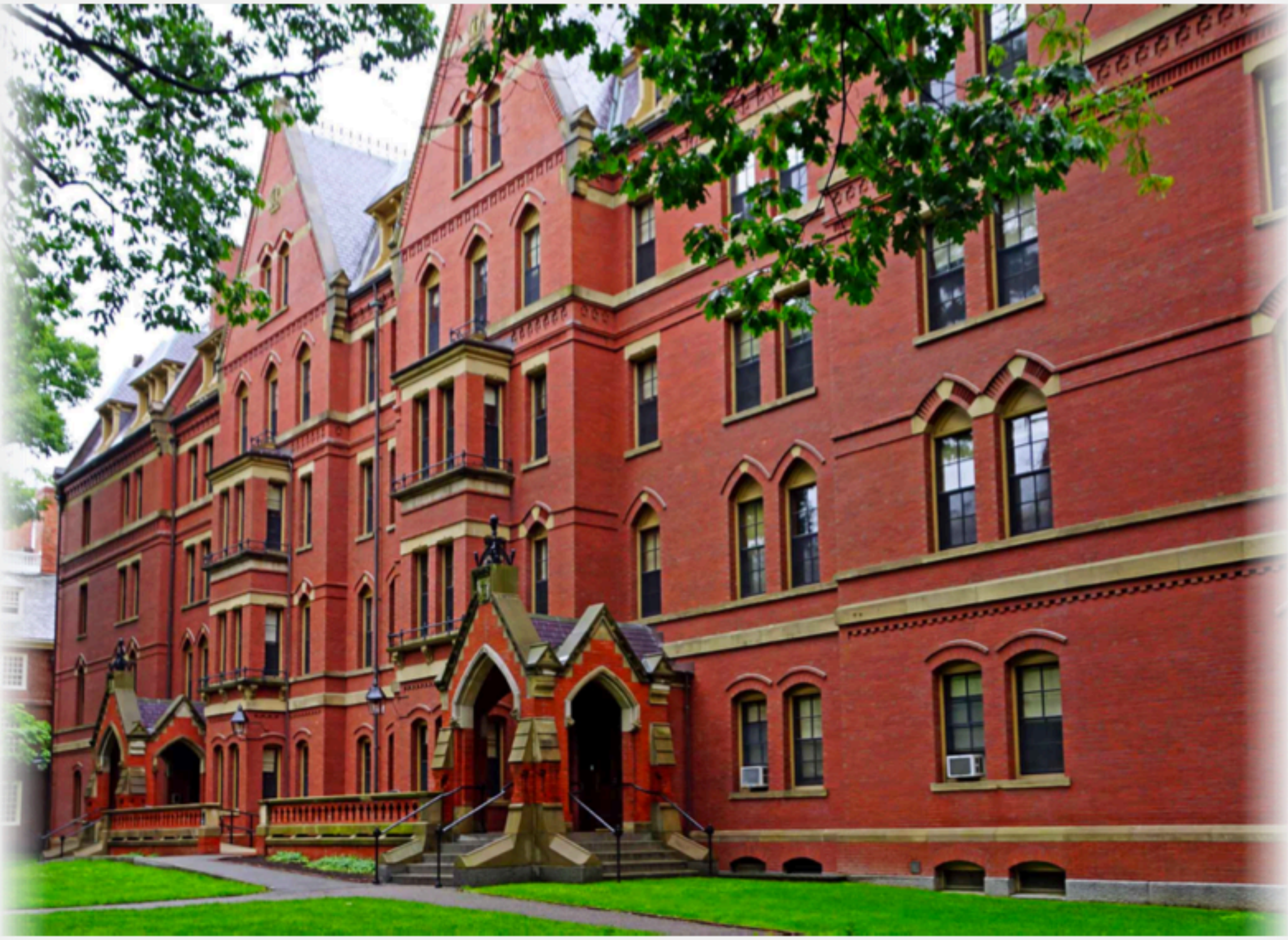
2019 Annual Investors Report



Harvard Financial Analysts Club

2019 Executive Board

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State of the Club

The state of the Harvard Financial Analysts Club is strong. Given the record engagement among the organization's members and the relative success of the portfolio's performance, 2019 was a great year.

HFAC's co-presidents made it a priority to improve the quality of member engagement in Asset Management (AM) meetings. Senior members of board led several case studies on topics ranging from credit research to investing in cyclical industries in order to make meetings more educational. Senior members also organized bonding events and one-on-one coffee chats and mock interviews outside of the regular Thursday meetings to improve the member experience. As a result of these efforts, attendance at AM meetings was very strong throughout the year.

SIR groups delivered a high volume of actionable pitches throughout the two semesters, and several additions were made to HFAC's portfolio. In 2019, the total return for the S&P 500 was 31.49%, and the total return for HFAC's equity investments was +24.5%.

Genty Daku led the year's two comp classes, which included more than 150 undergraduates. He re-vamped the comp's programming to make it more interactive and teach concepts through case studies. The comp's success was evidenced by the record number of compers who applied for positions on HFAC Board.

The group has continued its tradition of leading an annual trip to Wall Street This year's Wall Street trip, "Women take Wall Street," was a great success since it encouraged greater female engagement in the organization. Participants visited Oak Tree Capital, Apax Partners, and Bessemer Venture Partners.

In the Fall of 2019, HFAC hosted an intercollegiate stock pitch competition. For the first time this year, our stock pitch competition focused on micro-cap/small cap stocks and attracted over 20 competing colleges.

As Harvard's largest and oldest finance organization, it is a critical part of our mission to encourage members from all backgrounds to become proficient in the language of finance and enter the industry with an understanding of its core tenets. On account of this emphasis, HFAC is proud to report on the diversity of its membership. Over 30% of members identify as female, and over 70% of members identify as either female, a person of color, or LGBTQ+.

Portfolio Review

Holdings as of 31 Dec. 2019

Position	Ticker	Initiation Date	Cost Basis	Market Value	Total	Unrealized Gain (Loss)*
Lee Enterprises	LEE	11-03-2017	$998	$604	(39%)	($394)
Retail Value Holdings N.V.	RHDGF	03-20-2017	$2046	$1309	(36%)	($737)

*Note that Retail Value Holdings has yielded dividends totaling $2310 over the lifetime of HFAC's investment, which are not included in the unrealized gain/loss figure.

Portfolio Review

Biggest Winners

Crawford and Company (NYSE: CRD.A) – 33.7% Gain in 2019

Crawford and Company (ticker: CRD.A) provides claims management and outsourcing solutions to the risk management and insurance industry as well as self-insured entities. The company operates through three main segments: Crawford Claims Solutions, Crawford TPA Solutions, and Crawford Specialty Solutions.

HFAC initiated this position in May 2018 with a two-fold thesis. First, we believed that Crawford and Company's margins would expand in the future. We anticipated that the profit margin for CRD.A's Garden City Group subsidiary would turn from negative to positive 10 percent in the following fiscal year, driven by a move to a flexible data processing system and improvements to the employee structure. Second, we believed that the market had not priced in CRD.A's acquisition of WeGoLook. We had strong conviction that this acquisition was a step toward vertical integration and in the insurance industry and enable CRD.A to break into the high-frequency claims market, shrink their claims cycle, and cut costs on each investigation and settlement.

After Crawford and Company's sale of Garden City Group in June 2018, there was no more room for margin expansion from GCG. Furthermore, we are now unconvinced that the acquisition of WeGoLook will be able to expand CRD.A's margins in the medium term. With both our thesis points either disproven or negated, and with CRD.A trading at 9.22x EV/LTM EBITDA (vs. 5.7x when pitched), we chose to exit our position on December 12.

Portfolio Review

Biggest Winners

Retail Holdings NV (RHDGF) – 95.3% Gain in 2019

RHDGF was a special-situations play where a liquidation of the company had been planned, but the stock traded at a roughly 45% discount to our estimate of NAV. HFAC entered the position in March 2017 when RHDGF was a $145mm market cap stock with no professional analyst coverage. Indeed, a prominent investing article written in December 2016 had highlighted some market inefficiency but hardly failed to close the discount gap.

RHDGF is a holding company which holds stakes in three subsidiaries in Bangladesh, Sri Lanka, and India. Each subsidiary manufactures and markets home appliances, consumer electronics, and furniture. All of the subsidiaries have grown consistently in the past and trade around industry P/E.

Retail Holdings N.V.

HFAC performed extensive due diligence in seeking a fair value of RHDGF equity. Our Senior Investment Research teams partitioned the HoldCo into its subsidiaries and calculated the forecasted industry P/E, while also creating a likelihood table of liquidation options based on past precedents of the CEO. Our valuation gave us enough cushion to believe that the liquidation value was far above the current trading price.

Portfolio Review

Biggest Loser

Lee Enterprises (NYSE: Lee) – 32.8% Loss in 2019

Lee Enterprises is the fifth largest newspaper group in the United States. It manages around 46 independent newspapers and around 300 specialty publications across 20 or so states. As established in HFAC's 2017 investor report, Lee's primary competitive advantage in the newspaper industry is the demographic composition of its audience. Operating predominantly in semi-rural areas of the Midwest and Mountain States, LEE benefits from a loyal readership that does not substitute local coverage with national publications.

In November 2017, HFAC entered a 425-share position on the $173 million market cap company ($2.35/share cost basis). This decision was initially centered on our view that LEE's revenue and free cash flow growth would exceed market estimates, thereby enabling faster debt repayment and regaining investor confidence. While the company's consistently declining revenue growth and $460 million debt burden have historically depressed its share price, LEE's aggressive acquisitions of local newspaper and digital content management businesses, notably the Kenosha News and the digital CMS segment of Boston-based digital company GTxcel led us to believe it would outperform the market. Given the potential realization of synergies from these acquisitions, coupled with the likelihood that LEE will successfully continue deleveraging into 2020, we maintained our conviction in this investment.

Portfolio Review

Other Positions

Instructure Software (NYSE: INST): 26.4% Gain in 2019

INST provides learning management software to schools and corporations. Specifically, INST offers cloud-based grading/course software for schools & colleges, and HR tools for corporations, and are currently at about 30% market share. Given the sticky, low-churn nature of their customer set, strong gross margins on software (> 75%), rapid (~30% yoy) ARR growth, and a weak competitive environment, we believe that this was a strong value investment on a risk-adjusted basis.

When we evaluated INST's risks, we found they included public education budget restrictions, an aggressive expansion/diversification strategy backfiring, and a transition to new upper management. For these reasons there was large short interest in INST, and we believe that this is why it was trading underneath our assessment of intrinsic value. Specifically, after conducting due diligence we found that INST's main competitor in the US higher education market, Blackboard, uses outdated software that is terribly reviewed. Furthermore, Blackboard is levered at approximately 10.5x adj. EBITDA. On the other hand, INST's primary product, Canvas, is technically more sophisticated (cloud-based) and much more loved, and so INST has begun to enjoy a > 70% win rate in the RFP (request for proposal) contract process. With this information, we found that this gave INST the highest NPV for their S&M and R&D investments. Furthermore, we were assured in the competence of the new management after looking into the new CEO, Dan Goldsmith. Given these factors, we projected that INST could become a 20-25% operating margin business at maturity (once S&M and R&D expenses began to reduce). We also saw found diversification efforts into corporate software tools with assets like Bridge to be a net positive, since these new assets increase INST's TAM by over 5x.

INSTRUCTURE

On April 24, 2019, we closed out our position in Instructure, having been satisfied with the way our thesis points played out.

Portfolio Review
Other Positions

Retail Value Inc. (NYSE: RVI) – 32.1% Gain in 2019

Retail Value Inc. is a REIT that was spun-off from DDR in July of 2018 with the stated intention to liquidate its portfolio over the next 18 to 36 months. After the spin-off, RVI carried a portfolio of 48 retail centers, including 36 properties in the continental U.S. and 12 properties in Puerto Rico. As of March 2018, the Company had sold 26 properties, all of which were in the U.S.

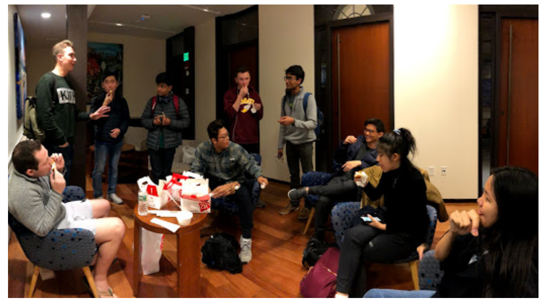
HFAC's thesis is that the market had mispriced the risk inherent to RVI's properties in Puerto Rico. On account of the macroeconomic and geopolitical factors in Puerto Rico, sophisticated investors were either prohibited from investing in companies with exposure in the region or overly pessimistic regarding the state of retail in the Commonwealth. Based on NAV sensitivity analysis, HFAC thought that fair value for the stock was between \$32- \$36 (~20% upside from current share price).

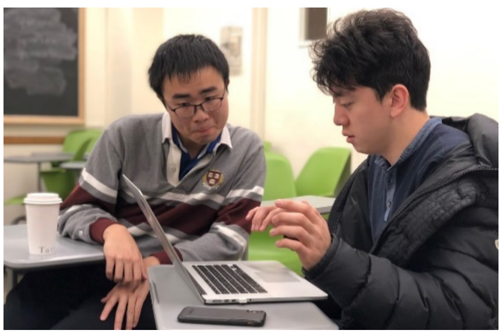
HFAC exited its position in RVI on April 24, 2019, content with the thesis points having played out appropriately.

Activities & Competitions

Asset Management Bonding Events

HFAC hosted several bonding events for members of AM. These were great opportunities for newer members of HFAC to meet veterans of the group and talk shop!





Technical Workshops

HFAC held several workshops through 2018 for members of Asset Management. Older members of the group hosted these workshops to help members prepare for technical interviews, refine their resumes, and learn about different parts of investing.

Networking and Social Events

HFAC partnered with outside organizations to host networking and social events. Several of these events focused on diversity, such as the women’s brunch.

Competitions

Several HFAC teams competed in stock pitch competitions during 2019. HFAC will host our annual Intercollegiate Stock Pitch Competition in Fall 2020.

Sponsors

CRIMSON

- Spark (Spark Investment Management LLC)
- Fidelity Investments
- D E Shaw & Co

GOLD

- Blackstone
- Goldman Sachs
- BlackRock
- GMO (North America | Europe | Asia-Pacific)
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- Credit Suisse
- Bank of America Merrill Lynch
- KCG

BRONZE

- Element Capital
- Apollo Investment Corporation
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