

**Changing the
way
America
thinks
about
Investing™**



ICE/Deflation

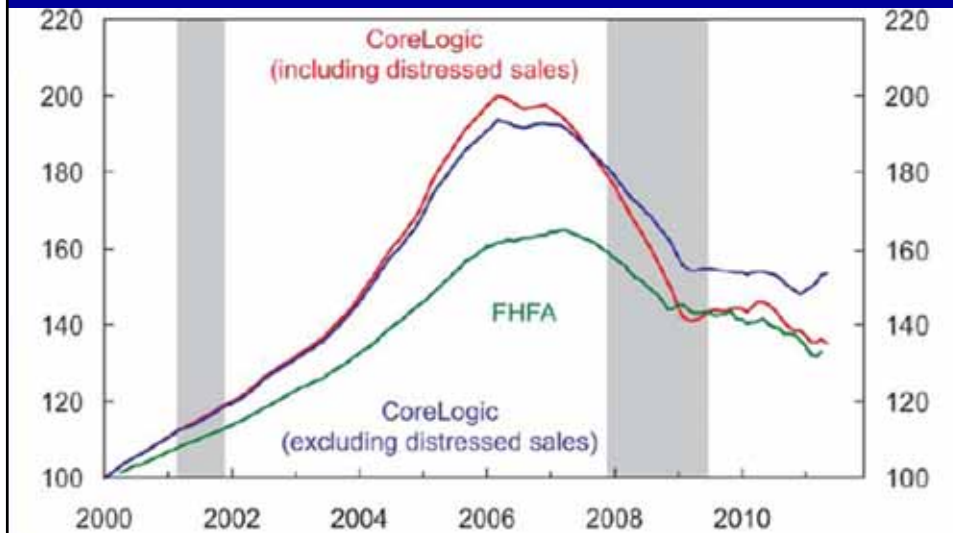


- **Wages/Jobs**
- **Credit**
- **Real Estate**
- **Banks**

ECRI Leading Index

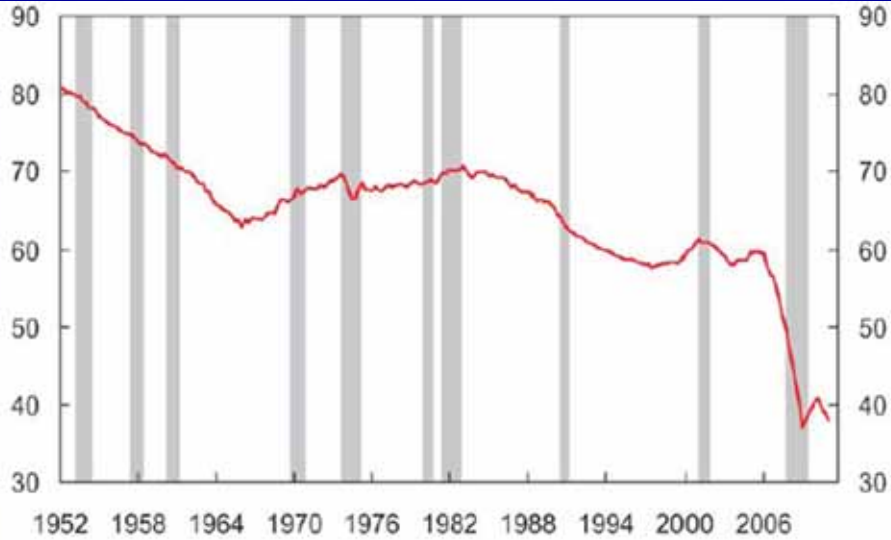


Home Sales Index



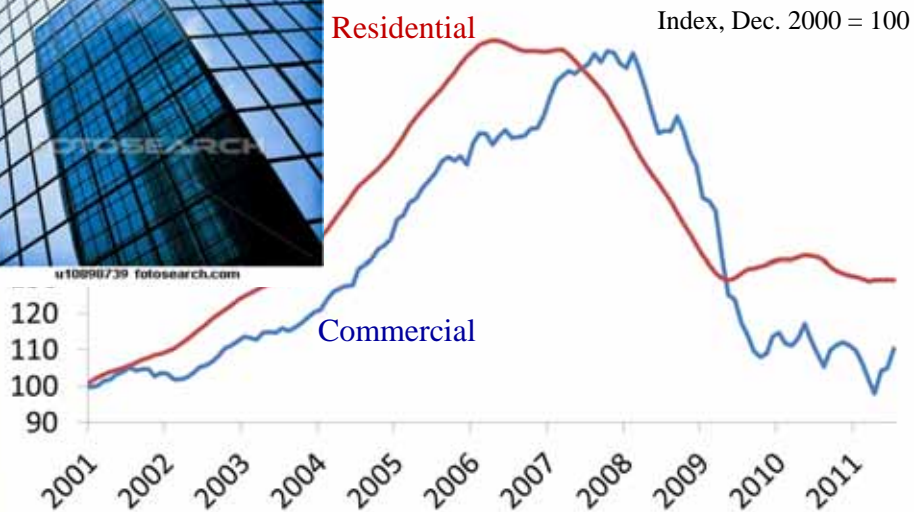
Source: Financial Stability Oversight Council Annual Report 2011, www.treasury.gov

Household Equity



Source: Financial Stability Oversight Council Annual Report 2011, www.treasury.gov

Commercial vs. Residential Real Estate



Source: Moody's Commercial Property Price Index; S&P / Case Shiller Composite 20 Home Price Index

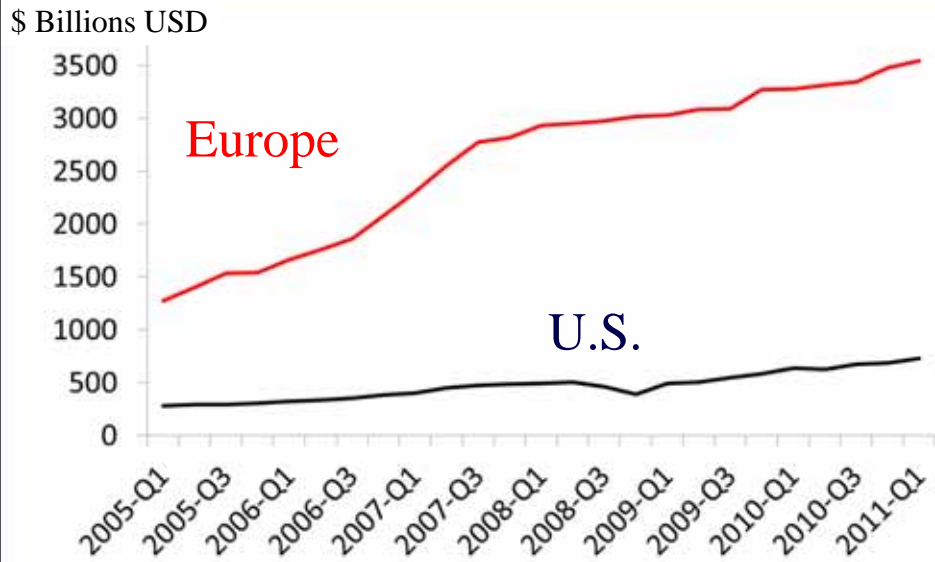
Commercial Maturities



BKX Bank Index

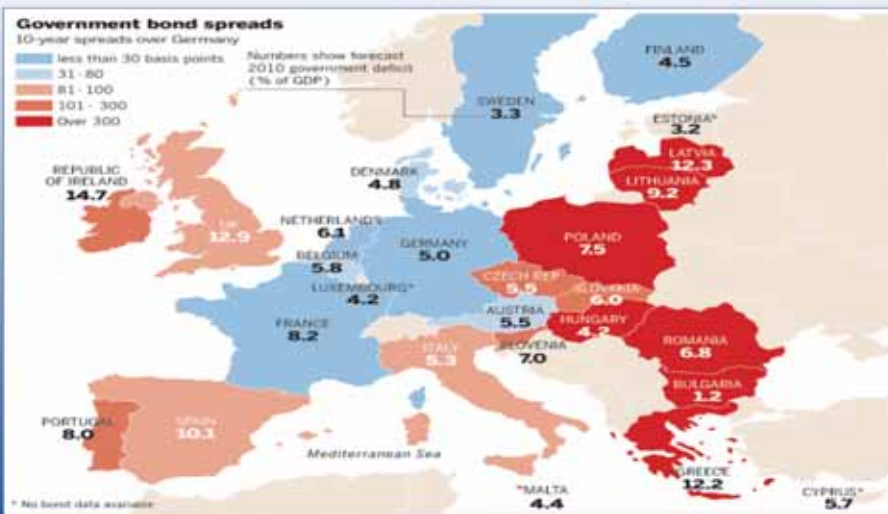


Bank Claims Developing Countries



Source: Bank for International Settlements www.bis.org

Europe Debt Crisis



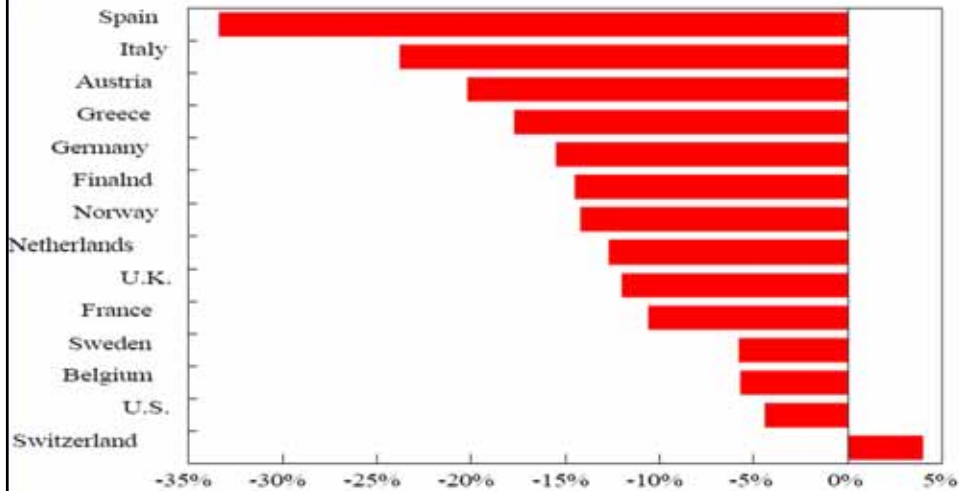
Source: Financial Times

Source: HS Dent

Chart 9

EU Deflation

Listed Real Estate Total Return Indices by Country
% change since June 30, 2011



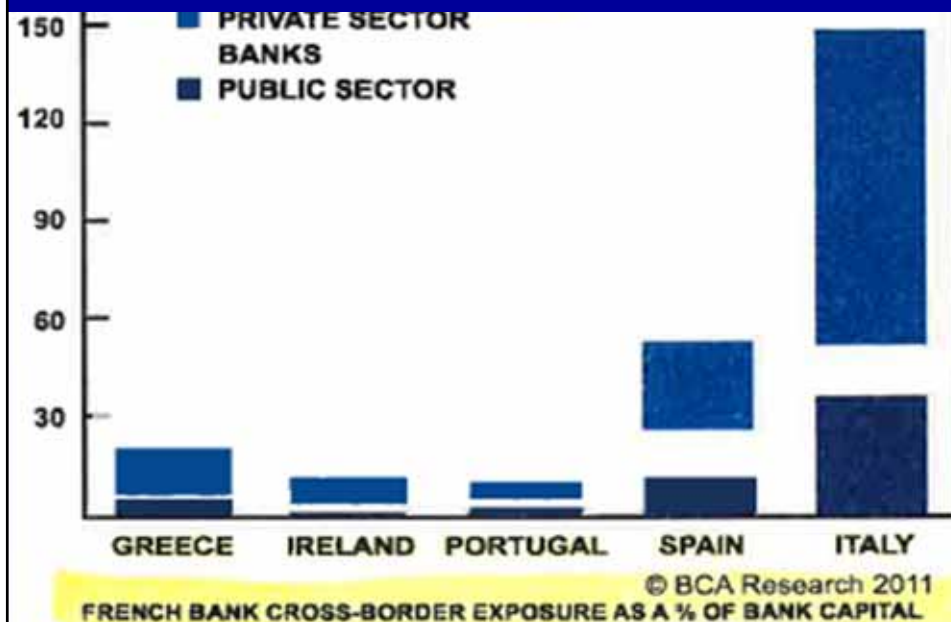
Source: Gary Shilling's INSIGHT, October 2010

Italy Debt / GDP

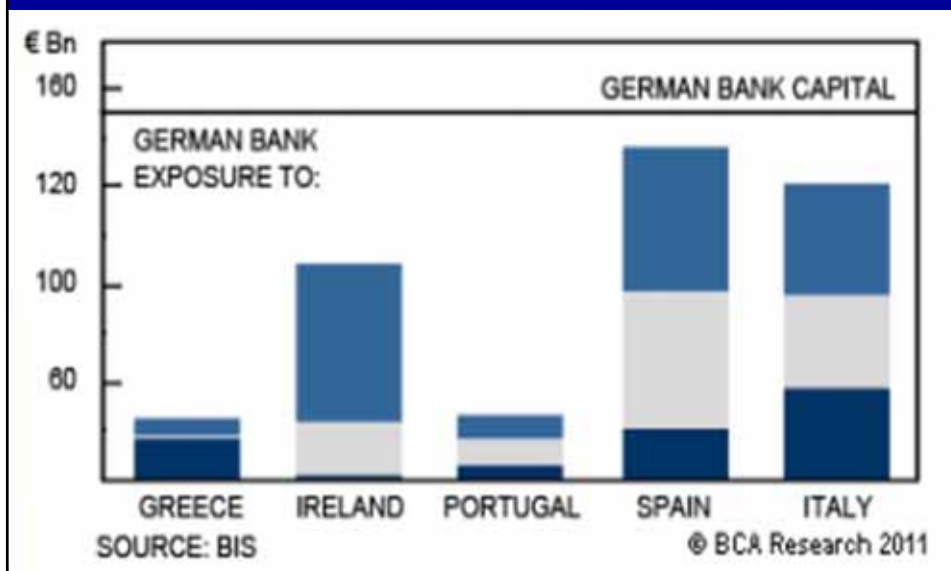


Source: Reinhart, Camen M. and Kenneth S. Rogoff, "From Financial Crash to Debt Crisis," NBER Working Paper 15795, March 2010.

French Bank Exposure to Italy

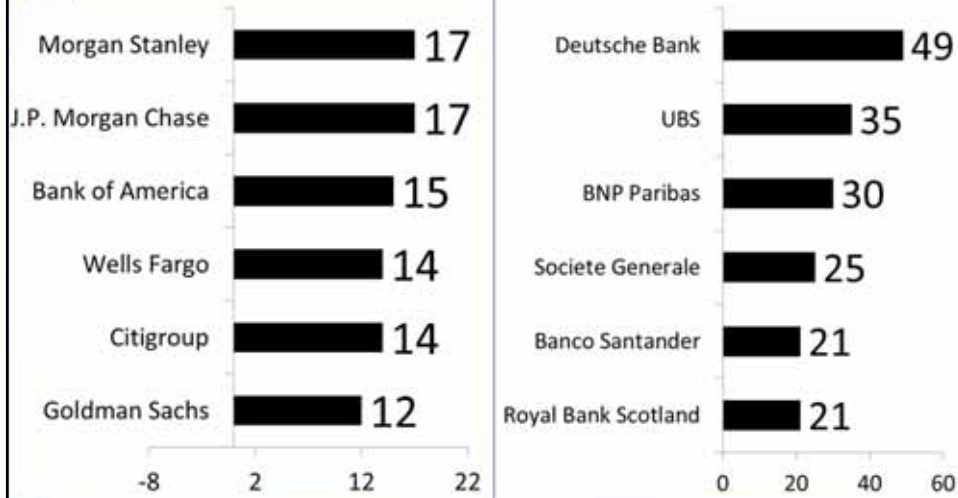


German Bank Exposure





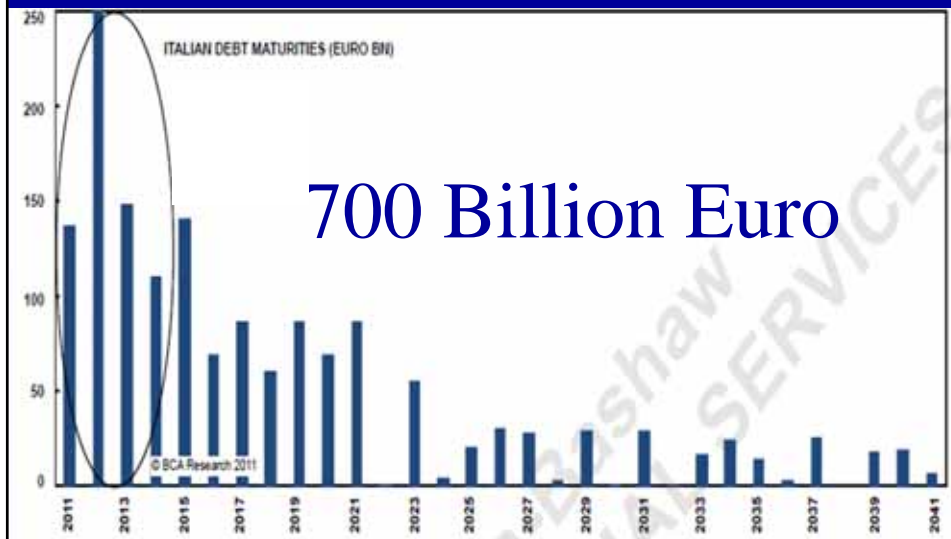
Bank Leverage



*Ratio of assets to equity less goodwill – 4Q 2009

Source: A. Gary Shilling's Insight Newsletter, www.agaryshilling.com

Italian Debt



E.U. Solution?

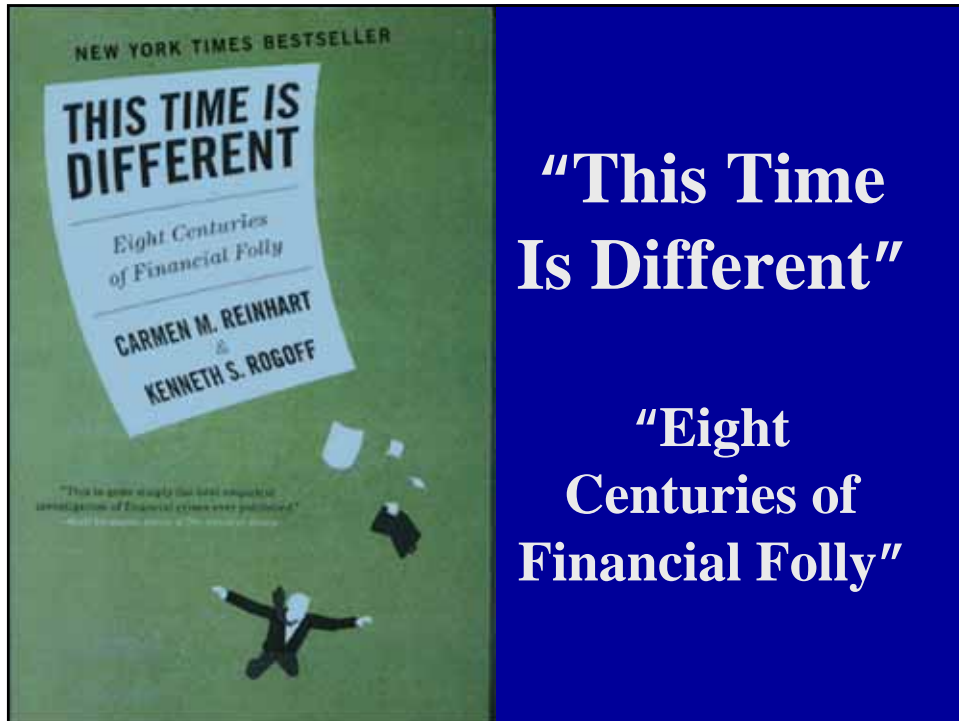
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- Recapitalize banks
- Greek haircut
- Lender last resort
- Backstop Italy & Spain

Euro Refinance?

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- 90 largest Euro banks
5.4 trillion (45% GDP)
- Sovereign debt
1.5 - 2 trillion



**"This Time
Is Different"**

**"Eight
Centuries of
Financial Folly"**

This Time is Different?



R/E CRISIS

This Time is Different?



R/E CRISIS

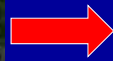


BANKING CRISIS

This Time is Different?



R/E CRISIS



BANKING CRISIS



DEBT CRISIS

This Time is Different?



R/E CRISIS



BANKING CRISIS



DEBT CRISIS



CURRENCY CRISIS

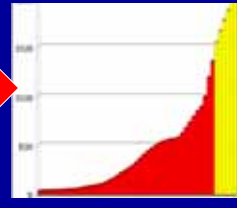
This Time is Different?



R/E CRISIS



BANKING CRISIS



DEBT CRISIS



CURRENCY CRISIS



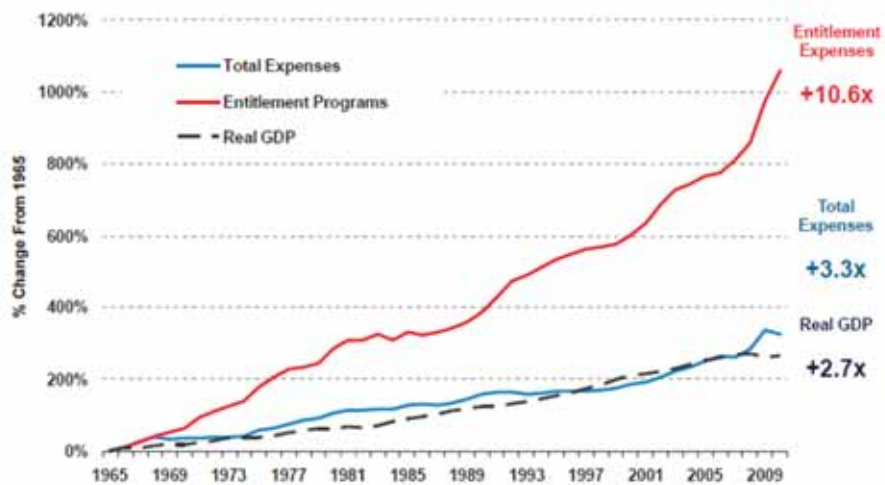
INFLATION

Big Waves

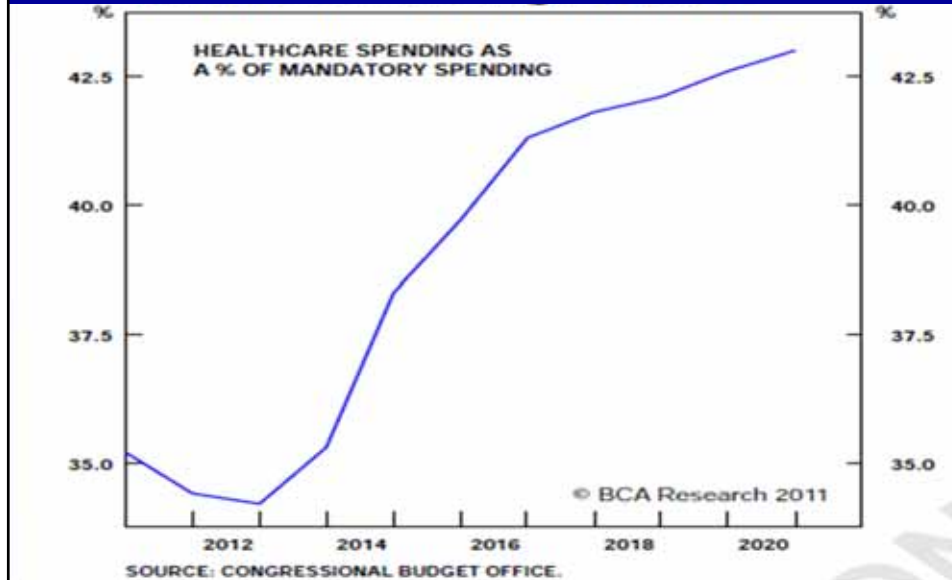
- China
- India
- **Boomer Retirement**
- **Gov't Debt**
- Echo Boomer

Entitlement Spending

USA Real Federal Expenses, Entitlement Spending, Real GDP % Change, 1965 – 2010



Healthcare - Big Problem



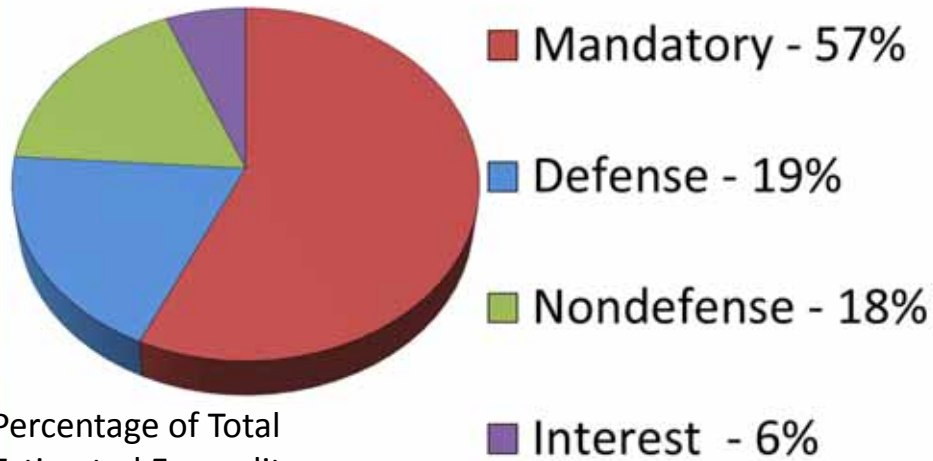
Mandatory Government Programs

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Social Security
Medicare
Medicaid
SNAP (Supplemental Nutrition Assistance Program)
Unemployment Compensation
Supplemental Security Income
Earned Income and Child Tax Credits
Family Support
Child Nutrition
Foster Care
Making Work Pay

Source: The Come Back America Initiative/ Stanford University

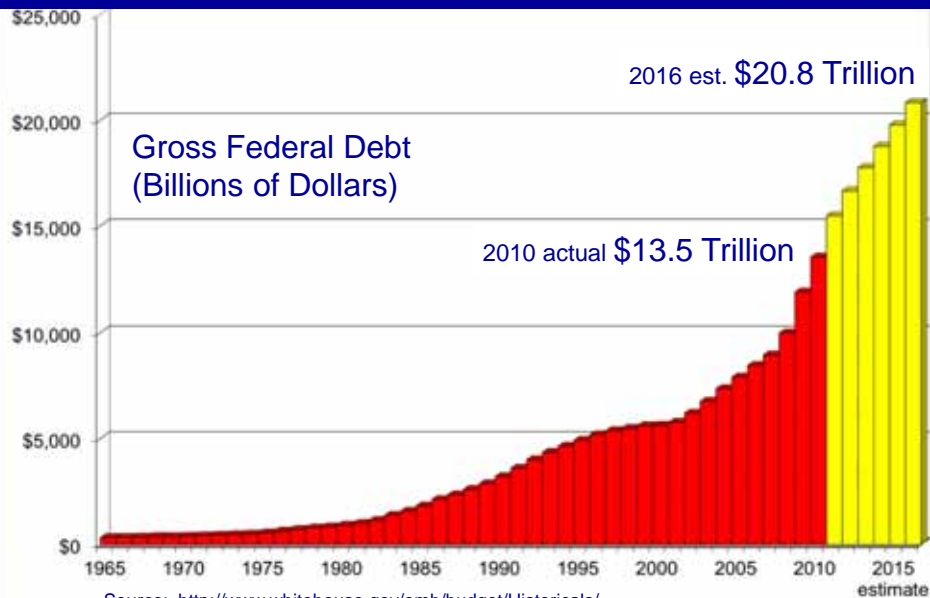
U.S. Gov't. Expenditures



Percentage of Total
Estimated Expenditures
FY2011 = \$3.7 T

Source: Congressional Budget Office, The Budget & Economic Outlook, January 2011

Federal Debt 1965 - 2016



Source: <http://www.whitehouse.gov/omb/budget/Historicals/>



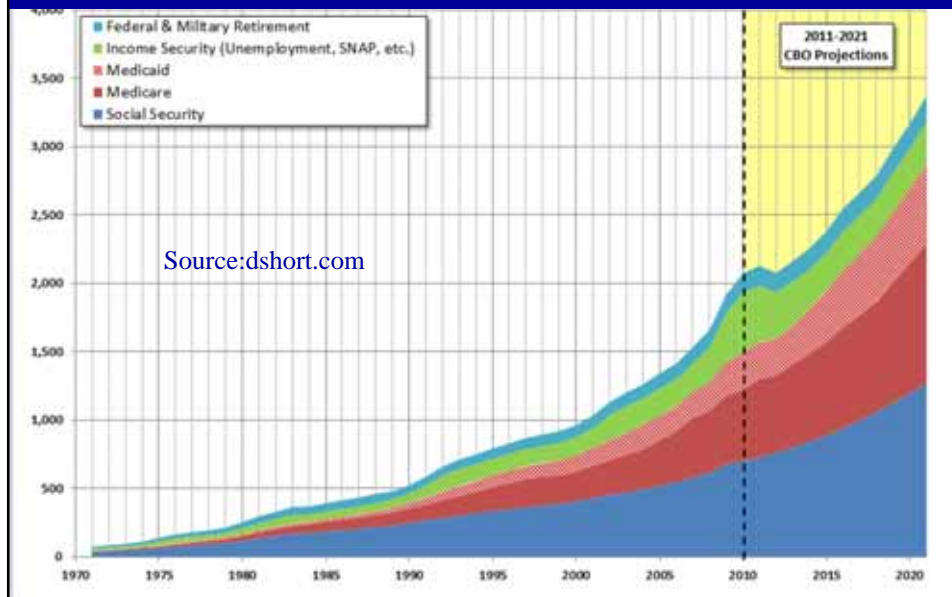
Will Congress?

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Filipe Gacharna

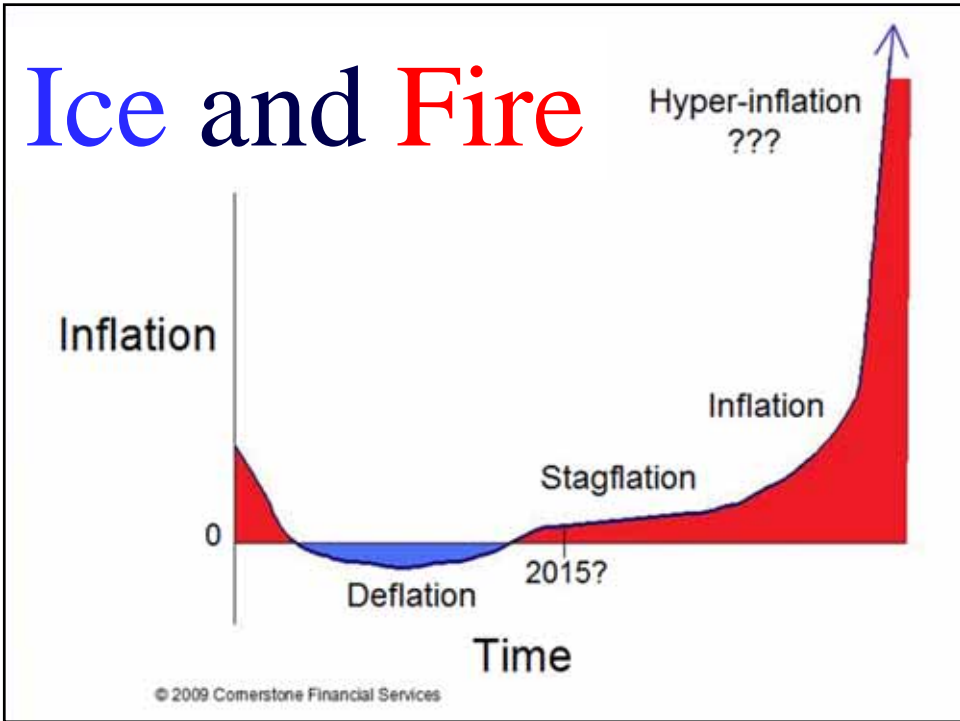
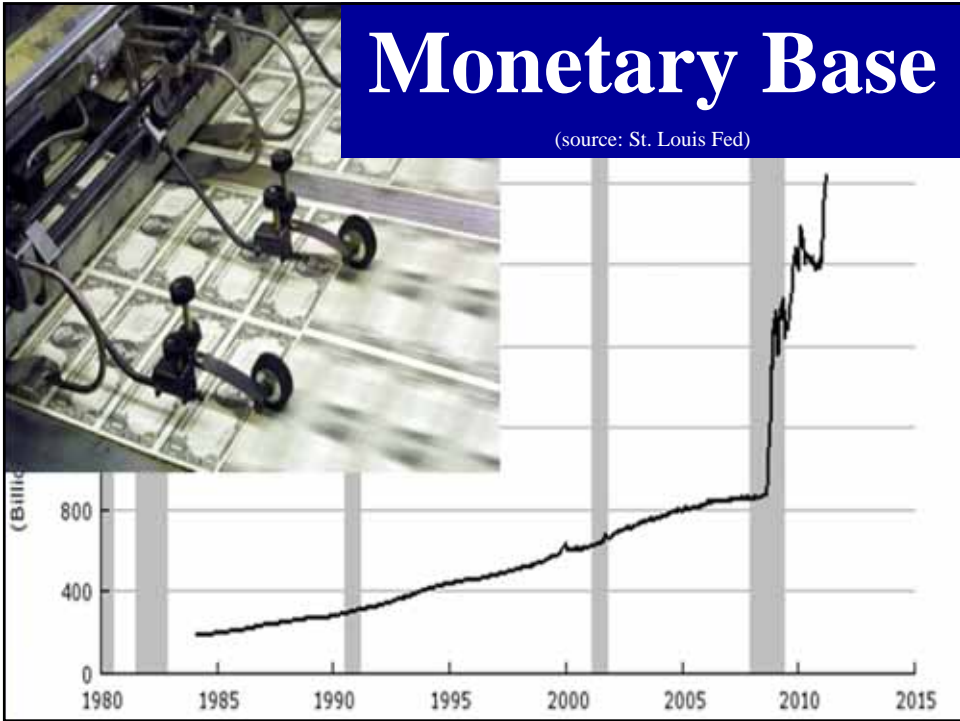
Entitlements

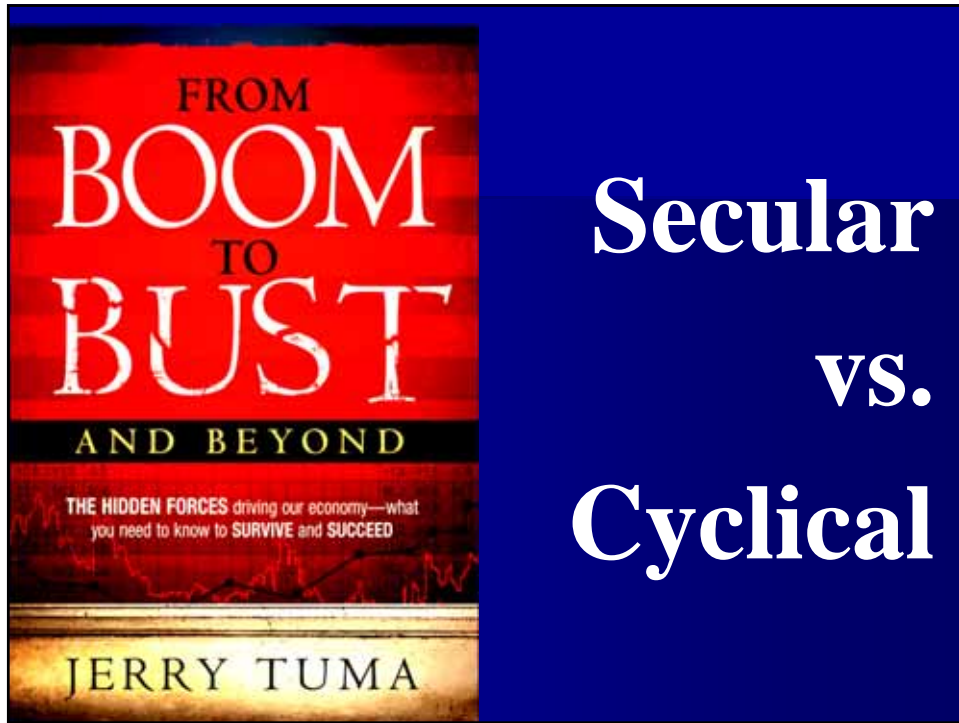


David Stockman



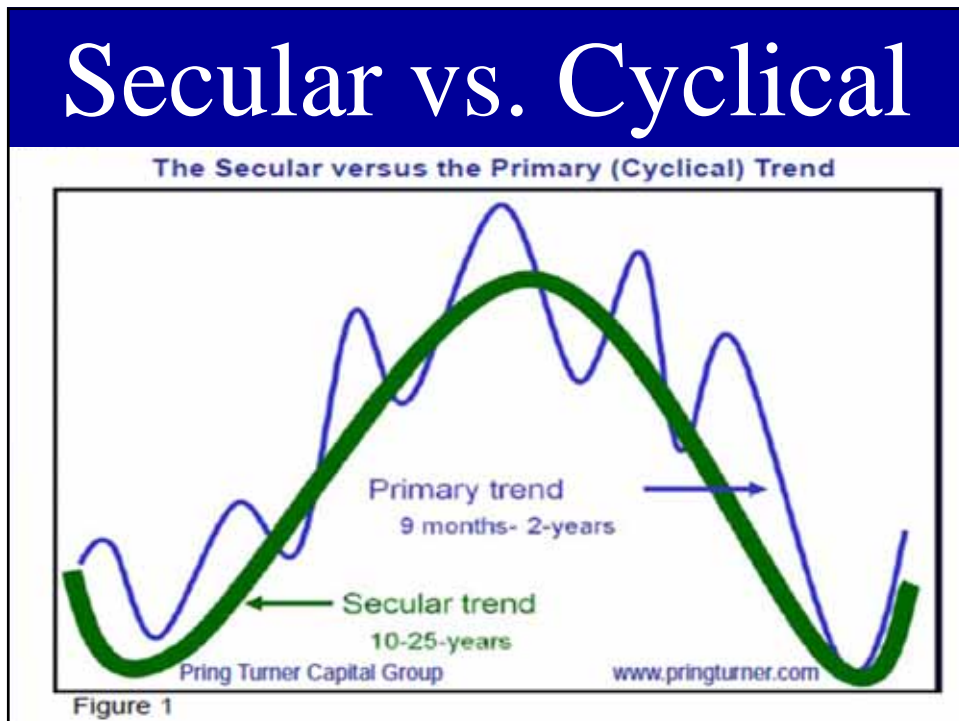
“We are hurtling toward a budgetary crack-up that will generate the mother of all crises in global bond and currency markets.”





Secular vs. Cyclical

Secular vs. Cyclical





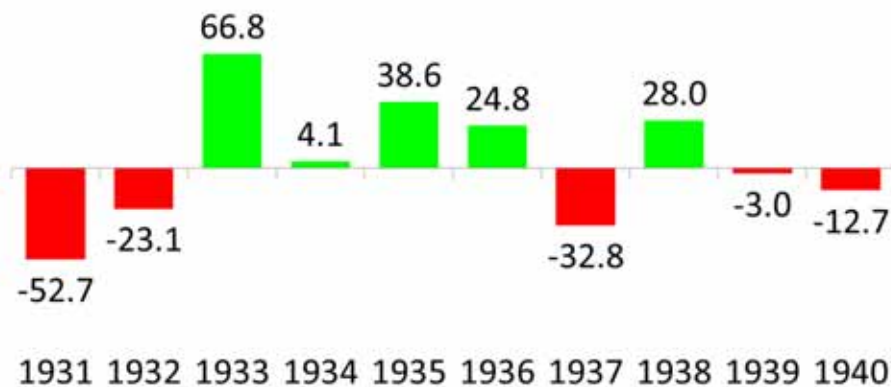
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Risk Management

% Loss	% To Recover
10%	11%
20%	25%
30%	43%
40%	67%
50%	100%
60%	150%
70%	233%
80%	400%
90%	900%

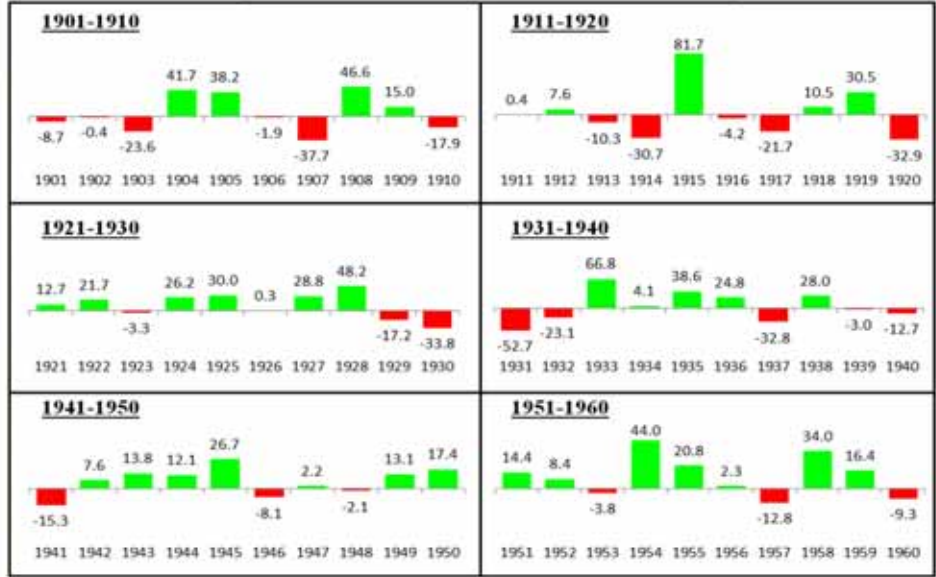
Dow Jones Industrial Average Annual Returns 1931-1940

1931-1940



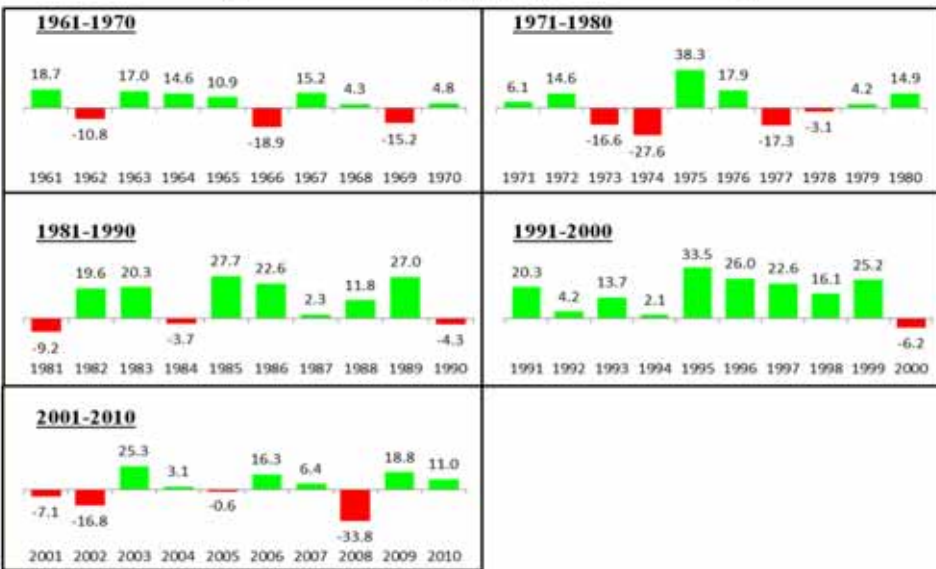
Compiled by Cornerstone Financial Services; Data Source: Yahoo Finance; ForecastChart.com

Dow Jones Industrial Average
Annual Returns by Decade 1901-2010
Excluding Dividends



Compiled by Cornerstone Financial Services; Data Source: Yahoo Finance, ForecastChart.com

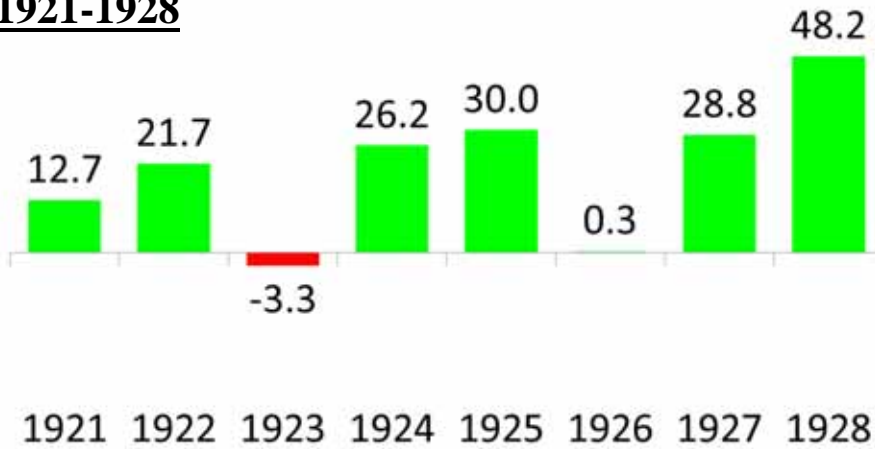
Dow Jones Industrial Average
Annual Returns by Decade 1901-2010
Excluding Dividends



Compiled by Cornerstone Financial Services; Data Source: Yahoo Finance, ForecastChart.com

Dow Jones Industrial Average Annual Returns 1921-1928

1921-1928



Compiled by Cornerstone Financial Services; Data Source: Yahoo Finance; ForecastChart.com

Dow Jones Industrial Average Annual Returns by Secular Bull Period 1901-2010 Excluding Dividends

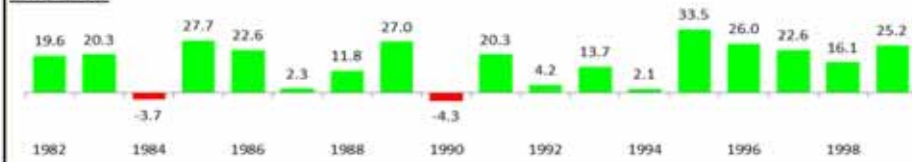
1921-1928



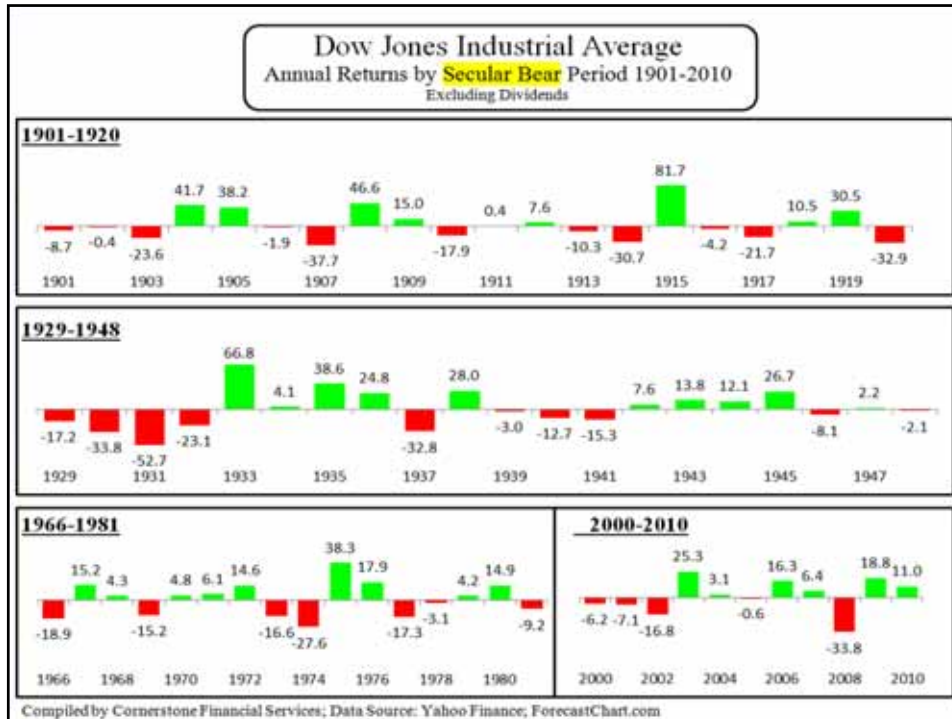
1949-1965



1982-1999



Compiled by Cornerstone Financial Services; Data Source: Yahoo Finance; ForecastChart.com



Cyclical Trend

Shorter term trends
lasting 3-5 years or longer,
generally identified
with business cycle

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Secular Trend

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Longer term trend
generally
lasting 10 years
or more

Secular Bull

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A rising trend
of a decade
or more

Secular Bear

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A down or
sideways trend
of a decade
or more

Secular Bulls

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- Gold
- Asia (excl: Japan)
- Commodities

Secular Bears

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- U.S. Stocks
- Europe
- Japan

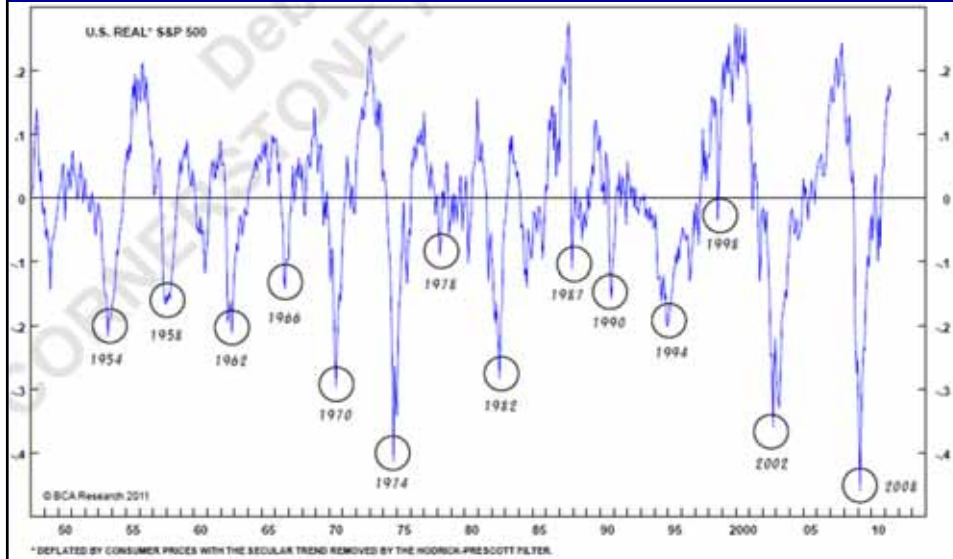
A Century of Returns

Years	Returns*
1901 - 1921	-
1921 - 1929	25%
1929 - 1949	Loss
1949 - 1966	14%
1966 - 1982	Loss
1982 - 1999	14.8%
2000 - 2010	Loss

*Approx. annual returns

Source: Sy Harding's Street Smart Report (www.StreetSmartReport.com)

4 Year S&P Cycle



Century of Returns

Dow ended 20-year period right where it started for buy and hold investors who were able to hold through the numerous bear markets!



Indexes are unmanaged and investors are not able to invest directly into any index. Source: Sy Harding's Street Smart Report (www.StreetSmartReport.com)



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Century of Returns

Dow ended 20-year period still seriously underwater for buy and hold investors (assuming they were even able to hold through being down as much as 90% for much of the time.)



Indexes are unmanaged and investors are not able to invest directly into any index. Source: Sy Harding's Street Smart Report (www.StreetSmartReport.com)



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Century of Returns

Dow ended 16-year period where it began for buy and hold investors, still trying to break out above 1000.

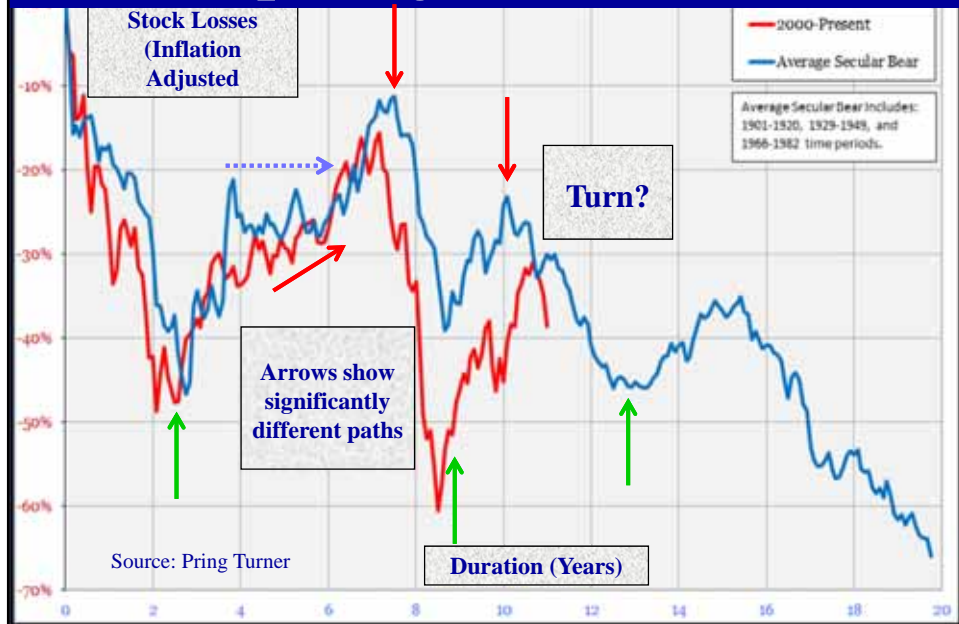


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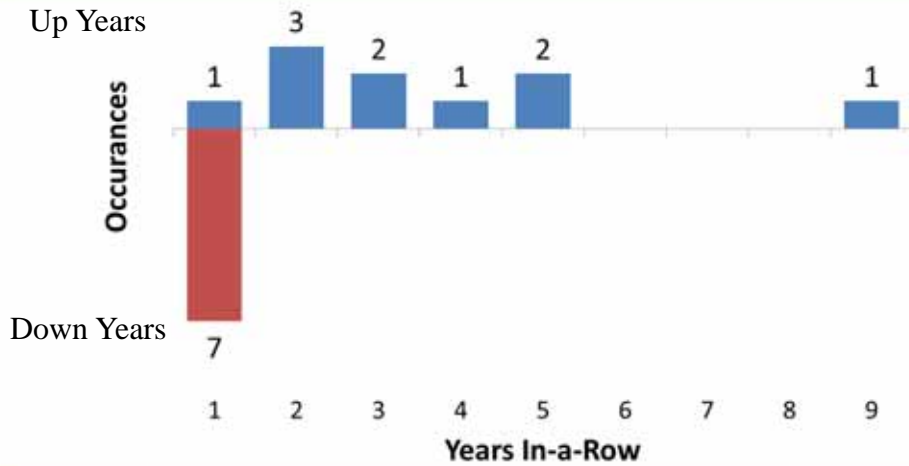
Century of Returns



Comparing Secular Bears

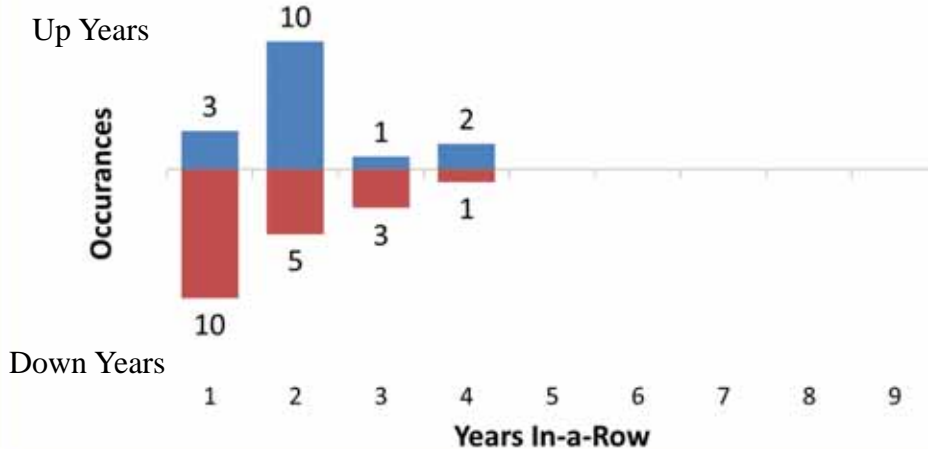


Runs in the Stock Market Dow Jones Industrials 1901-2010 Secular Bull Markets – 43 Years Total



Data Source: Yahoo Finance; ForecastChart.com

Runs in the Stock Market Dow Jones Industrials 1901-2010 Secular Bear Markets – 67 Years Total



Data Source: Yahoo Finance; ForecastChart.com



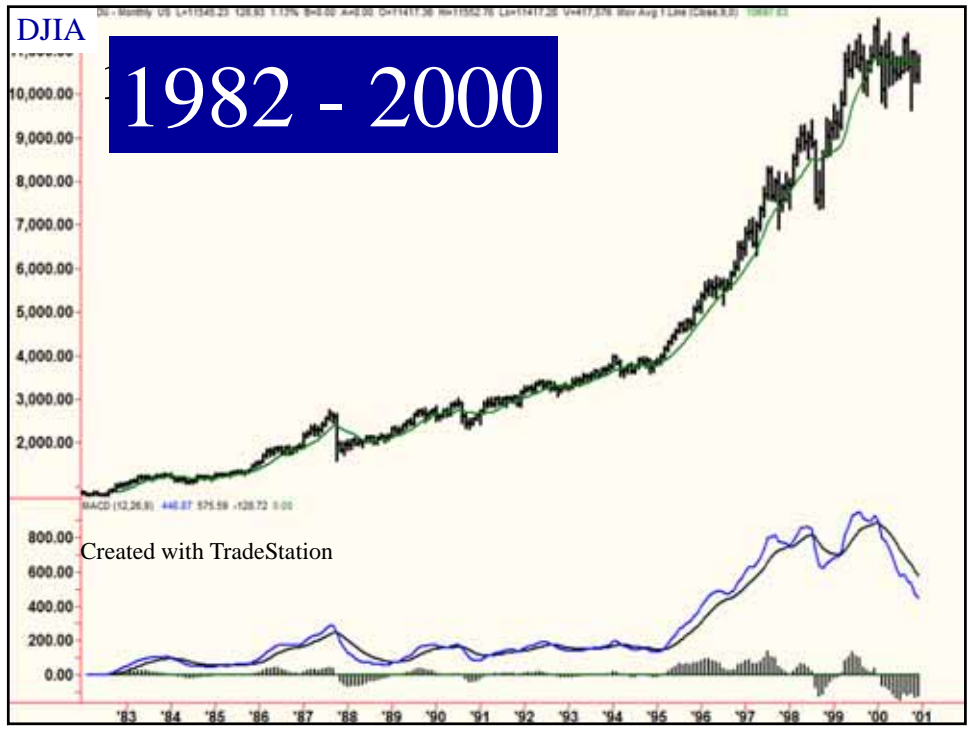
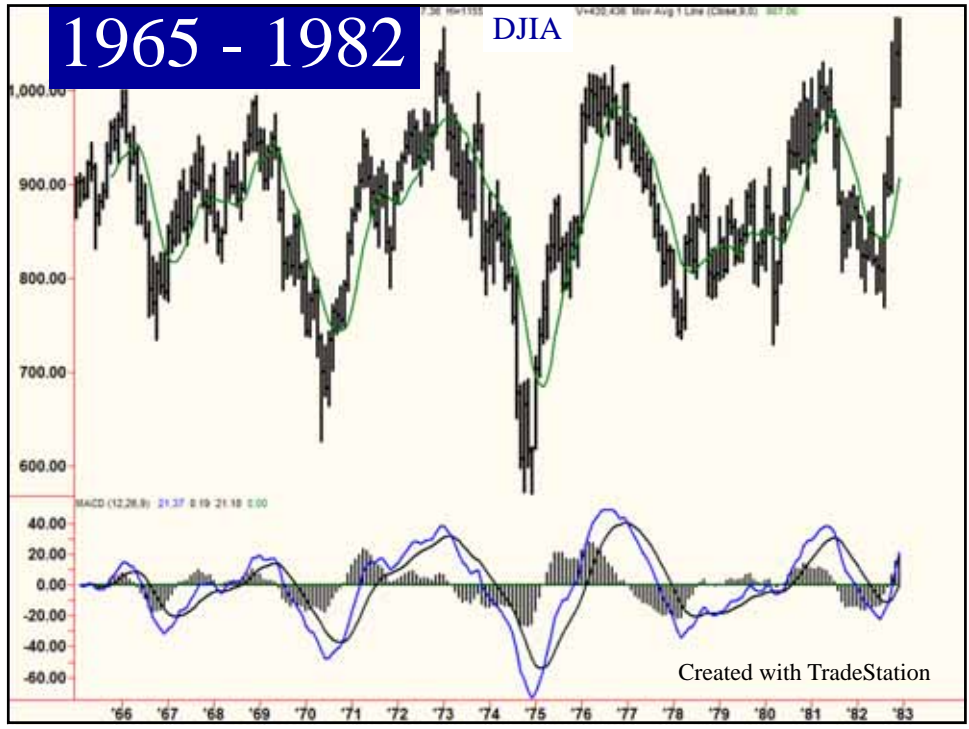
Secular Bear Duration

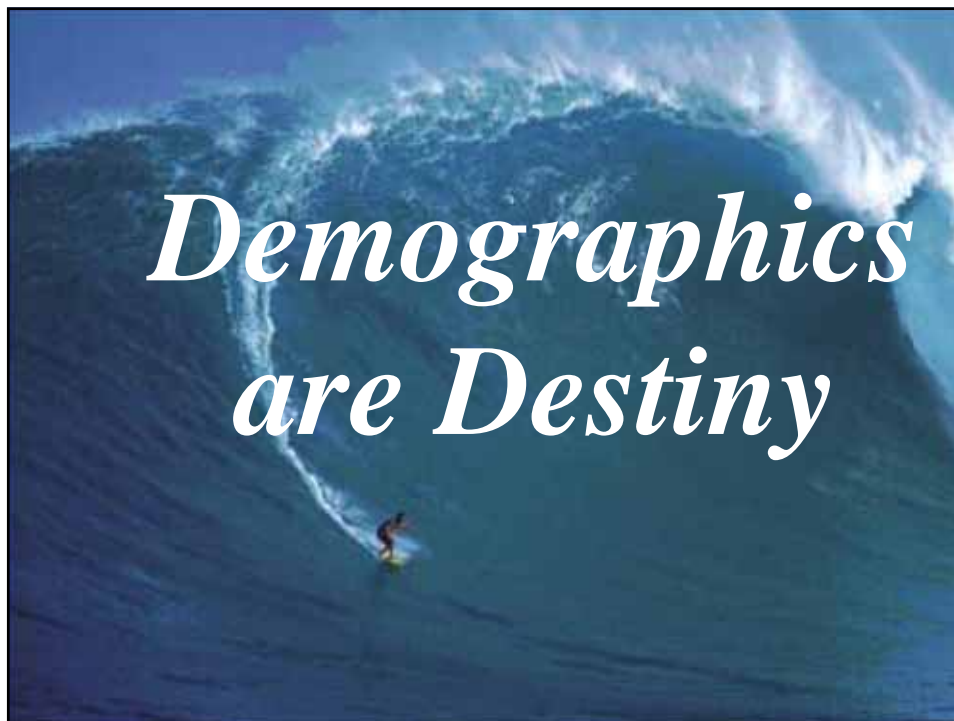
	Duration	Recessions	Starting P/E	Finishing P/E
1901-1920	19 Yrs 6 m	6	25	5.1
1929-1949	19 Yrs 9 m	4	32	9.1
1966-1982	16 Yrs 6 m	4	24	6.6
Average	18 Yrs 7 m	4 1/2	31	6.9
2000 - ?	11 Yrs 9 m	2	44	13.9*

Source: Pring Turner Capital Group, www.pringturner.com, Updated 10-2011 * current



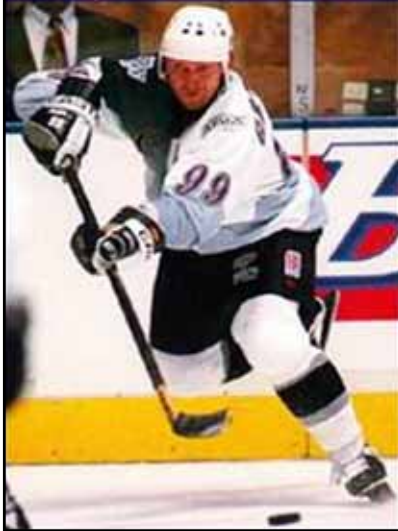








Skate to Where the Puck is Going



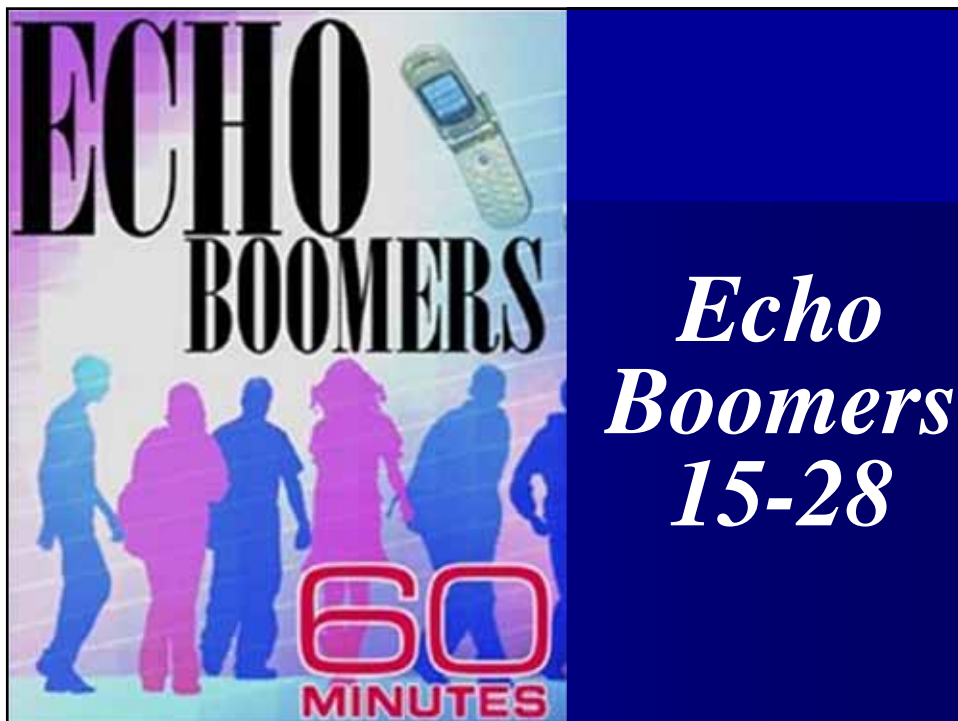
- Asia
- Aging Boomers
ages 47-65
- Echo Boomers
ages 15-28



*Aging
Boomers
47-65*

Big Waves

- China
- India
- Boomer Retirement
- Gov't Debt
- **Echo Boomers**





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- Not afraid to Trade
 - More Alternatives
- Go Global



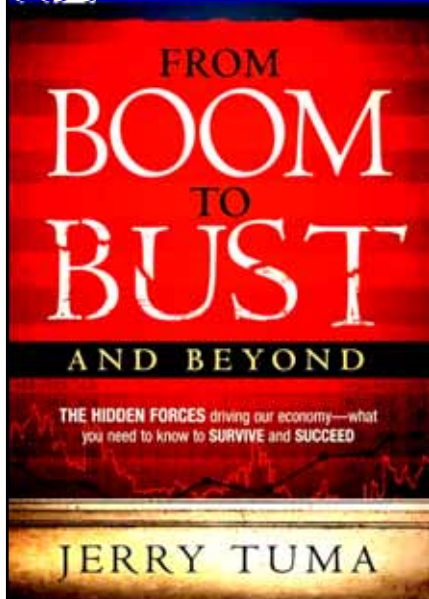
U.S. Government Bonds



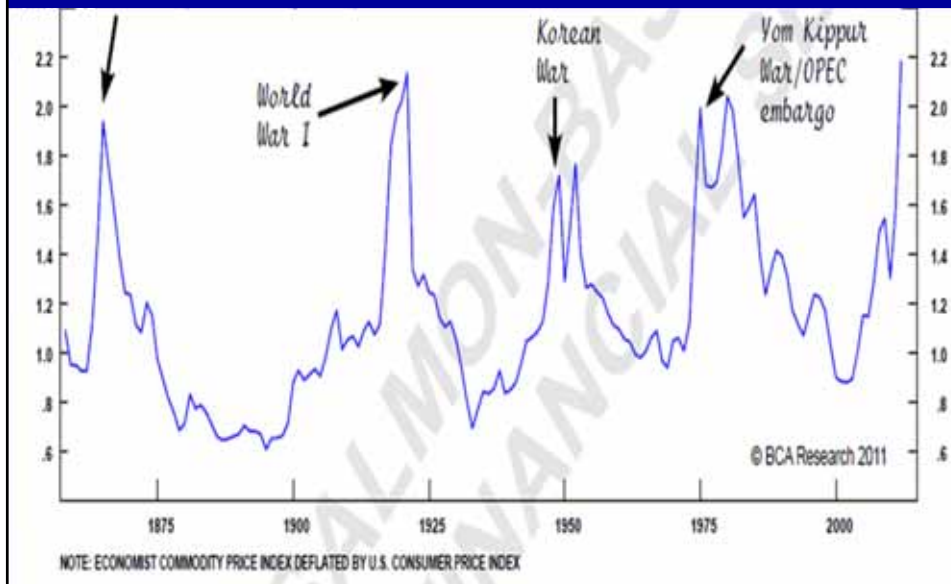
30 Year Bond Yield



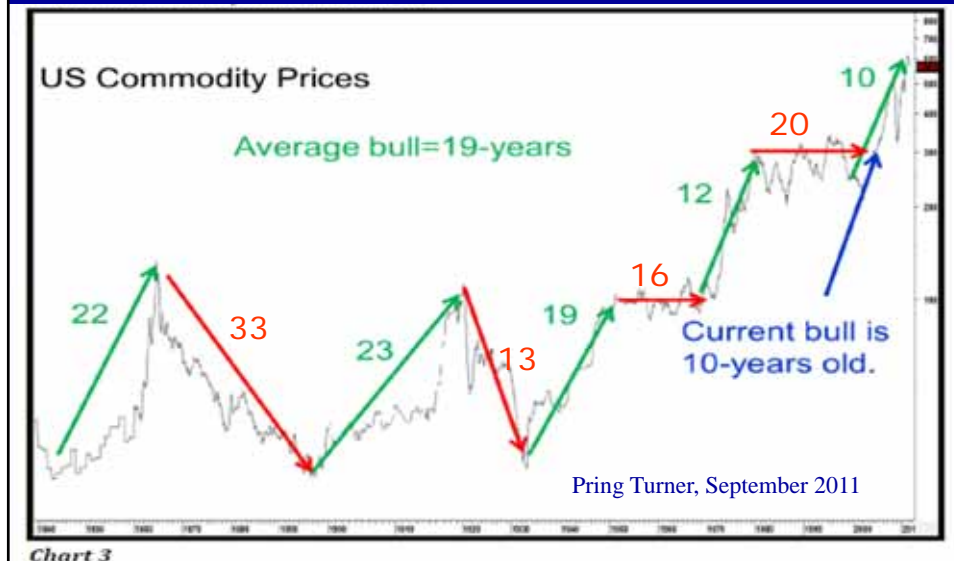
Commodities Bull Market



Commodities Cycles



Commodity Bulls



Night Energy Usage: 1970

Source: NASA Satellite Photo



World Population 1970: 3.9 billion

Source: U.S. Census Bureau

Night Energy Usage: 2005

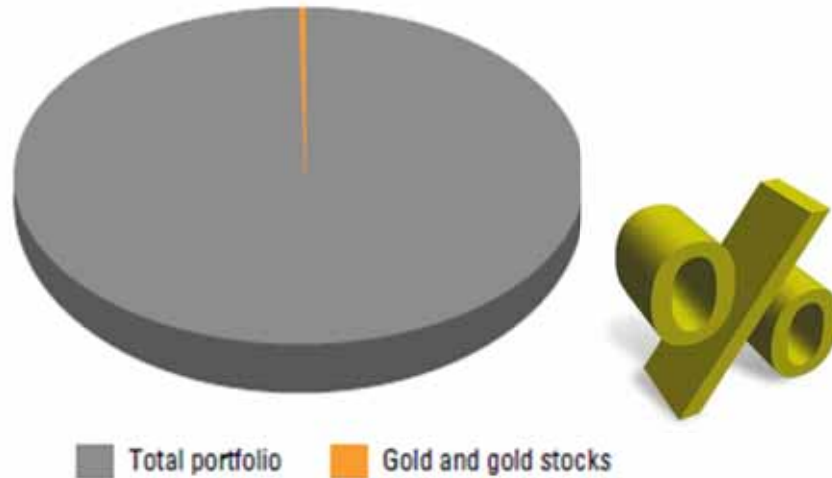
Source: NASA Satellite Photo



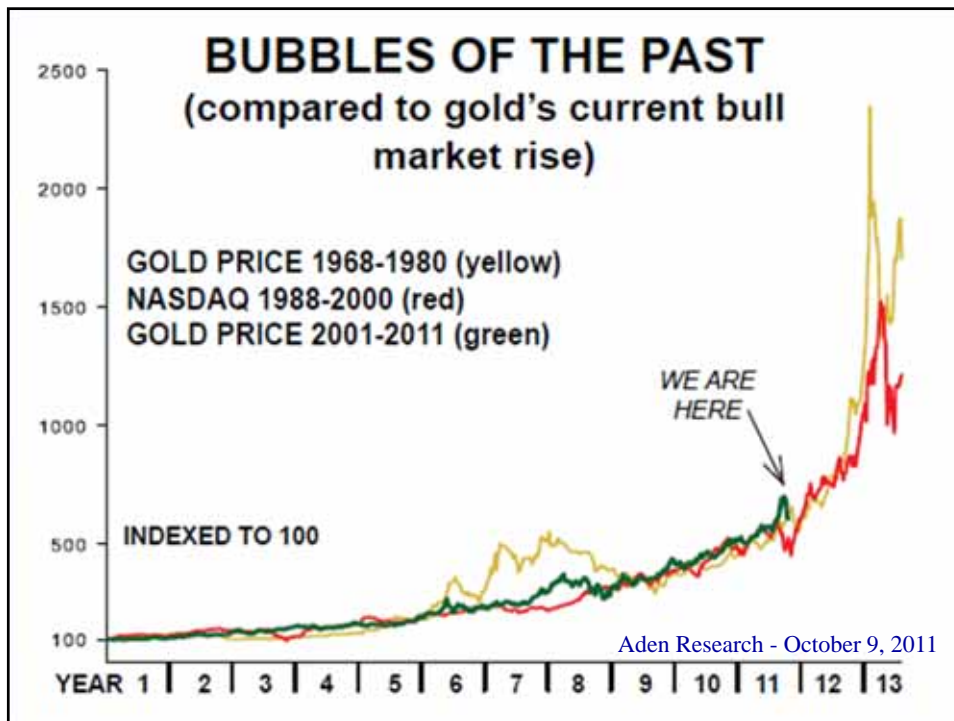
World Population 2005: 6.5 billion

Source: U.S. Census Bureau

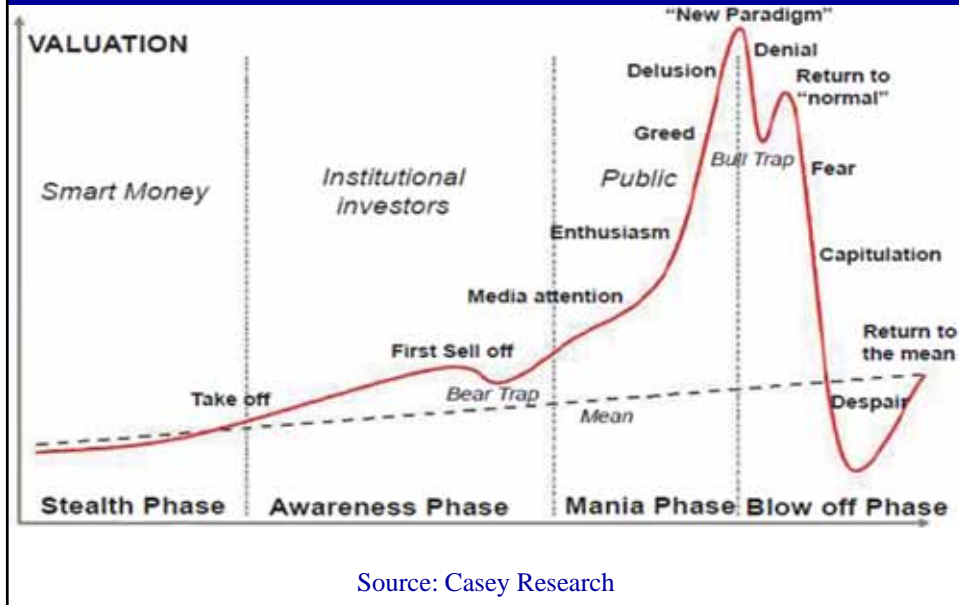
Gold in Pensions



Source: Casey Research, Dr. Marc Faber



Emotions of the Masses



FROM
BOOM
TO
BUST
AND BEYOND

THE HIDDEN FORCES driving our economy—what
you need to know to SURVIVE and SUCCEED

JERRY TUMA

React or Respond?



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An actively managed portfolio cannot assure a profit nor protect against loss. Inherent limitations and market conditions may affect the performance of a portfolio. There is no guarantee that an actively managed portfolio will produce greater returns or experience smaller losses than a portfolio that uses a buy and hold strategy. High turnover rates within a portfolio may increase transaction costs and taxable capital gains.



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Indexes are unmanaged and investors are not able to invest directly into any index.

Investments in real estate have various risks including possible lack of liquidity and devaluation based on adverse economic and regulatory changes. As a result, the values of real estate may fluctuate resulting in the value at sale being more or less than the original price paid.



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Investors should be aware that there are risks inherent in all investments, such as fluctuations in investment principal. With any investment vehicle, past performance is not a guarantee of future results.

Material discussed herewith is meant for general illustration and/or informational purposes only, please note that individual that individual situations can vary. Therefore, the information should be relied upon only when coordinated with individual professional advice.



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**The S&P 500 is an unmanaged index comprised of 500 widely-held securities considered to be representative of the stock market in general.*

**The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.*

**The CBOE Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.*

**The S&P MidCap 400 Index is an unmanaged benchmark index made up of 600 domestic mid-capitalization stocks chosen for market size, liquidity, and industry group representation.*

**The FTSE NAREIT All REITs Index is a free float adjusted market capitalization weighted index that includes all tax qualified REITs listed in the NYSE, AMEX, and NASDAQ National Market.*

**The S&P SmallCap 600 Index is an unmanaged benchmark index made up of 600 domestic small capitalization stocks chosen for market size, liquidity, and industry group representation.*

** The Russell 2000 is an unmanaged index comprised of 2000 smaller company stocks and is generally used as a measure of small cap stock performance*



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- * The Amex Pharmaceutical Index (DRG) is a market capitalization weighted index designed to represent a cross section of widely held, highly capitalized companies involved in various phases of the pharmaceutical industry.
- * The Dow Jones Equity REIT Index is a capitalization-weighted index composed of 114 US listed Equity real Estate Investment Trusts (REITs) comprising 95% of the equity REIT investable universe
- * The PHLX Semiconductor Index (SOX) is a price weighted index composed of 18 companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.
- * Small Cap stocks may be less liquid and subject to greater price volatility than large cap stocks.
- * Sector investing may involve a greater degree of risk than investments with broader diversification.
- * Investing in securities involves risk including the loss of principal invested. Past performance is no guarantee of future results.
- * Investments in real estate have various risks including the possible lack of liquidity and devaluation based on adverse economic and regulatory changes. As a result, the values of real estate may fluctuate resulting in the value at sale being more or less than the original price paid.
- * The Amex Securities Broker/Dealer Index (XBD) is an equal-dollar weighted index designed to measure the performance of highly capitalized companies in the U.S. securities broker/dealer industry. Included in this group are companies in the U.S. that provide securities brokerage services, market making, U.S. Treasury Primary Dealer functions and other functions dealing with U.S. and international securities.



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The opinions and statements made within this presentation should not be construed, directly or indirectly, as an offer to buy or sell any securities mentioned herein.

Prior recommendations found in the Cornerstone Report can be viewed on request in our Dallas office. Indexed are unmanaged and investors are not able to invest directly.

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Global or international investing involves special risks, such as currency fluctuation, political instability, and different methods of accounting and different reporting requirements.

The price of commodities, such as gold, is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility. In addition, investing in commodities often involve international investing in emerging markets, which involve significant risks.

All technical analysis and resulting conclusions and observations are based upon historical chart formations and patterns. Therefore, observations are a function of each analysts interpretation of the charts—and also a function of mathematical probabilities. In effect, technical analysis is a study in probabilities. What happened x number of times in the past per a particular chart pattern does not mean it will always recur in the future. It logically follows that historical precedent does not guarantee future results



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