Yields Rise on Improving Economic Activity

Economic activity accelerated in 1Q21, fueling a rise in bond yields and risk assets

Despite on-going Covid cases and sporadic lockdowns, the US economy continued to improve, aided by an additional stimulus package and vaccine deployment rates that were among the best in the developed world. Equities and risk assets continued their multi-quarter rise; bond prices fell as interest rates rose, driving yields higher across the curve.

Rockingstone performance

We had a decent quarter (+3.7%) as equities performed well and portfolios benefited from overweights in risk assets. We continued to sell selective growth names and added to small- and mid-cap stocks, cyclicals, value, international and emerging markets. These moves helped the first half of the quarter but impaired our performance in the back half. Our historical annualized returns: 1-yr +43.4%; 3-yr +14.2%; 5-yr +13.9%; and 10-yr +11.6%.

1Q21 in review

The quarter saw decent declines in bond prices fueled by improving economic conditions and an aggressive fiscal stimulus package, as 10-yr Treasury rates rose from 0.9% to 1.63%. The tone in equity markets for the first six weeks was very much an extension of 4Q20: small caps, cyclicals and international outperformed. But things turned more defensive in the back half of the quarter as the $US strengthened on Europe's poor vaccine roll-out.

Expecting robust economic activity for the next few quarters

As vaccination rates rise and governments loosen restrictions, we expect pent-up demand to fuel especially strong economic activity, particularly in the travel and leisure industries. Hence, we remain overweight risk assets, but do note the more defensive tone to the equity market of late. Our return analysis points to limited potential gains for large cap stocks.

S&P500 forecast and other key indicators

Our updated forecasts include: EPS (2021/2022: $180/$192), S&P500 (2021 year end = 4200), GDP (2021/2022: +7.1/+0.8%), Gold ($2100/oz), Oil ($60/brl), 10-yr US Bond Yield (1.5%), Inflation (2.6%), 5-yr expected CAGR (US Large Cap -0.4%, US Mid Cap +2.3%, US Small Cap +8.0%, Developed +2.9%, Emerging +4.7%).

ABOUT US

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

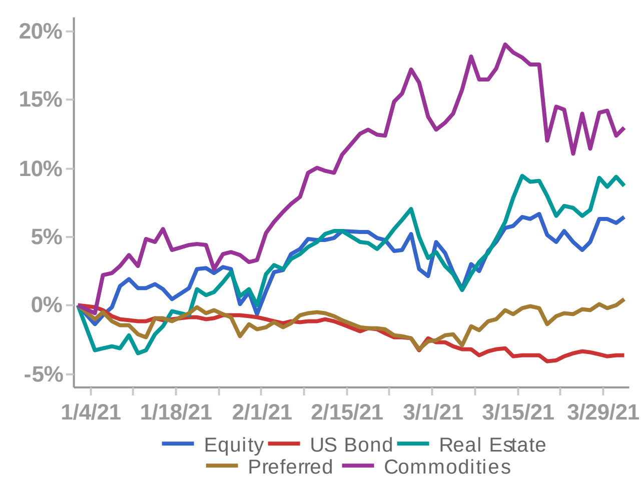
As an SEC-registered investment advisor, we provide multi-asset investment strategies to individuals, families and small institutions through separate accounts.

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:

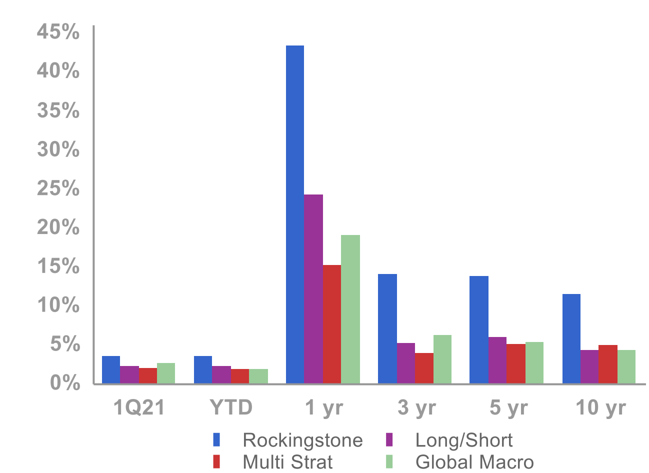
www.rockingstoneadvisors.com

Figure 1: 1Q21 Asset Class Performance[i]



Source: FactSet

Figure 2: Rockingstone: 1Q21 & Historical Annualized 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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Growth vs. Value

Have value stocks finally bottomed?

In the last issue of our quarterly newsletter, we decided to address a number of financial topics that seem most relevant to the global investment outlook. This quarter, we want to do a deep dive on the battle between growth and value stocks. Historically, investors have often been characterized as having either a "growth" or "value" style bias.

Simplistically, a value investor seeks out assets that are incorrectly priced by the market on the belief that, with time, the market will recognize the true discounted cash flow generating capabilities of that asset. In contrast, a growth investor believes that a particular asset will continue to benefit from fundamentals and growth rates that exceed those of the average asset for an extended period.

Figure 3: Value vs. Growth (VTV/VUG)

Source: Factset

For at least a decade, growth stocks have outperformed value stocks. That may be changing. Since September 2020, value stocks have outperformed growth stocks as evidenced by Figure 3. In this section, we look at the distinction between the two and assess if value truly represents value.

Why have "growth" stocks outperformed for so long?

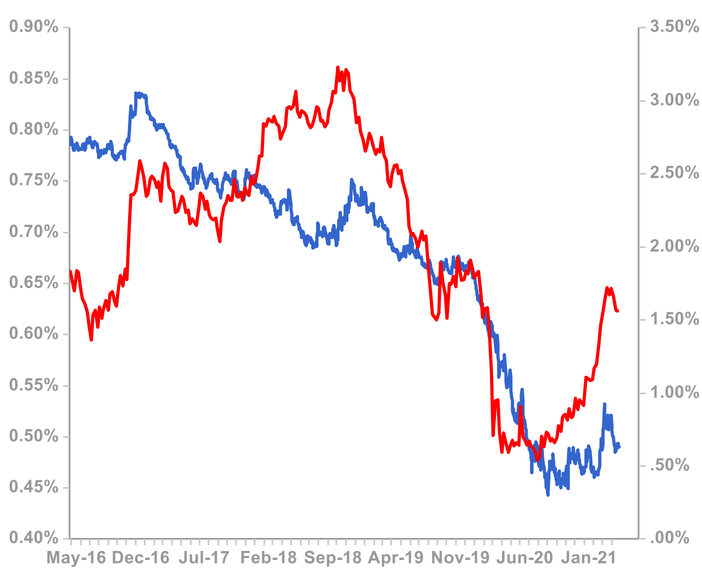
We believe the seeds for growth style investing outperformance (at least over the last few decades) started as far back as the late 1990s. For those of us with sufficient experience and longevity, we recall the Tech Media Telecom (TMT) bubble of the late 1990s. During that period, which saw the very initial stages of the internet's impact on business and consumers, investors bet heavily on growth companies and their future potential. Indeed, the key valuation metric at the time was to measure "eyeballs"— or how many consumers were visiting a particular website. In essence, investors were valuing companies on potential revenue with almost no regard to earnings and/or cash flow. The TMT bubble continued its frenzy until it burst in 2000 followed by a US recession in 2001.

Yet many of the tech companies that started around the TMT bubble, such as Amazon, Google and Facebook, have been the darlings of growth investors. Indeed, during the 2000-2010 period, many of the growth companies solidified their leading positions not only in the tech industry, but as top global enterprises. As the internet became more widely adopted by the broader economy, growth investors that were focused on this secular change outperformed value investors.

Looking back over the last 20 years, we believe a combination of five factors has led growth investing to outperform, including: (i) a steady decline in interest rates, (ii) global adoption of technology by all parts of the economy, (iii) the platform nature of many of these businesses, including the strong network effects (winner take all) of their business models, including the inherent scalability and high incremental margins of their operations, (iv) less aggressive anti-trust enforcement, and more recently (v) the emergence of rapidly growing, highly disruptive companies in non-technology parts of the economy.

From a finance perspective, interest rates (also referred to as the discount rate) determine the denominator when calculating the present value of future cash flows. To the extent a growth company likely generates more cash flow in the future than in the present, a lower discount rate enhances the present value of those future cash flows

Figure 4: Value vs. Growth (Blue – LHS) Overlaid with 10-Yr US Treasury Yields (Red - RHS)



Source: Factset

Using the 10-year US Treasury as a proxy for the risk-free rate, interest rates have declined from 6.0% in 2000 to around 1.0% at the end of 2020. As noted previously, that massive decline has dramatically increased the value of "growth" assets.

In terms of global adoption of technology, it is obvious as to how deep and broad technology has affected every aspect of government, corporations and individuals. To the extent the S&P500 weighting of technology accurately reflects the industry's role in the economy, it was just 6% in 1990, shot up to 29% during the TMT bubble and was over 25% in 2020 (and that percentage excludes about 800 bps based on S&P moving select social media companies out of "information technology" into "communication services").

Today, virtually every company, from retail banks to commercial airliners, must deploy and engage its customer base through efficient and effective technology-enabled interfaces on multiple platforms. Smart home technologies and the "internet of things" highlight the interconnectedness of devices and appliances that in times past would not have been considered "technology" companies. And the shortage of semiconductor chips idling assembly lines in everything from autos to toasters is a testament to this fundamental shift.

We would be remiss not to highlight the powerful nature of the business models of the leading growth companies. Amazon, Google, Facebook, Netflix, Microsoft and others have established themselves as "platform" companies. The economics behind these types of entities are particularly powerful, and some make the case that given their dominance they ought to be regulated as "common carriers," rather than as competitive enterprises. They operate within massive industries, so their total addressable market (TAM) has given them ample runway to continue to grow without bumping up against industry size limits, competitive issues and the like. Lastly, the financial/business model of many growth firms, especially cloud and software providers, is characterized by high incremental margins and excellent returns on invested capital.

As evidenced in Figure 5, every operating metric (i.e. profit margin and return ratios) for Growth dramatically exceed those of Value. This distinction has not been lost on the market given the equally dramatic difference on valuation metrics when comparing the two ETFs. Lastly, we note that investors have benefitted from VUG's lower volatility as measured by beta vs. VTV.

Figure 5: Value vs. Growth; Key Operating, Growth and Financial Metrics

	1-Yr Sales % Gr.	3-Yr Sales %Gr.	1-Year EPS %Gr.	3-Mth Price Chg.	LTM Price Chg.
Growth (VUG)	8.7%	10.8%	1.8%	1.6%	72.9%
Value (VTV)	-5.2%	2.4%	-24.1%	11.1%	57.7%
	P/Sales	**P/E**	**P/Cash Flow PS**	**P/Book**	**Div Yield**
Growth (VUG)	6.2	48.1	27.8	10.2	0.6%
Value (VTV)	1.9	26.3	11.5	2.6	2.6%
	Operating %	**Net Income %**	**RoE**	**RoA**	**Beta**
Growth (VUG)	16.8%	12.8%	21.2%	7.3%	95.9%
Value (VTV)	10.7%	7.4%	9.9%	1.8%	103.7%

Source: Factset
Footnote: All data ended March 31, 2021 except Sales and EPS growth rates (ended December 31, 2020)

The nature of technology has disrupted traditional anti-trust theory. Growth investors have benefited from a generally less aggressive approach to anti-trust activity by the FTC, due in part to multiple new entrants competing in broader industries (think Apple into streaming and Tesla into power storage), and in part to a philosophical view that consumers may benefit from the stability of platforms, which drive greater scale, more efficiencies and better pricing. While history points to most M&A deals as failing to meet their financial targets, investors have been willing to reward many acquisitive companies of late given low interest rates and the ability for buyers to claim "accretion" in very short order.

Lastly, we note that entrepreneurship combined with technological advancements has resulted in many new companies enjoying rapid growth and success over traditional players. The disruption of the incumbents across many industries has also spurred growth style investing. Examples include Tesla in auto manufacturing, Netflix in media and Beyond Meat in packaged food.

Value style investing: Poised finally to rebound?

After the initial market collapse from the pandemic in March 2020, growth investing once again took the lead over value. Yet we note that growth's leadership position started to ebb as investors focused on several developments including: (i) global deficit spending by most governments to offset the pandemic's economic impact, (ii) central banks expanding their balance sheets / money supply, (iii) the related specter of rising interest rates and inflation, (iv) the rise of nationalism over free trade, and (v) the potential for a weaker $US.

Rockingstone's clients benefitted in the 2H20 as we lowered exposure to select growth-oriented investments and increased weightings to value-type assets. Our belief was the aforementioned factors would shift the market towards a combination of value (financials, energy), cyclical stocks (industrials) as well as commodity exposure (emerging markets).

Figure 6: Value (Red) vs. Growth (Blue), 5 years

Source: FactSet

Figure 7: Value (Red) vs. Growth (Blue), 6 months

Source: FactSet

In our 2Q20 newsletter, we analyzed the impact of the pandemic on the US population by wages and industry. After a year, it is clear the top third of the population made it through the pandemic in excellent financial shape. The ability to work remotely, cost reduction (i.e. reduced expenditures on restaurants, travel, entertainment) and rise in asset prices has led to significant wealth creation for that segment of the US population. At the same time, federal spending has helped the bottom third of the population, albeit with significant hardship, through the last year. Indeed, savings rates are at record levels, with indications the middle third of the US population has managed through the pandemic.

As a result of the above factors, there is significant pent-up demand for everything from commodities for new housing development to travel and leisure activities. Many experts believe that pent-up demand will collide into supply chains that aren't yet operating efficiently. Notably, investors are already hearing from companies about rising lumber costs, logistic bottlenecks and future anticipated price increases. It is hard to say how much of the supply chain bottlenecks are due to the pandemic, but certainly more nationalistic policies by numerous governments has limited international trade.

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While some believe— including the Federal Reserve— supply chains will recover and inflation will only temporarily overshoot the 2% long-term target, our concern is that inflation is tough to control once ignited. As noted previously, inflation has not been a concern for investors largely since the 1970s. It remains to be seen whether if inflation appears it will be tough to control, but the potential is certainly making investors question growth style investments.

To the extent efforts by governments and central banks to help businesses and consumers survive the pandemic has resulted in more debt and expanded the money supply, this too should add to higher interest rates. From an economic standpoint, higher inflation is often coincident with higher interest rates. Most value-style investment such as industrials, due to the inherent cyclical nature of their operations, generate more significant cash flow over the near term. Thus, value investments benefit, relatively speaking, as the present value of near-term cash flows is less negatively impacted by rising discount rates vs. growth investments.

One additional implication of the pandemic is the impact on the US dollar, particularly relative to Asian currencies. We are bearish on the US dollar, which once again is likely to be a tailwind for value investing. The reality is that most Asian countries made it through the pandemic with fairly modest increases in their respective debt levels, compared to the US, which has seen debt / GDP jump well over 120%. Remarkably, the US has added more debt in the last year than the cumulative amount over the last four recessions! To the extent the US dollar declines, this will tend to inflate the price of global commodities (which are almost exclusively priced in US dollars). A jump in global commodity prices in turn helps resource-driven emerging markets. Although emerging market stocks have performed well over the last year, they haven't budged much over the last two decades and thus could arguably be defined as value assets.

Lastly, to the extent pricing power offsets the negative impact of inflation, it is very possible that companies with subscription models (i.e. software or media streaming) could continue to be viewed as worthwhile investments. Relative low price points and decent demand inelasticity could keep investors interested in these "growth" assets. But if inflation jumps, it is possible that previous growth darlings such as "the disruptors" could see selling pressure.

Portfolio positioning

Presently, we would describe our portfolio positioning as more balanced vs. the last few years. We have both "growth" and "value" investments in portfolios while being more proactive about trimming or adding to positions. Should inflation pick up, we believe our growth-oriented investments have sufficient pricing power to manage through the environment. We also own more cyclicals and financials, which should benefit from an economic rebound and coincident rising interest rates. But we admit that calling for inflation is a big change vs. the last 20+ years and the market seems to reflect this lack of conviction on an almost daily basis.

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Forecast: 2021 & Initiating 2022

Rockingstone Advisors: Our latest forecasts

We update our forecasts to reflect Rockingstone's outlook for 2021 and initiate 2022. As we noted in the last newsletter, macroeconomic indicators such as GDP continue to move higher along with corporate earnings. Given the volatility in last year's data, 2021 is proving somewhat difficult to forecast.

Figure 8: Key Metric Forecast

	Year End December	
Metric	Band	Point
US Real GDP (2021)	+6.5% to +8.0%	7.1%
US Real GDP (2022)	+0.7% to +3.0%	0.8%
S&P 500 2021 EPS (RSA/Street)	NA	$180 / $176
S&P 500 2022 EPS (RSA/Street)	NA	$192 / $202
S&P 500 2021 Index	3750-4250	4200
10-Yr US Treasury Yield	1.35% - 1.85%	1.5%
Oil (WTI-2021 End)	$50 - $70	$60
Gold (2021 End)	$1,750 - $2,250	$2,100
Inflation (NTM)	+2.0% to +3.0%	2.6%

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

A few observations and comments:

1. <u>Gross Domestic Product (GDP)</u>. We have raised our forecast for 2021 GDP to 7.1% and initiated a forecast for a modest 0.8% growth for 2022. We acknowledge the unusual hit to GDP in 2021 makes forecasting difficult, but the combination of vaccine success, the economy reopening plus stimulus makes us raise our outlook. However, we are cautious vs. consensus on 2022, seeing tough comparisons, potentially higher taxes and potentially higher interest rates.

2. <u>S&P 500 EPS</u>. Many companies surpassed earnings expectations in the 2H20 and it appears so far that trend is continuing, if not accelerating. As we go to print, about one-quarter of the S&P has already reported March results and EPS are running about 24% ahead of expectations! Given those statistics plus the stimulus package, we raise our 2021 EPS forecast to $180 (prior $160). We emphasize that for the first time in years, our outlook is actually more bullish than consensus for 2021. However, we take a more cautious view on 2022, with a "conservative" forecast of 6-7% EPS growth to $192 (below consensus of $202 which equates to 14% growth).

3. <u>S&P500 2021 Index</u>. We believe the S&P500 is likely to end 2021 at 4200. Given the current level of the large cap index, this suggests minimal to no growth, and is consistent with our asset class forecast in the next section. Using our $192 EPS estimate for 2022 and using a 22x forward P/E multiple is how we derive our target.

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Five Year Asset Value Forecast[iii]

Muted returns expected, except for small caps & emerging markets

We recognize the challenge of forecasting under normal circumstances and how the pandemic has made the chances for error even greater. Nevertheless, we still believe our mean reversion methodology of forecasting asset price returns is worthwhile.

Our analysis suggests that US large cap stocks offer almost no long-term return from current levels over the next half decade. In particular, valuation for the S&P500 is well above its historical mean, arguing for muted returns. We point out that US small caps (using the S&P 600) offer significantly more compelling returns given low current operating margins and more modest valuation headwinds.

Looking abroad, it is a mixed picture. Emerging Markets appear to offer respectable returns with balanced benefits from sales, margins and yield offset in part by valuation. However, Developed Markets point to a more muted return outlook mostly tied to moderate sales growth.

Figure 9: Five-Year Total Equity Return Calculations (Incremental Contribution)

Asset	Index	LT Exp. Return		Sales		Profit Margin		Div.Yield		Valuation
US Large Cap Stock	S&P500	-0.4%	=	4.6%	+	0.7%	+	1.5%	-	7.2%
US Mid Cap Stock	S&P400	2.3%	=	4.0%	+	0.7%	+	1.3%	-	3.7%
US Small Cap Stock	S&P600	8.0%	=	5.3%	+	5.6%	+	1.4%	-	4.3%
Foreign DM Stock	MSCI-EAFE	2.9%	=	2.4%	+	2.3%	+	2.7%	-	4.6%
Foreign EM Stock	MSCI-EM	4.7%	=	4.9%	+	1.9%	+	2.4%	-	4.5%

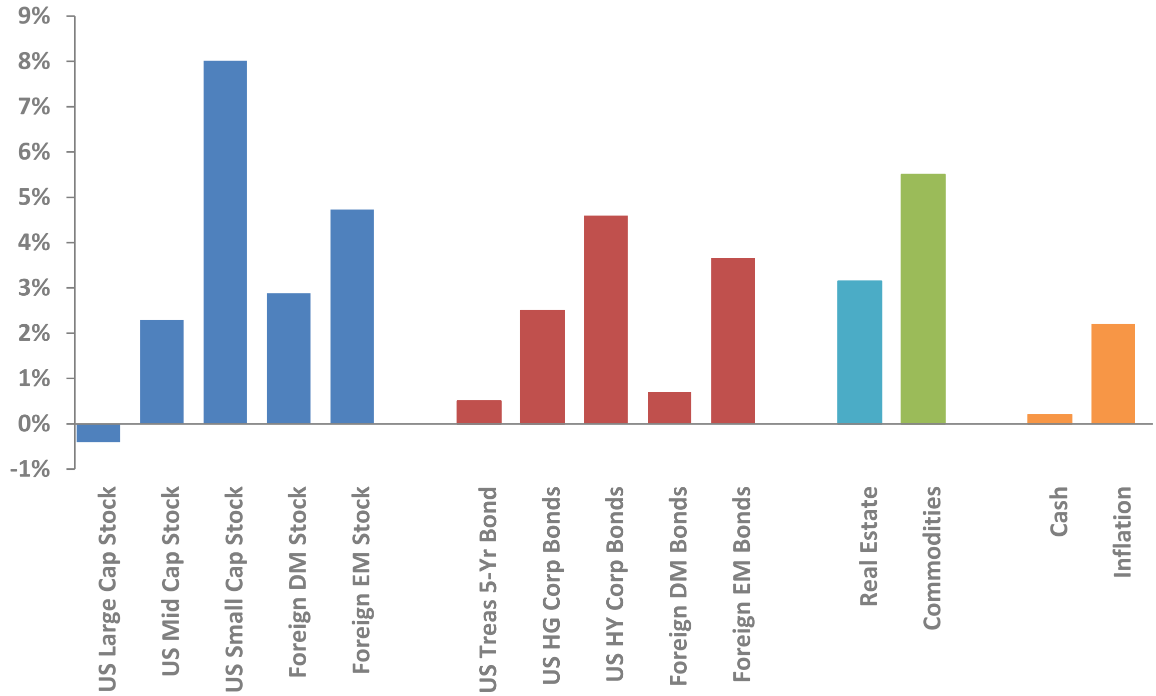
Source: Rockingstone Advisors

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

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

In fixed income (see the next page for various assumptions), we expect the “give” of coupons will be exceeded by the “take” of mean-reverting inflation and real rates, both of which are below their historical mean. Interest rates moved up in 4Q20 and into the first half of 2021, but have trended down slightly since mid-March.

Figure 10: Five-Year Asset Class Total Return Forecast



Source: Rockingstone Advisors

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Equity Performance Review

Stocks extend their rally, but back half of the quarter sees defensive move

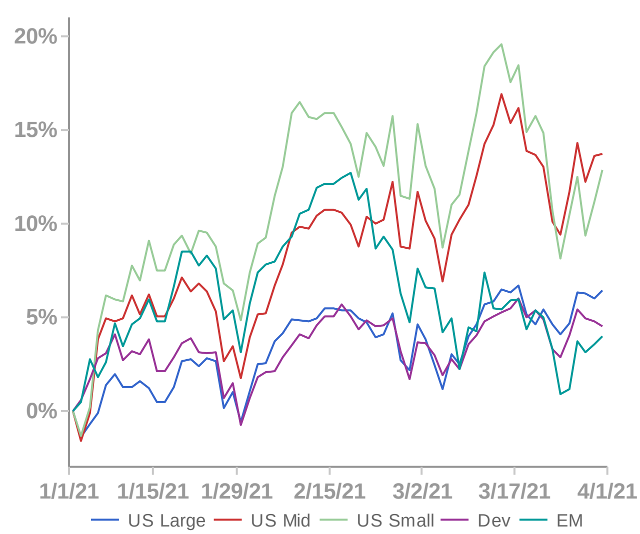
During the first quarter of 2021, stocks extended their 4Q20 rally, driven by a combination of growing vaccinations in the US and strong 4Q20 earnings; equity markets received a further boost following the passage of an additional $2 trillion in stimulus.

With so much liquidity thrown at the capital markets, it is no surprise that the first half of the quarter saw a continuation of the fourth quarter's leadership: small caps, cyclicals and value (energy, industrials and financials, for the most part) materially outperformed the broader market. But all of that liquidity helped to put pressure on bond prices, which declined, driving yields higher. Higher yields strengthened the US dollar, especially against the Euro and the Pound, as Europe's vaccine roll-out was nothing short of disastrous. The stronger dollar erodes returns from non-US markets, while the rotation out of large cap growth into the lagging parts of the equity markets drove small and mid-cap stocks higher and limited large cap returns.

It appeared that 1Q21 would be a carbon copy of 4Q20 up until mid-March when the trend away from growth into value seemed to reverse itself. Small and mid-cap stocks declined from their highs while large caps rallied; value and economically sensitive sectors retreated while the more defensive sectors (like tech, telecom and utilities) rallied. Whether this move was simply a counter-trend rally in growth, or whether this move highlights a more sustained cautious mood in equity markets is unclear. In light of the move, we decided to add a little more exposure to tech, especially given our large underweight in the sector.

We highlight the following performance metrics regarding 1Q21 and 12M21, respectively, results: US large-cap (+6.4 and +63.3%), US mid-cap (+7.4% and +79.0%), US small-cap (+12.9% and +109.0%), Developed (+4.5% and +57.5%), Emerging (+4.0% and 63.8%).

Figure 11: 1Q21 Equity Performance [iv]



Source: FactSet

Figure 12: 12M21 Equity Performance

Source: FactSet

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Fixed Income Performance Review

US high yield bonds the lone winner in a tough quarter for bonds

Fixed income securities took a beating in 1Q21 as 10-Yr US Treasury rates rose from 0.9% to 1.63%. This rise in rates negatively affected just about all bonds, with the exception of high yield bonds and preferred stock, which were roughly flat. During the quarter, the yield curve steepened, with 10s-2s rising from 80 bps to 156 bps by quarter-end.

High yield bonds rose 0.6% as spreads tightened, while Preferreds rose just 0.5%. Outside of that, though, it was fairly ugly, with the US Aggregate Bond Index down (3.4%), Treasuries down (5.7%), high grade corporates down (5.5%) and mortgage backed bonds down (1.2%).

Outside of the US, it was a similar story, as a stronger dollar eroded the benefits of an improving same-currency fundamentals. Foreign Developed bonds declined (2.3%), which was better than US bonds, given the poor economic growth in Europe resulting from the failed vaccine roll-out. Emerging Markets bonds declined (5.5%) on the stronger dollar and economic woes in Brazil and India, to name a few countries struggling with Covid cases.

Since June 2020, the Federal Reserve has purchased more than $120 billion in Treasuries, while also articulating a willingness to see inflation rise more than the Fed's target of 2%. Chairman Powell also noted that the Fed would begin tapering bond purchases before contemplating rate increases. Given the Fed's expectation that rising inflation pressures would only be "temporary" in nature, it is clear to market participants that the Fed does not expect to remove liquidity anytime soon. That said, markets will move in advance of the Fed's actions, and we expect those moves to be fairly dramatic, as they have been in the past.

Figure 13: 1Q21 Fixed Income Performance[v]

Source: FactSet

Figure 14: 12M21 Fixed Income Performance

Source: FactSet

Commodity Performance Review

Commodities Rise on Higher Oil Prices

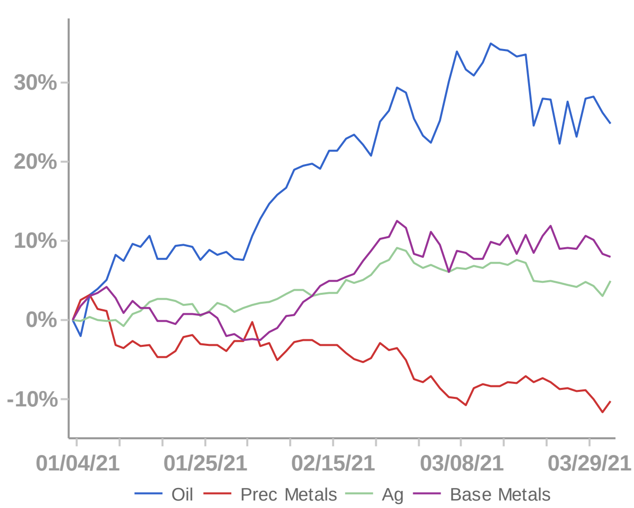
Investors should normally expect greater volatility in commodity prices relative to equities or bonds. This is because, unlike stocks and bonds, commodities do not generate a stream of free cash flows that can be discounted back to present value. Commodities are also frequently susceptible to sudden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

For the first three quarters of 2020, oil (indeed the entire energy complex) had sustained a slew of negative developments. As governments closed transportation networks, demand for jet and auto fuel collapsed. Lower electricity from shuttered factories reduced demand for natural gas. Combined, these factors helped to reduce demand for oil by about 25-30 million barrels a day (mb/d). However, on April 12, 2020, major oil producing countries settled on a new agreement to cut production by about 7.7 mb/d a day; this agreement was extended in early June and then again in September. It appears that these measures have led to stabilization in the oil market and a firming of prices, especially as investors begin to contemplate increased air traffic. Oil extended its gains in 1Q21, rising 24.8%.

Base metals posted solid gains as well, rising 7.9%. Precious metals actually declined 10.3% in the quarter, led by a decline in gold prices of 10.3% and silver prices of 7.6%. Agriculture commodities rose 5%.

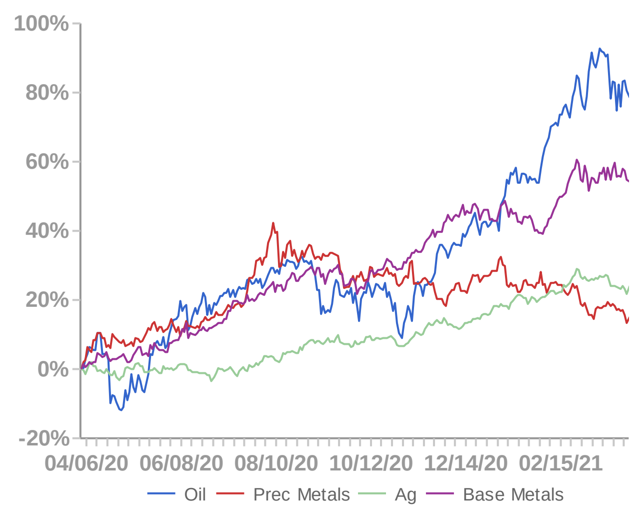
As a reminder, Rockingstone will typically invest in commodities via ETFs, and the below graphs display what we view as representative performance for the underlying commodities. We point to the following returns during the 1Q21 and 12M21, respectively: Oil +24.8% and +78.6%), Precious Metals (+1.1% and +26.8%), Agriculture (+10.2% and – 2.5%), Base Metals (+17.4% and +15.5%).

Figure 15: 1Q21 Commodity Performance[vi]



Source: FactSet

Figure 16: 12M21 Commodity Performance

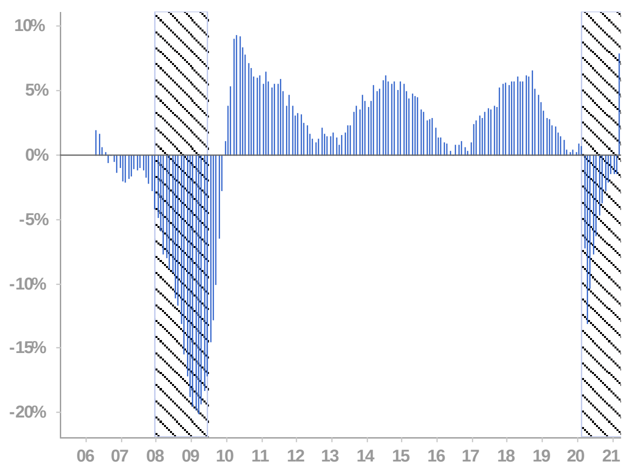


Source: FactSet

Chart Book

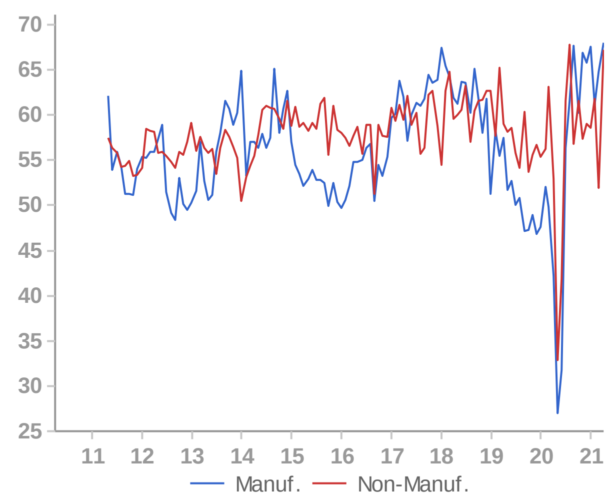
Leading Indicators

Figure 17: Index of Leading Economic Indicators



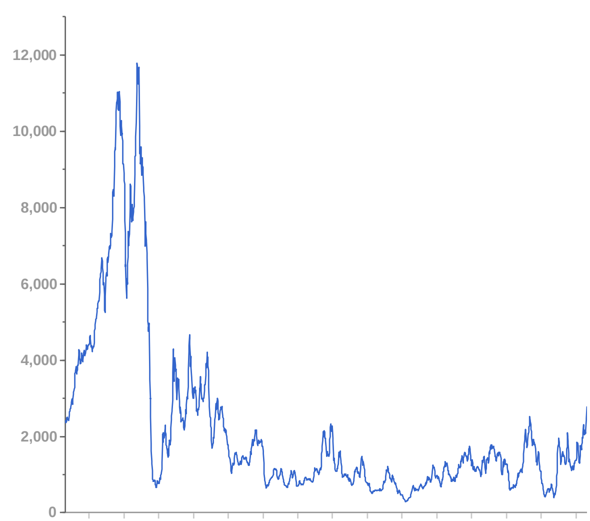
Source: FactSet

Figure 18: ISM New Orders



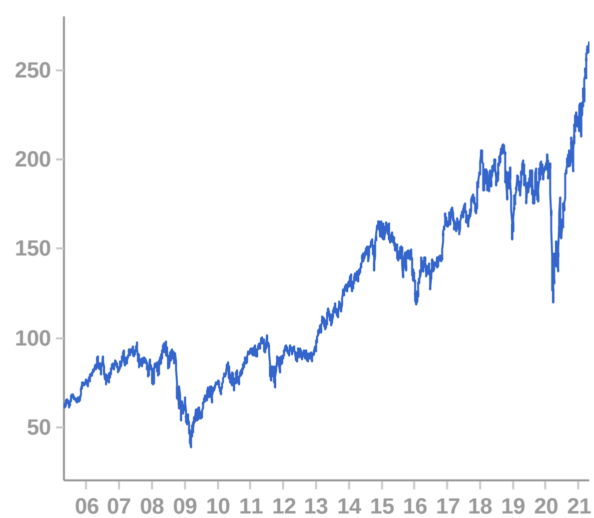
Source: St. Louis Federal Reserve, FRED Database

Figure 19: Baltic Freight Index



Source: FactSet

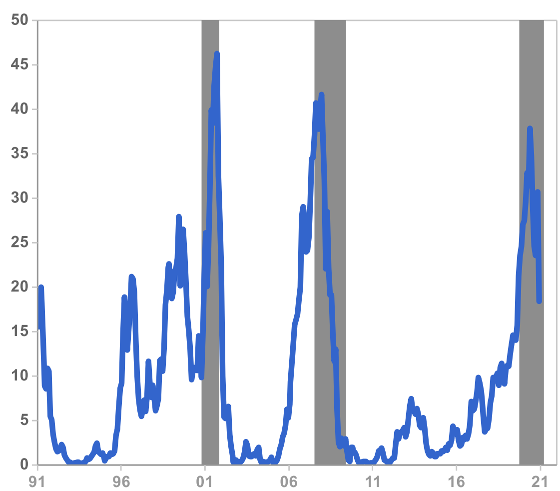
Figure 20: DJ Transports



Source: FactSet

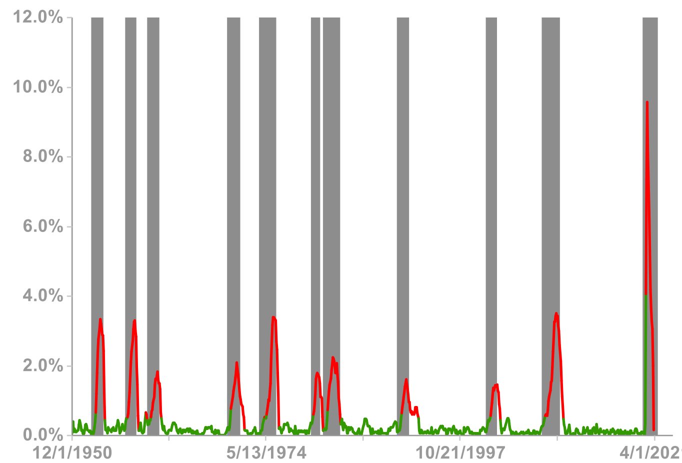
Real-time Recession Risk Indicators

Figure 21: Treasury Spread Recession Predictor



Source: FactSet, FRED Database

Figure 22: Sahm Real-time Recession Predictor

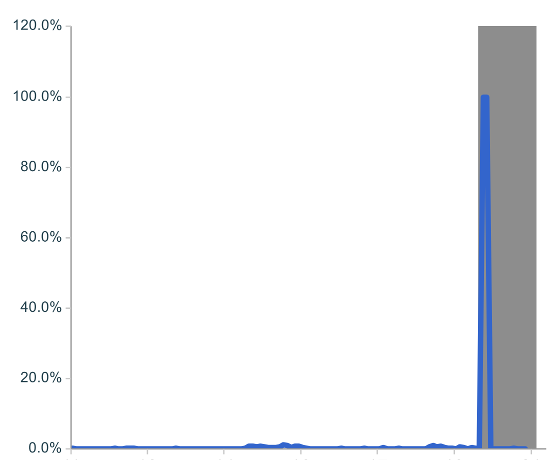


Source: St. Louis Federal Reserve, FRED Database

Figure 23: GDP Now (Atlanta Fed)

Source: FactSet; FRED Database

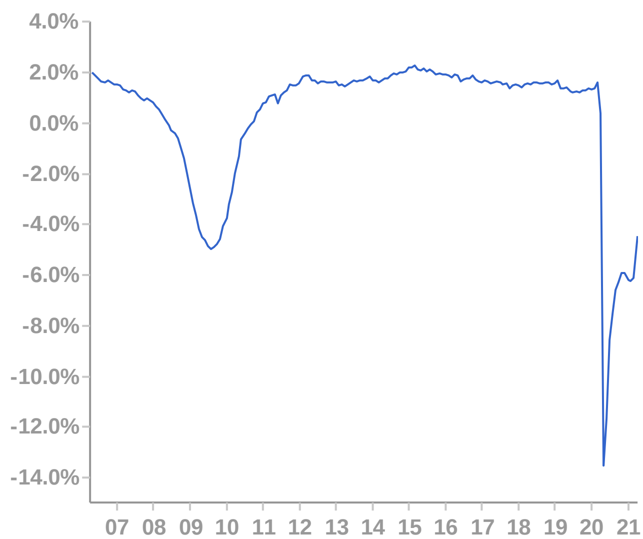
Figure 24: Smoothed US Recession Probabilities



Source: FactSet; FRED Database

Labor Market Indicators

Figure 25: Payroll Growth (Establishment Survey, % Chg. YoY)

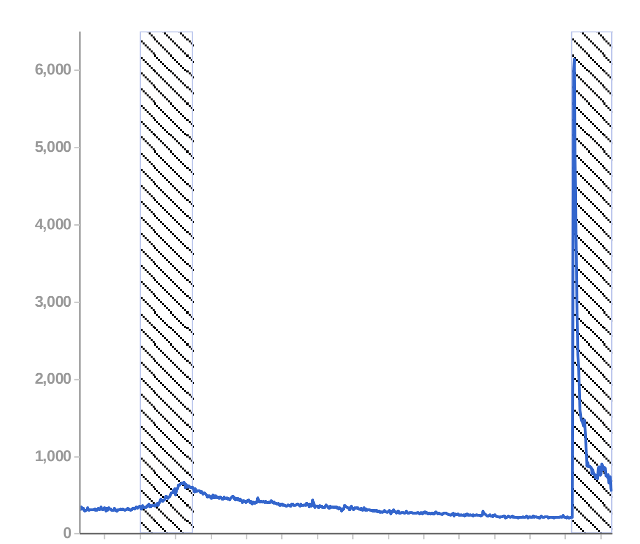


Source: FactSet

Figure 26: Labor Participation Rate (% of Workforce)

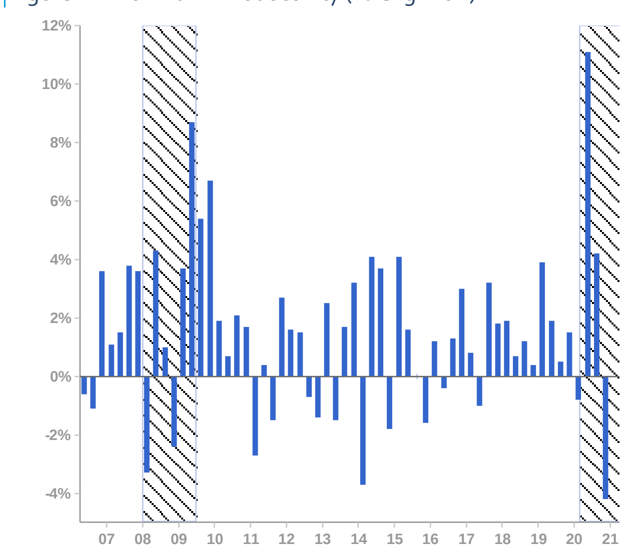
Source: FactSet

Figure 27: Initial Unemployment Claims



Source: FactSet

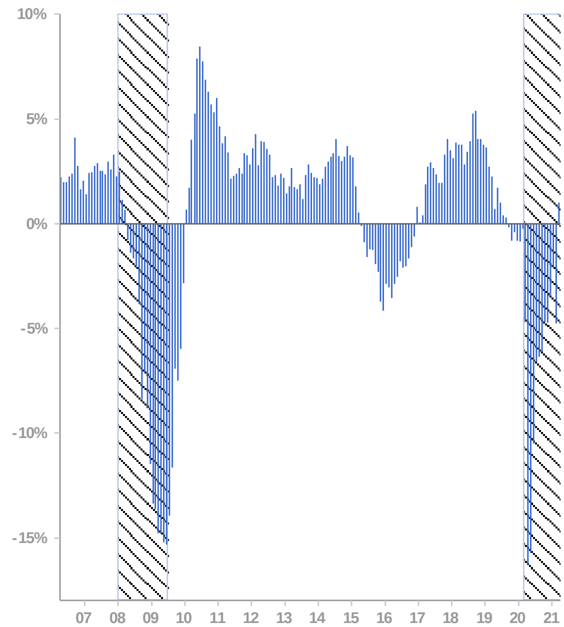
Figure 28: Non-Farm Productivity (% Chg. YoY)



Source: FactSet

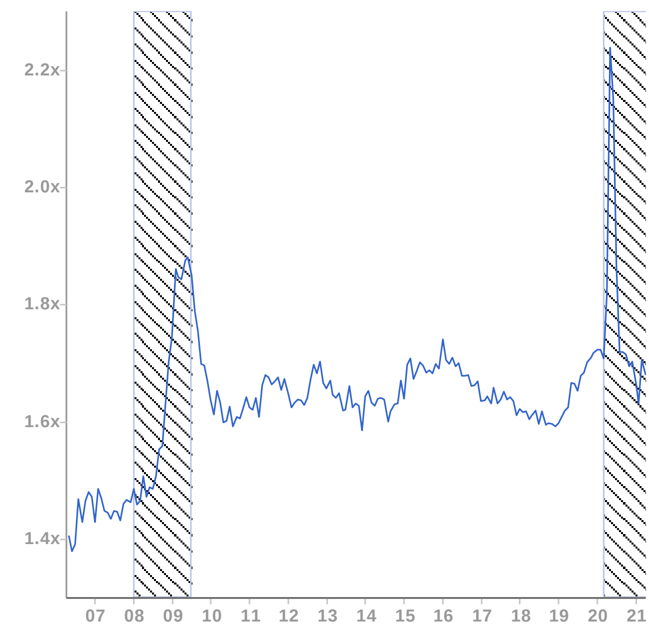
Production and Business Activity Indicators

Figure 29: Industrial Production (% Chg. YoY)



Source: FactSet

Figure 30: US Inventory to Shipment Ratio



Source: FactSet

Figure 31: Unfilled Orders (% Chg. YoY)

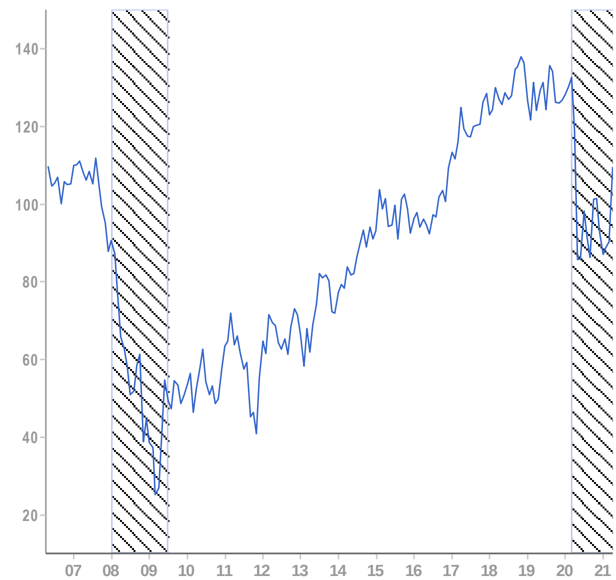
Source: FactSet

Figure 32: Business Sales (% Chg. YoY)

Source: FactSet

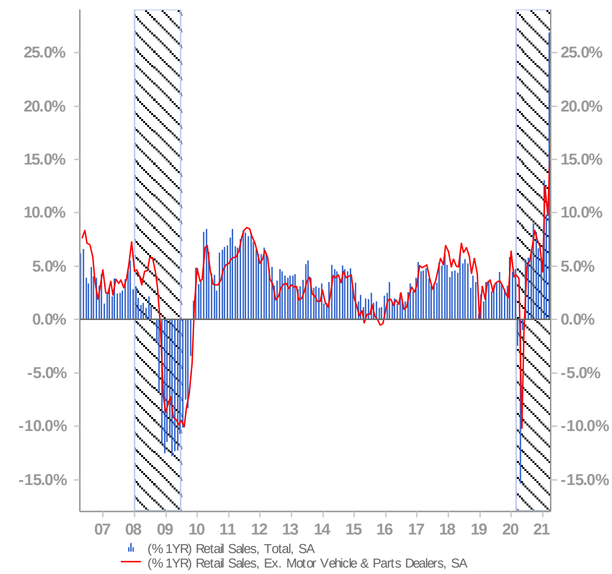
Consumer and Household Activity Indicators

Figure 33: University of Michigan Consumer Sentiment



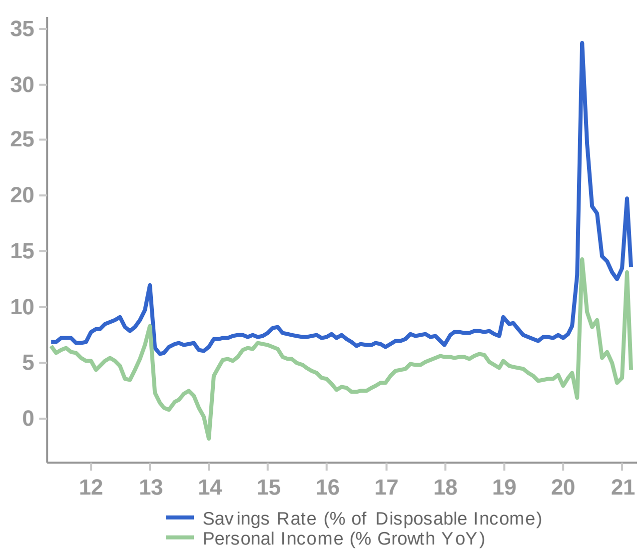
Source: FactSet

Figure 34: Retail Sales



Source: FactSet

Figure 35: Personal Income and Savings Rate



Source: FactSet

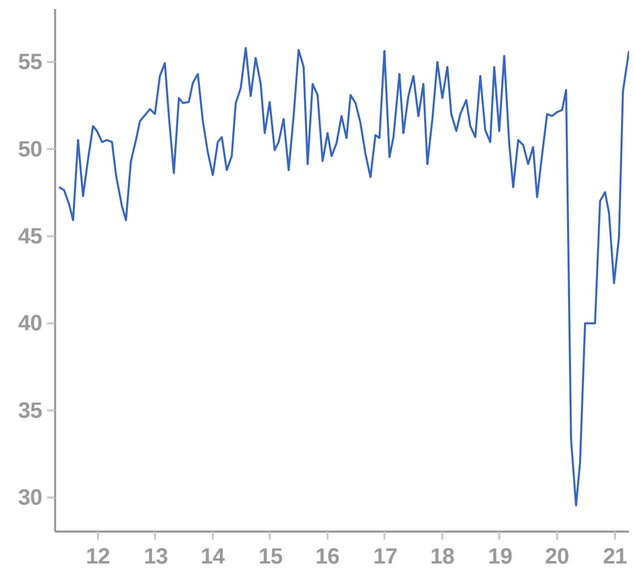
Figure 36: Household Debt

Source: FactSet

ROCKINGSTONE ADVISORS LLC

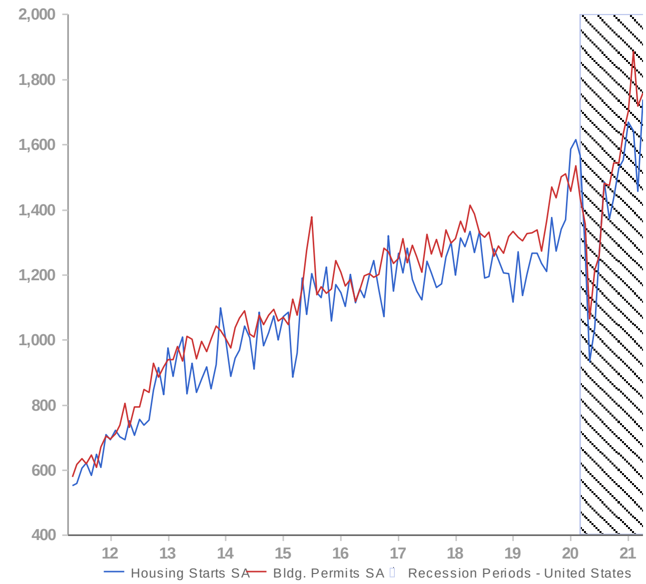
Housing and Construction Indicators

Figure 37: Architecture Billings Index



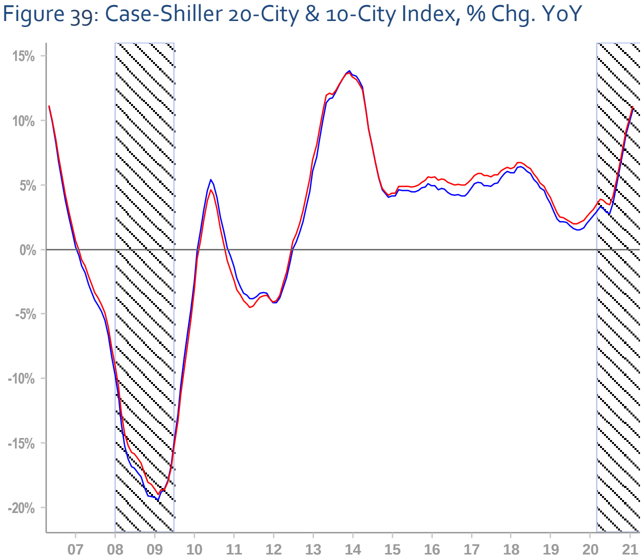
Source: FactSet

Figure 38: Housing Starts and Building Permits



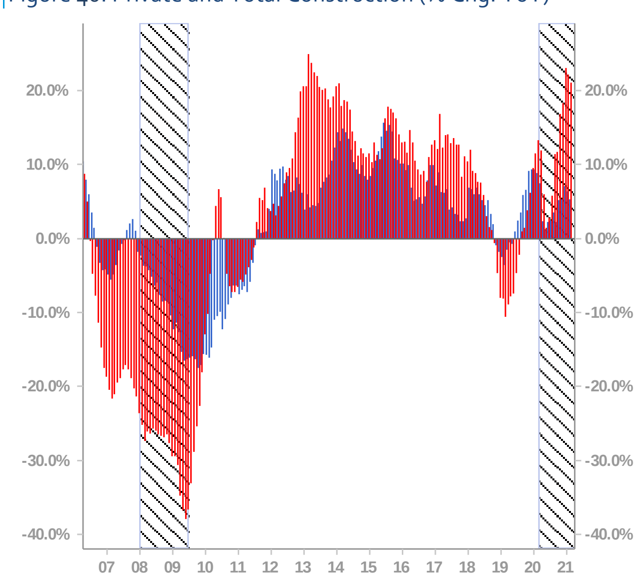
Source: FactSet

Figure 39: Case-Shiller 20-City & 10-City Index, % Chg. YoY



Source: FactSet

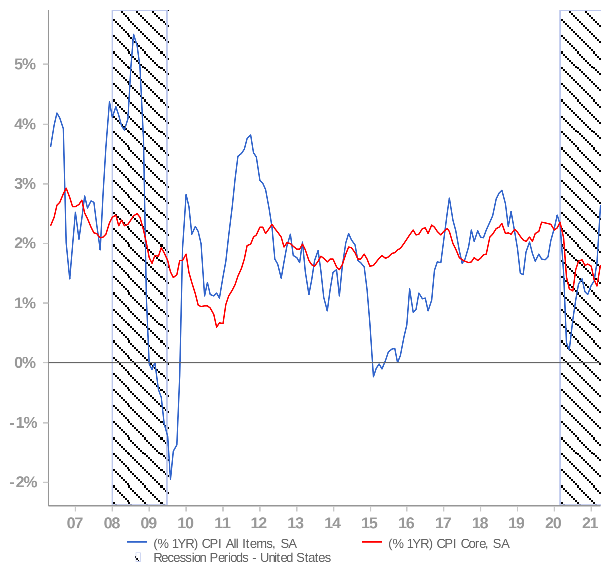
Figure 40: Private and Total Construction (% Chg. YoY)



Source: FactSet

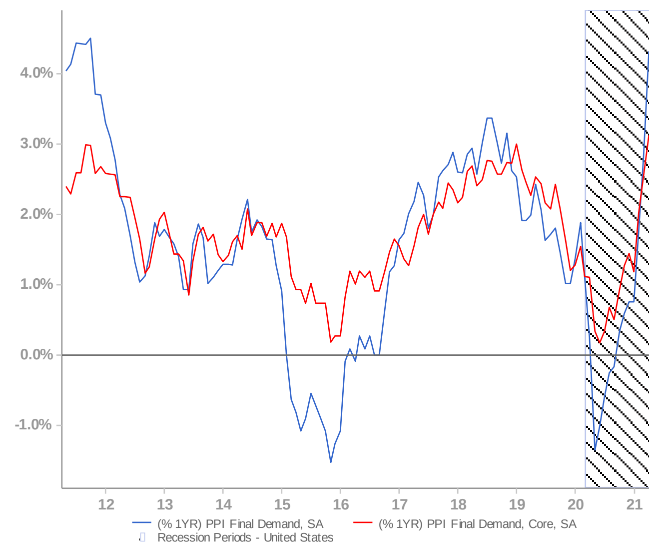
Price Indicators

Figure 41: Consumer Price Index



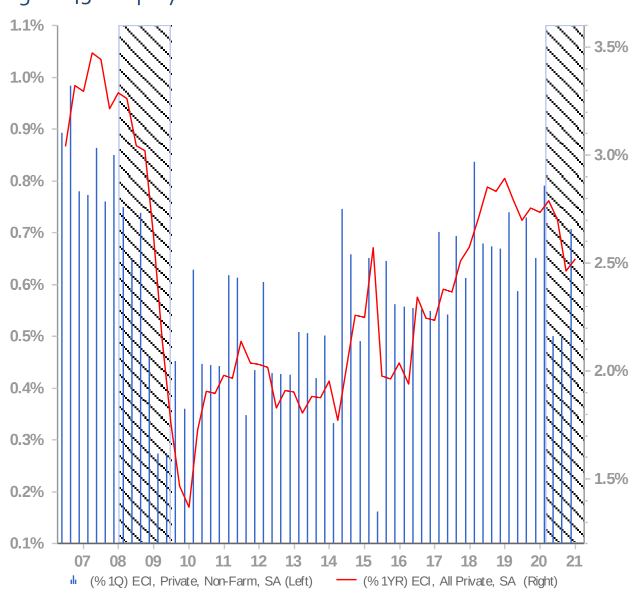
Source: FactSet

Figure 42: Producer Price Index



Source: FactSet

Figure 43: Employment Cost Index



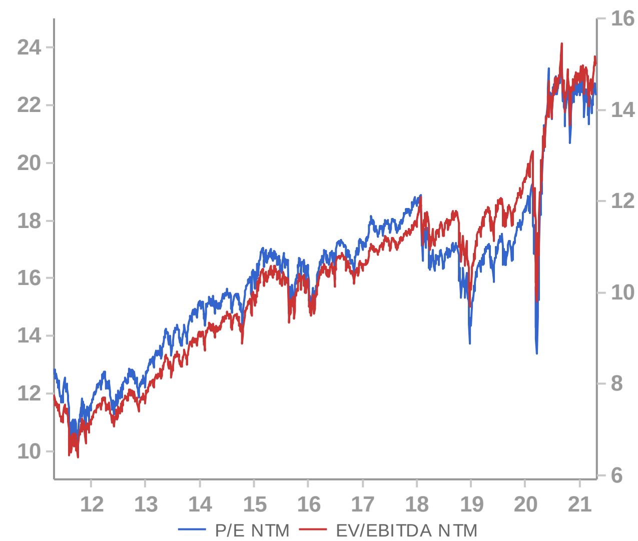
Source: FactSet

Figure 44: 10-Year, 5-Year Forward Inflation Expectations

Source: FactSet

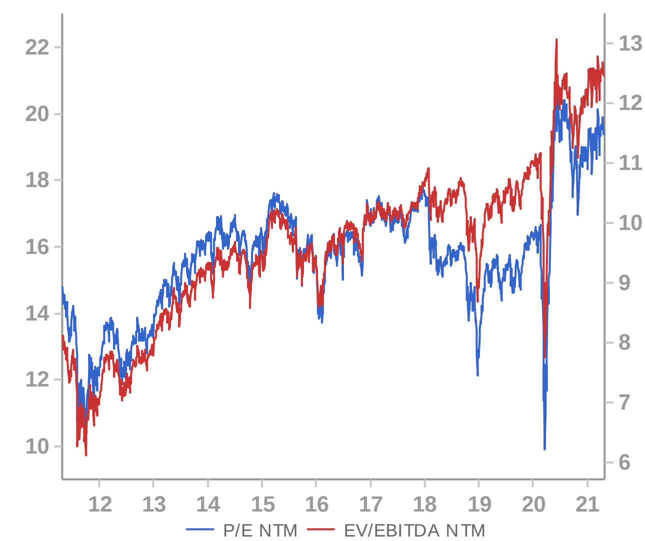
Valuation Indicators

Figure 45: S&P 500 P/E (LHS) & EV/EBITDA (RHS)



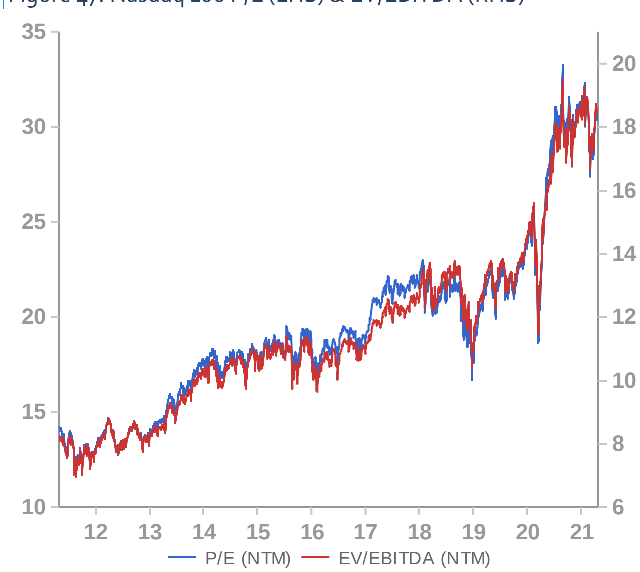
Source: FactSet

Figure 46: S&P Midcap 400 P/E (LHS) & EV/EBITDA (RHS)



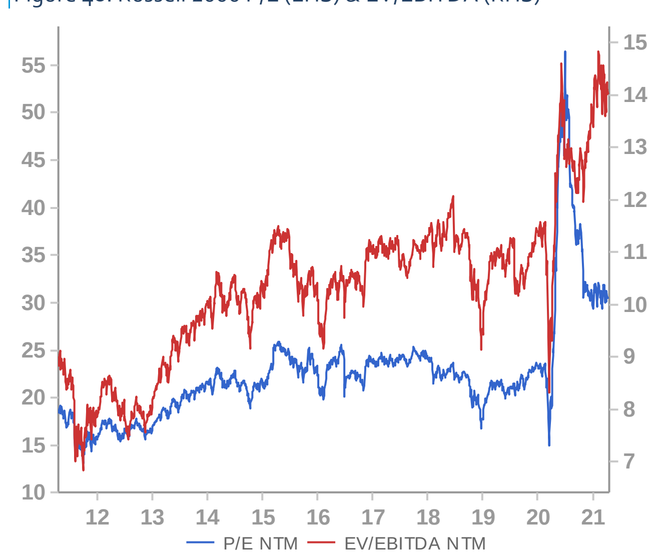
Source: FactSet

Figure 47: Nasdaq 100 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

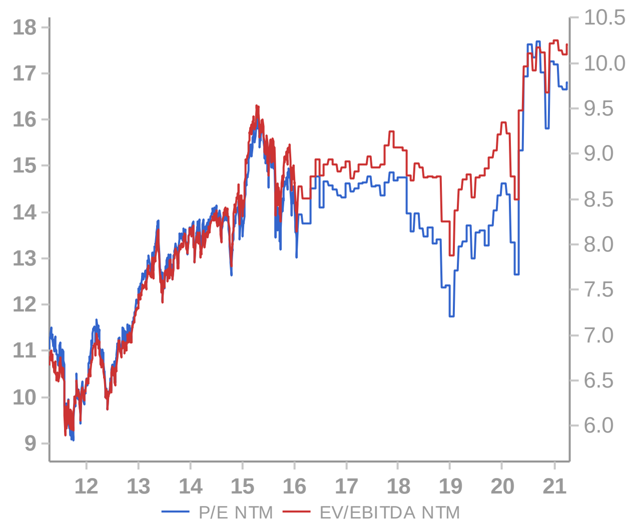
Figure 48: Russell 2000 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

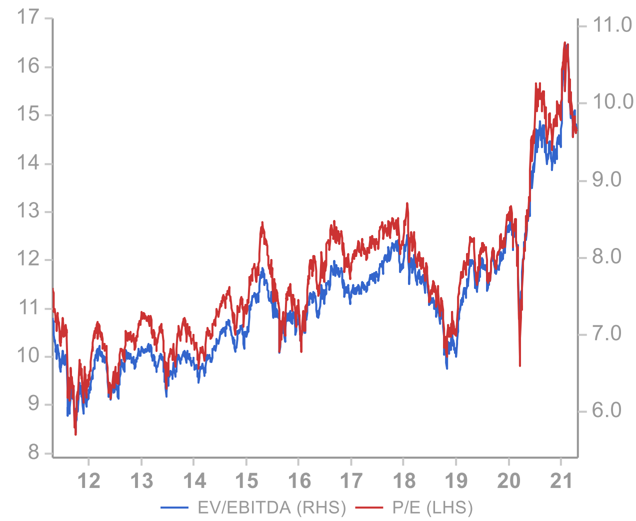
Valuation and Volatility Indicators

Figure 49: Intl Developed P/E (LHS) & EV/EBITDA (RHS)



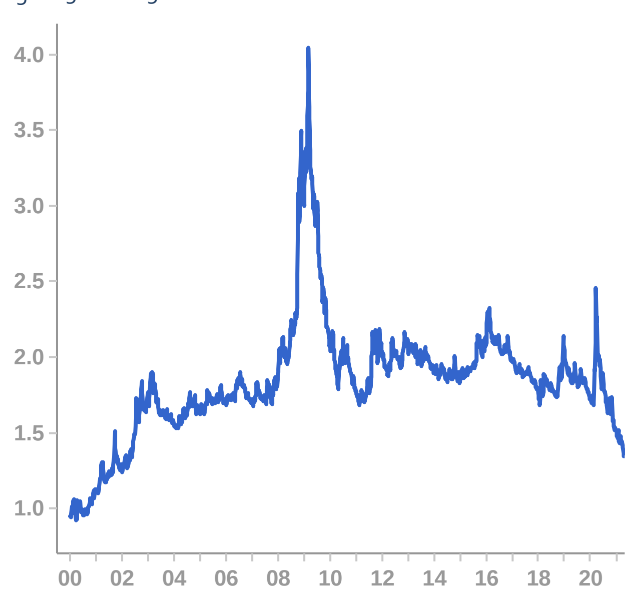
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 50: Emerging Markets P/E (LHS) & EV/EBITDA (RHS)



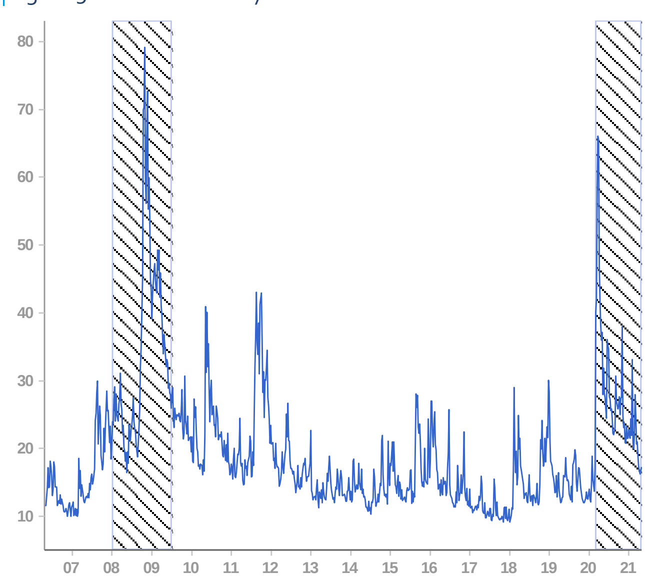
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 51: S&P 500 Dividend Yield



Source: FactSet

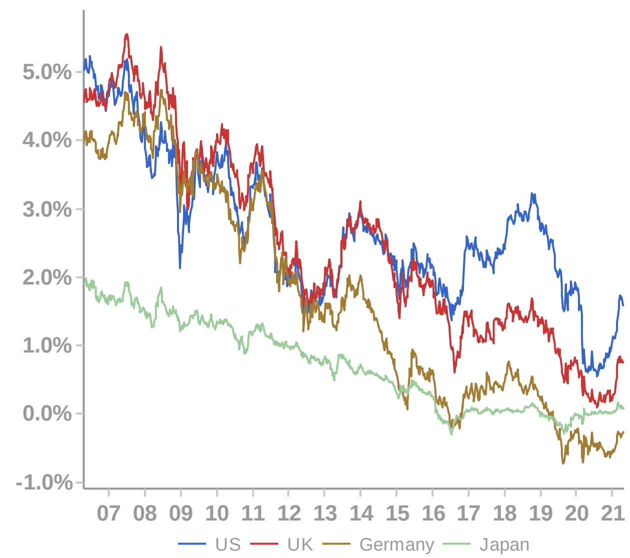
Figure 52: CBOE Volatility Index



Source: FactSet

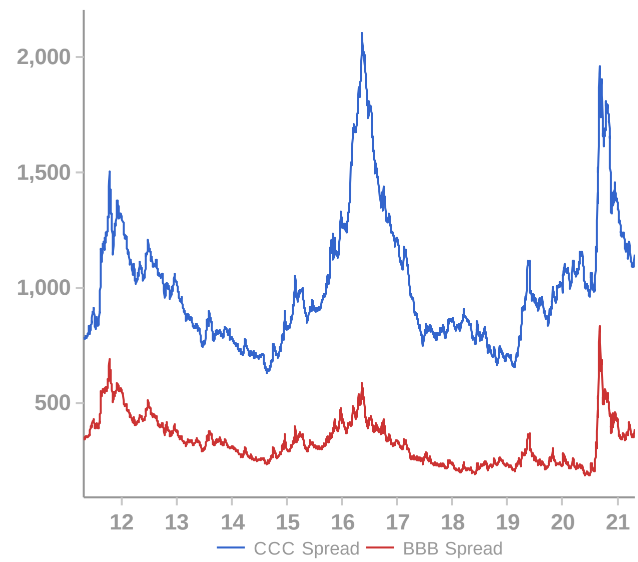
Bond Market Indicators

Figure 53: 10-Year Global Bond Yields



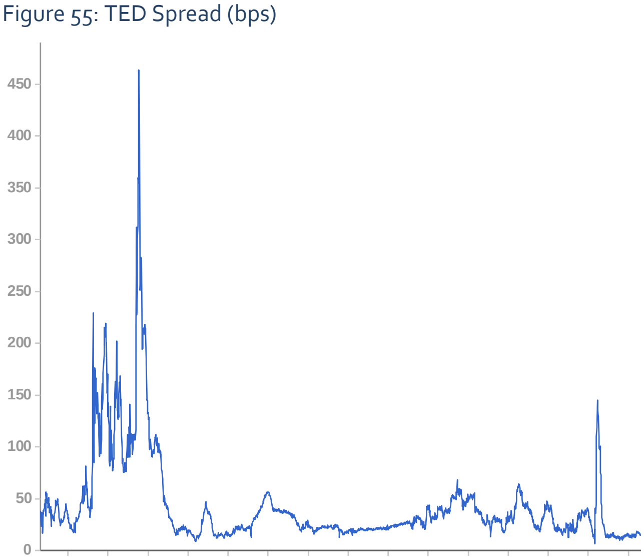
Source: FactSet

Figure 54: CCC and BBB Spreads (Option Adjusted)



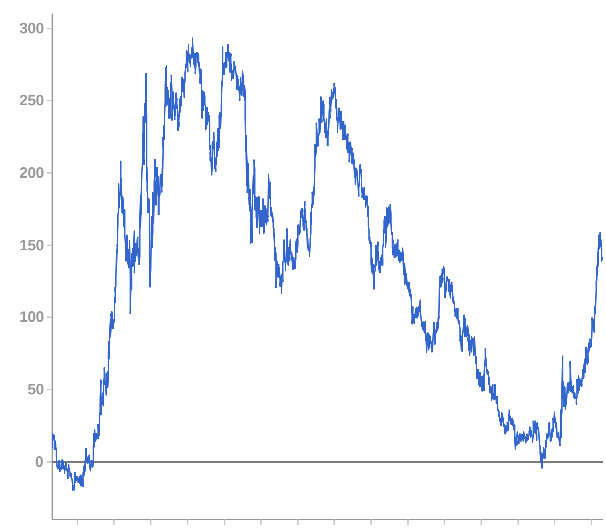
Source: FactSet

Figure 55: TED Spread (bps)



Source: FactSet

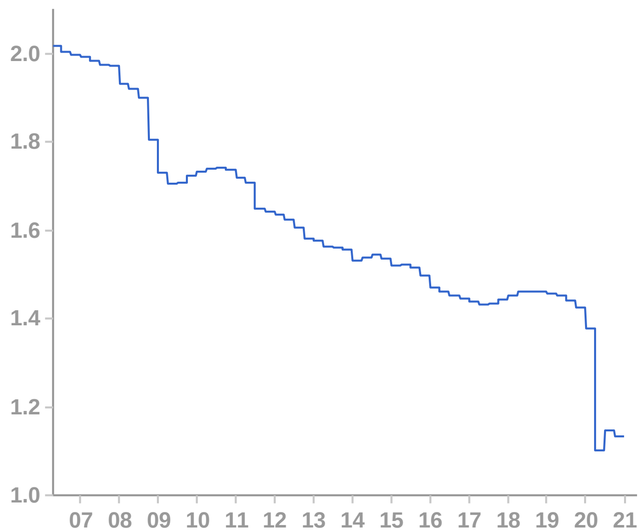
Figure 56: 10-Year Minus 2-Year Treasury



Source: FactSet

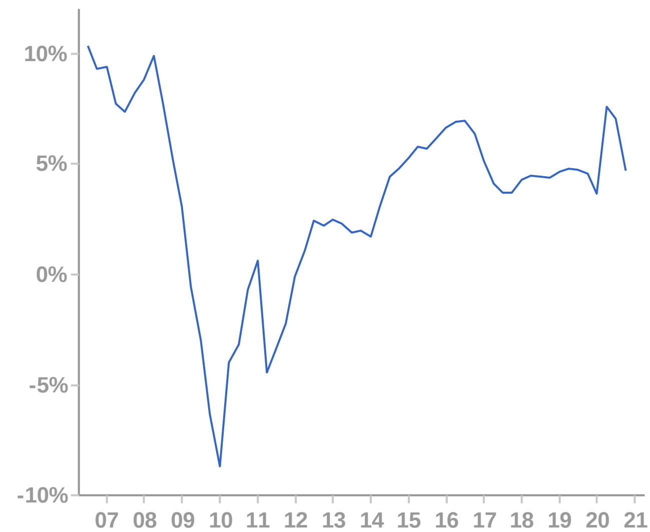
Liquidity and Other Indicators

Figure 57: Velocity of M2 Money Stock



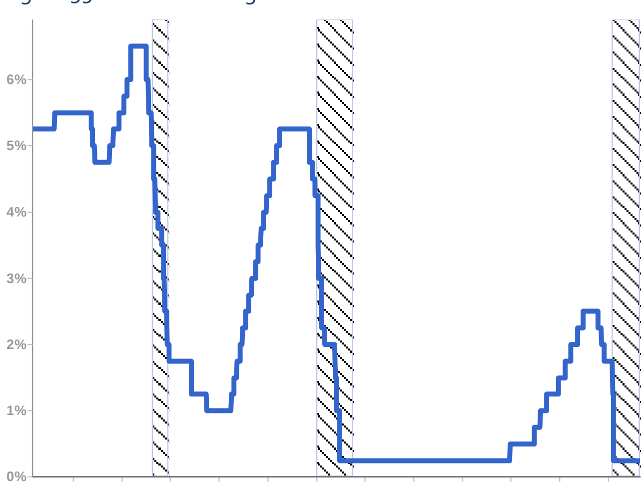
Source: FactSet

Figure 58: Loan Growth (Non-Financial, Private Sector)



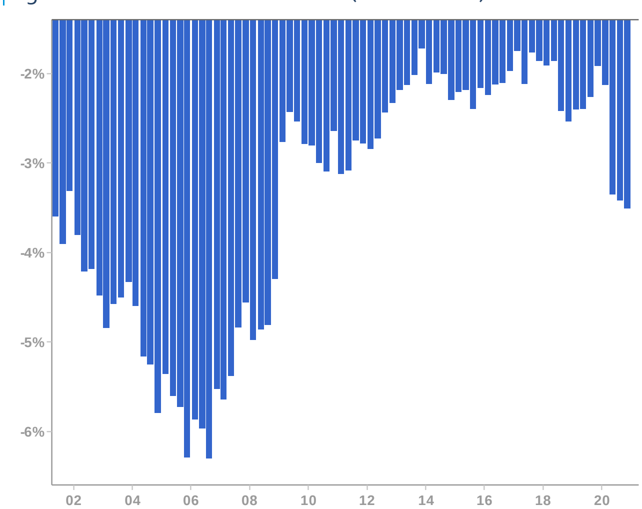
Source: FactSet

Figure 59: Fed Funds Target Rate



Source: St. Louis Federal Reserve, FRED Database

Figure 60: Current Account Deficit (as % of GDP)



Source: St. Louis Federal Reserve, FRED Database

Appendix

Important Regulatory Disclosures and End Notes

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

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

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

Quarterly Data prices are as of March 31, 2021; most other prices and yields are as of April 26, 2021.

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

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ROCKINGSTONE ADVISORS LLC

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

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

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

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