

AIM Quarterly



AIM XXXI

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Q3 2010

WELCOME TO AIM XXXI

The current AIM class is managing the portfolio through the economic turmoil fueled by historically low interest rates, high unemployment, and the possibility of a double dip recession. Overseeing the 27 analysts are Professors Jerry Langley, Frank Reilly, Ed Trubac, and Scott Malpass, who have guided the class and shared financial knowledge to help insure the continued success of the portfolio. Analysts just finished their first round stock valuations and recently selected a second stock.

In September, the AIM class took a trip to Chicago to learn more about financial career opportunities and have dinner with AIM alumni. The class will be traveling to New York City to do the same November 5-7 during the football bye week.

Current Class Profile

Last Name	First Name	Email	First Company	Ticker	Second Company	Ticker
Brooke	Brian	bbrooke@nd.edu	Sotheby's	BID	Zagg, Inc.	ZAGG
Clark	Chelsea	cclark12@nd.edu	Abbott Labs	ABT	Chiquita Brands Int'l.	CQB
Colianni	Martin	mcoliann@nd.edu	Amazon	AMZN	Whirlpool Corp.	WHR
Conklin	Kaitlin	kconkli1@nd.edu	Hansen	HANS	Dresser-Rand Group Inc.	DRC
Corcoran	Matthew	mcorcor3@nd.edu	General Dynamics	GD	Choice Hotels Int'l.	CHH
DeBoer	Tyler	tdeboer@nd.edu	Apple	AAPL	Canadian National Railway	CNI
Delaney	Matthew	paustin@nd.edu	Morningstar	MORN	FedEx	FDX
Fahrenbach	Eric	efahrenb@nd.edu	Newmont Mining	NEW	Symmetry Medical	SMA
Flaherty	John	jflaher2@nd.edu	DaVita	DVA	Spectra Energy	SE
Friel	Thomas	tfriel@nd.edu	Activision-Blizzard	ATVI	Network Appliances	NTAP
Goode	Nicholas	ngoode@nd.edu	UnitedHealth Group	UNH	Hercules Offshore	HERO
Haddad	Thomas	thaddad@nd.edu	Gilead Sciences	GILD	Cal-Maine Foods, Inc.	CALM
Hinckley	James	jhinckl2@nd.edu	Paychex	PAYX	The Greenbrier Companies	GBX
Idaszak	Joseph	jidaszak@nd.edu	Insituform	INSU	J. Crew Group	JGG
Li	Susan	yli10@nd.edu	NeuStar	NSR	Options Express	OXPS
Mack	Ryan	rmack@nd.edu	Perrigo	PRGO	Cisco Systems	CSCO
O'Brien	Kevin	kobrie13@nd.edu	Coca Cola	KO	Potash Corp.	POT
Pappas	James	jpappas1@nd.edu	Republic Services	RSG	Global Payments Inc.	GPN
Patton	Ryan	rpatton2@nd.edu	Google	GOOG	Astec Industries, Inc.	ASTE
Roggeveen	Richard	rroggeve@nd.edu	International Gaming Technology	IGT	Urban Outfitters	URBN
Santrach	Stephen	ssantrac@nd.edu	Diamond Foods	DMND	Alaska Air Group	ALK
Smith	Jack	jsmith49@nd.edu	Walgreens	WAG	Dreamworks Animation	DWA
Straccia	William	wstracci@nd.edu	ComScore	SCOR	Cree Inc.	CREE
Sturm	Patrick	jsturm@nd.edu	Brandywine Realty Trust	BDN	Archer Daniels Midland	ADM
Sullivan	Jessica	jsulli10@nd.edu	Ecolab	ECL	Royal Caribbean Cruises	RCL
Weeldreyer	Eric	eweeldre@nd.edu	Alliant Techsystems	ATK	Chevron Corp.	CVX
Zumot	James	jzumot@nd.edu	Chubb	CB	Acme Packet Inc.	APKT

Chicago Trip

On September 15th, the AIM class traveled to Chicago to dine with over 40 AIM alumni at Maggiano's Little Italy. After all had eaten their fill, the AIM alumni introduced themselves and offered words of wisdom to the current analysts about careers after school and ways to enjoy their senior year. AIM XXXI is very thankful that so many alumni took the time to join us for dinner.

The next day, the class visited with four firms in Chicago: Alliance Capital, Rail-Splitter, Goldman Sachs, and Bain & Company. We began the day by visiting with Joe Elegante and Jason Ley at the office of Alliance Capital. Joe provided insights into his investment philosophy as a portfolio manager of a US Large Cap Growth portfolio and answered questions about stocks in the current portfolio. Next, we traveled to the Sante Fe building where we met with John Souter of Rail-Splitter Capital Management, a long/short equity hedge fund. John discussed his approach to research and investing and shared lessons he has learned. We then went to Goldman Sachs where we were treated to a working lunch and panel that discussed different areas and functions of Goldman and the challenges to the economy going forward. The panelists included Ted Reilly, Gabe Cahill, Katie Lacz, and Nick Scodro. We concluded the day at Bain & Company, where we received a tour of their offices and a presentation by David Thurlow regarding the advantages of a career in strategic consulting and the unique approach of Bain. AIM XXXI is grateful to all the people who hosted us and we look forward to our trip to New York City in November.

Alumni Updates

Michael Zinser, AIM III, Notre Dame '97

Michael has worked for Boston Consulting Group since graduating and is currently a Partner and Managing Director in BCG's Chicago office. Michael described his work and responsibilities as follows:



“As a strategy consultant, my job is to help companies, typically Fortune 100 companies, create competitive advantage for their businesses. I typically work with Industrial companies, and spend most of my time helping companies with manufacturing and supply chain strategies. One area that you may be familiar with is Lean Manufacturing -- I help companies design and execute Lean programs. More broadly, I am responsible for BCG's relationships with our clients senior management, helping them to think about their agenda for building shareholder value and creating competitive advantage. My AIM background has been very valuable in my work, particularly when I try to ensure that our work with our clients is having an impact on the company returns to shareholders, and when I support due diligence prior to mergers and acquisitions and post-merger integrations.”

Michael took two years off from BCG to attend Stanford's Graduate School of Business, graduating in 2002. Michael and his wife Michele recently had a daughter, Samantha, who will celebrate her first birthday at the ND-USC game this year. The Zinser family recently moved to Los Angeles and Michael is a long-distance commuter to the office in Chicago.

Alumni Updates Continued

Michael Aubrey, AIM IX, Notre Dame '00

Michael is currently a Co-President of StatLab Medical Products, a laboratory supplies and equipment provider out of McKinney, TX. After graduating from Notre Dame, he was initially an investment banker at Salomon Smith Barney/Citigroup, then a CEO of Park-Rite, a parking lot facility management company that he acquired in 2003, and then a co-founder of Caldera Capital Partners where he ran a search fund.

As the Co-President of StatLab Medical Products, Michael is a business partner with Dan Henn, a Notre Dame graduate in 2000 and a classmate of Michael's in AIM IX.

Guests and Visitors

Brigade Capital Management

On September 10th, Doug Pardon (AIM XI) of Brigade Capital gave a fantastic look into the distressed debt market over the past three years and took the class through the criteria he uses when assessing potential investments. Brigade Capital is an investment advisory firm that specializes in long/short credit, distressed debt, and traditional high yield.

Grosvenor Capital Management

On September 13th, the class welcomed Nick Parrish, Greg Salter (AIM XXIX), and Emily King from Grosvenor, an alternate investment industry leader that acts as a fund of hedge funds for institutions. Nick provided a great overview of the hedge fund industry and the unique advantages of investing in hedge funds. Emily and Greg introduced the class to the Associate program at Grosvenor.

Sankaty Advisors

On September 24th, the class hosted Jon Leisinger (AIM XIX), Timothy Scallen (AIM XXVII), and Robert Hellauer (AIM XXIX) from the Chicago office of Sankaty. Sankaty Advisors is the credit affiliate of Bain Capital and specializes in leveraged loans, high-yield bonds, distressed/stressed debt, mezzanine debt, and structured products and equities. They provided an excellent view of the work being done at Sankaty and the opportunities at the firm.

PNC

On October 8th, Jim Rohr, CEO of PNC Financial Services Group, joined us for an interactive round of Q & A. Mr. Rohr has worked at PNC for over 35 years and rose to the position of CEO in 2000 and chairman in 2001. He was named "Banker of the Year" by American Banker in 2007. Mr. Rohr led an entertaining and informative conversation on financial regulation, the state of the economy, his responsibility to stakeholders, and the challenges of being CEO at a Fortune 500 company. He also spoke about the uniqueness of the Notre Dame community and how honored he is to serve the University as a trustee. The class sincerely appreciated the opportunity to learn from him.

Economic Outlook

Starting off, we will briefly discuss some current economic events. We will consider several main drivers, including jobs, savings, and inflation.

Recent Economic Events

In contrast to signs that the economy may actually be turning around, the Consumer Confidence Index fell to 48.5 in September, its lowest level in seven months. In addition, the dollar is expected to have its worst quarter since 2002 in the third quarter. This is caused by expectations that the Fed will further ease US monetary policy, resulting in a depreciation of the dollar versus many currencies, including the yuan and yen. In addition, the OECD reduced the US economic growth forecast from 3.2% to 2.6% for 2010 and commented that unemployment may not return to its pre-recession levels until early 2013.

Unemployment and the Labor Market

The Bureau of Labor Statistics September Employment Situation report indicated that nonfarm payroll employment decreased by 95,000—government employment dropped by 159,000 and private-sector payroll employment increased by 64,000. Unemployment remained unchanged at 9.6% and the marginally attached rate of unemployment rose from 16.7% to 17.1%. Overall, the September employment situation is relatively unchanged from August and the economic uncertainty continues to defer private hiring.

Savings

Due to the financial crisis beginning in late 2007, unemployment and economic uncertainty grew dramatically and caused consumers to increase the rate of which they save. Between 2007 and 2010, the savings rate has increased from around .6% to 4.7%. This effect is primarily driven by employment, consumer spending, and consumer confidence. Look for the personal savings rate to peak in late 2010 and early 2011 before a slow decline to about 3.5% in 2014.

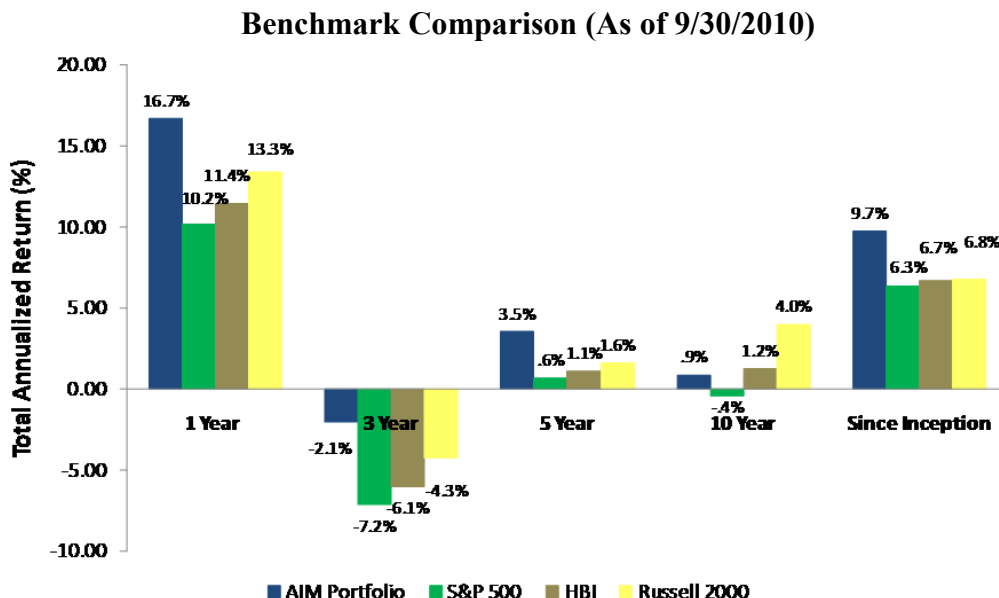
Inflation

The inflation rate for August 2010 was 1.15%, slightly lower than July's 1.2%. In recent months, the inflation rate has been below the Fed's informal target between 1.5% and 2%. Earlier this year, International Monetary Fund chief economist Olivier Blanchard said that doubling the inflation target to 4% from 2% wouldn't be risky. In the past week, two Fed officials brought up the topic of lifting inflation above the target to push real interest rates down and encourage consumers and businesses to save less and spend more. However, Ben Bernanke has repeatedly said that raising inflation goals would be to a drastic measure that isn't appropriate for the U.S.

Portfolio Performance

Benchmark Comparison

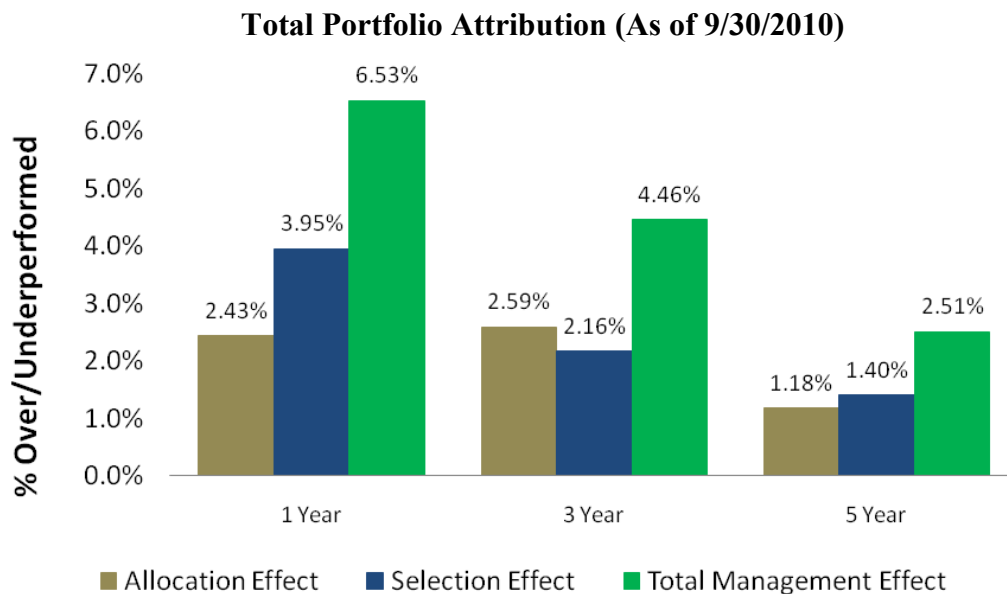
The AIM portfolio has outperformed its benchmarks in all of the selected time periods. Although the fund still remains slightly below its high water mark touched in 2007, it has recovered more of its value than the S&P 500.



Note: The HBI index is composed of 65% S&P 500 and 35% Russell 2000.

Portfolio Attribution Analysis

The portfolio attribution analysis reveals that the AIM portfolio has outperformed the S&P 500 in each of the selected time periods through a combination of the allocation effect and impressive security selection. The selection effect has been the primary driver of outperformance over the last year, but our allocation has also been an important contribution. Both the selection and allocation effects have played a role in the increase of total management effect in recent years.



Note: Over/Underperformance is relative to the S&P 500.

Portfolio Performance Continued

Portfolio Positions

The AIM portfolio composition remains the same as last quarter. The summary of the portfolio valuation indicates that the fund's largest stock holding is in COMSCORE (SCOR) which has experienced an increase of nearly 40% over the last six months. The fund's smallest holding is International Game Technologies (IGT) which is down 25% over the last six months.

Portfolio Positions (As of 10/8/2010)

Stock	Ticker	Shares	Price	Value	% of Portfolio
Apple	AAPL	800	\$294.07	\$235,256	4.61%
Abbott Labs	ABT	3,600	\$52.81	\$190,116	3.73%
Alliant Techsystems	ATK	2,300	\$73.75	\$169,625	3.33%
Activision-Blizzard	ATVI	15,800	\$11.11	\$175,538	3.44%
Brandywine Realty Trust	BDN	14,500	\$12.11	\$175,595	3.44%
Chubb	CB	3,400	\$56.33	\$191,522	3.76%
Diamond Foods	DMND	4,300	\$41.27	\$177,461	3.48%
DaVita	DVA	2,900	\$72.14	\$209,206	4.10%
EcoLab	ECL	4,000	\$51.64	\$206,560	4.05%
Gilead Sciences	GILD	4,200	\$36.33	\$152,586	2.99%
Google	GOOG	320	\$536.35	\$171,632	3.37%
General Dynamics	GD	2,500	\$63.37	\$158,425	3.11%
Hansen	HANS	5,200	\$47.19	\$245,388	4.81%
International Gaming Technology	IGT	10,100	\$14.69	\$148,369	2.91%
Insituform	INSU	7,200	\$24.95	\$179,640	3.52%
Coca-Cola	KO	3,500	\$59.41	\$207,935	4.08%
Morningstar	MORN	4,000	\$46.34	\$185,360	3.64%
Newmont Mining	NEM	3,600	\$62.89	\$226,404	4.44%
NeuStar	NSR	7,200	\$24.30	\$174,960	3.43%
Paychex	PAYX	6,100	\$27.48	\$167,628	3.29%
Potash	POT	1,670	\$145.80	\$243,486	4.78%
Perrigo	PRGO	3,100	\$66.43	\$205,933	4.04%
Republic Services	RSG	6,600	\$31.22	\$206,052	4.04%
ComScore	SCOR	11,000	\$22.85	\$251,350	4.93%
ProShares UltraShort Financials*	SKF	280	\$19.03	\$5,328	0.10%
ProShares UltraShort Telecommunications*	TLL	190	\$10.45	\$1,986	0.04%
United Health	UNH	6,200	\$34.35	\$212,970	4.18%
Walgreens	WAG	5,000	\$33.98	\$169,900	3.33%
SPDRs				\$52,583	1.03%
Total AIM Portfolio				\$5,098,794	100.00%

* SKF and TLL are ETFs comprising a long/short hedge position