

**A NEWSLETTER FOR OUR CLIENTS**

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**Investment Overview**

As I have been writing in our Quarterly Investment Reports over the last year, stocks have become extremely overvalued and our firm has been more conservative in our views and asset allocation. As this quarterly report is being written, U.S. and foreign stock markets are in a tailspin. We have been expecting trouble and warning investors that stock valuations are, using any metric, either the most expensive or second most expensive in market history. No one can time the market and we never will, but valuing the market and the investments we own is important and it's clear valuations are high enough to warrant extreme caution.

For example, as I warned investors in our April and October 2017 Quarterly Investment Reports, the Shiller PE Ratio – one of the best academically accepted market valuation metrics – was and is at an alarmingly high level. At this moment the Shiller PE Ratio is over 32 – the second highest reading ever...going back to 1881. The only time the Shiller PE Ratio was higher, was in 1999 – which immediately preceded the Dot Com crash, 3 years of losses for U.S. markets.

Even after the Dow Jones Industrial Average has dropped nearly 3,000 points in just the last week, U.S. stocks remain at or near all-time high valuations. Knowing it would take a market crash of large proportions just to get stocks to a Shiller PE Ratio of 25 (which is still historically well above the 100 year average) I'm glad we prepared as best could.

Beginning in late 2016 it became difficult to find many cheap stocks of quality companies outside of the Energy and Materials sectors. These sectors offered many undervalued stocks because of the oil market crash of 2014 and 2015. However, because of a lack of opportunities elsewhere we began to fill portfolio positions with corporate bonds, long dated treasury bonds and money market funds in our equity portfolios.

The short-term effect of this “de-risking” meant that our equity portfolios did not keep pace with broader equity market performance during 2017. However, it is best to avoid the

**Stock Highlight**

See Page 3 for Stock Highlights on the following company

Company /Security	Market Cap	Portfolio	Country of Origin	Industry
EnSCO PLC	\$20.27 Billion	Global Stock Score, Dividend Value, Fundamental Value, Value Stock Score®	United Kingdom	Offshore Drilling

This information is provided to existing and prospective clients to assist investors in understanding their own results. Detailed performance reports are updated on a quarterly basis and made available on our website [www.ebertcapital.com](http://www.ebertcapital.com). GIPS® compliant performance reports are included on the following pages. This report is for informational purposes only and should not be taken as instruction or solicitation to buy or sell any security. Investing in securities involves risks that may lead to financial losses. Past performance does not guarantee future results.

upward momentum panic investors experience – often called FOMO (fear of missing out) – and downward momentum panic seen during market crashes. I'm confident remaining cautious during times of good news and aggressive during times of bad news will continue to serve our clients well.

Fast forward to early 2018 and as we're in the midst of a market correction, the wisdom of our conservative approach during 2017 becomes crystal clear. Our equity portfolios now contain between about 30% to over 40% fixed income (bonds and money market funds). This puts us in the enviable position of having conservative assets in our portfolios during a time of market crisis. This portfolio strategy also sets us up to have the ability and the cash to become very aggressive in buying as the market declines. If the market declines more we'll hopefully find opportunities to find cheap stocks; if the market continues upward we'll continue being conservative until we see good pitches to swing at.

Although our portfolios aren't impervious to market risk, having such a large fixed income position in our equity portfolios should help us fare better than those fully invested in the stock market during a time of such irrational valuations. I'm confident this approach will lead to strong long-term performance in the future and will hopefully help our clients' portfolios weather the storm during the down market.

**Risky Behavior**

It's easy to say in retrospect, but it's been clear that as the bull market that started in 2009 has gotten into the later innings over the last year or more, investors worldwide have been engaging in riskier and riskier behavior. The economy is strong and the economic recovery that started in 2009 has become

one of the longest in history. But as we're certainly closer to the next recession, timeline wise, than we are from the '08 crisis, investors have forgotten about the risks of suspect investments and the potential risk of loss in buying high priced securities.

Bitcoin is a perfect example of specious types of places investors often put their capital in the latter stages of bull markets. Bitcoin has crashed roughly 65% from its December peak, but I won't be surprised if Bitcoin and all other cryptocurrencies eventually go to zero. Bitcoin is not a currency by any definition ever used in recorded history, nor is it a store of value, nor is it an investment based on fundamental values, nor does it provide cash flows. By all metrics defining an investment or a currency, Bitcoin fails. However, that did not stop frenzied investors into pouring money, worldwide, into this "thing" only to see Bitcoin prices crash faster than in any market in history from December through early February.

But not all risky behavior is quite so obvious as the risks of crypto "currencies". Market cap weighted index funds, volatility linked ETFs and reliance on computerized investing represent as much risk, if not more, because investors have come to trust these things as safe. Index funds have become enormously popular over the last 10 years, a time when stock markets have gone up consistently. Investors have poured money into these funds, many with the rationale that they're "safer" than actively managed funds. I've heard this refrain many times, most likely because index funds offer low costs and at worst, will match the performance of the indices they track.

However, index funds - inextricably linked to computerized trading, which now makes up more than 90% of all trading volume, represent enormous systemic risk to markets. Market capitalization weighted index funds put the majority of their weighting into the most expensive, and often most overvalued, stocks. This means by definition the largest market participants are computers and the largest equity owners are index fund companies who have no opinion on valuation. This is worth repeating a different way - computers do all the trading and index companies are the biggest owners of corporations.

Since index funds make no decision on valuations - in practice one could argue that valuations matter less than previous times in market history. This should scare everyone. In private business, valuations matter. No private business owner is going to buy a company with a PE ratio of 400, or a company that has no revenues, or a company that has never made a profit...ever. But in publicly traded markets, where index funds now dominate - such suspect companies make up huge percentages of the "public's" portfolio. Basically, who owns America's businesses and holds the most influence to these businesses - index funds that don't care what price they pay for stocks.

Index funds, which operate as if valuations don't matter, create a level of systemic risk similar to the "Too Big to Fail" financial institutions that contributed greatly to the market pain of 2008 and beyond. In reality, valuations do matter but we now have a capital system that ignores that reality, causing long-term periods where valuations with certain companies or market sectors can be greatly distorted. Distortions create opportunities for value investors like us to buy good companies at bargain prices. But this distortion can only be undone by punctuated market events - likely painful ones - that can bring all equity prices down in order to get the most expensive stocks better in line with real valuations.

### Reaction to The Tax Cuts and Jobs Act

Since Donald Trump assumed the presidency, but probably even before that - a theme of hyper-partisanship has developed in our Country. President Trump has certainly exacerbated existing divisions between various groups with his racist, xenophobic, sexist and generally divisive childish behavior. This has made the positive impacts he's made, and there are some notable ones, negated by the bad news coming from the Administration. That being said, the tax law passed recently by Congress does represent a large change to the economic framework in the U.S. and I'll do my best to provide an objective, nonpartisan overview of the new law.

Here's a quick overview of the positives, negatives and potential impacts of the new tax law.

**Positives** - The tax cuts will be stimulative to the economy, will improve corporate profits and probably will lead to increased dividends and buybacks for corporations. The tax cuts likely will help increase GDP numbers slightly over the next few years, though the impact will fade quickly. The individual tax cuts will likely have a more modest impact since most of the tax benefits go to the wealthiest Americans and the non-corporate tax cuts expire in 5 years.

**Negatives** - The new tax law doesn't decrease taxes for individual taxpayers nearly as much as it was sold by Congress and the Trump administration. The tax law is largely a tax break for the very wealthy and for corporations. It does not simplify the tax code or tax returns, it will lead to larger budget deficits and add dramatically to the national debt. The limitation on the SALT deduction, a "Blue State Penalty", will have large negative effects for some states.

Legendary value investor Howard Marks does a great job explaining the massive harmful effects the SALT deduction limit is likely to have on states such as California and New York. Here's a link to his latest memo, where you can skip down to the section titled "Reactions to the New Tax Law":  
<https://www.oaktrecapital.com/insights/howard-marks-memos>

**Potential Short-Term Impacts** – According to most economic experts I've read from, in the near term the tax cuts law is likely to have stimulative impact to corporate earnings and probably lead to repatriation of billions in cash from U.S. corporations who've earned profits abroad and then left those profits in foreign banks to avoid U.S. taxes. The positives of the tax cuts to corporations however will cause pain for millions of taxpayers affected by the Blue State Penalty. In fact, the two states that contribute the largest to the U.S. economy – California and New York – are likely to continue fighting against the new tax law in court because of the harmful impacts they expect to their economies, state budgets and by extension, residents of both states.

**Potential Long-Term Impacts** – Also according to a wide swath of economic reviews of the new tax law, the long term benefits of the tax cuts likely disappear after just a few years. There are actually many more potentially harmful long term effects of the new tax law than good ones. For example, the reduced tax revenues from corporate income tax will cause massive increases in budget deficits. This will lead to higher interest rates, adding to U.S. borrowing costs and massively increase the national debt. This problem will make President Trump's infrastructure spending plans dead on arrival too.

The problem of massive national debt will create decades' long problems for future administrations. To keep the economy stable, there will likely be austerity measures required in the future to reduce debt and the percentage of the budget that goes to paying interest. This certainty will make economic and GDP growth difficult if not impossible. It's an example of this administration's complete lack of planning foresight that the economic effects of the tax law are likely to have the exact opposite of the administration's intended goals.

#### Stock Highlights

<b>Company: Enco PLC</b>	<b>Ticker: ESV</b>
<b>Market Cap: \$2.23 Billion</b>	<b>Country of Origin: U.K.</b>
<b>Industries: Offshore Drilling</b>	<b>Portfolio: Value Stock Score<sup>®</sup>, Fundamental Value, Dividend Value, Global Stock Score</b>
<b>Current Price: \$4.93</b>	<b>DCF Value: \$38.00</b>

**Company Overview**- Enco is a leading provider of oil drilling services and operates the largest offshore drilling fleet in the world. (Alpha, 2017) Enco has one of the newest fleet of drilling rigs of any company in the industry and has just completed a merger with Atwood Oceanics that puts the company a dominant position. The oil drilling industry is still recovering from the supply glut it faced in 2014-15 as the price of oil and gas dropped precipitously following a boom in hydraulic fracturing (fracking) that caused the U.S oil output to surge to record levels in 2014. Now the oversupply has been reduced after massive depletions in global oil inventories and the oil industry is on pace to fully recover within a couple years.

**Financial Highlights**- Enco has reduced its debtload and significantly built up its drilling fleet during the oil crash. Any improvement in oil market conditions will allow Enco to continue reducing debt. Though revenue has declined from the high point of 2013, the Atwood Oceanics merger has transformed Enco during a time when many companies were struggling to survive. Over the next few years Enco's dominant position will likely lead to huge increases in earnings and improve their balance sheet.

**Investment Thesis**- Bluntly, the stock is extremely, historically cheap. Enco is in a cyclical business that is now ending a period that will be looked at as the worst ever for the oil business. Emerging from the crisis period as a dramatically improved company is thanks to the company's aggressive, but prudent leadership. The shares may remain undervalued for years because of the current discount to fair market value. But Enco is a large part of each of our equity portfolios and if the shares simply get back to the current book value, a low barrier, the investment will have proved to be a massive success.

#### 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<sup>®</sup> 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](http://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 December 31, 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	Annualized Standard Deviation
Value Stock Score® Strategy - Net of Fees	12/01/10	3.10%	8.04%	26.10%	7.99%	46.84%	10.90%	106.28%	17.48%
Value Stock Score® Strategy - Gross of Fees	12/01/10	4.35%	9.41%	30.95%	9.12%	54.72%	11.83%	118.70%	17.40%
Russell 2000 Value Index*	N/A	7.82%	9.54%	31.42%	13.00%	84.22%	12.11%	122.55%	15.19%

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
2017	3.10%	7.82%	15.68%	14.17%	3.45%	144	\$5,646,227	\$27,801,856

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. 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](mailto: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 December 31, 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	Annualized Standard Deviation
Global Stock Score Strategy - Net of Fees	11/1/12	0.15%	2.95%	9.12%	2.80%	14.82%	5.84%	33.43%	19.26%
Global Stock Score Strategy - Gross of Fees	11/1/12	1.38%	4.25%	13.31%	4.20%	22.83%	7.25%	42.75%	19.31%
MSCI ACWI Index Ex-US	N/A	27.02%	7.78%	25.21%	7.26%	42.00%	8.26%	49.73%	11.43%

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%	-1.63%	N/A	N/A	4.37%	78	\$2,507,669	\$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
2017	0.15%	27.02%	21.10%	12.04%	4.88%	116	\$4,308,358	\$27,801,856

A strategy that generally maintains 24 positions built and managed with our Value Stock Score® program. 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 in both foreign stocks and U.S. listed companies with a majority of revenues or operations abroad.

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 December 31, 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	Annualized Standard Deviation
Global ETF Score Strategy – Net of Fees	6/27/12	10.20%	2.51%	7.73%	1.02%	5.20%	4.23%	25.16%	14.61%
Global ETF Score Strategy – Gross of Fees	6/27/12	11.61%	3.78%	11.78%	2.35%	12.33%	5.57%	34.13%	14.70%
MSCI Emerging Markets Index	N/A	36.42%	8.45%	27.55%	3.76%	20.25%	5.95%	36.77%	14.10%

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
2017	10.20%	36.42%	13.94%	15.58%	1.96%	56	\$865,676	\$27,801,856

The strategy invests in five 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 December 31, 2017

Strategy/Index Name	Inception Date	1 Year Annualized	3 Year Annualized	3 Year Cumulative	Annualized Since Inception	Cumulative Since Inception	Annualized Standard Deviation
Fundamental Value Strategy – Net of Fees	4/1/13	-1.60%	3.57%	11.08%	7.38%	39.44%	20.11%
Fundamental Value Strategy – Gross of Fees	4/1/13	-0.49%	4.65%	14.61%	8.59%	46.91%	20.13%
MSCI ACWI Index	N/A	24.33%	9.05%	29.68%	9.96%	55.78%	10.06%

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
2017	-1.60%	24.33%	23.41%	10.55%	5.85%	90	\$2,932,255	\$27,801,856

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<sup>®</sup> 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.

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<sup>®</sup>) and has been independently verified. The verification report is available upon request. Performance of the Fundamental Value Strategy is as of April 1, 2013. 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](mailto: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.**  
**Conservative Income Strategy Composite**  
As of December 31, 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	Annualized Standard Deviation
Conservative Income Strategy - Net	8/1/11	7.92%	3.53%	10.98%	2.64%	13.92%	2.69%	18.30%	4.83%
Conservative Income Strategy - Gross	8/1/11	9.09%	4.73%	14.87%	4.14%	22.50%	3.91%	27.53%	4.91%
BarCap US Aggregate Bond Index	N/A	3.55%	2.25%	6.91%	2.11%	10.98	2.86%	19.55%	2.71%

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
2017	7.92%	3.55%	5.25%	2.82%	0.53%	132	\$3,644,450	\$27,801,856

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.

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