NEWSLETTER

FIRST QUARTER 2022

Guided by value.

But I'm on the outside, I'm looking in
I can see through you, see your true colors

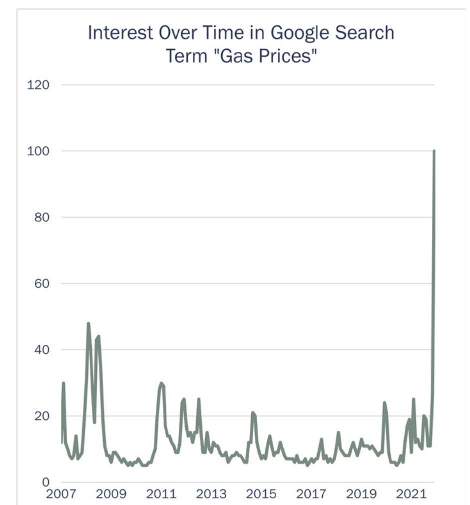
| "OUTSIDE", STAIND

Focus on the long run. We say it so much it risks becoming a cliché, but it is – by far – the most important thing we can do for our clients. It is also the most difficult thing to do, especially when that news involves real human tragedy such as the ongoing conflict in Ukraine or the COVID pandemic. Yet, cutting through the news of the day and focusing on what truly helps our clients meet their financial goals is an absolutely essential role we play.

That's not to say that the short-run is irrelevant. After all, the long run is simply the sum total of many short-runs strung together. The key to maintaining a long-term focus is not to blissfully ignore what is happening in the now, but to acknowledge two fundamental principles. First, short-term movements in asset prices are inherently unpredictable as all sorts of market participants, many of whom have entirely different goals and motivations than us or our clients, move prices to an uneasy equilibrium on a daily basis. Second, history has shown us that the twin engines of human ingenuity and market-based capitalism are exceedingly good at driving capital to its highest and best use, and, over time, this process breeds progress, prosperity, and profit.

While we can always learn from current events by observing how they fit into the overall historical pattern, they should never knock us off course into violating the above principles.

Take gas prices for instance. For much of the last couple months, you couldn't turn on a TV or your phone without seeing someone talking about the price of gas. Market commentators have filled the airwaves with talk of how the rising price of gas will crimp consumer demand and eat into overall economic growth. Searches on Google for the term "gas prices" peaked at nearly four times the level of any point since the run-up in gas prices just prior to the 2008 Global Financial Crisis.



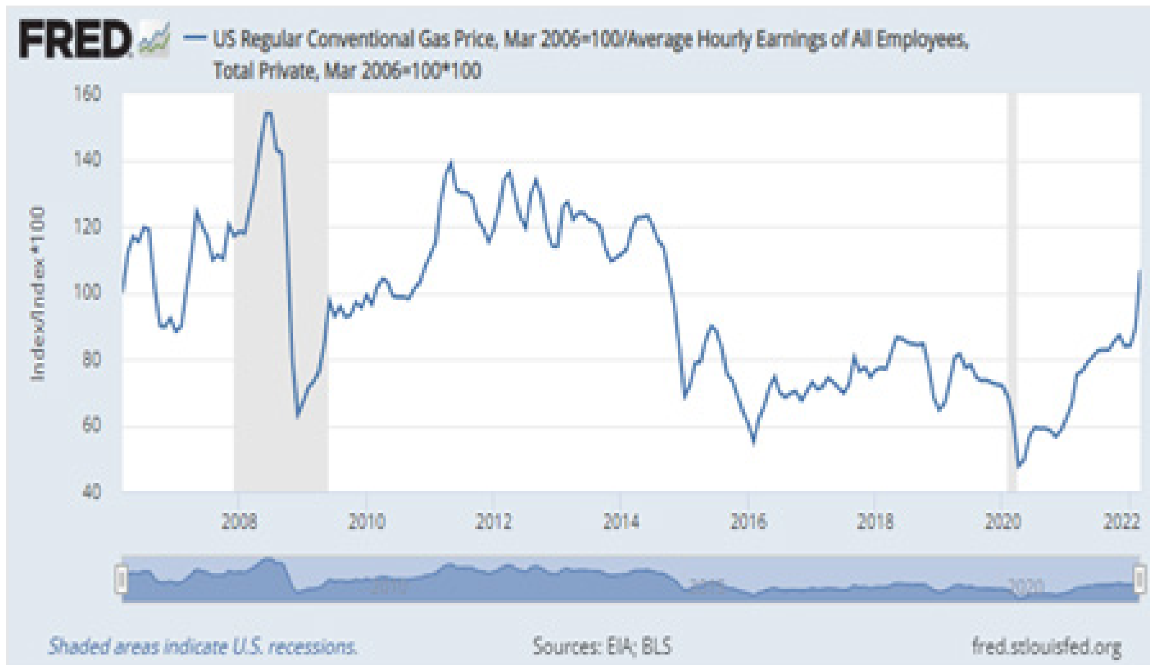
However, speaking of 2008, ask yourself how often you have thought about that price spike in the Summer of 2008 in the last ten years. Probably not too often, if at all. Yet, after adjusting for wage growth between now and then, the "real" price of gas was a full 50% higher then than it is today.

In fact, using that same adjustment, gas prices spent the entirety of 2011 through 2014 at higher levels than today. If you were concerned about prospects for the stock market because of this in 2012 and took action on that fear, you would have missed out on the stock market quadrupling its value over the last decade.

We would advise against assuming a repeat of such spectacular returns over the next decade and we cannot tell you what the price of gas will be next month or next year. However, with a high degree of confidence, we can tell you that people will adapt, businesses will adapt, and in 2032 we probably won't think much about what a gallon of gas cost ten years prior.

The other hot topic over the past few months is the interconnected dynamic between interest rates and inflation. Coming into this year, interest rates had already begun rising as the Federal Reserve hardened its stance on inflation and indicated its highly accommodative policies during the pandemic were likely coming to an end. Over the course of the second half of 2021, the yield on 2-year Treasuries – considered a bellwether for Fed policy – moved from essentially zero to 0.73%. Meanwhile, longer-term interest rates hardly reacted. The yield on the 10-year Treasury barely budged, moving from 1.45% to 1.52%, and the national average mortgage rate remained around 3.25%.

GAS PRICES ADJUSTED FOR AVERAGE HOURLY EARNINGS, 2006 - PRESENT



Boy, did things change in 2022. As headline inflation rates continued to rise with each month's reading setting a new 40-year high, China's strict COVID management policies continued to disrupt global supply chains, and the most significant military conflict in Europe in at least 20 years sparked a swift rally in oil prices, the Fed's cautious tone turned markedly hawkish. In the middle of last year, the debate was whether or not the Fed would raise interest rates at all in 2022. Fast forward to today and the debate is whether the target fed funds rate will be *only* 2% by the end of this year and the 2-year Treasury now yields 2.28%, more than triple where it started the year.

Fueled by increasing expectations for short-term interest rates and the Fed's indication of a shift from purchasing mortgage-backed securities ("quantitative easing") to selling mortgage-backed securities ("quantitative tightening"), mortgage rates experienced their sharpest rise since these things were tracked. That 3.25% national average at the beginning of the year now stands at 4.90%.

On the contrary, the reaction of longer-maturity bonds has been more muted. The 10-year Treasury closed out the quarter yielding 2.32%. This flat relationship between short-term and long-term interest rates can be a harbinger for many things, but most theories boil down to one thing: the bond market thinks the neutral policy rate – where Fed policy is neither stimulating nor depressing economic activity – isn't much higher than the current level of short-term interest rates.

Coinciding with all this activity in the bond market and perhaps caused by it – you never can tell for sure – the stock market sold off. There also continued to be a disconnect between the returns of the overall market and certain formerly beloved segments concentrated in Technology and Consumer Discretionary names. While the overall stock market peaked in early January before selling off 13% and ultimately recovering somewhat to lose 5% on the quarter, the median stock has suffered a substantially worse decline off of its peak. This phenomenon remains

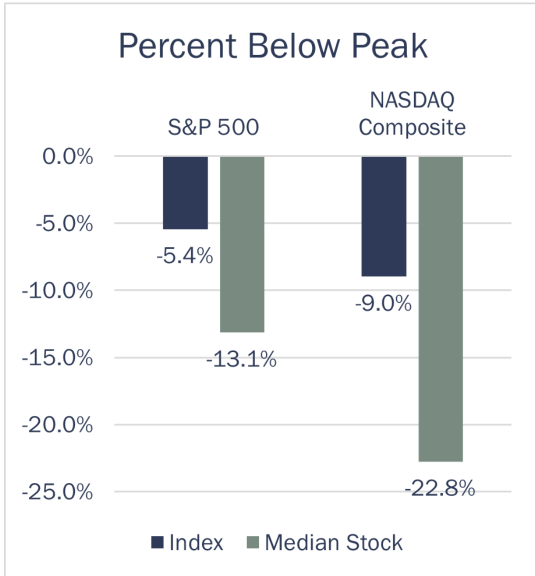
F U N   F A C T

If the rate on your mortgage is 2.75% or less, you are paying less on a 30-year fixed-rate loan than the current yield on 30-year Treasury bonds backed by the full faith and credit of the United States government.

[1] As represented by the total return of the S&P 500 from March 31, 2012 through March 31, 2022.

[2] As represented by the Bankrate US Home Mortgage 30-Year Fixed National Average

most apparent in the NASDAQ Composite where nearly half of the companies included in this index were trading 30% or more below their post-COVID highs by the end of the quarter and nearly a third have seen their values at least halved.



This intersection of reality and expectations has left the Fed in quite the policy-making pickle. Raise rates too fast and the economy tips into a recession of unknown magnitude that potentially reverses the strong employment gains made over the last couple years. Raise too slowly and inflation continues to rise, further feeding some of the excesses in financial markets and raising expectations for more inflation, thus creating a spiral from which it will likely be difficult to escape.

Yet this is the same pickle the Fed has found itself in many times before – several times just in the last decade. For our typical client, who has a planning horizon that spans decades or even generations, this is just one more pit stop along the road. We stop the car, stretch our legs, take in the sights, and then get back in the car and carry on.

Even if you knew – for certain – we were heading into a period of high inflation, how would you react? You would want to hold equity in a portfolio of businesses with durable competitive advantages that have the ability to pass through price increases greater than or equal to the inflation in their costs and a portfolio of bonds that displays minimal sensitivity to changes in interest rates and credit conditions.

Not coincidentally – and we make no secret of this fact – this is exactly how our client portfolios are positioned today. Not because we predicted this environment, but because we believe this framework is the optimal strategy for almost any investor with a long-term focus.

During uncertain times – and times are rarely, if ever, certain – we hope you find solace knowing we stand behind our clients, investing side-by-side with them[3], as we help them see through the noise and stay focused on achieving their long-term financial goals.

Your Kovitz Team

[3] Approximately 90% of Kovitz investment team's liquid net worth is invested in our strategies.

KOVITZ

CORE EQUITY COMMENTARY
FIRST QUARTER 2022

MARKET AND PERFORMANCE SUMMARY

During the first quarter of 2022, the Kovitz Equity Composite (the "Composite") decreased by 4.9%, net of all fees. By way of comparison, the S&P 500 was down 4.6% while the Russell 1000 Value Index fell 0.7% for the same period.

For more than 25 years, Kovitz has built wealth for its clients through economic recessions and expansions, market crashes and bubbles, and widespread fear and euphoria. Since we began, through March 31st of this year, the annualized return (net of fees) of an investment made in the Kovitz Composite has been 10.9% per annum, whereas our benchmark, the S&P 500 Index, has returned 9.5% per annum over the same period. This 1.4% percent annual advantage, multiplied out over the many years since inception, means that $1 million invested in the Composite for the full period has grown to $13.71 million, while a similar amount invested in the S&P 500 over the same period would now be worth $9.78 million.

The ability to form balanced and independent judgements amidst the cacophony of a 24-hour news cycle, the constant chatter of talking heads, and the not-always-wise prevailing conventional wisdom has been our greatest asset in achieving our historical investment results. It has also helped that we have remained patient, disciplined, and relentlessly inquisitive through the emotional highs and lows that come from owning common stocks. High-quality industry and individual company analysis fails to be of importance if the temperament of our portfolio managers fails to meet the same standard.

One of the less appreciated, but equally important, attributes of successful equity investing flows from the capacity of a portfolio manager to allow capital to compound over a long period of time without unnecessarily interrupting it due to an overreaction to short-term results. As the sheer volume of information available to all has increased, temperament, more so than IQ points, has increased in relative importance as an edge in achieving investment success over time. A certain level of intelligence is necessary, but, above that, the temperament to control the urges that do damage to investment portfolios becomes the most important factor in whether or not you achieve a successful outcome. It is those urges that disrupt the compounding and often doom the undisciplined investor to subpar returns. Financial journalism should really just consist of one story, played over and over – the constant reminder to **"Never Interrupt the Compounding".** But who would watch or read that?

That is where we differ. The process of compounding capital should appear boring on the outside. Investing should be about remaining disciplined and emotionally stout, not buying into the latest SPAC fad or a new speculative biotech. It's certainly not about buying a "meme" stock because a group of wannabe financial renegades declare a financially dubious stock is "going to the moon". We have now seen enough cycles to understand that short-term performance chasing leads to difficult and disappointing outcomes over time.

If there was one thing the experience of the past two years has reinforced for us, it's that there are no facts about the future. Events can take turns you would never expect. Consider that on February 19, 2020, the S&P 500 ended the trading day at a new all-time peak. Then a global pandemic took hold and the Index then proceeded to decline 34% in just 33 days, the swiftest decline of that magnitude on record. But even if you bought the Index at the peak and were still holding it on March 31st of this year, your total return with reinvested dividends has been close to 38% in a little more than two years. We will probably never see a more vivid demonstration of Peter Lynch's adage, "The real key to making money in stocks is not to get scared out of them."

While Mr. Market, to utilize Benjamin Graham's parable about the often-times inane volatility in stock prices, trips the manic investor into poor decisions, perhaps the greatest trick Mr. Market plays is to convince these same investors to sell-out because there "will be a better time to buy in the future". Mr. Market will serve up countless reasons - inflation is high, the Federal Reserve is raising interest rates, economic growth is stalling, war in Ukraine - for you not to invest "now" as there will supposedly be a "less risky" entry point in the future. Mr. Market's frenzied nature and his instinctive awareness of the human distaste for delayed gratification implores an investor to become myopically focused on the near-term and throw away their greatest advantage - the ability to elongate your gaze and focus on the longer-term.

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[1] The returns for the equity portion of your individual account will differ somewhat from the Composite due to variations in account holdings, cash position, and other client-specific circumstances.

At Kovitz, our eminently logical, but somehow variant, perception is to view investing not as following blips on a screen or your phone, but as becoming a partner in the long-term ownership of a business. Investment success is usually not the result of forecasting the economy, becoming an armchair virologist, or predicting how geopolitical events ultimately work out, but by owning small pieces of a collection of financially strong and competitively advantaged companies. These companies will likely be able to consistently earn returns above their cost of capital, possess management teams that understand how to increase intrinsic value per share, and have a long runway to either invest in future growth or return excess cash to shareholders. Satisfactory compounded returns naturally follow from the fundamental economic success of such an assemblage of businesses.

We wrote last quarter-

> "As we head into the new year, these two topics [inflation and COVID] will likely garner investor attention. Of course, there will likely be new worries as well. There always are."

Never take the under on worries. This quarter has brought us a suddenly hawkish Federal Reserve that has the market anticipating more interest rate hikes than it contemplated just a month ago combined with a potentially protracted war in Ukraine with untold loss of human life and potentially severe global economic consequences. Are these worries legitimate? Yes. Effects from these may cause the continued economic recovery to unlikely be linear. Are they important to the long-term success of our investment strategy? Not necessarily. Our bottom-up investment process and extended time horizon afford us the ability to look past the near-term macro volatility and focus on what each business we own, or could own, will likely earn several years from now under normal economic conditions, and build positions accordingly.

In his most recent letter to the shareholders of Berkshire Hathaway, Warren Buffet noted that,

> "We own stocks based upon our expectations about their long-term business performance and not because we view them as vehicles for timely market moves. That point is crucial: Charlie and I are not stock-pickers; we are business-pickers."

We are fortunate to have clients who share our belief in a long-term-oriented strategy. This is more than a small advantage as it enables us to focus on generating wealth instead of short-term trading.

The chart below summarizes annualized performance over various standard time periods ending March 31, 2022, and cumulative performance results from January 1, 1997 through March 31, 2022 for the Composite.

KOVITZ CORE EQUITY COMPOSITE[2]
ANNUALIZED AND CUMULATIVE EQUITY PERFORMANCE (NET OF FEES)

	Average Annual Total Returns							Cumulative
	Quarter to Date	Year to Date	1 Year	5 Year	10 Year	20 Year	Since Inception	Since Inception (1/1/97)
Core Equity Composite	-4.9%	-4.9%	11.3%	12.1%	11.7%	8.3%	10.9%	1271%

[2]The returns for the equity portion of your individual account will differ somewhat from the Composite due to variations in account holdings, cash position, and other client-specific circumstances. Please refer to the last page for a complete GIPS compliant presentation, along with important disclosures.

The table below lists the results for the same time periods as above for the S&P 500 and many of the other benchmarks widely held as investments via a style-box approach.

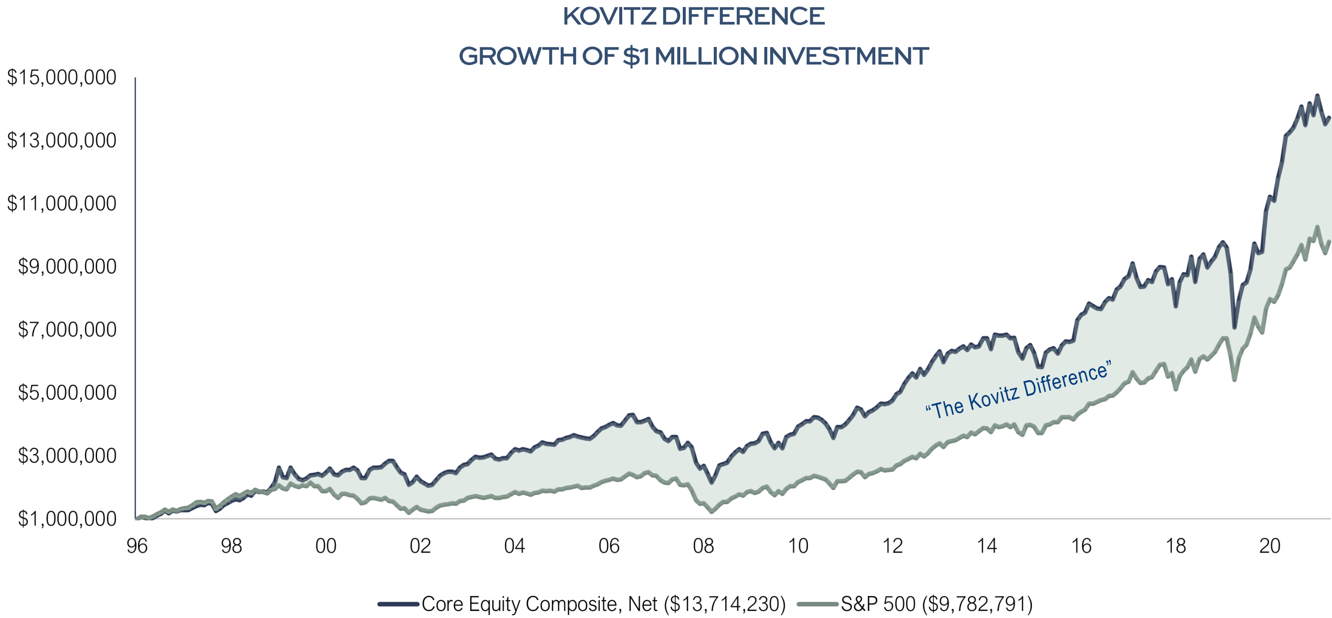
OTHER MARKET INDICES
ANNUALIZED AND CUMULATIVE EQUITY PERFORMANCE

Average Annual Total Returns							Cumulative
	Year to Date	1 Year	5 Year	10 Year	20 Year	Since Inception	Since Inception (1/1/97)
S&P 500	-4.6%	15.6%	16.0%	14.6%	9.3%	9.5%	878%
Large Cap Value (Russell 1000 Value)	-0.7%	11.7%	10.3%	11.7%	8.3%	8.8%	735%
Small Cap Equity (Russell 2000)	-7.5%	-5.8%	11.7%	9.7%	11.0%	8.7%	696%
International Developed (MSCI EAFE)	-5.9%	1.2%	6.7%	6.3%	6.0%	4.9%	236%
International Emerging (MSCI EM)	-7.0%	-11.4%	6.0%	3.4%	8.6%	5.9%	323%
Gold	6.6%	13.1%	8.1%	0.7%	8.9%	6.3%	369%
Commodities (CRB)	27.1%	59.8%	10.9%	0.2%	4.1%	3.7%	147%

Source: Bloomberg Finance, L.P.

Below is a graph of the Kovitz Composite's cumulative return since inception relative to the cumulative return of the S&P 500 over the same time period. The shaded area represents the Composite's excess return over the benchmark.

KOVITZ DIFFERENCE
GROWTH OF $1 MILLION INVESTMENT



Source: Kovitz using data from Bloomberg Finance, L.P.

PORTFOLIO ACTIVITY

Based on the concerns mentioned above, the stock market began the year with predictable volatility. Yet, this is normal. The relative calm of last year, when the S&P 500 rose steadily throughout with only one minor correction of 5%, was abnormal. Declines of at least 10% occur in roughly 50% of years, with an average annual pullback of 15%. This past quarter's volatility likely feels worse than it is only because we've forgotten what it's like for markets to decline.

Yet volatility creates opportunity. We were relatively active market participants during the quarter. We initiated three new positions discussed below.

SPOTIFY TECHNOLOGY (SPOT)

Spotify is a pioneer in the music streaming business. The company has been largely responsible for returning the music industry to growth after years of decline that started when the rise of music-sharing service, Napster, began to decimate the sale of physical music media in the late 90's. Spotify has also played a leading role in the transformation of the music industry into a more collaborative effort among artists, studios, and distributors. They are also quickly becoming the leading global podcasting platform. Over time, we expect their geographic expansion, market share gains, and development of an auction-supported ad network (similar to YouTube) to generate significant levels of free cash flow relative to the capital employed.

Spotify's services are extremely well-liked by the vast majority of its customers as evidenced by an extremely low churn level among premium subscribers. We envision Spotify becoming the scaled leader in audio distribution, with the most options to monetize the ongoing shift from radio/physical sales to digital.

Current cash flow is likely depressed as Spotify is spending aggressively on R&D to continually improve the customer experience, building out an attractive lineup of exclusive podcasts, and marketing extensively to acquire premium subscribers. Looking further out however, our projections of normalized free cash flow levels support our view that shares of Spotify offer an attractive entry point to own one of the few platforms that can plausibly reach over 1 billion users (from a current base of roughly 400 million) as the company and industry mature.

HAYWARD HOLDINGS (HAYW)

Hayward is a relative newcomer to the public markets, having IPO'd slightly more than a year ago. However, the company has a long operating history in the oligopolistic pool supply industry as a global designer, manufacturer, and marketer of a broad portfolio of pool equipment. This niche industry has delivered exceptional economics for a wide range of businesses that participate in it and has typically grown at 1.5x-2x GDP for much of its recent history. This is driven by a steadily rising installed base of pools in the U.S., particularly as demographic trends have favored migration to warmer-weather locales, and the need to regularly maintain and replace broken equipment to keep it usable. Further supplementing demand have been vast improvements in the efficiency of equipment that significantly reduces the cost to operate a pool and a growing desire of pool owners to integrate more technology and automation into their pools to save both cost and time.

Shares have traded down roughly 40% over the past several months as fears of a reduction in home improvement spending from the COVID-induced "stay at home" demand levels reached last year. While we are conscious of these fears, we note that the majority of Hayward's business is comprised of maintenance equipment that is primarily non-discretionary in purchase. Moreover, as noted above, the majority of pools are located in regions that we expect to continue to see net migration as a more remote workforce and the Boomer generation continues to choose warm weather over snow.

Given industry reports of contractor backlogs going out past 2022, continued inventory constraints supporting home prices, and the solid base of non-discretionary maintenance spending on pool equipment and supplies, we believe the current valuation of Hayward's shares should provide attractive returns in most economic scenarios.

JACOBS ENGINEERING (J)

Jacobs is a name that we have successfully owned before, having recently exited the position between $130-$140 per share in the April-June timeframe of last year. While our new entry price is only slightly below those levels, our internal estimates for the company's long-term earnings power have increased dramatically. Recent developments related to the Infrastructure Investment and Jobs Act bill signed into law last November and clearer indications of contract wins in secular growth fields such as life science, semiconductor manufacturing, and cyber-defense have driven upward revisions to our financial models. Combined with our long-standing appreciation of CEO Steve Demetriou and the likelihood that these newer contracts will have better economic terms for Jacobs than prior commitments, we think the current share price offers a high probability of meaningful returns with less potential economic sensitivity than in the company's past.

We also completed a couple of relatively wide-ranging rebalancing trades during the quarter. In broad strokes, we continued to pare back our weightings in some of the best performing names in the portfolio and have allocated that capital towards other strong franchises in our portfolio that have more upside to our business value estimates.

Current holdings receiving capital included; **Alphabet (GOOG), Amazon (AMZN), Arista Networks (ANET), Autodesk (ADSK), CarMax (KMX), Las Vegas Sands (LVS)**, **Meta Platforms** (f/k/a Facebook) **(FB), Motorola Solutions (MSI)**, and **Salesforce.com (CRM)**. To fund these purchases, we pulled capital from the following: **American Express (AXP), Berkshire Hathaway (BRK/B), Blackstone (BX), Lockheed Martin (LMT)** and **Quanta Services (PWR).**

KOVITZ

FIXED INCOME COMMENTARY
FIRST QUARTER 2022

INFLATION AND THE FED

"There is an obvious need to move expeditiously to return the stance of monetary policy to a more neutral level, and then to move to more restrictive levels if that is what is required to restore price stability."

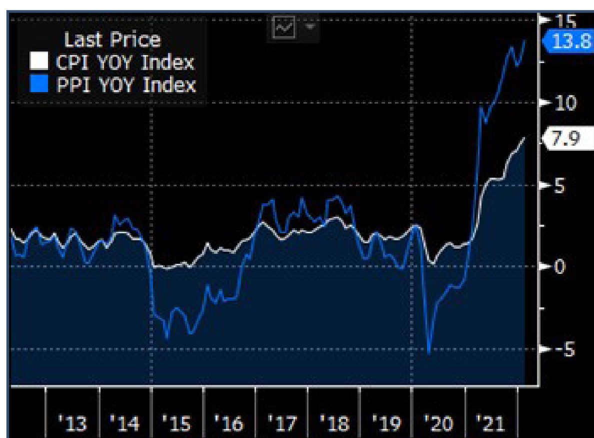
| FEDERAL RESERVE CHAIRMAN JEROME POWELL, MARCH 2022

The Federal Reserve oversees a critical balancing act setting U.S. monetary policy. The Fed's mandate is to stabilize prices and maximize employment. If their policy is too restrictive, they risk damaging the economy, causing mass unemployment and deflationary pressures that discourage spending. If their policy is too accommodative, the economy falls victim to outsized inflation with too much money chasing too few goods. Over the last few months, it has become apparent which way the pendulum has swung.

We have all noticed the surge in inflation throughout the last year. Homeowners and potential buyers have witnessed a meteoric 31% rise in residential real estate prices since the onset of the pandemic[1]. Companies have been willing to pay whatever it takes to obtain inputs with severe supply constraints butting up against strong demand for goods and services. The Producer Price Index increased 13.8% since last year, a rate not seen since 1980[2]. In turn, producer pricing pressure is being passed on to consumers with consumer prices accelerating 7.9%, another four-decade record high[3]. Once considered transitory, the Fed now believes price instability can persist longer than they thought possible.

As for the other Fed mandate of fostering maximum employment, the mission appears accomplished. The U.S. unemployment rate currently sits at 3.8%. In March, the U.S. Labor department projected there were 11.3 million job openings, which is almost double the 6 million unemployed workers in the U.S. labor force. To fill the glut of open positions, employers are being pushed to offer better pay and incentives to attract new employees, which is further stoking inflation. Wages have increased 12% since March of 2020, more than double the pace of the prior decade[4].

PRICE INFLATION: CONSUMER & PRODUCER



Source: Bloomberg Finance, L.P.

WAGE INFLATION: OPEN POSITIONS VS UNEMPLOYED

Source: Bloomberg Finance, L.P.

[1]Measured using S&P CoreLogic Case-Shiller US National Home Price NSA Index from 3/31/20-1/31/22.

[2]Measure Using BLS U.S. PPI Finished Goods NSA YoY%.

[3]Measured Using BLS U.S. CPI Consumers YoY% NSA.

[4]Measured Using BLS U.S. Average Weekly Earnings All Employees Total Private SA Index.

In admission that their policy was too accommodative, the Fed adopted a new course of action during the March Open Market Committee meeting. They raised short-term interest rates, also known as the Fed Funds Rate, by 0.25% to 0.5%, but even more notable was their projection that much more aggressive rate hikes are on the horizon. Based on the pricing of fed fund futures, the market now expects the Fed Funds Rate to reach 2.5% by year-end and surpass 3% by next year. So long, zero percent interest rates.

In addition to the historically swift rate hikes, which primarily influence short-term interest rates, the Fed will soon begin shrinking their $9 trillion balance sheet. The Fed's bond buying program, known as Quantitative Easing, was designed to spur growth by holding down longer-term interest rates in the aftermath of the Global Financial Crisis. Unwinding their balance sheet should have the opposite effect by pressuring longer-term rates upward. As a result, yields on longer-term bonds have risen in apparent expectation of this policy change, with the yield on the 10-year Treasury bond climbing to 2.3% from 1.5% at the start of the year.

MARKET AND PERFORMANCE SUMMARY

The Fed's pivot wasn't a surprise, but the market underestimated the extent of tightening required to moderate inflation. As a result, most fixed income instruments repriced drastically lower during the quarter. The Aggregate Bond Index, which broadly measures the U.S. taxable bond market, declined 5.9%. This was the biggest quarterly loss since 1980. The high-quality bond market typically provides a haven during equity market volatility, but this decline even surpassed that of the 4.6% drop in the S&P 500 Index this quarter. As the mantra goes, "don't fight the Fed". This time around there weren't many places to hide.

The good news is that fixed income portfolios can be protected from rising rates by limiting interest rate sensitivity, also known as duration. Kovitz has been doing just that within client fixed income portfolios for some time. Our Core Fixed Income strategy reduces duration risk through investments in bonds with adjustable coupons and with limited time to maturity. The former can benefit from higher rates being passed through to investors as greater income, while the latter minimizes downside as investors receive principal back quickly to redeploy at higher rates.

As a result of our conservative positioning, the average Kovitz fixed income portfolio fell roughly half that of the Aggregate Bond Index, down 3%[5]. Price declines are always a tough pill to swallow, especially in the bond market, but we wouldn't dwell on them for several reasons:

1. These are mark-to-market losses. For bonds held to maturity, total returns equate to the sum of all interest income collected combined with any premium or discounted price paid relative to the terminal redemption value. This simple math results in positive returns over time. This harmonious result will only be disrupted by credit losses (discussed in #2) or forced selling into a turbulent market, which our clients are positioned to avoid.

2. There has been no deterioration of credit quality that could result in true capital losses. In fact, quite the contrary. Credit fundamentals within client bond portfolios are generally on rock-solid footing. Corporations have historically low debt service burdens[6], states income tax, sales tax and property tax revenues are all higher than pre-pandemic levels[7], and the loan-to-value ratios backing our residential mortgage bonds have never been lower.

3. Interest rates moved higher due to an improvement in *real* rates. For savers with a long-term mindset, this means the fixed income market is presenting more opportunities to out-earn inflation moving forward. Expected yields on corporate bonds with six years to maturity, the furthest we're currently extending, have reached 3.6%, up 1.4% this quarter[8].

We're living through a once -in-a-lifetime investment environment. While the future path of interest rates is unknowable, it is our responsibility to assess the risk and responsibly deploy client fixed income capital with the primary goal of protection of principal. As such, we continue to be defensively postured against interest rate risk and focused on enhancing client returns through more favorable risks within the fixed income landscape.

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[5] Measure using the internal rate of return on all fixed income securities by account, gross of fees.

[6] Measured using the interest coverage ratio for nonfinancial companies by S&P Global.

[7] According to Urban Institute data.

[8] Interpolated from the BVAL USD U.S. Corporate BBB+, BBB, BBB- yield curve.

Kovitz Equity Composite									
Year	Gross Return	Net Return	Benchmark Return	Internal Dispersion	Composite 3-Year SD	Benchmark 3-Year SD	# of Portfolios	Composite Assets ($mm)	Firm Assets ($mm)
2012	20.59%	19.14%	16.00%	1.70%	14.20%	15.09%	172	160.4	2,404
2013	34.36%	32.82%	32.39%	2.80%	11.19%	11.94%	208	291.2	3,023
2014	7.69%	6.43%	13.69%	1.82%	9.28%	8.97%	223	278.3	3,040
2015	-5.82%	-6.96%	1.38%	1.29%	11.36%	10.47%	263	287.3	2,703
2016	20.90%	19.49%	11.96%	2.10%	12.85%	10.59%	203	256.2	2,696
2017	17.81%	16.43%	21.83%	1.79%	12.28%	9.92%	219	314.7	3,139
2018	-9.97%	-11.09%	-4.38%	1.44%	12.86%	10.80%	211	265.1	3,674
2019	27.83%	26.32%	31.49%	2.45%	13.99%	11.93%	195	323.9	5,061
2020	16.14%	14.75%	18.40%	2.11%	22.34%	18.53%	184	353.5	5,990
2021	30.15%	28.6%	28.71%	2.03%	21.36%	17.17%	216	479.3	7,465

DISCLOSURES

Fees: Returns shown incorporate the effects of all realized and unrealized gains and losses and the receipt, though not necessarily the direct investment of, all dividends and income. From the composite's inception through December 31, 2020, net-of-fee returns were calculated by deducting model investment management fees, which are defined as the highest, generally applicable fees of 1.25% of equity assets and 0.50% of cash assets, from the gross composite return. Beginning on January 1, 2021, the net-of-fee returns were calculated by deducting model investment management fees, which are defined as the highest, generally applicable annual fees of 1.25% on all assets in the composite. The fees are deducted on a monthly basis. The current management fee schedule is as follows: 1.25% on assets below $1 million, 1.0% per annum for assets from $1 million to $5 million, 0.85% per annum on assets from $5 million to $10 million, 0.75% per annum for assets from $10 million to $20 million, 0.65% per annum for assets from $20 million to $35 million, 0.55% per annum for assets from $35 million to $50 million, and 0.50% per annum for assets over $50 million. Such fees are negotiable. Gross-of-fees returns are presented before management fees, but after all trading expenses.

Definition of the Firm: Kovitz Investment Group Partners, LLC (Kovitz) is an investment adviser registered under the Investment Advisers Act of 1940 that provides investment management services to individual and institutional clients. From October 1, 2003 to December 31, 2015, the Firm was defined as Kovitz Investment Group, LLC. Effective January 1, 2016, Kovitz Investment Group, LLC underwent an organizational change and all persons responsible for portfolio management became employees of Kovitz. From January 1, 1997 to September 30, 2003, all persons responsible for portfolio management comprised the Kovitz Group, an independent division of Rothschild Investment Corp (Rothschild).

Composite Definition: The Core Equity composite includes all fee-paying, discretionary portfolios managed to the Kovitz Core Equity strategy. The Kovitz Core Equity strategy utilizes a private owner mentality to purchase equity securities issued by companies with durable competitive advantages and strong balance sheets that are trading at a significant discount to their intrinsic value. The goal of this strategy is to maximize long-term total return. The inception date for this strategy is January 1, 1997, and the Composite was created on January 1, 2001. The minimum portfolio asset size for the Composite is $250,000. The benchmark is the S&P 500.

Valuations are computed and performance is reported in US dollars. The measure of internal dispersion presented above is an asset-weighted standard deviation. The 3-year standard deviation presented above is calculated using monthly net-of-fees returns. The 3-year standard deviation is not presented when less than 36 months of returns are available. A complete listing of composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available on request.

GIPS: Kovitz Investment Group Partners, LLC ("Kovitz") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Kovitz has been independently verified by The Spaulding Group for the periods January 1, 1997 through December 31, 2019. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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