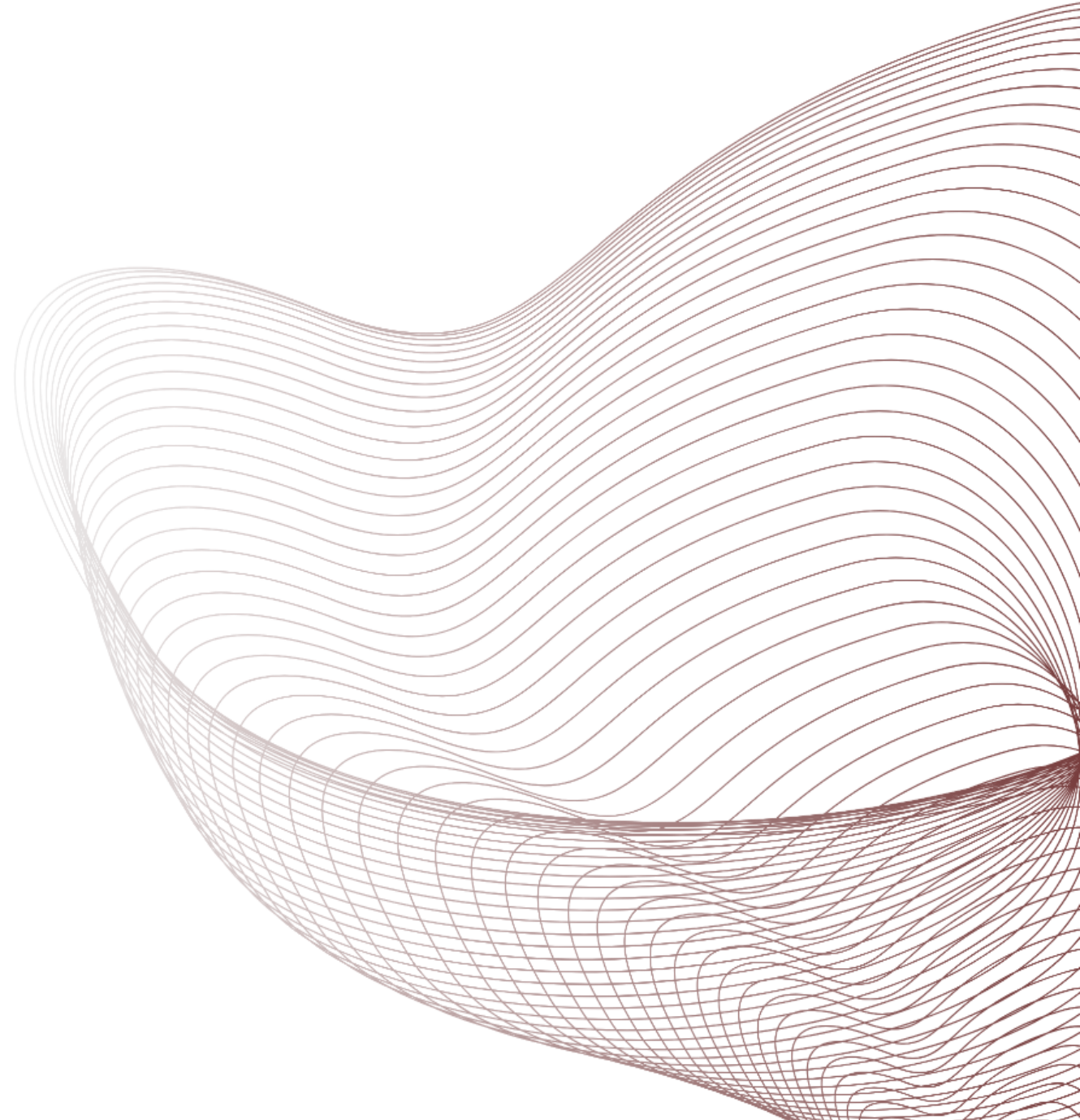


Investment Strategies + Pitching Stocks

November 27th, 2023



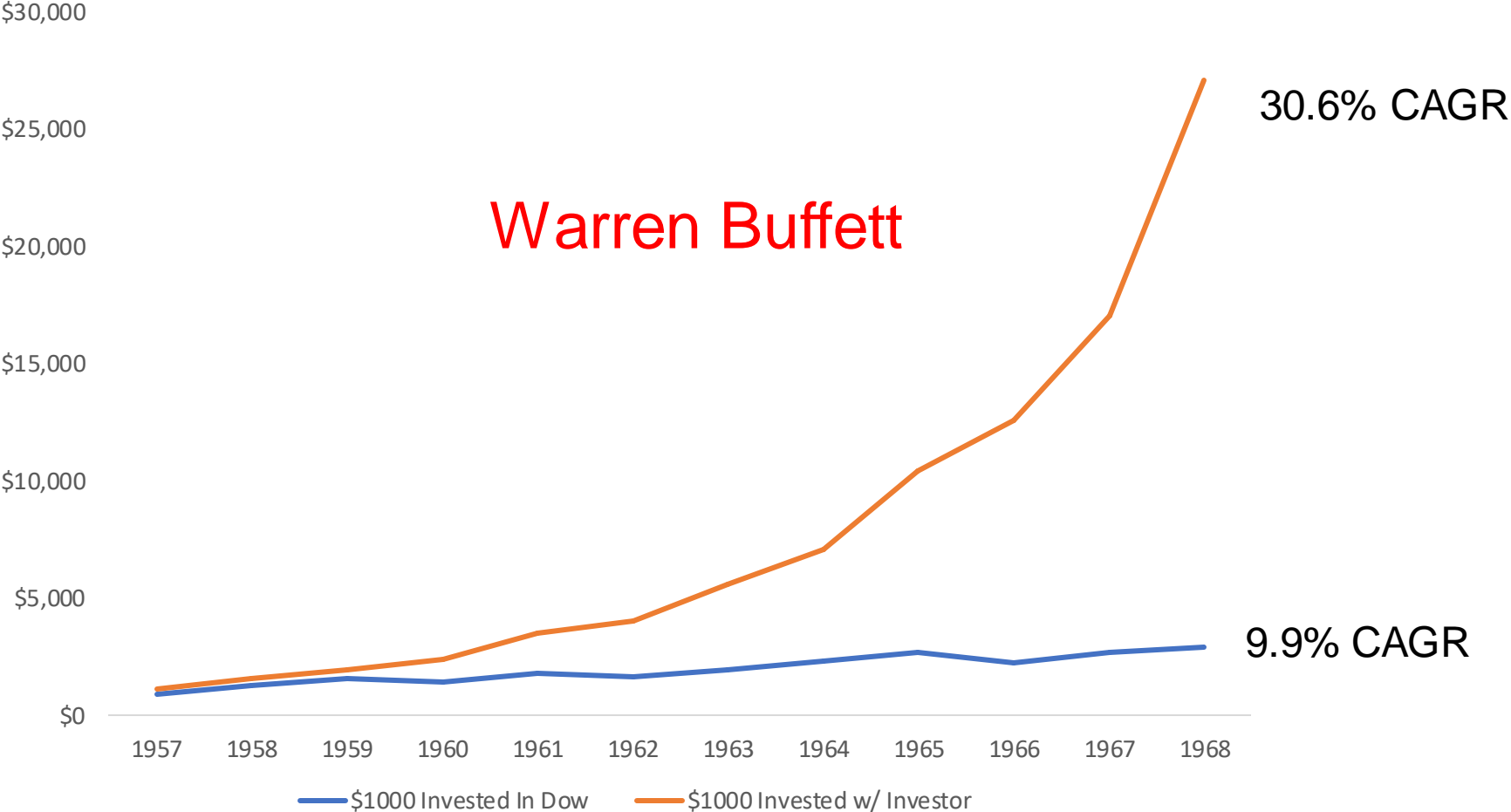
Today's Goal:

Get everyone interested in the exciting and cool parts of investing so that those who are interested will continue to learn on their own.

Investing should interest you if you like:

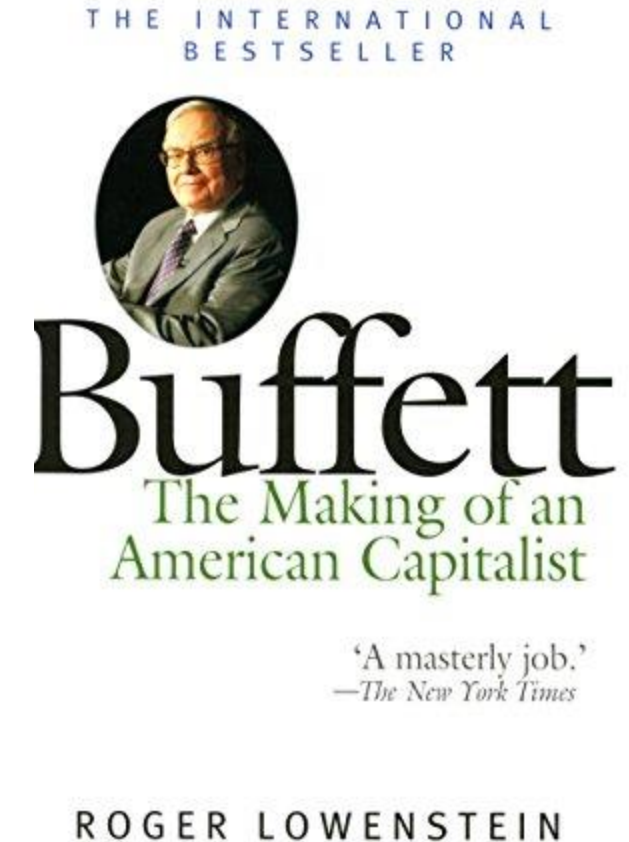
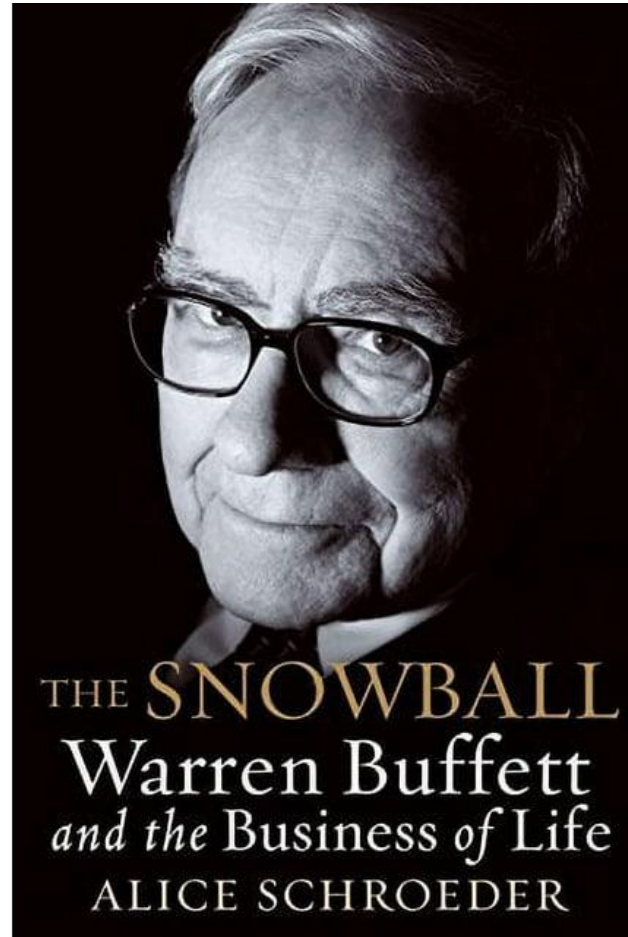
1. Finance
2. Accounting
3. History
4. Philosophy
5. Management
6. Competitive Strategy
7. Psychology
8. Math
9. Statistics
10. Basically, anything else you can think of

Whose returns are these?

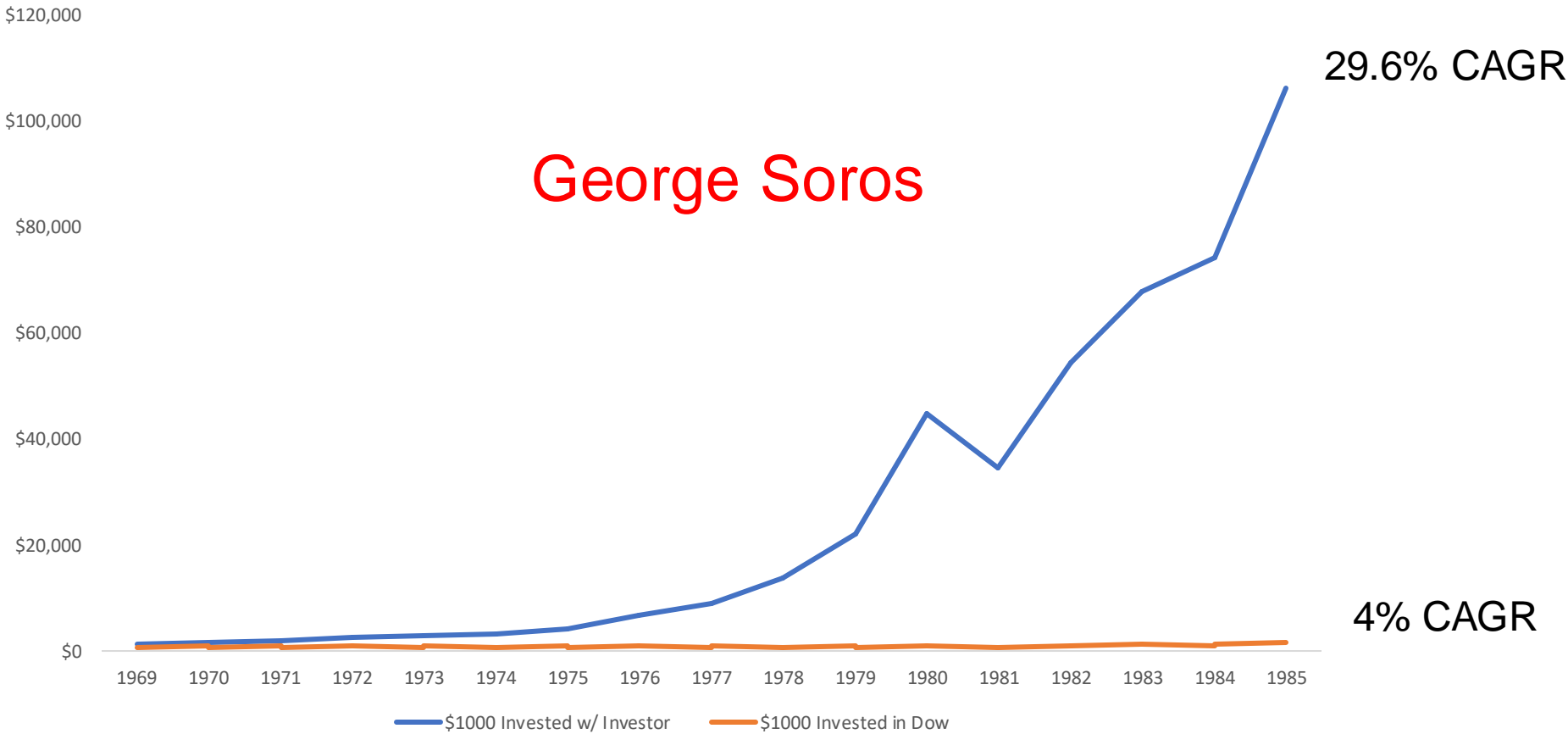


Warren Buffett

1. Better to buy a wonderful business at a fair price than a fair business at a wonderful price.
2. Price is what you pay, value is what you get.
3. If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes.
4. The most important quality of an investor is temperament, not intellect. You need a temperament that neither derives great pleasure from being with the crowd or against the crowd.
5. Forecasts tell you a great deal about the forecaster, they tell you nothing about the future.
6. We simply attempt to be fearful when others are greedy and to be greedy when others are fearful.



Whose returns are these?



George Soros

Soros Quantum Fund

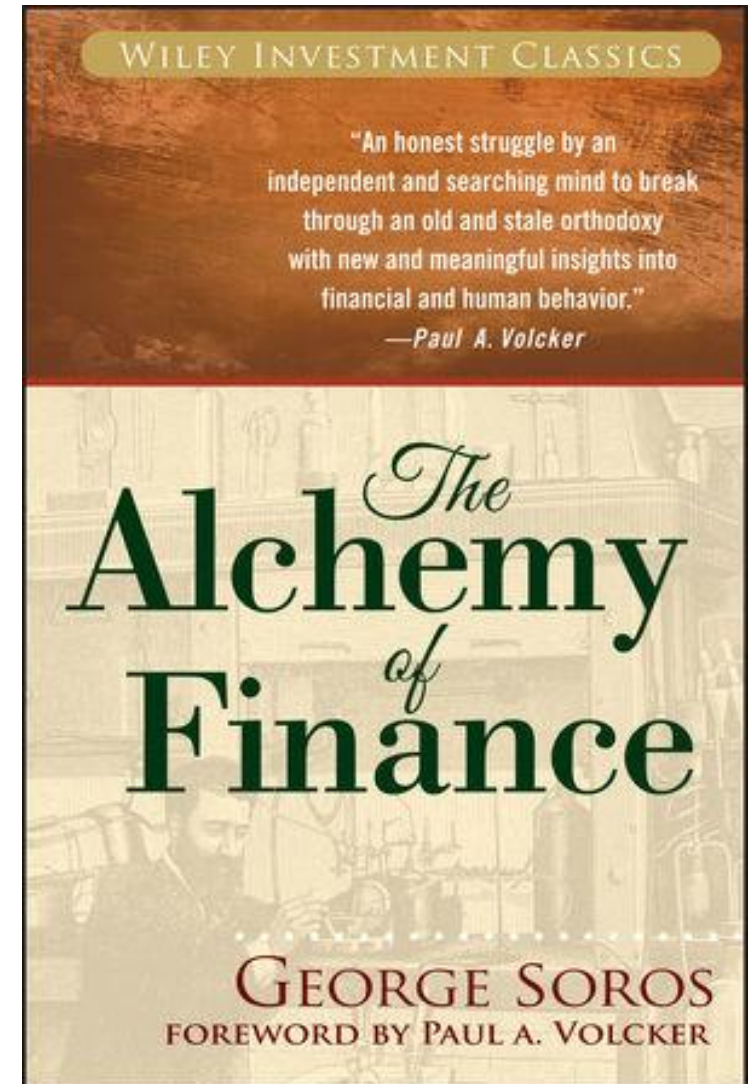
Speculated in currencies, stocks, bonds and commodities.
Made and estimated \$1B betting against the pound in 1992.

Theory of Reflexivity!!!

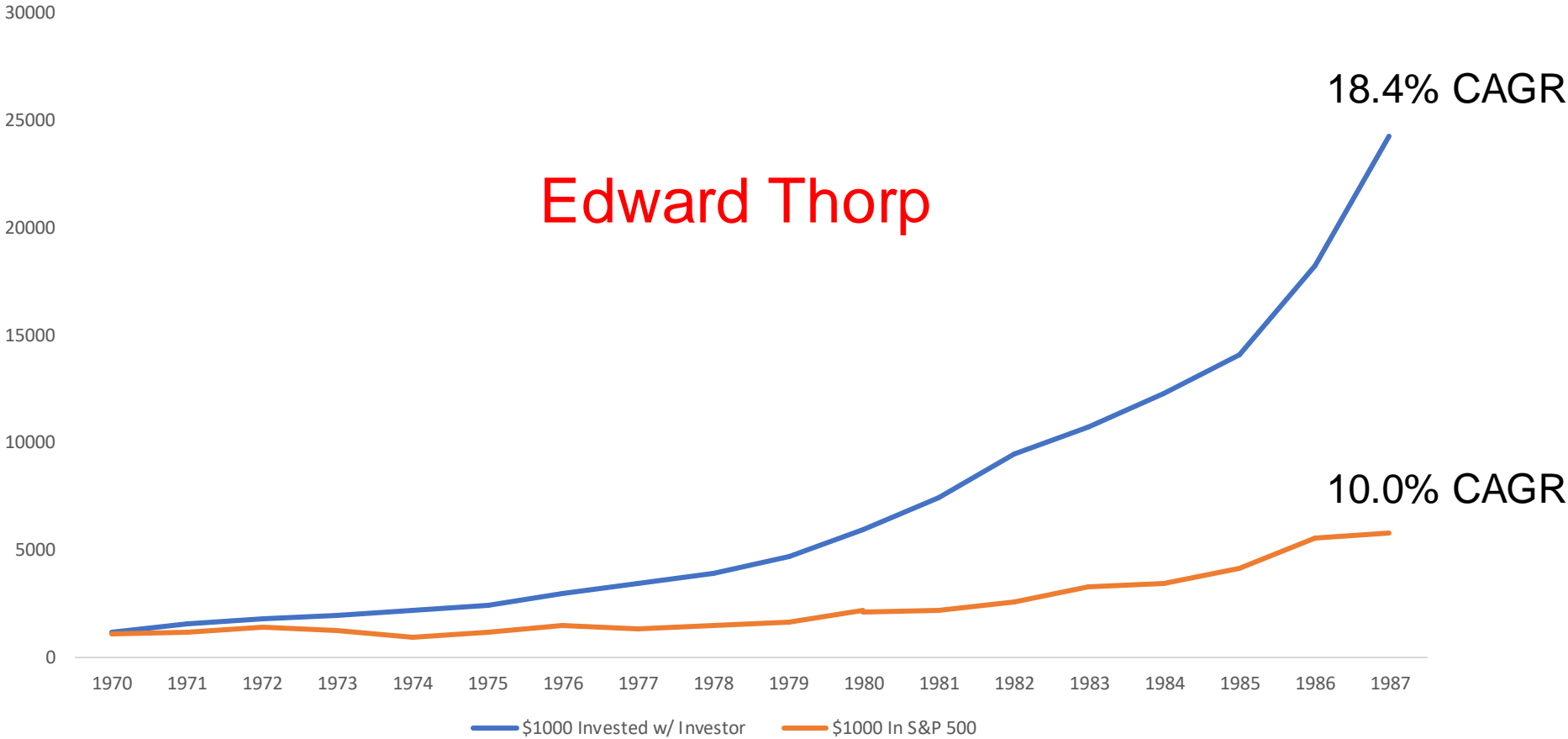
“I was interested in philosophy long before I became engaged in financial markets... The abstract came first. Ever since I became conscious of my existence, I have had a passionate interest in understanding it, and I regarded my own understanding as the central problem that needed to be understood.”

“The reality is that financial markets are self-destabilizing; occasionally they tend toward disequilibrium, not equilibrium.”

“Market prices of financial assets do not accurately reflect their fundamental value because they do not even aim to do so. Prices reflect market participants’ expectations of future market prices.”



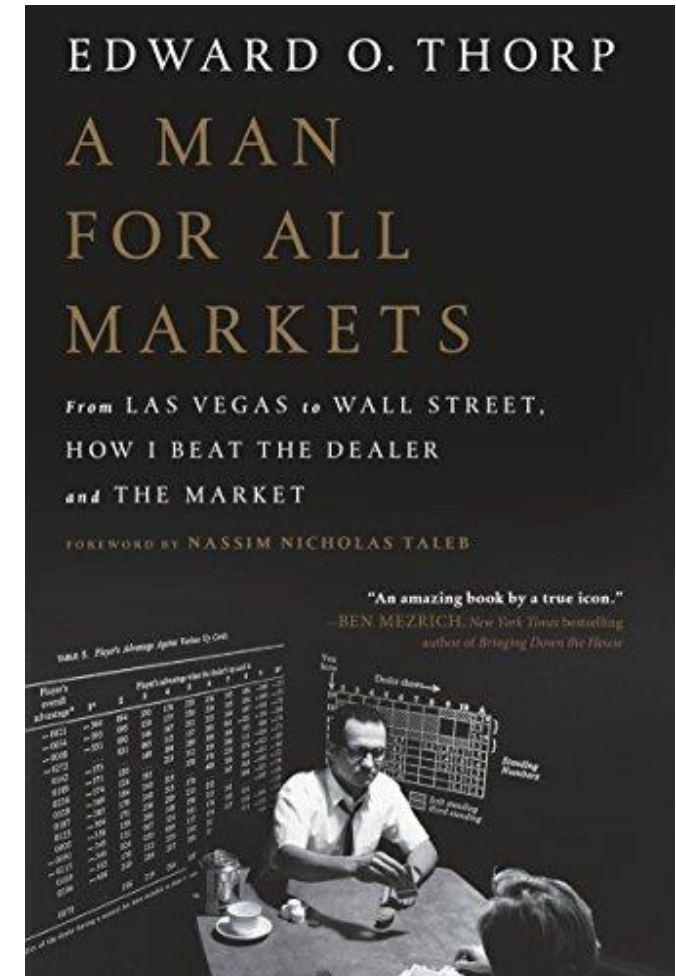
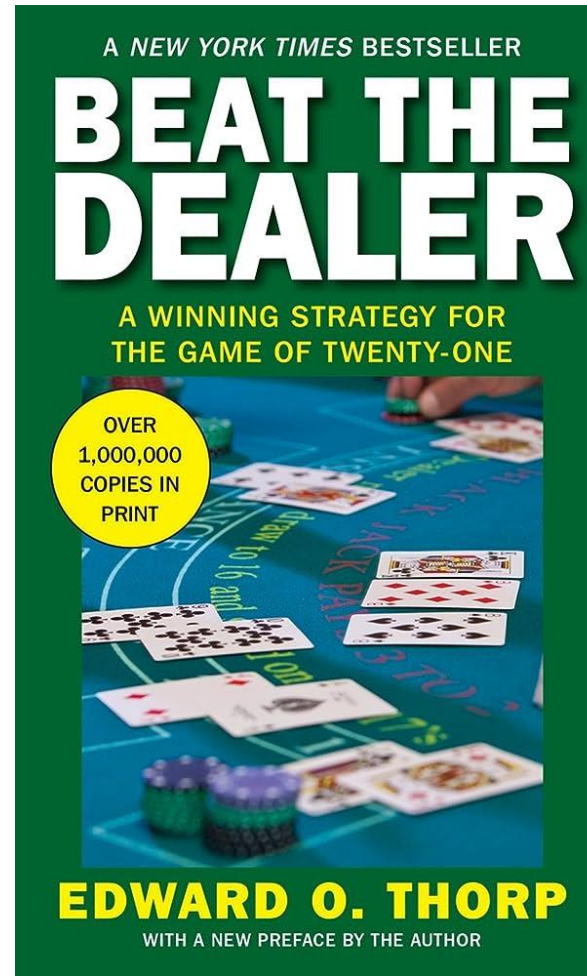
Whose returns are these?



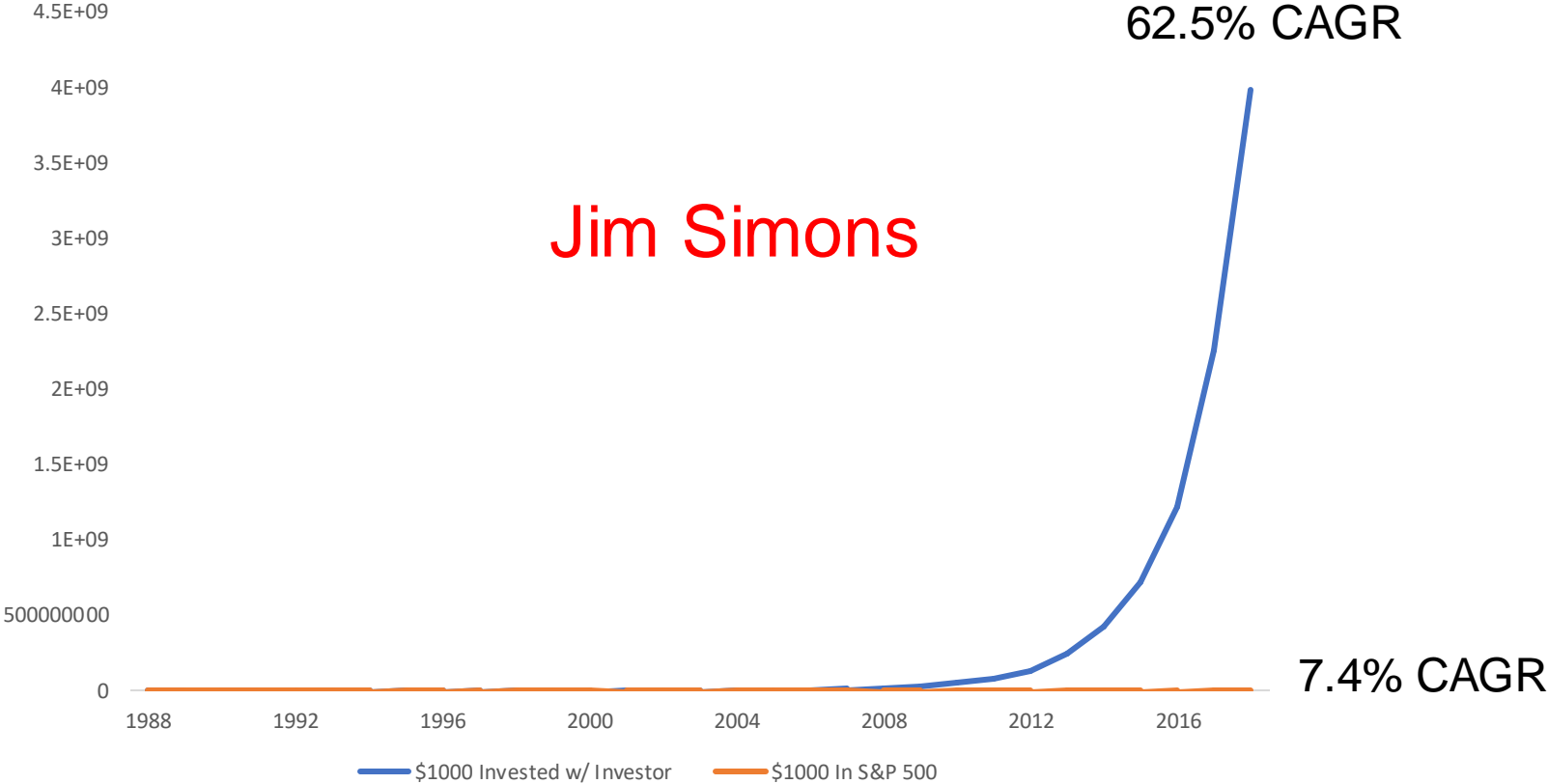
Edward Thorp

- Co-developed the first wearable computer to win at roulette.
- Developed the first blackjack betting strategy that provided a positive edge to the player.
- Co-developed the first known convertible security trading strategy (delta hedging).
- Developed an options pricing model years before Black-Scholes was invented.
- Founded the first market neutral fund.
- Was likely the first to uncover Madoff fraud, long before it was stopped.

Was poisoned by a casino and had his car tampered with, almost killing everyone in the car.

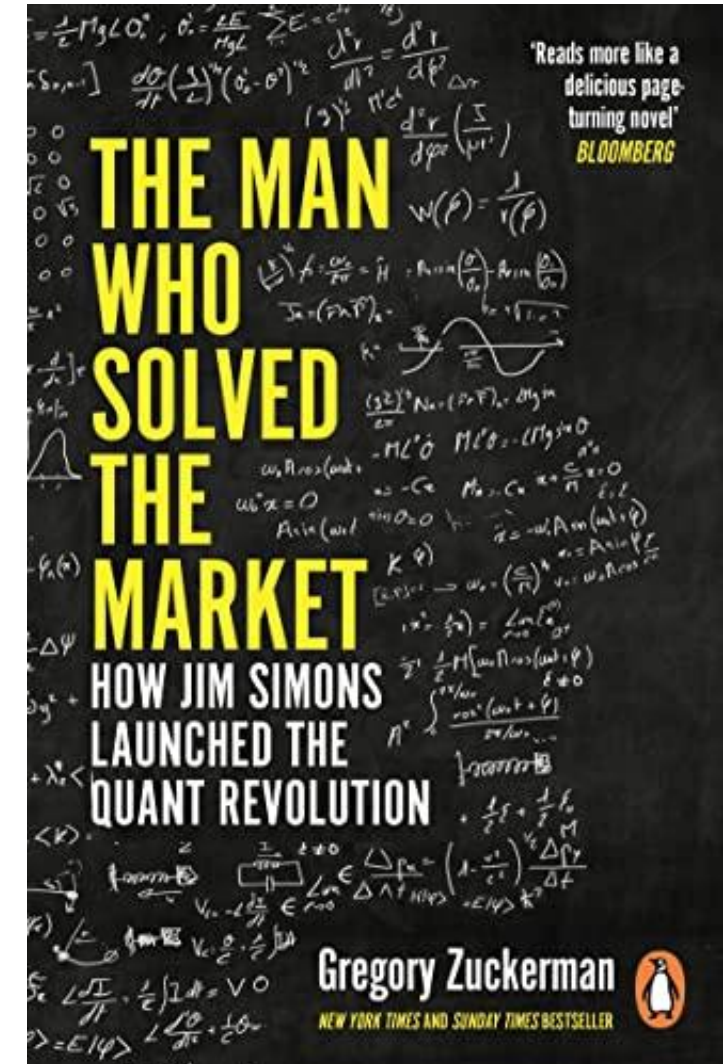


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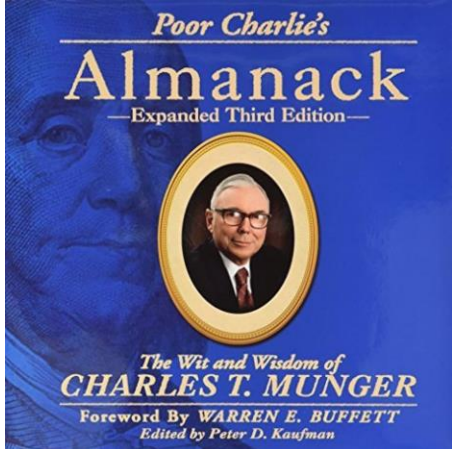
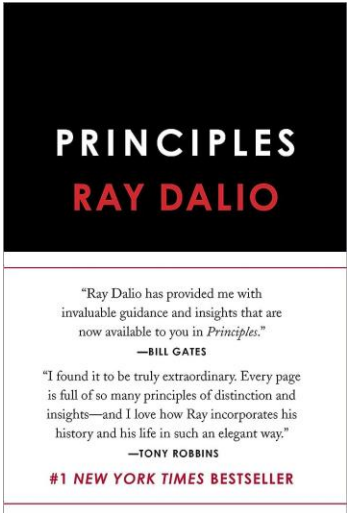
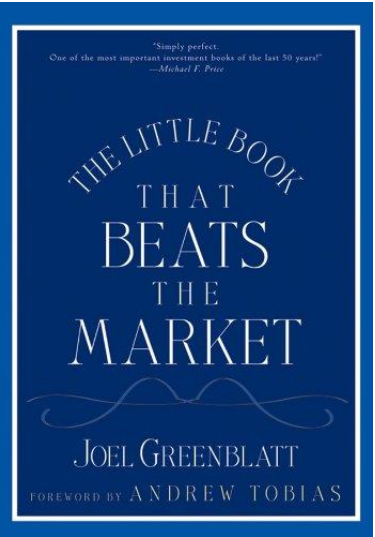
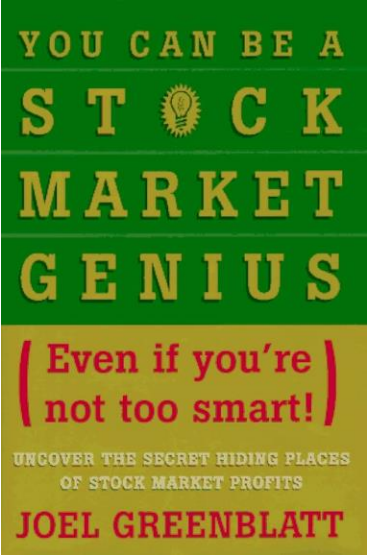
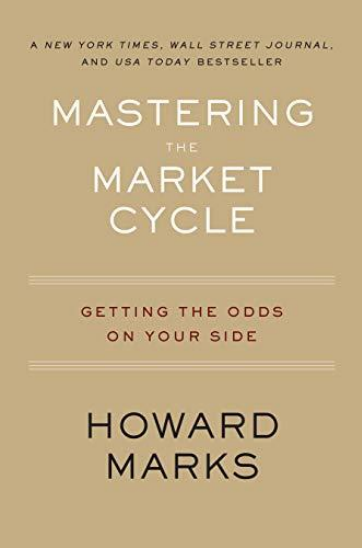
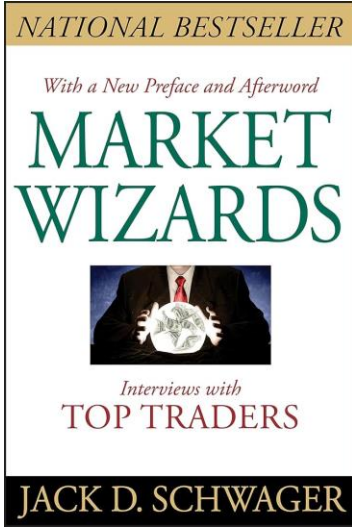
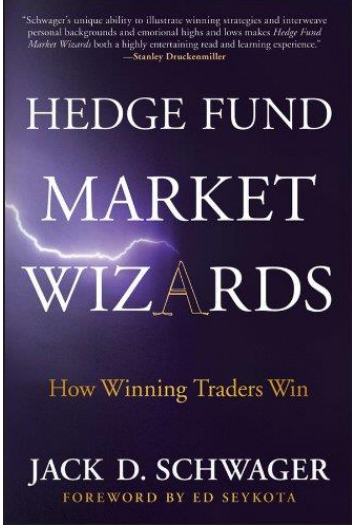
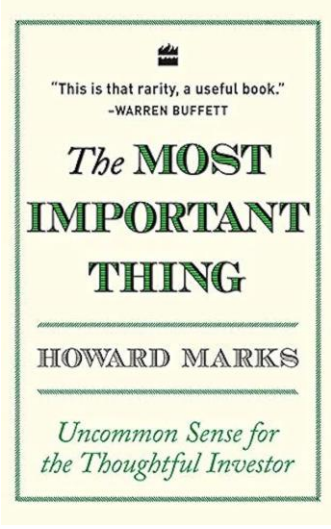
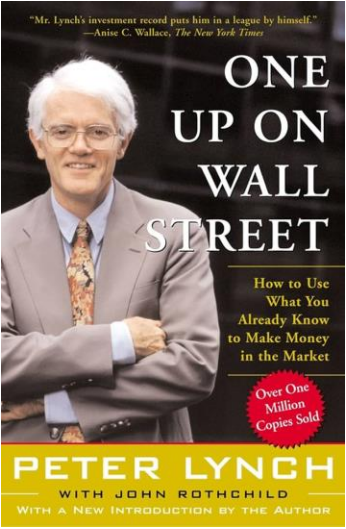
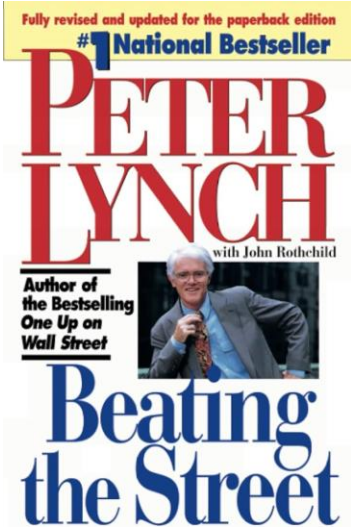


Jim Simons

- No one really know how Jim Simons and Ren Tech have done it.
- Some claims he's cheating, or the returns aren't real.
- BA in Mathematics from MIT
- Worked at the National Security Agency (NSA) to break codes
- Did similar work for the Institute for Defense Analysis until he was forced to leave due to his opposition of the Vietnam War.
- Chairman of math department at Stony Brook University for 10 years
- Started Renaissance Technologies; uses mathematical models to create automated trading strategies



Other Interesting Investors + Books



AIC Equity Fund Investment Strategy



1. Value investing principles: You want to buy something at a discount to what it's worth.
2. Quality: You want to buy high quality businesses that generate high returns on invested capital.
3. Catalyst: There must be a reason why the market will recognize the mispricing.
 - a) Further, there needs to be a reason why the market is currently mispricing the opportunity. i.e., why does this opportunity exist?
4. Concentration: We want to own a concentrated portfolio of high conviction picks. We can't know everything, but when we find ideas where we have an edge, we don't want to kill returns with diversification.

Pitching a Stock – #1: Understanding the business.

Understand the
Business

Understand the
Industry

Understand the
Financials

1. What does the business do?
2. Who are its competitors?
3. How does the industry work?
4. Who are businesses customers? Suppliers?
5. How do they make money?
6. What are the key costs of running the business?

7. How do all these questions impact the 3 financial statements?
8. How will all these questions change over time? What will happen to all of these in the future?

Pitching a Stock – #2: Understanding the stock.

What does the market think about the business?

What does the market think about the industry?

What does the market think about the financials?

- From the stock price and sell side research, you can gain an understanding of what the market thinks about the company.
- You make money when the market is wrong. If you believe the market is wrong about something, this creates the opportunity to buy/sell the stock at a cheap/expensive price.
- Ex.) You believe Nvidia's advantage in GPUs is overstated. You don't believe their software gives them a competitive advantage, and that AMD and other competitors will steal market share from Nvidia.
 - If the market already believed this, you wouldn't be able to make money from it. However, if by reading sell side reports and the valuation of the stock, and you think the market doesn't hold your view, you have the opportunity to make money. How does your view change the valuation of the company relative to the current market price?

Generating the thesis

- What is my view on the stock/company and how does that differ from the markets view of the stock/company?
- **WHY** does the market hold that view?
- **WHY** do you hold your view?
- What will make the market recognize that your view is correct? (what is the “catalyst”?)
- What happens if my view is correct?
 - i.e., what will happen to the stock price? What returns do you expect to generate?
- What happens if my view is incorrect?
 - What will happen to the stock price if I am wrong? What returns would you expect to generate?

Examples:

The market believes Crocs is a covid driven fad that will quickly run out of steam. This is reflected in analyst commentary and the low valuation. I believe that Crocs’ popularity will last longer than the market thinks, as current management has executed a strong turnaround of the business with strong marketing and a strong online presence. The market is already pricing in rapidly deteriorating sales, meaning the downside is protected. However, if my view is correct, there is substantial upside if Crocs is able to maintain even low sales growth in the coming years.

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Stock Pitch Guide + Examples

Stock Pitch Guide



Equity Fund Pitch Examples



Takeaways

- Go learn from the greatest investors in the world. Read anything from any of the investors on the slides today, or any other book from any investor you find interesting.
 - If you're interested in statistics, read Edward Thorp
 - If you're interested in philosophy, read George Soros
 - If you're interested in value investing, read Warren Buffett
 - If you're interested in math/science/quant, read Jim Simons
- There is no one right answer in how to invest.
- In AIC, we're looking for high quality, cheap companies, with an imminent catalyst, and we want to make big bets on the investment ideas that we have high conviction on.
- If you're interested in a career in investing, please come talk to me.
 - Also, apply for the equity fund.

What did you not learn that you wanted to learn?

