CORNERSTONE
FINANCIAL SOLUTIONS, INC

Insights

MAY 2019

IN THIS ISSUE

Economic Update Q1

During the first three months of 2019, investors had a lot to cheer about as U. S. equity markets turned in their best quarterly gains in nearly a decade. This helped many of the major indexes to recoup a good portion of the losses that they suffered in the final months of 2018.

For the quarter, the S&P index rose slightly over 13%, marking its best start to a year since 1998. The Dow Jones Industrial Average (DJIA) advanced an equally impressive higher than 11% for the quarter. Gains for the quarter were broad, and all eleven S&P 500 sectors ended higher for the quarter for the first time since 2004. *(Sources: Barron's 4/1/2019, Wall Street Journal 3/30-31/ 2019)*

While many factors contribute to strong equity gains, analysts feel that much of the first quarter's rally was fueled by investors reacting to the central bank's backing off their previous plan of interest rate hikes in favor of announcing they will not raise interest rates this year. Another major factor was the fact that many investors had stepped back into equities after the late 2018 sell-off.
On Friday, March 29, the last business day of the quarter, the yield on a 10-year Treasury U. S. Note finished the day at 2.416%, below the October 2018 peak of 3.25% and the year-end close of 2.684%. The Wall Street Journal reported that for the quarter, yields, which fall as bond prices rise, had retreated around the world in the quarter's last weeks. While some analysts are saying that the first gain puts equity markets above their 2019 year-end projections, others are quick to point out that indexes are still below the all-time highs reached in 2018. *(Source: Wall Street Journal 3/30-31/ 2019)*

Global Economics

The new year brought investors a different result than the end of 2018, with equities and credit rallying strongly across the world. Analysts felt the sell-off in equities and credit in the final quarter of last year was triggered predominantly by concerns about:

- A potential heightening of the trade war between the U.S. and China;
- Worries that higher interest rates could hurt the U.S. economy;
- Broader uncertainties about a slowdown in global growth.

For the first quarter, global worries kept many analysts in a state of concern. China is in the midst of a recession and according to the National Bureau of Statistics (NBS), GDP grew by 6.4% compared to a year earlier, the weakest increase since Q1 2009. "Growth in China could plummet to 2 percent over the next

MONEY RATES *(as posted in Barron's 4/1/2019)*

INCOME RANGE	LAST WEEK	YEAR AGO
Fed Funds Rate (Avg. weekly auction -c)	2.41%	1.73%
Bank Money Market -z	0.24%	0.15%
12-month Cert -z	0.97%	0.49%

c- Annualized yields, adjusted for constant maturity, reported by thr Fed Reserve on a weekly average basis,
z- Bankrate.com (Source: Barron's; bankrate.com)

decade — from the expected 6.0 to 6.5 percent target this year", predicted Capital's Chief Asia Economist Mark Williams, at a conference in Singapore on March 5. Williams added that, "China's time as an emerging markets outperformer is ending." Julian Evans-Pritchard, Capital Economics' senior China economist felt that China's greatest fears were its growing debt problem, declining working population, and increasingly weaker drivers of productivity. *(Source: CNBC 3/6/2019)*

Brexit, the United Kingdom (UK) leaving the European Union (EU), is another major concern for investors. The original vote to do this was in June of 2016 and it had a deadline of March 2019. A delay has pushed this deadline into the second quarter, so at the end of the first quarter Brexit was another source of uncertainty.

Although the stock market has advanced so far in 2019, the Peterson Institute for International Economics, a Washington D.C. based think tank that makes regular economic forecast, feels that currently in the United States, economic growth will drop from 2.9 percent in 2018 to 2.2 percent; in the euro zone (the 19 countries in the European Union that use the euro), they project the decline will be from 1.8 percent to 1.2 percent. Global economies are important to equity markets so they are something that we will be watching carefully in the coming months.

Interest Rates Still Critical

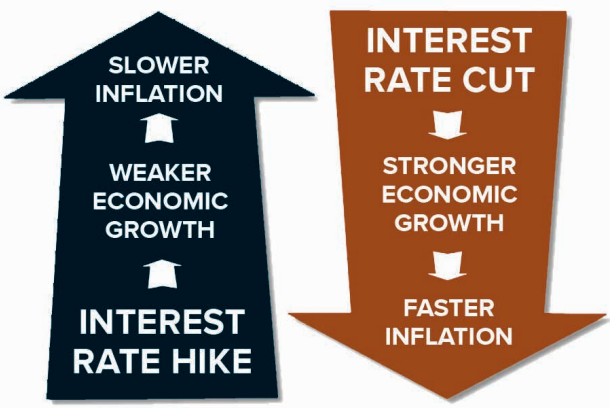
During the Federal Reserve's March two-day meeting, after evaluating the health of the U.S. economy, as expected, interest rates remained unchanged. After Chairman Jerome Powell and other senior Fed officials reexamined old assumptions for inflation, they cited, "stubbornly low inflation" as the chief reason for shifting its direction from its earlier plans to raise the key interest rate that influences the cost of borrowing for businesses and consumers.

"We are almost 10 years deep into this expansion and inflation is still not clearly meeting our target," Powell said in a press conference following the March meeting. He added, "we are being patient" and, "if your models are not working, take a wait-and-see approach."

Key Points

- Quarter 1 started 2019 with strong returns for equity investors
- Yields on 10-year treasury notes declined to 2.416% at the quarter's end.
- Many global economies struggled in early 2019.
- The Fed said they do not currently plan to raise interest rates in 2019.
- The U.S. Economy could be showing signs of a slowdown.

Investors now know that the central bank wants to see more evidence — clear and overwhelming evidence — that inflation is really heating up before it raises interest rates again. The Fed's current benchmark rate is at a range of 2.25% to 2.5%, which is up from near zero as recently as 2015. This now puts it at the highest level in over a decade, but still quite low by historical standards.



Powel said the central bank's next move depends on how the economy looks in the months ahead. Many economists think the economy is slowing, which is why they believe the Fed might have to cut rates. They claim that in December when equity markets were falling, the Fed should not have raised rates for the fourth time in 2018. *(Source: Washington Post 3/29/2019)*

The possibility of a rate cut being the next move for the Fed, especially in 2019, could be favorable. Many times, when interest rates are extremely low, corporations pay less for leverage and that can make them more profitable. Low interest rates can also make strong dividend yields more attractive.

U.S. Economic Outlook

One of the most critical data points for the U.S. economy is Gross Domestic Product or GDP. This rate which measures the growth of the U. S. economy is expected to stay between 2% and 3% for 2019. The Federal Open Market Committee at their March 21 meeting forecasted that the U.S. GDP's growth will slow down from 3% in 2018 to 2.1% in 2019. They also indi*cated that it is predicted to be 1.9% in 2020 and 1.8% in 2021.* *(Source: The Balance 3/29/ 2019)*

The Bureau of Labor Statistics has projected that the U.S. unemployment rate will be 3.7% in 2019. They feel that it will increase to 3.9% by 2021. *(Source: The Balance 3/29/ 2019)*

Another key economic indicator is U.S. Manufacturing. Although the Manufacturers Alliance for Productivity and Innovation (MAPI) Foundation forecasts U.S. manufacturing to increase faster than the general economy, it currently expects a growth rate of 3.9% to reduce to 2.4% in 2020 and 1.9% in 2021. *(Source: The Balance 3/29/ 2019)*

A weaker housing market and rising oil prices can put further pressure on the overall U.S. economy. Although it is facing some challenges, the U.S. economy is still the largest and most important in the world. The U.S. economy represents about 20% of total global output and it is still larger than China's economy. *(Source: Focus Economics 3/26/2019)*

Recession?

Bloomberg reports that, "concerns that a recession is coming are rising, with a quarter of all economists saying that a slump is possible in the next 12 months." Are we headed for a recession? If so, what does that really mean. *(Source: Bloomberg 4/4/2019)*

Recession is defined as a period of economic decline that is generally identified by two quarters of successive drop in the gross domestic product (GDP).

Although recession does not describe an equity market movement, it can affect equity markets because many times during recessions unemployment rises, consumer purchasing falls, and business revenues decline.

Remember that recessions are a normal part of the business cycle and can be mild, moderate or severe. The fact that the business cycle is receding does not necessarily mean it will reduce to dangerous levels. Since 1854, there have been 33 recessions (5 since 1980), the most recent from December 2007 to June 2009, and only one depression (The Great Depression of 1929). With easy access to information through a multitude of news sources and media outlets, you may be influenced by potentially misleading information and actions. Focus on executing an investing strategy that is most appropriate for your situation.

TIPS FOR INVESTORS

Markets rise and retreat, but our investment management process is about consistently making good decisions over time. You could see some short-term downward movements in your portfolios.

Remember that investors who succeed typically do so long-term by sticking to their plan, especially when markets are dicey. Through consistent and strong communication, we will work together to make sure your financial plan is based on realistic time horizons and your personal goals.

One Size Does Not Fit All

Completely avoiding market risk may not be appropriate because today's traditional fixed rates might not help you achieve your desired goals. This can lead to safer - but lower - returns. Some investments fluctuate more dramatically in value than others but may have the potential for higher returns. Traditionally, bonds have been a nice hedge against market risk, but with interest rates still low, investors must continue to be extremely cautious. With rates still historically low, fixed rates may not provide the best solution for investors that are seeking higher returns. It's helpful to look at your entire picture when determining your strategy.

Know Your Risk Number

We all look at risk differently, based on our varying life experiences and financial position.

- How much risk can you take based on your investment time horizon and other factors?
- When will you begin withdrawing money from your account and at what rate?
- How much risk may be necessary for you to take in order to help reach your goals?
- How do you feel about risk?

Knowing how you may react to the ups and downs of the market is important, because too often the reactions to swings in value, not the fluctuations themselves, have the biggest impact on successful long-term investing.

The Wealth Advisors at Cornerstone have begun utilizing a cutting-edge technology called Riskalyze® to objectively pinpoint your Risk Number® and understand your acceptable levels of risk and reward with unparalleled accuracy. Your Wealth Advisor will discuss whether this tool will be beneficial in your situation.

We're here to help.

Our Wealth Advisors employ Cornerstone's defined investment

management process, continually monitor and evaluate your portfolio performance, and conduct regular review appointments to go over your objectives and circumstances in order to continually refine your financial plan to help you preserve and manage your assets.

If you answer "yes" to any of these questions, or if you have any questions or concerns that you'd like to discuss before your next review, please call us.

1. Have my financial timelines changed?
2. Have my financial goals changed?
3. Has my risk tolerance changed?

DO YOU KNOW SOMEONE WHO COULD BENEFIT FROM OUR SERVICES?

Many of our best relationships have come from introductions from our clients. We would be honored if you would:

- ✓ Add a name to our mailing list,
- ✓ Bring a guest to a workshop,
- ✓ Invite someone to come in for a complimentary no obligation financial review.

Sources: thebalance.com; am.jpmoorgan.com; cnbc.com; Barron's; focus-economics.com; Bloomberg; marketwatch.com; Contents provided by: Academy of Preferred Financial Advisors, Inc. ©

News & Notes

Cornerstone is celebrating the new season with new growth!

Welcome Domenica Mills, Client Relations Associate

Domenica joined the Cornerstone team in early April 2019, after working in healthcare for over 17 years. As a Client Relations Associate working closely with Richelle, she will address client calls and emails, process investment applications and paperwork, monitor the account transfer process, and answer account questions. A Sioux Falls native, Domenica and her husband, John, love spending time at the lake, being with family and friends, traveling, and trying new restaurants.

Tech Tools

While our most important initative always has been and always will be our personal relationship with you, we also recognize that smart organizations need to be future-ready. Our goal in utilizing technology is not to be the highest tech financial planning practice. Our goal is to better connect with you, and provide tools that allow customization and choice.

Client Dashboard

Our client review meetings have been enhanced to include an "at-a-glance" snapshot of your client profile, including portfolio reporting. The dashboard allows for more agile navigation and real-time reporting.

Riskalyze

Cutting-edge technology utilizing a scientific framework that won the Nobel Prize for Economics, this application is another tool to help you and your advisor answer the question, "How much risk are you capable of handling?" Understanding how you may react to the ups and downs of the

market gives you an edge, because too often the reactions to swings in value, not the fluctuations themselves, have the biggest impact on successful long-term investing.

Riskalyze is an independent third-party service provider and is not affiliated with Raymond James.

10th Time - Ranked among Barron's Top 1,200 Financial Advisors in the Nation[1]

[2]

2018 and 2019

Top Financial Advisers 2019 [3]

FT 400 Ranking April 2019

2018 and 2019

[4]

[5]

Gordon Wollman has once again been recognized with several honors that exemplify his commitment to deliver a compelling experience to you, and the forward-thinking we believe makes our team truly outstanding. Please join us in applauding his achievements.

These rankings and recognitions may not be representative of any one client's experience, are not an endorsement, and are not indicative of future performance. Neither Raymond James nor any of its Financial Advisors pay a fee in exchange for these awards/ratings. Raymond James is not affiliated with Barron's, Financial Times, Ignites Research, Forbes, or Shook Research, LLC.

1 Barron's "Top 1,200 Financial Advisors," March, 2019. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved. The rankings are based on data provided by over 4,000 individual advisors and their firms and include qualitative and quantitative criteria. Data points that relate to quality of practice include professionals with a minimum of 7 years financial services experience, acceptable compliance records (no criminal U4 issues), client retention reports, charitable and philanthropic work, quality of practice, designations held, offering services beyond investments offered including estates and trusts, and more. Financial Advisors are quantitatively rated based on varying types of revenues produced and assets under management by the financial professional, with weightings associated for each. Investment performance is not an explicit component because not all advisors have audited results and because performance figures often are influenced more by clients' risk tolerance than by an advisor's investment picking abilities.

2 The Forbes ranking of Best-in-State Wealth Advisors, developed by SHOOK Research, is based on an algorithm of qualitative and quantitative data. Those advisors that are considered have a minimum of 7 years of experience, and the algorithm weighs factors like revenue trends, AUM, compliance records, industry experience and those that encompass best practices in their practices and approach to working with clients. Portfolio performance is not a criteria due to varying client objectives and lack of audited data. Out of 29,334 advisors nominated by their firms, 3,477 received the award.

3 The FT 400 was developed in collaboration with Ignites Research, a subsidiary of the FT that provides specialized content on asset management. To qualify for the list, advisers had to have 10 years of experience and at least $300 million in assets under management (AUM) and no more than 60% of the AUM with institutional clients. The FT reaches out to some of the largest brokerages in the U.S. and asks them to provide a list of advisors who meet the minimum criteria outlined above. These advisors are then invited to apply for the ranking. Only advisors who submit an online application can be considered for the ranking. In 2019 roughly 960 applications were received and 400 were selected to the final list (41.7%). The 400 qualified advisers were then scored on six attributes: AUM, AUM growth rate, compliance record, years of experience, industry certifications, and online accessibility. AUM is the top factor, accounting for roughly 60-70 percent of the applicant's score. Additionally, to provide a diversity of advisors, the FT placed a cap on the number of advisors from any one state that's roughly correlated to the distribution of millionaires across the U.S.

4 Chairman's Council Membership is based on prior fiscal year production. Re-qualification is required annually.

5 Global Top 50 invitees selected based on 2017 fiscal year production. A total of 58 financial advisors were selected across the globe.

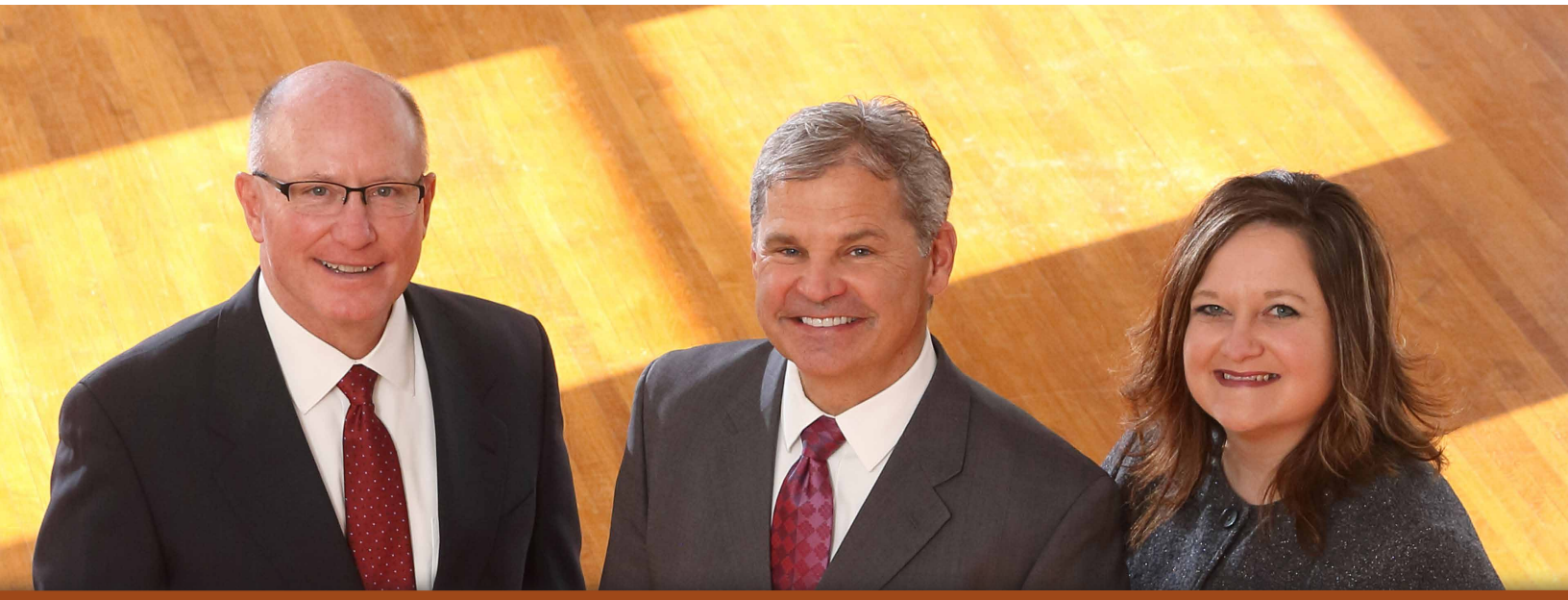
CORNERSTONE
FINANCIAL SOLUTIONS, INC.

CONTACT US

224 N Phillips Ave, Ste 200
Sioux Falls, SD 57104
P 605.357.8553 • F 605.357.9285

280 Dakota Ave South
Huron, SD 57350
P 605.352.9490 • F 605.352.5429

TOLL-FREE 877.352.9490
cornerstonefinancialsolutions.com



OUR ADVISORS

Daniel Reinders
Wealth Advisor
CRPC®, CHFEBC℠

Gordon Wollman
Founder & CEO, Cornerstone Financial Solutions, Inc.
Wealth Advisor, RJFS
MS-FINANCIAL PLANNING, CFP®, ChFC, CMFC®, ChFEBC℠, CRPS®, AWMA®, AAMS®

Richelle Hofer
Wealth Advisor
CRPC®, ChFEBC℠, AWMA®, AAMS®