



# THE UNIVERSITY OF NOTRE DAME

Mendoza College of Business

*AIM LI Newsletter*

*For Alumni and Friends*



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## AIM LI Instructors

Professor Shane Corwin  
Professor Colin Jones



Colin Jones

*Faculty Director of the NDIGI and  
Associate Teaching  
Professor of Finance*



Shane Corwin

*Research Faculty Director of  
the NDIGI and  
Professor of Finance*

## Class Photo





*David George graduated from the University of Notre Dame with a B.B.A in finance and minor in public policy. On campus, he lived in Keough Hall and was a member of AIM XXI. In 2019, he joined Andreessen Horowitz (a16z) as a general partner. Prior to a16z, David was at General Atlantic and in private equity at FFL Partners. David started his career at William Blair where he was an analyst in the M&A group. He received his M.B.A from the Stanford Graduate School of Business and currently lives in Palo Alto, California with his wife and kids.*

**AIM:** Thinking back to your AIM class experience, what were some of your important takeaways from the class?

**David:** Having to do the work to do real, fundamental analysis is different and having skin in the game is different. I had no exposure to picking stocks before being in AIM. I did not have a trading account or anything like that, so it's the first time to really have skin in the game. You should make sure to reflect on how much you like that and take it very seriously. If it is something that appeals to you, then that should be really informative for how you want to chart your career. For me, it was the first exposure to really having to make tough calls, not just the stocks we pick, but making votes on stocks of other people. It was a new thing.

As a general career point, especially for entry level jobs, it sometimes can be easy to just do the analysis and produce the work, especially for a first job out of college. You can go through the motions and be robotic, and there will be some hard things you have to figure out. But, it's important to always make sure that you're pushing yourself to overlay judgement on top of it. I always say that investing is a muscle, and you have to work out the muscle. Don't just produce the analysis and then make the investment judgment an afterthought, but rather, really spend the time to focus on the judgment itself. I wish I had done more of that when I was younger in my career. Pick stocks that you actually care about and will force you to work hard and figure out, which will make the judgment hard.

**AIM:** Regarding your journey from banking to private equity to venture capital - what informed your decision-making process to make those transitions? How do you approach different risk levels in these roles?

**David:** There's lots of ways to make money in investing. Take the time to figure out where you see the greatest opportunity and which asset class appeals to you most. My first job out of college was at William Blair in Chicago in the M&A group. The types of deals were steel plants, rubber mills, and plastic manufacturers, which could not be further from what I do today. Then at FFL, I got the chance to see buyouts and growth equity investing. I was able to compare the two and pick what I liked. I had the experience of doing diligence in both ways. In my opinion, there is much more of a qualitative overlay to diligence in growth investing than in some forms of buyouts where returns are found in better leverage, margins, etc. I was fortunate to see both sides and go the growth equity route. When I was picking the growth equity route, I decided that you need specialization. There are many successful generalist investors out there, but I happen to think that sector expertise is needed. It would be very hard for me to do tech investing, then turn around and look at healthcare companies or banks. I do not think I would be able to do a good job with that.

**AIM:** We've seen the tech industry driving major volatility in the market this year. Could you discuss some of the key trends that you and/or your firm are seeing?

**David:** My partner and the founder of the firm, Marc Andreessen wrote this great op-ed called "Software is Eating the World." If you have not read it, I would encourage you to read it. The investor viewpoint is that technology companies are consuming market cap of non-technology companies in every sector for the next twenty or so years. It was long enough ago that we can say he was right. People have made a lot of money in growth investing, and people have not made a lot of money in value investing. These things tend to go in waves. Now, everyone is piling into growth investing, and tech is the best place for growth, so I think that is a lot of it. I think enough people have made good money on next-generation technology companies. To summarize, it is a major trend that technology companies are capturing more and more market cap. The dangerous part is how much is priced in and how do you pair that against your duration.

**AIM:** How do you go about coming up with ideas for the next big thing or capturing a trend that you think will be really relevant in the next year, three years, or five years?

**David:** This is where specialization is really important. You have got to know this stuff. I am very fortunate to be at an investment firm that has a strong early stage business, and I am able to observe the trends that my partners are seeing and draw on their sector expertise. The biggest focus areas for our growth fund are enterprise software, consumer internet, and fintech. That captures a lot, but it is most of the money making stuff in tech. There is a bunch of stuff we do not do, but those are big buckets that capture a lot. As a firm, we all just live and breathe those sectors and know them well. From my point of view, good investments in growth basically comes down to having confidence in forecasting growth duration and knowing what the long-term margin structure of a company is going to look like at scale.

**AIM:** Do you have any thoughts on the expansion of the private equity industry and influx of dry powder over the past decade? Do you see the crowded environment shaping valuations and founder strategies in the future?

**David:** Return cycles go in waves. If you are really cynical, as an entire asset class, you could say the best determinant of a return profile for private equity is entry price. We are not macro economists. Very smart tech-focused private investors have been calling a bubble or the top for some six years, so it is very hard to make those assessments. We always say we invest through cycles. The biggest thing we try to apply is some conservatism around our exit assumptions. We do not assume current market conditions when we make investments. The second important thing is differentiation of investment platforms. For us, we have an incredibly strong brand and reputation. We have a reputation for being the most helpful to founders building their technology companies, and so the founders want to work with us. This results in really good deal flow and sometimes, better prices. I think we can actually move the needle on the outcome when we make an investment. Those are the counteracting forces to it. Specifically, tech markets are bigger than people think. In addition, there is a secular trend that companies are staying private longer. There is a shift in institutional dollars towards private markets because that is where you can access companies that historically would have been small- or mid-cap public companies.

AIM: Any habits that you have developed over your academic or professional career that you have found helpful?

David: Productivity matters as you get later in your career. I have a family now, so I want to have a balanced life. As a work style, I always try to remind myself to focus on the important, not the urgent. It is hard because we all live out of our inboxes. It is very gratifying to finish some work. However, there is often a massive disconnect between the work right in front of you and the work for maximizing impact or productivity over a longer period of time. This is very hard for me, and I constantly work on it. People can create their own hacks for managing this. For example, I put blocks on my calendar for think time, as opposed to filling my calendar with meetings all day. I also keep a note document with things that I learn that I want to revisit frequently. I wish I had started doing that earlier. It is more of a goal for long-term personal productivity and development and improving my decision-making processes. I call this note “my learnings,” and I read it once every month or two. I add to it once every three to four weeks, and sometimes I take things off.

AIM: What are your favorite books or news source recommendations?

David: *Invest like the Best* by Patrick O’Shaughnessy. Newsletter called “Stratechery” by Ben Thompson on big picture tech. *Increasing Returns and Path Dependence in the Economy* by Brian Arthur, seminal book for tech investors.





## Scott Malpass

*Former Vice President & Chief Investment Officer, University of Notre Dame*

This semester, AIM students were fortunate to take part in a lecture led by Scott Malpass, one of the founders of the course. Mr. Malpass offered fascinating insights from his time as the University's CIO, and particularly shed light upon the development of the investor mindset. Specifically, he noted that the Notre Dame Endowment's long investment horizon has granted it the flexibility to pursue a variety of unique opportunities, evidenced by the University as an early mover in venture capital and emerging market institutional investing.

Mr. Malpass went on to discuss the qualities that define a great investor and the development of a definable and sustainable investment "edge". This edge can be behavioral, informational, technical, analytical, or relationship-based, but must ultimately be supplemented by character excellence. Specifically, Mr. Malpass noted that intellect, motivation, integrity, contrarianism, and humility were key personal qualities that the Endowment looks for when selecting a fund manager. Although the University interviews hundreds of potential managers annually, only those whose values align with the University's Catholic mission and who have demonstrated a track record of success are entrusted with Notre Dame's capital.



## Aron English

*Founder and Investor at 22NW, LP*

22NW, LP is a Seattle-based investment firm that specializes in small and microcap investments over multi-year horizons. Mr. English discussed how nearly half of the public market is uncovered with zero or just one sell-side analyst coverage. He emphasized how there are "bargains at the bottom of the barrel" due to many of these companies being too small to be counted in the Russell 2000. As the market is less competitive under \$500 million in market cap, he believes such companies are less likely to be appropriately priced. Mr. English challenged the AIM class to look where other investors are unwilling to look while still relying on the tangible, fundamental factors that maintain a company's differentiated position.



## Josh Tarasoff

*Founder and CIO of Greenlea Lane Capital Management, LLC*

Mr. Tarasoff founded Greenlea Lane after graduating from Columbia Business School's value investing program in 2007. Having completed his undergraduate degree with an emphasis in philosophy, Mr. Tarasoff discovered a passion for value investing after reading Buffett and Greenwald, and invests with a direct emphasis on long termism.

Mr. Tarasoff's principle of long termism rests on selecting companies that he can potentially hold forever. In his investments, he seeks powerful tailwinds, positive feedback loops, and non-linear returns with the goal of creating a self-driving portfolio. He describes long termism as a way of being than an individual decision, and encouraged the AIM class consider cultivating this mindset themselves. He also urged the AIM class to embrace their own uniqueness in the way they invest as a primary mode of differentiation from other investment funds.

## COVID-19 and Campus Life

*"Together, we are writing one of the great comebacks in Notre Dame history." - Rev. John Jenkins, C.S.C*

On May 18, 2020, Notre Dame was one of the first universities to announce that it was going to bring students back to campus for in-person classes in the fall. There were many changes to campus life that would be in place for the safety of both students and the greater local community. The first semester was shortened from August 10 to Thanksgiving break with no fall break, unofficial student gatherings were limited to 10 people, and social distancing with masks was enforced in every classroom. Around campus, "HERE" posters reminded students how to stay healthy, and on-campus modifications like the introduction of furniture on Library Lawn allowed students to socialize in a safe manner. After two weeks of being on campus, an outbreak led to a temporary suspension of in-person classes. In a speech to the student body, President Rev. John Jenkins stated, "The virus is a formidable foe...For the past week, it has been winning. Let us as Fighting Irish join together to contain it." Since this two-week hiatus, the amount of cases on campus declined drastically, and in-person classes have continued. Classes are set to resume in early February after a 10-week winter break.



## Scott Malpass Retires

*"For Scott and his team, it has never been about the dollars, but about providing financial aid to deserving students, the hiring of superb faculty, and supporting the University's service to Church and the world." - Rev. John Jenkins, C.S.C*

After 32 years of outstanding service to Notre Dame, Scott Malpass announced his retirement from the position of chief investment officer for the university. Under his leadership, Notre Dame's endowment grew from \$425 million in 1989 to \$12.5 billion in 2020. This has resulted in an increase in support for scholarships, research, faculty chairs, and athletics. Mr. Malpass has also contributed to the finance curriculum on campus, most notably with the creation of AIM in 1995. Over the course of his career, he earned multiple awards for his performance, including being named Large Endowment Manager of the Year by Institutional Investor Magazine in 2011 and lifetime achievement award from Chief Investment Officer Magazine in 2014. Mr. Malpass will be succeeded by Micheal Donovan, who has worked with the Notre Dame Investment Office for over 23 years.

Inherited Portfolio		AIM LI Evaluated Stocks		
Company	YTD Performance	Company	YTD Performance	
15 Stocks Kept in the Inherited AIM LI Portfolio	AerCap Holdings	(56.2%)	Crown Castle International	15.8%
	Alphabet	28.8%	Enterprise Product Partners	(40.8%)
	Alteryx	9.9%	Installed Building Products	36.8%
	Costco	32.3%	LCI Industries	12.5%
	Crown Holdings	31.7%	Malibu Boats	36.1%
	Facebook	39.9%	Match Group	57.5%
	Intercontinental Exchange	8.6%	Oportun Financial Group	(37.5%)
	Intuit	32.3%	Veeva Systems	108.9%
	Mastercard	3.4%	Walmart	22.6%
	Microsoft	39.3%	WW International	(34.3%)
	Qualys	9.2%	Albemarle	54.6%
	Union Pacific	4.3%	Brinker International	7.6%
	The Walt Disney Company	(14.0%)	Delta Airlines	(46.8%)
	Waste Management	4.4%	Dick's Sporting Goods	17.3%
	Zillow Group	165.7%	Floor & Décor	60.2%
10 Stocks Sold from the Inherited AIM LI Portfolio	Constellation Brands	(1.3%)	General Motors	0.2%
	CVS Health Corp.	(12.4%)	Live Nation Entertainment	(22.0%)
	Dish Networks	(22.5%)	Lululemon Athletica	47.3%
	Estee Lauder	15.7%	Service Corp. International	7.5%
	Lockheed Martin	(9.5%)	Sherwin-Williams	28.7%
	NextEra Energy	26.9%	Vail Resorts	(0.2%)
	Nordstrom	(68.0%)		
	Stryker Corporation	1.4%		
	The Trade Desk	201.8%		
	W.R. Grace	(36.9%)		

10 Stocks Added to the Portfolio by AIM LI

11 Other Stocks Evaluated by AIM LI





# AERCAP

AerCap is positioned to maintain liquidity, capitalize on its scale and provides an attractive airline-recovery investment from current valuation

# Alphabet

Alphabet's YouTube, Cloud, and Other Bets segments hold strong runways for growth, while the market misunderstands its privacy and regulation risks

# alteryx

Alteryx provides data analytics software in an industry with a huge TAM, massive data tailwinds and key decision maker buy-in



Costco is a buy as its high-quality products and sticky customers makes it uniquely positioned for the future



Crown Castle's cell sites will act as the backbone for the new 5G rollout in America



Crown is best positioned to capitalize on global undersupply of aluminum cans & shifts towards specialty cans in the US



Enterprise Products Partners is the strongest player in the midstream energy services industry with growing margins and an attractive price



Facebook has a durable competitive moat due to its network effect and targeted advertising capabilities, and the market underappreciates its growth prospects in eCommerce



IBP is best positioned to outgrow a rebounding housing market as stellar management continues executing a rollup of the commercial and residential building products market



Intercontinental Exchange has a diverse asset class portfolio, consistent data subscription revenues, and growing rates per contract to drive future growth



Intuit's self-disruptive business model, premium products, and sticky customer base will drive revenue growth as technology provides industry tailwinds



LCI's leading position, favorable demand trends and the market's undervaluation of its expansionary growth in non-core segments provide current upside



Malibu has the #1 market share in the performance sport boat industry and will be able to increase average selling price through the introduction of new proprietary technology



Mastercard has an entrenched market position, variety of viable growth prospects, and a strong capital allocation track record



Match Group's dominance in online dating, increased audience exposure through Hinge, and emphasis on the pay-per-use features will drive value for the company



Microsoft has a wide economic moat in its legacy segments and is poised for growth through Azure, its cloud computing service



Opportun's unmatched management, lending technology, and reputation will enable it to capture tremendous market share in the fragmented credit-invisible sector



Qualys's ability to upsell customers and sticky revenue base will allow them to take advantage of cybersecurity industry growth



Union Pacific's value comes from large defensible profit margins and the disciplined allocation of capital by an experienced management team



Veeva will benefit from increased regulation facing the healthcare industry and has the potential to become the industry standard for life sciences companies



Walmart's durable moat and investments in omnichannel capabilities positions the Company well to take advantage of shifting consumer needs



Disney's ability to leverage its strong brand has enabled the company to shift to streaming through Disney+, which will rapidly drive global revenue growth



Waste Management operates in an industry conducive to large players, utilizes a resilient business model, and possesses a management team capable of efficient capital allocation



WW International's leading market position, unique diversification opportunities, and improving KPIs contribute to a positive outlook for the company

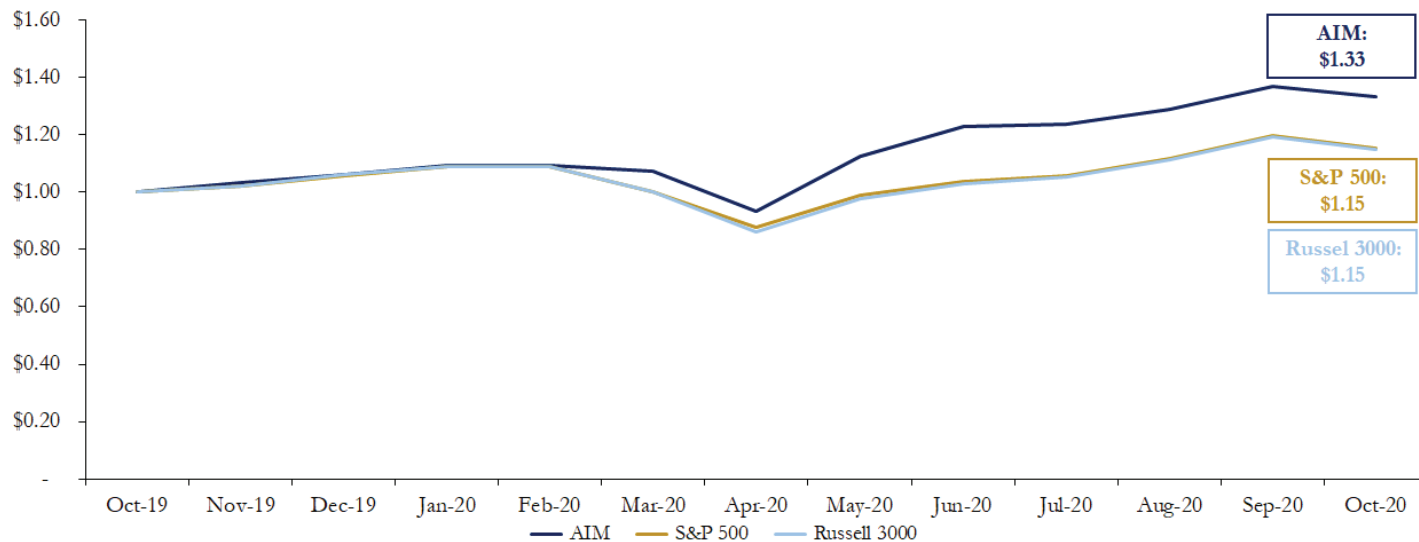


Zillow's success hinges upon an ability to leverage its strong brand name and realize economies of scale as the iBuying market grows



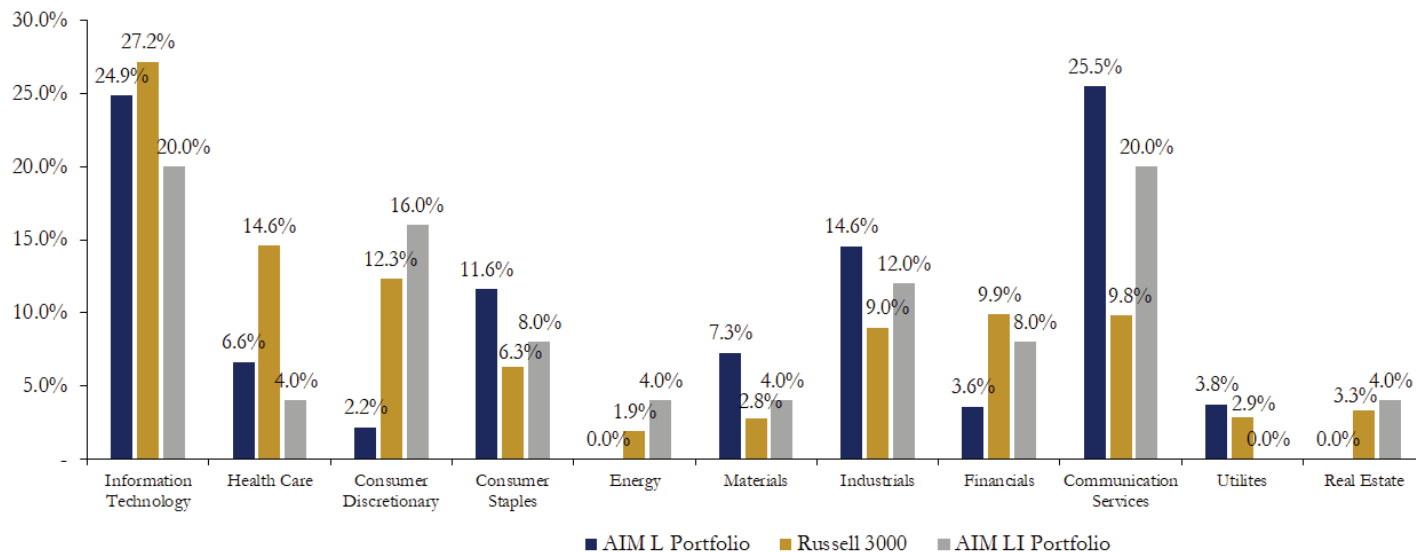
## Benchmark Composition

The AIM Portfolio is benchmarked against 2 indices: S&P 500 and the Russell 3000. The AIM portfolio has outperformed both the S&P 500 and the Russell 3000 over the last 10 years, last 5 years, and year-to-date. Since inception, the AIM portfolio has outperformed its benchmarks by 2.8% on average.



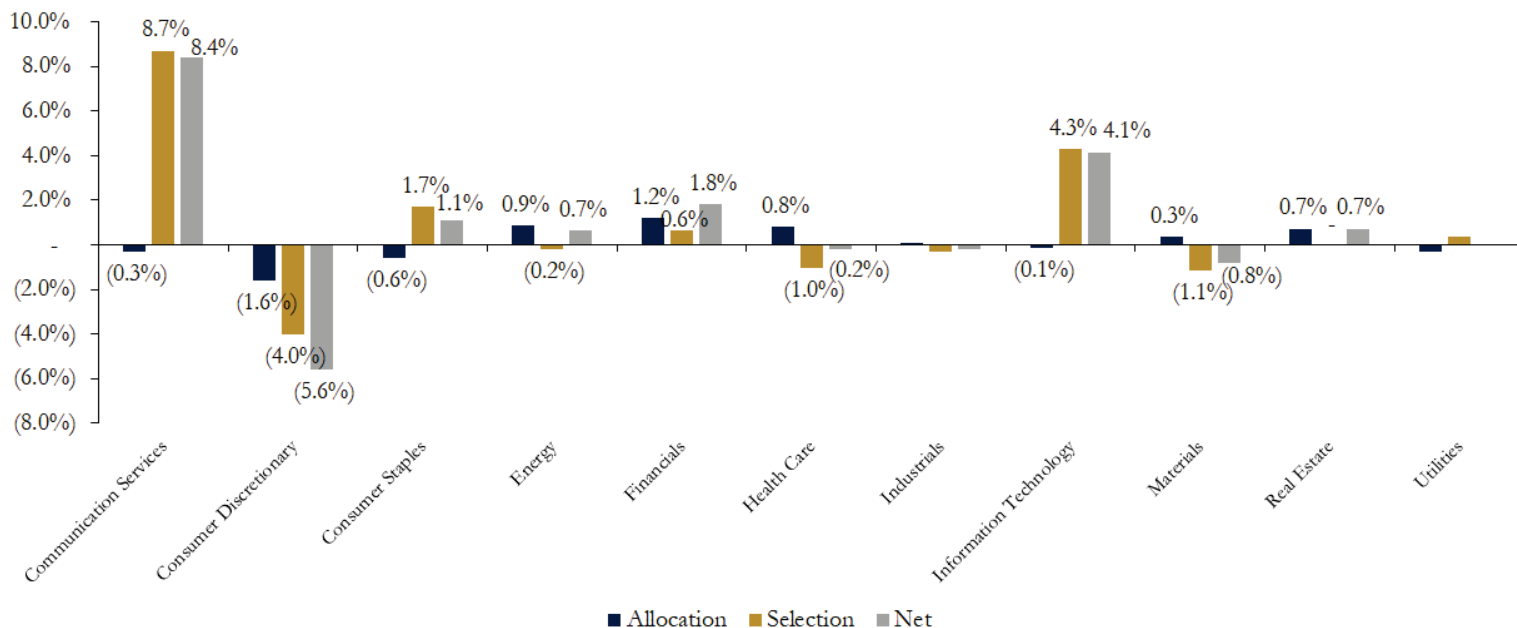
## Sector Allocation

The inherited AIM portfolio was relatively overweight communication services, industrials, and materials and relatively underweight health care and financials relative to the Russell 3000. The class saw recent run-ups in information technology and communication services companies to strategically reposition the portfolio to an overweight in position to capitalize on the opportunity to buy good quality companies at low prices.



## Attribution Analysis

On a YTD basis, the AIM portfolio saw a net management effect of 9.2% driven by the selection effect. Communication services and information technology have led performance while consumer discretionary has lagged.



## Best Portfolio Performers



The Trade Desk  
TTD  
HPR: 188.4%



Zillow Group  
ZG  
HPR: 155.4%



Microsoft  
MSFT  
YTD: 50.2%



Facebook  
FB  
YTD: 50.0%



Alphabet  
GOOG  
YTD: 35.4%

## Worst Portfolio Performers

NORDSTROM

Nordstrom  
JWN  
HPR: (24.9%)



CVS Health  
CVS  
YTD: (14.9%)



Constellation Brands

Constellation Brands  
STZ  
HPR: (6.4%)

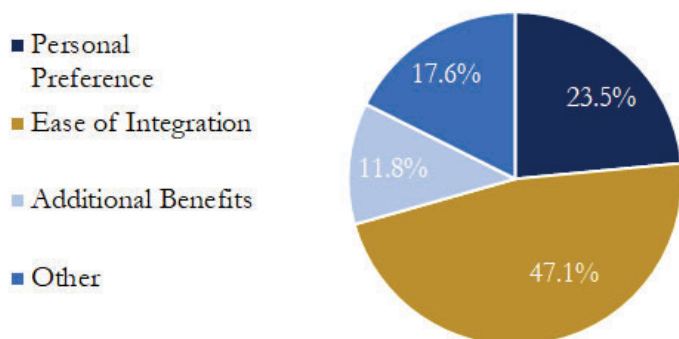


Walt Disney  
DIS  
HPR: (4.7%)



Lockheed Martin  
LMT  
HPR: (1.0%)

*Why did you choose your current cloud computing service?*

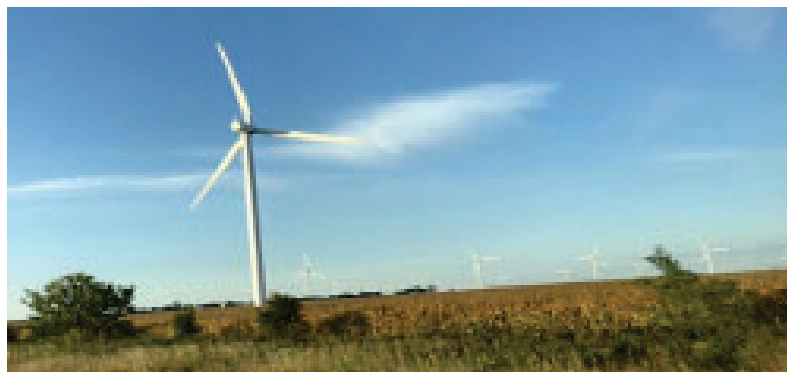


## Microsoft Corporation (Garrett Smith)

For primary discovery, I sent out a survey to 17 startup CEOs and CTOs. The crux of my investment thesis on Microsoft was the ability to grow Azure, their cloud computing service, in the future. In my survey, I asked respondents about their preferences of Microsoft to alternatives like Google's Cloud and Amazon's AWS. I found through these surveys was that the #1 consideration for executives when making decisions on cloud computing was ease of integration when transitioning services from external hard drives to the cloud. This bodes well for Microsoft, as their Office and Windows products are used by nearly every business, making it much easier for businesses to switch operations to Azure. This primary discovery aided in my overall investment thesis on Microsoft, and the Company has been kept in the AIM portfolio.

## NextEra Energy (Katie Jacoby)

For my primary discovery on NextEra Energy, I took a site visit to Wellspring, which operates a wind farm and small residential solar panel systems in Shipshewana, IN. For wind, the strategic placement of turbines, based on locations far from trees, flat landscape, and other factors, are important for maintaining a successful site. I was also able to conduct an interview with Mr. Kirk Hachigian, who sits on NextEra's board. These insights further supported my forecasts for NextEra's growing renewables business, as I expect solar and wind capacity to grow at the fastest rates over the next five years. Despite these positive findings, NextEra Energy has been sold from the AIM portfolio due to its high current valuation and trading multiples.



*"NextEra has the most efficient operations in the country, and the management team is constantly looking for new ways to pass cost reductions onto customers."*

*- Kirk Hachigian, NextEra Board Member*





**Andrew Ameen**

Houlihan Lokey  
*Los Angeles*  
Estée Lauder  
Floor & Decor



**Megan Baumbach**

Evercore  
*New York*  
Alphabet  
Walmart



**Brayden Bishop**

Bank of America  
*Los Angeles*  
Nordstrom  
WW International



**Kendall Bulleit**

Bank of Montreal  
*Chicago*  
Intercontinental Exchange  
Match Group



**Connor Campbell**

Goldman Sachs  
*New York*  
Crown Holdings  
Service Corp International



**Daniel Cassidy**

Bank of America  
*New York*  
Costco  
Albemarle



**Alex Clark**

Bank of America  
*New York*  
The Trade Desk  
Delta Airlines



**Olivia Coyle**

Goldman Sachs  
*New York*  
Facebook  
Veeva Systems



**Matthew Frazier**

KKR  
*Menlo Park*  
Alteryx  
Vail Resorts



**Zachary Gartenhaus**

Bain Capital Credit  
*Boston*

Waste Management  
Dish Network



**Patrick Harris**

Undecided  
*TBD*

Lockheed Martin  
Installed Building Products



**Katie Jacoby**

Goldman Sachs  
*New York*

NextEra Energy  
Lululemon Athletica



**Sean Keller**

Evercore  
*New York*

Qualys  
Sherwin Williams



**Madeline Martin**

Deutsche Bank  
*New York*

Constellation Brands  
Intuit



**Jack Muliken**

Citigroup  
*New York*

W.R. Grace  
Crown Castle International



**Alexandra Okon**

PJT Partners  
*New York*

Mastercard  
Dick's Sporting Goods



**Zachary Pavlin**

Morgan Stanley  
*New York*

CVS Pharmacy  
Oportun Financial Corp.



**Peter Pillari**

Greenhill  
*New York*

Zillow Group  
Brinker International





**Sean Ratigan**

Undecided

*TBD*

Aercap Holdings

LCI Industries



**Maggie Rohling**

Deutsche Bank

*New York*

Live Nation Entertainment

Walt Disney Company



**Andrew Seketa**

PJT Partners

*New York*

Union Pacific

Enterprise Product Partners



**Garrett Smith**

Goldman Sachs

*Los Angeles*

Microsoft

Malibu Boats



**William Suter**

DBO Partners

*San Francisco*

Stryker Corporation

General Motors

