

December 2018

2018 Recap

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Thank you for Investing in FrostGate,

Happy New Year!

2018

We are extremely pleased with our 2018 results. This year has been a wild ride, from the a very bullish January with the political engine in the markets favor to the drama that unfolded with Kim Jong-un “little rocket man” threatening world war III. Despite all this turmoil in the first half of the year, the market was unfazed. The sharp decline in February was followed with an immediate rebound, and steady growth. This market environment was partially due to the tax reform which allowed about a 20% boost in earnings to domestic companies, as well as the anticipation of a more business-friendly environment as president trump cut regulations. The most notable bubble of 2018 was the cannabis bubble as it inflated greatly in the 3rd quarter with companies seeing 2-300% growth in months, clearly unsustainable and crashed during the months to come. October; a historically unfriendly month for the markets, but it didn’t stop there, the last quarter was one to forget. We saw some of the worst trading days in a decade, and December being the worst December since the great depression in the 1930’s to bring us into this “bear market” we would like to believe this correction will be a 9-12 month bear market. However this thought has occurred to us 3-4 times since 2013. As a result I believe no one should bet against the United States economy. Unemployment has been a great economic driver, helping support and inflate the market throughout 2018. A lot of these jobs were created though small businesses as the new tax code encourages businesses to hire and grow. Other notable data is Income levels, as they have increased by 3.2% y/y keeping pace above inflation. These numbers should lessen the risks of a 2008-2009 era recession.

Major events in 2018

AAPL became the first trillion dollar company in market cap, for a few months.

President Trump cooled tensions with North Korea.

United States became an Net exporter of oil

Crypto enters a bear market with most tokens losing 80-90%

Space X landed a rocket on a floating barge successfully, that was impressive.

#metoo exposed years of misconduct from several major public figures shaking up several industries.

Amazon continued to show superiority over other online retailers.

Google Pixel 3 was the most successful phone launch in Google’s history competing with the apple I Phone

Tesla Managed to become profitable, and meet their production goals of 5,000 Model 3’s per month

Mid Term elections split the house and senate to have a divided government for the first time in Trumps presidency.

The trade war, an expected outcome of president Trumps campaign promises we expect in 2019 these will be resolved

Brett Kavanaugh was sworn into the supreme court after a lengthy battle with allegations of misconduct

The WALL, Trump shut down the government on budget disputes over boarder security.

United states left the Iran Nuclear Deal

Portfolio Performance

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FrostGate Capital:

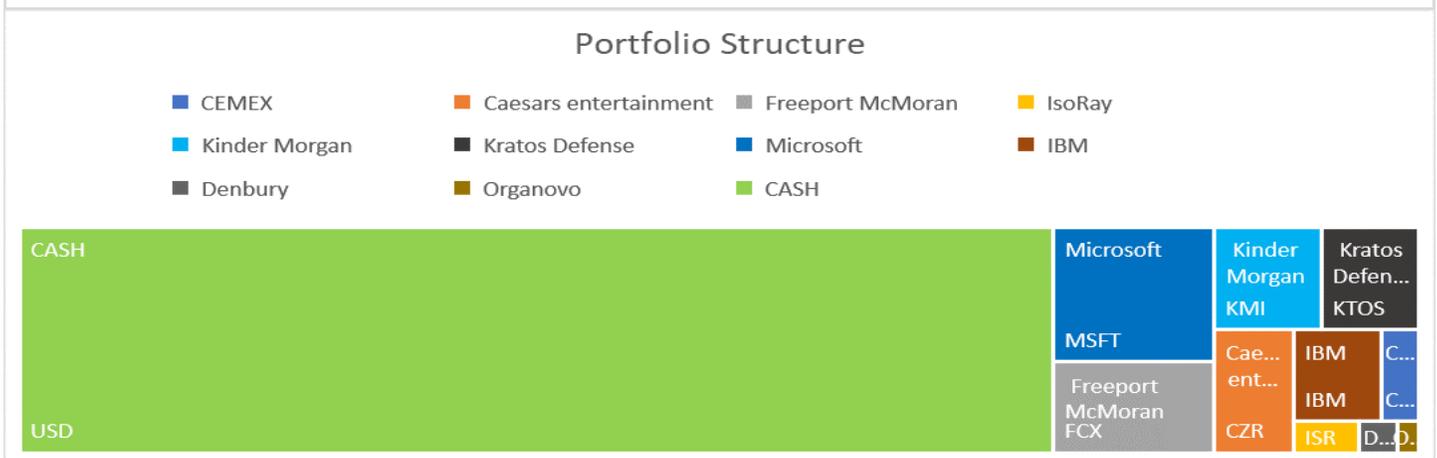
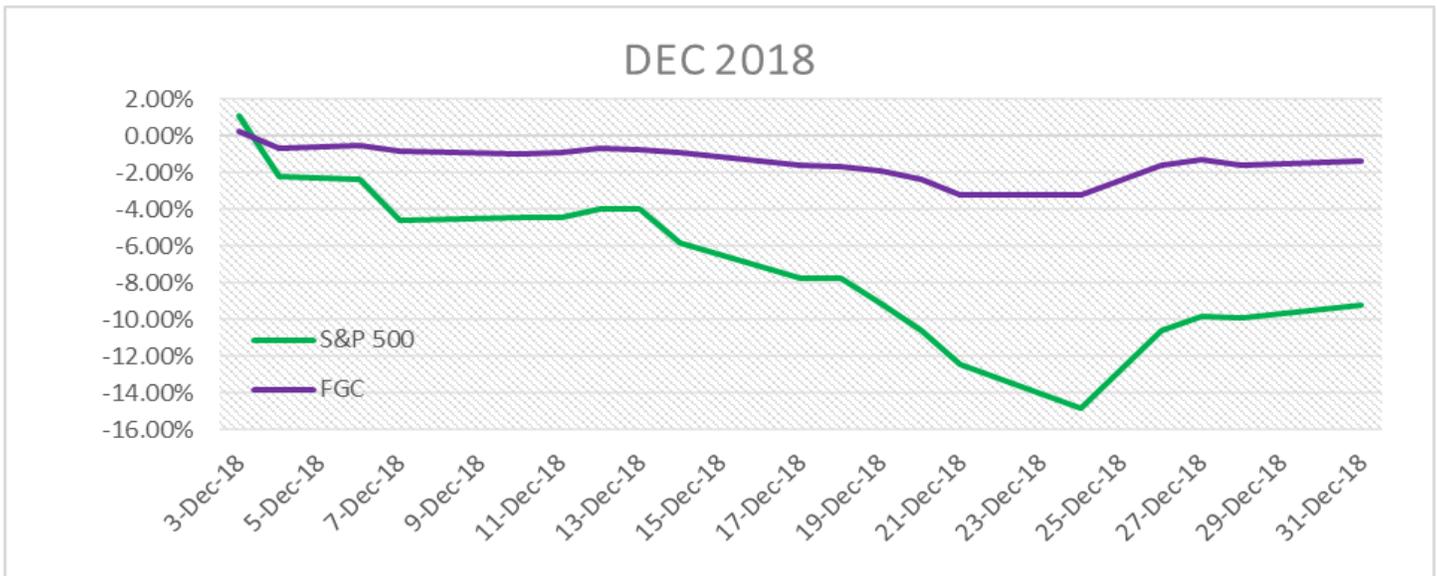
December 2018 performance was -1.37% we are pleased with our hedge and capital preservation strategy going into December. Our Performance in 2018 return of 14.3% beat the S&P500 index by over 20% which closed the year down -6.6%

The Hedge Fund Index:

The hedge fund index was down -2.64% in December, closing the year down -5.11% for 2018, which is a very interesting, as hedge funds are supposed to be resistant and profit in a down market.

December 2018

The S&P 500 has seen some of the most volatile days on record, with the liquidity in the ETF (SPY) a mirror to the S&P500 has seen tightening in the last quarter an indication of risk off mentality. This is direct effect of securities dropping in price. This is also a indication of late to end business cycle. S&P500 finished December down -10.1% closing the year down -6.6% The losses were spread across the board as the trade war hangs over the market like a dark cloud. We were able to make a few purchases including MSFT, DNR, IBM and ONVO

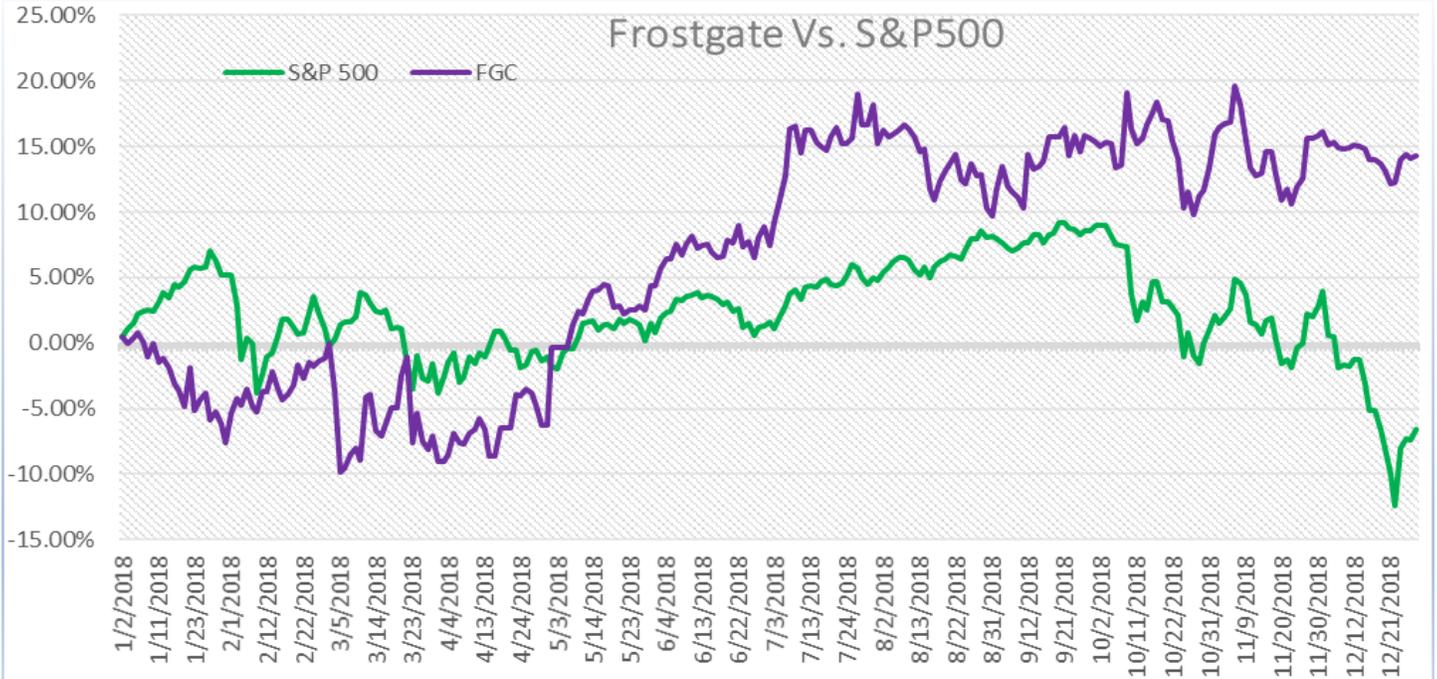


2018 Charts

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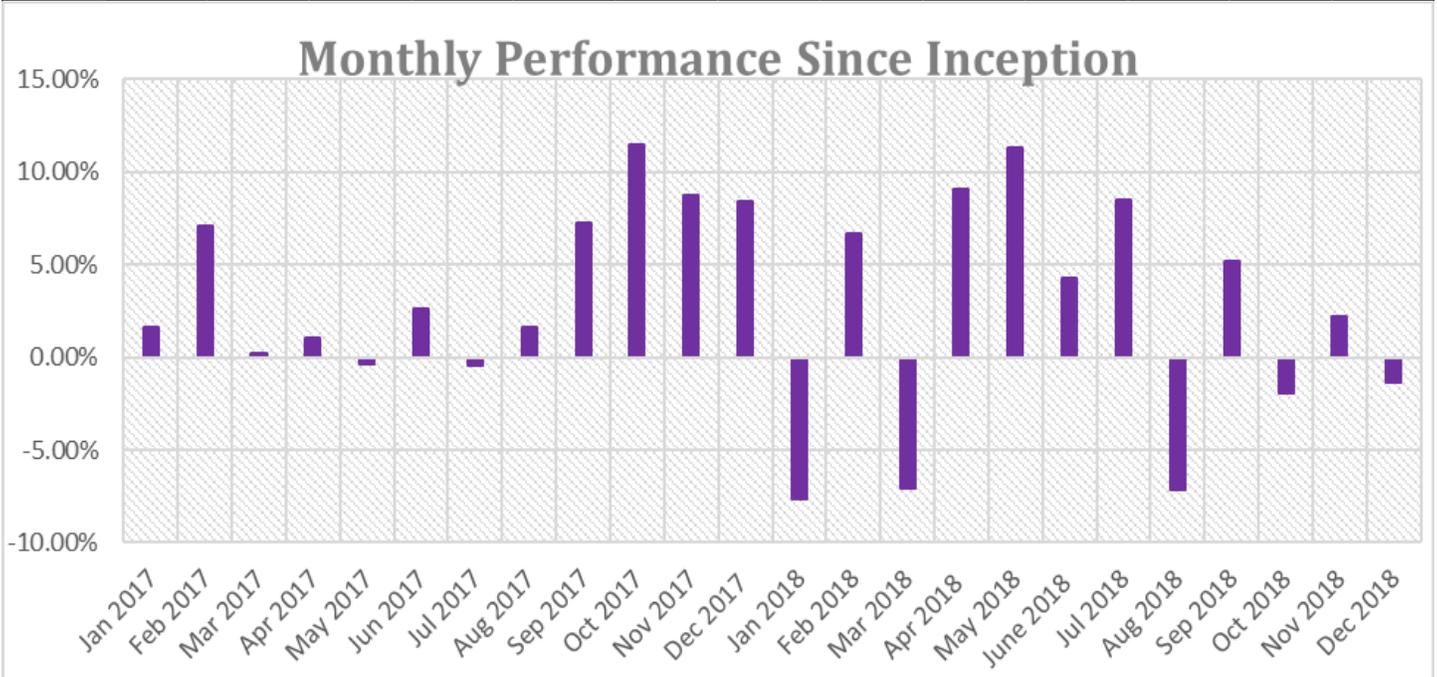


S&P 500 Vs. Frostgate



Monthly Returns

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2018	-7.65%	6.71%	-7.06%	9.09%	11.33%	4.30%	8.47%	-7.18%	5.14%	-1.92%	2.19%	-1.37%	14.30%
2017	1.60%	7.09%	0.25%	1.08%	-0.35%	2.58%	-0.49%	1.64%	7.22%	11.51%	8.70%	8.38%	53.38%

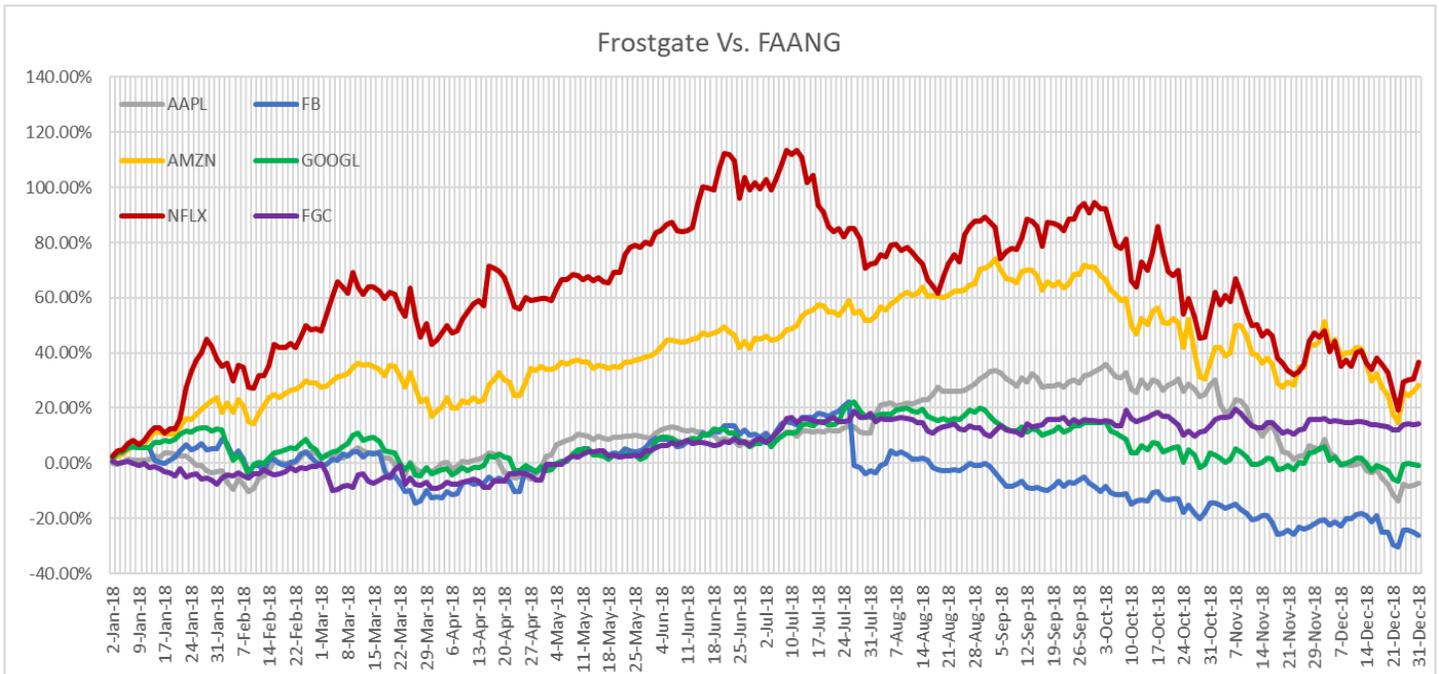


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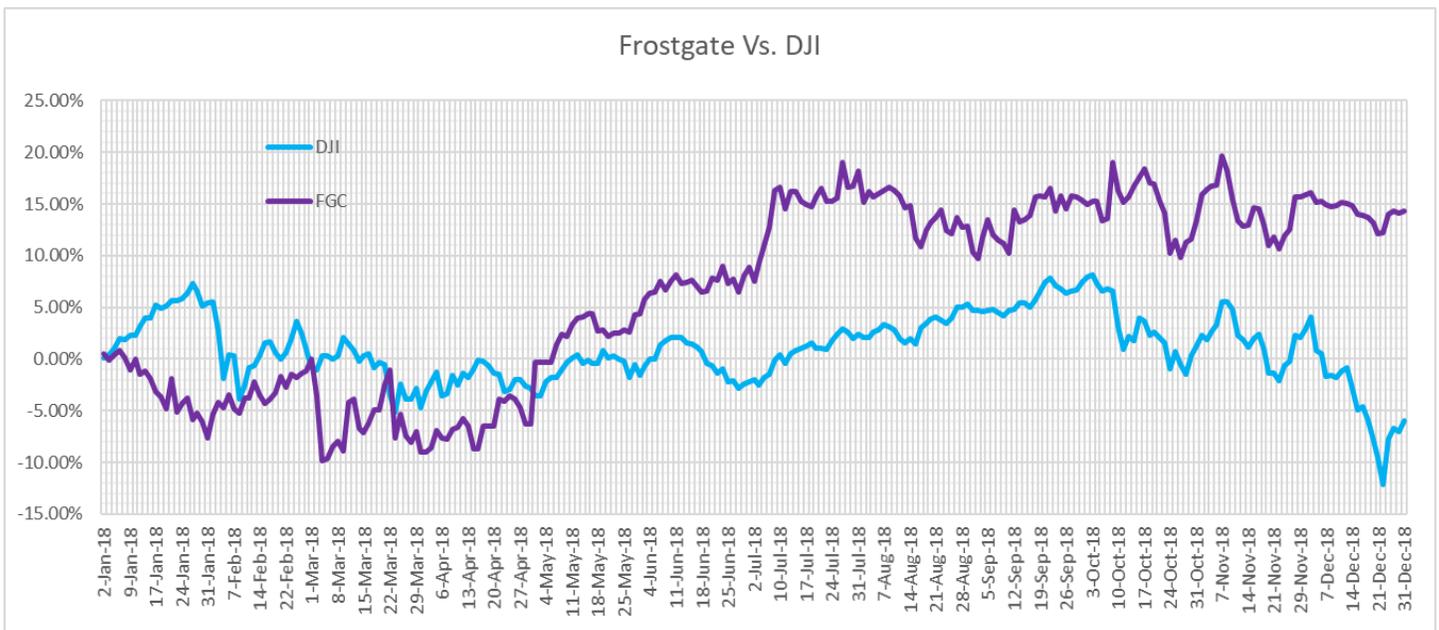
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FAANG Vs. FrostGate chart



DJI Vs. FrostGate chart



2018 Highlights & What we see for 2019

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The FED of the future

The federal reserve raised rates in December, a widely expected outcome, however the market seemed to disregard their warnings, and thought there would be a surprise due to President Trump's vocal disapproval of the rate decision. The slow increase in rates is important to a healthy economy and we should embrace these rate hikes. The Fed Stated the economy is strong, and the hike in rates is now at the bottom of the neutral level, indicating there may be a slowing of interest rate hikes. The next fed meeting will indicate their outlook for rate hikes in 2019. With pressure from the President and the markets, we could expect them to suspend hikes. The FED is supposed to be independent, their rate decisions are supposed to be based on their independent research on the strength of the economy not the stock market, this however seems to be contrary to the current situation.

Industrials/ EV

The competition in EV is heating up with Porsche expected to release a tesla Killer, Priced similarly to the tesla with the reliability and history of Porsche heritage. Battery and materials have been a prime topic of the future as specific metals are expected to become widely used in the manufacturing process. Battery technology is a very important industry and the safety concerns are at the top of the list. Manufacturing batteries lighter and more efficient is the only way to make EV a viable option for the future of transportation. Materials such as cobalt, graphene and copper are the top materials where we see opportunity in the future. There is one company that has a strong hold on some very important technology, we are planning to initiate coverage, with an expected investment when oil prices reach stability as the company has a foothold in the oil/gas industry as well as the battery technology patents of interest to us.

The future of Cyber security

The future is cloud computing the prosperity of the nation and it's people are reliant of the cloud. The privacy of the people and the nations secrets are the key to our success and should not be taken lightly. There are real opportunities in the space. Countries such as China, Russia, and North Korea our fierce rivals have allocated 100's of millions to hacking programs to steal our industrial secrets. Cyber security is the defense system against these threats and is always evolving, as competition in this space has evolved from over the counter solutions to customizable systems to predict attacks and hide and encrypt information to thwart misguided efforts of malware, and hackers.

Thank you for investing with FrostGate,

We know there are a lot options out there, we appreciate you trusting us to manage your assets though these uncertain times in the market and the world. We are looking forward to 2019, with many opportunities to come. As the we continues to grow we will continue to make investments in the company's infrastructure to improve investor experience and interactions.

Sincerely,

The Team at FrostGate

Robin Middlebrook,

CIO/CEO

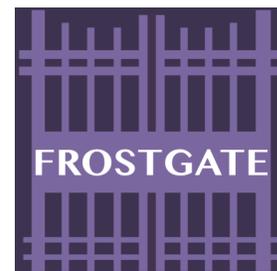
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