

Western Capital Markets



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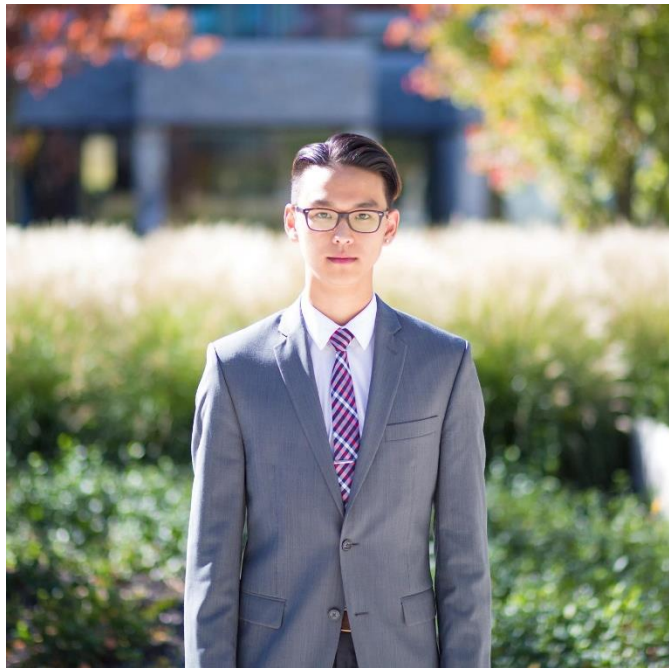
I. Mentorship Program Update



Mentorship Program Update

Due Tuesday, November 8th at 11:59pm

Jerry Yao



Jack Shi



Luckshanan Balakrishnan



II. Current Events



Brexit and Parliament Interactions

Parliament must be consulted on Brexit, the High Court in London ruled

Taking back control

- Brexit's court judgement is causing turmoil in the market; even though the pound has appreciated significantly
- High Court London ruled that only Parliament has the authority to trigger **Article 50** of European Union Treaty
- This blocks the government's plan unilaterally to trigger Article 50 of the European Union Treaty (which starts a two-year departure process) in March
- The government is likely to lose an appeal, meaning it will need new legislation
 - Likely delay sparks hope for the *Bremainers* – and rage among *Brexiters*
- Furthermore, prices are rising for all general costs due to changes in currency values



Article 50

- The road ahead is unclear; no state has left the European Union before, and the rules for exit – contained in Article 50 of the Treaty of Lisbon – are brief
- **The Lisbon Treaty**, is designed to make the EU "*more democratic, more transparent and more efficient*" and is an agreement signed by the heads of state that are EU members

Article 50: European Parliament has final consent agreement in regards to a member state leaving the union



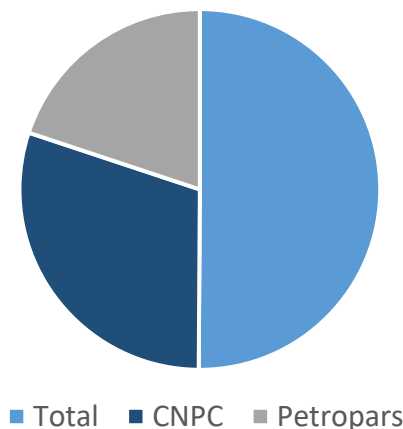
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Iran Signs Deal With a Consortium; Developing a Massive Gas Field

Iran Signs Gas Deal Led by France's Total

- Iran signed a \$4.8bn provisional deal with a consortium led by France's Total to develop part of a massive gas field, the first major energy agreement since the landmark nuclear accord
- The agreement has raised hopes in Tehran that it will open the way for more foreign investments to be attracted to various industrial and economic sectors after lifting of nuclear-related sanctions this year
- The final contract is expected to be signed by the next three months and production is slated to begin 40 months after

Contract Ownership



Iran Economic Sanction and Subsequent Lift

- Following the Iranian Revolution of 1979, the United States imposed economic sanctions against Iran and expanded them in 1995 to include firms dealing with the Iranian government
- In 2006, the UN Security Council passed Resolution 1696 and imposed sanctions after Iran refused to suspend its uranium enrichment program
- U.S. sanctions initially targeted investments in oil, gas, and petrochemicals, exports of refined petroleum products, and business dealings with the Iranian Revolutionary Guard Corps
- On January 16, 2016, it was announced by the International Atomic Energy Agency that the nation had adequately dismantled its nuclear weapons program, allowing for the United Nations to lift sanctions immediately
- To-date, Iran sanctions are the toughest the world community has imposed on any country



Clinton & Trump V. Economy

Never Say Never

- As of Nov 7th, Clinton is showcased to have a slight lead over Trump (3.2%)
- FBI clearance of Clinton's "email scandal" resulted in investor confidence in US Economy
- *Global Equity markets have all rallied considerably*
 - S & P 500 +2.2%
 - Euro Stoxx 500 + 1.9%
 - FTSE + 1.7%
- Price of Safe Haven Assets fell slightly
 - Gold fell to 1282.70\$ per ounce (-0.64%)
- Some of the largest single day gains and losses in the past several months
 - Especially for North American Equity Markets
 - S&P took a dive for most straight days of loses in recorded history

Safe Haven Assets:

- Commodities that are expected to retain value or increase in value during turbulent cycles
- Prime example is the *gold* or *foreign currencies*
- When uncertainty arises (elections, unemployment rate) people tend to move money towards safe haven assets

Equity Market:

- Place where people trade stocks or other equity instruments (aka. Stock Market or Derivatives)
- People invest in stocks during boom times expecting high returns (after May 2009)
- General trends are measured with stock indexes' growth

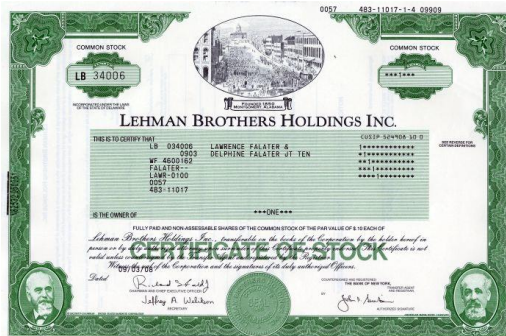


III. Financial Securities Overview



Who, What, When, Where and Why?

- **What Are They?:** A tradable financial asset
- **Who Use Them?:** Everybody! Companies, Governments, Pension Plans, Retail Investors, Financial Intermediaries ... They're the basis of the market!
- **Where Are They Traded?:** Stock Exchanges (TSX, NYSE, NASDAQ), Over-The-Counter (Off-exchange)
- **Why Are They Used?:** Investments, Raising Capital, Hedging Risk

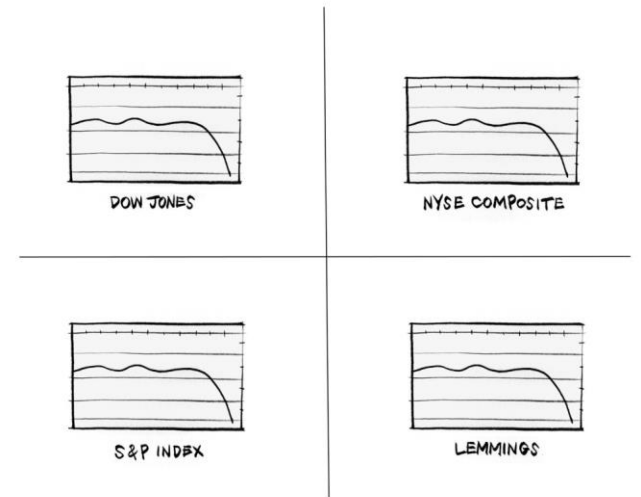


The Basics: Equity & Debt



Equity: Stocks and Shares

- A share of equity interest in an entity, such as Company, Trust or Partnership
- A fractional interest in the issuer
- Most usually is “Common Stock”
- Enjoys rights to profits and capital gains
- Is not necessarily associated with some sort of payment / cash flow
- May hold the ability to vote in company matters
- In bankruptcy, is usually paid last
- Primary Market: Initial Public Offer – a share’s first issuance
- Secondary Market: Trading previously issued shares



Debt: Bonds, Notes, Commercial Paper

- A type of security entitled to the payment of principal and interests, together with other contractual rights (covenants, rights to information, etc.)
- Generally issued for a fixed term
- May be protected by collateral (secured), or unsecured
- Does not have any voting interest in a company, except in bankruptcy
- Issued by Governments and Corporations to finance investment and operations
- Carries ratings such as “Investment Grade” “Triple A” or “Junk”, which serve to judge the creditworthiness of an issuer



Hybrids: Warrants, and Convertibles

- Combines some of the characteristics of Debt and Equity
 - **Warrants:** Allows the holder to purchase a specific amount of the issuer's shares, at a specific price, at a specific time
 - **Convertibles:** Bonds or stock that can be converted, at the decision of the holder, into the common stock of the issuer



The Not So Basics: Derivatives & Others



Derivatives

- A contract that Derives its value from the performance of an underlying entity
 - Underlying entity can be an asset, index, or interest rate
 - Can also include more exotic entitles such as the weather
- Most commonly used for risk management (hedging) or speculation
- Common types include:
 - **Forwards** – agreement between 2 parties to buy or sell an asset at a future time at a price agreed upon today (non-standardized)
 - **Futures** – agreement between 2 parties to buy or sell an asset at a future time at a price agreed upon today (standardized)
 - **Options** – gives the buyer the right to buy or sell an asset
 - **Swaps** – an exchange of cash flows between 2 parties



Weapons of Mass Destruction

- In 2002, Warren Buffet called Derivatives “Weapons of Mass Destruction”. Why?
- Often uncollateralized – relies on credit worthiness of counter-parties
- Enormous incentive to cheat (Mark-to-Market)
- Concentrates large amounts of risk in the hands of few derivatives dealers (LTCM)
- 2008 Financial Crisis caused in part due to derivatives run amok (improper pricing of CDSs insuring MBSs)



Others?

- Fantex allows investors to purchase securities tied to the salaries of professional athletes – investors receive a dividend based on the income of the particular athlete
 - Is this a stock or a bond?
- What about Bitcoin? Is that another type of security?
- What if I invest in commodities, art, or real estate? Are those securities?

The logo for Fantex, featuring the word "FANTEX" in a bold, italicized, black sans-serif font. The letter "X" is stylized with an upward-pointing arrow integrated into its right side.

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