Q1 2025 Masonry All Cap Select Commentary **April 2025**

"Wall Street's done great, Wall Street can continue to do very well. But this administration is about Main Street."

- Scott Bessent, U.S. Treasury Secretary, March 6, 2025, address to the Economic Club of N.Y.

To Our Client Partners:

The Masonry All Cap Select (MACS) composite year-to-date return was 4.3% through March 31, 2025, and for clients who have the MACS as their primary investment objective their returns should approximate this performance. By comparison the S&P 500 return during the same period was – 4.3%.

Overview of Performance and Positioning

We continue to adhere to our core investing tenets. Our process has served us well particularly during market declines such as we saw in 2022 and today. The MACS has returned 24.4% net annualized over the last five years ending March 31, 2025, versus the S&P 500 annualized return of 23.8% and the Nasdaq Composite of 17.6%.

As of March 31, 2025, the MACS strategy had approximately 83.5% in equity or equity-like securities, 11% in direct commodity exposure (gold and silver) and approximately 5.5% in cash and fixed income-like securities. The portfolio's largest positions at the end of the quarter were Philip Morris International (ticker: PM), Anheuser-Busch Inbev (ticker: BUD) and the Kayne Anderson MLP / Midstream closed-end fund (ticker: KYN).

The top contributors in the first quarter of 2025 were PM, the Sprott Physical Gold and Silver Trust (ticker: CEF) and the SPDR Gold shares ETF (ticker: GLD). The largest detractors were Tidewater (ticker: TDW), Noble Corp. (ticker: NE) and Liberty Energy (ticker: LBRT).

Market Thoughts and Observations

We follow a structured process when writing our quarterly letters. Throughout the quarter, we collect and save articles, reports, and other materials that might help us articulate our views on the market and our portfolio positioning. As we prepare the letter, we review these materials one by one to decide what to include. Sometimes the list is extensive; other times, it's surprisingly short. This quarter, the list was unusually long, touching on topics such as AI and data center

expansion, stark valuation divergences between groups of stocks, and developments in monetary and economic policy.

Then came April 2nd—dubbed "Liberation Day" by the Trump administration. The announcement was significant enough to disrupt our entire writing process. What had previously seemed like the most pressing issues of the quarter were suddenly pushed to the background in the near term. Still, the topics we discuss in what follows remain highly relevant, with important medium- to long-term implications, some of which may be accelerated by the recent tariff news.

One of the most valuable insights from legendary hedge fund manager Bruce Kovner is that many investors falter because they remain anchored to historical patterns and fail to recognize when a paradigm shift has taken place. We would add that investors often suffer from 'recency bias', and extrapolate recent trends far into the future, assuming continuity where there may be none. Kovner emphasized the importance of being able to "see an environment that is vastly different from the past and not lose your bearings."

Although challenging in practice, maintaining an open mind and being receptive to once-in-a-generation shifts enables a deeper understanding of the forces driving anomalies such as the stark valuation gaps between different asset classes. Even more powerful is the ability to rigorously underwrite these gaps through fundamental analysis, identifying significant discounts between market prices and intrinsic values. When executed well, this approach can lay the groundwork for highly attractive investment outcomes.

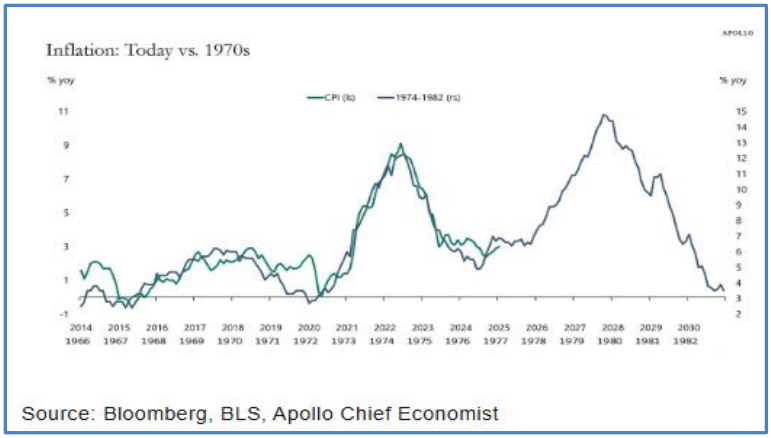
The current administration has signaled its intent to weaken the U.S. Dollar (USD). While there is ongoing debate around the merits of such a policy, our focus is not to weigh in on its validity. Rather, we aim to assess whether this objective is achievable, and, if so, what the investment implications might be.

Historically, one of the key drivers of a weaker USD has been lower interest rates in the U.S. relative to other major economies. Whether U.S. rates will in fact move lower is currently a point of tension between Federal Reserve Chairman Powell and President Trump. Chairman Powell has adopted a cautious, data-dependent stance, citing the uncertainty surrounding the economic impact of tariffs. In contrast, President Trump has been vocal in calling for immediate rate cuts to stimulate the U.S. economy.

In prior letters, we've highlighted the growing burden of interest payments on U.S. government debt, which now exceeds $1 trillion annually. Against this backdrop, it's conceivable that policymakers may pursue a path like that of the post-World War II era by lowering interest rates to reduce the cost of servicing the debt. Should efforts to devalue the dollar and suppress rates succeed, the result could be an inflationary tailwind favoring commodities, cyclical sectors such as industrials, materials, and energy, as well as export-oriented businesses. On the flip side, such a shift could pressure bonds and challenge the high valuations currently awarded to growth-oriented stocks.

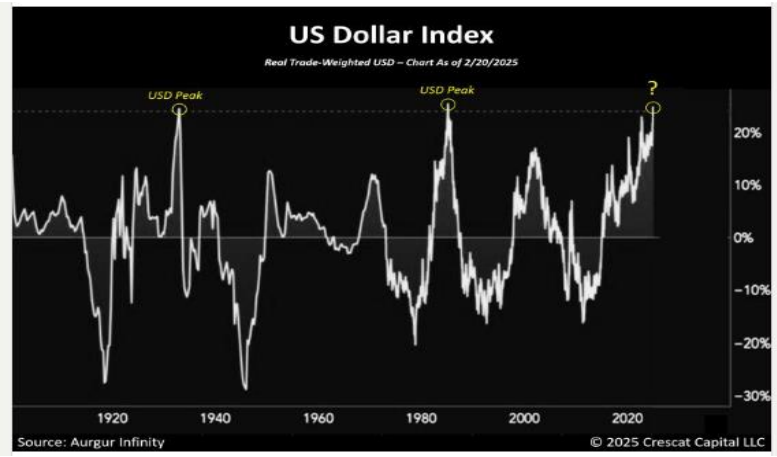
We found the overlay in **Chart 1** comparing today's environment with the last extended period of inflation in the 1970s particularly compelling. History shows that inflation doesn't move in a straight line. A similar pattern emerged following World War II, marked by sharp inflationary spikes followed by periods of meaningful pullbacks. Given this historical precedent, we wouldn't be surprised to see a comparable progression unfold over the next few years.

Chart 1



At the core of the USD discussion is the reality that, on a real trade-weighted basis, the USD remains historically strong. **Chart 2** illustrates this trend dating back to the early 20th century. Regardless of whether the current policy prefers a weaker USD, financial history suggests that such extended periods of strength are often followed by a necessary rebalancing to restore a more sustainable currency equilibrium. It's worth considering whether the tariffs are ultimately a means to an end with the primary objective being the realignment of global currencies and a resetting the current monetary regime in place. Stephen Miran, now a member of the Council of Economic Advisors, suggested as much prior to joining the current administration, arguing that tariffs could serve as a strategic tool to gain the necessary leverage for achieving currency adjustments.

Chart 2



For over 15 years foreign investors in U.S. stocks have not only been the beneficiaries of market appreciation but they have had the added kicker of a strong USD serving to increase their returns. A reversal of USD strength to weakness would then serve as a headwind instead of a tailwind. **Chart 3** shows the flow of foreign holdings into U.S. assets. While foreign central banks have largely curtailed their investments in U.S. Treasuries **(Chart 4**), private holders have sizably increased their investments in U.S. stocks since the pandemic but notably this trend goes back to 2010. We have read credible evidence that these flows have largely made their way into the most liquid part of the U.S. market (large cap tech stocks), pushing valuations of this select group of stocks to levels that most likely are not justified by their fundamentals.

Chart 3

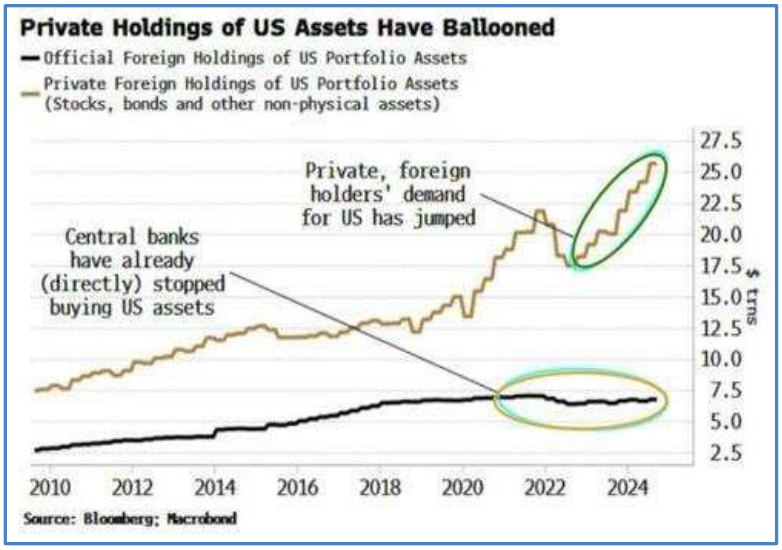
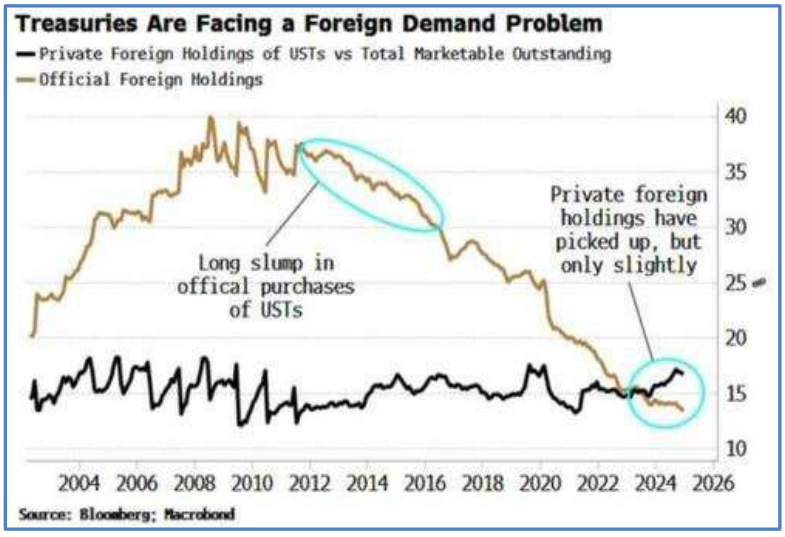
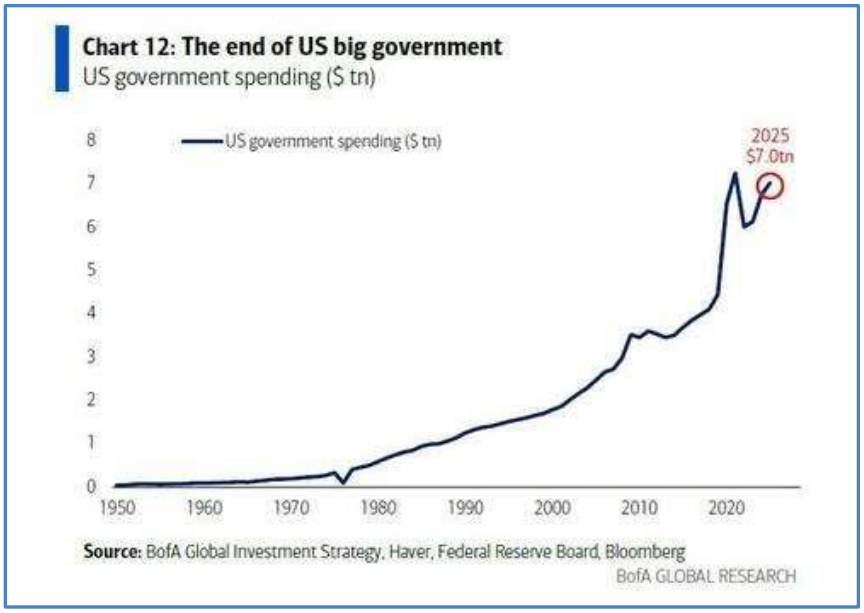


Chart 4



The declining demand for U.S. Treasuries among foreign investors can be attributed to several factors, but foremost is the unprecedented scale of debt issuance. While U.S. nominal GDP has grown by more than 50% over the past five years, a significant driver of that growth has been the surge in government spending which has increased by over 65%, rising from $4.5 trillion to $7 trillion (**Chart 5**). A pullback in this level of spending could hasten an economic slowdown and raise questions about the true foundation of America's perceived economic exceptionalism as compared to the rest of the world.

Chart 5



As we noted in our previous letter, the investment landscape shifts meaningfully depending on whether the USD is in a period of strength or weakness. If we are indeed entering a secular transition away from a prolonged era of dollar strength, it could usher in a new cycle of stock market leadership.

Charts 6 and 7 illustrate several market anomalies that could potentially reverse if we are, in fact, entering a new regime. Since the 1990s, periods of USD strength have been associated with the outperformance of U.S. Growth stocks over U.S. Value, and U.S. equities over international markets. Conversely, during periods of USD weakness, U.S. Value has tended to outperform U.S. Growth, and international stocks have generally outperformed their U.S. counterparts.

Chart 6

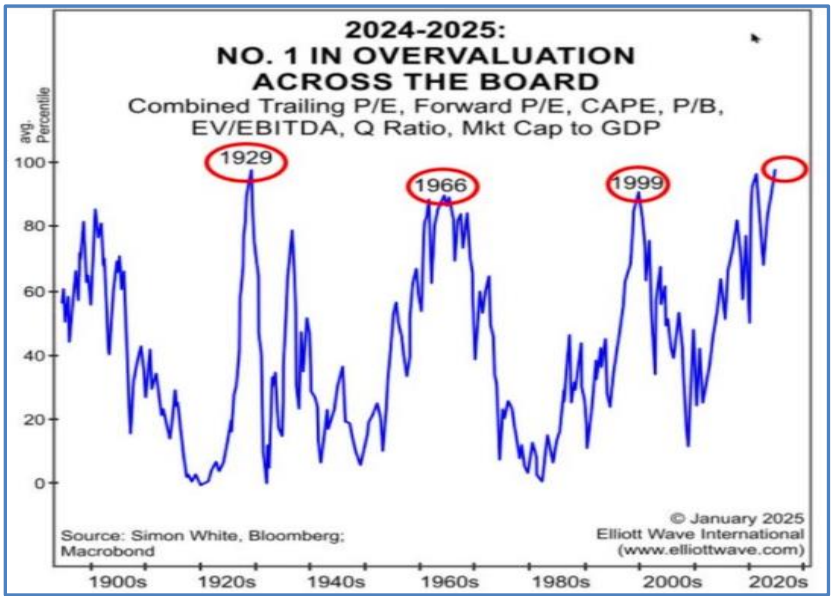
U.S. Value returns relative to U.S. Growth at trough levels only experienced four times in the last 40 years

Chart 7

World Value returns relative to World Growth at historical low extremes

For context, it's important to recognize that these potential shifts may be unfolding during a period of exceptionally high valuations in U.S. equities (**Chart 8**). Historically, similar valuation extremes have led to disappointing forward returns for holders of overvalued assets. The encouraging news, however, is that heightened market concentration often leaves a wide range of overlooked opportunities elsewhere. This is precisely the kind of environment in which our strategy has historically performed well—and we are actively positioning to capitalize on a potential repeat.

Chart 8



On the topic of potentially overvalued stocks, a central pillar of the investment case for many of the 'Magnificent 7' stocks has been explosive growth and transformative potential of Artificial Intelligence (AI). However, with the emergence of disruptors like 'DeepSeek,' investors have begun to reassess parts of the AI narrative, particularly the enormous capital expenditures being funneled into AI by the major U.S. tech firms.

One of our long-standing views, grounded in both experience and observation, is that companies undergoing large-scale growth capex cycles often see their valuation multiples contract until the return on that investment becomes evident. This caution is not misplaced. Return on invested capital tends to decline—sometimes temporarily, sometimes permanently—depending on the success of the initiative. From an accounting standpoint, free cash flow is reduced (operating cash flow minus capex), and earnings decline due to higher depreciation charges flowing through the income statement.

Yet the past two years have defied this historical pattern. AI-driven enthusiasm led investors to reward these companies with expanding multiples and rising stock prices. AI was, in many ways, treated as a ‘can’t lose’ proposition.

What may have been overlooked in all the excitement is the significant financial impact of this spending as companies transition from ‘asset-light’ to ‘asset-heavy’ business models. Their massive investments in data center infrastructure increasingly resemble the capital intensity of the internet infrastructure stocks from the dot-com era. It’s worth remembering that the most successful business models of the past 25 years (Amazon, Alphabet, Microsoft, as examples) largely benefited from the capital expenditures of others who built the foundational infrastructure.

We've been active users of ChatGPT ourselves and have found it to be an incredibly efficient tool for obtaining in-depth insights and information. Curious to explore the parallels, we asked it the following question: "Is it probable the capex cycle for AI resembles that of the railroad, electricity, automobile, and internet?" The response was illuminating. While the full chart generated by ChatGPT is included in the appendix, **Chart 9** captures its key takeaway.

Chart 9

Where Are We Now?

- We're in the **Boom Phase**, with AI players racing to secure **compute, data centers, and power**.
- Massive capex is being poured into **GPUs (NVIDIA), cloud infrastructure (AWS, Azure, GCP), and power solutions** to sustain AI workloads.
- Just like in the **dot-com boom (1995-2000)** or **railroad mania (1840s-1850s)**, there's high **speculation, overpromises, and land grabs** in AI infrastructure.
- We're seeing signs of **bottlenecks**—shortages of GPUs, power constraints, and early discussions on return-on-investment (ROI) from AI models.

What's Next?

- The **overinvestment phase** could hit **within the next 2-5 years**, leading to:
  - **Stranded capex** in underutilized data centers.
  - **Shakeout among AI startups** that can't monetize.
  - **Shift from raw spending to efficiency gains** (better AI chips, energy optimization, software innovations).
- The long-term trajectory is still strong, but **early-stage hype will likely fade**, just as it did for railroads, electricity, autos, and the internet before reaching maturity.

We then dug even deeper into the subject and asked, "Could DeepSeek accelerate the bust in infrastructure buildout?" ChatGPT's answer:

> *"Yeah, DeepSeek – or really any major AI model developer – could contribute to accelerating the bust in AI infrastructure buildout. DeepSeek isn't the only factor, but if it helps drive AI efficiency gains, shifts in deployment strategy or geopolitical tensions, it could accelerate an AI infrastructure boom-and-bust cycle where companies overbuild in anticipation of sustained growth that doesn't fully materialize."*

Here are a few further highlights from our interactions with ChatGPT we found interesting:

- There's ample historical precedent for what we're seeing with the AI infrastructure buildout—readily accessible to anyone willing to look.
- To justify current valuations (which have moderated somewhat since the start of the year), one must believe that this time truly is different from prior cycles.
- The most compelling investment opportunities may not lie in today's infrastructure builders, but rather in the companies that emerge in the next 3–5 years with innovative business models built on top of AI.
- It's entirely possible that AI could end up disrupting the very core businesses of the companies currently leading the infrastructure buildout. For example, why rely on Google Search if other AI tools begin delivering better, more relevant results?
- Ironically, ChatGPT itself suggested that the AI hype cycle, which played a key role in its own development, may be headed for a period of disillusionment or correction.

Portfolio Highlights

Given the current environment, our positioning could be described as relatively conservative. While we continue to find selective opportunities, particularly in companies we believe are better insulated from tariff-related disruptions, like many others, we anticipate the potential for increased volatility, both economically and in the equity and fixed income markets.

Our elevated cash position, along with hedges in gold, silver, and gold mining stocks, have contributed positively to year-to-date performance and helped buffer against recent U.S. stock market declines.

During the most recent quarter, several of our more defensive holdings and those that would benefit from a weaker USD such Philip Morris (PM), and Coca-Cola Femsa (KOF), reacted positively.

We continue to maintain our energy-related holdings despite recent share price weakness. In our view, the replacement value of these assets is not easily replicated in the current environment, and this should provide a stabilizing foundation until broader economic conditions begin to normalize.

While we don't typically focus on technical analysis or price charts, we would note a relevant pattern from a charting standpoint: when the 50-day moving average falls below the 200-day moving average, a formation ominously known as a *death cross*, subsequent returns have historically been weak. As of late Q1, QQQ's 50-day average was trending below the 200-day (the crossover actually occurred in early April).

Chart 10 highlights historical returns of the Nasdaq 100 following instances where the index falls below its 200-day moving average for the first time in a year, with the 50-day also crossing beneath the 200-day. This suggests further downside *may* be in store.

Chart 10

Period	Crossed below 200-Day	50-day below 200-day	Further Drawdown Post Death Cross
5/10/2000	x	Yes	-62%
1/4/2000	x	Yes	-60%
1/20/2022	x	Yes	-30%
4/24/1992	x	Yes	-27%
1/9/1996	x	No	NA
11/12/1997	x	No	NA
3/23/2004	x	Yes	-11%
5/20/2010	x	Yes	-15%
10/16/2014	x	Yes	-15%
10/11/2018	x	Yes	-17%

Select Portfolio Details

Purchases and sales during Q1 2025 was somewhat limited with more selling than buying, however, one of the larger recent purchases was Anheuser-Busch Inbev (ticker: BUD). We have owned BUD at various points in time for over 15 years – mostly punctuated around large mergers or acquisitions. The first major corporate action came when Inbev announced their purchase of BUD in June of 2008. Next came BUD's purchase of Grupo Modelo, the maker of Corona, in 2012 and finally a mega merger occurred with the purchase of SABMiller in 2016 for over $105 billion. The purchase of SABMiller came with asset sales of a variety of different beer brands but also a substantial amount of debt.

Cost inflation hurting margins alongside rising interest rates are not a friendly environment to highly indebted companies. Throw in a disastrous social-media marketing campaign around Bud Light, reports of a generational move away from alcoholic beverages and a threat poised from GLP-1s (the new class of popular diabetes / weight loss drugs) and it's not hard to see why BUD's share price suffered, declining from a post-Covid high of close to $80 per share in June of 2021, to a low of just over $46 per share in January of 2025.

But we felt the market was missing a few things. By our calculations, the shares at a price below $50 traded at just over 13x 2025's earnings. Leverage had been reduced from post-SABMiller levels of over 6x net debt-to-EBITDA to a more manageable level of under 3x. In conducting our research, we read comments from a former BUD executive who expressed his view that one of

the strengths of management was their ability to heavily lean into whatever brand or beverage was gaining momentum. We saw this dynamic in action during BUD's Q4 2024 earnings call, which notably made no mention of Bud Light, while Busch Light took center stage.

We also came to believe that the market was underestimating BUD's long-term growth potential. Premiumization remains a key driver for the beer industry, as it typically leads to higher margins and profitability, which is an area where BUD sees meaningful opportunity. Thanks to its global footprint and strong positions in key markets built through years of strategic acquisitions, the company is well-positioned to capitalize. This foundation is also enabling BUD to expand beyond traditional beer, with growing offerings in non-alcoholic beer, seltzers, and other ready-to-drink alcoholic beverages.

Perhaps most importantly, the business appears to be inflecting in a positive direction. Revenue, EBITDA, and underlying earnings per share are all showing upward momentum. The margin pressures from the recent inflationary surge have eased, and the company continues to make meaningful progress on deleveraging. BUD has limited near-term maturities and an average pre-tax interest rate just above 4%. This reduced interest expense burden should provide a tailwind to net earnings going forward.

We exited the position in Walgreens Boots Alliance (WBA). In late 2024, WBA accepted a takeover offer from Sycamore Partners, a private equity firm, at a roughly 30% premium to its pre-announcement share price. Unfortunately, the takeout price was well below our initial purchase price. Although there may still be incremental upside tied to the future monetization of WBA's stake in VillageMD, the deal's reliance on substantial debt financing adds a layer of execution risk. While we are disappointed with the outcome, particularly in how we sized the position in the portfolio, we acknowledge that missteps are part of the investing process, and we will apply the lessons learned to future decisions.

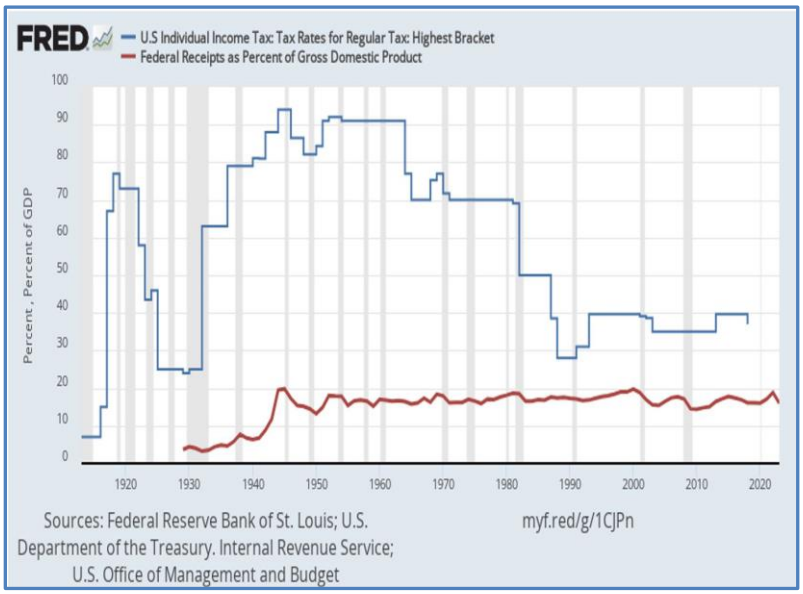
There's no denying the pervasive pessimism currently weighing on the stock market. While it's challenging in the moment, we've started to shift our focus toward the potential for positive outcomes over the medium-to-long term, which is a contrarian perspective in today's environment. In the recent market turmoil, many of our portfolio holdings have experienced share declines discounting them further from our estimate of their intrinsic value. Historically, investing in deeply discounted assets during periods of economic and geopolitical uncertainty has served us well over the past 30 years. We remain optimistic that this time will be no different.

From Mark's Desk

The ongoing debate over tax rates in the U.S. remains a perennial point of contention between political parties. However, as illustrated in **Chart 11**, regardless of where the top marginal tax rate is set, federal tax receipts have historically hovered below 20% of GDP. This raises the question of whether the focus should shift away from headline-grabbing rhetoric both of tax cuts and calls

for higher taxes and toward making the more difficult, substantive decisions that truly impact long-term fiscal sustainability.

Chart 11



Top marginal tax rates reached 90% post-WWII and stayed high for almost 20 years, yet these tax rates did not generate additional overall tax dollars as measured by total tax receipts as a percentage of U.S. GDP

Firm Update

At the end of Q1 2025, the firm's actively managed assets totaled approximately $61 million and the total assets under advisement were approximately $366 million.

Thank you for your continued confidence and trust and please feel free to contact us with any comments or questions.

Best Regards,

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Appendix:

Phase	AI (2020s)	Railroads (1830s-1850s)	Electricity (1890s-1910s)	Automobiles (1910s-1920s)	Internet (1990s-early 2000s)
Early Investment & Hype	Pre-2020s: R&D, initial AI breakthroughs	1820s-1830s: First rail lines, limited adoption	1880s: Edison & Tesla lay groundwork	1900s: First mass-produced cars	1980s: Early internet protocols (ARPANET, NSFNET)
Boom & Massive Capex (Current AI Phase)	2023-present: Explosive investment in data centers, GPUs, model scaling (NVIDIA, Microsoft, Amazon, OpenAI, etc.)	1840s-1850s: Railroad mania, mass track expansion	1890s-1910s: Electrification of factories, cities	1910s-1920s: Auto boom, road infrastructure	1995-2000: Dot-com boom, fiber optic buildout
Overinvestment & Bottlenecks	Likely coming soon (2025-2027?): GPU supply constraints, energy demand issues, potential excess capacity in AI data centers	1850s-1860s: Railroad bankruptcies, financial crashes	1910s-1920s: Utility failures, early grid collapses	1920s-1930s: Auto industry shakeout (Great Depression)	2000-2002: Dot-com crash, fiber optic overbuild
Shakeout & Efficiency Gains	Late 2020s-2030s? AI monetization phase, rationalization of infrastructure spend	Late 1800s: Railroads consolidate, freight profitability improves	1930s: Grid standardization, utility consolidation	1940s-1950s: Auto industry consolidation	Mid-2000s: Internet recovery, profitable business models emerge (Google, Amazon)
Steady Growth & Ubiquity	2030s+: AI becomes a backbone of industry, capex slows	1900s+: Railroads stabilize, become core infrastructure	1950s+: Universal electricity, consumer appliances boom	1950s+: Auto industry matures, highways expand	2010s+: Internet is a necessity, steady infrastructure improvements

DISCLOSURES:

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 AUDITED ANNUALLY. PARTIAL YEAR PERFORMANCE 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.

MASONRY ALL CAP SELECT (MACS) PERFORMANCE: NO REPRESENTATION IS MADE THAT THE PERFORMANCE SHOWN IS INDICATIVE OF FUTURE PERFORMANCE. AN ACCOUNT COULD INCUR LOSSES AS WELL AS GENERATE GAINS. PERFORMANCE FIGURES FOR EACH ACCOUNT INCLUDE INCOME ACCRUALS, REALIZED AND UNREALIZED GAINS AND LOSSES AND REFLECT THE DAILY WEIGHTING OF CASH FLOWS. ACCOUNTS THAT HAVE THEIR PRIMARY INVESTMENT OBJECTIVE AS THE MACS STRATEGY ARE INCLUDED IN THE PERFORMANCE PRESENTED AND ARE NET OF ACTUAL INVESTMENT FEES, NET OF TRANSACTION COSTS AND INCLUDES THE REINVESTMENT OF ALL INCOME. NET OF FEE PERFORMANCE WAS CALCULATED USING THE ACTUAL ANNUAL FIXED MANAGEMENT FEES OF THE CLIENTS IN THE STRATEGY APPLIED MONTHLY USING THE TIME WEIGHTED RATE OF RETURN METHODOLOGY. TRADE

DATE ACCOUNTING IS USED FOR CALCULATION AND VALUATION PURPOSES. SECURITIES ARE VALUED DAILY USING CLOSING MARKET VALUES. PERFORMANCE IS PRESENTED IN US DOLLARS.

PERFORMANCE RESULTS ARE NOT GIPS COMPLIANT.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

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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 AND IS NOT AVAILABLE FOR DIRECT INVESTMENT. 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.

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