NEWSLETTER

FIRST QUARTER 2020

KOVITZ

Guided by value.

In the midst of chaos, there is also opportunity.

| SUN TZU

In December of 2019, a cluster of cases of a curious respiratory disease resistant to standard treatments began to appear in the Chinese city of Wuhan. Four short months later, we write to you as ~86% of Americans are under orders from their respective governors to stay home.

We have spoken often that investing is about probabilities. The vast majority of the time, focusing on the most likely range of outcomes – the 90% of the curve encompassing both good and bad – is the most meaningful to investment decisions. Every so often, however, it is the "tail" event – the hundred-year flood – that hits.

Oddly enough, this is the third so-called hundred-year event to occur since our inception. During the "dot-com" bubble of the late 90s and the ensuing bust, we witnessed extreme greed swing to extreme fear. Throughout this period, we helped our clients maintain discipline to a plan and manage through it. For many, it was a terrifying time. It would have been emotionally rewarding to follow the crowd during this time – to buy at the highs and sell at the lows. Many did, and the S&P 500's -1% return for the 10-year period beginning January 1, 2000 speaks to the incredible opportunity there was to destroy long term capital. We did not. We learned lessons, and we managed through it.

During the 2008 financial panic and ensuing Great Recession, we witnessed what we thought would be the worst economic risks of our career. The possibility that the global financial system would collapse was very real. It was an unimaginable risk. The thought of awakening to a world without a solvent bank, unable to use a credit card, or withdraw cash from an ATM was appropriately terrifying.

We spoke to many clients during that time frame. We revisited the intellectual underpinnings of our work, and determined that, in the face of those incredible risks, it made sense to believe the probabilities were very heavily in our favor. We swapped equity holdings as the opportunity set improved. We reviewed our clients' asset allocations and often rebalanced from bonds into stocks. We found unique opportunities in mortgage-backed securities amidst the chaos. In other words, we learned lessons and we managed through it.

This global pandemic is decidedly different than both the "dot-com" bust and the Great Recession. Almost by definition, the cause of each market crash will always be different than what has come before. Otherwise, they would be once-in-ten-year, instead of once-in-a-hundred-year ordeals. Facing an economic crisis purposely caused to fight a medical crisis is unique. Adding in unprecedented stock market volatility only adds to the feeling of risk.

Frankly, the risks right now are real.

Yet, one of the few things we are certain of is that the only thing worse than being caught flat-footed by COVID-19 would have been to let the fear of suffering a substantial drawdown in any given year govern our asset allocation decisions. If avoiding a drawdown of any kind was our sole focus, the amount of money lost to missed opportunity as the stock market compounded at 9% per year over the past 90+ years would far outweigh the amount lost in the last month and a half. Just as we did in 2000 and 2008, we are very cautiously moving forward:

1. **Asset Allocation** – We are reviewing your asset allocation and reaching out to clients on a 1:1 basis. Each client's situation is unique, and your plan was designed to guard against risks – even ones like this. We are very pleased with the performance of our clients' multi-asset class accounts. Depending on your evolving situation, rebalancing could make sense just as it did in 2008.

2. **Core Equities** – The range of future outcomes is very wide. We are estimating the fair value of businesses assuming a very steep recession and a slow recovery. This could easily prove too conservative, and we hope it does. Fortunately, even with these assumptions, we are finding many high-quality businesses well worth owning for the next 5 years.

3. **Fixed Income** – Despite pockets of price volatility this quarter, our conviction in the credit quality of the bonds held in our clients' bond portfolios is unchanged, and we do not have material concerns about the ability of our debtors to return clients' principal in full.

4. **Opportunistic Alternatives** – We have been very pleased by the performance of our alternatives during this period. Please speak with your advisors regarding your specific allocations.

As always, and especially during this time, we appreciate the faith that you, our partners, have placed in us to manage your capital on a long-term basis. Your patient capital and shared long-term time horizon provide a tremendous advantage as we execute our investment strategy on your behalf. Managing your money is an enormous responsibility and we hope you take comfort in the fact that we are doing the exact same thing with our own money as we do with yours.

As in previous periods of stress, we will learn lessons and we will manage through it.

Best wishes for good health!

No greed, only fear.
No optimism, only pessimism.
No risk tolerance, only risk aversion.
No ability to see positives, only negatives.
No willingness to interpret things positively, only negatively.
No ability to imagine good outcomes, only bad.

| HOWARD MARKS, "MASTERING THE MARKET CYCLE"

INVESTING THROUGH THE DOWNTURN

Less than a month and a half ago markets were at a record high, as healthy data on the US economy signaled continued growth on the horizon. Then, as the novel coronavirus SARS-CoV-2 made its way from China to continental Europe and the United States, markets went into a tailspin, suffering one of the fastest declines on record. The last several weeks have been characterized by extreme volatility. Investors who previously seemed to have trouble thinking of a negative catalyst with a serious likelihood of materializing were suddenly confronted with an unimaginable catalyst that is here and terrifying.

In the world of investing, perception often swings from 'flawless' to 'hopeless.' Coming off one of the worst quarterly performances in the history of the equity markets, it is easy to take a pessimistic view of what may be in store for the future and conclude that things are "hopeless." Unfortunately, most humans are wired to extrapolate current conditions endlessly into the future.

We, however, attempt to approach all the doom and gloom with a sense of measured confidence borne from our investment experience. Ultimately, stock prices converge to business values, and we think it's very unlikely that today's prices for most securities reflect the underlying values of the businesses they represent.

Some might ask: "but, couldn't the market fall further?" Yes, it could, but we don't think that's necessarily the right question. The legendary investor Sir John Templeton always said he tried to buy at the point of maximum pessimism, but he never knew when that was. We are never sure of that either, but we believe the correct question for the current environment is this: "Has the retreat in stocks caused certain securities to be priced where the odds are skewed more favorably towards a positive outcome than to a negative one over a reasonably long time horizon?" We believe the answer to that question for many businesses is yes.

We are of the belief that the recession the United States is almost certainly already in could be long and deep, but we also believe that stock prices may have already discounted the worst of the economic decline. We cannot say with certainty whether the final low of this bear market has yet been seen, but we are also of the belief that the stock market is likely to be significantly higher in several years' time. These statements may seem at odds with each other. We think it's fine to have these conflicting beliefs, because two opposing things can be true at the same time.

We wrote the passage below in the midst of the financial crisis in early 2009 and believe the sentiment applies equally as well today.

> Throughout the years, we've witnessed that large gaps between fundamental value and market prices close over time. The time can be as short as a couple of quarters or as long as a couple of years. We know that market volatility will continue to run high in a continuation of the age-old showdown between greed and fear. We also know that if you view stocks as blips on a screen, you will be led astray. But if you regard stocks as units of ownership in a business, you will maintain proper perspective. This clarity of thought is particularly necessary in times of extreme market fluctuations.
>
> "We have suffered mark-to-market losses in the short-term, understanding the near-term economic challenges to a number of businesses, in order to be long-term owners rewarded for the competitive strength of our holdings over the next several years. When the dust settles, we believe very little, if any, capital will be lost on a permanent basis. We don't think we could make this claim if we were selling these same companies at prices below what we feel they're worth solely on the hope that we could jump back in again at some further discounted level. We'd be forsaking logic for hope and that doesn't strike us as a reasonable tradeoff.

We cannot, nor will we attempt to, predict the timing of when stock prices will begin climbing in earnest. Don't be disappointed or surprised if it doesn't occur instantaneously. There will not be a single event or a water-shed moment to which one will be able to identify as the turning point. Instead, at some indeterminate point in the future, we will look back and realize that the opportunities we thought were being served up by a fearful market were authentic.

As we do in every market environment, we continue to seek out high-quality businesses that we can buy at a significant discount to our estimate of fair value. We are prepared for the possibility that every decision we make today will look wrong tomorrow, as we have no idea how long this market decline will continue. It's a difficult paradigm to embrace; however, we believe these decisions are more than prudent using a multi-year time horizon.

The value of an investment, of course, derives not from what the market opines at a point in time, but from the cash flow that a company or asset is reasonably expected to generate in the future and the reliability of that cash flow. While the near-term cash flows of most businesses will be impaired due to the mandated shutdown of large parts of the global economy, most of the present value of a business resides in the future cash flows beyond year one or two. The price of a company's shares is, by contrast, an ephemeral blip on a screen indicating only where the supply of shares offered for sale meets immediate demand. Short-term market gyrations matter little unless one wishes – or is forced – to transact.

We have engaged in a great deal of activity in our clients' portfolios during this past quarter, and we are not buying blindly. We are only buying after conservative (perhaps overly) valuation of the expected returns if the economy and earnings return to a semblance of normalcy within a few years. Think about that statement for a second with particular attention to the phrase "within a few years." Are you willing to bet that this is unlikely? Do you believe that the world will be a completely different place three years from now than what it was in February of 2020? As we continue to learn more about this virus, it seems unlikely that it will fundamentally and permanently change life as we know it, make the world of the future unrecognizable, or decimate businesses forever.

Our opinion on the duration and magnitude of the economic decline caused by the coronavirus is no more likely to be accurate than what you hear or read in the media. Our expertise is in valuing businesses, and we have the historical perspective of how stock market prices and long-term business values can sometimes radically diverge. It is easy to look at the current decline as a curse, but looking out, we expect to find that this sell-off provided the opportunity to add to existing positions at lower prices and to add new, high-quality companies to our clients' portfolios at attractive prices. The stock market rewards investors who are long-term oriented and patient.

Like Mr. Templeton, we are long-term optimists, a trait we believe is shared by all the best investors throughout time. Even so, we layer on an additional level of conservatism in our thinking. We have a deep investment team who is experienced and practiced at valuing businesses. This disciplined approach helps us identify opportunities during times of crisis and increased volatility.

As famed investor Shelby Davis observed: "You make most of your money in a bear market; you just don't realize it at the time."

COPING WITH UNCERTAINTY

> *...be aware that the market does not turn when it sees light at the end of the tunnel. It turns when all looks black, but just a subtle shade less black than the day before.*
>
> | Jeremy Grantham, Chairman GMO

The one thing Wall Street hates more than anything is not bad news but uncertainty. And you could reasonably conclude that we are at "peak uncertainty". The coronavirus' impact on the economy and profits is difficult to quantify, and investors, fearing the worst, price a market based only on their nastiest nightmares. But the psychology is almost always worse than the fact.

There is no doubt that this is an extremely confusing time for investors. For those with a short time horizon, not much is obvious in the equity markets these days. Emotion, not logic, is driving most investment decisions. However, there are a number of things that seem somewhat obvious when viewed through a long-term lens. Is it obvious this pandemic will end? Is it obvious we will not be shut in our houses forever? Is it obvious that we will go back to work, have dinner with friends, and enjoy a live sporting event, concert, or a movie at some point? Is it obvious that the American consumer will ultimately spend sufficiently to keep the economy moving forward long-term? Is it obvious that the U.S. economy, already the most productive in the world, will get even more productive and will adapt and grow? Is it obvious that stock prices will be higher at some point in the future than they are now?

We think the answers to all of these are emphatically, "Yes!" We know it's not that simple and uncertainty as to where things unfold from here is high. Yet, perhaps the greatest reason for hope at the present is that all hope seems to have been lost. When expectations are at the point where there are no expectations that anything good can happen, it's usually the right environment for creating opportunities for profit.

In the current environment, it's almost as if one's thoughts and perceptions are prone to match the volatility of the prevailing market conditions. Or is it the volatility of the markets that drives the thoughts and perceptions? Panic is never permanent, and as the virus response ramps up, sentiment will turn higher as well. Every day we learn more. Every day we make progress. This too shall pass.

We don't believe that selling into frenetic declines has ever been a sound strategy. Human nature instills an instinct to "don't just stand there, do something" when confronted with events beyond your control. We think selling a business for much less than we believe it is worth is somewhat detestable and therefore our stance of "just stand there, do nothing" is the best course of action. In actuality, we did more than nothing as we added several new positions to the portfolios and added to many existing holdings.

We have experienced and studied markets like this before (e.g. 1974, 1982, 1987, 1990, 1998, 2002, and 2008) when it seemed hard to imagine stocks could ever go up again. Scares and uncertainties continually crop up in financial markets, but those are the kind of environments that have presented great opportunities for investors willing to look beyond the near-term crises. Uncertainty has always been a prime factor contributing to securities being available at a discount. We believe there is merit, then, in remaining invested and continuing to enter new investments before such uncertainties, and presumably the discounts, disappear. We don't know when the panic will completely subside, but stocks have a way of bottoming long before all the uncertainties are removed.

MARKET AND PERFORMANCE SUMMARY

For the first quarter of 2020, the Kovitz Equity Composite[1] (the "Composite") decreased by 27.7%. During the same time frame, the S&P 500 decreased 19.6% and the Russell 1000 Value Index declined 26.7%.

Starting with the obvious, we are disappointed to be trailing the S&P 500 by approximately 8% during the first meaningful decline in quite some time. Our process is designed to buy good businesses at attractive prices that provide downside protection should our estimates prove too optimistic. This process is colloquially known as "value investing." Importantly, it has been the most successfully repeatable style of investing through time, primarily because of its ability to limit the permanent loss of capital.

[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.

In many ways, the events of the last quarter are what we, and the broader value investing community, have been waiting for. For several years, we resisted the urge to buy expensively-priced companies and we watched as the most expensive stocks continued to post the best results. This was at odds with the last 100 years of data. However, we assumed – along with many others – that the arrival of a bear market would bring with it a decline in valuations for the most expensively priced stocks that would more than make up for the perceived lack of economic sensitivity. Further, by owning a collection of good businesses at attractive prices, we anticipated we would be insulated from the worst of the bear market. While owning good businesses at attractive prices does not guarantee outperformance during a bear market, trailing by a noticeable amount is surprising and disappointing.

So why, during a bear market, are both value investing and our implementation of it underperforming the benchmark?

Unfortunately, the answer is that this bear market has nothing to do with valuations.

This particular market decline began with the origination of the now well-known COVID-19 virus. At first, it seemed China and a number of other Asian countries took aggressive actions against the outbreak, and it looked like they had successfully minimized the contagion. It appeared that this was just the latest in a series of medical issues over the last few decades that ended up impacting China and Southeast Asia without spreading to the rest of the world in any meaningful way. Obviously, in hindsight, that was incorrect.

As the virus jumped borders and Western governments struggled to recognize and respond to the threat, it became clear this was a global pandemic the likes of which had not been witnessed since the Spanish Flu of 1918.

We stress test every company we buy for a downside fair value estimate assuming a 2008/2009-type recession or worse. However, until now, we have never contemplated a strong, competitively advantaged business with a long operating history entering a recession that causes **sales** to fall to zero for an extended period. This did not happen during the 2008 Financial Crisis. This did not happen during previous pandemics. This did not even happen during the Great Depression. During severe recessions of the past, it's not unheard of for sales to fall sharply. Companies lose money, i.e. profits, regularly. But even a dying restaurant destined for bankruptcy has at least 1 customer over a 3-month period. Revenue is not zero. And yet, zero revenue is what is happening now.

Our mistake was not correctly predicting the world would choose to shut down large portions of the global economy to defeat the virus. At the time, predicting this – a dire outcome that has never once happened – seemed akin to panicking-. Given our lens of economic history, it seemed like a very low probability event. As events unfolded, it seemed assuming a one-month closure and then reopening akin to China was a conservative assumption. Again, events unfolded rapidly and in a different direction.

This brings us full circle to the first quarter results. We have often said, and believe it to be true mathematically, that the price you pay for an asset is the single largest determinant of the expected future return, *and the risk assumed to earn that return*. However, that sentence now needs an addendum. In a scenario where there is zero revenue for an extended period of time, the original price paid is not the margin of safety. Earnings simply matter little. What does matter is whether or not the balance sheet has any debt.

Notice we did not ask, does the business have lots of debt? We asked *any* debt? The reason for this can be best exemplified by looking at Expedia, the well-known travel website and a current portfolio holding. The business has a long operating history. Entering the pandemic, Expedia had just reported 2019 financial results that included the generation of approximately $1.6bn in free cash flow for the year. They also entered the year with $4.9bn of debt and $3.8bn of cash. Net, that equates to debt of $1.1bn – less than one times the amount of free cash flow they could produce in one year. That would generally be considered a high-quality balance sheet that some would have previously argued is even *underleveraged*. Revenue fell just shy of 7% in 2009. We assumed way worse. However, *any* debt, against zero revenue, is currently being viewed as too much.

This phenomenon has played out rapidly throughout the stock market. Companies with net-cash balance sheets or that are likely to only be marginally impacted by the recession (think grocery stores) have dramatically outperformed. This relative performance has had very little to do with the starting valuations, and unfortunately therefore does not fit into the lens the investment community is used to looking through. We suspect valuation will matter in many future bear markets, it just doesn't this time.

All that said, why has the S&P 500 so thoroughly beaten almost every widely diversified index, as well as nearly every active manager? Over the last 5 years, the S&P 500 has become incredibly concentrated. It has gotten to the point where we are beginning to view the index as an actively managed fund we are competing against. The top 5 holdings equal 19% of the index. The top 10 are 26%. By comparison, the bottom 385 holdings make up just 26%.

Further, this concentration is in relatively expensive companies – but those that happen to have pristine balance sheets and indomitable businesses. This dynamic is summed up nicely by comparing the result of the S&P 500, where members are weighted by market capitalization, to that of the S&P 500 Equal Weighted Index, where the same constituents of the S&P 500 are weighted equally, regardless of market capitalization: The S&P 500 declined 19.6% while the S&P 500 Equal Weighted Index declined 26.5%.

Index Holdings Concentration		
	S&P 500	Equal Weight S&P 500
Top 5 Holdings (%)	19%	1%
Top 10 Holdings (%)	26%	2%
Bottom 385 Holdings (%)	26%	77%
YTD Return (%)	-19.6%	-26.5%

All of which brings us to today. We own a portfolio of very good businesses. Amazingly, we believe they will survive the current recession even assuming many months of zero revenue, and, in most cases, are likely to emerge from this pandemic better positioned versus their competition on the other side. We believe the current environment is a moment of extreme dislocation between the values of these businesses and their underlying cash flows. If we can stretch our time horizon to five years, we believe right now is an opportunity to earn excellent returns produced by exceptionally safe businesses. While we don't like the unexpected volatility, we believe we will be well compensated for it.

The chart below summarizes annualized performance over various standard time periods ending March 31, 2020 and cumulative performance results from January 1, 1997 through March 31, 2020 for the Composite.

KOVITZ CORE EQUITY COMPOSITE[1]
ANNUALIZED AND CUMULATIVE EQUITY PERFORMANCE (NET OF FEES)

Average Annual Total Returns							Cumulative
	1 Year	3 Year	5 Year	10 Year	20 Year	Since Inception (1/1/97)	Since Inception (1/1/97)
Core Equity Composite	-19.0%	-3.0%	0.7%	6.7%	5.1%	8.8%	607%

[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.

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
	1 Year	3 Year	5 Year	10 Year	20 Year	Since Inception (1/1/97)	Since Inception (1/1/97)
S&P 500	-7.0%	5.1%	6.7%	10.5%	4.8%	7.5%	441%
Large Cap Value (Russell 1000 Value)	-17.2%	-2.2%	1.9%	7.7%	5.4%	7.0%	379%
Small Cap Equity (Russell 2000)	-24.0%	-4.6%	-0.2%	6.9%	5.3%	6.5%	333%
International Developed (MSCI EAFE)	-14.4%	-1.8%	-0.6%	2.7%	2.0%	3.6%	130%
International Emerging (MSCI EEM)	-17.7%	-1.6%	-0.4%	0.7%	5.1%	4.9%	204%
Gold	22.2%	7.7%	5.4%	3.0%	8.4%	6.1%	298%
Commodities (CRB)	-32.5%	-11.6%	-9.5%	-7.2%	-0.1%	0.1%	2%

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 area between represents the Composite's excess return over the benchmark.

Since inception on January 1, 1997, our investors' equity capital has compounded at a rate of 8.8% annually, versus 7.5% annually for the S&P 500. The Composite's total return since inception is 607%, versus 441% for the S&P 500. The outperformance on an annual basis may not seem that significant; however, the extraordinary power of compounding is such that this relative outperformance over 23 and a quarter years has generated considerable rewards for our clients. In dollar terms, $1 million invested in the Composite at inception would now be worth $7.1 million at March 31, 2020. By comparison, a similar investment in the S&P 500 would now be worth $5.4 million. In other words, an investment with Kovitz would now be worth about 31% more than if one had simply invested in an index fund that tracked the S&P 500.

KOVITZ DIFFERENCE
GROWTH OF $1 MILLION INVESTMENT

PORTFOLIO ACTIVITY

> *"Only egotists or fools try to pick tops and bottoms, which one are you?"*
>
> | Barton Biggs, "Hedgehogging"

> *"Some people say they want to wait for a clearer view of the future. When the future is again clear, present bargains will have vanished. In fact, does anyone think that today's prices will prevail once full confidence has been restored?"*
>
> | Dean Witter, May 1932

Given the turmoil caused by the coronavirus, we were active market participants during the quarter. We've consistently driven home the message that we typically use market dislocations as opportunities to upgrade the overall quality of our portfolio. This time is no different.

We are utilizing the same approach we have always used – a valuation framework that focuses on the long-term fundamentals and minimizing the odds of a permanent loss of capital. We have been using the volatility to upgrade both the quality of the portfolio and the expected return profile. One of the identifiable themes to our recent activity is maintaining or initiating positions in exceptional businesses that we believe will weather any coronavirus-related macroeconomic downturn quite well and emerge stronger on the other side due to the possession of one or more competitive advantages. New additions to the portfolio are discussed below. We have also maintained or increased several current positions in quality businesses that may experience near-term cash flow constraints due to the coronavirus, but we believe will endure and offer significant upside as the current challenges abate.

AUTODESK (ADSK)

Autodesk provides design software for architects, manufacturers, engineers, and digital media creators. AutoDesk's products can be thought of as the Microsoft Office of the 'Design & Build' world. Their software packages are responsible for the architectural work behind the design and construction of buildings, the Computer Aided Design (CAD)/ Computer Aided Manufacturing (CAM) software used by almost every major manufacturing company (not to mention many of the smaller manufacturing firms), and the CGI effects used in Hollywood (every Oscar for special effects in the last 20 years was given to a film that used AutoDesk software). Like many other Software-as-a-Service (SaaS) businesses, the revenue base is contractually recurring and has an extremely high 92% gross profit margin.

For the last few years, AutoDesk has been in the basket of growth stocks that we never thought we would have a chance to purchase at a reasonable price. The recent volatility, however, has brought the price down to where we think this high-quality franchise is selling at a substantial discount to a conservative valuation of its business.

AMAZON (AMZN)

Amazon likely represents the stock we have wrestled most with over the years. At first, valuing it was near impossible in our opinion. An investor had to make a series of difficult assumptions well into the future, including a prolonged decade of sales growth, profitability margins turning significantly positive vs. perpetual declines, developing new business lines that hadn't been dreamt up yet, and continued access to nearly free and unlimited capital. Ex-ante, while costly, not buying Amazon during that time frame was most likely the correct decision.

Despite years of negative cash flow, the bull case came to pass. It will likely go down as one of the great hypothetical business debates: What would have happened if equity markets had required Amazon to be profitable?

Regardless, the market did not require it and Jeff Bezos and team used that tremendous advantage to dominate and devastate multiple lines of business. As it stands today, a consistent theme of our research on other companies is to ask how likely it is Amazon will disrupt them. It is hard to find a historical precedent.

Over the last several years, analyzing the company has become easier. While still challenging given the different business lines and purposeful depression of current profitability to focus on investment, the business currently generates substantial free cash flow.

With the free cash flow generation coming to pass, the debate essentially shifted to, what is the business worth? What is a fair multiple? Having spent considerable time pricing the business and debating the topic, we believe at present, Amazon is trading at a price that can deliver low double-digit rates of return. In other words, it is marginally cheap. Marginally cheap for one of the 10 most dominant businesses in the world is attractive in our opinion.

Believe us, we are well aware of how uncomfortable it is to be both a fundamental value investor and an owner of Amazon. That said, we believe our advantage is in being business analysts. What is the business likely worth if sold in its entirety today? What is the likely range of outcomes in 5 years? When valuing businesses, there are cases where a historically high multiple is optically expensive but actually attractive. We believe that is the case here. Remember, the history of multiples should be read with the corresponding interest rates underpinning them.

BECTON DICKINSON (BDX)

Becton Dickinson is one of a handful of premier global medical technology businesses that serves nearly every facet of the medical supply chain. Its largest business unit is focused on medication delivery and management through devices such as catheters, pumps, and injection systems. Importantly, many of these items are the staples of the healthcare world and are consumed on a regular basis creating a steady demand for their product. The two other segments, Life Science and Interventional, are focused on supporting infectious disease science and surgery.

In February, Becton's stock price suffered as the FDA announced that Becton must halt sales of their widely popular Alaris pump and submit a new filing for re-approval. While we respect that this is a serious issue, it is noteworthy that the contention between Becton and the FDA surrounds procedures for software verification on a device with nearly 10 years of successful implementation. Importantly, Alaris only represents roughly 2% of revenue and the temporary loss of this business does not put the rest of the franchise at risk. Compounding the issue since February are growing fears that elective surgeries will be pushed out into the future as the healthcare system battles with Covid-19.

These issues are very real for Becton, but we think that it is only a matter of time until the leading pump system is back on the market and elective procedures will be rescheduled. At our purchase price, we believe we are paying an attractive multiple for a steadily growing medical franchise that is integral to the global healthcare delivery network.

CHARTER COMMUNICATIONS (CHTR)

Charter operates the second largest cable and broadband network in the United States. For a long time, the market and us, frankly, have been worried about the acceleration of cord cutting denting the economics of the business. As has been proven out during the last few quarters, this concern has been unfounded. While cable subscriptions are still important, more customers are replacing the cable/satellite bundle with high speed broadband subscriptions. These broadband-only subscriptions actually drop more dollars to the bottom line than the traditional bundle due to the fact that they are cheaper to serve (e.g. no truck roll/technician needed for a customer to setup a modem) and no programing costs back to the cable channels (who have historically increased their rates at high levels). As time moves on, we believe the secular trend of increasing data usage per household will hold for a very long time, increasing our confidence that there is a lot of runway left for profits to grow even faster.

Moreover, we love the idea of partnering with CEO/Chairman Thomas Rutledge (likely the premier operator in the cable space) and a 25% ownership stake by Liberty Media (controlled by John Malone, one of the few public company CEOs to have a better return track record than Warren Buffett).

HASBRO (HAS)

Hasbro is primarily a toy and game manufacturer with household franchises such as Transformers, Nerf, Play-Doh, Monopoly, Power Rangers and many others. The company also exclusively licenses Disney's primary brands, including Marvel, Star Wars, and Disney Princesses/Frozen, and Sesame Street to develop toys and games. An additional – and growing – component of Hasbro's business is the production of media and digital games and product licensing involving the company's owned brands. This line of business was further enhanced with the recent acquisition of Entertainment One, a UK-based content producer with owned brands including Peppa Pig and P.J. Masks (if you're not familiar with these, ask someone who currently has young kids).

We are attracted to the business because the toy industry has typically possessed a consumer staple-like resistance to economic downturns (e.g. most parents would make sacrifices in other aspects of their lives in order to make sure there are still toys under the tree at Christmas) and Hasbro has a large stable of evergreen brands. Sales of individual product lines can be volatile from year-to-year, but the aggregate has a long history of stable growth. The strategy of monetizing and enhancing their brands through various digital and media offerings has been proven out and the company has a history of enhancing value through its capital allocation, including making and successfully integrating acquisitions.

Due to early supply disruptions in China, we expect 2020 to be a tough year for Hasbro. On the other side of 2020, we expect Hasbro's collection of brands to be just as resonant with consumers as they are today, and we would expect that earnings and cash flow would recover and grow off the pre-COVID-19 base.

LOCKHEED MARTIN (LMT)

As the world's largest defense contractor, Lockheed Martin is benefiting from increased global military spending, driven by U.S. modernization efforts and geopolitical uncertainty that's spurring demand for its missile defense and munitions systems, as well as expanding space work. Focus remains on the F-35 fighter jet -- its largest program at about 25% of revenue -- as the company accelerates output and improves affordability. Longer-term expectations aren't without risk, given budget uncertainty and intensifying battles for weapons funding, though we view Lockheed as strategically well-positioned.

Although Lockheed's shares have traded down substantially since the market's February peak, we believe the company's revenues are among the least at risk of decreasing in the near- or long-term as a result of the COVID-19 pandemic. It's extremely likely that global demand for defense equipment and systems will remain robust.

MOTOROLA SOLUTIONS (MSI)

Motorola Solutions is a global leader in serving the communications needs of public safety organizations with an estimated 40%+ market share of the $9 billion land mobile radio (LMR) market. Motorola's success has been driven by the sale of mission critical voice devices. Motorola's leading market share reflects the trust that it has built with public safety agencies over decades of service. We believe this elevates Motorola to a preferred position to benefit from an acceleration in the modernization of technology at these agencies.

Motorola's businesses are the backbone of the emergency responder communication network. Importantly, the devices MSI sells see extensive field use, creating a regular replacement cycle (roughly 30% of profits) and are serviced under long-term government contracts that are not very economically sensitive (~60% profits). Moreover, despite advances in alternative technologies (many of which are incorporated in MSI products), there is a reluctance amongst government officials responsible for public health and safety to move away from the only system that has been tested and proven capable in multiple national emergencies (9/11, Katrina, etc.).

Motorola is present in over half of the centers in the U.S., primarily as a dispatch application, but they are positioned to expand its presence into additional applications and play a critical role in their integration. Over time, we expect MSI to use its dominant market share and relationship with municipalities to help upgrade the emergency response networks beyond LMR with command and control software, artificial intelligence, record keeping, and video surveillance. These services will not only drive revenue growth for MSI but have the potential to drastically expand bottom line profits.

NORTHERN TRUST (NTRS)

Northern Trust is a financial services company primarily focused on wealth management. While they are a bank and do make loans (which tend to be above average in terms of credit quality), most of their business is fee-driven. This business, largely comprised of wealth management, investment management, trust services, and other servicing businesses, represents ~72% of their revenue. These fees and associated segments, which tend to be more resilient during economic shocks, have all been taking share from their large-scale peers since the crisis.

Across all our financial holdings we have employed similar stress test analyses as those we used in 2008. The banking system appears to be very well capitalized, and NTRS is no exception. Under severe assumptions, we believe NTRS's balance sheet is secure, and they are highly likely to have materially higher levels of earnings five years from now.

NVR (NVR)

NVR, based on a long history of return on capital invested, is arguably the most successful homebuilder in the country. The stock's decline has reduced what was recently an above-market valuation to less than 10x earnings. We believe this implies a market view that NVR is done growing forever. We understand the homebuilding industry is likely to see demand shrink for the next several months, and possibly longer, but NVR's dominant local market share and land-light model should serve them well through this period.

Most homebuilders buy large plots of land, build homes, and then look to sell them for a profit. NVR differs in that it buys options on vacant lots. While this might not seem like a big distinction, it makes a huge difference in terms of its risk profile and return on invested capital over time. At present, NVR controls approximately 5-years' worth of lots, but has only fully paid to begin construction on a fraction of them. We think paying a low valuation for a high return-on-capital business with net cash on the balance sheet and a management team that has demonstrated an excellent investment track record is highly attractive.

Below are selected updates on several current portfolio holdings that have seen significant share price declines and why we remain confident in their future.

WALT DISNEY (DIS)

Disney is perhaps the most well-known consumer and media global brand in the world. It has a unique asset in its parks business – one of the few 100-year assets in the world. In ESPN, it has a premier franchise focused on live-action sports, which are not prone to time-shifting. Most important, it has a long history of successfully creating and acquiring a deep and expanding library of content. In a world where distribution expands – which is what's happening – content is the one thing that's unique and has scarcity value. Disney's movie studio production units, including Pixar, Marvel, and Lucasfilm (Star Wars), generate market leading box office returns.

The company is also in an ideal position to prosper in a direct-to-consumer world. We think that's evidenced by the early success of Disney+, which has a long growth runway ahead. Interestingly, as the world begins to experiment with straight-to-digital release of movies, thereby skipping the theatrical release, Disney might be the best positioned of their peers to succeed in this new paradigm.

CBRE GROUP (CBRE)

CBRE is the world's largest integrated commercial real estate services business. The company is best known for its brokerage business, but is also the leading provider of outsourced real estate management, the largest commercial developer in North America, and one of the top five global real estate investment managers. During every cycle, there is a dramatic reduction in capital markets activity and office leasing that creates a step down in earnings for a period of time. This is likely to repeat this year, but the long course of history has shown that this activity recovers very quickly as asset owners look to adjust their holdings and companies need to re-lease space (even if they are just staying put).

Perhaps most importantly, going into the last downturn, only about 19% of revenue was tied to contractually recurring sales. At the close of last year, nearly half of their revenue base is now tied to these sources of revenue, which will hold up better in a real estate downturn. With the advantages of being #1 in almost all their core categories, a more resilient revenue profile, and a very strong balance sheet (management reduced leverage purposely over the last few years while some peers took on debt), we believe that CBRE will emerge from this cycle in a strong position.

CARMAX (KMX)

As you are likely aware, CarMax is a longstanding holding for Kovitz. The company is the largest used car dealer in the U.S. and has revolutionized the market with their no-haggle sales process and deep inventory. While any downturn is likely to hurt car sales, we would note that used car sales are much more resilient than new car sales. They only fell about 10% during the 2008 Financial Crisis. Moreover, CarMax has recently begun to introduce their omni-channel strategy to accept trade-ins and deliver cars solely through internet purchases. These efforts, in combination with their strong balance sheet and small share of the market (despite their size, they are still only ~3% of the industry), lead us to believe they will be more than capable of weathering the coming economic downturn and are very likely to come out in an even stronger position.

GILDAN (GIL)

Gildan is a dominant basic textile manufacturer that enjoys a large cost advantage versus its peers. For example, the company sells its products in China at cheaper prices than local competitors and has essentially pushed Berkshire Hathaway-backed Fruit of the Loom out of key competitive categories. While a seemingly commodity-like business, the cash flow returns on capital for Gildan are on par with branded peers such as Nike and Adidas. Even more important, they compete in a sub-segment that is comprised of mainly small operators or highly levered peers, both of which may be hobbled due to the current environment. Additionally, through every past cycle, including the 2008 Financial Crisis, Gildan has only experienced at most nine months of point-of-sale revenue declines. Going into this downturn, this gave us confidence that Gildan could thrive in any scenario that rivaled the last few economic disruptions.

That said, we never contemplated a completely government-mandated stop to activity that has both closed their factories and dented their demand drivers, which include categories like concerts, colleges, corporate events, and sporting events. We have had extensive conversations with management (the founder and CEO is one of the largest shareholders) and the company has the means to survive a complete shutdown of activity for a year. While that prospect is scary, and we still think unlikely, if activity ever comes close to normal over the course of the next 5 years, we believe significant upside exists. If the past is any guide to the future, we would expect GIL to actually take advantage of this situation as they have done during every major downturn since the 90's.

PHILLIP MORRIS INTERNATIONAL (PM)

Phillip Morris is the owner of the leading cigarette brand Marlboro and is focused exclusively on international markets. Like its consumer product peers, Phillip Morris is advantaged due to its dominant brand equity, scale, pricing power, and distribution. In fact, Phillip Morris has among the highest return on capital and return on tangible asset metrics in the Fast-Moving-Consumer-Goods category.

We believe that the combination of Phillip Morris' international exposure, where smoking rates are still much higher than in the U.S., demonstrated industry pricing power, and the most developed reduced-risk products portfolio suggests that the sustainability of its market-leading returns is underappreciated. In fact, Phillip Morris' IQOS reduced-risk product is growing rapidly in many key markets and, thus far, has been successful at converting roughly 70% of its users away from any cigarette usage, while also taking market share from competitors. With a low double-digit P/E multiple, a 6%+ dividend yield, and organic earnings power growth of 8-12%, we find the shares very attractive at current prices.

KOVITZ

FIXED INCOME COMMENTARY
FIRST QUARTER 2020

There is plenty to unpack from this quarter, but the most important item to report is that, at this point, we do not believe the COVID-19 pandemic will trigger defaults within our clients' core fixed income portfolios. We specifically design our bond portfolios with the goal of weathering recessionary environments and to serve as a source of stability amidst widespread uncertainty. Despite pockets of price volatility this quarter, our conviction in the credit quality of the bonds held in our clients' bond portfolios is unchanged, and we do not have material concerns about the ability of our debtors to return clients' principal in full.

PORTFOLIO POSITIONING

The coronavirus is still gaining ground in the US, the economy is destined for a meaningful recession, and the weekly growth in unemployment has been unprecedented. The stress on most businesses and financial assets is immense, and, by many measures, the economy is in uncharted territory. We admit it's tough to have confidence in the safety of many investments in this environment – so why do we believe we're positioned well to protect clients' principal?

The two main fixed income risks we focus on minimizing are credit risk (losing value to defaults) and interest rate risk (losing value to interest rates rising). In its simplest form, we do this by lending client capital to very high-quality borrowers for limited periods of time. This combination provides reassurance while confronting the crisis at hand. Whether the debt is tied to corporations, municipalities, or mortgages, our borrowers are under-leveraged with solid assets and a successful track-record. These types of borrowers have historically found ways to survive duress and have the capacity to obtain new sources of liquidity. This process may not be healthy for a borrowers' long-term financial health, but in the short-term, they've returned our clients' investments.

The municipal debt within clients' portfolios is of the highest credit quality. Almost all of our clients' investments in municipal bonds are either pre-refunded (backed by US Treasuries), rated AAA (the same credit quality as US Treasuries), or rated AA (one notch below US Treasuries) . Defaults within these risk buckets have been miniscule throughout history. We also focus on lending to what we believe to be the most stable revenue sources within those categories: General Obligation and Essential Services bonds . Senior living projects, hospitals, and regional airports are the municipal borrowers suffering most from the coronavirus fallout, and we have avoided exposure to all of these sectors.

The prices on most of our clients' corporate bond holdings have been relatively stable this past quarter, since the decline in yields of benchmark Treasury bonds have been matched proportionally by investors demanding more yield over and above Treasury yields in order to lend to corporate borrowers. That being said, there are vast differences between how coronavirus impacts different industries, which leaves some borrowers in much better shape than others. Revenues from most retail, travel, and oil companies have dried up in a scenario not many could plan for. We believe all the companies to which we've lent client capital in these industries have strong enough balance sheets and sustainable competitive advantages that will allow them to withstand their challenges, and do not believe its advantageous to sell at depressed prices. We continue to diligently monitor our credits most susceptible to being impacted by the coronavirus and will act as necessary.

The housing market will likely suffer from the effects of COVID-19, but we believe our clients' mortgage bonds have sufficient protections in place. Most importantly, we focus on mortgage loans that were issued over 15 years ago to prime borrowers . These borrowers have already made years' worth of timely payments, maintained ownership throughout the last Financial Crisis, and built up substantial equity in their homes (over 60% on average). We do not believe these borrowers are likely to accept foreclosure or bankruptcy as an option in the event of unemployment. We believe downsizing, loan modifications, or tapping into other sources of short-term liquidity are the more likely outcomes. Additionally, we only invest in the senior tranches of mortgage bonds, meaning the subordinated bonds supporting our clients' debt would need to be completely wiped out before our investors could suffer a dollar of loss. We conservatively stress tested every purchase assuming

[1]AAA, AA, A, BBB rated securities are all considered investment grade, scaled from highest credit quality to lowest within the category. BB rated bonds and lower are considered speculative grade, high yield, or junk.

[2] General obligation bonds are backed by the full taxing power of municipalities. Essential service revenue streams are tied projects like water, sewer and electricity.

[3] Prime borrowers have high credit scores and credit files that show a strong history of handling loans responsibly. Prime borrowers are considered lower credit risk than subprime borrowers who have severe blemishes on their credit history.

[4] Bond tranches are portions of mortgage-backed securities split up by risk. Senior tranches have the first lien on the underlying assets and are paid first. Subordinated tranches have a secondary lien and absorb all losses first.

another recession is on the horizon and don't foresee losses being an issue. Mortgage bonds that are most at risk of losses are those collateralized by loans to subprime borrowers, newly issued loans with minimal equity, or subordinated in the capital structure, all of which we avoid.

Our clients also benefit from having direct ownership in individual bonds. During times of distress, the price at which bonds transact deviates, sometimes significantly, from fair value as the sources of bids in the market dry up. This deviation is the bid/ask spread. When holding bonds outright, investors have the autonomy to "ride out the storms" and refuse to liquidate at a disadvantageous time. However, when bonds are owned through a pooled fund structure, such as a mutual fund, liquidations by some can cause losses for all as fund redemptions force bonds to be sold at prices well below fair value.

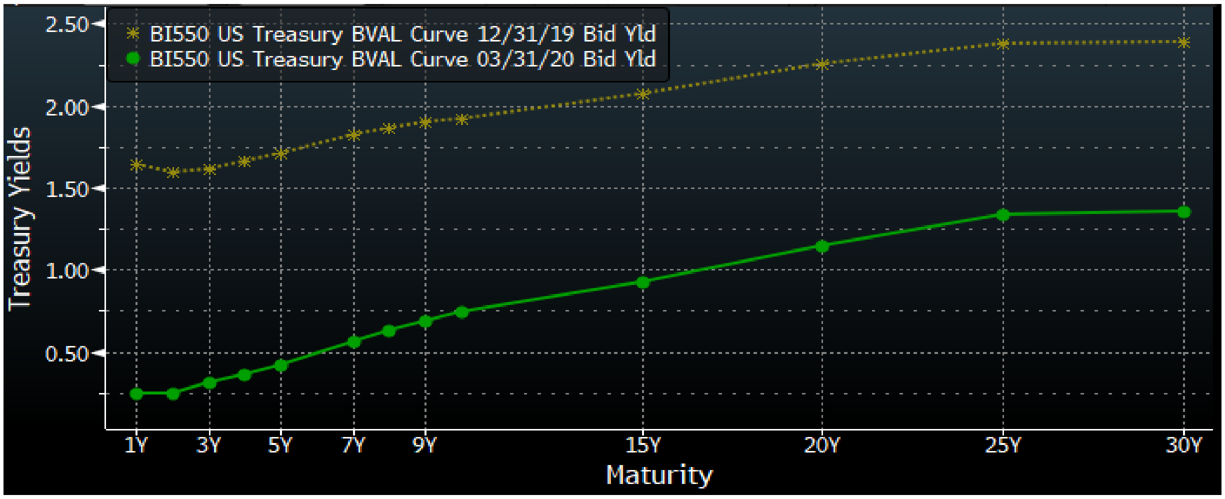
While the inputs for each crisis differ, our strategy of purchasing individual, high-quality bonds with a limited investment duration has historically proven to be an effective means of protecting the value of client bond portfolios during times of market stress. We believe the results will remain the same for our fixed income investors in the current environment.

MARKET OBSERVATIONS

The economic shockwaves from the virus are far-reaching, but the largest implications to fixed income investments are lower interest rates, reduced demand for riskier bonds, and decreased liquidity in bond transactions.

Treasury rates plummet to lowest recorded levels in US history. The increased demand for safe-haven Treasury bonds was driven by a combination of Federal Reserve ("Fed") stimulus and investor fear. The Fed reopened their coffers to inject the economy with monetary stimulus by dropping their target for short-term interest rates to near zero and committing to buy "unlimited" amounts of Treasury and mortgage bonds in attempts to bring down interest rates. Both tools bolster financial markets by lowering borrowing costs and shoring up bank balance sheets with cash.

The widely-quoted ten-year Treasury yield shrank to 0.7% by the end of the quarter from 1.9% on December 31st, and hit an all-time low of



0.3% on March 9th. An investment in thirty-year Treasuries yields 1.4%. If these returns seem paltry, it's likely because interest rates have never been lower since the US government started borrowing over a century ago. Government borrowing costs are relevant to investors because all other fixed income instruments are priced to some degree relative to the yield on Treasuries. Savings accounts and money market funds are tied to short-term Treasuries, so we'd expect their returns to be pulled toward zero. Longer-term corporate bonds are also tied to the Treasury market, but credit risks are a much greater factor in their return expectations in the current market.

Investors have lost their appetite for risk. We dedicated a section of the Winter 2020 Fixed Income Commentary titled "Even junk is expensive" to discuss the excessive risk-taking that was dominating the bond market. At that time, the spread between yields on some high yield

[1]AAA, AA, A, BBB rated securities are all considered investment grade, scaled from highest credit quality to lowest within the category. BB rated bonds and lower are considered speculative grade, high yield, or junk.

[2] General obligation bonds are backed by the full taxing power of municipalities. Essential service revenue streams are tied projects like water, sewer and electricity.

(or junk) bonds and investment-grade bonds had fallen to historically narrow margins – meaning investors weren't demanding much extra compensation to lend to risky borrowers. To us, it seemed fixed income investors had stopped practicing discipline. We didn't have a crystal ball to predict when the market would rationalize, but it did feel like a time to be fearful when others were greedy.

Investors repriced risk fiercely amidst the COVID-19 pandemic. The yield differential between junk bonds and investment-grade bonds have widened to levels not seen since the Financial Crisis in 2009, which has sent the price on risky bonds plummeting. Investors are now highly concerned about the prospects of lending their money to businesses that aren't financially sound. High yield bonds have lost 13% so far in 2020 and the declines have wiped away years' worth of income for high yield bond investors.

For Kovitz fixed income investors, the aversion to risk hasn't impacted investment-grade bonds with a similar magnitude. For reference, investment-grade municipal and corporate bond benchmarks were down 1% and 3%, respectively, this quarter .

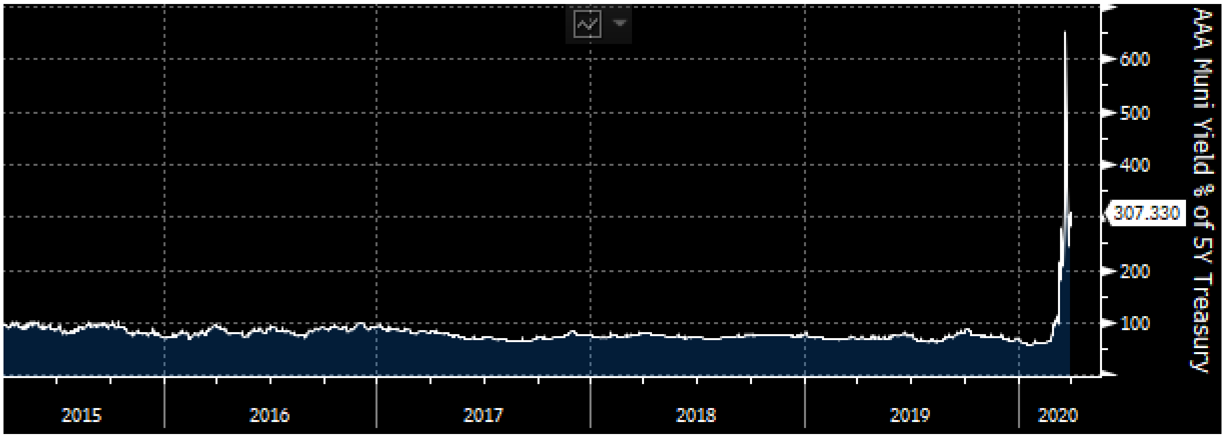
Fixed income liquidity ran dry. Bond fund investors rushed for the exits at the start of the pandemic which left one big question: who was willing to buy what they were selling? Amid the uncertainty, the answer was "not many."

In trading terms, liquidity refers to the ease with which an asset can be converted into cash without affecting its market price. During times of tranquility, market participants tend to balance each other out. Occasionally, when supply and demand become unbalanced, dealer intermediaries utilize their balance sheet to take the other side of transactions. Fixed income transactions can be fluid, especially for investment-grade bonds. This orderly system quickly unraveled when desperate sellers pulled billions from bond funds day after day. The flood of selling swamped any remaining buyers left in the market. Accepting a large price discount was a necessity for those that needed cash.

We, as patient fixed income bidders with a buy-and-hold mentality, welcome market turbulence with open arms. Price dislocations that stem from panicked selling create very valuable buying opportunities.

In the municipal bond market, where we typically compete against a dozen other bidders to buy individual bonds in small quantities referred to as "odd lots," we were frequently the only party willing to provide a bid this quarter. The lack of competition results in our ability to buy bonds for prices well below what we believe is fair value. The situation was even more lucrative in the less liquid markets where we invest, such as non-agency mortgage bonds and structured notes. The lack of forced liquidations within our investor base and willingness to commit new capital during times of distress is a competitive advantage that benefits our clients.

Evidence of the extreme price dislocations this quarter can be found in the yield ratio between AAA-rated municipal bonds and Treasuries. Municipal bond yields are generally less than 100% of the yield on highly liquid Treasuries because municipal bond interest income is federally tax-exempt. Thus, investors in high tax brackets are willing to pay more for the bonds. During the last month and a half, the ratio skyrocketed, at one point reaching above 600% during the peak of the liquidity crunch. Great deals have been abundant in the municipal bond market.



We appreciate your confidence in our investment process and your trust that protecting clients' principal is our primary concern as fixed income investors.

[5] Measured by the Bloomberg Barclays US Corporate High Yield Index.

[6] Measured by the Bloomberg Barclays Intermediate Corporate Index and the Muni 1-10Yr Blend Index.

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)
2010	17.59%	16.17%	15.06%	1.62%	22.07%	21.85%	144	118.4	1,768
2011	2.78%	1.52%	2.11%	1.69%	19.36%	18.70%	154	118.4	1,974
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	4,547

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. Net-of-fees returns are 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. The management fee schedule is as follows: 1.25% per annum on assets up to $5 million with reduced fees at multiple breakpoints thereafter. 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 for the periods January 1, 1997 through December 31, 2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. A complete list of firm composites and performance results is available upon request.

The description of products, services, and performance results contained herein is not an offering or a solicitation of any kind. Past performance is not an indication of future results. Securities investments are subject to risk and may lose value.