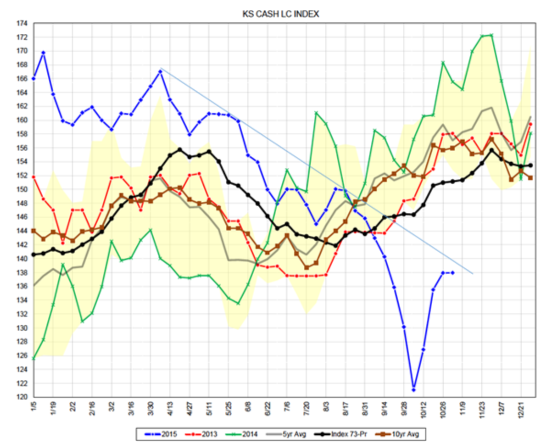
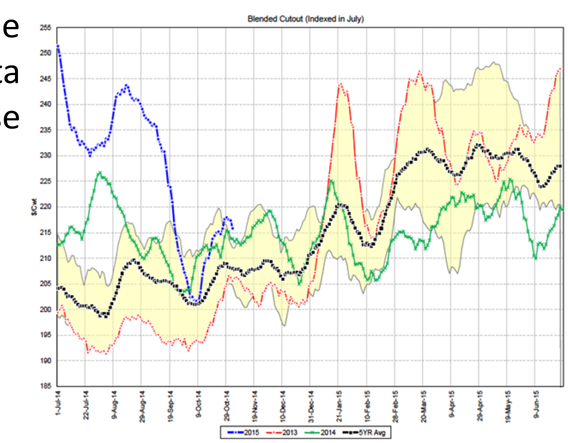
M & R Capital LLC

October 2015 Monthly Commentary



October gave us the confirmation that cattle prices have found their seasonal bottom at the $115-$120 area. Prices rebounded back up to $138 by month end. Futures bottomed at $130 and rallied back to $142 by the end of the month. Cattle typically form a "V" bottom when they mark a major low for the market and this was certainly on that scale. Marketings have been good the last two months while placements have been consistently poor for the past 4 months. This is something we will be focusing on moving forward. Feeders seem to have sold off enough of the big cattle that they had been carrying all spring and summer but the market is still expecting more to come.



Market sentiment remains very bearish with the funds still a big short in the commitment of traders data and adding more shorts in these past weeks. These bearish traders are focused on:

1. Competing meats
2. Cattle weights
3. Expectations for bigger placement patterns
4. Big cattle are not completely gone
5. Higher USD values
6. Declining beef trade

They project that more cattle will come to market. While we are aware of their perspective we struggle with their forecast. The data suggests we are over killing the cattle supply now at these current levels and these levels are unsustainable looking forward. As a result, we continue to look for lower supply forecasts from now through the first quarter. From a seasonal perspective, the largest numbers in the Midwest are typically this week. The commercial side of the commitment of traders remains very long and this trend has not changed much even in the wake of the $12 recovery in prices these past few weeks. Looking back at history the commercials were long this much back in Feb of 2013 and coincidentally prices were $130.

When we look at placement rates we need to be reminded that we haven't placed cattle very well during what is seasonally the biggest placement period of the year. August, September and October placements have all been consistently less then a year ago. August

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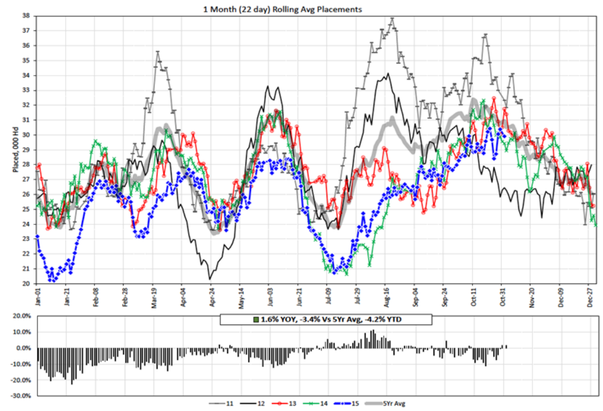
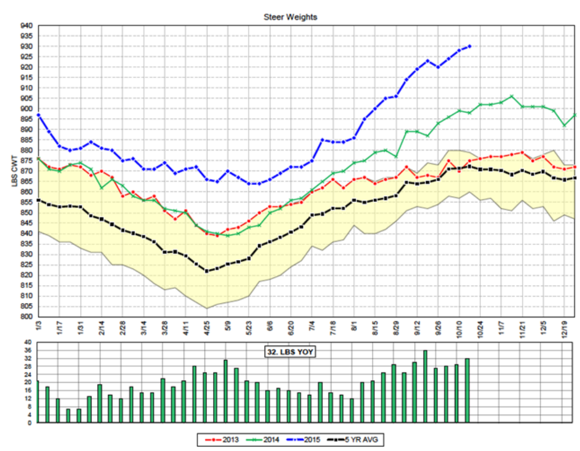


and September placements were the smallest ever and October shows signs of matching its smallest ever too. With placement weights still coming in big and cattle feeders feeding cattle an average of 200 days the ability to hit the March or April window is gone. The only way to do that is to short feed them and take days off feed. This is something the market has only done when the packer started discounting cattle. Maybe I am wrong but this seems like a stretch for now.

Weights are at an all time high as cost of gains have demanded. Seasonal indications and feedback from direct plant data would suggest that a top has been made. With USDA data always 2 weeks old we won't see this validated until the end of this month. Yard conditions need to be monitored as we look into the winter. Weights are not an indication that supplies are back-logged. Showlists are declining and should continue to do so into year end and early next year.



Australian harvest rates will continue to decline and imports will follow suit. Supplies should get tighter as we look ahead. This decline in supply is expected to affect the needs of the Asian markets, which have come to rely on them over the past two years. As Australia shortens up and demand grows the US should start to see better demand as we look into 2016.

In summary, we expect to see less supply into November and December which will extend into early 2016 as well. This should be supportive to the markets once the funds decide to stop selling into a declining supply or find their position limits--whichever comes first. Australia should continue to reduce their offerings to the world markets and those customers will begin looking for a suitable replacement for those inventory needs. China specifically should be monitored for where they turn to replace this shortfall. Imports to the US will continue to fall and weights should top out this month. Holiday demand is in front of the market and should help beef prices into early December. Weather is a wild card right now but needs to be monitored closely this year.

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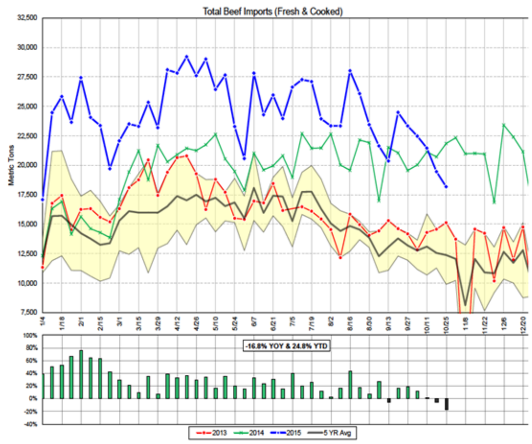

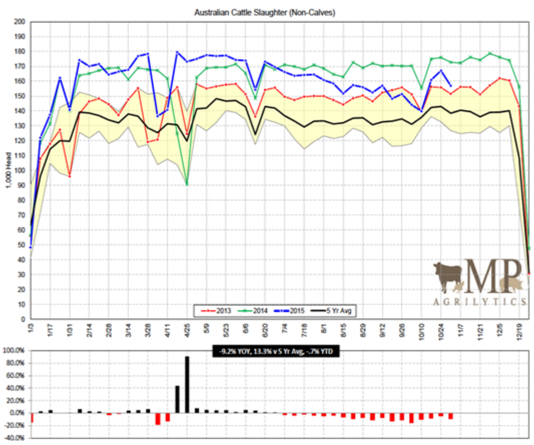

Our returns for October recovered from the September drawdown. We are still looking for additional upside in pricing and structures of the market as we look into year-end and early 2016. Because there seems to be some pretty big opinions about valuations and prices from week to week we did engage some risk management positions via long puts and converted some futures to calls in order to trade around the ebbs and flows. We anticipate being aggressive on breaks, so expect these risk management positions to come off given the right price and time constraints.

A great thanks to our friends at MP Agrilytics for the help with the data displayed.

Regards,
Scott Shepard
11/05/2015

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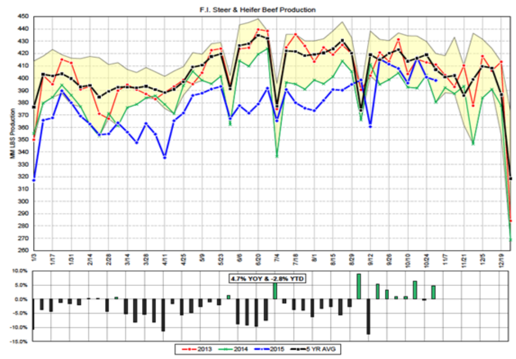

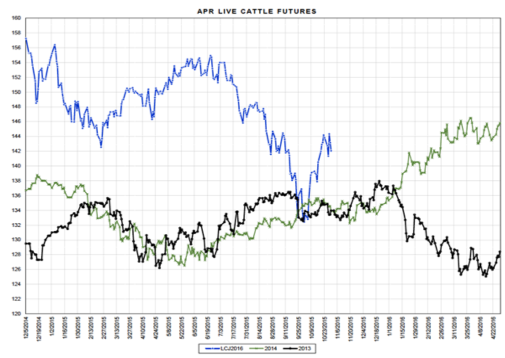

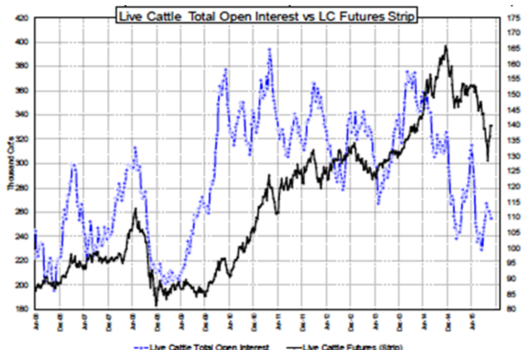

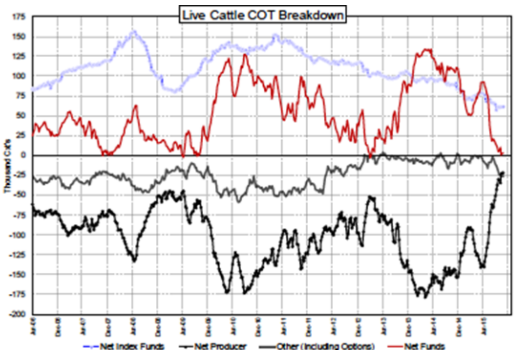

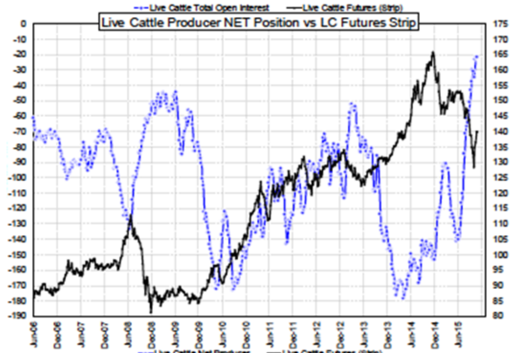

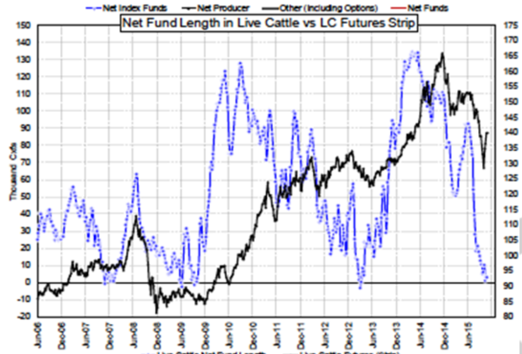

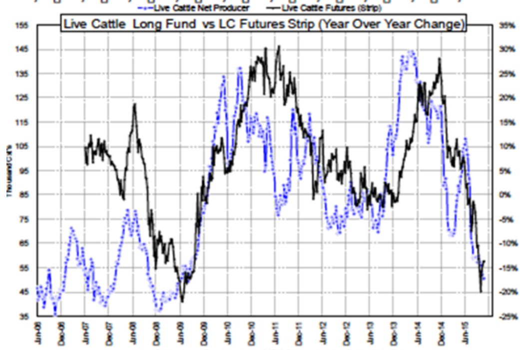

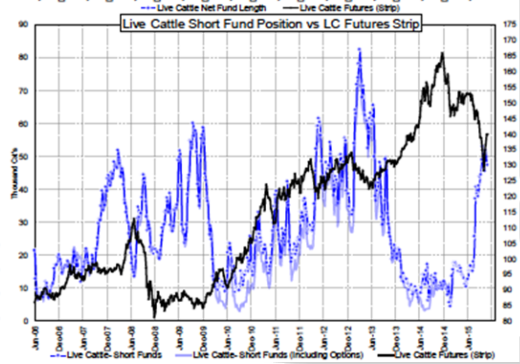

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