Bluestone
CAPITAL MANAGEMENT

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Bluestone Income – 1st Quarter Commentary

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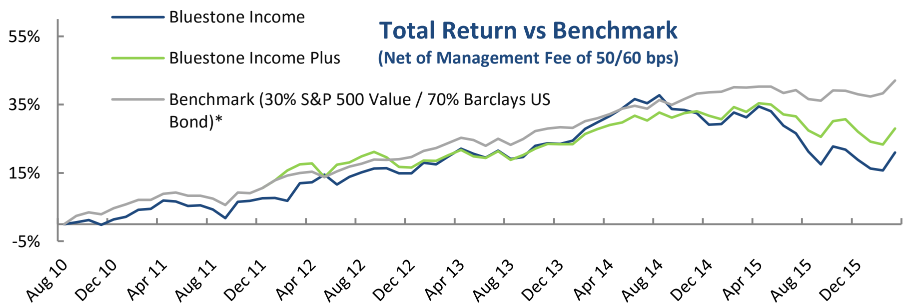
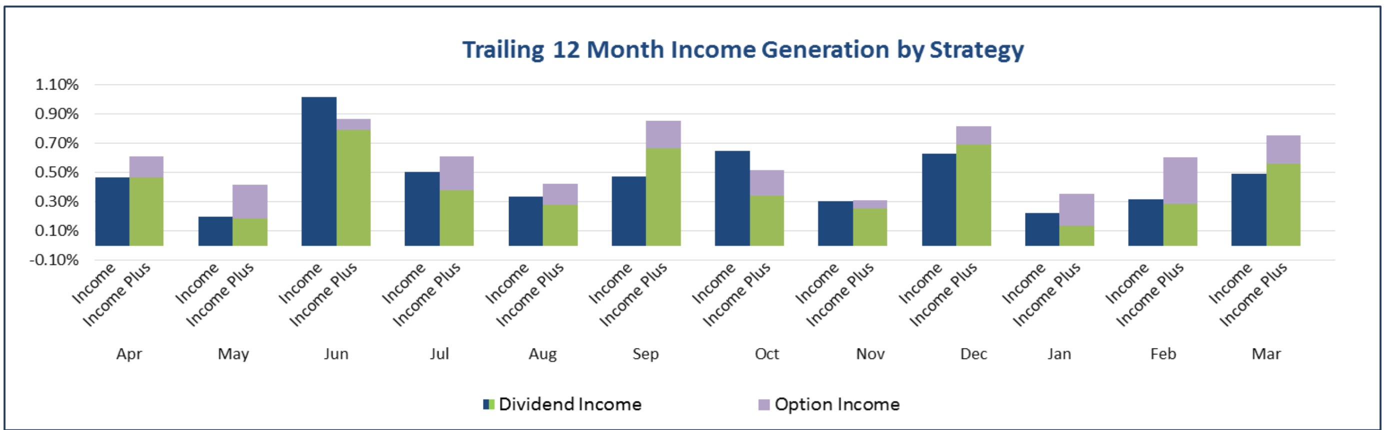


Strategy Statistics

	Income	Income Plus
Total Return (YTD)	1.81%	0.80%
Beta (vs S&P 500)	0.34	0.53
Dividend Yield (2015)	5.85%	4.90%
Option Premium (2015)	--	1.86%
Total Yield (2015)	5.85%	6.76%
Standard Deviation	6.71%	6.36%

The first quarter of 2016 got off to a scary start with the S&P 500 falling nearly 10% in January before finishing the month down 6%. February was a wild ride as well with the volatile performance continuing before the market found its footing and rose in the month of March to finish the quarter roughly flat with the end of last year. For the quarter the S&P 500 and S&P 500 total return indices were up 0.78% and 1.34% respectively. The Bluestone Income and Income Plus strategies got off to a great start this year with the Income returning a positive 1.81% and the Income Plus gaining 0.80%. As readers of our prior commentaries will remember 2015 was a difficult year for the strategies as financials and energy stocks had a rough go particularly in the second half of the year, which negatively impacted the price return of the income strategies. However both strategies met their yield goals of income generated of over 4.5% and 6% respectively in 2015. We are pleased to report that in addition to meeting our annualized yield goals in the first quarter of 2016, the strategies total returns were also more in-line with our expectations. Furthermore we feel these choppy market conditions coupled with the likelihood that equity returns are likely to be below their long-term averages for the foreseeable future will provide an environment that will allow the Bluestone Income and Income Plus strategies to show attractive relative performance to most equity and fixed-income benchmarks.



For the quarter the Income and Income Plus strategies provided 1.04% and 1.72% of yield respectively which annualizes to 4.16% and 6.88%. So far we are on pace to exceed our yield objectives for the year as several upcoming months typically experience a higher level of dividend payments. While yield will continue to be the

* Portfolio Beta is measured against the S&P 500 Index
* Benchmark refers to the strategies' benchmark, which is 50% the CBOE S&P 500 Buy-Write Index and 50% Barclays US Aggregate Bond Market Index.
Performance statistics sourced from Zephyr, Black Diamond, Morningstar, and SNL Financial.

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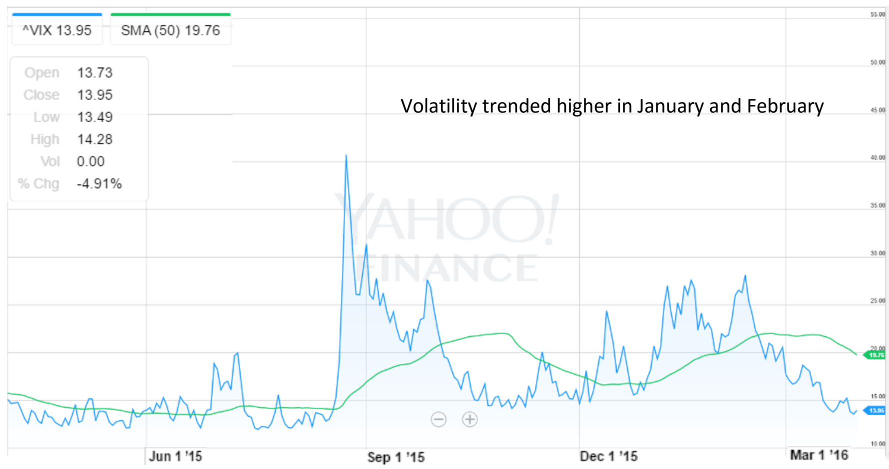
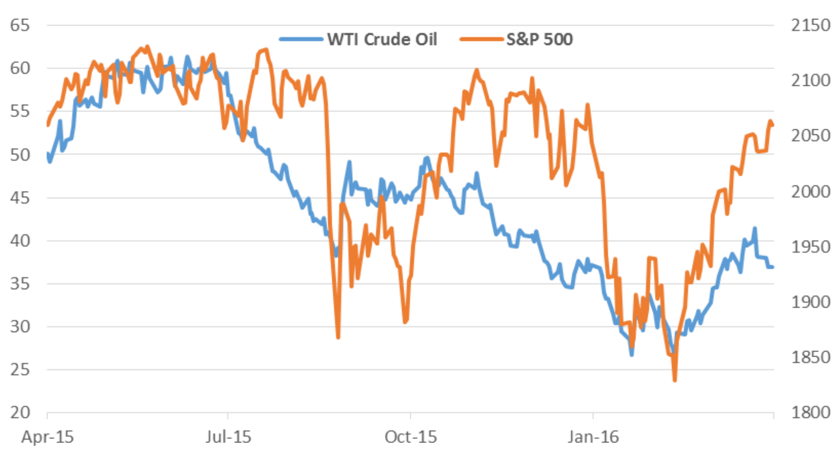
primary benchmark we measure the performance of the strategies against we will also pay close attention to the overall return of the strategies, including unrealized gains and losses, and want to maintain solid overall results.

1Q16 Key Points

The fourth quarter of 2015 saw a spike in the volatility of equity returns, which continued into the New Year. This increase in volatility reminds investors that markets can move quickly and by large amounts, which can be scary during the depths of large drawdowns. The Income and Income Plus strategies have natural built in shock absorbers in the form of exchange-traded debt securities as well as preferred securities, which tend to provide price stability for the portfolio during market selloffs. In addition, the increase in stock market volatility increases the price of equity options adding extra income to the Income Plus' buy-write strategy as we are selling calls with higher prices due to volatility increases.



Another major factor in the performance of the market in the first quarter was the volatility in oil prices. Prices fell dramatically in the second half of last year and continued that trend in the first part of the last quarter. However, prices then rebounded of multi-year lows to finish at levels close to where they started the year. This was good for blue-chip energy compnaies which stopped their large slide and rebounded to levels where they may find support if oil prices remain stable or start to firm in the future. Smaller energy companies are in some cases not so lucky and bankruptcies, as well as distressed sales, will fuel consolidation in the oil arena which should benefit the larger oil companies over time.



While we always strive to achieve positive total returns our mandate remains generating high current income for our clients. In order to consistently generate high levels of income for investors in the form of dividends and interest, we must maintain some exposure to sectors and securities where we can find that yield. We feel that conditions will be more favorable in 2016 for the Income and Income Plus strategies to provide a more attractive relative return to the overall equity market while still meeting our yield goals.

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Future Outlook

Our outlook for 2016 is relatively unchanged from our recent thoughts related to market performance for the foreseeable future. This includes an expectation for positive but muted price appreciation for equities and enhanced volatility for equity returns compared to what we have seen in past years. The Fed will continue to raise interest rates this year but will do it very carefully with current expectations being for two increases. Banks will be challenged to grow revenues in this environment and will have to hope for a pickup in real estate activity or a stronger consumer to fuel loan growth. Energy prices will likely continue to stay low as it will take a while to use up excess supplies and see oil production decline meaningfully. Furthermore if prices do spike up marginal production may kick in and keep a lid on any significant real increases in the price of oil from current levels. We do like consumer focused companies in this environment who benefit when consumers are healthy and spending money. Consumer finances have been helped by low energy prices, low interest rates, an improving labor market and increases in the prices of residential real estate in many markets around the US. The consumer will have to continue to carry this economy for the foreseeable future as industrial and energy production remain weak. Construction activity is improving and may help push GDP growth in 2016.

We feel that conditions are good for our income strategies this year. Much of the pain in financials and energy was felt last year and dividend yields are strong across many of the sectors we seek yield. Our current equity exposure includes higher concentrations of consumer and healthcare companies. We also maintain exposure to technology and have smaller exposures in utilities and real estate. Our preferred security exposure is low and we have a variety of ETFs that provide monthly or quarterly income from their debt security holdings. We are staying in floating rate debt ETFs where possible or shorter duration debt ETFs to reduce the effect of rising interest rates on the portfolio when rates do move up but our expectations are for low interest rates to persist for all of 2016, and likely much of 2017, before beginning to return to their historical norms.