December 2018

"A Work in Progress"

Dear Colleagues,

We are a work in progress- individually, collectively as a firm and as a society. Looking forward, 2019 will be a year of big anniversaries – 150 years since the birth of Mahatma Gandhi, 450 years since Hernán Cortés "discovered" Mexico, and 550 years since the death of Leonardo da Vinci. Da Vinci was not only an immortal painter but also a master at understanding what qualities are most conducive for success. He once said, "I love those who can smile in trouble, who can gather strength from distress, and grow brave by reflection." If we as a firm are to succeed for generations to come, we'll gather strength from self-correction and adjustment, even in the face of adversity. I am proud that LionTree is grounded in our senses of our vulnerability and humility, both vital moral virtues and necessary strategic ones. As for myself, I'm always learning – from the markets and its participants, from our clients who exemplify entrepreneurship and from all of you. In many ways, the past year has been my most self-reflective.

Knowing that we are a work in progress allows us to dream together about what we might become and take advantage of dawning opportunities. At our core, we are committed to a concept that we coined - **scaled intimacy -** the network of close relationships that power the breadth of our reach. Our scope across the US, Europe, Asia, and Latin America should seamlessly coordinate with our products, functions, and clients. It widens our perspective, deepens our analysis and improves the texture of the advice we give clients. We must always be prepared to pivot as opportunities and challenges are illuminated. We could do this better in the years to come.

Scaled Intimacy is LionTree's competitive edge; the firm's ambition to scale globally while maintaining depth and meaningful relationships.

LionTree is a firm of enduring relationships, not just deals. Interpersonal dynamics are always at play and tied to the hopes and anxieties of our clients. Friends, as well as technology, make the world smaller, but they also make it richer. Alfred Lord Tennyson's famous poem, *Ulysses* ends with its hero promising to "sail beyond the sunset," performing the hard labor and deft navigation that true dreaming requires. The firm aspires, as we enter another year, to be the first to explore these waters and see the sun through the clouds. We must engage with the rapidly changing face of the contemporary world, which requires the self-correction that aligns valuations and values, innovation and integrity.

LionTree is a global independent investment and merchant banking firm – built to help strategically align and cultivate today's digital economy with a focus on industries most affected by media, communications and technology.

As many of you heard in our recent Town Hall, I believe that 2019 will be distinguished by the ongoing changes in the regulatory and political environment as well as the shifting global economic alliances. It is imperative that we grow with these dynamics to stay attuned to our client needs. In order to evolve, we must be collaborative, meritocratic and effective on execution. But we also must be entrepreneurial as individuals and seize the moments to leap ahead of the pack. These foundational characteristics guide us and enable us to grow alongside our clients.

We live in complex times. On the one hand, there is no shortage of good news for the broader markets. The consumer-led economy remains strong after a decade-long expansion, despite recent market volatility. The signs of strength are broad - from a return to wage growth to continued capital investment in the rapid advances of technology and the re-imagination of key industries. Simultaneously, a feeling of anxiety permeates our society, suggesting that an intangible but discernible tension is a defining feature of our world. People are worried by qualitative factors and quantitative indicators. As we approach these crossroads, I keep coming back to the importance of fundamentals, balance sheets, and attention to shifts and corrections in the market. A tightening up of the market requires more creativity and a focus on solutions based on company fundamentals, logic and reason.

The top priority for leaders across industries will be to address this paradox of strong fundamentals and ambient unease – and to do so with kindness, humility, curiosity, and the ability to self-correct that comes from teaching and learning simultaneously. As Ron Ashkens and Brook Manville note in The Harvard Business Review, leadership is "about mobilizing people in an organization around common goals to achieve impact, at scale."

As your CEO, I also must continuously improve and balance ambition with equilibrium as we try to both seize *this* moment and innovate the *next* one. We don't have to look far for these leadership lessons. Some of the most perceptive guides to the terrain of the future have appeared on KindredCast, LionTree's podcast that explores cutting edge insights and the way they will shape the world. In one of my recent conversations, Dr. Sadeghi, a doctor specializing in a multi-disciplinary approach to illness said:

> "Consciousness matters. People go and invest a significant amount of time and their lifetime in getting an MBA, getting a PhD, getting a JD, getting this degree and that degree. We hardly spend time to really cultivate what it means to have integrity, to be connected with a deeper truth."

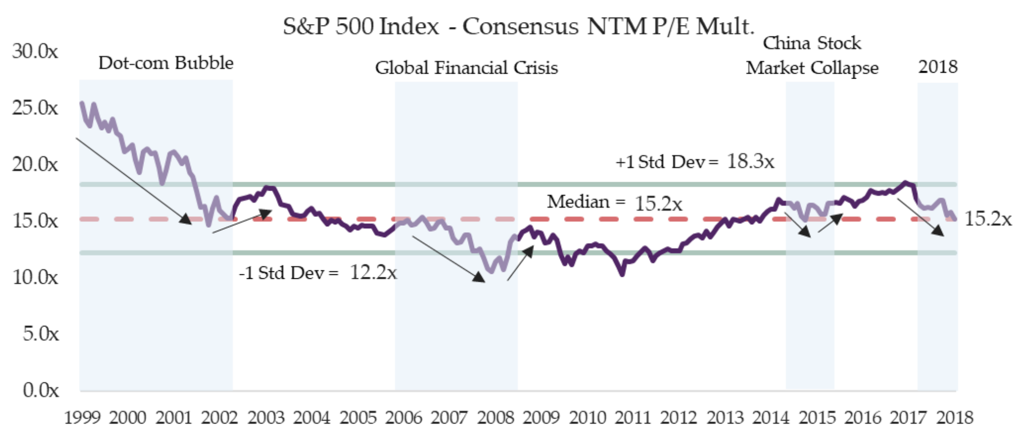
KindredCast is LionTree's podcast featuring interviews with CEOs and thought leaders - heard in over 94 countries including as far as Zambia, Malawi and Bosnia.

We intend for this coming year to be one where we endeavor to cultivate those deeper truths with integrity and purpose.

The Markets: Strength & Turbulence

Whiplash has characterized the movement of equity markets this year, with stock market volatility up nearly 2x from a year ago. Bond yields have risen for both government and corporate issuance. While the economy has continued to show strong signs of growth this past year - further spurred by government tax cuts - asset prices remain high, despite a tightening interest rate environment. For example, the S&P 500's forward P/E multiple began the year one full standard deviation above its historical 19-year median (18.3x), but it has now reverted to the mean (15.2x).

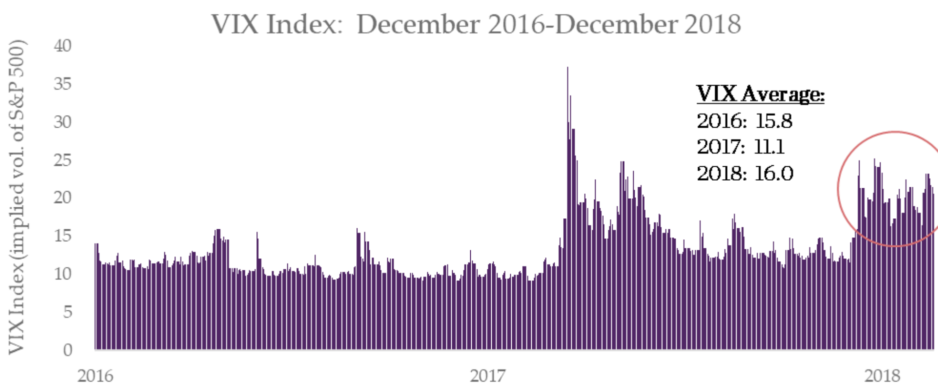
The S&P 500 Is Now Trading In-Line With Its 19-Year Median NTM P/E Multiple



Source: FactSet

However, while we are in the late-stages of a nearly decade-long market cycle, investors may be overestimating the downside of the near future. Instead, I believe that the recent upheaval we have seen in the stock market is a healthy correction, borne of an ongoing investor perspective shift towards a more grounded, fundamental approach to valuation, risk, and returns where factors like profitability, free cash flow generation, and visibility are re-emphasized over a hopeful and momentum-driven valuation mentality. This process of getting back to basics could see shareholders converging again on the relationship between earnings yield and bond rates, and risk premiums instead of looking to revenue multiples or relative valuations. Investors – in both the public and private markets – should be asking themselves, "Is the foundation this company rests on solid?" and we would embrace a greater focus on intrinsic value over compelling "stories," with a few exceptions.

<u>US Stock Market Volatility Is On The Rise</u>



Source: FactSet

While this shift in tone regarding the principles of corporate finance is welcome, these gyrations in the stock market have hit the equity hedge fund community especially hard this year, which are estimated to be down, on average, low-to-mid single-digits in 2018-to-date, underperforming the broader indices. As we approach year-end, eight of the ten stocks with the highest hedge fund exposure are in the TMT sector and nearly all of these stocks have come under pressure recently. Portfolio managers have begun to pivot toward more defensive industries such as healthcare and utilities as large cap tech stocks have turned more volatile. This has an impact on both our institutional investor and corporate advisory clients, and as advisors, we must remain thoughtful about the challenges they face.

<u>Hedge Funds Have Material Exposure To The TMT Sector, Which Has Underperformed In 4Q-To-Date</u>

Rank	Company	# of hedge funds with stock as top 10 holding*	4Q To Date Return**
1	Microsoft	83	(4.3%)
2	Amazon	74	(17.2%)
3	Facebook	65	(11.8%)
4	Alphabet	52	(11.1%)
5	Alibaba	51	(8.1%)
6	Aetna	43	4.9%
7	Visa	38	(8.4%)
8	NXP Semiconductors NV	35	(7.8%)
9	PayPal	34	(0.3%)
10	Twenty-First Century Fox	33	6.1%

Source: CNBC, FactSet

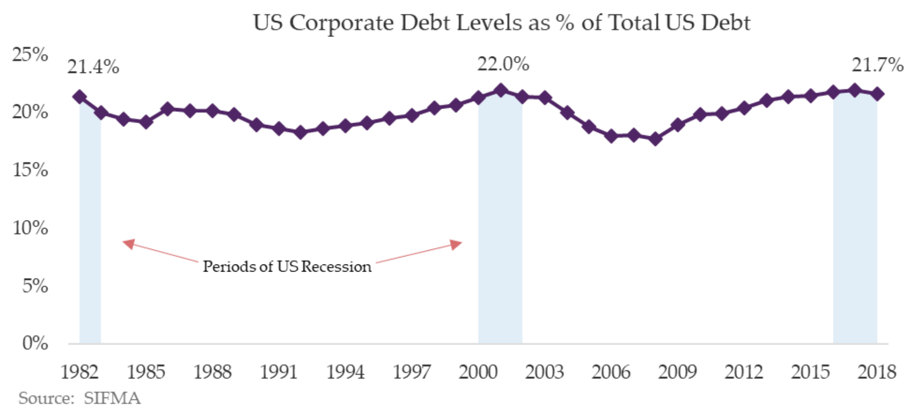
*reflects holdings as of Sept. 30, 2018 **as of Dec. 13, 2018

In terms of the state of the macroeconomic environment, some have pointed to broad similarities in today's environment to the 1980s - a surging economy, assertive trade policy, low unemployment, large deficits, a hawkish Fed and a corporate merger wave. These characteristics recall the circumstances that led to the Black Monday stock market crash of 1987. Compared to the market of thirty years ago, today bond valuations are higher and inflation is much lower. US corporations are on firm footing, corporate earnings remain strong (78% of S&P 500 companies reported a positive EPS surprise and 61% reported a positive sales surprise in 3Q 2018) and unemployment is at record lows.

I think a more compelling argument, harkening back to my previous life as a credit analyst, is that there are some worrisome signs in the debt markets that could signal or precipitate a slowdown. The US Treasury **yield curve** has inverted this month on the two-, three- and five-year maturities, implying that bond investors expect economic deterioration will dissuade the Federal Reserve from executing its prior plan to raise interest rates throughout 2019. Further, US corporate debt has risen by 65% over the last 10 years to over $9 trillion, and now represents 22% of total US debt outstanding, the highest in the past decade as corporations have grown accustomed to cheap credit to fuel earnings growth. The last times in the past ~40 years when US corporate debt represented this high of a share of overall credit, it coincided with economic recessions in the US – in 1981 and 2001. Higher interest rates will increase corporate burden and pressure returns, which is potentially a big risk to the current bull market in M&A.

A yield curve inversion is when the return on investment of short-term bonds exceeds that of long-term bonds – investors have begun prioritizing long-term security over short-term access to capital. An inversion of the two-year and ten-year US Treasury yields has preceded each US recession in the past 50 years.

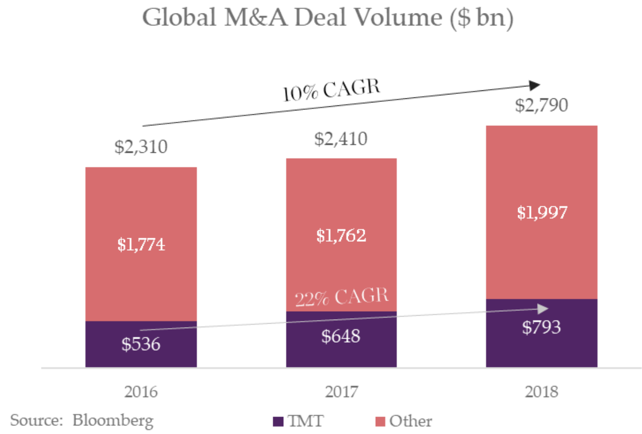
US Corporate Debt Has Reached Levels Last Seen in Recessionary Periods



Speaking to the M&A climate, deal-making activity hit record highs in 2018, in part bolstered by mega-deals that were fueled by US government tax cuts and relatively low borrowing costs. Consolidation in sectors such as **European telecoms** (in which LionTree played a big role this year), large cap media, tech, healthcare and energy were the biggest drivers of a market still taking shape before our eyes. In last year's letter, we reflected on the potent combination of corporate cash reserves, record levels of dry powder within private equity firms, and US tax reform, which created significant fuel for M&A, along with bolstering growth and earnings. This year, a large portion of corporate funds diverted a lot of this cash to share repurchases and dividends. While I believe there is still significant capital in private equity, there may be limits to deal sizes from here on out. Governance dynamics in any particular take-over and the current state of credit markets limiting debt to equity ratios, restricts the size of leveraged buyout activity and is likely to get tighter as we move forward.

LionTree advised on 13 deals this year in Europe with over €50bn in transaction value - across the Nordics, Spain, UK and Ireland, Germany, Austria and CEE and is now rated the #1 bank in the Nordics. Our very own Jake Donavan was awarded TMT M&A Leader of the Year 2018 by TMT Finance.

Global Total and TMT M&A Deal Volume Are At Record Highs



Even as we remain alert to the possibility that a correction in the credit markets could precipitate a broader economic slowdown and that M&A activity might not reach recent highs, I feel confident that any potential dislocation will create opportunities for trusted advisors and innovative providers of capital. If and when the winds change, our clients will be in need of creative solutions and counsel, to both cope with, and stay ahead of, market dynamics. We must help them adapt, by anticipating their needs, understanding their motivations, and adapting ourselves. Just like the stock market, we must never assume our prior successes guarantee future results. Investment banking advisory, at its core, is a people business, built on intimate, human relationships – we try to never take that for granted at LionTree and we remain firmly focused on serving client interests.

Media Musings

The media world has been at the forefront of the change that technology promises to bring to so many industries. Technology has revolutionized everything it has touched, even as the tech companies themselves struggle to keep up with such rapid velocity of change. Trends are moving in unpredictable ways - conventional wisdom expires the moment it is uttered. The rise of new platforms alters how we understand the relationship between not only content and distribution, but the interaction between the global and regional.

There is no doubt that we are witnessing a profoundly evolutionary period in the media space, one defined by convergences and redefinitions; we are in the age of "Media 2.0". Even as this new world is continually evolving, certain developments appear to be defining this kinetic landscape. Global platforms like Netflix, Google, Facebook, Microsoft, Apple, and Amazon are exerting enormous pressure on traditional standalone media models, and driving the need for scale, integration, and differentiation even as they position themselves as the single address for every conceivable customer need. If 2018 was a year characterized by media industry consolidation to meet the challenges posed by technology and to take advantage of scale efficiencies, we expect this to continue during 2019 with an added focus on execution and digestion (and even in some cases de-consolidation) of these deals. The new media models born of this transformation must effectively operationalize and demonstrate their capacity to deliver value or risk potential future deconstruction. As Dr. John Malone has said, "you have to play both offense and defense." Content and distribution will remain locked in a perpetually dynamic choreography.

The key themes that we are following closely for the upcoming year are a continuation and acceleration of recent trends, with the proviso that change is the only constant:

1. **Battle in Direct-to-Consumer (DTC) Video**
    a. Pivotal year to define market structure with new product launches (Disney, Warner Media, and others)
    b. Exclusivity vs. "arms dealer" approach (or a hybrid approach)
    c. Global vs. regional/local platforms
    d. Long form vs. short form content experimentation
    e. vMVPD growth, economics and impact on ecosystem – a la carte returns as bundles break

2. **5G Commercial Deployment**
    a. Mobile is becoming table stakes
    b. US vs. China vs. Europe – who will be the first to rollout a 5G network?
    c. 5G impact on fixed broadband market

3. **Voice and Audio Innovations**
    a. The "ear" may be undervalued versus the "eye" (as much as 10x)
    b. Voice based commerce, advertising and audience in early stages of growth; Podcasting

4. **"Media 2.0" – Gaming/eSports, Heath/Wellness, Food/Travel/Leisure, Space Technology**
    a. Video Games and eSports
        i. Cross-platform compatibility and increasingly, mobile-first
        ii. Will there be a 'Netflix of gaming'?
        iii. Focus on building franchises, creating high-quality IP
        iv. Changing business models
        v. Who will capitalize on sports betting? How will the sports leagues respond?
    b. Health & Wellness
        i. Driven by consumer and cultural shifts
        ii. A shift to subscription services (i.e., Peloton, Rumble, Mirror, Aaptiv, ClassPass)
    c. Food, Travel & Leisure
        i. The definition of content is expanding
        ii. Food tech
    d. Space Technology
        i. Continued innovation with small satellites, new launch technologies and consumer focused innovation
        ii. Focus on broadband, data collection, government and space tourism

5. **Regulatory Pressures on Big Tech**
    a. Will we see any material US or European regulation in the near-term?
    b. Will there be consumer backlash against big tech?
    c. In the long run, does regulation make the US a less friendly country for entrepreneurs and therefore less competitive for talent & ideas?
    d. Key themes to be followed: monopolization of US economy, privacy and first amendment rights and social responsibility and impact

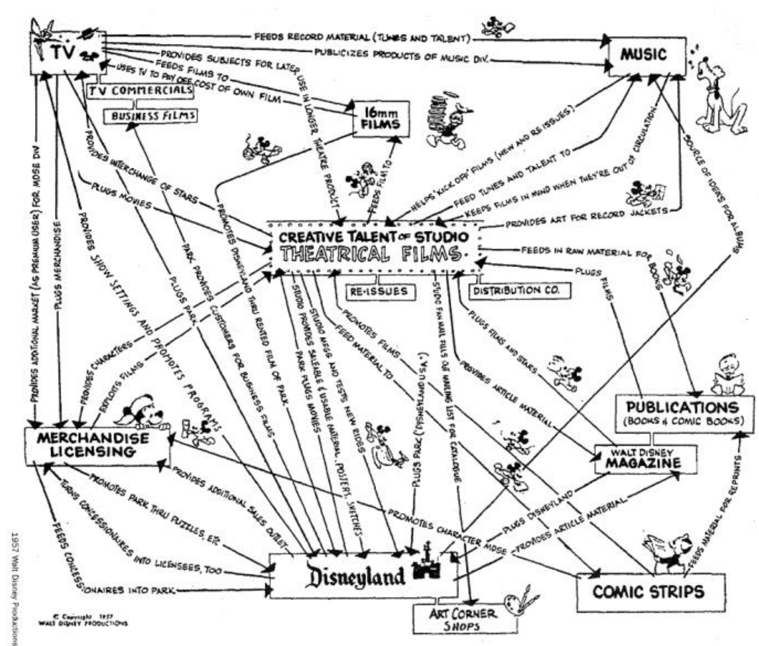
Direct-To-Consumer Video: To Each, Their Own

The contest to "win" in direct to consumer media is in full swing. The battle has now been amplified through consolidation activity by Disney and AT&T, respectively, in addition to technology platforms. The proliferation of virtual MVPDs as well as OTT platforms (i.e. Quibi) have left consumers with unprecedented choice. The key questions facing this landscape are: 1) How many winners will ultimately emerge? 2) How important is content exclusivity to differentiation? 3) How important is scale to innovation? 4) Will most of the economic benefits shift to consumers or the platforms? 5) What is the best way to track and measure engagement metrics per platform?

As the streaming revolution led to the ascendance of the direct to consumer model, a split has emerged between platforms using their own content to bolster their offerings (i.e., The Walt Disney Co. launching their own Disney-Plus streaming service in 2019) and the 'supermarkets' (i.e., Amazon, Netflix) who convene the broadest range of content to capture the widest possible audience. The upcoming year will give us initial returns on whether there will be a 'winner' in this clash of paradigms, or whether there is ample enough space in the ecosystem for both, and new arrangements yet to be imagined.

What's old is new again; these evolutions in the video space recall the early days of cable television (early days of cable network distribution e.g. TCI/Discovery, Cablevision/AMC, etc.) when each distributor had its own network to distribute its own content, as well as that of other networks. We are set to see a similar model come into view, and those outside the ecosystem might find themselves similarly disadvantaged. Adaptation is not incidental to survival; it is essential for it. Below is a wonderful diagram sent to me by a friend via Token that now hangs in my office:

Walt Disney Organizational Flowchart, 1957



Growth of "Media 2.0": The Aftermath

The traditional media ecosystem, defined by a relationship between advertising, content, and the consumer, is being augmented by what we call "Media 2.0" – media coupled with technology as its underlying driver of power and change. Media 2.0 is interactive entertainment (video games, e-sports and sports betting), health and wellness, food, travel and leisure verticals, live and experiential entertainment, and audio related business models in music and podcasting, among others. The future of media is already here.

As Daniel Ek of Spotify has noted, the prominence of video exists alongside great potential for 'the ear' as a driver of products and innovation. He points out that 'the ear' may be undervalued versus 'the eye,' as the video industry is roughly 10x bigger than the audio industry despite time spent with video exceeding that with audio by just 1 hour per person per day. Similarly, we see opportunity here. For example, the rise of podcasts suggests a rapidly developing market for voice technologies that has burgeoned even as video remains a dominant presence; consumers want to see, but they also want to hear and be spoken to. They are in a rush, but they also want to linger and be immersed in content that is around them rather than on a screen in front of them.

Gaming is being transformed by cross-platform compatibility, the further development of high-quality intellectual property, experimentation around cloud-based streaming models, and the legalization of sports betting - all buffeted by broad and deep demographic shifts. In the live entertainment arena, the evolution of Live Nation under the leadership of Michael Rapino is a perfect example of Media 2.0 through a vertical integration strategy of content, technology, services and advertising providing superior product to its customers globally and superior returns to its shareholders. The merger between media and live content is underway, and this interface is set to intensify. Even as new frontiers beckon, we must remember that the greatest advantage can be a purity of purpose. A company like Microsoft innovates while staying tethered to its identity as a software provider – it has remained among the top ten most valuable public companies for over two decades.

Next Generation Technologies: Seeing Beyond the Corner

Mobile has become table stakes for all of the relevant players, as mobile devices have become a constant touchpoint with consumers as well as a delivery mechanism for both communications and content. This coming year will also mark a watershed in the development of mobile technology, with the possibility of 5G networks looming as a game changing development. It is the cornerstone of the next and real phase within the "internet of things" (IoT) space - connected car and home, as well as revolutionizing both B2B and B2C industries. The effect of 5G is still to be determined, and we expect ripple effects for the fixed broadband market and the traditional cable model. It remains to be seen whether wireless cable company offerings will hedge against the threat of 5G, but the impact is sure to be felt broadly and unpredictably.

Other next-gen technology has not yet scratched the surface in the media/media-adjacent environment. Voice now accounts for over 25% of all online searches and is growing at a rapid rate, as Amazon, Apple and Google all compete for control in your kitchen, car and yes – even your bathroom! The Augmented and Virtual Reality (AR/VR) worldwide market is nascent, but expected to exceed $200bn in the next five years with shipments of AR glasses growing 10x year-over-year. Artificial intelligence threatens boundless change, and the blockchain promises the possibility for a new kind of accounting and mode of transaction. These changes will shape the future, but in crucial ways they have already arrived.

The next twelve months will be an important year for space technology. Innovative projects long under development will start coming to fruition in 2019. With predictions that the space economy will exceed $1 trillion in 2040, now is the time to focus more on the opportunities. The possibilities are dizzying; passenger space travel, instantaneous delivery and universal connectivity via satellite and the prospect of point-to-point networks. We expect first passenger launches – as we saw with Richard Branson's Virgin Galactic (which made history this month by officially reaching space), as well as continued revolution in small satellite technology and constellations to bring the promise of ubiquitous connectivity and communications to the underserved globally at increasingly attractive costs. Space is getting crowded, and we are just at the beginning. The promise of connectivity and satellites must contend with cybersecurity concerns, intergalactic debris, and general questions of liability and risk. This will be an exciting sector to watch.

Getting the Balance Right: Pressures, Possibilities, and Politics

The intersection of technology and government continues to exert significant pressures on companies and markets that are exacerbated by politics. But the political environment is poised to become more gridlocked and therefore more benign following the recent US midterm elections, and I believe politics could be less of a factor to the markets in the next two years than it did in the last two years. Big tech will remain in the regulatory crosshairs, but given that many of their problems were self-inflicted, regulatory pressures may be slow to come to fruition.

If we focus then on industry trends, value creation will be driven by dynamics like global scale, the right synergistic deals, the right operating philosophies and the right advice – the things we can control. The possibility of user backlash is also real now that we see the largest tech platforms can be used for good and evil. This could force the companies to reframe their business models. It will be an ongoing challenge for big tech companies to retain the support of their investor bases and continue to grow.

Technology has reshaped the most important aspects of our life, but we have not yet reconciled the quandaries that technology has created for society. Walls are built even as borders become fluid. Immigration continues to profoundly challenge existing structures even as traceless crypto-currencies suggest new possibilities for a globalized economy, one that promises both gargantuan opportunity and enormous challenges; taxes, cost regulation, and cultural barriers. Near trillion-dollar public equity valuations coexist with remarkable changes in political leadership and national priorities. Social media, which offers everyone a megaphone, can threaten the democracy that guarantees the freedom of speech that these platforms purport to promote. While cryptocurrency heralds the prospect of a financial system that transcends borders and national affiliation, the pressures of immigration and massive circulation of people around the globe have drawn ever greater attention to borders. Walls are going up and borders are dissolving. Technological platforms can be used by dissidents and world leaders alike who monitor their citizenry. The world might be flat, but the rapidity and impact of change makes for a very varied terrain.

Regional Opportunities in a Global Environment

It is not only industries and markets that are undergoing enormous change. Geography is bending with new vistas rapidly coming into view. In 2019, more than 1/3 of the world will elect new leadership – with elections due in countries as diverse as India, Nigeria and Indonesia. Of course, Brexit uncertainty, a new government in Brazil, recent political volatility in France, new leadership in Germany and a divided US government will be big themes for the year as well, creating uncertainties and opportunities. Thinking regionally in a global environment, and always working outside the box is the best way to transform these horizons into paths to value creation and success. LionTree is acting as international strategic advisor to the Essel Group as it considers a divestment of a portion of Zee Entertainment, the India media and entertainment conglomerate. Latin America represents another vast zone of opportunity that contains a nearly endless amount of local variation. In the US, we are growing our tech presence in California with recent investments in interactive gaming and eSports and space investing and capital raising, consistent with themes outlined above and our tradition of investing alongside our clients.

Professor Daniel Kahneman, a Nobel Laureate and an advisor to LionTree, once told me, "A great advisor is someone who has a client's best interests in mind, but does not care about his/her feelings."

LionTree Reflections: Looking Back, Pushing Forward / Work in Progress

At a moment when **passions run higher than usual** and extremes in business and politics are both alluring and destabilizing, the pursuit of the clarity that only comes from the kind of attention that flourishes when we step back and think deep will remain central to what we do at LionTree. Today's world demands deeply informed advice that holds and harnesses all of the turbulence. We are a dynamic and evolving work in progress, measuring what matters and aligning our advice and deal making with the needs of our clients. Nevertheless, while we conclude this year, let's not applaud mediocrity but celebrate the exceptional.

We proudly seek out corrections and pride ourselves on a brand of leadership that serves and supports while encouraging growth. We are in an era where leadership is not about fame. In this new era, the CEO serves the company – the people, their vision, their product.

I am extremely proud that we now have ownership interests in several private and growing companies. We have skin in the game. Our Merchant Bank is deeply engaged with the trends in the market, connecting ideas to capital for the firm in partnership with our clients. In 2018 alone, we invested in twelve dynamic companies across multiple verticals including Ripken Baseball, WinView and The Athletic (youth/sports), opportunities in eSports/gaming, fintech (see below), and Ocelot, the public markets vehicle we founded in 2017, acquired a digital outdoor business, Ocean Outdoor. Our KindredCast podcast is our vehicle to simultaneously analyze these trends, and hear from the innovators and thought leaders who can help us contextualize, challenge, and reimagine our world and our work.

Our IPO Advisory capabilities, Institutional product (led by Leslie Mallon), LT Growth business and focus on Media 2.0 areas such as interactive and experiential entertainment represent an exciting future unfolding across a new horizon. We are excited to be at the forefront of a recent fintech investment- LionTree Partners participated in a KKR-led $100mm financing into Cross River Bank, a state-chartered community bank which has developed a technology API that powers fintech companies like Affirm and Transferwise. We are not merely predicting or prognosticating; we are collaboratively building the future.

Yet we will always embrace our core role as advisor and companion to our clients. Our commitment to solutions informs everything that we do, and infuses our range of products. For example, **LightTree** is a financing solution that offers our clients an attractive and less dilutive alternative to straight equity. Going forward, as there is more volatility in the capital markets, we believe LightTree will be increasingly relevant for our clients.

LightTree, a LionTree product in partnership with Searchlight Capital, provides a distinct alternative to traditional venture capital and bank financings for TMT companies through bespoke, less-dilutive investment structures.

Our people and our products testify to our core beliefs. We firmly believe that metrics and meaning go hand in hand, and that measuring the things that matter is the way to deliver value, in the forms of counsel and companionship. As the New Year promises unpredictability as the only constant, we continue to grow a management philosophy that celebrates adjustments, facilitates self-correction, and sees groundedness and curiosity as complementary rather than conflicting. We realize that past, present, and future are all a matter of perspective; perennials and millennials will both change the workforce, and shape it in directions that harken back and look forward. Investments back into LionTree reflect our views of opportunities we can create for our clients and express our commitment to pursuing their values and exceeding their expectations.

As we complete our seventh year as a firm, we are privileged to possess a powerful blend of youth and experience, as well as a track-record of success that suggests extraordinary opportunities are still to come. We are optimistic about the future, but also recognize the wisdom in Jeff Bezos's insight that "one day, Amazon will fail." The future does not make promises to the present and demands only that we prepare for it diligently and imagine it boldly. I urge everyone to brace themselves, both against the instability that surrounds us and in order to build the firm's next opportunities.

A recent article in the *Harvard Business Review* caught my attention. Setting higher goals, especially when surrounding contexts are difficult, leads to greater inspiration, motivation, and satisfaction than grinding to maintain the status quo. Excellence in execution and innovation in ideas not only create the new optimal; they unite work, value, and opportunity. The gap between the goal and the baseline is where compromise is rejected in favor of aspiration. That is the place we want to be.

The urges to reinvent and innovate need to remain our truest constants, as we amplify and extend our core values into 2019, and beyond. This work can be hard, because it requires leadership and execution from all of us, and we are all on the front lines. That's why resistance to complacency is a core value, and it is why we push constantly to enlarge our expectations and capabilities. Attentive to the lessons of the past, alert to the trends of the present and excited by the possibilities of the future, we wish everyone a happy, prosperous, and peaceful New Year.

I'd like to leave you with a quote from one of my favorite Paul Simon songs called "The Cool, Cool River." It emphasizes the need to think long-term, and while we are still trying to figure it all out, look towards the future with focus and optimism. It combines confidence with the perspective to know that the twists and turns of the future suggest surprises around the corner:

And I believe in the future,
We shall suffer no more,
Maybe not in my lifetime,
But in yours I feel sure.

Thank you,

Aryeh B. Bourkoff

P.S.

As in years past, I'd like to share my reading list for 2018. I'm the first to admit that some I've read multiple times and others I've simply skimmed or listened and picked out the particularly timely bits - but all I found profoundly interesting and additive to the pursuit for knowledge and growth. I hope that you can pick up a few of these or listen as audio books as you head away with loved ones for the holiday break. Enjoy!

1. The Messy Middle, by Scott Belsky Audio Book Version
2. Small Wars, Big Data, by Eli Berman Audio Book Version
3. The Billionaire Raj: A Journey Through India's New Gilded Age, by James Crabtree Audio Book Version
4. The Space Barons: Elon Musk, Jeff Bezos, and the Quest to Colonize the Cosmos, by Christian Davenport Audio Book Version
5. Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs, by John Doerr Audio Book Version
6. The Square and the Tower: Networks and Power, from the Freemasons to Facebook, by Niall Ferguson Audio Book Version
7. The House of Rothschild Vol. 1: Money's Prophets 1798-1848, by Niall Ferguson Audio Book Version

8. The Creative Curve: How to Develop the Right Idea, at the Right Time, by Allen Gannet Audio Book Version
9. Silicon States: The Power and Politics of Big Tech and What It Means for Our Future, by Lucie Greene Audio Book Version
10. B is for Bitcoin, by Sam Lessin
11. Lexicon: A Novel, by Max Barry Audio Book Version
12. Mastering the Market Cycle, by Howard Marks Audio Book Version
13. Edge of Chaos: Why Democracy is Failing to Deliver Economic Growth – and How to Fix It, by Dambisa Moyo Audio Book Version
14. Verizon Untethered: An Insider's Story of Innovation and Disruption, by Ivan Seidenberg and Ram Charan Audio Book Version
15. Becoming Ageless: The Four Secrets to Looking and Feeling Younger Than Ever, by Strauss Zelnick
16. Churchill: Walking with Destiny, by Andrew Roberts Audio Book Version
17. Caesar Life of a Colossus, by Adrian Goldsworthy Audio Book Version
18. When Breath Becomes Air, by Paul Kalanithi Audio Book Version
19. Really enjoyed watching David Brooks at the Aspen Ideas Festival present on what he calls "The Second Mountain: The Next Big Challenge in Your Life"
20. In honor and memory of my late uncle - Jewish Libya: Memory and Identity in Text and Image, by Jacques Roumani
21. And lastly, I try to re-read this every year as I find its lessons always relevant - Leadership and Self Deception, by the Arbinger Institute Audio Book Version