# THE UNIVERSITY OF NOTRE DAME

## Mendoza College of Business

*AIM L Newsletter*

*For Alumni and Friends*

**IN THIS EDITION**

# Faculty Welcome

Professor Jason Reed
Professor Colin Jones
Professor Scott Malpass

**Jason Reed**

Assistant Teaching Professor of Finance

**Colin Jones**

Associate Teaching Professor of Finance

**Scott C. Malpass**

Vice President and Chief Investment Office

## An Introduction from Jason Reed

When I was asked to step into the AIM class, about 17-18 million thoughts raced through my head: the storied tradition, the jaw dropping alpha generation, the high intensity classroom, the legacy of Scott and Frank. Then, crept in the impostor's syndrome, the intimidation. If I felt like this, I wondered how our students felt. During my first semester, I thought welcoming and encouraging my students would be my priority. As it turns out, we encouraged each other.

Everything they said about AIM is true, but it's so much more.  This past week Frank Reilly addressed the class and emphasized family. I couldn't agree more. AIM is certainly a special class, but not just for the reasons that you would expect. I thought we should start the newsletter like I start my classes: Thanks for being here everyone. I really appreciate it.

# An Interview with Scott C. Malpass

*April 29, 2020*

**Scott C. Malpass**

**Notre Dame Chief Investment Officer**

*Mr. Malpass is a 1984 Notre Dame graduate and earned a master of business administration degree from the University in 1986. When Mr. Malpass took on the role of Chief Investment Officer in 1989, the endowment totaled $425 million. The Notre Dame endowment is now the 9th largest at a private university and totals roughly $14 billion. In 1995, Mr. Malpass helped to develop the Applied Investment Management Class. For his tremendous service to the University, he has won numerous awards and in 2011 was selected as the Mendoza College of Business MBA Alumnus of the Year. Mr. Malpass has also been appointed by His Holiness Pope Francis to the Board of Superintendence of the Institute for the Works of the Religious. In June, Mr. Malpass will be retiring from his role as CIO after 32 years of superlative performance. Please enjoy our interview with Mr. Malpass.*

**AIM: So can we start off by going back to the first AIM class in 1995. Could you talk about the atmosphere in the class, the process of getting the class started and if you thought it would be so special?**

Mr. Malpass: A number of us including Frank Reilly, John Affleck Graves and myself were advising the finance club and the investment club and we noticed their stock picking strategy was to essentially put a Value Line sheet up on a stock and take a vote. There really wasn't a lot of rigor to it and they were certainly doing the best they could, but they weren't getting the right advice on how to pick stocks. It occurred to us that we could start a class that could really teach them how to do this and combine the finance department with my office, the theoretical with the practical, and develop something that could be really special. We originally were going to start with the MBA's in the spring of 1996, but after visiting a similar class at Ohio State it struck us that with the caliber of students we have, a smaller, more hands-on class and some real money from the endowment, we could do something really special. Then we decided to start in the fall of 1995 just to get things going. It was a really exciting time. The undergrads were excited to have a portfolio to manage and they were getting two of the best finance professors. Frank had been dean of the college and was teaching MBA's and John was an award-winning teacher in finance. With the three of us doing this, it was really a great start and we sort of knew this is going to be really exciting and we're going to really enjoy doing this.

**AIM: Could talk about the format of the class back in its early years and how its evolved over the last 25 years?**

Mr. Malpass: The basic core format is very similar. Everybody picks an existing name for the first round and pitches their own stock in the second round. Over the years, we have added additional commentary on fundamental and technical analysis as well as portfolio construction to keep up with new techniques being used on Wall Street. The faculty and I meet frequently to discuss potential changes and updates. We also bring in many different outside managers on the cutting edge of techniques and philosophies to the class. We have also done AIM trips since the beginning, but the nature of the trips has evolved quite a bit. The class used to do more visits with Investment Banks. At that time, the typical undergrad didn't know the difference between investment banking and investment management. Now that our placement on Wall Street has increased significantly, our trips revolve more around Private Equity, Real Estate and stock picking. Overall, students learn good techniques and concepts that they can take to the Asset Management world and maybe start their own firms.

## An Interview with Scott C. Malpass (continued)

*April 29, 2020*

**AIM: How do you think the current COVID-19 pandemic will change investing? Are investors going to start pricing in these left-tail events moving forward?**

Mr. Malpass: The situation is evolving rapidly in real-time. Our office is talking to managers intensely. Corporations are adjusting how they give guidance. There is much more scenario analysis being incorporated into models. We will get a better sense of the long-term effects over the next few months.

**AIM: The class has weathered similar market disruptions before such as the DotCom crash and the Recession in 2008. Does the class adopt a revised investing thesis or avoid certain companies after these events?**

Mr. Malpass: We try not to impose too many restrictions on students. We want students to learn on their own. At its core, the class is about teaching students to perform good, rigorous analysis, talk confidently about what you've done, and answer questions about it. We try to keep the class up-to-date and the good news is core fundamentals of how you analyze stocks hasn't changed. While technology and the internet have changed the tools available, we still look for strong business models, with moats around the business, and quality balance sheets.

**AIM: What traits do you look for in fund managers? How can Notre Dame Students develop these skills?**

Mr. Malpass: We want people who have a **passion** for the work. The job isn't fancy, and managers have to be comfortable rolling up their sleeves. I always get nervous when I walk into a meeting and the portfolio manager is too flashy. It is important to **stay humble** and exhibit **intellectual rigor**. In this business, you are never sure that you're right and are always re-testing assumptions. Some of our best partners are very **curious**. Half the battle in life is knowing which questions to ask. Being an **independent thinker** is also very important. If you are just going to do what the masses do, you won't outperform the market. Obviously, we demand complete integrity.
On a more technical note, we assess the fund's investment philosophy, criteria of stock selection, and past performance as well as ensuring that they have a strong organizational structure, with experienced, qualified personnel and proper compliance and internal controls.

**AIM: How do you balance being contrarian with the understanding that it has been difficult to outperform the market over the last decade without having FAANG or other popular big-tech stocks?**

Mr. Malpass: It is hard because you are often drawn to a certain style or approach. Some people don't want to touch the very high multiple growth stocks. They are looking for the 50-cent dollar. The value names that you can buy cheap and really benefit over time. That has been harder as it has been the narrow group of growth names that has led the market. Over the last decade or more if you owned only a few names you would have killed it. It has been unusual. Every time you think traditional value will come back, it really hasn't. Traditional value tends to be banks, energy and utilities which are not the most innovative sectors of the economy. Many are being disrupted. Many paradigms that we used to think of are probably shifting pretty rapidly. We've had to think about that pretty deeply in terms of thinking about styles and philosophies.

## An Interview with Scott C. Malpass (continued)

*April 29, 2020*

**<u>AIM:</u> How do you think that students at Notre Dame can develop those contrarian skills?**

<u>Mr. Malpass:</u> Finding good mentors is essential. There are many mediocre stock pickers that have relatively undifferentiated, high fee products. Working with real investors is where you are going to learn real disciplines. This will give you good base experience to spring up from. As you mature intellectually, you'll be drawn to certain things- a sector, style, asset class, etc. Finding good people to learn from and being in the right firms is the key.

**<u>AIM:</u> What are some of your investing maxims? What makes a great investor?**

<u>Mr. Malpass:</u> It is so much about the people. The skill we have always had is about getting a strong sense of the people to partner with. We look for people who have great values and are very open and collaborative. We have also never been big on levering assets. If you have good assets you shouldn't need to lever them. There is some leverage in the PE and Real Estate sectors of the portfolio, but in general we are very modest when it comes to leverage.

**<u>AIM:</u> How has the Endowment investing process changed over the last 20-30 years?**

<u>Mr. Malpass:</u> Some want a more generalist team while others look closer at specialists. All members should be generalists in some respect because you are always looking at markets and opportunities. Private Equity has a very strong sub-culture. Having Private Equity specialists is a real advantage. It makes it much easier to source deals and have a pulse in the PE world. There is more consistency among major players. Picking stock managers is very different from picking private equity managers. There are many more of them. There are also so many new approaches to stock investing, many new formats, styles, people and philosophies. It is more of a challenge in some ways to find the top minds there. Markets are hard to beat and relatively efficient. Especially considering diversification needs when representing a major fiduciary.

The bigger endowments have done a lot more co-investing with fund partners. This requires a certain, distinct experience and skill level. There has also been a little more direct investing whether it is an in-house portfolio or direct real estate investment.

**<u>AIM:</u> What do you look for in Private Equity Partners? What are the differences between Private Equity Partners and Public Equity Partners?**

<u>Mr. Malpass:</u> We look for a lot of the same kinds of things in both. How it is applied varies. The core tenets apply. It is generally easier to confirm the skill of a private equity partner. They've typically done a number of deals and have detailed performance data. We can also talk to company management teams. On the other hand, stocks can perform for reasons that are detached from the fundamentals for long periods of time. You can have a great company with significant barriers to entry, but the market continues to undervalue it.

## An Interview with Scott C. Malpass (continued)

*April 29, 2020*

**<u>AIM:</u> You mention that there are many instances where stock prices seem to sway away from fundamentals, do you think this may be a new normal in an environment of low rates, heavy indexing, etc. or more of an overvaluation of equity?**

<u>Mr. Malpass:</u> I think those are factors. Also, massive Quantitative Easing after 2008 was very artificial and lifted the whole market up. This led to relatively low differentiation as both good and bad companies did well. All of these factors have made it harder to stock pick and I don't think that is going away. It is a big reason why there has become an increasing interest in passive, systematic and quantitative investing strategies. I still believe there are really great stock pickers, but they are few and far between. Given the internet, and regulations that require many different disclosures, it is hard to get an edge in stock picking. A lot of it comes down to how they interpret the information. It is very personal and not something you can always define. How you define earnings or different paths of a company can vary widely even with the same information. The number of people that really outperform the market is a much smaller group than it was 20 years ago.

**<u>AIM:</u> What is your favorite Notre Dame Football Memory?**

<u>Mr. Malpass:</u> I think the greatest game in the history of college football was the 1988 Notre Dame vs Miami game. Miami was the team of the 80's and came in with a lot of swagger and confidence. We were a bit of an upstart with Lou Holtz starting his third year. We were big underdogs and won the game and the national title that year. It was a beautiful fall day and the game went back and forth the whole time.

**<u>AIM:</u> Finally, what are your favorite investing books, podcasts?**

<u>Mr. Malpass:</u> Seth Klarman's *Margin of Safety* is one of my favorites. Years ago, *A Random Walk Down Wall Street* by Burton Malkiel was a favorite and a seminal book that every investor had to read. There is no one book to learn how to invest. You read a lot to get a lot of perspectives.

In terms of podcasts, I think Patrick O'Shaughnessy and Ted Seides have the best investing podcasts. I did one with Ted two years ago. They talk to a lot of different investors and offer many different perspectives.

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*The AIM L class is extremely grateful to Scott Malpass for everything he has contributed to Notre Dame over the past 32 years. Notre Dame would not be in its distinguished position without Mr. Malpass and his team. We wish him the best of luck in retirement and look forward to future AIM classes continuing to have a great relationship with the Investment Office.*

## AIM News

Before and After the Pandemic

Before the pandemic, our class had many unique opportunities to expand our skillset. Notre Dame hosted its second annual Women's Investing Summit at the end of February. The day-long event brought in many interesting presenters, including keynote speakers Wendy Cromwell from Wellington Management, Katie Koch from Goldman Sachs, and Kathy Murphy from Fidelity Investments. The day was very informative for all involved and provided a welcome diversity of thought and experience across the industry. Additionally, before the university closed due to COVID-19, the class went through a more rigorous idea sourcing exercise to help spark potential stock pitches. The class broke up into small groups and presented their findings regarding major macro and industry tailwinds to the class. The class discussed and analyzed many trends in sectors including global travel, medical technology, data analytics and logistics. This process helped guide student stock selections.

As many of you know, Notre Dame closed campus after spring break and cancelled 2020 graduation ceremonies due to the COVID-19 outbreak. During this trying time, AIM has been able to maintain its robust tradition through Zoom meetings. The class continued to meet twice a week in order to present and debate investment theses. Our analysis shifted towards solvency risks and broader scenario analysis to understand each company's risk profile in the face of COVID-19. As short-term prospects and trading multiples became more difficult to understand, we wanted to ensure that our companies would remain resilient both during the pandemic and any economic downturn that may follow. We also recognized that one of AIM's strengths is its long-term investing horizon, and we prioritized picking companies with tremendous upside over the long-term. Additionally, we made sure to diversify our pandemic risk. While we saw value in select hard-hit businesses, we balanced this offense with companies that would remain fundamentally sound despite COVID-19. We focused on building a portfolio of the best 25 companies for a 3-5 year holding period.

## AIM Speakers

Lecture from Jason King, Andrew Carreon and Aron English

In the class session before spring break, the AIM class was fortunate to hear from Jason King and Andrew Carreon from the Notre Dame Investment Office, as well as Aron English. Aron founded 22NW, a hedge fund in Seattle that employs a long/short equity strategy within small cap securities. The guest lecturers focused discussion on the idea sourcing process within investing, which was especially helpful as we sought companies to pitch in Round 2. Andrew and ___ spoke about the process of sourcing new investing partners and what the Investment Office looks for in a compelling investment manager. Aron is one of the investment managers with a succinct strategy and a defined skill.

Aron gave the class an overview of 22NW's investment strategy, which seeks to purchase stocks of unpopular, but fundamentally sound businesses. On the short side, 22NW looks to make bets against unsustainable momentum due to fraud or companies in structural decline. Aron was kind enough to present the class with some of his greatest investment successes and failures. Many of Aron's most successful theses centered around doing extra research to find what the market was missing. One example centered around using Google Trends to identify an antiquated service. Another example detailed how a simple Google search found that a previous management team was accused of fraud not once, but twice at previous firms which both went bankrupt. Aron's insights into finding market inefficiencies was extremely valuable for the AIM class.

## Case Study – Stamps.com

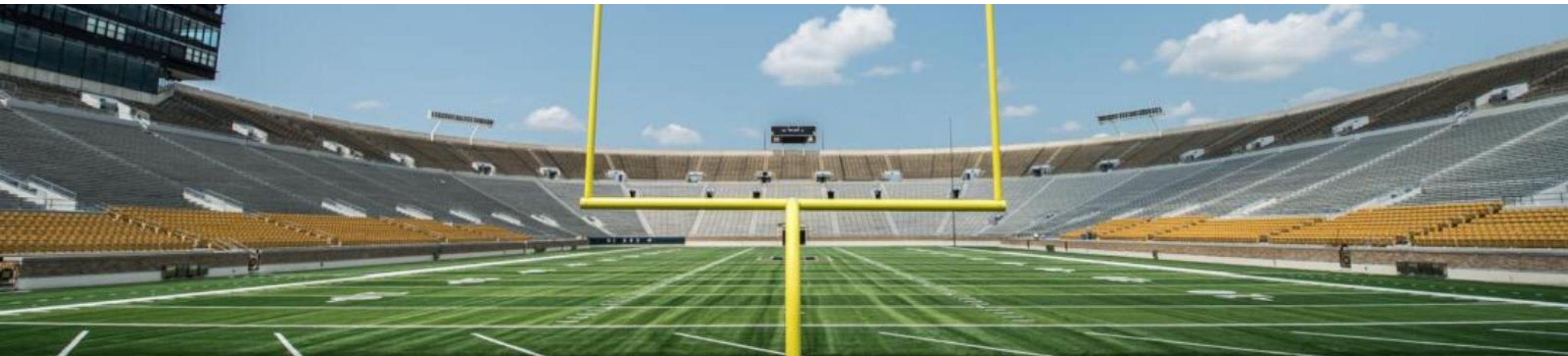
Brendan Reardon

One of the more common concerns plaguing potential AIM analysts is the scope and depth of the quantitative analysis that the class demands. This concern is understandable. AIM is, after all, a high-level and exacting finance course. However, the actual math demanded of AIM analysts is not terribly complex. Instead, AIM's complexity is derived from understanding and interpreting the story that the numbers tell. How many widgets will my company sell next year? If they sell 10% more than they say they will, what are the implications for the stock price? Under what conditions will a 10% sales increase arise? These are the questions that lead analysts to camp out in the BIC for days on end. Unsurprisingly, this element of subjectivity lends itself to healthy debate, and at times, outright disagreement. Armed with precisely the same information, two AIM analysts can come to radically different conclusions. This occurred several times over the course of the semester, though perhaps nowhere was the dispute quite as pronounced as with Stamps.com.

For those readers unfamiliar with the Company, Stamps.com was an early adopter of the online postage movement. The Company's web-based platform allows customers to purchase discounted postage from the comfort of their own homes and ship parcels without ever stepping foot in the post-office. This concept has proven to be both novel and lucrative. Few other companies offer such an arrangement. Further, the Postal Service was willing to pay the Company rich commissions in exchange for Stamps.com directing customers its way. The carrier landscape was changing however. Stamps.com customers demanded greater shipping flexibility than the USPS allowed. Given this, management ultimately concluded that it was in the best long-term interest of the Company to terminate its exclusive partnership with the USPS. Though customers would still have access to some USPS services, the Company decided that carrier flexibility outweighed the economic benefits associated with an exclusive Postal Service partnership.

Eventually, the Company forged a partnership with UPS. Customers were promised improved service standards while still receiving discounts to UPS' retail rates. It was a win-win for customers. The deal was not without its tradeoffs however. Gone were the lucrative commissions provided by the USPS. The long-term financial implications of the strategic overhaul were unclear, however. On one hand, the Company had a new partner that could offer enhanced service at discounted rates. Perhaps this would bring new customers to the platform and Stamps.com could replace its high-margin Postal Service business with higher volume, albeit at lower margins. On the other hand, Stamps.com was walking away from millions of dollars of commissions that, for all intents and purposes, dropped straight to the bottom line. How would investors react to contracting margins? Would publicly-traded UPS pressure Stamps.com to accept less favorable terms than the government-backed postal service?

Whereas Mr. Cresson was exuberant and bullish on the stock, Mr. Reardon was disillusioned and bearish. Armed with nearly identical sets of information, both analysts arrived at opposite conclusions. If Stamps.com's recent stock price performance is indicative of which narrative held true, it would appear that Mr. Cresson was more accurate in his assessment. Mr. Reardon would like to remind readers that the goal of AIM is not to predict short-term fluctuations, but rather to select portfolio companies with strong, long-term fundamental. He stands by his recommendation.



# Case Study – Stamps.com

Brendan Reardon

These were the types of questions that both AIM XLIX analyst John Cresson (who pitched the stock) and AIM L analyst Brendan Reardon (who inherited the stock) sought to answer. While it would be unfair to posit precisely what ran through Mr. Cresson's mind, his recommendation suggests that he saw significant upside for the Company. Perhaps the market was unduly harsh in its punishment of Stamps.com (the stock plummeted over 50% when the USPS termination was announced), and the Company in fact owned far greater operating leverage than the market seemed to believe. Perhaps a partner like UPS could provide superior service, attract more customers, and ultimately enhance Stamps.com's service offering. Mr. Reardon believed the opposite however. He viewed the financial arrangement between the Postal Service and the Company to be essential to Stamps.com's long-term success. It seemed perfectly symbiotic. Stamps.com provided a customer base that the USPS desperately needed. In return, the USPS provided discounted postage and millions of dollars of high margin revenue. The UPS relationship appeared more parasitic. Though terms were not publicly disclosed, Mr. Reardon was concerned that UPS would relentlessly pursue ways to erode Stamps.com's margins and ultimately find ways to connect with the Company's customers directly (potential ly rendering Stamps.com's service offering altogether obsolete). Whereas Mr. Cresson was exuberant and bullish on the stock, Mr. Reardon was disillusioned and bearish. Armed with nearly identical sets of information, both analysts arrived at opposite conclusions. If Stamps.com's recent stock price performance is indicative of which narrative held true, it would appear that Mr. Cresson was more accurate in his assessment. Mr. Reardon would like to remind readers that the goal of AIM is not to predict short-term fluctuations, but rather to select portfolio companies with strong, long-term fundamental. He stands by his recommendation.

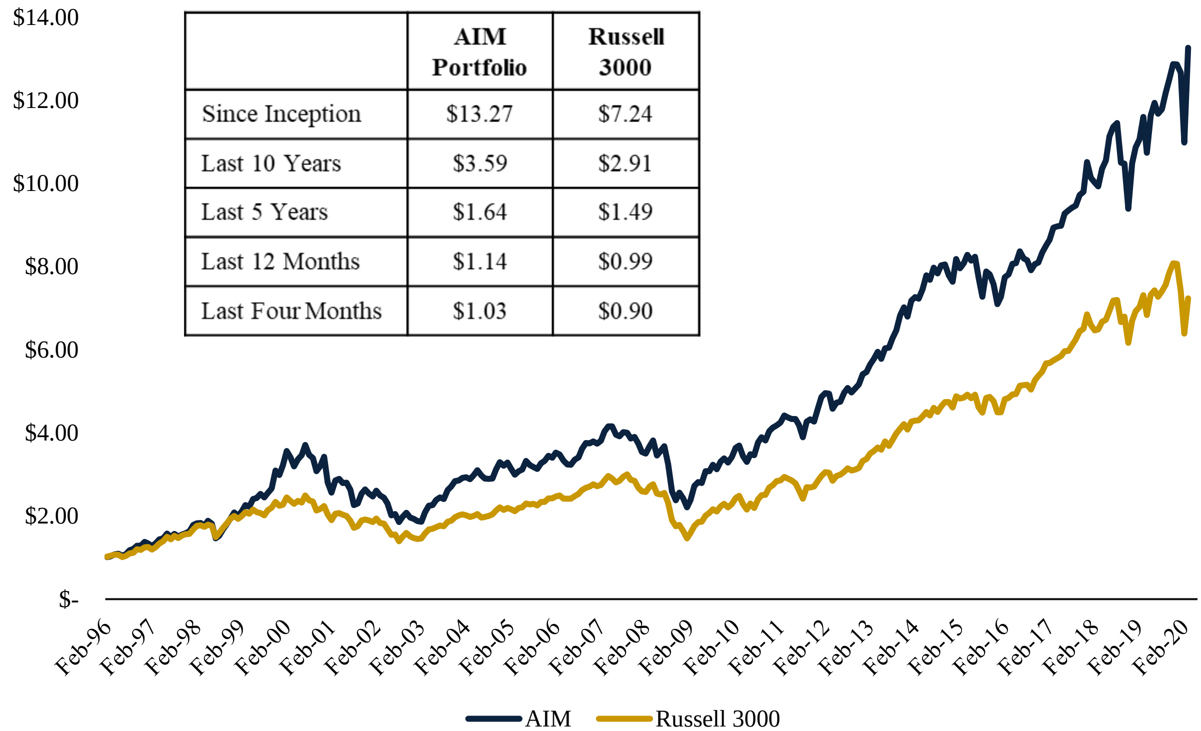
This feature of AIM—respectful, well-informed debate (and at times passionate dissent)—is perhaps what best distinguishes the class from the broader Mendoza curriculum (Black-Scholes option valuation does not lend itself to quite as robust a discussion). It helps to sharpen and refine investment theses, patch up holes in valuations, and open analysts' eyes to issues they would have never otherwise considered. Undoubtedly the class' greatest asset is the diversity of thought and perspective that walk through the doors each week. Professors, guest speakers and students alike all contribute something that, collectively, is far greater than the sum of its parts. I hope that the Stamps.com anecdote illustrated this fact. While one can debate which thesis was more sound, time will ultimately tell which analyst was correct. However, there can be no debate that AIM's emphasis on open forum discussion led to more honest and thoughtful work and, in turn, more considerate portfolio decisions.

# Portfolio Performance and Updates

## Benchmark Composition

AIM, in conjunction with the Notre Dame Investment Office, recently decided to benchmark the portfolio against only the Russell 3000. The Russell 3000 is a market capitalization-weighted index featuring the 3,000 largest U.S. traded stocks and is 98% of US equities by market cap. While the S&P 500 still constitutes the vast majority of the Russell 3000, AIM's tendency to include small and mid-cap stocks served as the impetus for the change in benchmarks. The following highlights how $1.00 invested in AIM at inception (Jan-96) would have performed against $1.00 invested in the Russell 3000 at the same time.

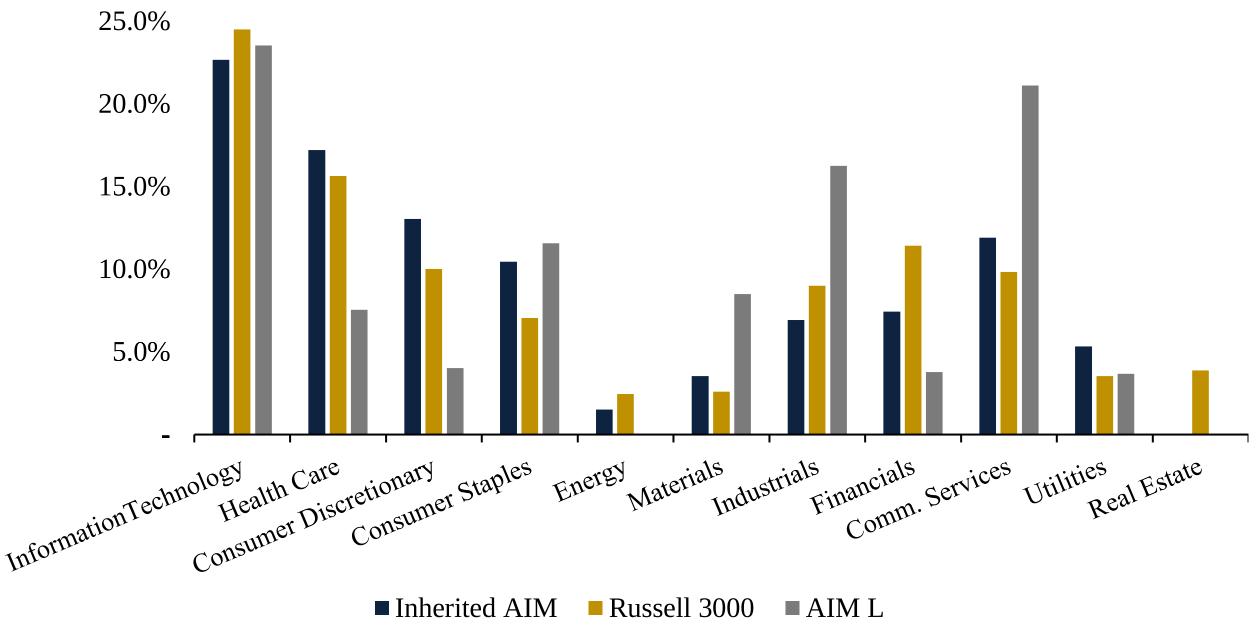
| | AIM Portfolio | Russell 3000 |
|---|---|---|
| Since Inception | $13.27 | $7.24 |
| Last 10 Years | $3.59 | $2.91 |
| Last 5 Years | $1.64 | $1.49 |
| Last 12 Months | $1.14 | $0.99 |
| Last Four Months | $1.03 | $0.90 |




## Sector Allocation

The inherited AIM portfolio was relatively underweight industrials and overweight health care and consumer compared to the Russell 3000. The class attributes a significant portion of this to the impact of COVID-19, which saw certain health care / consumer stocks skyrocket and certain industrial stocks plummet. While it may appear as though the rebalanced portfolio is underweight in certain sectors (e.g. energy), the class has made a concerted effort to select companies with exposure to these sectors, even if they may not be classified as such.

## Sector Allocation (continued)




## Best and Worst Performers

**Top 5 Performers**

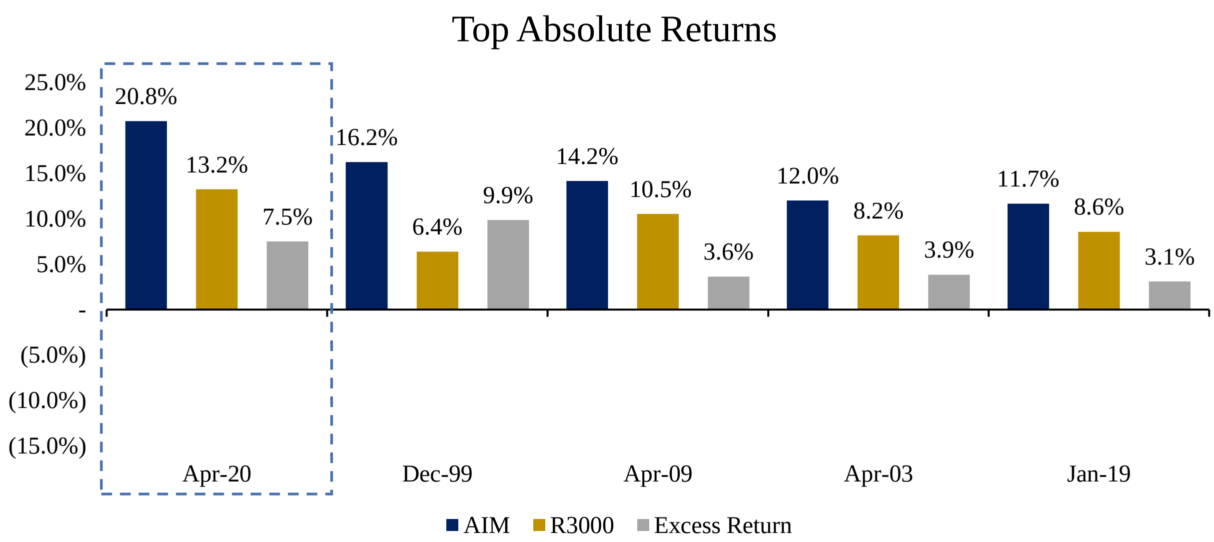
| | | | | |
|---|---|---|---|---|
| Teladoc Health, Inc. | Inseego Corp. | Stamps.com Inc. | Microsoft | NextEra Energy Inc |
| TDOC | INSG | STMP | MSFT | NEE |
| HPR: 98.1% | HPR: 95.2% | HPR: 56.2% | LTM: 41.5% | LTM: 24.8% |

**Bottom 5 Performers**

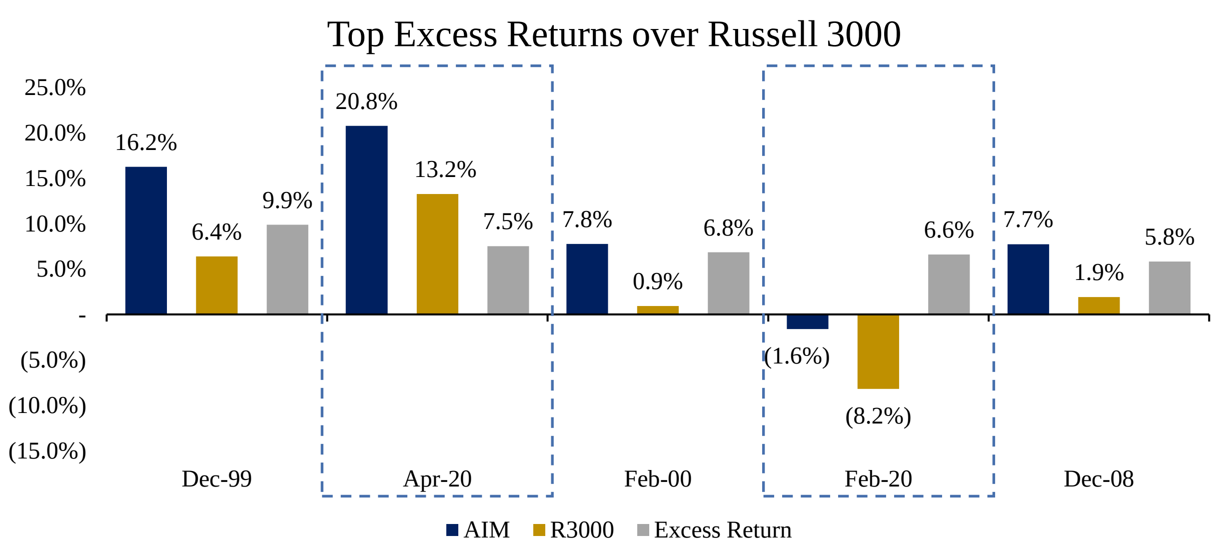
| | | | | |
|---|---|---|---|---|
| Halliburton Co. | Stitch Fix Inc | Tyson Foods Inc. | The TJX Companies | Constellation Brands |
| HAL | SFIX | TSN | TJX | STZ |
| HPR: (64.3%) | HPR: (36.8%) | HPR: (31.0%) | HPR: (24.4%) | LTM: (23.8%) |

## Historic Times for the AIM Portfolio

While the wider market has experienced historic volatility, this dispersion has created opportunity for the AIM portfolio do demonstrate skill. The inherited AIM XLIX portfolio generated the highest absolute monthly return in the class' history while also returning historic excess returns in two monthly periods.

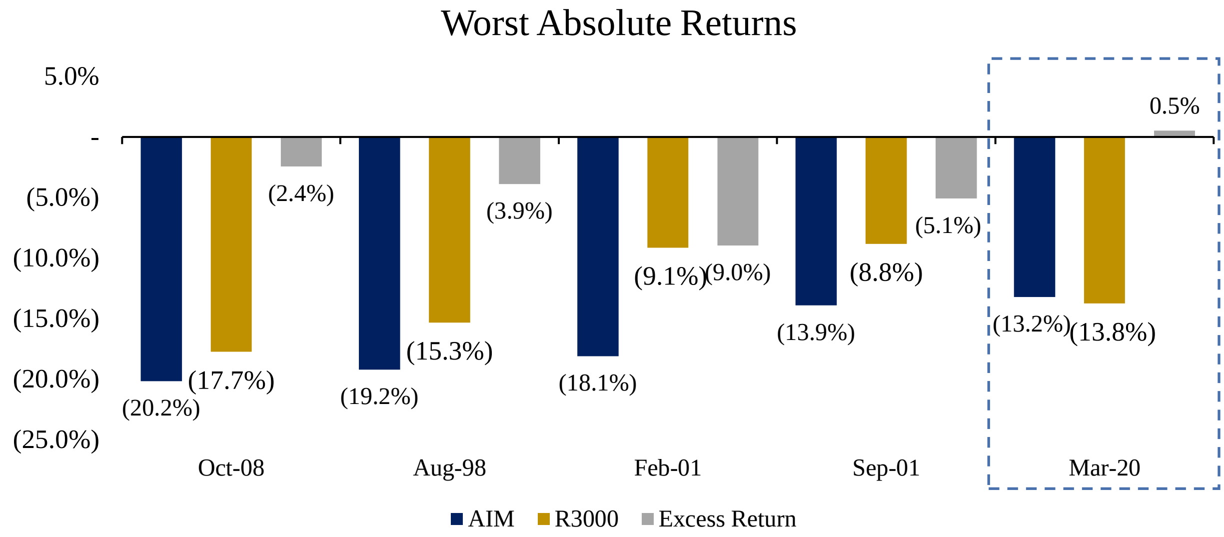



## Historic Times for the AIM Portfolio (continued)




However, the tumultuous times also impacted the AIM portfolio negatively as the portfolio had one of it's worst months for absolute returns in the class' history. Nevertheless, the portfolio still outperformed the market in March.

### Historic Times for the AIM Portfolio (continued)




## Portfolio Decisions

Overview

The below documents the AIM L portfolio decisions with YTD share performance as of the portfolio trading date on April 21. The following pages document the class' investment thesis for select companies. In summary, the class retained 14 stocks, highlighted in green from AIM XLIX and added 11 pitched stocks by the AIM L class.

| Inherited Portfolio | |
|---|---|
| Company | YTD Share Performance |
| Crown Holdings | (18.0%) |
| Costco | 2.5% |
| CVS Health | (18.9%) |
| Facebook | (16.8%) |
| Alphabet | (9.5%) |
| ICE | (5.4%) |
| Mastercard | (17.8%) |
| Microsoft | 6.4% |
| NextEra Energy | (2.8%) |
| Qualys | 28.2% |
| Constellation Brands | (19.4%) |
| Stryker | (14.8%) |
| Waste Management | (15.1%) |
| Zillow Group | (22.0%) |
| Haliburton Company | (69.5%) |
| Inseego | 54.2% |
| EchoStar | (32.1%) |
| Stitch Fix | (40.7%) |
| Stamps.com | 68.3% |
| Teladoc Health | 105.9% |
| The TJX Companies | (24.6%) |
| Trupanion | (20.0%) |
| Tyson Foods | (32.0%) |
| XPO Logistics | (27.4%) |

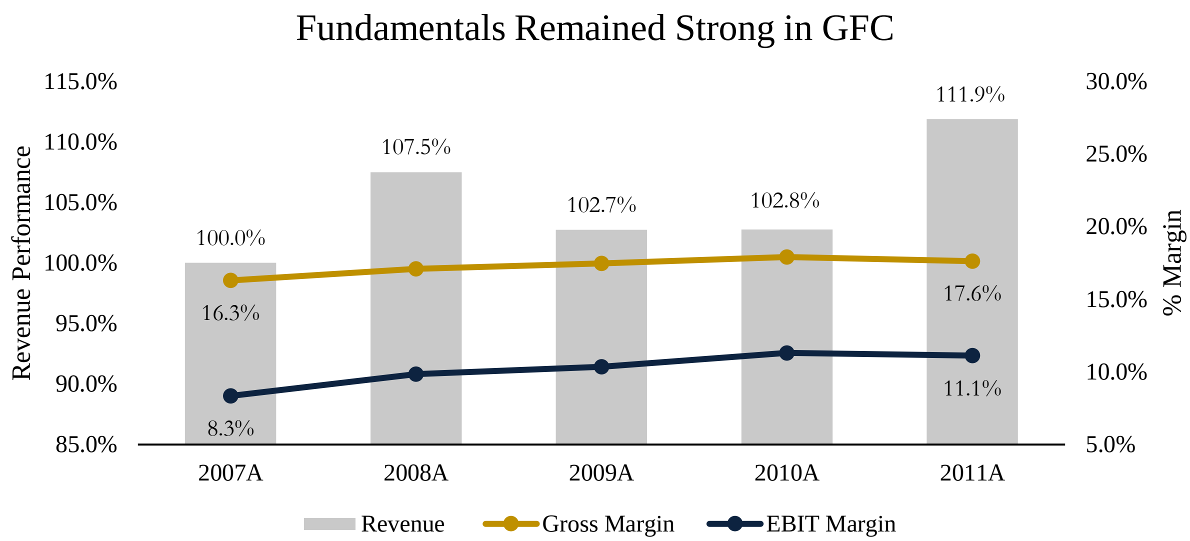
| AIM L Evaluated Stocks | |
|---|---|
| Company | YTD Share Performance |
| AerCap Holdings | (63.2%) |
| Alteryx | 11.2% |
| Disney | (30.5%) |
| Dish Network | (39.2%) |
| Estée Lauder | (22.0%) |
| W.R. Grace | (45.9%) |
| Intuit | (4.9%) |
| Nordstrom | (59.2%) |
| Lockheed Martin | (4.1%) |
| The Trade Desk | (16.8%) |
| Union Pacific | (20.1%) |
| American Airlines | (61.6%) |
| Autodesk | (7.3%) |
| Cerner | (6.5%) |
| DexCom | 41.0% |
| Canada Goose | (36.2%) |
| Huya | (15.5%) |
| Live Nation | (49.0%) |
| Nvidia | 14.5% |
| Old Dominion | (1.9%) |
| Pinterest | (9.5%) |

## Selected Portfolio Decisions

Inherited Portfolio - BUY

### Crown Holdings

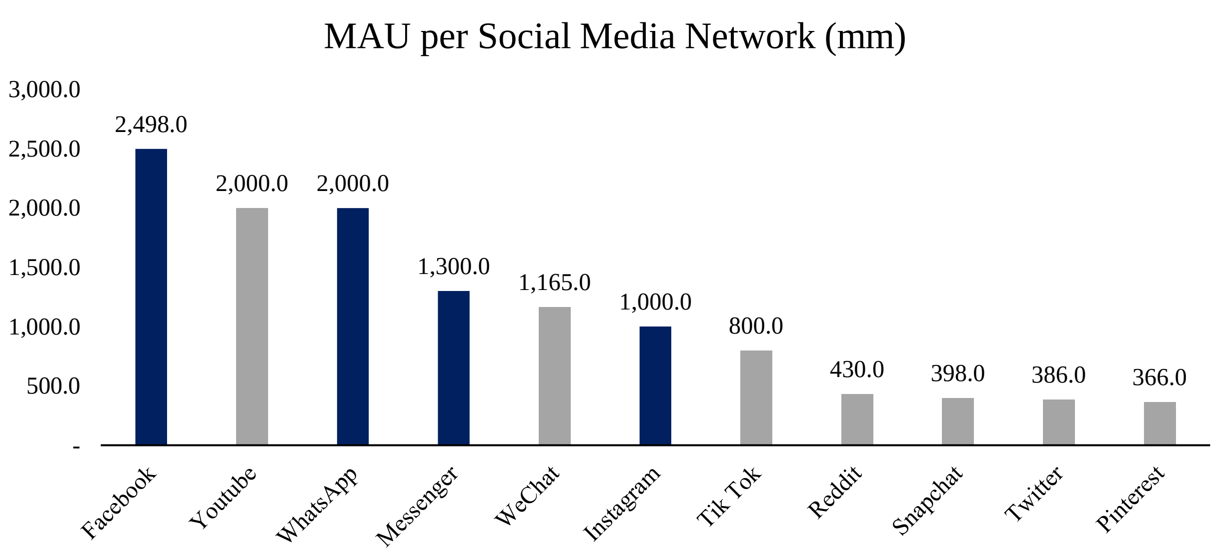
"Crown is a compounder poised to benefit from sustainability preferences; in the current environment we expect fundamentals to remain strong."




*Source: Company filings, S&P Capital IQ*

### Facebook

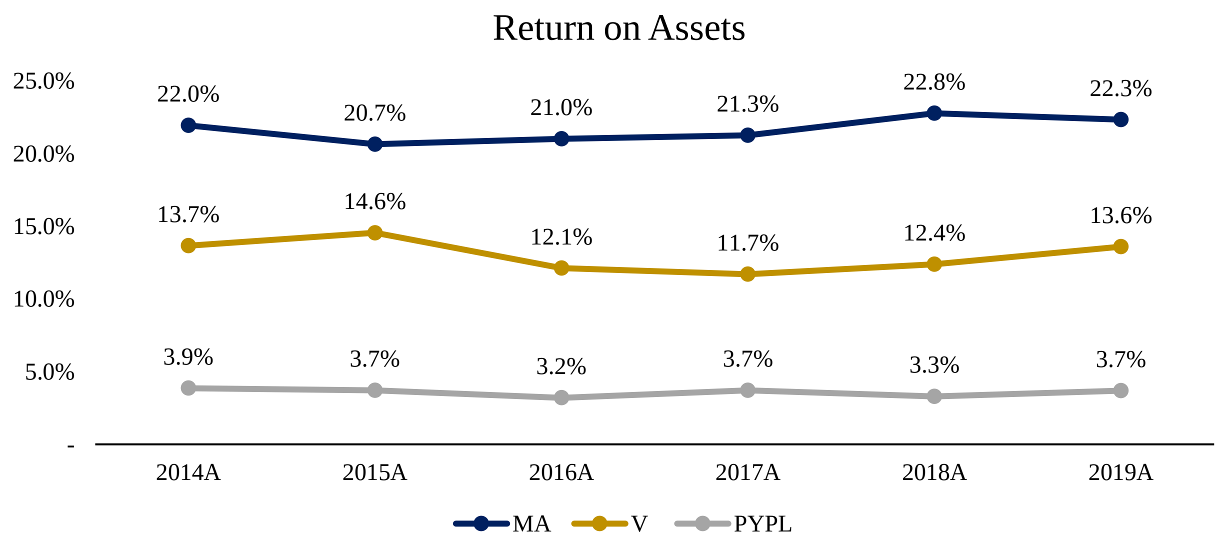
"Facebook is positioned to capitalize on rapidly growing digital ad spending due to its dominance on social media."




*Source: Statista*

## Mastercard

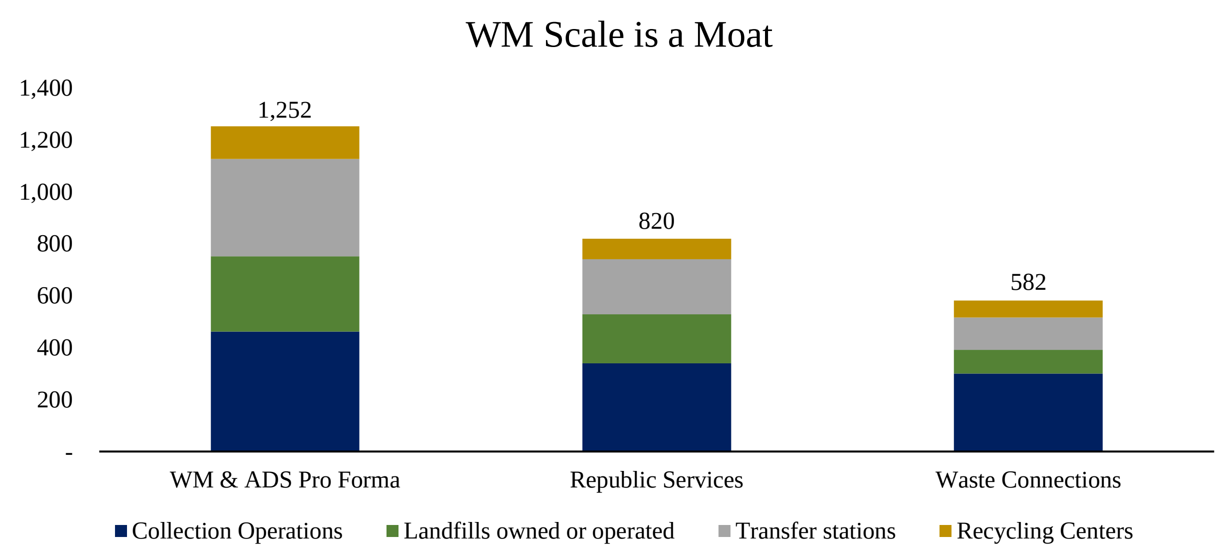
"The Company is a compounder operating in a duopolistic industry with growth driven by increasing digital payments."




*Source: Company filings, S&P Capital IQ*

## Waste Management

"The largest collection and landfill network will continue top-line growth and expand margins."



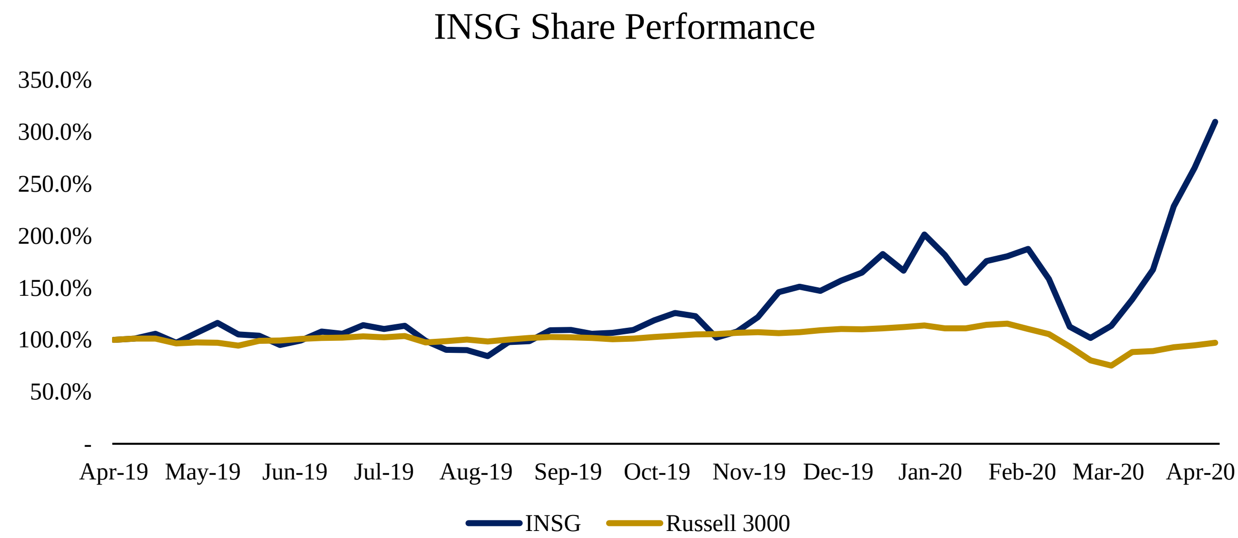

*Source: Company filings*

# Portfolio Decisions

Inherited Portfolio - SELL

## Inseego

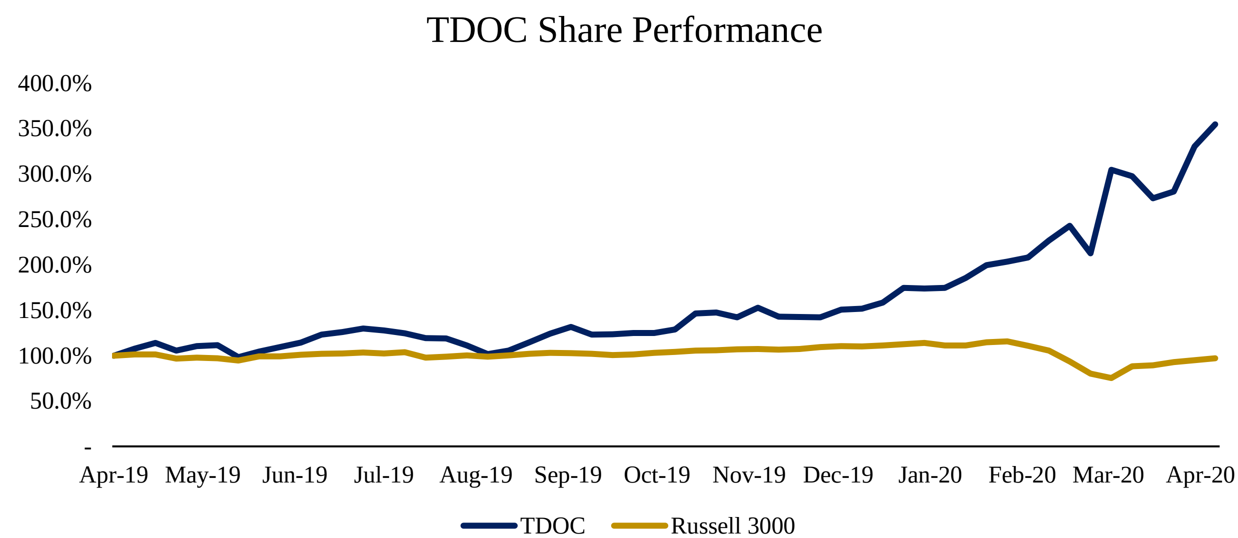
"The recent surge in demand for secure wireless internet products due to the lockdown has created an opportunistic time to lock in gains."




*Source: Company filings, S&P Capital IQ*

## Teladoc Health

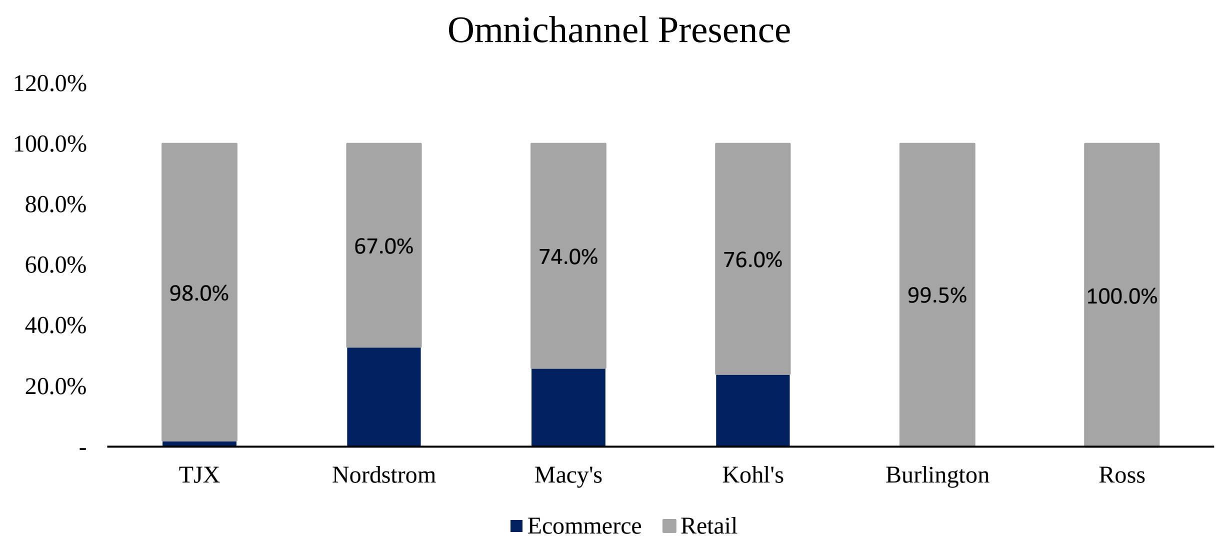
"The growth of telehealth is overestimated and the recent run-up due to COVID-19 creates another opportunity to reallocate capital."




*Source: Company filings, S&P Capital IQ*

## TJX Companies

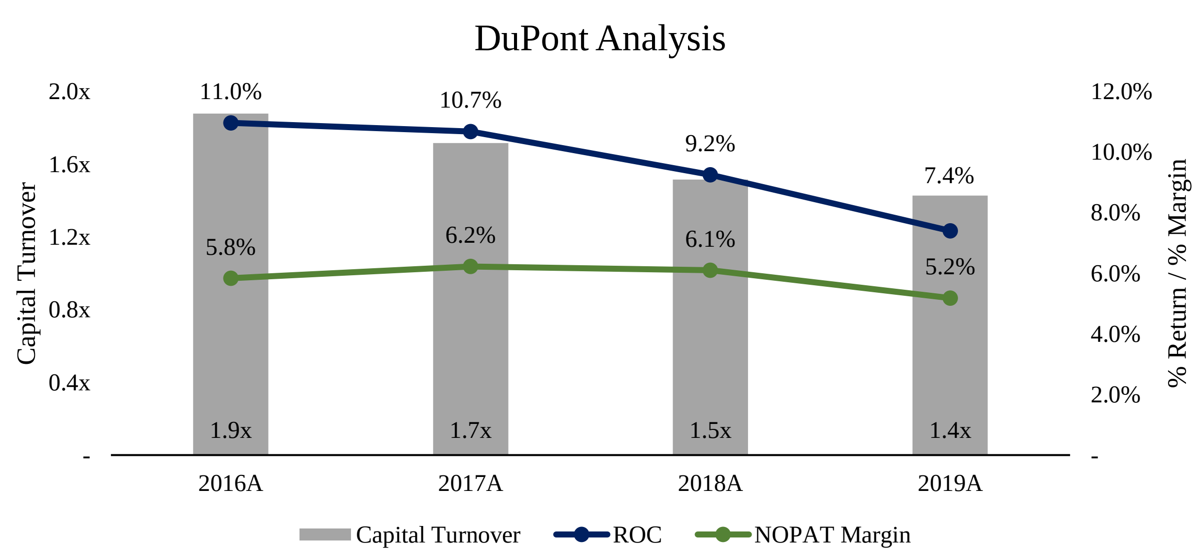
"A lack of robust omnichannel presence will lead to challenges."




*Source: Company filings*

## Tyson Foods

"A successful Trade Deal between the United States and China is required to improve weakening fundamentals."




*Source: Company filings, S&P Capital IQ*

# Portfolio Decisions

Pitched Stocks - BUY

## AerCap Holdings

"While select airlines will face bankruptcy, AerCap's valuation implies a complete crippling of the airline industry, which seems unlikely."

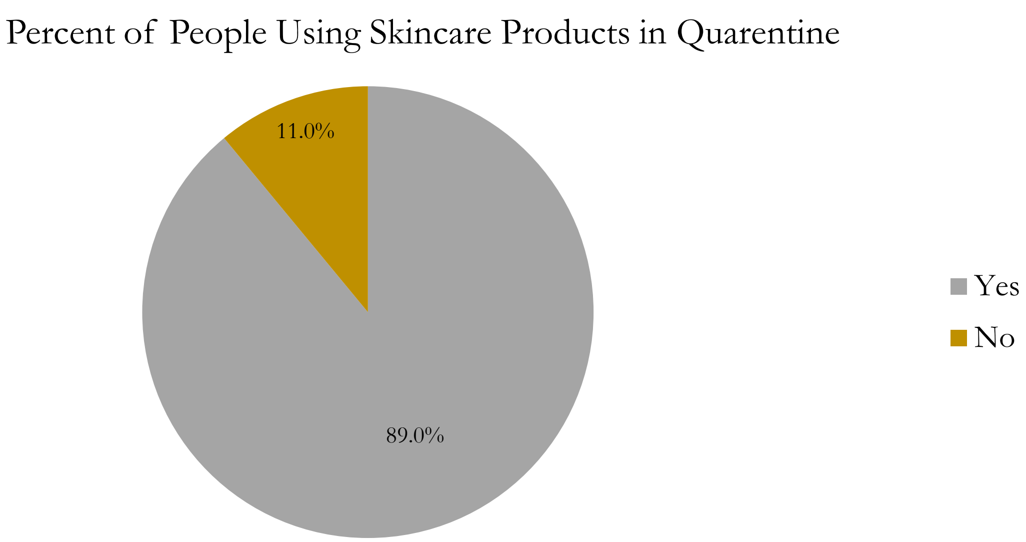
**DCF Implied Price/Upside**

| | | **Years Until Air Travel Recovery** | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| **Revenue Loss** | 0.0% | $65.66 / 168.8% | $65.66 / 168.8% | $65.66 / 168.8% | $65.66 / 168.8% | $65.66 / 168.8% |
| | 10.0% | $63.63 / 160.5% | $60.85 / 149.1% | $58.20 / 138.2% | $55.67 / 127.9% | $53.25 / 118.0% |
| | 20.0% | $61.60 / 152.1% | $56.06 / 129.5% | $50.79 / 107.9% | $45.77 / 87.4% | $40.99 / 67.8% |
| | 30.0% | $59.58 / 143.9% | $51.28 / 109.9% | $43.42 / 77.7% | $35.97 / 47.2% | $28.88 / 18.2% |
| | 40.0% | $57.55 / 135.6% | $46.51 / 90.4% | $36.10 / 47.8% | $26.26 / 7.5% | $16.93 / (30.7%) |
| | 50.0% | $55.52 / 127.3% | $41.77 / 71.0% | $28.83 / 18.0% | $16.65 / (31.8%) | $5.13 / (79.0%) |
| | 60.0% | $53.49 / 119.0% | $37.04 / 51.6% | $21.61 / (11.5%) | $7.12 / (70.9%) | - / (100.0%) |
| | 70.0% | $51.47 / 110.7% | $32.33 / 32.3% | $14.44 / (40.9%) | - / (100.0%) | - / (100.0%) |

*Source: Company filings, S&P Capital IQ*

## Estée Lauder

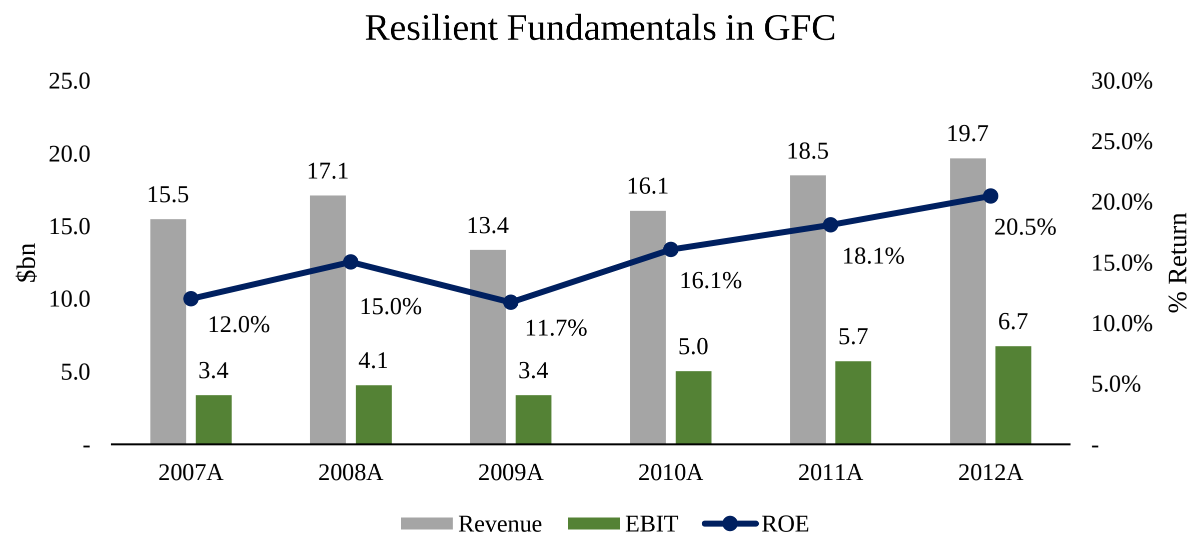
"This represents an opportunity to buy consumer staples at a discount; Estée Lauder's growing ecommerce presence and presence in emerging markets will drive top-line growth."




*Source: Analyst's Survey of ~50 Participants, AIM/Hanley 2020*

## Union Pacific Corp.

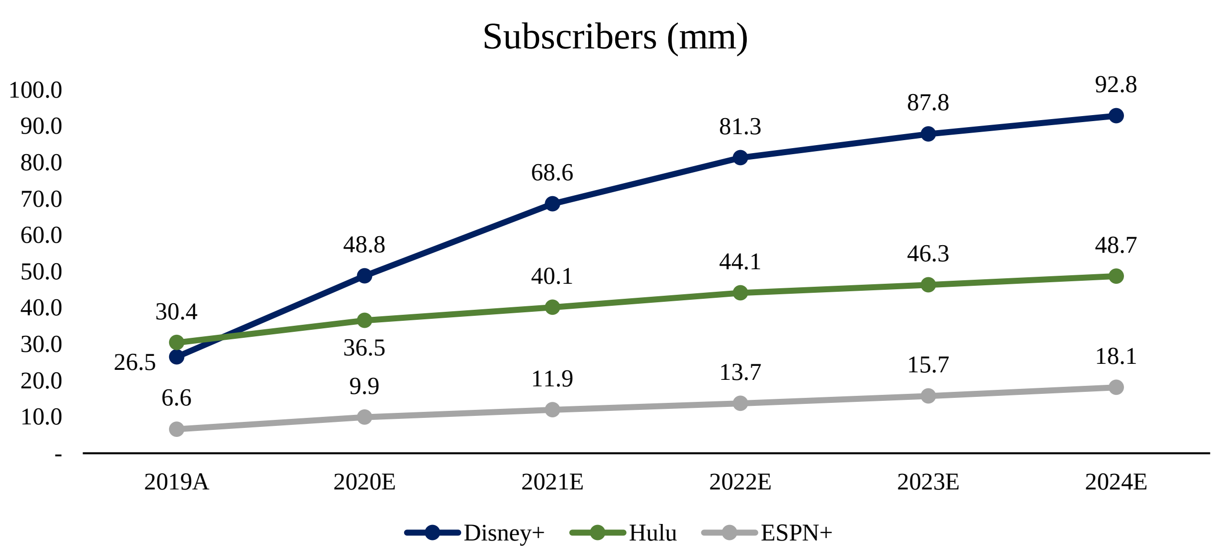
"Strong fundamentals, a moat in the western United States and a history of weathering recessions results in a defensive security in the current environment."




*Source: Company filings, S&P Capital IQ*

## Walt Disney

"Leveraging online streaming enhances Disney's experiential storytelling; while COVID-19 creates substantial short-term headwinds, the brand equity will carry the Company forward."




*Source: Company filings, AIM/Reynoso 2020*

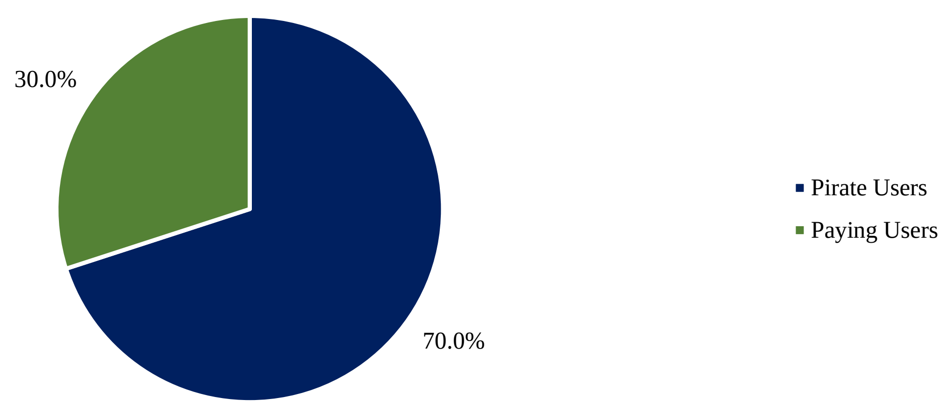
# Portfolio Decisions

Pitched Stocks - SELL

## Autodesk

"The majority of customers are pirate users; the Company will struggle to monetize these users and with piracy in the future."

Product is Easy for Pirates to Access

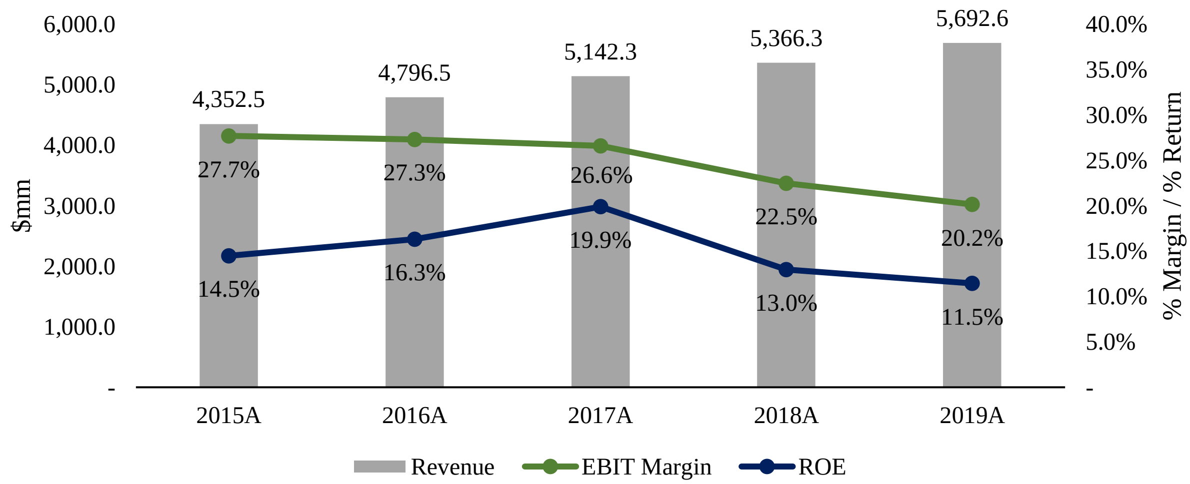



*Source: Company filings*

## Cerner Corporation

"Despite its scale, Cerner is struggling to adapt to the changing healthcare IT Landscape."

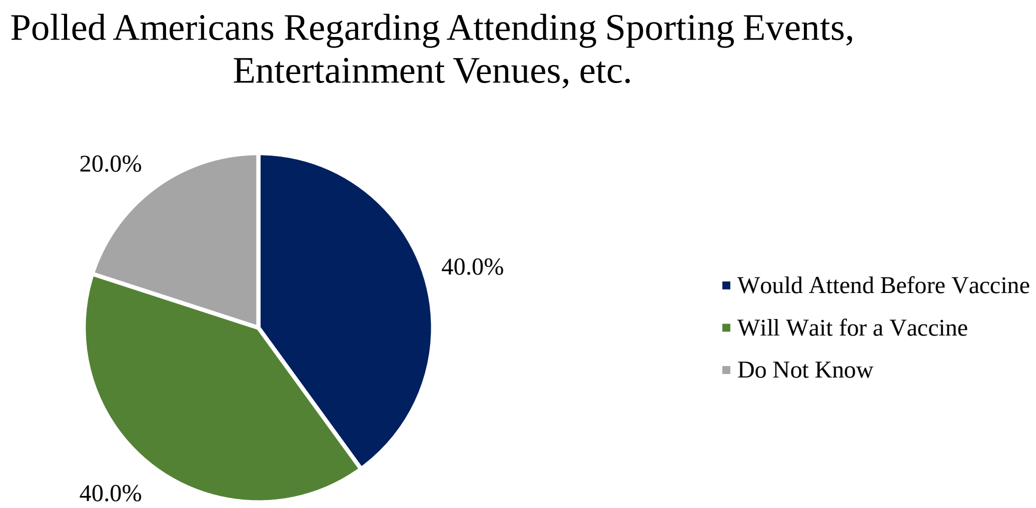
Declining Fundamentals




*Source: Company filings, S&P Capital IQ*

## Live Nation

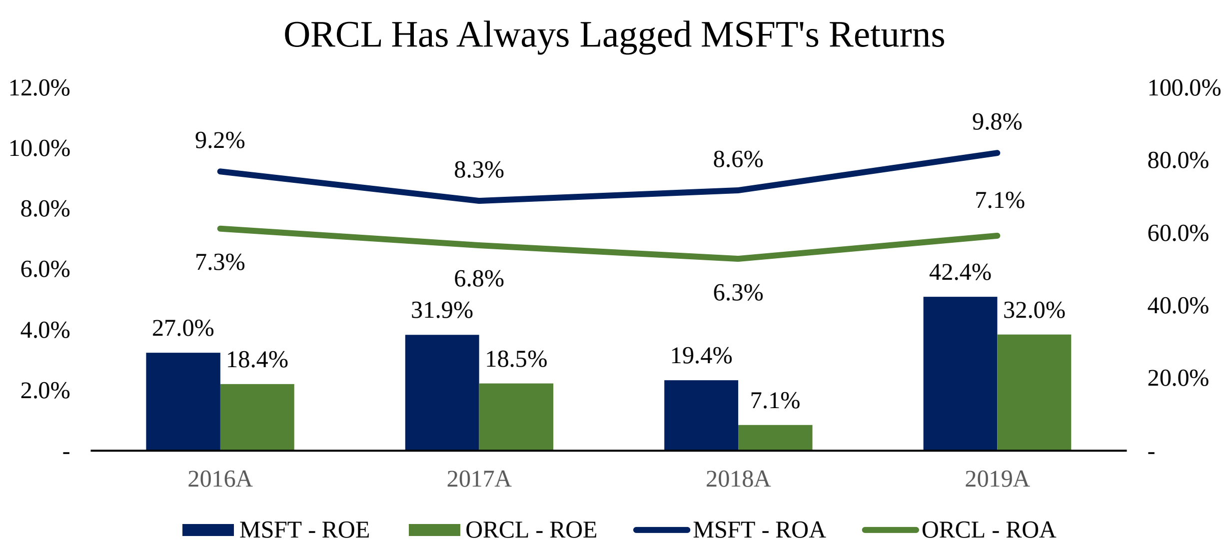
"An inability to forecast when the public will return to live sporting events and concerts led to uncertainty in valuation."




*Source: Reuters*

## Oracle

"A lack of product differentiation in the Cloud will inhibit performance versus Microsoft."




*Source: Company filings, S&P Capital IQ*

# AIM L Class Profile

| Analyst Name | Role | Inherited Stock | Pitched Stock |
|---|---|---|---|
| Sean Baker | Incoming Summer Analyst at BMO Capital Markets | COST | INTU |
| Karl Burns | Incoming Associate at Baird | XPO | ODFL |
| Petar Calov | Incoming Associate at Piper Sandler | SATS | UNP |
| Alexander Candee | 2019 Summer Associate at Lazard | ZG | NVDA |
| Tom Curran | Incoming Analyst at Wells Fargo | NEE | CERN |
| Jake Eberhart | Summer Analyst at Goldman Sachs | FB | DXCM |
| PJ Flynn | 2019 Summer Associate at Blue Point Capital | HAL | GOOGL |
| Meaghan Hanley | Incoming Summer Analyst at Bank of America | TRUP | EL |
| Chris Hayes | Incoming Analyst at Cowen & Company | QLYS | LYV |
| Matt Logsdon | Vice President of the Indiana Whiskey Company | TDOC | DISH |
| Scott Mathis | Incoming Management Department Instructor at U.S. Air Force Academy | ICE | JWN |
| Aidan Murphy | Incoming Summer Analyst at DBO Partners | SYK | HUYA |
| Miguel Nunez Castillo | Incoming Structuring and Derivatives Manager at PV | MSFT | ORCL |
| Matt Otten | Incoming Summer Analyst at Ares Management | SFIX | AER |
| Thomas Pero | Incoming Summer Analyst at Loeb.nyc | TJX | TTD |
| Sami Quereshi | Incoming Senior Director at Sungevity | INSG | ADSK |
| Colin Quinn | Financial Analyst at AT&T | MA | AAL |
| Brendan Reardon | Incoming Treasury Manager at Ecolab | STMP | GOOS |
| Omar Reynoso | Incoming Credit Research Associate at Northwestern Mutual | TSN | DIS |
| Tim Speake | Incoming Associate at UBS | WM | GRA |
| Blazo Vukmanovic | 2019 Summer Associate at Clavis Capital | CVS | PINS |
| Richard Wells | Incoming Senior Consultant at Deloitte | STZ | LMT |
| Grant Worthington | Incoming Summer Analyst at Evercore | CCK | AYX |