Inaugural Issue
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EVALUATION:

Investing Insights brought to you by the Students of NYU Stern

LETTER FROM THE EDITORS

One thing that NYU Stern students know really well is financial valuation – that is, determining the intrinsic value of securities. Renowned NYU professor Aswath Damodaran teaches several courses on the subject matter, ensuring that all Stern students (as well as those who follow his blog) have a solid understanding of how to value stocks and bonds. But investing is not just about valuation – it's about the *evaluation* of a number of quantitative and qualitative factors, including price, value, risk and return, in the context of an ever-changing investment opportunity set. Hence, the name of NYU Stern's inaugural investment newsletter: ***EVALUATION***.

It is our pleasure to introduce the first issue of Stern's student-run investment newsletter, covering a range of topics, from global value investing to sector-specific commentary. Inside you will find interviews with industry participants and academics alike, perspectives from seasoned professionals to young alumni, as well as student-submitted work. We hope that you enjoy, and take away a few new ideas!

Finally, we would like to thank our interviewees for their contributions, as this would not be possible without their valuable insights. With that, happy reading!

Your EV Editors,

Mike & Bryce

"Who can we talk to about global investing?"

Source: The New Yorker (Lee Lorenz)

INSIDE THE ISSUE

James Rosenwald – Perspective from a Global Value Investor

James Rosenwald III

Mr. Rosenwald is Co-Chair of the Management Committee and Senior Portfolio Manager of Asian Equities at Dalton Investments. Dalton is a disciplined, value-oriented, global investment management firm committed to capital preservation and long-term growth. Mr. Rosenwald is a recognized authority in Pacific Rim investing with more than 30 years of investment experience. He holds an MBA from New York University and an AB from Vassar College. He is also an Adjunct Professor of Finance at New York University's Stern School of Business, where he teaches Global Value Investing. The course involves students researching and pitching value investment ideas into a $1 million NYU endowment fund, gifted by Mr. Rosenwald.

EVALUATION (EV): When did you first become interested in investing? What was your first investment?

James Rosenwald (JR): I first became interested in investing when I was 12 years old. I would discuss investments with my grandfather who was a securities analyst at Nikko Securities. While on vacations we would discuss the balance sheets of corporations and how accounting differed in Japan and the US. I was instructed on how to reconstruct income statements using a first generation calculator and a 12 column accounting pad.

My first investments were made in 1970 in Kirin Beer and Bank of Tokyo. Kirin was the first export beer from Japan and was growing at high double digit rates due to increases in beer consumption in Japan as consumer demand expanded. The Bank of Tokyo at that time had a monopoly on conducting foreign exchange, which provided them with significant fee based revenues on top of their high quality lending business. These investments performed brilliantly in the 1970's and were held for seven years. I sold them to buy my first car and travel to Europe.

EV: If you had to describe value investing in a few words, what would you say? How important is investing with a margin of safety?

JR: Each value investor seems to have their own philosophy and way of interpreting Ben Graham's basic principles. At Dalton we emphasize three components which represent value investing: the first critical component is the quality of the business and its defensible competitive position in the marketplace. We rarely if ever buy cigar butts in order to get the last few puffs! We especially like growing businesses that have pricing power. Second, we must see a clear alignment of interest between

We define a margin of safety as something trading at 50 percent of its private market value. We look at companies the same way a private equity shop would, but we get to buy at a discount!

the enterprise's management and shareholders. We tend to refer to state owned enterprises as "zombie" companies as the management has absolutely no alignment of interest with the shareholders. We avoid zombies while being drawn to family and entrepreneur led companies. Finally, we must have a clear margin of safety to invest in a company. We define a margin of safety as something trading at 50 percent of its private market value. We look at companies the same way a private equity shop would, but we get to buy at a discount!

EV: It is sometimes said that value investors either "get it" right away, or never do. Do you agree with this notion?

JR: I believe that certain people gravitate to value investing because its simplicity and elegance resonates immediately. With this said, I have tried to make money trading currencies and options with mixed results, while value investing has provided long term results and great satisfaction. I put a premium on sleeping well at night so for me value investing fits this need and desire to a "T".

EV: Can you talk a bit about your experience as an outside advisor to George Soros from 1992-1997?

JR: I became an outside Fund Manager for Soros Fund Management's Quantum Emerging Growth Fund in 1992 and to the Quota Fund a few years later. The expectations at Soros were extremely short term and it was clear from the outset that you made money for the fund within six months or you were fired! My timing was lucky as the Korean market was just opening to foreign investors after having declined dramatically after the heights reached during the Korean Summer Olympics of 1988. I am eternally grateful to George Soros for giving me the opportunity to earn my first seven figure performance fee! I retired from Soros and sold my interest in Rosenwald, Roditi & Co Ltd in May 2007, just as the Asian crisis was rolling through Thailand and Malaysia, on its way to Indonesia, Korea, Hong Kong, China and Japan. In life it is better to be lucky than smart!

EV: How did you get interested in investing in Asia? Were Korean life companies your initial segue into Asia?

JR: I was interested in Asia due to my grandfather's advice and counsel. After visiting Japan in 1962 with the New York Society of Security Analysts he decided to invest the vast majority of his accumulated assets in Japan. He felt that Japan, being a non-nuclear country, would sit out the Cold War and supply both sides. I found Asia fascinating and still feel that the region will grow faster than North America or Europe in the coming decades!

EV: How important is it to have a structured investment process? Do you have a checklist of things to review for each new opportunity at Dalton? How did you first develop your process?

JR: Everyone on the Dalton team is a generalist. We look at each company with the same three criteria – 1) is the company a great business with pricing power and a moat? 2) are the managers interests aligned with our clients? 3) does the current price provide a margin of safety for investors? These three criteria are the foundation of each analyst's research!

EV: What is your typical framework for valuation?

JR: We use private equity valuation models to generate our target prices for each security purchased. Each valuation model is specific to the industry, although many companies can be valued using traditional models available to all – like Professor Damadoran's models!

EV: How do you think about portfolio construction at Dalton? What percentage of

time is spent reviewing existing holdings vs. sourcing/analyzing new ideas?

JR: Most of our analyst time is spent searching for new ideas. But we also spend a reasonable amount of time reviewing existing holdings. The portfolio is created from the bottom up, and we don't construct portfolios using anything other than bottom up research. Amazingly we end up with a very diversified portfolio of securities!

EV: Peter Lynch said that you should *"go for a business that any idiot can run - because sooner or later, any idiot probably is going to run it."* Warren Buffet said that *"when a management with a reputation for brilliance tackles a business with a reputation for bad economics, it is the reputation of the business that remains intact."* How important is evaluating company management to your investment decisions?

We focus solely on management's alignment of interest with shareholders. We feel that there is so much room for monkey business in running companies, but that management teams who own more shares than we do tend to focus on the success of the business rather than stealing from the company!

JR: While we tend to agree with Mr. Buffett and Mr. Lynch about the general effectiveness of management, we focus solely on management's alignment of interest with shareholders. We feel that there is so much room for monkey business in running companies, but that management teams who own more shares than we do tend to focus on the success of the business rather than stealing from the company! This is just as or more important than evaluating the quality of the management team, which remains highly subjective.

EV: What's the best investment you ever made? Can you describe how difficult/easy it was to pull the trigger?

JR: The best investments ever made, other than marrying my wife and paying for our children's education, have been 1) in Korea as foreigners were allowed to invest in 1992, 2) in Russian equities when there was blood in the streets before the Russian Presidential election of 1996, 3) in California multifamily real estate in the mid 1990's, 4) in distressed debt and equities during the Asian crisis in 1997, 5) in Chinese residential real estate during the SARs epidemic of 2003, 6) in Berlin real estate in 2005, and 7) most recently, in RMBS beginning in the summer of 2008. Each of these investments was the "best" as I learned about various asset classes, geographies and cultures in the process. Each was a home run in its own right!

EV: How about one that you wish you could have back?

JR: My worst investment ever was in the shares of Shokoh Fund, a Japanese small business lender. I really was fascinated by the CEO and his Samurai entrepreneurial spirit. At one point he was on the Forbes list of wealthiest in the world. His son went to NYU Stern and he was a generous contributor to the school's endowment. His company was carried out by the Global Financial Crisis and my investment became worthless!

EV: We've read that you periodically ask yourself what the best opportunities are. What are some good opportunities today?

JR: I am currently at a loss for good ideas as I am concerned that the Fed is holding up the value of assets globally by keeping interest rates at incredibly low levels. This feels like a good time to add shorts to our portfolio and keep the net exposure low. If shorting is not your fancy then holding a large amount of cash in your portfolio, like my partner Gifford Combs or Seth Klarman, seems prudent!

EV: What advice do you have for current students looking to become value investors?

JR: Students who are interested in value investing should certainly take Richard Levich's class and participate in the Michael Price Student Investment Fund. Seeing as I guarantee students their money back for taking my Global Value Investing Course in the fall and my guest lecturers are some of the best investors in the industry, I would suggest that they also consider attending my course as an audit or for credit!

"Good news -- remember all those growth stocks I sold you? They're now value stocks."

Author: David Brown

I can't think of anything I would rather be doing, as the exploration for bargains is a continuous challenge, much like a treasure hunt or solving a complex puzzle!

EV: Thanks for sharing your thoughts with us – anything else to add?

JR: Anyone who has fun buying objects at a discount is a value investor. Translating that enjoyment to various global asset classes is what makes this profession so interesting. I can't think of anything I would rather be doing, as the exploration for bargains is a continuous challenge, much like a treasure hunt or solving a complex puzzle!

EV: Wonderful insights Mr. Rosenwald. Thank you for your time!

Professor Aswath Damodaran – Valuation Expert

Aswath Damodaran

Professor Aswath Damodaran is a Professor of Finance at New York University Stern School of Business. Professor Damodaran's contributions to the field of Finance have been recognized many times over. He has been the recipient of Giblin, Glucksman, and Heyman Fellowships, a David Margolis Teaching Excellence Fellowship, and the Richard L. Rosenthal Award for Innovation in Investment Management and Corporate Finance. Professor Damodaran received a B.A. in Accounting from Madras University and a M.S. in Management from the Indian Institute of Management. He earned an M.B.A. (1981) and then Ph.D. (1985), both in Finance, from the University of California, Los Angeles.

EVALUATION (EV): You've been working in valuation/corporate finance for a long time – when did you first get interested in the subject matter? And what has kept you interested?

Professor Aswath Damodaran (AD): I became interested in investing when I became a MBA student at UCLA and started reading the financial news regularly. I was fascinated by financial markets and the price setting process and realized how little I understood about the process. That remains true to this day and curiosity is what keeps me going.

EV: Since you came to NYU in 1986, how has your approach to valuation changed/evolved over time?

AD: Not much, but the world has changed around me both in terms of the companies that I am valuing (from manufacturing to service, from old economy to new economy, from US to global) and in terms of the resources that I have access to (data, financial reports, macro information).

EV: If valuation is as easy as you make it, why does the market get it wrong? How often would you say market prices diverge from intrinsic value of stocks or bonds?

AD: The market is a pricing mechanism, not a value mechanism. While demand and supply set prices, they are also affected by mood and momentum, and incremental information (earnings reports, news releases) can have a disproportionate impact on stock prices. Prices always diverge from intrinsic value: the question is how much, in which direction and for how long? An efficient market believer will say that the divergences are random and very short term, a value investor will claim that the divergences are non-random (and more likely in mature, boring companies) and more long term, and a growth investor will contend that they are non-

The market is a pricing mechanism, not a value mechanism. While demand and supply set prices, they are also affected by mood and momentum, and incremental information (earnings reports, news releases) can have a disproportionate impact on stock prices.

random (and more likely in young, growth companies).

EV: What is the most challenging aspect about valuing securities?

AD: Not getting distracted by the small stuff and most of the data/news that we are inundated with is small stuff. Having a big picture perspective, where you understand the key drivers of value for a company (and they can be different for different companies) allows you gain perspective.

EV: What is something that students often overlook when it comes to valuation?

AD: That every number in a valuation has to have a story behind it and that every valuation has to have a narrative (about the company) that you have to buy into. A good valuation is a story, with numbers backing it up, rather than a model with lots of numbers.

EV: Twitter's recent IPO dominated investing headlines this past semester. What are the common investor misconceptions, if any, related to valuing young, growth companies?

AD: That they cannot be valued, that even if they can be valued, you are going to find them over valued, and that value investors should therefore always stay away from them. It is true that most investors in these companies don't try to value them but that is precisely why the best opportunities for value investors may be in young, growth companies.

EV: Investors often talk about "value" and "price" as if they are interchangeable. Could you discuss what you believe to be the primary differences between the two and the roles each play in a healthy market?

AD: Value is determined by fundamentals: cash flows, growth and risk. It is moved by changes in these fundamentals and you need a valuation tool (DCF, excess returns model) to estimate value. Price is set by supply and demand, and is influenced by everything that affects either. Thus, price can driven by emotion and hope, rather than fundamentals.

EV: Are there any specific industries you would recommend as a valuation exercise for current students looking to further develop their own valuation skill set?

AD: Do a variety of industries in a variety of markets and across time. You will learn from the differences and from the similarities across companies.

EV: What valuation advice do you have for students looking to become investors, both those who view investing as a profession and those who view it as a hobby?

AD: Don't take yourself too seriously and remember that no one is bigger than the market. Hubris is the biggest enemy that investors face.

Don't take yourself too seriously and remember that no one is bigger than the market. Hubris is the biggest enemy that investors face.

EV: Anything else to add?

AD: Don't invest to get rich. Instead, view investing as a way of preserving and growing your wealth over time. Be patient, have no regrets and enjoy the investment process.

EV: Professor Damodaran, thanks for your comments!

MPSIF **THE MICHAEL PRICE STUDENT INVESTMENT FUND** ***Data as of August 31, 2013***

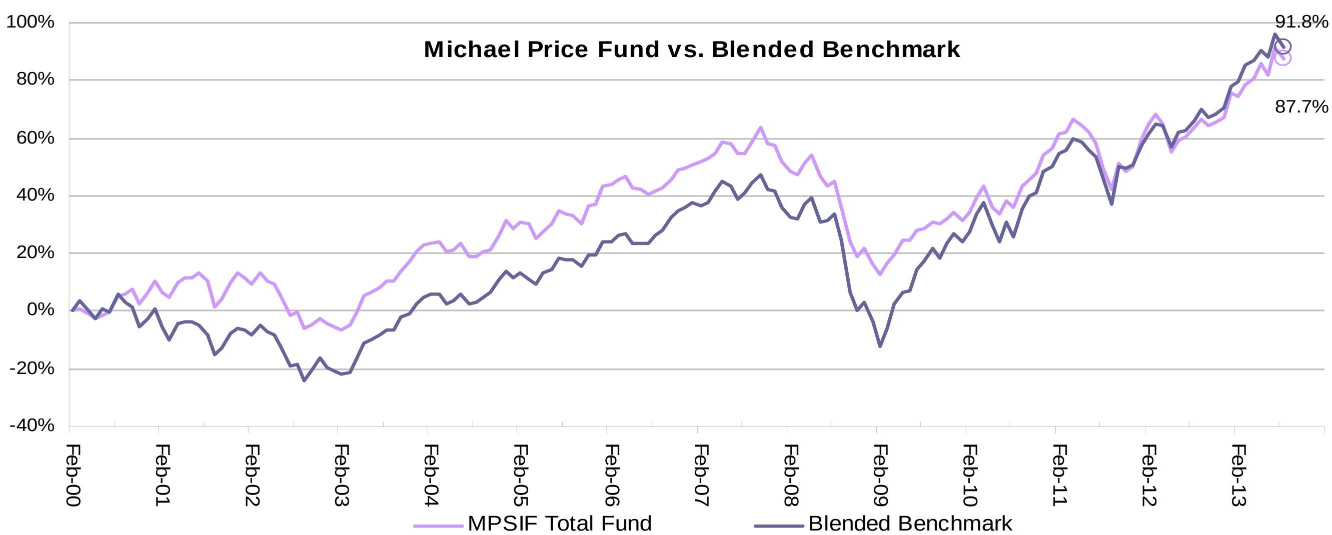
Mission

The Michael Price Student Investment Fund (MPSIF) was established to provide students of the Leonard N. Stern School of Business at New York University with practical investment management experience. The investment returns generated by the Fund are used to provide scholarships to selected students from the Michael F. Price College of Business at the University of Oklahoma for study at the Stern School, and to support other educational activities at the Stern School of Business.

Fund Objective

The objective of the MPSIF family of funds (Growth, Small Cap, Value, and Fixed Income) is to maximize total return consistent with the risk appropriate for an endowment fund. The goal is real capital preservation while striving for real growth. The current benchmark aggregate for MPSIF is a portfolio composed of 25% Vanguard Total Bond Index, 25% Russell 1000 Growth Index, 25% Russell 1000 Value Index, and 25% Russell 2000 Index.

The Michael Price Student Investment Fund vs. Blended Benchmark
Since Inception (March 1, 2000 - August 31, 2013)



MPSIF Performance Relative to Benchmark

As of August 31, 2013, MPSIF had $1.83 million in assets under management. This amount excludes roughly $1.18 million in mandated annual distributions by MPSIF to the Price College of Business. Since making its first investments in March 2000, MPSIF has earned a cumulative return of 87.7% net of brokerage fees and commissions.

Student Responsibilities in MPSIF

Students participate in MPSIF through a two-semester capstone course, Managing Investment Funds, that requires students to draw on their knowledge of finance as well as macroeconomics, accounting, competitive analysis, strategy, marketing and other fields. In addition to sharpening their analytical skills, by organizing all activities related to institutional asset management MPSIF students gain experience in financial writing and oral presentations, portfolio allocation and risk management decisions, while experiencing the governance and fiduciary responsibilities of a university endowment fund.

Stern MBAs who manage the MPSIF family of funds gain invaluable experience in investment management, which provides a competitive advantage when interviewing for summer internships or full-time employment after graduation.

Further information about MPSIF
including Annual and Semi-Annual reports is available at http://pages.stern.nyu.edu/~mpsif/

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Albert Hicks – Young Alumnus on the Buy-Side

Albert Hicks

Albert Hicks is a senior analyst at Bowery Investment Management, a credit opportunity hedge fund in New York City. Prior to joining Bowery, Albert graduated from the MBA program at NYU Stern with a concentration in Finance. Prior to Stern, Albert worked at Beal Bank, in the distressed corporate credit investment group, and at Highland Capital Management, in the distressed and special situations group. Albert received a B.B.A. in Finance from The University of Texas at Austin.

The four things I need to lay out in an investment pitch before it is presented are (1) what the opportunity is, (2) why the opportunity exists, (3) how we'll realize value and make money, and (4) what the downside is and why I'm comfortable with the risk.

EVALUATION (EV): You currently work for Bowery Investment Management. What is your role there, and how did you find the opportunity after graduating from NYU?

Albert Hicks (AH): I am a senior analyst at Bowery, and I'm responsible for generating investment ideas for new positions and making recommendations on existing positions. We are all generalists at Bowery, but I've spent a considerable amount of my time covering the metals & mining, utilities, transportation, gaming, and retail industries due to current fund investments.

My job at Bowery came as a result of working as an intern during business school, starting with the second semester of my first year. I learned about the internship from a posting on the Stern career website, and I was offered a full time job before graduation.

EV: When did you first get interested in investing? What do you love about a career in professional investing?

AH: I first became interested in investing as an undergrad at the University of Texas. I initially chose a major in finance, in order to have smaller classes and attempt to differentiate myself before applying to law school. Thankfully, I picked up a few of the classic books on investing, began investing on my own, and discovered that I enjoyed learning about companies and the valuation process. When I realized that there were options to do this as a career after college, I decided it would be a much better fit for me than a career in law.

The thing I love about a career in investing is that not only do I get to learn something new every day, but I work with extremely bright people and am challenged every day I go to work. It's impossible to get bored doing this work.

EV: How would you describe your personal investment style?

AH: I would classify my personal investing style as event driven, with a focus on value. When I look at the books and famous investors that have influenced me the most, I would definitely associate myself with value investors, but I have found that event driven ideas have worked best for me. I think this is because event driven ideas tend to have hard catalysts to realize intrinsic value. Also, working for a distressed fund inherently makes me look for more event driven ideas.

EV: How do you go about sourcing ideas for the fund?

The thing I love about a career in investing is that not only do I get to learn something new every day, but I work with extremely bright people and am challenged every day I go to work. It's impossible to get bored doing this work.

AH: I source the majority of my ideas through a combination of screens, news, and other investors. After finding a situation that seems mispriced, I try to quickly determine (1) why the situation is mispriced, (2) what needs to happen in order for the rest of the market to recognize the mispricing and correct it, and (3) whether the time it will take to correct makes it worth doing more work. Once I do this, I then determine if it makes sense to do additional work.

EV: Can you speak a bit about your investment process? What sort of work is required to get an idea ready to be presented?

AH: This is a good question. Once I identify an investment opportunity, I get to work putting together an investment pitch. The four things I need to lay out in an investment pitch before it is presented are (1) what the opportunity is, (2) why the opportunity exists, (3) how we'll realize value and make money, and (4) what the downside is and why I'm comfortable with the risk. Along with these four things, I need to include a discussion of the underlying business, competitive dynamics of the industry (think Porter's 5 Forces), whatever valuation is most relevant and why, and potential risks to my thesis.

EV: What is your preferred valuation framework? Multiple of future earnings or EBITDA? DCF?

AH: Personally, I am valuation framework agnostic. All I care about is how the market values a company, and whether this is correct or will change due to where the company is in its lifecycle. For example, because I look at a lot of distressed situations, most investors in this space tend to focus on EBITDA multiples. This is because most credit investors look at companies in terms of what their credit metrics look like, and typically do this by using EBITDA as a proxy for cash flow. So for distressed opportunities, I typically use EBITDA multiples.

I also look at metals and mining companies, and DCF valuations are important there due to the long timeline for extracting a resource out of the ground at the current market price. Oil and gas exploration and production companies are the same way. I don't typically look at companies that lack meaningful earnings or cash flow such as young technology companies, but those should be valued differently than the companies I am looking at. My point is that the correct framework differs by industry and investment opportunity type, so it can be short sighted to have a preferred valuation method that is used regardless of the company or situation.

EV: When you were in school, what resources did you take advantage of, or find particularly helpful in guiding you toward your intended career path?

AH: The best resource that Stern (or any business school) provided me was the platform and time to reach out to those currently in the profession. Networking with young alumni and others I met in the investment management industry was the most helpful thing I did while in school. Also, this probably goes without saying, but pay attention in Damodaran's Valuation class!

EV: What advice do you have for a current students looking to get into investment management? What is something that you know now, but didn't as a student?

AH: My advice would be to put together as many pitches as possible, and solicit as much feedback as possible. When you put together a pitch, ask to pitch it to someone and get their feedback. This will not only help you develop a stronger pitch and identify where you may need to do additional work, but will also keep you top of mind when those people hear of openings.

One thing that I did not recognize as a student is just how difficult it is to get a job in investment management. Business school is a great platform to get a job on the buy side, but this is an extremely competitive field, and many highly qualified people are not able to get jobs. This also describes other popular jobs that MBA students seek out, but investment management has an extra degree of difficulty in that few organizations have structured recruiting programs. I knew this going into business school, but I did not realize the degree to which my job search would be my responsibility. It just happened to work out for me at Bowery, but the majority of my job interviews were opportunities I heard about outside of the Stern career center.

This doesn't mean that a buy side job is not a possibility coming out of business school, but it does take a degree of effort that many students will not experience due to the more structured nature of their recruiting processes. I would encourage every student interested in the field not to let the difficulty discourage them. If you do the work, things tend to work out.

EV: It is always a pleasure, Albert. Thank you for your time!

Cleveland Rueckert – Young Alumnus on the Sell-Side

Cleveland Rueckert

Cleveland ("Cleve") Rueckert is an equity research analyst with UBS Investment Bank covering the engineering, construction, and machinery sectors. Prior to joining UBS, Cleve graduated from the MBA program at NYU Stern. While at Stern, he served as the President of the Michael Price Student Investment Fund. Prior to school, Cleve was an equity strategist with Birinyi Associates, where he performed equity market analysis with a focus on short-term trading opportunities. Cleve received a B.A. in Economics from the University of Vermont.

EVALUATION (EV): You currently cover the engineering/construction/machinery sectors at UBS – how did you end up in this coverage group? What are some of the major companies that are included in this group?

Cleve Rueckert (CR): When I joined the company I had a conversation about the openings available in the department. During my summer internship I worked in the industrials group and got to know several of the analysts in the sector. I knew ahead of time that I was interested in covering a sector that produced tangible products and sold them, so I looked specifically for that type of industry. I interviewed with several analysts and thought E&C / Machinery was the best fit. Fortunately the analyst in the group thought so too.

Some of the major companies in our coverage are Fluor, CB&I, KBR, Caterpillar, Deere, PACCAR, and United Rentals.

EV: Can you briefly touch on some macro trends that you're seeing in these sectors? Are these sectors generally undervalued, overvalued, or fairly valued by the market today?

CR: There is a large petrochemical build-out occurring in the US Gulf Coast that benefits E&C companies. The theme there is that cheap US natural gas provides lower costs for producers such as DOW, OXY, and PSX; those companies are either constructing greenfield facilities or retooling legacy plants (ethane crackers…). The LNG export plays are also along the same lines of cheap natural gas that can be supplied internationally at lower cost (Kitimat LNG and Freeport are two of the major projects).

Lower corn prices are also expected to lead to significantly reduced agricultural equipment demand following an agriculture super cycle over the last several years. The idea is that lower corn prices will lead to lower farm income and therefore reduce demand for equipment.

Valuations in these sectors are company specific, as geographic and end market exposures vary significantly. Not all E&C companies benefit from energy projects, and not all machinery companies are exposed to the ag. equipment demand cycle.

EV: Can you speak a bit about your research process? What sort of work is required to prepare a report for dissemination?

CR: We focus on the story and data analysis. The work required obviously depends on the report; however, we are typically very thorough and sometimes sacrifice speed for depth and analysis. To me, presentation is as important as analysis and research. I typically spend as much time thinking about how to present an idea or analysis as I spend gathering data and analyzing it. Writing skills are an important asset.

In my view it is more important to understand the big picture and company drivers than it is to spend equal time calculating the correct discount and growth rates required for a DCF.

EV: How often do you meet with management of the companies that you cover? Is this an important part of the research process?

CR: Often and yes. Company management is less likely to take calls or meetings during their quiet period leading up to earnings; however, after earnings we typically communicate with management of multiple companies on a daily basis. Management can provide important color and commentary, and the dialogue between corporate management and research is an important part of the equity research process.

Our client and corporate management relationships carry about equal weight in terms of importance.

EV: What percentage of your time is spent on maintaining existing coverage vs. initiating new coverage?

CR: We have roughly 30 companies under coverage; our energy is focused on maintaining existing coverage and expressing views on those stocks.

EV: What is your preferred valuation framework? Multiple of future earnings or EBITDA? DCF?

CR: I primarily use forward P/E multiples. They are easy to calculate, easy to explain, and highly comparable across companies in the same business. E&C companies carry very little debt, and machinery companies are often differentiated by their debt loads; which is reflected in a premium or discounted P/E multiple.

In my view it is more important to understand the big picture and company drivers than it is to spend equal time calculating the correct discount and growth rates required for a DCF. If the marketplace expects a company to earn more in the future because of unquantifiable external factors, the stock will go up. Understand the environment first, then adjust the model.

EV: When you were in school, what resources did you take advantage of, or find particularly helpful, in guiding you toward your intended career path?

CR: I used the Bloomberg a lot. I would recommend learning how to use a Bloomberg, to extract information from it, and to manipulate that information in Excel. Data manipulation is hugely important in today's research environment (buy-side and sell-side). Today there are very low barriers to entry in data gathering; virtually anyone can get a Bloomberg and be instantly connected on a global level. Being able to extract what you need and present it in a logical easily digestible fashion is key.

Just to add to that, I would recommend that you learn data analysis, statistics and public speaking.

EV: What advice do you have for current students looking to get into equity research? What is something that you know now, but didn't know as a student?

CR: Be confident in your abilities and don't underestimate new points of view. Unique ideas go a long way in equity research and small risks can have high rewards. Have fun during interviews, the person interviewing you gets excited about stocks, you should too.

EV: Great, thanks for sharing your thoughts Cleve!

"I'm looking for a hedge against my hedge funds."

Source: The New Yorker (Robert Mankoff)

Third Annual Stern Hedge Fund Association Conference

Save the Date – Friday, March 28th, 2014

The conference will offer a full day of speakers and panelists, followed by a networking cocktail reception

Past keynote addresses have included Marc Lasry of Avenue Capital Group, Daniel Posner of Golub Capital, and Paul Zummo of JP Morgan Alternative Asset Management

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NYU Stern School of Business

Kaufman Management Center

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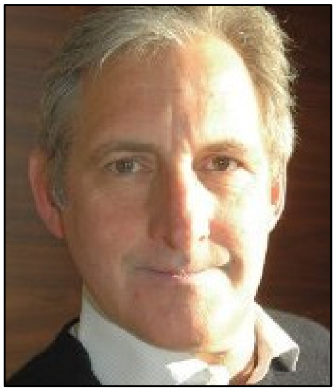
For more information about the event, please contact us at shfa@stern.nyu.edu

Christopher Dixon – Insights from an Entertainment & Media Guru



Christopher Dixon

Mr. Dixon is an Adjunct Professor of Finance at NYU's Stern School of Business. In additional to running a successful consulting practice, Mr. Dixon was a Managing Director at Gabelli Group Capital Partners from 2004 – 2010, and research analyst covering the media industry for 16 years with UBS, Paine Webber, and Kidder Peabody. Prior to Wall Street, Mr. Dixon worked as an independent film and television producer. He received his MBA in finance from New York University's Stern School of Business in 1986, and is a 1969 graduate of the University of Pennsylvania.

EVALUATION (EV): To begin, could you please briefly describe your course, "Financial Analysis in Media and Entertainment"?

Christopher Dixon (CD): This course is a combination of case analysis and discussion of the critical financial and strategic issues facing media management teams. The course examines the structures, business relationships and impact of regulation and technology along the media value chain. The course is designed to prepare students for a role in financial analysis, business development, or media consultancy.

EV: Could you please discuss what you refer to as the "5 Key Drivers" of media and entertainment?

CD: Most industries require managements to constantly monitor one or two key factors that can drive value. For example, a manager in a fashion firm needs to be aware of consumer behaviour, or "taste", and also needs to constantly monitor his or her balance sheet, but is not particularly concerned about technology. The media industry is somewhat unique in that it has five key "drivers". The media firm is impacted by the state of the economy, changes in consumer tastes, shifts in technology, changes in regulation, and the firm's capital structure. By focusing on "the drivers" managers can develop strategies to respond to change and enhance shareholder returns, and investors can identify those firms that are best positioned to achieve their objectives.

EV: What is your typical framework(s) for valuation?

CD: Valuation is in the eye of the beholder, and there are a variety of techniques one uses to value the firm, ranging from market comparables to discounted cash flow, to "sum of the parts", or private market value analysis. No one technique trumps another, but conceptually I prefer to use discounted cash flow as a starting point, as most media firms are no more than the cumulative net present value of a number of projects. Thus if a

I believe Media and Entertainment is at the center of the modern digital age as more and more people around the world are able to use technology to interconnect, share experiences and entertain each other.

film is valued as the discounted present value of the cash flows realized over time, the studio is the sum of the present values of the films in its portfolio. As a value investor I also tend toward private market value or PMV analysis, looking for those firms trading at a significant discount to what a knowledgeable industry participant would be willing to pay. This is an industry that historically has seen a great deal of merger and acquisition activity.

EV: As an example, could you walk us through your framework for analyzing the motion picture business model and structure of cash flows?

CD: From a valuation point of view, how a film generates cash flows and can be valued is emblematic of much of the media industry. Structurally one is creating, developing, and manufacturing intellectual property that is then distributed and or licensed across a variety of technology platforms to various devices ranging today from an IMAX screen to a mobile phone to Netflix. Each platform results in differing amounts of cash flow that will be received at different points in time over a project's life. When combined with a known cost of manufacturing and marketing, this lends itself to classic project financing analysis whereby one develops a net present value based on a variety of estimates and assumptions. This analysis not only provides a framework to understand the industry but also becomes the basis for developing financing structures to generate investor returns.

EV: What are some strategic issues that you believe will impact the future of the industry, either positively or negatively?

CD: How firms respond to shifts in technology and in regulation will be critical to the industry over the next five years. I find it fascinating, for example, that when I first taught this course students would debate the merits of downloading copyrighted material without paying for it, whereas today, few think that downloading something for free is a problem. We are also seeing real pressure on legacy ownership structures (television station ownership limitations for example) that can result in continued M&A activity. The biggest impact however is going to be as more "internet" centric firms move into video acquisition and production. This cuts with a two-edged sword, as although good for video producers, the business models to generate a return for video over the internet are still in the nascent stages, and very few internet companies fully understand the amount of capital required to build a studio to scale or the cost of developing a bona fide network. So too, several of the incumbents were late to recognize the rapid rise of alternate distribution platforms. Suffice it to say the battlefield is being defined, and it is still too early to see the victors.

Today's Netflix is really not that different from the Columbia Record Club of the 1950's, nor are Facebook's efforts to drive advertising revenue that different than the early days of radio.

EV: Could you talk about some areas of the entertainment industry that you currently find interesting as an investor?

CD: As a contrarian, I am watching online publishing very carefully. There is no question the newspaper and magazine industry has weathered a hurricane as electronic displays have displaced newsprint and glossy paper. That said there is a role for talented editors aggregating news and information to distribute it to consumers. I sense that the Wall Street Journal and NY Times have each weathered the worst of the storm. It will be very interesting to see what Time Inc. looks like once it is spun out of Time Warner.

EV: What advice do you have for students currently looking to become investors in the media and entertainment industry?

CD: I think the most important thing is to understand that this is an industry which is dependent on many of the same factors affecting other businesses and is not just about the noise and glitz that one reads about on Page Six or watches on TMZ or Entertainment Tonight. The movie industry, for example, requires almost $40 billion a year to develop and manufacture audio video products that are distributed on a world wide basis and as such is subject to the same finance, marketing and operations skills addressed throughout the MBA curriculum. Yes, stocks like Twitter or Netflix can respond to market psychology and media coverage, but investors ignore fundamentals at their own peril.

In general, I believe Media and Entertainment is at the center of the modern digital age as more and more people around the world are able to use technology to interconnect, share experiences and entertain each other. In a sense, in the digital age, all companies are media companies. The business structures are constantly evolving but in many ways are merely reflections of previous models that have gone before. Today's Netflix is really not that different from the Columbia Record Club of the 1950's, nor are Facebook's efforts to drive advertising revenue that different than the early days of radio. Understanding the dynamics of a subscription or advertising model and appreciating the context in which new firms are operating can go a long way to assuring that the next generation of entrepreneurs, managers and investors can achieve success.

EV: These are great insights Mr. Dixon – thank you for your time!

Roderick Wong, M.D. – Perspective from a Healthcare Investor

Roderick Wong

Mr. Wong joined New York University Stern School of Business as an Adjunct Assistant Professor of Finance in June 2009. He teaches "Topics in Investments: Financial Analysis in Healthcare." Professor Wong is the managing partner of RTW Investments LLC, a healthcare investment firm in New York. Professor Wong previously served as a portfolio manager and managing director at Davidson Kempner Capital Management LLC, where he was responsible for developing the firm's healthcare investment strategy. Professor Wong received his B.S. in Economics, Phi Beta Kappa, from Duke University, his M.B.A. from Harvard Business School and his M.D. from the University of Pennsylvania Medical School.

EVALUATION (EV): To get us started, could you please briefly describe your course, "Financial Analysis in Healthcare"?

RW: Sure. The goal of the class is to give students exposure to the types of analysis done by drug and medical technology investors. We review the healthcare system, clinical trials, revenue and cost forecasting, and valuation. The class is a mix of lecture, case, and discussion.

EV: Can you talk a bit about your firm, RTW Investments?

RW: RTW is a healthcare focused investment firm. Our goal is pretty simple. We try to find companies that are developing or commercializing products that have the potential to make a big difference to patients. We are quite flexible in terms of how we invest, from simply owning stock in a promising company, to getting actively involved and assisting entrepreneurs realize their goals.

EV: Within pharmaceutical investment opportunities, is there a specific area where you focus on having a superior view relative to the market? Clinical trial, market sizing, forecasting costs and profitability, valuation, etc.

RW: These are all types of analysis we think are important to being a successful investor over time. At the end of the day, we look for good values, and that can be based on work in any one of these areas.

EV: What is your typical framework for valuation of pharmaceuticals, medical device markets, and diagnostic tool companies?

RW: We think of ourselves as value investors in a speculative space. So we like situations that offer a favorable probability of success, but offer a margin of safety if we are wrong. This is a space with a lot of failure, and it is a probabilistic business, so good downside risk management is really important.

We think of ourselves as value investors in a speculative space. So we like situations that offer a favorable probability of success, but offer a margin of safety if we are wrong.

EV: What are some strategic issues that you believe will impact the future of the healthcare industry, either positively or negatively?

RW: I think some of the most interesting questions are; how big of an impact will cheap genetic data have on research productivity, when will payors (i.e. insurance companies) push back on the price increases drug companies have taken over the last several years, what will the structure of the young molecular diagnostics industry look like in a few years, and what can be done to improve innovation in medical technology?

EV: Could you talk about some areas of the healthcare industry that you currently find interesting as an investor?

RW: A lot of progress is being made in cancer, especially in liquid tumors (leukemias and lymphomas). There are also a lot of interesting technologies that are beginning to mature, such as RNA related drugs and gene therapy. Optimism in these areas is already quite high though, so investors will need to be careful and selective.

EV: What advice do you have for students currently looking to become investors in the health care industry?

RW: One of the great things about investing is that so much of what you need is freely available. I encourage those who are passionate about investing to just start learning about interesting companies. As far as career preparation, the industry needs people with all different kinds of backgrounds, from scientific to operational to financial, so I don't think one path is better than any other. That said, I had the benefit of great mentors, and my best advice would be to try to work for someone who you admire and has a process that makes sense to you.

EV: Great insights, anything else to add?

RW: I always love to hear from former students and look forward to having new ones, so I hope your readers will pass that message along.

EV: Professor Wong, thank you for your time!

13th Annual NYU Stern Investment Management and Research Conference Summary

(contributed by Justin Siken)

When the economy began recovering from the financial crisis several years ago, many experts warned investors to prepare for a future of lower market returns. However, despite persistent fiscal and monetary uncertainty in the United States and Europe, many asset classes have greatly exceeded historical returns and are trading at or near their all-time nominal highs. Finding pockets of remaining value and immunizing against the risks still in the system have become focuses for the investment community.

With this backdrop, the **Stern Investment Management and Research Society (SIMR)** held its **13th annual conference on November 1st** with a series of distinguished speakers. As in previous years, the conference was illuminating for the attendees and a clear success.

The first keynote speaker of the day, **Head of Municipal Bond Portfolio Management at PIMCO, Joseph Deane,** provided a historical overview of the credit markets and explored current areas of concern. After Detroit filed for Chapter 9 bankruptcy in July, attention has refocused on the widespread unfunded pension liabilities made worse by the retirement of the baby boomers and the increasing concerns that Puerto Rico will be unable to repay its $70 billion in bonded debt. In addition to the fiscal concerns, the ability of courts to manage large restructurings and the equitable enforcement of the rights of different tiers of bondholders have become issues for fixed income investors.

Next **Kevin Lydon, Managing Director at Strategic Value Partners,** a global alternative investment firm focused on distressed opportunities, explained his activist investing style and the opportunities and threats in distressed equities. He discussed how banks will continue to be constrained by a high percentage of non-performing loans on balance sheets, and that European banks will continue to depend on the ECB for funding. Also, he explained the challenges facing the power, building supply, and shipping industries, but noted that there are opportunities for those willing to enter the large illiquid positions and take leadership positions in the restructuring process.

After lunch, **Nik Mittal, a Partner at JANA Partners,** discussed the tenants of value investing. He defined value investing as buying an asset that trades at a discount to its intrinsic worth. However, he cautioned that to extract value from a stock trading at a discount, a catalyst must exist that will result in the reduction of the market discount within a reasonable timeframe. He explained the steps of successful value investing as (1) identifying the intrinsic value, (2) understanding what and when catalysts will occur, and (3) having the ability to create catalysts through shareholder activism. Style drift and the failure to identify undervalued stocks with strong catalysts doom many aspiring value investing strategies.

The final keynote speaker of the day, **Partner and Co-Manager at Brevan Howard, Vinay Pande,** reinforced many of the themes discussed throughout the day. He recommended beginning the analysis of a company or industry by looking at top-down macroeconomic themes that will drive growth. From there, a firm can be valued using consensus forecasts, sensitized based on points of uncertainty, and examined for potential alpha based on the manager's outlook of specific factors. He was emphatic that before investing a manager must understand how the company will return money to shareholders and to what extent growth is already priced in.

In addition to the keynote speakers, a morning panel examined event driven investing strategies. The panel discussed how a mispricing could be corrected by an acquisition, regulatory shock, restructuring, or a management change. An afternoon panel of equity and credit research analysts examined companies and sectors that still have potential upside in the current market.

As the conference broke for networking, the conversations clearly reflected the view that despite high asset prices and continued uncertainty in the market, there still exist opportunities to find attractively priced companies. Those willing to take a long-term view, judicious risk, and be proactive in influencing companies are most likely to identify and extract value regardless of where uncertainty arises next.

Author: Doug Pike

Doug Pike is a member of the National Cartoonists Society and the author of *Gone with the Wine*

Student Investment Write Ups

Jeff is a first year MBA student at NYU Stern. Prior to attending Stern, Jeff spent five years at a $350+ million private equity firm, Atlas Holdings LLC, which specializes in control equity investing in distressed situations. He most recently served as a Vice President, responsible for leading investment diligence, financial analysis, industry research and legal documentation. Jeff has also been an investment research consultant for a $1.4bn hedge fund since March 2013, working on two major investment research projects in the automotive and telecom industries. Jeff graduated from Washington University in St. Louis in 2007 with a B.A. in Classics and a focus in Pre-Med studies. Jeff can be reached at jeffrey.nathan@stern.nyu.edu.

Jeff Nathan

Charter Communications, Inc. (NASDAQ: CHTR)

BUY recommendation (December 2013)
Current Price: $130
Price Target: $260
Potential Upside: ~100%
Time Horizon: 2+ years
Primary Valuation: 10X 2015 EBITDA
Summary: An increase in footprint penetration will drive EBITDA growth and free cash flow for share repurchases, creating an excellent investment even without multiple expansion.

Industry Overview: Cable operators sell three major products: video subscriptions, internet subscriptions, and telephone subscriptions. The nature of the cable industry is such that cable operators have de facto monopolies. For an average residential home, a cable operator owns the only data connection into the homes with enough data capacity to provide simultaneous HD video, high-speed internet and telephone service. Moreover, after many costly price wars over the past decades, cable operators have learned not to overbuild one another. Other industry advantages include two-year contracts, annual price increases, no inventory, no labor problems, and no long-term liabilities.

Fundamental Advantage: Although most cable operators offer 30 mbps into the home, a fully upgraded cable network can carry over 1 gbp using its coaxial network. In contrast, DSL's copper twisted pair systems were designed for non-data intensive applications such as telephone services. Today most DSL operators offer <10 mbps with a maximum theoretical capacity of around 50 mbps. Aside from fiber optics used by Verizon FiOS or upgraded DSL used by ATT U-Verse, there is no technology that can match cable's internet speed and unlimited capacity. Therefore, cable operators stand to gain as residential homes demand faster and unlimited data for tablets, smartphones and other internet-connected devices.

Opportunity: Charter Communications (revenue $8bn, EBITDA $3bn, market capitalization $15bn, net debt $13bn, enterprise value $28bn) is the fourth-largest cable operator in the U.S. Charter has an immense, although underpenetrated, cable plant that passes 12 million homes in Tier 2 and rural markets. Charter suffered from overleverage and financial distress beginning in 1999, owing to a string of acquisitions and major upgrades to its network. As a result of over-leverage, Charter had to focus on generating cash to pay down debt, outsourced its customer services, and offered inferior quality products. Charter had the lowest customer satisfaction ratings in the cable industry, and DSL providers captured most of the internet subscribers in Charter's footprint. In 2012, Charter provided internet service to only 32% of the households in its footprint, as compared with peers such as Comcast at 36%, TWC at 41%, and CVC at 54%.

Thesis: Charter filed for bankruptcy in 2009 and emerged in 2010 as a healthy company with reduced debt and interest expenses as well as $7 billion of NOLs. In December 2011, a new CEO, Tom Rutledge, joined Charter and recruited nearly his entire former senior management team from Cablevision, including his COO, EVP Field Operations, EVP Customer Operations, EVP Engineering, EVP Marketing, EVP Network Operations, and EVP Customer Care. Rutledge and his management team were successful increasing subscriber penetration at a similar cable operator in a Tier II-region, Bresnan, while at Cablevision.

Price Target: Using a proven strategy, Charter will gain incremental broadband customers and capture market share from DSL operators, growing internet subscriptions from 32% of passings in June 2013 to 39% of passing by 2015, assuming current annual growth rates of about 8%. If Charter achieves this internet penetration, EBITDA will expand by about 34%. Capital expenditures as a percentage of revenues will decline as Charter finishes its catch-up maintenance by 2015, and free cash flow per share will increase to about $13/share by 2015, representing a 10% free cash flow yield based on Charter's current share price of $130. If Charter uses excess free cash flow to repurchase shares, Charter's stock price will appreciate to $260 per share based on Charter's current EBITDA multiple of about 10 times. About 70% of the projected stock price appreciation is attributable to EBITDA growth and 30% is attributable to share buy-backs.

Key Points

Cable has a major competitive advantage in broadband internet. Charter has a natural monopoly on high-speed broadband service (>100mbps) within its regions.

Charter competes almost exclusively against regional telecom companies using DSL internet. Charter's plant footprint is comprised almost entirely of Tier II cities and rural areas, which have negligible overlap with over-builders such as Verizon and ATT which focus on Tier I Cities. Verizon FiOS has about 4% overlap, and ATT U-Verse has about 30% overlap.

While cable video is an important product for cable, internet subscriptions are already the dominant driver of cash flow for cable. While most investors focus on video margins, internet subscriptions already generate 43% of gross profits, and video subscriptions generate 38% of gross profits.

It's not true that the entire U.S. has high-speed internet. The percent of households in the entire U.S. with broadband internet (>1.5mbps) is still less than 70% today, with 50% fiber/cable, 20% DSL, and 30% without broadband. Broadband penetration has been steadily climbing and will surpass 70% in the next few years based on adoption rates, with cable taking nearly all of the incremental subscribers.

Board of Directors with proven record of intelligent capital allocation. John Malone, recently profiled in The Outsiders, acquired a 27% stake in Charter in March 2013 at a price of $95.50 per share. Mr. Malone also became the new Chairman of the Board in addition to appointing three board members.

Vinny Nyamathi

Vinny is a first year MBA student at NYU Stern. Vinny currently works as a part-time intern at Culmen Capital, a global long/short equity hedge fund. Prior to joining the NYU Stern School of Business, Vinny spent seven years at LPL Financial, the nation's largest independent financial broker/dealer. Most recently he served as an analyst in the investment research department, where he performed manager due diligence and investment analysis for LPL's $100B+ discretionary asset management platform. Vinny received a B.S. in Management Sciences from the University of California at San Diego and is a CFA Charterholder. Vinny can be reached at venay.nyamathi@stern.nyu.edu

Peugeot S.A. (ENXTPA: UG)

SHORT recommendation (December 2013)
Current Price: €10.62
12 Month Target: €6.63
Potential downside: 38%
Market Cap: €3.6B
3M Avg. Daily Volume: €49.7M

Company Description: Peugeot S.A., together with its subsidiaries, engages in the design, manufacture, and sale of passenger cars and light commercial vehicles under the Peugeot and Citroën brands worldwide.

Investment Thesis:

- Peugeot is a poor-quality company that earns very low returns on capital and is under a significant debt load (€24B in net debt counting the liabilities of its captive financing arm). The company generates significantly lower revenues per employee than other major car manufacturers (see Fig. 1), yet its existing union agreements preclude the company from closing any additional factories in the next three years. These same agreements require them to increase capacity, which they currently have in excess. Peugeot's highly hyped partnership with GM was originally expected to generate $2B in annual cost synergies, however the company recently called into doubt the realization of this full amount.
- Relative to peers, Peugeot generates a higher portion of revenues from Europe, which has seen very weak demand. Not only do they have a lower exposure to key international markets, but they continue to be unprofitable in these markets as well. Peugeot recently announced a €1.1B impairment charge on their Russian and Latin American businesses due to poor performance and exchange rate effects.
- Although Peugeot reported positive FCF during 1H 2013, this was primarily accomplished through a significant reduction in CapEx and net working capital (see Fig. 3). Peugeot already spends relatively little on CapEx (4% of sales) compared to peers, so one has to wonder how sustainable a 61% reduction in CapEx is if the company is to remain competitive. One also has to wonder how much further they can stretch their payables given the financial condition of the company.
- In order to shore up its weak balance sheet, the company is seeking a capital raise of at least €3B from the French government and Chinese automaker Dongfeng, each of which is expected to take a 20% stake in the company. This will clearly be highly dilutive to current shareholders. Also noteworthy is the fact that GM has the right to terminate their partnership should a change in control take place.

<u>Catalysts</u>:

- The completion of the sought-after capital raise, which will crystallize expected shareholder dilution and could end all benefits expected from GM partnership.
- 2H '13 FCF could disappoint following a tough comparison to 1H '13 FCF, which was boosted by measures that will be difficult to sustain.

<u>Valuation</u>: Optimism over the company's reduction in cash burn and the potential for a much-needed capital injection has led the stock to nearly double in price YTD 2013 despite a number of significant challenges. The stock trades at a premium to peers on an EV/EBITDA basis, at 17x relative to its peer avg. of 8x (see Fig. 2), although this is based on a near-trough EBITDA, and it trades at a discount to peers on an EV/Sales basis. A more reasonable EV/EBTIDA multiple of 10x my estimated FY14 EBITDA of €2.6B would yield a price target of €6.63/share, implying a near 40% decline from current levels.

<u>Risks</u>:

- Peugeot recently announced the appointment of Carlos Tavares, former COO of Renault, as the new CEO. Tavares could be able to replicate the success he achieved at Renault and turn the company around.
- European car sales appear to be showing recent signs of improvement.
- Benefits that accrue as a result of the recent accord to ease trade sanctions with Iran, Peugeot's 2nd largest market outside of France.

<u>Conclusion</u>: As Peugeot continues to burn cash, it is being placed in a situation of increased desperation. Since closing further factories is not an option in the near-term, the company will have a difficult time reducing expenses. Apart from further dilutive capital raises, the only feasible solutions seem to be unsustainable working capital and CapEx reductions. Despite these challenges, Peugeot's stock has nearly doubled in price during 2013, representing a stock price performance that is completely out of line with the fundamentals of the company. The company does not deserve the premium valuation that it currently commands relative to peers, and a re-rating of the stock down to the peer group average should occur after optimism over a recovery fades. Unless incoming CEO Carlos Tavares is able to turn the company around or we see a strong recovery in European vehicle sales, I see little reason to be optimistic about the future of Peugeot.

Fig. 1: ***Revenue Per Employee ($)***

Company	**Rev/Employee**
BMW AG	972,105
Daimler AG	566,837
Fiat SpA	530,543
Ford	855,585
General Motors	724,174
Honda Motor Co	567,132
Renault SA	1,003,994
Toyota Motor Corp	7,03,903
Volkswagen AG	475784
Average	**712.019**
Peugeot SA	**362,327**

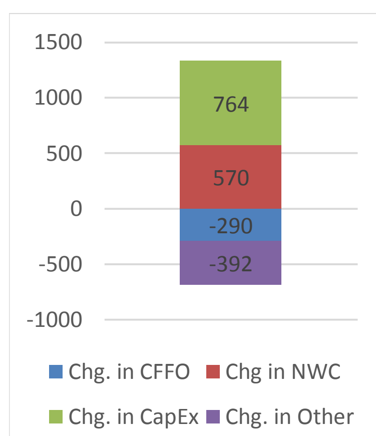
Source: S&P Capital IQ

Fig. 2: ***Valuation Comparison***

Company	**EV/EBITDA**
BMW AG	10.0x
Daimler AG	7.0x
Fiat SpA	2.9x
Ford	6.6x
General Motors	10.8x
Honda Motor Co	7.5x
Renault SA	8.9x
Toyota Motor Corp	9.2x
Volkswagen AG	11.8x
Average	**8.3x**
Peugeot SA	**16.7x**

Source: S&P Capital IQ

Fig. 3: ***Contribution to Change in FCF: 1H '12 → 1H '13 (€M)***



Source: Company Filings

EVALUATION – GET INVOLVED!

This is the inaugural issue of EVALUATION, but going forward we aim to grow and cultivate the publication, with a goal of putting out one newsletter per academic semester. Our mission is two-fold, (1) to broadly spread awareness of research and investing to interested parties and (2) to foster a greater connection between NYU students and alumni in the investment community. On that front, if you would like to get involved, or provide us with feedback, please don't hesitate to reach out. In addition, if you would like to be added to our newsletter e-distribution list going forward, please send us your contact information. Thanks for reading!

Visit our student club affiliation, Stern Investment Management & Research Society, on the web:
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Resume book of club members available upon request.

EVALUATION 2013 Editors

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