CORE EQUITY REVIEW

Third Quarter 2016

FIDUCIARY RESPONSIBILITY REAFFIRMED

PERFORMANCE COMMENTARY

Despite continued tensions in the Mideast, political antics in the US, contradictory messages on the health of the American economy, fears of the failure of a major German bank, and impending rate increases by the Federal Reserve, the stock market, as measured by the S&P 500 Total Return Average, rose 3.9% in the third quarter, bringing the full year gain to 7.8%. Given the never ending concerns since the market bottom in March of 2009 – the disintegration of the European Union, sequestration in the US, the Ebola threat, Mideast conflicts and domestic terrorism, to name a few – it is hard to believe the market set a record new all-time high during the quarter and is up 276% from its low in March of 2009.

The leadership in the quarter's advance sent a clear signal that investors felt the recent economic slowdown was over and the outlook was improving. The strongest sectors were technology, industrials and financials, with defensive areas – consumer staples, telecommunication, and utilities – lagging. Year-to-date energy and materials joined the group of strongest sectors. Financials, health care, and consumer discretionary were the weakest for the first nine months. Style wise in the third quarter, riskier small cap growth led with safer large value the worst. Year-to-date, value of all cap sizes dominated with growth lagging.

As we look to the remainder of this year and into 2017, we expect this positive tone to persist. The economy is positioned for continued moderate growth, inflation and interest rates will be contained, and corporate profits should move ahead modestly. Investor sentiment is cautious with limited signs of market ending speculation. The most probable path of the market is that the next few years will look much like the past eight. A period of great psychological anxiety with the market climbing the wall of worry to successive new highs is the most likely scenario.

On the political front, we have no great insights as to the victors at the national and state levels. Again, given the checks and balances with our system of government, the next four years may look a lot like the last eight with a lot of noise and not much action.

	Periods Ending September 30, 2016					
	QTR	**YTD**	**1 Yr**	**3 Yrs**	**5 Yrs**	**10 Yrs**
Core Equity Wrap Composite - GROSS*	3.4	9.8	16.5	8.9	15.4	9.5
Core Equity Wrap Composite - NET*	*2.9*	*8.0*	*13.9*	*6.5*	*12.8*	*7.1*
S&P 500 Total Return Index	3.9	7.8	15.4	11.2	16.4	7.2
Russell 1000 Total Return Index	4.0	7.9	14.9	10.8	16.4	7.4

*Gross performance is presented as supplemental information to the full GIPS compliant presentation which is available upon request.

**Net Returns reflect the highest fee any advisor charges - most advisory clients are not charged the highest fee

Performance figures for periods one year and longer are annualized.

PORTFOLIO COMMENTARY

The quarter saw a recovery for the technology sector. **Apple** led the parade, up 19% in the quarter. The stock was in a recovery mode after selling off 12% in the prior quarter over concerns of the success of the next generation of hand set sales. **Intel** (INTC), **Qualcomm** (QCOM), and **Cisco** (CSCO) were up 16%, 29%, and 12% respectively. **Corning** (GLW) was up 16% based in part on expectations for stronger fiber and flat screen sales, and a generally improving economic outlook.

Health care was under pressure in the quarter over concerns of pressure on drug pricing. The industry was not helped by several high profile instances of what could only be called price gauging, which in certain instances is certainly the case. **Bristol Myers** (BMY), after being up 16% in the second quarter, was down 26%. It was hit at both ends: pricing concerns but more importantly the failure of a Phase III trial for a very promising cancer drug. **Novo Nordisk** (NVO) was off 22% over potential earnings concerns over drug pricing pressures. **Verizon** (VZ) was off 6% in the quarter. Yield oriented stocks generally moved higher in Q2 supported by concerns of a slower economic recovery and then reversed when the prospects of an incipient recovery became more evident. **Crown Castle** (CCI) and **Martin Marietta Materials** (MLM) consolidated their roughly 20% gains in the prior quarter and were both off 6% as well.

PORTFOLIO ACTIVITY

As investors with a longer view, we generally add or sell only a few positions a year. In July, we added NXP Semiconductors (NXPI) to the portfolio. We have known it since it was spun out of Philips several years ago. NXPI is a leading semiconductor manufacturer with strong patent and product lines in internet of things applications. We believe the internet of things will present an extremely rewarding opportunity for investment. It is difficult to find a pure play in this space that has sufficient scale and presence. This is the closest investment opportunity we can find to date that benefits from the demand driver.

We also added to our existing position in **Facebook** (FB).

MARKET COMMENTARY

With the onset of the third quarter, we moved to new offices. We are remaining in the neighborhood, still in the heart of Princeton, relocating less than 100 yards away on Hulfish Street. Our new home is 17 Hulfish Street, Suite 220, still 08542 and our phone number remains 609-924-6867.

Over the past few years, our firm's assets under management have been growing and we have been adding staff. We have opened an office in Baltimore and one of our Partners (Steve Reynolds) divides his work between Princeton and New York City. In today's wired world, we work very effectively from multiple offices.

While moving is a hassle, one of the benefits is finding old pictures, marketing books from the 1990's, and a treasured "misplaced paper". We came across this timeless document – a speech by Walter Cabot on his retirement from Harvard Management in 1990.

Years ago, Jim Fitzpatrick sent a memo to his partners, annotated with the comment that Walter's beliefs reflected the principles upon which our Firm was founded. His advice was: if one wished to be successful in a career in finance, one should keep Walter's thoughts foremost in mind and practice. The following lines are excerpts from Walter's speech and are as appropriate today as when written three decades ago:

We work in a unique and wonderful industry, and here, I am referring to the buyside investment professional and those involved in the investment process of managing money. The business is stimulating, thoughtful, challenging and financially and emotionally satisfying. The outcome of our service or effort is critically needed for the well-being and security of the clients or shareholders for whom we work. We serve a need that society must have and that service must be done well.

If you agree with me that we work in an industry with lofty standards and ideals, my first point to you is that we, as professionals, have not measured up to those standards. It's not my intent to recount all the lurid things that have been thrown against us by the press and others, but to say that our reputation, credibility, and trust has been tarnished, or perhaps severely tarnished, and we must work very hard to earn it back.

As a beginning analyst at Putnam in the late 50s my boss, Charlie Werely once said to me, "don't ever forget the sacredness of a single dollar because that dollar is important to someone out there who has entrusted to you its safekeeping." If any of you are involved in fund raising for your church, you are probably aware of the concept of stewardship. Stewardship is the exercise of responsible care over possessions or wealth entrusted to a manager or an overseer. It is a position of trust which should not be betrayed. In "playing the game," our industry has lost sight of the seriousness or trust for which our clients have held us responsible. If our industry is to "reshine", we must regain our role as stewards and return to former levels of trust.

I've mentioned our industry several times and perhaps it needs more definition. The investment business is a service business whose objective is to provide an accumulation of wealth to a client or shareholder either in an absolute sense or relative to some prestated objectives. This service can only be delivered over some longer time period.

We have not done a satisfactory job in convincing ourselves or educating our clients on the great value of a longer time horizon for investing. Like society itself, we want instant gratification. We have also done a disservice to the companies in which we invest by our emphasis on quarterly results. Managements need to be encouraged to invest for the future, and Managements need to be convinced that this strategy can and will be successful for enhancing the values of their stock.

1. *We must raise the consciousness of the Investment Professional to match the ideals of the industry. Remember words such as:*
   - *Sacred Trust.*
   - *Stewardship.*
   - *Principal rather than Agent.*
2. *Our job is to create cumulative wealth for our client.*
   - *Client wealth and satisfaction must come before business objectives.*

> 3. *Our business should be based on the discipline of seeking value.*
>   *– Identify cheap assets on a worldwide basis.*
> 4. *Give yourself the benefit and added edge of a long time horizon.*
>   *– Educate your client along the same lines.*
> 5. *Remember that we deal with human beings.*
>   *– Aspire to the very highest ideals for yourself and your organization.*
>   *– Nothing less fits the description of an Investment Professional.*
>
> *Let us toast the '90s where industry ideals and our own standards will talk in tandem. Thank you.*

Walter described in his speech the role of the fiduciary; a role that has been tarnished, diminished, or forgotten by too many in the financial services industry. Unless it is embraced anew, we can look forward to greater risk to the client and greater regulation for the investment manager.

We are most appreciative of your faith in us and our relationship. Since our founding in 1987, we continue to strive to serve a need that society must have with all our hearts and minds.

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DISCLOSURES:

Princeton Capital Management, Inc. ("Princeton") is an independent investment management firm established in 1988. Princeton is registered with the U.S. Securities and Exchange Commission and based in Princeton, NJ.

Core Equity Wrap Composite – (inception date February 2008) representing taxable and tax-exempt equity wrap-fee accounts managed on a discretionary basis according to Princeton's conservative, equity-oriented investment strategy without client restrictions for the period(s) indicated. Statistics presented for the period prior to February 2008 are those of the Core Equity Private Client Composite (inception date October 1988) representing actual separately managed taxable and tax-exempt equity client portfolios managed on a discretionary basis according to Princeton's conservative, equity-oriented investment strategy without client restrictions for the period(s) indicated. Prior to 1/1/2008, this strategy and composite were marketed as Princeton's Balanced investment product and was comprised of only tax-exempt accounts. While the strategy, whose portfolios may be fully invested in stocks, has not changed, it was renamed to make it more distinct from traditional balanced products that typically maintain ongoing bond allocations.

Performance results are calculated internally using Advent portfolio accounting software. Accounts are included in each composite and its performance at the beginning of the first full calendar month in which the account is fully reflective of the investment strategy. Performance and index valuations and calculations include cash and cash equivalents and also include the reinvestment of dividends, interest and other earnings and are computed and stated in US dollars. All performance figures for periods one year and greater are annualized. Returns are weighted for the size of each underlying account. Pure gross returns are shown as supplemental information and are stated gross of all fees and transaction costs. Net returns are reduced by the highest wrap fee of 2.25%. A client's return will be reduced by our advisory fees and other expenses a client may incur in the management of the client's portfolio. Our advisory fees are disclosed in our Form ADV 2A. Also, there is a compounding effect of advisory fees over time on the value of a client's portfolio. As an example, the deduction of investment management fees would reduce the annualized return for Core Equity for the five years ended December 2013 from 19.4% to 18.7%. Actual investment advisory fees incurred by clients may vary.

The **S&P 500 Total Return Index** gauges the large-cap U.S. equity market. The **Russell 1000 Total Return Index** is an unmanaged index that measures the performance of the large-cap segment of the US equity universe. These indices are unmanaged and include the reinvestment of dividends and earnings. Inclusion of index information is not intended to suggest that its performance is equivalent or similar to that of the historical investments whose returns are presented or that investment with our firm is an absolute alternative to investments in the index (if such investment were possible). Investors should be aware that the referenced benchmark funds may have a different composition, volatility, risk, investment philosophy, holding times, and/or other investment-related factors that may affect the benchmark funds' ultimate performance results. Therefore, an investor's individual results may vary significantly from the benchmark's performance.

Performance results, and advisory fees, for individual client portfolios will vary due to the timing of investments, additions/withdrawals of funds, diversification guidelines, length of relationship, and size of positions, among other reasons. Past performance is not necessarily indicative of future returns and the value of investments and the income derived from them can go down as well as up. Future returns are not guaranteed and a loss of principal may occur. Views regarding the economy, securities markets or other specialized areas, like all predictors of future events, cannot be guaranteed to be accurate and may also result in economic loss to the investor. The Core Equity Portfolio snapshot and Top Ten Holdings are based on a model portfolio structured to represent the Core Equity Wrap Composite. For additional information about the performance of the Core Equity Wrap Composite or our current fee schedules, please contact Princeton Capital Management.

Any securities listed in this material do not represent all the investments purchased, sold or recommended for client accounts by our Firm and may only be a representative list. Our investments and recommendations may and do change from time to time or at any time. Individual portfolios may have different characteristics due to a portfolio's start date, particular client needs, portfolio manager preferences, or other factors. The Top Ten Holdings securities listed have been selected as our largest holdings and on an objective and non-performance based criteria. One should not assume that an investment in any of the listed securities was or will be profitable or equal the performance of the securities listed. Princeton offers to provide a list of all recommendations for the prior one year period on request.

The stocks named as the top or bottom contributors to performance for the period are based on a model portfolio structured to represent the Core Equity Wrap Composite. Further detail on the contribution to performance calculation, which takes into consideration the weighting of every holding in the representative account, as well as a list showing every holding's contribution to performance for the period, is available by contacting Princeton Capital Management.

Princeton Capital Management claims compliance with the Global Investment Performance Standards (GIPS®).

A full GIPS compliant presentation and/or the Firm's list of composite descriptions can be obtained by contacting the Firm at (609) 924-6867.