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2017 Spring Conference, Plaza Hotel, New York, NY – March 15, 2017

MCN CAPITAL
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"What the Trump market is giving us."

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March 15, 2017

Good afternoon. Thanks again for having me Jim. So, as Jim referenced, I run a contrarian, fundamental long/short value strategy … generally looking for hated ideas to buy cheap, below fair value and loved ideas to sell dear, above fair value…there is a big behavioral component to what I do, avoiding crowds or frankly trying to capitalize on excessive crowed behavior. When I was speaking to Jim and Evan a few months ago, I told them that was my strategy and ... Jim quickly asked …"Mat ….are you still solvent?" I said yes…and apparently that was all it took to earn a speaking opportunity here.

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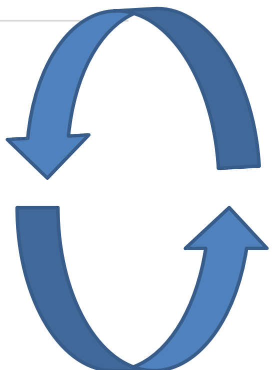
Short Term Consensus Momentum Flywheel

Financial Media
Source: Twitter



Consensus Sell Side

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Jim asked me to give my thoughts on what the Trump market was giving us in terms of opportunities and risks. So I have been giving this a lot of thought and decided that given the nature of today's markets, you have to think about this both near and long term. In what has evolved into a market of pure momentum given the proliferation of algos, etfs, smart beta, and the victory of passive strategies, the immediate news cycle clearly dictates price.

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Short Term Consensus Trump View

Tax Cuts, Deregulation, Infrastructure = "Animal Spirits"

- US GDP acceleration
- Inflation acceleration
- Tighter Fed, higher rates
- Possible, but unlikely trade barriers/Wars
- Higher stock markets, Low volatility
- **Stronger dollar**

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By now you have heard countless times what has become the consensus Trump market narrative, that of deregulation, infrastructure and tax cuts, possibly offset by potential changes in trade policy – this will provoke animal spirits, raise GDP, inflation, interest rates and strengthen the dollar.

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Short Term Consensus Trump View

Tax Cuts, Deregulation, Infrastructure = "Animal Spirits"

Consensus Trades

- Buy - banks, industrials, steel, cyclicals
- Short – retail, bonds, utilities, staples, select multinationals

Therefore, go long financials, steel, industrials, buy high tax payers as rates will fall. Thus far, this has played out in these longs. On the short side, the narrative was, at the outset, short bond proxies given rising rates (Bonds, Utilities, Staples) and retail given the border adjusted tax as well as select Multinationals that will be hurt by trade wars….after an initial sell off in the bond proxies, they have rallied hard and so the only thing that has worked on the short side has been retail, also facing well known secular issues… Is this right? What is the market trying to tell us there?

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The Long View

Trump's Victory:

Historical Blip

or

Vanguard of Something Much Larger & Enduring?

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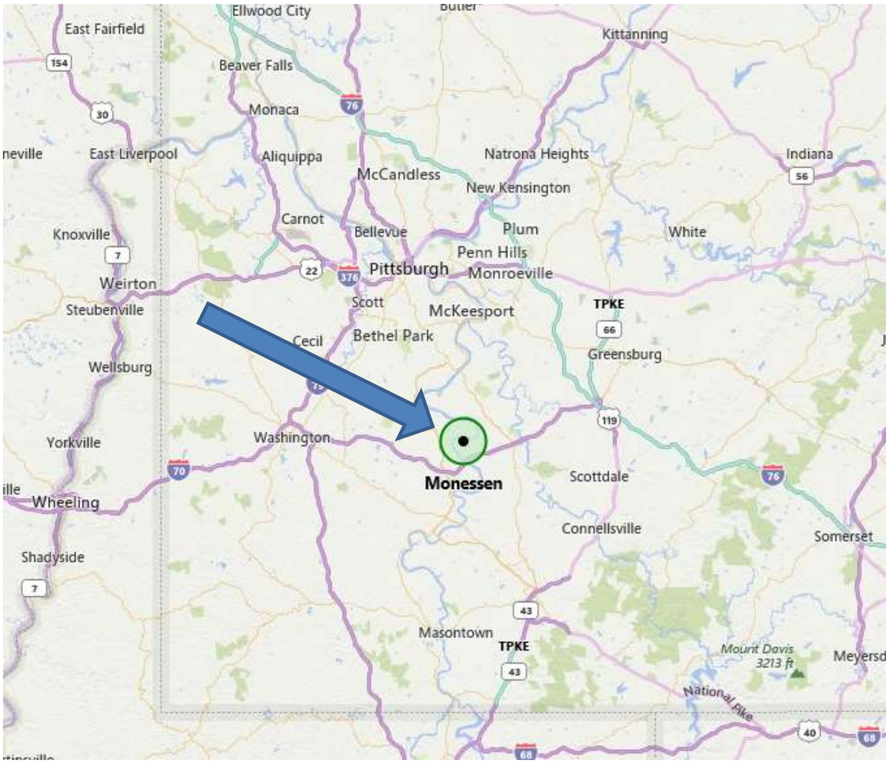
But stepping back, "as out of favor as it may be" we are taught that in the long term, securities ultimately are worth the present value of ALL future cash flows, not for just the new 2 years, but for the next 25 or 50 years. So, before we get over our skis about the next few years, to find the longer term opportunities, it is critically important to step back from the narrative and take the long view. We need to ask ourselves, how did the election of Trump, which so many in the know considered virtually impossible, come to pass? What does it mean? Is this just a historical anomaly (where an independent commandeers a major political party and uses that infrastructure to win the Presidency) or are there deeper, more fundamental forces at work that brought Trump to power or (that very well may have brought Sanders to power in a general election). Are these tectonic shifts rooted in long simmering issues domestically and globally that are coming to a boil and may redefine our economic systems for the next 10-20-50 years? Are Trump/Republican policies the rights ones to address these issues? Will they work? Or are they band-aids on a broken leg with much larger policy changes or market adjustments needing to take place? If you will permit, I have a brief story to tell, one that may be somewhat unique in this crowd, one that can shed some light on the heart of the matter.

Tectonic Shifts

Monessen, PA



I was born in the Monongahela Valley in Pennsylvania, about 10 miles up-stream from Pittsburgh. I spent the first few years of my life in my Grandfather's home in the town of Monessen, PA. My Grandfather was born in 1912 from recent immigrants from Poland and the Austrian – Hungarian Empire). He was raised in Monessen.

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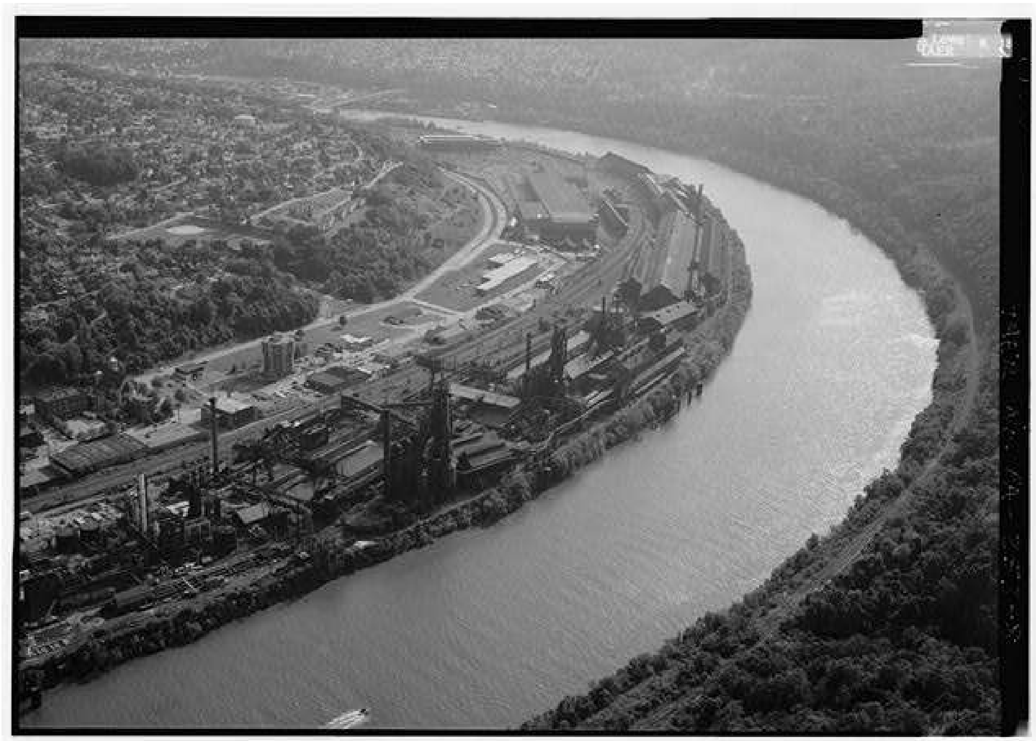
Monessen, PA - Industrial Boom Town

- Monessen Works



Monessen was named by early land speculators for “Essen” Germany, an industrial powerhouse in Germany...Mon was for the Monongahela River…”Essen on the Mon”….In a short period of time in the late 19th century, Monessen transformed from a few farms and forest to a booming industrial town in that same valley.

Monessen, PA – Melting Pot

- "Essen on the Mon"
- Started from scratch
- Industrial era boom town
- Dozens of ethics groups, churches
- 120 different ethnic grocers
- Largest Jewish population in Mon Valley

Source: "Monessen: A Typical Steel Country Town" by Cassandra Vivian (© 2002)

Monessen was the real life story of the immigrant's American dream. First generation immigrants flocked to the town for work, populating it with dozens of different ethnic groups. Illustrating this, within a decade, there came to be over 100 different ethnic grocers. While there existed the difficult working conditions of turn of the century industry, and ethnic biases, the town was a wonderful example of many diverse types of people working together. A quote from Monessen, A Typical Steel Country Town by Cassandra Vivian, "At no other time in the history of the modern world were so many people from so many different cultures thrown together in small communities to try to live, work, and become a nation. Monessen's story is this great melting pot. Its struggle to find common ground within the community was the nation's struggle to do the same."

Steven J. Pollock

- *Born: August 16, 1912; Father, Grandfather, steelworker*
- *153rd Airborne, central Europe – World War II*

My grandfather grew up there, went to grammar school and part of high school, before having to get a job in the steel mill to support his parents. He worked there making metal that helped build this country and later to help the U.S. battler Hitler in World War II….In the 1940s, he joined the 153rd Airborne division and went to central Europe, serving in the fight the Nazis. After the war, he returned home, resumed work and was able to provide for a family of five on a steelworker's salary. By no means was this an extravagant lifestyle, but it was a solid lower middle to middle class existence. Pride of work, progress and optimism about the future existed. My mother would talk about a robust downtown filled with shops and restaurants, many churches, and the varying ethnicities The children were able to obtain a decent education, develop solid values and this set the stage for the next generation. It was progress. I was the first in my family to attend college.

Democrats Owned Monessen

- Monessen, PA – Oct. 1962 – J.F.K.

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Politically, the town was overwhelming Democratic. I can remember when I was young, my grandfather showing me one of his prized possessions, a photograph he took of J.F.K who visited during a mid-term congressional campaign stop in 1962.

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Democrats Owned Monessen

- Monessen, PA – Oct. 1962 – J.F.K. *"….jobs, jobs, jobs"*

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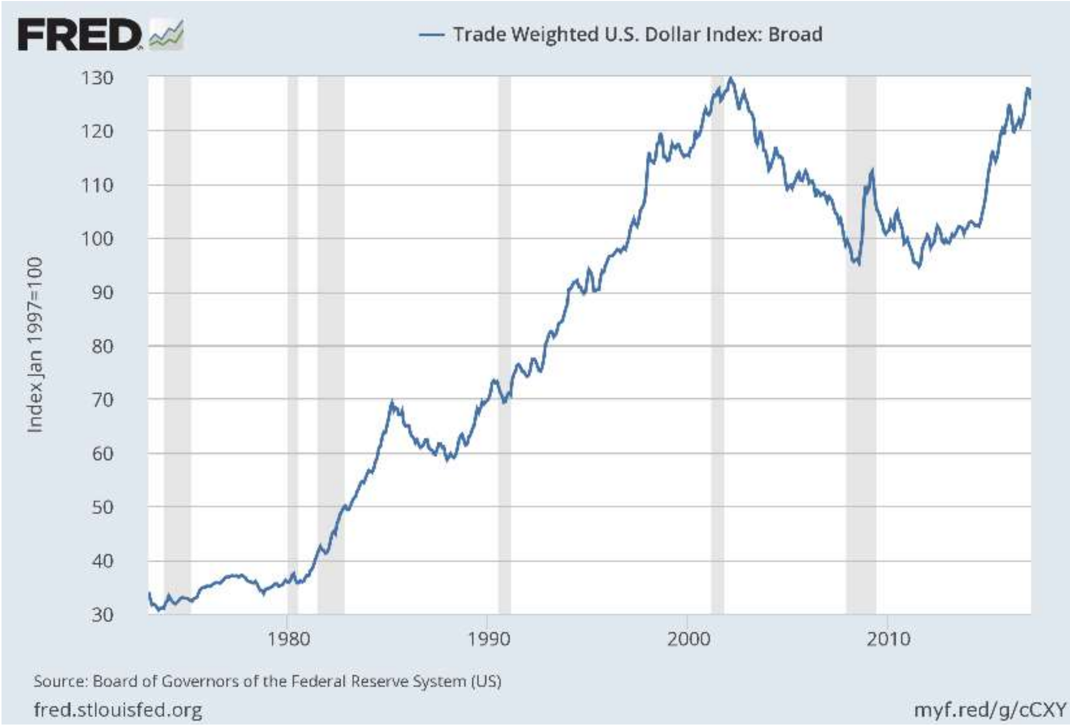
In a town of 18,000, over 21,000 turned out to hear Kennedy speak. the Democrats owned this blue collar town and region… … Monessen voted for Kennedy by a ratio of nearly 5:1 in 1960). The message of his speech…jobs, jobs, jobs. It was a town populated with immigrants or sons and daughters of those…It was working class and very much aligned with traditional FDR democratic party virtues. It was hard to tell at the time, but the 5-10 year period subsequent to this marked the peak of the region.

Trade Weighted U.S. Dollar Index: Broad



Source: Board of Governors of the Federal Reserve System (US) **Release:** G.5A Foreign Exchange Rates
Notes:
Averages of daily figures. A weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of major U.S. trading partners. Broad currency index includes the Euro Area, Canada, Japan, Mexico, China, United Kingdom, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Switzerland, Thailand, Philippines, Australia, Indonesia, India, Israel, Saudi Arabia, Russia, Sweden, Argentina, Venezuela, Chile and Colombia. For more information about trade-weighted indexes see http://www.federalreserve.gov/pubs/bulletin/2005/winter05_index.pdf.

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During that period, the broad US trade weighted dollar was embarking on a March to the moon, increasing over four-fold over the next 40 years.

Labor's Share of Domestic Income

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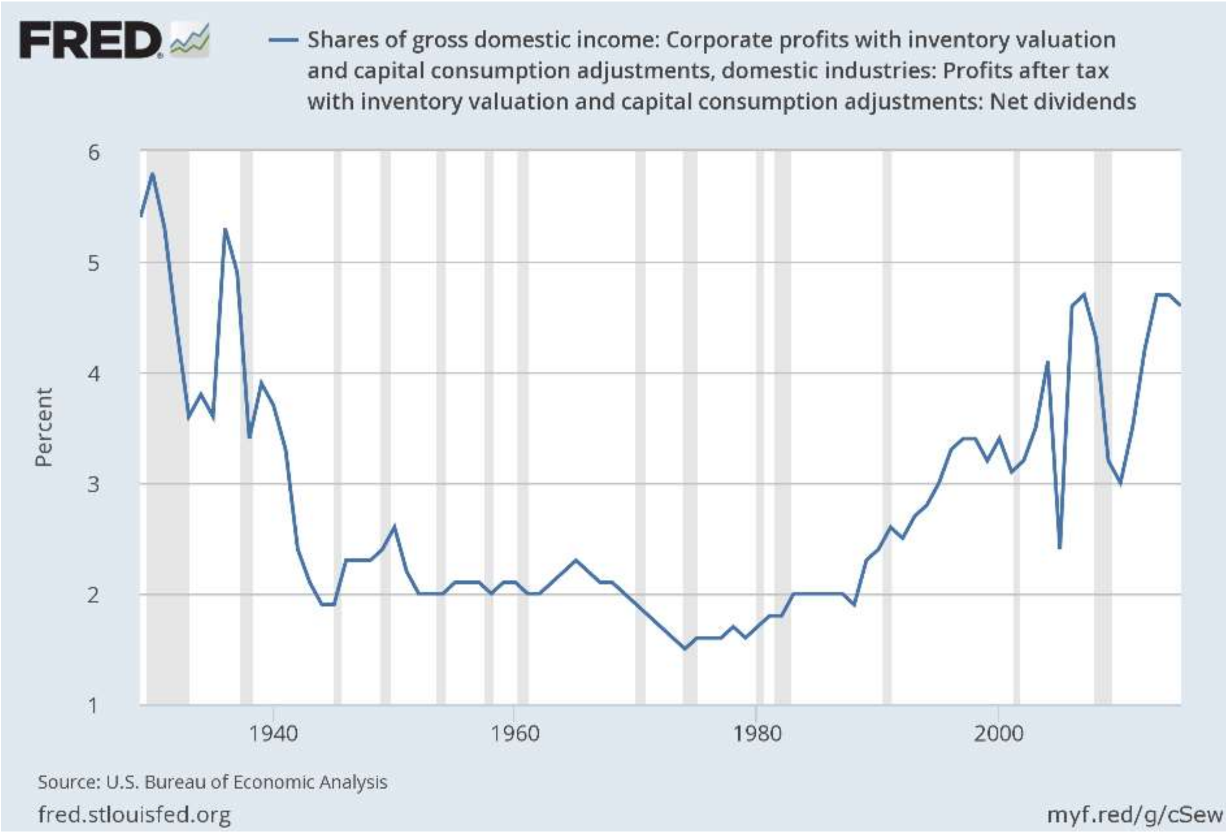
This marked a peak in labor's share of gross domestic income

Capital's Share of Domestic Income



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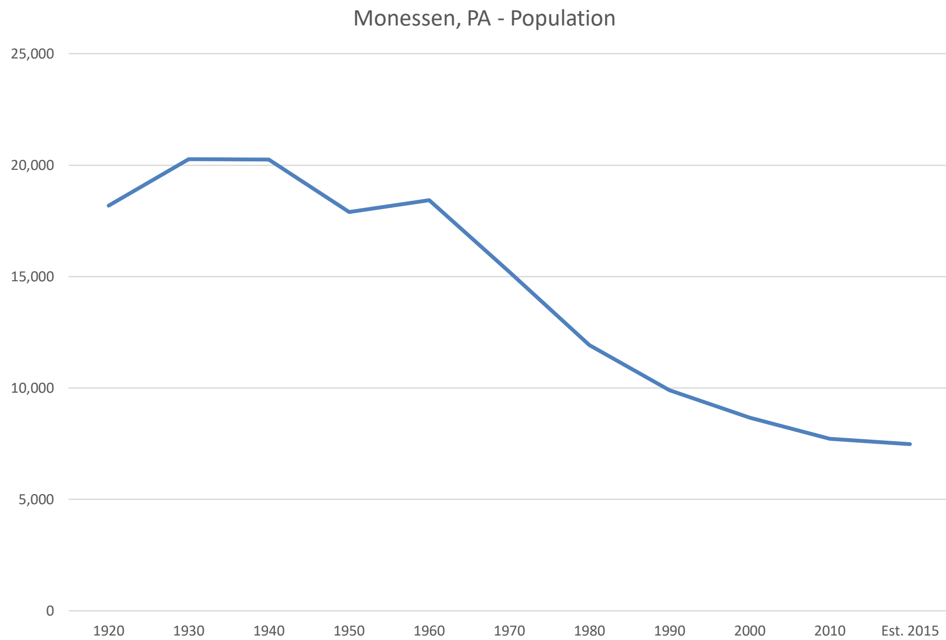
…and the beginning of a massive expansion in corporate earnings to gross domestic income.

Ground Zero

Monessen was ground zero for the strong dollar and globalization bomb.



Source: U.S. Census Bureau

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In hindsight, Monessen turned out to be ground zero for the globalization and strong dollar bomb. Many jobs were lost and mills closed. The population has declined by 60% since Kennedy spoke.

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Ground Zero – "ISIS…would keep going"

"I had four years of 'read my lips.' I had eight years of Clinton. I had eight years of Bush Jr. I had eight years of Obama. And what does our community look like? ***It looks like Beirut. If ISIS were to come here, they would keep on going because they'd say somebody already bombed us.*** *And that's the way all the communities look that had steel mills up and down the Mon Valley…"* -- Monessen Mayor, Lou Mavrakis

Source: PRI's The World – How Trump won over Pennsylvania's steel town Democrats and Tennessee's Christians…Jason Margolis

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The Mayor of Monessen recently said*…And what does our community look like?* ***It looks like Beirut. If ISIS were to come here, they would keep on going because they'd say somebody already bombed us.*** *And that's the way all the communities look that had steel mills up and down the Mon Valley,"*

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Ground Zero – "ISIS…would keep going"

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This is what downtown Monessen looks like today. Do you have any idea what happens to the social dynamic when a town loses 60% of its population? I was born there in the 1970s and lived there a few years before my parents luckily moved me to a better neighborhood. But even then, as we had ties there, I witnessed the very real social costs of a town disintegrating- alcoholism, drugs, divorce, crime, early death - very ugly – There were no bailouts here.

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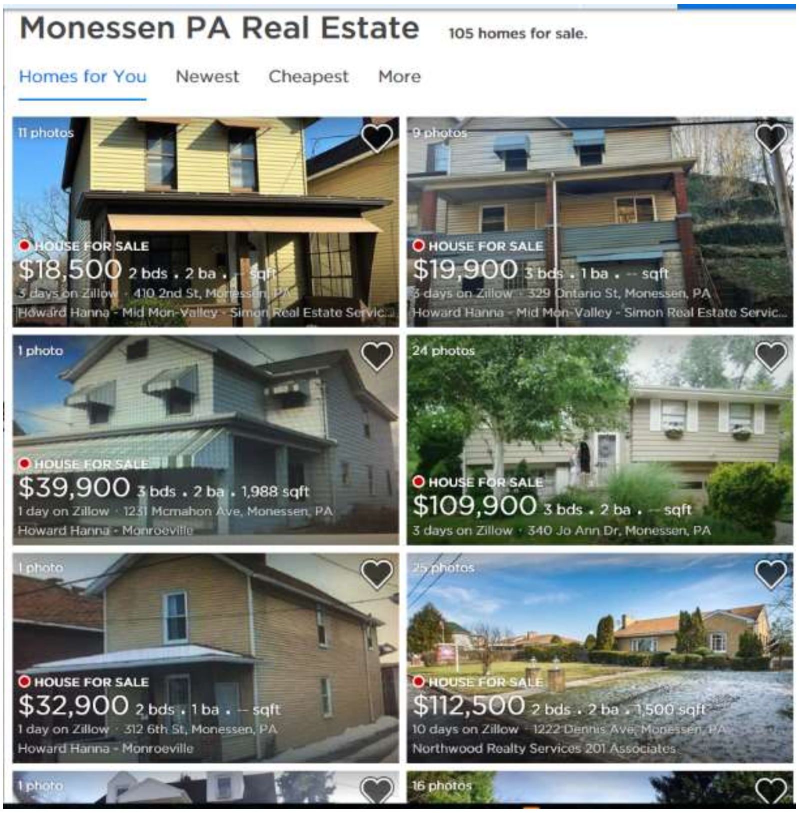
Monessen – Zillow Listings



Source: Zillow

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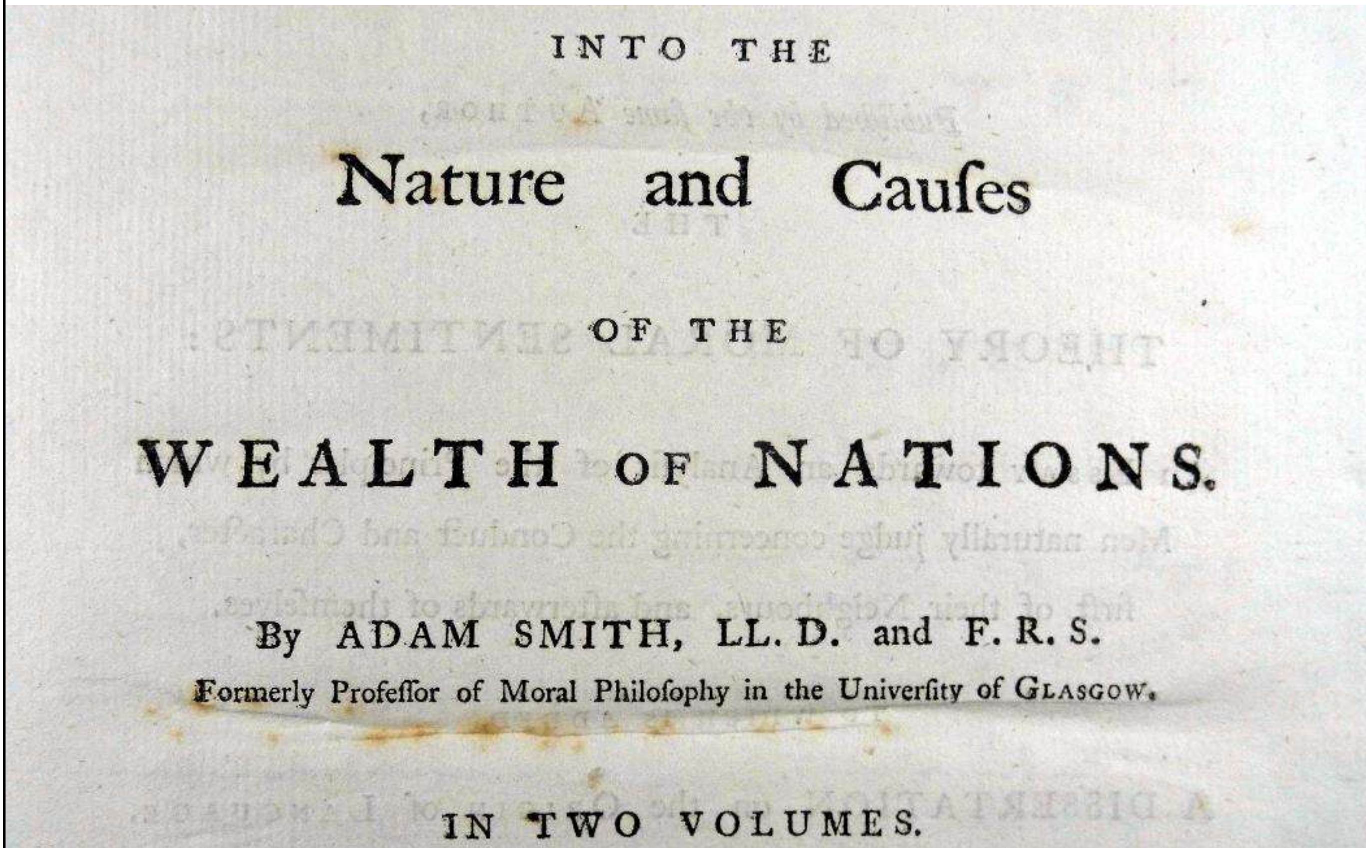
This is what came up on the first page of Zillow a few weeks ago. You can buy a house for a couple months rent here in mid-town. This is in America, not far from here.



INTO THE

Nature and Cauſes

OF THE

WEALTH OF NATIONS.

By ADAM SMITH, LL. D. and F. R. S.

Formerly Profeſſor of Moral Philoſophy in the Univerſity of GLASGOW.

IN TWO VOLUMES.

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When you see that growing up you feel bad about it, you feel some sense of injustice, but don't completely understand the bigger picture…You then get a classic liberal education and you begin to rationalize it and say, well this was unfortunate that this town and many others like it vanished, but it is all in the name of progress; Adam Smith Wealth of nations, type stuff…, …we live in a capitalist society where you have winners and losers, …it's a meritocracy after all and you take risk…. some win, some lose, but that is the way it is.

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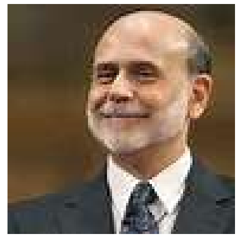
Response to GFC supercharged inequality trends



- Bailouts
- QE
- TARP

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But then 2008 the Great Financial Crisis happens…markets collapsed, but only after an enormous 30 year bull run (market up seven fold) fueled in part by the expanding corporate margins, given wage pressure from the strong dollar and globalization, and easy money policies in response to the Asian contagion, the dot.com bubble. The ultimate response was to bailout the banks and then in subsequent years, it became to make sure that the market doesn't go down, QE in ten different ways. So if you were worth $5-$10MM, Uncle Ben doubled your wealth. So industrial America is experiencing decades of decline and struggling to hang on, while wall street is bailed out. But now, the strong dollar problem had spread beyond blue collar jobs to white collar one – mergers, corporate downsizing, (think of the 3G model at Kraft-Heinz, Bud) and the myriad competitors now employing the same cost-cutting measures in response. The WSJ yesterday noted H1B visa has suppressed US tech employments by 10% and suppressed wages. Job security is diminished.

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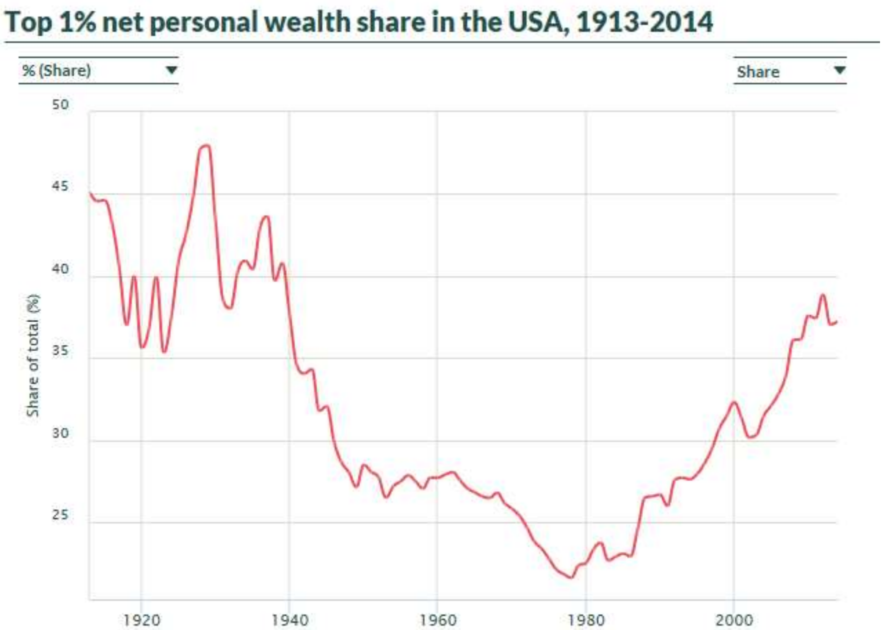
Top 1% Wealth Share (U.S.)



- Sources: World Wealth and Income Database, [Piketty, Thomas; Saez, Emmanuel and Zucman, Gabriel (2016). Distributional National Accounts: Methods and Estimates for the United States.]

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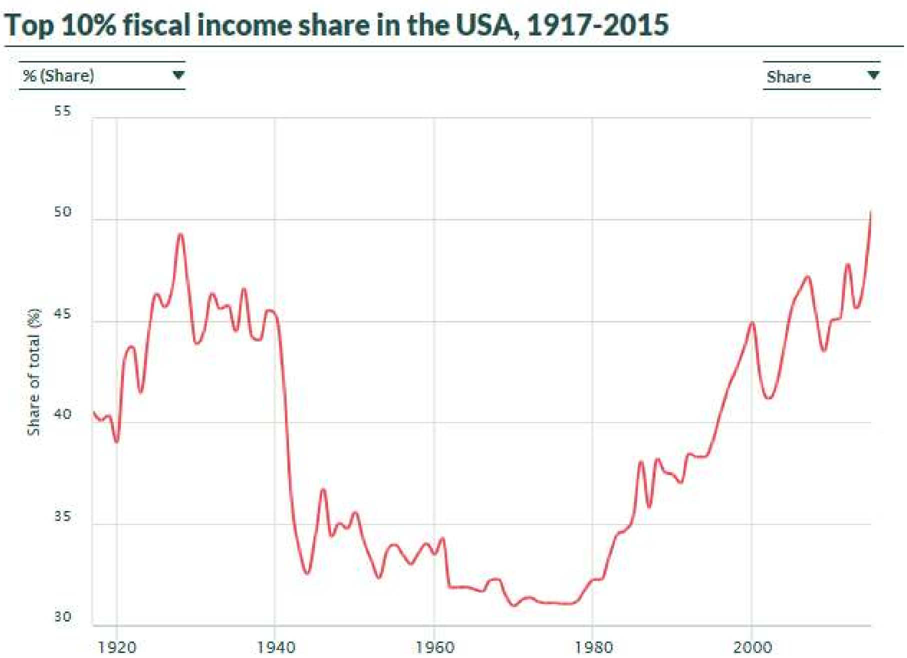
These policies supercharged the trends in wealth and income inequality. Ray Dalio has recently noted that the last time the wealth gaps were this large was just prior to the great depression, nazi Germany and world war 2.

Top 10% Income Share (U.S.)



Sources: World Wealth and Income Database: Piketty, Thomas; Saez, Emmanuel and Zucman, Gabriel (2016). Distributional National Accounts: Methods and Estimates for the United States.

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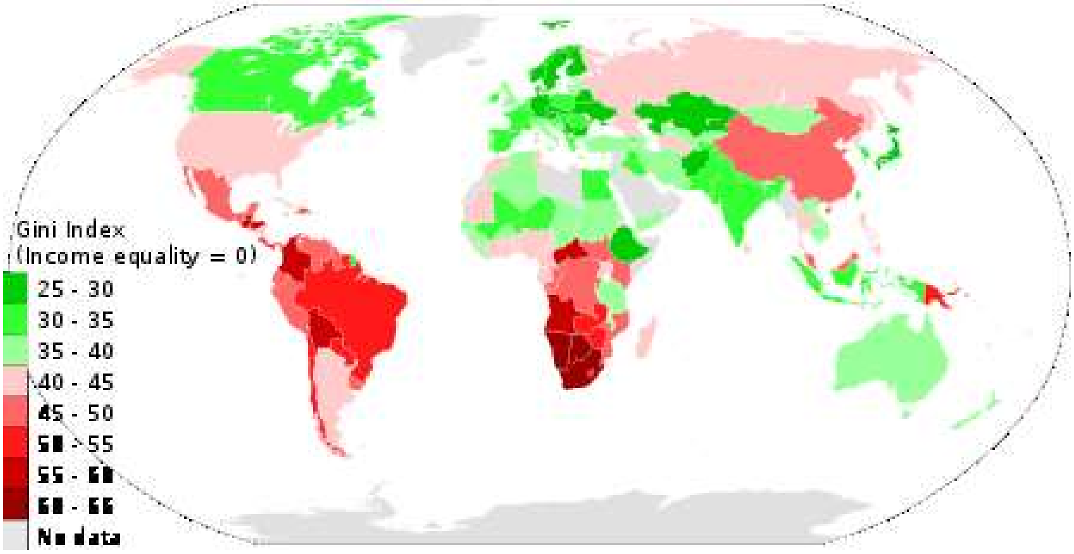
Income Inequality



Source:
Income gini coefficient map according to The World Bank (2014).[201] Higher Income Gini Index for a nation in this map implies more income inequality among its people.

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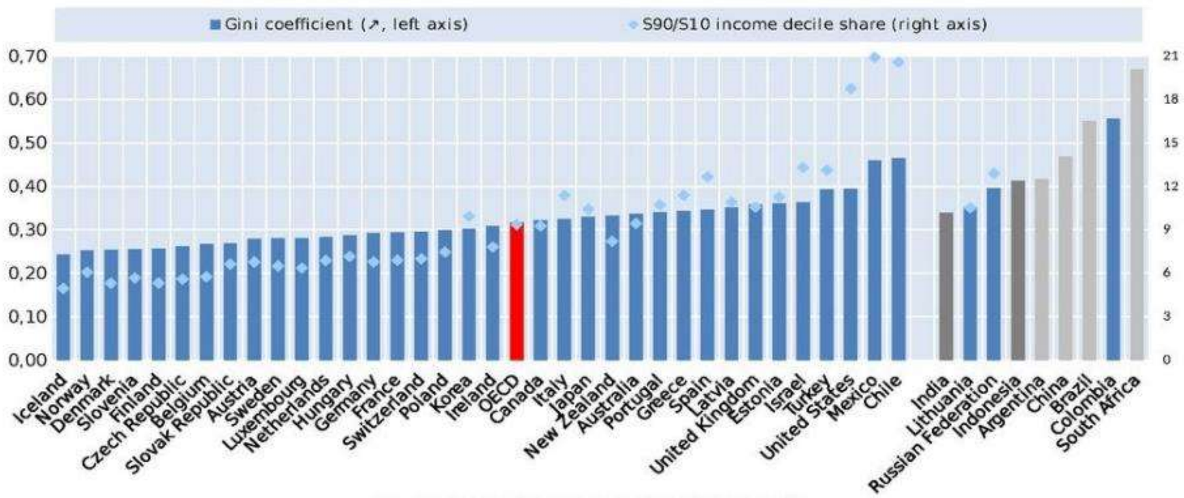
The US is moving towards the ranks of unstable third world countries that often have revolutions.

Inequality – US Moving Toward EM Nations

OECD Society at a Glance 2016 - © OECD 2016
5.5.3. Wealth is more concentrated at the top than income
Version 1 - Last updated: 15-Jul-2016
Disclaimer: http://oe.cd/disclaimer

5.1. Large differences in levels of income inequality
Gini coefficient of household disposable income and gap between richest and poorest 10% , in 2014 (or nearest year)



Einhorn…. "Now the ants are pissed…"

Source: The Wall Street Journal: August 25, 2016 – "Years of Fed Missteps Fueled Disillusion With the Economy and Washington"

To these people "left behind" as Trump says, this whole capitalism, meritocracy thing was just bullshit….they feel screwed plain and simple…They feel it is a two pronged system…socialism for the elite and capitalism for the 95%. **The confluence of these factors more than anything else has created an enormous sense of injustice among the populations of this country and the broader world.** As David Einhorn said….the ants are pissed…. And Despite being nearly a decade past the GFC, This feeling of injustice hasn't and likely won't fade any time soon. It's why trump won and why, in a general election Sanders would have likely won. Their message had many similarities.

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How Did Trump Win?

Monessen, PA – June 2016

"....globalization has wiped out our middle class"

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So fast forward to last summer where Trump spoke in Monessen. He campaigned with a very populist speech…now keep in mind this is the sitting president of the USA who said this. He noted among other things that *"globalization has destroyed the middle class." Making the "financial elite who donate to politicians very wealth"* ***Our politicians took away from the people their means of making a living and supporting their families.*** *Many Pennsylvania towns once thriving and humming are now in a state despair.* ***The people who rigged the system for their benefit will do anything - and say anything - to keep things exactly as they are***. **Stop a take a minute to think about this…this is the sitting president of the United States who said these things…the undercurrent should not and cannot be ignored or minimized here.**

How Did Trump Win?

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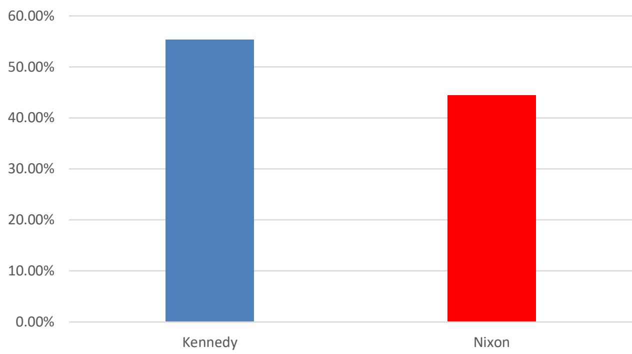
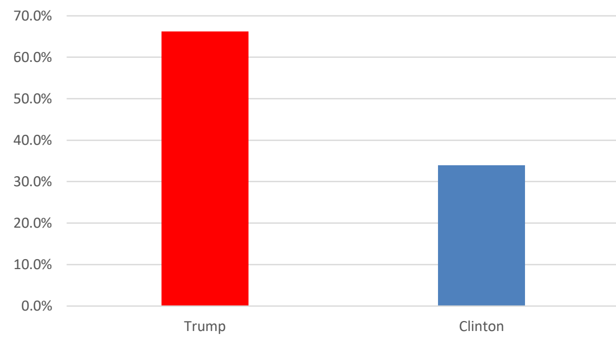
Westmoreland County, PA

1960 Election



2016 Election



Source: uselectionatlas.org

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So in November, in as Democratic a town as you can find, Trump won nearly twice as many votes as there were registered Republicans in Monessen and easily won Westmoreland county, where Monessen sits...This result played out in towns across industrial America. These people worked hard, had helped build the country, defend the country, and there were no bailouts to speak when their lives imploded.

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Unsustainability And A Turning Point

A dangerous message: Socialism for the elite, but capitalism for everyone else is unsustainable in a democracy

Two Alternatives:

1) Democracy erodes into an aristocracy

2) **Revolution**

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This is a Turning Point…. Socialism for elites and cold blooded capitalism for the rest is not a sustainable scenario in a democratic society - its either leads to the erosion of that democracy and an immovable aristocracy and ultimately the end of that democracy or Revolution.

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Trump: Revolution - Phase 1

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<u>I believe that Trump is phase one of that revolution. However, I believe he is actually the most benign in my opinion, particularly for capital.</u>

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… Most Benign Phase for Capital

“Donald Trump's Cabinet richest in U.S. history, historians say” …CBS News

“Donald Trump’s $14BN Cabinet”….CBS News

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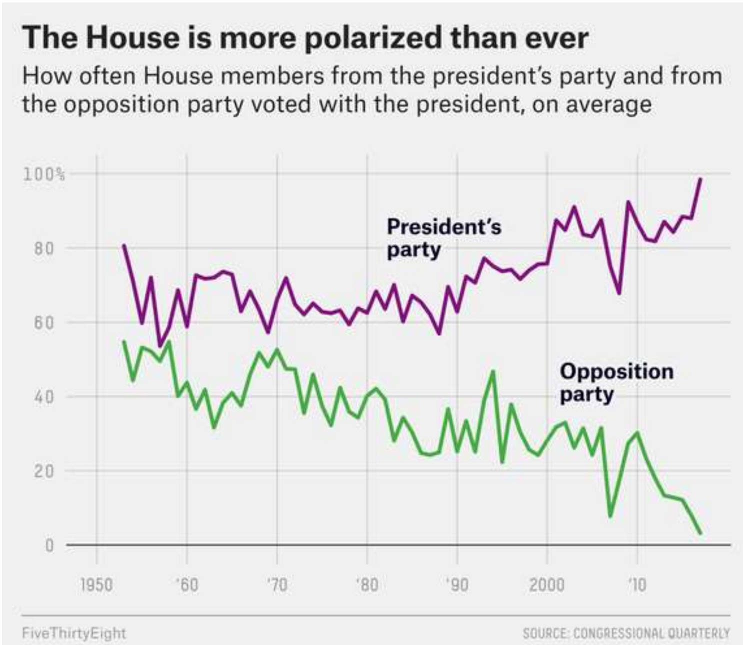
In some ways, Trump is the “establishment’s last best hope” to remain the establishment, which may be the reason many hundred millionaire/ billionaires agreed to serve on his administration…. He has the potential to stabilize things and I will get to how in a moment.

...but Polarization Grows



And the Left Groans...Calexit...Herbal Tea Party

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But, before that, I think we need to look at the downside if he fails. Polarization in America grows, some say the worst since the Civil War. Calexit, etc?. Herbal Tea Party...The left is stunned right now, but they will regroup.

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If Trump Fails? Phase 2? 2020?

- **So Much for the tax cuts, Dodd-Frank repeal, and deregulation**
- **Radical concepts introduced… "Illegitimate Wealth"? "Great Financial Crisis bailout/QE windfall tax"?**

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And what is Phase 2? Depends how well phase one goes. But One thing that will definitely not happen is that the Democrats will not be outflanked in 2018 or 2020 on the side of populism and anti-establishment rhetoric, etc. Hillary's experience in 2016 assures that. So, if he fails…in 2020, it's Elizabeth Warren or worse…., so much for the tax cuts, repeal of dodd frank and deregulation? Jeremy Grantham of GMO recently called this a "wimpy" revolution and he is right in the history of revolutions….and that it has been….I'm not sure why that is? Temporarily papering over structural issues. American resolve and resiliency. High threshold for pain. Thus far there have not been widespread calls for confiscation of illegitimate wealth created by QE, bailouts, etc…but a radical left wing populist could easily fill the socialist, left wing vacuum as Trump filled the anti-globalization one, especially if Trump is perceived to lose his populist touch. They will tax and tax hard…-call it a gfc tax on any gains uncle ben and aunt janet gave the rich- use it to pay for jobs, or pay debt. And Trump is making it easier for them…as he is busy destabilizing regime systems – attacking the mainstream media which is being discredited and neutered… Future politicians are quickly learning this and we may see something out of the left, that we haven't seen in a long time….A left wing candidate can just as easily or more easily bypass traditional media approval and follow Trump's social media playbook .Now if the dems are polling well for midterms only 17 months away?? And people begin to extrapolate to 2020? Can you imagine where banks that have gone parabolic up would be trading with Warren ahead and a Democratic congress? You probably don't want to be long goldman sachs at that point.

Phase 2 Will Be a Disaster…Then What?

"How did you go bankrupt?" Bill asked.
"Two ways," Mike said. "Gradually and then suddenly."

Ernest Hemingway's, The Sun Also Rises

The same thing applies to revolution

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Now phase 2 will clearly go poorly all around and then we will be set up for phase 3 which really gets messy. This revolution thing can be a slippery slope …How does one go bankrupt…slowly then suddenly? Same thing applies to revolutions.

Phase 3?

Maximilien Robespierre – "The Incorruptible"

France - 1794

- "To punish the oppressors of humanity is clemency; to forgive them is cruelty"
- "The king must die so that the country can live"
- "Pity is treason"

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Phase 3 looks something could look like this – remember this guy from European History courses…French Revolution? The Incorruptible? Some considered him the founder of the modern totalitarian state…Maximilian Robespierre – he preached pure equality but in fact made many less equal by chopping off their heads….

French Reign of Terror

- The Reign of Terror was not that long ago
- Just under 1% of the population of France went to the "National Razor" in Paris alone

Reign of terror a little less than 1% of the population met the Nation Razor in Paris alone. France was one of wealthiest nations in the world leading up to the French Revolution - opulence of versaille. Louis the 14th, Sun King. This is a scary thing and let's hope we don't end up there. These types of events occur frequently throughout history, but they haven't here. And I would say they haven't here bc of our dynamism and our robust middle class. The problem is that it has been eroding and needs to be restored.

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A lot is riding on this guy….

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So I know that is a bit long winded, but I wanted to leave no doubt about the undercurrent here and how much is riding on this guy.

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How to Arrest the Revolution

Proposed Solutions to Increase Jobs:

1) Tax cuts
2) Infrastructure spending
3) Deregulation
4) Tariffs or border adjusted tax

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So what are the most frequently discussed solutions early in the Trump era?

Tax cuts, Infrastructure, Deregulation –

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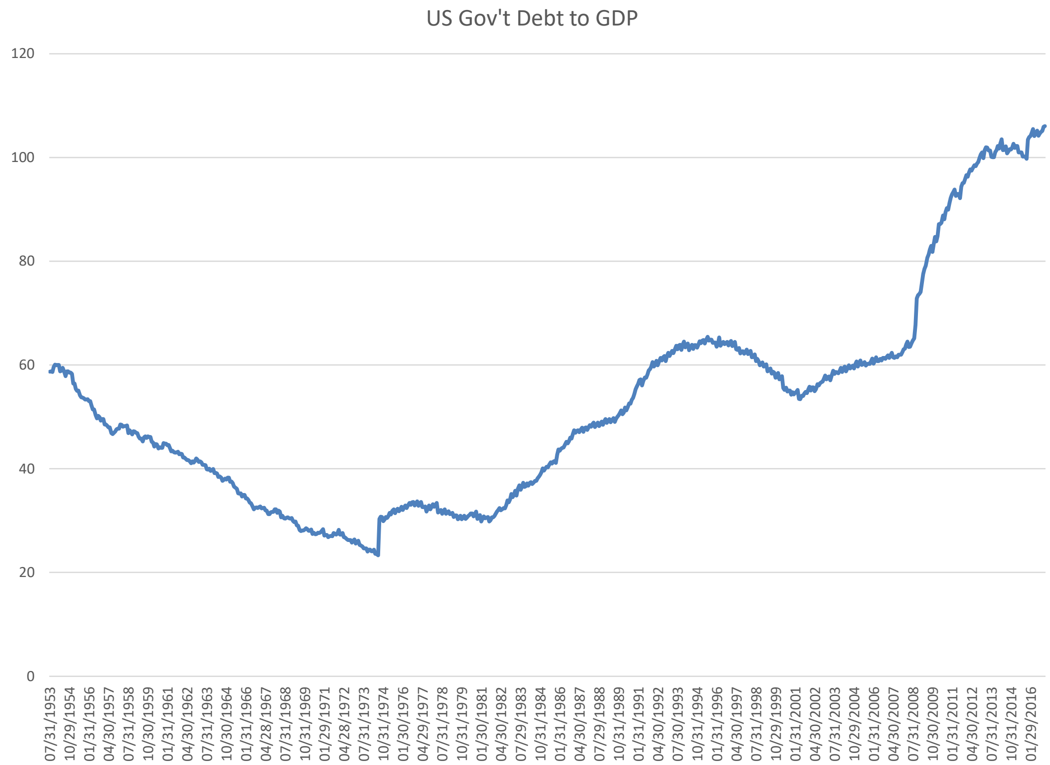
How Do We Pay For This?

Question is how to pay for it?

US Government Debt to GDP



Source: FactSet

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Debt/GDP is at the highest levels ever, except for just after WW2… not including entitlements

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How to Arrest the Revolution

- **Proposed Solutions to Increase Jobs:**

1) Tax cuts
2) Infrastructure spending
3) Deregulation

…Band-aids on a broken leg

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I don’t think these are really getting to the heart of the problem…the forces eroding the middle class, the structural imbalances that exist.   I think they are band aids on a broken leg.

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How to Arrest the Revolution

♦ **Proposed Solutions to Increase Jobs:**

Border Adjusted Tax:

1) Extremely complicated to implement
2) Will precipitate a trade war/face WTO rulings
3) Will crush retailer profitability (15.6MM jobs in retail)
4) Will raise prices at Walmart

5) **Will strengthen dollar**

43

Border Adjusted Tax has many issues – violate WTO trade rules, be very hard to enforce and account for various part, components, some assembled here, with some parts abroad, its hard. Has dangerous side effects.

It will immediately raise prices at Walmart.

It will crush US retailer profitability – 15.6MM jobs of 119MM Private payrolls.

<u>And the worst part of all is that everyone is saying this will strengthen the dollar…last thing want to do.</u>

I think all of this is thinking small…all of this is going to be watered down by lobbies, congress, senate, etc…..So then what can a president do?

The common plans don't address the key structural issue

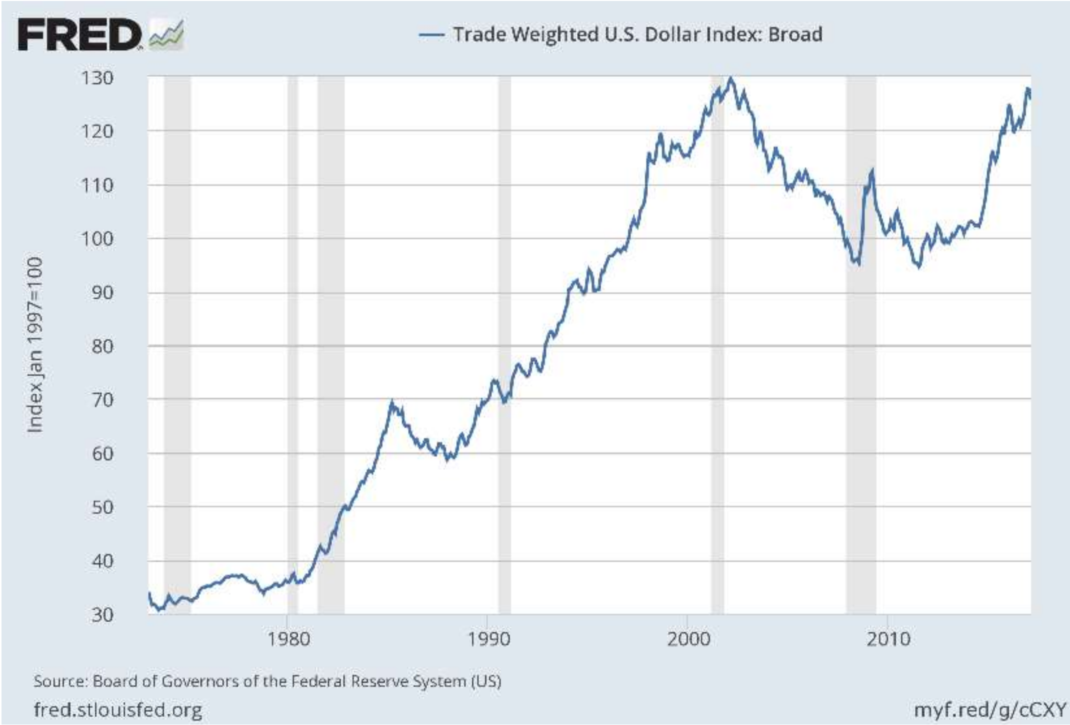
What killed Monessen? What killed industrial America? What is killing large portions of white collar America?

This Is The Problem

44

This Is The Problem?

Trade Weighted U.S. Dollar Index: Broad

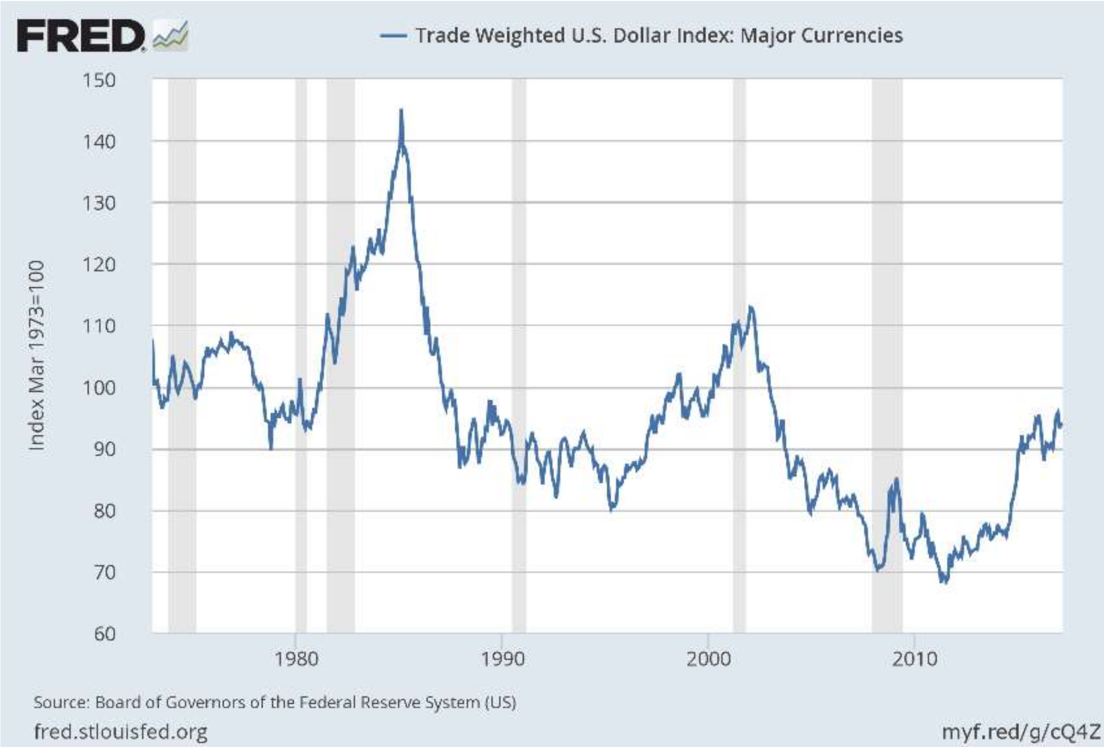


Source: Board of Governors of the Federal Reserve System (US) **Release:** G.5A Foreign Exchange Rates
Notes:
Averages of daily figures. A weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of major U.S. trading partners. Broad currency index includes the Euro Area, Canada, Japan, Mexico, China, United Kingdom, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Switzerland, Thailand, Philippines, Australia, Indonesia, India, Israel, Saudi Arabia, Russia, Sweden, Argentina, Venezuela, Chile and Colombia. For more information about trade-weighted indexes see http://www.federalreserve.gov/pubs/bulletin/2005/winter05_index.pdf.

45

This is the fed's trade weighted dollar index which is a broad basket of currencies that comprise 90% of the trade the US does.

Trade Weighted U.S. Dollar Index: Major

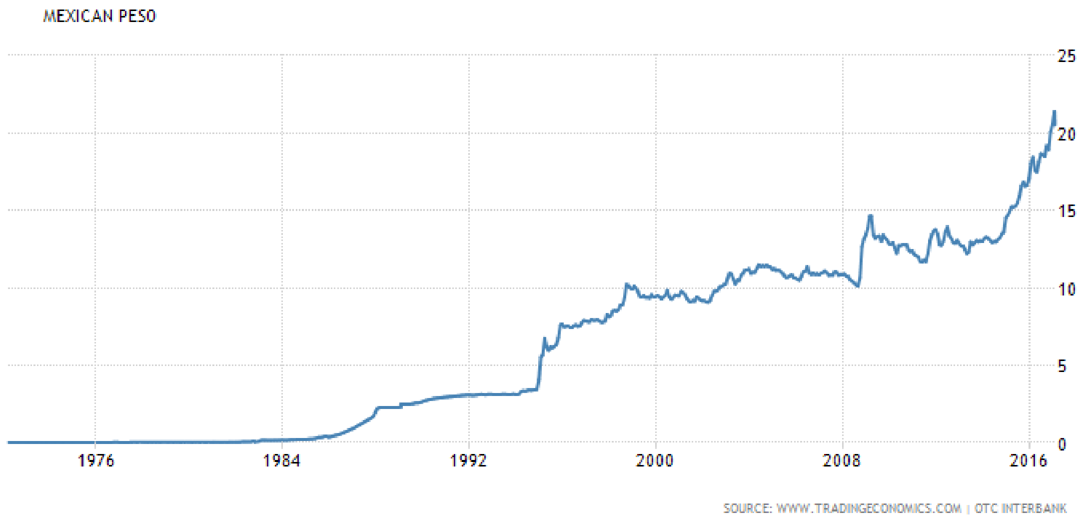


Source: Board of Governors of the Federal Reserve System (US) **Release:** H.10 Foreign Exchange Rates
Notes:
A weighted average of the foreign exchange value of the U.S. dollar against a subset of the broad index currencies that circulate widely outside the country of issue. Major currencies index includes the Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden. For more information about trade-weighted indexes see http://www.federalreserve.gov/pubs/bulletin/2005/winter05_index.pdf.

46

The typical dollar index is overweighted to the euro and yen, which frankly have had just as many structural issues as the US, one of which is their currencies are too strong vs the rest of the world.

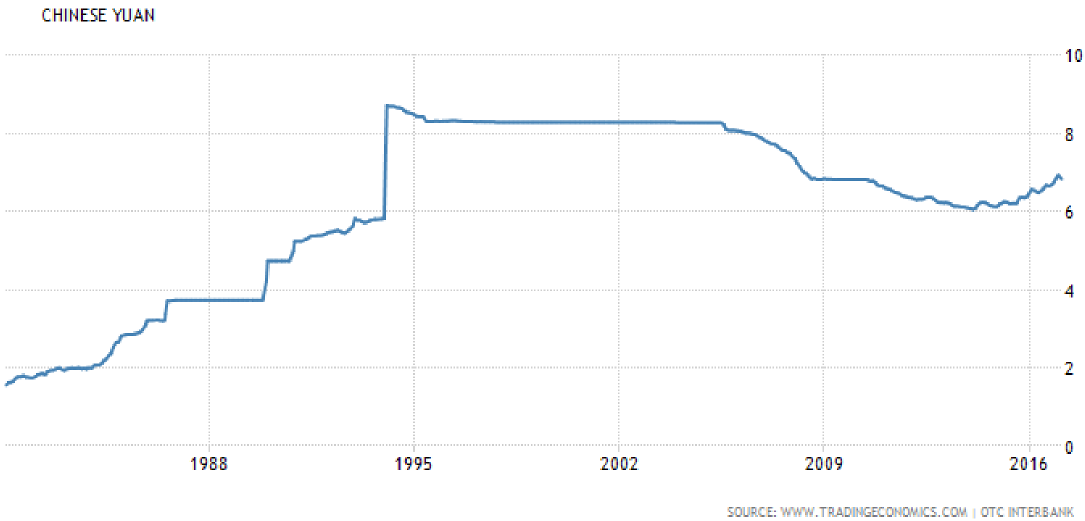
Long Term Chart – Mexican Peso



47

Key components can be seen in the Mexican Peso, up from 4 to 20 since NAFTA

Long Term Chart – Chinese Yuan



48

The Chinese Yuan – decent recent strengthening, dollar is up 3x, past since 80s

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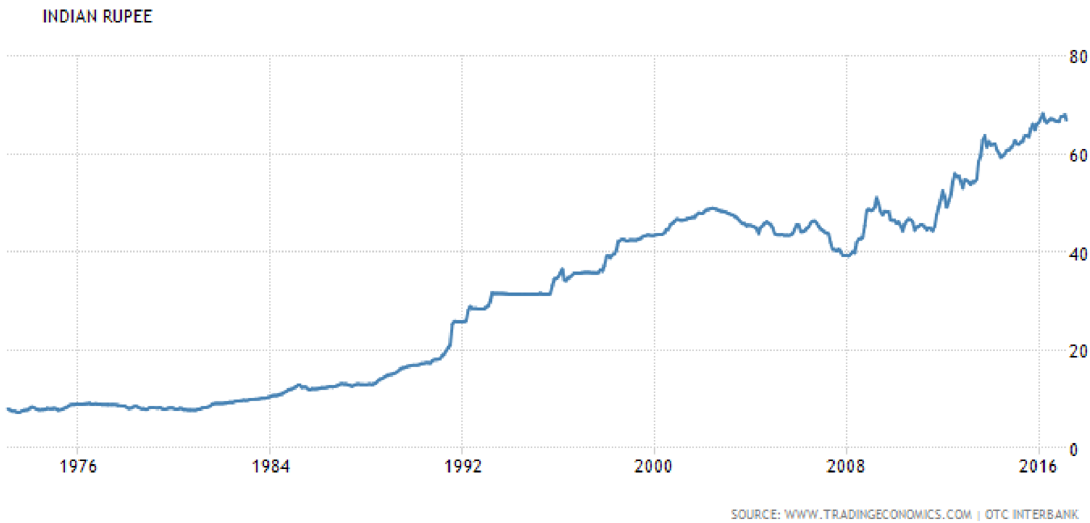
Long Term Chart – Indian Rupee



49

The Indian Rupee – up 4 fold past 30yrs

These three alone comprise a good chunk of EM's population but the story is largely the same throughout the emerging world.

This index is up nearly 4x in my lifetime….also corresponds closely to the collapse n Monessen's population….

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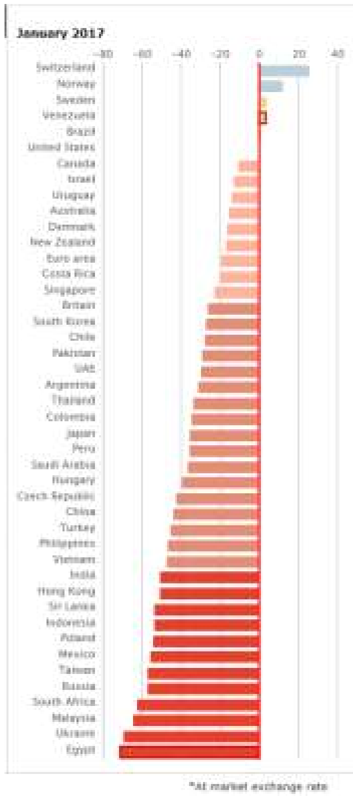
Big Mac Index – EM Too Cheap



Source: Economist.com

It’s hard to assess fair value for a currency, but the Big Mac Index attempts to do that, comparing the cost of a big mac in various countries…according to this, the Peso is nearly 60% undervalued, India Rupee 50%, the Yuan – over 40% undervalued

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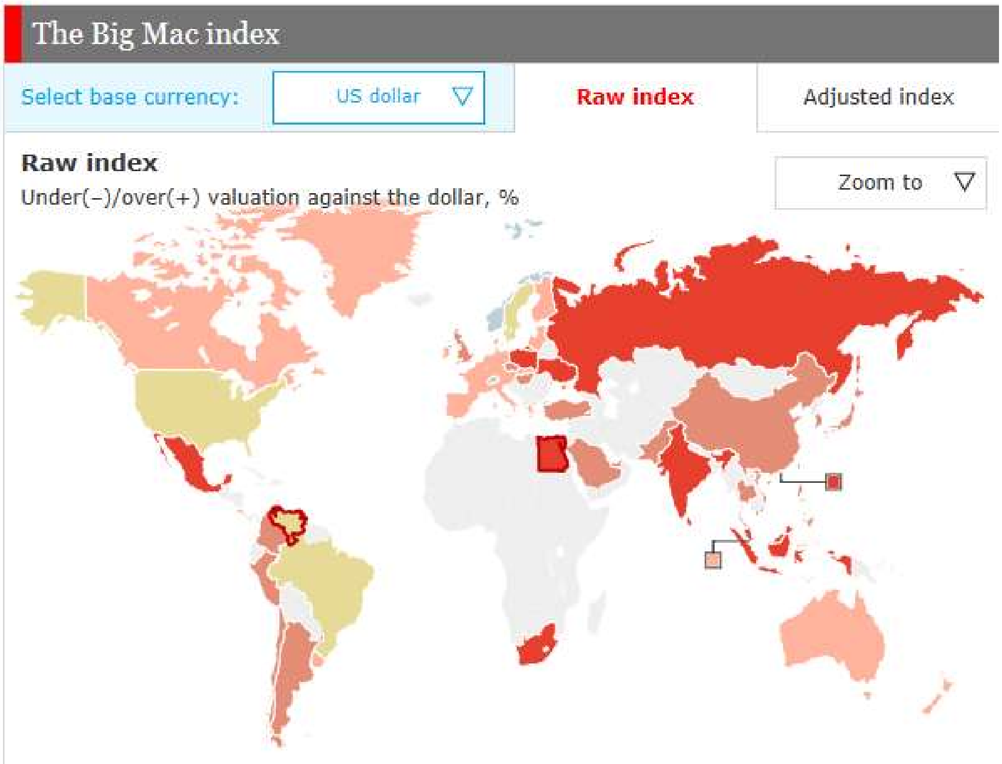
Big Mac Index – EM Too Cheap



Source: Economist.com

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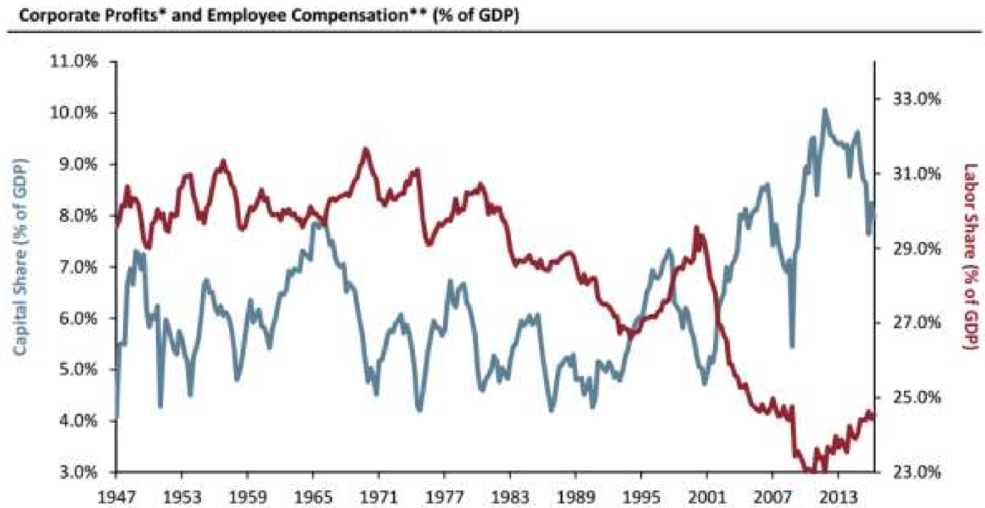
Weak EM Currency Pressures Global Labor

- **Strong dollar increased corporate margins, decreased labor's share**

Exhibit 1: Capital vs. Labor



*NIPA Corporate Profits After-Tax with IVA and CC adjustments for domestic corporations;
**NIPA Nonfinancial Corporate Business Compensation of Employees (Wages and Salaries)
As of 8/31/16
Source: BEA, FRED (St. Louis Federal Reserve)

Source: GMO Quarterly Letter – 4Q16

52

….look at what has happened to labor's share of income vs. profits since this time? There has been a major weakening of labor bargaining power….not just union

but white collar, programmers, etc. now – look at corp profits – alligator jaws are open wide here?

I would argue that this is the #1 source of the problem, populism, unrest, social instability and it will only grow until it is arrested.

THIS JUST DOESN'T WORK ANYMORE FOLKS…NOT FOR THE VAST MAJORITY OF THE POPULATION

Status Quo No Longer Works and is Fueling the Unrest…

The Dollar Must Fall vs. EM

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The Status Quo is No Longer Working and This is Fueling the Unrest

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Benefits of Weaker Dollar vs. EM

- Make globalization sustainable
- Avoid trade barriers/trade wars
- Catalyze the EM consumer
  - Increased spending power
    - 1% of Mexico owns 43% of wealth
    - 45% of Mexico lives in poverty
- Restore US middle class
- Restore stability

Source: Oxfam: Extreme Inequality in Mexico, Concentration of Economic and Political Power, 2015

Solution is to weaken the dollar vs. EM ….This is the practical solution to sustain globalization…. …tariffs, border taxes, etc. all messy, hard politically, invite retaliation…..currency moves are clean , this would also be a major catalyst toward moving EM more to consumption oriented economies, raise the living standards of the people of these countries and give them more of a share of the pie…… globalization (in itself, with a fair playing field, is a very good thing, but free trade with nations with immense wealth inequality, questionable rule of law, property rights and managed currencies isn't working), free trade with a nation where 45% is still in poverty 25 years after NAFTA isn't working with the peso down here…..re-cutting an EM currency deal would make globalization, capitalism and longer term global growth more sustainable. It also provides restored competitiveness to the American middle class. Basically, it can arrest this revolution before it really gets moving….

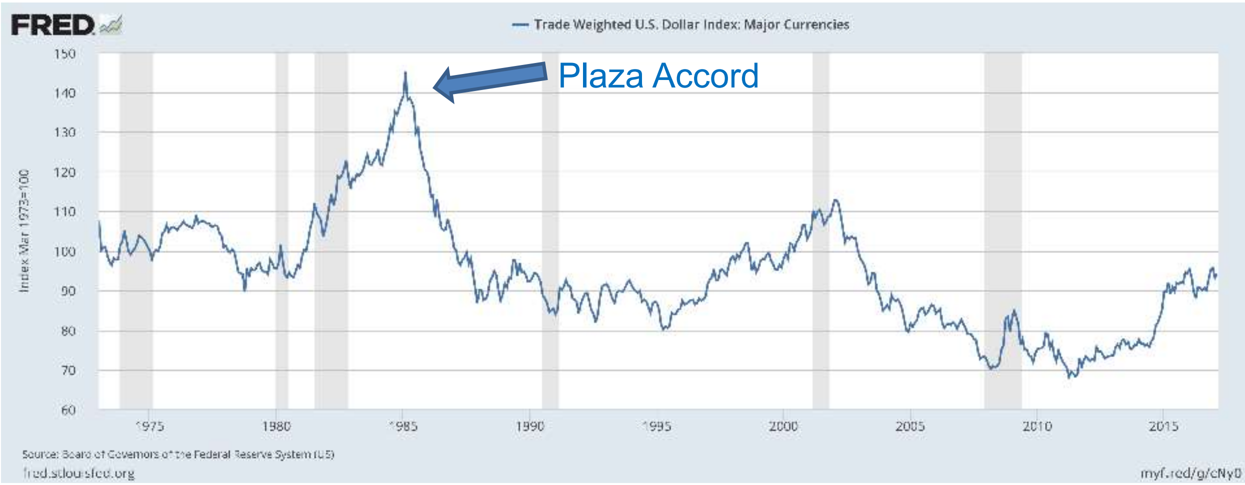
We don't need to close borders, restrict immigration.

How Does One Crush the Dollar?

55

So how does one practically accomplish the crushing of the dollar? There are 3 ways.

Trade Weighted Dollar index: Major Currencies



Source: Board of Governors of the Federal Reserve System (US)
Release: H.10 Foreign Exchange Rates
Notes:
A weighted average of the foreign exchange value of the U.S. dollar against a subset of the broad index currencies that circulate widely outside the country of issue. Major currencies index includes the Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden. For more information about trade-weighted indexes see http://www.federalreserve.gov/pubs/bulletin/2005/winter05_index.pdf.

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We are at the Plaza Hotel and everyone recalls what happened in September of 1985.

The Plaza Accord or Plaza Agreement was an agreement between the governments of France, West Germany, Japan, the United States, and the United Kingdom, to depreciate the U.S. dollar in relation to the Japanese yen and German Deutsche Mark by intervening in currency markets. The five governments signed the accord on September 22, 1985 here at the Plaza.

It was the first time central bankers agreed to intervene in the currency markets, the first time the world set target rates, Some sovereignty was exchanged for globalization. What was unique about this time was that is was a period when Japan and parts of Europe were rejoining the first world.

In the two years 1985-87, the dollar came back down 40 per cent. After the exchange rate turned around, so did the trade balance (with the usual lag). In the end, the US Congress refrained from enacting protectionist trade barriers.

#1 - A New Emerging Market Plaza Accord

57

A new Plaza Accord with EM would do the same…it would head off messy trade wars, border taxes, etc….We can continue to have globalization, but with a new deal…That could be hard and Trump can play hardball and probably needs to in order to cut a deal.

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#2 - Elect A Volatile President

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But, If this isn’t feasible or other countries won’t agree to it, what solution is there? We may have already done it. Elect a volatile president

.....Who Proceeds to Be Volatile

59

who proceeds to act quite volatile.

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How Does One Crush the Dollar?

- Threaten to recut trade deals and initiate trade wars
- Threaten real wars
- Threaten to renegotiate US debt
- Attack judiciary/Threaten rule of law
- Travel bans
- Spend a lot with Debt/GDP near records
- Reconstitute the Federal Reserve
- Tweet about everything from ISIS to Meryl Streep
- **Basically….make the world question US leadership and the safety of assets parked in the U.S.**

Threaten to build walls, recut trade deals, renegotiate US debt. Threaten wars of various types. Attack the judiciary, bring rule of law into question. Change the Federal Reserve (up to 5 nominees), BASICALLY MAKE THE WORLD QUESTION US LEADERSHIP AND THE SAFETY OF ASSETS PARKED THERE AT A TIME WHEN US DEBT TO GDP IS AT AN ALL TIME HIGH EXCLUDING WW2.

How Does One Crush the Dollar?

- Make people question dollar hegemony
- Diminish reserve currency status?

Could he alone, make the world rethink how it thinks about the dollar as the global reserve currency.

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#3 Trump Fails and Phases 2 & 3 come to pass

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And if he doesn’t, and if he fails, Phases 2,3 proceed and this most assuredly will serve to weaken to dollar because the safety of capital itself will be called into question.

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Global wealth has been parked in the US for a return <u>OF</u> capital

....and has been less concerned with return <u>ON</u> capital

Sustainable?

63

I saw George Friedman of Stratfor speak at the University of Notre Dame in the summer of 2015 and something he said has stuck with me. To paraphrase, with the entire Eurasian landmass in chaos, the US market and the US dollar is being propped up by a flight to safety…basically intl wealth is less concerned with a return on capital and much more so with a return of their capital and so they park assets here. Phase 2 would certainly cause some to question that, particularly if Phase 1 goes poorly and erodes the rule of law. Make no mistake, the dollar's strength is in part a safe haven phenomena in a time of turbulence and if that safe haven perception goes away, so does the strong dollar.

So The Trump Market is Giving Us a Strong Dollar, when it fact, it should be and ultimately has to be weak. **<u>Bottom Line is the dollar is going to weaken a lot against EM and it is just a question of when…I think it really has no other way to go.</u>**

Double Top?

This No Longer Works

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For you technicians out there, we are awfully close to the peak reach in the early 2000s….double top?

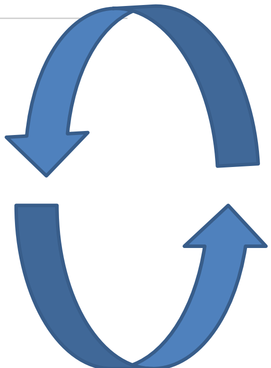
Ideas

65

So with that , let's talk about how to capitalize on it and get to some ideas

Short Term Consensus Momentum Flywheel

Financial Media
Source: Twitter



Consensus Sell Side

66

Trying to run and survive with a fundamental long/short contrarian value approach in recent years has its challenges…..but the past few years has taught some lessons….This market is a function of momentum and recent trading activity …more like a videogame than a mechanism trying to determine fair value….algos, etf flows, social media, stock commentators (Kramer has 1MM twitter followers)/CNBC, a desperate sell side pumping a dwindling client bases's stocks all combine to supercharge the most recent trend until it overshoots fair value dramatically. Or in the case of hated names, undershoots fair value. Basically, it's straight up or straight down and the computers are programmed this way. You can see this around inflection points, when crowded longs underperform and shorts outperform during volatile periods when exposure is brought in. It has nothing to do with value and what the business is ultimately worth. I call this phenomenon the consensus momentum flywheel. But rather than complain about this, lets try to take advantage of it. We look for inflection points in these momentum cycles that have way overshot fair value. We have a good farm team of ideas that fit our criteria (undervalued longs. Overvalued shorts), but timing is everything. Sometimes it requires a lot of patience, but to survive and thrive in this environment, it is what it is.

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The Antidote: Invest Like Le'Veon Runs…

"Bell has the patience of Job in the backfield as he waits to find a running lane. At times, …(Bell) nearly comes to a complete stop and that's very uncommon and probably goes against what most coaches teach."

Dave Bryan…..Steelers Depot

…wait for the gap to open…

67

There is a good football analogy to this style (and one final Pittsburgh reference that Druckenmiller and Tepper, two pgh guys and steeler fans would appreciate)- Le'Veon Bell, star running back of the Pittsburgh Steelers comes to mind. …he plays very un conventionally…to quote one sports journalist *"Bell has the patience of Job in the backfield as he waits to find a running lane. At times, …(Bell) nearly comes to a complete stop and that's very uncommon and probably goes against what most coaches teach." So he waits, and waits and then attacks the gaps once they open.*

How does long/short fundamental value survive in the age of momentum? You have to invest like Le'Veon runs…be true to fundamental value, but wait, wait for the holes to open and then accelerate to capitalize on opportunities.

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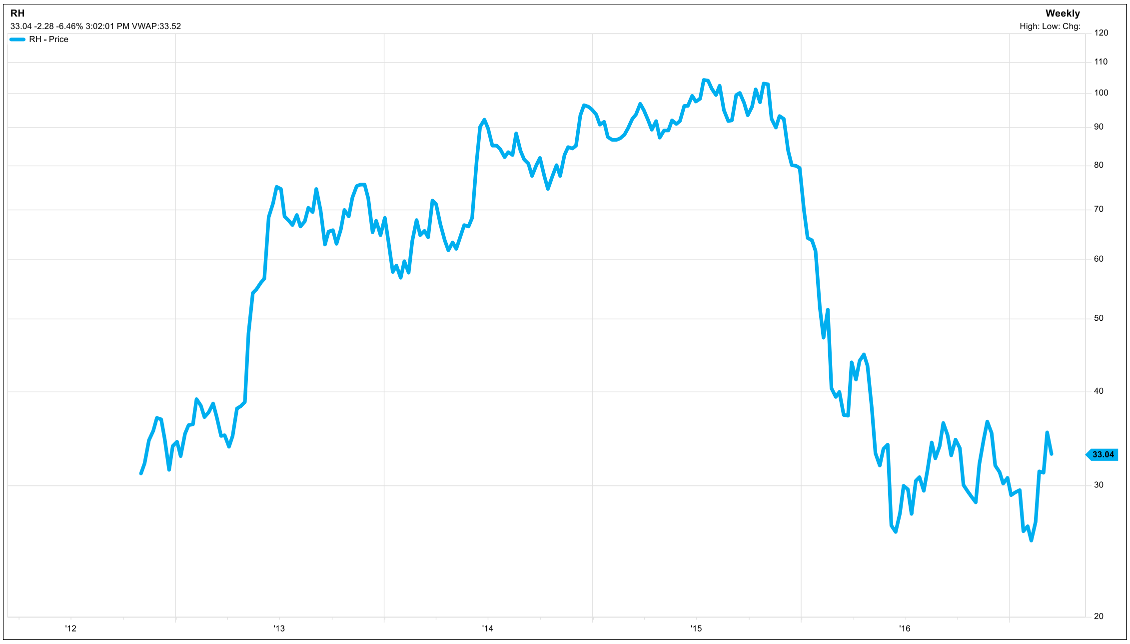
Ideas

Good Sells Come After a Confluence of Factor/Sentiment Manias

- **Look for momentum fly wheel ejection candidates**
- **Charts look fairly similar....examples**

Restoration Hardware



68

We don't look for frauds, accounting scandals or even bad management teams in shorts…We think the best risk/reward shorts come after a confluence of factor/sentiment extremes that create extreme and unsustainable bullish sentiment and share prices overshooting long term fundamentals. We look for the tail end of the momentum fly-wheel (to give a few examples of loved names that quickly became hated in recent years, one is Restoration Hardware,

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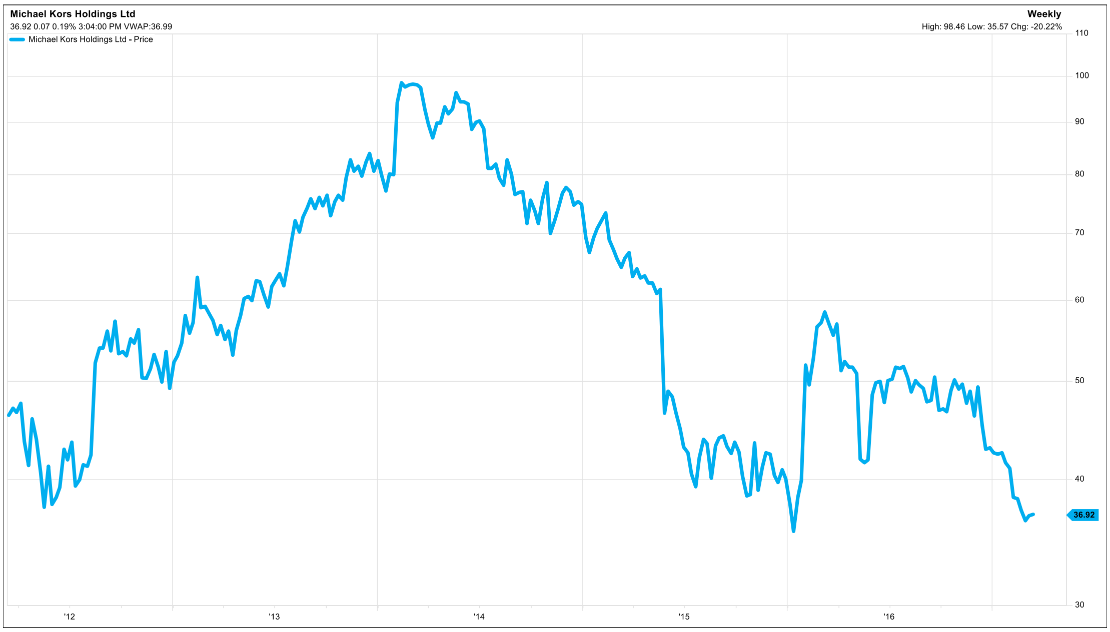
Ideas

Good Sells Come After a Confluence of Factor/Sentiment Manias

Michael Kors



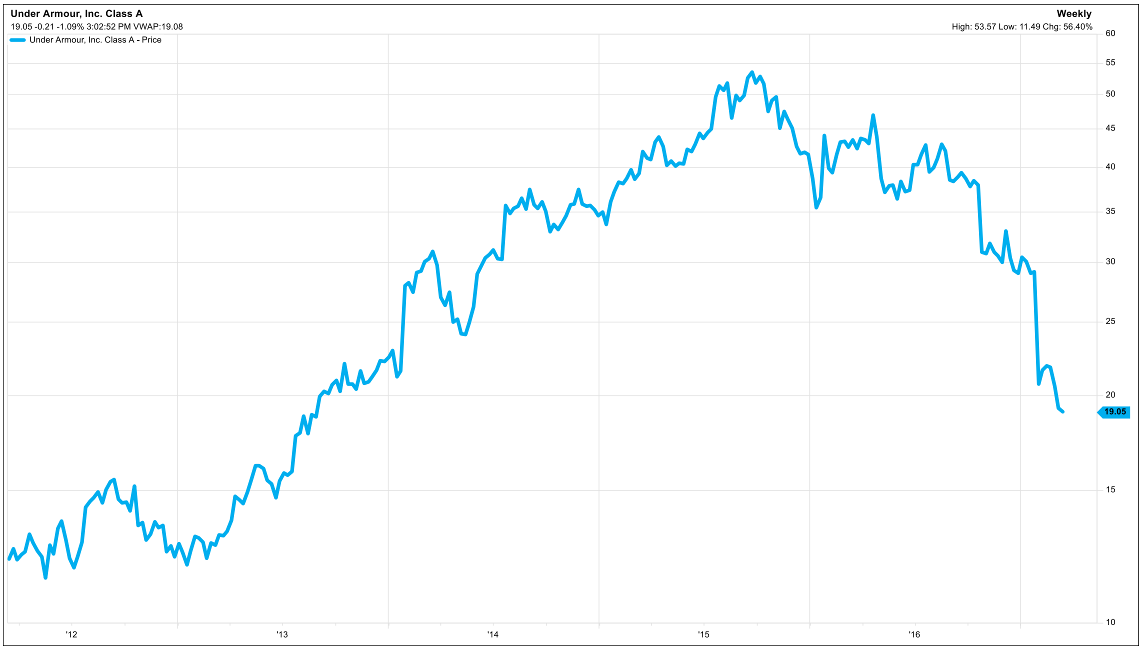
69

Michael Kors and

Ideas

Good Sells Come After a Confluence of Factor/Sentiment Manias

Under Armour



70

Under Armor, are all good examples,

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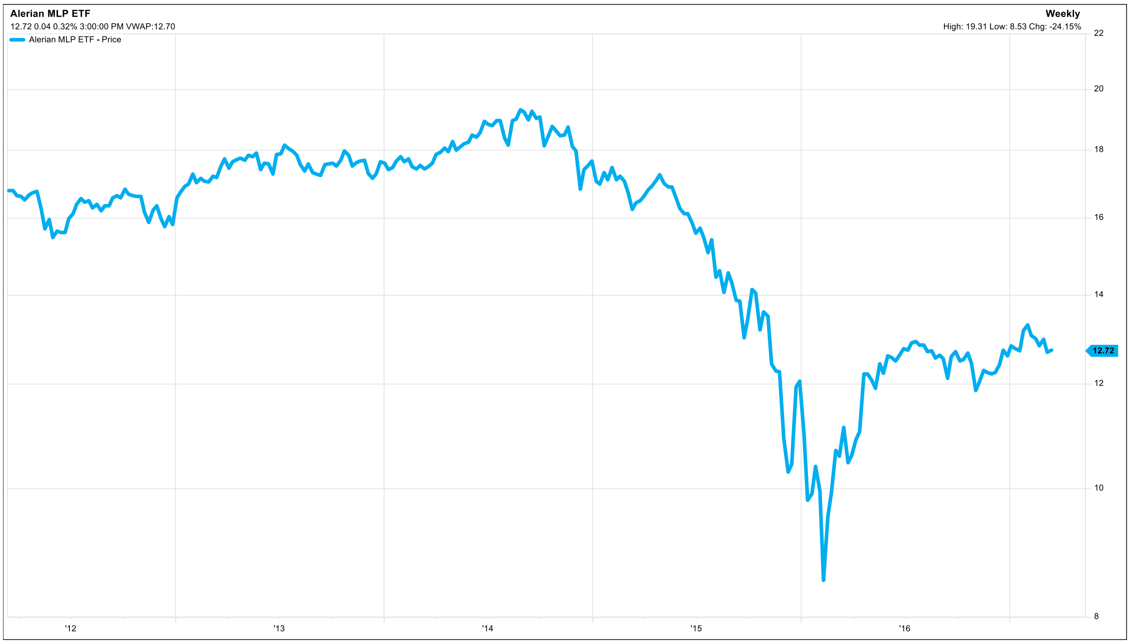
Ideas

Good Sells Come After a Confluence of Factor/Sentiment Manias

Alerian MLP ETF



This isn't just retail you could add MLPs a few years back. What's remarkable is how similar these charts are, the ride up (all of these were universally loved a few years ago) and the ride down (now all universally hated). These momentum markets aren't trading on fundamentals and only seem to know how to trade in one direction. So we look for changes to fundamental factors beyond even a good mgt teams control….supply, demand shifts, competition, other macro factors.

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Recent Factor/Sentiment Manias

- **Who has benefitted most from strong dollar?**

  ….and other popular "factors"

1) **Weak Peso**
2) **Demand for growth names**
3) **Demand for recession proof "safe names" i.e.. staples, beverages, packaged foods**
   - **"Everyone drinks beer during a recession"**
4) **Demand for 3G targets (KHC, BUD, QSR)**
5) **Demand for momentum**

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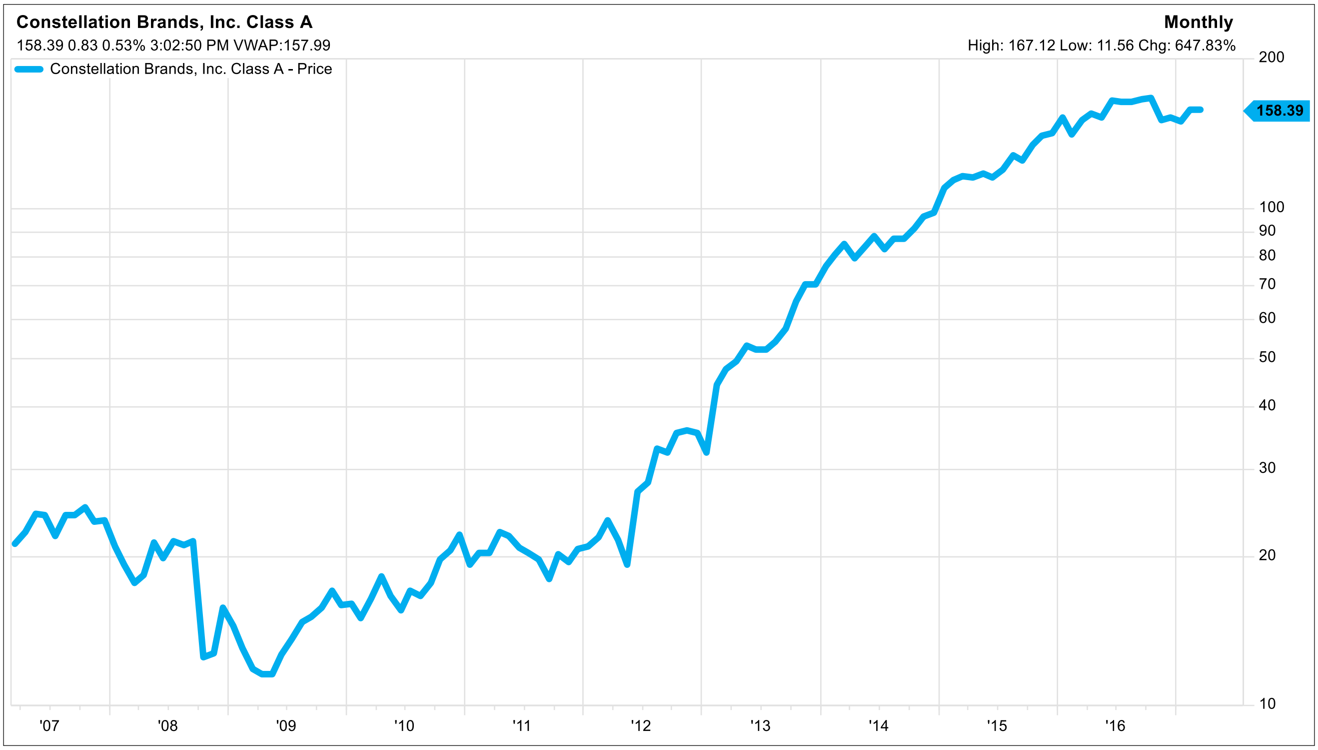
What factors have been in high demand in recent years that are likely to fade or be disrupted? Strong dollar one especially vs. EM and the peso, a demand for growth (in a low growth world), a demand for safety and yield in an unsafe, low growth, low interest rate world. (staples, beverages, alcohol (the tired old adage everyone keeps drinking beer during recessions) and packaged foods), A Demand for 3g Roll up stories (KHC, BUD, QSR) – bc everyone is going to be acquired by them, right?, and finally as always a demand for momentum or what's been working. The economy is starting to move. The fed is way behind. This demand for high growth, safe, rate alternatives should peter out….these pegs are getting pulled out.

Constellation Brands ("STZ")

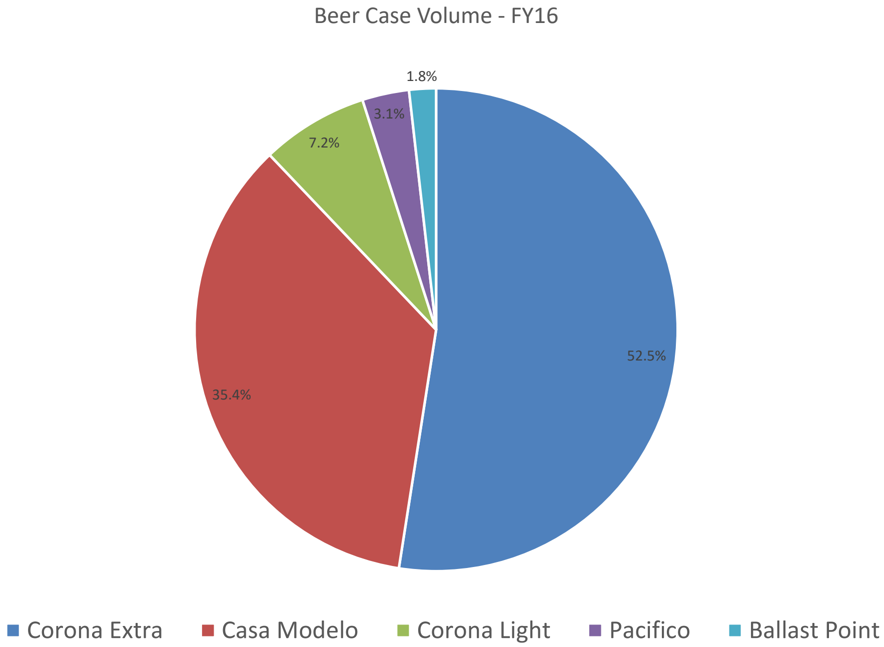


Source: FactSet

These factors created this amazing chart. Constellation Brands has gone up 8 fold over the past five years…

Constellation Brands

- Key Brands - Corona, Corona Extra, Corona Light, Modelo, Pacifico, Ballast Point, Robert Mondavi, Svedka Vodka



Source: Company Filings & Presentations.

Constellations key brands include the US distribution rights to Corona, Corona Light and Modelo…Other brands include Ballast Point, Robert Mondavi and Svedka Vodka.

Beer is dominated by the Corona and Modelo brands.

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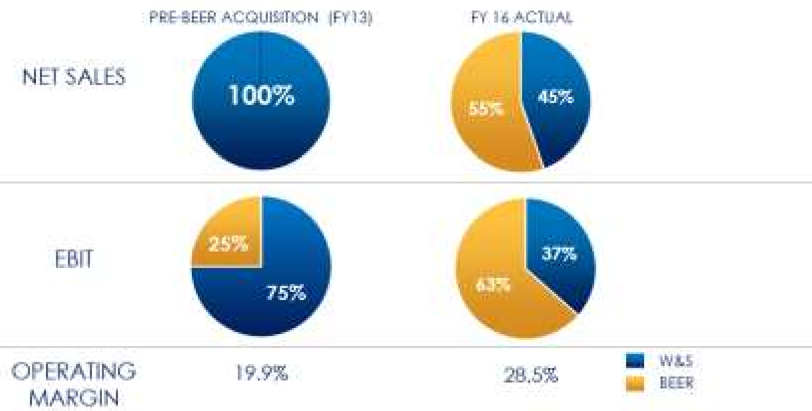
Constellation Brands

- Transformational Acquisition – 6/12 - Signed deal to acquire from AB InBev the remaining 50% interest in Crown. 6/13 – deal completed for $4.75 billion giving exclusive US rights to distribute Corona, Modelo, Pacifico
  - Deal driven by AB InBev's need to divest Crown, when acquiring Grupo Modelo



Source: November 8, 2016 Investor Day Presentation – on a comparable basis; excludes corporate expenses

- Peso denominated COGs – 25% (60% of COGS in Mexico) per Investor Day presentation

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In June 2012, the company signed a deal for a transformational acquisition., They acquired the remaining 50% interest in Crown for approx. $4.75 billion, giving the company exclusive US rights to distribute Corona, Modelo, Pacifico in the U.S.

The deal was driven by AB InBev's need to divest Crown when acquiring Grupo Modelo to settle antitrust concerns.

Following the Beer acquisition, about 2/3rd of operating profit is now beer.

Of note, 60% of COGs are in Mexico, with 25% directly peso denominated.

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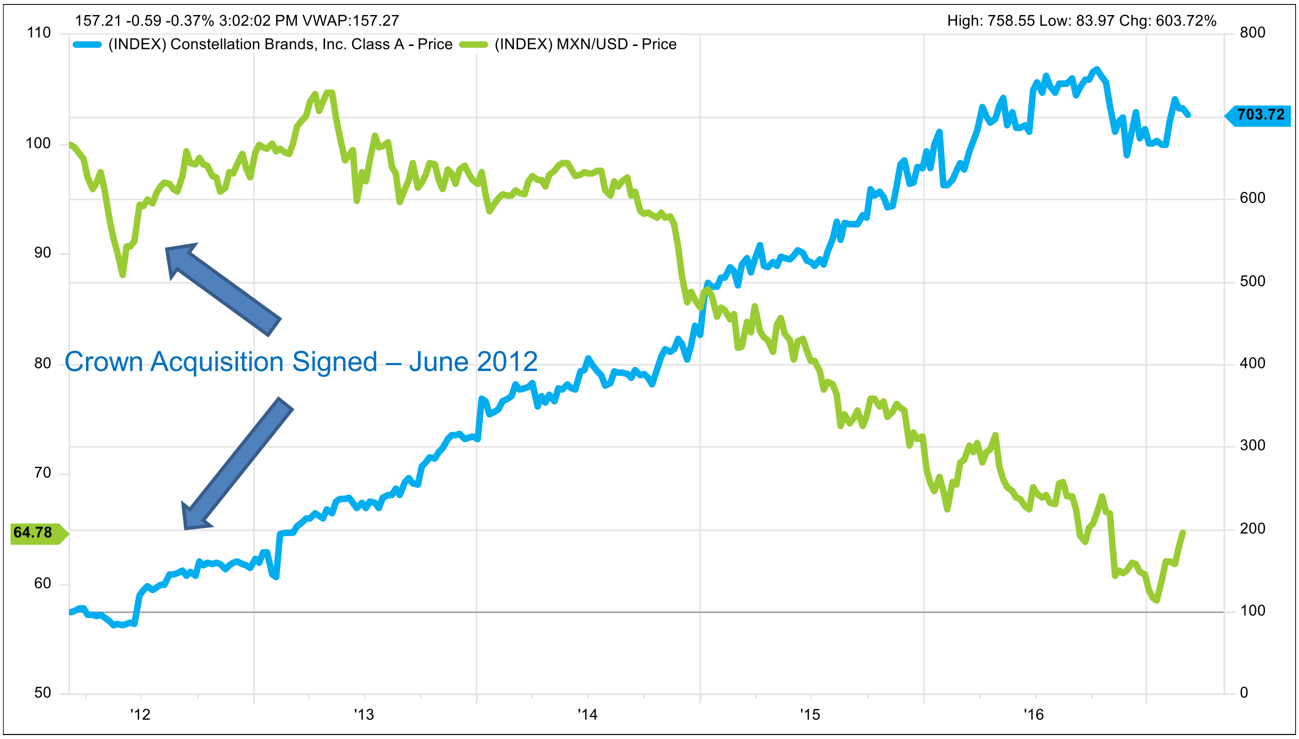
Well Timed Deal

Mexican Peso (L) vs. Constellation Brands (R) Indexed



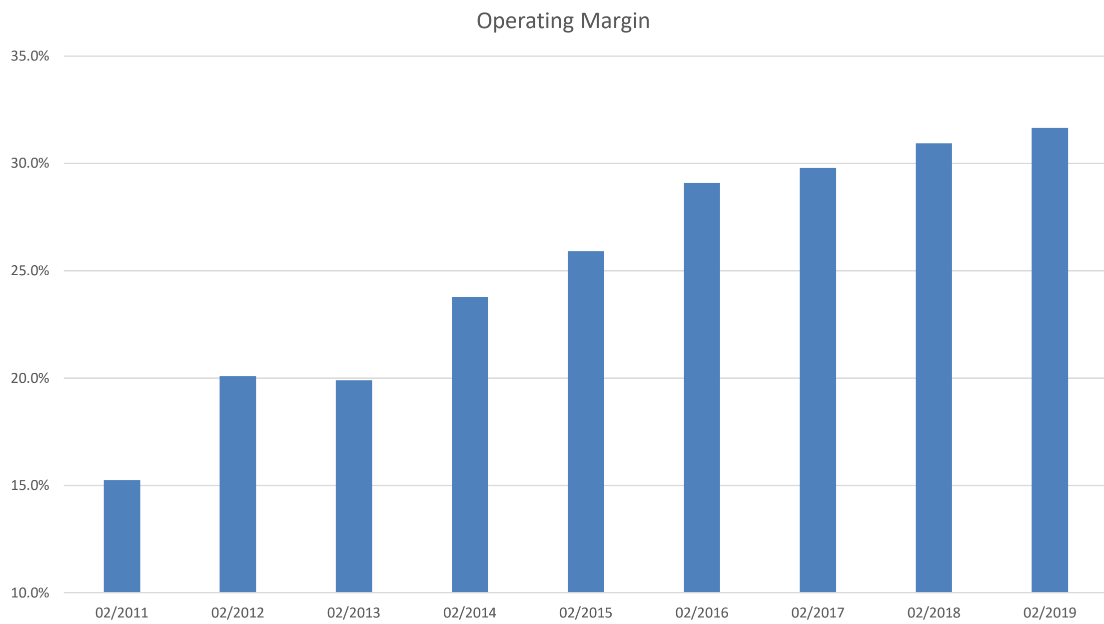
Source: FactSet

76

Management could not have timed this acquisition better -– selling beer in USDs and exporting the product from mexico during a period when the peso has been cut in half turned out to be a pretty good idea.

A combination of This, strong Mexican imported beer volumes and pricing (Corona and Modelo have been elevated to “premium” status) has led to significant margin expansion….which can be seen in this chart.

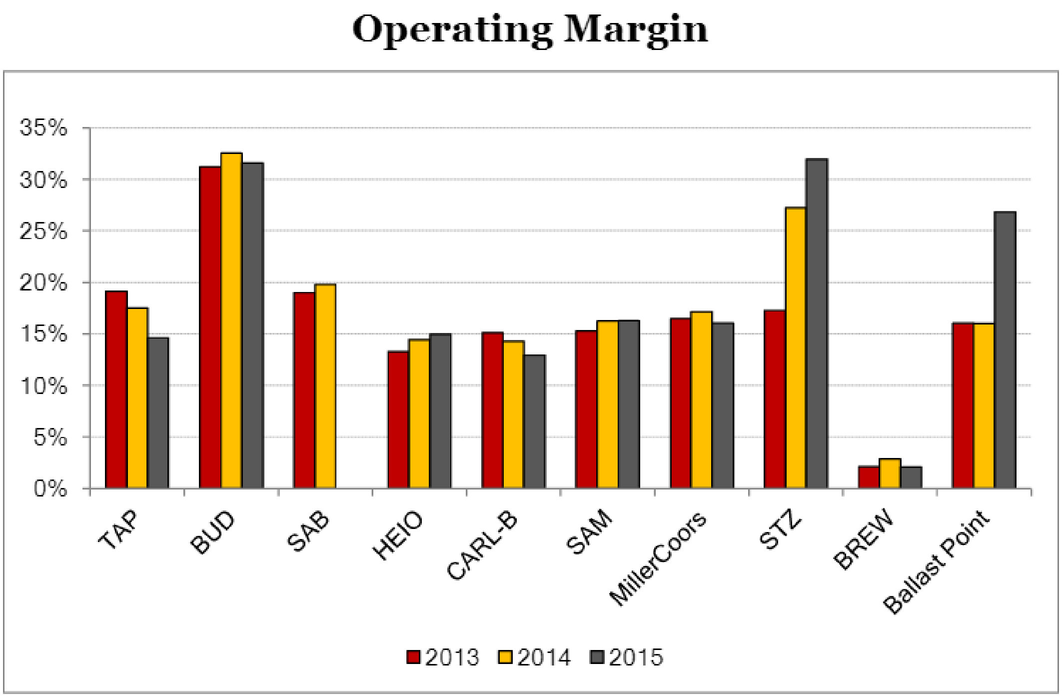
Operating Margin Expansion



Source: FactSet Fundamentals at FactSet Research Systems, Projections on Consensus FactSet estimates.

The company is projected to do a 31% ebit margin in the FY ended feb 18

Operating Margin at Top of Pack



Source: Wells Fargo Securities LLC and Company Reports.

This basically puts them at the top of the pack when it comes to beer.

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But…Tastes Can Change – Boston Beer

Source – FactSet

"It is certainly the oddest competitive environment that I've seen in my 22 years." Martin Roger, CEO , Boston Beer Co., Inc. 2-22-17 4Q Earnings Call

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However, tastes and trends can change. Just ask Boston Beer which has lost 50% of its value the past few years…recently the CEO complained of intense competition, calling it the oddest competitive environment that I've seen in 22 years.

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But…Tastes Can Change – Anheuser-Busch InBev

Source – FactSet

"Our volumes in North America declined by 1.6% this year, while revenue increased marginally."

Carlos Alves de Brito, Chief Executive Officer, Anheuser-Busch InBev SA/NV 3.2.17 Earnings Call

80

Anheuser Inbev has faced volume pressure in north America and has also seen a material correction in its share price.

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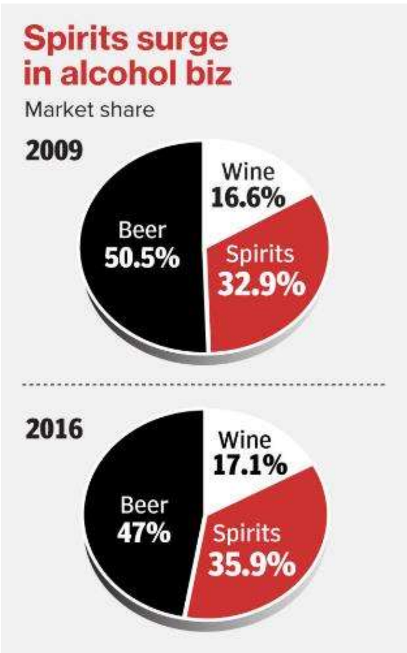
Changing Habits & Increased Competition

#1 From Beer to Spirits



Source – New York Post

#2 Mass Market Beer to Craft Brews

- STZ paid $1BN in 2015 for Ballast Point
  - (2015 sales of approximately $115MM).

Source: Bloomberg

81

There are some clear secular shifts under way. Beer as a category is losing share primarily to spirits, particularly among millennials. In spirts, constellation is underrepresented. Secondly, an explosion of craft brews over the past decade is pressuring the national mass market brands.

Management endorsed this by paying $1BN for Ballast Point in 2015 (115mm in sales at the time)

One thing that is clear from anheuser busch inbev and boston beer's recent results is that the environment is getting increasing competitive, due to these changes. .

Premium Placement Sustainable?

- Consistent price increases have moved Corona and Modelo to "premium" segment
- Recent price checks show Corona Extra and Modelo Especial at twice the price of Bud Light, Bud, Coors Light and even more expensive than many specialty micro brews? Sustainable value proposition?*

12 Packs

*Source: Price survey taken at Jewel Osco – Lisle, IL 3/9/17

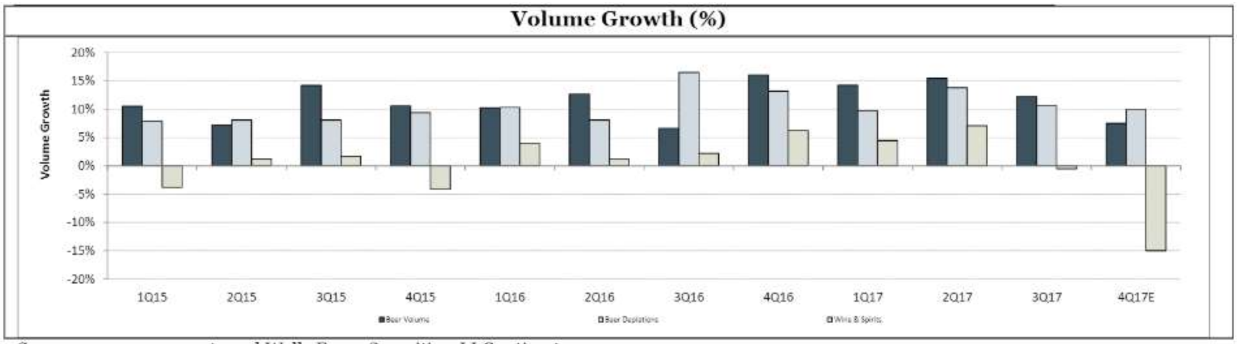
One thing I scratch my head over with Corona is what it currently costs. I think back to college and back then, Corona was seen as premium maybe to Milwaukee's best. I guess I have always compared Corona to be more or less the equivalent of Mexican Budweiser or Miller, but maybe I'm behind the times.

But now after years of price increases, Corona and Modelo Especial sit near the top of the heap.

I did a quick price survey last Thursday at my local Jewel. I found corona and modelo especial at double the cost of a case of bud, bud light and coors light. What's more, they were at a slight premium to even specialty micro brews. I personally don't understand the value proposition here?

I think corona/modelo will be hard pressed to see this growth and price rate sustained, especially given the increased competition and secular changes.

Tough Comps



Source: company reports and Wells Fargo Securities, LLC estimates

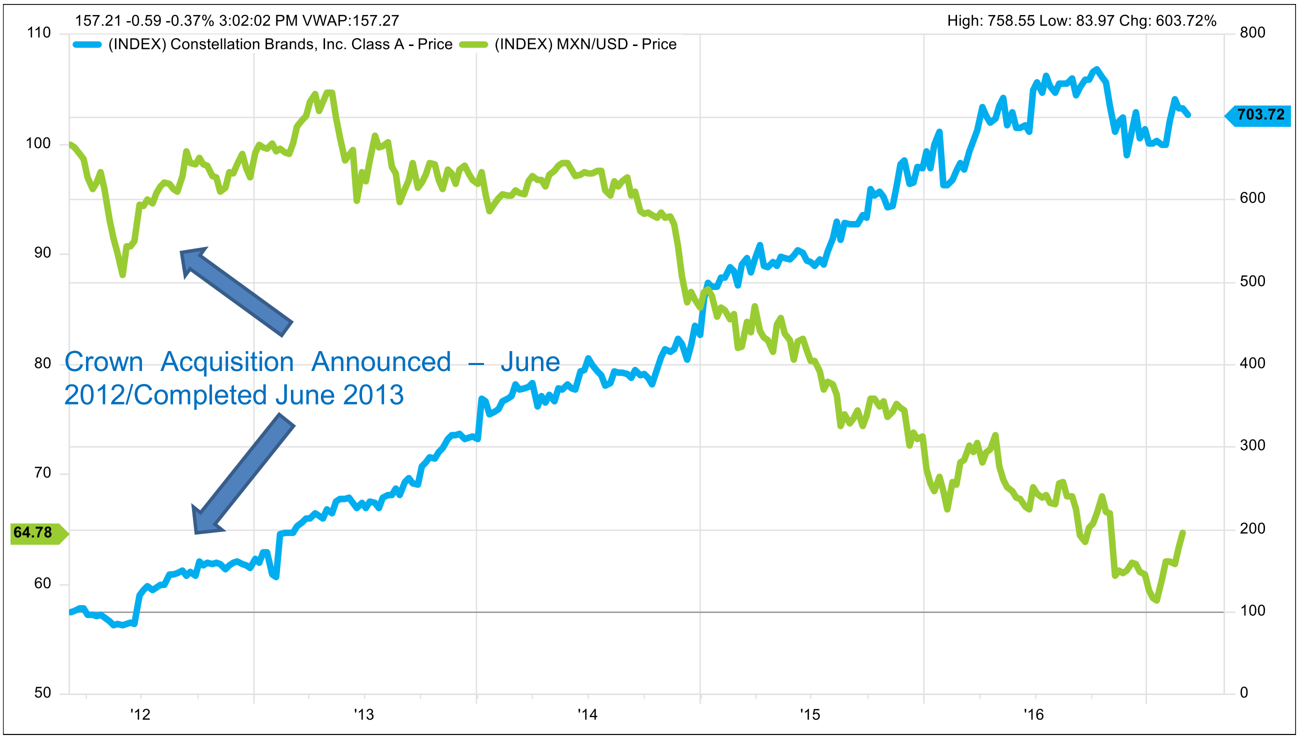
"And what I would say is that given softness in December and the fact that December is a big month in our fourth quarter, we would expect that we end up slightly below the midpoint of our guidance for depletions for the full year."

David Klein, CFO…CAGNY Investor Conference 2-23-17

In fact, we may be starting to see early signs of a deceleration of growth…the CFO noted they expect volumes slightly below the midpoint for 4q. With crowded, popular growth stocks…cracks always begin with slight deceleration of growth.. Under Armor, RH a few years ago…they names were in that flywheel and that's one of the signs when they get tossed out.

Well Timed Deal

Mexican Peso (L) vs. Constellation Brands (R) Indexed



Source: FactSet

84

Peso has lost over 40% of its value since the acquisition. After this collapse, 60% of COGS are currently in Mexico with 25% being directly peso denominated according to mgt…. STZ margins have expanded by over 50% during the same time period, going from 20% to over 30%. This expansion has likely been helped by the peso.

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Valuation

$MMs	Est 02/2017	Est 02/2018	02/2018 Rev. X 10yr avg
Sales	7,315	7,717	7,717
EBIT	2,177	2,384	1,496
EBITDA	2,467	2,707	1,791
EBIT Margin	29.8%	30.9%	19.4%
EBITDA Margin	33.7%	35.1%	23.2%
EV/EBIT	18.8	17.2	27.4
EV/EBITDA	16.6	15.1	22.8
Debt/EBITDA	3.4	3.1	4.8

Source: FactSet, trailing ten year average ebit and ebitda margin multiplied by consensus FY ended 02/2018 revenue. 3/13/17.

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At 17x ev/ebitda, 19 ev/ebt, stz isn't particularly cheap on current numbers….if you assume some mean reversion in margins….it get quite expensive at 23x ev/ebitda using a 10 yr avg ebitda margin – with a more normal peso, the best answer is probably somewhere in between – maybe 20x…still expensive.

Look –congrats if you have been long this the past five years…and mgt has done a great job extracting as much as they can from the Corona, Modelo brands, but I think they are pushing up against the limit there and I think the trump market isn't looking for these types of ideas.

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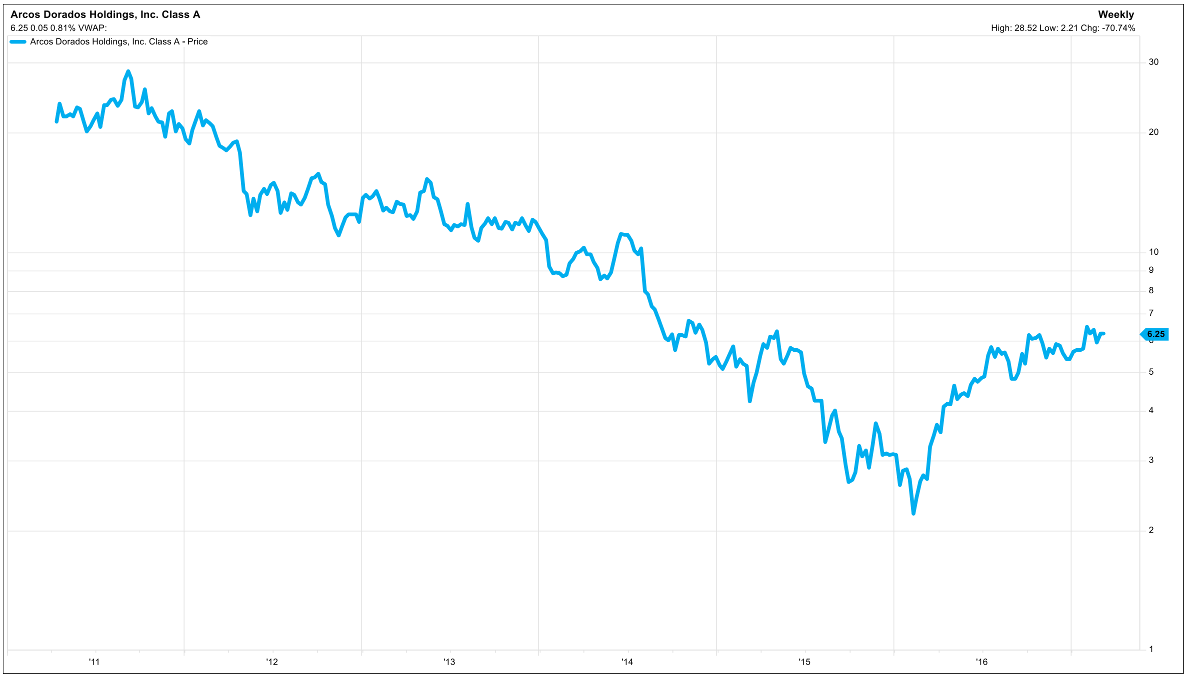
Arcos Dorados ("ARCO")



Source: FactSet

86

Now, Constellation has clearly been in the right place at the right time. Pretty much the mirror image (situation) and stock chart has been Arcos Dorados which has lost over 75% of its value over this time period.

Arcos Dorados (L) vs. Constellation (R) Indexed

Source: FactSet

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Arcos Dorados ("ARCO"… "Golden Arches")

- Exclusive master franchisee of McDonald's in Latin America
- United States – 310MM people, 14,000 MCD locations
- Latin America – 615MM people, 2,150 MCD locations
- Enormous growth potential has been forgotten given L.A. woes
- Just reaching 25% of US McDonald's per capita would more than triple size

Revenue Exposure By Country

Total LTM Revenue: $2.9B

	% of Tot. Rev.
Brazil	44.6
Argentina*	15.2**
Mexico	11.0**
Chile	6.2**
Colombia	5.8**
Peru	5.0**
Venezuela	4.7**
Ecuador	2.6**

*Country of Domicile | Showing up to 8 of 19 countries | GeoRev data as of
**Value is estimated based on FactSet's proprietary algorithm

Source: Company Filings & FactSet

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Arcos is the exclusive franchisee of McDonalds in Latin America. Before being a "value" play, when the company went public in 2011, it was seen as a growth company trading at 15x ebitda…There are over 14,000 MCD in the US (roughly one per 20k americans). There are just over 2,000 in Latin America with a population of twice the United States (one for every 280k Latin Americans). If the MCD per capita in LAT went to just 25% of the US, that would mean 7,000 locations in Latin America and a tripling of units from here..

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Arcos Dorados

Good Longs Come After a Confluence of Factor/Sentiment Busts

- **Weak Latin American consumer environment**
  - **Brazilian depression**
  - **Venezuela fell off the map**
  - **Argentinian depreciation and economic volatility**
- **Strong dollar vs. EM currencies**
  - **Particularly Latin American currencies**
  - **Strong dollar (partial USD debt)**
    - **Commodities & Happy Meals Bought in USD (25% of COGs)**
    - **Margin erosion**

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Arcos has been hammered, hit by a confluence of factors, a perfect storm and then some

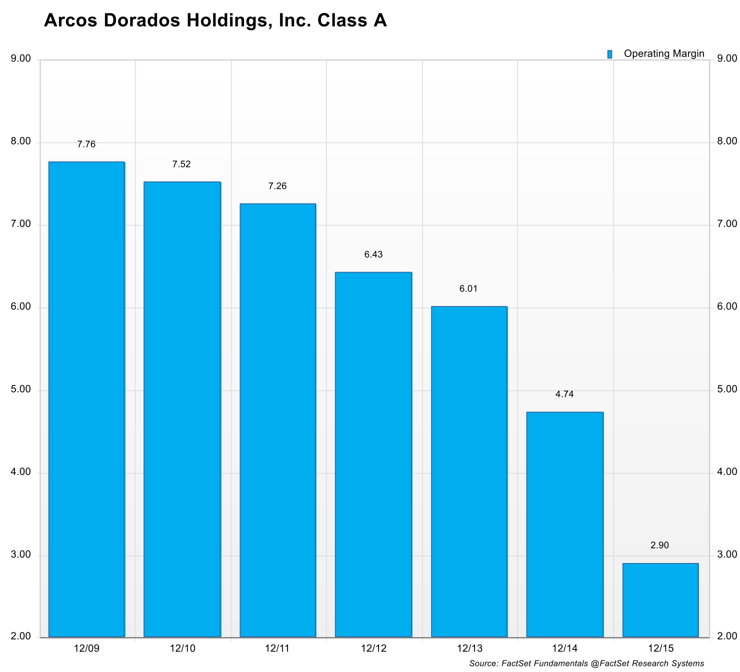
To begin, from a macro perspective, Brazil (the largest market) has been in a depression, Venezuela literally fell off the map, and Argentina has had tremendous currency and other economic volatility. McDonald's is more economically sensitive in Latin America than the US.

It is traded on the NYSE, reports in USD, but has virtually all of its operating income in Latin America countries. Latin America currencies have fallen dramatically as noted earlier. On top of that, roughly 25% of COGs are US dollar denominated (potatoes & happy meals – believe it or not are a big portion of COGs, price in dollars). On top of the company had some debt denominated in USD ($400MM due in 2023).

Arcos Dorados

Margins Under Pressure from Strong Dollar and Weak EM Consumer

Operating Margin



90

This has crushed margins just as the weak peso has boosted margins at STZ. With franchisees, you get much more operating leverage than with franchisors.

Arcos Dorados Investment Merits

- **Exclusive rights to franchise McDonalds in Latin America.**
- **Underearning due to macro economic and currency pressure.**
  - **Buy consumer cyclicals during recession**
- **Mothership modernizing concept**
  - **New global growth plan** (3.1.17 Analyst Meeting)
- **Recent streamlining yielding margin improvement**
- **Value in land, restaurant ownership**
- **Recent balance sheet deleveraging**
- **Long term play on Latin American consumer**

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But recently, with some stabilization and improvement in global growth or this concept of "synchronized global growth", there are anecdotes brazil, at least the second derivative is getting better…maybe bottoming out at least? I

n 2011, the BRIC bull thesis was clearly overdone for the time, but now, the bear thesis may be overshooting…GIVEN global population growth, protein consumption put brazil in a prime position to help feed the world, it's blessed with enormous natural resources. Despite the macro, Arcos has a number of investment merits

Exclusive rights to franchise McDonalds in Latin America.

Underearning due to macro economic and currency pressure. Past experience teaches us to buy consumer cyclicals during recession

Mothership modernizing concept

New global growth plan (3.1.17 Analyst Meeting)

Value in land, restaurant ownership

Recent balance sheet deleveraging

Long term play on Latin American consumer

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Valuation

$MMs	Est 12/2016	Est 12/2017	2017 Rev. X 8yr avg	2013 Rev. X 8yr avg
Sales	2,930	3,134	3,303	4,033
EBIT	154	152	211	258
EBITDA	226	249	293	358
EBIT Margin	5.3%	4.9%	6.4%	6.4%
EBITDA Margin	7.7%	7.9%	8.9%	8.9%
EV/EBIT	11.5	11.7	8.4	6.9
EV/EBITDA	7.9	7.1	6.1	5.0
Debt/EBITDA	2.1	1.9	2.0	1.3

Source: FactSet

Quick look at valuation – the company is trading at 7x ev/ebitda on depressed forward numbers..but note that the top line is down 20% since 2013 due to currency depreciation despite the company being larger (new stores, comps, etc.) If you took 2013 sales x ten year margin, value is at 5x…

Management initiatives, implemented a year and a half ago, have continued to yield good results in terms of operating efficiency, cost reductions and debt levels. The poor economic environment forced a tightening of belts and they implemented a much more efficient labor mgt system as one example. The company expects to expand adjusted EBITDA by at least 200bp- 250bp. over the next few years. They are extremely well positioned for the next up cycle and this business has enormous operating leverage..

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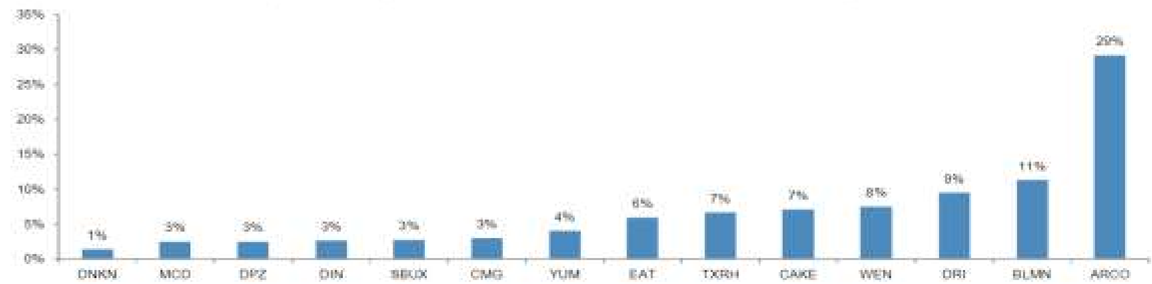
Operating Leverage

Figure 2: Annual EPS Sensitivity to 1% Change in Global Same Store Sales - QSR and Casual Dining



Source: Company reports and J.P. Morgan estimates.

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This is a bit dated as this analyst no longer covers the company (not many cover this one), but you can see the powerful effect of increased in sales to eps.

Arcos owns roughly 25% of its land and 75% of the building that sit on it. In 2009, when the company was smaller, the real estate was appraised at roughly $960MM. The current EV is $1.8BN and in order to de-lever, Arcos recently sold a few properties, implying a much higher valuation on the real estate alone. In addition, Arco sub-franchises and this income stream is running at roughly $75MM. A 10% cap rate on that is worth $740MM. There is clear downside protection in both the real estate and the sub-franchising income stream.

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Valuation Support

Market Cap	$1,306
Net Debt	$500
Enterprise Value	$1,807
Appraised R/E	$843
Remaining EV	$964
Q3 Subfranchise Income	$19
Annualized	$75
Cap Rate	10%
Sub-Franchise Rental Stream	$746
Implied Value - Company Operated EBITDA	$218
2017 Projected EBITDA	$249
Less Subfranchise EBITDA	$174
Implied Multiple	1.2x

Source: Company
2009 real estate appraisal of $936MM less recent proceeds from asset sales.

Don't forget folks this is McDonalds and there is staying power in the brand.

Remember this is a demographic story that everybody loved in 2011/2012 when the stock traded at 15x+ EBITDA and longer term, that story is unchanged. Demographics is destiny and there is long term potential with young population/families masked by the weak economic and currency environment.

The currency thesis, a weaker dollar vs. EM would be a triple whammy and it’s not a stretch to see this name trade at multiples of its current levels, even back to where it was five years ago. Frankly, I think the currencies need to move far beyond the levels we saw when the stock was at $28.

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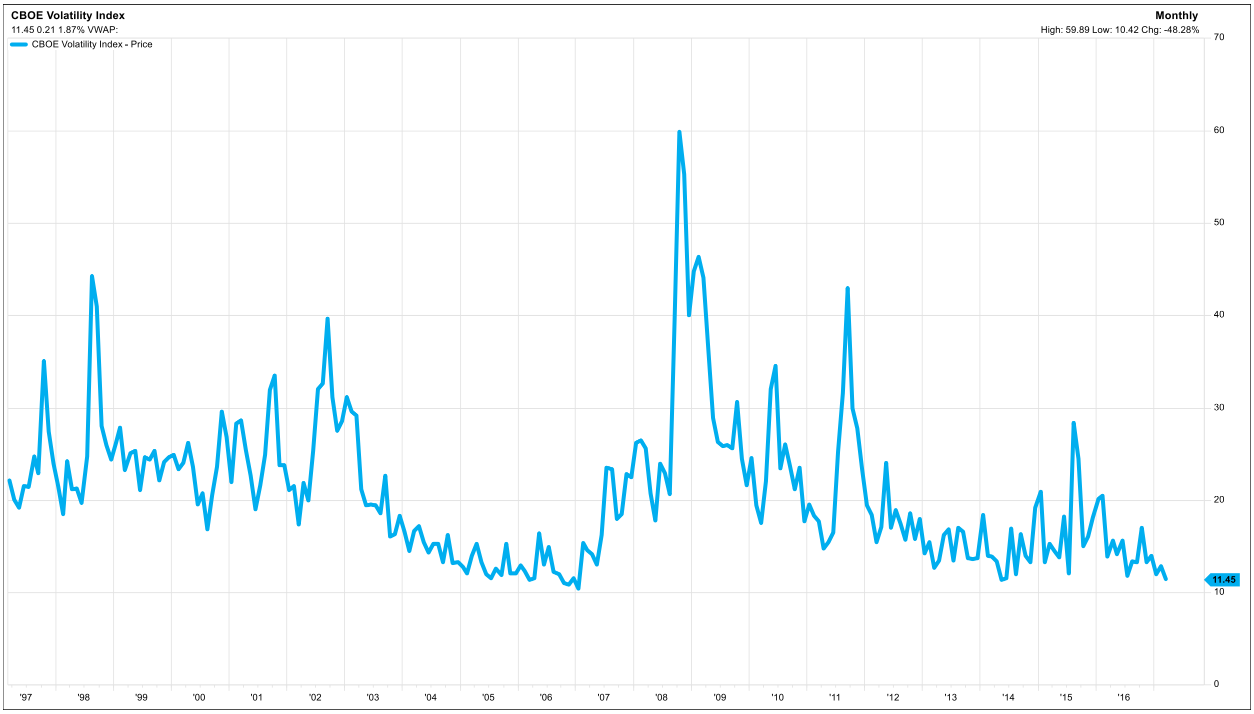
Use Low Volatility



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Finally, Vol this low is crazy so use it…PERIOD.

Thank you for your time and Jim, Evan for this opportunity.

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Appendix & Contact Information

Resources

- *SEC filings*
- *FactSet*
- *“Monessen: A Typical Steel Country Town” by Cassandra Vivian (© 2002)*
- *https://fred.stlouisfed.org/*
- *www.tradingconomics.com*
- *Brokers: Wells Fargo, J.P. Morgan, Goldman Sachs*
- *The Economist*
- *The Wall Street Journal*
- *Twitter*
- *Bloomberg*
- *Google Maps*
- *Zillow*
- *PRI*
- *uselectionatlas.org*
- *FiveThirtyEight/Congressional Quarterly*
- *U.S. Census Bureau*
- *World Wealth and Income Database*
- *Piketty, Thomas; Saez, Emmanuel and Zucman, Gabriel (2016). Distributional National Accounts: Methods and Estimates for the United States.*
- *Striking it Richer: The Evolution of Top Incomes in the United States, Emmanuel Saez, 2015*
- *The World Bank*
- *OECD*
- *OxFam*
- *GMO Quarterly Letter – 4Q16*

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Bio: Mathew T. Klody, CFA

- Mathew T. Klody, CFA is the Founder and Managing Partner of MCN Capital Management LLC, a fundamental, intrinsic value oriented long/short investment partnership based in Oak Brook, IL.
- Prior to founding MCN, Mathew was the Senior Vice President and Analyst at Chicago-based Sheffield Asset Management, a long/short equity hedge fund from 2007-2012. From 2003-2007, Mathew was an investment analyst at the holding company of Alleghany Corporation (ticker "Y") covering the equity portfolio, corporate development and the reinsurance portfolio. Mr. Klody began his career as a credit analyst at the Global Corporate and Investment Bank at Bank of America.
- Mathew graduated summa cum laude from the University of Notre Dame with a degree in finance and business economics and has served as a guest lecturer to the Behavioral Finance class and the Applied Investment Management program at the Mendoza College of Business at the University of Notre Dame.
- Mr. Klody is a Chartered Financial Analyst, a member of the CFA Institute and the CFA Society of Chicago. He is a member of the Parish Council at St. Joan of Arc Church in Lisle, IL.

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