Interview with Joan Payden, President and CEO, Payden & Rygel

INTERVIEW WITH JOAN PAYDEN, President and CEO, Payden & Rygel
Advisory Member, UCLA Anderson Fink Center for Finance & Investments

AIA: Let’s start with your background. What led you to becoming an investor?

Joan Payden: I grew up in the Northeast, in Connecticut and New York, and I went to school in Washington, D.C., at Trinity. I was a math and physics major. My first job was in chemical engineering at a large firm in New York City that built oil refineries. I loved it. There were very few women there: 600 men and five women. I thought that was a nice ratio. I was there for about two and a half years, but that kind of firm has very cyclical turns and I was called in one day, a little before Christmas, and they told me they were laying off 300 people. I said, “That’s too bad.” And he looked at me and said, “You’re one of them.” I said, “When?” And he looked at his watch and said, “Four o’clock.” So I looked around New York City for a job and interviewed at IBM and so forth. Merrill Lynch had a research training program. I didn’t know much economics but I had a strong analytical and math background. They hired me. And that’s how I started my career.

It’s interesting because now people say they have to prepare five years for a job and that kind of thing, and I always think that sometimes when negative circumstances hit you they’re actually very positive.

So that’s how I started in this business. I made a couple changes in New York. I was in the investment research area, and Merrill Lynch’s account executives would send in portfolios of companies for us to analyze, so I got a broad sweep of equities and fixed income. Then for family reasons I came to visit Los Angeles. They said this was the land of plenty, so I tried to get a job here. There was a company, the first investment management company in the United States, called Scudder, Stevenson & Clark, a Bostonian partnership. They had a strong presence out here and they hired me. They paid me half of what they were paying men, but that was all right. I became their first-ever woman partner. I worked mainly in fixed income and covered the whole West Coast. I was great at getting new business. I loved that the work was analytical yet also a people business and very creative. But as globalization increased in the 1980s, this firm was very slow to adapt and I didn’t see myself being there another 10 or 15 years. My brother suggested to me, “Start your own firm.” And one morning I woke up and decided there was more risk in not doing it than doing it. Do you know where I got the money? I took my 401k, paid the taxes and figured I could live for a year, maybe a year and a half. I wanted my firm to be started in a way that made it seem like a substantial enterprise. So I rented 2,000 square feet of office space downtown. A few colleagues came with me. I didn’t take any clients with me. My first client was a powerful Hollywood executive. And it’s been a wonderful existence since.
AIA: You mentioned Scudder, Stevenson & Clark’s not evolving with the changing world. What did you do differently with Payden & Rygel?

JP: I didn’t want to leave the world of fixed income and institutional clients, because that was what I knew and where I had a reputation. But in starting my own firm, first and foremost I didn’t want to sell products, I wanted to sell solutions. At that time the economy was globalizing and clients were asking for global investment solutions, which we provided.

AIA: Starting off, how did you balance the responsibilities of being CEO with the details of investment decisions?

JP: I don’t operate that way. If you have three people and you have to survive for a year, you can’t think of yourself as a CEO. I think of myself as a member of a team. That’s something that I’ve done throughout my career here. When I started this firm I already had a number of relationships around the industry, but even then I couldn’t land a client without listening to their problems and designing a specific solution to fit their needs. This was particularly true in the fixed income area, because at that time global product was coming on board and clients were looking more broadly. Many of my clients were multinational corporations who were facing globalization challenges in their business, and from an investment perspective it was necessary to consider those factors when proposing an investment solution. It was very exciting.

The NFL was one of my first clients. That was a funny story. Consultants were around, even back then. They asked me if I wanted to bid on this client. I said yes, along with all the other big firms. We went to New York, and it turned out that they thought my name was John Payden instead of Joan Payden. That’s the only reason I was invited to bid, but we got the client. I think so much of it is your attitude. People would tell me, “You’re a woman,” but I’d never say that. I said I was a portfolio person. I am a woman and I love being a woman, but I never pulled the “woman card.” I think it’s an insult to women. I want people to hire me as a professional.

AIA: What do you think makes a successful investor?

JP: I don’t believe that anyone is any brighter than anyone else. There are a lot of people who are very capable. I have two magical words: passion and commitment. If you don’t have those two, I don’t think the rest matters. When I presented for the NFL, despite it being the ultimate boys club, they were impressed with how enthusiastic I was about bonds.

AIA: What have been the drivers and challenges of expanding internationally?

JP: I didn’t wake up one day and decide we wanted to expand internationally. Many of the corporations we managed money for were international corporations. In 1992 we formed a U.S. mutual fund company, and then in 1994 we went to Ireland for an offshore mutual fund operation, which are called UCITS. You could either go to Luxembourg or Ireland and we chose Ireland. Then a few years later we were thinking of having an office in either Asia or Europe, and we selected London and opened an office there in 1998. It started as one person in a Regus suite and has grown and become very successful. So it was a step-by-step process. I think culture and language are really important internationally, and taking the time to understand those things is crucial. It’s also important to know the unique problems international clients face and adapting solutions to them. For instance, insurance companies in Europe have to deal with Solvency II, which are regulations on the capital base of large insurance companies. It’s very technical, but we became very proficient with all the regulations. So now when we meet with an insurance company in Europe, or in Japan, which has a similar set of regulations, we know what their problems are and how to help them. Even though we manage $105 billion, we don’t have thousands of clients. We have 325 clients. So we are able to talk to our clients nearly every day and continue to modify their portfolio according to their needs and as specific regulations change. The more closely you work with clients the more your reputation builds, that brings in new clients with interesting challenges. For instance, Africa is just beginning to start an African Union, modeled on the European Union. The first thing they did was to provide insurance for agriculture, which in Africa can be devastated by floods and drought. Germany and the UK funded this and then went out looking for managers for it. We are one of them.

AIA: How would you describe your firm’s culture? As the firm has grown and expanded, has the culture changed?

JP: We are very focused on a team culture here. Growing and opening multiple offices has meant having to adapt to keep that team culture intact. We still have meetings with everyone once a week, although now not everyone is physically present in the room. I talk to London every day. All bonuses here are based on the overall profits of the entire firm, no matter which clients you work with or which office you work out of. We rise and sink together. We share information and talk daily. Because everyone has the same bonus, there’s no reason not to share information. We’ve had the same name and the same ownership structure for 30 years. How many
firms can say that? We also have an internal economic team that interprets the noise of financial news and puts together concise and meaningful charts for everyone in the firm to see. It doesn't mean that we all have to have the same opinion about macro issues and rates, but it is a great way to get conversations going and encourage a culture of discussion and information sharing.

AIA: Your quarterly publication “Point of View” is well known in the industry and has a unique tone, with articles on a wide range of topics. In recent issues there have been articles about the rise of global shipping, the proliferation of space junk, and the history of the three-point shot in the NBA. Does this creative streak affect the way you do business on a day-to-day level?

JP: Absolutely. We’re very creative. I have a very quantitative side to me as a math and physics major, but I have a very creative side to me as well. We all do. Relating to people and being creative in how we address problems is the core of what we do. Clients are people. They worry about the same things. Some are more technically oriented than others, but it’s a people world. Sometimes that is forgotten. No one is going to hire you unless they trust you and like you. In 2007 and 2008 we didn’t get into trouble. We gave bonuses. Someone said to me, “You must have been brilliant.” No, we weren’t brilliant. We just weren’t greedy. The leverage in the system was huge. We just said no. We were criticized, I remember, about three months before September 2007. People said, “Don’t you realize all of the opportunity that you’re passing up?” That criticism didn’t last very long.

AIA: There are fears now that with rates at record lows credit markets are in a bubble. What is your view?

JP: It’s not a bubble. It is the fact that central banks used to have some power. We’ve never been in a position like this. They don’t have any power or push anymore. The Japanese central bank’s reserves are greater than the Fed’s. We’ve never been in this situation before. World growth is flat at best. The liquidity globally is not great. But it’s not a bubble.

ABOUT JOAN

Joan A. Payden, CFA, is the president and chief executive officer of Payden & Rygel, the global investment management firm that she founded in 1983. Payden has overseen the firm’s international expansion and its growth to $100 billion in assets under management.

In 1992 the firm launched Payden & Rygel Investment Group, a family of mutual funds, of which she is chairman and chief executive officer. Subsequently, many of these strategies were duplicated in UCITS funds domiciled in Ireland. In 1998 Payden & Rygel Global Ltd. was founded in London. At the same time, the firm established Metzler/Payden LLC, its joint venture with Metzler Bank, Germany’s oldest private bank.

She is a member of the Payden & Rygel Investment Policy Committee and serves as chairman of the board. She serves on the Board of Visitors of the UCLA Anderson School of Business and is a trustee of the University of Southern California, Loyola Marymount University and Occidental College. She is also a member of the board of the Los Angeles Sports Council, the California Chamber of Commerce and the Natural History Museum of Los Angeles. She is past chairman of the Investment Counsel Association of America.

Joan A. Payden holds the chartered financial analyst designation. She is a graduate of the Advanced Management Program at Harvard Business School and earned a B.A. from Trinity College in mathematics and physics.
AIA: Your academic background is in engineering. What led you to finance?

Eduardo Schwartz: My degree is in engineering from Chile. After school, I went to work in the mining industry for eight years. I knew the owners of the company and they put me in finance. The top management positions are not in engineering. I became an executive vice president, or second in command, at the company. The company was eventually nationalized by the government and that’s when I decided I would go away to study. I thought I would study economics or finance, and that’s how I decided to change careers. I moved to Vancouver, Canada, because my brother was there and started at the University of British Columbia. I received my Master of Science in finance, then the school offered me a chance to do my Ph.D. and I went for it. It was very natural. I’m now a financial economist.

AIA: Your research mentions how commodity prices move differently from stock prices. Can you explain this?

ES: Sure. Most people believe that, to a large degree, stock prices don’t have mean reversion. In other words, when they go up they are not necessarily going to come down again. But commodity prices are not like that. There is mean reversion. For example, imagine that copper prices go up, which leads to high cost for producers to enter the market, which in turn leads to a supply increase. And as supply goes up, prices decrease. The same pattern is true on the demand side. When prices are high you’re going to use other materials for heating instead of using oil, for example, and drive less. And so both demand and supply induce mean reversion in commodity prices. I have done some work on this subject. It is interesting that gold behaves more like a financial asset than a commodity. But other commodities are mean reverting.
INTERVIEW WITH EDUARDO SCHWARTZ CONTINUED

**AIA:** Is there a theme that has followed you throughout your career?

**ES:** I have been in this business for over 40 years, and I have evolved like anybody else. There are a few general things I have done, but things have been changing. I started by doing very technical work, such as valuing options using differential equations, because people in finance did not know how to do those things then. My career slowly evolved and I did some work in real options. It’s the application of options to valuing projects. Typically the valuation of projects involves estimating future cash flows and valuing them by discounting them to the present using a discount rate. But this does not take uncertainty into account. Projects can be evaluated as options, and this is the real option approach. We started with valuing mines and oil deposits and later studied pharmaceuticals and internet companies. Also, I got into studying the stochastic behavior of commodity prices, how commodity prices move. They do not move like stocks. As I said earlier, there is mean reversion in commodity prices. I have about 30 papers on related topics. Another area I did a lot of work in is interest rate models.

**ES:** I think we went a little overboard on the complexity of our instruments. In some cases, the financial crisis shows that people didn’t actually understand the instruments they were buying or selling. Only when they failed did they realize that it wasn’t a great idea. So I am all for simplicity. When financial instruments get so complex that you need a specialist to be able to value them, it is probably not a good idea to buy them.

**AIA:** Your career has spanned an interesting time for finance, from the beginning of option research and complicated financial models to incredibly sophisticated and technologically advanced strategies. What is the future for application of academic ideas and, even more broadly, for the future of finance?

**ES:** I have been in this business for over 40 years, and I have always preferred academia. I received offers but I was never tempted. I like research, I like teaching, I like being around young people. It’s pretty good when you can earn a living like this.

**AIA:** You’ve been at UCLA Anderson for over 30 years. How has UCLA Anderson changed over time and where do you see it heading in the future?

**ES:** It has changed quite a lot in those 30 years. Students are becoming more demanding. They pay more so maybe that’s why they are more demanding. Also, students today accept less theory compared to students 30 years ago. I could use more mathematics in my class 30 years ago than I can now. Students today want to know how to be CEOs of companies. Progress over the years has come through computers, the internet and online classes. We now have hybrid classes with internet and in-person teaching mixed together. Today, we get very smart students, since the standard to gain acceptance is incredibly high.

**AIA:** What is your fondest memory at Anderson and how are you planning to transition into retirement? What are you looking forward to?

**ES:** There is a role for investment management. There is a lot of money that has to be managed, and funds like pension funds have grown over time. The function is an important function. Algorithmic trading and the programs that you use for trading have to be built by people. And the assumptions that you make are very important. For example, the Black Scholes formula assumes constant volatility. Is that a good assumption? Most of the time, yes; except when there is a crisis. And when there is a crisis you need options the most.

And I’ve been involved in lawsuits. For example, one of the largest corporations in the U.S. was suing an investment bank because it sold them products, namely interest rate products, with all types of options to buy, sell, exchange. The lawsuit argued that they didn’t understand this product and that every time they had to value it, they had to ask for the help of the investment bank. You have one of the largest corporations in the United States saying that they didn’t understand a product. I was defending the investment bank because I think if you are one of the largest corporations and you don’t understand the product, you shouldn’t have bought it. You should have hired somebody to help you understand it before you bought it.

**AIA:** You have so many great and novel ideas around valuation. Have you ever been tempted to start your own investment company based on your research?

**ES:** I have done quite a lot of consulting work in my life, especially early on. I’ve done work for all the big investment banks. But I’ve always preferred academia. I received offers but I was never tempted. I like research, I like teaching, I like being around young people. It’s pretty good when you can earn a living like this.

**AIA:** You talk in the Student Investment Fund about the implications of algorithmic trading. Are active management jobs at stake? How do you see the roles within investment management changing?

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Depending on the problem, there are solutions with varying levels of complexity. If you are personally saving for retirement you might invest in the S&P 500. If you have more money you might want to expand into other asset classes such as commodities futures, real estate, etc. Commodities are something where you want to have solid models. I’m building a model for oil and copper prices where I incorporate future contracts for up to six or seven years.

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ABOUT EDUARDO

“I see my job, mainly, as teaching students how to think. The specific material, they’ll forget. But if they learn to think they will learn to solve the problems they’ll face later in their careers.”

During Professor Eduardo Schwartz’ nearly 30 years at UCLA Anderson, he has authored well over 100 papers, publications whose quality is matched only by the wide variety of subjects he has studied. An expert in various dimensions of asset and securities pricing, Schwartz has at various times focused on pricing internet companies, interest rate models, asset allocation issues, evaluating natural resource investments, the stochastic behavior of commodity prices and valuing patent-protected R&D projects. His collected works include more than 100 articles in finance and economic journals, two monographs and a large number of monograph chapters, conference proceedings and special reports.

“I move on, I change,” Schwartz says. “I started on derivatives, then did work with interest rate models, credit risk models and, more recently, commodity models and real options, the application of option concepts to value projects and companies.” Schwartz’ newest paper veers into environmental economics, a look at optimal carbon abatement.

He is among the first researchers to develop the real options method of pricing investments under uncertainty. He is co-editor, with Lenos Trigeorgis of the University of Cyprus, on the book Real Options and Investment Under Uncertainty (MIT, 2001), a compilation of recent papers and classic research in the field. “I began my academic career with a degree in engineering,” says Schwartz, who earned his bachelor’s degree in his native Chile. “My work since has been rooted in mathematical modeling and an interest in stochastic modeling and uncertainty.”

In 2015, Schwartz was named International Association for Quantitative Finance (IAQF)/SunGard Financial Engineer of the Year in recognition of his individual contributions to the advancement of quantitative finance.

Schwartz is the winner of a number of awards for both teaching excellence and the quality of his published work. He has served as associate editor for more than a dozen journals, including Journal of Finance, Journal of Financial Economics and Journal of Financial and Quantitative Analysis. He is a fellow of the American Finance Association and the Financial Management Association International. He is also a research associate of the National Bureau of Economic Research.

Schwartz was awarded a Doctor Honoris Causa by the University of Alicante in Spain and by the Copenhagen Business School. He also received the 2000 Graham and Dodd Award for his paper “Rational Pricing of Internet Companies,” published in the Financial Analysts Journal. He has been a consultant to governmental agencies, banks, investment banks and industrial corporations.

looking forward to doing in your free time?

ES: I have enjoyed the last 30 years. It has been a privilege to have a chair. I had research money so I had to teach less than most people, so I’ve been privileged and I have enjoyed both teaching and researching. I am not planning to slow down too much. I will retire officially, but I might be teaching one or two classes. And I already travel a lot and I will continue to do so. I am going to Europe for a month to give three talks, and I will vacation, and then I am going to Asia for three weeks to give talks in Singapore and Hong Kong. In December I’m going to Chile for a conference that I do there every year. I’m doing to do the things I want to do and that I have always done.

Student Investment Fund Class of 2017, from left: Gloria Fan, Sam Silverson, Nick Bender, Sam Kendrick, Professor Bill Cockrum, John Bay, Darius Wilsey, John Heidenreich, Charlie McMahon, Paige Kolesar
STUDENT IDEA:
MOLSON COORS BREWING (NYSE: TAP) STOCK PITCH

By John Heidenreich ('17)

Business Description: Molson Coors Brewing Company (NYSE: TAP) manufactures and sells beer and other beverage products. The company sells its products under the Coors Light, Molson Canadian, Carling, Carling Black Label, Coors Altitude, Coors Banquet, Creemore Springs, Granville Island, Keystone Light, Mad Jack, Molson Canadian 67, Molson Canadian Cider, Molson Dry, Molson Export, Pilsner and Rickard’s family brands in Canada; and brews or distributes under the Amstel Light, Heineken, Murphy’s, Newcastle Brown Ale, Strongbow Cider, Desperados, Dos Equis, Moretti, Sol, Tecate, Miller Chill and Miller Genuine Draft brands. In addition, the company sells Carling, Staropramen, Apatinsko, Astika, Bergenbier, Borsodi, Branik, Coors Light, Jelen, Kamenitza, Niskicko, Noroc, Ostravar, Ozujsko, Sharp’s Doom Bar, Worthington’s, Beck’s, Belle-Vue Kriek, Hoegaarden, Leffe, Lowenbrau, Löwenweisse, Spaten, Stella Artois, Corona Extra, Modelo Especial, Negra Modelo and Pacifico Clara and regional ale brands in Europe.

Investment Thesis: As a result of the AB InBev merger with SABMiller, Molson Coors’ takeover of joint venture Miller Coors and investment in domestic craft and imports space will create near- and medium-term operational and administrative synergies as well as tax savings, propelling strong gains in the share price. Owing to the accretive acquisition of the remaining stake in Miller Coors for $12 billion, Molson Coors’ stock price has rallied from its 52-week lows; however, the stock has experienced a recent pullback in price given the perceived antipathy toward several large-scale deals from both sides of the presidential race. Thus, the market is currently discounting the name, and the present price reflects neither Molson Coors’ organic growth in market share and operating profits nor the potential from the acquisition of the Miller Coors assets. This provides a buying opportunity as the assets gained in the transaction will immediately increase FY EBITDA by 81%, and additional synergies over the course of the next several years look to accumulate to a total of at least $450 million in annual savings by 2018. Another merger or strategic alliance with Heineken to gain additional market share and improved margins should add even greater upside and this or the reinstatement of the previous stock buyback program should provide a floor in case the AB InBev/SABMiller merger does not occur.

Recommendation: I believe TAP is a BUY at $99.05. The current share price is $99.05 with a TTM EPS of $3.61; however, the drastic acquirement effect on EPS in my base case raises FY 2017 EPS to $5.93 and (price remaining constant), a P/E ratio of 16.7x vs. the industry 1-year forward average of 22.5x. I use a figure slightly below the industry average to imply a base case fair value of $130.46. Thus, with the conservative assumption that this market leader will not trade at any premium to its industry peers, the base case for additional upside in the stock over the next 12 months is 31.7%. In our medium term bull case, the additional savings from the Miller Coors deal starting in FY 2018 would add another $0.40 to the analyst consensus post-Miller Coors deal 2018 cash EPS estimate of $6.02 (implying EPS of $6.42) and raising my two-year price target to $141.24 (using a 22.0x P/E ratio, vs. the two-year food and beverage industry forward P/E ratio of 21x). This would be an upside of 42.6% to the current share price.

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Date of Report: 11/13/2016
Shares Outstanding (MM): 193.79
Current Price: $99.05
52-Week Range: 80.78-112.19
Average Daily Volume(MM): 1.90
FY 2016E EPS: 3.99
FY 2017E EPS: 5.93
FY 2016E P/E: 24.8
Dividend: 1.64
Dividend Yield: 1.59%
Target Price: $117.00 per share

STUDENT IDEA:
MOLSON COORS BREWING (NYSE: TAP) STOCK PITCH

By John Heidenreich ('17)
**Catalysts**

1. **Miller Coors Asset Acquisition:** The consolidation activity taking place within the brewing space will have by far the greatest impact on Molson Coors’ stock. The purchase of SABMiller by AB InBev and subsequent sale of their 58% stake in joint venture Miller Coors and the Miller brand globally to Molson Coors look to immediately add nearly $1 billion to Molson Coors’ EBITDA. Molson Coors will pay approximately 12x LTM EBITDA for the assets, vs. the company’s pre-deal LTM EV/EBITDA of 18.5x. The synergies in administrative costs, raw materials sourcing and production will total $200 million, realized approximately three years after the deal is closed. TAP will also own the distribution rights in the U.S. for brands previously imported from SABMiller (Molson Coors management says margins for these businesses will also improve). Tax benefits will be $250 million annually for the first 15 years post close, with a present value of approximately $2.4 billion and addition of $1.30 to annual EPS.

2. **Further M&A Activity:** The potential for another blockbuster deal exists with the world’s second largest brewer, Heineken. In addition to creating further synergies from the operational and administrative areas mentioned above, the deal could provide a tax inversion benefit of 10%, adding another $0.50 to the current FY 2018 cash EPS estimate of $6.42. Increased market share (especially in Western Europe where Molson Coors currently only has 20% market share) would be a significant factor, although a certain level of cannibalization would exist.

**Valuation**

Overall, the food and beverage sector averages a one-year forward P/E multiple of 22.5x. In my base case analysis, which conservatively estimates the synergies and cash tax benefits of the merger (approximately 50% of savings flowing to EPS), Molson Coors trades just below (22x) the industry multiple with the 2017 EPS explained in the sections above, giving it a price of $130 per share. In my 12-month bull case, I add another 20% in cost savings flowing to the bottom line, or approximately $0.25, giving a FY2017 price target of $135.96, an upside of 37.3%. Molson Coors should continue to trade at or near the industry multiple, and in my opinion its current one-year forward P/E multiple of 16.7x reflects only some of the synergies that this acquisition can and should offer over the next 12 to 24 months.

**Principal Investment Risks**

**Regulation:** Beverages in general are facing increasing regulatory scrutiny around the globe, from sugar content in non-alcoholic beverages to restrictions on labeling and varying “vice” taxes in different markets.

**Secular Shift:** There is a secular shift away from traditional beer consumption toward wine and spirits in many markets: The craft beer movement and increases in consumption of spirits have hit mass production beer volumes and prices both domestically and abroad.

**Outbidding:** Molson Coors is either outbid or forbidden by regulators to purchase the remaining portion of Miller Coors. If Molson Coors cannot complete the deal for those assets, it will be outsized domestically and abroad by AB InBev.

**Risk Mitigates:** Even if Molson Coors cannot acquire the remaining assets in the Miller Coors joint venture, there remains the strong possibility of a merger with Heineken, the world’s second largest brewer, to combat the InBev SAB behemoth. This would provide not only greater market penetration, but also the opportunity to expand margins through corporate and production synergies. If the buyout of Miller Coors does not go through, the stock buyback program, if not acting as a downright catalyst, should serve as a floor underneath the stock, giving investors less chance of profiting from reinvestment in operations but offering some protection from downside risk involved with the merger falling through. Should TAP management not meet its synergy targets from the AB InBev assets, this would also provide an excuse for a sale or alliance with Heineken. Molson Coors has also diversified its product line to include hard ciders and craft beers (e.g., Blue Moon), aiming to maintain market share as consumption volumes of its traditional economy brands and premium product lines have declined. Molson Coors’ craft beer portfolio accounted for 29% of the growth in the U.S. craft beer market in 2014.

**John Heidenreich ('17)** is a Student Investment Fund fellow, director of Impact Investing @ Anderson and president of the Adam Smith Society. John has spent seven years working within the capital markets, most recently as an associate intern for health care- and agricultural technology-focused private equity and venture capital funds. John began his career as a derivatives trader at the Chicago Board of Trade and led a company expansion to Germany, managing a European options portfolio and trading team. Last summer he interned with Credit Suisse’s investment banking division in Los Angeles and will be joining Rothschild’s M&A advisory full time.
During the first week of November, aspiring investors embarked on UCLA Anderson’s sixth annual Investment Management Days on the Job Trek (known by many as “DOJ Week”). Full-time and FEMBA students traveled to the major financial centers of Boston, New York and San Francisco to meet with alumni and other professional investors at some of the world’s premier asset management firms to learn about potential career tracks from some of the industry’s most successful practitioners.

Students were exposed to a wide spectrum of investment philosophies and strategies at a variety of investment firms spanning all sizes and asset classes. Whether it was listening to Shiv Verma (’13) talk about managing a municipal bond portfolio at PIMCO or hearing Intesar Haider (’99) describe his new CLO-focused hedge fund, VinsonCap Advisors, discussions were as varied as the investors themselves.

“We saw a number of active managers, including firms that specialized in equity and firms that specialized in credit and alternatives, and more passive managers that are implementing smart beta philosophies,” said first-year full-time MBA student David Levin (’18), who helped coordinate meetings in New York.

Many conversations delved into trends in the investment management industry. Asset flows into cheaper, passive strategies and products was repeatedly a topic of interest, as was stubbornly high correlation among stocks and other asset classes in the face of historically low interest rates and credit spreads resulting from central bank intervention.

Despite the difficult environment, many investors remain optimistic about opportunities to generate alpha. True active managers such as Kenneth Broad (’94) at Jackson Square Partners in San Francisco pointed to high-conviction, concentrated portfolios with a focus on small-cap equities as an area for superior risk-adjusted returns. In contrast, portfolio manager Andrew Sheridan (’99) at SunAmerica utilizes a “quantimental” model-driven allocation process that remains anchored to an equity’s fundamental performance to repeatedly beat benchmarks.

“Getting insight about current market conditions and industry trends such as passive versus active investment management from real-world investors is highly valuable,” said first-year full-time

INVESTMENT MANAGEMENT DAYS ON THE JOB TREK

By Ned Daoro (’18)

GIVING BACK

If you are interested in hiring full-time UCLA Anderson MBA students for internships or full-time positions, please contact Regina Regazzi, assistant dean and director of the Parker Career Management Center, at regina.regazzi@anderson.ucla.edu or at (310) 825-2902.

If you would like to post employment opportunities or participate in on-campus recruiting, please navigate to Anderson’s online recruiting system at ow.ly/XapKp.
MBA student Alexander Binnie (’18). “The DOJ meetings were not only great opportunities to sharpen our own opinions about the markets, but also excellent interview primers for investment management recruiting.”

In addition to 16 meetings, the week also included two evening events in New York and San Francisco where current students and alumni came together for cocktails and networking. The highlight of these social events was a very intimate and thoughtful Q&A session with Fink Center board member Marty Murrer (‘81), moderated by Associate Dean Rob Weiler (‘91). The conversation transcended a discussion of Mr. Murrer’s ability to achieve exceptional professional success in finance, as he spoke about his personal journey of building a “foundation for life” through philanthropy, family and faith.

Much more than a recruiting event, the 2016 Investment Management DOJ Trek was an invaluable learning experience for UCLA Anderson students hoping to break into an extremely difficult yet highly rewarding industry. Perhaps most important, the trek strengthened the UCLA Anderson investment management community, connecting current students, alumni and faculty to further professional relationships as well as strengthen the Anderson brand.

MEET THE EDITORS

Sam Kendrick (’17) is pursuing his MBA with a concentration in finance/investment management at the UCLA Anderson School of Management. Prior to attending Anderson, Sam worked in the entertainment industry as an associate producer at Tinder Hill Productions, where he developed and wrote TV pilots for CBS, Amazon and TV Land with writer/producer Michael Borkow. His passion for value investing is what led him to Anderson. He interned last summer in equity research at Thornburg Investment Management. Sam graduated from Yale University in 2006. He can be contacted at sam.kendrick.2017@anderson.ucla.edu.

Paige Kolesar (’17) is pursuing an MBA with a concentration in finance at the UCLA Anderson School of Management. Paige interned at Dimensional Fund Advisors in its financial advisor services group last summer. Prior to attending Anderson, Paige was a project manager at Northern Trust in Chicago, where she managed several software development projects as part of a company-wide initiative to improve profitability. Paige graduated from the University of Michigan in 2012 with a B.A. in economics. She can be contacted at paige.kolesar.2017@anderson.ucla.edu.

Christina Lee (’17) is pursuing her MBA with a concentration in finance at the UCLA Anderson School of Management. Christina interned at Dimensional Fund Advisors in its financial advisor services group last summer. Prior to attending Anderson, Christina spent five years at Bank of America Merrill Lynch as a credit portfolio manager, overseeing a commercial credit portfolio and underwriting sole-bank and syndicated deals. She graduated from University of Washington in 2010 with a B.A. in finance and a certificate in international business. She can be contacted at christina.lee.2017@anderson.ucla.edu.

Lukas Langermann (’18) is pursuing his MBA with a concentration in finance and consulting at the UCLA Anderson School of Management. Prior to attending Anderson, Lukas was an associate investment director at Cambridge Associates, a consulting firm focused on helping nonprofits, pensions, governments and private wealth clients achieve their investment goals. He graduated from Northeastern University with a dual degree in international business and a concentration in finance. He can be contacted at lukas.langermann.2018@anderson.ucla.edu.

Ned Daoro (’18) is pursuing an MBA with an emphasis on finance at UCLA Anderson. Before attending UCLA Anderson, Ned was a corporate strategy and development associate at MUFG Union Bank in San Francisco, where he worked on acquisitions, divestitures and other enterprise-level strategic initiatives. Prior to MUFG, he worked as an equity research associate at investment bank Sandler O’Neill + Partners in San Francisco, covering financial institution securities. Ned graduated from Cal Poly San Luis Obispo, where he earned his B.S. in business administration with a concentration in finance and accounting.
UPCOMING EVENTS

February 10, 2017: Fink Center Stock Pitch Competition
anderson.ucla.edu/centers/fink-center-for-finance-and-investments/events/fink-center-stock-pitch-competition

March 8, 2017: Private Equity Roundtable
anderson.ucla.edu/centers/fink-center-for-finance-and-investments/events/private-equity-roundtable

April 24, 2017: Fink Investing Conference
anderson.ucla.edu/centers/fink-center-for-finance-and-investments/events/fink-investing-conference

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Laurence and Lori Fink Center for Finance & Investments
110 Westwood Plaza
Entrepreneurs Hall, C24
Los Angeles, CA 90095-1481
fink.center@anderson.ucla.edu
(310) 825-3867
anderson.ucla.edu/centers/fink