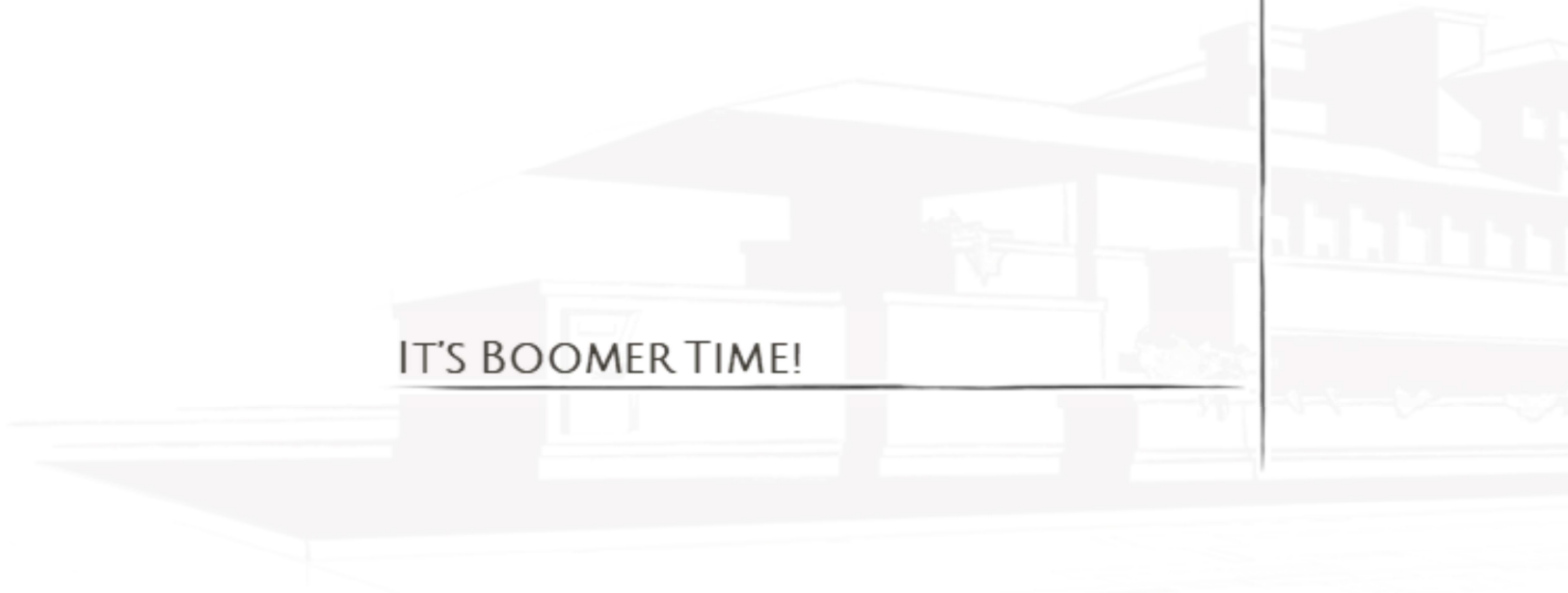




November
2022

IT'S BOOMER TIME!





Let's start with a pop quiz. What do these things have in common?

“Smart companies fail because they do everything right.

They cater to high-margin customers and

ignore the low end of the market,

where disruptive innovations emerge from.”

- *Clayton Christensen*



Each of these wildly successful products was disrupted by another. But what makes them unique – they were disrupted by the same company that produced the original product.

Memory chips accounted for over 90% of Intel’s sales, before the company scrapped the business in favor of processors.

The iPod accounted for ~ 40% of Apple’s sales the year before the iPhone was released.

NFLX famously disrupted its entire DVD-by-mail business, betting the company on an unproven technology.

TABLE OF CONTENTS

10	Tobacco Road
16	The Opportunity
23	The Tobacco GOAT
44	What's It Worth?

Today, I'd like to discuss what we believe is the most significant market regime change in over a decade.

TOBACCO ROAD



Let's take a walk down tobacco road.



Tobacco doesn't have a great reputation.

Despite what these doctors might tell you, cigarettes are bad for you.

Gee, Mommy
you sure enjoy your
Marlboro

Yes, you need
never feel
over-smoked
... that's the
Miracle of
Marlboro!

YOUR CHOICE OF EVERY TYPE • PLAIN ENDS • BEAUTY TYPE 1963

This panel features a baby with a surprised expression against a red background. A speech bubble contains the text 'Gee, Mommy you sure enjoy your Marlboro'. Below, a man's head is shown in profile, looking up at the baby. A pack of Marlboro cigarettes is visible in the bottom right corner.

I should say not! My
Dad would never smoke
anything but a
Marlboro

Yes, you need never
feel **over-smoked**
... that's the
Miracle

YOUR CHOICE OF EVERY TYPE • PLAIN ENDS • BEAUTY TYPE 1963

This panel features a baby with a neutral expression against a blue background. A speech bubble contains the text 'I should say not! My Dad would never smoke anything but a Marlboro'. Below, a man's head is shown in profile, looking up at the baby. A pack of Marlboro cigarettes is visible in the bottom right corner.

You're darn tootin'
my dad smokes
Marlboro
...he knows
a good thing!

Yes, you need
never feel
over-smoked
... that's the
Miracle of
Marlboro!

YOUR CHOICE OF EVERY TYPE • PLAIN ENDS • BEAUTY TYPE 1963

This panel features a baby with a happy expression against a yellow background. A speech bubble contains the text 'You're darn tootin' my dad smokes Marlboro ...he knows a good thing!'. Below, a man's head is shown in profile, looking up at the baby. A pack of Marlboro cigarettes is visible in the bottom right corner.

Gee, Dad, you always get
the best of everything
...even
Marlboro!

Yes, you need
never feel
over-smoked
... that's the
Miracle of
Marlboro!

YOUR CHOICE OF EVERY TYPE • PLAIN ENDS • BEAUTY TYPE 1963

This panel features a baby with a neutral expression against an orange background. A speech bubble contains the text 'Gee, Dad, you always get the best of everything ...even Marlboro!'. Below, a man's head is shown in profile, looking up at the baby. A pack of Marlboro cigarettes is visible in the bottom right corner.

Early advertising campaigns may have been a little suspect.



Little boys were much cooler those days.



So were little girls . . .

THE OPPORTUNITY



So, what's changed?

And why's the sector mispriced?

We believe the relentless selling was driven by two factors.

CRYPTO DECODED

Somebody just paid \$1.3 million for a picture of a rock

PUBLISHED MON, AUG 23 2021 6:17 PM EDT

UPDATED MON, AUG 23 2021 9:37 PM EDT

A decade of speculation has distorted "normal" for an entire generation of investors.



I'll tell you why I like the cigarette business. It cost a penny to make. Sell it for a dollar. It's addictive. And there's a fantastic brand loyalty.

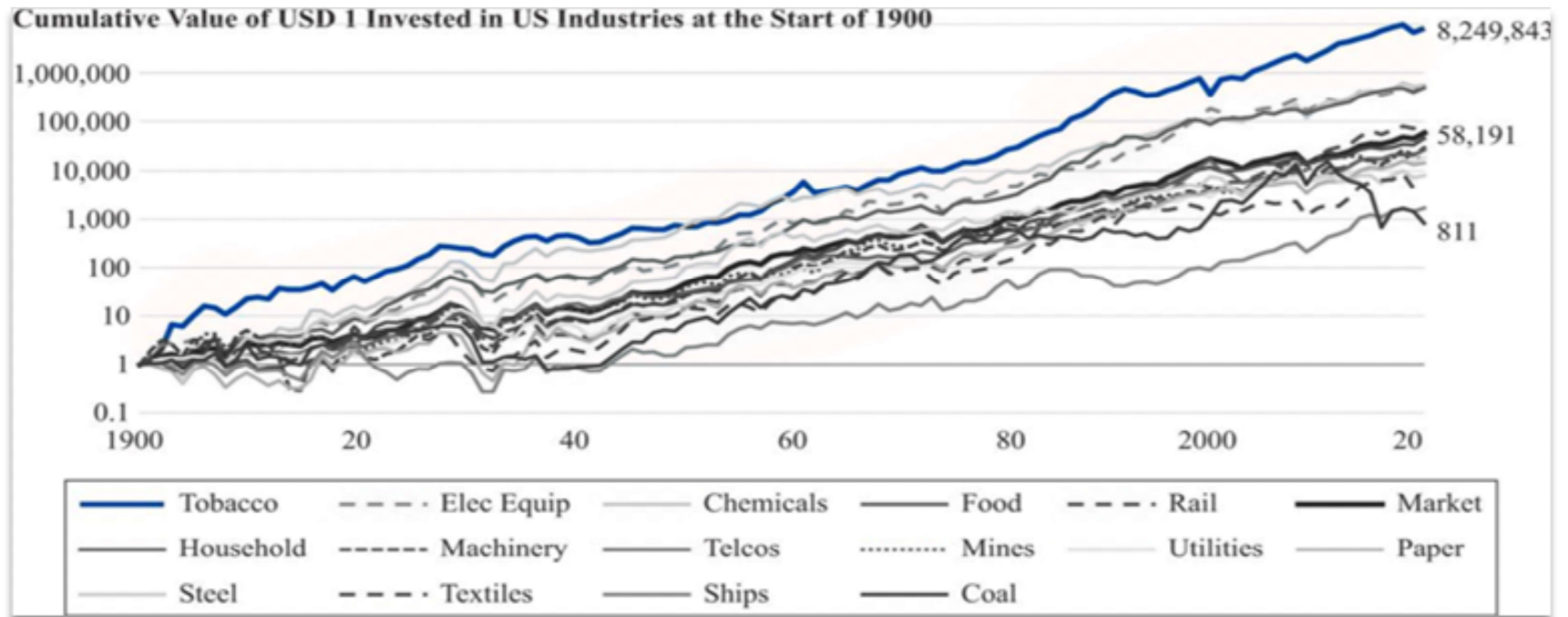
— *Warren Buffett* —

AZ QUOTES

We believe tobacco is extremely well-positioned in a world that's woken up from this fantasy, where profits are again more important than promises. It's a countercyclical business, selling a highly addictive product with tremendous brand loyalty, that prints almost as much cash as the Fed.

PERHAPS THE MOST PROFITABLE INDUSTRY IN HISTORY

A dollar invested in tobacco in 1900 is worth over \$8 million today.



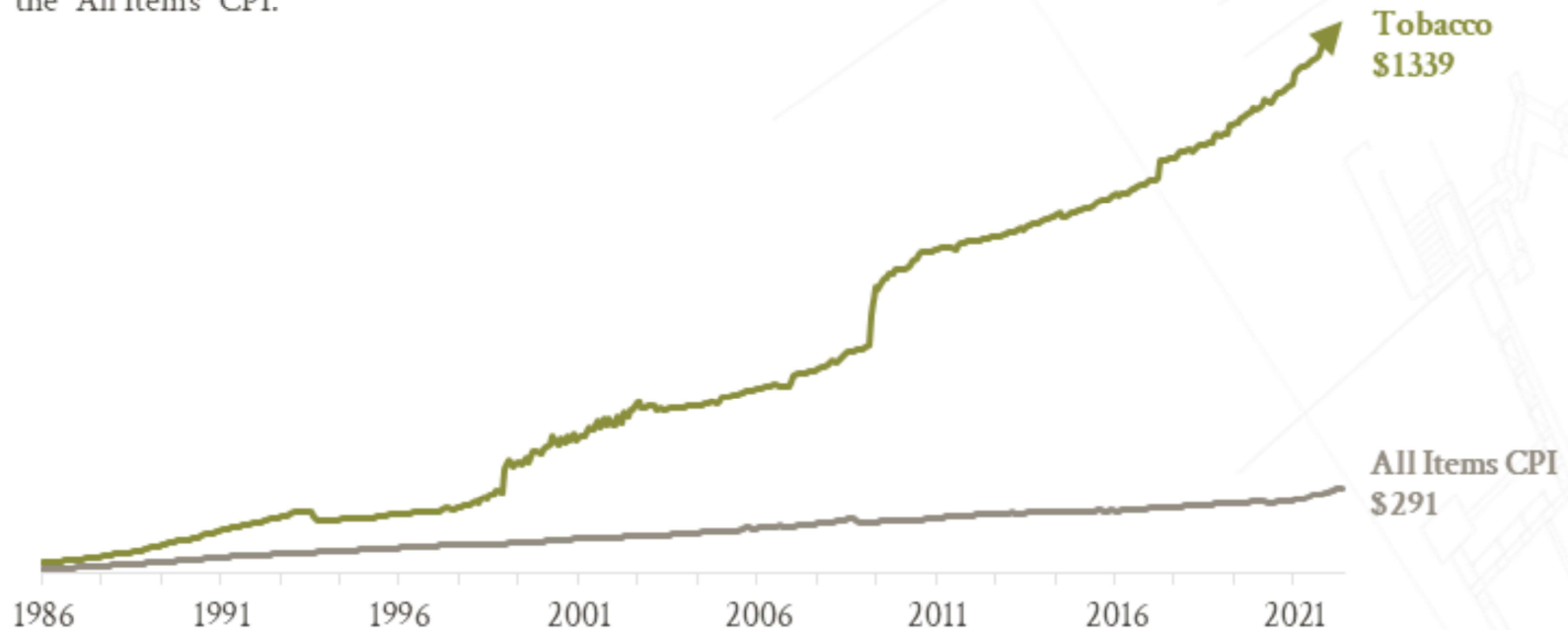
Source: Credit Suisse, historical market data

It may lack the sex appeal of rocket ships or driverless cars but tobacco more than makes up for it in consistency.

That consistency has driven over a century of long-term outperformance.

PRICING (SUPER) POWER DRIVES SUPER MARGINS

The Consumer Price Index for "Tobacco & Smoking Products" has **increased 11-fold** since 1986, relative to a 2.7x gain in the "All Items" CPI.



Source: Federal Reserve Bank of St. Louis, historical market data

Consumer businesses with strong brands and inelastic demand demonstrate tremendous pricing power.

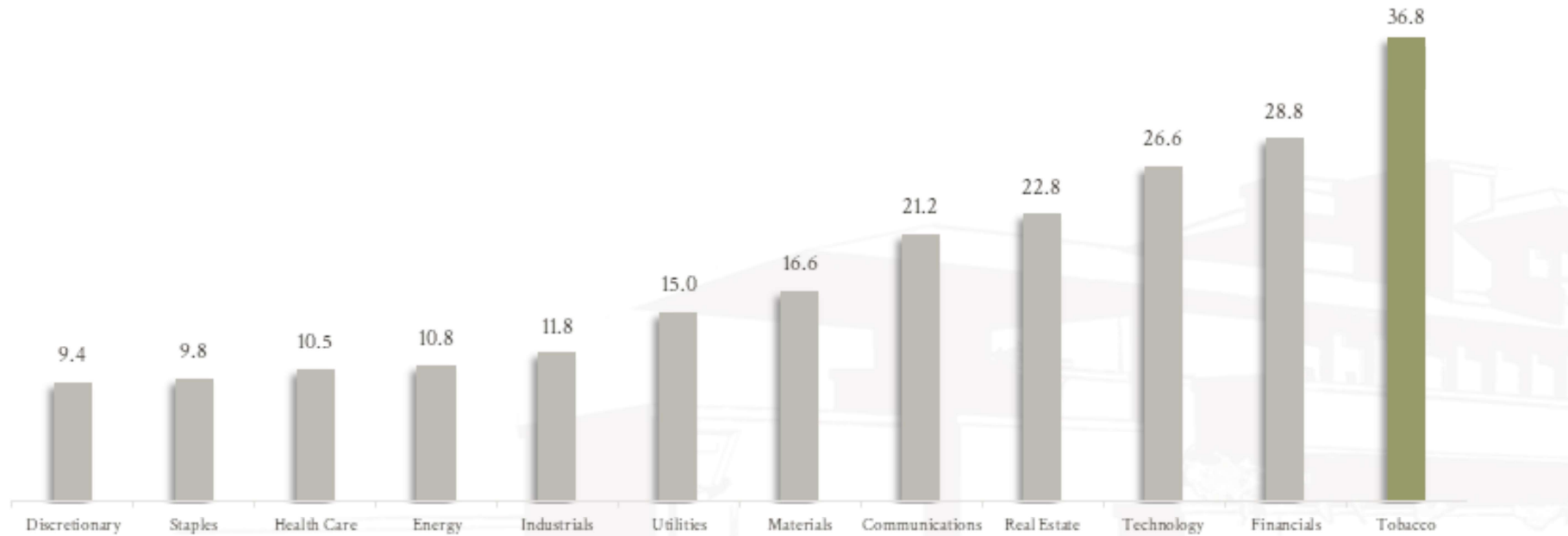
The tobacco industry is perhaps the single best example of this dynamic. Simply put, price is not the primary determinant of choice in tobacco.

If it was, Marlboro wouldn't control the US market.

TOBACCO MARGINS LIGHT UP THE COMPETITION

Robust tech margins pale in comparison to the tobacco sector.

S&P 500 SECTOR OPERATING MARGINS (%)



Source: Bloomberg, market data June 2022

Brand loyalty, pricing power, and highly attractive unit economics generate best-in-class margins.



Greta and her friends are the first factor we'll discuss today.

Bull market millennial mentality has facilitated a furious flow into ESG funds.

Dr Tedros Adhanom Ghebreyesus, Director-General, World Health Organization

“...it makes no sense to fight tobacco and the tobacco industry with one hand, while financing it with the other.”

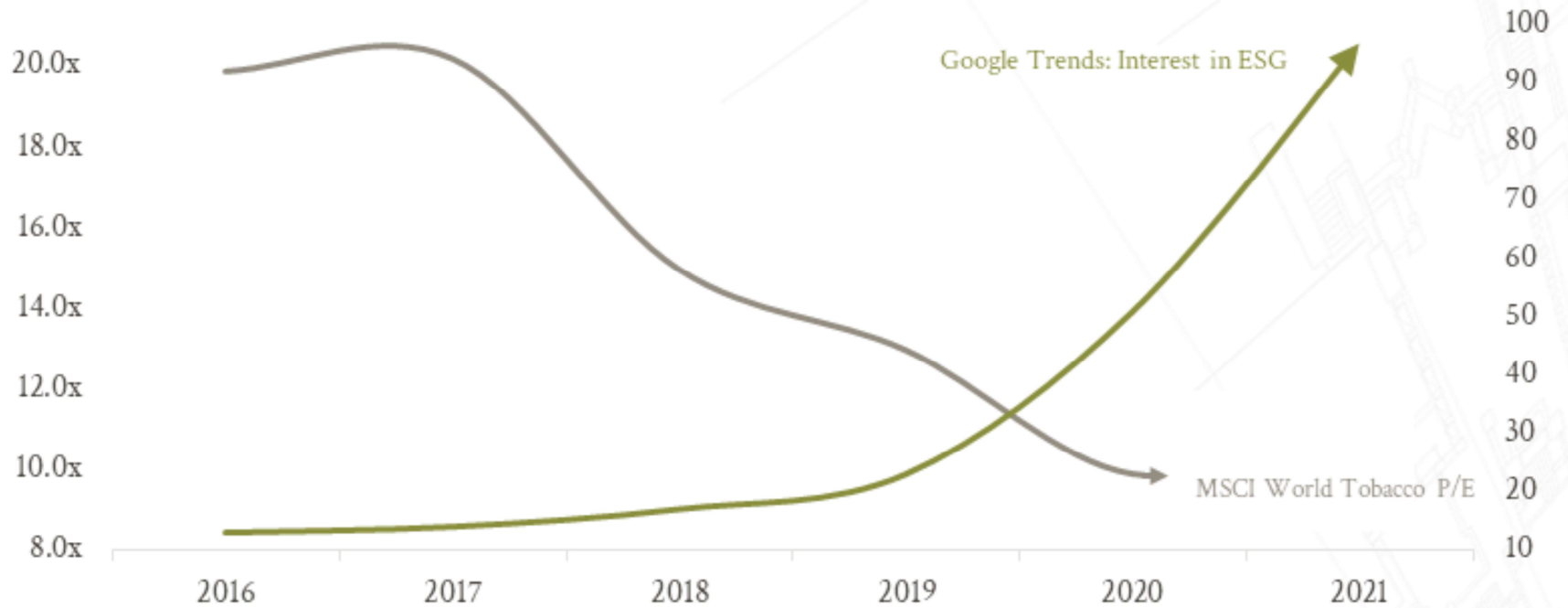
Launch of the Tobacco-Free Finance Pledge, United Nations Headquarters
(September 2018)

Signatures on The Tobacco-Free Finance Pledge represent over \$12 TRILLION in AUM.

The impact is even larger in Europe, where exclusions cover up to a third of assets in the region.

ESG HAS BEEN A HUGE HEADWIND FOR TOBACCO

TOBACCO VALUATIONS HAVE BEEN INVERSELY CORRELATED WITH RISING INTEREST IN ESG



Source: Bloomberg, Google Trends, historical market data

Bottom line: surging interest in ESG alongside surging capital flows into related funds, caused tobacco valuations to plummet.

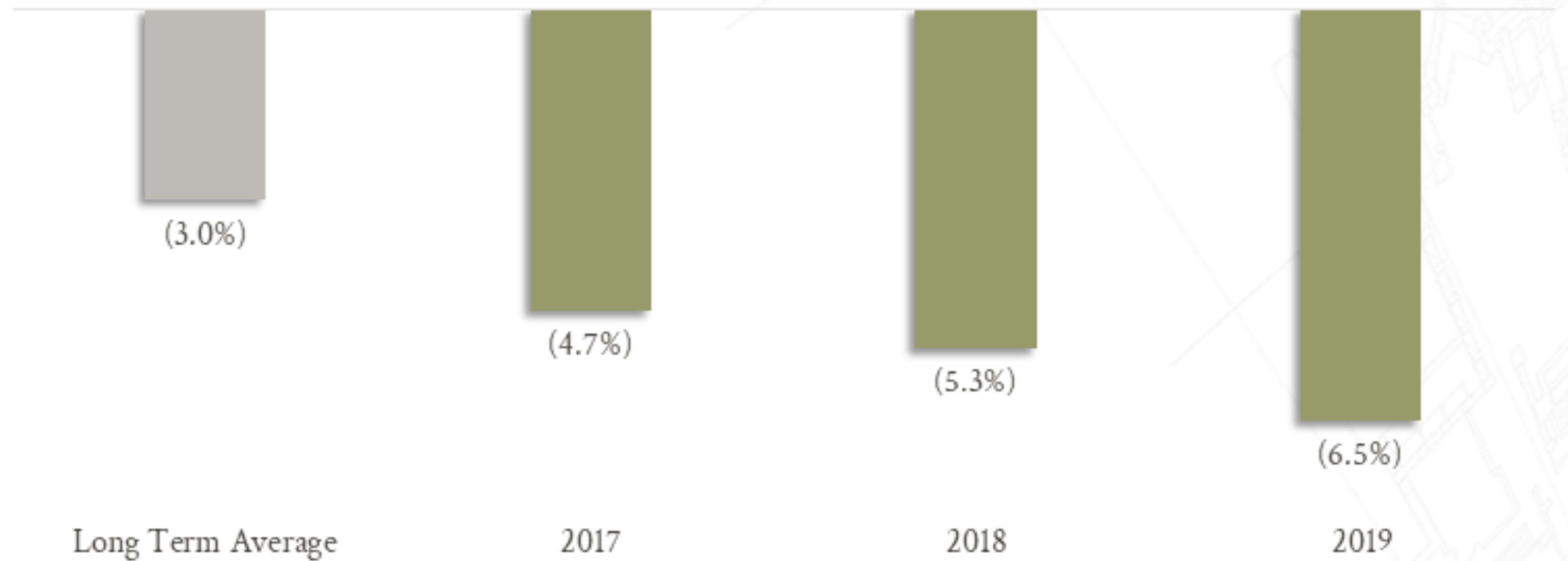


Greta and her friends also played a role in the second factor creating today's opportunity.

VOLUME DECLINES HAVE ACCELERATED IN RECENT YEARS

Vaping and e-cigarettes have accelerated the industry's rate of decline.

US CIGARETTE UNIT SALES GROWTH



Source: US Federal Trade Commission, historical market data, long term is 20Y average.

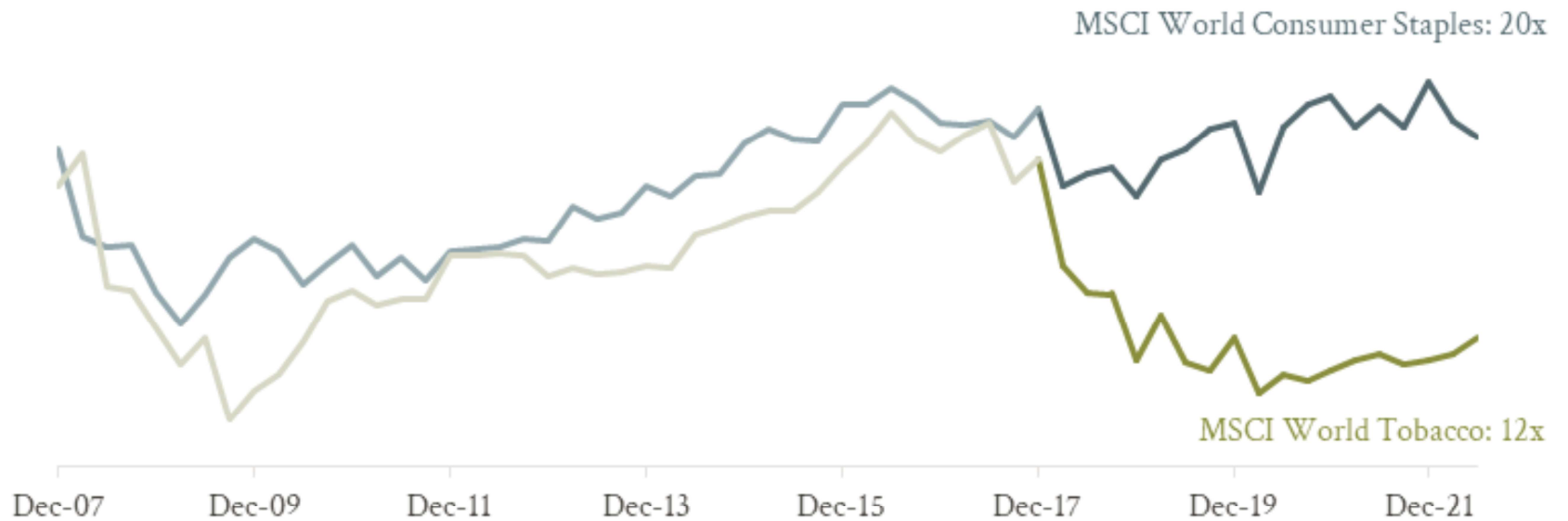
JUUL's growth exploded in 2017.

And with it, the decline in tobacco volumes accelerated.

VALUATIONS DECOUPLED AS DECLINES ACCELERATED

Historically, the tobacco sector traded in line with consumer staples. Recently, it traded at a 50% discount!

GLOBAL TOBACCO VS GLOBAL STAPLES PRICE/EARNINGS RATIO



Source: Bloomberg, historical market data

Historically, the tobacco sector traded in line with consumer staples.

But the sector de-rated aggressively on the heels of accelerating volume declines.

Tobacco recently traded at a 50% discount to the consumer sector. We think this is overdone and may now be reversing.

THE TOBACCO GOAT



One company is best positioned to capitalize on emerging trends in the sector.

The stock's current valuation simply fails to discount the shifting economics of its business.

Next, we'll provide a quick overview of the company, discuss how it's disrupting the industry, and close with some thoughts on valuation.

THE LARGEST TOBACCO COMPANY IN THE WORLD

Philip Morris International Inc.

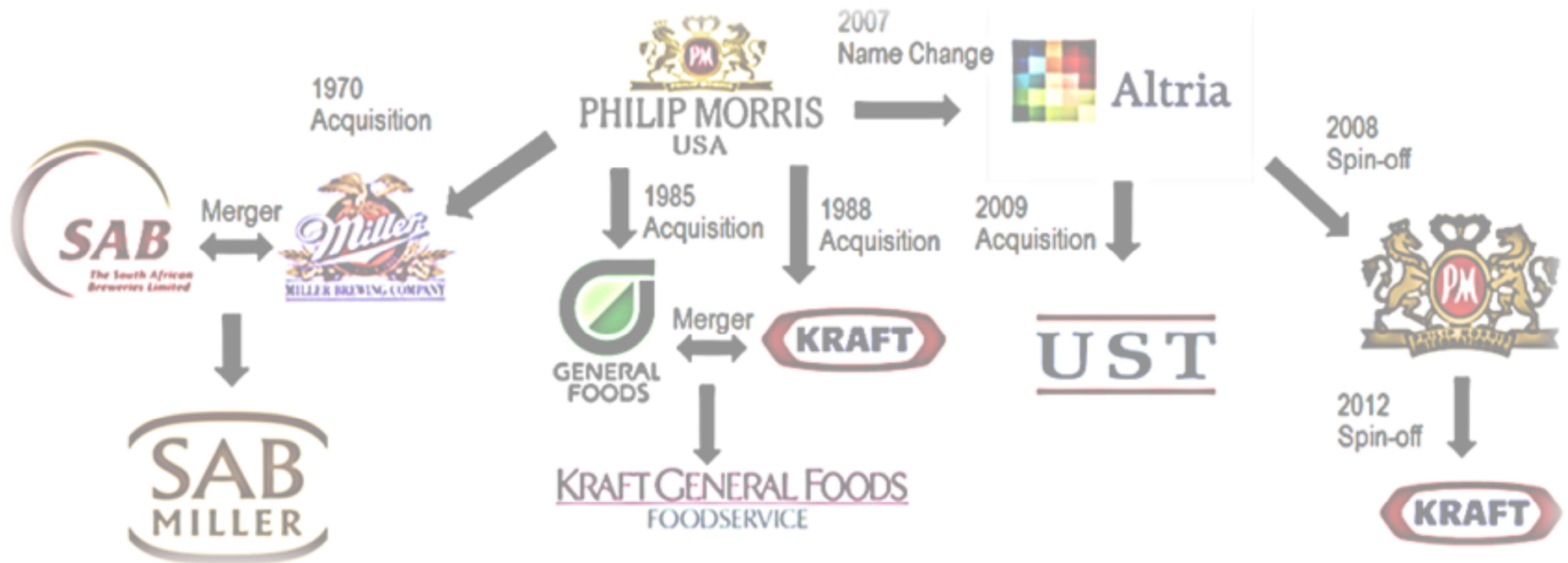
Ticker:	PM
Market Capitalization:	\$140.4B
Enterprise Value:	\$167.0B
Shares Outstanding:	1.55MM
Stock Price:	\$89.6
LTM EPS:	\$6.07
LTM P/E:	14.8x
Dividend Yield:	5.5%



Source: Bloomberg, market data as of June 2022

PMI is the largest tobacco company in the world (ex-China).

THE STORY BEGINS ON BOND STREET IN 1847



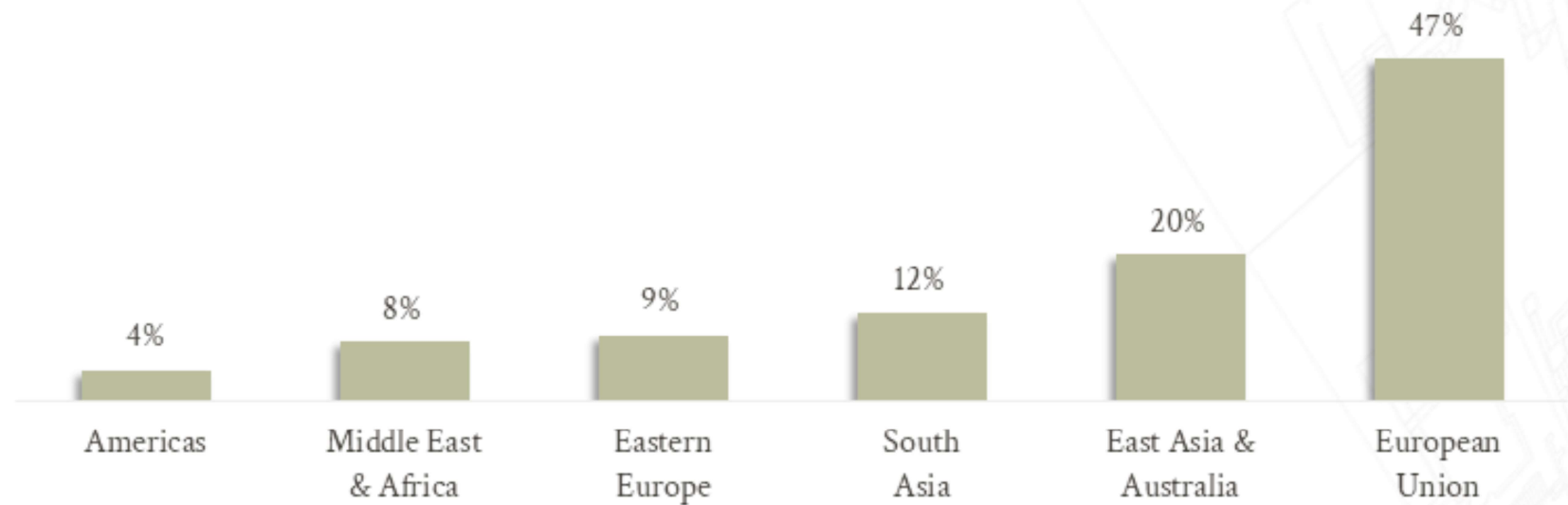
Its roots date back to a tobacco shop on Bond Street in 1847.

Since its initial stock listing in 1919, PMI has experienced quite the evolution acquiring Miller Brewing Company, General Foods, and Kraft, before changing its name to Altria and spinning most of these businesses off, along with its international operations – PMI.

SALES SPAN THE GLOBE

Following the split, Altria maintained the US business, while PMI conquered the rest of the world.

PMI FY21 OPERATING INCOME BY SEGMENT



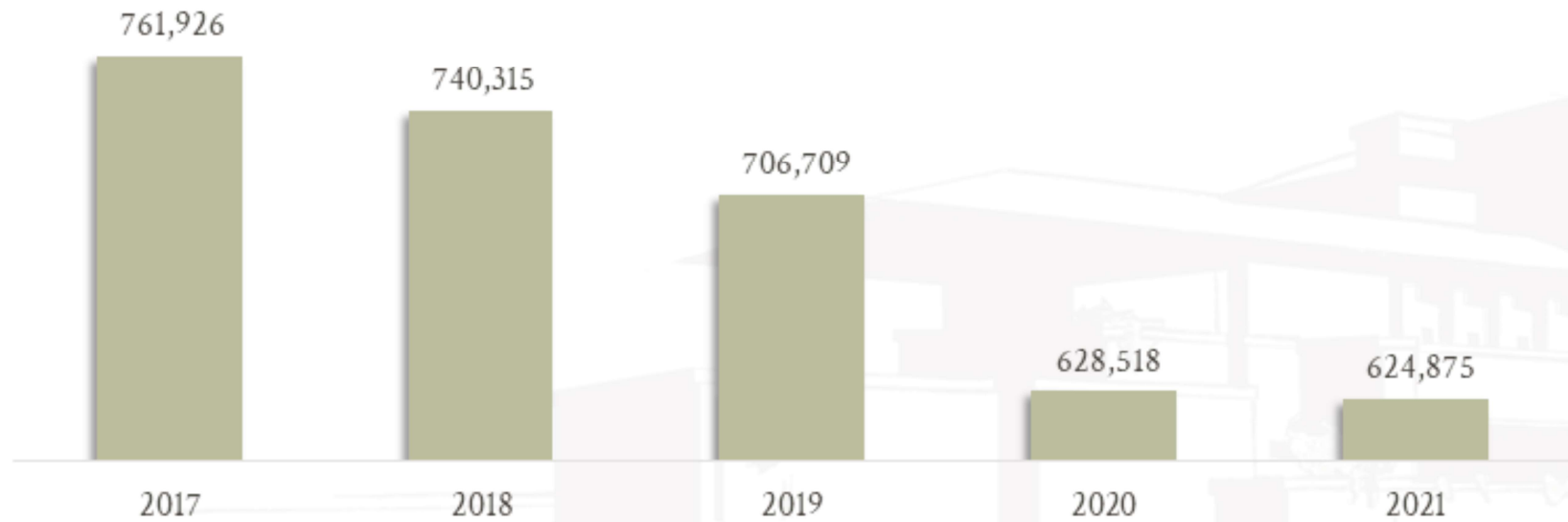
Source: Company Filings, FY2021 10K

That business today, PMI, sells Phillip Morris products around the world with the exception of the US and China.

PMI CIGARETTE VOLUMES ARE IN DECLINE . . .

The core cigarette business is a low-single-digit volume decliner.

PMI CIGARETTES SHIPPED (MILLIONS)



Source: Company Filings, annual 10Ks, 2017-2021

Everyone knows that cigarette volumes have been declining for decades.

BUT PRICING POWER DRIVES REVENUE GROWTH

Mid-single-digit pricing power enables PM's premium brands to drive higher revenues.

PMI NET REVENUES (MILLIONS)



Source: Company Filings, annual 10Ks, 2017-2021

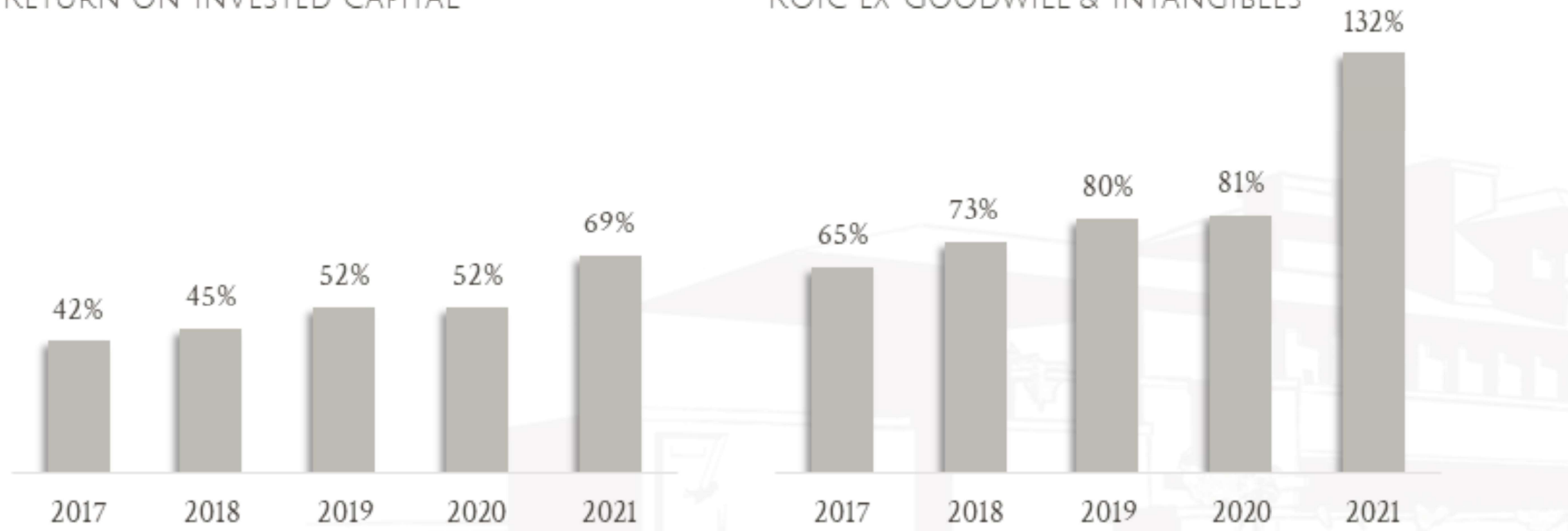
But despite those volume declines revenues have continued to grow thanks to tobacco's incredible pricing power.

CASH COWS GENERATE HIGH RETURNS ON CAPITAL

An insulated oligopoly with inelastic demand is an attractive climate for generating high returns on capital.

RETURN ON INVESTED CAPITAL

ROIC EX GOODWILL & INTANGIBLES

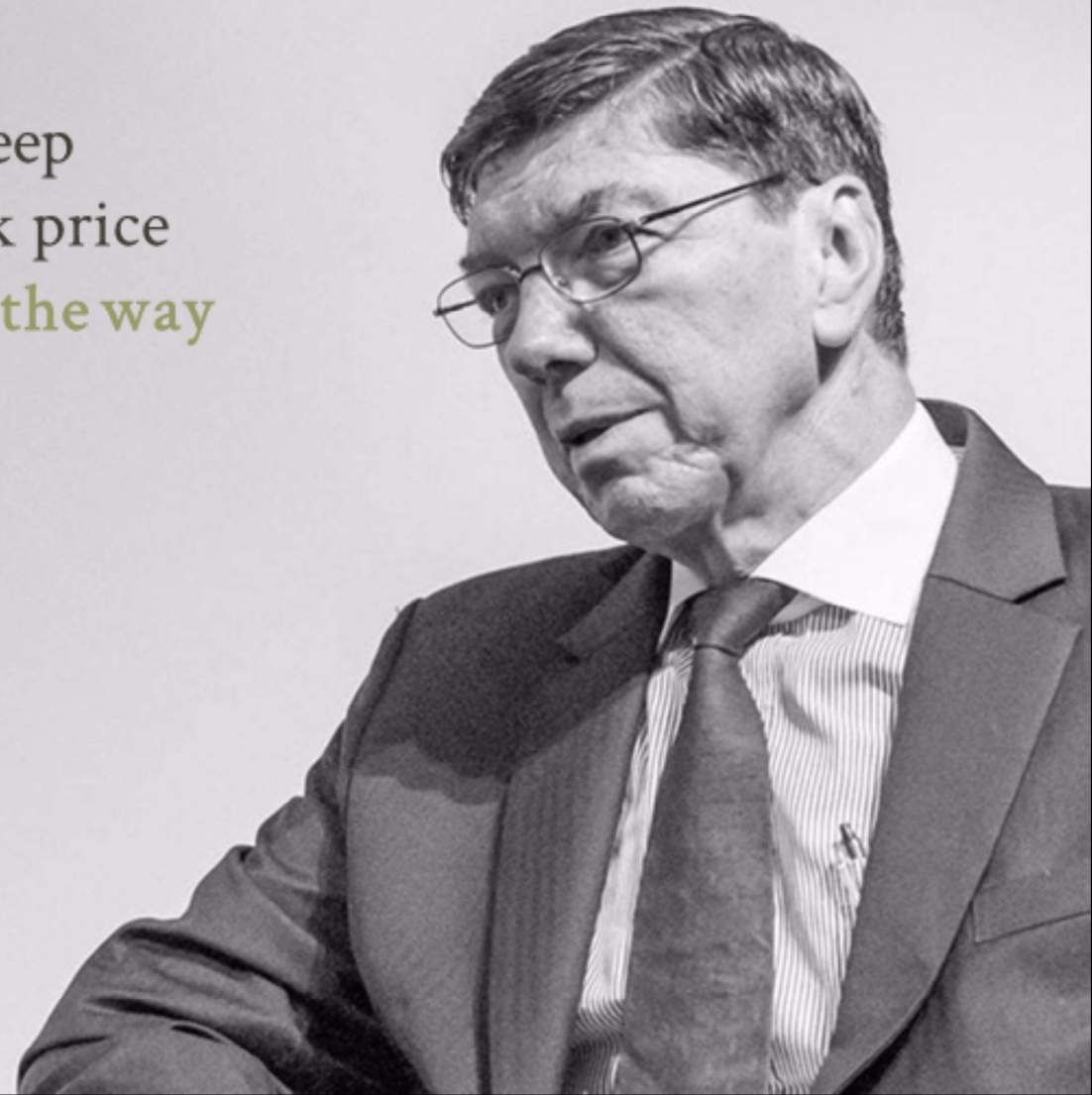


Source: Company Filings, annual 10Ks, 2017-2021, Broyhill Asset Management Estimates June 2022

And returns on capital are off the charts.

By doing what they must to keep margins strong and their stock price healthy, **every company paves the way for its own disruption.**

- Clayton Christensen



Next, I want to spend our remaining time on how PMI is disrupting its business.

IQOS

SIMPLY AMAZING

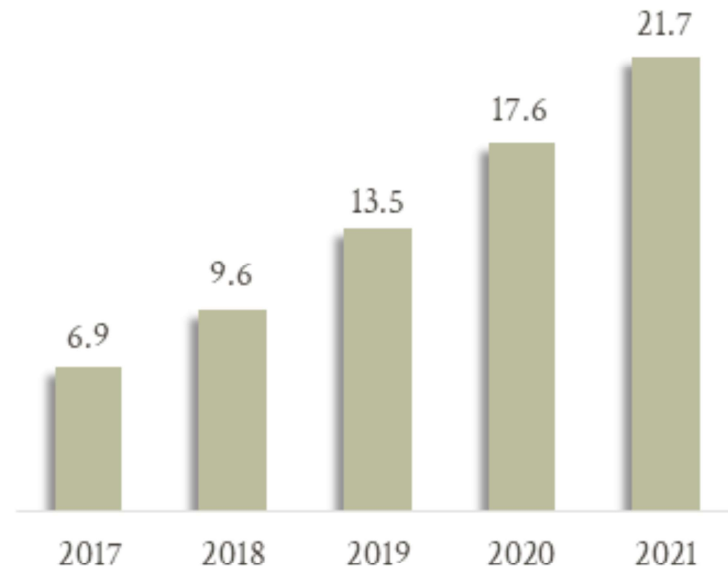
PM has invested almost \$10B in RRP's over the past decade.

The results speak for themselves. It took Marlboro five decades to reach 13% share of the nicotine market.

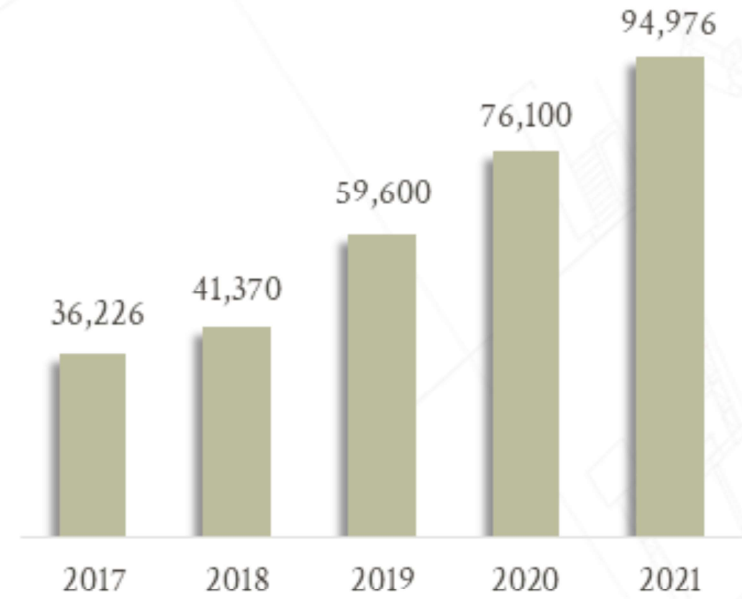
IQOS has captured more than half of that share within five years and it's only available in only half the world !!

ALREADY THE NUMBER THREE BRAND IN ITS MARKETS

PMI HTP VOLUMES (BILLIONS)



PMI HTP CUSTOMERS (MILLIONS)



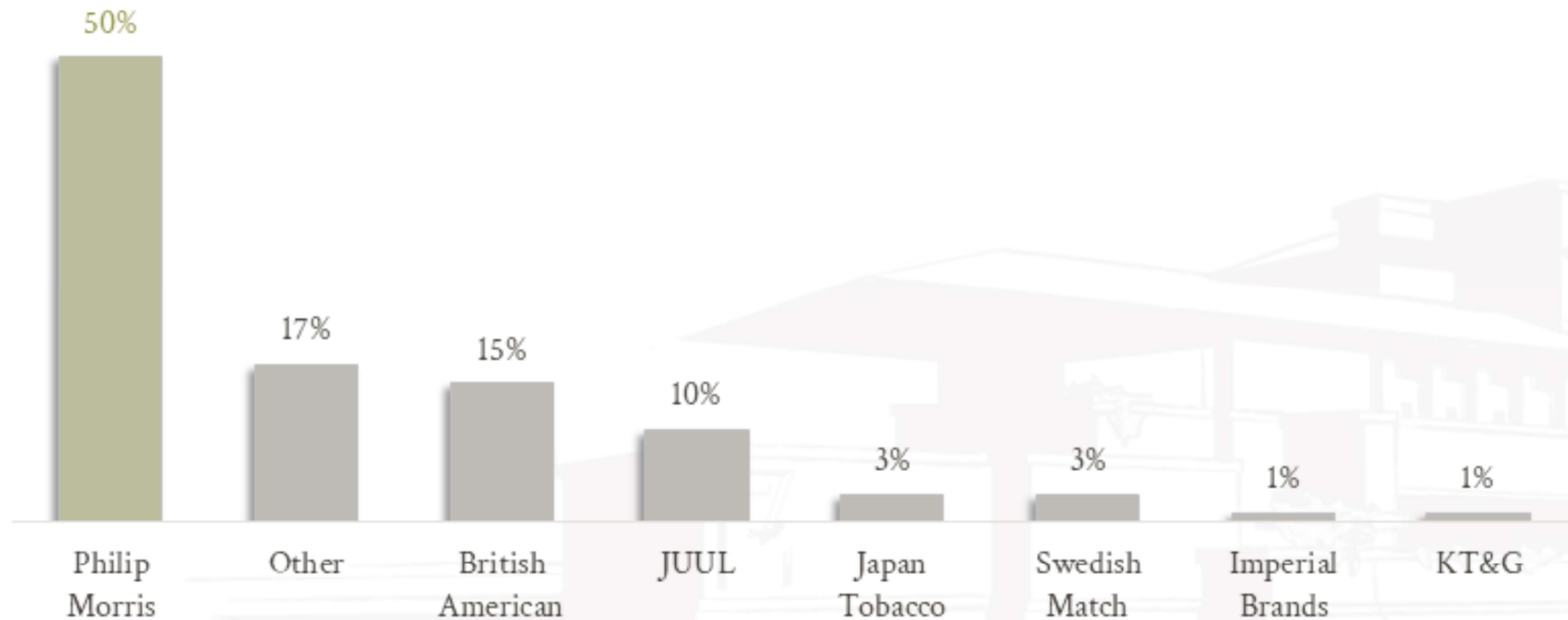
Source: Company Filings, annual 10Ks, 2017-2021

IQOS is already the number two brand in markets where it is present. It should reach the number two position – globally - next year, despite being available in only half the world. It launched in 2015 and already has over 20 million customers worldwide. About 70% of those customers were PMI customers.

The balance represents share gains.

PM HAS CAPTURED 50% SHARE OF GLOBAL RRPS

GLOBAL (EX CHINA) RRP MARKET SHARE AS OF FY21



Source: J.P. Morgan, European Tobacco report, April 2021

Overall RRPs hold about ~ 12% share of the global nicotine market. And PM has captured half of this market.

Heated Tobacco Products are the largest category within RRPs. PM's share here is even more dominant at about 80% today.

RRPs ARE JUST SCRATCHING THE SURFACE

The global cigarette market ex-China is ~ 35x the size of Heated Tobacco Products.

GLOBAL NICOTINE RETAIL VALUE (MILLIONS)



Source: Foundation For a Smoke-Free World, Global Trends in Nicotine 2021

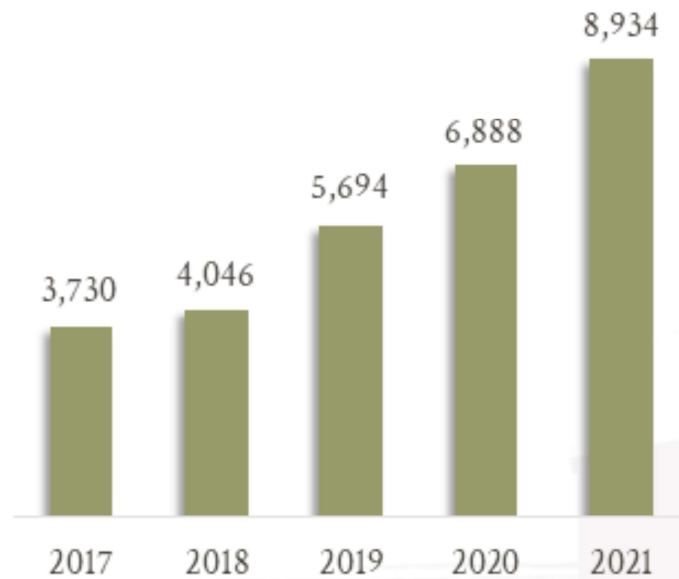
While iQOS has already passed 20M users, RRP's are only a sliver of the total nicotine market.

The global cigarette market ex-China is ~ 35x the size of HTP's.

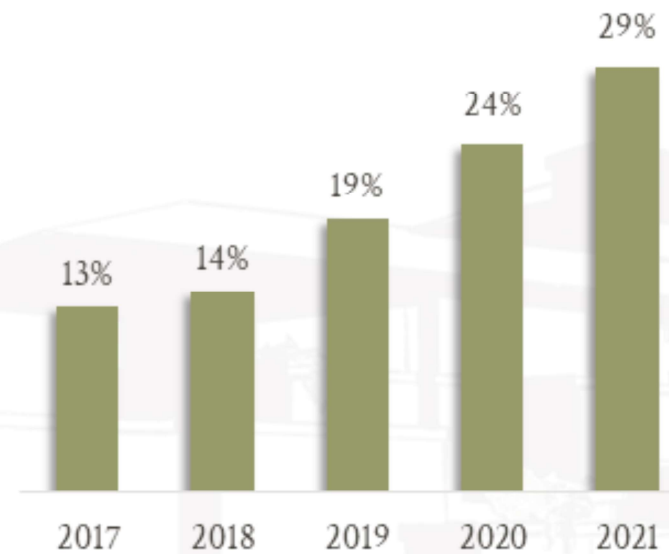
VOLUMES AREN'T THE WHOLE STORY

IQOS revenue per unit is ~2.5x combustible revenues and converted customers smoke more often.

PMI RRP REVENUES (MILLIONS)



PMI RRP REVENUES AS % OF SALES



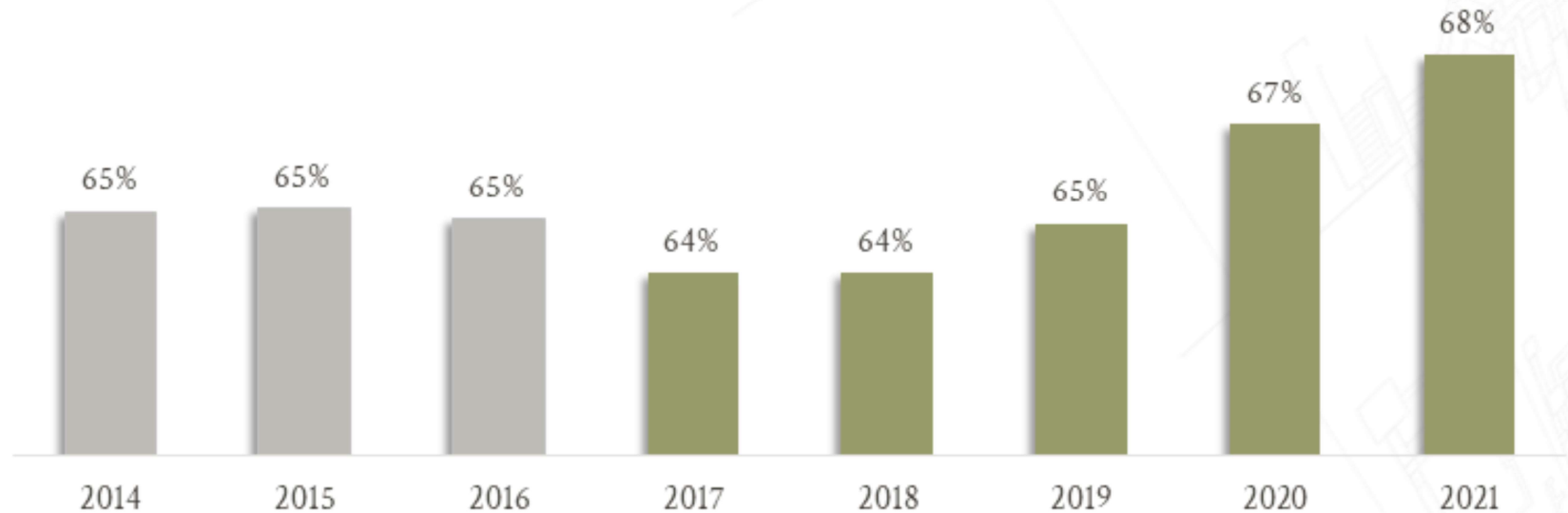
Source: Company Filings, annual 10Ks, 2017-2021

IQOS revenue per unit is ~ 2.5x combustible revenues so volume growth comes with accelerating revenue growth.
Converted IQOS users also smoke more to achieve the same level of nicotine so we get increased frequency as well.

FROM CASH COW TO PREMIUM WAGYU

Cash cows are rare. Those able to successfully disrupt the whole farm are almost unimaginable.

PMI GROSS MARGINS



Source: Company Filings, annual 10Ks, 2014-2021

But revenues don't tell the whole story either. Gross margins - at about 75% - are 10 points higher than the already incredible gross margins on combustible cigarettes. And SG&A should continue to scale ultimately exceeding combustible operating margins. As a result, iQOS is 2-4x more profitable than combustibles depending on geography. **Bottom Line:** cows that generate this much cash for this long are a rare breed. It's even more rare to find cash-generating animals willing to disrupt the entire farm. And it's almost unimaginable that one of the most profitable cows in farm history transforms itself into a different animal altogether, while actually improving unit economics.



Elon Musk 
@elonmusk

ESG rules have been twisted to insanity

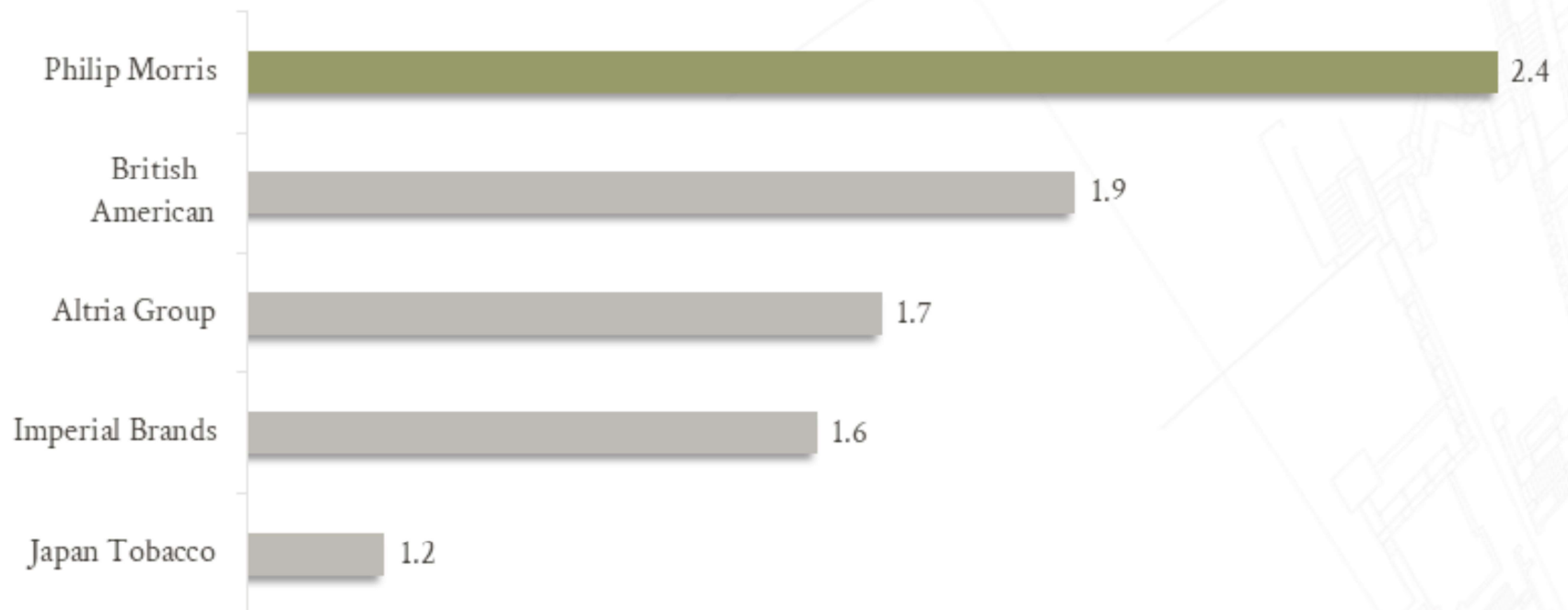


Okay. Let's back up for a second before wrapping up.

Let's say that energy was the best performing sector in 2022. Would anybody be surprised if I told you that the number of ESG funds that own energy stocks doubled or tripled? Because that's exactly what's happened this year. So what might prompt a similar shift in thinking towards the tobacco stocks?

PM IS LEADING BIG TOBACCO'S TRANSFORMATION

TOBACCO TRANSFORMATION INDEX RESULTS



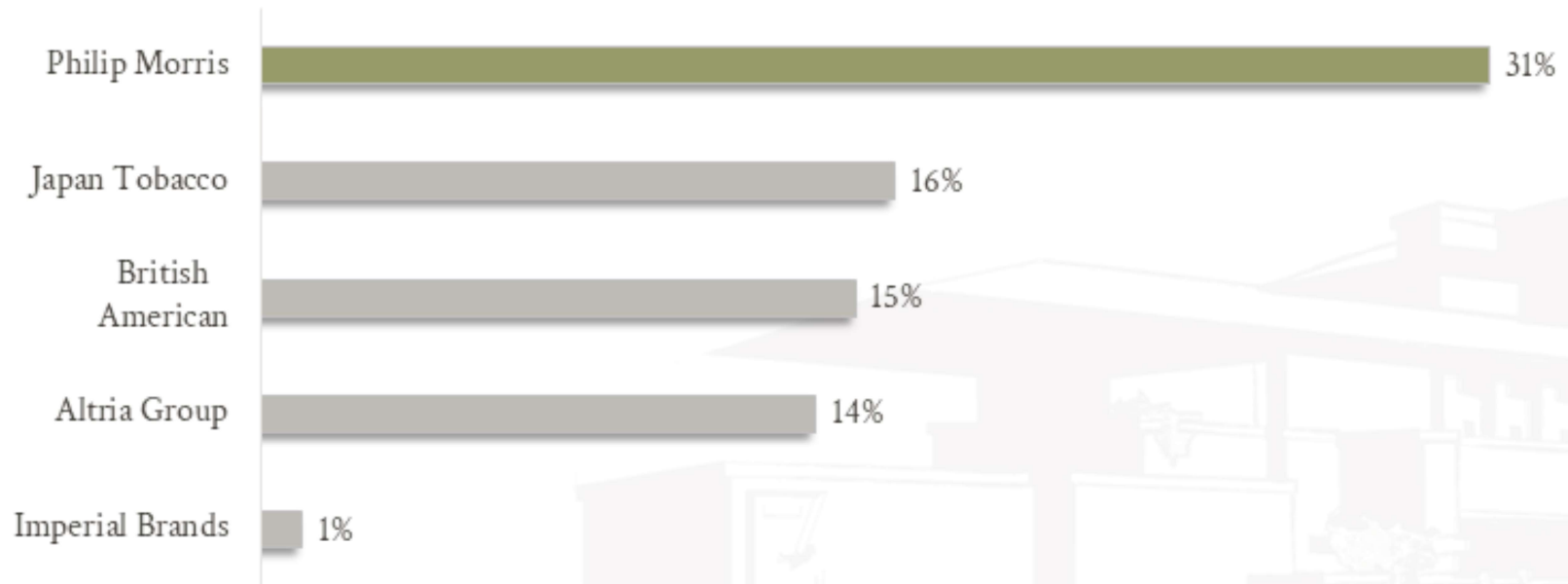
Source: Tobacco Transformation Index data, June 2022

It's the top-ranked Big Tobacco company in terms of its commitment to tobacco harm reduction, as measured by The Tobacco Transformation Index.

It's also been included in the Dow Jones Sustainability Index for the second consecutive year. This puts PM among the top 20% of companies in ESG performance, per S&P Global.

RRPS MAKE UP THE BIGGEST SLICE OF THE PMI PIE

BIG TOBACCO RRPS AS A % OF SALES



Source: Company Filings , annual 10Ks, 2021

As these products make up a larger and larger percentage of the business, we think perceptions will begin to shift.

RRPs make up more than 30% of PMI sales today. They'll be more than half the business in a few years.

NEWS | July 12, 2021

Philip Morris agrees to acquire Vectura for \$1.45bn

The acquisition will aid the companies to create a pipeline of products in the prescription drug and OTC sectors.

Cigarette maker Philip Morris acquires another inhaled therapeutic company

AUGUST 9, 2021 BY SEAN WHOOLEY

NEWS | September 16, 2021

Philip Morris International acquires Fertin Pharma for \$820m

Leveraging Fertin Pharma's expertise, PMI plans to offer a wide range of smoke-free products such as nicotine pouches.

DRUG DELIVERY

Philip Morris adds to pharma unit with acquisition of inhaled-drug firm OtiTopic

by Megha Satyanarayana

August 19, 2021 | A version of this story appeared in **Volume 99, Issue 30**

The next phase is strategic expansion. Unlike some of their peers, we think PMI management has an excellent capital allocation track record.



PHILIP MORRIS
INTERNATIONAL

Swedish
Match®

This one is a game changer.

The synergies here are perhaps the greatest we've seen in a strategic acquisition.

SWEDISH . . . MATCH (POINT)

Accelerated Transformation	Zyn's rapid growth would accelerate PM's transition to a predominantly smoke-free company.
Excellent Strategic Fit	Combined geographic footprint would represent a comprehensive global smoke-free portfolio.
Entry Into US Market	Accelerated entry into the US - the most lucrative nicotine market in the world.
Larger Addressable Market	PM's addressable market for smoke-free products would increase by ~ 60% with the US alone.
Growing Product Portfolio	The combined company would have a presence in e-vapor, heated tobacco, and oral tobacco.
Potential iQOS Distribution	Match could provide PM with potential distribution (and full margin capture) for iQOS in the US.
Global SWMA Distribution	Longer term opportunity to add SWMA products to PM's broad, global distribution network.
Enhances Top Line Growth	Immediately improved revenue growth profile led by pouches expected to grow 30% - 40% annually.
Accretive to Margins	Proposed transaction is accretive to PM's operating margins, before synergies.
Improved FX Profile	Significant boost to USD income would dramatically improve PM's currency profile.

We think this deal is a home run. Match dominates the market for nicotine pouches and stands to benefit most from its growth.

The category should grow volumes at better than 30% annually, with little cyclicality, high gross margins, and strong cash generation.

And it provides PM with a re-entry into the US.

SMOKELESS TOBACCO GROWTH IS OFF THE CHARTS

NICOTINE CATEGORY GROWTH (TRAILING FIVE YEAR AVERAGE)



Source: Euromonitor, MSAL, Company Reports, Nielsen, Barclays Research Estimates, 2021

It also gives PM the dominant brand in oral nicotine which should grow volumes at better than 30% annually.

A COMPREHENSIVE GLOBAL SMOKE-FREE PORTFOLIO

Heat-not-Burn



Oral Nicotine

Nicotine Pouches



Snus



E-vapor



Giving PM a global presence in every category.

WHAT'S IT WORTH?



So . . . What's it worth?

Valuation is an imprecise science.

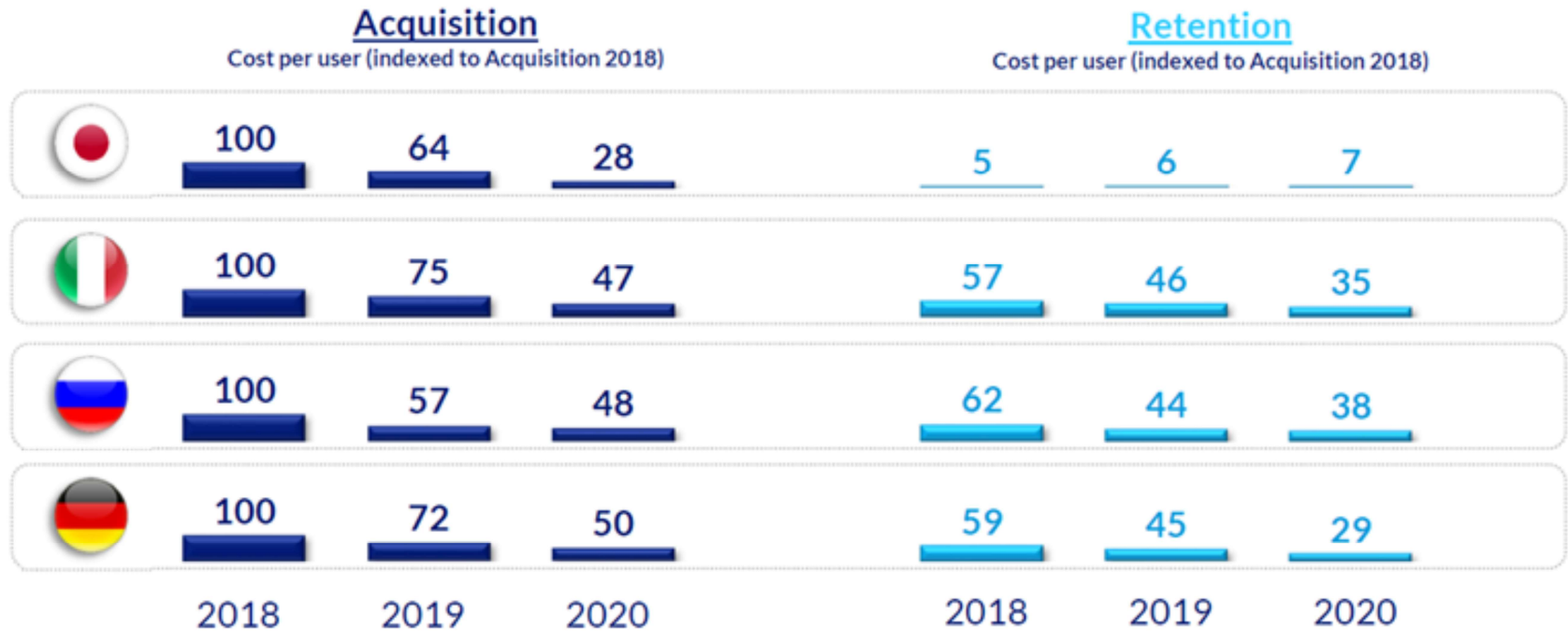
So, we triangulate our fair value estimates from several different angles to increase our degree of confidence.



SaaS businesses have been all the rage for the past decade. At least until this year. But most investors don't realize that they borrowed the business model from a different industry.

I present to you . . . Smokes as a Service, with unmatched unit economics.

INCREASING ECONOMIES OF SCALE



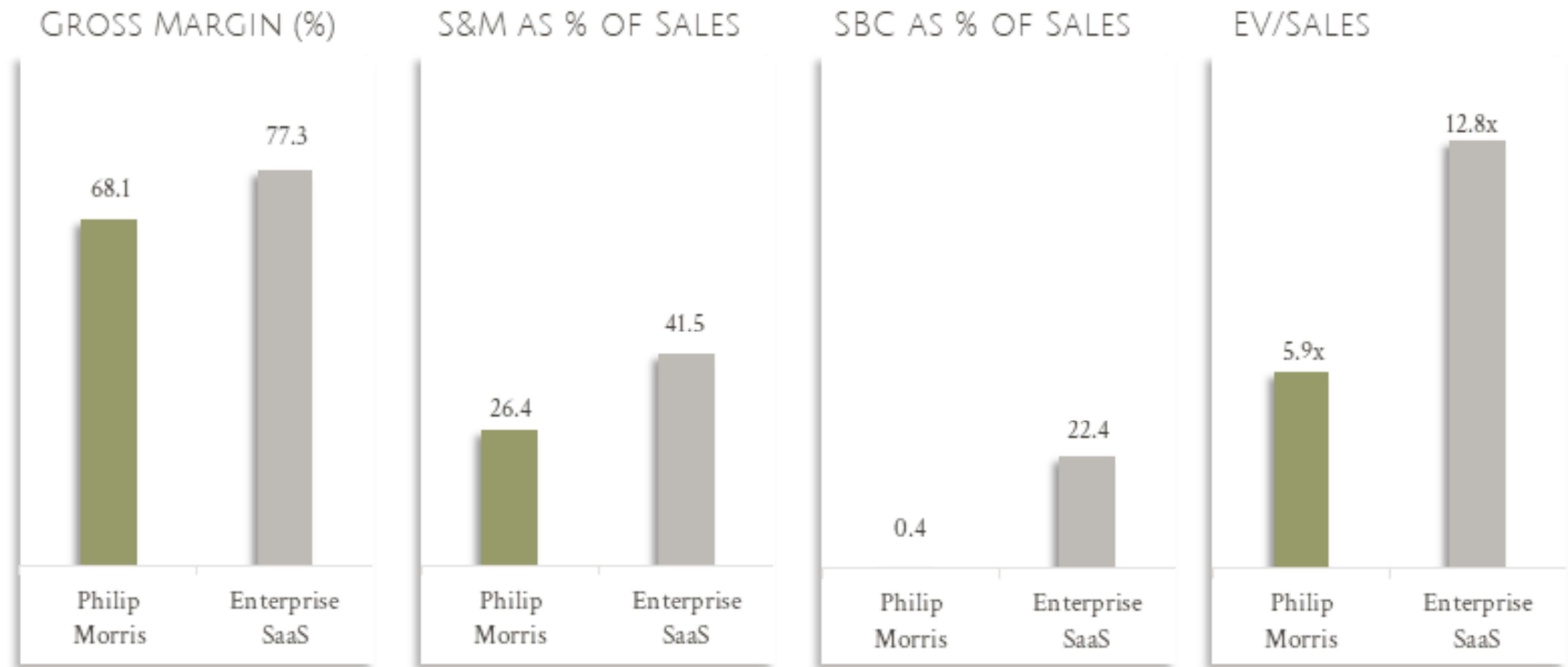
Source: Company Filings , annual 10Ks, 2018-2020

Smokes as a Service boasts unmatched unit economics.

To start, churn is essentially zero. Customer lifetime value really is the customer's lifetime in most cases.

At the same time, Customer Acquisition Costs are low and declining. Breakeven in new markets is less than a year now so margin gains should accelerate.

ONE OF THESE THINGS IS NOT LIKE THE OTHER



Source: Bloomberg market data, Broyhill Asset Management Estimates, June 2022

Gross margins are a tad below the largest enterprise SaaS companies. But PM doesn't require nearly as much marketing spend to drive growth. And it certainly doesn't need to give away the company to incentive employees.

Yet, despite similar or perhaps superior economics, the company still trades at a massive discount to its sexier software peers.

ALL MULTIPLES ARE NOT CREATED EQUAL

		Return on Invested Capital			
		4%	8%	16%	24%
Growth	4%	7.1x	12.5x	15.2x	16.1x
	6%	3.3x	12.5x	17.1x	21.8x
	8%	N/A	12.5x	19.4x	21.8x
	10%	N/A	12.5x	22.4x	25.7x

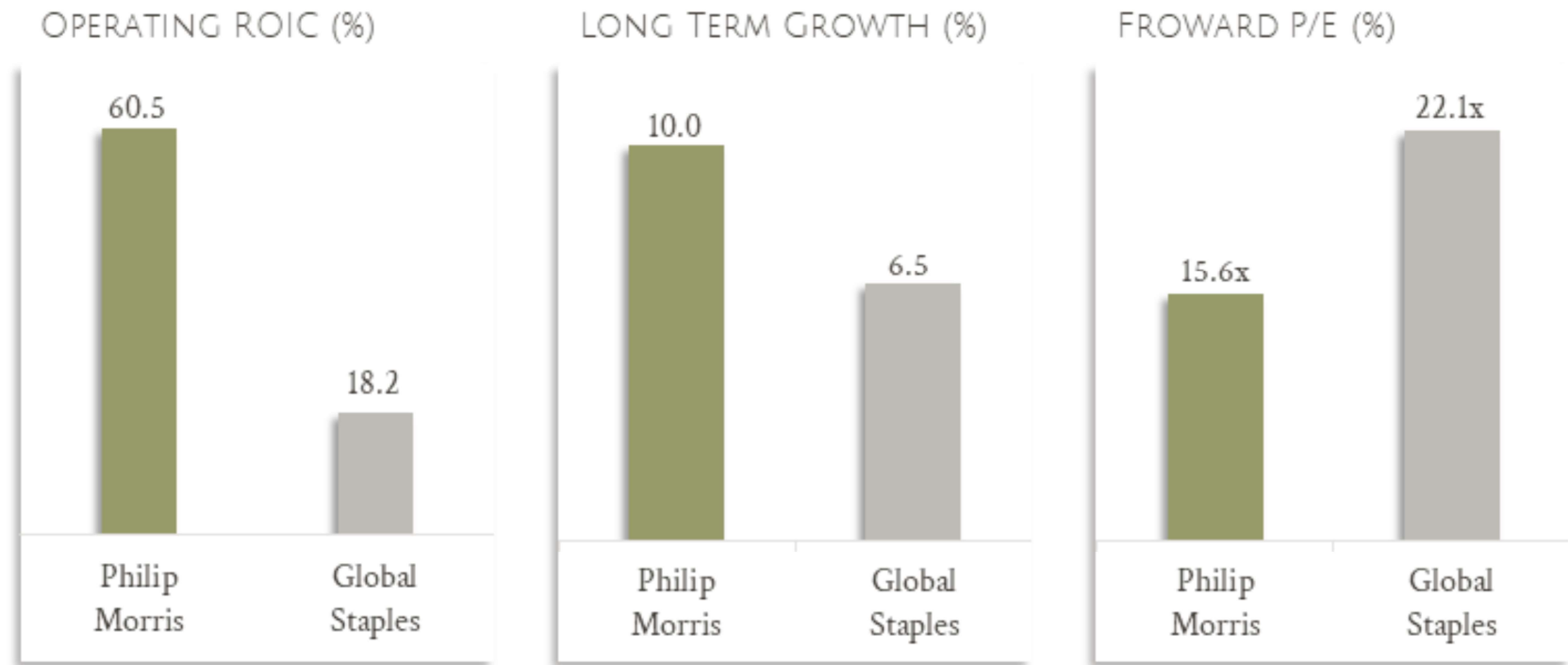
Source: Credit Suisse, What Does a Price-Earnings Multiple Mean?, published 01/29/2014

Many would point to the delta in growth rates as the driver of this disconnect. But high multiples are about more than growth.

Growth rates and multiples don't move in lockstep since growth requires investment.

As a result, returns on capital play a key role in translating growth into multiples.

ONE OF THESE THINGS IS NOT LIKE THE OTHER



Source: Bloomberg market data, Broyhill Asset Management Estimates, June 2022

Some of you might struggle comparing PM to SNOW.

So let's take a look at how we measure up to the top five global consumer companies.

PM's ROIC is more than 3x the average, is growing 50% faster, and trading at a massive discount to the group. Something doesn't add up here.



We said it and we mean it.

It's not a question of if . . . it's a question of when. One day,

PMI will be a smoke-free company.

I'm not able to tell you whether it's going to happen because we will have put an end to the combustible cigarette or whether at a certain point,

the combustible business will leave the company.

But the direction is clear. We are going to be a smoke-free company.

PM will be a smoke-free company.

It's not a question of if. It's a question of when.

And at some point between now and then, the market will value PMI MUCH differently.

PM + IQOS = A UNIQUE VALUE OPPORTUNITY

	FY25 Sales	FY25 Margin	FY25 EBIT	EV / EBIT	Enterprise Value
Combustibles	16,862	45.0%	7,588	12.5x	94,851
RRPs	16,862	45.0%	7,588	25.0x	189,703
Total	33,725	45.0%	15,176	18.8x	284,554
(-) Net Debt					21,800
Equity Market Value					\$267,746
Shares Outstanding					1,550
Future Share Price					\$170
(+) Cumulative Dividends					\$15
Expected Value per Share					\$185
<i>Cumulative Return</i>					<i>98%</i>

Source: Broyhill Asset Management Estimates, November 2022

Most SoTP analyses are purely academic exercises. But in this case, we think it makes sense to take management at their word and value the individual parts separately. This is our “back of the napkin” valuation. We assume revenues grow at 5% annually (we think this is conservative given the accelerating uptake of IQOS and the potential to re-enter the US market). We assume both segments earn 45% EBIT margins (we believe IQOS margins should ultimately exceed combustible margins as SG&A declines and the business demonstrates operating leverage). We assume the combustible segment trades at 12.5x – in line with the sector’s historical average. And we assume RRP’s trade at 25x – roughly in line with the top global consumer staples franchises).

Bottom line: after backing out net debt and accounting for cumulative dividends, we believe shares have the potential to double over the next few years.

Why I'm quitting Tobacco.

Recently my advertising agency ended a long relationship with Lucky Strike cigarettes.

And I'm relieved.

For over twenty-five years we devoted ourselves to peddling a product for which good work is irrelevant, because people can't stop themselves from buying it. A product that never improves, that causes illness, and makes people unhappy.

But there was money in it. A lot of money.

In fact, our entire business depended on it. We knew it wasn't good for us, but we couldn't stop.

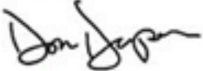
And then, when Lucky Strike moved their business elsewhere, I realized, here was my chance to be someone who could sleep at night, because I know what I'm selling doesn't kill my customers.

So as of today, Sterling Cooper Draper Pryce will no longer take tobacco accounts. We know it's going to be hard.

If you're interested in cigarette work, here's a list of agencies that do it well: BBDO, Leo Burnett, McCann Erickson, Cutler Gleason & Chaough, and Benton & Bowles.

As for us, we welcome all other business because we're certain that our best work is still ahead of us.

Sincerely,



Donald F. Draper
Creative Director
Sterling Cooper Draper Pryce



MAD MEN

Everyone is quitting tobacco these days. The stocks haven't seen this magnitude of underperformance since the late 90s.

Back then, tech was roaring, value was dead, and the sector was uninvestable.

The stocks went on to outperform the market by several hundred percent over the next decade. We think the setup is incredibly similar today.

It's Boomer Time.



FIND THIS INTERESTING?
Stay curious. [Click here](#) to subscribe.

FOR MORE INFORMATION:
Charlotte, North Carolina
ir@broyhillasset.com
828.610.5360



DISCLOSURES

Broyhill Asset Management LLC ("Broyhill") is an investment adviser in North Carolina. Broyhill is registered with the Securities and Exchange Commission (SEC). Registration of an investment adviser does not imply any specific level of skill or training and does not constitute an endorsement of the firm by the Commission. Broyhill only transacts business in states in which it is properly registered or exempted from registration. A copy of Broyhill's current written disclosure brochure filed with the SEC which discusses, among other things, Broyhill's business practices, services and fees is available through the SEC's website at www.adviserinfo.sec.gov.

The performance of the Broyhill Equity Portfolio illustrated here is representative of the fully invested strategies available through various TAMPs (Turnkey Asset Management Platforms). The majority of Broyhill's SMAs include a significant cash allocation, which has averaged 30% - 40% in recent years, and also utilize options to complement individual position sizing and to hedge the portfolio as appropriate for individual clients. As a result, we believe that the historical performance of our flagship strategy (which includes both options and a significant cash drag) is not representative of a pure equity allocation. As such, this data may be useful for an advisor evaluating Broyhill, although individual results may differ based on each account's investment objectives, the date of initial funding, the opportunity set available at the time, specific investment vehicles available to the accounts, and individual fee schedules. These historical performance figures are for our equity-only strategy.

Performance is calculated using time-weighted rates of returns, net of fees. Since these platforms report returns to Broyhill gross of fees, in order to report net returns, a 1.5% annual management fee has been subtracted from gross reported returns. This methodology has also been applied to the extracted attribution returns. Average position size is calculated from average capital invested divided by average portfolio capital in fully invested accounts.

The investment return and principal value of an investment will fluctuate. Therefore, an investor's account, when liquidated or redeemed, will almost always have a different value than that shown herein. Current performance may be lower or higher than return data quoted herein.

Past performance is not indicative of future returns. This information should not be used as a general guide to investing or as a source of any specific investment recommendations and makes no implied or expressed recommendations concerning the manner in which an account should or would be handled, as appropriate investment strategies depend upon specific investment guidelines and objectives.

Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security. This document contains general information that is not suitable for everyone. The information contained herein should not be construed as personalized investment advice.

There is no guarantee that the views and opinions expressed in this document will come to pass. Investing in the stock market involves gains and losses and may not be suitable for all investors. No representations, expressed or implied, are made as to the accuracy or completeness of such statements, estimates or projections, or with respect to any other materials herein.

Under no circumstances does the information contained within represent a recommendation to buy, hold or sell any security, and it should not be assumed that the securities transactions or holdings discussed were or will prove to be profitable. There are risks associated with purchasing and selling securities and options thereon, including the risk that you could lose money.

DISCLOSURES

Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation of the future.

Market value information (including, without limitation, prices, exchange rates, accrued income and bond ratings furnished herein) has been obtained from sources that Broyhill believes to be reliable and is for the exclusive use of the client. Market prices are obtained from standard market pricing services or, in the case of less liquid securities, from brokers and market makers. Broyhill makes no representations, warranty or guarantee, express or implied, that any quoted value necessarily reflects the proceeds that may be received on the sale of a security. Changes in rates of exchange may have an adverse effect on the value of investments.

Indices represent unmanaged, broad-based baskets of assets. They are typically used as proxies for overall market's performances. Index returns typically assume that dividends are reinvested and do not include the effect of management fees or expenses. You cannot invest directly in an index. Without prior written permission of index owner, this information and any other index-related intellectual property may only be used for your internal use, may not be reproduced, or redistributed in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an "as is" basis, and the user of this information assumes the entire risk of any use made of this information. Neither the index owner nor any third party involved in or related to the computing or compiling of the data makes any express or implied warranties, representations or guarantees concerning the index-related data, and in no event will index owner or any third party have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information.

For additional information about other indices or strategies mentioned here, you may contact us at ir@broyhillasset.com.

No part of this material may be copied, photocopied, or duplicated in any form, by any means, or redistributed without Broyhill's prior written consent.