

## **CORNERSTONE PORTFOLIO RESEARCH**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Balis Enterprises LLC dba Cornerstone Portfolio Research (hereinafter “CPR” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, CPR is required to discuss any material changes that have been made to the brochure since the last annual amendment. There are no material changes to disclose.

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## Item 4. Advisory Business

CPR offers a variety of advisory services, which include investment consulting and investment management services. This includes outsourced chief investment officer services for other investment advisers. Prior to CPR rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with CPR setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”). The Firm provides its services exclusively through other investment advisers (“Primary Adviser”). The Firm may have limited interactions and discussions with clients of those Primary Adviser that have engaged the Firm to provide its services.

CPR has been registered as an investment adviser since June 25, 2021 and is owned by Thomas Balis. As of February 18, 2022, CPR has \$581,957,998 in assets under management, all of which are managed on a discretionary basis.

While this brochure generally describes the business of CPR, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on CPR’s behalf and are subject to the Firm’s supervision or control. Furthermore, the Firm’s “clients” are the Primary Adviser that engage the Firm. The clients of those Primary Adviser are not CPR’s clients. For ease of understanding in this brochure, however, the term “clients” will sometimes refer to those Primary Adviser clients. If the clients of such Primary Adviser have any questions about the Firm’s services or relationship with that client, the Firm is available through the Primary Adviser to discuss further.

### Investment Management Services

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CPR is engaged by other investment advisers (the Primary Advisers) to manage the investment portfolios of those Primary Advisers. CPR primarily allocates assets on a discretionary basis, among various mutual funds, exchange-traded funds (“ETFs”), independent investment managers (“Independent Managers”) and liquid alternative investments, in accordance with the investment objectives determined by the Firm’s Primary Adviser clients.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage CPR to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, CPR directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product’s provider.

CPR tailors its advisory services to meet the needs of its clients. As a reminder, those clients are the Primary Adviser that engage the Firm. The Firm will work with those Primary Adviser to manage portfolios in a manner consistent with the end client's needs and objectives as determined by the Primary Adviser. The Primary Adviser is responsible for consulting with end clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. End clients are advised to promptly notify their Primary Adviser if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if CPR determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Use of Independent Managers**

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As mentioned above, CPR selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager are set forth in a separate written agreement with the designated Independent Manager. That agreement can be between the Firm and the Independent Manager (often called a subadvisor) or the client and the Independent Manager (sometimes called a separate account manager). In addition to this brochure, clients will typically also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

CPR evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. CPR also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

CPR continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. CPR seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

### **Investment Consulting Services**

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CPR can also be engaged by the Primary Adviser to render investment consulting services. While the investment consulting services can vary, the Firm anticipates that the most common investment consulting service engagement will involve providing similar services as described above under the investment management services section. In the investment consulting engagement, however, the Firm will provide

its research, analysis and recommendations to the Primary Adviser. The Primary Adviser will then be responsible for what to do with the recommendations.

## **Item 5. Fees and Compensation**

CPR offers services on a fee basis, which includes fixed fees, as well as fees based upon assets under management or advisement.

### **Investment Management Fees**

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CPR offers investment management services to the Primary Advisers for an annual fee based on the amount of assets under the Firm's management or advisement. This management fee varies between 10 and 20 basis points (0.10% – 0.20%), depending upon the size and composition of the portfolios and the type and amount of consulting and support required.

The Firm will generally follow the billing and fee process that the Primary Adviser has in place with its clients. If the Primary Adviser has no preference, the annual fee will be prorated and charged quarterly, in advance, based upon the market value of the assets being managed by CPR on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage CPR for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

### **Investment Consulting Fees**

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CPR charges a fixed fee for providing the investment consulting services. These fees are negotiable, but range from \$5,000 to \$10,000 per month for ongoing services or \$1,000 to \$5,000 for one-off projects. The fees will depend upon the scope and complexity of the services. If the client engages the Firm for additional investment advisory services, CPR can offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement. For project-based services CPR requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. Ongoing services are charged as described in the investment management section, above. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees, six or more months in advance of services rendered.

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**Fee Discretion**

CPR may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.

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**Additional Fees and Expenses**

In addition to the advisory fees paid to CPR, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges include securities brokerage commissions, transaction fees, custodial fees, fees charged by the Independent Managers, margin and other borrowing costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

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**Direct Fee Debit**

The Firm generally invoices the Primary Adviser for its fees or otherwise receives its fees from the Primary Adviser. Alternatively, clients can provide CPR and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to CPR.

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**Account Additions and Withdrawals**

Clients can make additions to and withdrawals from their account at any time, subject to CPR’s right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client’s account. Clients

can withdraw account assets on notice to CPR, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. CPR may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

CPR does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

CPR offers services to other investment advisers.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

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CPR provides customized investment management solutions and works with each Primary Adviser to develop strategic asset allocations and create portfolio strategies that support the investment goals and risk tolerance each Primary Adviser's clients. Primary asset classes include equity and fixed income. General asset allocation models have been created across the risk spectrum, with various equity and fixed income weights appropriate to specific risk tolerance ranges.

More detailed sleeves within each asset class include variations of style (value or growth), size (large, mid, or small), geography (domestic or international), interest rates (short, intermediate, or long), and credit (investment grade or high yield). Satellite sleeves such as infrastructure or real estate may also be used. Sleeve weights are unique to each asset allocation model based upon each model's risk level.

The investment process uses an open-architecture, 'manager of managers' approach to construct well diversified investment portfolios. Investment vehicles generally include mutual funds, exchange traded funds (ETF's), and separately managed accounts (SMA's) managed by Independent Managers, and include both actively managed and index/passive approaches. Fund managers, or 'funds', are selected based upon



a variety of qualitative and quantitative criteria for inclusion on our preferred fund list, which is managed with a low turnover, ‘slow-to-hire, slow-to-fire’ mindset. Specific funds are used where appropriate within the allocation models and sleeves based upon each model’s risk level. These models, and the preferred fund list funds within them, form the foundation of the Firm’s investment portfolios, which are then further customized as needed for each Primary Adviser, and their clients.

The Firm generally employs a long-term investment strategy, as consistent with the goals of each client-firm and their clients. CPR will typically hold all or a portion of a security for more than a year but may hold for shorter periods for the purpose of rebalancing a portfolio or meeting the cash needs of the Primary Adviser’s clients. At times, CPR may also buy and sell positions that are more short-term in nature, depending on the goals of the Primary Adviser and their clients and/or the fundamentals of the security, sector or asset class.

Research and analysis from CPR are derived from numerous sources, including financial media companies, third-party research materials, internet sources, asset managers, annual reports, prospectuses, press releases and research prepared by others. The Firm also monitors economic indicators to determine if adjustments to strategic allocations and model portfolios are appropriate.

### **Risk of Loss**

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm’s investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

#### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of CPR’s recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that CPR will be able to predict these price movements accurately or capitalize on any such assumptions.

#### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

*Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

*Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

*Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares

or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Use of Independent Managers*

As stated above, CPR selects certain Independent Managers to manage a portion of its clients' assets. In these situations, CPR continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, CPR does not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Management through Similarly Managed "Model" Accounts*

CPR manages accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done with consideration to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

#### *Currency Risks*

An advisory account that holds investments denominated in currencies other than the currency in which the advisory account is denominated may be adversely affected by the volatility of currency exchange rates.

#### *Interest Rate Risks*

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

## **Item 9. Disciplinary Information**

CPR has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

## Item 10. Other Financial Industry Activities and Affiliations

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

## Item 11. Code of Ethics

CPR has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. CPR’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of CPR’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact CPR to request a copy of its Code of Ethics by contacting the Firm at the phone number on the cover page of this brochure.

## **Item 12. Brokerage Practices**

### **Use of Broker-Dealers for Client Transactions**

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The Primary Adviser is responsible for recommending the institution that clients utilize for custody, brokerage and clearing services. The Primary Adviser is further responsible for ensuring that the Firm has the trading authority to implement its investment management recommendations in underlying client accounts.

As described above, the Primary Adviser is responsible for directing CPR in to use a particular Financial Institution to execute some or all transactions for the end clients. The Primary Adviser will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by CPR for other Primary Adviser clients.

### **Trade Aggregation**

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Transactions for each end client will be effected independently, unless CPR decides to purchase or sell the same securities for several clients at approximately the same time. CPR may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Primary Adviser's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among CPR's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which CPR's Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. CPR does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one

account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Item 13. Review of Accounts**

### **Account Reviews**

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CPR monitors client portfolios on a continuous and ongoing basis and regular account reviews are conducted on at least an annual basis. Such reviews are conducted by the Firm's Principal. The Primary Advisers are responsible for collecting information from end clients to help determine their needs, goals and objectives. Primary Advisers can request support from the Firm in determining the strategies to be used for specific clients and any changes thereto.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, the Firm can support Primary Advisers' services to clients by producing reports. The Firm can produce these directly for prospective clients and more specific to end clients where the Primary Adviser provides the Firm with access to a proper performance application and data. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from CPR or an outside service provider.

## **Item 14. Client Referrals and Other Compensation**

The Firm does not currently provide compensation to any third-party solicitors for client referrals. The Firm does not receive any other economic benefits for advisory services to clients.

**Item 15. Custody**

CPR is not deemed to have custody of client funds and/or securities. If, however, the Firm is given the ability to debit client accounts for payment of the Firm's fees, it will be deemed to have custody. If the Firm acquires that type of custody, client funds and securities will be maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Those qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, CPR will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from CPR. Any other custody disclosures can be found in the Firm's Form ADV Part 1.

**Item 16. Investment Discretion**

CPR is given the authority to exercise discretion on behalf of some clients. CPR is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. CPR is given this authority through a power-of-attorney included in the agreement between CPR and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). CPR takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

**Item 17. Voting Client Securities**

CPR does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

**Item 18. Financial Information**

CPR is not required to disclose any financial information listed in the instructions to Item 18 because:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.