AIM LIII NEWSLETTER

THE UNIVERSITY OF NOTRE DAME

WELCOME

Applied Investment Management (AIM) was created in the fall of 1995 to provide students with live portfolio management experience. Today, AIM manages a portfolio of approximately $30 million.

Throughout the semester, students perform fundamental security analysis on two equities and collectively determine the composition of the final portfolio to mimic the process of a professional portfolio management team.

Frank Reilly (BBA '57) served as dean from 1981 to 1987 and as the Bernard J. Hank Professor of Finance from 1987 to 2015. He earned an MBA from Northwestern University and an MBA and Ph.D. from the University of Chicago.

Honors and Teaching Awards:
University of Notre Dame Faculty Award (1999); the Outstanding Teacher Award given by the MBA Class of 2004; the BP Foundation Outstanding Teacher Award (2002); and the Daniel J. Forrestal III Leadership Award for Professional Ethics and Standards of Investment Practice, given by the CFA Institute

IN MEMORY OF PROFESSOR FRANK REILLY

Professor Frank Reilly's importance in Mendoza and AIM's history cannot be understated. Professor Reilly founded AIM in 1995 along with John Affleck-Graves and Scott Malpass, and this program was the first of its kind. AIM remains a treasured part of the Notre Dame finance experience, and hundreds of graduates have benefitted from Reilly's commitment to providing hands-on investing experience.

"When Frank became dean, he inspired the College to work toward excellence in research and teaching, which he himself exemplified. In so doing, he became a testament to what Father Hesburgh taught us: Mediocrity is not the way to honor the Blessed Mother."

- Roger Huang, Former Dean of Mendoza (2012 – 2018)

"Frank was as good a friend to the students as they would have, that's how supportive he was. He was more than a professor and a mentor, he really cared that his students learned something that would allow them to move ahead of life and succeed. He really wanted his students to be successful and he wanted to bring out the best in people."

- Jerry Langley, Former AIM Professor

"Frank was a true professor at heart, he really cared about his students and was tough because he wanted to push students to the best of their abilities. While Scott Malpass was the social fabric of the class, Frank was definitely the friend who facilitated good-natured arguments and discussions. Frank was also completely honest, he would not say things just to patronize or please you and was completely trustworthy in his advice. His impact is immeasurable and he was the foundation stone of Mendoza helping to transform it from a teaching school to a research school."

- John Affleck-Graves, Former AIM Professor

SHANE CORWIN

Research Director of the NDIGI
Professor of Finance

COLIN JONES

Faculty Director of the NDIGI
Associate Teaching Professor of Finance

THE AIM CLASS IN ACTION

The hallmark of AIM is student engagement. Throughout the semester, analysts complete reports and presentations and each take a turn leading class discussion and market updates. These responsibilities shape analysts to become more confident and articulate investors.

WILL BRENNAN

Managing Partner and Portfolio Manager of Long Path Partners LLC

Will Brennan is Long Path Partners' Managing Partner and serves as Portfolio Manager for the Long Path Partners Fund and Co-Portfolio Manager for the Smaller Companies Fund. Prior to establishing Long Path in 2018, Will was a Managing Director of Brown Brothers Harriman & Co. where he Co-Managed a concentrated equity portfolio named 1818 Partners, LP. Will also served as the Head of Strategy for Brown Brothers' Investment Management business and helped oversee third-party manager research work for BBH's Private Bank. Will joined Brown Brothers in 2006.

Will received his BA in Political Science and Economics from the University of Notre Dame and his MBA from Harvard Business School. He is also a CFA Charterholder.

We are very grateful for the opportunity to have caught up with Will and we encourage you to access the full transcript of the interview at the end of the newsletter.

IDEA SOURCING

"WE LITERALLY JUST STARTED AT THE BEGINNING AND WENT THROUGH ABOUT 11,000 COMPANIES. THE BENEFITS OF HAVING REALLY TIGHT CRITERIA ARE THAT YOU CAN GET TO A "NO" REALLY FAST. MOST COMPANIES I CAN GET TO [THE POINT OF] SAYING "NO" WITHIN 5 MINUTES OF READING... THEN, WE RATE EVERY COMPANY FROM 1-10, WITH 7 OR ABOVE BEING COMPANIES THAT ARE WORTH HAVING A PIPELINE WHERE WE PAY ATTENTION... THANKFULLY, THE VAST MAJORITY OF THINGS WE CAN DISMISS QUICKLY. EVEN GOOD BUSINESSES TOO, THEY'RE GOOD BUSINESSES, BUT THEY'RE JUST NOT FIT FOR US AND THAT'S OKAY."

GOALS FOR LONG PATH

"WE WERE UNIQUE AND WERE A PARTNERSHIP FROM DAY ONE... FROM THE BEGINNING, WE WANTED TO HAVE A FIRM THAT WOULD FOCUS FIRST AND FOREMOST ON GENERATING EXCELLENT INVESTMENT RESULTS FOR OUR CLIENTS. THIS MEANT WE WERE ONLY GOING TO DO THINGS WHERE WE THOUGHT WE COULD BE BEST IN CLASS... WE ALSO TRY TO BE KNOWN FOR HAVING A CULTURE OF PEOPLE WHO ARE CAPABLE BUT ALSO LOW EGO... WE'RE ALSO TRYING TO BE VERY TEAM-ORIENTED, SO... WE SPEND A LOT OF TIME ON CULTURE TO TRY TO MAKE SURE PEOPLE ARE THE RIGHT FIT AND THAT'S SOMETHING WE HOPE TO BE KNOWN FOR OVER TIME."

ANALYST TRAITS

"IN TERMS OF SKILL SET, WE LOOK FOR PEOPLE WHO ARE COMPETITIVE, HARDWORKING, SMART, AND REALLY WANT TO WIN. I THINK MOST OR ALL PEOPLE LOOK FOR THOSE TYPES OF THINGS. WE ALSO WANT FOLKS WHO ARE INTELLECTUALLY HONEST... WE REALLY LOOK FOR PEOPLE WHO ARE MORE HUMBLE AND KNOW WHAT THEY CAN ANSWER... FROM A CULTURAL STANDPOINT... WE REALLY TRY TO FIND PEOPLE WHO ARE NATURALLY TEAM-ORIENTED. WE ALSO TRY TO FIND KIND PEOPLE WHO GO OUT OF THEIR WAY TO TRY TO DO NICE THINGS FOR OTHER PEOPLE."

The AIM LIII Class had the opportunity to hear from many distinguished investors and entrepreneurs over the course of the semester. Each brought a unique perspective, not only discussing investing approaches and experiences, but also offering career and life advice. The speaker series remains a cherished component of the class for all analysts.

JIM PARSONS

Jim Parsons is the founder, CEO, and Portfolio Manager of Junto Capital Management. Mr. Parsons' discussion with the class centered most heavily around career discernment and mindfulness. He advised AIM analysts to take the time to find what they both "love and are good at," and he challenged the class to seek a career that aligns with personal values. Mr. Parsons offered experiences from his own life, demonstrating the importance of both humility and tenacity, ultimately inspiring each analyst to consider career discernment in a more meaningful way.

SEAN KLIMCZAK

Sean Klimczak is the Global Head of Infrastructure for Blackstone. He spoke to the AIM LIII class about everything from investing style to leadership to career discernment. As a senior member of the Blackstone team, he emphasized authenticity, clear communication, and an attitude for helping others succeed as the building blocks of strong leadership. In terms of career discernment, Mr. Klimczak highlighted the importance of continually re-evaluating and setting goals in order to achieve a fulfilling career. Finally, he challenged analysts to maintain a humble while confident attitude as they enter the financial services industry.

JIM HOEG

ALYESKA INVESTMENT GROUP

JOHN TABIS

THE BOUQS COMPANY

SCOTT MALPASS

NOTRE DAME ENDOWMENT

ARON ENGLISH

22NW, LP

ALEXIS FORTUNE

BLACKSHEEP FUND MANAGEMENT

The AIM LIII Class traveled to Chicago in early October. While there, analysts had the opportunity to meet a cohort of AIM alumni and hear from a group of distinguished investors.

ALUMNI RECEPTION & DINNER

While in Chicago, the AIM LIII analysts had the opportunity to meet and interact with AIM alumni at the annual AIM Alumni Reception & Dinner. Alumni and students met and enjoyed a meal together, discussing AIM curriculum, second-round company selections, and career discernment advice. Additionally, alumni who studied under the late Professor Frank Reilly remembered and shared the impact he had on their personal and professional development.

GUEST SPEAKERS

The second day of the trip, sessions were held in Notre Dame's beautiful Railway Exchange Building. Analysts heard from a variety of guest speakers across the financial services industry, from private wealth managers to private equity investors to microcap public equity fund managers. The sessions provided students with visibility into career opportunities and differentiated investing approaches.

Jimmy Flaherty, BDT & Company

The first session of the day featured Jimmy Flaherty of BDT & Company. Mr. Flaherty spoke to analysts about the intricacies of working with ultra-high net worth families and some of the exciting projects he has worked on. Analysts enjoyed learning about the untraditional approach taken by the BDT team.

Mike Melby, Gate City Capital

Former AIM analyst and Founder and Portfolio Manager of Gate City Capital, Mike Melby, detailed his unique and disciplined investing style, in which he identifies microcap public equities with strong intrinsic value. Analysts were fascinated by Mr. Melby's discussion of idea sourcing.

Mike Oleferchik, Shore Capital Partners

Notre Dame alumni, Mike Oleferchik, shared about Shore Capital Partners' private equity business. He presented a case study on a veterinary business roll up that analysts found exciting.

Lauren Thompson, William Blair

Fundamental public equity investor and Notre Dame Alumni, Lauren Thompson, discussed valuation and identifying mispricing. Analysts particularly enjoyed discussion with Mrs. Thompson, who was familiar with many of the companies in the AIM portfolio.

This semester marked a return of a sense of normalcy to the Notre Dame community. Students attended in-person classes and the football stadium welcomed fans at full capacity. It was an exciting time to be on campus!

RETURN TO PRE-COVID LIFE

Almost all aspects of Notre Dame campus life have returned to their former glory following a year of masking, HERE signs, and quarantines. Notre Dame students can now enjoy unrestricted dorm life, non-distanced classrooms, and normal campus events. The last vestiges of COVID protocols include mask mandates in certain campus buildings, symptomatic COVID testing, and several professors requiring masks in class. There have been a total of 160 undergraduate cases throughout the Fall 2021 semester, compared to 1,438 in the Fall 2020 semester. With both freshmen and sophomores getting their first taste of real campus life, the Notre Dame social life and student events have been very busy.

MARCUS FREEMAN REPLACES BRIAN KELLY

In a shocking move, Brian Kelly left his head coaching job at Notre Dame to coach at LSU. Kelly is the winningest football coach in Notre Dame's history and led the team to five straight 10+ win seasons, including 2 trips to the College Football Playoffs and the 2012 national championship game against Alabama. Three days after Kelly's departure was officially announced, Marcus Freeman was promoted to Head Coach. Freeman, who just finished his first year as Notre Dame's Defensive Coordinator, formerly coached at Cincinnati. Freeman's first game as head coach will be the Irish's matchup against Oklahoma State in the Fiesta Bowl on January 1st.

CHICK-FIL-A OPENING

In January of 2022, Notre Dame will open a Chick-fil-A in Duncan Student Center where Star Ginger has been in past years. This is a highly anticipated move and will almost certainly become the most popular restaurant on campus. Notre Dame gained national attention over the summer when a small minority of students signed a petition protesting the University's plan to open the restaurant, but the campus as a whole is exuberant about the fast-food chain opening. As of right now, the nearest Chick-Fil-A is three miles away from campus in Mishawaka.

FULL STADIUMS FOR AN 11-1 FOOTBALL SEASON

Notre Dame's football team ended the regular season with an impressive 11-1 record, with the only loss being a close 24-13 home game against the now #4 Cincinnati Bearcats. Graduate transfer QB Jack Coan led the offense, and the defense has stepped up even with star safety Kyle Hamilton out from an injury. Students enjoyed the full stadiums and, more importantly, the return of tailgating in nearby parking lots. Many students, especially seniors, also ventured to Chicago for a Shamrock Series win over Wisconsin.

> THE BENEFITS OF A UNIFORMLY, HIGHLY-VACCINATED COMMUNITY HAVE BEEN REALIZED ON OUR CAMPUS"
>
> - FATHER GERRY OLINGER, VP OF STUDENT AFFAIRS

INHERITED PORTFOLIO

15 Stocks Kept from the Inherited Portfolio

Alphabet Inc.
Cirrus Logic
Enterprise Products Partners
Essex Property Trust
Meta Platforms Inc.
Intuit Inc.
Malibu Boats
Mastercard Inc.
Match Group Inc.
Microsoft Corp.
Oportun Financial Corp.
PoolCorp
Quanta Services, Inc.
XPO Logistics, Inc.
ZIM

12 Stocks Sold from the Inherited Portfolio

AerCap Holdings
Boston Scientific
Crown Holdings, Inc.
The Walt Disney Company
Installed Building Products
MGM Resorts International
PetIQ, Inc.
Spotify Technology
Veeva Systems Inc.
WestRock Company
GXO Logistics, Inc.**

EVALUATED SECURITIES

10 Stocks Added to the Portfolio by AIM LIII

CACI International Inc
America's Car Mart
Hanesbrands Inc.
Medpace Holdings, Inc.
Micron Technology, Inc.
Nutrien Ltd.
The Boston Beer Company
Verisk Analytics, Inc.
Weber Inc.
Willis Towers Watson

17 Other Stocks Passed On by AIM LIII

Acushnet Holdings
Advanced Micro Devices
DENTSPLY SIRONA
Enphase Energy, Inc.
Etsy, Inc
Fortinet, Inc.
Generac Holdings, Inc.
General Motors Company
Lithia Motors, Inc.
Oak Street Health, Inc.
Revolve Group, Inc.
SmartRent, Inc.
Target Corporation
Teledoc Health, Inc.
Ultra Clean Holdings
YETI Holdings
Coinbase Global

Note: GXO Logistics, Inc. was spun off from XPO Logistics, Inc., and subsequently, was not evaluated.

Alphabet

Competitive advantage among search engines and YouTube creates wide moat for Alphabet

America's Car-Mart

Best in class rates and attractive business model focused on lower dollar, used cars drive higher margins

CACI
EVER VIGILANT

Industry leader in agile-at-scale software and prioritity for digitization and modernization brings value for the company

Cirrus Logic

Relationship with Apple allows upselling of niche chips and shift to higher margin mixed-signals product drives value

Enterprise

Consistently growing dividends and leading midstream infrastructure in petrochemical industry

ESSEX
PROPERTY TRUST, INC.

West Coast concentration provides unique scale cost advantages and supply shortages create pricing power

HANES Brands Inc

Renewed investment into core brands and strong fundementals drive future revenue growth

intuit

Recent acquisitions, sticky and recurring revenue stream, and strong pricing power accelerate growth

Malibu
BOATS

Industry-best operating metrics and continued investment in vertical integration creates a wide moat

Risk-free fees, scale advantages and COVID have accelerated transition to digital payments which drive B2C and B2B payments

matchgroup

Tailwinds propel online dating industry growth; scale and first mover advantage allow market share growth

MEDPACE

Position in growing space of biotech oncology clinical trials means MedPace could see explosive revenue growth

Meta

Dominant positions in advertising revenue space and network effect create value for advertisers and users

Micron

Leader in Automotive and Industrial IoT memory space which are the fastest growing DRAM markets, driving future top-line growth

Microsoft

Strong legacy platform and seamless platform integration positions MSFT to capitalize on cloud growth with Azure

Nutrien

Produces largest crop input and operations lead to cost savings. Upswing of Agriculture pricing cycle raises fertilizer prices and customer demand

OPORTUN

Affordable financing for subprime customers and defensible growth opportunities create strong value proposition

POOLCORP

Extremely favorable industry dynamics and recurring, non-discretionary spend from customers continues to grow

QUANTA SERVICES, INC.

Inaccurate pricing of future synergies and growth potential of Blattner acquisition. Combined platform provides all-inclusive power and energy

BOSTON BEER co.

Strong industry growth, depletion metrics and company fundementals present attractive value investment opportunities for SAM

Verisk Analytics

Insurance, Verisk's primary business, is undergoing a digital transformation, which expands the opportunities for data analytics

weber

Growth potential to capture both first-time customers and expanding grill households both domestically and internationally

Free cash flow generative and the 3rd largest player in oligopolistic insurance brokerage market with low disruption risk, high barriers to entry

XPO Logistics

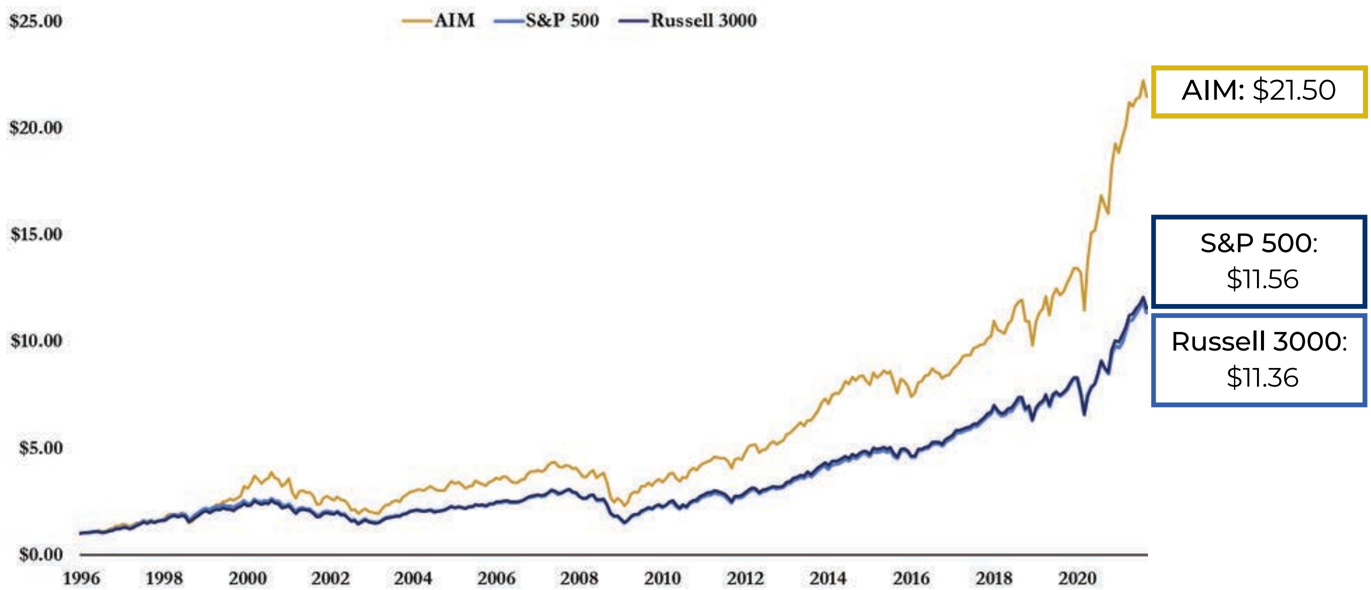
Proprietary tech allows XPO to capitalize on industry tailwinds and recent spinoff provides a pure-play opportunity

ZIM

Favorable industry tailwinds and pricing power benefit ZIM as an alternate route carrier that capitalizes on niche shipping patterns

CUMULATIVE PERFORMANCE

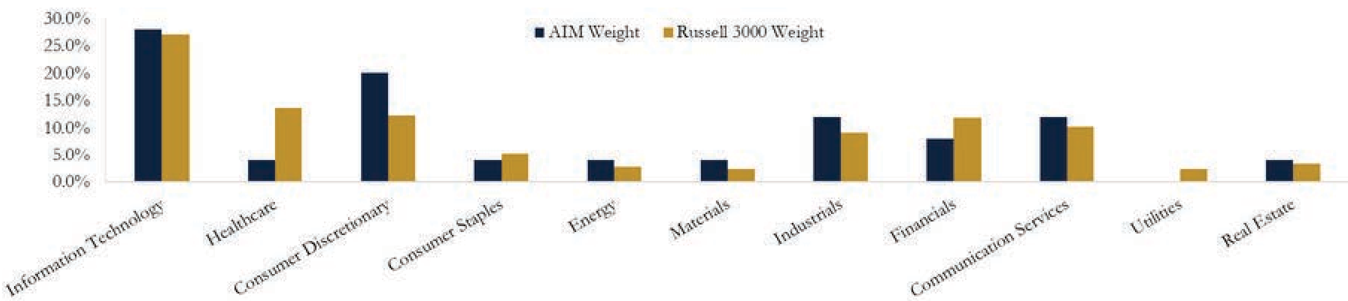
The AIM portfolio is benchmarked against two indices: the Russell 3000 and the S&P 500. As of 30 September 2021, the portfolio has achieved an annual return of 12.7% since inception, 2.7% higher than the Russell 3000. The portfolio performed extremely well over the past five and one year, respectively achieving an annualized return of 20.3% and 31.1%. It's quite remarkable that a student fund can outperform a benchmark, let alone at this magnitude and for such a sustained period.



AIM LIII SECTOR ALLOCATION

The inherited portfolio was overweight in communication services and consumer discretionary relative to the Russell 3000 benchmark. The current portfolio, despite replacing 10 of inherited securities, mirrors this trend with a slight overweight in information technology due to the addition of Verisk Analytics and Micron Technologies.

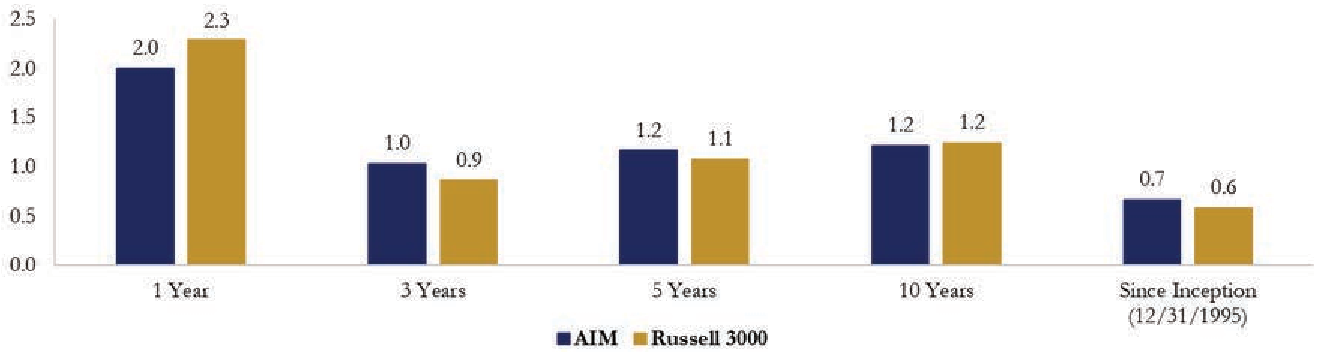
This sector distribution does not fully capture our portfolio's exposure to certain industries, as many firms have exposure to multiple sectors. For example, Quanta Services maintains very significant exposure to utilities, despite classifying as energy.



SHARPE RATIO

There must be something special in the sauce.

Looking at risk-adjusted performance using the Sharpe ratio, AIM generally outperforms its benchmark. While recent market volatility led to a lower one-year Sharpe ratio than the benchmark, the portfolio has outperformed across all longer horizons and since inception. This risk-adjusted performance is also reflected in a monthly five-factor alpha of 22 bps since inception.



TOP AND BOTTOM PERFORMERS (3 MONTH)

INTU	POOL	MSFT	IBP	AER
Return: 15.2%	Return: 9.8%	Return 7.5%	Return 6.7%	Return: 3.0%

VEEV	OPRT	DIS	FB	XPO
Return: (22.5%)	Return: (19.5%)	Return: (19.2%)	Return: (18.5%)	Return: (17.0%)

TRIP TO MGM GRAND DETROIT RESORT

In late September, MGM coverage analyst Robert Beck (joined by fellow AIM analyst Leo Schneider) drove to Detroit to see one of the company's properties firsthand. At the resort, Beck spoke with a wide range of resort and casino employees to better inform his understanding of MGM's regional property performance.

Additionally, Beck was able to analyze where customers were from by counting the number of license plates from nearby states in the overnight valet garage, providing valuable insight into property-level customer demographics. Sadly, both analysts were also able to confirm the house edge and their lack of blackjack acumen throughout their stay, boosting MGM's revenue for the quarter.

C-SUITE CONVERSATIONS

Several AIM analysts were given the opportunity to speak with C-Suite members of their companies, and these unique insights helped inform investment theses and give AIM analysts' conviction in their companies.

Hakeem Ceesay spoke with WestRock CEO David Sewell about the company's integration of recent acquisitions and ESG sentiment among customers, among other things. Much of Ceesay's buy thesis revolved around a turnaround story with new management, and this conversation helped him gain conviction in that pitch.

Jack Vettel spoke with Weber CEO Chris Scherzinger about international growth opportunities and technological innovation in the grilling industry. This helped Vettel better understand the differentiation of Weber's products and gain conviction in the company's go-forward growth strategy.

AARON MOYER

Moelis & Company
Intuit, Hanesbrands

ALEXANDER PEREIRA

Greenhilll
Veeva Systems, America's Car Mart

ANA RODRIGUEZ

Goldman Sachs
Disney, Enphase Energy

ANTHONY RICAURTE

Goldman Sachs
Crown Holdings, Dentsply Sirona

BEN ELDER

Piper Sandler
PoolCorp, Generac Holdings

BRIAN FEURY

Morgan Stanley
XPO Logistics, Boston Beer Company

CAMILLE BRODERICK

Guggenheim Securities
Alphabet, Nutrien

CHRISTOPHER NELSON

Goldman Sachs
Spotify, Micron Technology

CONNOR O'BRIEN

DBO Partners
Match Group, Lithia Motors

ELAINE SMITH

Bank of America
Boston Scientific, Target Corporation

HAKEEM CEESAY

Centerview Partners
WestRock, General Motors Company

JACK VETTEL

Credit Suisse
Quanta Services, Weber

JUSTIN BRAUN

Citigroup
AerCap Holdings, Medpace Holdings

KAITLIN SATTLEY

Level Equity
ZIM, Revolve Group

LEONARD SCHNEIDER

Jefferies Group
Oportun, Acushnet

MADY TAYLOR

Ares Management Corporation
Mastercard, Verisk Analytics

MARY DOHENY

Deutsche Bank
Microsoft, Etsy

MICHAEL MCCANN

Undecided
PetIQ, Advanced Micro Devices

MUNYEN LOI

Bank of America
Meta, Fortinet

PATRICK HEFFERNAN

PGIM Real Estate
Essex Property Trust, SmartRent

PATRICK WITTEMAN

Citadel
Malibu Boats, Ultra Clean Holdings

ROBERT BECK

Goldman Sachs
MGM Resorts International, YETI

SCOTT ELLIOTT

Aeris Partners
Enterprise Product Partners, CACI

THOMAS DALY

Undecided
Installed Building Products, Oak Street Health

WILLIAM FOX

Lazard

Coinbase, Willis Towers Watson

ZACH MARGOVSKIY

Citigroup

Cirrus Logic, Teladoc

THE MENDOZA COLLEGE OF BUSINESS

THE UNIVERSITY OF NOTRE DAME

APPLIED INVESTMENT MANAGEMENT LIII

WILL BRENNAN

Managing Partner and Portfolio Manager of Long Path Partners LLC

Will Brennan is Long Path Partners' Managing Partner and serves as Portfolio Manager for the Long Path Partners Fund and Co-Portfolio Manager for the Smaller Companies Fund. Prior to establishing Long Path in 2018, Will was a Managing Director of Brown Brothers Harriman & Co. where he Co-Managed a concentrated equity portfolio named 1818 Partners, LP. Will also served as the Head of Strategy for Brown Brothers' Investment Management business and helped oversee third-party manager research work for BBH's Private Bank. Will joined Brown Brothers in 2006.

Will received his BA in Political Science and Economics from the University of Notre Dame and his MBA from Harvard Business School. He is also a CFA Charterholder.

Interviewer: Hi, Will. Thank you for joining us today, we really appreciate your time. We were hoping to kick things off by learning a bit about your background. Would you mind walking us from your time at Notre Dame to where you are today, including your founding Long Path?

Will Brennan: Having originally grown up outside of Philadelphia, I went to Notre Dame to be different and to get away from the East Coast. My sister and brother followed me, and my parents are now involved at the school, so I didn't quite get the unique experience away from the family, but that's been okay. I was not a person who was going to the Investment Club meetings, and I wouldn't have gotten into the AIM class. I was an Economics and Political Science major and had no real investment background in undergrad at all, but I was really fortunate to get an internship with a firm called Brown Brothers Harriman as a Junior. There, I was incredibly lucky that I got to work with really good people such as my boss, who is now with me at Long Path running our sales group here. Our job was to hire money managers effectively who can manage assets of the private clients at Brown Brothers, which allowed me to read a ton about what managers were doing.

I ultimately accepted a job after the internship and then went back there and spent my entire career at that firm up until starting Long Path. I have talked a little bit about that background, but it was a great experience. I always talk about how there are different paths for people to get into the business, particularly the investment business. Whereas my colleague Ted Keith took the more traditional path, as I'm sure many of you will, of banking to private equity to business school to hedge fund, straight down the middle, I was a little bit different. I always had jobs both on the investing side and the business side at Brown Brothers, which I think is helpful to have some business responsibilities, go through pricing exercises and reorganizations, and have to make people changes. When you're a public market investor, sometimes it's really easy to just say "oh why doesn't a company just do this", and often it's harder in practice than one would think. After my two years at Brown Brothers pre-business school, I went off to business school, came back, and had roles both in strategy and finance across the investment management business, which is about a $60bn business.

Then, my day job was managing money, where I got to ultimately co-manage a strategy called 1818 Partners, which was a concentrated investment partnership started by some folks who previously ran Brown Brothers private equity business and it focused on taking a private equity approach in the public markets. I was able to work on that strategy for several years, and as I mentioned, ultimately worked as a co-manager of the fund and had a great run there before ultimately deciding to start Long Path.

Interviewer: As a quick follow-up, what made you ultimately want to leave Brown Brothers Harriman and start Long Path Partners?

Will Brennan: Yeah, so Brown Brothers was a fantastic organization. It’s an over 200-year-old partnership bank, and is one of the last real full liability partnership banks that exists in the US of size. It may be the last one. So, it was a great place to learn where I had fantastic mentors. Ultimately, I think where they wanted to take the business was to really build a more scaled asset management business, and my time was getting stretched pretty thin.

I feel like I had four or five jobs by the time I left, but where I really wanted to focus was to do a couple things at the highest possible standard that my colleagues and I could do. So, as the business sort of transitioned towards that strategy, it came time for me to make a decision of whether I wanted to sign on for the rest of my career or to do something different. That's really why we set up Long Path. We set the firm up so that it's different from a lot of places; it's not as traditional in the sense that a lot of folks leave hedge funds and start up from scratch, we left with five people, so on day one there were five partners with different roles. We had someone who came from the sales side, someone on the COO side, and we tried to take a lot of time thinking about how to set up the firm prior to launch. I think there was an advantage to actually having a lot of the business piece when we started versus having to build that up.

Interviewer: So, it sounds like you got some great exposure at Brown Brothers to different interesting investment strategies. Could you speak a little about the investment strategy you currently employ at Long Path and how you ultimately choose that type of strategy?

Will Brennan: I think, to your point, there were some advantages of starting my career hiring money managers in that it gave me the benefit of looking at lots of different firms. I'm sure you get this from hearing different speakers come in, and later in my career, I did sort of the same thing where I got to meet a ton of different folks. I think one of the things I learned over time is that I always felt like the best investment firms and the best investors were folks who had a strategy that they really focused on and they were not distracted by too many things. There were instances where I could look at a stock and say that's not a stock I would own, but I know exactly why they own it and it fits with what they do.

Ultimately for me, I take more of a business mindset or business-oriented approach to investing. It is a little bit more private equity like in that we own a very small number of companies. In our main fund, we have eight stocks, and a lot of people view that as really risky. To me, it's really not that risky. We know the businesses incredibly well and we feel plenty diversified. Owning 100 stocks just would never be appropriate for me, that's not to me a business-oriented real investment approach. Then, the other piece is focusing on a very specific type of business.

We have a pretty broad mandate that allows us to look at companies from effectively $30mm in market cap all the way to the largest companies in the world across the developed markets. So it's broad, but we focus on a very specific type of business. It's a company that has to provide some sort of mission-critical product or service to its customer base: that almost always means B2B businesses. My expertise, just for people who know me, would recognize that I'm not going to be able to predict what the next trend is. For instance, I saw Allbirds just went public and was up like 90% and my Mom was the biggest endorser of Allbirds five years ago. So, she should have bought stock there, but that's not going to be my skill. B2B businesses are much easier for me to understand and much easier for me to diligence and understand how they might evolve over time. Then, we also look for companies that have a really high degree of recurring revenue or predictable end-market demand. So we try to eliminate that distraction of needing to know what's going to happen with energy prices or commodities, or what's going to happen with the economy. Again, even though I was an Econ major at Notre Dame, it's not my expertise to be thinking about the macro environment. So, we almost try to eliminate that by focusing on businesses that are just very predictable and recession-resistant.

The other important part of it is identifying businesses that operate within an industry that we think is attractive, where they can compound, and where we can underwrite the competitive position over a long period of time. That's where you get more of the business judgment aspect of it, being able to really think through industry structure, competitive positioning, and trying to figure out who's going to be the long-term winner over time. So, to sort of piece that all together, we're focused on really good businesses that are highly predictable.

Then, we have a very process-oriented approach to how we attack this. All of our lives are basically spent narrowing the universe of companies that fall within this strategy. I think we've got 11,000 companies that we've looked at, down to 130 companies that we would love to own within our investable universe. We then try to monitor those and take advantage when you really get an attractive return opportunity, which is rare. We've only bought one thing this year, so it's hard to find things that can generate high-teens to 20%+ long-duration returns. However, by being so concentrated, we feel it allows you to have that high cost of capital. If we needed to have 50 stocks, you couldn't have the same type of return hurdle that we do by only needing to find 8.

Interviewer: That makes a lot of sense, Will. In thinking about the range of companies that you invest in, you said you look at companies from $50 million in market cap to some of the largest companies in the world and have these really concentrated positions. Can you speak a little bit more about how you source these investments and whittle down to this pool of a couple hundred companies you actually look at? How do you hear about these companies and investments, and how do you approach this process?

Will Brennan: Yeah, so I'm sure when you hear speakers and different folks talk about how they approach investing you notice there's a lot of ways to generate great returns, so you have to find an approach that aligns to your own personality. There are a lot of folks who are going to read all day and learn about different things, and ultimately that's going to create ideas. I'm more of the opposite, probably because of the more business orientation of being extremely process-oriented, so really the answer to how we find things is that we just look at everything. We have ratings on every company, and when we started the firm a lot of the businesses we already knew. We literally just started at the beginning and went through about 11,000 companies. The benefits of having really tight criteria are that you can get to a "no" really fast. Most companies I can get to saying "no" within 5 minutes of reading about the business if it's a retail or an E&P company or things like that. Then, we rate every company 1-10, with 7 or above being companies that are worth having a pipeline where we pay attention and the other stuff we can sort of dismiss.

Thankfully, the vast majority of things we can dismiss quickly. Even good businesses too, they're good businesses, but they're just not fit for us and that's okay. In addition to that, we have a process every week in which we're looking at every IPO that's happening, any SPAC transaction, or any big merger. We look for any news events for companies on the pipeline that we want to track, which could be management changes or things like that. We also have a meeting each week on Thursdays where we go through the list of stuff that's popped up and decide which ones we need to look at. Then, somebody on the team is going to spend 2-6 hours reading about those businesses and trying to see if there is a potential fit. This is always with the goal of getting to know them fast. There are just so many things to spend time on in this business that time allocation is the biggest thing you have to focus on. So, getting to know quickly is a developed skill but one we try to teach within the firm.

Interviewer: Thanks for sharing a bit more about the process you undertake at Long Path. We were also wondering what your goals were for Long Path when you founded it, as well as how those have evolved over time?

Will Brennan: When we set up the firm, we tried to think a lot about what we wanted it to be and to try to learn from firms that have had great success and firms that have failed. So, we wanted to have a firm with a very distinct culture with a very partnership-oriented mindset. We were unique and were a partnership from day one. We have six people now who are all equity owners in the business. From the beginning, we wanted to have a firm that would focus first and foremost on generating excellent investment results for our clients. This meant we were only going to do things where we thought we could be best in class. We're not going to try to be all things to all people, but will be very focused on a couple of things that we can do well.

We also try to be known for having a culture of people who are capable but also low ego. We're not going to be in the press, I'm not going to be on CNBC talking about stocks. We're also trying to be very team-oriented, so when we're going through an interview process we spend a ton of time on culture to try to make sure people are the right fit and that's something we hope to be known for over time. We also tried to set the firm up so that it could last beyond all of us, even from the beginning. We already tried to think about making those decisions, such as how we share equity with younger people over time as they start to have a big impact so that we have that ownership mindset.

On the investing side, we really wanted to be known for having deep expertise in this specific type of business that I talked about and a lot of the businesses that fit our criteria operate within certain value chains or industries, with a lot in Software and Information Services. We try to be known as real experts within those ecosystems. Then, I think one of the things that has evolved over time, since we started, is that we found a niche where we think we have a bigger area of differentiation, particularly outside of the United States and particularly down market cap. We have had two funds since the beginning, our main fund is our Partner's Fund and then we have another fund called our Smaller Companies Fund. Our Smaller Companies Fund focuses on companies with $600mm-ish market cap and less, and I think that all but one of the investments today is listed outside of the United States. These are mostly within continental Europe, some are in Australia and Canada, and these are mostly pretty off-the-radar businesses. So, that's a niche that we think is really interesting.

We try to find ways to be able to be creative, as we want to be known for being able to find interesting ways to generate great returns for our clients. During COVID, we did a take-private of a company in France, which is actually fairly hard to do. We partnered with the founder management team and led that take-private process, and we now own a French software company which has been a lot of fun. I expect us to do more of those types of things; when we set the firm up, we weren't thinking we were going to be doing take-privates of tiny software businesses in Europe. But, we're seeing more of those opportunities and we think if it's a way to generate great returns for our LP's that we want to be creative and do that type of thing.

Interviewer: That's great, thanks Will. We were also wondering if you could speak to the dynamics of the smaller firm size at Long Path, as well as how the culture varies between what you've created at Long Path and what you experienced at Brown Brothers?

Will Brennan: Yeah, so it's a little different with 5,000 people and 30-40 partners versus at Long Path where we are up to 12 people today, which feels like a lot relative to the 5 we had when we started. I think it's a lot of fun, and I think everybody gets to feel a lot of ownership. When something goes really well, everybody feels like "oh this is something we helped do as a group." If we bring a great client in or if we do this French transaction, I think there's this ownership mentality that you get from being at a small firm. I think the same thing would be if you were in a startup business where it really comes down to you and the team you're working with, and I think that's been just a ton of fun to have that type of dynamic. It makes the successes even more exciting when you have them.

I also think it makes you care a ton about every person that you bring on because any one person can change the dynamic and culture of the firm. So, you really want to be very selective both in the skill set, as you have to get that right to generate the returns, and the personalities of each individual at the firm. So, I think probably as big a job as I have is recruiting. The human capital side is just critical and then you also have to make sure that these cultures match. So we spend a lot of time, and take way more time than people would think, actually thinking through HR-related things, training, and recruiting. When you're at Brown Brothers, it's a little different. You hire somebody, but it's one person out of a very large organization. Ultimately, I've enjoyed it a ton. I had never had experience working somewhere quite as small, and I think it's been fun. COVID's been a challenge and I think it's a little easier because it is small, so you can still talk to everybody, but it's been nice to get back to the office for sure.

Interviewer: You mentioned how one person could change the entire culture of the firm, so we were wondering what some of the qualities or traits are that you look for in junior analysts when you're conducting your recruiting processes?

Will Brennan: I break it into "What are the skill sets?" and then "What are the cultural attributes?" In terms of skill set, we look for people who are competitive, hardworking, smart, and really want to win. I think most or all people look for those types of things. We also want folks who are intellectually honest. I think that it is a really hard thing to evaluate, but a big separator between great investment firms and good investment firms is being willing to recognize when a stock does well but you actually got it wrong, or vice versa, and being really humble about what you can know. Probably the most dangerous thing when you have someone who's less experienced is overconfidence about what they can know, and not being willing to ask questions or just to admit "I just don't know how this is going to play out". We really look for people who are more humble and know what they can answer. Sometimes we push that even on the interviewing side by trying to ask questions that are almost inherently unknowable, just to see how people react to that.

From a cultural standpoint, I think there are great firms that have all sorts of different types of culture, but for us, we really try to find people who are naturally team-oriented. We also try to find kind people who go out of their way to try to do nice things for other people. For example, those who are first and foremost willing to help somebody else out and to be the type of person who's jumping in to help and give a supportive comment if someone is having a bad day, instead of being angry at the person because they made a mistake. Our bias is to have people intern with us before we hire them so we can evaluate those cultural things because they're a little harder to get on the interview side. The passion for investing is an interesting one that we debate because ultimately we want people who are really passionate about business and interested in thinking about companies and industries. For people who are passionate about investing, that's great. We had a fantastic intern from Harvard two years ago who had no business background at the time, but she was willing to learn and she was intellectually curious, and that was fantastic too. For someone to be a long-term fit, we want them to buy into how we think about investing and to be passionate about it, but at the earlier stage, it's more that intellectual curiosity that we look for. We also like people who have opinions, so that is something that we look for. Our big common refrain is that we hate pitching, as it feels like you're trying to sell something versus just talking about the facts of something. We do want people to have opinions, everybody is in our meetings where we make decisions about portfolios and we want everyone to have a voice about what we buy or sell.

Interviewer: That's great, thanks Will. Pivoting to the personal side, what do you view as some of the guiding principles for both your professional and personal life? Do you think these have shifted at all over time, and if so, how?

Will Brennan: That's a very good question. I got good advice early on: try to find people who you have a lot of respect for, in their values and in the type of person they are, and then also their capabilities. You shouldn't worry about what the role is, what the compensation is, or anything else about it, just make sure you're around those types of people and people who care about mentoring and taking an interest in your own development. For me, a huge part of my career choice was trying to make sure I was around those types of people. I was less worried about the idea that coming out of business school I could have gone to a hedge fund with a bigger brand and more well known than Brown Brothers because I knew at Brown Brothers I could work for a very specific person who I had a tremendous amount of respect for. He is still the best business person I've ever worked with, so I focused a lot more on that and didn't really care about compensation or any of those other types of things that influence people's decision-making. I think that's worked out reasonably well.

Trying to be around people who really care is important, which may sound obvious, but there's a lot of organizations where it's “just a job” versus a place where people are passionate and trying to win. One of my partners, Brian, talks about a lot of that. We are ultimately trying to win, you could define winning many different ways, but in our view generating great long-term returns is how we think about it. I do think it matters that you try to place yourself around people who care about success. On the personal side, I'm relatively boring, I prioritize family and work. I don't have a ton of outside hobbies. I've got four kids who are nine, seven, five, and one-and-a-half, so I focus any time that I'm not working on them. I've been incredibly lucky in that I've always had a ton of control over my time, and that has been something that I've prioritized. I've never been in a position where I can't go to one of my kids’ events. I have cared about that aspect and if that means I have to work at night to get something done that's fine. We try to set that standard at Long Path too. We talk in orientation that there's no excuse to ever miss an important kid’s event, family event, or whatever else. With COVID, that's less of a deal because everyone is already used to doing Zoom calls, but that is something I've prioritized in the firm and has been helpful. The reason I started Long Path wasn't to get away from the hour-and-a-half commute I had prior, but it has been a big bonus to have a 15-minute commute versus an hour-and-a-half.

Interviewer: That definitely makes sense. Just as you were talking about maximizing your time, we're going to wrap things up with the next question and leave you to your evening. Briefly, we were wondering if you had any advice for this year's AIM class as we approach graduation and our entrance into the professional world?

Will Brennan: Early in your career, I really believe in prioritizing people both from a culture standpoint and from a capability standpoint. All of you seem like very high-performing folks, but if you're going to a smaller firm, I think that could be great because you get more responsibility and can have a bigger impact. Getting involved in decision-making early has been really helpful for me. I think a lot of folks go to banking or private equity and they get great training, but they may not be close to the decision making. I think that is really useful, but I wouldn't do that at the sacrifice of being around folks that operate at really high standards, both ethically and culturally but also professionally. Getting that right mentorship is critical, so I would focus a lot on that. More specifically within the investing side, I view the early part of your career as a great way to learn and try to look at how different people approach things. Over time, you should recognize what your personality is best suited for and be willing to chase that. A good friend of mine in the business always says most hedge funds or investment firms are either a library or locker room, and there's not a right or wrong to that, but we're closer to the library. We try to do a lot of events so people actually talk to each other and have lunch and stuff, but there's a lot of reading. The vast majority of your days are spent reading, and if you're someone who gets all their energy because you're extroverted or want to go out and talk to people, that may not be the right fit and maybe you should be in the private equity business where it's more sales oriented. Trying early in your career to figure out and be intellectually honest with yourself over “what is it that I actually enjoy, what do I get fulfillment out of, what matters to me personally?” and then “how does that align with the places where I could work and develop a career?”

Interviewer: That makes a ton of sense, Will, and we really appreciate your taking the time to speak with the class tonight. We hope you have a great rest of your evening and thank you again!