**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

# 4th Quarter 2016 Newsletter

*October 2016*

In prior newsletters, we posted individual stock recommendations and company specific research. In this newsletter and going forward, we will be taking a slightly different tack. We will use this format to highlight some current market issues and trends; as well as comment on what we view as important to the overall markets, such as the political environment, interest rates and inflation. The last few pages will provide some details on contributors and detractors from performance, as well as some insight into the portfolio composition. While we are not macro economists and will continue to focus on doing bottom-up, fundamental research, we will still examine bigger picture issues and how they might impact our portfolio of companies. We closely track macro data and attempt to model various scenarios or "what if" outcomes. To best position the portfolio, we then attempt to put this data – viewed as numbers - into perspective. In addition, we will continue to write detailed sector and stock related articles, but these will be distributed through email, as well as posted to our website at www.manolecapital.com.

As you read this research, we hope you will get a clear and concise expression of our unique investment style. Our process, style and investment philosophy has not changed, and will not change. We view ourselves as a boutique manager, focusing our attention on a growing, secular niche – Financial Technology or "Fin Tech" – and its opportunity for growth. While, there are hundreds (maybe thousands) of teams building diversified equity products, it is not our intention to compete with traditional, bulge bracket asset managers, as so our concentrated, actively managed portfolio may not be for everyone.

## Proprietary Research:

Last month, we wrote a detailed 9-page article on the payment ecosystem. It attempts to breakdown the complex payment process and explains the economics of a transaction. We hope it helps turn the complicated payment process into an easy-to-understand framework. In addition, we wrote a 20-page bullish note on PayPal. PayPal was spun-out of eBay last year and we believe it presents an interesting opportunity. Following two important agreements with Visa and MasterCard, we believe Wall Street is missing the long-term opportunity and upside in PayPal. Lastly, we wrote a 13-page piece of research on the online lending industry. Many consider online lending as the epitome of "Fin Tech". We review this emerging industry and breakdown the differences in certain business models and platforms. This ultimately became a deep dive into industry leader - Lending Club - which we are bearish on.

## The Political Cycle:

Rest assured, this newsletter is not intended as a sounding board for political issues. However, we would be remiss if we did not comment on the current political cycle and how it impacts our portfolio. We cannot help but notice the similarities in the Brexit vote (the UK referendum to leave the European Union) in June and the rise of Donald Trump as Republican nominee for President of the United States. It seems, at least to us, that there is a new world order of global politics – *Angry Politics*.

Both the UK and US have experienced modest levels of growth in the seven years following the financial crisis. This growth has been in the low single digit range, which is not ideal. There is a sense that this muted growth has been a positive to the upper class, while the low and middle income earners continue to struggle. During these difficult times, people begin to look for changes and alternatives to the status quo. This also led to the surprising success of Bernie Sanders' Democratic campaign. Whether you like or hate Trump's comments, he represents this alternative, anti-establishment disrupter. He has become the non-political choice in the race for the US Presidency. An early comment about building a wall between our Southern border and Mexico gained widespread media attention. Immigration fears and losing "our jobs" to foreigners has been a Trump campaign staple. Immigration worries are a

common link between the US election and the UK Brexit vote. UN studies are showing that 6 out of every 10 Syrians are displaced from their home. Greece, Italy and Turkey are flooded with refugees. Some percentage of the UK Brexit vote was influenced by an attempt to remove itself from the growing refugee problem. Whether it is slowing the flow of Mexicans into California, Arizona or into Texas or preventing Middle Eastern refugees from entering the UK, we see a similar theme. A rise in anti-establishment sentiment or *Angry Politics*.

This sentiment forms the bedrock of support for Donald Trump, or advances made by populist movements on the left and right throughout Continental Europe. A general mistrust of politicians is not a new phenomenon. However, what trust there is has eroded steadily over the last several decades. Many view the Clinton campaign as an extension of Barack Obama's presidency or a vote for the status quo. Without articulating our political leanings, we believe this election will be determined by whether voters the want a disrupter in the White House or somebody more established and refined. On November 8th, we will hopefully get an answer.

In 2012, a Pew Research Center study cited that only 54% of eligible voters bothered to vote. Whether you are a Republican, Democrat, Libertarian, Green or other party supporter, we urge you to vote. Participating in our democratic system is a luxury that so many people in the world do not have. You may not love any of the current candidates, but we weaken our democracy if we do not participate in the process. The importance of voting should be celebrated, not lamented. Please vote next month.

**Summer 2016:**

As we discussed in our last newsletter, the surprise of the Brexit vote spooked investors and dramatically increased volatility. There remains a tremendous amount of uncertainty about how the UK will interact with Europe going forward. The world is smaller than ever, as many markets are tightly correlated. So what happens in London or Frankfurt can meaningfully alter our portfolio. After an initial market pullback from the Brexit decision, there was an uninterrupted, roughly 10% rise in the equity markets.

**Looking back:**

Following the financial crisis, the US was in a desperate state. The patient (our US economy) was in intensive care and on "life support". The government enacted rules and the Fed put forth critical measures to successfully navigate this difficult period. By forcefully dealing with the crisis, the Fed should be praised for its efforts. Interest rates were essentially lowered to the zero bound and Quantitative Easing (known as QE) was established. QE activities were employed to provide a short-term boost to the economy and spur investment. The Fed purchased long-term assets and this lowered interest rates. In an attempt to stimulate economic activity and growth, central bankers have purchased bonds with the intent of lowering borrowing costs and encouraging companies and households to borrow. The resulting growth may not have been as high as some would have liked, but the market bottomed in March of 2009 and began to steadily move higher.

**Our opinion:**

With massive new monetary policies, the long-term ramifications are unknown. The world had never taken measures like QE and there are unintended consequences of easy credit terms. Emerging markets and governments around the world are happily taking on debt at these historically low rates. The IMF (International Monetary Fund) recently reported that worldwide non-financial sector debt levels hit an all-time high of $152 Trillion (see Graph A). This is the highest gross debt level ever recorded and the debt to GDP ratio is also in unchartered territory at 225%. This "debt boom" has ramifications and central banks are partly to blame for fueling the party.

**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

We are roughly seven years post-crisis and we do not believe the patient should continue to be in the ICU. We believe that an unprecedented era of easy monetary policy and historically low interest rates have supported this bullish run in assets. Relatively soft conditions still exist and the OECD (Organization of Economic Cooperation and Development) recently predicted that global growth will only be 2.9% next year. This is the lowest rate since the financial crisis. The US seems to be the only place in the world where one can earn interest or dividends. The Atlanta Fed GDP forecast for growth in 2017 is 3.5% and the New York Fed is forecasting 2.8%. While these estimates are not wildly robust, the US growth rate is currently the envy of the developed world.

The Jackson Hole conference is the Super Bowl equivalent of Fed commentary. Six years ago, then Fed Chairman Ben Bernanke outlined his QE framework. With security purchases, money was pumped into the economy and it did spur some growth. At last month's Jackson Hole conference, current Fed Chairwoman Yellen stated that "the case for an increase in the federal funds rate has strengthened in recent months." We agree and lay out a case for higher interest rates below.

## Looking Forward:

The gradual winding down of central bank stimulus is referred to as *tapering*. Central banks never want to shock the market, so our Fed slowly began to pull its stimulus activities in 2013. By October of 2014, the environment was steady enough to require less intervention (some might say manipulation) and the Fed ended its bond-buying program. Removing stimulus too soon could lead to a recession. Leaving stimulus too long can lead to higher inflation. This is the fine line central bankers must walk.

We notice a slight change to the narrative that rates will remain "lower for longer". Still, interest rate changes happen at a glacial pace. Central banks are gradually removing stimulus and tapering their activities. This slow and steady approach allows the market to make adjustments prior to any movements. When our Fed tapered its bond buying activities, the equity markets reacted quite favorably by rising over 30% in 2013 and nearly 15% in 2014. During this period, the market experienced some significant bouts of volatility, as these monetary policies had not been utilized and then stopped in roughly a hundred years. As we look at global markets, we see tapering activities in Europe and uncertainty surrounding Brexit. We anticipate and expect periods of heightened volatility in 2017, coupled with a slow winding down of monetary stimulus. It is our opinion that interest rates have bottomed. We expect the massive amount of negative yielding debt securities to decline, as well as the appetite for fixed income investors to purchase 50 and 100 year old paper. On a historical basis, global interest rates remain quite low and should continue to foster growth initiatives. We believe rates will begin to tick higher as central banks begin to pivot off of these once-in-a-lifetime stimulus policies.

## "Big 3" Frustration:

The Bank of Japan, European Central Bank and our Fed are often considered the "Big 3" of global monetary policy. Our opinion is that any market softness can and will cause central bankers to lose their "backbone". At some point in time, fiscal and tax policies will need to spur growth. We cannot survive on monetary policy alone as the only remedy for a global malaise. Central bankers seem stumped on how to revive growth. But bankers cannot be economic saviors for the economy and politicians need to look to restore confidence and address many growth problems. An agenda of tax reform, regulatory relief and infrastructure spending are just a few suggestions to possibly implement.

**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

European Central Bank President Mario Draghi has issued a plea to Eurozone governments to implement "growth-boosting" programs. In a recent interview, he warned of adverse effects of keeping interest rates too low for too long. After years of massive stimulus policies, the ECB is running out of ideas to spur economic activity, lift inflation and deliver much needed growth. Draghi stated stimulus policies are "not without a cost" and is clearly frustrated with a lack of governmental support. This is the main burden all central bankers are wrestling with. The ECB has loudly called for policy makers to "play their own part". It appears like Europe has begun to taper its stimulus policies and that central bank intervention has reached its limitations.

During recent Congressional testimony, Fed Chairwoman Yellen hinted that she is running out of ideas to stimulate growth. To mitigate a possible downturn, she mentioned possibly following Japan's central bank, which has purchased equities and other long-term assets. This has the potential to significantly prop up asset values and could have major market ramifications. We do not believe our "independent" central bank should be purchasing equities. This type of intervention and policy can be very damaging. Lowering interest rates to essentially zero was a necessary evil following the financial crisis. Manipulating the equity markets would open Pandora's Box and an endless array of complications. We believe that our free and capitalistic market is better equipped to efficiently allocate capital, not the Fed.

## Interest Rates:

We always attempt to keep things simple. While we will address key metrics involved in setting interest rates below, it is our opinion that the Fed will raise rates come December. We typically avoid making macro calls and prefer to do in-depth company research. However, we believe the Fed is in a complicated position. The central bank needs to increase rates before it is too late. In the event the US enters an economic slowdown, there will be no options left to spur growth. The Fed needs to tighten monetary policy now in order to have the option to lower rates down the road. Without the option of cutting rates, the Fed's only other choice would be to employ another program of bond buying or QE. Fed Vice Chairman Stanley Fischer (no relation, plus he spells it wrong) sees signs of future economic trouble if interest rates continue near zero and QE remains a recurring form of monetary policy. Once again – we agree.

## Employment:

The Fed's mandate to alter its federal funds rate is based upon two key measures. The first is to foster maximum employment and the second is inflation or price stability. The employment measure, while often criticized, is easily quantified. The official unemployment rate, at 4.9%, is close to the level at which the economy is in balance - during a recent CNBC interview, Stanley Fischer said "We are reasonably close to what is thought of as full employment." Over the last four months, new jobs have averaged 180,000 per month. The Fed continues to expect improvement in the unemployment rate and the forecast are calling for this rate to fall towards 4.5% over the next few years.

## Inflation:

For the inflation component of the Fed's mandate, the measurement is much more complicated. The official inflation gauge is measured in consumer prices, which continue to stay below the Fed's stated 2% target rate. While some items have seen an inflationary lift, the vast majority of consumer prices have remained steady. Excluding the volatile energy and food price component, inflation has been hovering at 1.7% this year. Over the next few years, many in the Fed expect to hit the target of 2%.

Global monetary tactics, still being employed by the central banks of Japan and Europe, have mostly been unsuccessful. Recent commentary has hinted at backing off or tapering their aggressive QE policies. Both have made

**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

statements that proclaim that QE has the potential to prop up or "inflate" prices of financial assets. This is where one can see the formation of an asset bubble.

Record low interest rates have been a blessing for certain asset values and a curse for savers. Lower interest rates have helped US real estate prices lift to levels not seen since 2007. We see evidence of asset inflation in the doubling of the US equity market since QE was established. This amounts to over $13 trillion of gains. Lastly, central bank purchases have dried up the supply of high-quality bonds. Some believe this created the nearly $12 trillion of fixed income securities trading at negative rates (see Exhibit B).

## Data Dependence and the Fed's December Meeting:

The December meeting is "live" for a potential hike. The CME website (which can be seen here) is one of the best places to gauge what the overall market is expecting for future interest rates. As of early October, the chance of a rate hike in December stands at 63%. What provides some level of uncertainty is how the Fed has become "data dependent". Earlier this year, the market was expecting four interest rate hikes. The first two weeks of January were down roughly 10%, which was the worst start of a year since 1932. The Fed used this "data" to pause any interest rate hikes in the first quarter. Then in June, the UK's Brexit decision created significant volatility and uncertainty. Once again, the Fed used this to pause any interest rate hikes over the summer. Instead of using just two key components to base interest rate decisions upon, the Fed now has unlimited excuses (ie: data).

At the Fed meeting last month (in September), interest rates remained steady in the range of 0.25% to 0.50%. The Fed did state that the labor market "has continued to strengthen" and that "economic activity has picked up" from the pace in the first half of the year. With additional comments on growing household spending, we believe the Fed has enough ammunition to move in December. To properly protect itself, the Fed has stated that "the case for an increase in the federal funds rate has strengthened but (we) decided, for the time being, to wait for further evidence of continued progress towards its objectives."

It is our opinion that the Fed needs to move off of these emergency measures to have some ammunition in the future. Some will argue that it is a mistake to move too soon, before inflation is a problem and while growth is modest. Others will say the exact opposite, that waiting too long and remaining too accommodating is an inflationary problem. Kansas City Fed President Esther George agrees that an interest rate increase is warranted. She recently was quoted as saying "My views are it is time to move." She added "I don't see better outcomes from waiting."

The next Fed meeting is in early November, but there is widespread belief that voting members will bypass a rate increase one week before our presidential election. Avoiding the appearance of having political motivations is smart. We do not believe raising interest rates six days before an election is the right thing to do. In addition, by November the markets will have clarity on our next US president. That is, unless we get a crazy repeat of the 2008 presidential election and Florida's "hanging chad" episode. Once The White House has been settled, we believe the Fed will move interest rates higher, and that is what leads us to believe action is coming at the December Fed meeting.

Once there is clarity on the situation in Washington DC, the Fed will be able to continue its normalization of monetary policies. Data will once again be critical. The job market slowdown, as seen in the May jobs report, seems to have been temporary. As mentioned, employment measures, while always questioned, are either fairly close to or near full-employment levels. The Fed has been closely monitoring average hourly earnings and this has been steadily improving. It now stands at the highest level since the financial crisis. Next, we believe that the overall level of

**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

financial stress in the market has leveled off. Using data to make the point clearer, The St. Louis Fed's Financial Stress Index is close to its lowest level on record (dating back to 1993).

## Conclusion:

The companies in our portfolio have strong secular growth opportunities and promising prospects. In the event of a surprise or shock, the strength of our balance sheets (most are net cash) coupled with outsized free cash flow should provide ample downside protection. Is momentum strengthening? We believe so, but it remains modest. We expect higher volatility and this uncertainty should benefit the portfolio. We are comfortable with this slower and steadier level of growth and believe our high quality, growth portfolio should outperform in this environment.

While we could easily list a dozen global geopolitical and economic challenges, we remain optimistic. Why are we a "glass half full" manager when there are so many worries to concern ourselves with? It is because we have seen this environment before. Whether it is the dot-com era of the late 1990s or the financial crisis of 2007-2008, we have seen and managed money through these tumultuous times. Today's circumstances are no different.

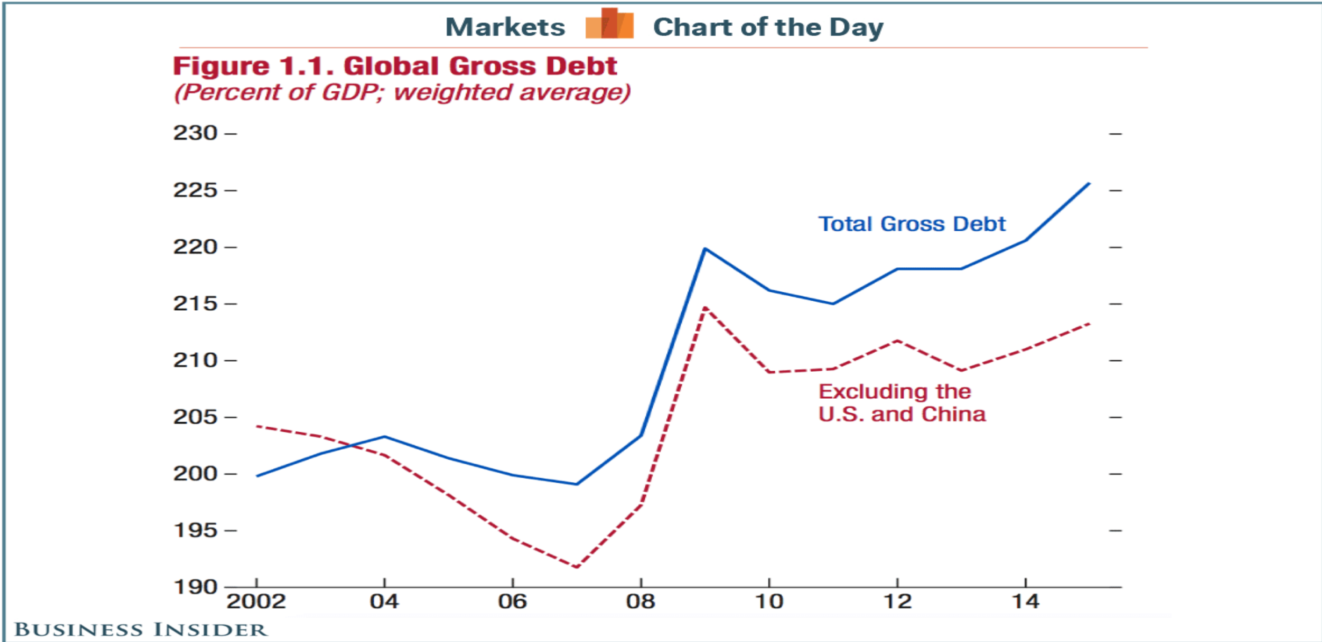
For over 30 consecutive trading days this summer, the market failed to move more than 1% during any trading session. Once Labor Day arrived, volatility began to pick up and the markets had some big moves on three consecutive days (September 9th through the 13th). In our opinion, it is not a matter of "IF" the Fed will lift interest rates, but rather "WHEN". A month ago, New York Fed President William Dudley hinted that the market was underestimating the chance of an increase this year. We expect a measured and patient Fed to only raise rates when things are clear and markedly better. Zero interest rates were a result of the Financial Crisis and our economy no longer needs to be on "life support" measures. While we do not know what the Fed will ultimately do or how quickly it will respond to fluid global events, we feel comfortable that our portfolio will perform through this uncertainty. Based on the information presented above, we think this happens in December. If we are wrong on the exact timing, we believe we will be right long-term. We strongly believe that "Value is driven by time, not timing."

Thank you for your interest in Manole Capital. As of today, we remain the largest personal investor in our products. We believe that the portfolio provides excellent upside and growth. If you have any questions or comments, please do not hesitate to reach out to us.

Warren Fisher, CFA
Manole Capital Management
warren@manolecapital.com

**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

Graph A:




Graph B:

4th Quarter 2016 Newsletter

*October 2016*

**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

## Manager:

Manole Capital management is a boutique investment manager based in Tampa, Florida. Warren Fisher, CFA founded Manole in 2015 following two decades of portfolio management experience at Goldman Sachs and Fortress Investments.

## Product:

The "Fin Tech" product is a concentrated, long-only portfolio that was launched in February of 2015. This 20 to 25 name portfolio primarily consists of companies in the financial and technology sectors. Within financials, it benefits from volatility and higher interest rates, without credit sensitivity. Within technology, the portfolio is heavily weighted towards the secular growth of the payments industry.

## Process:

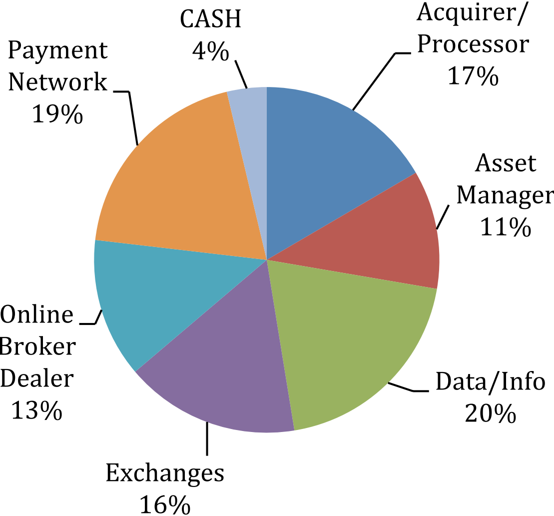
We are business buyers and investors, not short-term traders. Our focus is to do in-depth research on strong, durable franchises. We strive to buy great companies at reasonable prices. Our core belief is that value is driven by time, not timing. The process seeks to identify growth businesses with key attributes. Adhering to these investment traits leads to positive stock selection and outperformance.

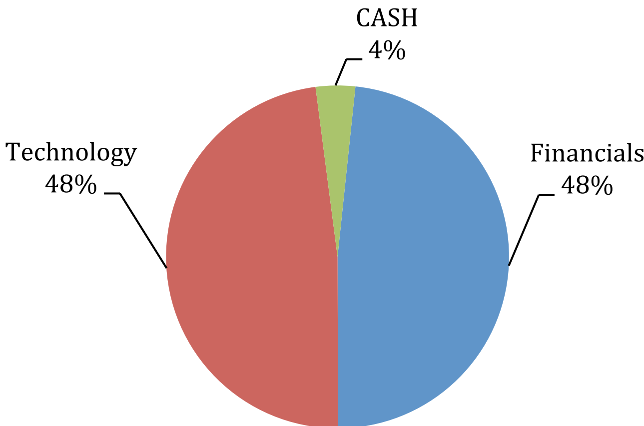
| Top 3 Holdings: | Ticker | YTD'16 Perf: |
|---|---|---|
| 1) Visa | V | + 7% |
| 2) MasterCard | MA | + 5% |
| 3) Intercontinental Exchange | ICE | + 6% |

** Through September 2016*

## Characteristics:

- ✓ Market leaders with durable competitive advantages
- ✓ High barriers to entry and "moat" around franchise
- ✓ Pricing power and flexibility to withstand market volatility
- ✓ Recurring revenues and sustainable business models
- ✓ Strong balance sheets with predictable free cash flow
- ✓ Excellent management teams properly allocating capital



**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

## Benchmark(s):

We have yet to properly identify which benchmark or index is the most appropriate for our unique product. That being said, we constantly compare our total return performance to the overall market (which we define as the S&P 500), as well as the financial benchmark (ETF ticker XLF). The S&P 500 has a 14% weight in ***financials*** and 18% in the ***technology*** sector. At roughly 1/3rd of the benchmark, these two sectors have a meaningful impact on overall market performance.

Our "Fin Tech" portfolio is roughly evenly split into Financials and Technology (see the pie chart on prior page). We also have sprinkled in some companies that get categorized as Industrials. It is our opinion that these companies are actually wonderful "Fin Tech" businesses and *not* Industrial companies. We spend less time focused on market labels and more of our time doing bottoms up, fundamental research. For a deeper dive into how we view S&P 500 sector classifications, please view the "What is Fin Tech?" article on our website.

It is our intention to beat and outperform the overall market each and every year. If an investor wishes to simply match the market, one could purchase an index fund or ETF at very little cost.

## Absolute Performance:

On an absolute basis, we were pleased with results this quarter. July was +4.5%, August was +2.8% and September was flat. For the quarter, the "Fin Tech" portfolio delivered cumulative performance of 7.4%. Since our inception in February of 2015, the "Fin Tech" portfolio has delivered a total return of 10.9%.

## Relative Performance to S&P 500:

Once again, we continue to gauge our performance versus the overall market, which we consider the S&P 500. During the 3rd quarter, we were especially pleased with our relative performance. As compared to the overall market, the "Fin Tech" portfolio delivered 3.5% of relative outperformance this quarter. Since our inception in February of 2015, the "Fin Tech" portfolio has delivered outperformance of just shy of 4% to the overall market (10.9% versus 6.9%).

## Relative Performance to XLF (Financial ETF):

With such a heavy concentration in Financials, we remain pleased with our performance versus this benchmark. As compared to the XLF, we generated outperformance of 2.9% this quarter (7.4% vs 4.4%). Since our inception in February of 2015, the "Fin Tech" portfolio has delivered outperformance of just shy of 10% to the XLF (10.9% versus 1.0%).

Year-to-date, the ***financial*** sector has struggled and is only up 1%. Lower levels of volatility coupled with delays in interest rate hikes have negatively impacted performance. Performance in the ***technology*** sector has been much better, with the ETF XLK up 13% year-to-date. We like when the market differentiates between winners and losers, as this tends to favor our high-quality, growth portfolio.

**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

## Contributors:

The portfolio remains heavily weighted towards payment companies, with significant exposure to payment networks, acquirers and processors. These are predictable businesses, generating recurring revenue. We love how their models earn transaction-based profits or profits on every card swipe. Unlike card issuers or banks, these companies do not have credit risk. These companies benefit from the secular growth of credit and debit cards, which continue to take market share from more traditional forms of payment (ex: cash and check). Specifically, the portfolio benefited from the ownership of Visa (ticker V), Global Payments (ticker GPN) and Vantiv (ticker VNTV).

Detractors one quarter can often become contributors the next. Last quarter, we highlighted that our exposure to the online brokerage sector hurt performance. Lower levels of volatility and subdued interest rate expectations worked against both TD Ameritrade (AMTD) and Charles Schwab (ticker SCHW). During the 3rd quarter, we increased our weight in both companies and this added to our performance. Following Brexit, volatility and trading began to pick up. More recently, interest rate expectations have risen with forecasts now calling for an increase in December. On a fundamental basis, both companies are well positioned to grow their account and asset bases. With increased market shares, both companies have excellent prospects.

One of 2016 biggest contributors has been Ritchie Brothers (ticker RBA). The stock is up over 50% this year and recently rallied following the acquisition of its biggest competitor (privately-held Iron Planet). Several months ago, we highlighted RBA and its unique business model (which can be read in our "What is Fin Tech?" article). This dominant business (classified as an Industrial) is somewhat misunderstood. RBA does not manufacture industrial or heavy equipment. It simply acts as an auctioneer or exchange for those that wish to sell or purchase equipment. For acting as an independent intermediary, RBA earns a steady ~ 10% fee. One could consider it a financial company, but it does not take credit or transactional risk. One might consider it a technology company, as over half of its transactions are done online. We view it as a wonderful "Fin Tech" business. RBA is somewhat of an undiscovered gem and we remain confident in its future growth prospects.

## Detractors:

In terms of laggards, Verifone (ticker PAY) has underperformed. PAY is the portfolio's smallest market capitalization company, as well the portfolio's smallest position. As a point-of-sale service provider, PAY has struggled to adapt and assist its clients in becoming compliant with new EMV standards (ie: chips in cards). This caused PAY to miss revenue and earnings expectations. It now has built a strong backlog and we anticipate better results from PAY over the next one to two quarters.

Cognizant (ticker CTSH), on September 30th, surprised the market with an announcement of an investigation into a possible violation of the FCPA (Foreign Corrupt Practices Act). CTSH is an IT service provider and outsourcing consulting company, with a large Indian presence. Concerns about payment(s) in India forced its President (and former CFO) to resign. With significant uncertainty surrounding this potential violation, we have taken our position to 0%.

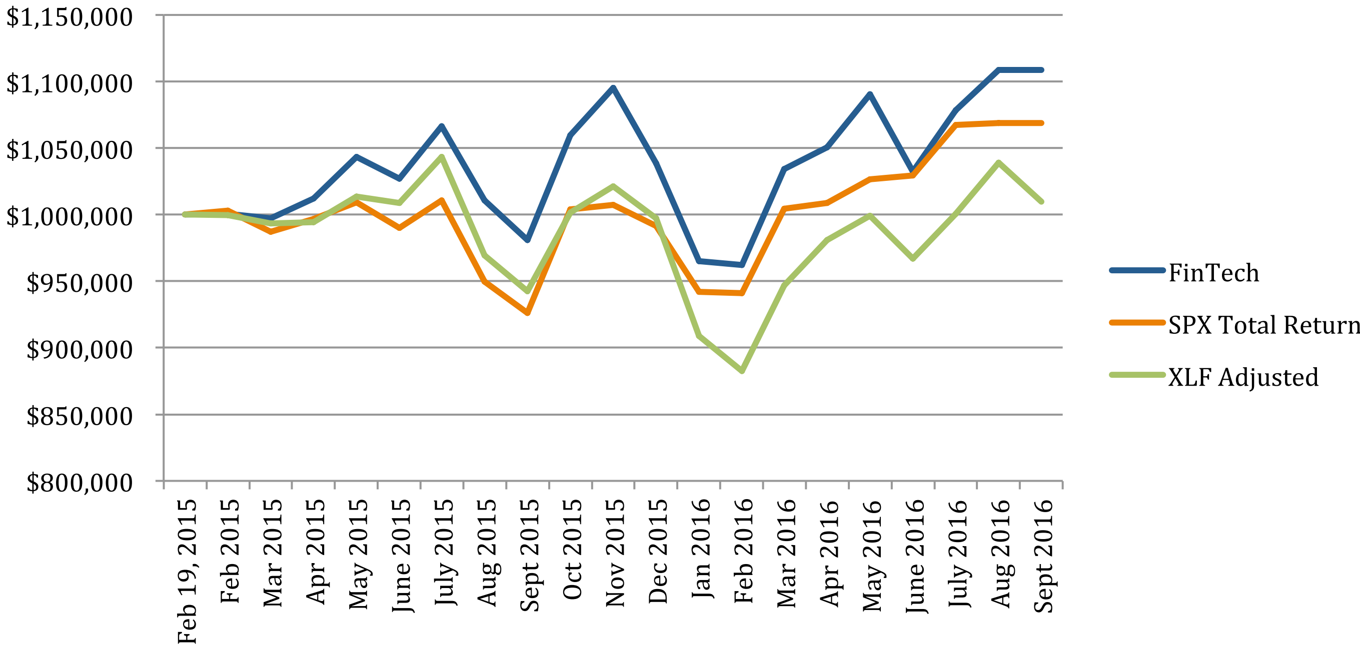
Manole
Capital Management

4th Quarter 2016 Newsletter

*October 2016*

**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

## Performance:




| Fintech | | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec | YTD | Annualized Since Inception |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 [1] | Gross | | 0.09 | -0.33 | 1.47 | 3.08 | -1.57 | 3.88 | -5.25 | -2.94 | 8.04 | 3.35 | -5.18 | 3.86% | |
| | SPX | | 0.30 | -1.58 | 0.96 | 1.29 | -1.94 | 2.10 | -6.03 | -2.47 | 8.44 | 0.30 | -1.58 | -0.87% | |
| | XLF | | -0.04 | -0.62 | 0.08 | 1.95 | -0.46 | 3.40 | -7.06 | -2.81 | 6.27 | 1.99 | -2.36 | -0.28% | |
| 2016 | Gross | -7.09 | -0.30 | 7.53 | 1.58 | 3.77 | -5.31 | 4.45 | 2.80 | 0.00 | | | | 6.75% | 6.38% |
| | SPX | -4.96 | -0.13 | 6.78 | 0.39 | 1.80 | 0.26 | 3.69 | 0.14 | 0.02 | | | | 7.84% | 4.09% |
| | XLF | -8.85 | -2.90 | 7.27 | 3.60 | 1.89 | -3.23 | 3.46 | 3.85 | -2.8 | | | | 1.26% | 0.59% |

[1] *Partial period beginning on February 19, 2015.*

4th Quarter 2016 Newsletter

*October 2016*

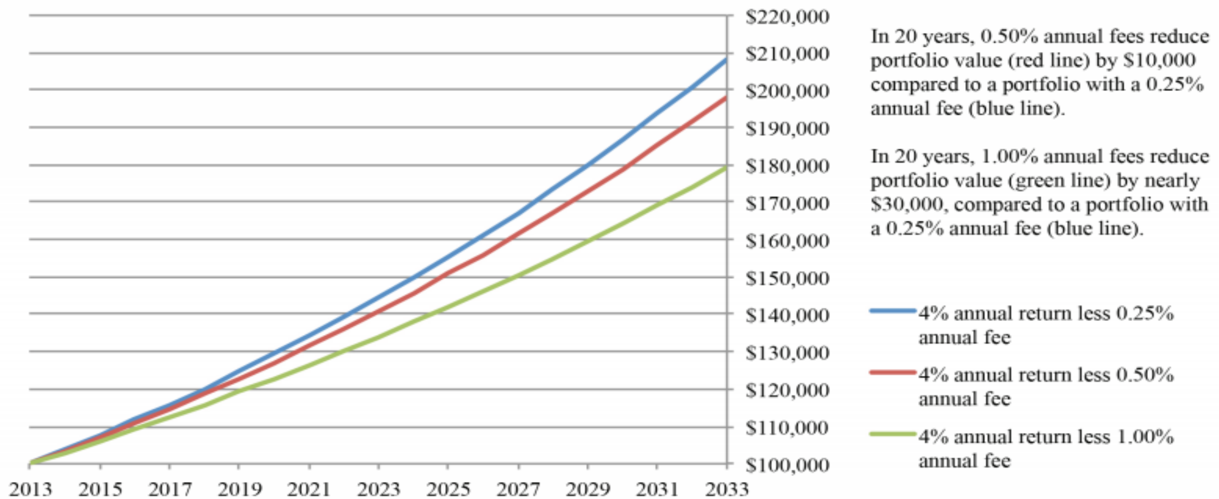
**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com

## Performance Disclosure:

The SEC states that investment advisers should furnish disclosures on fees, when it comes to showing gross versus net performance results. Our performance figures are gross performance numbers. All performance figures, including the benchmark shown, are calculated as total gross returns. This includes the impact and re-investment of any applicable dividends.

Manole has several different products and alternative fee structures, which can vary depending on the size of the assets invested. Additional information on Manole's fee structure can be found in its ADV or on www.manolecapital.com under the resources tab. Manole adheres to and states the following in its calculation of gross performance:

- performance figures do not reflect the deduction of investment advisory fees;
- a client's return will be reduced by the investment advisory fees;
- a return can be reduced by other expense in the management of an account;
- investment advisory fees are described in an adviser's Form ADV;
- A representative example showing the effect of compounding of an advisory fee



**Manole Capital Management**
Commerce Club at Oxford Exchange
Tampa, FL
Phone: 813-728-3344
E-Mail: warren@manolecapital.com
Website: www.manolecapital.com


## 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.