October 3, 2021

Members of IMG,

As your new portfolio managers, we are excited to present the 2021 PortComm Investor Letter. We hope to establish letter-writing as a quarterly habit (as real-world funds do) for the Portfolio Committee going forward for a few different reasons. Our primary goal is to increase outside transparency and engagement with the Committee. As first-years last fall, the Portfolio Committee felt like a walled off entity to which we presented and sent deliverables and from which we received a simple buy/not buy decision devoid of further elaboration. When we applied to become members in the winter, we had a vague idea of what we were getting into, but we believe the club will be better served by a more transparent and engaging Portfolio Committee. Beyond letter-writing, we also hope to establish a clear line of communication between Principals and their PortComm coverage member so that there is less scrambling for information at the end of the quarter and mysteriosity about why certain pitches are rejected or accepted.

Additionally, these letters will impose a level of accountability on the Committee's decisions and enable thoughtful reflection on what went right or wrong on a certain stock. We believe the Committee already does an excellent job of educating members through the pitching and decision-making process, but falls a bit short once a stock is in the portfolio. The process of tracking a position through earnings and news events, watching the thesis materialize (or not), and eventually deciding to sell does not receive the emphasis it deserves. If there are lessons we can derive from past decisions, it is in everyone's interest to learn them. We will not herald certain groups as geniuses for pitching a good stock or demean others whose pitches don't play out as expected. We will attempt to identify tangible lessons that can inform our process going forward. Weekly portfolio updates that follow positions and update the club when material news events occur will also serve to further this goal.

Now, on to the meat of the letter. We will begin by reflecting on the Committee's performance in the winter and spring of 2021, as well as the broader portfolio's performance and recent market/factor trends. Following, we will outline the reasoning behind every current position in the portfolio and how we're thinking about the company. This portion will be longer than usual as we seek to backfill what was missed in prior quarters. Going forward, the updates will be more brief and focus on positions that are brand new or noteworthy for one reason or another.

PortComm Performance Review

	PortComm	Equal Weight	S&P 500
Winter	2.72%	3.40%	6.86%
Spring	6.91%	-4.61%	2.11%

Winter (4-5-21)	Decision	Performance Since Decision	Performance Captured
SABR	Buy	-19.28%	-10.10%
FOUR	Buy	-9.52%	5.44%
BWA	Buy	-6.33%	-1.81%
ISRG	Not Buy	31.80%	-4.95%
BAM	Buy	21.16%	22.46%
NVR	Not Buy	-0.87%	0.45%
PCOM	Buy	6.86%	7.55%
Spring (6-14-21)			
RE	Not Buy	-0.79%	0.00%
MCS	Not Buy	-17.59%	0.00%
HON	Not Buy	-3.37%	0.00%
TTEK	Not Buy	22.89%	0.00%
REAL	Not Buy	-36.93%	0.00%
LBRDA	Buy	8.11%	6.91%

The 2021 PortComm crew fared reasonably well (at least so far), especially considering the notable midyear shift away from reopening/cyclical plays and towards growthier companies. Above is a chart of all pitches presented to the Committee in the winter and spring, along with the Committee's decision, the stock's performance since the decision, and the performance captured in our portfolio. Additionally, we included a comparison of PortComm's captured performance, the performance of an equal weight basket of all stocks pitched, and the S&P 500. Obviously, the Committee is shooting to outperform the S&P 500, but given our constraint of purchasing companies that are pitched to us, we believe performance relative to the equal weight basket is also informative for evaluating performance.

The Committee may have been overeager to buy winter quarter, accepting 5 of 7 stocks pitched overall and all 4 that had some sort of reopening/cyclical slant (SABR, FOUR, BWA, PCOM). This general tilt towards reopening was not well-timed, as the more secular growth names (ISRG, BAM) have clearly outperformed the pack. Some of this poor timing was offset by tactful portfolio management (kudos to Victor and Ray)—note that almost every winter position's captured performance exceeded performance since the Committee's decision. There was slight underperformance against the equal-weight basket and S&P 500. We remain positioned in a few of the stocks pitched in the winter quarter, which we will elaborate on later.

On the contrary, spring was mostly a quarter of inaction on the part of the Committee. Only one pitch was approved to be purchased: Liberty Broadband. This was likely for the better, as the Committee dodged potential bullets in MCS and REAL. Another point of difference is that spring's pitches lacked an obvious theme, with the Committee reviewing an eclectic group of ideas. There are no obvious lessons to be learned so far, as our Liberty thesis continues to play out and our indifference to the other pitches proves to be correct. Spring performance soundly beat both the S&P 500 and equal-weight basket, offsetting the slight underperformance observed in the winter quarter's picks.

Portfolio Performance Review

IRR Since Inception	YTD Return	S&P 500 YTD Return	Sharpe	Calmar
22.02%	9.37%	17.58%	0.41	1.00

The portfolio has had an admittedly lackluster year thus far. We have been consistently underinvested in ideas, with cash and index funds making up a sizable chunk of the portfolio. Part of this is attributable to the fact that we have a shortage of names we really like. As pitch quality improves and the club adjusts to the new quarter-long pitch structure, this should resolve itself. For now, we're on the hunt for new ideas and eager to start filling the portfolio with quality names we believe are mispriced.

Portfolio Review

Adobe (ADBE):

Design, editing, and rendering computer software company.

Current Price: $577.47 **Cost Basis (Nov 11, 2019): $296.20 (42.7% IRR)** **Price Target: N/A**

Investment Rationale:

Adobe is famed for its powerful moat against competitors. Through its first mover advantage and extensive product suite, Adobe is able to maintain high switch costs and prevent customers from going to competitors. Adapting a new software would be too costly and time consuming to be feasible for customers because Adobe has solidified itself as the industry standard. As a result, Adobe holds an extremely sticky customer base and strong pricing power. At the time of the investment, Adobe shares already had a high price tag; however, the Committee believed that Adobe was still at the forefront of a burgeoning industry with several growth opportunities remaining.

Performance:

Adobe has had a strong performance in the Portfolio since its entrance in December, 2019. The Company has widely maintained its moat and continues to rapidly increase its subscriber count during the pandemic. Since our initial investment, Adobe stock has appreciated 95%. Most recently, after Q3 2021 earnings, Adobe stock declined 11% due to a rare, modest outperformance.

Outlook:

After deliberations, the Committee has decided to retain Adobe's existing shares. We believe the Company will continue to grow profit margins and expand their product suite to generate additional revenue from existing customers. We believe the dip in share price is merely reactionary, and Adobe will continue to dominate in an industry that still has room for significant growth.

Autodesk (ADSK):
3D design, engineering and entertainment SaaS provider.

Current Price: $284.06   **Cost Basis (Dec 5, 2019): $175.79 (30.0% IRR)**   **Price Target: N/A**

Investment Rationale:
Like fellow portfolio company Adobe, Autodesk has an extremely sustainable moat: high switch costs. Autodesk software is the industry standard for companies in architecture, manufacturing and the digital media space. The Company continues to face significant competition in the construction space. However, for many industries, companies that use Autodesk cannot reasonably switch providers because the switch would demand too much time, money, and resources. The Portfolio Committee decided to invest in Autodesk because of the Company's decision to transition from a licensing model to a SaaS model. Autodesk slowly encouraged customers to switch to SaaS by temporarily lowering prices, leading to a decline in EBIT and unstable free cash flows. However, after prices normalized in 2018, subscriptions and deferred revenue skyrocketed. Customers had no choice but to accept these changes because the alternative would be too costly. Autodesk's aggressive acquisition strategy further preserved their moat. By engaging in at least one acquisition each fiscal year, the Company could continuously expand their product suite to ensure subscription and revenue per customer growth. Furthermore, the Portfolio Committee believed that there was room for growth in the construction industry due to a push towards digitization.

Performance:
Autodesk has been an extremely successful investment for the Committee, both monetarily and ideologically. Our investment rationale has materialized very smoothly in the past two years, with consistent gains. Since our initial investment, Autodesk stock has appreciated 59%. The Company continues to maintain its market share within the architecture, manufacturing and the digital media industries and continues to pursue acquisitions to expand their product suite.

Outlook:
We believe that the Autodesk investment thesis has thoroughly materialized. The Company has fully transitioned from a licensing model to a SaaS model, and we have not seen any significant new growth drivers since our initial investment. However, to date 42% of our current portfolio is held in cash or the Vanguard S&P 500 index. We believe temporarily holding our shares in Autodesk is a better alternative to increasing our cash on hand or Vanguard position. We are confident in the fact that Autodesk is a "fundamentally strong business", as required by the IMG investment mandate, and are therefore willing to hold our position in the short-term. As opportunities arise throughout the quarter, we hope to offload our Autodesk shares and invest in new companies.

Brookfield Asset Management (BAM):
Alternative asset management company focused on private equity, infrastructure, real estate, and other areas.

Current Price: $54.62 **Cost Basis (Feb 26, 2021): $44.59 (48.7% IRR)** **Price Target: $62.43**

Investment Rationale:
The research path that led to Brookfield was a bit unorthodox. The group was looking for a way to play the idea that physical retail is unjustifiably depressed in the eyes of the market and that there are good real estate assets out there for those who look closely. They ended up settling on Brookfield Asset Management, which doesn't necessarily represent a direct bet on real estate, but instead relies on the company's superior asset allocation in the space to drive further flows and more fees. We were also particularly attracted to the fact that Brookfield was willing to step in and buyout a partially owned real estate focused subsidiary, Brookfield Property Partners (BPY) that was trading at around ⅔ of NAV. Additionally, Brookfield's huge asset base and long standing reputation is attractive, as private equity and alternative asset managers have seen huge allocation increases in recent years.

Performance:
Brookfield has performed well since being purchased, up around 20%. However, it should also be noted that peers APO, KKR, and BX have appreciated around 30%, 40%, and 60% over that same time horizon. It has been a good run for alternative asset managers as 2021 has been the hottest year for private equity fundraising since 2008 to go along with an unprecedented amount of deal activity. However, nothing directly related to real estate has seemed to be driving the recent runup.

Outlook:
The Committee is holding Brookfield for the time being, as there hasn't been enough time to see the thesis play out. Concerns have been expressed regarding the materiality of the thesis; more specifically, the relevance of real estate to the overall performance of Brookfield stock. This will continue to be evaluated and we will inform the group if any further actions are taken.

BorgWarner (BWA):
Original equipment manufacturer (OEM) for combustion, hybrid, and electric vehicles.

Current Price: $43.83 **Cost Basis (Feb 16, 2021): $46.25 (-6.5% IRR)** **Price Target: $51.94**

Investment Rationale:
Our decision to invest in BorgWarner is largely driven by the assumption that the Company will transition from being a legacy combustion vehicle OEM to an electric vehicle OEM through strategic electric vehicle (EV) related acquisitions. We also believe BorgWarner will leverage its current position as a trusted, leading combustion vehicle OEM to retain major customers as they integrate EVs into their fleets. Investing in BorgWarner, due to the Company's current status as a legacy combustion vehicle OEM and their niche products within the vehicle supply chain, allows IMG to capitalize off the trend towards electric vehicles without risking the extreme volatility that is traditionally associated with the EV industry.

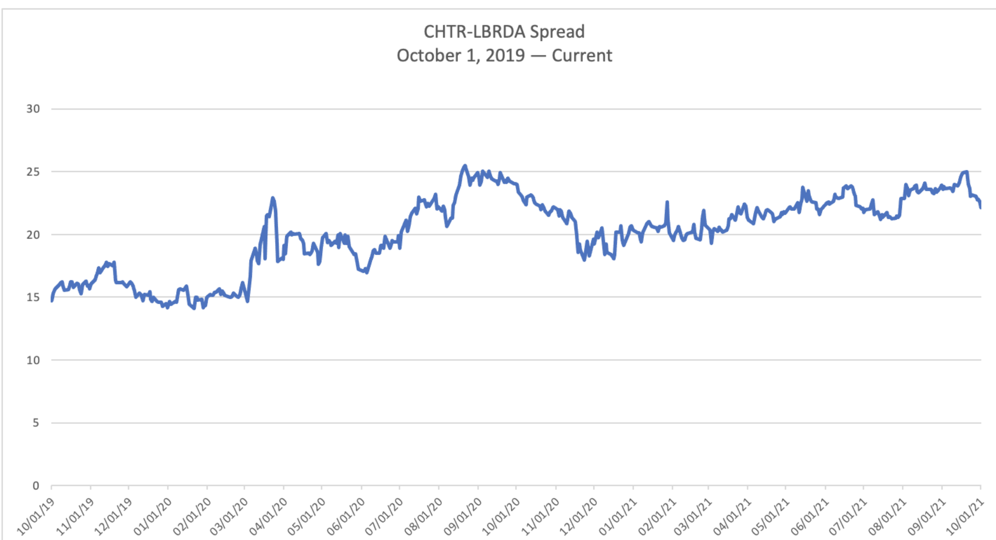
Performance:
Initially, BorgWarner was weighted heavily in our portfolio due to high expectations for their recent acquisitions of Delphi Technology and Akasol – both companies being electric vehicle battery manufacturers. The markets responded positively to Borgwarner's EV manufacturing developments throughout Q1 of 2021. However, we have since reduced our position on BWA due to the ongoing shortage of semiconductors, which has limited the manufacturing capacity of OEMs. As a result, there has been an industry wide correction for OEM stocks in the past few months. We offloaded 50 shares at a price point of $47.02, resulting in a 6.9% upside.

Outlook:
We remain firm in the belief that BorgWarner has immense potential for expansion into the EV manufacturing space. However, investors are concerned that the acquisition rate of the Company has declined in the last two quarters. Borgwarner's current share price reflects the sentiment that the Company may not be adapting toward EV trends fast enough to stay competitive. Additionally, the ongoing semiconductor shortage may have long-term effects on the Company. We will re-evaluate BorgWarner after 3Q21 earnings to determine its allocation within the Portfolio.

Liberty Broadband (LBRDA):
Holding company for a 25% stake in Charter Communications (CHTR), a broadband cable provider.

Current Price: $171.92 Cost Basis (June 21, 2021): $160.81 (27.0% IRR) Price Target: $215.00

Investment Rationale:
The broadband cable business is generally attractive due to the fact that many regions are monopolized and the necessity of internet access in today's age makes broadband a very tough service to dump. Charter's network consists mostly of hybrid fiber-coaxial networks, which we believe present far and away the most attractive option for most consumers: solid quality at a much lower price than pure fiber. Charter's move into mobile presents an additional source of upside, which we don't believe is appropriately priced into the stock. Charter's buildout is complete, and the company can now dramatically reduce CapEx and start to spit out massive amounts of cash flow. The company is also repurchasing shares and taking advantage of the leverage that operating in a stable business like broadband enables you to run. If all that isn't enough, the Liberty Broadband vehicle offers a chance to purchase Charter shares at a 22% discount to market value (chart of the historical spread below). Liberty Broadband has also been selling Charter shares back to Charter, and using the proceeds to repurchase Liberty Broadband shares, effectively grabbing free money for shareholders.



Performance:
Liberty Broadband steadily marched up following it's addition to the portfolio in June. However, recent hesitancy in public comments from peers have scared off cable investors, and shares have pulled off around 10% from the highs.

Outlook: The Committee has used the recent pullback as an opportunity to put more money to work on this idea. Other market participants seem to be souring on cable more broadly, providing a much needed opportunity to take advantage of what we believe is an inaccurate perspective. The Committee will continue to keep an eye out for a serious reason to believe the CHTR/LBRDA spread is justified, but in the meantime this meme succinctly summarizes our view on the subject:

Points International (PCOM):
Loyalty management solutions for the airline and hotel industries.

Current Price: $16.96 **Cost Basis (April 6, 2021): $15.77 (15.9% IRR)** **Price Target: $20.06**

Investment Rationale:
The Committee views Points as an asset-light way to play the reopening and return of travel that was relatively unimpaired by COVID. Points had been winning contracts and expanding business before the path to reopening became clear, but the stock still traded similar to asset-heavy leveraged reopening plays like cruise lines and airlines. The company has elevated exposure to business travel, which has more uncertain near term prospects, but which the Committee believes will rebound enough to make Points an attractive investment. Beyond reopening, expansion into Asian and African markets is another prospective growth source.

Performance:
The position has performed moderately well thus far, especially when compared to reopening peers more broadly. The Delta variant has served as another bump in the road for air travel, but airline solvency looks to be well under control at this point and air traffic volumes have begun to recover. Business travel hasn't shown stability yet, but that isn't priced in until late 2022 or early 2023.

Outlook:
The Committee will continue monitoring Points' ability to expand partnerships and the state of business travel in the U.S. Reopening names have taken a breather over the summer, but we could be seeing the beginning of the "second reopening trade" as the Delta variant fades.

Penn National Gaming (PENN):
National casino operator and online sports gambling company with ownership in Barstool Sports.

Current Price: $72.18   Cost Basis (Feb 24, 2020): $36.13 (76.8% IRR)   Price Target: N/A

Investment Rationale:
The digitization of sports betting and gambling was gaining traction before COVID-19, when the Committee's investment decision was made. Penn National capitalized on sports betting tailwinds by purchasing a 36% stake in Barstool Sports – a sports media company – and creating a sports betting app. At the time of purchase, 62% of Barstool users bet on sports and 44.8% of users were between the ages of 21-34. By becoming Barstool's exclusive gaming partner, Penn gained access to the Barstool's highly coveted fanbase. The Barstool brand serves as a crucial marketing tool for Penn National and gives the Company a competitive advantage over other companies in the burgeoning sports betting space. Penn also stayed ahead of competitors in the casino gaming industry through strategic leasing models that took real estate costs off of their balance sheet, allowing for faster expansion of operations.

Performance
Covid-19 was an unexpected, but extremely effective catalyst for Penn National Gaming. As a result, Penn has had an extremely strong performance in our portfolio. To the benefit of Penn, online gambling grew rapidly during the pandemic due to stay at home restrictions and the closure of casinos. While Penn did hold several casinos that suffered significant losses as a result of the pandemic, investors kept their attention on the success of Penn's sports betting application after their acquisition of Barstool Sports for most of the pandemic. However, in March 2021 Penn's share price began declining rapidly. We believe this began as a pullback from a yearlong rally. The detrimental effects of the pandemic on Penn's casinos were also beginning to reveal itself. As a result, the committee offloaded 20 shares in the beginning of April.

Sell Thesis:
Several well-established competitors have expanded their online gambling presence since our initial investment, which has led to slower market share growth. Additionally, we believe the major advantages of the Barstool acquisition have been realized. As a result, we have sold our PENN shares at a price of $72.18 for a 100% upside.

Waste Management (WM):
Waste management services provider.

Current Price: $149.89 Cost Basis (Nov 18, 2019): $112.15 (16.7% IRR) Price Target: N/A

Investment Rationale:
Waste Management may seem to be a boring company in an unappealing industry to the average onlooker, but the company presents a much more attractive case to investors fond of a strong moat. Humans produce waste, all the time, rain or shine, recession or boom. Just imagine the sort of catastrophe that would be required for one to cancel their garbage pickup subscription. Additionally, increasing consumerism has meant more and more trash, and despite recent efforts to reduce trash and increase sustainability, we still think this is a clear long term tailwind for the industry. Garbage pickup may be asset heavy, but most regions are only lightly competitive if not monopolies, with a small number of providers angling for their share of a customer base that is strong, recurring, and incredibly defensive. The general lack of competition at the regional level also gives Waste Management a great deal of pricing power.

Performance:
Waste Management has been a stable and consistent performer in the portfolio. Generally seen as a low-beta defensive stock, it has served its purpose. It is trading near all time highs both on an absolute price level and several valuation metrics. Given this, it is possible that the company's moat has come to be fully understood and priced in by the market at this point.

Outlook:
After further deliberations, the Committee has decided to continue holding Waste Management, but with an eye towards exiting the position. It primarily serves as a low beta hedge against the rest of the portfolio, which is itself a valid reason for holding given the quality level of the business. However, we believe there are likely juicier opportunities out there that could provide similar market exposure. Waste Management is trading near all time highs on every valuation metric, and the ultra-stability of the business makes it hard to come up with a meaningfully differentiated view on the company.

Exited Positions:

Sabre (SABR):
Global distribution systems company that manages pricing and logistics for air bookings.

Cost Basis (Feb 6, 2021): $14.99 **Exit Basis (July 12, 2021): $13.48 (-44.1% IRR)**

We bought into SABR in Spring 2021 as our largest position for the quarter. Our confidence in the company was misguided by two factors. First, we committed an appeal to authority fallacy. Second, our confidence in SABR was largely based on our faith in the industry, but our faith in the company was not properly justified. SABR was a pitch led by IMG's President, and admittedly, the Committee found itself more relaxed when evaluating the pitch. The leadership position of the individual behind the pitch should not have been a determinant in our decision-making process, but an appeal to authority has biased our evaluation, causing us to enter deliberations with a predetermined mindset that SABR will be our strongest position.

Building upon the aforementioned bias, the Committee did not develop a sophisticated view on the competitive dynamics within the industry. We saw a mispricing opportunity in the Airline IT industry, but we were unable to confidently justify why we saw SABR as the winning choice amongst its competitors, namely Amadeus (AMS) and Travelport. We did not even conduct a base-level of research on AMS. We decided that SABR was the winner largely because we took comfort in the fact that it was an American company traded on an American exchange, whereas AMS was a European company trading on a non-American exchange, and IMG has always found more success in pitching and trading American stocks. Moreover, we were more familiar with SABR's clients, which were largely American airlines. Our unfamiliarity with AMS's client base prevented us from appreciating the company's dominance in markets outside the United States. After further primary research conducted by one of our Portfolio Managers over Summer 2021, we concluded that AMS provides a larger suite of more capable products, is more poised to grab more market share, possesses greater pricing power, and has a stronger balance sheet to weather through a slow airline industry recovery.

Essentially, we now believe we chose the right industry but the wrong company. After selling SABR at a loss, we believe we have missed the window for buying into a significant mispricing opportunity for the Airline IT industry, hence we decided not to buy AMS either. While the holding period of SABR was short, and many of the "lessons" here may have been developed prematurely or even disproven in the future, we believe it is important for the Committee to begin future deliberations by asking itself what biases could influence the decision-making process, and then proceed to make those decisions. The ability to be critical of both the market's and our own biases is a skill we hope to continue to develop as a Committee.

Shift4 Payments (FOUR):
Payment processing company that specifically targets multiple-POS leisure and hospitality enterprises.

Cost Basis (Feb 26, 2021): $89.29 Exit Price (May 28, 2021): $94.15 (119.9% IRR)

The Committee bought into and exited our Shift4 position within a three-week span in the winter of 2021. The sell thesis was extremely straight forward: Shift4 reached its price target. Typically, the Committee would re-evaluate a company that reaches its price target to determine whether new growth opportunities are available. However, we admit that our understanding of Shift4 was not strong enough to warrant the risk of holding the Company after reaching the price target. Going forward, the Committee will be more diligent in its deliberation process to make sure we have a more thorough understanding of the companies that enter our portfolio.

With that being said, our exit on Shift4 was timed beautifully, at the peak of its value. We ended with a net ROI of 5.44%, and since our exit, the Company's share price has declined ~34.5%. Upon further research, we see that the Company's value has fallen because the market is now pricing in the fact that increased competition has destabilized Shift4's market share, particularly for restaurant payment processing.

Overall, our successful investment in Shift4 was the result of discipline, accountability, and a little bit of luck.

Conclusion

We hope this was an effective update on our current portfolio as well as the decisions the Committee has made thus far in 2021. We are excited to take the reins and continue PortComm's positive contributions to IMG as a whole, hopefully improving where possible. We will be back with another (more brief) letter following this quarter's deliberations. We're excited to see what the new groups can bring to the table!

Best,
Jacob and Emily