2nd Quarter 2019 Newsletter

April 2019

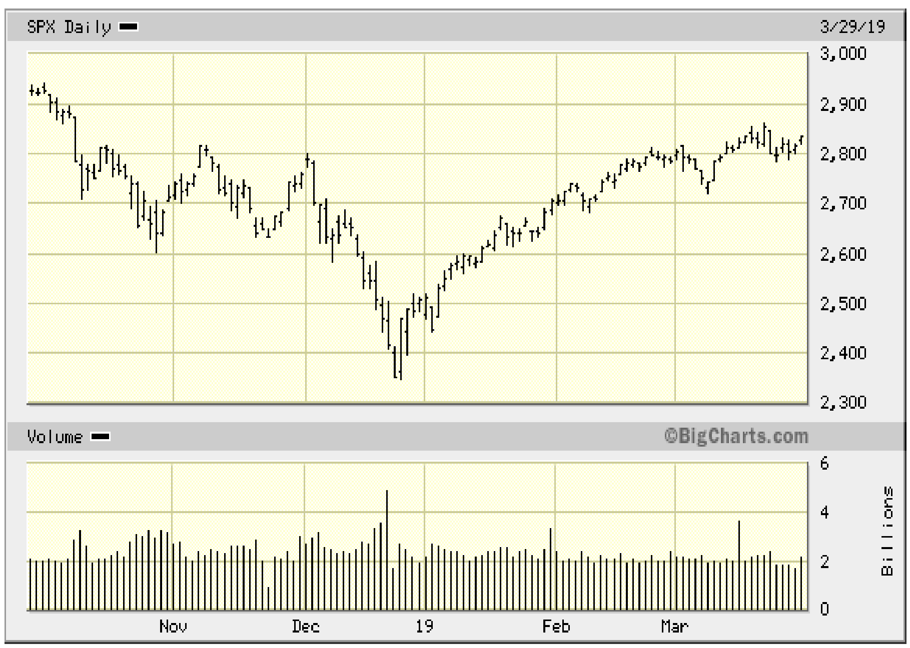
Introduction:

For our quarterly newsletters, we strive to provide macro commentary on issues like inflation, interest rates and the overall economy. While we avoid social and certain political matters, our goal is attempt to provide some insights into our unique investing philosophy, strategy and process. As always, we will sprinkle in our own opinions and thoughts, as we weave in our distinctive approach to investing in the FINTECH space.

In addition to highlighting some key macro thoughts, we wanted to provide some thoughts on the capital markets, especially the re-opening of the IPO window. Lastly, we hope you enjoy our final page, which has interesting statistics, facts, quotes and metrics. Some items are attention-grabbing, some comical, but we hope all are thought provoking. We look forward to speaking with you soon!

1st Quarter 2019 Performance:

When we published our last quarterly newsletter in early January, it seemed as if the market were in a full panic. While there were numerous market concerns (there always are), including a government shutdown, we titled our note "We apologize for being optimistic." Our successful start to 2019 is partially due to our long-term approach, as business buyers, and not because we are short-term traders or momentum chasers.



As the "V-shaped" chart shows, the 1st quarter of 2019 turned out to be the polar opposite of the 4th quarter of 2018. The Nasdaq Composite, which fell over (20%) from its record high, set the 2nd fastest recovery from a bear market in only 31 days. In terms of equities, the S&P 500 is up an impressive 13.1% this year. This is the best start to a year since 1998. Before we get too carried away, the market was up 12% in the 1st quarter of 2012, but then fell 3.3% the next quarter.

All 11 sectors of the S&P 500 were higher last quarter, for the first time since the 2nd quarter of 2014. Technology led the charge, up +19.4%. The REIT and Industrials sectors were both quite strong, up +16.6% during the quarter. Financials, up +7.9% and Healthcare up +6.1% were the two sector laggards but were still positive. Other global indexes were higher too, with the Shanghai Composite up +23.9%, the Euro Stoxx up +11.7% and Brazil's Sao Paulo Bovespa up +8.6%.

2nd Quarter 2019 Newsletter

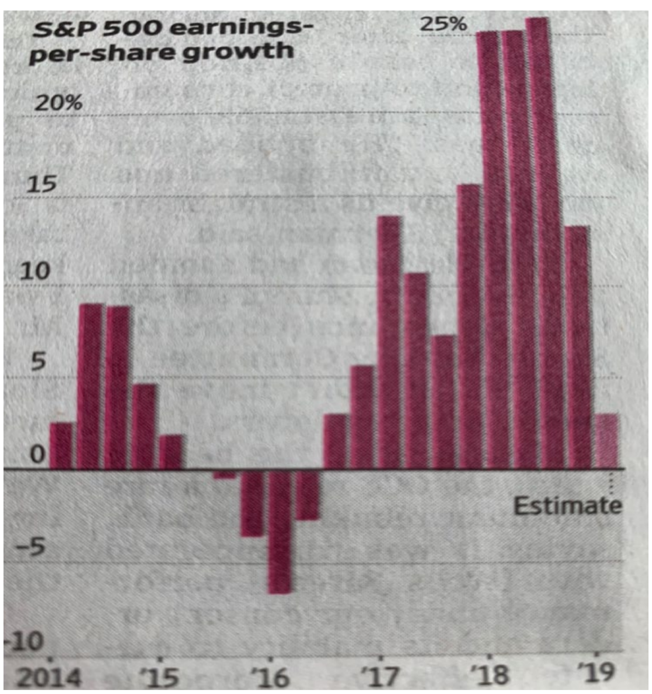
April 2019

March 9th, 2009 is often considered the peak of the Financial Crisis and the start of this historic US equity bull run. A decade later, the US market has rebounded handsomely. US companies are performing well, have strong balance sheets and our well-capitalized banks are the envy of the world.

As this chart shows, the US remains “the best house on a crappy street”. Many other markets, from Europe to Japan to various emerging markets, are barely higher than they were 10 and even 20 years ago. For many reasons, we are very thankful for living in the United States of America.

Upcoming Earnings:

Over the next 4 to 6 weeks, we will begin to get 1st quarter 2019 results. With the anniversary of the tax law changes, earnings growth will be difficult for many companies to show. Over the last year, many “low or no growth” companies were able to boost earnings with lower corporate tax rates and aggressive stock buybacks.



As Warren Buffett likes to say, “Only when the tide goes out do you discover who’s been swimming naked.” Without the benefit of lower corporate taxes, companies will need to generate solid revenue growth to grow their bottom lines.

As the chart shows, earnings growth is expected to materially fall-off from recent years. FactSet’s 1st quarter estimates for S&P 500 earnings is expecting a year-over-year drop of (4%). For 2019, the S&P 500 is expected to generate revenue growth of only 3.9%.

We constantly focus on companies that can organically grow. We believe the market will soon begin to identify and reward those companies with secular growth, as well as defensible and sustainable business models. Our portfolio of excellent FINTECH companies should more than double (maybe triple), the growth of the overall market.

The Macro:

One of the key tenets of our investment philosophy is to always look forward. We strive, at all costs, to anticipate the future. Ideally, we never want to be reactionary. Just recently, we received an interesting list from Jefferies, that enumerated a dozen items that the market is currently wrestling with. Their list is not all inclusive and not in any particular order, but we do find these extremes and polar opposites to be fascinating.

1) Hard Brexit or Reverse Brexit?
2) Interest Rate Increases or Decreases?
3) Red Hot Economy or Recession?
4) Socialism or Hard Right?
5) Sky High Energy Prices or Collapsing Oil?
6) Re-elect or Impeach?
7) Amazon Please Come or Stay Out of Our City!
8) Wall or No Wall?
9) Revolutionary Tech Co's or Break them up!
10) Open Borders or Closed Borders?
11) Nationalism or Joint Cooperation?
12) Tariffs or Free Trade?

We will attempt to weave a few of these market concerns into our commentary, but we do not have a magic 8-ball. Rest assured, we will stay out of the political realm. You do not need Manole Capital to discuss our personal political opinions. We live in a world filled with passionate extremes, TV talking heads, where 280 characters in a tweet, help state opinions as fact. That's not us! We will bore you with economic insights over 10+ pages…

In our complex and complicated world, there unfortunately is no "100% right". We attempt to make wonderful investing decisions, based upon nuance, compromise, details, estimates and trade-offs. Manole Capital is a bottoms' up, fundamental research company. We focus our attention on investing in FINTECH companies that meet our ideal characteristics (see here). To allow the macro to impact our process would be foolish, but so too would it be to ignore larger, global issues. The world is filled with individuals with diametrically opposed views, screaming at each other on TV. While some find watching this compelling, our newsletters try to take a different tact. We attempt to KISS or "keep it simple stupid".

The Fed:

Back in October of 2018, Federal Reserve (i.e. the Fed) Chairman Jerome Powell stated that interest rates were "a long way from neutral". Just a few quarters ago, the Fed was worried about the US economy overheating. The market heeded the Fed's guidance and began to model in multiple interest rate increases in 2019 and additional hikes in 2020.

The S&P 500 had an awful 4th quarter of 2018 and fell over (9%) in December alone. Barely a year into his chairmanship of the Fed, Chairman Powell was receiving harsh criticism from all directions. Not only was President Trump blaming him for the stock market fall, but others were quick to point out numerous Fed "mistakes". Stephen Moore, who President Trump just nominated to take a seat on the Fed's board, called Chairman Powell "incompetent" and for him to resign. Remind us again why people want these jobs?!?

The Pivot:

Last month, in dramatic fashion (at least as dramatic as economic decisions from a Central Banks can be), the Fed maintained Fed Funds at a target range of 2.25% and 2.50%. The market immediately began to forecast that interest rates would be paused. In addition, starting in May of 2019, the Fed announced that it would slow the pace of its sizeable balance sheet shrinkage. We will show significant restraint and refrain from inserting a Seinfeld's George Costanza shrinkage joke.

Was the Fed responding to an awful stock market decline? Was the Fed reacting to strong and negative commentary coming from President Trump? Was the Fed changing its stance because of slowing global growth? Did the Chinese trade war impact Fed thinking? Was elevated market volatility and uncertainty the cause for the abrupt change? There is no right answer to any of these questions.

In our opinion, the Fed was demonstrating one of the fundamental characteristics that also impacts our investing process. If the world turns out differently than you think…pivot! Nobody is perfect. There is no reason to remain tied to a losing investment. We make mistakes all the time, but the bigger problem is remaining dogmatic to that prior decision. If things change, we are not afraid to change with them. We invest and we adapt. In our opinion, that's what Chairman Powell just did, and we applaud the Fed's decision.

Cut the Fed Some Slack:

Last year, the Fed made some assumptions about how the economy was operating and felt it was appropriate to raise interest rates. As new data arrived, the Fed updated its thinking, estimates and models. New assumptions were made, and the Fed paused additional interest rate hikes. Unfortunately, the Fed's actions and commentary last month were clearly a reaction to the market. Instead of anticipating the future, the Fed was responding to the news. The Fed used its "data dependency" stance to remove the two planned interest rate hikes from its 2019 forecast. Our world seems focused on proclaiming winners and losers. Some might prefer to declare that they got December right and that the Fed got it wrong. This misses the mark.

Policy makers face tremendous uncertainty and there are trillions of dollars at stake with each of their decisions. We think Chairman Powell and the Fed are doing a good job of navigating these uncertain waters. We are in one of the longest bull markets in US history and the Fed has steadily increased interest rates over the last 3 years. From near zero interest rates a decade ago, we believe current economic conditions are positive. We think the vast majority of stimulative measures should continue to be steadily removed.

If the financial crisis required the Fed to put the US economy on life support in 2008, we believe it is OK to check the patient out of the hospital in 2019.

2nd Quarter 2019 Newsletter

April 2019

MANOLE CAPITAL MANAGEMENT

The Dual Mandate:

The Fed has 2 key components to their dual mandate. They must strive for full employment and the Fed targets a 2% inflation rate. Unemployment has steadily fallen and now sits at a nearly 50-year low. Output and wage growth have been accelerating, and inflation finally approached the Fed's magic 2% target. While it did not stay there, it has been a remarkably difficult target to reach.

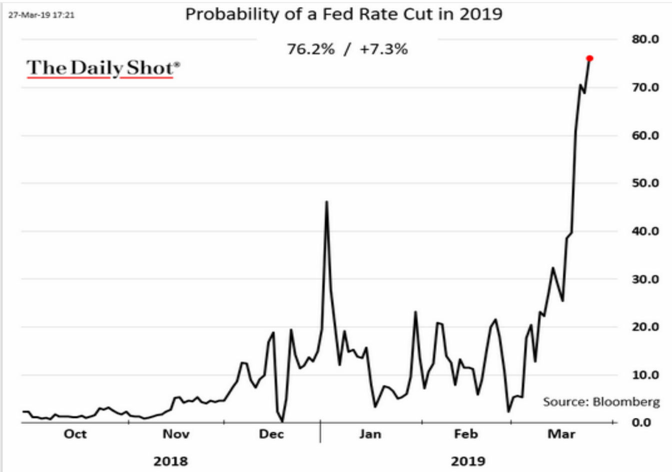
For the last decade, the Fed has been struggling with the 2nd component of its mandate, its 2% inflation target. It does seem that the tight relationship between wage growth and inflation has somewhat disappeared. In prior cycles, a tight labor market fueled higher wage growth, which then spurred on inflationary worries.

With inflation staying stubbornly low, the Fed just stated that additional interest rate increases would not be forthcoming. Chairman Powell stated "it may be some time before the outlook for jobs and inflation calls clearly for a change in policy." In addition, he said "I don't see the current wage picture as concerning from an inflation standpoint." Federal Reserve Bank of Dallas President Robert Kaplan reiterated his support for holding off on further rate increases when he said, "we should take no further action on the federal funds rate until there is greater clarity regarding a number of uncertainties relating to the economic outlook and development of financial conditions."

As the chart and research from Pantheon Macroeconimcs shows, wage inflation has been an excellent indicator (and key driver) of monetary policy. It is clearly a positive to see hourly earnings climb higher. With essentially full-employment, coupled with strong wage gains, we believe the outlook for the US consumer remains stellar.

With GDP *zigging and zagging* from quarter to quarter, it might take longer to get a real sense of underlying fundamentals. It appears that the steady drumbeat of 25 basis point interest rate increases is on pause, at least for the foreseeable future. With the Fed out of the picture, and continued strength in the US economy, we expect this to benefit equity investors.

Interest Rates:



Using our favorite interest rate gauge, the CME rate watch-tool (click here), we can see that the futures market is indicating a 30% chance that the Fed actually ***cuts*** short-term rates in June, with a probability of easing at nearly 60% at the September meeting. The market has totally flip flopped on its expectations, based upon Fed commentary.

In late March, White House Economic Advisor Larry Kudlow urged the Fed to "immediately cut interest rates by 50 basis points." We have a tremendous amount of respect for Mr. Kudlow, but we couldn't disagree more.

The Fed raised interest nine times since it began lifting rates from near zero in late 2015. We do not believe that the slightest downturn in the stock market requires immediate stimulus. We applaud the Fed for its interest rate increases, which reflected a "more normal" economic environment. As we look forward and anticipate, we would rather the Fed reassess its estimates, pause any further increases and let more information come to market. Our preference would be to see several more months of economic data, before materially moving rates in either direction.

In our opinion, the Fed remains quite positive on the US economy. It can be challenging to decipher some of their commentary and "read the tea leaves", but we sense that Chairman Powell is trying to balance two important items. He sees the US as the strongest economic engine on the planet, with remarkably low unemployment and especially strong GDP growth. Countering this, he sees a cloudy global environment. Chinese growth is slowing from its brisk pace. Brexit has been a mess for a couple of years. In addition, the rest of Europe continues to struggle to generate even modest growth. In fact, the ECB continues to provide stimulus, in the form of its controversial negative interest rate policy. We still struggle with the concept of $11 trillion of European bonds that are guaranteeing the purchaser that he/she will receive less in repayment and interest than they initially paid. There will always be questions and uncertainty, but we continue to see, especially in the US, "the glass as more than half full."

The Yield Curve:

All economists believe the yield curve plays an important role in society. Short-term interest rates should theoretically be below long-term rates, if investors are to be fairly compensated for taking additional duration risk. In past cycles, an inverted yield curve (short-term rates above long-term rates) has done a good job of predicting a recession. According to the National Bureau of Economic Research, a yield curve inversion has preceded each of the last seven recessions. The Federal Reserve Bank of Cleveland estimates the chance of an economic recession, stopping this decade-long expansion, at 32.7%

We agree with Dallas Fed President Robert Kaplan who said, "I'd need to see an inversion of some magnitude and/or some duration, and right now we don't have either." However, no prior cycle has ever had this much central bank involvement. We believe there has to be some second derivative impact from the massive central bank stimuli and bond purchases.

The Inversion as a Positive:

On March 22nd, the yield on the 10-year Treasury note fell below the 3-month Treasury bill. Then, just a few days later, the yield curve became positive again. Does this mean that the looming recession has been called off? Certain economists have been calling for the end of this bull run for years. Now that we had a yield curve inversion, these same pessimists are now calling for a sharp market decline. Would you rather be wrong one year and right ten, or right one year and wrong ten?

We are not saying that an inversion is healthy or even positive. We simply want to emphasize that we do not rush to decisions. We analyze and study economic conditions every day. A recession will eventually arrive in the US, especially since we are a full decade from the financial crisis. However, we do not blindly follow economic rules and we do not believe that an inverted yield curve necessarily means a recession is imminent. The fundamentals in the US are very strong. In fact, if we were to blindly follow rules, we could easily make the point that an inverted yield curve is a positive. Why?

Using history as our guide, one could conclude that yield curve inversions are a positive for the stock market. Canaccordgenuity Research studied the last seven economic cycles and found that the S&P 500 posted gains averaging +21%, from the day of the inversion to the peak of that cycle. Over the last three cycles, the S&P 500 gained an average of +33% post inversion and the recession did not appear until 26 months later.

Inversion:	Recession:	Months:	Gain:
12/14/88	07/31/90	19	+34%
05/26/98	03/31/01	34	+40%
12/27/05	12/31/07	24	+25%
	Average	26	+33%

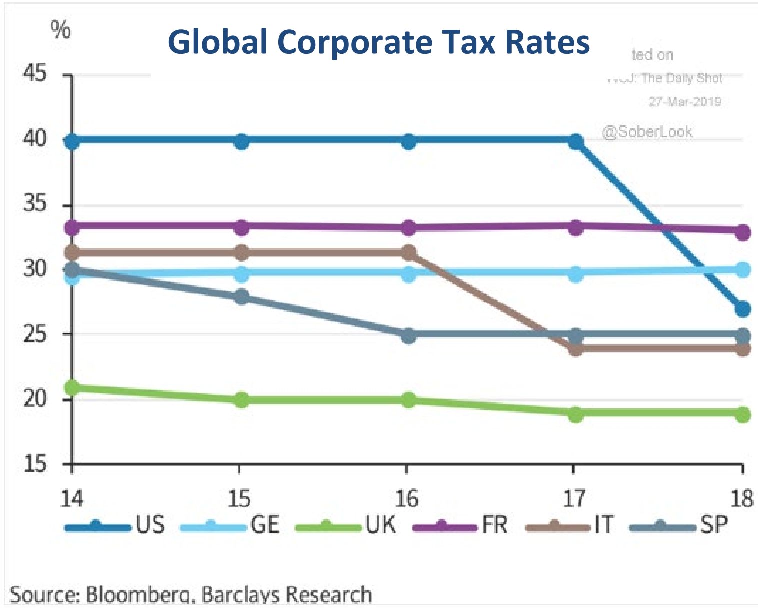
Tax Reform:

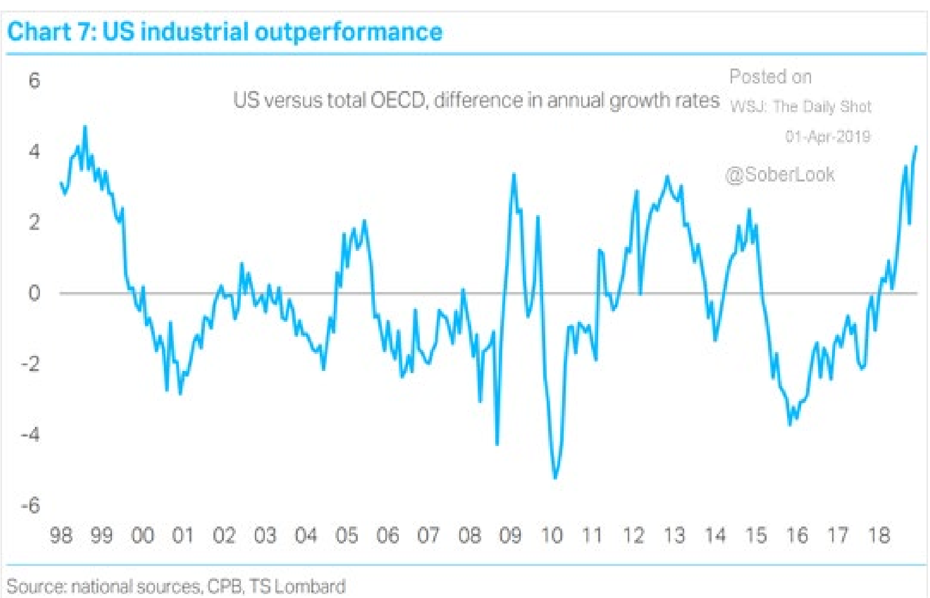
The 2017 Tax Cuts and Jobs Act is barely a year old. Many pundits claimed that this would create a "sugar high" and fail to deliver on its promise of consistent and sustainable growth. These are the same individuals that are arguing that the US is headed for a sharp economic decline. We wonder if these are the arguments of sound economic analysis or rather potentially based on biased political and ideological wishful thinking.

Last year, the US enjoyed its fastest rate of growth since 2005. Personal income growth of 4.5% was impressive, but the 2nd half of the year was even better at 5.7%. Both consumer and business confidence remain strong and do not indicate we are teetering on the edge of a recession. At the end of last year, the 12-month inflation rate (using the Fed's favorite gauge of PCE or personal consumption expenditure price index) was a manageable 1.75%. Inflationary pressures continued to decrease from 2.25% in the 2nd quarter to 2.0% at the end of the 3rd quarter. This decline helps prove the point that the tax law has not just created a "sugar high", as supply-side benefits were offset by inflationary demand increases.

The Commerce Department just reported that real GDP grew by +3.1% from the 4th quarter of 2017 to the 4th quarter of 2018, which was the largest increase in 13 years. Just last month, the Congressional Budget Office or CBO reported that it needed to lower the projected cost of the tax reform package, as the surge in economic growth will help offset some of the lost revenue.

These same critics point to a global economic slowdown, but this misses the point. The US has the fastest growth rate among the Group of 7 countries (alphabetical order of Canada, France, Germany, Italy, Japan, the UK and the US). The old tax code disincentivized US companies from investing at home, which unfortunately moved some jobs, intellectual property and manufacturing overseas. As the chart shows, the tax reform package at least made the US more competitive versus other developed countries. Could some of our best-in-class growth be attributable to lower corporate taxes? Is the US now becoming the best place in the developed world to invest? We certainly hope so.





The following chart from TS Lombard shows how the US industrial engine continues to outperform the other 34 countries in the OECD (Organization for Economic Co-Operation and Development). In fact, current US relative outperformance has not been this strong in over 20 years.

With employment strong and the economy and stock market steadily marching higher, consumers should continue to spend. In our opinion, the tax cuts should be applauded for helping sustain an US economic takeoff.

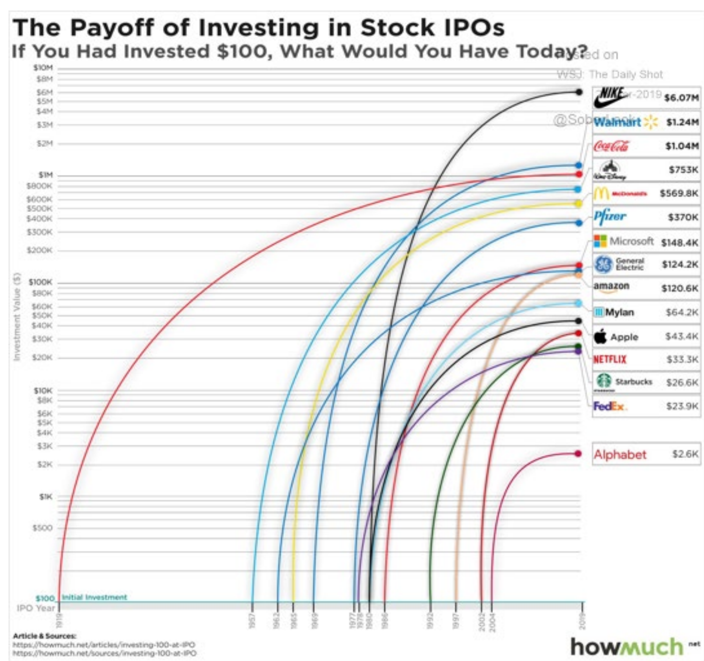
Capital Markets & IPOs:

The proverbial window for IPOs seems to be opening up again. Over the last decade, there has only been modest interest in becoming a publicly traded company. One factor driving this "stay private for longer" trend is funding. Private equity and venture capital firms are flush with cash and can adequately fund these start-ups.

Another aspect driving this trend is intense regulation and compliance requirements. Private companies simply do not have the same burdens, oversight and intense scrutiny that their public peers do. Private companies argue that they funded by visionary entrepreneurs, building businesses for the future. In addition, these private companies claim public companies are shortsighted and become driven by quarterly targets and earnings expectations. John Tuttle, head of global listings at the NYSE recently said, "When we think about why companies go public, they do it for liquidity, to raise their profile, and for capital, but for those companies that are well-capitalized, all they really need is liquidity."

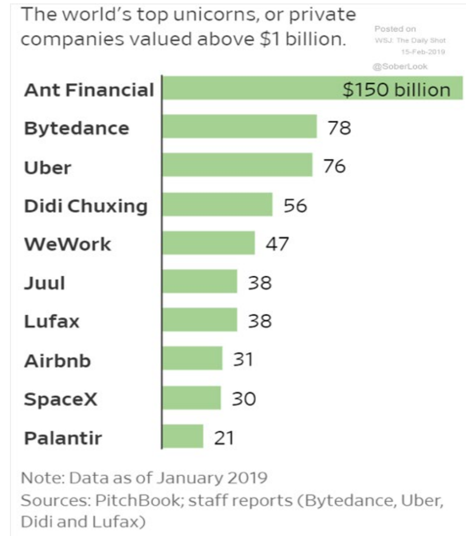
We like to define the job of a stock market as matching companies that need capital with investors who have the capital to invest. Only three years after Jeff Bezos founded Amazon in his garage, it went public in early 1997. Investors had the opportunity to purchase Amazon for a valuation of roughly $400 million. Fast forward 22 years and Amazon has a market capitalization of nearly $900 billion and Jeff Bezos is the world's richest man.

Charts like this show the enormous payoff of investing a mere $100 in certain IPOs, on Day 1. While the payoff is attractive for this select group of businesses, there unfortunately is a much longer list of IPOs that massively failed. It is this "lottery ticket" and short-term mentality that we tend to shy away from.



Professor Jay Ritter, of the University of Florida, has studied IPOs and his research is quite interesting. The average first day gain for IPOs is in the 15% to 20% range. Then, over the subsequent 3-year period, these IPO's tend to significantly underperform the broader market by nearly 20%. Professor Ritter tracked the 856 IPO's that ocurred from 1999 and 2000. 257 of these deals or 30% of these IPO's lost more than 90% of their value after only five years. In our opinion, this screams of short-termism. It shouts to be cautious and prudent when investing in IPOs.

Unicorns:



The list of unicorns or private companies with valuations over $1 billion is fairly lengthy. With the stock market down (4.4%) last year, many private companies decided not to pursue an IPO. The year-to-date turnaround has whet the appetite for some of these private companies to go public. 2019 is shaping up to potentially be one of the best IPO years in decades.

Just a few weeks ago, Lyft, the ride hailing company had its IPO. Following Lyft, the market is expecting its peer Uber to come public. The IPO pipeline also has data-mining company Palantir, chat software provider Slack, image startup Pinterest and home rental firm Airbnb. With a stampede of technology unicorns coming, investors should be careful. Many of these companies are not profitable and have no immediate plans to be free cash flow positive. Venture capital investors are willing to bypass profits for heightened growth, with the intention of selling their stake upon an IPO. When the stock market is rising, investors sometimes ignore the worrying signs of large free cash flow burn. If we see a market turnaround, some of these unprofitable and newly IPOd companies will have some explaining to do. Our guess is that many of their new shareholders will quickly sell, instead of investing for the long-term.

After strong interest, Lyft closed 9% higher on its first day. The company raised $2.34 billion and had an implied market capitalization of $26.5 billion. After the retail euphoria and fever broke, the share price quickly fell below the initial listing price. Our personal favorite sell-side note on Lyft was issued by Seaport Global. It launched coverage of Lyft with a "sell" rating and a $42 price target, which down over (40%) from its IPO price. Their biggest concern was valuation, which we personally chuckled at, as Lyft will "only" lose a billion dollars this year. Lyft is not the only unicorn coming to market that has a murky path to profitability.

Don't get our point wrong. We are not implying that Lyft or Uber or any of these unicorns are "easy shorts". To the contrary, we have found that shorting companies that dominate a mega-trend, simply because they are currently unprofitable, is not a great investment decision. Goldman Sachs estimates that the ride hailing industry has the opportunity to become a nearly $300 billion industry in a decade. We do not know if Lyft or Uber will dominate this industry, but they certainly are positioned well going forward. Time will tell if Lyft or Uber or other unicorns make solid investments. All we are trying to emphasize is that investors should do significant research and analysis before buying into these new companies. We certainly are sharpening our pencils.

Another unicorn, Slack, is a workplace messaging platform. With a private market value of about $7 billion, Slack is so well-funded that it will not be doing a traditional IPO. Instead, Slack will directly list itself on the NYSE. Direct listing is what Spotify chose to do when it went public last year. Instead of following the "normal" underwriting process, utilizing expensive Wall Street brokers to line up institutional investors and raising money, direct listing simply picks an exchange and becomes a publicly traded entity. This route is cheaper, but does have the risk of higher volatility.

MANOLE CAPITAL MANAGEMENT

We see some similarity to the environment of 1999 and 2000. During the dot-com era, companies were being valued not on revenue or profits, but on internet page views. At the height of the period in 1999, hundreds of companies were racing to go public. Dealogic reported that these companies raised a record $108 billion. These companies made a madcap dash to the public markets and were welcomed by hordes of retail investors who thought they could day-trade their way to vast fortunes.

Pets.com (and their famous puppet sock) went public at $11 per share in February of 2000, only a year after it was founded. The puppet sock became so popular it made an appearance on *Good Morning America*, had a float in the Macy's Thanksgiving Day Parade, got a Super Bowl commercial in 2000, as well as a prized interview with *People* magazine. Just nine months later, Pet.com was out of business and it never rose above its initial listing price. With the ability to both purchase and short stocks, we look forward to seeing more "interesting" companies become publicly traded entities.

Is it ideal or wise to be purchasing new listings, in a company that Silicon Valley VCs have just decided to part ways with? In addition, is it a great investment decision to give these newly minted billionaires special shares, with extra voting power? Many of these money losing companies are using price to revenue or sales multiples. Back in 1998 to 2000, the price to sales multiple sometimes reached 30x. Both Lyft and Uber are coming to market with price to sales multiples in the 10x range. In the meantime, while the IPO is wide open, these companies should "strike while the iron is hot". One never knows when it will slam shut!

Conclusion:

The nearly 20% decline late last year has roughly been recovered year-to-date. The worries that existed in 2018 have not been resolved. In fact, the world remains full of skepticism and uncertainty (see page 3). As we know, the only certainty in the future is additional uncertainty.

Some investors panicked during the 4th quarter decline and "went to cash". Did these investors return to the equity market and benefit from the rebound and upswing? Unfortunately for them, we doubt it. In 2019, we are pleased to report that our flagship FINTECH portfolio is up +15.9%, which is +227 basis points better than the overall market (defined as S&P 500 Total Return). In addition, our 3-year annualized performance is +19.7%. This equates to annual outperformance of +616 basis points versus the market. Since our inception in February of 2015, we have outpaced the overall market by well over +3,000 basis points.

One measure that we closely follow is "Up & Down Market Capture". This reflects how we have performed versus the market, in both good (1st quarter 2019) and bad (4th quarter 2018) environments. In the 4th quarter of last year, while we were still down, we did outperform the overall market by +102 basis points. We are pleased with our market capture numbers of 126% in up tapes and only 89% in down markets.

A key component to our success is that we are not short-term traders. We consider ourselves long-term investors. We historically have embarrassingly low turnover (only 30%), but we did have some interesting trades this quarter. In January, one of our holdings (Fiserv, ticker FISV) purchased another one of our companies (First Data, ticker FDC). Then in March, one of our positions (Fidelity Natl', ticker FIS) acquired another long-term holding of ours (Worldpay, ticker WP). We were pleased to get significant value in each transaction, but we do not employ an arbitrage strategy. We will leave that part of the market to others.

We can't believe it! We made it all the way through a newsletter and barely commented on the US vs China trade war. Let's just say that the stock market remains fairly optimistic that a US & China trade deal is imminent. President Trump, after meeting with Chinese Vice Premier Liu He at the White House, said that a deal is still a "few weeks away". He did emphasize that both sides were making progress and that an agreement would be "very monumental." Even if the deal just "plain ol' monumental", we would anticipate its resolution will send stocks higher.

We are not contrarians, sector rotators, momentum chasers or even market timers. There will always be temporary periods of weakness, but we are confident that our concentrated portfolio of FINTECH companies will perform well in both up and down markets. We remain committed to investing in companies that generate recurring revenue, predictable cash flow and have sustainable business models. We are optimistic on the US equity markets and believe the economic environment is poised to continue to trend higher. With the recent Fed pivot, reasonable stock valuations and a positive global environment, we remain bullish.

Warren Fisher, CFA
Founder & CEO
Manole Capital Management

Interesting Stats, Metrics, Facts & Quotes
April 2019

To Honor Spring Training & the 2019 Baseball Season:

- Jamie Moyer is in his 25th year as a professional baseball pitcher, this year for the Colorado Rockies
- What makes Moyer noteworthy, besides his curveball, is that he will turn 50 yrs old in November
- "Slump? I ain't in no slump. I just ain't hitting." – Yogi Berra
- "The way to make coaches think you're in shape in the spring is to get a tan." – Whitey Ford
- "I watch a lot of baseball on radio." – Gerald Ford
- "It took me 17 yrs to get 3k hits in baseball, and I did it in one afternoon on the golf course." - Hank Aaron
- "You don't realize how easy this game is until you get up in the broadcasting booth." – Mickey Mantle

Tampa Bay Lightning:

- This year, ***my*** TB Lightning won the NHL's President's Trophy, for best record in hockey
- Not only did ***we*** win 62 games, but it's the best record since the '95-'96 Detroit Red Wings
- Let's hope that when we publish the 3rd Quarter 2019 newsletter, ***my*** TB Lightning own Stanley's Cup

Plastic Straws:

- The European Union just banned plastic straws, plates and cutlery by 2020
- This follows laws in Washington, Seattle and San Francisco to ban single-use plastic items
- We absolutely support environment causes and protecting the sea turtles, but most paper straws are simply awful

Bitcoin:

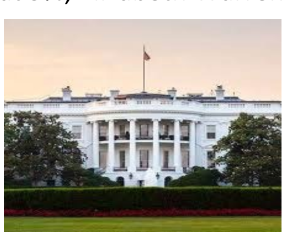
- During the peak of bitcoin mania (Dec'17), we published a bearish note on digital currencies (click here)
- After publishing our negative note, bitcoin roughly doubled in 2 weeks
- 2018 was an awful year for bitcoin, but it especially crushed other digital currencies
- Bitcoin now has a market cap that exceeds all other digital currencies combined

Buybacks:

- Companies have multiple uses for their free cash flow
- Boards & mgmt teams can acquire competitors, re-invest in their biz, buyback stock and/or pay dividends
- S&P 500 companies just set a repurchase record of $223 billion in the 4th quarter of 2018, up 63% YoY
- Politicians like E. Warren (D, MA) and M. Rubio (R, FL) both have commented on this buyback trend
- We absolutely disagree with gov't entities dictating how mgmt teams utilize their FCF
- We judge our companies based on their rational allocation of capital
- We highly doubt the gov't is better suited to make these decisions versus company mgmt and the stock market
- Since the Financial Crisis, companies have purchased more than $4 trillion of their own stock
- This amount is quite similar to the amount of Fed bond buying, which also tends to boost / lift asset prices

Current Odds of Winning the Democratic Presidential Nomination (on www.PredictIt.com):

- Bernie Sanders 21%, Kamala Harris 19%, Joe Biden 16%, Pete Buttigieg 15% and Beto O'Rourke 14%
- Andrew Yang at 9%, Elizabeth Warren 7%, Cory Booker 6%, Amy Klobuchar 5% and Hillary Clinton 3%


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 December 2015 (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.