Applied Investment Management (AIM) Program

AIM Class of 2017 Equity Fund Reports
Fall 2016

Date**:* Friday, December 9th | ***Time: *2:30 – 4:30* p.m. | ***Location: AIM Research Room 488***

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These student presentations are an important element of the applied learning experience in the AIM program. The students conduct fundamental equity research and present their recommendations in written and oral format – with the goal of adding their stock to the AIM Equity Fund. Your comments and advice add considerably to their educational experience and is greatly appreciated. Each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 8-10 minutes of Q & A.

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Landmark Infrastructure Partners LP (LMRK)
December 9, 2016

Steven Hoffmann — Financial Services

Landmark Infrastructure Partners LP (NASDAQ: LMRK) is a growth-oriented master limited partnership (MLP) formed by Landmark Dividend LLC (the "Sponsor") to acquire, own and manage real property interests. The company's operations span 44 states and are divided into the following business segments: Wireless Communication (82%), Outdoor Advertising (17%), and Renewable Power Generation (1%). Landmark's leases under its easement and lease assignment arrangements are essentially triple net, wherein the infrastructure owners are responsible for property-level operating expenses, taxes, insurance, and capital expenditures. Landmark's portfolio consists of 1,964 tenant sites (excluding 600+ available Sponsor & affiliate tenant sites) with an average remaining lease term of 23+ years, including renewal options. LMRK was founded in 2010 and is headquartered in El Segundo, CA.

Price ($): (12/5/16)	14.20
Price Target ($):	20.02
52Wk H-L ($):	18 - 11
Market Cap (mil):	319.8
Float:	92.4%
Short Interest (%):	0.2%
Avg. Daily Vol:	70,303
Dividend ($):	1.35
Yield (%):	9.46%

Beta:	0.52
WACC	3.8%
M-Term Rev. Gr Rate Est:	35.9%
M-Term EPS Gr Rate Est:	41.7%
Total Debt/Total Capital	47.2%
ROA:	93.0%
ROE:	1.5%
Cash Flow ROIC	4.8%
Distribution Cov. Ratio	1.05

FY: Dec	2015A	2016E	2017E	2018E
Revenue (000)	27,788	38,431	56,801	77,164
% Growth	25.68%	38.30%	47.80%	35.85%
Operating Margin	50.38%	56.20%	60.39%	64.72%
Net Income	(434)	3,633	15,809	29,675
EBITDA	14,885	22,521	38,059	55,452
EV/EBITDA	26.44x	23.64x	13.74x	11.56x
Dist. Cov. Ratio	1.04x	0.93x	1.04x	1.06x
Dividends	$1.06	$1.35	$1.40	$1.48

Recommendation

Landmark's real property interests underlie its tenants' operationally essential infrastructure assets in the wireless communication, outdoor advertising and renewable power generation industries. Companies in these industries own and operate assets, such as cell towers, on rented land owned by LMRK. As of 2014, the ground lease industry consists of ~360k infrastructure locations (154k wireless communications, 164k outdoor advertising and 48k renewable power generation). Tower locations are expected to grow to 184k sites in 2019. U.S. outdoor advertising revenue is expected to increase from $7.2 billion in 2014 to a projected $9.1 billion in 2020. While alternative energy is gaining popularity, combined wind and solar capacity was only at 7.2% of capacity for 2014 and is expected to grow to 24.5% of total capacity by 2040, providing an enormous opportunity for LMRK. In addition, 85% of the LMRK's adjusted quarterly revenue as of 3Q16 is represented in the top 100 BTAs (basic trading area - largest geographic area for cell tower operations). According to Cisco, global mobile data traffic is expected to grow at an average rate of 53% annually from 2015 to 2020. Furthermore, the addition of 5G over the next few years will also increase mobile download speeds 10 to 100 times that of today's average 4G LTE connections, further taxing existing infrastructure. Lastly, monthly mobile data usage per active smartphone will be more than 5x greater in 2021 than it was in 2015. LMRK's tax-efficient MLP capital structure boasts high margins and has no commodity price exposure or volume risks. As of 3Q16, LMRK successfully increased its quarterly distribution for the 7th consecutive time. Based on the underlying growth of LMRK's core industries and strong relations with its Tier 1 tenants, it is recommended that LMRK be added to the AIM Equity Fund with a price target of $20.02, representing a potential upside of 41%. The firm also pays a dividend of $1.35, yielding 9.64%.

Investment Thesis

- **Lease Terms Provide for Stable Organic Growth.** Due to the triple net structure of its leases, LMRK faces no property tax or insurance obligations, no maintenance capital expenditures and traditional operating expenses are ~1% of revenues. LMRK boasts a 97% occupancy rate and a

99% historical lease renewal rate. In addition, 93%+ of LMRK's leases have contractual rent escalators (88% fixed-rate average annual escalator of 2.6% and 7.0% escalators tied to CPI).

- **Market Consolidation Opportunity.** The highly fragmented ground lease industry in the United States represents a total of $9 billion in rents across 360,000 infrastructure locations (TAM: $5.5 billion for wireless communication and $3.1 billion for outdoor advertising). New wireless sites alone added each year are expected to be more than 4x LMRK's existing portfolio. The #1 cellular tower company and the #1 billboard company own less than 13% of the land under their assets. Lastly, most individual property owners in this industry have only 1 or 2 locations.
- **High-Quality Tier 1 Tenants.** Landmark's Tier 1 tenants consist of T-Mobile (15% revenue as of 3Q16), AT&T Mobility (12%), Sprint (12%) and Verizon (12%) in the wireless carrier industry and Crown Castle (11%), American Tower (6%) and SBA Communications (2%) in the cell tower industry. Tier 1 customers in the outdoor advertising industry include OUTFRONT Media (6%), Clear Channel Outdoor (6%) and Lamar Advertising (4%). As demand for these industries grow, LMRK's Tier 1 tenants will need to expand leading to more rents for LMRK.

Valuation

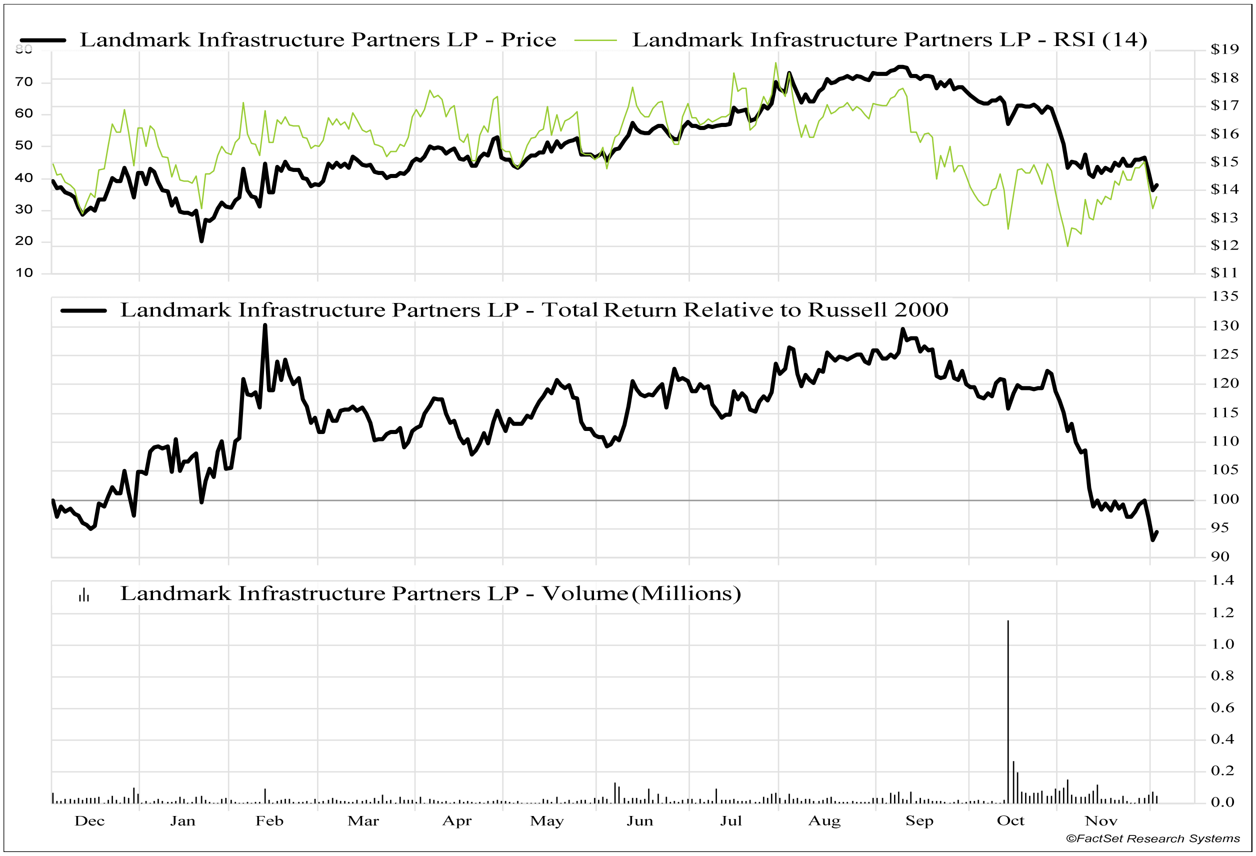
To find the intrinsic value of LMRK, a dividend discount model was used as well as a FY17 Projected EV/EBTIDA multiple. The dividend discount model (DDM) approach using a WACC of 3.81% and a terminal growth weight of 2.00% resulted in an intrinsic value of $22.59. Additionally, an EV/EBITDA multiple was derived using projected 2017 EBITDA of $38.06 and a comparables average EV/EBITDA multiple of 17.86, which resulted in a valuation of $17.45. By weighing the two valuation methods evenly, a price target of $20.02 was reached, which yields a 41% upside.

Risks

- **Operations Risk.** LMRK may face a situation in which external growth slows because of the inability to approve further accretive drop-downs. Accretive acquisitions from the Sponsor are required for increasing distributions and unit performance. LMRK's distribution coverage ratio is approximately 1.05x, which is equivalent to a 95% payout ratio in the REIT sphere. LMRK may not generate sufficient distributable cash flow each quarter to support the payment of the minimum quarterly distribution of $0.287500 per unit.
- **Concentration Risk.** Five companies comprise 67% of the LMRK's revenue and 75% of LMRK's revenues are derived from two interconnected industries: Tower Owners/Operators and Cell Carriers. As a result of the high concentration of revenue among these companies, LMRK is exposed to large potential revenue losses if any of the following events occur among customers: merger, insolvency, bankruptcy, network sharing and joint development or resale agreements.
- **Technological Evolution Risk.** Improvements in the efficiency of the current wireless infrastructure could drive a reduction in the demand for LMRK's tower sites. A reduction in the demand for wireless infrastructure would have a negative impact on LMRK's revenue streams.

Management

Arthur Brazy, Jr. has served as CEO of LMRK's Sponsor, Landmark Dividend LLC, since October 2015. Prior to that, he served as its President since co-founding the company in February 2010, and a member of the board of managers of Landmark Dividend Holdings LLC and its predecessor since February 2010. Mr. Brazy holds a B.S. in Economics from the California Institute of Technology, and an M.B.A. from Stanford University. George Doyle has served as CFO and Treasurer of LMRK's Sponsor, Landmark Dividend LLC, since August 2011.



Ownership

% of Shares Held by All Insider and 5% Owners:	7.61%
% of Shares Held by Institutional & Mutual Fund Owners:	12.02%

Source: FactSet

Top 5 Shareholders

Holder	Shares (000)	% Out
Credit Suisse Securites LLC	655 ▲	3.38
Green Square Capital LLC	521 ▲	2.69
Janney Montgomery Scott LLC	177 ▲	0.92
USCA RIA LLC	113 ▲	0.58
Raymond James & Assoc.	99 ▲	0.51

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (000)	Div. Yld. %	FY2 EV/ EBITDA	Distributable CF	ROA %
Lnadmark Infra. Partners	LMRK	319.80	3.80	9.64	13.74	23.00	0.93
CatchMark Timber Trust	CTT	419.00	-9.40	5.00	17.38	32.00	-1.50
Farmland Partners	FPI	191.10	-2.10	4.61	22.18	2.70	-0.44
FRP Holdings	FRPH	373.30	12.10	*0.00	14.26	17.70	4.81
Silver Bay Realty Trust	SBY	617.50	-5.90	2.98	21.75	33.40	-0.47
Peer Averages		400.23	-1.33	4.20	18.89	21.45	0.60

**Removed For Relative Valuation Analysis*

Source: Bloomberg, FactSet

Editas Medicine, Inc. (EDIT)
October 14, 2016

John O'Connor Domestic Healthcare

Editas Medicine (NASDAQ: EDIT) is a preclinical stage biotech company that engages in the development and commercialization of genome editing technology aimed at the treatment of genetic diseases. Its core technology is based on Cas9 protein as well as clustered, regularly interspaced short palindromic repeats; commonly referred to as CRISPR. This technology is essentially used to edit (remove and replace) bad genes with good genes and in turn generate a therapeutic benefit in patients. Editas' IP and expertise is primarily derived from the Broad Institute of MIT and Harvard, as well as MassGen and Duke University. Currently, Editas' key focus is on the rare blinding condition called LCA10. The product for this disease is expected to enter the clinic in 2017. Editas was founded in 2013 by several of the leading academic scientists who discovered the CRISPR/Cas9 technology and is headquartered in Cambridge, MA.

Price ($):	15.54	Beta:	1.53	FY: Dec	Sep '16 (ttm)	12/31/2016E	12/31/2017E	12/31/2018E
Price Target ($):	34.68	WACC	22.20%	Revenue (000)	5,947	6,700	6,800	7,000
52WK H-L ($):	12.43-43.99	M-Term Rev. Gr Rate Est:	-4.2%	% Growth	265%	13%	1%	3%
Market Cap (mil):	570	M-Term EPS Gr Rate Est:	N/A	Operating Margin	-1186.8%	-1171.6%	-1422.1%	-1595.7%
Float (%):	47.2	Debt/Equity (LTM):	0.00	EBITDA Margin	-1172.3%	-1118%	-1269%	-1461%
Short Interest (%):	9.0	Debt/EBITDA (LTM):	N/A	EPS (Cal)	-2.21	-2.50	-2.63	-2.89
Avg. Daily Vol:	344,022	ROA (%):	-21.95	FCF/Share	-0.19	-1.75	-2.37	-2.67
Dividend ($):	0.00	ROE (%):	-47.33	P/S (Cal)	93.1	85.7	83.5	81.7
Yield (%):	0.00	ROIC (%):	-42.62	EV/Sales	64.9	60.2	71.5	49.1

Recommendation

Editas Medicine held its initial public offering in February of 2016 and has emerged as a leader in the development of CRISPR/Cas9 therapeutics. While there exists a variety of uses for the technology, EDIT is among the first companies to focus its efforts solely on the application of CRIPSR toward therapeutic medicines. EDIT is currently in the preclinical stages and is focused on developing its own proprietary gene editing application in an effort to treat patients that have been born with genetically defined diseases. Despite being only a few years old, CRISPR/Cas9 has already become the editing tool of choice among academic labs due to its simplicity, speed, versatility and low cost. While there is little question surrounding the potential of CRISPR/Cas9 to become a major disrupter; the technology is still years away from being used in human trials for therapeutic purposes. With that being said, EDIT has developed its lead program with the intent of being the first to market with a therapeutic CRISPR product. EDIT's lead program is aimed at treating a genetic form of blindness named Leber Congenital Amaurosis 10, commonly referred to as LCA 10. This is just one product of the broad pipeline that EDIT will develop in the coming years dedicated to the treatment of diseases that today have no viable treatment options. EDIT ended the third quarter with a cash balance of $200MM and has sufficient cash to operate for another 24 months; long enough to get its key programs into the clinic. It is for these reasons that EDIT will be on the forefront of the market disruption and, in turn, this will drive its 123% upside.

Investment Thesis

- **Strategic Development of LCA10 Program** – As previously mentioned, EDIT's leading program is for its LCA10 product, which is designed to treat a genetic form of blindness. There is a major medical need for a treatment for LCA10 as there are currently no available therapies in clinical trials. *In vitro* data has already proven the approach successful and it will ultimately come down to EDIT's team of scientists to develop an effective delivery method. EDIT is targeting this disease for its first program for good reason. Targeting LCA10 increases the probability of proving the effectiveness of gene editing in humans. This is due to the fact that the eye provides a small delivery area and it is an immune-privileged region; meaning that there is a greater chance of successful delivery and reduced risk of a systematic toxic response. Being the first to market with a CRISPR/Cas9 therapeutic medicine would be of significant value for EDIT, and by starting with the LCA10 program, EDIT has maximized its potential to do so. Management reported in third quarter earnings that they are on track to start clinical development for LCA10 beginning in 2017. The LCA10 therapy is expected to launch in the US and EU in 2024 with peak sales of approximately $85MM in 2028.

- **Variety of Therapies Currently in Discovery Phase** – There currently exists over 6,000 diseases that are caused by genetic mutations; 95% of which have no approved therapy. While LCA10 is slated to be the earliest program to enter the clinic, EDIT has several other products in the discovery stage. These therapies are targeted at treating diseases such as Muscular Dystrophy, Cystic Fibrosis, sickle cell disease, as well as T-Cells used to treat cancer. EDIT is engaged in a licensing deal with Juno Therapeutics for the T-Cell program; this collaboration has provided EDIT with $22MM in funding over 5 years in addition to $25MM in upfront payment. In total EDIT has 7 therapies in their pipeline. Assuming EDIT is able to successfully develop these therapies; total additional revenues are estimated to be ~$3B by year 2032.
- **Clinical Data Will Drive Upside –** Given that EDIT is still in the pre-clinical stages and will continue to be until 2017, the company will not be generating significant revenue until the commercialization of its LCA10 product. Considering the aforementioned 6,000 genetic diseases that are presently without a therapy, EDIT will soon be starting several programs to treat these. That translates into a wide array of clinical data that will be attained and in turn drive the stock price; although most of said data will not be available in the near-term. Rather, the stock price is expected to move in the near-term driven by the LCA10 program entering phase 1 next year.

Valuation

Given the nature of the business and the early stages of EDIT's pipeline, it is difficult to value this company based on a DCF analysis. Therefore a comprehensive comparable valuation analysis was conducted based on 20 different peers who engage in gene therapy, CAR-T, and oligonucleotide focused biotech companies. The comparable average enterprise value of $1.2B resulted in a 181% premium to EDIT's EV of $402MM. After using the average EV, adding back EDIT's cash, and dividing by its shares outstanding, a price target of $35 was reached; representing a 123% upside.

Risks

- **Intellectual Property Interference** – Much of EDIT's IP has been licensed via the Broad Institute of MIT and Harvard, which is currently engaged in patent interfernece proceeding with the University of California, University of Vienna, and Emanuel Charpentier. Editas is currently the only company with granted IP, but it is possible that this changes if the court orders EDIT to overturn all of its IP. While that is a possibility, the most plausible outcome is that both parties are granted rights to the IP for CRISPR/Cas9; resulting in a cross licensing deal between both parties. The resulting low single digit royalty would not have a major impact on Editas.
- **Delayed Development –** Given that it will not be until 2017 that EDIT has established data in humans from the LCA10 therapy, a risk exists that clinical trials will not go as planned and commercialization delayed. Also considering the rest of the pipeline is still in the discovery phase, there is an inherent risk that some or all of these products do not pass clinical trials.

Management

Katrine Bosley is the president and CEO of EDIT and joined the firm in 2014. Prior to joining the firm Katrine was the CEO of Avila Therapeutics, a biopharmaceutical company that was acquired by Celgene in 2012. Chief Scientific Officer is Charles Albright, Ph.D. Dr. Albright joined in 2016 after serving as VP of genetically defined diseases and genomics at Bristol-Myers Squibb. Gerald Cox, Ph.D. is the Chief Medical Officer and came on board in 2016.

Ownership

% of Shares Held by All Insider Owners:	52.79%
% of Shares Held by Institutional & Mutual Fund Owners:	39.82%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Fidelity Management & Research Co.	5,404,637 ▲	14.76
T. Rowe Price Associates, Inc.	1,874,396 ▲	5.12
Viking Global Investors LP	1,709,401 ▼	4.67
Deerfield Management Company LP	1,709,400 ▲	4.67
The Vanguard Group, Inc.	1,249,559 ▲	3.41

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	EV	EV/Sales
Editas Medicine	EDIT	569.60	5.95	-69.72	402	67.48
Intellia Therapeutics, Inc.	NTLA	571.10	6.04	-13.08	281	46.46
bluebird bio, Inc.	BLUE	2602.00	6.08	-231.44	2101	345.56
Juno Therapeutics	JUNO	2161.00	62.36	-318.45	1349	21.63
Spark Therapeutics	ONCE	1539.00	21.08	-90.81	1234	58.54
Voyager	VYGR	361.00	16.80	-34.29	170	10.13
Peer Averages		1,446.82	22.47	-137.61	1027	96.46

Source: FactSet

Craft Brew Alliance (BREW)

December 9, 2016

Patrick Wade | Consumer Staples

Craft Brew Alliance (NASDAQ: BREW) is the sixth largest craft brewing company in the United States. BREW operates under two primary segments: beer related (86.4% or revenue) and Pubs (13.6%). The Beer related segment is responsible for the brewing and marketing of craft beers and ciders, while the pubs operations operates five pub restaurants across the U.S. and is responsible for selling beer directly to customers. Their most notable brands include Redhook Brewery, Widmer Brothers Brewing, Kona Brewing Co., Omission, Square Mile Cider Co., and KCCO. BREW operates five major breweries across the U.S. located in Seattle, Portland, Hawaii, and one brewery in Memphis, which is owned by a brewing partner. A large portion of beers are distributed to retailers through wholesalers affiliated with Anheuser-Busch Inbev. Craft Brew Alliance was originally formed by the merger of Widmer Brothers Brewing and Redhook Brewery, and is headquartered in Portland, OR.

Price ($):	14.80
Price Target ($):	18.45
52WK H-L ($):	$22.40 - 6.80
Market Cap (M):	284.0
Float (000):	8,983.68
Short Interest (%):	11.30%
Avg. Daily Vol:	207241.0
Dividend ($):	-
Yield (%):	0.00%

Beta:	1.52
WACC	7.94%
M-Term Rev. Gr Rate Est:	6.94%
M-Term EPS Gr Rate Est:	64.48%
Debt/Equity:	25.8%
Debt/EBITDA (ttm):	1.49
ROA:	0.04%
ROE:	0.07%
ROIC:	0.06%

FY: June	2014	2015	2016E	2017E
Revenue (Mil)	200.02	204.17	213.76	233.00
% Growth	11.63%	2.07%	4.70%	9.00%
Gross Margin	29.35%	30.46%	31.41%	32.54%
Operating Margin	2.85%	2.09%	4.27%	6.79%
EPS (Cal)	$0.16	$0.12	$0.28	$0.48
FCF/Share	($0.31)	($0.21)	($0.06)	$0.12
P/E (Cal)	83.4	69.8	53.4	30.6
EV/EBITDA	21.9	22.5	16.2	11.8

Recommendation

Over the past decade, there has been a tremendous increase in the demand for craft beer. Currently, the growth rate in demand in the United States is 8% for craft beer, while the growth rate of the overall beer market is 0.2%. Obviously, the craft beer industry has been driving the growth in the beer industry. Because there are so many craft breweries developing from the increased demand, there has been a large amount of M&A activity in the past few years. Some of these acquisitions are being made by Anheuser-Busch, which acquired seven craft breweries in the past two years. Currently, Anheuser Busch controls a little more than 30% of BREW's shares outstanding. If BREW's brands perform well moving forward, there could be a potential acquisition with a substantial premium. Additionally, BREW entered into a brewing agreement with Rainer Brewing Company, a subsidiary of Pabst Brewing Company. The agreement allows them to brew selected Rainier brands in BREW's Woodinville, Washington location – which will help decrease BREW's total expenses because BREW will require less employees in the location. Due to the projections that Craft Brew Alliance will continue to be a strong, growing force in the craft beer industry with acquisition potential, it is recommended that Craft Brew Alliance be added to the AIM Equity Fund with a price target of $18.45, representing a 25% upside. BREW does not pay a dividend.

Investment Thesis

- **Operational Improvement.** Craft Brew Alliance is working to improve their gross margin and are aiming to achieve a 35% margin by 2017. This will be completed through a number of operating efficiencies such as reducing packaging via value engineering efforts, reducing beer loss by leveraging new technologies, etc. Currently, their gross margin is hovering around 31%, so the likelihood of achieving the 35% is going to be a challenge. However, they are still making changes in their supply chain strategies that should result in an increasing gross margin in the coming periods. Over the past three years, their gross margin has seen and absolute growth rate of approximately 4%. Their gross margin improvement should continue in the coming periods.

- **Untapped Potential.** Craft Brew Alliance has been in a master distribution agreement with AB Inbev since 1997, and it has recently been extended through 2028. This new agreement not only extended the agreement, but added new growth opportunities. One of these opportunities is an international distribution agreement. Despite the slowing demand for craft beer in the United States from about 9% to 8% annually, there is an untapped market for craft beer internationally. In 2015, there were only 80 small and independent craft brewers exporting their beer, and total exports were less than 2% of the total amount of craft beer brewed in the U.S. In addition, there has been a year-over-year increase in demand for craft beer in foreign countries such as Brazil with an increase of 64%, Canada and Japan both had a 32% increase, and Western Europe saw a 37% increase.
- **Project Husky.** Kona Brands made up approximately 55% of shipments in 2016 and is BREW's strongest brand. Kona's growth has been 17% for the first nine months of 2016, which is outperforming the industry's average growth rate of 8%. Additionally, their change in depletion has increased 18% in the past nine months- depletion is the rate at which beer exits the distributor's warehouse and is a key indicator of demand. With the renewed AB Inbev agreement, a project was developed called "Project Husky" with the main objective to drive Kona's growth domestically.

Valuation

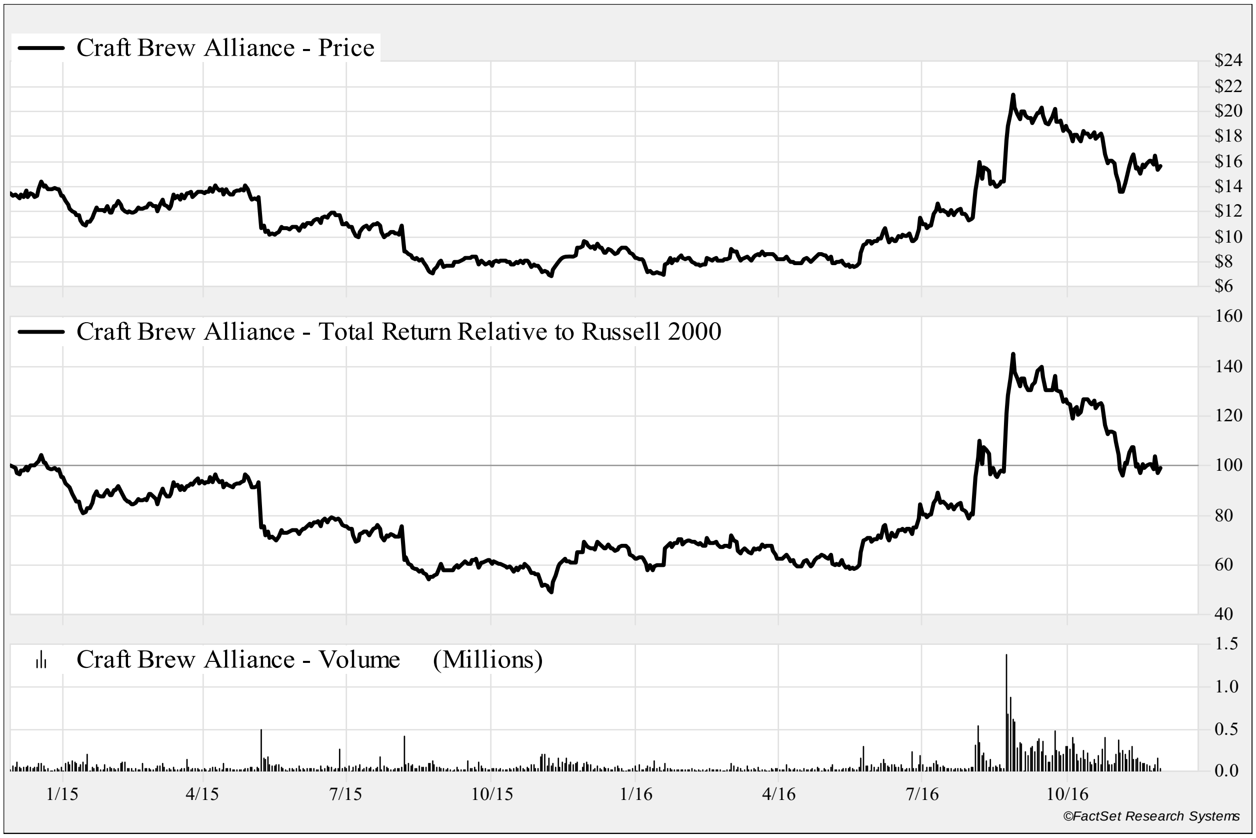
In order to reach an intrinsic value for BREW, a five year DCF model was constructed. Using a terminal growth rate of 2.5%, WACC of 7.94%, an intrinsic value of $17.73 was reached. A sensitivity analysis using the terminal growth rate and the WACC ranged from $12.45 - $31.87. Additionally, a P/S multiple valuation was conducted using 2016 expected sales of $213.76 and a comparables average P/S of 1.92, which resulted in a valuation of $21.31. By weighting the two valuation models 80/20, a price target of $18.45 was reached, which yields a 24.66% upside. BREW does not pay a dividend.

Risks

- **Large Dependence on AB Inbev.** Because a large amount of products are sold through Ab Inbev's distribution network, there would be a tremendous gap in BREW's supply chain if their partnership ended. This would leave BREW to establish a new wholesaler network or renegotiate with some of their smaller, independent wholesalers. If this were to happen, there would be a substantial amount of time, money - and other resources spent remedying the situation.
- **Booming Number or Craft Breweries.** Over the past decade, there has been an explosion of craft breweries across the United States. In 2013, 2014, and 2015 regional craft breweries grew 19%, 28%, and 15% - almost doubling the number of craft breweries. If this staggering growth rate continues, it could dilute the sales of the already existing breweries.
- **Multiple Licenses and permits**. Breweries that operate under federal, state, and local laws require an immense amount of permits and licenses. Many craft breweries sell different brews for different seasons, and require approval for their seasonal beers. If they don't get approved, the breweries could lose a significant revenue and net income.

Management

Craft Brew Alliances' management team is compiled of individuals who have had a wealth of industry experience. Andrew J. Thomas has been serving as CEO since January 1, 2014. Prior to his experience as CEO, he was the CEO of Heineken USA. Joseph K. Vanderstelt, the current CFO, is relatively new to the company. He started in late April of 2015, but prior to working with BREW, he served as the senior Director, Finance & Planning for Miller Coors. The Chief Marketing Officer, Chief Operating Officer, and VP all served in executive roles with Heineken, Pabst Brewing Company, and AB Inbev.



Source: Factset

Ownership

% of Shares Held by All Insider Owners:	53.32%
% of Shares Held by Institutional & Mutual Fund Owners:	26.75%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Anheuser-Busch Inbev Sa/Nv	6,069,000	31.55
Healy W Cameron	1,402,000	7.29
Widmer Kurt R	1,217,000	6.33
Dimensional Fund Advisors LP	1,174,000	6.10
Widmer Robert	910,000	4.73

Source: FactSet

Peer Comparables

Name	Ticker	Market Cap	Debt/Equity	Sales (mil)	P/S	EV/EBITDA
Craft Brew Alliance	BREW	282.1	25.8%	205.90	1.38	24.67
Boston Beer	SAM	2143.2	0.1%	902.20	2.49	11.59
Jamba Inc.	JMBA	154.1	0.0%	81.90	1.9	-
Kopparbergs Bryggeri AB	KOBR	568.9	0.0%	231.80	2.45	11.77
Ottakringer Getraenke AG	OTV-AT	254.2	29.7%	238.10	0.79	10.85
Peer Averages		780.1	7.5%	363.5	1.91	11.40

Source: Factset

Johnson Outdoors Inc. (JOUT)
December 9, 2016

Ketty Alvarado — Consumer Discretionary

Johnson Outdoors, Inc. (NASDAQ: JOUT) is a leading global manufacturer and marketer of branded seasonal, outdoor recreation products used for fishing, diving, paddling, hiking and camping. It operates through the following segments: Marine Electronics (60.9% of revenue), Diving (16.6%), Watercraft (11.3%), and Outdoor Equipment (11.2%). The Marine Electronics segment provides electric trolling motors, fish finders and accessories to advance fish-catching potential. The Diving segment manufactures and markets underwater diving products for recreational divers. The Watercraft segment designs and markets sea canoes and kayaks for family recreation, touring, angling and tripping. The Outdoor Equipment segment provides commercial and military tents and accessories, sleeping bags, camping furniture and other recreational camping products. JOUT sells its products in 80 countries with revenue coming from the United States (81.4%), Europe (8.0%), Canada (6.5%), Asia (2.7%), and Australia (1.4%). Johnson Outdoors is headquartered in Racine, WI and was founded by Samuel Curtis Johnson II in 1970.

Price ($): (11/28/16)	41.80
Price Target ($):	53.64
52WK H-L ($):	$18.33-45.73
Market Cap (mil):	425
Float (mil):	1.8
Short Interest (%):	1.00%
Avg. Daily Vol (k):	35.7
Dividend ($):	0.08
Yield (%):	0.70%

Beta:	1.01
WACC:	8.27%
M-Term Rev. Gr Rate Est:	6.2%
M-Term EPS Gr Rate Est:	7.1%
Debt/Equity:	3.0%
Debt/EBITDA (ttm)	0.3x
ROA:	7.0%
ROE:	9.5%
ROIC:	10.0%

FY: September	2015A	2016E	2017E	2018E
Revenue (mil)	435.8	451.7	475.7	509.1
% Growth	2.44%	3.65%	5.31%	7.02%
Gross Margin	39.41%	40.41%	40.44%	40.50%
Operating Margin	6.31%	7.41%	7.94%	8.08%
EPS (Cal)	$1.72	$1.83	$1.91	$2.10
FCF/Share	$0.79	$1.05	$1.21	$1.55
P/E (Cal)	24.3	22.8	21.9	19.9
EV/EBITDA	9.1	7.9	7.2	6.8

Recommendation

Johnson Outdoors' performance in 2016 reflects continued progress in strengthening its capabilities for long-term and profitable growth. Despite the impact of $10.8 million (2.5%) in unfavorable currency translation, total net sales increased 2.4% over fiscal 2015 to $435.8 million and net income grew 18.3% over the same period last year. While continued improvement in the macro economy helps, Johnson Outdoors' main source of success has been its innovative product offerings, marketing excellence, product performance and quality. As a result, JOUT is currently well positioned across the water sport equipment market, most notably in the Marine Electronics segments, gaining share from 200 to 400 basis points per year, and with newly introduced products from the Johnson Outdoors' brands. In 2015, JOUT introduced the Minn Kota Ultrex trolling motor, Humminbird Helix 10 fish finder and Old Town Predator PDL pedal fishing kayak, each of which grabbed the top award in its category at last month's ICAST, the world's largest and most prestigious trade and consumer fishing show. These new technologies have been influential in differentiating JOUT from its peers. Additionally, over the past few years, JOUT has increased R&D spending (4.8% of total revenue), which positions it well for future innovation and growth. Going forward, as Johnson Outdoors continues to vertically integrate its production, improve operational efficiency, and decrease SG&A expenditures, it will enjoy solid incremental margins. This, along with JOUT's leading innovation model in the outdoor recreation market and its strong position to grow its top and bottom lines in the future, it is recommended that Johnson Outdoors Inc. be added to the AIM Equity Fund with a price target of $54, which represents a 28% upside.

Investment Thesis

- **Improving Economy and Water Sport Equipment Demand.** Over the last few years, as demand for watersports equipment has accelerated, Johnson Outdoors has benefited from increased growth. For example, Johnson Outdoors' Marine Electronic segment reported improvement in its operations in FY 2015, with Y/Y growth accelerating to 6.2% compared to 0.7% in FY2014. This growth was heavily driven by the Minn Kota product line, primarily the Ulterra tolling motor, which grew 5.0% in FY2015. This growth, along with product innovation and effective marketing, has enabled the Marine Electronics to gain a market share of 9.5%.

- **Increasing Global Footprint with Innovation.** In 2015, JOUT introduced the Minn Kota Ulterra, the first auto stow, deploy and power trim electric trolling motor which exceeded expectations. By the end of this year, two more innovations will be introduced into the market. The focused R&D activities strengthen JOUT's operations through developing new products across its business offerings. For 2017, JOUT will be introducing the Humminbird I-Pilot Link, the first cable-steer motor with power steering and I-Pilot GPS capabilities, which management believes will ensure future revenue streams for the company. During the first months of 2016, JOUT saw a 15% ($12.3 million) improvement in sales over the same period in 2014. Most of this is attributable to the success seen from the Humminbird and Minn Kota brands.
- **Extension of Land and Water Conservation Fund.** The extension of Land and Water Conservation Fund (LWCF) could favor the growth of JOUT's business operations. The LWCF is the federal program to conserve irreplaceable lands and improve outdoor recreation opportunities across the nation, supported by the government. In 2016, the U.S. government committed to spend $950 million for 5 to 10 more years on this effort, which will continue to favor Johnson Outdoors.

Valuation

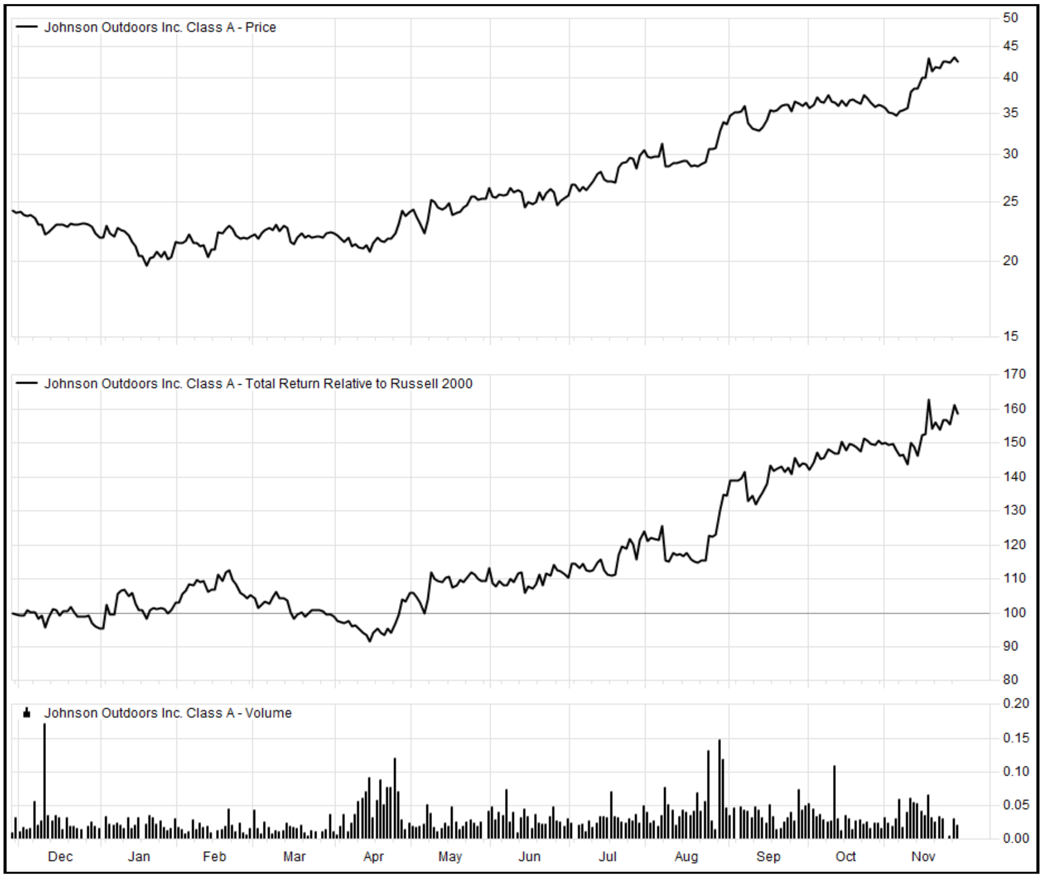
In order to reach an intrinsic value for JOUT, a five-year discounted cash flow model was constructed using a WACC of 8.3% and a terminal growth rate of 2.0%, which yielded a target price of $53, which is an upside of 28% over JOUT's current price. A ± 1% sensitivity analysis on the WACC and the terminal growth rate provided intrinsic values between $43 and $73 per share. In addition to the DCF, an EV/EBITDA model was employed using a 10.4x multiple and 2016E EBITDA of $45.2 million, which returned a target price of $54 per share. Weighting the DCF and EV/EBITDA models equally yielded a final target price of $54, or an upside of 28% over JOUT's current price. The company paid a $0.08 annual dividend in 2015, yielding 0.7%.

Risks

- **Declining Diving Business.** The Diving business segment (16.6% of revenue) reported declining results in 2016, with revenues declining by 4.3% compared to the decline of 2.9% in FY2014. This fall in sales by was mainly due to unfavorable currency conditions. Even as operating expenses for the segment reported a decrease of $2,425 due to cost containment efforts in light of lower sales volume, the segment reported operating loss as 14.1%. Going forward, this decline may continue.
- **Foreign Exchange Risks.** JOUT is exposed to fluctuations in foreign exchange rates, as it has significant foreign operations. Approximately 18.6% of revenues for 2015 were denominated in currencies other than the U.S. dollar. To minimize its risk from currency fluctuations, the company manages and hedges transactional risk by the use of matching receipts and payments in the same currencies and by forward exchange contracts and options. If these hedging methods do not prove successful in the future, JOUT's performance may deteriorate.

Management

Helen P. Johnson Leipold has been the Chairwoman and CEO of Johnson Outdoors since March 1999. Prior to joining JOUT, she served as the Chairman and Director of Johnson Financial Group, Inc., Ms. Johnson brings 20 years of experience to the company. In addition, David Johnson and John Moon serve as CFO and CIO, respectively. JOUT's management team bring decades of experience, drawing on deep knowledge of the company and its industry.



Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	72.99%	▲
% of Shares Held by Institutional & Mutual Fund Owners:	54.60%	▲

Source: Thomson One

Top 5 Shareholders

Holder	Shares		% Out
Johnson Bank (Investment Management)	2,592	▲	29.40
Dimensional Fund Advisors, L.P.	749	▲	8.50
BlackRock Fund Advisors	410	▲	4.65
Renaissance Technologies LLC	226	▲	2.56
LSV Asset Management	171	▬	1.94

Source: FactSet

Peer Comparables

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA Margin	EV/ EBITDA	P/E NTM
Johnson Outdoors	JOUT	419	436	12.1%	9.1x	24.3x
Brunswick	BC	4,495	4,392	8.8%	9.4x	13.1x
Fenix Outdoor	FOI	730	500	11.2%	10.2x	19.2x
Camping World Holding	CWH	528	-	-	-	18.9x
Garmin	GRMN	9,829	2,820	11.4%	9.2x	18.6x
Polaris Industries Inc.	PII	5,565	4,719	8.8%	12.9x	20.3x
Peer Averages		4,229	3,108	10.1%	10.4x	18.0x

Source: FactSet

NICE Ltd. ADR (NICE)
December 9, 2016

Yiqiu (Ethan) Zhu International Technology

NICE Ltd. (NASDAQ: NICE) is an enterprise software provider that enables organizations to improve their customers' experience, drive business performance, ensure compliance and fight financial crime. The company generates all its revenue through two domains: Customer Interactions (74.8% of total revenue) and Financial Crime and Compliance (25.8%). In FY 2015, the geographic revenue mix of NICE was as follow: United States (68% of total revenue), Asia-Pacific (20.8%), and Europe, the Middle East and Africa (10.8%). The company has a loyal customer base of more than 20,000 organizations in over 150 countries, including 80 of the Fortune 100 companies. NICE was founded by Micky Golan on September 28, 1986 and is headquartered in Ra'anana, Israel.

Price ($): (12/2/16)	64.88
Price Target ($):	72.14
52WK H-L ($):	69.79-54.12
Market Cap (mil):	3,889.2
Float (mil):	91.90%
Short Interest (%):	2.44%
Avg. Daily Vol (mil):	75925.00
Dividend ($):	0.64
Yield (%):	0.99%

Beta:	0.94
WACC	10.8%
M-Term Rev. Gr Rate Est:	12.0%
M-Term EPS Gr Rate Est:	10.2%
Debt/Equity:	0.0%
Debt/EBITDA (ttm):	0.00
ROA:	14.9%
ROE:	19.7%
ROIC:	10.3%

FY: December 31	2015	2016E	2017E	2018E
Revenue (Mil)	926.90	1,024.22	1,239.31	1,388.03
% Growth	6.29%	10.50%	21.00%	12.00%
Gross Margin	65.89%	66.00%	67.00%	66.00%
Operating Margin	17.92%	17.00%	24.00%	23.00%
EPS (Cal)	$3.18	$3.62	$3.90	$4.29
FCF/Share	$3.85	$4.56	$5.98	$6.54
P/E (Cal)	24.4	18.2	16.7	14.9
EV/EBITDA	11.9	11.5	9.8	7.5

Source: Bloomberg

Recommendation

NICE is an industry leader that operates in two domains: Customer Interactions and Financial Crime and Compliance. The Customer Interaction sector is NICE's main business, which contains the bulk of their total revenue. Their Customer Interaction Management (CIM) systems can record data during a business transaction and use the data to analyze customer patterns and habits so that companies can use these results to improve their customers' experience. In the CIM area, NICE has two advantages over its competitors: first, NICE's CIM system have the ability to capture 100% of customer interactions from multi channels and store all recorded data securely on a single platform. Secondly, NICE CIM systems have real-time capabilities that allow managers to listen to calls as they happen, which allows for better quality assurance and workforce efficiency. In terms of historical performance, NICE recently posted solid 3Q results. Total revenues for 3Q increased 7.3% to $237.2 million, compared to $221.1 million for the third quarter of 2015. Fully diluted earnings per share for the third quarter of 2016 increased 10.4% to $0.53, compared to $0.48 in the third quarter of 2015. Due to the company's comparative advantages over its peers and strong historical performance, it is recommended that NICE be added to the AIM International Equity Fund with a target price of $75.00, representing a 15.60% upside. NICE pays an annual dividend of $0.64, yielding 0.99%.

Investment Thesis

- **Increasing focus on improving customers' experiences will continue to drive up demand for NICE's customer interaction solutions.** Organizations are increasingly implementing a customer-centric strategy to get better visibility regarding their customers' business experiences with them. Organizations are now moving from simple Business Intelligence tools to decision and real-time action solutions, such as NICE's CIM solutions. The customer interaction product market is expected to grow from $3.77 billion in 2014 to $8.39 billion in 2019, which represents an impressive CAGR of 17.3% during the 2014 to 2019 period. As a market leader in the CIM business with a large amount of existing customers, it should be easier for NICE to capture the growth in CIM market.

- **An increasing need for an integrated risk management platform.** As more devices connect to the Internet of Things (IoT) network over the next five years, the number of data breaches and the complexity of financial crime will continue to grow exponentially. Financial companies have a strong demand for an integrated risk management platform that has the capability to detect different risks and the firm currently has a solution called NICE Actimize. This flexible and scalable platform has the ability to detect and manage different risks. Therefore, with the help of NICE Actimize, the company will be able to maintain a strong revenue growth in its financial security and compliance business.
- **Acquisition of InContact.** InContact is a provider of cloud contact center software solutions. The company provides a range of cloud contact center call routing, self-service and agent optimization solutions. The acquisition of InContact significantly builds out NICE's cloud offerings, which makes them more competitive in a market with increasing demand of cloud-based solutions (a CAGR of 25.1% from 2015 to 2020). In addition, the acquisition will also expand the total available market (TAM) for NICE to $15 billion (6-8 times bigger than the previous TAM). Management indicated at the time of the acquisition announcement that this deal is expected to close by the end of 2016 and be accretive in 2017.

Valuation

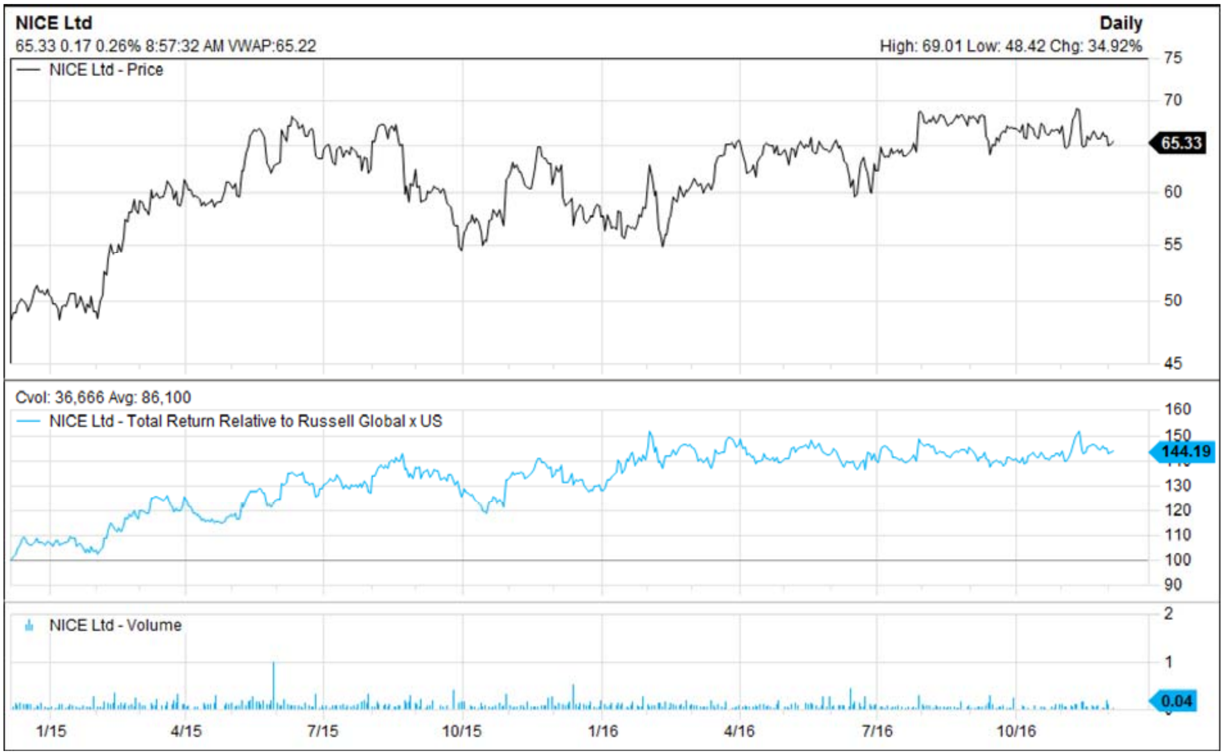
In order to reach an intrinsic value for NICE, a five-year DCF was constructed. Using a terminal growth rate of 1.5% and a WACC of 10.8%, a price target of $75.69 was established. In addition, a ±0.5% and ±1% sensitivity analysis on terminal growth rate and the WACC was conducted. The price ranged from $65.60-$89.62. In addition, an EV/EBITDA multiple valuation was conducted using FY 2016 estimated EBITDA of $257.47 MM and peer comparable EV/EBITDA multiple of 16.98x, resulting in a valuation of $57.91. By weighting the two valuation models 80/20, a price target of $72.14 was reached, resulting in a 11.1% upside.

Risk

- **Potential competition from Microsoft and Salesforce.com.** Currently both Microsoft and Salesforce.com have customer relationship management (CRM) products. However, with the resources and technologies these two company possess, they are strong competitors to NICE if they continue to develop their customer interaction management products.
- **Reduced employee productivity due to lack of employee development programs.** NICE relies heavily on skilled employees to develop new business solution compared to its peers in the global market. Currently, NICE has no programs for professional development, training or any programs that engages with its employees. This could create problems for NICE to improve employee productivity and might negatively affect the company's revenue.

Management

According to the MSCI report, the management team consists of industry expert, financial expert, and risk management expert. Barak Eliam is the CEO of NICE, he joined NICE since 1999 and he has extensive global corporate management experience. Miki Migdal serves as President of the NICE Enterprise Product Group since 2014. He is responsible for product strategy, R&D, innovation, product management, and solution marketing. Mr. Magda has over 25 years of enterprise software development experience and prior to joining NICE, he was the CEO of SAP Israel.



Ownership

% of Shares Held by All Insider and 5% Owners:	8.06%	
% of Shares Held by Institutional & Mutual Fund Owners:	24.31%	

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Migdal Makefet Pension & Provident Funds Ltd.	3,111,000	5.14
Harel Provident Funds Ltd.	3,066,000	5.07
Psagot Securities Ltd.	1,672,000	2.76
The Vanguard Group, Inc.	928,000	1.53
Norges Bank Investment Management	799,000	1.32

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	D/E	Sales Growth 3yr	P/E	EV/ EBITDA
NICE Ltd. ADR	NICE	14,950	0.00%	13.8%	18.18	14.60
Verint Systems	VRNT	8,883	72.60%	28.7%	12.93	16.10
Fair Isaac Corporation	FICO	13,307	127.80%	23.7%	31.99	19.57
Oracle	ORCL	604,276	114.00%	3.0%	14.66	9.24
ACI Worldwide	ACIW	8,053	108.20%	25.2%	46.91	20.97
TeleTech Holdings, Inc	TTEC	5,046	33.30%	16.0%	20.46	7.71
Bottomline Technologies, Inc	EPAY	3,726	60.20%	37.6%	28.15	28.29
Peer Averages		107,215	86.0%	22.37%	25.85	16.98

*Removed For Relative Valuation Analysis

Source: FactSet

Columbia Sportswear Company (COLM)

December 9, 2016

Martha Wong | Consumer Discretionary

Columbia Sportswear Company (NASDAQ: COLM) designs, sources, markets, and distributes outdoor and active lifestyle apparel, footwear, accessories, and equipment. Apparel, accessories, and equipment account for ~80% of net sales, and footwear accounts for ~20% of net sales. The company operates under four primary brands: Columbia, Sorel, Mountain Hardwear, and PrAna. Distribution occurs through wholesale, direct-to-consumer, independent distributors, and licensees in four geographic segments: United States (62.6% of net sales), Latin America and Asia Pacific (20.2%), EMEA (10.0%), and Canada (7.2%). The company operates under the directive "It's Perfect, Now Make It Better." Columbia Sportswear Company was founded in 1938 in Portland, OR, as a small family-owned, regional distributor and incorporated in 1961.

Price ($): 12/2/16	58.31
Price Target ($):	73.45
52WK H-L ($):	62.95-43.56
Market Cap (mil):	4,067
Float (mil):	27
Short Interest (%):	4.50%
Avg. Daily Vol (k):	265.30
Dividend ($):	0.72
Yield (%):	1.23%

Beta:	0.98
WACC	8.4%
M-Term Rev. Gr Rate Est:	8.0%
M-Term EPS Gr Rate Est:	15.0%
Debt/Equity:	1.20%
Debt/EBITDA:	0.06x
ROA:	9.0%
ROE:	11.7%
ROIC:	11.5%

FY: Dec	2014A	2015A	2016E	2017E
Revenue (Mil)	2,100.62	2,325.82	2,539.75	2,783.51
% Growth	24.7%	10.7%	9.2%	9.6%
Gross Margin	43.0%	43.1%	43.6%	44.1%
Operating Margin	9.2%	9.9%	10.8%	11.9%
EPS (Cal)	$1.97	$2.48	$2.71	$3.39
FCF/Share	$2.67	$2.28	$1.57	$3.18
P/E (Cal)	29.7x	23.5x	21.5x	17.2x
EV/EBITDA	15.7x	13.5x	11.5x	9.7x

Recommendation

COLM functions in multiple product categories including apparel, footwear, accessories, and equipment primarily targeting consumers living an active and outdoor lifestyle. The company's four brands – Columbia, Sorel, Mountain Hardwear, and PrAna – each maintain distinct identities, allowing COLM to diversify its product portfolio. The firm has delivered strong financial performance via revenue and EBITDA growth. Total revenues grew at a CAGR of 17.5% from FY13 to FY15, and EBITDA grew at a CAGR of 33% during the same period. Growth is expected through a strong brand portfolio, diversified product offerings, global trends toward more casual attire, and a solid balance sheet that enables brand-enhancing investments. By establishing relationships with specialists in chemistry, engineering, industrial design, materials research, and related fields, COLM can expect to capitalize on its ability to cater to consumers' preferences in order to draw more attention to the brand and enhance customer loyalty. The outdoor apparel industry has seen impressive sales growth in recent years and reached $4B in sales in 2014. Additionally, sales in the athletic apparel market rose 42% from 2008 to 2015 to $270B and are expected to grow another 30% by 2020. One of the largest growth prospects in the industry is a shift in China's population to a generation looking for more active pastimes such as hiking. COLM's joint venture with Swire Resources Limited, which was formed with the purpose of gaining exposure to mainland China, could benefit from this shifting generation. Given COLM's product portfolio, it can expect to capitalize from strength in the mentioned industries. The most significant drivers for this classic brand include Sorel and PrAna's ability to capture additional market share, gross and operating margin expansion, and enhancement of the company's brand and product offerings. For these reasons, COLM is poised to be a strong addition to the AIM Equity Fund with a target price of $73.45, representing a 26% upside.

Investment Thesis

- **Sorel and PrAna capturing additional market share.** Sorel, acquired in 2000, has proven itself over time as a leader in the winter footwear category for women and grew sales 26% to a record $209M in 2015. The brand is looking to expand in the US Women's Footwear market (valued at $26.9B) and is in the process of re-positioning to higher price-points and broadening its seasonal relevance beyond winter. Given that all growth is concentrated in North America, the brand also has significant opportunity in untapped international markets. Additionally, PrAna, acquired in 2014, has shown double-digit growth over the past five years including a 48% increase in ecommerce sales for 2015. They are poised to stay on this track by leveraging COLM's corporate operating platforms and expansion beyond North America.

- **Margin improvement potential.** COLM's focused and innovative product line and a more favorable product mix with a higher proportion of direct-to-consumer net sales should help drive gross margin improvement to a more competitive level. Additionally, COLM's 2015 operating margin was 9.9% but expects to see improvement going forward partially as a result of the new ERP system in the international distribution business that recently joined the North American wholesale business and the majority of the global supply operations. Operating margin should be able to return to pre-2009 levels, which consistently exceeded 10%, and will make COLM more competitive with peers. Operating margin expansion will also be driven by increased ecommerce sales, which accounted for ~7% of sales in 2015, and generally attain higher operating margins.
- **Brand and product enhancement.** COLM engages in multiple partnerships to enhance its brand awareness in addition to continuously introducing innovative products to the market. COLM is the official global outerwear licensee of Manchester United and has a strong licensing program that includes the Dallas Cowboys. A recently signed a multi-year agreement to be the presenting sponsor of the Ultra-Trail du Mont Blac, the world's most iconic ultra-trail running event, will also enhance brand awareness. OutDry Extreme rainwear was announced in 2015, which was groundbreaking to the waterproof breathable rainwear category. Additionally, a new line of branded golf apparel was launched in March 2016. These brand and product enhancement techniques will allow COLM to reach more customers and gain greater traction in the marketplace.

Valuation

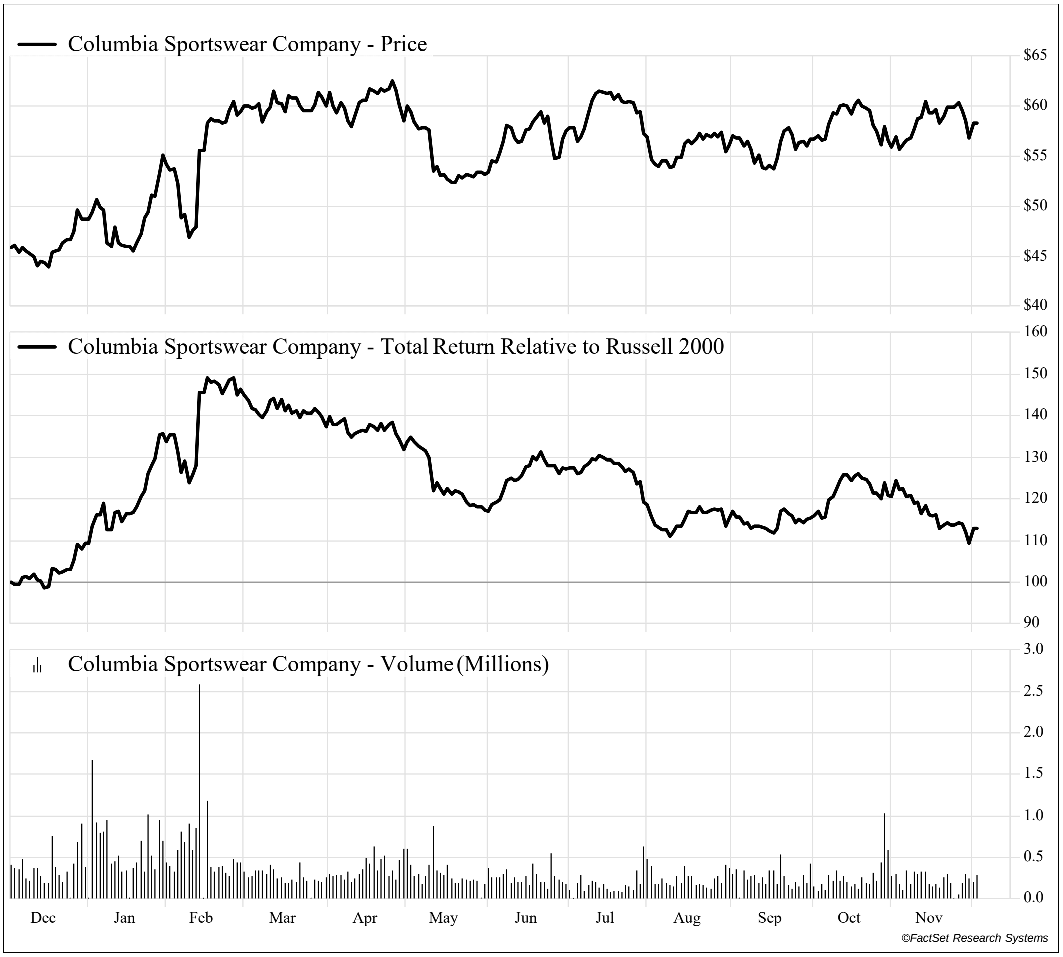
In order to reach an intrinsic value for COLM, a five-year DCF model was constructed. Using a terminal growth rate of 3.00% and WACC of 8.35%, an intrinsic value of $77.72 was reached. A +/- 1% sensitivity analysis of the terminal growth rate and WACC ranged from $75.26 to $80.41. Additionally, a P/E multiple valuation was conducted using 2016 EPS of $2.71 and a predicted forward multiple of 22.39x, resulting in a valuation of $60.63. By weighting the valuation models 75/25, a price target of $73.45 was reached, which yields a 26% upside.

Risks

- **Dependence on sales forecasts.** The design and development of products line begins about 12 months prior to soliciting orders from wholesalers and 18 months before products are made available to customers. Additionally, COLM does not maintain long-term manufacturing commitments, which could inhibit the ability to secure timely production. These two factors place pressure on accurate sales forecasts.
- **Competition within the industry.** The markets for outdoor and active lifestyle apparel, footwear, accessories, and equipment are competitive. COLM needs to maintain a competitive advantage in order to thrive and provide quality products to consumers in all of its product categories.
- **Softness in consumer spending.** A slowdown in the economy could lead to softness in consumer spending habits, which could adversely impact COLM's ability to generate revenues and attain its growth targets.

Management

Tim Boyle has served as CEO of COLM since 1989. He began his career with the company and took over when his father, who had been running the company since 1964, passed. Bryan Timm is President and COO and has been with the company since 1997.



Source: FactSet

Ownership

% of Shares Held by All Insiders:	61.35%
% of Shares Held by Institutions:	37.76%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Timothy Boyle	27,777,000	39.83%
Gertrude Boyle	10,237,000	14.68%
Atlanta Capital Management Co. LLC	3,973,000	5.70%
Sarah Bany	2,384,000	3.42%
The Vanguard Group, Inc.	2,036,000	2.92%

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales	EBITDA Margin	EV/ 2016E EBITDA	Price/2016E EPS
Columbia Sportswear Company	COLM	4,067	2,326	12.4%	11.5x	21.5x
Deckers Outdoor Corporation	DECK	1,968	1,831	12.5%	8.9x	14.8x
Nike	NKE	84,025	33,035	13.5%	14.8x	21.3x
Under Armour, Inc.	UA	11,988	4,691	12.3%	23.7x	50.1x
VF Corporation	VFC	23,081	12,117	15.5%	12.4x	17.8x
Wolverine World Wide	WWW	2,214	2,516	10.8%	10.9x	16.7x
Peer Averages		24,655	10,838	12.9%	14.1x	24.1x

Source: FactSet

NewStar Financial, Inc. (NEWS)
December 9, 2016

Brendan Hopkins Financial Services

NewStar Financial, Inc. (NASDAQ: NEWS) operates as a commercial finance company with specialized lending platforms focused on meeting the financing needs of companies and private investors in the middle market. NewStar provides sophisticated financing options to mid-sized companies through asset management and their lending groups, which includes Leveraged Finance, Business Credit, Equipment Finance, and Real Estate Financing. NEWS also provides secured debt financing options to mid-sized companies in order to fund working capital, growth strategies, acquisition recapitalization, and equipment purchases. The company was founded in 2004 by Timothy Conway, employs 122 people, and is headquartered in Boston, MA.

Price ($): (12/6/16)	8.71	Beta:	1.56	FY: Dec	2015A	2016E	2017E	2018E
Price Target ($):	12.66	WACC	3.46%	Interest Income	201.79	247.19	269.43	265.07
52Wk H-L ($):	11.37 - 4.25	M-Term Rev. Gr Rate Est:	5.5%	% Growth	32.52%	22.50%	9.00%	-1.62%
Market Cap (mil):	383	M-Term EPS Gr Rate Est:	5.2%	Operating Expenses	-51.928	-57.1208	-43.411808	-44.497103
Float (mil):	63.9	LT Debt/Total Equity	100.3	% Growth	-10%	24%	-2%	2%
Short Interest (%):	2.60%	ROA:	4.6%	EPS (Cal)	$0.35	$0.54	$0.81	$0.89
Avg. 3 Month Vol:	63,318	ROE:	9.2%	P/E (Cal)	25.7	23.4	15.6	14.2
Dividend ($):	0.00			BVPS	14.17	14.61	16.07	16.88
Yield (%):	0.00%			P/B	0.63	0.87	0.79	0.75

Recommendation

Setting and executing the key priorities of reducing expenses and utilizing their capital strictly for business operations with favorable long-term trends, management has been able to produce promising financials in the past two quarters after a shaky start of 2016. In the third quarter, NEWS has realized a significant increase in earnings driven by strong revenue growth and a stable credit performance. This strong revenue growth of 40% (from 2Q16) resulted as core interest/fee income grew and loan values recovered. During this time, management also decided to sell off or partially sell off certain business lines, which resulted in excess liquidity and the opportunity to reinvest into higher yielding investments such as their asset management platform and leveraged lending operations. Another non-recurring event that also took place was the payoff of a loan by a client, which boosted net income by 3.2M. Even though these non-recurring items had a significant impact on the bottom line, core operating revenue was still up 9% from the prior year without management even fully redeploying capital gains from the sale of their business lines. In the third quarter, Net Income skyrocketed up 68% from a year ago and BVPS was up $0.26 to $14.38. As for returning this profit to shareholders, the company does not pay a dividend but has made it a clear mission to return excess capital through the practice of share repurchases, doing so twice this year. Based upon NEWS's business decision to limit their exposure to non-lucrative business lines, their ability to perform at an improving rate during market downturn, and the more favorable market conditions ahead, it is recommended that NEWS be added to the equity fund with a price target of $12.66.

Investment Thesis

- **Management Discipline.** Despite market challenges, NEWS's management was able to maintain business momentum and achieve their key priorities of selling off non-core businesses, improving cost savings, and growing their asset management platform. In order to streamline their business and operate at the efficiency they intend to, NEWS has reduced their overall headcount and deemphasized areas that are difficult to scale. The intent is to avoid competition from banks and specifically, they have sold their asset-based lending business, decreased the size of their real estate business, and have just closed a deal to sell their equipment finance business to Radius Bank for $140M in cash. Management utilized this received capital by redeploying it into higher-margin investments within their wholly owned asset management subsidiary, NEWS

Capital, and their middle-market leverage finance operations. From the sale of their ABL business, NEWS has sponsored two new funds with just shy of a billion dollars. Beyond these, NEWS has decreased their loan issuances as this slow credit market has led to tighter spreads and erosion in the quality of transactions. Management has been careful to maintain credit selection, even if this means slowing their pace of investments.

- **Favorable Market Conditions Anticipated.** Although the first half of the year was a difficult time for middle-market loan issuances and capital markets, this past quarter has signaled a positive trend for NEWS as asset values have recovered due to an increase in interest in middle-market private debt from institutional investors and a meaningful increase in deal flow. Coupling this with the fact that banks have reduced their role in the leveraged lending market, NEWS stands to increase their market share. With management anticipating the market to improve in terms of yields and loan demand, the sale of their equipment finance business and the projected liquidity of $200M by the end of 2016 positions NEWS to reinvest in higher margin activities and capitalize on favorable long–term trends.
- **Scale and Relationships.** The middle-market direct lending landscape has encountered a few new entrants, but they have not had a significant impact as most of the capital being invested in this area is actually seen going through companies that already have control of market share and sound relationships. Management stated that there are only four or five players, including themselves, that possess the dominance in the core middle-market direct lending business. NEWS's ability to take on larger commitments and offer attractive unitranche solutions has permitted them to increase their market share and their current pipeline of investment opportunities represent potential for growth in AUM and yields.

Valuation

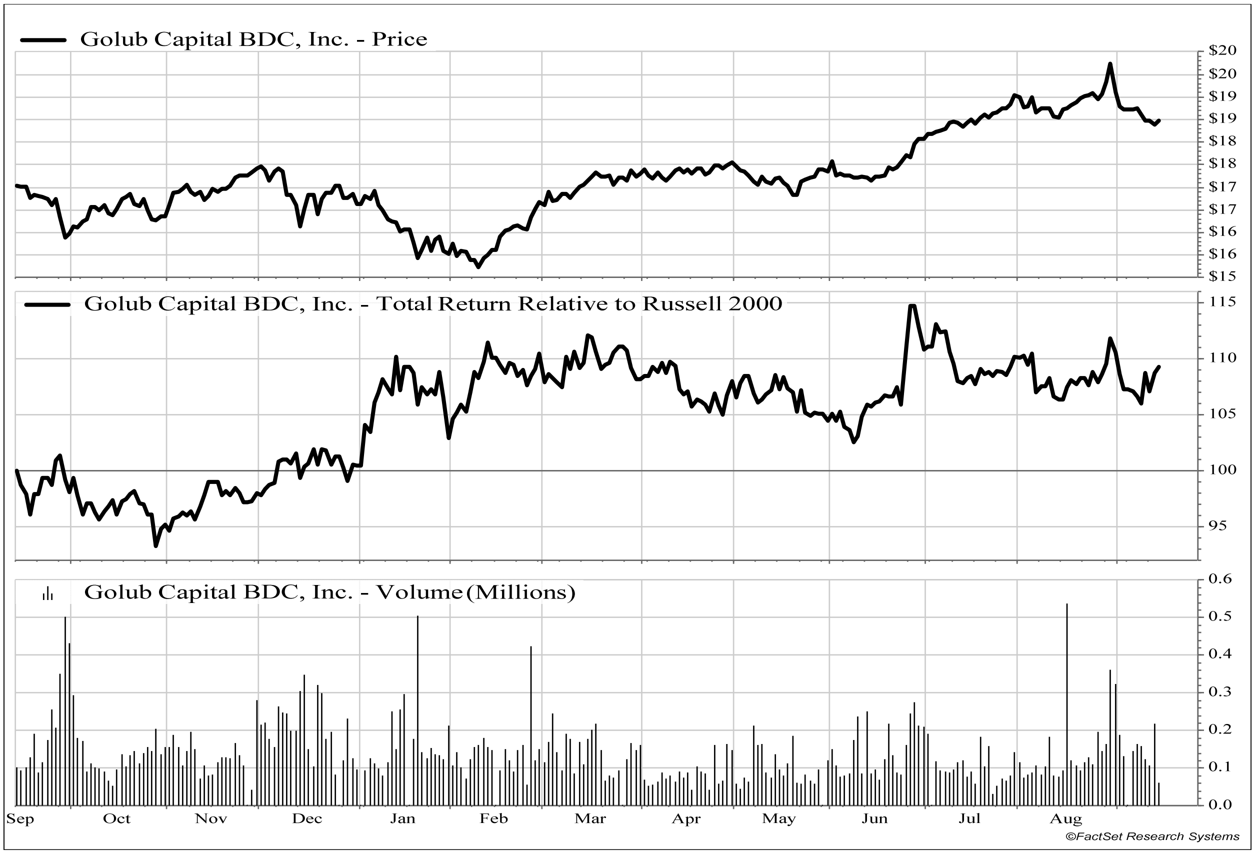
Utilizing a blended historical and peer price-to-earnings (P/E) average and a historical and peer price-to-book value (P/BV) resulted in an intrinsic value of $12.66. For the P/BV model, a current and historic blend of the company's four peers was used and a P/BV multiple of 0.925X was achieved leading to a valuation of $13.88. Following this method, a current and historic blend of the company's four peers was again used resulting in a P/E multiple of 16.69X and a valuation of $11.44. Weighting these two equally, a price target of $12.66 was established representing a 44.97% upside.

Risks

- **Unique Client Base and Market.** Dealing with privately owned, mid-sized companies, there is more inherent risk than compared to making loans to larger companies. The issue in dealing with non-public, smaller companies is that they may have limited access to capital and higher borrowing costs. As interest rates rise are expected to rise, demand for NEWS's debt products may decrease and some existing customers may find themselves in a situation where they are unable to pay off their interest. Beyond this, there is no secondary market in which NEWS would be able to trade their loans, making it difficult to sell them and even value the debt instruments.
- **Sensitivity to Economic Activity.** Historically when global capital markets experience a period of instability or extreme volatility, debt markets are materially affected. Currently, there is unease in the direction and instability of the global economy. If extreme market disruptions occur, NEWS can be directly affected through a lack of liquidity, significant write-offs and an increase in the default risk of their holdings.

Management

Timothy Conway founded NEWS Financial, Inc. in 2004 and is the current CEO, Chairman of the Board of Directors, and serves on the Management and Investment Committees. Prior to founding NEWS, he managed Corporate Finance and Capital Markets at FleetBoston Financial Corp and worked at several other financial firms. Recently, the company has had two key players and founding members step down and take on roles as an external Risk Advisor.



Ownership

% of Shares Held by All Insider and 5% Owners:	36.14%	▼
% of Shares Held by Institutional & Mutual Fund Owners:	47.64%	▼

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
Schweizerische Ruckversicherungs-Gesellschaft AG (Invt Port)	3,000,000	–	6.43
Dimensional Fund Advisors LP	2,465,000	▲	5.28
Oaktop Capital Management II LP	2,257,000	–	4.84
Second Curve Capital LLC	1,687,000	▼	3.62
Northwestern Mutual Life Insurance Co.	1,555,000	–	3.33

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Div. Yld. %	P/B	ROA	ROE
NewStar Financial, Inc.	NEWS	383.0	0.00	0.63	0.48	2.57
Pennant Investment Corp.	PNNT	540.8	14.70	0.83	1.44	2.76
BlackRock Capital Inv. Corp.	BKCC	541.4	11.30	0.92	3.15	5.03
THL Credit. Inc.	TCRD	343.2	10.40	0.85	3.55	6.54
Fifth Street Senior Floating Rate Corp.	FSFR	259.8	10.20	0.72	2.87	4.36
Peer Averages		421.3	11.7	0.8	2.8	4.7

**Removed For Relative Valuation Analysis*

Source: Factset

EastGroup Properties, Inc. (EGP)
December 9, 2016

Wenqin (Wendy) Liu | Financial Services

EastGroup Properties, Inc. (NYSE: EGP) is an equity real estate investment trust (REIT) focused on industrial properties. EGP acquires and develops industrial properties throughout the United States with an emphasis in the states of Florida, Texas, Arizona, California and North Carolina. Its portfolio consists of Business Distribution (87% of its total industrial properties), Bulk Distribution (9%), and Business Service (4%). EGP owns approximately 320 industrial prosperities and it has approximately 1,500 customers with a weighted average lease term of 5.4 years. The company was found in 1969 and is headquartered in Jackson, Mississippi.

Price ($): (12/4/16)	69.47	Beta:	0.88	FY: Dec	2014A	2015A	2016E	2017E
Price Target ($):	79.04	Cost of Equity	8.3%	Revenue (Mil)	219.70	234.90	253.10	271.80
52Wk H-L ($):	76-49.31	M-Term Rev. Gr Rate Est:	7.0%	% Growth	8.76%	6.92%	7.75%	7.39%
Market Cap (mil):	2,308	M-Term EPS Gr Rate Est:	12.1%	Net Operating Income	73.8	79.1	85.2	91.4
Float (mil):	31.8	Financial Leverage	2	% Growth	10.81%	7.18%	7.71%	7.28%
Short Interest (%):	4.60%	ROA:	5.50%	FFO Per Share	$3.47	$3.67	$4.02	$4.23
Avg. Daily Vol (mil):	0.21	ROE:	8.5%	P/FFO (Cal)	18.3	15.2	17.3	16.4
Dividend ($):	2.42	Price to Earnings	39.7	BVPS	17.7	17.1	18.3	17.3
Yield (%):	3.50%	Operating Margin	35.4%	P/B	3.6	3.3	3.8	4.1

Recommendation

EGP's strategy for growth is based on the ownership of major distribution facilities and is generally concentrated around the major transportation hubs that are located in supply-constrained submarkets in Sunbelt metropolitan areas. In terms of operation, EGP has grown revenue at a 5-year CAGR of 6.5% and grown Funds from Operations (FFO) at a 5-year CAGR of 9.7%. EGP's total leased percentage was 97.2% as of FY2015 compared to 96.75% as of FY2014. EGP reported strong balance sheet as of December 31, 2015 with a Debt to Total Market Capitalization of 36% and an Interest and Fixed Charge Coverage Ratio of 4.4x. The occupancy rate of the leased properties is 98% or better in its operating markets. The leasing contracts that are scheduled to expire in 2016 were 13.55% of the portfolio on a square basis as of December 31, 2015, along with the new development activities, providing support for EGP's rental sales growth. Additionally, EGP reported $1.04 earnings per share for Q3 FY2016, meeting the consensus estimate of $1.04. Revenue for 3Q was up 8.0% from $62.4mn to $63.19mn YoY and EPS was up 10.6% from $0.94 to $1.04 YoY. Rental rates on new and renewal leases increased at an average of 10.6% in Q3 FY2016. In addition, EGP continues new acquisitions and development programs during 2016, which help to ensure long term growth opportunities. EGP seeks for more opportunities to dispose older assets and to recycle those proceeds into development thus creating incremental net asset value. With the completion of non-core Houston assets in 3Q 2016, the closing assets reduced the average portfolio age and allow EGP to reinvest in higher yielding assets. With solid fundamentals and new acquisition and developments activities, it is recommended that EGP be added to the AIM Small Cap Fund with a price target of $79.04, representing an upside of 13.8%. EGP also pays a dividend of $2.42, yielding 3.50%.

Investment Thesis

- **Acquisitions and Development Programs.** EGP acquired operating properties totaling 335,000 square feet and 113 acres of development land for $51mn during 2015. In 2016, EGP is under contract to acquire a Las Vegas property for $42mn, which was completed earlier in 2016 and is currently 50% leased. In addition, EGP acquired a Florida Commerce Park for $14mn, which is 29% leased. These acquisitions will allow EGP the opportunity to grow its footprint and earn above-market yields upon lease-up within two fast growing metro markets. EGP also starts 14 new development programs in metropolitan market in 2016. Especially, the development land in Miami Gardens, Florida (Dade County) presents long term growth opportunity due to its strategic location at a freeway interchange within the fast growing, land constrained Dade County market. The acquisition activities and development programs meet EGP's strategic growth plan and help to drive their revenues.

- **Resurgence in US Exploration and Uptick Employment in Energy Sector.** The REIT sector had been selling off since September due to concerns about U.S.'s rising interest rate environment under Trump's policies. However, resurgence in U.S. exploration especially the recovery of the price of oil and gas will improve the employment rate under EGP's operating segments and would further create rental demand for industrial properties under their geographic distributions.
- **Reliable and Foreseeable Dividend Payout.** On December 2nd, EGP announced their 148th consecutive quarterly cash dividend ($0.62 per share), which is an annualized rate of $2.48 per share. EGP has maintained or increased its dividend for 24 consecutive years, including the Great Recession. Due to the fact that majority of the expected return of an REIT's return comes from dividends, EGP'S reliable dividend emphasizes its strong fundamentals.

Valuation

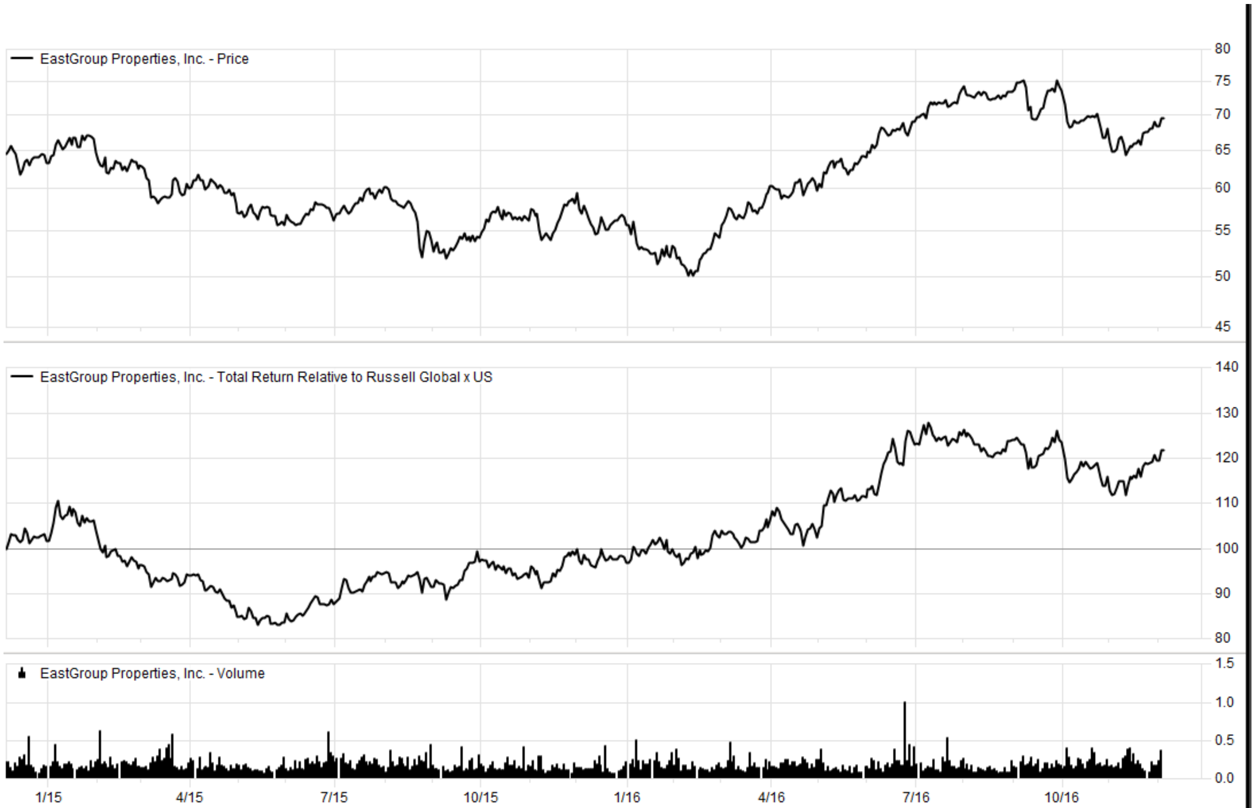
In order to reach to the intrinsic value of EGP, an excess equity model and a Price to Funds from Operation multiple valuation were used. The excess equity method used a perpetual growth rate of 2%, a cost of equity of 8.34%, and reached an intrinsic value of $81.72. A sensitivity analysis was conducted using a ±1% terminal growth rate and a ±1% cost of equity, yielding a range of $82.27 to $76.70. In addition, a combined comparable and historical P/FFO was utilized. Using a P/FFO multiple of 18.6x and EGP' 2016E FFO Per Share of $4.02, the P/FFO multiple yielded an intrinsic value of $75.02. Weighting these valuations 60/40, an intrinsic value of $79.04 was established.

Risks

- **Economic Conditions.** EGP's financial results are affected by general economic conditions in the market where its industrial properties are located. Any adverse changes in general of local economic conditions could adversely affect EGP's results of operations.
- **Rising Interest Rate Environment.** Rising interest rate environment is not favorable for REITs; however, increasing rates correspond to economic growth and more demand, which would drive up REIT prices-especially for office REITs.

Management

Mr. Marshall A. Loeb serves as President, Chief Executive Officer, Independent Director of EastGroup Properties, Inc. He has more than 25 years of experience with publicly held REITs. Mr. Loeb received a BS in Accounting, a Master of Tax Accounting degree from the University of Alabama, and an MBA from the Harvard Graduate School of Business.



Ownership

% of Shares Held by All Insider and 5% Owners:	3.55%
% of Shares Held by Institutional & Mutual Fund Owners:	97.30%

Source: Factset

Top 5 Shareholders

Holder	Shares	% Out
The Vanguard Group, Inc.	5,118,000 ▲	15.55
BlackRock Fund Advisors	3,457,000 ▲	10.51
T. Rowe Price Associate, Inc.	3,136,000 ▼	9.53
JPMorgan Investment Management, Inc.	1,996,000 ▼	6.07
Asset Managemtn One Co., Ltd.	1,450,000 ▲	4.41

Peer Analysis

Name	Ticker	Market Cap (mil)	Revenue (mil)	P/FFO	P/B	Dividend Per Share
EastGroup Properties	EGP	2,308	243	17.47	3.8	2.5
First Industrail Realty	FR	3,123	354	17.45	2.6	0.8
Washington REIT	WRE	2,338	316	17.41	2.2	1.2
Monmouth Real Estate Inve	MNR	965	91	17.43	2.4	0.6
DCT Industrial Trust	DCT	4,172	378	21.12	2.3	1.2
Rexford Industrual Rlty	REXR	1,451	116	23.82	1.7	0.5
Peer Averages		2,410	251	19.4	1.5	0.9

Source: Factset