Student Investment Fund
Claremont McKenna College

Annual Report

For the Year Ended December 31, 2014

Claremont McKenna College Student Investment Fund

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A Letter from the CEO

Friends of the CMC Student Investment Fund:

Thank you for taking the time to review this annual report. The Claremont McKenna College Student Investment Fund ("SIF" or "the Fund") experienced a defining year as we continued to improve upon our organizational structure, increase outreach into the CMC community, and make headway towards our goal of reaching $1 million in AUM by the end of 2015. In this letter you will find a brief summary of the progress which the Fund has made over the past year.

Introducing the CMC Student Investment Fund Scholarship

Our most exciting success in 2014 was the creation of a Student Investment Fund Scholarship that will be awarded to a student in need of financial aid every academic year. The scholarship will be a 5 percent draw down of our trailing 5 year AUM, a model which mimics the practice of CMC's endowment office. The 2014 scholarship was $20,000 and we look forward to increasing the impact of the scholarship as the Fund continues to grow in size.

This achievement is the culmination of the hard work of many previous leaders within the Fund and key supporters of the SIF at CMC. Many thanks are owed to Ben Kraus, Drew Oetting, David Hirsch, Carter Wilkinson, Ernie Iseminger, Josh Walter, and Jim Floyd for their tremendous effort in taking this from a vision to a reality over the past four years. The SIF is honored to have the means to help make attending CMC a reality for students who embody the traits and skills that make the College so special. The Fund looks forward to continuing to contribute to the development of the CMC community for many years to come.

Capital Growth and Portfolio Performance

The Fund achieved a 20% increase in our capital base in 2014, pushing our portfolio to a record fiscal year-end AUM of $683,000. This growth was led by huge gains in holdings such as Take-Two Interactive, Intel, and Gilead Sciences as well as generous donations from alumni donors. While we are proud of this remarkable growth, we remain eager to catch other peer investment funds, particularly Pomona College whose Fund has over $1.2 million in AUM. We believe our goal of reaching $1 million AUM in 2015 is attainable if the Fund continues to improve the student learning experience, expand our contributions to CMC, and deliver strong returns. Our goal for increasing the size of the Fund is to be able to expand the educational opportunity that the Fund offers by making it possible for the Fund to make alternative investments.

Finance Conference

The Claremont Finance Conference is an annual event hosted by the SIF that brings together some of the Claremont Colleges most successful alumni in the finance industry to speak to students about notable topics of the time. The event consists of a lunch keynote, two afternoon panels, and a dinner keynote. This year's theme was Investing at Market Highs and allowed students to hear from investing professionals about how to navigate the frothy capital markets we are currently experiencing.

Shaw Wagener – Chairman of Capital International and CMC Trustee – was the dinner keynote and he shared his perspective on the current state of both domestic and emerging market investing. Other participants represented top-tier firms across the hedge fund, investment management, and private equity industries.

Concluding Thoughts

My experience in the Student Investment Fund has been instrumental to my experience at CMC and will continue to influence me long after I graduate in May. While the technical skills I have gained will undoubtedly be invaluable as I progress in my career, the greatest gift which the Fund has given me is the relationships which I have formed through it. I believe that this sentiment is shared by all of our current and former members and am honored to have been able to help build upon this culture during my time as CEO. I look forward to the continued success of the SIF and invite you to read more about our mission, members, and performance in this report.

All the best,

Phil Crawford

Chief Executive Officer

Fund Overview

History

The SIF was founded in 1974 by an anonymous alumnus who donated approximately $500 in securities. His intention was to give qualified students an opportunity to learn the basics of investment management using a "trial by fire" approach while creating value for the college's endowment. The Fund has grown substantially, since inception and as of 12/31/2014 manages $683,000 of the Claremont McKenna College endowment.

Mission

The SIF aims to earn risk-adjusted excess returns above our benchmark index while providing students with the opportunity to learn about investing in a pre-professional setting. Our primary objective is to prepare student participants for successful careers in investment related fields, and our senior management bears the responsibility of actively promoting the career development for our junior members.

Structure

The SIF holds a formal general fund meeting each week where members present investment ideas in front of the Fund and alumni professionals. These investment ideas are the result of roughly two weeks of equity research, culminating in a presentation inclusive of industry and company-specific due diligence, as well as multiple valuation techniques. Investment pitches are voted upon by members, and if approved by simple majority, are executed immediately.

The Fund is further composed of five actively managed industry groups: Technology; Media and Telecom,; Consumer, Food, and Retail; Healthcare and Biotechnology; and Industrials and Financials. The objective of each portfolio group is to provide coverage over existing holdings while seeking long-term risk-adjusted return in excess of respective benchmark indexes. Portfolio groups meet weekly to discuss markets, teach valuation methodologies, and provide mentorship in an informal, intimate setting.

Participation in the Fund counts for academic credit during participants' senior year. The Fund's advisor, Professor Eric Hughson, incorporates investment-related curriculum into weekly meetings.

Governance

The Fund is managed by student executives. Executive designations include Chief Executive Officer, Chief Investment Officer, Chief Operating Officer, and Chief Technology Officer.

Portfolio groups are managed by Managing Directors and Vice Presidents. While the executive team is elected on an annual basis, the management team are all appointed positions.

Faculty Advisor Eric Hughson and CMC Chief Investment Officer Jim Floyd provide oversight of the Fund. The CMC Investment Office provides custody over the Fund's accounts and executes trades on behalf of the Fund.

Membership

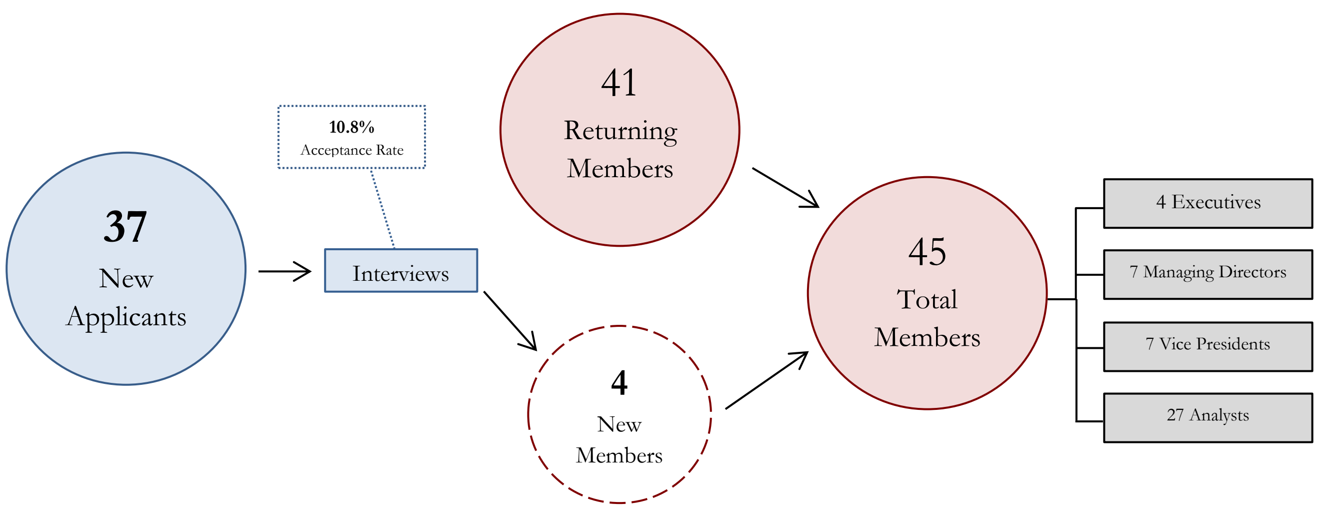
The Fund is composed of 45 students as of December 2014. Membership consists of 4 Executive Officers, 7 Managing Directors, 7 Vice Presidents, and 27 Analysts.

Our members are top-performing students, scholars and leaders. Individual members of the Fund have founded major student organizations, received prestigious fellowships and scholarships, led athletic teams, started their own businesses, and worked across multiple continents. The Fund values multi-disciplinary excellence contributed by its members, and believes that a wide variety of perspectives enables a holistic investment process.

Admissions

The Fund continues to attract talented CMC students interested in investment-related professions. During the Fall 2014 recruitment cycle, the Fund drew 37 new freshman applicants and extended analyst positions to 4 new members. These members have already demonstrated that they will be able add value to pitch deliberations and generate novel investment ideas.

SIF is about to begin its Spring 2015 recruitment cycle. The executive team is currently preparing the application and expects to extend approximately 7-8 offers.



Career Development

As an educational organization, one of the SIF's primary objectives is to prepare members for successful careers in finance and related professions. In 2014, the SIF expanded its career development initiative to increase recruiting efforts and offer formal financial modeling tutorials resources available to fund members.

Continuation of Career Panels

It is surprising how many students have decided that Investment Banking was their life-long passion before ever learning what an investment banker actually does. To provide our members with a detailed understanding of internship opportunities across the financial industry we asked senior members to moderate career panel discussions following our weekly meetings. Our members relished at the opportunity to ask seniors candid questions about internships and receive honest, unfiltered answers. Firm hosted information sessions tend to be one-sided, which is why the combination of positive and negative feedback you receive from a student who previously completed an internship is so valuable. One panel was conducted per week for each of the following topics: Equity Research, Risk Management, Asset Management, Consulting, Sales and Trading, and Investment Banking.

Expanding Tutorials for Junior Members

SIF upperclassmen have created a tutorials targeted at Freshman, Sophomore, and Junior members of the Fund. Tutorials include standardized curriculum on topics ranging from Financial Statements, Spreading Comps, DCF and LBO Modeling, Strategic M&A, to using the Bloomberg Terminal. Keeping in mind that a successful career is predicated upon far more strong than technical skills, the tutorials were expanded this year to include the softer side of finance and recruiting. This new series of talks from seniors included instruction from Connor Schlegel '15 on networking skills.

Guest Speakers and Firm Visits

The Fund has arranged unique opportunities for its members to learn from and network with investments professionals, both on-campus and in-office.

Guest speakers during the past year include: Michael Larson, CIO of BGI/Cascade; Alan Heuberger, Portfolio Manager at BGI/Cascade; Erik Anderson, President of WestRiver Management;
Tony Brenner, Managing Partner at Pivot Point Capital; David Brown, Founder of Hawk Ridge Management; and David Bradley, COO of Hawk Ridge Management.

Placement History

Students participating in the SIF are extensively prepared for careers in finance and related professions. Experiences amassed in the Fund make our students uniquely positioned to recruit with and join top-tier firms. The following table details where our graduating seniors will be working after they graduate in May.

Full Time Placement

Name	Position	Function	Company
Elan Bernstein	Associate	Management Consulting	LEK Consulting
Dane Brown	Analyst	Public Finance	Morgan Stanley
Phil Crawford	Analyst	Sales and Trading	Morgan Stanley
Kartik Das	Analyst	Investment Banking	Deloitte Corporate Finance
Jaison Kimura	Analyst	Investment Banking	RBC
Ed Leathers	Analyst	Investment Banking	Wells Fargo
Henry Pellicoro	Analyst	Investment Management	BlackRock
Connor Schlegel	Analyst	Real Estate Development	Gran Ciudad // Black Creek Capital
David Tse	Analyst	Investment Banking	Goldman Sachs
Cameron Whiting	Analyst	Investment Management	ICONIQ Capital

CFA Institute Research Challenge

Four students will represent Claremont McKenna College, the Financial Economics Institute, and the SIF at the 2014-2015 CFA Institute Research Challenge. The team will compete at the Local Competition, hosted at Chapman University, on March 6.

The Challenge

The CFA Institute Research Challenge is a global equities research competition which tests the analytic, valuation, report writing, and presentation skills of undergraduate and graduate students. The competition tasks teams of three to five students with preparing a written equity research report and presentation about a local subject company. The students are guided by industry mentors and academic advisors and are evaluated by a panel of industry professionals. Top-performing teams advance through Local, Regional, and Global level competitions.

The first CFA Institute Research Challenge competition was hosted by the New York Society of Security Analysis in 2002 and involved five teams from the local New York area. The competition has since grown to involve students from 825 universities and 58 countries. More than 3,700 students participated in the 2013-2014 competition.

The CFA Institute assists students throughout the process by providing educational tools, such as access to the local company's headquarters and financial data programs. To bridge the gap between the CFA Institute and students, students are also given the opportunity to network with current CFA charter holders and are introduced to and held to the standard of the CFA Institute Code of Ethics and Standards of Professional Conduct.

5 Years and Counting

This will be the SIF's fifth year participating in the competition. This year the team is led by Amber Falkner '16 and includes Alex Brenner '17, Nick Lillie '17, and Scott Sonneborn '17.

Professor Eric Hughson, Ph.D., The Don and Lorraine Freeberg Professor of Economics and Finance at Claremont McKenna College, advised the team throughout the competition. As the Faculty Advisor to the SIF and Associate Director of the Financial Economics Institute, Professor Hughson assisted the students in company and industry analysis and financial valuation. David Bradley '03, the Chief Operating Officer at Hawk Ridge Management in Los Angeles, California, also advised the team. A former judge for the CFA Institute Research Challenge, he provided invaluable insight into presentation dynamics and formatting.

An Analysis of BJ's Restaurants

The team was tasked with evaluating BJ's Restaurants, Inc. (NASDAQ: BJRI), a full-service casual dining company headquartered in Huntington Beach, California. As of February 2015, BJ's owns and operates 157 restaurants across the United States, with 40% of their locations in California.

The team visited the company headquarters in November 2014, where the members received a presentation from management and had the opportunity to ask questions of CFO Gregory Levin about the company's future strategy and expected returns.

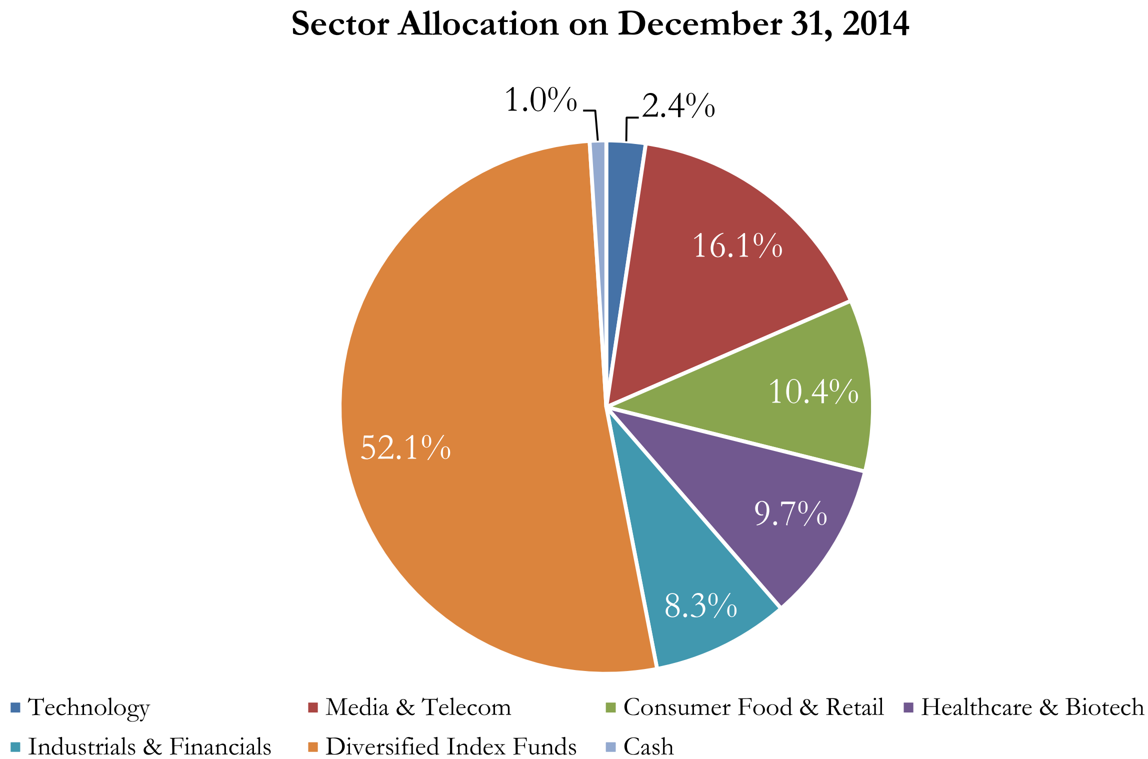
Between November 2014 and February 2015, the team researched BJ's Restaurants and the casual plus dining segment of the restaurant industry. In the research process, the team decided to conduct a survey in which it asked BJ's customers about their menu preferences and expected number of visits per month. From this survey, the team was able to support its initial findings about which menu items draw customers to BJ's: the pizza, beer, and Pizookie dessert.

Synthesizing the survey data and publicly available research, the team constructed pro-forma financial statements through 2018, a fully integrated discounted cash flow model, and a public trading multiples analysis. The team submitted its written report on Friday, February 13, 2015, recommending a buy rating for BJRI with a 12-month price target of $52.66, a 19% premium. The investment thesis was driven largely by BJ's strategy to improve margins via technological and efficiency enhancements and its ability to grow both organically and inorganically. With no footprint in 33 states, the team predicted that BJ's will grow inorganically whilst continuing to increase its same-store sales numbers via its new strategy, Project Quality.

Local Competition

The SIF team will present and defend its recommendation to a panel of professional experts on March 6 at the CFA Institute Society Orange County Local Competition hosted at Chapman University. The SIF team will compete against California Polytechnic State University, Pomona; California State University, Fullerton; California State University, Long Beach; Chapman University; and University of California, Irvine.

SIF Portfolio and Holdings



Historical Return and Risk Profile

The fund grew its capital base by 20.2% in fiscal year 2014 to achieve a record size of just over $680,000. This increase is attributable to an approximately even balance between returns and generous donations from various CMC alumni and fund affiliates. We thank everyone for their continued support of the fund and the learning opportunity it provides for our members.

Below, the "Summary of Holdings" table breaks all equity holdings in which the fund was invested as of December 31, 2014. This consists of positions taken both in 2014 and in previous years. As of this date, our largest holdings were SPY S&P500 ETF, Naspers, Carriage Services, Nektar Therapeutics, and Bed Bath and Beyond. In an effort to put our capital base to work, the fund successfully decreased our cash holding from 9.6% of our portfolio in 2013 to just 1.0% by the end of 2014. The relatively small size of our technology holdings is a result of liquidating positions in Intel, LinkedIn, and SanDisk and increasing our exposure in the technology sector is one of our goals for 2015.

Next, the "2014 Investment Performance" reports Time Weighted Returns by security for the period between December 31, 2013 and December 31, 2014. This analysis allows us to minimize the distorting effect of increasing or decreasing our positions throughout the course of the year.

Summary of Holdings

Holding	Market Value 12/31/2013	Purchases	Withdrawals and Sales	Realized Gains	Unrealized Gains	Interest Dividends	Market Value 12/31/2014
American Tower Corp	7,743	7,461	16,668	1,647	281	99	
Bed, Bath & Beyond		49,970	24,985		3,198		28,183
BorgWarner Inc.	8,946	5,430	5,512		154	82	8,792
Carriage Services, Inc.		48,888	24,549		4,886	105	29,330
Caterpillar Incorporated	16,346		18,345	1,891		108	
Cloud Peak Energy, Inc.		50,029	41,026	9,003			
Columbia Tresury Reserve Fund	54,123	163,602	217,727		3		
Continental Resources		27,952			8,350		19,602
Disney (Walt) Company	12,606	9,938	9,938		2,935		15,541
Dividend Accrual	383	827	1,210				
Express Scripts Inc		50,892	54,019	3,127			
ExxonMobil Corp	9,310	8,035	8,284		805	248	8,505
First Solar, Inc.	12,622	5,627	5,627		2,320		10,301
Gilead Sciences	7,135	16,911	26,069	2,222	199		
Goldman Sachs Group	8,863	7,966	8,078		829	113	9,692
Google Inc CL A		6,880	3,440		3,458		6,899
Google Incorporated	14,569	3,440	6,880		4,286		6,843
Helmerick & Payne	8,408		9,358	888		63	
Intel Corporation		41,901	52,805	10,330		574	
Investment Cash		3		3			
Iridium Communications Inc.	10,420		11,952	1,532			
Jamba, Inc.	4,438	3,580	3,580		950		5,387
LinkedIn Corporation	15,178		11,308	3,871			
Luxottica Group SpA		49,848	25,315		957	391	23,967
MWI Veterinary Supply, Inc.	9,348	9,690	9,690		3		9,345

Naspers ADR		39,315			5,607		44,922
Nektar Therapeutics		25,550			2,350		27,900
Northern U.S. Government Money Market F		247,490	247,194		0	296	
Novartis AG	12,057		13,113	642		414	
Qualcomm Incorporated		8,698	53		594	53	9,291
Rogers Communications Inc.	10,408	10,047	10,288		1,470	241	8,938
SFX Entertainment Inc		19,782			2,568		17,214
SP Plus Corporation	5,729	5,103	5,103		178		5,551
SanDisk Corporation	9,311		9,869	528		30	
Standard & Poors Dep Rcpt UBI	299,198	408,465	392,814	10,439	24,393	6,109	355,790
Take Two Interactive Sft	14,556	14,983	14,983		8,933		23,489
Verizon Communications		2,457	2,572	87		28	
Vodafone Group PLC	7,862	3,986	11,033	609	2,410	986	
Whole Foods Market, Inc.	9,253	7,995	8,072		1,186	77	8,067
Total Fund	**568,810**	**1,362,741**	**1,311,458**	**46,818**	**83,302**	**10,014**	**683,549**

2014 Investment Performance

Security	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
Take-Two Interactive Sft	10.42	3.08	10.93	(7.07)	1.23	7.80	0.63	5.05	(1.87)	14.65	4.57	1.34	**61.38**
Intel Corporation			4.73	3.39	3.23	13.10	9.68	3.04	0.36	(2.33)	9.53	(0.60)	**52.47**
Gilead Sciences	7.39	2.65	(14.41)	10.77	3.47	2.09	10.42	17.49	(10.38)				**28.36**
Disney (Walt) Company	(4.96)	11.29	(0.92)	(0.91)	5.89	2.06	0.16	4.66	(0.95)	2.64	1.24	1.82	**23.29**
Jamba, Inc.	2.74	(1.10)	(5.03)	(7.79)	(3.16)	12.98	(1.49)	22.57	(2.67)	(6.12)	(7.19)	21.79	**21.41**
Carriage Services, Inc.				(7.85)	14.34	(6.75)	(5.84)	15.56	(6.90)	15.18	(3.76)	9.20	**20.49**
American Tower Corp	1.33	0.73	0.49	2.41	7.32	0.39	5.29	4.46	(4.77)				**18.53**
Iridium Communications Inc.	1.42	2.84	15.18	(4.53)									**14.69**
Naspers ADR									(3.86)	12.76	4.47	0.89	**14.26**
Standard & Poors Dep Rcpt UBI	(2.99)	4.33	0.39	1.29	2.32	1.58	(0.87)	3.95	(1.84)	2.82	2.78	(0.72)	**13.52**
Bed, Bath & Beyond				(7.99)	(2.06)	(5.70)	10.30	1.53	2.44	2.29	8.95	3.82	**12.79**
Caterpillar Incorporated	4.09	3.26	2.47	1.96									**12.30**
Express Scripts Inc			(0.85)	(11.33)	7.34	(2.99)	0.46	6.15	(4.46)	8.76	8.24	2.27	**12.30**
Helmerick & Payne	4.71	6.30											**11.30**
Goldman Sachs Group	(7.41)	1.76	(1.56)	(2.46)	0.34	4.77	3.24	3.61	2.80	3.50	(0.83)	3.20	**10.78**
Nektar Therapeutics											17.44	(7.02)	**9.19**
Novartis AG	(1.63)	5.20	2.21	2.82									**8.76**
Qualcomm Incorporated											4.77	2.54	**7.43**
SanDisk Corporation	(1.08)	7.17											**6.02**
Verizon Communications		1.87	(0.02)	(0.66)	3.53								**4.74**
Google Incorporated	5.38	2.94	(1.94)	(5.44)	6.31	2.75	(0.64)	0.00	1.01	(3.17)	(3.09)	(2.85)	**0.53**
Northern U.S. Government Money Market Fund							0.00	0.00	0.00	0.00	0.01	0.00	**0.01**
Columbia Tresury Reserve Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00						**0.00**
Dividend Accrual	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				**0.00**

MWI Veterinary Supply, Inc.	9.59	(12.53)	(4.48)	0.66	(10.94)	1.78	(0.51)	0.56	4.47	14.32	(3.68)	3.97	**(0.03)**
BorgWarner Inc.	(3.73)	14.43	0.03	1.29	1.21	3.66	(4.51)	(0.10)	(15.21)	8.38	(0.81)	(2.62)	**(0.84)**
Luxottica Group SpA				1.05	1.12	1.70	(5.28)	(3.50)	(1.70)	(2.46)	4.37	2.73	**(2.35)**
SP Plus Corporation	(3.00)	3.92	0.08	(7.04)	(2.87)	(9.82)	(8.37)	10.46	(12.42)	15.08	(4.77)	21.41	**(3.12)**
ExxonMobil Corp	(8.93)	5.17	1.46	4.84	(1.17)	0.15	(1.73)	0.53	(4.77)	2.83	(6.38)	2.89	**(6.03)**
Vodafone Group PLC	(5.72)	(18.67)	21.18										**(7.08)**
Google Inc CL A			(8.32)	1.01	6.87	2.28	(0.88)	0.48	1.04	(3.49)	(3.31)	(3.35)	**(8.13)**
Rogers Communications Inc.	(7.09)	(8.02)	7.16	(3.42)	1.84	0.57	(3.01)	4.48	(8.26)	1.45	6.88	(3.43)	**(11.82)**
Whole Foods Market, Inc.	(9.44)	3.43	(6.18)	(1.76)	(23.06)	1.02	(0.42)	2.06	(2.63)	3.53	24.66	2.83	**(11.88)**
SFX Entertainment Inc										(1.26)	(15.37)	4.14	**(12.98)**
First Solar, Inc.	(7.43)	12.83	22.29	(3.30)	(8.46)	15.02	(11.19)	10.41	(5.55)	(10.50)	(17.15)	(8.62)	**(18.39)**
LinkedIn Corporation	(0.75)	(5.19)	(9.36)	(12.65)									**(25.50)**
Continental Resources											(25.08)	(6.39)	**(29.87)**
Cloud Peak Energy, Inc.		(0.96)	8.97	(6.86)	(6.20)	(0.27)	(15.96)	1.49	(19.67)	(0.65)			**(35.99)**
Total Fund	**(1.73)**	**2.66**	**0.08**	**(0.06)**	**1.63**	**1.63**	**(0.98)**	**4.14**	**(3.06)**	**3.63**	**1.75**	**0.25**	**10.13**

Industry Group – Technology

Summary

The Technology Group of the Fund manages the portion of our portfolio allocated towards positions within the hardware, software, Internet and Semi-Conductor spaces. Currently technology holdings make up a modest portion of the portfolio, making up approximately 6.2% of our total holdings with a market value of around $46,000 at the time of this report. Though the group believes that the fundamentals are sound within the space, the record valuations and general enthusiasm surrounding the sector over the past year have made it difficult to identify stocks at attractive valuations. Correspondingly, we liquidated four positions over the course of the year, making returns in excess of our original targets in three of the cases (after re-evaluating Intel, San Disk and Iridium, the fund sold these positions above their projected price targets and LinkedIn was sold at a loss).

Google (GOOGL)

Google is a global technology company that builds and organizes information to make it universally accessible. Well known for its search engine, the company also boasts the most revolutionary and profitable auction-based advertisement program currently on the market known as Adwords. Google's products also extend into the social networking, video entertainment (YouTube), web browsing, mobile payments, GPS industries, wearable technologies, and many others.

Google struggled in the Q4'14 as its EPS was lower than expected. A majority of its revenues continue to come from its core ad business but how adeptly Google can adapt this to the less profitable mobile space is yet to be seen. Google continues to see competition from Facebook in mobile advertising and its "cost per click" is decreasing. Despite these concerns, Google posted $16.2B in revenue, up from $14.1B Q4'13. Expenses for the quarter were up 22% YoY, 46% coming from an increase in R&D costs as Google continues to invest heavily in alternative energy, self-driving cars, and Wifi balloons.

The Fund believes that despite a slowdown in revenue growth from its advertising business and uncertain mobile advertising future, Google will continue to dominate within the technology industry. Just as it has found success in revolutionizing the internet advertising business, it has creatively entered into many new markets. Investors continue to watch faster growing, albeit slimmer margin, businesses like YouTube and Google Play. YouTube's mobile revenue increased more than 100 percent over the past year. We have come to see that the most successful companies are the companies with the most innovative, persistent, and hard-working employees. Google, despite many people thinking otherwise, continues to find ways to grow and improve through its ingenuity. We currently own 7 shares of Google that we bought at a price of $844.33. Google announced a stock split, thus shares are trading currently at $555.48. We continue to maintain a price target of $650.

Take Two Interactive Software, Inc. (TTWO)

Take-Two Interactive Software, Inc. (stylized as Take2), also known as Take-Two, is an American multinational publisher, developer, and distributor of video games and video game peripherals. Take-Two wholly owns Rockstar Games, 2K Games and 2K Sports Publishing

Labels. The company's headquarters are in New York City, with international headquarters in Windsor, United Kingdom. Development studio locations include San Diego, Vancouver, Toronto and Novato, California. Take-Two has published many notable games, including its most famous series Grand Theft Auto, the Midnight Club racing series, the Manhunt series and more recently BioShock. As owner of 2K Games, Take-Two publishes its popular 2K Sports titles. It also acted as the publisher of Bethesda Softworks's 2006 game, The Elder Scrolls IV: Oblivion.

The fiscal year ending March 31, 2014 net revenue was led by titles from a variety of their top franchises, mainly Grand Theft Auto, followed by NBA, Borderlands, WWE and BioShock. The net revenue increased to $2,350.6 million, an increase of $1,136.1 million or 93.5% from the fiscal year ending March 31, 2013. For the fiscal year ending March 31, 2014, the net income was $361.6 million, as compared to a net loss of $29.5 million in the prior year. Diluted earnings per share for the fiscal year ended March 31, 2014 was $3.20, as compared to a net loss per share for the fiscal year ended March 31, 2013 of $0.34. The increase in the earnings was primarily driven by an increase of $1,136.1 million in net revenue and a 19% decrease in their operating expenses as a percent of net revenue.

The fund purchased $15,000 of TTWO at $18.24, with a price target of $22.00; an expected upside of 20.55%. Our thesis was Take Two Interactive had a strong possibility of beating the market, because of its strong brand appeal, market leading games, and its placement within a growing industry. Take Two’s historical performance, Carl Icahn, new management and GTA V sales played a large role in the fund’s evaluation. All of these components coupled with a massive installer base, increased margins, 10+ next generation titles, pent up demand for consoles, growth in Free-to-Play, lifted ban in China, increases of alternative gaming and paid downloadable content lead to the company’s recent success. TTWO is currently trading at $26.50, above our original price target, but below our updated price target of $30.00. We continue to trust our original investment thesis and believe TTWO will continue to outperform the market.

Qualcomm, Inc. (QCOM)

Qualcomm is a global semiconductor company based in San Diego that creates and sells telecommunication product and services. Qualcomm’s CEO said that they plan to attack the data center industry by creating new server chips using ARM technology. These chips are slated to be available by the end of 2015. Qualcomm has recently lowered their outlook on their semiconductor business, or QCT, because there’s been a shift towards premium products. It was recently announced that Samsung has decided not to include their flagship Snapdragon in their latest premium device. Additionally, they’re expecting more competition in China. They have recently settled a dispute with the China National Development and Reform Commission (NDRC). This resulted in a large fine, but the effect on their licensing business is small.

The Fund originally invested in Qualcomm at a price of $69.32, because we believed that the opportunities for growth in China outweighed the potential fine from the NDRC. Additionally we believed that their acquisition of CSR, a Bluetooth manufacturer, would allow for Qualcomm to capitalize on the Internet of Things (IoT). Our original thesis still holds. While Qualcomm was fined there will be little effect to their QLT, or licensing, division. The IoT market is also starting to materialize with the advent of Bluetooth 4.1. The new technology will cut down on the interference between the cellphone's radio and Bluetooth, and improve data transfer by allowing for peripherals, such as smart watches or heart rate monitors, to communicate with each other directly, greatly saving your phone's battery. Since buying the stock in early November the stock has fallen as the announcement of the China penalty was ready to be delivered, but has quickly railed back to above our buying position. At the time of the publishing of this report, Qualcomm was trading at $72.00. We continue to maintain a $90 price target.

Industry Group – Media and Telecom

Summary

The Media & Telecommunications group has the capacity to invest in a wide range of companies, spanning cell phone carriers to video game publishers, and everything in between. This broad investment universe allows the group's analysts to sift through a large host of companies in search of only the most compelling investments. The group has had some of the biggest winners of the Fund's portfolio for the year, such as Naspers and Disney. The Media & Telecommunications group currently manages $85,000, about 11% of the Fund's portfolio. The telecommunications industry in particular has seen heightened M&A activity in the last few years, and the group enters 2015 with a keen eye for special situations-based investments.

Naspers (NPSNY)

Naspers is a South Africa-based global media conglomerate with subsidiaries operating in the television, print, e-commerce, and e-payments spaces. The company has been extremely acquisitive over the years, having agglomerated an extensive business portfolio of over 60 subsidiaries operating in more than 130 countries. Its most significant subsidiary is a 34 percent holding of the popular Chinese social media company, Tencent. In mid-2014, Naspers' shares fell below the value of 34 percent of Tencent's market capitalization. This reversal of the rational spread between their values implied that the market assessed Naspers' entire business portfolio excluding Tencent as worth less than zero. This rare situation allowed the Fund to buy "a dollar for 50 cents".

Since the initial investment in September, the Fund's investment in Naspers grew over 25%. Naspers' stock saw this appreciation largely thanks to the reassertion of the logical relationship between its stock price and that of Tencent. The value of Naspers' stock now puts no discount on its Tencent holding, but still only values the rest of its business at an extremely cheap price. Recent positive developments in Naspers' Indian and African subsidiaries further strengthen the Fund's conviction that Naspers' stock has yet to unlock most of the worth that is evident in its business portfolio.

Rogers Communications (RCI)

Rogers Communications is Canada's largest voice and data communications services provider. Focusing primarily on wireless communications, cable television, telephone, and Internet connectivity, Rogers is widely considered to have the most reliable network in the country. After acquiring failed competitor Microcell in 2004, Rogers has continued to gain additional spectrum and expand the coverage of its network. The company has since controlled the smartphone revolution in Canada as the leading network for iPhone and other GSM-based smartphones.

Since the purchase of Rogers in September 2013 the stock has fallen 16%. This was a risk inherent in conviction the Fund still maintains in the long-term investment thesis for Rogers. In 2014, Rogers saw an increase in revenues in its Cable & Business Solutions and Media segments. Additional revenues streams have stayed constant over the past year. Heavy barriers to entry in the telecommunications industry, in addition to Rogers' unparalleled reputation for network quality and existing market dominance, make Rogers a Buffett-style investment that position Rogers well to benefit from market consolidation and in the future.

SFX Entertainment (SFXE)

SFX Entertainment, Inc. is the largest provider of live music and digital entertainment for the Electronic Music Culture ("EMC"). SFX Entertainment produces and promotes live EMC festivals such as Tomorrowland, Mysteryland, and Disco Donnie Presents. It also produces music tours, operates a ticketing platform, and offers various merchandising services. Since its IPO in 2013, SFX Entertainment has pursued an aggressive growth strategy, acquiring various contenders in the event production space. It has also signed several profitable branding partnerships and multinational agreements including a sponsorship deal with Anheuser-Busch.

SFX's expansion platform yielded a 30 percent increase in festival revenue from 2012 to 2014. Additionally, from 2013 to 2014, festival gross margin improved by 300% largely due SFX's acquisition of Beatport, the leading online store for electronic music. This acquisition allowed SFX to identify and attract top talent to their live events, resulting in an increase in both sales and partnership advertisements. We expect SFX to continue on its current growth trajectory as it takes full advantage of its recent acquisitions and capitalizes on the global demand for EMC concerts and festivals.

The Walt Disney Company (DIS)

The Walt Disney Company is a worldwide entertainment company. The company has five business segments: Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products, and Interactive. Despite its hefty size, this dominant media conglomerate has seen explosive growth in most of its business segments in the last few years. Disney's Studio surpassed $4 billion in box office for the second year running. Parks and Resorts continued to achieve record worldwide attendance figures, delivering double-digit earnings growth. Consumer Products drove eleven franchises to each grow to more than a billion dollars in retail sales, again generating double-digit earnings growth. Following on a number of box office hits such as *Frozen*, investors look forward to the next entrant in wildly popular *Star Wars* saga in 2015 and the opening of Shanghai Disney Resort in 2016. These promise to be monumental events in the Company's history.

Since our initial investment on April 17, 2013, Disney has grown 73.6% to $104.55 a share.

In December, the company increased their dividend to $1.15, a 34% increase. Additionally, Q1 2015 earnings ($1.27/share) beat consensus estimates of $1.07. The fund's initial price target of $65 has been revised twice thanks to Disney's ability to consistently surpass expectations. We are confident Disney will continue to innovate and develop entertainment products across the globe.

Industry Group – Consumer, Food, and Retail

Summary

The Consumer and Retail Group is responsible for companies in a variety of industries, including apparel, branded consumer products, entertainment, food and beverages, restaurants and specialty retail. Holding Consumer and Retail stocks provides important diversification benefits for our portfolio due to their low correlation with holdings in other industries.

Bed Bath & Beyond Inc. (BBBY)

Bed Bath & Beyond Inc. was founded in 1971, and operates a chain of retail stores under the names Bed Bath and Beyond, World Market, Cost Plus World Market, Christmas Tree Shops, That!, Harmon Face Values, and buybuy BABY. Bed Bath & Beyond's operations primarily take place in the United States and Canada. Also, through a joint venture, the company operates some retail stores in Mexico. Bed Bath & Beyond's retail stores serve as the mediums by which they sell a wide variety of personal merchandise and home furnishing. The Company has over 1,400 locations, ranging from 15,000 to 80,000 square feet. Furthermore, the company owns Linen Holdings, a major distributor of products used for textiles, hospitality, food services, healthcare, and other industries. The Company's goal is to be the number one choice for consumers in the space that it operates in, and the Company plans to achieve this goal by providing effective customer service, quality products, low prices, and a large assortment of products.

When pitched, BBBY was estimated to be in a dominant position in the furniture-related market with a 57% market share. Furthermore, it is viewed as very shareholder friendly with a high cash flow per share. The fund invested $25,000 in BBBY at $68.80 per share, with 12-month price target of $80.00.

Jamba, Inc. (JMBA)

Jamba, Inc. was founded in 1990 to inspire healthy living. The company operates and franchises Jamba Juice stores, which sell fruit smoothies, juices, oatmeal, tea infusions, breakfast wraps, sandwiches, frozen yogurt, and other baked goods. The company also licenses its brand to sell consumer packaged goods in grocery and convenience stores. As of September 2014, Jamba had 862 locations globally, with 535 franchisee-owned stores in the U.S.

The company targets the healthy, on-the-go food market. The Fund invested in Jamba, Inc. in April of 2011 at $10.05 per share (split adjusted). The company is transitioning to an asset-light, franchise-focused model. Jamba expects 80% of stores to be franchise locations by the end of this year, and wants to add 500 stores to the U.S. over the next five years. It also continues to expand its JambaGo concept, a self-serve machine found in over 1800 locations including K-12 schools. Since purchase, the stock has appreciated 52% to a price of $15.30.

Luxottica Group, SpA (LUX)

Founded in 1961 in Agordo, Italy, Luxottica operates in the luxury and sports sunglasses markets. The company manages and operates brands such as Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver

Peoples, Alain Mikli and Arnette and licenses brands such as Giorgio Armani, Bulgari, Donna Karan, Tiffany and Versace. Luxottica operates in 130 companies worldwide, and manages major eyewear retail chains such as LensCrafters, Pearle Vision and Sunglass Hut. The Group posted more approximately $8.3 billion in sales in 2013.

The Fund initially purchased 440 shares of LUX at $56.92 per share in 2014. We anticipated that changing socio-economic trends, especially increased prevalence of portable technology and more interaction with social media, would increase the need for corrective lenses, benefitting Luxottica. As of February 2015, our investment had grown 7.5%.

Monster Beverage Corporation (MNST)

Monster Beverage Corporation develops, markets, sells, and distributes alternative beverage category beverages in the US and internationally. It operates in two segments. The first one is Direct Store Delivery, which offers carbonated and non-carbonated drinks, including energy drinks, dairy based coffee drinks, protein shakes, supplements, and iced teas. The second is The Warehouse segment, where MNST provides sodas, sparkling water beverages, seltzer waters, energy drinks, fruit juices, coconut water juices, ready-to drink lemonades, powder drink mixes, and probiotic digestive wellness powder drinks. It serves full service beverage distributors, retail grocery and specialty chains, wholesalers, club stores, drug chains, mass merchandisers, convenience chains, health food distributors, food service customers, and the military.

While global consumption of soft drinks has diminished, the demand for energy drinks is growing substantially. We believe that MNST has the potential to take advantage of this fast-growing and attractive category. In September of 2014, Coca-Cola (KO) bought 16.7% of Monster Corporation, which provided more efficient production techniques, as well as, new channels of distribution nationally and internationally. We believe that this might become a full acquisition in the future, given the mutually positive effects already experienced. On early February, our fund bought 340 shares of MNST at ~$117 (~$40,000), which represents around 5.6% of our portfolio. Using a conservative average growth rate of 12% (given a historical average growth rate of 17%), we expect its share price to be $148.74 in four years, which represents a 27% growth.

Whole Foods Market, Inc. (NASDAQ: WFM)

Whole Foods Market, Inc. is America's first national "Certified Organic" grocer and the largest retailer of natural and organic foods in the United States. Its products include food, body care, and lifestyle products, including books, pet products, and household products. Whole Foods Market, Inc. operates 399 stores across the United States (96.7%) and Canada and the United Kingdom (3.3%) as of September 28, 2014.

Competition has intensified in recent years as more grocers try to capture market share from affluent, health-conscious shoppers. To maintain its leading position in the natural and organic foods market and to capture new middle-class clientele, Whole Foods Market, Inc. has continued expansion into Western Canada and made strategic price cuts in all of its stores. The Fund invested in Whole Foods Market, Inc. in September 2012 at $52.25 a share.

Industry Group – Healthcare and Biotechnology

Summary

The Healthcare group invests in stocks of companies in various health-industry sectors including pharmaceuticals, services, devices, and biotechnology. The group seeks to invest across sectors, geographies, and company sizes with a dual focus on both value and growth opportunities.

Carriage Services

A leading provider of death care services in America, Carriage Services currently operates in two business segments: funeral services (77%) and cemetery operations (23%). Specifically, its funeral home operations include the removal and preparation of remains, the sale of caskets and related merchandise, facilities for funeral services, and transportation. Its cemetery operations include interment services, grave sites, memorials, and vaults. Carriage Services has 32 cemeteries in 11 states and 165 funeral homes in 27 states.

The fund felt Carriage Services was undervalued both because of projected industry wide growth as well as firm-specific growth. The expected industry wide growth stemmed from demographic trends regarding population growth and average age, which are positively correlated with death rates. Regarding the firm itself, Carriage Services had a history of accretive M&A growth and displayed a strong balance sheet as well as stable cash flows. Since the initial investment, Carriage Services has met the fund's price target and is currently trading at $22.99.

Nektar Therapeutics, Inc.

Nektar Therapeutics, Inc., is a leading biopharmaceutical company utilizing polymer conjugate chemistry technology platform. The company operates primarily in Europe and the U.S. with 72% and 29% of FY '13 revenue, respectively. Nektar has positioned itself as an industry leader through its advanced PEGylation technology, a technology widely used by large pharmaceutical companies. Nektar also develops its own products through the application of its drug delivery technologies. Much of the firm's value lies in its heavily developed future drug pipeline, specifically in the areas of oncology, CNS/Pain, anti-infectives, hemophilia, and endocrine/metabolic drugs. Nektar's key competitors include Biogen IDEC, Novo Nordisk, Prestige Brands Holdings, Akorn, and Salix Pharmaceuticals.

The Fund views Nektar as an undervalued stock due to 1) the DEA's placement of Movantic, a Nektar drug for treating opioid-induced constipation, in the category of "controlled medications" and the impending revenue from the nearly complete De-Scheduling of the drug, 2) the setback of NKTR-181 due to testing protocol and placebo results, and 3) management's decision not to partner with a major drug company for NKTR-102. The Fund believes that Nektar is in a position for break-out years ahead as they have multiple drugs in position to earn substantial revenues. Nektar's strong position in the biopharmaceutical market, its innovative, market-leading technology, the firm's strong management team and robust pipeline make it a good stock to hold in the portfolio.

Industry Group – Industrials and Financials

Summary

The Industrials and Financials industry group of CMC's Student Investment Fund is responsible for managing five current holdings valued at over $60,000. The sector primarily targets fundamentally undervalued industrial equities as the Fund finds that their greater transparency leads to better long-term returns. Our financial holdings have been scaled down over the recent past as many of our investments have reached their price targets.

BorgWarner (BWA)

BorgWarner Inc. is a leading global supplier of highly engineered automotive systems and components primarily for power train applications. BWA's products help improve vehicle performance, fuel efficiency, stability, and air quality. Components are primarily sold as OEMs with a growing operation in aftermarket applications. They have a diversified consumer base and sell directly to manufacturers of light vehicles, passenger cars, sport-utility vehicles, vans and light trucks. BorgWarner is well-known for their strong executive leadership; under current CEO Timothy Manganello, the company has received twelve PACE awards. The company recently marked a record net sales figure of $8.3B in 2014, beating consensus.

Since the fund's purchase of BorgWarner in December 2012, the company's stock price has doubled, far outperforming the S&P 500 benchmark. The stock price is still considerably below our revised price target of $80 as of mid-February. The Fund expects to see the stock appreciate to our price target through the continued market growth of the automobile market and adoption of BWA turbo engines in luxury cars.

Continental Resources (CLR)

Continental Resources is a Top 10 independent oil producer in the United States. It is based in Oklahoma City and is focused on upstream, which is the exploration and production of oil and natural gas. The two premier basins are Bakken and SCOOP. CLR is the largest leaseholder, driller, and producer, so it enables a repeatable, low-risk inventory. CLR has an oil-weighted production mix of 70% oil and 30% natural gas. It leverages size and scale to drive efficiencies and lower drilling completion and operating costs.

The fund purchased $27,000 of CLR on November 18, 2014 at $52.63 a share. The fund believes that CLR has export abilities that are not yet quantified. By looking at the company's financial statements, the fund sees conservative accounting manipulation that indicates that profits are actually higher than what are being reported. Although the stock price has dropped to $45.64 a share due to the decrease in oil prices, the fund is bullish on the long-term movements of oil prices and believes that having an investment in the oil production provides a natural hedge to the portfolio.

ExxonMobil (XOM)

ExxonMobil is a multinational oil and gas corporation that was established in 1999 following the merger of Exxon and Mobil. Headquartered in Irving, Texas, ExxonMobil is currently the world's largest publicly traded oil and gas company with 37 oil refineries in 21 countries. The company has three main business divisions: upstream, downstream, and chemical. The upstream segment focuses on oil exploration, testing, and extraction, while downstream operations refine, market, and distribute oil products. The ExxonMobil chemical business is a leader in a wide range of products from solvents and synthetic rubber to plastic bottles and other consumer goods. ExxonMobil brands are well-respected and reliable for customers' personal and business needs.

The Fund first invested in ExxonMobil in April 2013 at $87.34 per share. Since then, our investment has grown 2.59% per share while benefiting from a large 3% annual dividend. During the past year, the company has continued to demonstrate leadership by establishing new oil development projects, funding research into clean energy, and expanding their global reach. The Fund believes that ExxonMobil will achieve continued success by leveraging its economies of scale and providing energy for the growing demands of the world population.

First Solar (FSLR)

Formerly known as First Solar Holdings, Inc. before its name change in 2006, First Solar was founded in 1999 with its headquarters in Tempe, Arizona. First Solar Inc. is a global integrated solar energy solutions company. Its business is separated into two main operating segments: Components and Systems. Under the Components segment, First Solar designs, manufactures, and sells solar modules. Their Systems segment primarily involves the development, engineering, operations, maintenance, and construction of turn-key photovoltaic solar energy systems.

The Fund initially invested in First Solar in March of 2012 at a share price of $24.36. Since then, the price has increased to $58.54 a share as of February 25, 2015, marking an extraordinary growth in our investment of 140.31% (+$34.18) a share. The company continues to show robust growth and beat earnings estimates in their fourth quarter. In early January of 2015, the company announced that it achieved its milestone of 10 gigawatts of photovoltaic solar capacity. This past month, First Solar announced Apple's $848 million commitment to First Solar for clean energy. The deal involves Apple receiving 130 megawatts of solar energy in a 25-year power purchase agreement, making it the industry's largest clean energy agreement for a commercial user. The Fund expects continued success from First Solar as the company continues to grow its operations and expand further into the renewable energy market.

Goldman Sachs (GS)

Goldman Sachs is the leading investment bank in the US, with a market cap of $86.79B and revenue of $34.53B. GS had strong performance over the last four quarters and ranks first in worldwide announced and completed mergers and acquisitions (>$1 trillion). Total investment banking services produced its second highest annual performance to-date. Moreover, net revenues in Financial Advisory were the highest since 2008. GS's stock price has reflected this strong performance, having increased from $150 last summer to over $190 today. With that said, the price of Goldman fluctuates often in relation to news regarding investigations and fines from regulatory agencies. The stock has an unadjusted beta of 1.64 and its 52-week range is $151 to $198. Despite some news about the potential fines to Goldman last semester, the Firm has reported strong profitability. The firm increased diluted earnings per common share by 10% compared with 2013, and increased book value per common share by 7% over the year.

Our investment thesis is that with strong performance by the overall financial service sector after recovering well from the 2008 economic depression, Goldman Sachs remains the leader in the industry and will prove to be an outstanding investment. Because of Goldman's leading position, brand reputation, and strong leadership, the Fund is confident in GS's prestigious M&A and asset management practice to continue outperforming a bullish economy in 2015.

Executive Committee

Phil Crawford | Chief Executive Officer | pcrawford15@cmc.edu

Phil, originally from Northbrook, IL, is a senior at Claremont McKenna College majoring in Economics while also pursuing his Master's degree in finance from the Robert Day School of Economics and Finance. He previously served as a Large Cap Equity Analyst and the Chief Operating Officer for the Student Investment Fund.

Phil has pursued his broad interest in finance by participating in internship programs across several fields in the finance industry and around the country. After his sophomore year, Phil returned to his home state of Illinois to work with the corporate strategy team at CME Group. The knowledge Phil acquired in both corporate valuation and derivatives at CME guided him to internships in investment banking and sales and trading the following summer. Phil began his junior summer at Harris Williams in Richmond, VA, participating in their annual Investment Banking Boot Camp. He then transitioned to Morgan Stanley in New York, NY for the remainder of the summer where he was an intern in the Institutional Equities division. Following graduation, Phil is looking forward to joining the Equity Derivatives Sales team at Morgan Stanley.

Phil is also a captain of the Claremont Cougars lacrosse team and in his free time can be found at the Scripps Pool, on Green Beach, or at Santa Anita Park.

David Tse | Chief Investment Officer | dtse15@cmc.edu

David is a senior at Claremont McKenna College studying Economics-Accounting. He has previously served as a Fixed Income Analyst and an Analyst within the Industrials and Financials Group. In addition to his academic coursework, David enjoys strategy games, basketball, and investing. This past summer he interned at Bank of America Merrill Lynch.

Following graduation David will be joining Goldman Sachs' investment banking division in San Francisco, CA.

Brian Eckhardt | Chief Operating Officer | beckhardt16@cmc.edu

Brian, originally from Scottsdale, AZ, is a junior at CMC majoring in Economics. He is also pursuing the accelerated Master's in Finance degree through the Robert Day School. Around campus, he works at the Rose Institute of State and Local Government, researching the overlap between government policies and economic outcomes.

In his free time, Brian enjoys hiking in the mountains near Claremont and improving his golf game. This past summer he worked at Hawk Ridge Management, a long-short equity hedge fund based in Los Angeles.

Rich Zajac | Chief Technology Officer | rzajac16@cmc.edu

Rich Zajac, originally from St. Louis, MO is a Junior at CMC dual-majoring in Film & Organizational Studies with a Leadership Sequence. In his spare time he works to better the field of Autism research through his venture AutismCodes, and enjoys hiking, biking, and motorsport.

Acknowledgments

We graciously thank Professor Eric Hughson, Jim Floyd and Ernie Iseminger for their continued support of the fund. We also greatly appreciate the Financial Economics Institute and Terri Van Eaton for providing access to the FEI Lab and for the administrative support. We sincerely appreciate your contributions and sustained involvement.

Eric Hughson received an undergraduate degree in mechanical engineering from MIT and a PhD in financial economics from Carnegie Mellon University. He has served on the faculties in both economics and finance at the California Institute of Technology, the University of British Columbia, the University of Utah, and the University of Colorado, Boulder. His current research interests include market microstructure, financial econometrics, and decision theory. His publications have appeared in such journals as The American Economic Review, The Review of Financial Studies, The Journal of Financial Economics, The Journal of Economic Theory, the Financial Analysts Journal and The Journal of Financial Markets. At CMC, Professor Hughson teaches derivatives and investments.

Naspers Ltd. (NPSNY)

Thesis → Company → Industry → Valuation

Phil Crawford, Ed Leathers, and Alex Brenner

September 23, 2014

Student Investment Fund
Claremont McKenna College

Investment Thesis

NASPERS

Overview and Reasoning

- Naspers has a large minority interest position (34%) in Tencent, the popular Chinese internet/mobile company
- Naspers' and Tencent's share prices have historically moved in lockstep but this relationship recently reversed in 2013 so that Naspers' share price declined even as Tencent rose
- The market currently assigns virtually all of Naspers' market capitalization to the value of its holding in Tencent, which implies Naspers' stub has zero or even negative value
- Naspers' operations and investments in pay television and Internet in Europe, Russia, and emerging markets have strong future cash flow generative abilities and deserve a much higher valuation than zero

Proposal

Purchase 343 shares of Naspers ADR ~$40,000

Share Price Graph

Share Price Graph

Share Price: $116.80

52 Week High: $135.41

Market Cap: $48.29B

Adjusted Beta: 1.11

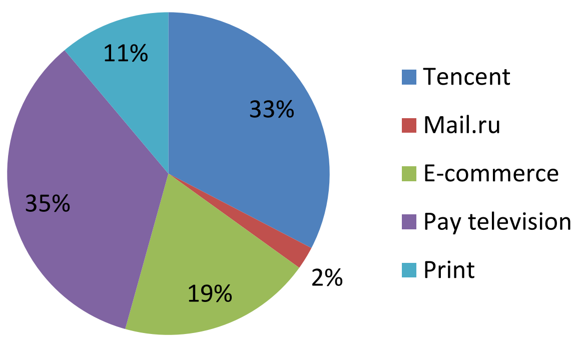
Source: Yahoo Finance, Bloomberg

Company Overview

Business Description

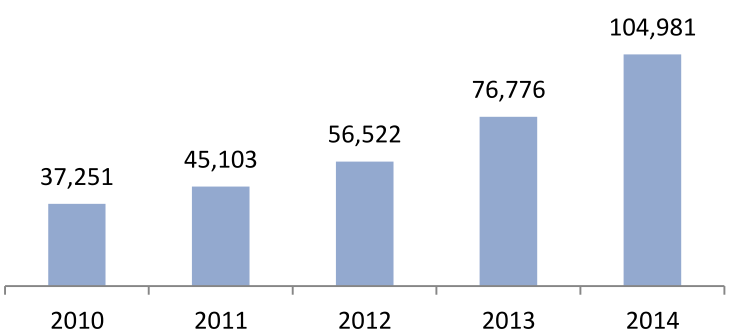
- Naspers is a leading global media conglomerate based out of South Africa with operations in internet services, e-commerce, pay television, and print media in over 130 countries worldwide
- The Company is listed on the Johannesburg Stock Exchange and also has an American Depository Receipt (ADR) that allows American investors to access the company's stock

Revenue Breakdown



5 Year Revenue Growth

(in ZAR thousands)



Thesis → **Company** → Catalysts → Valuation

Student Investment Fund
Claremont McKenna College

Business Breakdown

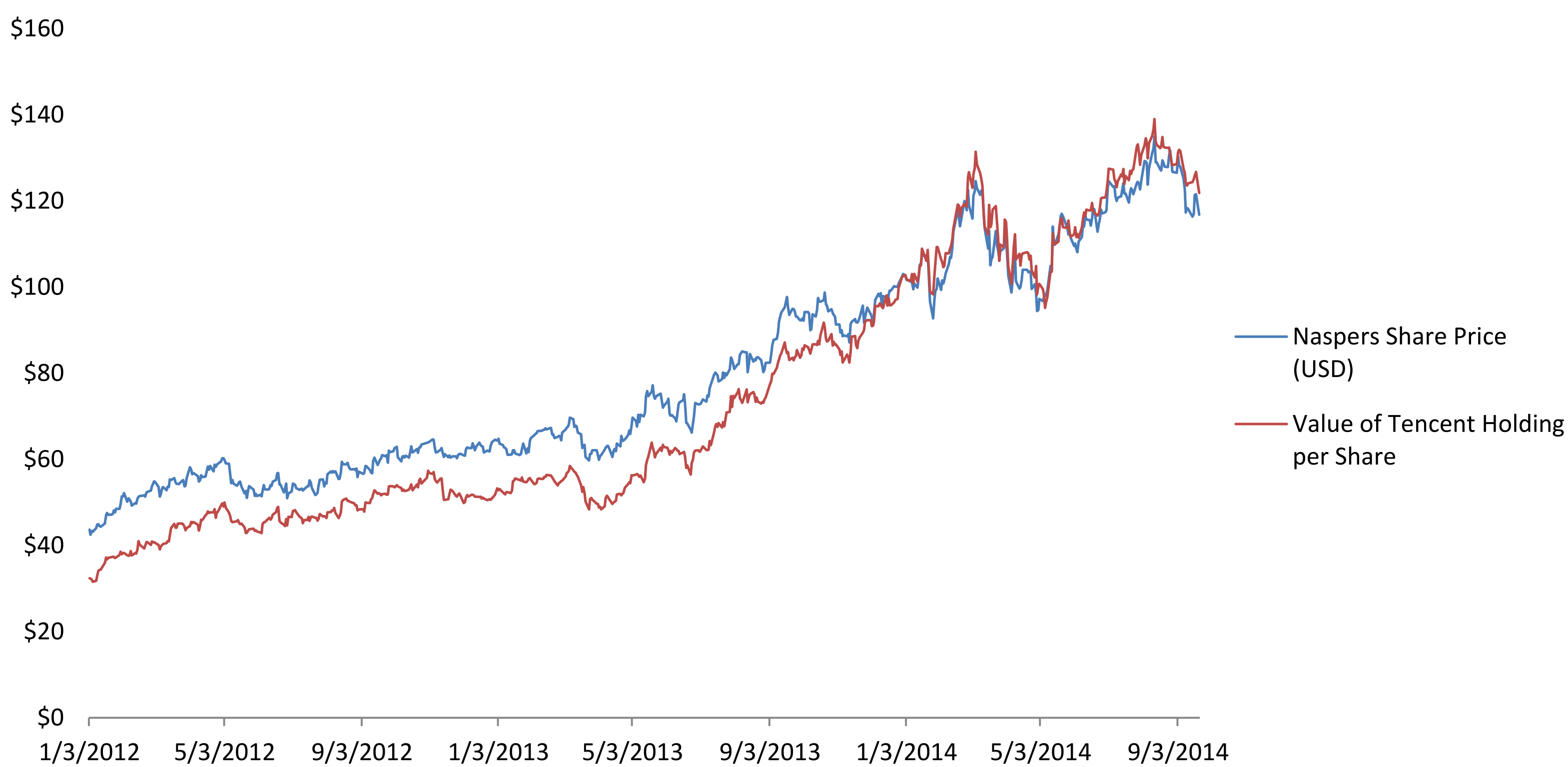
NASPERS

Internet		Pay TV	Print Media
E-Commerce	Public Holdings		
• Includes both B2C and C2C platforms • Classifieds, etail, Online comparison shopping, online payment services • High levels of investment going towards this area • Caters to EMEA primarily	Tencent • Popular Chinese Internet/Mobile Company • 34% Minority Interest @mail.ru • Largest Internet Company in Russia • 30% Minority Interest	• Pay-television subscriber platforms in sub-Saharan Africa • Direct-to-home (DTH) satellite and Digital terrestrial television (DTT) • Experienced 18% revenue growth YOY and 21% subscriber growth	• Comprises online news, magazines, newspapers, printing, distribution, and publishing • Subsidiaries include Media24 and Abril • Slower growth than the other segments • Focused on cost-cutting in near future

Stub Value Opportunity

NASPERS

Shift in Relationship Between Naspers and Tencent



Tencent

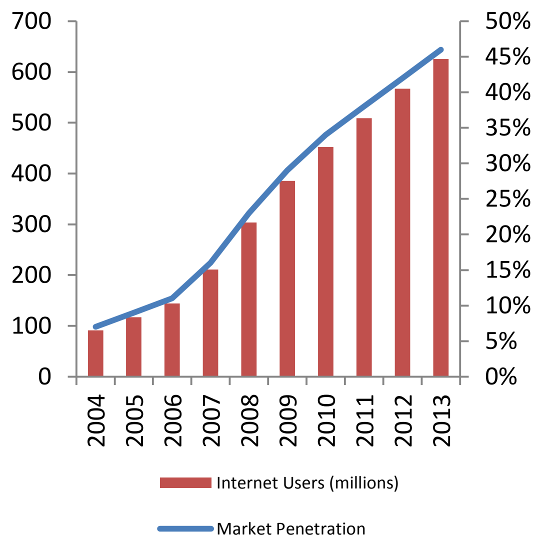
NASPERS

Investment Overview

- Tencent is uniquely positioned to take advantage of the rapidly growing Chinese internet space and Naspers provides a vehicle to purchase the shares at a discount.

Chinese Internet

- China's internet user base of 600 million is roughly double that of the US



WeChat

- Essentially China's version of WhatsApp
- User base has grown to over 430 million since its introduction just 3 years ago

Tencent 腾讯

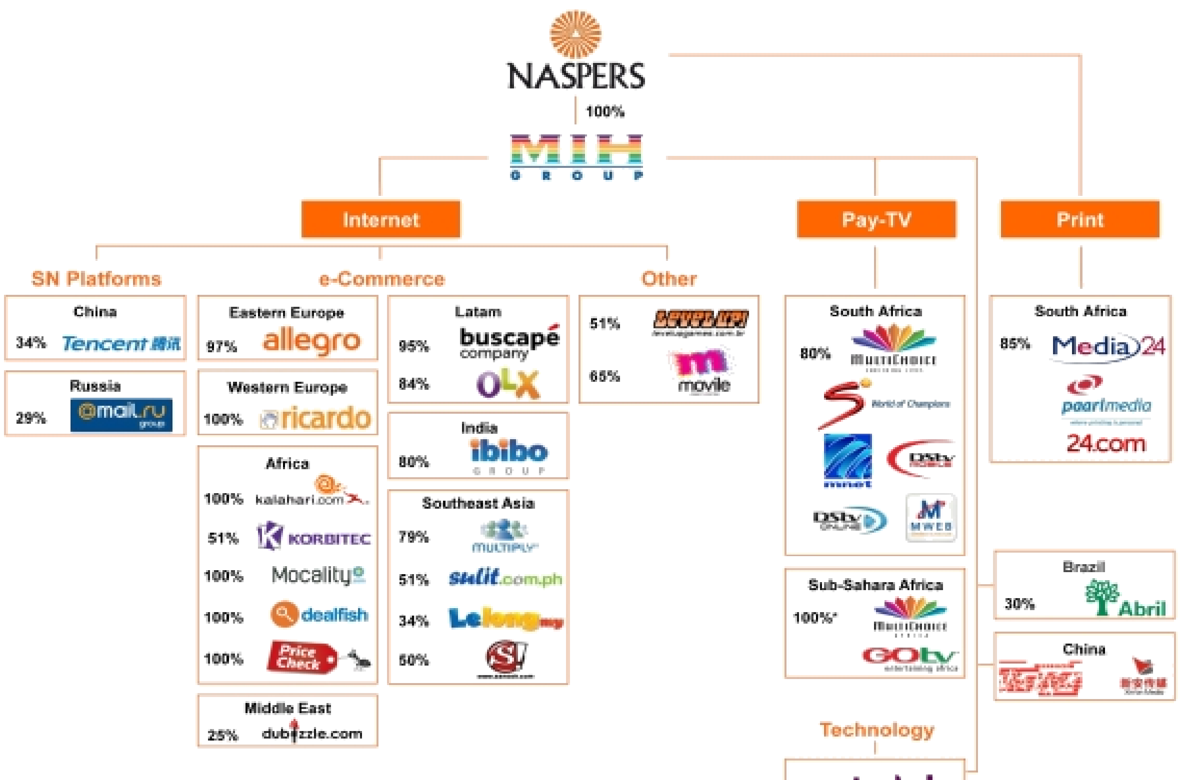
eCommerce

- Recently launched joint venture with Wanda and Baidu brings Tencent into the eCommerce space
- Creating world's largest online to offline company
- Wanda expects to gain 100 million memberships by the end of next year

Naspers' International Subsidiaries

NASPERS

Naspers Has a Robust Portfolio of Valuable Companies



Percentage holding based on fully diluted financial effective interest
* Reflects effective holding in Multichoice Africa (Pty) Ltd

Thesis | Company | Catalysts | Valuation

STUDENT INVESTMENT FUND
CLAREMONT MCKENNA COLLEGE

Opportunities in India

NASPERS

Market Leadership Across Multiple Internet Platforms

Naspers Indian Assets	Stake	Market Position
OLX	95%	1
flipkart.com	17%	1
PayU India	95%	1
goibibo.com	80%	4
redBus.in	80%	1

- Naspers' Indian subsidiaries are market leaders in an underdeveloped domestic Internet space
- Distinct niche players in sub-segments with high barriers to entry
- Rising Internet penetration of 1.2bn population will drive huge market growth
- Positioned better than competitors to benefit from shift to mobile eCommerce

Management Overview

The Visionary

- CEO from 1997-2014
- Transformed Naspers from an African print media company into the 8th largest media company in the world
- Tencent and Mail.ru helped cement his reputation as a media tycoon with an eye for great investments

The Operator

- Bob van Dijk will lead the new management team as CEO
- Specializes in eCommerce with experience as the VP of eBay Europe Emerging Markets and CEO of Naspers eCommerce
- Has shown phenomenal ability as an operator, having begun his career at McKinsey & Co.
- Ideally suited to bring Naspers' emerging markets subsidiaries to profitability

SOTP Comps Valuation Implies 15% Upside

NASPERS

eCommerce Comps

Company	Ticker	Market Capitalization	Country	1 Year Revenue Growth	TTM EBITDA Margin	EV/EBITDA TTM	EV/Sales TTM
Mercadolibre Inc	MELI US Equity	$4,895.8	Argentina	17.5	35.9	22.1	7.9
eBay	EBAY US Equity	65,126.4	United States	12.6	29.2	12.1	3.5
Rakuten Inc	4755 JP Equity	15,416.6	Japan	8.3	20.9	4.5	0.9
Asos Plc	ASC LN Equity	2,718.0	Britain	15.6	NA	91.6	6.5
Yoox S.p.A.	YOOX IM Equity	1,321.4	Italy	14.9	9.7	24.5	2.4
						Implied EV	
Naspers eCommerce Segment				64.3	NA	**NA**	**$3,362.2**

Print Media Comps

Company	Ticker	Market Capitalization	Country	1 Year Revenue Growth	TTM EBITDA Margin	EV/EBITDA TTM	EV/Sales TTM
Scholastic Corp	SCHL US Equity	$1,097.7	United States	8.4	8.4	7.0	0.6
John Wiley & Sons	JW/A US Equity	3,416.9	United States	6.5	18.1	12.6	2.3
Reed Elsevier Plc	REL LN Equity	35,629.9	Britain	-1.3	33.1	12.4	4.1
Informa Plc	INF LN Equity	5,094.3	Britain	2.0	40.7	7.0	2.9
						Implied EV	
Naspers Print Segment				-2.0	9.2	**$743.5**	**$683.7**

Pay TV Comps

Company	Ticker	Market Capitalization	Country	1 Year Revenue Growth	TTM EBITDA Margin	EV/EBITDA TTM	EV/Sales TTM
Sun TV Network	SUNTV IN Equity	$132,905.0	India	15.6	67.8	9.9	6.7
British Sky Broadcasting	BSY LN Equity	1,521,963.1	Britain	5.7	NA	9.7	2.0
Cyfrowy Polstat	CPS PW Equity	330,675.9	Poland	137.2	44.0	16.1	7.1
Grupo Televisa	TLEVICPO MM Equity	1,213,610.4	Mexico	-6.7	40.0	9.5	3.8
Television Broadcasters Ltd.	511 HK Equity	161,636.6	Hong Kong	4.4	40.5	8.5	3.4
						Implied EV	
Naspers Pay TV Segment				19.9	28.6	**$13,156.7**	**$19,570.7**

SOTP Comps Valuation Implies 15% Upside

NASPERS

Naspers Stub Total Implied Value	11,680.4
Tencent 34% Minority Interest Value	49,040.6
Mail.ru 29% Minority Interest Value	1,734.3
Less: 10% Holding Co. Discount	(5,077.5)
Net Minority Interest Value	45,697.4
Total Implied Value	57,377.8
Less: Net Debt	(1,979.1)
Implied Market Capitalization	**55,398.7**
Current Market Capitalization	48,288.9
Implied Upside	**15%**

Investment Proposal

NASPERS

Purchase 343 shares of Naspers ADR ~$40,000