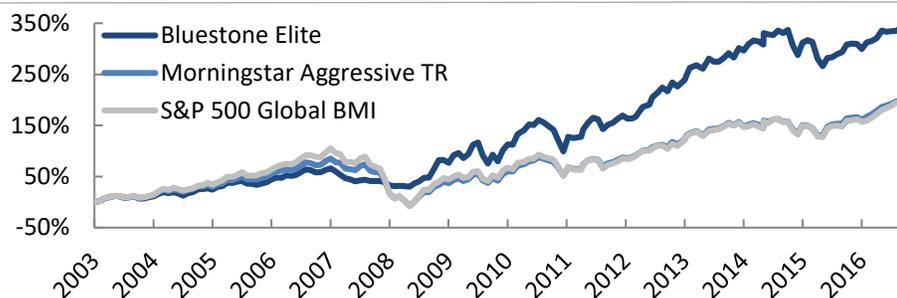


Bluestone Elite – Q2 2017 Manager Commentary

Portfolio Managers: Brian C. Shevland
Lee A. Calfo



Historical Statistics (Since Inception)

	Elite	MS Agg TR
Cumulative Return	341.12%	199.28%
Annualized Return	11.47%	8.35%
Alpha	4.62%	-
Beta	0.81	-
Sharp Ratio	0.74	0.46
Sortino Ratio	1.42	0.81

Portfolio Overview:

The second quarter of 2017 was extremely quiet in terms of news flow and volatility. As such, we've continued to stay the course with our current portfolio strategy. We've maintained our overweight in the financial sector with a specific focus on regional and large cap banks while remaining cautious on technology. As our long time clients and readers know, we strive to create value over a full market cycle at times when the risk/reward opportunities favor us and our clients. Currently, as we move through the 8th year of this bull market and valuations continue to increase, our view is that we are not likely to be very well compensated for the risk we would be assuming by chasing trendy tech stocks with sky high valuations. Our caution comes from experience and the relative importance of minimizing capital loss as much as possible. For those reasons, we remain confident that our exposure to financials presents the best opportunity for a positively skewed risk/return profile for our investors. The financial sector has, for the most part, languished in the wake of the 2008 financial crisis. But capital levels have improved over time and rising interest rates should produce increases in net interest margin. Additionally, merger and acquisition activity in the regional space should help to shift valuations higher in this capital-rich environment.

Macro Overview:

A lack of any market moving news and average economic data combined to make this one of the calmest quarters in recent memory. As volatility declined to historically low levels investors continued to broadly put cash to work. Earnings were mostly positive while consumer spending moderated and inflation remained subdued. Overall, investors are struggling to find direction as the outlook from the Fed on future rate increases looks.

Looking forward:

As we move past the halfway mark of the year, the second half presents both new opportunities and new risk factors. The calm of the first half is unlikely to persist indefinitely, but we aren't going to attempt to predict when and how quickly it will return. Our goal, as always, is to ensure that our investors are best positioned to capitalize on the opportunities the market offers us while ensuring that they aren't over-exposed in the event of a correction or bear market. Based on the continued stream of tepid but positive economic data and double digit earnings growth estimations we are remaining fully invested with a decidedly cautious outlook.

**All investments involve risk, including the loss of principal. Past results do not guarantee future performance. Further, the investment return and principal value of an investment will fluctuate; thus an investor's equity, when liquidated, may be worth more or less than the original cost. This document provides only impersonal advice and/or statistical data and is not intended to meet objectives or suitability requirements of any specific individual or account. This report should not be construed as a solicitation to purchase or sell any security. Returns are presented in USD net of all fees shown as well as trading costs. The returns shown are for a composite of accounts assigned to the Bluestone Elite strategy composite managed by Bluestone Capital Management and at firms that the portfolio managers were previously affiliated before the founding of Bluestone in 2011. The Bluestone Elite composite includes all Bluestone Elite strategy accounts not a part of a WRAP program. The Bluestone Elite strategy is an equity replacement strategy which seeks to provide superior risk-adjusted returns over a full market cycle. The Morningstar Aggressive Target Risk Index represents a portfolio of global equities and bonds. This portfolio is held in a static allocation of 95% equities and 5% fixed income, which is appropriate for investors who seek an above average exposure to equity market risk and returns. The S&P Global BMI is a rules-based index measuring global stock market performance. Prospective clients may obtain a compliant presentation by contacting the firm via the phone or email listed below.*