THE UNIVERSITY OF NOTRE DAME

Mendoza College of Business

AIM XLIX Newsletter

For Alumni and Friends

IN THIS EDITION

Faculty Welcome

Professor Shane Corwin
Professor Colin Jones
Professor Scott Malpass

Shane Corwin

Faculty Director of the NDIGI and Professor of Finance

Colin Jones

Associate Teaching Professor of Finance

Scott C. Malpass

Vice President and Chief Investment Office

An Interview with AIM Alum Bryan A. Jackson

December 3, 2019

Bryan A. Jackson

AIM XXVII

Bryan Jackson graduated from the University of Notre Dame with a B.B.A, summa cum laude, in finance and a supplementary major in Spanish. On campus, he lived in Keenan Hall, participated in interhall sports, and was a member of the AIM XXVII class. In 2018, he joined KKR as a principal on the Healthcare private equity team. Prior to KKR, Bryan was a principal at Blue Harbour Group, a public equity firm based in Greenwich, CT. Bryan began his career at The Blackstone Group where he was an analyst and an associate in the restructuring and private equity groups, respectively. He received his M.B.A., with distinction, from Harvard Business School, and currently lives in San Francisco California with his wife Jen.

AIM: Given that you've worked at both a hedge fund and a private equity firm, could you walk us through how the investment framework for each is similar and different?

BAJ: Both private and public equity firms are ultimately trying to earn the best risk-adjusted returns for their clients over a long period of time, and to do that, they are both conducting high quality industry and business diligence so that they can make great investment decisions. That said, there are some stark differences between private equity and public markets, and I'll try to hit on a few of the main ones.

First, the *investment horizon* and *liquidity profiles* vary significantly between the two asset classes. Private equity firms typically own any given portfolio company for ~5 years, and the large ownership stakes in these companies are relatively illiquid. Public market firms, by contrast, have much shorter average hold periods and are able to trade in or out of their investments on a daily basis; in many ways, this optionality makes the decision-making process in public markets more difficult, as it takes a unique investor to make level-headed decisions in an environment with a lot of noise.

Second, the *diligence process* and *execution* are quite different between private and public markets. Private equity firms generally conduct deeper diligence, largely on account of having access to private information, and once a private equity firm has reached an agreement to buy a company, it normally takes months to close the transaction. Public market firms likewise do a lot of research, but it can be more difficult to find relevant information without access to a company data room.

Third, private equity and public market firms play different *roles in creating value* at their portfolio companies. Private equity firms typically own a majority position in their portfolio companies and have several representatives on the board, which means they play an important part in setting the strategy and selecting and incentivizing management, among other areas. Public market firms generally do not have a board seat and have a more passive role in their investments; of course, activist funds and large shareholders can still play an important role on the trajectory of a company.

AIM: What are some of the secular trends shaping the healthcare industry that you think all investors should be aware of?

BAJ: Healthcare is a $4 trillion industry, so it can be a bit difficult to generalize, but broadly speaking, the main event is that our country has the largest and most expensive healthcare system in the world, and as a result there is a lot of pressure to control aggregate healthcare spending and to "bend the cost curve." As investors, we want to be involved with companies that are reducing costs and / or improving the quality of the healthcare system. Those companies can look different by subsector, but if you are invested in companies that don't advance that agenda in some way, shape, or form, you are going to fight an uphill battle throughout the investment period. Beyond that, our themes / areas of interest tend to be much more micro than macro and can vary across the various subsectors of healthcare (providers, life sciences, medtech, HCIT, etc.). Everyone on our team is responsible for identifying interesting areas and ultimately finding investment opportunities that align with those themes.

An Interview with AIM Alum Bryan A. Jackson (continued)

December 3, 2019

AIM: It's our understanding that the healthcare industry is going through a period of change and scrutiny right now. Given this, how do you think about investing in a company for five to seven years when regulation can change a company's business model rapidly?

BAJ: Change and scrutiny are par for the course in healthcare, and we spend a lot of time monitoring the key regulatory trends across the various subsectors of the industry landscape. As investors, we are constantly trying to identify key risks and, to the extent possible, quantify the impact of adverse outcomes during our investment horizon so that we can decide which risks are worth taking and which ones are not, and that is the general framework that we use to assess potential changes in regulation. To be a successful investor, you have to take some level of risk, but at the same, you have to be realistic about your ability to assess and box risk, and there are some risks – regulatory or otherwise –that are simply too hard to assess or would be too catastrophic to a particular industry or business. In those situations, we are extremely cautious and typically just move on from the opportunity.

AIM: When you think back to your AIM class, what were the most important takeaways from the class?

BAJ: It was certainly a great introduction to public markets investing. But the part that I remember the most is the relationships and camaraderie with the rest of the AIM students as well as with Frank and Jerry. The class happens at a unique point in time in your Notre Dame career and was absolutely one of the highlights of my senior year.

AIM: How would you frame your decision to go to business school to students in AIM today? Do you think it was a valuable experience?

BAJ: The decision on whether to attend is an important one and for some it is the right path and for others it is not. I do think it is important to consider the option carefully and to think critically about the reasons why you would like to attend. Those reasons can vary widely by person, but they are important on a number of levels. First, they will help guide the message you craft in your application process. Second, they will help guide how you allocate your time on campus. Third, they will help overcome any lingering doubts about the career and financial opportunity cost of returning to school for two years. Personally, I had a tremendous experience at business school. I found the MBA program to be a great learning opportunity that helped to give me a more holistic view of the companies, industries and the broader economy, and I don't subscribe to the idea that you don't learn anything in business school. Business school also afforded me the opportunity to consider different career options, as I had the chance to do an internship in a different industry and to speak with classmates from many backgrounds. As a final thought, business school is a unique opportunity to develop new relationships. I met a lot of great people with backgrounds and experiences that were much different than my own, and those people are going to do some pretty cool things over the next 20+ years. That network has already helped me in my own career, but perhaps more importantly, being part of that network creates the opportunity to enhance the career of other people – colleagues, friends, family, and I think that last aspect is something that would appeal to Notre Dame students in particular.

An Interview with AIM Alum Bryan A. Jackson (continued)

December 3, 2019

AIM: Do you have any advice for current students or recent alums about how to decide between private and public equity?

BAJ: They are both great options, but they are also quite different. My first piece of advice is to focus on finding the path that is right for you, and don't worry about what your colleagues are or aren't doing. Second, find out as much as you can about the experience in both private and public equity, and think about the extent to which each environment aligns with your own interests, skill sets, and career aspirations. As you are making these career decisions, you also need to think about the factors that you are going to prioritize at each stage in your career, and my advice to current students and alums is to consider prioritizing development and optionality. When you are early in your career, it is critical to get the proper training and to be surrounded by high quality professionals who will take an interest in your career. Personally, I was very fortunate that two Notre Dame alums, Sean Klimczak and Jamie O'Connell, as well as many others took an interest in my development during my time at Blackstone. In general, private equity firms have more established training infrastructure, but there are also public equity firms that have good training and mentorship. With respect to optionality, you need to think about how each path will impact the doors that may or may not be open to you at the next decision point in your career. At some point, there is value in specialization, and the market will often times naturally move you in that direction. But early in your career, it is difficult to know how your interests will develop, and if that is the case, it might be best to pursue the path that won't pigeonhole you unnecessarily.

AIM: Which stocks did you cover in AIM and have you followed them since graduating?

BAJ: Pharmaceutical Product Development (PPDI) and Under Armour (UA). PPDI is a contract research organization that provides a variety of services to large biopharmaceutical clients during the drug development process. Two private equity firms, Carlyle Group and Hellman & Friedman, purchased the company in 2011, and the company actually just went public again. Overall, it turned out to be quite relevant since it was my first real exposure to healthcare investing, and I ended up doing a lot of work on other companies in the sector during my time at Blue Harbour. I have not followed Under Armour closely since graduation.

AIM: What are your favorite books?

BAJ: *Lone Survivor* by Marcus Luttrell, which details the incredibly rigorous process of becoming a Navy SEAL and tells the story of a mission gone wrong in Afghanistan in 2005. Also, *Shoe Dog* by Phil Knight is a remarkably insightful reflection about the journey of creating and building Nike. It reveals a personal side to the organization and its founder that doesn't really come through in the media.

AIM: Is there any other advice you would offer us?

BAJ: First, begin to develop your own investment philosophy. There will be a day when senior investment professional are depending on your input to inform their investment decisions, andthere will be another day shortly after when you are actually the one making the decision. Those occasions will come sooner than you think, and to make those decisions, you need to develop an investment philosophy, a sourcing process, a diligence process, and an investment decision-making framework. Second, begin to develop (and track) your professional network. There will be a day when you are responsible for finding investment ideas, hiring management teams, and hiring other investment professionals. Similarly, that day will come sooner than you think. To meet that bar, you need to have a network of people that you can depend on, and it's never too early to start building and tracking that network.

AIM: Finally, are there any habits that you have developed that you have found helpful?

BAJ: My most important habit is to say the rosary on a daily basis. I have developed a much stronger faith life over the past several years, and I would certainly encourage ND students to explore and develop their own faith, as it will be a source of strength and clarity far greater than whatever input I have been able to provide!

Class Highlights: New York Trip

The class gathered with alumni and spent time with each of the professionals below who offered investment and professional advice.

Sean Klimczak, Global Head of Infrastructure and Senior Managing Director
Blackstone Group

Mr. Klimczak kindly spent an hour discussing his career and how his role has evolved at Blackstone over the years. One interesting takeaway was that he spends an increasing amount of his time focused on understanding potential downside to an investment rather than the upside.

Mr. Klimczak also provided helpful career advice for students. In his eyes, it is important to join a growing firm where exposure to senior members is available. That said, he stressed that the effect of luck cannot be overstated, especially when looking back at certain introductions and conversations that occurred by chance. His final piece of advice was to make a bucket list for senior year and make sure to cross off those items that are most important!

Gene Yoon, Managing and Founding Partner
Bregal Sagemount

Mr. Yoon discussed the entire process from sourcing a deal to finally structuring a security. It was particularly helpful to hear how he spends 2-3 years building relationships with companies before investing. He discussed his effort to add value before any investment or deal is discussed by suggesting potentially hiring hiring candidates or possible acquisitions to firms.

In addition to discussing how he builds relationships for extended periods of time leading up to an investment, Mr. Yoon also outlined his strategy for achieving the desired risk-adjusted returns. He is open to investing anywhere in the capital structure of a firm and has frequently chosen a preferred security structure in order to negotiate favorable terms with a company.

Ben Stein & **Zach Sternberg**, Co-Founders and Portfolio Managers
Spruce House

Mr. Stein and Mr. Sternberg began Spruce House while still in college, in fact, the firm is named after their dorm. They have been kind to host several AIM classes over the years and share insight into how they manage their portfolio. They prefer a concentrated long only portfolio that is focused on the long term.

The pair explained how their investment strategy has shifted away from balance sheet driven businesses to owner-operator companies. They build strong relationships with each CEO they invest alongside of and feel confident knowing their funds are invested alongside a substantial portion of the CEO's personal wealth.

Finally, Mr. Sternberg and Mr. Stein implored students to not lose sight of doing whatever they want. They were able to work as investors immediately out of college and encouraged members of the class to try and find exactly which type of investing is the best fit for them.

Doug Pardon, Partner and Portfolio Manager
Brigade Capital Management

Mr. Pardon shared his career path with the students before explaining some of the differences between equity and credit investing. He discussed aspects of the due diligence process, especially as it relates to investing in the credit to fund private equity buyouts. Additionally, Mr. Pardon walked through a case study with the class. The example incorporated many characteristics of Mr. Pardon's previous investments.

On the macro level, Mr. Pardon did not indicate immediate fear regarding the state of the economy. That being said, he believes there will be a series of downgrades in corporates prior to any real recession in the future.

Josh Tarasoff, Founding Partner and Portfolio Manager
Greenlea Lane Capial

Mr. Tarasoff operates Greenlea Lane as a one man shop and has complete control over everything. He studied philosophy as an undergrad, and his entry into investing when he started his own fund directly after studying at Columbia's business school. One interesting practice of his is that he keeps a physical journal for each business that he researches. It helps because it helps keep all of his thoughts and thesis in a consolidated place.

Mr. Tarasoff explained his focus on a company's endgame. It seemed that he is attracted to disruptive companies that are seeking to enact big changes. The focus on endgame lends itself to thinking about the upside of companies, but his position sizing decisions are primarily based off gauging potential downside.

Campus News

Notre Dame and the Mendoza College of Business launch the Fitzgerald Institute for Real Estate

"Buy land, they're not making it anymore" – Mark Twain

Earlier this year, Notre Dame launched the Fitzgerald Institute for Real Estate, a multi-disciplinary institute that seeks to be a preeminent center for the study of real estate through its research, teaching, and industry engagement. The Institute includes more than 40 faculty members whose research and teaching will focus on topics such as real estate capital markets, technology in real estate, affordable housing and church properties. It will offer course for undergraduate, graduate, and professional students, including a new University-wide minor in real estate, which combines theoretical knowledge and practical skills in real estate. Fitzgerald Institute Managing Director Jason Arnold said, "The Fitzgerald Institute was created to educate and inspire our next generation of real estate professionals. We offer a unique interdisciplinary program that brings together talent from across the whole University while leveraging an exceptional alumni network that is second to none. We believe that our approach will allow us to be a distinctive voice in real estate, help our students to secure top internships and job placements from Wall Street to Main Street, and, ultimately, advance the common good." The Institute was created through the generous $15 million gift from alumnus Ward Fitzgerald and his wife, Kathy. "With this extraordinary gift from Ward and Kathy, our institute is well situated to become a preeminent center for the study of real estate as a means to create places of lasting value. We are deeply grateful," said University president Rev. John I. Jenkins, C.S.C. Mr. Fitzgerald earned a B.B.A from Notre Dame and a M.B.A. from Harvard Business School. He is the CEO and senior managing principal of Exeter Property Group, an international real estate private equity fund and real estate development and operating company. He also serves on the Mendoza Advisory Council.

AIM News

Lectures from Jan Mohr and Nick Barberis

Jan Mohr
Founder and Portfolio Manager
JMX Capital

The AIM class was fortunate to hear from two informative and thoughtful speakers. First, all the way from Hamburg, Germany, the class heard from Jan Mohr, the founder of JMX Capital. Jan became interested in value investing at a young age while reading a Warren Buffett book. Now, he has successfully managed his own firm for the last 5 years as he searches for "truffles" (undervalued companies with structural competitive advantages operating in industries with sufficient visibility into future changes).

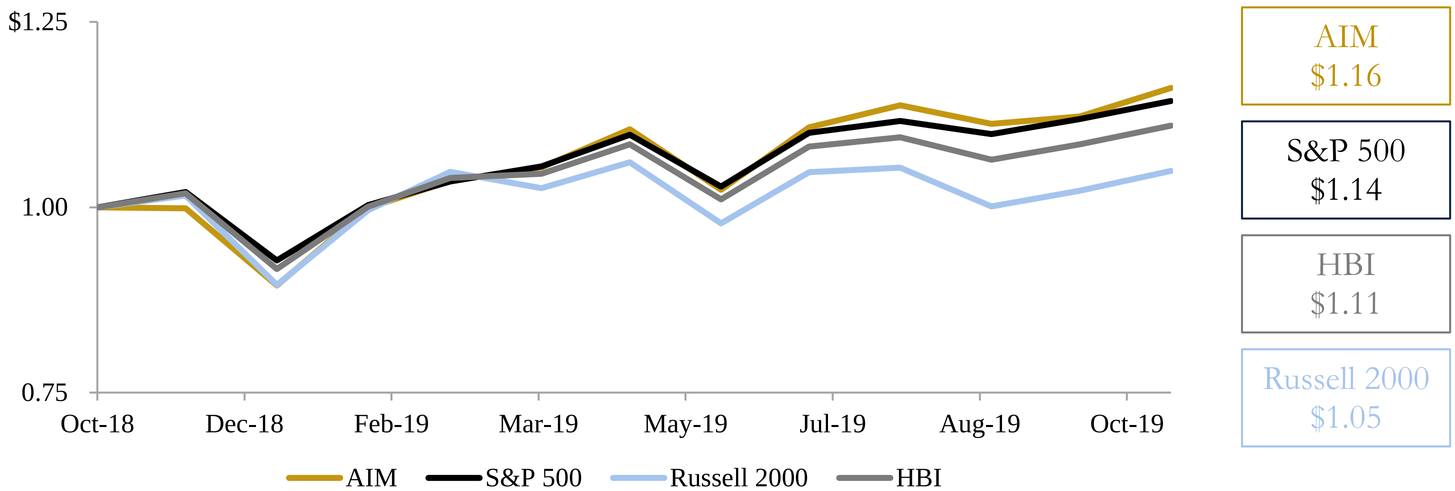
Second, the class heard from Professor Nick Barberis, a leading scholar in the field of behavioral finance. He offered insights into key behavioral biases investors exhibit that lead them (and therefore markets) to behave in ways that are inconsistent with the classical rational model.

Nick Barberis, PhD
Schramm Professor of Finance
Yale School of Management

Portfolio Performance and Updates

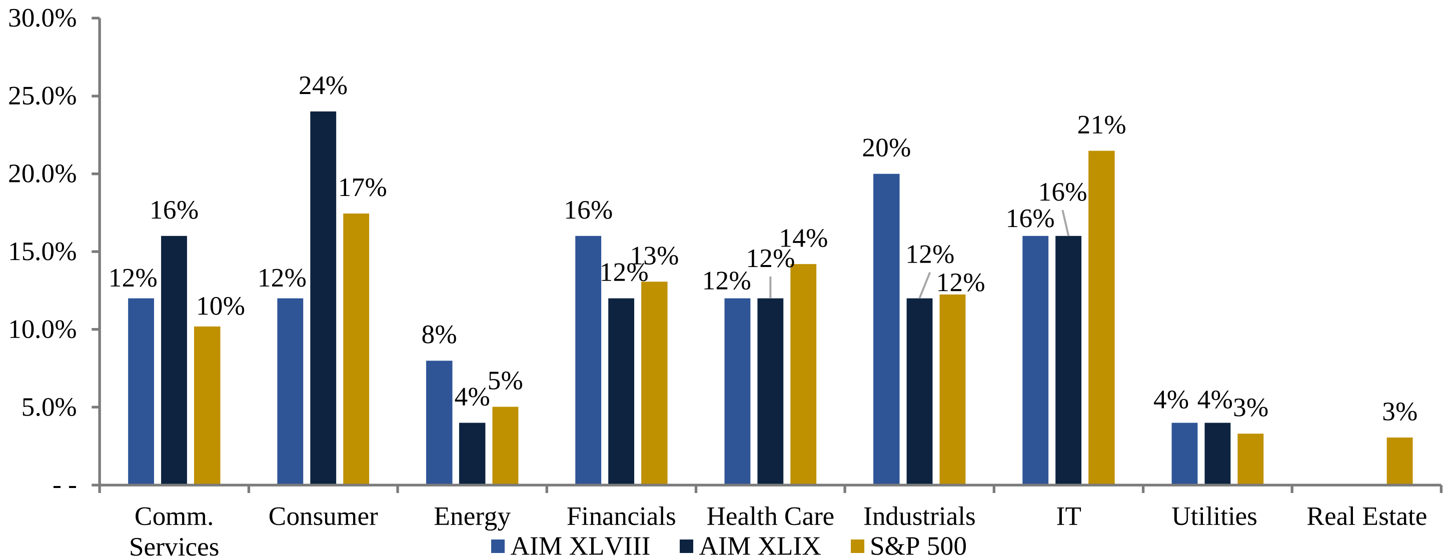
Benchmark Composition

The AIM portfolio is benchmarked against three indices: the S&P 500, the Russell 2000, and the Hank Blended Index (a composition of 35% Russell 2000 and 65% S&P 500). While the AIM portfolio has slightly underperformed both the S&P 500 and HBI over the last five years, the portfolio has outperformed its benchmarks since inception and has outperformed every index YTD. Since inception, the AIM portfolio has outperformed benchmarks by 2.5% on average.



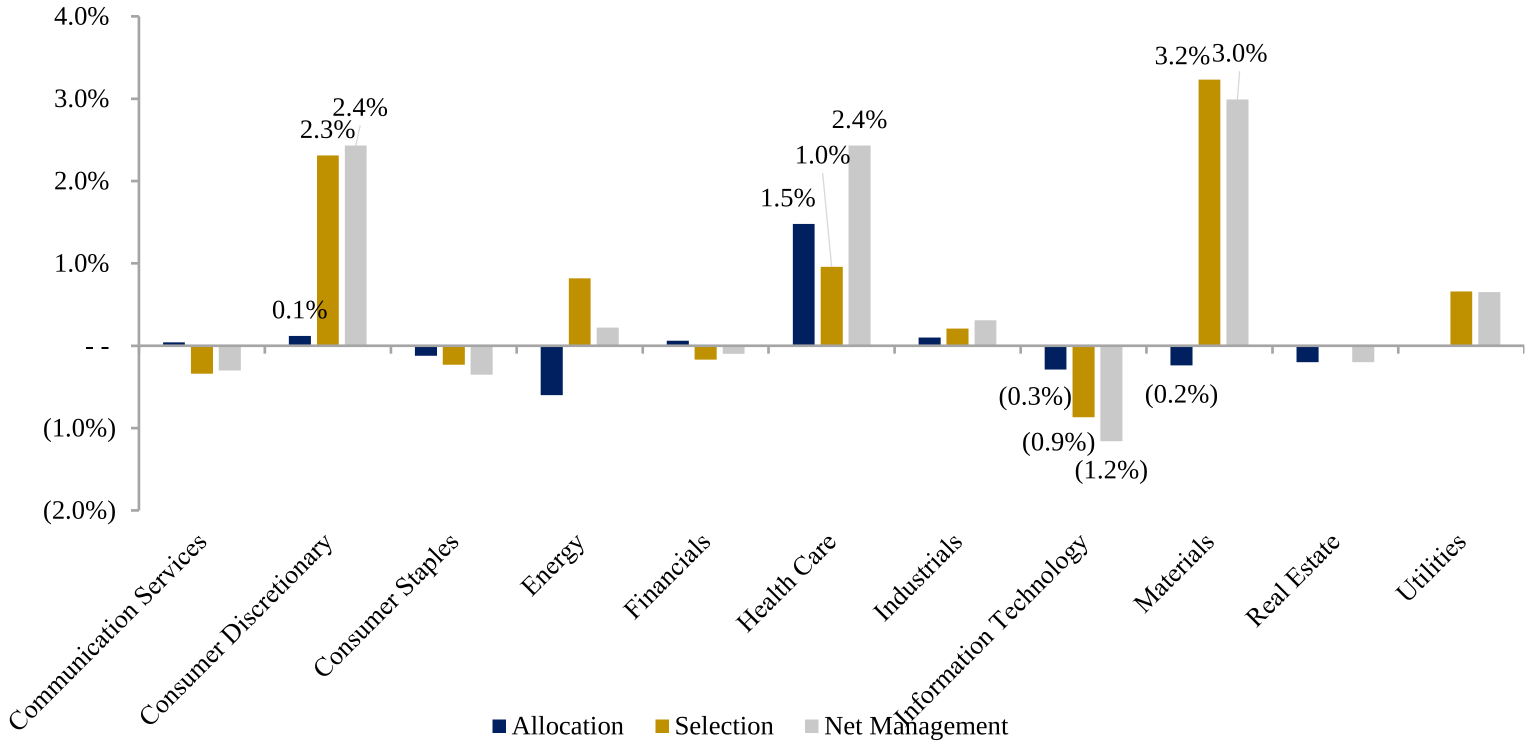
Sector Allocation

The inherited AIM portfolio was relatively underweight consumer and overweight industrials when compared to the S&P 500. The class saw this as an opportunity to strategically reposition the portfolio which, after the addition of round two stocks, saw a significant shift to consumer companies. Matching the S&P composition is a target rather than a mandate, and based off of previously successful plays in the consumer segment, the larger weight is seen as an avenue to generate alpha over the market.



YTD Attribution Analysis

On a YTD basis, the AIM portfolio saw a net management effect of 6.9% largely driven by the selection effect. Consumer discretionary, health care, and materials have led performance while informational technology has lagged.



Best and Worst Performers

Top 5 Performers (HPR / LTM)

Crown Holdings	Facebook	Palo Alto Networks	CVS Health	Blackstone
CCK	FB	PANW	CVS	BX
LTM: 56.3%	**LTM: 50.9%**	**LTM: 48.4%**	**HPR(1): 43.6%**	**HPR(1): 31.4%**

Bottom 5 Performers (HPR / LTM)

Diamondback Energy	Abiomed	InterDigital	Comerica	Constellation Brands
FANG	ABMD	IDCC	CMA	STZ
HPR(1): (32.3)%	**HPR(1): (30.3)%**	**HPR(1): (16.6)%**	**LTM: (10.8)%**	**LTM: (6.0)%**

Stock Pitch

Inseego Corp. (NYSE: INSG) – James Campion

Inseego (the "Company"), formerly known as Novatel Wireless, is the culmination of $220 million of acquisitions from 2010 to 2015. The Company now operates through two core segments: IoT & Mobile Solutions and Telematics & Asset Tracking. I first became interested in Inseego due to its 5G hotspot device, with the trade war limiting competition from Chinese competitors. Upon diving deeper into Inseego, I found a revamped management and shareholder-led board managing a well-positioned turnaround with opportunities spanning far beyond hotspots.

On the surface, Inseego has a lot of issues, with high customer concentration, negative earnings, and a large debt burden. However, each of these concerns have clear solutions. In regards to customer concentration, Verizon has accounted for roughly 50% of revenues since 2010. This should be alleviated by new contract wins as trial customers, such as Vodafone, offer a similar client base and revenue opportunity. Inseego also has a clear path towards profitability as management has cut overhead and begun selling a higher mix of 5G products with higher gross margins *(Figure 1)*. Finally, Inseego is levered at 5x LTM EBITDA, but 72% of this debt is in-the-money convertibles. Additionally, the new board members include two large shareholders, Tavistock Group (28% of shares) and North Sound Management (9% of shares) with displayed interest in providing any necessary additional financing, as seen by their ownership of the convertible notes, warrants, and newly issued preferred equity. With these concerns aside, I believe Inseego has a massive opportunity to drive sales growth through the rollout of 5G and growing aviation telematics client base.

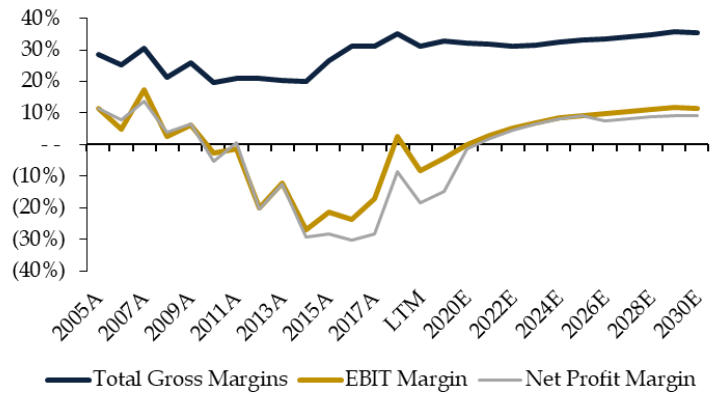


Figure 1: Projected Margin Expansion

New management has pivoted Inseego's primary focus to 5G, as they see this as the largest source of potential growth. Global 5G revenue is expected to grow at a CAGR of 56% from 2020 to 2025 through increased investment in infrastructure. This growth will coincide with an abundance of data and an increased reliance on internet connection, which will create additional use cases for Inseego's Skyus and MiFi products. As this unfolds, Inseego is growing its pipeline of potential customers, deploying live tests, and signing early adopters, with an expected 8 to 10 wins this year *(Figure 2)*. In all, Inseego

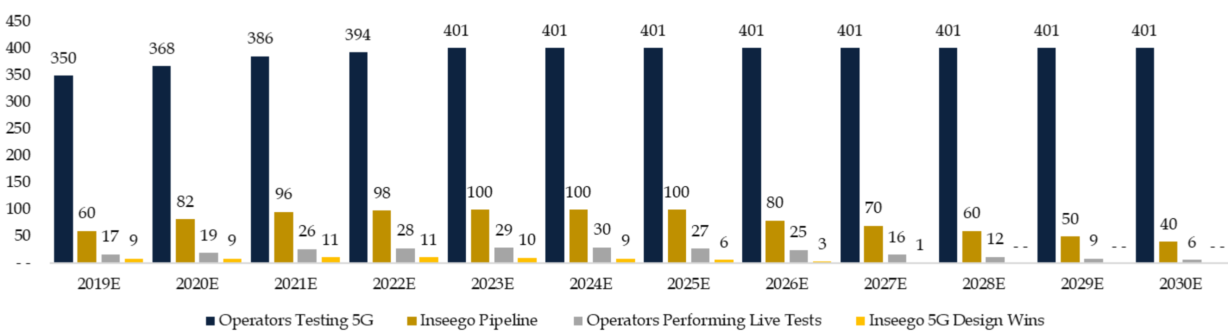


Figure 2: Projected 5G Contract Wins

outlines an opportunity for $5 billion of annual revenue in the U.S. for its 5G products. However, 5G is not Inseego's only growth driver. Telematics is another fast growing industry and large opportunity, with an expected CAGR of 25% from 2016 to 2022, but the products offer little differentiation and high competition. As a result, Inseego's telematics business, Ctrack, is focusing on the aviation asset tracking, which is undergoing a refresh cycle from 3G to 4G. Ctrack is an early mover in this vertical and projects a $6 billion TAM. Inseego has already won a modest number of contracts, and I expect it to gain more customers as more airports and airlines focus on asset optimization *(Figure 3)*. Inseego is well-positioned to benefit from key tailwinds in both telecommunications and telematics, leaving the Company with multiple avenues to achieve its goal of 20 to 25% revenue CAGR.

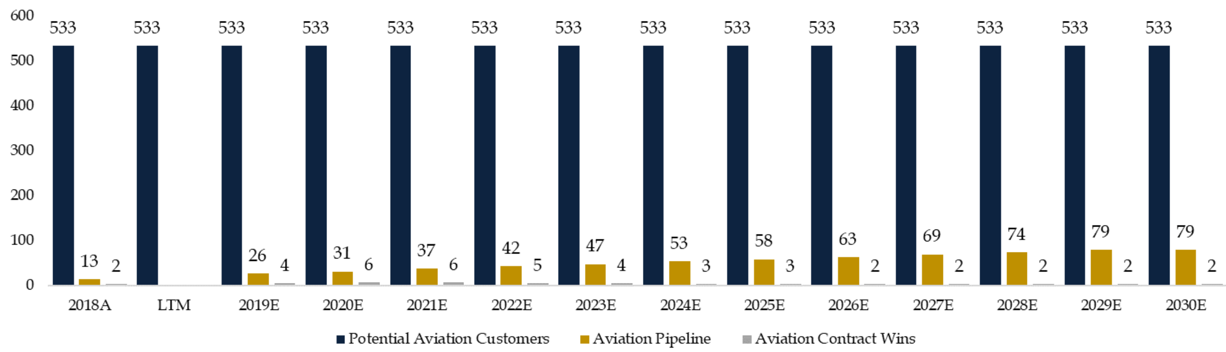


Figure 3: Projected Aviation Contract Wins

My conviction in Inseego stems from my primary discovery, as I was able to speak to Dan Mondor, the CEO (since Jun. 2017) and Chairman (since Aug. 2018); Tim Maguire, the third largest shareholder of Inseego (5% of shares); Dr. Martin Haenggi, a Notre Dame professor focused on emerging 5G technologies; and one company salesperson. From these interactions, it became clear Inseego has "gotten the right people on the bus" by bringing in veteran executives from Dan Mondor's previous companies, eliminating inefficient employees, and rewarding motivated employees with stock options. This has led to an upbeat, growth-focused culture similar to that of a startup, in the words of Tim Maguire. However, in doing this, management has been careful in cutting R&D and Sales & Marketing costs *(Figure 3)*. Dan Mondor referred to these two divisions as his "power forwards" and stressed their importance in Inseego's growth. Finally, these individuals conveyed the potential of 5G, and the large role Inseego can play in this transformation. My conversations with these company insiders and industry experts made it evident the market is discounting Inseego's future potential.

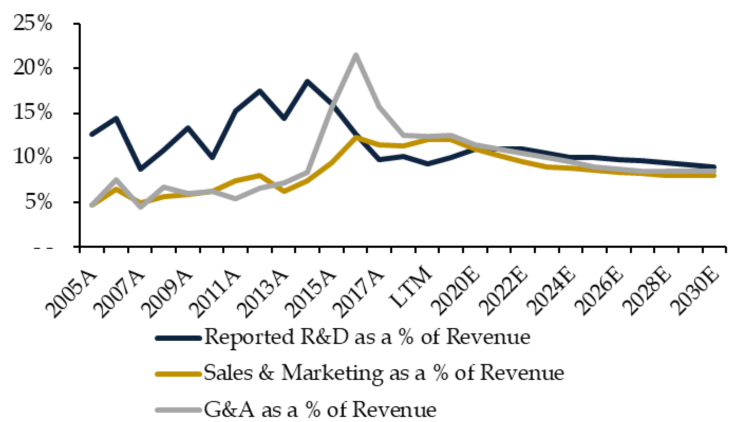


Figure 4: SG&A Cost Projections

I believe the market is viewing Inseego as a flawed telecommunications company and overlooking the revamped leadership, culture, and products. I expect large contract wins, a reduction of debt, and profitable earnings to close this discount in the coming years. As a result, I pitched Inseego as a buy, and the class decided to incorporate it into the AIM XLIX portfolio.

AIM XLIX Class Profile

Geoff Allman

Incoming Analyst at J.P. Morgan

Inherited Stock: Waste Management

Stock Pitched: Kimberly Clark

Katherine Brown

Incoming Analyst at Accel

Inherited Stock: Facebook

Stock Pitched: Spotify

James Campion

Incoming Analyst at Perella Weinberg

Inherited Stock: Dollar General

Stock Pitched: Inseego

Carson Collins

Incoming Analyst at William Blair

Inherited Stock: Crown

Stock Pitched: Stryker

Carter Collins

Incoming Analyst at Goldman Sachs

Inherited Stock: Microsoft

Stock Pitched: Qualys

John Cresson

Incoming Analyst at PJT Patners

Inherited Stock: NextEra

Stock Pitched: Stamps.com

Daniel Delfico

Incoming Analyst at J.P. Morgan

Inherited Stock: Booking Holdings

Stock Pitched: Stich Fix

Matthew Herzog

Incoming Analyst at Evercore

Inherited Stock: Blackstone

Stock Pitched: Mastercard

James Hunter

Incoming Analyst at FTI Consulting

Inherited Stock: Abiomed

Stock Pitched: Trupanion

AIM XLIX Class Profile

Kyle Hyland

Incoming Analyst at Goldman Sachs

Inherited Stock: Kinder Morgan

Stock Pitched: CVS

Cameron Kaupp

Incoming Analyst at Goldman Sachs

Inherited Stock: A.O. Smith

Stock Pitched: Carmax

Michael Kuznerko

Incoming Analyst at Credit Suisse

Inherited Stock: Diamondback

Stock Pitched: Aerojet Rocketdyne

Patrick Lacy

Incoming Analyst at PJT Partners

Inherited Stock: XPO Logistics

Stock Pitched: Tyson

Charles McDonough

Incoming Analyst at Houlihan Lokey

Inherited Stock: Palo Alto Networks

Stock Pitched: Halliburton

Annie McVeigh

Incoming Analyst at Goldman Sachs

Inherited Stock: Echostar

Stock Pitched: Lululemon

Sean O'Brien

Incoming Analyst at Bain Capital Credit

Inherited Stock: Caterpillar

Stock Pitched: TJ Max

Luke Reilly

Incoming Analyst at Moelis & Company

Inherited Stock: Interdigital

Stock Pitched: Teladoc

Sam Rocheford

Incoming Analyst at William Blair

Inherited Stock: Constellation Brands

Stock Pitched: Costco

AIM XLIX Class Profile

David Seo

Incoming Analyst at Bank of America

Inherited Stock: Intercontinental Exchange

Stock Pitched: Micron

Ben Shepard

Incoming Analyst at Bain Capital Credit

Inherited Stock: Comerica

Stock Pitched: Zillow Group

Lauren Weetman

Incoming Analyst at PJT Partners

Inherited Stock: Alphabet

Stock Pitched: GTT Communications