3rd Quarter 2017

A NEWSLETTER FOR OUR CLIENTS

Contents:

- Market & Investment Overview
- Market Focus
- Required Disclosures
- GIPS® Compliant Performance Reports

Market Focus See Pages 2 and 3 for commentary on the following subjects
Subjects
Market Positives: Oil Market Rebalancing, Strong GDP Growth, Low Unemployment Rates
Reasons To Worry: Overvalued Stock Markets, Political Instability

Investment Overview

The third quarter ended on a high note for most of our investment strategies, with 4 of our 5 equity strategies achieving better than 10% returns for September alone. The lone equity portfolio that didn't outperform in September was our Emerging Markets strategy as Emerging Markets were roughly flat last month. Our bond portfolios also performed well in the 3rd quarter and both the bond portfolios are handily outpacing their bond benchmarks year to date.

To the investor periodically checking in on their accounts or watching news reports about the Dow Jones and S&P 500 Indices continually reaching new highs, all seems well. The third quarter was docile with regard to volatility and good economic news can be found everywhere with anything from GDP growth to job growth numbers. It's times like these when all the market news is positive though that investors and "professionals" can easily forget about the risks of investing.

While it's no doubt that the stock and bond markets are providing plenty of legitimately good news at the moment, there are some things worrying this professional. In this quarter's commentary we are describing some positive economic developments that give us optimism for the long-term future and some developments that we think present significant risk to investors and markets. The list of issues below is not exhaustive but presents some of why we're optimistic about certain market sectors but very cautious overall.

Market Positives

- Oil market rebalancing
- Strong domestic GDP growth rates
- Low unemployment rates

Reasons to Worry

- Overvalued stock markets
- Political instability in the White House
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Market Positives

Oil Market Rebalancing

It's clear that the bottom has come and gone with regard to the worst-ever oil market crash that spanned from mid-2014 through early 2016. The price of crude oil has roughly doubled since the bottom in early 2016 but oil prices had crashed over 80% from their highs and still remain at historically depressed levels. The volatile commodity is extremely important to the global economy and low oil prices affect many industries outside the energy sector.

Domestic and foreign oil production remains very high, but is more in line with demand than two years ago. And very importantly, crude oil inventories have begun to drop sharply in the last few months due to a multitude of factors. OPEC has curbed production and is likely to extend production cuts well into 2018. The reduction in exploration projects during 2014 – 2016 is now starting to have visible effects. Oil well depletion, the decline in production capacity that occurs as wells age, requires oil companies to constantly explore the planet for new sources of oil. Because of the oil price crash though, billions of dollars of exploration activity has been cancelled or delayed, which is likely to lead to oil shortages over the next few years. This bodes very well for our oil related equity investments. Also, the rebound in oil prices is good news for many industries that support or serve the energy sector in one way or another.

GDP Growth

The U.S. economy expanded an annualized 3.1% in the 2nd quarter this year. That's good but not quite as strong as the GDP growth we saw in the years from 2010 through 2015 as the Country was still rebounding from the 2008 credit crisis. Given how mature the U.S. economy is, 3% to 4% growth is likely as good as we can expect in the near future.

Although President Trump in all his self-obsessed wisdom claims responsibility for the improved GDP growth, low unemployment and stock market appreciation, this market cycle began long before he ran for president and we're now likely in the latter stages of an economic growth period. The economy remains stable and the high employment rates and high stock market levels are giving businesses and consumers confidence. A lot could derail this calm, but for now this is the tide lifting all (or most) boats.

Low Unemployment
Unemployment rates in the U.S. are currently at 4.2%, which is considered "full employment" and signifies the labor market is about as good as it gets. This is common for medium to late stage bull markets and not only helps the economy grow, but helps companies' earnings growth as well. Periods of low unemployment and high(er) GDP growth often leads to prolonged bull markets. These are obviously good signs for the stock market, on paper anyway, should economic conditions remain stable for the long term.

Labor market participation and low unemployment rates are very cyclical in nature and the U.S. Bureau of Labor Statistics has great data on this going back to the 1940s. The last time the unemployment rate was near this level was in 2007 – just before the 2008 meltdown. And the time prior to that that unemployment was in the 4% range was at the very end of the Dot Com era economic boom – which was followed by the Dot Com crash. So although at the current moment, low unemployment rates are good news for the economy, the cyclical history suggests that the good times won't last too long, often just a few years or less. The good news though is that unemployment rates have been falling dramatically since reaching about 10% in 2009. (Source: tradingeconomics.com)

Reasons To Worry
Overvalued Stock Markets
We've been discussing the "overvalued market" topic for at least a year and obviously as stock prices have risen the investing public has gotten giddy and we've become more worried. Value investors base their portfolio decisions on the rule of "Margin of Safety", as written about by value investing guru Seth Klarman. In basic terms, value investors look to purchase securities that offer a significant margin of safety between the price paid and the actual value of the security.

At the moment, there are a very small number of stocks that offer any margin of safety at current prices. The U.S. stock market is significantly overvalued using virtually any metric one chooses. That doesn't mean a crash is happening tomorrow, next quarter or even next year – the timing of that is of course unknowable. But if one is overpaying for stocks (or any other investment) they are likely to have poor returns from that investment and potentially lose money. There are many different ways to value stocks, so let's take a look at a couple statistics to review why we feel the U.S. stock market is overvalued and what that means for investors.

The Shiller PE Ratio is one of the most well-known stock market valuation metrics. It was created by Yale University Professor Robert Shiller and is based on the average inflation-adjusted earnings from the previous 10 years. The earnings based metric tells investors how much they're paying for the last decades' earnings and is therefore a long-term PE ratio applied to the S&P 500 and all broken down into 11 market sectors. (Source: http://www.multpl.com/shiller-pe/)

The current Shiller PE Ratio of 31.19 is basically the second highest ever. The only period in stock market history, going back to 1881, with a Shiller PE ratio this high is during the Dot Com era market hype. This should concern investors greatly because GDP growth in the U.S. during the 90s was almost double what it is now. The Dot Com bull market was followed by the Dot Com crash – when U.S. stocks were in the negative for 3 straight years and lost about 43% in value.

As a value investing firm with a very strict approach to buying and selling equities, there is little we'd consider safe to buy at the moment. Of the 11 market sectors of the S&P 500, only the Energy sector has more than a handful of "cheap" stocks. We don't buy entire sectors of course, but individual stocks make up our equity portfolios. With about 90% of stock market trading volume being electronic and somewhat automated, stock movements are highly correlated compared to the past. The Real Estate and Technology sectors are the most overvalued with alarmingly expensive stocks making up the bulk of those two sectors.

Because the S&P 500 Index and most other stock indices are market cap weighted, the biggest slices of the pie are the most overvalued stocks. This means when the next correction comes, owners of index funds will likely get hit hardest. Why is this the case? The higher stock market value of a stock, the larger proportion of an index is made up of that stock. So the most overpriced stocks make up a disproportionate share of the overall market. But if growth slows or the market suddenly decides those overpriced stocks are not worth what they're selling for – a drop in those overpriced stocks (think Netflix, Tesla, Facebook, Apple) will crash the index even if many of the smaller company stocks did not drop in value.

Another, lesser known market valuation indicator we watch is known as the Buffett Indicator. Warren Buffett himself created the metric many years ago, probably unknowingly, by stating that the percentage of total market cap relative to US GNP is "probably the best single measure of where valuations stand at any given time". The investing website gurufocus.com has a great breakdown of how the Buffett inspired Market Cap-GDP Ratio is used to compare valuations all over the globe. According to gurufocus.com, the ratio is the highest ever except for just before the Dot Com crash – nearly identical to what we see with the Shiller PE Ratio. (Source: https://www.gurufocus.com/stock-market-valuations.php)

Political Instability Coming From the White House

The other main obvious risk is the political chaos going on with Donald Trump's administration. Presidents are usually given too much credit when the market performs well and too much criticism when they falter. But it's undeniable that the problems facing the current administration present significant risks to stock markets…and many other facets of American life. The President has divided the Country further, has yet to have a positive legislative impact and in many areas of government has created outright chaos with his manic, sociopathic personality.

It will likely take years to assess the full impact of Trump's presidency, but right now some obvious problems are 1) potential new wars (North Korea, Iran?) or further involvement in existing conflicts (Iraq, Afghanistan, broader Middle East) 2) conflicts with important trading partners that can have long-term negative economic consequences (Mexico, Germany, etc) 3) radical, poorly thought out revenge legislation (cutting CSR payments to Obamacare markets, pulling out of the Paris Accord, throwing a grenade at DACA) 4) President Trump warring with his own party and demeaning others has created legislative gridlock in Washington.

There has certainly never been a President who showed so many scary traits and presented so much risk to the Country and the economy…yet the "markets" have shrugged off these risks so far, driving stock prices to unprecedented levels. I probably write this in every Quarterly Investment Report but that shows the statement's importance: one cannot time the market. So, with the risks described above, how do we make decisions with our portfolios? How have these risks affected our clients' portfolios?

Being a devout value investment firm, we do not use fear or emotions to manage our portfolios. As I've done since beginning to manage money for others in 2008, our firm uses traditional value investing valuation principles with our buy and sell decisions. Now that the U.S. market has reached such lofty valuations and we continue to sell stocks that reach prices we calculate are roughly equal to fair market value, we're having trouble finding replacement candidates for our equity portfolios.

Rather than become less strict and own stocks we feel are overvalued, as of last Fall, we've been allocating a greater and greater percentage of equity portfolios to bonds. We now have significant portion of each equity portfolio allocated to high quality bonds and money market funds. This means that if the market charges higher at breakneck speed, we likely cannot keep pace performance wise. However, when the next market correction begins, I expect our portfolios would retain value far better than index funds that have automatically allocated so much money to the most overpriced stocks. Only time will tell, but we feel this approach is in our clients' best interests while continuing to focus on the principle of Margin of Safety.

Disclaimer/Disclosure

The purpose of this newsletter is to explain what is happening with our investment strategies and our current views on the markets. We do not sell our investment report and it is intended only as a communication device. The information in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance or guarantee that the securities discussed herein will remain in an account's portfolio at the time this report is received. The securities discussed do not represent an account's entire portfolio and may only represent a small percentage of an account's portfolio. It should not be assumed that any of the securities discussed were or will prove to be profitable, or that the investment recommendations or decisions ECM makes in the future will be profitable or will equal the investment performance of the securities discussed herein.

ECM uses certain proprietary databases, formulas and devices in its investment decision process. Such devices, such as our Value Stock Score® program have limitations with respect to their use. The use of these devices does not change the possibility of loss inherent in all investment decisions

Contact Us

For questions regarding fees and expenses, risks, or other investment questions, please visit our website at www.ebertcapital.com or contact us directly and we will be happy to assist you.

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Ebert Capital Management Inc.
Value Stock Score® Strategy Composite
As of September 30, 2017

Strategy/Index Name	Inception Date	1 Year Annualized	3 Year Annualized	3 Year Cumulative	5 Year Annualized	5 Year Cumulative	Annualized Since Inception	Cumulative Since Inception
Value Stock Score® Strategy - Net of Fees	12/01/10	12.75%	10.81%	36.07%	9.65%	58.52%	11.16%	104.20%
Value Stock Score® Strategy - Gross of Fees	12/01/10	14.13%	11.73%	39.47%	10.80%	67.02%	12.07%	115.86%
Russell 2000 Value Index	N/A	19.80%	11.88%	40.06%	13.12%	85.24%	12.15%	116.78%

Year	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr Std. Dev	Benchmark 3-Yr Std. Dev	Internal Dispersion	Number of Portfolios	Composite Assets ($)	Firm Assets ($)
2010	11.70%	8.31%	N/A	N/A	N/A	1	$10,294	$740,775
2011	-2.44%	-5.52%	N/A	N/A	N/A	4	$186,748	$3,000,000
2012	28.91%	18.05%	N/A	N/A	5.70%	40	$1,473,088	$5,500,000
2013	31.32%	34.50%	18.49%	16.05%	3.69%	60	$2,370,525	$14,025,000
2014	-11.32%	4.22%	17.03%	12.98%	4.82%	70	$2,375,917	$17,000,000
2015	-4.76%	-7.47%	14.69%	13.65%	9.99%	99	$2,810,852	$18,123,181
2016	28.41%	31.74%	17.21%	15.72%	5.94%	124	$4,920,646	$22,000,000

This strategy generally maintains 24 positions. This strategy consists of U.S. stocks only and the benchmark is the Russell 2000 Value Index. The strategy holds positions in what we consider to be undervalued, safe and profitable companies. We have changed the benchmark index for the Value Stock Score® Strategy from the Russell 2000 Index to the Russell 2000 Value Index. This change has not yet been approved by the GIPS verification firm we engage for GIPS audits, but we will confirm that this is the appropriate benchmark for the Value Stock Score® strategy.

The Value Stock Score® Strategy consists of all accounts that hold U.S. stocks of any market capitalization above $50 million selected by using the Value Stock Score® Program. The strategy identifies undervalued companies by using ECM's Value Stock Score® Program to score different financial variables of each company. The composite returns represent the total returns as of December 1st, 2010 -- of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net and gross of actual management fees paid. Fees are described in the firm's *ADV Part 2*. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the Russell 2000 Value Index, presented in U.S. dollars. Three-year ex post standard deviation for composite and benchmark is not present if 36 monthly returns are unavailable. A dispersion measure is not shown when there are five or fewer accounts in the composite for the entire year. The internal dispersion is calculated using the asset-weighted standard deviation of annual net returns of those portfolios that were included in the composite.

Ebert Capital Management Inc. (ECM) is an independent, fee-only registered investment adviser. We provide investment management and financial planning for individual investors, retirement plans, other financial advisers and institutions. ECM claims compliance with the Global Investment Performance Standards (GIPS®) and has been independently verified. The verification report is available upon request. Performance of the Value Stock Score® Strategy is as of December 1, 2010. To receive a complete description of the policies and procedures for this composite and a list and description of all firm composites, please contact us at (707) 407-3813 or info@ebertcapital.com.

Past performance does not guarantee future results. Performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted. Past performance of markets, strategies, composites, or any individual securities is no guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's portfolio. Investment in the above referenced model composite is subject to investment risks, including, without limitation: market risk, interest rate risk, management style risk, business risk, sector risk, and other risks related to equity securities. There are no assurances that a portfolio will match or outperform any particular benchmark. Historical performance results for benchmarks, such as investment indices and/or categories, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, which would have the effect of decreasing historical performance results.

Ebert Capital Management Inc.
Global Stock Score Strategy Composite
As of September 30, 2017

Strategy/Index Name	Inception Date	1 Year Annualized	3 Year Annualized	3 Year Cumulative	Annualized Since Inception	Cumulative Since Inception
Global Stock Score Strategy - Net of Fees	11/1/12	23.19%	1.13%	-18.65%	6.77%	37.27%
Global Stock Score Strategy - Gross of Fees	11/1/12	24.72%	2.42%	-15.46%	8.21%	46.41%
MSCI ACWI Index Ex-US	N/A	19.01%	4.52%	2.41%	7.54%	42.08%

Year	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr Std. Dev	Benchmark 3-Yr Std. Dev	Internal Dispersion	Number of Portfolios	Composite Assets ($)	Firm Assets ($)
2012	16.21%	5.45%	N/A	N/A	N/A	8	$501,888	$5,500,000
2013	16.68%	15.29%	N/A	N/A	4.45%	67	$2,417,424	$14,025,000
2014	-9.82%	-3.86%	N/A	N/A	4.37%	87	$2,708,522	$17,000,000
2015	-26.38%	-5.66%	19.41%	12.58%	10.55%	93	$2,090,977	$18,123,181
2016	47.99%	4.49%	20.79%	12.78%	5.33%	99	$3,780,061	$22,000,000

This strategy generally maintains 24 positions. This strategy consists of international stocks & U.S. stocks with large foreign income or operations, from the world's largest developed and emerging market countries. This strategy is benchmarked to the MSCI All Country World Index Ex-U.S. and holds positions in what we consider to be undervalued, safe and profitable companies.

The Global Stock Score Strategy consists of all accounts that hold international stocks of any market capitalization above $50 million, selected by using the Value Stock Score® Program. The strategy identifies undervalued companies by using ECM's Value Stock Score® Program to score different financial variables of each company. The composite returns represent the total returns as of November 1st, 2012 of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net and gross of actual management fees paid. Fees are described in the firm's *ADV Part 2*. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the MSCI Emerging Market Index and MSCI ACWI Index Ex U.S., presented in U.S. dollars.

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Ebert Capital Management Inc.
Global ETF Score Strategy Composite
As of September 30, 2017

Strategy/Index Name	Inception Date	1 Year Annualized	3 Year Annualized	3 Year Cumulative	5 Year Annualized	5 Year Cumulative	Annualized Since Inception	Cumulative Since Inception
Global ETF Score Strategy - Net of Fees	6/27/12	11.07%	-0.83%	-2.47%	2.62%	13.81%	4.41%	24.98%
Global ETF Score Strategy - Gross of Fees	6/27/12	12.48%	0.42%	1.26%	3.99%	21.59%	5.76%	33.52%
MSCI Emerging Markets Index	N/A	20.84%	4.40%	13.79%	3.47%	18.60%	4.86%	27.78%

Year	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr Std. Dev	Benchmark 3-Yr Std. Dev	Internal Dispersion	Number of Portfolios	Composite Assets ($)	Firm Assets ($)
2012	18.98%	14.05%	N/A	N/A	N/A	19	$553,361	$5,500,000
2013	3.23%	-3.71%	N/A	N/A	5.12%	60	$1,187,696	$14,025,000
2014	-5.41%	-2.19%	N/A	N/A	4.77%	80	$1,233,968	$17,000,000
2015	-15.52%	-15.01%	16.65%	14.16%	4.92%	80	$1,009,467	$18,123,181
2016	15.72%	10.01%	16.20%	16.31%	4.12%	79	$1,220,665	$22,000,000

The strategy invests in five to six country-specific ETFs at a time. The ETFs chosen are rebalanced periodically using our proprietary ETF scoring process. Specific economic data is used to select ETFs of the most undervalued countries for the world's 50 largest developed and emerging economies. This enables us to invest in what we determine to be the most undervalued global markets. The strategy is benchmarked to the MSCI Emerging Markets Index.

The Global ETF Score Strategy consists of all accounts that hold country specific ETF's selected by using ECM's Global ETF score strategy. This strategy identifies undervalued countries by scoring countries on different economic variables such as GDP and market capitalization; other information such as dividend yield is used in the selection process. The composite returns represent the total returns as of June 27,2012, of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net and gross of actual management fees paid. Fees are described in the firm's ADV Part 2. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the MSCI Emerging Market Index, presented in U.S. dollars.

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Ebert Capital Management Inc.
Fundamental Value Strategy Composite
As of September 30, 2017

Strategy/Index Name	Inception Date	1 Year Annualized	3 Year Annualized	3 Year Cumulative	Annualized Since Inception	Cumulative Since Inception
Fundamental Value Strategy - Net of Fees	4/1/13	15.89%	1.42%	4.31%	7.99%	40.41%
Fundamental Value Strategy - Gross of Fees	4/1/13	17.06%	2.47%	7.58%	9.18%	47.39%
MSCI ACWI Index	N/A	18.39%	7.09%	22.80%	9.10%	46.92%

Year	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr Std. Dev	Benchmark 3-Yr Std. Dev	Internal Dispersion	Number of Portfolios	Composite Assets ($)	Firm Assets ($)
2013	28.31%	15.34%	N/A	N/A	N/A	32	$258,223	$14,025,000
2014	-2.17%	4.15%	N/A	N/A	2.72%	43	$645,341	$17,000,000
2015	-19.57%	-2.36%	N/A	N/A	6.69%	58	$724,038	$18,123,181
2016	40.36%	6.82%	21.21%	11.23%	7.37%	60	$1,286,419	$22,000,000

This strategy combines the strategies of our stock scoring and ETF scoring strategies to maintain a portfolio of value-oriented stocks and ETFs. The portfolio may also use ETFs from fixed income, commodity and other sectors of the investable market. The goal of the strategy is capital appreciation and it is indexed to the MSCI All Country World Index.

The Fundamental Value Strategy consists of all accounts that hold domestic stocks with market capitalizations above $50 million and international stocks of any market capitalization above $50 million, selected by using the Value Stock Score® Program and MSCI global ETFs, selecting using our proprietary ETF scoring method. The strategy combines the methodologies of both our stock scoring and ETF scoring strategies to maintain a portfolio of undervalued securities from multiple geographic areas. The composite returns represent the total returns as of April 1st, 2013 of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net and gross of actual management fees paid. Fees are described in the firm's *ADV Part 2*. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the MSCI ACWI Index, presented in U.S. dollars.

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Ebert Capital Management Inc.
Conservative Income Strategy Composite
As of December 31, 2016

Strategy/Index Name	Inception Date	1 Year Annualized	3 Year Annualized	3 Year Cumulative	5 Year Annualized	5 Year Cumulative	Annualized Since Inception	Cumulative Since Inception
Conservative Income Strategy - Net	8/1/11	2.56%	3.50%	10.86%	2.43%	12.75%	2.54%	16.46%
Conservative Income Strategy - Gross	8/1/11	3.74%	4.72%	14.85%	3.93%	21.26%	3.77%	25.26%
BarCap US Aggregate Bond Index	N/A	0.20%	2.77%	8.54%	2.10%	10.94%	2.93%	19.24%

Year	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr Std. Dev	Benchmark 3-Yr Std. Dev	Internal Dispersion	Number of Portfolios	Composite Assets ($)	Firm Assets ($)
2011	1.48%	3.35%	N/A	N/A	N/A	2	$33,485	$740,775
2012	2.33%	4.23%	N/A	N/A	.71%	19	$1,433,199	$5,500,000
2013	-2.27%	-2.02%	N/A	N/A	1.64%	36	$1,275,057	$14,025,000
2014	5.03%	5.95%	5.05%	2.89%	1.55%	48	$1,712,661	$17,000,000
2015	-5.58%	0.57%	5.26%	2.73%	1.39%	77	$2,276,207	$18,123,181
2016	8.92%	2.66%	5.96%	3.03%	1.85%	84	$1,854,702	$22,000,000

The Conservative Income Strategy consists of all accounts that hold bond ETFs selected with the aim of providing principal protection and income using low-cost bond index ETFs of varying maturity and bond quality. The composite returns represent the total returns as of August 1, 2011 of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net and gross of actual management fees paid. Fees are described in the firm's *ADV Part 2*. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the MSCI ACWI Index, presented in U.S. dollars.

Ebert Capital Management Inc. (ECM) is an independent, fee-only registered investment adviser. We provide investment management and financial planning for individual investors, retirement plans, other financial advisers and institutions. ECM claims compliance with the Global Investment Performance Standards (GIPS®) and has been independently verified. The verification report is available upon request. Performance of the Conservative Income Strategy is as of August 1, 2011. To receive a complete description of the policies and procedures for this composite and a list and description of all firm composites, please contact us at (707) 407-3813 or info@ebertcapital.com.

Past performance does not guarantee future results. Performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted. Past performance of markets, strategies, composites, or any individual securities is no guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's portfolio. Investment in the above referenced model composite is subject to investment risks, including, without limitation: market risk, interest rate risk, management style risk, business risk, sector risk, and other risks related to equity securities. There are no assurances that a portfolio will match or outperform any particular benchmark. Historical performance results for benchmarks, such as investment indices and/or categories, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, which would have the effect of decreasing historical performance results.