January 31, 2022

Manager Commentary

2021 was a solid year for the absolute return of the Spears Abacus MidCap Opportunities strategy, but we were disappointed in our performance relative to the Russell Midcap index. Our performance peaked in June, as many of our investments in payments, healthcare and software pulled back from their highs. We weren't alone, as 40% of U.S. stocks were down for the year despite the index's strong performance. We believe the stock market has been pricing in a transition from some of the easiest financial conditions on record to a period of tightening for some time now.

In general we are pleased with our strategy of buying high quality companies at reasonable valuations with a heavy emphasis on trends that we consider inevitable. These trends include the aging of the global population, the transition of payments from cash to digital, the growth of electric vehicles and the increasing role of cloud-based software in all of our lives. We believe that this focus on inevitable trends helps to reduce risk in bear markets, as other analysts and investors are more likely to look past an earnings dip to a brighter future.

We believe that our focus on risk management is one of the reasons that we have had a downside capture ratio of only 62% over the past three years. In a world where the ten-year Treasury is forecast to have negative returns after inflation, we believe that our historically relatively lower volatility strategy is an important tool to diversify portfolios.

That said we do believe that there are improvements to the process that could both improve returns and reduce volatility. We were disappointed in the volatility in some of the smaller companies that we invested in. Going forward, our required rate of return for small-cap investments will be much higher than it was in the past. We believe that something has changed in the markets that causes smaller companies that have suffered a disappointment to trade lower than before. We don't know if it's because of the rise in day trading or the decline in the number of portfolios that are actively managed, but the increase in price volatility for smaller companies means that we will need to raise our hurdle rate, given the increased possibility of smaller companies trading down to valuations that we would have believed absurd just a year ago.

Over the years, we have had a number of positive experiences with small-caps trading at absurd valuations. Stocks in this situation are called "show-me" stories in Wall Street parlance. Unlike a large-cap company, there is no army of analysts following their every move; there are no portfolio managers that need to own them or explain why they didn't own them. That's why they can trade at prices that, we believe, don't reflect their values. But, in the end, math is math, and "if the earnings are found, the stock will compound." Small companies can stay "too cheap" for a longer time than large companies, but not forever. Once a "show-me" story shows Wall Street that its business is improving, the price can improve quickly. That's why we believe that it is worth the risk to occasionally have some small-cap stocks in the portfolio.

Risk management remains at the heart of all we do. We came into this business in 1989 with the goal of helping ordinary people get access to Wall Street. At that time, stocks were considered risky with the crash of 1987, in which the Dow Jones Industrial Average declined 22% in one day, still fresh in the minds of many. No doubt some considered investing in common stocks foolhardy as the U.S. ten-year Treasury yielded 9.0%, comfortably ahead of 1989's inflation rate of 4.6%. But we believed that common stocks should make up a significant allocation in the portfolios of typical investors, as we believed, correctly, that these investors could make more than 9% a year with a portfolio of stocks in growing companies – a difference that could be significant for anyone with a time horizon of ten years or more.

Over the past thirty years, the situation has changed completely. Available yields have declined substantially. At the beginning of 2022, the U.S. ten-year Treasury yield was only 1.5%, despite the most recent annual inflation rate of 7%. We believe that the inflation rate will come down over time, but not below 1.5%. The bond market itself is predicting that inflation will be 2.65% a year over the next ten years. This implies that owners of the ten-year bond can expect to lose 1.0% of their purchasing power each year.

Ordinary people's experience of risk in stock market investing has changed as well. The S&P 500 has had a nearly uninterrupted string of positive annual returns since 2009, apart from 2018's 4.3% decline. The conventional wisdom is that placing money in an index fund is safe, since these funds will go up over time. We guess that it depends on what the average person's definitions of "safe" and "over time" are. Are people aware that it took ten years for the S&P 500 to rise above the 1,000 point level that it set in the year 2000, with two bear markets with declines of 30% or more before 2010? The year 2000 was also a period, after a long bull market, in which a few large-cap stocks made up a large percentage of the S&P 500. The Federal Reserve had also created a tremendous amount of excess liquidity due to the fear that the calendar change from 1999 to 2000 would cause computer systems around the world to freeze – also known as the Y2K problem. Thank goodness computer systems did not freeze, but we believe, then, as now, that more money was created than could be invested productively.

The top 5 components in 2000 were General Electric, ExxonMobil, Pfizer, Citigroup and Cisco, and, yes, twenty-two years ago we had to apologize for not owning them in our all-capitalization strategy. But not for long, because even today all except Pfizer and ExxonMobil are trading below the prices at which they were trading in the year 2000, and it took Pfizer twenty-one years to break that level, and ExxonMobil was below that level as recently as September 2020.

We believe, then as now, that the moment when investors are least concerned about risks is the riskiest moment. Our challenge is to manage that risk when investors can no longer rely on the bond market to provide returns in excess of inflation. We believe the next ten years will be more volatile than the past ten years and that our refined portfolio management process will be a helpful tool to deliver diversification and positive returns above and beyond inflation.

Sincerely,

Manny Weintraub

Manny Weintraub, CFA

MidCap Opportunities

SPEARS/ABACUS

Quarterly
Fact Sheet
As of December 31, 2021

Investment Strategy Overview

Spears Abacus' MidCap Opportunities strategy is a long-only equity strategy that seeks to minimize downside participation 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 and asymmetric risk-reward

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 Russell Midcap or S&P 500
- 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					
	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Inception
SA MidCap (gross)	6.8%	6.8%	16.5%	13.9%	12.6%	11.4%
SA MidCap (net)	5.5%	5.5%	15.0%	12.4%	11.2%	9.8%
Russell Midcap	22.6%	22.6%	23.3%	15.1%	14.9%	11.0%
S&P 500	28.7%	28.7%	26.1%	18.5%	16.6%	10.7%

Source: Spears Abacus, FactSet. Inception Date 3/31/2004. [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 Midcap; Alpha based on Risk Index = Russell Midcap, Risk Free Rate = 10 Year Treasury note; [6]Sector weights excluding cash; [7]Returns for less than one year not annualized; YTD as of 12/31/21

PLEASE SEE ADDITIONAL DISCLOSURES ON THE FOLLOWING PAGE

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

	SA	Russell Midcap
Number of Securities	22	-
Cash Weight	1.3%	-
Dividend Yield	0.61%	1.12%
Market capitalization ($b)	38.0	24.7
Harmonic Avg. TTM P/E	23.7x	22.8x
Harmonic Avg. NTM P/E	20.6x	19.4x
LT Debt / Total Capital	0.39x	0.48x
Return on Invested Capital	15%	7%
Estimated LT Growth	15%	16%
Payout Ratio	23%	28%
Downside Capture (3-Year)	62%	-
Volatility (3-Year)	17.5%	20.8%
Alpha (3-Year)	0.1%	-
Active Share	100%	-

Top 10 Holdings

	% of Portfolio
Analog Devices, Inc.	7.2%
Switch, Inc. Class A	6.5%
Centene Corporation	6.0%
Intercontinental Exchange, Inc.	6.0%
PTC Inc.	6.0%
Fiserv, Inc.	5.5%
Wheaton Precious Metals Corp	5.4%
eBay Inc.	5.0%
Clarivate PLC	4.9%
Franco-Nevada Corporation	4.7%
Total	57.3%

Sector Diversification[6]

	SA	Russell Midcap
Consumer Discretionary	5.1%	12.8%
Consumer Staples	3.2%	4.3%
Energy	3.0%	3.8%
Financials	9.7%	17.1%
Health care	12.3%	16.8%
Industrials	5.0%	12.5%
Information Technology	51.5%	12.5%
Materials	10.2%	5.1%
Real Estate	0.0%	7.8%
Communication Services	0.0%	4.4%
Utilities	0.0%	3.2%
Total	100.0%	100.0%

147 EAST 48TH STREET
NEW YORK, NY 10017
T 212-230-9888 F 212-230-9861

SPEARS/ABACUS

Market Cap Breakdown[1]	SA	Russell Midcap
$0 to $5 billion	9.5%	3.3%
$5 billion to $15 billion	23.8%	28.3%
$15 billion to $50 billion	36.9%	62.3%
$50billion to $100 billion	29.9%	6.0%
Greater than $100 billion	0.0%	0.0%
Total	100.0%	100.0%

Portfolio Construction

- 15-25 Stocks
- Primarily U.S. based
- Max 30% industry concentration limit
- Target market capitalization below $60 billion

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

Managed by

Spears Abacus MidCap Opportunities Team

Portfolio Manager	Years Experience
Manny Weintraub	32

Senior Analyst

Daniel Wetchler	12

Style

GARP

Inception Date

31-Mar-04

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. 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.