
AIM QUARTERLY



Greetings from AIM XXXVIII

The team of MBA and MSA analysts made their investment decisions after a rigorous analysis of 52 very different, but interesting companies. The changes to the portfolio were 14 hold, 11 sell, and 13 buy. Since the last newsletter, Jos. A. Bank (JOSB) finally accepted Men's Warehouse's \$65 offer, which is included as one of our sells. Special thanks to analyst Tom Laughner (MBA '14) for keeping the team up to date on all the latest developments of this fascinating deal. A running theme for AIM XXVIII, especially with our second stocks, was the "great company, expensive stock" mantra. Like many value investors, we were challenged to find alpha-generating opportunities in a bull market. However, with the guidance of professors Langley, McDonald, and Reilly, we are confident in our portfolio of 27 stocks and look forward to following its performance for the next nine months and beyond.

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"If what you did yesterday seems big, you haven't done anything today." Lou Holtz



ECONOMIC OUTLOOK

GDP

Fourth quarter GDP growth was revised down to 2.4 percent. This was due in part to slower than expected growth in exports. In February, exports declined 1.1 percent and imports grew at .4 percent, causing the largest growth in the trade deficit since September. The Federal Open Market Committee expects 2014 US GDP growth in the range of 2.1 percent to 3 percent. This is comparable to the International Monetary Fund's estimate of 2.8 percent.

MONETARY POLICY

After her first FOMC meeting as Chair, Janet Yellen reiterated the Fed would maintain a highly accommodative monetary policy as the economy slowly recovers. The Fed continued its trend of tapering QE, consistent with earlier announcements. Monthly asset purchases declined by an additional \$10 billion in March. While this keeps the Fed on pace to cease asset purchases by the end of 2014, Yellen underscored that tapering was not on a preset course and that future reductions would be contingent on the FOMC's outlook for the labor market and inflation.

Committee members agreed that existing forward guidance, with its reference to the 6.5% threshold for the unemployment rate, was outdated. The reference to the 6.5% threshold was replaced by "maximum employment" and the Fed emphasized that it will focus on a much broader set of economic indicators in determining when to raise rates. Most Fed members expect to raise rates in 2015, and also

believe that rates at the end of 2016 will still be below their longer-run target of 3.5% to 4.25%.

INFLATION

The FOMC's March forecast for inflation has remained unchanged since its last meeting in January. In February, the Consumer Price Index rose at a pace similar to that seen in recent months and total consumer price inflation, as measured by the PCE, was about 1.25% over the 12 months ending in January. Inflation continues to fall short of the target rate of two percent, and is expected to stay below this target over the next several years. Longer-term inflation expectations remain stable, as changes in commodity and import prices are expected to be subdued and the slack in labor and product markets is anticipated to diminish slowly. At its March meeting the FOMC stated that the continued purchase of securities, albeit at a slower pace, should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative. It also noted that long-term inflation below 2% could pose risks to economic performance and that it would carefully monitor inflation for signs it will move in line with medium term expectations.



CONSUMER SENTIMENT

Consumer spending increased .3 percent in February, following a .2 percent gain in January. Healthcare and utility outlays appear to be driving most of the growth. Consumer sentiment dipped from 81.6 in February to 80 in March. As the spring thaw continues, consumers will have additional discretionary income that will not be spent on utilities. The Commerce Department reported retail sales growth of .7 percent in February and 1.1 percent in March. The figures provide an indication that this additional discretionary income may be spent on consumption.

HOUSING

In the Fed's March meeting the outlook on the fundamentals underlying housing was good. This is despite poor housing figures in January and February. The benchmark S&P/Case-Shiller 20-City Composite Index, which measures the value of residential real estate in 20 metropolitan areas of the U.S., has an ending January value of 168.30. This

represents a 13.24 percent rise since January 2013. Mortgage rates remain relatively low with the average on a 30-year mortgage at 4.34 percent, 103 basis points above fall 2012 all-time lows, as reported by Freddie Mac. However, interest rates will be driven higher in the future as the Fed continues to taper. The National Association of Realtors reported February existing home sales of 4.6 million, which declined 7.1 percent from February 2013. The 4.6 million figure is the lowest level reported since July 2012. This decline and the general sluggish nature of the housing market are being attributed to the abnormally cold winter. Total housing inventory increased 6.4 percent from January and now represents a 5.2-month supply at current sales rates. This relative inventory shortage (6 to 6.5 months, representing an equilibrium between buyers and sellers) can be expected to drive price increases going forward across much of the country. One other issue is that growth in multi-unit dwellings is outpacing growth in the construction of single-family dwellings. This represents a trend that could lead to lower future home ownership rates.

"If the economy grows, housing gets better, quicker." Jamie Dimon

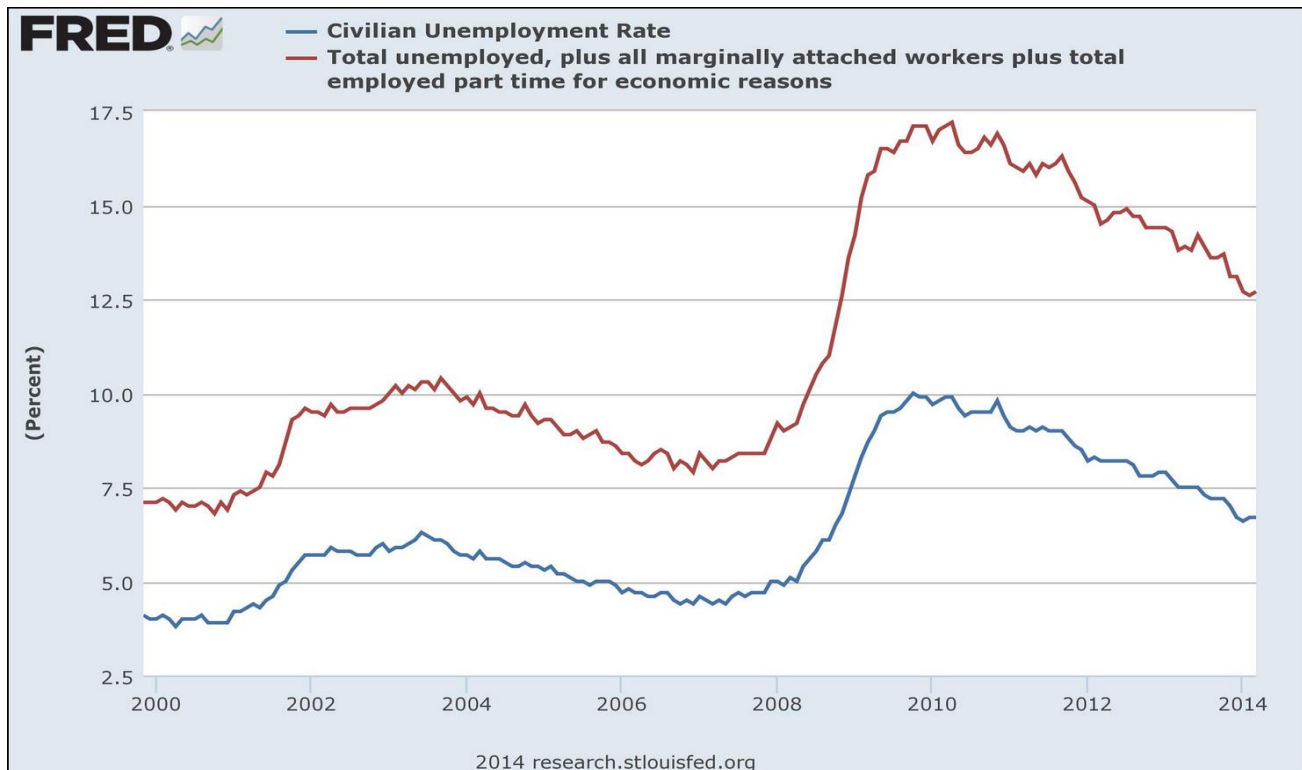


EMPLOYMENT

The U.S. Bureau of Labor Statistics reported an expansion of non-farm payrolls by 192,000 in March, slightly below projections of 200,000. However, employment was revised higher in January and February, to 144,000 and 197,000, respectively, providing a total upward revision of 37,000 jobs. This revision indicates that the effect of severe weather on labor was not as severe as initially thought. The gain puts payroll growth in step with the average over the last two years.

The unemployment rate held steady at 6.7 percent, but concerns continue over whether this is a true indicator of labor market conditions. Labor force

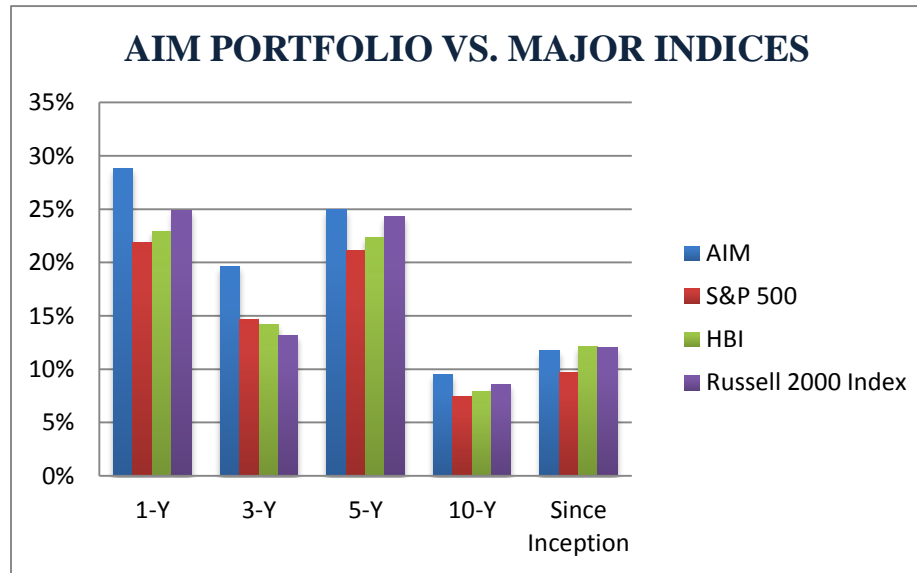
participation has improved modestly to 63.2% from its 35-year low of 62.8% in December, but is still historically low. The number of part-time workers seeking full employment increased to 7.4 million workers from 7.2 million in February. The U-6 unemployment rate, which captures underemployed workers and discouraged workers not actively pursuing jobs, increased to 12.7% in March from 12.6% in February. Given that existing labor conditions in totality are not entirely demonstrated by the declining unemployment rate, the Fed reiterated that it would likely maintain its target federal funds rate between 0 to 0.25%, well after unemployment reaches 6.5%.



PORTFOLIO PERFORMANCE

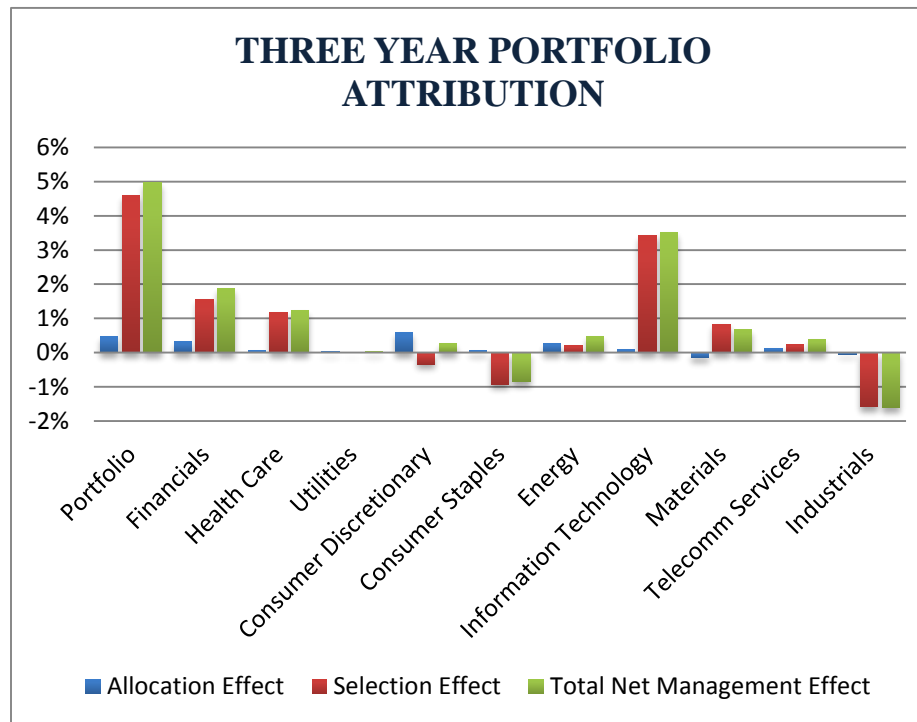
BENCHMARK COMPARISON

The AIM portfolio has continued to outperform its benchmarks: S&P 500, HBI (65 percent S&P 500, 35 percent Russell 2000), and Russell 2000 over its long-term horizon for at least three years. Since inception, the AIM portfolio has outperformed the three benchmarks by two to three percent compounded per annum.



PORTFOLIO ATTRIBUTION ANALYSIS

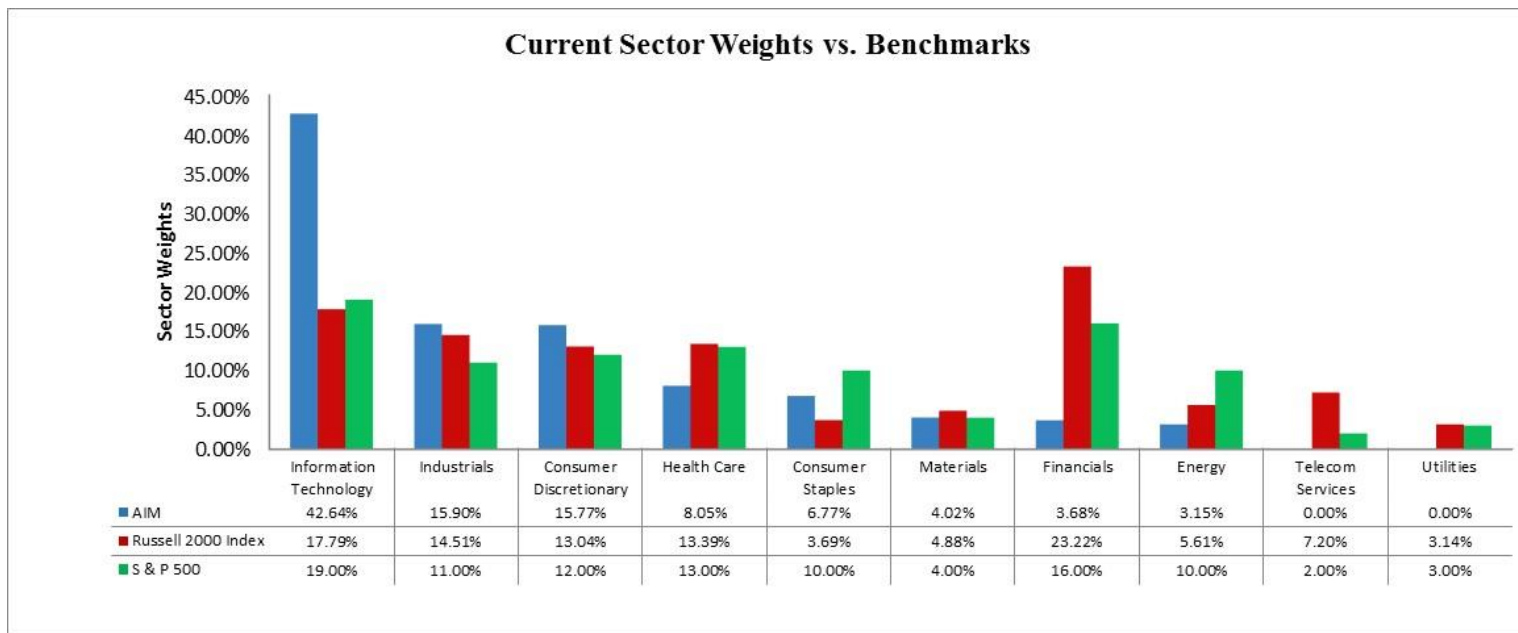
Over the last three years, the AIM portfolio has outperformed the market by five percent (management effect), half a percent due to allocation, and 4.6 percent due to selection. The highest return contribution comes from the Information Technology and Financial sectors. The worst selection effect was in the Industrials sector of negative 1.62 percent. Out of the 10 sectors, the AIM portfolio experienced positive management effect in eight. The AIM portfolio has no investment in Telecom, but has experienced a positive effect due to overall underperformance of the sector.



SECTOR ALLOCATION

The AIM portfolio seeks to benchmark the S&P 500 and the Russell 2000. The portfolio focuses on bottom-up stock picking in contrast to top-down allocation, therefore sector allocation between the portfolio and the two benchmarks varies over time.

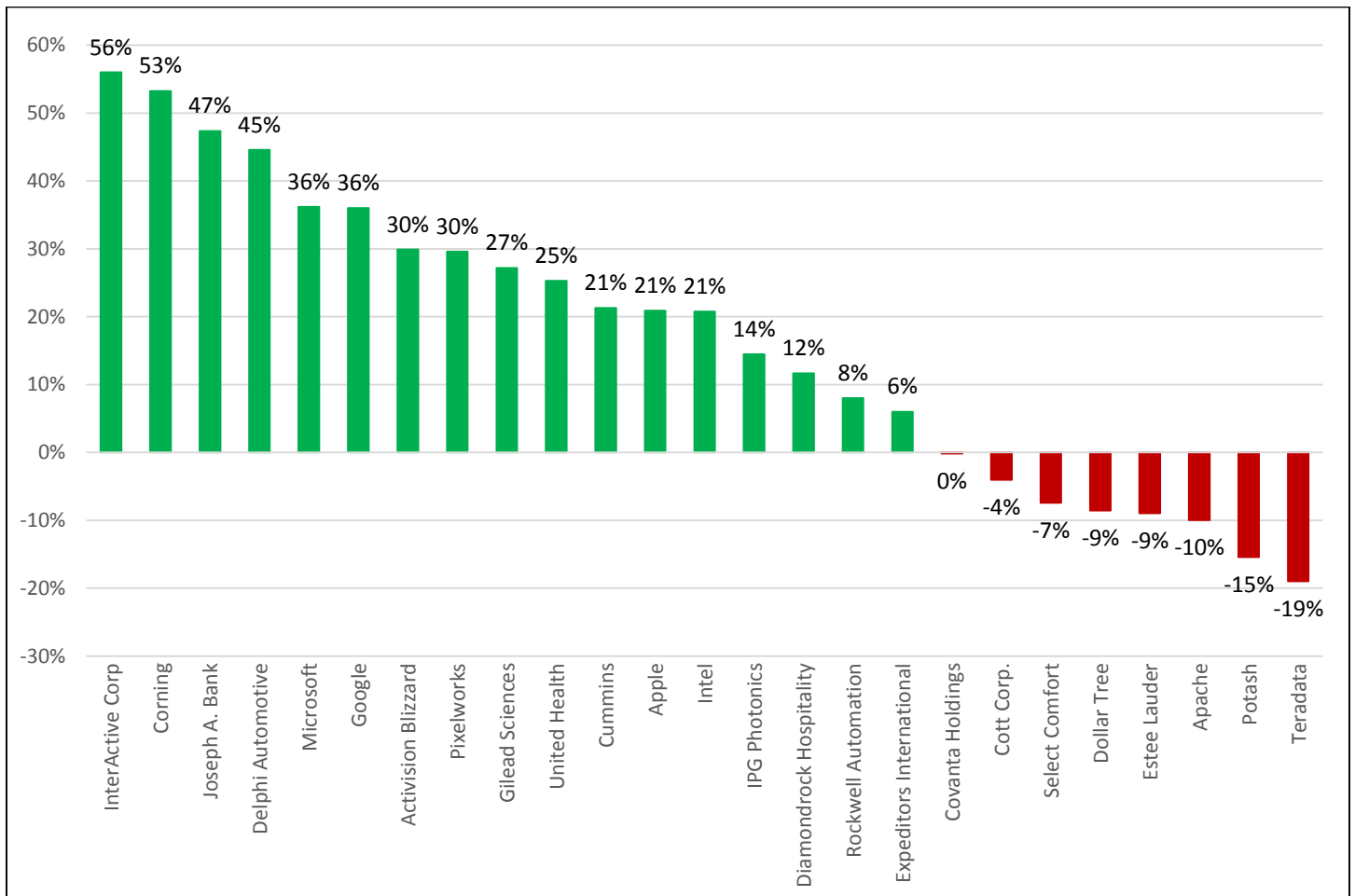
Currently the portfolio is overweight in Consumer Discretionary, Industrials and Information Technology, and underweight in Materials, Consumer Staples, Energy, Financials Healthcare and Utilities.



PORTFOLIO POSITIONS

Over the past year (or the holding period, for stocks held less than one year) ending March 31, 2014, eight stocks generated returns of 30% or greater, with Interactive Corp. generating the highest one-year return of 56%. A total of 17 stocks had positive

returns. During the same period, eight stocks in the AIM portfolio generated negative returns, with Potash, Teradata and Apache generating returns of negative 10% or worse.



AIM XXXVIII Chicago Trip

The AIM XXXVIII class left snow covered South Bend in the middle of the afternoon on Thursday, March 21st and headed west towards Chicago. The bus ride to Chicago was spent watching the opening round of the NCAA tourney and discussing how each of us would spend a billion dollars if we won the Perfect Bracket Challenge.

That night we were treated to a fantastic dinner at Maggiano's Little Italy. The environment served as a great opportunity for the current AIM class to see the closeness of the AIM community. The dinner was delicious and allowed for each of the current analysts to pick the brains of the alumni. After dinner was served, everyone shared his or her current career path as well as the stocks covered while in AIM. It was interesting to hear of the different stocks that have cycled through the portfolio over the years.

We were up early on Friday morning to meet with Matt Klody, a '98 Notre Dame graduate, AIM alum, and repeat presenter from last year's Chicago trip. After leaving Sheffield Asset Management in 2012, Matt founded MCN Capital, an intrinsic value focused long/short equity investment partnership. Matt walked us through the logic behind a handful of his long and short positions, which was valuable insight to those of us looking to get into the investment management world. It was an extremely interesting presentation, as he touched on a couple of stocks that current AIM analysts had been debating prior to the trip.

Our next meeting on Friday morning was with '96 Notre Dame grad Chris O'Brien, Managing Director of Wynnchurch Capital. Our time with Chris was impactful because, after giving us his background, he gave us a great overview of the Private Equity Market and the role firms like Wynnchurch Capital play in the middle market. The group learned that there is more to Private Equity than running models, with relationship building serving as a key piece to success.

The final meeting of the day was with '97 Notre Dame grad Benedict Rocchio, who currently is a Partner at Baird Venture Partners. Benedict discussed how Baird Venture partners with entrepreneurs to build high growth firms in the Technology-Enabled Services and Healthcare sectors. Benedict was joined by a local entrepreneur that Baird Venture collaborates with, so it was great for the analysts to see the partnership from both sides. In closing, we were lucky enough to be joined by '69 Notre Dame grad Paul Purcell, who is the CEO of Robert W. Baird. The analysts took advantage of this opportunity by asking a variety of questions to pick the brain of a seasoned veteran.

Ultimately, the Chicago trip was a great success! We were treated to great speakers and received some impactful advice on a variety of areas such as hedge funds, private equity, and venture capital. Perhaps most valuable, we learned about the strength of the AIM network and how we can contribute to the network in the future. The AIM class would like to thank everyone involved for putting together a first rate experience for us. AIM XXXVIII had an amazing time!



CURRENT PORTFOLIO COMPOSITION

Holding	Ticker	Shares	Price	Market Value	% of Portfolio
Activision Blizzard Inc.	ATVI	21,000	\$19.90	\$417,900	4.28%
Apple Inc.	AAPL	800	\$531.70	\$425,360	4.36%
Calumet Specialty Products	CLMT	12,000	\$28.12	\$337,440	3.46%
Check Point Software	CHKP	5,000	\$68.30	\$341,500	3.50%
Corning Inc.	GLW	17,500	\$21.23	\$371,525	3.81%
Covanta Holding Corp	CVA	23,000	\$17.99	\$413,770	4.24%
Danaher	DHR	4,500	\$73.55	\$330,975	3.39%
Deere & Co	DE	3,700	\$93.34	\$345,358	3.54%
Delphi Automotive Plc	DLPH	5,500	\$68.83	\$378,565	3.88%
Dollar Tree Inc.	DLTR	6,100	\$51.36	\$313,296	3.21%
Gilead Sciences Inc.	GILD	5,500	\$72.86	\$400,730	4.11%
Google Inc.	GOOGL	300	\$545.50	\$163,650	1.68%
Google Inc.*	GOOG	400	\$534.81	\$213,924	2.19%
Hain Celestial Group	HAIN	3,900	\$87.85	\$342,615	3.51%
IAC/InterActiveCorp	IACI	6,000	\$69.46	\$416,760	4.27%
Intel Corp	INTC	13,100	\$26.84	\$351,604	3.60%
Kinder Morgan Energy Partners	KMP	4,400	\$76.99	\$338,756	3.47%
Live Nation Entertainment Inc.	LYV	16,300	\$21.36	\$348,168	3.57%
Microsoft Corp	MSFT	10,100	\$39.99	\$403,899	4.14%
Monsanto Co	MON	3,000	\$111.94	\$335,820	3.44%
Motorola Solutions	MSI	5,000	\$63.27	\$316,350	3.24%
Pixelworks Inc.	PXLW	55,800	\$5.45	\$304,110	3.12%
Potash Corp.	POT	10,800	\$35.60	\$384,480	3.94%
Schlumberger Ltd	SLB	3,300	\$102.03	\$336,699	3.45%
Union Pacific Corp	UNP	1,800	\$192.05	\$345,690	3.54%
Unitedhealth Group Inc.	UNH	4,800	\$75.76	\$363,648	3.73%
Verifone Systems Inc.	PAY	10,500	\$33.99	\$356,895	3.66%
World Wrestling Entertainment	WWE	16,000	\$22.59	\$361,440	3.70%
Total AIM Portfolio				\$9,760,927	100.00%



AIM ALUMNI UPDATES

Ryan Mack, AIM XXXI

After graduating in 2011, Ryan spent two years working for Scott Malpass and the team at the Notre Dame Investment Office as an Investment Analyst on the public capital team. He focused on the marketable alternatives space, which included funds investing in areas like distressed credit, event-driven situations, and those with mandates to invest across the capital structure. Ryan was also on the fixed income team, East Asia regional team, and helped with planning the AIM class trips during his time at the Investment Office. Ryan currently works at Richmond Holdings, a family office in Dallas, which invests primarily through direct private equity investments. Richmond has a 29-year track record and has done over 340 deals in industries ranging from defense to consumer discretionary. At Richmond, Ryan works on all aspects of the M&A process from sourcing to finalizing transactions. He will be spending the summer working out of Richmond's Luzern, Switzerland office as the firm expands its presence in Europe.

Kelly Cornelis, AIM I

Kelly is a Partner at LaSalle Capital, a lower middle market buyout fund focused on control equity investments in the food and beverage and business services sectors. She joined LaSalle in 2004 shortly after the firm raised its inaugural fund. LaSalle is actively investing Fund II and expects to launch Fund III in 2015. Prior to joining LaSalle, Kelly was a Vice President with SB Partners and an analyst at William Blair & Company. Kelly married Ryan Smolek (ND '03) in 2011 and they welcomed their son Connor in 2013. Weighing in at 27 lbs. at age 1, Connor is already being recruited as a future ND lineman.

Shelton Tsui, AIM XXIII

Shelton has been working in the investment banking industry for over 7 years. He joined Merrill Lynch's investment banking department (now Bank of America Merrill Lynch) in Hong Kong in 2007. Shelton is currently a Vice President in the firm, covering real estate and the consumer retail industries in Hong Kong and China.



AIM XXXVIII CLASS PROFILE

Analyst	Hometown	2 nd Stock	1 st Stock	Post-Grad Company	Post-Grad Function
Jason Aubuchon	St. Louis, Missouri	Fabrinet	DiamondRock	TBD	TBD
Aaron Backman	Consul, Saskatchewan	Monsanto	Hospitality Rockwell	TBD	TBD
Jessica Bonanno	Orlando, Florida	Hain Celestial Foods	Automation Covanta Holding Corp.	TBD	TBD
Brennan Clark	South Hadley, Massachusetts	World Wrestling Entertainment	Apple	Standard & Poor's	Credit Research
Andrew DePalma	Ellicott City, Maryland	Under Armor	Teradata	EY	Assurance
Matthew Dolgin	Buffalo Grove, Illinois	Verifone	Gilead Sciences	TBD	TBD
Conor Douglass	Glen Ellyn, Illinois	Salesforce.com	Google	TBD	TBD
Carlos Farah	Guadalajara, Mexico	Amazon	Intel	TBD	TBD
Firas Fasheh	Amman, Jordan	Stratasys	Dollar Tree	Citigroup	Investment Banking
Luke Friedman	Geneva, Illinois	Live Nation	Select Comfort Systems	EY	Assurance
Prateek Garg	Indore, India	Yum Brands	Estee Lauder	Citigroup	Retail Services
Mike Gerbasich	South Bend, Indiana	Motorola Solutions	Delphi Automotive	EY	Consulting
Jason Guindon	Escanaba, Michigan	U.S. Bancorp	Cabot Oil & Gas	TBD	TBD
Brent Kitts	Portland, Oregon	Check Point Software	IPG Photonics	Graham Allen Partners, LLC	Private Equity/ Venture Capital
Michelle Knepel	Monroe, Wisconsin	Schlumberger Kinder Morgan	Apache Corporation	TBD	TBD
Thomas Laughner	Indianapolis, Indiana	Energy Partners	Jos A. Bank	Humana	Finance LDP
Daniel Leonard	Glen Ellyn, Illinois	John Deere	Cott Corporation	Deloitte	Tax
Thomas Maguire	Miami, Florida	Baker Hughes Inc.	Corning	EY	Assurance
Matthew Maye	Niskayuna, New York	Whole Foods Market	Activision Blizzard	TBD	TBD
Steven Nebbia	Omaha, Nebraska	Union Pacific	Microsoft	Deloitte	Tax
Rohan Saldanha	Mumbai, India	Tesla	Expeditors International	TBD	TBD
Sivella Smith	Knoxville, Tennessee	Danaher	UnitedHealth Group	TBD	TBD
Curtis Vercruyse	Indianapolis, Indiana	Calumet Specialty Products	Cummins	Calumet Specialty Products	Corporate Finance
Peter Vignali	Clifton Park, New York	3D Systems	PotashCorp	TBD	TBD
Patrick Wolohan	Saginaw, Michigan	Lionsgate	InterActiveCorp	Amazon Inc.	Product Management
Yao Xie	Ji'an, China	InvenSense	Pixelworks	TBD	TBD

