

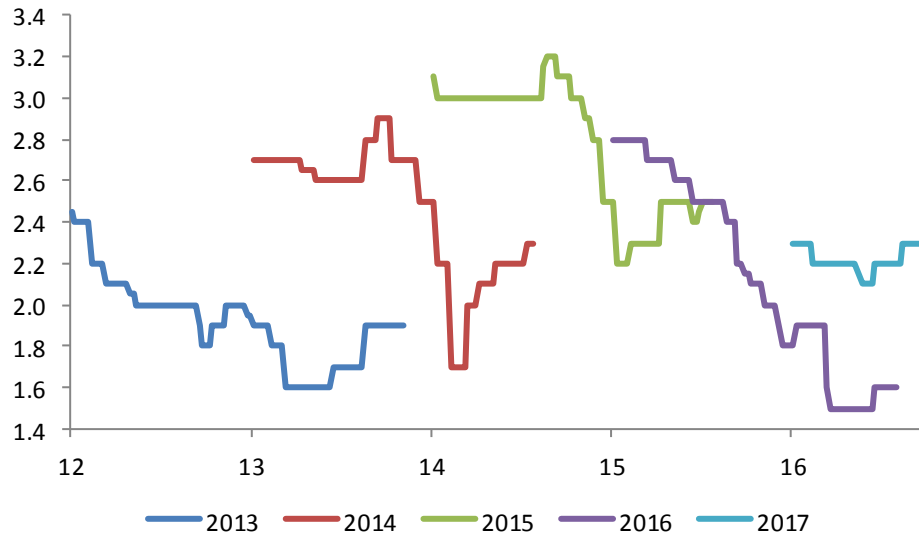


Decoding Tax Policy & Macro Uncertainty for
Consumer Investors

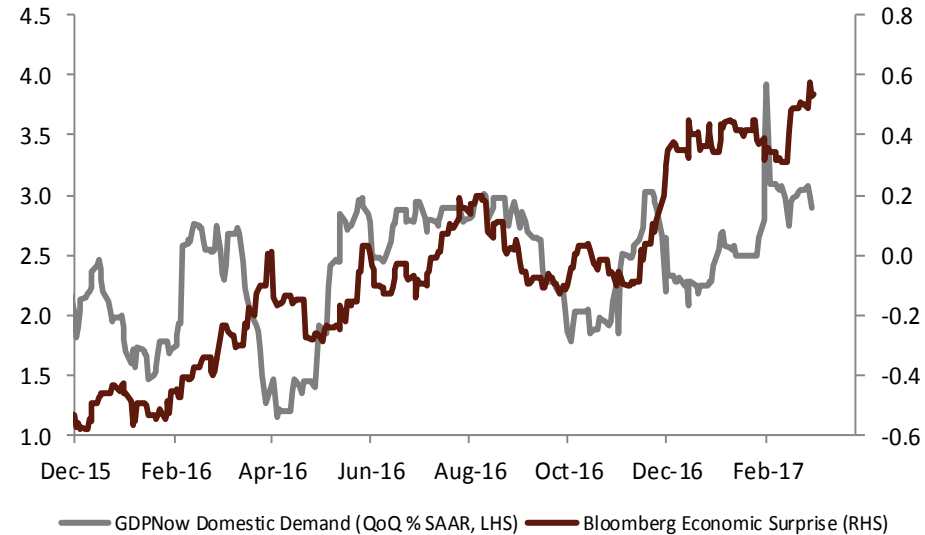
April Scee, Neil Dutta & Kim Wallace

March 2, 2017

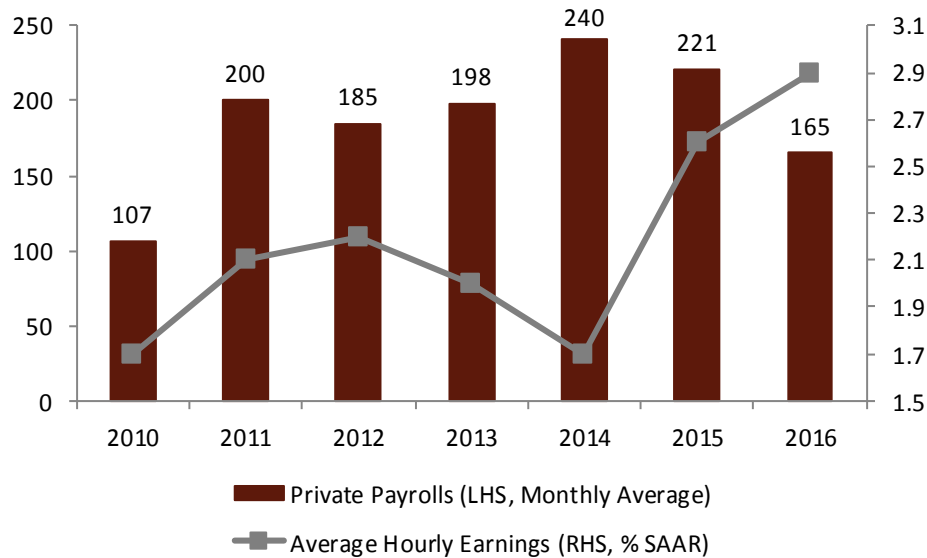
Recovery of downward revisions ending? Bloomberg Consensus US GDP forecast (%)



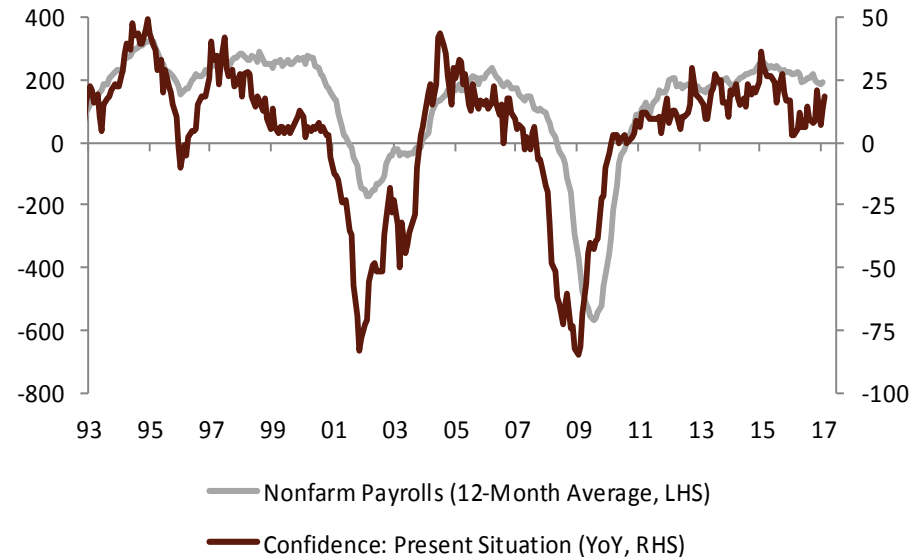
Data surprises and growth beating consensus



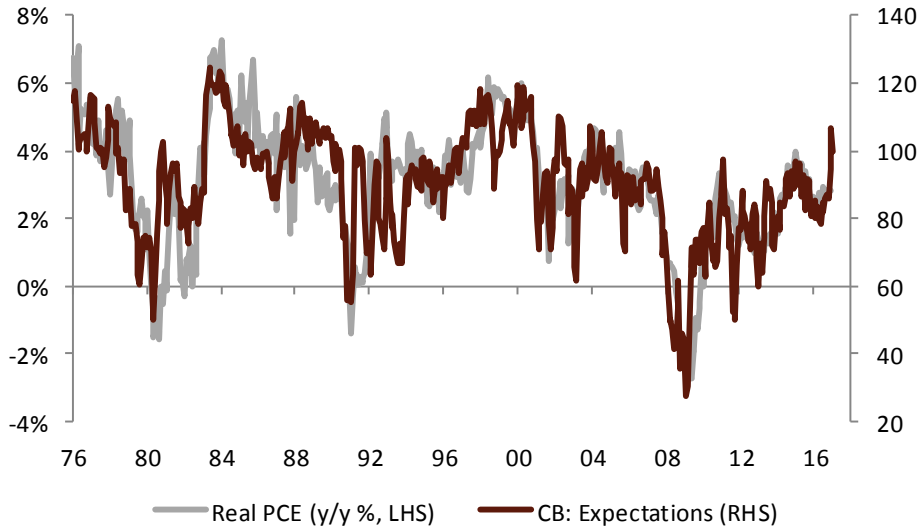
Payroll growth slows, but wages pick-up



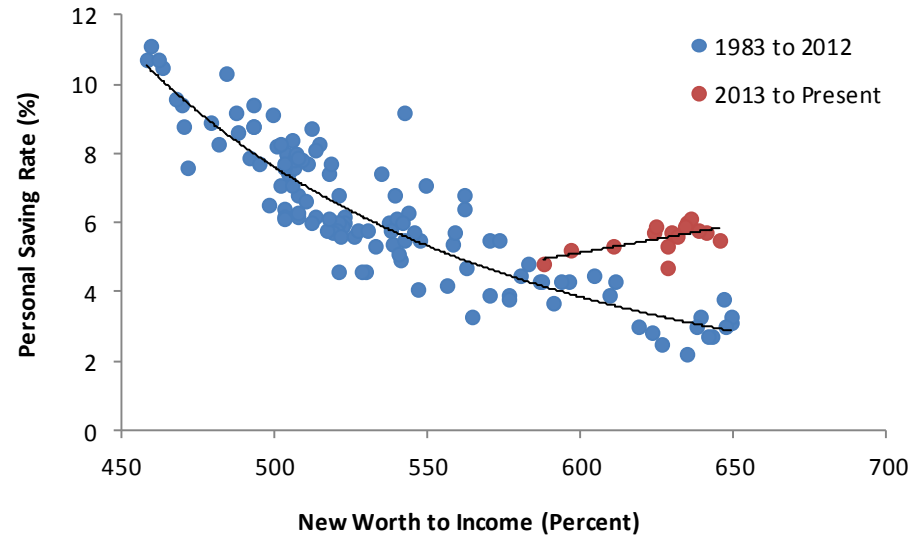
Confidence consistent with 150K per month



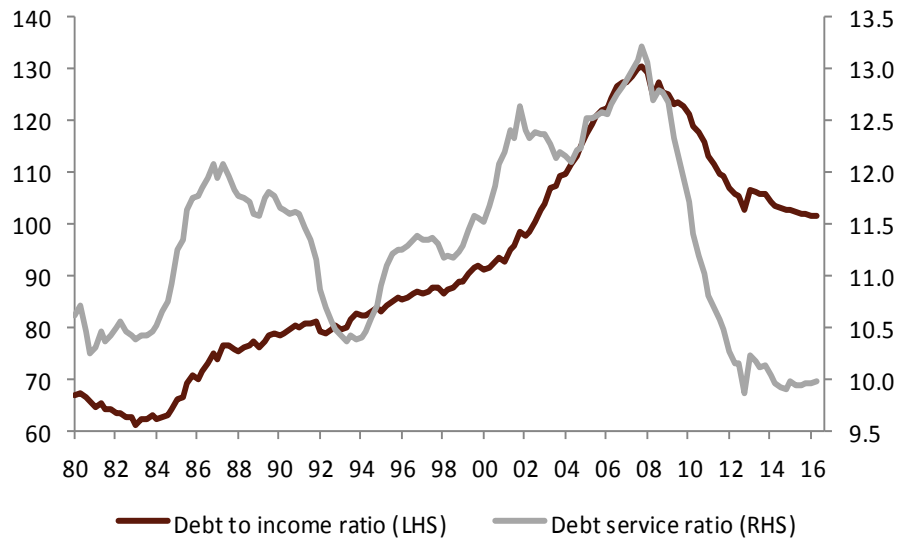
Sentiment points to spending surge



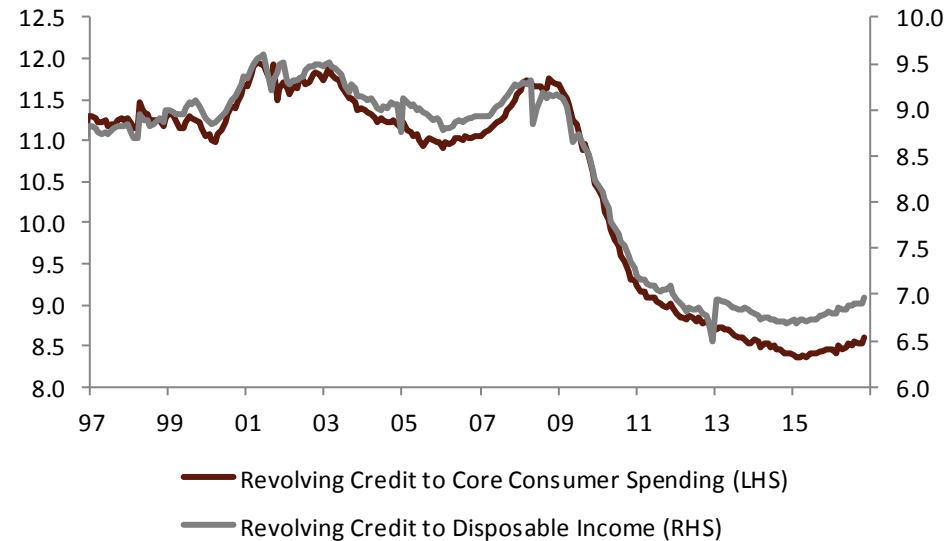
Savings rate needs to decline (percent)



Healthy balance sheets

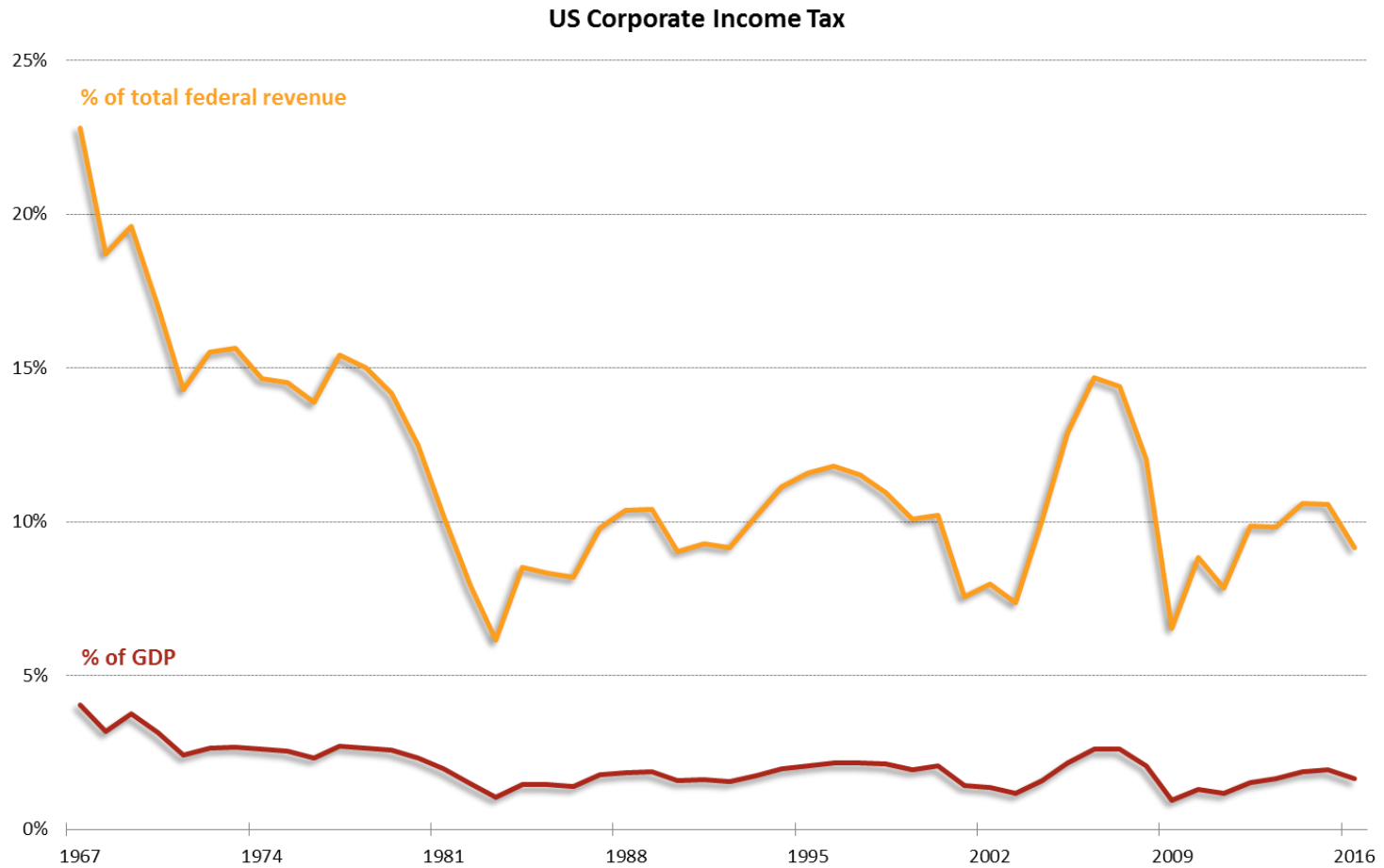


Credit cards yet to really be tapped



Corporate taxation

Country	% total taxation	% GDP
Canada	9.8	3.1
Germany	4.7	1.7
Japan	12.9	4.3
United Kingdom	7.0	2.3
United States	7.4	1.9



	<i>US Corporate Income Tax</i>	<i>Territorial Corporate Income Tax</i>	<i>A Modern Corporate Tax</i>
Sales Revenue	Taxable	Taxable	Taxable (if domestic source; not if foreign)
Current expense	Deductible	Deductible	Deductible (if domestic source; not if foreign)
Interest expense	Deductible	Deductible	Deductible (if domestic source; not if foreign)
Borrowing	Ignored	Ignored	Taxable (if domestic source; not if foreign)
Capital investment	Deductible per depreciation schedule	Deductible per depreciation schedule	Immediately deductible if from domestic sources; otherwise ignored
Inventory investment	Ignored until goods sold	Ignored until goods sold	Immediately deductible if from domestic; otherwise ignored
Active foreign-source income	Taxable when repatriated, per foreign tax credit	Ignored	Ignored
Passive foreign-source income	Taxable	Taxable	Ignored

		Business 1	Business 2	Business 3
		<i>All Domestic</i>	<i>Foreign Inputs, Domestic Sales</i>	<i>Domestic Inputs, Foreign Sales</i>
20% income tax No border adjustment	Revenue	\$100	\$100	\$100
	COGS	60	60	60
	Taxable income/profits	40	40	40
	Tax	8	8	8
	After-tax income	32	32	32
20% income tax Border adjusted Not currency adjusted	Revenue	\$100	\$100	\$100
	COGS	60	60	60
	Taxable income/profits	40	100	-60
	Tax	8	20	-12
	After-tax income	32	20	52
20% income tax Border adjusted Currency adjusted	Revenue	\$100	\$100	\$80
	COGS	60	48	60
	Taxable income/profits	40	100	-60
	Tax	8	20	-12
	After-tax income	32	32	32

Coverage Universe Exposures

	% of products imported / % inputs int'l sourced	% sales US (% profit)	% cash outside the US	% BRICM Exposure
Avon	Nothing is produced in the US	0%	All, but none designated reinvestment	30% Brazil, 7% Mexico, 11% Russia, <1% China (but seeking strategic partner)
Brown Forman	Single-point producer for largest brand (JD) in Lynchburg, TN	~50%	~80%	10% Mexico; 2% Russia; 1% Brazil, 2% China
Church	~95% products sourced & produced domestically	~80%	~80% permanently reinvested outside the US	3% Brazil, 1% Mexico
Colgate	N/A	~25%	~96%	12% Brazil; 7% Mexico; 6% China; 3% India, 2% Russia
Clorox	Most products made/sourced locally. Brita (3% of sales) has significant supply chain outside US.	~85%	Most, but could keep abroad for reinvestment	1% Mexico, minimal China, 0% in Brazil, Russia, India
Coty	N/A	30%	N/A	4% China; 2% Russia; 2% Mexico, 2% Brazil, 1% India
Dr Pepper	Minimal imports; do source apple juice concentrate, raw sugar and apple puree abroad	~90%	\$51m, repatriated periodically to US except WC needs	5% Mexico (otherwise int'l is largely Caribbean & Canada)
Estee	40% US sales sourced outside but net exporter (US ships elsewhere)	~40%	Most	BRIC + Mex = 13% (Mex 1%) + travel retail for these mkt
Herbalife	<15% imported	~20%	40%; immaterial % designated for foreign re-investment	BRIC 30%, Mexico 10%
Kimberly	N/A	~45%	N/A	2% China, 3% Russia, 5% Brazil, 7% Mexico
Coke	"Vast majority" made or sourced outside US	~50%	90%+	Mexico 4%; China 4%; Brazil 2%; Russia 1.5%; India 1%
Monster	N/A	75%	~55%. Do not intend/foresee a need to repatriate undistributed earnings	4% Mexico; China = new market, India about to open
Nu Skin	N/A	~15%	\$70m held for indefinite reinvestment	25% China; 1% Russia
Newell	50% of US sales sourced outside	~60%	50%+	\$300m sales in each of Brazil & Mexico, the rest immaterial
Pepsico	Likely not more than 10% (undisclosed)	~60% (70% profit)	90%+	4% Russia; 5% Mexico; 1% China; 2% Brazil; 1% India
Procter	15% imported (5% net); 5% inputs int'l sourced -- razor handles; Metamucil, FemCare (Canada)	~50%	\$11bn, not designated	35% EM exposure all in (we est 7% Mexico, 4% Russia, 4% Brazil, 2% China, 1% India)



Please email all questions to

sales@renmac.com

Thanks for joining!

And please fill out our survey at the
completion of the call