IMG INVESTMENT MANAGEMENT

April 1, 2022

Members of IMG,

Welcome to our Winter 2022 investor letter. With this letter, we continue the tradition of updating IMG on the state of the group's portfolio. 2022 is proving to be an exciting year in both the markets and the global economy at large, which should create opportunity for long-term and diligence-focused investors. We continue to believe that prioritizing quality and searching for differentiated ideas within that universe will produce outsized risk-adjusted returns over the long run and result in outperformance of the S&P 500 benchmark, even if short-term results fail to achieve that goal.

As far as pitches go, the winter proved to be underwhelming in the way of actionable new investment ideas. Five of the six companies diligenced were pitched as holds. The committee was fundamentally pessimistic on the business prospects of a concerningly large portion of the pitches, and several groups threw their hands in the air and failed to do any valuation work whatsoever. We believe that the generally weak pitch quality is not a result of unpromising market conditions, but instead a lack of upfront work on the part of pitch groups to confirm the potential for a buy position before selecting a company to diligence. Going forward, we are emphasizing early-process contact between committee members covering groups and the principals of those groups with the hopes that this can improve company selection and the fruits of diligence processes.

The one new stock welcomed into the portfolio is Kohl's, a bit of a special situation where we believe there is sufficient fundamental upside but also multiple potential catalysts in the form of potential management action and/or a take-private. This flavor of pitch was something new for the Committee but does not compromise on our mandate to purchase quality companies at attractive prices, and as such was ultimately accepted into the portfolio by a razor thin voting margin.

Existing positions in Liberty Broadband, Performant Financial, and Adobe were all bumped up as the market punished a number of individual names and continues to be held up by a narrowing base of large cap companies. In some cases we believe this washout has been warranted given the aggressive valuations and weak fundamentals sported by a number of high flying names, but in other cases we believe this washout has been overdone and resulted in attractive opportunities for enterprising and fundamentals based investors. This should result in a set of compelling pitches this spring, and we certainly hope that will be the case.

Portfolio Performance Review:

IRR Since Inception	YTD Return	S&P 500 YTD Return	TTM Sharpe	TTM Calmar
15.2%	-6.7%	-5.5%	NM	NM

The portfolio is off to a less than ideal start to the new year, slightly lagging the S&P 500's performance following a less than stellar 2021. Since the tech sector's peak in early November, our two largest positions in ADBE and ADSK have dearly suffered, and in the case of ADSK given back nearly all of the historical gains. Market pessimism on cable has also persisted and punished our LBRDA position accordingly. However, we believe that for the first time in a couple of quarters, opportunity truly abounds and we expect this to manifest in some exciting new theses to show for 2022.

On a macro level, our portfolio remains underexposed to the cyclicals that have skyrocketed in recent months, but given our self-professed inability to predict macro cycles we will refrain from chasing these names. The recent inversion of the U.S. yield curve could signal a coming recession, in which these cyclical names should suffer. We will continue to focus on through-the-cycle performance and fundamental business quality, and avoid playing games we don't have a shred of confidence that we can succeed at.

Portfolio Review

Adobe (ADBE):
Design, editing, and rendering computer software company.

Current Price: $455.62   Cost Basis (Nov 11, 2019): $296.20 (12.8% 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's share price has fallen by 24% since the new year. Part of this decline can be attributable to the broader sell-off of equities in the technology space due to high valuations and fears of rising interest rates. Additionally, despite beating analyst estimates for earnings and revenue, the Company's Q2 guidance was below expectations. The fear of rate hikes has made investors increasingly reactive to future guidance, further declining the Company's share price. As a final blow, the Russia-Ukraine conflict is expected to generate a revenue loss of $75mm.

Outlook:
The Committee has decided to increase our position in Adobe by 2% at a price of $462.25. Adobe's superior free cash flow generation and sustainable moat is currently being underappreciated in this volatile environment. Given this fact, we believe the current share price provides us with the opportunity to increase our position at an attractive multiple.

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

Current Price: $187.31 Cost Basis (Dec 5, 2019): $175.79 (2.7% 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:
While Autodesk has continued to retain customers and solidify its moat within the architecture, manufacturing, and digital media space, the Company was trading at hefty 75x EV/EBITDA multiple at the close of 2021. As a result of the ongoing concern of interest rate hikes, investors' have become less willing to pay a lofty premium for this fundamentally sound business. Autodesk has performed poorly over the quarter, with its share price falling ~31% since the beginning of 2022.

Outlook:
The Committee has become increasingly concerned by the performance of Autodesk in the last three quarters. While we remain confident in the fundamentals of the Company, we have less conviction on future outlook. However, after hearing the Unity pitch this quarter, the Committee has become interested in Autodesk's expansion into the Metaverse. We will be monitoring Autodesk and its involvement in the metaverse diligently throughout the spring quarter to determine its future position in the portfolio.

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

Current Price: $51.64 Cost Basis (Feb 26, 2021): $44.59 (14.7% IRR) Price Target: $62

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's share price has declined by 6% since the beginning of 2022. The Company's share price is reflective of broader market volatility rather than company-specific issues. Throughout the quarter, Brookfield has notably expanded their real estate and energy portfolio. We are not overly concerned by the performance of the Company this quarter, as competitors such as KKR, Blackstone, and Apollo have seen similar declines.

Outlook:
Brookfield's specialization in real asset investing, financed primarily by fixed-rate debt, provides us a way to benefit from current inflationary trends. Several of their business segments, such as energy, infrastructure, and real estate, index their contracts to inflation, allowing for 2% growth in funds for operation. Given current macroeconomic uncertainty, the Committee views Brookfield as a key investment in our portfolio.

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

Current Price: $37.86 Cost Basis (Feb 16, 2021): $46.25 (-12.0% IRR) Price Target: $52

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:
While BorgWarner has continued to gain considerable market share in the EV manufacturing space with several new contracts in North America and China, the Company operates in an extremely cyclical industry. Global vehicle markets have declined as a result of the shortage in input products such as semi-conductors. Combining this with investors' hesitance towards the Company's EV transition strategy, BorgWarner's share price has declined ~13% since the beginning of 2022 However, it is important to note that BorgWarner has performed considerably well throughout the quarter compared to legacy OEM competitors (Denso, Magna, Robert Bosch) and pure-play EV manufacturers alike.

Outlook:
The Committee is still bullish on long-term EV trends, and continues to view BorgWarner as a future market leader within the EV manufacturing space. The Company's EV transition plan, named "Project Charge Forward," has successfully achieved its 2025 EV organic sales target and looks to focus on M&A and combustion-related dispositions in the coming years. We share the market's concern that by pursuing this strategy, BorgWarner will sell internal combustion engine assets at a discount while acquiring EV manufacturing companies at a premium; we however, believe that this transition is necessary for the long-term success of the business. The Committee will continue to monitor the execution of this strategy and adjust our position accordingly.

Fiserv (FISV):
Legacy global payments processor providing merchant acceptance, financial technology, and SMB merchant solutions services.

Current Price: $97.36 **Cost Basis (Nov 9, 2021): $102.39** **Price Target: $125**

Investment Rationale:
As a legacy payments provider, Fiserv has been able to retain their market share in traditional payments processing while gaining market share in the financial technology space through their ownership of Clover. We believe Clover is an underappreciated asset with a strong advantage due to its unique emphasis on omni-channel retail and larger-scaled merchants. Additionally, upon reviewing a rough valuation of Clover and Fiserv's other legacy products, we saw that the Clover is valued at approximately 12x EV/ EBITDA while the legacy segment of the business is valued at around 5-6x EV/EBITDA. Given the Company's strong market retention and continued growth in its market acceptance business, we believe the legacy segment of Fiserv is also being undervalued. The Company's scale can be rivaled only by Global Payments, a similarly trading legacy player that lacks a strong fintech product such as Clover. Given Fiserv's attractive multiple and strong core business, we view the Company as buy.

Performance:
While we have seen market-driven volatility in Fiserv's share price since the start of the year, the current price is in line with our cost basis. This is particularly notable when comparing the Company to competitors such as Block (formerly Square), Toast, and Lightspeed, all of which have seen declines of ~60% since our time of purchase. Direct competitor Global Payments has performed similarly to Fiserv, albeit without a product like Clover that competes in the broadly damaged fintech space. Fiserv has remained relatively resilient given the volatile industry the Company operates within.

Outlook:
Fiserv's valuation has seen little change since our original purchase. We continue to believe that the Company's Clover asset is significantly unvalued and can thus generate us alpha in the long-run. The Company's legacy business provides protection against the correction taking place for highly valued tech stocks. Thus, the Committee has decided to retain our shares in Fiserv.

Kohl’s (KSS):
Department store retail chain with locations across the U.S.

Current Price: $57.36 **Cost Basis (April 19, 2022): $61.75** **Price Target: $80**

Investment Rationale:
Kohl’s Corporation is a US operated retail company that sells private and national branded apparel, footwear, accessories, beauty, and home products through their 1,100+ stores and online platform. Kohl’s is a Company that has been marked by consistent underperformance: a dollar invested in Kohl’s 20 years ago is worth less today. This underperformance has attracted the attention of notable activist investing firm Macellum, which on January 18, 2022, initiated a second activist campaign on the Company, calling for changes to the board, sale-leasebacks, a share repurchase program, and ultimately, the exploration of a sale process. Fast forward to today, the Company is in conversation with over 20 potential buyers, but has created a “poison pill” to discourage offers at valuations that they do not see fit.

With this context, we believe that Kohl’s provides us an investment opportunity with limited downside and high upside optionality. The Company’s loyal customer base, expansion into athleisure, emphasis on female consumers, and 30-40% digital penetration demonstrates the stability of their core business. While the Company is currently trading at a reasonable price, we believe there can be significant value creation through operational improvements, financial engineering, or a potential sale of the Company. Kohl’s’ planned ~$3 billion share buyback plan alone could provide modest upside, which can be amplified in the case of a sale-leaseback program. Additionally, Kohl’s’ poison pill ensures that any plausible sale of the Company would provide current investors with substantial returns. The Kohl’s thesis is certainly non-traditional when compared to our current portfolio. Rather than having confidence in Kohl’s mispricing, we believe that we are purchasing Kohl’s at a reasonable price, with significant upside opportunities available in the future.

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

Current Price: $124.04   Cost Basis (June 21, 2021): $160.81 (-35.7% IRR)   Price Target: $240

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 allows for. If all that isn't enough, the Liberty Broadband vehicle offers a chance to purchase Charter shares at a ~20% discount to market value. 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 (tax leakage has been minimal, and Liberty Broadband is selling the minimum amount required to comply with their agreement with Charter.

Performance:
Charter has continued to be punished as the market broadly buys into the thesis that MNOs will challenge legacy cable players and that fiber will be overbuilt. The stock is now a third off the September high, and the Liberty Broadband vehicle has continued to trade at a discount to the value of the underlying Charter stake.

Outlook:
Our entire thesis was centered around the market's misunderstanding of the cable industry's competitive dynamics, and as such we see this selloff as nothing other than an opportunity to double down on this belief. As long as no underlying events that disprove our thesis occur, we will continue to stand by it. We knew from the beginning that this would be a relatively slow-moving thesis, and we believe our long-term perspective will prove to be an edge for the portfolio.

Performant Financial (PFMT):
Healthcare payment integrity company serving CMS and private insurers.

Current Price: $2.41 **Cost Basis (Dec 29, 2021): $2.29** **Price Target: $6**

Investment Rationale:
Performant Financial is formerly a student loan recovery business in the process of transitioning to the more attractive healthcare payment integrity space. Around 8% of all U.S. healthcare payments are inaccurate for one reason or another, creating a big problem for insurance companies. Insurance companies employ payment integrity companies to detect and resolve such inaccurate payments in exchange for a portion of the savings. Performant first found success in this market in 2017, winning one of five CMS contracts, but didn't fully commit to winding down the legacy business until it won a second CMS contract in March of 2021. The CMS contracts signal a competitive product and future penetration in the private sector.

The healthcare business has been growing as the company shifts their focus, but is still sub scale, and Performant is heavily spending on acquiring and integrating into new customers. Because the space has incredibly similar economics across competitors due to the "eat what you kill" pricing model, this sets up for a compelling comps argument. Assuming Performant matures to the low end of the comp set's margins and captures an exit multiple at the low end of the comp set range results in a price target ~100% above the current share price. We believe the company's small size (<$200mm) and historically poor financial metrics are causing investors to miss this opportunity, and as the transition plays out over the next few years there is a strong possibility that strategic acquirers could emerge.

Performance:
The stock has been an absolute roller coaster since joining the portfolio, initially falling to $2.00 before skyrocketing to $3.00 and promptly falling back to the low $2s. The stock then popped back above $3 on news of yet another CMS contract win, this one being taken from incumbent Cotiviti, which Veritas is rumored to be shopping in the $10-12bn range. The company had a "stop the bleeding" Q4 report and provided somewhat disappointing guidance that suggests margin inflection may not truly take hold until 2023.

Outlook:
Expectations for the business transition remain at rock bottom, and any sort of growth and associated operating leverage that Performant achieves will explosively impact the stock price. The transition is still in its early days, and given the company's undefeated record in being awarded CMS contracts, there is no reason to believe that the product isn't fundamentally strong. We will continue to build our position.

Waste Management (WM):
Waste management services provider.

Current Price: $157.51   Cost Basis (Nov 18, 2019): $112.15 (15.0% 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:
Despite a momentary dip in share-price related to macroeconomic trends, Waste Management has unsurprisingly withstood the market decline seen in the past three months. The non-cyclical company has served well as a low beta hedge against the rest of our portfolio.

Outlook:
The Committee will continue to hold Waste Management for the foreseeable. Given current macroeconomic uncertainly, holding a non-cyclical, recession resistant company bodes well for the portfolio.

Exited Positions

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

Cost Basis (April 6, 2021): $15.77 **Exit Price: $15.40** **Realized IRR: -2.8%**

The Committee originally viewed our investment in Points as an asset-light COVID reopening play. From past portfolio exits ($SABR), we recognize that this hasn't been a successful strategy for the portfolio thus far. Unfortunately, PCOM was no exception. While monitoring Points throughout the summer and fall of 2021, we noticed that the Company's share price did not necessarily correlate to broader travel recovery as we had expected. Thus, we recognized that our understanding of PCOM was not comprehensive enough to warrant a continued presence in our portfolio.

The Committee's decision to invest in Points was primarily based upon an industry thesis, with a margin of safety provided by the quality of the company. We believed that Points was a unique, overlooked service within the travel industry; however, as the larger business travel point of our thesis failed to translate as strongly to financial results as anticipated the opportunity became much less compelling in our eyes.

Upon our realization of a flawed thesis, we promptly exited our position in PCOM at a loss of 2%. Our position in PCOM was minor, thus overall portfolio losses were minimal. Going forward, we will continue to encourage thematic investing, but also emphasize a strong company-driven thesis.