

Texas Lutheran University Bulldog Investment Company



“Rule #1: Never lose money.
Rule #2: Never forget Rule #1”
- Warren Buffett

LOGIC • DISCIPLINE • VALUE

Buffett's Rule #1

Don't Lose Money

Since Inception:

One realized loss - \$34 (0.57%)

One unrealized loss – less than \$500 (3.5%)

Our portfolio has compounded at more than 20% per year – easily outperforming the market

Portfolio value is \$301,061 as of December 31, 2014



Types of Investments

Long-term compounders

- Option contracts

Cash-out arbitrage

Misunderstood companies



Long-Term Compounders: What are we looking for?

Is the business **understandable**?

Is the business **predictable**?

Does it have a **sustained competitive advantage**?

Is there a considerable **valuation gap**?



Long-Term Compounders: Advanced Auto Parts

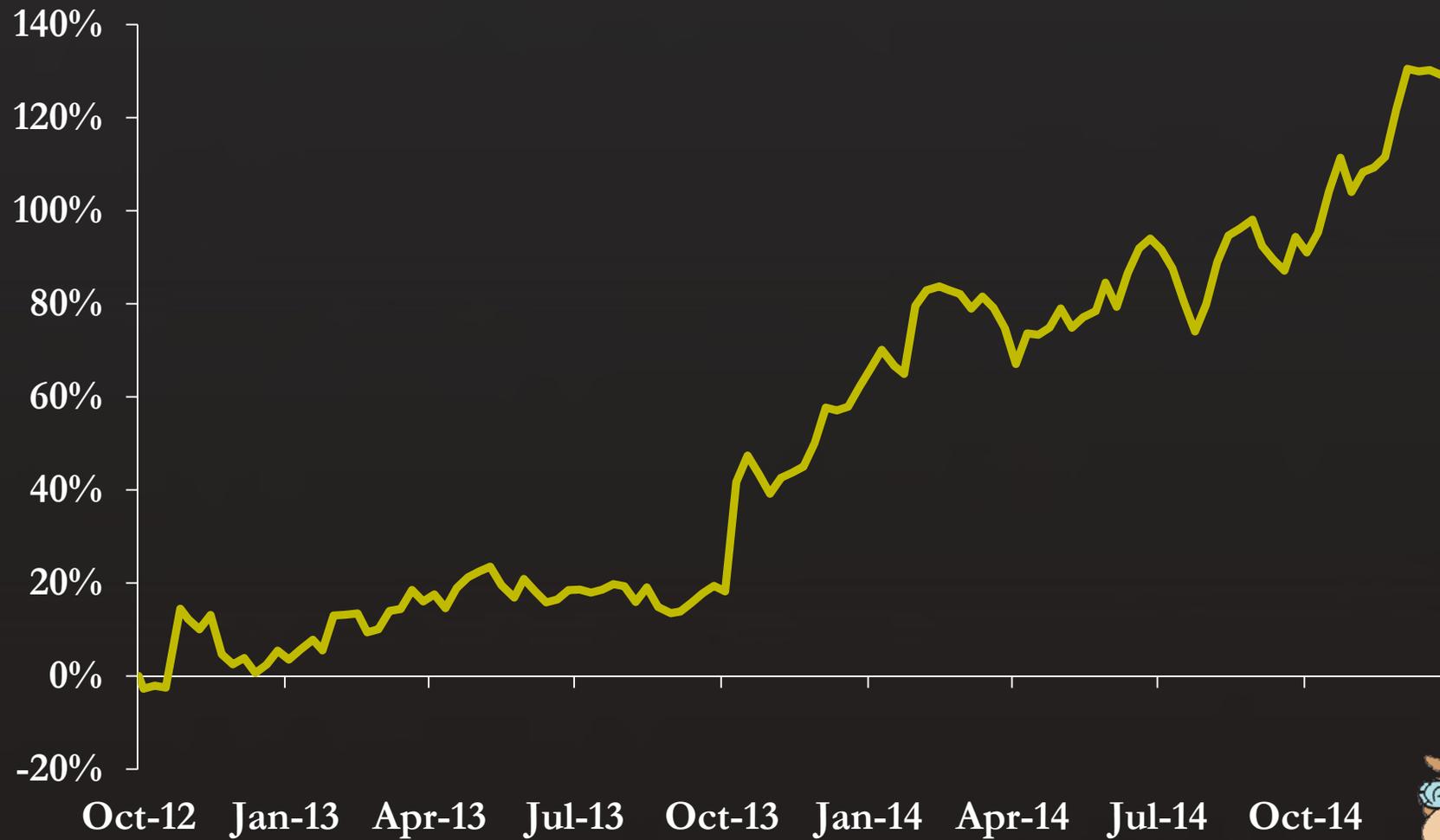
Return on Equity over 25%

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

Repurchased 35% of shares outstanding over last 10 years



Long-Term Compounders: Advanced Auto Parts



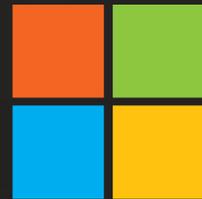
Examples of Long-term Compounders



BED BATH &
BEYOND



Nestlé



Microsoft

Walgreens

Walmart

Save money. Live better.



Option Contracts

Allow us to strategically identify entry and exit points

Increases cash flow to the portfolio

Option premiums have added 3.6% annually to our returns

Put contracts are cash secured and call options are covered



Cash-out Arbitrage: Rules

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



Cash-out Arbitrage: Bally Technologies & Scientific Games

August 1, 2014 - Scientific Games announces acquisition of Bally Technologies

Cash out price: \$83.30/share

Entered in at \$77.75/share on August 28, 2014

November 24, 2014 - Deal completed



Cash-out Arbitrage: Bally Technologies & Scientific Games

Gross Return: 6.97 %

Number of Days Held: 86

Annualized Return: 29.58%



Cash-out Arbitrage: Results

Arbitrage Opportunity	Gross Return	# of Days Held	Annualized Rate
Bally Technologies	6.97%	86	29.58%
Blackboard	6.58%	49	49.04%
Bowne	5.51%	68	29.56%
Cooper Tire	12.56%	221	20.74%
Motorola Mobility	4.58%	105	15.92%
New Frontier Media	3.19%	42	27.73%
RDA Microelectronics	15.39%	57	98.55%
Wesco	-0.57%	50	-4.20%
Zhongpin	3.94%	38	37.84%



Misunderstood Companies: AIG

2008

Massive bailout

US Federal Reserve takes 80% ownership



Misunderstood Companies: AIG

Best Insurer Overall – 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



Our Sell Process

Issues that merit further research:

Historically high valuations

Dramatic increases in leverage

Decreasing operating/profit margins

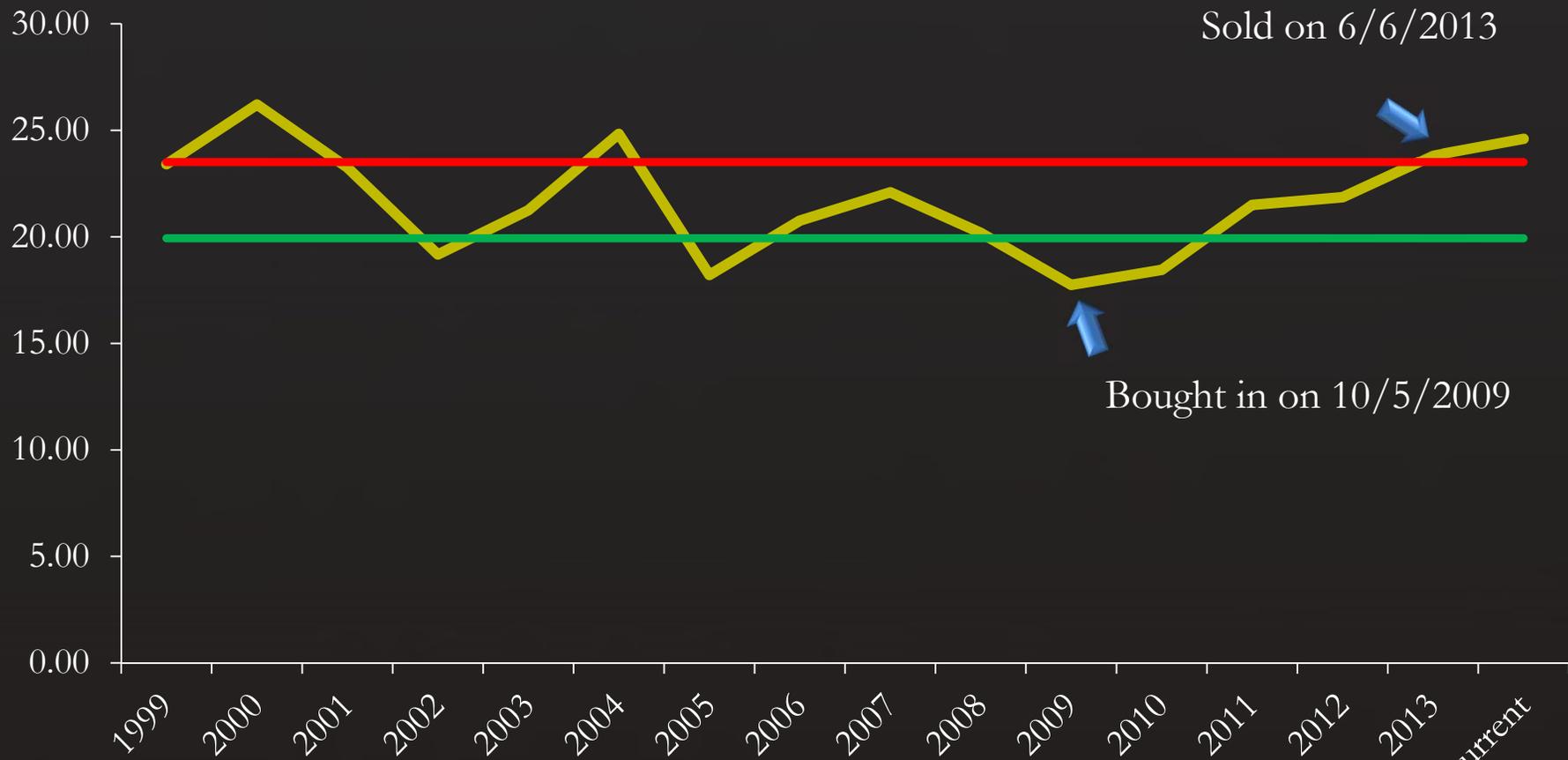
Always Remember:

Any company can become overvalued

Do NOT fall in love



Church & Dwight – Price to Earnings



TTM/current



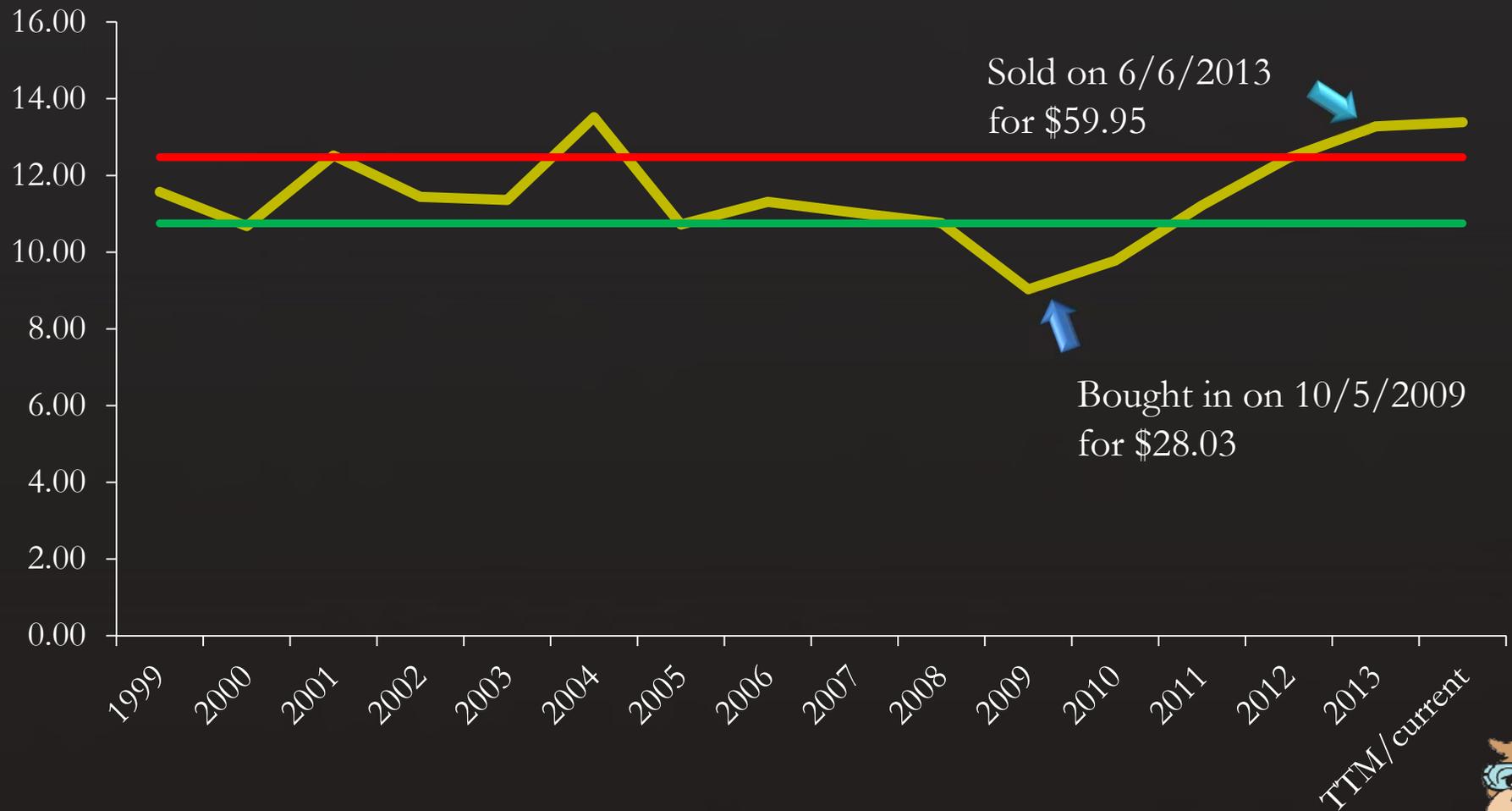
Church & Dwight – Price to Free Cash Flow



TTM/current



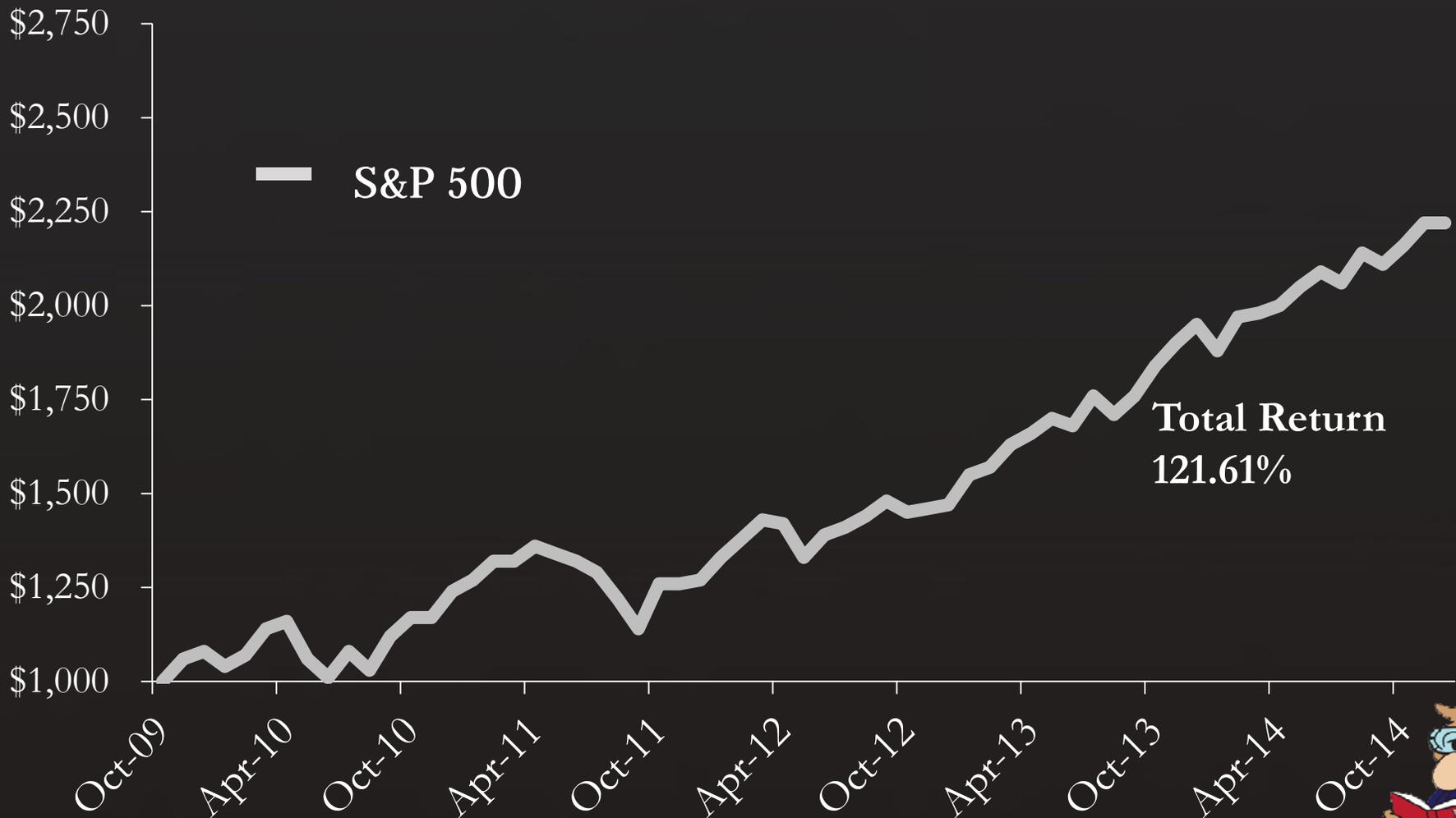
Church & Dwight – Enterprise Value to EBITDA



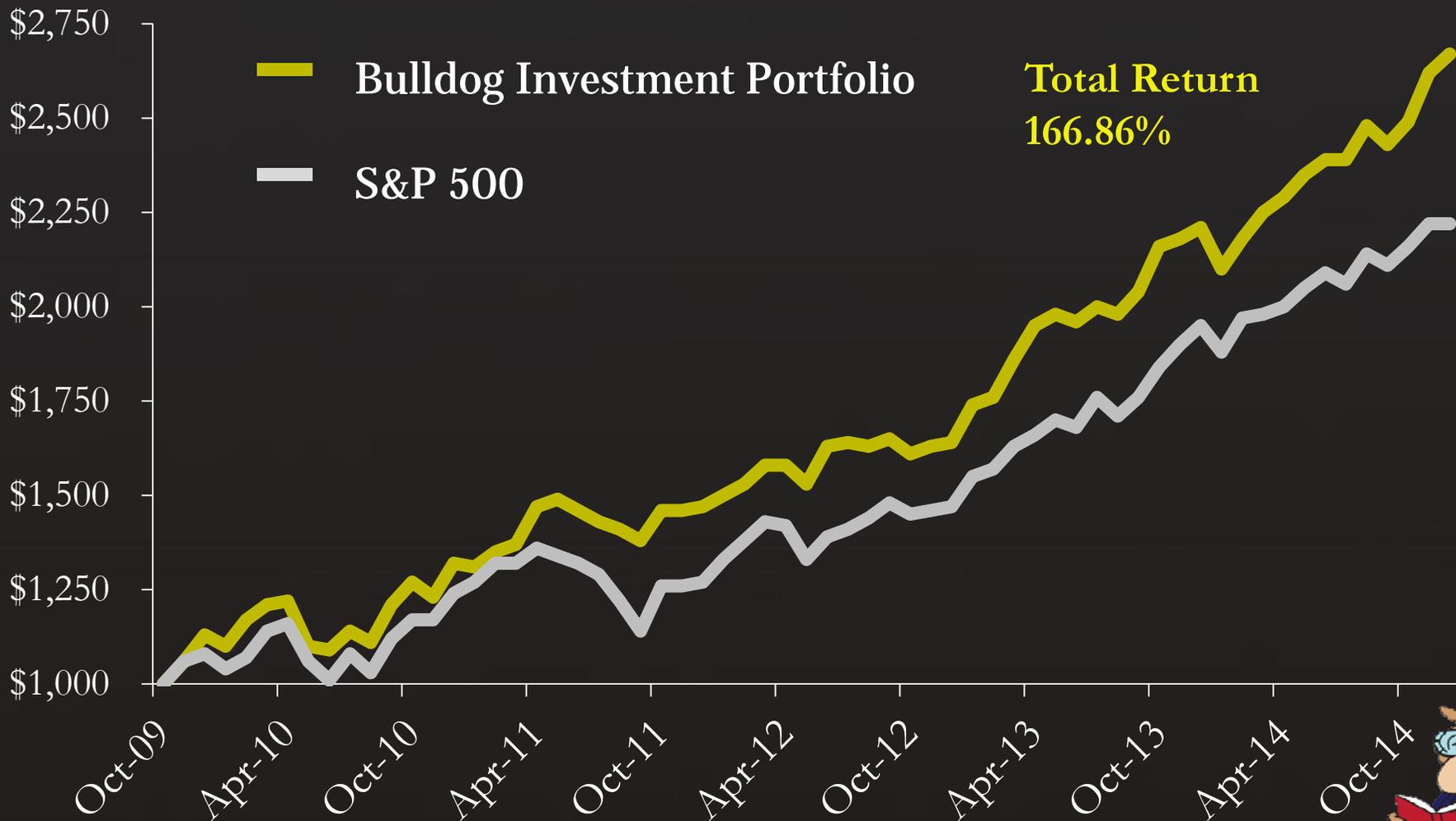
TTM/current



Growth of \$1,000: Portfolio vs. S&P500



Growth of \$1,000: Portfolio vs. S&P500



Questions or Comments

“Investors should remember that their scorecard is not computed using Olympic-diving methods: Degree-of-difficulty doesn’t count.”

-Warren Buffett



Appendix

- A) Current Portfolio
- B) All Positions Realized and Unrealized
- C) Membership Breakdown
- D) Options Example
- E) Current Members
- F) All Buys
- G) All Sells
- H) Current Positions



Current Portfolio



Description	10/04/2009 Value	Additions Purchases	Withdrawals Sales	Realized Gain (Loss)	Unrealized Gain (Loss)	Income Expenses	12/31/2014 Value	Actual Net (IRR)
Equities								
Advance Auto Parts Inc	0	4,978	(34)	0	6,331	34	11,309	128.24
American Intl Gp 21wts	0	15,020	0	0	6,818	0	21,838	78.44
American Intl Group Inc	0	9,941	(204)	0	6,358	204	16,299	68.26
BALLY TECHNOLOGIES INC	0	4,984	(5,331)	347	0	0	0	6.97
Becton Dickinson & Co	0	5,006	(8,348)	3,011	0	331	0	68.66
Bed Bath & Beyond	0	19,991	0	0	5,830	0	25,822	55.29
Berkshire Hathaway Cl B	0	10,081	0	0	9,439	0	19,520	101.79
Best Buy Inc	0	10,344	(11,852)	1,101	0	408	0	35.42
Best Buy Inc	0	0	(12)	0	0	12	0	..
Blackboard Inc	0	4,982	(5,310)	328	0	0	0	6.59
BOSTON BEER COMPANY CO	0	9,742	(11,758)	2,016	0	0	0	20.70
Bowne & Co Inc	0	4,994	(5,269)	250	0	25	0	5.50
C.H. ROBINSON WORLDWIDE	0	5,006	(150)	0	1,285	150	6,291	29.02
Church & Dwight Co Inc	0	4,989	(11,131)	5,682	0	459	0	126.48
Coca Cola Company	0	6,646	(719)	0	1,798	719	8,444	39.75
COOPER TIRE & RUBBER CO	0	9,705	(10,496)	723	0	69	0	12.56
Intl Business Machines	0	10,111	(157)	0	(484)	157	9,626	-5.55
Johnson & Johnson	0	4,964	(6,376)	861	0	551	0	30.05
Johnson & Johnson	0	0	(51)	0	0	51	0	..
Lorillard Inc	0	10,001	(2,049)	0	8,063	2,049	18,064	219.11
Mc Donalds Corp	0	4,948	(6,656)	1,544	0	164	0	35.14
Mc Donalds Corp	0	0	(46)	0	0	46	0	..
Medtronic Inc	0	4,978	(612)	0	5,564	612	10,541	130.67
Microsoft Corp	0	15,445	(1,789)	0	11,914	1,789	27,359	116.40
Motorola Mobility Hlds	0	9,987	(10,360)	373	0	0	0	4.78
Nestle S A Reg B Adr	0	4,931	(869)	0	2,364	869	7,295	70.37
NEW FRONTIER MEDIA INC C	0	5,015	(5,175)	160	0	0	0	3.40
Oracle Corporation	0	24,010	(818)	0	12,415	818	36,426	123.42
Pepsico Incorporated	0	13,268	(1,455)	0	5,644	1,455	18,912	57.95
PETSMART INC COM	0	11,551	(73)	0	3,733	73	15,283	36.14
Procter & Gamble Co	0	6,155	(6,364)	112	0	96	0	3.40
RDA MICROELECTRONICS C	0	19,877	(21,386)	1,509	0	0	0	15.39
Wal-Mart Stores Inc	0	10,018	(846)	0	4,066	846	14,084	86.57
WALGREENS BOOTS ALLIAN	0	5,024	(530)	0	6,558	530	11,582	146.69
WESCO FINL CORP COM	0	5,039	(5,010)	(34)	0	5	0	-0.57
WORLD ACCEP CORP S C NE	0	16,566	(10,846)	997	1,228	0	7,945	34.05
ZHONGPIN INC COM	0	5,001	(5,198)	196	0	0	0	3.92
	0	313,298	(157,279)	19,176	98,924	12,521	286,640	

Cash and Money Funds

CASH	0	375,265	(364,121)	0	0	(298)	10,846
FDIC INS CASH	0	107,310	(103,614)	0	0	2	3,698
Schwab Advisor Cash Reserves-P	0	59,033	(58,974)	0	0	(58)	0
	0	541,607	(526,709)	0	0	(355)	14,543

	0	857,393	(690,844)	23,253	99,093	12,167	301,061
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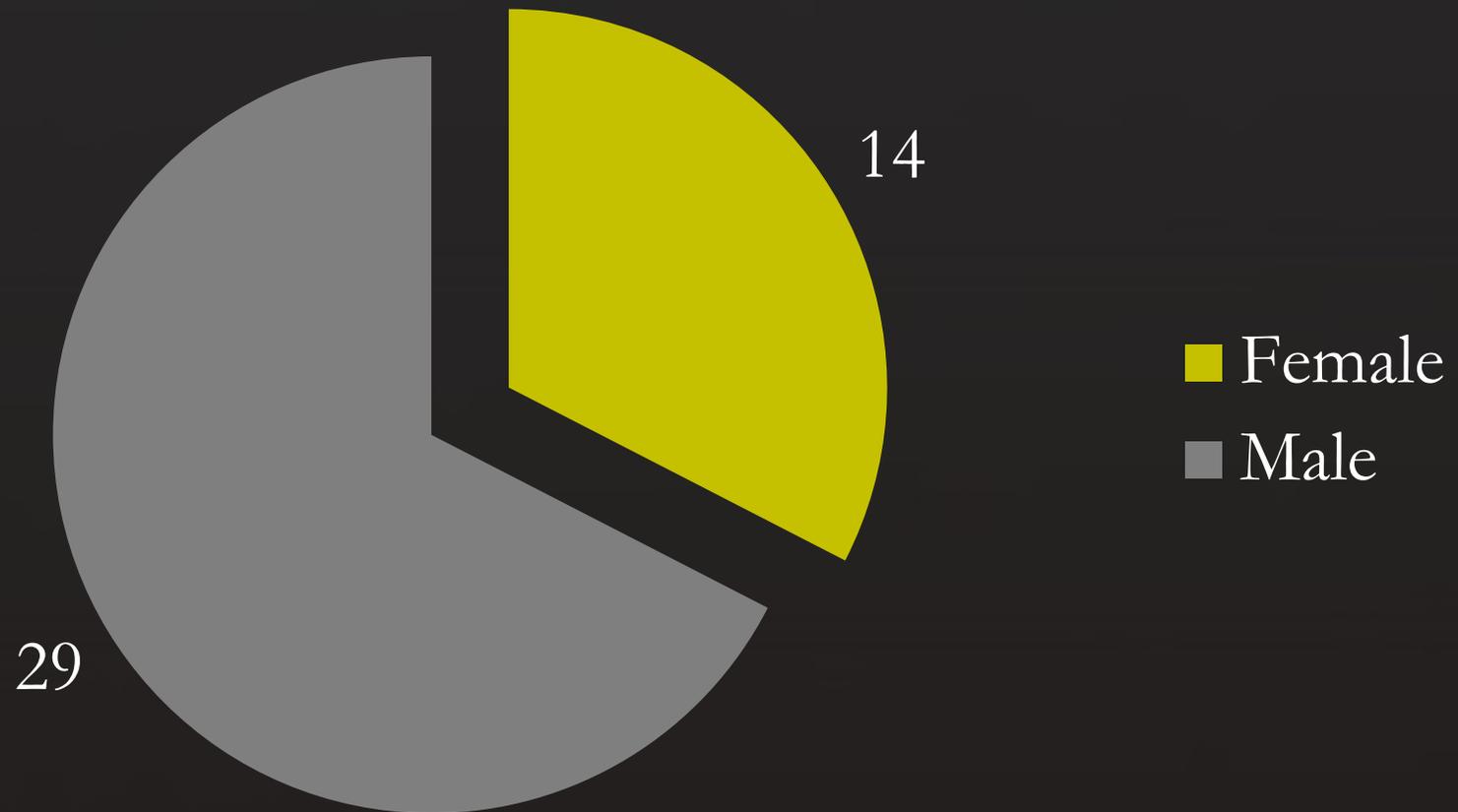
Historical Positions



Description	10/04/2009 Value	Additions Purchases	Withdrawals Sales	Realized Gain (Loss)	Unrealized Gain (Loss)	Income Expenses	02/16/2015 Value	Actual Net (IRR)
Equities								
Advance Auto Parts Inc	0	4,978	(38)	0	5,683	38	10,661	115.30
American Intl Gp 21wts	0	15,020	0	0	5,833	0	20,853	64.14
American Intl Group Inc	0	9,941	(204)	0	5,761	204	15,702	61.97
BALLY TECHNOLOGIES INC	0	4,984	(5,331)	347	0	0	0	6.97
Becton Dickinson & Co	0	5,006	(8,348)	3,011	0	331	0	68.66
Bed Bath & Beyond	0	19,991	0	0	6,420	0	26,411	58.50
Berkshire Hathaway Cl B	0	10,081	0	0	9,204	0	19,284	98.91
Best Buy Inc	0	10,344	(11,852)	1,101	0	408	0	35.42
Best Buy Inc	0	0	(12)	0	0	12	0	--
Blackboard Inc	0	4,982	(5,310)	328	0	0	0	6.59
BOSTON BEER COMPANY CO	0	9,742	(11,758)	2,016	0	0	0	20.70
Bowne & Co Inc	0	4,994	(5,269)	250	0	25	0	5.50
C.H. ROBINSON WORLDWIDE	0	5,006	(150)	0	1,091	150	6,097	25.14
Church & Dwight Co Inc	0	4,989	(11,131)	5,682	0	459	0	126.48
Coca Cola Company	0	6,646	(719)	0	1,752	719	8,398	39.11
COOPER TIRE & RUBBER CO	0	9,705	(10,496)	723	0	69	0	12.56
Intl Business Machines	0	10,111	(157)	0	(487)	157	9,624	-5.14
Johnson & Johnson	0	4,964	(6,376)	861	0	551	0	30.05
Johnson & Johnson	0	0	(51)	0	0	51	0	--
Lorillard Inc	0	10,001	(2,049)	0	9,314	2,049	19,315	243.85
Mc Donalds Corp	0	4,948	(6,656)	1,544	0	164	0	35.14
Mc Donalds Corp	0	0	(46)	0	0	46	0	--
Medtronic Inc	0	4,978	(656)	0	6,010	656	10,988	141.26
Microsoft Corp	0	15,445	(1,789)	0	10,395	1,789	25,839	102.67
Motorola Mobility Hldgs	0	9,987	(10,360)	373	0	0	0	4.78
Nestle S A Reg B Adr	0	4,931	(869)	0	2,629	869	7,560	76.29
NEW FRONTIER MEDIA INC C	0	5,015	(5,175)	160	0	0	0	3.40
Oracle Corporation	0	24,010	(916)	0	11,573	916	35,583	113.42
Pepsico Incorporated	0	13,268	(1,586)	0	6,558	1,586	19,826	66.56
PETSMART INC COM	0	11,551	(73)	0	3,997	73	15,548	38.08
Procter & Gamble Co	0	6,155	(6,364)	112	0	96	0	3.40
RDA MICROELECTRONICS C	0	19,877	(21,386)	1,509	0	0	0	15.39
Wal-Mart Stores Inc	0	10,018	(925)	0	4,054	925	14,073	86.70
WALGREENS BOOTS ALLIAN	0	5,024	(530)	0	6,943	530	11,967	154.93
WESCO FINL CORP COM	0	5,039	(5,010)	(34)	0	5	0	-0.57
WORLD ACCEP CORP S C NE	0	16,566	(10,846)	997	1,162	0	7,879	33.18
ZHONGPIN INC COM	0	5,001	(5,198)	196	0	0	0	3.92



Membership Breakdown



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 for P&G

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



Options Collected



45 Option Transactions Since Inception

Total Premiums Produced: \$5,775 (or \$1,332 per year)

On average, options have contributed 3.57% in returns per year



Current Members



Name	Semesters in Bic	Classification	Major
Arthur Munoz	6	Senior	Finance & Economics
Ernest Stephenson	6	Senior	Math & Economics
Kelli Gohmert	5	Senior	Management
Leon Wagner	5	Senior	Psychology
Nate Ramos	5	Senior	Marketing
Eli Von Berg	4	Senior	Economics
Emilie Crow	4	Senior	International Business
Tasha Phillips	4	Junior	Accounting
Stephanie Thompson	4	Junior	Accounting
Jorge Flores	3	Senior	Math
Wade Dillenbeck	3	Junior	Business Administration
Chase Dawkins	2	Freshman	Accounting
Audra Bahr	2	Sophomore	Accounting
Tyler Rentfro	2	Junior	Business Administration
Zachary Kelley	2	Sophomore	Accounting
Brittney Raup	2	Sophomore	Business Administration
Amanda Serold	2	Sophomore	Accounting
Joshua Aguilar-Skilling	1	Sophomore	Information Systems
Allison Reininger	1	Sophomore	Business Administration
Jonathan Dietzel	1	Sophomore	Information Systems



All Buys

Trade Date	Activity	Description	Quantity	Principal Amount	Annual P&E	Total Fees	Net Money Amount	ID
10/05/2009	Buy	Church & Dwight Co Inc	1	56.06		0.00	(56.06)	AFZ
10/05/2009	Buy	Church & Dwight Co Inc	25	4,933.25		0.00	(4,933.25)	AFZ
11/05/2009	Buy	Johnson & Johnson	25	1,555.06		0.00	(1,555.06)	AFZ
11/05/2009	Buy	Johnson & Johnson	57	2,409.17		0.00	(2,409.17)	AFZ
11/26/2009	Buy	Oracle Corporation	221	4,978.25		0.00	(4,978.25)	AFZ
02/09/2010	Buy	Wal-Mart Stores Inc	94	4,999.86		0.00	(4,999.86)	AFZ
02/02/2010	Buy	Lorillard Inc	65	5,004.80		0.00	(5,004.80)	AFZ
04/27/2010	Buy	Norfolk S A Reg B Adm	100	4,921.00		0.00	(4,921.00)	AFZ
05/21/2010	Buy	Oracle Corporation	100	2,570.26		0.00	(2,570.26)	AFZ
05/21/2010	Buy	Procter & Gamble Co	100	6,155.26		0.00	(6,155.26)	AFZ
09/23/2010	Buy	Boysie & Co Inc	456	4,994.69	2.95	2.95	(4,994.64)	AFZ
12/06/2010	Buy	Medtronic Inc	166	4,968.67	2.95	2.95	(4,977.62)	AFZ
02/14/2011	Buy	Mc Donalds Corp	65	4,928.01	9.99	9.99	(4,948.00)	AFZ
02/01/2011	Buy	Microsoft Corp	200	5,200.00	9.99	9.99	(5,209.99)	AFZ
02/10/2011	Buy	Wet Dry Inc	161	4,991.00		2.00	(4,999.00)	CASH
05/02/2011	Buy	Microsoft Corp	200	5,117.68		2.00	(5,124.68)	CASH
05/10/2011	Buy	WESCO FNL CORP COM	12	5,021.00		2.00	(5,029.00)	CASH
06/17/2011	Buy	Regisoo Incorporated	100	6,992.76		2.00	(6,991.76)	CASH
07/05/2011	Buy	VeriSign Hathaway Cl B	65	5,027.10		2.00	(5,025.10)	CASH
08/18/2011	Buy	Blackboard Inc	118	4,972.70		2.00	(4,981.70)	CASH
08/19/2011	Buy	Regisoo Incorporated	100	6,258.01		2.00	(6,266.01)	CASH
09/19/2011	Buy	Wet Dry Inc	161	4,020.01		2.00	(4,028.01)	CASH
09/26/2011	Buy	Wenton Dickinson & Co	65	4,998.00		2.00	(5,006.00)	CASH
11/15/2011	Buy	Coca Cola Company	100	6,627.78		2.00	(6,645.78)	CASH
11/15/2011	Buy	Motorola Mobility Wdgt	129	4,998.75		2.00	(5,006.75)	CASH
12/05/2011	Buy	VeriSign Hathaway Cl B	65	5,027.50		2.00	(5,045.50)	CASH
12/19/2011	Buy	WALGREENS BOOTS ALLIAN	152	5,016.00		2.00	(5,024.00)	CASH
01/20/2012	Buy	BOSTON BEER COMPANY CO	100	9,722.78		2.00	(9,741.78)	CASH
02/07/2012	Buy	Motorola Mobility Wdgt	120	4,972.50		2.00	(4,980.50)	CASH
02/08/2012	Buy	Oracle Corporation	167	5,010.00		2.00	(5,018.00)	CASH
10/09/2012	Buy	Advance Auto Parts Inc	71	4,970.00		2.00	(4,978.00)	CASH
11/02/2012	Buy	American Intl Cp- Stores	266	4,997.72		2.00	(5,005.72)	CASH
11/02/2012	Buy	American Intl Group Inc	25	965.64		2.00	(973.64)	CASH
11/02/2012	Buy	American Intl Group Inc	116	2,998.52		0.00	(2,998.52)	CASH
11/05/2012	Buy	Bed Bath & Beyond	87	4,982.06		2.00	(4,990.06)	CASH
11/23/2012	Buy	NEW FRONTIER MEDIA INC C	274	766.26		2.00	(768.26)	CASH
11/26/2012	Buy	NEW FRONTIER MEDIA INC C	2,128	4,254.62		2.00	(4,262.62)	CASH
12/07/2012	Buy	American Intl Group Inc	167	4,981.25		2.00	(4,989.25)	CASH
12/07/2012	Buy	Microsoft Corp	189	5,000.94		2.00	(5,008.94)	CASH
01/18/2013	Buy	Wet Dry Inc	100	1,208.78		2.00	(1,216.78)	CASH
01/20/2013	Buy	WORLD ACCEP CORP S C NE	67	4,908.42		2.00	(4,916.42)	CASH
02/25/2013	Buy	Bed Bath & Beyond	87	4,958.57		2.00	(4,966.57)	CASH
05/23/2013	Buy	ZHONGPIN INC COM	285	4,992.45		2.00	(5,001.45)	CASH
06/20/2013	Buy	Oracle Corporation	100	2,200.00		2.00	(2,208.00)	CASH
06/21/2013	Buy	Oracle Corporation	100	2,217.78		2.00	(2,225.78)	CASH
09/12/2013	Buy	COOPER TIRE & RUBBER CO	151	5,019.24		2.00	(5,027.24)	CASH
10/07/2013	Buy	Wal-Mart Stores Inc	70	5,010.52		2.00	(5,018.52)	CASH



All Buys



11/19/2013	Buy	C.H. ROBINSON WORLDWIDE	54	4,998.00	\$ 0.00	(5,006.00)	CASH
12/10/2013	Buy	American Intl Co Stores	256	4,992.00	\$ 0.00	(5,000.00)	CASH
02/03/2014	Buy	Intl Business Machines	29	5,041.77	\$ 0.00	(5,049.77)	CASH
03/03/2014	Buy	American Intl Co Stores	287	5,008.25	\$ 0.00	(5,014.25)	CASH
03/21/2014	Buy	COOPER TIRE & RUBBER CO	200	4,669.56	\$ 0.00	(4,677.56)	CASH
03/21/2014	Buy	RDA MICROELECTRONICS C	278	5,004.00	\$ 0.00	(5,012.00)	CASH
05/12/2014	Buy	RDA MICROELECTRONICS C	200	4,980.00	\$ 0.00	(4,988.00)	CASH
05/21/2014	Buy	PETSMART INC COM	88	5,016.00	\$ 0.00	(5,024.00)	CASH
06/20/2014	Buy	PETSMART INC COM	100	6,518.79	\$ 0.00	(6,526.79)	CASH
06/27/2014	Buy	Bed Bath & Beyond	88	4,998.68	\$ 0.00	(4,998.68)	CASH
06/27/2014	Buy	RDA MICROELECTRONICS C	100	1,706.00	\$ 0.00	(1,714.00)	CASH
07/01/2014	Buy	RDA MICROELECTRONICS C	478	8,154.68	\$ 0.00	(8,162.68)	CASH
07/17/2014	Buy	Lorillard Inc	82	4,988.20	\$ 0.00	(4,996.20)	CASH
07/22/2014	Buy	WORLD ACCEP CORP S C NE	87	4,924.50	\$ 0.00	(4,932.50)	CASH
08/28/2014	Buy	BALLY TECHNOLOGIES INC	64	4,976.00	\$ 0.00	(4,984.00)	CASH
10/10/2014	Buy	Bed Bath & Beyond	77	5,028.10	\$ 0.00	(5,036.10)	CASH
10/17/2014	Buy	WORLD ACCEP CORP S C NE	100	6,708.79	\$ 0.00	(6,716.79)	CASH
11/04/2014	Buy	Intl Business Machines	21	5,052.00	\$ 0.00	(5,061.00)	CASH
12/11/2014	Buy	Oracle Corporation	122	5,002.00	\$ 0.00	(5,010.00)	CASH



All Sells



All sell Transactions

All Dates

Trade				Principal	Accrued	Total	Net Money	
Date	Activity	Description	Quantity	Amount	Pd/Rec	Fees	Amount	ID
11/19/2010	Sell	Procter & Gamble Co	(100)	6,276.65		9.06	6,267.59	APZ
11/29/2010	Sell	Bowne & Co Inc	(456)	5,244.00		0.00	5,244.00	APZ
06/28/2011	Sell	WESCO FINL CORP COM	(13)	5,005.00		0.00	5,005.00	CASH
10/05/2011	Sell	Blackboard Inc	(118)	5,310.00		0.00	5,310.00	CASH
10/31/2011	Sell	Best Buy Inc	(161)	4,294.59		8.09	4,286.50	CASH
03/05/2012	Sell	Mc Donalds Corp	(65)	6,500.00		8.12	6,491.88	CASH
05/22/2012	Sell	Motorola Mobility Hldgs	(259)	10,360.00		0.00	10,360.00	CASH
12/04/2012	Sell	Johnson & Johnson	(83)	5,833.42		8.14	5,825.28	CASH
12/13/2012	Sell	BOSTON BEER COMPANY CO	(100)	11,766.22		8.26	11,757.96	CASH
01/03/2013	Sell	NEW FRONTIER MEDIA INC C	(2,512)	5,174.72		0.00	5,174.72	CASH
06/06/2013	Sell	Best Buy Inc	(100)	1,951.22		8.04	1,943.18	CASH
06/06/2013	Sell	Church & Dwight Co Inc	(178)	10,680.00		8.19	10,671.81	CASH
06/28/2013	Sell	ZHONGPIN INC COM	(385)	5,197.50		0.00	5,197.50	CASH
06/02/2014	Sell	Becton Dickinson & Co	(68)	8,024.68		8.18	8,016.50	CASH
06/09/2014	Sell	Best Buy Inc	(100)	2,791.21		8.06	2,783.15	CASH
07/18/2014	Sell	COOPER TIRE & RUBBER CO	(300)	8,875.66		8.20	8,867.46	CASH
07/21/2014	Sell	RDA MICROELECTRONICS C	(1,156)	21,386.00		0.00	21,386.00	CASH
08/13/2014	Sell	COOPER TIRE & RUBBER CO	(51)	1,568.25		8.04	1,560.21	CASH
11/24/2014	Sell	BALLY TECHNOLOGIES INC	(64)	5,331.20		0.00	5,331.20	CASH
12/23/2014	Sell	Best Buy Inc	(61)	2,440.00		8.06	2,431.94	CASH
12/29/2014	Sell	WORLD ACCEP CORP S C NE	(134)	10,854.00		8.24	10,845.76	CASH
						106.68	144,757.64	

Current Positions



AAP

AIGWS

AIG

BBBY

BRK.B

CHRW

KO

IBM

LO

MDT

MSFT

NSRGY

ORCL

PEP

PETM

WMT

WBA

WRLD



Advanced AutoParts

- Oligopoly type business with AutoZone, O'Reilly and Advance Auto Parts being the major 3 players. The rest of the industry is very fragmented.
- People are keeping their cars on the road longer. The average car on the road is over 10 years old. Parts need to be replaced and there are a lot of people that like to do it themselves.
- Retail aspect for DIYers but also has strong commercial sales from professional mechanics and garages.
- Margins are not as strong as ORLY or AZO, which provides AAP with an opportunity to increase efficiencies up to the level of their competitors.
- The General Parts acquisition should yield significant cost synergies and has the potential to improve productivity levels both at Advance and General Parts.
- ROE has been 25%-30% over the last 10 years
- Repurchased 33% of outstanding shares in the last 10 years.



American International Group

- Following the 2008 bailout, AIG was able to repay the government back with \$22.7 billion profit
- Smaller, more focused, and understandable insurance company
- Derivatives liquidated
- #1 Commercial P&C insurer in US, Canada, Japan, and China; leading insurer in a variety of other geographies and product lines
- Trading at a discount to tangible book (liquidation value)



Bed Bath & Beyond

- Defense against other home goods retailers – better breadth and depth of product offerings
- Defense against online competition – consumer prefer to see, touch, smell these goods before purchasing
- Cost structure advantage – no central distribution system
- Achieves a superior ROE to peers, without reliance of debt
- No dividends, but a commitment to share repurchases when the time is right



Berkshire Hathaway

- Buy owning shares of Berkshire, an investor is able to place money in the hands of some of the smartest, most logical, and proven capital allocators in the history of investing: Warren Buffett and Charlie Munger
- They have compounded Berkshire's book value at an annualized rate north of 20%
- Their subsidiaries that they wholly own reflect the philosophies that they preach
- As lender of first and last resort (think Tiffany's, Harley Davidson, etc. during 2008), Berkshire can negotiate extremely favorable rates
- Were able to buy Berkshire below Buffett's stated repurchase price 2011 – 2012



CH Robinson

- CHRW benefits from a fragmented industry because they are the largest coordinator of shippers and suppliers. In addition to a network effect, this also leads to economies of scale and efficiencies that peers do not benefit from.
- Decentralized management allows for flexibility and performance-incentivized employees
- Consistently high Return on Equity, without leverage
- As growth slowed, momentum investors ran for the door, opening an opportunity for value investors
- Very shareholder friendly management: consistent cash flows have granted the ability to repurchase 16% of the shares outstanding over the last 5 years, and payout a 2% dividend yield



Coca Cola

- Coca-Cola is the world's leading beverage manufacturer and typically enjoys a price premium in most markets.
- Coke has ample runway for growth in emerging markets, where per capita consumption is relatively low.
- About 80% of operating income comes from outside the U.S.
- Owns 4 of the top five nonalcoholic sparkling beverage brands
- 1.9 billion 8 ounce servings of Coca-Cola are consumed every day
- Conservative management of debt
- ROE of 25%-30% over the last 10 years and beyond
- ROC consistently over 15%



IBM

- Largest patent portfolio of any company in the world
- High switching costs for the customers
- Brand name loyalty
- Repurchased 42% of shares in the past 10 years
- With as large as IBM is, it can be hard for them to move the needle and grow, but at the same time, this has created an attractive entry point



Lorillard

- Newport is the dominant menthol cigarette brand, controlling 40% of the menthol category and 12.5% of the overall U.S. cigarette market.
- The overall menthol category has been gaining share and Newport volume actually increased from 2007 to 2012, while the overall cigarette market in the U.S. was in a state of decline. Menthol cigarettes now make up 31.4% of the total market, compared with 26.0% in 2002.
- Lorillard's blu is the leading e-cigarette brand in the U.S.
- Was purchased initially because of rumors pertaining to the Food & Drug Administration considering a ban on menthol cigarettes and the company was trading at a severe discount and had a 7% dividend yield.
- Currently in the process of being acquired by Reynolds American for \$50.50 in cash and .2909 shares of Reynolds American for each share of Lorillard.
- Repurchased 32% of outstanding shares since 2007.
- Conservative management of debt
- ROC over 50%



Medtronic

- Medtronic has historically held roughly 50% share in its core heart devices. It's also the market leader and trusted brand name in spinal products, insulin pumps, and neuromodulators for chronic pain.
- Medtronic's pipeline is attractive with treatments for atrial fibrillation, aortic stenosis, and various neurological disorders. If these new therapies prove effective, Medtronic could dominate three more potentially large markets.
- Medtronic often finds novel ways to apply familiar technologies, like using the implantable electronic stimulation in pacemakers to address fecal incontinence and chronic pain.
- ROE above 15% for the last 10 years
- Repurchased 20% of outstanding shares in the last 10 years
- Was able to purchase at an attractive valuation in 2010
- Valuation has gotten stretched recently



Microsoft

- Able to buy at a discount to historical multiples and peers in 2011 and the beginning of 2012
- Nadella has begun rolling out Microsoft programs and features to expand user base beyond the Windows ecosystem
- New Microsoft Office 365 is increasingly becoming a cash cow and harder to pirate than previous versions
- Margins have dropped as the company has been transitioning from services and software to manufacturing consumer hardware
- The company has repurchased 25% of the shares outstanding over the last decade, while paying out about a 3% dividend yield



Nestle

- Nestle's brand investments are paying off in spades. For example, KitKat is now the number-one chocolate brand in Japan, posting impressive global underlying sales growth of nearly 9%.
- For investors wishing to gain broad exposure to the consumer staples industry, Nestle may be an appropriate holding.
- We're encouraged by management's reference to a pullback in its own promotional spending in the frozen food category and its focus on bringing new products to market, which we think will ultimately drive profitable sales growth longer term.
- Great exposure to emerging markets (40%) of sales and multiple currencies worldwide with a very strong portfolio of household brand names.
- ROE has been over 15% every year in the last 10 years.
- Conservative management of debt
- Repurchased 21% of outstanding shares in the last 10 years.



Oracle

- Database leader with extremely high switching costs
- Products that are scalable and reliable
- High and consistent Return on Equity without as much reliance on debt as peers
- Steady margins
- Cash flow machine
- Able to buy at a discount to historical multiples and peers in 2012 and 2013



PepsiCo

- Has 22 \$1 billion companies
- 52% Food, 48% Beverage Sales
- Largest seller of American Beverages & Snacks
- High ROC, but dropped since acquisition of bottlers
- Beginning to trade at the higher end of the valuation spectrum as investors flock to quality and income



PetSmart

- On-stop-shop with brand recognition and convenient locations
- Exclusive product lines
- Comprehensive veterinary care available in stores – creates a “sticky” relationship
- Excellent financials
- 70% of Americans have a pet in their homes, 90% consider that pet to be a family member



Wal-Mart

- 90% of all Americans live within 15 miles of a Wal-Mart
- Nearly 4 times the size of the country's second largest retailer, and almost twice the size of Target, Costco and Sears combined
- Moat: low-cost producer, superior logistics
- Operates with a negative working capital, and that is actually a good thing because the cash flows of this machine are so consistent
- 2.5% Dividend Yield in addition to a third of shares outstanding being repurchased in the last decade



Walgreens Boots Alliance

- Consistent/predictable/understandable
- Convenient store format, and larger footprint than rival CVS
- Able to purchase at a discount to historic valuations and peers in 2011 - 2012



World Acceptance

- Purchased because of its financial strength, perceived consistency, and attractive valuation
- Serves a very unique client base that has nowhere else to go, which becomes a very “sticky” relationship
- Incredible Returns on Assets when compared to banks and other money ending institutions
- Put too much emphasis on the quantitative qualities of the company, and not enough on the qualitative
- Barriers to entry are not as high as perceived, regulation is a real threat, and there are some odd accounting policies

