2019 Annual Report

GLOBAL PLATINUM SECURITIES

"Educating the next generation of investors"

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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 who 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 & INVESTMENT APPROACH

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 six 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

Justin Ang
Alumni Board Member
University of Pennsylvania

David Escamilla
Alumni Board Member
Harvard University

Deependra Mookim
Alumni Board Member
New York University

Lap Him Tong
Alumni Board Member
London School of Economics

Paulina Ruta
Chief Executive Officer
University of Pennsylvania

Yan Messoussa
Chief Operating Officer
London School of Economics

Jill Yu
Chief Strategy Officer
University of Pennsylvania

UPPER MANAGEMENT

Paulina Ruta
Chief Executive Officer
University of Pennsylvania

Yan Messoussa
Chief Operating Officer
London School of Economics

Jill Yu
Chief Strategy Officer
University of Pennsylvania

Andrew Pomposelli
Director of Special Projects
Georgetown University

Joshua Solesbury
Portfolio Manager
Georgetown University

William Tey
Portfolio Manager
London School of Economics

James Santoro
Vice President of Education
Massachusetts Institute of Technology

Mike Johnson
Vice President of Education
Harvard University

Chris Parks
Vice President of Internal Relations
University of Pennsylvania

Jada Yang
Vice President of Internal Relations
New York University

Bryan Zhou
Vice President of External Relations
Georgetown University

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Vice President of Technology
Harvard University

Nyle Sykes
Vice President of Technology
Massachusetts Institute of Technology

MEMBERSHIP

Massachusetts Institute of Technology

Giovanni Ahern '22
Hunter Fields '20
Christine Sanchez '22
James Santoro '22
Nyle Sykes '21
Joe Vasile '20
Michael Zhao '21

London School of Economics

Prithvi Boggavaram '20
Esther Duffy '21
Alyssa Ling '20
Yan Messoussa '21
Isaac Paradise '20
Max Schachermayer '22
William Tey '21

Georgetown University

Ryan Beaudet '21
Angela Gladkikh '20
Patrick Haubert '20
Jennifer Lu '21
Jack Miller '22
Andrew Pomposelli '20
Jonathan Prangley '20
John Paul Salci '20
Joshua Solesbury '22
Bryan Zhou '22

Harvard University

Rita Cui '20
Mike Johnson '22
Ahan Malhotra '21
Zachary Mohamed '20
Harsha Paladugu '21
Lukas Schwarzmann '20
Mariya Shtiliyanova '22
Sherry Xie '22

MEMBERSHIP

New York University

Varun Bhardwaj '21
Weiting Hong '22
Avni Patel '21
Cami Quintana '20
Howie Shen '21
Nelson Urdaneta '20
Anusha Chintalapati '20

University of Dayton

Michael Benevento '20
Jake Blewitt '20
Ryan Dermody '22
Makenzie George '20
Jim McCabe '20
Gurkamal Pannu '21
Jack Phelps '21
Jack Ward '22

University of Colorado

James Donahue '21
Wyatt Guernsey '20
Garrett Obermeyer '20
Kellen Posacki '22
Atul Raguveer '22
Henry Schaefer '20
Nicholas Shelton '20
Jenna Snyder '21

University of Pennsylvania

Alex Agus '20
Max Bai '20
Christopher Fletcher '21
Roberto Garcia '22
Christopher Parks '22
James Rao '21
Paulina Ruta '21
Jill Yu '22
Anni Zhang '20

Letter from the 2019 CEOs

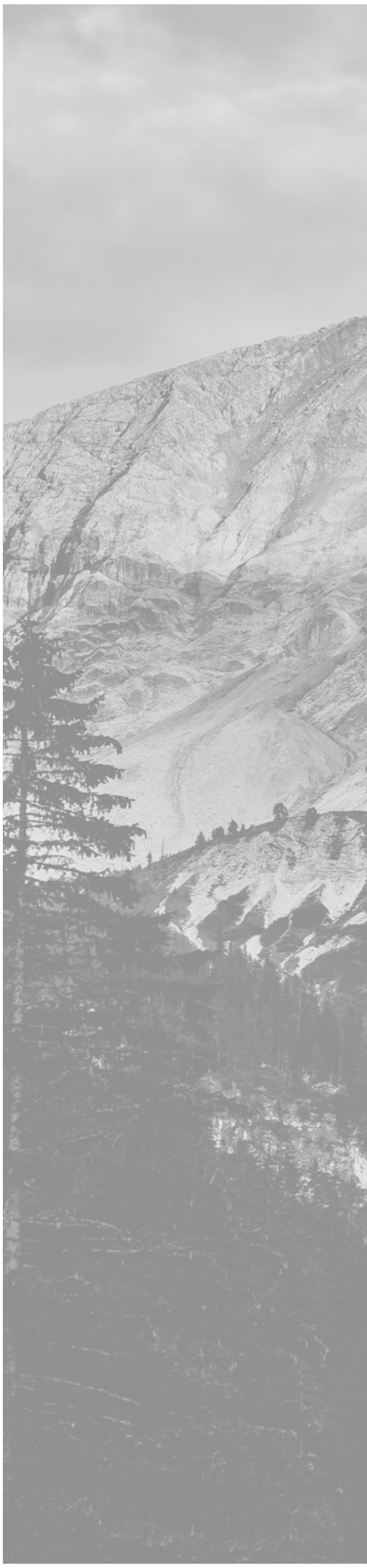
Friends and Colleagues of GPS,

2019 marked the fourteenth year of operations for Global Platinum Securities. Throughout this time, the organization has built upon its successes, refined its offerings, and relentlessly advanced its mission to educate the next generation of investors. 2019 was no exception to this track record of organizational excellence.

Maintaining this high standard over the past year was no small feat. Accordingly, we cannot express our gratitude enough to the many committed members and alumni which form the bedrock of our operation. Whether your contribution was formal, such as serving on Upper Management or the Board of Managers, or informal, such as coordinating a pod dinner or helping to house analysts during conference, your contribution does not go unnoticed. The willingness of members and alumni to offer their time and resources to GPS is the true differentiator of our program, and we share our thanks for your continued involvement and support.

To highlight some key successes of 2019, we first underscore the recent admission of 26 new members. Upon their induction into GPS, these members represented the most diverse analyst class in GPS history, and we made significant progress towards accomplishing gender parity in the organization. To further this progress, we spearheaded an initiative to collate recruitment data to better understand the intricacies of each pod's selection process. The findings from this initiative provided a framework to adopt recruiting best practices and to standardize selection criteria across the eight schools of GPS.

We also emphasize three memorable conferences in 2019. Spring conference was hosted in Southampton, where members and alumni rode bicycles, basked in the sun along the coast, and reminisced over fond GPS experiences. Summer conference, hosted at PJT Partners, featured a wide array of insightful alumni panels and engaging group meals. The hallmark conference of the year, fall conference, was hosted by Barclays. It included presentations



Letter from the 2019 CEOs

by Ken Miranda, CIO of Cornell's endowment; Connor Wilson, co-founder of Thursday Boot Company; and Artem Mariychin, co-founder of Zodiac. Of course, fall conference also offered analysts the culmination of their education program.

Turning to portfolio performance, we acknowledge that 2019 proved to be a challenging year for value investors. Across the board, valuations were stretched. This required GPS to maintain extreme discipline in evaluating new positions. As we sold several positions, by the end of the year we retained a relatively large cash position in our portfolio largely because we believed that there were limited opportunities that offered a true margin of safety.

Our portfolio returned 21% in 2019. On an absolute basis we are pleased with this performance. Of course, the market returned 29% in 2019. That said, we remain committed to attractive absolute returns; as value investors we are happy to sacrifice some of the upside in a late-cycle market for outperformance through the cycle. Preventing the permanent impairment of capital remains of the utmost importance for GPS.

As Warren Buffett famously said, "It's only when the tide goes out that you learn who has been swimming naked." We have done our best at GPS to ensure that we are not swimming naked, and given the fund's cash position, we remain opportunistic and look forward to capitalizing on future market dislocations.

As we enter 2020, we are incredibly excited to see how GPS continues to further its purpose and evolve its programming. Our short tenure as co-CEOs reinforced our belief that GPS is a uniquely vibrant and resilient organization, and we believe nothing but opportunity lies ahead for GPS in 2020 and beyond.

All the best,

Patrick Haubert
Georgetown University

Wyatt Guernsey
University of Colorado

Letter from the 2020 CEO

Dear Team,

2020 marks a very special year for GPS. It marks fifteen years of the organization educating the next generation of passionate students on the principles of value investing, the importance of paying it forward, and most importantly, the meaning of friendship. Fifteen years of being able to apply what we learn from the education program, our peers, alumni, and marquee speakers through real investments in equity markets. This hallmark year calls for both a sense of pride in the wonderful organization we have built as well as reflection of how we can continue to uphold our founding values within our ever-growing team.

I am excited for the year we have in front of us, as I have the privilege to be working with a motivated Upper Management ready to serve our budding analysts, members, and esteemed alumni. I am confident that our initiatives will continue to bring the organization closer to our long term goals of increased internal engagement and external recognition.

Last year’s Upper Management introduced several new initiatives that we plan to continue: conducting alumni interviews, consistently reviewing the portfolio, and creating a comprehensive transition plan. The last point, although simple, is pivotal for our organization’s development, whose very nature causes yearly turnover of Upper Management. As a result, a smooth transition plan fosters organizational growth through learning from past experience. Building on years past, we aim to include “how-tos” for technology utilized by various roles, specific timelines for conference planning, and ‘relationship trackers’ to manage sponsorship engagement. Conserving momentum, we believe such transition plans will allow future UM teams to focus on long-term goals.

As always, the core of our organization has always been our members and alumni. As we continue to grow, it is important to always look back to our roots and keep in mind the values and characteristics of our founding partners. This is especially true when it comes time to recruit the next generation of analysts.

Letter from the 2020 CEO

For this reason, a key initiative for this year is to build upon our progress in 2019 and conduct an in-depth review of the recruitment process on a pod-by-pod basis. We want to ensure that the process is inclusive, and thus aim to attract the most dedicated students who will contribute to the team as both mentee and, eventually, mentor.

Furthermore, this year we are fortunate to have very skilled and committed VPs of Technology. Working together, we hope to ensure the organization has a robust communication system in the form of an updated website and listservs. Various other roles are also looking to adopt more modern technology platforms, such as using Google classroom to improve the education program. This transition will allow us to better engage with our alumni, better present ourselves to potential sponsors, and once again, create a foundation on which future years can build.

Another focus of this year is increasing member engagement. The many ways in which our members add to the GPS community vary from promoting pod outreach programs to asking diligent questions on calls, all of which have a lasting impact. To recognize the hard work of every individual in the organization, we will be implementing a new feedback program for all members. We also aim to regularly update the website with member news, pod outings, and pictures to re-infuse the organization with pride in our members and excitement for our peers. We believe that all of these internal initiatives will put GPS in a great position to get media coverage and built relationships with potential sponsors.

Lastly, our success rests upon the alumni who continue to be active in the organization, serving as our mentors, providing feedback on pitches, attending and helping plan conferences, and sharing their wisdom with our undergraduates. We seek to continue to nourish a mutually beneficial relationship by hosting alumni-specific events for alumni to reconnect with one another as well asking alumni to hold educational segments to discuss something of interest to them.

Letter from the 2020 CEO

I would also like to take the time to briefly address our alumni directly. First and foremost, thank you for your years of dedication to GPS. Personally, I will never forget the rush of excitement, pride, and slight intimidation, when I got off the phone with a Penn alumnus after just having just been accepted into the analyst program. Nor will I forget how fast my heart was racing at fall conference pitching in front of the founding partners and other alumni. I think I speak for everyone when I say that these moments we share with you and lessons you have taught us have not only shaped the way we think about investing, but also how we approach all opportunities and challenges in our lives. In order to continue building these fruitful relationships, I encourage you to grab coffee with a fellow alumnus from your analyst class, share some interesting news with the group, and come out to our conferences this year to rekindle old friendships or begin new ones.

I am honored to have the opportunity to serve as your CEO this year, and I will do my best to promote an engaging and tight-knit community for all. I'm excited for all the memories to come.

Best regards,
Paulina

GIVING BACK PROGRAM

Since inception, GPS has held true to the belief that giving back entails engaging with the community around us. 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.

Harvard University

This year, the Harvard Pod is volunteering with First Generation Investors (FGI), a non-profit organization teaching basic finance and investing principles to underserved high school students. In an eight-week education program, students from the Boston area come to Harvard's campus to attend lectures and participate in discussions. At the end of each session, participants receive money of their own to invest in the markets. Through this engagement, members of the Harvard Pod serve as volunteer tutors and work to build life-long relationships with student mentees.

Georgetown University

The Georgetown Pod partnered with Bishop Events, an organization which provides high quality races that benefit local and national charity organizations. We volunteered to help organize a half-marathon along the Potomac River in Georgetown. All proceeds were donated to U.S. Veterans. Throughout the day, we provided runners with refreshments, handed out medals, and coordinated photoshoots with veterans and event participants. We look forward to continuing our relationship with Bishop Events and supporting our nations veterans.

GIVING BACK PROGRAM

University of Colorado

The Colorado Pod continues to volunteer at Summit Middle School, in order to further the financial knowledge of the rising youth in the Boulder Valley. The Colorado Pod sought out to increase the knowledge the students had about the world of finance, as well as attempting to show how valuable personal finance can be. In 2020, the Colorado Pod looks to host a panel at the local high school, with a more in-depth presentation of personal finance.

London School of Economics

The LSE Pod decided to continue its work with the unrelenting issue of homelessness in London. The Pod has partnered with Amurt UK, who focuses on ensuring that the homeless are fed and nourished, a right that every human being should have. Come rain or shine, we have enjoyed working as a Pod to serve those in need and to learn more about their lives. Whether it be dishing soup or helping an individual find something from the donations to keep them warm, the Pod has appreciated the opportunity to help. We look forward to continuing our efforts and giving where we can to address the urgent need of these community members.

New York University

Dedicated to giving back to the community, the NYU Pod joined the Bowery Mission in the past year to help neighbors facing homelessness. The Bowery Mission aims to transform the lives of homeless community members from poverty and despair to hope and independence by fulfilling their basic needs. Working closely with the Bowery Mission, the NYU Pod prepared meals and served free breakfast to hundreds of hungry New Yorkers.

GIVING BACK PROGRAM

University of Pennsylvania

This year, the Penn Pod centered its philanthropy efforts around helping the homeless and underserved communities in Philadelphia. The pod worked with the Sunday Breakfast Rescue Mission, the only provider in Philadelphia offering three meals a day to anyone struggling with homelessness. Pod members helped the Mission run their daily dinner service by preparing, plating, and distributing meals directly to approximately 245 guests. As a pod, we hold strong value in being active members of our surrounding community by giving back to those in need.

Massachusetts Institute of Technology

The MIT pod spent time giving back to the community by volunteering to teach at MIT's Spark program. This is a weekend event on campus that allows middle-schoolers to take a wide array of classes taught by MIT students in a variety of topics. We taught a short introductory investing class where we explained how the stock market functions and played games to simulate basic market dynamics. Our pod had a great time interacting with the students and sharing the knowledge we have learned through GPS with others!

University of Dayton

The Dayton Pod reached out to local community high schools and continued its tradition of administering a stock portfolio competition through MarketWatch. Pod members periodically traveled to these high schools and helped educate students on the basics of analyzing a company. At the end of the competition, the top performing teams were invited to visit the University of Dayton and present their strategies to the Dayton Pod. Ultimately, a winner was selected in addition to constructive feedback being offered to all attendees.

Summer Conference Recap

Summer Conference is an opportunity for the organization to bring analysts, members, and alumni back together. Featured events include volunteering events, tourist attractions, and alumni panels. This year, the conference was held in New York at PJT Partners.

Social event on Friday, July 12th on the top of the Empire State Building

Alumni panels discussing various career paths and important considerations

Fall Conference Recap

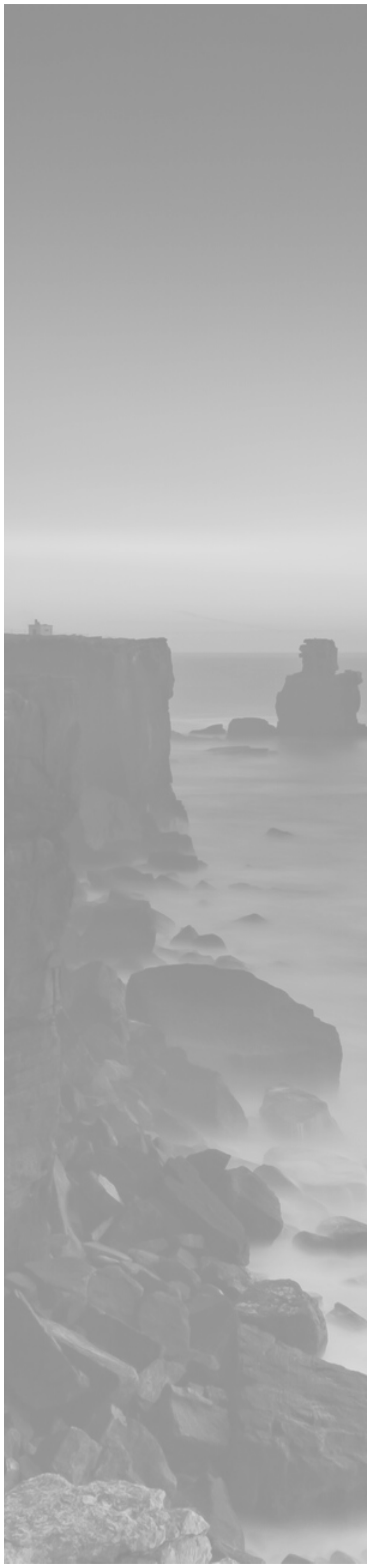
Fall Conference is a unique opportunity for analysts to gain full membership to our organization. In addition to social and tourist events, analysts present pitches to alumni and members. GPS also invites external speakers to present to the organization.

This year, the conference was held in New York at Barclays.

Team dinner on Saturday, October 12th after a day of analyst presentations and guest speakers

Cornell CIO Ken Miranda speaking to the group in a panel moderated by Patrick Haubert and Justin Ang

2019 IN REVIEW & LOOKING FORWARD TO 2020



Dear Team,

With the last months of 2018 ending mostly in the red, experts from around the globe began to paint the picture of a possible recession. Various data sources from Google Trends to surveys on CFOs and CEOs to the Fed's minutes all conveyed the view that a recession was probable; with Sino-US trade tensions and expectations of rising rates, 2019 started with a general bearish view of the markets. Yet, looking at the year in reflection, it is clear that the only thing that was predictable about the markets was its unpredictability. Concluding 2019, the S&P gained a staggering 28.9% (its best year since 2013), the MSCI 28.4%, and the FTSE 12.0%. The job market tightened, with US unemployment falling to ~3.5%, and wages experienced some growth at around 6%. All in all, the year played out quite differently to what everyone was expecting.

Ironically, embracing some of the same sentiment that we saw in Q4 2018, some signs of cracks are beginning to show. Negative interest rates went from the exception to the norm in 2019, with most of the Euro area joining Japan. First level thinkers celebrate the exuberance that comes with dovish monetary policy; we feel, however, that this not only highlights the underlying economic stagnation we are seeing in many places, but also communicates that the era of central banks being the de facto influencers and drivers of market growth may be drawing to a close. Across 2019, three successive rate cuts (amounting to 75 basis points) led to a complete turnaround of interest rate expectations and the revival of market confidence in the US, but we question how much longer this stimulus can last as we start to approach the feared zero lower bound. In addition to this, global manufacturing and trade levels have dropped, and commodity markets didn't shine as they did in the first decade of the 21st century.

Throughout 2019, several geopolitical events provided an uncertain backdrop to markets. First, there was the long and volatile US trade war with China, which seems to have come to a (temporary) close. Going back and forth with tariffs, threats, and the HuaWei investigation, both Xi and Trump displayed quite the face off, with markets suffering the volatile consequences.

2019 IN REVIEW & LOOKING FORWARD TO 2020

After a drawn out phase of negotiations, the US and China agreed on a Phase I deal, with China promising to cut tariffs and boost imports by ~$200bn and the US agreeing to halve a large selection of tariffs. Second, the drawn out Brexit process finally drew to a close: Theresa May’s departure from office and a snap General Election called by Boris Johnson gave the Conservatives a parliamentary majority and enabled a swifter and more certain Brexit with a hard date set on 31 January 2020. While the specific effects are yet to be fully seen across the UK, Johnson’s “Get Brexit done” attitude has given UK investors a lot more certainty in the short term.

Turning our attention to the portfolio, in 2019, the S&P 500 returned 28.9% while the GPS portfolio returned 20.84%. The underperformance can be first and foremost attributed to idiosyncratic underperformance with a few of our holdings. In particular, we exited Criteo at ~$17/share representing a -34.69% loss from inception. We initially believed the ad-retargeting company, which served personalised advertisements to consumers who previously visited client’s websites, was a unique business that was cheaply valued at 5x EV/EBITDA. Over the year, there had been headwinds due to privacy concerns as well as Facebook, Apple (and several other browsers) largely ceasing support for using third party cookies to track users. This material development threatened CRTO’s core business model, therefore moving us to sell CRTO around the end of 2019. Indeed, not long after exiting the position, Google followed suit which sent the stock plummeting even further. While painful, the loss on the position was a reminder that cheap does not necessarily equate to compounding potential. It also served as a lesson on both the regulatory risk associated with companies that are heavily dependent on user data, as well as the asymmetric negotiating leverage for businesses that are heavily reliant on the bigger (FAANG) companies.

Across the year, we also exited 9 positions within our portfolio at valuations we felt were favourable, leaving our portfolio with 48.6% cash. The greatest side effect to this is that we were unable to participate in a lot of the S&P rally within 2019, explaining some of the underperformance.

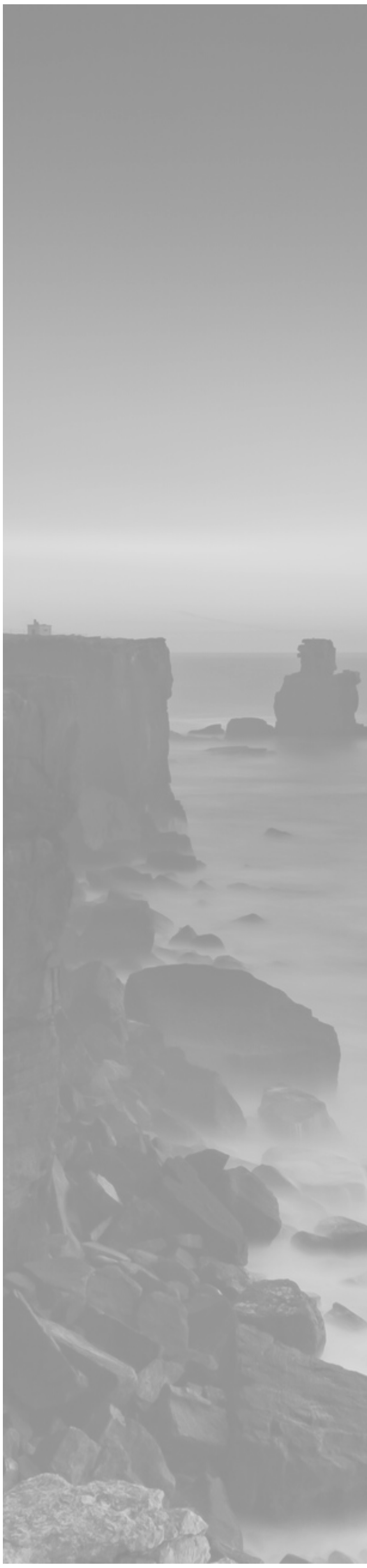
2019 IN REVIEW & LOOKING FORWARD TO 2020

We neither claim to be able to time the market nor attempt to do so - instead, our huge cash balance reflects the difficulties we have faced in finding companies at attractive prices amidst rising valuations, rather than a top-down bearish view. Our process remains largely the same, and we continue to look at opportunistically deploying capital in stocks which provide us an asymmetric risk-reward skew.

As we move into 2020, while Sino-US trade and Brexit seems to have become relatively more stabilised, the spread of COVID-19 has left many markets in the red through fear and a loss of consumer confidence and business productivity. Though unfortunate, our prudence in maintaining nearly half of our portfolio in cash has protected us from some of this downside. Whilst being cognizant of how the epidemic can seriously affect consumption and growth in the coming months, we remain on the lookout for businesses that we believe have been sold off to a point where there is a favourable price-value disconnect. It is our belief that it is precisely such crises that reveal which businesses are fundamentally strong, operationally efficient, and well-managed. We also believe that uncertainty and bear markets create ample buying opportunities for fundamental-oriented value investors. In light of that, we end off this year's review with a quote from a certain esteemed investor whom we hold in very high regard:

> "An argument is made that there are just too many question marks about the near future; wouldn't it be better to wait until things clear up a bit? You know the prose: "Maintain buying reserves until current uncertainties are resolved," etc. Before reaching for that crutch, face up to two unpleasant facts: The future is never clear and you pay a very high price for a cheery consensus. Uncertainty actually is the friend of the buyer of long-term values."- Warren Buffett, 1979

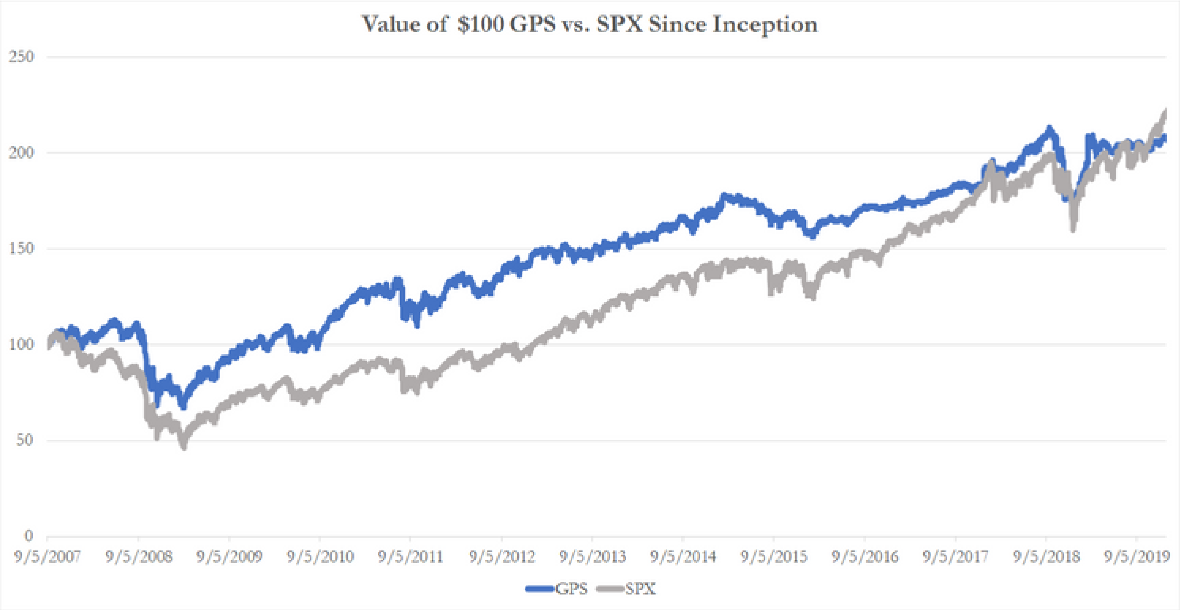
Sincerely,
Josh Solesbury and William Tey
2020 Portfolio Managers



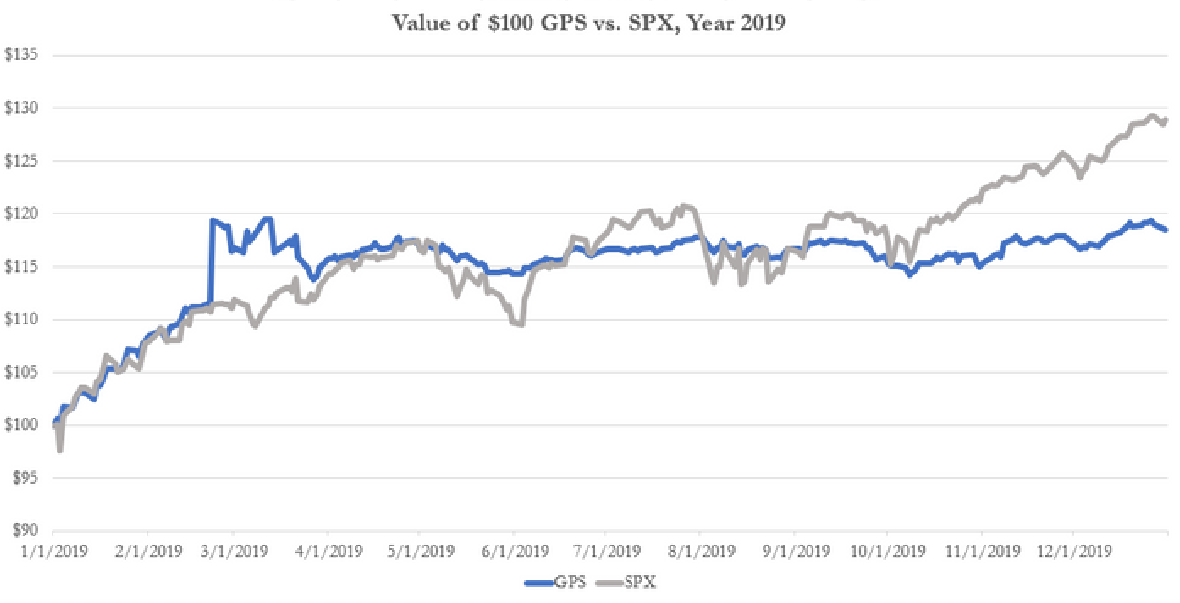
PORTFOLIO PERFORMANCE

Value of $100 GPS vs S&P

Since Inception

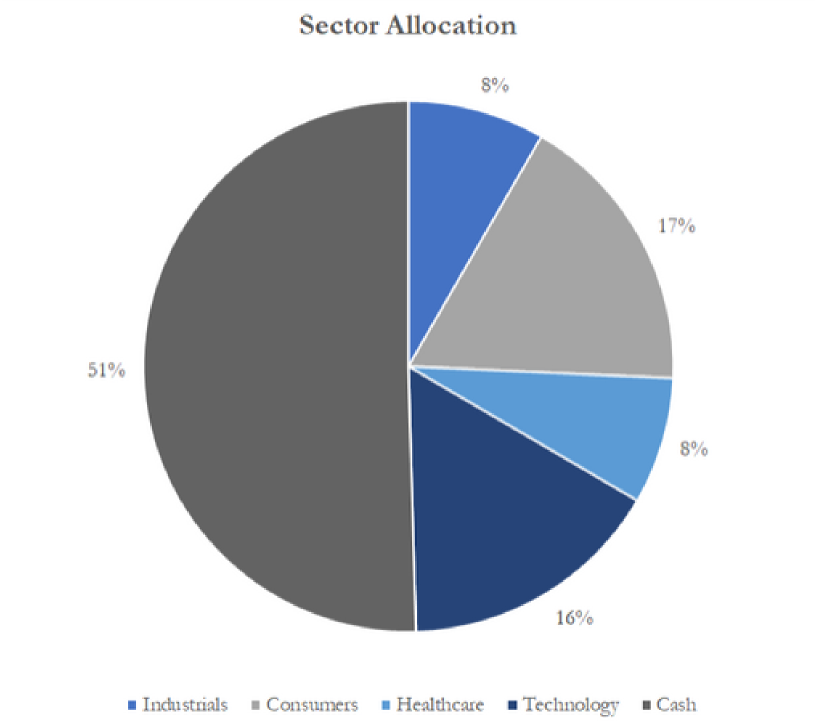


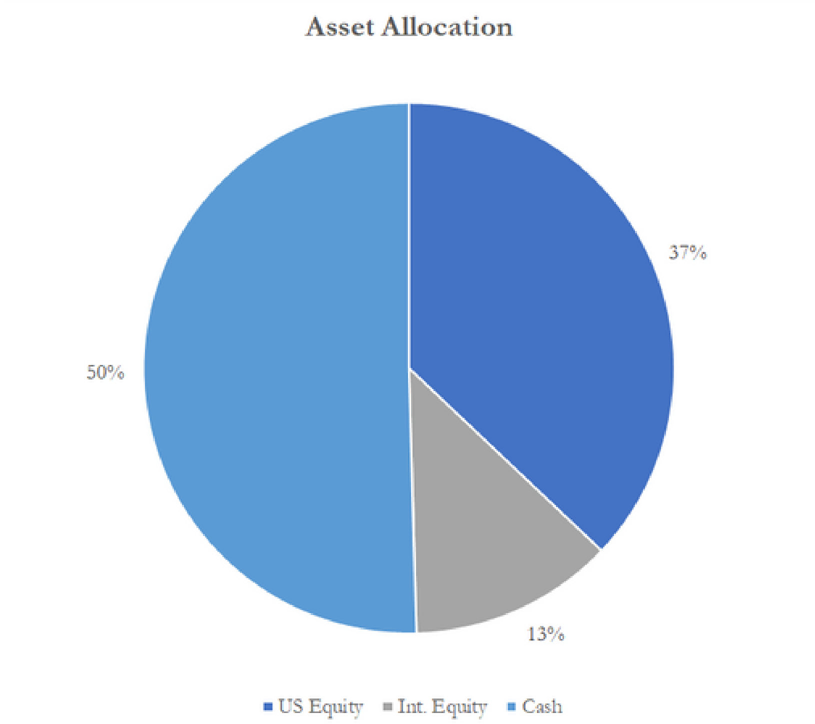
In 2019



2019 PORTFOLIO ALLOCATION

Year End 2019





PORTFOLIO HOLDINGS

Gamesys (GYS)

JackpotJoy (JPJ), now **Gamesys (GYS)** is an operator of online gaming websites, mainly in the UK and Japan. GPS originally entered a position in Jackpot Joy because the company was priced as an overly levered gaming rollup despite having a high quality gaming platform. Online bingo, its core business, has inherently sticky players and new customers offer incremental value to the platform by improving the gaming liquidity and creating more opportunities for players to bond with each other.

We continued to hold on to JPJ in 2019 as we expected its equity value to be unleashed once the company de-levers its balance sheet through strong internal cash flow generation. However, in June, the company delayed its de-leveraging process by raising debt to acquire Gamesys, a developer and operator of gaming websites. We believe the acquisition made strategic sense as Gamesys owns the technology that powers JPJ's platform. Furthermore, GYS was growing quickly and the acquisition multiple of ~7.3x EBITDA was reasonable. However, due to the delay in JPJ's de-leveraging story as well as an increasingly hostile regulatory environment for online gambling in UK, we decided to trim our position to ~4% of the portfolio.

Tencent (TCEHY)

Tencent (TCEHY) is best known for its WeChat platform and video game business. We saw an attractive investment opportunity given that it has one of the widest moats in the world. Further, its platform is dramatically under-monetized with signs of monetization picking up. On top of this, a temporary delay in video game approvals clearly scared some investors off, who extrapolated this headwind out indefinitely.

After a thorough discussion of the Naspers / Tencent situation, we determined that the clearest pathway to value realization was through an investment in Tencent directly.

As of 2019 year-end, the stock has traded up meaningfully compared to our entry price, and we are monitoring the position closely for a potential exit. Our conviction on the quality of the business / moat and our outlook on gaming remains the same. The story on gaming has developed largely as we anticipated. As the company's share price changes, we are actively considering the extent to which our margin of safety has diminished and will act accordingly in 2020.

PORTFOLIO HOLDINGS

Howden Joinery (HWDN)

Howden Joinery (HWDN) is a kitchen supplier in the UK which sells its fitted kitchens through local builders as opposed to the retail channel adopted by most of its competitors. With over 750 depots, they have approximately 30% of the UK market share. GPS entered the position in 2017 with the thesis that it was an opportunity to purchase a high-quality company whose multiple had contracted over the last few years due to inflationary pressures and uncertainty caused by Brexit. HWDN provides a superior customer proposition to the tradesmen it services, operates a unique decentralized model for depot managers and possesses very attractive unit economics, rolling out depots at an IRR of ~40%.

In 2019, HWDN outperformed our revenue expectations as it continued to gain market share and show positive like-for-like growth in a challenging macro environment. HWDN began to gain momentum after its 1H19 report showed positive performance with sales increasing 5.4% and gross margins improving 60bps. We continue to hold HWDN as we believe that it is a quality business with a high return on invested capital, significant potential growth and a differentiated business model. Notwithstanding that, we are aware HWDN has begun to see significant investor interest with the stock price increasing ~57% and rerating to ~20x earnings over the course of 2019. Coupled with a slightly more stabilised political and economic backdrop in the UK towards the end of 2019, we will be looking to opportunistically trim our position given a large part of our initial thesis has played out.

PDL Biopharma (PDLI)

PDL Biopharma (PDLI) is a healthcare company which operates and invests in biotechnology companies, royalties and related debt. It was founded in 1986 to develop and commercialize humanized monoclonal antibodies but has since shifted to HoldCo structure for two subsidiaries and has a variety of debt, royalty and equity investments in healthcare companies. Shareholder confidence in PDL's management team has deteriorated significantly due to prior management team's missteps leading to PDL trading at a significant discount to book value with cash-flow generating assets (> 60% discount to conservative BV). After the original presentation but prior to our investment, an activist fund, Engine Capital, initiated a position urging the company to liquidate and wind down operations. We view this catalyst as critical in closing the gap between price and intrinsic value.

Given our conviction in the underlying book value of the assets and Engine's involvement, we felt comfortable initiating a position in late-December 2019.

PORTFOLIO HOLDINGS

eBay (EBAY)

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 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 at the time of investment was not valued by the market. Its true earnings power is hidden by low monetization, which continues to increase.

In 2019, eBay experienced some structural changes. First, the former CEO Devin Wenig stepped down abruptly in September, and the CFO Scott Schenkel stepped in as interim CEO, a position he still holds as the company has not yet found a successor. Furthermore, on November 25, 2019, eBay announced that it is in a definitive agreement to sell Stubhub to Viagogo for $4.05B. We are pleased with this sale as the proceeds were used for buybacks at a good IRR and management is now more focused on the core business. However, we are still looking for a spin-off of the payments business for the company to realize its full value, and this year has proved that this may be harder than we had previously thought. Still, the math continues to be attractive, and in 2019, we saw eBay moving closer to realizing the full value of the aforementioned classifieds business and its yield with higher buybacks. Lastly, we see continued pressure from activist funds Elliott Management and Starboard looking for operational improvements and the sale of eBay Classifieds which will only help us unlock value. We plan to continue to hold this position as our thesis continues to play out in the coming year.

PORTFOLIO HOLDINGS

Par Technologies (PAR)

Par Technologies (PAR) is a small-cap American conglomerate that has two main subsidiaries: restaurant management solutions and a defense business. The defense business focuses on surveillance and intelligence systems built on satellite and telecommunication technology, while the restaurant business can be broken into hardware (point of sale terminals) and software (Brink POS). The software component, completely bootstrapped since creation, is a SaaS solution that aids enterprises in restaurant management and payment processing. Par's SaaS solution served as the backbone of GPS's thesis for investment: it is extremely fast growing, sticky, and targeting an untapped population of SMBs and restaurant chains. By utilizing the existing hardware sales channels, PAR could also take advantage of existing customer relationships to decrease customer acquisition costs.

At investment inception, similar SaaS business were trading at ~40x revenue multiples, which implied investment upside without accounting for other PAR subsidiaries. This valuation disparity highlighted a market misunderstanding by investors due to the complex combination of businesses within PAR's portfolio. The attractive qualities of Brink POS, in addition to a profitable, and likely to be sold defense business, led GPS to invest at a share price of ~$24.69.

Post-investment, a catalyst occurred when PAR released 3Q earnings. The earnings report highlighted accelerated user bookings, progress in acquiring major fast-casual customers and a highly accretive acquisition of a back-office restaurant software business. For the year, PAR appreciated 24.5% on absolute terms.

While PAR has appreciated significantly, numerous catalysts remain that will unlock more value for GPS. A sale of PAR's defense business will most likely provide more cash to reinvest in Brink POS, and decreasing the businesses complexity, which would lead to a multiple re-rate for the business. Furthermore, we have confidence that continued booking and ARR growth will lead to a steadily compounding share price, and eventually price appreciation to a $56 price target.

AerCap Holdings (AER)

AerCap Holdings (AER) is the market leader in leasing commercial aircraft to airlines across the globe. Its fleet consists of 1,421 owned, managed, or on-order aircraft, spanning from Boeing 737s to Airbus A320neos. During 2018, AER was down 25%; however, during the beginning of 2019, AER is up 14%. GPS initially invested in AER for three fundamental reasons:

First, its long-term leases, attractive order book, effective hedging techniques, and low historical average credit costs provides long-term revenue and cash flow visibility. AER's fleet has an average lease term of 7.5 years, meaning 7.5 years of expected cash flows alongside its 99.8% utilization rate. AER has historically muted its credit costs, averaging only 1 percent of lease revenue, and was upgraded by S&P to a BBB credit rating in 2019. Second, AER has considerable scale, providing it with bargaining power against OEMs such as Boeing and Airbus. AER's large order book creates an opportunity to purchase aircraft at a hefty discount to retail price, lowering the cost basis on the asset. AerCap also resells planes at around a 30% premium to book value, a strong and consistent gain when retiring older assets. Third, GPS considers AerCap to be significantly undervalued by the market. The strong resale market, accelerated depreciation method deployed by management, and fleet of in-demand aircraft owned by AER warrants a price closer to, if not exceeding, book value. The direct liquidation value of AerCap's assets well exceeds the market's valuation of the company.

We continue to hold, as AER still trades well below book and has only positioned itself better since GPS bought in. Since June 2015, the management team has repurchased over 40% of the outstanding equity at a discount to book. GPS continues to look forward to the long-term prospects of AerCap Holdings, and we hope the market begins to approach the its intrinsic value.

EXITED POSITIONS

Limbach Holdings (LMB)

Limbach Holdings (LMB) installs and services non-residential HVAC systems, heating, plumbing, and electrical controls for hospitals, educational institutions, and entertainment venues. We decided to sell LMB because we believe the success of the company was too highly dependent on the success of the construction industry. LMB struggled over the past few years due to execution issues in their mid-Atlantic business. Also, the company was too dependent on industry growth and M&A possibilities.

When we modified the valuation to account for higher costs (% of sales), there was little upside left. The original thesis was predicated on revenue growth, margin expansion, and management. However, in our update we realized that revenue growth was really just predicated on industry tailwinds instead of gain in market share, large increases in labor and material costs served as a headwind to margin expansion, and industry M&A faces some unforeseen legislative hurdles. Limbach taught us to think deeply about potential unforeseen risks, and we will be sure to learn from it going forward.

Criteo (CRTO)

Criteo (CRTO) is a French technology business that specializes in providing ad re-targeting services to advertisers and retailers. It does so by collecting data on clients' websites/mobile apps and uses this information to display targeted advertisements. We entered a position in Criteo in March 2018 as we saw a buying opportunity following an extremely negative reaction to news of Apple's ITP software update. Our original thesis was that the company's scale advantage, value proposition and unique client relationships, that allow for uncapped spending budgets, would not be eroded by the update and the fundamentals of its business model remained strong.

Over 2018 and the first half of 2019, we held on to our position in Criteo as it improved the resilience of its business model by rolling out multi-product offerings with a particular focus on mobile applications. However, during the second half of 2019, the company's core ad re-targeting model came under increasing pressure due to heightened emphasis on privacy by advertising platforms, including Facebook and Google. The potential ban of third-party cookies was particularly worrisome as the re-targeting service relies on these cookies. With an increasingly challenging privacy environment and lack of visibility into the success of their new products, we concluded that it would be prudent to exit our position despite the company trading at ~2.5x EBITDA.

EXITED POSITIONS

IAC/InterActiveCorp (IAC)

IAC/InterActiveCorp (IAC) is a holding company with three parts -- Match, a collection of leading online dating platforms, ANGI HomeServices, a fast-growing online marketplace for contractors, and a stub, which contains a variety of assets. The original thesis was IAC was a good opportunity to buy two acyclical, asset-light businesses in Match and ANGI while getting the stub assets for free.

When GPS exited IAC, the relevant statistics were approximately as follows: price: $210.05; cost basis: $164.23; return: +27.9%; original target: $246.30 (+50%). Philosophically, a hold equals a buy at the current price. If IAC did not warrant a buy, then the correct decision is to sell.

The price reflected a diminished margin of safety (MoS) due to price increase; thus, the implied "upside" remaining in the original target was 50%-28%=22%. Although the original thesis remained intact, the risk versus reward was not sufficiently attractive. The conglomerate discount, in magnitude, has closed by ~13% itself (not 13% vs total conglomerate EV; see details below), so this aspect of balance sheet downside protection (crucial part of the original thesis MoS) was diminished. A 22% "upside" was insufficient to warrant a "buy" at this price, and therefore warrants a "sell."

We would not be surprised if IAC outperformed and executed well (i.e. hits target of $240 or 260 or higher, but nonetheless this is a speculative investment at this point without sufficient MoS at this price of ~$210). The original target of ~$240 implies a 26x P/E and 1.3x PEG at current valuations. A $240 to $260 PT implies 19-20x 2019 EBITDA. The bullish inputs in our original model, in large part, are still philosophically relevant for PT at $240 to $260. The market still implies negative value for IAC's "Stub" assets (non-ANGI, non-MTCH). The conglomerate discount diminished to 2.0B from 2.3B (13% decrease). Recall a ~10-15% discount is normally seen in conglomerates on average; currently there is "only" 2.0/17.7=11% or 2.0/(17.7+2.0)=10% discount.

The original thesis only had 41% "core" upside without the discount closing (-17% discount). MTCH was trading towards its higher end of historical range of 9-26x NTM EBITDA (23x then) and ANGI was focusing on top-line acceleration and market share gains instead of margins. GPS should allocate capital to higher risk-adjusted return and MoS names – and thus we exited our long IAC position.

EXITED POSITIONS

Turning Point Brands (TPB)

Turning Point Brands (TPB) operates in the other tobacco space, selling a range of products including moist snuff tobacco, loose leaf chewing tobacco, cigarette papers, cigar wraps, e-cigs, vaporizers, and herbal wraps. The company does not sell cigarettes. We believe that TPB is executing on an attractive growth strategy, operating within a bright spot of an optically declining industry. Expansion of the company's salesforce have led to significant market share gains for its smokeless products (MST and chewing tobacco). The company has also been able to integrate new product acquisitions into its strong distribution network to capture more share in this category. The company is also pivoting to address new demands from its adult customers in the e-cigarette and vapor market.

We exited this position in late-April 2019 realizing inception-to-exit returns of ~176% exceeding our original price target and realizing significant portions of our thesis. We felt this was the proper time to wind down this position given 1) significant appreciation and perhaps market hyper around TPB's shift away from legacy OTP products and 2) increased regulatory risk with e-cigs and affiliated products. Realizing in excess of 70% returns annualized with this position and uncomfortable with our ability forecast future returns given regulatory and strategy risk, we felt comfortable exiting this position.

Lindblad Expedition (LIND)

Lindblad Expedition (LIND) provides adventure cruises on all 7 continents by operating 8 owned vessels and 5 seasonally chartered vessels. The business seeks to provide an intimate experience that brings guests to remote and exotic locations. We invested in Lindblad with the view that it was well positioned to capitalize on demographic tailwinds impacting the experiential travel industry and that fleet expansion initiatives had the potential to grow EBITDA by over $40M.

We exited the position in late-April 2019 upon concluding that our original thesis had played out, and we were unable to underwrite future returns in excess of our current hurdle rate. Our thesis manifested in spectacular operating performance, impressive fleet expansion and led to inception-to-exit returns ~74%. We are satisfied with the almost 30% annualized returns this position generated and look forward to using the proceeds from this investment to reinvest in promising ideas in the GPS pipeline.

EXITED POSITIONS

Travelport (TVPT)

Travelport (TVPT) is a travel commerce platform that provides distribution, technology, and payment solutions for the global travel industry. A leading global distribution service (GDS), Travelport acts as the middleman between travel providers, such as airlines and hotels, and travel management companies (travel agencies). GPS's thesis for TVPT revolved around several significant points. First, we believed that TVPT had the potential to expand into further high margin areas, such as "Away Bookings" (intermediating bookings for non-domestic airlines can command a 50-67% higher service fee for TVPT). Second, we believed TVPT's payments subsidiary, eNett, had the potential to grow into a $1B+ business, creating the conditions for substantial value creation through an intelligently executed spinoff or sale. Lastly, we believed that TVPT's de-leveraging would de-risk the investment over time and make TVPT a potential acquisition target. In March 2018, Elliott Management entered into a 14% position in TVPT with the intention of taking the business private.

In December 2018, GPS's thesis points were fully realized when TVPT announced that Siris Capital and Evergreen Coast Capital (the private equity subsidiary of Elliott Management) would take the company private at $15.75 per share. The deal closed in June 2019, and GPS received a cash payout representing a 1.94% upside. In January 2020, financial technology company Wex agreed to purchase eNett for $1.7B, confirming our thesis of eNett. While many were disappointed that TVPT did not sell for a higher premium, this served as an important learning experience concerning the incentives of management teams in the face of take-private offers.

Liberty Sirius XM (LSXMK)

Liberty Sirius XM (LSXMK) is a satellite radio provider which operates as a monopoly within the US. The company owns and operates five satellites, from which they broadcast 150+ channels, accessible at a superior quality to international radio across the US. GPS's initial thesis revolved around how overblown concerns surrounding music streaming distracted the street from Sirius' unshaken value proposition and entrenched monopoly. In addition, the core business commanded an advantageous cost profile, resilient to industry-wide pressures. In short, its growth runway in an underpenetrated used vehicle market and above-potential churn rates are obscured by new vehicle market fears and skewed contributions from involuntary churn. GPS sold the position (initiated in 2017), in April 2019 due to a variety of concerns. The massive subscription growth in music streaming services such as Apple Music and Spotify appeared to be a clear market disruptor, likely to harm LSXMK. Furthermore, one of the core theses surrounding the untapped used car market proved largely played out. Finally, uncertainty surrounding the Pandora acquisition played further into the decision to sell at our initial cost basis.

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