



**BIG**  
BERKELEY INVESTMENT GROUP

Welcome

Spring 2019  
Information Session



# Presentation Overview



- 1 Introduction to Berkeley Investment Group
- 2 Getting To Know BIG Members
- 3 Investment Philosophy & Fund Overview
- 4 Financial Industry Overview
- 5 Why BIG
- 6 Application Process

# 1 What is BIG?



Founded in 1997, Berkeley Investment Group is the largest *student-run* investment fund at UC Berkeley

## General Membership

- Weekly Educational Meetings
- Speaker Events
- Job Access Opportunities

## Intern Program

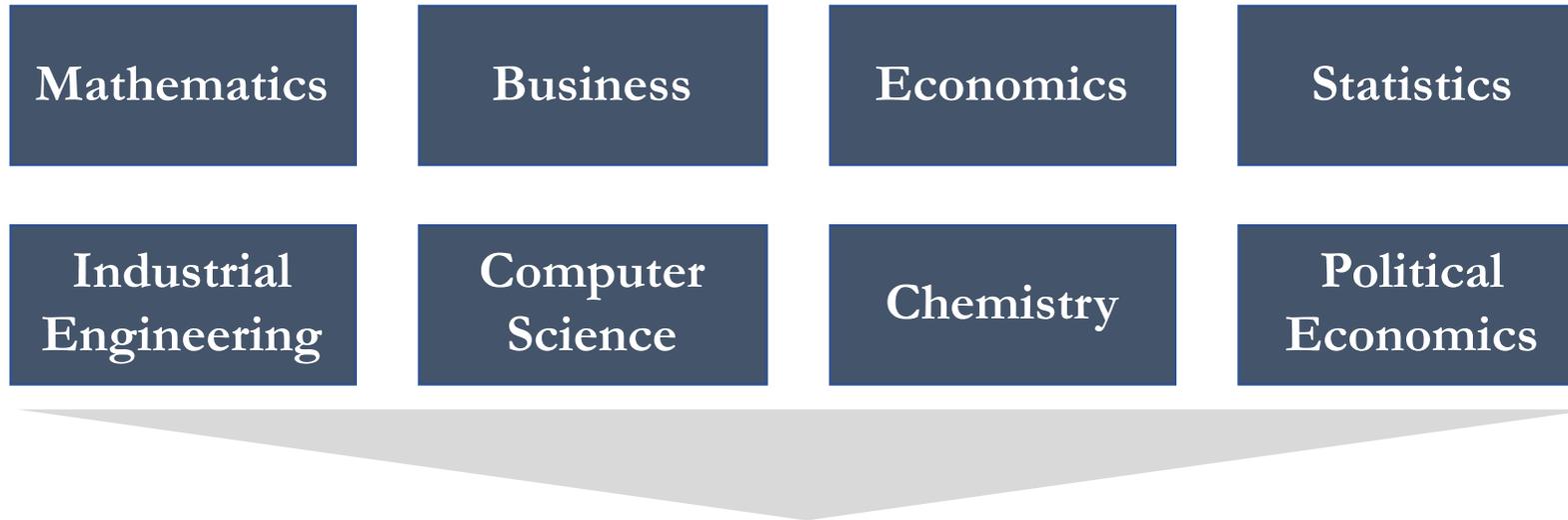
- One Semester of Technical Training
- Become an Officer and Manage the Fund
- Resume Book Opportunities

## Decal

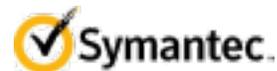
- Weekly Lessons
- Dive into Investing
- UC Berkeley Units

## 2 Getting to Know BIG Officers

We have a diverse group of officers, from all different majors. While we all come from different backgrounds, BIG members share the same passion for investing



Diverse academic background paired with BIG education leads to internships at premier finance firms. Our officers have recently interned at...



BIG graduates have a track record of joining some of world's premier financial service and investment firms with a large presence in private equity and investment banking

**Investment Banking**

**Private Equity**

**Investment Management**

# 3 Our Investment Philosophy

## The Concept of Value Investing

- Buy when companies are trading below intrinsic value and sell when they reach intrinsic value
- Determine value through fundamental analysis, valuation, etc.



## Forming a Variant Perception

- Markets are usually efficient, so very difficult to find a stock under its intrinsic value
- Two ways to make money when investing:
  - Have different information from everyone else
  - Have a different idea from everyone else
- Variant perception is the idea of having a different thesis about a stock from “the street”
- Once your thesis plays out, market will ideally realize the value of the company, and price will go up

We believe that there is value to be found through active management because...

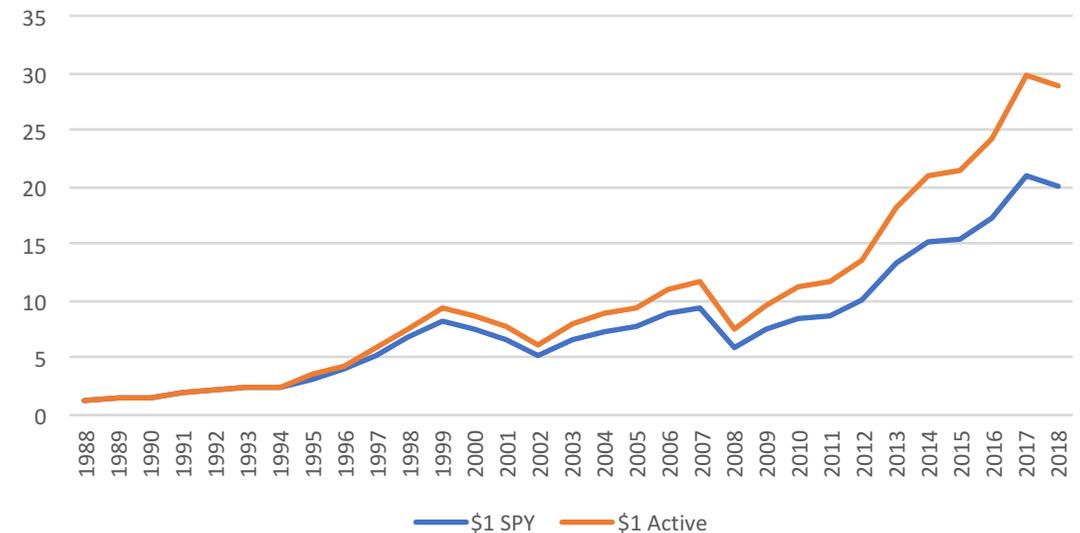
## Why most “active” funds underperform

- Most fund managers ( ~ 80%) underperform the S&P 500. This is not surprising.
- Most mutual fund and hedge fund managers allocate follow their bench mark to closely, this guarantees you underperform

## Why actual active management works

- Investors who deviate from their bench mark have historically dramatically outperformed
- In 2013, Antti Petajisto conducted a study that pioneered the idea of active share, which is how much you deviate from the bench mark. He found that managers who decided not to closet index and actually pick stocks outperformed by 1.26% per year on average.

Active vs. Passive: Return of \$1 Invested



Do I understand the business model in detail?

Is this a good industry to be in?

Does the company have a robust value proposition and/or competitive advantage?

Do I have a concrete variant perception?

Is the company undervalued?

# 3 Long Case Study: United Rentals (NYSE: URI)



## Situation Overview

*The market had misunderstood the shift in URI's business model to pump*

- URI shares were cut in half despite raising their guidance and improved fundamentals and was trading at 5x FWD earnings
- The market was overly concerned on the reduction in time utilization and average rental rate, which they assumed meant that URI had negative organic growth

## Company Overview

- United Rentals is the largest equipment rental company in the world, essentially it buys heavy equipment and then rents that equipment out in a variety of end markets
- Heavily focused on acquisitions. URI buys companies that focus on renting specific equipment such as pumps and then cross sell those services to their current base.

## Thesis/Variant Perspective

- URI was not experiencing negative organic growth, rather it had entered a new industry Specialty Offering, which has lower time utilization and lower average rental rates, but was far more profitable
- Looking simply at surface level metrics made URI look like it was performing poorly, but adjusting for mix it was apparent URI was experiencing accelerated growth



## Since Purchasing

- URI has taken advantage of temporary price weakness by rolling out a large share repurchase program to buyback 12% of the company
- URI has improved messaging around its mix shift, which has allowed analyst to see that growth is actually improving
- URI beat the highest estimate on Wall Street by 2% and the consensus by 6%

## Investment Returns so Far



## Returns Summary

- YTD: We are up 29.2%
- Upside Remaining to Price Target: 54.6%





## Company Overview

- Party City is retail chain that focuses on the party goods retail markets with a particular focus on Halloween goods
- 25% of sales and ~60% of operating income were from Halloween

## Situation Overview

- Party City shares were down significantly do to the “retail apocalypse,” but value investors thought it was a good asset that through off a lot of cash
- Many investors thought this was a good long-term buy due to their plan for international expansion and cheap valuation

## Thesis/Variant Perspective

- We thought shares really could not go over \$12 (they were trading at \$11.50) because PRTY’s largest shareholder, Thomas H Lee Partners, kept unloading shares whenever it got near \$12
- We thought that Halloween sales were going to be extremely weak because our data showed Fortnite costumes were going to be 2 to 3 times more popular than Disney costumes were last year, and Party City had no access to Fortnite IP.



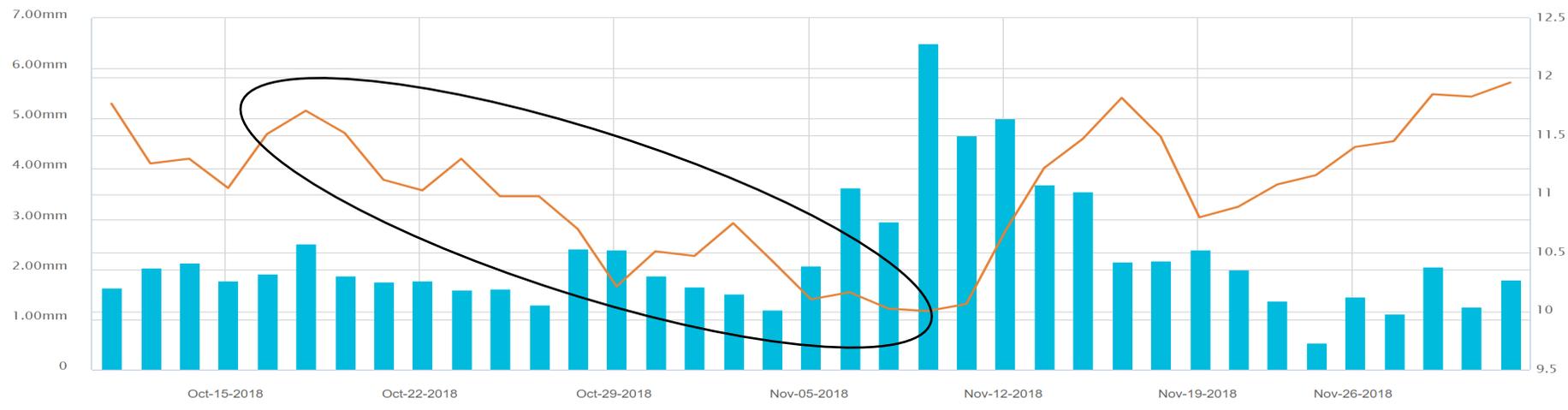
## Since Purchasing

- The shares started to slide as we entered, due to a large shareholder starting to unload their shares
- On the call management had highlighted that they had far lower Halloween sales than expected, due to costume preferences
- The shares fell 10% after market open, which we took as an opportunity to cover our shares at 6:45 AM

## Performance

- This was a great short for us!
- We entered in at a very opportune time right before their Q3 earnings call and managed to make a 20% return in 2 weeks
- We also were able to exit our position right when our thesis had played out, which allowed us to avoid the buyback that was announced later that day

## Investment Returns



## Sell-Side

“Creation, promotion, analysis and sale of securities”

### Investment Banking

#### M&A Advisory

Advisory on sale, merger and purchase of companies

#### Leveraged Finance

Lending money to firms to finance acquisitions

#### Equity Research

Advice on equity & equity-derived products (shares, futures etc.)

#### Restructuring

Improving the structures of a company to make it more profitable

#### Sales & Trading

Executing trades for clients; FX, fixed income, equities, commodities

## Buy-Side

“Investing institutions holding large sums of money”

### Hedge Funds

Investors pool assets into various securities, usually using long-short strategies to hedge risk, along with leverage to amplify returns

### Private Equity

Investors that make investments directly into private companies (not listed on an exchange), e.g. Venture Capital

### Mutual Funds

Investment vehicle made up of a pool of funds collected from many investors for the purpose of investing in securities

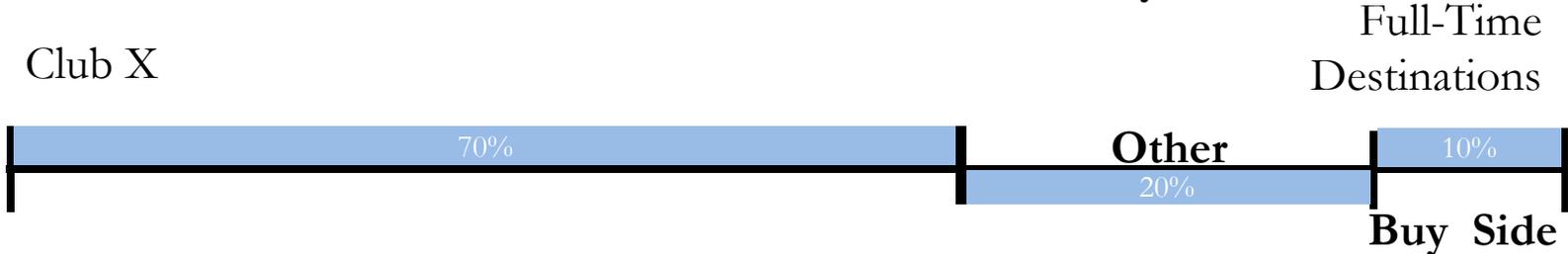
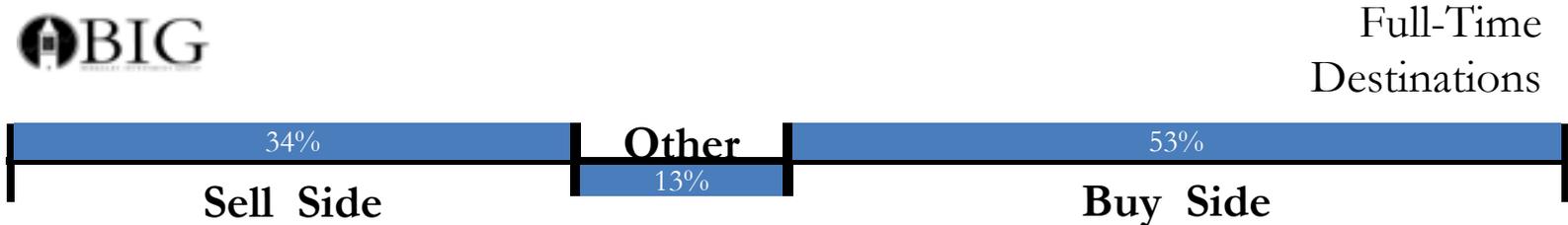
## Sell-Side

### Investment Banks

## Buy-Side

### Hedge Funds & Asset Management      Private Equity

## Advanced Career Opportunities



# 5 Why BIG?

Joining BIG sets you on a trajectory to become a skilled finance professional meanwhile joining a network of like minded students who share the same passion for investing

## Independent Student Run Fund

**BIG Portfolio Overview**

Holdings

Ticker	Name	Current Value	Recent Price	Shares Owned	Shared Purchased	Daily Change
CSTE	Caeserstone	\$6,422.40	\$28.80	223	223	+1.59%
DAL.DE	Daimler	\$10,805.15	\$68.39	158	158	+0.84%
RPXC	RPX Corp	\$9,525.45	\$12.55	759	759	+0.00%
MYL	Mylan N.V	\$7,907.27	\$30.53	259	259	+1.06%

Unlike other university investment clubs which focus on endowment management, BIG is entrepreneurial through raising money on our own from independent sources

~\$100K Assets Under Management

## Network of Finance Professionals

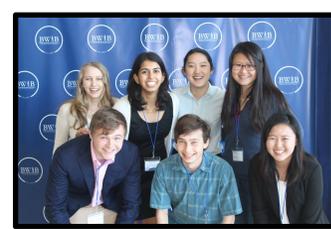
Alumni Speaking Events

Corporate Partnerships

Collaborative Info Sessions

National Case Competitions

## Social Space



## 6 Application Process

1

The intern program application will open on our website ([invest.Berkeley.edu](http://invest.Berkeley.edu)) immediately after this info session. The written application consists of a few questions and will be due on **February 7<sup>th</sup>, noon 12:00pm PST**

2

Selected applicants will be invited to an in-person interview in which candidates will be asked to a set of behavioral questions as well as to present the stock pitch submitted on their written application. Interviews will take place on **February 10<sup>th</sup>**

3

Candidates accepted to the intern program will be notified shortly, and will begin the intern program the week after

*You must be a general member to apply to the intern program – to become a general member, simply pay the \$30 fee on our website and you will be registered immediately*

# Thanks for Coming Out!

Please meet our executive board & program directors



**Sophia Cowles**  
President



**Ben Eisenberg**  
VP Internal Affairs  
Educational Director



**Deeksha Chaturvedi**  
VP External Affairs



**Nick Palmer**  
VP of Equity



**Aaron Neil**  
Fund Manager



**Sara Knippa**  
Director of Communications



**Jenni Gao**  
Decal Instructor



**Rory Gwozdz**  
Decal Instructor