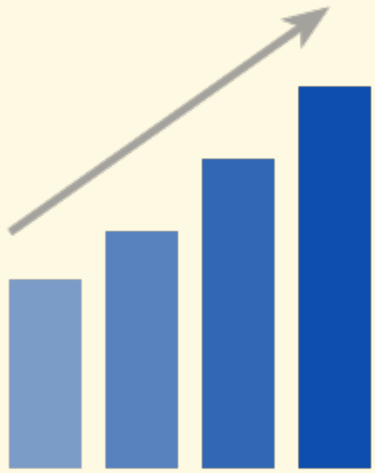
MOUNTAIN PEAK
WEALTH ADVISORS, LLC
PLANNING, EDUCATION, ADVICE & KNOWLEDGE



Pinnacle's Investment Strategies

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A Strategy For Every Investor

Following the tech crash in the early 2000s, Pinnacle recognized the need for better risk management in its portfolios to protect assets in a market downturn. First, Pinnacle began by identifying strategies that would improve upon traditional diversification and rebalancing to manage risk. Second, we learned there are multiple strategies that can successfully grow your assets, each with very different investment risks associated with them. Finally, Pinnacle identified three primary types of risk that should be considered when selecting the right investment strategy:

- » **Market Risk:** The chance that the overall financial markets will decline.
- » **Manager Risk:** The chance that a portfolio manager will make a mistake in his or her allocations. In other words, human error.
- » **Strategy Risk**: The chance that a strategy stops working. As the old investment saying goes - strategies work until they don't.

With all of this in mind, Pinnacle developed four investment strategies each with a unique approach to risk management. These strategies are the product of thousands of hours of research and the extensive hands-on experience of our investment team.

There is no one size fits all investment strategy for every investor. Pinnacle's investment strategies allow investors to find the one that is best suited for their circumstances.

The Strategic Market and Dynamic Market Strategies are more passive in approach and will be attractive to an investor who believes that no manager can consistently produce a better risk-reward outcome than the market.

Our flagship Dynamic Prime or Dynamic Quant Strategies are more risk managed and would be a good option for an investor who believes a manager or strategy can consistently outperform the market AND their primary concern is protecting their nest egg from market declines.

Each of our strategies offer a menu of risk models from conservative to aggressive to fit your needs. Once a strategy is selected, an investor needs to identify how much risk is appropriate given personal risk tolerance and financial circumstances.

How Much Protection Do They Offer Against Common Investment Risks?

	Strategic Market	Dynamic Market	Dynamic Prime	Dynamic Quant
	Passive ←			→ *Risk Managed*
Market Decline	Low	Moderate	High	High
Manager Error	High	High	Low	Moderate
Strategy Error	High	Moderate	Moderate	Low

The Strategic Market Strategy

Comfortable receiving market returns.

Pinnacle's Strategic Market Strategy is invested in a globally diversified portfolio of twenty asset classes, including equity, fixed income and alternative asset classes and is designed to replicate market performance over the long term. The Nobel prize-winning name for this strategy is Modern Portfolio Theory (MPT).

Modern Portfolio Theory

Modern Portfolio Theory seeks to achieve the highest market return for a given level of risk by employing two risk management techniques: diversification and rebalancing.

Diversification is best explained by the adage "don't put all of your eggs in one basket." The benefits of diversification are well-known. By combining multiple asset classes that react independently in the same market circumstances, the "zig and zag" of the returns of individual asset classes offset one another to produce a less volatile ride.

Rebalancing is a technique that periodically buys and sells asset classes to preserve the targeted asset allocation and thereby the benefits of diversification. By purchasing asset classes that have fallen in value (buying low) and selling asset classes that have increased in value (selling high), the rebalancing process also tends to improve returns over time.

MPT portfolios are also highly tax efficient. Since transactions are generally limited to rebalancing and those transactions are infrequent, few capital gains are realized. Instead of paying dollars to Uncle Sam, they remain invested to continue compounding returns for you.

Not All MPT Solutions are Created Equal

Pinnacle Strategic Market portfolios stand apart from other MPT portfolios based on:

Risk Management. Pinnacle carefully selected 20 assets classes to represent a truly diversified portfolio that can also produce a market return. Among them are alternative asset classes with low correlations and a variety of securities designed to better hedge the risk of rising interest rates.

Low Cost Structure. MPT portfolios naturally produce returns that lag the market due to transaction costs. Pinnacle seeks to minimize that drag by employing ETFs with low expense ratios and using ETFs with no transaction fees whenever possible. In addition, Pinnacle's trading team uses sophisticated techniques to minimize the effects of bid/ask spreads.

Tax Management. Over and above the natural tax efficiency of MPT portfolios, Pinnacle employs Asset Location and tax loss harvesting. Asset Location places securities with the highest potential for taxable income/ gains in tax-deferred accounts. Studies show this technique can add 0.20-0.50% to after-tax returns.

Planning Flexibility. Pinnacle can customize Strategic Market portfolios to accommodate legacy securities and other important planning requirements.

The Dynamic Market Strategy

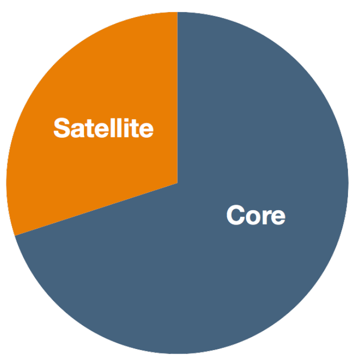
Embracing the market ... safely.

Dynamic Market Strategy is for investors who prefer a passive MPT-based solution, but who are seeking an added degree of risk management.

Modern Portfolio Theory ... PLUS

The Dynamic Market Strategy is constructed with a Core Portfolio (70%) and a Satellite Portfolio (30%). The Core Portfolio invests in the Strategic Market Strategy, a traditional MPT-based portfolio designed to capture the returns as well as the risks of the market.

The Satellite Portfolio provides a degree of risk management intended to mitigate Market Risk and improve returns. The risk overlay employed by the Satellite Portfolio adjusts the allocation between equities and fixed income when market valuations reach extremes. For example, when the risk overlay determines that markets are very cheap, fixed income are sold and equities are purchased. Alternatively, when the risk overlay determines that markets are very expensive, equities are sold and fixed income are purchased. This is a best practice commonly employed by wealth managers based on the same academic research that supports MPT.



How It Works

Pinnacle created a proprietary risk overlay that drives the asset allocation decision in the Satellite Portfolio. The risk overlay is driven by: market valuation and technical momentum.

Market Valuation. It is well documented that valuation is a terrible indicator of short-term investment returns, but an excellent indicator of long-term returns (five or more years). This can be a powerful piece of information for a long term strategic investor. For example, our research has found that when valuations are expensive, annual returns over the ensuing five years average only 0.3% per annum in a range of -7% to +10%. By contrast, when valuations are cheap, annual returns average 17% per annum in a range of +7% to +30%.[1]

Technical Momentum. A common investment pitfall of valuation is that an asset class can be cheap and then become even cheaper still. This phenomenon is called a "value trap". To avoid this possibility, Pinnacle employs technical momentum indicators to determine when markets have bottomed and it is safe to purchase cheap assets. Conversely, markets can continue to rise even when expensive. These indicators also ensure Pinnacle does not sell equities too soon.

[1] *Pinnacle Valuation Study, December, 2016*

The Dynamic Prime Strategy

Tactical, risk-managed portfolios.

Dynamic Prime Strategy is for investors who believe that active management can reduce portfolio volatility (risk) during market declines and outperform over a complete market cycle - Bull Cycle and Bear Cycle.

A More Effective Way to Manage Risk

As investment markets have become more global, asset classes that once acted differently under the same market conditions are now acting increasingly similar and the effectiveness of diversification has been lessening – especially in market declines.

Dynamic Prime adheres to the MPT principles of diversification and rebalancing, but it seeks to improve risk management by also considering the value characteristics of asset classes. Rather than target a strict asset allocation for a fixed list of asset classes, Dynamic Prime targets an acceptable range of portfolio volatility for each Risk Model. This change provides the freedom to select the most attractive securities to construct a portfolio consistent with the outlook of investment markets, asset classes and sectors.

The Pinnacle Investment Team conducts a rigorous process that continuously evaluates the Business Cycle, Monetary Policy, Valuation, Technical Conditions, Quantitative Analysis and Independent Research to ascertain the most probable risk-return outlook for global investment markets. Then portfolio volatility, sector rotation and security selection are considered.

Targeted Volatility. Based on an evaluation of the weight of the evidence, Dynamic Prime can increase or reduce portfolio volatility relative to the portfolio benchmarks. These changes allow us to reduce risk in anticipation of bear markets, or increase risk in anticipation of bull markets.

Sector Rotation. Within asset classes, the investment team also evaluates the attractiveness of underlying sectors to manage risk. For example, the team might sell more volatile late cyclical sectors of the stock market to own less volatile, defensive sectors.

Security Selection. Once a targeted portfolio volatility and/or sector rotation strategy is determined, the team conducts a bottoms-up evaluation of ETFs and mutual funds to identify the security best suited for the investment objective.

Our Safeguards

The investment process is designed to defend against mistakes. By reducing the frequency and magnitude of errors, the process increases the probability of achieving better than benchmark outcomes.

» Investment decisions are made as a team. Our strategy doesn’t depend on a single superstar manager who could go cold or make a series of investment mistakes.
» A weight-of-the-evidence approach is employed that requires a majority of factors to support decision-making. This helps defend against the possibility that dogmatically following any one factor will lead to an incorrect conclusion.
» Decisions are made using both qualitative (judgment, experience and intuition) and quantitative (rules-based mathematical and statistical models) decision-making.
» Trades tend to be small and incremental believing that sudden, large shifts in the portfolio put clients’ money at greater risk.

The Dynamic Quant Strategy

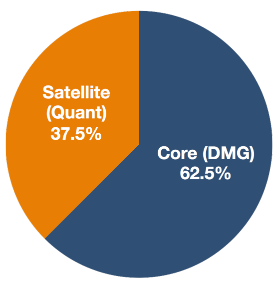
Protecting against market decline and manager error.

The Dynamic Quant Strategy is for investors who prefer a more active risk-managed solution, but who seek some measure of balance between the more qualitative decision-making of a manager - *Manager Risk* - and the less emotional decision-making of a quantitative strategy - *Strategy Risk*.

A Different Kind of Quant Strategy

Many quant strategies available today are 100% driven by algorithms, primarily based on price momentum. In other words, they "put all their eggs in one basket".

Dynamic Quant is something different. As a fiduciary, and recognizing that quant strategies tend to work right up until to the moment they fail, Pinnacle believed offering a strategy 100% dependent on an algorithm was imprudent. Dynamic Quant hedges that risk by creating a Core Portfolio (62.5%) with Pinnacle's flagship Dynamic Prime Strategy and a Satellite Portfolio (37.5%) with its US quantitative strategy. In addition, consistent with Pinnacle's bias towards value, the quantitative algorithm is driven primarily by relative valuation and, to a lesser extent, price momentum.



How It Works

Pinnacle created a proprietary US-rules based quantitative algorithm to drive the asset allocation decision in the Satellite portfolio. The algorithm is driven first by asset class attractiveness and then by US sector selection.

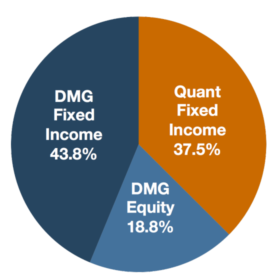
Asset Class Attractiveness. The algorithm must first decide on the relative attractiveness of fixed income assets (cash and bonds) versus equities. The algorithm employs a proprietary relative price momentum algorithm to decide whether equities are sufficiently attractive to invest in.

Sector Selection. Once the algorithm decides to own growth assets (equities), the algorithm scores the attractiveness of the 11 sectors that comprise the S&P 500 based on relative valuation (75%) and price momentum (25%). The algorithm then invests the Satellite Portfolio in the most attractive sectors.

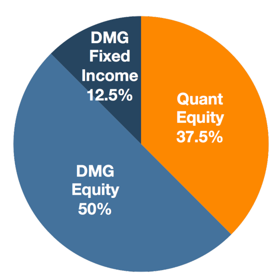
One Model for All Seasons

Dynamic Quant offers only one risk model. In a neutral posture, it will own 75% equities and 25% fixed income. The considerable variability in asset allocation in the core and satellite portfolios based on market conditions obviate the need for more than one model. In a bearish posture the model might carry 80% fixed income and 20% equities. In a bullish posture the model might own 88% equities and 12% fixed income.

Bearish Posture



Bullish Posture



You may have questions

Which strategy is best for me?

The best person to help is your Advisor. Pinnacle has created risk assessment questionnaires and corresponding selection tables; however, the conversations you have with your Advisor when putting a financial plan together will clarify the returns needed to meet your objectives and they often reveal a lot about your opinions and feelings about risk. There is both art and science to financial matters and your Advisor is a trained, experienced professional.

Can I use more than one strategy for my assets?

Yes, though we don't generally recommend it. Each investment strategy is designed to meet a specific set of client risk preferences. Moreover, each strategy is designed to serve as a core holding – which means that each is designed to address the total investment requirements of a client. A client should only need one strategy.

On the other hand, if an investor has different objectives for different accounts, it is possible to take advantage of more than one strategy. We recommend caution however so as to avoid creating a horse race between the two strategies as they were each selected as most appropriate for their respective purposes. Performance chasing undermines the effectiveness of portfolio performance by selling a lesser performing strategy to buy at better performing strategy at exactly the time the laggard is about to outperform and visa versa.

Didn't I read that actively managed strategies always underperform the benchmarks?

Yes, you probably have but the research actually says otherwise. A study conducted by the Yale University International Center for Finance titled "How Active is Your Manager" concludes that active managers - when properly identified as active managers – do in fact outperform the benchmark, consistently. The reason there is so much discussion to the contrary is that earlier research incorrectly treated all funds as one homogenous group of active managers. In so doing, the performance of pure index funds and "closet" index funds tainted the results being attributed to true active managers. Passive funds will underperform the benchmark by definition because they generate results comparable to the benchmark less the cost of running the funds. When removed from the study group, active managers consistently do outperform.

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Enabling families to build and preserve wealth,

Enjoy fulfilling, purposeful lives,

And live stress free in retirement.

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