STERN IAG

Board of Advisors Meeting

September 23rd 2019

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Letter from Portfolio Managers

Dear Board of Advisors,

We are very excited to start the new IAG year – we couldn't more thankful for your continued support and supervision. We've gotten off to a great start these past few weeks and we're looking forward to leading the fund this year.

On idea generation, we've decided to democratize the process so that any analyst on the team can bring an idea. To expand the number of ideas we look at, we've greatly streamlined the idea generation process to take about two weeks from quick write-up to finished one-pager. As portfolio managers, we've become more decisive and selective about the ideas that we continue pursuing to increase turnover when required. We believe that a lower barrier to presenting companies internally coupled with a higher barrier of bringing companies to oversight meetings will facilitate for an increased sample size without compromising quality. These past few weeks, most analysts have been on 1~2 companies. Despite having looked at 12 ideas, we believed only 4 to be at the quality required. By no means do we believe that investing is purely a numbers game, but we do think that our perceived window of opportunities has been narrow in the past.

I wanted to highlight the effort Mateo has been taking to automate our portfolio tracking process. We've managed to put our entire portfolio on Google Sheets through the Google Finance interface. Anyone part of the portfolio team can check our holdings and performance at any given time. In addition, we've programmed a bot that reports our fund's performance and relevant market news to our Slack channel every morning. A considerable portion of the portfolio tracking process has been automated, but we continue to monitor for areas of improvement to further streamline the process.

Since the last oversight meeting, the fund has generated a 0.24% return, compared to the S&P return of 3%. Over the last 12 months, the fund has generated a 1.15% return, compared to the S&P return of 3.39%. The past few months since the meeting in April have been largely quiet aside from 1) Trump's additional tariffs and Xi's countermeasures on American goods, both announced in early August and 2) Mixed economic released between May and June. Following growth concerns, the market seems to be pricing in a rate cut, but this is a concern as corporate debt is already elevated. The concern is exacerbated by the non-investment grade composition of the debt. As an equity fund, it's difficult to truly avoid macroeconomic pressure, but we can find ways to mitigate the risk by becoming more selective of overly leveraged companies without stable cash flows and by selecting industries with less exposure on the revenue side.

With that in mind, we'd like to present the following ____ businesses that we believe exemplify our investment philosophy of finding attractive business at even better prices. We look forward to the remainder of the semester and we'd be more than happy to take feedback or suggestions at any given time. Thank you for your continued support.

Best,

Mateo Panjol-Tuflija & Steve Woo

Portfolio Managers

II. Portfolio Team Overview

2019 - 2020 Team Roster

Portfolio Managers
Mateo Panjol-Tuflija
Steve Woo

Senior Analysts
Sruthi Boddu
Michael Giese
Oliver Jiang
Mark Sun
Larry Wang

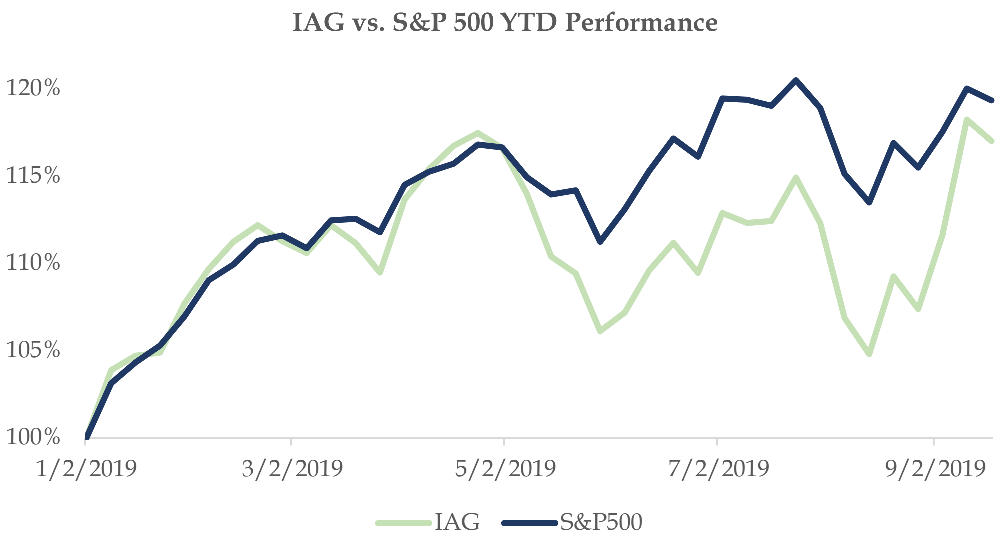
Junior Analysts
Nived Gopakumar
Srikar Alluri
Liam Coohill
Cody Fang
Nisha Honnaya
Simran Korpal
Caleb Nuttle
Jaro Van Diepen

III. Performance Analysis

Holdings Summary *(as of September 18th 2019)*

Company Name	Ticker	Analyst	Date of Purchase	Share Price At Purchase	Current Share Price	Current Value of Position	% Portfolio	Current Return	Morning Star Industry
Advansix	ASIX	Mateo Panjol-Tuflija	3/14/19	$31.09	$26.08	$1,747.36	4.0%	**-16.1%**	Materials
Blackberry	BB	Nived Gopakumar	12/4/18	$8.18	$7.48	$2,169.20	4.9%	**-8.6%**	TMT
BorgWarner	BWA	Larry Wang	3/14/19	$38.34	$37.42	$2,058.10	4.7%	**-2.4%**	Consumer Disc.
Brixmor	BRX	Steve Woo	12/4/18	$16.00	$19.62	$2,746.80	6.2%	**22.6%**	Real Estate
Charter	CHTR	Oliver Jiang	12/4/18	$321.00	$421.93	$3,375.44	7.7%	**31.4%**	TMT
CVS Health Corp	CVS	Larry Wang	12/6/16	$77.28	$62.93	$1,258.60	2.9%	**-18.6%**	Healthcare
DaVita	DVA	Nived Gopakumar	10/3/18	$72.15	$61.04	$2,014.32	4.6%	**-15.4%**	Healthcare
EZCorp	EZPW	Charlie Chang	12/4/18	$9.00	$8.18	$2,126.80	4.8%	**-9.1%**	Financial Services
Formula One	FWONK	Liam Coohil	5/1/18	$29.60	$41.35	$2,605.05	5.9%	**39.7%**	Consumer Disc.
Gilead	GILD	Simran Kopal	11/13/17	$73.77	$65.23	$1,630.75	3.7%	**-11.6%**	Healthcare
Green Brick Partners	GRBK	Srikar Alluri	12/3/17	$11.39	$10.23	$1,657.26	3.8%	**-10.2%**	Real Estate
LyondellBasell Industries	LYB	Oliver Jiang	4/18/19	$91.55	$87.53	$2,188.25	5.0%	**-4.4%**	Materials
Nutanix	NTNX	Jaro van Diepen	4/18/19	$42.85	$25.97	$1,558.20	3.5%	**-39.4%**	TMT
Stanley Black and Decker	SWK	Moeez Tariq	5/3/18	$139.53	$142.48	$1,994.72	4.5%	**2.1%**	Consumer Stap.
Target	TGT	Sruthi Boddu	4/18/19	$83.33	$106.14	$3,184.20	7.2%	**27.4%**	Consumer Stap.
United Rentals	URI	Steve Woo	3/14/19	$122.97	$123.30	$2,096.10	4.8%	**0.3%**	Industrials
Western Digital Corp	WDC	Mateo Panjol-Tuflija	10/3/18	$56.45	$62.40	$2,620.80	5.9%	**10.5%**	TMT
ZTO Express	ZTO	Mark Sun	3/14/19	$19.28	$21.97	$2,197.00	5.0%	**14.0%**	Industrials
SPDR S&P 500 ETF Trust	SPY				$298.85	$2,390.80	5.4%		
Cash						$2,499.82	5.7%		
Total						$44,119.57	100%		

Portfolio Performance vs Benchmark



Recent months have been tough on US equities as US-China trade talks and the rising fear of a recession have been chipping away at markets. The spread between the S&P and IAG started to widen in May, reaching a high of -8.7%, driven by our over exposure to materials, industrials, and small cap stocks, areas which are usually most impacted by fears of a global slowdown and increased tariffs.

There has been a change in the way we report our performance since the last meeting. **We are no longer assuming 100% utilization of our portfolio and excluding the S&P 500 ETF allocation. The performance of our fund is now measured using the total value of our portfolio, including cash and the SPY ETF.** However, these figures are still exclusive of the trade commissions amounting to $15/trade. With that being said, we believe a significant part of our underperformance is due to large losses concentrated in one position (Nutanix).

Best and Worst Performers

Best Performing Movers

Company	Analyst Name	Share Price 9/18/19	Share Price at Purchase	Current Return
Formula One	Liam Coohil	$41.35	$29.60	41.52%
Charter	Oliver Jiang	$421.93	$321.00	32.53%
Target	Sruthi Boddu	$106.14	$83.33	28.37%

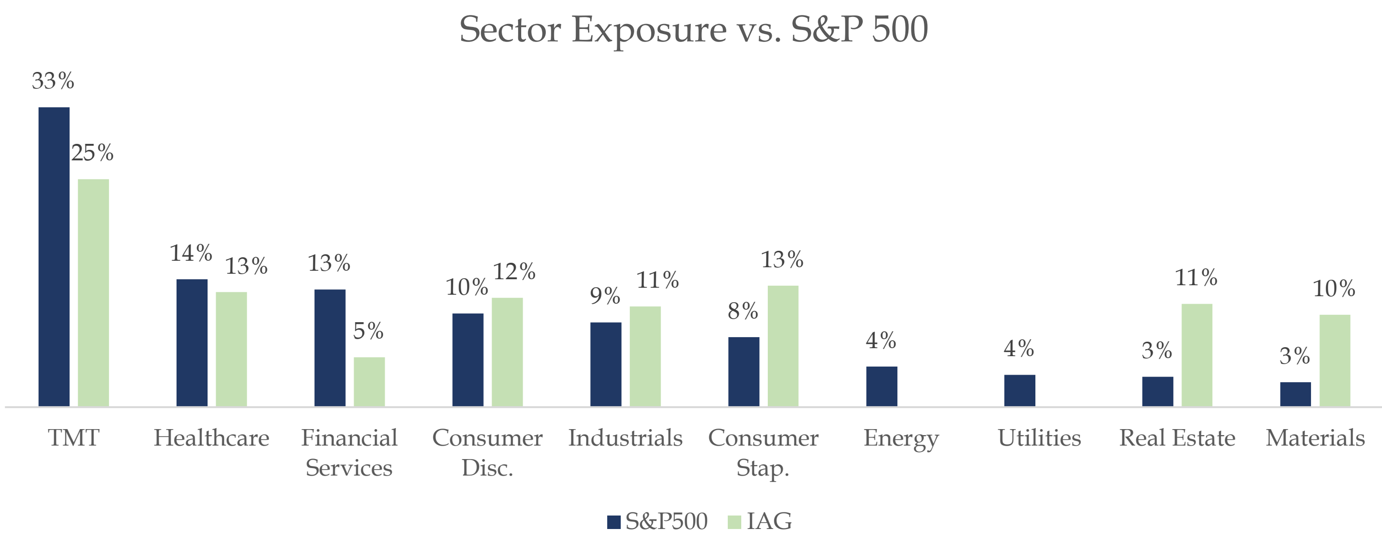
Target has seen favorable tailwinds in the last month, causing the stock to appreciate by 25%. The sudden appreciation in price finds root in Target's Q2 earnings where the company reported comp sales growth of more than 4%. Operating income has grown over 13%, while GAAP and adjusted EPS have each increased by about 20%. TGT now trades at a premium to its historical valuation. The thesis points behind our investment in Target have played out and an in-depth discussion can be found in the sell note following in the packet. Much like Target, **Formula One** has also seen its thesis points play out. FWONK has performed in line with our investment thesis, ticking off many of our value drivers. A steep increase in the number of unique viewers last season compounded with new sponsorship revenue has increased the share price, concurrent with our thesis. As we believe FWONK is now fairly valued, we believe it to be prudent to liquidate this position, in accordance with our value orientation, and as was the case with Target, further details can be found in the sell note for the position. Lastly, our position in **Charter** has also significantly contributed to our performance, exceeding our previous price target of $420. Although Charter demonstrated its ability to generate strong cash flows as a result of lowered capex, churn, and selling pressure from the "cord-cutting" phenomenon, we are seeing pushback to the 5G part of Charter's story.

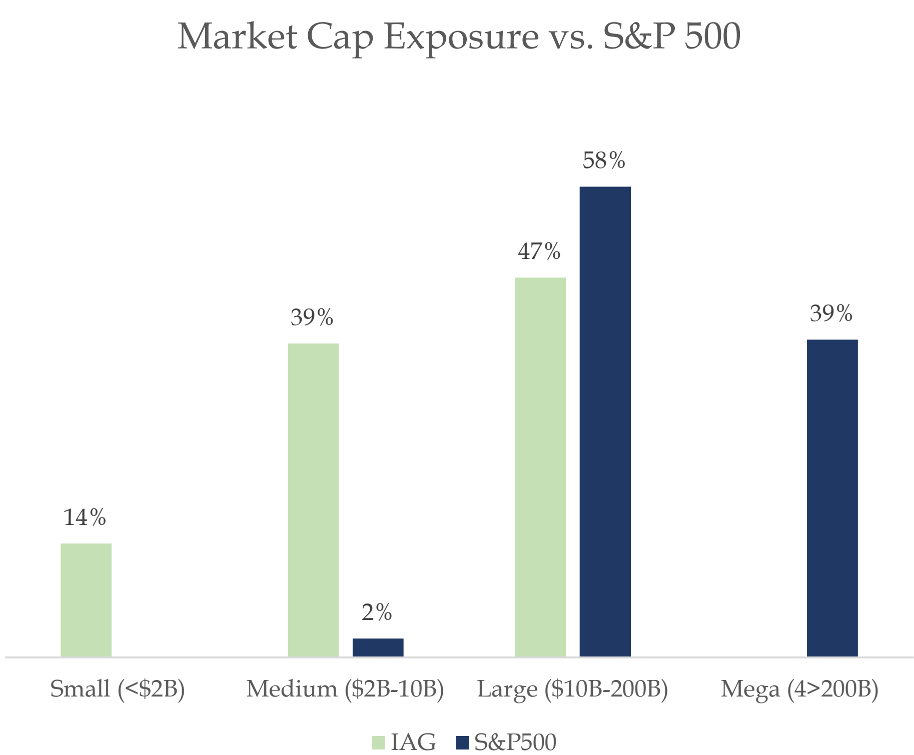
Worst Performing Movers

Company	Analyst Name	Share Price 9/14/19	Share Price at Purchase	Period Return
Nutanix	Jaro van Diepen	$25.97	$42.85	-39.39%
CVS Health Corp	Larry Wang	$62.93	$77.28	-18.57%
Advansix	Mateo Panjol-Tuflija	$26.08	$31.09	-16.11%

Nutanix had shed north of 50% of its market cap following soft Q3 results reported on May 30th . Its fiscal third quarter 2019 revenue fell short of both analysts' and the company's predictions. Additionally, Nutanix's weaker-than-expected guidance dragged the stock towards negative territory. However, the company reported upbeat news of a deal worth nearly $6 million with one of the global Big Four accounting firms. This deal represents the largest subscription deal in Nutanix's history with a new customer. Following the good news, Nutanix also reported surprising Q4 results, beating expectations by $20mm with deferred revenue increasing 44%, which lead to its stock appreciating by an incremental 50%. **CVS'** share price is starting to rise off the bottom following impressive Q2 earnings results and the DOJ's approval of the Aetna merger. The company's Q2 earnings recorded adjusted revenues of $63.4B, which was an increase of 36%. In addition, the adjusted operating income increased 55% to $4B, while adjusted EPS climbed to $1.89, and cash flow from operations popped up 82% to $5.3B. **Advansix** entered bear case waters as any benefit of the BNZ-CPL spread normalizing had been absorbed by disappointing end market demand across several key industries including auto, electronics, carpet and construction as well as a hard planting season for corn in the US, driven by unfavorable weather.

Portfolio Exposure vs Benchmark





IAG continues to target the S&P 500 benchmark specified in the fund mandate. As of September 2019, IAG has managed to correct some of its over-exposures, now more closely tracking the S&P 500. We are still, however, overweight in Consumer Staples and newly overinvested in Materials and Real Estate. We aim to correct IAG's overexposure and we are attempting to develop our working knowledge of the industries in which we are underexposed in.

IAG is still underexposed to large- and mega-cap positions, an issue which continues to persist given the hardship of identifying value plays in such a well covered area.

IV. Key Holdings Update

Portfolio Updates Since April 2019 Meeting

Company	Ticker	Update
Advansix	**ASIX**	We recommend not exiting our position in Advansix. The current market outlook is similar to the bear case described when the company was brought into the portfolio. Given that the spreads have seen constant pressure, due to weaker demand trends across several key end markets including auto, electronics, carpet and construction as well as a relatively bad planting season for corn in the US. Exiting the position would realize our losses amid a down cycle, cutting off any potential for a recovery in the spreads. The main spread—BNZ-CPL—is on track to average $1,250/MT which is the base case scenario described in our thesis, however aforementioned pressure on other drivers, mainly acetone and nitrate have absorbed any potential upside. The outlook for F2020 is definitely more positive than the current situation with nitrogen fertilizer pricing on track to rebound in 2019, lifting the price of ammonium sulfate and management indicating $40 mm in share buybacks.
Blackberry	**BB**	We believe the market sees Blackberry as an amalgamation of discrete assets that have few synergies across its portfolio - we are still holding the company however as we believe it is still on track to create a unique long-term IoT platform. Blackberry has continued to deepen its relationship with car manufacturers, leveraging their existing QNX partnerships to implement Cylance AI and ML technologies that are being used to improve vehicle safety. We have begun to see consolidation within the white-listing and newer EDR capabilities space that we have noticed are a growing risk to steal Cylance market share, but we find that valuations for worse businesses have been given higher valuations than Blackberry's acquisition of Cylance (i.e. VMWare's acquisition of Carbon Black at 7x EV/revenue). We will continue to watch for annual recurring revenue (ARR) growth as a metric to evaluate how well Cylance is integrated into existing Blackberry verticals – we expect this value to grow 20% Y/Y in FY2020.
BorgWarner	**BWA**	We would like to propose holding our stake in BorgWarner at $40.00 per share, up 4.3% since inception in March 2019. BWA reported an overall solid Q2 result in an environment of market volatility and soft industry production. The company made new progresses in expanding its electric propulsion technology portfolio, with estimated pricing nearly matching ICE products. On the downside, we saw modest erosion in margins due to supply chain challenges and recent supplier bankruptcies in Europe. We believe current margins instability remains a short-term challenge, rather than a change in business fundamentals. With more progresses being made in electrification and sales recovery in China and Europe, we should expect to achieve further upside.
Brixmor	**BRX**	Coming off stronger than expected US retail data in both July and August, retail REITs overall remain an attractive investment boosted by a strong underlying US economy. For BRX specifically, dispositions are expected to increase in 2H 2019, and new lease spreads continue to remain at around 34%. Due to the Sears/K-mart bankruptcy, BRX is seeing an uptick in leases from discount retailer and fitness chains (LA Fitness, Orange Theory, etc). Same store NOI increased 1.8% and management reaffirmed their 2019 guidance of 2.75% - 3.25% NOI growth fueled by $51 million of new leases that have not commenced yet. Overall, the thesis is still intact as management expects to capitalize on new lease spreads and increased disposition activity through the second half of 2019. Although the share price has already appreciated a significant amount, we think that there still is a significant amount of upside potential and the original thesis points are still playing out.
Charter	**CHTR**	**Sell note in packet.**

Portfolio Updates Since April 2019 Meeting

Company	Ticker	Update
CVS Health Corp	**CVS**	Since our last meeting a few key developments have occurred with CVS; most notably the approval of the DoJ and CVS Health settlement regarding the acquisition and the divesture of Aetna's standalone PDP business in order to proceed with the final steps of the acquisition. The company's 2Q19 earnings on an adj. EPS basis beat consensus estimates by 11.1% at $1.89 per share with management raising guidance for 3Q19. The company gave clarity in their 2Q19 earnings call into their PDP (Prescription Drug Plan) strategy moving forward with a focus on transitioning their focus on Medicare Advantage (Part C) customers over their current mix of Medicare Part D clients. Given the companies continued operational focus and the long-term opportunities with the integrated acquisition we believe the company is a hold.
DaVita	**DVA**	We would like to propose holding our stake in Davita at $61.5 per share, representing a 15% downside since our inception. Since the last update, there has been a meaningful change of the stock. Davita has completed its acquisition of DMG and commenced a $1.2B share buyback program to take ~12-14% of shares of current flotation. DVA released its Q2 financials, indicating continuous commercial mix pressure offset by the stabilization of reimbursement rate and effective cost reduction. The company also articulated its new capital allocation strategies as well as its new focus on personal dialysis/international market on the Capital Market Day early September, which we believe will support a long term development of the company. Therefore, with a limited further downside risk of this stock, we propose to hold our current stake and continue to evaluate our position in the future.
EZCorp	**EZPW**	Quarter three has marked a slowdown in EZPW's Latin American expansion efforts and initiatives into improving customer experience (via POS2 terminals), two major tenets of our original investment thesis. Despite lower quarterly EPS, we advise a "hold" on this position as recent performance was likely impacted in part by negative operational headwinds such as POS2 software outages/delays and asset write downs from cash converters in Australia that will likely trickle into future quarters as well. Despite this however, EZPW has remained committed to reducing their debt profile and making strategic growth investments, such as their (cash-backed) acquisition of 7 Nevada stores and continued investment with their and BCG's Evergreen technology. Given that we are currently -7.2%, we advise using next earnings cycle as a benchmark in monitoring the progress of their new and existing acquisitions and reevaluating the realization of our original thesis from then onwards.
Formula One	**FWONK**	**Sell note in packet.**
Gilead	**GILD**	We'd like to propose holding Gilead Sciences at around $66.52 per share. As speculated by guidance, the HCV segment of Gilead is continually decreasing because of the increase in liver transplants and the saturation of the market. While the HCV segment is declining, Gilead has been growing a large and diversified pipeline in CAR-T, HIV, and inflammatory drugs. There HIV segment is expected to grow with Truvada and Biktarvy. Biktarvy is excelling in the American Market and is now the #1 prescribed regimen in the United States. In addition, their collaboration with Galapagos establishes a strong research base in Europe and adds 6 clinical and 20 pre-clinical trials to their pipeline. Of the drugs collaborated with Galapagos, Filgotinib has seen statically response rates compared to the placebo. These successes helped offset the delay on NASH clinical trial due to the fact that only a small percent of the recipients saw results from selonsertib.
Green Brick Partners	**GRBK**	We propose holding Green Brick Partners. The company has seen success since our last update on the expansion of Trophy Signature Homes in the Dallas area. Margins have improved to 23% as well. We still believe the market has not fully valued the business and we are waiting for the full ramp up on Trophy Signature Homes. They still hold less leverage than their peers at 28% while comparables range from 35% to 60%. Their performance in the non-core markets of Atlanta, Vero Beach, and Colorado Springs has improved as well.

Portfolio Updates Since April 2019 Meeting

Company	Ticker	Update
LyondellBasell Industries	**LYB**	LYB has had a difficult summer. Share price traded ~20% lower than our purchase price in late May and August, both followed by strong recoveries. Ethane (feed) prices remained around 20c/gal due to ample supply from the Permian, and we expect prices to remain in the range due to new fractionalization and pipeline takeaway capacity. However, cash ethylene prices continue to fall and LYB's U.S. Olefins business margins remain compressed. Misses in U.S. O&P were offset by surprises in LYB's EAI segment, as ethylene prices remain strong in Europe. I&D and APS segments were largely in line with our model, but Refinery struggled to turn a profit due to higher heavy sour crude prices. PEMEX turnaround is underway (heavy output only slightly up in last month). While fundamentals have largely remained the same, LYB is higher in the last two weeks largely due to optimism on trade negotiations. We expect our thesis to play out over the next two quarters with LYB's Hyperzone PE plant coming online amidst backdrop of reduced capacity add in 2H19.
Nutanix	**NTNX**	NTNX currently trades at $27.04/share which represents a 37% downside since the opening of this position. However, it should be noted that over a one-month period, the stock price has increased more than 50%, mostly due to Q4 performance with revenue beating expectations by $20mm and deferred revenue increasing 44%. The overall underperformance was due to a soft Q3 in terms of revenue growth (flat). This was mostly attributable to weaker than expected demand and a longer timeline for the uptick of the sales and marketing spending. In regard to the thesis, it is becoming evident that NTNX is indeed a company that can unlock substantial shareholder value and that this transition is in full swing. In conclusion, with the transition in full swing and management focusing their attention on boosting sales and marketing spending to increase topline, the best course of action is to hold this position and let the thesis continue to unfold.
Stanley Black and Decker	**SWK**	The original thesis surrounding Stanley Black & Decker was that it's a fundamentally sound business with great management and capital allocation, specifically surrounding M&A to bolster its already phenomenal household tools segment. The stock is somewhat volatile because of tariff concerns and external factors but the core business hasn't changed much. If anything, due to expanding margins, the company has gotten better with its cost cutting initiatives. The company is at a point where M&A is a norm, so there won't be any near-term catalysts that deviate from this strategy. Nevertheless, it's still a quality business bought at a fair price, so holding our position makes the most sense at this time.
Target	**TGT**	**Sell note in packet.**
United Rentals	**URI**	We would like to propose holding out position in United Rentals at $123.24 per share. For Q1 and Q2 of 2019 the company has beaten revenue estimates by 3.1% and 0.9% respectively and has also beaten earnings estimates by 8.2% and 4.9% respectively. The company's share price has yet to see significant appreciation since March 8th, when we opened the position. The company currently trades at $128.87 per share, realizing a modest 4.6% upside on the position. Currently the thesis remains intact, with the company continuing to trade at a discount to Caterpillar and at its recession lows. The company has, as expected, not acquired any other companies in the previous quarters. One risk providing continual headwinds to the company are total US construction spending plateauing for YTD. Overall, we would like to continue to wait for our thesis to play out.

Portfolio Updates Since April 2019 Meeting

Company	Ticker	Update
Western Digital Corp	**WDC**	We would suggest holding our position in WDC as the thesis laid out in March of 2018 is starting to play out. Since the last oversight meeting WDC has seen a rally in its valuation as it surged north of 75% from the low in June. Although the timing of our investment is indeed unfortunate, this rally is indication that the NAND market is normalizing. In fact, the normalization seems to be playing out quicker than anticipated, as Toshiba Memory and Western Digital disclosed in late June that a 13-minute power outage at their joint NAND fab in Yokkaichi province in Japan on June 15, 2019 significantly disrupted operations and impacted wafer production. As a consequence of the power outage Western Digital said that Q3 NAND flash wafer supply will be reduced by about half of the company’s quarterly supply of NAND flash. The outage will tighten the supply of 2D NAND in the short run as NAND Flash suppliers are now holding lower inventories of 2D NAND products than before. Additionally, we also note that the announced supply cuts from Micron and Hynix had not kicked in yet and that seasonally stronger demand should have started to play out that should provide more than adequate inventory drain, even if EB demand disappoints relative to NAND flash OEM expectations. Management also points out that continued rises in NAND flash spot prices are an indication that any excess channel inventory had been drained at least a month ago.
ZTO Express	**ZTO**	We want to propose holding our stake in ZTO express at $21.25 per share, representing a 10% upside. Since the inception of our position, we have closely monitored the trend of consolidation of the Chinese express delivery industry and the operating profitability of ZTO and its competitors to analyze if our theses are rolling out as we projected. Based on the recently released ZTO 1Q and 2Q reports, we could see that ZTO has consistently captured market share from other competitors as lower-tier express delivery companies are facing intense headwind on pricing while competing with industry leaders such as ZTO. The management has indicated their confidence in ZTO's growth trajectory and operational readiness for 2019 3Q when the e-commerce volume is at the highest level. Also, although we could also see that the trend of margin compression has accelerated, we believe it would be inevitable for ZTO to face such pressure until the industry consolidation could yield a favorable pricing environment in the future. Thus, based on this information we believe it would be the best idea to hold our position until further analysis and observation.

V. Sell Notes

Sell Note: Charter Comms. (NASDAQ: CHTR)

Dear Board of Advisors,

We would like to sell our position on **Charter Communications (NASDAQ: CHTR)**, representing a **32.5%** upside. Our core thesis has been actualized and shares are fairly valued.

Current Earnings Recap:

CHTR reported Q2 earnings on 7/26/19. Revenue ($11.35b) grew ~4.5% y/y but missed expectations by 42bps. Resi PSUs and RPU came in 71bps and 53 bps below our estimates. More importantly, capex numbers came in 10.1% below our estimates, which were already lower than the Street's. CHTR, while not spared from the broader August selloff, recovered quickly above our $420 PT.

Thesis Point 1: Completion of DOCSIS 3.1 & post-M&A integration [Actualized]

Post-integration capex has declined faster than expected, directly flowing into free cash flow for shareholders. Market participants have become aware of CHTR's ability to generate cash as a result of lowered capex and lower churn, and selling pressure from the "cord-cutting" phenomenon has been reduced. Mobile has also performed better than our projected 2019 estimates. With the core thesis fully actualized and the share price accurately reflecting all fundamental value, IAG believes that our CHTR position should be liquidated to realize a 32% gain in 9 months.

Thesis Point 2: Control of top line levers improve EBIT and FCF margins [Actualized]

CHTR has kept pricing for its services relatively constant since the BH and Time Warner Cable acquisition. While we initially expected CHTR to increase pricing relatively quickly, it appears that management is holding off on pulling this lever just yet. We believe the current freeze is to attract new customers from its DSL competitors (and onboard their DOCSIS 3.1 infrastructure) in rural areas. CEO Rutledge said, "I don't like raising the [programming] prices to our customers." While expanding customer base will reduce average cost per customer, we question the total spend on premium CHTR services will be from the more rural customers currently on dialup.

Thesis Point 3: Call options on Spectrum Mobile and 5G [Actualized]

While Mobile rollout has been more successful that we had anticipated, we have decided to allocate capital in projects with higher risk-reward. Believe any 5G play is now longer in the future (due to Trump ban) and will require significant infrastructure improvements anyway.

Conclusion:

Our model indicates that CHTR now trades at a premium to industry peers, namely biggest cable operator Comcast. The 9.4x EV/EBITDA multiple originally applied to CHTR's 2021 Adj. EBITDA provided 15.2% upside with an implied price target of $403.45. We are also concerned about a potential inflection point in corporate bond yields, which may have an outsized detrimental effect on CHTR's $72b debt load. Now would be a good time to exit our CHTR position.

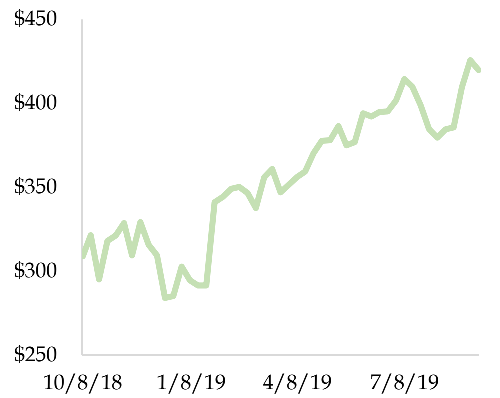
Best,

Oliver Jiang

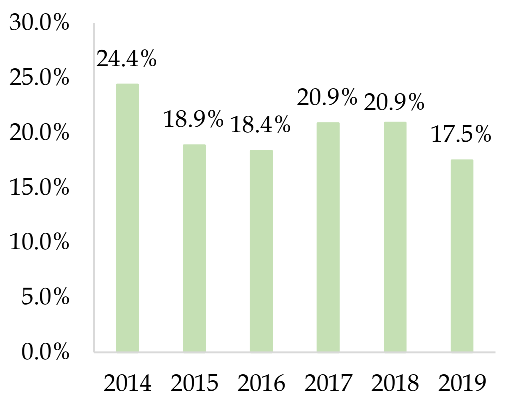
Stock Overview (LTM Figures)

	At Purchase:	Current:
Share Price:	$321.00	$425.42
Op. Margin:	12.4%	13.8%
EBIT:	1,755	1,961
Net Debt:	7,180	7,400.0
EPS:	$3.33	$4.78
P/E:	120.0x	86.4x
EV/EBITDA:	9.7x	10.9x

Performance Since Purchase on 12/4/18



Capex as a % of Revenue



Sell Note: Formula One (NASDAQ: FWONK)

Dear Board of Advisors,

We would like to sell our position on **Formula One (NASDAQ: FWONK)**, representing a **41.5%** upside. We believe that all of our thesis points have played out.

Thesis Point 1: Shift to a long-term strategy under new management team [Actualized]

The previous management team employed a short term strategy that under-monetized the sponsorship and advertising segment and moved to a relatively unsuccessful pay-per-view service. Formula1 has maintained its new promise to focus on growing its sponsorship segment and has seen success in adding global partners. New CEO Chase Carrey has placed less attention on the OTT streaming platform, but new subscribers have been added and the segment has contributed to top line revenue.

Thesis Point 2: Race Sponsors and Promotions Increased [Actualized]

We saw Formula1's relatively low sponsorship number relative to the number of races on the schedule as an opportunity for additional revenues. As of the 2019 season, Formula1 has 16 global sponsors, compared with only 13 in the 2017 season. We see this increase contributing to our realization of upside, but do not believe the current rate of sponsorship adds will continue.

Thesis Point 3: 2021 EBITDA Estimates in line with projections [Actualized]

Sell side research has increased their projections for 2020 and 2021, nearing our target case. With our thesis in line with the street, our view has been baked into the share price, and barring any new thesis points, continuing to hold would be a growth play.

Thesis Point 4: Reduction of Team Payouts [Not Actualized]

While Liberty has reduced team payouts slightly, it has failed to meet our expectations. We do not see a path for Liberty meeting our estimates, and thus has been a drag on the share price, resulting in us not meeting our target price and fully realizing upside.

Conclusion:

Formula One has performed in line with our investment thesis, ticking off many of our value drivers. A steep increase in the number of unique viewers last season compounded with new sponsorship revenue has increased the share price, concurrent with our thesis. As we believe Formula1 is now fairly valued, we believe it to be prudent to liquidate this position, in accordance with our value orientation.

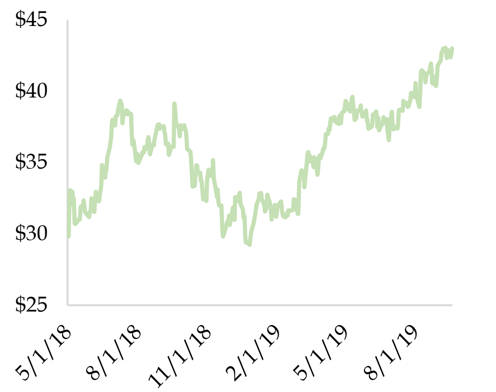
Best,

Liam Coohill

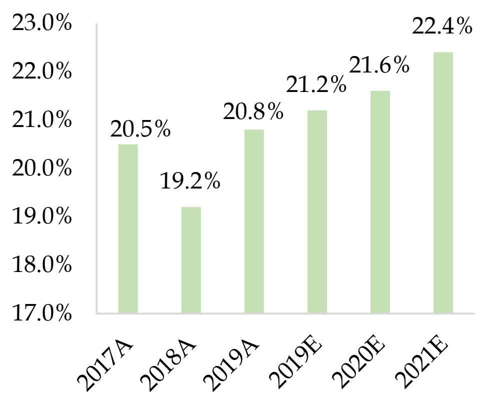
Stock Overview (LTM Figures)

	At Purchase:	Current:
Share Price:	$29.60	$41.34
Op. Margin:	(4.3%)	(2.1%)
EBIT:	(105.0)	(42.0)
Net Debt:	5,288	4,922
EPS:	$1.45	($1.59)
P/E:	20.4x	-
EV/EBITDA:	34.8x	32.5x

Performance Since Purchase on 5/1/18



EBITDA Margins



Sell Note: Target Corp. (NYSE: TGT)

Dear Board of Advisors,

We would like to sell our position on **Target Corp. (NYSE: TGT)**, representing a **29.1%** upside. We believe that all of our thesis points have played out.

Current Earnings Recap:

TGT reported Q2 earnings on 8/21/19. In the first half of 2019, comp sales have grown more than 4%. Operating income has grown more than 13%, and GAAP and adjusted EPS have each grown about 20%. TGT now trades at a premium to its historical valuation.

Thesis Point 1: Changing value proposition [Actualized]

New products and digital initiatives have been driving omnichannel sales and traffic. Over the past two quarters, growth has been strongest in “fill in” segments like Essentials & Beauty and Apparel, both of which delivered comparable sales increases above 5%, rather than “stock up” segments like Food and Beverages. Target is also continuing to see rapid growth in its digital channels, especially in same day fulfillment options like In-Store Pick Up, Drive-Up, and Shipt, which together have more than doubled their sales in the last year. Nearly 1.5 percentage points of the company’s overall comparable sales growth was driven by these same-day services.

Thesis Point 2: Margin compression flattening out [Actualized]

Not only did margin compression flatten out, it reversed trend, improving substantially over the past quarter. Gross margin performance exceeded expectations, improving to 30.6% this year versus 30.3% last year. This was the first time Target has seen a YoY increase in the gross margin rate in 3 years. Operating margin improved by 80 bps from 6.4% last year to 7.2% this year despite rising wages due mainly to lower SG&A expenses resulting from asset impairments and the timing benefit of marketing and store expenses that will come back later in the year.

Thesis Point 3: Restructuring initiatives going strong [Actualized]

Target has continued to improve its operational efficiency and deliver on store remodels and various e-commerce initiatives. I believe that this will continue to be the case over the next couple of years, as management has said that they see themselves in the middle of this transitory phase right now.

Conclusion:

Based on these points and the sudden price appreciation after a great Q2 Earnings, I believe it is time to sell TGT. It currently trades close to its 52-week high of $110.94 and above our own PT of $97.34.

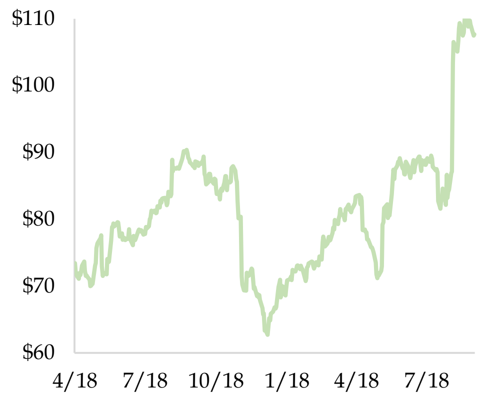
Best,

Sruthi Boddu

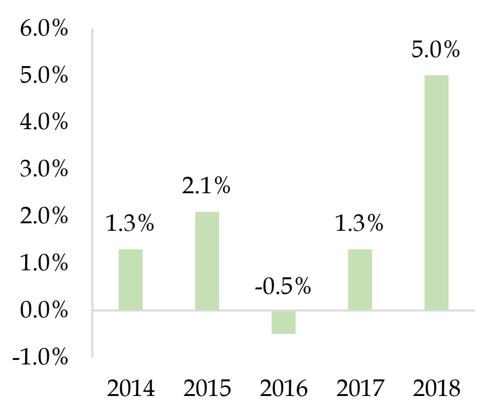
Stock Overview (LTM Figures)

	At Purchase:	Current:
Share Price:	$83.33	$106.14
Op. Margin:	5.6%	5.8%
EBIT:	4,227	4,451
Net Debt:	10,257	12,147
EPS:	$5.56	$6.08
P/E:	15.0x	17.5x
EV/EBITDA:	8.0x	9.6x

Performance Since Purchase on 4/18/19



Same Store Sales Growth



VI. New Position Proposals

Insurance Auto Auctions (NYSE: IAA)

Industry leader in the totaled car marketplace with a key to unlock major shareholder value

Nived Gopakumar
Senior Analyst
ng1582@stern.nyu.edu

Price Target: $58.28 (34.9% upside)

September 23th 2019

Business Description:

IAA (a spin-off of KAR Auction Services) is two-sided network that connects totaled cars that insurance companies are looking to sell with private sellers (auto-part manufacturers, dismantlers and scrap dealers). IAA provides auction services in the form of online and physical marketplaces – revenues come from auction fees (such as internet fees and gate fees) and ancillary services (such as transportation and inspection).

Investment Thesis:

- **Robust business model operating in a virtual duopoly:** IAA can operate in a duopoly with a significant moat for two reasons: (1) zoning and permitting issues making it difficult to acquire salvage yards (2) IAA has been able to achieve economies of scale by outpacing competitors in yards owned – the more yards acquired, the lower transportation costs to transport vehicles to yards. These dynamics have enabled IAA and Copart to own nearly 80% of the market. The marketplace nature of this business also allows for the company to generate an attractive FCF yield as it benefits from network effects, but we believe the market misunderstand true power of these effects. This marketplace compares closer to Airbnb than Uber in that it is a delayed value marketplace – companies with these dynamics must grow the supply-side to a very high level before creating any value to the demand-side; the network however can be incredibly powerful once critical mass is attained.
- **Industry dynamics will allow supply-side critical mass to be attained faster**
  We think there are several industry trends that favor a massive supply "shock" that IAA can absorb (more specifically, that a greater number of cars on the road will crash and when they do a greater portion of them will be totaled): (1) increased complexity of cars mandate rising costs for repairs (2) average lifetime of US vehicles driven on the road is increasing (3) total yearly miles driven (4) distracted driving.
- **Management focused on a new capital allocation strategy:** IAA was spun off from KAR in June 2019 primarily because the capital allocation story for the two businesses vary. While KAR management chose to return cash to shareholders, IAA has prioritized in its recent management presentation spending a greater amount of capital to buy up properties, continue developing their online platform – we think this is critical given the high barriers to entry, the stability of earnings and the high returns on invested capital. We especially think the latter is especially critical to improve the mix of physical / digital auctions (which we think will drive margin improvement) and improve the product experience for both buyers and sellers (which we think will drive revenue achieved / car). Copart, IAA's biggest competitors has pursued a similar strategy to significant success, adding 30 salvage yards and selling 76% of their cars via digital auction (versus IAA's 60%). We believe attaining similar operational metrics are critical in collapsing the 4.5x EV/EBITDA multiple difference between IAA and CPRT (15.0x vs 19.5x 2020 EBITDA)

Key Ratios and Statistics:

Price Target	$58.28
Upside	35%
Share Price (9/17/19)	$43.20
Market Cap	$5.76 B
52-Week Low	$36.00
52-Week High	$49.96
Cash	$51M
Debt	$1,275M
Avg Daily Volume (90 day)	1,321 K

FY ended	2017A	2018A	2019E	2020E
Revenue	1,219	1,327	1,715	1,784
EBIT	235	284	387	429
Net Income	161	184	282	324

Figure 1 – KAR vs IAA FCF Yield

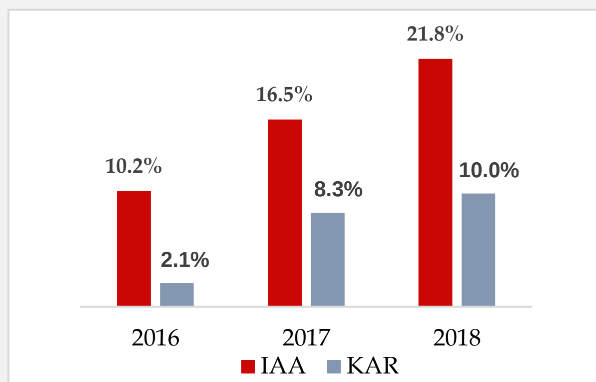
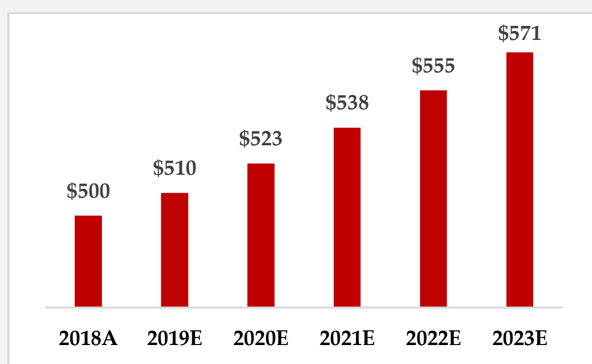


Figure 2 – Projected IAA Revenue Achieved / Car



Risk/Reward

Bull Case ($70.22, 62.5% Upside: This case assumes 2.9 totalled crashes/million miles, a 3% growth in revenue per vehicle through the projection period and an 18x EBITDA multiple on 2021 EBITDA

Base Case ($58.28, 34.9% Upside): This case assumes 2.5 totalled crashes/million miles, an ~2% growth in revenue per vehicle through the projection period and an 18x EBITDA multiple on 2021 EBITDA

Bear Case ($37.63, -12.9% Downside): This case assumes 2.1 totalled crashes/million miles, an ~1% growth in revenue per vehicle through the projection period and an 16x EBITDA multiple on 2021 EBITDA

Illustration 1: Revenue Build

	*All revenue numbers are in mm	Historicals						Projected				
	Miles Driven	**2013A**	**2014A**	**2015A**	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**
T-D Assumptions	U.S. LTM Miles Driven (mm)	2,990	3,030	3,080	3,130	3,170	3,220	3,268	3,317	3,366	3,417	3,468
	% Change	-	*1.3%*	*1.7%*	*1.6%*	*1.3%*	*1.6%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
	Totalled Crash/Million Miles	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
	# Of Crashes	7,475	7,575	7,700	7,825	7,925	8,050	8,170	8,292	8,416	8,542	8,669
	% Of Insured Drivers	*87.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*	*87.0%*
	# Of Claims	**6,503**	**6,590**	**6,699**	**6,808**	**6,895**	**7,004**	**7,108**	**7,214**	**7,322**	**7,431**	**7,542**
	% Change							*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
Market	**Revenue/Vehicle**						$ 500	**$ 510**	**$ 523**	**$ 538**	**$ 555**	**$ 571**
	% Change							2.0%	2.5%	3.0%	3.0%	3.0%
	Total Market						3,502	3,625	3,771	3,942	4,121	4,308
	IAA Market Share %						40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Monetization	IAA Revenue From Main Services						1,401	1,450	1,508	1,577	1,649	1,723
	% Of Total IAA Domestic Revenue						*93.0%*	*93.0%*	*93.0%*	*93.0%*	*93.0%*	*93.0%*
	Total Domestic Revenue						**1,506**	**1,559**	**1,622**	**1,696**	**1,773**	**1,853**
	% Of Total IAA Revenue						*90.0%*	*90.0%*	*90.0%*	*90.0%*	*90.0%*	*90.0%*
	Total International Revenue						**151**	**156**	**162**	**170**	**177**	**185**
	% Of Total IAA Revenue						10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
	Total IAA Revenue (Inc. International)						**$ 1,657**	**$ 1,715**	**$ 1,784**	**$ 1,865**	**$ 1,950**	**$ 2,038**
	% Change							*3.5%*	*4.0%*	*4.5%*	*4.5%*	*4.5%*

Illustration 2: FCF Calculation and Valuation

Insurance Auto Auctions: Discounted Cash Flow Analysis (DCF)					
*All numbers are in mm except percentages	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**
Operating Income (EBIT)	**$ 288**	**$ 320**	**$ 358**	**$ 390**	**$ 420**
Tax Rate	*25.4%*	*25.4%*	*25.4%*	*25.4%*	*25.4%*
(-) Taxes	73	81	91	99	107
Net Operating Profit After Taxes (EBIAT)	**215**	**239**	**267**	**291**	**313**
(+) D&A	118	123	126	127	127
(-) Capital Expenditures	72	77	89	97	102
(-) Change in NWC	72	21	20	18	18
Free Cash Flow	**$ 189**	**$ 263**	**$ 284**	**$ 302**	**$ 321**
Present Value of Free Cash Flows	**$ 184**	**$ 242**	**$ 247**	**$ 249**	**$ 250**

Multiples Method	
2021 EBITDA	606
Target Multiple	**18.0x**
EV	10,912
PV of EV	9,002
(-) Total Debt	1,275
(+) Cash	51
Implied Market Cap	**7,778**
Shares Outstanding	133
Target Price	**$ 58.28**
Implied Upside	**34.9%**

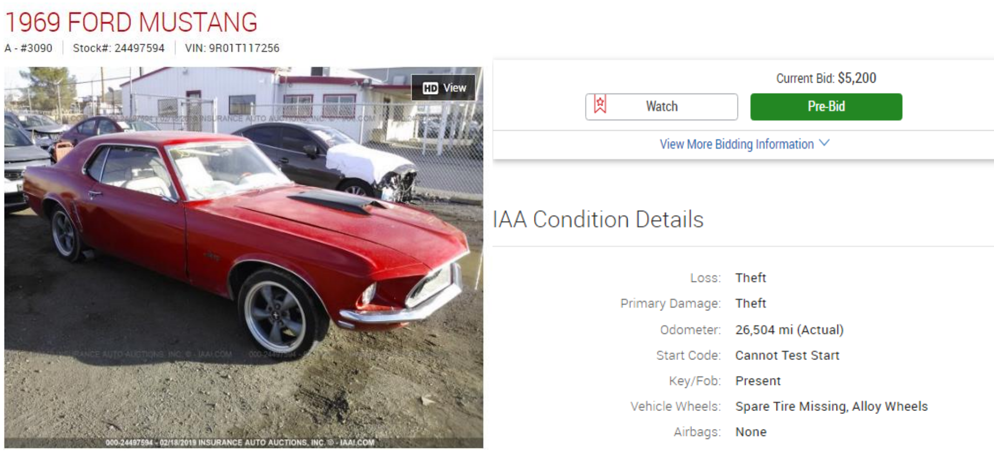
Insurance Auto Auctions
Implied Upside: 34.9%

9/23/2019
Nived Gopakumar

Standard IAA Licensed Buyer Fees

Here’s how buyer fees are generated

Fee Structure in a Sample Transaction



	IAA	Copart
Final Bid for Mustang	$8,000	$8,000
(+) Annual Membership Fee	200	150
(+) Upfront Fee	580	600
(+) Internet Bid Fee	99	119
(+) Pull-out & Loading Fee	59	59
Total Fees (excl. Membership)	**$738**	**$778**

IAA and Copart charge fees of 12% on top of the purchase of the vehicle

Upfront Fees

Sale Price	Buyer Fee
$0 - $99.99	$1.00
$100.00 - $199.99	$40.00
$200.00 - $299.99	$60.00
$600.00 - $699.99	$145.00
$700.00 - $799.99	$160.00
$1,800.00 - $1,999.99	$310.00
$2,000.00 - $2,199.99	$325.00
$7,500.00 - $19,999.99	**$500.00 + 1% of sale**
$20,000.00 +	**4% of sale price**

Internet Bid Fee and Proxy Bid Fee

Sale Price	Buyer Fee
$0 - $99.99	-
$100.00 - $499.99	$29.00
$500.00 - $999.99	$39.00
$1,000.00 - $1,499.99	$59.00
$1,500.00 - $1,999.99	$69.00
$2,000.00 - $3,999.99	$79.00
$4,000.00 - $5,999.99	$89.00
$6,000.00 - $7,999.99	$99.00
$8,000.00 +	**$119.00**

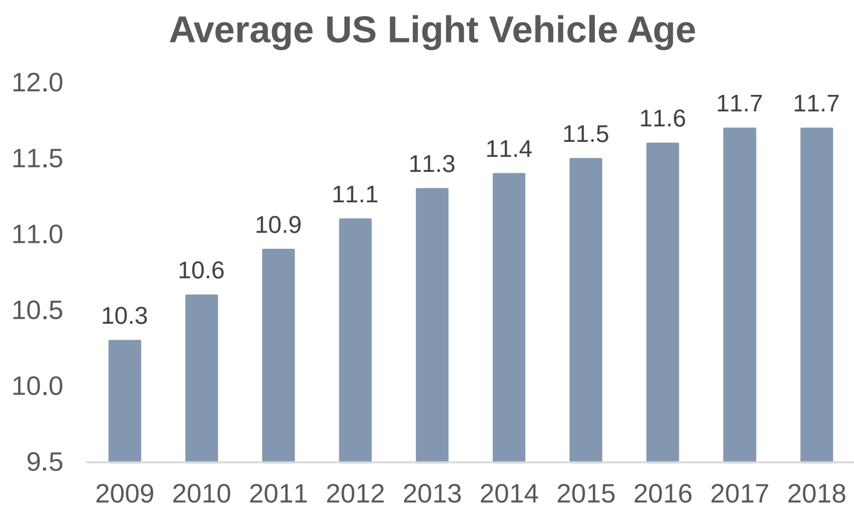
Notes:

- The fees on the left represent buyer fees for buyers with licenses
- **Other categories of buyers include:**
  - Non-Licensed Buyers
  - Heavy Vehicle Buyers
  - Rec Ride Buyers

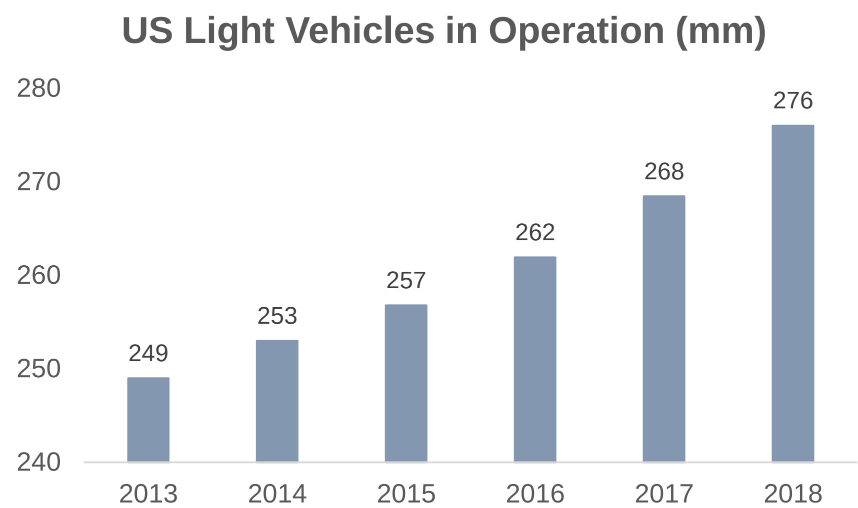
Domestic Vehicle Trends

Industry trends point to significant positive tailwinds for IAA

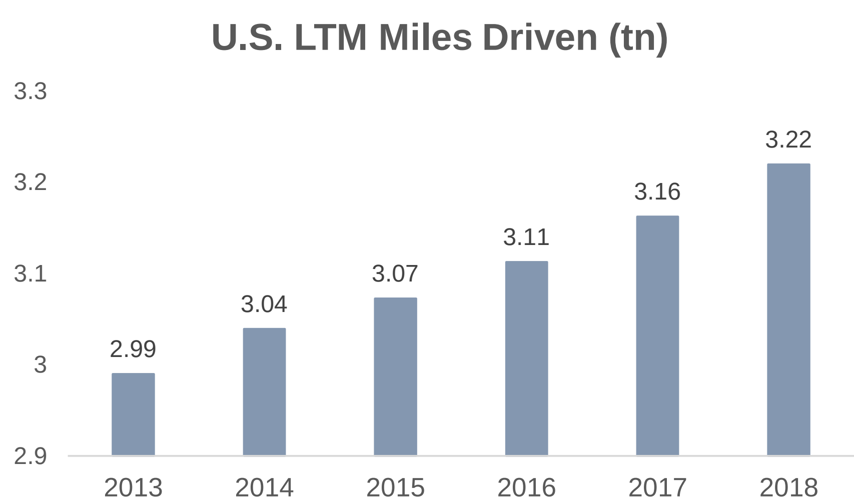
Light Vehicle Age Increasing…



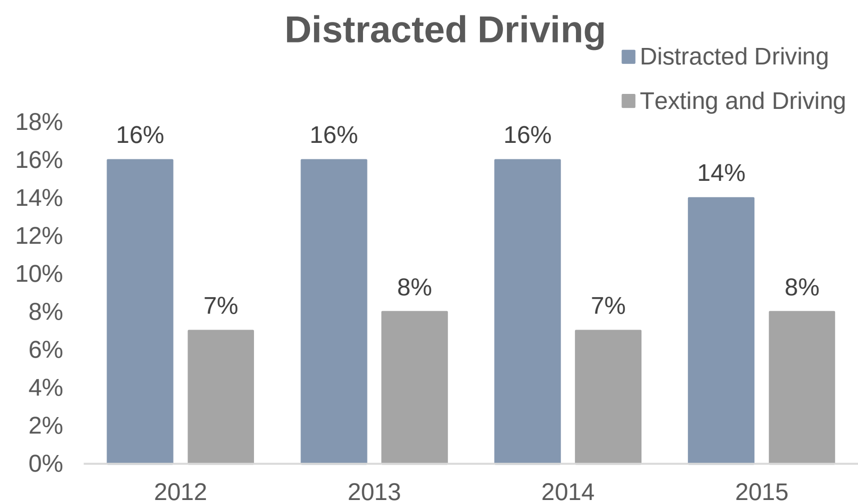
…With Total Vehicles on Road Continuing to Increase



More Miles means More Opportunities for Crashes…



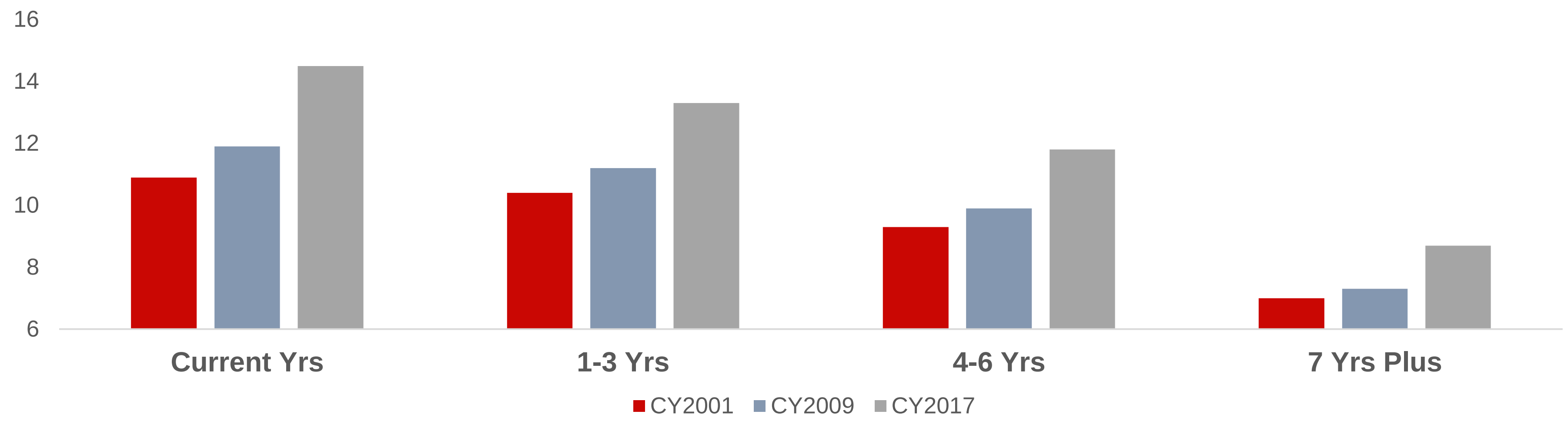
… And Distracted Driving Looks Likely to Maintain



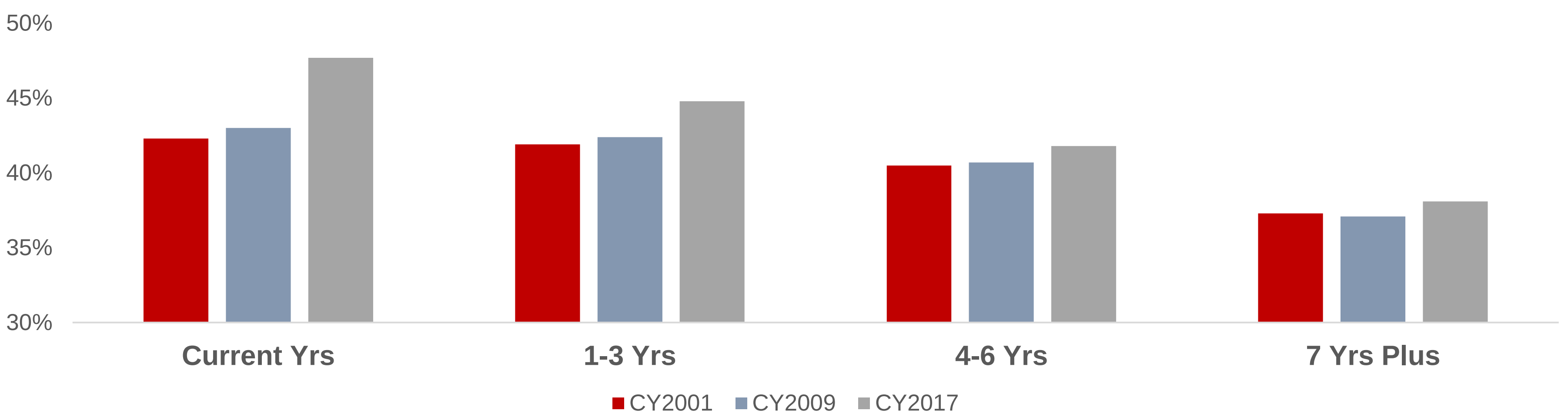
Car Safety and Technology Trends

Complexity of Cars Leads to More Total Loss Write-Offs

Increased Complexity of Cars Mandate More Parts per Repair



Car Parts Represent a Larger Percentage of Repair Costs



A Robust Business

The Capital Allocation Story – KAR versus IAA

IAA's higher ROC profile indicates that it is better suited to invest back into its business than KAR

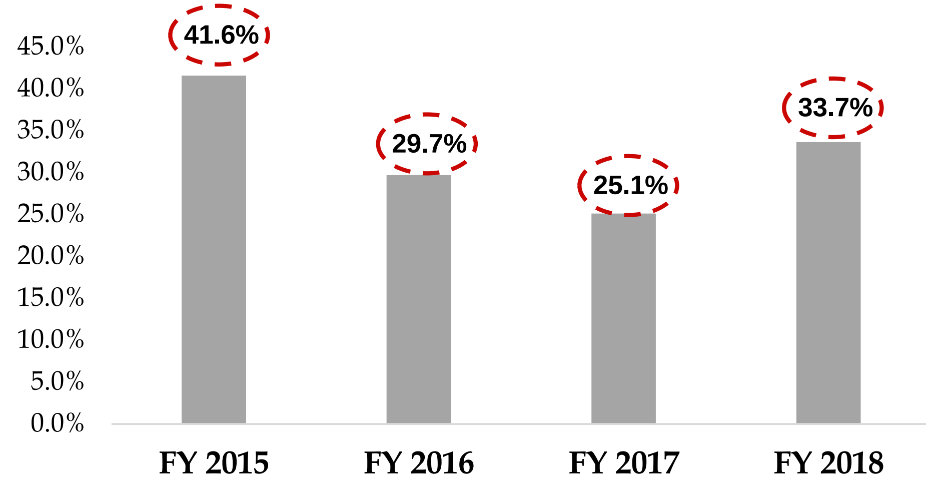
Primer on Cash Flow Statement

Cash Flow From Operations
(-) Acquisitions of business
(-) Purchases of Property, Plant and Equipment
(-) Dividends
(-) Cash Interest

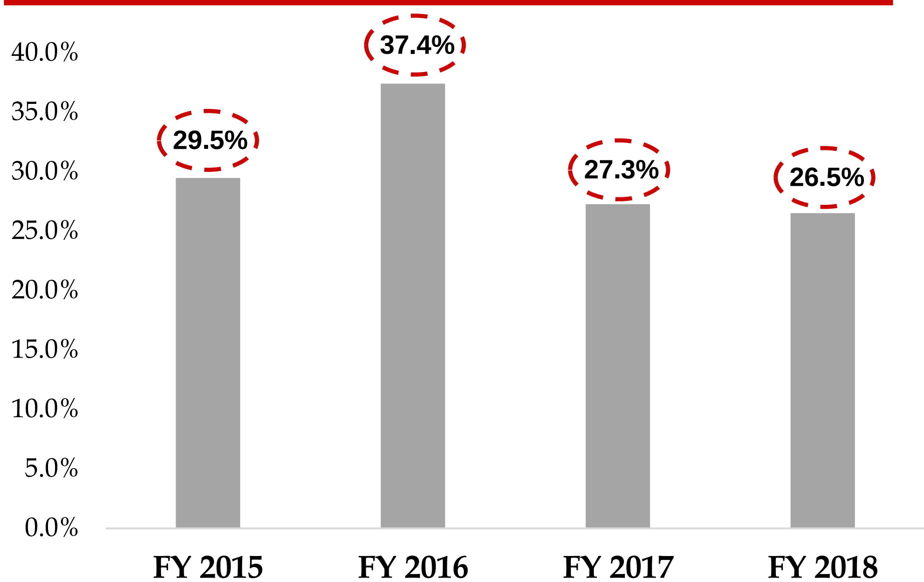
Cash produced by the business in fiscal year

Capital allocation is zero-sum – payments made to investors is cash that cannot be invested back into the business

KAR – Dividends as a % of Cash from Operations

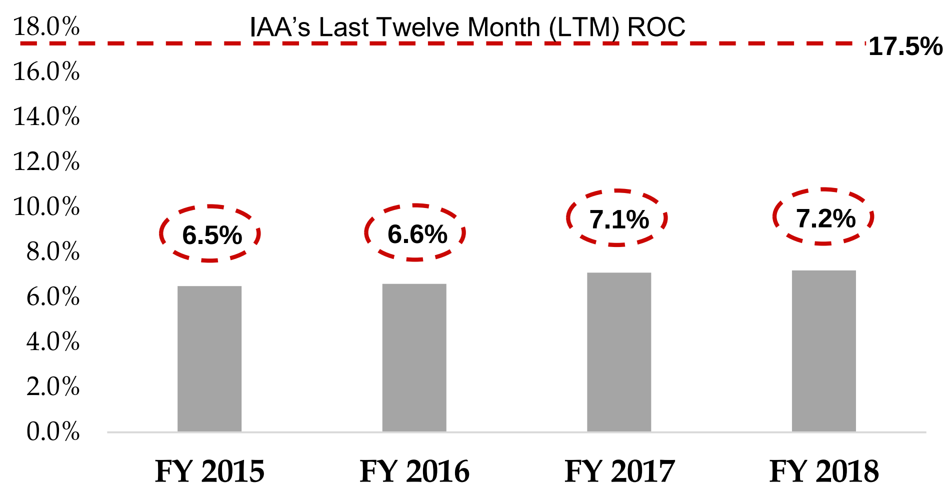


IAA – Capex as a % of Cash from Operations



Return on Capital (ROC) – KAR vs IAA

Return on Capital = Net Operating Profit / Capital Invested



IAA's Margin Story

IAA's allocation strategy is critical as the company grows revenue & expand margins like comps

Initiative #1: Technological Advancements

Buyer Solutions

IAA Buy Now
Allows buyers to purchase vehicles between auctions for a set price

I-Pay
An online payment option for customers with a licensed business account

IAA 360 View
Provides an interactive, 360 video of a vehicle interior and exterior

Seller Solutions

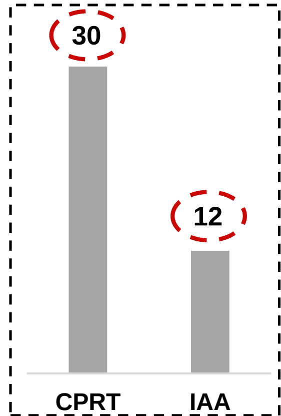
IAA Loan Payoff
Online portal between banks and insurance companies that expedites loss process

BidFast
Guaranteed bids to help insurance companies close challenging cases

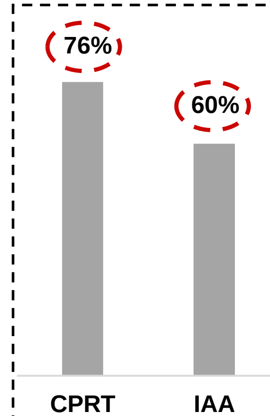
CSAToday
Inventory management tool to help with every step of the auction process

Initiative #2: Further Expansion

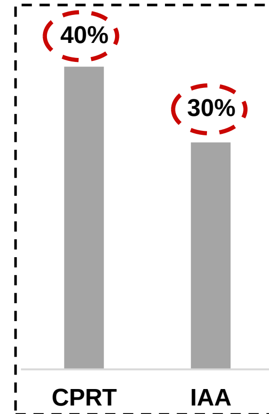
Yards Added in Last 3 Years



% of Sales Online

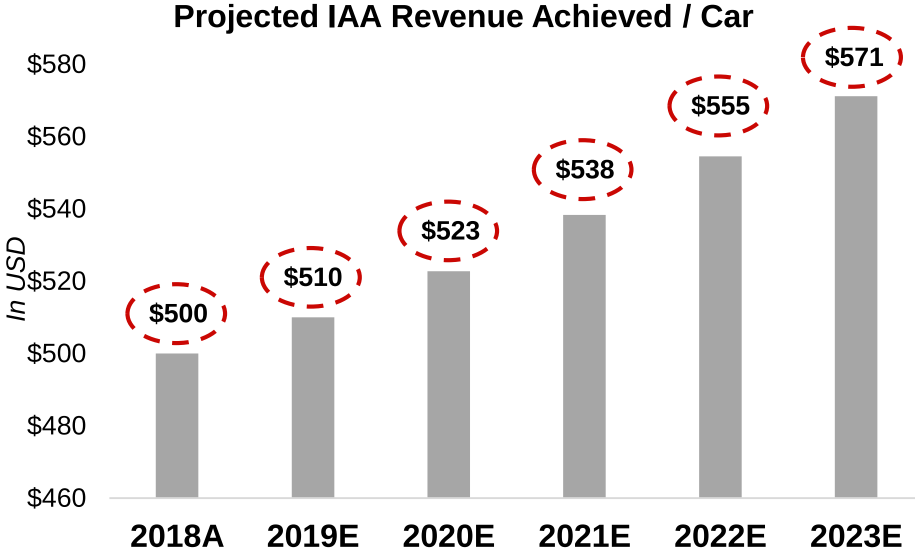


% Sales from Intl. Markets



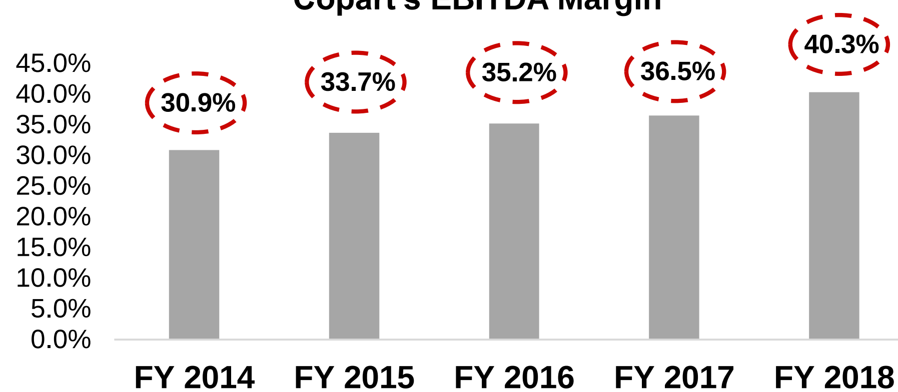
Growing Revenue / Car is critical in investment story

Projected IAA Revenue Achieved / Car



Comps achieved margin improvement with strategy

Copart's EBITDA Margin



As Copart has grown its online auction business, it's been able to charge more for the convenience of the service and eliminate auction costs associated with physical sites