MASONRY CAPITAL

Q4 2020 Masonry All Cap Select Commentary **January 2021**

"Secular (i.e. long-term) inflation, which I believe is massively underestimated, will be the ultimate demise of the great bull market in long duration assets."

Vincent Deluard, Director of Global Macro Strategy for Stone X, Inc.

To Our Client Partners:

The aim of our quarterly updates is to provide insight into the current portfolio and how we are positioned going forward. Please reach out with any questions or comments you may have.

Q4 2020 and Year-end Overview of Performance and Positioning

As of December 31, 2020 we were approximately 95% long consisting mostly of common stocks and 5% in cash and cash equivalents. The portfolio's largest exposures at the end of the quarter were **ViacomCBS (ticker: VIAC), Anheuser-Busch Inbev and DISH Network (ticker: DISH).**

The performance of the strategy since the passing of Election Day and soon after that, the announcement of an effective vaccine to protect against COVID-19, has been extraordinary. November's return represented the highest monthly net return since the inception of the strategy which dates back to December 31, 2018.

Portfolio Highlights

The strategy has long been positioned for not only a return to normalcy post-COVID but also a 'changing of the guard' as it relates to the performance leadership in the overall market. There are significant changes afoot that we believe have started to manifest since early November and, as we have tried diligently to detail in past letters, should these changes take hold it will bring the laggards to leadership positions (and vice versa) in the coming decade and maybe beyond.

The management of the portfolio went through three very distinct phases in 2020. At the onset of the virus and subsequent lockdowns, loss mitigation became the top priority. The sole objective was to 'live to fight another day' until we had a better understanding of the environment we were in. During times of great market distress it is better to reduce exposure while working diligently to get a handle on exactly what is happening. The second phase involved attempting to profit from the extreme dislocations that tend to occur during times of market turbulence. Towards the end of March and for weeks after, this was done by increasing exposure to those securities and companies we believed would come out the other side when things got 'back to normal.' We also employed tax mitigation strategies throughout the year designed to harvest tax losses where possible while maintaining our desired exposure. This has important implications for our taxable investors. Our actions in this regard have, in many cases, created a very large tax loss carry forward which is able to be used to offset realized gains in the years ahead. Last, we spent much of the rest of the year accumulating positions in a variety of securities in the portfolio that, in our view, were trading at a fraction of their intrinsic value. This was done with the long view in mind. We were much less concerned with how the securities would react in the remaining turbulent months of 2020 and intensely focused on the long-term value inherent in each position. While we can't say we are sad to see 2020 in our rearview mirror, events throughout the year gave us an extraordinary opportunity to position the portfolio for outsized future returns that we believe started in earnest in November.

Market Thoughts and Observations

We have stated many times that for the current Disruptor Bubble to continue the conditions of low inflation, low interest rates and low and steady economic growth need to persist. We opine in this section on the improbability of this actually occurring.

Interest Rates and Inflation

A quick observation on interest rates follows in **Chart 1**. Using the past as precedent, the post-recession yield differential as defined by the 30-year US Treasury minus the 2-year US Treasury, usually reaches approximately 3.5% at its peak and close to 0% at or near its trough. The trough has historically preceded a recession and the peak occurs as the economy moves into an expansionary phase post-recession. As you can see in the chart, our current status points to the long bond (and subsequently the spread between the 2-year and 30-year) increasing substantially as we move through the cycle. We would argue that should the Fed attempt to tamp down this relationship and keep the longer bonds artificially low it opens the door for an inflationary era straight from the playbook of the 1940s.

Chart 1

US 30yr – 2yr yield curve (% gap)

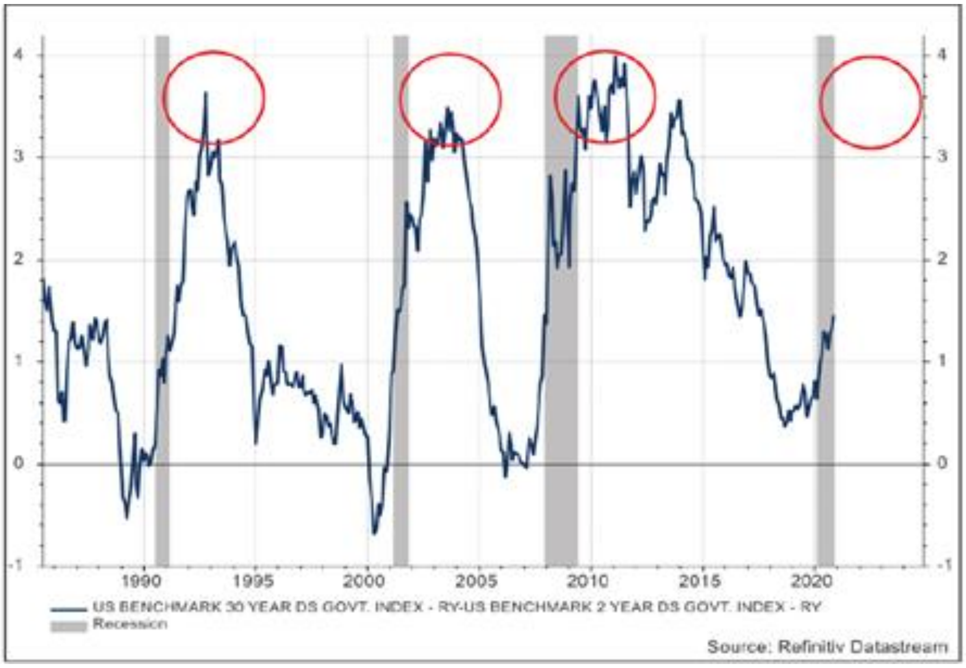
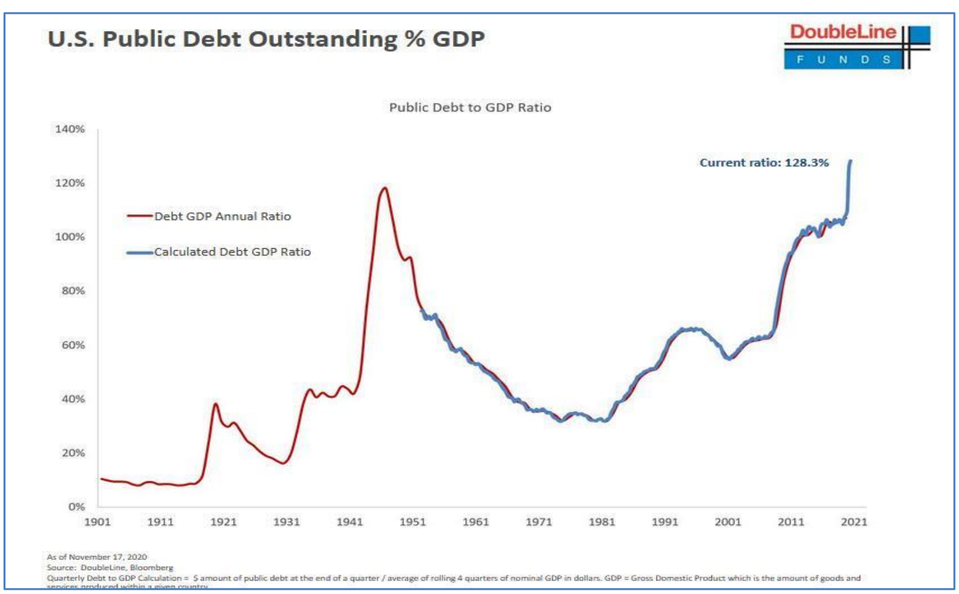


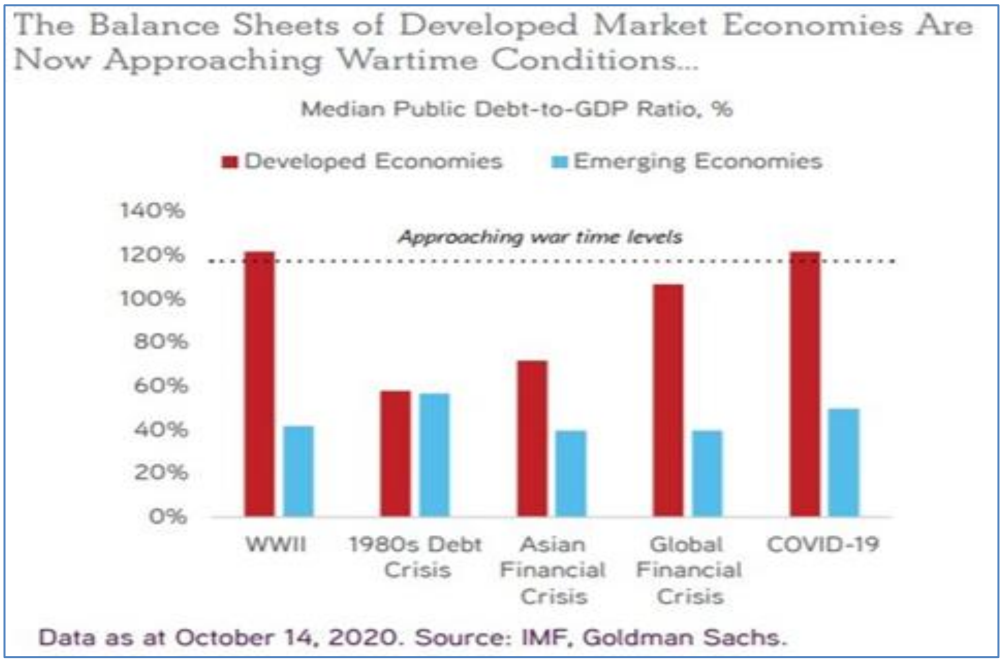
Chart 2 shows that the U.S. Public Debt Outstanding as a % of GDP has surpassed that of World War II. For almost a decade during the 1940s, the Fed kept a lid on U.S. Treasury Rates while inflation ran hot. Inflation rose near 10% in two years in the early 40s and hit almost 20% in 1947. Maintaining a policy inclined to let inflation run hot for the foreseeable future combined with a stated willingness to manipulate the yield curve sounds awfully familiar to the objectives outlined by today's Federal Reserve.

Chart 2



High debt-to-GDP ratios exist throughout the world as governments employed fiscal spending to alleviate the effects of lockdowns due to COVID-19 as show in **Chart 3**.

Chart 3



The de facto choice to pay back debt that is otherwise unpayable in a traditional sense is to either debase your currency, restructure the debt, employ financial repression or default on the debt. There are those that believe because the money printing after the Great Financial Crisis did not result in inflation it will not this time around either. While we surely understand the basic reasoning of this line of thinking, we also believe there are important variables that might make for a different outcome this time. The first is that banks are not going through a multi-year period of repairing their balance sheets as they did over a decade ago. Additionally, governments around the world are offering credit guarantees to commercial banks. According to Russell Napier of Orlock Advisors, this is a significant development as it will allow the banks, flush with reserves, to expand their balance sheets which will in turn expand economic activity. He states, “The reason this is important is that that’s how you create money. Since the 17th century, money has been created by commercial banks, not central banks.” We are also tracking the velocity of money. We believe an increase in this metric along with the current unprecedented increase in the money supply is a necessary condition for inflation in the future. If consumers start to spend liberally once economies start to re-open it very well could create the inflationary pressures that have been absent from the U.S. for quite some time.

We maintain that the government can hold down interest rates, and they probably have to in order to service the debt load, but in doing so it could very well be at the expense of rising inflation. Napier suggests, and we agree, that in a disinflationary environment, those companies with a moat and pricing power have garnered the lion’s share of investor capital. But this dynamic changes in an inflationary environment when every company has the ability to raise prices. He states, “The guys with the low valuations because they can’t raise prices look awfully cheap when they can." Our portfolio is littered with the companies that are leveraged to this changing dynamic should it occur.

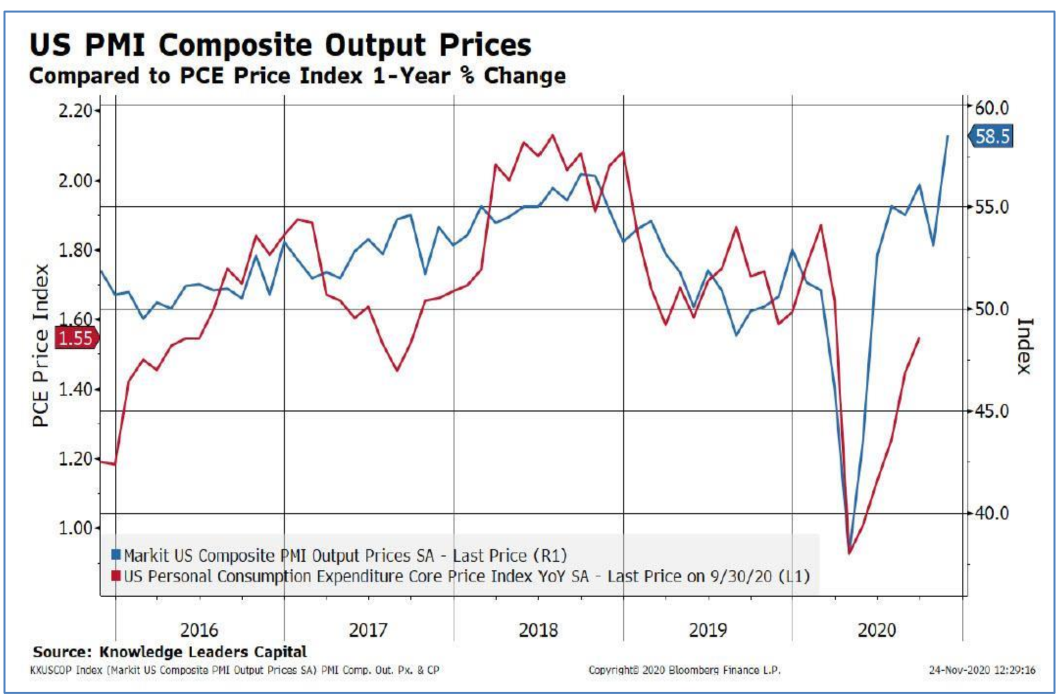
As such, it is a worthwhile exercise to think through the implications if we actually do experience a reversal of the disinflationary conditions of the last decade in the years ahead.

Here are a few:

- In an inflationary period, companies with spot pricing or shorter contract periods with price escalators would be favored over long-term subscription businesses.
- Companies with large, established capital bases funded with low interest rates and longer-term debt might reasonably be favored over asset-light businesses. If the cost to replicate the fixed assets of a company (think ships, large factories and infrastructure) were to increase every year due to inflationary pressures those with established asset bases should become more valuable.
- For companies where employee compensation (wages) makes up the majority of their corporate expense they could experience wage (cost) pressure which would hurt margins and thus see a declining return on their invested capital which would ultimately lead to lower valuation multiples.

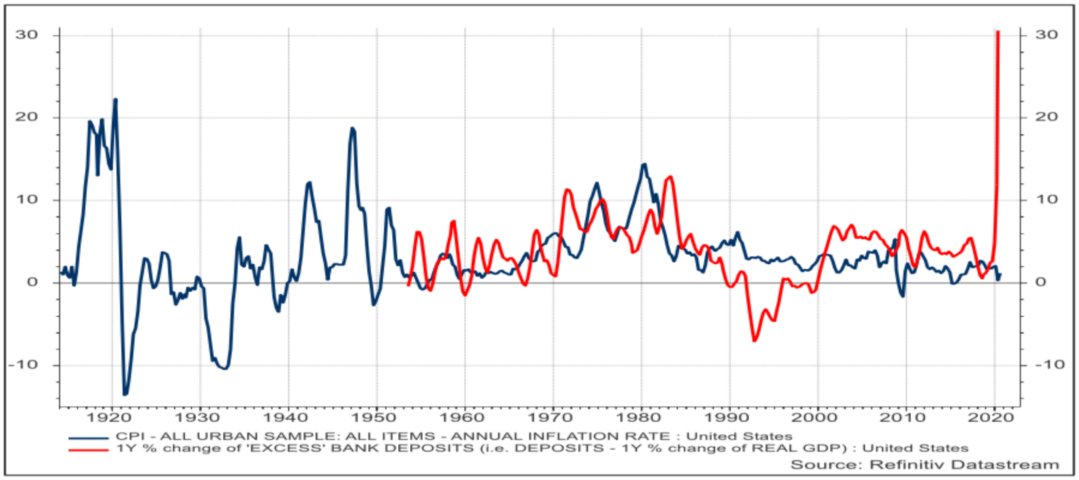
The PMI Index and the PCE Core Price Index (which is the primary inflation index the Federal Reserve uses) tend to be correlated over time as seen in **Chart 4**. If this correlation tightens in the future and bears any resemblance to its historic past, the PCE Core Price Index is going higher.

Chart 4



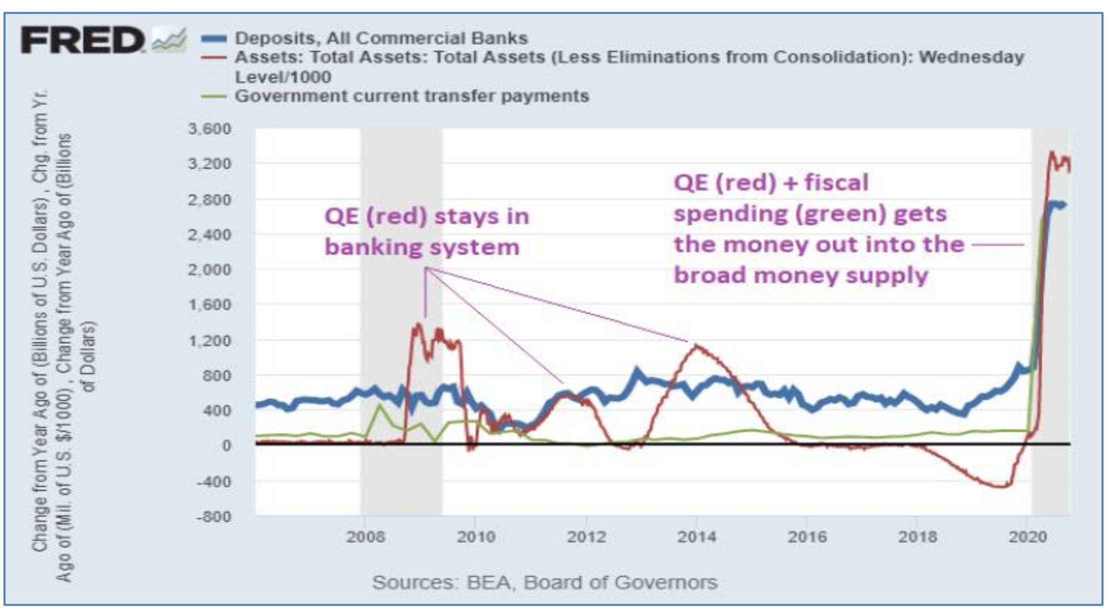
U.S. CPI has also demonstrated a correlation with 'excess' deposit growth going back to the early 1950s. Again, should this correlation resume its historical pattern, U.S. CPI is headed higher as can be seen in **Chart 5** below.

Chart 5



What may ultimately cause inflation is detailed in **Chart 6**. The chart below highlights what might be the missing piece – fiscal spending. This is a variable that has been largely absent from this country for the last 40 years. We believe combining massive fiscal spending with money printing by the Fed and doing so in a time when the banking system is as healthy as it has been in decades could result in a radically different outcome than many are predicting. The Fed has publicly made its desire known for an increase in the inflation rate in the U.S. We fear it is becoming increasingly probable that they just might get what they are hoping for but at levels that could surprise to the upside.

Chart 6



Weaker Dollar | Commodity Prices

Chart 7 depicts the Twin Deficits (U.S. Budget Deficit and Current Account Deficit) and the U.S. Dollar Index. During times of significant Twin Deficits in the U.S., the USD weakens against a basket of other currencies. A weaker U.S. Dollar has historically been linked with commodity bull markets. This happened from 2000 to 2011 as an example and again in the latter half of 2020 as the U.S. Dollar weakened and almost all commodities went on a tear. Given the enormity of the Twin Deficits at present, if history is any guide, the trends of the past will bring about a substantially weaker U.S. Dollar in the years ahead.

Chart 7

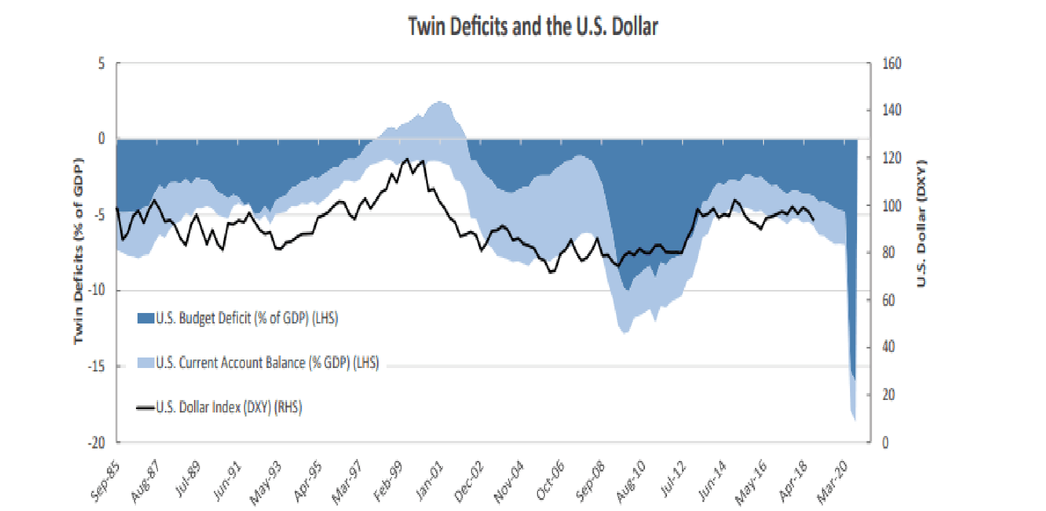
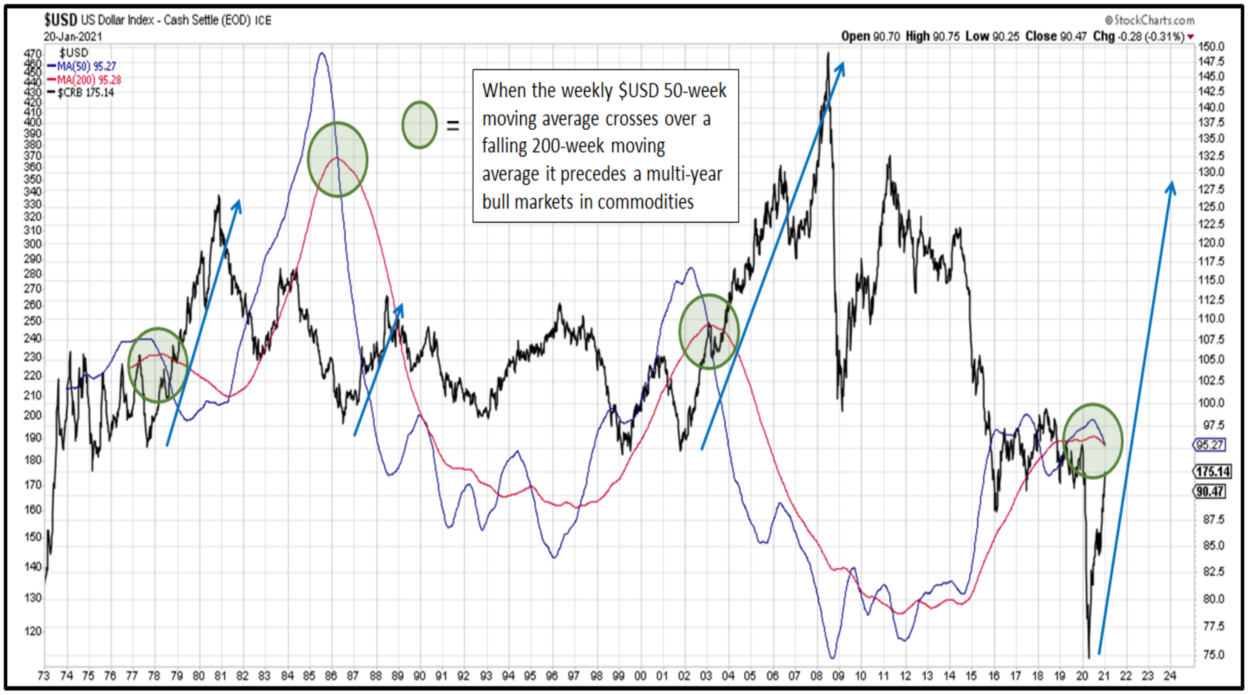


Figure 2

Source: Bureau of Economic Analysis, Bloomberg, DoubleLine. The twin deficits are formed by the U.S. budget balance (most recent data point is September 30, 2020) and the U.S. current account balance (most recent data point is June 30, 2020). The U.S. Dollar Index in this chart is lagged by eight quarters relative to the U.S. current account and budget deficits.

We examine past periods of US Dollar weakness and its relationship to commodity cycles in **Chart 8**. When viewing the trends of the US Dollar over time relative to other currencies it seems clear there is an ebb and flow or cyclical pattern to it. Determining the cause of these moves obviously involves the study of multi-variable and complex systems. However, we have tried to reduce it to its simplest terms and come to some possible high-level conclusions. As is detailed in the chart, beginning in 1973 when the 50-week moving average of the US Dollar Index has crossed below a falling 200-week moving average, we have entered into a period of a sustained rise in commodity prices. We don't believe this is coincidence and that the cause and affect are much more closely aligned than many realize.

Chart 8



Where this all comes together is in marrying our analysis and observations of history with the reality of the present. For instance, it is a useful exercise to overlay what was presented in Charts 7 & 8 with what his happening fundamentally in the energy space (oil in particular). What we find interesting is that with so much focus on China and its population of over 1.4 billion people, as both an economic and increasingly a military foe, we sometimes forget there are almost 2 billion people in India, Indonesia, Vietnam and Nigeria who are poised to enter the middle class during the next decade. The energy and resource intensity of this is staggering and has huge implications for both the energy needs and the national security interests of the United States. Largely because of this expected growth in energy demand, Saudi Aramco, the largest oil producer in the world, stated in October that they expect oil demand growth to continue in the long term. They believe that rising populations and economic growth in developing countries will unfortunately offset the Green Energy policies of the developed world. Further, one of the great ironies of the push to Green Energy will be an increasing reliance on Middle East oil companies possibly subjecting the U.S. to political and economic tensions not felt for many, many years.

In direct contrast to the last decade, the next 10 years may include the U.S. possibly ending or moderating our trade war with China, an economy that is post-COVID, a post-Brexit world and governments around the globe that have moved from a goal of fiscal austerity to a seemingly wide open fiscal spigot. There seems to be bountiful and growing evidence pointing to a global reflation and a massive and lengthy commodity boom or commodity super-cycle which seems to be supported by what was laid out in Charts 7 & 8. One of the first indications might be a future energy crisis in the U.S. According to Larry McDonald of the Bear Traps Report, operators in the Permian basin have recently told him that with the current amount of supply relative to demand, we are going to be three or four million barrels short per day by the summer of 2021. He adds that by August of 2021, if demand comes back in a post-COVID economy prices could shoot up to near $100 per barrel.

From a market cycle perspective it would not surprise us at all to see a lengthy bull market in commodities given that the commodity index relative to the S&P 500 is at the lowest level it has ever been going back to the 1970s as evidenced in **Chart 9**.

Chart 9

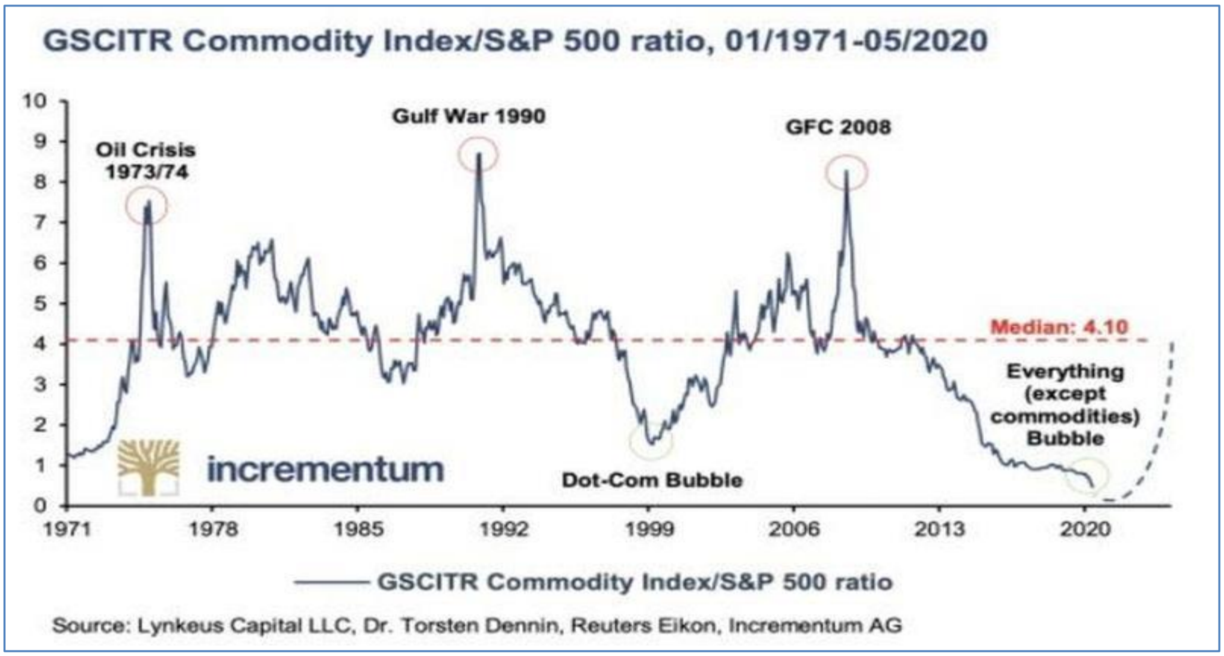
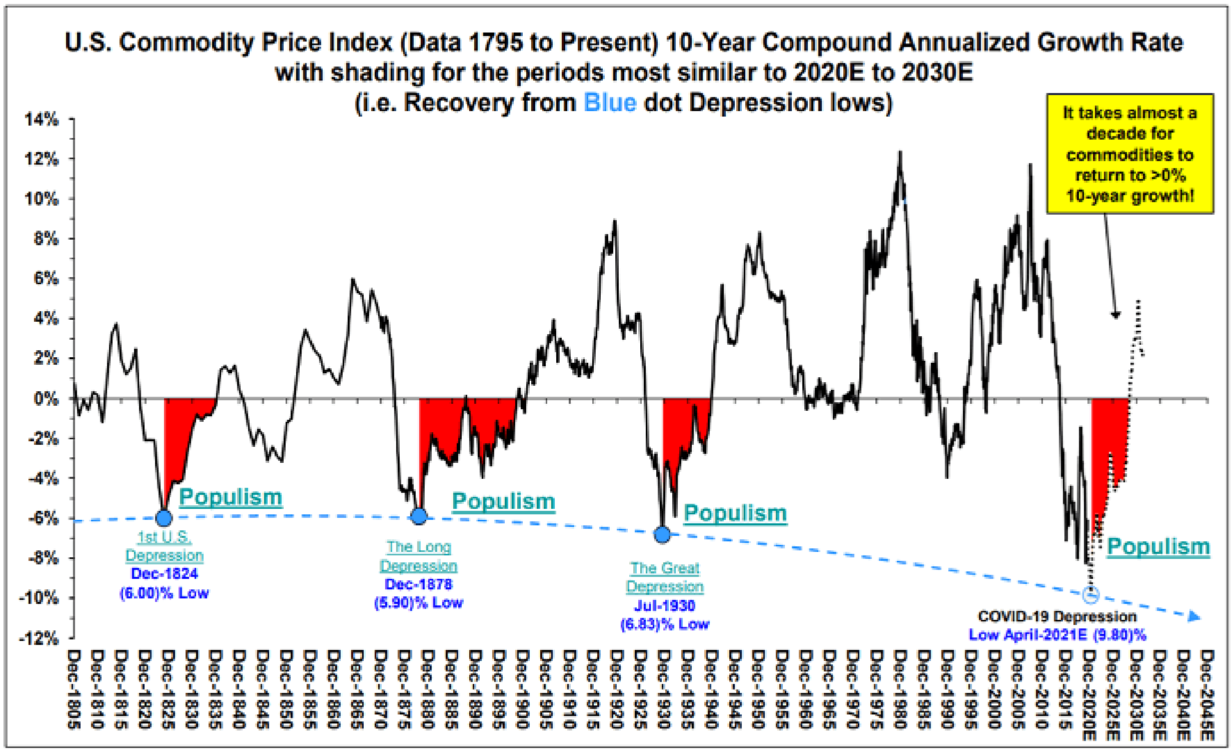


Chart 10 highlights generational lows in the U.S. Commodity Price Index and its coincidence with multi-year periods in the rise of Populism (an anti-elitist movement as opposed to a political movement). It seems rising commodity prices / inflation may be the ultimate equalizer that brings things into balance. A reversal of the conditions that brought about the Populist wave would see wage growth for employees increase which ultimately is a transfer of wealth from the business owner to the worker. During periods of growing Populism, the business owners (CEOs, top managements, shareholders of common stocks) get rich at the expense of the worker. Populism happens during periods when wages become stagnant for the lower socio-economic class and the power of industry (and riches) tends to become concentrated in the hands of a few. It would not be hard to argue that we have been through such a period which historically has laid the groundwork for a rise in Populism. For instance, a handful of CEOs have become obscenely rich in the last decade and have done so with a speed and scale not seen before in human history while a large group of Americans have grown increasingly disenchanted with their economic prospects. This dynamic was on full display (and maybe was the grand finale) as the lockdowns during COVID-19 had an inordinate and harmful financial effect on 'blue collar' workers versus the 'white collar' workforce.

We may be at that point in history once again when the most important decision that needs to be made is the one posed by Justice Louis Brandeis when he said, “We must make our choice. We may have democracy, or we may have wealth concentrated in the hands of a few, but we can’t have both.” The Populism movement ends when the people believe they have a more level economic playing field. Lengthy bull markets in commodities and rising inflation seem to provide a needed assist in this regard.

Chart 10

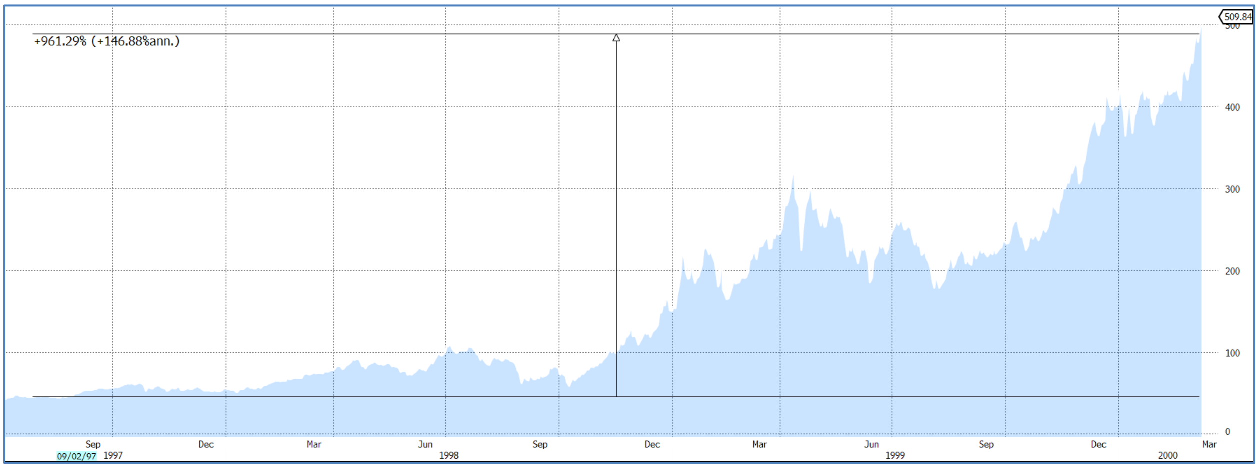


Source: Warren & Pearson Commodity Index (1795-1912), WPI Commodities (1913-1925), an equal-weight (1/3rd ea.) PPI Energy, PPI Farm Products and PPI Metals (Ferrous & Non-Ferrous) excluding precious metals (1926-1956), Refinitiv Equal Weight (CCI) Commodity Index (1956-1994), and Refinitiv Core Commodity Index (1994 to present).

U.S. Equity Valuations | Value versus Growth

The extreme valuations of certain parts of the market remain a prevalent theme as we enter 2021. **Chart 11** shows the performance of the Dow Jones Internet Composite Index from late 1996 through its peak in early 2000. It was up close to 1000%.

Chart 11



Next, **Chart 12** shows the Goldman Sachs 8X EV/Sales Software basket from early 2016 through December of 2020. It was up close to 900%. It is not only the similar trajectory of the underlying indices but also the thematic undertones that we believe makes both the out of this world performance and the likely coming collapse seem similar.

Chart 12

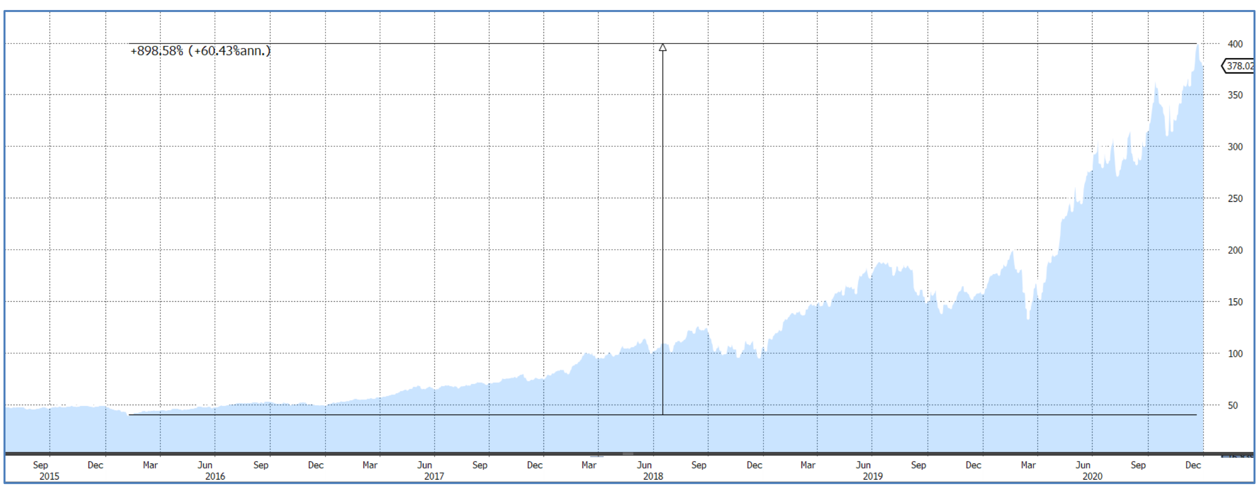


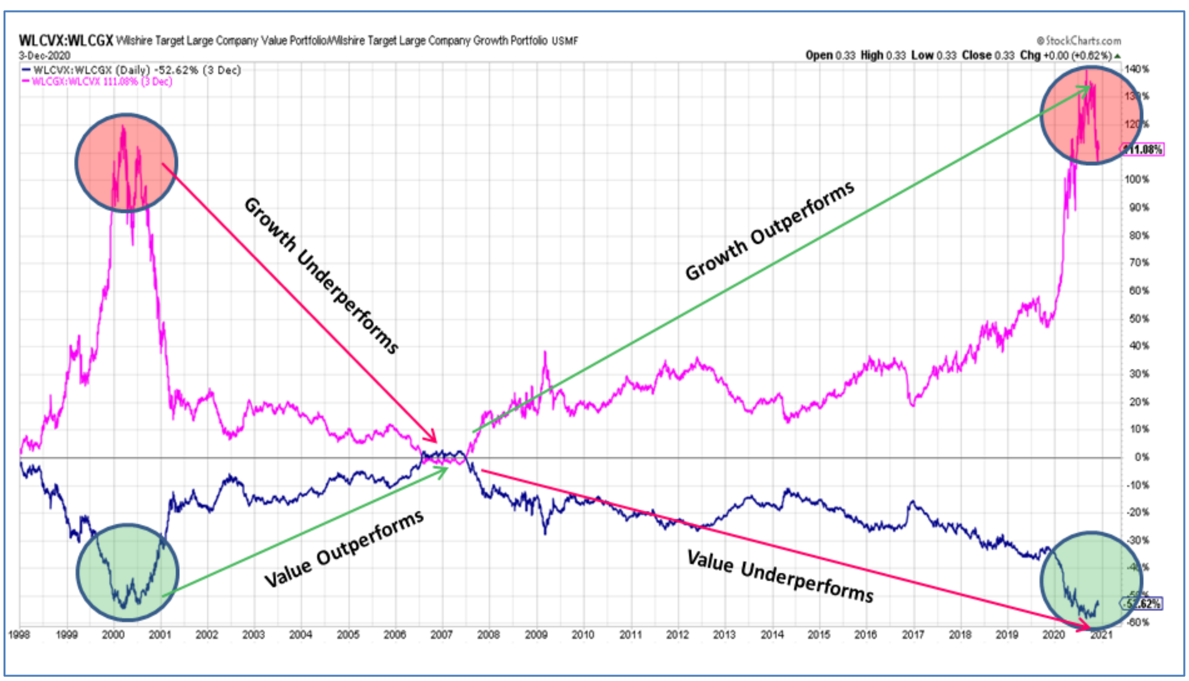
Chart 13 highlights the historic percentile for a number of categories related to the valuation of the S&P 500. By a variety of measures, it is clear the index is in unprecedented territory. The constituency of our portfolio is in sharp contrast to the overvalued conditions of the index. Even after the sharp run up the past few months, the securities we own are generally valued near the very bottom of their multi-year valuation multiples as opposed to the top.

Chart 13

S&P 500 Valuations		
Model Factors	**Most Recent Value**	**Historical Percentile**
Median EV to Sales (Ex-Financials)	4.0	100%
US Total Market Cap to GDP	170%	100%
EV to Free Cash Flow Margin-Adjusted (Ex-Financials)	48.8	100%
Median Price to Sales	2.8	100%
Median Price to Book	3.9	100%
Median EV to EBITDA (Ex-Financials)	15.0	100%
Aggregate EV To Sales	3.0	100%
Aggregate EV to Trailing 12M EBITDA	17.5	100%
Aggregate EV to 2021 EBITDA Estimate	15.9	100%
Aggregate Price to 2021 Book Value Estimate	3.8	100%
Aggregate Price to Tangible Book Value	12.8	100%
Aggregate Price to Earnings	27.9	98%
Cyclically Adjusted P/E (CAPE)	32.9	97%
Aggregate Price to 2021 Earnings Estimate	25.6	97%
Aggregate Price to Book	3.9	91%
Source: Bloomberg, Yale/Robert Shiller, John Hussman	*Numbers as of November of 2020	©2020 Crescat Capital LLC

According to investment firm, GMO, the Growth rally that began on March 23 and continued until August 31 saw Growth beat Value by 32% cumulatively which was a 4.5 sigma event that statistically happens every 403 years. This is yet another sign that leads us to believe that a reversion to the mean is in store for Value. We believe it is highly probable that Value will outperform Growth in the months and years ahead. In **Chart 14** we show the cyclicality of Value versus Growth in the U.S. and, importantly, in late 2020, Value started to meaningfully outperform Growth. The hard evidence that a new cycle has begun is rapidly beginning to mount.

Chart 14



Going back even further in time, **Chart 15** highlights that periods of Growth outperforming Value have historically been short in length and followed by multi-year periods of Value outperformance. The outperformance of Growth over Value since 2010 has been unprecedented. If we truly are at a turning point it may be that the journey ahead of Value outperformance will be a long and rewarding one.

Chart 15

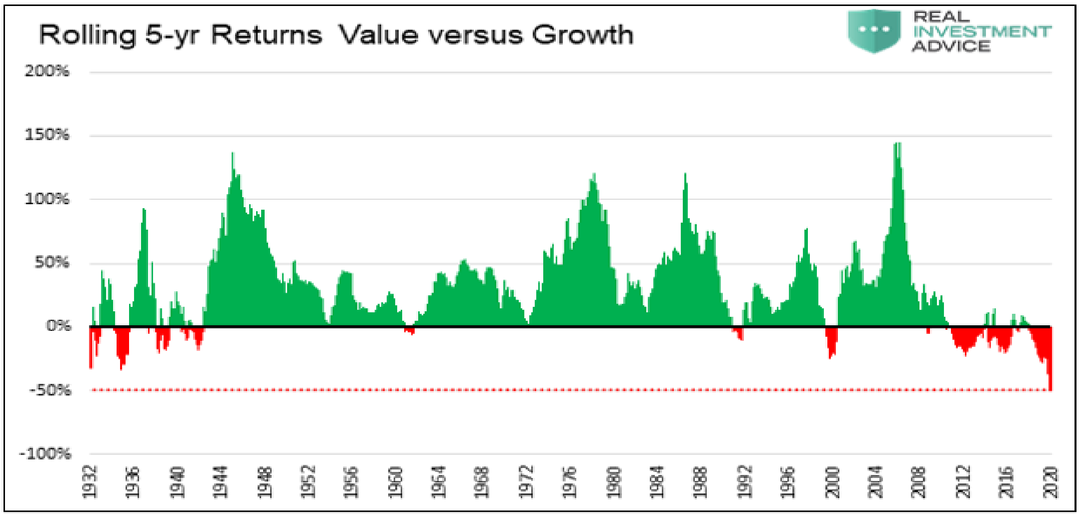


Chart 16

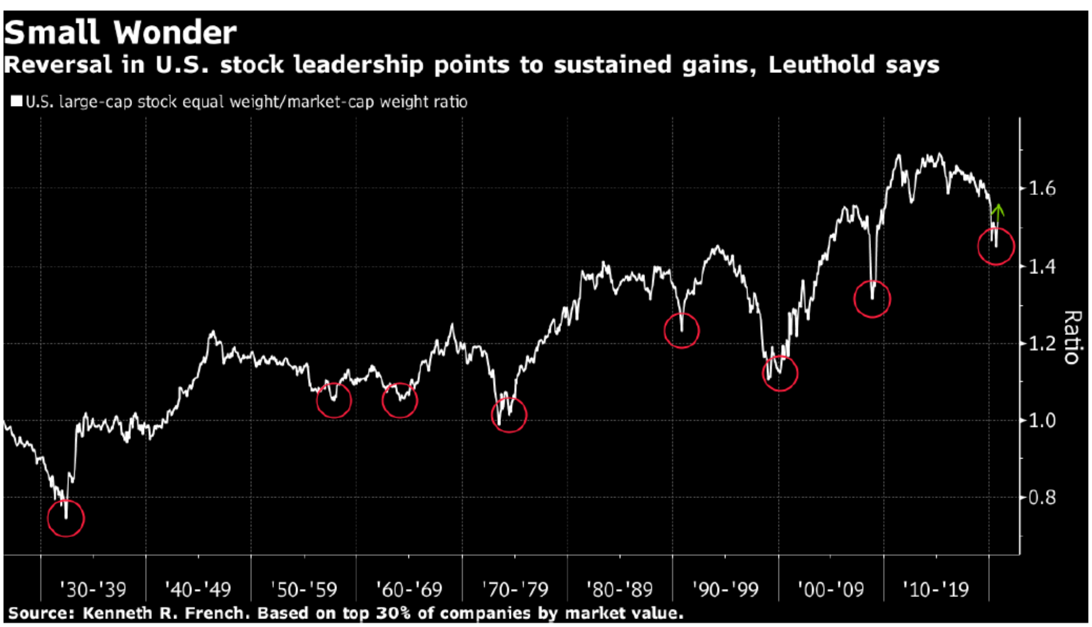


Chart 16 shows that when the performance of the S&P 500 equal weighted index / market cap weighted index reverses it has tended to indicate tidal shifts in market leadership and bodes well for the performance of the 'average' stock in the index and not those most heavily

weighted**.** It is highly likely given all that we have outlined, that emerging markets, gold, silver, small cap value, the S&P 500 equal-weight index and commodities will outperform both the S&P 500 market-weighted index and US growth stocks in general in the years and decade ahead.

Select Portfolio Details

This past year has been an exciting time for the content/media companies as their recently launched streaming apps are starting to take hold. Further, as a partial U.S. economic recovery hopefully becomes a full blown one in 2021, increasing ad revenue should provide an accelerant. Ad growth has historically tracked GDP closely and if we get explosive GDP in 2021 we should get explosive ad growth. In addition, targeted advertising is coming to traditional TV and should help the more traditional mediums in their appeal to advertisers. In 2021 we may see different TV ads being delivered to different households during the same show based on viewing habits and demographics. This targeted advertising should generate higher ad dollars per viewer. We are hopeful that the performance of our names in this area in Q4 2020 is a preview of what may come since valuations are still low (most trade at low-to-mid single digit price-to-earnings multiples) and their earnings potential high. We highlight one in this list in the commentary that follows.

Security Name	Ticker	Q4 2020 Performance
AMC Networks	AMCX	44.76%
ViacomCBS	VIAC	33.94%
Discovery Inc.	DISCK	33.62%

Discovery (ticker: DISCK) has been working on a streaming video platform for five years with the objective of transforming the media company from a "cable and free-to-air company to a global IP company," Discovery CEO David Zaslav said during a Bloomberg interview last quarter. This culminated with launch of Discovery+ scheduled for January of 2021. Discovery's 2018 acquisition of Scripps Networks created a new entity that fits in with the company's longer-term streaming plans, the CEO said. Platforms like the Food Network and HGTV are "global IP products" that Discovery fully owns. We have long believed that Discovery’s content library boasts a major advantage over rival streaming video platforms.

We remain committed and excited with regard to our shipping companies, as the case for owning the tankers in the current environment has only gotten more compelling in our view over the last year. With vastly repaired balance sheets and renewed hope for economies throughout the world to fully re-open for business post-COVID, another positive catalyst appeared. News hit late in the fourth quarter that a number of oil refineries faced weakening refining margins, tightening environmental rules and increased overseas competition. This prompted some refinery owners to opt for closure or conversions to other uses. The most vulnerable refineries were scheduled to close in late 2020 and early 2021. The good news for shippers is that the lost production in these regions (including the U.S.) is likely to be replaced by imports. This has the net effect of increasing shipping miles and ultimately the shipper earnings.

The portfolio has exposure to oil and natural gas production through holdings in companies like **ConocoPhillips (ticker: COP)** and **Range Resources (ticker: RRC)** among others. We believe COP is one of the best operators in the industry. As one might expect it is leveraged to an increase in oil price and it has the diversification, risk management and discipline and cash return profile of an integrated oil company. Management's operational approach is driving free cash flow generation and a cash return on the common shares through a dividend yield of over 3.5%. Should higher oil prices come to fruition in the years ahead COP will benefit immensely. RRC cut their natural gas production during the second half of September and into October as Appalachian storage levels remained high and maintenance on multiple infrastructure projects squeezed takeaway capacity. We expect natural gas prices to improve significantly in 2021 and 2022, but believe RRC is unlikely to massively increase production in response. Jeff Ventura explained their thinking on the third quarter call, "We believe the forward curve remains below a sustainable long-term price." He went on to say, "This is not a market that's incentivizing any growth, instead Range will seek to maintain production around current levels and optimize cash flow similar to our capital program this year and use excess cash flow to reduce debt and ultimately return this free cash flow to shareholders." In a commodity business, this is the type of management with which investors should seek to be aligned. The focus in the years ahead on debt reduction, discipline on the production front and desire to generate free cash flow for their shareholders is a stark departure from the approach of energy companies in the last decade. Last, management sees RRC generating significant free cash flow in 2021 and beyond. Compared to their competitors, RRC has low maintenance capex requirements, a competitive cost structure and a multi-decade store of reserves. While natural gas production is down generally across the industry, demand is returning and drilling remains constrained. We believe we picked the 'best of the best' in RRC and COP and are hopeful both will have long a life in the portfolio.

Funny Anecdote

In the early part of 2000, I was a young portfolio manager for U.S. Trust in Garden City, N.Y. on Long Island. I had a wonderful mentor and friend who was also a portfolio manager and we would frequent the local sub shop to grab lunch. Over time we had become friendly with the sub maker and cashier who were both in their late teens or early 20's. When they learned what we did for a living, our conversations quickly turned to investing. However, they had no interest in learning how we practiced value investing; their main focus was telling us how much money they were making in the stock market participating in what is now called the Dotcom Bubble. Fast forward to today. I came across this tidbit in a Bloomberg piece written by Claire Ballentine and Sarah Ponczek. They wrote:

> "The fever is evident in even the most unlikely places. In a note to clients Wednesday, Julian Emanuel, BTIG LLC chief equity and derivatives strategist, recounted observing a heated discussion

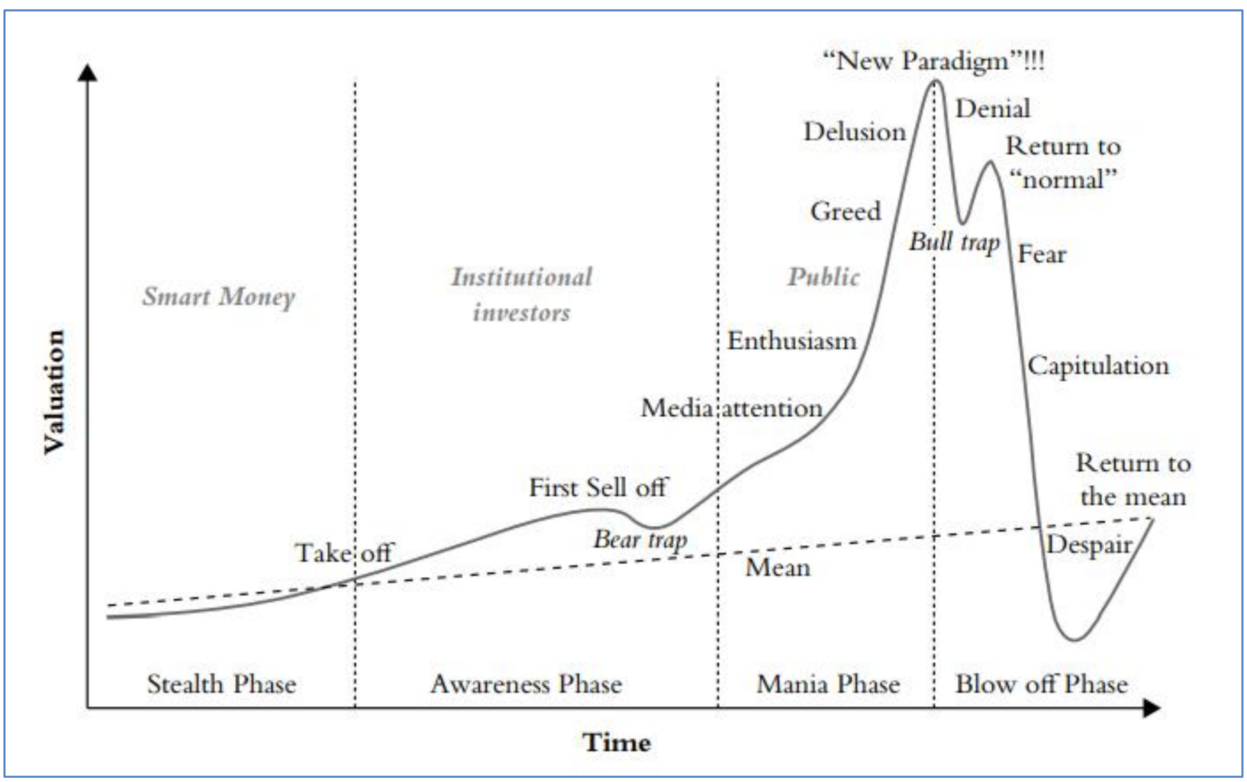
between a cashier at a gas station and a fast-food worker on the merits of owning short-dated call options on growth stocks like electric vehicle and genomics names. After joining the discussion, he found out that neither of them had traded stocks or knew what an option was before June."

As the saying goes, history doesn't repeat but it sure does rhyme.

'"100 Reasons Why"

We have attached again our PDF of a presentation titled, '100 Reasons Why' which examines this epic period in time through pictures, graphs and text. The link to the presentation is here: [100 Reasons Why](). As a refresher, among the topics discussed are the cyclicality of Commodities, Value and Growth stocks and their relationship through market cycles; the effect on various markets of the massive amounts of Monetary and Fiscal stimulus unleashed on the U.S. and worldwide as a response to the COVID-19 economic lockdowns; the rampant speculation in today's stock market; and the impact of interest rates and inflation on stock prices. We wanted to draw your attention to **Chart 17** which depicts the flow of bubbles and then ask you to compare it to the section in 100 Reasons Why titled 'Parabolic Charts.' In our eyes, there is clear evidence we are in the "New Paradigm" stage for so many of the stocks that we highlight in the presentation.

Chart 17



Firm Update

The firm continued to grow in a measured but significant way throughout 2020. Total active assets under management increased from approximately $56.7 million at the end of 2019 to over $65.2 million at the end of year in 2020. We were fortunate to be able to bring in new assets in a rather formidable business environment. We continue to pursue like-minded client partners. Please feel free to contact members of our team with any comments, questions or potential investment ideas.

Best Regards,

Masonry Capital Management, LLC

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DISCLOSURES:

REFERENCE TO THE S&P 500 IS FOR COMPARATIVE PURPOSES ONLY. THE S&P 500 IS AN UNMANAGED CAPITALIZATION-WEIGHTED INDEX OF 500 STOCKS, DESIGNED TO MEASURE PERFORMANCE OF THE BROAD DOMESTIC ECONOMY THROUGH CHANGES IN THE AGGREGATE MARKET VALUE OF 500 STOCKS REPRESENTING ALL MAJOR INDUSTRIES. THE INDEX TRACKS THE CAPITAL GAINS OF THE STOCKS OVER TIME, ASSUMING THAT ANY CASH DISTRIBUTIONS, SUCH AS DIVIDENDS, ARE REINVESTED BACK INTO THE INDEX. THE S&P 500 MAY BE MORE DIVERSIFIED THAN THE FUND OR YOUR ACCOUNT AND MAY NOT REPRESENT AN APPROPRIATE BENCHMARK. HOLDINGS MAY VARY SIGNIFICANTLY FROM THE SECURITIES THAT COMPRISE THE S&P 500. PAST PERFORMANCE OF THE INDEX SHOULD NOT BE CONSTRUED AS AN INDICATOR OF FUTURE PERFORMANCE OF THE FUND OR YOUR ACCOUNT.

FORWARD LOOKING STATEMENTS:

CERTAIN INFORMATION CONTAINED IN THIS MATERIAL CONSTITUTES FORWARD-LOOKING STATEMENTS, WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS “MAY,” “WILL,” “SHOULD,” “EXPECT,” “ANTICIPATE,” “TARGET,” “PROJECT,” “ESTIMATE,” “INTEND,” “CONTINUE,” OR “BELIEVE,” OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. SUCH STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE OR ACTIVITIES. DUE TO VARIOUS RISKS AND UNCERTAINTIES, ACTUAL EVENTS OR RESULTS OR THE ACTUAL PERFORMANCE OF THE FUND OR YOUR ACCOUNT MAY DIFFER MATERIALLY FROM THOSE REFLECTED OR CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS.

INVESTMENT PERFORMANCE:

THE PERFORMANCE REPRESENTATIONS CONTAINED HEREIN ARE NOT REPRESENTATIONS THAT SUCH PERFORMANCE WILL CONTINUE IN THE FUTURE OR THAT ANY INVESTMENT SCENARIO OR PERFORMANCE WILL EVEN BE SIMILAR TO SUCH DESCRIPTION. ANY INVESTMENT DESCRIBED HEREIN IS AN EXAMPLE ONLY AND IS NOT A REPRESENTATION THAT THE SAME OR EVEN SIMILAR INVESTMENT SCENARIOS WILL ARISE IN THE FUTURE OR THAT INVESTMENTS MADE WILL BE PROFITABLE. NO REPRESENTATION IS BEING MADE THAT ANY INVESTMENT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN PRIOR PERFORMANCE RESULTS AND ACTUAL RESULTS ACHIEVED BY A PARTICULAR TRADING PROGRAM.

PERFORMANCE DEPICTED HEREIN IS UNAUDITED. PERFORMANCE SHOWN IS ALSO NET OF ALL FEES AND EXPENSES AND REFLECTS THE REINVESTMENT OF DIVIDENDS AND OTHER EARNINGS**.** THE FEE STRUCTURE APPLIED TO THE PERFORMANCE WAS THAT OF A TYPICAL INVESTOR: PERFORMANCE SHOWN IS FOR NEW ISSUE-ELIGIBLE INVESTORS PAYING THE STANDARD FEES (AS APPLICABLE), AS DISCLOSED IN THE PERTINENT OFFERING DOCUMENTS. YTD PERFORMANCE ASSUMES AN INVESTMENT HAS BEEN HELD SINCE JANUARY 1, OF THE RELEVANT YEAR. BECAUSE SOME INVESTORS MAY HAVE DIFFERENT FEE ARRANGEMENTS AND DEPENDING UPON THE TIMING OF A SPECIFIC INVESTMENT, NET PERFORMANCE FOR AN INDIVIDUAL INVESTOR MAY VARY FROM THE NET PERFORMANCE STATED HEREIN. ACTUAL RETURNS WILL VARY AMONG INVESTORS IN ACCORDANCE WITH THE TERMS OF THE PERTINENT OFFERING DOCUMENT. INVESTMENT RETURNS AND THE PRINCIPAL VALUE OF AN INVESTMENT WILL FLUCTUATE AND MAY BE QUITE VOLATILE. IN ADDITION TO EXPOSURE TO ADVERSE MARKET CONDITIONS, INVESTMENTS MAY ALSO BE EXPOSED TO CHANGES IN REGULATIONS, CHANGE IN PROVIDERS OF CAPITAL AND OTHER SERVICE PROVIDERS. INVESTORS RISK LOSS OF THEIR ENTIRE INVESTMENT.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.