CORNERSTONE
INVESTMENT PARTNERS, LLC

The Cornerstone Edge: Built to Execute

July 2026

Executive Summary

- **Table Stakes:** Every great investment firm must offer a timeless philosophy, an experienced team, a disciplined process, and alignment with its clients. We have all four — but these attributes are necessary, not differentiating. Every credible manager claims them.
- **The Real Edge:** We believe differentiation comes from how a firm is built to execute — the structure, business process, and culture determine whether decision quality is protected every day, across market environments.
- **Structure:** Equity ownership is broadly distributed. Portfolio managers also serve as analysts. Leadership for regular reviews of portfolio holdings is rotated among the team. These structural elements keep deep stock acumen close to the buy/sell decision, while eliminating suboptimal silos and other issues of agency effects.
- **Decision Architecture:** Daily research meetings and independent voting before discussion convert our values into repeatable behaviors: everyone researches, everyone debates, everyone votes, and everyone owns the collective team outcomes.
- **Culture:** With more than a decade of history operating as a team, we have created a high trust environment supporting diversity of thought to make better investment decisions. New members only join the investment team through an extensive multi-month interim "submarine test" to ensure a potential new member exhibits the shared values and philosophy of the investment team.
- **Multiplicative, Not Additive:** Structure reinforces process, process reinforces culture, and culture reinforces structure. The three multiply rather than add — if any one element is missing, the product is zero. Better culture, better structure, better business process = better investment decisions.

Ask ten investment managers what differentiates them and you will hear remarkably similar answers: a proven philosophy, an experienced team, a rigorous process, alignment with clients. Each claim is sincere. Each is also, by definition, not a differentiator — an attribute that everyone claims cannot be the reason to hire anyone.

This paper explains what we believe actually constitutes Cornerstone's edge. It is not a secret formula or superior access to information. It is the way the firm is deliberately built — its structure, its decision architecture, and its culture — so that a sound philosophy is executed with more discipline and better decision quality than firms that possess the same raw ingredients.

Table Stakes: What Every Great Firm Must Have

There are four attributes that we believe every great investment firm must have. We think of them as table stakes — the price of admission to be considered at all.

- **A timeless philosophy:** This is the definition of the market opportunity that an investment manager can repeatedly use to derive value for clients. Ours is that stock prices are more volatile than the company fundamentals that drive value — a mispricing that disciplined investors can capture.
- **An experienced team:** People who have seen multiple market cycles and have the judgment that only accumulates through them.
- **A disciplined process:** A repeatable method for generating, testing, and acting on ideas, applied consistently across environments.
- **Alignment with clients:** Incentives and ownership arranged so that the firm wins only when clients win.

Cornerstone has all four, and we are glad to demonstrate each in depth. But we would encourage allocators to be demanding about table stakes with every manager they evaluate — including us. Is the philosophy followed when it is out of favor? Is the experience shared by the team that manages the portfolio today, or inherited from a departed founder? Is the process reflected by documented decision making, or is it merely marketing language? Is alignment structural or rhetorical? Managers who genuinely clear the bar are less common than pitch books suggest.

Even so, clearing the bar is not an edge. The edge is what a firm builds on top of table stakes.

The Real Edge: Built to Execute

Active management is an unforgiving arithmetic. Before costs, the average actively managed dollar earns the market return; after costs, it must underperform. To win for clients over time, a manager needs a real, repeatable advantage — and because information itself is nearly free and universally available, we believe the durable advantage is decision quality. To us, decision quality means mitigating behavioral errors to make better decisions leading to a winning percentage of investments. When we win, we expect to win by more and we must have the humility to recognize mistakes quickly such that we constrain the size of those errors. Over time, these small advantages wrought from daily decision making have led to the notable track records we demonstrate today.

Decision quality does not come from wanting it. Decision quality is produced by the environment in which decisions are made. That environment has three components — how the firm is organized (structure), how the team works to make decisions every day (decision architecture), and how people treat evidence and each other (culture). Our edge is not just what we believe; it is how we are built to execute what we believe.

Structure: How We Are Organized

Three structural choices define Cornerstone.

Equity ownership is distributed. Cornerstone is owned by the people who do the work, and ownership is spread broadly across the team. That does more than align our economics with client outcomes. It flattens the organization: when many people own the firm, no single voice owns the truth, and the intellectual meritocracy our process depends on is protected by the ownership structure itself rather than by anyone's good intentions.

Portfolio Managers operate as analysts. Every decision-maker at Cornerstone does primary research. There is no layer of PMs consuming filtered summaries of other people's conviction. This dual role drives both speed of decision making and enhances conviction in those decisions. The reason is practical: in a concentrated, stock-picker's portfolio, allocating capital well requires a deep, first-hand understanding of every holding. A PM who has personally done the work on a company can size the position on evidence. A PM who has not personally done that work is sizing on secondhand confidence in an analyst — and inherits every bias embedded in the retelling.

Coverage rotates. No one at Cornerstone permanently has exclusive coverage of a company or a sector. PMs rotate leading the team review of a stock. This rotation prevents the franchise positions that quietly corrupt research at many firms; i.e., the analyst who cannot separate their thesis on a stock from their ego in the stock. It brings fresh eyes to every holding, distributes knowledge of each company across the team, and makes the portfolio the team's work rather than a federation of individual books.

Decision Architecture: How We Decide

Structure creates the conditions; decision architecture converts them into daily behavior.

We meet every day. The investment team reviews research daily, not on a monthly committee calendar. Evidence changes at its own pace, and a process that examines holdings at the speed evidence changes makes many small course corrections instead of a few large, late ones. Daily meetings also mean no thesis goes stale in a drawer: every holding is persistently owned, questioned, and re-underwritten by the whole team.

We vote independently, before we discuss. Each team member records a view before team debate begins, so the first speaker, the most senior voice, or the most forceful personality cannot anchor the room. Independent votes make the distribution of conviction visible, surface disagreement early, and let the meeting focus on the productive questions: "why does conviction differ?" and "what evidence would resolve it?" rather than on reaching comfortable consensus.

The result is a simple, demanding standard: everyone researches, everyone debates, everyone owns the outcome. **There are no spectators in our process, and no one to hide behind when a decision is wrong.** Shared accountability piques a hunger for continuous improvement, but continuous improvement requires the trust of each team member to put the team before self. Protecting ego constrains improvement.

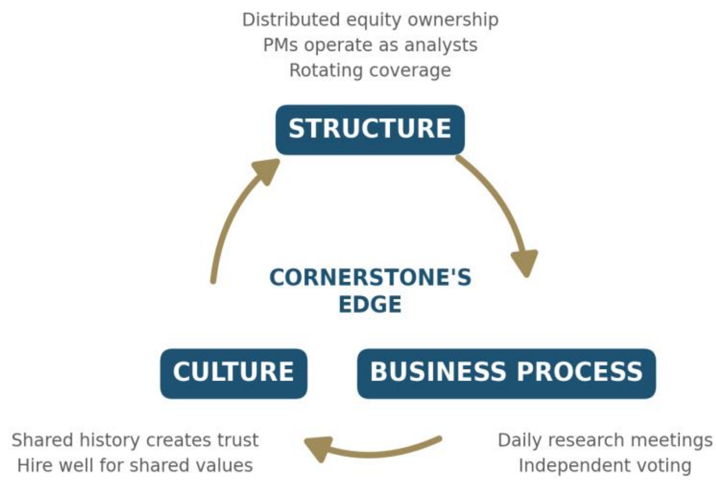
Culture: Why It Holds Together

A skeptic might observe that any firm could adopt daily meetings and independent voting tomorrow. Mechanically, yes. **But process without culture is theater**. Independent votes only matter if people vote what they believe rather than what is safe. Daily debate only helps if challenge is treated as a contribution rather than an attack. Rotation only works if handing over coverage is normal rather than a demotion.

That is why we hire well and deliberately for shared values — ***intellectual meritocracy, an obligation to dissent, low personal ego, team-first instincts*** — and why the shared history of this team matters so much. Cornerstone’s Portfolio Manager team has worked together for more than a decade. Shared history creates trust, and trust is the catalyst for making tough decisions: it is what allows a junior voice to challenge a senior one, what allows anyone to say “I was wrong” without losing standing, and what makes difficult conversations frictionless enough to happen every single day. Bringing new team members into this high trust environment requires more than careful selection. New team members are only brought on after a multi-month “submarine test”, where they work with the team on an interim basis to ensure they exhibit the shared values in a working team environment. As we argued in our paper, ***Beyond the Four Ps***, culture is the keeper of process, and trust is the keeper of culture.

A Virtuous Cycle: Multiplicative, Not Additive

These three elements are not a checklist; they are a loop. **Structure reinforces culture**: distributed ownership and PMs-as-analysts create the alignment and mutual respect from which trust grows. **Culture reinforces process**: trust is what makes independent votes honest and daily debate constructive rather than political. And **process reinforces structure**: daily meetings and rotating coverage are the habits that keep the organization genuinely flat, preventing hierarchy and silos from quietly re-forming. Each element strengthens the next, and the loop compounds over time.



Better Culture × Better Structure × Better Business Process = Better Investment Decisions

Because the elements reinforce one another, they are multiplicative rather than additive. Three strong elements do not add up to a good firm; they multiply into a durable one. And the multiplication cuts both ways: if any element is zero, the product is zero. A strong culture cannot survive a structure that concentrates power. A rigorous process cannot survive in a culture where dissent is punished. A flat structure is meaningless without the daily habits that use it.

This is also why we believe the edge is difficult to replicate. Any competitor can copy a meeting schedule or a voting mechanic. The additive pieces are available to everyone. What cannot be copied is the loop: a structure, a process, and more than a decade of shared history reinforcing one another. You can hire talented people; you cannot hire eleven years of working together.

Conclusion: Better Culture, Better Structure, Better Investment Decisions

Table stakes get a manager considered. The edge is the reason a manager is hired.

Cornerstone's edge is not a claim about what we believe; beliefs are table stakes. It is a description of how we are built: a structure that keeps decision-makers doing research and owning the firm, a business process that examines evidence daily and protects independent judgment, and a culture of trust earned through shared history that makes all of it real. Independent thinking, shared conviction.

Better culture, better structure, and better business processes together yield better investment decisions. That is the Cornerstone edge.

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