2021 Mead Capital Management Annual Letter

Dear Partners,

The story of 2021 was one of rising markets, and our portfolios collectively rose with them. On a composite basis and after fees[1] MCM client portfolios rose 26.2% for the year. That's a great result in isolation. But are we *really* better off?

One consideration is the simple fact that the S&P 500, my main bogey to beat, rose 28.7%, dividends included. That puts us short yet another year.

Another consideration is that one of our investees, a significant portion of client portfolios, is an active repurchaser of its own shares. We own Berkshire so that our portfolios can increase in value and beat the S&P, but we also want them to lag the market when the company is buying its own shares. We are less well off in part because we did well. That's paradoxical.

Paradox (noun) par·a·dox | per-ə-ˌdäks

A statement that seems to say two opposite things but that may be true

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Berkshire and buybacks: Why up is down, and down is up.

The advancing share price of Berkshire Hathaway is, paradoxically, an *unwelcome* event for MCM clients. Say what?

Last year Berkshire Hathaway Class B shares rose from $231.87 to $299.00, a gain of 28.95%. Berkshire also repurchased $20.2 billion or 76,294,271 Class B-equivalent shares through the first nine months of 2021. Extrapolated to the end of the year, Berkshire probably repurchased $25 billion or perhaps 100 million Class B shares during 2021, or about 4% of the company.

Put these two facts together and reason tells us that Berkshire spent, on our behalf, more for shares repurchased later in the year than ones purchased earlier. Knowing that Berkshire won't pay

[1] See important disclaimers at the back.

more than a conservatively estimated intrinsic value per share we can have confidence that its actions were value accretive. But we'd be better off if shares lagged or even fell during the year.

Let's consider two hypothetical examples. In each, Berkshire spends $25 billion per year over the next five years on buybacks. In the first scenario Berkshire pays the same $231.87 price per share that shares began 2021. In other words, shares *languish*. In the second scenario shares stay at the same ending price of $299.00. Which scenario should we hope for as a part owner of Berkshire Hathaway?

	Scenario 1	Scenario 2
Repurchase price	$231.87	$299.00
Amount spent	$125,000,000,000	$125,000,000,000
Class B shares repurchased	539,095,183	418,060,201
Beginning share count	2,315,940,000	2,315,940,000
Ending share count	1,776,844,817	1,897,879,799
% of company	23.3%	18.1%
Assumed operating earnings	$25,000,000,000	$25,000,000,000
Operating EPS (Class B)	$14.07	$13.17
Scenario 1 / 2	107%	

Judging by the table the answer is clear. We should hope that shares languish. Better yet, we should hope they *fall*.

Investing is laying out money today to receive more money in the future. As owners of Berkshire's many operating businesses we would, in the scenario laid out above, have claim to 7% more earning power at the end of five years under the first scenario. And yet the second case is often what investors hope for because it *feels* better to see the quoted value of your portfolio increase.

Rising shares would be a good thing if only one year mattered. But we take the long road. Investing with a time horizon of decades means that higher prices for Berkshire make both our future purchases and its buybacks more expensive. In both cases MCM clients are less well off than they would be with a lagging share price.

Advancing shares also cut off a key capital allocation tool to Berkshire. Historically, these levers have included investing internally in existing operations, finding big acquisitions, uncovering value in the stock market, and finally returning capital to shareholders. Berkshire already has ample cash flow to fund any internal reinvestment needs. Both acquisitions and the stock market have largely been out of reach over the last few years as low interest rates and cheap credit spur others with less discipline, different time horizons, and other incentives to drive up prices.

That leaves returning capital to shareholders as the only viable option for capital allocation. Here Berkshire has two options: share repurchases or dividends. Share repurchases are the preferred

route as they increase the remaining shareholders' ownership interest and earning power without any adverse consequences, assuming the company doesn't overpay. Dividends are tax-inefficient and have the added disadvantage of imposing one payout policy on all shareholders regardless of their tax status or reinvestment preferences.

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The pandemic offered perhaps the most unexpected paradox. Companies and individuals fared *better* because the economy was severely impacted. In response to a short but severe economic downturn governments around the world reacted with huge amounts of fiscal and monetary stimulus. I won't get into the politics of it all, but the basic notion that companies and individuals are sitting on more cash than they otherwise would have been if not for the pandemic is undisputed. This paradox is probably resolved by the fact that transfer payments must be repaid by the citizens of the governments that made them, directly through taxes and indirectly through future inflation. But I won't speculate on that front.

Other paradoxes abound: Hertz, a car rental company, survived bankruptcy because investors bid up shares and allowed the company to issue stock. A similar situation played out at AMC, an operator of movie theaters. Perhaps the ultimate example was Game Stop, a video game company, which became a game in itself as Main Street pitted itself against Wall Street.

These and other paradoxes amount to a Mad Hatter's tea party in real life. I have no idea what will happen but it's sure to be interesting observing the rest of the show.

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Portfolio updates

The paradoxes and madness enumerated above should give you pause but not fear. The good news is we own some great businesses and found one more to add to the portfolio this year. I'll start with the largest and most important of our investments, Berkshire Hathaway.

Berkshire Hathaway

At about 50% of client portfolios, Berkshire is our largest holding. Note that the results presented below are the twelve months ended September 30, which encompass the fourth quarter of 2020 through the third quarter of 2021 (four quarters in total). The 2021 Annual Report/10K will be released on February 26.

The table below illustrates the degree to which Berkshire's many businesses were affected by the pandemic. Most noticeable are the many MSR businesses, which are more closely tied to general business conditions. After falling 23% from 2019 to 2020 earnings rebounded 34% in 2021. That left earnings up 3% compared to 2019.

Insurance underwriting was down compared to last year but positive and indicative of very good results. Even breakeven insurance underwriting produces huge economic benefits to Berkshire through the use of float. The railroad is an essential business but suffered a slight drop in 2020 because of the pandemic. Earnings in 2021 kept chugging along (pun intended) in an upward direction. The utility segment actually increased earnings by 10% during the pandemic and a further 13% in 2021. This reflects continued buildout of the stable asset within Berkshire.

Berkshire's operating results reflect a well-diversified conglomerate possessing unrivaled financial strength and ongoing competitive advantages. On the whole, Berkshire's after-tax operating earnings increased 19% year over year and were up 8% compared to 2019.[2] Better yet, share repurchases shrunk the share count by 5% over the twelve-month period. That means operating earnings per share increased 25%.

Through the first nine months of 2021 Berkshire repurchased $20.2 billion of its own shares. This represents about 3% of outstanding shares and will be a benefit to continuing shareholders. I would expect to see that total rise closer to $25 billion for the entire calendar year. In a market that has quickly run up and left Berkshire's cash sitting idle, one benefit has been its own relatively stagnant stock price. *This is a welcome state of affairs*. We plan to own Berkshire for a long time. If the company can repurchase shares below intrinsic value our holdings are enhanced that much more.

Berkshire Hathaway After-Tax Earnings ($ millions)	**Oct. 1, 2020-Sept. 30, 2021**		**Oct. 1, 2019-Sept. 30, 2020**		**Oct. 1, 2018-Sept. 30, 2019**	
Insurance - underwriting	$57	*0%*	$99	*0%*	$957	*4%*
Insurance - investment income	4,858	*19%*	5,212	*24%*	5,248	*22%*
Railroad	5,798	*23%*	5,092	*24%*	5,429	*23%*
Utilities and energy	3,441	*14%*	3,039	*14%*	2,754	*12%*
Manufacturing, service and retailing	10,796	*43%*	8,063	*38%*	10,446	*45%*
Other	280	*1%*	(223)	*-1%*	(1,392)	*-6%*
Operating earnings, after tax	**$25,230**	***100%***	**$21,282**	***100%***	**$23,442**	***100%***
Investment and derivative gains/losses	$60,805	*241%*	($25,504)	*n/a*	$4,617	*20%*
Net earnings (loss)	$86,035	*341%*	($4,222)	*-20%*	$28,059	*120%*

Note: Other adds back goodwill/intangible impairments of $10,863 for the TTM 2020 period and $129 for the TTM 2021 period.

The market appears to be pricing Berkshire at a 7.5% going-forward return.[3] For such a high-quality collection of businesses that is a good return. But it gets even better. It assumes earnings from

[2] The investment and derivative gains/losses and the net earnings figures are largely noise. Accounting standards require unrealized and realized gains flow through the income statement, which distorts the financial picture. Focus on the operating earnings line.

[3] After tax earnings of $20 billion divided by the implied residual value of the operating businesses of $273.5 billion.

the MSR businesses remain almost where they were during the 2019 period. It also assumes no insurance underwriting gains, which Berkshire has historically generated. It doesn't include any optionality from the significant cash resources on the books, nor any benefit from growth in float, which is a possibility. In sum, Berkshire is a wonderful collection of many very good businesses that remains attractively valued.[4]

Breaking down Berkshire Hathaway's market value

What do we get for our money?

($ millions)		*% market cap*
Market capitalization on February 9, 2022	$720,000	*100%*
Balance sheet totals as of September 30, 2021:		
Insurance cash & Treasuries	$144,365	*20%*
Equity securities (net of deferred tax)	267,363	*37%*
Equity method investments	16,658	*2%*
Fixed maturity investments	18,125	*3%*
Subtotal cash & investments	$446,511	*62%*
Implied residual value of operating businesses	$273,489	*38%*
After-tax earnings (12 mo. 9/30/21):		
BNSF Railroad	$5,798	
Utilities & energy	3,441	
Manufacturing, service, and retailing	10,796	
Subtotal - after-tax earnings	$20,035	
Value assuming 10x	$200,350	*28%*
Assumes:		
1. Equity & debt securities are fairly-valued.		
2. Breakeven insurance underwriting ($57m profit not included above).		
3. MSR business results represent normalized earnings power.		

[4] An argument can be made that the valuation of Apple, which represents 45% of Berkshire's investment portfolio, is rich and should be adjusted down. Even after such adjustments, which may be offset by undervaluation elsewhere in the portfolio, the overall conclusion stands.

Hingham Institution for Savings

The second largest holding across client portfolios is HIFS at 15%. The Gaughen family continue to operate the bank in a first-class manner and regularly puts up new records its peers can only dream of. The bank just released its fourth quarter 2021 earnings which showed loan growth of 20% for the year and non-interest-bearing deposit growth of 24%. Core return on average assets came in at 1.89% which produced a core return on equity of 17.3%.

Rock-bottom operating costs produced an efficiency ratio of 21% (lower is better). This is simply an astounding feat for a $3 billion bank. Most operators and pundits would have you believe size is the cure for all ills. HIFS proves that efficiencies need not wait until tomorrow – costs can be cut *today*. Equaling the stellar efficiency ratio is a non-performing loan rate of 0.01% and a loss ratio barely above the zero mark. HIFS recorded net charge-offs (the metric that really matters, not "cookie-jar" reserves) of $1,000 in 2021. No zeros omitted.

You should be proud to be partners in such a wonderful enterprise. I sure am.

Boston Beer Company

I'll turn next to our newest investee, Boston Beer, which was 5% of the MCM composite portfolio at the end of the year. I've long coveted a seat on the shareholders list of SAM. I first passed on buying shares of the company about fifteen years ago, thinking them expensive at $30 per share. Our shares were purchased at an average price of $505 and in a range of about $450 to $550 per share, which I consider a good price.

This old joke, relayed by Warren Buffett in his 2009 letter to shareholders, sums up my thinking:

> Customer: Thanks for putting me in XYZ stock at 5. I hear it's up to 18.
>
> Broker: Yes, and that's just the beginning. In fact, the company is doing so well now, that it's an even better buy at 18 than when you made your purchase.
>
> Customer: Damn, I knew I should have waited.

What explains my seemingly erroneous behavior of passing on SAM shares earlier? I can't tell you exactly, only to say that time and experience has changed my mind. I know much more about investing today than I did fifteen years ago, including appreciating business quality when I see it. I've also gotten over the psychological hurdle (at least I flatter myself as such) of anchoring to past prices.

SAM is a larger, more mature company than it was a decade ago, and has proven itself to possess an attractive moat. It's operated by an owner/founder and an entrepreneurial management team unafraid to invest even when it hurts near-term reported results. The company remains in the favorable position of being small enough to be nimble but large enough to benefit from favorable unit economics.

You can read my complete analysis of SAM here.

Other portfolio companies

The MCM composite portfolio hasn't changed much over the last two years. My thoughts on Copart (8% of the portfolio), Synchrony Financial (4%), and Cimpress (3%), haven't changed since I wrote about them in the 2019 memo, which you can find here.

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Turnover (of the investment variety)

No, we're not pausing for a snack break, though please feel free (I won't know). Rather, this is a good opportunity to use our investment in SAM to talk about portfolio turnover.

Turnover is a measure of how much buying and selling is occurring in a portfolio. A ratio of 25% is generally considered low and anything above 50% is considered high. Some mutual funds and hedge funds regularly post 100%+ turnover ratios.

"An investor should act as though he had a lifetime decision card with just twenty punches on it."

Warren Buffett

Taking the inverse of the turnover ratio gives one an idea for average holding period. A 100% ratio implies the entire portfolio is sold every year. A 50% ratio implies a two-year holding period and so on. Our 6% turnover in 2021 implies an average holding period of about 17 years.

Such a holding period is consistent with our business-owner mindset. We seek out good companies with favorable long-term prospects run by honest and trustworthy management teams. Finding such traits *and* having an attractive entry price is harder still. When you find such an investment the last thing you want to think about is parting ways.

Of course, a low turnover ratio in and of itself doesn't confer magical benefits on a portfolio. The ratio can be influenced by other factors. The MCM composite turnover ratio in 2020 was a *huge*

60%. This was the result of a combination of new clients, which impacts the ratio, and opportunity. Early 2020, remember, brought spectacular buying opportunities. To sit back and not take advantage of irrational prices merely to keep a low turnover ratio wouldn't be prudent management. For reference, composite turnover in 2019 was 0.43%, and in 2018 the figure was 67%. On average, however, the figure tends to tell the story of a manager's holding period philosophy.

Mead Capital Management composite client portfolio turnover	
2021	6%
2020	60%
2019	0.43%
2018	67%

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Making base hits

I consider 2021 a satisfactory year. We found one new investment in Boston Beer, which is a pleasing reward for patience and continual searching for opportunities. We also effectively increased our investment in Berkshire Hathaway at an attractive price as the company repurchased a meaningful amount of its own shares. This is enough action to satisfy me. I enjoy spending my time looking for new companies, learning more about the ones already on my radar or in the portfolio, and talking to like-minded colleagues who help me improve my thinking and generate new ideas.

My goal is not to beat the market every year. That would be impossible and indeed a foolish errand. Instead, my confidence in satisfactory long-term results rests on the somewhat paradoxical notion that consistent satisfactory results can transform into spectacular results over time.

Howard Marks, Chairman of Oaktree Capital, discussed this seeming paradox in his very first memo, The Route to Performance, in 1990. In short, a string of slightly above average performance transforms into a world-class record through the "magic" of avoiding large down years. Others who hazard falling into the bottom 5% in order to achieve top 5% results end up doing worse over time. It's the tortoise and the hare story once more. As Seth Klarman put it in his recent annual letter to Baupost investors, "It only takes one moment of overconfidence, distraction, or sloppiness to undo a lifetime of painstaking compounding."

We have a part ownership interest in a collection of wonderful, conservatively financed businesses. Over time I expect their above-average business quality to translate into above average portfolio returns. My job is to identify those businesses, buy them at a rational price, and then do everything in my power to avoid the pitfalls that line the road of the investment process.

This discussion reminds me of one of my favorite paradoxes, a quote from Phil Dunphy, a character on the show Modern Family: "Slow is smooth and smooth is fast."

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A closer look at the S&P 500

The Standard and Poor's website provides some interesting raw data on the index, open for anyone to see. These include operating earnings, net earnings, dividends, buybacks, and data on book value, among many other data points. A closer look is very illuminating.

A few observations with updated data through September 30, 2021:

- The price/earnings ratio continues a multi-year climb. Excluding the pandemic year of 2020, at 22.7x trailing twelve-month earnings, it is the highest ratio in the periods under analysis. Record-low interest rates rationalize a high P/E ratio. But that party may be about to end if it isn't already in the beginning stages of doing so.
- The balance sheet of the S&P 500 as a whole continues to deteriorate. Debt-to-equity and debt-to-total capitalization are both up compared to 2019 and the highest under this analysis.
- The last negative total return for the S&P 500 was in 2018 when it declined a modest 4.38%. One has to look back to 2008 to find the last double-digit decline, which was 37%. It's not unreasonable to assume that a whole generation of investors don't know what a real sustained bear market looks like (and probably haven't taken the time to study history). Trendy investment "strategies" such as "swing trading" or "momentum investing" are just euphemisms for speculation in a market that's largely been very forgiving compared to its history.

At the risk of sounding like a broken record, I'll repeat three points from last year, which in turn were repeats from the prior year (with light editing to bring them current):

- If inflation and/or a return to normal interest rates persist, equity returns may well be negative over the next ten years as multiples revert. This may happen in spite of underlying earnings growth.
- It seems highly improbable that total returns in the future match or even come close to the S&P 500 total return of 28.7% in 2021. That would require a large upswing in earnings and/or a valuation change. For the index to return even 10% from its point in September 2021, earnings would have to come in at $209 with the same 22.7x multiple of earnings. Conversely, the price/earnings multiple would have to increase to 25x. Or some combination of the two. I'm not saying it can't happen (anything can happen in markets over the short run) only that it's unlikely. We're in an area of the curve that's asymptotic (approaching zero)—it's inherently unstable.
- Compounding the valuation risk above is balance sheet risk. The companies in the index are collectively more highly leveraged than seven or eight years ago.

In short, the trends in the index over the past half-decade or so are unsustainable. Trees cannot grow to the sky. Given today's low interest rate environment and valuations at present levels, annual returns over the coming decade are highly unlikely to reach double digits, in my opinion.

Conclusion

Many indicators point to market turmoil ahead. After more than a decade of low interest rates, generally rising markets, and government backstops, investors appear to have been lulled into a false sense of security about the future. I learned recently that, paradoxically, a wet season in the dry Western US portends *more* forest fires because of the rapid growth of leafy (and flammable) vegetation. Markets today may well exhibit similar good-but-actually-bad characteristics.

This state of affairs leaves me ever more heightened to risks and continually searching for lessons of the past. At the same time, I remain confident in our approach to wealth building. Value investing of the tried-and-true variety practiced by Warren Buffett, Charlie Munger, Seth Klarman, Howard Marks, Tom Russo, Bruce Greenwald, and others, is not a fad or fleeting theory. It's bedrock.

My confidence is bolstered by having wonderful client-partners. Each of you has added, in at least some small way, to my understanding of business and investing. I'm thankful for you trusting me with your hard-earned capital. As proof of just how awesome you are, I'm happy to report I received no panicked calls during the recent market volatility in January. Your deep understanding of what we're trying to accomplish together – building wealth by owning parts of good businesses – goes a long way in helping me achieve our goals. It gives me more time to read, think, focus, and analyze businesses, time of which you are the beneficiary.

While I prefer to offer my in-depth thoughts in long-form once a year, I very much enjoy speaking with clients (don't be shy). I relish these days of small beginnings because the present size of Mead Capital allows me to interact with client-partners and not get overwhelmed by calls or feel that it detracts from research. It also allows me to search for and buy shares in companies others simply cannot because of their size. At some point in the future, I intend to close MCM to new clients to remain in this nimble state. If/when anything changes on that front, you'll be the first to know.

I look forward to reporting to you in another year.

Rationally yours,

February 15, 2022

Important Disclosures:

Mead Capital Management, LLC is a registered investment adviser based in Derry, New Hampshire. Adam J. Mead is its principal, CEO, Chief Investment Officer, and managing member.

Information presented is for educational and general informational purposes only and is not intended as an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies.

Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein.

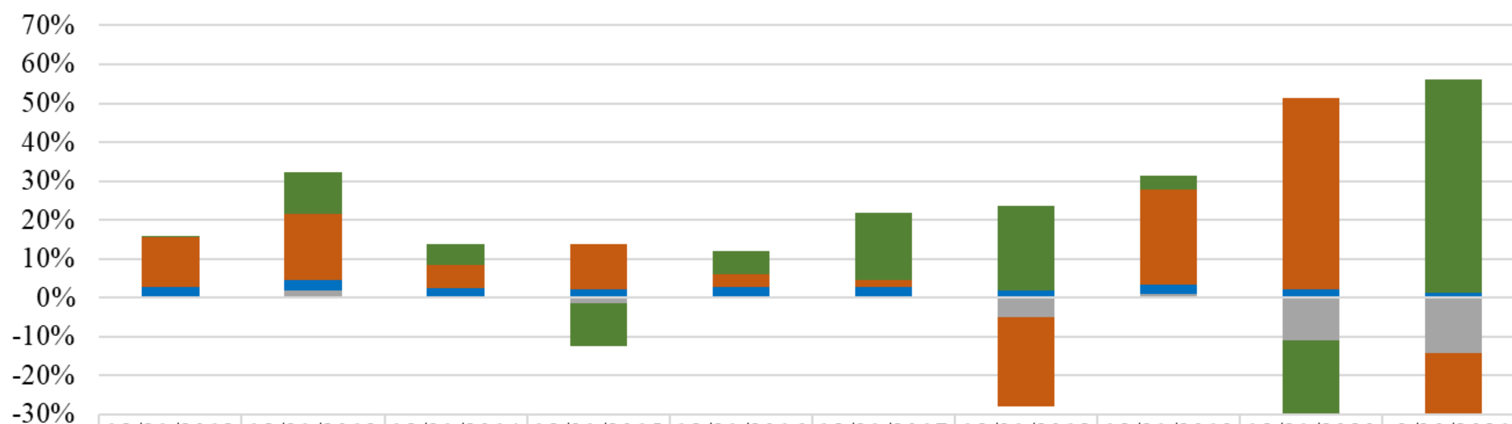
Past performance is not indicative of future performance.

S&P 500 Per Share Analysis

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	9/30/2021
S&P 500 Index	$1,426	$1,848	$2,059	$2,044	$2,239	$2,674	$2,507	$3,231	$3,756	$4,308
Price return	*13.41%*	*29.60%*	*11.39%*	*-0.73%*	*9.54%*	*19.42%*	*-6.24%*	*28.88%*	*16.26%*	*14.68%*
Dividend %	*2.60%*	*2.78%*	*2.30%*	*2.11%*	*2.42%*	*2.41%*	*1.85%*	*2.61%*	*2.14%*	*1.24%*
Total return	*16.00%*	*32.38%*	*13.69%*	*1.38%*	*11.96%*	*21.83%*	*-4.39%*	*31.49%*	*18.40%*	*15.92%*
Operating EPS 12mo	$97	$107	$113	$100	$106	$125	$152	$157	$122	$190
Multiple	*14.7x*	*17.2x*	*18.2x*	*20.3x*	*21.1x*	*21.5x*	*16.5x*	*20.6x*	*30.7x*	*22.7x*
Book value per share	$667	$716	$727	$740	$769	$827	$852	$914	$928	$983
Debt per share[1]	$270	$327	$366	$426	$430	$456	$500	$609	$669	$681
Cash per share[1]	144	174	184	192	203	228	196	222	272	268
Net debt per share	126	153	182	234	227	229	305	387	397	412
Debt-to-equity	40%	46%	50%	58%	56%	55%	59%	67%	72%	69%
Debt-to-total cap	29%	31%	33%	37%	36%	36%	37%	40%	42%	41%

Sources: S&P Indices data on S&P 500, and author's calculations.

Note: The S&P 500 total return for calendar year 2021 was 28.7%.



	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	9/30/2021
Change in Operating EPS %	0.39%	10.82%	5.33%	-11.12%	5.78%	17.17%	21.76%	3.64%	-22.12%	54.99%
Change in multiple %	12.96%	16.94%	5.75%	11.70%	3.55%	1.92%	-22.99%	24.35%	49.27%	-26.01%
Dividends	2.60%	2.78%	2.30%	2.11%	2.42%	2.41%	1.85%	2.61%	2.14%	1.24%
Compounding effect	0.05%	1.83%	0.31%	-1.30%	0.21%	0.33%	-5.00%	0.89%	-10.90%	-14.30%

Note: The compounding effect is the result of multiplying the change in earnings by the change in multiple. Each has an effect on the other when determining the overall change. For example, in 2020, the 22.12% drop in operating earnings was offset by a 49.27% increase in the price/earnings multiple. Simple addition would leave 27.15% plus the dividend of 2.14% for a total of 29.29%. The math works like this: (1 - 0.2212) x 1.4927 = 16.25% plus the dividend of 2.14% to get 18.40%.

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			Annualized Performance		
	Q4 2021	YTD 2021	1 Year	3 Years	Inception
MCM	**7.8%**	**26.2%**	**26.2%**	**17.2%**	**11.8%**
Avg. cash % NAV	*15.0%*	*16.3%*	*16.3%*	*9.4%*	*12.0%*
MSCI	7.0%	18.7%	18.7%	20.4%	12.2%
SPY	11.1%	28.7%	28.7%	26.0%	17.5%
Russell 2000	2.0%	14.5%	14.5%	19.9%	11.3%

Calendar Year Performance				
	MCM	MSCI	SPY	Russell 2000
2018	-3.0%	-9.2%	-4.6%	-11.1%
2019	18.1%	26.6%	31.2%	25.4%
2020	8.1%	16.3%	18.4%	20.0%
2021	26.2%	18.7%	28.7%	14.5%

Important notes and disclaimers about the performance table presented above:

MCM includes all accounts managed by Mead Capital Management on the Interactive Brokers ("IB") platform beginning on January 1, 2018, with the exception of one account open for less than two quarters. MCM's principal, Adam J. Mead, maintained accounts outside of IB during and prior to this time. These outside accounts were excluded because i) one proportionally-large account employed a strategy inconsistent with MCM's current strategy, and ii) to maintain consistency of reporting from IB.

MCM performance is after a 1.00% annualized fee or 0.25% per quarter (MCM's maximum fee) deducted from the performance data taken from IB. MCM believes this is conservative because some accounts managed by MCM paid fees through the IB account (the majority of accounts paid fees outside of IB or had no fee).

Calculations presented above are unaudited. They are believed to be accurate, however, MCM does not and cannot guarantee accuracy.

All performance results are unaudited and are not an estimate of any specific investor's actual performance, which may be materially different from such performance depending on numerous factors. Performance results may vary from account to account due to timing and other factors. No representations or warranties whatsoever are made by MCM or any other person or entity as to the future profitability of an investment account or the results of making an investment. All information provided is for informational purposes only and should not be deemed as advice in relation to legal, taxation, or investment matters. Past performance is not indicative of future results.

Each of the S&P 500 Index, the MSCI Index, and the Russell 2000 Index (each, an "Index") is an unmanaged index of securities that is used as a general measure of market performance, and its performance is not reflective of the performance of any specific investment. The Index comparisons are provided for informational purposes only and should not be used as the basis for making an investment decision. Further, the performance of an account managed by MCM and each Index may not be comparable. There may be significant differences between an account managed by MCM and each Index, including, but not limited to, risk profile, liquidity, volatility and asset comparison. The performance shown for each Index reflects no deduction for client withdrawals, fees or expenses or distributed dividends. Accordingly, comparisons against the Index may be of limited use. Investments cannot be made directly into an Index.

The S&P Index return was determined by Interactive Brokers using the performance of SPDR S&P 500 ETF Trust (SPY). The MSCI Index return was determined using the performance of iShares MSCI ACWI ETF (AWCI). The Russell 2000 Index return was determined using the performance of iShares Russell 2000 ETF (IWM).

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