Meandering Markets

Markets Lose Momentum as Global Growth Concerns Mount

Equity leadership shifted continually between value vs. growth investments, while fixed income meandered until a sell off late in the 3Q21. Despite solid 2Q21 earnings, investors increasingly feared the prospect of slowing global growth rates, rising inflation and US fiscal policy uncertainty, all of which were partially offset by accommodative central banks.

Rockingstone Performance

We had a mixed quarter, with returns of +0.05%. We made just a few changes to investor accounts: exiting limited China and select EM exposure, executing a few short positions intra-quarter and building positions in some growth names. Our historical annualized returns incl: 1-yr +25.9%; 3-yr +13.7%; 5-yr +13.7%; and Inception (June 30, 2008), +11.7%.

3Q21 in Review

Although asset price appreciation early in the 3Q pointed to the bull market continuing, numerous cross currents limited returns by quarter end. Whether it was in bonds, stocks or commodities (except energy), heightening concerns around global growth, supply chain and "peak everything" led to September price declines across financial assets.

A Balanced Approach Still Seems Reasonable

Given our limited view on equity and fixed income returns from current levels, we still see "balanced" portfolios (i.e. growth vs. value, large vs. small cap) as logical, with a focus on companies that are able to maintain operating margins over time. We are hopeful the worst of the pandemic has passed, but remain concerned about inflation, interest rates, and US (public) as well as Chinese (private) debt levels. In this report we focus on secular inflation fears and whether cryptocurrencies can act as one possible hedge.

S&P500 Forecast and Other Key Indicators

Our latest forecasts include EPS (2021/2022: $200/$215), S&P500 (2021 year end = 4625), GDP (2021/2022: +4.5/+2.8%), Gold ($1900/oz), Oil ($75/brl), 10-yr US Bond Yield (1.9%), Inflation (4.0%), 5-yr expected CAGR (US Large Cap -3.1%, US Mid Cap +1.9%, US Small Cap +2.5%, Developed -0.2%, Emerging +3.5%).

ABOUT US

Rockingstone Advisors LLC is a boutique asset management and corporate advisory firm co-managed by Brandt Sakakeeny and Eric Katzman, CFA.

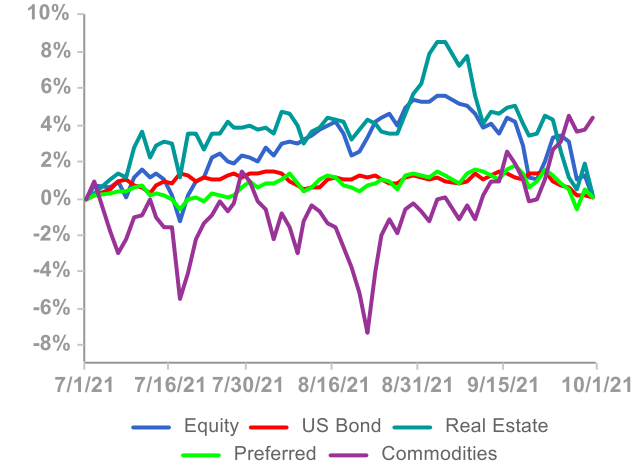
As an SEC-registered investment advisor, we provide multi-asset investment strategies to individuals, families and small institutions through separate accounts.

Our investment strategies attempt to capitalize on pricing inefficiencies across broad asset classes and then across individual securities, with a strong emphasis on fundamental research and analysis.

Thank you for your interest. You can find more information (and some interesting articles) at:

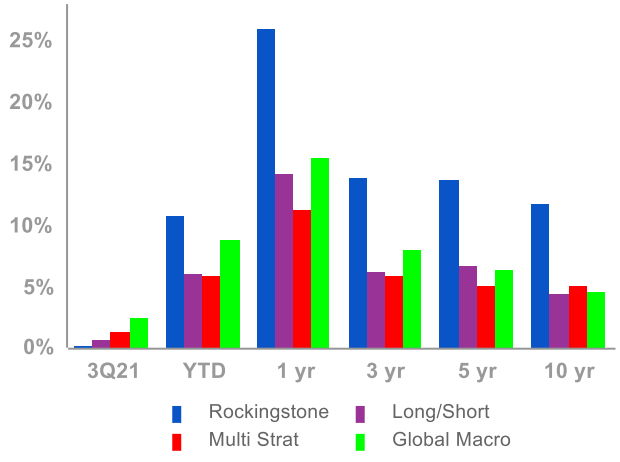
www.rockingstoneadvisors.com

Figure 1: 3Q21 Asset Class Performance[i]



Source: FactSet

Figure 2: Rockingstone: 3Q21 & Historical Annualized Returns[ii]



Source: Rockingstone Advisors, Morningstar, DJ Credit Suisse Indices

Please see our End Notes and Disclosures (pages 24-25 of this Investor Quarterly) for important information regarding performance measures. Form ADV available upon request.

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Table of Contents

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Inflation, Crypto & The Blockchain

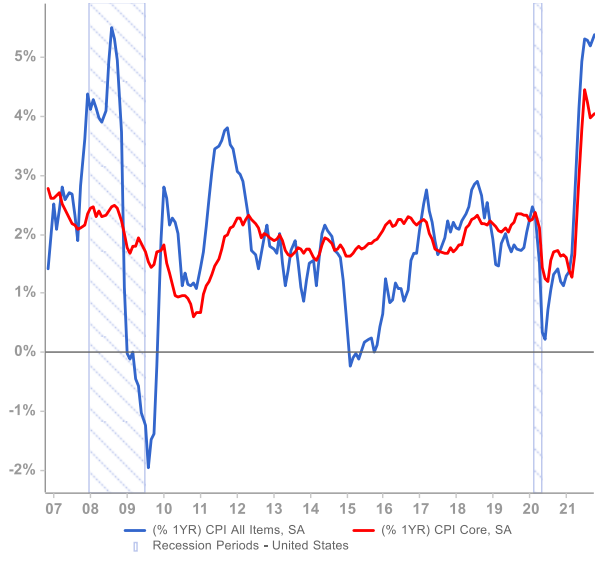
Summary

Inflation has not been much of a concern for developed market investors for nearly 40 years. It was back in the early 1980s when US Fed Chair Paul Volker raised interest rates substantially, triggering a significant recession, to reduce chronic inflation. Annual price increases had bedeviled the US economy (and many developed economies) for more than a decade and, fortunately, the Fed's actions were effective in quashing inflation, albeit at a steep cost in employment.

There are many reasons inflation has been muted over much of the last four decades, including innovation-led productivity improvements, immigration, as well as free trade that allowed for lower cost production / comparative advantages to dominate the global marketplace. The lack of inflation, combined with free trade, led to more globally-integrated supply chains, including the adoption of "just in time (JIT)" manufacturing, which limited the need to tie up working capital in buying and storing excess inventory.

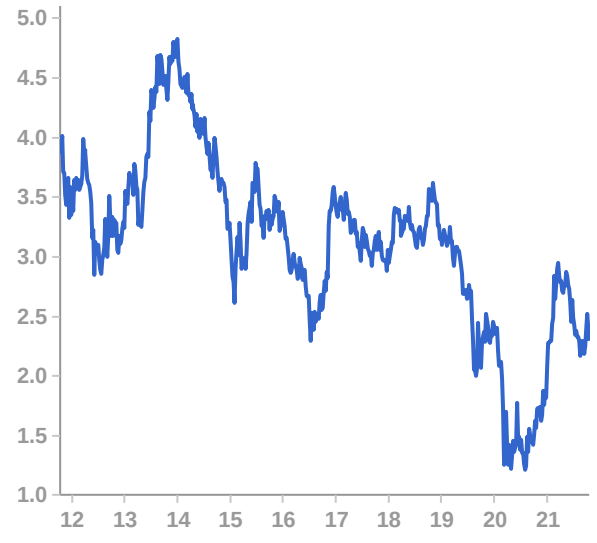
The JIT effort was broadly leveraged by companies across the globe, helping to lift profit margins to record levels. However, in recent years, the rising tide of nationalism and the questioning of free trade agreements has led to some slippage and disruption of global supply chains. Even with the aforementioned moves away from free trade and increases in many US minimum wage laws, inflation had remained muted, and most supply chains were operating with few problems leading into the pandemic.

Figure 3: US Consumer Price Index



Source: FactSet

Figure 4: Inflation: Forward Expectations (10 vs. 5 yr bonds)



Source: FactSet

Unfortunately, the emergence of Covid 19 and the concomitant shift from the consumption of services to goods, has dramatically disrupted multiple markets, from labor markets to supply chains. As economies started to reopen from the initial wave of shutdowns in 2020, a wave of demand (from pent up consumer spending and government funding) has led to a surge in inflation. Initially it was believed that inflation would be short lived (or

"transitory," according to the Fed), but even Fed Chair Powell has now recognized that pricing pressure is more sustained than originally forecast, with the prospect that rather than abating in the intermediate term, inflation rates (CPI, PPI, PCE) may remain elevated for the intermediate term.

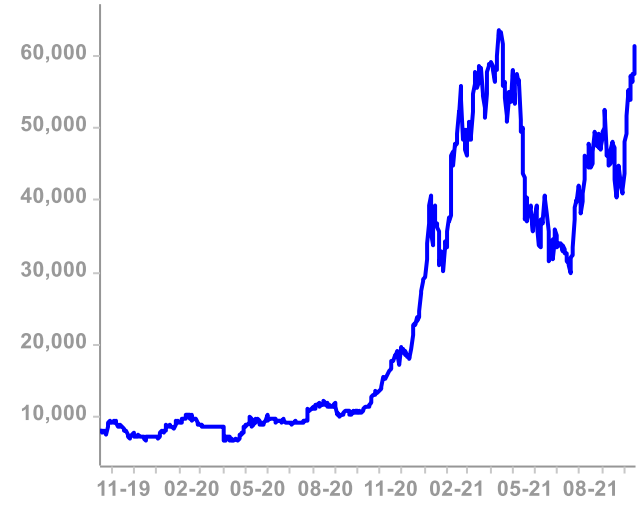
Whether inflation is secular or transitory remains to be seen. Historically, investors looked to offset inflation risk by holding real assets, like commodities (gold), durable goods or real estate. But recently, investors— especially millennials— have come to view cryptocurrencies and other digital assets as a means of hedging inflation or perhaps protecting purchasing power. In this section we explore this dynamic as well as the implications of blockchain technology on decentralized finance (i.e. disruption of the current payment / banking system).

The Fundamentals of Cryptocurrency & Blockchain Technology

At its core, the development of blockchain technology effectively creates a de-centralized, open-source, peer-to-peer ledger network with a complete but secure system that resides outside of traditional, centrally stored databases, which are often referred to as Web 2.0, itself a successor to Web 1.0 (the downloading of static web pages). Hence, under a new Web 3.0 protocol, open-source blockchain technology has spurred the creation of a plethora of digital tradeable assets (i.e. cryptocurrencies, non-fungible tokens, etc.) that leverage blockchain technology, with the tokens acting as a means to incent developers to create applications that reside on these new technology platforms. The origins of the new approach to such a network are attributed to Satoshi Nakamoto, who is believed to have written a white paper in late 2008 titled, "Bitcoin: A Peer-to-Peer Electronic Cash System."

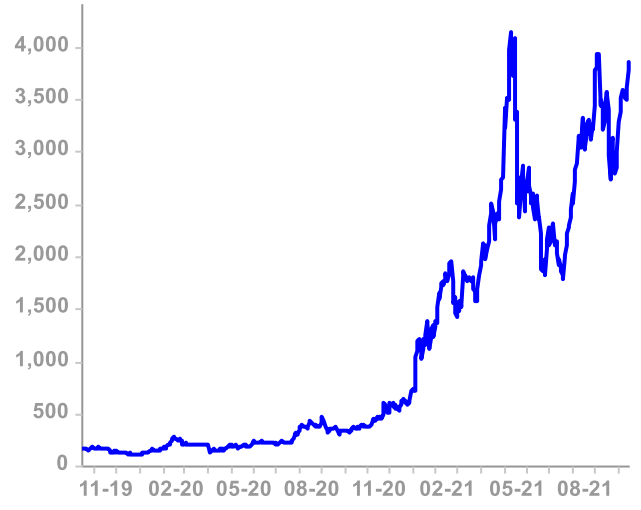
Simplistically, blockchain technology allows for anonymous and immediate transactions between individuals where such transactions are confirmed and codified by all participants using the same ledger. Developers are rewarded through various cryptocurrencies or coins (such as Bitcoin, Ethereum and others) to actively monitor and develop applications on the the blockchain networks. As recognition of the network's power and usage has grown, the value of coins has jumped (see Figures below).

Figure 5: Bitcoin Historical Performance ($US: 2-year)



Source: FactSet

Figure 6: Ethereum Historical Performance ($US: 2-year)



Source: FactSet

Blockchain Technology, Decentralized Finance & Status Quo Disruption

Technological advancements, particularly over the last decade, have led to the disruption of the status quo across many industries. Until the advent of cryptocurrencies and the blockchain, financial services and banking had been largely untouched by technological disruption. Indeed, any US banking consumer who attempts to move funds (i.e. ABA routing network developed in 1910) is confronted with a centralized Federal Reserve-controlled system that is based on pre-internet technology. Similarly, the global banking system is largely based on the SWIFT network, which uses more traditional technology to transfer funds, identify participants and allow for everyday banking / finance. Antiquated transfer and settlement systems are not only associated with banking, but so too are stock and bond trading and other types of exchange where buyers and sellers agree to terms settled in a central clearinghouse-type structure.

We believe it is likely that many traditional back-office finance and banking operations may be obviated by innovation as investors plow more funds into cryptocurrencies, consumers recognize the efficacy and efficiency of the blockchain technology, and regulators create more rapid and robust settlement tools to improve financial transaction efficiency and security. Today, the value of cryptocurrency assets exceeds $1 trillion.

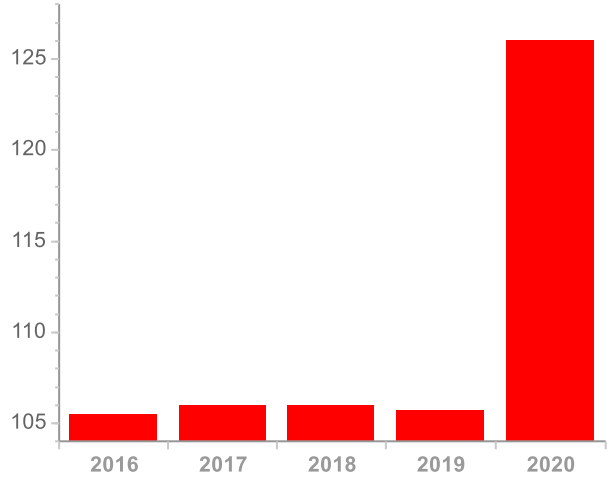
There are several reasons why disruption is likely to occur, including: (1) the ability of technology to efficiently arbitrage traditional banking profits, and (2) government devaluation of fiat currencies due to significant leverage and loose monetary policy.

To the extent blockchain technology allows for secure and anonymous peer-to-peer transactions, it is easy to see how current financial profit centers could be disintermediated. For example, could blockchain technology allow a hard-working immigrant the ability to "send" funds back to his or her family without having to pay numerous fees? Another example could include the disintermediation of high-cost check cashing businesses that often exploit workers who need immediate cash. With more widely accepted cryptocurrencies and blockchain technology, such fees and costs would likely be dramatically reduced or even eliminated.

Cryptocurrencies: A Tool for Inflation?

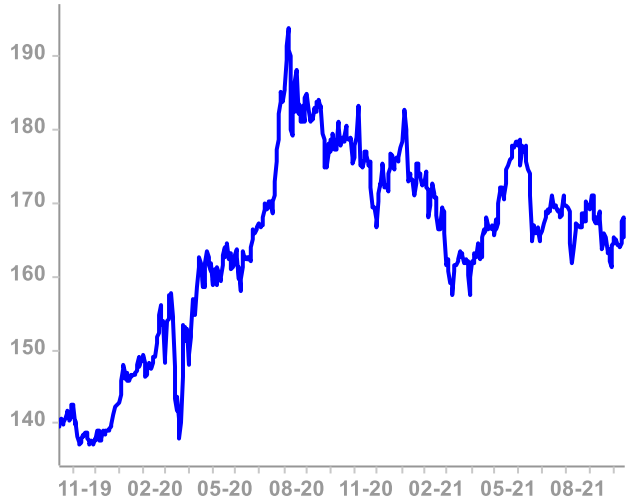
As we noted at the beginning of this section, a combination of events and factors appear to increase the likelihood of secular inflation. In assessing the past 10-15 years, governments across the globe have added significant debt (see Figure on following page) to deal with both the aftermath of the Global Financial Crisis (GFC) in 2009 and the Covid-19 pandemic starting in 2020.

Figure 7: US Central Govt Debt As % Of GDP



Source: FactSet

Figure 8: Gold Historical Performance (GLD-ETF: 1-Year)



Source: FactSet

Although warnings about excess debt as a percentage of GDP have existed for decades, most experts agree that no economy— even one whose currency is the global reserve— can run excessive deficits interminably.

Looking at the above graph, investors appeared to gravitate to gold (as measured by the GLD ETF) in the period preceding the pandemic-induced shutdown and then into mid-summer 2020. But such interest waned as vaccines progressed and investors began to look past the pandemic and into a more normalized economic recovery, ultimately with higher interest rates over time. Yet as inflation fears have re-emerged over the several months, it is clear investors have not viewed gold as an effective hedge.

Our sense is that a generational divide exists among investors when comparing gold to cryptocurrencies as the best hedge against such inflation. Perhaps it is the lingering impact of the GFC in 2008 in addition to a second "black swan" event in the form of the pandemic, but younger investors appear more comfortable with investments in decentralized finance. Indeed, many next generation investors have greater trust in private company value creation and cryptocurrencies vs. owning shares of publicly traded companies and fiat currencies!

To the extent there are demographic forces at play, we can make the case that cryptocurrencies may be increasingly viewed as a store of value over the long term. While many argue cryptocurrencies generate no cash flows and thus cannot be valued along tradition DCF models, the same can be said for gold and other commodities. We would also point out that while fiat currencies can be supported by their governments' ability to tax its citizenry, there is a hard-to-quantify psychological component underpinning the belief that a fiat currency will hold its value.

Given the above, including the specter of inflation and long-term concerns about government debt, we believe holding a diversified basket of cryptocurrencies is a reasonable approach. Along with real estate, durable goods, commodity-oriented investments and select bonds (i.e. TIPS, floating rate notes, preferreds), we believe a 1-2% allocation of net worth to digital assets seems logical, particularly as they tend to be uncorrelated to the movement of traditional non-digital assets, thereby lowering the risk of the entire portfolio.

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Forecast: 2021 & 2022 Outlook

Rockingstone Advisors' Latest Forecasts

We have updated forecasts to reflect our outlook for 2021 and 2022. As noted earlier in this and past newsletters, volatility in politics, trade relations, pandemic trends and many other issues make forecasting 2021 and 2022 difficult.

Figure 9: Key Metric Forecast

	Year End December	
Metric	Band	Point
US Real GDP (2021)	+3.0% to +5.0%	4.5%
US Real GDP (2022)	+1.5% to +3.5%	2.8%
S&P 500 2021 EPS (RSA/Street)	NA	$200 / $200
S&P 500 2022 EPS (RSA/Street)	NA	$215 / $219
S&P 500 2021 Index	4450-4700	4625
10-Yr US Treasury Yield	1.8% - 2.0%	1.9%
Oil (WTI-2021 End)	$70 - $80	$75
Gold (2021 End)	$1,650 - $2,050	$1,900
Inflation (NTM)	+3.8% to +5.3%	4.0%

Source: Rockingstone Advisors, The Economist, Standard and Poor's, NYSE Arca, St. Louis Federal Reserve

A few observations and comments:

1. Gross Domestic Product (GDP). We lower our 2021 GDP growth expectation from 6.5% to 4.5%. The Atlanta Fed's GDPNow has decelerated rapidly, showing 3Q21 GDP growth of just 0.5%. The deceleration is due to widespread labor shortages and supply chain disruptions that have forced companies to miss deliveries of key products and services. We believe these disruptions may now continue longer into 2022 than originally forecast.

2. S&P 500 EPS. Admittedly against easy compares, 2Q21 corporate earnings were robust and although it is early, it appears 3Q21 profits will also be strong. As a result, our above consensus forecast already appears to be too low. We raise our 2021 outlook to $200 from $193 (consensus jumped from $189 to $200) and thus now remain in line with street expectations. However, in 2022 we believe corporate profits will increase just 6% to $215 (previous forecast was $205) vs. consensus expectations for $220 a share.

3. S&P500 2021 Index. Based on our updated $215 EPS forecast for 2022 and assuming interest rates remain low, we believe using a 21.5x forward P/E multiple is reasonable at this time. As a result, we forecast the S&P500 to end 2021 at about 4625. This is just modestly above the S&P500's current level and thus consistent with our view the limited upside for the tech-heavy index.

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Five Year Asset Value Forecast[iii]

Margin Pressure Decreases Our Return Outlook

Our analysis suggests that US large cap stocks offer little to no long-term return from current levels over the next half decade. Valuation for the S&P500 is slightly above its historical mean, but operating margins are far above their historical average, arguing for muted returns if margins mean-revert. As noted last quarter, our analysis suggests US small caps (using the S&P 600) offer more compelling returns given more modest valuation headwinds and historically robust sales growth.

Looking beyond the US, it is a slightly more optimistic return outlook. For example, Emerging Markets appear to offer respectable returns with balanced benefits from sales and yield offset in part by valuation and margin pressure. Developed Markets now offer a slightly negative return outlook, reflecting contributions from sales growth and dividend yield vs. both valuation and margin challenges.

Figure 10: Five-Year Total Equity Return Calculations (Incremental Contribution)

Asset	Index	LT Exp. Return		Sales		Profit Margin		Div.Yield		Valuation
US Large Cap Stock	S&P500	-3.1%	=	4.4%	-	3.1%	+	1.4%	-	5.8%
US Mid Cap Stock	S&P400	1.9%	=	3.7%	-	3.1%	+	1.4%	-	0.1%
US Small Cap Stock	S&P600	2.5%	=	5.1%	-	4.1%	+	1.5%	-	0.0%
Foreign DM Stock	MSCI-EAFE	-0.2%	=	2.3%	-	2.7%	+	2.8%	-	2.6%
Foreign EM Stock	MSCI-EM	3.5%	=	4.3%	-	1.8%	+	3.1%	-	2.1%

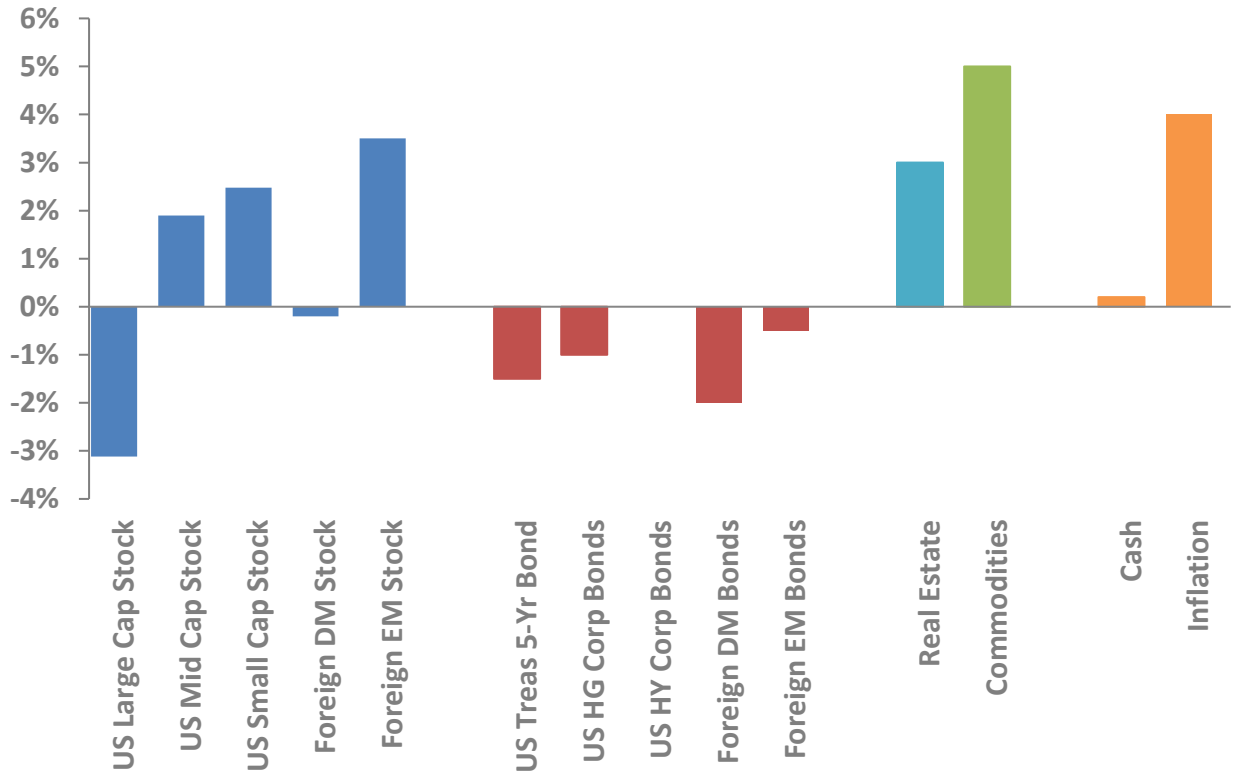
Source: Rockingstone Advisors

We analyze equities using four variables such as (i) historical sales growth, (ii) corporate profit margins, (iii) dividend yields, and (iv) valuation, to determine potential long-term returns. Using valuation as an example, P/Es should theoretically decline (if currently above the historical mean) or expand (if currently below the historical mean) over the long term.

Based on our outlook for total returns, we expect the "give" of sales growth, valuation and dividends to be partly offset by the "take" of mean-reverting margins. We expect sales growth to be relatively close to long term average performance, although presently the economy suggests lowered expectations are likely prudent. Profit margins are now below their recent history, so they are now additive to valuation.

In fixed income (see the next page for various assumptions), we expect the "give" of coupons will be exceeded by the "take" of mean-reverting inflation and real rates, both of which are below their historical mean. Given that inflationary pressures show no sign of abating, as well as the prospect that the Fed will be curtailing its asset purchases probably as soon as November, we see additional upward pressure on interest rates, and hence negative pressure on total returns across the fixed income spectrum. For this reason we favor spread products over rate products, and floating over fixed.

Figure 11: Five-Year Asset Class Total Return Forecast



Source: Rockingstone Advisors

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Equity Performance Review

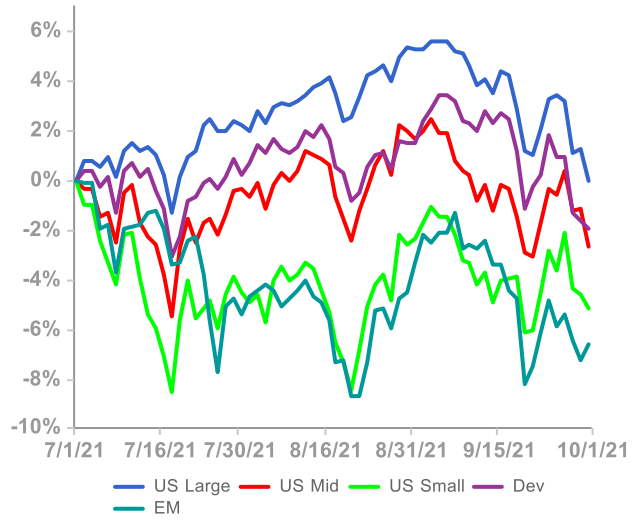
A Struggle to Maintain Momentum

Although the S&P500 and Developed Market stocks performed well for the first two months of the quarter, peaking around the end of August, myriad concerns began to mount in September that prompted an equity sell-off throughout the month, thereby limiting equity returns for the full quarter. Interestingly, other major equity sectors, such as small caps and emerging market (most notably Chinese) stocks, displayed weakness throughout the 3Q21.

Despite relatively strong 2Q21 earnings results announced in late July and into early August, equity markets were confronted with issues such as: (1) secular inflation fears, (2) falling interest rates combined with Fed taper concerns, (3) Chinese real estate debt problems and increasing government interference in private businesses, (4) Covid 19 delta variant worries, (5) U.S. debt levels and (6) growing concern around the fiscal and tax policies of the new administration and a Democratic congress.

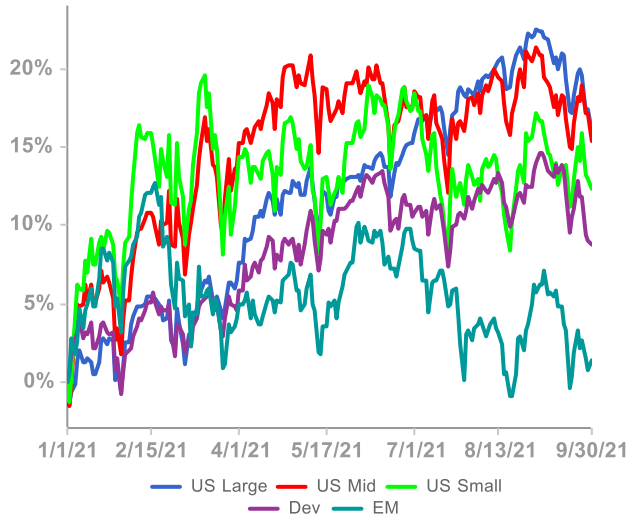
We note the following performance metrics during 3Q21 and 9M21, respectively, results: US large-cap (+0.3% and +15.9%), US mid-cap (-0.5% and +15.4%), US small-cap (-5.2% and +12.3%), Developed (-1.9% and +8.7%), Emerging (-6.6% and +1.4%).

Figure 12: 3Q21 Equity Performance [iv]



Source: FactSet

Figure 13: YTD Equity Performance



Source: FactSet

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Fixed Income Performance Review

Range Bound Performance Until Quarter End

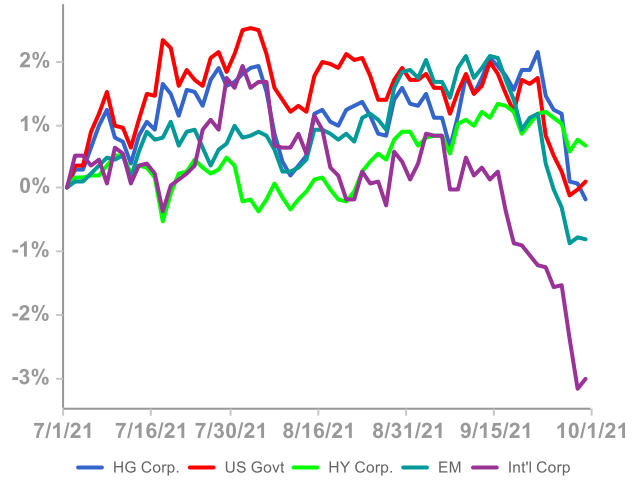
Global yields were generally flat to down modestly for much of the 3Q21, only to rise materially as the quarter ended. Earlier in the quarter, especially in the face of rising cases in the US South and in Europe, US Federal Reserve and ECB commentary around maintaining liquidity in the face of the delta variant kept interest rates range-bound.

Yet as the 3Q21 came to a close, global interest rates jumped, leading to generally poor 3Q21 fixed income returns (bond prices move in the opposite direction of interest rates). Increasing concerns over mounting and sustained inflation pressure, plus declining delta variant case numbers, along with concerns on the pace and timing of tapering (i.e. the Federal Reserve starting to limit asset purchases) were the main culprits. Additionally, the prospect of a major US fiscal policy expansion may have also weighed on returns.

As has been the case for an extended period, we are generally under-weight bonds and see limited returns, except perhaps with emerging market bonds (which will benefit from commodity price jumps), high yield paper (linked to energy companies) and floating rate debt (as a hedge against inflation). The slew of debt issued during the pandemic, at some point, is likely to force interest rates higher. Record level accommodation by global central banks has limited the market's ability to correctly gauge the risk-free rate, in our view.

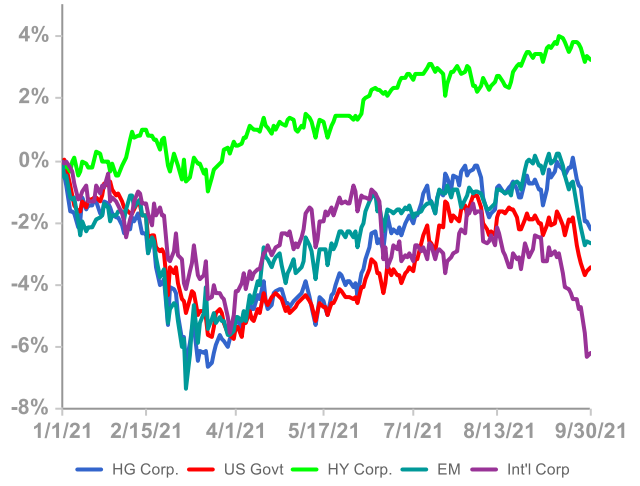
We note the following performance metrics during 3Q21 and 9M21, respectively, results: US govt (+0.4% and -3.4%), US high grade corp (-0.4% and -2.2%), US high yield (+0.3% and +3.2%), Developed (-3.0% and -6.2%), Emerging (-1.1% and -2.6%). US high yield bonds outperformed largely due to a higher mix of energy related companies in the index.

Figure 14: 3Q21 Fixed Income Performance[v]



Source: FactSet

Figure 15: YTD Fixed Income Performance



Source: FactSet

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Commodity Performance Review

Quarter Witnesses Exceptional Volatility Across Commodity Landscape

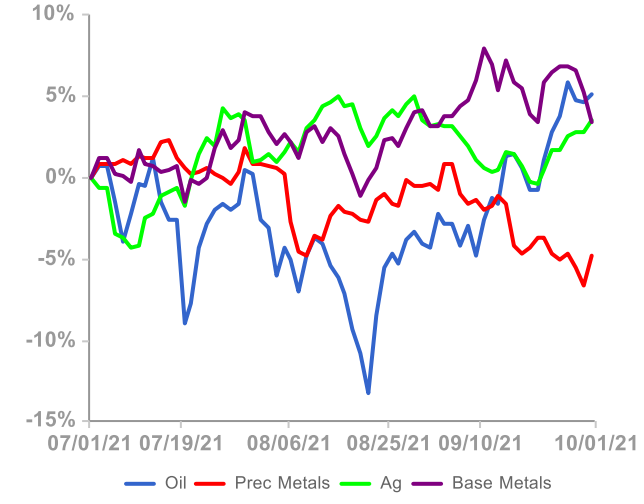
Not too surprisingly, global macro issues that caused volatility in equities and fixed income also led to big gyrations in the commodity complex. Leaving aside energy for a moment, agriculture and base metals both rose slightly. Meanwhile, precious metals weakened, led by silver (SLV), which plummeted 14.9% during the quarter.

The energy complex, as evidenced by the price action in oil, has decoupled itself from the rest of the commodity complex, ending the quarter significantly higher but not without first declining by nearly 15% before a rapid rise in September. There are several reasons behind the 62.8% YTD rise in oil prices, including: (1) supply discipline on the part of OPEC+, (2) weather events across the globe, such as flooding in China that limited coal production as well as limited wind power in the EU, (3) concerns around lack of investment in new oil exploration projects given the transition to "greener" fuels, and (3) distribution disruption, including labor shortages.

We have noted in the past, and it is worth reiterating, that investors should expect greater volatility in commodity prices vs. equities or bonds. This is because, unlike (most) stocks and bonds, commodities do not generate a stream of free cash flows that can be discounted back to present value. Commodities are also frequently susceptible to sudden supply and demand shocks impacting their price. But because commodities are priced in $US and traded globally, they are considered a store of value, especially if the dollar declines.

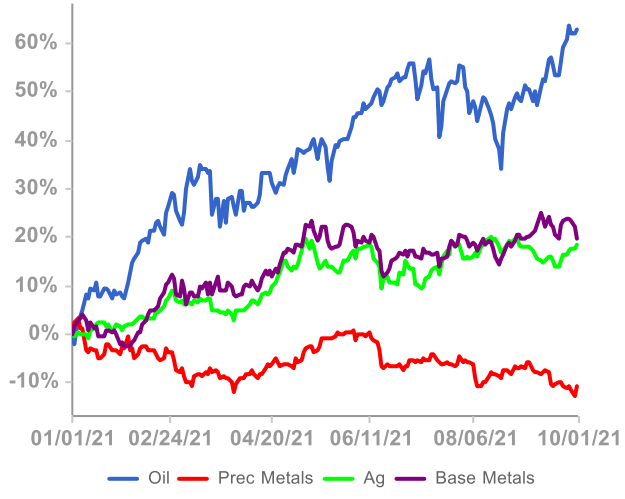
We typically invest in commodities via ETFs. The below graphs display what we view as representative performance for the underlying commodities. We note returns during the 3Q21 and 9M21, respectively: Oil (+5.2% and +62.8%), Precious Metals (-4.8% and -10.8%), Agriculture (+3.5% and +18.5%), Base Metals (+3.5% and +19.9%).

Figure 16: 3Q21 Commodity Performance[vi]



Source: FactSet

Figure 17: YTD Commodity Performance



Source: FactSet

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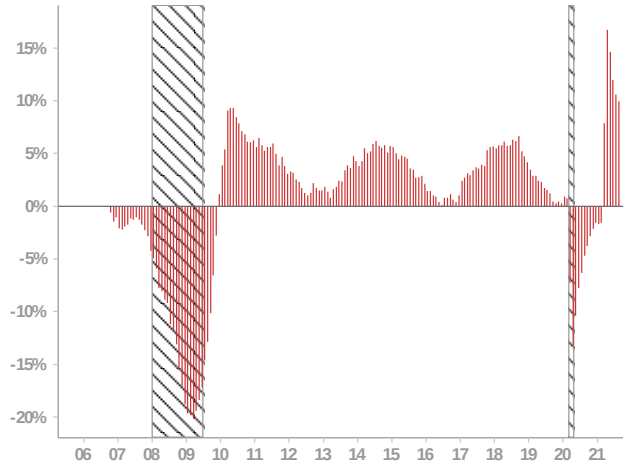
Chart Book

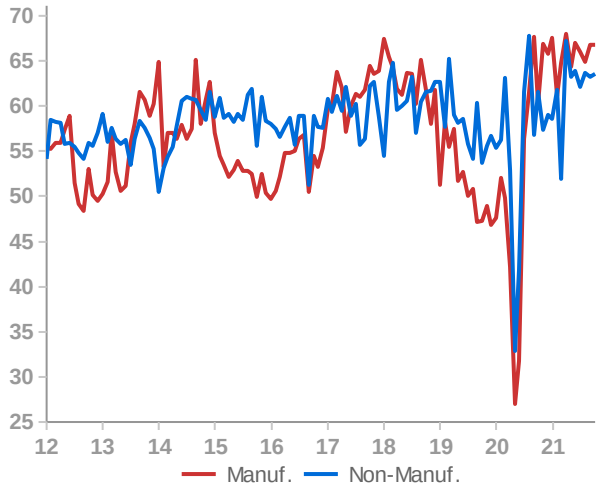
Leading Indicators

Figure 18: Index of Leading Economic Indicators



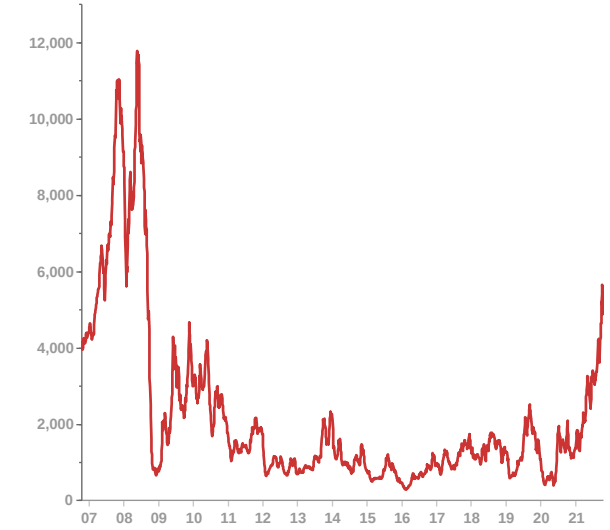
Source: FactSet

Figure 19: ISM New Orders



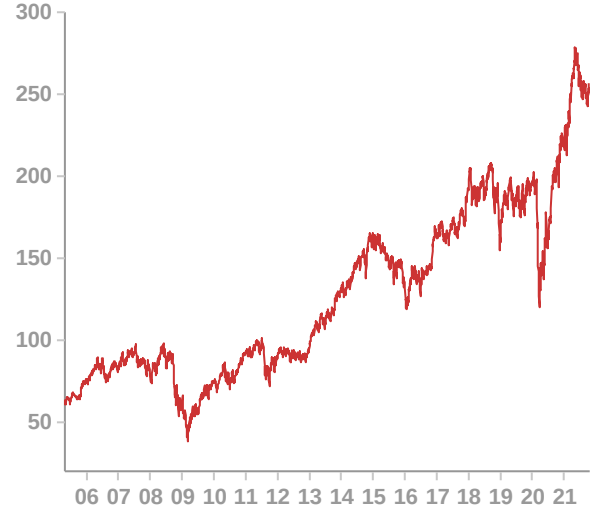
Source: St. Louis Federal Reserve, FRED Database

Figure 20: Baltic Freight Index



Source: FactSet

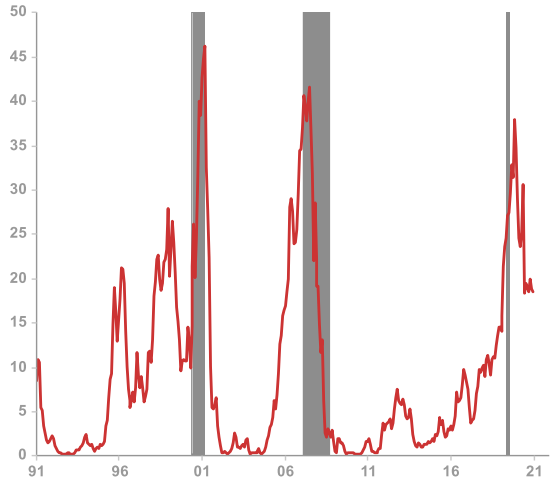
Figure 21: DJ Transports



Source: FactSet

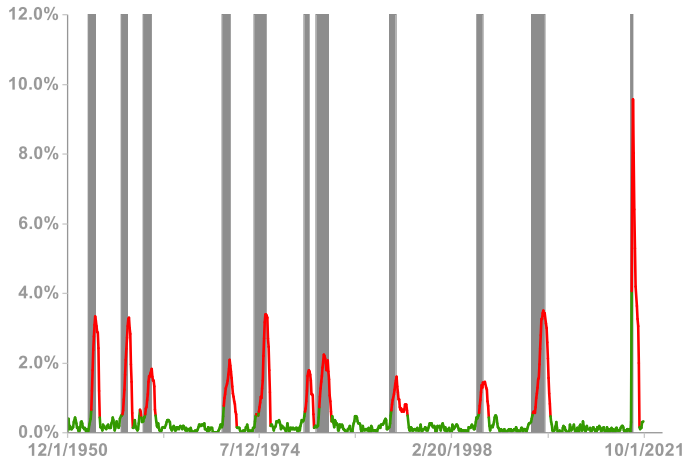
Real-time Recession Risk Indicators

Figure 22: Treasury Spread Recession Predictor



Source: FactSet, FRED Database

Figure 23: Sahm Real-time Recession Predictor

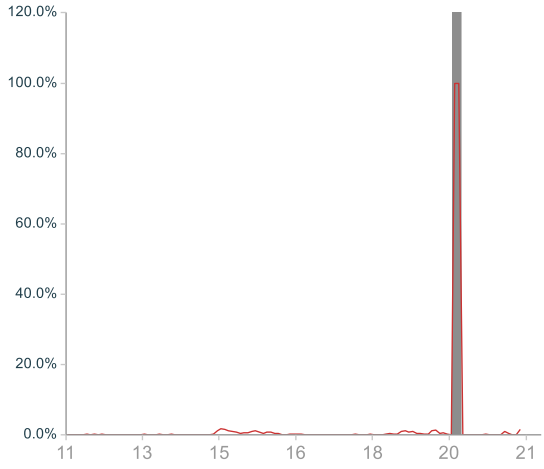


Source: St. Louis Federal Reserve, FRED Database

Figure 24: GDP Now (Atlanta Fed)

Source: FactSet; FRED Database

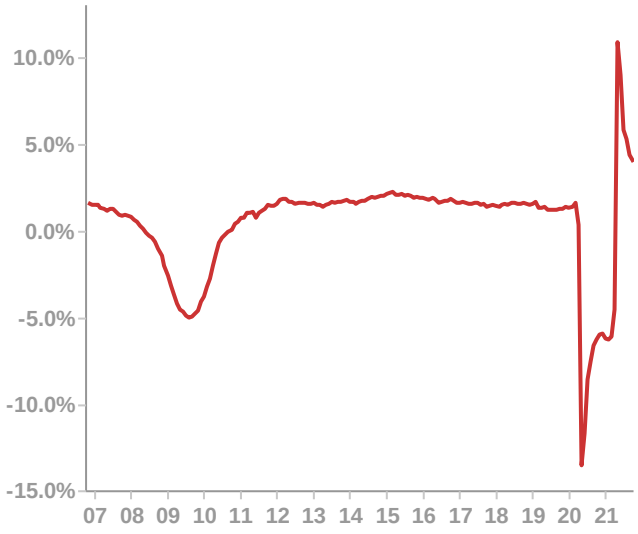
Figure 25: Smoothed US Recession Probabilities



Source: FactSet; FRED Database

Labor Market Indicators

Figure 26: Payroll Growth (Establishment Survey, % Chg. YoY)

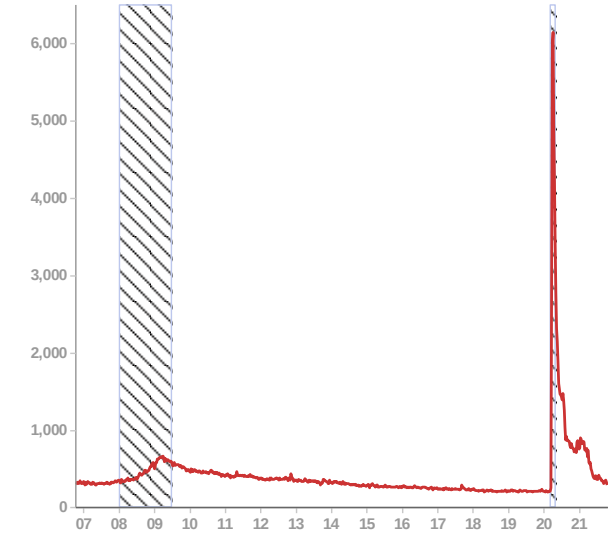


Source: FactSet

Figure 27: Labor Participation Rate (% of Workforce)

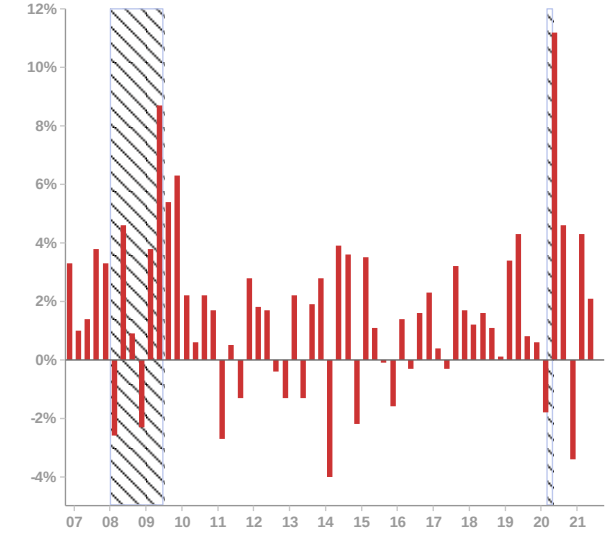
Source: FactSet

Figure 28: Initial Unemployment Claims



Source: FactSet

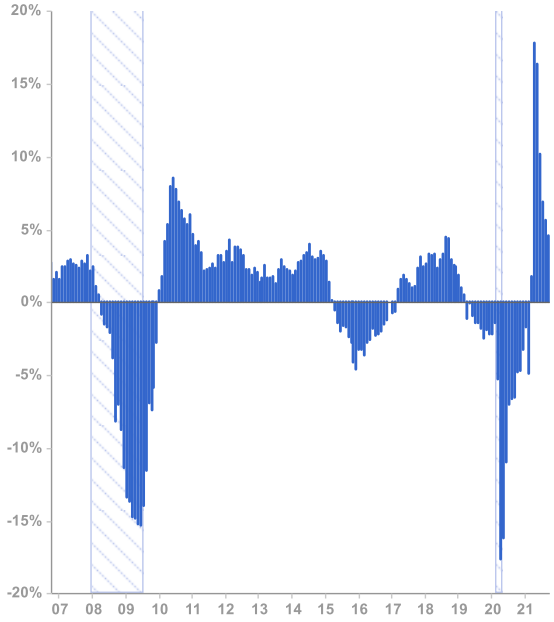
Figure 29: Non-Farm Productivity (% Chg. YoY)



Source: FactSet

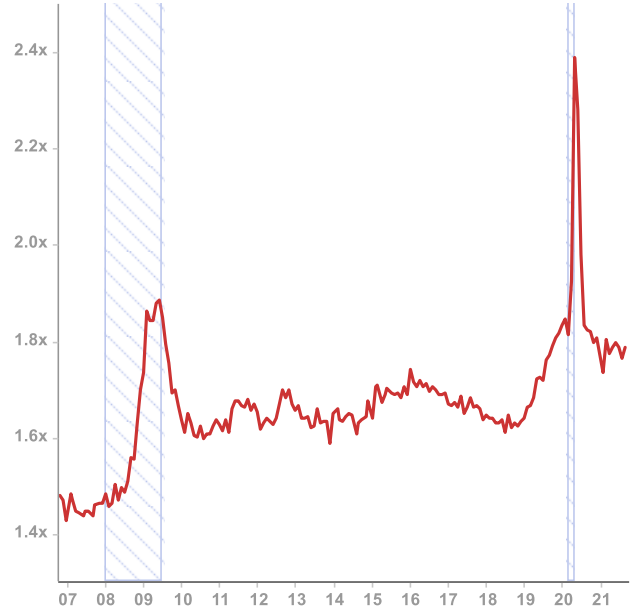
Production and Business Activity Indicators

Figure 30: Industrial Production (% Chg. YoY)



Source: FactSet

Figure 31: US Inventory to Shipment Ratio



Source: FactSet

Figure 32: Unfilled Orders (% Chg. YoY)

Source: FactSet

Figure 33: Business Sales (% Chg. YoY)

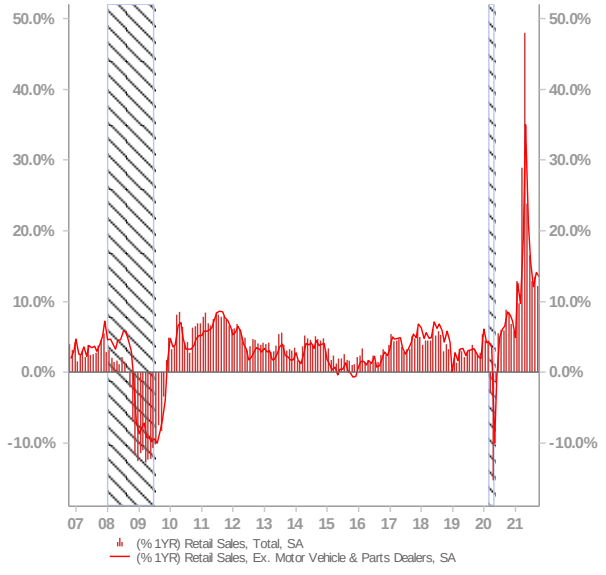
Source: FactSet

Consumer and Household Activity Indicators

Figure 34: University of Michigan Consumer Sentiment

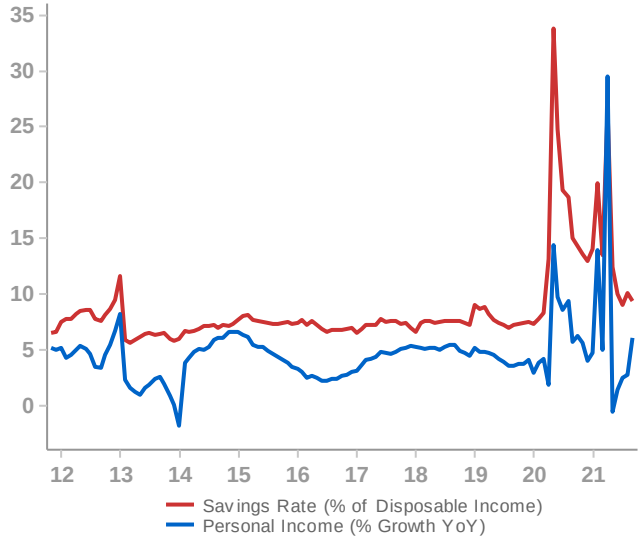
Source: FactSet

Figure 35: Retail Sales



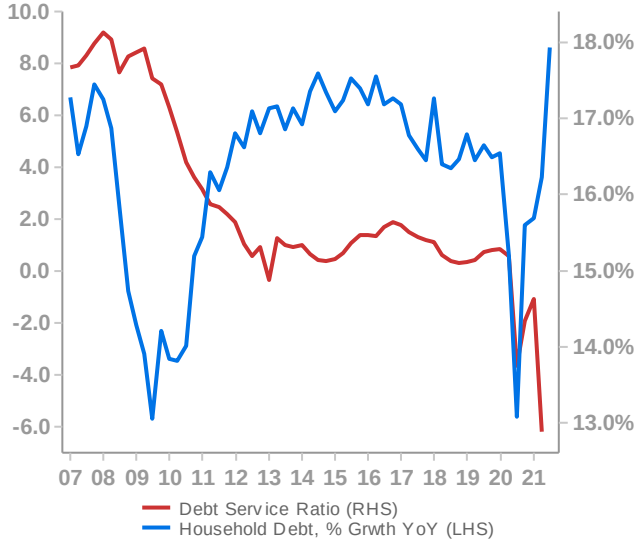
Source: FactSet

Figure 36: Personal Income and Savings Rate



Source: FactSet

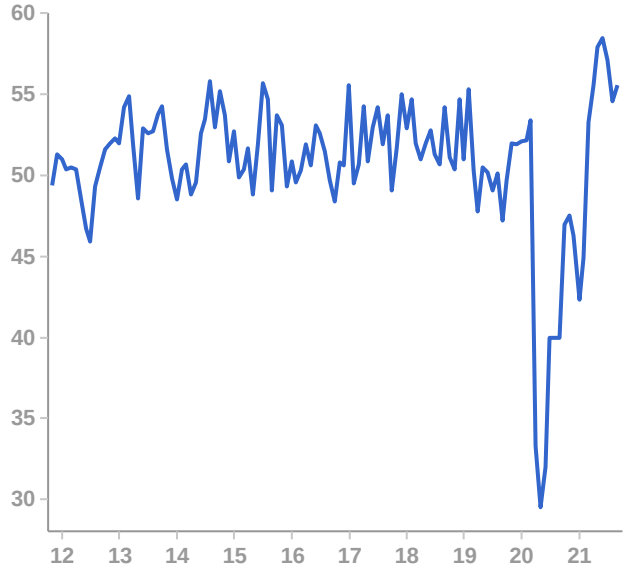
Figure 37: Household Debt



Source: FactSet

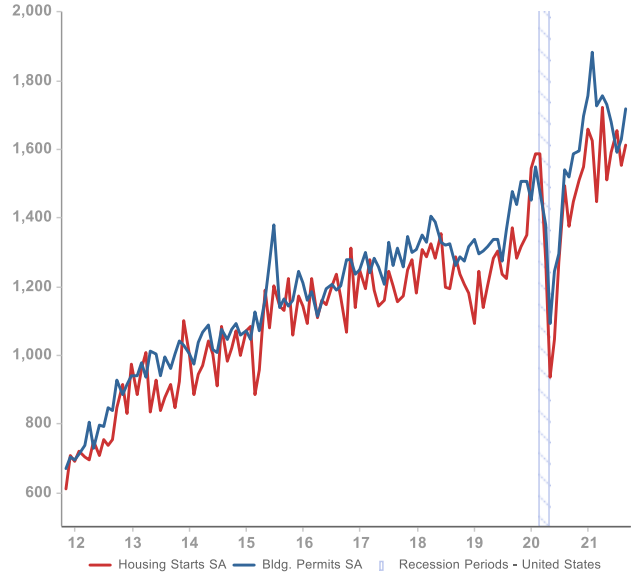
Housing and Construction Indicators

Figure 38: Architecture Billings Index



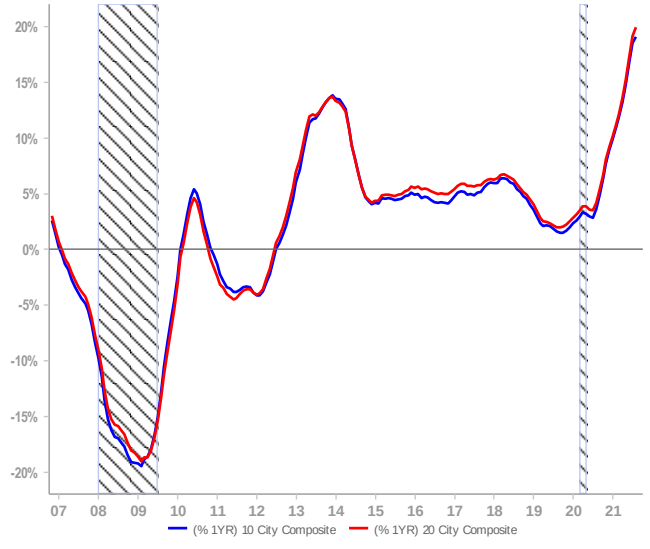
Source: FactSet

Figure 39: Housing Starts and Building Permits



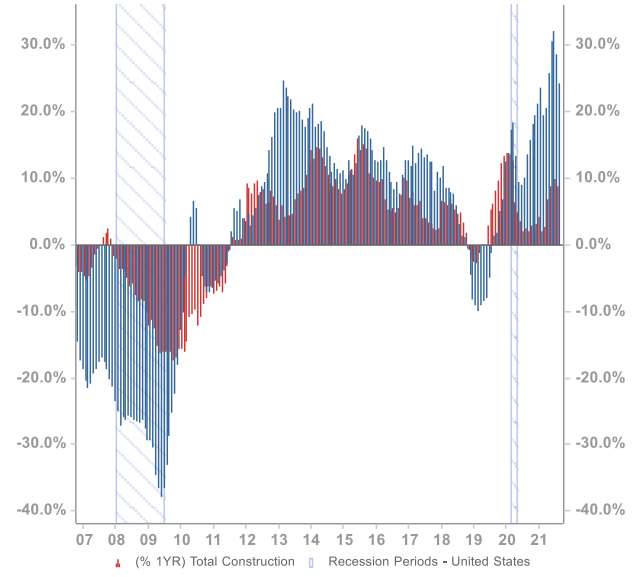
Source: FactSet

Figure 40: Case-Shiller 20-City & 10-City Index, % Chg. YoY



Source: FactSet

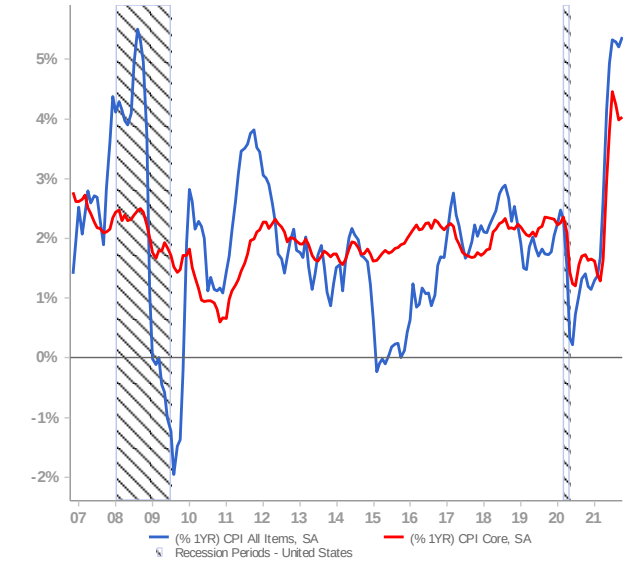
Figure 41: Private and Total Construction (% Chg. YoY)



Source: FactSet

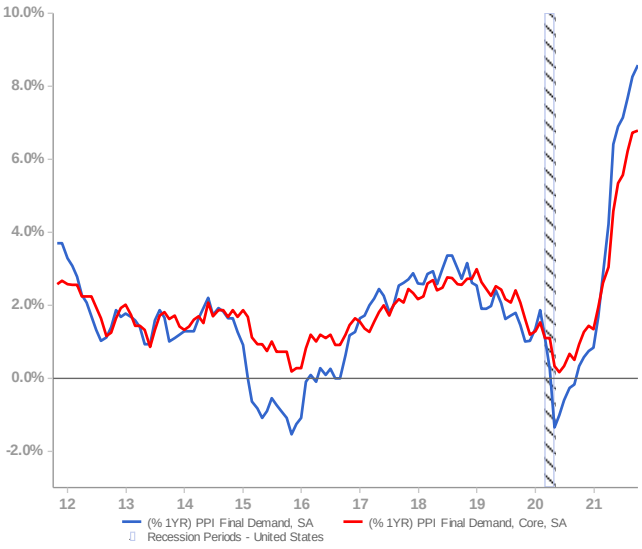
Price Indicators

Figure 42: Consumer Price Index



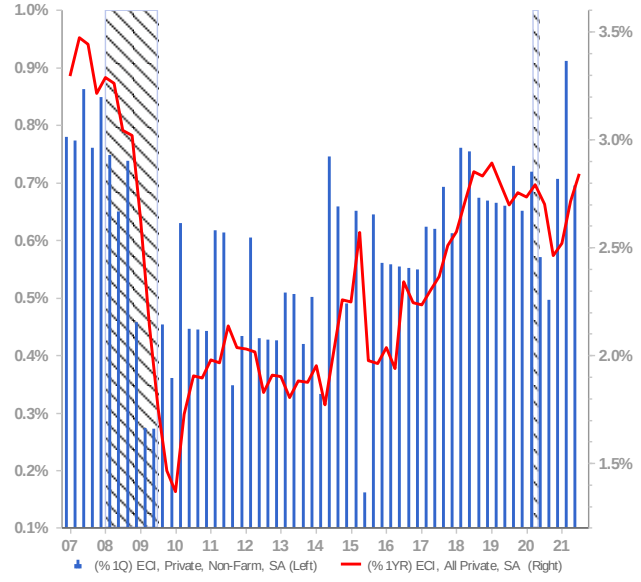
Source: FactSet

Figure 43: Producer Price Index



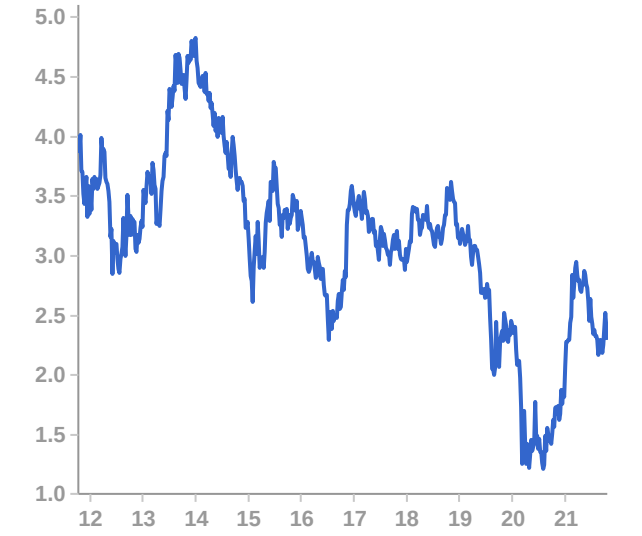
Source: FactSet

Figure 44: Employment Cost Index



Source: FactSet

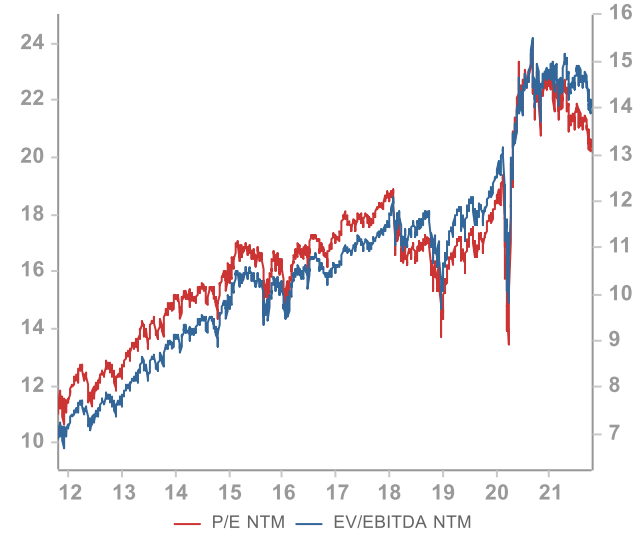
Figure 45: 10-Year, 5-Year Forward Inflation Expectations



Source: FactSet

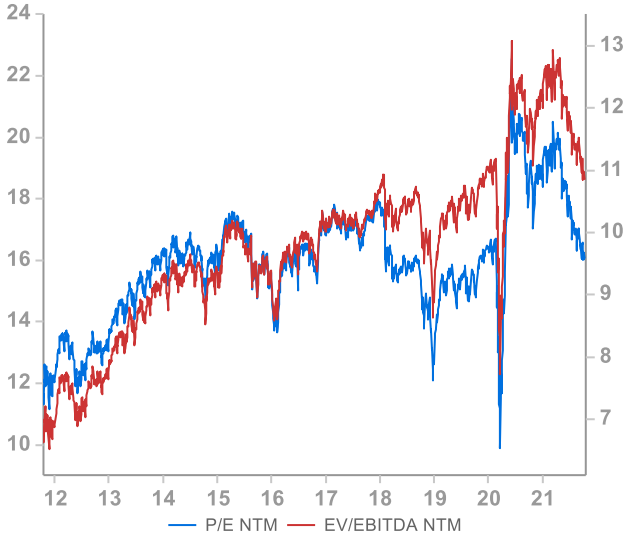
Valuation Indicators

Figure 46: S&P 500 P/E (LHS) & EV/EBITDA (RHS)



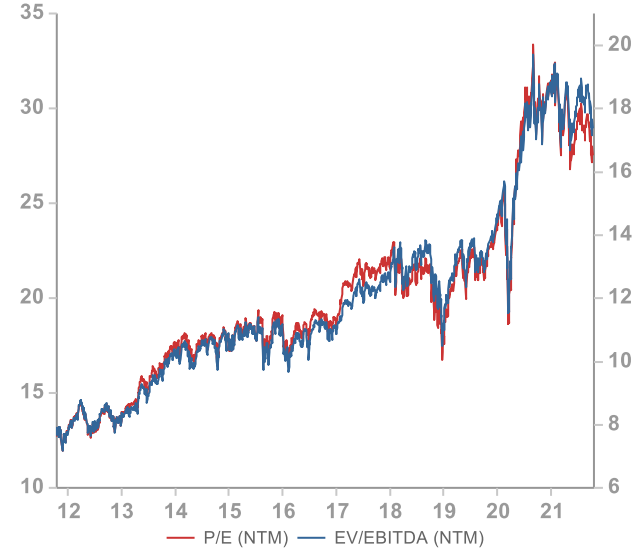
Source: FactSet

Figure 47: S&P Midcap 400 P/E (LHS) & EV/EBITDA (RHS)



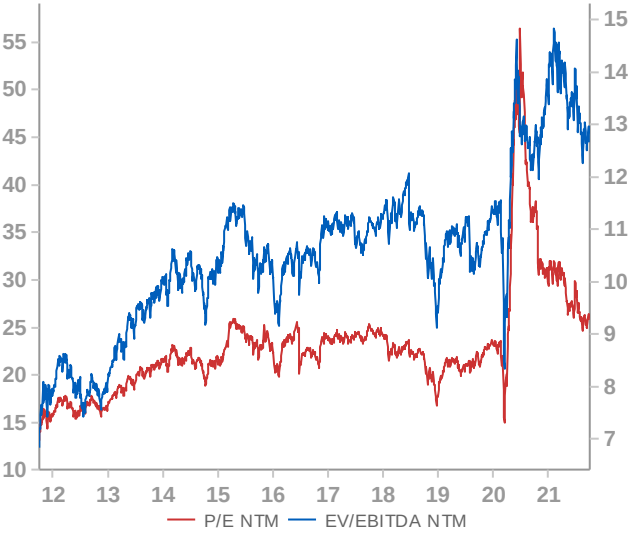
Source: FactSet

Figure 48: Nasdaq 100 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

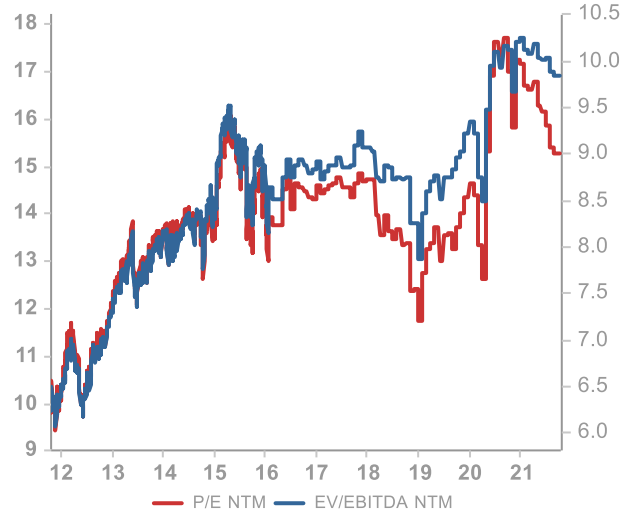
Figure 49: Russell 2000 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

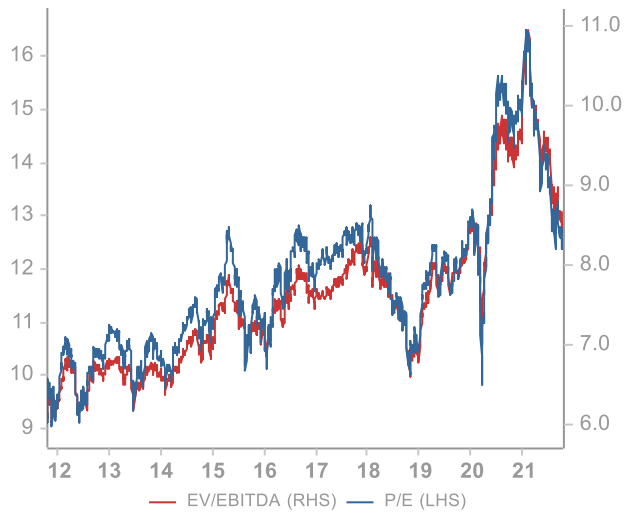
Valuation and Volatility Indicators

Figure 50: Intl Developed P/E (LHS) & EV/EBITDA (RHS)



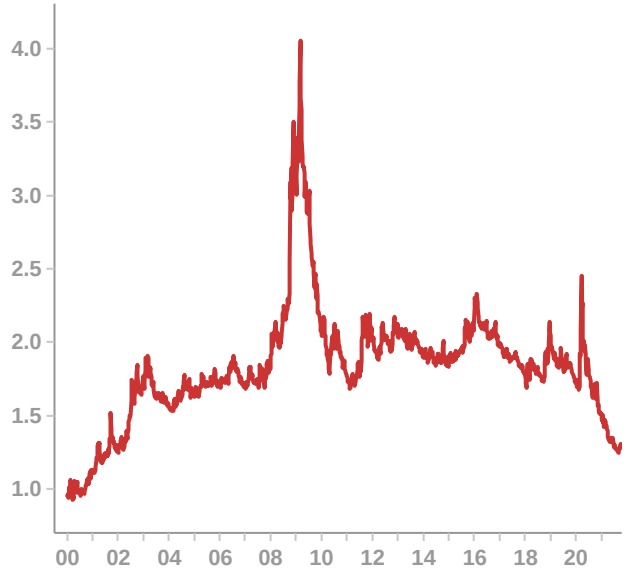
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 51: Emerging Markets P/E (LHS) & EV/EBITDA (RHS)



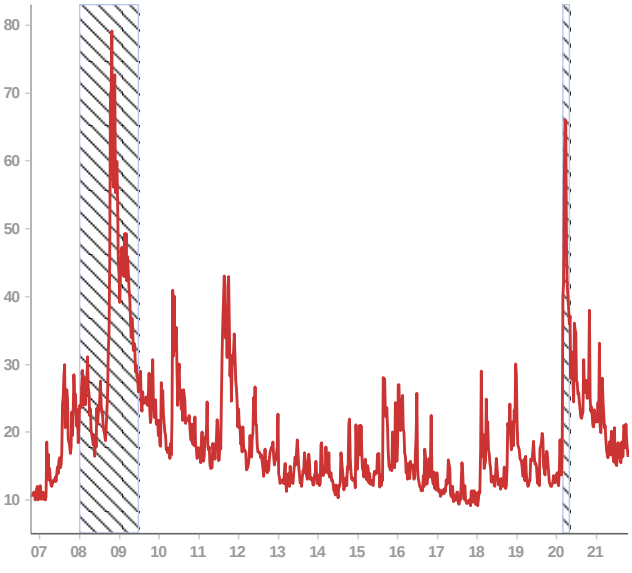
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 52: S&P 500 Dividend Yield



Source: FactSet

Figure 53: CBOE Volatility Index



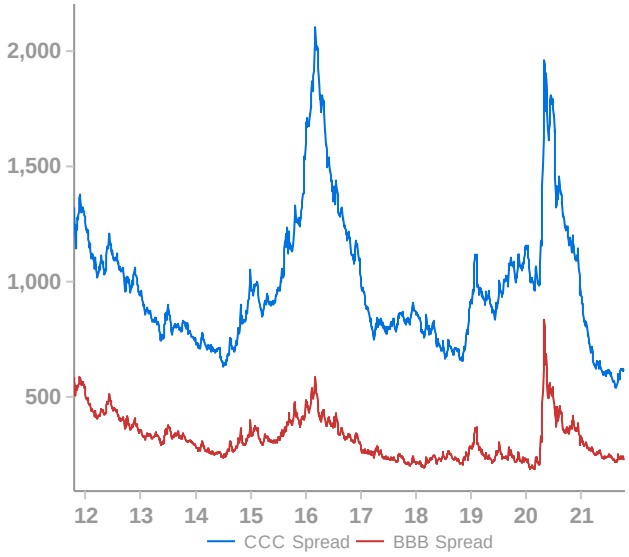
Source: FactSet

Bond Market Indicators

Figure 54: 10-Year Global Bond Yields

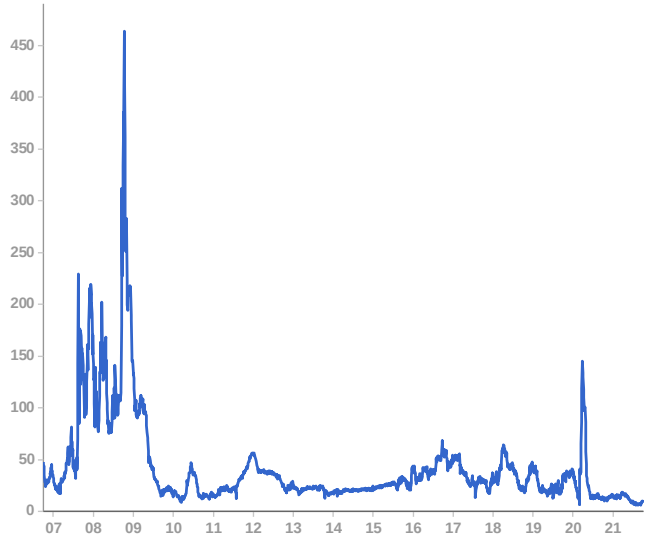
Source: FactSet

Figure 55: CCC and BBB Spreads (Option Adjusted)



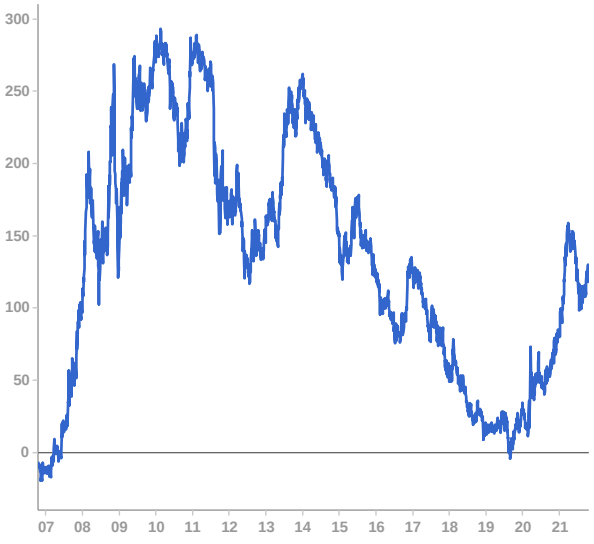
Source: FactSet

Figure 56: TED Spread (bps)



Source: FactSet

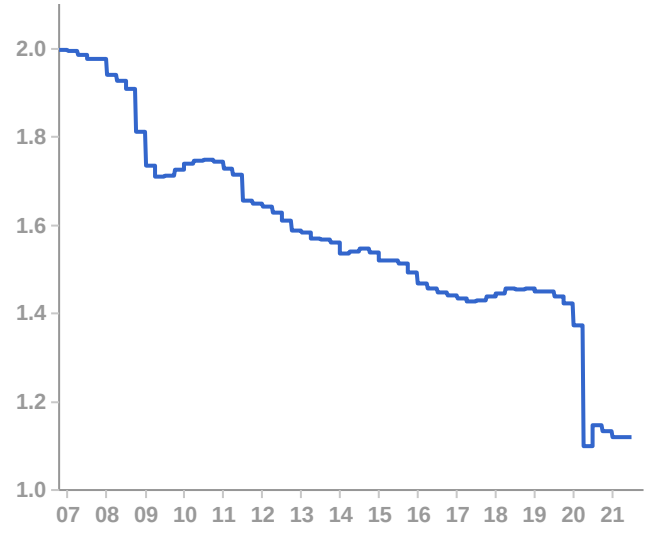
Figure 57: 10-Year Minus 2-Year Treasury



Source: FactSet

Liquidity and Other Indicators

Figure 58: Velocity of M2 Money Stock

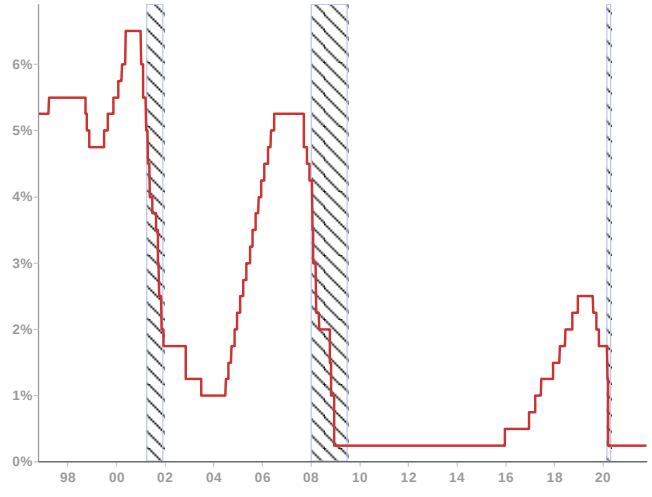


Source: FactSet

Figure 59: Loan Growth (Non-Financial, Private Sector)

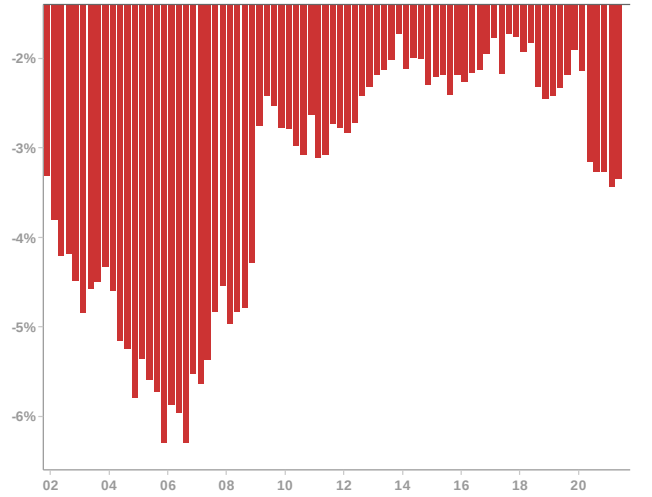
Source: FactSet

Figure 60: Fed Funds Target Rate



Source: St. Louis Federal Reserve, FRED Database

Figure 61: Current Account Deficit (as % of GDP)



Source: St. Louis Federal Reserve, FRED Database

ROCKINGSTONE ADVISORS LLC

Appendix

Important Regulatory Disclosures and End Notes

Form ADV available upon request. This quarterly is only for informational purposes and not a solicitation to buy or sell securities or as a source of specific investment, legal or tax recommendations.

Rockingstone Advisors is solely responsible for the content of this Quarterly. The information and statistical data contained herein have been obtained from sources we believe are reliable but cannot guarantee.

Rockingstone Advisors performance charts depict the mean aggregate return of all accounts invested with a similar objective and risk tolerance during the entire return period; individual account performance may materially differ according to strategy and portfolio composition. Returns are calculated using time-weighted method (TWM) and are weighted by portfolio assets. Returns can be influenced not only by the actual performance of the underlying portfolios, but by the mix (composition) of portfolios in any given year and the number of portfolios within the sample set. Public equity returns are calculated by Morningstar based on information received from our custodian(s). Other investment returns, including private equity and real estate investments are calculated based on valuation data from parties other than Rockingstone Advisors or at cost. Fixed income returns generated by private notes are recognized when the cash coupon is paid, rather than on an accrued interest basis (except for PiK securities). Annualized return is based on portfolios invested as of June 1, 2009. The sample set of portfolios within each annual cohort has increased over time and the mix changes every year. Our investment returns may reflect investment opportunities that are unavailable to all of our clients, for reasons including: (i) certain funds in which we have invested are now closed to new investors, (ii) certain clients may not meet "accredited investor" standards, (iii) certain investments are available only to officers or directors of a business, and /or (iv) we may believe that historical returns most likely will not be generated by a specific security or strategy and thus are no longer allocating new capital to a specific security or strategy. Past performance is neither indicative of-- nor a predictor of-- future performance. Mean reversion is a powerful force, meaning periods of outperformance are typically followed by periods of underperformance. All figures are net of fees and expenses. Rockingstone's performance must be assessed in light of not just how we performed relative to the benchmarks, but how much risk we assumed in generating portfolio returns.

Quarterly Data prices are as of Sept 30, 2021; most other prices and yields are as of Oct 24, 2021.

We are happy to provide the raw data and source links for any of the charts or tables in this Quarterly. We are also happy to provide individual account performance data by annual cohort or by IRR (instead of TWM) so you can better understand the range of portfolio returns. We thank you for your interest and always appreciate any feedback.

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eric@rockingstoneadvisors.com

[i] Asset class performance charts depict Equity (SPY ETF), Bonds (BND ETF), Commodities (DBC ETF), Preferred (PFF ETF) and Real Estate (VNQ ETF) price change plus dividends and interest during the selected period.

[ii] Rockingstone Advisors performance charts depict the mean aggregate return of all accounts invested with a similar objective and risk tolerance during the entire return period; individual account performance may materially differ according to strategy and portfolio composition. Returns are calculated using time-weighted method (TWM) and are weighted by portfolio assets. Returns can be influenced not only by the actual performance of the underlying portfolios, but by the mix of portfolios in any given year. Public equity returns are calculated by Morningstar based on information received from our custodian(s). Other investment returns, including private equity and real estate investments are calculated based on valuation data from parties other than Rockingstone Advisors. Fixed income returns generated by private notes are recognized when the cash coupon is paid, rather than on an accrued interest basis. Annualized return since inception is based on portfolios invested as of June 30, 2008. The sample set of portfolios within each annual cohort has increased over time. Our investment returns may reflect investment opportunities that are unavailable to all of our clients, for reasons including: (i) certain funds in which we have invested are now closed to new investors, (ii) certain clients may not meet "accredited investor" standards, (iii) certain investments are available only to officers or directors of a business, and /or (iv) we may believe that historical returns most likely will not be generated by a specific security or strategy and thus are no longer allocating new capital to a specific security or strategy. Past performance is not indicative or a predictor of future performance. Mean reversion is a powerful force, meaning periods of outperformance are typically followed by periods of underperformance. All figures are net of fees and expenses. Rockingstone's performance must be assessed in light of not just how we performed relative to the benchmarks, but how much risk we assumed in generating portfolio returns.

[iii] Our Five-Year Forecast is updated quarterly and reflects our best judgment on future performance based on current valuations relative to historical valuations, as well as our outlook for earnings and macroeconomic conditions. We caution that predicting outcomes is inherently risky and subject to change.

[iv] Equity performance charts depict U.S. large-cap (SPY ETF), U.S. mid-cap (VO ETF), U.S. small-cap (IWM ETF), International Developed (VEA ETF), and Emerging Markets (VWO ETF) price change plus dividends and interest during the selected period. We note that Vanguard highlighted a trading glitch in the shares of VO during March 31, 2015 that led to prices materially higher than underlying NAV. Hence you should assume VO's valuation and total return was inflated as of the end of the first quarter.

[v] Fixed income performance charts depict Intermediate Government (IEF ETF), High Yield Corporates (JNK ETF), High Grade Corporates (LQD ETF), International Corporates (PICB), and Emerging Markets bonds (EMB ETF) price change plus interest income earned over the selected period.

[vi] Commodity performance charts depict Precious Metals (DBP ETF), Base Metals (DBB ETF), Oil (DBO ETF), and Agriculture (DBA ETF) price change.