



AIM LVII 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 \$29 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.

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SHANE CORWIN

*Professor of Finance & William
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JASON REED

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AIM LVII



KELLY CORNELIS (AIM I)

Chief Operating Officer at LaSalle Capital

Kelly Cornelis is a Partner and Chief Operating Officer at LaSalle Capital, a leading lower middle market buyout fund, and has been with the firm since 2005. Kelly is responsible for deal sourcing and execution, financial operations, portfolio management and investor relations. Previously she led investment activities at SB Partners and began her career as an analyst at William Blair. Kelly was a founding member of the Chicago Women in Private Equity, is a member of WAVE and PE WIN (Private Equity Women's Investor Network) and served as a board member of MBBI (Midwest Business Brokers and Intermediaries) and ACG Chicago. Kelly currently serves on the Board of Directors of Joseph's Gourmet Pasta, BOF Corporation and Westminster Foods, and previously served on the boards of Fresh Origins, United American Security and Gen3 Marketing. A Moline, Illinois, native, Kelly holds an MBA from the Kellogg School of Management at Northwestern University and a BBA from the University of Notre Dame, where she was a member of AIM I. Kelly lives in Elmhurst with her husband Ryan, son Connor and daughter Mara. For the full transcript of our interview with Kelly, see page 27.

"FOR ME, I DIDN'T COME OUT OF ANY SORT OF BUSINESS BACKGROUND WITH MY FAMILY. MY DAD WAS A SPORTSCASTER AND MY MOM STAYED HOME FULL-TIME. SO, I DIDN'T HAVE A PROPER FOUNDATION IN THAT WORLD. AND SO FOR ME, IT WAS VERY NEW LEARNING AND LEARNING HOW TO EVALUATE BUSINESSES...I THINK YOU LEARN QUICKLY THAT STICKING TO THINGS THAT YOU KNOW AND THINGS YOU HAVE A PERSPECTIVE ON IS USUALLY ONE OF THE BEST PATHS TO SUCCESS."

BUSINESS SCHOOL

"FOR ME, IT WAS WORTH IT BECAUSE I WANTED TO ROUND OUT MY SKILL SET AND MAKE A TRANSITION FROM BANKING TO PRIVATE EQUITY. ALSO, WHEN YOU'RE INVESTING IN THE MIDDLE MARKET OR THE LOWER MIDDLE MARKET THERE IS MUCH MORE THAN FINANCE INVOLVED. YOU ARE WORKING WITH MANAGING TEAMS AND HELPING WITH GO-TO-MARKET STRATEGIES...."

AIM IMPACT

"THERE WERE TWO STEPS. THE FIRST WAS BEING INTERESTED IN FINANCE AND THAT CAME FROM AIM AND ONE OF MY PROFESSORS WHO TOLD ME I SHOULD BE IN THE INDUSTRY. THE SECOND WAS FROM THE BANKING SIDE. WILLIAM BLAIR HAD THEIR OWN IN-HOUSE PRIVATE EQUITY GROUP, WHICH I INTERACTED WITH WHILE I WAS ON THE TRANSACTION SIDE. I WAS ABLE TO SEE A LITTLE BIT OF HOW THEY WORKED BACK WHEN THE INDUSTRY REALLY WASN'T DEVELOPED AT ALL AND THAT IS WHEN I FIRST SAID THAT THIS SEEMED LIKE AN INTERESTING FIELD..."

INVESTING INTEREST

AIM LVII had the opportunity to hear from a number of interesting guest speakers throughout the course of the semester. The range of experiences and investing philosophies was wide and students were able to incorporate lessons from the speakers into their own investment processes and career discernment.



SCOTT DAHNKE

GLOBAL CO-CEO OF L CATTERTON

Mr. Dahnke graduated from Notre Dame in 1987 with a degree in Mechanical Engineering as well as from Harvard Business School in 1991. He joined L Catterton in 2001 and rose to the role of firm CEO in 2016. Mr. Dahnke discussed the fascinating world of consumer investing, explaining the various research methods used by his team in predicting customer trends. He explained the importance of identifying one's source of alpha, for both individuals and investment firms as a whole. For L Catterton specifically, he emphasized the people, advocating that we students focus on culture when considering our career moves.



BRIAN PIRIE

FOUNDER AND PORTFOLIO MANAGER, READE STREET CAPITAL

Mr. Pirie is the founder and portfolio manager of Reade Street Capital, a long-only equity manager which combines the best of private equity and family capital investing in the public markets. He discussed his investment philosophy, namely conducting due diligence for a concentrated portfolio of companies with identifiable competitive advantages. Mr. Pirie also provided career advice, explaining the early risks he took and referencing the humility curve that many investors experience.

"IT WAS FASCINATING TO HEAR SCOTT'S TAKE ON CURRENT CONSUMER MARKET TRENDS, ESPECIALLY IN THE CONTEXT OF THE BIRKENSTOCK IPO. EVEN MORE MEMORABLE WAS SCOTT'S GENUINE INTEREST IN THE HUMAN PSYCHOLOGY BEHIND CONSUMER INVESTING, A GREAT REMINDER OF THE IMPORTANCE OF PASSION WHEN PURSUING CAREERS IN INVESTING OR OTHERWISE." - DYLAN FITZGERALD





TRENT GROCOCK AND JACOB BENEDICT

VICE PRESIDENT OF FINANCE AND INVESTMENT DIRECTOR AT THE UNIVERSITY OF NOTRE DAME INVESTMENT OFFICE



Mr. Grocock (1989) and Mr. Benedict (2007) are both Notre Dame alum and currently work for the university. Mr. Grocock spoke about the important of financing for Notre Dame's mission, elaborating on the endowment's contribution to maintenance, scholarships, and expansion. Mr. Benedict discussed the endowment from the investment office's perspective, diving into topics such as manager selection and his team's alignment with Notre Dame's mission.

"IT WAS REALLY INTERESTING TO LEARN ABOUT HOW THE NOTRE DAME INVESTMENT OFFICE STEWARDS THE UNIVERSITY'S ASSETS AS 'FAMILY MONEY'. THIS DEMONSTRATES THE ALIGNMENT OF NOTRE DAME'S INVESTMENTS AND SPENDING POLICIES WITH THE SPIRIT OF THE UNIVERSITY" - CAITLIN GORMLEY



"LEARNING ABOUT THE INNER WORKINGS OF THE NOTRE DAME BUDGET WAS SO INTERESTING. IT WAS GREAT FEELING KNOWING THAT THE WORK THAT WE WERE DOING WAS GETTING PUT TO GOOD USE!" - DONALD WALLACE





MIKE MELBY

FOUNDER PORTFOLIO MANAGER, GATE CITY CAPITAL MANAGEMENT

Mr. Melby is a Notre Dame graduate from the class of 2003 and he currently runs Gate City Capital Management, which seeks to generate attractive long-term investment returns through the construction of a concentrated portfolio focused on micro-cap value equities. He talked about his team's idea generation process, due diligence, and thorough valuation methodologies. The latter including analyzing a company's hard assets which according to one of his analysts, can sometimes be determined by the level of graffiti in their bathrooms!

KEVIN CASEY

FOUNDER AND CEO, CASEY CAPITAL MANAGEMENT

Mr. Casey is a 1992 (BS) and 2001 (MBA) graduate of Notre Dame and current member of the AIM Advisory Board. His firm invests in high quality but underperforming small-cap companies that have multiple levers to unlock shareholder value. Mr. Casey elaborated on his management evaluation process, giving tips and tricks that were helpful for us students who were able to talk with C-suite executives. He discussed the change of his style over his career, initially focusing on short-term catalysts and then industries with tailwinds, before coming to realize that his best investments featured companies led by all-star teams at a fair value.

"MIKE MELBY, ONE OF THE BEST SMALL CAP INVESTORS IN THE WORLD, INTRODUCED INVALUABLE PROCESSES WHILE EVALUATING COMPANIES. FOR EXAMPLE, HE CONVEYED TO US HIS PROBABILITY CALCULATIONS WHEN CONSIDERING RISK/REWARD AND PORTFOLIO SIZING, WHICH I HOPE TO USE IN THE FUTURE." - SEAN SANTOS



The class had the opportunity to travel to the Bay Area with stops in San Francisco, Menlo Park, and Palo Alto. Students met with a variety of firms including venture capital funds, family offices, hedge funds, search firms, investment banks, and a tech startup.

FIRM AND SPEAKER HIGHLIGHTS

Maverick Ventures

Matt Kinsella

Maverick Ventures is the early-stage investment arm of Maverick Capital, which makes equity investments in growing private technology and healthcare companies. Matt Kinsella, a Managing Director and Notre Dame alum from the class of 2005, discussed his career as investor, which he started as a long-short equity analyst for the firm's hedge fund before leading Maverick's venture capital effort. He explained the significant synergies across the two platforms, as well as their investment process, which focuses on viable products, teams, and markets. The class enjoyed learning about the variety of sourcing ideas, which include others VCs, entrepreneurs, incubators, and more.



Oberndorf Enterprises

Alex Adamson

Mr. Adamson is a Managing Director at Oberndorf Enterprises, the family office of legendary value investor Bill Oberndorf, which manages a concentrated equity portfolio. He explained the team's decision to focus on software companies with a "knowable" issue that can be analyzed through alternative data and conversations with people in their network. Mr. Adamson also discussed Oberndorf's competitive advantage of having a concentrated, well-researched portfolio with the ability for long holding periods. Finally, the class enjoyed learning about he and his wife's efforts in advancing Catholic education in the city of San Francisco.

FPR Partners

Bob Peck & Andy Raab

FPR Partners is a private fund manager that invests in a small number of excellent public companies with sustainable competitive advantages and great management teams when others don't favor them temporarily. The class was interested to hear about their differing backgrounds and complementary relationship, as Mr. Peck is a Rhodes Scholar who studied philosophy while Mr. Raab is an avid sports fan who comes from extensive career in private equity. They also explained that with their success, they admirably donate their earnings to fund scholarships at their alma maters.

Clearspace

Royce Branning & Team

The class was able to wrap up Thursday visits with a trip to see the office of Clearspace, an early stage startup with an app designed to fight phone addiction and block daily distractions. Royce Branning, one of the cofounders, graduated from Notre Dame in 2018 with a degree in Computer Science. The class was fascinated to see a true startup environment and learn the team's story from initial founding, making it out of the Y-combinator, to beginning fund raising. Many of the AIM students downloaded the app afterwards and absolutely love it; it was rumored that productivity on the second round of reports skyrocketed!



a16z

David George

Friday morning started with a visit to the office of a16z, a leading venture capital firm investing from seed to venture to growth-stage technology companies, across AI, bio + healthcare, consumer, crypto, enterprise, fintech, and games. We met David George, General Partner leading the Growth Investing team, and member of the AIM XXI class. He discussed his preference for venture given the duration mismatch compared to public markets. He also discussed his team's steps in analyzing management, as they have a preference for passionate, "founder" CEOs.



Accel*Ryan Sweeney & Team*

Accel is a leading venture capital firm that has invested in over 300 companies, including Facebook, Slack, and Dropbox. Mr. Sweeney is a Partner focusing on early-stage investments in consumer and enterprise software companies as well as a Notre Dame alum. He emphasized Accel's approach of meeting and evaluating management teams in-person as well as the need for pattern recognition as an investor. The class was excited to get some cool Accel merch as well!

Radar Partners*Kevin Compton*

Radar Partners is a private investment partnership focused on venture capital and multi-asset investing. Mr. Compton was formerly a Partner at Kleiner Perkins, a legendary venture capital firm that made early-stage investments in companies such as Amazon and Google. He discussed the firm's "edge," which came down to simply working harder than the competition. He also spoke about the need for work life balance and spending time with family. The class loved hearing the countless anecdotes.

Centerview Partners*Gary Kirkham & Team*

Centerview Partners is a leading independent investment banking and advisory firm. Mr. Kirkham has over 25 years of experience advising a range of technology companies on important strategic and capital markets initiatives. He currently is a Partner at Centerview leading their technology advisory, and he and his team gave us a presentation on the state of tech markets. They also explained how Centerview has grown into one of the top independent advisory firms in the industry.

Venice Search Partners*Spencer Castillo*

Venice Search Partners is a value-added search firm founded by former private equity investment professionals. Mr. Castillo is a founder and Notre Dame alum. The class was interested to hear about the buy-side recruiting process as he gave a presentation with tips and tricks for the process - something that will be quite relevant for us many of us shortly. He also discussed his path from banking and private equity to becoming an entrepreneur.

NDIGI RECEPTION

On Thursday evening, NDIGI hosted a wine tasting for the students as well as AIM alumni at our hotel, the Fairmont. Attendees had the opportunity to try select bottles and learn from Stephanie Gallo about her family's business as well as the industry as a whole.



AIM ALUMNI DINNER

On Friday evening, AIM analysts dined with AIM alumni at China Live. Over food and drinks, current and past students shared their experiences and advice regarding the class and investment careers.



AIM CLASS DINNER

After a game watch of the Notre Dame-Louisville game, AIM VII met for a final dinner at John's Grill which was a great way to digress and reflect on the trip. Each analyst had the chance to stand up and explain the things they'd enjoyed the most about the trip and what they were most looking forward to in the second half of the semester.



Read on to learn about some happenings around campus from this past semester, including leadership changes, additional residence halls, and new faces for the athletic program

NEW UNIVERSITY LEADERSHIP



Following nearly two decades of service Father John Jenkins announced that he will be stepping down from his role as president of the University of Notre Dame at the end of the 2023-2024 academic year. As the seventeenth president of the university, Father Jenkins helped grow Notre Dame's mission as a premier Catholic research university, with countless accomplishments in regard to diversity, financial strength, global engagement, navigating the COVID-19 pandemic, and more. In addition to Father Jenkins, Jack Brennan, Chair of the Board of Trustees, announced his retirement after serving in the role since 2015.



After Father Jenkins's announcement, the Board of Trustees elected Rev. Robert A. Dowd as Notre Dame's 18th president. Father Dowd currently serves as vice president and associate provost for interdisciplinary initiatives at Notre Dame and earned a bachelor's degree in psychology and economics from the university in 1987. He also earned a master's degree and doctorate in Political Science from UCLA. In addition to Father Dowd, the Board of Trustees elected John Veihmeyer to succeed Jack Brennan as Board chair.

UNIVERSITY ANNOUNCES PLAN FOR CONSTRUCTION OF TWO NEW RESIDENCE HALLS

The university announced plans for the construction of two new undergraduate halls on the south side of campus - one for men and the other for women residents. As part of the project, Pangborn and Fisher Halls will be decommissioned to make room for the new buildings. As a result of the initiative, on-campus residential capacity will increase by 445 beds. In August 2024, Pangborn Hall residents will relocate to the new men's residence hall under construction on the East Quad. Fisher Hall residents will be relocated to Zahm Hall through the 2025-2026 academic year.



SPORTS CORNER: NEW FACES

Following the retirement of longtime coach Mike Brey, the basketball team found its successor in Penn State's Micah Shrewsberry. After a challenging start, the team has found a new footing with continued success on the court and in the recruiting arena.

After a 10-3 finish in Marcus Freeman's second year, the football program looked to the transfer portal for new faces on both sides of the ball, highlighted by a star dual-threat quarterback from Duke, Riley Leonard. In addition, Freeman hired offensive coordinator Mike Denbrock from LSU. Denbrock previously served as a position coach for the Irish and led LSU as the nation's best offense in 2023.



C-SUITE EXECUTIVES RESPOND TO @ND.EDU EMAILS

AIM Analysts quickly figured out the power of an email address that ends in @nd.edu and many wasted no time reaching out to C-Suites. Three of our analysts were able to get a hold of C-level executives at their respective companies, conducting extensive phone calls with these individuals. Primary research also included discussions with customers, activist investors, competitors, equity research associates, and others. Here we highlight some especially interesting conversations.



*Asbury CEO
David Hult*

Kevin Prata (BLFS, ABG) spoke on the phone with Asbury CEO David Hult who gave helpful insight into Asbury's business history, strategic overview, recent acquisitions, and incoming opportunities. Kevin noted Hult's highlights of Asbury's specific growth opportunities with Clicklane and Total Care Auto, which sit on top of their strong underlying foundation of operational excellence and talented management which have led the Company to be a serial compounder.



*Equinix CFO
Keith Taylor*

Raleigh Bulleit (CRM, EQIX) led a call with Equinix CFO Keith Taylor, who spoke extensively of Equinix's moat due to their unrivaled scale and low churn, as well as rising demand in developing markets driving strong growth tailwinds. Keith further explained that rising interest rates have forced land owners to be unable to build, driving them to lease out their land to Equinix for relatively cheap prices. These insights helped inform Raleigh's confidence in the minimal risk that Equinix carries, affirming his assumptions and base case projections for the Company's forward looking growth.



*Autodesk COO
Steve Blum*

Joe Riordan (LYV, ADSK) had a conversation with Autodesk COO Steve Blum. Steve pointed to the industry's convergence as an opportunity for the Company. He also provided insights on how Autodesk is endeavoring to develop the next design/make category, in line with the Company's commitment to democratizing software. These notes helped Joe get a better grasp of why Autodesk is differentiated, confirming his view that it is a leader and disrupter in the space, backed by a strong business model experiencing ongoing tailwinds for expansion.

FIELD RESEARCH BRINGS VALUABLE INSIGHTS

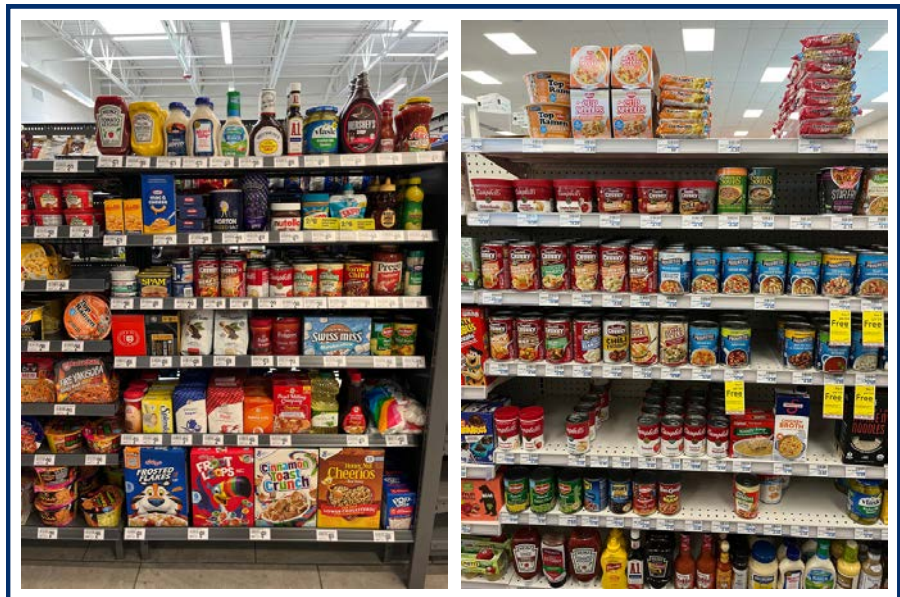
MONDELEZ PRODUCT QUALITY & CONSUMER WILLINGNESS TO PAY

Sam purchased Mondelez products and distributed them to peers within and beyond the AIM class for consumption. He followed up with a survey regarding product quality and prices respondents would be willing to pay for these goods, revealing space for price increases among many of Mondelez's prime products.



CAMPBELL'S PRODUCT PLACEMENT & NEW LINES

Natalie visited the local grocery store to check out Campbell's products. She observed their prime product placement and realized that this is due to contracted planograms which Campbell's pays a premium for. She also observed some of their innovative soup lines, indicative of their recent use of AI technology to tailor new products to shifting consumer tastes and trends.



The 25-Position AIM LVII portfolio includes 13 positions inherited from the prior class and 12 new positions. Current analysts are excited to pass this portfolio to AIM LVIII and see how it evolves in future classes.

BUY DECISIONS

Inherited

American Tower Corporation
Amazon.com
Alphabet
Enterprise Product Partners
Live Nation Entertainment
Mastercard Inc
Microsoft Corporation
Perimeter Solutions
Stryker Corporation
Taiwan Semiconductor
United Rentals
Verisk Analytics
Workday

Newly Proposed

Asbury Automotive Group
Autodesk
Build-A-Bear Workshop Inc
Blackline Inc
CarGurus Inc
Calumet Specialty Product
Equinix Inc
Fluor Corporation
McDonald's Corporation
Prologis Inc
The Sherwin Williams Co
Verizon Communications Inc

SELL DECISIONS

Inherited

BioLife Solutions Inc
Crown Holdings Inc
Salesforce Inc
Enhabit Inc
ICF International Inc
IDT Corporation
Mondelez International Inc
Palo Alto Networks Inc
The TJX Companies Inc
Verra Mobility Corporation
Warner Bros. Discovery Inc
Zoetis Inc

Newly Proposed

Confluent Inc
Campbell Soup Company
Endeavor Group Holdings Inc
e.l.f. Beauty Inc
Fastenal Company
Hawkins Inc
Topgolf Callaway Brands
nVent Electric plc
Sensata Technologies
Atlassian Corporation
Trane Technologies plc
Tradeweb Markets Inc
VeriSign Inc

Alphabet

Despite increased competition in digital advertising, exceptional search moat rooted in user data coupled with emerging opportunities in connected TV via YouTube will drive stable growth



AMERICAN TOWER®

REIT with strong recurring revenues that is set to benefit from growth in 5G in the U.S. and internationally, with current share price tied more to Fed policy than fundamentals

AUTODESK

A clear market leader with no significant competitor, Autodesk's strong business model and defensible moat position it to capitalize on an industry poised for long-term growth



BLACKLINE

Reevaluation of pricing structure given movement to smaller F&A teams will drive long term growth despite near term top-line headwinds

amazon

Differentiated distribution provides medium term moat despite increasing competition in e-commerce, with strong position to capitalize on secular tailwinds in IT spend and AI

ASBURY AUTOMOTIVE GROUP

Short term headwinds drive a steep discount despite being a serial compounder as one of the largest automotive retailers in the U.S.



A turn around story that the market is overlooking as diversified selling channels and strong brand equity drive stable margins, with realizable upside in top-line growth

CarGurus®

Legacy car marketplace with a best-in-class business that is poised to win the massive digital wholesale opportunity



Uniquely located SAF production segment provides compelling opportunity, representing a transition in the fundamental business that the market has yet to appreciate



EQUINIX

With unrivaled scale and premium locations, as well as high demand in emerging markets, Equinix is set to capitalize on growing needs for data centers



Uncertainty around the DOJ's antitrust investigation create an attractive entry point for the clear leader in the live entertainment and ticketing industry



Unrivaled brand drives pricing power for this high cash flow generating business, making McDonalds an attractive defensive buy



Overstated risks of energy transition provide an attractive price for this proven midstream business with a strong competitive moat

FLUOR

Engineering company situated in attractive end markets subject to secular tailwinds, with global scale that drives continual ability to win mandates in renewables space



Outsized international presence compared to Visa makes this the right player in the rapidly digitizing payments processing space



AI, cloud gaming, and Bing allow Microsoft to backstop its cloud computing revenues, with remaining divisions driving tremendous potential upside



Strong distribution strategy and capital intensive industry mitigate new entrant into fire retardant space, making resulting price contraction opportunity for attractive upside



Specialized business model and scale create entrenched moat, enabling Stryker to capitalize on super cycle and ASC growth tailwinds



Overstated geopolitical risks drive a cheap price for this leader in the "winner-take-most" semiconductor industry where high barriers to entry have created an oligopoly



Tuck-in acquisitions and cross selling allow Verisk to capitalize on fast growing adjacent markets on top of their entrenched moat and strong pricing power



Embedded growth from lease mark-ups and e-commerce penetration tailwinds drive opportunity for this resilient, market leading REIT



Quality products and a unique distribution system position Sherwin Williams as a steady compounder, with commercial construction backlog providing strong tailwinds



As rising rates lead more companies to rent equipment to avoid large capital outlays, United Rentals is the leader in this space poised to win



Cloud nativity provides significant competitive advantage to capitalize on tailwinds in the global ERP market



Set to remain a market leader in wireless with potential to realize attractive upside via 5G use cases

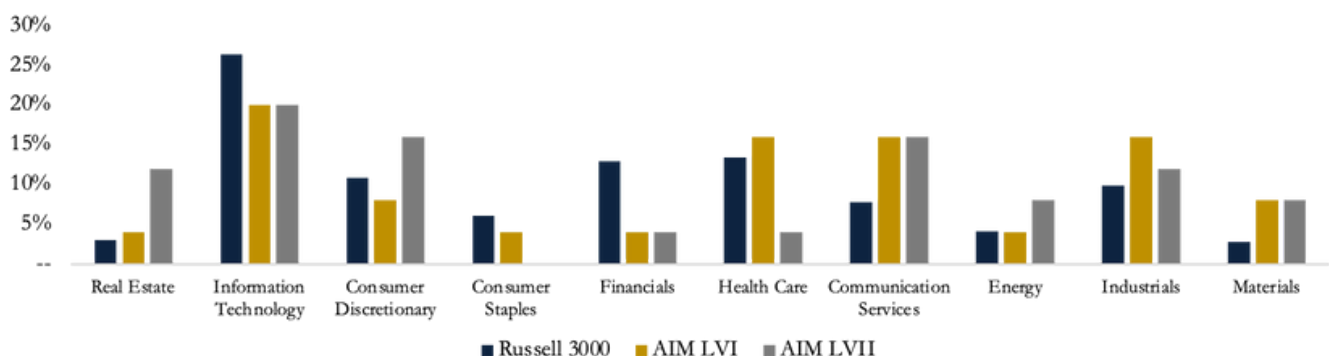
CUMULATIVE PERFORMANCE

The AIM portfolio is benchmarked against two indices: the Russell 3000 and the S&P 500. As of September 30, 2023, the portfolio has achieved an annual return of 11.7% since inception, 2.5% higher than the Russell 3000 and 2.4% higher than the S&P 500. The portfolio performed extremely well over the past five years, achieving an annualized return of 12.5%, while beating the Russell 3000 and S&P 500 over the last ten years, five years. However, this performance has recently taken a dip as the portfolio has underperformed the Russell 3000 over the last six months and the S&P 500 over the last twelve and six months. The graph below shows the cumulative value of \$1 invested at inception for the AIM portfolio, S&P 500, and Russell 3000.



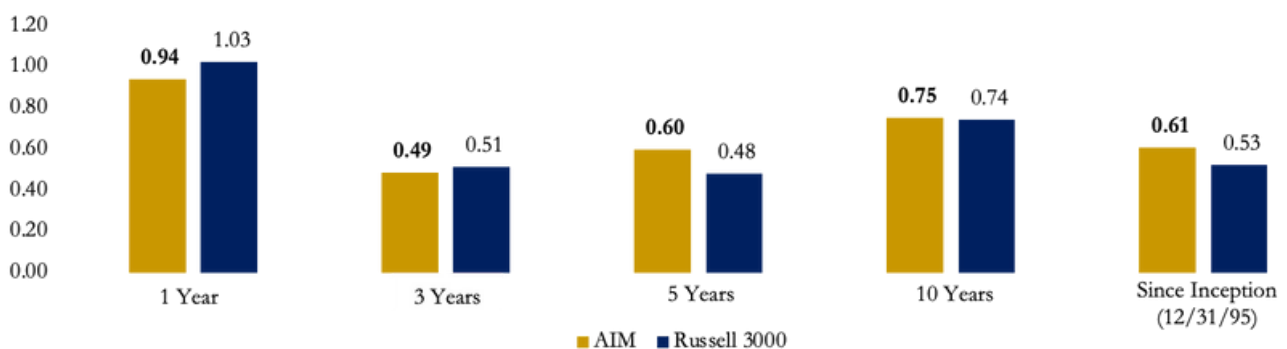
AIM LVI SECTOR ALLOCATION

The inherited portfolio was overweight in industrials and communication services and underweight in information technology relative to the Russell 3000 benchmark. Much of our underperformance in the last three months came from our information technology and Health Care holdings. The current portfolio is now overweight in real estate, consumer discretionary, and materials.



SHARPE RATIO

AIM has consistently outperformed its benchmark across the long-term time horizons even when accounting for the risk profile of the portfolio. However, we have recently underperformed when adjusting for our risk profile over the the last year and three years. We have a higher Sharpe Ratio than the Russell 3000 benchmark since inception and for the five and ten-year time horizons. This risk-adjusted performance is also reflected in a rolling monthly alpha of 20 bps since inception.



TOP AND BOTTOM PERFORMERS (3 MONTH)



GOOGL

Return: 8.6%



VRSK

Return: 8.4%



TJX

Return 7.9%



EPD

Return 6.8%



URI

Return: 6.4%



BLFS

Return: (39.6%)



PRM

Return: (17.5%)



TSM

Return: (15.5%)



IDT

Return: (13.8%)



AMT

Return: (13.1%)



SAM ANDERSON

KKR
Modelez, Calumet



OLIVER BERNASEK

Evercore
Zoetis, Verizon



RALEIGH BULLEIT

PJT Partners
Salesforce, Equinix



TRINITY CHA

Sixth Street
ICF International, Endeavour



LUKE EVERSOLE

Lazard
The TJX Companies, McDonald's



DYLAN FITZGERALD

Evercore
Amazon, Sensata Technologies



CAITLIN GORMLEY

PWP

American Tower, TopGolf Callaway Brands



MARK HOLOWICKI

Bank of America

Alphabet, Sherwin Williams



JENNIFER KENT

Goldman Sachs

Mastercard, Prologis



SUSANNA LI

Citi

Verisk Analytics, Build-A-Bear



GRAHAM LORENZ

BMO

Warner Bros. Discovery, VeriSign



CHARLIE MAXWELL

Blackstone

TSMC, Blackline



IBB MAYR

Bank of America
Workday, nVent Electric



EAMONN NEWTON

PWP
Microsoft, Hawkins



CASEY OTT

Lincoln International
Enterprise Product Partners, Fastenal



KEVIN PRATA

Lazard
BioLife, Asbury Automotive



MORGAN RADER

PJT Partners
Stryker, Confluent



JOSEPH RIORDAN

Evercore
Live Nation, Autodesk



SEAN SANTOS

Fidelity
Perimeter Solutions, Tradeweb



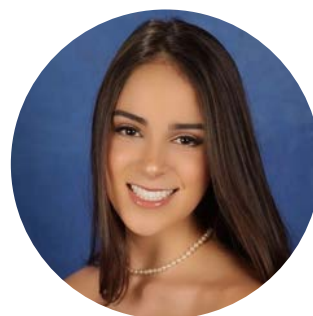
NATALIE SCHORR

ND Investment Office
IDT, Campbell Soup



ANDY SEO

Raymond James
United Rentals, Trane



MARCELA SIMON

Goldman Sachs
Enhabit, e.l.f Beauty



JOHN STOLMEIER

Bank of America
Verra Mobility, Fluor



ANDREAS VLAHOS

Moelis
Crown Holdings, CarGurus



DONALD WALLACE

Jefferies
Palo Alto, Atlassian

THE MENDOZA COLLEGE OF BUSINESS

THE UNIVERSITY OF NOTRE DAME



APPLIED INVESTMENT MANAGEMENT LVI



KELLY CORNELIS

Chief Operating Officer at LaSalle Capital

Kelly Cornelis is a Partner and Chief Operating Officer at LaSalle Capital, a leading lower middle market buyout fund, and has been with the firm since 2005. Kelly is responsible for deal sourcing and execution, financial operations, portfolio management and investor relations. Previously she led investment activities at SB Partners and began her career as an analyst at William Blair. Kelly was a founding member of the Chicago Women in Private Equity, is a member of WAVE and PE WIN (Private Equity Women's Investor Network) and served as a board member of MBBI (Midwest Business Brokers and Intermediaries) and ACG Chicago. Kelly currently serves on the Board of Directors of Joseph's Gourmet Pasta, BOF Corporation and Westminster Foods, and previously served on the boards of Fresh Origins, United American Security and Gen3 Marketing. A Moline, Illinois, native, Kelly holds an MBA from the Kellogg School of Management at Northwestern University and a BBA from the University of Notre Dame, where she was a member of AIM I. Kelly lives in Elmhurst with her husband Ryan, son Connor and daughter Mara.

Interviewer: Given you were in the first AIM class and now we are in AIM 57, could you talk about your experience in the first AIM class and what it was like in the early days of the course?

- I think it was interesting because Scott Malpass was a professor at the time and got together with several other finance professors including John Affleck Graves, who was my finance professor and later was a head position in the university. So it was a great group of people that really got this going and I think it's stayed pretty true to the original thesis. Students who were interested in this could make an impact and could learn a lot of real-world experience and visit companies. So that was really the idea and I think it's just kind of grown from there. Obviously, there are more AIM alums out there and there's more knowledge of the market.
- Back in 96, it was an interesting time, the market has changed a bit with the way IPOs are done now and we didn't have as many of these mega companies like Amazon, Facebook, and others. So it was a little bit different, but I think the overall original thesis and the idea of it has stayed pretty strong from the original idea. So it was a lot of fun as you guys know, it's a great experience that really gives you a taste of kind of what the markets and jobs in the markets might look like.

Interviewer: As somebody who is in an investing position and who went to banking and business school, could you talk about how AIM has impacted your investing career and how your investing approach has changed over time?

- For me, I didn't come out of any sort of business background with my family. My dad was a sportscaster and my mom stayed home full-time. So, I didn't have a proper foundation in that world. And so for me, it was just very new learning about that and learning how to evaluate businesses, and I think you learn quickly that sticking to things that you know and things you have a perspective on is usually one of the best paths to success. Sometimes if you try to learn a new industry or learn a new space it is difficult. You can do it, but it's certainly harder than sticking to something that you have knowledge of. So for me, that idea led me into consumer food and beverage type investing. I have not done a lot in technology and things like that, because that just wasn't something that was naturally interesting to me.

- So I think that is one thing that you learn through AIM. If you go into a new industry, you better do a lot of homework and a lot of research because you can read about it and you can do things, but if you don't talk to people that are in that space it's hard to get up to speed. So I think that has been a focus for me as I've gone forward in my career, to sort of specialize and narrow what we look at with LaSalle to things that we have experience in and where we have a network of people that we can go to in those spaces that will allow us to make better investment decisions.

Interviewer: Shifting more to LaSalle itself, could you elaborate more on your investment approach and why you decided to focus on the food and beverage ecosystem specifically?

- When I joined LaSalle we were more of a generalist firm with a couple of different industry areas of focus. In addition to food and beverage, we did some business services and light industrials. We have always done a lot in the food and beverage space from the beginning and the two partners had done some things in that space. One of my partners had run a food business and when I was in banking I did a lot of consumer and food and beverage, including confectionary, snacking, etcetera. So we all had that knowledge coming into LaSalle.
- Back then it wasn't as common to specialize. The thinking was, that if you go too narrow you're going to limit the pool of deals that are available to you, and it's hard to source in just one industry, especially in the lower middle market. You're dealing with companies that are under 100 million in revenue and sometimes under 50 million in revenue, and the pool is big, but you have to find the sellers at the right time. So if you become too narrow, you're going to limit the amount of deal flow that you have.
- That has sort of shifted over time where people realize, as they become better at sourcing and there are a lot of intermediaries that are going into lower middle market, the availability of deals is there and the specialization becomes key. So that has been what we have started evolving to over time from the beginning and now to the second fund and onto our third fund and it's worked very well.
- I remember I was in a management meeting once and we were looking at this HR technology business. It was light technology, but this was when we did some business services. The owner of the business, and these are again, entrepreneurs, founders, and family-owned businesses and it is going to be the first outside investment they will take on, he looked at us and said, you guys don't have any HR technology businesses in your portfolio. That's what they were looking for and what we were competing against, these other funds that already had these exact businesses. It's obviously hard to compete with that when people already have that specialization. So that became clear to us as we raised our second fund and then into our third fund.
- In order to be competitive, as you said pattern recognition helps. But it was more for us based on competitive reasons that in order to be able to source deals, to be able to win deals, even though we're not doing very competitive auction situations were still competing against either a family office, another investment firm, or private individuals that might want to buy a company. Having that knowledge that LaSalle is a go-to investor in the food and beverage space with those smaller businesses, we've developed that reputation and now the deals come to us.

Interviewer: Continuing on that path, how have you seen the private equity industry change over the course of your career and then what do you expect for it going forward into our future careers?

- It continues to change and evolve, just the sheer number of firms has changed dramatically. I think there are something like 6000 private equity firms now and when I started there were maybe a few hundred. So that has shifted. That leads to the amount of capital that is being deployed into private equity being huge. So that has changed and the number of private companies, therefore, has also increased, and the number of public companies has dropped.
- That has all led to more competition. Multiples have just kind of crept up over time, although they've fallen back a little bit in the most recent year. In the 90s, you could buy things for much lower multiples because there wasn't as much competition and you could put less equity into the deal. So the whole leverage buyout idea was built on the idea that you can use a lot of leverage and put in a small amount of equity, which will generate a lot of returns. That has totally changed, so now you're putting in some leverage, but a lot of equity, so you really have to grow these businesses rapidly to make these returns. You can't just buy on the capital structure. That has changed too, where now funds have a lot of operating expertise in addition to financial expertise. There are a lot of operating partners that either work at the funds or are consultants to the funds because you have to drive growth, whether it's through organic growth or through acquisitions to make the returns, because you're buying the companies at much higher multiples. That I think has been the biggest change and then the specialization that we already talked about, where firms have to have a particular expertise and use that to generate strong deals and strong returns.

Interviewer: Pivoting over to your portfolio companies, we would love to know some of your biggest takeaways or surprises you've seen sitting on the board of directors at some of your specific companies?

- They are all different as you are dealing with management teams and founders who have never had outside investors. A lot of them have not even had an outside board of directors. So it's challenging because you're working with them and partnering with them, but they are somewhat unsophisticated with how private equity works. So that is always a place where we make ourselves differentiated in the market and show that we understand those issues. We understand how to work with founders and family businesses and the nuances that go along with that.
- I think that our portfolio companies have different strategies, we have a playbook that we can deploy across multiple businesses, but in some ways, each business has its own growth plan and strategy. So I think some of the surprises would come from the management teams. Originally, you think that they're going to be able to do certain things, and sometimes that doesn't happen, so I don't know if it's a surprise, but we go into it, hoping that the management teams can grow and develop and buy into the plan and build companies/hire new people, and sometimes it just turns out that they aren't willing or aren't capable of going to that next level with the business. At times we have to make changes and those are never fun, but sometimes that's what you have to do to make the investments successful.

Interviewer: Do you have a favorite company that you've worked on the board of directors at?

- I have both a favorite company and a favorite management team that I've worked with. My favorite company is called Fresh Origins and it is the leading grower of microgreens in North America. Microgreens are herbs and different veggies and greens that are harvested early and then used in restaurants and grocery stores. Located right outside of San Diego, it has over 2 million feet of greenhouse space. It is a really interesting business and has been a lot of fun. Normally private equity investors don't like to invest in things that you grow in the ground because there is too much risk. This company has a unique story as the growth cycle is very short and everything is harvested within 7-10 days and so there is not a lot of seasonal or harvest risk. We actually sold it at the end of 2022 and it was a very successful deal with all organic growth expanding into new areas and new customer bases. The tailwinds were the fact that microgreens used to be used for fine dining and now they have become really everywhere and are used as a flavor enhancement and to make the food look more appetizing and we benefited from that growth.
- My favorite management team was actually a company that was in the marketing services space and there were two CEOs, which sometimes you think can't work, but these guys made it work. They were so appreciative of our input, wanted to learn and wanted to grow, and had a very open attitude toward what we were trying to do. Sometimes with founders, there's a balance of having to work with them, and there's a lot of negotiation and there's a lot of hand-holding, and a lot of psychology that goes into it. But with these guys, it was just great, so they're definitely my favorite management team and I miss working with them. We sold that business as well. That's the other thing, you have to let the kids out of the nest at some point.

Interviewer: How do you split your time between deal sourcing, execution, financial operations, portfolio management, etc. Also, is there one aspect of the job that you enjoy the most?

- This is probably a little bit of advice as well if any of you are thinking about going into private equity. When you're at a small firm, you wear a lot of hats. Because we're a small fund, we definitely all have had to jump into certain areas. And it actually is interesting because you learn other sides of the business. I started off in a pure investment role with sourcing, execution, and portfolio management. About five years ago, our CFO had another opportunity and I didn't want to be the CFO so I became COO. That led to the managing of all aspects of the funds. Before that, it was more traditional kind of investment and now I split my time 50/50 between the operations of the fund and the investment side. On the investment side, it's always a challenge between sourcing and portfolio management, because you can spend all your time in the portfolio because there's so much going on, but you also have to be looking for new deals. So we try to balance that as well with certain people that have more of a business development focus.
- Fundraising is the other piece, which takes up probably 20% of my time. So I would say, 20% fundraising, 30% operations and then 50% on the traditional investment side.
- My favorite part is definitely working with the companies and working with the management teams. Helping them execute their strategies and when the CEOs have a question or they have something that came up they call and want to talk things through. That's really the most fun part of the job in my opinion.

Interviewer: How does LaSalle approach knowing when to exit an investment?

- Time is never your friend and a lot of things can just happen. So have your plan, execute your plan, and try to exit as soon as you can after that. There are things outside of your plan that are out of your control that can potentially negatively impact the investment, so we tend to look between 3-5 years for our horizon. We have had deals on either end but most land in the middle; however, COVID delayed some of our investments that would have been exited sooner and added two years to our horizon.
- To me it is, have you executed the plan? Or is there something that is inherently structurally difficult about the investment that is going to make it difficult to execute? Then you should exit as soon as you can instead of spending all of your time on that investment. We tend to not try to and time the market. We sold a business at the end of 2022 when the market was a little shaky, but we were able to get it done because we had executed our plan, the company had done really well, and it was ready for the next owner. A larger fund is typically who is buying our companies and can usually take the company further from there. We tend to focus on whether we have executed the plan that we set forth and once we have we look to exit.

Interviewer: What is your take on the exit environment in private equity industry moving forward?

- 2023 has definitely been a challenge for a couple of factors. Obviously, interest rates being high has made it more challenging on the debt side which is naturally going to bring down multiples. Then you have sellers who have an idea in their head about what their company should trade for based on probably 2020 or 2021 data. So there's a disconnect between the valuation expectations of the sellers and what the market can really support because of the interest rates. It's very slow right now in the private equity market and the ones that are getting done are still getting done at those higher values because there's sort of a scarcity of assets out there.
- From a buyer standpoint, unless you have, a really strong angle on something or you really want to get capital deployed for some reason. Most people are kind of waiting to see what happens in 24. We're hearing that activity is picking up and I think there's still a lot capital out there, so I think the deal activity will be stronger in 2024, despite the fact that interest rates probably aren't going to come down much, if at all. I think that people can't wait on the sidelines forever and if you're a private equity firm, and you've raised a fund, you do have to get capital deployed. So I think that will happen and I think hopefully some sellers will realize they don't know when the market will come back and at the end of the day is 50 million just as good as 60 million.
- You know, at the end of the day, I think sellers have to sort of adjust those expectations downward a little bit, and then there starts to be more activity. So I think that will happen. I don't think it's going to happen overnight, but I think later in the year we will start to see things pick up.

Interviewer: When did you realize you were interested in investing and when did you make the decision you wanted to be an investor?

- There were two steps. The first was being interested in finance and that came from AIM and one of my professors who told me I should be in the industry. The second was from the banking side. William Blair had their own in-house private equity group, which I interacted with while I was on the transaction side. I was able to see a little bit of how they worked back when the industry really wasn't developed at all and that is when I first said that this seemed like an interesting field. You're not just doing transactions, it is more of a long-term approach and you're doing investments for the future. I got to know that group more over my time and then when I finished my MBA I started my real search for opportunities in private equity.

Interviewer: Why did you decide to go to business school and focus on your operating skill set?

- I think there is no one-size-fits-all answer on whether or not you should go to business school. For me, it was worth it because I wanted to round out my skill set and make a transition from banking to private equity. Also, when you're investing in the middle market or the lower middle market there is so much more than finance involved. You are working with managing teams and helping with go-to-market strategies like should we enter this channel or area. There are so many things that are not financial and they are strategic focusing on competitive dynamics in the industry. We don't rely 100% on our management teams to do everything because they are smaller businesses.

Interviewer: If you didn't become an investor what do you think you would have done?

- One thing I have liked about being in business is it's not just heads-down number crunching, rather it is a lot of communication with people. It is getting them on your side and convincing them to do your investments and in the end, there is a just a lot of communication skills that come into play. Originally I thought I would do something in communications, my dad is retired but he was a sportscaster, so if I hadn't done what I ended up doing I might be on something like CNBC.

Interviewer: Being a founding member of the Chicago Women in Private Equity, a member of WAVE, PE WIN, and now the AIM advisory board, could you explain your decision to be a part of these organizations and the impact you hope to have on them?

- When I started out, and even now there are not as many women in private equity as there should be, so I have really focused on how we help nurture other women from a professional development standpoint and how can we get additional diversity, whether it's gender or other diversity. So that's just been something that's been very important to me. Additionally, because I was the only woman that was at LaSalle for so long, I had to network outside of LaSalle and I found women in other firms. That has really helped me as I have gone along in my career, not just from the networking standpoint, but also from doing deals and doing investments. So it's both networking and real business opportunities.
- On the AIM front, it was such a great experience for me and there are so many people that helped me along the way. People that I reached out to at Kellogg, Notre Dame, and these women in private equity groups that I benefited from and I learned something from and who helped me as I was making decisions. So to be able to do that, and hopefully provide some piece of insight, is really exciting and important to me.

SPEED ROUND

Favorite Hobby

Playing piano

Favorite Food

Tacos

Most Important Skill in Business

Being humble and willing to learn

Favorite Book

Pride and Prejudice

Favorite Professor at Notre Dame

John Affleck Graves

AIM Stocks

Chrysler and Bed Bath & Beyond

