UNIVERSITY of VIRGINIA | DARDEN Capital Management

THE ADVISOR

Q3 2020

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A LETTER FROM THE CEO:

October 26, 2020

Greetings,

We are pleased to bring you the Q3 2020 edition of *The Advisor* and I am excited to introduce Darden Capital Management's Class of 2021. We come from a diverse set of professional backgrounds including green energy, museum management, and corporate finance. Almost 50% of us are women and five members are CFA charterholders. Our team transitioned during an incredibly volatile time and officially took over the portfolios on April 1, 2020. Even though we could not meet in person, all twenty-four members stepped up into the new roles eager to add value as markets moved quickly and Darden's classes became fully virtual. Adjusting to this new learning environment was challenging on its own, so I am extremely proud of our team for enduring those changes while also transitioning into managing the portfolios and program.

We couldn't have managed through the Spring without the help of the Class of 2020—thank you all for your patience and guidance, especially as we adjusted to holding fund meetings via Zoom. We hope to reunite our classes in the future as we were unable to celebrate your accomplishments and graduation together in person. We appreciate the legacy you left and will strive to continue improving the premier experiential learning environment at Darden!

The virtual environment brought about new capabilities that will be integral parts of DCM going forward. For example, this past Spring we were able to host speakers that otherwise would not have been able to address DCM and the wider Darden community given their physical locations. Thank you to Dick Mayo, Nick Sargen, John Macfarlane, Larry Kochard, Frank Edmonds, Mike Kellett, and others for spending time with us!

In addition, when we lost access to the Bloomberg terminals and other resources in the library, we made sure all members were set up remotely with FactSet and our leadership team hosted numerous training sessions detailing how to use the tool. We connected our Morgan Stanley trading system to FactSet and can now run useful analytics such as attribution on all five portfolios, which is especially helpful to review live during fund meetings. Other new additions to portfolio monitoring include investment chronologies and sell memos, where SPMs keep detailed logs of the rationale behind trade decisions. This documentation supplements the pitch deliverables, with the goal being for generations of DCM classes to understand the justification around all money moves and to ease the transition process to the new class next year.

In August, we hosted a Mayo Center for Asset Management welcome event for the Class of 2022 and presented to over 200 Darden students. This event was great exposure for DCM and helped first-year students learn about the investment management industry. We believe this event played a large role in securing the 131 new members that joined DCM this year. To help engage the first-years, we created four new first-year liaison positions to help with DCM initiatives involving alumni relations, speakers, careers, and research. We are working with the first-years on various projects such as building out virtual career "treks", creating a formal platform for alums to connect with each other, hosting training sessions to help with interview prep, developing new FactSet dashboards, among other initiatives.

This Fall, we partnered with other clubs at Darden such as the Finance Club and Private Equity Club to host training sessions that have been relevant to students recruiting across the financial services industry. We also hosted an internal company valuation competition where 18 first-year students competed virtually for DCM gear. Regarding external competitions, we are thrilled to be sending first-year teams to 9 different competitions this year hosted by peer schools. Of course, we are most excited about Darden @ Virginia Investing Challenge (DVIC) coming up this Friday, October 30th. Thanks to the tireless work of our CFO, Sarah Silke, we are hosting 20 schools at DVIC this year and have created virtual recruiting and networking opportunities for participants.

We faced many challenges when managing the portfolios through the market volatility in Q2 and learned valuable lessons around cash management, position sizing, and relative performance/benchmarking when markets rallied this summer. More details on fund-specific moves are available in the Senior Portfolio Managers' letters in the remaining pages of this document, but we are pleased to share higher-level performance numbers, as well.

- As of September 30, 2020, assets under management was approximately $22 million, up from $16.5 million at market lows in March 2020.

- Almost every portfolio has outperformed its respective benchmark since our inception in March— we attribute this mostly to the decisions and leadership of the previous class. See the performance table below for more information.

	Market Value	% Total Portfolio	Since 3/31/20	1 Year (9/30/19 - 9/30/20)	3 Year (9/30/17 - 9/30/20)
Total	**$21,879,459**	**100.0%**	**32.5%**	**14.3%**	**11.3%**
Weighted average benchmark			*28.4%*	*6.1%*	*6.2%*
S&P 500			*30.1%*	*13.0%*	*10.8%*
Russell 3000			*32.5%*	*14.3%*	*11.4%*
MSCI ACWI			*27.8%*	*8.5%*	*4.9%*
Darden (Small Cap)	**$4,467,251**	**20.4%**	**37.5%**	**21.3%**	**7.5%**
Russell 2000			*32.9%*	*1.4%*	*2.1%*
Jefferson (Value)	**$4,446,560**	**20.3%**	**31.7%**	**14.6%**	**12.4%**
Russell 1000 Value			*21.0%*	*-4.7%*	*2.7%*
Cavalier (Long/Short)	**$4,806,497**	**22.0%**	**38.2%**	**22.6%**	**18.5%**
S&P 500			*30.1%*	*13.0%*	*10.8%*
Monticello (Global)	**$4,318,431**	**19.7%**	**34.8%**	**15.1%**	**10.7%**
MSCI ACWI			*27.8%*	*8.5%*	*4.9%*
Rotunda (ESG)	**$3,840,721**	**17.6%**	**20.0%**	**0.9%**	**8.6%**
S&P 500			*30.1%*	*13.0%*	*10.8%*

Data as of September 30, 2020

In sum, our team is grateful for the incredible experiential learning platform that is Darden Capital Management. This program creates countless opportunities for both personal and professional growth, and we hope to thank you for your continued support by making you all proud of what we accomplish this year. On a personal note, I chose Darden over other business schools in part because of Darden Capital Management and I feel honored to now be a part of such a priceless educational experience.

Please let us know if you have any questions or suggestions— we would love to see you virtually at a fund meeting! Our members are eager to learn from our alumni and to raise the profile of Darden in the investment management industry. If you would like more information on anything provided here, please do not hesitate to reach out. For more information and background about the Class of 2021, please visit the newly updated DCM page on Darden's website. Thank you again for your time and support.

All the best,

Rachel Gibson

Rachel Gibson
CEO, Darden Capital Management
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2020–2021 DARDEN CAPITAL MANAGEMENT

EXECUTIVE TEAM

Rachel Gibson	Chief Executive Officer
Tim Wills	Chief Investment Officer
Sarah Silke	Chief Financial Officer
Daniel Shipman	Director of Research

JEFFERSON FUND

Nick Feinman	Senior Portfolio Manager
Ralph Blasey	Portfolio Manager
Aditya Jhaveri	Portfolio Manager
Mica Soliven	Portfolio Manager

CAVALIER FUND

Jamie Egan	Senior Portfolio Manager
Tarun Inderchand	Portfolio Manager
Frank Musella	Portfolio Manager
Katie Ryan	Portfolio Manager

MONTICELLO FUND

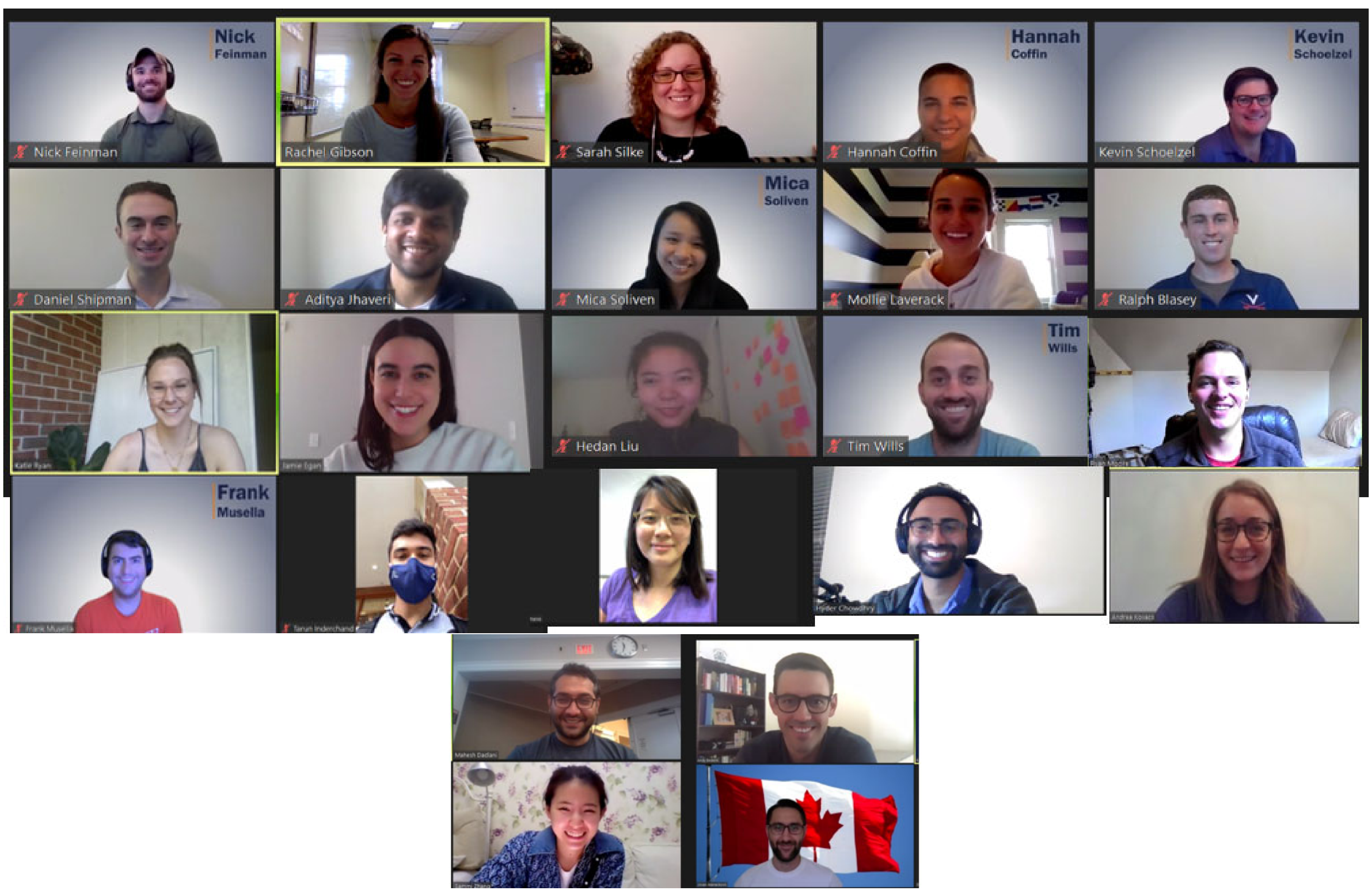
Mahesh Dadlani	Senior Portfolio Manager
Andrea Kovacs	Portfolio Manager
Sammi Zhang	Portfolio Manager
Ryan Moore	Portfolio Manager

DARDEN FUND

Kevin Schoelzel	Senior Portfolio Manager
Jovan Atanackovic	Portfolio Manager
Stephanie Tse	Portfolio Manager
Andy Bedenk	Portfolio Manager

ROTUNDA FUND

Hannah Coffin	Senior Portfolio Manager
Mollie Laverack	Portfolio Manager
Hedan Liu	Portfolio Manager
Hyder Chowdhry	Portfolio Manager



Portfolio Updates

CAVALIER FUND

To Our Friends and Partners:

Thank you to our sponsors, faculty advisors, and the DCM leadership team for supporting us in this impactful educational opportunity that uniquely provides hands-on experience in investment analysis and portfolio management. We feel honored and excited to serve as portfolio managers of the Cavalier Fund and recognize the significant level of responsibility that has been entrusted to us.

FUND OVERVIEW AND INVESTMENT APPROACH

For those less familiar with the Cavalier Fund, we seek to make both long and short investments focusing primarily on domestic equities across the investable market capitalization range and targeting a net long exposure of 80%. The fund aims to generate positive risk-adjusted returns by utilizing a bottom-up strategy to identify reasonably priced companies with defensive competitive advantages and long-term earnings potential. The ability to hold short positions should allow us to lower volatility and enhance returns, and we therefore seek to identify and sell companies with fundamentally flawed business models, unsustainable capitalization structures, overly optimistic analyst expectations, or signs of earnings manipulation. The fund intends to minimize cash allocation and portfolio managers may invest opportunistically across sectors. The fund holds approximately 15-25 positions and is subject to various parameters primarily related to position sizing.

THE TEAM

I am pleased to introduce our capable team of portfolio managers consisting of Tarun Inderchand, Frank Musella, Katie Ryan, and myself. We approach our commitment to Darden Capital Management and the Cavalier Fund seriously and hold ourselves to the highest standards. Our portfolio managers have unique professional experience, career aspirations, and interests. We believe this diversity of perspective and thought is vital to managing a long-short portfolio, and we seek to encourage an openness to our discussion and establish an environment that allows portfolio managers to feel comfortable voicing concerns, offering respectful challenge, and engaging in constructive dialogue. Although it has been incredibly frustrating that our fund is currently unable to gather in-person due to COVID-19 restrictions, we continue to learn and grow together and have actively sought to strengthen our sense of camaraderie and engagement through weekly Zoom sessions. That said, we excitedly look forward to a time when we can begin to safely gather for even more dynamic conversation in the Capital Markets Room.

TRANSITION PROCESS AND INITIAL DECISIONS

Stepping into the role of first-time portfolio managers in a time of uncertainty and within the context of a virtual setting was challenging, so we remain highly appreciative of the support and guidance provided by our predecessors. Charles Perkins, Robbie Hoffman, Vin Paruchuri, and Dalton Werner ensured a smooth transition of portfolio responsibilities by remaining actively engaged in weekly fund meetings, offering refreshed views on holdings and investment theses, and sharing their investment management knowledge and experience with us. Thank you!

Following the handover from our predecessors, we focused upon establishing processes and controls to help us more efficiently manage these new responsibilities. Firstly, to ensure a high degree of ownership and accountability, each portfolio manager has been assigned enhanced coverage responsibilities for approximately five to seven holdings. Individual portfolio managers can offer more focused monitoring and closer attention to earnings releases, company-specific developments, and other events that influence share price performance and/or the fundamental elements of the underlying investment thesis. It is then expected for portfolio members keep the fund appraised of situations that would benefit from additional thought and discussion. We believe this process not only allows for more responsive and efficient decision-making, but also provides valuable practice for portfolio managers to follow specific names.

Secondly, we implemented robust reporting to support our ongoing monitoring and tracking at the portfolio level. We sought to create a tool that allows us to easily reference details on individual holdings such as share price performance, cost basis and unrealized gains/losses, and target price. Functionality also includes a means to identify portfolio concentrations and flag positions that are approaching the limits outlined within our fund's parameters. Additionally, we incorporated elements that provide ongoing tracking of historical performance versus benchmark and trading activity with supporting rationale for our decisions. Thirdly, we leveraged FactSet and other resources to gain a more holistic understanding of the drivers of portfolio performance, so that we might make more informed decisions. For example, through attribution analysis we were able to gain enhanced insight into how allocation and selection decisions have contributed to return which has influenced our approach to portfolio sizing.

The existing positioning of the short portfolio holdings presented a unique challenge in the COVID-19 market environment and consisted of the following single names: **J.M. Smucker Company** (SJM), **Kroger Co** (KR), **Wayfair Inc** (W), and **Yelp Inc** (YELP). While we had conviction in the long-term, underlying investment theses, these companies, operating primarily within consumer staples and e-commerce industries, largely benefited from increased demand due to the pandemic. We had to quickly familiarize ourselves with these holdings and consider whether our portfolio could, and perhaps more importantly, should withstand these pressures and asymmetric payoff profile (i.e., unlimited downside). We eventually exited these positions reflecting our belief that between the high likelihood of prolonged economic re-opening and shifts in consumer behavior over the near-term these positions would continue to move against us, in some cases rather quickly, and represent outsized percentages of fund value. We were also mindful that as we entered a summer period we would have less oversight and control given restrictions surrounding trading and investment club activities. We remain committed to reassessing these opportunities in the future and expect that some of these formerly held short positions may become attractive to re-enter at potentially over-inflated price levels.

There are several opportunities in the pipeline that we are actively evaluating and have added to the pitch schedule. We look forward to providing you with an update on our trading decisions within the next quarterly letter.

PERFORMANCE REVIEW

As of September 30, 2020, the Cavalier Fund had a market value $4,806,497 deployed across 24 holdings. The Cavalier Fund has continued to enjoy a strong risk-adjusted performance relative to our benchmark reflecting the sound security selection and portfolio positioning of our predecessors. Since March 31, 2020, the Cavalier Fund has delivered a 38.2% return. Our benchmark, the S&P 500 Index, returned 30.1% for the same period. On an annualized basis the Cavalier Fund has consistently outperformed with a 22.6% return over the past year and 18.5% over the past three years against benchmark return of 13.0% and 10.8%, respectively.

The largest contributors to fund performance were **Zillow Group** (ZG: +198.9% price change), **Apple Inc** (AAPL: +82.2%), **Spotify Technology SA** (SPOT: +99.7%), **Mastercard Incorporated** (MA: +40.0%), and **Charter Communications** (CHTR: +43.1%). We've generally sought to maintain a degree of concentration in these holdings, representative of our high-conviction, but in the case of AAPL we were forced to more materially trim the position and recognize gains given that the share price performance had caused the position to nearly breach the Cavalier Fund parameter that restricts single name long positions from exceeding more than 10.0% of total fund value. We believe further upside opportunity remains for these holdings largely driven by structural competitive advantages within large addressable markets.

Fund performance was adversely impacted by our portfolio of short holdings, which largely operated within sectors that benefited from increased demand during COVID-19 pandemic (e.g., consumer staples). The most notable detractor was our short position in **Wayfair Inc** (W) of approximately 2,200 shares. Our investment thesis focused on management's failure to demonstrate a clear path to profitability and headwinds driven by increased competition with initial analysis implying a target price of $31.16. On April 6th, Wayfair provided a business update that highlighted an expectation to exceed previously issued revenue and EBITDA margin guidance due to strong demand from COVID-19 dynamics and an acceleration towards profitability and a materially improved cash flow profile in 2020 and shared that the firm had successfully strengthened its liquidity position through a private placement of $535m convertible senior notes. The market responded swiftly and share price increased by 41% on the day of the announcement. We exited the position fully in April 2020 but realized $107k in losses. This served as a valuable, albeit painful, lesson in the difficulties of shorting and highlighted the need to exhibit strong discipline with regards to closing out positions and leveraging limit orders. Wayfair's share price performance continued to skyrocket over Q2 and Q3 ultimately reaching $291.01 by September 30th. From an allocation perspective, exiting various short positions without re-deploying capital before entering the summer period of restricted trading resulted in outsized excess cash holdings during this period (7.5% average portfolio weight) and represented a significant missed opportunity considering the wider market performance. We have learned the importance of more strategically deploying capital into existing high-conviction, underpriced opportunities or index funds, as we evaluate new pitches. In the near-term we have responded by investing a portion of our portfolio (2.5%) in the Vanguard S&P 500 ETF Index Fund and in doing so reduce our active risk and the impact of cash drag.

OBJECTIVES FOR THE YEAR AHEAD

The Cavalier Fund remains committed to the pursuit of strong performance relative to the S&P 500 Index through prudent stock selection and portfolio allocation while operating within our fund's agreed upon mandate and parameters. In alignment with the broader goals of Darden Capital Management, we aim to provide students with a unique learning opportunity to gain practical hands-on experience and enhance their understanding of security valuation and portfolio management with the expectation of furthering their pursuit of careers in the investment management industry.

In addition to these overarching objectives, the Cavalier Fund more specifically seeks to accomplish the following during our remaining tenure:
- Increase both short exposure and the number of single-name short positions to better align with our target, and focus on optimizing our cash holdings
- Refine our portfolio reporting and monitoring tools to enhance controls and our ability to identify opportunities and risks
- Revisit our decision-making frameworks to support more replicable processes through clear investment criteria and guidelines on position sizing
- Strengthen engagement with first-year students by encouraging participation during weekly fund meetings, providing preparation for career opportunities, and offering guidance and feedback for external competitions and interviews
- Connect with our alumni network and leverage existing resources to improve our understanding of investment management and its practical application

In closing, I'd like to reiterate our commitment to Darden Capital Management and the Cavalier Fund. We continuously strive to improve our investment management skills and take full advantage of this impactful and experiential learning opportunity. We thank you for your continued support and remain open and eager for feedback and further conversation.

Warm regards,

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DARDEN FUND

To Our Friends and Partners:

While *This Must Be the Place* is often the Talking Heads song associated with Wall Street, after the last six months, a *Wild, Wild Life* may be more fitting. When the current team took over the Darden Fund, markets were selling off heavily in response to the COVID pandemic. On March 31st, the fund's assets under management had dipped below $3.25 million, a stark drop from a previous high of $4.46 million in 2018. As of the end of September, our Fund AUM had surpassed its all-time high, generating returns of 37.5%, an impressive 460bps above the Russell 2000 over the same period.

During March, our team took the opportunity to evaluate each name in the portfolio, revisiting the original investment thesis and then considering which of our positions were oriented to succeed in a post-COVID world. Viewing the chaos in markets as an opportunity, our team decided that the investment thesis was still intact for many of our companies and we increased our exposure to high conviction positions, specifically, **Magnite (MGNI)** and **Revolve (RVLV)** which were both under 2% of the portfolio at the time.

In reviewing our companies, here are a few of the enterprises poised to benefit from secular changes as a result of COVID:

- **American Homes for Rent (AMH):** This company is a single-family rental REIT that is geographically diversified, notably with very little exposure to the North Eastern United States. We believe there will be a greater demand for rentals as Americans look to get out of cities and find alternatives to multi-family housing. Also, the company has a strong balance sheet and a proven track record of using times of distress to grow their portfolio of properties.
- **Houlihan Lokey (HLI):** The investment bank has an industry-leading restructuring practice, taking on many of the most challenging situations of the 2007-2008 crisis. While Federal Reserve actions and relief from Washington has helped prop up many companies, we continue to hold this company as an assurance that should economic conditions deteriorate, we have the right firm to help navigate these choppy waters and provide a ballast to our portfolio.
- **YETI Coolers (YETI):** Our team spent a lot of time trying to decide if YETI represented a luxury brand that would be negatively affected by COVID as discretionary incomes fell, or if the combination of increased "stay-cation" and camping trends would support the company. We maintained our position and have benefited from management's deft execution on their strategy during the pandemic.

In terms of new holdings, we added **Vivint Home Security (VVNT)**, **Federal Signal Corporation (FSS)**, and **Invesco's Small Cap Healthcare ETF (PSCH)** to our holdings. Vivint provides customized smart home technology with a unique market position strengthened by their streamlined installation process. With more people working from home, we expect smart home and security tailwinds will be additional drivers supporting this company. For Federal Signal we believe their focus on infrastructure spending would benefit from any fiscal or infrastructure packages coming out of Washington. While meaningful legislation is D.O.A. going into the U.S. Presidential election, we think that regardless of the outcome in November, there will be a strong political will to re-invest in American infrastructure. Finally, we did not have any single-name exposure to health care. We wanted to overweight this sector compared to the benchmark. The ETF we selected was the **Invesco S&P Small Cap Healthcare Fund (PSCH)** because it has a composition of biotech, medical devices, and suppliers, all of which will be beneficiaries in the pandemic landscape. We are actively looking for single names to rotate into our portfolio in place of the ETF, with a few candidates currently being vetted by the team.

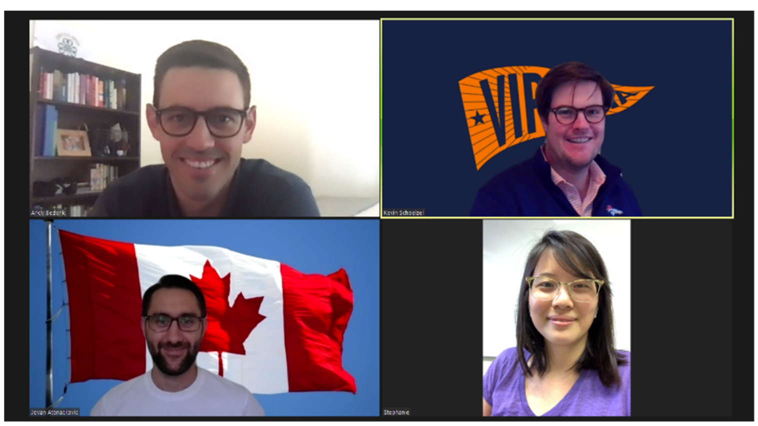
During our tenure of the fund, we also made the decision to part ways with several legacy positions in the portfolio. These companies included **Post Holdings (POST), Limoneria (LMNR),** and **Gray Television (GTN)**. In the case of all three names, we did not believe that the companies had performed to the potential outlined in the original investment thesis laid out by previous DCM teams. Since selling, through September 30th all three companies have lagged the benchmark's 6.8% return over the period; while Limoneria has appreciated 5%, Gray Television has declined 3.8% and Post has declined 2.9%. In retrospect, we may have sold Gray TV too early as political advertising has provided some recent tailwinds for the firm, we are less bullish on the long-term prospects for traditional television advertising compared to firms focusing on targeted ads over streaming services like Magnite. We are making bets on the long-term secular winners.

When discussing our goals for our stewardship of the fund and overall investment philosophy, the Darden Fund team has decided to adopt many of the tenets from previous management teams. However, the additional decisions we made were to focus on running a more concentrated portfolio than years past and to target great companies that have the potential to grow outside of our fund's mandate. This is not to say that we are chasing a go-go growth or momentum strategy. Rather we want to own companies that will be exceptional compounders and allocators of capital in the early phases of their life cycle. In discussing the return profile of our investments, the team is looking for investments that have compelling reasons to generate returns above market in the next two to three-year time horizon.

As a recovering history major, I decided it was best to go back and examine the history of the Darden Fund for some of our greatest successes and use them to shape our thinking about the companies we would target. Markel is a model investment for the Darden Fund. The company was in the Darden Fund portfolio from 2009 through 2018. Revisiting this company, it had many of the hallmarks of a great investment: a clear vision, a market leading position, a management team of superior capital allocators. Ultimately, Markel was so successful at executing their strategy, their market capitalization outgrew our fund's mandate. Said another way, our goal as a team is to find these kinds of great businesses early, and then be forced to sell them when they cross the $10bn market cap threshold. Hopefully, as was the case with Markel, these investments will become parts of our sister fund's portfolios.

Looking to the horizon, we are very excited about many of the names currently being evaluated by our team as future additions to the portfolio. In early October, we added **Trupanion (TRUP)** to the portfolio, a pet insurance company that has a great future ahead of it as the total addressable market of $25 billion in pet owner insurance in the United States is still very much in its infancy. Other companies we are evaluating range from specialized lasers, reinsurance firms, digital diabetes management among others.

In closing, our team would like to make special acknowledgement to the outgoing management team of our Fund. Ragini Bhuyan, Cameron Hector, Jade Palomino, and Senior Portfolio Manager, Nicholas Kordonowy, handed off a portfolio that was ready to weather the uncertainty in markets and capitalize on the opportunity set developing this summer. We are grateful for all their hard work and look forward to the lasting bonds we forged during the handover last spring and as alumni of the small cap fund. As always, our team would gladly welcome any feedback or advice from our alumni and endowment sponsors. Also, I would like to thank members of the Darden Class of 2022, our team has appreciated the level of enthusiasm the first-year cohort has brought to our meetings.



We look forward to managing the fund and getting the opportunity to be active participants in the intellectual endeavors of capital markets. While we are active managing portfolio risk and anticipating shocks to the real economy and financial markets, we believe that in the realm of small caps, there are many great investment opportunities to pursue.

Sincerely,

Kevin P. Schoelzel
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(303) 506-5737

JEFFERSON FUND

To Our Friends and Partners,

Hello and welcome from your new Jefferson Fund team. First and most importantly, we hope that everyone reading this letter is staying safe and healthy, along with family members and loved ones.

My name is Nick Feinman, I am the new Senior Portfolio Manager of the Jefferson Fund. I have been looking forward to being a part of DCM since I applied to Darden and I am thrilled to have the opportunity to lead the new Jefferson team. With me this year is Aditya Jhaveri, Mica Soliven, and Ralph Blasey. We are all extremely excited for the opportunity to manage this portfolio and look forward to updating you along the way with our latest investment insights and market thoughts.

A quick note on overall performance. The Jefferson Fund has experienced a strong rebound since early 2020. Our portfolio has appreciated 37.5% since April 1st. This compares favorably to the Russel 1000 Value and S&P 500 indices, which are up 25.1% and 35.9%, respectively. Please see our discussion of Portfolio Changes and Holdings for detail on our fund holdings and recent changes.

Taking a step back, the circumstances that we found ourselves in when inheriting the portfolio were hard to describe as anything but extremely unusual. At the end of March, markets experienced wild volatility in the face of the largest economic threat since the financial crisis. In the early weeks, as we contemplated our strategy for the summer, unprecedented declines in industries including Travel & Leisure, Energy, Retail and Real Estate threatened to spill over into all corners of the economy. The labor market was hit with the rapid loss of 25 million jobs, and as companies scaled back in the face of state and local lockdowns, consumer spending was put squarely in jeopardy. These issues say nothing of the non-financial difficulties that millions of Americans faced including virtual work environments, home schooling, childcare, and elderly care. We at the Jefferson fund find it amazing how far we have come as an economy since the early days of the pandemic. The swift and unprecedented efforts of the Federal Reserve and Treasury Department were an excellent case study in economics, markets, and dare we say MMT. We have learned an invaluable lesson in how powerful the Federal Reserve can be when utilizing its full suite of available tools: near-zero percent interest rates, quantitative easing, PPP, CPFF, primary and secondary market lending, and huge support to the delicate and vital Repo market. We believe that the swift measures taken by regulators have been the key driver of the recovery to date and the primary reason economic conditions did not get substantially worse. Although unemployment remains elevated from a historical perspective, we are encouraged by the fact that still fully half of those unemployed report being on temporary leave. We believe the Federal Reserve and Treasury Department will remain highly accommodative in the months to come, irrespective of the outcome of the presidential election and think that the availability of a Covid-19 vaccine by the middle of next year will keep a floor in the public markets over the next 6-12 months.

I would now like to share with you several portfolio updates at the Jefferson Fund, including key portfolio changes and review certain holdings where we continue to maintain high conviction. My intention with these quarterly letters moving forward will be twofold. First, I would like to highlight the changes we have made to the portfolio in the most recent period and explain our thought process behind these changes. Second, I will use the opportunity to share our thoughts on key holdings in the portfolio where we have high conviction. Please feel free to share your thoughts and ask any questions that you have after reading.

PORTFOLIO CHANGES AND HOLDINGS

Sell: Mylan NV (MYL), April 2020

One of our first moves after inheriting the portfolio in April was to exit our position in MYL. Mylan is a leading generic, and OTC manufacturer and is in the process of undergoing a transformative merger with Pfizer's off-patent branded portfolio, Upjohn. The deal was advertised as a strategic shift into higher margin branded products and greater geographic emphasis on APAC and Emerging Markets. We take issue with both objectives. First, although Upjohn's portfolio does mainly consist of branded products, these products have either already lost patent protection or are about to. The result will be a rapid decline in both revenue and margin, as MYL negotiates with PBMs and other buyers who will have a plethora of new generic options. Second, the largest increase in geographic share of revenue from the deal will come from China, and that is problematic because China is changing its prescription drug purchasing practices. Following a successful 2019 pilot, we believe China will roll out a national drug buying program to award up to 80% of national generic drug contracts to at most three manufacturers for a given compound. During the pilot of this program, manufacturers who were awarded contracts reduced price by an average of 46%. Given these challenges, as well as the significant debt incurred to finance the transaction, we have chosen to exit our position fully.

Buy: Walt Disney Company (DIS), April 2020

Also in April, the Jefferson fund initiated a roughly 200bps position in DIS. More than anything, our team debated whether April was the appropriate time to initiate this position. It was clear that Covid-19 was going to be detrimental to nearly all DIS's business, and certainly its main cash-generative ones. The non-insignificant bright spot however was Disney's DTC business, and in particular Disney+. The Media and Broadcasting industry is at a point of pivotal change. With more consumers switching away from traditional cable providers, the race for content and viewership is raging and we believe those with the greatest content and access to content, will be winners. As of August, DIS surpassed 60.5 million Disney+ subscribers globally, a truly remarkable feat considering the service launched in November 2019. When you include DIS's full suite of DTC offerings (Disney+, Hulu and ESPN+), the company has over 100 million paid subscribers, a number that we think will only increase with the launch of Star brands in 2021. With access to $23B of liquidity, we believe DIS's business has more than ample staying power to weather this pandemic and come out stronger on the other side. We are extremely excited about the developments in DTC and remain hopeful that there will be significant pent up demand for DIS's Parks & Entertainment offerings come 2H21.

Buy: CVS Health Corporation (CVS), June 2020

In June, we also initiated a position in CVS Health. In late 2018, CVS closed its $69B transformational acquisition of Aetna. We believe this transaction has left CVS extremely well positioned to take advantage of what we see as the healthcare delivery model of the future. In the years ahead, CVS will continue to build out its MinuteClinic and HealthHUB concepts, catering to the increasing volume of healthcare visits that take place outside of the hospital/doctor's office. In addition to driving increased retail volume, this strategy will allow CVS to capitalize on "bending the cost curve" by reducing the number of unnecessary emergency room visits and changing the composition of its SKUs to meet an increasingly HC-oriented customer. CVS will benefit both from increased retail traffic and reduced medical expenses in its MCO book. In addition, the company is quietly amassing greater market share in the critical Medicare Advantage market (~11%), where we believe its combination of offerings across PBM (Silverscript), Retail Pharmacy, and MCO plans positions it ahead of the competition for continued outsized share gain. Finally, at just 8x forward earnings, we expect CVS's unlevered FCF yield to be over 7% in CY20, giving the company ample flexibility to pay down debt and invest in its full suite of offerings.

Buy: Inseego Corporation (INSG), September 2020

In September, we initiated a 2.5% position in Inseego (INSG). Inseego is a $1.1 billion market cap company that designs and develops 5G products. They offer 4G and 5G mobile hotspots, internet of things (IoT) solutions, as well as enterprise SaaS. Inseego has seen impressive YoY growth and this trend has been further accelerated by COVID-19 and higher demand for connectivity and ability to work from home. We believe that exposure to Inseego provides very attractive upside potential due to the significant tailwinds in the 5G market. Additionally, we see downside protection since the 5G market is coming regardless of what occurs politically. Inseego was trading around 30% off all-time highs. Given this, as well as our fundamental DCF valuation, we believe that this represented an attractive entry point for Inseego. As of the time of this writing, Inseego is trading for $10.36, which is approximately what our cost basis was for this investment. Risks to Inseego involve the following: supply chain disruption due to COVID-19, historical reliance on Verizon partnership for 50% of current revenues, and constant innovation and investment is required in the evolving 5G to stay ahead of the competition.

HIGH CONVICTION PORTFOLIO HOLDINGS

NIKE, Inc. (NKE)

Nike remains one of our favored stock picks in the consumer and retail sector. Although earnings were below expectations due to the effects of Covid-19 on their supply chain, we are positive on the firm as an expected recovery is bound to happen as more stores will begin to open and the company continues to invest in the digital retail space. This investment has started to pay off as digital sales have accelerated significantly (82% for Q1) in the past months as the shift in consumer habits has helped the athletic apparel space. In addition to this, more people have begun to download Nike's activity and commerce apps, building brand loyalty and a OneNike strategy into a growing and integrated ecosystem. The number of active users on the Nike Training app for instance have increased over 350% since the beginning of the calendar year. This has resulted in a positive revision on their guidance on digital penetration from 30% to 50% by 2023. Innovation and brand therefore remain to be one of their greatest competitive advantages of this best in class player and we're excited to see what the firm continues to roll out in the next few months.

Broadridge Financial Solutions (BR)

Our fund recently bought and holds a position in Broadridge Financial Solutions (BR), which is a leading provider of investor communications, technology-driven solutions, and data and analytics to the financial services industry. BR began as a brokerage services division within ADP Securities in 1962, and become an independent entity in 2007 with a goal to drive business transformation for its clients with solutions for enriching client engagement, navigating risk, optimizing efficiency, and generating revenue growth. The firm handles millions of transactions daily involving trillions of dollars that reach over 75% of households in North America. This year, BR has been one of our top-performing stocks. The Covid-19 pandemic and resultant disruptions were as seen a positive by the company's management as it would further drive growth in topline as companies increasingly relied on the technology BR provides to ensure smooth operations. Moreover, the pandemic is expected to move more corporate events such as investor meets, earnings announcements, proxy conferences, etc. online which results in a larger addressable market for the company.

We at the Jefferson Fund want to say thank you to Darden, DCM, and our board of trustees for the opportunity to oversee this portion of the school's endowment. We do not take the responsibility lightly and look forward to updating you with our latest thinking in the quarters ahead. Thank you to everyone that has supported us on this highly instructive journey.

Sincerely,

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MONTICELLO FUND

To Our Friends and Partners,

Hope you are doing well and keeping healthy despite the environment we are in. The team is both humbled and grateful to be provided the opportunity to carry the baton and help grow the Monticello fund. We are proud to be part of the tradition of international investing at Darden, and we are very excited to bring our views into action. We want to thank our predecessors: Katherine Watson, Aditya Singh, Carson Willoughby, and Yujing Sun. They ensured a smooth transition and provided us with valuable insights based on their experience managing the fund. We wish them all the very best in their lives after Darden.

Our approach to managing the Monticello fund builds upon the philosophy that has guided our predecessors: Quality and Value in the context of our global mandate. Quality, in this regard, is aptly described in the *Zen and the Art of Motorcycle Maintenance* sensibility – it captures a great deal. We seek to own companies with substantial moat and operating in attractive markets, captained by responsible and robust management. We combine this aspect with the notion of Value, which, in its crudest form, we find comfort in Graham's classical definition of a discount to fair value. This framework helps guide our screening, assessment, and investment decisions.

As part of our portfolio management process, we have distributed coverage among the team members, whereby each team member is responsible for five or six portfolio companies. We recognized two things upon taking ownership of the portfolio: we have positions spread across many portfolio companies, and our fund is heavily weighted towards domestic companies. We see the merits of having more concentrated positions in a smaller set of companies. Similarly, as a global-oriented fund, we are better positioned to contribute towards the diversification of the overall DCM portfolio as we tilt further towards international names. However, we do not expect, nor do we aspire to make these changes happen overnight. We believe that the current portfolio construct represents layers of careful considerations – our exposure towards domestic companies has tremendously contributed towards our positive performance vs. the MSCI ACWI benchmark. That being said, we have kept, and we plan to continue keeping these considerations in the back of our heads as we analyze current positions and future opportunities.

PERFORMANCE OVERVIEW

We enjoyed a strong performance for the six months ended 09/30/2020 as the fund generated a 34.8% return. While a significant portion of the return reflects the overall market improvement from COVID lows, we generated a 700bps Alpha compared to the 27.8% return of the MSCI ACWI. From a longer-term perspective, and perhaps a more durable representation of the impact of active management, the fund has generated an annualized rate of 10.7% across three years. This represents a 580bps Alpha compared to the 4.9% return of the MSCI ACWI over the same period.

Our performance for the first six months is largely attributed to our overweight position in technology stocks (21.8% avg weight vs 14.8% benchmark) and our inclination towards domestic companies (87.3% avg weight vs. 59.1% benchmark). Our top five performers for the period were **MercadoLibre** (+121.6%), **Apple** (+82.2%), **Tractor Supply** (+69.5%)**, Survey Monkey** (+63.7%), and **Discover** (+62.0%). We continue to have a strong conviction across these names, apart from Discover, which we had more recently decided to sell (more details below).

Our bottom five performers for the period were **Total** (-7.9%), **Philip Morris** (+2.8%), **General Electric** (+3.0%), **Diageo** (+8.3%), and **Aercap** (+10.5%). We attribute this underperformance largely due to the significant impact of Covid restrictions on the industries – air travel for GE and Aercap, oil and gas for Total, and consumer discretionary spending for PM and Diageo. The decision we face with these companies is based on a two-fold consideration: how business fundamentals are impacted by Covid (i.e. recovery time, positioning in a post Covid world) and whether we believe the current price represents a valuable opportunity from a Value sense. While we are still holding and carefully monitoring our positions in these companies, we have since sold our position in GE (more details below).

PORTFOLIO CHANGES

The Covid environment presented us with the challenge, and the opportunity, to reassess our conviction in the portfolio companies – particularly considering what their business will look like in a post Covid world. We are also more frequently putting on our Value hat, as market sentiment and flow of funds to certain geographies and industries create opportunities to acquire Quality businesses that might be misunderstood by the markets. Below is a summary of our trading decisions:

Sell: Walt Disney Company ($105.7)
Trimmed our position in DIS from 4.3% to 3.0% to reduce our exposure to risk around Covid impacts on its parks and cruise business. We are, however, still convinced by the franchise across different businesses and potential growth from streaming.

Buy: Berkshire Hathaway Inc. ($174.3)
Increased our allocation from 3.3% to 5.1% to reflect a strong conviction in the underlying quality of the investments and the resource of the enterprise. We also positioned ourselves to benefit from the price dip owing to poor market sentiment.

Buy: PT Bank Mandiri Persero Tbk ($5.5)
Increased our emerging markets exposure through PPERY, the largest commercial bank in Indonesia. The investment positions us to benefit from a strong franchise in a rapidly developing economy, acquired at an opportunistic price that we believe was caused by the flow of funds out of emerging markets.

Sell: Synchrony Financial ($23.7)
Exited our position after considering a declining moat in a highly competitive credit card market, reliance on struggling brick and mortar retail, and impact from the loss of a key customer (Walmart).

Sell: General Electric ($8.2)
Sold our investment following the substantial impact of Covid on the aerospace business (key element of restructuring thesis), uncertainties around a prolonged recovery, and our small allocation (1.1%).

Sell: Splunk Inc. ($186.0)
Exited our position in SPLK following the substantial, and seemingly unwarranted, increase in valuation arising out of the Covid momentum and our small allocation to the company (<1%).

Sell: AMERCO ($370.6)
Exited our position in AMERCO following years of dismal performance and increasing uncertainties around future growth due to aggressive capital allocation towards underutilized assets.

Others
Rebalanced our portfolio as MSFT and APPL reached the 10% portfolio allocation limit. We deploy any excess cash to the iShares MSCI ACWI ETF to minimize benchmark mismatch as we look for high-conviction opportunities.

CLOSING REMARKS

Once again, the team is very excited to take on the management of the fund and look forward to leaving our mark in the process. While these turbulent times have impacted our lives in unexpected ways, we see it as an unparalleled learning opportunity to further enhance our skills and knowledge in a subject that we are very passionate about.

We thank you for the opportunity and encourage you to reach out directly with any questions.

Regards,

Mahesh Dadlani, CFA
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ROTUNDA FUND

To our Partners and Friends,

First and foremost, I want to again thank the portfolio managers from the Class of 2020 – Ann-Catherine Begley, Waleed Jehandad, Christian Pratt, and Scott Steever. Each served as an excellent mentor while actively managing the Rotunda Fund and in helping transition the Fund to the Class of 2021 this past spring. We thank you all for your guidance and leadership!

My name is Hannah Coffin, and it is with great pleasure that I step into the role of Senior Portfolio Manager for the Rotunda Fund this academic year. For those that may be unfamiliar and as a brief introduction, the Rotunda Fund seeks to provide outsized risk-adjusted returns by integrating sustainability research and environmental, social, and governance (ESG) measures with fundamental analysis to purchase "best-in-class" companies that will likely outperform the market over the long-term. While we know there are many flavors of ESG investing, we prefer to take a positive screen approach (rather than a negative) because we believe this process provides us with the best opportunity to find holdings that position our portfolio for both risk management and value creation.

Joining me as portfolio managers on the Fund are my classmates Hyder Chowdhry, Mollie Laverack, and Hedan Liu. Of the many opportunities for career exploration and learning at Darden, Darden Capital Management (DCM) provides a truly unique, hands-on, and collaborative experience for students interested in investment management. Our team is exceedingly grateful to have been chosen as stewards of the Rotunda Fund this year and look forward to a great year of investing and continued learning.

EARLY ACTIONS

Our class officially assumed responsibility of the fund on April 1, 2020. Eager and excited to make an impact, our first action was to assign each PM with 5-6 names in order to divide up our current holdings at the time. This allowed each of us to jump in and further familiarize ourselves with our holdings' investment merits and begin our own coverage given the greater volatility and uncertainty in the market at the time. During this period, we also researched and considered shifting our benchmark to an ESG index, but ultimately, we opted to maintain the S&P 500 as our benchmark. We believe the S&P 500 is a benchmark that is aligned with our investing universe and provides a broad representation of the market. In proving out our ESG mandate and thesis, we believe outperforming the S&P 500 is an appropriate hurdle and one we hope to surpass consistently for our investors. As a secondary and unofficial performance measure, we also track our Fund's performance against the MSCI North America Large Cap ESG Leaders index as of this year to view our returns relative to another ESG-focused index.

Our second initiative centered on the need for updated portfolio reporting, instigated by our wonderful and forward-thinking executive team. The intent was to further build out our portfolio reporting and incorporate trade information so that classes following us would more easily be able to track our decisions over the course of our tenure. I am happy to report this initiative has been a success. The result is a much tighter, FactSet-integrated Excel sheet giving us the ability to track our holdings and their current positions, along with past performance, cost basis, ESG, and fund governance information. We reference the sheet frequently during meetings and use it as a tool to engage with current First Years interested in DCM and our Fund.

Additionally, I dedicated some time over the summer to running attribution analysis on our portfolio using FactSet and shared the results with the rest of the team. This proved to be a valuable exercise and set us up well as we entered the school year. My biggest takeaway from this analysis is that much of our underperformance since taking over the fund can be attributed to not holding many of the FAANG stocks which as we all know, have done and continue to do incredibly well relative to the rest of the market. The only FAANG stock we currently hold in the portfolio is **Alphabet (NASDAQ: GOOG)**, but we are looking into incorporating others that fit our investment thesis over the course of our tenure.

A second key learning from the summertime attribution analysis was that our overweight in Utilities was creating our largest negative allocation effect for the portfolio. While we continue to have conviction in the names we hold – **American Water Works (NYSE: AWK)** and **NextEra Energy (NYSE: NEE)** – we saw value in trimming the holdings to bring us more in sync with the Utilities weighting of our benchmark. We were able to successfully trim both names this summer when, at the time, each name was near or at its 52-week high. Below is some further information on the two trades. We continue to monitor the names for opportunities to trim as we are still slightly overweight in the sector, but so far, our strategy has been successful in reducing our negative allocation affect.

DCM Rotunda Fund

Company Name	Ticker	Sector	Transaction Type	Trade Date	Trade Price	# of Shares	Cash (Use)/Generated	% of Portfolio	Purchase Date	Purchase Price	Holding Performance	Holding Duration
American Water Works Company, Inc.	AWK	Utilities	Trim	7/23/2020	$144.63	775	$112,088.25	2.9%	3/31/2020	119.56	21.0%	114
NextEra Energy, Inc.	NEE	Utilities	Trim	7/27/2020	$281.40	350	$98,490.00	2.6%	3/31/2020	240.62	16.9%	118

INVESTMENT PHILOSOPHY

I view developing an investment philosophy as one of the most challenging but best learning opportunities represented by DCM. As a newer investor, I have already come to appreciate the little time I have spent with the Rotunda Fund researching and refining how I think about our ESG mandate and how our team can best create value. Now more than ever, we believe the incorporation of ESG factors into the investment process matters. The below is how I have come to think about the Fund's investment philosophy which I want to share with you all today.

The Rotunda Fund seeks to invest in companies that are likely to outperform the market over the long-term due to sound ESG practices that actively address relevant and material industry-related sustainability issues better relative to peers. By doing so, we believe these companies provide "best-in-class" opportunities for both risk management and value creation. The Fund will also consider companies that exhibit on-going commitments and efforts to improve their ESG profile based on material industry-related sustainability issues.

In many ways, ESG investing has become mainstream and broadly accepted by more stakeholders. As a way to distill the sustainability leaders from potential greenwashing, I believe utilizing SASB's Materiality Map is a crucial tool in our analysis. For those that may be unfamiliar, The Sustainability Accounting Standard Board (SASB) was founded in 2011 to develop sustainability accounting standards. Available on their website, they publish a Materiality Map which "identifies sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry."1 The key to SASB's tool is that it highlights, by industry and by sustainability-related business issue, which issues are most material for a given sector and or subsector. By understanding which issues are most material for companies, we can more easily think about rewarding those companies that are actively addressing these important issues with our

[1] https://materiality.sasb.org/

capital. We deem companies that are addressing their relevant and material industry-related sustainability issues, and doing so better relative to peers, as investments that fit our mandate. By also considering companies that may have a currently weaker ESG profile, but we believe are committed to improving or have seen a trend of improvement, we are hoping to discover names that can add increased value over time.

PERFORMANCE HIGHLIGHTS

As of October 13, 2020, the Rotunda Fund total value stands at $3.9mm and has returned 24.9% since our transition date (April 1, 2020). Our benchmark, the S&P 500, has returned an impressive 35.9% in the same time period, so we lag the benchmark by about 1,100 basis points currently. While this is disappointing, we remain confident in our ESG approach over the long-term and are encouraged to see that our secondary benchmark, the MSCI North America Large Cap ESG Leaders index, has returned 10.5% YTD, approximately 100 basis points above the S&P's YTD returns, demonstrating the resiliency we hope to see exhibited by companies with strong ESG profiles over the long-term.

Top Performers:

Ticker	Security	Total Return (31-Mar-20 – 13-Oct-20)
LH	Laboratory Corporation of America Holdings	53.7%
ACN	Accenture Plc Class A	42.2%
SBUX	Starbucks Corporation	38.6%

Top Detractors:

Ticker	Security	Total Return (31-Mar-20 – 13-Oct-20)
GILD	Gilead Sciences, Inc.	(12.0%)
DAL	Delta Air Lines, Inc.	(20.3%)

CLOSING REMARKS

Despite our current underperformance, we are not discouraged. We view this as a great foundation upon which to build up our track record over the remaining months we have with the Fund. A hallmark of the DCM experience is the opportunity to learn, firsthand, how to manage the inherent success and failure that comes with investing. We thank you for entrusting us with this task and appreciate the opportunity to seek improvement. As a team, we feel fortunate to be in such a position this year and continue to fully embrace what the markets have to teach us each day in the process to becoming better investors.

We look forward to keeping you updated on our progress, and to those that paved the way before us, we welcome and remain open to any questions or input!

Sincerely,

Hannah Coffin
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Featured Investment Ideas

CVS HEALTH CORPORATION (CVS)

TARGET PRICE: $100

Nick Feinman (Jefferson Fund SPM)

Company Data	
Price	$59.59
52 Week High-Low	$52.04-$77.03
Market Cap	$77.9B
Enterprise Value	$133.3B
EV/EBITDA	8.6x

Business Description

CVS Health engages in the provision of healthcare services. It operates through three business segments: Retail & LTC, Pharmacy Services (PBM), and Health Care Benefits (HCB). Roughly one third of the company's consolidated operating profit comes from each segment. The HCB segment was formed in November 2018 with the completion of the company's acquisition of Aetna. CVS is a market leader in Retail Pharmacy, Long-Term Care and PBM. The company has also been growing its share in Managed Care, particularly within the Medicare Advantage population.

Executive Summary

In 2006, CVS acquired Caremark for $21B, leading the pharmacy industry in a new and innovative direction. The company subsequently grew its PBM and Retail businesses into the largest in the country. We believe the CVS's acquisition of AET has the potential to change the paradigm of HC services once again, positioning CVS as a leader in the healthcare delivery model of the future.

Scenario	Price	Upside to Current Price	Description
Bull	$115	93%	MA market share acceleration, debt reduction, democratic administration
Base	$100	64%	In-line MA share, flat to slightly positive SS/Rx trends
Bear	$50	(16%)	Low MA traction, negative SS/Rx trends, competitive threat to retail Rx industry materializes

Investment Thesis

1. Leader in new health care delivery model

CVS has pledged to expand its network of MinuteClinic and HealthHUB locations over the next several years, catering to the growing preference for ambulatory and walk-in care delivery. With these locations, CVS can effectively lower the cost of provider services while dramatically reducing the number of ER visits. CVS will benefit in multiple ways. First, CVS has already contracted with over 90 major health systems, with these parties accounting for 92% of reimbursements in 2019. Second, by lowering the cost of care for Aetna patients, CVS will save on medical expenses and lower its MBR. Third, CVS will benefit from added retail traffic on the front end and associated prescriptions on the back end. Finally, CVS has an opportunity to change the composition of its HealthHUB stores to sell more durable medical equipment and other related medical products. With the increasing prevalence of HDHPs, these offerings help reduce the out of pocket expense for patients, while effectively "bending the HC cost curve" for Aetna, as well as other managed care organizations.

2. Current business trends & MA share encouraging

Unlike the hundreds of companies that removed financial guidance for 2020 in the face of the pandemic, CVS maintained and even increased 2020 guidance as the pandemic has worn on. While it's clear that the HCB business would benefit from a reduction in elective procedures, the Retail/LTC business and Pharmacy Services business each held up surprisingly well also, with May being the only slightly negative month for same store sales and adjusted prescription volumes. In addition, CVS has been quietly amassing a growing market share in Medicare Advantage, leading up to open enrollment. Since the end of 2017, CVS's Medicare Advantage (MA) market share has increased from 8% to 11%, outpacing the growth for market leaders UNH & HUM. The MA market is an extremely important source of growth for the industry, and it will be important that CVS continues to win share and create brand recognition among senior citizens. We believe that adding AET's MA plans to CVS's retail brand and MA PDP plans (Silverscript) will allow the company to further develop loyalty and increased goodwill with this vital patient demographic.

3. Cash Flow, Valuation, and Returns on Invested Capital
CVS expects to generate upwards of $11B in cash from operations in 2020. After accounting for capital expenditures, stock-based compensation, and interest expense, we expect CVS's unlevered FCF yield to be north of 12% in 2020 (based on current market conditions). For equity investors, with a price to free cash flow multiple of <10x, CVS's cash generation allows the company to continue investing in its retail footprint while also paying down debt used to finance the AET deal. We estimate CVS's ROIC at ~10% (including Goodwill) or 21%, excluding. We believe CVS has a deep and defensible competitive moat, stemming from the unique combination of assets that both positions the company for growth and creates issues for participants looking to enter the industry (i.e. AMZN). One example of this: PBM's determine pharmacy networks (lists of pharmacies where patients can and cannot get scripts filled). Following Amazon's purchase of PillPack (online pharmacy), CVS now has a say in determining whether patients with prescription coverage administered by Caremark can fill their scripts via PillPack without penalty. All in, we think CVS's combination of assets is what makes it unique and positions the company more like a managed care organization than a retail pharmacy.

Risks

1. Increased Online Competition
In 2018, Amazon purchased PillPack for $750m. Although we believe CVS's position in pharmacy is not threatened currently, it could be in the future if Amazon or another e-retailer decides to more aggressively pursue prescription home delivery and is able to gain traction with PBMs and MCOs.

2. Levered Balance Sheet
Although CVS's current liquidity and cash generation is sufficient to meet all obligations, the company has $63B in LT debt and $19B in LT operating leases. Should fundamentals deteriorate materially in the years ahead, these obligations would become difficult to maintain.

3. Political reform
Healthcare reform has been a hot topic over the past several political cycles. If substantial reforms to the health insurance or prescription drug industries were to become likely, CVS would certainly be impacted.

ROYAL DUTCH SHELL (RDS.B)

TARGET PRICE: $36

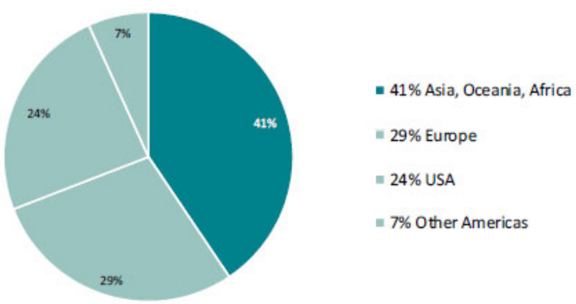
Mahesh Dadlani, CFA (Monticello Fund SPM)

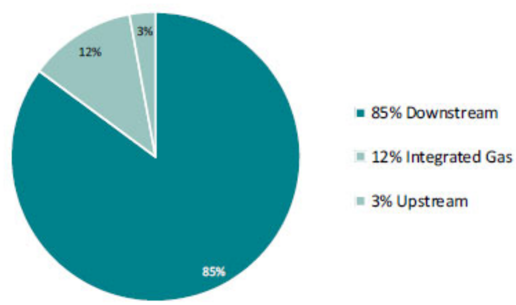
Company Data	
Price (10/06/20)	$24.3
52-week range	$19.2 – $62.3
Market Cap	$92.8B
Enterprise Value	$130.6B
EV/'21 EBITDA	3.0x
P/'21 Earnings	10.3x

Business Description

Royal Dutch Shell (RDS) is the largest European integrated energy group by market capitalization. The Company engages in the principal aspects of the oil and gas industry, with operations spread worldwide. RDS operates through the Integrated Gas, Upstream, and Downstream business segments. The Company was founded in February 1907 and is headquartered in The Hague, Netherlands.

Sales Breakdown





Executive Summary

RDS represents the opportunity to invest in a world-class, diversified oil and gas company at a historically low valuation. Based on current consensus estimates, RDS trades at 3.0x EV/'21 EBITDA and 10.3x EV/'21 Earnings compared to 5.6x and 16.8x for other oil supermajors, respectively. We believe this discount is primarily due to uncertainties around the Company's green transformation strategy and the recent dividend cut (first time since World War II).

Following its significant underperformance this year, we view a material undervaluation and a compelling long-term risk-reward balance for RDS. We believe that the Company's strong economic moats and cash flow generating capacity would overcome the negative investor sentiment, especially as energy demand returns to normal levels post the ending of Covid restrictions. We have estimated the share price using a combination of Discounted Cash Flow and Public Comparable approach. Our target price of $36 implies an EV/'21 EBITDA multiple of 4.0x and a P/'21 Earnings multiple of 13.4x.

Investment Thesis

1. Best-in-class Oil and Gas Play

RDS has one of the lowest upstream breakeven cost (c.$28) in the industry, primarily due to a deep weighting towards high-margin deepwater and LNG reserves and away from lower margin conventional and Middle East. The Company is also a market leader in the global LNG-market (20% share), with decades-old reputation that primes the Company to benefit from the expected increase in LNG demand as transitional energy in the movement towards renewables. With over 44,000 retail locations around the world (2nd largest coffee retailer globally), the Company holds a strong moat in downstream and marketing operations around the world. This combination of complementary upstream, integrated gas, and downstream business also helps the Company mitigate commodity price volatility risk.

2. Primed to Face Decarbonization Trend
A bet on Shell also represents a bet on Management's commitment and capability for long-term transformation to renewables. The Company has deep competencies and knowledge across a broad spectrum of new energy toolbox, albeit a small portion of current operations, which leads to a well-resourced position to morph into tomorrow's international energy titan. Focus is largely on power and new fuels, with a more recent push geared towards charging infrastructure and hydrogen for fuel cells.

3. Substantial Valuation Upside
Share is expected to offer the highest FCF yield among the oil supermajors, despite trading at comparatively lower multiples. While Covid 19 headwinds and recent dividend cuts have led to disappointing performance, the stock is currently trading close to its 25-year lows, providing a significant upside for a strong, world-class business.

Risks

1. Uncertainty Around Transformation Strategy
While Management has shown significant commitment towards turning Shell into a greener business, the lack of a tangible plan (what will a green oil major look like?) and the underlying execution risk (along with potentially lower margins) may continue to pressure stock price. We suspect more certainty around this issue at Shell's recently announced Strategy Day in February.

2. Outflow from Shift Towards ESG Investing
Oil majors are bound to lose from the shift towards ESG investing as it will be a few years before the green transformation gain any market credibility (if ever). Significant outflow from ESG oriented funds (or the lack of inflows) may prolong the return to fair value, even if performance improves.

3. Continued Impact from Covid
The drop in demand due to Covid has taken its toll on oil prices and the oil majors. While we are at a stage of gradual reopening and a potentially viable vaccine in the near future, any prolonged impact could impede the expected improved performance in 2021.

INSEEGO (INSG)

TARGET PRICE: $14

Ralph Blasey, Jefferson Fund

Company Data	
Price	$10.05
Market Cap	$1.103B
Enterprise Value	$1.272B
EV/NTM Revenue	2.86x
52-Week High	$15.25
Broker Price Targets	$10.50 - $17

Business Description

Inseego designs and develops 5G products. They offer IoT (internet of things) solutions, 4G and 5G mobile hotspots, as well as enterprise SaaS. Their 4G hotspots enable professionals working remotely or traveling to instantly connect to a high-speed network. Their 5G hotspots give the user access to the highest performing internet speeds anywhere they go. These 5G hotspots are being used to increase the efficiency of remote healthcare, allow first responders to make faster and better decisions, enable advanced machine learning and robotics, turn smartphones into 5G phones, download movies instantly, and much more. With their IoT solutions, Inseego offers a full suite of products including modems, gateways, and routers all with a simple design and compatible with multiple carriers. These products enable high speed connectivity for a wide variety of IoT applications. These two segments (mobile hotspots and IoT solutions) comprise roughly 75% of Inseego's revenue and are the fastest growing parts of the business (20% revenue growth YoY). Inseego also offers fleet tracking and telecom management SaaS to enterprises, which comprises the other 25% of Inseego's revenue. This is the lower growth, more mature portion of Inseego's business.

Executive Summary

In their 2020 Q2 earnings announcement, Inseego reported record breaking results driven by customers demanding more connectivity due to COVID-19 and the shift to the work from home environment. In Q2, Inseego delivered 2x the number of IoT and mobile hotspot devices as they did in the prior quarter. With the trend of employers giving employees more flexibility in where they work, demand for Inseego's products is not going away. Coinciding with this increased demand, Inseego reported 41% revenue growth from Q1 to Q2 driven by IoT and mobile solutions. They strengthened their balance sheet through debt refinancing and improved operating margins. However, they also announced that the CFO, Steve Smith, is stepping down. Smith was instrumental in orchestrating Inseego's turnaround plan beginning in 2017 that included cutting costs, raising equity, and figuring out how to invest in 5G and the future. On the news of Smith's departure, Inseego traded down significantly following this earnings announcement and is still trading down approximately 30% from the price prior to Q2 earnings. This created an attractive entry point into a great company that will continue to benefit from the increased number of people working remotely as well as the continued expansion / investment in 5G, which is coming regardless of what happens politically or economically. In our fundamental, DCF-based analysis, we believe that Inseego should be valued closer to $14 per share, which is consistent with broker price estimates. At a price of $10.05, Inseego offers very attractive upside as demand for their products continues to increase while also offering downside protection with the growth that's coming in the 5G market.

Investment Thesis

1. Increased flexibility to work from home: As people all over the world increase the amount of time they work from home, demand for Inseego's products will continue to grow. The use of video calling, VPNs, and streaming services has skyrocketed since the pandemic. Additionally, there is a huge need for mobile data in areas with limited fixed residential networks.

2. Growth in the 5G market: Migration from 4G to 5G is expected to occur nearly twice as fast as the migration from 3G to 4G. Governments continue to drive investment in this industry and consumers continue to demand faster and more stable networks. Through technological advancements, 5G is expected to become more cost efficient than 4G, which should increase Inseego's margins. Additionally, this growth in 5G is very likely to occur regardless of what happens politically or economically.

3. Limited in-market competition: Inseego is a very unique company that operates in mobile hotspots, IoT solutions, and enterprise SaaS. They have competitors in each of those respective segments, but Inseego is unique in that it operates in all three of those segments. Customers looking for IoT solutions and mobile hotspots can turn to Inseego and purchase everything they need from the same company.

4. Attractive valuation (timing): The market has punished Inseego stock over the last couple months following Q2 earnings. This was mainly due to the unexpected departure of the CFO. The baked-in discount provides an opportunity to invest in Inseego with the view that they will continue to benefit from the trends mentioned above and that the CFO departure will not significantly affect the business.

Valuation:

Scenario Analysis	Price	Upside to Current Price	Description
Bull	$19	82%	Based on management expectations. Assumes that Inseego can grow revenue 20% per annum and that 5G does prove to be more cost effective than 4G, which improves margins. Assumes that management meets their goal of achieving 15% EBITDA margin.
Base	$14	32%	Generally consistent with consensus estimates. Assumes that Inseego continues to grow revenue 15% per annum. Assumes that Inseego's margins deteriorate slightly due to increased SG&A. Other ratios are maintained at historical norms.
Bear	$8	-23%	Margins deteriorate and Inseego is forced to increase capital expenditures in order to keep up in the rapidly evolving 5G market. Revenue grow slows due to increased competition in a dynamic market.

Risks:

1. Key customer risk: Inseego's partnership with Verizon accounts for approximately 50% of revenues. To acquire more customers, Inseego will need to increase SG&A spending. Inseego is currently pursuing opportunities outside of the U.S., but the timeline for 5G development internationally is not clear.

2. Rapidly evolving industry: The 5G industry is constantly innovating and evolving. Without high and consistent R&D spending, it is difficult to stay ahead of the competition. Should Inseego fall behind competitors, it may be difficult to catch back up. They would likely need to implement another turnaround plan similar to the one Steve Smith led in 2017.

3. Higher product costs: Due to its small size and scale, Inseego's cost structure is higher than competitors due to Inseego's reliance on U.S. based engineers for product development. If customers become more cost conscious, they may be inclined to switch to lower cost, lower tech products.

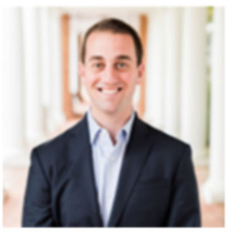
Appendix

2020–2021 LEADERSHIP TEAM BIOS & CONTACT INFORMATION

(INTERNSHIP INFO FROM SUMMER 2020)

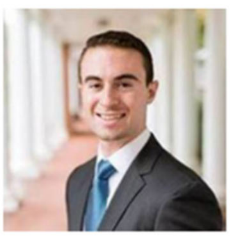
Rachel Gibson — Chief Executive Officer **Email:** GibsonR21@darden.virginia.edu

Prior to Darden, Rachel spent four years at Cambridge Associates working as an Investment Associate on a discretionary investment team within the Pension Practice in Boston. In addition to her client work, Rachel was a management team leader with 19 analyst reports and led the Boston office Investment Analyst Recruiting Team. Rachel graduated from Bucknell University with a B.S. in Business Administration. She will be interning at J.P. Morgan Private Bank this summer.



Tim Wills, CFA — Chief Investment Officer **Email:** WillsT21@darden.virginia.edu

Prior to Darden, Tim was an associate in Corporate Development at 3M, a multi-national industrial company, where he worked on M&A transactions primarily focused in healthcare and industrials. He graduated from Carleton College with a B.A. in economics and is a CFA Charterholder. This summer, he will be interning with Goldman Sachs.



Daniel Shipman, CFA — Director of Research **Email:** ShipmanD21@darden.virginia.edu

Prior to Darden, Daniel spent four years at Boston Private Wealth as a member of the firm's equity research and portfolio advisory teams. Daniel graduated from Northeastern University with a B.S. in Finance and Accounting. He has been a CFA Charterholder since 2018. Daniel will be interning with Bank of America this summer.

Sarah Silke — Chief Financial Officer **Email:** SilkeS21@darden.virginia.edu

Prior to Darden, Sarah was a Senior Investment Performance Analyst and Team Leader at Cambridge Associates in Arlington, Virginia. Sarah graduated magna cum laude from Christopher Newport University with a Bachelor of Science in Business Administration concentrated in Management, with a minor in Leadership Studies. This summer, she will be interning with Fin Venture Capital.

2020–2021 LEADERSHIP TEAM BIOS & CONTACT INFO

(INTERNSHIP INFO FROM SUMMER 2020)

Jamie Egan, CFA — Senior Portfolio Manager: Cavalier Fund **Email:** EganJ21@darden.virginia.edu

Prior to Darden, Jamie was an Assistant Vice President at Deutsche Bank within the Workout and Recovery Management group covering a portfolio of the firm's underperforming assets from a credit risk perspective. Prior to this role, she developed strong expertise as a credit officer specializing in managing the firm's exposure to financial institutions. Jamie, a CFA Charterholder, graduated magna cum laude from Villanova University with a B.A. in finance and economics. She with be joining Evercore Partners as an associate in the Advisory group.

Kevin Schoelzel — Senior Portfolio Manager: Darden Fund **Email:** SchoelzelK21@darden.virginia.edu

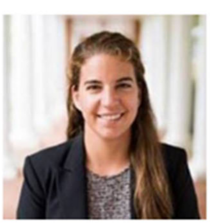
Prior to Darden, Kevin was the Policy Director for Walker Stapleton's gubernatorial campaign in Colorado. Before working in politics, Kevin was a Research Analyst at Gatemore Capital Management in New York. Originally from Colorado, Kevin graduated cum laude from Vanderbilt University with Bachelors of Arts in Political Science and Economics & History, as well as a minor in Engineering Management. This summer, he will be interning with Harris Williams as an Investment Banking Associate.

Nick Feinman — Senior Portfolio Manager: Jefferson Fund **Email:** FeinmanN21@darden.virginia.edu

Prior to Darden, Nicholas worked as an Equity Research Associate at Deutsche Bank where his team was responsible for formulating official opinions and investment recommendations for stocks in the Healthcare Technology & Distribution sector. Prior to Deutsche Bank, he held a similar role at Credit Suisse. Nicholas graduated from the University of Rochester in 2014 with a BA in Mathematics and Economics. This summer he is excited to join the Dallas office of BCG as a Summer Consultant.

Mahesh Dadlani, CFA — Senior Portfolio Manager: Monticello Fund **Email:** DadlaniM21@darden.virginia.edu

Prior to Darden, Mahesh spent three years at KPMG, focusing on providing deal advisory and valuations services to clients across different industries and geographies. Mahesh began his career at the Boston Consulting Group's New Delhi office. He received a Bachelors in Commerce with Honors from the University of Delhi and is a CFA Charterholder. Mahesh will be interning at Barclays Investment Bank this summer.



Hannah Coffin — Senior Portfolio Manager: Rotunda Fund **Email:** CoffinH21@darden.virginia.edu

Prior to Darden, Hannah served as Director of Finance for Greene Naftali, a contemporary art gallery in New York City. Hannah graduated from Hamilton College with Departmental Honors and a BA in Art History. This summer, she is headed to Cambridge Associates in Boston for her MBA internship.