



WESTERN INVESTMENT CLUB



ANNUAL REPORT 2018 / 2019

November 1st,
2019

WesternInvestmentClub.ca

Our Mission: To build interest in capital markets among young investors at Western University and teach the fundamentals of investing.

An aerial view of a city skyline at dusk. The sky is a mix of light blue and orange, with some clouds. In the foreground, several tall buildings are visible, with their windows glowing. The most prominent building in the center is the Empire State Building, which is illuminated with red lights at the top. To its right, another tall building is under construction, with a crane visible. The background shows a wide expanse of the city, with many smaller buildings and a body of water in the distance.

THIS ANNUAL REPORT REPRESENTS A
COLLECTIVE EFFORT FROM OUR TEAM TO
PROVIDE TRANSPARENCY INTO THE FUND

This annual report is dedicated to all the former members
and alumni of the Western Investment Club.
Without your hard work WIC would not be possible.

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Produced by Gary Ge & Lucy Lu

See back for important disclosures



FUND MANAGERS' STATEMENT

Dear fellow members and alumni of WIC, we are pleased to provide an update on the fund's progress for the 2018-2019 academic year. Since its inception in 1996, the fund has grown more than ninefold, and WIC has continued to educate the finance community at Western University. We are very proud to see the development of all 600+ members, and we are equally pleased with the fund's overall performance.

As of April 30th, 2019, our fund's assets under management have reached ~C\$227,000, and since May 1st, 2018, our net return has been 8.3%. In the 2018-2019 academic year, we were able to deploy ~C\$13,500 of capital across six new investment opportunities and had ~C\$50,000 of deployable capital remaining at the end of the period.

Our club's investment philosophy is straightforward and simple, and it continues to reflect the mantra that all intelligent investing is value investing. We search for great businesses that have high returns on invested capital and require minimal incremental investment to achieve growth. We do so in industries where we believe we have a strong understanding in. When those criteria are met, we only invest when there is a sufficient margin of safety to protect us from the fact that no one is infallible and our predictions of the business may be wrong.

Despite an academic year punctuated by US-China trade wars and fears of unanticipated global economic slowdown, economic fundamentals remained generally strong. We are currently in the longest bull market since World War II, and protracted good times like this make it difficult to find great businesses at cheap or reasonable prices. But markets hit a pause at the end of 2018, with the realization that we are at the late stages of the economic cycle. A recession is likely in the next few years, and as value investors, those are the hunting grounds we prefer. As such, our fund has been more disciplined in deploying capital this year, and we hope that the club can continue to do so in the near future.

Thank you to the entire analyst team for their hard work and willingness to educate the next generation. Thank you to Western's endowment for their continued support and help. Finally, thank you to all 600+ members for your unwavering support. It is the opportunity to watch each and every member grow that provides us with immense satisfaction, and we are proud of where WIC is today.

Sincerely,

Gary Ge & Lucy Lu
Fund Managers, 2018 / 2019



Gary Ge
Fund Manager



Lucy Lu
Fund Manager

OUR ORGANIZATION

Our fund was officially created in 1996 with the generous donation of \$25,000 from Mr. Cameron S. Marshman, in honour of his wife. Since then, we have managed it with a value investing philosophy. Mr. Marshman's wish was to educate and foster the next generation of investors at Western University by giving them a chance to invest real capital. Today, that donation has grown more than 800%.

FUND STRATEGY

WIC employs a bottom-up fundamental investing approach to every investment. Each idea begins with a screening process to find stocks that are trading below their intrinsic value. Our analysts then conduct an extensive research procedure to understand and evaluate the company. The process can sometimes take months for a single idea. WIC attempts to truly understand a company's valuation as well as the key drivers of its future growth potential before executing a trade. We believe that by conducting an exhaustive research process, we minimize the risk of unforeseen challenges.

For over 35 years, WIC has applied a disciplined approach to portfolio construction. Since all of our investments are high conviction ideas, we do not use beta diversification in our portfolio. However, we try to allocate capital evenly across our groups to find the best ideas among each industry. Lastly, each of our investments maintains a significant margin of safety to provide downside protection.

FIRMS REPRESENTED



600+
ACTIVE MEMBERS

6
INDUSTRY GROUPS

35+
YEARS OF HISTORY



2018 / 2019 TEAM

EXECUTIVE



Fina Pang
Co-President



Lucy Lu
Fund Manager



Noah Klein
Co-President



Gary Ge
Fund Manager

ALUMNI ADVISORS



Charles Korn
IND Advisor



Matthew Hall
NR Advisor



David Zhang
TMT Advisor



Kevin Zhou
FIG Advisor

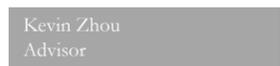


Feroz Qayyum
CRG Advisor



Bowen Qian
REHG Advisor

ADVISORY BOARD



Kevin Zhou
Advisor



Matthew Ting
Advisor



Kevin Gryp
Advisor



Vinayak Modi
Advisor



Andrew Kim
Advisor



Sam Tammen
Advisor



Harsh Naik
Advisor

CONSUMER RETAIL



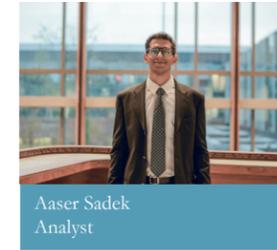
Edwina Liu
Head Analyst



Nameh Dhawan
Head Analyst



Saad Afroz
Analyst



Aaser Sadek
Analyst



Harrison Thomas
Junior Analyst

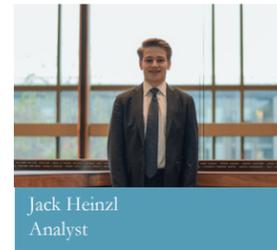
INDUSTRIALS



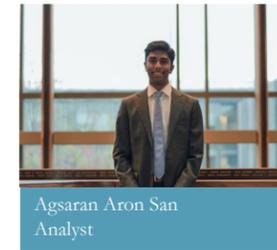
Natalie Ngo
Head Analyst



Maksym Kryworuchko
Head Analyst



Jack Heinzl
Analyst



Agsaran Aron San
Analyst



Uv Sandhu
Junior Analyst

TECH, MEDIA & TELECOM



Braeden Price
Head Analyst



Sheldon O'Brien
Head Analyst



Amir Khod
Analyst



Jasmine Yang
Analyst



Brad Perez
Junior Analyst

FINANCIAL INSTITUTIONS



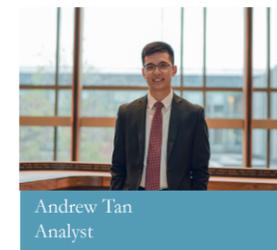
Jim Zhou
Head Analyst



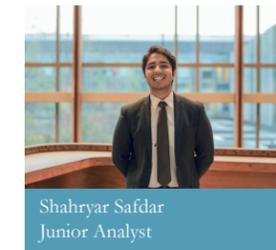
Shehryar Mansoor
Head Analyst



Max Lai
Analyst



Andrew Tan
Analyst



Shahryar Safdar
Junior Analyst

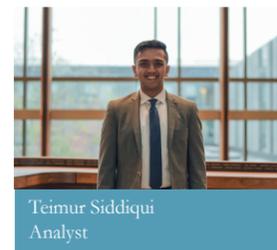
NATURAL RESOURCES



Justin Yeung
Head Analyst



Gen Pelow
Head Analyst



Teimur Siddiqui
Analyst



Connor McDiarmid
Analyst



Connor McSweeney
Junior Analyst

REAL ESTATE, HEALTHCARE & GAMING



Esteban Lee
Head Analyst



Zarbux Daruwalla
Head Analyst



Maanit Patel
Analyst

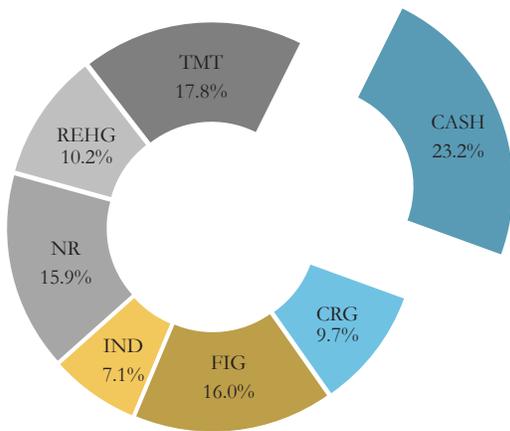


Melissa Shang
Analyst

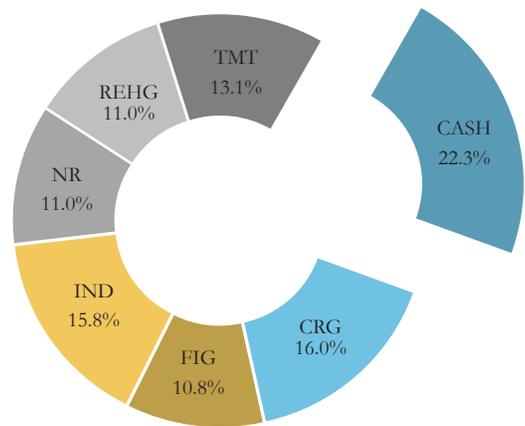


James Silva
Junior Analyst

PORTFOLIO AT-A-GLANCE

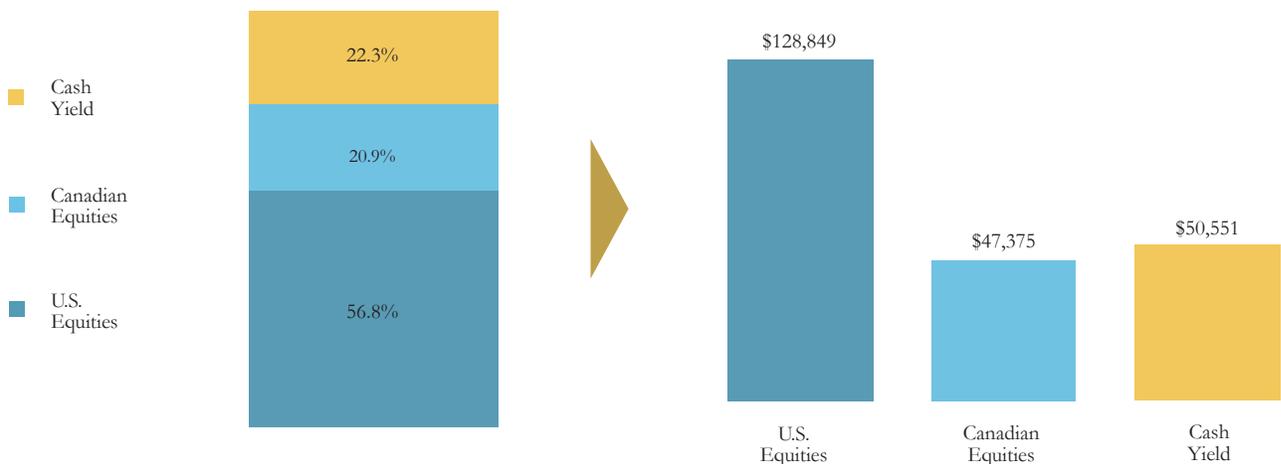


INDUSTRY ALLOCATION
MAY 1ST, 2018



INDUSTRY ALLOCATION
APRIL 30TH, 2019

Given the expensive valuations for high-quality businesses during our investment period, it was considerably difficult for us to find opportunities that fit our investment criteria. Overall, we made two new investments in Industrials and one new investment each in FIG, NR, REHG, and CRG for a total of six new additions to our portfolio. Additionally, TMT pitched a successful “Hold” pitch for Finisar.



WIC's portfolio is comprised of U.S. equities, Canadian equities, and a cash yield component. We face foreign exchange risks in the CAD / USD rate since much of our capital is invested in U.S. equities. Our cash is invested in a liquid savings account when it is not deployed for investments.

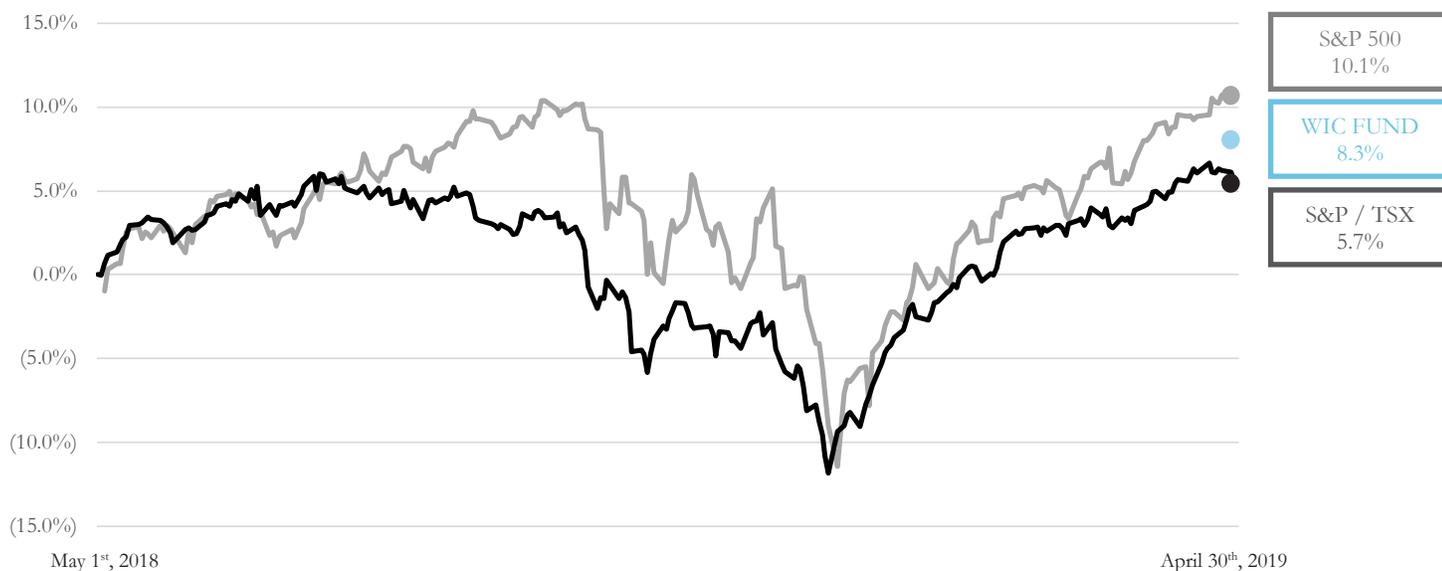
CURRENT HOLDINGS

Canadian Holdings (<i>As of April 30th, 2019</i>)	Symbol	Group	Entry Price
Atlantic Gold	AGB	NR	C\$1.83
Cenovus Energy	CVE	NR	13.07
Dream Global REIT	DRG.UN	REHG	8.63
Keg Royalties Income Fund	KEG.UN	CRG	10.79
Magellan Aerospace	MAL	IND	18.75
Power Financial	PWF	FIG	32.99
Seven Generations Energy	VII	NR	20.08
Stars Group	TSGI	REHG	24.55
Suncor Energy	SU	NR	33.13
TC Energy	TRP	NR	43.58
Toronto-Dominion Bank	TD	FIG	55.82
U.S. Holdings (<i>As of April 30th, 2019</i>)	Symbol	Group	Entry Price
Aercap	AER	FIG	C\$70.92
American Express	AXP	FIG	109.54
Astronics	ATRO	IND	50.97
Astronics Class B	ATRO.B	IND	47.85
Banco Santander	SAN	FIG	8.54
Berkshire Hathaway	BRK.B	IND	135.23
Covanta	CVA	NR	19.82
Catalent	CTLT	REHG	36.19
Diversified Restaurant Holdings	SAUC	CRG	2.58
Finisar	FNSR	TMT	26.01
Federal Agricultural Mortgage	AGM	FIG	111.18
Huntsman Corporation	HUN	NR	34.48
HCA Healthcare	HCA	REHG	120.88
Iron Mountain	IRM	REHG	56.50
Marathon Petroleum Corporation	MPV	NR	104.44
QAD	QADA	TMT	27.71
Qualys	QLYS	TMT	48.85
Pattern Energy	PEGI	NR	31.06
Premier	PINC	REHG	44.54
Radian Group	RDN	FIG	27.50
Stericycle	SRCL	IND	64.58
Syntel	SYNT	TMT	63.10
Synchrony Financial	SYF	FIG	46.60
Seaworld Entertainment	SEAS	CRG	28.11
Trecora Resources	TREC	NR	16.02
Teradyne	TER	TMT	67.38
Teva Pharmaceuticals	TEVA	REHG	46.41
Thor Industries	THO	CRG	191.68
Unico American	UNAM	FIG	11.98
XPO Logistics	XPO	CRG	69.01

A scenic view of a city skyline across a body of water. The city features numerous high-rise buildings, some with distinctive architectural styles. In the foreground, the water is a deep blue-green, with several sailboats visible. The sky is a clear, light blue. A semi-transparent blue box is overlaid on the image, containing white text.

WIC PRIDES ITSELF ON A
RIGOROUS ANALYTICAL
APPROACH TO EACH
INVESTMENT DECISION

FUND PERFORMANCE



Commentary

During the academic year, markets were divided into three distinct periods. First was a period characterized by optimism, with US indices reaching all-time highs. Next, markets were marred by a US-China trade war and fears of a slowdown in global economic growth. Finally, equity markets registered their biggest gains in nearly a decade in the first quarter of 2019, lifted by bets that central banks would maintain low interest rates for the foreseeable future. Despite the volatility, we are focused on letting the operating results of our companies tell us whether our investments are successful, and we pay little attention to the daily fluctuations of companies' share prices.

Our fund posted net returns of 8.3%, which rested between that of the S&P 500 and the S&P / TSX Composite. Though we are pleased with the results, we believe that there is still room for improvement. Specifically, although our fund does a good job of demanding an adequate margin of safety in each and every investment, we should look to improve our ability to accurately quantify the downside. We think that if we can steer clear of investments where we are unable to accurately understand how much we may stand to lose, the upside tends to take care of itself. We hope that succeeding generations share our view that progress is our duty and will strive to continuously hone the fund's investment strategy to improve fund performance.

SELECT INVESTMENTS

XPO Logistics (NYSE:XPO)

XPO logistics, a transportation and logistics services company, was pitched by the CRG team in February 2019. The investment thesis centered around the fact that the stock had been unjustly punished by investors due to (1) market overreaction to customer delinquencies and (2) an inaccurate short seller report. Both of these factors served to drive down the share price to its 52-week low. We purchased 40 shares of XPO Logistics at these new lows, and the stock has produced an unrealized gain of 32.2% from the time of entry to the end of our fiscal period. We believe that this investment demonstrates that assets are often cheapest when things look the darkest.



Stericycle (NASDAQ:SRCL)

Another successful investment we made was in Stericycle, a regulated waste disposal services and information destruction company pitched by the Industrials team in October 2019. The Industrials team believed that the market had unfairly punished the stock for a series of one-time headwinds that had no impact on the company's core business. The stock has since produced a 21.1% unrealized gain for us and we once again believe this demonstrates that pessimism is our friend because we like the prices that it produces. This investment also shows that good businesses can be found at discounted prices if one can simply separate an isolated and correctable problem from one that is general and permanent.



Atlantic Gold (TSX-V:AGB)

WIC purchased Atlantic Gold in November 2018 on the back of a recent gold price rout which increased the perceived risk of junior gold producers and depressed the share price. With superior management, the company was able to maintain its status as a low-cost operator in the industry. For companies selling commodities or commodity-like products, being a low-cost producer is all-important to profits. On May 14, 2019, Atlantic Gold was acquired by St Barbara in an all-cash offer for C\$2.90 per share, locking in gains of 58.8% for the fund.



STAY IN TOUCH

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WesternInvestmentClub.ca

IMPORTANT DISCLOSURES:

All analyses and conclusions of WIC are based on publicly available information. The analyses may contain certain statements, estimates or projections prepared with respect to anticipated operating performance, access to capital markets and the values of assets and liabilities. Any WIC material is not a recommendation or solicitation to buy or sell any securities.

Such statements reflect various assumptions and are included solely for illustrative purposes. No representations, express or implied, are made as to the accuracy or completeness of such statements, estimates or projections or with respect to any other materials herein. Actual results may vary materially from the estimates and projected results.