Quarterly Market Review

October 24, 2019

Harpswell CAPITAL ADVISORS, LLC

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Zero Fees?

Momentum toward lower costs to consumers is nothing new to the financial industry. For years, major companies have been cutting fees to remain competitive with newer entrants like commission-free brokerages and robo-advisors. This may be great news for investors, but the stock prices for industry leaders are feeling the pressure. In the era of ETFs, index funds, historically low interest rates, and more competition from banks without brick and mortar overhead, major brokers are looking for innovative ways to maintain an edge.

Last month Schwab announced they would eliminate trading fees and commissions on products, which forced the hands of competitors like TD Ameritrade, Fidelity, Ally and E*Trade to do the same. This bold move comes on the heels of similar announcements regarding fee-less index funds offered by some of the very same institutions.

The moves toward lower fees and more passive investments are driven by a number of factors and traditional brokerage houses forced to adapt in order to remain competitive. They are hoping to maintain profitability by simply increasing their assets under management. While competition is always good for the consumer, it will be hard for the brokers to make up the profits through asset growth when the margins are zero.

Market Outlook

Among the many old adages known on Wall Street, "The market loves to climb the wall of worry," is one that has been around long before our entry into the institutional investment world (25+ years). This year seems to support the axiom as both bonds and stocks rarely climb in unison to this degree. In fact, it has occurred only 14 times since 1928 and each instance represented unique circumstances. Generally, when stocks go up/down to a meaningful degree, bonds diverge in the opposite direction. (Please see the chart below.)

3-Month Treasury Bill, 10-Year Treasury Bond, and S&P 500: Total Returns (1928 - 2017)

Year	3-Mo	10-Yr	S&P	Year	3-Mo	10-Yr	S&P	Year	3-Mo	10-Yr	S&P	Year	3-Mo	10-Yr	S&P	Year	3-Mo	10-Yr	S&P
1928	3.1%	0.8%	43.8%	1946	0.4%	3.1%	-8.4%	1964	3.5%	3.7%	16.4%	1982	11.0%	32.8%	20.4%	2000	5.8%	16.7%	-9.1%
1929	3.2%	4.2%	-8.3%	1947	0.6%	0.9%	5.2%	1965	3.9%	0.7%	12.4%	1983	8.4%	3.2%	22.3%	2001	3.7%	5.6%	-11.9%
1930	4.6%	4.5%	-25.1%	1948	1.0%	2.0%	5.7%	1966	4.8%	2.9%	-10.0%	1984	9.6%	13.7%	6.1%	2002	1.7%	15.1%	-22.1%
1931	2.3%	-2.6%	-43.8%	1949	1.1%	4.7%	18.3%	1967	4.3%	-1.6%	23.8%	1985	7.5%	25.7%	31.2%	2003	1.0%	0.4%	28.7%
1932	1.1%	8.8%	-8.6%	1950	1.2%	0.4%	30.8%	1968	5.3%	3.3%	10.8%	1986	6.0%	24.3%	18.5%	2004	1.2%	4.5%	10.9%
1933	1.0%	1.9%	50.0%	1951	1.5%	-0.3%	23.7%	1969	6.6%	-5.0%	-8.2%	1987	5.7%	-5.0%	5.8%	2005	3.0%	2.9%	4.9%
1934	0.3%	8.0%	-1.2%	1952	1.7%	2.3%	18.2%	1970	6.7%	16.8%	3.6%	1988	6.5%	8.2%	16.6%	2006	4.7%	2.0%	15.8%
1935	0.2%	4.5%	46.7%	1953	1.9%	4.1%	-1.2%	1971	4.5%	9.8%	14.2%	1989	8.1%	17.7%	31.7%	2007	4.6%	10.2%	5.5%
1936	0.2%	5.0%	31.9%	1954	1.0%	3.3%	52.6%	1972	4.0%	2.8%	18.8%	1990	7.6%	6.2%	-3.1%	2008	1.6%	20.1%	-37.0%
1937	0.3%	1.4%	-35.3%	1955	1.7%	-1.3%	32.6%	1973	6.7%	3.7%	-14.3%	1991	5.6%	15.0%	30.5%	2009	0.1%	-11.1%	26.5%
1938	0.1%	4.2%	29.3%	1956	2.6%	-2.3%	7.4%	1974	7.8%	2.0%	-25.9%	1992	3.4%	9.4%	7.6%	2010	0.1%	8.5%	15.1%
1939	0.0%	4.4%	-1.1%	1957	3.2%	6.8%	-10.5%	1975	6.0%	3.6%	37.0%	1993	3.0%	14.2%	10.1%	2011	0.0%	16.0%	2.1%
1940	0.0%	5.4%	-10.7%	1958	1.8%	-2.1%	43.7%	1976	5.0%	16.0%	23.8%	1994	4.0%	-8.0%	1.3%	2012	0.1%	3.0%	16.0%
1941	0.1%	-2.0%	-12.8%	1959	3.3%	-2.6%	12.1%	1977	5.1%	1.3%	-7.0%	1995	5.5%	23.5%	37.6%	2013	0.1%	-9.1%	32.4%
1942	0.3%	2.3%	19.2%	1960	3.0%	11.6%	0.3%	1978	6.9%	-0.8%	6.5%	1996	5.0%	1.4%	23.0%	2014	0.1%	10.7%	13.7%
1943	0.4%	2.5%	25.1%	1961	2.3%	2.1%	26.6%	1979	9.9%	0.7%	18.5%	1997	5.1%	9.9%	33.4%	2015	0.2%	1.3%	1.4%
1944	0.4%	2.6%	19.0%	1962	2.8%	5.7%	-8.8%	1980	11.2%	-3.0%	31.7%	1998	4.7%	14.9%	28.6%	2016	0.5%	0.7%	12.0%
1945	0.4%	3.8%	35.8%	1963	3.1%	1.7%	22.6%	1981	14.3%	8.2%	-4.7%	1999	4.5%	-8.3%	21.0%	2017	1.4%	2.8%	21.8%

Pension Partners @charliebilello

Also, as illustrated below on page 2, the list of worries to fuel the climb are not in short supply. Furthermore, the tailwinds all represent almost optimal conditions for this kind of response that are likely to worsen (unless you see negative interest rates as a positive). Thus, it is no surprise that the discussion of recessions and impending market volatility are becoming common among market enthusiasts. With that said, the second oldest adage on Wall Street is, "You can't time the market."

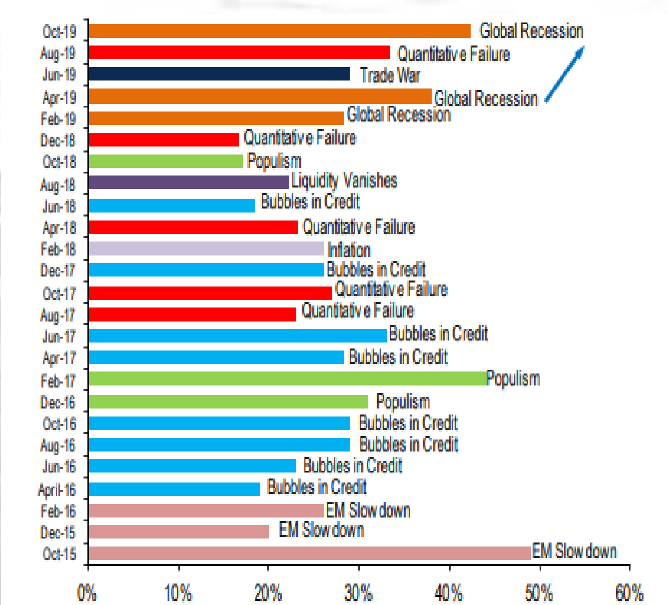
(continue to page 2)

Market Outlook *(continued from cover)*

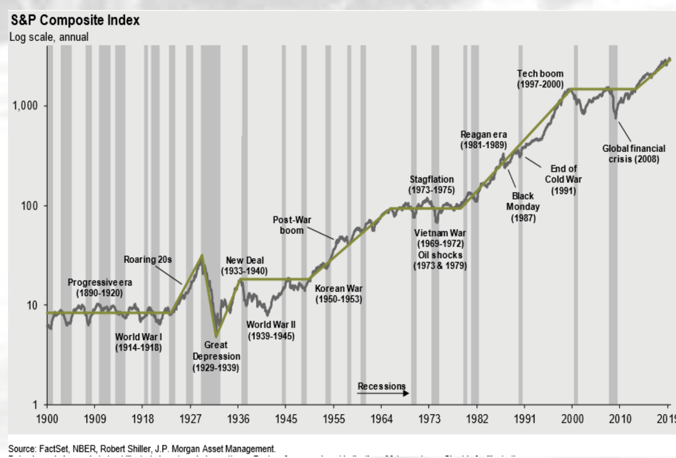
Many investment practitioners succumb to the temptation to jump in or out of the market and, more often than not, it proves to be a regrettable endeavor. Heaven knows that that temptation is as strong as ever this year.

Headwinds	Tailwinds
• Geo/Political Concerns	• Low Interest Rates
• Brexit	• Full Employment
• Mounting Leverage	• Accommodative Fiscal Policies
• Monetary Policy Fatigue	
• Liquidity Event	
• Potential Deflation	
• Populism	
• Inverted Yield Curve	
• Rising Interest Rates	
• Strikes	
• Disruptive innovations	
• Negative Yields/Low discount rates	

Below is a list of risks that surveyed bond investors indicated were on the top of their mind. Aside from seeing recurring concerns, you can see that a global recession seems to be the concern du jour. We have noted in the past that we feel fixed income (bond) investors offer more thoughtful perspective on global risks and they are typically less focused on upside (because their upside is capped at par).



Source: Merrill Lynch



Before we dive a little deeper into a few of the myriad market-related concerns worth considering, we feel it is worth highlighting how a longer-term perspective tends to serve investors well. As the graph above highlights, eventually all painful market selloffs over the last century have been dwarfed by ensuing market advances. While we never know just how much of the market growth we will retrace in periods of pain in the market, history suggests staying the course (as well as rebalancing) can be sound strategy. There is no risk of complacency at Harpswell, as our team is intensely focused on a disciplined approach which leverages an objective process for investment strategy. (continued to page 3)

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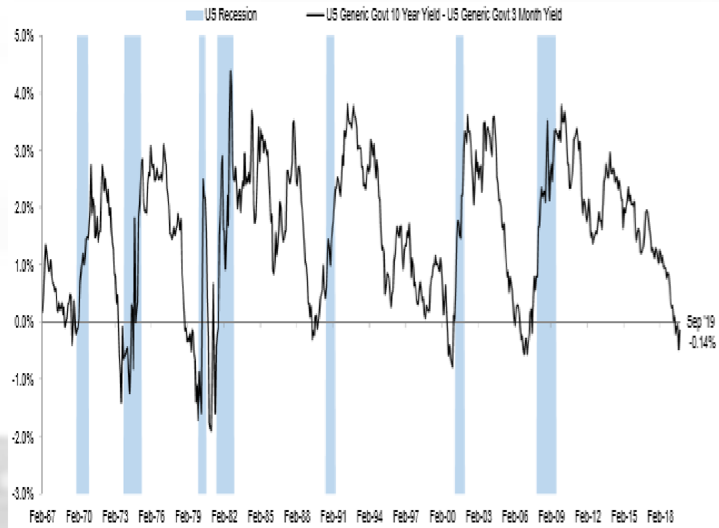
Market Outlook *(continued from page 2)*

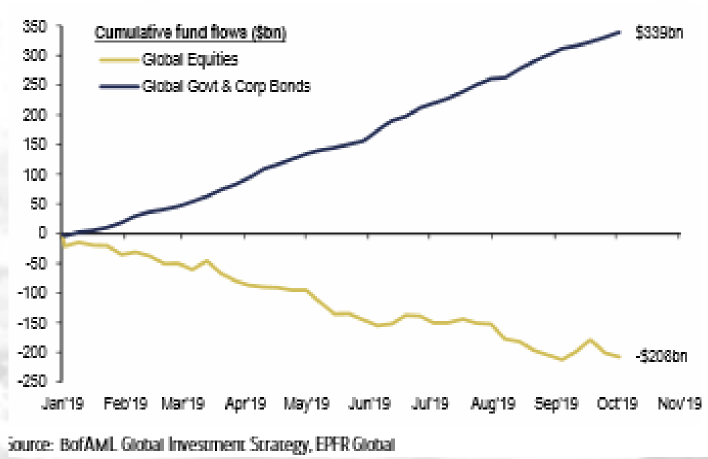
Looking ahead: Lots to worry about

There appear to be no shortage of prospective risks on the horizon. Looking at the bond market, we believe negative interest rates suggest lower future economic growth. Furthermore, it suggests heightened risks of deflation. Deflation, in an economy which continuously overspends and is amassing new debt at a mind-boggling rate, is our greatest concern. If deflation were to emerge, it could cause an economic spiral as consumers likely would stop spending (because they could buy products at a cheaper price in the future) and our debt burdens could impact the economy (as expenditures were made with the idea of revenue supporting debt; deflation would undercut that equation).



The bond market also suggests a heightened risk of a recession over the next 18 months. Typically, the longer-dated the bond maturity, the higher the interest rate charged. When we see investors aggressively looking to extend their bond portfolio, it can drive longer term rates below those for shorter-dated bonds. When this happens, we call it an "inverted yield curve" and this scenario has been a relatively reliable precursor to recessions in the past.

As a likely result of elevated prospects for a recession, investors have poured over $200B out of equity funds and plowed over $300B into bond funds. (continued to page 4)



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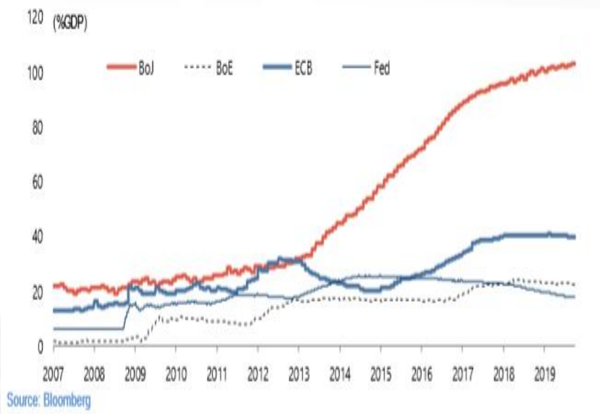
Market Outlook *(continued from page 3)*

Central Banks will Keep it Going

The bottom line is relatively straightforward: central banks will continue to support the markets as much as they can whenever fear and volatility emerge, and the "true volatility" will come when the central banks can no longer pull a rabbit out of the hat and put a floor under equities.



Source: Central Bank Assets/%GDP

Where to invest?

Obsessing over market timing is usually an exercise in futility. With that said, we are currently giving a higher priority to managers who can better preserve value in volatile markets apposed to jumping to the sidelines. For example, our newest international manager has an up-capture average of 99% and a down-capture of 59%. This means, they tend to participate in a very high proportion of market growth yet when the market sells off, they tend to better hold their value. We also look at long-term trends and invest accordingly. For example, emerging markets, which are comprised of developing economies, represent over 80% of the world's population and 60% of the world's GDP, yet they only account for 12 % of the global stock market. While we can foresee the potential for bumps in the road for emerging markets, we also see opportunity.

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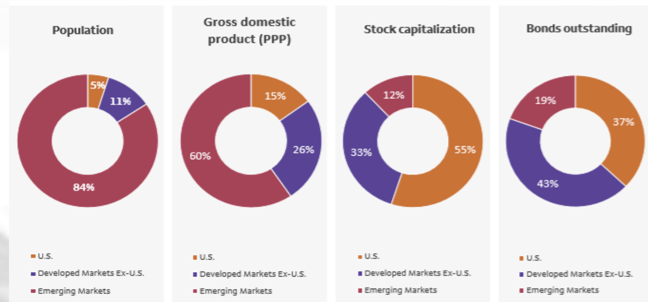
Historically, these economies were based on exporting mostly low value-added products, or trinkets to the developed world, but today a larger middle class has emerged, and these economies are less dependent on exports to developed economies.



We, like many market prognosticators, do anticipate high volatility and lower long-term returns in the market. With that said, we remain vigilant and are keenly focused on our structured approach and manager selection. In fact, we feel our OCIO approach to investing enables our clients to benefit from the individual views of multiple managers who are collectively aiming to outperform their respective benchmarks. We regularly talk to our fund managers, aim for diverse views and processes, and feel the incorporation of their expertise brings value for our clients. ✥

Harpswell on the Podium

Harpswell's team has addressed several institutional investment forums over the last 6 years (Please visit www.harpswelladvisors.com/speaking-engagements).

Harpswell was recently asked to participate on a panel at the Opus Group Management Forum. The panel, titled "Family Governance and the Single-Family Office: Planning for the Next Generation," focused on the interaction of family members and educating the next generation to preserve the family's legacy and manage wealth in a responsible manner. Too often, members of the next generation are ill-prepared to manage the family's wealth as they come of age. The result can be poor decision-making or, even worse, becoming victims of unscrupulous investment professionals.

The panel discussion centered on the various alternatives that can be employed to avoid these situations, including involving the next generation early and educating them about the family's legacy and wealth. All panelists agreed that early involvement was crucial. A simple example was establishing a family foundation and providing younger family members with an opportunity to play a role, albeit to a limited degree. It was agreed this is typically a great starting point.

Families often choose to hire an advocate to facilitate the educational process and deal with conflicts and differentiated viewpoints. Taking these steps can help promote a unified approach where all family members are involved, and the family's values and legacy are preserved over time. ✥

Rock Climbing & Art of Investing by Claude Perrier

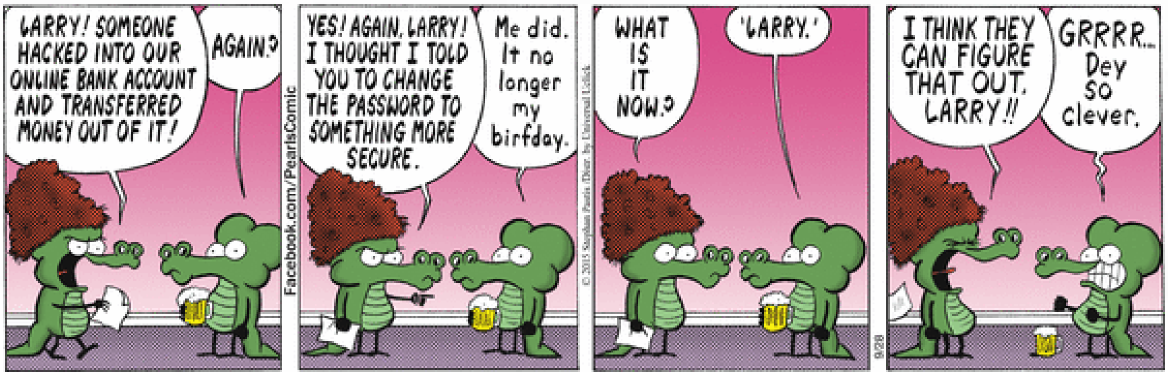
My wife and I started rock climbing about 1 ½ years ago and have become enamored with the physical and mental requirements of the sport. We are principally indoor climbers and go to rock climbing gyms where routes of varying levels of difficulty have been set on the walls. These routes have colored-coded foot and hand holds which outline the path to complete the climb successfully.

About a month ago, we hired a guide to take us climbing in the White Mountains. The experience was wonderful but very challenging and different from our experiences climbing indoors. The principal difference with outdoor climbing is that there are no colored hand or footholds. As a climber, you need to study the rock face and decide what path makes sense. The path you choose is based on your experiences, capabilities and defining your ultimate objective. Which, in our case, was reaching a certain point on the cliff. You manage the risk of falling by constantly evaluating the route while climbing and making small adjustments as needed.

I was thinking about our outdoor adventure the other day and how it relates to what I call, "the art of investing." Investing in today's world requires experience, assessing your capabilities and defining objectives clearly at the outset. Each investor is different so pre- determined approaches generally do not lead to success. Referring to our experiences, climbing indoors following color-coded routes helped us prepare for outdoor climbing but had no direct application. The same is true when developing an investment program. Past approaches are educational but may not apply going forward. You need to study the current environment (like assessing the rock face), identify your objective and define the path that's right for you to meet expectations.

At Harpswell, we avoid color-coded or pre-determined solutions but take a holistic approach to investment planning to help our clients navigate the rock face and reach the top. ✥

Cybersecurity



Pearls Before Swine, by Stephan Pastis

The phrase "cybersecurity" has become ubiquitous these days, but it can sometimes feel like an overwhelming and amorphous threat. Businesses and individuals alike find it challenging to know what to do to protect themselves.

As a fiduciary to every client, we take our responsibility to protect each client's personal and financial information very seriously. At Harpswell, our approach to cybersecurity involves: incorporating best-practices (including email encryption, dual-factor authentication and verbal authorization); following guidance from regulators and industry professionals; utilizing trusted third-party vendors; testing our own processes and technology; and maintaining a vigorous compliance program to help prevent, monitor and report any cybersecurity incidents.

How to go about protecting or securing your own personal and financial information is increasingly complicated in today's world, but there are simple steps that anyone can (and should) do to help reduce threats to their financial and personal information.

Many of these tips you have heard before, such as:

- Utilize passwords that are more "clever" than Larry the Crocodile's. At a minimum:
    - incorporate some capitalization, a number and a special character (*e.g.*, *, ! or &),
    - change your passwords regularly; and
    - make sure you don't store passwords in an obvious or non-secure manner, especially on your handheld device.

- Have a different password for each on-line account.

- Use dual-factor authentication wherever possible. This means that a second identification feature is used after you enter your passcode (*e.g.*, you receive a message to your mobile number or trusted email with a second code to enter, you utilize a biometric like your thumbprint or facial recognition, or you answer a security question).

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Cybersecurity

- Always use a passcode on your devices or computers and ensure they "lock" or "sleep" after a short interval.
- Do not use public Wi-Fi or public computers, *especially* if conducting financial transactions, shopping on-line or engaging in any activity that involves typing your passwords.
- Watch for scams and "phishing" emails:
  - Do not open or respond to emails unless you are *absolutely sure* of the source. Many fraudulent emails look almost identical to trusted or known vendors or sources.
  - No reputable bank or financial institution will ever ask you to confirm identification or password information over email. If asked to do so on-line or by calling a number, first confirm that the on-line site is authentic and ensure the phone number is a listed customer service number for the institution.
  - Be careful of requests for money or retail gift cards, even if they look like they are from a colleague, friend or family member. Pick up the phone and call them before sending anything or transferring money.
- Never click on links unless you know the source and are sure of the content. Clicking on an unknown link in an email or social media post could introduce a virus or malware onto your computer or device and could also lead to identity theft or a computer takeover.
- Do not download any software sent via email.
- Review and respond to any security alerts or fraud warnings. Report suspicious-looking or fraudulent emails to the relevant institution.
- Maintain and update virus protection on all computers, laptops and devices. Also, make sure you allow for manufacturer-issued updates to software, operating systems and web-browsers, as they will have the most up-to-date protections.
- Close out of browsers, "log-off" each account when you've completed your transaction (or finished emailing) and turn your computer off when you are done using it.
- Above all, know what accounts you have, how much is in them and regularly monitor your account activity.

If you already do all of that, consider upping your game a bit and following some of these tips:

- Have a designated device just for financial transactions.
  - Set aside a tablet, laptop or desktop in your home to conduct all your financial business—like bank transfers or bill paying—and do not use it for anything else (especially emailing, browsing websites or on-line shopping).
  - Also, make sure you only use this device at home or through another low-risk, non-public Wi-Fi source.
- If possible, use biometrics for logging onto any smart-phone or mobile device, encrypt your data, and enable remote "wipe" and location features to protect your information if your mobile device is stolen.
- Do not utilize the same email for work or personal financial transactions that you use for on-line shopping or for subscribing to retail emails/offers or entertainment sources.
- Regularly check your credit through the credit-reporting agencies (Equifax, Experian and TransUnion).

At Harpswell, we think about cybersecurity a lot, so reach out if we can help! ✥

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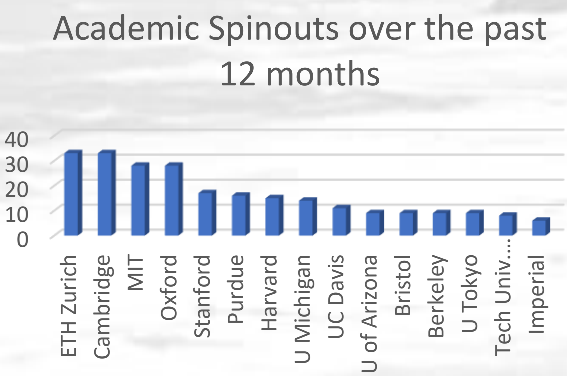
Private Funding for University Research

Oxford University recently created a partner to help them develop and capitalize on the university's research efforts in the sciences. Oxford Sciences Innovation plc, provides capital and scaling expertise to businesses driven by intellectual property (IP) developed in Oxford University's Science research efforts. OSI develops the University's world-leading scientific research and works with Oxford University's academics to commercialize their ideas into market-leading companies. It has proven to be quite an impactful model for marrying university research with a finance partner who is fully aligned with the university's civic mission. Oxford is not alone in uniting public and private enterprises as a number of leading global universities have established research-based investment incubators.



On all fronts, OSI has been successful. The institution averages about one patent a week and they have turned ££600MM ($735MM) in financial investments into a number of spinoffs worth well over £2B($2.4B). We expect more universities to adopt this model as it serves as a catalyst for research and research funding. Finally, we invite you to explore the University of Maine's answer to public research and private investment. We have visited Maine's Composite Laboratories and can say they are leaders in this space. (https://composites.umaine.edu/). ✥

Bad year for CEO job security – How history suggests the "post-Belichick" era might be a tough one!

According to the Wall Street Journal and a study by placement firm Challenger, Gray & Christmas, 1,009 chief executive officers have lost their jobs in just the first 8 months of this year. This figure reflects a 15% increase over last year and the highest attrition since the survey was created (2002). The higher attrition comes as a result of several factors, including performance and investor activism, yet CEO conduct had a remarkable impact over the last year. Strategy&, a division of PricewaterhouseCoopers (PwC), performed a similar study and found that 2018 showed a rise in the share of CEOs who were forced out of their positions for unethical conduct. Over the last year, "more CEOs (39%) were forced out for ethical lapses rather than financial performance or board struggles," according to the Strategy&PwC(https://www.strategyand.pwc.com/gx/en/insights/ceo-success.html)This figure rose by 50% over the previous year (26% in 2017).

Sectors with the highest turnover were communication services companies (24.5%), followed by materials (22.3%) and energy (19.7%). Healthcare had the lowest rate of CEO turnover in 2018 (11.6%).

The Strategy& PwC study also highlighted how a long-serving, successful CEO is a hard act to follow. Successors to such long-serving CEOs are likely to have shorter tenures, worse performance and are more often forced out of office than the CEOs they replaced. Nearly half of successor CEOs underperformed their predecessor' (by a quartile or more) and 69% of successors who replaced a long-serving CEO in the top performance quartile ended up in the bottom two performance quartiles. Thus, don't bet on the Patriots after Bill Belichick leaves as history suggests there might be a few tough seasons for the next coach. ✥

GRATITUDE

We are honored to serve the institutions and families who have entrusted their assets to Harpswell, and we are steadfast in our commitment to work hard to align Harpswell with your best interests. Harpswell is grateful to be partnered with such an esteemed and kind natured group of investors and very much appreciate our partnership.

September 2019 Flash Report

Overview: The Chicago Fed National Activity Index (CFNAI) for Aug increased from an initial reading of −0.41 to +0.10, close to the June reading of +0.13 but well below the Aug 2018 score of +0.46. The consensus estimate from economists called for a reading of −0.06. The Aug index score indicates above-average economic growth and the three-month moving average underlines U.S. economic expansion. Neither score reflects a coming period of sustained rising inflation. The Federal Reserve cut the fed funds rate at its Sept meeting by 25bps to 1.75% / 2.00% citing "implications of global developments" and "muted inflation pressures" as the causes. China and the U.S. announced that negotiations aimed at ending the trade war will be held in Washington in early Oct. In Sept, China had abruptly canceled a planned visit to farms in the U.S. heartland, setting the stage for a tense Oct meeting.

Equities: Growth concerns and the trade dispute with China continued to weigh on the markets despite managing gains in Sept. The 3rd Quarter saw a spate of developments relating to trade, monetary policy and politics where the House opened an impeachment inquiry of the President.

In Sept, the S&P 500 rose by 1.9%, earning 20.6% YTD. Value stocks surged in the month with Large Value rising 3.6% led by Financials & Energy despite lower oil prices at month's end. In contrast, Large Growth had no gain due to losses in HealthCare & minimal Technology returns.
The Russell 2000 Index rose by 2.1% in Sept reflecting an impressive 5.1% return for Small Value, offsetting a 0.8% loss on the Growth side.

EAFE rose in Sept by 2.9% with the increasing likelihood for renewed stimulus programs. A stronger Dollar reduced the overall return by 0.7%. EAFE has gained 13.4% YTD. Again, currency has reduced returns by 2.9%.
The UK rebounded 4.2% in Sept despite the ongoing Brexit issue. Japan also gained 4.2% in the month. Hong Kong was down again (0.6%) as protests continued throughout the country.
The Emerging Mkts increased by 1.9% in Sept with a YTD increase of 6.2%. China was flat for the month but lost 4.7% in the 3rd Qtr. Ex China, the EM Mkts rose by 2.9% in the month. Russia earned 3.3% in Sept and an impressive 30.4% YTD.

Fixed Income: Short term yields fell in response to the Fed rate cut but rose beyond 1 Year maturities. The 3-month T-bill yield closed at 1.81% while the 10 Year Treasury Sept yield increased to 1.66%. The yield curve remains inverted from 3 months to almost 20 years. Longer term yields rebounded modestly despite persistent negative yields in Europe & Japan which are causing foreign investors to buy US Treasuries and putting upward pressure on prices. The 30 Year Treasury yield was 2.11% at month's end.

The 30 Year Municipal yield rose by 11bps, closing at 2.1%. The 1 Year Municipal yield ended the month at 1.3%, a 30bps increase, resulting in a yield spread discount compared to the 1 Year Treasury of 27%, a significant reduction from last month and making the shorter-term municipals more attractive to taxable investors. The spread discount continued to decline with longer maturities.

A significant amount of debt securities in both Europe & Asia continue to carry negative yields. German rates rose in Sept to a negative 0.78% yield for the 2 Year Bund and negative 0.58% for the 10 Year, 12bps higher in the month. In the UK, the 10 Year Gilt yield remained at 0.48% yield. The Japanese 10 Year Gov't bond yield increased by 5bps to yield a negative 0.23%, while the 2 Year yield unchanged at negative 0.32%.
High Yield bonds rose in Sept by 0.4% with an average yield of 5.8%. High Yield bonds continue to attract investors seeking yield.

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
Domestic Equities						
Dow Jones	2.1%	1.8%	17.5%	4.2%	16.4%	12.3%
S&P 500	1.9%	1.7%	20.6%	4.3%	13.4%	10.8%
Russell LG Value	3.6%	1.4%	17.8%	4.0%	9.4%	7.8%
Russell LG Growth	0.0%	1.5%	23.3%	3.7%	16.9%	13.4%
Russell 2000	2.1%	-2.4%	14.2%	-8.9%	8.2%	8.2%
NASDAQ	0.6%	0.3%	21.6%	0.6%	15.9%	13.5%
MLP Index	0.7%	-5.0%	11.1%	-8.1%	-2.5%	-8.7%
REIT Index	2.1%	7.2%	27.4%	19.6%	8.9%	10.8%
International Equities						
EAFE	2.9%	-1.0%	13.4%	-0.8%	7.0%	3.8%
EAFE Small Companies	2.9%	-0.4%	12.5%	-5.5%	6.3%	6.4%
Emerging Markets	1.9%	-4.1%	6.2%	-1.6%	6.4%	2.7%
China	0.0%	-4.7%	7.8%	-3.8%	7.9%	6.2%
Fixed Income						
US Agg	-0.5%	2.3%	8.5%	10.3%	2.9%	3.4%
US High Yield	0.4%	1.3%	11.4%	6.4%	6.1%	5.4%
Municipal Bonds	-0.8%	1.6%	6.8%	8.6%	3.2%	3.7%
Currencies						
EURO	-0.8%	-4.2%	-4.8%	-6.2%	-1.1%	-2.9%
British Pound	1.2%	-3.3%	-3.6%	-5.8%	-1.8%	-5.4%
Japanese Yen	-1.7%	-0.3%	1.5%	5.0%	-2.0%	0.5%
Commodities						
Bloomberg Commodity	1.2%	-1.8%	3.1%	-6.6%	-1.5%	-7.2%
S&P GSCI Crude Oil	-1.6%	-6.9%	18.2%	-26.7%	1.4%	-19.4%
Gold	-3.5%	3.8%	14.2%	22.5%	3.0%	3.3%

Commodities: WTI Crude Oil fell again in Sept, decreasing to $54.3/barrel, a $0.8/barrel loss in the month. Oil fell to its lowest level in almost two months as slowing global growth dampened the outlook for energy demand. Oil prices did briefly spike when the Saudi refinery was attacked. Gold prices fell by $50.00/oz to $1479/oz in Sept. Gold prices reversed course this month as the Dollar strengthened and inflation remained in check.

Harpswell CAPITAL ADVISORS, LLC

For further information please contact Harpswell Capital Advisors at
info@harpswelladvisors.com or 207.926.1348

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Index Definitions

The S&P 500 Stock Index is an unmanaged market capitalization index of 500 US equities generally considered to be representative of US stock market activity. The Morgan Stanley Capital International World Index is a market capitalization-weighted equity index of over 1,500 stocks traded in 22 world markets. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ Stock Market. The Index is market value-weighted. The SB World Bond Index is a market capitalization weighted index of 18 Government bond markets composed of sovereign debt denominated in the domestic currency. The Lehman Aggregate Index is a benchmark index made up of the Lehman Brothers. The Hennessee Hedge Fund Indices® are calculated from performance data obtained from publicly available information, internally developed data and other third party sources believed to be reliable. MSCI EAFE is a stock market index that is commonly used as a benchmark for the performance of major international equity markets. The MSCI Emerging Market Index is an index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets. The Russell 1000 seeks to track the investment results of an index composed of large- and mid-capitalization U.S. equities. The Russell 2000 seeks to track the investment results of an index composed of small-capitalization U.S. equities. The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Barclays Capital Global Aggregate Bond Index is designed to be a broad based measure of the global investment-grade, fixed rate, fixed income corporate markets outside the United States. The Barclays Capital US Gov/Credit bond Index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year.

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