SWS Growth Equity

Strategy Update as of April 19, 2021

Firm Overview

SWS Partners is a registered investment advisor that focuses on using technology to deliver contemporary asset management solutions to endowments, foundations, pensions, family offices, and high net worth individuals. We believe that by emphasizing the application of modern technologies, we can create broad efficiencies and deliver better outcomes to clients.

Key Information

Inception	May 1, 2018
Benchmark	Russell 1000 Growth Index
Portfolio Managers	Michael Parker, CFA Kurt Grove, CFA

Strategy Objective

SWS Growth Equity seeks to create long-term capital appreciation by investing in companies across multiple industries that have the ability to maintain or take profitable market share.

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After enduring a year of drastic outcome disparities in public equity, we're reminded of an often-misconstrued aspect to large cap investing. The asset class tends to garner perceptions that higher "efficiency" translates into an inability to generate sustainable and attractive returns, either relative or absolute. The cited culprits range from a disproportionately higher amount of sell-/buy-side analyst eyeballs, deeper pools of liquidity, tighter bid/ask spreads, or name-brand awareness by investors among the blue chips. The embedded implication behind these factors is that large-cap cash flows are somehow easier to predict than that of more obscure or smaller cap issuers.

We know the pandemic acted as a catalyst that accelerated numerous trends poised to unfold over the next decade—online penetration of retail sales being just one example—yet it appears the market was doing an extremely poor job of forecasting the digital transformations at the root of the acceleration. The good news, we launched *SWS Growth Equity* to prove that attractive risk adjusted returns were possible in actively-managed large cap portfolios. We are incredibly optimistic at our ability to continue this quest as we study the latest evidence uncovered from our fundamental work.

Relying on the obscurity of issuer companies as an edge is becoming an increasingly tougher task for investors who imbed this assumption into their process. In the age of machine learning and natural language processing, any competitive moat tied to the practice of being one of only a few investors overturning a given rock is steadily being eroded. We'd argue entirely eroded in some cases. As Applied Materials [AMAT] reminded us earlier this month, machine-generated data has already outstripped human-generated as of 2018. We would not bank on its trendline to be mean-reverting in nature.

To some degree, the series of events that have caused YTD equity pricing disruptions—January's shake-out of high short interest names, February's targeting of ETF baskets held by thematic shops, and March's prime brokerage puke of underlyings used for swaps—all share a common thread. When other institutional investors' equitized exposure (e.g. risk parity, managed futures, passive factor tilts) undergo a third+ standard deviation event, algo traders pounce at the disruption, causing wide price swings.

Conditions for this to unfold tend to be riper around quarter-end rebalance windows, option expirations, and seasonally lower periods of liquidity. March's prime brokerage unwind began the week immediately prior to one popularly earmarked for spring break (avg. daily trading trading volumes wound up detracting 11% week-over-week). A similar setup transpired back in 4Q2018, causing the “worst Christmas Eve ever" (only to be followed by one of the “best Boxing Days” ever). The further these mechanistically-driven events fall into the rearview, the easier they can be to forget. That is, unless a nervous fundamental investor takes their head-fake.

Our chosen path is one that extracts lessons from algorithmically-enabled disruptions, rather than fight them or be wishfull of “the way things used to be.” They can be great opportunities to future-proof our investment process and calibrate its signal-to-noise ratio in the constant information-sifting exercise.

We made some changes to our portfolio last quarter that were an extension of this exercise. Stitch Fix [SFIX] is a solid example of an issuer caught in the cross hairs of January's systemic dislocation, namely when high short interest names were being targeted by stimulus-check-fueled Reddit vigilantes. We cover more detail in Contributors/Detractors, but rather than sit back and allow dislocations to infiltrate the boundaries of our portfolio, we're constantly determining how current prices may be collapsing upon our assessment of their intrinsic value. In the case when something artificial is the root cause of that collapse, and our fundamental work informs an actionable game plan, we look to flex adaptability in being opportunistic. In SFIX’s case, we took the opportunity to book some gains on a price spike driven by external market mechanics, while retaining our long-term bullish posture and adding on the subsequent pull-back.

Being proponents of large cap investing does not mean we throw shade at smaller cap issuers from the perch of our large cap pedestals. The go-to-market and infrastructure tools at smaller caps' disposal were the missing antidotes when the market concluded dot-com emperors had no clothes two decades ago. Cloud-native tools that allow today's start-ups to compete with the deepest-pocketed large cap incumbents are simply unparalleled. Look no further than the cohort of Shopify merchants. Market cap consideration therefore is a critical factor to stack onto the alpha generation workbench. Its importance arguably ratchets higher in the era of $1 trillion+ mega-caps. Deciding how to posture around the current $516 billion weighted average market cap of the S&P—while remaining true to our core tenets—is a critical risk management consideration.

This is also why we see it foolish to rely upon gut-feels to solve for critical inputs to our risk management practice, including factors like active share. The mere presence of more than one mega-cap today can make it mathematically impossible to express a bullish view on more than one issuer, when a rule-of-thumb like "true active = 90%+ active share" comes into play. Should fundamentally-justified factors make more than one of the S&P 500's top-five holdings attractive to an active manager, keeping active share >90% goes out the window.

Active share can be an explicit trade-off to alpha derived from stock selection. Simultaneously relying upon stock selection to drive 90%+ of alpha creation and retaining 90%+ active share can be incompatible due to the mega-cap backdrop. This issue is particularly exacerbated in large cap growth, where the top five constituents account for 35% of the Russell 1000 Growth vs. 22% for the S&P 500 and a whopping 2% of the Russell 2000. We’d rather objectively study fundamental merits of the critical cloud platform gatekeepers (i.e. AMZN, MSFT, GOOG/L), along with the critical follow-on impacts of their $10s of billions in R&D spend, than manage to an outdated formula that compels us to choose only one. It's also hard to fathom owning anything in consumer discretionary (e.g. retailer, grocer, pharmacy, media) or in tech (enterprise hardware/software, semiconductors, consumer hardware) without having attended an AWS re:Invent conference hosted by Amazon.

We see it wise to expect more noise, more dislocation, and more data/information in public markets. To us this reaffirms the prerequisite for a risk management practice capable of ingesting inputs from an increasingly dynamic and evolving landscape. This comes with the territory of managing equity that's priced by a market open for business 252 trading days/year. The additional silver lining outside of daily liquidity, the fundamental exercise remains universal in nature. Long-term equity prices will always attempt to predict cash flow generation potential. Studying the current fundamental signals amidst a constant backdrop of short-term noise, we remain bullish on our absolute and relative prospects.

Raison D'être: Alpha Delivery

At surface level, the first quarter of 2021 in the US public markets was a continuation of fourth quarter trends. The US equity market backdrop was generally strong, with the S&P 500 returning +6.2%, small caps (via the Russell 2000) outperforming at +12.7%, and value proxies again besting growth. Under the hood, the US equity markets saw considerable individual stock volatility: 1) a significant short squeeze in high short interest stocks at the end of January, 2) a dash towards cyclically exposed companies, 3) a sharp factor rotation away from crowded momentum stocks in early March, and 4) forced deleveraging/closing of two high-profile hedge funds. For the quarter, *SWS Growth Equity* returned +2.6% gross of fees, relative to the Russell 1000 Growth at +0.9% and the Russell 1000 Value at +11.3%.

Stretching the lookback period to the last six months, the market has disproportionately rewarded "reopening plays," especially those with higher interest rate and commodity exposure. Evidence resides in results of the Russell 1000 Value besting the Russell 1000 Growth by 1,690 bps (+29.3% vs +12.4%, respectively), with the S&P 500 sitting squarely in the middle at +19.1%. As "growth" investors, a backdrop with elements of a sharp cyclical rally, hedge fund implosions, and correction to an over-crowded momentum factor undoubtedly presented challenging headwinds. We are pleased with the resiliency of *SWS Growth Equity*, which returned +21.2% over this period, considerably above our stated benchmark and the S&P 500. This is testament to portfolio repositioning performed over the fall and winter, all in effort to better prepare for a post-covid world. Further details provided in Portfolio Changes below.

Assessing results since our strategy's May 2018 inception, we're pleased with the outcome to date and optimistic about the opportunity to fulfill our dual mandate of attractive relative and absolute outcomes. *SWS Growth Equity* has returned +30.2% annualized, relative to the S&P 500's +17.1% and the Russell 1000 Growth's (stated benchmark) +23.1% total returns. This equates to a cumulative gross return of +115.9% for the strategy, relative to the S&P 500's/Russell 1000 Growth's +58.2% /+83.4% total returns, respectively, over the same period.

Chart 1: SWS Growth Equity Performance as of 3/31/2021

	1Q2021	Last 6M	2-Year (Annualized)	Since Inception (Annualized)	Since Inception (Cumulative)
SWS Growth Equity (net)	2.28%	20.42%	34.48%	28.60%	108.16%
SWS Growth Equity (gross)	2.60%	21.28%	36.18%	30.22%	115.92%
Russell 1000 Growth	0.94%	12.44%	28.15%	23.13%	83.40%
S&P 500 (reference)	6.17%	19.07%	20.60%	17.05%	58.24%

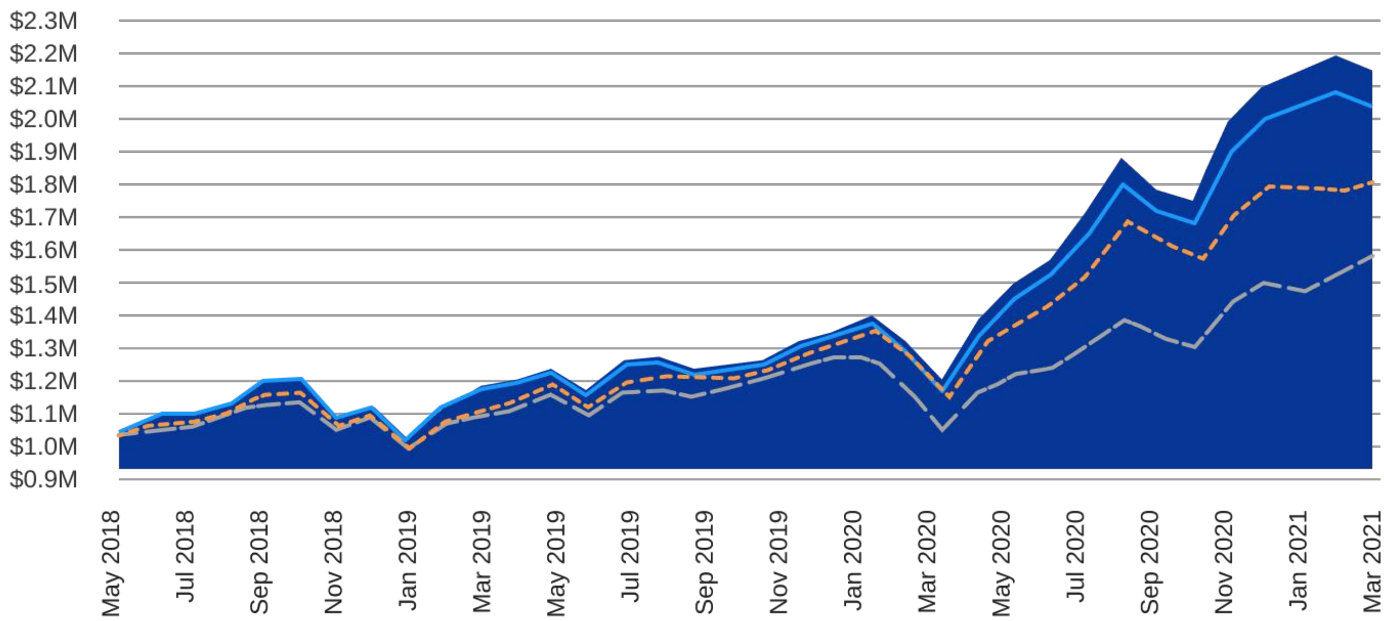
Please see performance disclosures on page 10. SWS Growth Equity *inception 5/1/2018.*

Chart 2: Equity Indices' 1Q2021 Total Returns

Russel 1000 Growth	0.94%
S&P 500	6.17%
Russell 1000 Value	11.26%
Russell Midcap	8.14%
Russell 2000	12.70%
NASDAQ Composite Index	2.95%

Source: FactSet. Data represent total return (dividends reinvested into respective index) for the period 12/31/2020-3/31/2021.

Chart 3: Growth of $1 Million in SWS Growth Equity Since Inception



Above chart displays the value of a hypothetical $1 million investment in SWS Growth Equity *since its May 1, 2018 inception, both on net of maximum advisory fee and gross of advisory fee bases. These results are compared with broad-based indices, which do not include expenses, and are shown on a total return basis with dividends reinvested.*

Contributors & Detractors

The following analyses highlight the fundamental work underlying our investment process. Here we deconstruct the merits of the top contributors and detractors to portfolio performance on the quarter (with total return contributions listed):

Top Contributor

Wayfair, Inc [W]: +39.4%

Once again Wayfair—with a wide delta between the bull and bear thesis, leading to significantly higher volatility—finds itself on our list of top contributors/detractors for the fifth quarter in a row. After rising >1,200% off its March 2020 lows, we concluded in the fall that W still merited being held in the portfolio, albeit at a lower weight after we took profits in August. The rationale behind this includes a forecast for continued housing market strength, bolstering demand for home goods even following pandemic-enforced lockdowns. Longer-term, we see material upside for Wayfair to capture higher share than its current 2.3% penetration rate of the $600 billion US/European home goods markets. Singular focus on the home furnishing market should prove a relative advantage for Wayfair versus Amazon. Wayfair's strong brand recognition helps command its relationship with consumers and diminish exposure to the GOOGL/FB advertising tax. Meanwhile, its integrated delivery logistics network should continue to help Wayfair take share from cash-strapped and technology-limited local/regional furniture outlets.

Top Contributor

Tapestry, Inc [TPR]: +32.6%

Tapestry makes a consecutive appearance to our top performers list this quarter. The company faced an extremely tough setup coming into a worldwide pandemic given: 1) a mall-heavy store count of 1,500, 2) 85% of its sales coming from a brick/mortar retail footprint, 3) the handbag representing a social-signaling category that's also an afterthought to a locked-down world, 4) a slow transition to an ERP system, and 5) Kate Spade design and leadership change issues. These forces combined to push the stock price down 62% across Feb-Apr 2020.

We took advantage of this pricing dislocation, purchasing additional shares in June. We saw shares discounting underlying progress Tapestry was making in its operations with its ERP system upgrades and Kate Spade transitions, a favorable long-term outlook of the handbag category, and an appetite to look past pandemic disruptions to identify reopening beneficiaries. Over the last two quarters, evidence of progress has been unveiled via >100% eCommerce growth, 1.5 million net new customers (including a growing share of millennial and Gen Z), >30% growth in the Chinese market, and a leaner operating structure that's less reliant on a bloated physical store count. These operational inflections, combined with an overall rewarding of "reopening" companies, resulted in a >300% price move off the bottom for TPR. We took advantage of the sharp rally by booking partial gains in mid-March.

Top Contributor

Applied Materials, Inc [AMAT]: +27.0% (since position inception of 1/14/2021)

Our purchase of AMAT in early January was based on a confluence of factors relating to the near-term setup, the secular backdrop, rising capital intensity, and valuation.

Near-term setup: at the onset of the pandemic, many expected a major drop in worldwide demand for semiconductors. This ultimately did not bear fruit. Demand for electronics, PCs, and cloud servers supporting remote-based work more than offset pre-emptive canceled orders from cyclical industries like the automotive industry. This has led to a widely-reported worldwide chip shortage as companies plan for the imminent reopening of the economy. In order to combat the shortages, wafer fabrication producers, TSMC, Samsung, and Intel, all need to increase capex as quickly as possible, benefitting a semi-cap equipment producer like AMAT.

Secular backdrop: we expect the aforementioned "near-term" demand drivers to take at least a year to reach full supply. Longer-term, the drivers of semiconductor demand will be driven by an ever-increasing creation of data. As data generation moves from human-centric to a machine-centric world and applications are built out across industrial, home, and automotive IoT, total data generation is expected to increase ~24x in the next five years. We see this secular backdrop, combined with geopolitical pressures to expand domestic supply chain resiliency, putting significant demand pressure on semiconductor manufacturing fabs and benefiting the equipment producers.

Rising capital intensity: wafer fabrication equipment ("WFE") intensity peaked at 16.6% of semiconductor industry revenue in 2000, steadily declined to 8.9% in 2013, and began an upwards march to 13.7% in 2020. We do not see this trend abating and expect capital intensity to progress towards 15% over the next few years thanks to increasing cost/complexity of manufacturing sub-atomic process nodes. Traditional 2D scaling is running up against the laws of physics, and continued progress along Moore's Law will have to come from new structures, materials, architectures, and 3D stacking, benefiting the semi-cap equipment producers with the IP to deliver solutions.

Valuation: as we looked to redeploy Apple Inc. [AAPL] proceeds, we identified an opportunity to swap a tech hardware-related issuer trading 31x forward earnings with another trading 20x consensus in AMAT, while skewing our book towards smaller market cap.

Top Detractor

STITCH FIX

Stitch Fix, Inc [SFIX]: -15.6%

We dive further into SFIX and our positioning throughout the quarter in the Position Changes section below. Here we focus on the fundamental inputs. Building upon its +116% move last quarter, SFIX experienced continued strength, appreciating an additional +81% by the end of January, before volatility hit, sending the equity fall -53% from its peak in under six weeks, and rounding out the quarter at -16%.

As we highlighted as last quarter's top performer, we expect volatility in SFIX shares due to the polarizing disconnect between bullish and bearish views. The bull thesis centers on Stitch Fix evolving into a retail platform that chips way at a $450 billion US/UK market opportunity. The bears see it as just another boxed subscription clothing company with increasing competition, limited TAM, and narrow competitive moat.

Falling -28% on its earnings print despite revenue and profitability coming in ahead of expectations, as last quarters guidance had to be ratcheted down for FY 2021, from 20-25% to 18-20% growth. The downward revision stemmed from two issues, a delay in direct-buy rollout and fulfillment issues with USPS. With such drastic opposing stock views, the market reaction was harsh and swift. Other third party players alongside Stitch Fix cited a 1-2 week delay in USPS-related shipments, which at SFIX's 2Q revenue run-rate equates to a ~$65M revenue push. With the postal service bottleneck persisting into February, along with the direct-buy rollout delay, we see these events more than explaining the revenue shortfall. We also see the obstacle as short-lived versus a permanent thesis impairment.

On the positive front, new data indicated that "first fix" growth in women's was up 50% YoY, new customers increased 2x over last year, new "fix preview" feature drew 10% higher order value, and survey data indicated 45% of non-converters would convert if offered a "fix preview." Anecdotally, we see legs to new product introduction via direct buy, where Stitch Fix is iterating extremely quickly with many examples of A/B testing and new personalized offerings.

With all this in mind, business organizations are fluid and investors' theses need to be fungible as facts change. At the time of this writing the company announced an unexpected CEO transition. A change of this magnitude always raises a flag, but its nuances merit close consideration. We see its founder/CEO's skillset as having striked the appropriate balance to take the company from 0 to 1. The next stage of platform development has the potential to be dramatically enhanced by the leadership of its incoming CEO's Bain & Co. pedigree, while retaining its founder's talents in the executive chair seat, sentiment echoed by its Benchmark Capital board member/shareholder.

Top Detractor

Roper Technologies, Inc [ROP]: -11.0% (through position exit on 3/8/2021), Merck & Co, Inc [MRK]: -10.6% (through position exit on 3/2/2021)

ROP and MRK, both *SWS Growth Equity* original positions at our May 2018 inception, exited the portfolio this quarter as we saw a better risk/reward setup elsewhere. For Roper, we used proceeds to fund SNOW, and for Merck we consolidated large-cap pharma exposure into Abbvie. In the case of ROP, its diversified portfolio presents headwinds over the upcoming year, as its cyclically and government exposed offerings will be limited by its customers' ability to invest. With respect to MRK, we see a less attractive risk/reward setup upcoming as upside cases with respect to Keytruda, Gardasil, and its animal health business are well understood.

Portfolio Changes

We covered the topic of our shifting mega-cap tech stance and portfolio positioning for an increasingly reopened global economy in our prior two quarterlies (here and here). Some of our 1Q2021 changes are continuations of that:

New Positions: AMAT, MTCH, ANET, SNOW
Position additions: SFIX, AMZN, FB, VRTX, ABBV, EW, NEWR, ISRG, ACN, NTRA
Position reductions: SFIX, SQ, TPR, TEAM
Position exits: AAPL, YUMC, MRK, ROP

Astute readers will notice SFIX listed twice, in additions and reductions, and will observe a higher name count for positional changes relative to previous quarters. Within *Growth Equity*, we generally adhere to the principle of taking a mid to long-term view on equities, around three years at a portfolio level, equating to a yearly ~33% turnover. This is the sweet spot of being able to gain an edge at predicting a business's competitive positioning and the potential inflection in cash flow generation inputs. This will remain a critical exercise to predicting changes in equity prices, and in turn be a cornerstone to delivering sustainable positive absolute and relative returns.

While we do not target a specific portfolio turnover threshold, an average three-year holding period is descriptive of a *typical* year. We have no shortage of evidence to suggest that 2020, along with the beginning of 2021, have been far from typical. This signals a need to stress-test holding period duration time-frame more than any period since the financial crisis. At the same time investors need to be more scrupulous when examining short-term price moves. Underlying causes of daily price reactions can become decoupled from future business prospects, instead pertaining to passive and quantitative strategy changes. Investors should expect increased daily individual stock volatility as the share of fundamentally managed securities continues to cede share to passive and other non-fundamental-based strategies. The poster child of this lesson within *SWS Growth Equity* is our holdings of Stitch Fix.

As mentioned previously in this quarterly's top detractor section, it was an extremely volatile trading period for SFIX. Volatility in the stock price, without significant volatility in underlying business operations, can present ripe opportunities for active investors. Since our initiation in Aug 2020 (at $24.13/share), we have seen multiple episodic volatility events in the market that have specifically affected SFIX and stocks with similar factors. This past January, one such event occurred in the highly publicized Gamestop saga, precipitating a short squeeze that forced many hedge funds to reduce their gross and net exposures. In US markets, after experiencing three-plus months of significant appreciation among small-cap, high-growth, high short interest, and high-momentum cohorts, it became clear that "forced" buying was occurring and would likely be short lived. This came to a head on January 27th, where correlations between any company with elevated short interest collapsed close to 1.0 (i.e. perfect correlation). The entirety of the basket jumped in tandem with Gamestop. We took advantage of this volatility, booking gains in a portion of our position on January 19th (at $82.44) and January 27th (at $105.90). Once the forces of this unique backdrop subsided, a highly publicized factor rotation ensued, the hardest hit including momentum, growth, and small-cap companies. This in conjunction with a lackluster earnings print allowed us to repurchase shares on March 15 (at $57.66).

New Positions

Applied Materials, Inc. [AMAT] - See Contributors and Detractors.

Match Group, Inc. [MTCH] - Match is the largest global player in the online dating space with leading brands in Tinder, Match, Hinge, Plenty of Fish, and Chispa. Approximately 40% of relationships start online (as of 2017, up from 5% in 2000), a trend we see unlikely to reverse course. We see a player focused on the space with a portfolio of brands being able to generate significant value and innovation among an estimated global singles marketplace of 1.09 billion individuals. The expansion of the online dating market began in the US, with Tinder exploding in popularity due to the low barrier of attracting a potential date via a "swipe right" on your phone. In the United States, product adoption rose from 16% to 47% in the 18-24 year-old segment across 2012 to 2020. A significant runway in global markets remains, where Match holds key leadership positions in many global locations, particularly India and Japan, where adoption in 2018 was just 11% and 17% respectively. Timing-wise, we expect Match to be an under-the-radar reopening play, as many singles have paused dating due to COVID concerns and will look to make up for lost time. Additionally, significant product improvements have been made around à la carte spending, which should become evident in the model later this year.

Arista Networks, Inc. [ANET] - a former *Growth Equity* position, Arista has been a high profile company since its founding by highly-regarded Cisco alums. After the stock essentially flat-lined since early 2018, we thought it merited revisiting our thesis given an improvement to its business prospects. Last year proved particularly challenging for ANET, with a bumpy year of spend by top customers Microsoft and Facebook pausing, due to natural digestion and Intel delaying its CPU transition to 7nm. As we move into 2021, we see improving catalysts for Arista. FB will need to upgrade its network after spending on a server refresh last year, and the next industry cycle of 400Gbps is finally developing. As such, we expect a materially better year for Arista even amidst network chip shortages. From a bigger picture standpoint, Arista is in a great position to continue to disrupt Cisco and take share in the enterprise campus. Advances along Moore's Law cost curve, and software operating system improvements, now allow Arista to address a much larger percentage of its customers legacy feature sets inside of the campus. These customers have previously only been able to take advantage of Arista's networking software and equipment inside of the cloud datacenter. This insertion point should be easier for Arista, since it utilizes the same embedded merchant silicon in its campus offerings as it does in the data center.

Snowflake, Inc. [SNOW] - Snowflake, one the highest-profile IPO's of 2020, priced significantly above its offering of $120, opening at $245 on 9/16/2020 and peaking at $319 on its first day. Investor exuberance fueling this initial strength included a proven team led by Fred Slootman and Mike Scarpelli, who are back to build their third enterprise software company after previous successful stints at DataDomain and ServiceNow. SNOW rose to $429 in early December, before taking it on the chin from the aforementioned factor rotation. The stock's subsequent drop below its IPO price in late March afforded us the opportunity to enter our position.

SNOW is an example where valuation metrics heavily reliant on the next-twelve-month snapshot is the wrong time frame to evaluate its prospects over the next decade. Here a longer term DCF that stresses out-year scenarios is necessary. The potential with Snowflake is immense. With its SQL-based, distributed compute and storage solution, SNOW is disrupting the $20B data warehouse market solving problems for data engineers, turning ETL (extract, transform, load) into ELT databases. This architecture allowed for the data lakehouse to be formed, with no separate databases or processes needed for raw data upload and data analytics. Building off of this opportunity in the cloud-based data warehouse market, Snowflake is trailblazing the data broker space. This product centers around the principle of giving companies the option of sharing, partnering, and monetizing their internal data with external customers all within the Snowflake platform. We think this is the first real opportunity where companies can leverage their internal proprietary data and successfully monetize it. The data brokerage opportunity has the ability to be far larger than the incumbent data warehouse market, prospects that make SNOW uniquely positioned to capture.

Portfolio Manager

Michael Parker, CFA, is the CIO of SWS and lead portfolio manager for the SWS Growth Equity strategy. Before joining SWS in 2017, Mike was a portfolio manager of $4 billion of long-only equity portfolios at the Ohio Public Employees Retirement System (OPERS). He leverages over nineteen years of experience on both the buy-side and sell-side to bring an institutional research and portfolio management framework to SWS Partners. Prior to OPERS, Mike was responsible for investment bank equity research at FBR Capital Markets. He received his Bachelor of Science in economics, finance concentration, from the Wharton School at the University of Pennsylvania and is a CFA® charterholder.

Portfolio Manager

Kurt Grove, CFA, is a portfolio manager for the SWS Growth Equity strategy. Before joining SWS in 2020, Kurt was an analyst on the internal active long-only US equity portfolios at Ohio Public Employees Retirement System (OPERS). He leverages over seven years of experience on the buy-side and in risk management to bring an institutional research and portfolio management framework to SWS Partners. Prior to OPERS, Kurt was responsible for Quantitative Risk Management at Key Bank. He received his Bachelor of Science in business administration, finance concentration, from the Fisher College of Business at The Ohio State University and is a CFA® charterholder.

Important Disclosures

Performance results and comparisons are made on a total-return basis, which include all income from dividends and interest, and realized and unrealized gains or losses. SWS Growth Equity returns are shown both gross and net of fees and are calculated by geometrically linking month-end market values of the strategy's inception cohort. Gross return excludes advisory fees paid to the firm. Net returns include the timeweighted deduction of the firm's maximum wrap fee (which includes both SWS's management fee and trading costs) and assume all cash flows occur at month-end.

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This portfolio of individual equity and pass-through securities and our forward-looking statements or projections are subject to risks including but not limited to portfolio concentration risk, company-specific risk, regulatory risk, financial market risk, global economic risk, credit risk, interest rate risk, foreign market risk that may involve currency, political, and social risk.

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This commentary has been prepared by SWS Partners, LLC ("SWS"), a registered investment adviser in the state of Ohio. If you would like a copy of SWS's disclosure brochure, please visit www.adviserinfo.sec.gov.

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