



Stonegate Wealth Management

Registered Investment Advisor

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www.stonegatewealth.com

Fee  Only

Real Life...Real Solutions



Stonegate Wealth Management

- **\$200 Million in assets under management.**
- **Ranked as one of Bloomberg's Top Wealth Managers.**
- **Named as one of the top advisors in USA by Worth magazine (2008).**
- **Fee-Only Wealth Management Firm.**
- **Registered Investment Advisors with the Securities and Exchange Commission.**
- **Members: National Association of Personal Financial Advisors (NAPFA), CFA Institute, Financial Planners Assoc. (FPA), and the New York Society of Securities Analysts (NYSSA).**
- **Web Site www.stonegatewealth.com.**



Credentials Held by Staff Members

CFP	Certified Financial Planner
CFA	Chartered Financial Analyst
MS	Masters in Financial services
CPA	Certified Public Accountant
ChFC	Chartered Financial Consultant
CLU	Chartered Life Underwriter
MBA	Masters in Business administration
CDFA	Certified Divorce Financial Analyst
JD	Juris Doctor (Attorney)
NAPFA	NAPFA Registered Advisor
AIFA	Accredited Investment Fiduciary Analyst™



National Association of Personal Financial Advisors (NAPFA)

- **Requires all members to offer comprehensive planning.**
- **Must sign oath that no commissions will be received.**
- **Must have a financial plan reviewed by peers.**
- **Must take 60 credit hours of continuing education every two years.**
- **May use the title: “NAPFA Registered Advisor”**
- **Steve is serving on the Eastern Regional Board**



Stonegate Wealth Management, LLC

We provide complete Wealth Management Services:

- **Financial Planning**
- **Investment Management**
- **Defined Contribution Plan Design and Management**



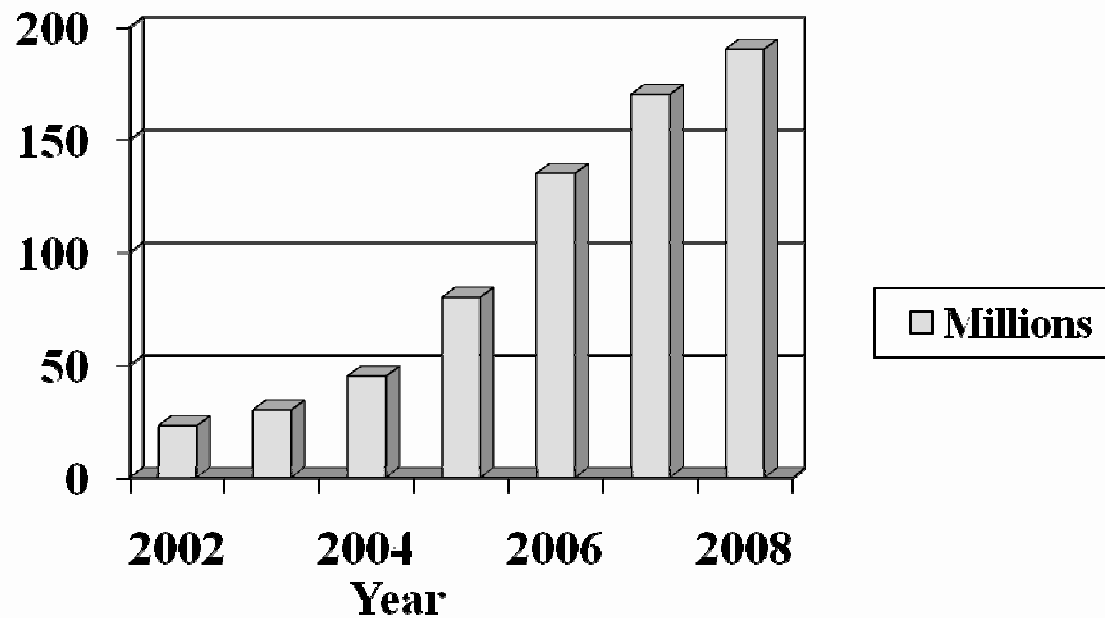
Wealth Management Services

Financial Planning	Investment Management
Retirement Planning	Registered Investment Advisor
Estate Planning	Fee-Only Compensation
Cash Flow Analysis	Asset Allocation
Wealth Transfer Planning	Portfolio Design
Tax Planning	Performance and Tax Reporting
Stock Option Planning	Investment Research
Educational Funding	Separate Account Management
Charitable Gift Planning	Alternative Investments
Risk and Liability Management	Investment Policies
Asset Protection	Contingent Rebalancing
	Tax Management



A History of Growth

Assets Under Management





Typical Client Issues

When should I exercise my stock options?

When will I become financially independent?

How do I plan my estate to minimize taxes?

Can I purchase a second home? A boat? Live overseas part of the year?

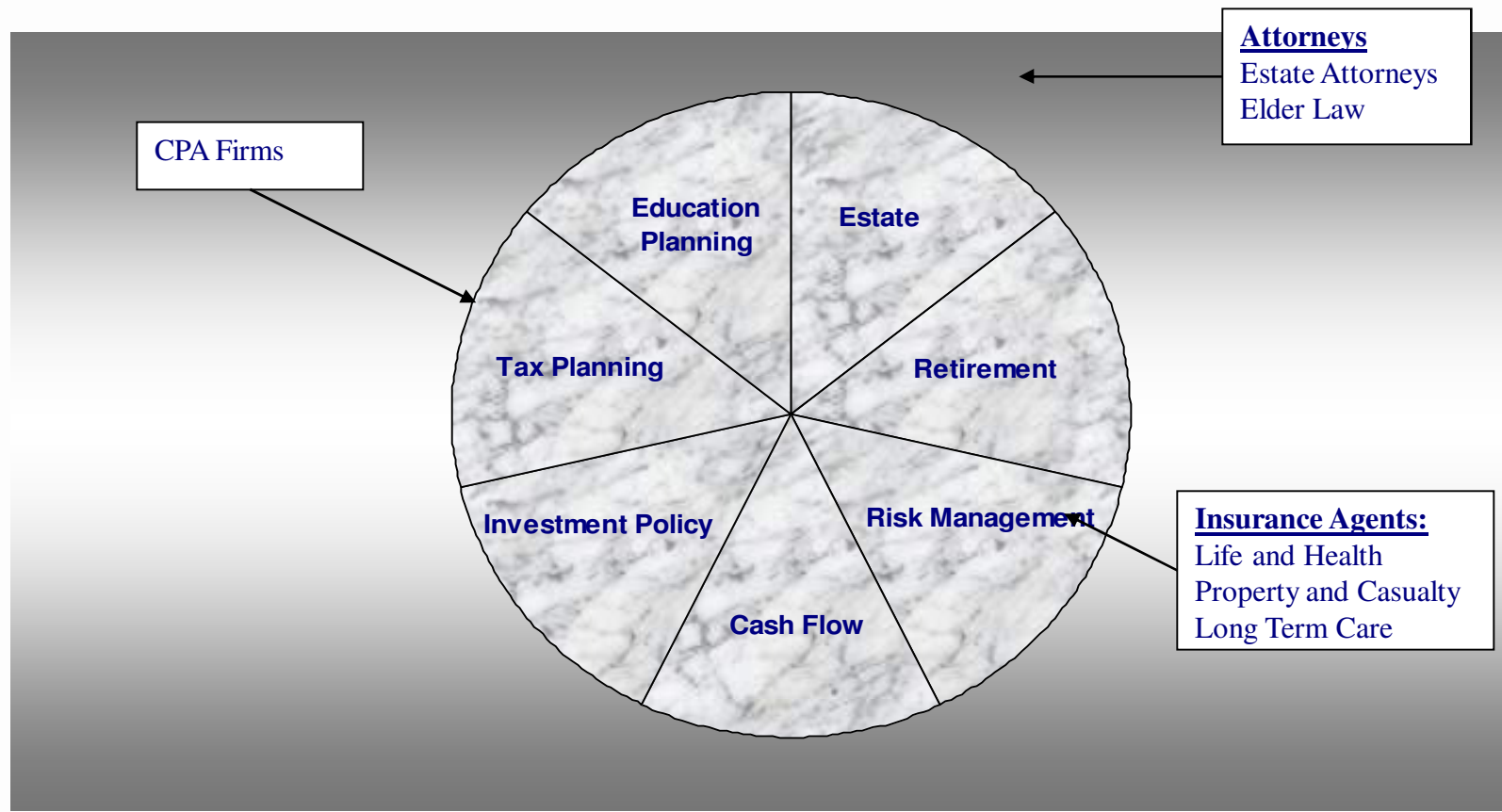
What type of lifestyle can I expect in retirement?



Stonegate-Value Added Benefits

- **Retirement planning**
- **Risk Planning**
- **Professional investment management**
- **Tax planning and advice**
- **Lowered cost for many investment vehicles including bonds and access to institutional pricing on many mutual funds.**
- **Active rebalancing of portfolio to improve return.**
- **Active cash management to help those who use their portfolio to support their lifestyle.**
- **Estate planning with coordination of legal advice.**
- **Multiple strategies to improve the stability of managed portfolios.**

Financial Planning-External Partners





Investment Management

All Clients have a detailed investment policy established through:

- **Risk Tolerance Assessment (Finametrica)**
- **Goals Assessment (Financial Planning)**
- **Return Requirement (Financial Planning)**
- **Unique Circumstance**

Investment management also means “wealth maximization.”



Financial Planning

Provides Critical Answers:

- **Client goal establishment and quantification.**
- **Liquidity needs - short and long term,**
- **Ability to tolerate portfolio volatility.**
- **Rate of return need established.**
- **Unique circumstances and concerns.**
- **Tax Efficiency.**



Risk Assessment

- **Finametrica Risk Assessment System:**
 - **Based on studies of 20,000 risk tolerance questionnaires**
 - **Based on preferred portfolio, return expectations and sensitivity to volatility**

Risk Tolerance questionnaire completed and scored

Investment Policy

- **Objectives:**
 - Risk
 - Return
- **Constraints**
 - Taxes
 - Liquidity
 - Time Horizon
 - Regulatory
 - Unique

Superior investment performance
Stability in bad markets



Investment Management - Approach

Maximize the stability of portfolio values through:

- **Broad Diversification**
- **Proper Selection of Asset Classes**
- **Rebalancing**
- **Choosing Managers that have lower downside capture**
- **Value vs. Growth Bias**

More stability = Greater chance client meets goals.

What is an Asset Class?

- **Assets within an asset class should have relatively similar attributes (i.e. be homogenous).**
- **Asset classes should be mutually exclusive: that is their risk vs. return profile and also their price movements over time should not be similar.**
- **Asset classes should add diversification (Improve Sharpe Ratio): If we add an investment to a portfolio and it does not improve the portfolio's risk vs. return parameters, then it is not part of a separate asset class.**



Asset Classes Used

- **Individual Bonds; Short or Intermediate Term, Taxable or Non**
- **Convertible Bonds**
- **Large Cap Domestic Stock**
- **Mid Cap Domestic Stock**
- **Small Cap Domestic Stock**
- **Domestic REIT's**
- **Natural Resources**
- **International Large Cap**
- **International Small Cap**
- **International REIT's**
- **International Bonds**
- **Market Neutral**

Asset Classes or Vehicles Not Used

- **Long Term Bonds**
- **High Yield Bonds**
- **Emerging Markets**
- **Hedge Funds (the vehicle not the strategies)**
- **Any Illiquid Investment**
- **Investments that are “Black Boxes.”**
- **Investments whose risk is more “event” driven and therefore difficult to quantify.**
- **Investments with significant “counterparty” risk (structured notes)**



We are Considering:

- **Mutual Funds or ETF's that use Hedge Fund Strategies:**
 - **Managed Futures**
 - **Convertible arbitrage**
 - **Other strategies as they become available though mutual funds and ETF's**



Investment Management-Securities Selection

The universe of available investments is considered, screened and evaluated to meet our strict standards:

- **Mutual funds with Institutional Pricing.**
- **ETF's**
- **Separate account managers.**
- **Individual Bonds and Stocks.**
- **Commodities**
- **REIT's**

Roughly one out of one hundred pass our screening process.

Manager Selection--What Criteria?

Expenses

Fund Inception Date

Style Purity

Adequate Diversification

Turnover

Risk

Manager Tenure

Sharpe Ratio

Market Timing

Positive Alpa/Info Ratio

Upside/Downside Capture

Consistency



Investment Management

We do not invest our clients hard earned dollars into trendy investments :

- **Hedge Funds (We like the approach not the vehicle)**
- **Illiquid “Alternative” Investments**
- **Investments that are priced infrequently**
- **Those that are difficult to track or research**
- **Those that require excessive due diligence**



Stonegate

Management Costs – Sample Illustration

<i>Asset Allocation</i>	<i>Weight</i>	<i>Stonegate Fee</i>	<i>External</i>	<i>Total</i>	<i>Weighted Fee</i>
<i>Domestic Large Cap Equity</i>	15.79%	1.00%	0.62%	1.62%	0.26%
<i>Cash - Money Market Funds</i>	1.25%	1.00%	0.20%	1.20%	0.02%
<i>Domestic FI – ST/Intermed</i>	37.57%	1.00%	0.00%	1.00%	0.38%
<i>International Fixed Income</i>	8.00%	1.00%	0.83%	1.83%	0.14%
<i>Domestic & Int Real Estate</i>	8.00%	1.00%	0.49%	1.49%	0.12%
<i>International LC & SC Equity</i>	9.50%	1.00%	0.67%	1.67%	0.16%
<i>Domestic Mid Cap Equity</i>	5.00%	1.00%	0.41%	1.41%	0.07%
<i>Bond Convertible</i>	5.00%	1.00%	0.94%	1.94%	0.01%
<i>Domestic Small Cap Equity</i>	3.89%	1.00%	0.86%	1.86%	0.07%
<i>Market Neutral LC & SC Eq</i>	3.00%	1.00%	1.98%	2.98%	0.09%
<i>Natural Resources</i>	3.00%	1.00%	0.71%	1.71%	0.05%
<i>Total Weighted Average Fee</i>	100.00%				1.37%

Portfolio Management

Strategies that make a Difference

Strategy	Benefit
• Contingent Rebalancing	.5% Annually
• Asset Placement/Tax Management	.3% Annually
• Value Strategy	Lowered Downside Capture (Risk Reduction)
• Manager Alpha	Return Above Benchmark
• Individual Bonds instead of Funds	No Mutual Fund Manager Fee less risk; 1% annually?



Contingent Rebalancing

- **Maintains Risk Level**
- **Captures Gains (Sell expensive asset class – buy cheap one)**
- **Studies show it can increase return .5% annually**
- **We use a sophisticated trading platform (Tamarac) to test and implement**

Portfolios are tested as often as twice a week using our advanced software.



Asset Placement

•**Tax Deferred Accounts:**

- REIT's
- Market Neutral
- Natural Resources
- Foreign Bonds

•**Taxable Accounts:**

- Small Company Stocks
- Large Cap Growth
- International

Goal: Asset classes that generate recurring ordinary income events in tax deferred accounts. Asset classes that generate fewer events that are taxed at 15% are in taxable accounts.

Studies indicate that asset placement combined with tax management can add .3% to return annually

Value Strategy

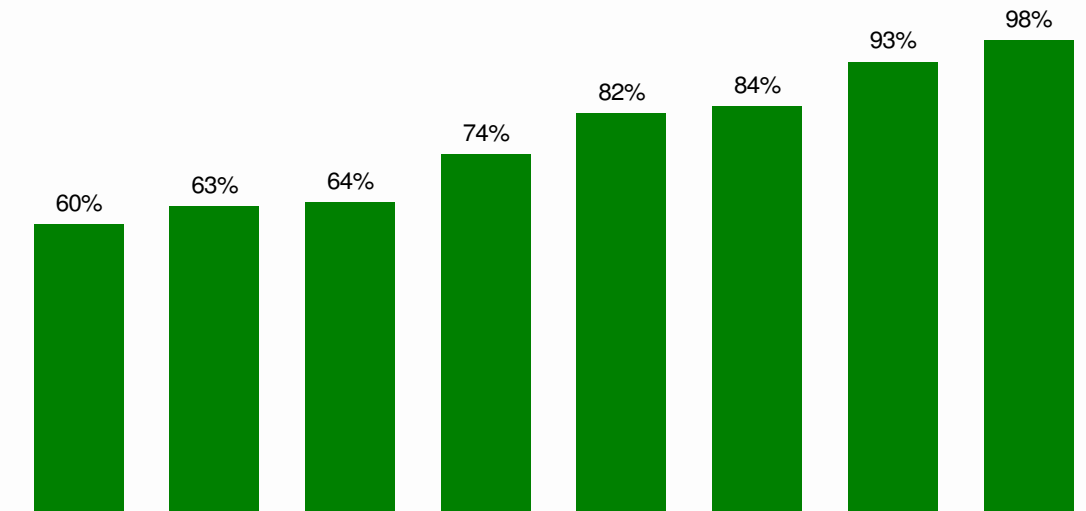
- **Studies continue to show advantages of value strategy over growth (less risk/comparable return).**
- **Less downside capture in bad markets.**
- **Better recovery after bear markets.**
- **Typically less turnover, fewer tax events.**
- **More return comes from dividends – making investment style more “bond like.”**
- **Higher Sharpe Ratio.**



Value Stocks vs. Large Stocks

Monthly: July 1926-December 2006

Rolling Time Periods	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	30 Years	40 Years
Total Number of Periods	955	931	907	847	787	727	607	487
Number of Periods US Large Value Index Outperformed S&P 500 Index	570	589	585	623	649	608	566	475



Percentage of All Rolling Periods Where US Large Value Index Outperformed S&P 500 Index

US Large Value Index is Fama/French US Large Value Index (ex utilities), provided by Fama/French. The S&P data are provided by Standard & Poor's Index Services Group.

Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Past performance is not a guarantee of future results. Values change frequently and past performance may not be repeated. There is always the risk that an investor may lose money. Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and the portfolios that own them, to rise or fall. Because the value of your investment in a portfolio will fluctuate, there is a risk that you will lose money. Indices are referred to for comparative purposes only and do not represent similar asset classes in terms of components or risk exposure; thus, their returns may vary significantly. The S&P 500 Index measures the performance of large cap US stocks. US Large Value Index measures the performance of US stocks with lower price-to-book ratios.



Stonegate's Style Strategy by Capitalization

- ✓ **Large Cap Stocks: 2/3 Value; 1/3 Growth**
- ✓ **Mid Cap Stocks: 100% Value**
- ✓ **Small Cap Stocks: 100% Value**



Individual Bonds

- **No separate management fee (Mutual fund fees range from .20-1.00% annually).**
- **Nearly eliminates interest rate risk.**
- **Institutional pricing: we save 1-5% on bond purchase.**
- **In 2005 2% more return on average (over funds).**
- **We avoided the meltdown in some bond funds in 2008.**
- **Structured to meet client cash flow needs.**

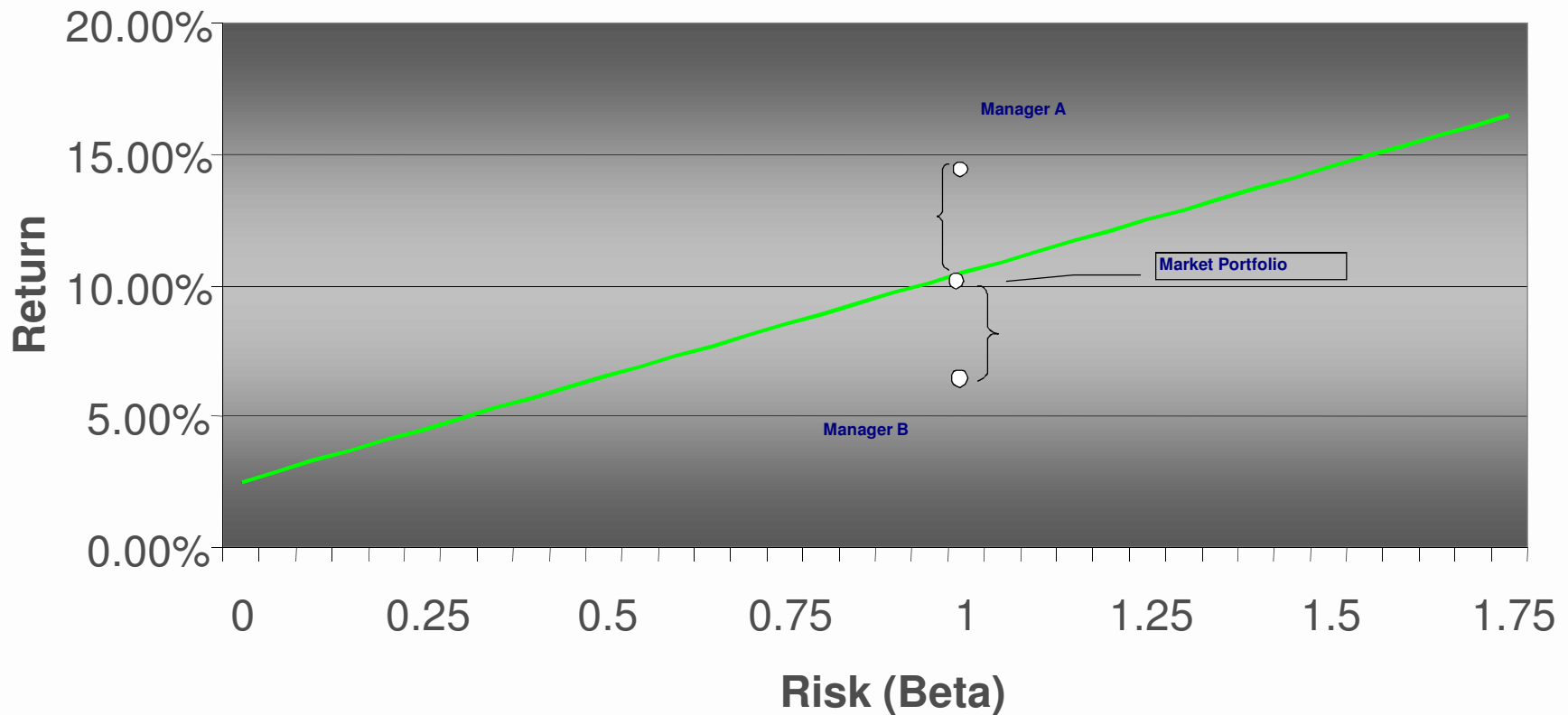
Manager Alpha

- **Markets are not perfectly efficient.**
- **Some managers appear to consistently outperform their best fit benchmark.**
- **Many accomplish it through lessening downside capture.**
- **Some markets are less efficient than others enabling manager to add value through selection.**

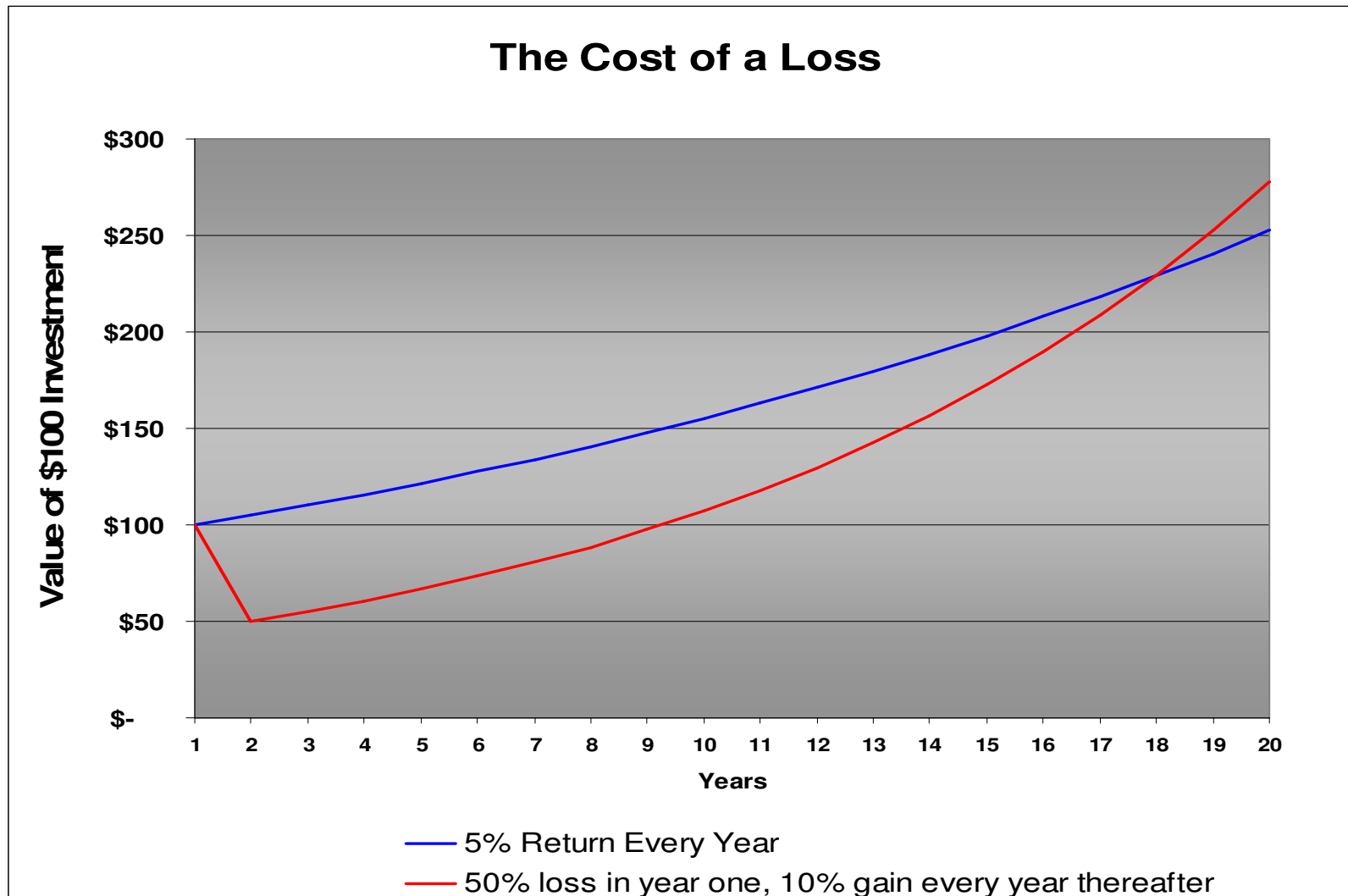
*We check for the statistical significance of the managers value added
(Information ratio)*

Manager Value (Alpha)

Security Market Line



Downside Capture?



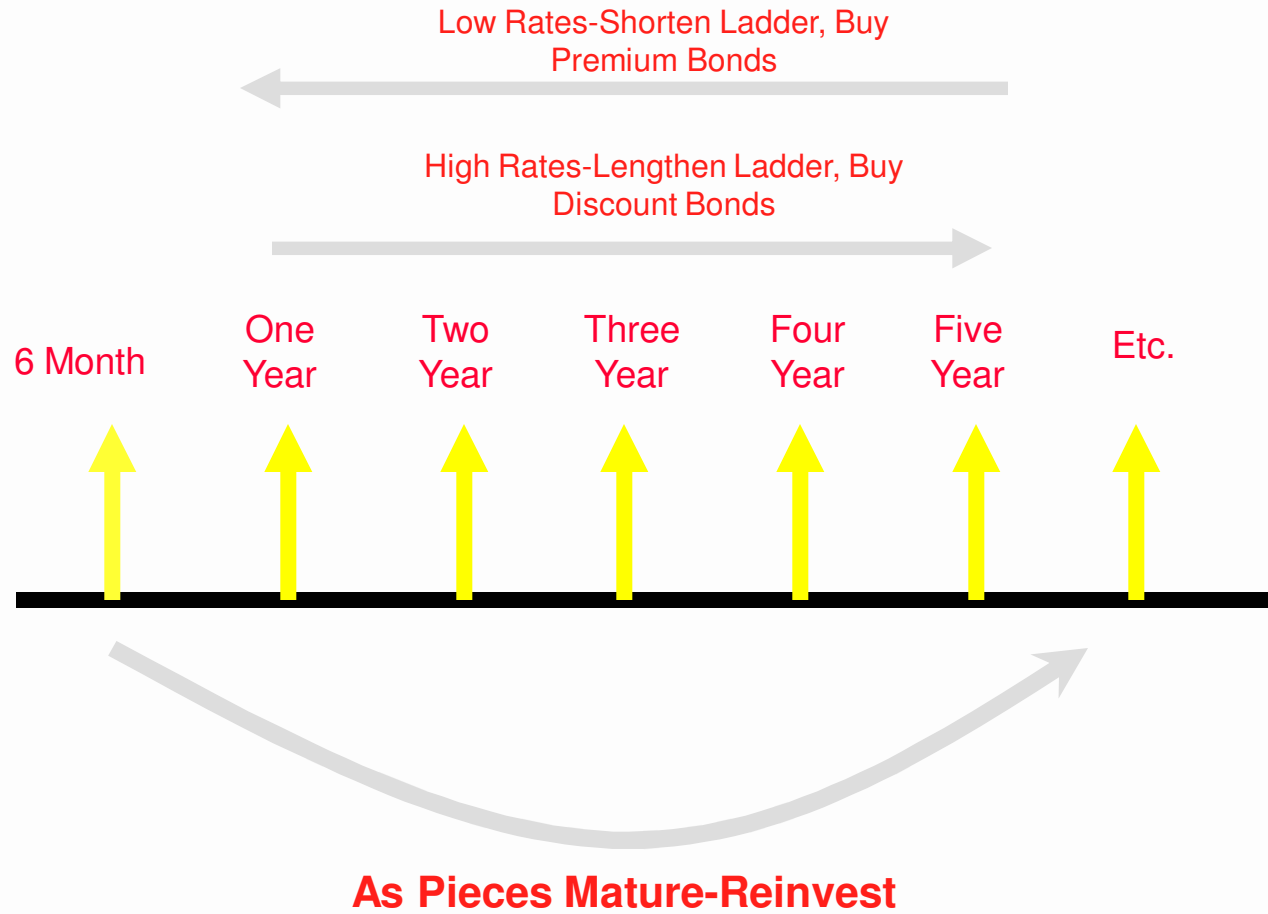
Individual Bonds

Varying Strategies for Yield Curves of Varying Shapes

- **Flat or inverted: Short Term Ladder (3-5 years).**
- **Normal - Rising: Intermediate Term Ladder (5-8 years).**
- **Sharply Rising: Bullet or Barbell.**
- **Falling rates: Capture capital gains**
- **Rising Rates: Gradually lengthen ladder**
- **Client cash flow needs are factored into the strategy!**

We may identify areas of inefficiency that can benefit our clients.

Bond Ladder



Money Management Process

