

# ANNUAL REPORT

## 2008



**GLOBAL**  
PLATINUM  
SECURITIES

# 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



“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.”

# TABLE OF CONTENTS



Board of Managers 2008	5
Upper Management	6
Letter from the CEO	7
Letter from the Founders	8
Letter from Internal Relations	9
Giving Back	10
2008 in Review	11
Looking Forward	13
Portfolio Performance	14

# BOARD OF MANAGERS 2008



**Hoshrav Patel**

*New York University '09  
Chief Executive Officer*

**Roman Smukler**

*New York University '09  
Chief Operating Officer*

**Howard Chang**

*Georgetown University '09  
Chief Financial Officer*

**Cole Magrath**

*Georgetown University '10  
Portfolio Manager*

**Michael Tanzer**

*New York University '10  
Portfolio Manager*

**Tim Shannon**

*Georgetown University '07  
J.P. Morgan Asset Management*

**Ken Talanian**

*Georgetown University '06  
J.P. Morgan Asset Management*

**Rufino Mendoza**

*Georgetown University '07  
J.P. Morgan Asset Management*

**Jon Brachle**

*University of Colorado '07  
J.P. Morgan Asset Management*

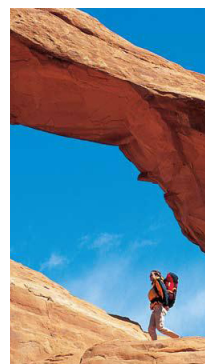
**Helen Weng**

*Harvard University '08  
J.P. Morgan Asset Management*

**Kent Choi**

*London School of Economics '08  
Goldman Sachs*

# UPPER MANAGEMENT



## 2008

**Hoshrav Patel**  
*New York University*

**Roman Smukler**  
*New York University*

**Howard Chang**  
*Georgetown University*

**Cole Magrath**  
*Georgetown University*

**Michael Tanzer**  
*New York University*

**Ashwin Pushpala**  
*University of Pennsylvania*

**Sun-Young Chung**  
*Harvard University*

**Rory Priday**  
*Harvard University*

**Robert Green**  
*University of Dayton*

**Aaron Woodward**  
*University of Colorado*

**Nikhil Marathe**  
*University of Pennsylvania*

**Chief Executive Officer**

**Chief Operating Officer**

**Chief Financial Officer**

**Portfolio Managers**

**Chief Marketing Officer**

**VP of Philanthropy**

**VPs of Education**

**VPs of Internal Relations**

**VP of Personnel**

## 2009

**Michael Tanzer**  
*New York University*

**Cole Magrath**  
*Georgetown University*

**Tong Lap Him**  
*London School of Economics*

**David Escamilla**  
*Harvard University*

**Rob Richmond**  
*University of Colorado*

**Micaela Drolshagen**  
*University of Dayton*

**Aaron Woodward**  
*University of Colorado*

**Chris Ramesh**  
*Georgetown University*

**Maulik Shah**  
*University of Pennsylvania*

**Alice Chung**  
*Harvard University*

**Akeel Rangwala**  
*Harvard University*

**Lambert Wang**  
*Georgetown University*

# LETTER FROM THE CEO

Dear Investors & Mentors,

The GPS ship has navigated through tumultuous waters in a year that marks a watershed moment in global financial market history. The year 2008 was to financial markets what Russia was to Churchill: a riddle, wrapped in a mystery, inside an enigma. The riddle did not simply slaughter businesses and economies. Rather it posed a fundamental challenge to the very basis of capitalism—a system whose manifesto has underpinned civilizations since time immemorial.

The implosion of America's most levered and widely-owned asset class led to financial destruction of nightmarish proportions. Gargantuan institutions that were once the pinnacle of modern finance simply crumbled. Revered asset allocators and quantitative powerhouses were humbled and humiliated, while the global love affair for the BRICs lost its fervor. Even sovereign-wealth funds that came to the rescue of wounded American titans eventually fizzled on the back of declining commodity prices. As the cancer spread from the epicenter on Wall Street to the peripheries, it claimed many more victims in what appears to be Darwin's theory of natural selection on steroids. The creed of a once debt-fuelled economy has become "In God we trust; all others please pay cash."

In a year as elaborate as this, GPS outperformed the market with an alpha of 12.9%. To our dismay, however, we lost money for our investors for the first time since inception, generating an absolute return of -25.3% (versus an S&P 500 return of -37.6% over the same period). The outperformance can be attributed to our disciplined approach to value investing. As the following quote from our 2007 Annual Report suggests, we passed on several investment opportunities due to lofty valuations: "As risk became an antiquated concept and the markets continued to defy fundamentals through the year 2007, valuations reached unjustifiable levels, leading to a lack of promising acquisition opportunities and a large cash base." In fact, apart from subjecting prospects to more stringent stress tests, our investment strategy has remained largely unchanged since this crisis began. We have zealously adhered to the fundamental principles of value investing, deploying risk capital into robust companies, operating in durable industries and trading at a deep discount to intrinsic value.

Our two conferences in New York provided excellent opportunities for members to solidify relationships amongst themselves and GPS alumni. Through interactions with a senior executive at a financial services powerhouse, we gained deep insights into the global payments, network and credit cards businesses. Conversations with venerated capital allocators enlightened us about the gaming and gambling industry, the global revolution that it is currently

undergoing and the opportunity that this transformation creates for allocators of risk capital.

GPS's philanthropic mission impacted surrounding communities on a scale not seen before. For the first time in the history of the organization, all eight chapter schools conducted a philanthropic endeavor, enlightening citizens within their communities. Our educational program continues to be refined, reaching newer levels of sophistication to better equip the leaders of tomorrow. At a time where the need for financial literacy across the nation is so acute, we see our philanthropic and educational endeavors as small steps that will lead to giant leaps for mankind.

The technological infrastructure at GPS was upgraded, in order to meet the more sophisticated needs of a growing organization. In our endeavor to achieve complete operational sustainability, we established and implemented an operating fund to finance internal expenses. Members and alumni will contribute to this fund on an annual basis. Resources were also invested in enhancing GPS' brand equity and improving its recognition across university campuses and the larger financial community. We were featured in a documentary *Valor Afegit*, produced by Televisió de Catalunya, one of the largest broadcasters in Spain. Through a series of interviews, the documentary attempted to capture the opinion of revered academics and Wall Street Professionals, on the disarray in global financial markets. GPS proudly, but humbly, offered its opinion on the financial malaise and the doses required to fix capitalism. Finally, to forge stronger relationships with GPS alums and tap their wealth of knowledge, we laid the foundations of an Alumni Association and are in the process of restructuring the board to improve alumni representation.

On a personal note, as the year draws to an end on April 4, 2009, I will hand over the reins to my close colleague Michael Tanzer, and thus culminate three years of service as a full-time member of GPS. Words cannot describe how grateful I am for the opportunity of leading an organization that is making its place in history.

The achievements in 2008 make it a remarkable year for GPS and one that I will remember fondly. Yet, given the trajectory at which GPS is ascending, I expect it to be a mere speck amongst the plethora of successes that I am confident, this organization will experience.

Sincerely,  
Hoshnav Patel  
Chief Executive Officer

# LETTER FROM THE FOUNDERS

Dear Investors & Mentors,

Looking back, the moment was in a boardroom roughly twenty stories in the air with one of the best views Midtown Manhattan. We were sitting around a long table, a small group of people who were debating the identity of a nascent investment club. Who were we and why should we matter? It was apparent that, in the diversity of circumstances brought about by the entropy of history, our personal circumstances were providential. We had been lucky to have the support of countless mentors and unparalleled opportunities in our lives. With this came responsibility, and having a group that simply traded a few investment ideas here and there was not enough. We aspired to a greater purpose: to pass the education and opportunities we had been given onto posterity. This purpose became the core of Global Platinum Securities.

In the past five years, our relentless focus has been on creating an institutional framework for the sustainability of GPS. We have begun to develop a comprehensive recruiting process that aims to attract the most passionate and intellectually curious students. We have laid down the groundwork for an education program that will continue to develop with the goal of sating the unquenchable thirst for knowledge. We now have the first slivers of what we hope will become an energetic alumni base committed to lifelong mentorship.

Nevertheless, the external environment is drastically different from the one in which GPS was founded. With the perception in the general public that the greed of Wall Street was the cause of the current economic malaise, a career in finance has fallen from a position of high regard to a thankless task. Moreover, the social reverberations of the crash have people fundamentally questioning the viability of the capitalist system itself.

The root of every downturn is caused by the short memory of society coupled with a new fundamental innovation. Unfortunately, with new innovation also comes the notion that there is, as often overused business jargon puts it, a “paradigm shift” in the laws of economics: that one only need put a dollar in some magical machine, and two dollars would come out the other end.

During the Internet bubble, people forgot about how cash flows are the lifeline of a business. During the housing bubble, people lost historical perspective on the cost of capital. A combination of emerging market surplus and the creation of an alphabet soup of SIVs, CDOs, MBS, et al, became the norm. Endemic in both these downturns was the perception there was a new “system” that created instant millionaires, be it in the next dot-com company with the greatest numbers of “eyes” or in the flipping of houses aided by loan-to-value ratios of 100% or greater. In the end, we painfully learn once more that basic economic

principles are immutable.

Needed today more than ever is a return to fundamental principles that are often forgotten in market bubbles. That the value of an asset is derived from the discounted value of its future cash flows and that this value must be greater than the cost of capital. That real economic value comes by increasing the ability of our limited resources to fill our insatiable needs. Nevertheless, even after a sensible *zeitgeist* has returned, our short memories will return with the passage of time.

This, we see our role to be: to educate future business leaders who will *remember* not only the principles of economics, but more essentially, that the best businesses always uphold the highest ethical standards and understand the importance of their societal impact.

We will, year after year, find humble college students whose fascination with business and the markets is in the blood. Students with a deep desire to learn *why things are the way they are*, and in this sense, our alumni will always be students. Those who have an itch that must be scratched: Why is this industry structured in this manner? Why is this company more successful than its peers? Why do we think these valuations deviate from their intrinsic value?

We will give them the tools to become people who can allocate capital to the best entrepreneurs and people who can *be* amazing entrepreneurs. Then they will go forth to spread economic education in whichever way they know best, be it through creating better mechanisms for the diffusion of financial education or simply being role models who exemplify the principles of the GPS Creed.

The more effective our education program and the more people we can touch with financial knowledge, the closer we can get our society to fulfill the promise of economics, which has always been predicated on the widespread ability of people to make *informed* choices with the rational temperament of a *homo economicus*.

We cannot deny that Smithian greed has always and will always play an essential role in economic growth. However, the best entrepreneurs view their own wealth maximization as often the secondary or tertiary objective; change as the primary objective. The best practitioners of finance view value creation as the first objective, and the path to get there: prosperity through knowledge, wealth through prudence, and fulfillment through the pursuit of truth.

Sincerely,  
Rufino Mendoza, Tim Shannon, and Ken Talanian  
The Founders

# LETTER FROM INTERNAL RELATIONS



Dear Investors & Mentors,

It was yet another truly exciting year as we continued to strengthen and develop relationships not only within, but beyond our organization.

Our membership grew to 46 students across all eight chapter schools, which includes the addition of 22 extremely bright analysts with the aptitude to carry GPS to new heights in the future. 2008 was the first year the organization was really able to focus most of its efforts on administrative and research measures as we began to gear less towards startup procedures.

Previous members of GPS created a solid bedrock for future generations to cultivate growth and improve on operating efficiencies. We can personally attest that everything from the recruiting process to the education program to the philanthropic efforts of the organization improved dramatically and will only improve year after year.

Steps that were taken this year in Internal Relations operated within the context of continued efforts to build deeper connections between our mentors, the alumni, and the student members. Through hosting conference calls with several mentors, highlighting alumni career paths, and uncovering extra-curricular activities of our members in newsletters, we hoped that everyone enjoyed becoming more familiar with our unique collection of diverse individuals who have played an important role in the organization's accomplishments.

In an effort to address our growing alumni body, we laid the

foundation for establishing a formal alumni association. We hope this organization will provide a medium for all alums to continue to strengthen relationships with each other and build a stronger connection with the undergraduate students of GPS. We hope that in 2009, with the second formal analyst class graduating, we will establish an alumni organization that will be self-sufficient and effective in keeping the GPS family intact. We are looking forward to the policies and synergies that will spawn from the design of this association.

Per tradition, GPS hosted three conferences in 2008: the Spring Retreat was held in Barrington, RI and the Summer Conference and the Fall Induction were both held in New York City. Our 2009 Spring Retreat was hosted at Walt Disney World in Orlando, FL during the first weekend of April. As always, we feel that between our three annual conferences, newsletters, and required weekly meetings as an entire organization and as individual pods will only reinforce our bonds and fortify interactions between the students and our mentors.

On behalf of the entire organization, we would like to thank you for your continued support. Here is to a successful 2009!

Sincerely,  
Aaron Woodward and Rob Green  
Vice Presidents of Internal Relations

# GIVING BACK

Dear Investors & Mentors,

The GPS Giving Back Program was launched this fall as part of our mission to give back to the community by utilizing our knowledge and skills to reach as many underprivileged individuals who do not have equal opportunities in education and/or employment due to their socioeconomic status. Throughout the year, GPS Pods have interacted with all age groups from elementary school students to college-bound seniors to adults who seek help in terms of financial education and literacy. As of this year, our chapters' philanthropic efforts have included helping students learn how to obtain student loans and financial aid for college, working with an organization that provides getting the homeless back on track, and stock simulations at elementary schools to teach basic stock knowledge for those who are intellectually curious from an early age.

Below are the Giving Back Events that have taken place at each pod this year:

The GPS CU Pod visited an organization based out of Denver called New Genesis, the only Denver area homeless program for working people. New Genesis provides housing and other resources for folks that are getting their lives back on track to realize their mission of helping the temporarily homeless to lead a more productive and independent life by recapturing accountability for their actions. The CU Pod gave a presentation on basic financial topics including bank accounts, savings and budgeting to a group of 40 people as well as holding a Q&A session. There were many questions regarding tax liens.

GPS NYU partnered with the Junior Achievement Program, the world's largest organization dedicated to educating students about entrepreneurship, work readiness and financial literacy, and visited a school in Long Island City. The NYU Pod spent a full day teaching fifth graders about basic commerce such as business forms, advertising and marketing, jobs and careers and entrepreneurship. The class engaged in activities, led by Hoshnav, Roman, and Mattan, including simulating a factory floor using unit and mass production and even writing their own business plans. The students were very smart. They were aware of Circuit City's bankruptcy and TD Bank's takeover of Commerce Bank!

The GPS UPenn Pod collaborated with College Choice, a campus organization which offers assistance to West Philadelphia high school students who are planning to attend college. The UPenn Pod connected with University City High School (UCHS) and gave a 30 minute presentation and Q&A session about college financial aid, student loans, personal finance, and basic investing principles. The presentation was well attended (about 15-20 students), and students gained valuable knowledge for their college financial aid process.

The Harvard and MIT Pods returned to the Morse Elementary School to teach the sixth grade students who participate in an annual Stock Challenge Competition. The Harvard and MIT Pods gave a presentation teaching different sessions on the basics of investing, the stock market, how to invest, and the current market conditions today. Students were eager to participate and offer what things to look for in a company when investing (Product line, strong management, market demand, etc.) The Morse Elementary school is part of the Cambridge Public School District and of a lower socioeconomic status, and we would like to continue our relationship with them.

The Georgetown Pod coordinated a campus tour and Q&A session with the Latino Student Fund, a group which promotes equal access to educational opportunities for students of Hispanic descent. In conjunction with Blue & Grey, the campus tour group, the Georgetown Pod hosted an off-hours tour the Latino Student Fund high schoolers and their parents. The Georgetown Pod hopes to maintain the relationship with the Latino Student Fund to provide college admissions advice to other LSF high school students in the future.

GPS LSE collaborated with the Young Enterprise organization to conduct a full day session on business skills at the Chestnut Grove public school. We worked with 150 seventh graders to highlight how their school could be viewed as a business and the skills necessary to succeed within such an environment. The LSE Pod helped students set goals for their academic career and the students were able to see from the day's session individual improvements in particular business skills by the end of the day.

The Dayton Pod volunteered at the Dayton Metro Library system to help teach basic financial topics such as budgeting, credit, managing money and basic skills to unemployed older workers who do not know how to use computers to complete job applications, write a resume, prepare for interviews and such. As the Dayton Metro Library is facing an overflow of people who need help, the Dayton Pod donated their time and knowledge to assist these individuals.

Going forth, GPS Giving Back looks to strengthen its presence among those in need and contribute our special knowledge and skills to operate within our mission statement. We plan to maintain old relationships and make new relationships as we believe that philanthropy is investing.

Sincerely,  
Sun-Young Chung  
Vice President of Philanthropy

# 2008 IN REVIEW

Dear Investors & Mentors,

Across the gamut, managers of great pedigree and past performance are struggling with the day-to-day gyrations of uncertainty, some getting their margin called, some getting their funds closed and some simply getting their heads handed to them. Among these decapitated allocators of capital are some who we most admire. Jacques Yves Cousteau said, “No sooner does man discover intelligence than he tries to involve it in his own stupidity.” Beyond the scope of just fund managers it is fascinating how brief moments of hubris can so poetically and so quickly destroy a lifetime of value creation. From watching titans fall and seeing fortresses crumble we have taken away many lessons.

Among them is a sense of skepticism. Macroeconomic events are nearly impossible to forecast and most often act in recursive or reflexive frameworks. In short, it is all too easy to take positive ideas and turn them into blankets of a false sense of security. This was a source of many shortcomings in the investment process and has served to negatively reinforce our commitment to bottom up fundamental research. Having scratched the surface of our 20/20 hindsight, here are the returns:

## Summary of Returns

Set out below are aggregate return figures for Global Platinum Securities LLC as well as figures for various benchmarks. Importantly, they are returns for entire portfolios, not just the equity portion of portfolios.

The benchmark we look at most closely is the S&P 500 because it represents such a large portion of the market. However, the Russell small company indices are also relevant as there are a few smaller companies in the GPS portfolio. Please see the performance report section for more detail on returns and our holdings.

Thankfully our portfolio performance exceeded all of these. On the contrary, in our view, losing money is still unacceptable and we readily acknowledge that many mistakes were made this year. While the goal of our organization is educative in nature, the goal of the portfolio managers is still to preserve and grow capital.

Our best performer FY 2008 was OMRI. Also, our worst

performer FY 2008 was XFML. Among our positions we would like to highlight one we think is significantly undervalued:

## Diageo plc

The spirits industry is a global oligopoly characterized by rational price behavior, moderate growth, a highly fragmented customer base, high returns on capital and meaningful barriers to entry. As the industry leader, Diageo owns an attractive portfolio of brands with strong competitive positions and growth characteristics. The diversity of the portfolio across categories and geographies enables the company to produce a growing, low-volatility cash flow stream. Management has an excellent track record of creating shareholder value and allocating capital judiciously; 100% of free cash flow is devoted to dividends and share buybacks. Scotch Whiskey, which represents one-fourth of DEO's portfolio, has additional pricing power in light of a global shortage of Scotch inventories and an unforeseen consumer preference shift:

Though sales of whisky in Britain are broadly declining, consumption elsewhere has risen. In 2007 it reached 318m litres, a 15% increase on 1997, and £2.8 billion (\$5.6 billion, at the exchange rates of the day), an 18% increase. Blended whiskies, it is true, faltered in 2008 but single malts forged ahead. Drinkers have got keener on the more expensive stuff (made from malted barley and generally matured for at least ten years) and less keen on grain and blended whiskies (usually kept for three).

The fastest-growing market has been East Asia—particularly China, where the value of whisky sales rose from £1m in 2001 to £70m in 2007, according to the Scotch Whisky Association, a trade body. In Moscow too there is a market for single malt that did not exist before.<sup>1</sup>

Spirits will not be completely immune from the unfolding consumer downturn in the developed world. However, volume deceleration is likely to be modest, and DEO's strong presence in emerging markets will likely offset the softness in the US.

<sup>1</sup> Off to See the World by Speydeide, Moray Jan 15th 2009 *The Economist*

YEAR	GPS RETURN	S&P 500 RETURN	RUSSELL 2000 GROWTH RETURN	RUSSELL 2000 VALUE RETURN
2008	-25.26%	-37.00%	-38.54%	-28.92%
2007	17.50%	5.49%	7.05%	-9.78%
2006	8.8%	15.79%	13.35%	23.48%
2005	6.4%	4.91%	4.15%	4.71%

# 2008 IN REVIEW

Moreover, COGS inflation, which is plaguing consumer goods companies, is only running at 3% per unit of volume and can easily be offset by pricing. Spirits generally has excellent pricing power as purchases are infrequent and more driven by brand preference than price. This is why we are confident to own the industry leader.

## Passing of the Torch

We are both proud and honored to pass along the responsibility of portfolio management to two extremely qualified individuals: Rob Richmond and David Escamilla. We know they will do a great job and we are looking forward to the 50 cent dollars they find.

## Conclusion

"Ships will sail around the world but the Flat Earth Society will flourish. There will continue to be wide market

discrepancies between price and value in the marketplace, and those who read their Graham & Dodd will continue to prosper."

As Mr. Buffett would agree, taking a different time horizon can make one rich or in some cases just keep one sane. It is in this spirit that we consider ourselves very lucky to be starting out a lifetime of investing in such a moment of historical significance. We thank all of the members of GPS for their diligent work and as always we thank you for your continued confidence. We welcome comments or discussion so feel free to contact us at your discretion.

Sincerely,  
Michael Tanzer and Cole Magrath  
2008 Portfolio Managers



# LOOKING FORWARD



Dear Investors & Mentors,

Last year our predecessors wrote that we live in interesting times. Since this point the financial markets have seen their worst decline in over 90 years. The greatest investors developed their investment philosophies during periods of turmoil; therefore, we are embracing this environment as an opportunity to learn.

The market's uncertainty has afforded us great opportunity. We intend to be greedy while others are fearful, deploying a greater portion of cash than in recent years. Historically, the best equity investment opportunities exist when the stock market represents 50-70% of GDP as it does today. Consequently, the group will pursue domestic corporations with greater intensity due to rampant mispricing, but proceed with caution, as the environment may not improve for quite some time. If international opportunities that are less exposed to the traditional risks of international investing present themselves, we will examine these opportunities as well.

The intensive fundamental research conducted by our 50+ members drives our results; thus, we will continue fine-tuning our research process. Through increased transparency in the proposal process, we will ensure that all members develop a greater understanding of investment theses. Monthly vote deadlines will be instituted so that we

do not miss out on opportunities.

Despite the volatile market environment, GPS retains its value-based, long term investment philosophy. Recent market conditions tested our commitment to this philosophy as there was a tremendous temptation to buy growth stocks during the summer's BRIC-fueled commodities surge and in the fall when the VIX hit record highs. Given the current economic conditions, some of our holdings may encounter financial distress. We will closely monitor these situations—and sell if necessary. Our capital commitments during 2009 may not yield immediate results, but we are excited by the opportunity to position the portfolio for long-term capital appreciation.

While we seek to outperform the market every year, Global Platinum Securities exists to educate its members. We are thankful for your support, as our unique partnership has enabled America's next generation of business leaders to learn from one of the most challenging environments in history.

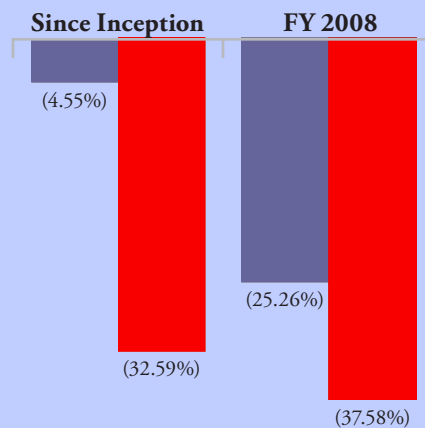
Sincerely,  
David Escamilla and Rob Richmond  
2009 Portfolio Managers

# PORTFOLIO PERFORMANCE

## Value of \$100 GPS vs SPX, Since Inception



## GPS vs Market Returns



	Since Inception	FY 2008
Alpha	13.62%	12.90%



**GLOBAL**  
PLATINUM  
SECURITIES

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