Jan. 26, 2021

Manager Commentary

"Other than that Mrs. Lincoln, how did you enjoy the show?"

Amidst all the lost and disrupted lives of 2020, it feels a little weird to be reviewing "the show" of financial markets in 2020, but, frankly, the show was pretty good. The S&P 500 rose double digits, investors are optimistic, and with the benchmark U.S. 10-year Treasury yielding around 1%, the theoretical valuation for profitable growing companies is infinite.

For the Spears Abacus Opportunistic Equity composite in particular, we are very proud of how we declined less than the market in the brutal bear market of the spring, but still outperformed for the full calendar year as the market recovered. And we still see great opportunities ahead.

While talking heads on financial news might tell you about the trade of the day, or that now is the time to get in or out of the market, we have been laser focused on investing in companies that are benefitting from long-term societal trends. This focus has allowed us stay invested when the S&P 500 was seizing up, like it did in the first quarter, or when the outcome of the election was uncertain in the fall, or when the market is lately hitting new highs.

The future is always uncertain, but we can be reasonably sure that a portfolio of companies gaining market share in the global economy will grow over time as their earnings grow. And we can be reasonably sure that software demand will increase as more and more tasks are automated and that demand for healthcare technology and services will increase as the global population ages.

We have a diversified portfolio with investments befitting from more than just increased spending on healthcare and software. Additional sectors that we are currently invested in are E-Commerce, Payments, Precious Metals, Data Monetization, Defense Infrastructure Modernization and Financial Exchanges.

While the core of the portfolio does not change frequently, we continue to apply the "ABCD" process that we have developed over the years to adjust our portfolio in response to opportunities that we find in the market. It stands for Average up, Buy the business, Cut losses, and Derisk the portfolio.

This quarter we averaged up on Qurate, the parent company of QVC, as the market started to recognize the value that had been created through a series of special dividends that management paid out in September. In addition, we increased our positions in Becton Dickinson and Tabula Rasa, two healthcare technology providers that we believe have bright futures once they pass some Covid-19 related disruptions. We also bought more Curtiss

Wright, an aerospace industrial company that was trading at a price that seemed to us to be completely decoupled from reality, given the very strong fundamentals at its defense subsidiary.

We initiated positions in a number of high-return-on-capital businesses trading at reasonable valuations in the most recent quarter. Dropbox and eBay were trading cheaply, as the consensus opinion is that 2020's revenue gains will evaporate as the economy reopens. Smaller capitalization companies with high levels of profitability were a particular area of focus for us, as other small-cap investors seemed to prefer more speculative unprofitable investments. CDK Global, the leading provider of software to automotive dealers; MSG Networks, the exclusive cable channel of the Rangers, the Knicks, and the Islanders; and Strategic Education, a for-profit provider of higher education for working adults, are all trading at significant discounts to their private market values.

We funded these purchases, and sought to reduce risk in the portfolio, by trimming the size of some of our core positions whose valuations had increased in the quarter. Some the companies that we trimmed were Domino's Pizza and PayPal.

Investors spend too much time worrying about the future and not enough time looking at the present. Bonds have been a good investments as long-term interest rates have declined to historically low levels. However, at this point, we believe that they are only useful to reduce volatility in a portfolio. We believe now is a great time to consider investing some maturing bonds into a portfolio of growing stocks with a track record of less than market volatility, like the SA Opportunistic Equity Portfolio.

With all best wishes,

Manny Weintraub, CFA

OPPORTUNISTIC EQUITY

SPEARS ABACUS

Quarterly Fact Sheet

As of December 31, 2020

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.

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					
	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Inception
SA Opp Eq (gross)	22.8%	22.8%	16.1%	13.3%	11.9%	11.3%
SA Opp Eq (net)	21.4%	21.4%	14.8%	12.0%	10.6%	9.8%
Russell 3000	20.9%	20.9%	14.5%	15.4%	13.8%	9.9%
S&P 500	18.4%	18.4%	14.2%	15.2%	13.9%	9.6%

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; [6]Sector weights excluding cash; [7]Returns for less than one year not annualized; YTD as of 12/31/20

PLEASE SEE ADDITIONAL DISCLOSURES ON THE FOLLOWING PAGE

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

	SA	Russell 3000
Number of Securities	30	-
Cash Weight	5.5%	-
Dividend Yield	0.86%	1.45%
Market capitalization ($b)	70.2	402.8
Harmonic Avg. TTM P/E	20.2x	29.5x
Harmonic Avg. NTM P/E	19.2x	23.3x
LT Debt / Total Capital	0.51x	0.46x
Net Debt / EBITDA	2.0x	1.8x
Return on Invested Capital	20%	6%
Estimated LT Growth	14%	13%
Payout Ratio	26%	43%
Downside Capture (3-Year)	68%	-
Active Share	96%	-

Top 10 Holdings

	% of Portfolio
IHS Markit Ltd.	5.0%
Broadcom Inc.	5.0%
Fiserv, Inc.	4.4%
Dropbox, Inc. Class A	4.2%
Intercontinental Exchange, Inc.	4.2%
Thermo Fisher Scientific Inc.	4.1%
Mastercard Incorporated Class A	4.0%
Becton, Dickinson and Company	3.8%
PTC Inc.	3.8%
CME Group Inc. Class A	3.8%
Total	**42.2%**

Sector Diversification[6]

	SA	Russell 3000
Consumer Discretionary	9.9%	9.8%
Consumer Staples	0.0%	2.9%
Energy	0.0%	3.6%
Financials	16.1%	16.5%
Health care	16.0%	17.8%
Industrials	10.7%	12.6%
Information Technology	35.0%	24.0%
Materials	7.0%	2.9%
Real Estate	2.8%	4.3%
Communication Services	2.5%	3.0%
Utilities	0.0%	2.5%
Total	**100.0%**	**100.0%**

Market Cap Breakdown[1]

	SA	Russell 3000
$0 to $5 billion	15.3%	6.8%
$5 billion to $15 billion	10.6%	9.3%
$15 billion to $50 billion	33.3%	19.6%
$50billion to $100 billion	23.6%	12.9%
Greater than $100 billion	17.2%	45.7%
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

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