Investor Quarterly

Asset Values Prove Remarkably Resilient

Despite Some Clear Headwinds— Especially on Earnings— Valuations Expanded

We issued a fairly cautious outlook in our 1Q15 Quarterly Newsletter. We feared that the combination of declining commodity prices, a rising dollar and the prospect of a mid-summer Fed tightening might put some pressure on corporate earnings in 2015, leading to declines in asset prices. While earnings estimates have declined further and faster than our forecast, asset prices remain stable and have actually risen on a valuation basis.

We trim our GDP Forecast as well as our S&P 500 Earnings Estimates

Another tough winter leads us to lower our GDP estimates for the year; we reduce our S&P 500 estimates to $115 on lower actual 2014 EPS than was reported, as well as slightly lower growth assumptions. No change to our price target.

1Q15 in Review

Despite a decent amount of intra-quarter volatility, most asset prices finished the quarter flat to slightly up in the low single digits, with commodities again the sole asset class recording declines. Unlike last quarter, however, declines moderated to the mid-single digits.

1Q15 Asset Class Performance

Stocks and commodities declined in January while bonds rallied, driving interest-sensitive securities like REITs higher, while preferred stocks were flattish. January's trends were reversed in February as stocks and commodities rallied and bonds declined, reversing gains in REITs. February's trends reversed again in March.

Rockingstone Posts Uninspiring Results

Following a strong fourth quarter, we were well positioned for the January downdraft, which, given our cautious stance we expected to see persist at least through February. We added to our shorts just as the market rallied. We also remained underweight energy through the quarter. These negatives were partially offset by large over-weights in hedged European and Japanese equities.

About Us

Rockingstone Advisors LLC is a New York-based boutique asset management and corporate advisory firm founded by Brandt Sakakeeny.

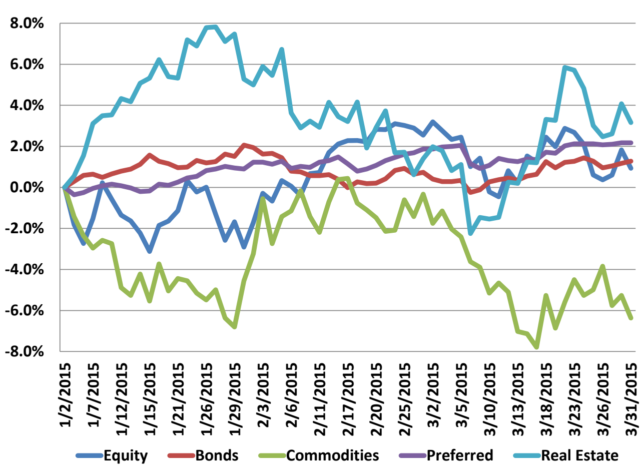
As an SEC-registered investment advisor, we provide multi-asset investment strategies to individuals, families and small institutions through separate accounts.

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:

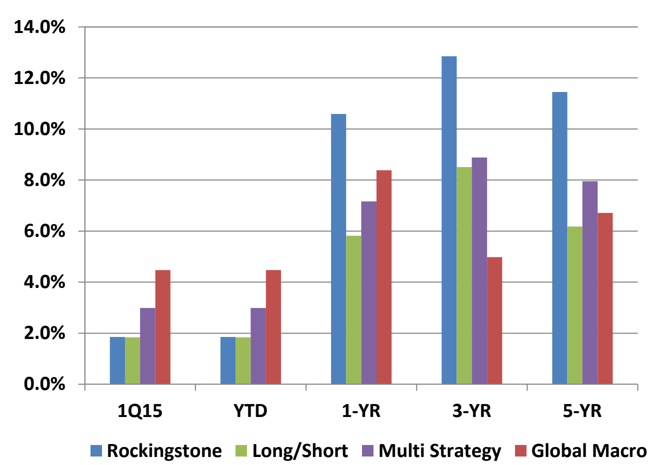
www.rockingstoneadvisors.com

Figure 1: 1Q15 Asset Class Performance[i]



Source: NYSE Arca

Figure 2: Rockingstone's 1Q15 and Historical Returns[ii]



Source: Rockingstone Advisors, Morningstar, DJ Credit Suisse Indices

Please see our End Notes and Disclosures (pages 26-27 of this Investor Quarterly) for important information regarding performance measures. Form ADV available upon request.

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Detailed Asset Class Performance

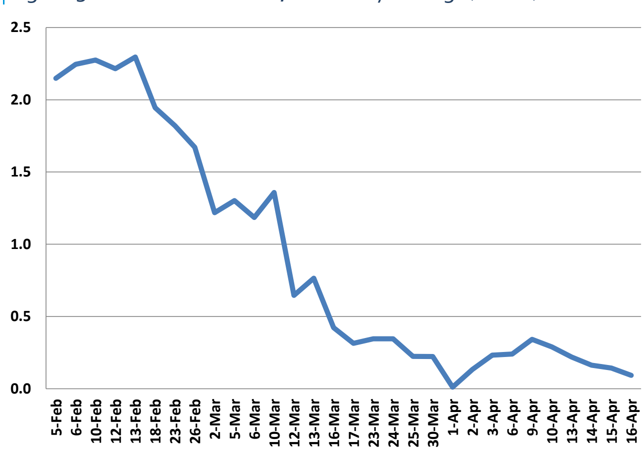
Real Estate is Top Performing Asset Class in 1Q15

Asset class performance during 1Q15 was driven by a handful of factors, including an especially cold winter weather, a sharp decline in earnings expectations, dovish Fed comments that appeared to put a spring rate hike off the table and volatility in energy prices. The quarter masked a decent amount of monthly volatility: January and March were risk-off months and February was a risk-on month.

The initial surprise during the quarter was the severity of the weather, particularly on the heels of a very tough winter last year, when 1Q14 GDP fell to (2.9%), the largest contraction since the recession. Figure 3 depicts a real-time GDP forecasting tool developed by the Federal Reserve Bank of Atlanta, with a tracking error of about 75 bps. This implies a first quarter GDP print of +0.85 to -0.65, materially below our forecast, but more importantly, this figure would make it difficult to achieve the FOMC's 2015 GDP forecast of 2.3%-2.7%. This may have been one of the factors shaping Janet Yellen's commentary regarding the timing and extent of future interest rate hikes.

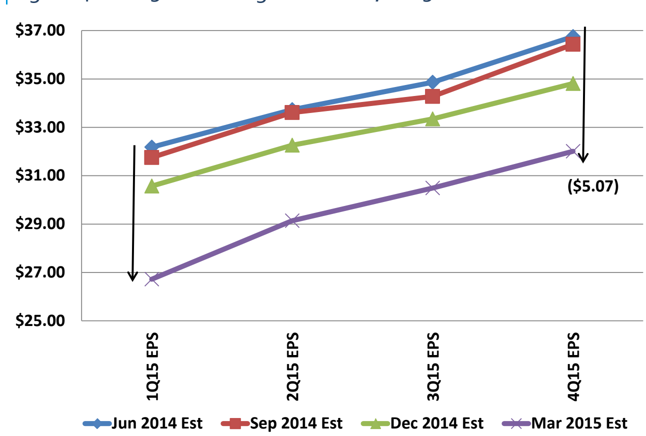
The second major event influencing asset prices was the decline in corporate profitability, due in part to the strong dollar, and also due to weakness in energy company earnings given the decline in oil prices. Figure 4 depicts the downward revisions in S&P 500 quarterly EPS for 2015 beginning with the June 2014 forecast, as the 1Q15 EPS estimates of $32.18 were revised down to $26.72. Street consensus estimates for full year EPS were revised down from $137.19 in June 2014 to $118.36 by March 2015 (Figure 4). While stock prices typically track earnings, the price of the S&P 500 was 1606.3 in June 2014 vs. 2067.9 in March 2015, implying that the P/E multiple actually expanded from 11.7x to 17.5x 2015 EPS.

Figure 3: GDPNow Forecast, Quarterly % Chg. (SAAR)



Source: Federal Reserve Bank of Atlanta, April 16, 2015.

Figure 4: S&P 500 Earnings Revisions, 2015 EPS



Source: Standard and Poors.

Slower economic growth and lower corporate profits led to a January rally in Treasuries as yields declined; corporate bonds also rallied, as did yield-sensitive stocks such as REITs. Preferreds lagged as financials struggled with the decline in yields (most preferred stock issuers are financial institutions).

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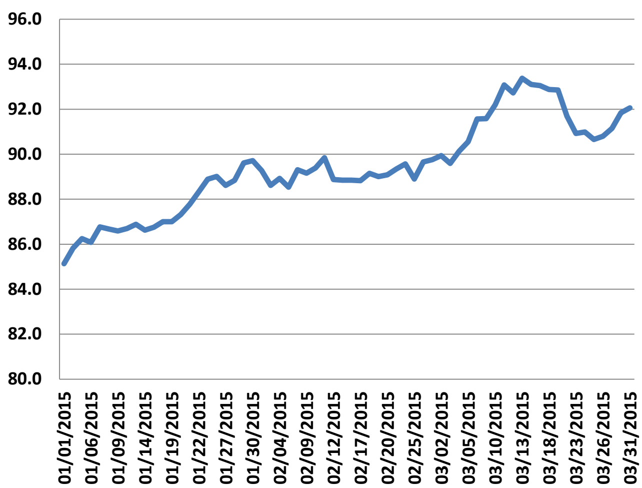
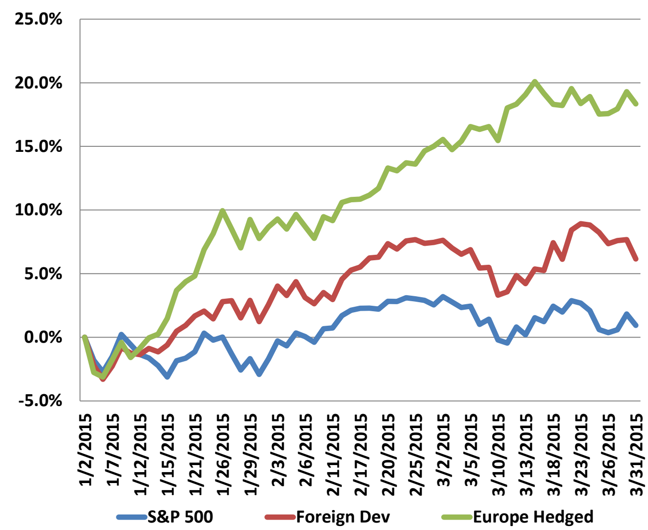
The dollar continued its rally against most major currencies (Figure 5), putting pressure on all assets denominated in foreign currencies. Foreign corporate bonds underperformed US dollar corporates; European and Japanese markets, however, outperformed the U.S. (Figure 6) both in local currencies and especially in dollar terms. While we caution that Foreign Developed and European hedged are not quite identical, they are sufficiently similar to give readers an accurate sense for relative performance in the quarter.

Figure 5: U.S. Dollar, Trade-Weighted



Source: St. Louis Federal Reserve, FRED Database

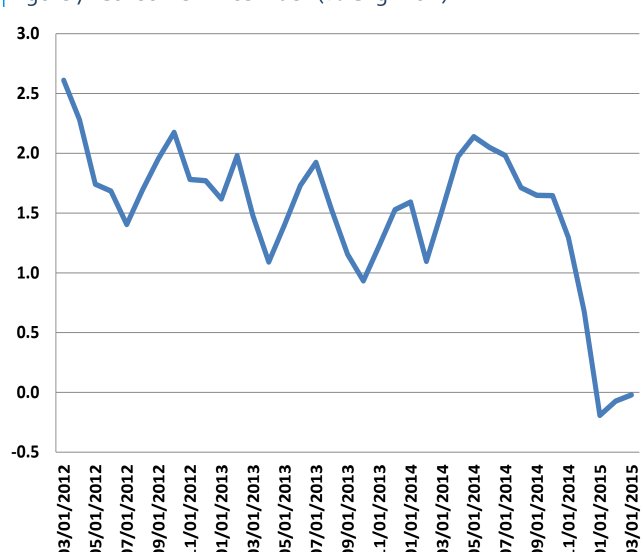
Figure 6: 1Q15 U.S. vs. Foreign Developed vs. Europe Hedged



Source: NYSE Arca

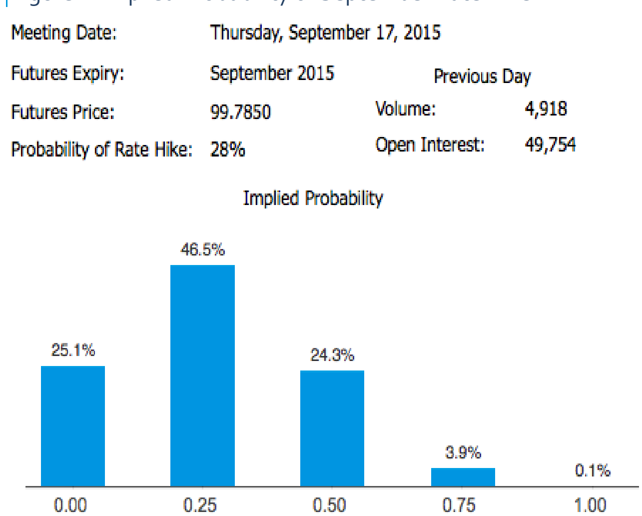
The third major event driving asset prices were dovish comments by Janet Yellen. Slower economic growth coupled with an absence of inflation (Figure 7) may have been the factors behind her February 24th testimony whereby she essentially removed the prospect of a June rate hike and lowered the probability of a September rate hike. The probability of such a rate hike declined from 100% to 28% (Figure 8).

Figure 7: Consumer Price Index (% Chg. YoY)



Source: CME Group.

Figure 8: Implied Probability of September Rate Hike

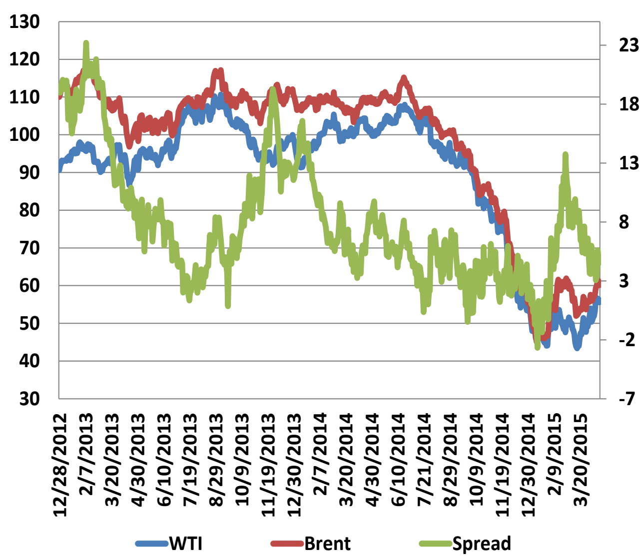


Source: St. Louis Federal Reserve, FRED Database

The final factor influencing asset prices was the absence of a sharp rebound in oil prices (Figure 9). While prices fluctuated during the quarter and finished $4 below where the quarter started, WTI prices did rally twice from a low of around $44 and may have put in a bottom.

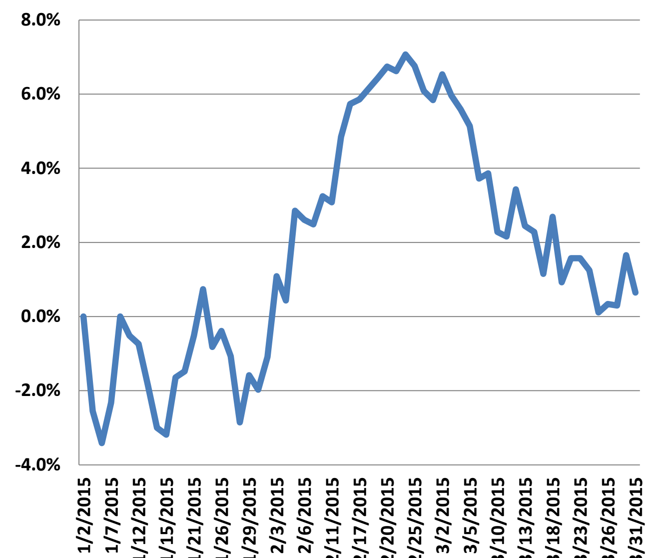
While oil prices bounced off their lows, the materials complex continued to witness volatility: rising in February on the prospects of a sustained loose monetary policy and a weaker dollar, only to give up those gains into March, as exhibited by the moves in the S&P Materials Sector (Figure 10), which is comprised of large U.S. chemical manufacturers as well as metals and mining companies.

Figure 9: Oil Prices/bbl (WTI, Brent, Spread)



Source: St. Louis Federal Reserve, FRED Database

Figure 10: S&P Materials Sector



Source: NYSE Arca

Equity Performance

Foreign Developed Tops 1Q15 Equity Performance

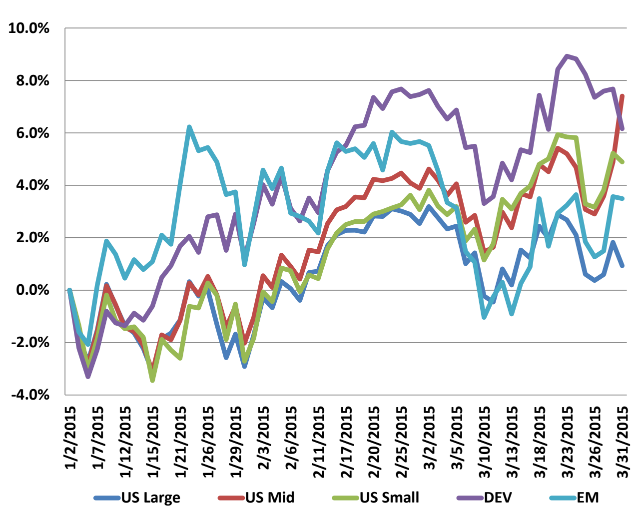
The best performing equity asset class in the quarter (Figure 11) was Foreign Developed, which rose 6.2% despite a stronger dollar. European and Japanese equities were aided not only by central bank liquidity, but by improving economic data and a relatively attractive valuation vs. U.S. equities. U.S. small-cap stocks outperformed U.S. large-caps for the second consecutive quarter, recording gains of 4.9% vs. 0.9% for the S&P 500. The outperformance was probably attributable to the fact that (i) small-caps had lagged their larger-cap brethren for more than a year, (ii) the fourth and first quarters are typically a seasonally strong period for small-caps, and (iii) investors may have been trying to minimize the risk of downside earnings revisions coming from FX translation, as small cap stocks generally have less international exposure than large-cap stocks. Mid-cap stocks rallied as well, but because of a last-day trading glitch, closing prices did not reflect NAV. Emerging Markets equities posted a gain in dollar terms of 3.5%, beating the S&P 500 but trailing Foreign Developed and Small-cap stocks.

2014 Full Year Recap

U.S. large-cap and mid-cap stocks performed exceptionally well in 2014, delivering total returns of just under 15% (Figure 12). Small-caps lagged, recording full year returns of 6.2%.

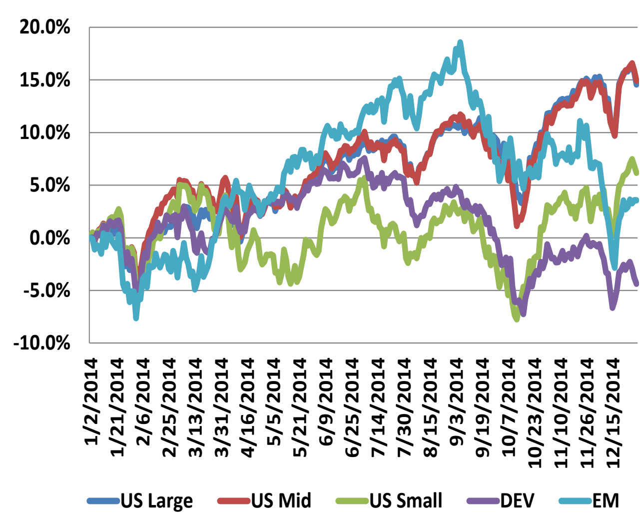
Despite a stronger dollar, Foreign Developed recorded full year gains of 3.6% on a dollar basis, while Emerging Markets posted a decline of 4.4% on a dollar basis. Among top foreign developed markets, Japanese equities (Nikkei) posted gains of 8.8% in Yen terms and declines of 5.1% in dollar terms; the Euro area rose approximately 2.7% in Euro terms but was down 9% in dollar terms. Among Emerging Markets, Chinese A shares rallied sharply, up 49% in local currency terms and 46% in dollar terms. Russia was the big loser: its market recorded losses of 5% in local currency terms but lost 45% in dollar terms due to the crash in the Russian Ruble, which is closely correlated to the price of oil.

Figure 11: 1Q15 Equity Performance[iii]



Source: NYSE Arca

Figure 12: 2014 Equity Performance



Source: NYSE Arca

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Fixed Income Performance

Bonds Rally Amid Fall in Interest Rates; Quality Underperforms

Unlike the fourth quarter of 2014, speculative bonds outperformed higher quality bond during the first quarter of 2015. Emerging market bonds were the top gaining bonds within fixed income, recording gains of 3.2% (Figure 13).

High yield bonds also recorded gains, rising 2.4% in the quarter, just ahead of U.S. Treasuries and U.S. high grade corporates, which both recorded gains of 2.1% in the quarter. High yield spreads narrowed slightly (about 50 bps) while investment grade spreads were flat.

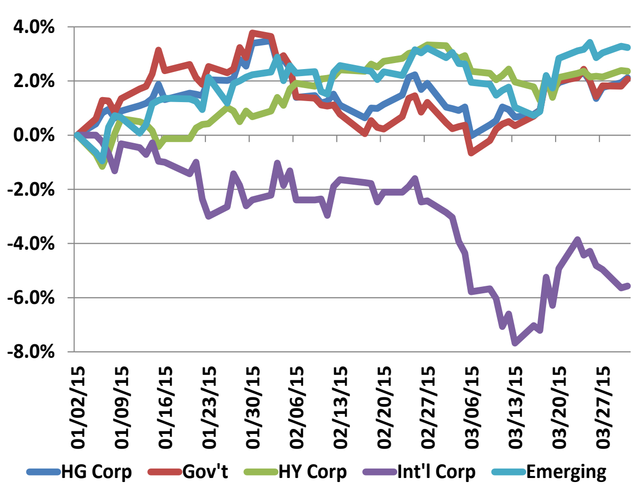
International high grade corporates were the sole laggard, due mainly to the ongoing strength of the dollar, recording a decline of 5.6%.

2014 Full Year Recap

Fourth quarter results were in line with full-year trends: a flight to high quality bonds and dollar-denominated assets (Figure 14). U.S. Treasuries were the top-performing fixed income security, gaining 8.6% (8-10 year paper), a phenomenal risk-adjusted return; longer-dated Treasuries performed even better: up 25% for 20-30 year paper. High grade corporates also performed well, posting full year returns of 8% in 2014. Lower quality bonds suffered: high yield bonds ended the year roughly flat on concerns surrounding energy exposure and the price of oil. CCC bonds began the year at just over 9% yields, rallied to 8% and then finished the year at 11.2%. BBB bonds began the year at effective yields of just over 3.9% and rallied down to 3.4% before ending the year at 3.8%.

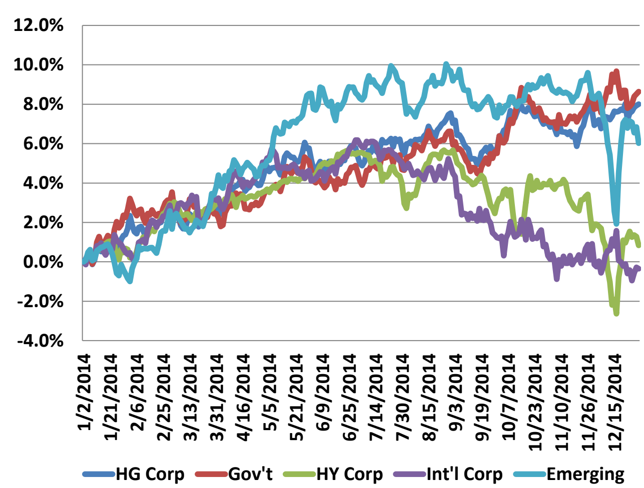
Outside of the U.S., foreign currency bonds underperformed given the strong dollar. International corporates posted a decline of 0.4% in dollar terms, while Emerging Market sovereign bonds were the one exception: they gained 6% for the year.

Figure 13: 1Q15 Fixed Income Performance[iv]



Source: NYSE Arca

Figure 14: 2014 Fixed Income Performance



Source: NYSE Arca

Commodity Performance

Another Quarter of Declines

During the first quarter 2015, the stronger dollar, coupled with concern over growth in China, continued to exert downward pressure on most of the commodity complex, although precious metals eked out a small gain. Oil continued its slide, although twice bounced off its lows.

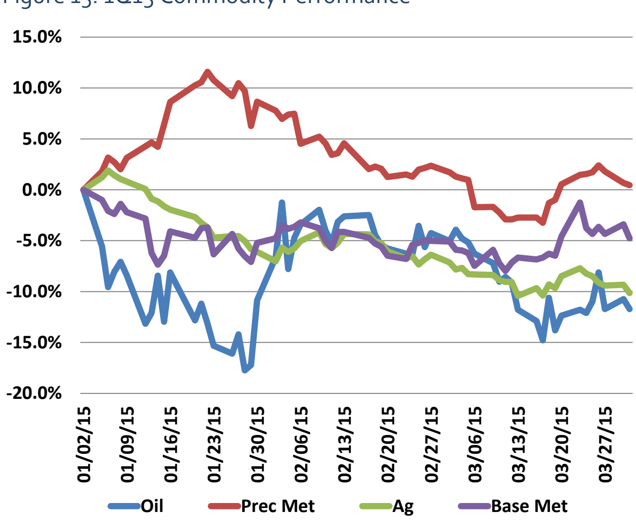
Precious metals recorded the best gains, albeit rising just 0.5%, despite a strong rally over the first three weeks of January during which precious metals rose more than 10%. Gold and silver led the advance while platinum and palladium trailed.

Base metals declined 4.8% on sharp declines in tin and nickel prices. Lead was the sole base metal to record gains in the quarter. Agricultural commodities declined 10.1% (Figure 15). Coffee, sugar and wheat lagged while cocoa and cotton led, with cotton actually recording gains for the quarter. Oil prices fell again, declining 11.7% by the end of the quarter; however, WTI bounced off of $44 twice in the quarter, leading us to believe that at least a short-term bottom may have been put in place.

2014 Full Year Recap

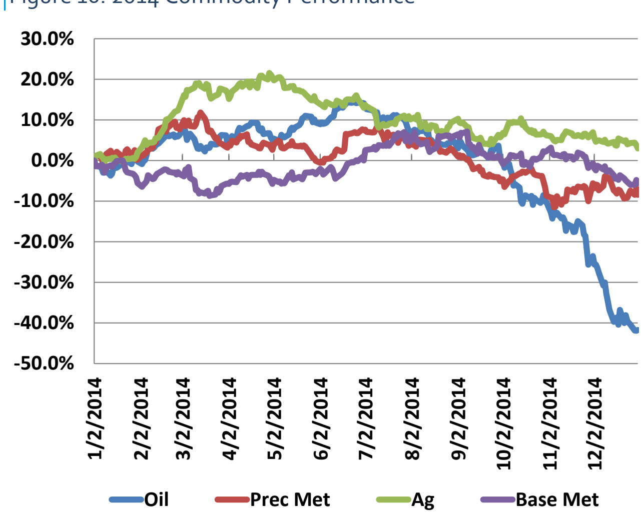
It was the tale of two calendar halves: the first half of the year witnessed generally rising commodity prices in agriculture (Ukraine tensions, Brazil weather), oil and precious metals (ISIS gains, Dollar/Yen/Euro debasement). Base metals were the rare underperformer as prices declined in the first half (slower global growth, China concerns). It was only when the dollar started to rally at the end of June that the entire complex simultaneously lost its footing and began a steady decline that persisted throughout the second half of 2014. In fact, only Ag was able to post full year gains (up 3%), while base and precious metals were down mid-single digits and oil down more than 40%. Prices for precious metals, unlike base metals, appeared to bottom in mid-December and rallied into year-end (Figure 16).

Figure 15: 1Q15 Commodity Performance[v]



Source: NYSE Arca

Figure 16: 2014 Commodity Performance



Source: NYSE Arca

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2015 Forecast

Lowering GDP and Earnings Forecasts; No Other Changes

We revise our GDP and S&P 500 forecasts for 2015; no change to other forecasts.

At the beginning of the year our view was that the severe dislocation in commodities, currencies and interest rates witnessed over the past several months may put near-term pressure on financial assets as companies adjust to an economic environment that appears quite different from the one they faced this time last year. It takes time for companies to re-position assets, streamline operations and adjust their sales resources to target segments that may differ materially today from where they were focused last year. Over time, companies do make these adjustments, and lower commodity prices and lower interest rates are generally a good thing as we believe they are more disinflationary than deflationary for most consumers and businesses. Our potential concern arises from the fact that the impact of market dislocation is immediate whereas the benefits somewhat deferred. Hence, we expect continue to expect that the first half of the year may be more challenging than the second half.

Given asset price performance— slightly up in the U.S. and up materially overseas— it seems that most investors are looking through the 1H15 earnings decline with the anticipation that the second half will witness re-accelerating profit and earnings growth, and hence are bidding up assets in anticipation of this recovery. This is true of energy assets, high yield bonds and other risk-on assets.

The fact that the market has held up exceptionally well in the face of substantially lower earnings is no doubt a pretty bullish sign. While Fed interest rate policy has much to do with sustaining bullish sentiment in risk assets, we still believe that this is a market in which investors should play defense, not offense.

Figure 17: 2015 Key Metric Forecast

	Year Ended December 31, 2015		
Metric	**Directional**	**Band**	**Point**
US GDP	Flat	2.3-2.6%	2.4%
2015 S&P 500 EPS (RSA/Street)	Up	$115.00/$118.02	$115.00/$118.02
S&P 500	Flat	1975 - 2125	2050
10-Yr. U.S. Treasury Yield	Flat	1.8% - 2.2%	2.00%
Euro/USD	Down	1.15 - 1.00	1.05
USD/Yen	Up	120 - 130	125
Oil (WTI)	Up	$45 - $65	$57
Gold	Up	$1,325 - $1,450	$1,385
Inflation	Flat	1.5% - 1.7%	1.6%

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

2015 GDP Forecast

We had forecast an improvement in US GDP growth to +3.3% in 2015, which now appears to be difficult to achieve in light of the first quarter weather and the GDPNow forecast discussed previously, which shows a first quarter growth rate of about 0%.

Hence, we now expect GDP to be flat with 2014's 2.4%. We expect growth should accelerate in 2Q14 and through the summer, somewhat similar to the pattern witnessed in 2014.

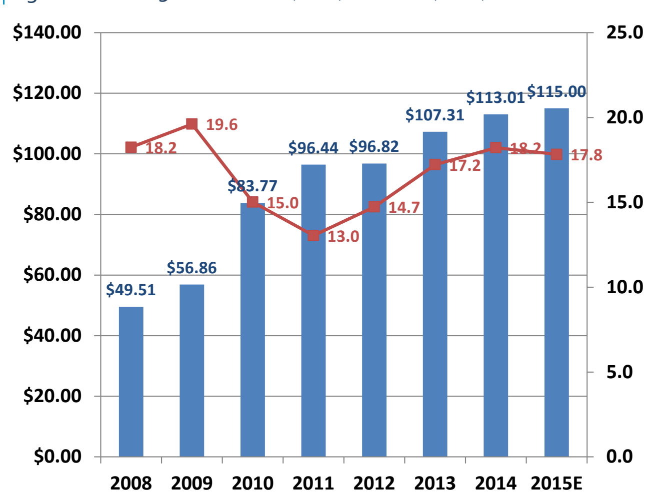
2015 S&P 500 Earnings Estimates

Based on final fourth quarter reports filed by April 15, it now appears that the S&P 500 recorded operating earnings of $113.01 for 2014, down from the latest estimate of $116.77 in January (at the time of our *1Q15 Investor Quarterly*), yielding a growth rate of just 5.3% from 2013. This figure was slightly below our estimate and materially below the Street's. As 2014 actual earnings sets the base for forward growth estimates, our current forecast of $125, which was substantially below the Street's $131 (in January) is clearly too high. The Street is now down to $118.02, implying 4.4% growth from 2014.

As we have written previously, we would expect some deceleration from recent trends based on several of the factors discussed earlier: a stronger dollar, lower energy prices and lower interest rates. It is tough to see how Energy and Financials will record YoY earnings growth. In addition, corporate profit margins are at record highs and hence there seems to be limited room for material increases from current levels.

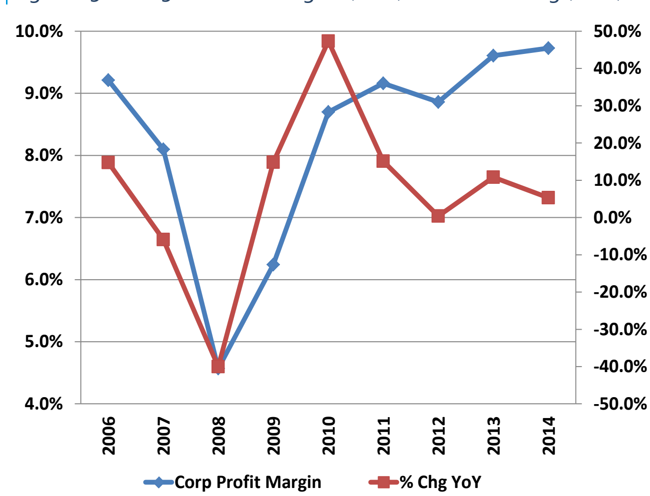
Thus we would expect earnings growth to decelerate from 5.3% in 2014 to a figure roughly in the low-single digits in 2015 at best, something like 1-3%; applying this growth rate to $113.01 yields an EPS range of $114 - $116 for 2015. This figure assumes while energy and financials may be hampered by lower oil prices and interest rates, respectively, sectors like consumer discretionary and homebuilders should expect a tailwind from these developments over time. Hence, we reduce our 2015 EPS forecast from $125 to the midpoint of our new range, or $115.

Figure 18: S&P 500 EPS EPS (LHS) and P/E (RHS)



Source: Standard and Poor's, Rockingstone Advisors

Figure 19: S&P 500 Profit Margins (LHS) and YoY % Chg (RHS)



Source: Standard and Poor's

2015 S&P 500 Price Target

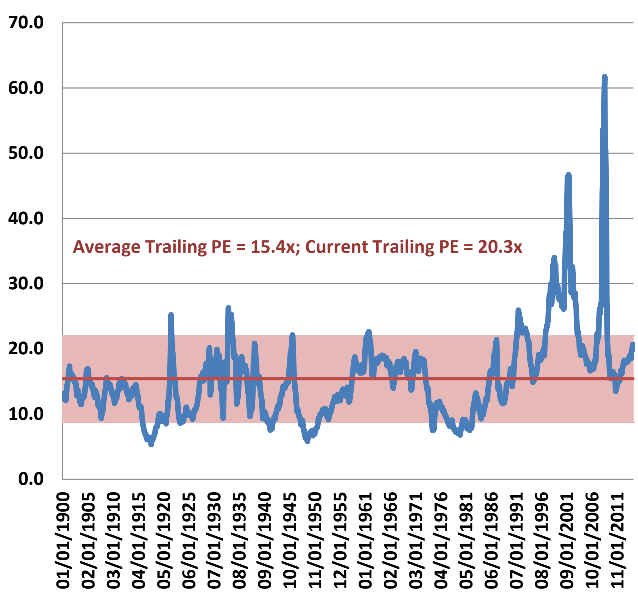
We maintain our forecast for a potential range of the S&P 500 by year end of 1975 – 2125, with a point target of 2050, which assumes a flat year from 2014 and slight declines from the present.

We are assuming a marginal de-rating in PE multiple: roughly half of a multiple point due to slightly higher interest rates and slightly lower EPS growth rates. Note that even our forward PE assumption of 17.8x 2015 is well above the market's traditional multiple of approximately 15x. We think that is probably fair given the abnormally low interest rate environment coupled with the fact that earnings have probably troughed and the next revisions, in our view, will most likely be higher and not lower. But it does worry us to apply a premium multiple to late-cycle earnings. Investing with a margin of safety typically implies applying a premium multiple to early-cycle earnings and a discount multiple to late-cycle earnings.

The lower end of the S&P price range would be achieved if our expected multiple witnesses further compression to around 17.1x or earnings disappoint more than we expect, whereas our 2125 target would be achieved if the multiple expands to 18.5x earnings, or earnings accelerate and exceed our $115 target.

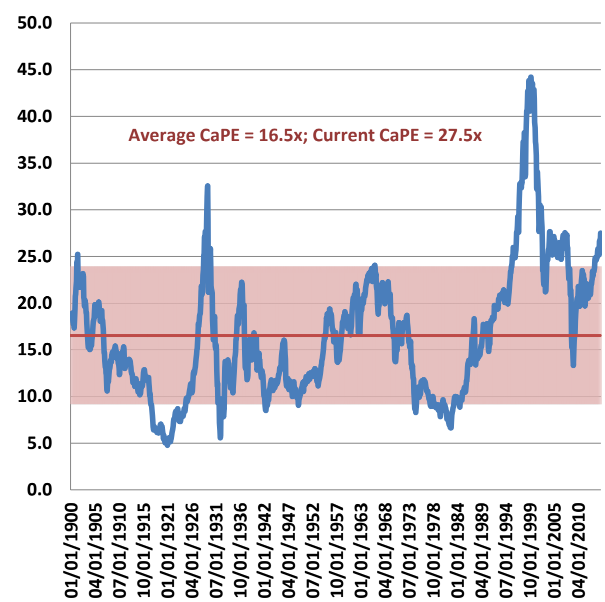
Figure 20 displays the historical mean trailing PE, which is about 15.4x, compared to the current PE, which is 20.3x trailing twelve months (reported) earnings. The light red shaded area is one standard deviation above and below the mean. Figure 21 displays Robert Shiller's cyclically-adjusted PE, which averages the last 10 years of S&P earnings, adjusted for inflation, divided by the current price. The CaPE is designed to smooth out the business cycle, adjusting for abnormally high and abnormally low earnings results. Hence, its PE multiple would be overstated when the market is at peak earnings and be understated when the market is at trough earnings. Currently the multiple is 27.5x vs. its average of 16.5x. The current value is also more than one standard deviation above its historical mean, which typically implies lower-than-expected future returns from equities.

Figure 20: S&P 500 Trailing P/E (LTM)



Source: Standard and Poor's, Rockingstone Advisors

Figure 21: S&P 500 Cyclically-Adjusted PE (CaPE)



Source: Robert Shiller, Yale University; St. Louis Federal Reserve, FRED Database; Standard & Poor's

2015 US 10-Year Treasury

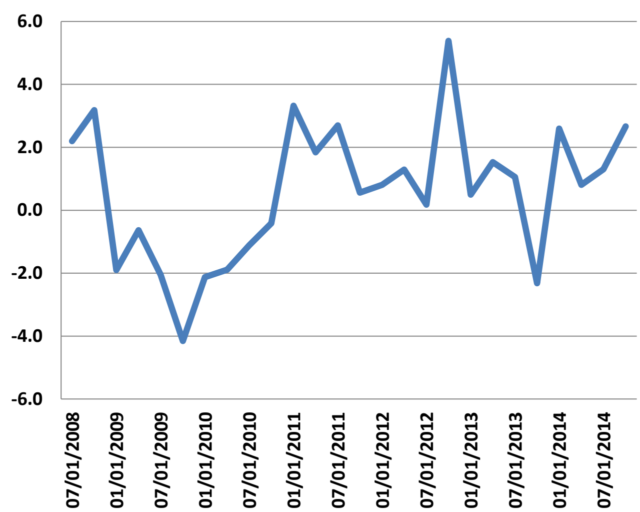
With the caveat that we were unable to get even the directional call correct in interest rates in 2014, we are trying again. Based on flat to declining inflationary pressures, anemic global growth, new regulatory rules on the holding of risk-free assets, and exceptionally low European sovereign rates, we continue to expect 10-year U.S. Treasury yields to remain abnormally low in 1H15 before ending the year roughly where they started, at around 2.0%.

Unit labor costs have remained relatively subdued, recording gains in line with inflation, though there has been a recent upward movement (Figure 22); capacity utilization (Figure

23 has risen from its 2008 lows, but still below historical levels. Most importantly, a stronger dollar is at the very least disinflationary, and potentially deflationary.

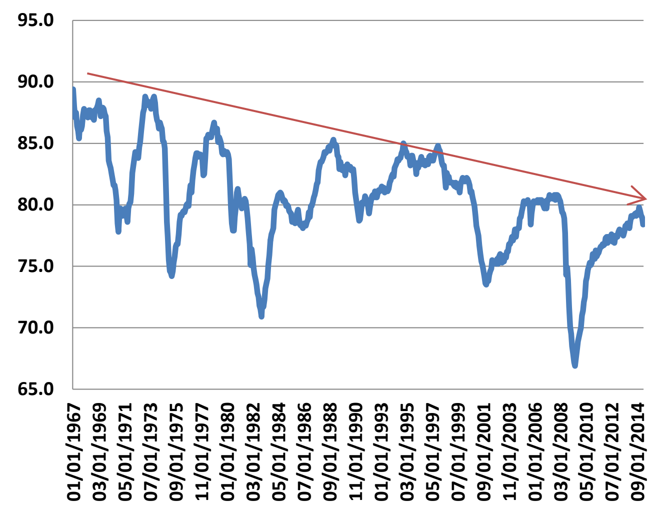
The factors that would endanger our forecast would be (i) a correction or reversal of recent dollar strength (but this would most likely be the result of slower U.S. growth), (ii) a correction or reversal in the price of oil (certainly logical given the likelihood of an overshoot, but given the current supply glut it's unlikely oil makes a major move back into the $70s), or (iii) a rapidly accelerating economy, of which presently there is little evidence.

Figure 22: Unit Labor Costs (Nominal, % chg. YoY)



Source: St. Louis Federal Reserve, FRED Database

Figure 23: Capacity Utilization (Percentage)



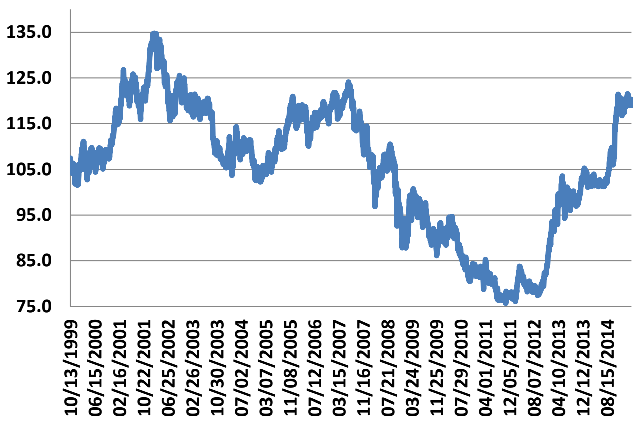
Source: St. Louis Federal Reserve, FRED Database

2015 Euro/Yen Forecast

The dollar has rallied sharply against most major currencies on improving economic growth in the U.S. and the prospect for higher interest rates sometime in 2H15. Currencies typically make multi-year moves, and in our *3Q13 Investor Quarterly* we outlined the factors behind what we believed was the beginning of a multi-year period of a rising dollar: "A Case for a $trong Dollar." While we were a little early, our view was predicated on the following factors: (i) improving current account deficit as U.S. households paid down debt and government deficits declined; (ii) improving trade balances due to U.S. energy production; and (iii) the likelihood for higher U.S. interest rates as the U.S. economy outperformed Europe and Japan.

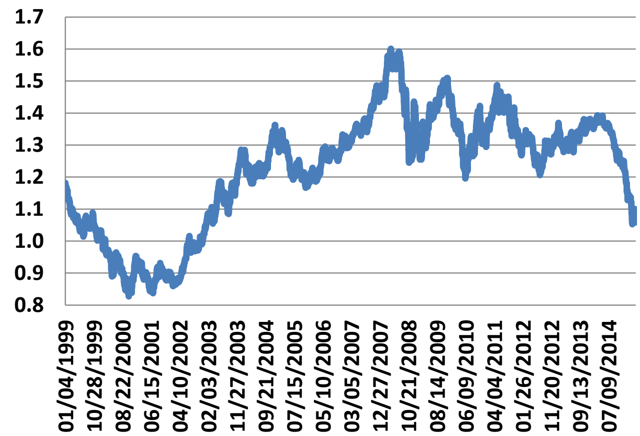
We continue to believe that the factors we outlined remain in place. That said, the dollar has made a fairly significant move in a relatively short period, and it seems that everyone is on the same side of the trade: long U.S. dollar, short Euro and Yen. For this reason, we may very well see a correction or at least a partial retracement of the sharp move witnessed over the last six months. We believe, though, that a stronger dollar is the most logical longer-term outlook.

Figure 24: Yen/$



Source: St. Louis Federal Reserve, FRED Database

Figure 25: $/Euro



Source: St. Louis Federal Reserve, FRED Database

Based on current central bank policies, we continue to believe the Euro may most likely finish the year in a range of between 1.15 and 1.00, with a point estimate of 1.05. We believe the Yen may most likely finish the year in a range of between 120 and 130, with a point estimate of 1.25.

2015 Oil Forecast

Oil prices remained excessively volatile during the first quarter of 2015, although as we noted earlier, WTI appeared to bounce off of a low around $44 twice during the quarter, establishing, in our view, a short-term bottom in the low to mid- $40s.

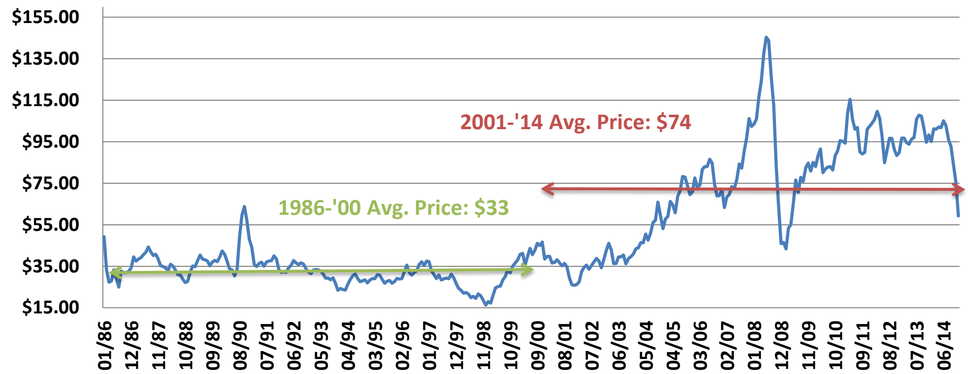
Oil caught a bid later in the quarter as drilling rig counts fell precipitously and conflict in Yemen accelerated. However, the potential Iranian nuclear agreement put some pressure on prices, as did inventory data, which continued to show large builds of crude in storage.

There appears to be little consensus on oil prices: some energy CEOs claim a rapid return to higher prices, others expect a subdued environment and still others expecting further declines.

We continue to believe the energy market is in a supply-based correction, and hence do not expect energy prices to rally sharply in 2015. That said, we do believe that oil is harder to find and more expensive to extract, factors which have led to the re-rating of oil prices since 2000 (Figure 26).

Our best assessment is that oil will most likely find a level somewhere between the two price levels witnessed over the last 30 years. From 1985-2000 (i) geopolitical risk was reasonably muted (with the exception of Dessert Storm in 1990-91), (ii) the trade-weighted dollar flat to rising (1987-2000), and (iii) oil adequately supplied amid growing demand. Conversely, from 2001-14, (i) geopolitical risk was heightened, (ii) the trade-weighted dollar declining, (iii) oil inadequately supplied amid growing demand; hence, the re-rating in price from $33 to $74 that occurred. Presently, geopolitical risk remains high, but the trade-weighted dollar is rising, oil remains adequately supplied, and yet demand trends are softer, due in part to slow global growth, but also due to the impact of alternatives.

Figure 26: Inflation-Adjusted WTI Price/Barrel (2014 Prices)



Source: St. Louis Federal Reserve, FRED Database, Rockingstone Advisors

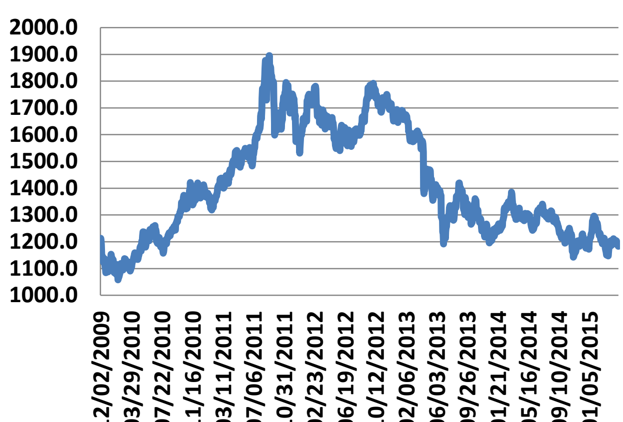
Hence, we maintain our forecast of a weighted average that yields a target of $57/bbl of WTI within an anticipated range of between $45 and $65. As it relates to energy stocks, however, we believe current valuations reflect a much more bullish outlook for energy prices than we currently believe and therefore continue to be underweight energy.

2015 Gold Prices

Gold rallied at the beginning of the year, rising more than 10% during January. As the dollar continued to strengthen, however, gold began to slip, and ended the quarter with only slight gains. Looking forward, we continue to think that gold appears to have bottomed and we believe may end the year higher than where it started. Central banks continue to be in a coordinated race to debase their currencies, led obviously by Bank of Japan and then by the European Central Bank. Moreover, Greece's exit would definitely be bullish gold.

We maintain our expectation for a year-end range of $1,325/oz to $1,450/oz with a point forecast of $1,385/oz. Lower inflation may act as a drag on pricing, but we think gold's role as a surrogate currency (rather than an inflation hedge) is what supports 2015 price appreciation.

Figure 27: Gold Prices (USD/London Close)

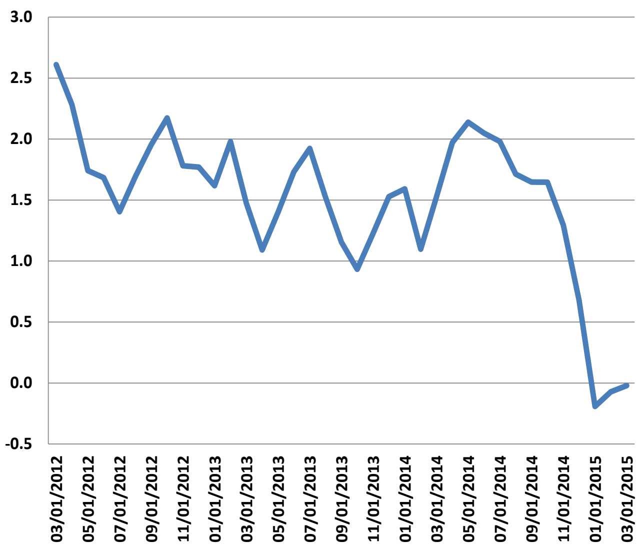


Source: St. Louis Federal Reserve, FRED Database

2015 Inflation

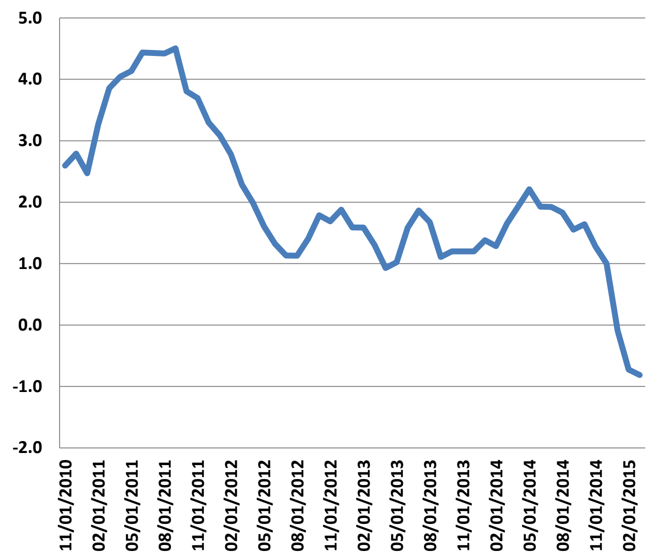
We had forecast inflation to decline slightly in 2014 based on our expectations of lower commodity prices and a stronger dollar. While we believe oil prices will stabilize around current levels and should finish the year slightly higher, the short-term move in energy prices could very easily be lower until supply/demand find equilibrium. This, plus the stronger dollar, record low employee participation rate in the labor market, slowing Chinese demand for commodities, and slower global growth should limit inflationary pressure. We maintain our forecast for a range of 1.5% to 1.7% with a point estimate of 1.6% for CPI.

Figure 28: Consumer Price Index (CPI - % change YoY)



Source: St. Louis Federal Reserve, FRED Database

Figure 29: Producer Price Index (PPI - % change YoY)



Source: St. Louis Federal Reserve, FRED Database

ROCKINGSTONE ADVISORS LLC

Five Year Asset Value Forecast[vi]

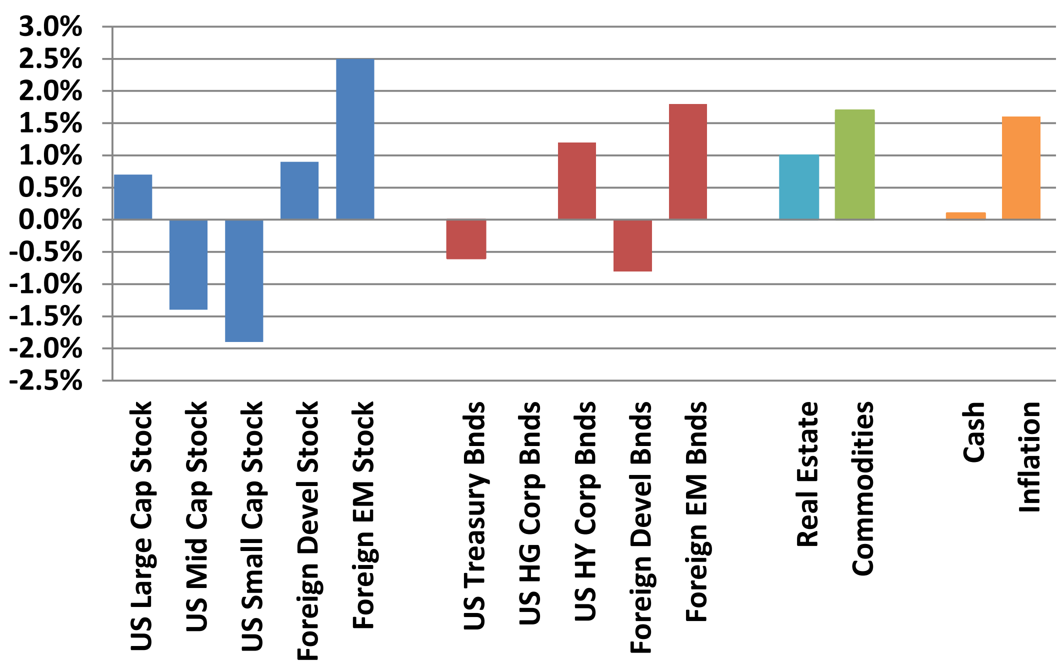
Future Real Returns Appear Limited

We present our five-year asset value forecast below (Figure 30). We are forecasting limited real long-term returns on financial assets as we believe the discount rates applied to these assets is abnormally low due to central bank intervention.

Our forecasts are predicated on the assumption that asset values mean-revert over time. In essence for equities, corporate profit margins and PEs should theoretically decline (if currently above their historical mean) or expand (if currently below their historical mean) over the longer-term. Given our expectations of flat to down total returns, we expect the "give" of earnings and dividends to be exceeded by the "take" of mean-reverting margins and multiples, both of which are above their historical mean. In fixed income 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.

Of course short-term returns may not necessarily match our longer-term return predictions; markets are significantly more random over the short-run than the long-run.

Figure 30: Five-Year Asset Class Forecast



Source: Rockingstone Advisors

2015 Portfolio Positioning - Equities

As we see limited gains in the indices, our priorities are on (i) capitalizing on relative value across the various indices (large vs. small, Japan vs. Europe); (ii) capitalizing on relative value across sectors (financials vs. utilities); (iii) finding relative value in individual securities; and (iv) shorting indices, sectors and names that appear materially over-valued with operational or structural challenges (we rarely short value alone).

From an index standpoint, we think there is still some value in large-cap names, and continue to be over-weight large-caps and short the small-cap index. We are now also short the mid-cap index, but remain net long overall. We are neutral weight the U.S., over-weight Europe and over-weight Japan. While we like Emerging Markets longer-term, we believe there are some short-term struggles adjusting to lower commodity prices and a stronger dollar, so are currently under-weight EM. That said, we have added to India and started a new position in Russia.

Across sectors, we are over-weight Financials, Technology and Industrials, where we think some value exists. We continue to believe Financials are the longer-term winner as margins remain constrained and values still generally below book. Tech and Industrials are probably both hampered by a stronger dollar and Industrials by latent oil exposure, but we like the valuations. We continue to be under-weight Energy, although less so given the price action. We continue to be neutral-weight Discretionary and Healthcare, and under-weight Staples and Utilities. We thought Discretionary would be acting better in light of lower oil prices; however, the initial commentary coming out of the retailers was not overwhelming positive. Healthcare has been the place to be; unfortunately we are now neutral, though we have owned the biotech ETF for some time. Utilities and Staples are quite expensive in our view given their role as bond proxies and yield substitutes.

Our largest individual holdings are The Advisory Board Company, Delta, General Dynamics, Home Depot, JetBlue, KKR, Kraft, Morgan Stanley, New Mountain Capital, Northstar Asset, Northstar Realty, Precision Cast Parts and Walmart. Our largest individual shorts are on IBM.

2015 Portfolio Positioning – Fixed Income

For 2015 we have added new positions in Treasuries (more of a trade than a long-term commitment), reduced some of our high yield exposure, but generally maintained our fixed income orientation to one of slightly higher yields by the end of the year.

We are long (intermediate and long-term) Treasuries, agencies, high grade corporates, high yield, floating rate debt, bank debt and emerging markets debt. We have no shorts in the asset class, having learned that painful lesson last year.

We continue to be long converts and preferreds for hybrids. We prefer mortgages over high grade corporates.

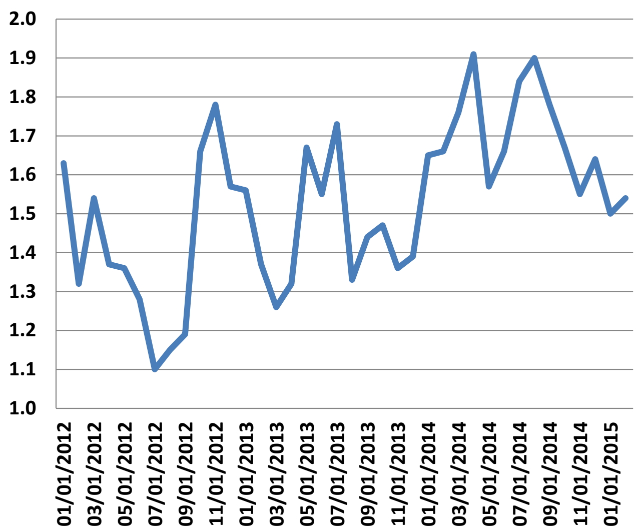
2015 Portfolio Positioning – Commodities

We have recently added to our silver holdings, which were quite minimal, and are still contemplating creating a new long position in gold (most likely denominated in Yen or Euro) though we have not yet acted. Central bank actions, we believe, should continue to add price support for both metals, as well as geopolitical issues in Russia and in Greece. We continue to own Stillwater Mining (SEC) as a platinum/palladium play, although palladium prices have deteriorated. We have added some ag stock plays, though we do not own ag outright in size.

Chart Book

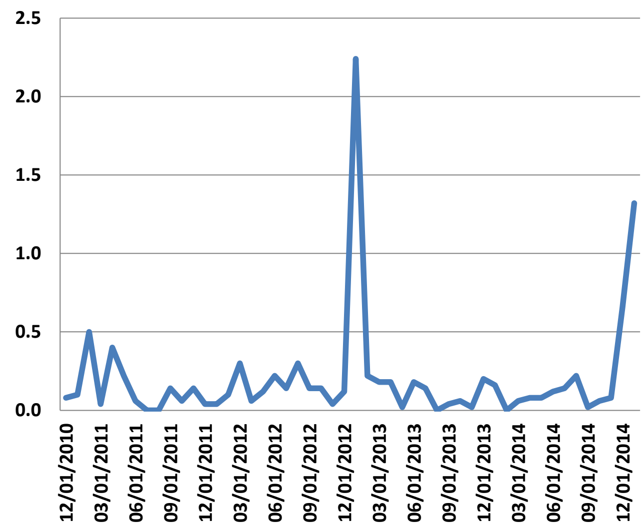
Leading Indicators

Figure 31: Index of Leading Economic Indicators



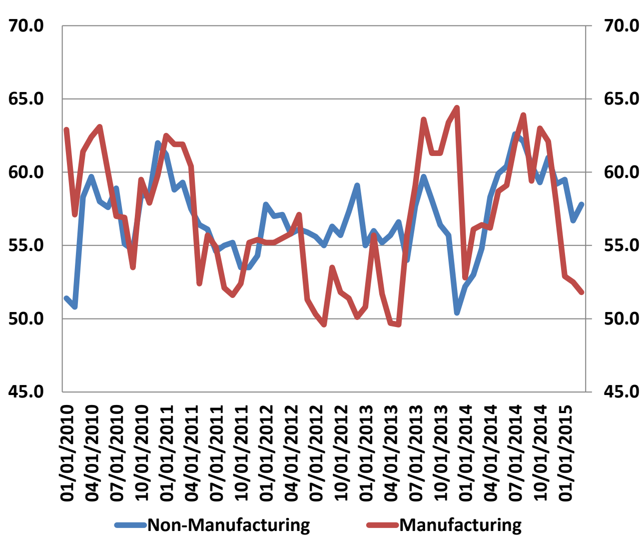
Source: St. Louis Federal Reserve, FRED Database

Figure 32: Recession Probability



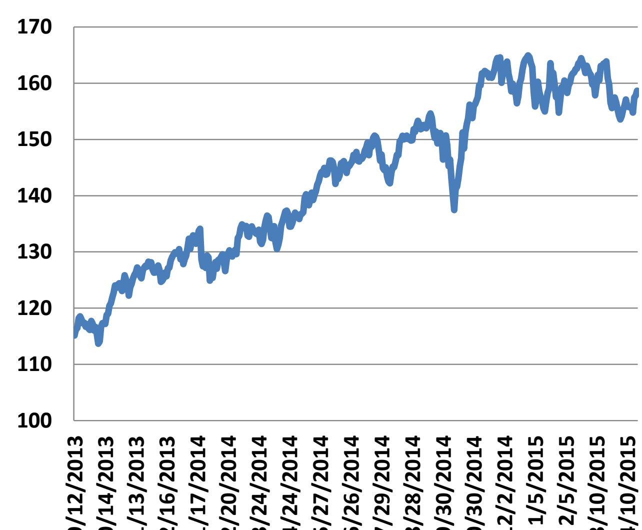
Source: St. Louis Federal Reserve, FRED Database

Figure 33: ISM New Orders



Source: St. Louis Federal Reserve, FRED Database

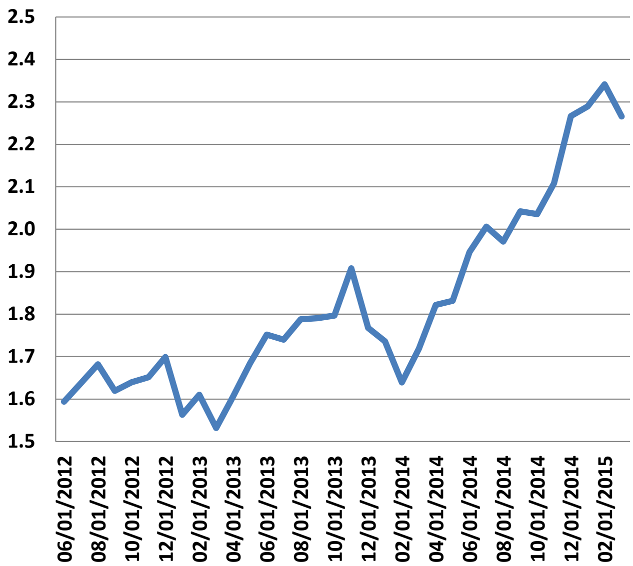
Figure 34: DJ Transports



Source: NYSE Arca

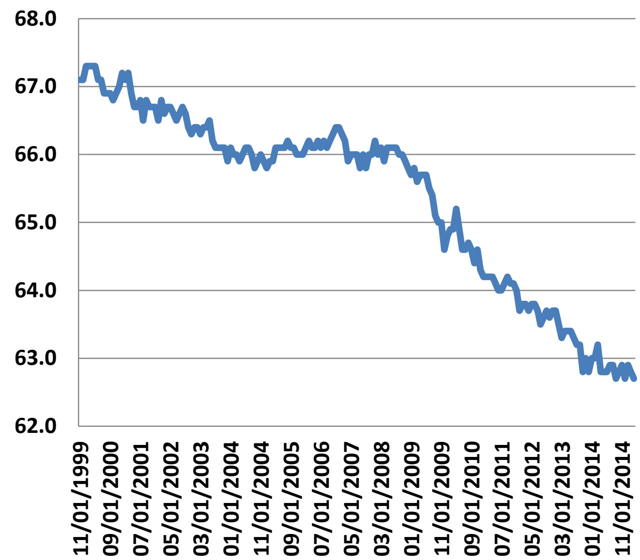
Labor Market Indicators

Figure 35: Payroll Growth (Establishment Survey, % Chg YoY)



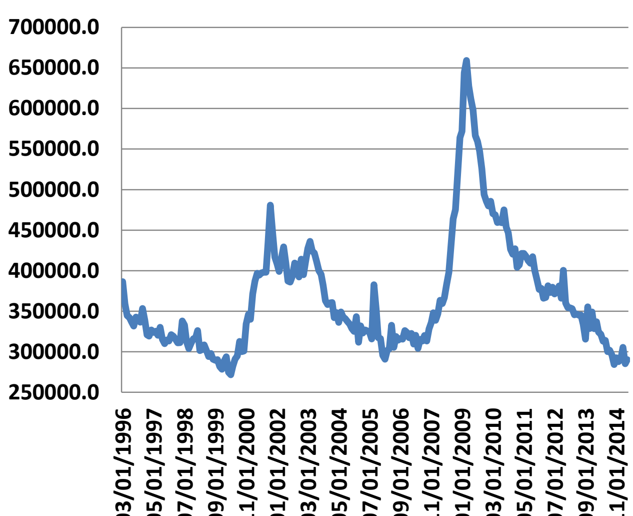
Source: St. Louis Federal Reserve, FRED Database

Figure 36: Labor Participation Rate (% of Workforce)



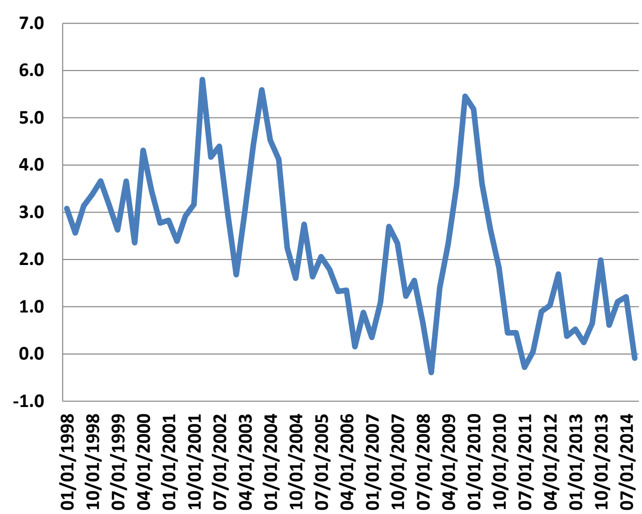
Source: St. Louis Federal Reserve, FRED Database

Figure 37: Initial Unemployment Claims



Source: St. Louis Federal Reserve, FRED Database

Figure 38: Non-Farm Productivity (% Chg YoY)



Source: St. Louis Federal Reserve, FRED Database

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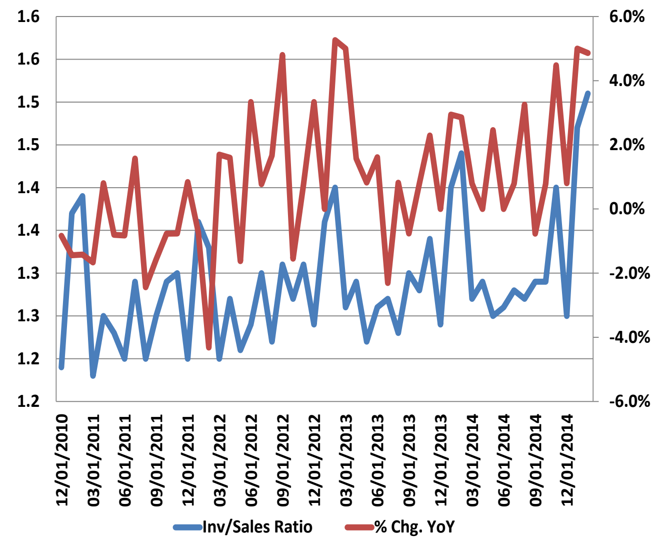
Production and Business Activity Indicators

Figure 39: Industrial Production and Durable Goods (% Chg YoY)

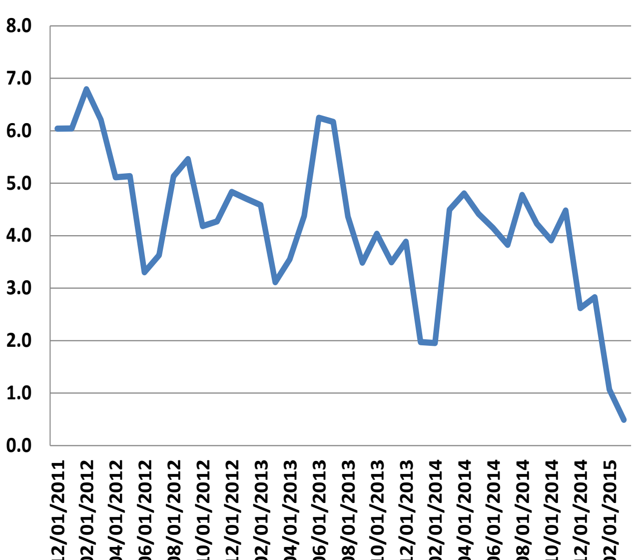
Source: St. Louis Federal Reserve, FRED Database

Figure 40: Inventories to Sales Ratio (LHS),% Chg YoY (RHS)



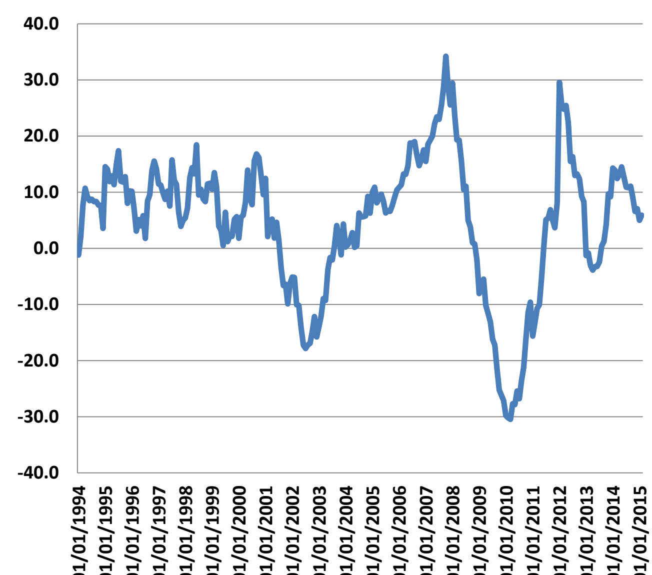
Source: St. Louis Federal Reserve, FRED Database

Figure 41: Retail Sales (% Chg YoY)



Source: St. Louis Federal Reserve, FRED Database

Figure 42: Non-Residential Construction (% Chg YoY)



Source: St. Louis Federal Reserve, FRED Database

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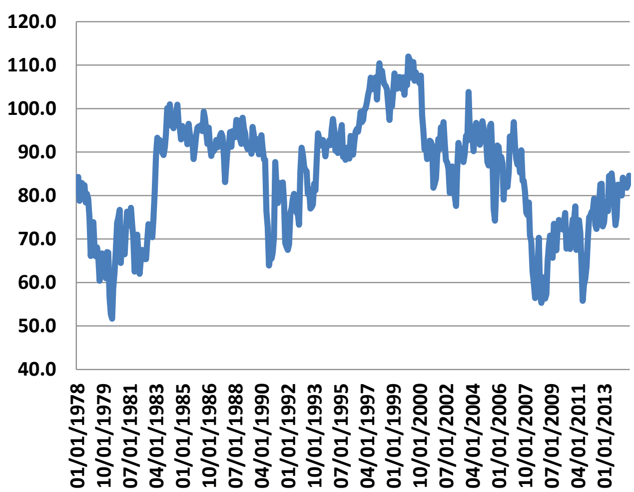
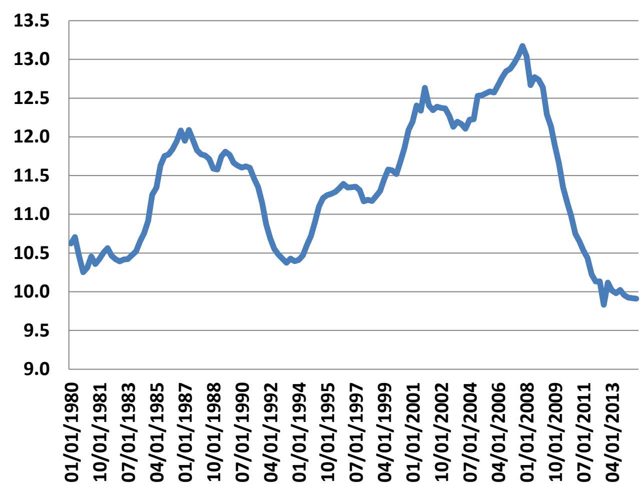
Consumer and Housing Indicators

Figure 43: University of Michigan Consumer Sentiment



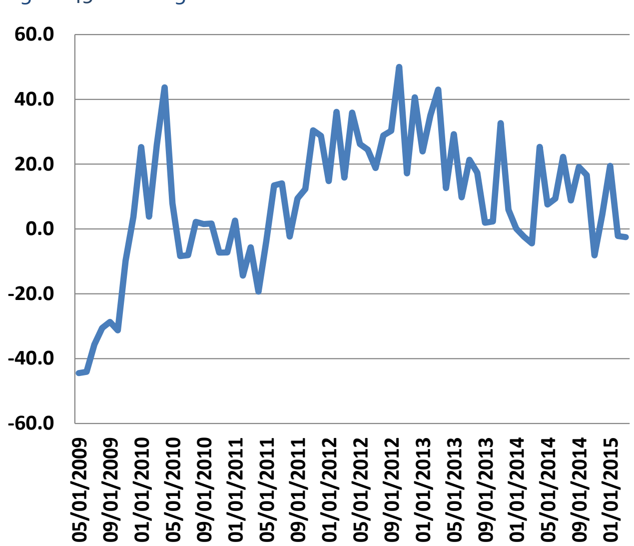
Source: St. Louis Federal Reserve, FRED Database

Figure 44: Household Debt (as % of Disposable Income)



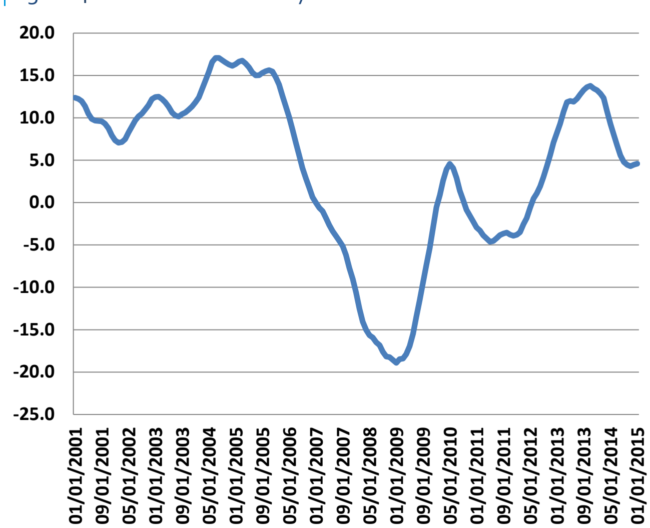
Source: St. Louis Federal Reserve, FRED Database

Figure 45: Housing Starts



Source: St. Louis Federal Reserve, FRED Database

Figure 46: Case-Shiller 20-City Index

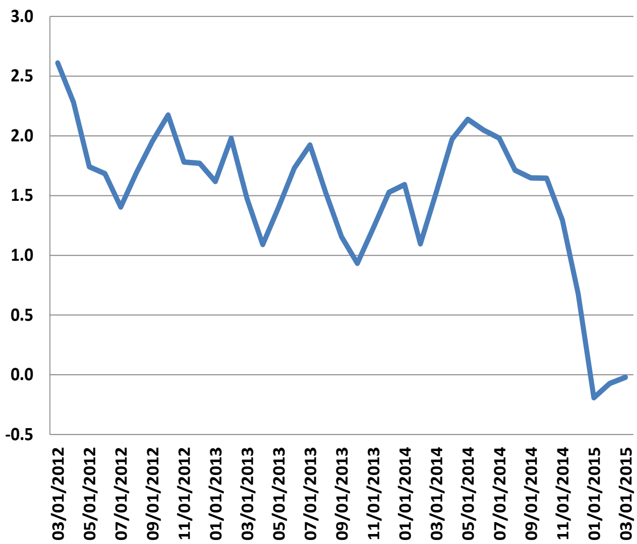


Source: St. Louis Federal Reserve, FRED Database

ROCKINGSTONE ADVISORS LLC

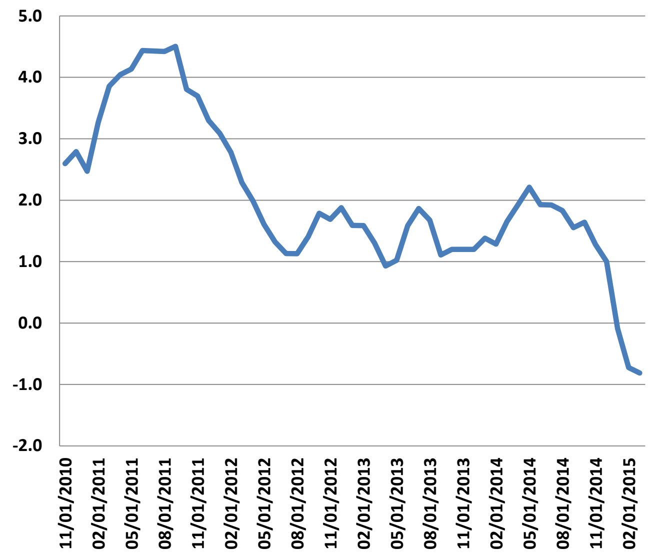
Price Indicators

Figure 47: Consumer Price Index



Source: St. Louis Federal Reserve, FRED Database

Figure 48: Producer Price Index

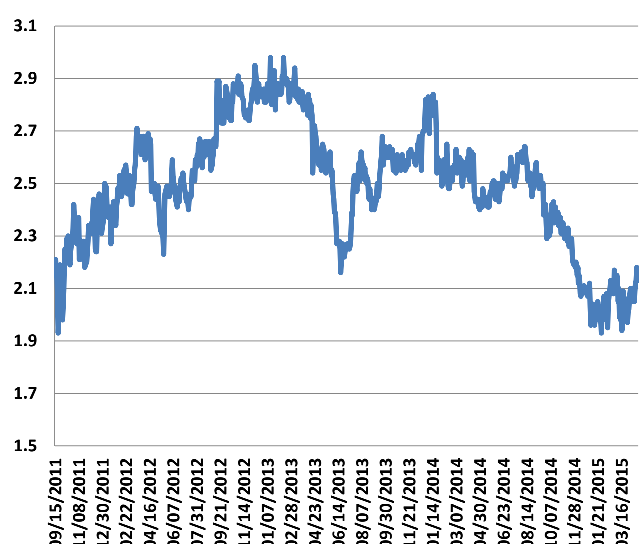


Source: St. Louis Federal Reserve, FRED Database

Figure 49: Employment Cost Index

Source: St. Louis Federal Reserve, FRED Database

Figure 50: 5-Year, 5-Year Forward Inflation Expectations



Source: St. Louis Federal Reserve, FRED Database

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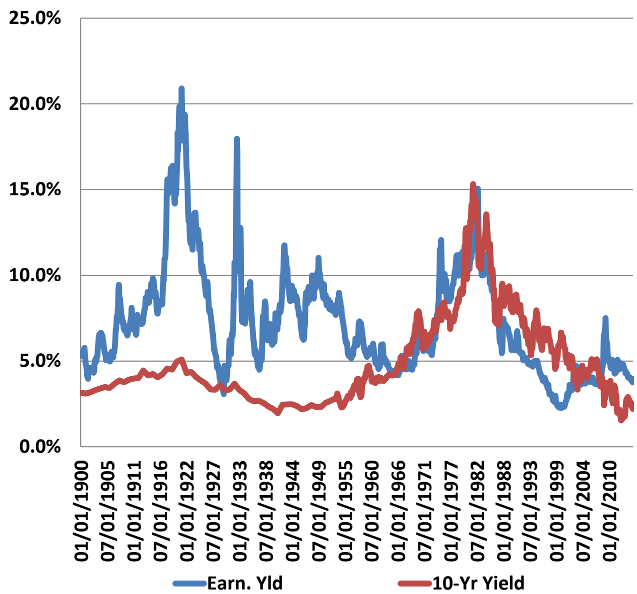
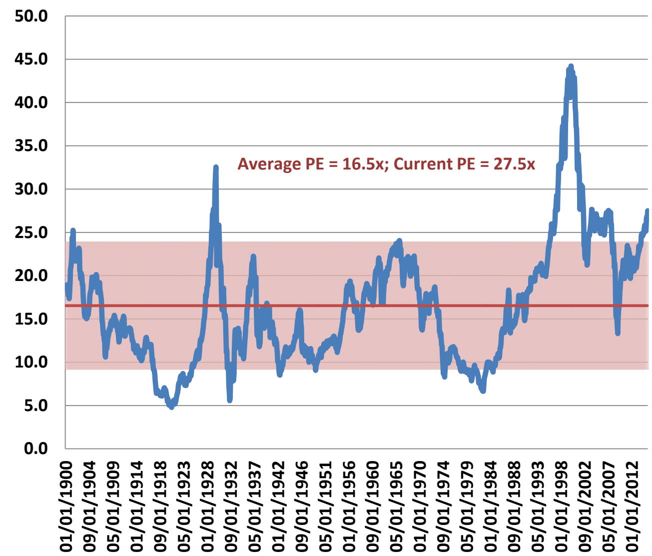
Valuation and Volatility Indicators

Figure 51: 10-year U.S. Treasury vs. S&P 500 Earnings Yield



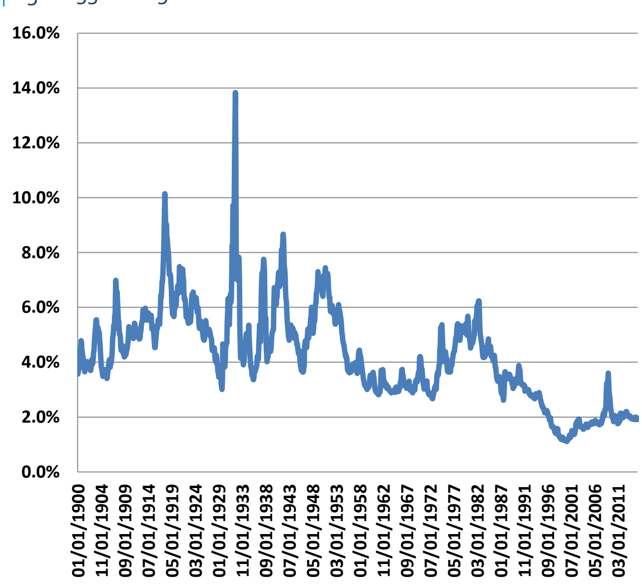
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 52: Shiller/CaPE



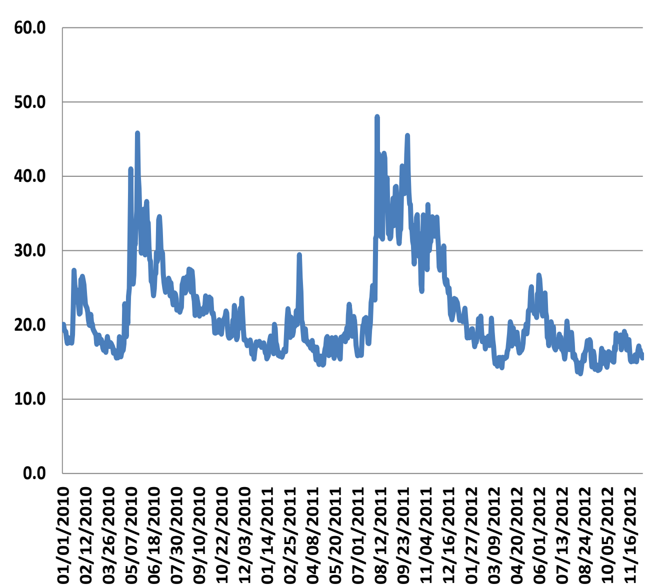
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 53: S&P 500 Dividend Yield



Source: St. Louis Federal Reserve, FRED Database

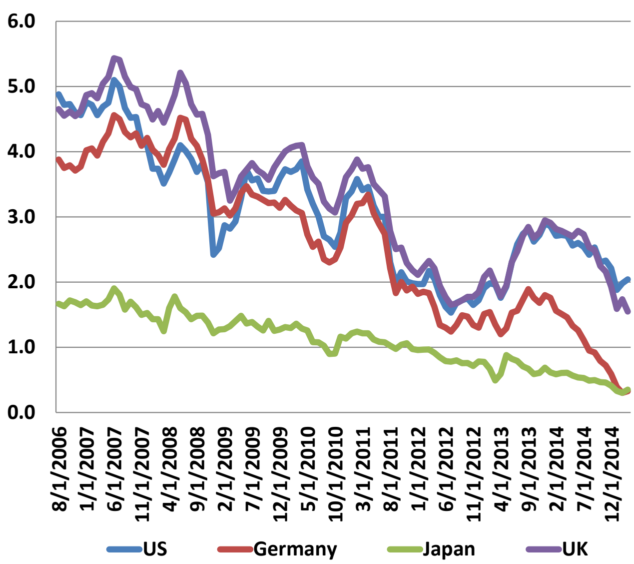
Figure 54: CBOE Volatility Index



Source: St. Louis Federal Reserve, FRED Database

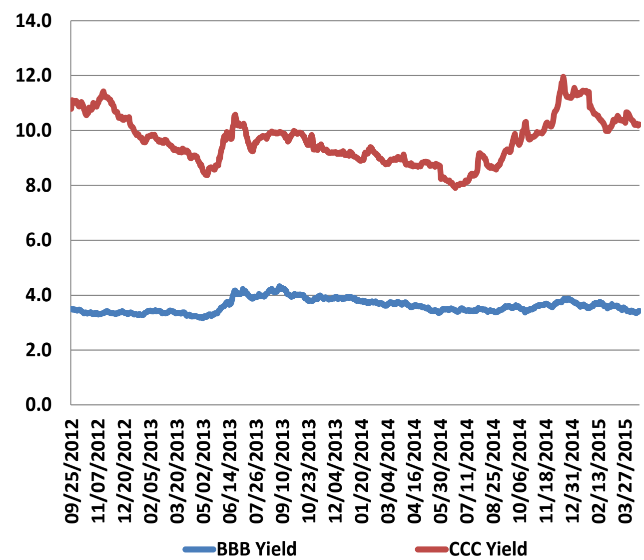
Bond Market Indicators

Figure 55: 10-Year Global Bond Yields



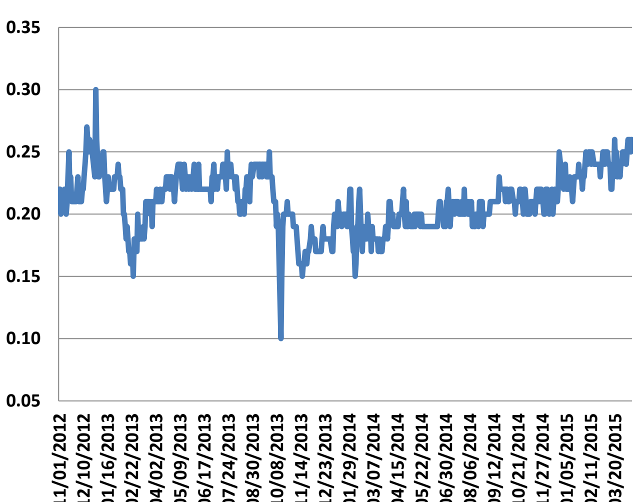
Source: St. Louis Federal Reserve, FRED Database

Figure 56: BBB and CCC Effective Yields



Source: St. Louis Federal Reserve, FRED Database

Figure 57: TED Spread



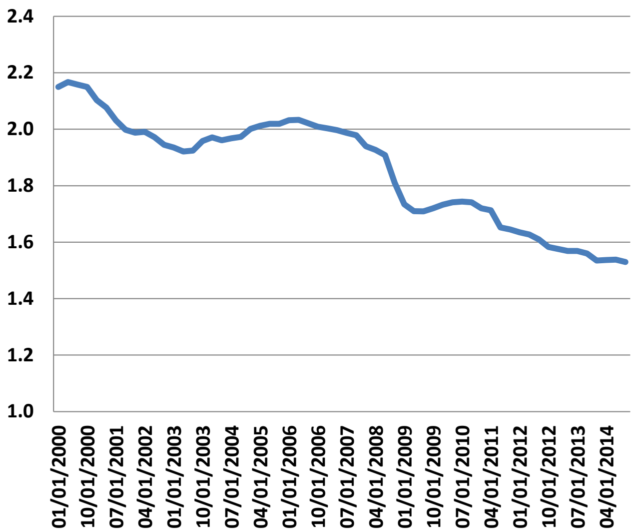
Source: St. Louis Federal Reserve, FRED Database

Figure 58: 10-Year Minus 2-Year Treasury

Source: St. Louis Federal Reserve, FRED Database

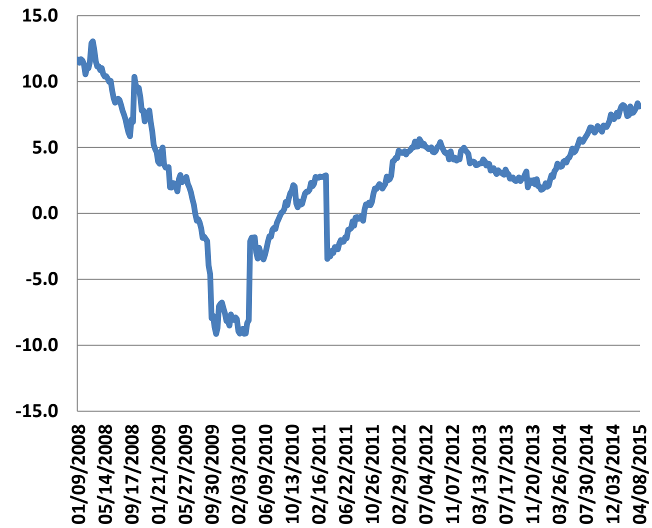
Liquidity Indicators

Figure 59: Velocity of M2 Money Stock



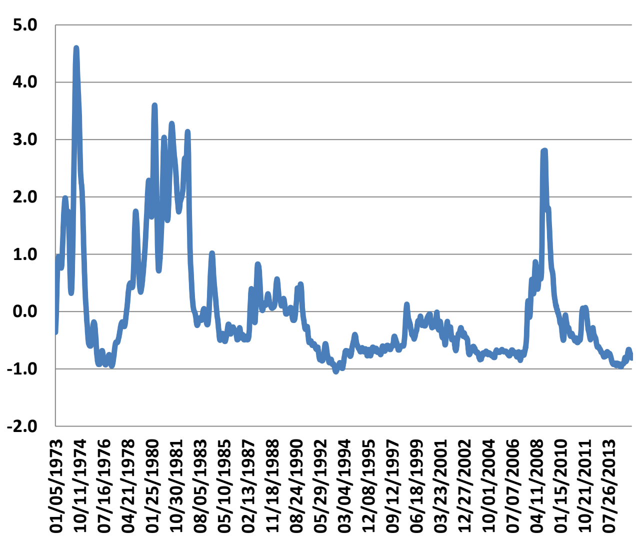
Source: St. Louis Federal Reserve, FRED Database

Figure 60: Loan Growth



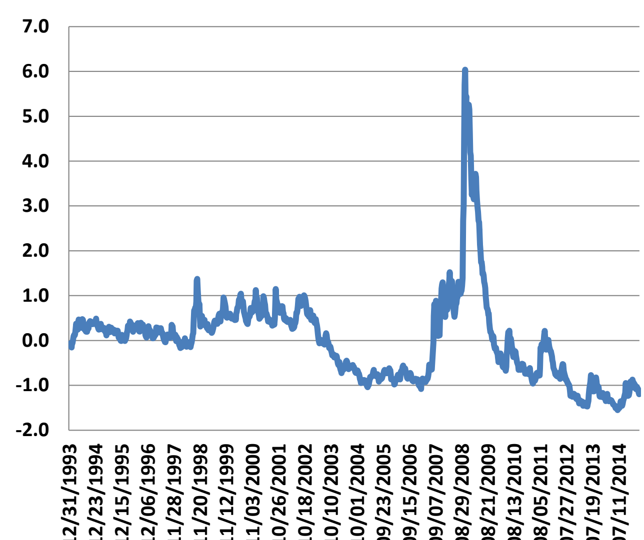
Source: St. Louis Federal Reserve, FRED Database

Figure 61: Chicago Fed Financial Conditions



Source: St. Louis Federal Reserve, FRED Database

Figure 62: Financial Stress Index



Source: St. Louis Federal Reserve, FRED Database

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. 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 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 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.

Quarterly Data prices are as of March 31, 2015; most other prices and yields are as of April 24, 2015.

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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Harrison, NY 10528
914-481-5050
brandt@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 is based on portfolios invested as of June 1, 2009. 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] 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.

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

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

[vi] 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.