Essential Absolute Return Portfolio℠

Report for the Second Quarter of 2018

Philosophy

We believe that a disciplined, opportunistic approach to investing in a carefully researched set of open and closed end funds can deliver attractive risk-adjusted returns.

Objective

We seek a return that significantly exceeds the prevailing level of short term interest rates by investing for a combination of current income and short term capital appreciation. Limiting the risk of loss of principal is a secondary objective.

Essential Investment Partners

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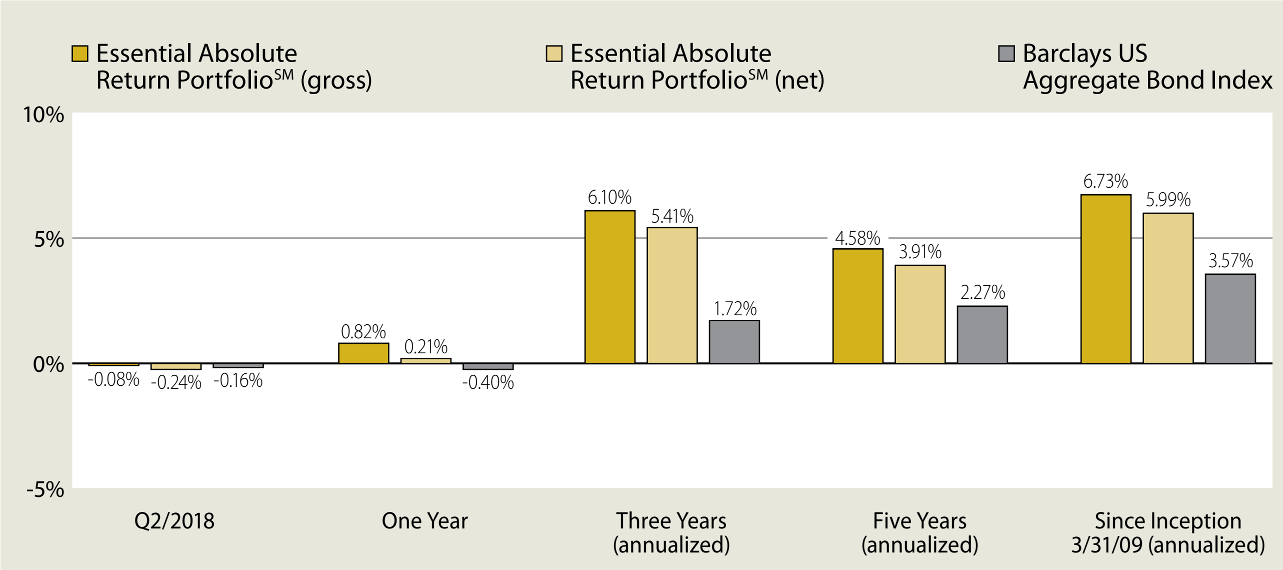
Essential Absolute Return Portfolio℠
Total Returns for Periods Ended June 30, 2018



Portfolio Manager's Commentary for Second Quarter of 2018

The bond market largely slept through all of the fireworks in the equity markets caused by trade and tariff tensions. Longer term interest rates stayed stable while short term rates rose in line with the Federal Reserve's one fourth of a percent increase in the federal funds rate in June. Like the equity markets, however, non dollar bonds suffered from a strengthening US dollar.

As has been the case for the last nine months or so, closed end fund discounts bled higher this past quarter. In the current flat yield curve environment, the value of the embedded leverage in the closed end fund structure is diminished. With the cost of short term debt higher, many funds must reduce their dividends or pay returns of capital. We have selectively added to a few closed end funds but we are maintaining our defensive stance, expecting discounts to stay wide until there is a change in the interest rate outlook.

For the second quarter, the Essential Absolute Return Portfolio℠ composite posted a small loss of -0.08% gross of fees, and -0.24% net of fees, comparable to the loss of -0.16% for the Barclays US Aggregate Bond Index. For the twelve months ended June 30, the Essential Absolute Return Portfolio℠ composite posted returns of +0.82% (gross of fees) and +0.21% (net of fees), compared to a loss of -0.40% for the Barclays US Aggregate Bond Index.

As we have noted in the last several quarterly reports, 2014 and 2015 tested the patience of investors in closed end funds. After reaching an interim peak in August of 2014, the Essential Absolute Return Portfolio℠ composite experienced its largest ever drawdown of nearly 8%, culminating in September of 2015. From that point, the composite rallied very strongly, fully

Model Strategy Allocations as of June 30, 2018

Closed end fund convergence trading positions	51.5%
Core fixed income investments	38.3%
Core absolute return investments	6.0%
Closed end fund corporate action positions	0.0%
Cash and other	4.2%
	100.0%

Top Five Positions as of June 30, 2018

PIMCO Income Fund	12.0%
Aquila Three Peaks High Income Fund	11.9%
BlackRock Credit Allocation Income Trust	9.2%
Carillon Reams Unconstrained Bond Fund	7.1%
River North DoubleLine Strategic Opportunity Fund	7.0%

recouping the drawdown in April of 2016 and continuing to post strong gains through the third quarter of 2017. We may have started another drawdown period in the last three quarters, as investors adjust to higher short-term and long-term interest rates. We started this period with a relatively defensive positioning and, as noted above, we will be cautious about adding to closed end fund positions until we see very attractive pricing.

Our largest closed end fund weighting continues to be in floating rate loan funds, with the expectation that these funds will fare better than others in the rising rate environment we still believe is most likely. Oddly, our small positions in municipal bond closed end funds were the bright spot in the portfolio during the second quarter. High yield bond funds were also modestly additive to returns in the quarter. The biggest drags on results were positions in non dollar bond funds, due to dollar strength.

We are on the lookout for two very different risks. First, and more likely in our view, is a sharp rise in longer term rates. This would be a positive as discounts would widen even more dramatically, allowing us to deploy capital more aggressively. Second, and far less likely over the next 12-18 months, is a substantial widening of credit spreads. This would likely be a foreshadowing of recession and call for an even more defensive positioning.

While we patiently watch out for these potential risks, we are happy to “earn the coupon” on most portfolio holdings.

Jon Zeschin, CPA/PFS, CFP®
Portfolio Manager

Important Information

Essential Investment Partners, LLC ("EIP") is registered as an investment adviser with the U.S. Securities and Exchange Commission and will transact investment advisory business in states only to the extent EIP has made or is exempt from the requisite notice filings. No follow up or individualized responses to persons in other jurisdictions that involve either rendering or attempting to render personalized investment advice for compensation will be made absent compliance with applicable legal requirements, or an applicable exemption or exclusion.

Essential Absolute Return Portfolio℠ is a composite of portfolios managed by EIP in this strategy. This Portfolio may be used as a model for recommendations to other advisory clients, depending on the clients' individual needs, financial condition and risk tolerance. Holdings in an individual client's portfolio may vary from the holdings presented herein.

Composite returns are calculated as time-weighted total returns, reflecting the reinvestment of dividends and capital gains, the effects of cash holdings and the deduction of brokerage commissions on transactions. Dividends and other distributions are recorded when received in cash or additional shares, regardless of when such distributions may be recognized for income tax purposes. "EARP gross" means the total return composite for the Essential Absolute Return Portfolio℠ without the effect of management fees, and the "EARP net" reflects the "EARP gross" returns adjusted for the effect of charging fees to each account in the composite. Performance prior to 1/1/2011 reflects a hypothetical fee based on EIP's standard fee schedule of 1% of assets per annum up to $2 million, 0.75% of assets per annum on the next $3 million of assets and 0.50% of assets per annum on assets in excess of $5 million, billed quarterly in arrears, which was the highest fee schedule charged to any client during the period using the Essential Absolute Return Portfolio℠. Performance from 1/1/2011 reflects actual fees charged to clients. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The composite contains all accounts which are or were managed as standalone portfolios using this strategy. The portfolio management team changed in March, 2011 and in October, 2015. *Past performance does not guarantee future results.*

This information is for illustrative purposes only; nothing contained herein is intended as investment advice or an opinion regarding the appropriateness of any investment, or a solicitation of any type.

 Please obtain and read the SEC Form ADV for Essential Investment Partners, LLC for more complete information regarding the firm and its services.

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