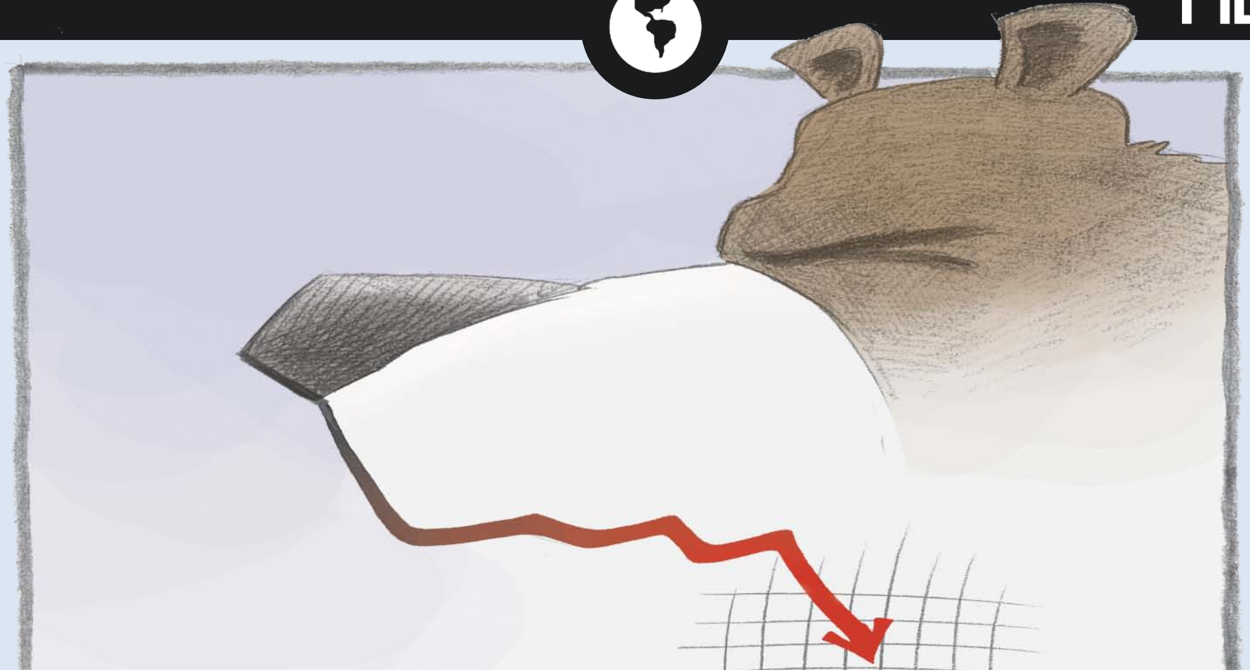


Q4 2014 MACRO THEMES

CONFERENCE CALL

OCTOBER 2, 2014

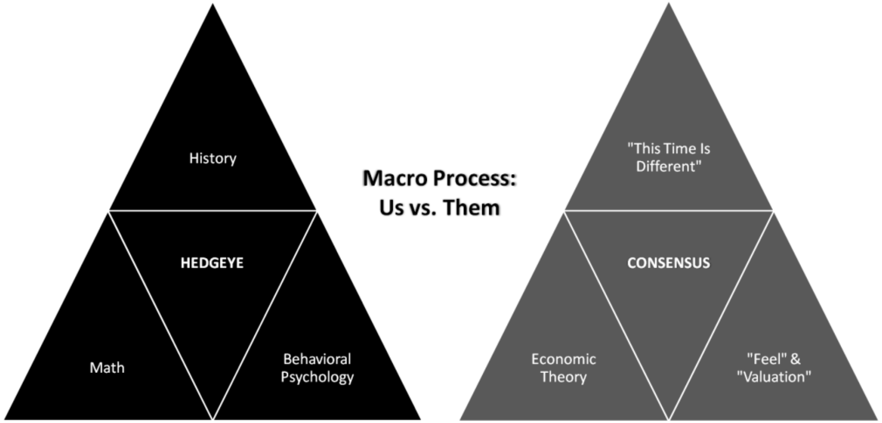
LEGAL

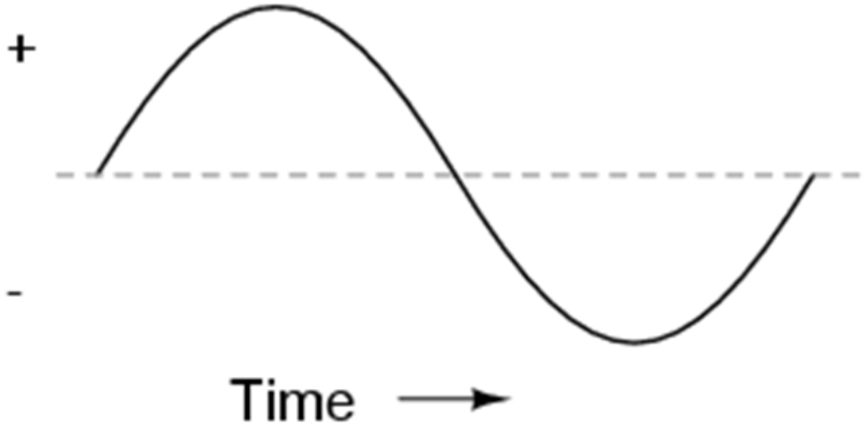
PLEASE SUBMIT QUESTIONS TO

QA@HEDGEYE.COM

TO BE ANSWERED AT THE END OF THE CALL

PROCESS SLIDE #1





DIFFERENTIATED FROM THE HERD

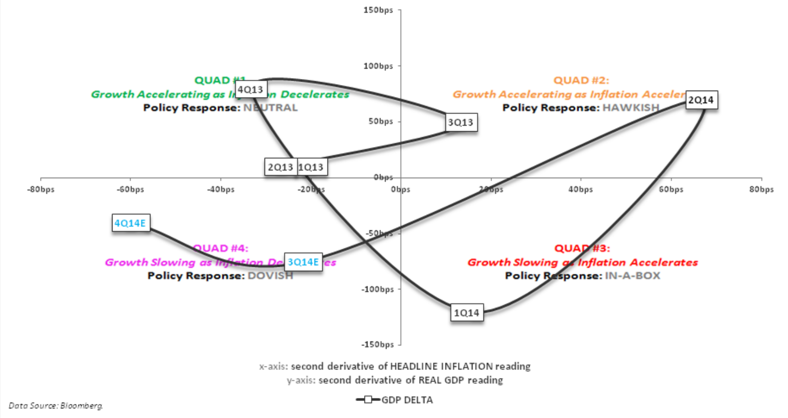
Macroeconomics and Global Macro Risk Management are two very different fields. We specialize in the latter.

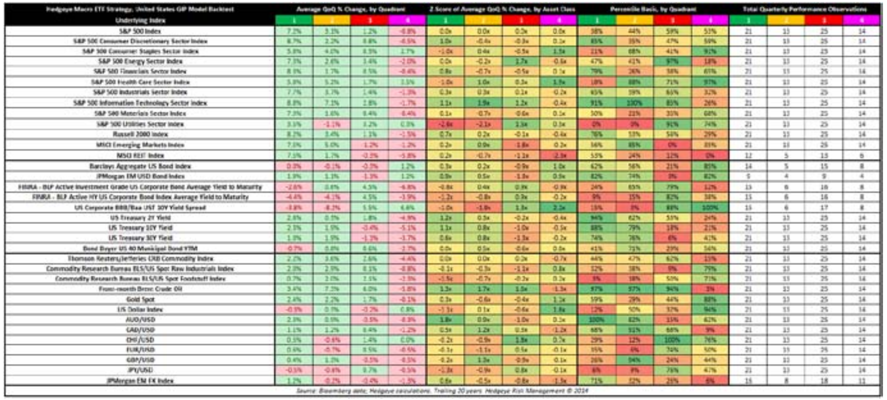
WE FOCUS ON THE SLOPES

Everything that matters in Global Macro occurs on the margin.

PROCESS SLIDE #2

UNITED STATES	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	Hedgeye Macro GIP Model		
Real GDP QoQ SAAR	2.9%	0.8%	4.6%	2.3%	1.6%	2.5%	0.1%	2.7%	1.8%	4.5%	3.5%	-2.1%	4.6%	GIP = Growth/Inflation/Policy		
Real GDP YoY	1.7%	1.2%	1.7%	2.6%	2.3%	2.7%	1.6%	1.7%	1.8%	2.3%	3.1%	1.9%	2.6%	Full-year Estimates	2013E	2014E
2Y Average	2.2%	2.2%	2.2%	2.3%	2.0%	2.0%	1.7%	2.2%	2.1%	2.5%	2.4%	1.8%	2.2%	Hedgeye Predictive Tracking Algorithm	2.2%	2.0%
3Y Average	0.1%	0.3%	1.4%	2.0%	2.2%	2.3%	2.0%	2.1%	1.9%	2.1%	2.1%	2.1%	2.2%	Bloomberg Consensus Estimate	1.9%	2.1%
GDP Compares	4.0%	3.7%	5.3%	6.9%	6.5%	7.0%	5.3%	5.9%	5.8%	6.9%	7.6%	5.8%	7.0%	Central Bank Forecast	2.3%	2.1%
CPI YoY	3.5%	3.8%	3.3%	2.8%	1.9%	1.7%	1.9%	1.7%	1.4%	1.6%	1.2%	1.4%	2.1%	Full-year Estimates	2013E	2014E
2Y Average	2.6%	2.5%	2.3%	2.5%	2.7%	2.7%	2.6%	2.3%	1.7%	1.6%	1.6%	1.6%	1.8%	Hedgeye Predictive Tracking Algorithm	1.5%	1.6%
3Y Average	1.4%	1.1%	2.0%	2.4%	2.4%	2.2%	2.2%	2.2%	2.3%	2.3%	2.1%	2.0%	1.8%	Bloomberg Consensus Estimate	1.5%	1.9%
CPI Compares	7.5%	7.3%	7.6%	7.8%	7.0%	6.6%	6.7%	6.2%	5.4%	5.5%	4.9%	4.9%	5.6%	Central Bank Forecast	1.2%	1.6%





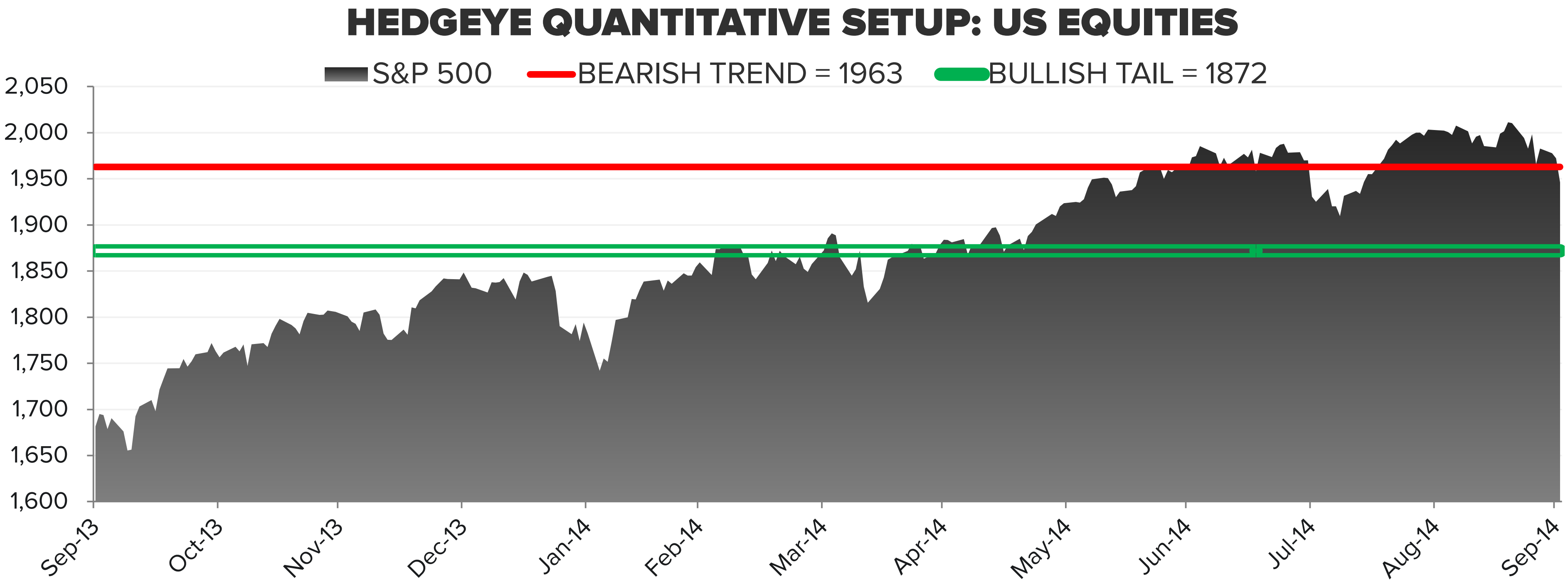
OUR FUNDAMENTAL PROCESS

If you get the slopes of both growth and inflation right, you'll tend to get a lot of other things right – particularly in your P&L.

HISTORY MATTERS → BACKTEST

Analyzing intermediate-term trends within the context of long-term economic and political cycles helps us consistently front-run major asset class turns.

PROCESS SLIDE #3



ALL BACKSTOPPED BY A PROVEN QUANTITATIVE OVERLAY

Multi-factor: Price, Volume and Volatility

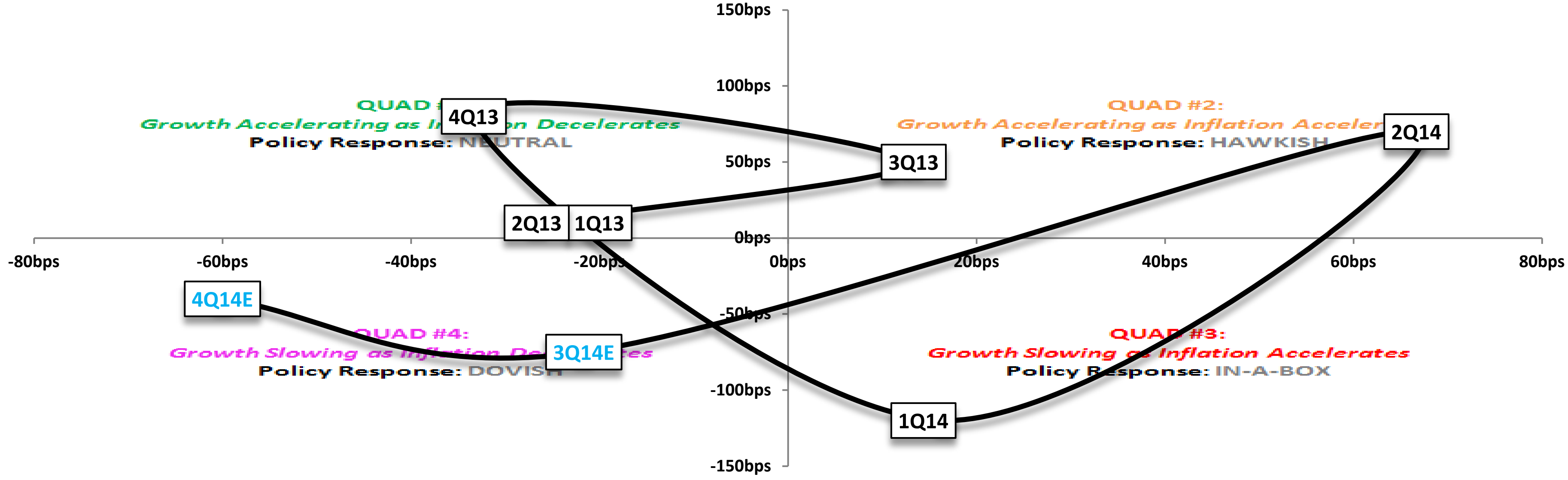
Multi-duration: TRADE (3 weeks or less), TREND (3 months or more) and TAIL (3 years or less)

#QUAD4

WELCOME TO THE FOURTH QUADRANT

UNITED STATES	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Real GDP QoQ SAAR	2.9%	0.8%	4.6%	2.3%	1.6%	2.5%	0.1%	2.7%	1.8%	4.5%	3.5%	-2.1%	4.6%
Real GDP YoY	1.7%	1.2%	1.7%	2.6%	2.3%	2.7%	1.6%	1.7%	1.8%	2.3%	3.1%	1.9%	2.6%
2Y Average	2.2%	2.2%	2.2%	2.3%	2.0%	2.0%	1.7%	2.2%	2.1%	2.5%	2.4%	1.8%	2.2%
3Y Average	0.1%	0.3%	1.4%	2.0%	2.2%	2.3%	2.0%	2.1%	1.9%	2.1%	2.1%	2.1%	2.2%
GDP Compares	4.0%	3.7%	5.3%	6.9%	6.5%	7.0%	5.3%	5.9%	5.8%	6.9%	7.6%	5.8%	7.0%
CPI YoY	3.5%	3.8%	3.3%	2.8%	1.9%	1.7%	1.9%	1.7%	1.4%	1.6%	1.2%	1.4%	2.1%
2Y Average	2.6%	2.5%	2.3%	2.5%	2.7%	2.7%	2.6%	2.3%	1.7%	1.6%	1.6%	1.6%	1.8%
3Y Average	1.4%	1.1%	2.0%	2.4%	2.4%	2.2%	2.2%	2.2%	2.3%	2.3%	2.1%	2.0%	1.8%
CPI Compares	7.5%	7.3%	7.6%	7.8%	7.0%	6.6%	6.7%	6.2%	5.4%	5.5%	4.9%	4.9%	5.6%

Hedgeye Macro GIP Model		
GIP = Growth/Inflation/Policy		
Full-year Estimates	2013E	2014E
Hedgeye Predictive Tracking Algorithm	2.2%	2.0%
Bloomberg Consensus Estimate	1.9%	2.1%
Central Bank Forecast	2.3%	2.1%
Full-year Estimates	2013E	2014E
Hedgeye Predictive Tracking Algorithm	1.5%	1.6%
Bloomberg Consensus Estimate	1.5%	1.9%
Central Bank Forecast	1.2%	1.6%



x-axis: second derivative of HEADLINE INFLATION reading

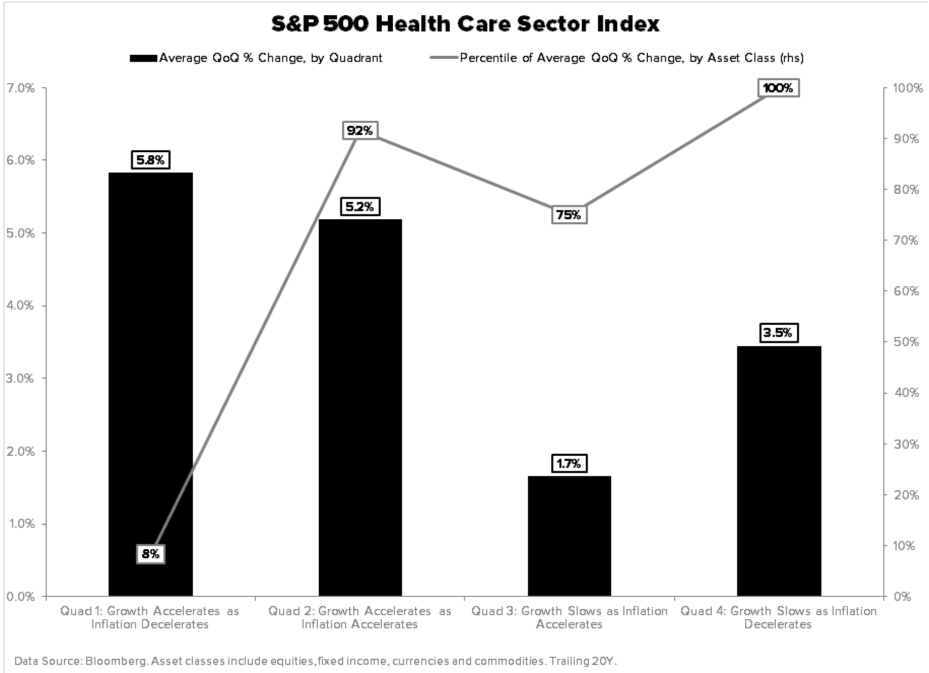
y-axis: second derivative of REAL GDP reading

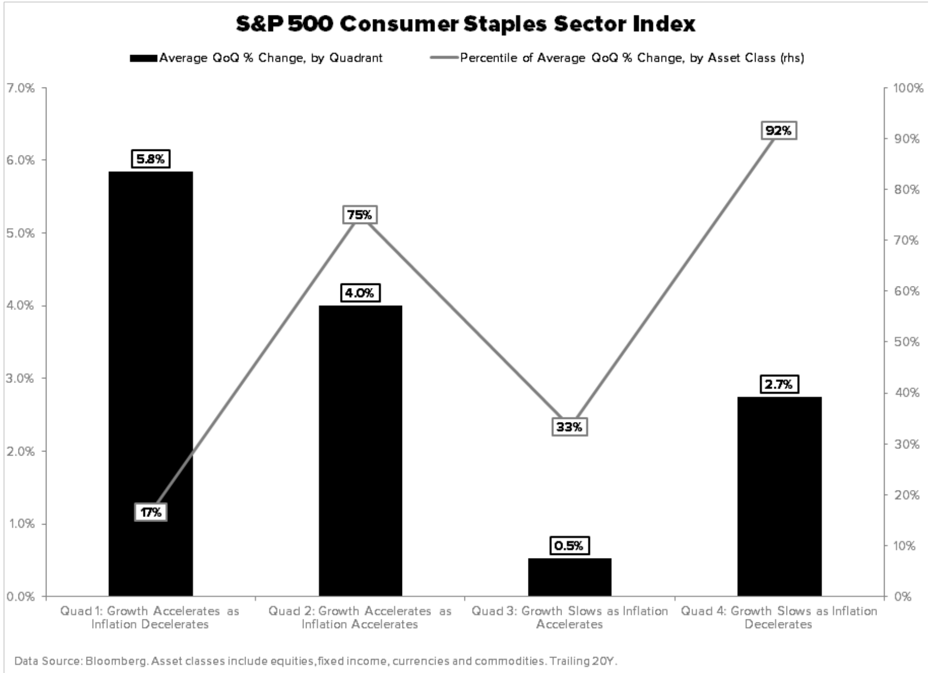
QUAD 4 IS BEARISH FOR ASSET PRICES

Hedgeye Macro ETF Strategy, United States GIP Model Backtest	Average QoQ % Change, by Quadrant				Z-Score of Average QoQ % Change, by Asset Class				Percentile Basis, by Asset Class				Total Quarterly Performance Observations			
Underlying Index	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
S&P 500 Index	7.2%	3.1%	1.2%	-0.8%	0.0x	0.0x	0.0x	0.0x	25%	50%	58%	50%	21	13	25	14
S&P 500 Consumer Discretionary Sector Index	8.7%	2.2%	0.8%	-0.5%	1.0x	-0.4x	-0.3x	0.1x	92%	33%	42%	58%	21	13	25	14
S&P 500 Consumer Staples Sector Index	5.8%	4.0%	0.5%	2.7%	-1.0x	0.4x	-0.5x	1.5x	17%	75%	33%	92%	21	13	25	14
S&P 500 Energy Sector Index	7.3%	2.6%	3.4%	-2.0%	0.0x	-0.2x	1.7x	-0.6x	33%	42%	100%	8%	21	13	25	14
S&P 500 Financials Sector Index	8.3%	1.7%	0.5%	-0.4%	0.8x	-0.7x	-0.5x	0.1x	83%	25%	25%	67%	21	13	25	14
S&P 500 Health Care Sector Index	5.8%	5.2%	1.7%	3.5%	-1.0x	1.0x	0.3x	1.9x	8%	92%	75%	100%	21	13	25	14
S&P 500 Industrials Sector Index	7.7%	3.7%	1.4%	-1.3%	0.3x	0.3x	0.1x	-0.2x	67%	67%	67%	33%	21	13	25	14
S&P 500 Information Technology Sector Index	8.8%	7.1%	2.8%	-1.7%	1.1x	1.9x	1.2x	-0.4x	100%	100%	83%	17%	21	13	25	14
S&P 500 Materials Sector Index	7.3%	1.6%	0.4%	-0.4%	0.1x	-0.7x	-0.6x	0.1x	42%	8%	17%	75%	21	13	25	14
S&P 500 Utilities Sector Index	3.5%	-1.1%	3.2%	0.3%	-2.6x	-2.1x	1.5x	0.5x	0%	0%	92%	83%	21	13	25	14
Russell 2000 Index	8.2%	3.4%	1.1%	-1.5%	0.7x	0.2x	-0.1x	-0.4x	75%	58%	50%	25%	21	13	25	14
MSCI Emerging Markets Index	7.5%	5.0%	-1.2%	-1.2%	0.2x	0.9x	-1.8x	-0.2x	58%	83%	0%	42%	21	13	25	14
MSCI REIT Index	7.5%	1.7%	-0.3%	-5.8%	0.2x	-0.7x	-1.1x	-2.3x	50%	17%	8%	0%	12	5	13	6
Barclays Aggregate US Bond Index	0.0%	-0.1%	-0.3%	1.2%	0.3x	0.2x	-0.9x	1.0x	50%	25%	38%	88%	14	5	15	8
JPMorgan EM USD Bond Index	1.9%	1.1%	-1.1%	1.2%	0.9x	0.5x	-1.3x	0.9x	75%	75%	0%	75%	9	4	9	4
FINRA - BLP Active Investment Grade US Corporate Bond Average Yield to Maturity	-2.6%	0.6%	4.5%	-6.8%	-0.6x	0.4x	0.9x	-0.9x	25%	50%	75%	0%	15	6	16	8
FINRA - BLP Active HY US Corporate Bond Index Average Yield to Maturity	-4.4%	-4.1%	4.5%	-3.9%	-1.2x	-0.8x	0.9x	-0.2x	0%	13%	88%	38%	15	6	16	8
US Corporate BBB/Baa UST 10Y Yield Spread	-3.8%	-8.2%	5.5%	6.6%	-1.0x	-1.9x	1.3x	2.2x	13%	0%	100%	100%	15	6	17	8
US Treasury 2Y Yield	2.6%	0.3%	1.8%	-4.9%	1.2x	0.3x	-0.2x	-0.4x	100%	38%	63%	25%	21	13	25	14
US Treasury 10Y Yield	2.3%	1.9%	-0.4%	-5.1%	1.1x	0.8x	-1.0x	-0.5x	88%	100%	25%	13%	21	13	25	14
US Treasury 30Y Yield	1.0%	1.9%	-1.1%	-3.7%	0.6x	0.8x	-1.3x	-0.2x	63%	88%	13%	50%	21	13	25	14
Bond Buyer US 40 Municipal Bond YTM	-0.7%	0.8%	0.6%	-2.7%	0.0x	0.5x	-0.6x	0.0x	38%	63%	50%	63%	21	13	25	14
Thomson Reuters/Jefferies CRB Commodity Index	2.2%	3.6%	2.6%	-4.4%	0.0x	0.0x	0.0x	-0.7x	50%	75%	75%	25%	21	13	25	14
Commodity Research Bureau BLS/US Spot Raw Industrials Index	2.0%	2.9%	0.1%	-0.8%	-0.1x	-0.3x	-1.1x	0.8x	25%	50%	0%	75%	21	13	25	14
Commodity Research Bureau BLS/US Spot Foodstuff Index	0.7%	2.0%	2.1%	-2.3%	-1.5x	-0.7x	-0.2x	0.2x	0%	0%	50%	50%	21	13	25	14
Front-month Brent Crude Oil	3.4%	7.3%	6.0%	-5.8%	1.3x	1.7x	1.6x	-1.3x	100%	100%	100%	0%	21	13	25	14
Gold Spot	2.4%	2.2%	1.7%	-0.1%	0.3x	-0.6x	-0.4x	1.1x	75%	25%	25%	100%	21	13	25	14
US Dollar Index	-0.3%	0.3%	-0.2%	0.8%	-1.1x	0.1x	-0.6x	1.8x	14%	57%	43%	100%	21	13	25	14
AUD/USD	2.3%	0.9%	-0.5%	-0.3%	1.8x	0.9x	-1.0x	0.1x	100%	71%	0%	71%	21	13	25	14
CAD/USD	1.1%	1.2%	0.4%	-1.2%	0.5x	1.2x	0.3x	-1.2x	71%	86%	57%	14%	21	13	25	14
CHF/USD	0.5%	-0.6%	1.4%	0.0%	-0.2x	-0.9x	1.8x	0.7x	43%	29%	100%	86%	21	13	25	14
EUR/USD	0.6%	-0.7%	0.5%	-0.5%	-0.1x	-1.1x	0.5x	-0.1x	57%	0%	71%	57%	21	13	25	14
GBP/USD	0.4%	1.3%	-0.5%	-0.5%	-0.2x	1.3x	-0.9x	-0.1x	29%	100%	14%	29%	21	13	25	14
JPY/USD	-0.5%	-0.6%	0.7%	-0.5%	-1.3x	-0.9x	0.8x	-0.1x	0%	14%	86%	43%	21	13	25	14
JPMorgan EM FX Index	1.2%	-0.2%	-0.4%	-1.3%	0.6x	-0.5x	-0.8x	-1.3x	86%	43%	29%	0%	16	8	18	11

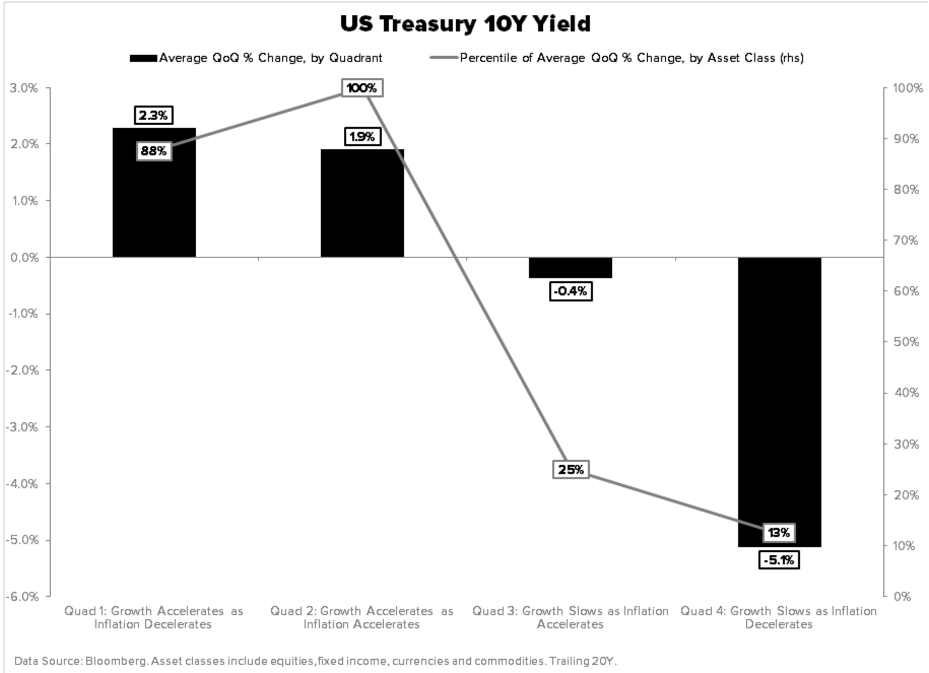
Source: Bloomberg data; Hedgeye calculations. Trailing 20 years. Hedgeye Risk Management © 2014

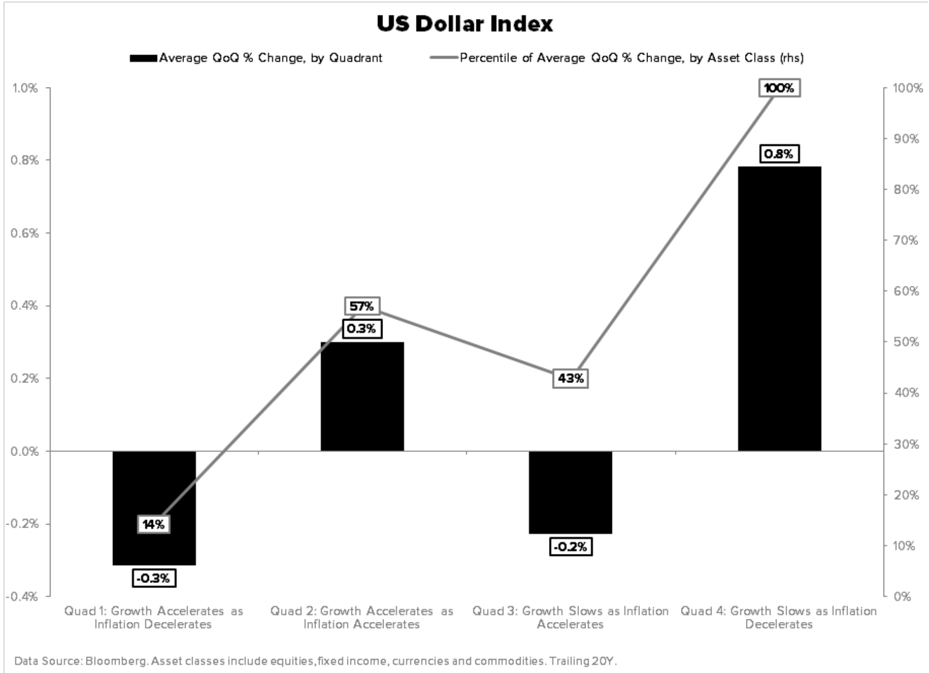
EXCEPT HEALTHCARE AND STAPLES...





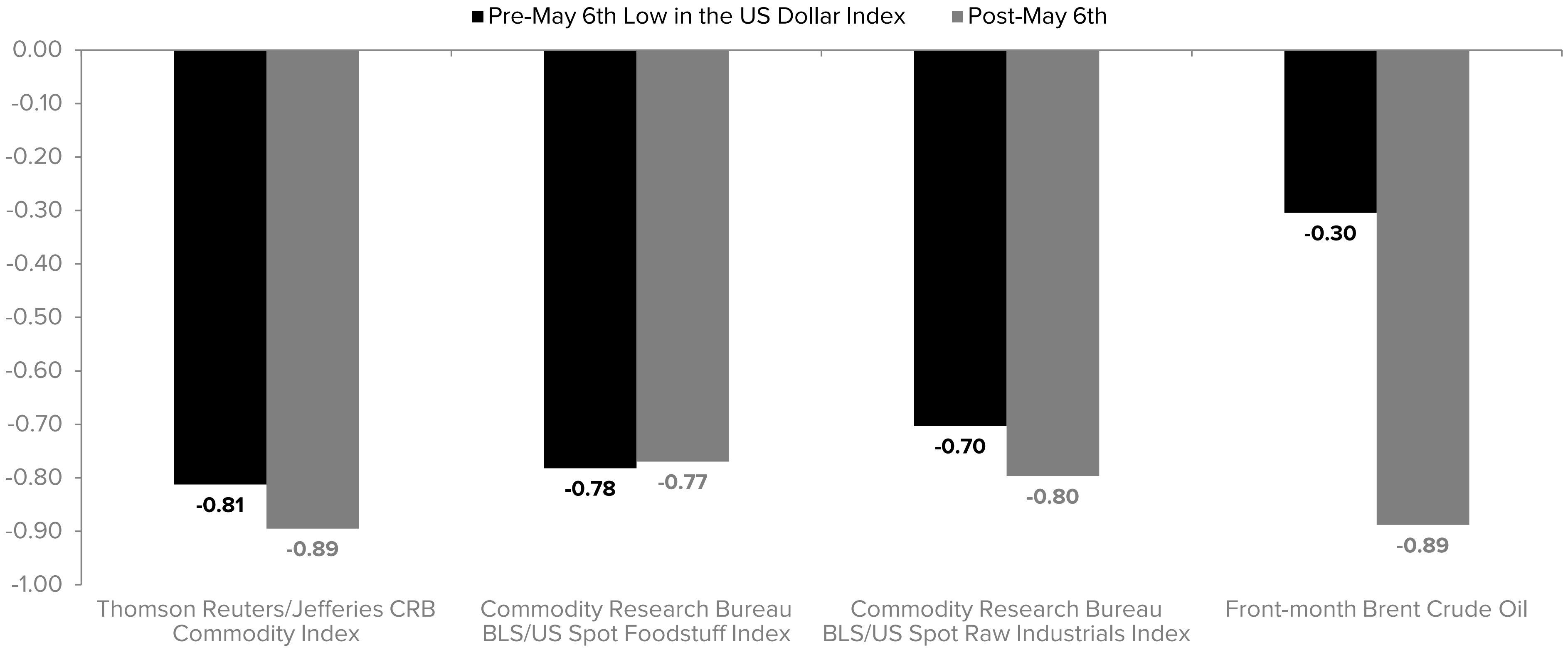
TREASURIES, MUNIS AND THE DOLLAR





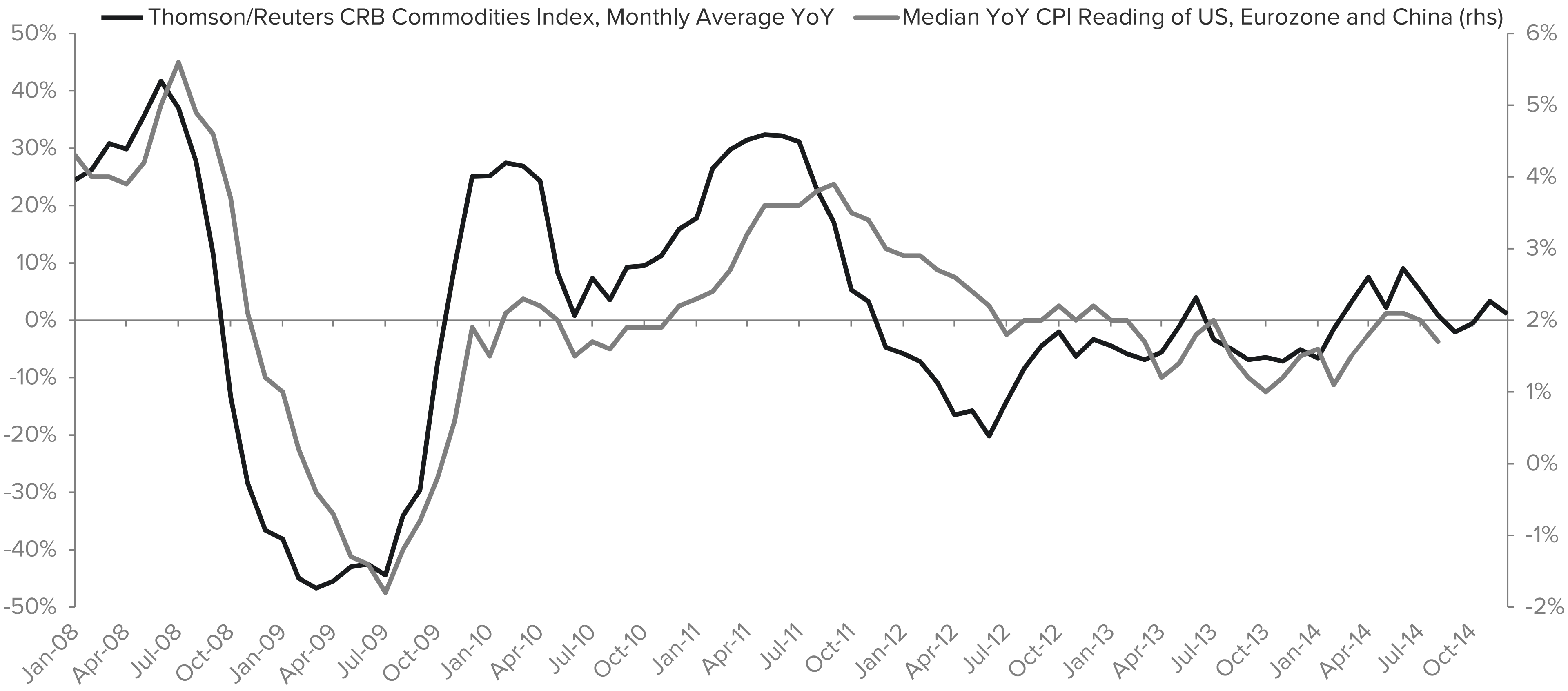
#STRONGDOLLAR IS CRUSHING COMMODITIES

INVERSE CORRELATIONS ARE TIGHTENING IN THE YTD



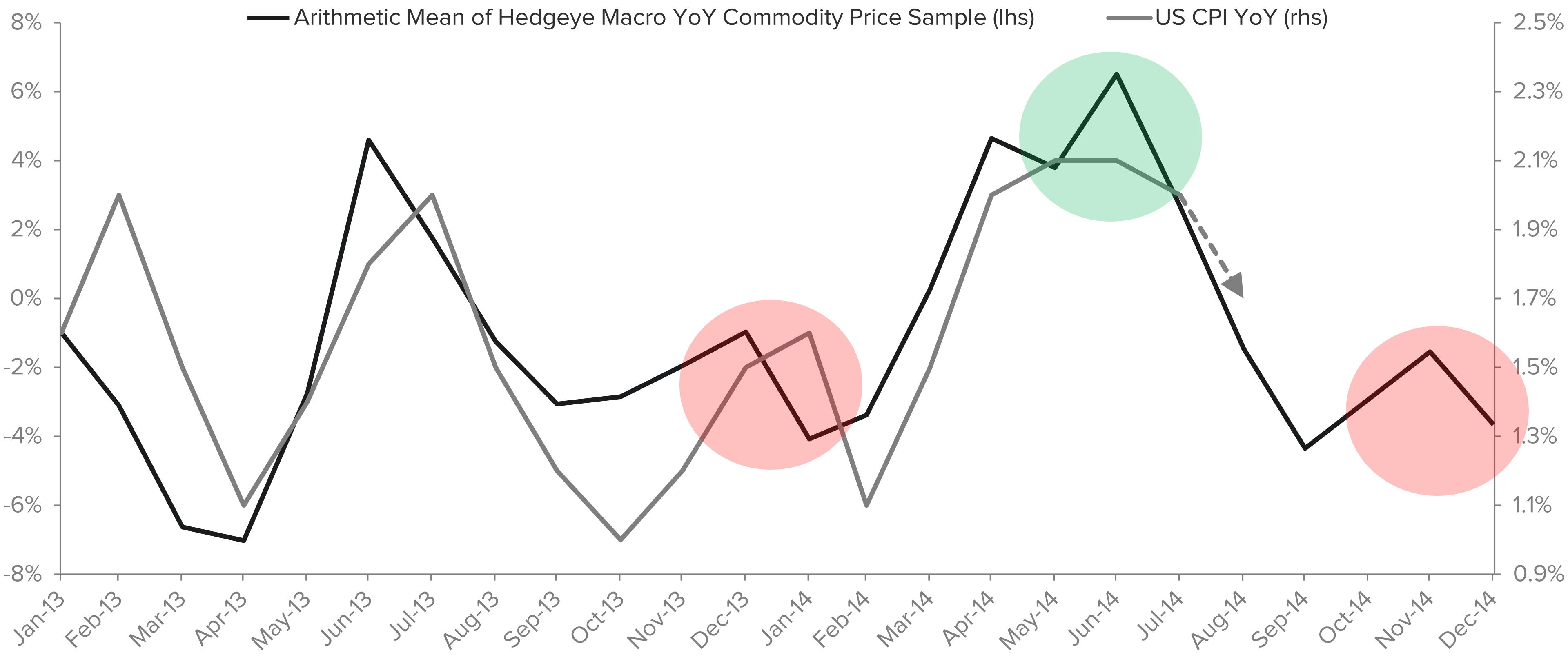
DATA SOURCE: BLOOMBERG

COMMODITY PRICES MATTER TO CPI



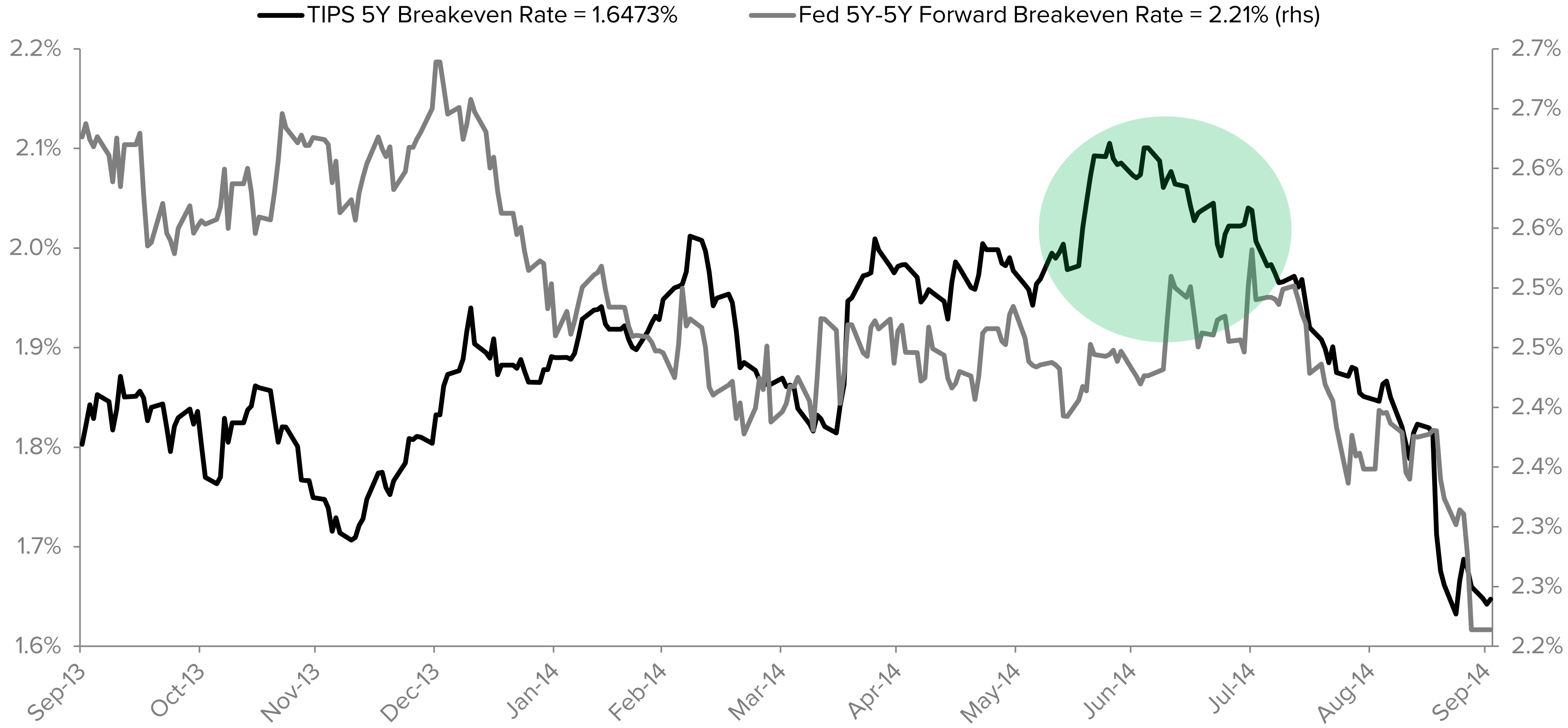
Forecasts assume no change to current price.

RIGHT BACK TO WHERE WE STARTED



The Hedgeye Macro commodity price sample includes the CRB Index, CRB Raw Industrials Index, Brent Crude Oil and the UN Food and Agriculture Price Index. YoY deltas are calculated from monthly averages. Forward estimates assume no change in current prices.

INFLATION EXPECTATIONS: CRASHING



DATA SOURCE: BLOOMBERG

THE 2Q BOUNCE CAME AND WENT

THIS TABLE WAS COMPLETELY GREEN ~2 MONTHS AGO

U.S. ECONOMIC INDICATOR SUMMARY

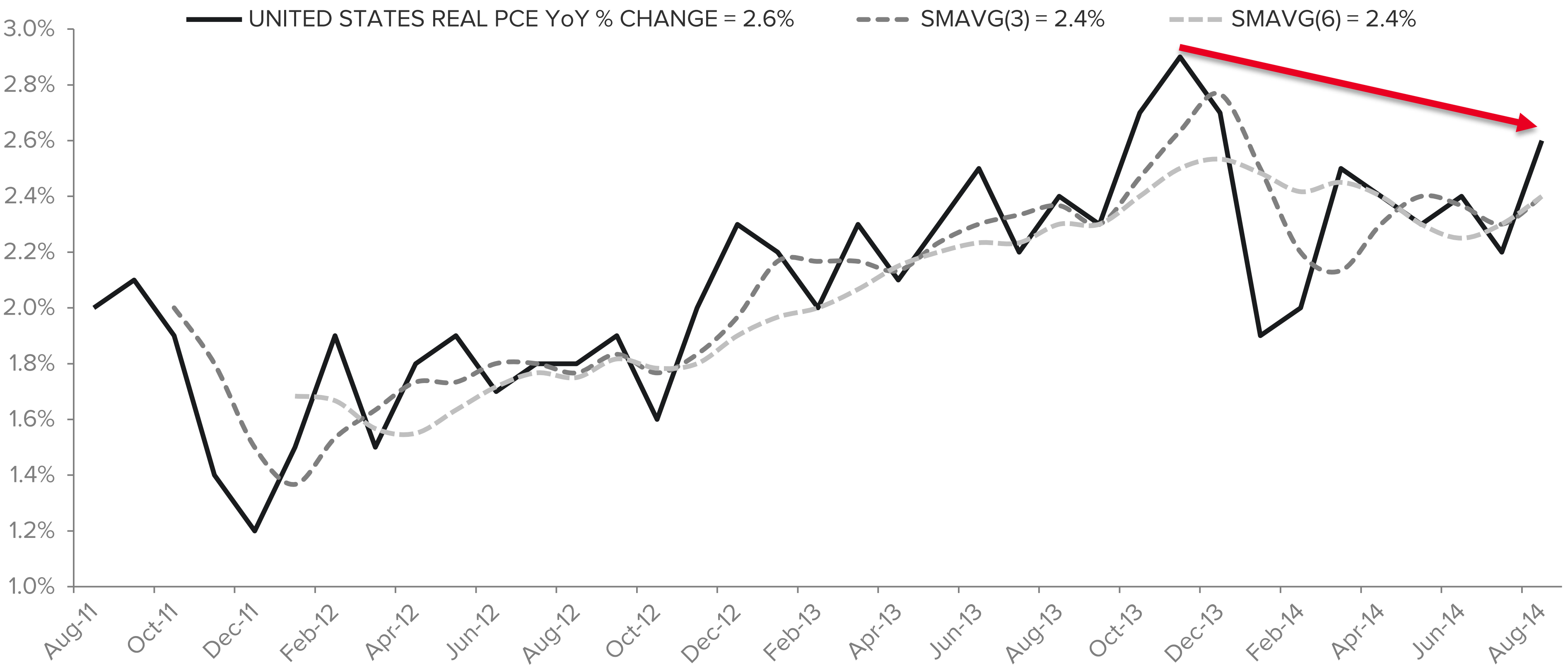
		MOST RECENT DATA					LAST PRICE vs.			QoQ Chg	Y/Y Chg
		Period	Latest data	Last Price	Prior	MoM Chg	3M Ave	6M Ave	TTM Ave	(3q14)	(Qtrly)
CONSUMPTION	Personal Spending (Real PCE), YoY %	Aug-14	Better	2.6%	2.2%	0.38%	0.2%	0.2%	0.2%	0.0%	0.1%
	Personal Income, YoY %	Aug-14	Worse	4.3%	4.4%	-0.13%	0.0%	0.2%	1.4%	0.3%	1.3%
	Real Disposable Income (per capita), YoY %	Aug-14	Worse	1.9%	2.0%	-0.06%	0.0%	0.1%	1.4%	0.2%	955.5%
	Retail Sales, YoY %	Aug-14	Better	5.0%	4.2%	0.79%	0.5%	0.5%	1.3%	0.0%	0.2%
	Consumer Credit, YoY %	Jul-14	Better	7.0%	6.7%	0.29%	0.3%	0.6%	0.8%	0.5%	0.9%
	NFP Employment, MoM Chg	Aug-14	Worse	141	211	-70.0	-65	-84	-65	-90	5
	Initial Claims, NSA, YoY %	Sep-14	Worse	-6.7%	-9.7%	3.0%	3.0%	2.6%	2.1%	-0.8%	2.9%
	Consumer Confidence	Sep-14	Worse	86	93	-7.4	-3.9	-0.7	4.0	6.5	8.9
	Consumer Comfort	Sep-14	Worse	36.4	36.9	-0.50	-0.5	0.1	1.2	1.1	1.1
	Real Weekly Earnings, Y/Y %	Aug-14	Worse	0.4%	0.4%	0.00%	0.2%	0.2%	-0.1%	0.4%	-0.2%
	Auto Sales, Millions Units	Sep-14	Worse	16.3	17.5	-1.11	-0.4	-0.3	0.2	1.2%	6.9%
	Gas Price	Sep-14	Better	3.38	3.46	-7.60%	-0.10	-0.18	-0.07	-4.9%	-2.1%
INVESTMENT	Industrial Production, YoY %	Aug-14	Worse	4.1%	4.8%	-0.69%	-0.3%	-0.1%	0.4%	0.3%	1.7%
	Capacity Utilization	Aug-14	Worse	78.8	79.1	-0.30	-0.2	-0.2	0.1	-0.1%	1.4%
	Durable Goods New Orders, YoY %	Aug-14	Worse	8.9%	33.7%	-24.77%	-5.4%	-1.9%	1.3%	17.8%	14.4%
	Capital Goods - NonDefense Ex-Air, YoY %	Aug-14	Worse	7.5%	8.5%	-1.00%	0.3%	1.6%	2.6%	4.2%	0.5%
	ISM Mfg	Sep-14	Worse	56.6	59.0	-2.40	-1.0	0.2	1.1	2.4	1.8
	ISM Mfg - New Orders	Sep-14	Worse	60.0	66.7	-6.70	-3.4	-0.2	0.8	6.4	2.0
	ISM Mfg - Employment	Sep-14	Worse	54.6	58.1	-3.50	-2.4	-0.6	0.2	3.5	1.9
	ISM Services	Aug-14	Better	59.6	58.7	0.90	1.5	3.1	4.5	3.3	3.1
	ISM Services - New Orders	Aug-14	Worse	63.8	64.9	-1.10	0.5	3.5	6.7	4.4	5.8
	ISM Services - Employment	Aug-14	Better	57.1	56.0	1.10	1.3	3.0	3.0	3.9	1.8
	Mfg & Trade Inventories, YoY %	Jul-14	Better	5.9%	5.8%	0.1%	0.2%	0.7%	1.5%	0.5%	3.0%
	Business Inventories I/S Ratio	Jul-14	Worse	1.29	1.29	0.00	0.0%	-0.2%	-0.1%	0.0%	0.5%
INVESTMENT *(Residential)*	Housing Starts	Aug-14	Worse	956	1117	-161	-38	-41	-23	5.2%	17.5%
	New Home Sales	Aug-14	Better	504	427	77.0	54	67	67	8.3%	22.0%
	MBA Purchase Apps	Sep-14	Better	167	166	1.2	-1	-7	-8	-6.1%	-12.5%
	NAHB Survey of Home Builders	Sep-14	Better	59	55	4.0	3.3	7.8	7.3	9.0	-1.3
	FHFA HPI, NSA YoY %	Jul-14	Worse	4.5%	5.2%	-0.66%	-0.5%	-1.3%	-2.3%	-1.1%	-3.9%
	Case-Shiller 20-City HPI, YoY %	Jul-14	Worse	6.8%	8.1%	-1.32%	-1.3%	-3.3%	-4.9%	-2.7%	-6.0%
	Corelogic HPI, YoY %	Jul-14	Worse	7.0%	7.5%	-0.50%	-0.6%	-2.4%	-3.4%	-1.8%	-38.8%
GOVERNMENT	Construction Spending, YoY %	Aug-14	Worse	5.0%	6.9%	-1.9%	-1.1%	-2.3%	-2.5%	-1.9%	0.7%
	Monthly Budget Balance, Bil $'s	Aug-14	Worse	-128.7	-94.6	-34.1	-78	-93	-86	-127.46	-54.87
EXTERNAL	International Trade Balance, Bil $'s	Jul-14	Better	-40.5	-40.8	0.26	1.1	2.1	0.3	-6.6%	0.4%

Source: Bloomberg, BLS, BEA, Census, NAR

HEDGEYE

#CONSUMERSLOWING

GROWTH IS ABOVE TREND, BUT MAKING LOWER-HIGHS



#HOUSINGSLOWDOWN STILL A DRAG

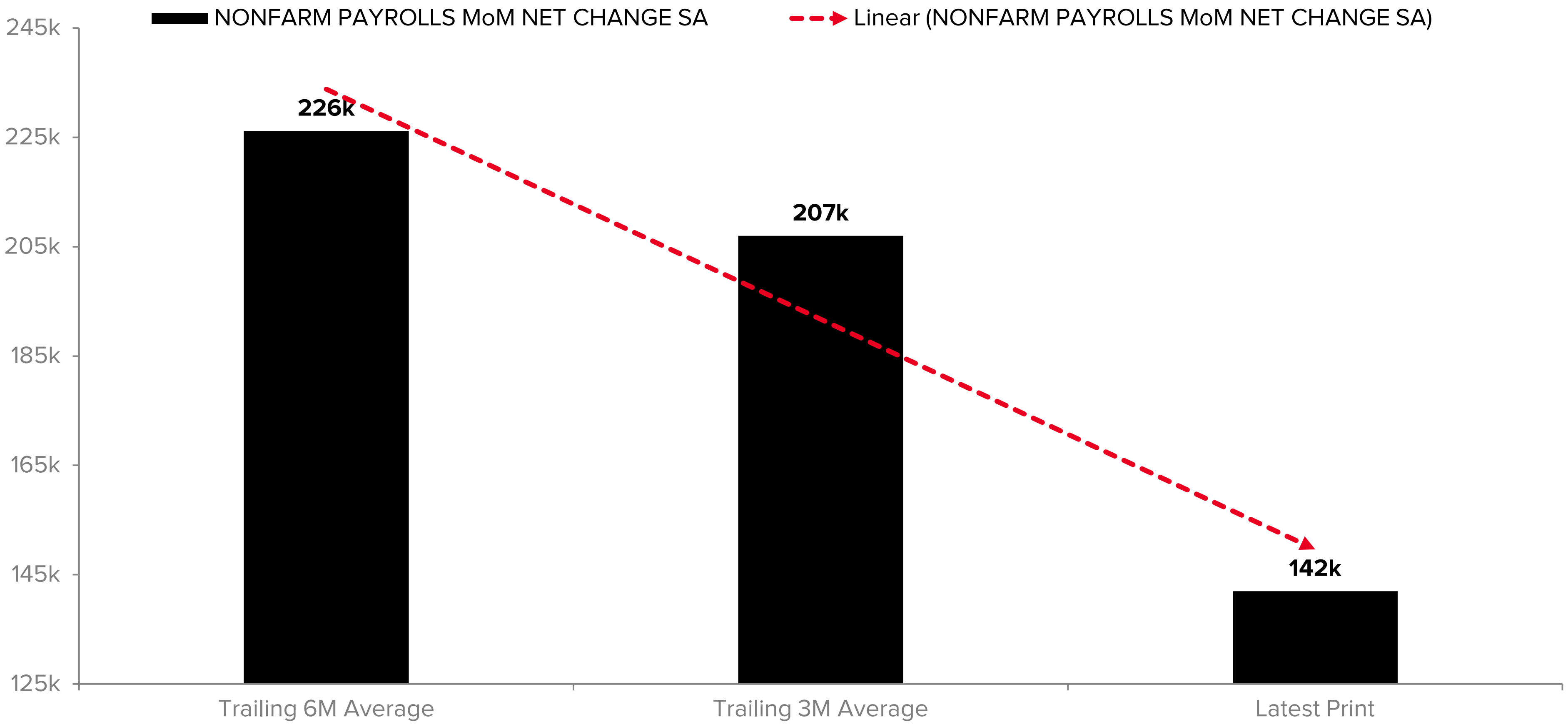
HEDGEYE HOUSING COMPENDIUM

		Most Recent Data			TRADE/TREND/TAIL			Rate of Change		
					Short Term	Intmed Term	Long Term	Short Term	Intmed Term	Long Term
		Period	Latest Data	Last Price	Prior Period	3M Ago	12M Ave	MoM Chg	3M Chg	vs 12M Avg
Home Prices	Case-Shiller 20 City HPI YoY NSA	Jul-14	Worse	6.7%	8.1%	10.8%	11.7%	-1.3%	-4.1%	-5.0%
	Case-Shiller 20 City HPI MoM SA	Jul-14	Worse	-0.5%	-0.3%	0.1%	0.6%	-0.2%	-0.6%	-1.1%
	Corelogic HPI - NSA YoY % Chg	Aug-14	Worse	7.3%	7.4%	8.2%	10.2%	-0.1%	-0.9%	-2.8%
	Corelogic (Ex-Dist.) HPI - NSA YoY % Chg	Aug-14	Worse	6.8%	6.8%	7.1%	8.7%	0.0%	-0.4%	-1.9%
	FHFA HPI - NSA YoY % Chg	Jul-14	Worse	4.4%	5.1%	6.0%	6.9%	-0.7%	-1.7%	-2.5%
Supply & Demand: Existing	MBA Purchase Apps Index (Mo. Ave)	Sep-14	Better	167	166	179	177	0.7%	-6.9%	-5.4%
	NAR: Pending Home Sales (Index)	Aug-14	Worse	104.7	105.8	103.8	101	-1.0%	0.9%	3.9%
	NAR: Existing Home Sales (SAAR)	Aug-14	Worse	5.05	5.14	4.91	4.9	-1.8%	2.9%	2.5%
	NAR: Existing Home Inv. (millions units)	Aug-14	Better	2.31	2.35	2.25	2.1	-1.7%	2.7%	8.9%
	NAR: Existing Home Inv: Months Supply	Aug-14	Worse	5.49	5.49	5.50	5.2	0.0%	-0.2%	6.2%
Supply & Demand: New Homes	NAHB: HMI	Sep-14	Better	59	55	49	52	4.0	10.0	0.1
	Census: Total Starts	Aug-14	Worse	956	1117	984	968	-14.4%	-2.8%	-1.2%
	Census: SF Starts	Aug-14	Worse	643	659	634	628	-2.4%	1.4%	2.4%
	Census: Total Permits	Aug-14	Worse	998	1057	1005	999	-5.6%	-0.7%	-0.1%
	Census: SF Permits	Aug-14	Worse	626	631	615	616	-0.8%	1.8%	1.6%
	Resi Construction Spending (in Billions)	Aug-14	Worse	357	358	362	356	-0.1%	-1.3%	0.3%
	Census: New Home Sales	Aug-14	Better	504	427	458	433	18.0%	10.0%	16.4%
	Census: New Home Inventory (000)	Aug-14	Worse	206	202	191	189	2.0%	7.9%	8.7%
Miscellaneous	Interest Rates (30 Year FRM)	Aug-14	Better	4.3%	4.3%	4.3%	4.5%	0.0%	0.0%	-0.2%
	NAR: Affordability Index (Composite)	Jul-14	Worse	153.8	154.3	167.5	165.2	-0.3%	-8.2%	-6.9%
	ITB Price (EOP)	Sep-14	Better	23.54	23.22	24.29	23.6	1.4%	-3.1%	-0.1%
	XHB Price (EOP)	Sep-14	Better	30.91	30.83	32.18	31.4	0.3%	-3.9%	-1.7%

Source: Hedgeye Risk Management, S&P, Corelogic, FHFA, MBA, NAR, NAHB, Census Dept., Factset, Bloomberg

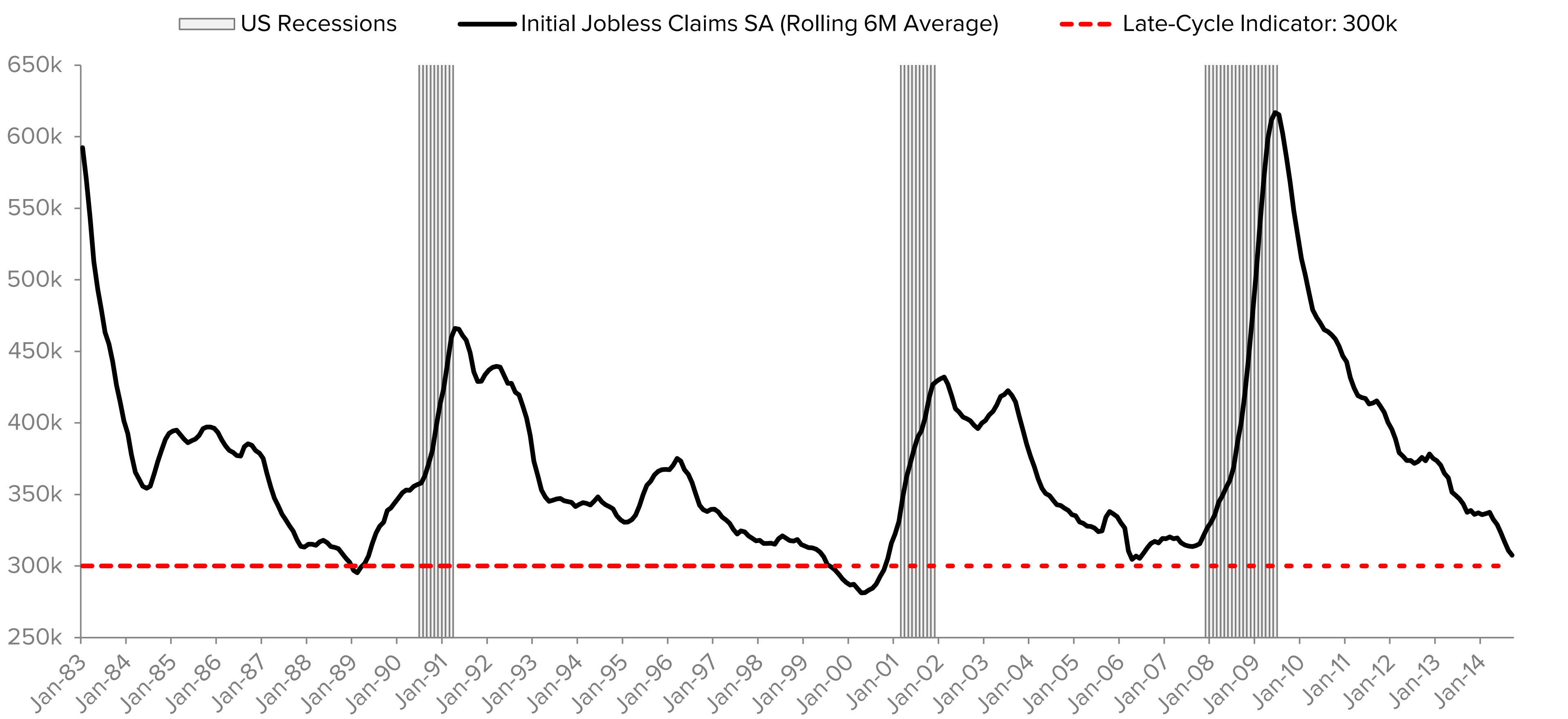
HEDGEYE

THE LABOR MARKET IS SOFTENING



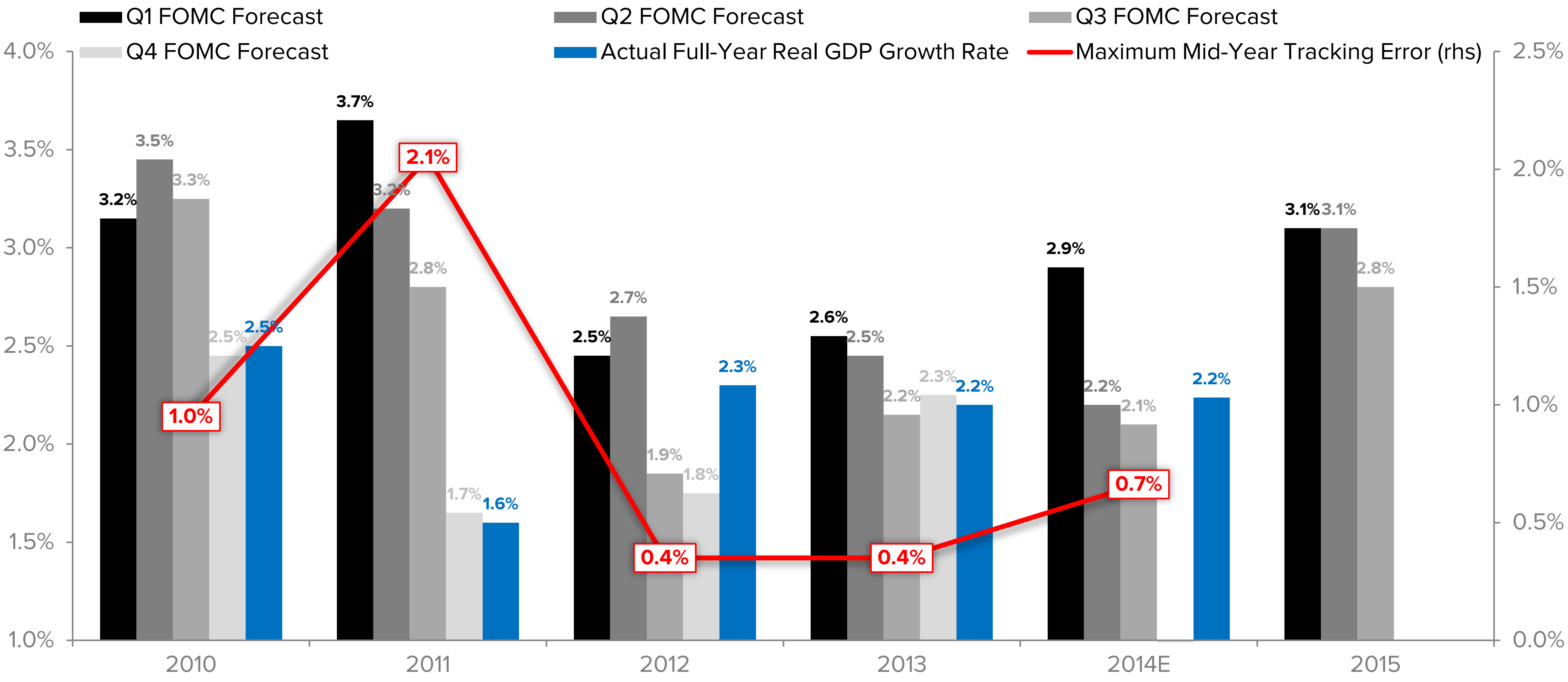
DATA SOURCE: BLOOMBERG

A RECESSION IS CLOSER THAN YOU THINK



DATA SOURCE: BLOOMBERG

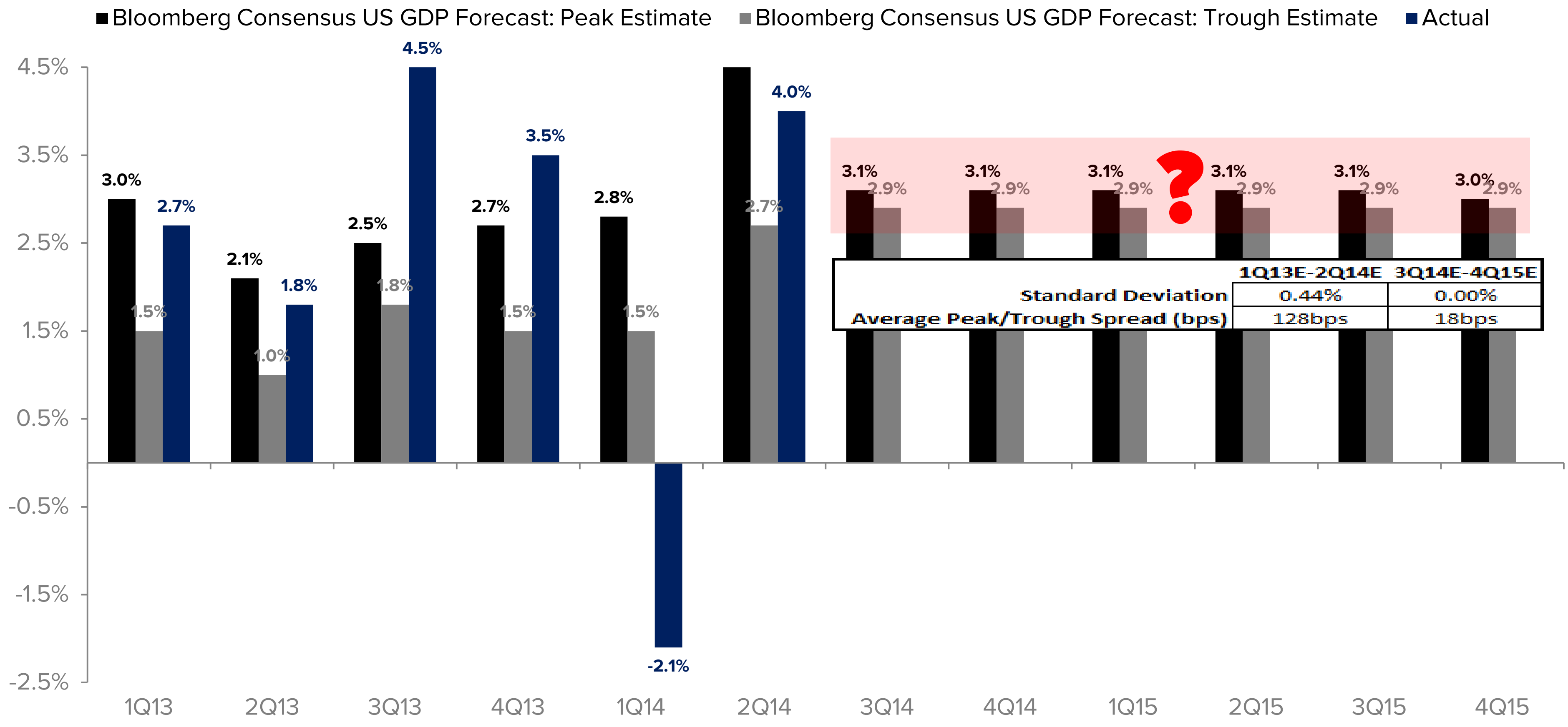
ONCE AGAIN, THE FED IS TOO HIGH ON GROWTH



The red line indicates the spread between the FOMC's peak intra-year annual real GDP growth forecast and the actual recorded rate. 2014E is the current annualized run rate.

DATA SOURCE: BLOOMBERG

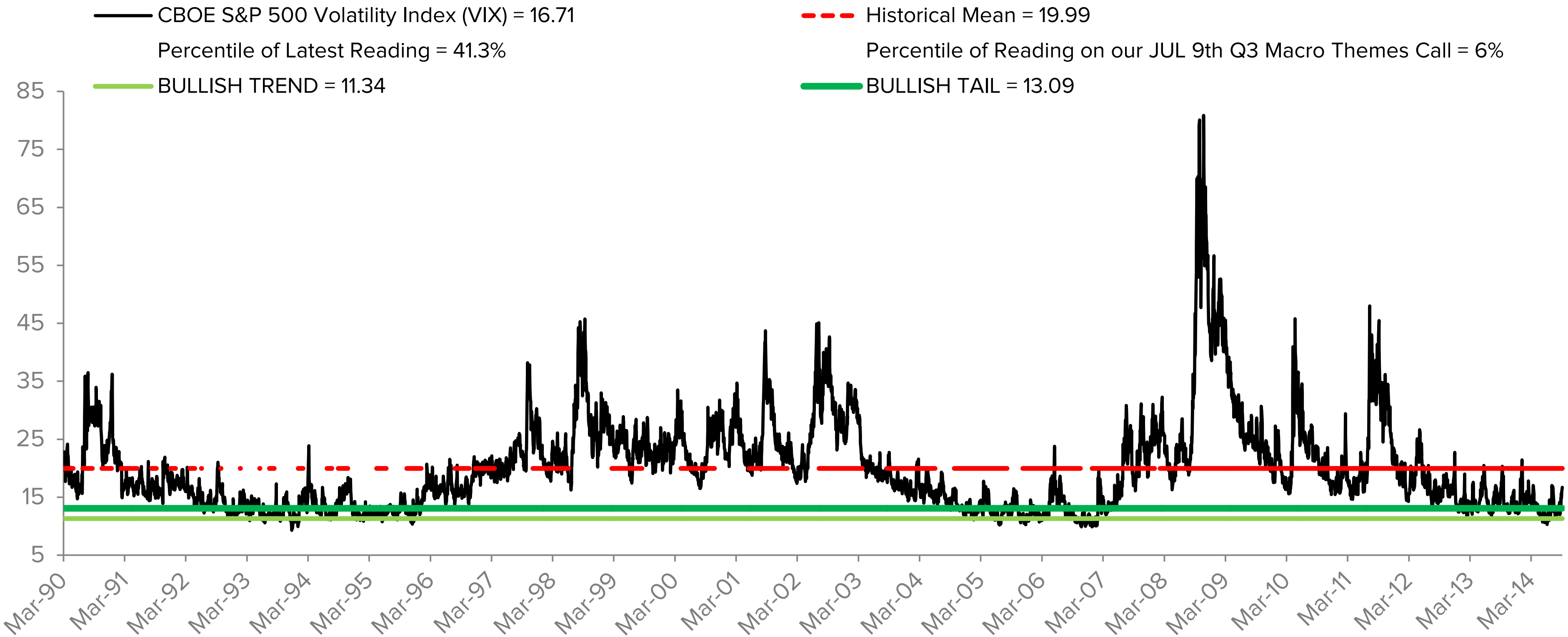
CONSENSUS ESTIMATES STILL NEED TO COME DOWN



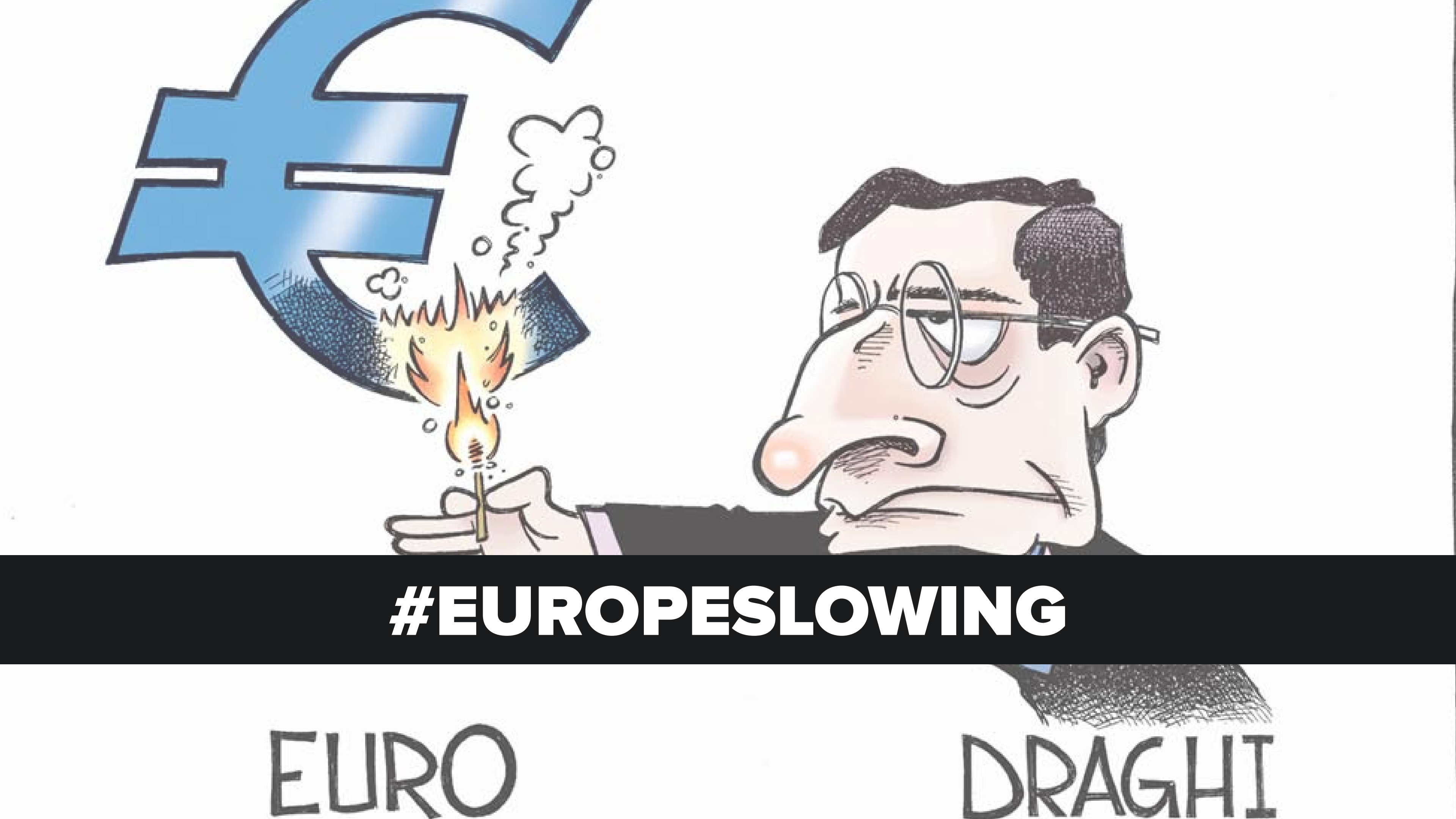
	1Q13E-2Q14E	3Q14E-4Q15E
Standard Deviation	0.44%	0.00%
Average Peak/Trough Spread (bps)	128bps	18bps

WILL A DOVISH FED SPOOK INVESTORS?

#VOLATILITYASYMMETRY REMAINS...



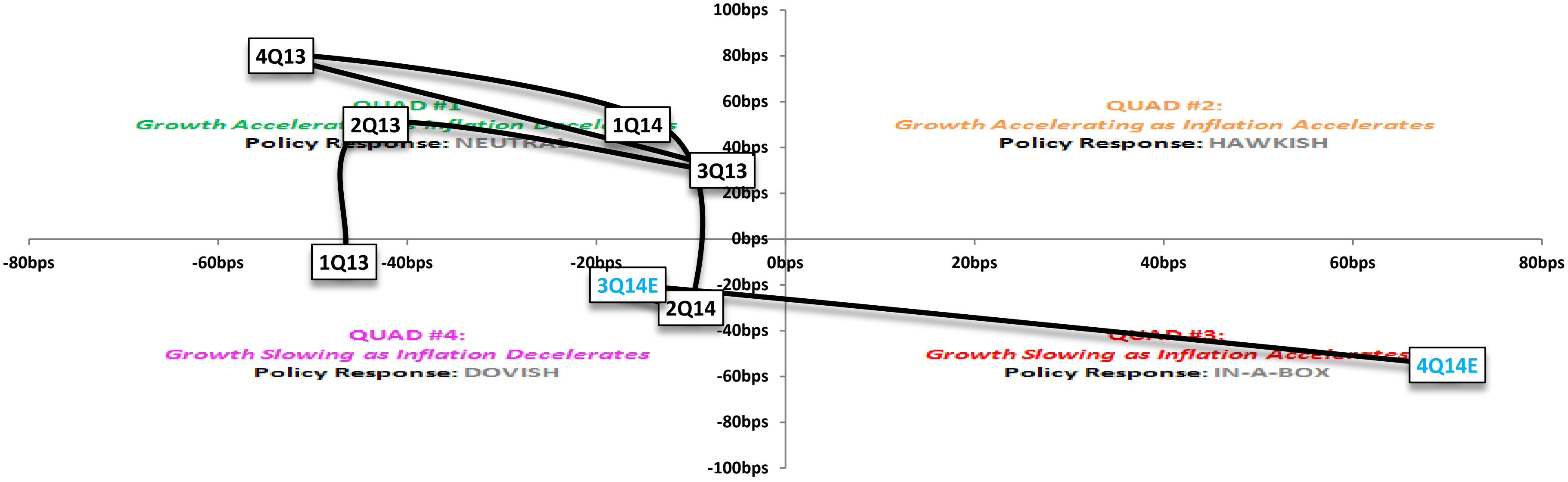
DATA SOURCE: BLOOMBERG


#EUROPESLOWING
EURO
DRAGHI

EUROZONE MOVING TO UGLY QUAD #3

EUROZONE	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Real GDP QoQ	0.1%	0.0%	-0.2%	-0.1%	-0.3%	-0.2%	-0.5%	-0.2%	0.3%	0.1%	0.3%	0.2%	0.0%
Real GDP YoY	1.8%	1.5%	0.7%	-0.2%	-0.5%	-0.7%	-1.0%	-1.1%	-0.6%	-0.3%	0.5%	1.0%	0.7%
2Y Average	2.0%	1.9%	1.5%	1.2%	0.7%	0.4%	-0.2%	-0.7%	-0.6%	-0.5%	-0.3%	-0.1%	0.1%
3Y Average	-0.5%	-0.2%	0.2%	1.1%	1.2%	1.0%	0.7%	0.4%	0.2%	0.2%	0.1%	-0.1%	-0.1%
GDP Compares	3.3%	3.1%	2.4%	2.1%	1.3%	0.7%	-0.5%	-1.3%	-0.9%	-0.6%	0.3%	0.9%	0.6%
CPI YoY	2.7%	2.7%	2.9%	2.7%	2.5%	2.5%	2.3%	1.8%	1.4%	1.3%	0.8%	0.7%	0.6%
2Y Average	2.2%	2.2%	2.5%	2.6%	2.6%	2.6%	2.6%	2.3%	1.9%	1.9%	1.6%	1.3%	1.0%
3Y Average	1.5%	1.4%	1.8%	2.1%	2.3%	2.3%	2.4%	2.3%	2.2%	2.2%	2.0%	1.7%	1.5%
CPI Compares	6.4%	6.3%	7.1%	7.4%	7.3%	7.5%	7.3%	6.4%	5.5%	5.5%	4.4%	3.7%	3.0%

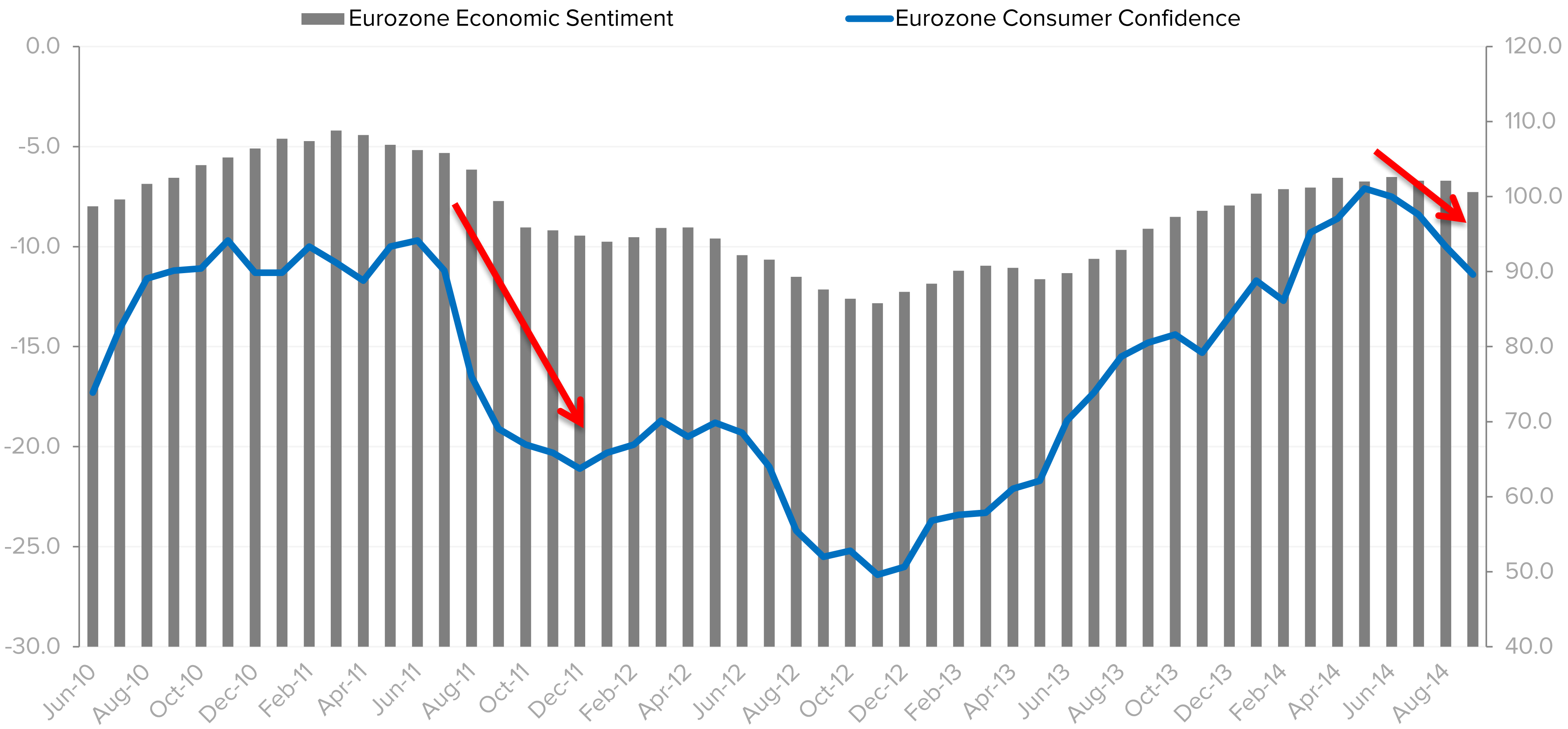
Hedgeye Macro GIP Model		
GIP = Growth/Inflation/Policy		
Full-year Estimates	2013E	2014E
Hedgeye Predictive Tracking Algorithm	-0.4%	0.5%
Bloomberg Consensus Estimate	-0.4%	0.8%
Central Bank Forecast	-0.4%	1.2%
Full-year Estimates	2013E	2014E
Hedgeye Predictive Tracking Algorithm	1.3%	0.7%
Bloomberg Consensus Estimate	1.4%	0.6%
Central Bank Forecast	1.3%	0.8%



x-axis: second derivative of HEADLINE INFLATION reading

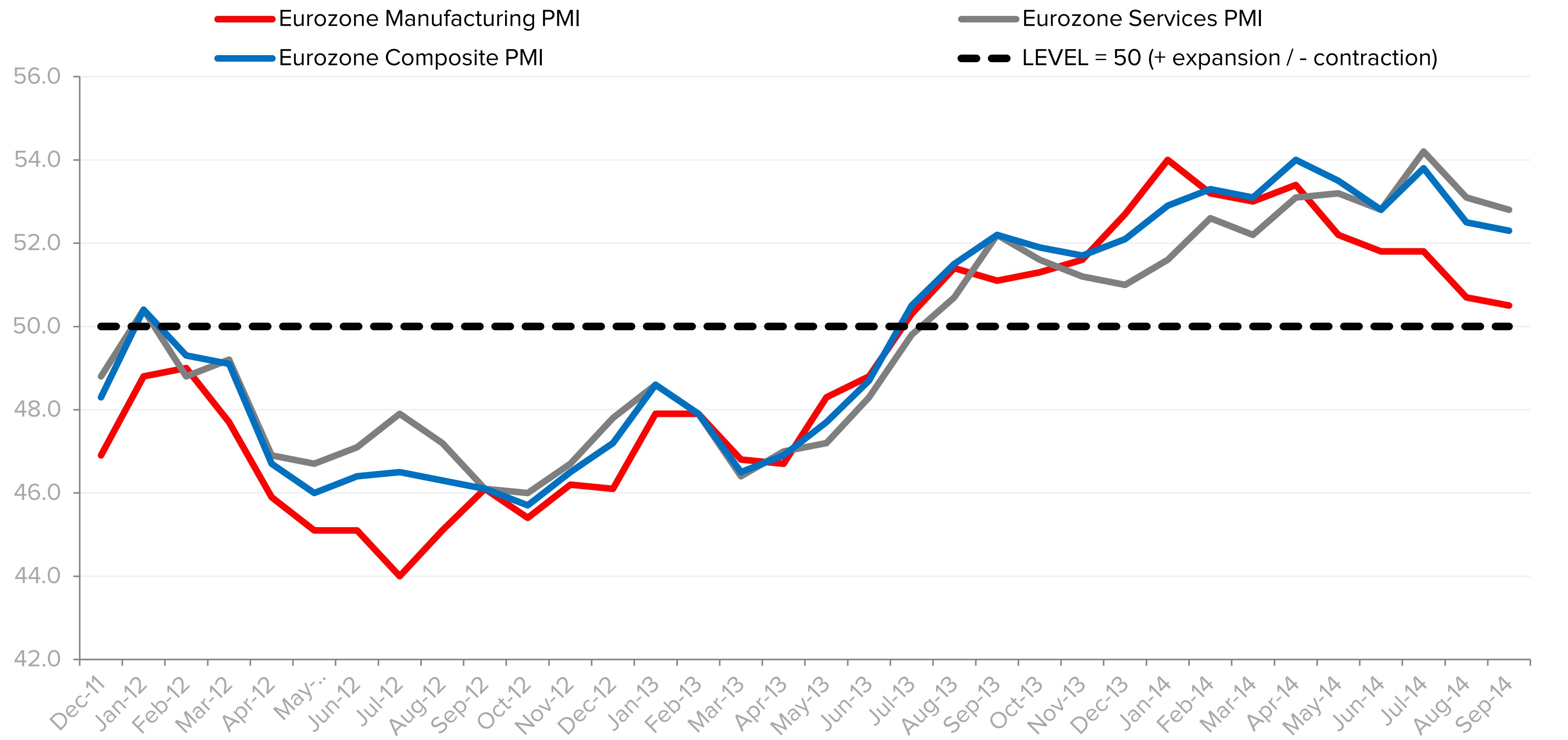
y-axis: second derivative of REAL GDP reading

2011 AGAIN? #CONFIDENCESLOWING



DATA SOURCE: BLOOMBERG

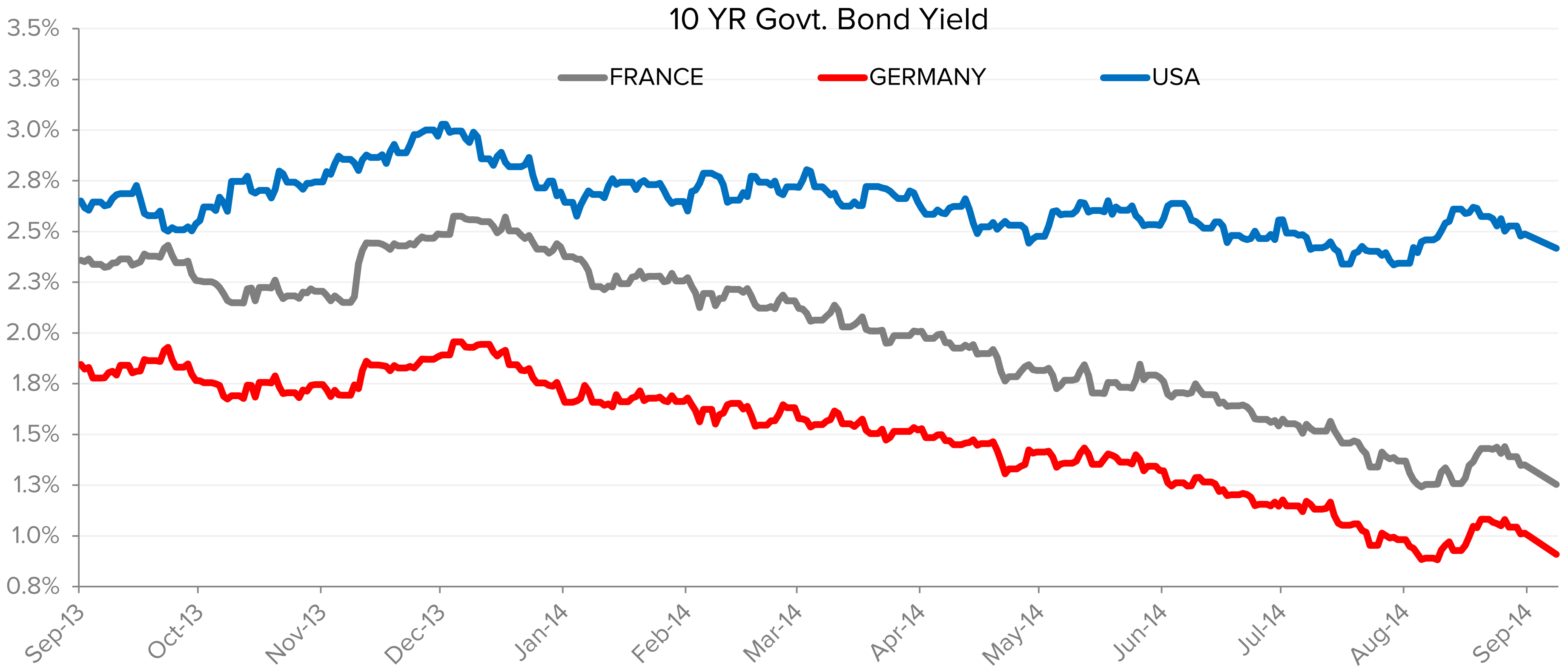
RATE OF CHANGE = BEARISH



DATA SOURCE: BLOOMBERG

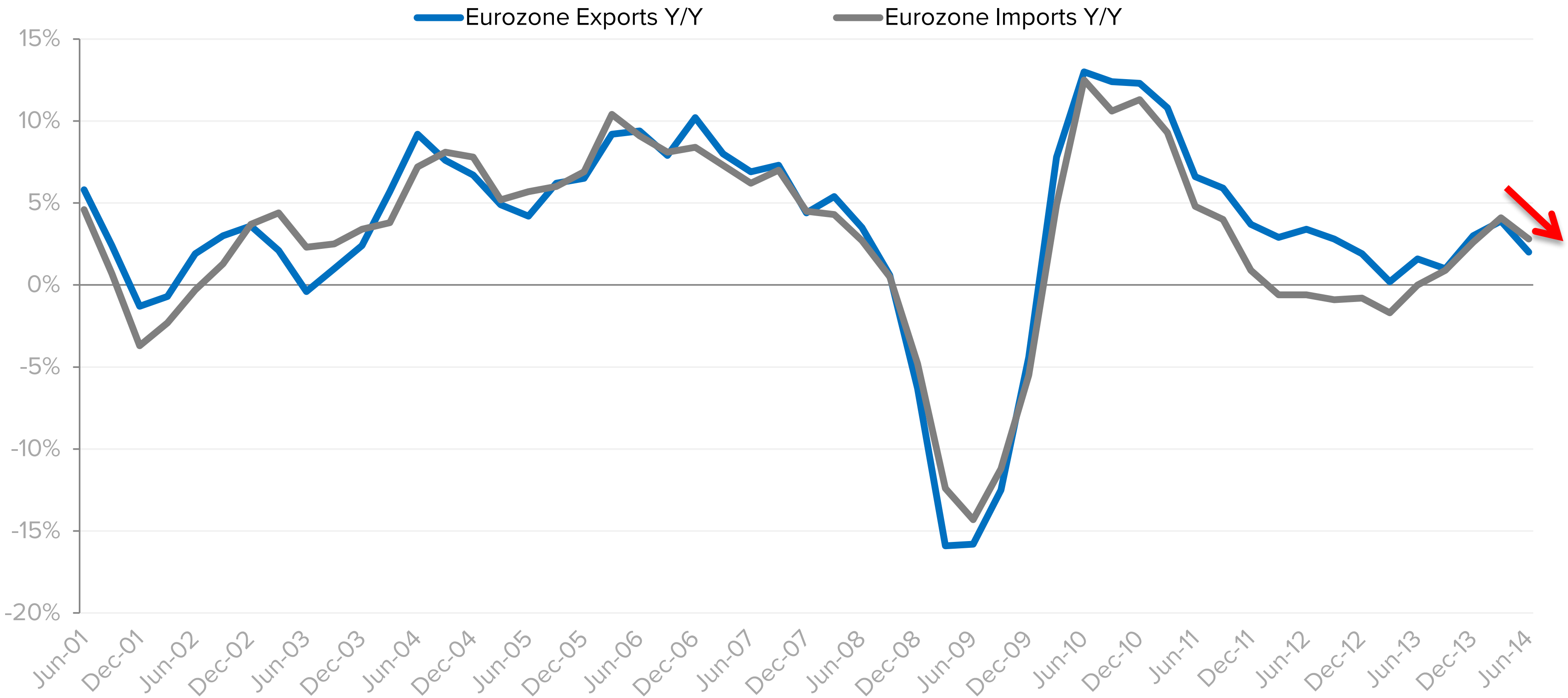
JAPANESE STYLE ROAD TO ZERO?

SOVEREIGN BONDS REFLECT WEAK GROWTH OUTLOOK



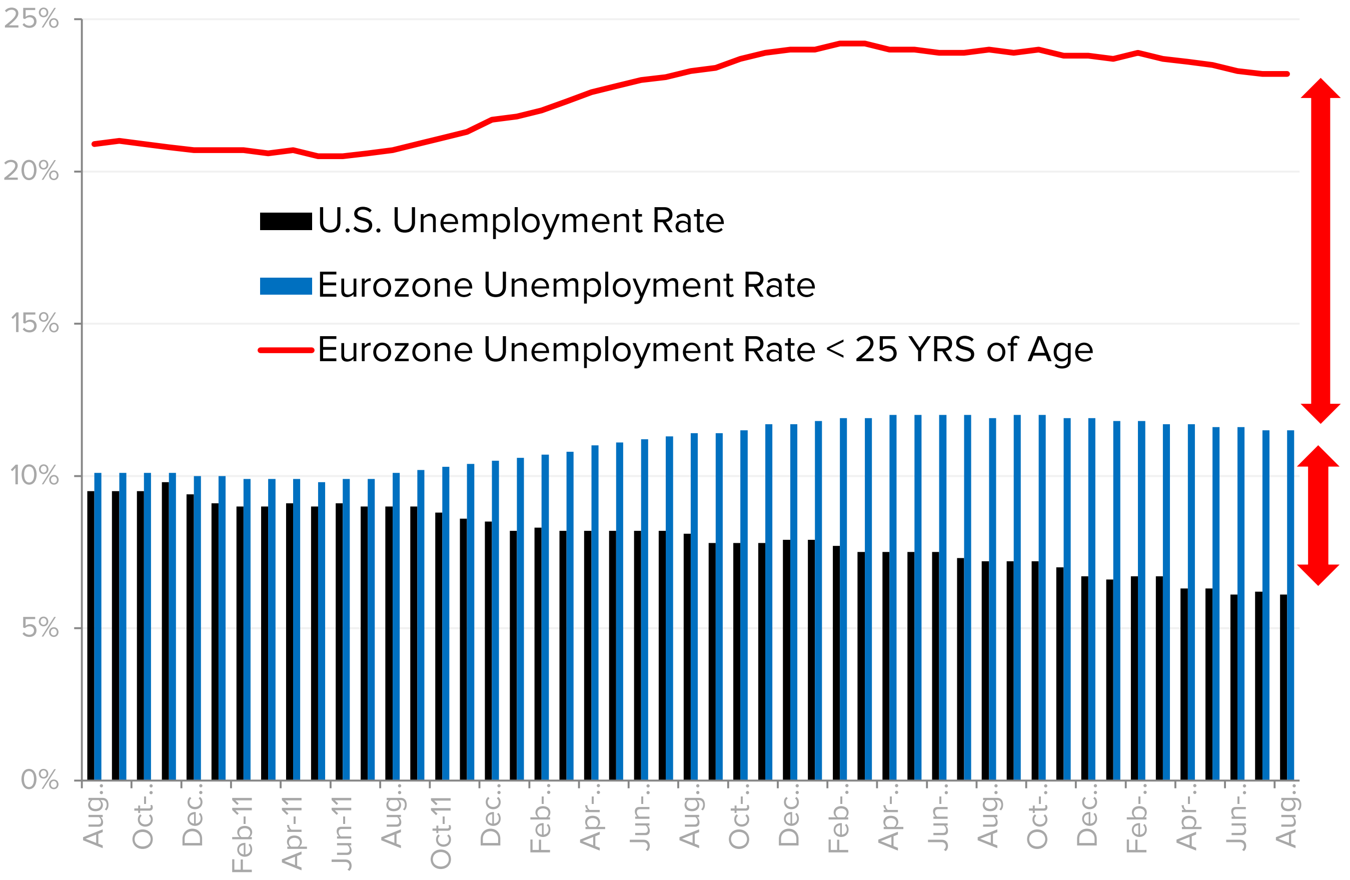
EXPORTS AND IMPORTS LOWER

WILLING EXPORTS WITH A WEAK EURO?



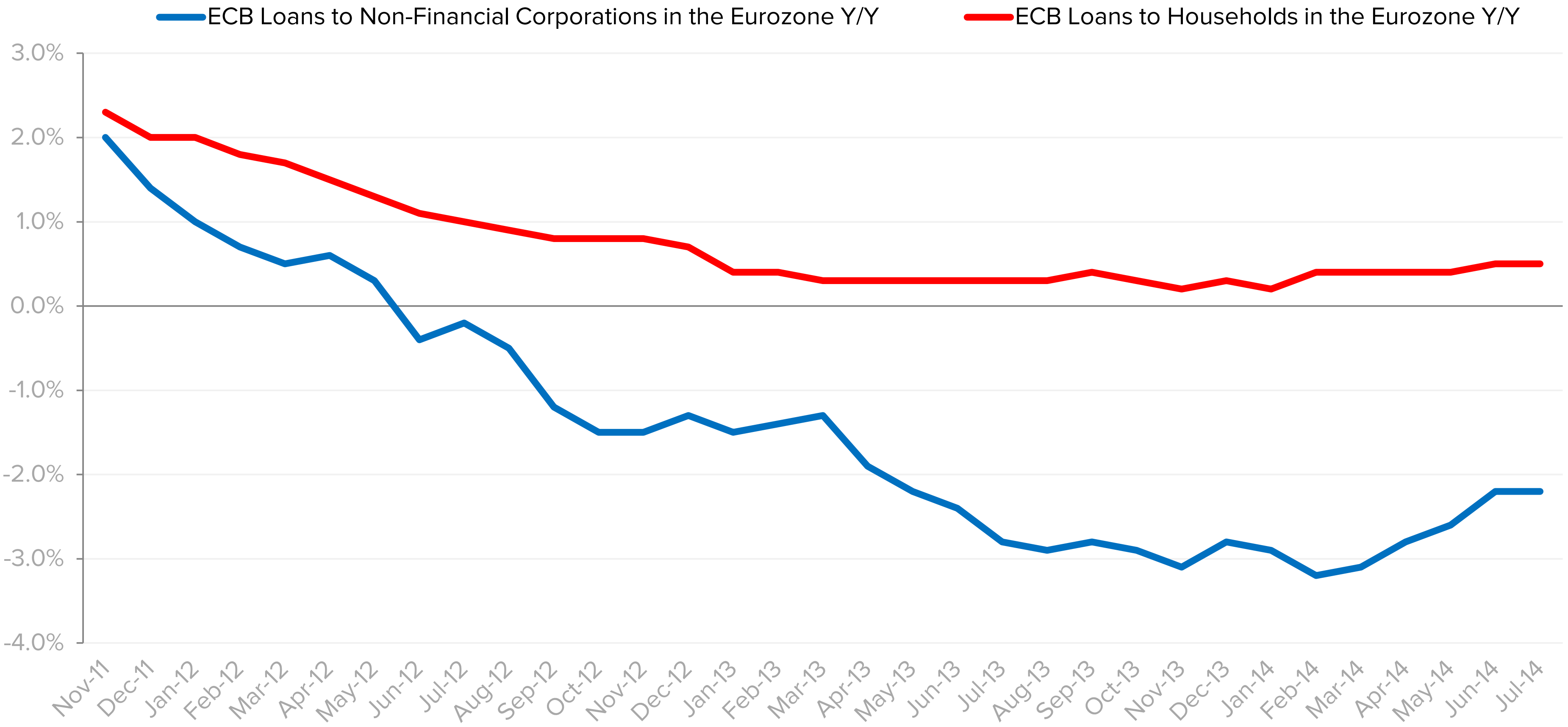
DATA SOURCE: BLOOMBERG

HEADWIND: UNEMPLOYMENT'S TAIL

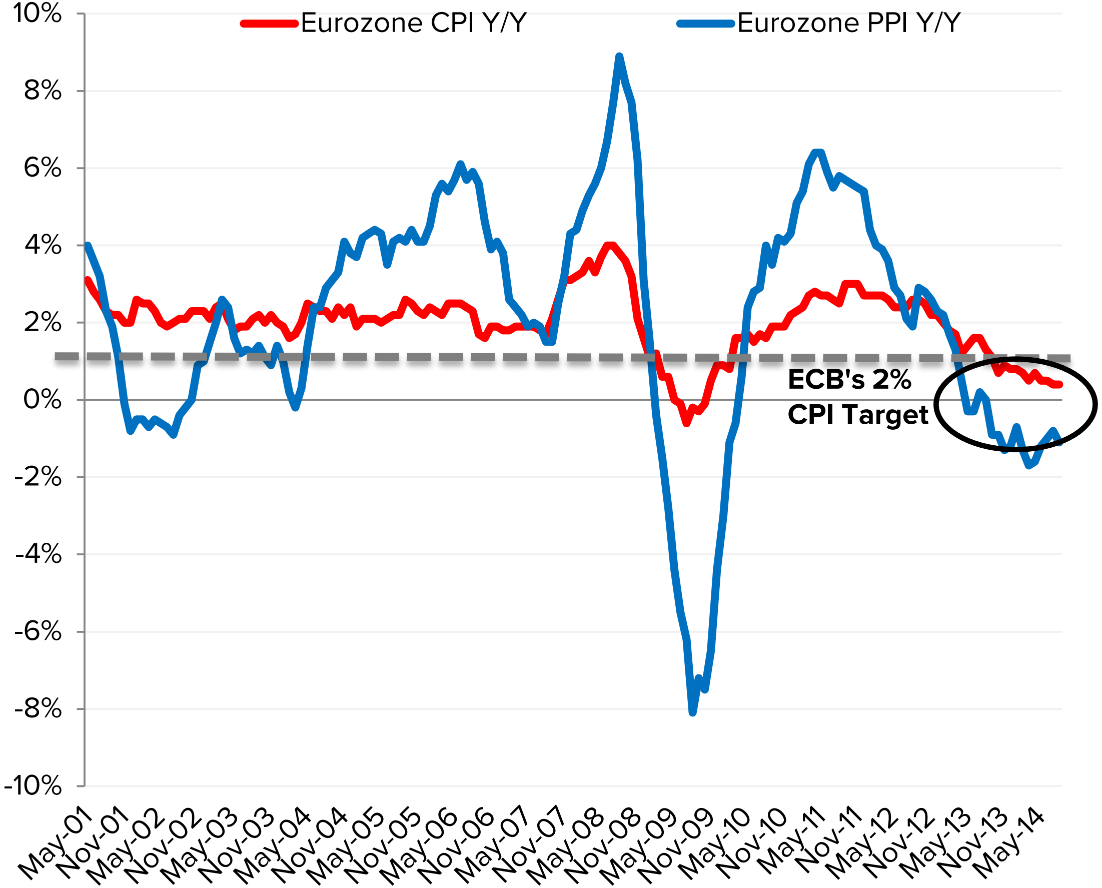


- "Lost Generation" = jobless for life
- Drag of periphery on the core
- Swiss-based staffing company Adecco said it saw a weaker-than-usual seasonal pick up in hiring in Europe for September, most pronounced in Germany and France. (9/24)

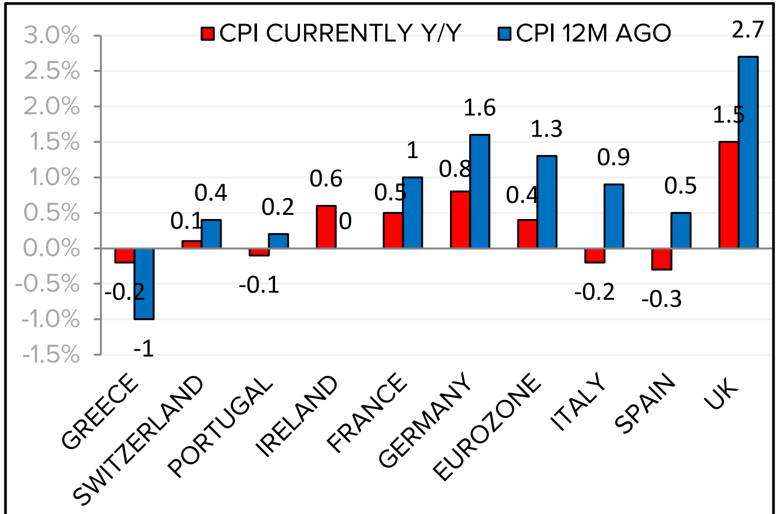
"REAL" ECONOMY LENDING STALLED



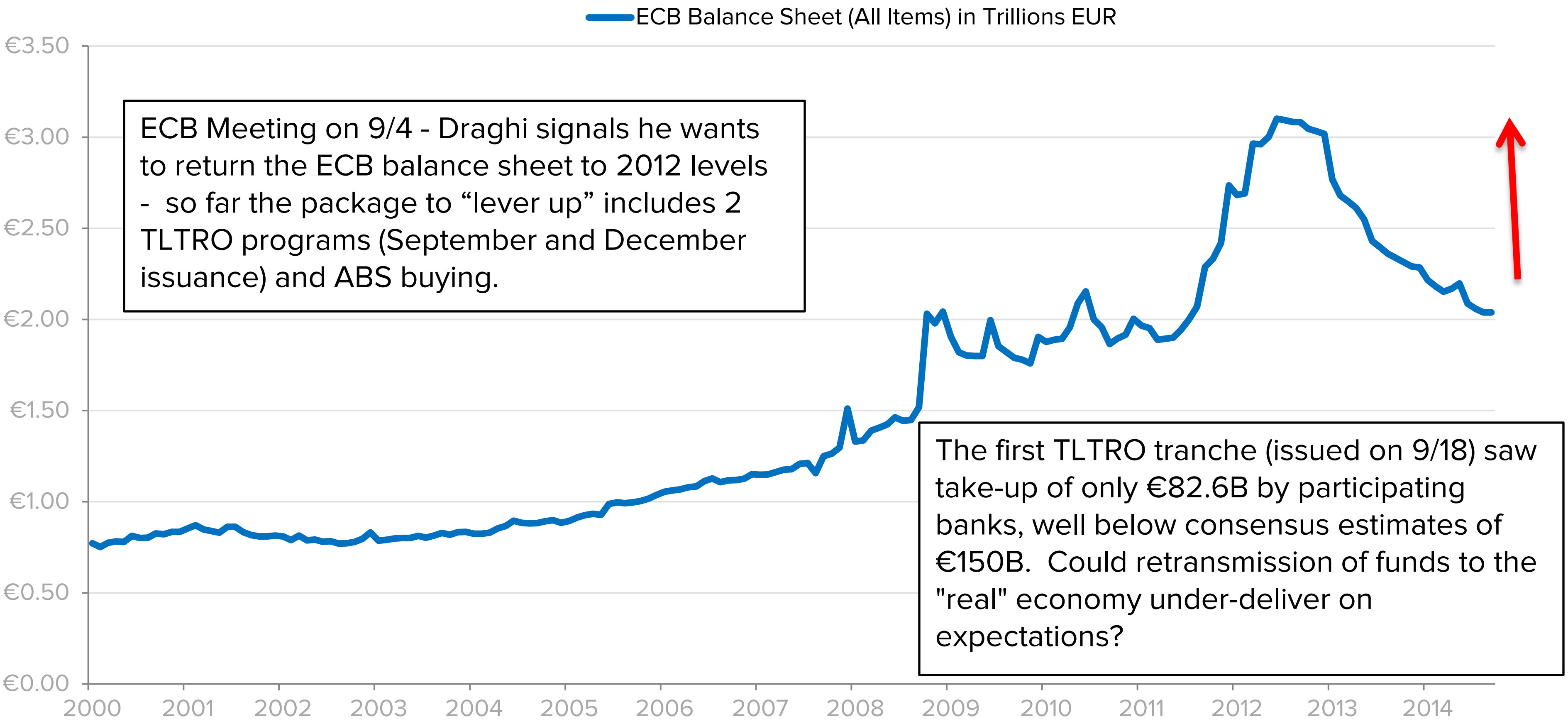
ARRESTING RUNAWAY DEFLATION?



Draghi @ Jackson Hole, Wyoming, on Aug. 22: says inflation expectations were declining across "all horizons" and that policy makers "will use all available instruments" to safeguard price stability.



LEVER UP!


ECB Balance Sheet (All Items) in Trillions EUR
€3.50
€3.00
€2.50
€2.00
€1.50
€1.00
€0.50
€0.00
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
ECB Meeting on 9/4 - Draghi signals he wants to return the ECB balance sheet to 2012 levels - so far the package to “lever up” includes 2 TLTRO programs (September and December issuance) and ABS buying.
The first TLTRO tranche (issued on 9/18) saw take-up of only €82.6B by participating banks, well below consensus estimates of €150B. Could retransmission of funds to the "real" economy under-deliver on expectations?

CONFUSION BREEDS CONTEMPT

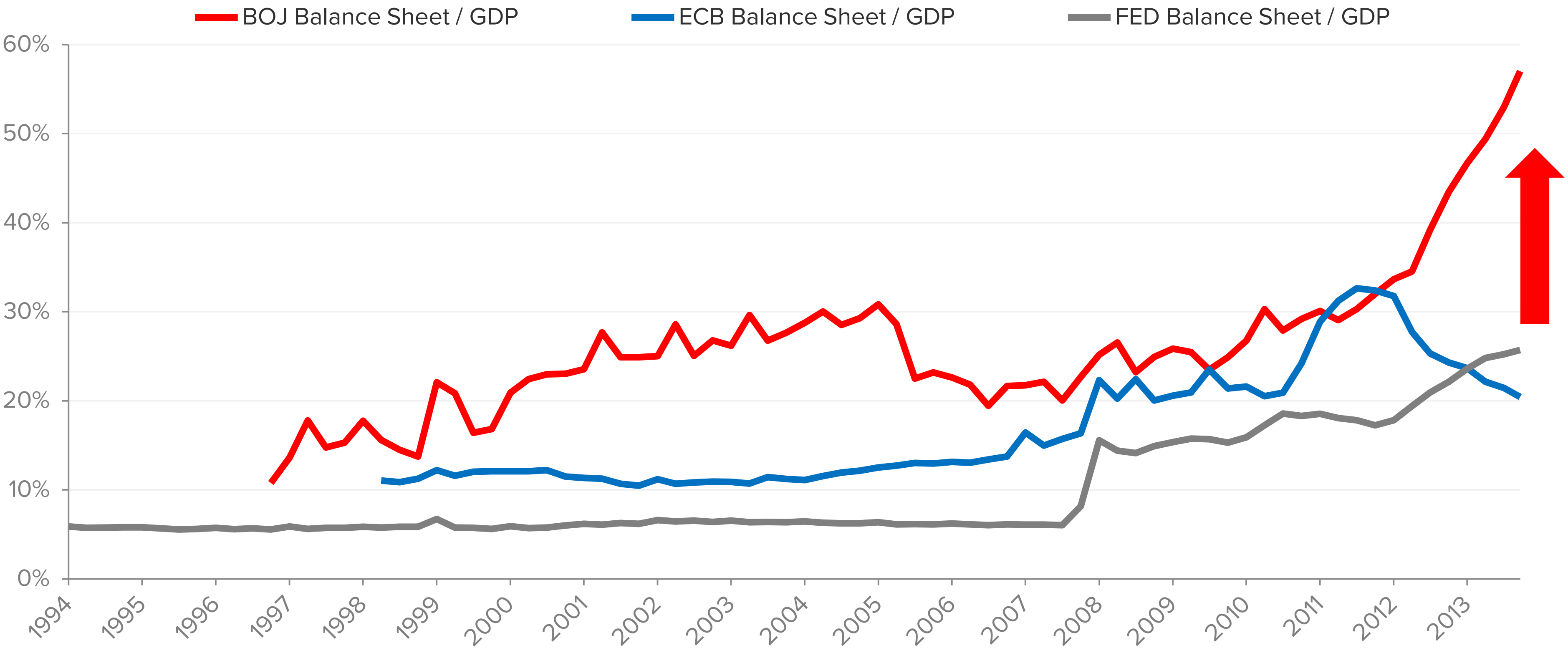
• **EXECUTIVE BOARD MEMBER BENOIT COEURE:** "We'll see if this [TLTRO and ABS] is enough... In case it would not be enough, the Governing Council is ready to do more. But it's way too early to tell."

• **GERMAN FINANCE MINISTER SCHAEUBLE**: said the ECB is doing what it can to help the Eurozone economy, but basically it has run out of tools. He added that it is no good having a central bank responsible for jobs and growth and pointed out that cheap money can't force growth.

• **ECB PRESIDENT MARIO DRAGHI:** "No matter what the monetary and even fiscal stimulus has been decided, we won't see much growth coming from these measures only if there are no serious structural reforms," he told reporters in Milan on Sept. 12, reiterating comments he made at Jackson Hole.

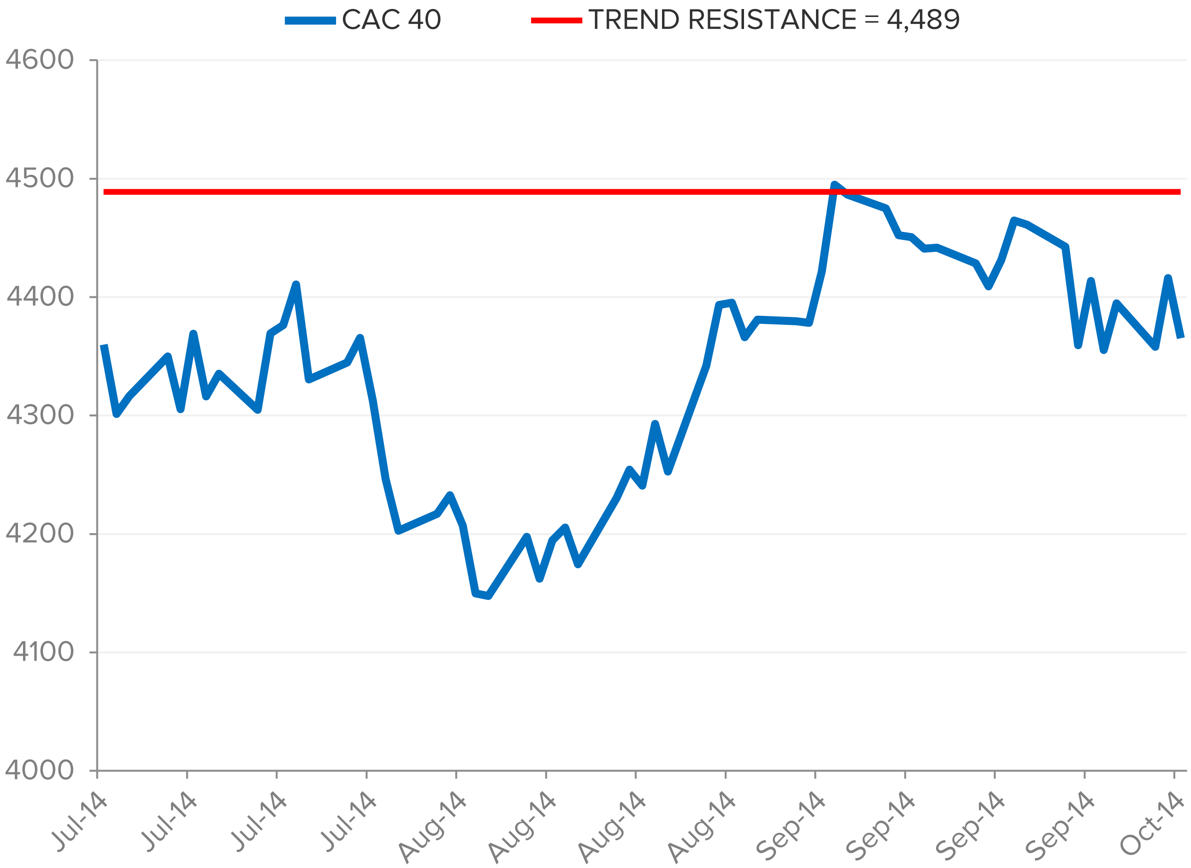
IS JAPAN REALLY A GOOD EXAMPLE?

LOST DECADES AREN'T ENVIABLE …



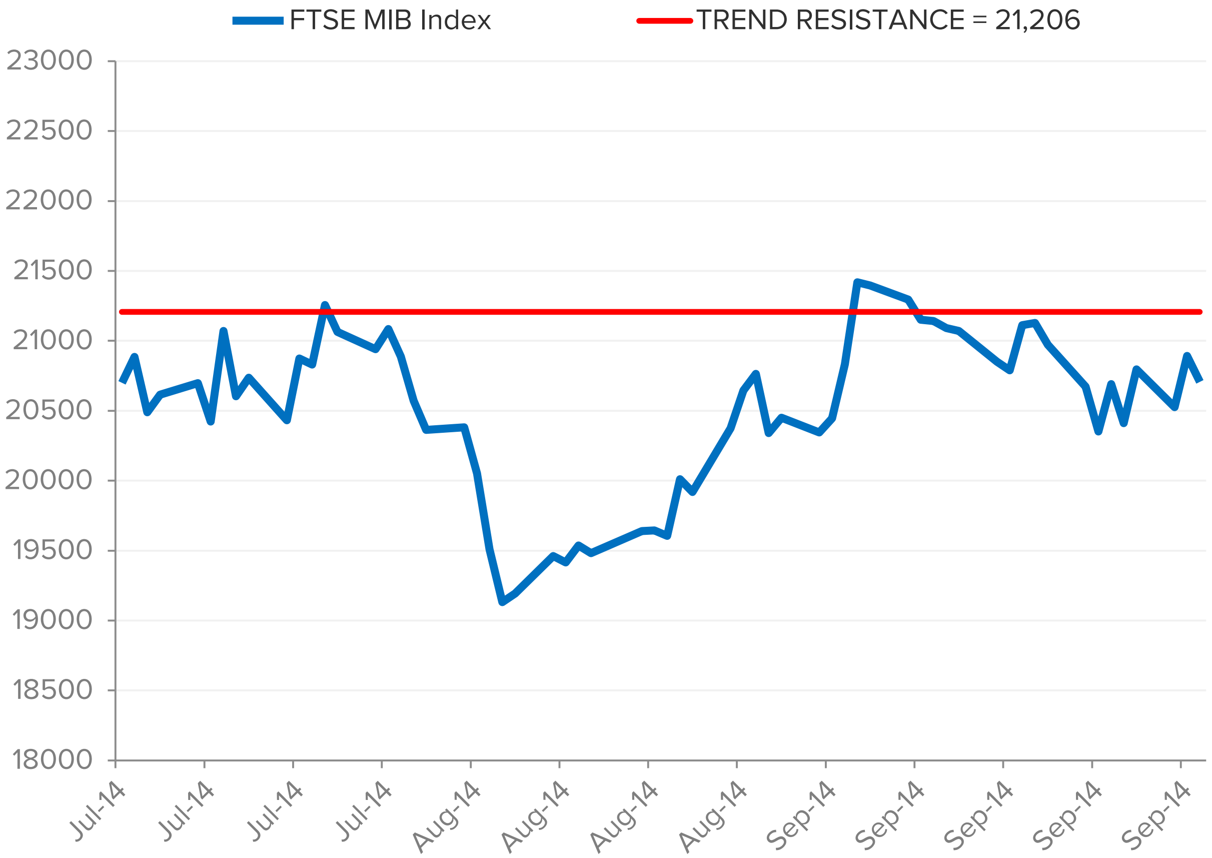
DATA SOURCE: BLOOMBERG

SOCIALISM (FRANCE) = BEARISH TREND



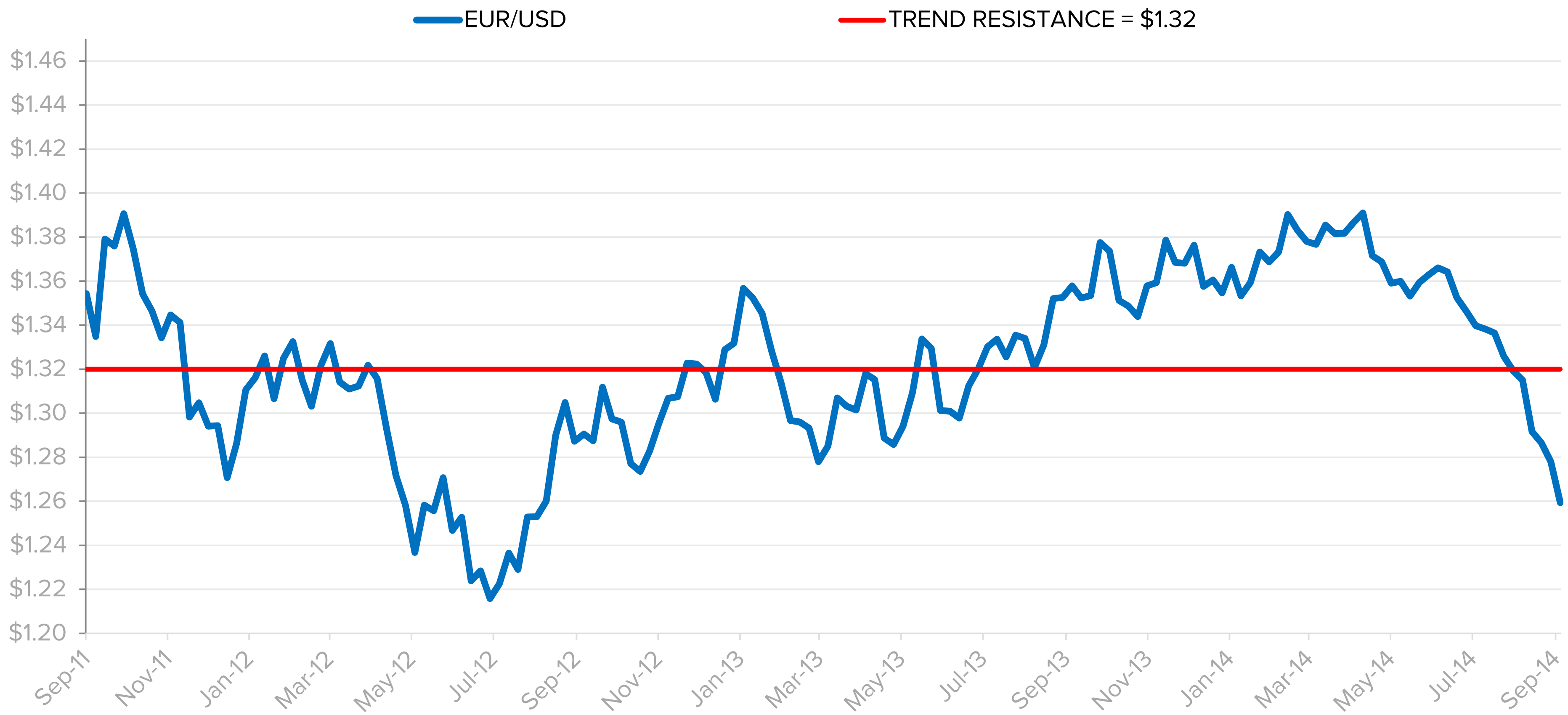
- **ETF = EWQ**
- **Economic Underperformance:** last quarter the Govt. cut 2014 growth in half to 0.5%
- **Fiscal Imbalance:** Govt. announced it will miss its 4% deficit target for ‘14 and won’t achieve 3% until 2017 (vs prior est. of 2016)
- **Political Disunity:** Hollande is wildly unpopular, only 17% approval

ITALY = BEARISH TREND



- **ETF = EWI**
- **<u>Economic Underperformance:</u>** Italy's growth is likely to contract for the 3rd straight year in 2014. Struggling to enact real structural reforms, we expect the Renzi gov't to "extend and pretend" its deficit reduction target, and the country to be Draghi's poster child for "why" there's no inflection (to growth) in 2015

EURO = BEARISH TREND



DATA SOURCE: BLOOMBERG

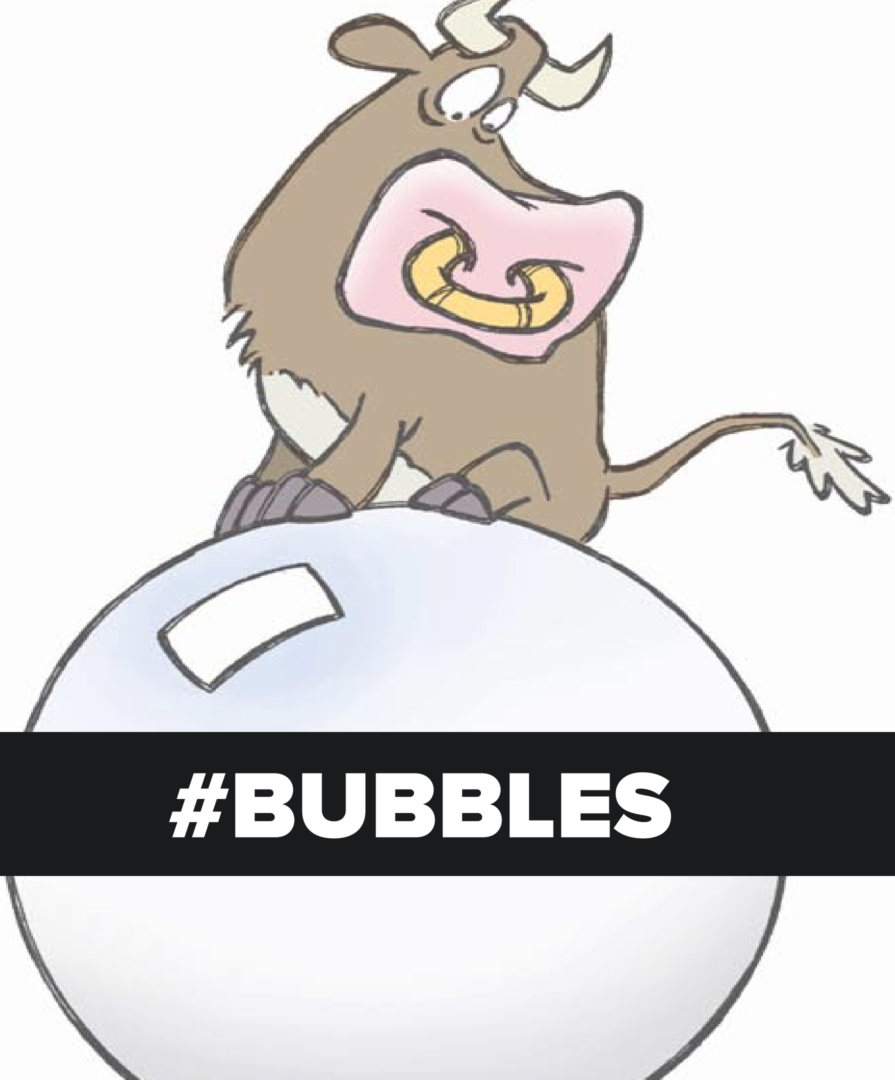
EVENTS DRAGHI WILL MONITOR

OCT 9 – ECB Publishes Monthly Report
OCT 23 – Eurozone Q2 Government Debt and Deficit
OCT 26 – Results of the European Bank Stress Tests Announced
OCT 30 – Eurozone Confidence Figures
OCT 31 – OCT CPI Estimate

NOV 6 – ECB Interest Rate Announcement
NOV 13 – ECB Publishes Monthly Report
NOV 27 – Eurozone Confidence Figures
NOV 28 – NOV CPI Estimate

DEC 3 – Preliminary Eurozone Q3 GDP
DEC 4 – ECB Interest Rate Announcement
DEC 11 – ECB Publishes Monthly Report

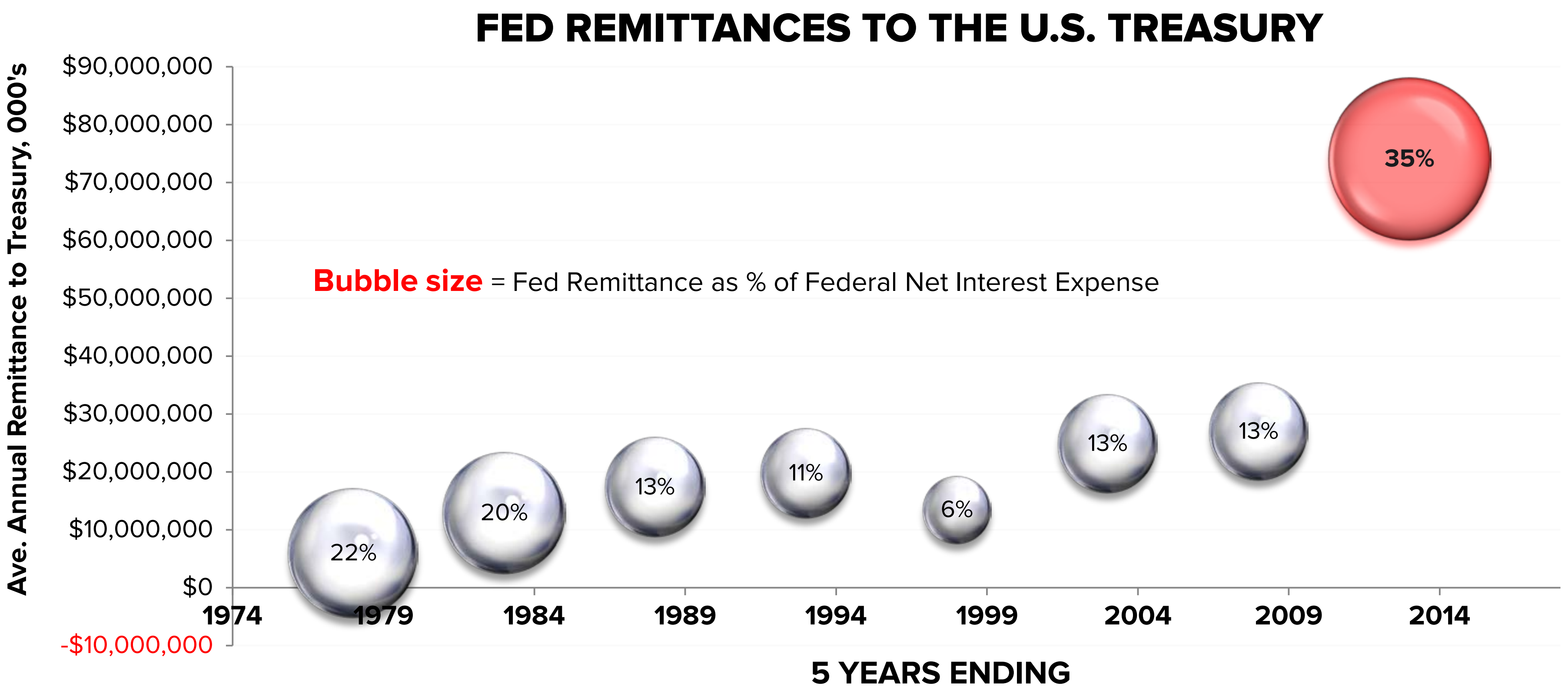
- **Other Geopolitical Risks:** Ukraine, ISIS, Catalonia



#BUBBLES

CENTRAL BANK INTERVENTION

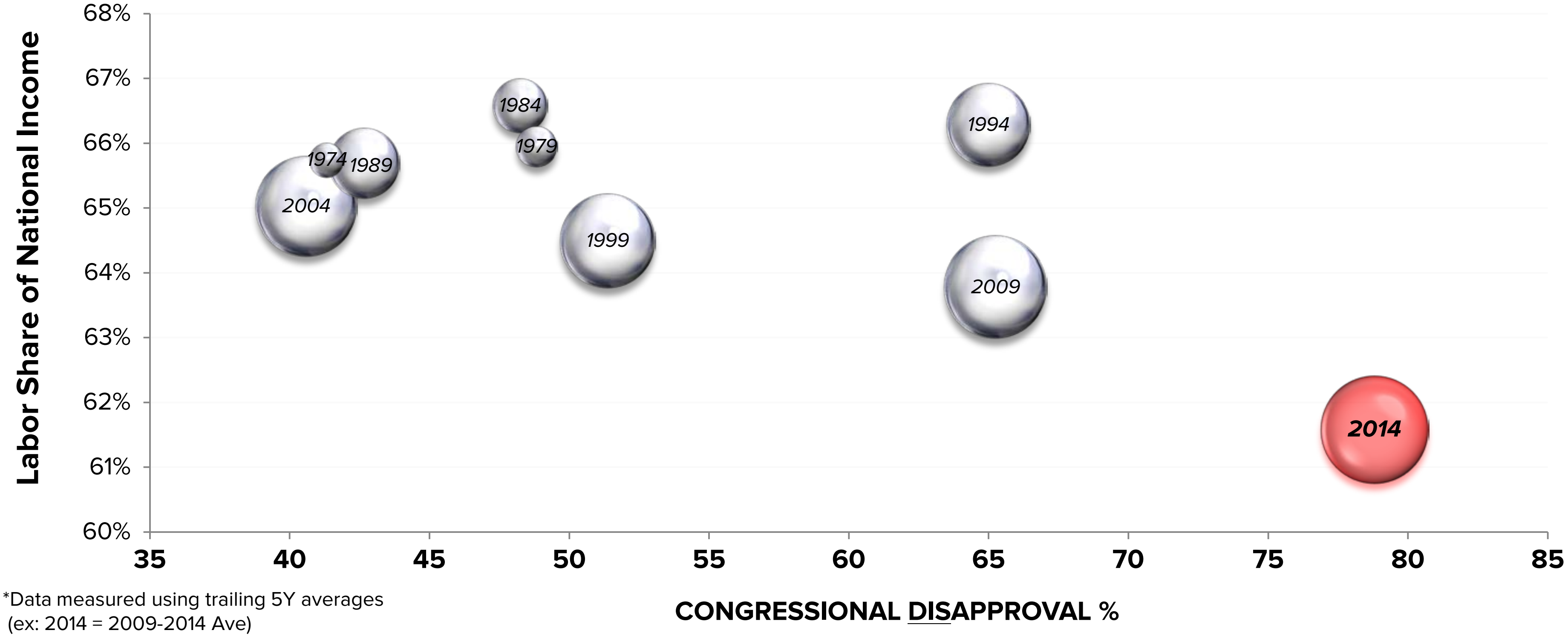
TSRY ISSUES DEBT → FED BUYS DEBT → TSRY PAYS FED → FED GIVES IT BACK



INEQUALITY

ALL-TIME LOW IN LABOR'S SHARE OF INCOME + ALL-TIME HIGH IN CONGRESSIONAL DISAPPROVAL

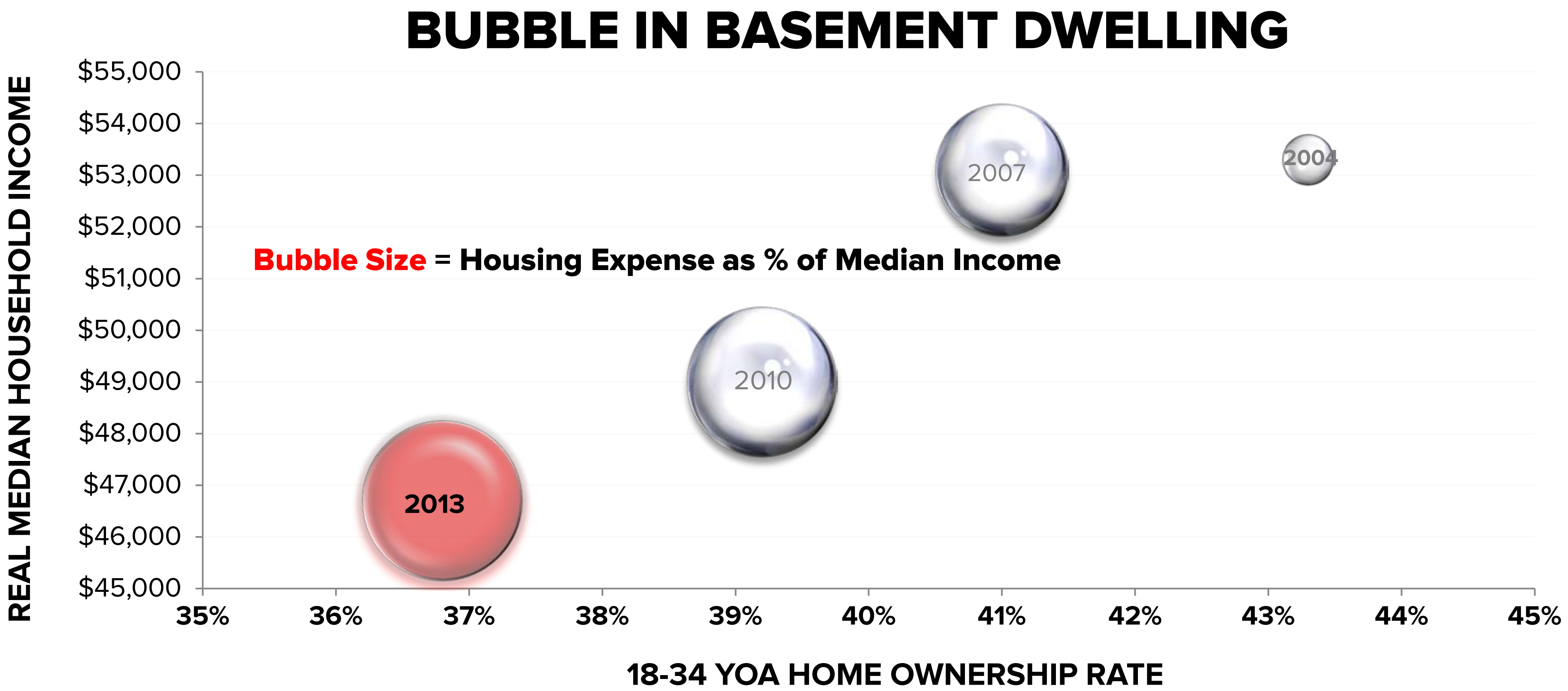
Bubble Size = Gini Coefficient: a larger bubble represents a greater level of inequality



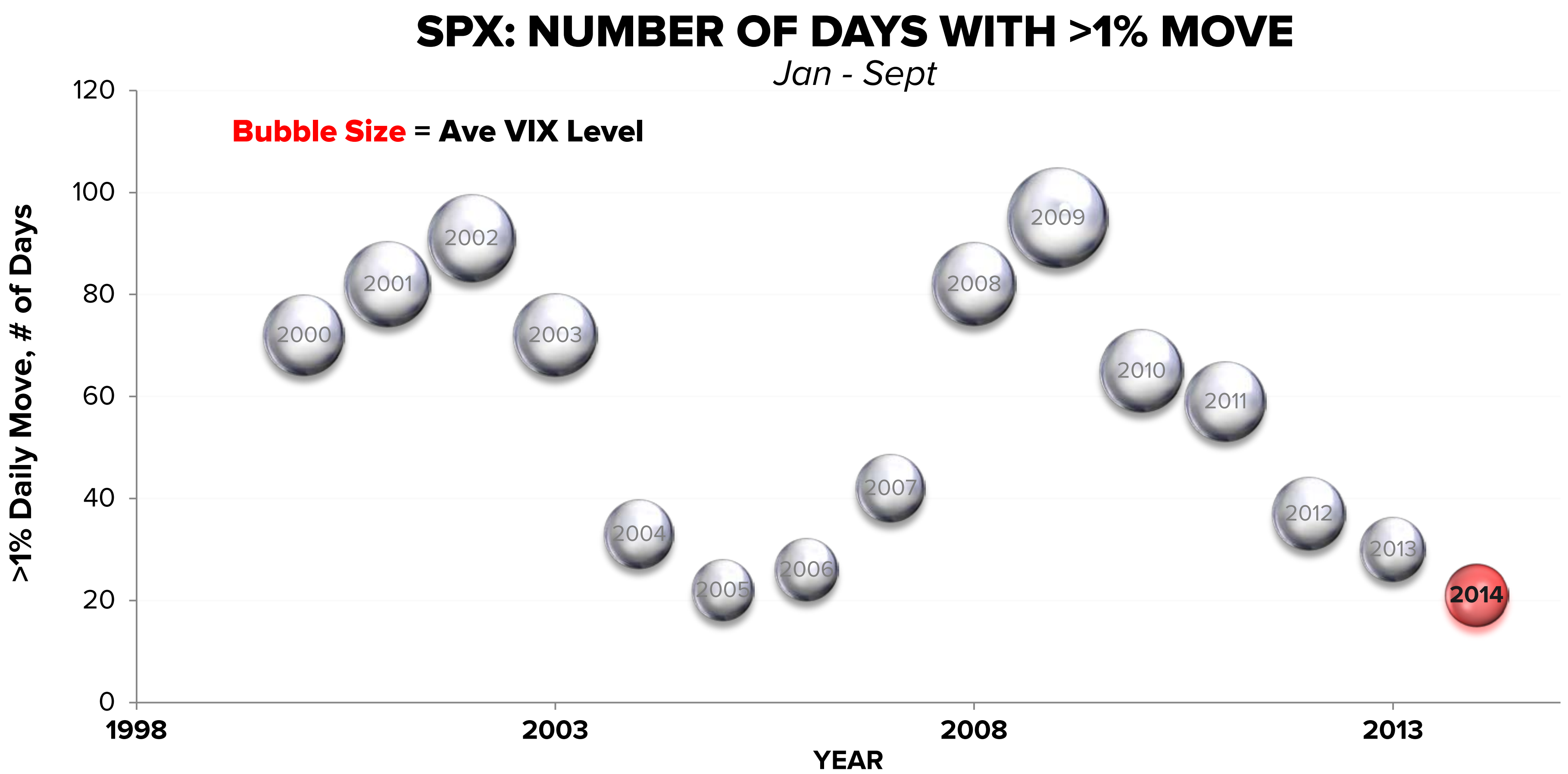
*Data measured using trailing 5Y averages
(ex: 2014 = 2009-2014 Ave)

BASEMENT DWELLING

NEGATIVE WAGE GROWTH + COST OF LIVING INFLATION = LIVE IN BASEMENT

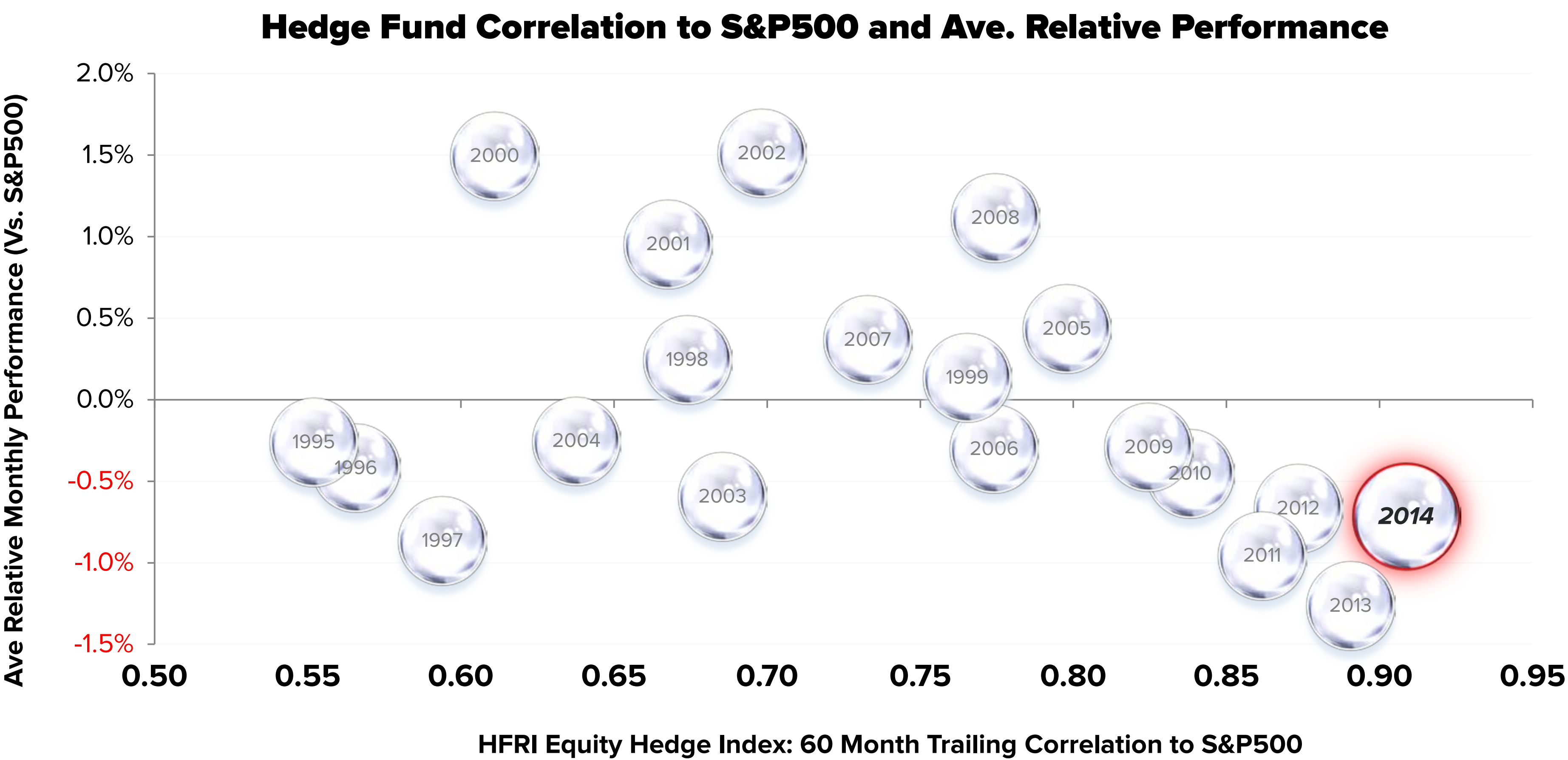


COMPLACENCY



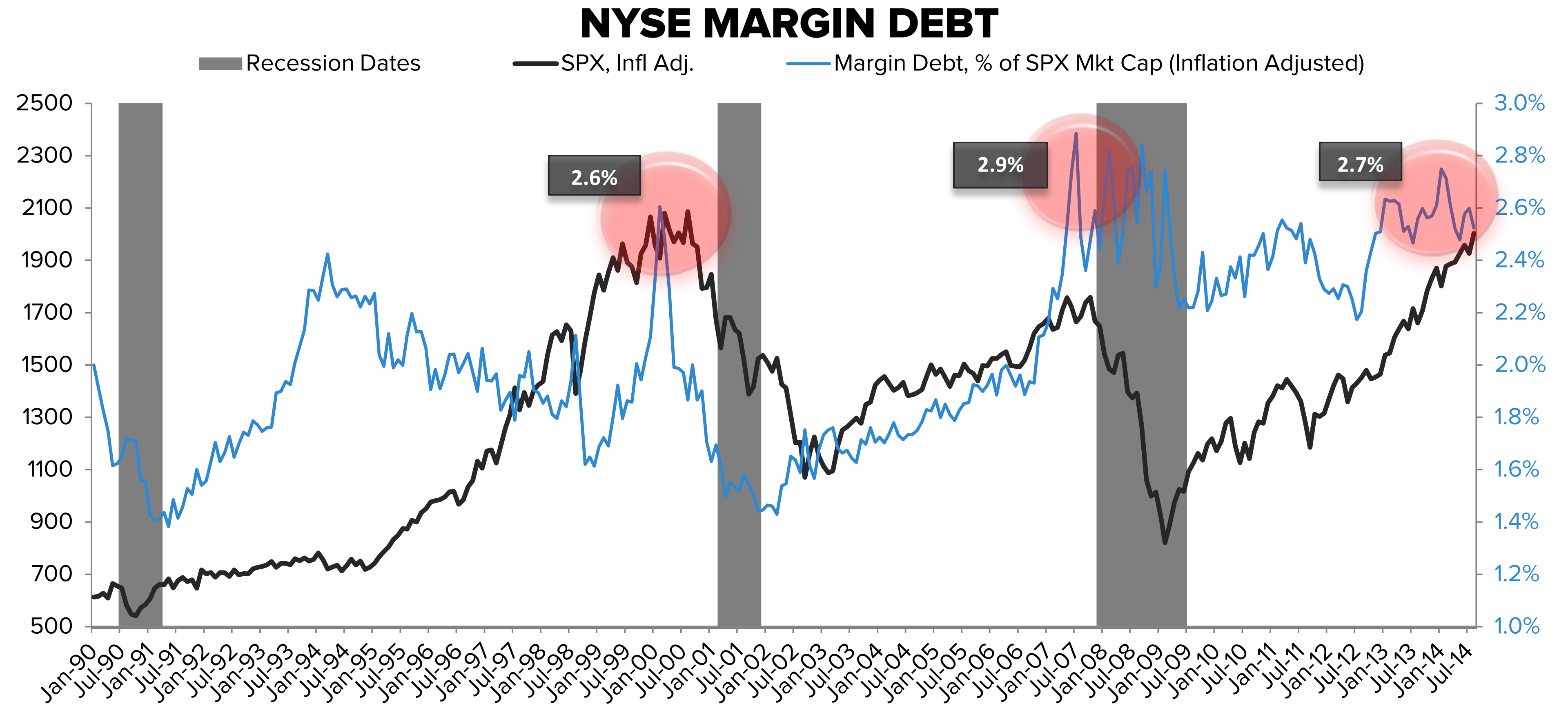
DATA SOURCE: BLOOMBERG, HEDGEYE CALCULATIONS

LEVERED BETA CHASING



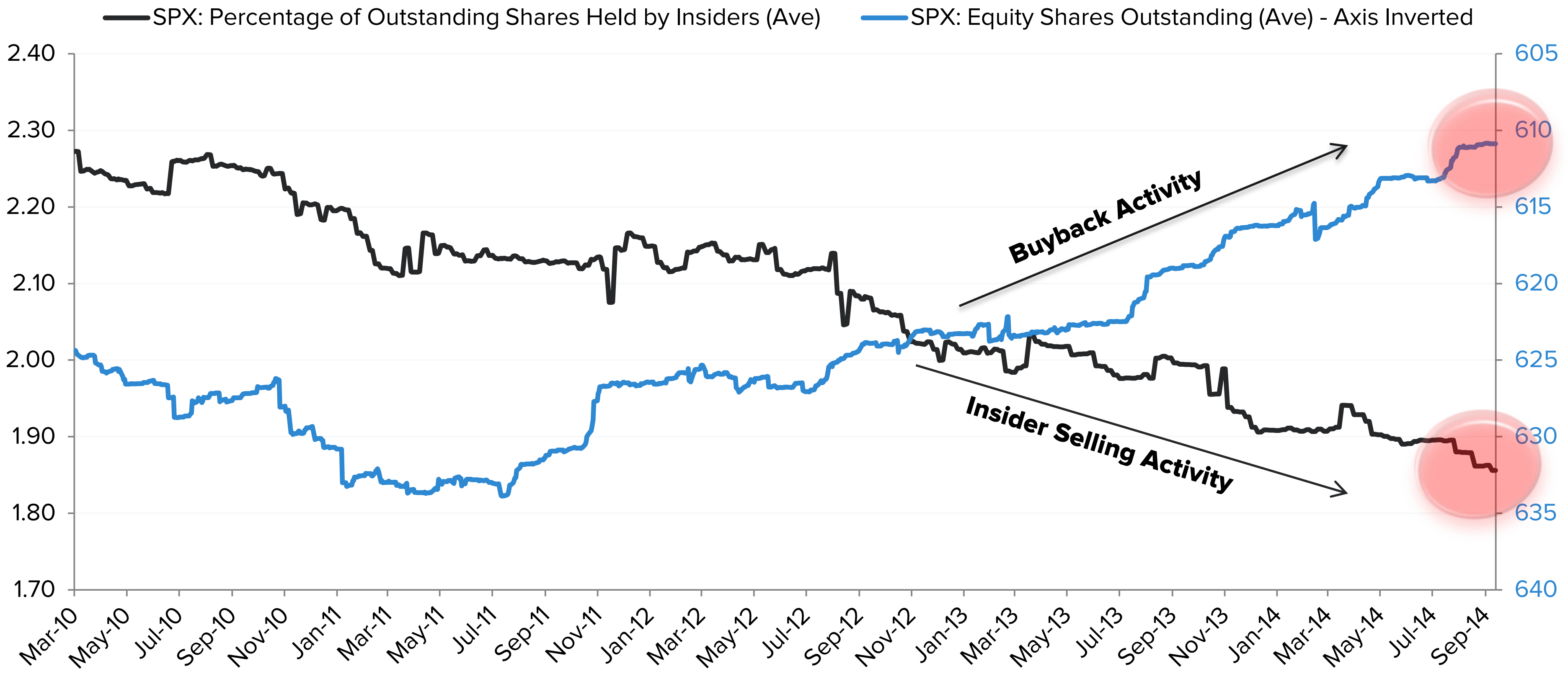
DATA SOURCE: BLOOMBERG, HEDGEYE CALCULATIONS

LEVERAGED SPECULATION



MALFEASANCE?

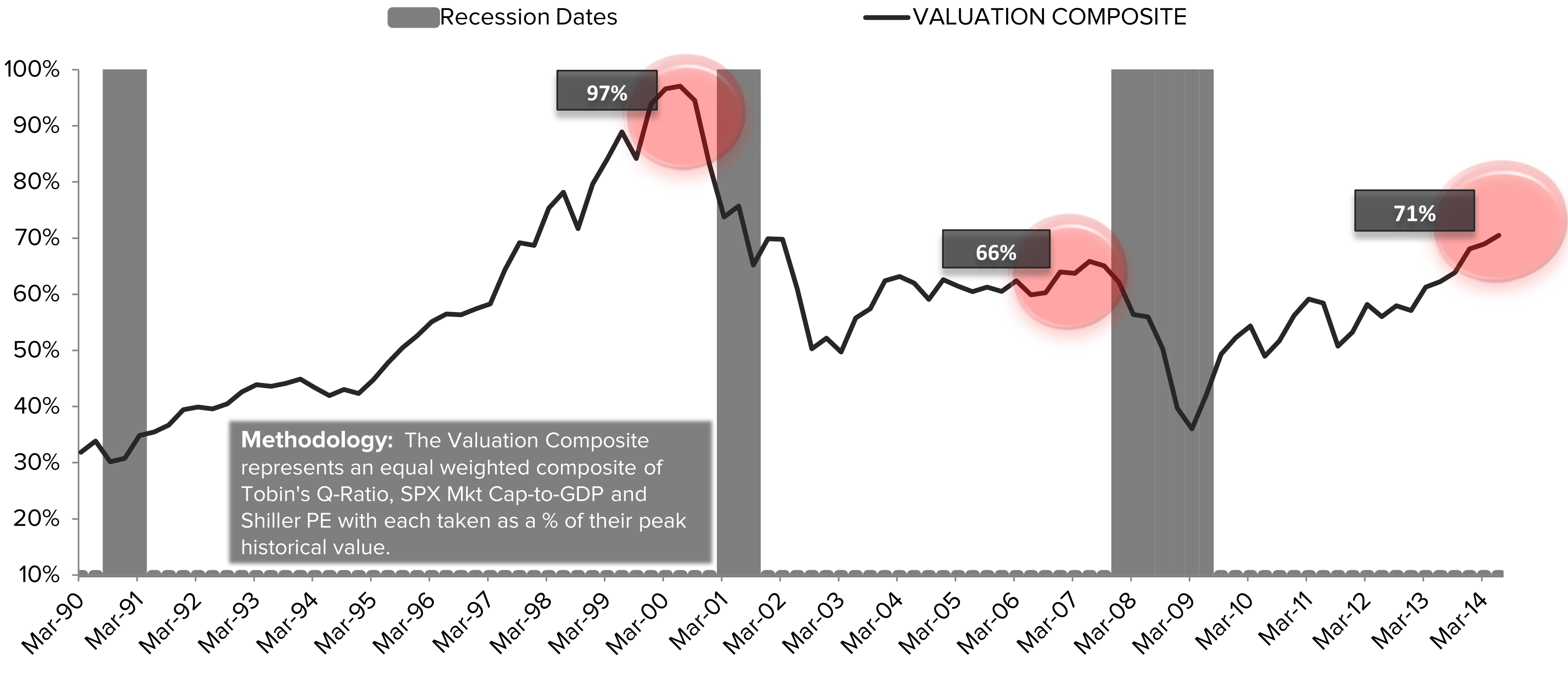
INSIDERS SELLING AS BUYBACKS HIT RECORD



DATA SOURCE;: BLOOMBERG

MARKET VALUATION

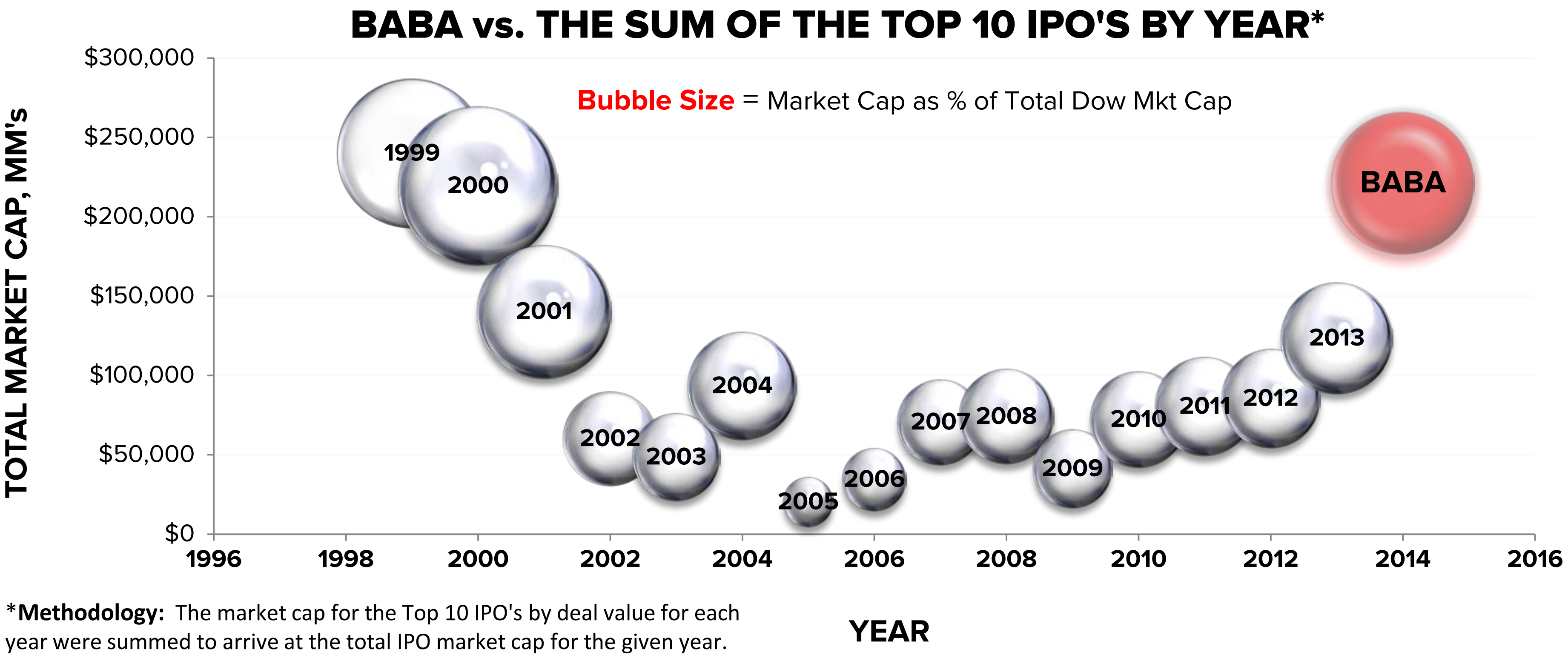
PRICE PAID > VALUE RECEIVED



DATA SOURCE: BLOOMBERG, HEDGEYE CALCULATIONS

IPO MARKET CAP

NO EARNINGS, NO LIQUIDITY, NO PROBLEM!

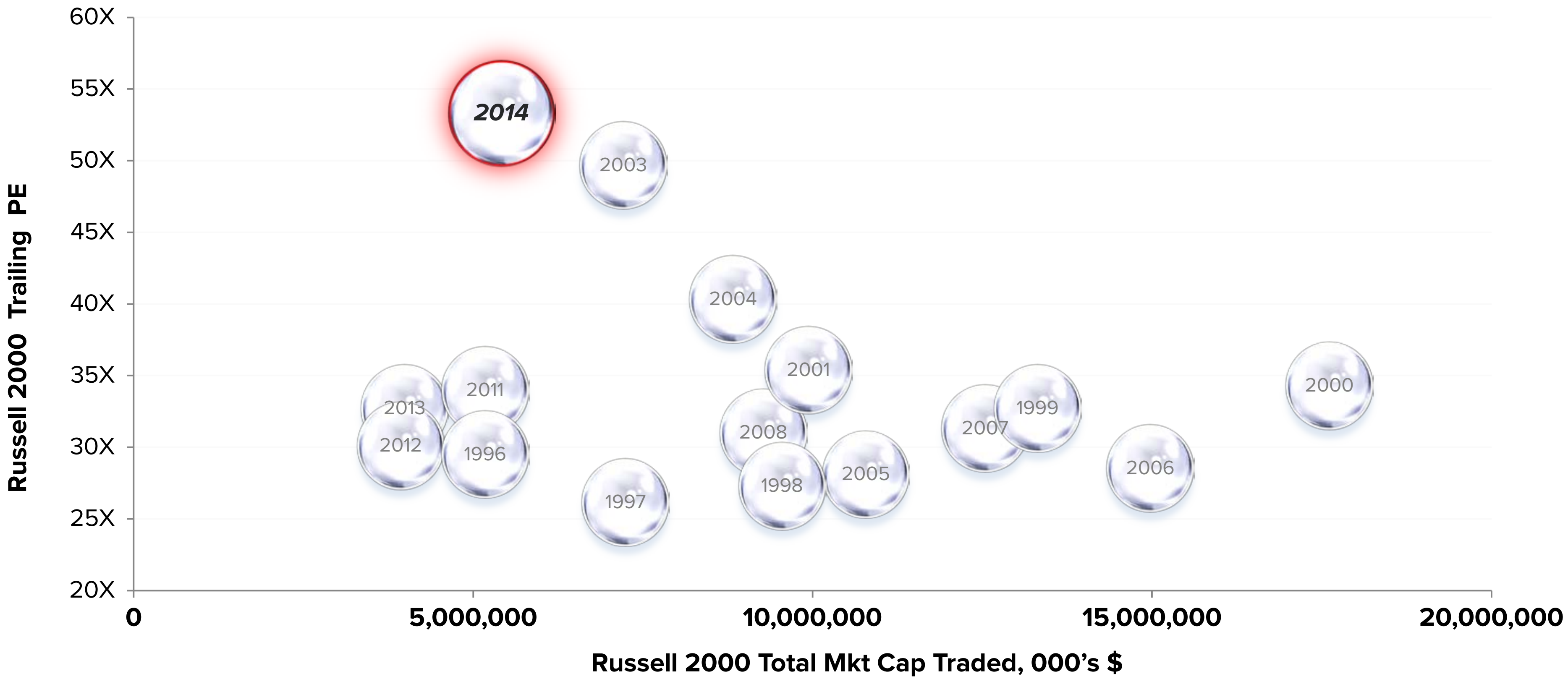


*__Methodology:__ The market cap for the Top 10 IPO's by deal value for each year were summed to arrive at the total IPO market cap for the given year.

DATA SOURCE: BLOOMBERG, HEDGEYE CALCULATIONS

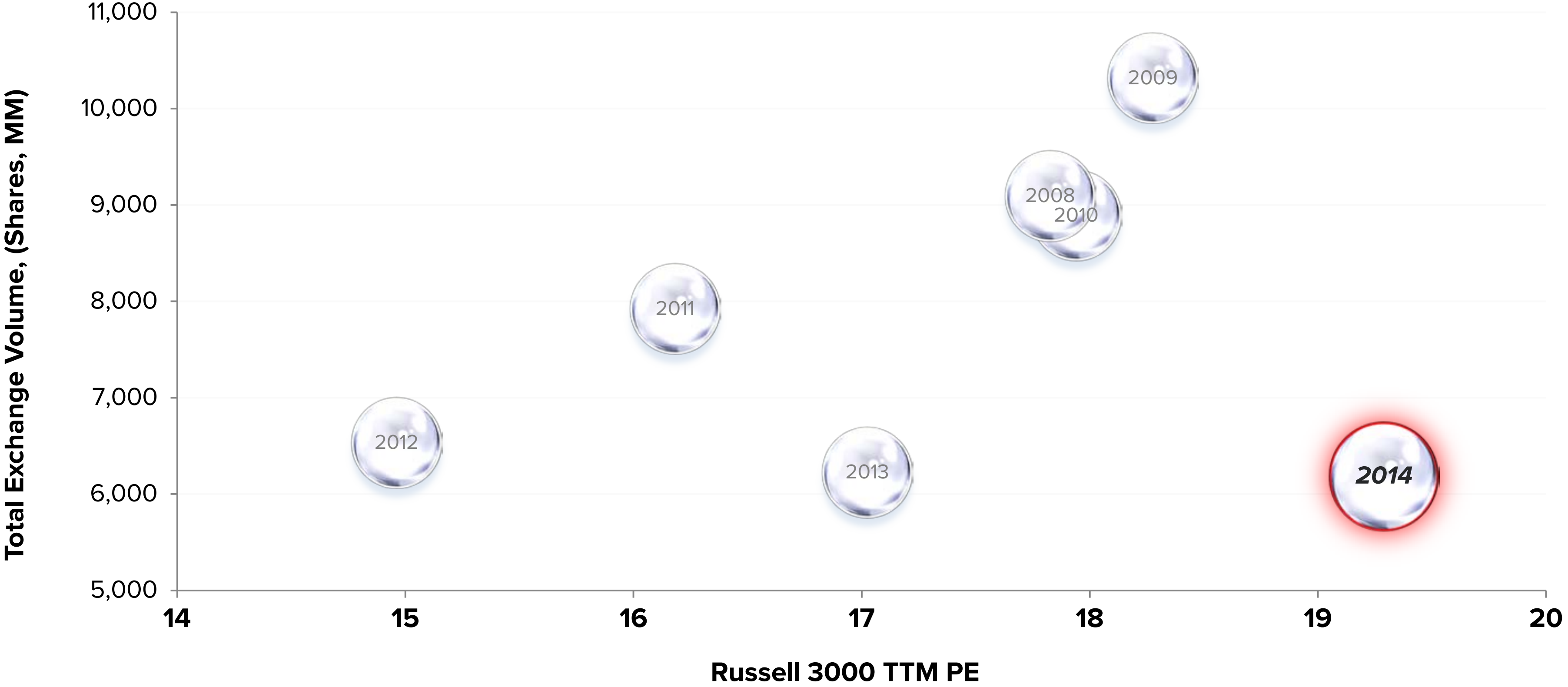
SMALL CAP ILLIQUIDITY

PEAK VALUATION + NO TURNOVER = WINDOW DOWN



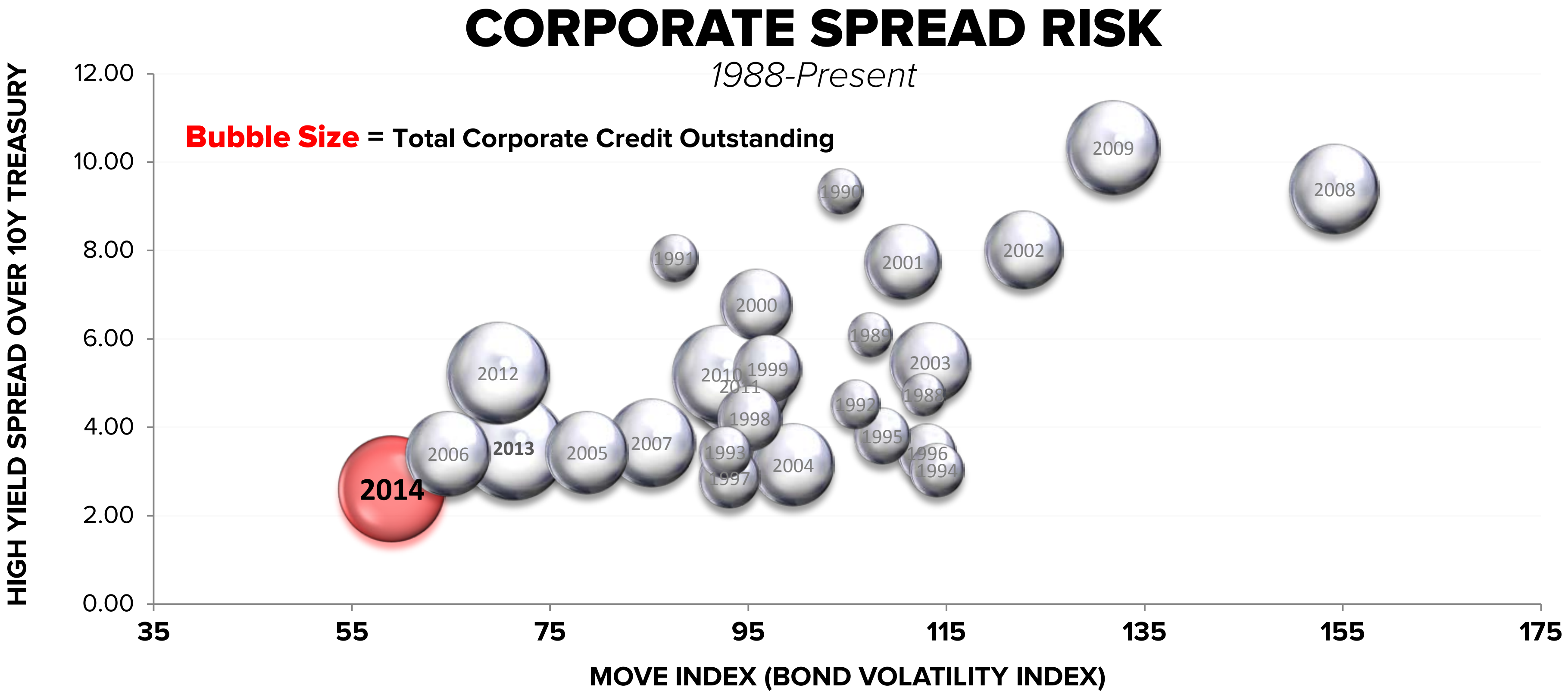
BROADER MARKET LOOKS THE SAME

.....EXPENSIVE & ILLIQUID



SPREAD RISK

ALL-TIME LOW IN SPREADS + ALL-TIME LOW IN VOLATILITY + ALL-TIME HIGH IN DEBT OUTSTANDING



INVESTMENT CONCLUSIONS

LONGS

- Long-term Treasuries (TLT)
- Muni Bonds (MUB)
- Healthcare (XLV)
- Consumer Staples (XLP)
- Mega Caps (OEF)

- HCA Holdings Inc. (HCA)
  - Analyst: Tom Tobin
- Legg Mason (LM)
  - Analyst: Jonathan Casteleyn, CFA, CMT

SHORTS

- Russell 2000 (IWM)
- Regional Banks (KRE)
- Housing (ITB)
- France (EWQ)
- Emerging Markets (VWO)

- Yelp Inc. (YELP)
  - Analyst: Hesham Shaaban, CFA
- Vanguard Natural Resources (VNR)
  - Analyst: Kevin Kaiser

FOR MORE INFORMATION CONTACT:

SALES@HEDGEYE.COM

203.562.6500