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TAKE TOMORROW FURTHER.

July 2021

Happy summer! We hope you are enjoying some relief from the pandemic and spending more time with loved ones. In the spirit of wanting to connect with you while being mindful of your time, we have decided to write to you this quarter in lieu of hosting a webcast. We plan to continue our quarterly webcasts in October.

Below, we have compiled our team's collective responses to questions we believe are of interest to you. We hope this provides you with some insight into how we are looking at the current economic and market environment as well as how we are planning for the future.

Equity markets have done well over the first half of 2021 with various indices repeatedly hitting all-time highs. Against this market backdrop, what reasons do you have for optimism, and what reasons do you have for concern?

We believe there are many reasons for both. For one, we are optimistic about the economy. There seem to be many indications that an economic rebound is underway thanks to pent-up demand and the rollout of vaccines. Secondly, a continued source of optimism is our belief in the high-quality of the companies in your portfolio and the secular tailwinds we see driving their growth.

On the other hand, we also see reasons for concern. Interest rates are historically low, with 10-year U.S. Treasuries yielding less than 1.35%. "Real" interest rates, which factor inflation into the equation, are negative. This makes the cost of money incredibly cheap and fuels risk-taking and frothiness as investors search for higher returns. Additionally, the pandemic continues to be an unquantifiable risk factor and while the worst seems to be behind us, we could have setbacks, such as new variants.

Why have longer-term interest rates recently fallen, and how does this relate to inflation expectations?

Interest rates had increased from less than 1% on the 10-year U.S. Treasuries at the beginning of the year to an over 1.7% yield in April. They have retreated down to a yield of 1.35% as of early July. An explanation is that the market's previous inflation estimates have been tempered, and investors seem less concerned about persistent, runaway inflation, which would drive up interest rates. Also, any fiscal stimulus that could come this year appears to be more modest than what President Biden had initially proposed, and the economic rebound may not be as robust as originally expected.

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The Chinese government appears to have become more heavy-handed in regulating and exerting control over Chinese companies, particularly those with listings in the U.S., such as Alibaba. What are your thoughts on this development, and does it worry you?

We recognize that tensions today between the U.S. and China are more extreme than they have been over the past 10 years that we have been investing in China. The actions by China, in part, seem to be a response to certain actions of the U.S. government, such as creating a blacklist of Chinese companies deemed to be a U.S. national security threat. Among the actions, the Chinese government is exerting more control over the hundreds of Chinese companies already listed on NYSE and NASDAQ that are set up here as non-Chinese legal entities for purposes of ownership, but conduct business in China. The uncertainty of these policy changes has caused a sell-off of shares of U.S.-listed Chinese companies.

Despite the policy pronouncements, negative headlines, and uncertainty as to future regulatory changes, we believe the Chinese government wants Chinese companies, such as Alibaba (deemed a crown jewel of China in terms of innovation), to thrive and maintain their leadership positions in their respective industries. This brings us comfort as we think about the longer term, but we recognize that along that journey the Chinese companies we invest in may be more volatile.

The Biden administration seems intent on more assertively regulating the big U.S. tech companies. How do you think about this given that these are some of your larger holdings?

The Biden administration has publicly stated that they are intent on regulating big tech more so than prior administrations. We believe that an important question for us to answer is: "What is likely to change for our large-cap tech holdings, such as Apple[1], Microsoft, Amazon and Alphabet?" While draft bills have recently come out of congressional committees calling for the "break-up" of big tech, we do not anticipate they will be passed. We view one key test of anti-competitive behavior to be whether the consumer is being harmed, and we do not think that is the case. To the contrary, we believe that consumers love the services and products these big tech companies offer.

We believe that the U.S. government will support these companies in the way that China supports their national champions, like Tencent and Alibaba. We continue to have high-conviction in the strong underlying growth trends driving these big tech companies and feel they are among the very best businesses in the world, even with the specter of heightened regulation. In summary, despite the increased regulatory risk for the big tech companies in the portfolio, we continue to believe they will be good long-term investments.

Given the Biden administration's recent proposals, what do think the likelihood is of new tax rates being enacted this year? How are you advising clients to plan?

The outlines of the Biden tax plan address what we believe to be widespread public sentiment that the wealthiest Americans do not pay their fair share of income tax. (For example, the ProPublica news story in June that claimed to release tax information for the 20 richest Americans). While it

[1] Please see disclosure at the conclusion of this letter.

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remains difficult to predict specific changes, we believe there is a good chance of higher tax rates for those in the uppermost income brackets at some point during the Biden administration.

We welcome a conversation with you to discuss your cash and planning needs in light of what has been proposed (but obviously not yet enacted). We are here to assist with the opening and funding of any newly created entities that are part of your plan.

In sum, we believe our clients' portfolios are currently positioned properly. In our view, the current ultra-low interest rate environment continues to make equities relatively attractive, while bonds and cash offer unattractive returns. We expect the low interest rate environment to remain in place for some time, which likely would spur higher risk taking, higher valuations for stocks and other asset classes, and greater downside risk should there be any unforeseen negative events.

We wish you a pleasant rest of the summer and look forward to you joining our next webcast in October.

Sincerely,

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Disclosure: Past performance of the stock market is no guarantee of future performance. Investments in stocks and bonds, like most investments, are subject to certain risks, including potential total loss of principal. Regarding specific investments we refer to herein, it should not be assumed that recommendations made in the future will be profitable, and information concerning other investments made by the Portfolio Manager may be available upon request.