



AIM Quarterly

AIM XXIII
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aim.nd.edu

Welcome to AIM XXIII

By: Trent DeBruin

This year's AIM XXIII class has worked hard to meet the demands of a challenging semester. We are currently in the thick of the job search, and are working to strike a balance between academics and interviews. One highlight of AIM so far has been the Chicago Trip, which took place September 6-7. Also, the class just finished final valuations for first stocks, and analysts are currently considering options for second stocks. Second stock proposals are due immediately following our return from fall break, on October 23.

PROFILE OF AIM XXIII

By: Pat Sullivan

This semester's AIM class features 26 undergraduates from 14 states and 4 countries. Two students are currently following stocks not in the portfolio: Intel and McGraw Hill. Two students have dropped the class, leaving two stocks currently uncovered: Headwaters and Quicksilver. For additional information please check the AIM website (aim.nd.edu).

Name	Home Town	Email	Company	Ticker
Brendan Barrett	Short Hills, NJ	bbarret2	Websense	WBSN
Jonathon Brewis	Dearborn, MI	jbrewis	Coach	COH
Matthew Byrnes	Morris Plains, NJ	mbyrnes1	McDonald's	MCD
James Calderbank	Waynesville, NC	jcalderb	Citi Trends	CTRN
Viviana Castro	Bogota, Colombia	scastr01	Amgen	AMGN
Rodolfo Chiari	Panama, Rep of Panama	rchiarig	Intel*	INTC
Ryan Curley	River Edge, NJ	rcurley1	International Speedway	ISCA
Trent DeBruin	Lake Mills, WI	tdebruin	BJ Services	BJS
Lataros Graves	Dolton, IL	lgraves	Morgan Stanley	MS
Matthew Haggerty	Novi, MI	mhaggert	United Health Group	UNH
Kevin Johnson	Los Angeles, CA	kjohnso8	Sysco	SYU
Katie Lacz	Little Falls, NJ	klacz	Tupperware Brands	TUP
Brian Lasky	Delmar, NY	blasky	Herman Miller	MLHR
Ted Lawless	Morristown, NJ	flawless	Barrick Gold	ABX
Leigh Madeira	Wyncote, PA	lmadeira	Dell	DELL
Thomas Mahoney	Birmingham, AL	tmahoney	Sanderson Farms	SAFM
Michael McInerney	Oakbrook, IL	mmciner2	Standard Parking	STAN
Megan Regan	Wilton, CT	mregan2	McGraw-Hill*	MHP

Andrew Sheedy	Houston, TX	asheedy	Anheuser-Busch	BUD
Pat Sullivan	Des Moines, IA	psulliv3	Moody's Corporation	MCO
Chris Tarnacki	Marshall, MI	ctarnack	Medtronic	MDT
Shelton Tsui	Hong Kong	stsui	Exxon Mobil	XOM
Rachel Warford	Bismarck, ND	rwarford	Ixia	XXIA
Andrew Wiechkoske	Spring, TX	awiechko	Bluegreen	BXG
Andrew Winslow	Warminster, PA	awinslo1	PetsMart	PETM
David Zychinski	St. Louis, MO	dzychin1	Citigroup	C

* Currently not in Portfolio

Alumni Updates

By: Tom Mahoney

Ryan Brady:

Ryan was a member of AIM XIX and is currently a second-year analyst at CIBC in the Consumer and Business Services Investment Banking group. Erik Endler (AIM VII alum) is a Director in the group. During his time in AIM, Ryan analyzed Trex, which was kept in the portfolio at the time, but was smartly sold the next semester. His second stock was eBay, which was not brought into the portfolio. His advice to current AIM students is to take advantage of everything AIM has to offer, especially the networking opportunities, and most importantly enjoy senior year - it will go by way too fast.

Matthew Curtis:

Matthew was a member of AIM IX and is currently a Vice President within Credit Hedge Fund Sales for Goldman, Sachs and Co. During his time in AIM he covered JLG Industries, a construction equipment company, and HOG, Harley-Davidson Inc. Matthew has this advice for the current AIM students: stay very open minded about careers for which AIM prepares you, because the financial markets continue to evolve and new markets, strategies, and products develop in which AIM students can make a big difference. Also keep in touch with former AIM students for any help that you may need.

Erik Endler:

Erik is a Director in the Consumer and Business Services Investment Banking group at CIBC in Baltimore. In AIM VII he analyzed Danaher and RPM Inc. He advises current AIM students to at least consider investment banking as a career opportunity. It appears AIM students are focused on money management and are not even considering banking.

Juan Diego Vargas:

As a member of AIM XVIII, Juan Diego covered Exxon and Juniper Networks. Currently he is an analyst at Morgan Stanley's Financial Sponsors group. He will be moving to First Reserve Corporation in August, 2007. His advice for AIM students is to treasure the time spent with Professors Affleck-Graves, Langley, Malpass, Reilly, and Trubac, because they are outstanding individuals and have a unique passion for finance and the AIM class. Consult your goals with them, as they are the most important component of Notre Dame's connection with the financial world. Also, befriend every single one of your classmates - the ability to have a Notre Dame grad to relate to on both professional and moral grounds is invaluable.

Brian Wrona:

Brian is an Investment Analyst with the University of Notre Dame Investment office. He is on the public equity team and focuses on U.S. and non-U.S. long-only strategies. During his time in AIM XXI he analyzed Moody's Corporation and Black Hills Corporation. He advises current AIM students to keep an open mind and be flexible with your post-Notre Dame Graduation plans. Sometimes the best

opportunities come from the most unlikely and/or unconventional areas. Make sure you find an opportunity that surrounds you with intelligent, driven people who are willing to help you increase your financial knowledge base. Your education should not stop after Notre Dame.

Chicago Trip

By: Katie Lacz

From September 6th to 7th, AIM XXIII visited Chicago to meet with alumni and other practicing professionals. We arrived Wednesday evening and dined at Maggiano's Little Italy with fifty AIM alumni, including colleagues from the AIM I. The next day our class met with four companies: William Blair & Company, Thor Equities, Madison Dearborn, and Alliance Capital. We met with William Blair's Corporate Finance department which provides public and private corporations with comprehensive capital formation and advisory services. Thor Equities is a real estate acquisition and development company. We were given a tour of their most recent acquisition, the Palmer House. Madison Dearborn, one of the largest private equity investment firms, pursues opportunities that can be categorized as either management buyouts or structured growth equity transactions. The last firm, Alliance Bernstein, provides diversified investment management services to institutional clients, high-net-worth individuals, and retail investors worldwide. All of the companies gave very thorough presentations providing AIM XXIII with unique insights into each firm and industry.

Current Portfolio Overview

By: Trent DeBruin

The AIM Portfolio has experienced a rate of return of 2.00% year to date, compared to 8.16% by the benchmark S&P 500. Portfolio returns have been hurt by underperformance from small cap positions, as well as negative performance from the consumer discretionary sector, which represents 30.77% of the portfolio. The portfolio fared especially poorly during a three-month stretch early this summer, returning -1.4% in April, -4.3% in May, and -2.8% in June. Since being added to the portfolio, the top five performing stocks have been: Moody's (+139.4%), Exxon Mobil (+82.5%), Petsmart (+60.8%), McDonald's (+54.5%), and Morgan Stanley (+51.8%). Alternatively, the bottom five performing stocks have been: Dell (-44.0%), Ixia (-34.1%), Headwaters (-19.5%), Websense (-16.6%), and Sanderson Farms (-14.7%). There has been in-class discussion regarding the possibility of liquidating the Dell position. We have also considered selling Sanderson Farms and Herman Miller, as recent stock price jumps have presented favorable exit opportunities. Finally, when selecting second stocks, the class will attempt to trim consumer discretionary exposure to make the portfolio more balanced.

US Economic Outlook

By: Viviana Castro

On August 8th, the Federal Reserve announced its decision to keep the federal funds target rate at 5.25%, after 17 continuous rate hikes of 25 basis points since June of 2004. The decision came as a result of various economic indicators signaling a slowing economy and a cooling of the housing market. Annualized GDP growth was 2.9% during the second quarter, down from 5.6% in the first quarter of 2006. Productivity growth, an indicator of potential future economic expansion, was 1.1% for the 2nd quarter, down from 3.8% for the same period of 2005.

Despite a slowing economy, inflation remains a concern. Core PCE inflation was 2.5% in the past twelve months, the fastest yearly increase since 1995. This rate of inflation falls outside of the Fed's 1-

2% comfort zone, potentially leading to future rate increases. Second quarter unit labor costs rose by 5%, their fastest increase since 1990 and yet another indication of inflation risks.

Despite troubling inflation rates, we believe price increases will begin to fall as a slower economy reduces aggregate demand. Improvements in savings rates (-.5% down from -.7%) are also an indication of a cutback in spending. Consumption is also expected to decrease due to a slowdown in the housing market and its effects on wealth. By year end, we expect inflation rates to fall within the Fed's comfort zone as the effects of aggregate monetary policy, along with falling energy prices and a cooling house market, begin to kick in.

Current AIM Portfolio

By: *Brendan Barrett*

AIM Portfolio Stock Holdings as of 9/30/06

Stock	Ticker	# Shares	Current Price	Total Value	Weight	Analyst
AMGEN INC	AMGN	2,100	\$71.53	\$150,213.00	4.35%	Viviana Castro
ANHEUSER-BUSCH COS INC	BUD	3,000	\$47.51	\$142,530.00	4.13%	Andrew Sheedy
BJ SERVICES CO	BJS	4,800	\$30.13	\$144,624.00	4.19%	Trent DeBruin
BARRICK GOLD CORP	ABX	4,500	\$30.72	\$138,240.00	4.01%	Ted Lawless
BLUEGREEN CORP	BXG	11,000	\$11.47	\$126,170.00	3.66%	Andrew Wiechkoske
CITIGROUP INC	C	2,740	\$49.67	\$136,095.80	3.94%	David Zychinski
CITI TRENDS INC	CTRN	3,400	\$34.51	\$117,334.00	3.40%	James Calderbank
COACH INC	COH	4,000	\$34.40	\$137,600.00	3.99%	Jonathon Brewis
DELL INC	DELL	3,300	\$22.84	\$75,372.00	2.18%	Leigh Madeira
EXXON MOBIL CORP	XOM	2,600	\$67.10	\$174,460.00	5.06%	Shelton Tsui
HEADWATERS INC	HW	4,500	\$23.35	\$105,075.00	3.05%	Daniel McGowen
IXIA	XXIA	10,400	\$8.91	\$92,664.00	2.69%	Rachel Warford
INTERNATIONAL SPEEDWAY	ISCA	2,250	\$49.84	\$112,140.00	3.25%	Ryan Curley
MCDONALDS CORP	MCD	3,400	\$39.12	\$133,008.00	3.85%	Matthew Byrnes
MEDTRONIC INC	MDT	3,000	\$46.44	\$139,320.00	4.04%	Chris Tarnacki
MILLER HERMAN INC	MLHR	4,500	\$34.21	\$153,945.00	4.46%	Brian Lasky
MOODYS CORP	MCO	2,000	\$65.38	\$130,760.00	3.79%	Patrick Sullivan
MORGAN STANLEY	MS	2,300	\$72.91	\$167,693.00	4.86%	Lataros Graves
PETSMART INC	PETM	5,500	\$27.76	\$152,680.00	4.42%	Andrew Winslow
QUIKSILVER INC	ZQK	11,000	\$12.15	\$133,650.00	3.87%	John Coyle
SANDERSON FARMS INC	SAFM	3,400	\$32.36	\$110,024.00	3.19%	Thomas Mahoney
STANDARD PARKING CORP	STAN	5,200	\$31.38	\$163,176.00	4.73%	Michael McInerney
SYSCO CORP	SYU	4,100	\$33.45	\$137,145.00	3.97%	Kevin Johnson
TUPPERWARE CORP	TUP	5,555	\$19.46	\$108,100.30	3.13%	Katie Lacz
UNITEDHEALTH GROUP INC	UNH	3,000	\$49.20	\$147,600.00	4.28%	Matthew Haggerty
WEBSense INC	WBSN	5,600	\$21.61	\$121,016.00	3.51%	Brendan Barrett
TOTAL VALUE				\$3,450,635.10		