



AIM Quarterly

AIM XXIV

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AIM XXIV Update

As the AIM XXIV analysts prepare for graduation we reflect back on the wonderful experience we had as members of AIM XXIV. The hands on training, exposure to many facets of investment management, and the opportunity to meet with top-tier investment managers has been both insightful and educational as we now embark on the beginning of our own professional careers.

At this time we extend our gratitude to professors McDonald, Langley, Reilly and Malpass as well as the Investment Office and the Advisory Board for their time, effort and dedication to the AIM program. You have made this experience one we will never forget.

We would also like to take this opportunity to welcome the new AIM analysts. We have voted in the new portfolio and are excited to give you the opportunity to represent the University of Notre Dame as AIM XXV.

PORTFOLIO OVERVIEW

The AIM portfolio returned 1.49% versus the benchmark S&P 500 index return of 0.66% in 1Q'07. In addition to the S&P 500, we also benchmark the portfolio against the Russell 2000, as our portfolio currently has a 25% weight in securities with a market capitalization of less than \$5B. The Russell 2000 was up 1.95% for 1Q'07. Top performers for the quarter were Gilead Sciences, Coach, XTO Energy, and Getty Images with returns of 22.2%, 21.6%, 19.6%, and 17.3 %, respectively. The worst performers were Symantec and Amgen with losses of 16.1%, and 12.0%, respectively. The negative performance in Symantec was due to concerns over merger synergies. Amgen's performance was a reflection of drug safety concerns for two key compounds. Over the 5-year period, the AIM portfolio outperformed the S&P 500 with returns of 8.77% versus 6.8%.

ALUMNI UPDATES

Mark Lawrence, CFA (AIM VI)

Mark is a Managing Director at Stanfield Capital Partners, located in New York, NY. At Stanfield Mark is an industry analyst who focuses on investments for an opportunistic credit hedge fund. Mark has been with Stanfield since 2003. Mark is married to Nicole Cook a Notre Dame undergraduate from the Class of 1996. Currently Nicole is a Vice President at PPM America, a US investment Manager.

Chris Bastek, CFA (AIM VI)

Chris is a Senior Vice President at Lehman Brothers in New York, NY. Chris has been with Lehman since his graduation from the Notre Dame MBA Program in 1998. Chris is responsible for equity institutional sales covering both Hedge and Mutual Funds.

Mark Haak (AIM VIII)

Mark is a Vice President at ING in Scottsdale, AZ. Mark has been with ING since his graduation from the Notre Dame MBA program in 1999. At ING Mark serves as a Portfolio Manager. Mark's group, which manages approximately \$9Bn in Senior Debt, has become the Global Loan Platform for ING.

CJ Lanktree (AIM XI)

After graduating from Notre Dame in 2001 CJ joined Salomon Smith Barney in the Telecom Investment Banking Group. In 2003 he transitioned to Deutsche Bank in New York, NY as a research analyst in the Distressed Trading Group. Currently CJ serves as Assistant Portfolio Manager for all U.S. business and Portfolio Manager for Latin American Business on Deutsche Bank's Proprietary Distressed Trading Desk.

(Jennifer Kleine, AIM XII)

Jennifer is a Vice President at Davidson Kempner. Davidson Kempner is an asset management firm where Jennifer is responsible for North American Fund Raising. Jennifer graduated from Notre Dame in 2002.

Greg Hiltz (AIM XXI)

Greg graduated from Navy Supply School in Athens Georgia on March 16, 2007. He has received orders to the Navy's newest Seabees unit in Gulfport, MS. He is excited to serve with a community that has adopted the reconstruction mission in Iraq along with humanitarian reconstruction in Asia and Africa.

BOSTON TRIP

Thanks to the thoughtful planning of the Notre Dame Investment Office, this semester's AIM excursion to Boston was an enormous success. The trip started off on a slow note with a 2 hour flight delay out of O'Hare, which the AIMers considered a good trade as the delay presented a fantastic opportunity to enjoy some of the NCAA's Sweet 16 action. After touching down at 2:30AM in the legendary baseball town, the class quickly found their beds in preparation for a full day of meetings with some of the city's top financial firms.

The group's first meeting of the day was with the U.S. Small and Micro-cap Equity fund, Rutabaga Capital Management, given its name for its unique ability to unearth profitable trades often overlooked by the general market. When analyzing potential trades, Rutabaga has a unique three pronged investment philosophy of evaluating a stock's potential value enhancement, mean regression fundamentals, and exploitable behavioral biases. Over the years, this unique approach has enabled the fund to successfully uncover some uncommon, yet highly profitable trades.

Second on the group's agenda was Sankaty Advisors, the credit and fixed income affiliate of Bain Capital. Sankaty Advisors manage \$17B in committed capital and invest in a wide variety of instruments which include leveraged loans, high yield bonds, distressed debt, mezzanine debt, structured products and equities. A general philosophy employed by the funds managers at Sankaty is to avoid market timing in favor of successfully investing through credit cycles. This guideline forces the team to focus on great companies at good prices, as they seek attractive spreads relative to borrowing costs.

Following the meeting with Sankaty, AIM XXIV found its way over to Mellon Asset Management for a working lunch with the firm's Vice Chairman and CEO, Ron O'Hanley. The lunch meeting focused on the impact the aging society has on stock market returns, and highlighted the incumbent change in demographics and the appropriate return expectations associated with the aging US population. According to the information provided by Mellon, the tailwind from this demographic change is expected to yield a -1.7% in US stock markets from 2005 – 2015.

After a very interesting conversation with the folks at Mellon, the AIMers made their way over to Berkley Street to meet with the Venture Capital and Private Equity behemoth, Summit Partners. At Summit, the group enjoyed a casual and open discussion with Notre Dame alumni Pete Connolly and Ryan Sweeney. The pair spoke candidly on their experiences working in the current Private Equity environment. Both seem to be enjoying the current environment of cheap credit.

The group's final meeting for the day was with Martingale Asset Management, a 100% employee owned firm with over \$5B invested in US equities. Martingale investment decisions are based on a process known as the "Three Legs of the Stool". This strategy includes systematic quantitative evaluation, disciplined portfolio construction, and low cost trading. Martingale was the final meeting on the group's agenda for the day, and after a quick intermission at the hotel, the team made their way to Anthony's Pier 4 for a fantastic dinner filled with giant Maine lobsters and legendary clam chowder as only the Bostonians know how to make.

Finally, after an eventful night out in Boston, AIM XXIV awoke on Saturday morning to a breakfast meeting with Geologic Resources, a long/short equity fund focused on the natural resource sector. Our host, Mr. George Ireland, graphically detailed the process of evaluating a successful Natural Resource company to the group which consisted of identifying industry trends, accurately assessing management's capabilities, and always respecting market exuberance. Mr. Ireland has invested in resource stocks for over 25 years and despite his regrettable decision to attend the University of Michigan for his undergraduate studies, he should definitely be considered one of the foremost authorities in the Natural Resource sector.

Following the Geologic Resources presentation, the AIMers were given the rest of the afternoon off to enjoy the city's rich cultural and historical significance. Later that evening, the group reconvened at the Langham Hotel for an AIM Alumni reception and dinner. The group enjoyed an evening of networking with fellow alumni and learned a great deal about their experiences after leaving Notre Dame. The night was a huge success and capped off a very educational and enjoyable trip.

ECONOMIC SNAPSHOT

Housing continues to be a concern for the economy. While the risk of the sub-prime market crisis leaking into the broader economy appears to be overblown in the media, the combination of higher mortgage rates, driven up by stronger than expected employment numbers in March and declining values in some of the most overpriced regions may have a negative effect on overall wealth. This wealth effect may exert downward pressure on consumer spending and GDP growth.

Real GDP growth was 3.3% in 2006 (versus 3.2% in 2005). Estimated GDP growth for 1Q'07, and 2Q'07 is 2.5%, and 2.4%, respectively. 2007 GDP growth is expected to be weaker than 2006 due to decreased housing construction and decreased output from US automakers. Broader expectations for the world economy, however, remain robust and any weakness in US economic growth may be offset by continued international economic expansion.

The unemployment rate was down to 4.4% in March on the creation of 180,000 new jobs. Construction jobs rebounded in March with the exception of residential housing construction, which continued to lose jobs. This rebound was after significant losses in February. February's losses were a result of bad weather. Manufacturing experienced its 9th consecutive month of job losses in March, losing an estimated 15,000 jobs overall (source: US Dept. of Labor).

As of April 26, 2007 the spot price per barrel of oil was \$65.06. There are several factors contributing to the increase in oil prices. Fundamentally, demand for oil is expected to increase by 1.5mm bbl/d in 2007 and 1.6mm bbl/d in 2008 (50% of this demand is from US and China) while oil supply will be constrained by decreasing inventories and bottlenecks at refineries.

Going forward, weakness in the housing market, which may impact consumer spending, and inflationary pressures, particularly from rising food and energy prices, and rising employment figures, create stagflation concerns. It appears the Fed will continue to hold rates steady in the short run, however, upcoming releases on consumer spending and housing starts may impact medium-run decision making.

PORTFOLIO UPDATE

On April 16, 2007 AIM XXIV analysts completed the valuation of their securities and made the buy/sell recommendations to their colleagues. The portfolio was reconfigured on April 18th and ten stocks were sold out of the portfolio and replaced by ten new positions. The class voted to continue its hedging strategy, however AIM XXIV voted to end both its short position (Consumer Discretionary) and long position (Energy) in Sector SPDRs in favor of Proshares TR Ultrashort Real Estate (SRS), and Proshares TR Ultra Oil & Gas (DIG). The class also voted to reduce its position in Cabelas (CAB) by 1500 shares.

Sell	Shares	Price	Buy	Shares	Price
BID	5000	46.62	EGY	30000	5.31
XXIA	10400	9.05	LOOP	8000	16.04
WU	8000	22.99	PEP	2400	65.93
GILD	2000	82.39	PPDI	4500	36.49
MCO	2200	68.23	HURN	2500	64.1
MCD	3400	48.63	CAKE	6200	25.82
XTO	3000	54.61	MHP	1000	63.67
C	2840	53.22	XRAY	4200	32.85
COH	4000	52.13	PPL	3200	44.05
CAB	1500	24.07	NTRI	2800	54.77
			NOC	1800	75.87
			SRS	38	75.96
			DIG	38	79.86

NEW STOCKS:

The Cheesecake Factory Inc. (Cake) operates upscale casual dining restaurants under the Cheesecake Factory and Grand Lux Cafe marks in the United States. The company has 123 and 9 restaurants under the Cheesecake Factory and Grand LuxCafe concepts, respectively. Store growth is the primary focus of the company as approximately 20 new restaurants are opened annually. CAKE separates itself from the competition through offering a diverse menu of high quality items at a reasonable price within a luxurious setting.

Dentply International, Inc. (XRAY) is the global market leading designer, developer, manufacturer, and distributor of dental products, including dental consumables, dental laboratory products, and specialty dental products. The firm has over \$1.8B in sales, approximately 2,000 patents, operations in over 120 countries, and over 8,500 employees worldwide. Over the past 10 years, the company has grown revenue and net income at a CAGR of 10.7% and 12.8%, respectively.

Huron Consulting Group, (HURN) Founded in 2002 from the break-up of Arthur Andersen, Huron Consulting Group Inc. is an independent provider of financial and operating consulting services to a range of firms and industries including financially sound and distressed organizations ranging in size from Fortune 500 through medium sized businesses, academic institutions, healthcare and pharmaceutical firms, and the law firms that represent them.

Loopnet Inc (LOOP) operates the number one online marketplace for commercial real estate in the United States. Its online marketplace, LoopNet.com enables commercial real estate agents working on behalf of property owners and landlords to list properties for sale or for lease by submitting detailed property listing information, including descriptions, financial and tenant information, photographs, and property characteristics in order to find a buyer or tenant. As of March 31, 2007, LoopNet had over 2 million members listing over \$400 billion in properties.

NutriSystem, Inc. (NTRI) is a leading provider of weight management products, with sales of \$568M and a market cap of \$2.0B. The company offers dieters a portion controlled, prepared meal program. Customers purchase monthly food packages that contain a 28 day supply of breakfast, lunches, dinners and desserts. Each meal ranks low on the glycemic index. Sales grew 459% in 2005 and 167% in 2006.

Northrop Grumman Corp. (NOC) is a \$30 billion global provider of technologically advanced products and services governing the entire defense spectrum. Northrop Grumman's business areas include information & services, electronics, aerospace and ships.

Pepsico (PEP) is a global snack and beverage company with a market-cap of \$109B. The company has a strong portfolio of brands, seventeen of which have annual revenue in excess of \$1B. This strength will help this seize the international opportunities as revenues and earnings should continue to grow in the coming years

Pharmaceutical Product Development Inc (PPDI) is a leading, global contract research organization, providing drug discovery and development services, post-approval expertise, and compound partnering programs to biotech, pharmaceutical and medical device companies as well as government and academic institutions.

PPL Corp. (PPL) is an energy and utility holding company that is headquartered in Allentown, PA. Through its subsidiaries, the company generates electricity from power plants, markets wholesale or retail energy, and delivers electricity to approximately 5.1 million customers in PA, and internationally. PPL provides energy services for businesses in the Mid-Atlantic and Northeastern U.S. and has a subsidiary in PPL Gas Utilities. PPL Gas Utilities operates a natural gas distribution and propane service to approximately 110,000 customers.

Vaalco Energy (EGY) is an oil production company based out of Texas. Vaalco has both onshore and offshore rigs off the coast of West Africa in the countries of Gabon and Angola. Their business strategy is to lease oil fields and then completely outsource the oil production. This strategy allows Vaalco to cost effectively pull the oil from the ground. Vaalco has a market cap of \$340M on revenues of \$98M.

AIM Portfolio holdings (as of 4/24/2007)

Company Name	Ticker Symbol	# of Shares	Price Base	Weight	Total Value	Analyst
AMGEN INC	AMGN	2,100	\$61.97	3.21%	\$130,137	Alex Hock
BARRICK GOLD CORP	ABX	5,700	\$28.86	4.06%	\$164,502	Luke Obholz
BJ SERVICES	BJS	4,800	\$29.73	3.52%	\$142,704	Ian Ferreira
CABELAS INC	CAB	5,000	\$24.22	2.99%	\$121,100	Richard Vega
CHEESECAKE FACTORY	CAKE	6,200	\$26.16	4.00%	\$162,192	Eric Filipovitz
DELL INC	DELL	6,000	\$24.99	3.70%	\$149,940	Carson Rasmussen
DENTSPLY	XRAY	4,200	\$33.09	3.43%	\$138,978	Chad Lyne
EXXON MOBIL	XOM	2,450	\$79.76	4.82%	\$195,412	Eric Filipovitz
GETTY IMAGES	GYI	3,500	\$51.35	4.43%	\$179,725	Tyler Ventura
HURON CONSULTING	HURN	2,500	\$64.23	3.96%	\$160,575	Adam Fennel
LOOPNET INC	LOOP	8,000	\$16.16	3.19%	\$129,280	Eric Keto
MCGRAW HILL	MHP	2,500	\$64.16	3.96%	\$160,400	Mo Sabet
MEDTRONIC INC	MDT	3,000	\$52.34	3.87%	\$157,020	Brad Phillips
MORGAN STANLEY	MS	2,000	\$82.91	4.09%	\$165,820	Matt Quarello
NORTHROP GRUMMAN	NOC	1,800	\$76.10	3.38%	\$136,980	Sara Park
NUTRI SYSTEMS	NTRI	2,700	\$54.65	3.64%	\$147,555	Brad Phillips
PEPSICO INC	PEP	2,400	\$66.65	3.95%	\$159,960	John Loesch
PETSMART	PETM	5,600	\$33.45	4.62%	\$159,960	Adam Fennel
PHARMACEUTICAL PROD DEV	PPDI	4,500	\$36.04	4.00%	\$187,320	Tyler Ventura
PPL CORP	PPL	3,200	\$44.50	3.51%	\$162,180	Erin Gilroy
SYMANTEC CORP	SYMC	7,500	\$17.63	3.26%	\$142,400	Ken Levine
SYSCO CORP	SYI	4,100	\$33.69	3.41%	\$132,225	Erin Gilroy
TUPPERWARE BRANDS	TUP	5,555	\$25.90	3.55%	\$138,129	John Loesch
UNITED HEALTH GROUP	WNH	3,700	\$53.20	4.86%	\$143,874	Eric Haley
VAALCO ENERGY	EGY	30,000	\$5.62	4.16%	\$168,600	Scott Adams
WHIRLPOOL CORP	WHR	1,800	\$90.47	4.02%	\$196,840	Eric Keto
PROSHARES TR ULTRASHORT RL EST		38	\$75.00	0.07%	\$2,850	AIM XXIV
PROSHARES TR ULTRA OIL & GAS		38	\$82.94	0.08%	\$3,152	AIM XXIV
Cash and Cash equivalents				0.29%	\$11,611	AIM XXIV
Total				100.00%	\$4,051,421	