

# 43 Star Stocks to Smash the Market

Plus, the 5 stocks you need to watch in 2019.



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# An Introduction to Our Star Stocks

**F**or more than three years, our analyst team here at Rubicoin has been handpicking the best investment opportunities that we see on the market to feature in the Invest app.

Since then, that same showroom of stocks (currently 100 companies and ETFs) has returned an admirable average of 37% — easily beating the return of the US market over the same period.

However, there is one sub-section of 43 stocks that have posted even more impressive returns — our Star Stocks!

What are our Star Stocks? Well, everyone knows that the likes of Amazon, Apple, Netflix, and Google are great investment opportunities. But what people really want to add to their portfolios is the next big thing.

Our Star Stocks are a selection of great investment opportunities just waiting to be discovered. From avocado-growers to companies that are developing groundbreaking technology to make our cities safer, these are some of the best (and most hidden) opportunities our investing team has found to date.

Of course, some of our Star Stocks like Shopify and the Match Group have become more well-known over the past few years as they've grown. But that hasn't lessened the impact of the returns.

Across 2018, for example, the combined average return of our Star Stock selections has been just under 13% — a hugely impressive figure considering that the S&P 500 has actually turned negative for the year.

Even more impressive, however, is that the **average return of our Star Stocks has more than doubled the market since we first launched them** back in 2016!

Later this year, we are retiring our Star Stock category in order to streamline the Invest app, so this is your last chance to see all of our Star Stocks grouped together into one easy-to-read publication, with the jargon-free comments written by the investing team and me updated to the end of 2018.

And don't forget, we'll be adding plenty more great investment opportunities to the Invest app in 2019.



Happy investing!

**Emmet Savage.**

*CEO and Co-Founder of Rubicoin.*

## 2U (TWOU)

**2U** is an educational software company headquartered in Maryland. It partners with colleges and universities to provide online degree programs, attracting virtual students for nearly the same tuition cost as on-campus courses.

- Growing industry | High insider ownership | Beloved CEO
- \$3bn market cap
- +19% since being added to the Invest app

### Our Opinion

Sometimes you can tell the pedigree of a business simply by its customers. 2U is a perfect example this. Universities such as Georgetown, Oxford, University of California Berkeley, Harvard, and Cambridge are just five premium brands that have trusted 2U to maintain their educational standards for students across a digital world. As the leading provider of software-as-a-service (SaaS) solutions for higher education, 2U brings new students to universities, as well as distance-learning to those who cannot attend in person. Tuition fees are split between 2U and the university involved. In short, the colleges win, the students win, and 2U wins.

The numbers today are impressive: 34 universities, 64 Domestic Graduate Programs (DGPs) and over 42,000 enrolled students.

But it's where the business is going next that has me most excited. If all goes to plan, by 2021 they will more than double the number of programs they have, which will include roughly 110 DGPs representing about 40% of their long term target of roughly 250. Additionally, 2U will launch their first International Graduate Program in 2019, an MBA with University College London.

The company's 2017 acquisition of GetSmarter opened the digital door to more students, becoming their Short Course Segment for non-degree courses from major US universities.

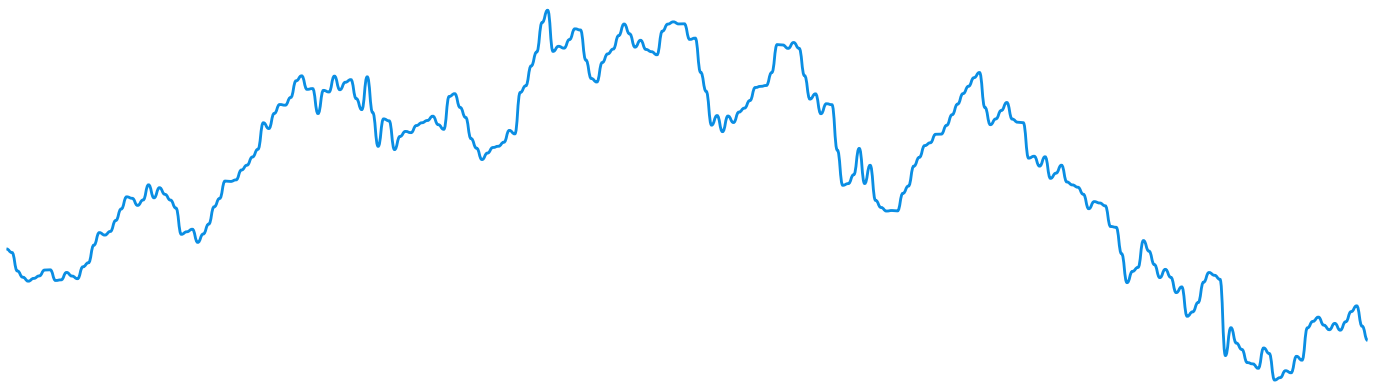
Over time, 2U has also increased speed and efficiency, boosting the number of Domestic Graduate Programs launched. They launched six throughout 2016, 10 in 2017, 14 in 2018 and have 16 slated for 2019.

The value of these additional GDPs becomes especially clear when you consider that they're all long-term contracts spanning decades, which is why there is a 100% retention rate of partnerships with universities and colleges.

2U believes that the future of education is digital and that institutions which embrace this transformation will emerge as the leaders of the 21st century. There are nearly 3 million graduate students in the US today, who together pay around \$80 billion in tuition. Online enrolment accounts for around 22% of that figure.

2U is on a shortlist of small businesses that I'd like to buy in 2019. I'm as excited about this business's prospects as I am about the future of education.

## 2018 Performance Graph



## Stock History

2U (formerly 2tor) was founded in 2008 by John Katzman, who had previously founded The Princeton Review (now owned by Match.com). Katzman, along with co-founders Chip Paucek and Jeremy Johnson, envisioned a technological solution to bringing high-quality education to people without the need to move their lives to campuses, thereby reducing the financial burden on students.

2U believed that by harnessing today's cloud-based technology, they could create online degree programs as good, or better than, traditional on-campus programs at top universities. At the time, online education was still struggling to be taken seriously, with many other companies offering correspondence courses that lacked the guidance of an onsite experience.

“2U is on a shortlist of small businesses that I'd like to buy in 2019. I'm as excited about this business's prospects as I am about the future of education.”

In 2009, 2U started their first graduate degree programme with the University of Southern California's Rossier School of Education. In 2011, they partnered with Georgetown University to offer their first program in nursing.

In 2012, Katzman left the company in order to dedicate time to a new startup called Noodle. Paucek remained on as CEO.

In 2014, 2U went public on the NASDAQ with a valuation of just over \$500 million.

In 2015, 2U partnered with Yale University to launch an online Master of Medical Science degree. In 2017, 2U acquired South African company GetSmarter for over \$100 million. GetSmarter provides shorter non-degree courses in South Africa, the UK and the United States, and has close relationships with some of the best universities in the world.

# Align Technology (ALGN)

**A**lign Technology is a global medical device maker, best known for its Invisalign teeth aligners.

- Global opportunities ahead | High-margin business | High insider ownership
- \$17bn market cap
- +116% since being added to the Invest app

## Our Opinion

For over 21 years, Align has made the complex and unpleasant process of orthodontic treatments significantly better. Thanks to their Invisalign technology, wires and brackets have been removed from patients' teeth in favor of faster and more comfortable treatments. The technology is protected worldwide with a giant patent book, with a whole load of innovative orthodontic solutions in development.

As a result of Invisalign's reputation for an almost completely invisible aesthetic, patients are now asking for the product by name. In 2017, they shipped 931,000 cases of their aligner, a 34.1% increase on 2016. 2018 was on track for a further 35% year-on-year growth, reflecting strong growth from both teen and adult patients.

The US has traditionally enjoyed a lead in consumer awareness of orthodontic treatments, but this megatrend is rapidly moving across the world. Align's new treatment planning operations, located in Chengdu, China began processing patient cases in June 2017.

To nobody's surprise, new competitors appeared in 2018; this is what happens when you have gross margins in the mid-seventies. For reference, gross margins of 35% in retail is regarded as good.

SmileDirectClub has quickly risen to the top of what it calls "the doctor-directed at-home invisible aligner industry", with the company's clear aligners costing roughly 60% less than Invisalign. Align's CFO John Morici stated that there is only around a 10% overlap between Invisalign cases and SDC clear-aligner cases, however, saying SDC operates in "a completely different segment" with its direct-to-home model.

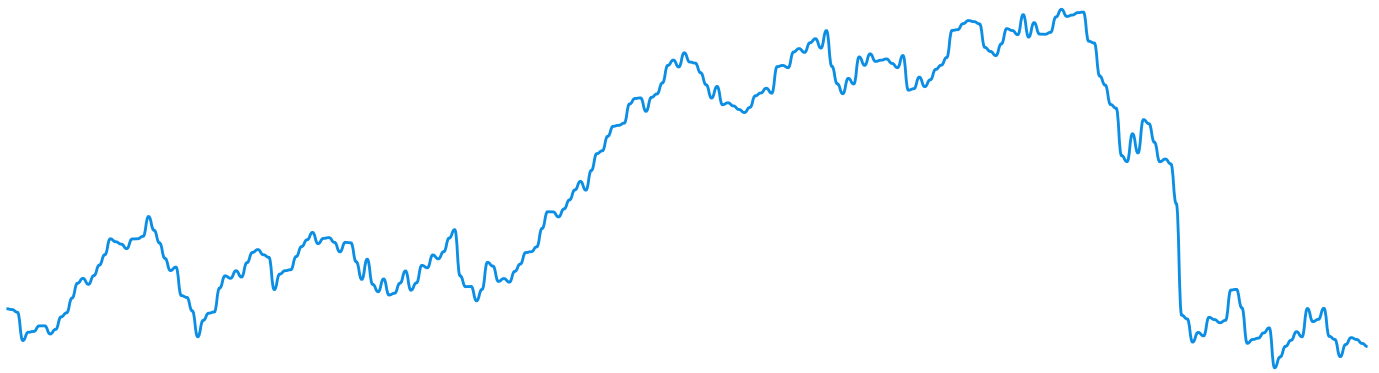
Align could acquire competitors or beat them with their immense scale. The company has a massive 12 million annual customers worldwide with 300 million patients to date, and operates in 103 countries through 136,000 trained doctors.



And it's these very doctors who underpin Project Apple, a major test program in New York City with a significant investment in media to reinforce the importance of doctor-led Invisalign treatment and a premium consumer experience.

At an investor conference in the summer of 2018, Align said that they are just starting to hit their stride. With almost 900 patents, a massive network of doctors, big-data insights and the leading brand in the space, I believe that investors today will be richly rewarded over the medium term.

## 2018 Performance



## Stock History

Align Technology was founded in 1997 by Stanford business students Zia Chishti and Kelsey Wirth. Chishti had worn a retainer as an adult and realized that a more hi-tech product could solve many of the issues that metal braces were traditionally used for. Seeing a growing number of adults seeking orthodontic treatment, the idea for a clear removable retainer was born.

The pair envisioned replacing the old model of metal train tracks that could be removed for teeth cleaning, and be replaced as the teeth adjusted into position. The device could also be removed for up to four hours a day, meaning they would not interfere with eating or big events.

“In 2004, the company hit \$100 million in revenue and the following year launched in Japan. In 2008, the company launched Invisalign Teen and opened up a new market for the product.”

The idea was rejected by many universities before the University of the Pacific School of Dentistry allowed them to perform a feasibility study. Following their initial findings, the pair secured \$140 million in funding after presenting to venture capitalists and only revealing they were wearing the devices afterwards.

In 1998, the product was approved by the FDA and in 1999 their flagship product, Invisalign, became available to the public. They treated 100 patients in the first year.

From there, the company moved fast to cement their position in the market. In 2000, they launched an aggressive marketing campaign, estimated to cost \$31 million. The New York Times called it “the most aggressive consumer advertising plan the dental profession has ever seen.” That same year, 75% of all dentists in the US were trained in using the product.

In 2001, the company went public for the first time under the ticker symbol ALGN and also launched in Europe. Shortly afterwards, founder Chishti fell out with the company in mysterious circumstances and left.

He went on to found a competitor, OrthoClear, but after a lengthy legal battle, OrthoClear was paid a settlement and stopped production.

In 2004, the company hit \$100 million in revenue and the following year launched in Japan. In 2008, the company launched Invisalign Teen and opened up a new market for the product. Shortly after they hit the 1 million patients mark.

Since then, Align has launched in China and India, diversified their offering into digital scanners, and grown its workforce to about 6,000 employees around the world. Align Technology has now served more than 5 million patients, and its pioneering Invisalign system is offered in more than 90 countries.



# American Tower (AMT)

**A**merican Tower is a real estate investment trust (REIT). The company rents out space for wireless communication equipment on 170,000 towers that they own globally.

- Regular dividend payer | Large portfolio of hard assets | High switching costs
- \$73bn market cap
- +57% since being added to the Invest app

## Our Opinion

20 years ago, I was recruited into the engineering function of Ireland's first cell-phone network. Early-mover advantage allowed me to oversee the build of 1G, 2G, and 3G technologies long before I left to co-found this business with my colleague and friend, John Tyrrell.

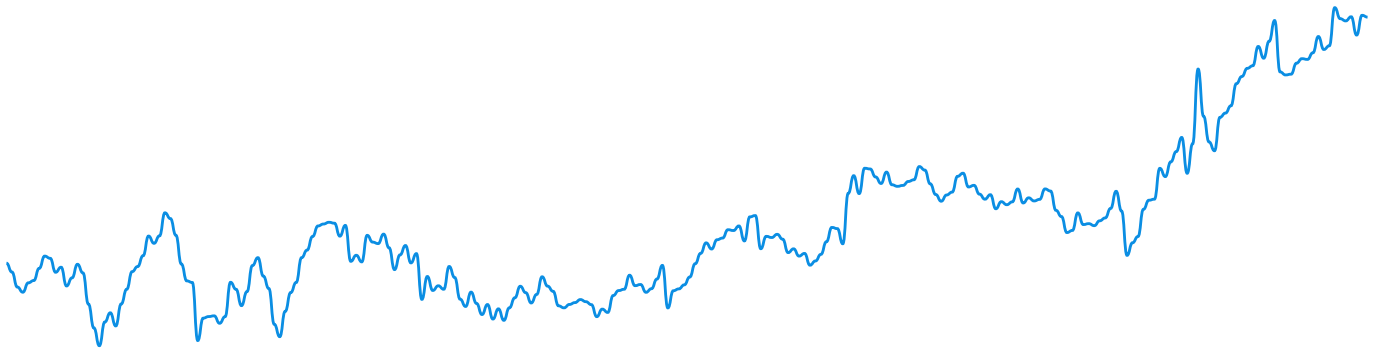
During those years, both John and I headed up the rollout of the country's tower network. Here, we observed first-hand the complexity and expense associated with the task, as well as the subsequent revenue streams that formed. If you're the only player with a tower in an area where others need cell phone coverage, you have a strong hand when it comes to rental negotiations.

American Tower is an industry giant that you have probably never heard of but will have used countless times as your phone beams up to the nearest cell-phone tower. With more than 170,000 sites, extremely low customer churn (finding another location for an antenna is a tricky business), and a conveyor belt of new wireless technologies requiring more panels and dishes, this is a safe long-term investment with incredible barriers to entry. These barriers are evident by sustained earnings increases and dividend hikes of around 26% per year since inception, with further gains promised.

American Tower operates as a Real Estate Investment Trust (REIT), meaning they get special dispensation on federal income tax, as long as they pay a high percentage of their income out to shareholders as dividends. While many REITs focus on office buildings, shopping malls, or even timberlands, American Tower is truly a business built for the future.

With less than one quarter of their network in the US, American Tower is a critical cog in the global telecoms infrastructure. Between this global diversity, dividends, pricing power and barriers to entry, it's also one of the safest long-term investments for investors.

## 2018 Performance Graph



## Stock History

American Tower began its life as a subsidiary of American Radio in 1995. Soon after its formation, the company began buying up telephone relay towers from the now defunct AT&T Communications. American Tower went about repurposing these towers for use as cell towers, removing the old horn-reflector antennas and renting out the space to cell-phone providers. When America Radio was sold to CBS, American Tower was spun off as an independent company. That same year, American Tower went public on the NYSE under the ticker symbol AMT.

In 1999, American Tower became an international entity when it began operations in Mexico. After acquiring over 3,000 sites, American Tower became the largest independent tower operator in the country. The following year, the company expanded into Brazil.

In 2005, American Tower merged with one of its biggest competitors, SpectraSite, to create the largest tower company in the United States. The company continued its international expansion throughout the next decade. In 2007, they opened their first offices in India, and in 2010 grew substantially throughout Latin America with operations in Peru, Chile and Columbia.

In 2011, American Tower began expansion into Africa, starting in Ghana and South Africa. In 2012, the company was reorganised as a real estate investment trust (REIT) and began paying out regular dividends. That same year they reached the milestone of 50,000 sites and launched new operations in Uganda and Germany.

“American Tower operates as a Real Estate Investment Trust (REIT), meaning they get special dispensation on federal income tax, as long as they pay a high percentage of their income out to shareholders as dividends.”

In 2013, American Tower acquired Global Tower Partners, the largest privately owned tower operator in the US. In 2015, the company acquired the rights to another 11,000 sites through a deal with Verizon Communications. They also launched their first operations in Nigeria. In the same year, the company bought the controlling interest in Viom Networks, giving them over 42,000 towers across India.

In 2017, American Tower was added for the first time to the prestigious Fortune 500 list. Today, the company has over 170,000 sites worldwide across advanced, evolving and developing wireless markets.

# Arista Networks (ANET)

**A**rista Networks are a computer networking company out to take on the “Goliath” that is Cisco.

- High barriers to entry | Fortune 500 customers | Industry disruptor
- \$16bn market cap
- +149% since being added to the Invest app

## Our Opinion

Arista is a company that makes something that every business needs — cloud networking solutions. The complexity of those solutions allowed Cisco to dominate the space for decades, until Arista co-founders Andy Bechtolsheim, who also founded Sun Microsystems, and Jayshree Ullal decided to give it a go.

Since that day in fall 2008, Arista has unashamedly gone for Cisco’s jugular vein and has succeeded in stealing market share from them every year since launch.

Today, it has over 5,000 customers that are the “who’s who” of companies and partners, including Amazon AWS, EMC/Dell, GCP/Google, Intel, Microsoft, Palo Alto Networks and many more.

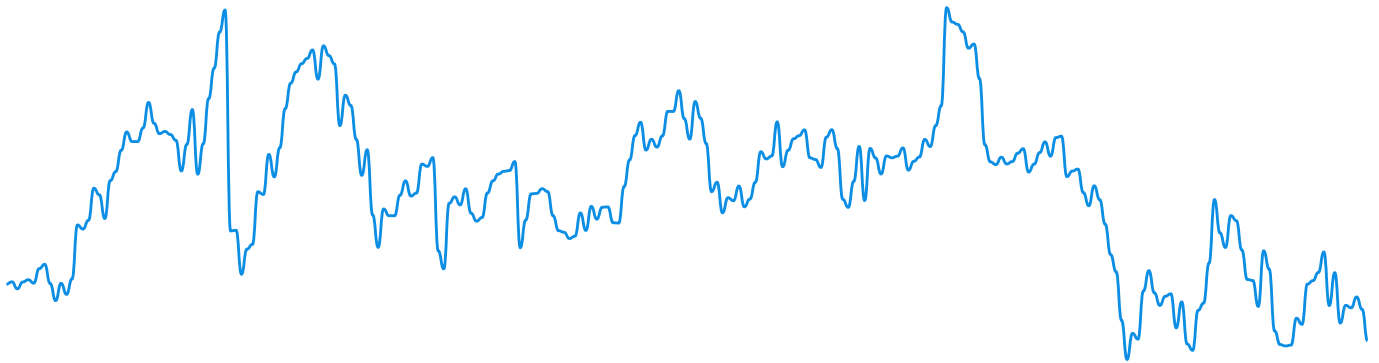
The list of business accolades is unlike any other I’ve seen. In 2018 alone, Arista joined the S&P 500, was ranked #8 on the Fortune Fastest Growing Companies List, #3 on the 2017 Forbes’ Fast Tech 25, named to the Forbes Global 2000 list, leader in “The Forrester Wave: Hardware Platforms For Software-Defined Networking 2018” and recognized by Gartner as a “leader” in its 2015, 2016, 2017 and 2018 Magic Quadrant for Data Center Networking. Phew!

Bechtolsheim and Arista’s early engineers spent four years and \$100 million developing the Extensible Operating System (EOS) before they started to sell the product. The system is 90% software and 10% hardware and is built from off-the-shelf chips rather than custom hardware, which saves money for Arista and allows them to be nimbler.

Insider ownership sits at almost 30%, over half of which are owned by Bechtolsheim who has never sold any. I’m invested alongside these insiders, albeit at a far smaller level. Arista is one of the stocks that I will continue to hold for the very long term — which in my mind is 25+ years.

“Arista is a company that makes something that every business needs — cloud networking solutions. The complexity of those solutions allowed Cisco to dominate the space for decades, until Arista decided to give it a go.”

## 2018 Performance Graph



## Stock History

With so much talk of venture capital funding in Silicon Valley, it's rare to find a self-funded company that has grown as large and successful as Arista Networks.

The company was co-founded by two tech entrepreneurs, Andy von Bechtolsheim and David Cheriton. Friends for decades, they both made an early \$100,000 investment in a small start-up at the time known as Google. And it's that very savvy decision to which they both owe most of their wealth.

Prior to founding Arista Networks, the pair cofounded two other IT networking companies – one sold to Sun Microsystems and another to Cisco.

So what exactly does Arista Networks do? They sell Ethernet switches to data centers, high-frequency trading operations and supercomputing projects. Ethernet switches are devices used to build network connections between computers, allowing them to talk to each other.

The key is creating switches that allow this communication to happen at lightning speed and with infallible reliability.

To do that, Arista created its own proprietary hardware and software, which proved no small feat. To create their innovative new operating system, Arista programmers wrote 8 million lines of code and devoted over 1,000 man-years to the project!

Arista's target market is projected to grow from \$5.9 billion in 2013 to \$13 billion in 2019. Currently, the company is the number two player in its industry (right behind Cisco, a stalwart company with a 20-year head start). But, according to Arista company documents, they're gaining ground quickly and are now the fastest-growing supplier of products to the Ethernet market.

In 2018, Arista was named by Forbes Magazine as one of the ten fastest-growing companies, alongside industry giants such as Facebook and Amazon. In the same year, it joined the S&P 500 for the first time.





# Atlassian (TEAM)

**A**tlassian Corporation is an Australian enterprise software company that develops products for software developers, project managers, and content management. Their applications include Jira, Confluence, and the recently-acquired Trello.

- Sticky business model | Pricing power | Fortune 500 customers
- \$19.5bn market cap
- +29% since being added to the Invest app

## Our Opinion

Atlassian owns a suite of products designed to enable developers to collaborate and be more productive in their jobs. While most users will never have heard of Jira, Confluence, or Bitbucket, you can be sure that many of the applications you use every day (including our Invest app) were built with a heavy reliance on them.

Most businesses out there will argue that they have a strong brand. However, Pat Dorsey of Dorsey Asset Management argues that to have a strong brand, you must do one of two things: have pricing power or lower your customer's search costs. When I asked our head of development about Atlassian's products, he signified that they have both.

When I asked who we would switch to if we were to ditch Atlassian, he said we would need to source individual solutions from a variety of vendors rather than rely on the all-in-one Atlassian offering. When I asked what we would do if Atlassian doubled their prices tomorrow, he responded resolutely, "pay them!"

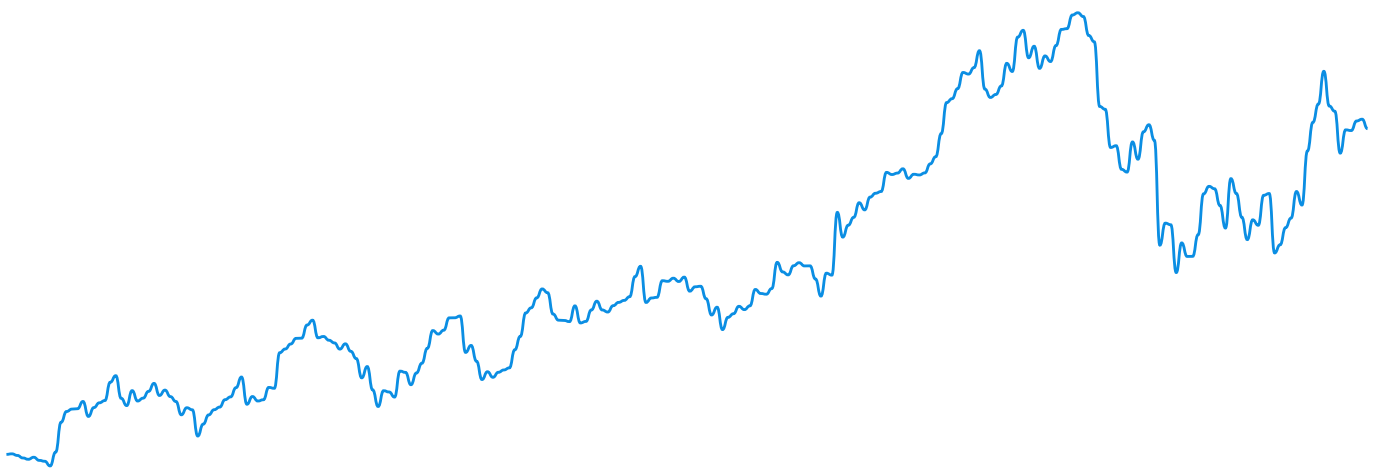
This brand strength is shown in the company's incredible retention figures, with 98% of customers who spent more than \$50k in fiscal year 2017 remaining on as customers the year after. Furthermore, over 90% who spent at that level purchased three or more products, implying that their tools are extremely complementary and, after a while, difficult to move away from.

Atlassian products are incredibly cheap for early startups, with prices ramping up as more employees are added. This means that coders making their first apps in their bedrooms to developers at Apple, Tesla, and Virgin Media are all becoming entrenched in the Atlassian ecosystem.

Recently, Atlassian struck a strategic partnership with Slack, one of the fastest-growing companies in the world (and another staple of the Rubicoin office). This partnership will see Atlassian close down their Slack competitors Stride and HipChat in exchange for a small equity stake in Slack. The equity stake aside, I believe this will mean greater collaboration between the two companies, which should further anchor both into the lives of employees across the business world.

While shares are currently priced at a high premium, I believe we could well be looking at the next Microsoft. I recently purchased shares for my family's portfolio and plan to hold on for many years.

## 2018 Performance Graph



## Stock History

Atlassian was founded in 2002 by college friends Mike Cannon-Brookes and Scott Farquhar. For several years, the pair funded the project with credit-card debt. The name of the company derives from Titan Atlas, the mythical Greek being that was forced to hold up the world after losing a war with the gods.

In 2002, Atlassian released its flagship product, Jira, which allowed developers to plan projects and track issues. In 2004, they released Confluence, a team collaboration platform.

“While shares are currently priced at a high premium, I believe we could well be looking at the next Microsoft. I recently purchased shares for my family's portfolio and plan to hold on for many years.”

In 2010, Atlassian raised \$60 million in funding from Accel Partners. That same year, they acquired Bitbucket, a hosted service for code collaboration.

In 2012, Atlassian introduced a website similar to the Apple App Store where users could download various plug-ins for their products. They also released Stash, later renamed Bitbucket Server. Later that year they acquired HipChat, an instant messaging platform for the workplace.

Atlassian continued to make significant acquisitions over the next few years, including work chat company Hall and the Colorado-based Dogwood Labs.

On December 10th, 2015, Atlassian made its debut on the NASDAQ under the symbol TEAM. The market cap of the company was then \$4.37 billion.

In September 2017, the company launched Stride, an alternative to business communications tool Slack. The two companies later forged a strategic partnership. Today, Atlassian has more than 125,000 customers, nine offices across six countries, and — following a contribution to one of NASA's Mars Rovers — can boast that its software runs on two planets.

## Baozun (BZUN)

**B**aozun is the leading brand e-commerce solution in China. Brands like Nike, Nestle, Panasonic, Starbucks, and Philips rely on Baozun to market, sell, and deliver their products to Chinese customers.

- High insider ownership | Growing addressable market | High profile customers
- \$2bn market cap
- +6% since being added to the Invest app

### Our Opinion

If you think the US online market is huge (and it is), then you might be surprised to hear that it's dwarfed by China, which is about two-and-a-half times the size. \$1.1 trillion was spent online in China in 2017 and this figure looks likely to be meaningfully bigger when the totals from 2018 are totted up.

Baozun helps Western companies to enter and thrive in the country. The pedigree of clients speaks volumes about the quality of the service Baozun provide — customers such as Philips, Panasonic, Microsoft, Nike, Starbucks, and Nestle.

The business is steadily transitioning from a distribution model to a services-fee model, with higher margins that have improved sequentially for the last three years. Other key metrics are just as encouraging, such a Gross Merchandise Volume (GMV) that increased 55% last year.

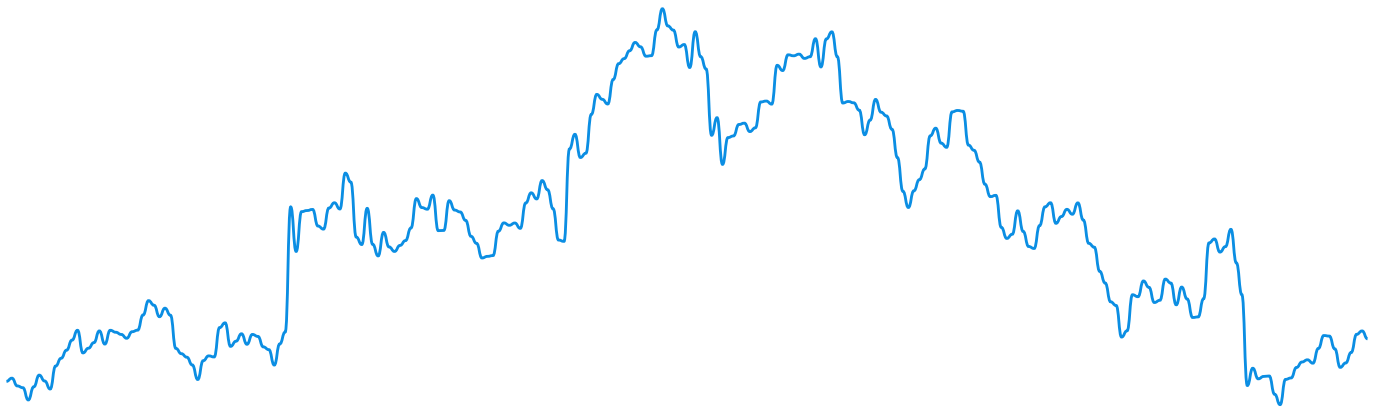
One of the most valuable services that Baozun brings to Western brands is the ability to immediately plug into the Eastern shopping channels that matter most, such as WeChat, Weibo, Tmall, and Alibaba. As it happens, Alibaba owns 16% of the company, cooling the risk-factor of the investment in this company back from white-hot to just red-hot.

Here at Rubicoin, we love founder-led companies and high insider ownership. To that end, insiders at Baozun own more than 50% of the shares, while founder Vincent Wenbin Qiu (who still runs the company) owns 6.4% of ordinary shares and 34% of voting power.

Baozun is the leading brand e-commerce solution in China. Despite commanding in excess of 22% market share in the world's most populous country, it's still a small enterprise. When you multiply one risk (China) by another (small-cap stock), you're left with an explosive ingredient that has the potential to power-charge your portfolio's returns — or hurt them if bought too heavily.

So heed my warning, this stock should only be added to a diversified portfolio if you have an appetite for risk.

## 2018 Performance Graph



## Stock History

Baozun was founded in 2007 by Vincent Wenbin Qiu, Junhua Wu, and Michael Qingyu Zhang. Vincent Wenbin Qiu had previously worked for NCR Limited, Hewlett Packard, and Sun Microsystems. He had also previously founded Shanghai Erry Network, a company that specialized in supply chain management solutions and services.

In 2008, Baozun attracted its first brand partners, which included Philips. They also began selling goods on Tmall, one of the biggest e-commerce sites in China.

In 2009, Baozun had its Series A funding round and attracted a sizeable investment from The Alibaba Group. Over the next three years, they launched two further investment rounds, with Crescent Point and Goldman Sachs both taking a stake in the company.

In 2011, they began selling goods on JD.com. In 2013, they added Microsoft as a brand partner and expanded into mobile shopping by launching on WeChat. The same year, they expanded their business to Hong Kong.

In 2014, they launched Maikefeng, their own online retail platform. In May 2015, Baozun became listed on the NASDAQ under the ticker symbol BZUN. In 2016, they launched Baotong, their warehousing and logistics solution.

Today, Baozun has emerged as the favorite service provider for major brands such as Nike and Calvin Klein, and has proven to be a service that companies stick with.

“In 2011, they began selling goods on JD.com. In 2013, they added Microsoft as a brand partner and expanded into mobile shopping by launching on WeChat. The same year, they expanded their business to Hong Kong.”

## BlackLine (BL)

**B**lackLine is a leading provider of cloud software that automates and controls the entire financial close process. Its platform automates repetitive and menial tasks, allowing the accounting department to operate more efficiently and with fewer errors.

- High insider ownership | High customer retention | Growing addressable market
- \$2bn market cap
- -7% since being added to the Invest app

### Our Opinion

Only 56 of the top 200 enterprise software-as-a-service (SaaS) companies are public. However, these are a selection of stocks that have outperformed the S&P 500 by a factor of four since 2011.

In other words, the market has risen by about 100% over the last seven years while enterprise SaaS stocks, as a whole, are up almost 400%. This significant outperformance looks likely to continue too.

SaaS companies deliver huge benefits to their customers in comparison to old business models, when software was installed and licensed per machine. SaaS solutions are accessible from any location as opposed to being fixed to one computer, updates to software are automatic, and a change to data made by a user on any device from any location is reflected across the company's entire user base. For the further benefit of the customer, there are no upfront costs related to purchase of an application. You just pay-as-you-grow.

For the SaaS businesses themselves, there exists almost no risk of piracy, it's easy to enter new markets, and new customers sign up while the business sleeps. Above all, it's easier to predict revenues based on regular subscription fees.

Amongst the list of 56 publicly traded enterprise SaaS companies — as measured by growth, margin and capital efficiency — there are names you probably know, such as Atlassian, Shopify, Ultimate Software, Ellie Mae, and Veeva. There are others you may not have encountered, however, including Instructure, CallidusCloud, Xero, and BlackLine.

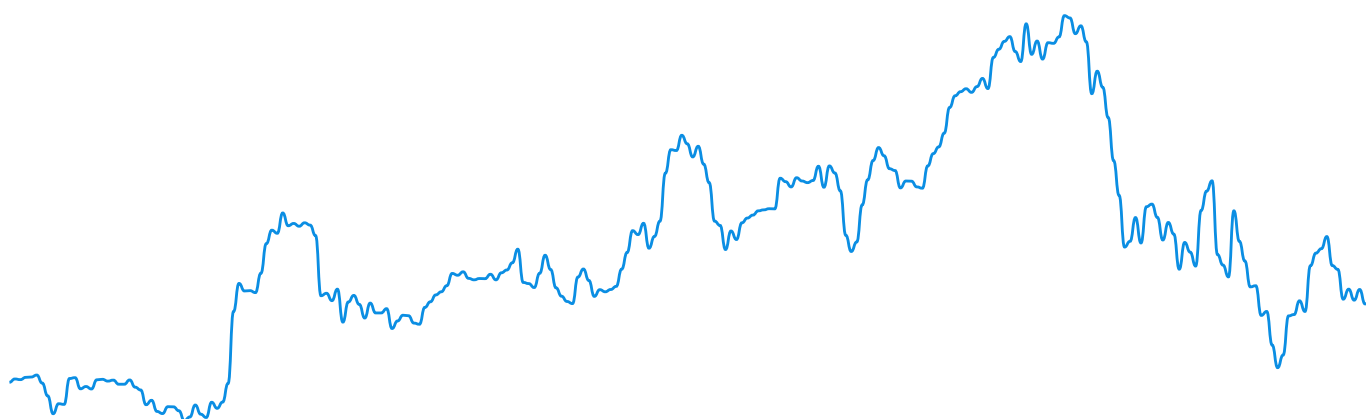
In its own words, BlackLine is a high-growth SaaS business that is transforming and modernizing the way finance and accounting departments operate. Its cloud-based software platform supports critical finance and accounting processes, including the financial close, account reconciliation, intercompany accounting, and controls assurance. BlackLine's software automates these processes, thus improving the integrity of their financial reporting.

We can forgive the unexciting nature of the business when we look closely at its fundamentals. BlackLine is relatively small, has no debt, and is sitting on over \$125 million in cash. It also counts the highest caliber of companies amongst its 2,200 customers, including Coca-Cola, Under Armour, Dow Chemical, eBay, British gas, Hyatt, NASDAQ, Zendesk, Aviva, Zurich, and Philips.

Founding CEO Therese Tucker owns over 11% of shares and CMO Mario Spanicciati owns over 5%. We celebrate this type of insider ownership at Rubicoin because it is a measured and proven ingredient of market out-performance. SaaS companies have great opportunity to enjoy high gross margins, which for BlackLine are 77% and growing. The business saw \$117 million in revenue in 2017, a 44% increase year-over-year, and average revenue per customer exceeding \$80,000 — up from \$70,000 in 2016 and \$62,000 in 2015.

There is very little to dislike about BlackLine as an investment. It's about double the size of its most-similar competitor, Workiva, and yet is still considered a small-cap company. I think we'll see a significant uplift in its value over the next 5 years in this SaaS-powered world.

## 2018 Performance Graph



“In its own words, BlackLine is a high-growth SaaS business that is transforming and modernizing the way finance and accounting departments operate.”

## Stock History

Back in 2000, a software engineer called Therese Tucker asked one of her customers what other solutions they might need in running their business. The answer was a way in which to simplify the financial close, a tedious and repetitive task that caused unnecessary stress in the accounting department and led to costly errors. A former chief technology officer for SunGuard, Tucker had both the skills and experience to take that feedback and craft a solution. The following year, BlackLine was born.

For over 12 years, Tucker funded the company herself and expanded the offering to include many other elements of the accounting process. But that did not come without its hardships. Tucker recounts times when she wouldn't be able to "sleep for three to four days before payroll because I would be so terrified I wouldn't be able to pay the employees . . . many times I would end up calling one of my mentors and asking them to loan me \$30,000."

In 2007, Tucker took the decision to make BlackLine's software available in the cloud with a subscription model. This decision proved to be one of the turning points in the business, with big companies looking to cut costs in the wake of the Financial Crisis and Blackline offering an effective solution.

They went on to sign blue-chip customers like Coca-Cola, United Airlines, and Kraft Heinz. In 2013, private equity firm Silver Lake Partners and Iconiq acquired a controlling interest in BlackLine with a \$200 million investment.

In 2016, BlackLine went public under the ticker symbol BL, raising \$146 million and putting the evaluation of the company at over \$1 billion. Currently, Blackline is valued at just over \$2 billion, with over 2,200 customers and nearly 200,000 users spread across 150 countries.



# Calavo Growers (CVGW)

**C**alavo Growers is an international consumer goods and farm products company. The company packages and distributes avocados and other fruits, as well as processed items like guacamole and salsa.

- High insider ownership | Growing market | Global megatrend
- \$1.5bn market cap
- -4% since being added to the Invest app

## Our Opinion

Avocados are on-trend. According to the Hass Avocado Board, consumption in America has increased every year for the past two decades, and it's little wonder why.

Avocados contain the highest protein content of any fruit, are high in both soluble and insoluble fiber, have twice the potassium of a banana, and contain 18 important amino acids. In fact, out of 15 popular diets we looked into, all encourage eating avocados.

But this mega-trend stretches back much farther than 20 years. Records suggest avocado tree cultivation started in Central and South America somewhere around 5,000 BC. Scientists have even unearthed evidence from a cave in Mexico that indicates avocados have been a part of humankind's food chain since 10,000 BC.

The run is not over yet, though, and the long-term trend looks set to keep going. According to US Census Bureau, the Latino population is expected to explode in the US over the next 30 years, moving steadily from one-sixth of the population today to one-third by 2050. This implies that more people will be exposed to Latin American cuisine and its reliance on the humble avocado.

Founded in 1924, Calavo is a giant of the avocado world. The company is broken into three divisions, with the Fresh Product segment accounting for 54% of total 2017 revenue through the procurement and marketing of fresh avocados and other select produce. The Renaissance Food Group is Calavo's fastest growing segment with 39% of total revenue in 2017. It creates, markets, and distributes a portfolio of healthy fresh foods, including fresh-cut fruit, fresh-cut vegetables, and prepared foods.

“Avocados are on-trend. According to the Hass Avocado Board, consumption in America has increased every year for the past two decades, and it's little wonder why.”

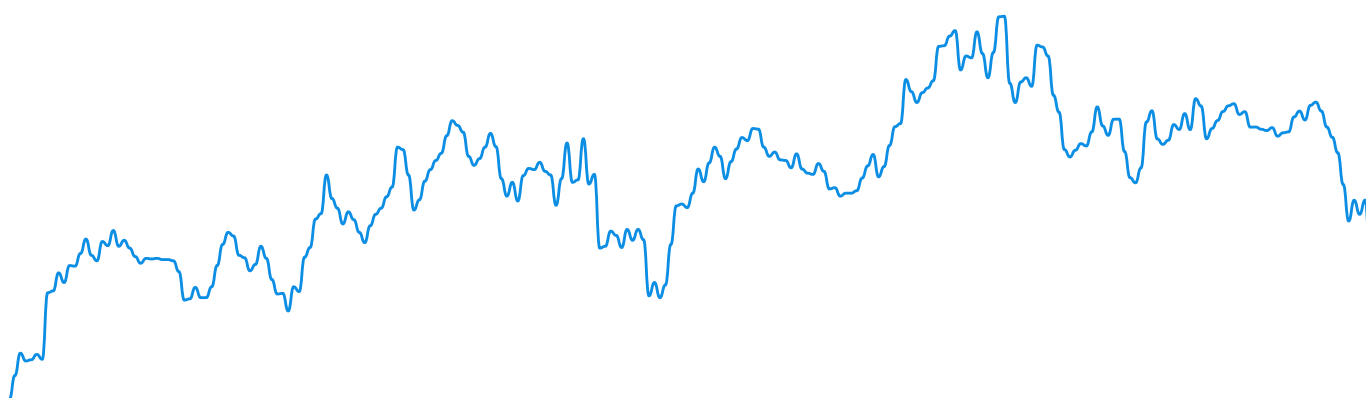
Lastly, the Calavo Foods segment manufactures and distributes pre-made foodstuffs like guacamole and salsa. Fiscal 2018 is on target for greater than 20% growth in avocado volumes and record revenues for the company overall.

From 2013 to 2017 inclusive, total sales have increased by almost 12% per year from \$690 million to over \$1 billion. Earnings per share increased by almost 18% per year and dividends have increased by 8% per year on average.

Yet there's still plenty of room left for growth. Consumers are spending more time and money trying to eat healthier. That's why consumption of avocados per capita has increased 4-fold since 2000. Meanwhile, in China, demand for avocados is doubling every year.

Calavo has 13% insider ownership — a sweet spot that we look for in great investments. It also has a dedicated and experienced management team, sells a product into an increasing demand curve, and at around \$1.5 billion market cap, is still small in the greater scheme of things. This looks like a great long-term investment to me. 10,000 years of data can't be wrong.

## 2018 Performance Graph



## Stock History

Though the popularity of avocados has increased exponentially over the last decade, Calavo Growers can actually trace its history back almost a century. In 1924, The California Avocado Growers Exchange was founded as a grower-member-owned cooperative. Two years later, as the result of a national naming contest, the exchange was renamed Calavo.

In 1928, Calavo built its first grower-owned packinghouse in Vernon, California. In the 1930s, the company expanded its product lines with limes and avocado oil — their first processed food.

In 1949, Calavo began marketing papaya, adding to an expanding product range that included coconuts, kiwifruit, and Asian pears. In 1955, Calavo broke ground on a new packinghouse in Santa Paula. That packinghouse is still in use today.

In the 1960s, Calavo began their international expansion, with Japan being the first new market they entered. In 1965, they launched their first processed consumer product, a one-pound can of "Avocado Dip" that we would now call guacamole.

By the 1990s, Calavo's gross sales were exceeding \$150 million. In 1997, they opened their first packinghouse in Mexico, the largest suppliers of avocados in the world.


In 2001, the members voted overwhelmingly to convert to a for-profit status, opening up the way for an IPO the following year. Shares began trading on the NASDAQ under the ticker symbol CVGW.

In 2005, the company announced an equity cross-investment with Limoneira Company, one of the largest avocado growers. Calavo relocated its corporate headquarters to offices on the Limoneira Ranch in Santa Paula, California.

In 2011, Calavo acquired Renaissance Food Group, a provider of fresh-cut and prepared produce. They also released a distinctive new Avocado Hummus.

In 2017, the company reported over \$1 billion in revenue.

# Chegg (CHGG)

hegg Inc is an American online education portal, specializing in textbook rentals, online tutoring, and scholarship and internship matching.

- Growing industry | Good company culture | No debt
- \$3.5bn market cap
- +2% since being added to the Invest app

## Our Opinion

It's a Catch-22. We all know that, in order to increase your future earning potential, you go to college or university. However, the trip to third-level education is made decidedly more difficult without decent earnings already in place.

Upon graduation, it doesn't get much easier. For example, it's hard to land a job without experience, but you can't get experience without a job.

These circular references continue in various forms throughout our lives. What came first, the chicken or the egg? And it's from this question that the name "Chegg" was derived.

Chegg's mission is simply to help students save time, save money, and get smarter in order to improve the overall return on educational investment. To put it into their own words, they "Provide Overwhelming Value to Solve Students' Problems".

In researching this business, I repeatedly found myself wishing Chegg had been around when I was in university. It's this sense of solving a big problem that we look for as lifelong students of investing.

At the top of the list of Chegg's services sits a rental service where students can save up to 90% on textbooks, priced per individual book. For \$19.95 per month, a student can get step-by-step solutions for over 22,000 textbooks with 24/7 support from experts. For \$15 per week, a student can receive 30 minutes of 1:1 tutoring across hundreds of subjects from Chegg Tutors.

Even getting into college is covered as Chegg Tutors help budding students through the college admissions process, covering everything from picking the right college or major to the admissions essay, and even the application. As you move through the years, Chegg can then fast-track your internship through established relationships with almost 80,000 companies.

The opportunity Chegg is addressing is huge — 40% of students in the US work 40 hours per week, which is hardly surprising considering that the cost of in-state tuition at public colleges has increased by 237% since 1997. This has resulted in an average of \$37,000 in debt for every single graduate in the US in 2016. Students need to squeeze the most out of every penny they can and Chegg helps with that.

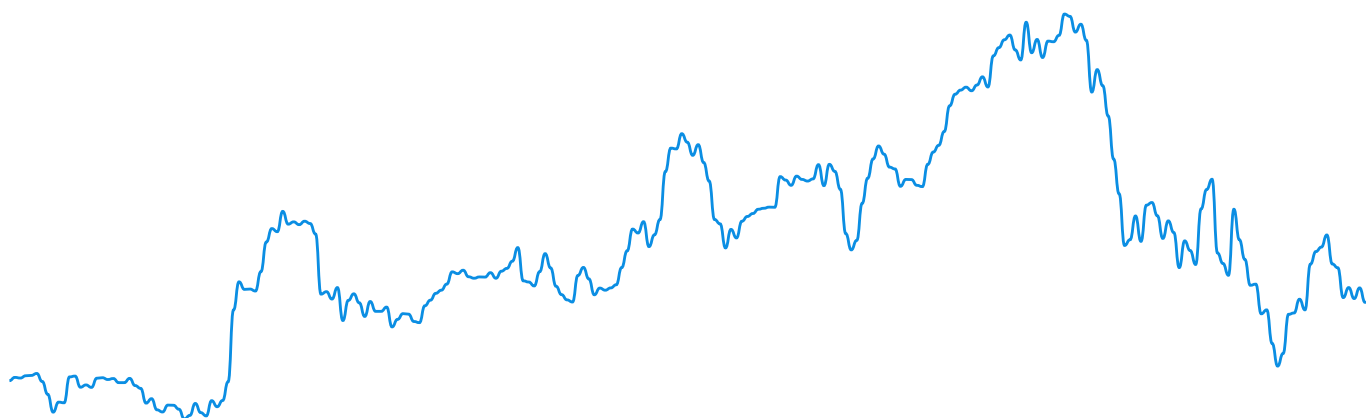
The value that Chegg offers is rapidly cutting through as subscribers to their service grew to 2.2 million in 2017 — up from 1.5 million in 2016 and 1 million in 2015. That's 45% growth year-on-year for 2017. "Content views" — textbook solutions and expert Q&As — grew 69% in the same period, meaning that engagement is increasing at an even faster rate.

In the US today, there is a total of 36 million students who can benefit from Chegg, offering a vast opportunity for continued domestic growth. Alongside that path, the business is planning expansion into new English-speaking markets of Canada, the UK, and Australia. This looks like a great use for their growing pile of cash, which has grown to \$189 million.

Chegg is the best-known provider of student solutions, sitting ahead of giants such as Amazon, Quizlet, Google, and Khan Academy. Across the US, 80% of students have heard of a Chegg service. This bodes very well against a backdrop where 25% of college freshmen are required to take remedial courses (spending no less than \$3 billion every year), and a further \$5-7 billion spent on tutoring.

Chegg is a marketplace that very much feels like the education equivalent of Teladoc. We think long-term investors will be richly rewarded. After all, education is the most powerful investment in our future.

## 2018 Performance Graph



## Stock History

In 2001, three college students—Josh Carlson, Mike Seager, and Mark Fiddelke—created a Cheggpost, a Craigslist-style classified business for Iowa State University. Another student attending the college, Aayush Phumbhra, liked the service so much that he approached the founders about taking the company national in 2003.

Phumbra later approached a friend, Osman Rashid, who joined as CEO and funded the company, formally launching Chegg Inc.

Phumbra and Rashid quit their jobs to focus on Chegg full-time and brought in some initial investors. The pair tested various services and acquired three competing businesses, relying heavily on word-of-mouth to spread the services throughout college campuses.

The new bosses soon saw a potential market in textbooks, which were increasing in price at a higher rate than inflation. Many college bookstores were even offering to buy back old books in order to alleviate the burden on students. Phumbra and Rashid saw an opportunity to take this practice digital.

In 2007, Chegg launched textbookflix. Modeled around Netflix, the service allowed students to rent expensive college textbooks. It soon became the main draw of Chegg and was fully incorporated into Chegg.com later that year. By 2010, Chegg had rented out over 2 million textbooks.

In 2010, Chegg acquired CourseRank, a service that reviewed college courses. Later that year, the acquired Cramster, a provider of textbook solutions, and Norehall, an online marketplace for buying and selling class notes. In 2011, they acquired Zinch, a service to match high-school students with college recruiters.

In 2013, Chegg had its initial public offering (IPO) on the New York Stock Exchange, raising \$187 million and giving it a market cap of \$1.1 billion.

“In 2013, Chegg had its initial public offering (IPO) on the New York Stock Exchange, raising \$187 million and giving it a market cap of \$1.1 billion.”

In 2014, Chegg entered into a partnership with Ingram Content Group, transferring ownership of their textbook inventory to Ingram. While Chegg would continue to market textbooks, as well as control pricing, all distribution would be handled by Ingram. It was a bold move by Chegg that moved the company towards a 100% digital revenue model.

That same year, Chegg acquires InstaEDU, expanding their offerings to online tutoring.

In 2016, Chegg acquired Imagine Easy Solutions, which owned bibliographic services, EasyBib and BibMe. Today, Chegg is a one-stop portal for students looking for textbooks, tutoring, reviews, and career guidance.

# Cognex (CGNX)

**C**ognex is an American manufacturer of machine vision systems used in automated manufacturing. Their systems are used to inspect parts, trace products, guide robot assembly lines, and detect defects.

- Sticky business model | Fortune 500 customers | Founder led
- \$6.5bn market cap
- +4% since being added to the Invest app

## Our Opinion

Machine vision — hardware and algorithms working together to replicate human actions with superior speed and accuracy. Do you feel like this is something that will be a considerable part of humanity's future? If so, your investment thesis is on the way.

Incredibly, almost every product that you interact with on a day-to-day basis has been manufactured using Cognex vision systems — even the cash in your pocket. Cognex offers solutions that identify and trace parts, detect defects, ensure quality control, and guide robot assembly lines, essentially making them the world leader in computers that can see.

Founder Dr. Robert Shillman, a lecturer in human visual perception at MIT, owns a 4.7% stake in the company. This level of insider ownership has been found in countless other great investments throughout the decades and is an attribute we value highly as long-term investors. Dr. Bob is now chairman and chief culture officer of the company.

There are many reasons to get excited about Cognex as a part of your 10+ year portfolio. Employees love working there, as demonstrated by an impressive staff retention rate and CEO Robert Willett's 90% approval on Glassdoor. The company is also committed to maintaining its leadership position, with 15% of revenue regularly reinvested into R&D. It's profitable, with more than \$800 million in cash and investments with no debt. Management, meanwhile, believes that they can achieve long-term revenue growth of 20%.

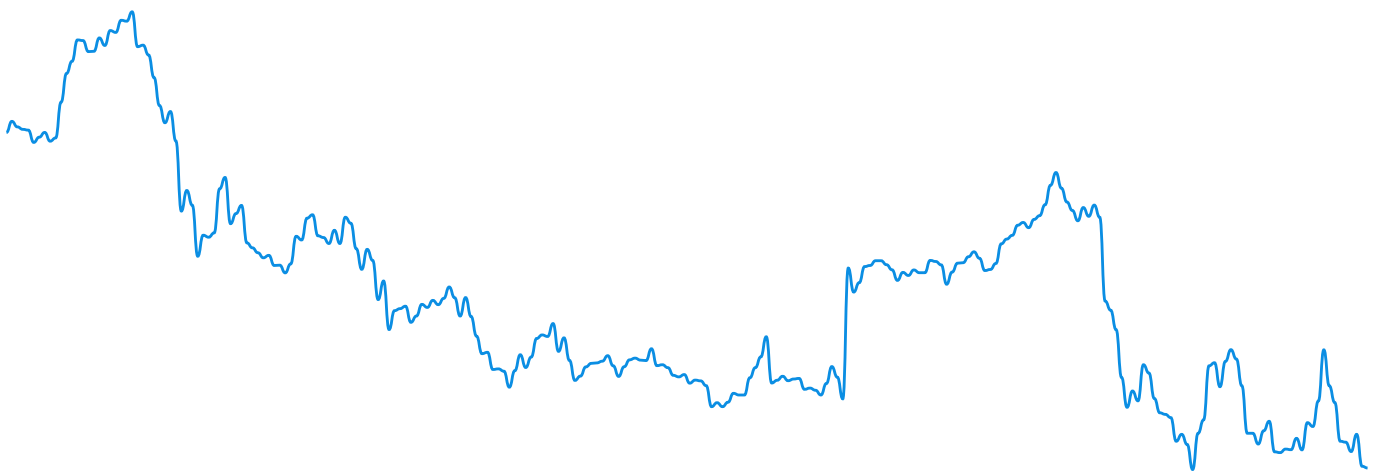
Some of Cognex's major customers are BMW, Ford, IKEA, Unilever, Kraft-Heinz, Tesla, and Apple. As it happens, Apple is their biggest customer by far, accounting for 19% of revenue. This could be considered a risk by some, but also speaks volumes about the quality of the company's products.



After an incredible 2017, a slowdown in the company's consumer electronics segment led to a steep fall in the stock in 2018, but we think that's a temporary setback. For better or worse, there is a growing megatrend to replace human workers with robots. With over 1,000 patents granted or underway, Cognex will undoubtedly lead this charge.

I'm invested for the long-term.

## 2018 Performance Graph



## Stock History

In 1981, Dr. Robert Shillman, a lecturer in human visual perception at MIT, decided to leave academia to start his own company. Bribing two graduate students — Marilyn Matz and Bill Silver — with bicycles, he convinced them to leave their studies for a summer and join him to help set up the company.

The three went onto co-found Cognex, the name derived from the phrase “Cognition Experts”.

The following year, Cognex produced its first vision system, DataMan, capable of reading and verifying letters and figures on parts. Their first customer was a typewriter manufacturer, who used the DataMan to ensure their keys were located in the right position. Excitement grew quickly about the company and a swarm of competitors emerged eager to profit from the coming “robot revolution”.

“For better or worse, there is a growing megatrend to replace human workers with robots. With over 1,000 patents granted or underway, Cognex will undoubtedly lead this charge.”

However, the industry soon fell into a 'trough of disillusionment' as the challenges facing machine vision systems became apparent. For starters, these machines required knowledgeable programmers to set up, a skill that was not nearly as widespread as today.

The systems also worked well under laboratory conditions, but issues with lighting, shadows, and reflections — which changed from factory to factory — meant demand for the systems soon went into freefall.

In 1986, those issues were solved when co-founder Bill Silver developed a powerful software called Search that could detect patterns in gray scale, dramatically improving the system's effectiveness. At the same time Cognex altered their business model, choosing to sell their systems directly to equipment manufacturers, who would have the expertise to help integrate them into the factories they serviced.

This all occurred right around the time that the manufacture of semiconductors and computer chips exploded. Robot assembly lines became more and more important to improve speed, maintain the integrity of clean rooms, and decrease the size of circuitry.

In 1987, the company became profitable for the first time ever and two years later, it went public on the NASDAQ. In its first year, the stock price tripled.

Throughout the 90's Cognex continued to grow and expand internationally, opening offices in Munich and Tokyo. In 1995, it made its first of many acquisitions with the purchase of Acumen, a developer of wafer identification equipment for the semiconductor industry.

In 2000, Cognex launched In-Sight, a combined camera, processor and vision software unit about the size of a cell-phone. In 2017, Cognex announced a new stock buyback program, authorizing over \$100 million in common shares.

Today, Cognex has become integral to the world of factory automation, with clients on every continent. It remains the market leader in the future of automation with ambitious goals for the coming decades.



## Cognizant Technology Solutions (CTSH)

**C**ognizant Technology Solutions Corp is an American multinational that provides custom information technology, information security, consulting, information technology outsourcing (ITO) and business process outsourcing (BPO) services.

- High Return on Equity | Large cash reserves | Sticky business model
- \$38.5bn market cap
- +14% since being added to the Invest app

### Our Opinion

The companies you own throughout your investing life will vary in complexity. Some, like The Habit or Coca-Cola, have an easy-to-understand business model that you can follow without too much effort. Others, like Arista, have intricate layers that require a lot more digging to understand.

Importantly, this complexity also means that potential competitors require a lot more expertise, patents, and cash to give it a shot.

Cognizant is definitely placed in the latter group. In recent years, the company has moved from market disruptor to leader in outsourced IT and business consulting. The business sits on the prestigious Fortune 500 list and is named amongst the Forbes' 25 Fastest Growing Public Tech Companies.

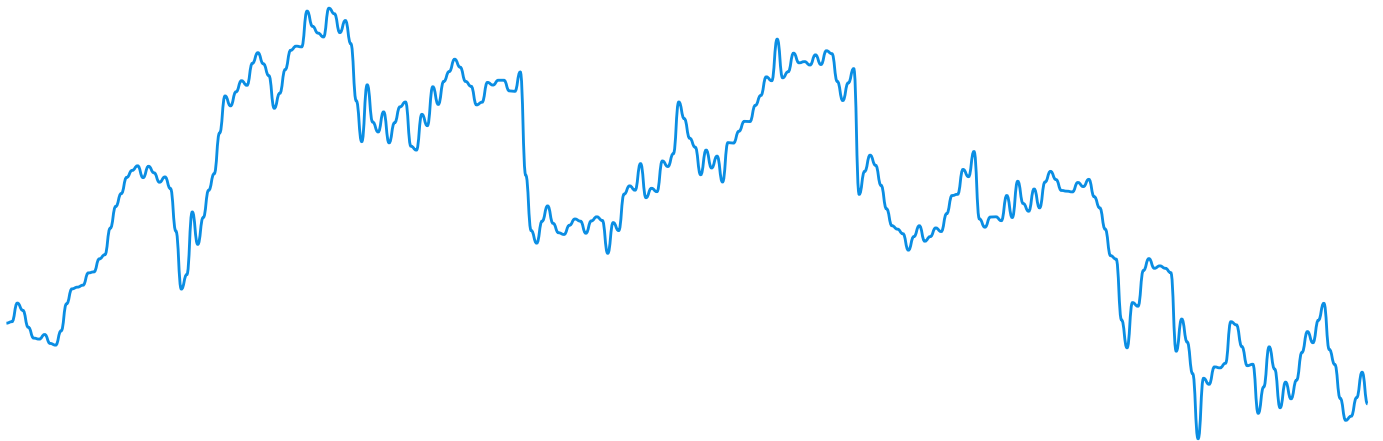
Since its founding 24 years ago, the company has assembled a who's who of customers: 28 of the top 30 global pharmaceuticals, 7 of the top 10 global insurers, 9 of the top 10 automotive OEMs, 4 of the top 5 online businesses — in all probability, Cognizant provides expertise to a lot of big companies near you.

It's the development of these deep, fast-growing partnerships with customers where Cognizant outshines competitors. Their unique 'Two-in-a-Box' model offers greater customer intimacy, speed of delivery, local decision-making, and responsiveness.

In recent quarters, Cognizant has upped its velocity of acquisitions in order to fuel its growth in complementary business areas. Looking forward, the company expects to use its healthy balance sheet to further bolster its capabilities, including more acquisitions that will add expertise in cloud-based processes and software engineering.

But we're more concerned with the long-term view and aspire to own quality businesses for a meaningful percentage of our lives. I believe that Cognizant — a mini IBM — is not just a great investment opportunity today, but well positioned for an even better tomorrow.

## 2018 Performance Graph



## Stock History

Dun & Bradstreet is an American business services company, founded in 1841, and one of the first companies to be traded on the New York Stock Exchange. In 1994, the company started an in-house technology unit called Dun & Bradstreet Satyam Software (DBSS), with a focus on running large scale IT projects for their clients.

The unit first started serving external clients in 1996 and later that year, Dun & Bradstreet spun off several of its divisions, including DBSS, into a new company called Cognizant Corporation.

Throughout the late 90s, DBSS mainly focussed on web development and Y2K-related projects. After a series of corporate restructurings, Cognizant made an initial public offering as an independent entity. It was the first software services firm listed on the NASDAQ.

In 1999, CEO Kumar Mahadeva decided to move the company away from Y2K related projects, focusing more on the application management.

“ I believe that Cognizant — a mini IBM — is not just a great investment opportunity today, but well positioned for an even better tomorrow.

Cognizant, like many tech companies, suffered through the Dot Com bust, but managed to survive by accepting maintenance projects that bigger players refused to. Throughout the 2000s, Cognizant saw rapid growth making Fortune's list of 'Fastest-Growing Companies' for ten consecutive years.

Current CEO Francisco D'Souza is credited with transforming the company into a major player through a string of global acquisitions over the last decade. In 2014, they made their biggest acquisition to date with the purchase of healthcare IT service provider TriZetto Corp for \$2.7 billion.

In 2015, Fortune Magazine named it one of the world's most admired IT companies, while two years later the same publication listed it on the 'Fortune Future 50' list.

Today, Cognizant is one of the leaders in the world of IT services. It provides cybersecurity, consulting, customer relationship management and much more to thousands of clients worldwide, and covers almost every industry, with major clients such as JPMorgan, Honda, Comcast, and Walmart.



# Constellation Brands (STZ)

**C**onstellation Brands is an international producer of wine, beer, and spirits. They have over 100 brands in their portfolio, largely consisting of wine, and hold the US rights to import and sell Corona and Modelo. They also own a 38% stake in Canadian medical-marijuana producer Canopy Growth Corporation.

- High insider ownership | Strong portfolio of brands | High-growth opportunity
- \$34bn market cap
- -5% since being added to the Invest app

## Our Opinion

If 2017 was the year of Bitcoin, then 2018 was the year of marijuana. In October, Canada became the largest developed nation to legalize the drug for recreational purposes, with many US states also passing their own laws either legalizing or decriminalising its use. With public opinion now clearly in favor ending its prohibition, it seems it's no longer a matter of if but when for full legalization at a federal level.

However, there are still plenty of hurdles and the hype surrounding the industry is at fever pitch right now. The few public companies that trade in marijuana are currently sitting at frankly ludicrous valuations, and a lot of pain has been felt by investors trying to time their entry into this megatrend.

It's long been our belief that the real winners in this space will be larger companies that have the know-how, infrastructure, and distribution systems in place to capture market share early. The obvious players would be the big tobacco companies, which I couldn't see myself ever investing in personally. A company I would invest in though, regardless of any marijuana play, would be Constellation Brands.

Constellation Brands is the third-largest beer company in the United States. They own the exclusive rights to the Corona and Modelo beer brands, both of which are immensely popular in key demographics — the Hispanic population in particular. While domestic brands like Budweiser and Coors have seen flat or declining growth, Corona and Modelo are capturing market share, while Constellations craft beer segment — which includes Ballast Point — is growing rapidly.

Constellation also commands an enviable place in the wine business, with the sheer size of their portfolio a major advantage in commanding shelf space in an industry where there is little brand loyalty to speak of.

However, what is really exciting investor about Constellation Brands is their stake in Canopy Growth Corporation, one of Canada's biggest marijuana companies. At present, Constellation owns 38% of the business, with the option to increase that to 50% over the next few years. The CEO of Constellation believes that the marijuana market will be worth \$200 billion by 2030 and is intent on Constellation grabbing some of that.

With all the uncertainty surrounding the future of marijuana, this is my favorite way to play to space. Investing in Constellation would be a great move regardless, and should the marijuana play work out, it could be a fantastic investment to hold for the next five to ten years.

## 2018 Performance Graph



## Stock History

In 1945, a 21-year-old Marvin Sands founded the Canandaigua Wine Company. Sands was following in the footsteps of his father, Mordecai Sands, who had been a partner in a wine company in Long Island City since 1932.

Having failed to launch a kosher wine brand, in 1954 Sands produced a range of dessert wines called Richard's Wild Irish Rose (named after his son) which grew to become more than 90% of their sales in the 1960s.

“In 2017, Canada became the largest developed nation to legalize marijuana for recreational purposes, with many US states also passing their own laws either legalizing or decriminalising its use.”

In 1973, the company went public under the name Canandaigua Wine Company.

Throughout the 80's and 90's, the company acquired a number of competing wineries, building out its portfolio of brands.

In 1993, Marvin's son Richard became president and three years later took on the role of CEO. In 2000, the company changed its name to Constellation Brands.

In 2003, they acquired Australian company BRL Hardy and New Zealand-based Nobilio. The following year they acquired American wine producer Robert Mondavi Corp for \$1 billion.

In 2007, they acquired Spirits Marque One, the owner of Svedka Vodka. Later that year, Richard's brother Rob Sands was named president and CEO.

In 2013, Constellation struck a deal that would redefine the whole business — the purchase of Grupo Modelo's US beer business from Anheuser-Busch InBev. That included full ownership of Crown Imports LLC, giving them the rights to import, market, and sell Corona and Modelo in the United States.

In 2015, Constellation announced the \$1 billion acquisition of Ballast Point Brewing, a rapidly growing craft brewer.

In 2017, Constellation made a small investment in medical-marijuana producer, Canopy Growth Corporation. In 2018, they invested an additional \$4 billion in Canopy, giving them a 38% stake in the business.



## Copart (CPRT)

**C**opart is one of the world's largest sellers of vehicles for salvage. They purchase damaged cars from insurance companies and re-market them for salvagers and scrap yards throughout the United States, UK, India, Germany, Spain, and the U.A.E.

- Using tech to disrupt old-world business | Multiple revenue sources | Global expansion opportunities
- \$11bn market cap
- +77% since being added to the Invest app

### Our Opinion

In 1998, Copart became the first vehicle auction company that allowed buyers to submit proxy bids over the internet. Today, it's a \$11 billion global scrap-yard that uses innovative technology to turn formerly inefficient transactions into fast-moving sales.

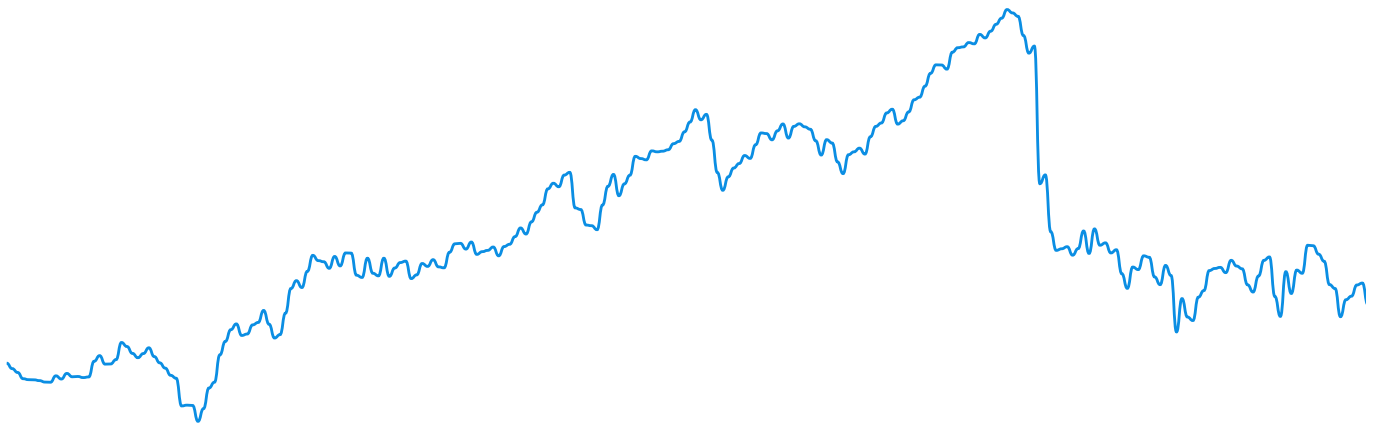
The nation's largest salvage auctioneer sells vehicles from insurers as well as repossessed, recovered, and used cars. These sales are conducted through 'VB3' — the company's third generation Virtual Bidding system. Inventory is held on almost 8,000 acres of land in over 150 locations across North America, with another 175 locations across 150 countries globally.

As one of the largest players in the business, Copart's scale is a real competitive advantage. It has significant potential for growth in new and existing markets by taking a share from smaller, less-developed operators. This is a tactic which I expect to deliver solid returns for years to come.

The company recently reported their first quarter of fiscal 2019 results, which saw a 10% increase in sales and almost 50% increase in both income and earnings per share for the comparable 2018 period. Operating profit got a boost from the drop in the company's yard-operations costs, but "abnormal costs" from Hurricane Harvey come from a range of expenses, including temporary storage facilities, labor costs from paying employees overtime, equipment purchases and leases, and the cost of vehicle sales. These expenses are temporary in nature, as is the recent fall in share price.

Through Copart, you can buy into the resale of recovered, wrecked, or decommissioned vehicles. This is the first time I've been excited by that prospect. Hopefully, you are too.

## 2018 Performance Graph



## Stock History

Copart was founded in California in 1982 by Willis J. Johnson. He wanted to consolidate the car scrappage industry into a modern information and services business. By 1994, Johnson had 12 locations across the United States, including the largest volume seller of salvage in the country. At the time, scrappage yards served as middlemen between insurance companies and salvagers. The yards would collect damaged vehicles from the roadside, purchase them from the insurance companies and sell them onto salvage yards for parts. However, this was still an old world industry, in which salvagers would come to onsite auctions and bid for cars. There was no centralized database in which these salvagers could research parts, meaning much of the decision-making process was down to an individual's knowledge and expertise.

In 1994, Copart had its initial public offering on the NASDAQ.

Johnson saw the internet as the next great opportunity for the industry, and in 1998, Copart introduced internet bidding. No longer would auctions be conducted only onsite — now salvagers could come online, bid from anywhere, and collect the cars at a later date. The internet also gave the company the ability to generate reports and provide valuable information to their customers.

In 2007, Copart expanded to the United Kingdom and six years later started its first operations in India, making the company a truly global corporation.

Today, Copart is one of the largest sellers of scrappage cars in the world, with operation in the US, UK, Canada, Germany, Brazil, Spain, India and UAE. There are now over 750,000 Copart members in more than 150 countries.

“In 2007, Copart expanded to the United Kingdom and six years later started its first operations in India, making the company a truly global corporation.”



# Ctrip (CTRP)

**C**trip is the leading online travel agency in China. They provide travel services including accommodation reservation, transportation ticketing, packaged tours and corporate travel management. Since 2015, they hold major stakes in former rivals Qunar and eLong.

- Market leader | Growing addressable market | High insider ownership
- \$15bn market cap
- -48% since being added to the Invest app

## Our Opinion

It's hard to not get excited about the potential of investing in China. For many years now, "China" has been a buzzword that appears to instantly add a premium to any company doing business there. And with good reason.

China has a population of about 1.35 billion — four times that of the United States. They have a burgeoning middle class, a fast-growing economy, and a love for Western brands that makes them a very attractive market.

With this rapidly improving standard of living has come a new penchant for travel that was almost non-existent two decades ago. In 2001, just 10.5 million overseas trips were made by Chinese residents. In 2017, that number had jumped to 145 million — a 1,380% increase. That has made China the world's most powerful outbound travel market, worth an estimated \$300 billion a year.

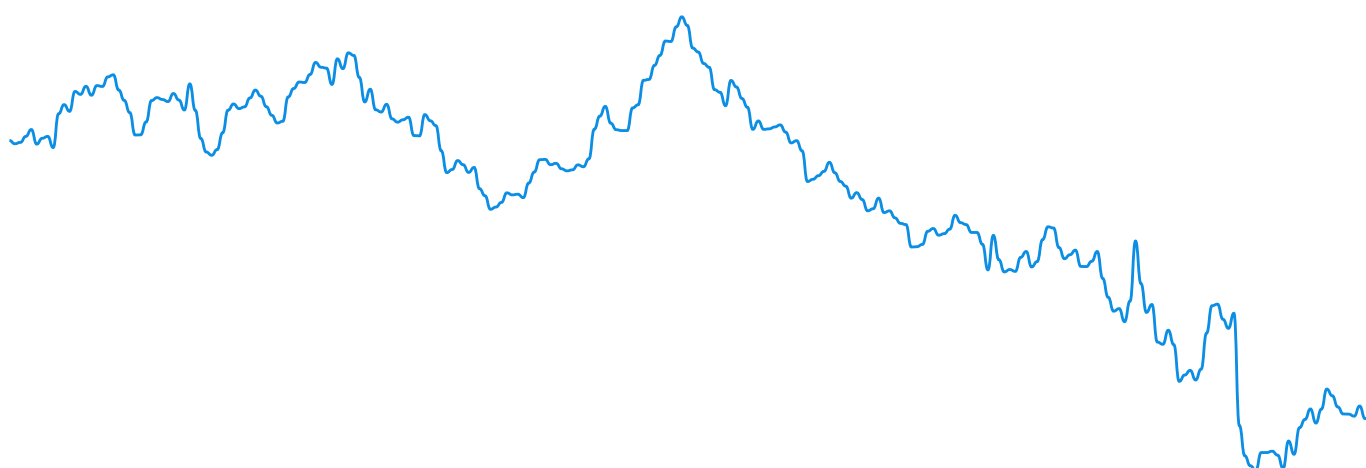
Ctrip is China's largest OTA (online travel agency) has formed an expansive set of strategic partnerships in every part of the travel supply chain. These deals give great bargaining power with other suppliers, leading to cost advantages for the end-customer and providing a solid economic moat.

“Ctrip is China's largest OTA (online travel agency) has formed an expansive set of strategic partnerships in every part of the travel supply chain.”

Think of them as the Priceline of China, with interests in a range of complementary businesses, including China's leading travel search engine and one of the country's largest airlines. They also have close ties to one of our favorite Chinese companies, Huazhu Hotels Group, as they share a co-founder — Qi Ji — a Chinese entrepreneur with a proven track history of excellence in creating shareholder value. For more on Ji, be sure to check out our opinion on the hotel chain later on in this ebook.

Ctrip is listed on a US exchange, reassuring us of high governance standards, while 7.4% insider ownership tells us that management's interests are aligned with ours. Investing in Chinese companies is fraught with risk, but I believe Ctrip is an exception that will deliver patient, long-term investors market-beating returns.

## 2018 Performance Graph



## Stock History

Ctrip was founded in 1999 by James Liang, Neil Shen, Min Fan, and Ji Qi. Ctrip saw an opportunity to cater to a new emerging market as the Chinese middle class began to expand and the government eased travel restrictions.

Before long, Ctrip was the leading provider of travel services in China, including accommodation, transportation ticketing, packaged tours, and corporate travel management.

In 2003, the company listed on the NASDAQ under the ticker CTRP in an offering led by Merrill Lynch. They raised \$75 million. On the first day of trading, the stock closed up 86%.

Throughout the noughties, the company expanded its reach outside the four major Chinese cities, Beijing, Guangzhou, Shanghai, and Shenzhen.

In 2009, Ctrip invested in ezTravel, expanding their services to Taiwan. They also announced plans to purchase a 9% stake in China Lodging Group (now Huazhu Hotels Group), which had been established by Ctrip founder Qi Ji.

The following year, they invested in Wing On Travel, a Hong Kong based company with services in Macau and other destinations throughout Asia.

In 2012, Ctrip formed a strategic partnership with The Priceline Group to list each other's properties on their websites. In August 2014, The Priceline Group announced they would be investing \$500 million in the company. The following May, it invested a further \$250 million. Later that year, Priceline invested another \$500 million.

In May 2015, Ctrip took a 37% in its rival eLong after Expedia decided to sell its majority stake in the travel company.

In October 2015, Ctrip completed a merger with its biggest rival, Baidu-backed Qunar, in a deal valued at \$3.4 billion. The share swap means Ctrip now owns about 48% of Qunar, while Baidu became Ctrip's biggest shareholder with a 25% stake.

In November 2016, Ctrip acquired Scottish travel company Skyscanner. On November 1, 2017, Ctrip acquired United States travel research website Trip.com and went on to rebrand it as their global brand website.

# DocuSign (DOCU)

**D**ocuSign is a San Francisco-based company that provides electronic signature technology and management services for facilitating electronic exchanges of contracts and signed documents.

- High insider ownership | Fortune 500 clients | Global megatrend
- \$7bn market cap
- -23% since being added to the Invest app

## Our Opinion

Throughout the ages, the manual and old-world process of signing an agreement has steadily permeated every aspect of business life. Sales, finance, procurement, marketing and human resources are just some of the company functions that have evolved from mountains of printed paper. Meanwhile, since the birth of ink, every shade of legal contract imaginable has required manual preparation, printing, postage, and stroke of the pen — followed by a return journey by emailed PDF or courier.

Whether you're a first-time home-buyer or a president signing a bill into law, the humble pen and paper have always been the moment of truth and final step.

DocuSign is transforming this foundation of doing business by unblocking the signing bottleneck. They have opened the entire agreement process to automation and, in doing so, have become a clear leader in an area with room for massive growth.

Today, DocuSign has over 425,000 paying customers within which are 18 of the top 20 global pharmaceuticals, 7 of the top 10 tech companies and 10 of the top 15 global financial service companies. Throw 44% compounded revenue growth over three years and we've all the signs of a business that's rapidly addressing an under-penetrated market opportunity that's estimated by the company to sit at \$25 billion.

“Today, DocuSign has over 425,000 paying customers within which are 18 of the top 20 global pharmaceuticals, 7 of the top 10 tech companies and 10 of the top 15 global financial service companies.”

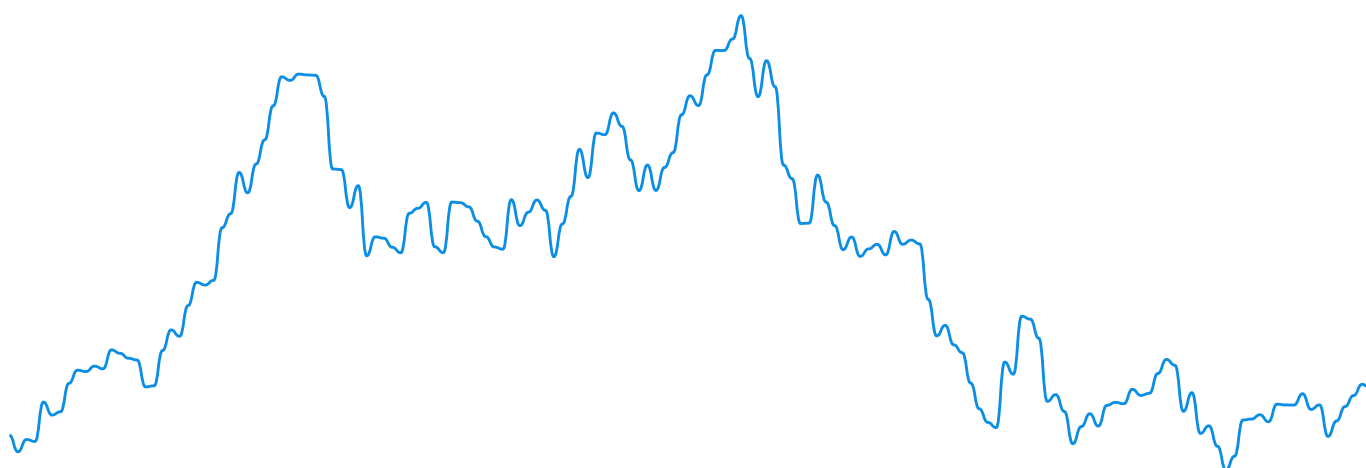
DocuSign solutions offer significant benefits for customers. Their Net Promoter Score (NPS) is 63 which, as you may know, is an index ranging from -100 to +100 that measures the willingness of customers to recommend a company's products. When it's at 63, your customers essentially become your salespeople through word-of-mouth recommendation. Cost per signed contract is reduced by around \$36 for customers, while turnaround times on contracts drop significantly, with 83% of contracts completed with 24 hours (half of all contracts complete in under 15 minutes!).

Personally, I have repeatedly used DocuSign since founding Rubicoin for important agreements that need to happen without delay — for example, non-disclosure agreements. Until now, the exchange of these contracts was a pain. Today, it's just a tap of my iPhone screen.

Like all good SaaS businesses, DocuSign's international revenue is set to soar. This, I believe, will also drive serious growth in the business and share price in the years ahead.

This potential investment is not fascinatingly attractive to describe. It will be discussed less on your local business channel than most of the other stocks in our Invest app. We do believe, however, that it will soundly beat the market thanks to strong revenue visibility from a large and growing customer base. That's the real excitement, adventure, and glamor we look for as long-term investors.

## 2018 Performance Graph



## Stock History

DocuSign was founded in 2003 by Tom Gonser, Eric Ranft, and Court Lorenzini. Gonser had originally come up with the concept for DocuSign while he was still involved in NetUpdate, a company he founded in 1998. NetUpdate had acquired several companies, including a Seattle-based startup called DocuTouch.

DocuTouch held a number of patents related to web-based signatures which, with the help of Gonser, Lorenzini purchased from NetUpdate. Gonser then left the NetUpdate board to focus on the new company, DocuSign.

Original funding for the project came in 2004 when the company raised \$4.6 million from Frazier Technology Ventures. In 2005, DocuSign made its first sales, integrating their software into virtual real estate forms.

Over the next few years, DocuSign went through a number of management changes, with Lorenzini stepping down from the role in 2007.

In June 2010, DocuSign added support for iPhone other phone-based user authentication. At the end of the year, it was estimated that DocuSign was handling 73% of all SaaS-based electronic signatures.

In 2011, technology entrepreneur Keith Krach took on the top job. Krach had previously founded Ariba, a web-based solution that facilitated and improved the procurement process. Having successfully taken the company public, Ariba was later acquired by SAP for \$4.3 billion.

In 2011, the company opened offices in London and San Francisco (which now operates as their global headquarters). By 2012, DocuSign had become the clear market leaders in the world of e-signatures with 25 million users and over 150 million signatures completed.

In October 2015, Keith Krach announced he would be stepping down as CEO while remaining on the Board of Directors for 3 years.

In January 2017, veteran software executive Daniel Springer was named Krach's replacement.

DocuSign went public on April 27, 2018, on the NASDAQ.



# Duluth Trading (DLTH)

**D**uluth Trading is a fast-growing producer of innovative workwear for men and women.

- Innovative product designs | High insider ownership | High revenue growth
- \$875m market cap
- -21% since being added to the Invest app

## Our Opinion

Duluth Trading is the maker of ingenious men's and women's workwear and accessories. The firm has developed a number of innovative products that improve comfort in tough conditions, such as fast-drying trousers, cooling boxer briefs, and heavy duty work pants. They even sell longtail t-shirts to prevent the notorious builder's butt.

My long-standing aversion to pharma and fashion is overcome here by the fact that Duluth is firmly rooted in clothes and gear designed for a working person that happen to look good — the Under Armour of workwear, perhaps.

The company is best described by CEO Stephanie Pugliese, "Our marketing incorporates humor and storytelling that conveys the uniqueness of our products in a distinctive, fun way, and our products are sold exclusively through our content-rich website, catalogs, and stores like no other retail locations."

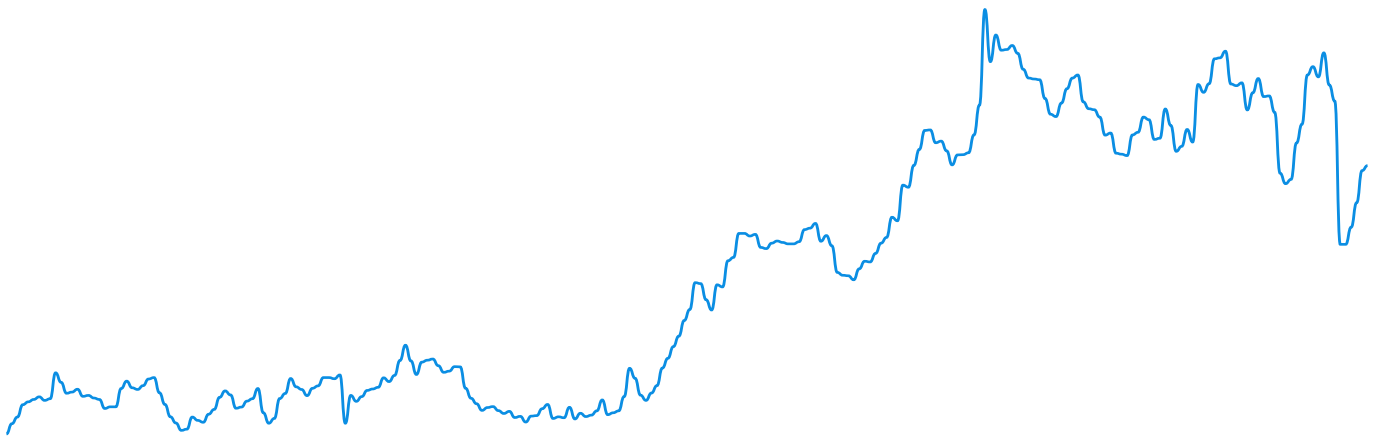
I recommend a quick look at the company website, which I happen to think is one of the most engaging I've seen.

In recent years the company has been transitioning from e-commerce only to a more omnichannel approach. At their most recent filing, Duluth had 41 brick-and-mortar locations, which weigh on margins but helps expand their brand presence in some key areas. If business momentum matters to you as an investor — and it should — Duluth recently reported its 35th consecutive quarter of increased net sales year-over-year.

I generally prefer to see a company with more cash than debt, but am more than willing to forgive smaller companies in growth mode that have elected to borrow money and grow instead of issuing more shares which dilute our slice of the pie. Duluth is once such company with more debt than cash, but it's still just valued at less than one-billion dollars with no branded direct competitors.

I've invested in Duluth and plan to hold my shares for many years to come.

## 2018 Performance Graph



## Stock History

Duluth Trading began as a labor of love for two brothers working in the construction industry. At the time, the two noticed that tradesmen were constantly dragging their tools around in discarded five gallon drywall buckets. Some even had the idea of tying bungee cords around them in order to hold more tools. They came up with an elegant solution to this — a canvas tool organizer that fit on the buckets. It was the birth of their first product, the Bucket Boss. Spurred on by the reception they got, the brothers began designing more tool storage solutions and soon started their own catalog, Portable Products. Not long after that they rented space on a refurbished barge on the waterfront of Lake Superior, their first headquarters.

In 1993, the brothers expanded their product line and became Duluth Trading but they maintained a strict standard of excellence. Every product was field tested by tradesmen and construction workers and only the items which couldn't be broken made it into the catalogue.

In 2000, Duluth Trading caught the eye of Stephen Schlecht, who was the founder of GEMPLER'S, an agricultural supply catalog. Schlecht bought the business off the brothers with the hopes of combining the catalogs into a one stop shop for farmers and tradesmen.

“In recent years the company has been transitioning from e-commerce only to a more omnichannel approach. At their most recent filing, Duluth had 41 brick-and-mortar locations, which weigh on margins but helps expand their brand presence in some key areas.

In 2002, Duluth introduced the Longtail T Shirt — a shirt with an extra three inches of fabric to combat the problem of builder's butt. Though it now seems like an obvious idea, the product brought the company a new wave of attention from tradesmen across the country.

In 2003, Schlecht sold GEMPLER'S to the industrial supply company W.W. Grainger, but he held onto Duluth, using the proceeds from the sale to invest back into the company. Since then the company has gone from strength to strength, releasing a range of innovative products from Firehouse workwear to pants and shirts with extra room in all the places that matter for tradesmen.

They've also been phenomenally successful at marketing these products and building loyal customer base. "Our brand is defined by three brand pillars: solution-based products manufactured with high quality craftsmanship, humorous and distinctive marketing and an outstanding customer experience."

In 2005, Duluth expanded into womenswear and in November 2015, Duluth Trading went public. In 2018, Duluth launched a state-of-the-art e-commerce platform with personalized customer service offerings.

## Ellie Mae (ELLI)

**E**llie Mae develops and markets computer software that helps process and manage mortgages. The company's software reportedly processes approximately one quarter of the mortgages in the United States.

- Sticky business model | Integral to large and growing market | No debt
- \$2bn market cap
- -37% since being added to the Invest app

### Our Opinion

When 'One Up On Wall Street' was published in 1989, Peter Lynch was the portfolio manager of the Fidelity Magellan fund. Under his stewardship, this obscure fund grew from \$20 million to \$14 billion in just 13 years. This made it the best-performing fund in the world, with an annualized rate of return of 29.2%.

Echoing Benjamin Graham and Warren Buffett, Lynch remarks in the book, "I do not believe in predicting markets. I believe in buying great companies." To find these great companies, Lynch proposes a list of 13 attributes to look for — some of which are quite surprising.

He believes that you should look for companies that sound dull (like Automatic Data Processing); do something dull (like Crown, Cork, and Seal, which makes cans and bottle caps); or do something disagreeable (such as Safety-Kleen, which washes the grease from gas stations).

"Dull" is a subjective term, but few could argue that Ellie Mae is exciting.

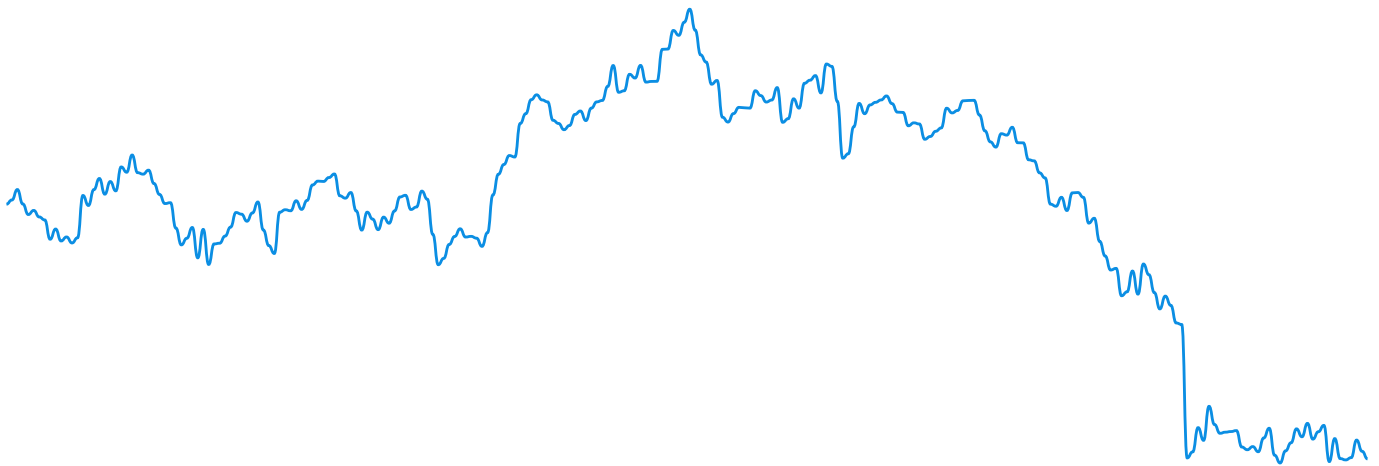
The business is steadily growing its share of the US mortgage origination market — the process through which a borrower applies for a new loan and a lender processes that application. Their solutions help thousands of lenders to streamline and automate the mortgage origination process by "increasing efficiency, facilitating regulatory compliance, and reducing documentation errors."

The company boasts an experienced founder-led management team, an asset-light business model, and, most importantly, a popular product with strong network effects and high switching costs.

Ellie Mae's strategic vision is clear: the mortgage origination process will become completely automated, and they will provide the infrastructure for the entire industry.

In Ellie Mae, we have a great company that I'm certain Peter Lynch would approve of for long-sighted investors. Furthermore, the company expects to push more services and boost its revenue per loan higher over time, so today might be a great time to buy a quality business at a bargain price.

## 2018 Performance Graph



## Stock History

In 1997, Sig Anderman, a lifelong entrepreneur in the mortgage industry, had just entered his "second retirement" in Sonoma, CA. In his spare time, he began "messing around with the internet" and soon realized that mortgage brokers could benefit from using this new invention to transmit data "accurately, quickly and at a low cost."

One year later, Anderman and co-founder, Limin Hu, started Electronic Mortgage Affiliates, Inc. Eventually the name was changed to Ellie Mae in the spirit of Freddie Mac and Fannie Mae. The company's original mission was to develop and host web sites for mortgage brokers who couldn't afford to build them independently.

Ellie Mae's website sales took off like gangbusters and within 12 months the company was hosting 1,800 mortgage broker sites.

“The company expects to push more services and boost its revenue per loan higher over time, so today might be a great time to buy a quality business at a bargain price.”

In late 2000, Ellie Mae launched its flagship product, ePASS. ePASS was a first-to-market platform that allowed loan originators to transmit mortgage information via the Internet.

In 2001, transactions went from 30 in January to 300 in February and then 3,000 in March. By 2002, the company began turning a solid profit every year.

As Ellie Mae grew, it amassed enough cash to purchase two of the primary loan origination systems already in use by mortgage brokers. This move gave them access to a captive audience.

In 2008, the company patented their ePASS technology to protect their intellectual property from competitors. In 2014, the company hit a milestone of 100,000 active users – including banks, credit unions and mortgage lenders.

This industry-wide use not only benefits the company's bottom line; it also benefits the earth. By moving the mountains of mortgage paperwork into clean digital format, Ellie Mae "can do more for America's forests than Greenpeace can," as some have commented.

# Evolent Health (EVH)

**E**volent Health are the makers of **Identifi**, an end-to-end, built-for-purpose services platform for healthcare providers to succeed in value-based payment models.

- Visionary CEO | High insider ownership | Innovators
- \$1.5bn market cap
- +28% since being added to the Invest app

## Our Opinion

“Value-based payment” is a relatively new but rapidly growing healthcare business model. Under the system, professionals such as physicians, hospitals, medical groups, and other providers are paid for their actual ability to improve a patient’s health over the long-term rather than the typical fee-for-service model that is currently the standard.

With value-based care agreements, patients spend less money to achieve better health, providers achieve efficiencies through less time on chronic disease management, payers control costs and reduce risk, while suppliers align prices with patient outcomes. To deep-dive further into this model, read ‘The Strategy That Will Fix Health Care’, written by Michael E. Porter and published on the Harvard Business Review website.

That said, current systems are not in place to facilitate such agreements. Payers need to be able to track a patient’s visits and outcomes, as well as identify which physicians or institutions should be paid for various services.

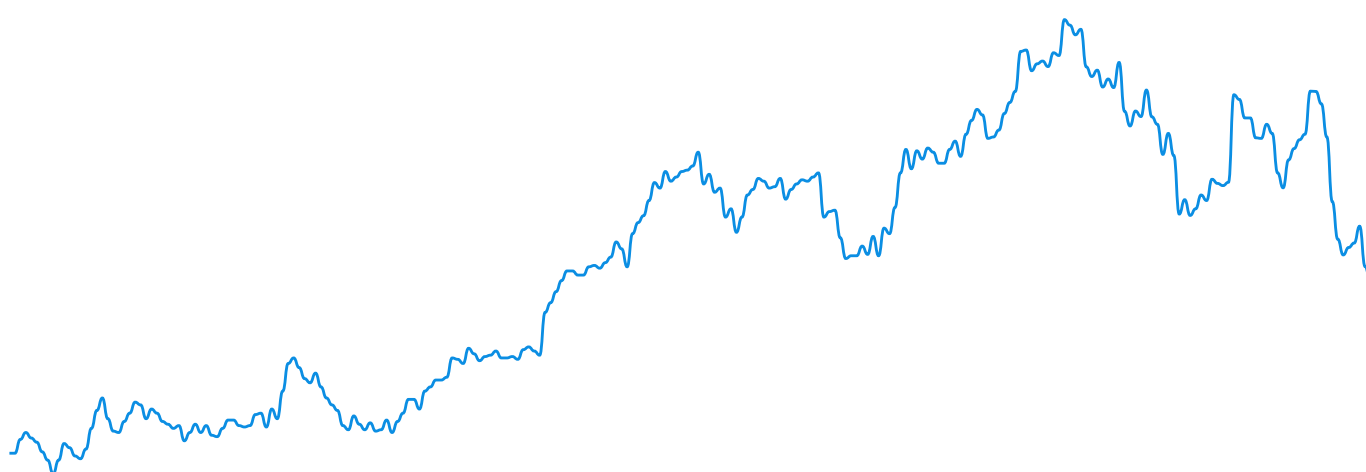
Evolent Health has established the market-leading position in providing the technology to run such systems. Currently Evolent has over 35 partnerships with healthcare providers and 3.1 million lives on their platform.

“Evolent Health has established the market-leading position in providing the technology to run such systems. Currently Evolent has over 35 partnerships with healthcare providers and 3.1 million lives on their platform.”

However, it's still very early days for this business. Healthcare in the United States is broken. Like another one of our favourites, Teladoc, Evolent is harnessing technology to provide solutions. Healthcare providers love what Evolent does because it incentivises caregivers to keep patients out of the system, which helps reduce their costs. Care providers like it because it frees them up to focus on the patients that need them most.

I love what Evolent are out to achieve. I think long-term investors will love the returns.

## 2018 Performance Graph



## Stock History

In 1979, a company called the Research Council of Washington was founded by David G. Bradley. With its original five employees, the company had the ambitious goal of being able to answer “any question for any company for any industry.”

It proved to be slightly too ambitious, however, and in 1983, the company began to specialize in consulting the financial services industry and changed its name to The Advisory Board Company.

In 1986, the company launched a new division specializing in healthcare and set up its own membership program, The Health Care Advisory Board.

Over the next decade, The Advisory Board grew at a rapid rate, attracting more than 500 healthcare members by 1990. By 1994, they had almost half of the Fortune 500 companies as members of their strategic research division.



In 2000, they launched H\*Works, a consulting business offering best practice implementation. In 2001, Frank Williams was made CEO and led The Advisory Board Company to an IPO later that year.

Over the following years, Williams helped grow The Advisory Board into a global research, technology, and consulting firm — serving over 4,100 leading organizations.

In 2011, having stepped down from the top job at The Advisory Board, Williams founded a new company, Evolent Health, with Seth Blackley and Tom Peterson (both of whom also held executive posts in The Advisory Board).

Williams, Blackley, and Peterson had seen the issues affecting healthcare through their roles in The Advisory Board and believed they had a solution. Evolent Health would help providers move to a totally new system, one that would reward physicians based on patient outcomes and just on services rendered. The company was launched with the support of The Advisory Board and The University of Pittsburgh Medical Center (UPMC).

The new company quickly began acquiring customers, setting them up on their technology platform and allowing them to establish new practices for dealing with patients.

In 2015, Evolent Health went public on the New York Stock Exchange, closing the day with a \$1 billion market cap. At the time of the offering, Evolent had ten long-term contracts in place with the likes of Indiana University Health, WakeMed Health and Hospitals, and Piedmont WellStar.

In 2017, The Advisory Board's consulting division was acquired by UnitedHealth. This included a 5.5% stake in Evolent Health, making UnitedHealth their largest shareholder.

## Factset (FDS)

**F**actSet Research Systems are a worldwide financial services firm that provide investment data and analytics to banks and individual investors.

- High switching costs | High Return on Invested Capital | Few competitors
- \$8.5bn market cap
- +24% since being added to the Invest app

### Our Opinion

If you're familiar with FactSet's data and analysis platform, then you're probably a financial professional. Their flagship product combines feeds from 220 different sources so that news and trends on all types of investable instruments — including commodities, bonds, and stocks — are never more than a click away.

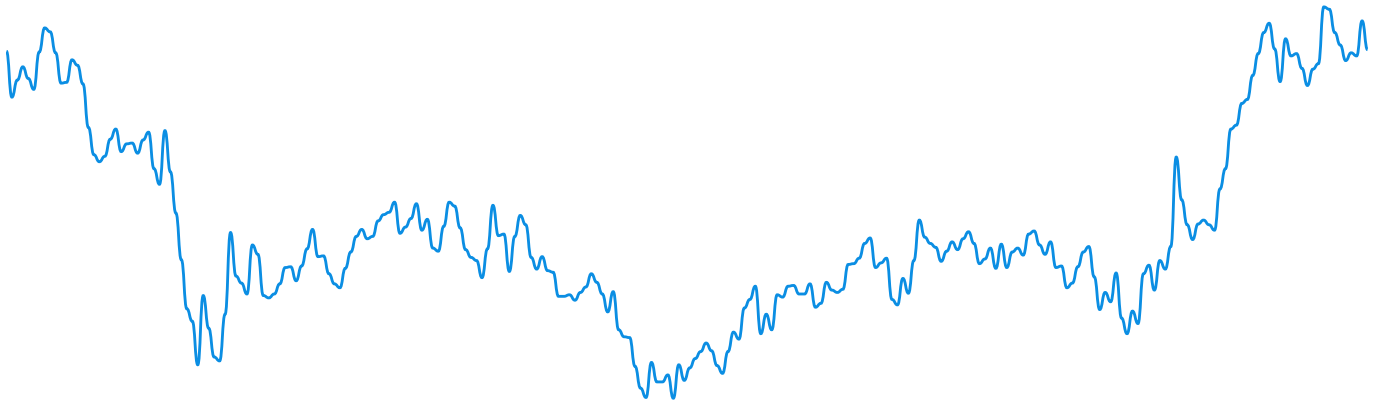
The business has created a valuable, sticky platform that serves more than 5,000 clients with over 91,000 users. Clients report satisfaction rates of 97% with customer service, which in turn leads to an incredible 95% customer retention rate and 38 years of consecutive growth. This has been driven by the aforementioned stickiness of the product, as well as the deep relationships it has built up with clients.

There are challenges ahead for FactSet though. A shift towards more passive investing could weigh on the company's growth opportunities going forward. That said, as the smaller and cheaper player in the space (compared with Bloomberg and Thomson Reuters), FactSet could potentially turn this into an advantage, offering a more affordable service in a time when demand is waning.

FactSet has just celebrated its 40th year in business. Over the years, it has grown into a global company with over 9,000 employees in 23 countries. With further expansion opportunities in Europe and Asia, great pricing power, and recurring revenue, I think this will be a steady market beater over the next five, ten and even 40 years.

“Factset's flagship product combines feeds from 220 different sources so that news and trends on all types of investable instruments — including commodities, bonds, and stocks — are never more than a click away.”

## 2018 Performance Graph



## Stock History

Factset was founded in 1978 by two Wall Street brokers named Howard Wille and Charles Snyder. They looked around at the business they were in and realized that computers were about to change everything. So, instead of becoming dinosaurs, they hatched a business model that would take advantage of this quickly evolving technology.

Back then, financial firms had to purchase raw data (basically gibberish) and then hire computer programmers to sort through it and make it readable on a computer screen. But Wille and Snyder had a vision to deliver user-friendly financial data directly to the firms upon request – cutting out the need for a programmer (read: translator).

In the early days, they were delivering this ready-to-digest data on paper, usually by bike messenger. By the 1980s, however, clients could retrieve data directly from a database and download it into an easy-to-understand spreadsheet (much to the dismay of NYC bike messengers everywhere).

Today, each FactSet client can access the company's full product suite from anywhere — an office PC, laptop, tablet or smartphone. The data they're searching for could be anything from company-specific analysis to broader market intelligence.

As FactSet has grown, they've also branched out into software that allows clients to plug in and analyze their own datasets. Since FactSet is a data provider, they've made many smart acquisitions since 2001, snapping up a lot of the companies they used to pay for information.

Factset's client satisfaction is evident in its 93% retention rate.

On top of that, they keep growing and growing. In 2014, FactSet reported 34 out of 36 years of consecutive revenue growth. In February 2015, FactSet purchased Code Red, a provider of research technology to the financial community. In October 2015, FactSet acquired Portware, LLC, a software company which provides automated and AI-powered trading solutions.

As of 2018, FactSet has more than 90,000 users across the globe, with an impressive 95% retention rate.

## Gentex (GNTX)

**G**entex is the world leader in auto-dimming rearview mirrors. Founded in 1974, this Michigan company now provides mirrors to all the major automakers, with the exception of Tesla.

- A portfolio of valuable patents | Visionary founder | Dividend payer
- \$5.5bn market cap
- -3% since being added to the Invest app

### Our Opinion

The first major rear-view mirror innovation was auto-dim, a feature designed to reduce glare from headlights at night. For those drivers who noticed it back in the nineties, it seemed like magic, which is often the case with advanced technology.

Today, this life-saving Gentex product is installed in the vast majority of the world's cars. Last year, the company generated \$1.8 billion in revenue, driven mainly by sales of these auto-dimming mirrors.

After decades of building and assembling every aspect of their mirrors — from software to vision systems, microphones, motherboards, and glass — Gentex has expanded its product line by creating interactive windows for use in aircraft. The ability to switch your window from perfectly clear to pitch-black is now standard on Boeing's 787 Dreamliner and is a product that's likely to enjoy a similar adoption in the aviation industry as their dimming mirrors did in the auto industry.

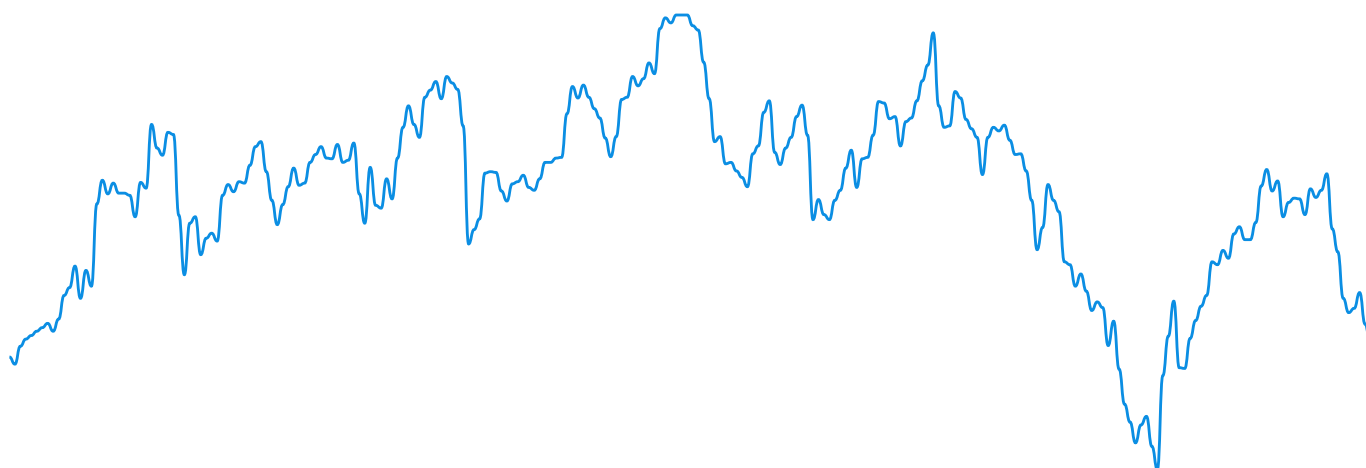
Over the long term, it's possible that automakers will eventually replace mirrors (which are failsafe) with cameras (which are not failsafe). However, I don't envision this happening for many years.

In this sense, the fate of Gentex may be a little too closely bound with the future of the auto industry. On the other hand, with the surge of energy and innovation we've seen in recent years from carmakers, this shouldn't necessarily be considered a bad thing.

“After decades of building and assembling every aspect of their mirrors — from software to vision systems, microphones, motherboards, and glass — Gentex has expanded its product line by creating interactive windows for use in aircraft.”

The business has way more cash than debt, makes tons of money, has good insider ownership, pays a regular dividend, and is committed to innovation. All of this should keep car companies buying and drivers impressed at the magic inside the mirror.

## 2018 Performance Graph



## Stock History

Gentex began its life in 1974 as a manufacturer of high-quality smoke-detectors. Founder Fred Bauer actually revolutionized that industry by creating the first dual-sensor photoelectric smoke detector — which was less prone to false alarms and better at detecting small fires.

To this day, Gentex supplies millions of these smoke detectors to offices, hotels and hospitals around the world. Not satisfied with the excitement of the fire protection business, Bauer turned his attention to car safety. The company focuses specifically on one thing — how to stop dangerous glare in the rear view mirror when driving at night.

In 1982, the company introduced the world's first electromechanical auto-dimming mirror. The product was quickly adopted by the biggest car makers in the world, particularly Ford and General Motors. The two automakers were soon buying hundreds of thousands annually.

In 1987, Gentex invented the first electrochromic auto-dimming mirror, which had forward and rear facing sensors to measure light level. An electrochromic gel then automatically would dim the mirror in proportion to the light level.

Today, almost 98% of Gentex's revenue comes from selling auto-dimming mirrors to every major automaker in the world (except Tesla). They also produce automatic headlight dimmers, tire pressure indicators, and garage door opening systems.

Since its IPO, Gentex has won numerous awards. In 1998, the company was designated as a Supplier of the Year by General Motors, while also becoming the only company to win the Automotive News PACE Award three times.

In 2018, Fred Bauer retired as CEO, having helped to bring his company from a market capitalization of \$17 million in 1981, to approximately \$5.5 billion in market capitalization today.



## Global Robotics & Automation ETF (ROBO)

**R**OBO was the first robotics and automation ETF to market, providing investors with a liquid, cost-effective, and diversified way to gain access to rapidly evolving robotics technology and AI. It has an expense ratio of 0.95%.

- Access to global opportunities | Diversified holdings | Global megatrend
- \$1.5bn net assets
- -15% since being added to the Invest app

### Our Opinion

There is little doubt that we are in the midst of what Professor Klaus Schwab called 'The Fourth Industrial Revolution' — where great advances in robotics and automation will dramatically change our lives.

It's also evident that the way we work, the way we travel, and the way we live will be far more reliant on the machines we build rather than the hard graft of human labor.

IDC, a global market research intelligence firm, estimates that by 2020, spending on robotics and related services will double to \$188 billion. The International Federation of Robotics calculates that by this year alone, there will be 1.4 million new industrial robots installed in factories around the world. Some figures suggest that up to 40% of jobs could be lost to automation in the next twenty years.

These predictions are both fantastical and terrifying. And while an entire industry tries to concoct a way for humans to find use in this brave new world, we as investors must focus on what matters to us — profiting from a global megatrend.

Those who keep track of my personal portfolio will be aware that I've always had an interest in robotics, with current holdings in the likes of iRobot, Cognex, and Tesla. However, with the current pace of advancements, particularly in terms of AI and machine learning, there are far more ways to invest in this sea change than meets the eye. We are also hampered by the fact that the US (and US-listed companies) have fallen drastically behind their European and Asian counterparts in this field.

This is why we added the ROBO Global Robotics and Automation ETF to our Invest app.

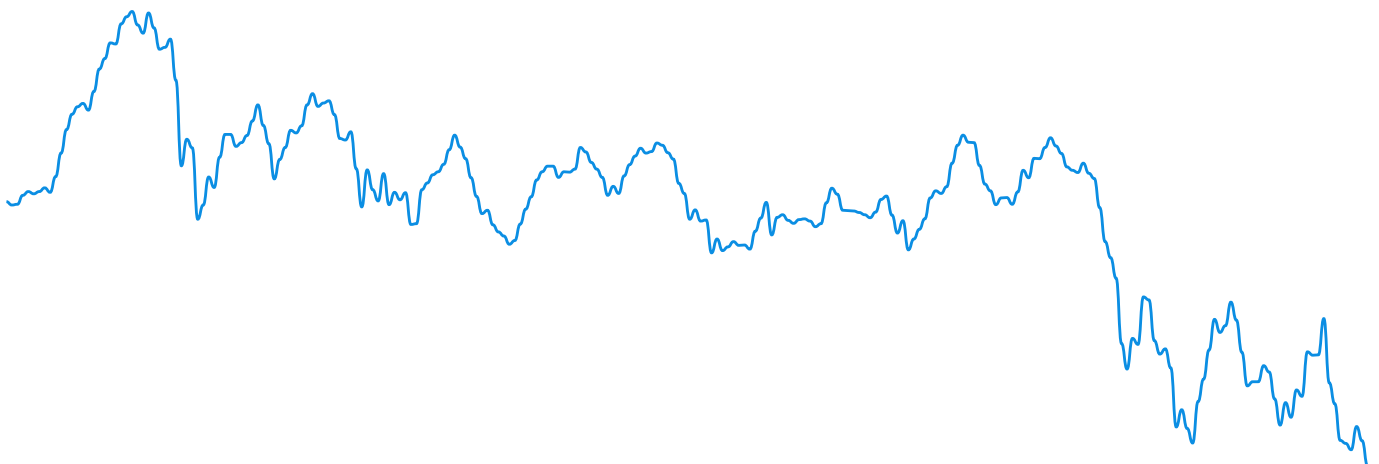


With 89 holdings at present, this fund gives investors exposure to a wide range of companies from the likes of Japan, Germany, Taiwan, South Korea, and Finland, as well as some of our favorites from the US.

A deep dive into the companies that make up this fund will be enlightening for investors, with interests in industrial robotics, exoskeletons, drones, undersea engineering, and healthcare to name a few. It truly does give investors access to the full value chain of robotics, automation, and artificial intelligence.

If you believe, like I do, that we are living through this new industrial revolution, invest today and own part of the great leap forward.

## 2018 Performance Graph



## Stock History

ROBO is a dedicated ETF for companies involved in robotics, automation, AI and 3D modeling.

The fund's portfolio offers diversification across companies of different sizes, geography and business focus.

“With 89 holdings at present, this fund gives investors exposure to a wide range of companies from the likes of Japan, Germany, Taiwan, South Korea, and Finland, as well as some of our favorites from the US.

The fund gives investors exposure to companies in the United States, Israel, South Korea, Japan, Taiwan, Switzerland, Germany, France and the UK.

As of December 2018, the fund's top ten holdings are:

- Aerovironment Inc
- Keyence Corp
- Daifuku Co Ltd
- Nabtesco Corp
- Intuitive Surgical Inc
- iRobot Corp
- Zebra Technologies Corp
- Cognex Corp
- Oceaneering International Inc
- Nvidia Corp



# Huazhu Hotels Group (HTHT)

**H**uazhu Hotels Group (formerly known as China Lodging Group) is the market leader in economy hotels in China.

- Visionary CEO with proven track record | Operating in over 350 cities | No long-term debt
- \$8.5bn market cap
- +164% since being added to the Invest app

## Our Opinion

In 2015, the US Census Bureau noted that there are ten cities in America with a population of at least one million. China, on the other hand, has more than 100 cities of over 1 million residents — a number that is likely to double in the next decade. The country is poised to overtake the US as the largest global economy by 2020 and destined to remain an engine of global growth for the next decade.

With a population exceeding 1.3 billion people and a landmass larger than the United States, China's sheer size and scale present challenges uniquely distinct from any other market. A piece in the UK's Guardian newspaper framed it perfectly:

"Quanzhou, for example, on the south-east coast of China, was one of the most cosmopolitan cities in the world a millennium ago, when it served as a hub for traders from across Asia and the Middle East. It is now home to more than 7 million people, nearly 800,000 more than Madrid.

The scale of China's urban ambitions is staggering: it now has 119 cities bigger than Liverpool. By 2025, according to a report by the McKinsey Global Institute, that number is predicted to have more than doubled.

One reason is that the government is actively encouraging rural residents to urbanise. China aims to have 60% of its people living in cities by 2020, up from 56.1% currently, and the World Bank estimates a billion people — or 70% of the country's population — will be living in cities by 2030."

Within the country, rapidly changing demographics, rising incomes, and increased consumer spending have all helped to make China attractive to Western businesses. But it's a tough nut to crack. Foreign companies looking to expand into the market need to first consult the foreign investment catalog, which divides projects into 'encouraged', 'restricted' and 'prohibited' categories.

Not the most welcoming of beginnings.

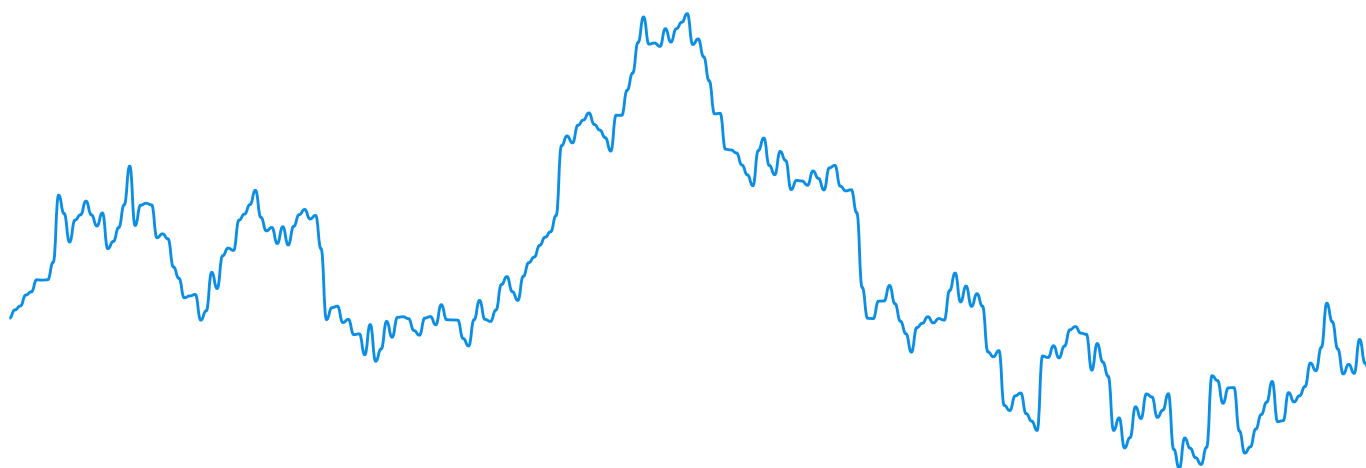
The chances of a business succeeding in China are considerably higher when it's born there though. Many years ago, I was a shareholder in US-listed Chinese companies Baidu and Ctrip, both highly successful in their respective industries.

It so happens that Ctrip's founder, Qi Ji, is also the founder of Huazhu Hotels Group, a business perfectly positioned to capitalize on a mega-trend that's mostly invisible to those of us living life in the Western world. Operator and franchisor in China under 12 brand names, the company has over 400,000 rooms in operation in 369 cities.

Ji has been so successful in the space, that international hotels group AccorHotels handed over the exclusive rights to franchise their economy brands in China. Ji owns 34% of the company's shares and has proven his ability to deliver value on a pure-play Chinese investment listed on a US exchange.

Over the long term, I believe today's stock price-tag will look like a bargain. As Western brands continue to stumble on the when, where, and how of entering the Chinese market, Huazhu Hotel Group will grow along with the country's increasingly mobile population.

## 2018 Performance Graph



“As Western brands continue to stumble on the when, where, and how of entering the Chinese market, Huazhu Hotel Group will grow along with the country's increasingly mobile population.”

## Stock History

From humble beginnings, Chinese entrepreneur Qi Ji has built an impressive business empire that dominates the hotel and travel space.

Growing up in a rural area in the Jiangsu province, Ji took an early interest in computers and by the time he left college in 1992, he had made “a considerable fortune” selling his own devices to fellow students.

Ji always had an interest in the travel and hotel business, and was inspired after reading a book called ‘The Birth of a Galaxy’, which documented the rise of the AccorHotels — France’s hospitality giant that owns Ibis and Mercure.

After setting up his own computer hardware company in 1997, he co-founded a travel site for China’s emerging middle class. That site, Ctrip, is now the largest provider of travel services in the country and has been heavily invested in by The Priceline Group.

In 2002, Ctrip decided to get into the hotel business and it was Ji who was chosen to head up the new company, Home Inns. The business targeted price sensitive travellers with economy rooms similar to Travelodge and Super 8 Motels.

However, when SARS spread across China, the board urged Ji to halt the expansion of the company until the crisis ended. Ji disagreed and argued that it was an opportunity to expand the business. In 2004, he resigned as CEO of Home Inns and set up a new company, China Lodging Group.

Originally, China Lodging was planned as a midscale hotel chain as Ji has a non-compete clause with his previous company. However, when that clause terminated in 2006, Ji rebranded the company as an economy hotel chain, and opened 100 new outlets within the first two years.

Ji briefly stepped down from the CEO position in 2009, leaving it in the hands of the top executives. He was sorely missed. Profits fell and top management jumped ship.

Ji returned to the role in 2012 and once again rebuilt the company. He built out the company’s brand to include midscale and high-end offerings to cater for every type of customer.

In 2014, China Lodging signed a strategic partnership with AccorHotels, the company that had first inspired Ji to get into the hotel business. China Lodgings now has the exclusive rights to franchise AccorHotels’ economy brands across China, for which AccorHotels received a 10% stake in the company.

China Lodgings is now the market leader in the economy hotels business in China and have 50 million members signed up to their loyalty program.

Ji believes from here he can build an entire travel ecosystem that will one day dominate not just the Chinese, but the wider Asian market. With interests in Ctrip, China Lodgings and now AccorHotels, you wouldn't want to bet against him.

In June 2018, China Lodging rebranded as Huazhu Hotels Group.

# Idexx Laboratories (IDXX)

**Idexx Laboratories is a global leader in veterinary diagnostics for companion animals. Their benchtop lab systems can perform many of the basic tests that once had to be sent out to a reference lab. They also provide testing kits for water and livestock.**

- Global megatrend | Visionary CEO | Razor and blade revenue model
- \$16 market cap
- -9% since being added to the Invest app

## Our Opinion

Finding great businesses to invest in is my life's passion. Finding a great business that is embedded in a visible and lucrative global megatrend is the apex of that endeavor.

Idexx Laboratories is the world leader in veterinary diagnostics and software. That's not the most exciting business in the world, but there's a very exciting opportunity for investors.

The pet industry is currently going through what can only be described as a renaissance period. Millennials are getting married a lot later than my generation did, and with that, they are opting for companion animals instead of children in their twenties and early thirties. Spending on those pets has skyrocketed over the last decade — attributable to what many are calling the "humanization of pets".

Americans spent close to \$70 billion on their pets last year. The biggest segment within that is food, but veterinary spending is a close second (and the fastest growing). And there's no sign that this is going to slow down anytime soon. Generation Z (the ones that come after millennials) are even more pet-obsessed, which points to a second generational cycle of global growth.

Idexx Laboratories is one of the companies primed to benefit from this.

Idexx has a number of business segments, from lab referencing to livestock and water testing. However, the part of the business investors should be focused on is VetLab — diagnostic machines that are sold into veterinary practices, providing instant test results for a wide range of diseases and underlying conditions. Idexx sells the machines to vets for a once-off fee and then sells the testing strips on a per-use basis. This is the "razor and blade" model that companies like Gillette and Nespresso have perfected and is incredibly attractive, offering long-term recurring revenue and tying your customer to your product for many years.

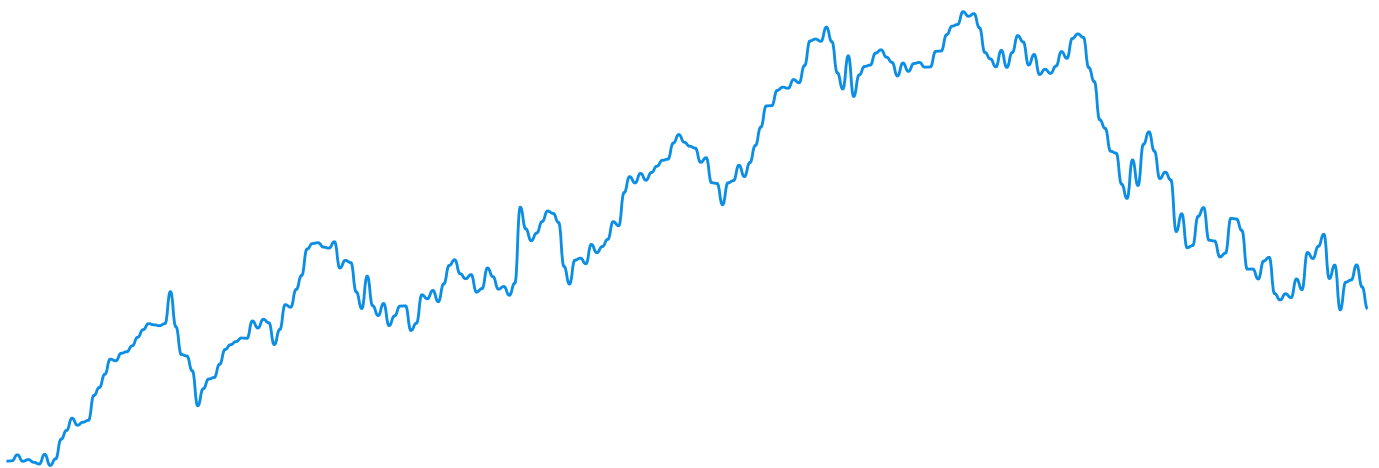
In a recent study, Idexx found that one out of every seven of these tests uncovered a significant issue in adult animals, with those numbers higher for animals in the latter part of their lives. With animals unable to tell vets what is wrong with them, diagnostic tests essentially become the “voice of the animal”.

Already firmly established in the US, growth opportunities exist in cross-selling to existing customers, as well as in Europe, where spending on pets is starting to see the kind of explosive growth that North America has witnessed over the last ten years. This year the business is well on course to exceed \$2 billion in sales, while spending on companion animal diagnostics is predicted to grow between 6 and 8-fold over the next 25 years.

Idexx are the biggest identifiable spender on research and development in this space (they have some private competitors who don't report it), have strong client relationships, and a great management team who foster innovation.

If you see the trend in pet spending all around you and want to get in on the action, this is a great long-term buy-and-hold investment.

## 2018 Performance Graph



“If you see the trend in pet spending all around you and want to get in on the action, this is a great long-term buy-and-hold investment.”



## Stock History

In 1983, David Shaw started AgriTech Systems Incorporated, beginning with just five employees in an office in Portland, Maine. The company was launched in response to a new niche market — the detection of diseases in livestock and poultry.

Shaw had been working as a consultant with Agribusiness Associates in the Boston suburb of Wellesley Hills. The weekly commute from his home in Maine was starting to become draining and he began to look for other ways to live. As a consultant for the industry, he saw where the market was being underserved.

In 1985, the company introduced a line of products that both governments agencies and private businesses could use to test for contaminants in food and processing facilities. That year, it made its first sale to a poultry producer in Connecticut.

The following year, the company expanded into diagnostic equipment that vets could use in their offices. Over the next few years, they launched a number of inexpensive test kits for vets, able to detect common diseases in household pets like heartworm and leukemia.

In 1988, the company changed its name to Idexx Corporation and went public in 1991 with an initial public offering of 1.6 million shares.

In the early 90's, Idexx made a number of acquisitions, allowing it to expand into veterinary laboratory services. This helped them capture a share of the market for more sophisticated testing. They also began to develop software offerings that would allow vets to cross-check a number of test results in one portal.

In 1993, Idexx got into the water testing business.

The late 1990's were a period of high-growth for Idexx. Fears of salmonella and E. coli, in particular, drove sales across the US, Europe, and Japan. Economic stagnation in the latter part of the decade saw this growth come to an abrupt halt, leading to the ousting of a number of high-level executives.

In 1999, Shaw retired as CEO of the company. He returned to the company on an interim basis as they continued a search for his replacement. In 2002, Jonathan Ayers, who had worked as a high-level executive at United Technologies, was appointed CEO.

Ayers saw a great opportunity for the company to migrate some of its reference labs business into the veterinary offices. As technology improved, Ayers believed that many of the tests performed in the lab could be done using small diagnostic machines developed by Idexx and installed in vet offices.

What followed was a renewed focus on these in-house analysers, with the company launching the Catalyst, SNAP, ProCyte, and SediVue lines over the next ten years. These bench-top laboratory systems proved immensely popular with vets.

Today Idexx is the world leader in veterinary diagnostics. They continue to develop their original strip-tests and regularly update their existing line of in-house lab machines. While the company continues to sell water and livestock testing kits, they are focused on companion animal diagnostics as the primary growth driver of the business.

# Markel Corp (MKL)

**M**arkel Corp is a specialized insurance company based in Richmond, Virginia. Due to their profitable investment portfolio, Markel is often described as a “Baby Berkshire Hathaway”.

- Niche offering | Idolized management team | Portfolio of great businesses
- \$14.5bn market cap
- +11% since being added to the Invest app

## Our Opinion

The Berkshire Hathaway of Warren Buffett fame has become a financial fortress largely through the ownership of over a dozen insurance companies. Some (like GEICO) you may have heard of. Most, however, you'll probably never encounter.

That said, insurance and assurance are great businesses when they're run well — customers pay you money today on the promise that you will pay out (to just a fraction of them) at some point in the future. The cash collected up-front in the insurance industry is called the float. Apart from that money being used to pay out on insurance claims in the future, floats can be put to work in stocks and other long-term investments that earn returns in the meantime. Effectively, insurance companies have borrowed funds, at little or no cost, to invest.

Markel is a specialty insurance company covering niche requirements throughout the world, from lawn-care specialists to karate schools.

Chief Investment Officer and co-CEO Tom Gaynor has implemented disciplined underwriting and investing practices, with the profits made going straight back into the company's impressive portfolio. Gaynor and his team receive cash and stock bonuses only if the firm exceeds a 16% book value growth over a five-year timespan, while growth under 11% is rewarded with little to no bonus compensation.

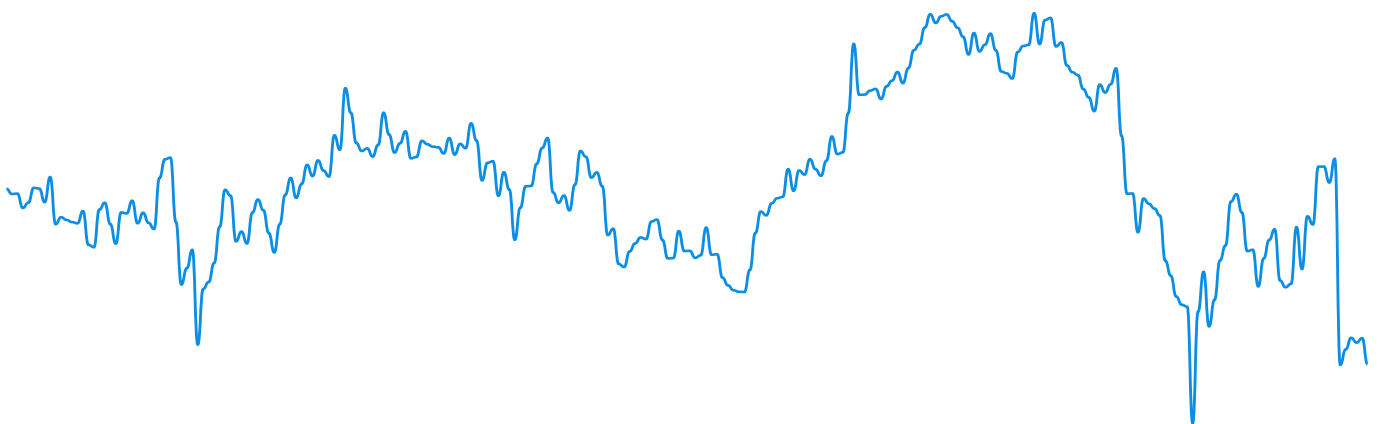
“Markel is a specialty insurance company covering niche requirements throughout the world, from lawn-care specialists to karate schools.”

As a result, Markel's equity portfolio has a particularly impressive long-term track record of beating the S&P 500, especially over recent years. More relevant is the fact that Markel has a highly experienced team who are meaningfully rewarded if the business performs in the areas that ultimately matter for a shareholder. This means that the interests of management and shareholders are completely aligned. Warren Buffett often has said the biggest enemy of Berkshire Hathaway's future market-beating returns is its size.

Markel holds a shareholder brunch in a conference room at the Hilton hotel in Omaha, Nebraska each year — the day after Berkshire Hathaway's annual meeting. The largest position in Markel's portfolio is Berkshire, which is no surprise. CEO Gayner is a Buffett-disciple, and the company bears such a close resemblance to Berkshire that analysts have dubbed it the "Baby Berkshire."

If this is to be proven true in the long-run, it will be a remarkably good thing for investors.

## 2018 Performance Graph



## Stock History

Markel Corporation is a 'holding company'. That means they operate multiple businesses all under a single umbrella. Their number one specialty is insurance. That's what it's been since the Virginia-based company was founded in 1930 by Sam Markel.

In the early days, Markel set out to create an insurance product for jitney buses. If you've never heard of a jitney bus, think of them as the original Uber. They were privately-owned vehicles that followed semi-fixed routes, but also were willing to go the extra mile to pick up and drop off passengers wherever they wanted. Just like Uber, the jitneys were a big improvement over the standard streetcar – more convenient and less crowded. Also like Uber, jitneys faced stiff opposition from the establishment. That made Sam Markel a bit of a revolutionary for wanting to insure them.

As the jitneys eventually got regulated out of business, Sam Markel and his four sons made a move into insuring long-haul trucking and bus fleets – another transportation group typically snubbed by traditional insurers. Markel was also heavily involved in developing crucial safety standards for the transportation industry.

In 2000, the company acquired Terra Nova Holdings, which granted it access to specialty international markets. In the same year it opened its first London office, before spreading throughout the UK and Europe.

In 2005, the company launched “Markel Ventures,” which led to a spate of acquisitions, including Parkland Ventures and Reading Bakery Systems.

In 2016, Markel joined the Fortune 500 for the first time, coming in at 476th place.

As the company has grown, they’ve entered a very interesting space known as “specialty insurance”, where there is typically less competition and regulation. As Sam Markel himself put it:

“If you need an insurance product and you want it quickly and easily, Markel does not do that. We insure things that are complicated such as kids’ summer camps, large boats, wedding/event cancellations, vacant properties, new medical devices and new technology adoptions. In short, underwriting specialty insurance involves the same process as investing.” Currently, Markel’s holdings portfolio includes positions in some of the largest and most iconic companies in the world, including Amazon, Disney, Diageo, Marriott International, Visa and Home Depot.

# Match Group (MTCH)

**M**atch Group own a suite of dating website and mobile apps including Tinder, OkCupid and Match.com. They also own The Princeton Review, an educational website.

- Portfolio of great businesses | Part of global megatrend | High margin business
- \$12bn market cap
- +135% since being added to the Invest app

## Our Opinion

When I told Tinder co-founder Sean Rad that I'd never seen the dating app in use, I could tell that he thought I was of the Stone Age. But when I then reflected that a day would arrive when elderly couples tell their grandchildren about how they met on Tinder, he wholeheartedly agreed.

Match Group is far bigger than its namesake site. In fact, the company operates a portfolio of over 45 brands, including Tinder, OkCupid, Meetic, Twoo, Plentyoffish, OurTime, BlackPeopleMeet, and FriendScout24.

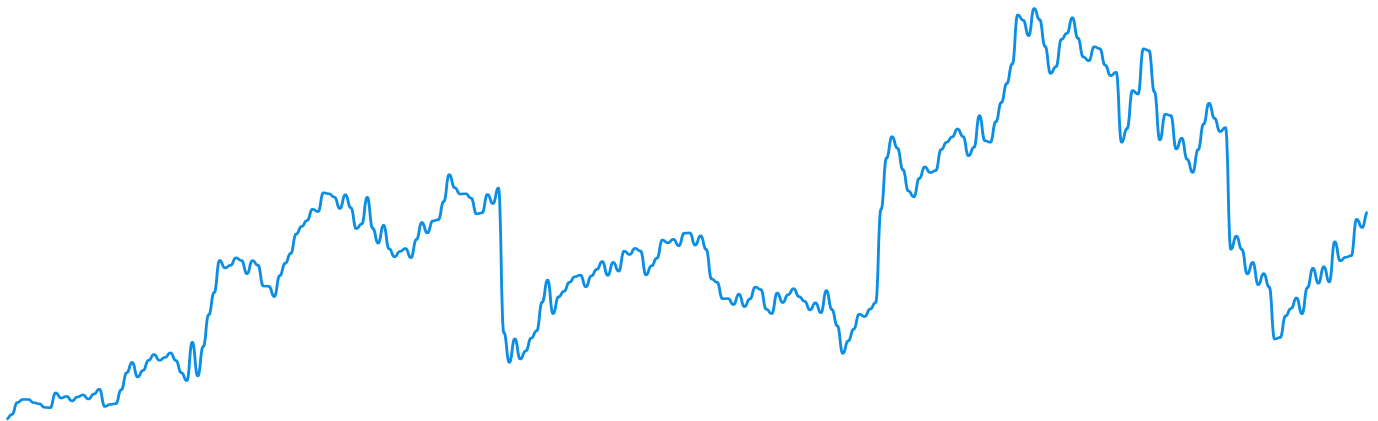
Through this portfolio of brands, tailored products are provided to meet the various romantic preferences of users. Match Group offers dating products in 38 languages across more than 190 countries, as well as operating 'The Princeton Review' — which provides a variety of test preparation and academic tutoring services. Spot the odd one out!

Parking the likelihood that you or someone you know is a user of at least one of Match Group's assets, the company is also growing fast, with paid membership counts rising by the day. Tinder alone has exceeded four million paid members, with international growth being driven by 'Meetic' and the Japan-based 'Pairs'.

The long-term play for Match is that the more people get accustomed to online dating through popular apps like Tinder, they'll be much more likely to use one of Match's other products later in life. These products are costlier, promising the chance to meet a partner for life rather than a casual romance.

Recently, it was reported that over half of the nightclubs in Britain have closed since 2005 as a direct result of faster, safer, and more considered ways to find romance. Match (and Tinder in particular) have been at the forefront of this sea change. I believe it's still early days for the world of internet dating, and in Match, we have an industry leader poised to be one of the biggest beneficiaries.

## 2018 Performance Graph



## Stock History

44% of American adults are single. That's over 100 million busy people looking for love on any given day! That's also the business opportunity that Gary Kremen and Peng T. Ong were trying to capitalize on as early as 1993. Even though this was a time when only 5% of Americans had internet access, Gary Kremen was forward-thinking enough to take a \$2,500 advance on his credit card and purchase [www.match.com](http://www.match.com).

When the website officially launched in early 1995, Kremen himself gave the company's first TV interview and confidently stated that "Match.com will bring more love to the planet than anything since Jesus Christ". How's that for grabbing people's attention?

Another way the Match PR team helped spread the word there was a new matchmaker on the scene was to change the title of in-house Director of Communications' to "Vice President of Romance".

That strategy paid off, with appearances on the Today Show, 60 Minutes and Live! With Regis and Kathie Lee, and coverage in People, New York Times and USA Today. This intense media coverage helped quickly balloon the company from a \$5 million valuation to a \$55 million business early on.

Over the years, Match.com has formed many strategic partnerships with other media companies and has acquired smaller competitors, like OKCupid and Plenty of Fish.

“44% of American adults are single. That's over 100 million busy people looking for love on any given day! That's also the business opportunity that Gary Kremen and Peng T.”

But by far Match's biggest success was — and continues to be — its location-based dating app Tinder, which was released in 2012. Since then, the app has become a social phenomenon, generating a billion "swipes" per day and introducing a whole set of phrases — like "Tinderella" and, even more wonderfully, "Tindred Spirit" — into the culture at large.

By 2018, Tinder had almost 4 million paid subscribers. They've also ventured outside the digital realm with a service called Stir, bringing Match.com members face-to-face at thousands of live events across the US – from happy hours to rock climbing.

While recently celebrating its 20th birthday, Match.com released some pretty impressive statistics – their services have helped create 517,000 relationships, 92,000 marriages and 1 million babies.



# Mercado Libre (MELI)

**M**ercadoLibre is the largest e-commerce site in Latin America, with operations in 18 countries. They also have their own payments platform, shipping and logistics business, and online web stores.

- Market leader | Wide economic moat | Visionary founder
- \$14.5bn market cap
- +14% since being added to the Invest app

## Our Opinion

MercadoLibre — or Meli for short — is the largest e-commerce platform in Latin America. It's a massive \$16.5 billion enterprise that consists not only of an online marketplace (similar to eBay), but also encompasses payments, shipping and logistics, financial services, and online web stores.

The vast majority of our users will never have heard of this company. However, if you're a resident of South America, it's extremely likely that you've been exposed to the company in some way over the last ten years.

Currently, only around 60% of the South American population are connected to the internet. But with about 182 million active users, half of those are already using MercadoLibre.

With their MercadoPago payments platform and MercadoEnvios shipping solutions, this company has created a truly robust ecosystem which captures the lion's share of the trend towards e-commerce in the region.

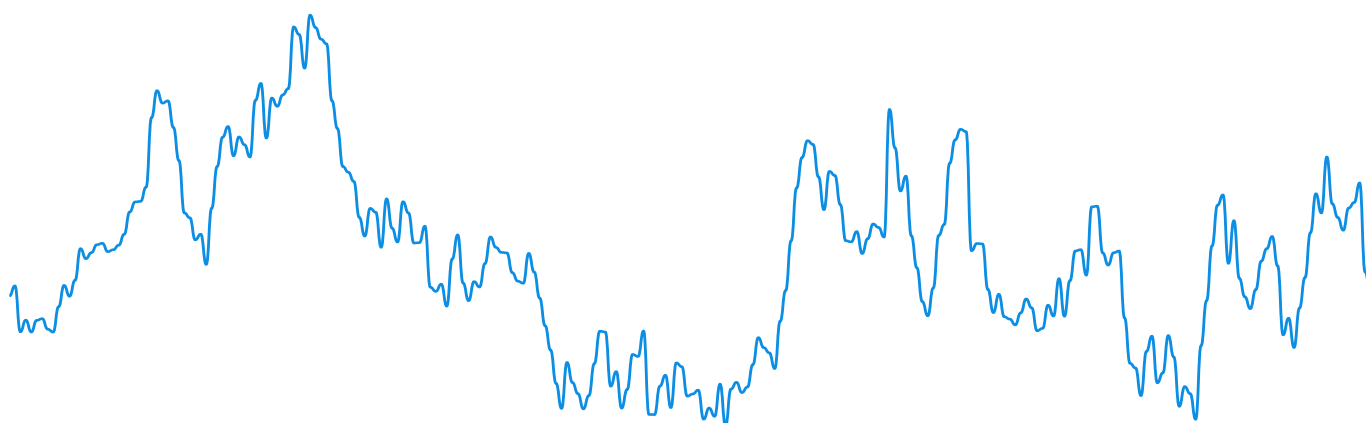
MercadoLibre's market leader position has also allowed them to increase revenue by 37% on average annually for the last decade. This, of course, is despite the economic and political turmoil that has erupted in certain parts of the continent.

“Currently, only around 60% of the South American population are connected to the internet. But with about 182 million active users, half of those are already using MercadoLibre.”

In their latest annual report, the company announced it will be divesting itself of interests in Venezuela, admitting that they no longer had accounting control of their operation in the country. Yet they continue to expand operations in Chile, Brazil, Columbia, and Mexico.

I believe that ten years down the line, the world will be more connected, more reliant on the power of the internet, and more economically vibrant. MercadoLibre is an excellent way of capitalizing on these trends in one of the most exciting parts of the world.

## 2018 Performance Graph



## Stock History

Marcos Galperin was born in Buenos Aires in 1972, and after finishing secondary school there he was selected to play for the national junior rugby team. Instead, Galperin went to study at the University of Pennsylvania, and later on at the Stanford School of Business.

In March of 1999, while Galperin worked towards his master's degree at the Stanford School of Business, he also began work on a secretive business plan. A few months later, Galperin founded MercadoLibre.

MercadoLibre, which means “free market” in English, is an e-commerce company that enables commerce through its online market platform in Latin America, offered in both Spanish and Portuguese. It provides six main e-commerce services: the MercadoLibre Marketplace, the MercadoLibre Classified Services, the MercadoPago payment services, the MercadoLibre advertising services, the MercadoShops online stores, and the MercadoEnvios shipping services.

MercadoLibre began operations in Argentina but quickly expanded over the following years. By the end of 1999, MercadoLibre had also launched in Brazil, Mexico, and Uruguay. Today, MercadoLibre operates in 18 countries and is the most visited e-commerce website in Latin America.

In 2001, eBay bought MercadoLibre shares and started working with the newly founded company on bettering their service. From 2001 to 2006, eBay and MercadoLibre had an agreement — eBay provided MercadoLibre with know-how and experience, allowing the young company to develop at a faster rate, while MercadoLibre gave eBay sellers greater access to Latin America. 10 years later, eBay sold its MercadoLibre shares, but the companies still collaborate.

In 2005, the company acquired a regional competitor, DeRemate. With the acquisition came an increase of about 1.3 million users, as well as a stronger influence on the markets of Brazil, Mexico, Venezuela, Peru, and Uruguay.

MercadoLibre IPO'd in 2007, resulting in net proceeds of about \$49.6 million. It also became the first Latin American technology company to be listed on the NASDAQ, under the ticker 'MELI'.

In 2014, MercadoLibre started an acquisition spree, acquiring online classified advertising platform companies VMK S.A., Inmobiliaria Web Chile S. de R.L. de C.V. and Inmuebles Online for \$38 million. In December 2014, they also acquired software development company Business Vision S.A. for \$48 million.

In April 2015, they acquired the enterprise resource planner KPL Soluções Ltda, as well as online classified advertising platform company Metros Cúbicos, S.A. de C.V. for \$22.7 million and \$29.9 million respectively.

In 2016, MercadoLibre acquired software development company Monits S.A. for \$3.1 million, and logistic software development company Axado for \$5.5 million.

In 2016, MercadoLibre relocated its headquarters to São Paulo, Brazil, complete with beauty parlor, gym, cafeteria, and auditorium. They also announced their plans to expand into Córdoba, Spain, with a new software centre.

In 2018, MercadoLibre abandoned operations in Venezuela, admitting they no longer had accounting control in the country.

# Paycom (PAYC)

**P**aycom Software is an American online payroll and human resource management company headquartered in Oklahoma.

- Visionary founder/CEO | High insider ownership | Good company culture
- \$7.5bn market cap
- +91% since being added to the Invest app

## Our Opinion

It's a simple fact of investing that the best opportunities are often boring.

Producer of "one HR and payroll solution for managing employees from recruitment to retirement", Paycom's cloud-based software provides significant time saving for users, resulting in over 90% retention year after year.

With the exception of being interesting, Paycom has all the hallmarks of a stock that I want to own for the long term.

In the last quarter, Paycom increased revenue by 32% while maintaining high margins and expanding their sales force to new markets. Their focus on small and medium-sized businesses allows them to target customers not already tied to a competitor's product.

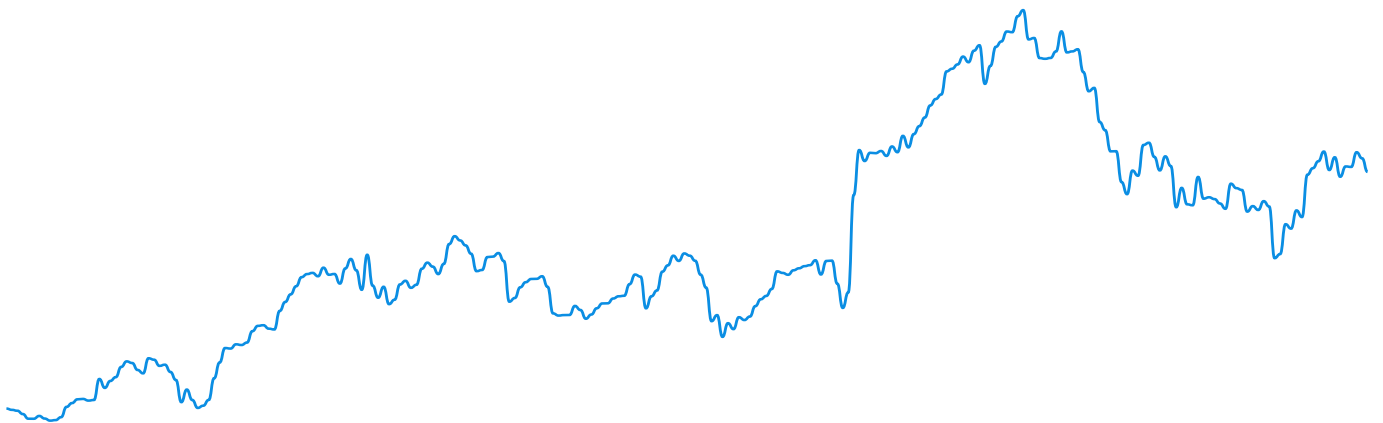
Two of our selected stocks are acknowledged competitors of Paycom. Both Workday and Ultimate Software were called out in a Paycom annual report, so if you're a shareholder in either, Paycom may offer you a chance to diversify inside the general industry.

“In the last quarter, Paycom increased revenue by 32% while maintaining high margins and expanding their sales force to new markets. Their focus on small and medium-sized businesses allows them to target customers not already tied to a competitor's product.”

Paycom boasts happy employees, very high insider ownership, and a founder/CEO who has been ahead of the curve time and time again, building his company from nothing into a \$7.5 billion business.

I recently ejected a long-term holding from my portfolio in order to raise funds to buy Paycom. It now sits alongside Ultimate Software in my basket of shares and I expect both to offer outsized returns in the decade ahead.

## 2018 Performance Graph



## Stock History

Oklahoma native Chad Richison began his career working for Automatic Data Processing — one of the largest payroll companies in the United States. In 1998, he decided to start Paycom with a vision to create one of the world's first companies to offer fully online payroll management.

In 1999, Paycom launched their first tax management software. In 2001, Paycom expanded its services to human resource management, and the following year opened its first office in Dallas. Throughout the 2000s, Paycom expanded to other cities throughout the US, including Denver, Atlanta, Chicago, Tampa, and Fort Worth.

In 2006, they launched Paycom Pay services and COBRA Administration. In 2007, Richison sold a stake in the company to Welsh Carson Anderson & Stowe, a private equity group based in New York, remaining on as the CEO.

In 2009, they launched Benefits Administration and Background Checks products. In 2011, Paycom moved its headquarters to a new 90,000 square foot office building in Oklahoma City.

In 2014, Paycom was taken public on the NYSE under the ticker symbol PAYC. Paycom is regularly featured as one of the best places to work in America, and CEO Chad Richison is often honoured as one of the best CEOs.



## PureFunds ISE Cyber Security ETF (HACK)

**T**he PureFunds ISE Cyber Security ETF (HACK) is a portfolio of companies providing cyber security solutions that include hardware, software and services. It has an expense ratio of 0.6%.

- Global diversification | Growing industry | Broad industry exposure
- \$1.5bn net assets
- +14% since being added to the Invest app

### Our Opinion

Breaking and entering is a crime as old as time itself. That's why we're preconditioned to protect ourselves against it.

In comparison, cybercrime is relatively new and has caused the average person less trouble than real-world misdemeanors to date. But almost everything you value now moves through either your phone or laptop. This includes personal photos, bank details, email addresses — right down to the private messages you send and the dating profiles you own!

The loss of these assets would cause far more upset to most than some smash-and-grab at your home. Ransomware attacks that hit the news serve as a reminder of how desperately vulnerable our systems are against sophisticated criminals. New incidents just keep popping up in the news. Yahoo, Dropbox, Target, Google, AT&T, Sony, FedEx, The Marriott Group, Equifax — even the US Government has been a victim of cybercrime in recent years.

Cybercrime costs the global economy an estimated \$600 billion in 2017, according to reports. That represents a 50% increase on 2015's figure. There are around 200 million new internet users every year, while the 'Internet of Things' is expected to reach 5.4 billion connected devices by 2020. More users and more connected devices equate to more vulnerability. This means that cybersecurity is a megatrend that can only become more important into the future.

Those wishing to invest in the cybersecurity industry are left with a significant problem though. Because cybercrime is such an unpredictable and rapidly evolving problem, cybersecurity companies tend to specialize in specific areas rather than the industry as a whole. This means that it's difficult to find a company that will profit from the future of the industry because we simply don't know what future threats will look like.



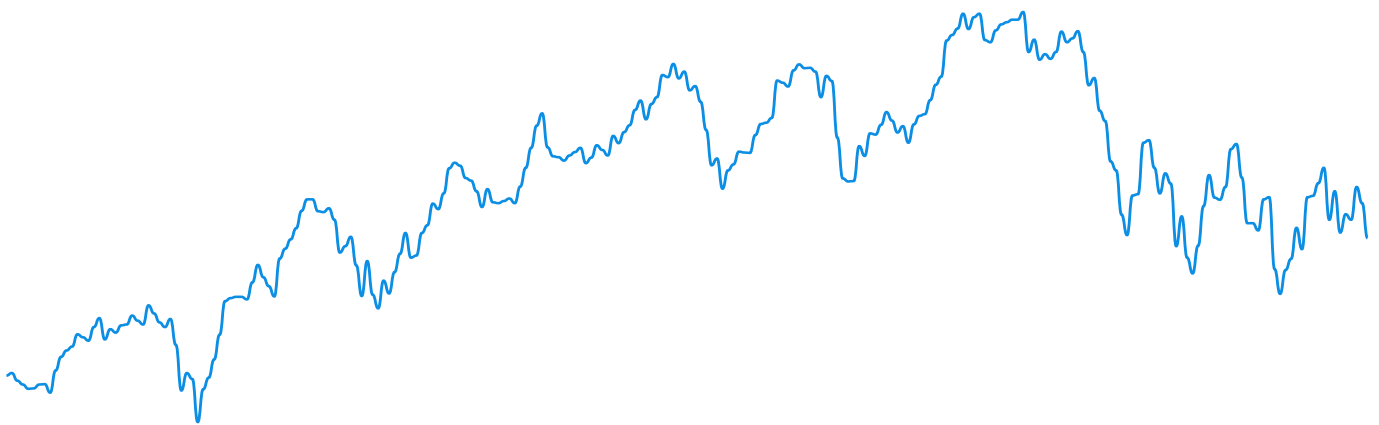
HACK is the world's first cybersecurity ETF, comprised of a range of companies that offer hardware, software, consulting, and a host of other services to defend companies and governments from cybercrime. I firmly believe that this is the best way for investors to gain exposure to the wide range of market leaders that all fall under the broad and complex canopy of that is cybersecurity.

I spent some time talking with the founding CEO of a large security business while researching this selection. We discussed the multiple floated companies in the industry, including CyberArk, Check Point, FireEye, Splunk, and Palo Alto Networks — as well as several privately owned rising stars. However, we both came to an agreement that, although each of the names discussed has carved out expertise in certain areas, there is no one company dominant across all areas of cybersecurity.

Gartner's Magic Quadrant Report individually assesses the myriad of companies providing solutions to many types of cyber threats. The papers cover endpoint protection platforms, network firewalls, unified threat management, and secure email gateways, to name just a few.

No single company clearly sits in the famed top right-hand corner of the graphs, an area reserved for leaders in the field. So rather than try and cherry-pick the best provider, we feel it's prudent to cover all bases and benefit from this global megatrend as a whole through an ETF.

## 2018 Performance Graph



“I firmly believe that this is the best way for investors to gain exposure to the wide range of market leaders that all fall under the broad and complex canopy of that is cybersecurity.”

## Stock History

HACK aims to track the investment returns of the ISE Cyber Security Index. Companies that make up the portfolio are either classified as cyber security infrastructure providers or cyber security service providers.

The fund's portfolio offers diversification across companies of different sizes, geography and business focus. The fund gives investors exposure to cyber security companies in the United States, Israel, South Korea, Japan, Finland, Norway, and the UK.

At the time of writing, the fund is broken down as follows:

- United States, 85.43%
- UK, 6.93%
- Japan, 6.09%
- Other, 1.55%

Launched in November 2014, the fund includes holdings across the communications, aerospace and software sectors and the assets under management are worth about \$1.5 billion.



# Pure Storage (PSTG)

**P**ure Storage is a Californian data storage company. They have developed a range of storage solutions for large enterprise clients and compete against big name players like EMC and NetApp.

- Fortune 500 customers | High customer retention | Laser-focused business strategy
- \$4bn market cap
- +36% since being added to the Invest app

## Our Opinion

Every software-based product in our world today produces vast amounts of data that require secure and instantly accessible storage. These products range from self-driving cars, the 'Internet of Things', movie-making, genomics, photo-backup, big data analytics — all the way through to the last app you opened on your phone.

Pure Storage is a smart storage company that has successfully taken on the industry giants such as EMC and NetApp with solid-state storage solutions.

Market research firm Gartner's 'Magic Quadrant' paper is one of the most highly acclaimed reports in the world. In 2018's edition, Gartner placed Pure Storage in the most-desirable top right-hand corner amongst all competitors for 'Solid-State Arrays'. This is a position reserved for leaders of industry with a complete vision and greatest ability to execute to plan.

Customers seem to agree. In 2016, Pure Storage achieved an incredible Net Promoter Score of 83.5 in 2016, a full 20-point lead on Apple's iPhone. In 2018, their score increased to 86.6. That's in the top percentile.

In the last two years, Pure Storage has doubled its amount of customers to just under 5,500. That includes 175 of the Fortune 500. Customer retention rates sit at around 95%.

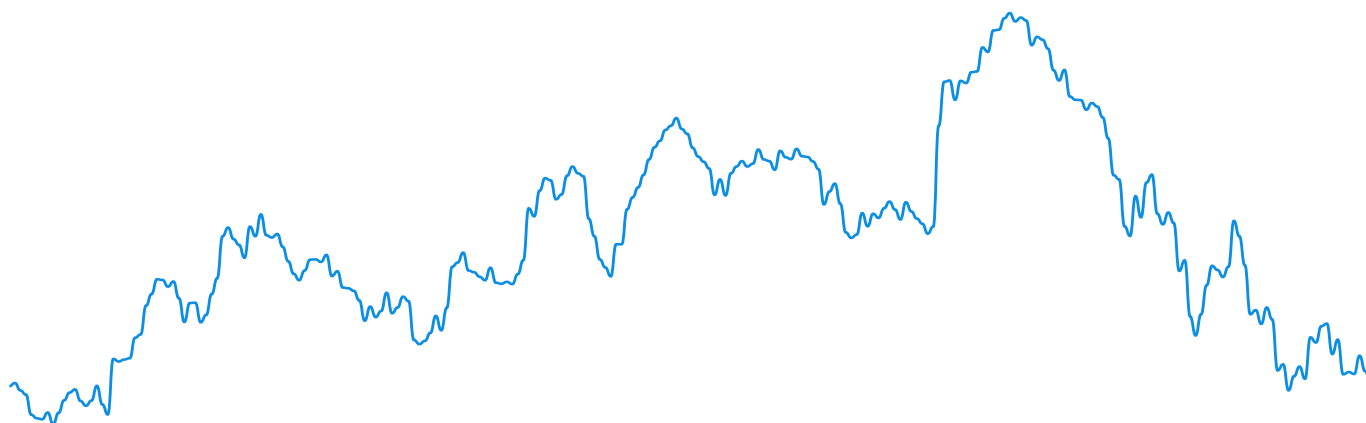
The storage market is rapidly changing to flash, which is an area that Pure Storage has a laser-like focus on. Unlike EMC and NetApp, they are free of old technology architecture, saving customers on average \$2,000 per terabyte per year versus legacy offerings.

Despite their rapid rise, Pure Storage still have a huge growth opportunity ahead of them. Management believes they are currently only capturing about 4% a \$35 billion market.

For all of the above reasons, it's possible that we're looking at a future giant of internet plumbing. Gartner agrees, customers agree, and so do I.

Caveat emptor! Don't put all your eggs in this basket as new competitors **will** start to appear.

## 2018 Performance Graph



## Stock History

In order to overthrow a technology Goliath, it sometimes takes more than one David. In this case, it took two — an odd couple whose differences perfectly complemented each other and led to what has been called “the fastest growing company in the history of its industry.”

In 2009, John ‘Coz’ Cosgrove had an idea for a brand new storage company, but was ready to give up on finding a partner to build it with. That’s when a Silicon Valley “matchmaker” with an eye for spotting talent introduced Cosgrove to John Hayes.

Coz, 50, brought decades of experience in the data storage industry to the project and Hayes, 35, came with a head full of intelligence and a brand new way of looking at things. Together, they believed that by creating the right software, they could easily convince data centers to replace their large-capacity disc drives with less expensive, more efficient flash hardware (flash is the same memory technology that now powers tablets and smartphones.)

“Despite their rapid rise, Pure Storage still have a huge growth opportunity ahead of them. Management believes they are currently only capturing about 4% a \$35 billion market.”

They also knew that one of the best ways to upset an entire industry is by bringing in a team of outsiders and outliers to put a new spin on old problems. So, they purposely hired developers and engineers with very little experience in storage. The strategy paid off when the large-scale flash technology that Pure Storage developed exceeded everyone's expectations.

According to the company, its FlashArray storage system delivers 10 times faster speeds than current technologies while taking up one-tenth of the space and using just one-tenth of the energy as disc storage. For the company's clients, that means processes that use to take 24 hours can now be completed in just three!

But Pure Storage isn't resting on its laurels. They've instated an internal "startup within a startup" that is constantly building new products and creating innovations inside existing projects, and in 2018, the company acquired StorReduce, a cloud-based duplication software company. The purchase allowed Pure Storage to refine its technology and meet the levels of demand that arose from its continued growth.

## Retail Opportunity Investments Corp (ROIC)

**R**etail Opportunity Investments specializes in the acquisition, ownership, and management of necessity-based community and neighborhood shopping centers on the West Coast of the United States.

- Recurring revenue business model | High dividend payer | World class management
- \$2bn market cap
- -19% since being added to the Invest app

### Our Opinion

Building a profitable business is, at the most basic level, a formula.

An entrepreneur and their team need to deliver something that someone needs, and in doing so, generate revenue above the sum total of all costs. Every businessperson, from Henry Ford to your local lemonade stand owner, has figured this out, visualized a method, and set about its implementation.

There are few investments I've made in my life that were more formulaic than Retail Opportunity Investments. Since 2009, CEO Stuart Tanz has acquired distressed commercial real estate and turned the properties around. His specific formula is concentrated on shopping centers in Washington, Oregon, and California that are anchored by national or regional supermarkets and drugstores. They must be strategically situated in densely populated, middle and upper-income markets with as little competition as possible.

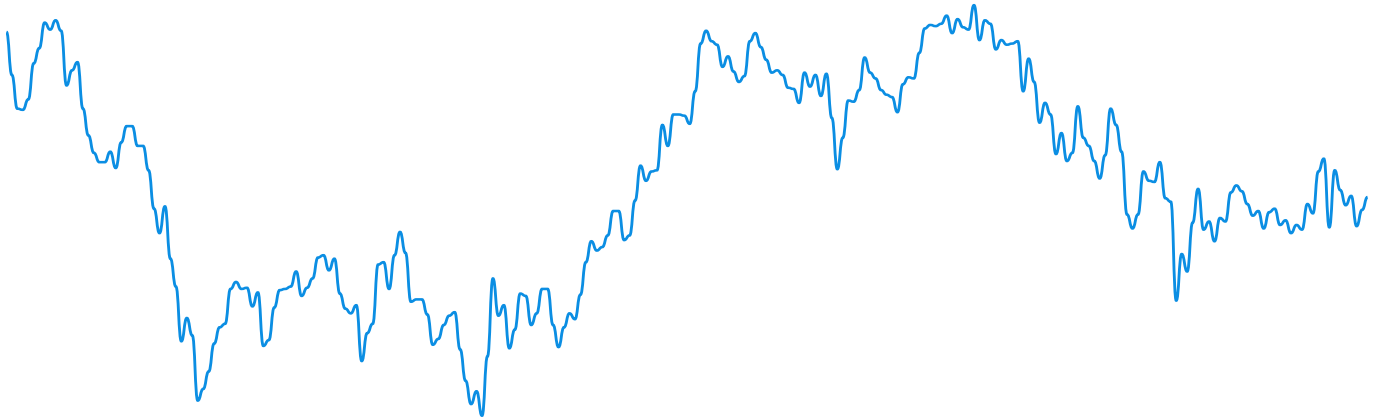
The formula has worked year after year and continues to deliver. ROIC now owns and operates ninety-one shopping centers encompassing almost ten and a half million square feet. The business is a Real Estate Investment Trust, or REIT, meaning that it's required by law to distribute 90% of taxable income to shareholders in order to avoid corporate-level taxation.

So you get the possible growth of a small cap with the hefty dividends of an established large cap. In fact, ROIC is the second largest dividend payer in the Invest app, behind Ford.

As an aside, the stock's symbol — ROIC — is also an abbreviation for "Return on Invested Capital". This is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments, which is what ROIC does!

As long as Stuart Tanz is at the helm, this looks like a good one to invest in and hold.

## 2018 Performance Graph



## Stock History

While many will have heard of the superstar CEOs that run the likes of Apple, Under Armour, and Nike, few will have ever heard of Stuart Tanz. In fact, unless you're into commercial real estate on the West Coast, we'd be surprised if you have. However, if you are involved in commercial real estate on the West Coast, you'll know that Stuart Tanz is a bonafide superstar CEO through and through.

Tanz has a long history of success in the real estate business, having worked as Chief Operating Officer and President of United Income Properties in the early nineties. From 1997, Tanz led a company called Pan Pacific Retail Properties to its initial public offering. First valued at around \$447 million, Tanz expanded the company rapidly and in 2006, sold it for more than \$4 billion.

Aside from his incredible foresight in predicting the market downturn, Tanz managed to generate a 794% return for his shareholders in less than a decade.

With nothing left to prove, Tanz decided to do it all over again. In 2009, he was approached by a new real estate firm called Retail Opportunity Investments. They had no properties to speak of, but were willing to give Tanz a \$400 million blank check to build the company as he saw fit. Seeing the mass of distressed properties available following the Financial Crisis, Tanz set to work, buying up neighbourhood shopping centres and strip malls with a view to turning them around.

“ROIC — is also an abbreviation for “Return on Invested Capital”. This is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments, which is what ROIC does!”

Tanz has a formula for success — the centres had to be well located near to middle and upper class residential zones with little competition nearby. He would bring in a well known grocery or drug store chain as an “anchor tenant” — some service that the local community would gravitate towards. From that, the shopping centre would then attract foot traffic and Tanz would be able to rent out the other lots to smaller businesses.

From having no properties in 2009, ROIC now has more than 91 shopping centres across the West Coast, amounting to more than 10 million square feet of retail space.



## ServiceNow (NOW)

**S**erviceNow is a 'Platform as a Service' (PaaS) which provides IT management solutions to large enterprise customers. The company has recently expanded their offerings to IT organizational management, customer relationship management (CRM), security, and human resources.

- Rapid revenue growth | High retention rates | Market leader
- \$31.5bn market cap
- -7% since being added to the Invest app

### Our Opinion

In the last decade, the move to the cloud created a one-time land grab opportunity for disruptive startups, catching many legacy players flat-footed. Within our own Invest app, we've seen companies like Veeva Systems and Blackline and others steal huge market share with their cloud-based offerings as customers opt for more flexible and scalable solutions.

Perhaps the most remarkable of these insurgencies has been that of ServiceNow.

ServiceNow began life as a cloud-based solution for IT service management (ITSM). At its most basic, ServiceNow allowed large businesses to better manage the increasing number of tech-related incidents that were disrupting operations. With employees becoming more reliant on technological solutions, small disturbances to services could cause backlogs. ServiceNow created a platform through which these disturbances could be effectively dealt with, creating automatic workflows to ensure the right information was passed on or the right technician was sent to resolve the problem.

That may not sound like the pinnacle of innovation, but the potential of the platform soon became clear and businesses across all sectors began harnessing it for their own specific needs.

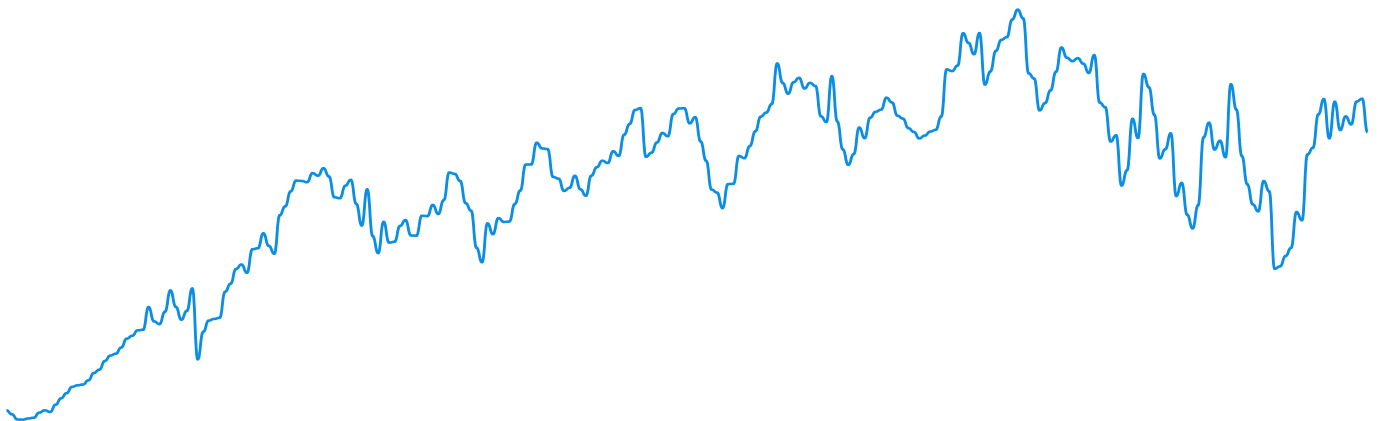
A good example is TriMedx — the largest service organization of clinical engineers in the US. TriMedx technicians are responsible for the upkeep of over 1.7 million hospital devices valued at just over \$16 billion. The company leveraged ServiceNow's platform to automate the 170,000 work orders it receives every month. Now, when a medical device goes down, the hospital admins simply enter its serial number in the ServiceNow platform and the closest technician with the appropriate skills is dispatched automatically. This is just one of the hundreds of unique customer case studies you can find on the company's website.

If you're still not convinced, just take a look at the company's numbers. In 2010, ServiceNow brought in \$43 million in sales. In 2018, they were on track to make \$2.5 billion. They count 42% of the world's biggest 2,000 companies as customers, with an average contract value of \$1.5 million. These customers include the largest financial services companies in the world, along with tech giants like Netflix, Facebook, Dell, and Intel. ServiceNow also commands a 99% retention rate, showing how sticky their products are.

ServiceNow has used their positions to cross-sell other products based on their original solution, with offerings that span IT organizational management, security, customer relationship management (CRM) and even human resources. This strategy is clearly working, with 76% of customers now subscribing to multiple products. It has allowed ServiceNow to diversify themselves away from IT Service Management, further locking customers into their platform.

It's not often you see a \$32 billion company that has still not turned a profit, but in this case, I believe ServiceNow has set themselves up to be a giant in the world of enterprise solutions. With a top-class management team, a rapidly-growing market, and high-value customers, we could be witnessing the birth of the next Oracle.

## 2018 Performance Graph



“ServiceNow has used their positions to cross-sell other products based on their original solution, with offerings that span IT organizational management, security, customer relationship management (CRM) and even human resources.”

## Stock History

ServiceNow was launched in 2003 as Glidesoft in San Diego, California. It was founded by Fred Luddy, a serial entrepreneur, just a few weeks before he turned 50. At first, Luddy ran the business from his home, focusing entirely on developing and refining the core software. He remained the only employee until mid-2005. That year, Luddy raised \$2.5 million in venture financing from JMI Equity, allowing him to make his first five hires.

In 2006, Glidesoft changed its name to ServiceNow. In 2007, the company became cash flow positive and opened its first Silicon Valley office. Within three years it was generating more than \$85 million in annual revenue.

By January 2011, the company had 275 employees distributed across sites in San Diego, New York, London, Frankfurt and elsewhere, as well as a partnership with Accenture.

Advised by Sequoia Capital, Luddy rejected a \$2.5 billion acquisition offer for ServiceNow in 2011. The same year, Luddy stepped down as CEO to serve as chief product officer, a position he held until 2017.

In June 2012, ServiceNow became a publicly traded company.

In 2017, John Donahoe took over the role as CEO. Donahoe was formerly CEO of Bain & Company before taking the top job at eBay. ServiceNow boasted \$1.9 billion in 2017 revenues and more than 4,000 customers. By the end of 2018, it sported a \$30 billion plus market capitalization.

# Shopify (SHOP)

**S**hopify is a Canadian technology company that provides payment and customer support software for online merchants.

- Very sticky business model | Debt free | CEO with global ambitions
- \$15bn market cap
- +204% since being added to the Invest app

## Our Opinion

"At Shopify, we strongly believe that entrepreneurship is the foundation of the global economy, and it's not easily done alone."

This was the strong, belief-led, message from Shopify's COO during in their 2017 third quarter conference call. It appears as though a lot of people agree, with the company on track to pull in revenue of between \$1.05 billion to \$1.06 billion for 2018.

Shopify is a Canadian company that lets small and medium-sized business owners operate their website without having to worry about the e-commerce technology.

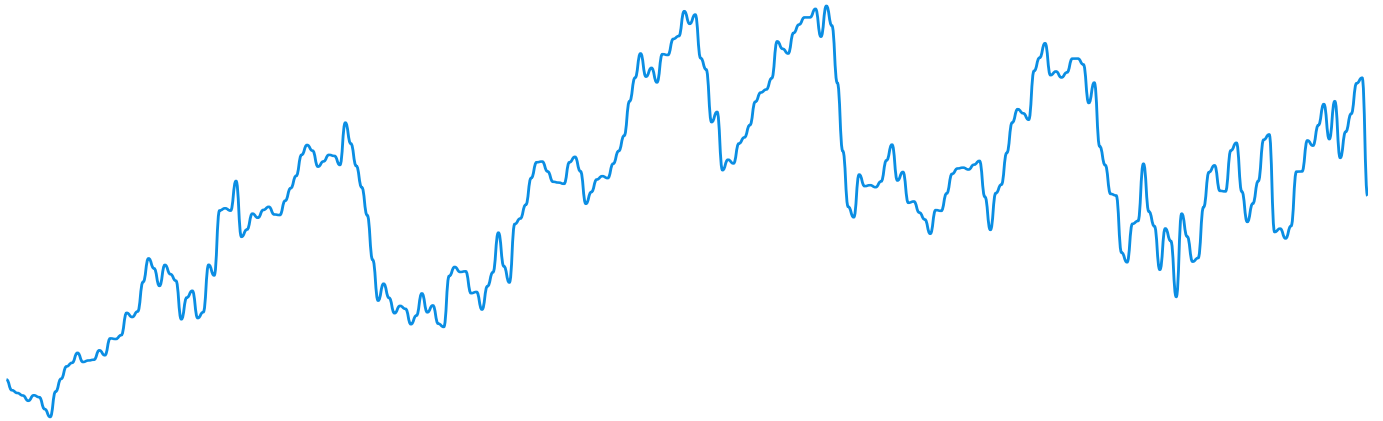
CEO Tobias Lutke has stated his ambition for the business: "I want Shopify to be a company that sees the next century. To get us there, we not only have to correctly predict future commerce trends and technology, but be the ones that push the entire industry forward. Shopify was initially built in a world where merchants were simply looking for a homepage for their business. By accurately predicting how the commerce world would be changing, and building what our merchants would need next, we taught them to expect so much more from their software."

Recently, this leading multi-channel commerce platform announced that more than 600,000 of its merchants across 175 countries sold over \$1.5 billion in gross merchandise volume during the Black Friday and Cyber Monday weekend. At the peak, Shopify merchants were generating sales of \$870,000 per minute, with almost 11,000 order coming in every 60 seconds. These impressive milestones demonstrate Shopify's impact on empowering hundreds of thousands of merchants to participate in a global retail event.

In addition to this, the recent legalization of cannabis in Shopify's native country, plus its gradual legalization across the US, is set to benefit Shopify. Indeed, Lutke has said that expects Shopify to be "that first phone call" for merchants as cannabis becomes more legalized.

I expect Shopify to continue to grow their position in the e-commerce world. As a result, I bought shares with my family's portfolio in 2017.

## 2018 Performance Graph



## Stock History

Shopify's customers are stores that pay a monthly subscription fee between \$14 and \$179 to use the company's simple, elegant e-commerce software. So even if you haven't heard of them, if you make purchases online, the chances are good that you're using them.

Merchants on Amazon and eBay, the online stores of GE, Gatorade and Wikipedia, and more than 500,000 small merchants in 175 countries use Shopify to peddle their goods online.

The company was founded by visionary computer programmer Tobias Lutke, who loved snowboarding and wanted to combine this passion with his entrepreneurial talents. He began selling high-end snowboards online under the company name SnowDevil, but the existing e-commerce tools available at the time were not as sophisticated as they are today. So, Lutke built one from scratch using an experimental coding framework called "Ruby on Rails".

Even as the snowboard business grew, the company realized its new software might be the more profitable product to market. SnowDevil became Shopify and secured a \$200,000 investment from family members. Shopify was launched as a product in 2006.

“I expect Shopify to continue to grow their position in the e-commerce world. As a result, I bought shares with my family's portfolio in 2017.”

Two years later, it was bringing in \$60,000 a month in revenue. In 2010, Shopify launched its first free mobile app. The app allowed Shopify store owners to view and manage their stores from iOS mobile devices. The same year, Shopify started its Build-A-Business competition, which let participants create a business using its increasingly sophisticated e-commerce platform. The competition winners received cash prizes as well as mentorship from eminent business personalities including Eric Ries and Richard Branson.

In 2015, Amazon announced that it would be closing its Amazon Webstore service for merchants and had selected Shopify as the preferred alternate provider, a major win for the upstart e-store.

As Shopify has grown, it has also branched out into point-of-sale hardware in brick-and-mortar stores. In April 2017, Shopify introduced a Bluetooth-enabled debit and credit card reader for brick-and-mortar retail outlets. In 2018, the company announced a partnership with Deliv to bring same-day delivery capabilities to Shopify's ever-expanding network of retailers.

# ShotSpotter (SSTI)

**S**hotSpotter is a radar system that can detect and triangulate gunshots, alerting local police to the location of the shooter within minutes. It is currently deployed in over 92 cities and municipalities, including Chicago, New York City, and Washington DC.

- High insider ownership | Recurring revenue model | No debt
- \$350m market cap
- -44% since being added to the Invest app

## Our Opinion

While violent crime has fallen dramatically since its peak in the early 1990s, gun crime remains a major issue. In large urban areas, gun violence has been steadily on the rise, while mass shootings are sadly becoming a far too common occurrence.

Whatever side of the debate you stand on in relation to gun control, the fact remains that with an estimated 380 million guns in the United States alone, no amount of legislation is going to completely solve the issue anytime soon.

ShotSpotter is a small California-based company that believe they have a developed a way to at least curb some of this violence by empowering police officers to better tackle shooting incidents.

The ShotSpotter system consists of a series of audio sensors placed around a catchment area. That area can be anywhere from a city district to a transport hub or a college campus. When a gun is fired inside the catchment area, the sensors detect the shot and can triangulate its location to within a few meters.

This information is relayed to ShotSpotters incident review centre within seconds, where trained acoustic experts determine if it is indeed a gunshot. If so, the technicians then pass on the location of the shot to local law enforcement, along with ancillary information like if there are multiple shooters, or if automatic weapons are involved. This entire transaction takes place in under 60 seconds. The system can also link up with CCTV cameras in the area and turn them towards the gunshot.

This information can dramatically cut down on response times, provide evidence for capture and prosecution, and protect police officers when dealing with armed suspects.

Though use of the system is still in its early days, the company is pointing to its partnership with the

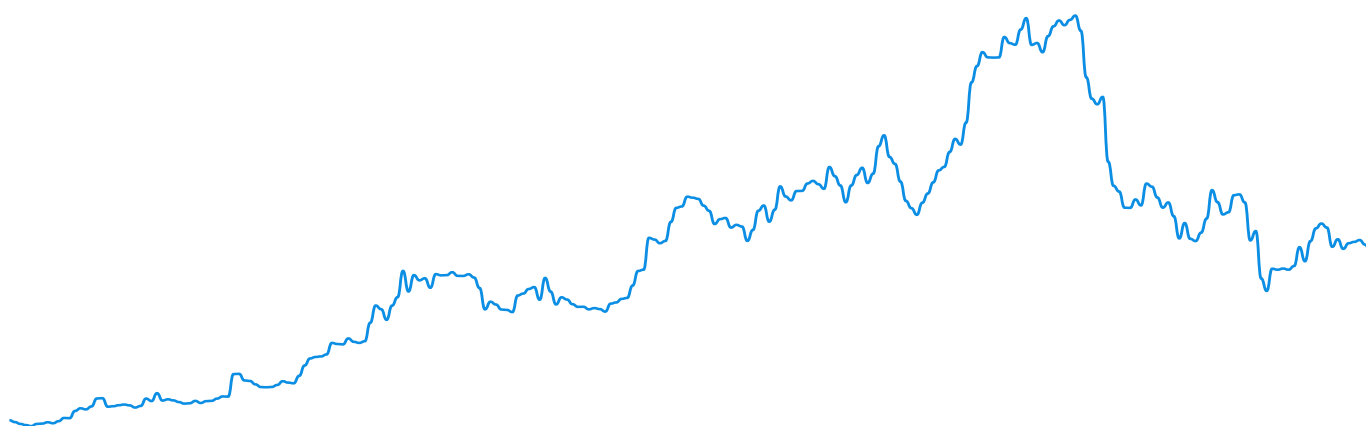
City of Chicago as a sign of success. In 2016, Chicago employed the system in two districts with high gun violence rates. In one district, the rate of gun incidents has dropped more than 50% since the the system was implemented. While it would be foolish to assume that the drop was entirely down to the system itself, the city's decision to expand the project and extend the contracts through 2021 should serve as a positive sign that the technology has value to law enforcement.

Currently the system is deployed in 92 cities and municipalities including New York, Washington DC, and San Francisco. However, management believes they have only penetrated roughly 5% of their core market.

I believe there is huge potential for this business, particularly regarding school and college campuses, where some of the worst mass shootings have occurred. The ability to locate an active shooter within minutes, direct police there, and effectively evacuate students and faculty away from danger could be life-saving. ShotSpotter is already deployed in nine university campuses, with over 5,000 other locations targeted by the company as potential customers.

ShotSpotter is one of the smallest companies we've ever added to our Invest app, so only invest if you have a very high appetite for risk.

## 2018 Performance Graph



“Currently the system is deployed in 92 cities and municipalities including New York, Washington DC, and San Francisco. However, management believes they have only penetrated roughly 5% of their core market.”



## Stock History

In 1996, Dr. Robert Showen, an expert in radar technology, conceived the idea for ShotSpotter. He believed a radar system could be deployed to detect gunshots and triangulate their position. That same year, he applied for the first ShotSpotter patent and was granted it by the United States Patent and Trademark Office.

In 1997, the first pilot system was deployed in Redwood City, California and is still operational today. In 2004, ShotSpotter received its first VC funding from Lauder Partners LLC.

In 2006, ShotSpotter was deployed in Washington DC. In the following years, ShotSpotter expanded throughout the United States, setting up systems in Boston and Bellwood. They also grew their international business, with systems deployed in both Brazil and The United Kingdom.

In 2010, Ralph A. Clark was named CEO, while Dr. Robert Showen took on the role of Chief Scientist.

In 2011, the company launched ShotSpotter Flex, an annual subscription service hosted in the cloud. Two years later, ShotSpotter Briefing Room was launched. It was the industry's first end-to-end gunfire crime analysis platform.

In 2014, the company signed up Boston, Miami, Milwaukee, Wilmington, and Puerto Rico for ShotSpotter Flex.

In 2016, the company continued its international expansion, signing up Cape Town, South Africa as a customer. They also launched a new mobile app that delivered real-time gunfire alerts to mobile devices on iOS or Android.

On June 12, 2017, ShotSpotter closed its initial public offering under the ticker symbol SSTI.

# Silicon Valley Bank (SIVB)

**S**ilicon Valley Bank is a multinational financial services company that focuses on funding technology startups.

- Bank of choice for innovative businesses | At the centre of the technology sector | High margin business
- \$10.5bn market cap
- +74% since being added to the Invest app

## Our Opinion

In my investing life, I've owned shares in almost 800 different stocks — the vast majority of which were bought and sold in my first decade. This was crazy behavior. The proven path to wealth creation is owning a basket of quality companies that are gradually added to over time and held through thick and thin. This approach reduces stress, taxes, and commissions while allowing time to work its magic.

To various degrees, I studied every company I held in those early days. This allowed me to establish an understanding of industries I'll never work in and create loose rules to live my more mature investing life by. One such guideline I developed is to avoid pharma, fashion, and banks. I've been burned by more in these three categories than all others combined.

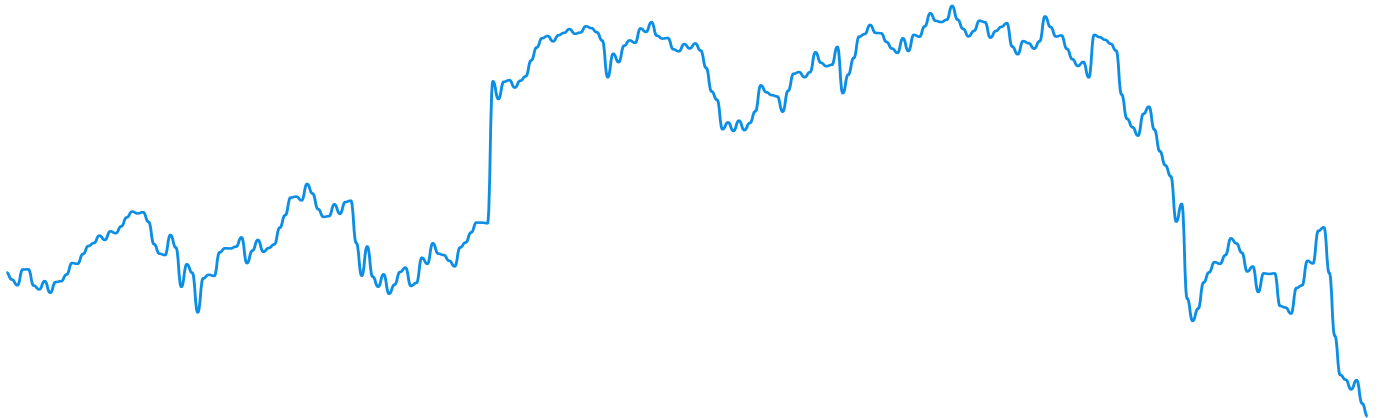
Too often, industry-expert CEOs cannot accurately predict if the FDA will approve a new drug, how consumer trends might change, or if loans issued are going to be repaid with healthy interest. So how is an investor supposed to?

But slavishly adhering to a rule can also cut off your exposure to great winners. Silicon Valley Bank is one of the few exceptions to my 'avoid banks' guideline. The company is specifically dedicated to serving growing businesses in life sciences, healthcare, and technology — including Rubicoin (we've been a customer since formation).

Silicon Valley Bank is currently trending well on key metrics such as credit quality and client liquidity. Increased loan balances are also driving higher net interest income, causing earnings-per-share to grow. Over the long-term, the bank will grow up alongside thousands of businesses, many of which are in the global hotbed of innovation from where the bank derives its name.

I expect Silicon Valley Bank will beat the S&P 500 index for the majority of time periods over the next 10 years. That is why it's only one of two banks featured in the Invest app.

## 2018 Performance Graph



## Stock History

Northern California. 1981. A poker club of high-powered bankers, investors and various Silicon Valley legends. The conversation turns towards the lack of funding available for tech and biotech startups in the area. That's when the idea for Silicon Valley Bank was born.

The founders, Bill Biggerstaff and Robert Medaris, launched an institution that would become instrumental in the technology, life sciences and even premium winery industries in the decades to come. However, the first order of the day was finding clients who would deposit money in their bank. Roger Smith, CEO, used to joke, "We know hundreds of people who'd want to borrow money from us, but we need to find people to put money in the bank."

Early employees hit the pavement, carrying account opening forms in triplicate everywhere they went around the Valley. Anytime Smith saw his workers sitting around the office, he'd ask them why they weren't out drumming up new business.

Once word began to spread, demand for SVB's services grew rapidly. By 1986, they had opened offices in San Jose, Palo Alto and Santa Clara. In 1988, the company went public on the NASDAQ and raised \$6 million in capital.

“The founders, Bill Biggerstaff and Robert Medaris, launched an institution that would become instrumental in the technology, life sciences and even premium winery industries in the decades to come.”

As the bank grew, they created immense financing opportunities for high-tech startups that had simply never existed before in traditional banking. In turn, this access to funding helped stimulate the remarkable explosion of breakthrough companies in Silicon Valley.

In 2011, the bank was named 'Bank Of The Year' by the Export-Import Bank of the United States, an official agency of the US government. In 2015, the company acquired fintech start-up Standard Treasury.

Today, SVB has branched out into banking services for high net worth individuals and venture capital – occasionally investing in some of their own commercial banking clients. They've also opened offices as far flung as the United Kingdom, Israel, China and India, in addition to their 29 offices throughout the United States.



# Teladoc

**T**eladoc is the oldest and largest telehealth company in the world, with 50,000 medical experts serving over 22 million members.

- Growing industry | First-mover advantage | Market leader
- \$3.5bn market cap
- +36% since being added to the Invest app

## Our Opinion

The postal service was arguably the first industry revolutionized by interconnected computers. Pens, printers, envelopes, stamps, and mailboxes were all retired from professional lives as people realized that correspondences with almost unlimited attachments could be sent from the comfort of a desk. Since then, music, retail, publishing, travel, and transport have all followed suit.

But we're not done yet. Energy, manufacturing, and legal — to name but three — are industries still in the early stages of radical internet-powered change. Today, however, the best opportunity we see to take advantage of this change is the most trusted telehealth provider in the world.

There is a crisis occurring in the healthcare. A 2014 Survey of America's Physician's found that 81% of them described themselves as either over-extended or at full capacity. These issues are set to increase dramatically in the coming years as demand grows faster than supply. A 2016 study prepared for the Association of American Medical Colleges projected a shortfall of up to 94,700 physicians by 2025.

How can these issues be addressed? By moving to a more efficient system that keeps patients out of waiting rooms.

“Teladoc is the world's largest telehealth platform, allowing patients to speak to a doctor through video-chat. They currently have over 3,100 licensed physicians in their network, able to speak directly with a patient in under 10 minutes.”

Teladoc is the world's largest telehealth platform, allowing patients to speak to a doctor through video-chat. They currently have over 3,100 licensed physicians in their network, able to speak directly with a patient in under 10 minutes. Teladoc report that over 92% of cases are resolved after the first digital visit, with a 95% customer satisfaction rating.

According to the Centers for Disease Control and Prevention, there are approximately 1.25 billion walk-in care visits in the United States per year — including those at primary care offices, hospital emergency rooms, outpatient clinics, and other settings. Teladoc estimates that approximately 417 million (or 33%) of these visits could be treated through telehealth. That's one massive opportunity.

On the supply-side, Teladoc has over 30 health-plan providers as clients. These include some of the biggest names in the United States such as Aetna, Blue Shield of California, and Premera Blue.

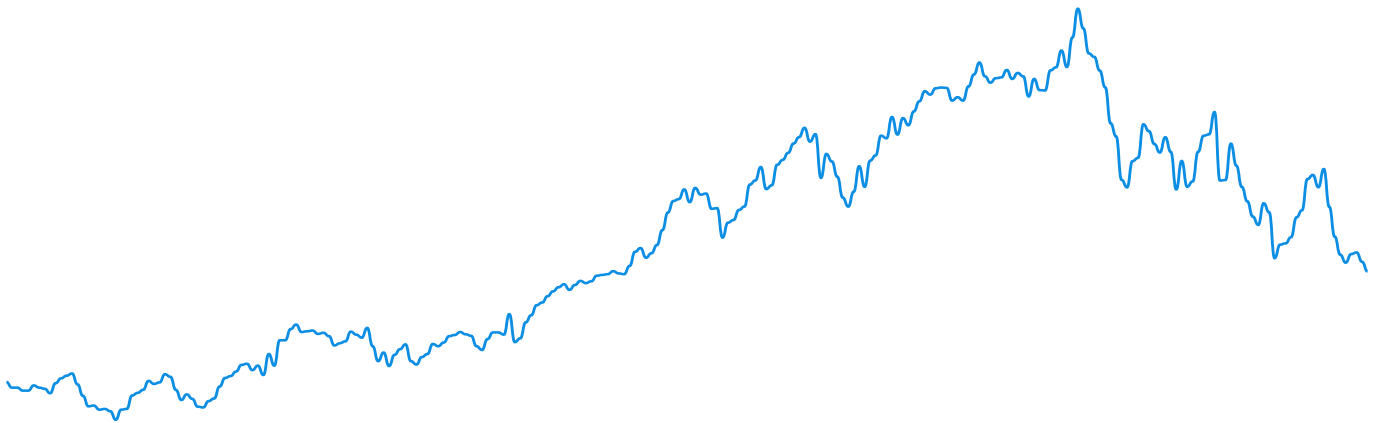
On the demand-side, over 300 of the Fortune 1000 companies are clients. These businesses pay for their staff to access a G.P in minutes as opposed to hours, with an average saving of \$472 per visit compared to receiving care in professional rooms.

Teladoc recently acquired Best Doctors, the world's leading medical consultation company. In doing so, they acquired a new network of more than 50,000 medical experts "with unmatched reputations" across 450 specialties. Last year, the business also signed a significant deal with New York City. This means that the circa 750,000 employees of New York City will be joining Teladoc and Best Doctors.

Since 2014, membership has grown from 7.8 million members to about 22 million. Visits have accelerated from around 60,000 per quarter to over 600,000 per quarter, with that number trending upwards quickly.

In Teladoc, we have a business that is addressing a growing problem, widening its reach, deepening its skillset, growing revenue quarter after quarter, and — above all else — becoming the ubiquitous name in telehealth services.

## 2018 Performance Graph



## Stock History

Teladoc was launched in 2002 as Teladoc Medical Services in Dallas, Texas. It was founded by Dr. Byron Brooks, a former NASA flight surgeon, and Michael Gorton, a serial entrepreneur.

After three years of development, Teladoc was formally launched at the Consumer Directed Health Care Conference in 2005. By 2007, Teladoc had already attracted one million members—the majority of which came from large employers who wished to provide it as a health benefit for their employees.

In 2009, Jason Gorevic was named CEO of the company. Mr. Gorevic had previously held executive positions in a number of healthcare-related businesses, including WellChoice and WellPoint.

From 2009 to 2014, Teladoc went through a number of funding rounds, raising over \$100 million in total, and valuing the company at \$300 million. By 2015, Teladoc had over 8.6 million members and facilitated over 500,000 doctor visits that year.

On July 1, 2015, Teladoc went public on the New York Stock Exchange with a market capitalization of \$758 million.

In 2016, the American Hospital Association exclusively endorsed Teladoc's technology platform. Later that year, the company acquired HealthiestYou, a leader in mobile patient engagement.

By 2017, Teladoc had over 17.5 million members. In July 2017, Teladoc completed the acquisition of Best Doctors, a global network of 50,000 medical experts across 450 specialties.

In November 2017, Teladoc announced they had been chosen as the telehealth provider for the New York City employees and their beneficiaries—approximately 750,000 members.

In June 2018, Teladoc announced it had acquired Advance Medical, a leading virtual care provider outside the United States, broadening its international footprint across Europe, Asia and Latin America.



# The Trade Desk (TTD)

**T**he Trade Desk operates a platform for ad buyers to optimize their spending, using a data-driven approach for multiple advertising channels.

- High insider ownership | Good company culture | Visionary CEO
- \$5.5bn market cap
- +169% since being added to the Invest app

## Our Opinion

The \$650 billion world of advertising has seen many changes over the past two decades, yet it has still to undergo what I believe will be its biggest transition.

Of the \$650 billion spent, only \$19 billion currently goes towards programmatic advertising. This is where large data sets and algorithms can precisely target consumers across multiple channels. The Trade Desk is one of the leading players in this space, having created a stock market-like trading platform for advertisers to bid on digital media spots.

It gives advertisers the ability to target the customers they want through the channels they want, whether it be display, audio, mobile, or connected TV. More importantly, it lets them make data-driven decisions about where their advertising dollars are going, abandoning the old “spray and pray” approach.

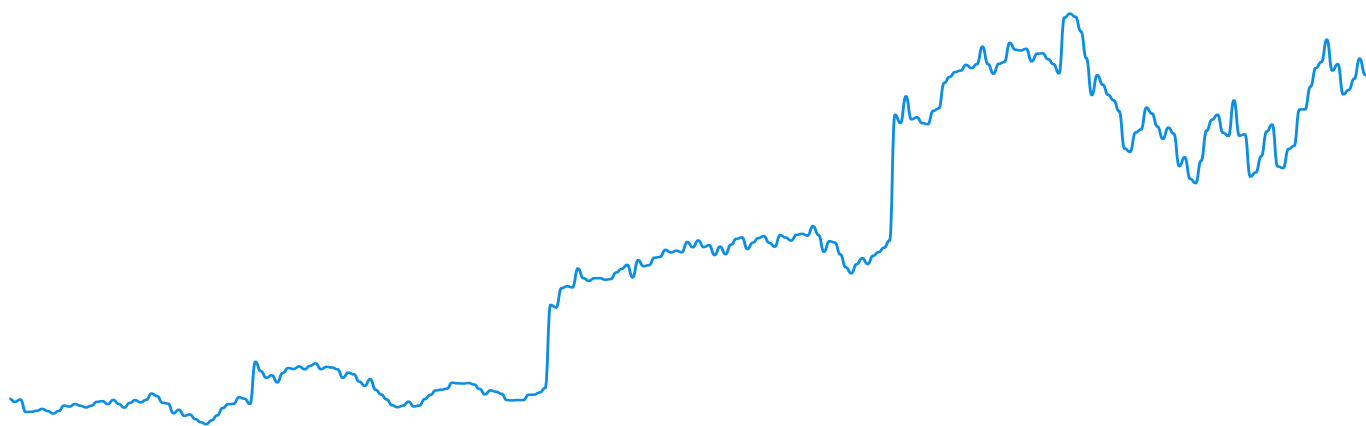
Still a young company, The Trade Desk boasts the biggest advertising agencies in the world as customers and has a 95% retention rate over the last 19 consecutive quarters. Not only that, but customers are spending more money with them every year — with revenue jumping more than 50% in the last filing. That performance has seen revenue more than quadruple since 2015 and has made The Trade Desk one of the fastest growing companies in the space.

“Still a young company, The Trade Desk boasts the biggest advertising agencies in the world as customers and has a 95% retention rate over the last 19 consecutive quarters.”

Jeff Green, the founder and current CEO, has been a pioneer of programmatic advertising for many years having successfully launched and subsequently sold the first ever online advertising exchange in 2004. Today, he retains 17% of the outstanding shares in The Trade Desk and is one of the top-rated CEOs on Glassdoor.

So what you have here is a company at the forefront of a growing industry, with prestigious clients and a visionary founding CEO. It's all the things I like to see in a great long-term investment.

## 2018 Performance Graph



## Stock History

Jeff Green began his career in advertising as a media buyer for a small agency called 411 Interactive.

Green became disheartened with the lack of transparency in digital advertising, noting that you never really knew what you were paying for. At the same time, he was becoming more and more interested in the stock market.

Green was intrigued by the way in which stocks were traded so openly, with full transparency and instant price discovery. He believed such a system could be adapted to the advertising world where every ad spot would be available at auction.

He wasn't the first to have such an idea, however. A company called Expertelligence had tried a similar thing before him and went bankrupt in the process. Unperturbed by the company's failure, Green joined up with Bill Urschel (who had bought Expertelligence's tech) and formed AdECN, the world's first online advertising exchange.

Green and Urschel first focused on the UK market and got eight of the bigger agencies to sign up for AdECN. Meanwhile, the larger technology companies were all starting to get in on the action. Having lost out to Google in their bid to acquire DoubleClick, Microsoft bought up a number of companies in the advertising space, including AdECN for \$70 million.

Green continued to fight for ad transparency at Microsoft, but found himself in a losing battle. In 2009, he left Microsoft and the very next day founded The Trade Desk.

Over the next few years, Green raised capital for the company through a number of funding rounds and started attracting major agencies as clients.

In 2012, the company had their first month where over \$1 million was traded through their platform. By 2014, over \$1 million was being traded every day.

The Trade Desk went public in 2016 under the ticker symbol TTD.

# TrueCar (TRUE)

**T** rueCar, Inc. is an automotive pricing and information website for new and used car buyers and dealers.

- Market leader | Strong network effect | Positive momentum
- \$1bn market cap
- -34% since being added to the Invest app

## Our Opinion

In 2015, TrueCar was a business that looked destined for the scrap-heap. Earnings had nose-dived, relationships within its network of car dealers were ravaged, and company founder Scott Painter resigned from his position as CEO.

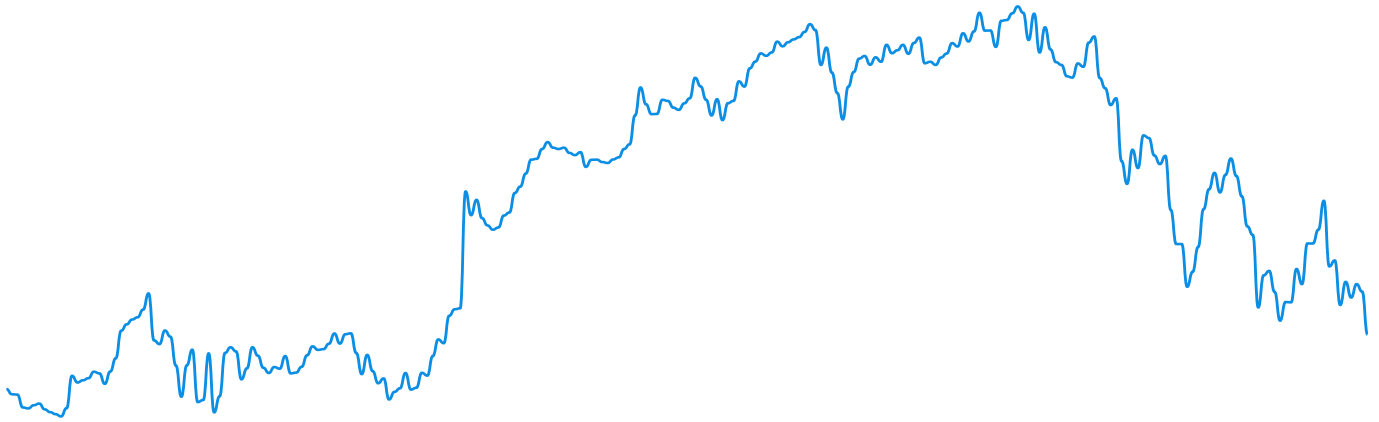
In November that year, Chip Perry took on the top job at TrueCar with a plan to turn the fledgling company around. His top priority was to repair the frayed relationship with US car dealer, therefore providing the best possible outcome for consumers looking to purchase a car.

Perry's been slowly but surely executing on his strategy. TrueCar now has over 15,000 dealers on the platform, up from about 12,000 when he took the reins. TrueCar attracts about 7 million customers to their website every quarter and helps shift over 250,000 cars.

Despite this, growth at the company has remained challenging, with second-quarter revenue last year coming in just 7% higher than the same period last year. Management believes they can return to double-digit growth in 2019, which if they do, shareholders could be nicely rewarded.

If you're already invested, you may want to hold onto your shares to see if this turnaround plays out. Otherwise, I'd recommend holding out until the numbers signal that growth has returned.

## 2018 Performance Graph



## Stock History

TrueCar began life as Zag.com in 2005 as the brainchild of serial entrepreneur Scott Painter. Painter had previously launched CarsDirect, an online car buying service. It was the first company to sell vehicles online directly to consumers rather than directing them to a brick-and-mortar dealer.

Painter was a vocal critic of the auto dealer market and envisioned Zag as a way of using data and analytics to find consumers the best deals for cars in their local area. Eventually, the company was renamed TrueCar after Zag's most popular service.

TrueCar's mission was to make the whole experience of buying a car more transparent and hassle-free. In 2011, the company raised \$200 million and used the money to purchase ALG, a company that specialized in determining the future value of vehicles. That year they also bought out Honk.com — a rival that was backed by Rupert Murdoch's News Corp.

Later that year, TrueCar began a national advertising campaign and almost immediately came under attack from the automotive industry, with several state agencies calling the service illegal. The company relented and changed their business model. They no longer took a cut of the sale, and instead signed up dealers to subscription based model. Dealers that signed up became TrueCar Certified Dealers, giving customers confidence that they would find the best deals.

“TrueCar began life as Zag.com in 2005 as the brainchild of serial entrepreneur Scott Painter. Painter had previously launched CarsDirect, an online car buying service.”

In 2012, the company launched the first all-female racing team as part of a marketing campaign. In 2013, TrueCar sold around 400,000 vehicles through their TrueCar Certified Dealer network. The following year it was over 600,000.

2014 saw the initial public offering of TrueCar on the NASDAQ under the ticker symbol TRUE. By 2015, TrueCar had over 10,000 dealerships in its network. However, major partners began to split with the company after they refused to share customer data. This led to a widespread rejection of the service and the stock crumbled. In the summer of 2015, TrueCar lost one of its biggest clients, AutoNation.

In 2015, Scott Painter stepped down and was replaced by Chip Perry. Perry was the first employee and later the CEO of AutoTrader.com. Perry has made it his mission to nurture a friendly relationship with car dealers and since his appointment, dealers have begun to return to the service.

# Trupanion (TRUP)

**T**rupanion provides medical insurance plans for dogs and cats in the United States and Canada. They currently have around 500,000 pets covered.

- Large market opportunity | Founder led | High retention rates
- \$800m market cap
- -15% since being added to the Invest app

## Our Opinion

According to Sweden's Royal Institute of Technology, dogs were first domesticated more than 33,000 years ago. There are several theories as to why we've formed such enduring relationships, but one thing is certain — it's a companionship that will never end. Family dogs and their feline equivalents are loved, and that love spells opportunity!

Today, 90 million dogs live in 60 million US homes. From the same National Pet Owners Survey, we also know there are 95 million domestic cats in 50 million households. These numbers just keep growing, year after year.

Founding CEO Darryl Rawlings, who still owns over 7% of the outstanding shares, started Trupanion because his family had to euthanize its dog in the face of a hefty vet bill. From those first days in Canada, the business expanded into the US and became the first North American pet insurer licensed to provide its own underwriting.

Today, Trupanion's pet health insurance protects your pet and your wallet, and the opportunity is massive — the 200 million dogs and cats in Canada and the US cost their owners an estimated \$69 billion in veterinary bills in 2017 alone, with that figure certainly growing again across 2018.

“Today, 90 million dogs live in 60 million US homes. From the same National Pet Owners Survey, we also know there are 95 million domestic cats in 50 million households. These numbers just keep growing, year after year.”

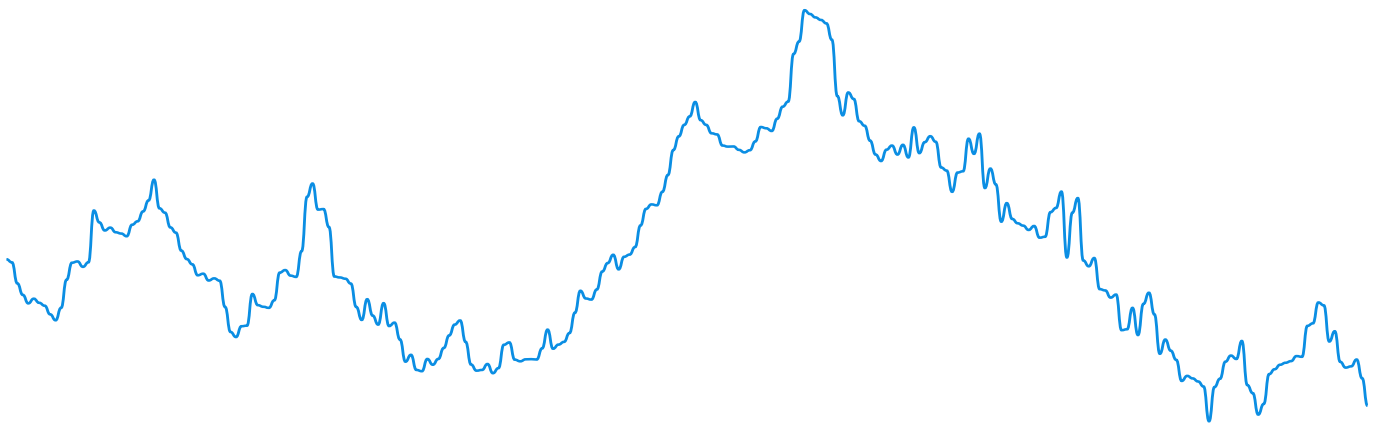
According to The Canine Journal, 91% of US “pet parents” consider their pets to be family members and 81% consider them as equal members of the family. However, less than 1% have pet insurance, even though healthcare costs for animals are increasing faster than human healthcare. Pet-care spending has been growing by almost 7% annually since 1994, a rate that is going to accelerate thanks, in part, to Trupanion’s range of solutions.

Currently, Trupanion has around 497,000 pets enrolled in their subscription service. The number of pets enrolled is growing at 5% per quarter, which is exciting when you consider a retention rate of 98.61%.

Revenue for Trupanion has increased more than 25% for 44 quarters in a row. Underwriting margin (the term used for profit in the insurance industry) is 30%, total insider ownership is 31%, and LVP (lifetime Value of Pet) is 4.5 times the cost of acquisition.

Whether you buy this stock because you love animals or because you seek out profitable-and-growing businesses, be sure hold your shares for as long as you’d make your house a home for a four-legged friend.

## 2018 Performance Graph



## Stock History

In 2000, Darryl Rawlings founded Vetinsurance in Vancouver, British Columbia. As a child, Rawlings had seen his parents take the tough decision to put their family pet down, unable to pay for an expensive veterinary procedure. His hope with Vetinsurance was that pet owners would never again have to make this choice.

In 2003, Vetinsurance launched its Territory Partner sales force, a structure unique to the company. It is now the largest field sales organization in the animal health industry. The following year, Vetinsurance became the first profitable pet insurance provider in North America.



In 2005, the company became the first North American pet insurance provider licensed to provide its own underwriting. In 2007, the company raised \$22 million, followed by further funding rounds in 2008 and 2011.

In 2008, they insured their first pet in the United States and in 2010, the company changed its name to Trupanion.

In 2014, Trupanion went public on NASDAQ with the ticker symbol TRUP.

Today, Trupanion has close to 500,000 pets insured across the US and Canada.



# Twilio (TWLO)

**T**wilio is a cloud communication platform as a service company based in San Francisco. Through their applications, Twilio allows software developers to make and receive phone calls, send and receive text messages, and embed video calls and messages into their products.

- High insider ownership | High customer retention | Growing industry
- \$9bn market cap
- +60% since being added to the Invest app

## Our Opinion

As the world continues to migrate countless 'jobs-to-be-done' onto cell-phones, it's almost certain that you've used Twilio's technology. When you first validated your number on WhatsApp or Twitter, received a call from your Uber driver — or even made in-app contact with romance in mind — Twilio had your back.

Simply put, Twilio allows businesses to embed voice, messaging, and video into their own apps. This empowers 61,000 companies to tell their customers that their flight is boarding, their table is ready, their taxi is waiting, or anything else that requires instant contact.

From 2016 to 2017, Twilio's revenue jumped from \$277 million to \$400 million and was on track to hit around \$540 million in 2018. As is often the case for growth-stage companies, earnings (also known as profit or loss) has been in decline as the business builds-out its customer base and 'Super Network' — a content distribution network of cloud data centers. In 2017, the business closed with \$63 million loss, with that number expected to increase for 2018.

But what matters most for enterprise SaaS (Software as a Service) businesses is customer retention. When you've spent a lot of time and capital earning a new customer's trust, you want them to stay with you for as close to forever as possible.

On this metric, Twilio is ranked second overall from dozens of other SaaS companies, bettered only by Veeva. This implies that moving to another supplier is too complex or costly and that building it yourself is simply not worth the risk and capital outlay. Communication systems are so rarely core to what a business does (not to be confused with communication, which is absolutely essential) that virtually every software business out there is a potential customer of Twilio.

On a cultural level, I find Twilio's values refreshing. 'Be Humble', 'Empower Others', 'Think at Scale' and 'No Shenanigans' are just four of the uplifting and quirky nine. If you believe in a company's way of life, you can own it over the long term with a higher degree of comfort.

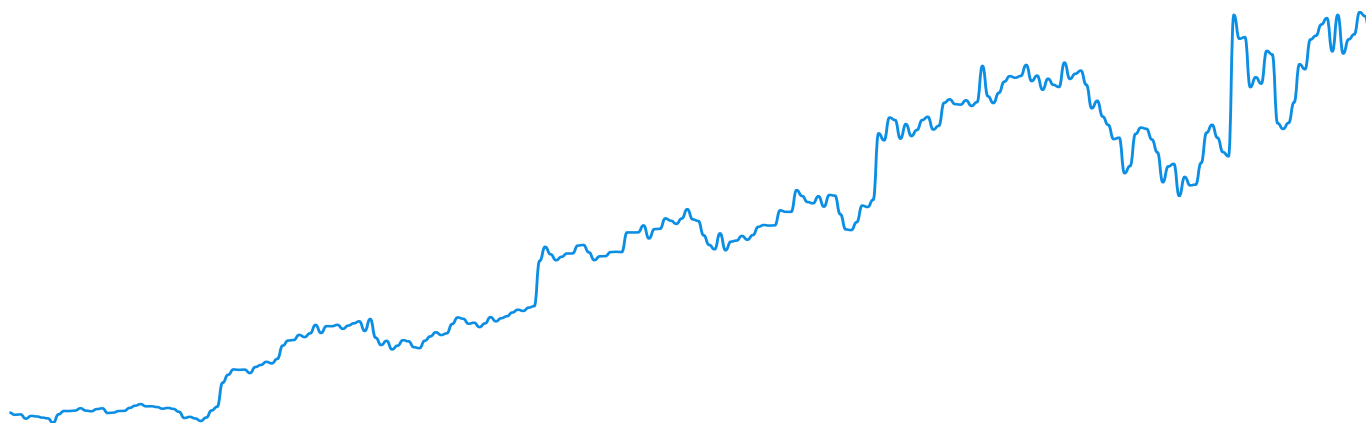
Following a slightly rocky start post-floatation, investors are starting to take note of Twilio. With \$440 million sales over the last twelve months from a \$450 billion total addressable market, the business has captured a mere 1% of the opportunity available. \$469 million cash and no debt makes for a great balance sheet while insider ownership is just shy of 20%.

Twilio's share price had a recent surge, which is a pity as a potential buyer. But that's just the way of life for great opportunities and of no consequence for the truly long-term investor.

Twilio makes their resilient solutions easy, affordable, and available to every type of customer. This is why I believe that their user base and revenues are destined for steady growth in a world of hyper-communication.

Invest if you agree.

## 2018 Performance Graph



“Twilio's share price had a recent surge, which is a pity as a potential buyer. But that's just the way of life for great opportunities and of no consequence for the truly long-term investor.”

## Stock History

Twilio was founded in 2007 by Jeff Lawson, Evan Cooke, and John Wolthuis. The company was originally based in both Seattle and San Francisco.

Lawson, a serial entrepreneur, started his first company when he was still in middle school. Prior to founding Twilio, he had been involved in a number of startups like NineStar, StubHub.com, and Versity. He was also one of the original product managers for Amazon Web Services.

Twilio's first major press came in a TechCrunch article after the founder and editor, Michael Arrington, was pranked using an application built on the platform. The application allowed users to call friends only to have the song 'Never Gonna Give You Up' by Rick Astley play down the phone. A few days later, the company launched Twilio Voice, an API to make and receive phone calls hosted in the cloud.

Over the next few years, the company raised money through a series of funding rounds that included Mitch Kapor, Peter Thiel's 'The Founders Fund', Chris Sacca, and Union Square Ventures.

The company's first major victory came in 2011, when a then-small company called Uber was in a dispute with their SMS provider, Air2Web. A scheduled outage had meant that key features like notifications were temporarily unavailable. Lawson, seeing the opportunity, contacted his friend Rob Hayes, who was on the board of Uber at the time, and said, "For the love of God, they should be using Twilio". Within a month, Twilio was powering Uber's SMS.

Twilio also attracted other big-name customers like Whatsapp, Lyft, Airbnb, and Salesforce. As these businesses grew, so did their reliance on Twilio's platform.

In 2014, Twilio acquired Authy, a startup that offers two-factor authentication. In 2016, they acquired Tikal Technologies, the team behind the Kurento WebRTC project.

In June 2016, Twilio went public on the New York Stock Exchange. After a blistering start to its life as a public company, the stock took a big drop on the news that Uber would be pulling back its spend and developing in-house solutions. Since then, however, Twilio has diversified its revenue streams, signed a broader range of important customers, and optimism regarding the company has returned.

In 2017, they acquired Beepsend, a Swedish based SMS provider. In 2018, Twilio announced they were acquiring SendGrid, a Denver, Colorado-based customer communication platform for transactional and marketing email.

# Ultimate Software (ULTI)

**U**ltimate Software provide subscription software for human capital management solutions.

- Voted one the best places to work | High customer retention | Founder CEO at the helm
- \$7.5bn market cap
- +15% since being added to the Invest app

## Our Opinion

Ranked first in Fortune's 'Best Large Workplaces in Tech', third out of one hundred overall, and fifth on the 'Diversity List' for 2018, Ultimate Software has been featured on lists like this for as long as I can recall.

Happy employees care more about what they do, resulting in better products and services. This then leads to customer delight, which in turn creates strong customer retention year after year. In this case, the product they are selling is UltiPro, a cloud-based platform that delivers human capital management solution to organizations across virtually every industry. Their software, which is sold as a subscription on a per-employee basis, is mission critical to the businesses they serve, allowing management to track everything from time and attendance to performance management and recruitment.

Ultimate recently reported that annualized retention rate exceeded 96% — a measure of how much customers love their offering and how sticky their product is once adopted.

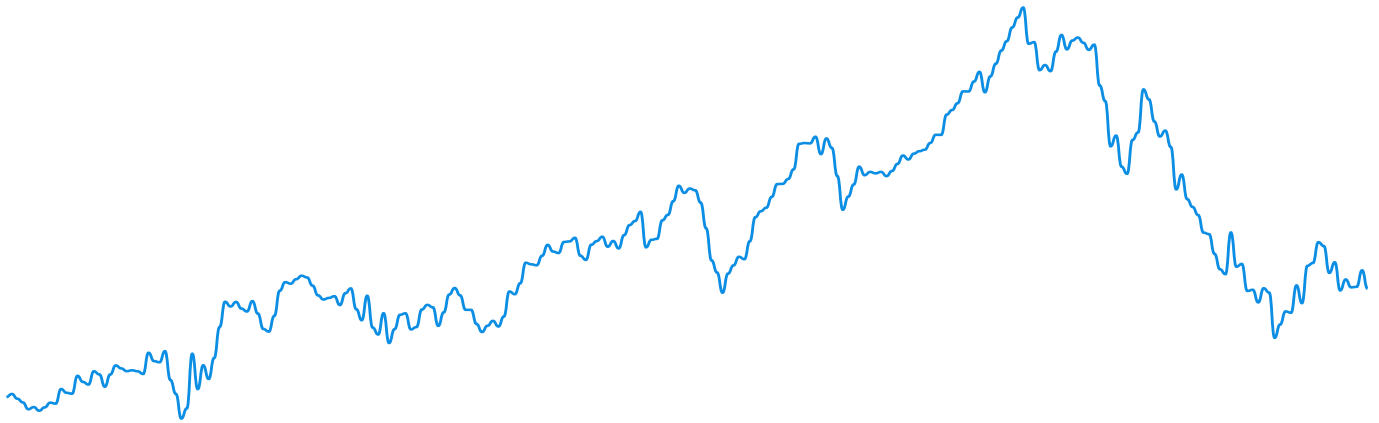
The company are on track to exceed \$1 billion in revenue in fiscal 2018, with the goal of doubling that figure by 2021. Though this is an ambitious goal, I have great faith in the founder, president, and CEO Scott Scherr, who knows the industry well, commands great respect from his employees, and has built a \$7.5 billion business from scratch.

“Ranked first in Fortune's 'Best Large Workplaces in Tech', third out of one hundred overall, and fifth on the 'Diversity List' for 2018, Ultimate Software has been featured on lists like this for as long as I can recall.”

This is the most exciting boring stock I own. Most of the characteristics that I love about a business for the long term can be found in Ultimate Software Group.

I'd buy more now to add to my existing stake and hold for at least a decade.

## 2018 Performance Graph



## Stock History

Ultimate Software is in the business of “human capital management”. If that sounds like a new buzzword, well, it kind of is — but it’s a buzzword worth paying attention to. Founded in 1990 by Scott Scherr, Ultimate Software creates software that automates HR tasks like payroll, timesheets, performance evaluation and talent recruiting. While working in his previous company, ADP, Scherr watched his employers lose client after client because of less-than-stellar customer service.

Scherr, in turn, had always been inspired by the way his own father treated his employees as head of a data-processing firm. So the entrepreneur set out to emulate him by creating a human resources software company that would always put ‘People First’ (that’s now Ultimate’s motto). He ran some numbers and figured he could “live off ADP’s losses” alone.

But Ultimate has accomplished much more than just luring in disgruntled ADP defectors. They’ve become a powerhouse in their industry.

Ultimate’s flagship HR software is called UltiPro and clients are billed on a monthly subscription basis to access it. That means the company has smartly created a business model with consistent income, also known as recurring revenue.

The company has also become just as well-known for their company culture and their ability to attract top talent. Put simply, employees love working at Ultimate and Ultimate’s clients (also large-scale employers) have taken notice of how they’re doing it.

Scherr pays 100% health insurance for employees and their families. His company even matches 40% of employee contributions to their 401(k) (most companies top out at 12%). Plus, he built a basketball court in the lobby at HQ.

Which makes sense, since he equates running a great business to coaching a sports team. "You keep having to make your team better and better," he says. As a result Ultimate Software consistently features in rankings of America's best places to work.

In 2018, Ultimate Software announced the acquisition of PeopleDoc for \$300 million. PeopleDoc is a HR delivery service with more than 1,000 customers including Nestle, GoDaddy, and Avis Budget Group.

# Veeva Systems (VEEV)

**V**eeva Systems develop cloud-computing software for the pharmaceutical and life sciences industry.

- Incredible customer retention | High insider ownership | Visionary CEO
- \$13bn market cap
- +92% since being added to the Invest app

## Our Opinion

In his classic investing book, 'One Up On Wall Street', Peter Lynch explains how he seeks out boring stocks with dull names for superior returns.

"A company that does boring things is almost as good as a company that has a boring name, and both together is terrific."

Lynch's reasoning? Lack of glamor repels momentum chasers. Enter Veeva Systems.

Veeva provides cloud-based software that makes life-science companies more efficient. It's effectively the Salesforce of pharma. As it happens, Veeva was co-founded by Peter Gassner, who built Salesforce's CRM platform (now the largest enterprise cloud-computing platform in the world).

The company has two primary products — its CRM offering that allows sales reps to better market their drugs, and their newer Vault product. This provides companies with a secure system through which they can process clinical trial data and take new drugs to market.

In fiscal 2018, Vault grew to 449 customers versus Veeva Commercial Cloud, which grew to 311 customers. Vault is now outselling Commercial Cloud. As Vault does not include a royalty payment to Salesforce, this has had a hugely positive effect on margins. Gross margins in 2014 were 61% versus 69% in the latest report.

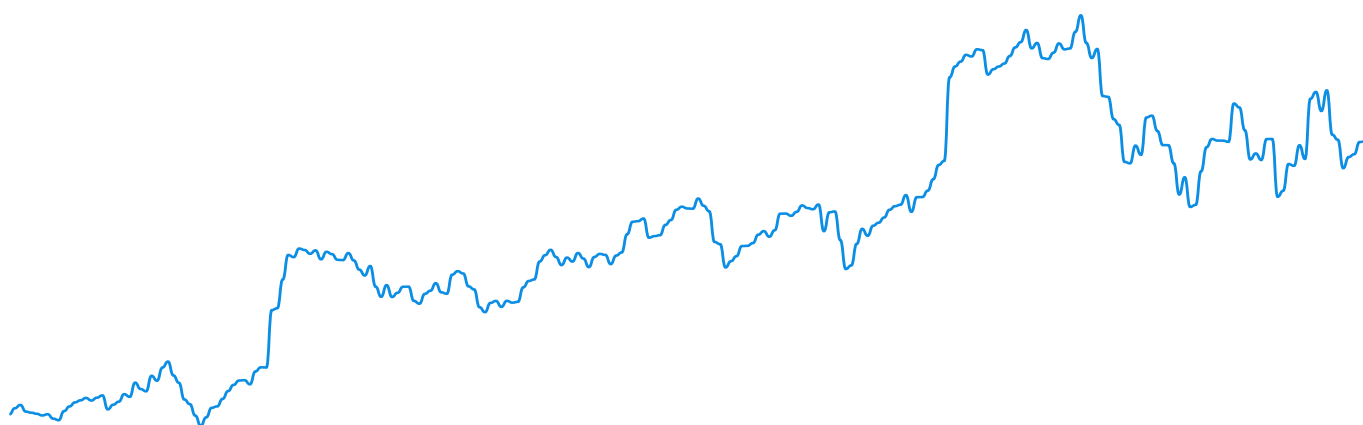
When I run my 'investability' checklist on Veeva, I love what I see. The company has maintained an almost 100% customer retention rate, highlighting both the value their products bring to clients and the intrinsic stickiness of their offering. Their products are critical to the operations of their clients, meaning that tough economic headwinds will not materially impact their retention levels.



Finally, CEO Grassner currently owns over 10% of the outstanding shares, while chairman Gordon Ritter owns almost 4%. We believe this is more than enough to align their interests with that of the shareholders.

Despite its dull name and boring business, I think Veeva is exciting. I bought a meaningful position this year and intend to hold for the next decade.

## 2018 Performance Graph



## Stock History

Peter Gassner was working as an executive in Salesforce.com in the early 2000s when it became clear to him that the Salesforce platform could be utilised to better serve customers in different industries with specific needs.

Gassner got together with Matt Wallach, a twenty year veteran of the life sciences industry, and the pair co-founded Verticals On Demand in 2006. The platform would allow pharmaceutical companies to better market their products to doctors and insurance companies, delivering the complex data specific to the industry in a easy way.

Gassner pitched the idea to his previous bosses at Salesforce and the two companies entered into an agreement — Gassner would use the Salesforce platform for his new company and Salesforce would not try to compete with them. As the first movers in the industry, the company quickly acquired its first one hundred customers and grew rapidly from there.

“CEO Grassner currently owns over 10% of the outstanding shares, while chairman Gordon Ritter owns almost 4%. We believe this is more than enough to align their interests with that of the shareholders.”

Verticals On Demand changed their name to Veeva Systems in 2009. From there, the company continued to attract the biggest names in the pharmaceutical industry — customers like Amgen, Bayer, Biogen, Merck, Novartis, and Pfizer.

In 2011, the company recorded its first profit and in October 2013, Veeva made its debut on the New York Stock Exchange, with the stock almost doubling in its first day of trading.

In 2014, food manufacturer Nestle chose Veeva's customer relationship management solution for their Nutrition and Health Science Division — the largest non-pharmaceutical company to do so.

In 2015, Veeva renewed their agreement with Salesforce until 2025, renewable in five-year periods by mutual agreement.

In fiscal 2017, Veeva crossed the \$500 million mark in revenue. Peter Gassner remains the CEO of Veeva, with Matt Wallach as President.

## Wix (WIX)

**W**ix is a cloud-based web development platform that has popularized the drag & drop method of webpage design. Wix is free to users, generating revenue through premium upgrades.

- Sticky business model | Industry disruptors | High insider ownership
- \$4bn market cap
- +56% since being added to the Invest app

### Our Opinion

We're always interested in identifying global megatrends and the stocks that are set to benefit from them. One trend I'm particularly keen on, and which is close to my heart, is the rise of entrepreneurship.

The Global Entrepreneurship Monitor (GEM) is a joint venture between Massachusetts-based Babson College and the London Business School. It is the largest and most developed research program on entrepreneurship in the world, focusing on the behavior of individuals who start and manage businesses. Spanning over 14 years and 70+ countries, nothing I've ever seen comes close to the depth of insight on the subject.

One of the key findings back in 2015-2016 was that 51% of the US working population believes that good opportunities currently exist for starting a business. This is the highest level ever recorded. 80% of those who plan to start businesses in the next three years are doing something about it already, such as registering a company or testing a minimum viable product.

Just a few short years ago, the first thing every business needed was a desk, an office, or perhaps a retail space. Not so anymore. Starting a business is easier, quicker, and cheaper than ever before thanks to new technology.

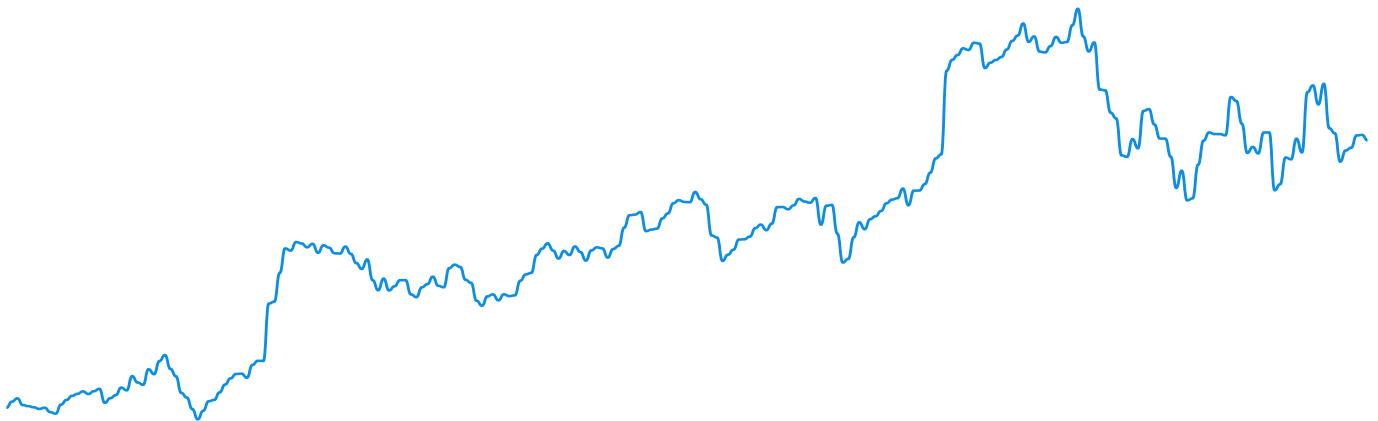
Today, a website is your universal shop window. Whether you dream of delivering muffins baked within the last hour or ending one of humanity's biggest problems, the first thing you need now is a website and this is not going to change anytime soon.

Wix is a cloud-based web development platform that allows users to create websites and mobile sites through the use of their online drag and drop tools. Currently the company has over 136 million users, with almost 4 million of them upgrading to the premium version — paying for improvements and plug-ins to further their business. Though not yet profitable, the company does generate free cash flow which they've been pumping into the business, consistently improving their offering and attracting long-term customers.

Despite their size, I think it's still early days for Wix. Why?

GEM's findings highlight that 27 million working-age Americans are starting or running new businesses. Another study points out that a record number of new businesses are starting in the United Kingdom at a rate of 'over one a minute'. Almost all of these companies will need a beautiful website that clearly articulates their value, and Wix makes this process easier than ever before.

## 2018 Performance Graph



## Stock History

Wix was founded in 2006 by Israeli brothers Avishai and Nadav Adrahami with their close friend Giora Kaplan. The three developed the platform out of mutual frustration over the complexities of basic website creation. They believed that harnessing new technology, they could allow individuals with little experience or training create beautiful and functional websites.

“GEM's findings highlight that 27 million working-age Americans are starting or running new businesses. Another study points out that a record number of new businesses are starting in the United Kingdom at a rate of 'over one a minute'.”

In 2007, the company began beta testing their platform and launched their first Flash Editor the following year.

By 2010, Wix had over 3.5 million users, securing them funding from Benchmark Capital who were early investors in Twitter, Uber, Snapchat, and Instagram.

In 2012, Wix migrated from Adobe Flash to a new HTML5 site builder. This allowed users to drag and drop various elements of their website without the need for any coding. The move was a huge success, attracting 25 millions users to the platform in the year after its launch.

Later that year, Wix launched the Wix App Market, which allowed users to purchase additional functionality for their sites. Users could now run a website for free off the platform, but augment it with various widgets like photograph feeds, playlists, blogging and email marketing. Similar to the Apple App Store, developers split the revenue with Wix to be hosted on the platform.

In October 2013, Wix launched its initial public offering on the NASDAQ, valuing the company at approximately \$750 million.

In 2014, Wix reported that its service had 50 million users. By 2017, that number had doubled. Today, the likes of Google, Instagram, LiveChat, and Shopify all offer applications on the Wix platform. They have developed a number of other services including Wix Hotels (a booking system for hotels and B&Bs) and Wix Music (which allows independent musicians market their music).

Through successful advertising campaigns, particularly during the Super Bowl, Wix has become the fastest growing brands in the space and was on course to generate over \$600 million in fiscal 2018.

# Workday (WDAY)

**W**orkday is a financial and human capital management software vendor based in Pleasanton, California. Their 2,700 clients include Amazon, Bank of America, and Airbnb.

- Visionary founders | High insider ownership | Fortune 500 clients
- \$35bn market cap
- +15% since being added to the Invest app

## Our Opinion

In 2004, David Duffield watched as the company he had founded 17 years earlier was swallowed up in a hostile takeover by tech giant Oracle. That company was PeopleSoft — one of the early software solutions for businesses to manage their human resources, finances, supply chain, and customer relationships.

Just months after the acquisition, Duffield and PeopleSoft's former head of product strategy, Aneel Bhusri, started a new company determined to go after Oracle's bread and butter — large enterprise clients.

That company was Workday.

Today, Workday is one of the most admired companies in the world. A \$35 billion software giant with Fortune 500 clients and a best-in-class product, Workday's solutions allow enterprises to better manage their employees and finances, with the company expecting to bring in over \$2.7 billion in sales for 2018.

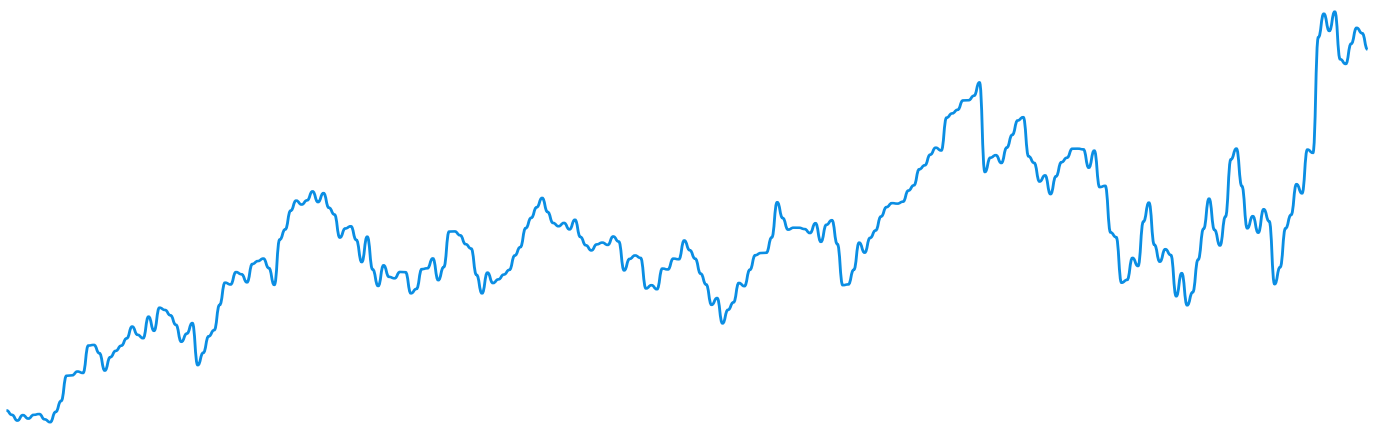
What really strikes me about Workday is their commitment to providing the best possible solution to their clients, spending over 40% of their revenue on research and development and updates coming out consistently every 6 months. It's that focus that has seen them beat out legacy providers like Oracle and SAP to become a serious disruptor in the space.

On top of that, the business has two passionate and visionary founders, both of whom are still leading the company and both of whom still own a considerable stake in the business. Workday is regularly featured in Fortune's 100 Best Companies to Work For — a key signifier that employees believe in the business's missions and admire the management team in place.

Human capital and financial management is certainly not the most exciting of businesses to invest in, but it's worth noting that our other picks in the space (Paycom and Ultimate Software) have been great performers to date.

Workday is a great business story and one that I believe will turn out be a great long-term investment. Here's to the underdogs.

## 2018 Performance Graph



## Stock History

In 2005, friends Aneel Bhusri and David Duffield met in a diner outside Lake Tahoe and decided to start a business. The two had worked together closely at PeopleSoft, a company that David had founded in 1987 and Aneel had worked at for many years. PeopleSoft had recently been acquired by Oracle in a hostile takeover that Duffield had fought. The company was funded by Duffield and venture capital firm Greylock Partners.

A year later, in November 2006, Workday released its first application, Workday Human Capital Management.

The following year, they released their financial management solution.

“Workday is a great business story and one that I believe will turn out be a great long-term investment. Here's to the underdogs.”

By 2009, Workday had over 100 customers in over 46 countries. That year, the company announced they had secured \$75 million in funding led by New Enterprise Associates.

In October 2011, Workday raised an additional \$85 million in funding. Those involved included T. Rowe Price, Morgan Stanley, Janus, and Bezos Expeditions — Jeff Bezos' personal investment vehicle.

In 2012, Workday went public on the New York Stock Exchange under the ticker symbol WDAY. Shares jumped 83% on its trading debut, valuing the company at \$9.5 billion.

In 2013, Workday expanded into education with Workday Student, a cloud application developed in partnership with colleges and universities. In 2014, Workday released Workday Recruiting, an application to help human resource managers find and recruit the best talent.

Ten years after their founding, Workday had over 700 customers across the world and over 3,700 employees. Today, Workday have over 2,700 high value customers, including 35% of the Fortune 500, and 50% of the Fortune 50.





# Our Five Stocks to Watch in 2019

**A**s we head into 2019, our analyst team is busy deciding on the new stocks to add to the Invest app over the next few months. We have a long list of stocks that our analyst team keeps a constant eye on as we consider adding it to the Invest app.

When we are confident that it is a good investment opportunity, we add it to the Invest app, complete with a full analysis from our team.

Looking forward into the new year, here are 5 of the companies that our analyst team is most excited about and might soon make a full appearance in the Invest app:

## Arcos Dorados (ARCO)

**This may come across as one of my more peculiar investing ideas, but stick with me here. Arcos Dorados means “Golden Arches” in Spanish, giving you a serious clue as to what the company does.**

They are the largest operator of McDonald's restaurants in Latin America and the Caribbean and the largest McDonald's franchisee in terms of systemwide sales and number of restaurants. Today, Arcos Dorados operates almost 2,200 restaurants, taking in \$3.3 billion in sales throughout 2017.

While McDonald's CEO Steve Easterbrook has done a superb job turning around the parent company, those improvements are just starting to trickle down to their Latin American cousins.

Arcos has effectively revitalized its own business over the last few years introducing healthier options, launching new marketing campaigns around the origin of their products, and committing to more sustainable packaging and energy consumption. The business now plans to double its footprint over the next decade and trades at a substantial discount to McDonald's proper.

Despite what seems like constant macroeconomic turmoil in the region, great businesses are still able to prosper, and I believe Arcos Dorados could be a hidden gem in the quick-serve restaurant category.

## Eventbrite (EB)

**One of the great stock finds of 2018 for me was Atlassian, the Australian provider of enterprise software. I was so impressed by Atlassian's numbers that I bought shares almost immediately.**

Atlassian's great strength is the self-service model through which they acquire customers. They spend very little money on advertising, don't employ a direct sales team, and yet continue to grow customers at a rapid rate.

This is down to the sheer quality of the company's product and the ease at which customers can try before they buy. This means they can spend money that would usually be spent on sales on research and development instead, further improving the product and creating a virtuous circle of customer acquisition.

Another company I see with this very unusual characteristic is Eventbrite. Eventbrite is the underdogs to bigger players in the ticketing space like Live Nation, owners of TicketMaster. But they have carved out a blue ocean opportunity for themselves by focusing on the events that TicketMaster deemed too small to bother with. That strategy has led them to issuing over 200 million tickets in 2017, serving over 700,000 event creators, and generating close to \$300 million in revenue over the last 12 months.

Besides the robust growth in their top line, what really impresses me is that 95% of creators who used the product in 2017 signed themselves up and 97% of them were retained. That, to me, speaks volumes for not just the quality of the product, but the positive word of mouth that generates.

As an entrepreneur, I always like to back businesses that help other entrepreneurs achieve their goals. I doubt I'll be hosting any rock events anytime soon (although my guitar skills have improved), but I believe that local events and smaller, more intimate gigs will continue to attract customers. That's where Eventbrite shine, and where we as investors, can make a great return.

Definitely one we'll be watching closely this year.

## Illumina (ILMN)

**I've said it before a thousand times, but it always seems to bear repeating — the worst investment decisions I've ever made have revolved around selling stocks. Illumina was a company I held for many years before dumping for a small profit. I'm not even going to tell you what that decision cost me, but a quick look at its chart will give you some idea.**

Illumina is the outright leader in genomic sequencing — still an exciting new area of life sciences that is still finding new research applications, 15 years after the completion of the Human Genome Project. They are so far ahead of any competitors in fact, that they operate as a virtual monopoly in the high-throughput segment of the market.

Meanwhile, the company has significantly reduced costs and turnaround times for genome sequencing, giving them access to new customers and a powerful cost advantage against potential competitors. They also have over 800 patents in the US covering their technology — a powerful barrier to entry.

Genomic sequencing will continue to be one of the most important areas in life sciences and pharmaceuticals. To benefit, investors should look towards market leaders with outstanding management teams who can maintain their lead. In Illumina, I believe I've found that.

It's a stock I've been following closely for over ten years and I think it could well find its place in the Invest app in the coming year.

## Kinsale Capital (KNSL)

**If Markel is the baby Berkshire Hathaway, then Kinsale is the micro Markel. With a market cap of just over \$1 billion, this is one of the smallest insurance companies I've ever even glanced at. The reason I did is because I like the kind of business Kinsale is in.**

Kinsale is a specialty insurer that focuses on the type of policies no one else will touch. They cover small or newly established companies and industries, high-risk operations, or companies with poor loss histories. Though these policies come with a high underwriting risk, lack of competition in the space allows Kinsale to effectively name their own price.

They are also committed to integrating cutting-edge technologies into their business from day one, allowing them to keep costs low and driving big profits.

Kinsale boasts a superstar management team led by Michael Kehoe, who — previous to founding Kinsale — held senior executive positions at both James River Insurance Company and Colony Insurance company. Kehoe owns 5% of the companies outstanding shares, closely aligning his interests with that of the shareholders.

I'm always a fan of founders who create blue ocean opportunities by going where others won't. Kinsale has caught my eye in this regard and it's one I'll be watching closely in 2019.

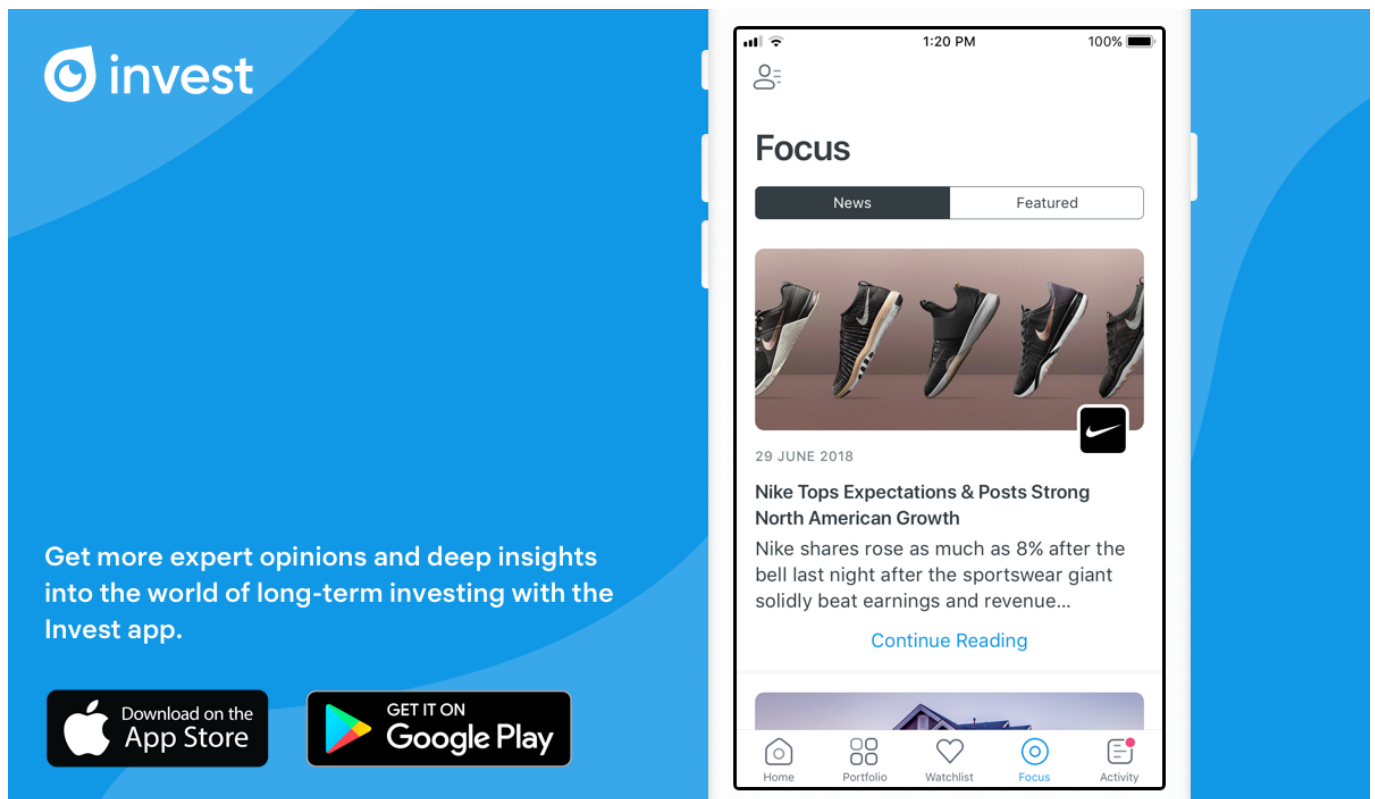
## Nutanix (NTNX)

**Staying within your circle of competency has been something I have been preaching for over a decade. Anytime I get excited about a business, I first have to ask myself if I have the expertise to pursue it as an investment. It's an important exercise for keeping yourself honest in this business and helps you to avoid a lot of heartache in my experience.**

That's not to say I'm not prepared to expand that circle by learning about new businesses and industries. One I'm particularly keen to learn more about is Nutanix, a business that promises the security of a private cloud with the flexibility of a public one. This type of setup is incredibly appealing to government agencies who want to own their own IT infrastructure, and therefore it's of no surprise that the US Army and Department of Defense are two of Nutanix's over 10,000 customers.

Nutanix is also shifting to a recurring revenue model, with CEO Dheeraj Pandey saying, "We believe that in the next four to six quarters, our recurring subscription business will reach 70% to 75% of total billings. And by FY '21, we expect a large majority of the business should be recurring in nature, either [on-premises] or cloud-based."

While I can't claim yet an expertise in the field, there's so much I already like about this business. They are growing fast, disrupting major players, have a visionary founder CEO with a large stake in the company, and employees love working there.



## Those are the Rubicoïn analyst team's top 5 stocks to watch out for in 2019.

Over the next year, we'll be closely monitoring these companies, along with many others on our watchlist, to make sure that we only bring the very best investing opportunities to our Invest app.

Of course, we'll also be keeping an eye on the 100 stocks currently in our Invest app too, updating the opinions and making sure that the Invest community only gets the very best investment opportunities to supercharge their portfolio.

If you'd like to check out the full showroom, download the Invest app for iOS or Android now and get a **free** 30-day trial.



# Disclosure

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