MAIN
MANAGEMENT, LLC

December 3, 2021 – 4 Legs of the Stool – Weekly Update Notes

Executive Summary:

- Market trades at 20x FTM versus 20-23x pandemic range Volatility absolute spike 50%> for Omicron versus Delta in Summer + Fear and Greed in extreme fear range=opportunity
- National Retail Federation estimates Nov/Dec holiday sales +11.5%, 2 points > than Oct est
- Predictit (betting site) est 90% chance of <$1.5t Human Infrastructure bill Oil -25% recent drop and 2x the volatility spike versus Delta this past Summer=elevated panic=opportunity.
- 20% of first time home buyers using crypto gains for down payment

1) PRICE: Market is trading at 20x FTM versus 20-23x range since pandemic started. The 4th wave and Omicron variant continued to shake the market this week (started the day after Thanksgiving) and caused volatility to spike aggressively. Start of Delta in July saw volatility spike 50% to 25 versus start of Omicron spike of 75% to 35. Typically after 50% volatility spikes the market 1 month later is positive. The Fear/Greed bottomed at under 20 this Summer versus a similar number today. Both of these, coupled with seasonal patterns=making a bottom for month of December. The GDPNow current forecast for 4Q21 is 9.7% (3Q21 was flat in part due to Delta, which is why people are nervous about Omicron)=potential for eps upside surprise this quarter. Street estimates are $206/$222 for this year/next, but we believe they will be $210+/$235+ based on better GDP. The National Retail Federation is estimating Nov/Dec holiday sales +11.5% versus Oct est 8.5%-10.5% (earned income proxy est 9% holiday sales). Other FTM P/E's: US growth 29x/RUT 26x/SPX 20x/Midcap 16x/Value 16x/Small SPX 15x/ACWX 14.5x Our forward price target is $4850/$4230 (up 8% versus down 6%).

2) FED: Powell was more direct this week, given his nomination and Predictit (betting site) 98% chance of confirmation. Taper potential 2 month earlier to start of 2Q22 versus end of 2Q22/rate hikes 2H22 (street estimate is 1 versus 2+ last week)/terminal Fed funds of 2.5% (street is 1.5%-2% terminal). Commodity inflation has rolled over hard as % off recent highs: Iron Ore -60%/lumber -50%/steel -25%/corn -20%/oil -20% and wage inflation of 4.8% Nov year over year might be stalling out as the labor participation rate moved up slightly to 61.8% in Nov versus 61.6% Oct. This year thru Oct labor positive

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revisions have been almost 1 million jobs versus all of last year when revision were negative 719k. This means that todays 222k Nov report has a good chance of being revised higher. Also, this year there are 500k more self employed people that have started their own businesses.

3) FISCAL: Congress and Biden got a debt ceiling extension to 28 Feb 2022 (history has said that this is rarely a risk not to happen) and are now focused on the Senate marking up the House Human Infrastructure bill (Predictit says 90% chance of an ultimate bill <$1.5t versus 1 month ago of only 38%). The signed Physical Infrastructure bill, which has $550b of additional spending over 5 years, will have to compete with the private sector business which is 3.5x larger annually ($1.23t versus $344b currently) and 3x larger when you include the extra $100b next year.

4) VIRUS: Omicron variant is spreading, but early indications are less serious illness. Over the next few weeks data will be collected to confirm or contradict this assumption (we are in the former camp). In the mean time history says that a 4th wave is usually the transition from pandemic to endemic and more flu like symptoms/therapeutics like Glaxo and Adagio look promising/LLY therapeutics is being tested now/booster shots being encouraged. Again, the market reaction initially has been that this will be more serious than Delta, but the reaction from people is that no interest in going back to lock downs.

PRICE/PROOF: Oil on Delta dropped 15% versus 25% so far for Omicron, and the volatility spike is 2+ Times, indicating very elevated fear=opportunity. With oil trading at $66, JPM base case is $88 for 2022, with $125 spike possible (we are in the camp of higher than last sale). Consumers want to spend, as is evident of robust estimate for holiday sales. Also, during Oct 27% of consumers applied for a credit card during past 12 months versus +16% last year. This is also the highest level since 2019 before the pandemic. Consumer Confidence remains subdued at 109.5 in Nov versus 110.9 est. This confidence has faced headwinds from covid/inflation and we believe that 2022 will have relief in both.

INNOVATION: 20% of first time homebuyers down payments are coming from crypto gains. We believe that we are in the early innings of the digital asset cycle. The plumbing for blockchain is being built out and now the consumer phase is taking off as witnessed by NFT/gaming/etc. Our belief is that this is a disruptive technology that will start with consumer and expand into decentralized finance that will impact the very large financial services space. Battery technology will be another disruptive technology (Nissan spending $17.5b over the next 5 years which is 2x the past 10 year spend, and targets 40% of US sales by 2030 to be EV/Hybrid), which will drive lithium demand to increase 20x by 2030 according to

Rystad Energy Consults. Again, we appreciate your partnership with Main Management and look forward to providing solutions to your problems. Thanks.