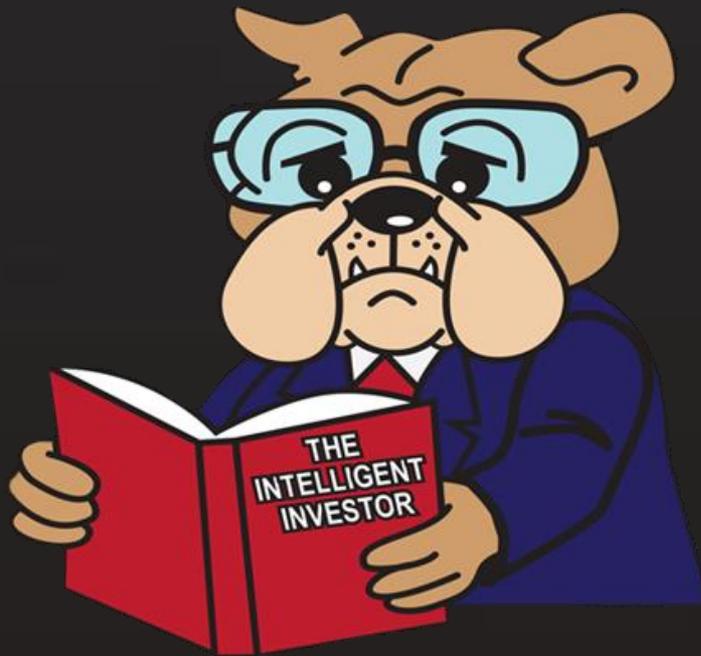


# Texas Lutheran University

## Bulldog Investment Company



“Risk comes from not knowing what you are doing.”  
- Warren Buffett

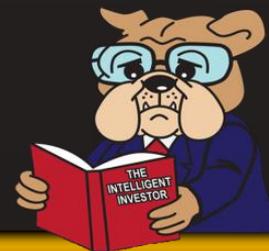
**LOGIC • DISCIPLINE • VALUE**

# What is Bulldog Investment Company?

Bulldog Investment Company was established in 2009

Designed to teach key concepts of:

- **Critical Thinking**
- **Interpreting financial statements**
- **Presenting research**



# Types of Investments

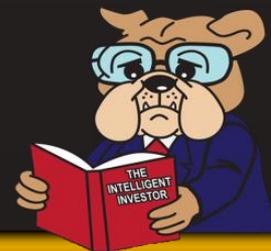
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1. Long-term holdings
2. Cash-out arbitrage
3. Option contracts
4. Misunderstood companies



# Long-Term Holdings: Investment Checklist

1. Is the business **understandable**?
2. Is the business **predictable**?
3. Does it have a **sustained competitive advantage**?
4. Is there a considerable **value gap**?



# Long-Term Holdings: Advance Auto Parts

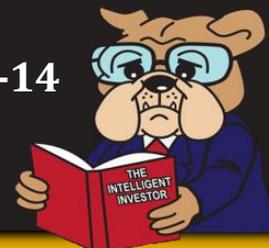
Return on Equity over 25%

Free Cash Flow/Share has increased six-fold  
over last 10 years

Repurchased 35% of shares outstanding over  
last 10 years



# Long-Term Holdings: AAP Performance



# Cash-Out Arbitrage: Rules

1. All cash deal
2. Friendly buyout
3. Few regulatory hurdles
4. Significant market price discount to cash out price



# Cash-Out Arbitrage: Motorola Mobility & Google

August 15, 2011- Google announces acquisition of Motorola Mobility

Buyout price: \$40/share

Entered in at \$38.25/share on February 7, 2012

May 22, 2012- Deal completed



# Cash-Out Arbitrage: Motorola Mobility & Google

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Gross Return: 4.58%

Annualized Return: 15.92%



# Option Contracts: Proctor & Gamble

Proctor & Gamble was presented as a potential investment on November 3, 2009

The week of the presentation, P&G jumped \$3.50 (6.5%) to \$58.58

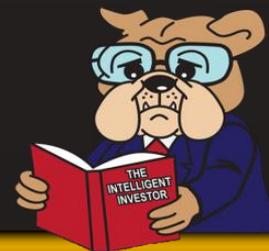


# Option Contracts: Proctor & Gamble

A total of four puts were written over six months which produced an aggregate of \$5.45 per share

Triggered option contract was for \$62.50/share

$\$62.50 - \$5.45 = \$57.05/\text{share}$



# Misunderstood Companies: American International Group

2008

Massive bailout

US Federal Reserve takes 80% ownership



# Misunderstood Companies: American International Group

## Location

- #1 - Global
- #1 - Western Europe
- #1 - Latin America
- #2 - North America
- #2 - Asia
- #2 - Central & Eastern Europe

## Category

- #1 - General Property & Casualty
- #1 - D & O Liability
- #1 - Marine & Fire
- #2 - Medical & Life
- #2 - Catastrophe



# Misunderstood Companies: AIG – The Investment

Derivatives liquidated

Smaller, more focused, and understandable

Repaid bailout with \$22.7 Billion Profit

Hidden Bonus: Carry Forward Tax Loss



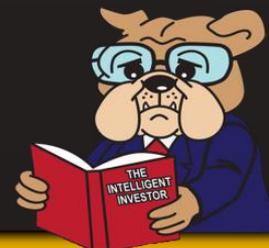
# Misunderstood Companies: AIG – The Investment

November 2, 2012 - \$34/share while tangible book value was \$60

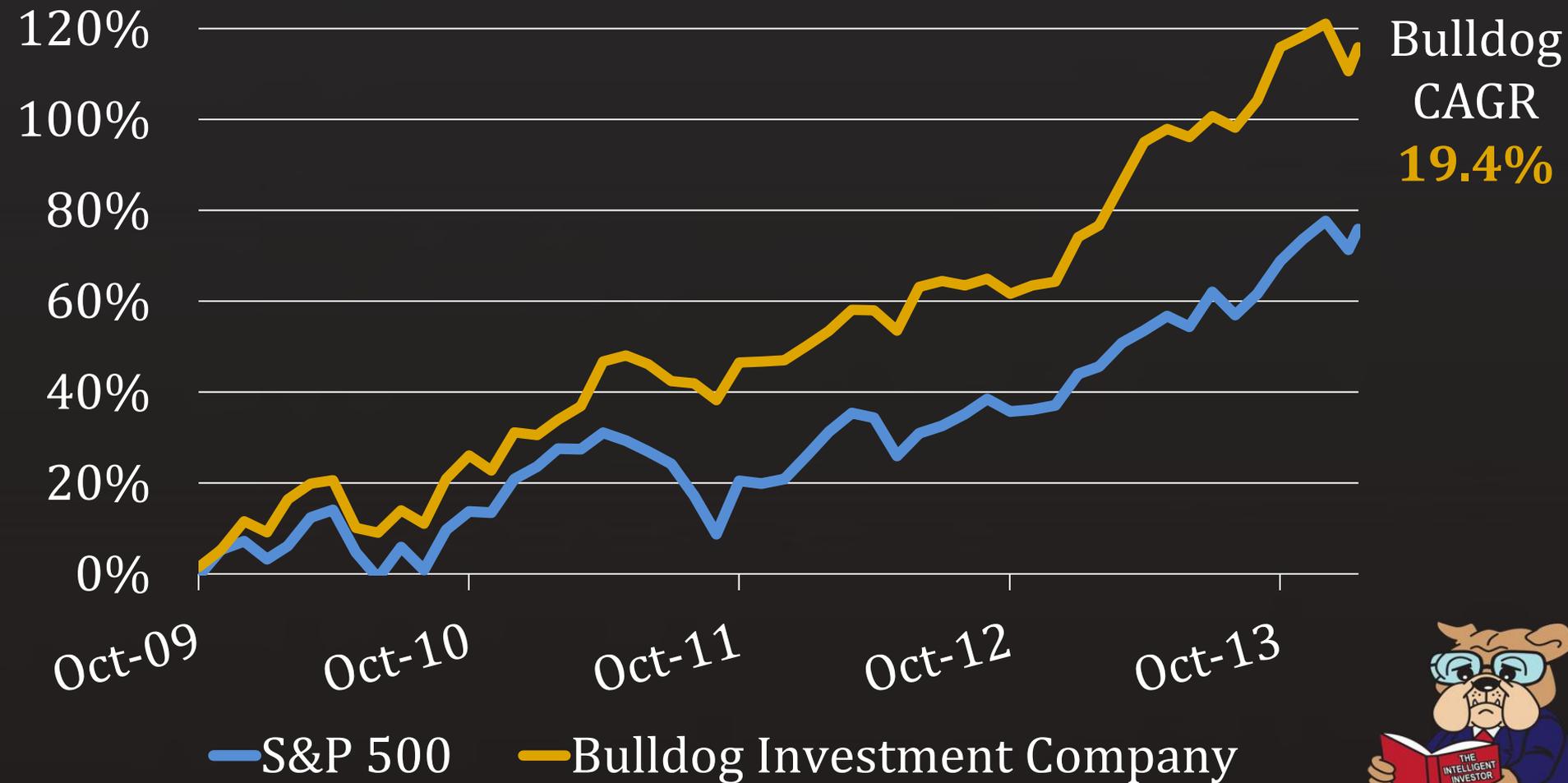
43% discount to AIG's liquidation value



# Index Performance



# Portfolio Performance



# Questions or Comments?

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“The stock market is a no-called-strike game. You don’t have to swing at everything — you can wait for your pitch.”

-Warren Buffett

