July 13, 2021

Manager Commentary

"Consumer Prices Jump 5% in May, fastest pace since the summer of 2008"

- ***CNBC, June 10th, 2021***

My world changed when I was nine years old. Coming home from school on the Upper West Side of Manhattan, I saw my favorite pizzeria, the one on Columbus Avenue that had a neon sign that read "One Slice 25 Cents," had been forced to cover up the "25 Cents" with aluminum foil. A handwritten "35 Cents" sign hung in the window. The comfortable stable world that had induced a pizzeria owner to invest in a neon "25 Cents" sign existed no longer, nor did my personal sense of price stability.

Did the world change again in the second quarter of 2021 when the Consumer Price Index had its fastest increase in over a decade, or is this wave of inflation just transitory until stimulus checks and pandemic savings are spent and supply chains normalize?

We don't know. Nobody knows. Yes, inflation could retreat back to its pre-pandemic levels, or this could be the beginning of a multi-year rise in wages for the average worker. When a trend, like disinflation, has continued for many decades, it can be risky to position the portfolio for that multidecade trend to suddenly stop. We prefer, instead, to look for those rare companies that would do well in either an inflationary or disinflationary environment. eBay, for example, will naturally have more revenue in an inflationary environment, as the price of goods sold on its marketplace increases. As would Mastercard, as people pay more for items on their credit cards, or Aon as insurance brokers are paid a percentage of premiums on the insurance they place.

On the other hand, if this trend turns out to be "transitory", and inflation subsides as the economy recovers, we believe that our companies will continue to grow as they did before benefiting from the societal trends of an aging population, the shift towards digital payments, the internet of things, the digitization of financial services, data monetization, e-commerce, and cloud infrastructure.

In a world of 24-hour news cycles and 10 second attention spans, we are focused on what's important to you. Not the next six months, but the next twenty years. Even in the disinflationary period of the past 40 years, the price of goods and services has increased. In the cases of education, medical expenses, and housing, prices have increased a lot. Creating a portfolio that can help investors to navigate these risks is not easy, with bonds yielding less than inflation. We believe that the Spears Abacus Opportunistic Equity portfolio can be an integral part of the solution. We believe that our historically low downside-capture ratio relative to the S&P 500 means that one could allocate more of ones portfolio to U.S. equities without increasing total portfolio volatility. As a reminder, last spring when the market declined 20% in the first quarter, the Spears Abacus Opportunistic Equity portfolio only declined 10%.

So the next time you see a friend or colleague wondering what he or she should do, now that headlines about inflation are abundant. Send them to us. This is a problem we have been working on for many years.

ABCD – The Spears Abacus Opportunistic Equity Process

Average Up – buying more of those investments that are working.

Buy the Business – focusing on those business models that have recession-resistant, recurring-revenue models that tend to throw off excess cash flow.

Cut Losses – quickly realizing any losses we do have to focus on potentially more lucrative ideas.

Derisk the Portfolio – trimming positions that have increased quickly in a short period of time.

This quarter we had the opportunity to invest in four high-quality, growing companies at times when, we believe, they were misunderstood by Wall Street.

Paya Holdings is a small-cap payments company that integrates payment solutions into accounting and other software. It has a nice franchise in large-ticket B2B payments where credit cards alone are not a good solution. Having come public through a SPAC with a market capitalization under $2 billion dollars, we believe it is an undiscovered gem on Wall Street.

Rocket Companies is the parent of Rocket Mortgage. Its market share has grown tremendously over the past decade as it has digitized the mortgage process, resulting in high customer satisfaction and loyalty. We believe that the company is totally mispriced. It is a technology company trading at the valuation of a mortgage company.

W.W. Grainger is the leading North American distributor of maintenance, repair, and overhaul products. It served its customers very well last year, sourcing and distributing PPE products on very short notice. With over 25 million SKUs, it is highly valued by its customers for its deep industry knowledge and customer service. Like Rocket, it has continued to gain share every year. In our opinion, its valuation does not reflect the value of its publicly traded Japanese subsidiary.

VMware originally pioneered the development and application of server virtualization software. As that business has matured, the talented team at VMware has pivoted towards new higher growth areas, such as application modernization, digital workspaces, virtual cloud networking, and cyber security. Given Dell Technologies' 81% stake in the company, the stock has historically been uninvestable for many, including index funds and ETFs - this will likely change with the upcoming spinoff, expected in the fall.

In addition to buying these businesses that we are very excited about, we averaged up on Analog Devices and realized losses quickly on Alibaba, Strategic Education, and Discovery. We trimmed our holdings in Dominos, Dropbox, and Centene, both to reduce portfolio risk and to provide funds for our new purchases.

It's an exciting time to be a stock picker looking for investments in small and mid-cap stocks. We believe that the continuing trend toward passive investing is setting us up for "a golden age" of active management. Fewer competitors should mean more opportunities.

We believe this to be true in the area of fixed income as well. John Raggio, our fixed income portfolio manager, has done a great job of working with our equity clients to help them to create an overall portfolio to meet their financial needs. That may include investing to ensure that cash will be available to match short and medium-term spending needs, diversifying to dampen portfolio volatility, or investing in specific situations that we believe have the ability to provide income as well as price appreciation. If you'd like to schedule a time to speak with our financial planning team and John, please do not hesitate to call.

With all best wishes for a great summer,

Manny Weintraub

Manny Weintraub, CFA

OPPORTUNISTIC EQUITY

SPEARS / ABACUS

Quarterly Fact Sheet
As of June 30, 2021

Investment Strategy Overview

Spears Abacus' Opportunistic Equity strategy is a long-only investment strategy that seeks to preserve capital on an absolute basis and deliver attractive risk-adjusted returns over a market cycle. The team's investment approach focuses on high quality, growing companies (fundamental momentum) trading at attractive valuations (value). Utilizing this approach, the goal is to construct a concentrated portfolio designed to participate in the upside of equity markets while limiting downside risk through disciplined stock selection and risk management.

Target Investment Characteristics

- High return on invested capital and high free cash flow
- Resilient businesses benefiting from long-term thematic trends
- Strong balance sheets and effective capital allocation
- Exceptional management
- Attractive valuation

What Makes Us Different

- We make new investments when the crowd is selling
- We look for companies that are temporarily unpopular because of something that *might* go wrong
- We quickly admit when we are wrong and sell losers
- We like high quality businesses with long-term tailwinds that should do well in *any* environment
- We focus on ROIC and FCF instead of commonly used metrics like *adjusted* EPS
- Our portfolio will not look like the S&P 500 or Russell 3000
- We are more likely to average up than average down
- We have a track record of generating excess returns in periods of high volatility

Performance[7]

	Annualized Total Returns					
Performance[7]	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Inception
SA Opp Eq (gross)	12.7%	32.8%	19.7%	16.0%	12.7%	11.7%
SA Opp Eq (net)	12.0%	31.2%	18.3%	14.6%	11.4%	10.2%
Russell 3000	15.1%	44.2%	18.7%	17.9%	14.7%	10.5%
S&P 500	15.3%	40.8%	18.7%	17.7%	14.8%	10.2%

Source: Spears Abacus, FactSet. Inception Date 12/31/2003. [1]All statistics based on weighted average unless otherwise noted; [2]Dividend yield of total portfolio including cash; [3]ROIC calculated using cash returns for portfolio holdings; [4]Long-term growth is based on the consensus 3-5 year EPS growth forecast; [5]Downside capture trailing 3 years, monthly basis vs Russell 3000; Alpha based on Risk Index = Russell 3000, Risk Free Rate = 10 Year Treasury note; [6]Sector weights excluding cash; [7]Returns for less than one year not annualized; YTD as of 6/30/21

PLEASE SEE ADDITIONAL DISCLOSURES ON THE FOLLOWING PAGE

Portfolio Statistics[1,2,3,4,5]

Portfolio Statistics[1,2,3,4,5]	SA	Russell 3000
Number of Securities	30	-
Cash Weight	7.7%	-
Dividend Yield	0.74%	1.22%
Market capitalization ($b)	61.5	464.4
Harmonic Avg. TTM P/E	20.2x	26.6x
Harmonic Avg. NTM P/E	20.6x	22.3x
LT Debt / Total Capital	0.44x	0.45x
Net Debt / EBITDA	1.8x	1.6x
Return on Invested Capital	19%	7%
Estimated LT Growth	13%	17%
Payout Ratio	28%	36%
Downside Capture (3-Year)	65%	-
Volatility (3-Year)	16.3%	19.4%
Alpha (3-Year)	4.9%	-
Active Share	96%	-

Top 10 Holdings

Top 10 Holdings	% of Portfolio
IHS Markit Ltd.	4.5%
Molson Coors Beverage Company Class B	4.2%
eBay Inc.	4.1%
Dropbox, Inc. Class A	4.0%
Fidelity National Information Services, Inc.	3.9%
CME Group Inc. Class A	3.9%
Intercontinental Exchange, Inc.	3.8%
IQVIA Holdings Inc	3.8%
Tabula Rasa Healthcare, Inc.	3.7%
Mastercard Incorporated Class A	3.7%
Total	**39.8%**

Sector Diversification[6]

Sector Diversification[6]	SA	Russell 3000
Consumer Discretionary	10.9%	9.9%
Consumer Staples	6.5%	1.5%
Energy	0.0%	4.2%
Financials	15.5%	22.0%
Health care	16.8%	17.8%
Industrials	6.9%	15.9%
Information Technology	33.5%	16.7%
Materials	7.1%	3.4%
Real Estate	2.8%	5.1%
Communication Services	0.0%	1.4%
Utilities	0.0%	1.9%
Total	**100.0%**	**100.0%**

Market Cap Breakdown[1]	SA	Russell 3000
$0 to $5 billion	6.1%	6.3%
$5 billion to $15 billion	17.8%	9.0%
$15 billion to $50 billion	35.4%	19.5%
$50billion to $100 billion	30.8%	12.4%
Greater than $100 billion	10.0%	43.1%
Total	100.0%	100.0%

Portfolio Construction

- 25-35 Stocks
- Primarily U.S. based
- No market capitalization preference
- Max 30% industry concentration limit

Source: Spears Abacus, FactSet. [1]Market cap weights excluding cash

Managed by

Spears Abacus Opportunistic Equity Team

Portfolio Manager	Years Experience
Manny Weintraub	31
Senior Analyst	
Daniel Wetchler	11

Style

GARP

Inception Date

31-Dec-03

Spears Abacus Advisors LLC is an independent investment management firm registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. This material is intended to inform you of services available through Spears Abacus.

Preliminary performance figures are unaudited. Past performance may not be indicative of future results and every investment program has the potential for loss as well as profit. The Composite is the dollar-weighted linked monthly returns of those accounts sharing the objective of the respective strategy. Composite accounts were managed by Manny Weintraub while he was the portfolio manager at Integre Asset Management, LLC. Mr. Weintraub joined forces with Spears Abacus in January 2020 and will continue to manage the strategy. Accounts are included in the composite at the beginning of the first full month following the month during which the account came under management. Accounts that are terminated remain in the composite until the last full month the portfolio is under management, and the composite continues to include terminated portfolios for all periods prior to their termination. There is no minimum asset size above which managed accounts would be included in or below which managed accounts would be excluded from the composite. Individual account results will vary from that of the composite based on fee structures, investment restrictions, the timing of contributions and withdrawals and other factors.

Comparisons to the S&P 500 TR (Total Return) and Russell 3000® are for informational purposes only, as the composites may hold securities not in the S&P 500 TR (Total Return) and Russell 3000® and may have more or less volatility and risk than an investment in the S&P 500 TR (Total Return) and Russell 3000®. Management fee information available upon request.

Neither Spears Abacus Advisors nor its employees provide tax or legal advice. All investors are strongly urged to consult their own tax or legal advisors with respect to the impact on their personal situation of any potential strategy or investment.

This material is presented solely for informational purposes and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. Information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. All information is current as of the date of this material and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Additional information can be provided upon request.

All material has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information. The views expressed in this presentation are subject to change based on market and other conditions.

The information presented herein has been prepared for informational purposes only and is not an offer to buy or sell, or a solicitation of an offer to buy or sell, any security or fund interest or any financial instrument.

The illustrations, written or communicated otherwise, are intended solely as a tool to assist in consideration of various potential asset allocations for a client's account. Spears Abacus makes no warranty that the asset allocations discussed in this presentation will be used to manage your account. Asset allocations may differ between clients based on their investment objectives and financial situations. No assurance can be given that the investment objectives described herein will be achieved and investment results may vary substantially on a quarterly, annual or other periodic basis.

Note 1: The stocks communicated in the verbal or written examples may be included in client portfolios. They do not reflect all securities traded by the client. Stocks used in written or verbal communication are selected on the basis of being within a representative portfolio. The stocks were not selected on the basis of any performance based criteria and the use of those stocks in the examples does not constitute a recommendation to buy or sell any securities.

Note 2: Past performance is not indicative of future results. Given the inherent volatility of the securities markets, it should not be assumed that investors will experience returns comparable to those shown here. Market and economic conditions could change in the future producing materially different returns than those shown here. Accordingly, no representation or warranty is made to the sufficiency, relevance, importance, appropriateness, completeness, or comprehensiveness of the market data, information or summaries contained herein for any specific purpose.

Note 3: The benchmarks used are for purposes of comparison and should not be understood to mean that there will necessarily be a correlation between the portrayed returns herein and these benchmarks. The comparisons herein of the performance of the market indicators, benchmarks or indices may not be meaningful since the constitution and risks associated with each market indicator, benchmark or index may be significantly different. The referenced indices are unmanaged and not available for direct investment. Index performance does not reflect transaction costs, fees or expenses.

SEC FORMS ADV 1, 2A, 2B AND THE PRIVACY POLICY ARE AVAILABLE ON REQUEST.

For further information please see www.spearsabacus.com or contact the firm by electronic mail at info@spearsabacus.com.