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A UK focused Turnaround Value Investment Partnership

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# CURRENT MARKET CONDITIONS

1. July inflation prints
2. Economic Slowdown
3. Delta variant
4. Where to find value

# 1. JULY INFLATION PRINTS

# INFLATION – US CPI INDEED TRANSITORY?

## +0.9% June 2021 CPI Print

### Biggest drivers:

- +10.5% used cars (3.16% weight), 45% yoy
- +2% new vehicles (3.7% weight)
- +5.2% car and truck rental (0.19% weight)
- +12.1% May, +16.2% April
- +7.0% lodging away (0.98% weight)
- +7.9% hotels, motels (0.86% weight)
- +0.5% rent of shelter (32.7% weight)
- +1.5% transportation services (5.3% wgt)
- +0.7% apparel (2.7% weight)
- +1.5% energy (7.07% weight)

### Biggest laggards:

- Medical care commodities -0.4% (1.5% wgt),
- medical care services 0% (7.1% wgt)

## +0.5% July 2021 CPI Print

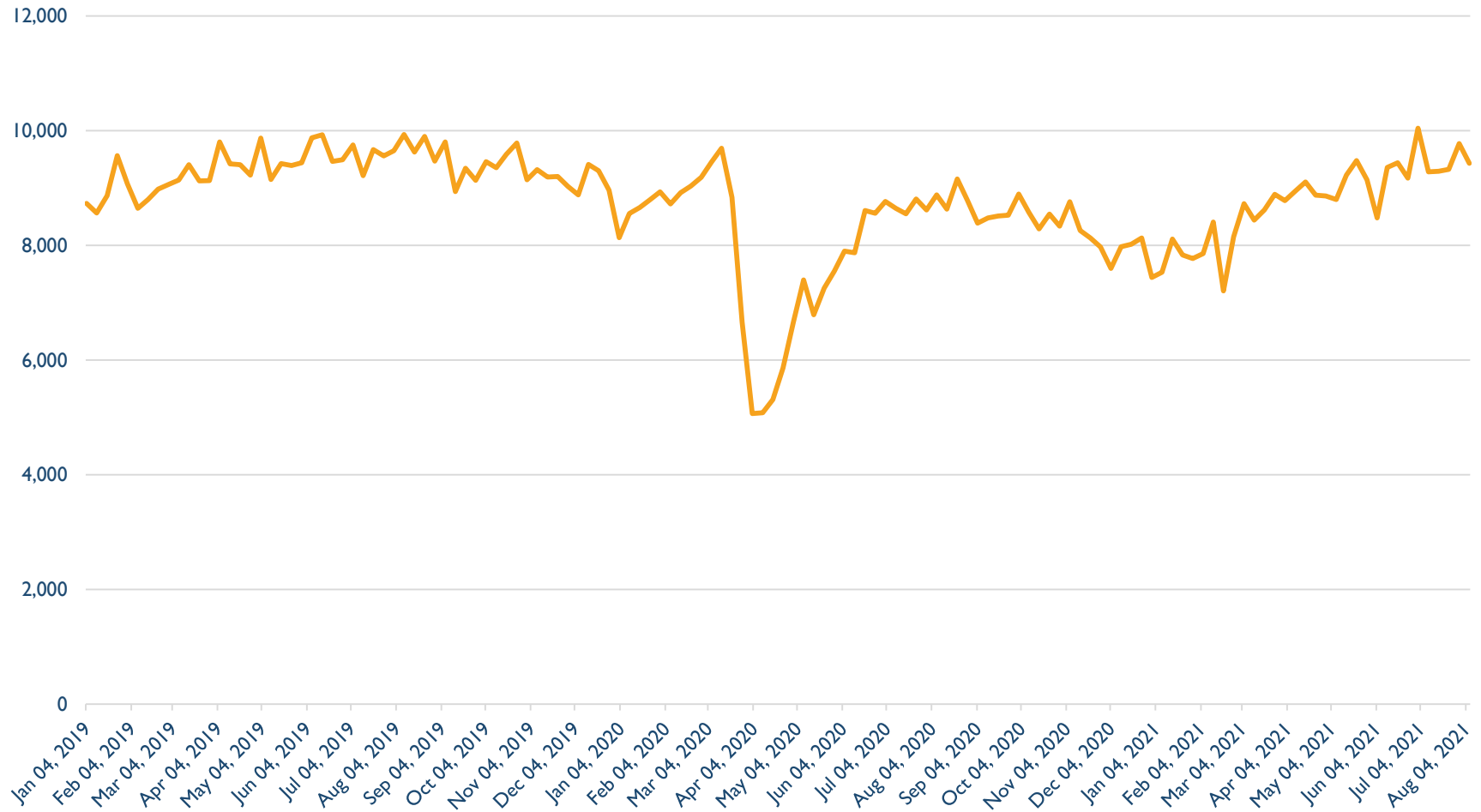
### Biggest drivers:

- +0.2% used cars (3.47% weight)
- +1.7% new vehicles (3.74% weight)
- 4.6% car and truck rental (0.21% weight)
- +6.0% lodging away (1.04% weight)
- +6.8% hotels, motels (0.93% weight)
- +0.4% rent of shelter (32.7% weight)
- 1.1% transportation services (5.29% wgt)
- +0% apparel (2.69% weight)
- +1.6% energy (7.17% weight)

- +0.2% Medical care commodity (1.5% wgt)
- +0.3% Medical care services (7.07% wgt)

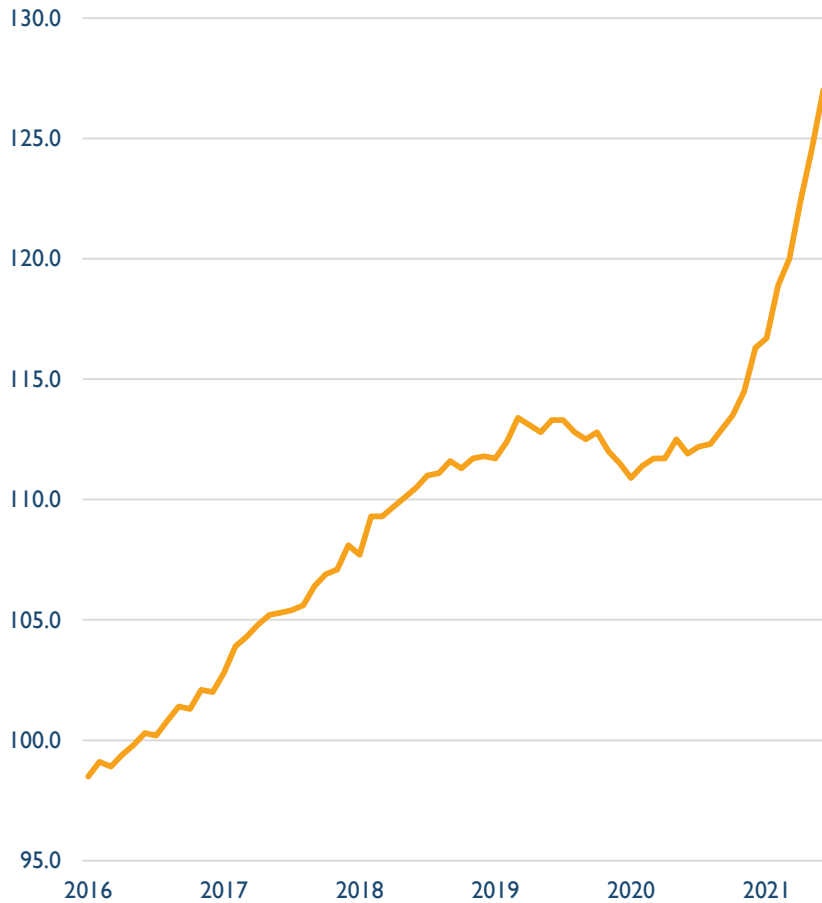
# BIDEN'S CALL ON OPEC – INFLATION WORRY?

Weekly U.S. Gasoline Demand back at pre-pandemic levels (Thousand b/d)



# INFLATION – SOME INFLATION HASN'T BEEN PASSED ON

UK Material Prices for New Housing move higher quickly



WCI Composite Container Freight Benchmark Rate per 40 Foot Box

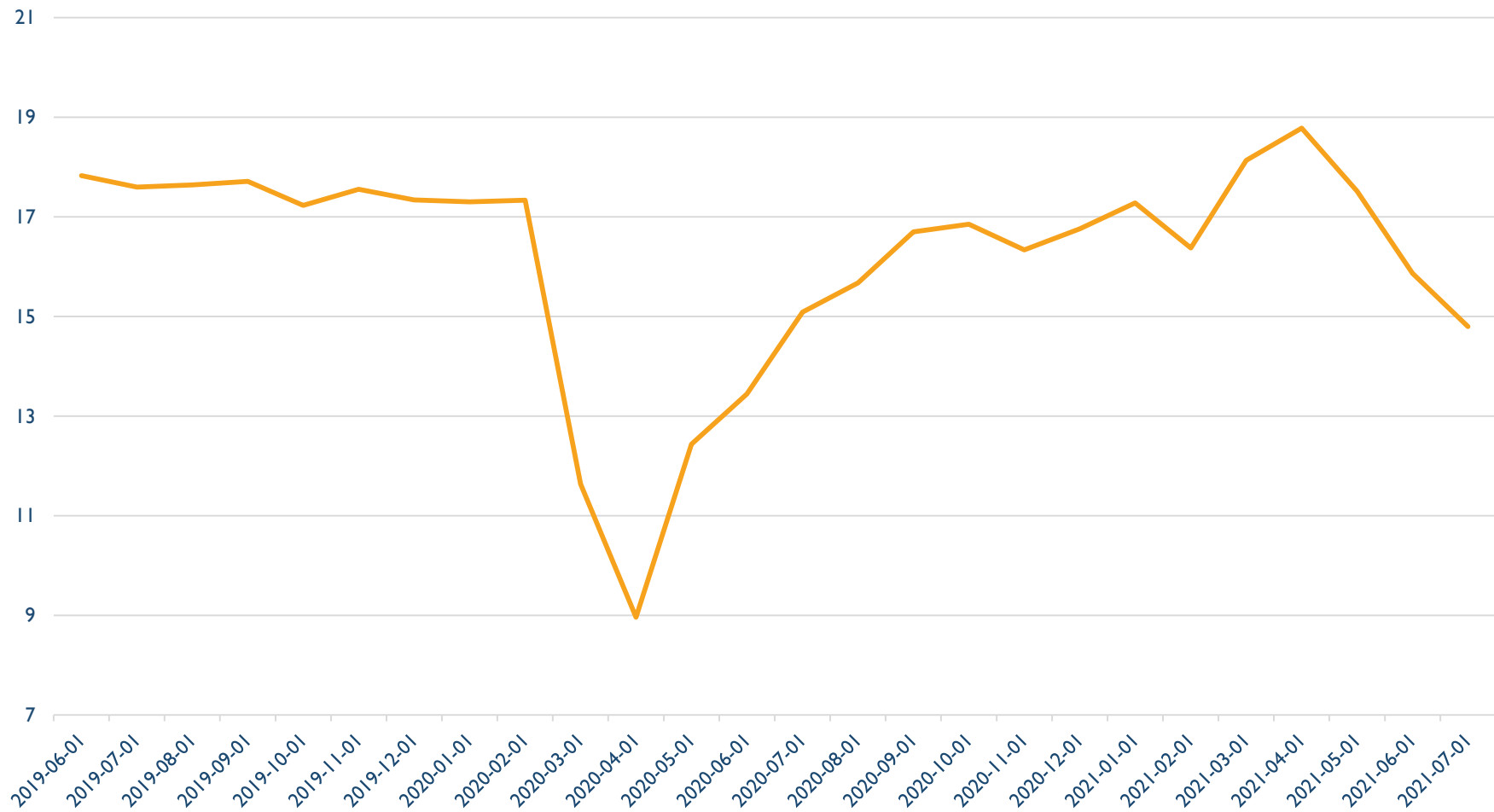


## 2. ECONOMIC SLOWDOWN



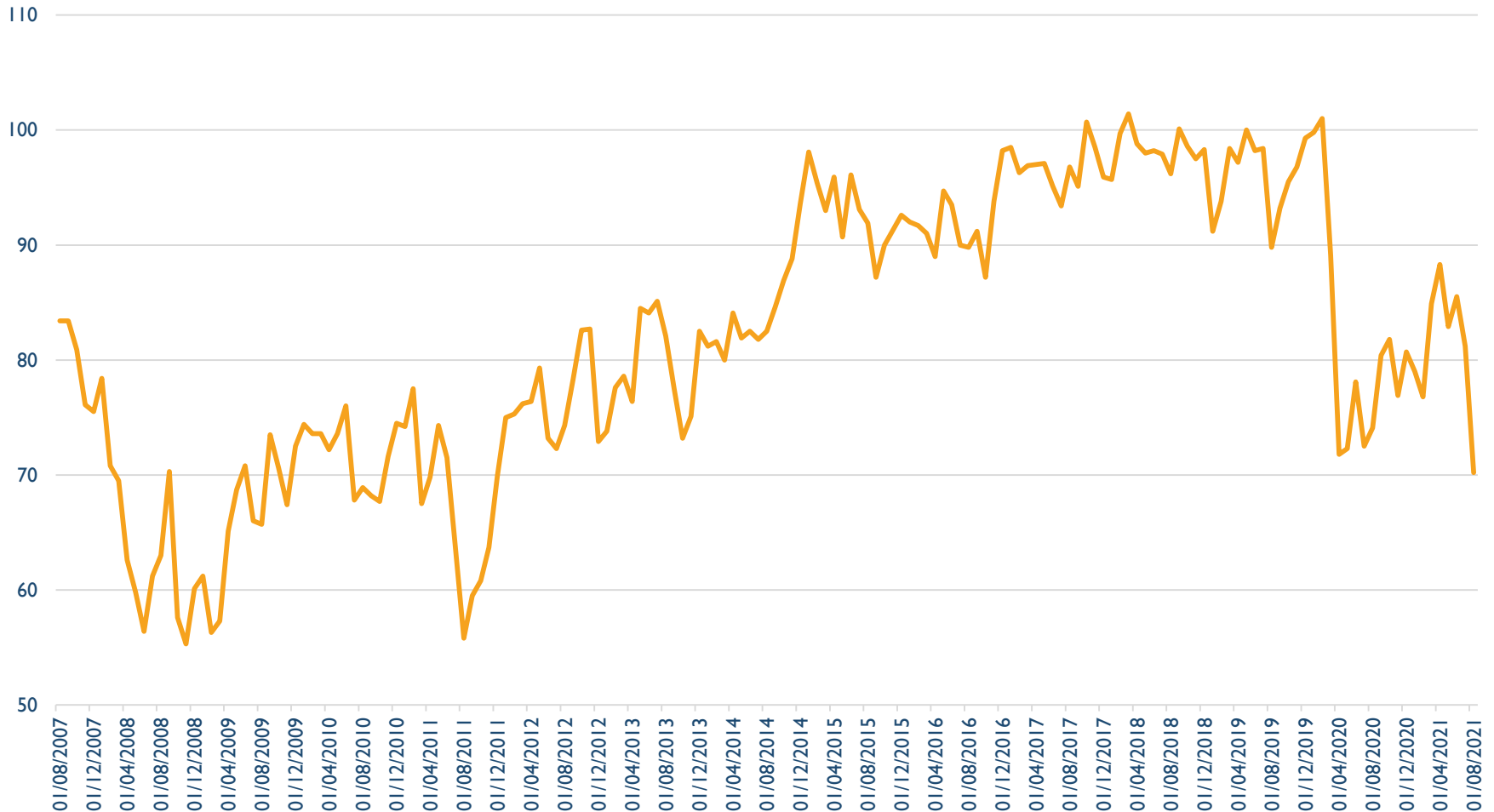
# US VEHICLE SALES – FADING PENT-UP DEMAND?

US Total Monthly Mio Vehicle Sales are declining

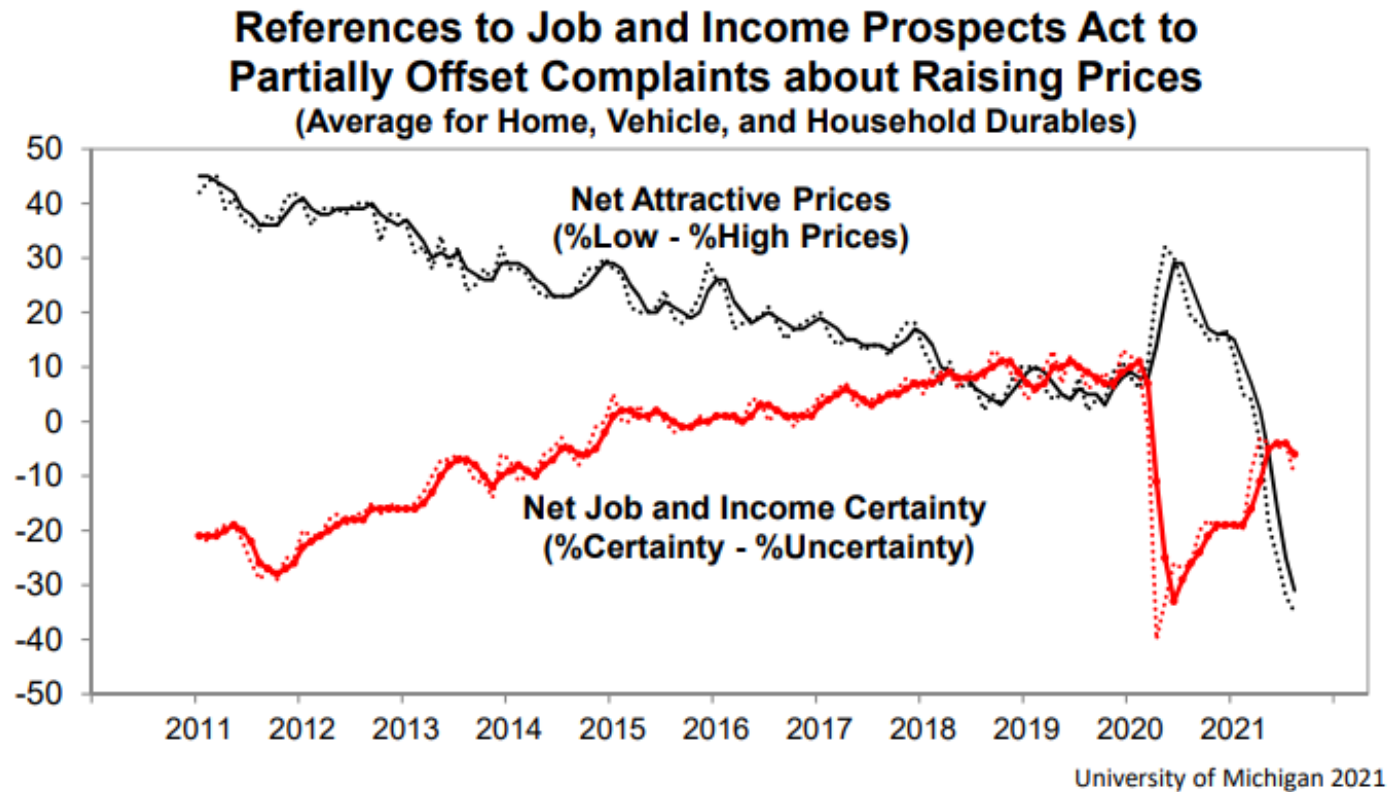


# US CONSUMER SENTIMENT – A RAPID DECLINE

University of Michigan Consumer Sentiment

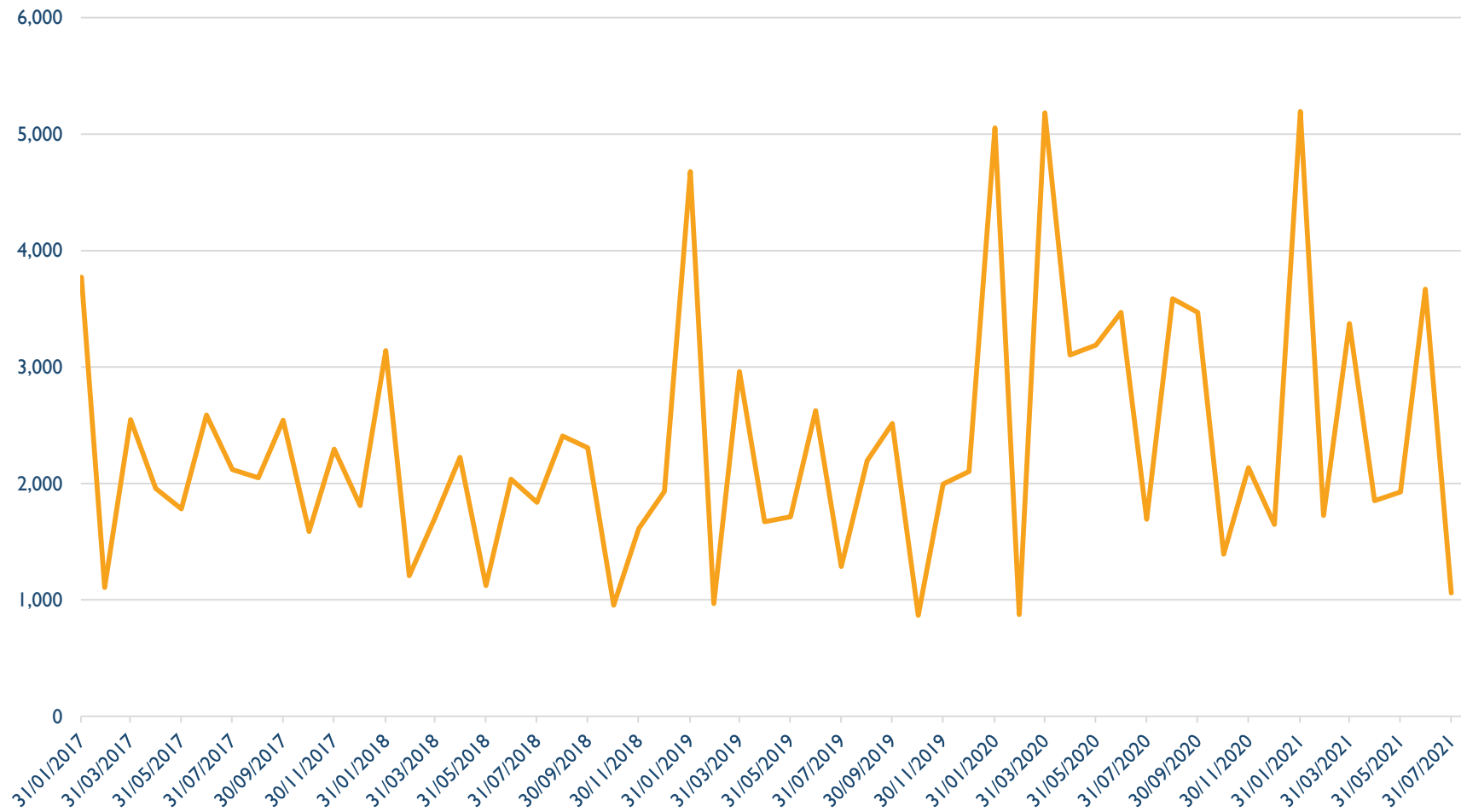


# US CONSUMER SENTIMENT – A RAPID DECLINE



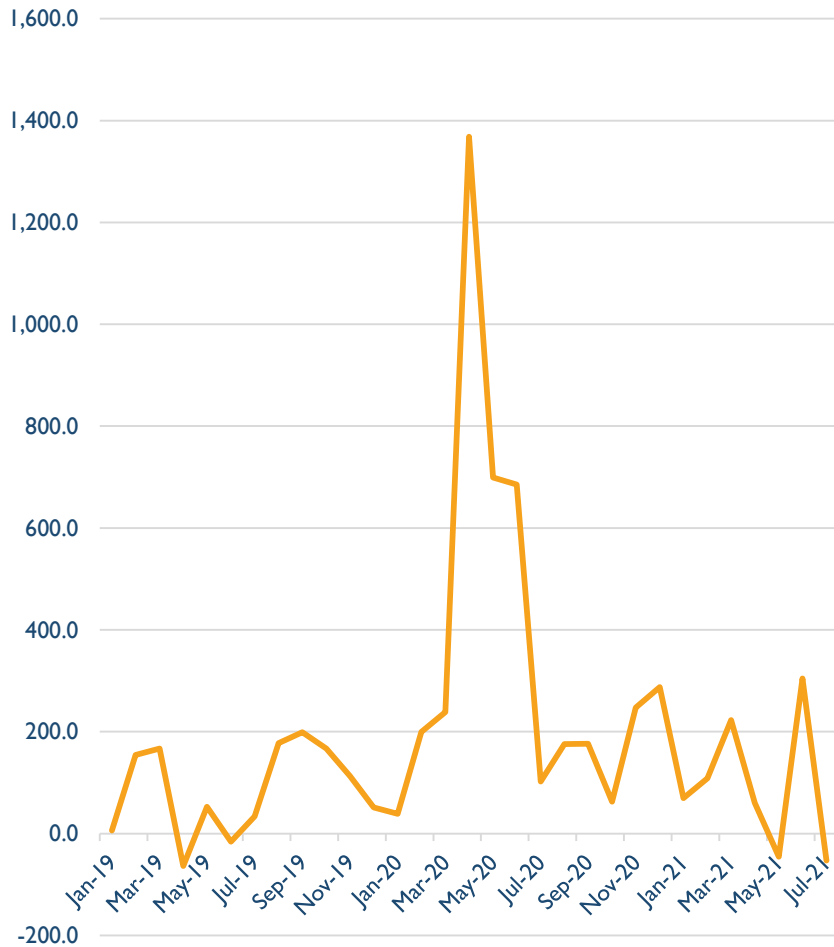
# CHINA WORRIES – LENDING COLLAPSES

China bn Yuan aggregate financing drops to post-Covid low

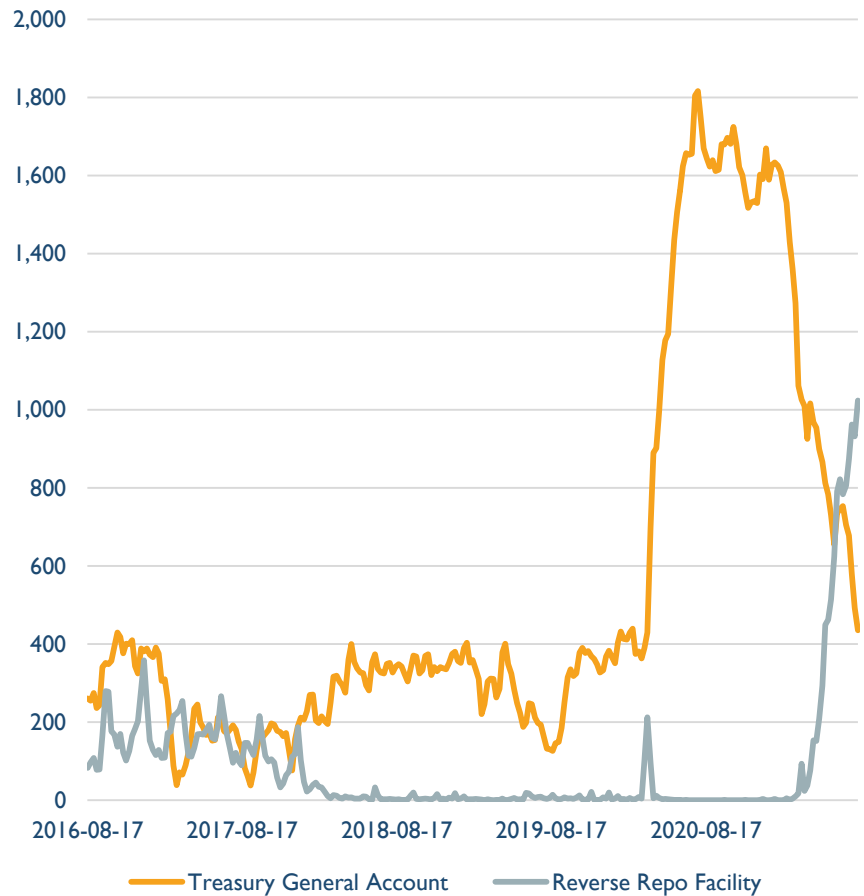


# US YIELD CURVE – CONTINUED FLATTENING

US Treasury Net issuance



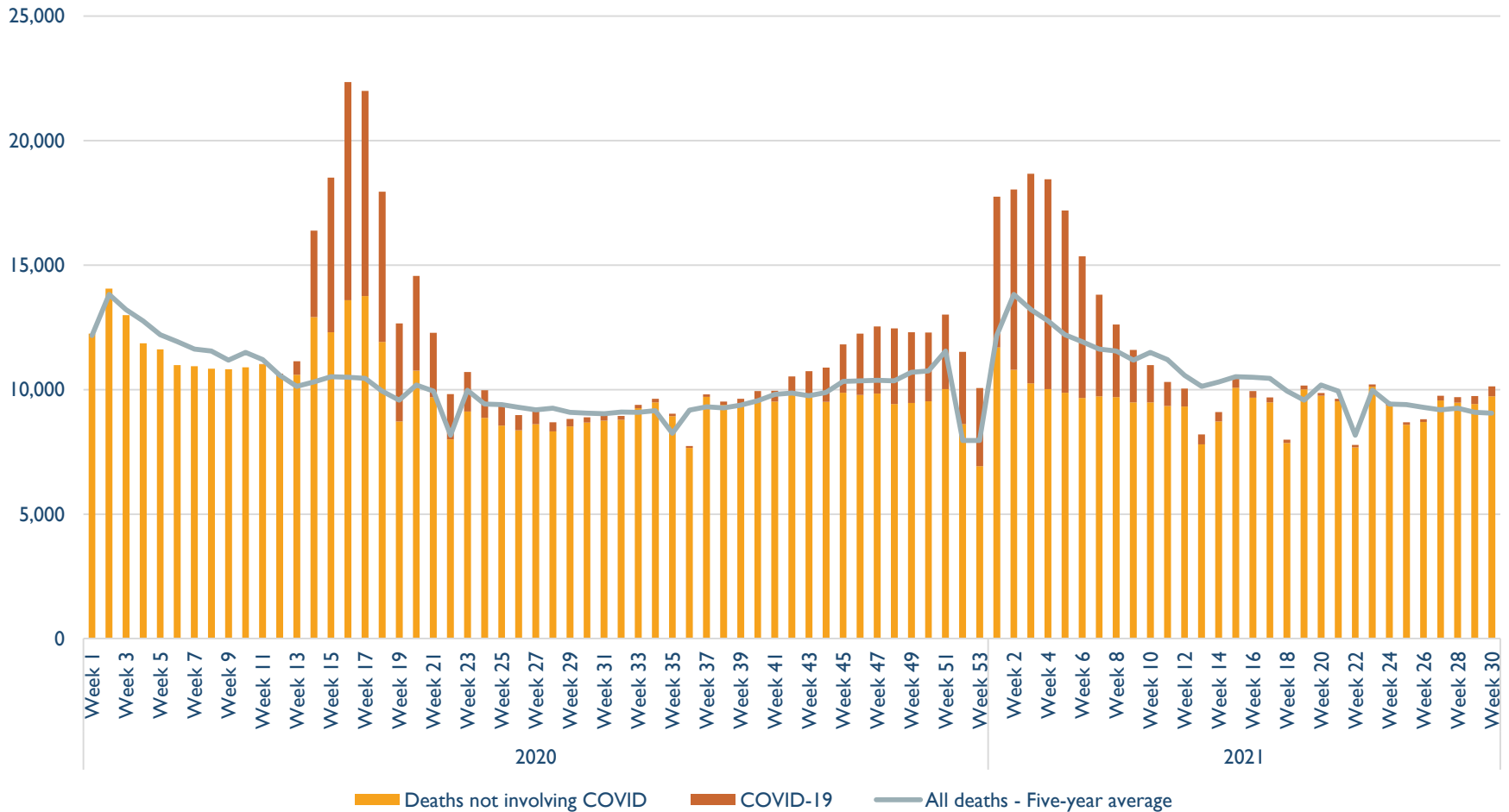
\$1.1trn moves from TGA to Reverse Repo Facility



### 3. DELTA VARIANT

# DELTA VARIANT – UK REOPENING DANGER TO UK?

England and Wales Deaths by Covid are in decline

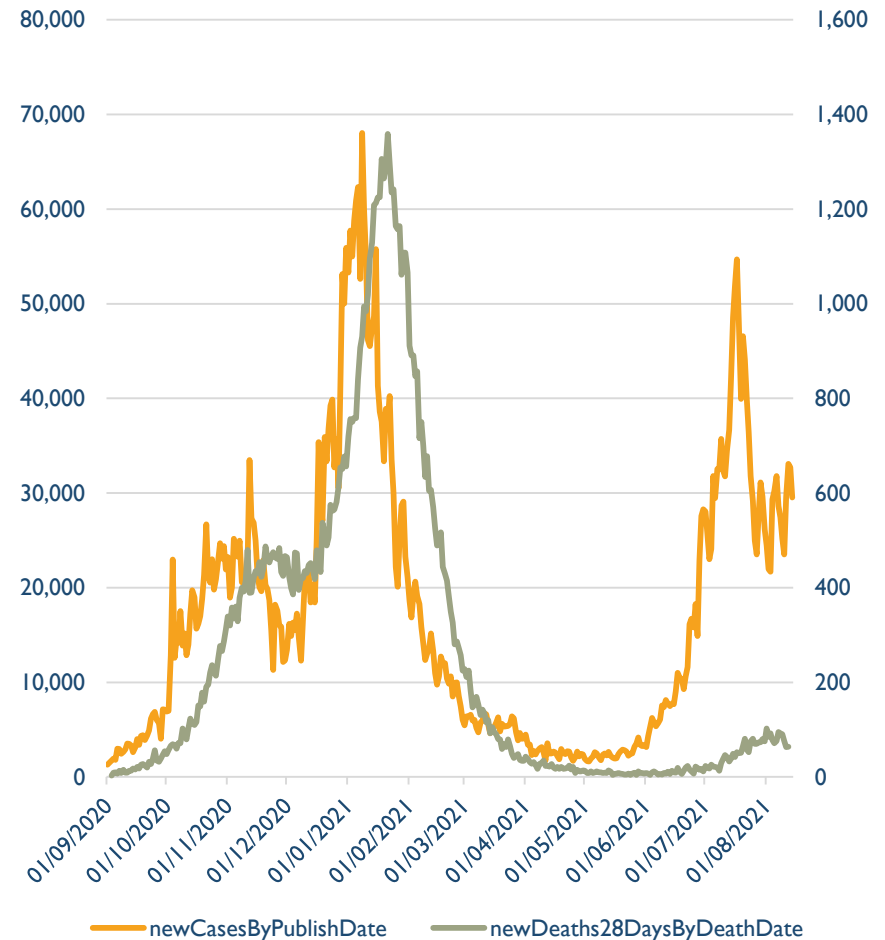


# DELTA VARIANT – UK REOPENING NO DANGER TO UK

UK daily new Covid cases vs. Hospital admissions



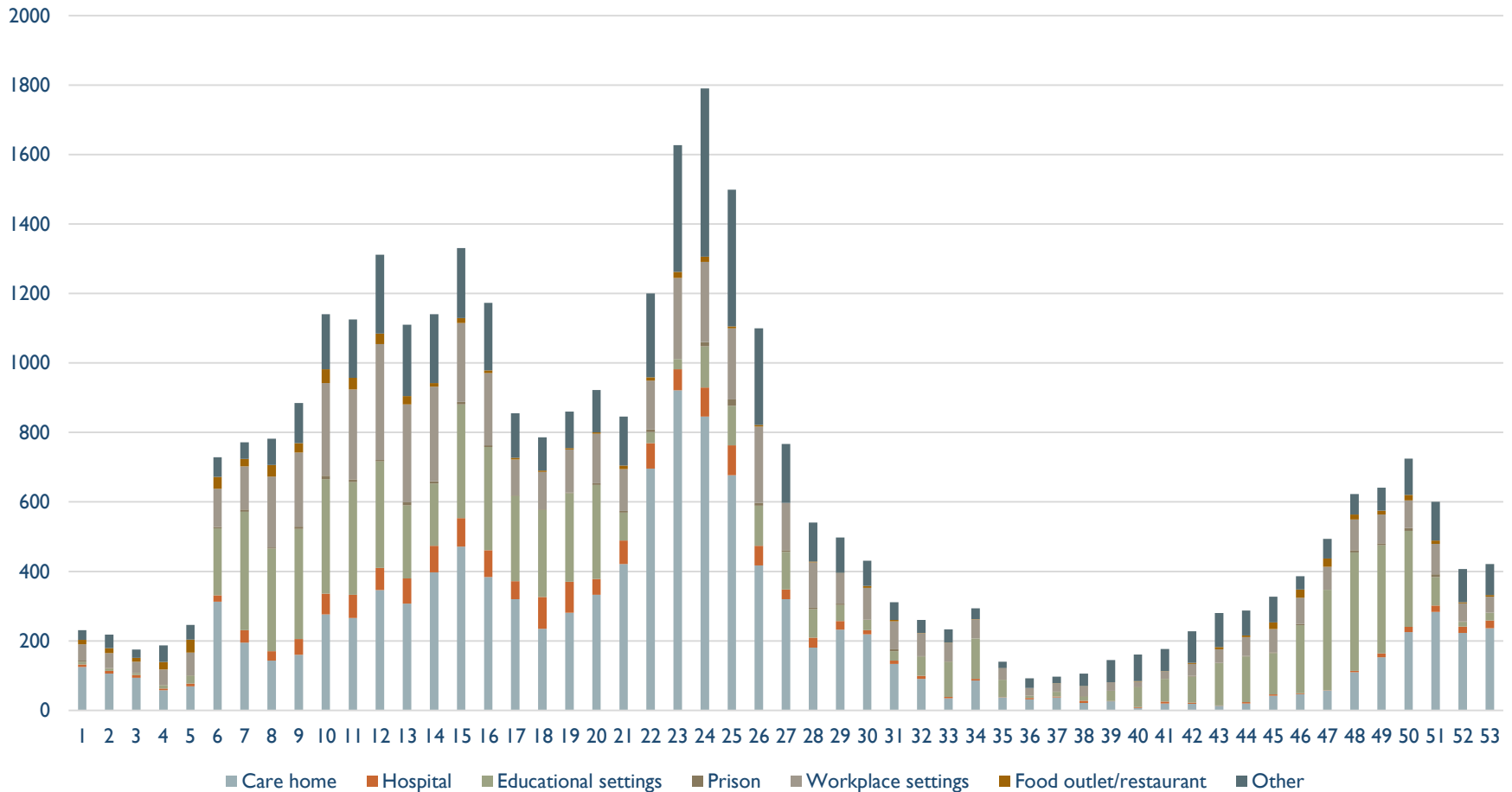
UK daily new Covid cases vs. Covid deaths





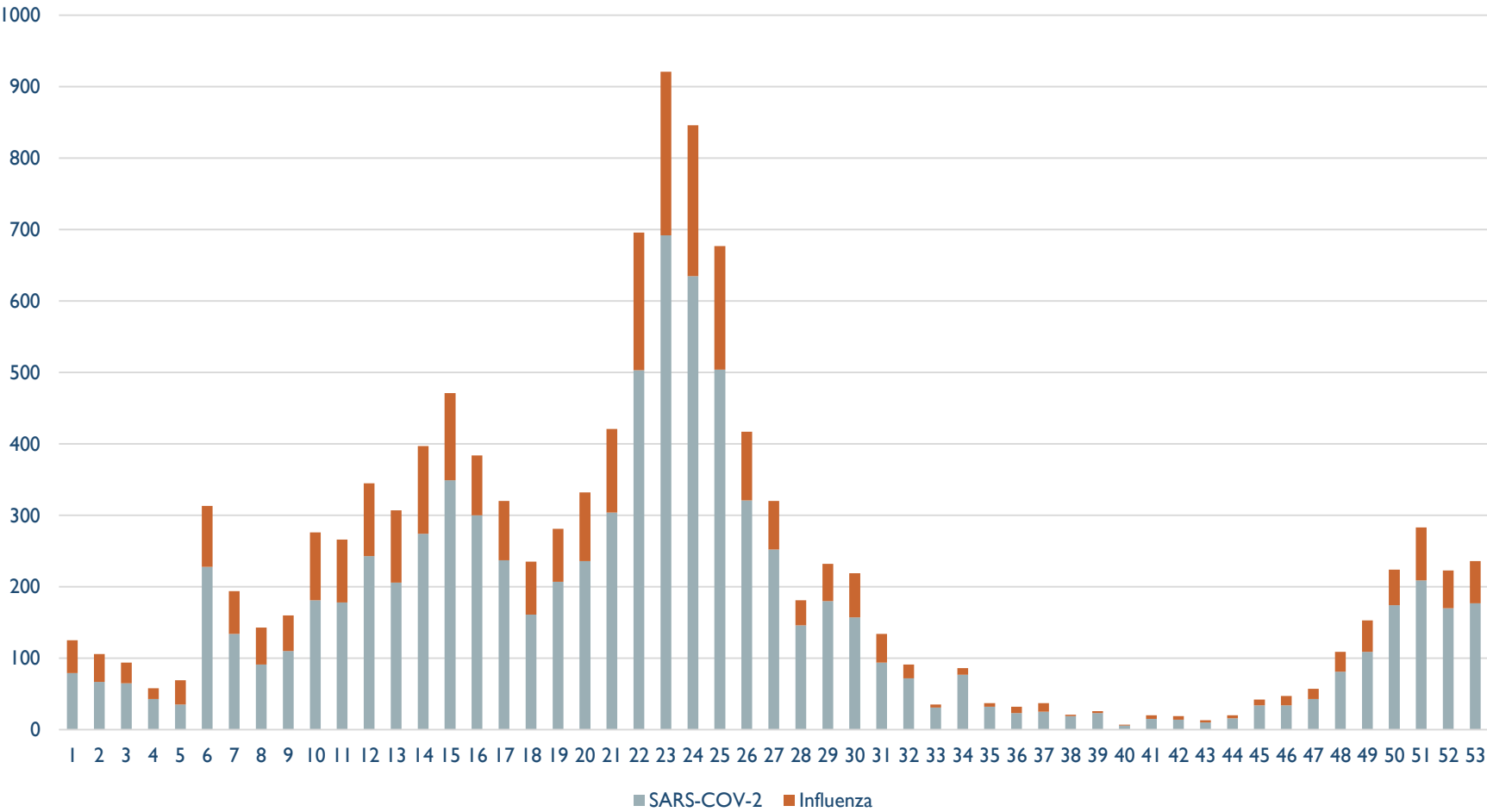
# DELTA VARIANT – EDUCATIONAL & WORK-SETTINGS

England number of acute respiratory infection incidents by setting by week



# DELTA VARIANT – CASES SET TO INCREASE

England number of acute respiratory infection incidents in care homes by type by week



## 4. WHERE TO FIND VALUE

# HIDDEN GEMS – OIL DRILLING & LENDING

- Hunting
  - Oil Drilling Equipment Manufacturer
  - Active in US Shale, Hunting Titan
  - \$480mio market cap
  - Debt-free, \$100mio cash, \$260mio inventory
  - Cash flow positive, paying dividend, EBITDA positive
  - 55% of shale drillers hedged production @\$47 barrel, coming off Q4 21
  - Small drillers active, large drillers returning capital to shareholders
- Morses Club
  - Small Home Collect Credit (“doorstep loans”) & Digital Lending
  - £108mio market cap
  - Turn Morses Club into U Money, online lending
  - Debt-free, likely take on new debt to facilitate lending
  - Without UK government support measures, more borrowing demand expected