment advisory services to three broad investor classes with products tailored for each, but each service follows a singular vision: Active, personal, committed money management, a total picture outlook, plus tax advice and high-quality retirement planning services. Those three categories of clients include:

- **Non-accredited investors**
- **High net worth individuals**
- **Institutions**

Actions to Take Now

One of our main concerns at CoreStates is that investors fully understand their position in the markets and better appreciate the role they play in safeguarding their own long-term wealth. Most money managers would prefer that their clients stay in the dark, and frankly many wealthy people have turned a blind eye toward their own money, either for lack of confidence, fear, or disinterest in the technicalities of investing.

We understand why this happens, and we respect your abilities and intelligence in gathering the wealth in the first place. That’s why we work hard to help each client learn how to properly engage their own money and get over fears they might have. The first step, then, is to fully understand who you are, your Investor DNA.

Through a simple online questionnaire — it takes about 10 minutes — we begin the conversation. The answers you provide result in a five-page report that will give you insight into your own investor traits, psychological reactivity to investing, your “financial drive,” and your likely investment style.

The next step is to assess your current financial health by creating an Investor Profile, what we like to call a “financial EKG.” Like the medical variety, this simple, one-page set of questions establishes in clear terms your unstated financial objectives, personal investing principles, and concerns about risk.

Once complete (the questions are probing, but there are not many), the profile will help you to determine your specific investment goals, tolerance for market risk, investing timeframe, past investment experience, and income needs.

Let’s Talk About You

Once you are comfortable, the last step is to engage the change and **become a CoreStates client.**

Get started today.

Call 267-759-5000

or

visit us at www.corestates.us