



Board of Advisors Meeting

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November 6<sup>th</sup> 2018

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# Letter from Portfolio Managers

Dear Board of Advisors,

The 2018-2019 semester has gotten off to a great start, and we have been working diligently to build off our early momentum. We believe we have had a fruitful October despite turbulent market conditions, and have some great new ideas to share. As always, we can't thank you enough for the supervision and input provided to us, and look forward to continue working together to make IAG as beneficial as possible for our members.

First off, we'd like to share that IAG has concluded a very successful round of hiring for the 2018 Fall semester. We had an application count of over 120, our highest in several semesters, and we spoke to dozens of great candidates throughout the interview process. We hired 9 new analysts in total, a bit larger than our typical hiring class, but we were thoroughly impressed by each of the new hires and wanted to take full advantage of our robust applicant pool. While some of our new hires were able to make it to our previous oversight meeting, we'd like to provide a formal introduction here:

- Alex Hu
- Caleb Nuttle
- Cody Fang
- Jaro Van Diepen
- Nick Bell
- Nisha Honnaya
- Renjie Xu
- Simran Korpall
- Srikar Alluri

As always, the first semester for these new hires will serve as a "trial period," where we further evaluate fit and commitment to the club as they complete their training materials. We have great confidence that each of our new hires will complete these assessments with flying colors, and will have lots of great contributions to make to the club.

In contrast to the aggressive gains made by the market throughout much of 2017, 2018 has been characterized by much greater volatility, particularly in recent months. With major indexes undergoing swings of hundreds of points, sometimes within the course of a single day, we believe that our focus on fundamental, long-term value is more relevant than ever. Large declines in certain segments such as tech may provide attractive buying opportunities, and we have been monitoring companies such as Amazon in hopes of potentially buying in at bargain prices.

Despite market uncertainty in recent months, we are still deep into a bull market, and valuations generally remain quite rich. Warren Buffet himself has recently authorized a \$928 million dollar share repurchase for Berkshire Hathaway, a signal that the greatest value investor of our time himself is struggling to find attractive investment opportunities. It is important than ever that we retain our investing discipline and focus on distinguishing between genuine quality businesses at low price and value traps.

# Letter from Portfolio Managers

Over the period of the last month, the IAG fund has achieved a -4.31% return, eclipsing the S&P 500 benchmark return of -6.29%. More significantly, since May 2018, the IAG has achieved an 11.28% return, eclipsing the S&P 500 benchmark return of 4.27%.

Today we are pleased to present three businesses that exemplify our investment philosophy. On Page 15 is Blackberry (BB), a stable enterprise mobility management software business with a growth stake in autonomous vehicles. On Page 17 is Brixmor Property Group, a REIT that invests in shopping centers.

We look forward to the remainder of the semester. We are happy to be a source of information to the Board, and encourage you all to reach out with feedback or clarifications – thank you again for your time.

Best,

Nived Gopakumar & Steve Zhang

*Portfolio Managers*

# Letter from the Chairman

Dear Board of Advisors,

In the spirit of partnership, we would like to share with you some of the operational achievements our club has made over the prior period.

## **Sophomore Career Workshops:**

As recruiting for sophomores kicks off, we have started to host internal workshops to help our students navigate the recruiting cycle. We have created a structured curriculum for students, ranging from an introduction to careers in finance to technical reviews. Additionally, we will set up mock interviews for students at the end of the workshop series with upperclassmen in the club to provide them with real-life training prior to their interviews.

## **Partnerships:**

*Girls Who Invest:* We are currently partnering with QFS and USWIB to bring in Girls who Invest. We believe it is an incredible opportunity for the NYU Community and are incredibly excited to be co-sponsoring the event with them.

## **Alumni Connection:**

*IAG Alumni Mingle:* As per tradition, we are hosting our annual IAG Alumni Mingle on November 9th. Currently, we have over 15 alumni RSVP'd to the event, with alumni engagement ranging all the way back to 2001. We are incredibly excited to have our mingle and reconnect with IAG alumni from over the years!

*IAG Buddy Program:* Mentorship is an important foundation of IAG. As a result, we traditionally pair our underclassmen with alumni from the club who volunteer their time to speak with students. Conversations can range from alumni speaking about their experiences with IAG to professional and personal guidance. We believe these conversations have provided students with an incredible opportunity to gain guidance that not even upperclassmen can provide them with.

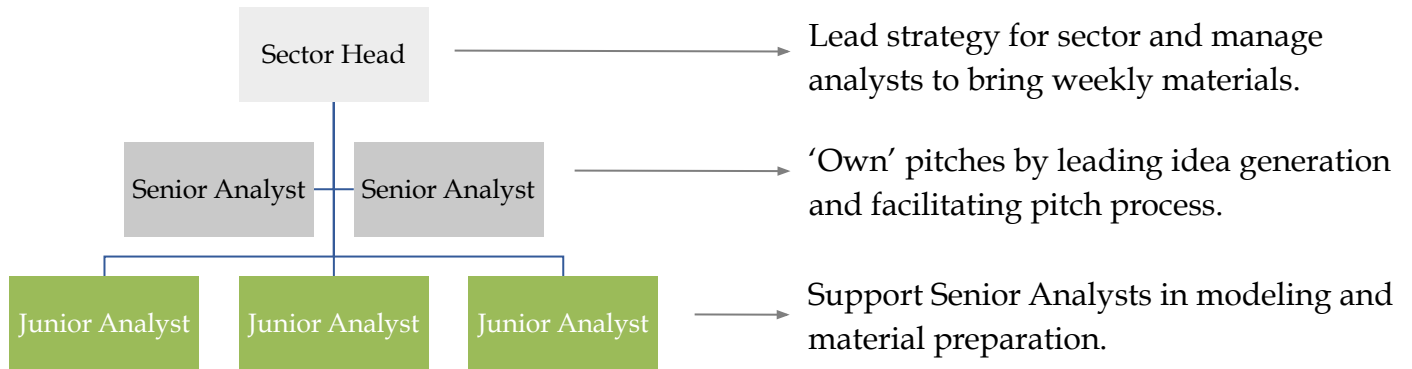
## **Michigan Stock Pitch Competition:**

IAG was recently invited to present at Michigan, with Nived, Steve W., Rohan and Sruthi representing the organization. While the team did not win, we are incredibly excited to have participated and look forward to bringing in some of the takeaways from the judges to our organization

Best,  
Keshav  
Chairman

## II. Portfolio Team Overview

# Team Structure and Roles



## Pitch Process

- 1. Idea Generation:** Work within sectors to develop ideas (outside of weekly Portfolio Team meetings)
- 2. Investment Checklist:** Comprehensive list that is used to grasp with potential investment ideas
- 3. Investment Memo:** Standardized memo that details key company criteria, investment thesis and possible financial and operational risks
- 4. One-Pager and Valuation:** Final deliverables required for presentation to Board of Advisors

### III. Performance Analysis



# Holdings Summary (as of November 5th 2018)

Company	Ticker	Analyst	Purchase Date	Market Cap (M)	Share Price at Purchase	Share Count Invested	Share Price 09/28/18	Share Price 11/05/18	Value (at 11/05/18)	% Portfolio	1 Month Moving Returns	Current Return	Annualized Return	Morningstar Industry
Celestica	CLS	Kaan Tuncel	4/9/2018	\$2,117.70	\$10.06	180	\$10.83	\$10.53	\$1,895.40	4.67%	-2.77%	4.67%	8.12%	Technology
Chipotle Mexican Grill	CMG	Dryden Brown	10/12/2016	\$8,661.40	\$430.11	3	\$454.52	\$469.65	\$1,408.95	3.47%	3.33%	9.19%	4.45%	Consumer Disc.
CVS Health Corp	CVS	Robert Yin	12/6/2016	\$61,983.70	\$77.28	20	\$78.72	\$73.69	\$1,473.80	3.63%	-6.39%	-4.65%	-2.43%	Consumer Stap.
Dish Network	DISH	Robert Yin	12/10/2015	\$17,364.20	\$61.52	25	\$35.76	\$30.97	\$774.25	1.91%	-13.39%	-49.66%	-17.08%	Technology
Disney	DIS	Kaan Tuncel & Steve Woo	11/13/2017	\$148,352.60	\$102.08	19	\$116.94	\$115.45	\$2,193.55	5.40%	-1.27%	13.10%	13.39%	Consumer Disc.
DaVita	DVA	Nived Gopakumar	10/5/2018	\$11,444.30	\$72.15	33	\$71.10	\$68.57	\$2,262.81	5.57%	-3.56%	-4.96%	-58.42%	Healthcare
Gilead	GILD	Samuel Lum	11/13/2017	\$95,363.60	\$73.77	25	\$77.21	\$69.58	\$1,739.50	4.28%	-9.88%	-5.68%	-5.81%	Healthcare
Green Brick Partners	GRBK	Gregory Gabovich	12/11/2017	\$518.60	\$11.39	162	\$10.10	\$9.52	\$1,542.24	3.80%	-5.74%	-16.43%	-18.23%	Real Estate
IAC Interactive Corp	IAC	Sushil Bhandaru	3/2/2018	\$12,479.00	\$151.30	12	\$216.72	\$197.01	\$2,364.12	5.82%	-9.09%	30.21%	44.46%	Technology
Formula One	FWONK	Kaan Tuncel	5/3/2018	\$8,330.00	\$29.60	63	\$37.19	\$33.68	\$2,121.84	5.22%	-9.44%	13.78%	27.05%	Consumer Disc.
Rizzoli	RSZMF	SiHeng Yeo	5/11/2016	\$11.44	\$0.66	8	\$0.99	\$0.97	\$7.72	0.02%	-2.53%	46.21%	18.58%	Technology
Stanley Black and Decker	SWK	Spencer Hanus	5/3/2018	\$21,114.00	\$139.53	14	\$146.44	\$123.78	\$1,732.92	4.27%	-15.47%	-11.29%	-22.15%	Consumer Stap.
Western Union	WU	Robert Yin	5/6/2016	\$8,413.00	\$19.14	80	\$19.06	\$18.44	\$1,475.20	3.63%	-3.25%	-3.64%	-1.46%	Financials
Western Digital Corp	WDC	Mateo Panjol-Tuflija	10/5/2018	\$14,034.30	\$56.45	42	\$59.92	\$48.36	\$2,031.12	5.00%	-19.29%	-14.33%	-168.74%	Technology
SPDR S&P 500 ETF Trust	SPY								\$2,187.12	5.38%				
Cash									\$17,343.73	31.35%				
Total									\$42,553.73	100.00%				

# Best and Worst Performers

## Best Performing Movers (Last 1 Month)

Company	Ticker	Share Price 09.28/18	Share Price 11/05/18	Period Return
Chipotle Mexican Grill	CMG	\$454.52	\$469.65	3.39%

Chipotle's stock has been up 14% since earnings came out on October 30<sup>th</sup>. COE Brian Niccol continues to employ the same efforts he used in Taco to revitalize the Chipotle brand. Same-store comparable sales continues to strength, with prices increases and sales for new queso product responsible for the lift. The company continues to develop sales promos and menu innovations to bring customers back after multiple food safety scares in recent years. The company's success will continue to depend on Chipotle's ability to avoid any more food safety issues.

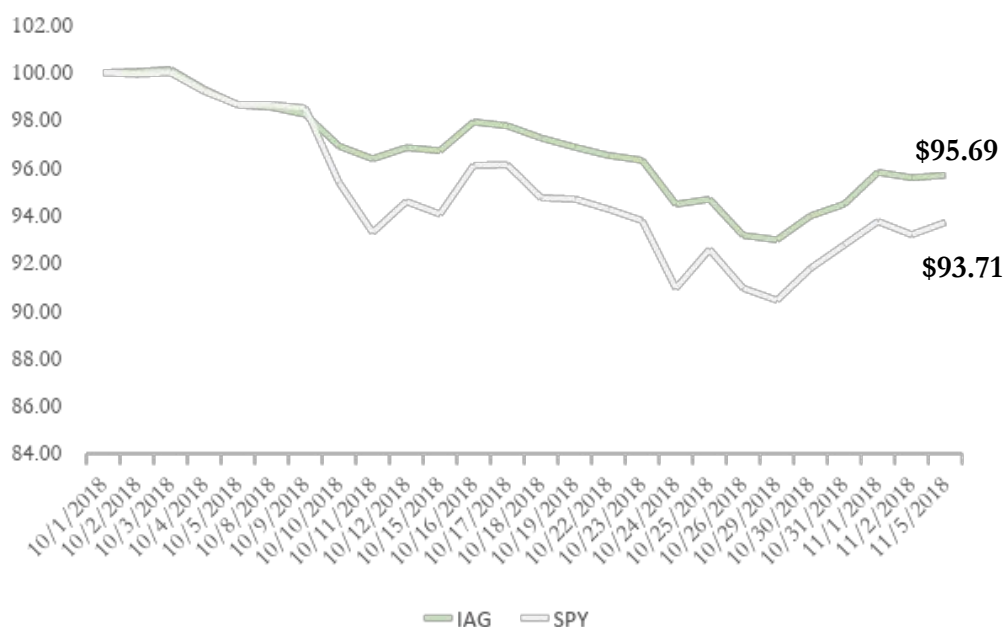
## Worst Performing Movers (Last 1 Month)

Company	Ticker	Share Price 09.28/18	Share Price 11/05/18	Period Return
Western Digital	WDC	\$59.92	\$48.36	-19.29%
Stanley Black & Decker	SWK	\$146.44	\$123.78	-815.47%
Dish Network	DISH	\$35.76	\$30.97	-13.39%

Shares of WDC were down 15% in premarket trading after the maker of disk drives reported weaker-than-expected financial results and delivered a disappointing forecast. While no recent news has been heard about Stanley Black & Decker, the stock continues its downward trend as fears of an economic slowdown arise. With a majority of its products being tied to the housing market, the stock has seen a sell off with the rise in rates and weak housing numbers. The company however continues to be a respectable dividend play with a long history of increased capital returns to shareholders. Dish is scheduled to announce its fiscal third quarter results on Wednesday, November 8<sup>th</sup>. We look forward to seeing the SlingTV subscriber base growth and see if it can offset the PayTV decline.

# Portfolio Performance vs Benchmark

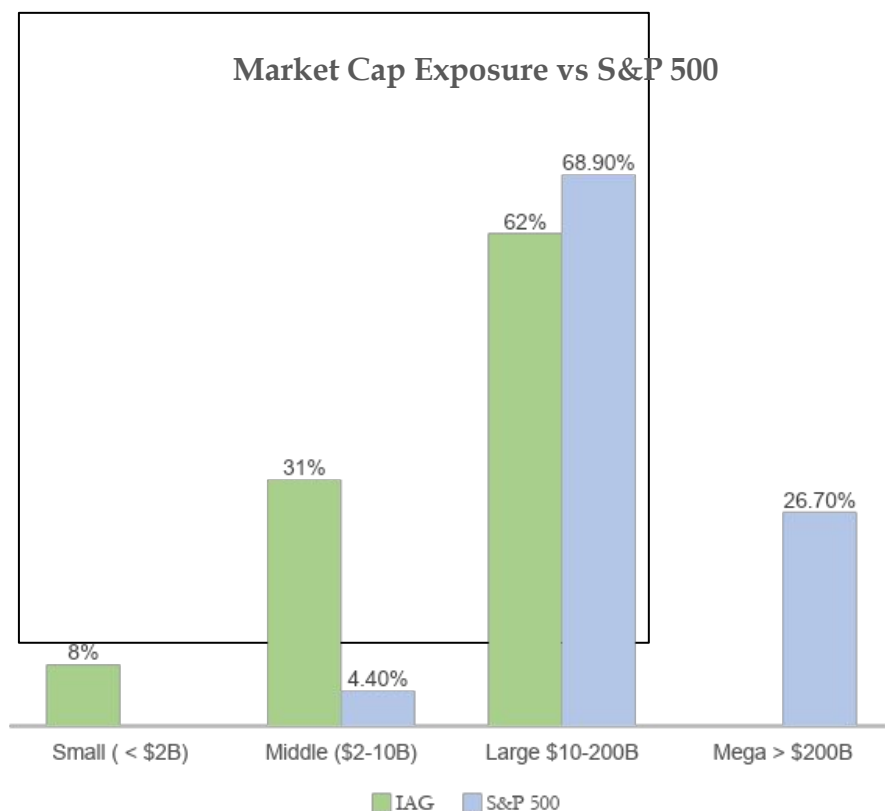
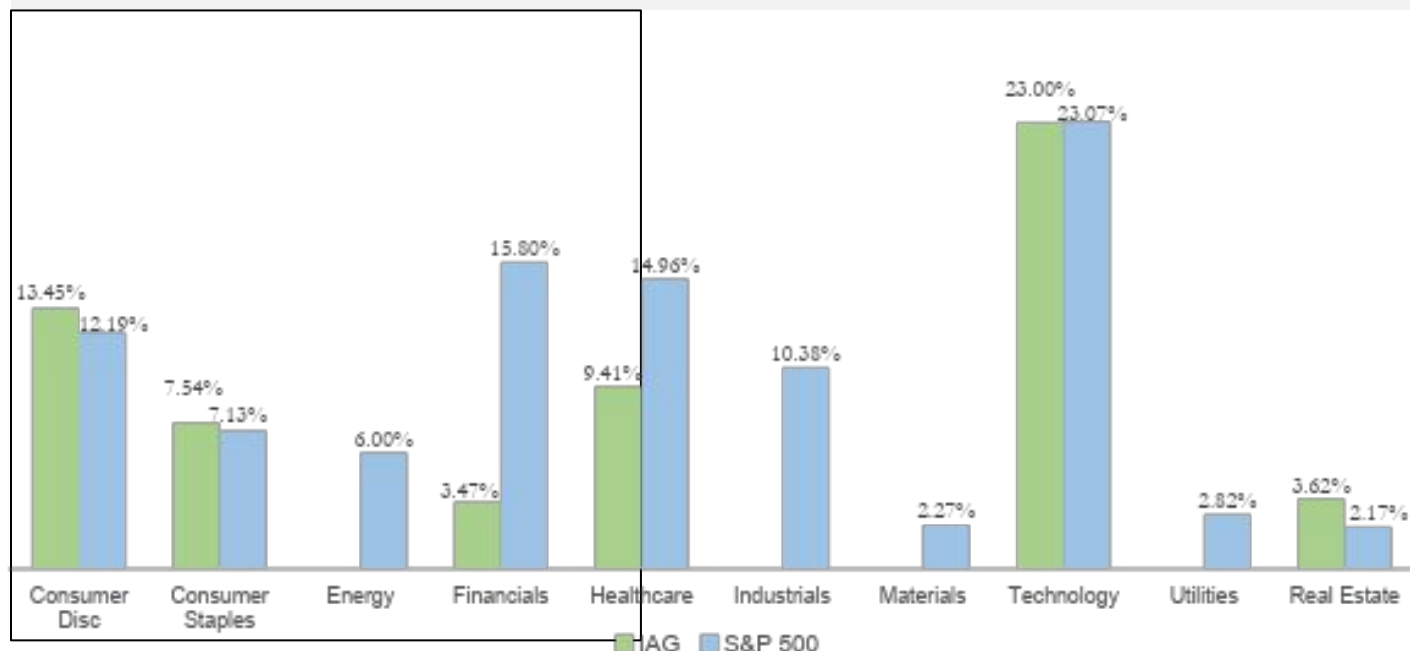
## IAG versus S&P 500 (since last Oversight)



In the most recent month, IAG's returns have been on par with the S&P 500 benchmark. The majority of the portfolio's returns can be attributed to the performances of Chipotle and DaVita. We believe the fundamentals of both businesses continue to improve and recommend holding both positions.

As a deep value fund, we do not expect on most bull-run years to exceed the pace of the market's returns. One of the reasons why we believe we have, on balance, performed better than the market during this volatile year is the durability of the businesses we chose to invest in. We like the margin of safety in all the investments on the portfolio, and it is something we continue to evaluate in future investment opportunities.

# Portfolio Exposure vs Benchmark



IAG continues to target the S&P 500 benchmark specified in the fund mandate. As of November 2018, IAG is particularly overexposed to Consumer Disc.& and underexposed to Financials and Industrials. While we aim to correct IAG's overexposure, we also think our industry overexposure is cyclical and representative of where we believe there is most value in the market.

IAG is still underexposed to large- and mega-cap positions, an issue which has previously stemmed from the difficulty of identifying attractive opportunities to enter heavily covered stocks. We continue to hold positions Disney (\$157 B) and Gilead (\$95 B) and will continue to seek opportunities where they present themselves.

## IV. Key Holdings Update

# Update Note: Western Digital

Dear Board of Advisors,

On the 25<sup>th</sup> of October 2018, Western Digital Corporation released their Q1 2019 results. Most importantly, they reported revenues of \$5.03B and earnings per share of \$3.04, representing a -2.9% and -14.6% YoY change respectively. Furthermore, Western Digital missed analyst estimates for EPS by \$0.02 and revenues by \$110M, causing its share price to drop by 18.18%. The reduction in revenues is mainly due to a reduced demand for NAND memory. This softening demand, in combination with increased flash supply, has led to a market imbalance resulting in a deteriorating near-term flash pricing environment. In response to these conditions, Western Digital is making an immediate reduction to wafer starts and delaying deployment of capital equipment. These actions will reduce Western Digital's wafer output beginning in fiscal Q3 2019. The goal of these actions is to better align Western Digital's output with the projected global demand for flash.

As for Western Digital's operational results, the decrease in pricing offset Western Digital's strong performance in capacity enterprise, surveillance hard drives, and embedded flash solutions, with each growing revenue over 30% on a year-over-year basis.

In conclusion, we believe Western Digital performed well given the current market situation. Furthermore, the revenue decrease due to flash pricing is not unexpected, and is accounted for in our projections. Therefore, this issue does not pose an immediate threat to our thesis.

Best,

Mateo Panjol-Tuflija

## V. New Position Proposals