Q4 2021 Masonry All Cap Select Commentary **January 2022**

"The foot soldiers have fallen. The generals will be next."

Mark Meulenberg, CIO, Masonry Capital Management

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 may have after reading this letter.

Q4 2021 Overview of Positioning

As of December 31, 2021 the Masonry All Cap Select strategy had approximately 93% in equity or equity-like securities and approximately 7% in cash and fixed income-like securities. The portfolio's largest holdings at the end of the quarter were Builders FirstSource (ticker: BLDR), Discovery, Inc. (ticker: DISCK) and ConocoPhillips (ticker: COP).

For the quarter, the largest contributors on the long side were BLDR, Lions Gate Entertainment (ticker: LGF/B) and Freeport-McMoRan (ticker: FCX). The largest detractors were the investments in DISH Network (ticker: DISH), Range Resources (ticker: RRC) and Scorpio Tankers (ticker: STNG).

Market Thoughts and Observations

Major inflection points are always hard to spot and we have stated the historical fact in our last few communications that the best performers in the previous decade are rarely, if ever, the best performers in the forthcoming decade. It's not pure happenstance as there are economic and market cycles at work that makes it so.

In the words of Novelist Richard Powers, "The best arguments in the world won't change a single person's mind. The only thing that can do that is a good story." The investment world has been filled with seemingly endless 'stories' over the last decade about incredible size of TAMs (total addressable market) related to space travel, electric vehicles, flying taxis, exercise equipment, etc., and the enormous profits promised far out in the future. It was all but assured that the 'disrupters' that would make existing, well-established and profitable businesses disappear. The arguments against (high valuations, potential inflation, higher interest rates, holes poked in the ridiculous estimates made by analysts regarding TAMs) were routinely dismissed or ignored. A classic bubble formed as a result. Throughout market history patterns of speculative excess have occurred. However, this go-round, maybe because of its longevity of over 5+ years, it became one of the largest in recorded history. The early participants tend to profit immensely (just as the first tulip buyers did) and those that come late to the party usually lose a substantial amount of money, if not all of their money. In poker there is a saying that if you don't know who the sucker is at the table, it's most likely you.

When bubbles burst, the fringe securities tend to deflate first (the foot soldiers). In today's environment that most likely includes the majority of stocks that benefited directly from the lockdowns due to the pandemic. They are falling first because their businesses and stocks inflated on a 'sugar high' and the sugar has now been withdrawn. Just look at the drops from peak prices for some of these former rocket ships in **Chart 1**.

Chart 1

The "Foot Soldiers"		
Company Name	**Ticker**	**Approximate Peak-to-Trough Drop Through Dec. 31, 2021**
Tilray Inc.	TLRY	-97%
Paysign	PAYS	-91%
SmileDirectClub	SDC	-90%
Lordstown Motors Corp.	RIDE	-89%
Workhorse Group	WKHS	-89%
Nikola Corp.	NKLA	-88%
Quantumscape Corp	QS	-83%
Stitch Fix	SFIX	-82%
Electrameccanica	SOLO	-79%
Peloton Interactive	PTON	-79%
Virgin Galactic Holdings	SPCE	-78%
Lemonade, Inc.	LMND	-77%
Robinhood	HOOD	-75%
2U Inc.	TWOU	-73%
Beyond Meat	BYND	-72%
Fastly Inc.	FSLY	-72%
LendingTree	TREE	-72%
Oatly Group	OTLY	-72%
Teledoc Health	TDOC	-69%
Zillow Group	Z	-68%
Alteryx	AYX	-67%
Zoom Video	ZM	-67%
Sunrun	RUN	-66%
23andme	ME	-62%
Draftkings	DKNG	-62%
Plug Power	PLUG	-61%
Pinterest	PINS	-59%
Chargepoint	CHPT	-58%
RingCentral	RNG	-58%
Bumble	BMBL	-57%
Palantir Technologies	PLTR	-53%
Roku Inc.	ROKU	-52%
DocuSign	DOCU	-51%
Doximity, Inc.	DOCS	-51%
Softbank	SFTBY	-51%
Chewy Inc.	CHWY	-50%
Splunk Inc.	SPLK	-48%
Lyft Inc.	LYFT	-45%
Wayfair, Inc.	W	-45%
Twitter	TWTR	-44%
Block	SQ	-43%
Twilio	TWLO	-41%
Cloudflare	NET	-39%
DoorDash Inc.	DASH	-39%
Carvana	CVNA	-37%
Uber Technologies	UBER	-34%
Coinbase Global	COIN	-30%

The quote that begins this letter, “The foot soldiers have fallen. The generals will be next”, describes the script we think this will follow. We may very well be entering a period where the ‘Flywheel Effect’ might start to work in reverse. Today’s environment has many similarities to Y2K and the dotcom bubble when so many of the mega cap or large cap companies (the generals) benefited enormously from the venture capital and startup companies who spent newly raised money on the switches, networking equipment, etc. to try and capitalize on the internet revolution. The same type of dynamic (the pull forward of demand) is most likely at work today given the almost unbelievable cadre of private and public startups that obtained valuations of more than $1 billion in the last decade. Many of the companies that benefited from today’s bubble have large representations in the major U.S. indices. If their revenue and earnings growth starts to slow and their stock prices react accordingly, the major index returns may start to fade dramatically.

We wrote in an email communication early in Q4 2021:

> *"As we observe the significant loss of capital occurring in the most overvalued parts of the U.S. stock market, we now have to consider the possibility that just the mere idea of higher rates in the future might have been enough to pop the bubble. If this is correct, perhaps it is reflective of how embedded and enticing the narrative had become in leading to obscene valuations in so many securities for so many years.”*

We have been writing for a few years now that although we saw bubbles in many areas of the financial market we didn’t know what the pin would be that was going to pop it. Historically, bubbles have deflated due to tighter monetary conditions and higher interest rates but the culprit literally could have been anything. However, we also knew it had to be **something**. Because speculation was so rampant, that *something* seems to be the *threat* of higher rates and less accommodative monetary conditions. The seminal moment everything changed might be when the Fed Chairman, Jerome Powell, said the Federal Reserve’s perception of inflation was moving from ‘transitory’ (which we believe the market interpreted to mean deflation/disinflation would soon take hold again) to ‘persistent.’ Investors quickly came to an understanding that interest rates were most likely ultimately going up and liquidity was going down in an effort to counter inflation and, if this were to happen, a regime change was coming.

After looking at the following graphic which highlights the financial profile of electric truck maker, Rivian (ticker: RIVN), how much more evidence did we need that things were absurd? This was a stock with a market cap of over $141 billion and $0 in the revenue line. Amazing.

RIVN US $ ↑ 159.50 +10.14 K159
At 11:37 Vol 43,543,752 O 163.80K H
RIVN US Equity 96) Actions 97) Export 98) Settings
39) ADJ Rivian Automotive Inc ASC 842 Periodicity Annuals
1) Key Stats 2) I/S 3) B/S 4) C/F 5) Ratios 6) Segments 7) A
11) BBG Adj Highlights 12) BBG GAAP Highlights 13) Enterprise Value 14) EV

In Millions of USD	2019 Y	2020 Y	Current/LTM
12 Months Ending	12/31/2019	12/31/2020	06/30/2021
Market Capitalization	—	—	141,887.8
- Cash & Equivalents	2,264.0	2,979.0	3,658.0
+ Preferred & Other	2,750.0	5,244.0	5,244.0
+ Total Debt	71.0	176.0	190.0
Enterprise Value	—	—	143,663.8
Revenue, Adj	0.0	0.0	0.0
Growth %, YoY			
Gross Profit, Adj	0.0	0.0	0.0
Margin %	—	—	
EBITDA, Adj	-397.0	-981.0	
Margin %	—	—	
Net Income, Adj	-422.1	-1,018.0	-1,635.0
Margin %			
EPS, Adj	-4.31	-10.09	
Growth %, YoY	—	-134.1	
Cash from Operations	-353.0	-848.0	
Capital Expenditures	-197.0	-914.0	
Free Cash Flow	-550.0	-1,762.0	

Market Cap

Revenue

Reproduction of the Recap of our '100 Reasons Why' Presentation

If you have not had the opportunity to read this presentation we distributed in November of 2020 we encourage you to do so at 100 Reasons Why. Much of what has happened in the financial markets since Election Day may begin to make more sense if viewed through the lens of the charts, graphs and commentaries presented. We have included the 'Recap' pages from the presentation for those wanting the Cliffs Notes version.

Historical relationships between many financial market components have been distorted to never before seen levels

To believe they will not be restored over time is to believe that "this time is different"

Growth outperforming Value will come to an end and when it does the reversion to Value outperformance will happen suddenly and violently - one needs to be in the Value trade to participate or it will be missed

If history is a guide, when Growth mean reverts it will result in capital loss on a massive scale

RECAP

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. 94

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Our view on the likely calculus for what we believe to be the biggest stock market bubble of all-time:

COVID–19 **(today's version of Y2K which pulled forward years of demand)**

+ Commission Free Trades **(for stocks and, more importantly, options)**

+ Artificially Low 10YR US Treasury
(it should be around 1.5% per its relationship to numerous other factors)

+ Investor Euphoria

= Massive Disrupter Bubble

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For the winners of the last decade (FAANMG, Disruptors) the combination of low interest rates, low inflation and low and slow economic growth needs to remain in place

Any change in these conditions should provide a tailwind for a regime change in the market where the leaders of the past become the laggards and vice versa

Even if one factor (interest rates) is manipulated this will cause the other two (inflation and economic growth) to accelerate meaningfully thus bringing about the inevitable mean reversion

RECAP

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

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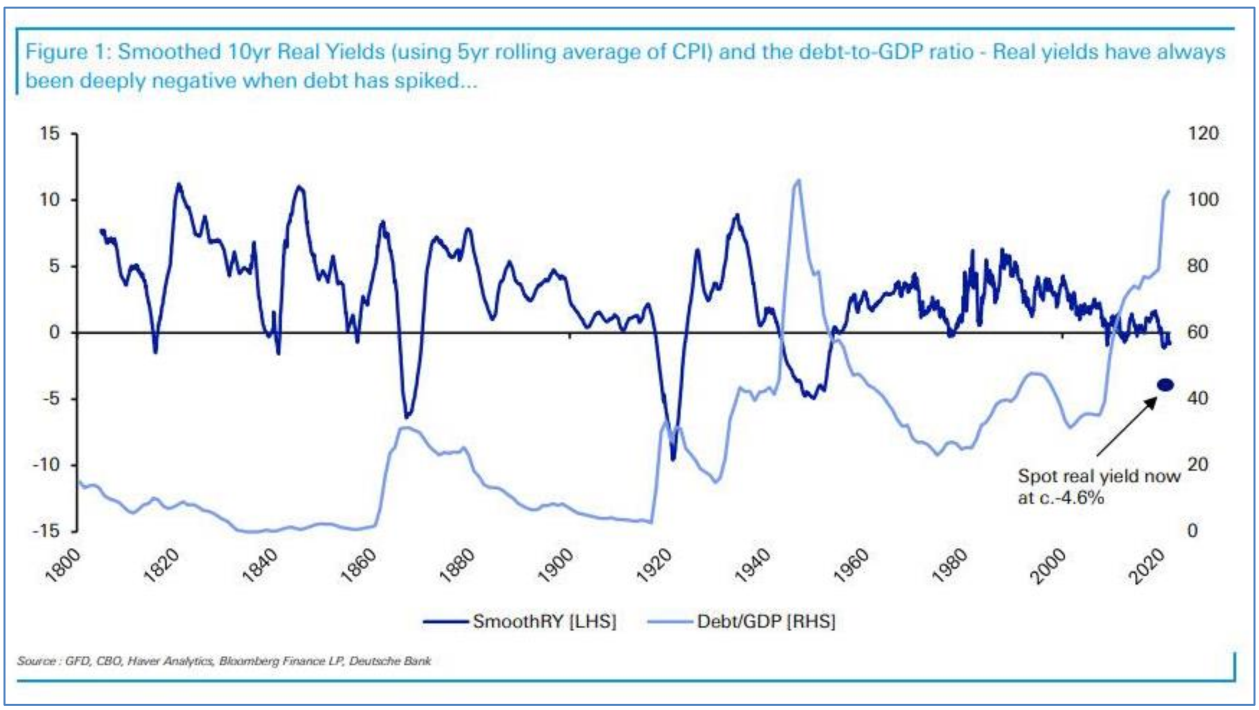
Interest Rates and Inflation

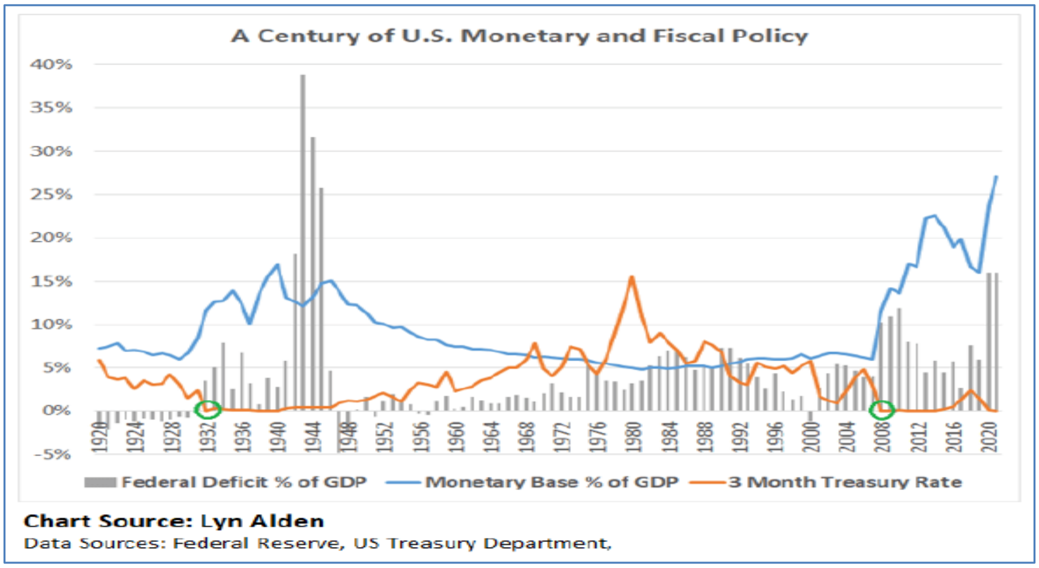
The parallels between economic environment in the post-WWII period and today seem to grow by the day. The key takeaway is this; interest rates must stay low while inflation and U.S. GNP (gross nominal product) must stay high in order for the U.S. to pay down our extraordinary debt load. The result is negative real yields (interest rates minus inflation) for as far as the eye can see. The fiscal and monetary response to COVID-19 was in many ways similar to our nation's path leading up to and into WWII. It would make sense then that the way out of this mess has a very good chance of being similar to that period in time too which is exhibited in **Chart 2**. The ratio of Debt-to-GDP will normalize to more sustainable levels over a multi-year, and probably even a multi-decade period, but to get to that desirable point, interest rates have to remain low and real yields have to remain in deeply negative territory.

Chart 2



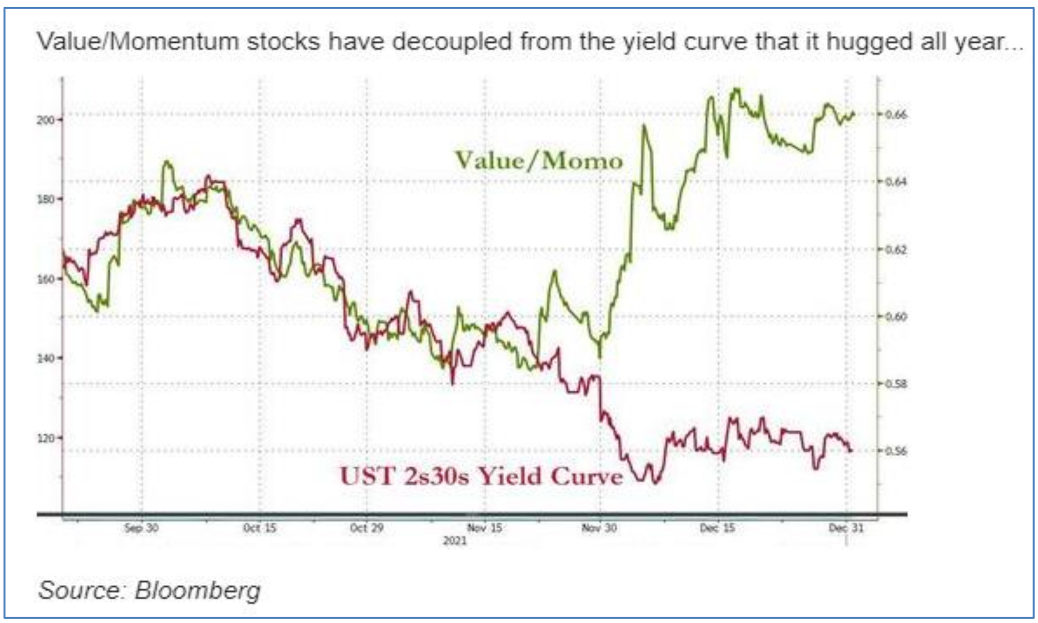
To get an idea of the mechanisms at work one only needs to review **Chart 3**. When the Federal Deficit as a % of GDP explodes, the playbook is to print money (Monetary base as % of GDP) to buy enough bonds to keep rates low (the short-term U.S. Treasury is represented in this chart).

Chart 3



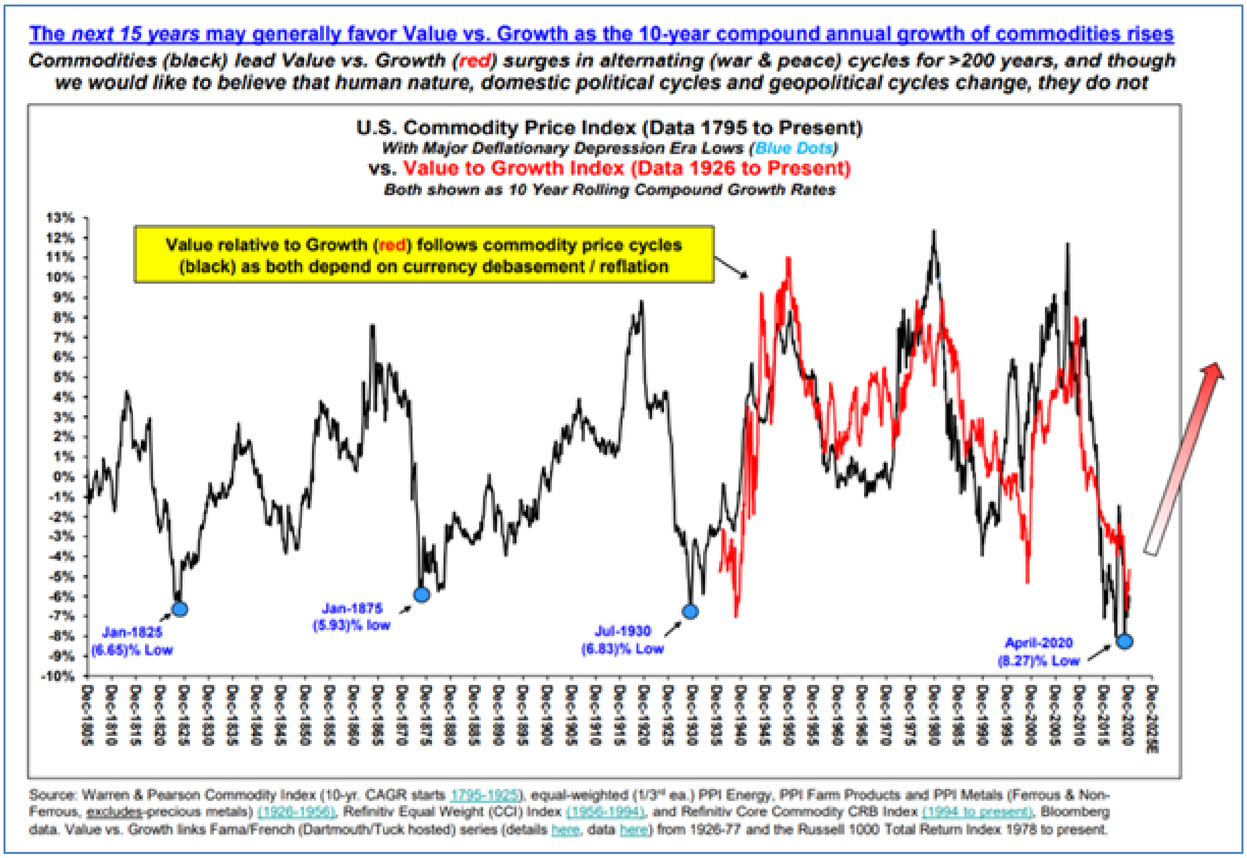
And then importantly, what might this mean for the financial markets and publicly-traded U.S. stocks in particular? Well, right about the time that Fed Chair Jerome Powell declared inflation persistent rather than transitory the Value/Momentum trade started to distinctly favor Value (green line going up and to the right means Value outperforming 'Momo' or Momentum) and decoupled from the UST 2s30s Yield Curve (**Chart 4**). The tie that bound interest rates to stocks in an almost perfect correlation had suddenly decoupled. A changing of the guard was now at hand.

Chart 4



When pairing past levels of interest rates, inflation and a cycle of U.S. Dollar weakness within the context of historical stock market returns (**Chart 5**), it should become clear given the current setup that Value (led by commodities) should outperform Growth, and maybe even for a decade or more.

Chart 5



Portfolio Highlights

We remain steadfast in our roots as disciplined value investors who consistently seek to exploit the overlooked, under-owned and misunderstood crevasses of the securities markets. Our view is long-term and opportunistic in nature. Unlike many investors today (including self-proclaimed value investors), we don't try to justify owning overvalued, popular stocks with colorful language about the moats the business enjoys, shareholder-friendly boards or CEOs that are viewed as great capital allocators. In truth, we do highly value these aforementioned qualities, we just don't use them as excuses to overpay for a security or overstay our welcome in existing positions, in companies that exhibit these characteristics.

The portfolio has evolved over the last few years into a collection of cash flow generative businesses in currently unloved and undesirable industries. Many of our holdings pay dividends over 5% and still others have instituted variable dividend policies that pay out dividends as a percentage of earnings each quarter. For some this has meant dividend payouts of up to 20%+ on an annual basis. The common themes among this portfolio of misfit toys are incredibly cheap valuations (most under 10x earnings per share or free cash flow per share) in industries and businesses ignored for the better part of a decade. We have worked hard to reconcile and understand both the micro and macro factors at work. We have found it becomes easier to tolerate some short-term underperformance in individual holdings if you have at least a cursory understanding of the economic and market environment you are in.

The confidence exuded by the management of many of the companies we own is at a level we have never witnessed. Our experience has been that managements tend to temper expectations so they can more easily exceed them in the future. This serves to not disappoint their investor base or the analysts that follow the company should they fall short. They also tend to focus on risk factors and other reasons why they may not hit company specific goals rather than pump up their prospects. Notably, this pattern has recently changed and in a multitude of industries. From shipping to chemicals to natural resource stocks, commodities, content and media, industrials, building products and residential and commercial developers, we are hearing very encouraging words about the forward looking prospects of their respective businesses. Phrases like, 'this is the best setup for our company and industry in decades' or 'I am more optimistic than at any point in my career,' are becoming the rule rather than the exception. Normally this type of talk would cause us to run for the hills rather than add to our positions but these are not the types of companies and industries that are prone to storytelling.

Select Portfolio Details

We continue to have a significant exposure to natural resources and commodities in the portfolio. We look forward, as I am sure most do, to the day when fossil fuels no longer are the dominant energy source on planet earth. However, the transition time and substantial cost to a day when cleaner energy dominates has been, in our view, vastly miscalculated and misunderstood. As a result, there are a plethora of investable ideas that have shown themselves over the last few years. In the face of an oil and gas market that may be tightening due to the lack of supply coming on to market, Royal Dutch Shell's CEO shared his views on the company's strategy as it transitions away from fossil fuels.

> *"You could be concerned that we have a very tight market coming. We have decided not to ride that wave up. Shell will 'enjoy' the benefits of a rising market, so it can return money to shareholders and fund its energy transition strategy, but that doesn't mean it will increase spending on fossil fuels. We are not minded to invest in a big way in a rising market because we believe that by the time we get there and start harvesting it, we will then of course be beyond that peak again."*

The majority of the large oil producers in the U.S. and throughout the world seem to share similar views as well as seen in **Charts 6 and 7**. Should this continue the economic consequences will be profound.

Chart 6

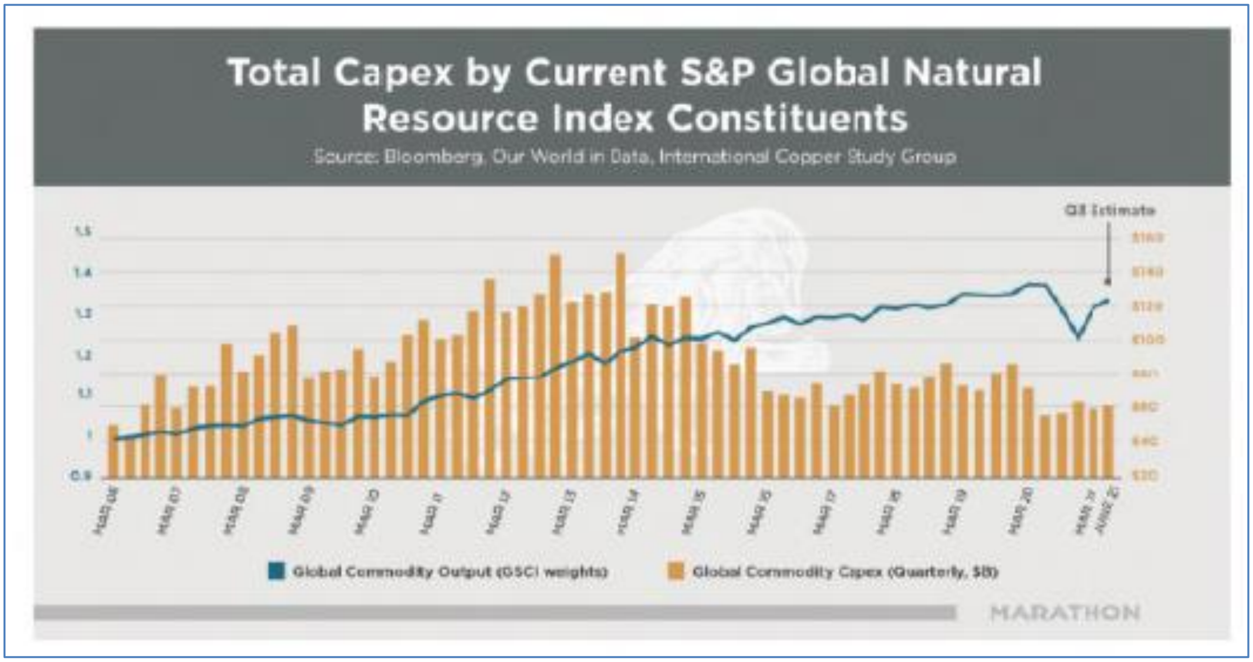
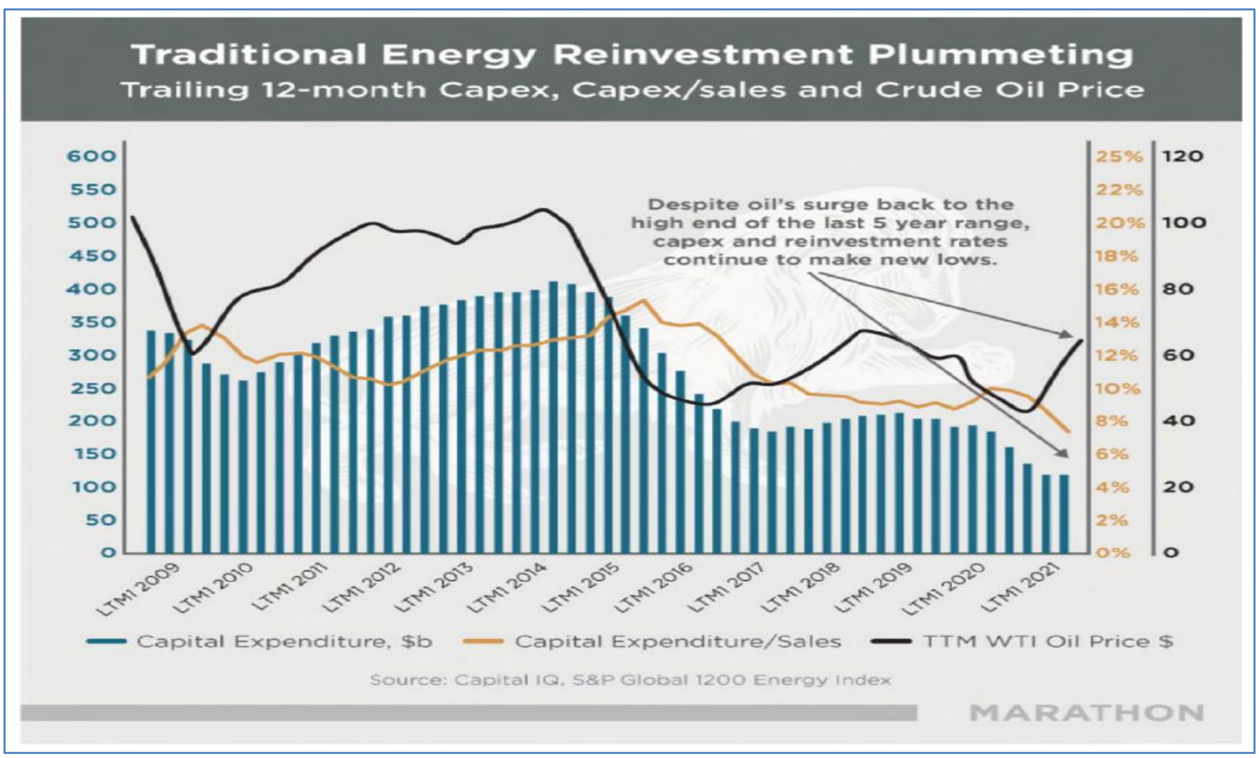


Chart 7



Energy producers have used the current environment of higher prices and reduced capex to their advantage by massively reducing leverage and returning cash to shareholders through dividends and buybacks. In a strange twist, many producers handcuffed themselves the last few years with hedging programs that limited their ability to capitalize on rising prices. Many of these hedges have rolled off and are not being reestablished. This is a sign to us that managements believe the recent price strength in natural gas and oil is here to stay. The cash flow generation at current commodity prices are substantial for many companies in the portfolio including RRC, EQT Corp (ticker: EQT) and ConocoPhillips (ticker: COP).

The story of the portfolio in Q4 was really about positioning for 2022 and beyond. In the short-to-medium term this incorporated our understanding of the economic ramifications of the pandemic and, specifically, the Omicron strain of COVID-19. It certainly looks to us that there is a distinct possibility the U.S., and most likely the world (with the possible exception of China) will be working past the last of the dreaded COVID ordeal by the middle or end of Q1 2022. Without getting into the sordid details, the virality of the new strain rendered our collective ability to avoid it essentially nil and the result was an incredibly fast spread that may move us quickly from pandemic to endemic status. The implications are meaningful if this happens. It should mark the official end of the stay-at-home trade which benefited many companies since March of 2020. Hence, our current 'short' position in ARKK which is long many of these stocks and Peloton Interactive which we sold short at $81 in early October and closed our position at an average cost of approximately $53 in early December (we wish we had kept it on the books longer!). Conversely, we are long companies that should benefit greatly once life returns to normal and supply chains eventually normalize.

We continue to have exposure to shipping (both dry bulk and tankers) for reasons outlined at length in previous letters. The outlook has only gotten better over time for these companies and our confidence continues to increase in the original investment case. Generationally low order books, fleet values increasing due to commodity price increases, and a post-COVID economic environment, all should be meaningful catalysts as we move forward.

The year ahead could provide clarity in many of the media and content companies. Mergers (Discovery and Warner Media), corporate actions (Lions Gate board publicly expressed their intention to maximize the value from their existing businesses), operational success in growing streaming subs (both in the U.S. and internationally) and better ad measurement should propel the stocks forward. The valuations are undemanding (most under 10x EPS or FCF per share) and should the market perception change given improving business results the upside could be quite substantial.

DISH remains a core holding, and we anticipate significant news in the upcoming quarters. We currently expect their first city, Las Vegas, to go live in Q1 2022. This will be an important event for the company, investors, and prospective customers alike, as it should give considerable insight into the network's capability and DISH's go-to-market strategy in the enterprise wireless market. Their first FCC network buildout deadline is set for June 2022, which requires them to have 20% of the population covered. This will also mark a major milestone for the company and should significantly de-risk the story from both an operational and regulatory standpoint. Management comments and our own channel checks show significant buildout activity taking place in major markets coast to coast and we believe the company is well on track to meet its requirements.

On the retail side for DISH, it will be important to see the development of Boost Mobile under the direction of Stephen Stokols. We believe the strategy underway at Boost is a harbinger of what's to come when the Dish-branded retail wireless roll-out begins. Recently, the idea of a possible tie-up between DISH and DirectTV has come back into the foreground. We think this makes sense from an anti-trust perspective, and the competitive argument is analogous to the Sirius/XM merger in the late 2000s. A combined DISH/DirectTV would offer immediate operational synergies, enabling them to provide a better service to the remaining (and dwindling) population of Satellite TV subscribers. It would also afford DISH the ability to fund its wireless capex program out of cash flow and make subsequent investments in future growth - all of which would accrue to equity over time. In sum, we continue to view DISH as one of the most misunderstood and underrated investment opportunities we see at present.

Funny Anecdote: ***from Mark's perspective***

For all of those that believe history doesn't repeat or that 'this time is different', we bring you a passage from the book, Security Analysis, which was written in 1934 by Benjamin Graham and David Dodd.

> One of the striking features of the past five years has been the domination of the financial scene by purely psychological elements. In previous bull markets the rise in stock prices remained in fairly close relationship with the improvement in business during the greater part of the cycle; it was only in its invariably short-lived culminating phase that quotations were forced to disproportionate heights by the unbridled optimism of the speculative contingent. But in the 1921-1933 cycle this 'culminating phase' lasted for years instead of months, and it drew its support not from a group of speculators but from the entire financial community. The 'new era' doctrine – that 'good' stocks were sound investments regardless of how high the price paid for them – was at bottom only a means of rationalizing under the title of 'investment' the well-nigh universal capitulation to the gambling fever.
>
> That enormous profits should have turned into still more colossal losses, that new theories should have been developed and later discredited, that unlimited optimism should have been succeeded by the deepest despair are all in strict accord with age-old tradition.
>
> *– Benjamin Graham & David Dodd, Security Analysis, 1934*

Somehow, it seems like just yesterday that I was sitting at my desk in Garden City, NY working as portfolio manager for U.S. Trust (now part of Bank of America) witnessing the dotcom bubble debacle. And today, I sit at my desk in Charlottesville, VA with quite a bit more grey in my hair and experience under my belt and I am having a hard time believing this is happening again and to an even greater extreme in what feels like the very recent past. It's surreal.

Firm Update

The firm continues to grow in a measured but significant way since our founding. Total active assets under management were approximately $56.7 million at the end of 2019, $65.2 million at the end 2020 and $62.6 million at the end of Q4 2021. Total assets (discretionary and non-discretionary) now total approximately $500 million. We continue to pursue like-minded investors to join the partnership and would value your help in identifying prospective clients.

As part of our regulatory requirement, we are making available our Form ADV Part 2 to all of the existing clients of Masonry Capital Management. Please contact us via email at mark.meulenberg@masonrycap.com or office phone at 434.817.4237 if you would like to receive an updated copy.

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

Best Regards,

Masonry Capital Management, LLC

Mark A. Meulenberg, CFA, Managing Partner
Chief Investment Officer
Email: mark.meulenberg@masonrycap.com
Direct: 434.817.4237
Location: Charlottesville, VA

Tyler Van Selow, Managing Director
Senior Research Analyst
Email: tyler.vanselow@masonrycap.com
Direct: 434.817.8026
Location: Charlottesville, VA

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THIS INVESTMENT REVIEW IS FURNISHED FOR GENERAL INFORMATION PURPOSES IN ORDER TO PROVIDE SOME INSIGHT INTO THE INVESTMENT MANAGEMENT PROCESS AND TECHNIQUES THAT MASONRY CAPITAL MANAGEMENT USES TO MAKE INVESTMENT DECISIONS. IT IS PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY. OPINIONS AND INFORMATION PROVIDED ARE AS OF THE DATE INDICATED. THIS MATERIAL IS NOT INTENDED TO BE A FORMAL RESEARCH REPORT, AND AS SUCH, IT SHOULD NOT BE CONSTRUED AS AN OFFER OR RECOMMENDATION TO BUY OR SELL ANY SECURITY, NOR SHOULD INFORMATION CONTAINED HEREIN BE RELIED UPON AS INVESTMENT ADVICE. OPINIONS AND INFORMATION PROVIDED ARE AS OF THE DATES INDICATED. MASONRY CAPITAL MANAGEMENT DOES NOT UNDERTAKE TO ADVISE YOU OF ANY CHANGE IN ITS OPINIONS OR THE INFORMATION CONTAINED IN THIS REPORT. THE STATISTICS IN THE ARTICLE WERE OBTAINED FROM SOURCES BELIEVED TO BE RELIABLE, BUT THE ACCURACY OF THIS INFORMATION CANNOT BE GUARANTEED.

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ANY 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 ELIGIBLE INVESTORS PAYING THE STANDARD FEES (AS APPLICABLE). 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. 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 THE LOSS OF THEIR ENTIRE INVESTMENT.

PERFORMANCE RESULTS ARE NOT GIPS COMPLIANT.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

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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.

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

SPECULATIVE RISK:

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