STERN IAG

Board of Advisors Meeting

December 8th, 2022

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Letter from Portfolio Managers

Dear Board of Advisors,

Welcome to our final meeting of the semester! Over the past four weeks we have worked diligently to craft investment ideas that fit the IAG criteria and are proud to present two pitches today for your consideration.

Operationally, we are excited to announce that we have elected our 2023 Executive Board. The new Eboard is as follows:

President - Alice Yu, Vice President - Mikhail Talib, Treasurer - Christina Monev, Director of Alumni Relations - Carol Sun, Marketing Director - Karen Phua.

Since our last meeting in November 2022, the market has been relatively flat with a slight gain (~3%) in major indices across the board, on the back of slowing pandemic fear and more optimistic economic data. While the market return over this past month has been positive, there is still plenty of room for uncertainty regarding market conditions. Analysts and investors have been acutely focused over the past month or so on the possibility of slowing rate hikes, ongoing political tension overseas, as well as perceived improvements in consumer spending across the board. Underlying these variables are the ongoing issues of supply chain delays, input costs, and a volatile housing market.

Overall, we are happy with IAG's recent performance, as our portfolio has returned -2.20% on an LTM basis, beating the S&P 500 benchmark return of -15.59% by 13.39%. Recent gains have been in part a result of our decision to increase position sizing in Flex, which is up 9.75% in the last month. Additionally, our decision to hold on to our China-based positions despite investor sell-off amidst worsening macro-outlooks in the country contributed greatly, as JD.com and ZTO Inc are up 35.6% and 32.6% respectively in the last month.

Today, we are asking to add to our portfolio two positions that we believe exemplify our investment philosophy.

1. Thryv Holdings: (NASDAQ: THRY) – Advertising conglomerate, misunderstood as a dying legacy print player, with an attractive digital marketing and B2B SaaS segment

2. Joyce Corporation: (ASX: JYC) – Underfollowed Australian holding company specializing in kitchen renovation and mattress sales

We look forward to the winter break and are more than happy to continue being a source of information to the Board and encourage you all to reach out with feedback or clarifications at any time.

Best,

Niranjan Narasimhan & Rahul Parikh

Portfolio Managers

II. Performance Analysis

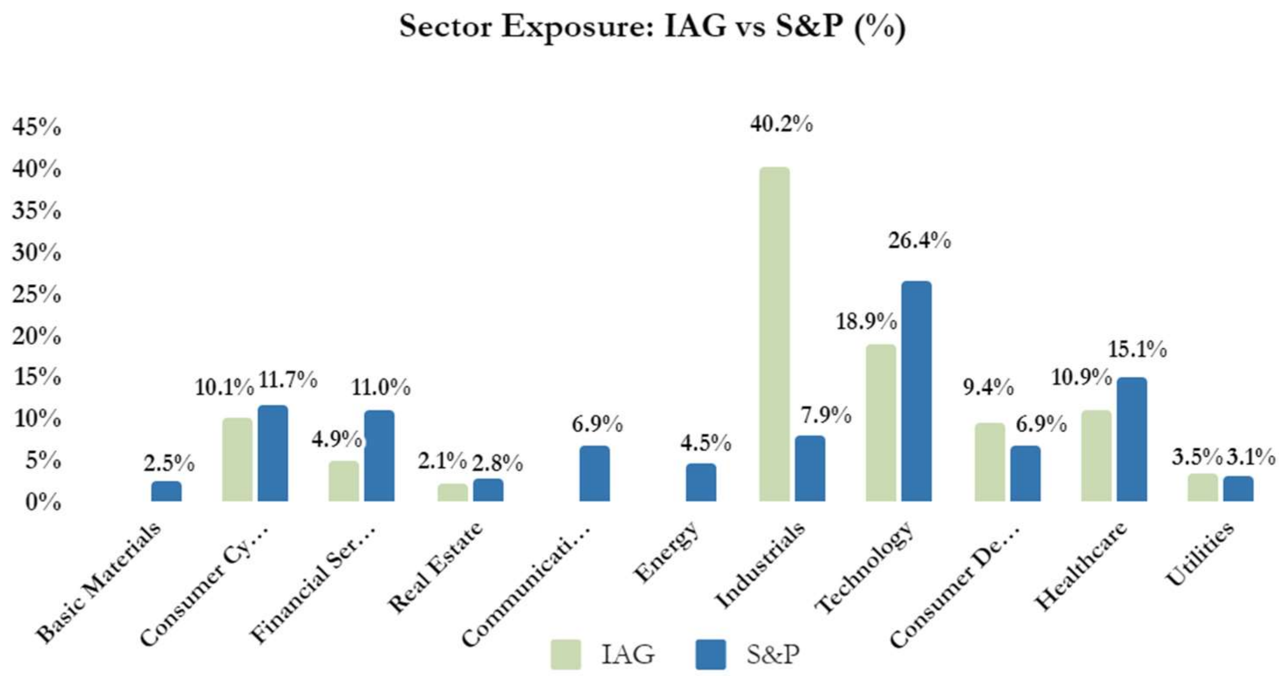
Holdings Summary *(as of December 6thth, 2022)*

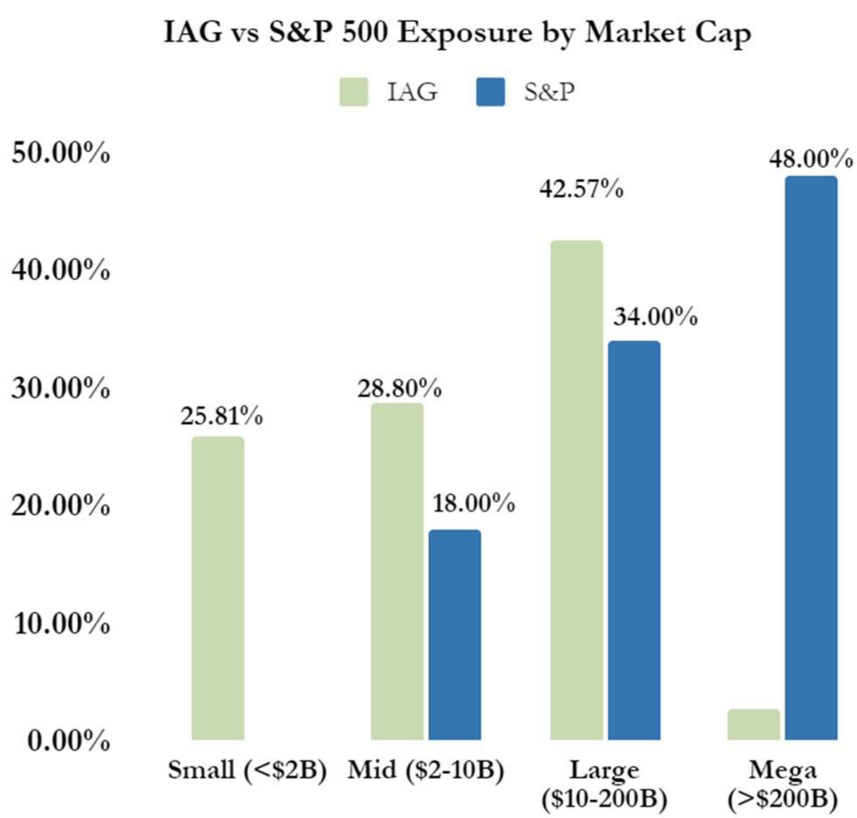
Current Holdings										
Company Name	**Ticker**	**Coverage**	**Date of Purchase**	**% of Portfolio**	**Share Count**	**Price At Purchase**	**Share Price**	**Current Return**	**Industry**	**Holding Type**
APi Group Corp	NYSE: APG	Rahul Parikh	9/24/2020	**3.30%**	160	14.29	18.92	32.40%	Industrials	**Core**
Berry Global Group Inc	NYSE: BERY	Sophie Pan	12/2/2020	**3.35%**	50	54.60	61.47	12.58%	Industrials	**Core**
Builders FirstSource Inc	NYSE: BLDR	Rahul Parikh	10/5/2021	**5.42%**	80	52.20	62.18	19.12%	Industrials	**Core**
Camtek LTD	NASDAQ: CAMT	Nithin Mantena	10/7/2022	**2.29%**	90	22.68	23.39	3.13%	Technology	**Oppt.**
Catapult Group International Ltd	ASX: CAT	Rahul Parikh	3/11/2022	**1.81%**	2100	1.07	0.79	**-26.17%**	Technology	**Oppt.**
Concrete Pumping Holdings Inc	NASDAQ: BBCP	Alex Isaac	3/26/2021	**2.28%**	300	7.07	6.96	**-1.56%**	Industrials	**Core**
Embecta Corp	NASDAQ: EMBC	Rhys Berezny	10/7/2022	**5.26%**	150	28.05	32.21	14.83%	Healthcare	**Core**
Exelon Corp	NASDAQ: EXC	Rhys Berezny	4/30/2021	**3.27%**	70	31.74	42.87	35.07%	Utilities	**Oppt.**
Flex Ltd	NASDAQ: FLEX	Rhys Berezny	10/5/2021	**7.73%**	335	18.58	21.17	13.94%	Industrials	**Core**
HCA Healthcare Inc	NYSE: HCA	Karen Phua	9/26/2019	**4.90%**	19	119.99	236.62	97.20%	Healthcare	**Core**
JD.com Inc ADR	NASDAQ: JD	Nithin Mantena	4/30/2021	**2.63%**	40	77.55	60.35	**-22.18%**	Consumer Cyclical	**Oppt.**
Krispy Kreme Inc	NASDAQ: DNUT	Niranjan Narasimhan	12/7/2021	**4.21%**	260	16.50	14.86	**-9.94%**	Consumer Defensive	**Oppt.**
Methode Electronics Inc	NYSE: MEI	Carol Sun	2/19/2021	**4.20%**	80	38.56	48.17	24.92%	Technology	**Core**
Monster Beverage Corp	NASDAQ: MNST	Alice Yu	11/9/2021	**4.53%**	41	91.00	101.44	11.47%	Consumer Defensive	**Core**
Office Properties Income Trust	NASDAQ: OPI	Mikhail Talib	10/28/2020	**2.00%**	130	17.85	14.14	**-20.78%**	Real Estate	**Core**
Palo Alto Networks Inc	NASDAQ: PANW	Alex Isaac	9/24/2020	**5.45%**	30	80.17	166.69	107.93%	Technology	**Core**
Restoration Hardware	NYSE: RH	Christina Monev	3/30/2022	**2.82%**	10	323.66	259.04	**-19.97%**	Consumer Cyclical	**Core**
Rimini Street	NASDAQ: RMNI	Winston Yin	11/11/2022	**2.27%**	515	4.29	4.04	**-5.83%**	Technology	**Oppt.**
Sea Ltd ADR	NYSE: SE	Niranjan Narasimhan	2/18/2022	**1.56%**	24	133.00	59.76	**-55.07%**	Technology	**Oppt.**
Sonic Automotive Inc Class A	NYSE: SAH	Vinny Ye	5/5/2022	**3.94%**	70	48.00	51.64	7.58%	Consumer Cyclical	**Core**
TransDigm Group Inc	NYSE: TDG	Raunakk Jalan	4/9/2020	**7.28%**	11	546.37	607.45	11.18%	Industrials	**Core**
United Rentals Inc	NYSE: URI	Carol Sun	3/14/2019	**5.30%**	14	114.85	347.29	202.39%	Industrials	**Core**
Willis Towers Watson PLC	NASDAQ: WTW	Mikhail Talib	11/9/2021	**4.57%**	17	231.70	246.80	6.52%	FInancial Services	**Core**
ZTO Express (Cayman) Inc ADR	NYSE: ZTO	Niranjan Narasimhan	3/14/2019	**2.79%**	100	19.43	25.63	31.91%	Industrials	**Core**
Total Equity Holdings				**93.17%**	**$85,499**					
Cash				**6.83%**	**$6,270**					
Total Portfolio Holdings				**100.00%**	**$91,769**					

On a last twelve-month basis, **IAG's portfolio has returned -2.20%** while the S&P 500 returned -15.59%. Since the last oversight meeting, **the spread between IAG's portfolio and the S&P 500 improved from 8.10% (11/8/22) to 13.39% (12/7/22).**

Our opportunistic positions now represent ~19.4% of our portfolio which is in line with our expectations.

Portfolio Exposure vs. Benchmark





IAG continues to use the S&P 500 as the core benchmark as specified in the fund mandate. While our industrial exposure is still substantially overweight, the two proposed positions today will help improve the composition.

IAG continues to be underexposed to mega-cap positions, yet drastically overexposed to small and large-cap companies. We will continue to look at the mega cap space for potential opportunities but do not think that the underexposure poses a major issue.

Pitch Log Since November 2022 Meeting

Internal Pitches Since November 2022 Meeting				
	Comapny	**Stage**	**Date**	**Analysts**
1	Service Corp. International	Initial Screen	11/17/2022	Alice Yu
2	Comp. Sysyems & Programs	Initial Screen	11/17/2022	Christina Monev
3	Toll Brothers Inc	Initial Screen	11/17/2022	Nithin Mantena
4	Endeavor Group Holdings	Initial Screen	11/17/2022	Karen Phua
5	Thryv Holdings	Initial Screen	11/17/2022	Winston, Sean
6	JD Sports Fashion PLC	First Update	11/17/2022	Carol Sun
7	Joyce Corporation	Initial Screen	11/21/2022	Nithin, Raunakk
8	Comp. Sysyems & Programs	First Update	11/21/2022	Christina Monev
9	Endeavor Group Holdings	First Update	11/21/2022	Karen Phua
10	Joyce Corporation	First Update	12/1/2022	Nithin, Raunakk
11	Thry Holdings	First Update	12/1/2022	Winston, Sean
12	Comp. Sysyems & Programs	Second Update	12/1/2022	Christina Monev
13	JD Sports Fashion PLC	Devil's Advocate	12/1/2022	Alex, Amy
14	Thryv Holdings	Devil's Advocate	12/5/2022	Karen, Mikhail
15	Comp. Sysyems & Programs	Devil's Advocate	12/5/2022	Vinny Ye
16	Joyce Corporation	Devil's Advocate	12/5/2022	Nithin, Raunakk

Active Pipeline				
	Comapny	**Stage**	**Date**	**Analysts**
1	JD Sports Fashion PLC	Devil's Advocate	12/1/2022	Carol Sun
2	Comp. Sysyems & Programs	Devil's Advocate	12/5/2022	Christina Monev

Oversight Meeting				
	Comapny	**Stage**	**Date**	**Analysts**
1	Thryv Holdings	Devil's Advocate	12/5/2022	Winston, Sean
2	Joyce Corporation	Devil's Advocate	12/5/2022	Nithin, Raunakk

III. Key Holdings Update

Portfolio Updates Since November 2022 Meeting

Company	Ticker	Update
APi Group **Share Price: $18.92** **PT: $21.40**	**APG**	We propose a hold on APi Group. APi recently reported record earnings following our recent meeting, and since then the stock has seen a jump around 12%. This is mostly attributable to the improving macroeconomic landscape, driving higher net revenues and more stable margins on the service vertical of the business. API continues to stick with our original thesis of acquiring more recurring revenue focused business with the recent chubb group acquisitions, which the market seems to have taken well. Following the strong quarterly earnings and continued execution on our original thesis, our updated API price target is $21.40, which we believe will be achievable in the near future.
Berry Global **Share Price: $61.47** **PT: $70.52**	**BERY**	We propose a hold in our stake in Berry Global. Since the last oversight meeting last spring, Berry reported Q4 2022 earnings on November 15. The company reported FY22 sales of $3.42bn (6.7% decline YoY), missing the consensus of $3.63bn. Despite net sales being relatively flat and organic growth decline of 2% only partially offset by 2% higher selling prices, the stock is up ~25% since our last oversight meeting. The company reported $2.19 adjusted EPS (consensus beat $2.13) and announced initiation of a quarterly cash dividend of $0.25 per share on its common stock. Some key highlights include $700mm of capital expected to be returned to shareholders through share repurchases and dividends with increased capacity in its existing stock repurchase program to $1bn. FY23 FCF guidance of $800-900mm remains strong despite inflationary pressures. We continue to believe Berry is a strong core holding and our price target is $70.52.
Builders FirstSource **Share Price: $61.47** **PT: $82.84**	**BLDR**	We propose a hold on our stake in Builders Firstsource. Since our last meeting, the stock price has increased 14% % to $63 per share, representing ~22% upside since we opened the position. Since the last meeting, the major news from the company has been beating their Q3 earnings projections. Revenue, Net Income, and profit margins were 10% higher than analysts' projections, and this has been the primary reason that the stock has outperformed over the last month. We will be keeping a keen eye on the worsening outlook on the housing cycle, as our new price target for the stock is $82.84.
Camtek LTD **Share Price: $23.39** **PT: $30.61**	**CAMT**	We suggest a hold in our Camtek position. On November 17th of 2022 Camtek released their third quarter earnings. They posted revenue expectations for both Q3 and FY that are in line with our expectations. Additionally, EPS for the quarter came in line with our expectations. Looking forward, the theses remain the same. We believe that Camtek's strategy of targeting smaller semiconductor fabrication companies in China comes with reduced risk with greater growth. Our other thesis was that semi cap equipment competitors to Camtek that manufacturer in the US would either directly lose revenue due to US regulation or would lose revenue as Chinese customers diversified their supply chain. We believe that this thesis has begun to play out as companies such as KLA, ONTO, and AMAT have reported that they will lose significant amounts of revenue in China due to the bans. While we are still unsure as to how much of this revenue Camtek will be able to capture, we believe that these losses in revenue by Camtek's competitors are a positive sign and will lead to less competition in the Chinese market for Camtek. Our updated intrinsic value for Camtek is $30.61. This represents 28% upside above the current stock price of $23.90.
Catapult Sports **Share Price: $0.79** **PT: $1.97**	**CAT**	We propose a hold on Catapult Sports. Since our last meeting, the stock price has dropped down another 3%, as a result of the higher beta nature of the early-stage tech business, combined with the broader market sell-off. As far as company news since the last update, Catapult has reported extremely positive 1H23 earnings, with ACV up a record 21% on a constant currency basis, record revenue growth of US $50m, and keeping churn at all time lows at around 4%. The success of the business from the eyes of investors will be continued gains in market share and cross-selling of existing wearable and video products, which management commented on multi-vert customers up 33% over the past half year. target: $1.97

Portfolio Updates Since November 2022 Meeting

Company	Ticker	Update
Concrete Pumping Holdings **Share Price: $6.96** **PT: $10.85**	**BBCP**	We propose a hold on Concrete Pumping Holdings. Since our last meeting, the company has had no significant updates. We continue to be reassured by the consistent decline in the general producer price index since June and expect the company's inflation headwinds to decrease in the upcoming quarterly results. As previously mentioned, the company's strong competitive positioning during the general industry downturn, specifically in executing on the M&A strategy, put BBCP in a solid position to fuel growth and generate value for shareholders.
Embecta Corp **Share Price: $32.21** **PT: $40.00**	**EMBC**	We propose a hold on Embecta. Over the past month, Embecta is up around 20% and has greatly exceeded the market's 6% return without major news. This could be a partial realization of its inherent company value, but we still feel there is substantial room for Embecta to appreciate. Since the last update, Embecta has signed a co-promotional agreement with Intuity Medical in which Embecta will leverage its sales representatives to promote Intuity Medical's blood glucose monitoring system. So far, this partnership seems relatively insignificant to the overall business given Intuity's small relative size; however, it demonstrates Embecta is looking to secure partnerships within the broader diabetes space. We await Embecta's next earnings call (Q4) which will occur on December 20 and will provide a more concrete capital allocation plan.
Exelon Corp **Share Price: $42.87** **PT: $45.00**	**EXC**	We propose holding our position in Exelon. Since the last update, Exelon's stock has increased in line with the market and has slightly outperformed peers. There have not been any significant developments for Exelon since the update. Exelon continues to have good relations with PUCs and other regulators and continues to increase its authorized ROE and rate base across its plants. We are also confident in Exelon's geographic positioning and the necessity for improved transmission and distribution lines as a longer-term growth driver. We believe that Exelon is a great hold in the utilities industry and a strong defensive position in our portfolio.
Flex Ltd. **Share Price: $21.17** **PT: $32.35**	**FLEX**	We propose a hold on Flex. Since our buy note, Flex is up 6% in line with the market and is up 12% over the last month. It has been a relatively quiet month for Flex; the only company-specific news was Flex laying off 155 workers in Milpitas, California. Small-scale layoffs, however, are common in the EMS industry with changing business needs and short contract durations in the agility segment. Additionally, Flex has ~170,000 employees, rendering the Milpitas layoffs only 0.1% of total employees. Other than that, Flex continues to outperform and weather the supply chain storm.
HCA Healthcare **Share Price: $236.62** **PT: $241.00**	**HCA**	We are maintaining a hold position on HCA. The largest contract operator of hospitals in the United States, HCA continues to weather rising labor costs and a temporary volume drop. HCA sees topline trends normalizing as the company heads into 2023. Labor continues to slowly improve, with management reporting lower turnover in the low-20s, and competitors are no longer giving out large sign-on bonuses and wage increases. While value-based care players are focused on reducing hospitalizations, HCA says occupancy rates are high in penetrated markets, including South Florida and North Carolina. Of the three original thesis — consolidation of core cities, superior mix of geographic locations, and acquisitions of surgical and physician operations — all are still intact. With the thesis regarding growth in the key markets, the Hurricane Ian impact was about $35 million, but HCA's markets in Florida, Texas, Nashville, and Vegas have strong durable economies. HCA's acquisition strategy continues to come into play in every quarter. HCA opened three Galen nursing colleges in the quarter and two more are scheduled to open later this year. With Galen Nursing School, new graduates after one to two months should continue to bring down labor costs.

Portfolio Updates Since November 2022 Meeting

Company	Ticker	Update
JD.com **Share Price: $60.35** **PT: $76.00**	**JD**	We propose a hold in JD.com. Since the last oversight meeting JD.com has released their third quarter earnings. They beat expectations on both the top and bottom line by a wide margin showing 11.4% year over year revenue growth and .8 billion USD EBIT compared to loss last year. JD.com, through various cost cutting measures and increased scale has seen consistent profitability for the last 4 quarters. However, the bigger story in China is both tech regulation, COVID lockdowns, and, most importantly, understanding whether China will allow capitalism to thrive. Because of idiosyncratic factors regarding JD.com such as their line of business and management, we do not believe that there is a significant chance that JD.com is regulated to the same effect as Alibaba or Tencent. Regarding COVID lockdowns, after some of the protests in China, the government has reacted by reducing lockdown measures. Currently, consensus believes lockdowns will end by mid-2023. This has been a positive for JD.com and has led to recent stock appreciation. Lastly, regarding China's view on capitalism, positive events have occurred over the past month. First, Tencent has decided to pay a special dividend of 20 billion USD from their sale of Meituan. This is positive as it shows that China is willing to allow their companies to return value to shareholders through dividends. Additionally, the Chinese Securities Regulatory Commission has released statements saying that they will allow for more flexibility in when Chinese public companies are allowed to repurchase stock. This again shows that the Chinese government respects the fact that shareholders own their respective share of the company's cash flows. Our new intrinsic value for JD.com is $76 which remains near our original purchase price.
Krispy Kreme Inc **Share Price: $14.86** **PT: $22.13**	**DNUT**	We propose a hold on Krispy Kreme. Since our last meeting, Krispy Kreme reported a mixed Q3 FY22 Earnings as revenue expectation beats where offset by deteriorating margins from inflation and UK currency pressure. On the positive side, organic sales growth ex-F/X was 12%, beating estimates from most analysts. Second, donut volume remained strong, increasing 6% globally YoY. On the negatives, EBITDA was roughly 7% below analysts' estimates due to weaker performance in the UK market, which continues to remain a risk for DNUT going forward as uncertain macro conditions may weaken demand and increase F/X losses. We will continue to monitor the position closely but remain convicted in a hold. Our thesis of hub and spoke rationalization continues to play out while the company continues to experience with new expansion avenues, such as the McDonald's partnership. The analysts' day conference on December 15th should provide more color on management's direction for the company.
Methode Electronics Inc. **Share Price: $48.17** **PT: $50.57**	**MEI**	We propose a hold on Methode Electronics at $48.02. The new targeted price is $50.57, with a targeted upside of 5.32%. Q2'23 results were released on December 1. Net sales went up to $315.9m for this quarter from $295.5m during Q2'22. Gross margin increased 0.1% compared to last year. However, macroeconomic concerns still loom, with SG&A up to 11.6% from 10.6%, operating income margin down from 11.2% to 10.4%, and cash down from $172.0m to $129.6m. However, it is indicated that these results are largely due to macroeconomic concerns - the impact to revenue and gross margins will probably subside in the long run as supply chain related headwinds die down in the coming years. The roll off of its pick-up truck center console program was anticipated for this year, which could also explain some of the decreasing figures. Other macro concerns include decreases were mainly due to a major program roll-off in North America, semiconductor shortages, inflation, economic instability in Europe, and demand weakness resulting from China lockdowns. Despite this, we continue to propose a hold because we believe the fundamental business has not changed and is instead just bogged down by temporary concerns. The company noted 20% of sales from electric and hybrid vehicle applications and growth in the industrial segment (once again a record, up $23.1 million) largely due to the material spot buy and premium freight cost recovery as well as increased power distribution solutions for data centers and electric vehicles as well as increased demand for lighting solutions for commercial vehicles.

Portfolio Updates Since November 2022 Meeting

Company	Ticker	Update
Monster Beverage Corp **Share Price: $101.44** **PT: $110.00**	**MNST**	We propose to hold Monster Beverage. There hasn't been any operational changes to the business or earnings calls since the previous board meeting. Last month, we saw growth in Monster's sales, with core and international sales growing 13% and 16% respectively. However, MNST is still suffering from industry-wide headwinds from high aluminum prices, rising interest rates / fuel costs, and supply chain issues. To offset margin contraction, MNST began increasing their price points in September. The MNST stock saw a 8% increase since earnings release. We expect supply chain issues that have plagued the past few quarters to persist, with their partnership with Coca-Cola providing a hedge against downside cases. Given that current supply chain headwinds that Monster is facing are industrywide, we believe that the long-term growth potential outweighs short-term macro headwinds. We believe our core thesis still holds and are confident in the fundamentals of the business.
Office Property Income **Share Price: $14.14** **PT: $20.50**	**OPI**	We propose a hold on OPI for now. OPI has ~14% of leases expiring by rent in 2023/24 which may serve as an occupancy headwind. Payout ratios remain tight with OPI at 113% payout ratio. We remain cautious on OPI with over $1bn in debt maturing in '24/'25 (vs a market cap of ~690mn). We look for +0.3% growth in same store revenue and -1.1% in 2023 as the real estate industry remains very weak. The company has around 14% of its rent rolling in '23 and '24. For '23, ~3-5% of the revenue that is rolling is expected to vacate with 4% of the 2023 roll in advanced stages to resign leases. While the majority of known vacates are back loaded, expect continued pressures on same store NOI in 2023 for the company particularly given normalizing NOI margins (YTD same store NOI margins for the company are down ~180bps from 2021 levels). The company's only floating rate debt is on its LOC (5.6% of total debt as of Q3) and expect the company to continue to draw down on this credit facility to fund development and handle near term debt maturities. The company has the tightest recurring FCF payout ratio among comps with additional capex spend from development. Do not expect a big cash contribution from either the 20 Mass Ave development in DC ($215mn investment) or its Seattle development ($28mn investment) in 2023 and even with cash contribution beginning in 2024, FCF payout ratio may not improve given the debt maturities. The company has $1bn in debt rolling in 2024-25 at a rate of 4-5% (vs market cap of $690mn). Moreover, the company was recently downgraded by Moody's to Ba1 from Baa3, which stated that "The ratings downgrade reflect OPI's elevated leverage and challenges in executing asset sales and reducing leverage amidst a challenging transaction environment for commercial real estate. The downgrade also considers risks to operating cash flows from large amounts of lease expirations in 2023 and 2024
Palo Alto Networks **Share Price: $166.69** **PT: $180.05**	**PANW**	We propose a hold on Palo Alto Networks. Our position is up 107.9% since our purchase at $80.17 per share. PANW posted excellent results in its Q1 earnings release. Quarterly revenue grew 25% year over year to $1.563 billion. In tandem, first-quarter billings grew 27% year over year to $1.749 billion. Operating income grew substantially at 44% year over year, with EPS beating guidance by 22%. Notable highlights include an upper 8-figure contract with a major US federal agency, a 7-figure deal with a large utility provider, and an 8-figure deal with a European media firm. PANW has continued to execute on its strategy, remaining on the cutting edge of the industry while cementing its dominant market share in cybersecurity. We remain confident in our initial thesis and look forward to seeing the company's strong performance reflected in valuation.
Restoration Hardware **Share Price: $259.04** **PT: $336.87**	**RH**	We propose a hold on RH, with our position down less than 2% since last month. RH has remained committed to not discounting its products, and the company still has growth potential, especially as the purchasing power of households starts to increase as inflation subsides. Despite losing some amount of market share in recent months due to pricing competition, RH is still relatively well positioned within the industry due to a clear branding strategy, which markets itself towards more affluent consumers. RH is still pursuing valuable expansion opportunities, most notably the company's expansion into hospitality. RH also has plans to enhance its network of design galleries, including expansions and recent relocations/renovations in Austin, TX and Naples, FL.

Portfolio Updates Since November 2022 Meeting

Company	Ticker	Update
Rimini Street **Share Price: $4.04** **PT: $7.25**	**RMNI**	We propose a hold on Rimini Street. Since the last oversight meeting, very limited news surrounding the company has come out. There are no updates on the current Rimini II case, and we await Q4 2022 earnings to verify how our investment thesis is playing out. In the meantime, a positive data point for the company was the announcement of a large customer win with Taeyoung Engineering & Construction, a Korean leader in civil engineering, leisure, and broadcasting businesses, which selected Rimini Street to take over maintenance of its Oracle ERP and database systems. Taeyoung has over $2bn in run-rate revenue and 2,000 employees and had previously used Oracle for over a decade prior, leading us to view the change as an indication of Rimini's continued value proposition as well as the resumption of previously stagnated sales cycles. We estimate the TCV on this contract to be ~$10mm, which will positively influence Q4 earnings as well as top-line growth in the quarters to come and remain optimistic on the company as a whole.
Sea Ltd. **Share Price: $59.76** **PT: $145.63**	**SE**	We propose a hold. Since our last meeting, SE shares have risen 30% on the backs of a promising Q3 Earnings call, where management reported slightly better than expected revenue of $1.9B and a meaningful beat on EBTIDA loss estimates, reporting an adj. loss of 496mm, and improvement of 24% QoQ. This was driven by strong performance in Shopee, which was able to continue increasing take rates to 8.4% while decreasing sales and marketing expense by 15% QoQ. This led to adj. EBITDA loss per order to improve 31.4% QoQ to $216.8mm while other markets came in at a 279mm loss, up 16% QoQ. Margin improvement in Brazil also continues to be strong as adj. EBITDA loss per order for Brazil improved by over 30% QoQ to $1.03. These rapid EBITDA loss improvements show that management is delivering on their promise to shift towards profitability very quickly. They also demonstrate how strong of a product that Shopee is – core marketplace revenue increased 54% YoY despite re-opening providing a massive headwind to Shopee's growth. Their ability to increase take rates and decrease sales and marketing promotion spends while still growing number of brands by 36% YoY and seeing solid retention rates for active buyers continues to validate our main thesis. However, Garena's outlook continues to worsen as management guided FY2022 bookings down to $2.6-2.8B from $2.9B-3.1B. We will continue to monitor the company closely. Updated price target is $145.63
Sonic Automotive Inc **Share Price: $51.64** **PT: $76.00**	**SAH**	Sonic Automotive's stock showed strength through the past month off of what we think is due to a slowdown in the Manheim index drop (now 200.7, up from 200 in October). To some degree, the consumer has been displaying strength as used car prices stabilize, and while SAH does not necessarily benefit directly from recovering used car GPUs as their business is still mostly a new car dealership, SAH will certainly benefit from employment and other positive signs of a stronger consumer. We continue to think that the EchoPark segment lacks the same upside ""option"" as originally pitched, though we are following the execution of the build-up in this segment. Our models have been adjusted for a pushback in the growth, and potential downside may be mitigated by struggles facing competitors (especially the pure-play online used car dealerships). SAH restated their revenues for the first six months ending June 30, 2022, resulting in a $277mm overstatement. The stock absorbed all selling pressures regardless and has traded higher since October 31, when the restatement was addressed.
TransDigm Group **Share Price: $607.45** **PT: $770.00**	**TDG**	We propose a hold on TDG after a well executed double down in November. Transdigm continues to deliver strong organic growth, margin expansion from already industry best levels, conversion to free cash flow at a very high percentage, and deployment of that cash in a shareholder friendly level. While interest expense and taxes are up slightly in FY23, they are more than offset by improvements in the core business, with rate hedges extending into FY25. In the most recent quarter, revenue grew +16% YoY organically, with defense up +2%, Commercial AM +36% and Commercial OEM +29%. The weakness in defense is largely a result of budgetary outlays. The US DoD budget remains strong with ~$850bn expected in defense spending for the next year, indicating a strong windfall, especially as the US replenishes critical inventories. EBITDA margins are almost back to 50%, reaching 49.8% for the quarter. TDG ended the quarter with $3bn in cash and Net Debt/EBITDA was 6.2x as of the reporting period, which remains within management targets. Guidance for FY23: Management is projecting revenue around $6.0-$6.2bn, EBITDA 50% margin and mid teens growth in Commercial OEM and AM. Note: This is the first time management issued guidance since Covid and was stronger than expected.

Portfolio Updates Since November 2022 Meeting

Company	Ticker	Update
United Rentals **Share Price: $347.29** **PT: $412.05**	**URI**	We would like to propose holding our stake in United Rentals (URI) at $346.76, up 7.56% since our last update. The updated price target is $412.05 (a targeted upside of 19%). Since our last update, there have not been any additional earnings releases. To recap, Q3 earnings had net leverage at 1.9x, which is below the 2.0x-3.0x target range. With this, we continue to see our thesis point that the company is deleveraging. 3Q22 earnings beat expectations: rental revenue increased 20% y/y illustrating strong demand across end-markets. Rental gross margin increased 70 bps primarily due to better fixed cost absorption on higher revenue, while margins on used sales expanded to 64.6% from 62.6%. Management has raised FY22 revenue and EBITDA guidance for the third consecutive quarter. The choice to raise full year capex guidance (+12% at the midpoint) into a potential recession remains a concern. Fleet productivity for the quarter also came in at 8.9%, which indicates a deceleration from Q2's growth rate. The new U.S. infrastructure bill will be a strong tailwind for URI and fuel new project growth in 2023 and 2024, while the company is also seeing improvements from an increasing mix of specialty.
Willis Towers Watson PLC **Share Price: $246.80** **PT: $358.00**	**WLTW**	We propose a hold on Willis Tower Watson. We look forward to the FY22 report which will shed light on the state of their operations in this challenging time and provide a meaningful update to the model and valuation. Topline momentum from recent hires should continue to build. There is a natural lag for brokerage firms as they look to boost organic growth via new staff, and they can extend to 3-6M in Europe and the timing of the policy renewal cycle. By 2H'23, the company should begin to see benefits from the recent hires. At the same time, cost savings are already appearing in corporate and should emerge in opex as well. Progress in cost cutting will appear more so when the effect of the stepped-up hiring starts to fade. Management is committed to sustaining margin improvements beyond 2024 to close the gap with peers. The CEO recognizes the mismatch between certain investors' desire for a faster fix for the business as opposed to management's strategy of building value over the long-term. This involves the aforementioned lag between expenses and revenue among the new hires, as well as management's preference for flexibility in allocating capital for investments and M&A rather than focusing mainly on share buybacks.
ZTO Express **Share Price: $25.63** **PT: $32.57**	**ZTO**	We propose a hold on ZTO. Since our last meeting, ZTO's share price has appreciated over 30% on the back of a strong Q3 FY22 earnings report and improving macro-economic outlooks in China. The stock is currently trading about where it was at the beginning of October. Starting with the earnings report, the company reported that express delivery unit revenue increased by ~10% YoY which beat expectations. Continued increases in ASP (up ~12% YoY) and market share (up 120 bps to 22.1%) along with consistent gross margin expansion (up 6.1% YoY to 27.3%) is continued evidence that we are seeing our theses play out. In addition to strong earnings, ZTO announced a 50% expansion to its share repurchase program and that its Board had approved a motion to pursue dual-listing on the HK Exchange, potentially mitigating VIE/ADR regulatory risks. Despite these strong results, ZTO announced that it was lowering FY22 volume growth guidance from 12-16% to 9-11%, likely do to a worsening macro-outlook in China from last quarter. This is mitigated somewhat by the news in the last few weeks, as China announced a plan to provide federal relief to the ailing mortgage/real estate market while also hinting that it may be close to ending the zero-Covid policy.

V. New Position Proposal