

US Economy



Despite the typical first quarter slowdown experienced throughout this recovery/expansion, full year US GDP growth should return to the 3.0% annual growth trajectory on which it ended 2017. Fiscal policy initiatives on spending and tax reform will be reflected in greater business spending on fixed investments. Improved labor force productivity will be essential in extending the length of this expansion into 2020.

Monetary Policy



Improved economic growth from the fiscal policy expansion should keep the Fed on its telegraphed schedule of 25 basis point rate increases in each of the June, September, and December 2018. The terminal rate at which the Fed ends this tightening cycle should be roughly 3.0% which should occur by mid-2019.

Bond Markets



The flattening of the Treasury yield curve is often seen as an important warning indicator of impending economic weakness. We believe the entire curve will experience a largely parallel shift upwards as better growth and burgeoning wage inflation drives yields higher across the maturity spectrum.

Improved economic growth dynamics have allowed corporate bonds to maintain their narrow yield advantage against like-maturity Treasuries. Continued low default rates should lead high yield bonds to outperform their investment grade counterparts as well as Treasuries in a rising rate environment.

Equity Markets



Earnings will continue to be the primary driver of any further advance in US equity markets, as valuation multiples have likely peaked due to monetary tightening and an increase in rates across the yield curve. With the impact of the corporate tax cut already factored into equity prices, revenue growth and continued cost discipline will be necessary to sustain high single digit earnings growth into 2019.

Economic Forecast provided by HPM Partners

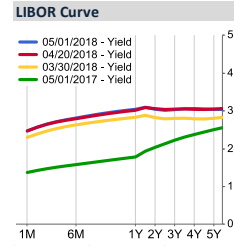
	12-Mo			2018 est.
	Current	Forecast		
Fed Funds Rate	1.75%	2.50%	World GDP Growth Rate	3.75%
Crude Oil WTI (\$/bbl)	\$67.25	\$65.00	US GDP Growth Rate	3.00%
Gold (\$/ozt)	\$1,306.80	\$1,250.00		
US 10-Year Treasury Yield	2.97%	3.00%		
S&P 500 Index	2,649	2,850		
HY Fixed Income Spread**	346 bps	425 bps		

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

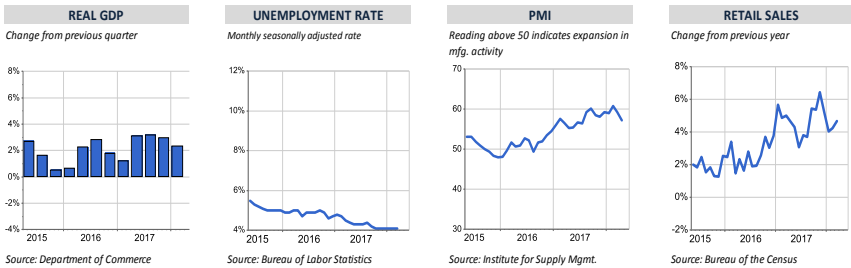
Rate Environment

Treasury Statistics/Rates	Current		Historical	
	YTD %		52- Wk HI	52-Wk LO
US Treasury 2yr	2.50%	125 bps	2.50%	1.25%
US Treasury 5yr	2.82%	80 bps	2.83%	1.62%
US Treasury 10yr	2.97%	50 bps	3.03%	2.04%
US Treasury 30yr	3.13%	5 bps	3.22%	2.66%
LIBOR - 3 Month	2.35%	136 bps	2.37%	1.17%
LIBOR - 6 Month	2.51%	120 bps	2.52%	1.40%
LIBOR - 12 Month	2.77%	108 bps	2.78%	1.70%

Treasury Statistics and Libor Curve provided by Factset



Key Economic Data



Equity Market Performance

Index	Current	% Change			52 Week		Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week	HI	LO			
DOW	24,055.95	-1.23%	-1.63%	25.69%	26,616.71	20,606.93	18.59	15.47	2.20%
S&P 500	2,648.57	-0.82%	-0.38%	21.68%	2,872.87	2,357.03	19.22	16.19	1.97%
NASDAQ	7,126.40	-1.12%	2.36%	32.46%	7,588.32	6,011.23	25.76	21.00	0.00%
R2000	1,557.76	-1.41%	0.78%	16.18%	1,610.71	1,355.89	19.77	22.90	0.00%
VIX (S&P)	15.30	-5.63%	44.29%	10.33%	37.32	9.14	N/A	N/A	N/A

**Source: Factset*

LBO Market

1Q13 2Q13 3Q13 4Q13 1Q14 2Q14 3Q14 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17 4Q17 1Q18

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	10.53x	13.20x	10.69x
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	10.82x	10.29x	10.45x

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	3.97x	3.83x	4.03x
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	4.33x	4.22x	4.45x

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%	55.3%	50.4%	51.9%
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%	51.0%	55.4%	48.4%
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%	37.6%	47.2%	36.3%

LBO Market Data was provided by Thomson Reuters

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