INVESTOR QUARTERLY

Credit Conditions Tighten Amid Bank Pressure

Regional Bank Crisis Should Accelerate Fed's Efforts to Slow Economy and Inflation

We highlighted a one- to two-year lag between tightening monetary policy and slower economic growth, in defense of our 2022 positioning. Today, the cumulative effect of rate hikes is only now slowing GDP and pressuring corporate earnings. Regional banks have lost about $200 bil in deposits in 30 days, further tightening strained credit conditions.

Rockingstone Performance

We were positioned for a relief rally in financial assets from the October 2022 lows into 1Q23, only to turn more cautious at February end. Our positioning was excellent up until the bank runs on SVB and SBNY, which drove bond prices higher (we were short bonds), fueling a rally in large cap tech (we were underweight) and the US dollar (we were underweight). As a result, depending on the benchmark, we had mixed results in 1Q23.

Earnings, Inflation and a Possible Recession Are Likely Key For 2023

While there are some promising signs of slower inflation, we are generally cautious owing to relatively rich valuations, downward earnings revisions, tighter credit, slower labor markets and a general sense that risks are skewed more to the downside. We note a wide disparity between equity market strength vs. cautious bond market dynamics.

Implications for Portfolios

In late February, we reduced our exposure about 20% by shorting select indices thereby cutting betas to about 0.7 vs. typical 0.9 levels. We added slightly to larger-cap, fortress-type balance sheets (MSFT, META, APPL), to travel / Asia beneficiaries (EL, WYNN), to healthcare (UNH, ISRG) and defensives (MKC, PM). We replaced Deere (DE) with Live Nation (LYV), which sold off on the Taylor Swift hubbub.

S&P500 Forecast & Other Key Indicators

We forecast: EPS (2023/2024: $207/$225), S&P500 (2023 year end = 3710), GDP (2023: +0.5%), Gold ($1950), Oil ($80), 10-yr US Bond Yield (3.7%), Inflation (4.5%), 5-yr expected CAGR (US Large Cap +2%, US Mid Cap +7%, US Small Cap +10%, Developed +2%, EM +7%).

ABOUT US

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

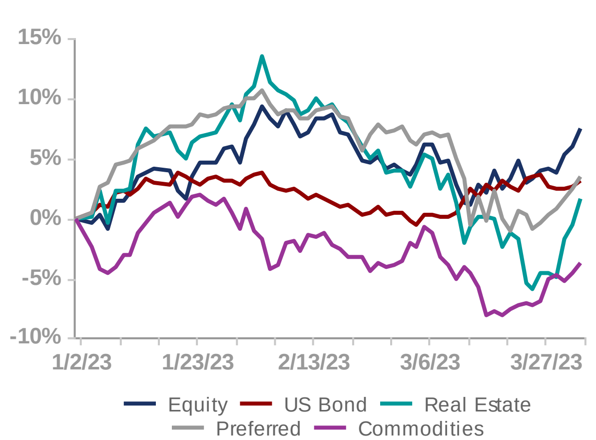
As an SEC-registered investment advisor, we provide multi-asset investment strategies to individuals, families and small institutions through separate accounts.

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:

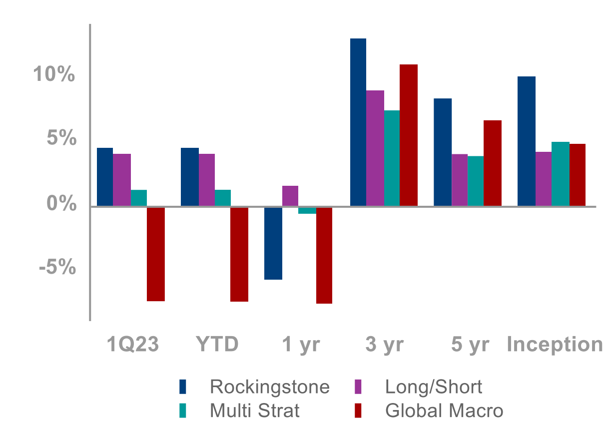
www.rockingstoneadvisors.com

Figure 1: 1Q23 Asset Class Performance[i]



Source: FactSet

Figure 2: Rockingstone: 1Q23 & Historical Annualized Returns[ii]



Source: Rockingstone Advisors, Morningstar, DJ Credit Suisse Indices, Inception = 5/30/2009

Please see our End Notes and Disclosures (pages 29-30 of this Investor Quarterly) for important information regarding performance measures. Form ADV available upon request.

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ROCKINGSTONE ADVISORS LLC

Factors Behind our Current Stance

Equities have continued their climb higher from the October 2022 lows. Whether due to seasonal factors, overly bearish positioning, peak inflation or a sense that the Fed may soon "pivot" due to the regional bank crisis, we remain cautious, believing risk/reward is unfavorably skewed at present. But what exactly does it mean "to be cautious" as it relates to long-term portfolio goals? We try to address that question in the following section, as well as the basis for our cautious outlook.

Why Be Cautious and Does it Really Matter for Long-Term Investors?

We are often asked how we stay focused on the long-term investment goals for clients amid a backdrop today that presents—at least in our view—a relatively poor near-term risk/reward scenario. And more importantly, whether the short-term risk we see really matters to investors with a multi-decade investment horizon?

The reality is that as a separate account manager, Rockingstone does have the luxury of tailoring our specific outlook by client portfolio. If our view is particularly cautious on the near-term outlook, we can calibrate the level of "defensiveness" within individual portfolios according to the risk appetite or time horizon of our clients. When saying we are "cautious", or "underweight" stocks, what that really means is we will be more defensive in the client accounts that cannot sustain a material decline in share prices and less so in the accounts of minors or younger clients that can withstand a material drop.

But it is important to add that our actions are "at the margin." In other words, while holding core positions in portfolios that have the potential for multi-year appreciation, if we are concerned about the earnings outlook, we may trim some of the positions into strength, or short an index to reduce overall equity risk in a tax efficient manner. To emphasize— we rarely, if ever — will be net short. Rather, if 100% equity exposure is peak bullishness, we think of 65% exposure as peak bearishness, and try to manage our client portfolios within those exposure "guard rails."

Our goal isn't necessarily to time the market, but to make appropriate adjustments to the amount of risk in a portfolio given the opportunity set ahead of us. At least once per quarter we review return potential by asset class (see the "Five Year Asset Value Forecast" section in this report) in order to quantify that opportunity set. Many of our clients hold passive portfolios outside of Rockingstone. They rely on us to be the "active" piece of their portfolio — increasing risk when appropriate and dialing exposure back when the opportunity set is less compelling.

Our view is this strategy also helps to counter the natural flow of funds that migrate into and out of client portfolios. We find that as a separate account manager, our client fund flow is often counter-cyclical, meaning we tend to see higher inflows when the opportunity cost of holding cash is greatest, which corresponds to peak Fear of Missing Out (FOMO). Conversely, we find that fund flows are lowest when stocks are declining or markets seem treacherous.

All of that said, it is important to understand that we are very rarely exceptionally bullish or bearish, choosing instead generally to believe that stocks offer fairly attractive long-term return potential most of the time. A critical role we play is actually to get clients invested in stocks vs. cash or bonds, as a diversified, high quality stock portfolio will almost always outperform bonds or cash in the long-term, even on a risk-adjusted basis, in our view.

Factors Driving Our Cautious Outlook

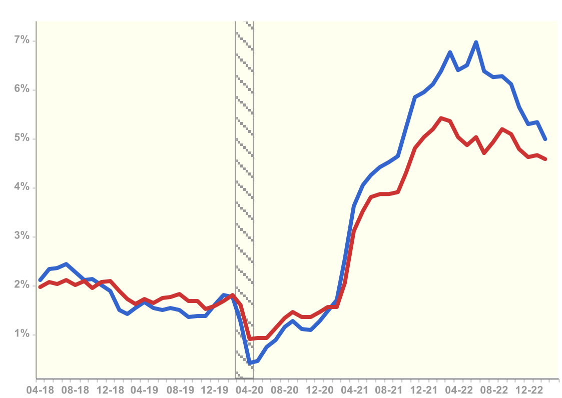
In an email to clients at the end of February 2023, we highlighted our had view changed from being constructive to being cautious. We cited five points: (i) valuation; (ii) expected downward earnings revisions; (iii) stubbornly high inflation; (iv) a weakening job market and (v) global conflict.

First, equity markets (we are using the S&P 500 as a proxy) recorded a very solid run from the October 2022 lows, rising about 15% to the end of February 2023, and subsequent to that, another percent or two. But while the market was rising, the "breadth" of the market — a measure of how many stocks are participating in the rally — was shrinking. Moreover, we believe examining the cyclical sectors of the market — energy, industrials, discretionary and small caps — and seeing how they are performing relative to the S&P 500 is prudent. Here again, we saw the "belly of the market" underperform the largest, safest names.

Second, while asset prices were rising, earnings estimates for the S&P 500 were declining. In September 2022, the consensus earnings estimate for the S&P 500 was $238, down from $249 in June. By the end of December the estimate had been revised downward again to $226. At the end of March 2023 it was lowered to $218 (where it stands today). We noted in February that the combination of rising stock prices and falling earnings estimates is generally not a good one.

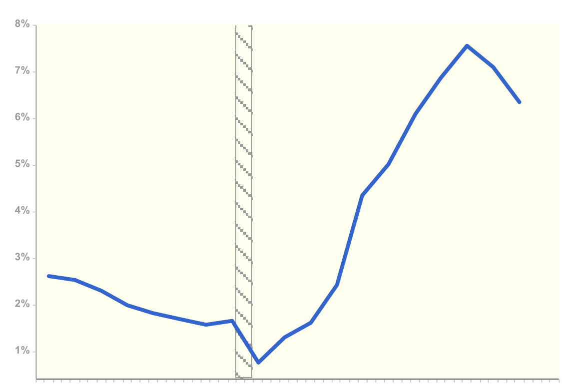
Third, inflation remains stubbornly high. We have long argued the third of three stimulus packages (the $411 billion American Rescue Plan, which followed on the heels of the $292 billion CARES Act and the $164 billion second stimulus package) was both unnecessary and likely over stimulative, particularly given the Federal Reserve's very accommodative policy positioning at the time. Moreover, with supply chains snarled and consumer spending shifting from services to goods when the law was passed, the potential risk of igniting inflation was especially high.

Figure 3: Personal Consumption Expenditure (PCE: % Chg Yr/YR)



Source: FactSet

Figure 4: GDP Price Index (% Chg Yr/Yr)



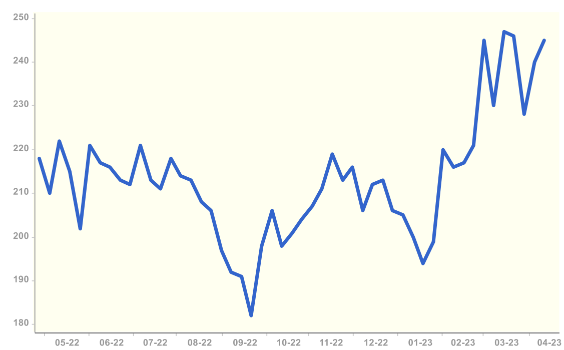
Source: FactSet

As Figure 3 and 4 indicate, the Fed has made some progress, with inflation trending down, especially the more volatile component that includes food and energy. However, an unseasonably warm January may be responsible for a recent stabilizing of the trend in lower readings, and Fed Chairman Powell has been clear about the US Central Bank's intention to keep interest rates "higher for longer" to derail stubbornly high inflation readings.

The Fed fears that once inflation becomes embedded into the psyche of consumers, purchasing decisions are brought forward in anticipation of higher prices to come. This sets the stage for a powerful and dangerous cycle of higher prices fueling higher prices.

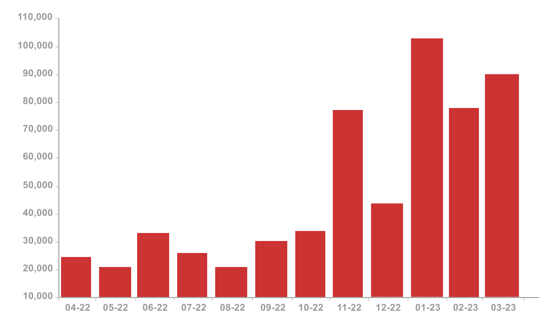
Meanwhile, OPEC recently announced a production cut to offset anticipated demand destruction from a slower economy, while the ongoing conflict in Ukraine continues to keep food prices elevated. China's re-opening is at best net neutral to the inflation picture, if not a slight negative. Hence, in our view, the key to lower inflation appears to rest with the labor market, which is beginning to show signs of rapid softening, as evidenced in the weekly jobless claims and Challenger, Gray and Christmas Job Cuts data (evidenced below).

Figure 5: Weekly Initial Unemployment Claims (in '000s)



Source: FactSet

Figure 6: Challenger, Gray Job Cuts



Source: FactSet

Fourth, the labor market appears to be weakening, and in our view the extent of the softness may be masked by the fact that to date many of the job losses have occurred in knowledge-based companies (e.g. technology and finance) with more generous severance packages. While a weaker labor market is a positive for inflation (there is a long history of debate within economics about NAIRU – the non-accelerating inflation rate of unemployment and where it lies), weak employment is not good for aggregate demand or short-term corporate earnings.

Fifth, global tensions continue to rattle markets, between the current conflict in Ukraine and its impact on energy and food prices, to potential conflict zones in the South China Sea and in the Middle East, let alone Latin America and Sudan, there is plenty of room for miscalculation and military policy blunders.

The Five Factors, Subsequent Regional Banking Crisis and Rockingstone Actions

Shortly after our email to clients in late February, the regional bank crisis struck with two headline failures occurring at Silicon Valley Bank and Signature Bank. Depositors fled, creating a classic bank run and eventual bankruptcy. Unfortunately, depositor concern over the viability of regional banks only increased, with broad-based implications for the Fed's future actions, credit creation, and risks to the economy. We will examine these issues in more detail in the next section.

In summary we believe the issues noted above and the wide disparity between what equity markets are discounting about the future vs. fixed income markets argue for more caution across most portfolios. As a result, we shorted the S&P500 (using VOO) in late February and small cap names (using VB) in early April as a type of insurance should fixed income stress leak into equity returns.

We noted on the front page adding more large cap, fortress balance sheet type equities (MSFT, APPL, META) to accounts. But as a reminder our approach is to rarely have any single stock equal more than a 4% weighting and thus, for example, when MSFT represents 6-7% of the S&P, we will inherently be under-weight. We sold DE across accounts, seeing the farm equipment company as fairly valued, while selectively adding LYV, which had dropped precipitously after the Taylor Swift ticketing fiasco.

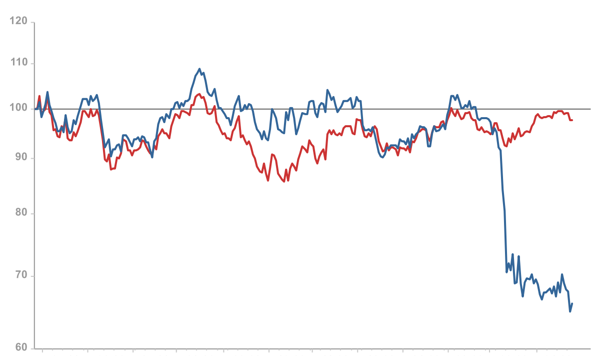
The Regional Banking Crisis

Regional banks play a key role in providing loans, liquidity to local businesses and real estate. The exodus of depositors to money market funds or to Strategically Important Financial Institutions (SIFIs) should slow the economy as credit conditions tighten beyond what interest rate increases alone could achieve.

During the last three weeks of the 1Q23, bank runs at Silicon Valley Bank (SVB) and Signature Bank (SBNY) spurred a regional bank crisis. While the two institutions shared a set of unique characteristics that differentiated them from other regional banks and increased their respective susceptibility to fleeing depositors, the reality is that no bank is immune to a run once there is a crisis of confidence.

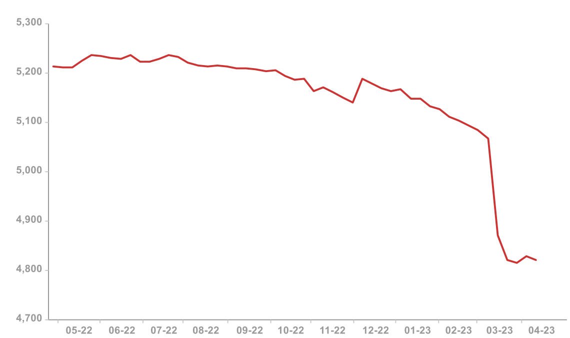
The bank runs were highly publicized, and before the FDIC stepped in to insure all deposits, even those above the $250,000 FDIC limit, shares of regional banks plunged amid a massive withdrawal of depositor cash, which provides a relatively low-cost funding source for loans issued by regional banks and other deposit institutions.

Figure 7: S&P 500 (Red) vs. Regional Bank Index (Blue)



Source: FactSet

Figure 8: Deposits, Small Chartered Commercial Banks



Source: FactSet

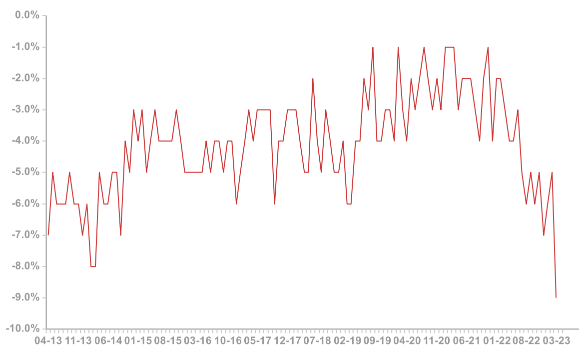
In response to the financial stress at the smaller- to mid-sized banks, the FDIC decided to insure all depositors at SVB and SBNY, and second, as regional banks bled deposits, the Federal Reserve was forced to create a Bank Term Funding Program (BTFP) available to member banks for collateralized loans at par, even if the collateral was valued at prices below par.

Both moves helped to stabilize the immediate crisis, but did little to solve the longer-term crisis of confidence around the protection of bank deposits at small and mid-sized institutions, especially for those who keep deposits in excess of the FDIC insurance limits.

As deposits fled, so too did a source of low-cost financing for banks, which is a critical takeaway of the latest crisis. While banks have access to multiple funding sources via capital markets activities, deposits are generally their cheapest source of funds, and the funding source considered to be the most stable. The exodus of deposits from the regional banks should — all other things being equal — result in less loan growth in the future.

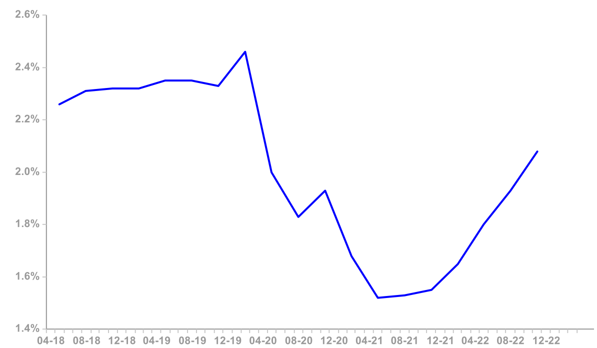
The combination of higher interest rates, exacerbated by the prospect of lower loan growth, has substantially reduced the availability of loans to small businesses, leading to tighter overall credit conditions. In addition, rising delinquency rates (albeit from a low base) are also leading to tightening credit conditions.

Figure 9: NFIB: Availability of Loans to Small Businesses



Source: FactSet

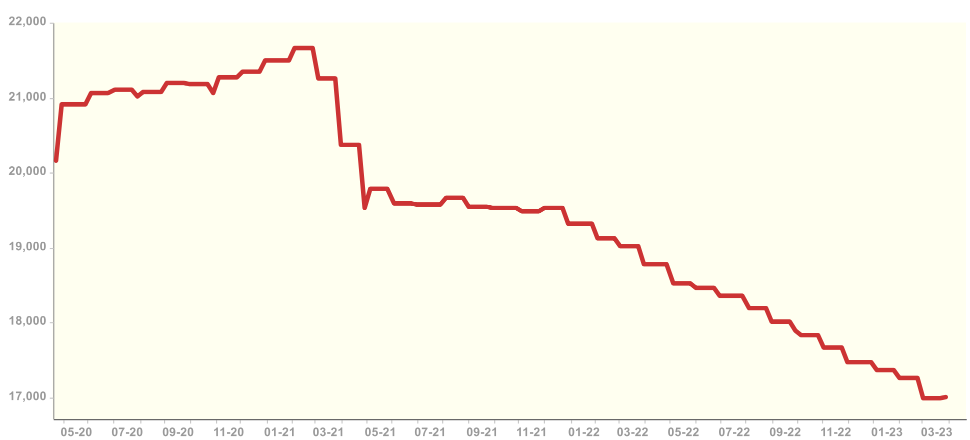
Figure 10: Loan Delinquency Rates



Source: FactSet

The combination of higher rates, reduced liquidity, and lower loan issuance continues to drive money supply (M2) lower.

Figure 11: M2 ($ in billions)



Source: Factset

Meanwhile, other financial institutions who may have shared some — but not all — of the attributes peculiar to SVB or SBNY (fickle deposits; long duration assets with large unrealized losses) have begun to come under increased scrutiny, including Pacific Western Bank and First Republic Bank.

Fortunately, we did not own any individual regional banks across client portfolios. We owned and continue to have exposure to JPM, the largest US bank, which was a net beneficiary of the regional bank crisis. However, we did have close to an equal weight exposure to the regional bank ETF (KRE) and were over-weight small caps. The latter has significant exposure to regional banks. In select accounts for clients with longer term time horizons, we used the price drop in KRE to add to positions.

Custody in the Age Of Volatility

Shares of Charles Schwab & Co and Northern Trust have also witnessed major volatility. Naturally, potential investor worries associated with Schwab are of great concern to us, as along with Interactive Brokers and Gemini (only digital assets), Schwab is our single largest custodian of client assets.

While many retail investors may not give too much consideration as to their custodian, it is an important matter and one that Rockingstone has been currently assessing, especially in light of the aforementioned regional bank crisis. In summary — and despite the volatility exhibited across financial markets over the last 60 days — we are confident that Rockingstone's clients' assets are secure.

As a reminder, a custodian, such as Schwab or Fidelity or Interactive Brokers, serves a vital role in the safekeeping of assets, trade processing and asset servicing. There are many custodians available today that offer their services to individuals or Registered Investment Advisors (RIAs). Rockingstone primarily uses Schwab (90% of client assets), Interactive Brokers (9%) and Gemini (1%) for custodians of client assets.

Because of so much competition, custody is a somewhat commoditized business, with lower margins for most of the services noted in the previous paragraph. As a result, many custodians, including Schwab, make their profits through their wholly-owned bank subsidiaries. Like many banks, Schwab generates net interest margin (NIM) by earning more on its loans vs. what it pays depositors. Other areas of profit for custodians and their banks include credit cards and service fees.

Schwab currently has client assets that exceed $7 trillion. By using Schwab as a custodian, clients agree to let the company "sweep" any uninvested cash into Schwab's bank subsidiary in exchange for an interest payment of roughly 0.45% annually. That is the primary way Schwab's bank generates a low-cost funding stream. These funds are then lent out at a (theoretically) positive NIM. In some respect, Schwab benefits from client laxity, meaning that absent an action to invest excess cash in a specific higher yielding money market, the default option is simply a sweep of cash into the bank at very low rates of return.

Why does the above matter? As we discussed earlier, two important regional banks (SVB, SBNY) recently failed. Simplistically, the collapses were due to an old fashioned "run on the bank," with depositors demanding immediate access to their assets as customers lost faith in the creditworthiness of the institutions. Recall the FDIC only insures deposits up to $250,000 per individual per bank account and any amount in excess of that could be lost in a bank collapse. The more technical answer is that a risk management failure occurred when the banks' holdings, especially long-term bonds, plummeted in value (a derivative of the Federal Reserve's pushing interest rates higher over the last year).

Returning to Schwab, it is not currently designated as a SIFI. Like the other regional banks that failed recently, Schwab's bank subsidiary holds long term bonds that have declined in value, although management adroitly used a different accounting designation for the lower valued bonds and switched to the "held until maturity" approach, thereby not having to realize the loss on the bond portfolio. Investors, however, remain concerned, and Schwab's share price has declined substantially due to a combination of (i) its lack of status as of SIFI institution; (ii) concerns about Schwab's treatment of bond losses and (iii) whether the firm would need to raise additional capital to cover the shortfall.

For these reasons we took a closer look at Schwab, Interactive Brokers and possible custodian alternatives. Suffice to say every custodian has its positives and negatives. For example, Schwab is tailored to serving retail investors with very solid customer service while its trading capabilities are sub-par. On the other hand, Interactive Brokers has minimal customer service but has excellent trading systems and very competitive asset backed loan rates. Another option, although we don't see it as a viable alternative given our investment strategy (i.e. using margin accounts with the ability to short or use options for downside protection), would be to consider using trust companies for client assets.

Based on our due diligence, Rockingstone believes that client assets are sufficiently protected, despite the earnings power of Schwab now being under greater scrutiny. We have actively minimized the amount of excess cash in client accounts by investing funds into short-term money market indices or ETFs. Should Schwab or any other custodian run into trouble, whatever client cash was "swept" into their bank could take time to recover.

We understand that client assets, whether in a cash or margin account, are legally segregated from the rest of Schwab's operations. Although our hope is that it doesn't come to this, given the regional banking issues, we have no doubt the regulators at the Federal Reserve are highly focused on Schwab (among others) with little to no risk that walled off client assets would be inappropriately touched. With $7+ trillion in assets that primarily serve retail investors across the US, we can also see a scenario where the Federal Reserve designates Schwab as a SIFI should fear once again rise in financial markets.

ROCKINGSTONE ADVISORS LLC

Forecast: 2023 & 2024

Rockingstone Advisors: Our Latest Forecasts

We reviewed and updated our estimates for key macroeconomic forecasts. As we have noted for the last year or so, there continues to be a material difference between real and nominal figures (which hasn't been the case for the last few decades). In the case of GDP, we forecast real growth. Alternatively, other assets, such as the 10-Yr US Treasury, for example, we predict in nominal terms.

Figure 12: Key Metric Forecast

	Year End December	
Metric	Band	Point
US Real GDP (2023)	-0.5% to +1.0%	0.5%
S&P 500 2023 EPS (RSA/Street)	NA	$207 / $218
S&P 500 2024 EPS (RSA/Street)	NA	$225 / $244
S&P 500 2023 Index	3600-4000	3710
10-Yr US Treasury Yield	3.5% - 3.9%	3.7%
Oil (WTI-2023 End)	$60 - $90	$80
Gold (2023 End)	$1,850 - $2,050	$1,950
Inflation (PCE - NTM)	+4.0% to +5.0%	4.5%

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

A few observations and comments:

1. S&P 500 2023 & 2024 EPS. Final Operating EPS last year were $196. As we noted earlier, the consensus EPS forecast for the S&P 500 has been trending lower. After a mixed 1Q23 reporting season to date, expectations for 2023 full year EPS have come down $7 to $218. In our view the implied growth of 11% seems too aggressive given a likely economic slowdown in the 2H23. We lowered our EPS forecast an equal amount and now stand at $207 for this year, suggesting almost 6% growth. Looking to 2024, we think the 1H will be a challenge but 2H could show signs of an earnings recovery. Thus, we estimate 9% growth is a reasonable early take. To the extent that inflation adds about four percentage points while share buybacks add about three percentage points of growth our forecast implies only about 2% real earnings growth.

2. S&P500 2023 Index. We are only modestly adjusting our 2023 S&P target to 3710, which is about 10% below the index's value (as this newsletter is set to publish). Assuming our $225 EPS estimate for 2024 is reasonable and applying a 16.5x P/E supports our target. We note during the recent October 2023 S&P lows, the market P/E bottomed around 14.5x. We don't see interest rates rebounding to the levels that would result in such a full P/E retracement but are worried that continued disappointment in EPS will drive the current multiple (17x) lower.

3. Inflation. We see inflation, as measured by the PCE, which is the US Federal Reserve's preferred inflation gauge (given the substitution effects), as increasing about 4.5% over the next year. On the one hand wage, healthcare and other service pressures are unlikely to ebb soon, although employment cuts could act as a partial offset. Another offset could be rents and used cars while OPEC+ seems ready to cut production to try and maintain energy prices at current levels.

Five Year Asset Value Forecast[iii]

For large caps, our analysis points to muted returns in long-term equity

Our main assumptions regarding capital markets are that asset values mean-revert (with respect to margins and P/E multiples) over time. We see no reason to question this axiom. We note it currently makes for more volatility in expected returns, particularly when low profitability is factored into our calculus. We analyze equities using four variables, including (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 how a potential recession vs. pass through pricing impacts top line results is unclear. Profit margins are back above historical levels, so they are now dilutive to expected returns.

Based on our most recent analysis, US Large Cap and Non-US Developed Market stocks appear to offer the lowest long-term return potential from current levels looking out over the next 5 years. For the former it is a combination of margin and valuation pressure. For the latter it is poor sales and margins that will likely result in lackluster returns. The remaining equity indices we forecast offer more reasonable returns. Across market cap and geographies, profit margins appear set to be a drag across returns, sales are broadly incremental as are yields although valuation is a mixed picture.

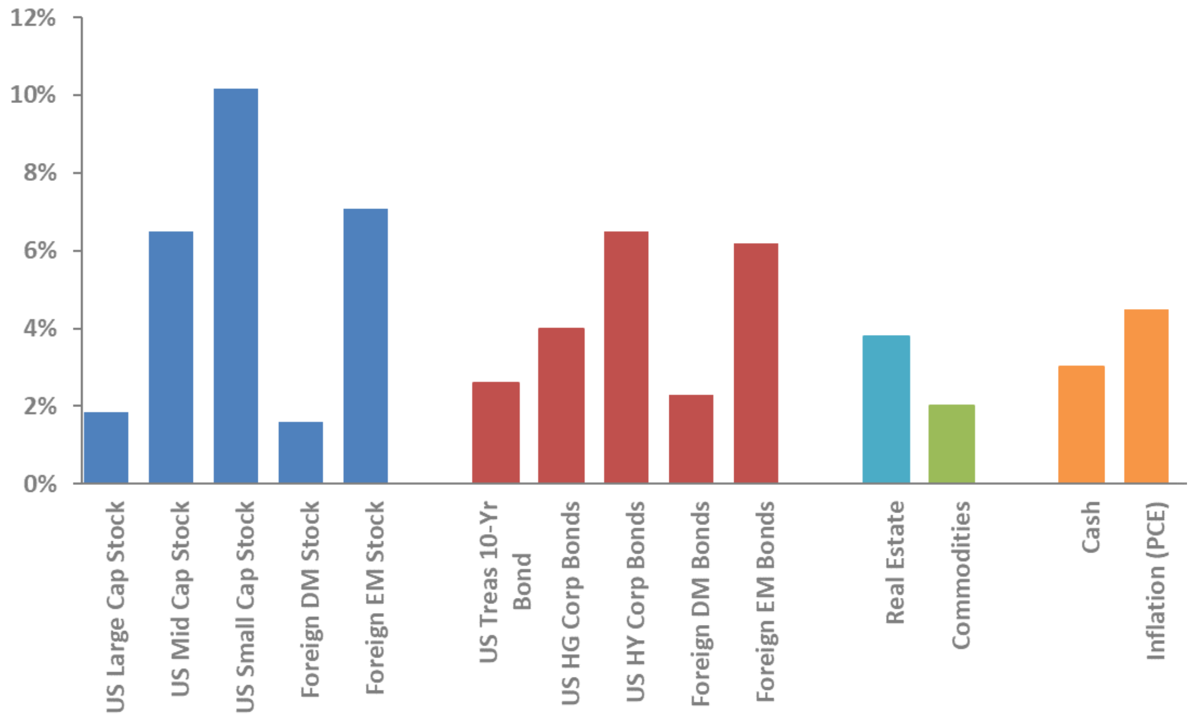
Figure 13: Five-Year Total Equity Return Calculations (Incremental Contribution)

Asset	Index	LT Exp. Return		Sales		Profit Margin		Div.Yield		Valuation
US Large Cap Stock	S&P500	1.9%	=	5.3%	-	2.5%	+	1.8%	-	2.7%
US Mid Cap Stock	S&P400	6.5%	=	4.9%	-	4.2%	+	2.0%	+	3.8%
US Small Cap Stock	S&P600	10.2%	=	6.7%	-	3.1%	+	2.4%	+	4.1%
Foreign DM Stock	MSCI-EAFE	1.6%	=	1.0%	-	3.6%	+	3.5%	+	0.6%
Foreign EM Stock	MSCI-EM	7.1%	=	4.7%	-	0.0%	+	3.1%	-	0.7%

Source: Rockingstone Advisors

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. Although we are wary of recession late 2023 and into early 2024, we see some upward pressure on interest rates near to intermediate term. If correct, higher yields drive bond prices lower and thus reduce returns. Hence our assumption that most fixed income instruments deliver a lower return vs. what is implied in the current 30-day SEC yield.

Figure 14: Five-Year Asset Class Total Return Forecast



Source: Rockingstone Advisors

Equity Performance Review

Stocks Rebound as Investors Hope for Fed Reprieve

After the S&P 500 recorded an -18.1% decline last year, global equity markets rebounded in the first quarter of 2023. While there were no specific catalysts behind the bounce, the most logical culprits were a combination of (i) over-sold conditions going into the fourth quarter; (ii) positive economic growth; (iii) pervasive bearishness; (iv) seasonal inflows; (v) decent earnings and (vi) a hope that the Fed will slow its rate hikes given declining inflation and the bank failures. In general, last year's underperformers outperformed in 1Q23.

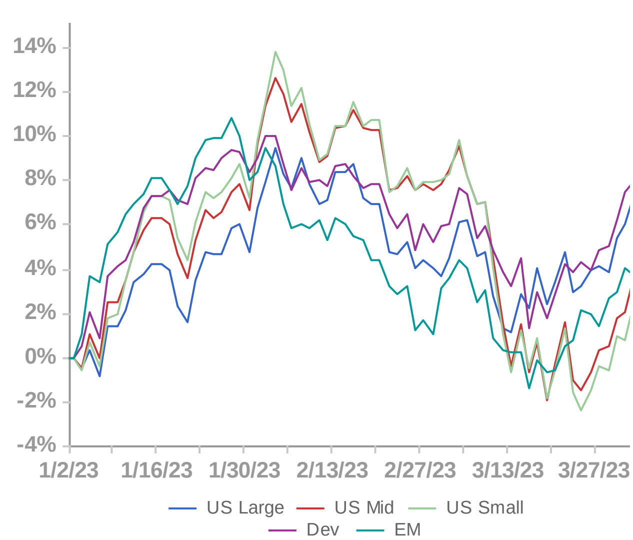
International Developed markets posted the strongest results during the quarter, rising 8%, as Europe's economy weathered its energy crisis due to unseasonably warm weather, while the trade-weighted dollar declined about 4% as well. US large cap delivered a 7.4% return, driven by mega cap technology stocks: Microsoft, Apple, Google, Nvidia and Amazon.

US small and mid-caps lagged their larger cap brethren, posting gains of 2.7% and 3.7%, respectively. Small caps were pummeled at the end of March due to the regional bank crisis, as a large component of the Russell 2K (the small cap index) is comprised of bank stocks. During the month of March, the R2K declined nearly 5%, while mid-caps declined almost 1%. Emerging market stocks posted gains of 3.7% as China's re-opening continued.

Across sectors, Technology was the standout winner, rising 21.6% followed by Communications, up 21.1% and Consumer Discretionary, up 16%. Healthcare, utilities, financials and energy all declined during the quarter.

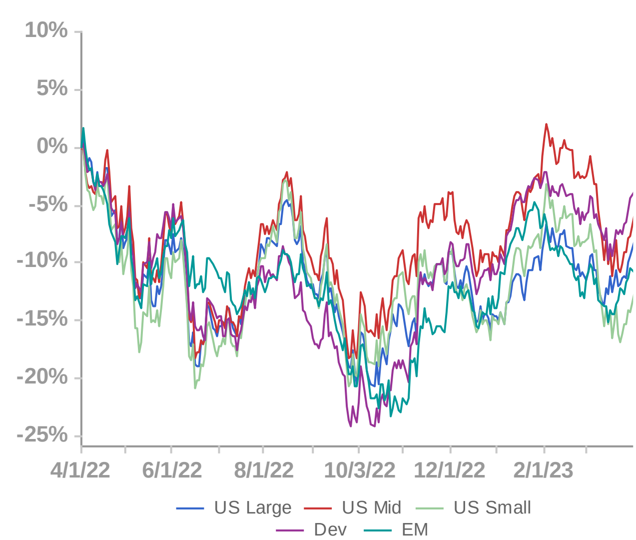
We note the following performance regarding 1Q23 and 12M23, respectively, results: US large-cap (+7.4% and -8.2%), US mid-cap (+3.9% and -10.5%), US small-cap (+2.7% and -12.7%), Developed (+8.0% and -4.1%), Emerging (+3.7% and -10.9%).

Figure 15: 1Q23 Equity Performance [iv]



Source: FactSet

Figure 16: 12M23 Equity Performance



Source: FactSet

Fixed Income Performance Review

Bonds Post Gains Following 2022 Trouncing

Bond investors, accustomed to a generational bull market that saw interest rates decline steadily for almost 50 years, witnessed a massive change in fortune as the Fed ramped up rates in 2022.

Fortunately, like stocks, bonds rebounded in 2023, posting first quarter gains across all of fixed income.

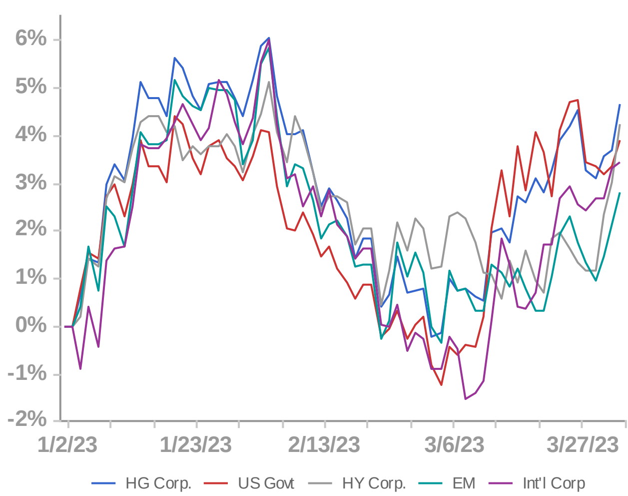
Corporates led the way during the quarter, with high grade corporates posting gains of 4.6%, while high yield corporates posted gains of 4.2%. The returns were fueled by a combination of lower interest rates (the 10-year declined from 3.9% to 3.5%) while BBB and CCC spreads narrowed slightly during the quarter.

After Corporates, Treasuries returned 3.9% while mortgage-backed bonds posted gains of 2.7% and Preferreds gains of 3.5%.

Outside of the US, European bonds returned 3.4%. Emerging markets bonds lagged the group, posting gains of just 2.8% despite the weaker dollar.

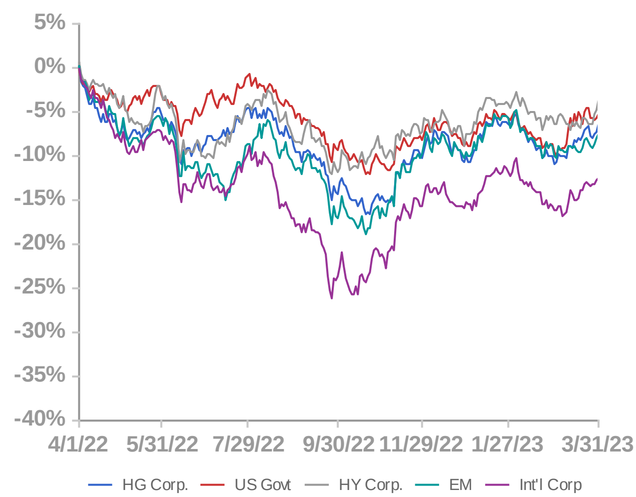
We note the following performance numbers for 1Q23 and 12M23, respectively: US High Grades (+4.6% and -6.6%), US Governments (+3.9% and -5.2%), US High Yield (+4.2% and -4.0%), International Developed (+3.4% and -5.1%), Emerging Markets (+3.1% and -6.6%).

Figure 17: 1Q23 Fixed Income Performance[v]



Source: FactSet

Figure 18: 12M23 Fixed Income Performance



Source: FactSet

ROCKINGSTONE ADVISORS LLC

Commodity Performance Review

Mixed Performance Across the Commodity Complex

The commodity complex continues to be influenced by a variety of macroeconomic and geopolitical forces. While 2022 witnessed massive swings in agriculture and energy commodities, the first quarter appears to be more quiescent, as both energy and agriculture prices have given up their post-Ukraine War gains.

The entire commodity complex declined 3.7% during the first quarter mainly due to a drop in energy prices, from WTI to Brent to Natural Gas. Energy prices did receive a lift, albeit after the quarter, when OPEC+ announced a 500K barrel output cut.

Agriculture prices were up modestly, rising 1.4%, due mainly to a large rise in sugar prices. Other Ag commodities, such as wheat and corn posted double digit declines.

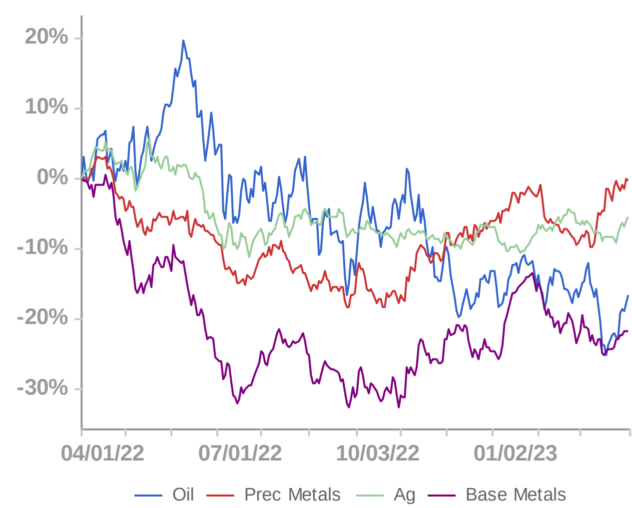
Examining the metal complex, precious metals posted solid gains in the quarter, due in part to the regional bank crisis that sent investors searching for safe havens. Precious metals rose 6.2%, with gold rising 8% while silver was roughly flat. Base metals also posted single digit gains, up 3.9%. Nickel and zinc were the laggards, while copper posted gains while aluminum was relatively flat.

Rockingstone typically invests in commodities via ETFs and the below graphs display what we view as representative performance for the underlying commodities. We highlight the following returns during the 1Q23 and 12M23, respectively: Oil (-4.2% and -16.7%), Precious Metals (+6.2% and -0.3%), Agriculture (+1.4% and -5.6%), Base Metals (+3.9% and -21.9%).

Figure 19: 1Q23 Commodity Performance[vi]

Source: FactSet

Figure 20: 12M23 Commodity Performance



Source: FactSet

ROCKINGSTONE ADVISORS LLC

Digital Asset Performance Review

After a challenging 2022, digital assets rebounded strongly in 1Q23

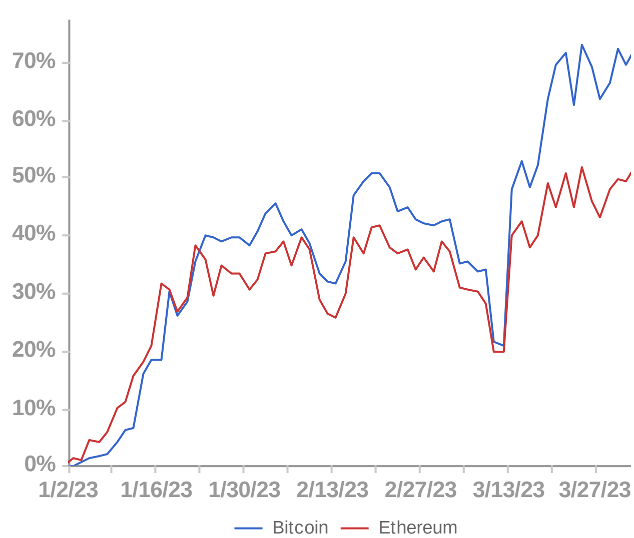
We have decided to add digital assets to our quarterly performance review beginning this year. Many of our clients hold these and other digital assets at Gemini, while others remain highly skeptical as to whether this is even an investable asset class.

We do not believe digital assets are a substitute for equities or bonds or other cash flow-driven securities. On the contrary, there is no cash flow associated with them, and as value investors, we generally like to acquire a stream of free cash flow. That said, there are many assets that do not generate cash flows but that are widely recognized as being stores of value: precious metals are probably the most similar and share many of the same characteristics as digital assets, but so too do all collectibles, such as artwork, manuscripts, rare coins, baseball cards, professional sports teams and other assets widely held and traded.

Digital assets were absolutely crushed in 2022, posting declines of 60-70%. As a relatively new asset, such volatility is to be expected. While these assets have seen similar declines in years past, investors have been hoping that at some point these assets no longer correlate with traditional assets such as debt and equities. Whether that time will come, it is too soon to say; presently this group continues to trade like a leveraged technology bet.

Returns during the first quarter were solid, aided in part by the banking crisis, that similar to precious metals, sent investors seeking safety in digital assets. We note the following performance regarding 1Q23 and 12M23, respectively, results: Bitcoin (+70.1% and -37.4%) and Ethereum (+50.0% and -49.7%).

Figure 21: 1Q23 Digital Asset Performance [vii]



Source: FactSet

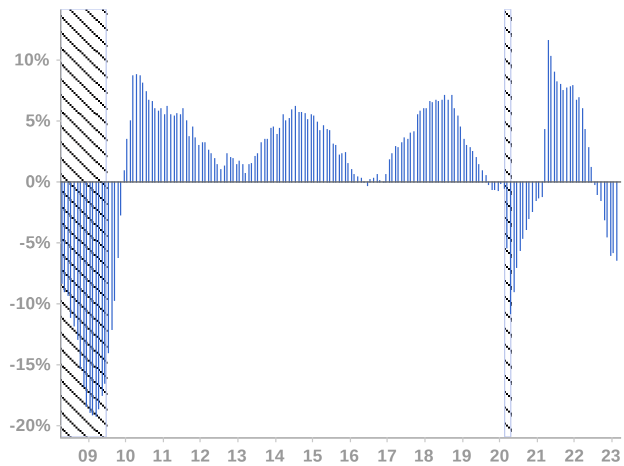
Figure 22: 12M23 Digital Asset Performance

Source: FactSet

Chart Book

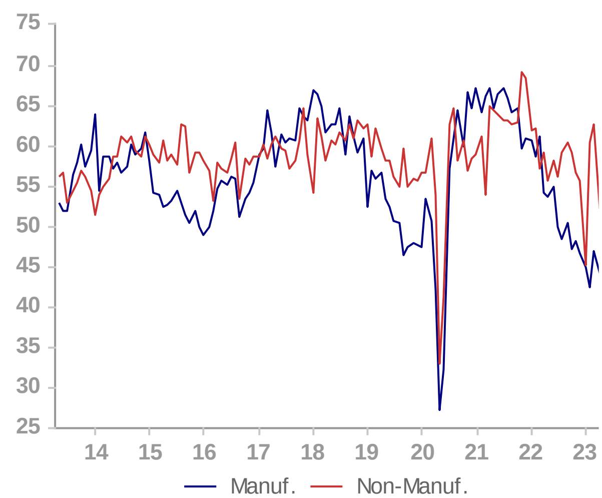
Leading Indicators

Figure 23: Index of Leading Economic Indicators



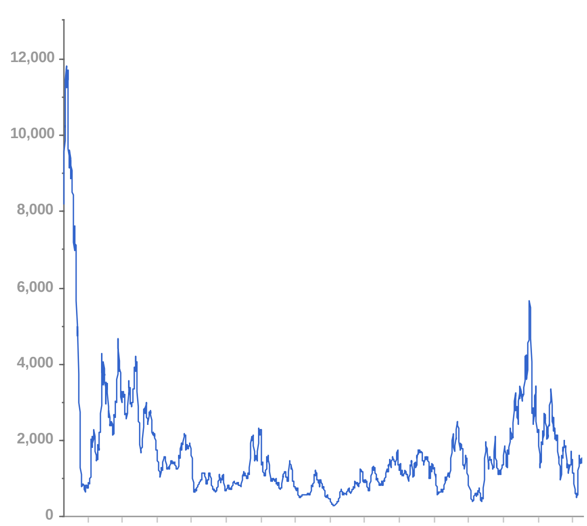
Source: FactSet

Figure 24: ISM New Orders



Source: St. Louis Federal Reserve, FRED Database

Figure 25: Baltic Freight Index



Source: FactSet

Figure 26: DJ Transports

Source: FactSet

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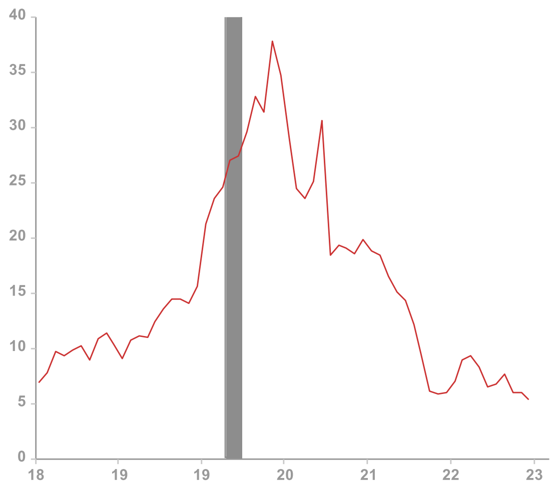
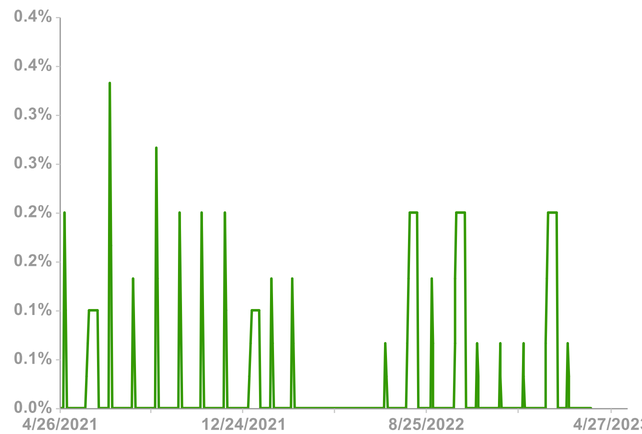
Real-time Recession Risk Indicators

Figure 27: Treasury Spread Recession Predictor



Source: FactSet, FRED Database

Figure 28: Sahm Real-time Recession Predictor

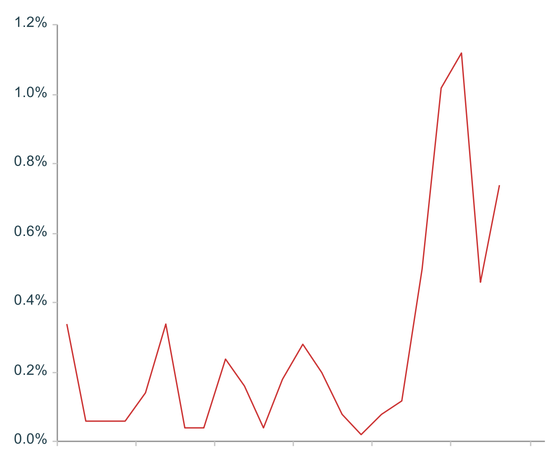


Source: St. Louis Federal Reserve, FRED Database

Figure 29: GDP Now (Atlanta Fed)

Source: FactSet; FRED Database

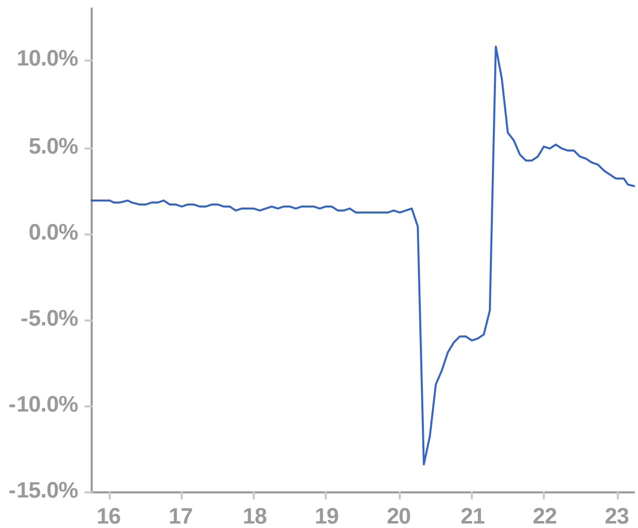
Figure 30: Smoothed US Recession Probabilities



Source: FactSet; FRED Database

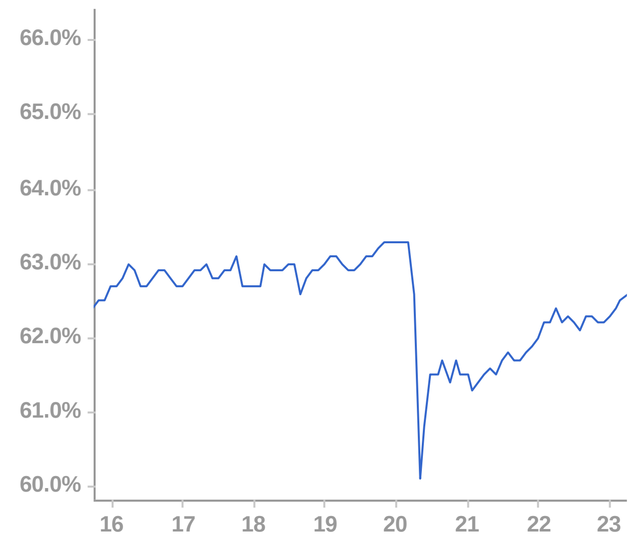
Labor Market Indicators

Figure 31: Payroll Growth (Establishment Survey, % Chg YoY)



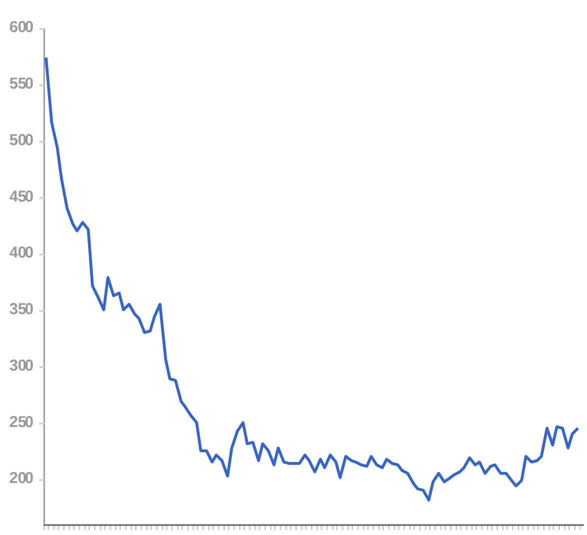
Source: FactSet

Figure 32: Labor Participation Rate (% of Workforce)



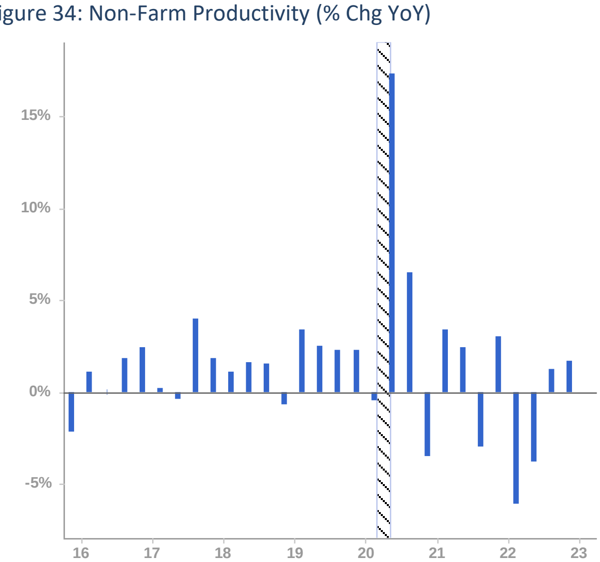
Source: FactSet

Figure 33: Initial Unemployment Claims



Source: FactSet

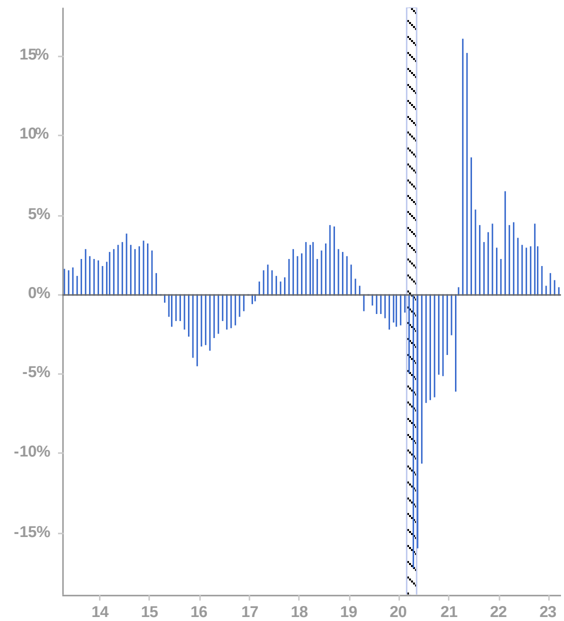
Figure 34: Non-Farm Productivity (% Chg YoY)



Source: FactSet

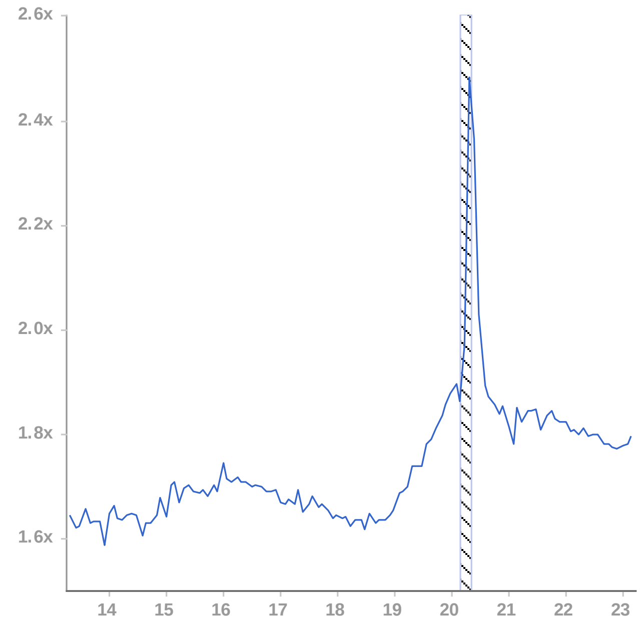
Production and Business Activity Indicators

Figure 35: Industrial Production (% Chg YoY)



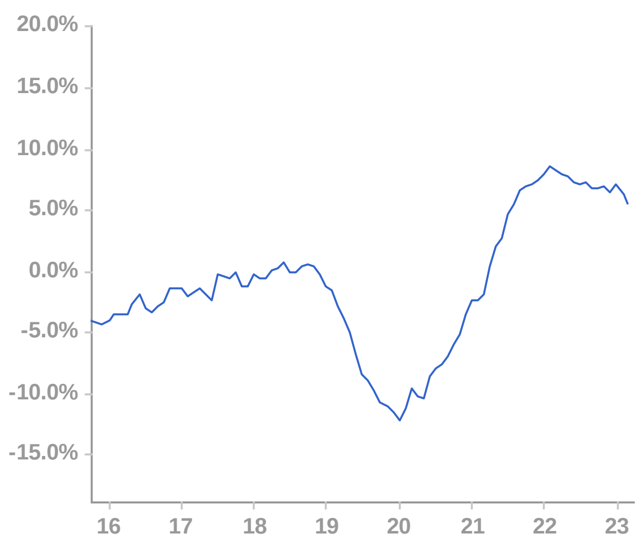
Source: FactSet

Figure 36: US Inventory to Shipment Ratio



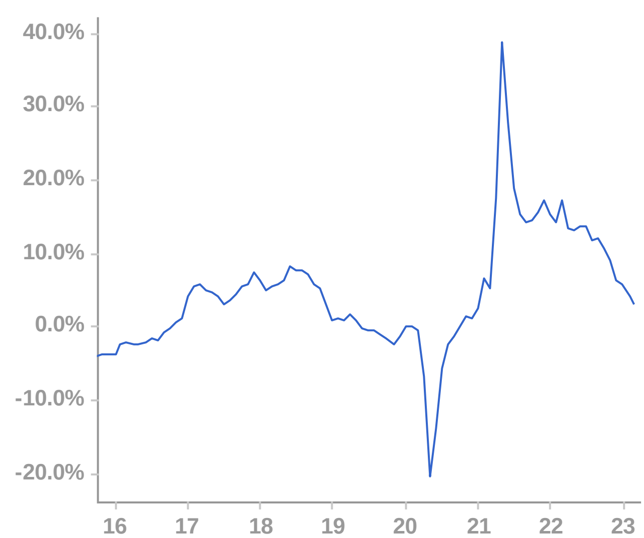
Source: FactSet

Figure 37: Unfilled Orders (% Chg. YoY)



Source: FactSet

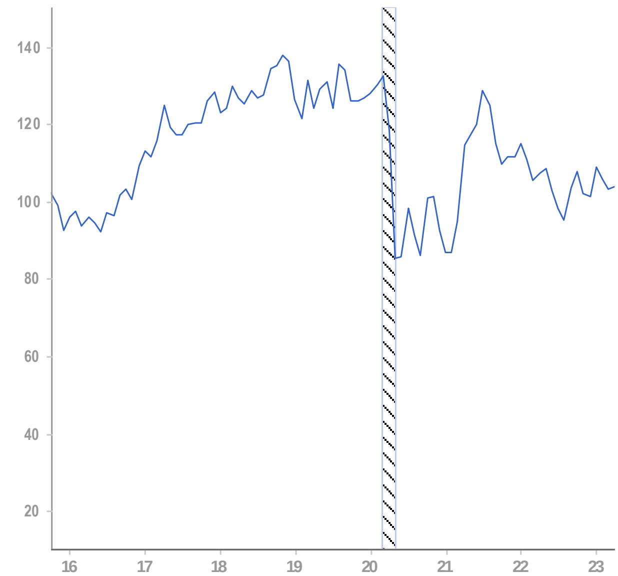
Figure 38: Business Sales (% Chg. YoY)



Source: FactSet

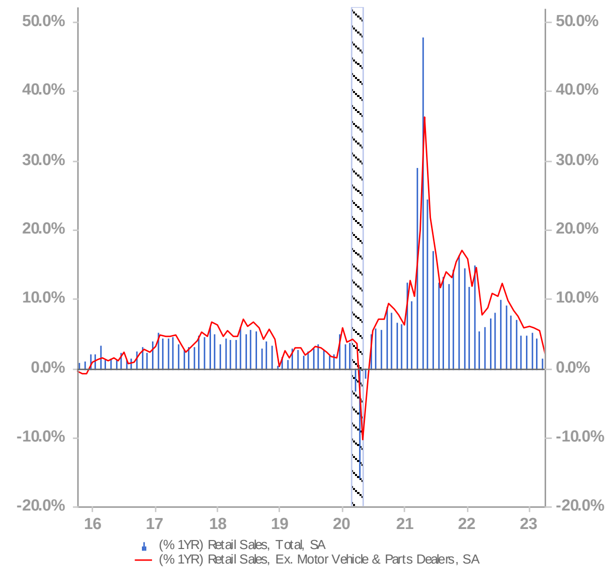
Consumer and Household Activity Indicators

Figure 39: University of Michigan Consumer Sentiment



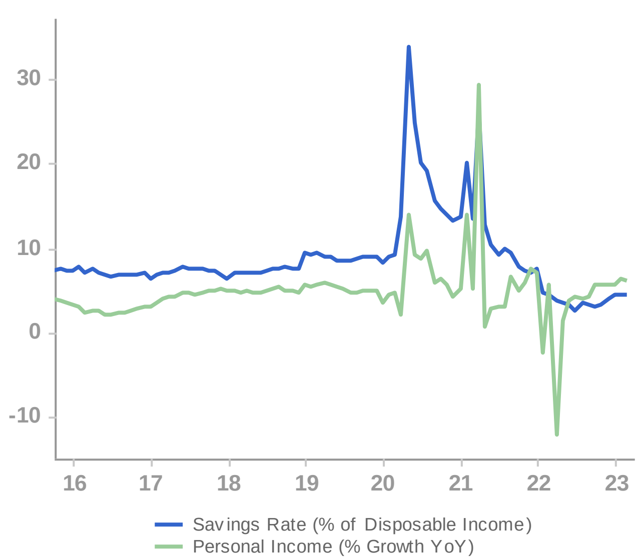
Source: FactSet

Figure 40: Retail Sales



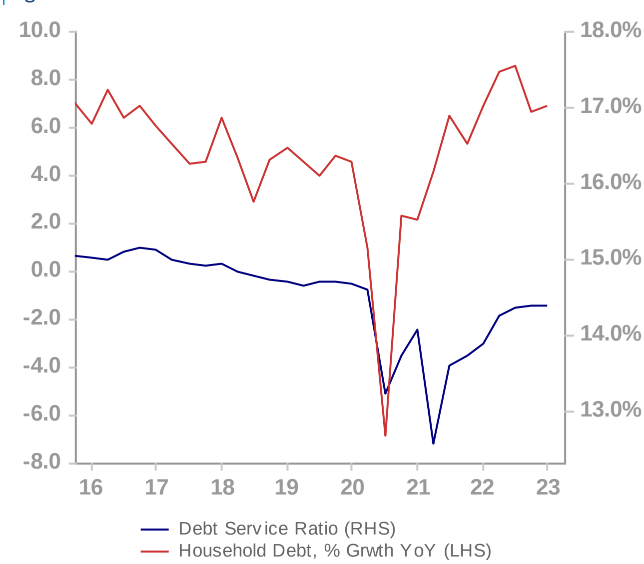
Source: FactSet

Figure 41: Personal Income and Savings Rate



Source: FactSet

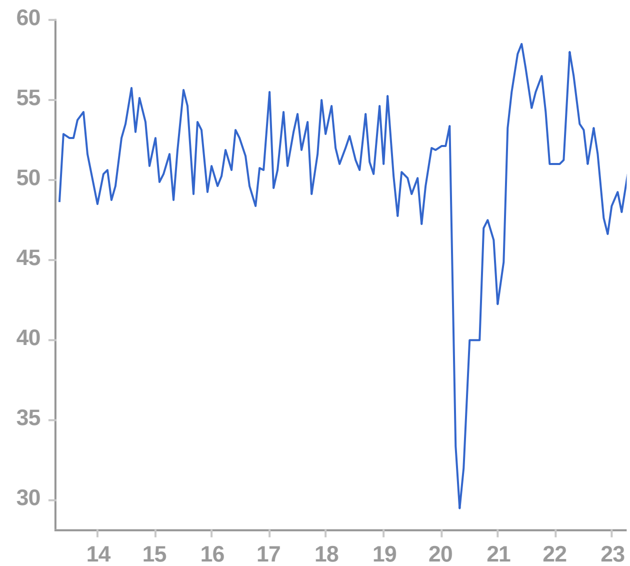
Figure 42: Household Debt



Source: FactSet

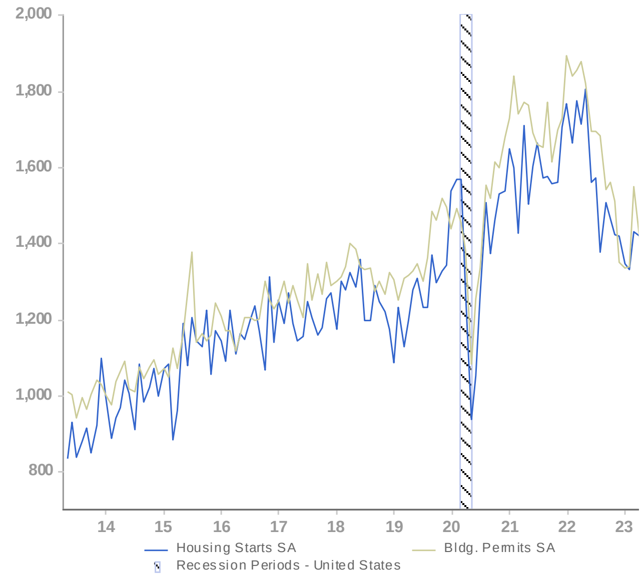
Housing and Construction Indicators

Figure 43: Architecture Billings Index



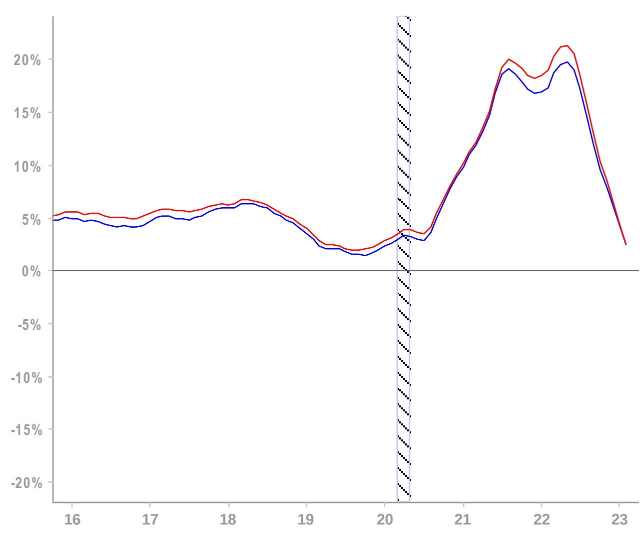
Source: FactSet

Figure 44: Housing Starts and Building Permits



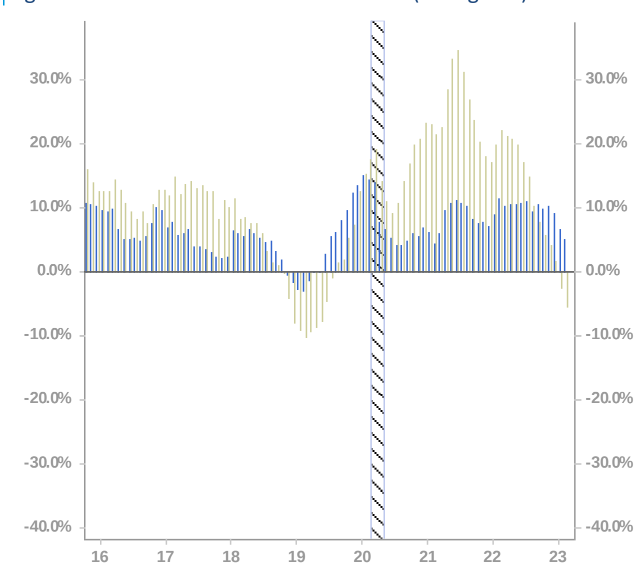
Source: FactSet

Figure 45: Case-Shiller 20-City & 10-City Index, % Chg YoY



Source: FactSet

Figure 46: Private and Total Construction (% Chg YoY)



Source: FactSet

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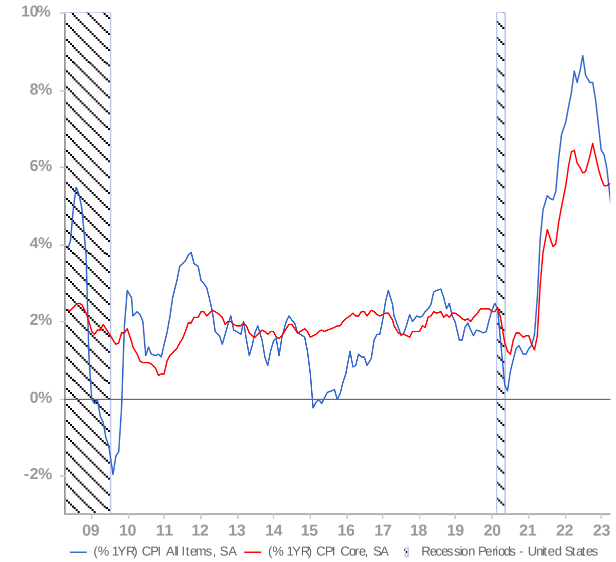
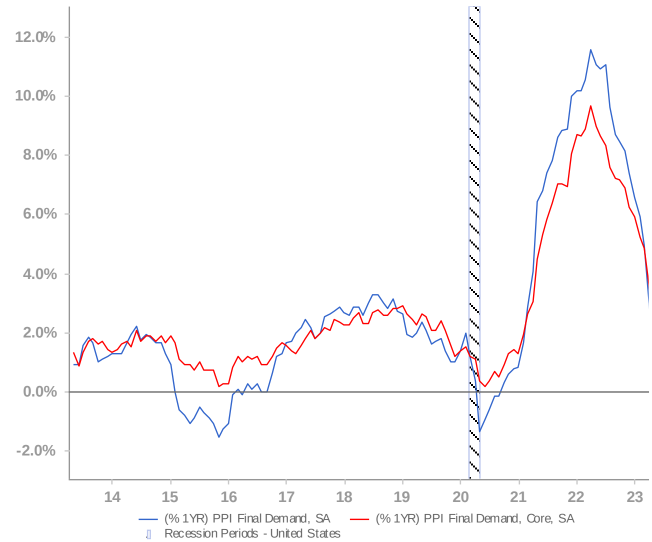
Price Indicators

Figure 47: Consumer Price Index



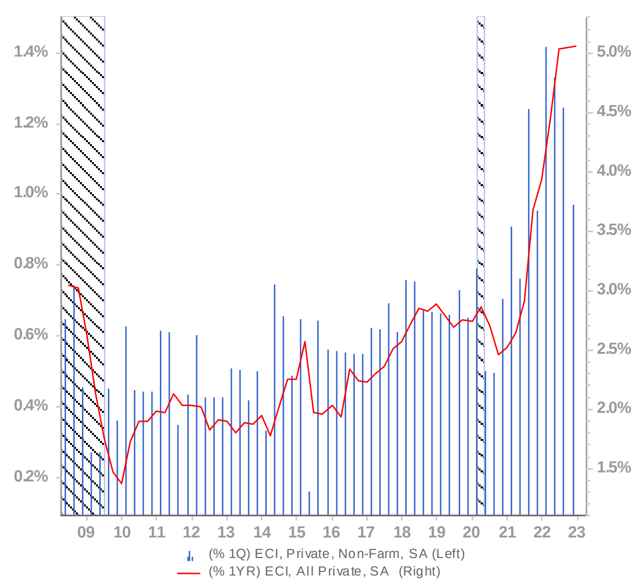
Source: FactSet

Figure 48: Producer Price Index



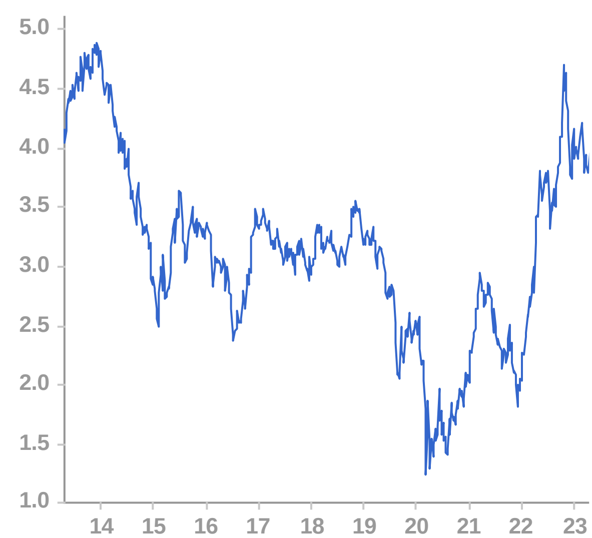
Source: FactSet

Figure 49: Employment Cost Index



Source: FactSet

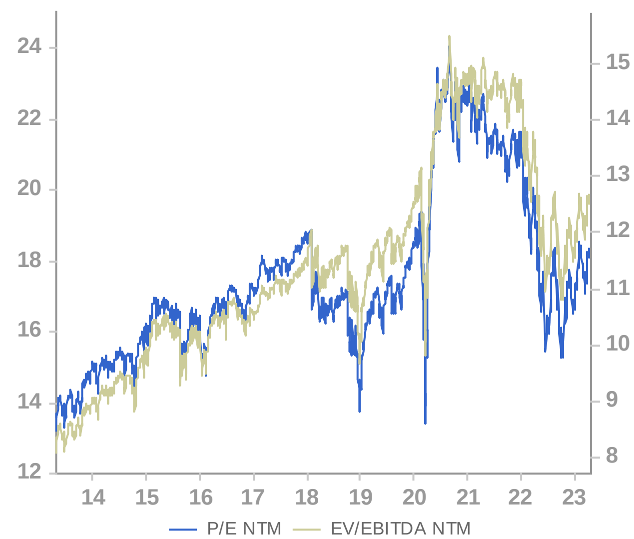
Figure 50: 10-Year, 5-Year Forward Inflation Expectations



Source: FactSet

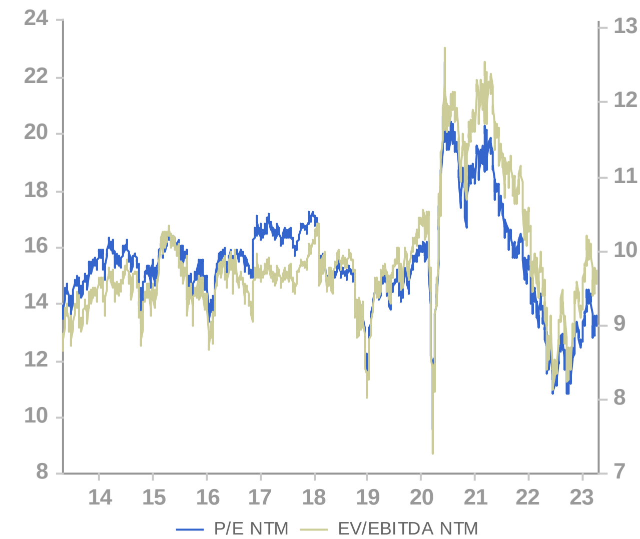
Valuation Indicators

Figure 51: S&P 500 P/E (LHS) & EV/EBITDA (RHS)



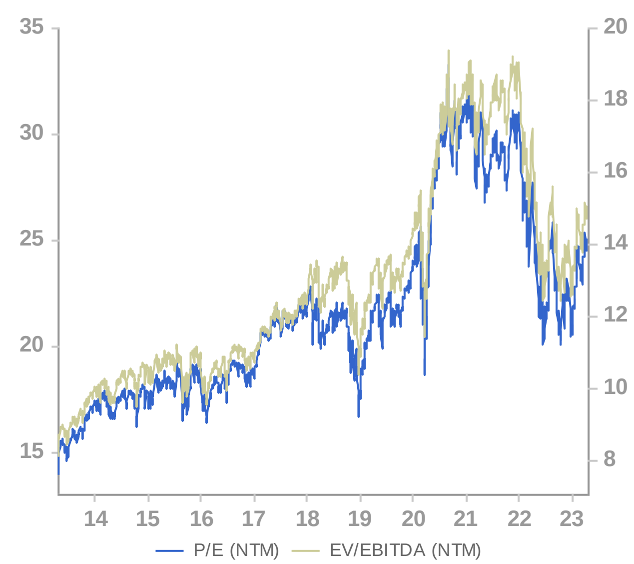
Source: FactSet

Figure 52: S&P Midcap 400 P/E (LHS) & EV/EBITDA (RHS)



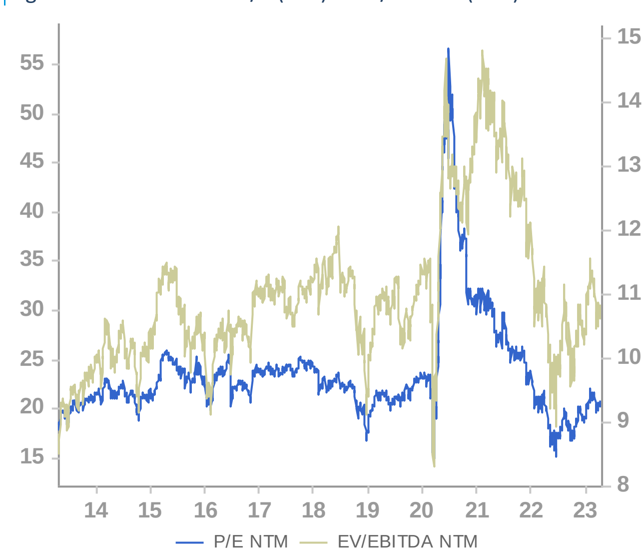
Source: FactSet

Figure 53: Nasdaq 100 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

Figure 54: Russell 2000 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

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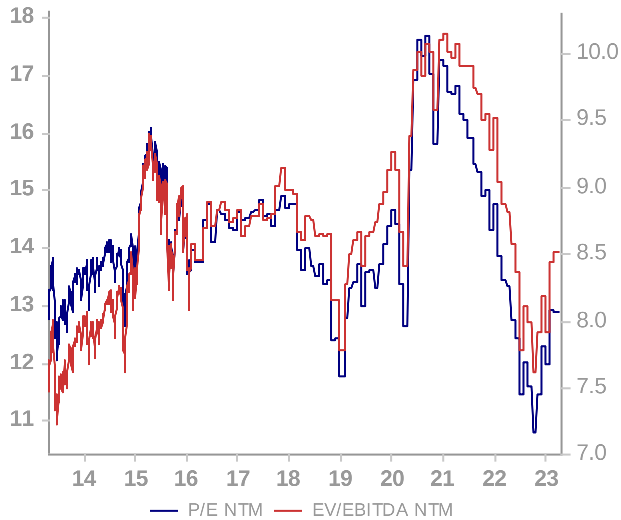
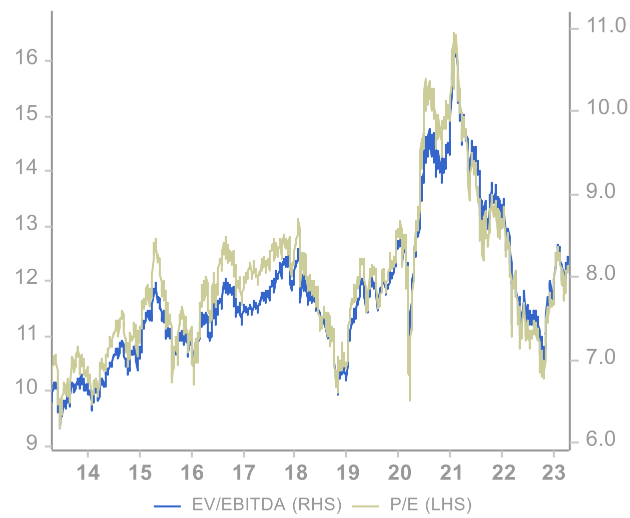
Valuation and Volatility Indicators

Figure 55: Intl Developed P/E (LHS) & EV/EBITDA (RHS)



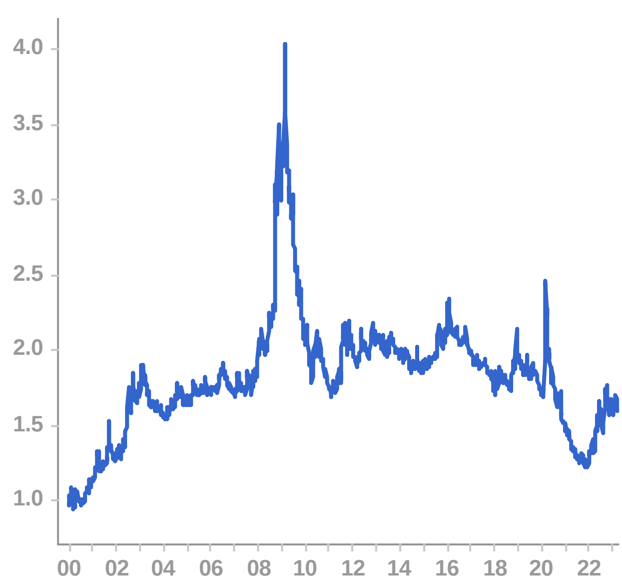
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 56: Emerging Markets P/E (LHS) & EV/EBITDA (RHS)



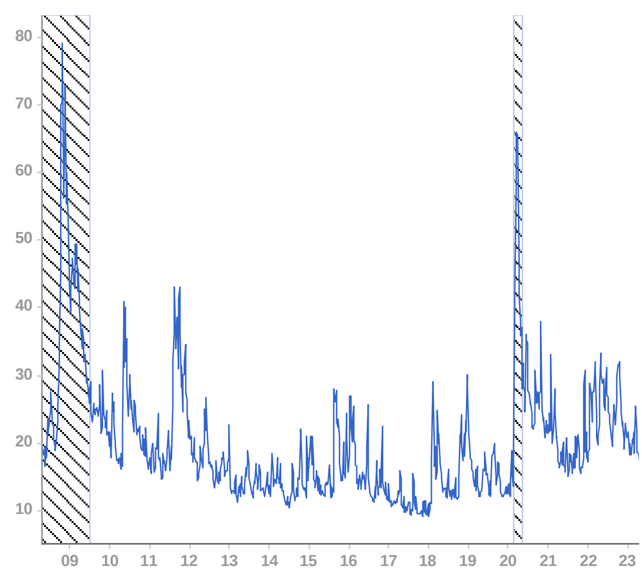
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 57: S&P 500 Dividend Yield



Source: FactSet

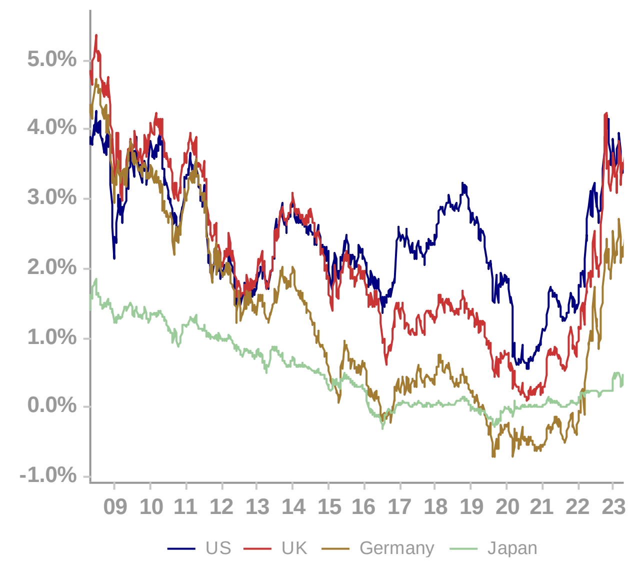
Figure 58: CBOE Volatility Index



Source: FactSet

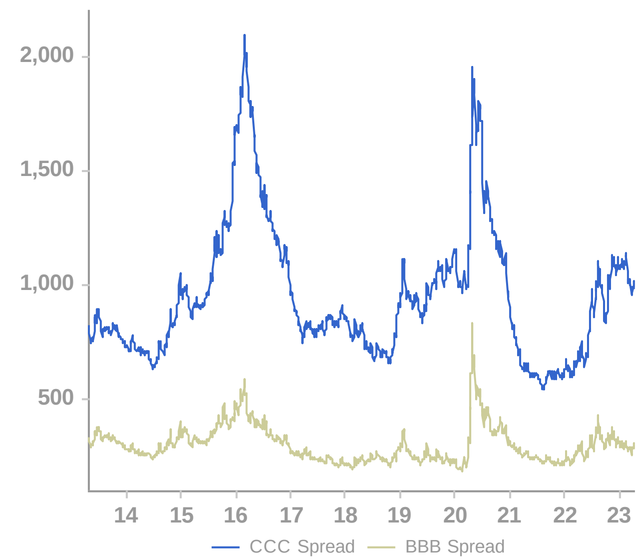
Bond Market Indicators

Figure 59: 10-Year Global Bond Yields



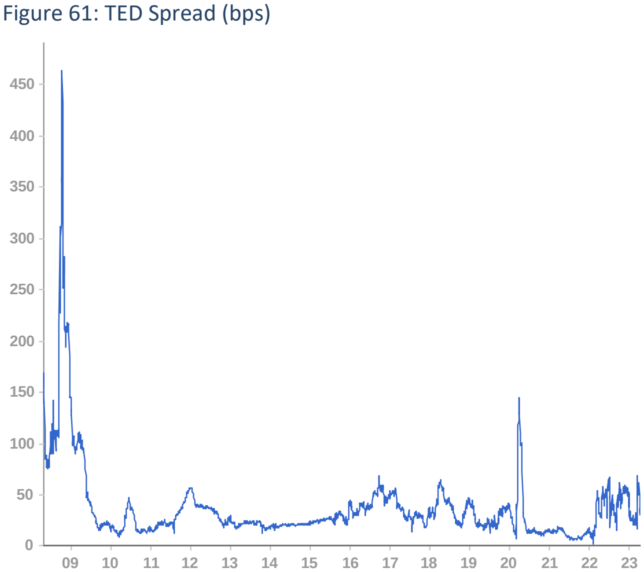
Source: FactSet

Figure 60: CCC and BBB Spreads (Option Adjusted)



Source: FactSet

Figure 61: TED Spread (bps)



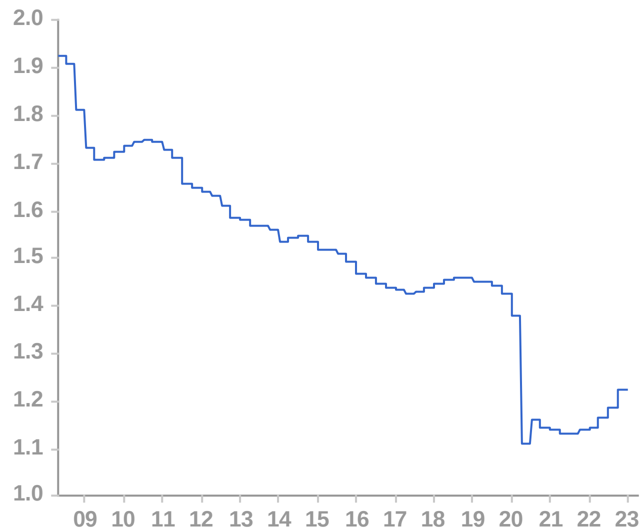
Source: FactSet

Figure 62: 10-Year Minus 2-Year Treasury

Source: FactSet

Liquidity and Other Indicators

Figure 63: Velocity of M2 Money Stock

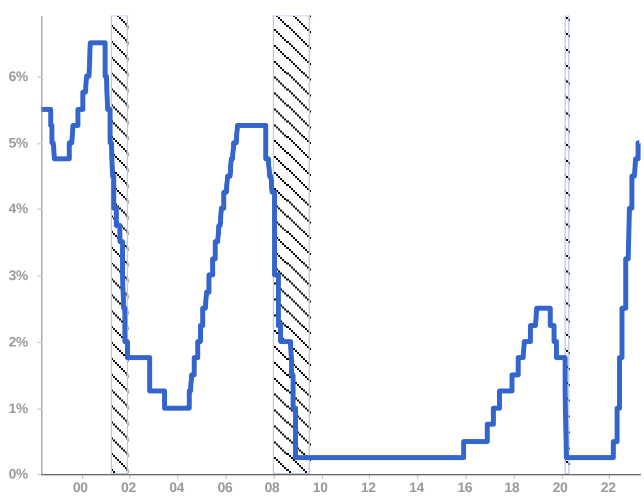


Source: FactSet

Figure 64: Loan Growth (Non-Financial, Private Sector)

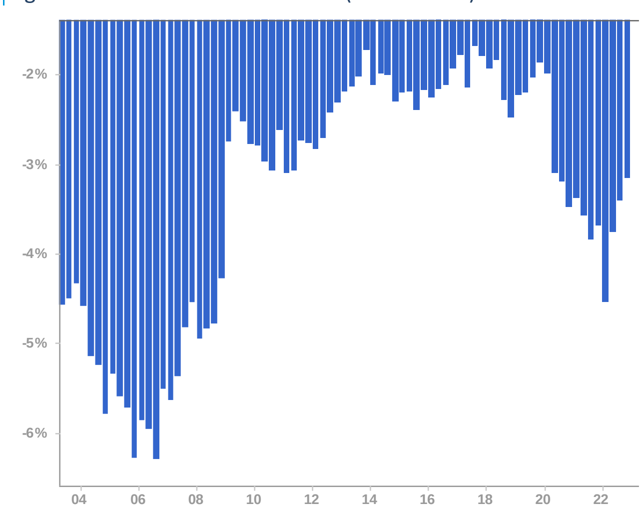
Source: FactSet

Figure 65: Fed Funds Target Rate



Source: St. Louis Federal Reserve, FRED Database

Figure 66: 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, 2023; most other prices and yields are as of April 27, 2023.

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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212-430-2240

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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.

[vii] Digital asset performance charts depict the price changes of Bitcoin (BTC) and Ethereum (ETH) over the selected time frame.