Highwood
VALUE PARTNERS

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February 1st, 2020

Dear Investors,

Highwood Value Partners ("Highwood" or, the "Firm") launched on December 1st 2019 and in the brief period since inception to December 31st 2019, funds managed by the Firm are up 1.9% in Canadian Dollars. During the month of December, I invested 40% of client capital into the shares of five European companies – this portfolio is up 4.7% in the month. The remaining 60% of the portfolio sits in cash awaiting further opportunities and earned us 0.1% in Canadian Dollars.

Gross Exposures and Attribution by Strategy	Exposure	Q4 '19 Performance	Q4 '19 Attribution	YTD Attribution
Core Value Equity	36.0%	5.0%	1.7%	1.7%
Special Situations Equity	5.0%	2.9%	0.1%	0.1%
Total Equity	41.0%	4.7%	1.9%	1.9%
Hedges	0.0%	0.0%	0.0%	0.0%
Cash	59.0%	0.1%	0.1%	0.1%
Total Portfolio	**100.0%**	**1.9%**	**1.9%**	**1.9%**

This is the first quarterly letter you are receiving from me. As such, there is much to discuss – and I will take the opportunity in these letters to expand on various aspects of the Firm, my mission and strategy as well as individual discussion on portfolio holdings and investment issues as they arise. In these letters you can also expect a number of useful statistics at a portfolio level so that you can assess your investment run by Highwood should it be part of a larger portfolio. Please see the appendix for details. If you wish for more detail on holdings or for the portfolio statistics to be presented in a different way, please ask and I will do my best to provide that information to you directly. I aim to develop a relationship with all investors that is direct, transparent and honest – more akin to the relationship between two business partners[1]. In my version of that relationship, there should be no informational boundary between what is happening inside the Firm and what you see and hear, and I have set up Highwood as best as I can to make that a reality.

And that is probably the best place to start: my vision for what the Firm stands for, what I hope to create in the next phase of my own career, and what I hope for over the duration of our 'partnership'. First, and foremost, I hope to generate outstanding investment results achieved with low risk – and I will detail how I define this goal below. Secondly, and in support of this goal, I want to create an environment that I am excited to work in over the long-term. Hunting for undervalued securities, understanding businesses, people and incentives is my craft and I want to be able to ply my craft over the next couple of decades as best I can. So, the organisation of the Firm and my life around the Firm has been built to minimize conflicts that would come in the way of that. Let me expand on this by way of answering a few questions I have received and that you might reasonably have if you put your hat on as a partner in this mission.

[1] Henceforth, I use the word partnership in the spirit of what that word means rather than in the legal sense.

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1. Why have I set this up in Whistler, BC of all places? This may seem an unusual and perhaps less than 'business friendly' decision to some. The explanation stems from my desire to create an environment that allows me to pursue the investing craft for decades to come with a minimum of conflicts with that pursuit. While in London, I increasingly felt the value of being 'in the flow' of corporate roadshows and other investors' ideas came at the expense of also being subject to significant investment noise, distraction and to some degree, groupthink. Further, as a father of three, I found the pursuit of my career in central London increasingly at odds with the rest of our family's values. Now, I am in a place where I can expect fewer investment distractions and where my career goals are no longer in conflict with the wider goals and best interests of my family. Of course, the obvious question is 'at what cost to the business?', and perhaps more importantly, does being based outside of a major financial center reduce the expected return of the funds managed by Highwood? To this, I say, look no further than Omaha, Nebraska[2] (Or Nassau, Bahamas[3]). And those are not the only such examples of outstanding investment results achieved by way of a similar value-oriented strategy with a long-term approach achieved 'out in the sticks'. I would argue that there is no coincidence in this. In my experience, two of the most important ingredients in such investment success is a level temperament and independence of thought, both of which I think are more easily cultivated outside of the major financial centers. That all said, there is no doubt that my location introduces new and different challenges to those I faced while in London. As it is, I feel more able to meet these challenges, than the challenges that would present themselves had I set up in a large financial center. And, of course another reason I am in Whistler is that I love to ski steep, deep powder.
2. What do I mean by Highwood being an 'investment partnership first, business second'? This might also seem unconventional and perhaps even uncommercial. Again, the idea is to set up thoughtfully in a way that permits a focus on investing above all else and which reduces conflicts with this focus where possible. Most investment organisations end up having to serve two masters – the institutional imperatives of a business on the one hand and investment research in pursuit of investment returns on the other. These are not synergistic pursuits in my view – a conclusion I have come to based on the observation of many investment organisations over the past 16 years. I know which master will ultimately yield the best investment results and that is the master I prefer to serve. What this means in practice is that when I have to make decisions about managing the partnership, the goal of long-term investment returns will retain primacy over business considerations. For example, I will only take on more capital if I feel it will not dilute the prospective returns available for existing investors, given the opportunity set I see. Likewise, I have set a fee structure that incentivizes me as your manager for good performance, not for asset gathering (subject to covering the costs of the operation plus a modest salary). All of this keeps the tension in the organisation to a minimum and keeps me doing what I should be doing (and what I most like to do), which is the best approach for all involved. This is all the more important to clarify

[2] Omaha, with a population 466,000, is of course the headquarters of Berkshire Hathaway, which in my view has one of the very best investment track records in history.
[3] Nassau, Bahamas is where John Templeton based himself out of while generating in my view, one of the best investment track records in history.

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now while the organisation has limited human resources but I plan to keep this DNA as the firm grows.

3. Why haven't I set up as a traditional fund structure? Highwood offers separately managed accounts ("SMAs"). It is not a fund structure at this point. The Firm may offer a fund structure in the future, but at this point I think it would introduce an unwelcome focus. The rationale here comes out of the spirit of the foregoing point on "partnership first, business second". In my experience a fund structure is expensive and time consuming to set up and operate and takes focus away from digging up bargains in Europe by necessitating time spent on new launch fund-raising to create the scale to cover the costs of the fund structure. Secondly, I believe the SMA option negates some of the risk of investing in a pooled fund structure by providing full transparency, maintaining client assets in the client's name, and in the highly unlikely event that I get hit by a bus (or you wish to have someone else manage your European value mandate), your account can more easily be transferred to another manager. More candidly, in my view the SMA structure also insulates the investor (you) from the fundraising success or failure of the manager (me), and thereby more closely aligns with my approach to being patient for the right investors. This is a short explanation and I am happy to discuss the rationale in more detail, but in the round, I think it is the most expedient approach for my mission at this point in time, a subject I now address.

<u>Mission</u>

Highwood Value Partners was founded with the following ambition: to compound each dollar of invested capital entrusted to my care into five dollars over a ten-year period, without taking undue risk. To be clear, this is an ambition and not a forecast[4]. It is an ambition that defines itself firstly by the 'destination' and secondly by the time period over which I hope to get there. Having a destination in mind like this does a few things. First, I think it sets up the right perspective. This is a marathon, not a sprint. Likewise, when I look at any investment case, I am considering it over this kind of a time period and with this kind of a hurdle. One of the questions I ask of "Core Value" investments (described later in this letter) is "do I believe this business will make 5x more profits in 10 years time?" To me, it makes sense to have daily decisions linked directly back to the long-term mission. Secondly, it usefully takes the place of what can otherwise be the de facto goal of quarterly or annual performance – and this is positively harmful to long term returns in my view.

Finally, and perhaps most importantly, the ambition also states a condition – not taking undue risk – which is much more than an addendum to the goal. I define risk as permanent capital impairment (not volatility), and what this means is that I focus first on the downside – "what can I lose?" —before considering the upside and the potential for value creation over time. You will not see pre-revenue, pre-profitability, moonshot type hope—and—dream securities in your portfolio with me. Each case will have a conservative 'base case' cash flow forecast, an assessment of what I believe the security would be worth if the proverbial "sh"t hits the fan" for the operating business – and I intend to only invest if I am confident I would get my money back in such a case. This focus sets up the potential for return to be negatively correlated with 'risk' so defined – the bigger the discount to intrinsic value, the safer is the invested capital <u>and</u> the greater is the return from

[4] Please see the disclaimer at the end of the letter. It is important to have a goal, and in the spirit of transparency, I believe itshould be something investors are aware of. Likewise, I cannot be seen to be making any statement of assurance about future performance.

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holding the security as it eventually re-prices to a fairer assessment of value. This is the school of investing as a businessman, not as a finance professor.

Now, why 5x money over 10 years? To put it simply, I think that is about the right time horizon to focus on when thinking about businesses, and I think 5x money is a challenging but realistic goal if I do the job well. This amounts to a 17.5% 10yr IRR, though I caution you that almost certainly it will not be a smooth 17.5% per annum.

Highwood has other equally important non-investment goals that are worth putting down here. The Firm will treat its reputation as its most valuable asset, and intends to protect and grow its reputation by dealing fairly and honestly with all people it comes into contact with, and most importantly, with anyone who entrusts the Firm to manage their hard-earned capital. I aim to treat my clients as I would wish to be treated if I were in their shoes. Clear, open and honest dialogue is a big part of that.

What assets do I have at my disposal for the execution of this goal? First is the diligent application of the same strategy and approach that I have honed over the better part of two decades of my career. Second is the structure I have set up and described in this letter– the alignment of interests, clarity of purpose and long-term approach are all major advantages in my view. I have spent some time explaining this latter set of assets, and I look forward to outlining more about the investment strategy and some of the investment issues I see in later letters.

The Portfolio

As of December 31, 2019, the portfolio was 41% invested in the shares of five European companies. I will discuss those positions below in no particular order and have classified each position as either 'Core Value' or 'Special Situation'. If you would like clarification on any of what follows, as there are a number of abbreviations and a bit of industry jargon, please contact me and I will take the time to explain as best I can.

Ryanair (RYA) - Core Value

Ryanair is Europe's most profitable airline[5], and one of the more competitively advantaged businesses I know. This shows up in the outstanding track record of the business: it has grown operating profit 12-fold (13% CAGR) and book value per share 17-fold (15% CAGR) over the past 20 years in an industry that has grown mid single digits annually over the same period. Unsurprisingly, the shares have broadly tracked the business performance and are up 12-fold over the same period (13% IRR) – a great example of the Buffett mantra, "In the short term, the stock market is a voting machine. In the long term it is a weighing machine". The reason for this outperformance is a maniacal focus on costs embedded in the culture of the organisation, and a resulting cost advantage over its competitors that appears to me very durable to the forces of competition in the future. At this point in time, RYA can price its flights to customers at a 30% discount to what it costs its competitors to fly the same route, and still earn a mid teens operating margin and 20% return on capital. This has resulted in market share gains, scale gains and unit cost improvements, which the company has re-invested back into lower prices which in turn strengthens the competitive advantage: it is the age old 'scale economies shared' playbook that has created vast wealth

[5] RYA's EBIT margin has averaged 14% over the past 3 or 5yrs, the highest of the listed competitors.

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across the likes of Wal-Mart, CostCo, Lidl and others. To borrow Charlie Munger's analogy: 'it is like throwing a few northern pike into a lake full of trout. Soon you have a big pike and few trout.' I believe Ryanair is a northern pike in a lake full of trout – it is not a question of whether they will gobble up the business of other airlines, but just how much and how quickly. The foregoing gives you a flavour for the attractiveness of the company, but that is not the same as the attractiveness of its shares. What makes the shares attractive is that if you look out a bit – to say 2024 – I believe you can be pretty confident about what the company will earn (because of the competitive advantage) and in a conservative case, I estimate that at about €2 per share. At €15, the shares are c.7.5x 2024 Earnings on that basis. In my view, an economic entity that has these types of characteristics is worth at least 15x Earnings – which implies a value of these shares of c. 30Eur in 4-5 years.

Rather than spending more time discussing the pros and cons of the Ryanair investment case, I thought it might be more interesting at this point to examine the following question: why might this opportunity exist? Ryanair is a large, well followed company with many smart people trying to assess whether to buy or sell the shares on a daily basis. So, it would be hard to argue I have some informational or even analytical edge in the foregoing assessment of the business or the shares. The answer can only ever be a theory, but here is my theory: the average investor does not have the patience or, more likely, the mandate to 'look out a bit' into the future as I am doing. That is, the average investor has a shorter-term approach. This is particularly relevant here as RYA's shorter term earnings (1-2 years out) are more volatile than the longer-term earnings power, as they are dependent on the supply-demand balance in the airline industry at any point in time (this despite my belief that the company grows intrinsic value countercyclically as it picks up routes from failed carriers, buys back its own shares at a discount to worth etc). So, for a shorter-term investor looking at RYA, the longer-term earnings power is simply of less relevance in their decision of whether to buy, sell or hold the shares. Much more important is 'what happens next': What will the airline cycle do? Will there continue to be overcapacity in European short-haul routes in 2020? Will Ryanair stock be the focus of upgrades or downgrades by the sell side? This focus, as it pertains to the active management industry, is simply because the agents of other people's money care more about what will happen to the share price in the time window in which they will be measured, and that tends to be annually. I've had to skate over a number of interesting issues in the foregoing which I look forward to coming back to in later letters but the point is this: in an environment of short-termism, there is a competitive advantage in having a long-term approach.

<u>SD Standard Drilling – Special Situation</u>

Standard Drilling is a small cap Norwegian listed company, the investment in which I would classify as a 'special situation'. I believe we own equity value at 20-30 cents on the dollar in the medium term when the supply-demand balance in offshore platform supply vessels normalises. I do not know if this will be in 2 years, 5 years or even 10 years, but with the discount on offer, we are compensated well enough not to have to take a view. Standard Drilling is less an operator of assets, and more an equity financed investment company where we are partnered with a smart owner-operator with skin in the game, exploiting the distress in a niche of the offshore oil services market. Oysten Spetalen founded the company after the 2014 oil price correction to buy quality platform supply vessels (PSVs) from distressed sellers who had built up their portfolio of ships with debt when times were good. In round numbers, the company has bought

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$110mn worth of assets over this time, sold $30mn of these assets on such that it has a net book value of ships of $80mn and cash on balance sheet of a further $60mn, partly the result of these sales[6]. The whole business is for sale on the stock market today for $70mn, or approximately half of the combined value of the cash and ships as they are marked on the company's balance sheet. The recent sales of ships, in what I do not considered to be a balanced or bull market for these assets, have been at 1.25x book which suggests our true ownership through the equity is closer to $70mn for $160mn of assets or 0.44x value as of today.

Now why does this opportunity exist? Here, I think it is less about time horizon, although that is a factor, and more about the size of the company. A $70mn market cap company in Norway is not exactly in the happy hunting grounds for larger funds in Europe. With the relatively smaller nimbler base of capital that I run, I look forward to having a few of these types of situations in a size where I believe they can make a meaningful contribution to the longer-term mission of Highwood.

Alimak Group – Core Value

Alimak Group AB is a Swedish listed, small cap company and a global market leader in rack-and-pinion vertical access solutions with approximately 55% market share in the core industrial market, where it develops, manufactures and services industrial elevators. The business is a classic 'installed base' business model: the company sells the elevator, which remains installed at a customer's site for 25-30 years, over which time Alimak provides the maintenance and spare parts on long term contracts. The company services c.75% of its installed base of industrial elevators, which generates a stable, recurring revenue at high margins. This cash flow is then re-invested to grow the core business organically by penetrating new and existing geographies and market verticals, and inorganically by acquiring smaller competitors in adjacent markets. The return on capital of doing so has been excellent historically. And this is the thesis: Alimak has a durable moat around defensive free cash flow from servicing the installed base, and management have an attractive opportunity to re-deploy that free cash flow. Provided these re-investment opportunities continue to exist and management don't overpay, I think the business has an attractive longer-term trajectory where it can be a substantially larger, more profitable business. With the shares at 18x free cash flow in a downside scenario, I think we have a nice margin of safety while we wait for management and the board, which together own 35% of the equity, to execute on this playbook.

Protector Forsikring – Core Value

Protector is a Norwegian listed P&C Insurer, with a market cap of $360mn USD. The company provides general property & casualty insurance in the commercial and public sectors in the Nordics, where it has a small but growing market share. The company has a substantial cost advantage that allows it to price insurance products at a discount to incumbents and still earn an underwriting profit. I believe this, along with a very highly rated customer service operation, has been the source of their market share gains over the past 10 years. Customers pay for their insurance well before they would ever need to make a claim, which generates working capital, or 'float', that can be invested prudently to earn a return for the Protector shareholders, with a meaningful proportion of the float invested in the equity of high quality companies with a long-term approach. Does this sound familiar? Protector's business model has a number of

[6] As of Q3 2019, Pro Forma for asset sales in October and November.

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similarities with Berkshire Hathaway, Markel Corp and Fairfax Financial. The equity of these companies has been some of the best, low-risk investments of the past generation. This is the real upside for Protector shares– and it is very clearly management's ambition to replicate the success of such an amiable peer group.

For 8 of the last 10 years, the company looked well on its way to doing so. From 2008-2017, the company averaged a combined ratio of 91%, return on equity of 25% and 20% volume growth per annum. Unsurprisingly given these facts, the company grew book value per share considerably—from 5 NOK to 30 NOK – and investors saw their shares appreciate 20-fold over the period. In 2017, the company ran into its first major bump in the road: a surge of gray silverfish infestations in properties it had insured in the Nordics. This caused the first underwriting loss since founding. Cue the fall in the stock price from 90 NOK/share to 40 NOK/share. Stepping back from the detail, I think this is a classic example of a good company that has stumbled, where the business model has been proven out but the stock market has been spooked because the numbers didn't come out where they were expected to. We can now buy the shares at a discounted valuation which gives us a margin of safety in a good and potentially great business. We own the shares at 1.5x book value and 9x Earnings. Management and the board own 17% of the equity.

<u>Vestas Wind Systems A/S – Core Value</u>

Vestas is another installed base business. It is the global market leader in the development, manufacture and service of wind turbines with c.20% share of the global installed base of wind turbines. To keep it simple, I think Vestas is on track to be a bit more like the elevator businesses over time. Helpfully, we are starting the journey at a point where the industry Vestas leads has just 2% share of global power generation, yet where the advantage of wind over other sources of power generation – while by no means complete or total – are growing, and I believe will continue to grow as the industry gains scale. This is best exemplified by the unsubsidized Levelized Cost of Energy (LCOE), which has declined by 50% in the past decade and now places wind energy amongst the cheapest forms of new power generation. Nonetheless, I expect the path to greater scale will not be smooth. The industry has been a beneficiary of cheap and plentiful credit which will tighten at some point. When this happens, I anticipate we will see a decline in demand and bankruptcies of less well capitalised operators elsewhere in the value chain. At the current price, net of cash, we own the business at 1.25x revenue and 15x distributable Free Cash Flow – this plus the strength of the balance sheet (€2.5bn in net cash) and all the benefits of being the largest, most profitable in the industry gives us safety vs our purchase price when this does happen. I expect this one to be a bit bumpier, but the likely range of outcomes in the longer term seems well worth it to me.

<u>What you can expect going forward</u>

You should expect that I will steadily get more invested as either market volatility gives me a chance to buy positions in companies I want to own, with the margin of safety I require, or my search for new ideas turns something up. There are a few such ideas in the hopper at present. That said, I can't commit to how invested I get until I get there – I don't want to be a forced investor for the sake of being more fully invested. That would be counter-productive to the end goal. You can also expect the next quarterly letter in April to give you an update on the portfolio as well as discussion on topics I think you would be interested in given you have hired me as your Portfolio Manager. Finally, you should be getting monthly

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account statements from the custodian, National Bank of Canada, mailed or e-mailed to you. Please get in touch if you aren't getting these in the manner you would like.

I would also like to highlight that Highwood is taking on new clients provided we have a good degree of alignment in approach. If you know of someone who you think would be interested in our mission and strategy, please get in touch with me. As always, I value your support and welcome your comments.

Sincerely,

D. K

Desmond Kingsford

Appendices

Portfolio Statistics, as at December 31, 2019

Highwood Value Partners Portfolio, as at December 31 2019

Date	% Invested	Median Price / Est. Intrinsic Value	Median Market Cap. in Mns of USD	Median Net Debt (Cash) / EBITDA	Median EV / Sales	Median P/E
31-Dec-19	41%	54%	550	-0.8x	1.6x	15.1x

Underlying Currency Exposure Split

This is not a breakdown of the listing currency of our holdings. It is the split of the currencies our portfolio companies earn their revenues in. As such, it is the underlying exposure to currencies you have through your partial ownership of these businesses. As investors can choose whether to have their account in USD or CAD, and hence their cash balance may be in either USD or CAD, I have expressed the currency exposure as a % of invested capital.

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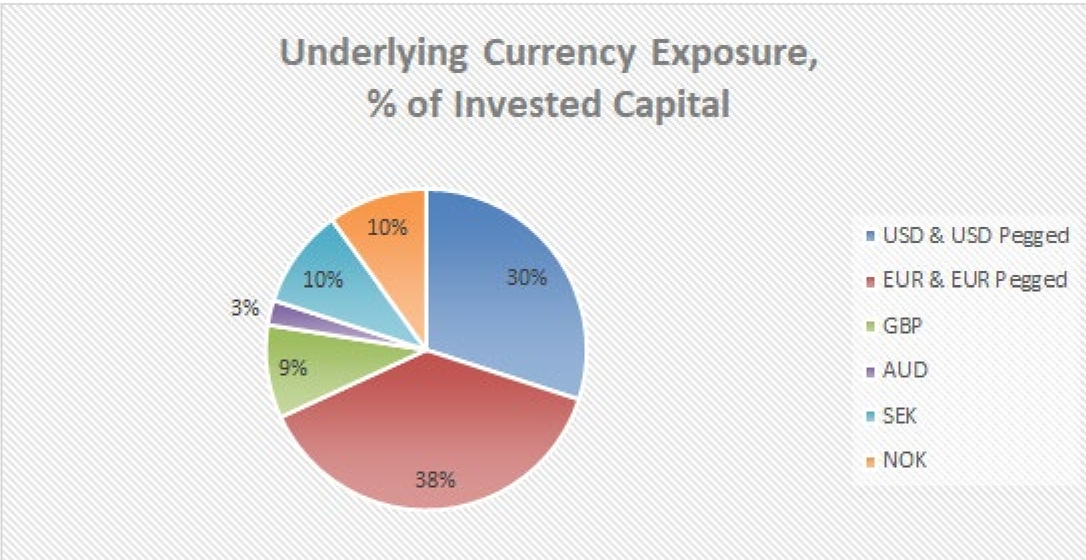

Disclaimer:

This letter ("Letter") provides a general description of Highwood Value Partners, Inc. (the "Firm"). The Firm is registered with the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission (the "Commissions") as a portfolio manager under National instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registration Obligations* ("NI 31-103"). Desmond Kingsford, the principal of the Firm, is registered as the advising representative of the Firm under NI 31-103 with the Commissions.

The information presented in this Letter is not investment advice, should not be relied on as such, and should not be viewed as an investment recommendation by the Firm or Mr. Kingsford generally, or an offer or a solicitation of an offer for the purchase of any securities. Recipients should not make any investment decisions based on the information contained in this Letter. Only (i) an "accredited investor" as defined under section 1.1 of National Instrument 45-106 - *Prospectus Exemptions*; and (ii) a "permitted client" as defined under section 1.1 of NI 31-103 may invest with the Firm. This Letter is presented solely to illustrate the Firm's investment process and strategies as of the date indicated on the cover page of this Letter and is based on information provided by management of the Firm as of such date and on beliefs, assumptions, expectations and/or opinions of management as of such date. Certain information contained in this Letter may have been obtained by management of the Firm from third parties and, although believed to be reliable, has not been independently verified and its accuracy, timeliness or completeness cannot be guaranteed.

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While the Firm's investment mandate is designed to reduce risk the program will inherently entail substantial risks. There can be no assurance that the investment objective of the Firm will be achieved. In fact, the investment techniques that the Firm may employ from time to time may, in certain circumstances, substantially increase the adverse impact on the Firm's investment portfolio. Accordingly, the Firm's activities could result in substantial losses under certain circumstances. A separately managed account managed by the Firm is highly speculative and there can be no assurance that the investment objectives of the Firm will be achieved. Nothing herein is intended to imply that the Firm's investment methodologies may be considered "conservative", "safe",

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"risk free" or "risk averse". Investors must be prepared to bear the risk of a total loss of their invested capital. Past performance of Mr. Kingsford and his affiliates is not necessarily indicative of the future results and any prospective clients of the Firm will need to be prepared to lose all or substantially all of their investment. The Firm will give no warranty as to the performance or profitability of any client account or that the investment objectives of a client's account will be successfully accomplished.

Certain statements contained in this Letter may be considered "forward-looking information" and "forward-looking statements" (collectively "forward-looking statements") within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact included herein, without limitation, statements relating to the Firm's future financial performance and investment returns, are forward-looking statements.

Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", and similar expressions, or statements that events, conditions, or results "will", "may", "could", or "should" occur or be achieved. Forward-looking statements in this Letter include, among other things, statements relating to: the desire to generate outstanding investment results with low risk; the proposed timeline for the Firm's investment horizon and Mr. Kingsford's career; the benefits of operating the Firm out of Whistler, British Columbia as opposed to a more traditional investment market; Mr. Kingsford's beliefs regarding the necessary components to investment success; the future operating or financial performance of the Firm and the assets managed by the Firm; the intention to prioritize long-term investment return over short-term results; the intention to take on more capital only where the Firm believes it will not dilute investor returns; the intention to maintain a fee structure that incentivizes manager performance over asset gathering; the intention to maintain the Firm's current strategy and vision as it grows; the potential to provide a fund structure in addition to the SMA approach in the future; the Firm's mission to compound each dollar of invested capital into five dollars over a ten-year period without taking undue risk; the belief that a short term quarterly or annual results focus is harmful to long-term returns; the Firm's beliefs with respect to how risk is properly defined and mitigated; the Firm's beliefs as to how returns may actualize; the beliefs of the Firm and Mr. Kingsford regarding the prospective results of specific investments of the Firm; the theories and beliefs disclosed regarding what makes an investment strategy successful; and the expectation and plans for growth . Actual future results may differ materially. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements reflect the beliefs, opinions and projections on the date of this Letter and are based upon a number of assumptions and estimates that, while considered reasonable by the Firm and Mr. Kingsford, are inherently subject to significant business, economic, competitive, political and social uncertainties, many of which are beyond the control of management. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements and management of the Firm have made assumptions and estimates based on or related to many of these factors. Readers should not place undue reliance on the forward-looking statements and information contained in this Letter concerning these assumptions.

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