MANOLE CAPITAL MANAGEMENT

Introduction:

You don't drive a car by just looking in the rearview mirror. You need various inputs (weather conditions, traffic, fuel, etc.), but also must anticipate the road in front of you. The Fed is analyzing current data and all the leading economic indicators, but always seems to be "behind the curve". All of this information is important, but it operates with a long and variable lag.

In the following pages, we will look forward and anticipate, as opposed to being reactive to today's latest economic datapoints. We will briefly review 2023 but spend the majority of our newsletter highlighting important topics for 2024, like the Fed, interest rates, and inflation.

Before our Cliff Clavin page of "useless information", we will mention two legends that recently passed away – Charlie Munger and Bobby Knight. We highlight a few of their memorable quotes and sayings, which we believe is relevant to our unique style and investment philosophy.

How Did We Get Here?

A year ago, the market was consumed with a looming recession and focused on escalating inflationary pressures. How high was inflation going? Could the Fed tame inflation by hiking interest rates? Would higher interest rates materially impact the US consumer?

In our research, we aim to condense complicated subjects into simple explanations. Economists define inflation as a monetary phenomenon, where too many dollars are chasing too few goods. As most financial and economic questions, we believe inflation can be explained by discussing supply and demand. Fortunately, for the last 40 years, higher consumer prices and inflation weren't a US consumer concern.

When the pandemic struck in early 2020, it created a stubborn supply and demand problem. In the wake of COVID-19, the US government engaged in historic fiscal stimulus, which incorporated significant direct transfers of money to consumers. Trillions of dollars, across two administrations, armed the US consumer with enormous amounts of spending ammo. While confined to their homes, the US consumer spent and spent, which led to a supply difficulty.

Huge sums of money and elevated demand was met by snarled supply chains, factory shutdowns, rising shipping costs and labor shortages. The Fed tried its best to fight off inflation by quickly lifting interest rates (11 times since March of 2022), ending Quantitative Easing, and trimming its sizeable balance sheet. However, the Fed couldn't do anything about continued government spending or unclogging those pesky supply chains problems. Then, just as things were starting to somewhat resolve themselves, Russia invaded Ukraine and caused major dislocations in the commodity (energy and food) markets. From our perspective, this takes us to the beginning of the year.

Reviewing 2023:

The best performing sector in 2022 was the Energy industry, with the XLE climbing over +64%, versus the S&P 500's decline of nearly 20%. What about this year? Well, Energy is cyclical and fell (1%), but Tech strongly rebounded, with the XLK up +55% this year. The five biggest companies in the S&P 500 are Apple, Microsoft, Alphabet, Amazon, and Nvidia, representing about a quarter of the entire benchmark's market capitalization. The market was led by these "Magnificent 7" stocks, which now have a market capitalization approaching $12 trillion. Apple's market cap now exceeds $3 trillion, which is worth more than the entire UK stock market.

From January 1st through the end of September, these seven stocks were up more than +50%, while the other 493 stocks in the index were essentially flat. The equal weighted S&P 500 was only up +4% through November, but Nvidia is up +236%, Facebook/Meta is up +178% and Tesla has climbed by +106% (through December 17th).

In late summer / early fall, the S&P 500 fell (9.9%), and the Tech sector fell even more. A typical correction is defined by a sharp decline between (10% to 20%), so this decline was close enough. Since 1980, the average intra-year S&P 500 decline

was over (14%), showing that downside volatility is an annual feature of equity investing. From the end of the Financial Crisis through the Pandemic (2009 to 2020), there were only 9 downside corrections. Unfortunately, these large downturns aren't an anomaly, but the norm.

Over the last couple of years, the Fed has tightened significantly, 525 basis points since March 2022; and elevated long bond yields can have the same tightening effect on our economy. The 10-year recently climbed towards 5% (for the first time in 16-years) but has since retreated. Higher yields are typically negatively correlated with equities, especially in the Tech sector. Many pundits in the financial media summarized August and September simply as "rates went up, so stocks went down". While true, as the 10-year rose 61 basis points and stocks fell over (6%), this is a grossly oversimplified explanation.

Higher interest rates reduce the value of a company's future cash flows, but also gives yield-seeking investors a low-risk or even risk-free alternatives to stocks. This tends to negatively impact companies trading at lofty multiples (many in the Tech sector), but it remains somewhat short-term in nature. We firmly believe that stock prices reflect future cash flow and growth prospects, that ultimately get reviewed and dissected every three months during earnings calls.

After a challenging equity tape in August, September, and October (caused by volatility in bond yields), we have experienced a mini-Santa Claus rally. After this temporary dip, the S&P 500 has rallied by over +10% and the Dow, S&P 500 and Nasdaq have experienced seven consecutive weekly increases. As we write this, the S&P 500 is up +25% and the Nasdaq market is up +43%.

In our opinion, there are two key items that helped drive 2023 performance. First, employment has been solid, with unemployment near 50-year lows of 3.7%. The unemployment rate has remained below 4.0% since February 2022 and is right where it was in January 2020, pre-pandemic. Over the last year, payroll growth has averaged over 250,000 per month, with average hourly earnings rising +4.1% year-over-year. A strong labor market and rising wages bolsters consumer spending. Plus, there is a record $5.9 trillion of cash, sitting in money market funds. Clearly, there is a substantial amount of "dry powder" just waiting to get deployed.

The other key aspect we credit with this year's strong performance is the US consumer. Consumer spending is the lifeblood of our economy, at 68% of GDP. Speaking of the US consumer…Have you done your holiday shopping?

Holiday Shopping:

Surveys show that nearly 75% of US shoppers plan to spend the same or more on gifts. Total holiday spending could approach $1 trillion this year, and according to Deloitte, the average US consumer will spend +13% more than last year, exceeding pre-pandemic levels.

On average, it is estimated that US households will spend an average of $567 on gifts from Thursday of Thanksgiving through Cyber Monday. Millennial consumers are leading the charge (no pun intended), with spending up +38% year-over-year. For the first time ever, it is expected that mobile phone purchases will exceed desktop transactions, as a percentage of online sales. As eCommerce continues to take market share from physical retailers, it should benefit our payment companies, as online transactions cannot be made with cash.

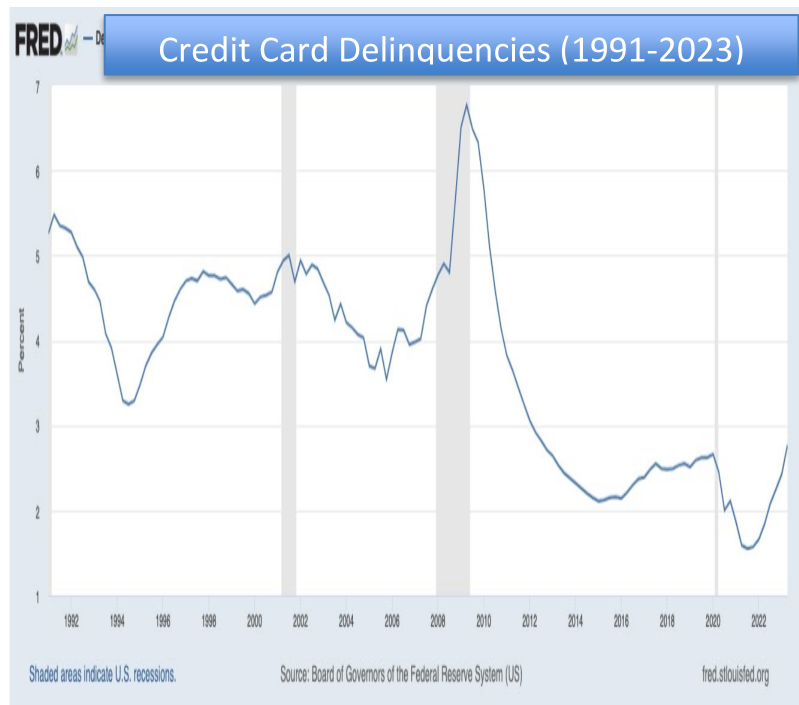
Looking at estimates from Insider Intelligence and Adobe Analytics, it appears that the US consumer has come through yet again. Black Friday sales were up +6% to +8% year-over-year, and Cyber Monday estimates are approaching high-single digits growth. Overall, we anticipate that sales for the entire Thanksgiving weekend will be up roughly +8% versus last year and Cyber Monday will likely be the busiest shopping day of all-time.

Shopify, the internet infrastructure for eCommerce, said its Black Friday and Cyber Monday sales increased +24% year-over-year. Over 61 million consumers in 175 countries made purchases from 55,000 merchants, equating to $4.2 million of sales per minute. *Square*, the payment platform, reported that it set a record with 70 million transactions, up +14% year-over-year. While in-person shopping (at brick-and-mortar stores) increased +15%, the real strength was online. Square stated that online cart sizes were 3.9x higher than in-person stores, reinforcing the need for merchants to have an omnichannel (both physical and online) strategy.

While US consumers continue to spend, which fuels our economy, one must examine how these payments are occurring. One trend we continue to see gain market share is BNPL (buy now, pay later). The four leaders in this category are Klarna (privately held, but rumored to have an IPO in 2024), Square's Afterpay, Affirm and PayPal. These firms embraced a modern version of lay-a-way, allowing its customers to pay for goods and services in equal monthly installments. Klarna, the BNPL market leader, has over 150 million customers shopping at over 500,000 global merchants. Square stated that Afterpay transactions increased +19% year-over-year and sellers saw BNPL transactions increase +47% versus last year. Clearly, BNPL is one holiday winner, as it continues to experience outsized growth.

Cards:

We continue to analyze outstanding credit card debt levels (which continue to hit all-time highs), and higher interest rates aren't going to make things any easier. According to the latest Federal Reserve Bank of New York's household credit and debt report, Americans' total credit card balance eclipsed $1.08 trillion last quarter. This was the largest year-over-year increase since it began tracking household debt in 1999. Just like the exploding US federal deficit, the average US consumer is facing pressure.



As this chart from the Federal Reserve Bank of St. Louis shows, the delinquency rate on credit card debt is now at the highest level since 2011 at 3%. While that is obviously concerning, it still is well below historical averages over the last three decades.

We find some solace in the fact that overall household net worth continues to climb higher. From the end of 2019 through the 2nd quarter of 2023, household net worth rose by a whopping $37.6 trillion or 37%, even after adjusted for inflation.

Our Day Job:

A year ago, most experts were expecting a recession, based upon weak banking underwriting standards, an inverted yield curve (since the summer of 2022), the brisk pace of the Fed's tightening and the lagging effects of monetary policy. However, as strategist Ed Yardeni recently said, "the Godot recession is still a no-show" and this weakness never materialized.

As year-end approaches, you will be inundated with 2024 projections and guestimates. Today, most economists and strategists are planning for a "soft landing" or Goldilocks type of economic environment, predicated on continued dis-inflation.

While BCA Research is looking for the S&P 500 to fall to 3,300 next year (down 30%), Bank America, Deutsche Bank and BMO are expecting a climb towards 5,100, or up +8%. As Yogi Berra once stated, "It is difficult to make predictions, especially about the future."

In our quarterly newsletters, we always try to comment on macro issues like employment, inflation trends and what the Fed might do with interest rates. But these macro matters aren't our daily focus. Each and every day, we spend our time doing reading, writing, and doing research. We are a bottoms' up, fundamental research shop, analyzing how our FINTECH businesses are performing in today's economic environment. Each quarter, we update our models, listen to conference calls, read transcripts, and examine management commentary. For us, this fundamental approach is the best way to truly understand a business and its future prospects.

While macro conditions can impact our holdings, we model top-line revenue growth, operating margins, FCF and earnings projections (over the next four to six quarters). We don't kid ourselves that our models are going to be 100% accurate, but we strive to understand how our businesses will perform in various economic scenarios. This is why we focus on owning secular growth companies, with predictable and sustainable cash flow, not volatile, cyclical businesses.

Our Outlook:

While most fundamental measures appear positive, this seems like the most un-loved bull market we can remember. In October, consumer confidence and sentiment both fell for the 3rd consecutive month. The University of Michigan's Consumer Sentiment Index is near levels last seen during the Financial Crisis of 2008 and a recent Bankrate survey found that nearly 60% of Americans felt like we are currently in a recession. Why the disconnect from the numbers and reality?

From our perspective, the current economy is nowhere near contraction territory, as it just posted an accelerating 3rd quarter GDP of +5.2%. Economic fundamentals are strong, with that impressive GDP print, low unemployment of 3.7%, steady wage growth and inflation on the decline. Despite this, sentiment remains negative, which can actually be framed positively. We have always found that stocks tend to do well when the economic fundamentals are under-appreciated and/or when investors are more pessimistic than they should be.

Is everything positive? No, but conditions are better today than they have been in years. Our economy continues to defy growth expectations and it is the envy of the developed world. From an investment and economic standpoint, there seems to be a lot to be optimistic about, especially if you own the right FINTECH companies.

The Fed, Inflation & Interest Rates:

Inflationary pressures have receded, with November Core CPI at 4.0%, versus a high of 9.1% in the second quarter of 2022. While inflation remains well above the Fed's target of 2%, it has definitely significantly eased. PCE (Personal Consumption Expenditures) remains the Fed's preferred inflation gauge and recent readings have strengthened the likelihood that the Fed might pivot.

Many anticipate that the Fed will switch from hikes to interest rate cuts in 2024. In terms of bold dovish predictions, UBS just suggested the Fed could cut rates by 275 basis points next year, bringing the Fed Funds down to a midpoint of 2.6%. Whether this happens is another story, but it sure makes for catchy headlines. The market seems to be expecting a bigger and quicker Fed reversal, but we aren't in the macro prediction game.

As our loyal readers know, we prefer to examine the CME FedWatch tool (click here), of interest rate expectations. It appears the market is anticipating the Fed is finished tightening, and that it will ease in 2024. Over the next year, the Fed's Summary of Economic Projections (i.e., its "Dot Plots"), is modeling three interest rates cuts of 25 basis points, while the market appears to be expecting five to six.

In our opinion, Fed commentary has been fairly clear. Most Fed officials say they would prefer to err on the side of caution and overtighten monetary policy, rather than not doing enough to bring inflation down to its 2% target. Neel Kashkari is the president of the Federal Reserve Bank of Minneapolis and he continues to be the Fed's most vocal hawk. "Under-

tightening will not get us back to our 2% inflation target in a reasonable time. The economy has proven resilient, but I worry about inflation ticking up again."

The Fed just published its semi-annual Financial Stability Report, and it mentioned how geopolitical tensions could negatively impact economic activity in 2024, as well as interrupt production and global supply chains. It is these uncertainties that lead us to believe the Fed's constant mantra of "higher for longer".

The market is already modeling in when interest rates will be cut, but the Fed is trying to gauge how long it needs to keep monetary policy restrictive in order to insure it properly curbed inflation. Doing too little now might allow inflation to become permanently entrenched, which is a major Fed worry and concern. We tend to be in Jim Grant's cautious camp, the esteemed editor of the financial publication "Grant's Interest Rate Observer". He believes the Fed will be "gradual and delayed in lowering rates", until inflation gets much closer to the Fed's 2% target. After the Fed failed to appreciate how "transitory" inflation was in 2021 and 2022, we think it won't prematurely declare victory over inflation just yet.

We aren't boldly proclaiming the economy is "firing on all cylinders", but we can acknowledge its steady progress following a hopefully once-in-a-generation global pandemic. We are one of the world's strongest and fastest growing economies, not desperately in need of an interest rate cut to survive. We believe that if long-term interest rates stay in the 4% to 5% range, our economy will not only survive, but thrive.

A True Investing Legend:

On November 28th, 2023, we lost an investing legend. Charlie Munger, a month before he would have turned 100 years old, passed away. He provided investors with hundreds (maybe thousands) of wonderful quotes and tidbits. Some found his comments a little grumpy, but we prefer to consider these statements as "grandfatherly wit and wisdom." Munger's observations were a welcome contrast to so many tight-lipped, politically correct, and afraid-to-offend corporate executives.

Buffett and Munger first met at a dinner party in their hometown of Omaha in 1959. The two had both worked at Buffett's grandfather's supermarket, but apparently never ran into each other. By 1978, Buffett had convinced Munger to join him at Berkshire Hathaway as Vice Chairman, where he played the "ying" to Buffett's "yang".

At Berkshire's annual investment get together in Omaha, Munger would answer questions in a clear and concise manner, that was dry, deeply truthful, and often humorous. Buffett once said that "Charlie has the best 30-second mind in the world. He goes from A to Z in one move. He sees the essence of everything before you even finish the sentence."

One might not always agree with Munger's opinions, but it was always worthwhile to listen to his point of view. Following his passing, Buffett had this to say about his former partner. "Charlie had a wide-ranging brilliance, a prodigious memory, and some firm opinions. I'm not exactly wishy-washy myself, and we sometimes didn't agree. However, in 56 years, we never had an argument. When we differed, Charlie usually ended the conversation by saying: 'Warren, think it over and you'll agree with me because you're smart and I'm right.'"

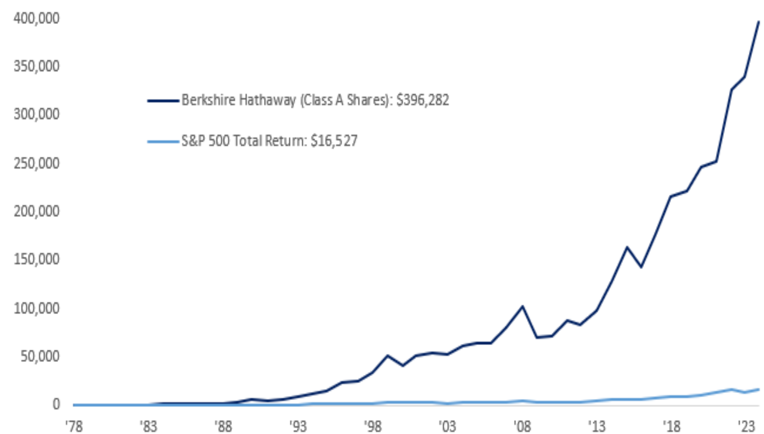
Instead of focusing on conventional investing techniques, Munger took a multi-disciplinary approach, studying history, philosophy, engineering, and science. Munger believed that successful investing requires "this crazy combination of gumption and patience, and then being ready to pounce when the opportunity presents itself, because in this world opportunities just don't last very long."

All investors should read (or re-read) his speeches called *Poor Charlie's Almanac*, as it is a great collection of investment knowledge. Munger felt "the best thing a human being can do is to help another human being know more." Who doesn't laugh hearing Munger's quote about education? "Without constant learning, you're like a one-legged man in an ass-kicking contest." Munger was one-of-a-kind, the "King of Zing", and #1 at being #2.

MANOLE CAPITAL MANAGEMENT

Berkshire Hathaway Performance:

Early in his career, Buffet tended to follow Benjamin Graham's 'cigar butt', deep-value investment approach. He tried to buy stocks and companies trading at significant discounts to their intrinsic value, i.e., buying stocks for 10 cents on the dollar. Munger adhered to a different investment approach, and he believed "a great business at a fair price is superior to a fair business at a great price." Buffett stated that his purchases of American Express, Apple and Coca-Cola were all influenced by Munger's different philosophy.



As this chart shows, $100 invested in 1978 (the year Charlie joined Berkshire) grew to $16,527 invested in the S&P 500, but nearly $400,000 if it were in Berkshire. Together, Warren Buffett and Charlie Munger were able to build a company with a market capitalization of over $750 billion.

Some viewed Munger as a curmudgeon, but we loved his candor and will terribly miss his wisdom. He succeeded by tuning out distractions and being keenly aware of what he didn't know.

Munger was genuinely authentic, and we loved this quote about life. He said, "It is so simple; spend less than you earn, invest shrewdly, never stop learning and avoid toxic people."

We couldn't agree more!

A Coaching Legend:

Our loyal readers know that we are diehard sports fans. Last month, we lost a basketball coaching legend and 3x National Champion. Bobby Knight passed away at 83 years old on November 1st, 2023.

Knight was known for his bright red IU sweaters, intense leadership style, brilliant but combustible personality, and unyielding commitment to excellence. He was disciplined (except for throwing that chair), always prepared and quite determined to succeed. At his retirement, he led all coaches with 902 wins in NCAA Division 1 basketball.

We found a few of Knight's insightful quotes and thought some could easily be applied to the investing world. Here are a few of our favorites and how we apply it towards managing money.

On Preparation:

- "The key is not the 'will to win'...everybody has that. It is the will to prepare to win that is important."

Like in sports, investing requires rigorous preparation and focus. Knight's quote emphasizes the importance of continuously learning and the long-term commitment necessary for success. We don't rely on luck or "our gut" but base our investment decisions on thorough research and analysis. The due diligence we conduct is time-consuming (and far from sexy), but we love it. We believe that the more we prepare, the better positioned we will be to succeed.

On Discipline:

- "Discipline is doing what has to be done when you don't want to do it."

When investing, one cannot stray from a process when the market becomes volatile. We apply a consistent, and well-defined FINTECH investment strategy that has been built over 25 years. We stick to our process and investment style regardless of the current environment. By staying disciplined, it ensures that we avoid emotional, knee-jerk reactions.

On Success:

- "Good, better, best. Never let it rest. Until your good is better and your better is best."
- "Success is about having; excellence is about being."

We define success as "generating excellent long-term returns and limiting a material loss of capital". We are never satisfied and are always striving to improve. For us, we believe that continuously improving our knowledge will lead to better long-term returns. Bobby Knight's quotes are a reminder that the principles of preparation, discipline, and the will to win are applicable in many aspects of life, including investing. By embodying these principles, investors can increase their chances of success and hopefully build a strong, financial future.

In addition to the passing of these two legends, the investing world lost one of its most interesting and famous prognosticators – Byron Wien. On October 25th, Wien passed away at 90-years old, but not before he published 20 of his *Life Lessons* on Blackstone's website.

Click here for some additional wisdom, from the "seer of the unexpected". Our favorites were his thoughts on concentrating and finding one big idea, treating everyone you meet as a friend, and "the hard way is always the right way; never take shortcuts, except when driving out to the Hamptons." Sage advice…

Conclusion:

The financial media and sentiment indexes can "paint a picture" that there is a lot to be worried about, ranging from geopolitical conflicts, runaway inflation, political fighting, etc. While these subjects obviously matter, we believe that US economic fundamentals matter more. So too do corporate earnings, cash flow and growth. From our perspective and for our FINTECH portfolio, these are headed in the right direction.

We have been through various market swings, both up and down, and we find it is best to have a consistent and sustainable investment process. We aren't saying that no action is required. Sometimes, we must transact if the facts or conditions have changed. That is totally acceptable. What we are saying is that panic behavior isn't a viable option for us.

Uncertainty is always troubling and leads to volatility, but having a consistent process allows us to have perspective and understand that this too will pass. Our strategy and investment philosophy are located right on our website, which can be viewed by clicking here.

As Charlie Munger stated, "If you enjoy the privilege of being an owner of assets, there will be periods of discomfort. But that is the point of having an investment process, one which you can rely on, especially during downturns." Rest assured that we are deep in our models, reviewing earnings, forecasting future results, and understanding how today's environment will impact our FINTECH portfolio. We remain focused on the fundamentals.

The US economy has proven extremely resilient this year, and that much-feared recession has yet to materialize. Economic activity remains healthy, with a solid labor market, low unemployment and rising wage growth. The US consumer is the foundation of our economy, and we anticipate next year should show positive economic growth and a return towards a pre-pandemic normalization.

As the holiday season is upon us, we wanted to take a moment to express our gratitude for your support. Your success is our success. We look forward to continuing our relationship and want to wish you a happy holiday season and a prosperous New Year.

We look forward to speaking with you soon!

Warren Fisher, CFA

Founder & CEO

Manole Capital Management

MANOLE CAPITAL MANAGEMENT

Cliff Clavin's "Useless Information":

In the 1980s, one of our favorite TV shows was ***Cheers.*** The know-it-all postal worker was named Cliff Clavin and played by actor John Ratzenberger. This recurring segment of our newsletter highlights some "useless" information that Cliff would be proud of.

Accepting Cards: Last year, Visa and Mastercard networks processed and handled more than 129 billion credit, debit, and prepaid card transactions in the US. In 2022, US merchants paid $93.2 billion in fees to accept $4.2 trillion in Visa and Mastercard *credit* card payments. Roughly 70% of these fees goes to card issuers (like Capital One, Discover, Bank of America, JP Morgan, Wells Fargo, etc.) in the form of interchange. On the debit front, pricing is significantly lower. In 2022, US merchants paid $29.6 billion to accept $4.1 trillion in Visa and Mastercard *debit* card payments.

Bull Run? On December 15th, a bull travelled along the train tracks in New York City. This bull left Newark's Penn Station and travelled two to three miles to Frelinghuysen Avenue, before police captured and tranquilized him. A local animal sanctuary now has Ricardo (his new name) in custody. Talk about a crazy *Wall Street*, bull run, right?

Taylor Swift: According to Bloomberg, the success of Taylor Swift's (age 34) Eras Tour added an estimated $4.3 billion to the US GDP. Trade publication Pollstar stated that Swift's tour generated more than $1 billion in ticket sales this year and should eclipse $2 billion by year-end 2024.

Not only is Taylor dating Kansas City TE Travis Kelce, but she is the rare musician to become a billionaire. Swift raked in $400 million from music since 2019, $370 million from concerts and events, $120 million from song streamed on Spotify and YouTube, $80 million from royalties plus $110 million from property ownership.

If you haven't seen her concert, do yourself a favor and see her movie. It's excellent, but over 3 hours long, so make sure you've got a comfy seat. 2023 was a great year for Taylor Swift, culminating with her getting named Time's Person of the Year.

Volatility: Earnings in the 3rd quarter were particularly volatile, with some FINTECH stocks experiencing 10% to 15% increases or decreases. It reminded us of a quote from Gautam Baid, where he said, "An irrational drop in price makes a stock cheaper, but a rational drop in price makes it more expensive."

When investors want to trade uncertainty and volatility, they look to the CBOE. In 2023, there were an average of 44 million option contracts that traded each day. This was nearly 2x the amount traded 5 years ago.

Mortgage Rates: According to Bankrate.com, the current 30-year fixed-rate conventional mortgage is at 7.47%, but over 80% of mortgages are priced below 5%.

Housing: According to Redfin, 2023 is the least affordable year to buy a home in its database and up 38.7% year-over-year. If somebody makes $78,642 (the US median income), they will need to spend 41.4% of their salary to buy the average median US house at $408,806.

Airplanes: On December 17, 1903, the Wright Brothers made history in Kitty Hawk, North Carolina. Orville took flight in *The Flyer* and had a 12-second flight covering only 120 feet.

Newspapers: There are roughly 6,000 newspapers left in the US, down from 8,891 in 2005 (per Northwestern's Medill School of Journalism). Do you know anybody that still gets a paper delivered? Charlie Munger once said, "We are going to miss these newspapers terribly. Each newspaper…was an independent bastion of power. The economic position was so impregnable…and the ethos of a journalist was to try to tell it like it is. Now, about 95% of newspapers are going to disappear and go away forever. And what do we get in substitute? We get a bunch of people who attract an audience because they're crazy…".

MANOLE CAPITAL MANAGEMENT

DISCLAIMER:

Firm: Manole Capital Management LLC is a registered investment adviser. The firm is defined to include all accounts managed by Manole Capital Management LLC. **In general:** This disclaimer applies to this document and the verbal or written comments of any person representing it. The information presented is available for client or potential client use only. This summary, which has been furnished on a confidential basis to the recipient, does not constitute an offer of any securities or investment advisory services, which may be made only by means of a private placement memorandum or similar materials which contain a description of material terms and risks. This summary is intended exclusively for the use of the person it has been delivered to by Warren Fisher and it is not to be reproduced or redistributed to any other person without the prior consent of Warren Fisher. **Past Performance:** Past performance generally is not, and should not be construed as, an indication of future results. The information provided should not be relied upon as the basis for making any investment decisions or for selecting The Firm. Past portfolio characteristics are not necessarily indicative of future portfolio characteristics and can be changed. Past strategy allocations are not necessarily indicative of future allocations. Strategy allocations are based on the capital used for the strategy mentioned. This document may contain forward-looking statements and projections that are based on current beliefs and assumptions and on information currently available. **Risk of Loss:** An investment involves a high degree of risk, including the possibility of a total loss thereof. Any investment or strategy managed by The Firm is speculative in nature and there can be no assurance that the investment objective(s) will be achieved. Investors must be prepared to bear the risk of a total loss of their investment. **Distribution:** Manole Capital expressly prohibits any reproduction, in hard copy, electronic or any other form, or any re-distribution of this presentation to any third party without the prior written consent of Manole. This presentation is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use is contrary to local law or regulation. **Additional information:** Prospective investors are urged to carefully read the applicable memorandums in its entirety. All information is believed to be reasonable, but involve risks, uncertainties and assumptions and prospective investors may not put undue reliance on any of these statements. Information provided herein is presented as of the date in the header (unless otherwise noted) and is derived from sources Warren Fisher considers reliable, but it cannot guarantee its complete accuracy. Any information may be changed or updated without notice to the recipient. **Tax, legal or accounting advice:** This presentation is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. Any statements of the US federal tax consequences contained in this presentation were not intended to be used and cannot be used to avoid penalties under the US Internal Revenue Code or to promote, market or recommend to another party any tax related matters addressed herein.