



A UK focused Turnaround Value Investment Partnership

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TODAY'S TOPICS

1. Portfolio update
2. Inflation, labour, supply chains and energy
3. Politics

1. PORTFOLIO UPDATE

PORTFOLIO UPDATE – CHANGES

- Sold Centrica (CNA LN)
 - Reached near-term target of £4.5bn market cap
 - Near-term customers on fixed tariffs roll into Ofgem variable tariff will cause losses
 - Profits from upstream business used to build 1.5x buffer for decommissioning costs
 - Uniper €12bn credit lines to manage margin calls
 - OVO job cuts
 - EDF nuclear power plants corrosion problems
 - OVO Energy asks customers to cuddle pets to stay warm, EON Energy sends socks to stay warm and heat less for environmental reasons → both energy suppliers likely short of energy amid low winds (Nov 21 was 18% below norm, some weeks in Dec 21 were 38% below norm)



PORTFOLIO UPDATE – CHANGES

- Bought EnQuest (ENQ LN), James Fisher and Sons (FSJ) and Studio Retail Group (STU LN)
- Holding Hunting (HTG LN)
 - Higher oil prices here to stay / moving higher
 - A return of capital expenditures for oil & gas producers
 - Cheap valuations



2. INFLATION, LABOUR, SUPPLY CHAINS AND ENERGY

INFLATION – US CPI NOT PEAKING

+0.8% November 2021 CPI Print

Biggest drivers:

- +2.5% used cars (3.35% weight)
- +1.1% new vehicles (3.86% weight)
- +1.1% car and truck rental (0.18% weight)

- +2.9% lodging away (0.98% weight)
Of which +3.2% hotels, motels (0.87% weight)
- +0.5% rent of shelter (32.08% weight)
- +0.7% transportation services (5.01% wgt)
- +1.3% apparel (2.73% weight)
- +3.5% energy (7.47% weight)

- +0.8% Food (14% weight)

- +0.3% Medical care services (7% wgt)

+0.5% December 2021 CPI Print

Biggest drivers:

- +3.5% used cars (3.42% weight)
- +1% new vehicles (3.88% weight)
- 5.3% car and truck rental (0.18% weight)

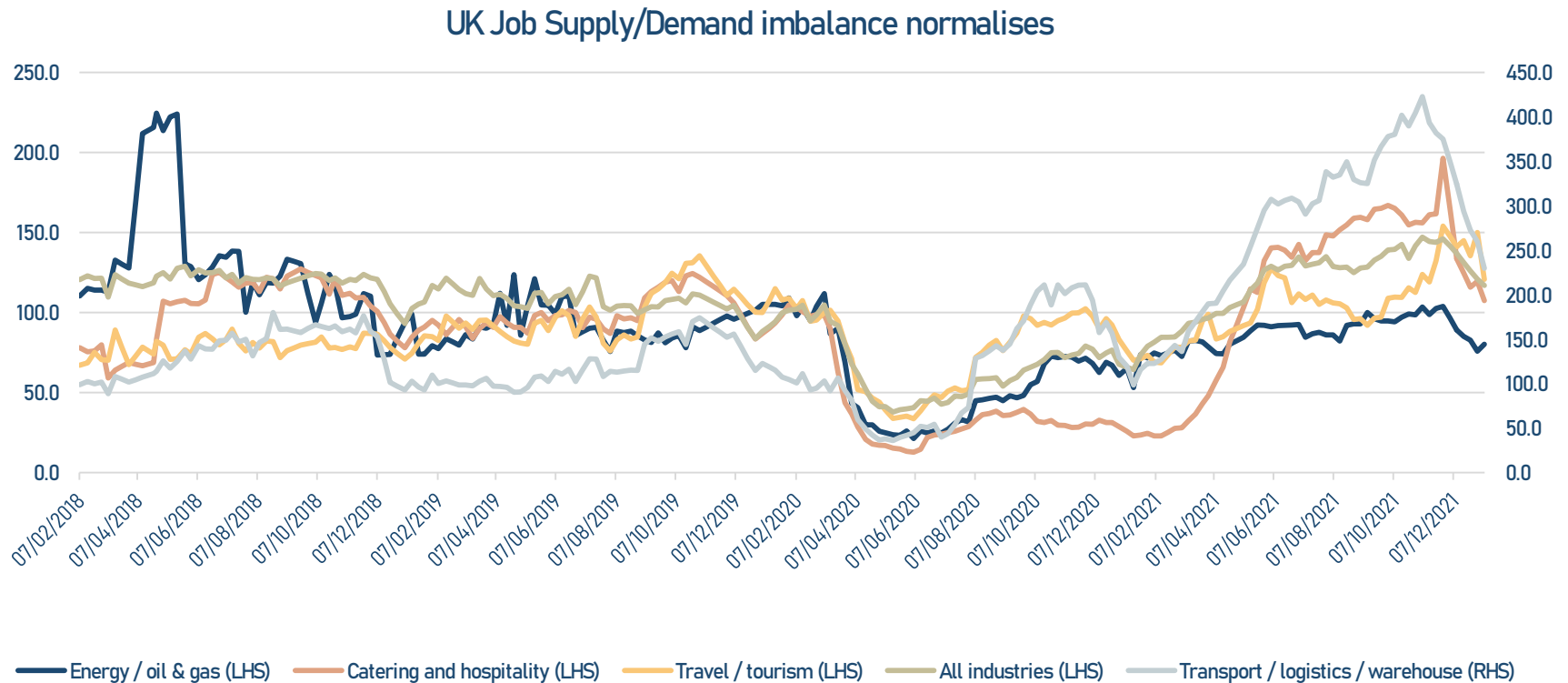
- +1.2% lodging away (0.96% weight)
Of which +1.3% hotels, motels (0.85% weight)
- +0.4% rent of shelter (32.05% weight)
- 0.3% transportation services (5.05% wgt)
- +1.7% apparel (2.67% weight)
- 0.4% energy (7.54% weight)

- +0.5% Food (13.99% weight)

- +0.3% Medical care services (6.99% wgt)

INFLATION – LABOUR SHORTAGES

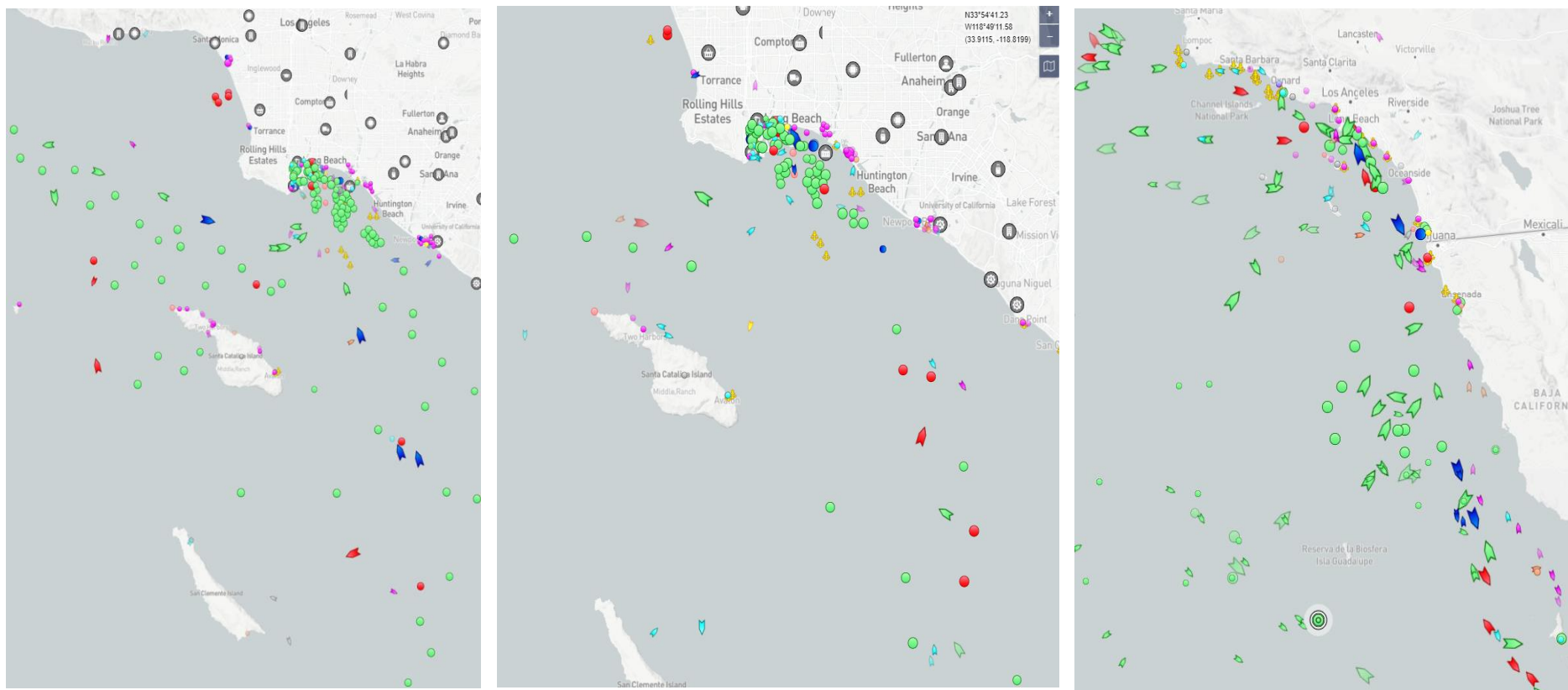
- Labour shortages ease in the UK due to Omicron Variant & supply chain easing



INFLATION – SUPPLY CHAINS CONSTRAINTS

- Number of container ships anchored around LA/Long Beach Port is not easing
- Ships are now anchored off the coast of Mexico...

LA/Long Beach Port congestion (green dots) mid-November (left) vs. mid-December (middle) vs. January (right)

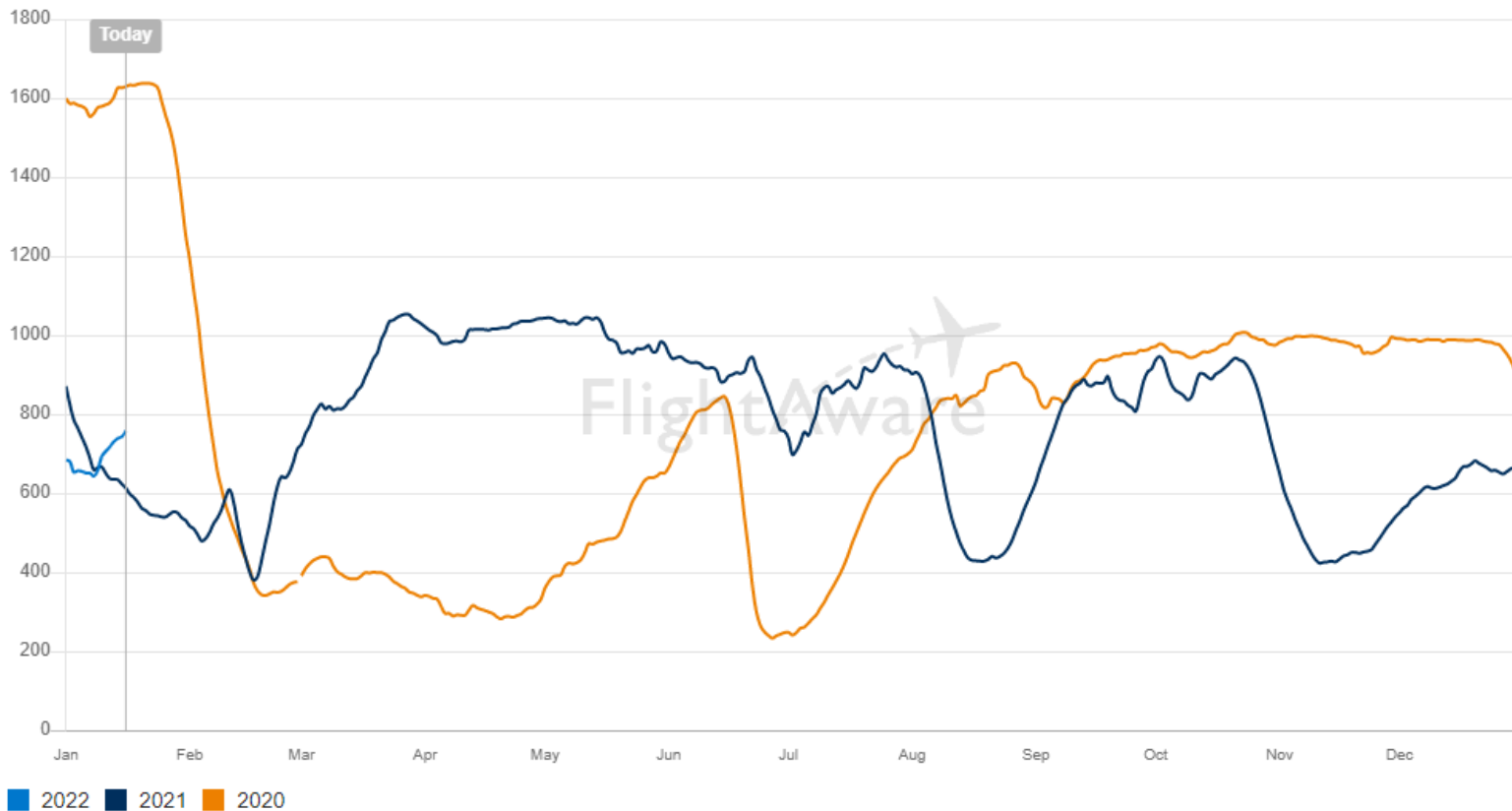


INFLATION – SUPPLY CHAINS CONSTRAINTS

- China Beijing flights are recovering slowly despite Omicron

ZBAA AIRPORT ARRIVALS AND DEPARTURES*

*daily values reflect a trailing 7-day average

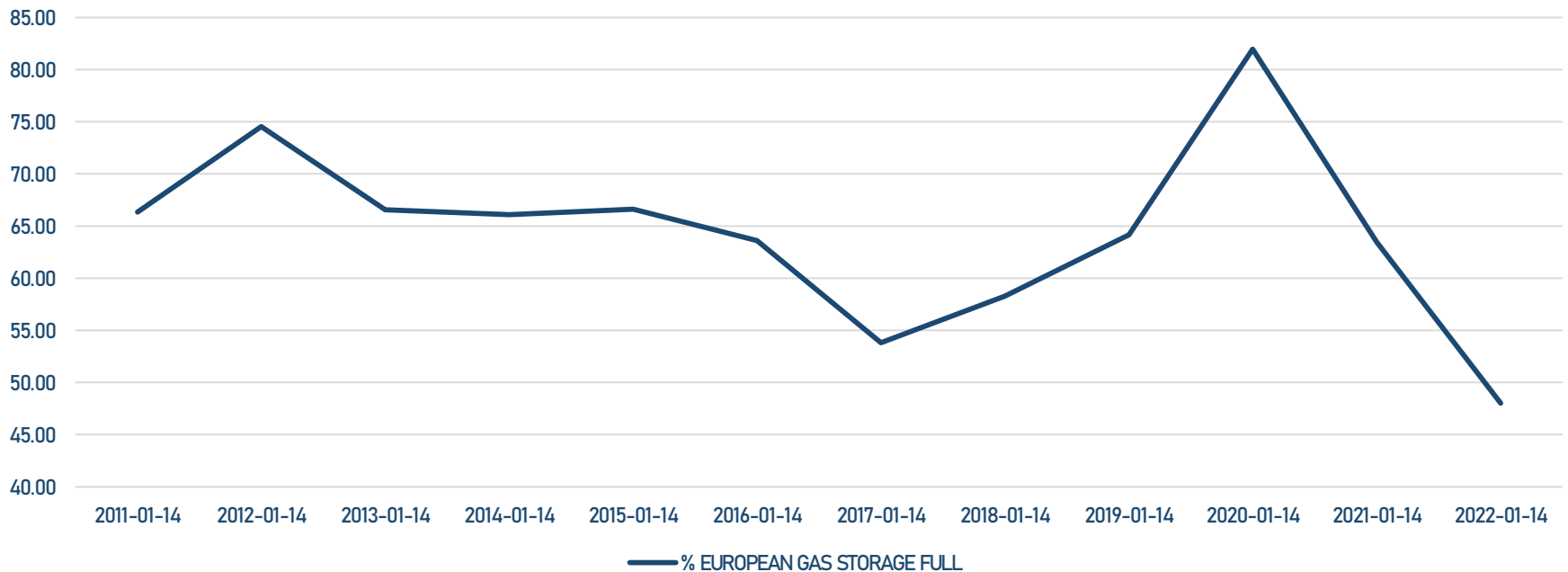


Last updated at 07:00PM EST

INFLATION – ENERGY SHORTAGES

- Shifts towards renewables means energy shortages
- UK oil & gas production at 70% of 2019
- Abnormally low winds in the North Sea
- Nuclear power plants shut downs in Germany and corrosion problems in France

European Gas Storage is below 50% for 1st time on 14th January



3. POLITICS

POLITICS – FAILURE OF BIDEN BBB PACT

- Biden at all time low of 33% approval rating (Quinnipiac poll)
- Build Back Better (BBB) not being approved means no move towards electric vehicles

