THE ROSELINE GROUP™

TAXES | PLANNING | INVESTMENTS

THIRD QUARTER 2018 MARKET PERSPECTIVE

ASSET CLASS RETURNS for Q3 2018

INDEX	QTD	YTD	INDEX	QTD	YTD
US Equities			**Fixed Income**		
S&P 500 Index	7.71%	10.56%	US Treasury Bonds (GOVT)	-0.67%	-1.69%
NYSE	4.62%	2.14%	Investment-Grade Corp. Bonds (LQD)	1.22%	-3.22%
NASDAQ	7.14%	16.56%	Low Quality Corporate Bonds (JNK)	3.01%	1.72%
Equal-Weight Indices			**Precious Metals**		
Value Line Geometric	2.32%	3.65%	Gold Bullion	-4.81%	-8.47%
Economically-Sensitive Indices			Silver Bullion	-9.01%	-13.40%
Dow Jones Transportation Index	10.00%	7.23%	Precious Metals Miners (GDX)	-16.20%	-19.55%
Hedged Equity Benchmark Index			**Commodities**		
HFRX Equity Hedge Index	-1.12%	-0.88%	Blooomberg Commodity Index	-2.53%	-3.37%
International Equities			S&P GSCI Commodity Index	1.34%	11.84%
MSCI EAFE (Developed Markets)	1.35%	-1.43%	**Currencies**		
MSCI Emerging Markets	-1.30%	-7.68%	US Dollar (DXY)	0.70%	3.27%

Sources: Kitco, Google Finance, Standard & Poors, HFR, StockCharts. Data as of September 28, 2018.
See pages 4 and 5 for an explanation of the indices mentioned above. An investor cannot invest in an index.

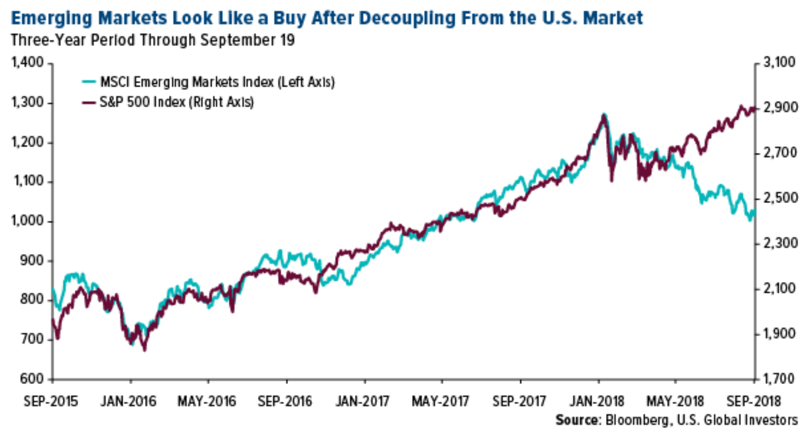
| U.S. + INTERNATIONAL EQUITY MARKETS

U.S. equities enjoyed the best quarter in five years with the S&P 500 and NASDAQ up over 7%. The U.S. economy, according to Federal Reserve Chair Jerome Powell, is in the midst of a "remarkably positive" period with a "historically rare pairing of steady, low inflation and very low unemployment."[1] Unemployment has reached a 49-year low, which only now is beginning to result in the strongest wage growth in a decade. However, inflation has remained near the Fed's 2% target.[2]

A recent reading of consumer confidence came in at an 18-year high in August, hitting its highest point since October 2000. The highest reading ever was May 2000, just before the Dotcom crash.[3] Investor sentiment has gotten so euphoric that some analysts consider it a hazard. Deutsche Bank said confidence was "at levels normally indicating a recession is imminent".[4] According to a Bank of America Merrill Lynch survey, investors have built the largest overweight position in U.S. equities in three years.[5] While 80% of S&P 500 companies reported second quarter earnings that beat expectations, 76% of S&P 500 companies have issued "negative earnings guidance" for the third quarter. Peak earnings might be happening now as companies face slower growth, increasing inflation (albeit modestly so far), and tighter financial conditions.[6,7]

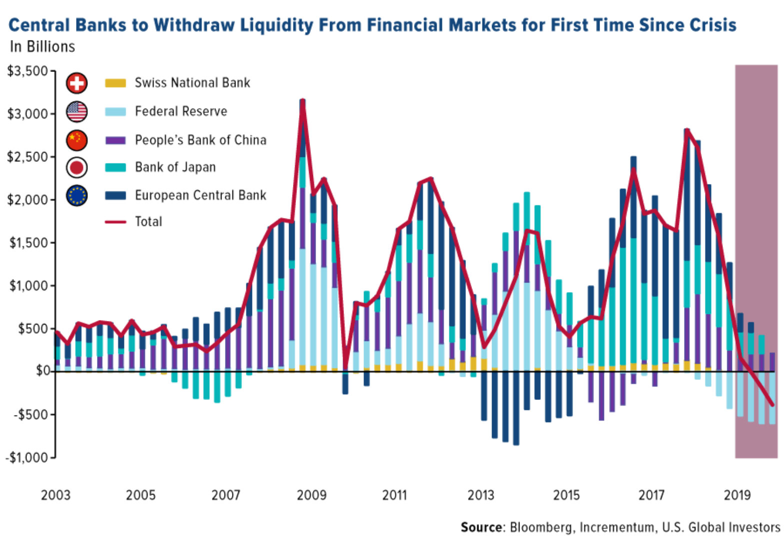
Stock market internals are currently showing weakness: 40% of NYSE stocks are below their 200-day moving average, and the number of stocks making new lows has exceeded the number making new highs. This is indicative of narrowing market leadership and a shift in sentiment towards risk aversion. Similar market internals in close proximity to market peaks were present in 1973, 1987, 2000 and 2007, all of which were followed by steep declines.

International equities in both developed and emerging markets lagged the U.S. again in the third quarter, to such a degree that the performance gap between U.S. and international equities year-to-date is the largest since 1970. Valuation measures comparing U.S. and international equities are near record levels of difference. Analysts at JPMorgan, Societe Generale and Morgan Stanley have recommended reducing exposure to U.S. equities in favor of opportunities overseas. Ongoing trade disputes and currency crises continue to plague international markets. Marko Kolanovic, an analyst at JPMorgan, said that emerging markets have borne the brunt of the trade wars so far; fears related to this conflict have already been priced into emerging markets, but not into U.S. stocks.[5]



Source: Bloomberg, U.S. Global Investors

Perhaps the strongest headwind for global stocks has been the global shift in monetary policy. Beginning this month, the Federal Reserve is increasing its quantitative tightening to its maximum level of $50 billion per month; the ECB has cut its quantitative easing in half to $15 billion per month, with the stated goal of ending it completely in three months; and the Bank of Japan similarly halved its quantitative easing to $20 billion per month.[8] The fourth quarter of 2018 will be the first time in ten years there is no net worldwide liquidity being injected into the financial system by central banks. During the fourth quarter of 2017, by comparison, central banks provided $100 billion per month of global liquidity ($1.2 trillion annually).



Source: Bloomberg, Incrementum, U.S. Global Investors

| PRECIOUS METALS + COMMODITIES

Precious metals declined in the third quarter as investor sentiment turned sharply against gold. In the futures market, "managed money" (hedge funds and other large speculators) amassed the largest net short position in precious metals in the history of the disaggregated "Commitment of Traders" (COT) report. This massive short position for precious metals is three times greater than the previous record in 2015, when gold bottomed and then went up 31% over the subsequent six months.[9] The commercial banks ("smart money") flipped their positioning in the Commodity Exchange (COMEX) to net long for the first time in 17 years, which is considered a sign of imminent strength.[10]

Physical demand for gold has increased at a time when global mining production is peaking. Decreasing production coupled with low levels of investment in exploration creates an expectation that production will decline for years. As noted by Pierre Lassonde, founder of Franco Nevada: "If you look at the 70s, 80s, and 90s, in every one of those decades the industry found at least one 50+ million ounce gold deposit, at least ten 30+ million ounce deposits, and countless 5 to 10 million ounce deposits. In the last 15 years, we found no 50 million ounce deposit, no 30 million ounce deposit, and only very few 15 million ounce deposits."[11]

The combination of bullish positioning in the futures market and in the physical market have led State Street and Commerzbank to predict a gold price of $1300-1350 by the end of this year.[12,13] Bank of America states that gold is set to soar above $1300 and will average $1350 per ounce in 2019.[14] JPMorgan is also bullish and "would not be surprised if gold surpasses $1700 per ounce in 2019."[15]

Commodities experienced mixed performance in the third quarter, with energy-related investments doing well and other commodities lagging. As a result, there is a great disparity within commodity indices as to year to date returns; the S&P GSCI was up 11.84% through the third quarter while the Bloomberg Commodity Index was down 3.37%.

| INTEREST RATES + INFLATION

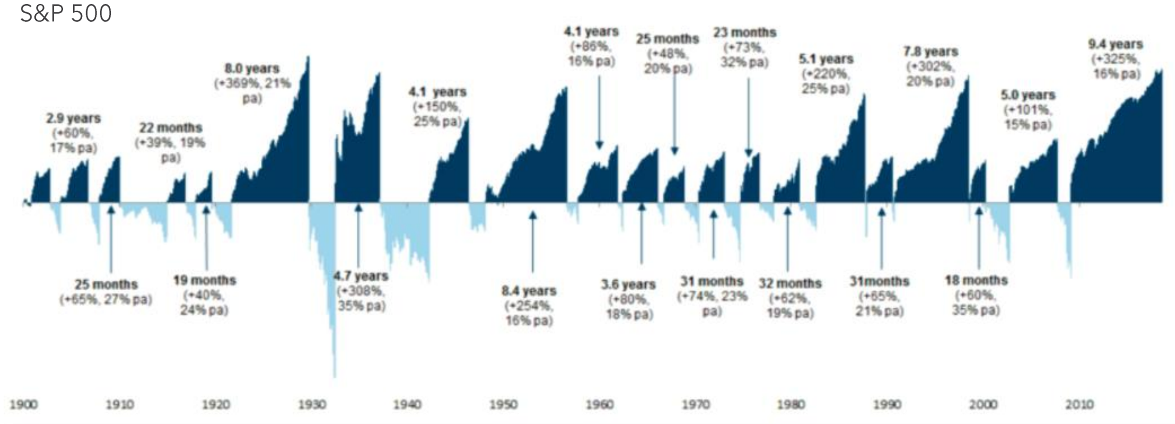
Interest rates in the U.S. continued to move higher across the yield curve. Treasury yields on maturities ranging from 3 months to 5 years have reached their highest levels since 2008; yields on 10-year Treasuries are the highest since 2011; and the 30-year Treasury yields are the highest since 2014. The yield curve continues to flatten and is at risk of "inversion", a movement that is typically associated with recessions.[16]

While inflation (as measured by the Federal Reserve) remains close to the 2% target, market expectations for future inflation are rising.[17] Historically low unemployment, higher wages, tariffs, rising energy prices, and increasing bond yields all signal inflationary pressures building within the financial system. This is a good time to note that precious metals and commodities have historically been the asset classes that benefitted most in an inflationary environment.

Several Wall Street analysts warn of recession in 2019, with some putting the odds at "close to 100%."[18] Most analysts point to the Federal Reserve's ongoing interest rate increases coupled with quantitative tightening as the likely catalyst. Fed Chairman Powell stated last week that monetary policy is "a long way from neutral" and added that "we may go past neutral."[19] JPMorgan has noted negative equity market reactions to Federal Reserve press conferences and speeches this year so far.[20]

Two-thirds of business economists recently surveyed in the U.S. expect a recession by the end of 2020; trade policy, higher interest rates, and substantial stock market decline or volatility are cited as contributing factors.[21]

We are in the longest Equities bull market without a 20% drawdown
S&P 500



Source: GFD, Bloomberg, Goldman Sachs Global Investment Research

In addition, JPMorgan has developed a model to predict the timing and severity of financial crises. Their model predicts a crisis in 2020, which would result in declines across the market (equities, fixed income, and commodities), though this model suggests the upcoming crisis may be less severe than past crises.[22] The International Monetary Fund states that the world economy is at risk of another financial meltdown.[23] With global debt levels increasing by 60% over the last decade, developing world governments and companies are more vulnerable to interest rate increases and economic disruptions than before.

The probability and timing of another financial crisis or meltdown in the near future is uncertain; what remains certain is the risks that abound in financial markets.

DISCLOSURES

A. Past performance is not a guarantee of future results.

B. Global/International investing involves risks not typically associated with U.S. investing, including currency fluctuations, political instability, foreign taxation, uncertain economic conditions and different accounting standards. Investing in emerging markets can be riskier than investing in well-established foreign markets due to their relative smaller size and lesser quality.

C. Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than funds whose investments are more diversified.

D. The commentary above is not a complete analysis of every material fact in respect to any company, industry or security. The opinions expressed here reflect the judgment of the author as of the date of the report and are subject to change without notice. Information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

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DEFINITIONS

The ***Standard & Poor's 500 Index*** *(S&P 500 TR) is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

The ***NYSE Composite*** *is a stock market index covering all common stock listed on the New York Stock Exchange, including American depositary receipts, real estate investment trusts, tracking stocks, and foreign listings. Over 2,000 stocks are covered in the index, of which over 1,600 are from United States corporations and over 360 are foreign listings.*

The ***NASDAQ Composite*** *is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. Along with the Dow Jones Average and S&P 500 it is one of the three most-followed indices in US stock markets. The composition of the NASDAQ Composite is heavily weighted towards information technology companies.*

The ***Value Line Geometric Composite Index*** *is an index created by the Kansas City Board of Trade in 1961, and is the first market index to trade futures market. It is an equally weighted index using a geometric average. The index contains approximately 1,675 companies from the NYSE, American Stock Exchange, Nasdaq, Toronto and over-the-counter markets.*

The ***Dow Jones Transportation*** *Average is a U.S. stock market index from S&P Dow Jones Indices of the transportation sector, and is the most widely recognized gauge of the American transportation sector.*

The ***HFRX Equity Hedge Index*** *is provided by Hedge Fund Research, Inc. and is a commonly-used benchmark for Equity Hedge funds. Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.*

The ***Morgan Stanley Capital International (MSCI) EAFE Index*** *is a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. This international index has been in existence for more than 30 years.*

The ***MSCI Emerging Markets Index*** *is an index that is designed to measure equity market performance in global emerging markets. The Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.*

The ***Barclays US Aggregate Bond Index*** *is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).*

The ***iShares U.S. Treasury Bond ETF (GOVT)*** *is an exchange-traded fund that seeks to track the investment results of an index composed of U.S. Treasury bonds. It offers market-cap-weighted exposure to the broad Treasury bond market across the term structure, from one year to 30 years.*

DEFINITIONS CONTINUED ON NEXT PAGE

DEFINITIONS (CONTINUED)

*The **iShares iBoxx USD Investment Grade Corporate Bond ETF (LQD)** is an exchange-traded fund that tracks a market-weighted index of US corporate investment-grade bonds across the maturity spectrum.*

*The **SPDR Bloomberg Barclays High Yield Bond ETF (JNK)** is an exchange-traded fund that tracks a market-weighted index of highly liquid, high-yield, US dollar-denominated corporate bonds.*

***Gold and silver bullion** is legal tender that is held in reserves by central banks or used by institutional investors. Bullion is gold and silver that is officially recognized as being at least 99.5% pure and is in the form of bars or ingots.*

*The **VanEck Vectors Gold Miners ETF (GDX)** is an exchange-traded fund that seeks to track the overall performance of companies involved in the gold mining industry.*

*The **Bloomberg Commodity Index** is a broadly diversified commodity price index distributed by Bloomberg Indexes. The index tracks prices of futures contracts on physical commodities on the commodity markets, and is designed to minimize concentration in any one commodity or sector.*

*The **U.S. Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies. It is a weighted geometric mean of the dollar's value relative to the following select currencies: euro, Japanese yen, pound sterling, Canadian dollar, Swedish krona, and Swiss franc.*

*The **Invesco CurrencyShares Euro Trust (FXE)** is an exchange-traded fund that tracks the changes in value of the euro relative to the US dollar. The euro is the currency of 19 European Union countries.*

*The **Invesco CurrencyShares Japanese Yen Trust (FXY)** is an exchange-traded fund designed to track the price of the Japanese yen. The Japanese yen is the national currency of Japan and the currency of the accounts of the Bank of Japan, the Japanese central bank.*

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