

US Economy



A key driver of US GDP growth has been capital investment by businesses, with an incremental lift to business confidence from the promise of corporate tax reform. We believe the healthy state of US consumers and more competitive trade environment can allow the current growth rates to be sustained into 2018, even without the promised fiscal policy boost.

Monetary Policy



New leadership at the Fed should continue the process of very gradual tightening into a much improved economic environment with still very low inflation. The current tightening policy should end in 2019 at a terminal Fed Funds rate between 2.50%-3.00%.

Bond Markets



Better economic growth and less bond buying by the Fed should cause a rise in bond yields across the maturity spectrum. We expect to see a flatter yield curve by mid-2018, as we pass the midpoint of the monetary tightening cycle.

Credit spreads in the high yield market have narrowed to the extent they fully reflect current low projected default rates. Increased issuance and higher balance sheet leverage in recent years make the sector more vulnerable to any economic downturn, although we do not expect this to be a concern over the coming year.

Equity Markets



US equity valuations may still advance further in a continued low interest rate environment, although earnings growth is expected to slow over the coming quarters from the heady double digit rates of the first half of 2017. Any disappointments around tax reform will likely lead to heightened volatility in this unusually tranquil environment.

Economic Forecast provided by HPM Partners

	12-Mo		2017 est.	2018 est.
	Current	Forecast		
Fed Funds Rate	1.25%	1.75%	3.50%	3.75%
Crude Oil WTI (\$/bbl)	\$54.38	\$50.00		
Gold (\$/ozt)	\$1,270.50	\$1,200.00		
US 10-Year Treasury Yield	2.37%	2.75%		
S&P 500 Index	2,579	2,610		
HY Fixed Income Spread**	357 bps	425 bps		
World GDP Growth Rate				
US GDP Growth Rate			2.00%	2.50%

*Source: Factset
**High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10-Year Treasury Bond.

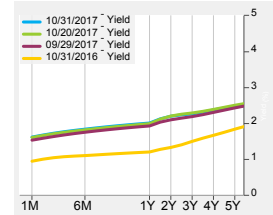
Rate Environment

Treasury Statistics/Rates

	Current	YTD %	Historical	
			52-Wk HI	52-Wk LO
US Treasury 2yr	1.58%	50 bps	1.62%	0.79%
US Treasury 5yr	2.00%	20 bps	2.14%	1.24%
US Treasury 10yr	2.37%	7 bps	2.62%	1.78%
US Treasury 30yr	2.88%	-15 bps	3.21%	2.56%
LIBOR - 3 Month	1.38%	77 bps	1.38%	0.88%
LIBOR - 6 Month	1.58%	73 bps	1.58%	1.24%
LIBOR - 12 Month	1.85%	67 bps	1.85%	1.56%

Treasury Statistics and Libor Curve provided by Factset

LIBOR Curve



LBO Market

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	
Purchase Price Multiple																			
Large Corporate	8.40x	8.70x	9.20x	10.40x	9.70x	9.74x	11.98x	10.15x	10.03x	10.24x	10.19x	9.24x	11.09x	11.35x	11.85x	9.15x	9.91x	10.60x	
Middle Market	8.60x	7.80x	8.70x	8.10x	8.30x	8.62x	8.90x	8.52x	8.57x	9.56x	9.65x	10.08x	9.63x	9.70x	10.23x	9.64x	9.49x	9.63x	
Average Leverage Multiple (EBITDA < \$15M)																			
Senior Leverage	2.82x	3.30x	3.16x	3.30x	3.23x	3.24x	3.39x	3.35x	3.35x	3.62x	3.39x	3.63x	3.46x	3.78x	3.72x	3.43x	3.86x	3.86x	
Total Leverage	3.25x	4.09x	3.48x	3.96x	3.85x	3.86x	4.15x	4.01x	3.76x	4.16x	4.10x	4.09x	3.95x	4.28x	4.35x	4.07x	4.31x	4.37x	
Average Total Equity Contribution																			
Private MM	47.2%	49.0%	49.3%	47.3%	48.0%	45.7%	48.4%	52.4%	51.0%	51.4%	52.9%	52.8%	51.9%	54.4%	51.7%	49.8%			
Institutional MM	43.1%	43.0%	40.9%	42.0%	47.0%	40.4%	45.0%	45.7%	50.0%	44.8%	N/A	49.1%	40.5%	39.1%	42.3%	45.6%			
Large Corp.	30.8%	31.0%	35.0%	31.4%	40.2%	33.9%	38.5%	39.2%	39.1%	38.5%	43.7%	44.3%	45.5%	35.6%	40.3%	40.3%			

LBO Market Data was provided by Thomson Reuters

Equity Market Performance

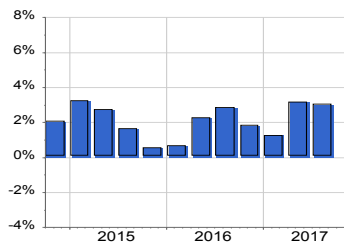
Index	Current	% Change			52 Week HI	52 Week LO	Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week					
DOW	23,435.01	0.25%	15.45%	40.47%	23,441.76	17,888.28	18.92	17.58	2.20%
S&P 500	2,579.36	0.72%	14.24%	30.89%	2,581.07	2,085.18	19.68	18.02	1.95%
NASDAQ	6,716.53	1.07%	20.67%	34.35%	6,727.67	5,046.37	26.34	22.82	0.00%
R2000	1,492.78	2.83%	10.94%	35.73%	1,512.09	1,156.89	19.77	22.90	0.00%
VIX (S&P)	10.20	-0.83%	-32.26%	-44.10%	22.51	9.19	N/A	N/A	N/A

*Source: Factset

Key Economic Data

REAL GDP

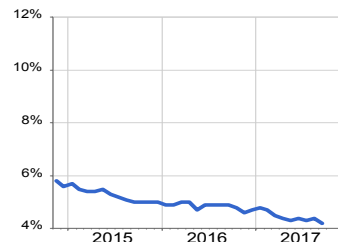
Change from previous quarter



Source: Department of Commerce

UNEMPLOYMENT RATE

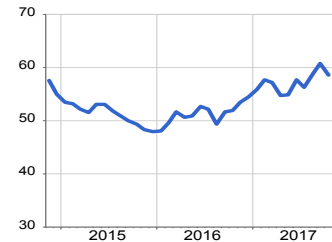
Monthly seasonally adjusted rate



Source: Bureau of Labor Statistics

PMI

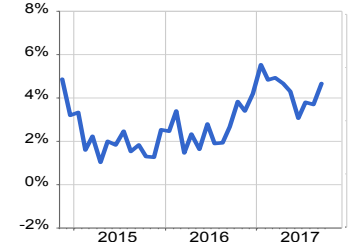
Reading above 50 indicates expansion in mfg. activity



Source: Institute for Supply Mgmt.

RETAIL SALES

Change from previous year



Source: Bureau of the Census

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