

US Economy



US economic growth should be more evenly balanced between healthy consumer spending and business investment in productivity-enhancing business equipment. The nation's aging capital stock and expected corporate tax cuts will be important factors in driving capital spending.

Monetary Policy



Based on recent testimony from both the incoming and outgoing Chairs, the Federal Reserve is very likely to raise the Fed funds rate at this month's meeting and implement an additional two or three 25 bps hikes in 2018, as continued economic growth confirms the path to rate normalization.

Bond Markets



The proposed US tax legislation is forecast to widen the deficit and lead to more Treasury bond issuance, just as the Fed is purchasing fewer bonds through the reinvestment program. This will put upward pressure on yields, although the low-inflation environment will limit the magnitude of rate increases.

The Treasury yield curve has flattened notably this year, but is still a healthy distance away from signaling an oncoming recession. We expect the curve to shift upwards and continue flattening in 2018, as short rates rise faster than long-to-intermediate maturities.

Equity Markets



Imminent Congressional passage of a tax bill which concentrates much of the tax rate relief on corporations is adding a further boost to an already strong year for US equities. Higher interest rates may constrain further multiple expansion, in which case, earnings growth in the mid single digits should drive a similar magnitude of equity price appreciation over the coming 12 months.

Economic Forecast provided by HPM Partners

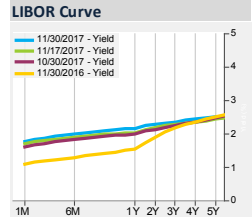
	12-Mo		2017 est.	2018 est.
	Current	Forecast		
Fed Funds Rate	1.25%	1.75%		
Crude Oil WTI (\$/bbl)	\$57.40	\$50.00		
Gold (\$/ozt)	\$1,276.70	\$1,200.00		
US 10-Year Treasury Yield	2.39%	2.75%		
S&P 500 Index	2,637	2,610		
HY Fixed Income Spread**	357 bps	425 bps		
World GDP Growth Rate			3.50%	3.75%
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	1.77%	69 bps	1.77%	1.10%
US Treasury 5yr	2.11%	31 bps	2.14%	1.62%
US Treasury 10yr	2.39%	9 bps	2.62%	2.04%
US Treasury 30yr	2.82%	-21 bps	3.21%	2.66%
LIBOR - 3 Month	1.49%	87 bps	1.49%	0.93%
LIBOR - 6 Month	1.67%	82 bps	1.67%	1.29%
LIBOR - 12 Month	1.95%	77 bps	1.95%	1.64%

Treasury Statistics and Libor Curve provided by Factset



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%	49.0%	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%				

LBO Market Data was provided by Thomson Reuters

Equity Market Performance

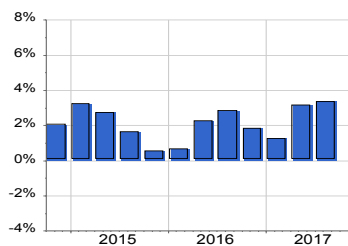
Index	Current	% Change			52 Week HI	52 Week LO	Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week					
DOW	24,180.13	0.25%	15.45%	46.42%	24,272.35	19,123.58	19.60	18.09	2.11%
S&P 500	2,636.93	0.72%	14.24%	34.90%	2,647.58	2,191.08	20.14	18.37	1.90%
NASDAQ	6,827.40	1.07%	20.67%	37.28%	6,912.36	5,251.11	26.58	22.90	0.00%
R2000	1,532.46	2.83%	10.94%	39.64%	1,544.14	1,313.80	19.77	22.90	0.00%
VIX (S&P)	12.53	-0.83%	-32.26%	-38.06%	16.04	9.14	N/A	N/A	N/A

*Source: Factset

Key Economic Data

REAL GDP

Change from previous quarter



Source: Department of Commerce

UNEMPLOYMENT RATE

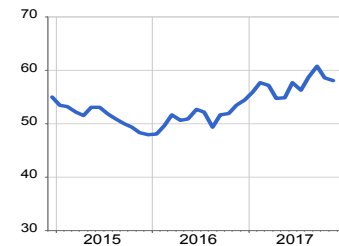
Monthly seasonally adjusted rate



Source: Bureau of Labor Statistics

PMI

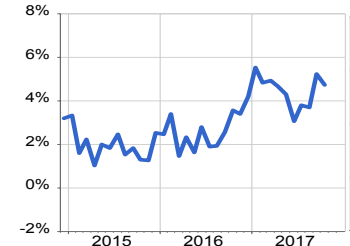
Reading above 50 indicates expansion in mfg. activity



Source: Institute for Supply Mgmt.

RETAIL SALES

Change from previous year



Source: Bureau of the Census

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