GLOBAL PLATINUM SECURITIES™

2016 Annual Report

"Educating the next generation of investors"

CONTENTS

GPS CREED

We believe that ethics should take absolute precedence
and profit at the price of integrity is no profit at all.
We believe that those we have been blessed with prosperity should help those in need
and that donating time and knowledge
is more important than simply writing a check.

We believe that learning through experience is just as important as learning the theory and
that the process of learning
should be interesting and intellectually engaging.

We believe that through friendship,
we can learn from each other,
and through mentorship
wisdom can be passed down so youth can learn from history.

We believe that people should be active investors having input in their investments
learning about the companies they invest in
learning about the industries they invest in
purchasing the underlying business rather than the stock.

We believe that by doing what we love
by being well-informed
by being well-educated
By doing due diligence we can profit.

MISSION STATEMENT

Global Platinum Securities will strive to provide a comprehensive investment education to the future generation of passionate and intellectually curious business leaders in an ethical and socially responsible fashion.

INVESTMENT APPROACH

Global Platinum Securities follows a long-term-oriented, value-based investment strategy, seeking to identify securities that trade at a substantial disconnect to their intrinsic value. Members are divided into eight industry sectors, based on their interest. They focus on performing fundamental equity research by analyzing the underlying business model and financial strength of global companies.

BOARD OF MANAGERS

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Founding Partner
Georgetown University

RUFINO MENDOZA
Founding Partner
Georgetown University

KEN TALANIAN
Founding Partner
Georgetown University

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Alumni Board Member
New York University

LAP HIM TONG
Alumni Board Member
London School of Economics

DAVID ESCAMILLA
Alumni Board Member
Harvard University

NATHAN GUPTA
Alumni Board Member
Harvard University

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Chief Executive Officer
University of Pennsylvania

SELINA WANG
Chief Operating Officer
Georgetown University

MICHAEL TYLKO
Chief Strategy Officer
Harvard University

UPPER MANAGEMENT

DYLAN ADELMAN
Chief Executive Officer
University of Pennsylvania ’18

SELINA WANG
Chief Operating Officer
Georgetown University ’19

MICHAEL TYLKO
Chief Strategy Officer
Harvard University ’19

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University of Colorado ’18

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Portfolio Manager
University of Pennsylvania ’19

SEAN LIM
Portfolio Manager
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Harvard University ’19

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London School of Economics ’19

EVAN WILMANN
VP of Alumni Relations
University of Dayton ’18

MEMBERSHIP

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Rita Cui ’20
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George Hu ’19
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Michael Shao ’19

London School of Economics

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Kris Auyeung ’19
Will Popik ’19
Michael Nimerfroh ’19
Stephenie Zhang ’18
Mitchel Myers ’18

New York University

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Cami Quintana ’20
Matt Jackson ’19
David Friedman ’19
Edward Salamone ’19
Kevin Yang ’18
Jessica Ma ’18
Glenda Chan ’18
Krish Pamani ’18

University of Dayton

Jake Blewitt ’20
Jim McCabe ’20
Makenzie George ’20
Will Allen ’19
Matt Urbik ’19
Russell Woehrmyer ’19
Evan Willmann ’18

University of Colorado

Henry Schaefer ’20
Wyatt Guernsey ’20
Lucas Oliveira ’19
Austin Kavanaugh ’18
Soham Shah ’18
Drew Weaver ’18

University of Pennsylvania

Alex Agus ’20
Max Bai ’20
Anni Zhang ’20
Frank Geng ’19
Nad Kilani ’19
Dylan Adelman ’18
Aimun Malik ’18
Parth Chopra ’18

LETTER FROM THE 2016 CEO

Dear Members, Alumni, and Fellow Investors,

In 2016, GPS renewed its commitment to creating a community that builds the next generation of investors. Throughout the year, I urged the GPS management team to continually ask a simple question to accomplish this goal: “How can we do better?” This act of looking inward in 2016 proved quite fruitful. Alongside the membership, alumni, and dedicated leaders on the Upper Management team, we overhauled the research process, redefined the member commitment, revamped the education program, and enriched the conference experience for both members and alumni.

2016 brought about a much-needed appreciation for investment research. The research process plays two central roles in the group: besides providing a source of continued education for members after their analyst year, research provides a natural platform for mentorship both within and across pods. To facilitate both mentorship and continued learning, sector leaders embraced greater responsibilities and, with the help of the portfolio managers, formalized the research process through deadlines both at the sector and general meeting (GM) level.

The quantity of research in the later part of 2016 reflects the newfound appreciation of research that resulted from these changes. In 2015, the team reviewed 4 potential investments on GM, and, in the first nine months of 2016, the team reviewed an additional 6 potential investments on GM. Over just the final three months in 2016, the team reviewed 10 potential investments on GM – equivalent to the number of investment ideas reviewed over the prior twenty-one months. Based on the early weeks of 2017, this trend is here to stay in spite of challenging market conditions for investors with our approach.

The increase in quantity of investment ideas was, by no means, at the cost of quality. The richer research pipeline permitted the portfolio managers to exercise greater discretion when selecting ideas for GM. As such, investment ideas underwent multiple stages of revision prior to being presented to the entire team, standing in stark contrast to our strategy at the beginning of the year where any idea would be accepted to “fill the time” on GM. The quality of education in GPS outside of the education program has improved as a result – members proposing investment ideas for review now receive significant constructive feedback prior to presenting on GM and other members reviewing the idea benefit from hearing more thoughtful investment research. Congratulations and many thanks to the portfolio managers, sector leaders, and members for their success and dedication in revitalizing our research process.

While the portfolio managers detail this year’s performance in their letter, the changes in our investment strategy remain worthy of discussion in this letter. Throughout 2016, we continued to sell our legacy portfolio positions. We sold ten legacy positions in 2016, which joined the nine legacy positions exited in 2015. Apple was the only position in the portfolio that we both started and ended the year with. By February 2017, every position on January 1, 2016, including Apple, had been sold.

These position exits reflect our new focus developing a deep understanding of our investments and making only high conviction bets. Our legacy positions suffered from “thesis drift”. Originally pitched by now graduated members, positions often received hold recommendations on the basis of slightly modified, although poorly researched, theses to avoid disturbing the status quo. As such, during 2016, we revisited each legacy holding, either exiting the position or generating a new investment memorandum, which received the same level of scrutiny as our new investment ideas.

Concurrently, the team researched three ideas throughout 2016 that ultimately met the standards of our investment process: eBay, Entertain, and Lindblad Expeditions. For the first time in recent history, because of our improved process, each holding has a clear and thought out investment thesis that the portfolio managers, sector leaders, and members understand. During our research process, speaking with management teams, investor relations, equity research analysts, competitors, or hedge fund investors has become commonplace in addition to conducting other forms of primary research such as site visits and extensive reviews of tax-collector and other government documents. Over the past six months, I have noticed that our team takes pride in sharing our work with others because of this quality – something that did not necessarily exist before.

Because of our focus on making only high conviction bets, improved research process, and significant cash balance, we have abandoned our “one size fits all” strategy for portfolio allocation. We began allocating capital based on conviction, paving the way for fewer, larger positions. Prior to 2016, a 4% allocation was the default position size for almost all initial investments. Today, our position sizes range from 8–10%. Compared to identifying 20–25 investment ideas at 4% allocations, the team can now focus on developing 10–12 investment ideas, reducing the need for new investment ideas from about 6–8 per year to only 3–4 per year. While I believe fund returns will benefit from this reduction, member education, due to the increase in standards required to invest, also stands to benefit.

We also worked with the Board of Managers (Board) to formalize an agreeable investment universe for GPS that weighs both our responsibility to investors and members’ learning experiences and preferences. Over the past four years, significant debate over a desirable market cap range has ensued, creating a need for a formalized policy. Recognizing that meaningful research has been presented on all types of companies, the Board has established that all investments in the fund must meet the following three criteria: (1) market cap of over $50 million, (2) position size no more than 25% of average daily volume, and (3) listing on a major US or international exchange. This brings clarity to a longstanding and contentious debate and allows the team to proceed in a focused way that allows for both member education and a well-constructed portfolio.

While these changes to the research and investment process are significant, they should by no means overshadow equally meaningful progress achieved in other segments of our group. The Vice Presidents (VPs) of Education thoughtfully restructured the education program. The new program teaches the more technical components in the first half, permitting new analysts to become engaged in sector research more quickly. Once developing an understanding for basic business analysis, accounting, and valuation, analysts will read Howard Marks and Seth Klarman with better context of how these famous investors make decisions. In addition, analysts now complete a "Summer Pitch" – an individual ten-minute pitch of an investment idea on GM – to help in their preparation for their Fall Conference Pitch.

We restructured the Upper Management team to improve efficiency and refocus on the group's long-term priorities. Notably, this led to the creation of the Chief Strategy Officer (CSO), a much-needed high-level position to focus on organizational improvement. Naturally, the CSO works closely with the CEO, COO, and PMs to identify opportunities for growth and oversees the progress of the VPs of Technology, External Affairs, and Alumni Relations. The VP of Philanthropy role was integrated into the VP of Internal Relations role, allowing for GPS to reprioritize giving back at conferences and at individual pods. We increased the number of sector leaders to eight, creating smaller sectors to ensure all research is thoroughly reviewed each week. Finally, the Chief Financial Officer's responsibilities were passed to the Chief Operating Officer to reduce Upper Management headcount. Alumni involvement in GPS was restored in 2016. With the help of Tong, GPS formed "Alumni Pod Captains" to coordinate with pod leaders and fellow alumni from their pod. With the help of Chris Ramesh, GPS transitioned communications to Slack, which received rave reviews from members. Nathan was elected to lead the alumni association; monthly Board meetings were reinstated; Board mentors were created for Upper Management team roles. Finally, alumni-member pod lunches and alumni speaker panels were introduced to the Summer Conference and will pave the way for other new ideas focused on creating the GPS "alumni experience".

Looking back on 2016, I’m very pleased with the significant progress. While a lot has changed in the group over the past year, we are fortunate to have inherited one of the most unique student groups that continues to foster a community of investors since its inception. It has been a great honor to have your trust as CEO over the past year, and my hope is that the changes outlined in this letter are the foundation for a positive lasting impact in the years to come. I cannot thank the rest of the Upper Management team, membership, and strong base of alumni mentors enough for their help since I understand committing time to GPS comes at a high opportunity cost.

Each of us – both members and alumni – may find it easy to bask in the glory of GPS’s successes because of its much-deserved reputation as one of the most elite university-based investing groups. Nonetheless, the importance of continuing to improve both the member and alumni experience cannot be understated as we face new challenges. I have the upmost confidence in Dylan and the rest of the incoming Upper Management team to confront these challenges and continue to improve the community and culture of GPS.

Yours truly,
Nick Gupta | 2016 CEO
Harvard University ’17

LETTER FROM THE 2017 CEO

Dear Team,

2017 marks twelve years for GPS. Twelve years of creating memories, long-term friendships, and (of course) investment ideas that stand the test of time and turbulent markets. Our success stems from the fact that GPS is at once an organization, a family, and an experience. Few undergraduate organizations stretch across eight universities and remain functional over time. Few families meet three times per year in cities across the country (and now, Canada) and pick up right where they left off on the phone the previous week. And of course, few experiences rival those of a GPS conference. GPS has the best of all three worlds, and each continues to improve with age. Each year we grow our alumni base, improve our analyst education program, create more shared experiences, and compound our investments (usually). All of this gives me great confidence in our ability to further strengthen GPS in 2017 and beyond.

The key goals of our Upper Management in the coming year center on standardizing research, boosting alumni engagement, and updating our external branding. The goal of standardizing research is to produce more frequent and higher-quality research for GM presentations in a predictable way, while also giving members a clearer idea of when presentations are expected. Our focus on alumni engagement reflects the fact that over half of our members are alumni; developing a more complete alumni experience is critical to increasing their engagement. External branding with focus on how the organization is perceived by outsiders, with special attention given to updating our website and improving our name recognition on each pod's campus. This agenda is ambitious but certainly achievable, and we are confident that member support will enable significant progress on each item.

For alumni who are not up-to-date on our portfolio investments, we currently hold long positions in three companies: eBay, Intertain Group, and Lindblad Expeditions. eBay is the well-known online marketplace for secondary goods, as well as the owner of StubHub and a sizable classifieds portfolio. Intertain is an online casino operator that specializes in bingo. Lindblad is a niche cruise line that combines off-the-beaten-path locations (think Antarctica) with an educational spin supplied by National Geographic. The majority of our portfolio remains in cash due to the difficulty of finding quality investments in an overheated equity market. The appearance of a late stage bull markets has certainly heightened our caution in deploying capital, but we will not shy away from new long-term opportunities as we seek to reduce our cash balance and correspondingly improve fund returns.

If you are an alumnus, I encourage you to further engage with GPS. Our continued success is dependent on the alumni who continue to give back by serving as our mentors, assisting with conferences, giving feedback on pitches, and providing the wisdom of experience to our undergraduates. Each of us learns about the importance of “paying it forward” as analysts, but we often forget the key role served by alumni in the GPS experience. That said, giving back need not feel like an obligation—it can be quite fun. A few simple ways to get more involved: attend an upcoming conference, join group outings in New York City this summer, take calls with a few analysts, connect with fellow alumni, get meals with GPS members interning in your city, present your investing wisdom (or rants) on a GM call, and reach out to your pod the next time you visit campus. There are many ways to give back, and all are appreciated.

I am confident about the future of GPS. Our group has proven resilient despite the challenge of full undergraduate membership turnover every three years from graduation, despite being split across eight university campuses, despite our undergraduates balancing investment work with schoolwork, despite a majority of our membership being alumni, and despite the occasional analyst wanting to pitch Tesla. More than anything, our organization continues to thrive thanks to the dedication of our members and alumni to the GPS mission of educating the next generation of investors. The continued growth of GPS affords each of us with new opportunities to create memories, build friendships, and develop our investing acumen. No matter the market, time invested in GPS is always the best investment.

Best,
Dylan Adelman | 2017 CEO
University of Pennsylvania ’18

GIVING BACK PROGRAM

Since inception, GPS has taken an active and hands-on approach to philanthropy. In line with our creed, we believe that giving back entails engaging with the community around us, which can take many different shapes. Through these activities, the pods have demonstrated GPS's commitment to philanthropy and to giving back to society. Some of the selected highlights from the different pods' Giving Back activities have been included below.

COLORADO

This year, the Colorado pod has maintained its relationship with Boulder High School. Previously the pod organized a Financial Literacy Program wherein the CU members gave a guest lecture to the students of Boulder High School. Members also taught the students the basics of how to analyze a company qualitatively. Furthermore, the pod also had an engaging Q&A where our members shared life lessons for the benefit of the students.

GEORGETOWN

In a similar vein, the Georgetown pod has continued to support the local Dog Tag Bakery. Dog Tag Bakery employs veterans who cannot find work otherwise. The pod ran a finance class for the veterans and has continued to support the organization. Overall, both parties have been able to take a great deal from the relationship; the pod has bonded internally and with the veterans thanks to Dog Tag Bakery.

DAYTON

The Dayton pod has volunteered at a local soup kitchen called House of Bread. The pod served breakfast and lunch to the homeless of Dayton. The experience allowed pod members to give back to the city and also gave them the opportunity to interact with people of the local community.

HARVARD

Harvard and MIT have continued to co-ordinate their giving back efforts. The pods conducted a short teaching session on investing at a local middle school. The young students were given an engaging introduction to the world of investing and finance. Harvard has also continued to support the Experimenters' Science Day at the Harvard Science Center.

MIT

MIT, like Harvard, has leveraged the learning opportunities GPS has given them to give back to Boston. The pod thoroughly enjoyed the teaching students about investing opportunities and hopes to maintain its relationship with the high school. Additionally, the pod has continued to support the charity walks at Chestnut Hill Reservoir.

NYU

The NYU pod has focused on contributing to the environment through a tree planting project with MillionTrees NYC, which is a citywide, public-private program with the goal of planting and caring for one million new trees across the City's five boroughs.

PENN

Like NYU, the Penn pod has focused on environmental efforts. The pod helped clean the venue for a charitable comedy at troupe at Penn. Moreover, the pod has continued to support the “Love Your Park" initiative. All events have served as a fun bonding experience, a needed study break, a great workout, and a creative way to give back.

LONDON SCHOOL OF ECONOMICS

In the UK, the LSE pod have partnered with a charity called The Felix Project. The charity aims to reduce food poverty by eliminating food waste. This year the pod will spend half a day collecting food from around London to provide to those in need. These activities will be focused in the center of London and around the LSE campus.

Across the range of activities organized this year, the GPS members continue to give back to their communities. These events help to cement the importance of giving back in the culture of the pods whilst hopefully inspiring members to keep giving back way beyond their university lives.

2016 IN REVIEW AND LOOKING FORWARD TO 2017

The past year was marked by a sustained period of unprecedented events that left the market in a precarious position. In two key events, Brexit and the US Presidential Elections, several investors took a conservative approach in the face of uncertainty as the market's future rested upon binary outcomes. GPS is no exception from this prudent approach – consciously choosing not to chase returns when faced with the risk of permanent capital loss.

This longer-term approach to the markets has led us to hold more cash than we are conventionally accustomed to. With majority of the portfolio in cash, we inevitably faced a drag on performance as the S&P 500 rallied 11.2% for 2016, and our overall performance was at 4.8%, with EBAY and Intertain Group leading our performance through the year. Although we are comfortable protecting capital when valuations are at one of the highest levels in market history, we remain fully aware and motivated to pursue outsized returns in the longer term by making investments where the risk-reward is skewed to our favor. Our core positions that we held throughout the year have performed exceedingly well, and we continue to have the conviction to maintain these positions so long as there are no new circumstances that alters our original investment thesis.

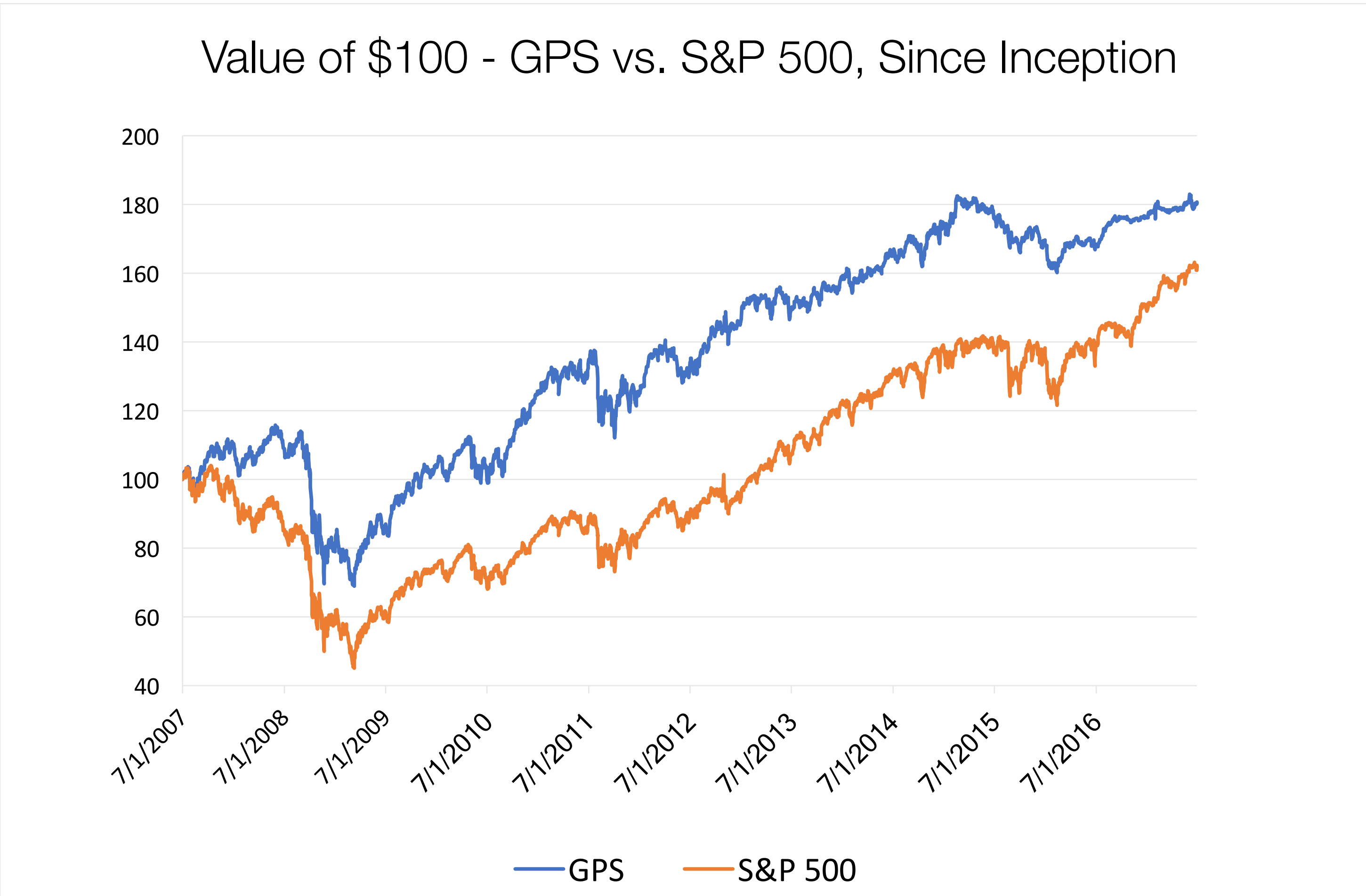
As markets evolve, so must we. Many of our recent predecessors have focused on the issues with our holdings, finding areas where we can improve in our analysis. We commend them but believe a shift is now due. Inheriting a portfolio with record levels of cash, we hope this year will be a year of careful action, utilizing the extensive amount of dry powder we have been gifted to act on the best opportunities presented to us by Mr. Market. Whether members chose to examine small, underfollowed companies to find investments or spend time diligencing large companies to discover mispricings left by the market, this year emphasis will be placed not on a "one size fits all" style of investing, instead allowing members to utilize fundamental analysis to find value regardless of where it exists.

Our primary focus is and always will be the education of all the members of GPS. In that vein, many of our key initiatives for the year have been focused on strengthening our ability to better educate future generations of GPS investors. For one, we have set up GPS's first educational library where we documented many primers that provide insight into the fundamentals of several industries. Furthermore, acting out of our mantra of "giving back", we have also invited former alumni to give educational presentations based on their respective fields of work. With these initiatives in place, we hope to both develop our current members' investing acumen, whilst also building a better learning environment for future generations of GPS analysts.

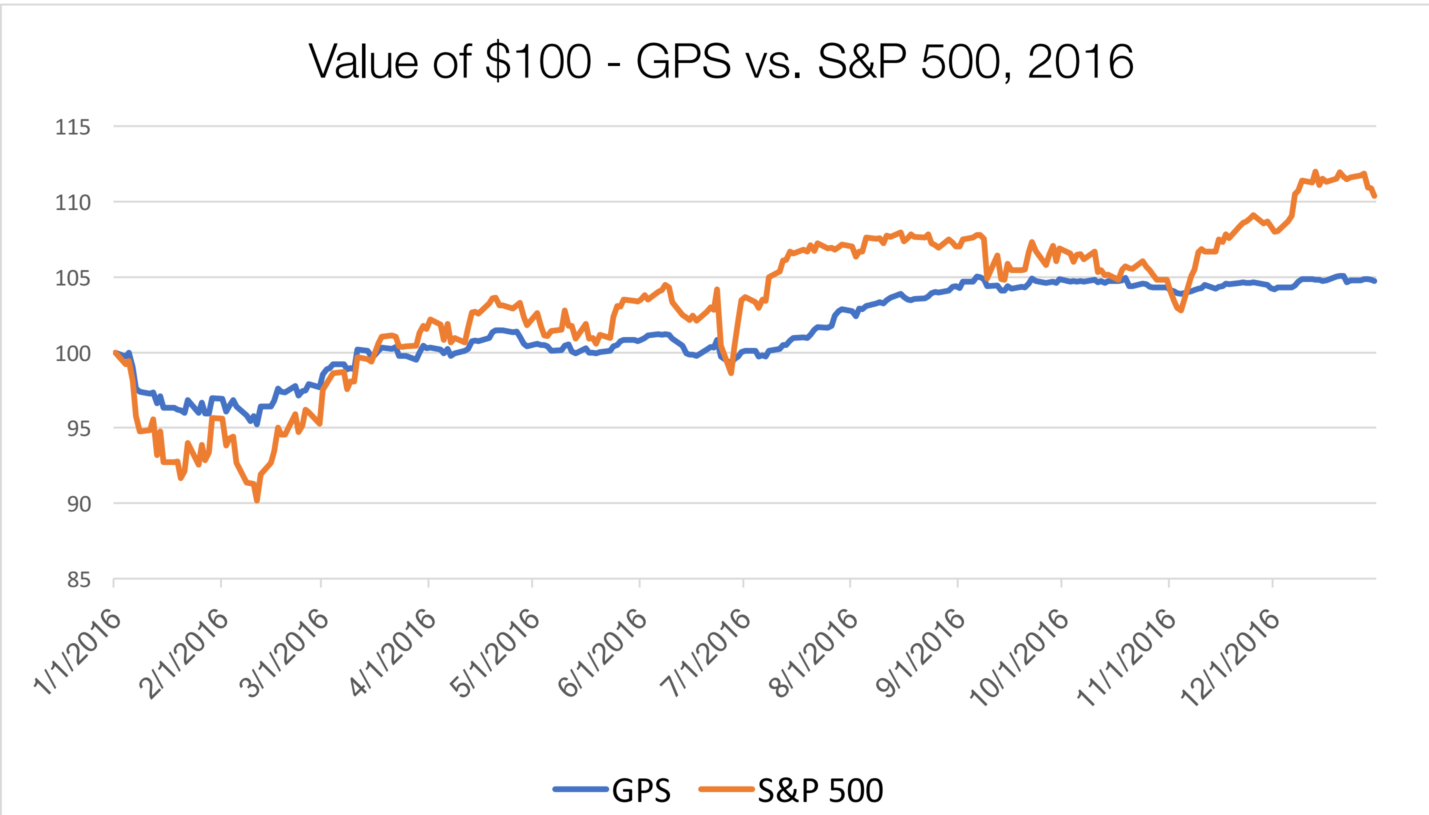
This year we aim to maintain a strong pipeline of pitches, through sector and GM, that encourage active debate from members and analysts alike. Even in the current market setting, with the S&P reaching record highs, developing as investors will allow us to remain aware of changes in the market and seize opportunities as they arise. We appreciate your continued support and faith in us, and we look forward to maintaining the success of GPS investments.

Sincerely,
Sean Lim & Nad Kilani
2017 Portfolio Managers
LSE '18 & Penn '19

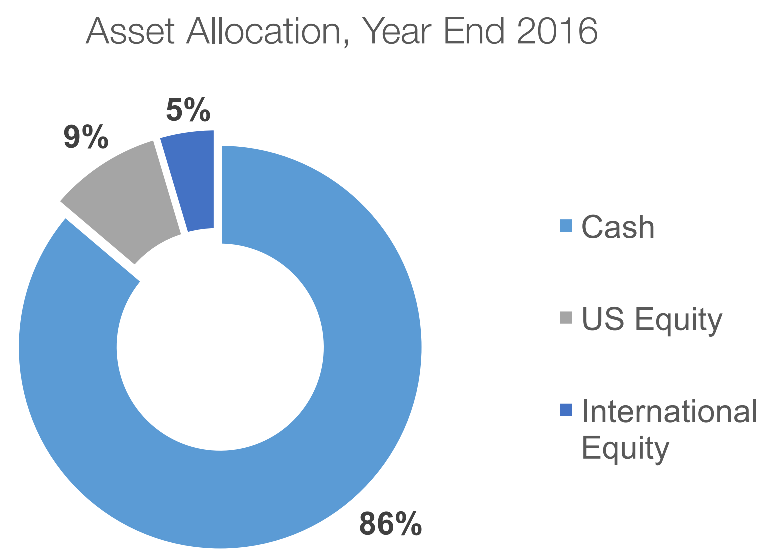
PORTFOLIO PERFORMANCE

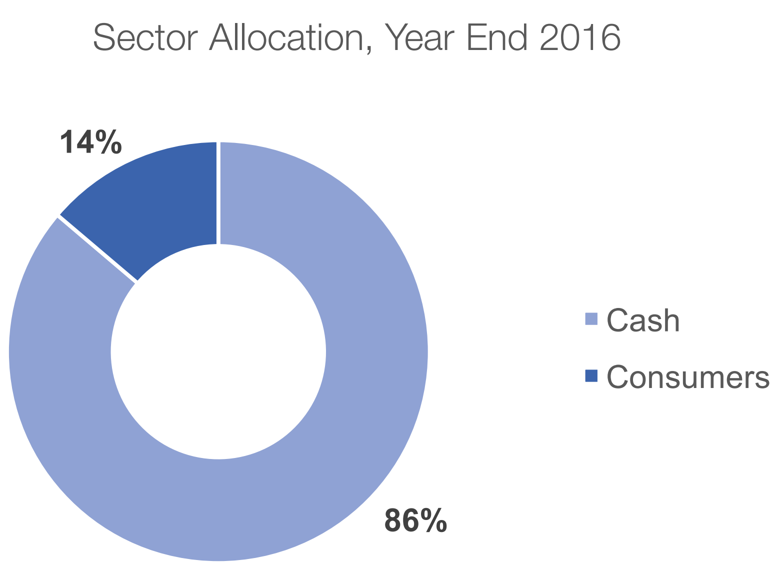


2016 PORTFOLIO PERFORMANCE



PORTFOLIO ALLOCATION





PORTFOLIO HOLDINGS

CURRENT HOLDINGS (12/31/16)

Apple's (AAPL) original appeal to GPS centered on Mac and iTunes. Since then our investment thesis for Apple has evolved to focus on the success of its product pipeline from the iPhone to the iPad. Apple has been one of GPS's oldest and best performing holdings to date. However, we took the decision to trim off our holdings in Apple this year. GPS initially wanted to reduce its exposure because our investment thesis for Apple was continually justified by successful product updates and launches; events into which GPS has little insight. This sale does not reflect a skepticism about Apple's current product portfolio or pipeline, but instead a realization that our cause for continuing to hold Apple was based on speculation rather than a fundamental business analysis.

CONSOLIDATED TOMOKA

Consolidated-Tomoka Land Company (CTO) is a Florida-based publicly traded real estate company, which owns a portfolio of income investments in diversified markets in the United States including more than 1.9 million square feet of income properties, as well as approximately 8,200 acres of land in the Daytona Beach area. GPS initially entered a position in CTO in December 2014; the original thesis argued that CTO traded at the value of just its land portfolio and that a well aligned management team alongside near-term catalysts would unlock shareholder value. The company's initial asset conversion program was a success, selling 113 acres of Daytona Beach land for $22.5m. The average price of ~$200k/acre exceeded our estimates. However, the pipeline of land sales has slowed considerably. Management have also been lackluster to deliver on unlocking value. Whilst management continuously claim that the shares are undervalued, it has taken more than four years to repurchase what amounts to less than 3% of outstanding stock.

eBay (EBAY) is a global e-commerce business operating marketplaces, ticketing, and classifieds platforms. GPS initially invested in eBay because it is a high margin cash generator with a clear value proposition driven by an under-appreciated core business and rapidly growing secondary segments. Its third-party model segments the market and strong network effects secure its position producing a highly cash-generative core business. Additionally, eBay Classifieds has high growth, high margins, and monopolistic market positions in 17 countries, and yet is not valued by the market. Its true earnings power is hidden by low monetization, which has been increasing.

Our predictions of revenue growth in various units, including StubHub, have played out well in 2016. Additionally, we now see new sources of upside. The better-than-expected performance of StubHub, the international opportunities that StubHub will gain from Ticketbis, and the eventual conversion of eBay to being a Merchant of Record will all produce upside that we had not factored into the original thesis. Management's continued share repurchase program is a further vote of confidence in eBay's future prospects. As a result, we have increased our position in eBay to 8% of our portfolio.

Intertain (IT:CN) now **JackpotJoy (JPJ)** operates online gaming websites, mainly in the UK. It is the owner of JackpotJoy, an online bingo website in the UK, Vera and Joh, a B2C online casino in Europe and Mandalay, another UK bingo site. GPS originally entered a position in Intertain because the company was priced as a poor gaming rollup despite having the best in class model. The company operates in the attractive online bingo space, which has high growth prospects and a low CAC. Additionally, the company has attractive unit economics with high customer stickiness and a market leader position. More importantly, when GPS bought IT:CN the Jackpot Joy acquisition was misunderstood. The deal was accretive to earnings and offered a 17% ROI; however, the opportunity was not priced by the market because of earn out complications and the previous management team, which brought the company into disrepute.

Shortly after GPS purchased IT:CN, the company announced a £150mm financing deal to pay its main earn out. Then, at the beginning of the year, Intertain listed on the LSE (02/25/17) meaning two of our main catalysts were realized. We continue to hold the new listed company JPJ because the company has the best in class customer retention and continues to grow free cash flow.

EXITED POSITIONS

GOLDEN ENTERTAINMENT
CASINOS • DISTRIBUTED GAMING • TAVERNS

Golden Entertainment (GDEN) is the product of a merger between Lakes Entertainment, which GPS owned, and Golden Gaming. GDEN is the largest operator of distributed gaming in Nevada and owns casinos in Nevada and Maryland. Over 2015 and 2016, management made significant efforts to unlock shareholder value by divesting from valuable assets. For example, it sold the Jamul note for $24 million to PENN (carried at $0 on balance sheet). The merger also leveraged the two companies' strengths: Golden Gaming was able to refinance its debt from 14% blended interest to 5% using Lakes' strong balance sheet. The cash generative distributed gaming segment also benefitted from Lakes' $92 million NOL. The results of the merger meant that our original investment thesis was realized. Moving forward, we viewed the success of GDEN to depend on its ability to add value through acquisitions. Since GPS has little insight into GDEN's acquisition strategy we decided to sell our position.

Hallador Energy (HNRG) is a coal miner in the Illinois Basin, operating 4 active mines and 2 inactive reserves. GPS has held HNRG since 2014. We continued to hold our position through the debt financed Vectren Fuels acquisition in late 2014 and then doubled down on our holding in early 2015 at $11.65 per share. The stock fell further to $4.88 in light of crippling market conditions and widespread bankruptcies in the coal sector. Nevertheless, we held our position due to our confidence in HNRG as a low cost producer in the best coal producing region of the US. We believed that HNRG had been oversold throughout 2014 and 2015. The share price remained depressed because of the collapse in commodity prices (coal & natural gas). This has been compounded by weak demand which had fallen short of the production capacity of HNRG.

We exited the position after the stock price rallied post Q2 2016 earnings given the fair valuation of the company relative to peers and our negative view on 2017 earnings due to operational shifts. Notwithstanding our lack of expertise in predicting the future price of coal; our thesis for HNRG largely played out. The company was among the best-performing coal stocks in the US throughout the holding period.

2015 and 2016 have been rocky times for **Hertz (HTZ)**. An accounting investigation and restatement of financials for the past three years was released in July of 2015, revealing that earnings had been overstated by 18.82% in that period. Furthermore, the awaited spinoff of Hertz's equipment rental business that was set to go through in early 2015 has been delayed to mid-2016. These factors resulted in HTZ dropping from roughly $25 a share at the beginning of 2015 to a low of $7.50 in February of 2016. It was at this point that the Consumers sector pitched an update on HTZ and recommended a hold rating with a target price of roughly $8.50.

Shortly after this pitch, Hertz reported a significantly positive earnings surprise due to successful cost cutting initiatives and spinoff progression. Carl Icahn also revealed an increased stake in the company. HTZ stock jumped significantly above our target price, leading to a sale in March 2016 at $11.34 per share. Since the sale, Hertz has fallen significantly partially as a result of the used-car price drop.

ING

ING is a European banking, investments, and insurance business offering a wide range of financial services to a broad swath of customers. GPS entered the position in 2013 with the initial thesis that ING was a high quality financial service provider that was in the process of paying back the government, resuming their dividend, and taking advantage of their weaker European peers.

While much of the original thesis has come true and ING did appreciate to the price target of ~$18/share in the summer of 2015, we failed to liquidate the position. The selloff in financials at the end of 2015 brought ING back down to entry level prices. After conducting more diligence and realizing that ING was still a fundamentally strong (in terms of capital ratios, leverage, and earnings), and with a shift towards the high growth mobile financial services space we added to our position. Again, our thesis was partially realized, however, stock movement was largely dominated by macroeconomic shifts. Eurozone turbulence highlighted the previously unappreciated FX and operational risk of ING. This paired with a fair valuation of the company relative to peers lead us to sell off ING in November 2016.

iridium

Iridium Communications (IRDM) has strong competitive advantages, which include a 66-in-orbit satellite constellation that allows for providing best in class mobile voice and data communication services. The original thesis centered on the launch of a second-generation satellite constellation, but this process has been repeatedly delayed. The project is very capital intensive – it requires $3.0 billion in order to manufacture and launch the satellites. After the delay of the launch, it has been unclear to the Industrials Sector whether IRDM can maintain its competitive advantage of being the best-in-class provider of mobile voice and data communication services. In addition, the continued capital expenditure needs of developing and launching the second generation satellites clouds the cash flow generation potential of the business. We exited our position in Iridium in April 2016.

We purchased **Jerónimo Martins (JRONY)** in 2015 with the belief that it was a great business in the unloved grocery store industry, trading at a large discount to historical multiples despite great expansion potential in Poland. The company was led by a strong management team with excellent capital allocation and operational capability. We believed the market over-punished JRONY due to fears of operating margin contraction. Furthermore, JRONY's outstanding capital allocation ability, and impressive unit economics made the growth story believable. Perhaps most impressively, JRONY's superior cash flow conversion cycle of 64.5 days meant that the chain was able to collect inventory on credit and receive payment for those goods in cash before it ever needed to pay its bills.

The thesis on JRONY has played out well in our base case, we projected EBIT margins of 3.44% and EBITDA margins of 5.0%, while JRONY posted 2015 annual results of 3.67% and EBITDA margins of 5.83%, leading us to adjust our price target further upwards. We then exited JRONY in September 2016 as the stock price neared our target price.

Markel (MKL) is a specialty property and casualty insurance and reinsurance business underwriter that insures niche markets such as boats, event cancellations, and children’s summer camps. When we first entered the position in 2014, MKL provided us with the opportunity to invest in a great business with a long-term underwriting profit track record along with an incentivized management team. MKL management, and specifically, Tom Gayner, used principles we follow in GPS to invest MKL’s float and achieved superior market beating returns over his tenure.

When we entered MKL, we entered at a P/TBV below that of its competitors due to one off events. However, when we reanalyzed the position in the first quarter of 2016 we decided that our valuation target had been hit (~2.0x P/TBV). Additionally, we believed that Markel no longer provided an adequate risk/reward profile and did not offer us a margin of safety. Our sentiments to sell were also bolstered by market conditions and the high amount of market equities held by MKL. As such we felt it was time to divest the position given that our thesis had played out. MKL remains on the financial sector's watch list as it remains an incredibly lucrative and high ROIC business but trades at a premium multiple to comps. Over the course of the holding period, we realized a gain of ~36%.

Rolls-Royce (RYCEY) was sold on 4/19/16. The original investment thesis for RYCEY centered on the company's ability to generate significant free cash flow and reinvest capital it in its various business lines. As RYCEY has diversified its business, it has become increasingly difficult to analyze the free cash flow generation potential of the consolidated business. In particular, difficulty in the marine, military aerospace, and civil aerospace divisions cut into profits beginning in Q2 2015 and impacted its ability to pay dividends. Since we were unable to develop a comprehensive understanding of Rolls-Royce's ability to deliver free cash flow, we took the decision to sell our position.

United Technologies (UTX) was the oldest holding in the portfolio: GPS entered the position in August 2005. The original thesis centered around UTX's ability to compound capital through strategic acquisitions and investment in its various business lines. Through this strategy, UTX was historically able to drive significant growth in free cash flow per share. In addition, management implemented a restructuring initiative in order to revamp a bloated cost structure.

However, in recent years, free cash flow per share has stalled, and management has focused on returning cash to shareholders through dividends and share repurchases. We take this to be a signal that the ability to reinvest in the business through strategic acquisitions and reinvestment in the current business lines has diminished. In addition, the complexity of UTX's business has increased as the company has diversified, so we do not have conviction that UTX will continue to be able to compound capital at high rates over the near term. Therefore, we exited our position in April 2016, at a price of $103.38.

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