**Q1 2021 Masonry All Cap Select Commentary** **April 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 our thoughts on what may lie ahead. Please reach out with any questions or comments you have after reading our letter to you.

## Q1 2021 Overview of Performance and Positioning

As of March 31, 2021, we were approximately 95.5% invested in securities. Cash was the remaining percentage of the portfolio at almost 4.5%. The largest exposures at the end of the quarter were the common stocks of DISH Network (ticker: DISH), Discover Inc. (ticker: DISCK) and ConocoPhillips (ticker: COP).

We continue to be pleased with the performance since the passing of Election Day and soon after that, the announcement of an effective vaccine to protect against COVID-19. The 'Reflation Trade' firmly took hold and that was reflected in the increasing share prices (in some cases quite dramatically) for many of the securities held in the portfolio. Even with the substantial recent performance, we believe the portfolio remains significantly undervalued.

For the quarter, the portfolio's largest contributors included ViacomCBS (ticker: VIAC), AMC Networks (ticker: AMCX), Discovery, Inc. and Scorpio Tankers (ticker: STNG). The largest detractors were Anheuser-Busch Inbev (ticker: BUD), VanEck Vectors Gold Miners ETF (ticker: GDX) and Lions Gate Entertainment (ticker: LGF/B).

## Market Thoughts and Observations

Our reasoning for some time has been that for the 'Disruptor Bubble' to continue it would require low or slow economic growth, low inflation and low interest rates to remain intact. As we have seen since Election Day a change in any one of these components has a dramatic impact on asset returns. While this is a simple concept in principle and contains only three variables, the overall system itself is extremely complex with a varied set of factors. These factors have been discussed at length in our past letters and presentations but they include:

- The current and expected trajectory of U.S. Treasury Rates given historical spreads, overall debt burden and interest cycles going back over 100 years which suggests to us that rates have hit a 40-year low and are headed higher over the next 40 years.
- The reason for the sea change is that the U.S. Government has a demand problem for U.S. Treasuries. One alternative is to allow rates to rise to a level that attracts investors. The other alternative, if they want to keep rates low, is to buy the bonds themselves. This will lead to the printing of more and more money. This is financial repression and would subjugate the Federal Reserve to the Treasury for the first time since the post-WWII era.
- Given this, there is a high probability the Federal Reserve will have to print money to buy enough bonds to keep interest rates low. This is Yield Curve Control (YCC) and it will be done because the alternatives (default, restructuring, higher interest rates) are not very pleasant politically.
- YCC will serve to keep interest rates running below the rate of inflation for an extended period of time which will allow us to 'pay back' the debt in the same stealthy manner as that of the time period post-1945.
- Our belief that an unprecedented amount of monetary stimulus combined with an unprecedented amount of fiscal stimulus will finally awaken the inflationary beast that has been dormant for over 40 years.
- Above-trend U.S. GDP growth, YCC, inflation and tax increases are the necessary components to enable the U.S. to pare down debt levels that are on par with the highest level in our country's history.
- The U.S. Dollar has historically weakened against a basket of other currencies during times of significant Twin Deficits (U.S. Budget Deficit and Current Account Deficit).
- There is a strong relationship between a weakening U.S. Dollar trend and a bullish commodity cycle.
- Commodities as a percentage of the S&P 500 are at an all-time low and poised to increase substantially over the coming years.
- Rising rates (higher discount rate) and / or higher inflation (higher risk premium) will have a distinctly negative impact on long duration stocks (those with limited or no cash generative ability) relative to short duration stocks (those that generate copious amounts of free cash flow).

The direction and trajectory of all of these factors leads us to believe that Value will outperform Growth, Small Cap will outperform Large Cap, International and Emerging Markets will outperform the U.S., and commodities and other hard assets will outperform financial assets.

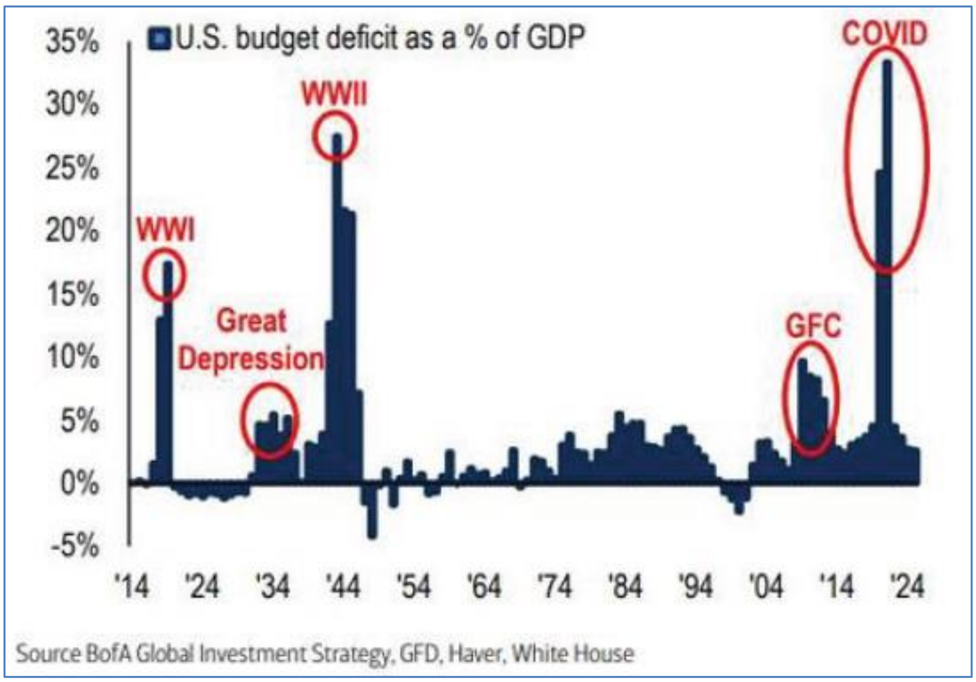
We remain convinced that the markets are in the midst of a secular transition to these themes but realize there will be stops and starts that make it seem not so. Almost assuredly there will be times when we will lose performance ground to the 'old stories' and it will feel like the war is being lost rather than just a battle.

We further explore these concepts and more in the remainder of this section.

**Interest Rates**

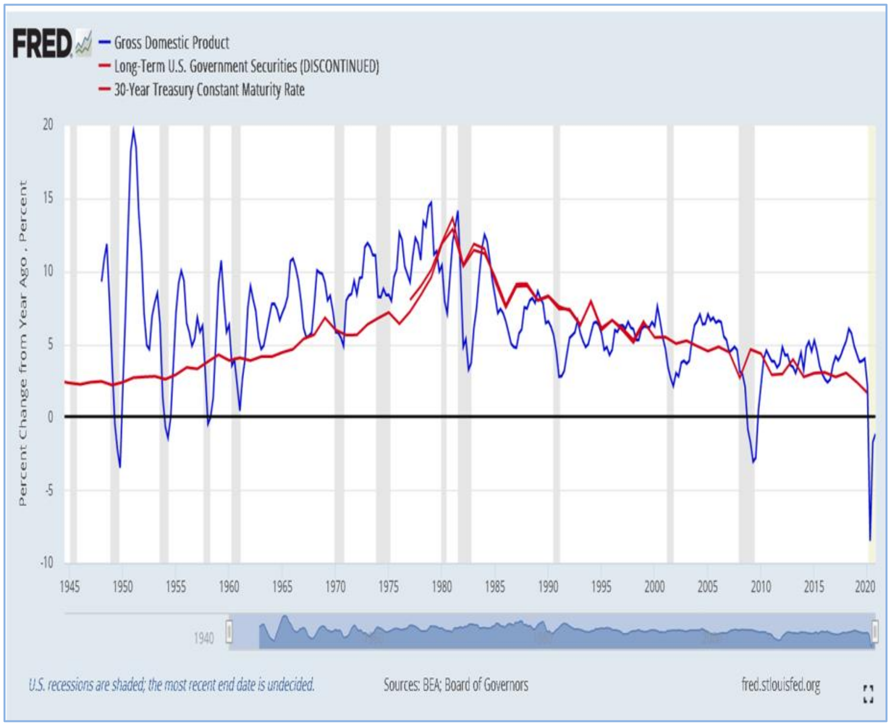
Since 1951 the Fed has essentially been independent from the Treasury - until now. By trying to keep interest rates near the zero bound, while being the buyer of last resort for U.S. Treasuries, it is well on its way to losing its independence. This is straight out of the playbook from post-WWII and for good reason. **Chart 1** shows that the U.S. has spent in response to COVID in a fashion that resembles past global conflicts.

**Chart 1**



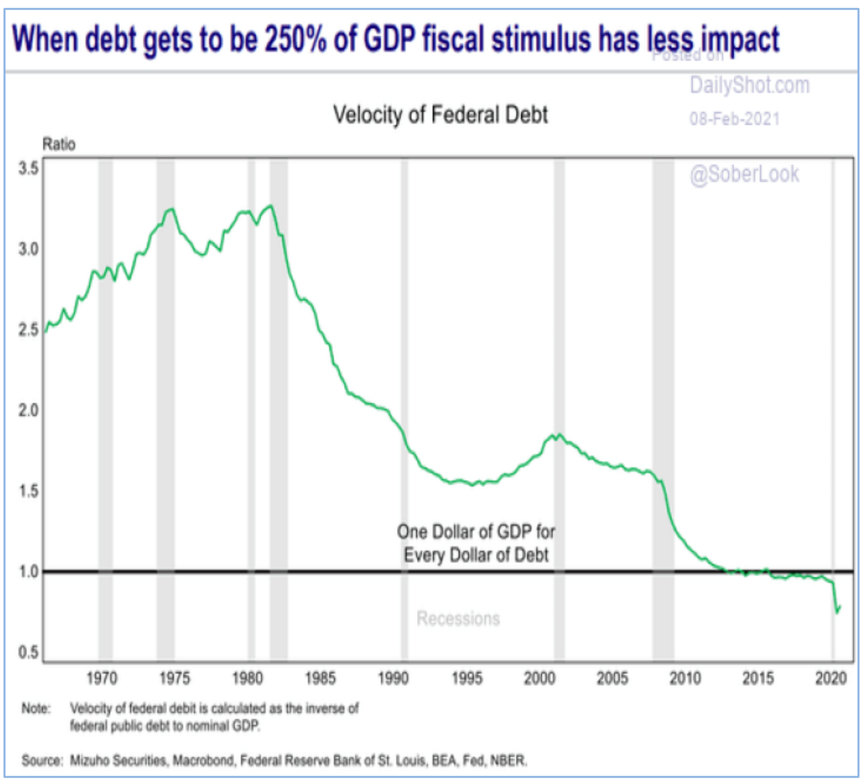

We expect the U.S. to employ financial repression, which means interest rates stay substantially below the rate of inflation, to resemble the cycle from the 1940's to the 1980's. **Chart 2** depicts US Gross Domestic Product (GDP) and the long-term trend of rates on Long-Term US Government Securities. The 1940's also began a multi-decade period of elevated inflation. Famed bond investor, Dan Fuss, vice chairman of Loomis Sayles & Co., recollected how the inflation dynamic led to a sevenfold jump in the value of his family home in the 40's and 50's. Inflation trended higher from Post-WWII to 1980. **Chart 3** and the commentary that is beside it describe how the U.S. prospectively gets out of the debt pickle we are in.

**Chart 2**




*Long-term U.S. Gov't interest rates consistently ran below GDP for almost 40 years (post-WWII until 1980) and at or above trend-line GDP from 1980-2020. The 1945-1980 period 'stole' from bond investors as they consistently earned interest rates below the level of GDP growth. We believe we are once again at a place where there is a high likelihood of this occurring over a multi-decade period.*

**Chart 3**

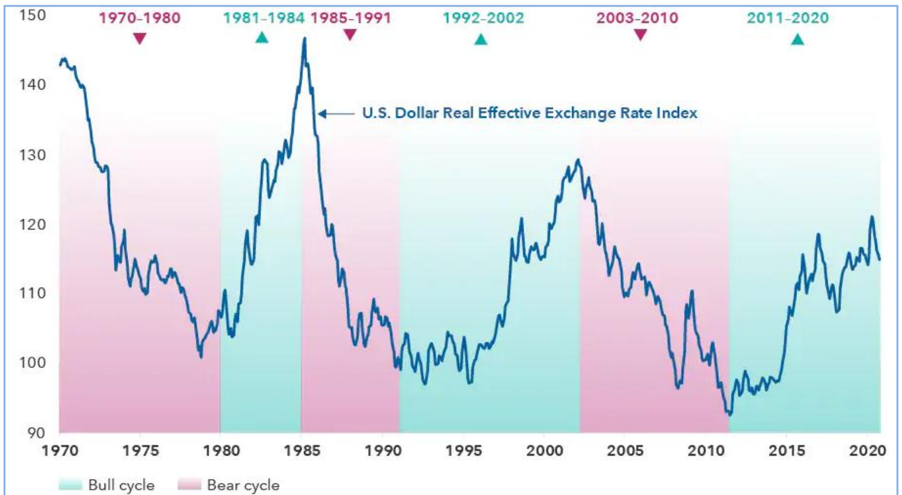



***From Luke Gromen at FFTT, LLC:***
*"Allow us to be blunt: Once the productivity of debts falls < 1,* ***the only way out for the government is to have the Central Bank keep real rates increasingly negative and/or significantly devalue the currency.***
*This is because growing debt faster than GDP in a twin-deficit, externally-financed nation like the U.S. results in a currency crisis in the next economic downturn as the market begins to doubt the ability of the government to pay back its debt in anything resembling real terms."*

**Weaker U.S. Dollar / Inflation / Commodities Bull Market**

The U.S. Dollar varies in value as measured versus other world currencies in a cyclical fashion. We believe the current cycle of a strong U.S. Dollar has peaked and we are at the beginning of a new cycle which will bring about a weaker U.S. Dollar as depicted in **Chart 4**.

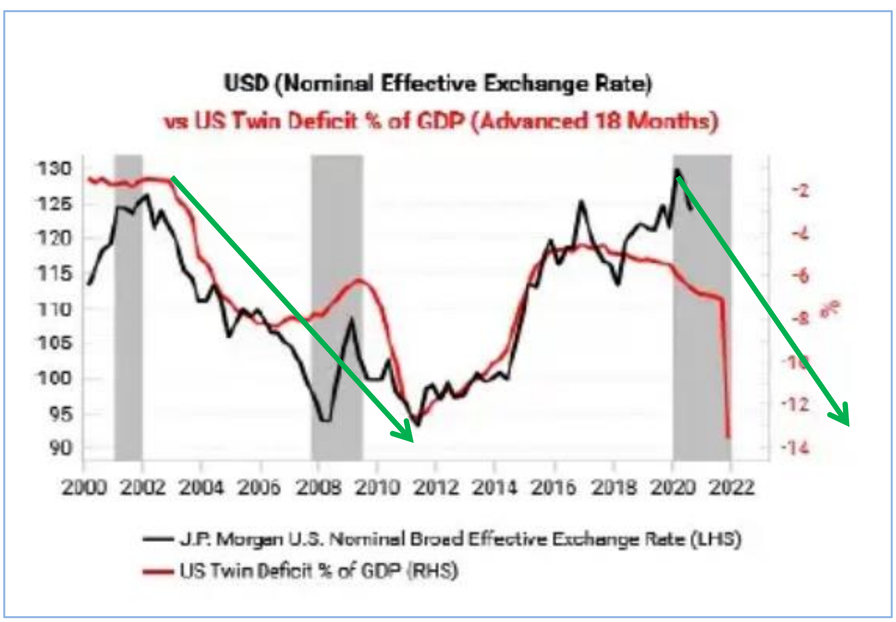
**Chart 4**




Sources: Bloomberg, J.P. Morgan. As of 10/31/20. Bull and bear cycles are for illustrative purposes only. Data represents the J.P. Morgan U.S. Dollar Real Effective Exchange Rate Index, which measures the inflation-adjusted relative value of the U.S. dollar against a broad basket of foreign currencies. This report, and any product, index or fund referred to herein, is not sponsored, endorsed or promoted in any way by J.P. Morgan or any of its affiliates who provide no warranties whatsoever, express or implied, and shall have no liability to any prospective investor, in connection with this report. J.P. Morgan disclaimer: https://www.jpmm.com/research/disclosures

There are obvious causations for the cyclicality of the U.S. Dollar as seen in **Chart 5**.

**Chart 5**

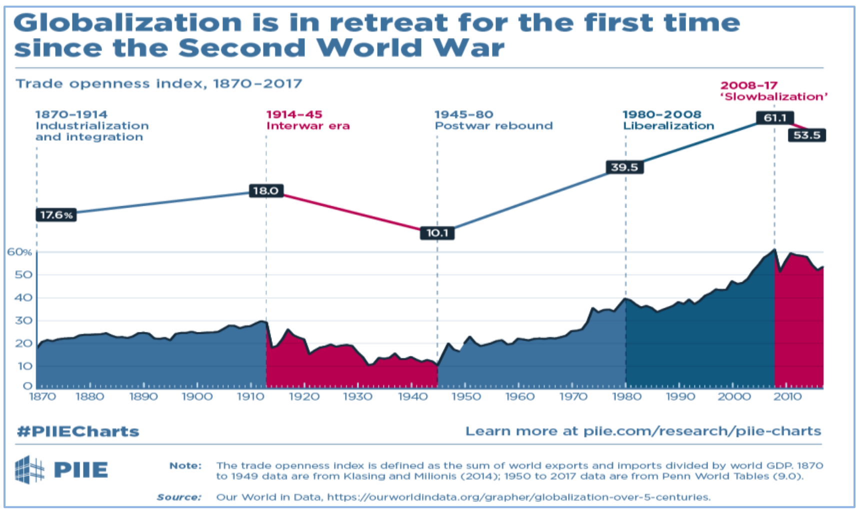



*The direction and magnitude of the U.S. Twin Deficits as a % of GDP directly impacts the Nominal Effective Exchange Rate of the USD.*

*This chart clearly suggests a trend of a substantially weaker USD ahead (green line) which we believe will lead to a bull market in commodities similar to the period from 2000-2011.*

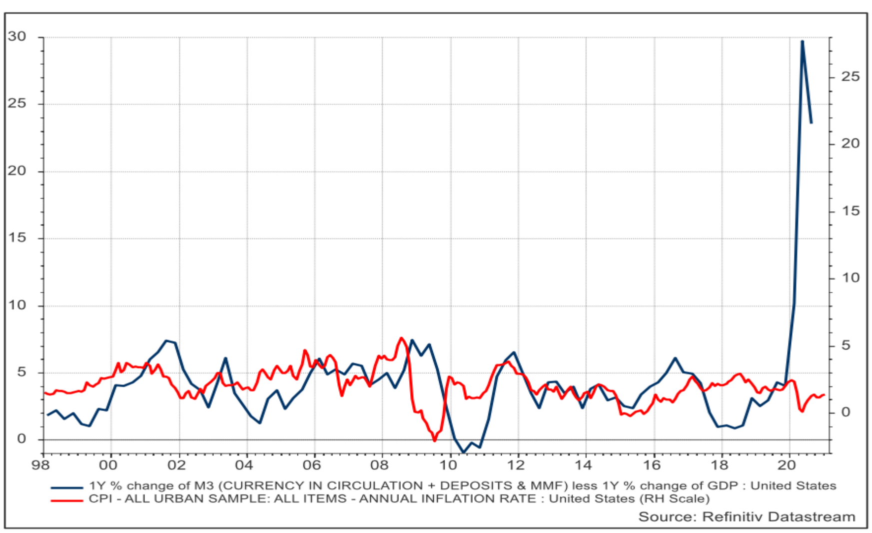
Concurrent with the inflationary trend that accompanies a weak U.S. Dollar cycle is the fact that Globalization is rapidly falling out of fashion (**Chart 6)**. There is a renewed focus by sovereign nations to secure or stockpile essential commodities and minerals and reduce their dependence on foreign manufacturing for essential goods. The circumstances around obtaining personal protective equipment at the onset of the COVID-19 outbreak that brought the issue front and center. Any retreat from Globalization is inflationary.

**Chart 6**




The evidence continues to mount that we are in store for a period of sustained inflation. **Chart 7** shows 'excess' broad money supply growth and the Consumer Price Index (CPI) in percent going back to 1998. The one year percent change in M3 (Currency in Circulation + Deposits & MMF) less the one year percent change in GDP is charted against CPI. There has been a tight linkage historically.

**Chart 7**



From Philip L. Miller, Chief Investment Officer at Strategic International Securities, Inc.:

> ***"Rising government debt + rising money supply = inflation risk***
> *In a classic 1981 study on the limits of government spending, Nobel prize winning economist Thomas Sargent and Neil Wallace (SW) argued that if a fiscal authority's deficits cannot be sufficiently financed by foreign and domestic demand to absorb all the debt used to finance government spending, the Fed is forced to become the buyer of last resort, and thus breaking the Rubicon of independence and sound monetary management. This scenario has historically led to high levels of inflation every time according to an exhaustive review of 133 countries and close to 45,000 observations by Stanley Fischer, Sahay, and Vegh (FSV) from 1957 to 1998. FSV found that in every instance when excessive budget deficit reaches what is known as the "limit principle,'' currency weakness, inflation, and high real interest rates follow."*

Inflation and rising commodity prices go hand in hand. In February of this year Marko Kolanovic of JP Morgan put out a piece that highlighted potential drivers of a new commodity super-cycle.

- The end of the COVID-19 pandemic and reopening of economies
- Uptick in global economic growth (Roaring 20's)
- End of trade war and manufacturing recession
- Ultra-loose monetary policies around the world
- Increased and tolerated inflation
- Weakening USD
- Fiscal measures (spending), infrastructure
- Financial inflows to hedge inflation and bond/equity correlation
- Financial inflows to follow asset momentum
- ESG – metals for new infrastructure/EVs/Batteries
- ESG – erosion of capital/production capacity for oil
- ESG – inefficiencies/instabilities of wind/solar

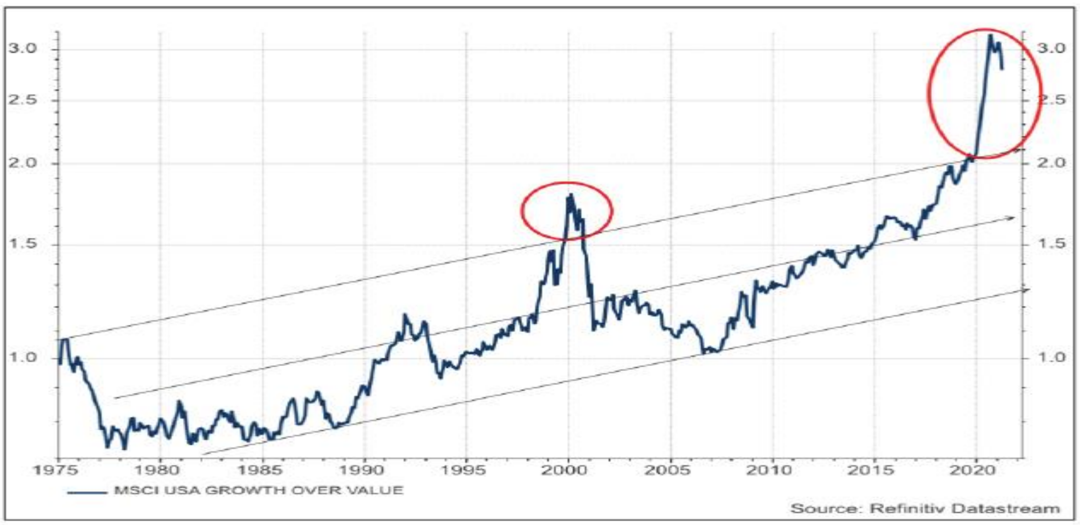
We agree with his assessment and believe almost all of these are either occurring now or will occur over the next few years.

### Portfolio Highlights

We participated fully in Q1, and really since Election Day, in the 'Relation Trade.' Our investments in companies positively correlated to the re-opening of the economy helped performance immensely.

Value has outperformed Growth handily since November. We believe this is just the tip of the iceberg in what should be a lengthy period of Value outperformance. **Chart 8** shows the U.S. MSCI Growth relative to Value since 1975. We have been distinctly 'above trend' with Growth outperforming Value since around 2008. Only recently has Value started to outperform Growth. Should the current trend hold (and we believe it will) this portends a multi-year period of Value outperformance.

**Chart 8**




We do expect the number of securities in the portfolio to winnow down over time. Coming out of such a broad-based decline like the one we experienced in March of 2020, it was better to gain broader exposure rather try to pick the single winners in a time of such uncertainty. As company-specific directives and fundamentals take on increasing importance throughout the current economic cycle we expect to refine the portfolio to properly reflect our expected outcomes.

## Select Portfolio Details

We begin this section by detailing the largest source of our Q1 2021 returns which were our investments in the Content/Media names. The full story resembles on onion as there are many layers.

Fundamentally, we continue to be attracted to the space due to the improving economics post-COVID as advertising spend continues to pick up and direct-to-consumer (DTC) products are launched. With DTC, the total addressable market (TAM) and attractive margins that come with scale, offers upside optionality that is not fully appreciated by the market. For instance, Discovery, Inc. (ticker: DISCK) with the launch of Discovery+ is no longer constrained to obtaining subscribers solely through the traditional pay-TV ecosystem. This is particularly important outside of the U.S. as pay-TV penetration in the international markets is nowhere near what it is in our country. As a result, they have seen a material expansion of their TAM. At a recent Deutsche Bank industry conference, Gunnar Wiedenfels, CFO, made the point that in the international markets where Discovery+ has been rolled out, they are receiving a multiple of the linear (traditional pay-TV) ARPU (average revenue per user) in the DTC space. In the years ahead this will serve to increase the return on the capital they have already invested in the business.

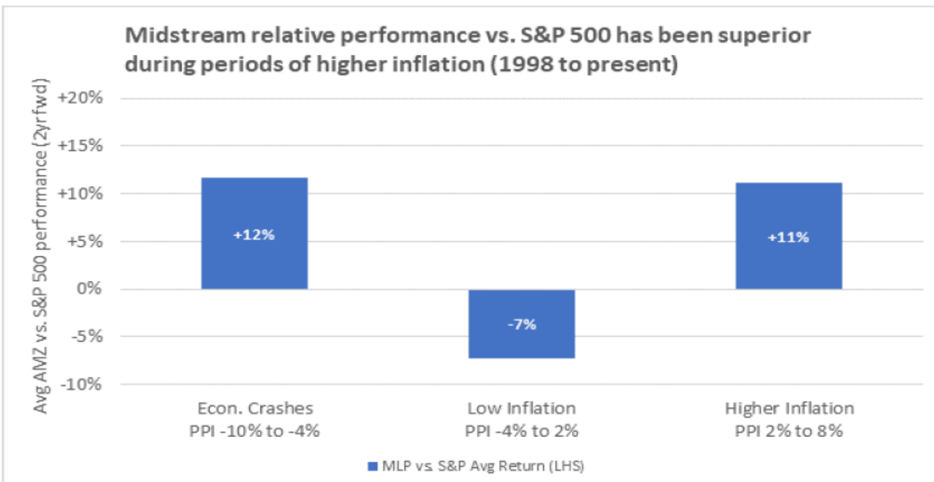
As 2021 began, the valuations of our stocks in this sector were incredibly attractive with almost all trading at under 7x price-to-earnings (PE) multiples. We believe this attracted a large family office, Archegos, to two of our securities, DISCK and VIAC. Archegos then proceeded to apply large amounts of leverage to their portfolio and the stocks of DISCK and VIAC, and others, went parabolic in the first quarter. ViacomCBS then used their sky-rocketing stock price to issue additional shares to raise capital at prices below where the stock was currently trading. It seems this was the trigger that resulted in margin calls on the firm in question and the share prices retrenched dramatically as forced selling ensued. Fortunately for us, we did something we don't normally do, which is trade quite actively around our positions. Significant sales were made in both DISCK (between the high $50 per share range) and VIAC (in the mid-$50 per share range) as we sensed something smelled rotten in Denmark. In our view, the rising share prices had become distinctly disconnected from our estimate of fair value. With the shares subsequently settling into much lower price ranges (down approximately 40-50% from their peaks), we are working to re-establish our positions.

AMC Networks (ticker: AMCX) was another stock that got caught up in a trading frenzy but for a different reason. We have owned AMCX for quite some time due to its attractive valuation and massive free cash flow generating ability. Our average purchase price heading into the 2020 year-end was approximately $24 per share. In late January, the share price shot up suddenly from around $42 per share to well over $70 per share. We believe the culprits were confused day traders who thought they were engaging in what has come to be known as 'the re-opening trade' by buying a movie theater operator, AMC Entertainment (ticker: AMC), but instead were buying AMCX – the company we own. We ended up selling most of our position with a trade in late January at just under $69.50 per share and then bought back shares over the next week at prices in the low $50 per share range. Evidently it took the traders a few days to realize they were buying the wrong company!

We are not traders. Our objective lies in buying undervalued companies and holding them until a catalyst is realized that unlocks the value we see. However, we are also very willing to 'take what the market gives us' and will capitalize from time-to-time when the opportunities arise.

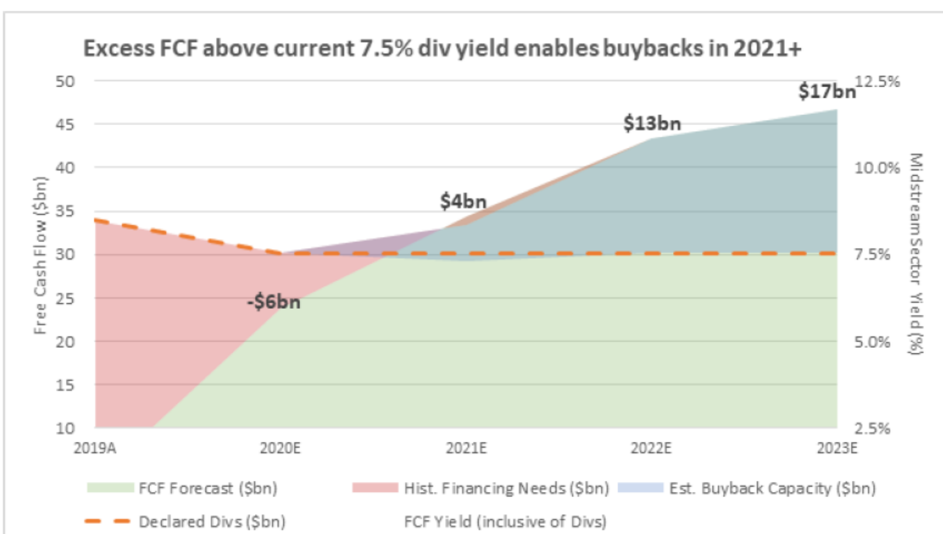
The Energy/Commodity space was our second leading source of returns in Q1 2021. Energy in particular is rapidly morphing from a sector that has been a black hole for investment dollars the past 10 years into an investment where companies are committed to their preference of maintenance capex over growth capex and are set to see increasing free cash flow over the next few years and beyond. The portfolio has sizeable positions dedicated to energy producers and pipelines. Generally, these investments (we use Midstream as an example) offer a significant dividend, the potential for sizeable share repurchases or special dividends, and multiple expansion as well as providing a formidable hedge against periods of higher inflation (**Charts 9 and 10**).

**Chart 9**




*Source: Bloomberg data, Recurrent research.*

**Chart 10**



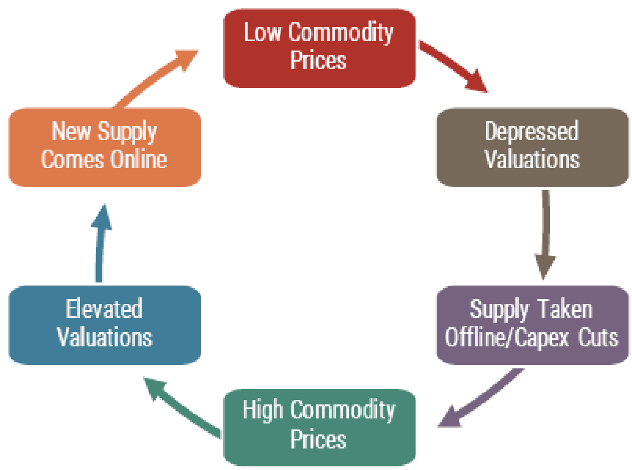

*Source: S&P Indices, Alerian Indices, Bloomberg estimates, Recurrent research*

According to the International Energy Forum and the Boston Consulting Group, total global investment into oil and gas exploration and production fell 34% last year. The report estimated annual investment needs to be 25% higher over the next three years to stave off a supply crisis. Given our read from the plethora of companies we follow in this space, there is little desire or even ability to greatly increase this number moving forward. Massive investments with long lead times are needed to keep up production levels. Using U.S. shale as an example, shale wells have very high decline rates and new wells need to be drilled to maintain production levels. When drilling activity falls (which has happened) companies stop drilling the least productive wells first and average productivity shoots up. However, when companies want to increase overall production, it becomes harder to maintain production levels with the most productive wells already drilled. It's just not as easy to 'turn on' U.S. shale as many think it is.

It's a mistake to think we need China to lead the next commodities super-cycle like they did the last time around. In this next decade it may well be led by the push for Green Energy (by restricting hydrocarbon production) and it will be amplified by the impact of severe underinvestment in new production on the supply side. Pierre Andurand, who runs one of the last remaining oil-focused hedge funds, believes the energy transition underway is similar in many ways to the commodity super-cycles that lifted prices during industrialization of the U.S., rebuilding after World War II, the re-industrialization of Europe and Japan and then in China. We agree with his assessment. In a piece titled, "Inflation Question" put out by MacroStrategy Partnership in February of 2021, they highlighted that Ambrose Evans Pritchard, writing in the Daily Telegraph, suggested oil prices returning to their all-time highs are now already "baked in the cake" due to politics starving the industry of investment. They also included comments from John Hess of Hess Corp. who said that global 'green deals' amounting to $16 trillion is going to turbo-charge oil demand in 2022. The reality is that "going green" is built on the back of traditional fossil fuels. The global scale of moving to a new, green energy sources, trumps the $10 trillion infrastructure buildout in the BRICS and emerging markets in the last commodity super-cycle.

**Chart 11** is a very simple chart that gives visual of how the commodity pricing cycle works. Each stage tends to take years and a full cycle can be upwards of 18-20 years in total. Following the logical cycle presented in the chart, we are in the very early stages of a long cycle that will eventually lead to much higher commodity prices and with it elevated valuations for commodity producers as they attract more and more of the investment dollars.

**Chart 11**



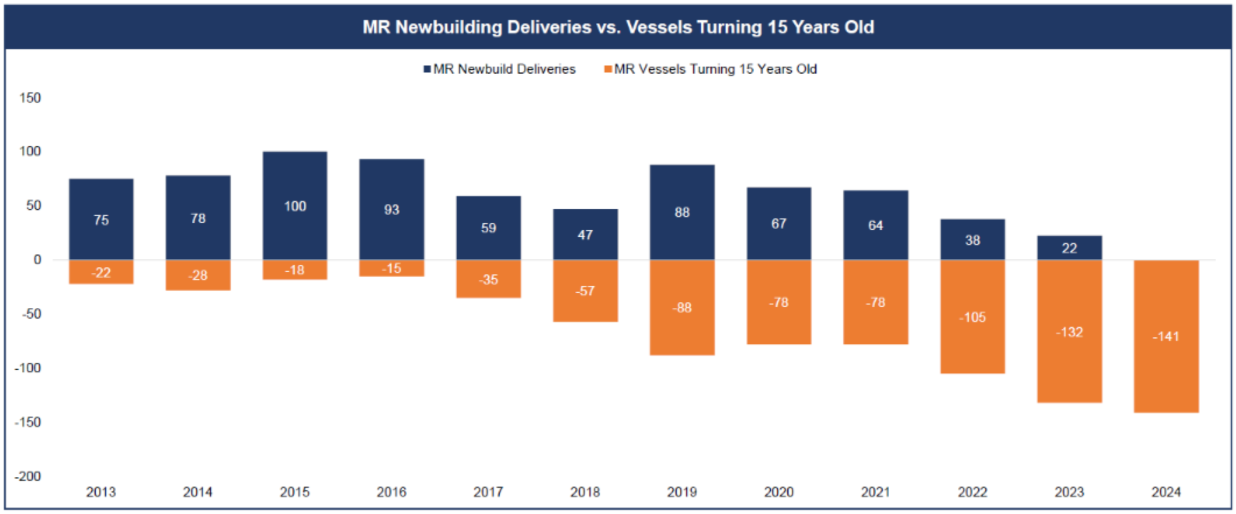

(Source: GMO)

*It is clear to Masonry that we are solidly in between the boxes of "Supply Taken Offline/Capex Cuts" and "High Commodity Prices." To come 'full circle' can take a decade or more.*

At a micro level these companies are now in a position to achieve high levels of free cash flow for years on end. Our investments in this area include Range Resources (ticker: RRC), EQT Corp (ticker: EQT), Kayne Anderson Infrastructure Fund (ticker: KYN), ConocoPhillips (ticker: COP) and others. At a macro level, the attractiveness of traditional energy shouldn't be viewed merely from the demand side but the supply side as well. Through that lens, supply relative to demand (even reduced demand) should be crimped, if not crippled, in the years ahead.

We continue to be long tankers and dry-bulk shipping. We think there is a clear disconnect between the large discount the shares trade to the NAVs of their ships (this is true across the entire sector but to varying degrees) and the constructive economic outlook that the companies themselves have put forward. The basis thesis for our positive view is multi-faceted. There are the demand drivers of oil consumption which are growing, a large number of refineries have been closing around the world and new ones are being opened in locations which serve to increase voyage distance, inventory levels are being drawn down world-wide and there are growing regional imbalances that need to be addressed. Newbuilds remain depressed with no prospect of increasing rapidly due to environmental concerns and the regulations surrounding them and this is occurring as the number of vessels turning 15 years old (age 15 is basically the point of diminishing returns for a ship) is increasing rapidly taking supply out of the market. **Chart 12** depicts this dynamic.

**Chart 12**




We continue to have exposure to financials who benefit from rising rates, insurance companies who are seeing a very favorable rate environment, and a variety of special situations in areas such as certain micro cap SaaS businesses, travel and entertainment, etc. These investments are all characterized by 'lose a little, make a lot.'

## Funny Anecdote

The Saturday/Sunday, March 27-28 edition of the Wall Street Journal, highlighted a young man, named Mr. Tran, age 22. Mr. Tran is a self-proclaimed trader who highlights his exploits on TikTok. This is a relatively new career for him as he was laid off from his job in the shoe section of a department store in 2020. Regarding his start in his new endeavor he stated, "I had money laying around and I was bored and I just wanted to see what I could do with it." Within days of his first TikTok trading video he had more than 100,000 followers where he promoted his favorite buys like Tesla, cryptocurrency miners, blank-check company Churchill Capital Corp IV and Nio, Inc. the electric-vehicle startup.

Here is how he describes his trading strategy, "The majority of time I am winning, with barely any knowledge, so it's been a fun process," he said. "Knowing what you're doing would always be good, but in this market anything possible." He further added, "I personally think I'm too lazy for that. When I tell you I don't know what the f____ I'm doing, I really mean it. It's all just a game to me."

It would be wise to remember these words when others try to tell us we are not in a bubble and that this market in no way resembles the Dotcom Bubble.

If further evidence is needed here it is. In early January, Elon Musk sent out a Tweet praising the message app, Signal. Traders instantly began to try and capitalize by mistakenly trading the stock Signal Advance (ticker: SIGL). The two companies are in no way the same. Before a week passed post Elon's Tweet, the market cap of SIGL hit a high of $739 million up from $6 million before the speculators got a hold of it. By the end of March the market cap was still over $24 million despite months having gone by where almost every speculator should have realized they didn't own what they thought they owned. Crazy stuff for sure.

**'100 Reasons Why'**

We have included 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.

**Firm Update**

The firm continued to grow in a measured but significant way since its inception. Total active assets under management were approximately $56.7 million at the end of 2019, $65.2 million at the end 2020 and $84.15 million at the end of Q1 2021. We continue to pursue like-minded investors to join us and would value your help in identifying prospective partners.

Please feel free to contact members of our team with any comments, questions or potential investment ideas.

Best Regards,

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INDICES REPRESENT SECURITIES WIDELY HELD BY INVESTORS. YOU CANNOT INVEST IN AN INDEX.

REFERENCES TO INDICES CONTAINED HEREIN ARE NOT INTENDED TO COMPARE TO THE ACTUAL PERFORMANCE OF AN ACCOUNT, BUT SOLELY FOR THE PURPOSE OF COMPARISON TO CERTAIN INDUSTRY SEGMENTS.

REFERENCE TO THE S&P 500 AND OTHER INDICES 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 AN ACCOUNT MANAGED BY MASONRY CAPITAL MANAGEMENT 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.

HFRI INDICES ARE BROADLY CONSTRUCTED AND DESIGNED TO CAPTURE THE BREADTH OF HEDGE FUND PERFORMANCE ACROSS ALL STRATEGIES AND REGIONS. PAST PERFORMANCE OF AN INDEX SHOULD NOT BE CONSTRUED AS AN INDICATOR OF FUTURE PERFORMANCE OF AN ACCOUNT.

HEDGE FUNDS TRADE IN DIVERSE COMPLEX STRATEGIES THAT ARE AFFECTED IN DIFFERENT WAYS AND AT DIFFERENT TIMES BY CHANGING MARKET CONDITIONS. STRATEGIES MAY, AT TIMES, BE OUT OF MARKET FAVOR FOR CONSIDERABLE PERIODS WITH ADVERSE CONSEQUENCES.

THE MSCI EMERGING MARKETS INDEX CAPTURES LARGE AND MIDCAP REPRESENTATION ACROSS 21 EMERGING MARKETS COUNTRIES. WITH 824 CONSTITUENTS, THE INDEX COVERS APPROXIMATELY 85% OF THE FREE FLOAT-ADJUSTED MARKET CAPITALIZATION IN EACH COUNTRY.

THE DOW JONES – UBS COMMODITY INDEX IS DESIGNED TO BE A HIGHLY LIQUID AND DIVERSIFIED BENCHMARK FOR COMMODITIES AS AN ASSET CLASS. THE INDEX IS COMPOSED OF FUTURES CONTRACTS ON 19 PHYSICAL COMMODITIES. NO RELATED GROUP OF COMMODITIES (E.G., ENERGY, PRECIOUS METALS, LIVESTOCK, AND GRAINS) MAY CONSTITUTE MORE THAN 33% OF THE INDEX AS OF THE ANNUAL RE-WEIGHTINGS OF THE COMPONENTS. NO SINGLE COMMODITY MAY CONSTITUTE LESS THAN 2% OF THE INDEX.

THE MSCI EAFE INDEX (EUROPE, AUSTRALASIA, FAR EAST) IS A FREE FLOAT-ADJUSTED MARKET CAPITALIZATION INDEX THAT IS DESIGNED TO MEASURE THE EQUITY MARKET PERFORMANCE OF DEVELOPED MARKETS, EXCLUDING THE U.S. AND CANADA. AS OF JUNE 2007 THE MSCI EAFE INDEX CONSISTED OF 21 DEVELOPED-MARKET COUNTRY INDICES.

CRUDE OIL IS THE WORLD'S MOST ACTIVELY TRADED COMMODITY, AND THE NYMEX DIVISION LIGHT, SWEET CRUDE OIL FUTURES CONTRACT IS THE WORLD'S MOST LIQUID FORUM FOR CRUDE OIL TRADING, AS WELL AS THE WORLD'S LARGEST-VOLUME FUTURES CONTRACT TRADING ON A PHYSICAL COMMODITY.

**<u>FORWARD LOOKING STATEMENTS:</u>**

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 AN ACCOUNT MAY DIFFER MATERIALLY FROM THOSE REFLECTED OR CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS.

**<u>SPECULATIVE RISK:</u>**

AN INVESTMENT WITH MASONRY CAPITAL MANAGEMENT IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. CERTAIN TECHNIQUES MAY BE EMPLOYED, SUCH AS SHORT SELLING AND THE USE OF LEVERAGE THAT MAY INCREASE THE RISK OF INVESTMENT LOSS. IN ADDITION, THE FEES AND EXPENSES, SUCH AS COMMISSIONS, OFFSET TRADING PROFITS. ALL OF THE RISKS, AS WELL AS OTHER IMPORTANT RISKS AND INFORMATION (INCLUDING, WITHOUT LIMITATION, INFORMATION REGARDING TRADING OBJECTIVES AND PROGRAMS, FEES, AND EXPENSES, TAX CONSIDERATIONS AND SUITABILITY REQUIREMENTS) ARE DESCRIBED IN DETAIL IN THE FIRM'S ACCOUNT AGREEMENT. PROSPECTIVE INVESTORS ARE STRONGLY URGED TO REVIEW THE ACCOUNT AGREEMENT CAREFULLY AND CONSULT WITH THEIR OWN FINANCIAL, LEGAL AND TAX ADVISORS BEFORE INVESTING WITH MASONRY CAPITAL MANAGEMENT. OUR INVESTMENT PROGRAM INVOLVES SUBSTANTIAL RISK, INCLUDING THE LOSS OF PRINCIPAL, AND NO ASSURANCE CAN BE GIVEN THAT OUR INVESTMENT OBJECTIVES WILL BE ACHIEVED. AMONG OTHER THINGS, THE PRACTICES OF SHORT SELLING AND OTHER INVESTMENT TECHNIQUES AS DESCRIBED HEREIN CAN, IN CERTAIN CIRCUMSTANCES, MAXIMIZE THE ADVERSE IMPACT TO WHICH INVESTMENTS MAY BE

SUBJECT. TRADING GUIDELINES AND OBJECTIVES MAY VARY DEPENDING ON MARKET CONDITIONS. WE MAY ALSO USE VARYING DEGREES OF LEVERAGE AND THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS LARGE GAINS.

**ILLUSTRATIVE PURPOSES ONLY:**

EXAMPLES OF OUR PROCESSES AND ANY OTHER IDEAS PRESENTED HEREIN ARE FOR ILLUSTRATIVE PURPOSES ONLY. THERE IS NO GUARANTEE THAT THE FIRM WILL ACQUIRE A POSITION IN AN ISSUER OR INDUSTRY REFERENCED IN SUCH EXAMPLES OR IDEAS OR THAT ANY SUCH POSITION WOULD BE PROFITABLE.

INVESTMENTS AND ACCOUNTS AT MASONRY CAPITAL MANAGEMENT:

- ARE NOT INSURED OR GUARANTEED BY THE FDIC OR ANY OTHER FEDERAL GOVERNMENT AGENCY
- ARE NOT DEPOSITS OF, OR GUARANTEED BY, A BANK OR ANY BANK AFFILIATE
- MAY LOSE VALUE