Investor Quarterly

The Follow Through Continues

ROCKINGSTONE ADVISORS LLC

An Incredible Year

World economies witnessed accelerating growth in 2017. Despite all the "noise" emanating out of national capitals, corporations hired and invested, consumer sentiment improved and global asset prices rallied, demonstrating again that the combination of global growth, limited inflation, low rates, high profit margins and US tax reform continue to catalyze financial assets.

S&P500 Forecast & Other Key Indicators

US tax reform gives investors somewhat greater clarity on the earnings path of corporations; the macroeconomic implications are less clear. With investors focused on 2018, we update the following key indicators: GDP (+2.8%), Gold ($1,350/oz), 10-yr US Bond Yield (2.8%), Oil (WTI - $65/brl), S&P500 EPS $149 or +13% (including 5% benefit from the new corporate tax law).

4Q17 in Review

With a solid corporate profit backdrop, most major economies expanding and US tax reform passing, the 4Q17 was another strong period for global equities and other asset classes. Accelerating growth finally put pressure on fixed income returns, with the Fed articulating three hikes in 2018.

Asset Class Performance (Total Return: 4Q17 & 2017)

We note the following for 4Q17 and the full year: S&P500 (+6.8% and +21.5%), Gold (+1.7% and +12.8%), Bonds (+0.4% and +3.5%), Commodities (+7.9% and +4.9%). Relative to history, 2017 was a strong year for asset class performance.

Rockingstone Performance

We had a reasonable quarter (+4.4%) but an excellent year (+18.1%). In the 4Q17, our positions in select Tech, Financials and Value, while being under-weight Fixed Income, aided results. Meanwhile, select equities (APPN, FLT, SYNT) helped, yet certain individual positions (EVH, WDC, CLNS) were a slight offset.

About Us

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

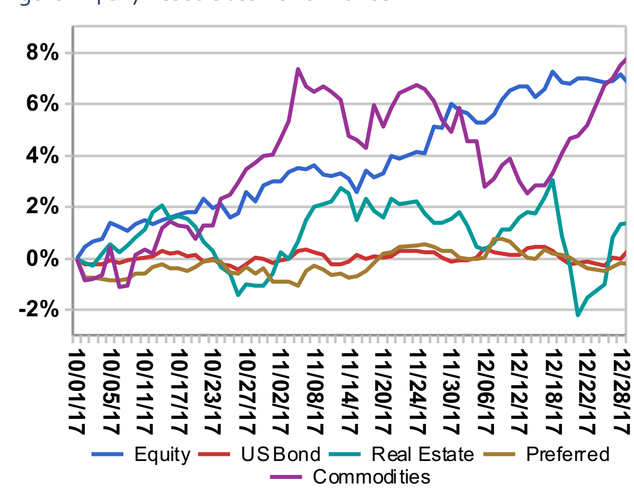
As an SEC-registered investment advisor, we provide multi-asset investment strategies to individuals, families and small institutions through separate accounts.

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:

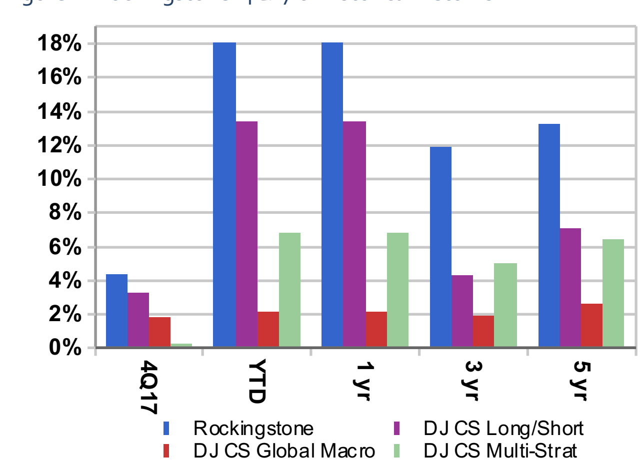
www.rockingstoneadvisors.com

Figure 1: 4Q17 Asset Class Performance[i]



Source: FactSet

Figure 2: Rockingstone: 4Q17 & Historical Returns[ii]



Source: Rockingstone Advisors, Morningstar, DJ Credit Suisse Indices

Please see our End Notes and Disclosures (pages 25-26 of this Investor Quarterly) for important information regarding performance measures. Form ADV available upon request.

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Asset Class Performance Review

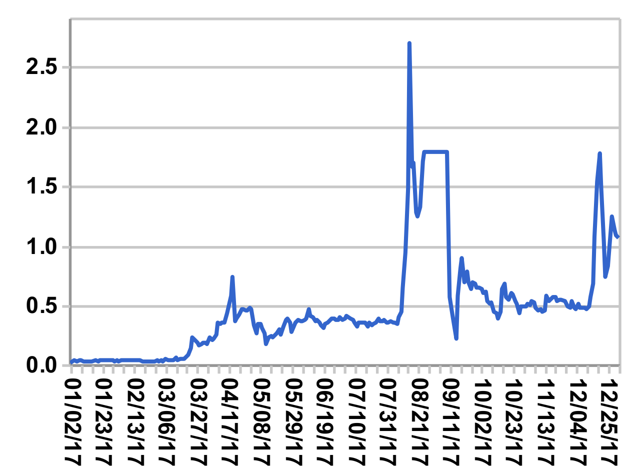
The Follow Through Continues

Looking broadly across global asset values, 2017 was a stellar year, especially for equities. The combination of accelerating corporate profits, broad-based and globally synchronized economic growth, low inflation and improved consumer confidence led most equity markets to record substantial gains. To put this performance in context, most long-term oriented investors likely expect 6-8% compound annual growth from the S&P500 vs. the amazing 22% achieved in 2017. With the $US dollar weaker and ex-US economies recovering, the surge in global equities (whether it was from emerging markets or non-US developed markets) more than matched what the S&P delivered.

As we have noted previously, investors should prepare themselves for the probability of lower asset returns in 2018 and beyond. We explore the issue in more detail later in this report, but valuation multiples for the major equity indices are high, cash levels historically low and yields minimal, so investors don't see many options for asset appreciation other than in equities. For at least the last 18 months we have been under-weight most asset classes (e.g. fixed income, commodities, convertibles) other than equities. We remain cautious on fixed income but on the other hand, with equity markets riding high and "black swans" still possible, we remain vigilant in monitoring portfolio betas. Some of the black swan events that could occur include: (i) war on the Korean peninsula and/or other hot spots around the globe, (ii) criminal charges delivered by the special prosecutor in the US, (iii) slowing Chinese economy, (iv) rising wage and price pressure, (v) potential trade war with China and around NAFTA, and (vi) a more rapid rise in interest rates than currently contemplated.

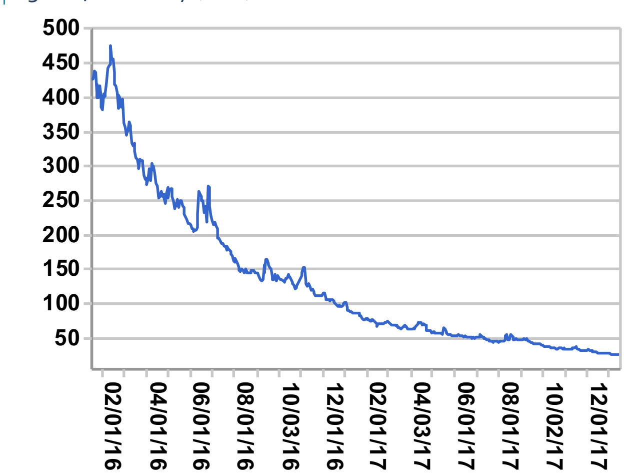
Volatility remains at record low levels, which is also a point of worry given investors' willingness to seek return and ignore risk. Moreover, with the incessant media coverage of blockchain technology and crypto-currencies, as well as various index milestones being surpassed seemingly daily, there seems to be a high degree of euphoria and potential speculative frenzy in the market that will bear monitoring. But in markets, in general, the "trend is your friend," and presently the trend appears higher.

Figure 3: Bitcoin (First Bitcoin Capital)



Source: FactSet.

Figure 4: Volatility (VXX)



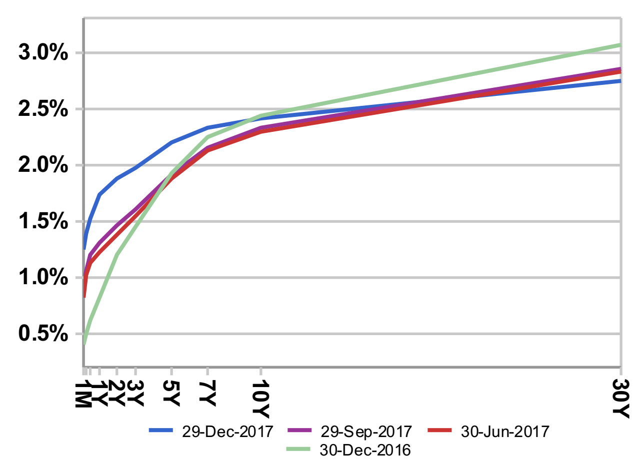
Source: FactSet.

Clearly the new US tax code has significantly positive implications for companies and individuals. To the extent US companies had a statutory rate of 35%, this was a disadvantage to many other companies that were domiciled in countries that had rates in the mid 20%s. Companies and industry analysts are starting to introduce their 2018 expectations for revenue and profits. Of the 31 companies that have reported earnings this month, 25 of these firms have provided guidance on their expected tax rate. EPS estimates of these firms have risen by 8.7% (relative to December levels) vs. 1.2% for the remaining 475 companies within the S&P 500.

As evidenced by the overall S&P, as well as the more domestic-focused Russell 2000 (i.e. smaller cap companies), markets have started to discount the benefits. To the extent other countries react to the US and lower corporate profits further, this could be an additional leg to the global equity asset class boom (though one we do not anticipate occurring). One offset, however, is a more limited interest deduction on debt so companies with high leverage will be at a relative after-tax earnings disadvantage.

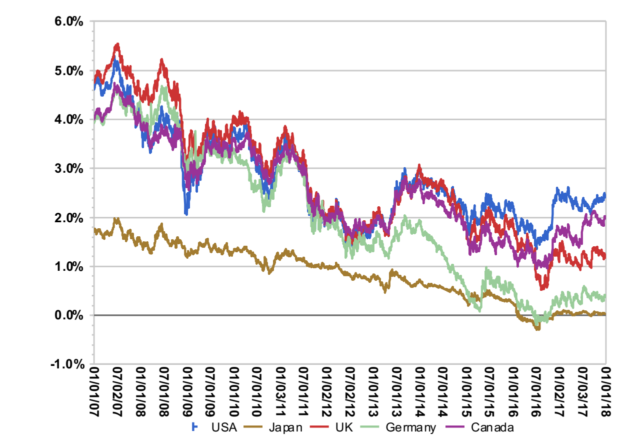
From an individual perspective, the new US tax code has myriad implications. For taxpayers that live in the northeast or on the west coast, changes in deductions (property, sales and income taxes) do not appear beneficial, although lower income rates could act as an offset. To the extent an individual runs a "pass-through" business entity, the new rules are very beneficial. Given that many US individuals own small businesses and are organized for tax purposes as a pass-through, this could give more support to the equity markets (i.e. greater consumption and or savings). Lastly, we note the large US residential real estate market could see some pressure at the margin. With a lower mortgage interest deduction (to $750,000 vs. the prior $1,000,000) coupled with limited deductions for property taxes and the raising of the standard deduction, it is marginally more expensive to own a home. Nevertheless, millennials that are starting families and thus helping household formation could be a buffer to the expected weakness in select real estate markets (such as Westchester, NY or Essex County, NJ).

Figure 5: U.S. Yield Curve



Source: Factset

Figure 6: Global Sovereign Yields



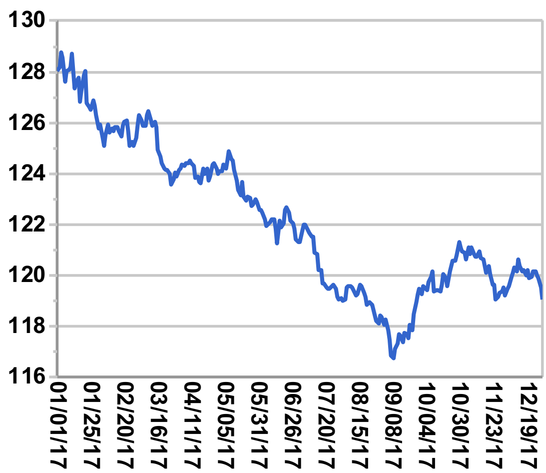
Source: Factset

While most fixed income securities significantly under-performed equities, debt instruments still delivered decent performance. Most fixed income ETFs had positive returns in 2017 despite fears over US Federal Reserve tightening, the chance the ECB becomes less accommodative and global growth leading to inflation. Yet inflation remains tame with even outgoing Fed Chairperson Yellen questioning why price increases are so scarce. And the US yield curve has remained stubbornly flat of late (though recently steepening) while EU yields continue to be low to the point of being negative in real terms for some countries. If the CBO forecast is directionally accurate and the new US tax laws adds to budget deficits over the next few years, this will only add to the country's $20+ trillion in debt. Combined with the Fed unwinding of its $4 trillion in various debt securities (from the post crisis QE policy), we remain cautious as to the outlook for fixed income.

Despite the Fed signaling 2018 is likely to include multiple rate hikes, the $US remains surprisingly weak vs. most currencies. This is most likely a function of resurgent growth outside of the US, especially in Europe, the latter of which lagged the US out of the global financial crisis (GFC), coupled with the prospect of higher US deficits associated with more accommodative fiscal policy.

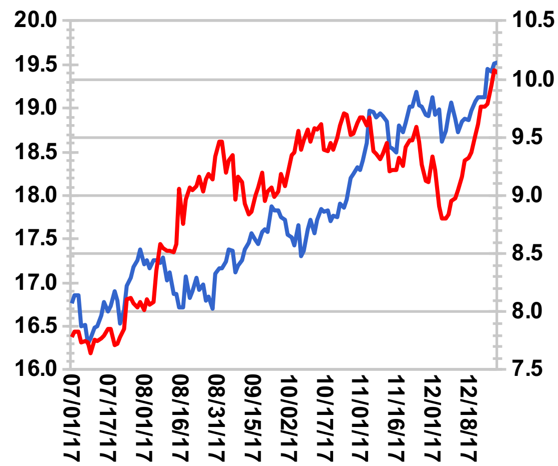
That said, if it turns out that lower taxes stimulate US economic growth and lead to an improvement in net government receipts, this dynamic would be dollar supportive, if not bullish. As noted throughout 2017, we were generally over-weight non-US equities (for the most part these were unhedged). We continue to believe several non-US markets (notably emerging markets) are less expensive and thus maintain such exposure across most accounts.

Figure 7: Federal Reserve Nominal Broad $US Index



Source: FactSet, Federal Reserve

Figure 8: DB Base Metals (left) & Oil (right) ETFs



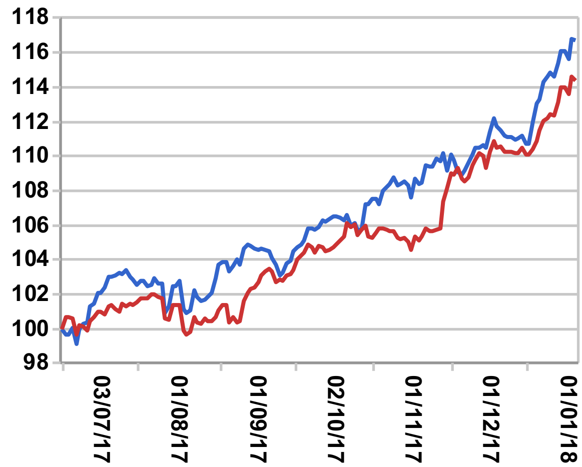
Source: FactSet

Inflation has been benign for so long, even the Fed has started to question what is the right formula to use. Although we recognize the fear of inflation has existed since the Fed started aggressively to print money in response to the GFC, it is important to monitor traditional inflation signals. For example, we note that both base metal and oil prices have jumped significantly in the 2H17. Producer prices have also recently been rising. Although we have traditionally positioned our portfolios to skew slightly more to an inflationary outlook (e.g. our underweight in bonds) than a deflationary one, we would need to make some portfolio changes if in fact sustained rises in the price level become the norm.

As we noted in our last quarterly newsletter, growth significantly outperformed value for a good part of 2017. And looking over the last few years, value managers struggled vs. growth managers (see Figure 10 on the following page). While we have always questioned the practical (rather than philosophical) distinction between a growth stock and a value stock, we are cognizant of the sustained underperformance of value vs. growth since this cycle began.

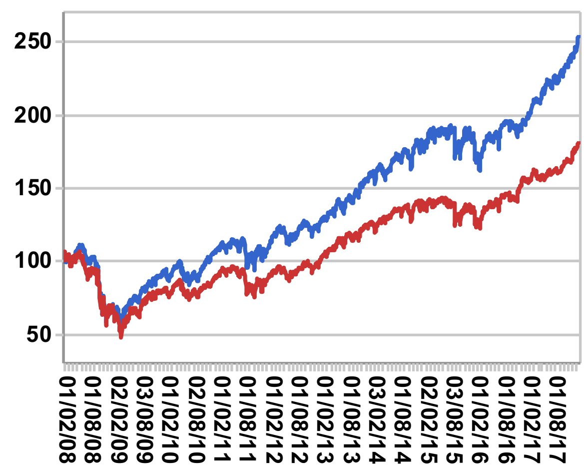
Thus, in late June, we began to shift our exposure more to value from growth (effectively adding financial, materials and energy). Although it took a while for value to recover (see next page), we note both Energy and Financials recovered in the 2H17 and into 2018. We believe having some exposure to value continues to be prudent even though Technology (arguably the biggest component for growth) delivered strong 3Q17 results and rallied into the year-end, in large part due to the monopoly rents harvested by Google, Facebook, and Amazon, in our view.

Figure 9: S&P 500 Value (red) vs. S&P 500 Growth (blue)



Source: FactSet, Federal Reserve

Figure 10: S&P 500 Value (red) vs. S&P 500 Growth (blue)



Source: FactSet

Equity Performance

Strength Almost Everywhere

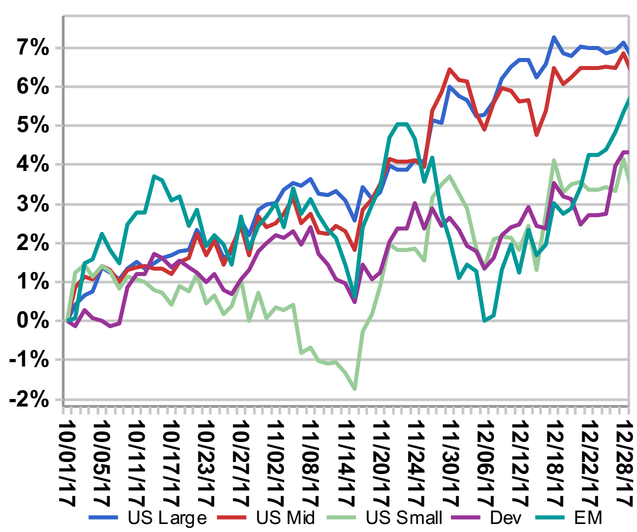
While almost every year has its fits and starts, we thought 2017 was interesting to the extent that every worry was quickly overwhelmed by an unrelenting uptrend in the market. Whether it was fears over North Korea, dysfunction among legislators in DC or the Fed's plan to unwind its balance sheet, the truth is that global equities not only climbed the perennial "wall of worry," but hurdled over it. We note that strong equity performance was also very broad based, irrespective of market capitalization, style or geography.

In terms of the latest quarter, we note that US large caps jumped close to 7%. This was followed by US mid caps' increase of around 6.5%. Emerging markets increased about 5.5% followed by Developed markets up just over 4% and US small caps slightly under 4%. We believe continued earnings strength among US large and mid cap names propelled their prices higher, with the US tax law change also a catalyst. Meanwhile US small caps were significantly under-performing until the US tax law change gained momentum, as small caps should disproportionately benefit from the changes in the tax law due to their mainly domestic operations.

Looking at the full year 2017— and as noted previously in this report— almost everything that could go right, did so in 2017. Among US stocks, we note the following: large caps (+22%), mid caps (+16%), and small caps (15%). After years of under-performance, Emerging Market stocks jumped over 30%. This was followed by Developed Market stocks that increased over 25% as investors sensed an economic recovery in both the EU and in Japan.

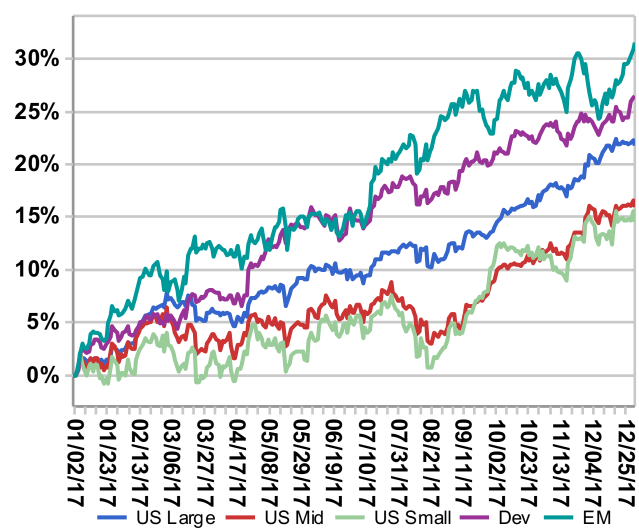
Breaking down total return into earnings growth and multiple expansion for the S&P 500, for instance, of the 22% total return, earnings growth was approximately 10% (using estimates for 4Q17), dividends totaled 2% and multiple expansion accounted for 10%.

Figure 11: 4Q17 Equity Performance[iii]



Source: FactSet

Figure 12: 2017 Equity Performance



Source: FactSet

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Fixed Income Performance

Does 4Q17 Price Weakness Finally Signal an End to the Bond Rally?

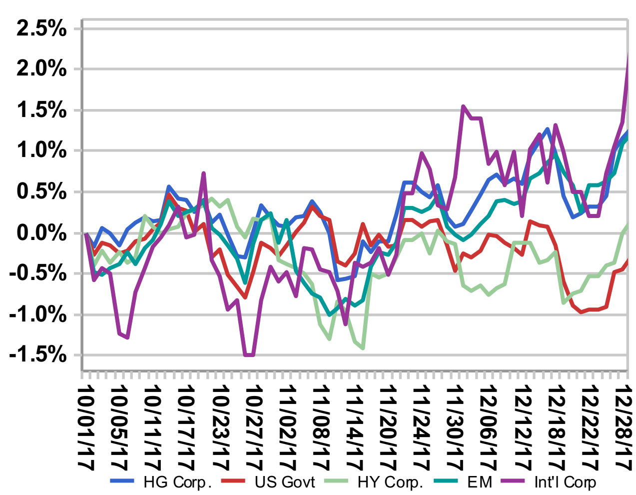
For many years investors have been bracing for weakness in fixed income markets. A combination of several increases in the Fed Funds rates, the unwinding of the Federal Reserve's $4+ trillion balance sheet as well as recovery in growth would ultimately lead to higher yields (and the concomitant lower bond prices). Yet with every quarter and year that passed, fixed income prices were surprisingly strong, and in fact the yield curve flattened through much of 2017 (up until the passage of the tax package).

Indeed, in reviewing 2017 full year fixed income performance, it is clear that pricing was strong again. International corporate bond prices jumped close to 14% while Emerging Market bonds were up around 10%. Although high yield corporate bonds had some periods of weakness (particularly when energy prices weakened in the middle of the year), even high yield was up over 6%.

But we note that some cracks in the fixed income market started to appear in 4Q17. For example, US government bonds lost 0.5% in value. Emerging market bonds over the same period were flat. We acknowledge, however, that other fixed income groups (US high grades, US high yields, Emerging markets) all continued to move higher.

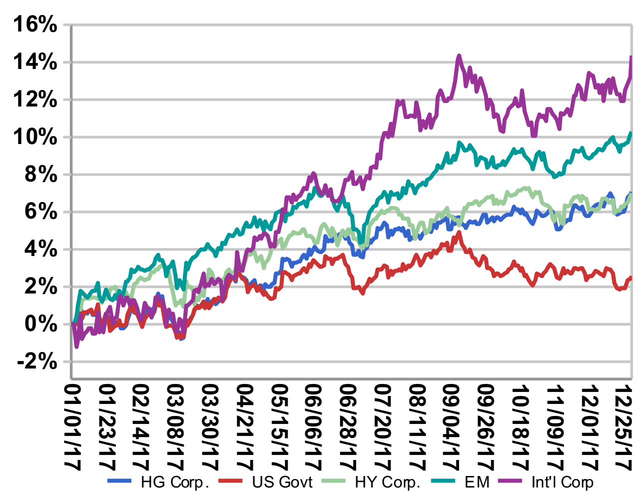
Since the 2Q17, we have been short BNDX (the ETF made up of developed market government bonds). We maintained our short position and recently added to it even though BNDX has increased in value since our initial position, as our view is that most non-US developed market government bonds' yields are simply unsustainably low. We are encouraged that as 2017 came to a close these yields started to rise and our short position increased in value.

Figure 13: 4Q17 Fixed Income Performance[iv]



Source: FactSet

Figure 14: 2017 Fixed Income Performance



Source: FactSet

Commodity Performance

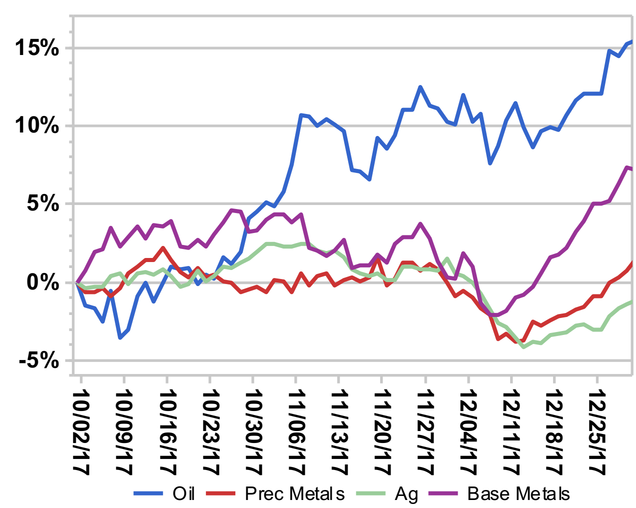
Base Metals Lead the Year

Despite a slight skew toward inflation, we have been under-weight commodities for the last few years. This has generally been the right approach when looking at 2017 for the full year. But as noted previously in this report, the specter of rising inflation prompted us to increase our exposure during the year from underweight to a very slight overweight in energy and an equal weight in materials. Although base metals jumped in 2017 (up about 30%), other commodities we track, such as precious metals (+10%), oil (+5%) and agriculture (-7%), underperformed. We suspect that base metals prices rose on ongoing strength out of China, though recent import data raise some concerns surrounding the sustainability of Chinese demand.

In terms of 4Q17, there is no question the story in commodities was around oil. Oil struggled significantly during the 1H17 but started to recover during the summer. Despite continued record production from the US and significant discoveries announced over time, oil prices began to rebound based on relative supply discipline from large producers such as OPEC and Russia, coupled with diminishing inventories and accelerating global GDP growth.

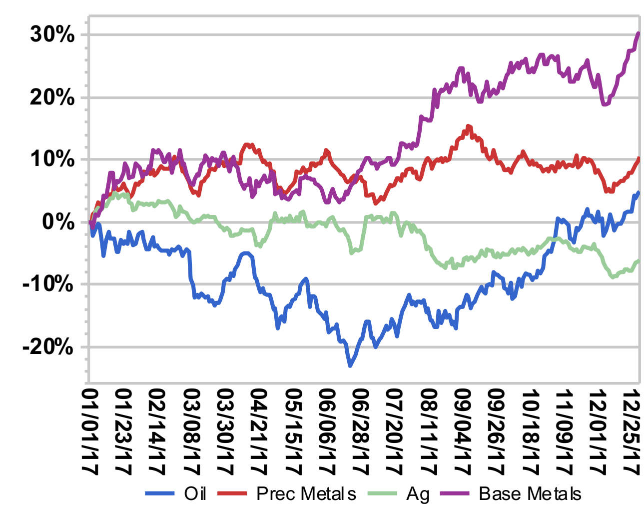
Rockingstone didn't invest more directly in oil (i.e. using the ETF such as DBO) but we did add to our current holdings (in Conoco and EOG), the energy ETF (XLE), and initiated new positions in Continental Resources (CLR) and Constellium (CSTM). Lastly, we would note that other commodity ETFs, particularly in December 2017, started to jump. We believe this is attributable to expectations that US tax reform should lead to strengthening global GDP.

Figure 15: 4Q17 Commodity Performance[v]



Source: FactSet

Figure 16: 2017 Commodity Performance



Source: FactSet

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Forecast: 2018

Rockingstone Advisors' Latest Forecasts

Both the US and global macro-statistics continue to point to stronger GDP trends. Given the recent tax cut, we believe GDP growth should accelerate. Hence, we expect 2018 GDP to grow around 2.8%. In addition to accelerating GDP, the new tax cut also has a material impact on the outlook for S&P 500 earnings. Our original $125 for 2017 looks to be too conservative. While only a few firms have reported 4Q17 results, current Street estimates have risen from $126 to $132 for the year. This latest estimate seems reasonable to us, and this figure forms the starting point for our 2018 estimate, which is enhanced both by global growth, but also by the reduction in corporate tax rates. The combination of upward revisions to earnings, low absolute interest rates, ongoing accommodative central banks and low inflation continue to create an ideal backdrop for financial assets, even though the valuation of those assets is no doubt stretched, in our view.

Figure 17: Key Metric Forecast

	Year End December 2018	
Metric	Band	Point
US Real GDP (NTM)	2.6% - 3.0%	2.8%
S&P 500 2018 EPS (RSA/Street)	NA	$149 / $150
S&P 500 2018 Index	2850 - 2985	2900
10-Yr US Treasury Yield	2.5% - 2.9%	2.8%
Oil (WTI)	$60 - $70	$65
Gold	$1,300 - $1,400	$1,350
Inflation	1.9% - 2.3%	2.2%

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

A few observations and comments:

1. S&P500 EPS. As we noted previously consensus S&P500 EPS expectations have risen from $126 to $132 for 2017 mainly due to stronger global growth. Using $132 as our base, we would expect roughly 8.3% earnings growth to $143 for 2018. We estimate that tax savings should generate an additional $6 in EPS (or about 5% incremental growth) for the S&P 500, which yields $149 for 2018, in line with the Street's $150 estimate. We introduce a preliminary 2019 S&P 500 EPS forecast of $159, vs. the Street's consensus estimate of $165.

2. S&P500 Index. The acceleration in earnings helped fuel the S&P to stellar returns in 2017. The tax cut has fueled another great start to equity markets in 2018. At 2815, combined with our forecast of $149 in earnings, the S&P 500 trades at a current P/E of 18.9x. For year-end 2018, we are forecasting a range of 2850-2985 with a point estimate of 2900. The high end of the range could be achieved or surpassed if our $159 estimate for 2019 appears to be low, or if— contrary to our expectations— there is no P/E multiple contraction over the next 12 months. The low end of our range would occur if our forecast for earnings is too aggressive or if the P/E multiple contracts more than we forecast. The midpoint of our range assumes some multiple contraction (roughly from 18.9x to 18.2x) based on our assumptions for (i) higher interest rates; (ii) tougher YoY earnings comparisons and (iii) decelerating upward economic revisions.

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Five Year Asset Value Forecast[vi]

The Outlook for Returns Remains Muted

Below is our five-year asset value forecast as well as details behind our equity return calculations. We are cautious in our outlook and assume limited real returns for financial assets over the next few years due to the currently elevated starting point. Typical to our approach, we assume asset values mean-revert (with respect to margins and P/E multiples) over time.

Figure 18: Five-Year Total Equity Return Calculations (Incremental Contribution)

Asset	Index	LT Growth		Sales		Profit Margin		Div.Yield		Valuation
US Large Cap Stock	S&P500	4.7%	=	6.0%	+	0.0%	+	1.7%	-	3.0%
US Mid Cap Stock	S&P400	3.5%	=	5.1%	+	0.0%	+	1.4%	-	3.0%
US Small Cap Stock	S&P600	2.9%	=	5.7%	+	0.0%	+	1.2%	-	4.0%
Foreign DM Stock	MSCI-EAFE	4.3%	=	4.8%	-	0.1%	+	2.4%	-	2.8%
Foreign EM Stock	MSCI-EM	7.3%	=	8.0%	+	0.2%	+	1.7%	-	2.6%

Source: Rockingstone Advisors, Factset.

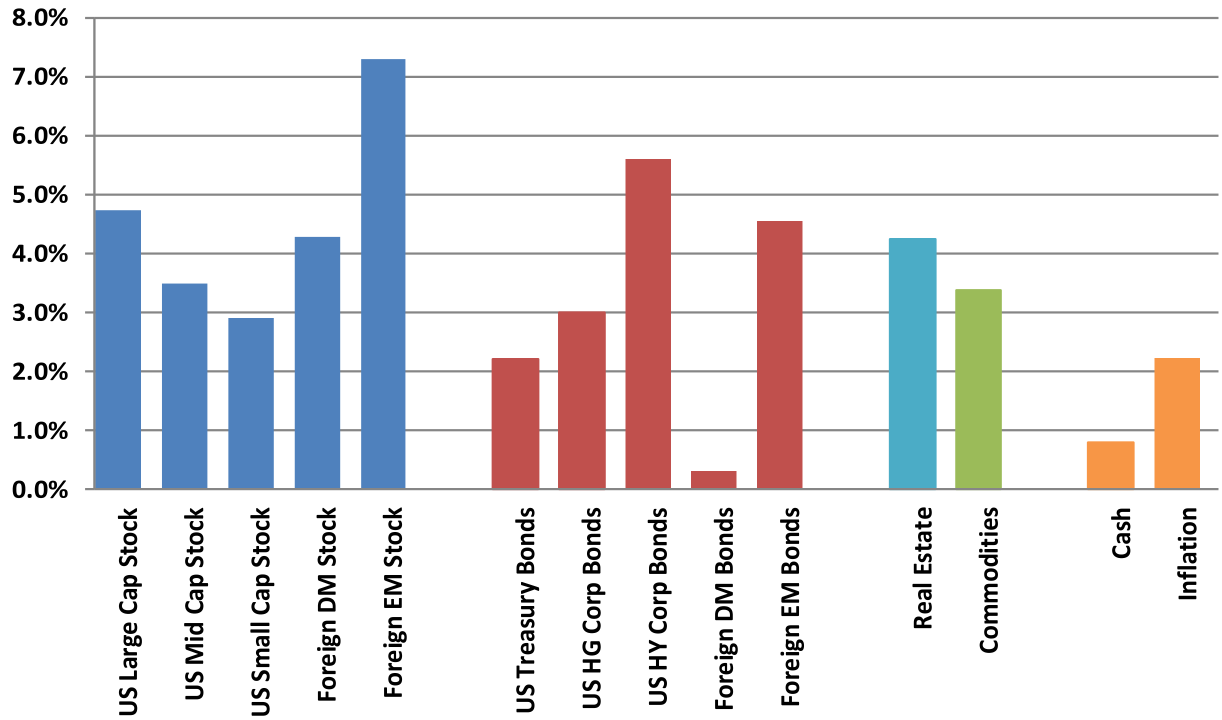
For equities, we examine key variables such as (1) historical sales growth, (2) corporate profit margins, (3) dividend yields, and (4) valuation to determine potential long-term returns. Using valuation as an example, P/Es should theoretically decline (if currently above their historical mean) or expand (if currently below their historical mean) over the longer-term.

With the specter of rising rates on a global basis and looking at current multiples vs. the long-term averages, we assume the "valuation" component to our calculation is broadly negative to incremental returns. Dividend yield is also a key input but can be assumed relatively stable long term.

Based on our cautious outlook for total returns, we expect the "give" of sales growth and dividends to be partly offset by the "take" of mean-reverting margins and multiples, both of which are above their historical mean. With the chance for a stronger global economy, we expect sales growth to be relatively close to long term average performance. As has been the case for a while, profit margins are high vs. history but we don't see significant pressure (due to ongoing productivity and cost reduction measures) in the next few years.

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. 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 19: Five-Year Asset Class Total Return Forecast



Source: Rockingstone Advisors

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Portfolio Positioning

Equities

Like many market participants, we have been positively surprised at the strength of global markets. Fortunately, we have been through many bull and bear cycles, so have remained overweight risk given the trend, but with some tweaks along the way. Based on our projections for macroeconomic growth, we continue to expect very modest gains in the indices. Hence our priorities, as are typical, are on (i) capitalizing on relative value across the various indices; (ii) capitalizing on relative value across sectors; (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).

In terms of equity sector adjustments in the 4Q17, we didn't make any material adjustments, except to increase our exposure to energy and to materials. We boosted investment in energy via adding to existing positions in EOG (EOG), ConocoPhilips (COP), and the energy ETF (XLE), plus we initiated a new position in Continental Resources (CRL). In materials, we initiated a new position in Constellium (CSTM), taking advantage of the sell-off in its shares (following its secondary share offering) to build a position. To the extent we had some changes mid year and added to more value-oriented investments, these served clients well in the 4Q17.

In some of our yield-oriented accounts, we have trimmed exposure to utilities and added more to MLPs; we have also trimmed some US exposure and added more Emerging market, especially Latin America and Russia.

Within the US, we remain over-weight Industrials, Energy, Financials and Consumer Cyclicals, and under-weight Utilities, Healthcare, Staples and Communication Services. Our largest individual holdings include: Amazon, S&P Global, Hilton, Appian (we doubled our stake following the company's secondary offering), Wynn Resorts, Facebook, Apple, McCormick, and Delta.

Constellium (ticker CSTM) is leading manufacturer of specialty rolled and extruded aluminum products for the aerospace and automotive industries. The company had made some poor acquisitions, resulting in the replacement of its management team. We like the business, the company's end markets, the valuation (a decent discount to its peers) and the new management team; moreover, the balance sheet has recently been strengthened by the company's secondary offering, reducing risk.

Fleetcor (ticker FLT) is one of the leading providers managing and issuing fuel cards for large commercial fleets. We like the company's technology, valuation (shares have lagged the market for a few years), geographic exposure (a growing business in Brazil, where we are constructive) and its sensitivity to rising fuel prices.

Kadmon (ticker KDMN). For select accounts that have sufficient risk tolerance, we made a modest sized investment in Kadmon Holdings. The NYC-based biotech company is led by Harlan Waksal, a preeminent biochemist who had success with Imclone and its eventual sale to Bristol Myers Squib. With the stock weak after an equity issuance, we decided to invest. We were hopeful that KD025 (a drug to treat cGVHD) would have positive Phase 2 clinical trial results. Kadmon announced positive results in early December but the stock has not moved significantly since. We continue to believe the risk / reward skews favorably.

Fixed Income

Based on the relative out-performance of equities vs. fixed income, we are pleased with our under-weight position in the latter. As noted in this report, there are many reasons to be concerned about fixed income markets, including Federal Reserve rate increases on the short end to the long-term impact of the Fed's $4+ trillion balance sheet. We still have modest positions in high grade corporates, asset-backed securities, as well as through actively managed ETFs such as DoubleLine.

Our short position in International bonds (for those accounts that allow short positions) via the BNDX ETF has finally started to perform better, particularly in December 2017. We believe that European bonds remain too expensive given improving economic fundamentals and an ECB that may begin to adopt a less accommodative monetary policy.

Lastly, we have kept a large position in preferred securities (via the PFF ETF), which is technically a hybrid security (senior to common equity but junior to debt) often issued by financial service firms. The ETF generates an attractive yield of around 5%. With most banks' capital positions very strong and the Fed allowing them to return capital to shareholders, we view this as a positive to PFF. Yet we recognize PFF has underperformed since the middle of 2017 and we intend to watch it closely as many income-oriented accounts hold the ETF.

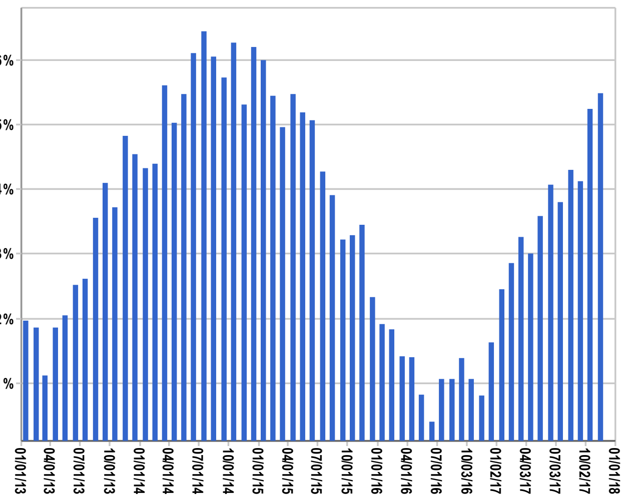
Commodities

Across Rockingstone, we have a very small position in commodity ETFs. Our holdings include modest positions in precious metals (gold and silver). As has been the case for some time, these positions are through ETFs, with gold being an inflation hedge and (for select portfolios) yield producing via covered call writing. As we noted earlier, we could become more aggressive if inflation picks up but remain under-weight.

Chart Book

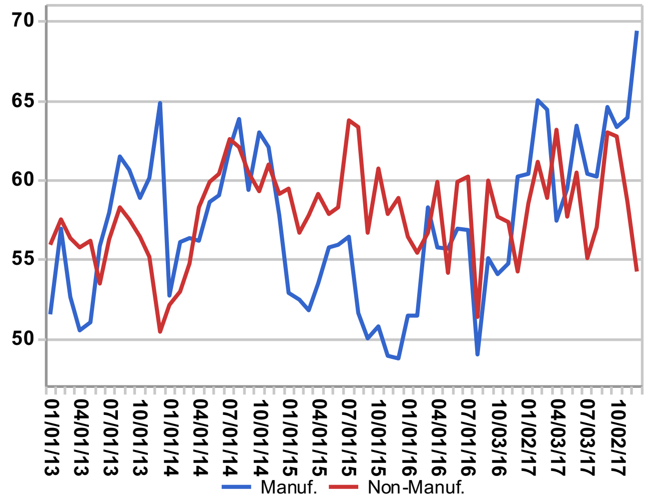
Leading Indicators

Figure 20: Index of Leading Economic Indicators



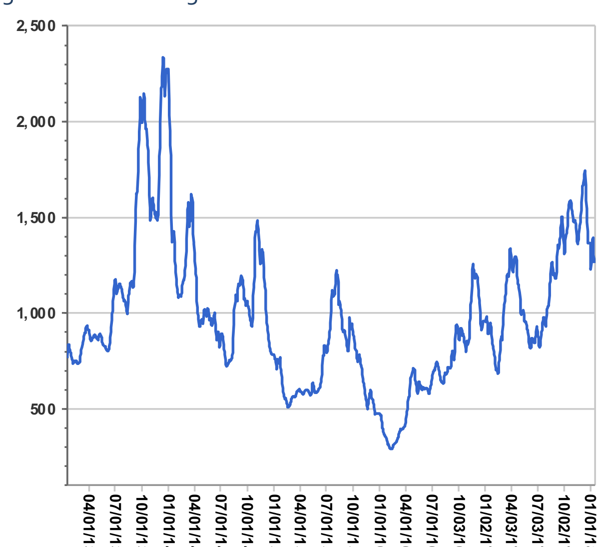
Source: FactSet

Figure 21: ISM New Orders



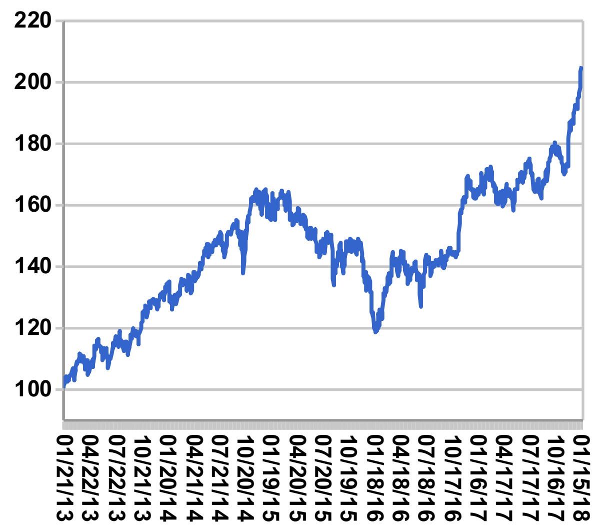
Source: St. Louis Federal Reserve, FRED Database

Figure 22: Baltic Freight Index



Source: FactSet

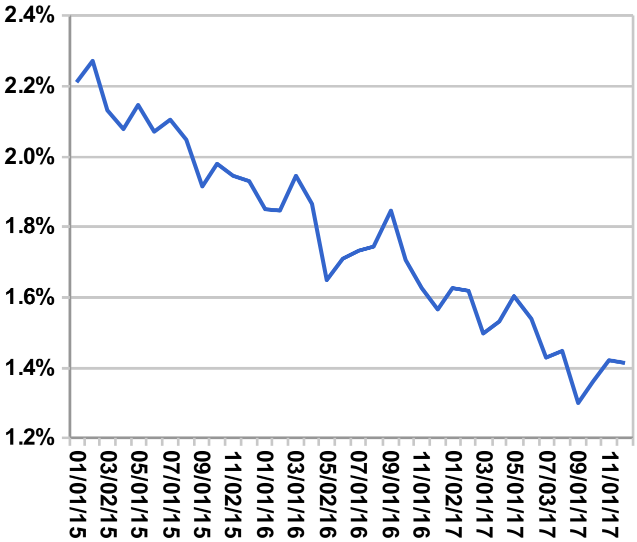
Figure 23: DJ Transports



Source: FactSet

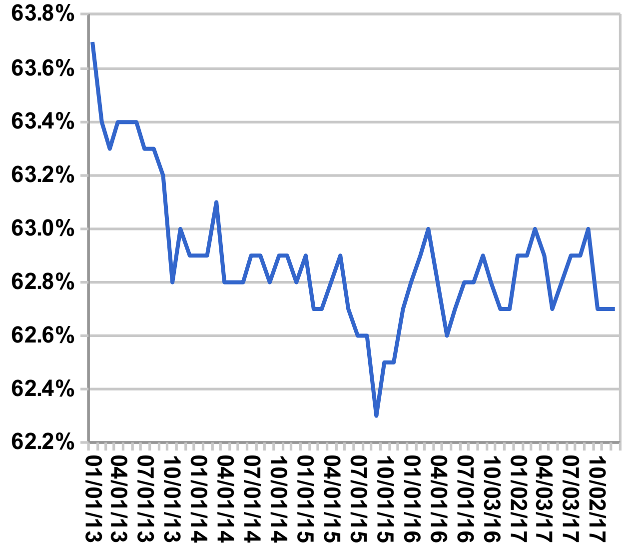
Labor Market Indicators

Figure 24: Payroll Growth (Establishment Survey, % Chg YoY)



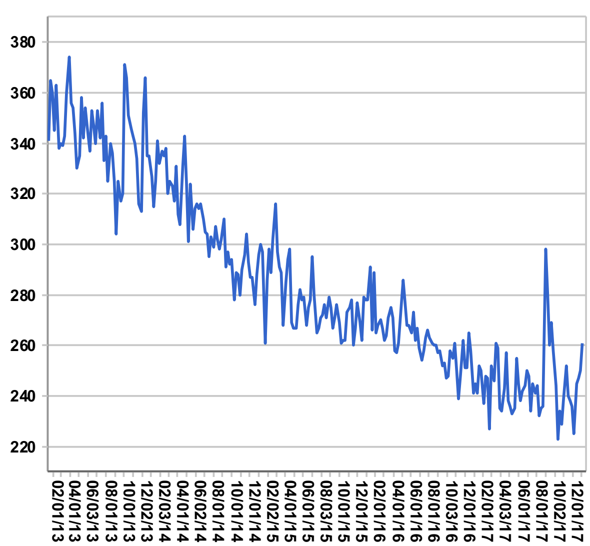
Source: FactSet

Figure 25: Labor Participation Rate (% of Workforce)



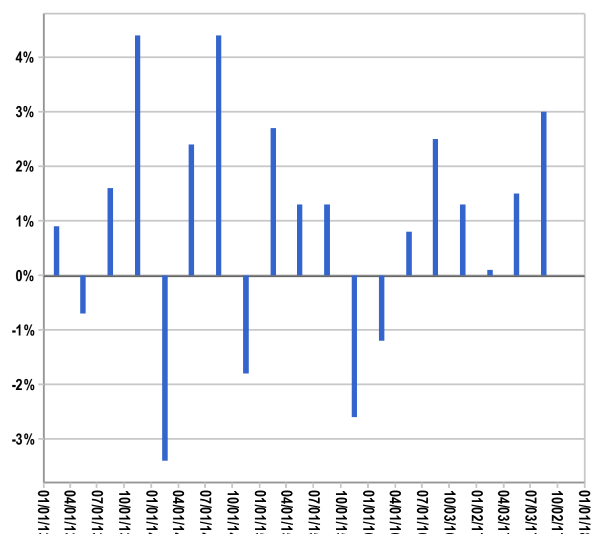
Source: FactSet

Figure 26: Initial Unemployment Claims



Source: FactSet

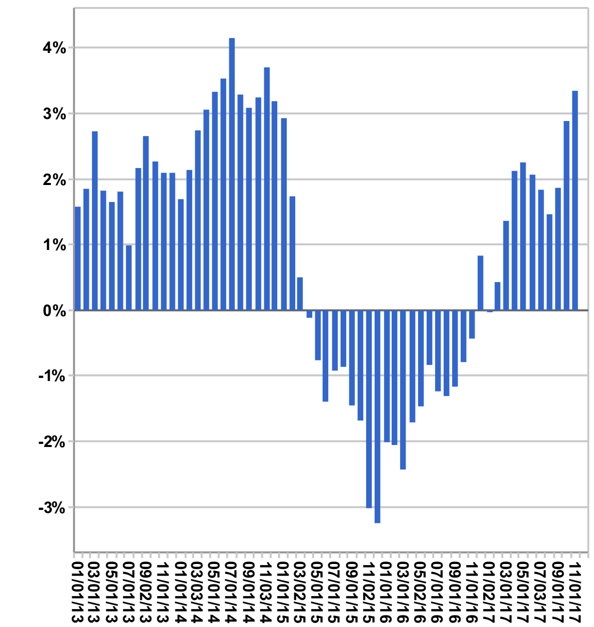
Figure 27: Non-Farm Productivity (% Chg YoY)



Source: FactSet

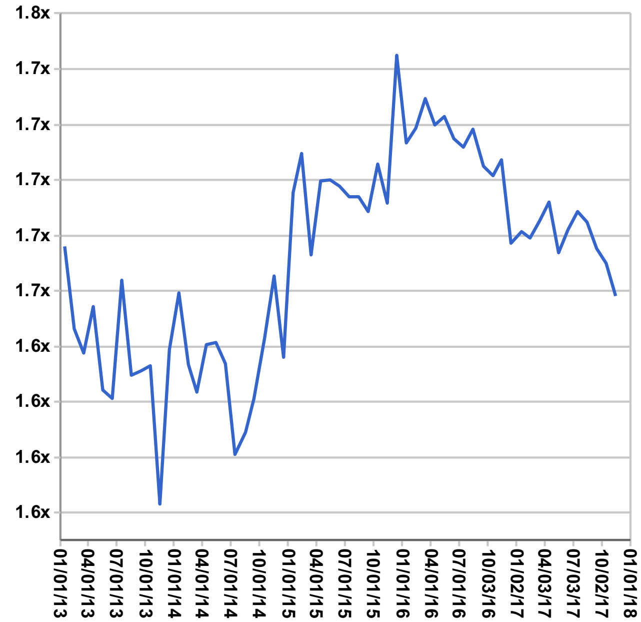
Production and Business Activity Indicators

Figure 28: Industrial Production (% Chg YoY)



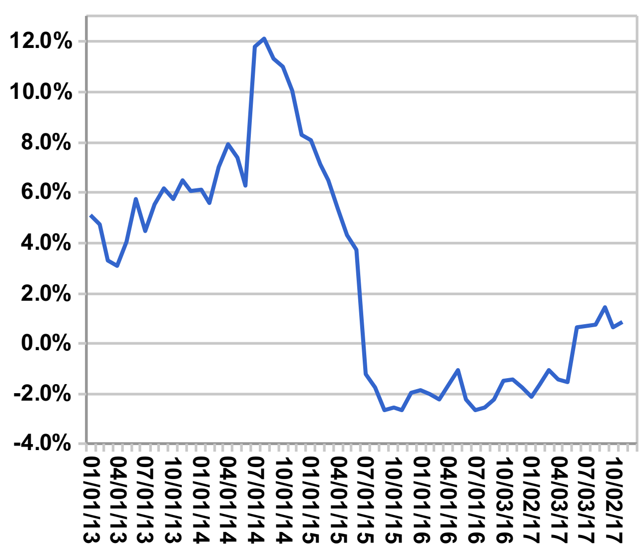
Source: FactSet

Figure 29: US Inventory to Shipment Ratio



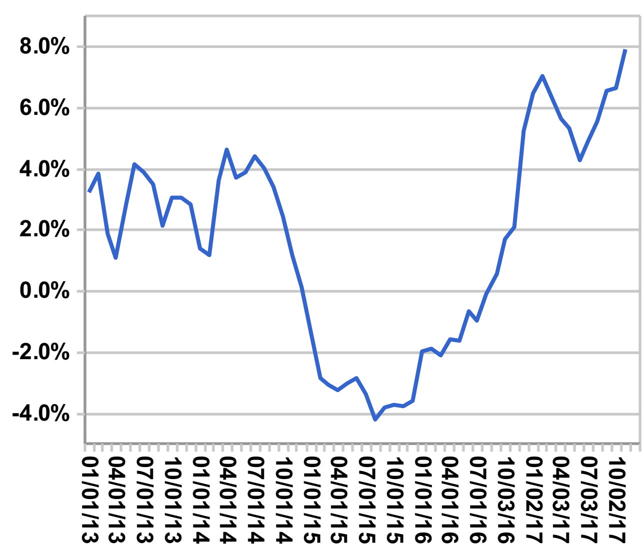
Source: FactSet

Figure 30: Unfilled Orders (% Chg. YoY)



Source: FactSet

Figure 31: Business Sales (% Chg. YoY)



Source: FactSet

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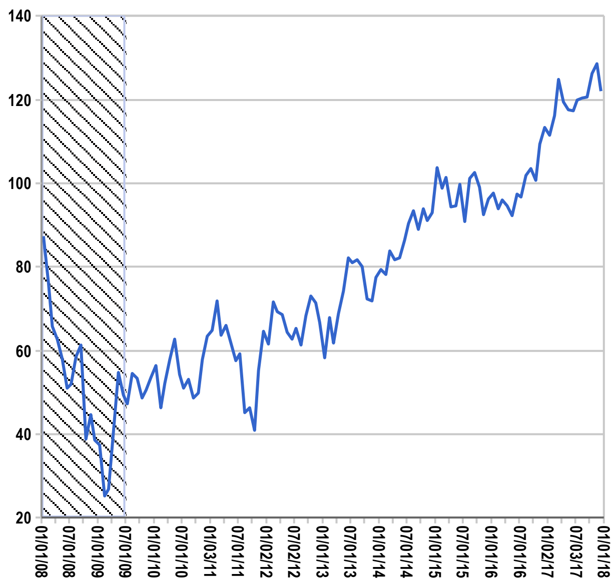
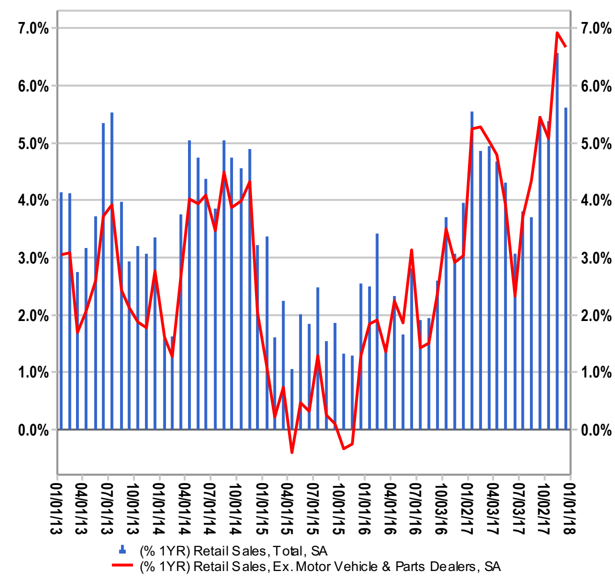
Consumer and Household Activity Indicators

Figure 32: University of Michigan Consumer Sentiment



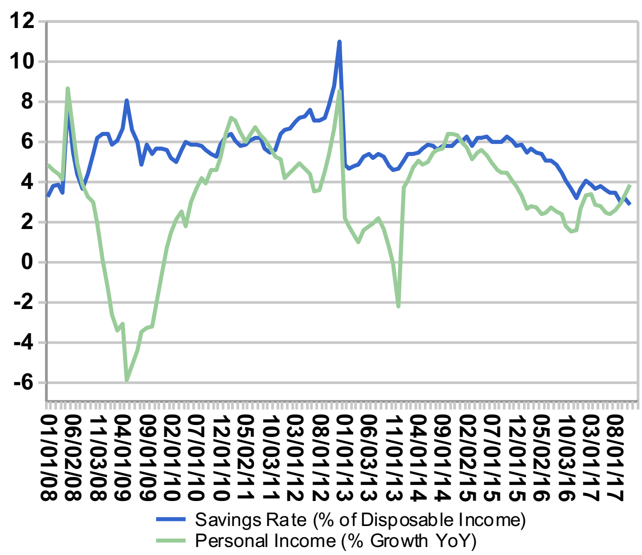
Source: FactSet

Figure 33: Retail Sales



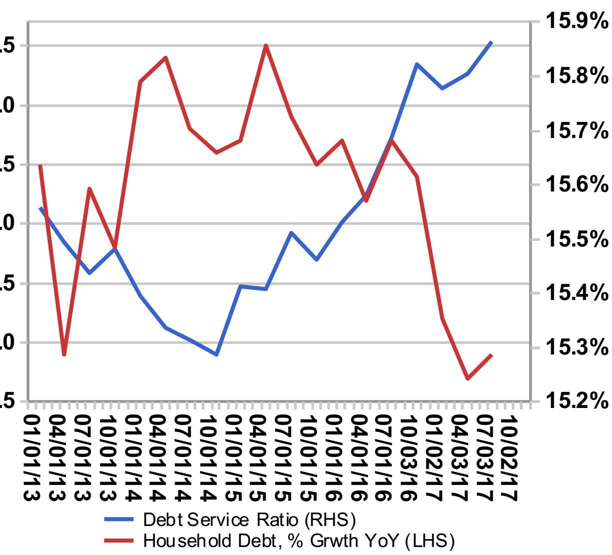
Source: FactSet

Figure 34: Personal Income and Savings Rate



Source: FactSet

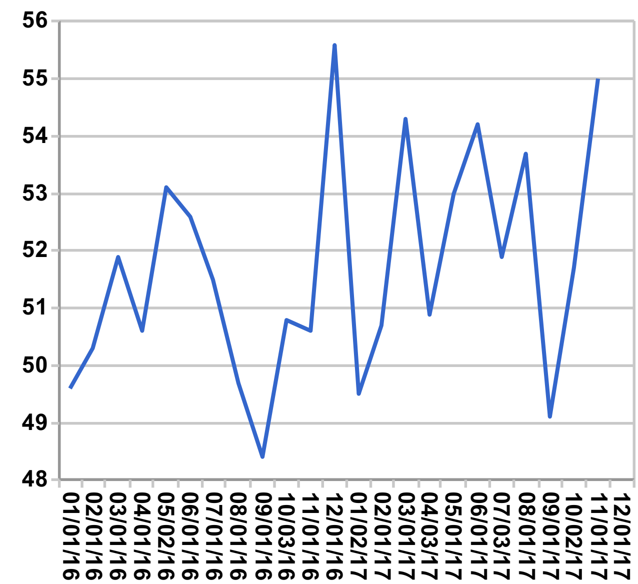
Figure 35: Household Debt



Source: FactSet

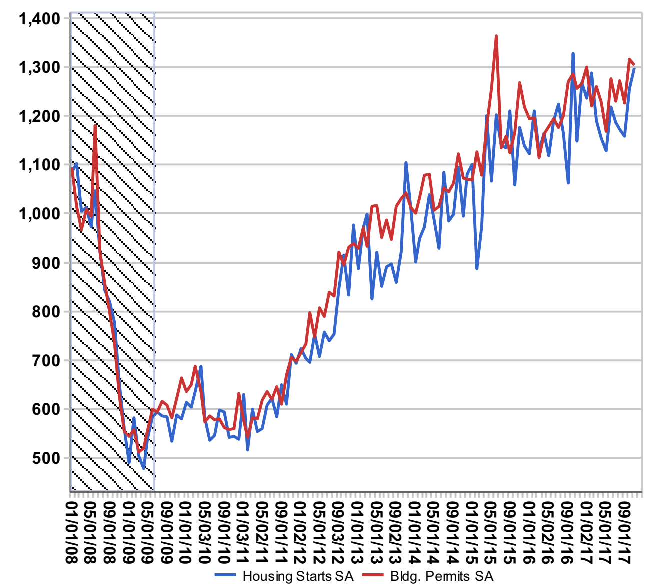
Housing and Construction Indicators

Figure 36: Architecture Billings Index



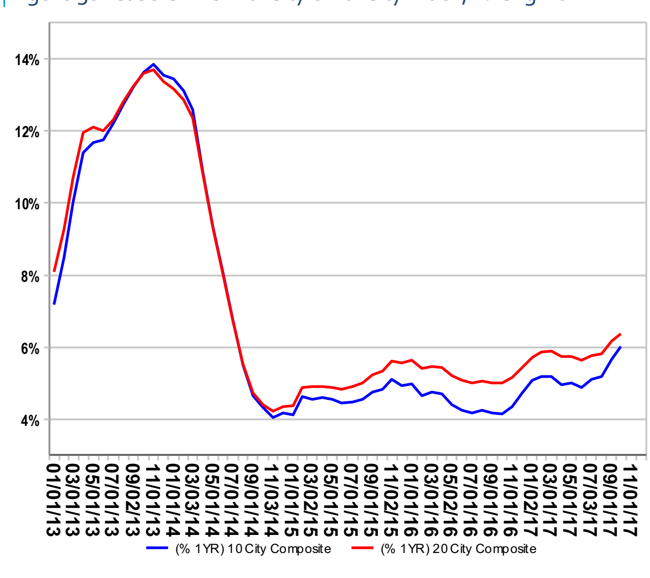
Source: FactSet

Figure 37: Housing Starts and Building Permits



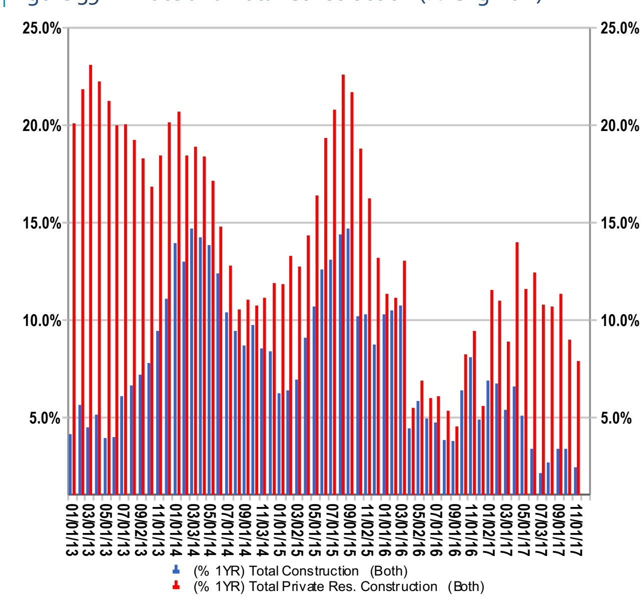
Source: FactSet

Figure 38: Case-Shiller 20-City & 10-City Index, % Chg YoY



Source: FactSet

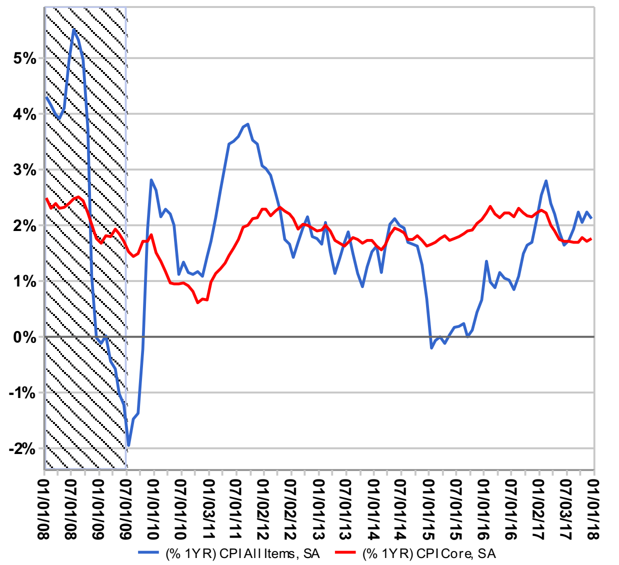
Figure 39: Private and Total Construction (% Chg YoY)



Source: FactSet

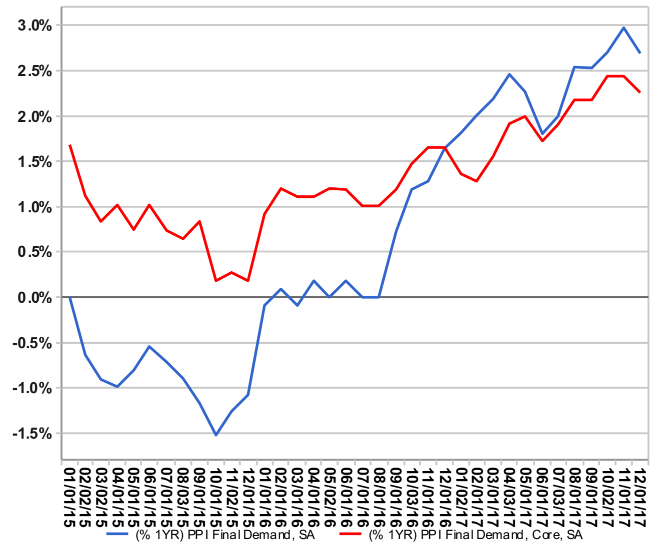
Price Indicators

Figure 40: Consumer Price Index



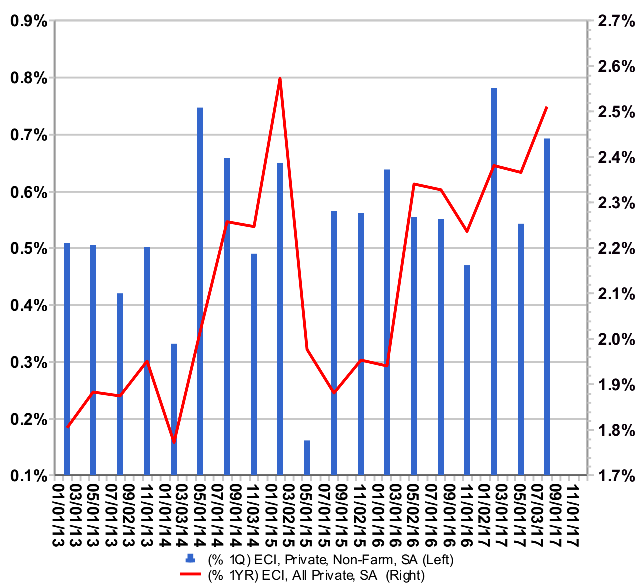
Source: FactSet

Figure 41: Producer Price Index



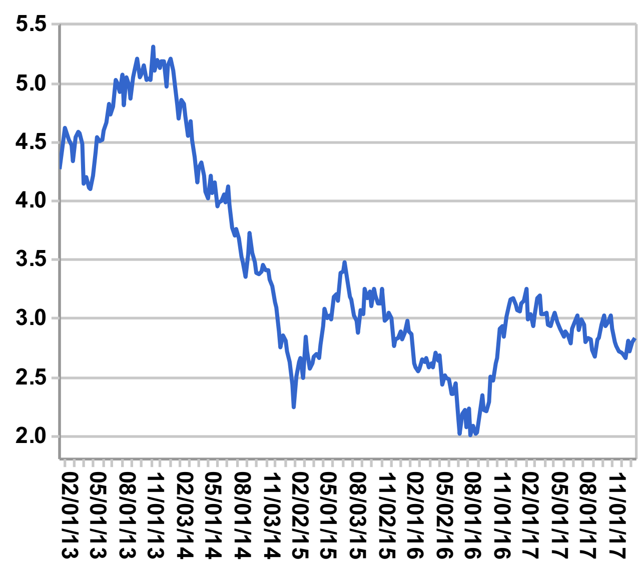
Source: FactSet

Figure 42: Employment Cost Index



Source: FactSet

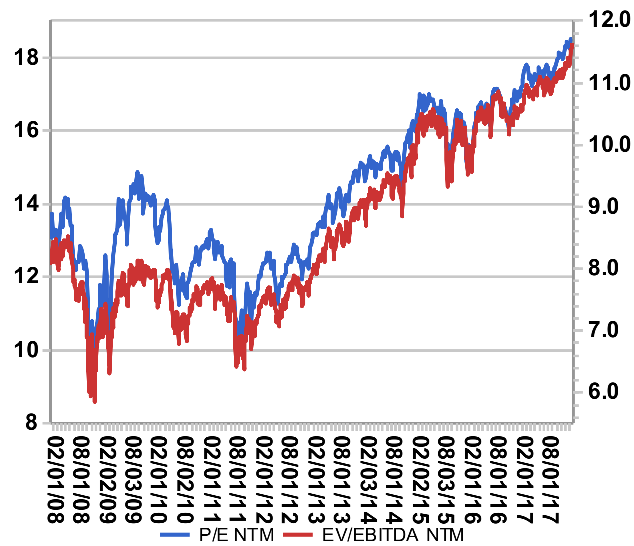
Figure 43: 10-Year, 5-Year Forward Inflation Expectations



Source: FactSet

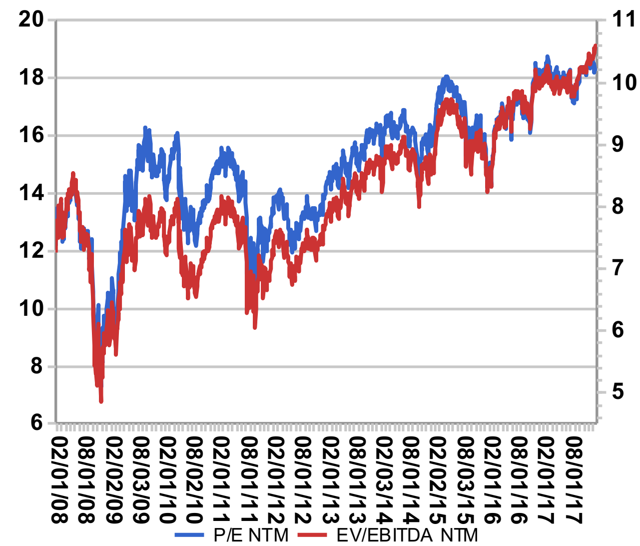
Valuation Indicators

Figure 44: S&P 500 P/E (LHS) & EV/EBITDA (RHS)



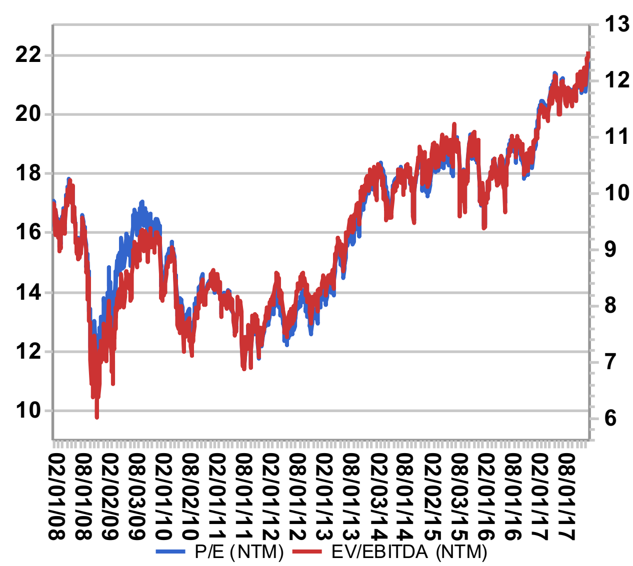
Source: FactSet

Figure 45: S&P Midcap 400 P/E (LHS) & EV/EBITDA (RHS)



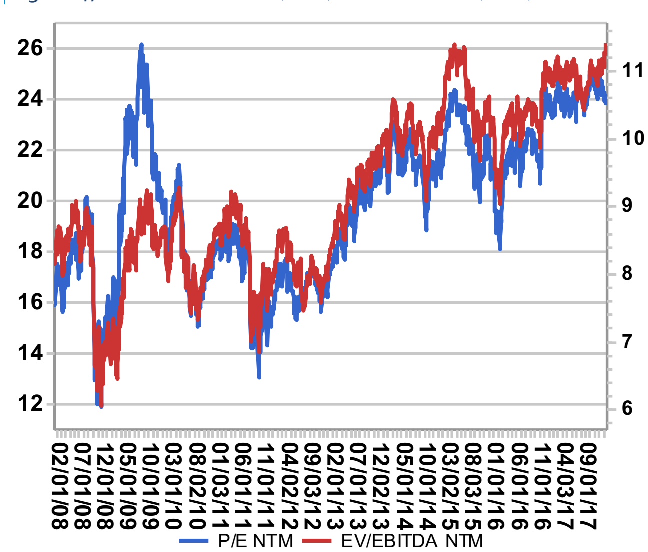
Source: FactSet

Figure 46: Nasdaq 100 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

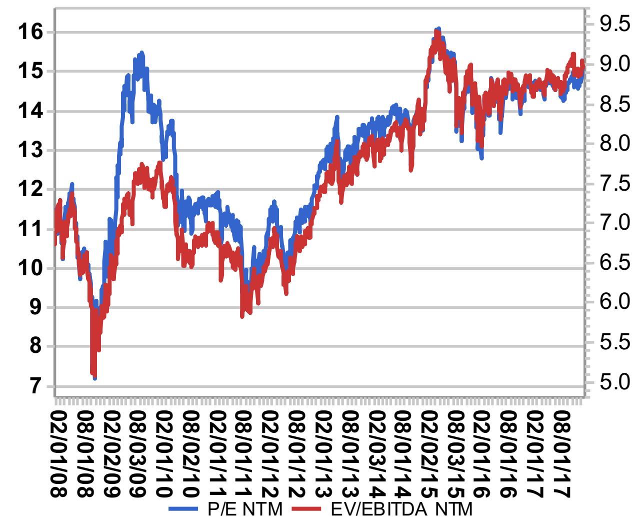
Figure 47: Russell 2000 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

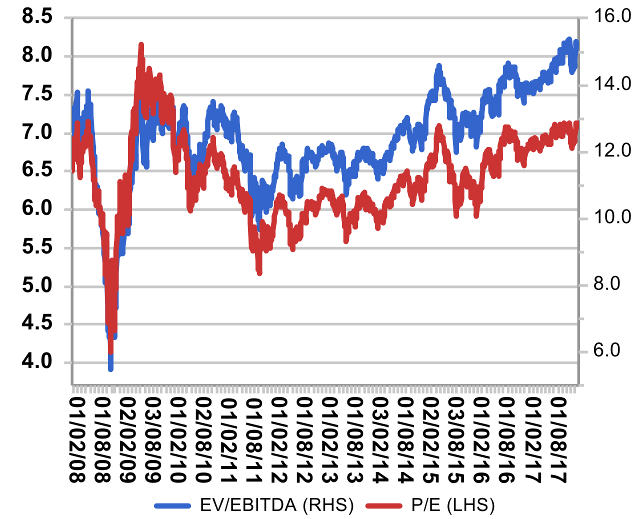
Valuation and Volatility Indicators

Figure 48: International Developed P/E (LHS) & EV/EBITDA (RHS)



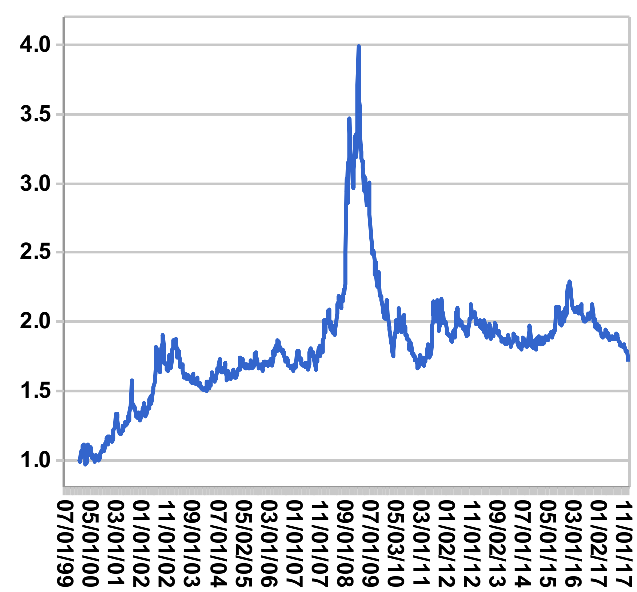
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 49: Emerging Markets P/E (LHS) & EV/EBITDA (RHS)



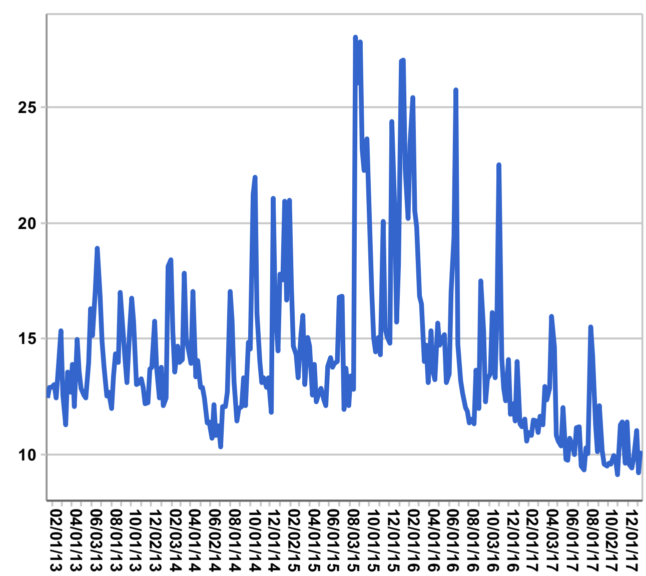
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 50: S&P 500 Dividend Yield



Source: FactSet

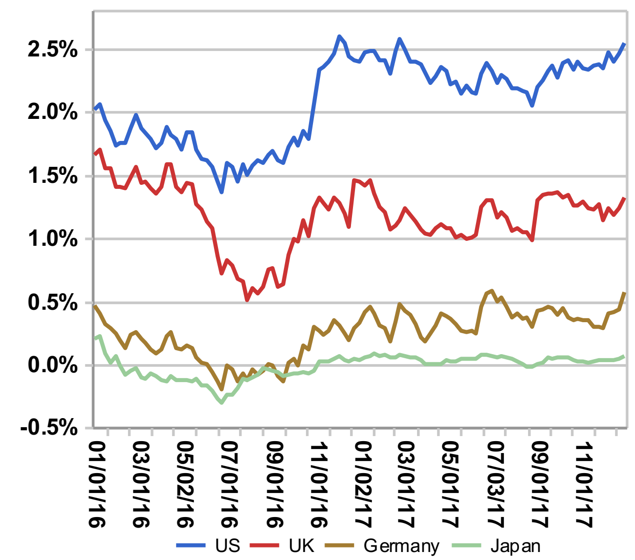
Figure 51: CBOE Volatility Index



Source: FactSet

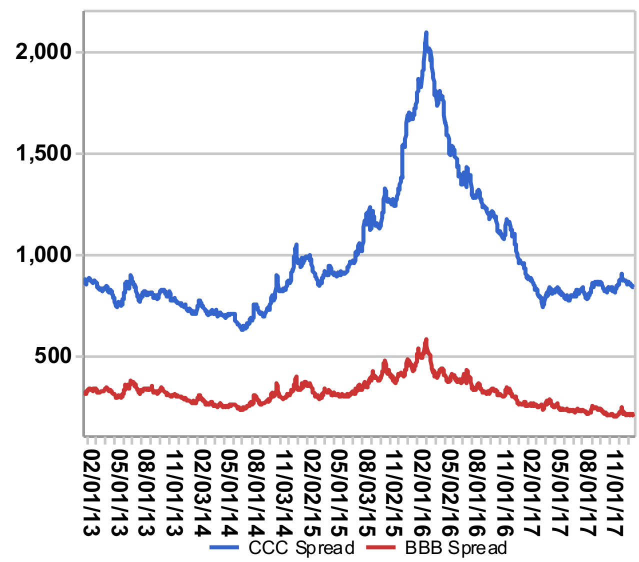
Bond Market Indicators

Figure 52: 10-Year Global Bond Yields



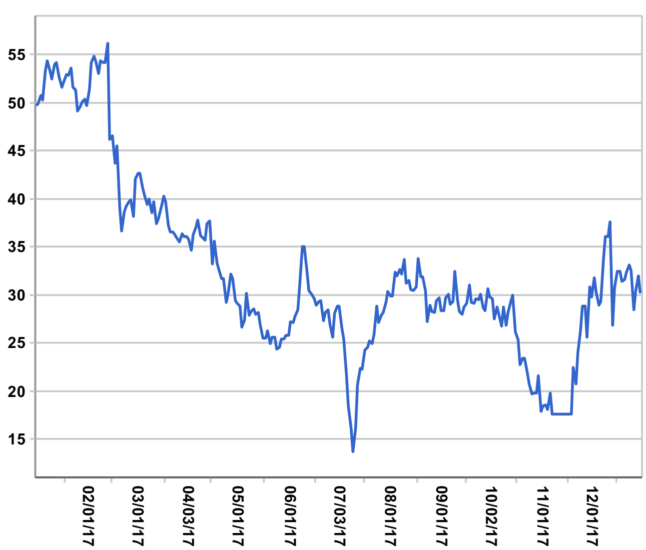
Source: FactSet

Figure 53: CCC and BBB Spreads (Option Adjusted)



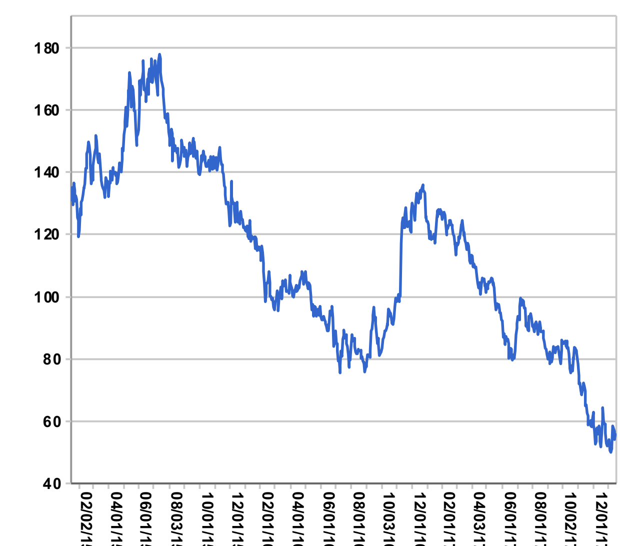
Source: FactSet

Figure 54: TED Spread (bps)



Source: FactSet

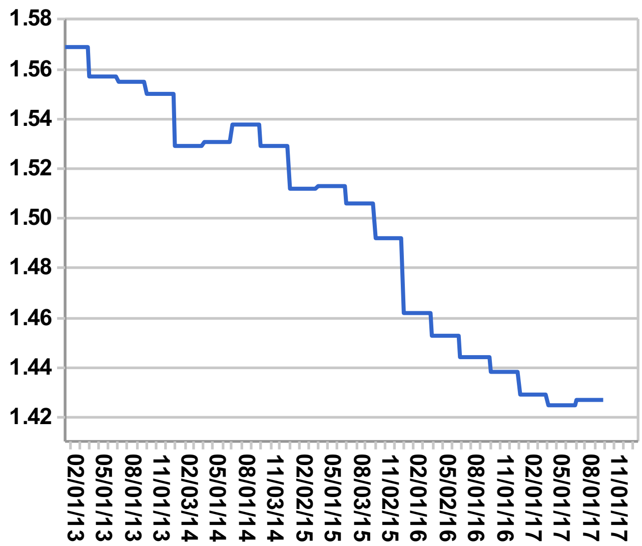
Figure 55: 10-Year Minus 2-Year Treasury



Source: FactSet

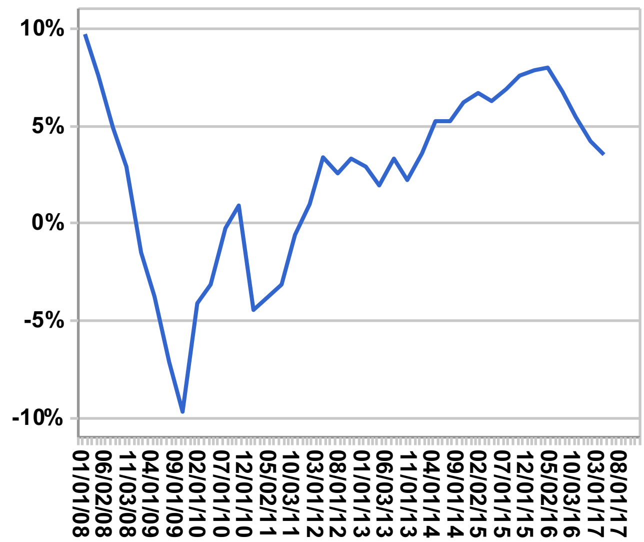
Liquidity and Other Indicators

Figure 56: Velocity of M2 Money Stock



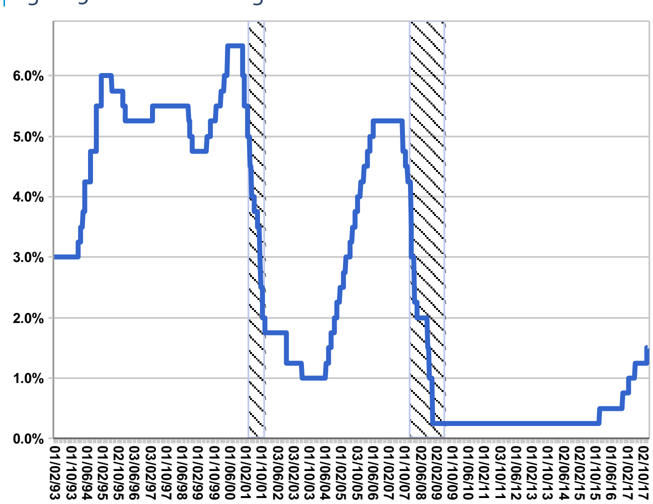
Source: FactSet

Figure 57: Loan Growth (Non-Financial, Private Sector)



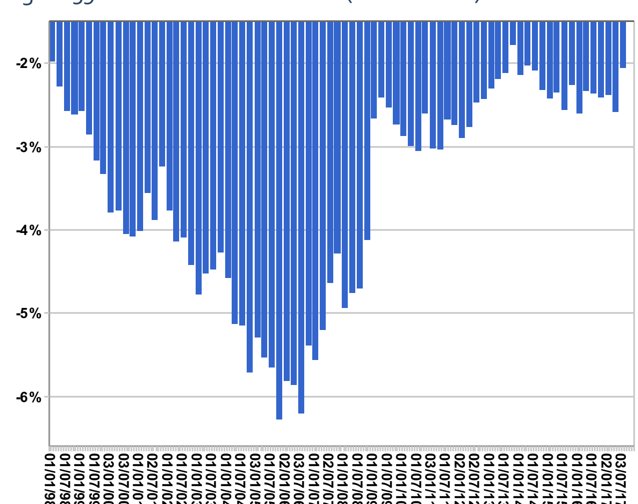
Source: FactSet

Figure 58: Fed Funds Target Rate



Source: St. Louis Federal Reserve, FRED Database

Figure 59: Current Account Deficit (as % of GDP)



Source: St. Louis Federal Reserve, FRED Database

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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. 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 December 31, 2017; most other prices and yields are as of January 19, 2018.

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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[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 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), International Corporates (PICB), 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.