GLOBAL PLATINUM SECURITIES™

2014 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.

Board of Managers

The Founders

Tim Shannon

Georgetown University '07

Rufino Mendoza

Georgetown University '07

Ken Talanian

Georgetown University '06

Jaime Steinhardt

Georgetown University '12

Cole Magrath

Georgetown University '10

Lambert Wang

Georgetown University '11

Nathan Gupta

Harvard University '15

Alex Martino

Georgetown University '15

Nolan Smith

University of Colorado '16

Kevin Li

Harvard University '16

Deependra Mookim

New York University '15

Upper Management

Chief Executive Officer
Nathan Gupta
Harvard University '15

Chief Operating Officer
Alex Martino
Georgetown University '15

Chief Financial Officer
Nolan Smith
University of Colorado '16

Portfolio Managers
Deependra Mookim
New York University '15
Kevin Li
Harvard University '16

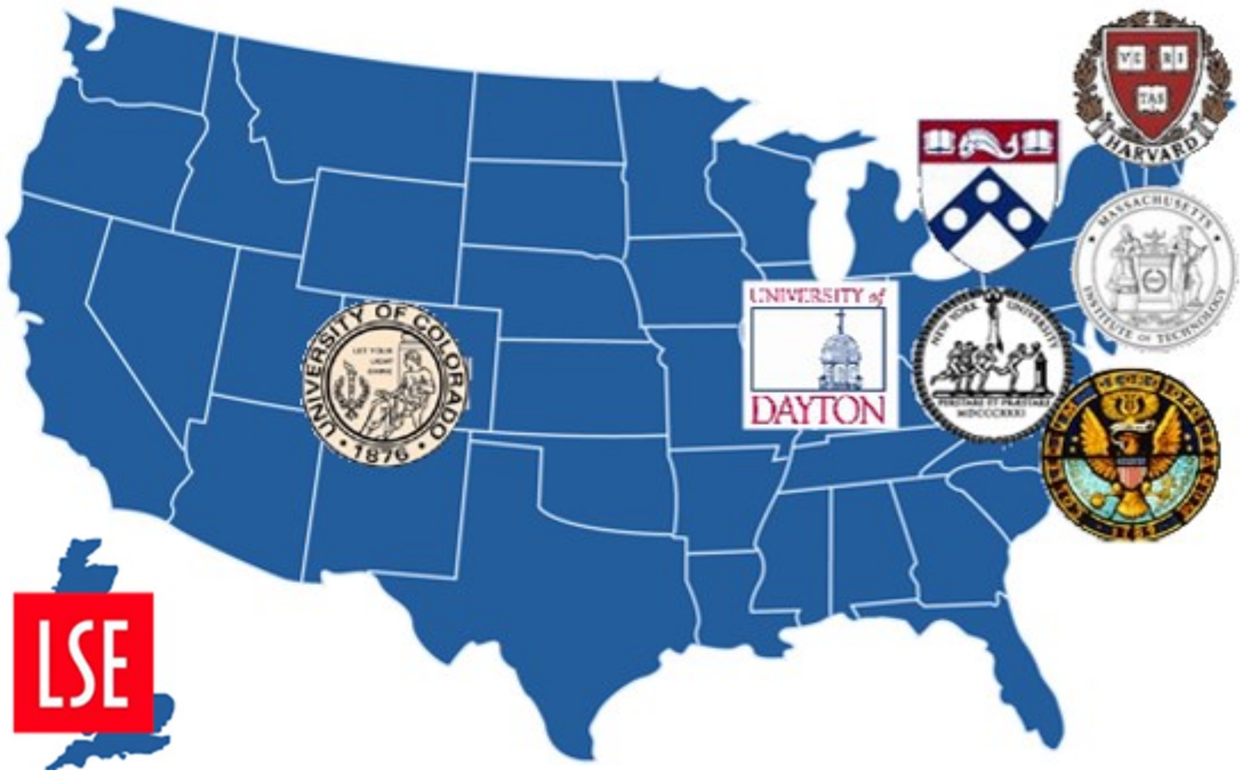
Vice-President of Marketing
Rick Brubaker
University of Colorado '16

Vice-President of Philanthropy
David Olsson
London School of Economics '15

Vice-President of Personnel
Nick Ang
New York University '16

Vice-Presidents of Education
Lucas Wimmer
Georgetown University '16
Deep Dheri
Georgetown University '16

Membership



University of Colorado
Eleanor Meloul '15
Rick Brubaker '16
Nolan Smith '16
Will Zimmerman '16
Logan Brock '16
Everett Randle '17

University of Dayton
Andrew Brackmann '15
Eric Flanigan '15
Pat Forte '15
Tommy Campbell '16
Drew Imhoff '16
Eric Kraemer '17
Carli Turrittin '17

Georgetown University
Alex Martino '15
Simon Allan '15
Deep Dheri '16
Isabella Meyer '16
Lucas Wimmer '16
Harrison Balistreri '17
Olivia Bren '17

Membership

Harvard University

Andrew Das Sarma '15
Nathan Gupta '15
Justin Katiraei '15
Sharon Park '15
Kevin Li '16
Hank Sneddon '16
Nick Gupta '17
Anne Deng '17
Madhu Vijay '17

London School of Economics

Alexandre Momeni '15
David Olsson '15
David Schofield '15
Tommaso Cariati '16
Ryan Liew '16
Kaelan Ong '16

Massachusetts Institute of Technology

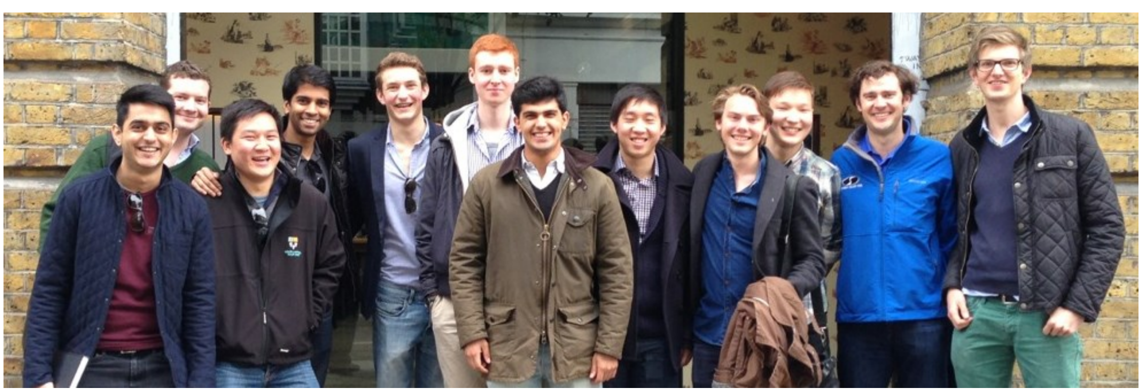
Frank Zhu '15
Nicolai Ludvigsen '15
Jack Sul '15
Jeremy Kalas '16
Chan Rao '16
Connor Popik '17
Tejas Sundaresan '17

New York University

Nicole Shu '15
Simon Ma '15
Deependra Mookim '15
Nicholas Ang '16
Wei Ming Wong '16
Akshay Ramachandran '17
David Wang '17

University of Pennsylvania

Nicholas Liu '15
Matej Senkarcin '15
Shash Chugh '16
Pratyusha Gupta '16
Moses Soh '16
Manning Feng '16
Kelly Jiang '17



Letter From the 2014 CEO & COO

Dearest Team, Alumni, and Investors,

It has been a pleasure to serve as the CEO and COO of GPS over the past year. Coming into the year, our foremost goal was to execute on the day-to-day operations of the organization to provide the best experience possible for our members, while also implementing certain strategic initiatives to optimize this experience. Although the year has flown by and there are obviously things that we wish we had the bandwidth to accomplish, we sincerely hope that you feel that we accomplished this goal.

Before moving forward with our thoughts, we want to thank all of the sector leaders, pod leaders, and UM members who were not only reliable but also looked for additional ways to contribute to the organization outside of their stated duties. We also want to thank the members of the organization for your diehard commitment to the group – the fact that our members have voluntarily given so much to this organization speaks to the inspirational experience that GPS provides. They deserve the lion's share of the credit for the organization's success in 2014. Finally, we want to think the Simpson family for hosting us at the 2014 Spring Conference – all who attended thought the conference was a highlight of the year, and events like this which are made possible by the generosity of people like the Simpsons are a key part of what makes GPS such a special experience for all of us.

Writing this letter is a bittersweet moment for us – on one hand it is a great opportunity to pause and reflect on the organization and the formative role it has played in our lives, and on the other hand writing this letter makes it more tangible than ever that our GPS experience is coming to a close. It is a cliché that one's college years are some of the most significant of their lives, and while we aren't sure if this is true, we are absolutely certain that GPS has been the most important part of the past four years of our lives. We have met some of our closest friends through the organization, have learned a lot about finance and investing, and have become part of a tight-knit community that we will continue to connect with long after graduation.

With that, we want to review how the organization has evolved over the past year and give your our genuine assessment of the current state of the organization. Given that this is our tenth anniversary, it is our feeling that the role of the Upper Management is primarily to focus on execution and refinement of the processes that we currently have in place rather than making big-picture changes.

In 2014, we continued previous efforts to refine our research process to improve the learning experience for our members. We continued to transition out of some of the legacy positions in the portfolio for which our understanding of the business was somewhat dated, furthering a multi-year initiative which has essentially reached completion in the first half of 2015. In the research pipeline, we sought to encourage research on smaller companies in addition to the large and mid-cap research that we have done in the past, and we believe this measure has gained significant traction among many members of the organization. Our PMs implemented a new research tracking system which has made sector and GM scheduling much more seamless than it had been in years past and also brought back the Devil's Advocate pitch, which has encouraged our members to think critically about the pitches that are presented on GM.

There were also several important changes to our analyst onboarding process. Relative to years past, our members provided our analysts with significantly more hands-on guidance and frequent feedback in the production of their fall conference pitches, something that, in concert with the tireless work of our VPs of Education, led to the strongest set of fall conference pitches that we have seen since joining the organization. We revamped our analyst initiation tasks at the fall conference, something that we believe provided a memorable bonding experience for our analysts while also better encouraging them to reflect on what they had learned in the education program. Finally, we decided to move the investing window to after the fall conference and strongly encourage the newly-minted members to invest, an initiative which led 64% of eligible new members investing in the fund and an overall 425% increase in invested membership.

As it stands today, we are extremely optimistic about the future of the organization. In our view, the educational experience of the group and the investing focus among our membership is perhaps the strongest it has ever been. Over the past year, we have seen a number of pitches that have demonstrated in-depth research, including in several cases substantive primary research that allowed us to gain a differentiated view on our investments. Our members are excited about investing and doing research, and we have seen an increase in the number of members engaging in the discussion of pitches and investing ideas and the intensity of these discussions. While obviously not the only metric to consider, we believe that the fact that the vast majority of members in the class of 2016 have secured several of the top investment banking and buy side internships for the coming summer is a significant indication that our members have made the most of their GPS experience and are well prepared to be the next generation of business leaders. We believe that the organization is poised to continue this trend – due to significant involvement of alumni in the analyst recruiting process and the diligence of our members in trying to find the best members at GPS's eight schools, the 2014 analyst class was filled with people who are extremely smart, are motivated to learn about investing, and, in our opinion, are absolute superstars and based on the early indications we believe the 2015 analyst class is equally promising.

However, there are still certain areas in which we can improve. We continue to look for new ways to engage our growing alumni base, particularly as many of our older alumni have accepted jobs outside of New York which makes conference attendance more of a challenge than in past years. The Upper Management remains laser-focused on ensuring that the organization forms strong bonds between the members and alumni, and we believe that Kevin and Lucas have made important strides on this front. In the fund, we continue to look for a balance between the increased enthusiasm for small cap investing and the concerns about the liquidity of these stocks which have been raised by members and alumni. In addition, our investment research process has been challenged by the market's frothy valuations, and we continue to seek new ways to ensure that we are being selective when putting our capital to work yet also generating a sufficient number of attractive opportunities.

As we look the future, we know that we are leaving the organization in great hands with Kevin and Lucas. This year's UM brings an important combination of enthusiasm for the group and constructive ideas for how we can make the organization better for future generations of members. We look forward to continuing to be involved with the group as alumni, and we hope to see you all at the 10th Anniversary celebration in June!

Thank you for all of the memories,

Nathan Gupta and Alex Martino

2014 GPS CEO and COO

Letter From the 2015 CEO

This year, as we celebrate the end of this organization's first decade, each one of us deserves to take a moment to reflect upon our extraordinary journey. Our four founders' initial stroke of originality, combined with their continuing guidance and countless current and former members' hard work and dedication, has created a truly unique group that counts as its members both exceptional students from top schools as well as brilliant alumni both within finance and beyond it. Yet the more things change – as we embrace our becoming not only an intercollegiate but now *intergenerational* organization – the more they stay the same, as the exciting announcement of GPS's first newborn was soon followed by the annual announcement of GPS's newly minted analyst class of 2015.

We often find it difficult to explain precisely what makes GPS so unique, so influential a part of our college experience, and so personally important to us. Rather than attempting to dissect what may be ineffable, I resort to an age-old cliché: GPS's greatest asset is its people, its student body and its alumni organization. Our members create and continuously revise an outstanding education program so that our analysts find themselves on their way to becoming intelligent investors in the short span of a few months. Our alumni share their experience and industry expertise with our members, who use this knowledge to debate and discuss investment research every week. Our analysts, after many hours of careful study and caring mentorship at the hands of members and alumni, become GPS's next leaders. As this cycle continues and repeats itself with the seasons, GPS has the potential to become that rarest of enterprises – the continuous compounder, the great business that only gets better with time.

Our enemy is complacency. In order to

Letter From the 2015 CEO

reap the powerful rewards of compounding, we must never take for granted, but instead constantly seek to improve, the underlying fundamentals of our business, as it were. To this end, we will build upon the momentum in 2014 to push for ever more thoughtful, differentiated and compelling investment research while maintaining a stylistically balanced pipeline that offers GPS members and analysts a diverse array of learning opportunities. We will strive to hold every investment proposal to the highest standards of critical inquiry after its presentation. We will continue our review of legacy positions and improve our maintenance of current holdings. We will bring GPS closer to its core as both an intellectual and an investment partnership. Perhaps even more crucially, we will focus on reviving and reestablishing channels of communication and mentorship with our talented – and growing – alumni body. At the time of this writing, we have planned three sets of alumni panel discussions on upcoming Sunday GM calls on topics from hedge fund investing to summer internship best practices. We hope that initiatives like these will bridge the gap between GPS's students and alumni, creating a more cohesive and connected organization poised to capitalize on its awesome growth potential.

Sincerely,
Kevin Li (Harvard 2016)
2015 Chief Executive Officer

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.

This year the pods around US and London have built new relationships with different groups in their respective communities, learning more about the different social issues within them. Some examples of this year's giving back activities follow below.

As in previous years, Georgetown continued their partnership with the Myers' Institute for College Preparation (ICP), which provides intensive, comprehensive, pre-college academic enrichment to middle and high school students enrolled in targeted D.C. public schools.

NYU focused on social impact consulting as well as business tutoring this year, whilst Harvard spent time volunteering at the Harvard Experimentors Science Day. They conducted science experiments with young children, and taught the kids the theory behind the experiments. Naturally, the kids were enthralled by the experiments and the day was a great experience on all ends.

The LSE pod partnered with two organizations during this year. First they volunteered at a school in an underprivileged area by doing mock interviews with high school students to help them prepare for various endeavors. It was truly inspiring to hear about all engagements of the high school students, in particular about the entrepreneurial drive of some of the participants. Second, LSE partnered with an organization at the university called Widening Participation. During a spring school for academically talented middle-school students, from underprivileged backgrounds, the pod taught a finance class. The class involved different financial metrics and basic valuation multiples. The audience was really excited about the interactive case study and many participants were inspired to work towards going into university.

The Colorado Pod continued with their theme of financial literacy and went to teach a few financial literacy classes at Boulder High School as a part of their business curriculum. They introduced the concept of a SWOT analysis to the students and also shared their experiences at the University of Colorado as finance majors. It was a very open forum and the students were able to get a lot of questions answered. The Colorado pod looks forward to maintaining this great relationship with the Boulder High School.

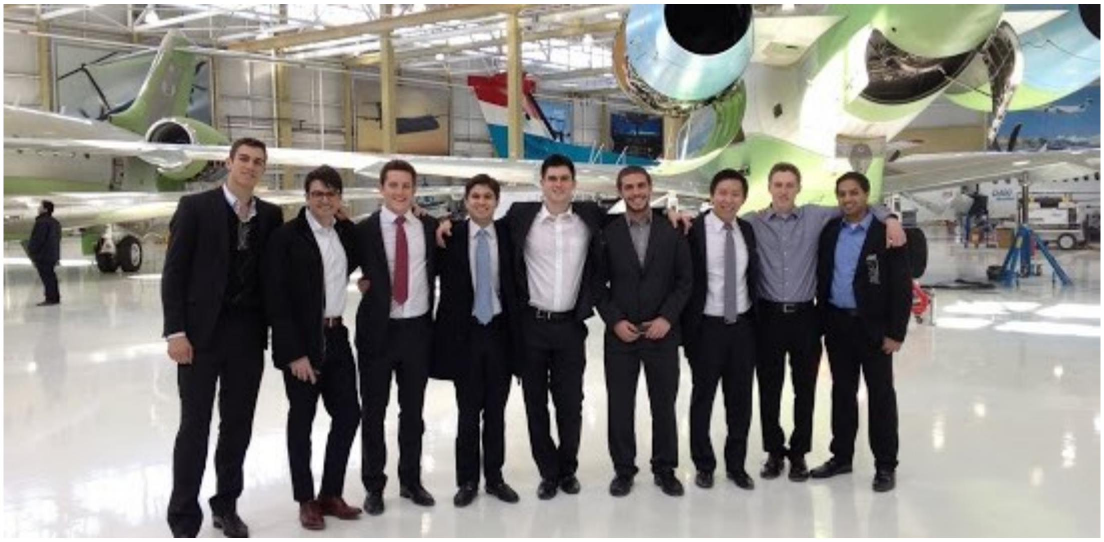
The Dayton Pod this year decided to help out the homeless in the community. They volunteered at a local soup kitchen, and served breakfast and lunch to the homeless of Dayton.

These are some examples of the activities GPS has done during the year. Whether they spent time teaching financial literacy, or conducting science experiments with children, the members of GPS have continued to learn more about the importance of giving back. From the enriching experiences this past year, GPS is more committed than ever to give back to society.

Sincerely,

David Olsson (LSE '15)

2014 Vice President of Philanthropy



2014: In Review

This past year was one of approximately market-performance for the GPS fund. While the S&P 500 returned about 12%, our fund returned 14.1% ex-cash or 8.9% with cash. We maintain that a single year's results, whether good or bad, is a poor indicator of investment performance, and we remain confident in our disciplined, value-oriented methodology's ability to consistently produce investment returns in line with or in excess of the market.

Our performance was dragged down by exposure to the ENR sector through Turquoise Hill Resources and Novacopper. Other laggards included Lakes Entertainment and Rolls-Royce. On the other hand, our three biggest winners were healthcare stocks: Chimerix, Nordion, and BioMarin delivered tremendous outperformance. (Josh Liang, recent Penn graduate and healthcare analyst extraordinaire, deserves special mention for recommending two of these three names). Several of our large consumer and technology holdings also contributed to the fund's performance.

As we look to the future, we find cause for cautious optimism: our research pipeline is remarkably active, and we enjoy a significantly increased focus on carefully-researched investment theses supported by differentiated analysis and our own primary research. We continue to seek out uncorrelated opportunities that we believe present limited downside risk. As PMs, we introduced and formalized our Devil's Advocate initiative to ensure that each potential investment receives a careful presentation of its counterarguments, so that members are able to vote with a balanced understanding of each investment decision.

All told, our predecessors said it best when they explained that a single year's performance "has done nothing to change our core focus on in-depth fundamental analysis, independent and contrarian thinking, and uncompromising adherence to traditional valuation methodology." We have no fear of missing out on the party – instead, we are happy to wait patiently for opportunities where we have an informational or structural advantage, where we feel comfortable with the degree of capital impairment risk we are assuming, and where we can invest on our own terms. We appreciate your continued confidence and support, and we look forward to continued investment success.

Best regards,

Kevin Li (Harvard '16)
Deependra Mookim (NYU '15)

Looking Forward: 2015

When Warren Buffet first began investing, most of his returns came from buying mediocre companies at bargain prices. But, according to his 2014 shareholder letter, "… a major weakness in this approach gradually became apparent." Buffet recognized that scaling such a strategy to large sums of capital would never work well. So, Buffet changed the course of his business and began buying "wonderful businesses at fair prices." While we aspire to be like Buffet as investors, we should seek to always evaluate the major weaknesses in our own operations just like Buffet. As such, more than inheriting a fund that performed on par with market over the past year, we were also passed the responsibility of rethinking an already robust research process that focuses on businesses' long-term fundamentals. Like Buffet in his early days, we remain willing and optimistic about the opportunity to improve and perhaps transform the research process to increase the educational experience of GPS and drive higher fund returns. As our fund turns ten this year, we are excited about the ongoing dedication to versatility.

As Portfolio Managers, we believe that looking inward and critically analyzing current holdings is equally, if not more, important as exploring prospective investments. One portfolio holding, Rolls-Royce (OTC: RYCEY), exemplifies exactly what we desire to eradicate in 2015. We entered into our position in the company in October 2012 at a cost-basis per share of $71.65, and, as our thesis played out, the holding retuned 47% over 14 months. In 2014, despite the issuance of the only two profit warnings of the past decade, deterioration of economic conditions, and defense spending cuts, we failed to formally update our thesis and valuation of the company. As such, we continued to indiscriminately hold Rolls-Royce as the share price declined below our cost basis from two years earlier. While we understand the common saying, "Hindsight is 20/20," and that such a decline in price may have been unpredictable, we also believe that hindsight is irrelevant if there was no prior consideration of the situation. In 2015, we look forward to a greater focus on the consideration of situations similar to Rolls-Royce. Ultimately, we believe the idiom, "A penny saved is a penny earned," well summarizes our outlook on the tradeoff between evaluating current holdings and developing pitches for prospective investments, and we look forward to scrutinizing our current positions and their respective theses and valuations equally as much as new investment ideas.

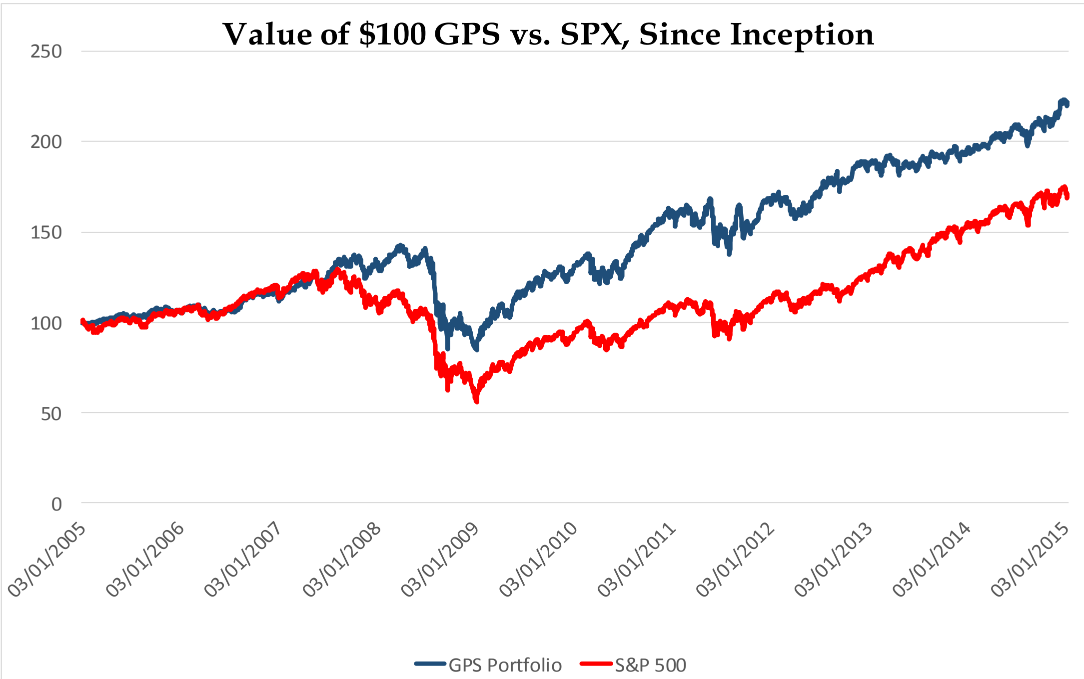
Besides our unwavering commitment to continuously evaluating our current holdings, we also look forward to facilitating high quality research on prospective new investments. On many levels, we believe this will further the educational experience of GPS, build stronger relationships, and drive higher returns. With this in mind, we seek to allocate time in sector more efficiently. Our primary goal in 2015 is to create a newfound focus on conducting primary research and developing verifiable investment theses without losing emphasis on the robust framework that already exists – the importance of investing in good businesses at attractive valuations with substantial downside protection. At a time when many believe that there are few bargain stocks and the S&P is trading at a higher price to normalized earnings than pre-recession levels, relying on these fundamental principles remains paramount when considering investments and divestments in 2015.

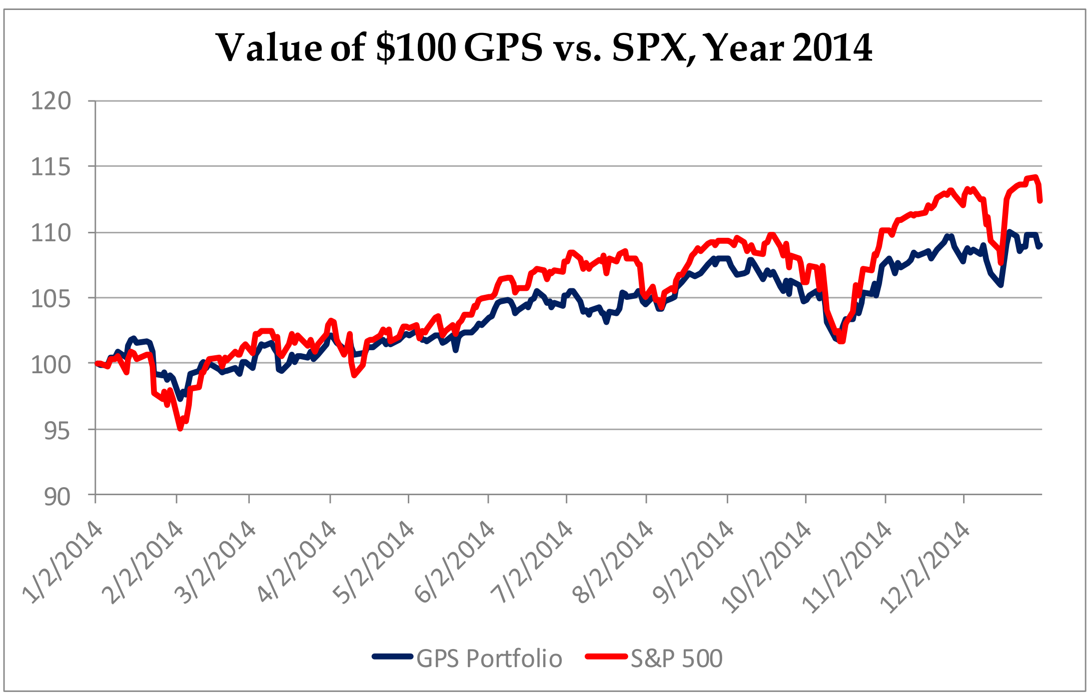
Sincerely,

Nick Gupta (Harvard '17)
Hank Sneddon (Harvard '16)
2015 Portfolio Managers

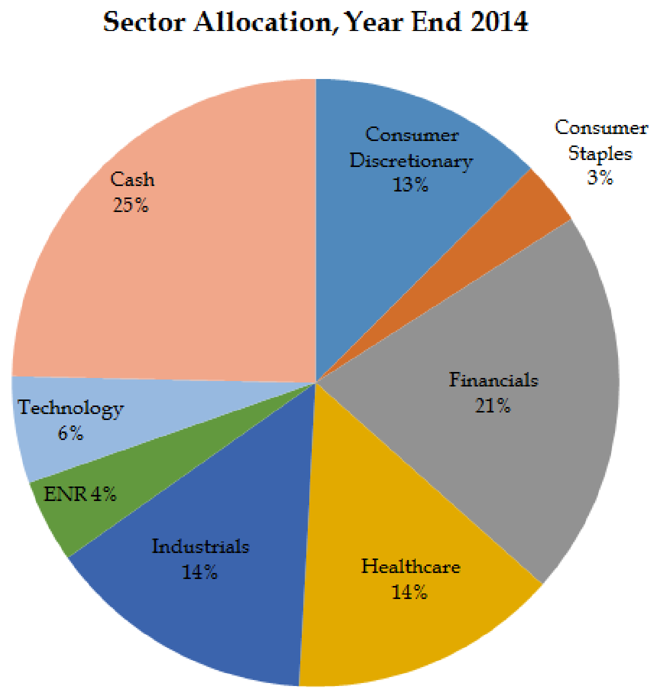
Portfolio Performance

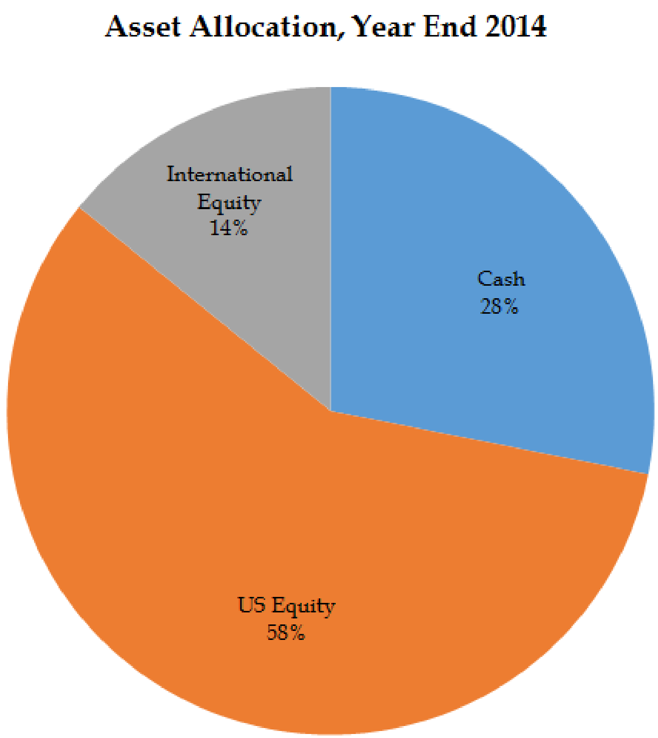
	GPS	S&P 500	Outperformance
Annualized Return	8.3%	5.4%	2.9%





Portfolio Allocation





Portfolio Holdings

Apple (AAPL)

We entered our position in Apple in 2008 on the prediction of strong revenue growth from their core businesses in premium hardware and software and the consumer stickiness that ensues with the company's integrated media products. After trimming the position in 2011, we increased our position size in 2013 as conviction increased in segments with high growth potential. In 2013, 74% of iOS devices ran on iOS 7 in just three months after the release of the new software, expanding the ground gained in enterprise environments. Later in the year, the iPhone 5s debuted and maintained great selling power within high-end handset market. AAPL continues to be a source of great returns and great debate in the GPS portfolio.

Bed Bath and Beyond (BBBY)

We entered and exited our position Bed, Bath and Beyond in 2014. GPS believed that there was an asymmetric risk-reward bet, as the stock was priced at 0% same-store sales growth and 0.5% store base growth. It is a "blue-chip" franchise retailer which is trading at the low end of its peer group. Recent acquisitions of buy buy Baby and Cost Plus World Market offered further upside optionality if one of the businesses proved successful. Being a retailer it is fairly easy to project and value for GPS, and has had historically high returns on invested capital. The stock appreciated fairly rapidly, and GPS sold the position in 2014 for a 25% gain as BBBY hit its price target and concerns arose over whether its same-store sales growth could be withstood in the long-term.

Biomarin Pharmaceuticals (BMRN)

We entered into a position in Biomarin in May 2014. Biomarin is a pharmaceutical company with a substantial portfolio of approved drugs as well as a robust pipeline. Approved products include VIMIZIM, Aldurazyme, and Naglazyme, all of which treat different types of mucopolysaccharidoses, which are metabolic disorders. The company also has Kuvan for PKU and Firdapse for LEMS. In addition to the approved products, phase III candidates include PEG PAL for PKU and BMN 673 for BRCA mutation-induced breast cancer. The company has other drugs currently in phase II. Additionally, several more drugs are currently in phase I or phase II. We entered this company because we felt that the diversification of the company was undervalued and its high R&D expense was misunderstood. The stock appreciated by 55% between inception and the end of 2014.

Camellia Plc (CLAVF)

Camellia Plc is a London-based conglomerate of multiple businesses consisting of agriculture and horticulture, engineering, food storage and distribution, and banking and financial services. The Agriculture and Horticulture business generates nearly all of the company's operating profit. Its confusing business and conglomerate structure due to its balance sheet consolidation of the banking and financial services businesses made the operations of the company difficult to understand for the average investor. Low liquidity, which was assumed to be a benefit for GPS, proved to be an unanticipated risk, as Camellia's US position ceased trading, forcing a liquidation at a 20% loss and painstaking price tracking by hand by GPS's portfolio managers to track the position's performance after trading ceased.

Portfolio Holdings

Consolidated Tomoka Land Company (CTO)

Consolidated Tomoka Land Company is a real estate operator founded over 100 years ago which buys land in areas with growing population and improving retail prospects. The company rents land to retailers and businesses with low default risk. The company has a complicated structure with hidden assets on the balance sheet. A strong management team with aligned incentives, and a vocal activist involved in the land sale process form the basis of the thesis. Because the tenants are high quality retailers such as Carmax and Walgreens, the company's income stream is predictable and reliable. In a base case of an 8% cap rate (in excess of peers which trade a 6.1-7.5%) GPS estimates about 30% upside. Since inception GPS has returned about 8%.

Chimerix Inc (CMRX)

We entered into a position in Chimerix in May 2014. Chimerix is a pharmaceutical company whose main candidate is CMX001 (brincidofovir). Brincidofovir is an antiviral drug used to control CMV in patients who are immunocompromised. We entered the position on the thesis that the market was overlooking the potential for brincidofovir in solid organ transplants. The drug has shown promising results in all clinical trials up to this point, and it is currently in phase III. The stock appreciated by 143% between inception and the end of 2014. GPS plans to sell Chimerix in 2015.

Diageo Plc (DEO)

When purchased, Diageo was viewed as a strong blue chip stock that could withstand the global economic recession—a thesis that largely played out while comparable beverage companies struggled. Over time, Diageo struggled with only modest growth in the emerging markets in which they have invested so much. Key indicators including the African Beer market and the Scotch Market in East Asia delivered somewhat less than expected. On a more positive note, the company did manage to acquire a 25% stake in India's United Whiskey, ensuring their continued presence in one of the globe's largest consumer bases. GPS sold Diageo in October 2014.

Disney (DIS)

Disney, the global entertainment conglomerate, had strong performance in 2013 and 2014. The stock rose 55% in 2013, well exceeding the S&P 500's return. Disney's impressive performance was driven by the success of almost all of its branches. Disney film releases generated the best box office results in history, company theme parks posted record attendance, cable networks saw a spike in young viewership, and the consumer products division posted its first billion-dollar profit. The company also repurchased $4.1 billion worth of shares. We held Disney due to our belief in the strength of both its brand and business model; the company is strategically diversified, able to regularly churn out bonanza media franchises and continues to hold potential for further growth in emerging markets. Disney was sold in February 2015.

Portfolio Holdings

Dresser-Rand Group (DRC)

Dresser-Rand was one of the oldest holdings in the GPS portfolio that has been liquidated during this year. DRC primarily produces centrifugal compressors that can do the job of many competitive offerings at once. While they sell this for use in a variety of applications, they are still a small player in the engine industry. Due to the large amounts of capital necessary to compete in such an industry, we believe that their competitive position will be diminished going forward. Based on their existing rich valuation, they will need to achieve high levels of growth and FCF yield in order to maintain their valuation. With lackluster performance in recent quarters, GPS exited the position in March 2014.

Emergent Biosolutions, Inc. (EBS)

Emergent Biosolutions Inc is a biopharmaceutical company that develops "immunobiotics," advanced vaccines produced using biotechnology. The company's principal product is Biothrax, an anthrax vaccine that it develops and sells. EBS enjoys a substantial near term moat for Biothrax, as it is the only current FDA-approved anthrax vaccine and has proven superior efficacy compared to competitors. Nearly all of the company's revenue comes from its strong contractual relationship with the U.S. government, an agreement in which EBS provides Biothrax to the Department of Defense and the Department of Health and Human Services for the U.S. Strategic National Stockpile. The last of the currently signed contracts will expire in September 2016. GPS liquidated the position in early 2014.

Equinix (EQIX)

We entered into a position in Equinix in early 2013. As a pioneer in the colocation data center industry, this company built a portfolio of high quality, difficult to replicate data centers. As a result, Equinix can offer a larger, higher density network with more peering connections than competitors. The company benefits from significant tailwinds including video and mobile broadband growth, outsourcing of data enterprise services, cloud computing and attractive international growth opportunities. EQIX was sold in November 2014.

Flowserve (FLS)

Flowserve Corporation is a manufacturer and aftermarket service provider of flow control systems through three different segments: (1) Flowserve Pump Division (pumps), (2) Flow Control Division (valves), and (3) Flow Solutions Division (seals). The original thesis was an increased demand by end markets for FLS's products, especially in emerging countries such as China and India. This, combined with their contracts with the world's leading companies and increased focus on aftermarket servicing, provided huge potential upside to the company. However, since then, the stock has appreciated and the market has built in tremendous growth expectations into the stock. With no clear case for mispricing and increased risk due to the rich valuation, we exited our position in February 2014.

Portfolio Holdings

Genworth Financial (GNW)

Genworth is a Virginia-based insurance company that is active in life insurance, annuities, and mortgage insurance in the US, Canada, and Australia. The company had been plagued by losses stemming from mortgage insurance subsidiary and low interest rates in its life insurance business. Operational changes stemming from a new CEO improved the profitability of the business yet the business continued to trade at a bargain valuation. GPS exited the position in 2014 with a slight gain.

Hallador Energy (HNRG)

Hallador is a $600m thermal coal mining company in Western Indiana and the Illinois Basin. The company is fairly illiquid and small which gives GPS a research advantage. It offers pure-play exposure to the Illinois Basin coal, which is both high-energy and high-sulfur. It is the cheapest coal east of the Mississippi and it could eventually displace Central Appalachian coal. It is the lowest-cost producer in the ILB with room for further improvement. The company has a strong customer base and a strong financial and operational position. Due to a delay between member approval and executing the order, during which the stock appreciated sharply, GPS is down 18% on the position as of publication.

Hertz (HTZ)

Hertz is a $9 billion car and equipment rental company. We initiated a position on February 4, 2014, buying 364 shares at $21.39/share. Hertz's core segment is its car rental business, which operates in 150 countries and is the second largest company in the global car rental industry. Hertz's car rental segment has exhibited consistent fundamental strength, holding 30 percent of the global market share in an industry that is oligopolistic with massive barriers to entry. Hertz also has a non-core equipment rental business, which rents out everything from small tools to heavy equipment in 6 countries. We believe that incomplete financial reporting over the last year has caused the market to overstate uncertainties about Hertz and has excessively depressed HTZ's share price, despite strong fundamentals and efficient capital allocation. A substantial, overlooked NOL also provides $1.3 billion of extra upside. A return to regular financial reporting and a planned spinoff of the lower-quality equipment rental business are concrete catalysts for unlocking this value. Based on a sum-of-the-parts analysis, our price target is $29.25, implying a 37% return relative to our cost basis. We plan to sell the equipment rental business HERC after the spinoff and hold HTZ in the long term, until it reaches a fair price.

International Business Machines (IBM)

International Business Machines entered our portfolio in 2005 as a worldwide information technology provider with a dominant share of the business consulting and software solutions markets. An existing niche in value-add services continued to drive results in earlier periods of our position. Since then, IBM has been steady transitioning into higher margin businesses such as software and services with tangible transitioning efforts. We believe IBM still remains an undervalued business not only on the account of the potential for higher emphasis segments to grow, but also on account of its sizable recurring revenues across all revenue segments. The position was sold in May 2014.

Portfolio Holdings

ING Groep (ING)

ING is a Netherlands-based global bank and insurance company. The Benelux—predominantly Dutch—bank is ING's core asset. The bank is exposed to plain-vanilla retail and commercial banking, although it is sensitive to macroeconomic shifts like any other large financial institution. As a restructuring story in the financial sector, ING has the potential to be a European version of AIG. The company is in the final stages of simplifying its business, and a market dislocation exists due to a lack of natural buyers of the stock. After a lengthy period of stagnation, the stock price has reacted positively to the news of an initial token dividend, which is set to rise this year to a full dividend payment. This payment marks the first dividend payout for ING in seven years, and we see it as validation that the investment thesis is playing out. The full resumption of dividends, guided at a 40% payout ratio, could further act as a catalyst for value realization. Operating results – particularly net interest margin expansion, cost savings, and loan loss provision normalization – have performed in-line with or better than our expectations. Due to these improvements in the core business, we believe the opportunity still presents healthy upside with downside protection given the quality of the ING franchise.

Iridium Communications (IRDM)

Iridium Communications Inc., a position initiated in 2014, is a MSS voice and data services provider that owns and operates a satellite network of 66 low Earth orbit satellites. It I the only satellite network with truly global coverage, thanks to Iridium's unique LEO constellation mesh architecture. Iridium operates in five business segments – government services, commercial voice services, commercial M2M data, equipment sales, and engineering and support – that service customers ranging from individuals with satellite phones to the U.S. Department of Defense. The original thesis focused on the launch of Iridium NEXT, the company's second generation constellation, starting in 2015. Not only are the new satellites able to provide faster data service and more extensive memory capacity, but they will also provide new business opportunities. Iridium NEXT will host third-party payloads, which provide steady revenues to Iridium, as well as a joint venture Aireon that seeks to provide global air traffic activity. Even in a conservative DCF valuation without the revenue from the hosted payloads or Aireon yields a price target of $12.72 per share. GPS continues to hold this stock as we monitor the upcoming satellite launches starting in 2015 to 2017.

Lakes Entertainment (LACO)

Lakes Entertainment owns a number of assets that can be valued through a sum of the parts analysis: cash and investments, Rocky Gap Lodge & Golf Resort in Maryland, Rock Ohio Ventures, a note payable from the Jamul Tribe, and the company's net operating loss (NOL) carry-forwards. The cash and investments make up over half the market value, making most of the company's value very easy to ascertain. While the value is difficult to ascertain due to Lakes Entertainment's junior position in Rock Ohio's capital structure, we see limited downside even if LACO's stake is completely wiped out. The Jamul Tribe owes Lakes Entertainment $60 million but the note is contingent on the development and profitability of a project on the Tribe's land. Penn Gaming is pursuing development with the Jamul Tribe, making this note payable a substantial source of optionality. This note, which has been written off to zero, and the NOLs, which are off-balance sheet with a 100% valuation allowance, are potentially valuable hidden assets. It has off balance sheet or under-earning assets, and the lack of catalysts tests value investors' patience. Despite all that, the cash and investments make up over half the market value, making most of the company's value very easy to ascertain, and offering significant downside protection.

Portfolio Holdings

Markel (MKL)

We bought MKL because we felt the market was under-appreciating the earnings power of this "baby Berkshire." Trading below 1.5 x BV, a historical low, we hypothesized that the market was mispricing the Alterra acquisition, MKL's industry-leading combines ratio, dominant position in a niche part of the P &C space, and high quality management team. In short, MKL is a compounder that deserves a premium we feel still is not priced in and believe earnings reports will eventually correct this. The MKL investment has performed well since our investment in July of 2014. Given our entry price of $647 per share, we have achieved around a 25% annualized return on the investment. The stock price reacted positively to strong 2014 Q4 results. Fundamentals remained strong - MKL continued to achieve strong growth in gross premiums (20% yoy growth), its equity portfolio returned 18.6% and its fixed income portfolio achieved 6.5% returns. We have additional upside from an increased allocation of investment funds to equities and from an increase in portfolio duration. Markel Ventures, their operating business arm, has performed in line with our expectations and will continue to be an additional opportunity for MKL to put its capital to good use. Given the robust performance of MKL and the continued health of the core operations, we believe that MKL still presents attractive compounder-like characteristics with our downside protected.

Microsoft (MSFT)

The original position in Microsoft was taken in 2008. We saw this as a strong buy as Microsoft is a dominant player in the software industry, enjoying consistent revenue growth. Positions in its key segments were protected by significant barriers to entry, and it pursued an active share repurchase plan at the time. Since that date, Microsoft launched strategic alliances into the mobile handset market with its Windows 7 phone. Also in its portfolio are cloud computing platforms and infrastructures, and updates into its Office suite. We sold Microsoft in November 2014.

Mocon (MOCO)

Mocon sells instruments that detect, measure and monitor gases and other chemical compounds to improve the quality of end products. They have customers in a wide variety of end markets, ranging from food and beverages to oil and gas exploration. The original investment thesis had three key components: (1) their near-monopolistic position in permeation instrumentation, (2) a strong competitive moat through patents and unutilized technology, and (3) a mispricing due to the Dansensor acquisition. Dansensor was purchased relatively cheaply at 1x sales while previous deals had occurred from 2x–3x sales, but the market had decreased the share price due to the lower margins of their leak detection business. Over this year, however, we have decided to sell Mocon since the company has roughly performed to expectations. Additionally, with no additional near-or-mid-term catalysts to help realize value, it may be a value trap going forward, further reiterating our decision to sell in March 2014.

National American University Holdings (NAUH)

National American University (NAUH) operates a for-profit education business with 37 locations that span the central United States, as well as a residential real estate segment in Rapid City, South Dakota. The Company is ramping up its Continuing Education curriculum in order to combat changing industry regulation. National American has significant hard assets like cash and land, which provide downside protection. It is a low-cost provider in the education space and has made continued SG&A cuts, which will increase YoY EBITDA by as much as 50% to 100%. In addition, management's interests are aligned with shareholders, as insider ownership is over 60%. We believe NAUH is worth about $6.00 per share in the base case, based on cap rate valuations for the Company's real estate and multiples analysis for the education business. With $40M in cash and approximately $15M in real estate, the market is ascribing $30M to the education business, which is less than 3x current adjusted EBITDA and 3x projected FCF.

Portfolio Holdings

Nordion Inc. (NDZ)

Nordion Inc., a position initiated in 2013, is a radiopharmaceuticals company with 2 main segments, sterilization and medical isotopes. The sterilization segment is a cash cow, razor-and-blade segment with strong regulatory and safety barriers to entry. Nordion sells expensive irradiation machines along with the Cobalt-60 isotope needed to operate the machine. They have roughly 75% market share. The medical isotopes segment involves the processing of isotopes for use in medical testing and treatment. An issue surrounding this segment is the impending 2016 shutdown of the NRU reactor in Canada that produces the isotope Mo-99, which decays into Tc-99m, an isotope used in 80% of global nuclear medical procedures. There are only 4 other such reactors in the world. Nordion was sold in August 2014.

Novacopper (NCQ)

Novacopper is a base metals exploration company focused on exploring and developing the Ambler mining district in northwest Alaska. We entered into a long position on 5/28/2013, purchasing 3,791 shares at $1.78/share. The confirmation of resource wealth during exploration drilling in the Arctic and Bornite regions of the Ambler district, the granting of mining permits and consent of local native tribes, as well as preliminary economic assessment for an open pit in Arctic region are positive signs on the company's road to the production stage. The major risks include missing infrastructure. Novacopper requires a 200-mile road be built by the state of Alaska. Additionally, final environmental permit has not yet been granted for the Bornite region of the Ambler district. Novacopper is commitment to continue with the exploration activity at Ambler district and expect a see a final push for the completion of the access road during 2014. Due to continued weakness in the natural resources sector NCQ was sold in early 2015.

Rolls-Royce (RYCEY)

Rolls-Royce develops, manufactures and sells engines through five business segments: civil aerospace, defense aerospace, marine (ships and vessels; offshore O&G), energy and nuclear (nuclear plants, O&G) and power systems. It is a very high quality company with opportunities for compounding growth due to its long-term contracts, sticky customers, and industry oligopoly that provides the opportunity for significant economic growth. Rolls-Royce's basic business model is to sell engines that come with 20-year service contracts. While they lose money up front on the initial sale, they enjoy extremely stable service revenues for the life of the engine. This provides further competitive advantage to Rolls-Royce, since no start-up engine manufacturer could sustain such prolonged loses.

Recently, profit warnings mainly due to macro headwinds and last year's market pullback due to defense budget cuts in the US and the UK still weigh down on the company's share price. However, GPS has held Rolls-Royce since 2012 and will continue to hold this firm. Even a complete loss of all new engine sales to the defense market would cause only an 8.5% hit to revenues. Their service contracts on all past engine sales are guaranteed. Due to the continued growth in the civilian aerospace and other segments, as well as the market overreaction on the defense segment cut, GPS will continue to hold this stock.

Portfolio Holdings

Sandstorm Metals and Energy (STTYF)

We sold our entire position in Sandstorm Metals and Energy in January 2014 with a disappointing loss. The management has chosen a portfolio of high-risk projects most of which did not enter the production stage and this development continued to weigh on the performance of the stock throughout our holding period. Especially the Serra Pellada project, which Sandstorm hoped to revive its faltering performance, failed to impress investors. We sold our holding after the press release that Serra Pellada project is running into continuous problems with a flooding of exploration wells.

Telefonica (TEF)

We entered our position in Telefónica in early 2012. The stock was depressed due to concerns relating to the European debt crisis, among other reasons. We see this company as a well-diversified, long-term operator with management and profit consistency even given the volatility of Spain and the E.U. The position was sold during 2014.

Tronox (TROX)

Tronox is the largest vertically integrated producer of titanium ore and titanium dioxide. It is one of the major providers of titanium oxide used in paints and as feedstock, and also produces zircon for ceramic products. The original thesis revolved around the sustainable free cash flows this vertically integrated business provided and the mischaracterization of fair value resulting from the "destocking" of TiO2. Paint suppliers had built up large reserves of TiO2, which they were slowly consuming. At the end of this destocking period, they will be forced to purchase TiO2 from suppliers such as Tronox again, since they have low inventories. This will increase the price and volume of sales, increasing profitability. However, the initial assumptions of the pitch proved more difficult to prove than we first thought, such as a major growth in Chinese production in TIO2, and TROX was sold in mid-2015.

Turquoise Hill Resources (TRQ)

Turquoise Hill Resources is a mining company with a majority stake in Oyu Tolgoi, which was projected to be the largest copper mine in the world. GPS believed it was undervalued on an NAV basis but problems with the Mongolian government, depressed copper prices, and the Chinese government led GPS to exit the position with a loss in late 2014.

United Technologies (UTX)

United Technologies is an industrials conglomerate providing high technology products and services to the aerospace and building systems industries. They operate in five different segments ranging from elevator manufacturing to military helicopters that each provide focused services. The original thesis was dependent on emerging economies growth as well as their diversified mix of short and long cycle industrial products. Since all of the company's segments are in a dominant position in their respective industry, UTX is able to capture the growth that can be found in these markets. They also generate large amounts of revenue through aftermarket services, which are less economically sensitive than original equipment sales. Over the past year, they have restructured their organization by cutting down to five segments from six and bringing in a new Chief Executive Officer. UTX also continues to work extensively to develop the Pratt & Whitney engine brand, including an alliance with GE Aviation and a stake in the International Aero Engines Collaboration alongside many internationally recognized brands. United Technologies has retained its large economic moats in each of its businesses, making it well positioned to take advantage of growth trends such as the improving commercial construction outlook and Europe tailwinds. We are confident that the excellent management team will continue to deliver value to shareholders.

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