Investor Quarterly

Yields Rise Amid Global Equity Divergence

ROCKINGSTONE ADVISORS LLC

US Risk Assets Rise in 3Q18, but October Starts with Financial Asset Swoon

Higher yields and global equity divergence have been the key trends in 3Q18 and for the full year. For example, the S&P was up 10.6% during 9M18 while EM was down 8.9%. Growth once again out-performed value. While the US economy remains robust, the EU is stagnant, China is slowing and concerns have risen that US economic growth is beginning to put pressure on wages and input costs.

S&P500 Forecast & Other Key Indicators

We maintain both our S&P 500 2018 EPS forecast of $155 and our 2019 forecast of $164. For 2019 year-end, we believe the S&P can appreciate to 3000, or ~10% from current levels. We estimate the following: GDP (2019 +2.7%), Gold ($1,250/oz), 10-yr US Bond Yield (3.0%), Oil (WTI - $70/brl), and Inflation (PCE – 2.1%).

3Q18 in Review

The third quarter was primarily an "equity story" as the resolution of NAFTA trade concerns and sustained economic growth provided a strong lift to risk assets. Fixed income, however, underperformed, as yields rose across the curve, resulting in anemic returns for yield-oriented securities. Based on consensus 2019 EPS, we note the S&P is now trading at 15.6x.

Asset Class Performance (Total Return: 3Q18[i])

During 3Q18 we note the following: S&P500 (+7.7%), Gold (-4.9%), Bonds (-0.1%), Commodities (+1.6%). We continued to see major differences among and within asset class performance such as Oil jumping vs. weak Silver and strong US stocks vs. poor EM trends. Our assumption is that such volatility will continue.

Rockingstone Performance

We had a solid quarter (+4.6%) as our over-weight position in tech / growth and limited fixed income offset select exposure to non-US markets. Individual stocks (AAPL, DAL, EVH, RCL, HUBB) helped performance. We made a few modest changes to portfolios, cognizant of tax implications as 2018 comes to an end.

About Us

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

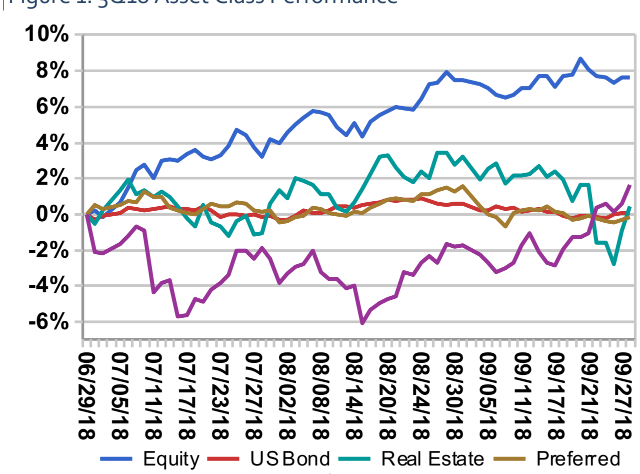
As an SEC-registered investment advisor, we provide multi-asset investment strategies to individuals, families and small institutions through separate accounts.

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:

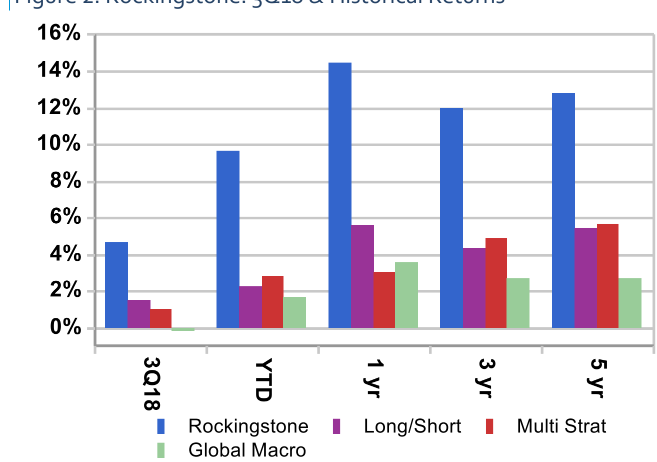
www.rockingstoneadvisors.com

Figure 1: 3Q18 Asset Class Performance[i]



Source: FactSet

Figure 2: Rockingstone: 3Q18 & Historical Returns[ii]



Source: Rockingstone Advisors, Morningstar, DJ Credit Suisse Indices

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

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Asset Class Performance Review

Global Divergence

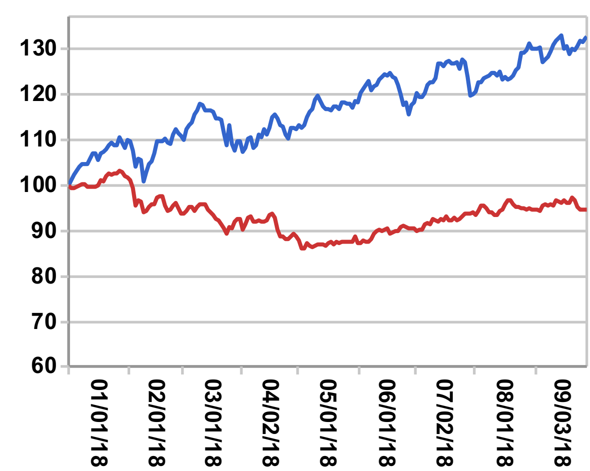
Investors with over-weight positions focused on the US and technology would think there is nothing wrong in the world. After all, the US economy's growth has been a global leader, with 4% GDP growth in the latest quarter, sub-4% unemployment, relatively low interest rates and moderate inflation. With strong demand for its products and lower tax rates, technology has contributed significantly to the boom in 2018 US corporate profits.

Yet looking more broadly across the globe, divergences in relative equity performance force us to be more circumspect. While we highlight only two divergencies in the figures below, investors can find striking differences among and within asset classes so far in 2018. For example, investors betting on a sustained global recovery should be worried that Frontier Markets (FM) have declined more than 10% YTD. (Frontier Markets are typically comprised disproportionately of resource-extractive industries that generally outperform in a strengthening economy). Meanwhile investors betting on the long-term success of the consumer-packaged goods (XLP) industry would be disappointed by their performance in 2018 vs. a growth sector such as software (IGV).

Figure 3: Geographic Divergence (SPY-blue, FM-red) and

Source: FactSet.

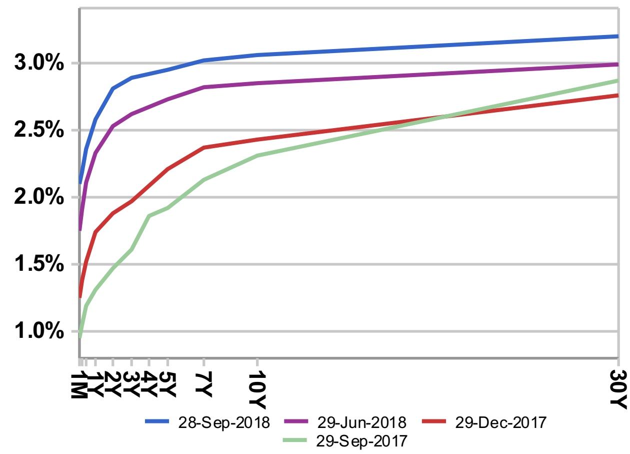
Figure 4: …Sector Divergence (IGV-blue, XLP-red)



Source: FactSet.

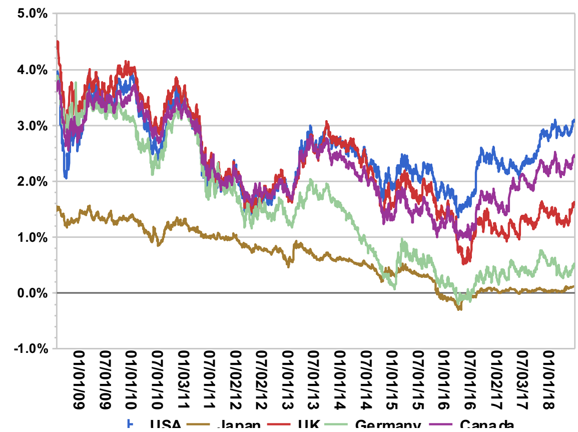
The relative outperformance of growth vs. value has been a theme much discussed in our Quarterly Newsletters over the past year. While we made some initial moves last spring to add more value to our portfolios, growth continued to outperform through the back half of 2017 and through 2018 ending in September 30th. However, as we look to publish this newsletter at the end of October, rising interest rates (see the next page) are causing volatility to jump and "value" to finally start out-performing. While we continue to find various opportunities in select stocks, our concern is that global divergences this year, combined with rising rates, may make for tough and volatile 4Q18 equity performance.

Figure 5: U.S. Yield Curve



Source: Factset

Figure 6: Global Sovereign Yields



Source: Factset

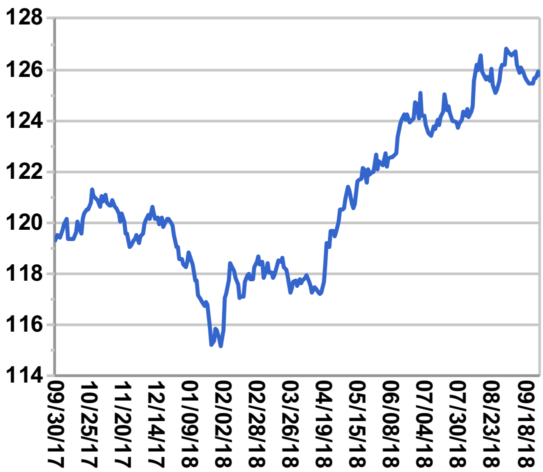
As a reminder to investors, over the long-term, asset values are largely determined by two key factors: future cash flows and the rate at which those cash flows are discounted back to the present (interest rates). The multi-year period of sustained low interest rates from roughly 2012 to 2018 has been incredibly beneficial to global asset values. To illustrate, assume $1M in annual cash flows beginning in 2019 through 2029. Discounted at the 10-year yield rate last year (of 2.25%), the present value of those cash flows would be $9.649 M; however, those identical cash flows discounted at the current 10-year yield rate of 3.1% have a present value of just $9.201 M. Thus, it is easy to see the impact of higher rates on static cash flows. The key question, of course, is: will future economic growth increase at a rate fast enough to offset the increase in the discount rate? It is the resolution of this question that is driving much of the volatility witnessed in October.

In some respect it is surprising to us that US 10-year yield has remained below 3% (since 2012, with the brief exception of December 31, 2013). After all, the US Federal Reserve has boosted short term rates numerous times, is reducing its $4 trillion balance sheet, the economy is growing above trend and the US Government is running significant deficits. These factors ought to drive interest rates higher.

In the above figure, both short- and long-term rates have moved higher. At the same time, the yield curve has flattened (i.e. the difference between the 10 and 2-year rates). An inverted yield curve almost always predicts a coming recession, while a flat yield curve suggests caution is warranted.

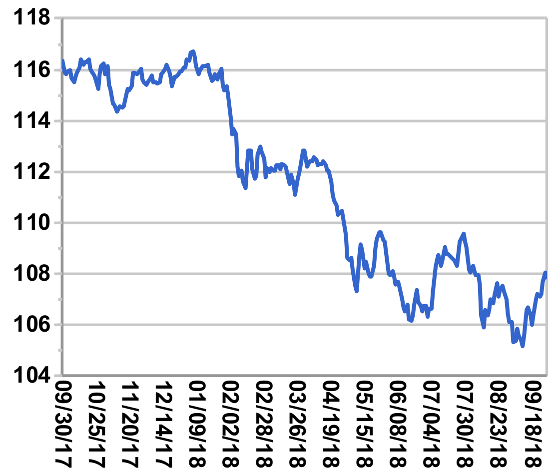
While the ECB has signaled its intention to stop bond purchases this year and not raise rates until 2019, the fixed income market has already started to react. In the figure above, select developed market yields have started to move higher. We expect this trend to continue, which underpins our short position in developed market bonds (i.e. shorting BNDX).

Figure 7: Federal Reserve Nominal Broad $US Index



Source: FactSet, Federal Reserve

Figure 8: Emerging Market Bonds (EMB) sell off



Source: FactSet

Higher interest rates do not only affect the present value of future cash flows, but higher rates also attract capital inflows, which strengthens the currency of the country witnessing a rise in its rates. Hence, the $US dollar continued to strengthen during 3Q18. A strong USD helped to fuel poor Developed and EM stock performance on a dollar basis, but also on a local currency basis as many foreign countries and companies have dollar-denominated debt that is increasingly expensive to service as the USD strengthens against their local currency.

The challenge of a stronger $US became most evident in select emerging markets during 3Q18 in countries like Turkey, Argentina and South Africa. Tukey and Argentina witnessed major devaluations of their currency relative to the dollar.

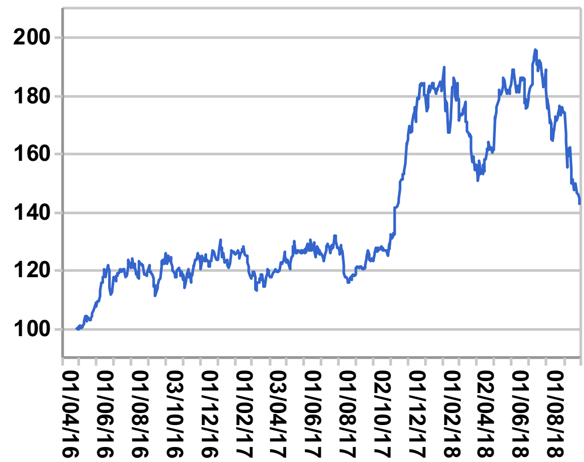
Mistakes Made & Lessons Learned

Early in 2018, Wynn shares were performing well and a core holding for Rockingstone. We had held the shares for a number of years on the thesis around Macau-based growth, plus expectations for a sustained recovery in Las Vegas. That thesis was on track, but the resignation of Wynn's founder concerned us enough that we sold the shares in January.

We kept an eye on gaming trends and the stocks for several months but held back investing on concern that China's corruption crackdown in Macau would limit upside. But with valuation appearing attractive, Las Vegas trends seemingly solid and Macau potentially recovering, we decided to invest in both MGM Resorts International (MGM) and Red Rock Resorts (RRR) this summer, with half positions in each company. Unfortunately, gaming stocks have remained under pressure throughout the year, although we remain optimistic for the long term.

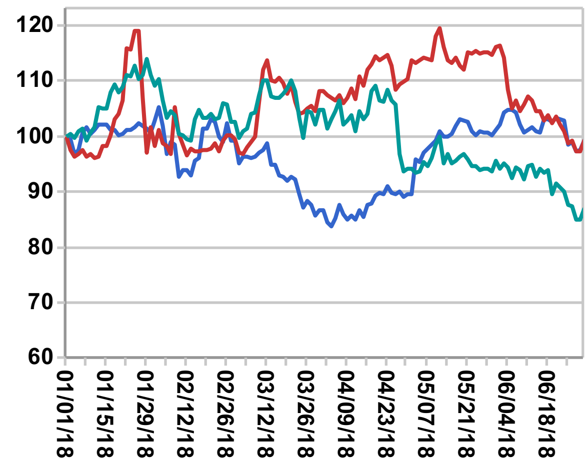
In the case of MGM, we believe the long-term growth potential for both Macau and Las Vegas will prove value-creating for shareholders. The company owns a number of very well positioned casinos in both markets, as well as interest in a number of regional casinos across the US. Macau has reported decent visitation trends of late, although MGM management surprised investors with a 3Q18 cautious view on Las Vegas trends. Essentially since that commentary, gaming stocks— including MGM— have under-performed. Yet we believe macro-economic trends are favorable enough in the US to return Las Vegas to growth and that Macau remains a long-term value creator.

Figure 9: Red Rock Resorts (RRR) Stock Price Indexed



Source: FactSet, Federal Reserve

Figure 10: Gaming: (RRR, MGM, WYNN) Underperforms



Source: FactSet

Red Rock Resorts is a smaller casino operator with a focus on the local Las Vegas market (i.e. largely away from the Strip). It was formerly known as Station Casinos when it was taken private and subsequently returned to the public markets a few years ago. The company is led by the Fertitta family who have a very good track record in gaming. Unlike many other casino stocks, RRR is almost exclusively tied to the Las Vegas economy as well as the renovation of the Palm casino. Whether it is favorable demographics in Las Vegas (including a catalyst such as a new NFL team or other sports franchises) or a decent ROI on the Palm renovation, we see the stock as inexpensive and only discounting low single digit EBITDA growth over the next 5 years. Our sense is that mid-single EBITDA growth is more likely and that should translate into a stock value of close to $40 a share.

Equity Performance

The US Pulls Ahead, but For How Long?

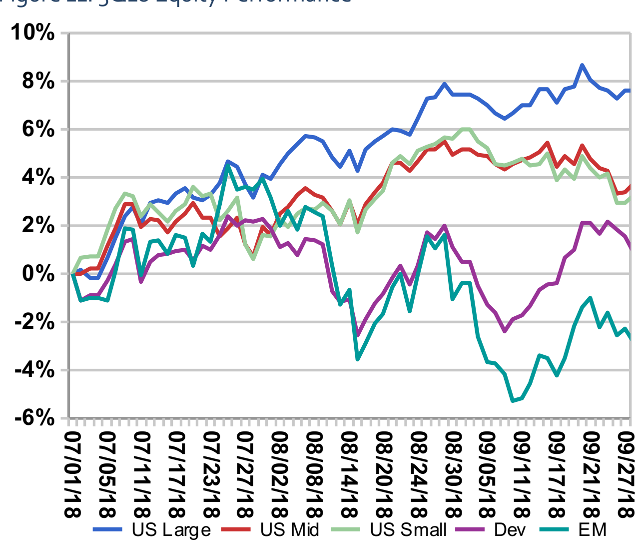
As noted earlier, global equity markets have witnessed significant divergence in 2018. This is true for the year-to-date figures as well as the 3Q18 results. Granted, emerging markets out-performed significantly in 2017, but the contrast this year has been equally stark. Taking a step back, there is certainly some logic behind the outperformance of US markets, including a (1) solid US economy, (2) strong corporate profits, (3) reduced tax rates, (4) robust hiring, (5) modest overall household debt, and (6) tepid inflation. Nevertheless, valuation for the market has moved up a bit, interest rates are rising, and there seems to be minimal attention on large and expanding US government structural deficits.

At the same time investors have been attracted to the US market, non-US equity markets have trailed badly. There are many reasons that can explain the disparity. Regarding Europe, we believe structural issues, including political concerns with the EU and its members, banks that remain under-capitalized, and demographic challenges that limit potential GDP growth probably outweigh some of the cyclical issues. On the other hand, European stocks are relatively cheap, which helps to explain our interest and select investments.

Emerging markets, again after a stellar 2017, have lagged so far this year, making EM stocks the cheapest equity asset class. While the global economic expansion was all the talk last year, it is clear some countries are better positioned than others. Indeed, the word "contagion" is often synonymous with EM. And with so much $US denominated debt issued over the last decade, a stronger $US has put re-payment pressure on emerging market equities and sovereign debt.

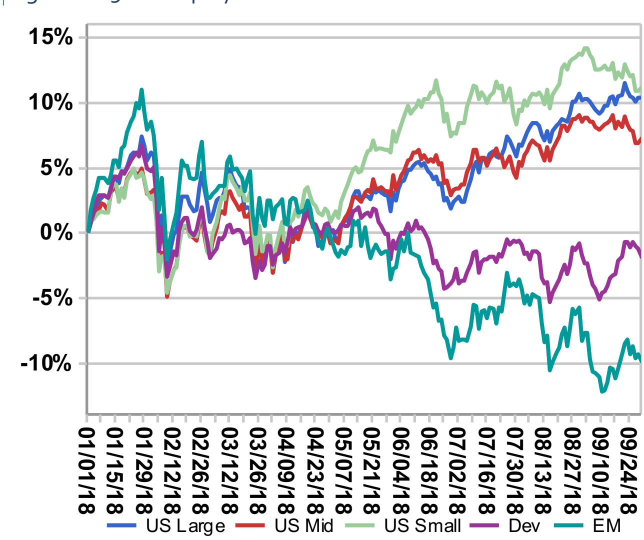
We note the following regarding 3Q18 and 9M18 performance: US Large Cap (+7.5% and +10.1% respectively), US Mid Cap (+3.5% and +7.5%), US Small Cap (+3.0% and +10.5%), Developed (+1.3% and -1.6%), Emerging (-1.7% and -8.9%).

Figure 11: 3Q18 Equity Performance[iii]



Source: FactSet

Figure 12: 9M18 Equity Performance



Source: FactSet

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Fixed Income Performance

Mixed Trends Across the Globe

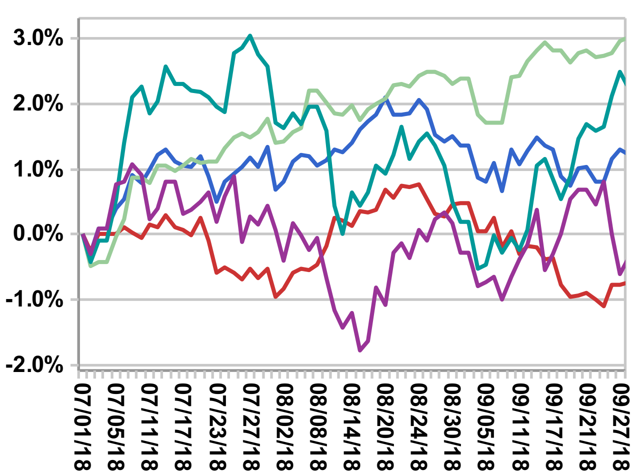
While the accounts we manage that are more yield-oriented or use "balanced" benchmarks have some exposure to fixed income, generally Rockingstone remains materially under-weight medium- to long-term debt instruments. Looking back over the last decade, interest rates have been historically low due to aggressive central bank actions and long-term declines in aggregate demand. Such actions have largely come to an end and underpin our reluctance to move away from an under-weight position, although we note that we find short-term bond yields reasonably attractive at current levels.

As discount rate increases by the US Federal Reserve have flattened the curve, we have increased our exposure to floating rate notes and reduced duration via ultra-short fixed income ETFs. In our view the bias is for higher rates in the near term on the back of high employment, Fed balance sheet shrinkage, structural government deficits and a strong economy. That said, though, we do expect the rate of economic growth to slow next year as higher rates have a lag effect and some of the uncertainty surrounding tariffs begins to affect investment decisions among companies.

Beyond the US government bond market, US high grade and high yield corporates both rallied during 3Q18. Particularly for the latter, we see a stronger energy complex and reduced risk of defaults as reasons for the better performance. Looking to non-US developed markets, we continue to see the likelihood for higher interest rates (thus lower bond prices) which supports our short position of BNDX. In emerging markets, bond prices have fluctuated dramatically as some central banks (Argentina and Turkey, for example) have been forced to raise interest rates in an attempt to stabilize weakening currencies. We remain cautious on EM bonds with volatility too high for our comfort level.

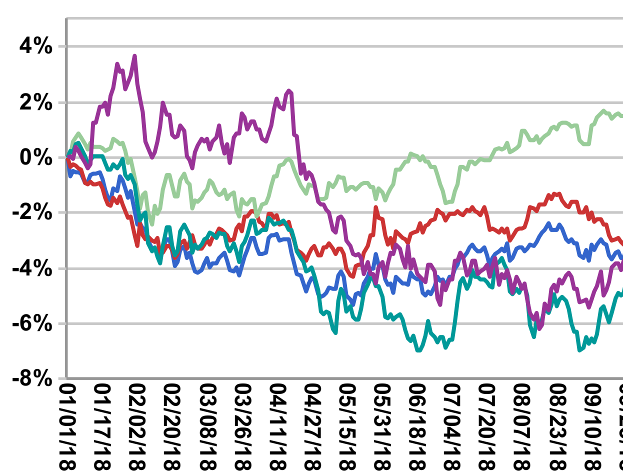
We note the following performance figures: US High Grade (3Q18 +1.3% and 9M18 -3.0%), US Governments (-0.7% and -2.8%), US High Yields (+3.0% and +1.9%), International Corporates (-0.5% and -5.0%), Emerging Markets (+2.4% and -4.1%).

Figure 13: 3Q18 Fixed Income Performance[iv]



Source: FactSet

Figure 14: 9M18 Fixed Income Performance



Source: FactSet

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Commodity Performance

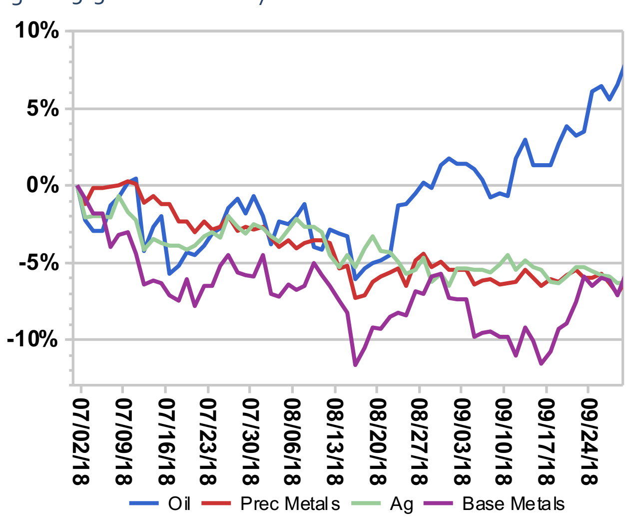
Oil Continues Its March Upward

Like other asset classes, commodity bifurcation has been the theme for 3Q18 as well as year to date. As evidenced in the figures below, the oil complex has jumped while almost every other commodity has declined. While it is arguable that oil has its own dynamics given the impact of OPEC, the bifurcation vs. other commodities is nevertheless disconcerting. If the global expansion is truly happening, why is it that so many commodities, especially industrial (base) metals, are down in 2018?

As we noted in past reports, within the energy complex, we added to existing positions in the energy ETF XLE, in two individual names: EOG and COP, and in a new name: CLR, which we purchased in late 2017 and again in early January 2018. While not a direct correlation with the underlying price of oil or natural gas, these investments do have some connection to the rise in carbon-based energy prices. Over the last 12 months, the combination of global macroeconomic growth, coupled with OPEC supply constraints and lower production from Venezuela and Iran has driven WTI (and Brent) significantly higher. Interestingly the US is now the largest producer of energy but even that fact hasn't stopped the price of oil and other carbon-based commodities from jumping, most likely due to the long lead times in bringing on new supply.

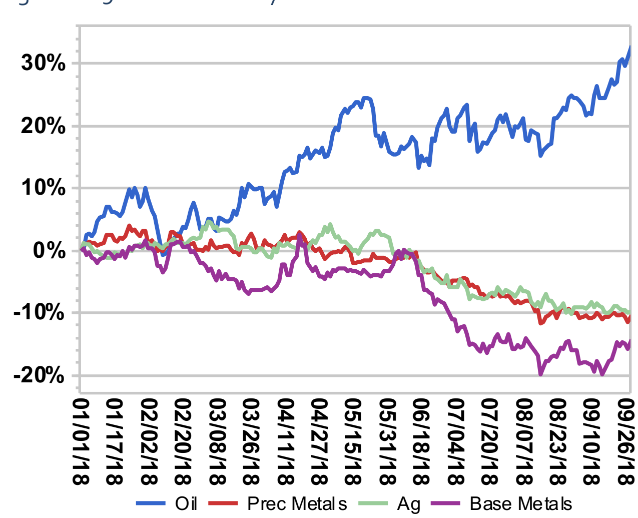
We track commodity trends via specific ETFs (which are the basis for the graphs below). As a reminder, Rockingstone will use such ETFs as the most likely way to have exposure to the asset class. We note the following returns during the 3Q18 and 9M18, respectively: Oil (+7.5% and +32.0%), Precious Metals (-7.0% and -10.5%), Agriculture (-7.1% and -10.0%), Base Metals (-7.0% and -12.5%).

Figure 15: 3Q18 Commodity Performance[v]



Source: FactSet

Figure 16: 9M18 Commodity Performance



Source: FactSet

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Forecast: 2018 & 2019

Rockingstone Advisors' Latest Forecasts

The US economy has strengthened as 2018 has progressed to the point where Real GDP now looks like it will exceed 3.0% this year. We have assumed a modest slowdown next year with a 2.7% forecast for Real GDP. As usual, myriad factors could influence this figure such as tariffs, a dramatic weakening in key trade partners like China or the EU as well as higher interest rates.

We have not changed our 2018 S&P 500 earnings estimate of $155 (vs. the Street's $157), or our 2019 S&P 500 EPS estimate of $164 (vs. The Street's $176). This implies about 6% EPS growth next year which we believe will come largely from sales growth and non-operating leverage (i.e. debt paydown, share repurchases).

Figure 17: Key Metric Forecast

	Year End December	
Metric	Band	Point
US Real GDP (2018)	2.9% - 3.3%	3.1%
US Real GDP (2019)	2.5% - 2.8%	2.7%
S&P 500 2018 EPS (RSA/Street)	NA	$155 / $157
S&P 500 2019 EPS (RSA/Street)	NA	$164 / $176
S&P 500 2018 Index	2800 - 2900	2865
S&P 500 2019 Index	2950 - 3100	3000
10-Yr US Treasury Yield	2.9% - 3.2%	3.0%
Oil (WTI-2018 End)	$65 - $75	$70
Gold (2018 End)	$1,200 - $1,300	$1,250
Inflation (NTM)	1.9% - 2.3%	2.1%

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

A few observations and comments:

1. S&P500 Index. As this newsletter goes to print, the S&P500 is trading at 17.6x our 2018 EPS forecast of $155. Based on our 2019 EPS forecast of $164, we estimate the Index should trade up to 3000 by the end of next year (implying 10% appreciation over the next 14 months). With EPS up 6%, slightly below the long-term average, we believe the market's multiple can expand modestly (to 18.3x) as interest rates remain historically low, along with inflation. Our assumption for slight multiple expansion is driven by two factors: (1) expectations for limited rate increases from current levels, and (2) higher confidence in the earnings outlook for 2019, which is currently constrained by fears of a global slowdown.

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Five Year Asset Value Forecast[vi]

The Outlook for Returns Has Improved Given Current Equity Correction

As usual we detail below our five-year asset value forecast. Return expectations are higher from the prior quarter, due to a combination of solid sales growth, decent yields, benefit from improved valuation, offset slightly by lower margins. 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)

Five Year Total Equity Return Calculations (Incremental Contribution)

Asset	Index	LT Growth		Sales		Profit Margin		Div.Yield		Valuation
US Large Cap Stock	S&P500	7.1%	=	5.5%	-	0.3%	+	2.1%	-	0.2%
US Mid Cap Stock	S&P400	8.6%	=	5.7%	-	0.1%	+	1.8%	+	1.2%
US Small Cap Stock	S&P600	8.0%	=	5.7%	-	0.0%	+	1.9%	+	0.4%
Foreign DM Stock	MSCI-EAFE	8.8%	=	3.9%	-	0.2%	+	3.6%	+	1.5%
Foreign EM Stock	MSCI-EM	11.8%	=	6.2%	+	0.1%	+	3.4%	+	2.1%

Source: Rockingstone Advisors

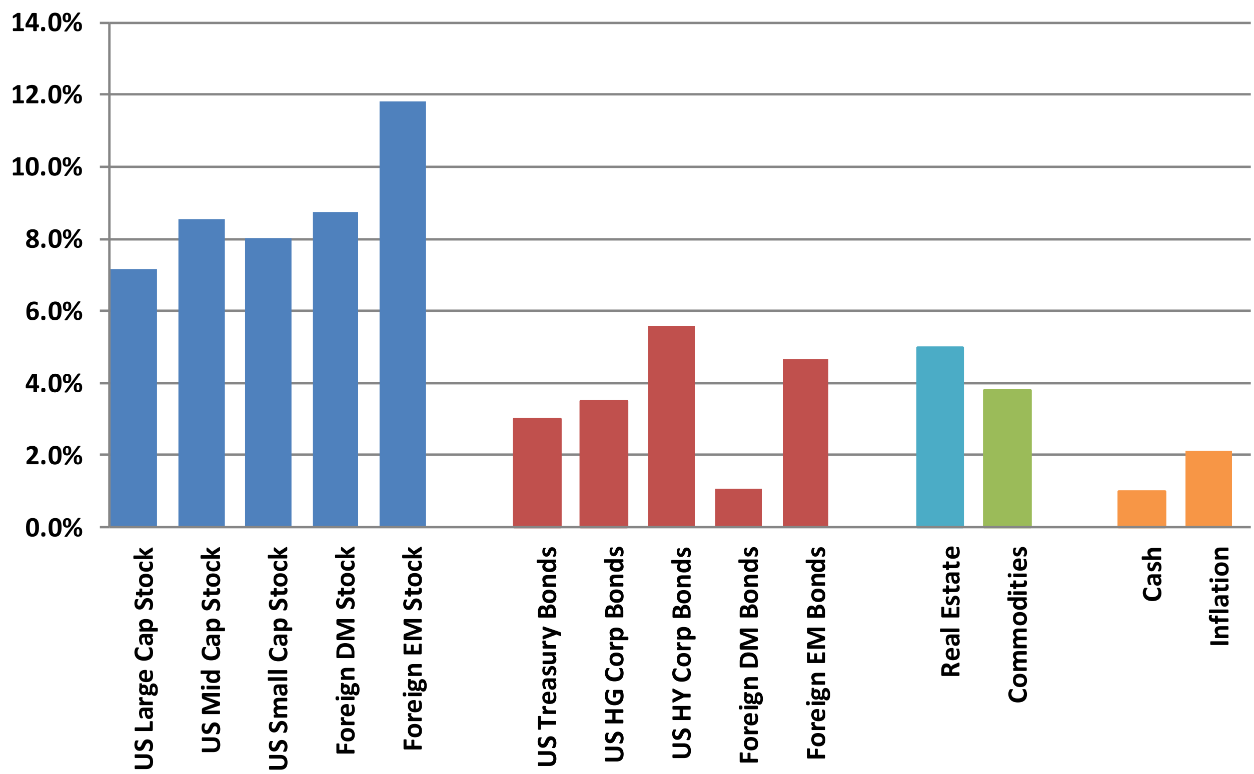
For equities, we examine key variables such as (1) historical sales growth, (2) corporate profit margins, (3) dividend yields, and (4) valuation to determine potential long-term returns. Using valuation as an example, P/Es should theoretically decline (if currently above the historical mean) or expand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

In contrast to the past few years, and due mainly to the recent market correction coupled with strong earnings growth, valuation is now a positive contributor to our forecasted returns. In the past we have noted the "valuation" component to our calculation was broadly negative to incremental returns as P/E multiples mean reverted down to historical levels. However most of the major indices are currently trading at a discount to their long-term average multiple, which is notable given that interest rates are materially below their historical average. Dividend yield is also a key input and can be assumed relatively stable long term. Currently, dividend yields are now above their historical averages for most indices.

Based on our outlook for total returns, we expect the "give" of sales growth, valuation and dividends to be partly offset by the "take" of mean-reverting margins. We expect sales growth to be relatively close to long term average performance. 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

Portfolio Positioning

Equities

During 3Q18 we didn't make major changes to our equity ETF allocations except with the purchase of XLH (i.e. the healthcare ETF). We had minimal exposure to healthcare across portfolios and felt the sector was under-valued and a means of become slightly more defensive. We funded the purchase via the sale of SYNT (due to M&A) and reduced our position in AMZN as the stock simply became too big a percentage of our portfolios.

Within the US, we remain over-weight Industrials, Energy, and Consumer Cyclicals, and under-weight Utilities, Staples and Communication Services. Once again, this allocation was helpful and offset our over-weight positions in Developed Market and Emerging Market ETFs.

Our top ten largest individual holdings include: Evolent Health, S&P Global, McCormick, Apple, Amazon, Aetna, Hubbell, Continental Resources, Fleetcor, and Calavo Growers. During the 3Q18 we exited Hilton and added MGM International and Red Rock Resorts.

Fixed Income

Our cautious view on fixed income has so far proven prescient in 2018 and we are content with an under-weight position in long-term bonds given concerns around the Federal Reserve rate increases on the short end to the long-term impact of the Fed's $4+ trillion balance sheet, not to mention rising deficits and massive unfunded Federal liabilities. We still have select, modest positions in high grade corporates (ticker LQD), high yield ETFs (such as HYD), as well as through actively managed ETFs such as DoubleLine (TOTL), but the bulk of our fixed income exposure is in relatively short-term bonds and ETFs (JPST).

Our short position in International bonds (for those accounts that allow short positions) via the BNDX ETF continues to be an investment across most portfolios. As noted earlier, this is a long-term oriented approach to what we view as yields that are simply too low in Europe. For example, would a risk averse investor rather own an Italian bond that yields 3.6% or a US bond with the same maturity and a yield of 3.1%? While the ECB noted it would not likely change rates until some time in 2019, our view is the market will move ahead of that Central Bank's actions.

Our large position hasn't changed 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 dynamic as a positive to PFF.

Commodities

We continue to have a very modest positions in commodity ETFs. Rockingstone's holdings include small 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.

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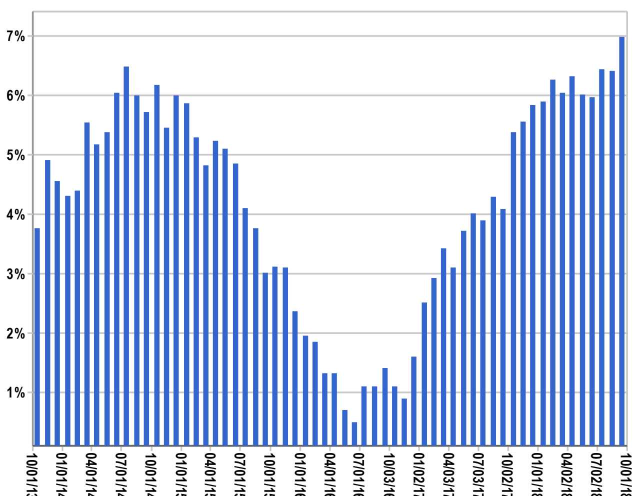
Chart Book

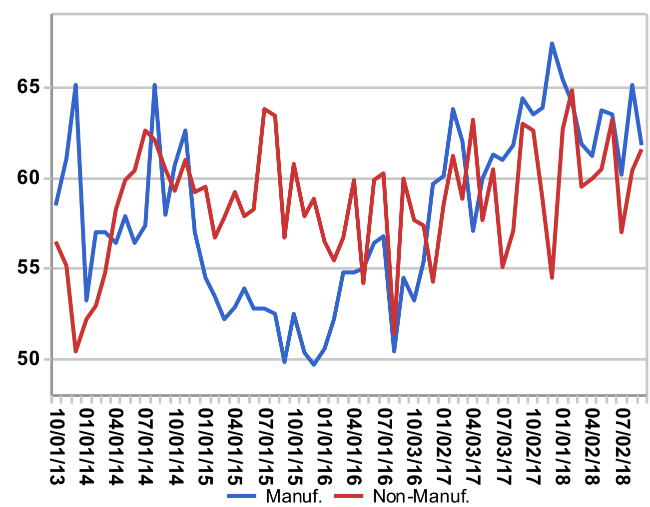
Leading Indicators

Figure 20: Index of Leading Economic Indicators



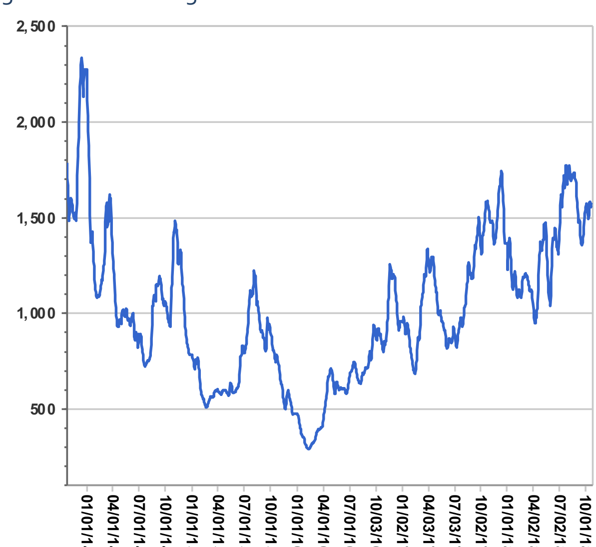
Source: FactSet

Figure 21: ISM New Orders



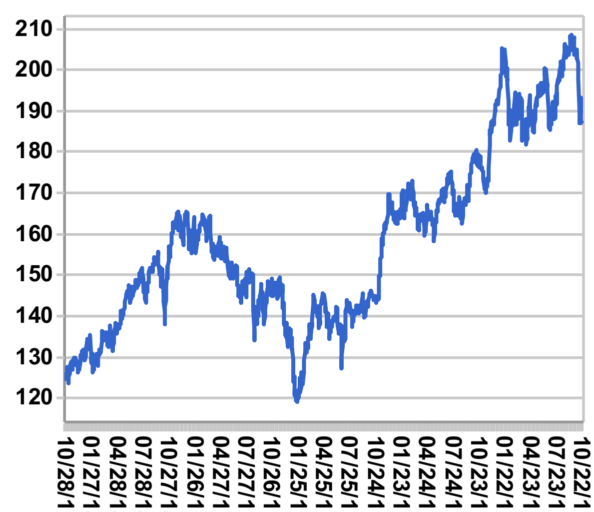
Source: St. Louis Federal Reserve, FRED Database

Figure 22: Baltic Freight Index



Source: FactSet

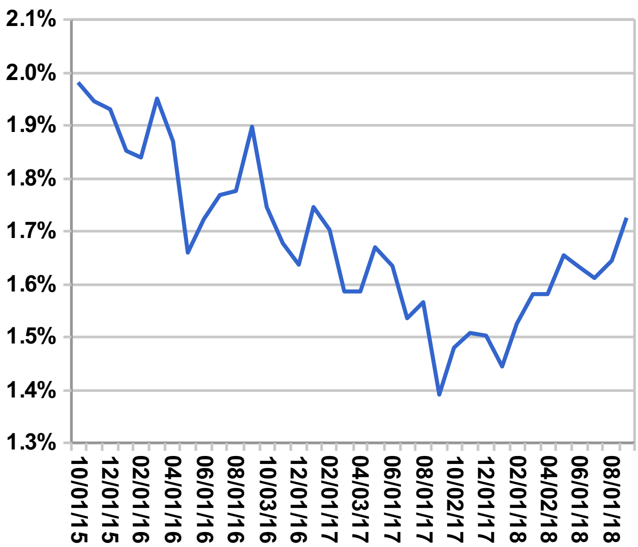
Figure 23: DJ Transports



Source: FactSet

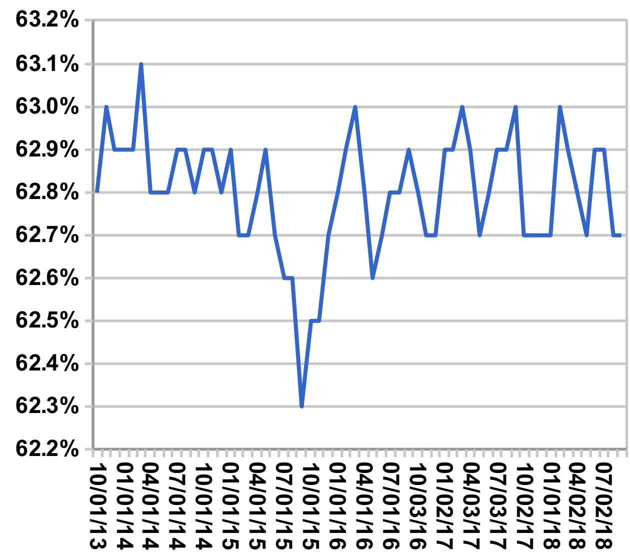
Labor Market Indicators

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



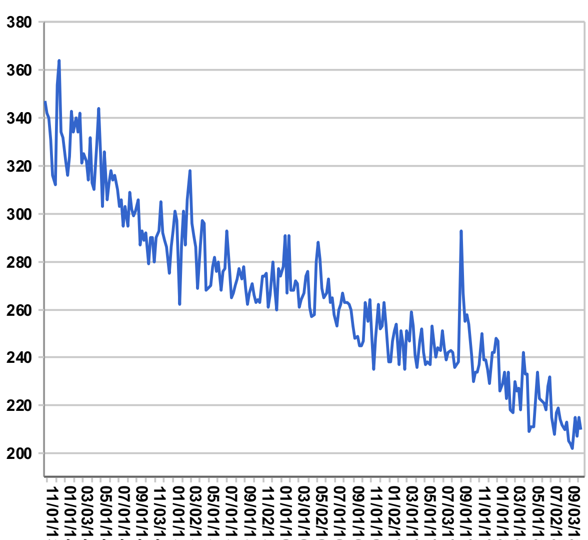
Source: FactSet

Figure 25: Labor Participation Rate (% of Workforce)



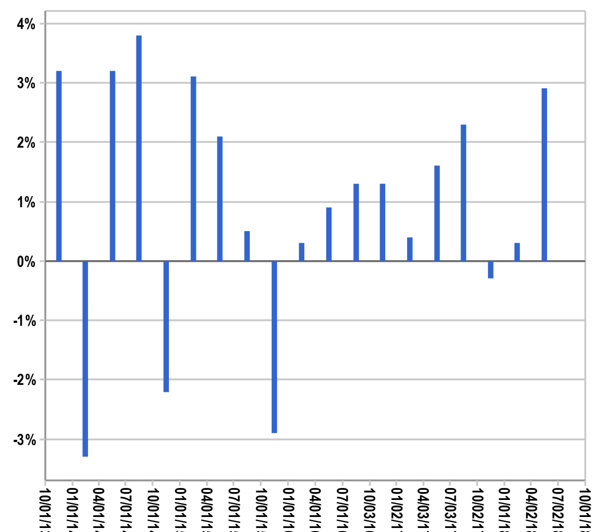
Source: FactSet

Figure 26: Initial Unemployment Claims



Source: FactSet

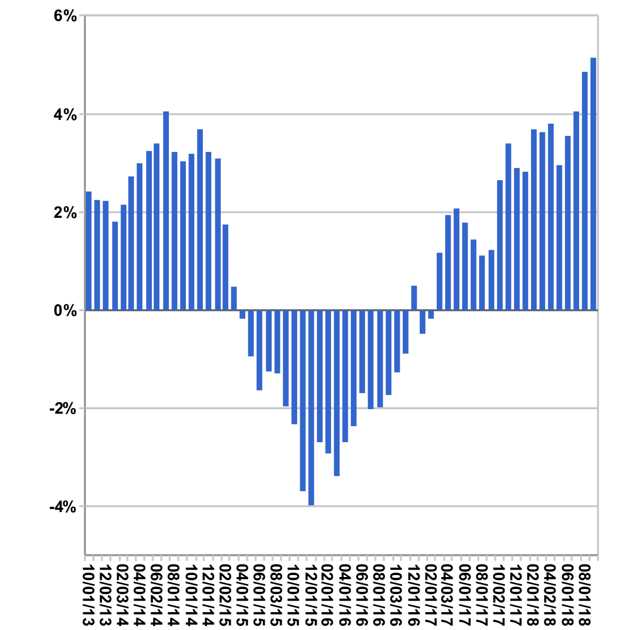
Figure 27: Non-Farm Productivity (% Chg YoY)



Source: FactSet

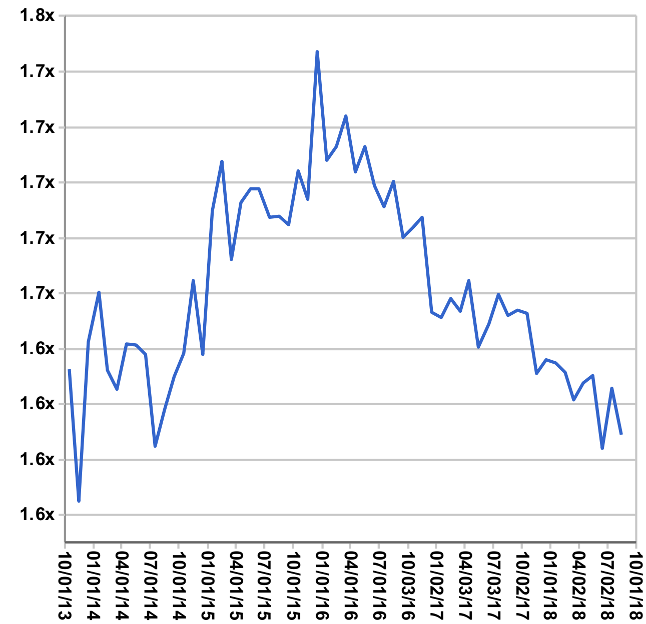
Production and Business Activity Indicators

Figure 28: Industrial Production (% Chg YoY)



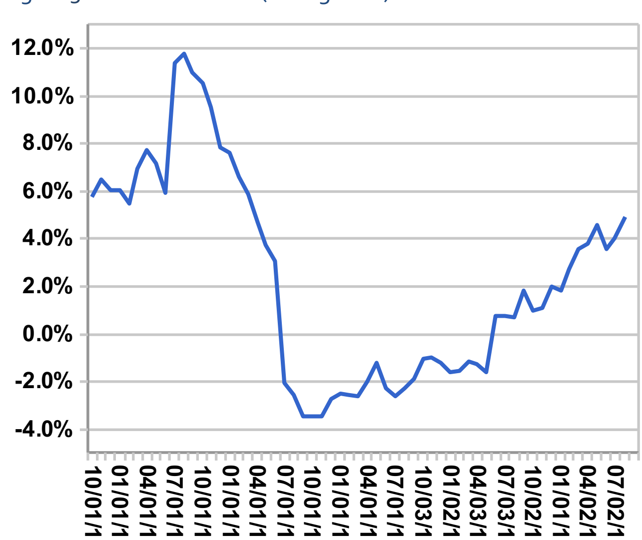
Source: FactSet

Figure 29: US Inventory to Shipment Ratio



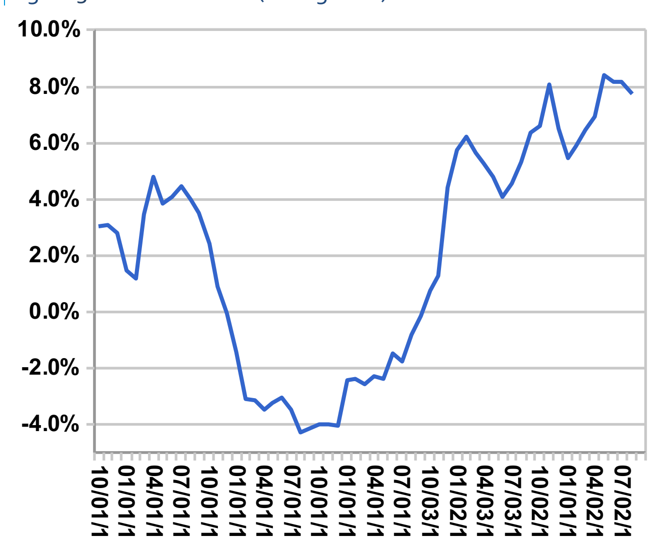
Source: FactSet

Figure 30: Unfilled Orders (% Chg. YoY)



Source: FactSet

Figure 31: Business Sales (% Chg. YoY)



Source: FactSet

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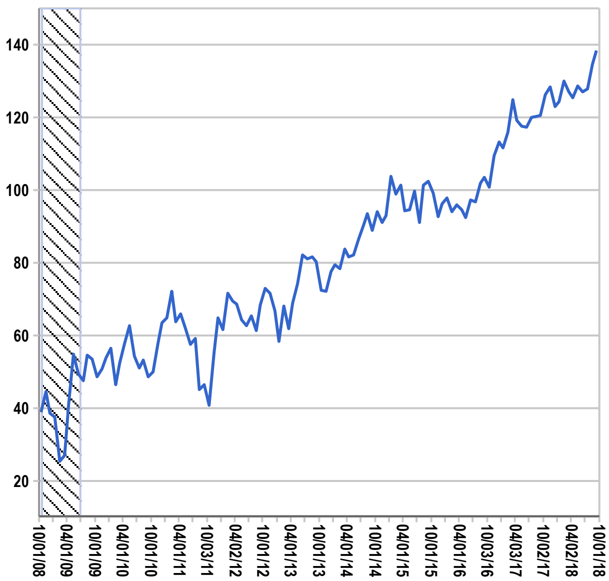
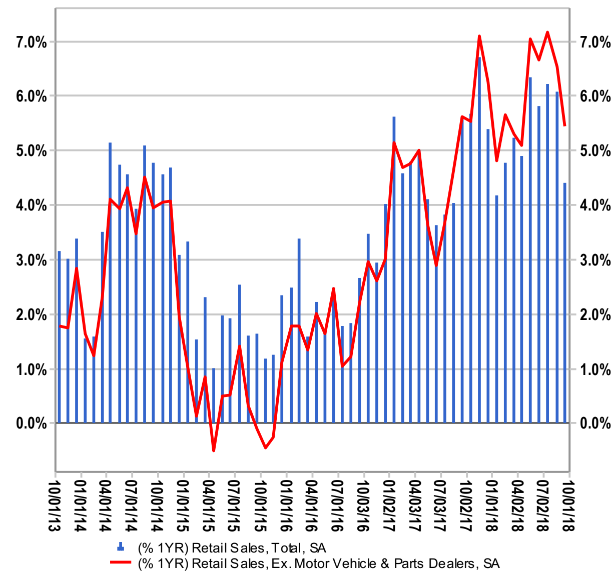
Consumer and Household Activity Indicators

Figure 32: University of Michigan Consumer Sentiment



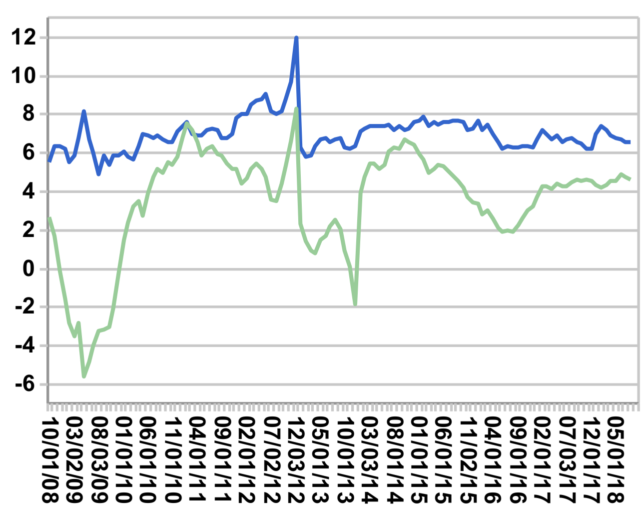
Source: FactSet

Figure 33: Retail Sales



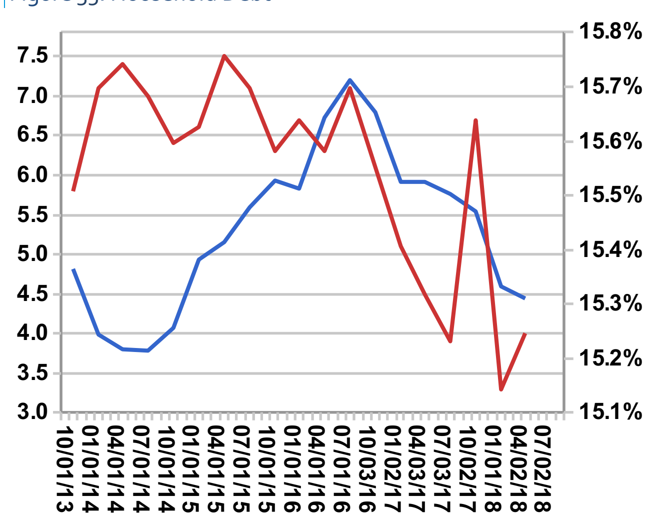
Source: FactSet

Figure 34: Personal Income and Savings Rate



Source: FactSet

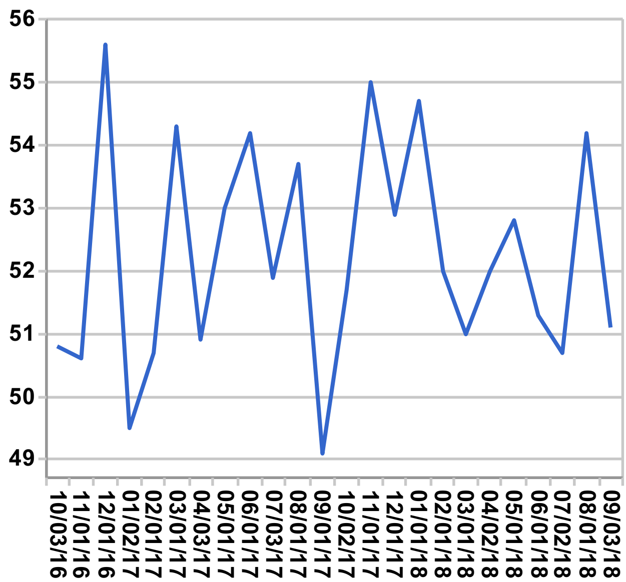
Figure 35: Household Debt



Source: FactSet

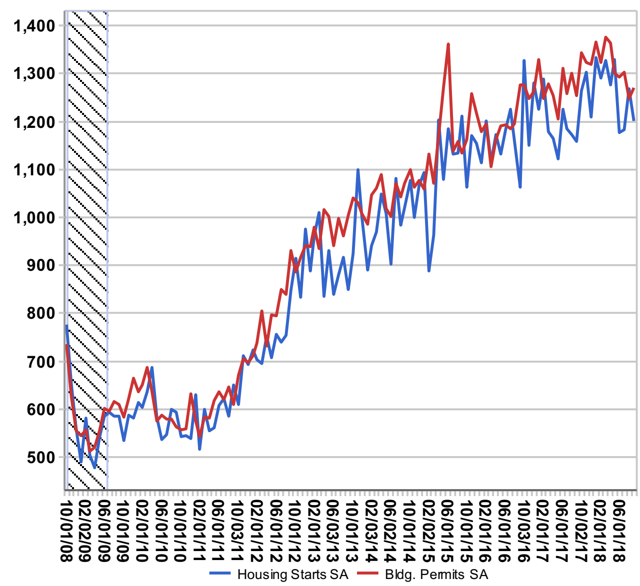
Housing and Construction Indicators

Figure 36: Architecture Billings Index



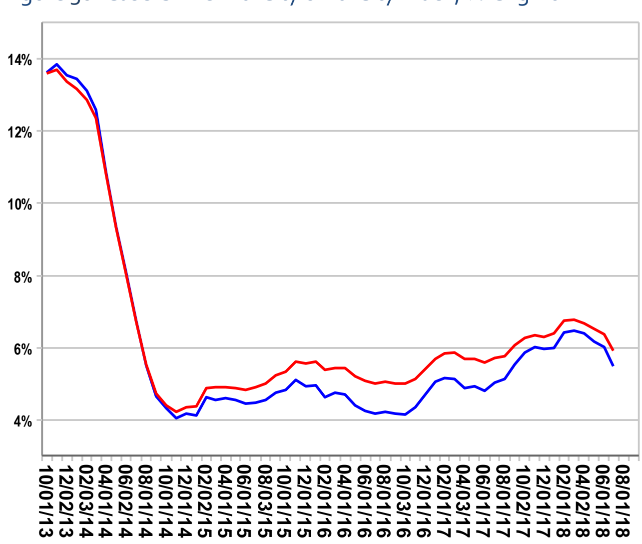
Source: FactSet

Figure 37: Housing Starts and Building Permits



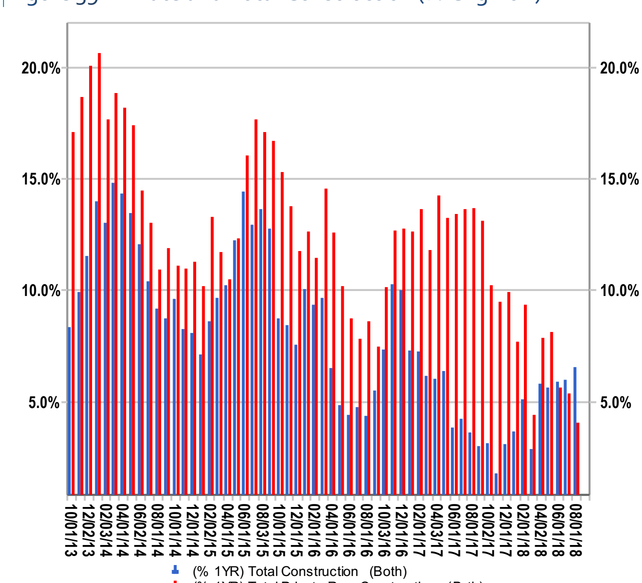
Source: FactSet

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



Source: FactSet

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



Source: FactSet

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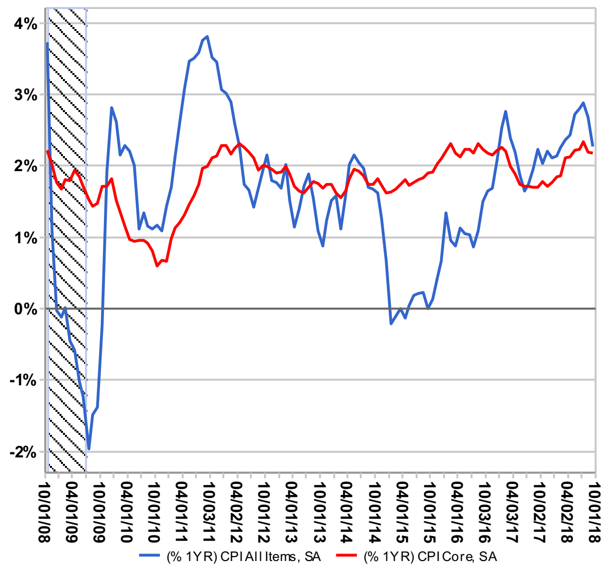
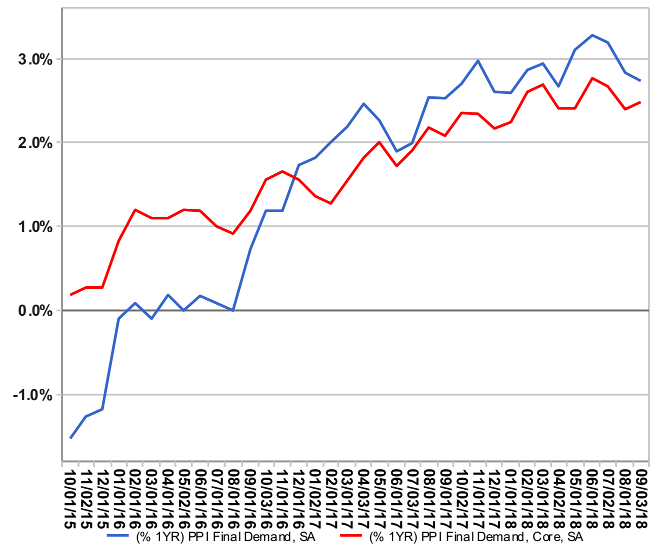
Price Indicators

Figure 40: Consumer Price Index



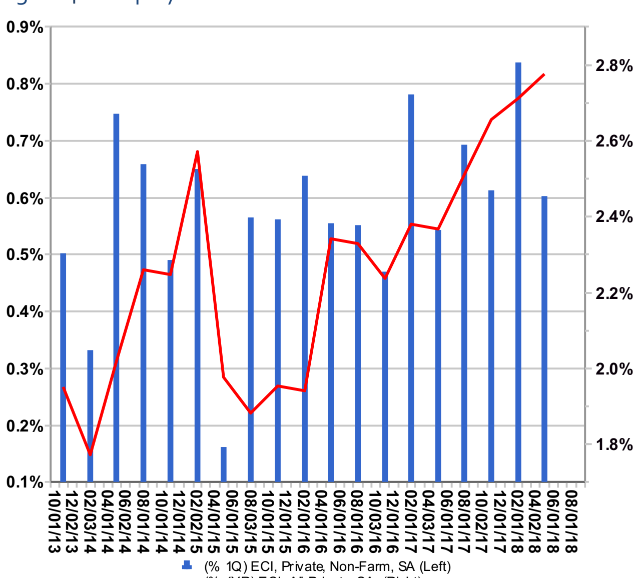
Source: FactSet

Figure 41: Producer Price Index



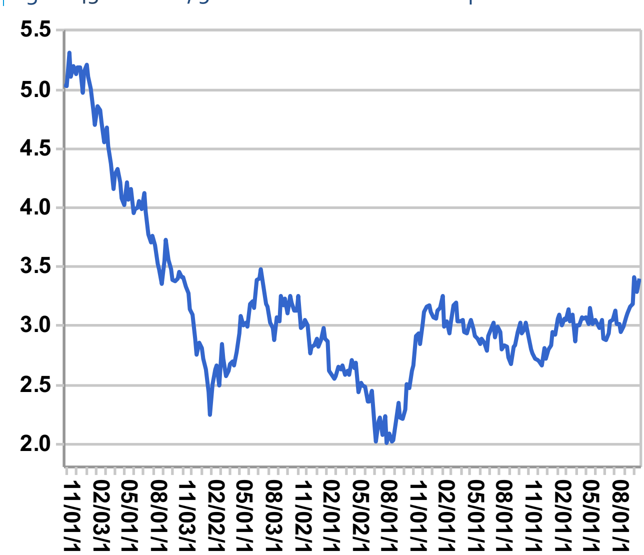
Source: FactSet

Figure 42: Employment Cost Index



Source: FactSet

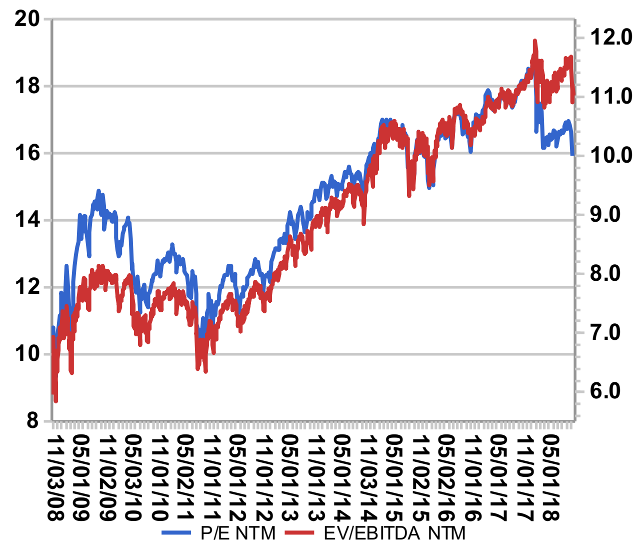
Figure 43: 10-Year, 5-Year Forward Inflation Expectations



Source: FactSet

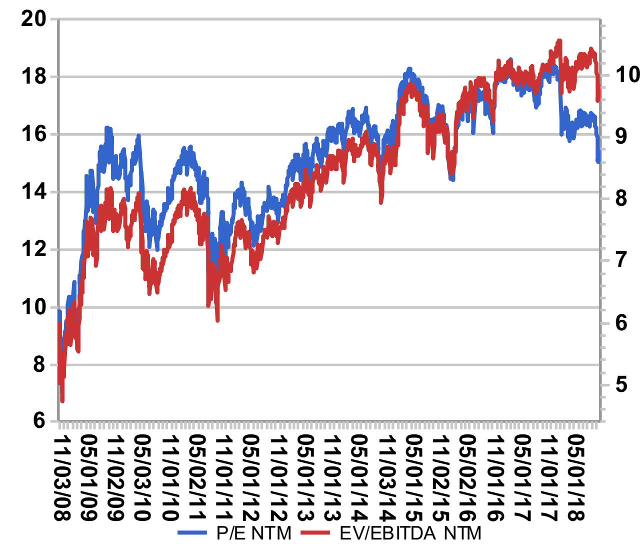
Valuation Indicators

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



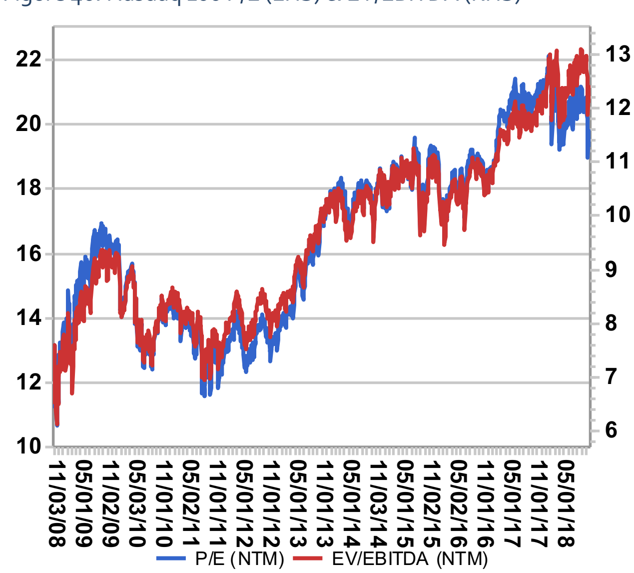
Source: FactSet

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



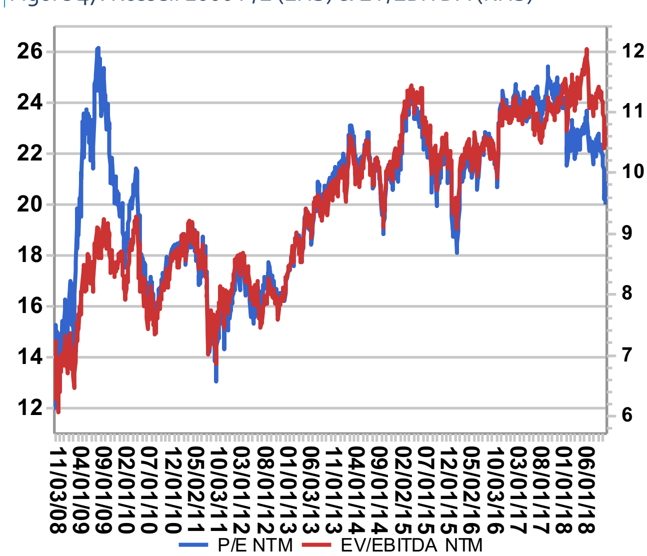
Source: FactSet

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



Source: St. Louis Federal Reserve, FRED Database

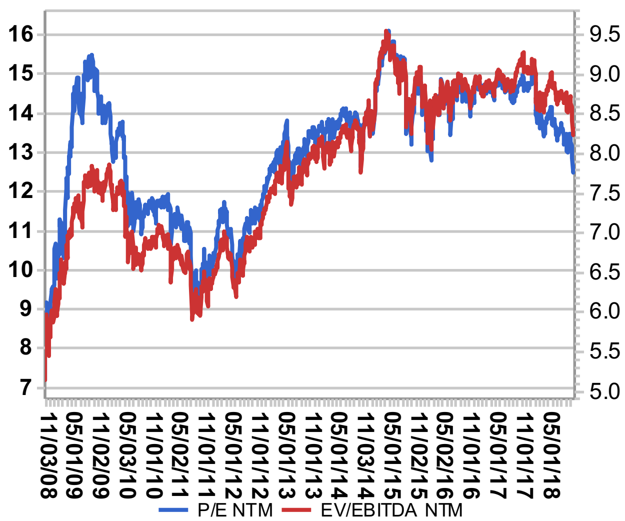
Figure 47: Russell 2000 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

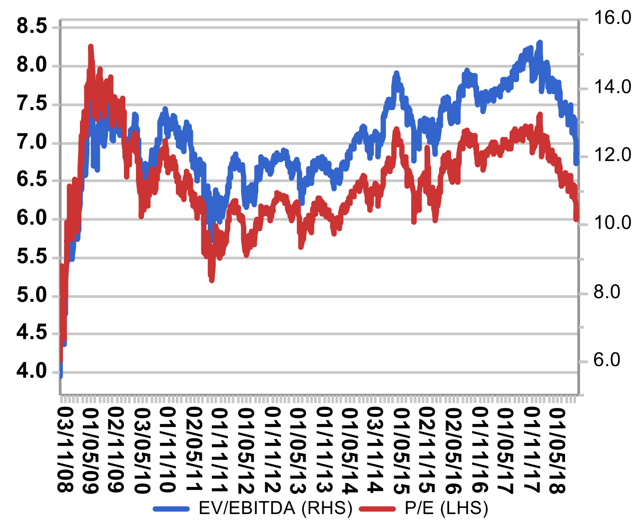
Valuation and Volatility Indicators

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



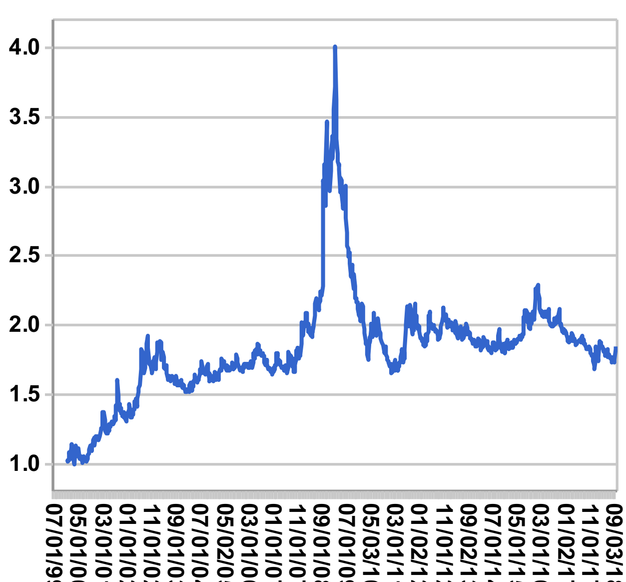
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

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



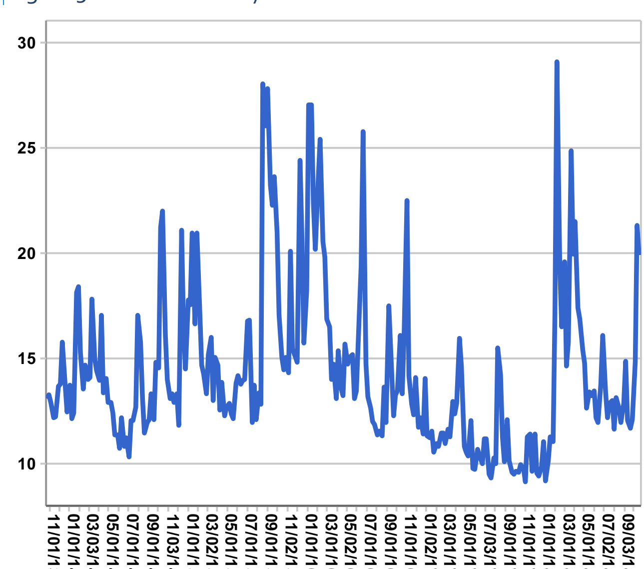
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 50: S&P 500 Dividend Yield



Source: FactSet

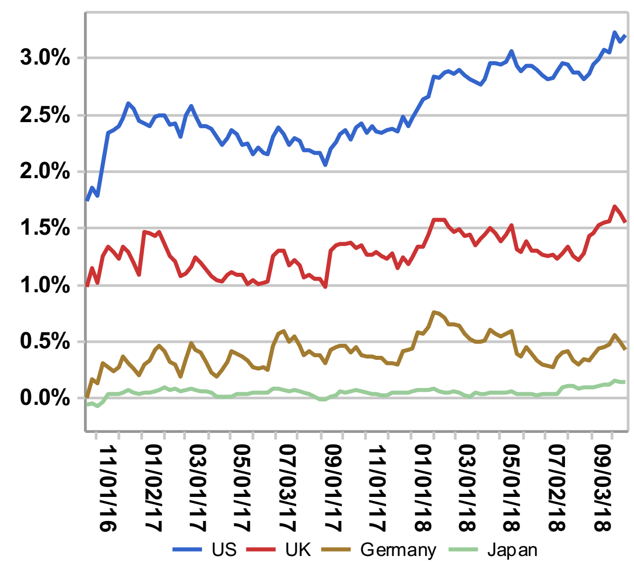
Figure 51: CBOE Volatility Index



Source: FactSet

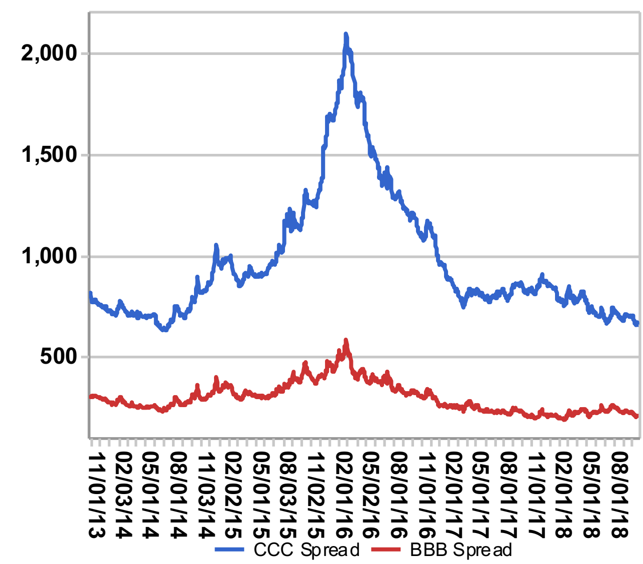
Bond Market Indicators

Figure 52: 10-Year Global Bond Yields



Source: FactSet

Figure 53: CCC and BBB Spreads (Option Adjusted)

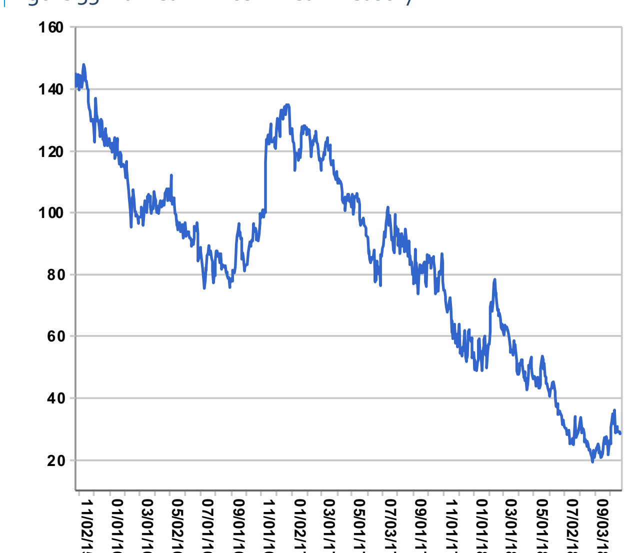


Source: FactSet

Figure 54: TED Spread (bps)

Source: FactSet

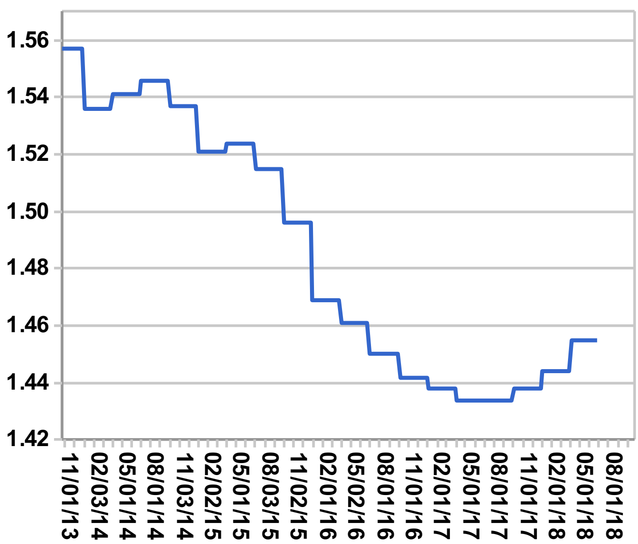
Figure 55: 10-Year Minus 2-Year Treasury



Source: FactSet

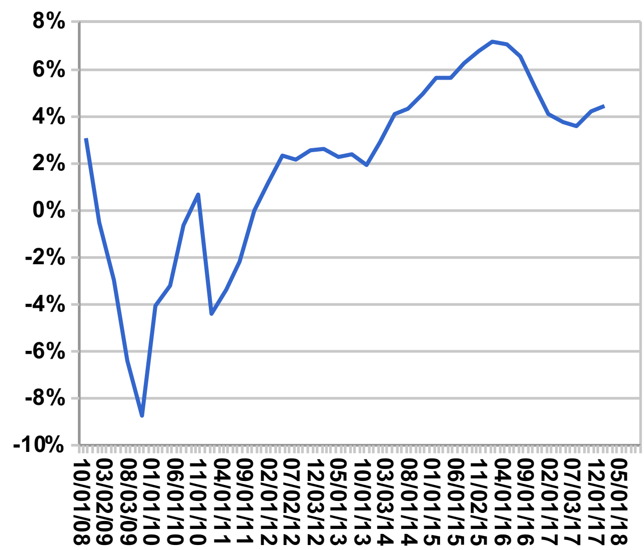
Liquidity and Other Indicators

Figure 56: Velocity of M2 Money Stock



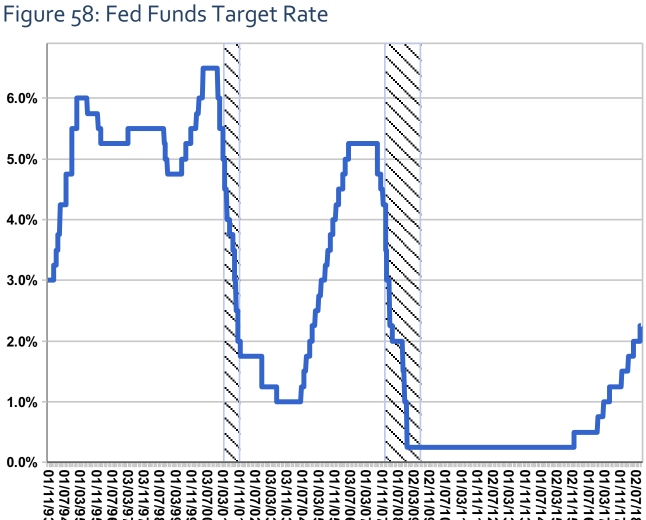
Source: FactSet

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



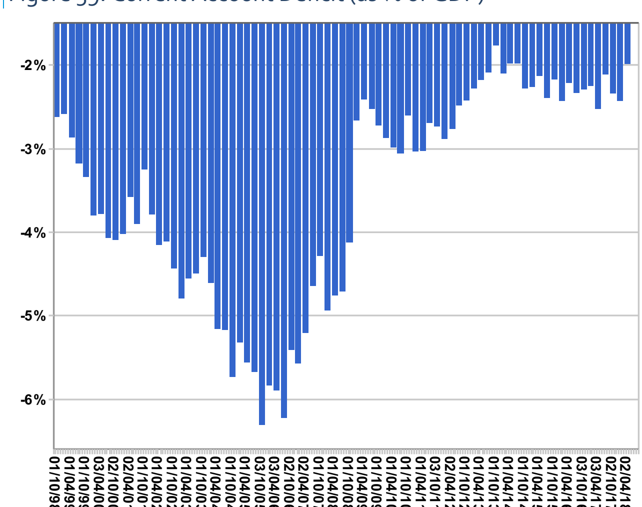
Source: FactSet

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 September 30, 2018; most other prices and yields are as of October 23, 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.