

Dec 2016

AR +1.81% AG +0.95% TMG +1.05% SP500 +2.02% R2000 +2.89% GDP +1.23%

Commentary

2016 is in the record books but not the way so-called experts were predicting. Energy was left for dead in February but finished as the strongest of the S&P sectors, up 28%. Early June predictions that the UK would remain part of the EU were wrong but no one really cared as US markets launched to new highs in August. A Trump victory was certain to tank the markets but did just the opposite. In fact, the Trump effect was decisive. The S&P 500 was up 4% going into the election and finished the year with a 12% gain (including dividends).

For the month of December, the three primary LongRun strategies (Absolute Return, Aggressive Growth and Tax Managed Growth) all followed the markets higher but they finished the year in distinctly different places. AG showed an 11.6% gain, AR was up just over 4% and TMG lost 3% after failing to recover from a bad start and the resulting defensive positioning. Disappointing results for AR and TMG. Momentum strategies have had a difficult time syncing up with shifts in the markets. On a better note, the volatility strategy (VolStrat) that was rolled out in June finished with a good month and is up 43% since introduction.

Our strategies enter the new year positioned for a continuation of the Trump rally. One concern is that the move has been too strong and will produce a wave of selling this week as investors look to lock in profits and wait for lower tax rates on those gains. That could happen but the declines we saw the past few days may mitigate the impact. Clearer direction will take time as Trump's cabinet picks run the confirmation gauntlet and he starts the real work of delivering on his campaign promises.

Though Wall Street's gurus gave us a poor showing in 2016, it's still useful to know what they think about 2017. Looking at a survey of 15 strategist predictions for the S&P 500, all of them expect the index to finish the year higher, with an average gain of 5%. The max gain is 12% and the minimum is plus 3%. 5 of the 15 are anchoring the low end at 3% and only one is saying 12%. 14 of the 15 folks provided earnings estimates and the average is \$128, fully 18% higher than what Standard & Poor's expects for 2016 when all the numbers are in. The implication is that some of those higher earnings are already "baked in" to today's stock prices. Will 2017 provide another upside surprise or deliver some downside risk? My worry about the experts is that all of them see the market moving higher. Given some of their other forecasts, I'd feel better if at least some of them were negative on the markets. I would also feel better if we weren't counting so much on Congress and a new President. Like them or not, let's all hope for a happy new year.

“Whenever you find yourself on the side of the majority, it's time to pause and reflect.”
- Mark Twain

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Selected Asset Class Returns for Trailing Twelve Months (%)

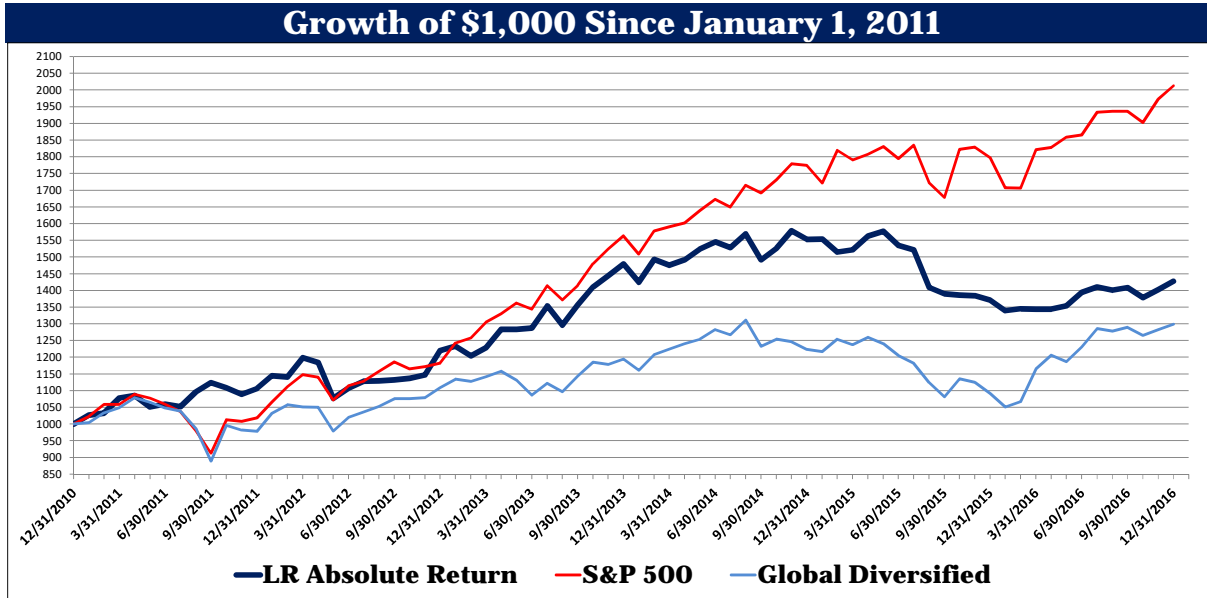
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	YTD	TTM
US Equity														
SPY <i>S&P 500</i>	-5.0	-0.1	6.7	0.4	1.7	0.4	3.7	0.1	0.0	-1.7	3.7	2.03	12.0	12.0
MDY <i>Mid Cap</i>	-5.5	1.2	8.5	1.2	2.3	0.5	4.2	0.5	-0.6	-2.7	7.9	2.18	20.5	20.5
IWM <i>Small Cap</i>	-8.6	-0.2	8.0	1.7	2.2	0.0	5.9	1.8	1.1	-4.6	11.1	2.89	21.6	21.6
QQQ <i>NASDAQ 100</i>	-6.9	-1.6	6.9	-3.2	4.4	-2.3	7.2	1.1	2.2	-1.5	0.4	1.13	7.1	7.1
IYR <i>Real Estate</i>	-4.1	-0.8	10.3	-1.7	2.2	6.2	3.7	-3.4	-1.5	-5.0	-2.3	4.25	7.0	7.0
XLB <i>Materials</i>	-10.7	7.8	7.6	5.1	-0.3	-0.8	5.1	-0.3	-1.2	-2.1	6.8	0.18	16.8	16.8
XLE <i>Energy</i>	-3.5	-2.8	10.2	9.1	-0.9	2.7	-1.3	1.7	3.7	-2.8	8.5	1.73	28.0	28.0
XLF <i>Financials</i>	-8.9	-2.9	7.3	3.6	1.9	-3.3	3.5	3.9	-2.9	2.3	14.0	3.76	22.5	22.5
XLI <i>Industrials</i>	-5.7	4.3	7.0	1.2	-0.4	0.7	3.6	1.0	0.2	-2.0	9.1	0.03	19.7	19.7
XLK <i>Technology</i>	-3.7	-0.7	8.8	-5.0	4.9	-1.4	7.1	1.2	2.1	-0.7	0.2	2.26	15.0	15.0
XLP <i>Staples</i>	0.5	0.3	4.7	-1.4	0.7	5.4	-0.8	-0.6	-1.5	-0.8	-4.2	2.99	5.0	5.0
XLU <i>Utilities</i>	4.9	1.9	8.0	-2.4	1.5	7.6	-0.7	-5.5	0.4	0.9	-5.4	4.89	16.1	16.1
XLV <i>Healthcare</i>	-7.7	-0.4	2.7	3.0	2.2	0.9	4.9	-3.2	-1.5	-6.6	2.1	0.72	-3.7	-3.7
XLY <i>Discretionary</i>	-5.2	0.5	6.7	0.1	0.1	-1.1	4.6	-1.4	-0.3	-2.4	-2.4	0.04	-1.4	-1.4
XME <i>Metals & Mining</i>	-7.0	20.0	23.1	20.3	-10.5	11.2	18.9	-11.5	3.6	-4.0	22.1	-2.00	106.0	106.0
Int'l Equity														
DXJ <i>Japan</i>	-5.0	-12.5	5.0	-6.0	6.8	-10.7	5.0	6.1	-0.6	5.2	9.0	1.67	1.1	1.1
EEM <i>Emerging Mkts</i>	-5.0	-0.8	13.0	0.4	-3.7	4.6	5.4	0.9	2.5	-0.8	-4.4	-0.25	10.9	10.9
EFA <i>Developed Int'l</i>	-5.5	-3.3	6.6	2.2	-0.1	-2.4	4.0	0.5	1.3	-2.2	-1.8	2.71	1.4	1.4
EPP <i>Asia Pac ex Japan</i>	-7.8	-0.6	11.6	1.9	-2.2	2.0	6.5	-2.4	3.8	-3.0	0.1	-1.40	7.2	7.2
FXI <i>China</i>	-11.6	-3.0	11.5	-0.7	0.4	2.4	2.4	4.6	2.6	-3.0	2.0	-5.79	0.0	0.0
ILF <i>Latin America</i>	-3.2	1.6	20.7	7.8	-13.0	11.9	5.8	1.3	-0.5	10.8	-9.5	-0.84	32.2	32.2
VGK <i>Europe</i>	-5.6	-3.2	7.0	2.8	-0.5	-4.0	3.5	0.7	0.8	-3.5	-2.3	4.92	-0.4	-0.4
Fixed Income														
AGG <i>Aggregate Bond</i>	1.2	0.9	0.9	0.3	0.0	1.9	0.6	-0.2	0.1	-0.8	-2.6	0.25	2.4	2.4
EMB <i>EM Bonds</i>	0.0	1.8	3.3	1.6	-0.2	4.2	1.4	1.3	0.4	-1.7	-4.3	1.49	9.3	9.3
HYG <i>US High Yield</i>	-1.6	1.5	2.5	3.1	0.2	1.8	1.3	2.0	1.1	-1.0	0.0	1.84	13.4	13.4
LQD <i>US IG Corporate</i>	0.1	1.1	3.6	1.6	-0.5	3.1	1.3	0.2	-0.3	-1.5	-3.2	0.84	6.2	6.2
TLT <i>US 20+ Treasury</i>	5.6	3.1	-0.1	-0.7	0.8	6.9	2.1	-1.0	-1.5	-4.4	-8.2	-0.46	1.2	1.2
Currencies														
UUP <i>US Dollar</i>	0.8	-1.4	-3.7	-1.8	3.1	0.0	-0.7	0.6	-0.6	3.0	3.3	0.8	3.2	3.2
FXE <i>Euro</i>	-0.4	0.4	4.5	0.6	-2.9	-0.4	0.7	-0.3	0.6	-2.4	-3.5	-0.7	-3.9	-3.9
FXJ <i>Yen</i>	-0.8	7.3	0.2	5.7	-3.9	7.1	1.2	-1.4	2.0	-3.3	-8.4	-2.1	2.3	2.3
Dispersion	17.2	32.5	26.8	26.3	19.8	22.6	20.2	17.6	6.7	17.4	31.6	10.7	109.9	109.9
<i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i>														
Global Diversified Benchmark														
	-3.7	1.6	9.2	3.5	-1.6	3.7	4.4	-0.6	0.90	-1.9	1.4	1.2	19.0	19.0

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LongRun Absolute Return Strategy - Dec 2016



The LongRun Absolute Return Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a wide range of equity and fixed income investments. Absolute Return is designed to outperform benchmark returns over a full market cycle with significantly less risk. ETFs are ranked using a combination of factors favoring positive momentum and low volatility. The Absolute Return portfolio is generally invested in the four ETFs at the top of a monthly ranking but may allocate as much as 100% to cash in severe bear market conditions. This version of Absolute Return was introduced in August 2013 and has completely replaced the initial version.



Return Data for the Strategy (%) *

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	<i>2.7</i>	<i>0.5</i>	<i>4.4</i>	<i>0.8</i>	<i>-3.1</i>	<i>0.8</i>	<i>-0.7</i>	<i>4.2</i>	<i>2.6</i>	<i>-1.4</i>	<i>-1.7</i>	<i>1.6</i>	10.7
2012	<i>3.4</i>	<i>-0.3</i>	<i>5.0</i>	<i>-1.2</i>	<i>-9.1</i>	<i>2.8</i>	<i>1.9</i>	<i>0.0</i>	<i>0.3</i>	<i>0.5</i>	<i>0.8</i>	<i>6.3</i>	10.2
2013	<i>1.1</i>	<i>-2.4</i>	<i>2.1</i>	<i>4.4</i>	<i>0.0</i>	<i>0.3</i>	<i>5.1</i>	<i>-4.2</i>	<i>4.7</i>	<i>4.0</i>	<i>2.4</i>	<i>2.5</i>	21.3
2014	<i>-3.7</i>	<i>4.8</i>	<i>-1.2</i>	<i>1.1</i>	<i>2.2</i>	<i>1.4</i>	<i>-1.1</i>	<i>2.7</i>	<i>-5.0</i>	<i>2.3</i>	<i>3.4</i>	<i>-1.6</i>	5.0
2015	<i>0.1</i>	<i>-2.5</i>	<i>0.5</i>	<i>2.7</i>	<i>0.9</i>	<i>-2.7</i>	<i>-0.9</i>	<i>-7.4</i>	<i>-1.4</i>	<i>-0.2</i>	<i>-0.2</i>	<i>-1.0</i>	-11.7
2016	<i>-2.3</i>	<i>0.4</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.7</i>	<i>3.0</i>	<i>1.2</i>	<i>-0.7</i>	<i>0.5</i>	<i>-2.1</i>	<i>1.7</i>	<i>1.8</i>	4.1

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Absolute Return	S&P 500	Global Diversified
Year-to-Date Return	4.1%	12.0%	19.1%
Trailing 1-Year Return	4.1%	12.0%	19.1%
Trailing 3-Year Cume Return	-3.5%	28.7%	8.8%
Annualized Return from 2/1/03*	13.9%	9.2%	10.2%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

December 2016		January 2017	
IWM	US Small Cap Stocks	IWM	US Small Cap Stocks
MDY	US Mid Cap Stocks	MDY	US Mid Cap Stocks
SPY	US Large Cap Stocks	SPY	US Large Cap Stocks
XLE	Energy Sector	XLE	Energy Sector

Management and Operational Details

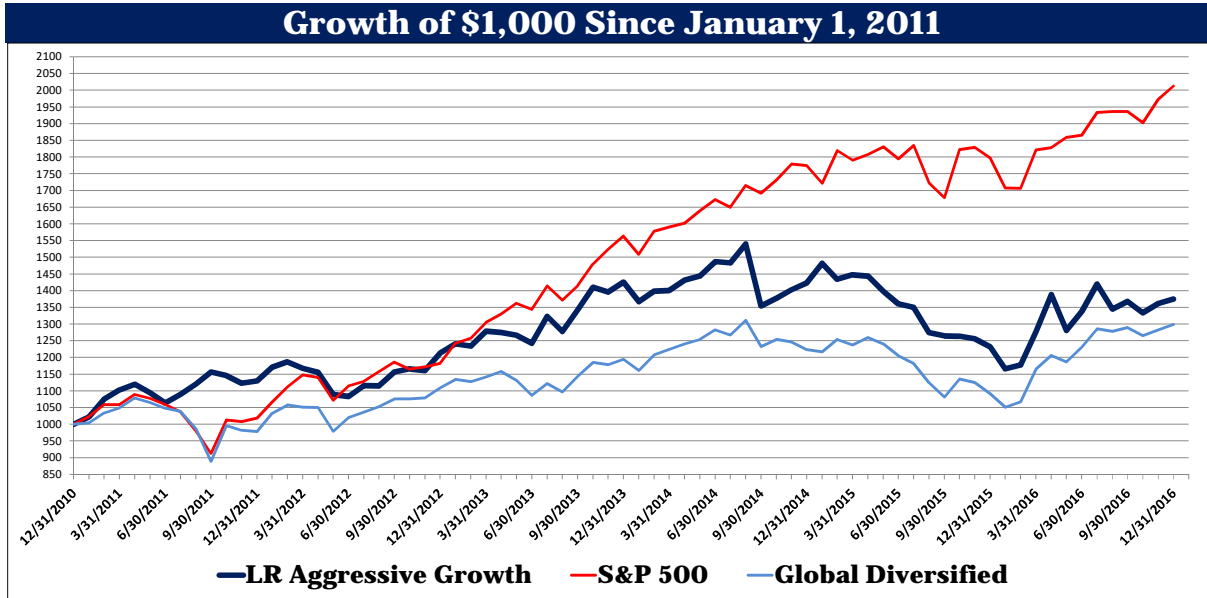
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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LongRun Aggressive Growth Strategy - Dec 2016



The LongRun Aggressive Growth Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of equity and fixed income investments. Aggressive Growth is designed to significantly outperform benchmark returns over a full market cycle with less risk. ETFs are ranked based on total return for a relatively short lookback period as the single quantitative factor. The Aggressive Growth portfolio is always invested in the top three ETFs from the monthly ranking. In our research, this methodology demonstrated a higher return/higher risk profile than the Absolute Return strategy.



Return Data for the Strategy (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	2.2	5.2	2.6	1.6	-2.4	-2.8	2.4	2.9	3.2	-0.9	-2.0	0.6	13.0
2012	3.7	1.3	-1.6	-1.0	-5.7	-0.6	3.1	-0.1	3.7	0.8	-0.4	4.4	7.3
2013	2.4	-0.6	3.6	-0.2	-0.7	-1.9	6.5	-3.4	5.1	5.0	-1.0	2.1	17.5
2014	-4.1	2.3	0.1	2.2	0.9	2.9	-0.3	3.9	-12.0	1.7	1.8	1.5	-0.1
2015	4.1	-3.2	1.0	-0.3	-3.2	-2.7	-0.8	-5.6	-0.7	-0.1	-0.6	-1.9	-13.5
2016	-5.4	1.0	8.5	8.7	-7.7	4.4	6.2	-5.2	1.7	-2.5	2.1	1.0	11.6

Returns for all periods represent client composite results.

	Aggressive Growth	S&P 500	Global Diversified
Year-to-Date Return	11.6%	12.0%	19.1%
Trailing 1-Year Return	11.6%	12.0%	19.1%
Trailing 3-Year Cume Return	-3.6%	28.7%	8.8%
Annualized Return from 2/1/03*	16.7%	9.2%	10.2%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

December 2016		January 2017	
IJR	US Small Cap Stocks	IJH	US Mid Cap Stocks
XLE	Energy Sector	IJR	US Small Cap Stocks
XME	Metals & Mining	XME	Metals & Mining

Management and Operational Details

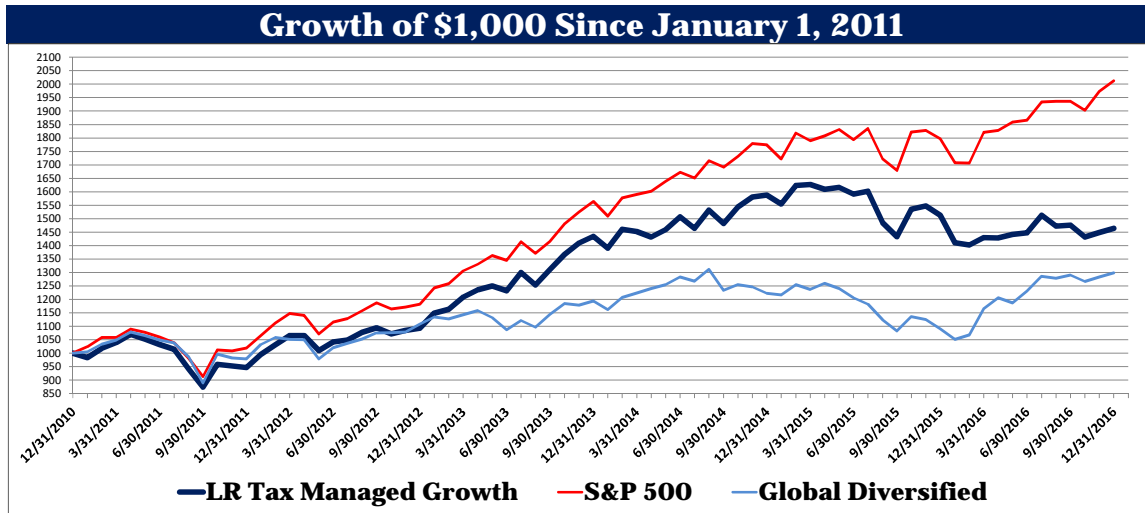
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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LongRun Tax Managed Growth Strategy - Dec 2016



The LongRun Tax-Managed Growth Strategy ("TMG") is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of primarily equity and fixed income investments. TMG is designed to outperform benchmark returns over a full market cycle with less risk while also being highly tax efficient. ETFs are ranked based on an assessment of relative strength versus each of the 36 ETFs in the model. The strategy generally owns the top 8 ETFs subject to a buffer and may also allocate as much as 100% to cash in adverse market conditions. Rankings are reviewed daily and holdings adjusted as ranking changes dictate.



Return Data for the Strategy (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	<i>-1.7</i>	<i>3.5</i>	<i>2.2</i>	<i>2.9</i>	<i>-1.7</i>	<i>-1.9</i>	<i>-1.7</i>	<i>-7.1</i>	<i>-7.3</i>	<i>9.7</i>	<i>-0.6</i>	<i>-0.6</i>	-5.3
2012	<i>5.1</i>	<i>3.6</i>	<i>3.4</i>	<i>0.0</i>	<i>-5.3</i>	<i>3.3</i>	<i>0.6</i>	<i>2.8</i>	<i>1.5</i>	<i>-2.1</i>	<i>1.3</i>	<i>0.8</i>	15.5
2013	<i>5.1</i>	<i>1.2</i>	<i>3.9</i>	<i>2.2</i>	<i>1.2</i>	<i>-1.4</i>	<i>5.6</i>	<i>-3.6</i>	<i>4.5</i>	<i>4.2</i>	<i>3.2</i>	<i>1.8</i>	31.2
2014	<i>-3.1</i>	<i>5.1</i>	<i>-0.6</i>	<i>-1.4</i>	<i>1.9</i>	<i>3.3</i>	<i>-2.8</i>	<i>4.6</i>	<i>-3.3</i>	<i>4.2</i>	<i>2.3</i>	<i>0.5</i>	10.7
2015	<i>-2.1</i>	<i>4.4</i>	<i>0.2</i>	<i>-1.1</i>	<i>0.4</i>	<i>-1.6</i>	<i>0.7</i>	<i>-7.3</i>	<i>-3.5</i>	<i>7.1</i>	<i>0.8</i>	<i>-2.3</i>	-4.7
2016	<i>-6.7</i>	<i>-0.6</i>	<i>1.9</i>	<i>0.0</i>	<i>0.9</i>	<i>0.4</i>	<i>4.5</i>	<i>-2.7</i>	<i>0.2</i>	<i>-3.0</i>	<i>1.2</i>	<i>1.1</i>	-3.2

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Tax-Managed Growth	S&P 500	Global Diversified
Year-to-Date Return	-3.2%	12.0%	19.1%
Trailing 1-Year Return	-3.2%	12.0%	19.1%
Trailing 3-Year Cume Return	2.0%	28.7%	8.8%
Annualized Return from 2/1/03*	12.9%	9.2%	10.2%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Latest Prior and Current Month

December 2016		January 2017	
IJT	US Small Cap Growth Stocks	IJT	US Small Cap Growth Stocks
QQQ	NASDAQ 100	QQQ	NASDAQ 100
RSP	US Equal Weight Large Stocks	RSP	US Equal Weight Large Stocks
XLP	US Consumer Staples	XLP	US Consumer Staples
XLK	US Technology	XLK	US Technology
XLV	US Healthcare	XLV	US Healthcare
XLY	US Consumer Discretionary	XLY	US Consumer Discretionary
XME	Metals & Mining	XME	Metals & Mining

Holdings shown reflect the portfolio at the start of the given month; changes are infrequent but may occur intra-month

Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

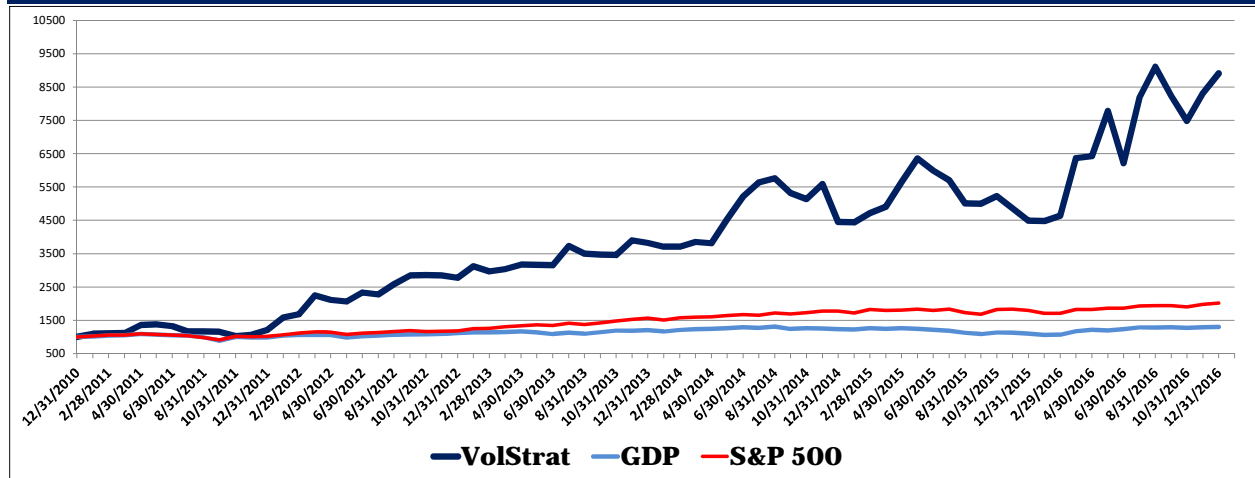
IMPORTANT DISCLOSURES: This document is not an offering to sell or the solicitation of an offering to purchase an interest in any of the separate account strategies offered by LongRun Capital Management LLC. S&P 500 benchmark represents the total return (including dividends) of the SPDR S&P 500 ETF (SPY). Global Diversified benchmark is the total return of an equal-weight portfolio consisting of 14 ETFs allocated approximately 70% equity (40% US and 30% international) and 30% fixed income. Investment returns shown for LongRun strategies represent actual client composite performance net of fees and expenses for certain periods and estimated net returns derived from a statistical backtest for other periods. The rule-sets used to determine month-to-month holdings of the LongRun strategy were applied consistently for the backtest period. Results of the complete backtest are available upon request. Underlying data has been obtained from sources believed to be reliable and LongRun is not responsible for errors or omissions in that data. Performance of individual separately managed accounts may vary from composite performance. Past performance (estimated or actual) is not necessarily indicative and is not a guarantee of future performance. Information regarding LongRun's management fees and the value of assets included in the composite results is available upon request. In addition, LongRun's disclosure document, Form ADV Part 2A, is available online at www.adviserinfo.sec.gov or upon request.

LongRun Volatility Strategy - Dec 2016



The LongRun Volatility Strategy (VolStrat) is designed to produce aggressive returns with a low correlation to broad equity market indices. VolStrat uses a systematic approach to investing in volatility through exchange traded products that are either long or short VIX futures and may also take a neutral position in cash. VolStrat methodology is the product of extensive research into the behavior of equity market volatility and securities designed to harvest returns from that behavior. Backtest results and recent live trading demonstrate attractive long-term returns but also periods of very high volatility. Investors must have a high tolerance for exposure to significant drawdowns in the value of their investment. VolStrat produces short-term gains and losses and is therefore most appropriate for tax-advantaged structures such as retirement accounts, charitable entities and private insurance vehicles.

Growth of \$1,000 Since 12/31/2010



Return Data for the Strategy (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	9.7	0.9	0.3	21.9	1.1	-3.1	-12.5	-0.2	-0.2	-11.5	4.0	13.9	21.1
2012	30.7	6.3	33.4	-6.0	-2.2	12.7	-2.1	13.5	9.9	0.5	-0.4	-2.3	129.2
2013	12.5	-4.9	2.2	4.3	-0.2	-0.2	18.0	-6.0	-1.0	-0.1	12.7	-2.0	37.7
2014	-3.0	-0.2	4.1	-0.9	18.7	15.3	8.1	2.1	-7.6	-3.5	8.8	-20.5	16.3
2015	-0.2	6.3	4.1	15.0	12.6	-5.8	-4.7	-12.3	-0.2	4.6	-6.9	-7.8	0.8
2016	-0.2	3.8	37.2	1.0	21.1	-20.2	31.8	11.2	-9.6	-9.1	11.2	7.1	98.9

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	VolStrat	S&P 500	Global Diversified
Year-to-Date Return	98.9%	12.0%	19.1%
Trailing 1-Year Return	98.9%	12.0%	19.1%
Annualized Return from August 2008*	60.1%	9.1%	4.8%

* Start date of VolStrat backtest

Fund Holdings for Prior Month and Current Month

December 2016	January 2017
XIV Inverse VIX	XIV* Inverse VIX

*Represents current positioning of LongRun Volatility Strategy that is subject to change at any time

Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of assets invested in the strategy (subject to future increases)
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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