



*Presentation Prepared Exclusively for  
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## Firm Overview

Founded in 2003, Pinnacle Asset Management, L.P. ("Pinnacle") is a private, New York-based alternative asset management firm with a singular focus on the global commodities markets.

As of September 1, 2019, Pinnacle's AUM is \$2.5 billion\*, with a global investor base that includes public and corporate pension funds, insurance companies, endowments, foundations, and family offices.

Pinnacle's Investment Committee has been in place for over 13 years, and includes the following four members: Jason M. Kellman (CIO), Donnell A. Segalas, Scott L. Kellman, and Marcel Massimb, Ph.D.

Pinnacle is an investment adviser registered with the Securities and Exchange Commission; is a commodity trading adviser and commodity pool operator registered with the Commodity Futures Trading Commission; and is a member of the National Futures Association.

\*As of September 1, 2019, firm assets were approximately \$2.2 Billion in discretionary assets and \$0.3 Billion in advisory assets.



Aims to identify, source, and make multiple direct opportunistic investments in select real asset businesses, within the physical commodity sector.

The platform:

- Is innovative, distinctive, and non-traditional.
- Levers 16+ year relationships in the commodity investment industry.
- Invests in the commodity chain of commerce (“business of commodities”).
- Mitigates exposure to commodity price directionality.
- Captures value in the commodity supply chain, while building enterprise value.

## Physical Real Assets

Cattle



Metals



Energy



- Identification of overlooked/underappreciated specific market opportunities within the physical real asset space.
- Sourcing experienced, talented teams with verifiable track records to seize these opportunities.
- Commodity expertise vs. traditional private equity approach (understanding the underlying commodity itself and associated risks inherent to the raw material).
- Assembling/curating the proper investor community with longer-term investment objectives and vision.
- Focused on operational excellence with the goal of enterprise value creation.
- Structuring special purpose vehicles for flexibility and alignment between investors and businesses.
- Building and leading the governance structure to ensure the proper strategic mission.



2008

SBCERA invests in Pinnacle's liquid long/short commodities trading strategy with an absolute return orientation.

2009

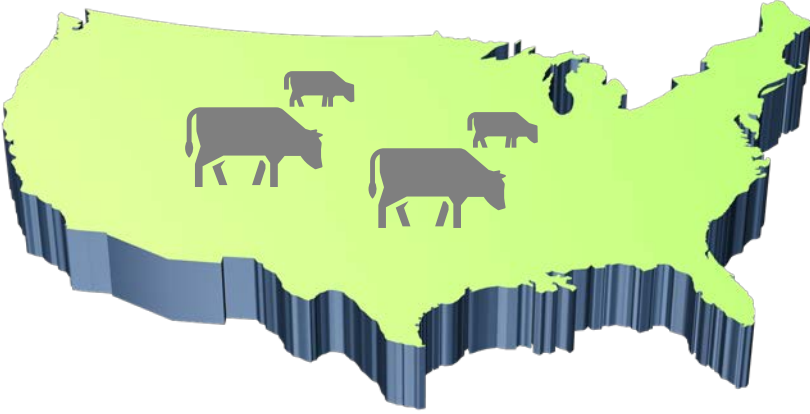
SBCERA partners with Pinnacle to create a customized solution focused on specific physical real asset opportunities.

2018

SBCERA's real asset exposure to live cattle feeding expands.

2019

11<sup>th</sup> anniversary of Pinnacle-SBCERA relationship. Pinnacle will continue to work closely with SBCERA to develop, share, and execute on physical real asset pipeline ideas for potential future allocations.



- Largest Cattle Feeding Entity in the U.S.
- Unexpected Sale
- Long-term Partnership
- Expansion Opportunity

1. Global Meat News

2. Reuters

3. Texas and Southwestern Cattle Raisers Association

4. Drovers

“ JBS announces divestment program to reduce debt, shrink leverage”<sup>1</sup>  
– June 2017

“ Brazilian meatpacker JBS plans to sell \$1.8 billion in assets”<sup>2</sup>  
– June 2017

“ JBS to sell Five Rivers Cattle Feeding for \$200M”<sup>3</sup>  
– January 2018

“ Sale of World’s Largest Cattle Feeder JBS Five Rivers Finalized”<sup>4</sup>  
– March 2018

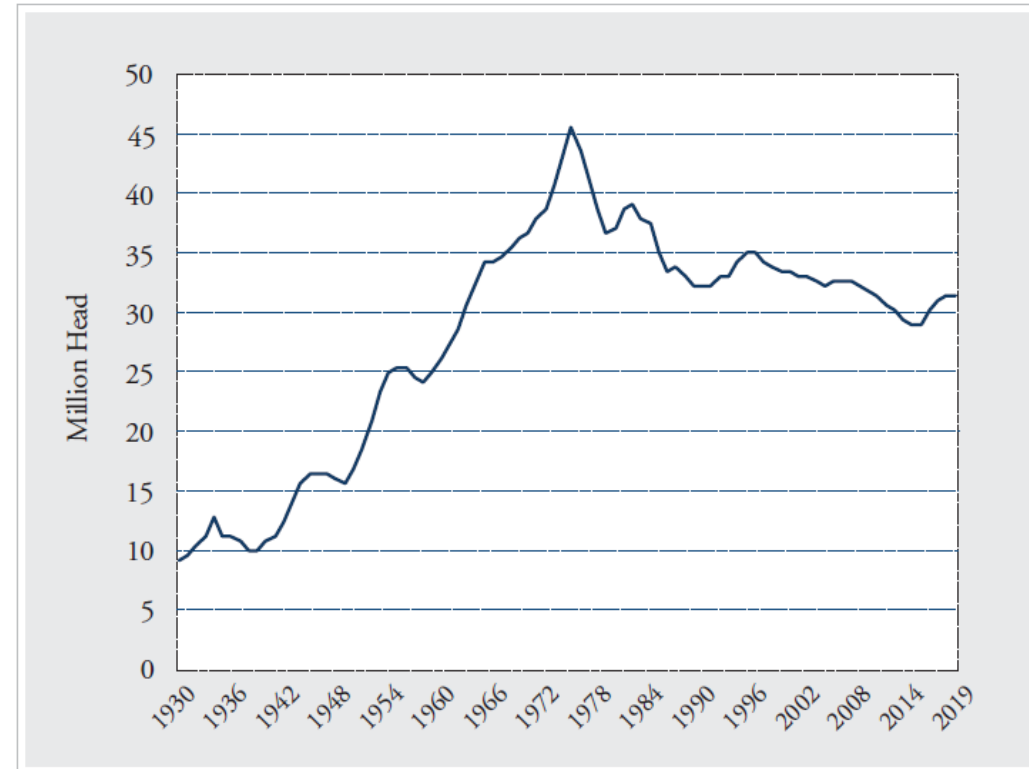


- The Five Rivers portfolio consists of 11 geographically diverse, strategically located U.S. cattle feedlots.
- Feedlots spread across 6 states.
- Practical capacity of 854,000 head.
- ~650 employees / ~50 executives.
- ~\$1bn credit syndicate.
- Long-term supply contract with JBS USA.



- 2019 total U.S. inventory of beef cows estimated at 31.8 million.<sup>1</sup>
- 72% of feedlot production is occurring in the 5-state area of Nebraska (19.1%), Texas (19.1%), Kansas (16.9%), Iowa (9.2%), and Colorado (7.3%).<sup>1</sup>
- 72% of cattle were produced in feedlots with capacity greater than 1,000 animals.<sup>2</sup>
- 80% of the beef processing industry is accounted for by 4 firms.<sup>1</sup>
- Largest export markets include: Japan, Mexico, South Korea, Hong Kong, Canada, and Taiwan.<sup>1</sup>

U.S. Beef Cow Inventory  
1930-2019



Source: USDA data

1. USDA data

2. USDA (Cattle on Feed report)



# U.S. CATTLE INDUSTRY – CHARACTERISTICS

Exhibit A: Page 9

## Cattle/Livestock Production Characteristics

- Fragmented
- Resource dependent
- Capital dependent
- Land dependent

Creates investment  
opportunities

## Cattle/Livestock Industry Diversity

- Climate/environmental conditions
- Animal types
- Management systems
- Nutritional inputs
- Workforce dynamics
- Consumer taste preferences

Creates competitive edge,  
barriers to entry, scale

- Animal welfare/well-being
- Nutrition
- Traceability
- Natural production methods
- Branded programs
- Sustainability



- Legacy of stewardship to community/environment
- Technology usage/efficiency
- Energy conservation
- Water conservation
- Manure and wastewater management
- Compliance/environmental permits





Where are we in the Production Chain?

**Seed Stock  
Operator**

**Cow/Calf  
Operator**

**Stocker  
Operator**

**Feedlot  
Operator**

**Packer/  
Processor**

**Retailer, Hotel,  
Restaurant,  
Institution**

What is the Cattle Feeding Model process?

**Purchase Feeder  
Cattle**

**Hedge Corn**

**Sell Cattle  
Forward**

**Establish Margin**

**Deliver Animals**

**Lift Hedge**



- Hotel business vs. cattle feeding business
- Occupancy rates, operational results vs. modeled expectations
- Ongoing investment in the infrastructure
- Supply agreement performance
- Risk management
- Distributions





- JBS Partnership
  - Record earnings, stock price, potential IPO
- Expansion
- Acquisition
- Improvement

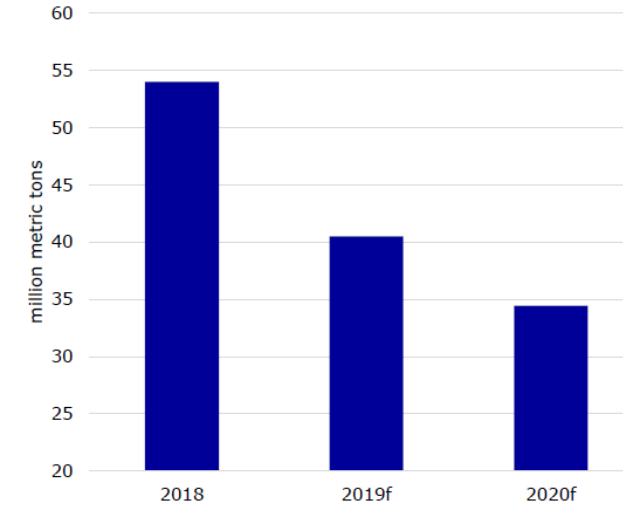


- Growth of protein demand
- African Swine Fever
- Substitutes
- Trade war

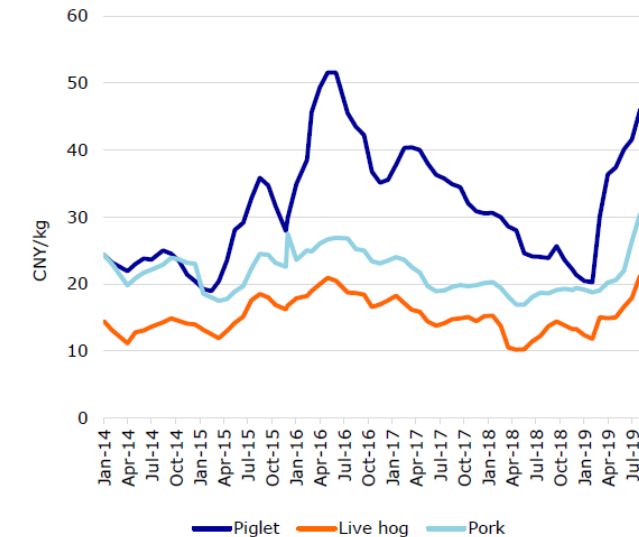


- Hog losses in China have reached critical levels.<sup>1</sup>
- Hog/pork/poultry/beef prices in China at record highs.<sup>2</sup>
- Multi-year, multi-region – structural change to global animal protein.<sup>1</sup>
- Beef exports to China have grown – up more than 50% in 1H 2019.<sup>1</sup>
- “We believe global poultry and beef prices will inflate as well as the calendar rolls into 2020 and beyond.”<sup>3</sup>

*Unprecedented decline forecast in China's pork production*



*ASF outbreak has pressured pork prices up during 2019*



1. Rabobank  
2. Bloomberg Aug 19, 2019  
3. Stephens Inc.  
Chart sources: Rabobank



- Commodity businesses mitigate commodity beta
- Cash flow producing businesses
- True physical real asset/infrastructure
- Protein markets overlooked by traditional private equity investors
- Limited availability of opportunities of this scale
- More opportunities on the horizon in related raw material/basic industries
- All about the people



- “After crippling Tyson plant fire, Kansas cattle industry faces ‘logistics nightmare.’”<sup>1</sup>
- Before the shutdown the plant was harvesting approximately 6,000 cattle a day.<sup>1</sup>
- The industry is currently running at capacity, “so there’s not a lot of room for adjustments.”<sup>2</sup>
- Cattle-feeding states, like Kansas, will need to increase capacity by an estimated 8% or more to compensate.<sup>2</sup>



1. Wichita Eagle  
2. Wichita Eagle/Kansas Livestock Association

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