

# Core Strategy



**INVESTMENT OBJECTIVE:** The Core Strategy seeks to deliver the best opportunity for risk adjusted returns with a goal of capital appreciation and income.

**INVESTMENT APPROACH:** Employs a disciplined approach of allocating capital among the major asset groups. The strategy balances exposure primarily between typically 10-15 mega-cap equities with attractive valuations, income generating securities or ETFs, and/or cash. May opportunistically also invest in small-to-large cap companies. A portion of the portfolio may be invested in alternative assets, such as commodities, real estate, precious metals or energy, using ETFs. We may also actively and/or tactically trade the SPDR S&P 500 (SPY) and the ProShares Short S&P 500 (SH) within the portfolio. The approach is designed to mitigate volatility. This strategy is intended for those who seek long-term capital appreciation and current income through a diversified mix of investments.

- Top down macro analysis, including looking at global data and commodities prices.
- Sectors are analyzed based on their relative outperformance or underperformance to each other.
  - Weakest sectors will be excluded.
  - Out of the remaining sectors, the top-ranked stocks in each sector as determined by Elite Wealth Management's investment committee (EWM) are analyzed for the equity portion of the portfolio:
    - Stocks are ranked based on fundamentals. Weights are assigned accordingly by quality of the stocks and their future outlook.
    - We look at a range of factors, such as P/E ratios, Beta, Profit Margins, Forward P/E, etc. to determine the strongest companies.
    - From these analyses a portfolio of typically the top 10-15 companies as determined by EWM is compiled.
  - For the fixed income part of the portfolio, we analyze the interest rate environment and opportunities for fixed income securities and/or ETFs.
    - A stable, higher interest rate environment can offer a good income source and buying opportunities in the fixed income space.
    - We assess a range of durations from short to long term bonds.
    - Possible asset classes include U.S. Treasuries, municipal bonds, corporate bonds, and high yield bonds.

- Investment team meets regularly to discuss holdings.
  - Immediate meetings are conducted for breaking news or emergency events.
- For current holdings and sectors, the investment team analyzes to see if fundamentals have changed and if the portfolio should be rebalanced.
- The investment team will also discuss any potential new opportunities in eliminated sectors.
- Portfolio is rebalanced based on the market environment and sector/holdings performance.
- Long term strategy with typically a multi-year investment horizon.
  - Rebalancing is not regularly scheduled and typically not frequent, which creates tax efficiencies for the investor.

- Dynamically weighted in equity, fixed income, alternative ETFs, and/or cash.
  - The non-equity portion can be invested opportunistically in equities, cash, etc. if market conditions for fixed income are weak.
  - The equity component is typically allocated primarily between 10-15 mega-cap positions with investments in smaller companies made on a case-by-case opportunistic basis.
- A portion of the portfolio can be invested in SPDR S&P 500 (SPY) and the ProShares Short S&P 500 (SH), which may hedge against market downturns. The long/short portion is traded according to our Tactical Long/Short algorithm and strategy.
- The portfolio consistently maintains a cash buffer in order to help mitigate volatility and give it the flexibility to invest opportunistically.
- Equity allocation is mostly long-only except when the tactical hedging portion goes short.

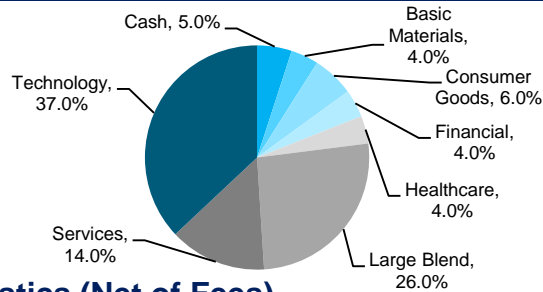
- Allocation can include equities, fixed income, and alternatives.
- Balanced Approach: a disciplined process with rebalancing or turnover in fundamentally weak and underperforming names.
- Liquidity: take advantage of flight to quality in bear markets with equity concentration in the largest capitalization stocks without sacrificing upside potential in the equity markets.
- Employs both fundamental and technical analysis in portfolio construction.
- Through our investment process, we strategically select the most attractive stocks that are held long term in order to reduce turnover and minimize short term capital gains.
- Potential to capture the upside in strong market environments while actively hedging the downside during periods of market volatility.
- Weak sectors that pose high risk are filtered out.
- Invests primarily in mega-cap individual stocks and diversified fixed income ETFs.
- No leverage or margin used.
- Stock announcements and headline news are closely watched.

# Core Strategy

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Net Returns	
													Core	S&P500 TR
2018	8.58%	-2.24%											6.15%	1.83%
2017	1.95%	3.37%	-0.24%	0.83%	1.93%	-0.08%	5.26%	1.89%	0.75%	5.02%	0.29%	0.47%	23.45%	21.83%
2016	-3.58%	-1.57%	2.51%	-2.38%	2.53%	0.15%	2.65%	-0.08%	0.33%	-1.30%	-0.20%	1.75%	0.58%	11.96%
2015	-2.17%	4.04%	-1.50%	-0.82%	0.77%	-0.68%	0.19%	-5.38%	-3.15%	7.66%	0.71%	-1.47%	-2.39%	1.38%
2014	-2.72%	3.03%	2.39%	-0.88%	0.43%	0.85%	-1.46%	3.05%	-0.20%	1.83%	1.98%	0.06%	8.49%	13.69%
2013						-0.51%	2.54%	-1.60%	1.94%	0.99%	2.23%	1.84%	7.59%	14.75%

The performance shown is of a strategy consisting of all discretionary accounts using this investment strategy. From January 2014 to September 2014, the Core Strategy held a significant portion of the portfolio (35-38%) in cash in order to launch a mutual fund, which negatively affected overall performance. There is a \$50,000 minimum account size required for inclusion in the strategy. New funds or accounts are added to the strategy upon the first full month of investment and closed funds or accounts are removed from the composite upon the last full month of investment. **Past performance is no guarantee of future results.** Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided net of 1% management fees basis, reflecting the deduction of investment management fees, as well as brokerage or other commissions and costs. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses and is not based on actual advisory client assets. Index performance does include the reinvestment of dividends and other distributions. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars.

## Sector Allocation



## Portfolio Composition<sup>2</sup>

Basic Materials	4.0%
Cash	5.0%
Consumer Goods	6.0%
Financial	4.0%
Healthcare	4.0%
Large Blend	26.0%
Services	14.0%
Technology	37.0%

## Statistics (Net of Fees)

Standard Deviation (Monthly):	2.53%	February Return:	-2.24%
Standard Deviation (Annualized):	8.78%	YTD Return:*	6.15%
Downside Deviation (Monthly):**	1.38%	Average Monthly Return:	0.75%
Downside Deviation (Annualized):**	4.78%	Highest Month:	8.58%
Sharpe Ratio (Monthly):**	0.20	Lowest Month:	-5.38%
Sharpe Ratio (Annualized):**	0.68	% of Positive Months:	61.40%
Sortino Ratio (Monthly):**	0.34	Maximum Drawdown:	-10.23%
Sortino Ratio (Annualized):**	1.17	Longest Winning Streak:	7 Months
Alpha (Monthly):***	0.05%	Longest Losing Streak:	3 Months
Alpha (Annualized):***	0.58%		
Beta:***	0.74	Compounded Monthly Return:	0.72%
Correlation Coefficient:***	0.84	Compounded Annual Return:	8.94%
R-squared:***	0.71	Cumulative Return:	50.18%

\*YTD Through February 2018 \*\*Based on Risk FreeRate(RFR) at 3.0% \*\*\*Calculated Against S&P 500

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<sup>1</sup>Morningstar Category Definition: Large-blend portfolios are fairly representative of the overall US stock market in size, growth rates and price. Stocks in the top 70% of the capitalization of the US equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of US industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index. <sup>2</sup>Portfolio composition is as of 06/20/2017. Allocation and composition change over time.



Elite's direct individual clients are charged 1% management fee only with no performance fee. White or private labeling fees are as follow:

## 1: Adhesion and Investnet/Placemark

Elite's fee schedule for White Labeled services where independent third party investment managers utilize intermediaries responsible for trading and allocations:

- Up to \$100M = 0.30% – 0.35% Annually
- Over \$100M = Breakpoints Negotiable

## 2: Interactive Brokers (IB)

Elite's fee schedule for White Labeled services where independent third party investment managers utilize Elite's investment platform/infrastructure through IB and Elite is responsible for trading and allocations:

- Up to \$100M = 0.60% Annually
- Next \$50M = 0.55% Annually
- Anything over \$150M = 0.50% Annually

## 3: Strategy Licensing Agreement—We provide trade signals to the RIA

- Up to \$100M = 0.40% Annually
- Next \$50M = 0.35% Annually
- Anything over \$150M = 0.30% Annually

**Fariba Ronnasi** - Ms. Fariba Ronnasi, president and founder of Elite Wealth Management, Inc. has headed the strategic management of numerous high net worth individuals. Prior to establishing the firm in October of 2004, Fariba worked as Managing Director for the Private Wealth Division of Columbia Management Company and was responsible for expanding the Private Portfolios Group on the West Coast.

Previously, Fariba was a Business Development Manager for Citicorp in its Private Banking Division. Prior to joining Citicorp, she worked as the Senior Private Banking Manager at Keycorp and established the Technology group for the Private Bank. She has 23 years of solid experience in the field of finance and investment management. Ms. Ronnasi has a BA and MBA in Finance with a minor in Economics from Seattle University and currently holds a Series 65 license.

**Yinmo Wang** - Yinmo Wang conducts financial analysis on the firm's trading strategies. He wrote the trading algorithm for several of the firm's strategies and implements their trading schema, including the continued evaluation of their efficacy. Mr. Wang previously designed in-house funds for clients and evaluated performance reporting for Financial Concepts Unlimited and prior to that, performed finance and accounting functions in support of the CFO at Systems Plus. Mr. Wang received a B.S. in International Finance from Fudan University in Shanghai; an MBA from Montreux Switzerland; a M.S. Finance (MSF) and a M.S. Engineering Management (MSEM) and Systems Engineering (MSSE) from the George Washington University. Yinmo Wang has over 20 years of experience in the industry and is a CFA charterholder.

**Kevin Lennil** - Kevin Lennil manages several portfolios for the firm and has 10+ years of experience in the investment industry and high volume trading in the options market. He managed his own RIA firm, Exagroup, from 2009-2013 before the firm was purchased by Elite Wealth Management and subsequently joined the Elite team in 2014 as a full time employee. Mr. Lennil developed the algorithm for the Tactical Long/Short strategy and currently holds Series 65 and Series 3 licenses.

Elite Wealth Management, LLC (“Elite Wealth Management”) is a registered investment adviser with the Securities and Exchange Commission. Registration with the SEC does not imply any level of skill or training. The firm is defined as Elite Wealth Management and includes assets managed as dual officers. Assets under management include assets managed by Elite Wealth Management officers as dual officers of Lattice Capital Management. Any client and account statistics presented include dual officer relationships.

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**Risk Disclosure Statement:** All investments include a risk of loss that clients should be prepared to bear. The principal risks of the Elite Wealth Management strategies are disclosed in the publicly available Form ADV Part 2A.

Exchange Traded Funds (ETFs) are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. ETFs may trade for less than their net asset value.

Statistics Definitions can be viewed at <http://elitewm.com/analytics>.

**Sources:** Yahoo Finance, Hedge Connection, Chicago Board of Exchange.

**SEE IMPORTANT DISCLOSURE STATEMENT:** <http://elitewm.com/disclosures/>

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