

AIM QUARTERLY

Welcome to AIM XXXIII



The portfolio managers of AIM XXXIII have been tasked with completing sound investment decisions amid a very unique economic situation. Volatility in the equity markets is high; the real level of interest rates remains at a record low. Political and economic uncertainties have created an atmosphere of fear and caution. Nevertheless, the AIM analysts have already

conducted a thorough analysis of the 26 inherited stocks in the portfolio, as well as Amazon and Caterpillar, and are preparing to make recommendations on first round stocks in the coming weeks. Additionally, AIM XXXIII had the opportunity to travel to Chicago to meet with past members of AIM and several financial firms (see article on p. 6)

QUARTER 3, FALL 2011

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Economic Outlook: An AIM Perspective

Employment

The U.S. Bureau of Labor Statistics reported the unemployment rate held at 9.1% for the month of August. The nonfarm payroll employment remained at 131.1 million with most private sector industries exhibiting little or no change. Health care was the biggest contributor of jobs for the month, having added 30,000 jobs in August.

The Information industry saw the biggest decline losing 48,000 employees in August, driven mostly by a large strike of Verizon workers.

Government employment continues to trend down over the month, shedding over 17,000 jobs in August. Local

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Economic Outlook (continued)



government employment has been driving this decline, with 291,000 jobs lost in the last 12 months.

Overall in the private sector more than 1.7 million jobs have been created in the last year. However, in the last few months growth has diminished as weak economic data has discouraged companies from hiring. The Fed reported revised unemployment rate forecasts for the next year of 8.7% to 9.0%, up from 8.2% to 8.5%. Lower economic growth going forward will affect an already fragile labor market.

Inflation

After a year of stagnant prices and deflationary concerns in 2010, inflation has finally arrived, raising a number of concerns for a fragile global economy struggling to expand. Over the last 12 months, inflation has been 3.8% as measured by the consumer price index. Energy and food prices have risen 1.9% and 0.5% respectively over the same period. Meanwhile, core inflation, which excludes food and energy, has risen 2%. The rapid rise of inflation can be attributed to a number of factors, most notably the surge in commodity prices such as crude oil, precious metals, cotton

and grains. Although one of the Federal Reserve’s mandates is to keep prices stable, the printing of money brought about by a second round of quantitative easing has contributed to rising inflation.

Many have criticized the central bank for trying to “inflate our way” out of a slow-growing economy. While rising prices may stimulate investment, it has had a detrimental impact on consumer spending habits. Real disposable personal income has fallen since 2010 and has seen virtually no growth in 2011. As wages remain depressed and the prices of real goods rise, consumers have an incentive to curtail spending until disposable income rises again.

Consumer Sentiment

The consumer sentiment index, as measured by the University of Michigan, dropped to 55.7 during August, a 12.6% decrease over July’s index value and a 19.2% decrease since the prior year. Reasons for this decline included fear of a possible double-dip recession. Respondents also reported worsened finances, few expected income gains, and an anticipated higher unemployment rate. Moreover, for the third consecutive year, one-third of households reported income declines. Markedly different for the month of August, however, was concern over the role of government, which has never before been perceived so unfavorably. This coincides with recent remarks by Treasury Secretary Geithner,

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ALUMNI UPDATES

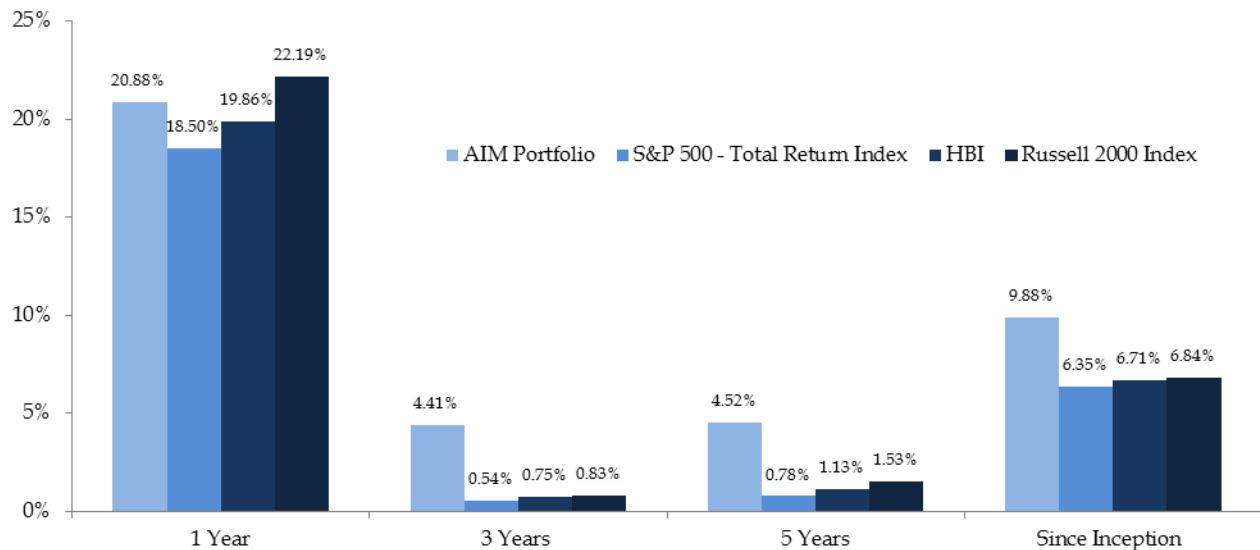
Chris Doolin

Chris (AIM XXV) is currently an associate in the investment banking department of Credit Suisse in Chicago. He was recently promoted from analyst, where he started working directly after graduating from Notre Dame in 2008. He works in the Global Industrials Group.

Jim Parsons

Jim (AIM I) is a Portfolio Manager for Viking Capital, a hedge fund investing in public equities and hedging markets across the globe. He focuses in the technology sector and non-bank financials. Jim started his career with the Boston Consulting Group and then moved to Summit Partners, a private equity firm. He later received his MBA from Harvard Business School and has been working for Viking for 8 years. AIM XXXIII recently had the pleasure of discussing the market and career opportunities with Jim.

Portfolio Performance: The AIM Advantage



Benchmark Comparison

Since inception, the AIM portfolio has outperformed the S&P 500 (our primary benchmark), the Russell 2000, and the Hank Blended Index (the HBI is comprised of 65% S&P 500 returns and 35% Russell 2000 returns). The portfolio has outperformed all benchmarks by over 3% in the last 3 years. Our portfolio has seen similar growth to our benchmarks over the last year but the AIM advantage can clearly be seen over longer time horizons.

Portfolio Attribution Analysis

The AIM portfolio has outperformed the S&P 500 for the past five years due to a combination of both the allocation and selection effect. While more balanced in other years, 2011 has seen outperformance almost entirely because of security selection. The allocation effect has turned negative, in large part due to the weight of the energy and consumer staples sectors. Security selection in the healthcare and financial sectors have helped drive strong selection outperformance. Refer to the chart on page 5.

Portfolio Positions

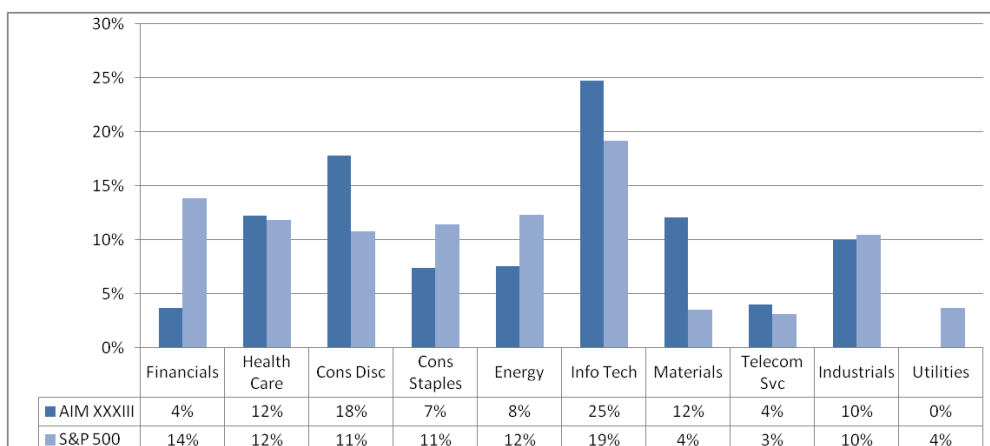
The composition of the AIM portfolio is listed on the following page. Apple (AAPL) has become the portfolio's largest holding: at 7.02% of the portfolio, Apple has over 2% more weight than any other individual security. The next largest holdings, Dollar Tree (DLTR) and Unitedhealth Group (UNH), both represent 4.90% of the portfolio. The portfolio also contains two small hedging positions: long in oil prices and short in 20-year Treasuries.

Sector Allocation

The sector weightings have been benchmarked against the S&P 500. As can be seen in the graph below, the current AIM portfolio overweights Consumer Discretionary and Information Technology sectors while underweighting the Financial, Consumer Staples, and Utilities sectors. We attribute this, in part, to the fact that Consumer Discretionary and Information Technology companies are often the most exciting companies that students know the most about while Financial and Utility companies are often perceived as less exciting or require a different approach to modeling. We believe that this is consistent with Warren Buffett's approach of only investing in companies that you understand.

Charts Continued on Pages 4 & 5

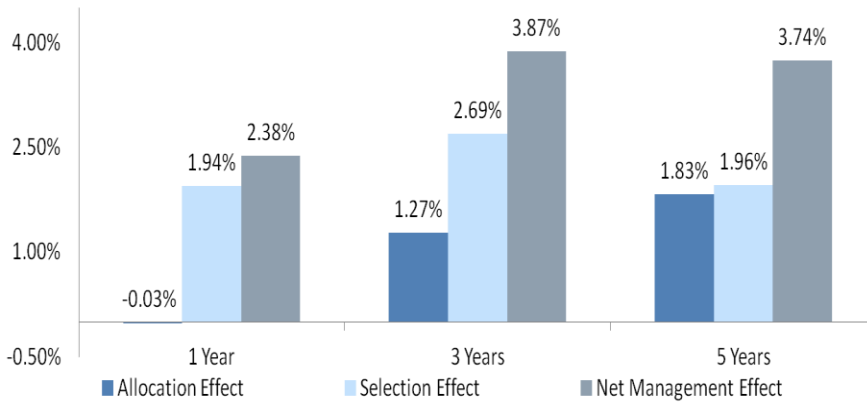
Sector Weightings vs. S&P 500 (as of 9/9/2011)



Portfolio Position (as of 9/16/2011)

Company	Ticker	Weight (%)	Shares	Price (\$)	Market Value (000s)
Activision Blizzard	ATVI	3.79%	17,800	12.14	216.1
Alliant Techsystems	ATK	3.57%	3,400	59.81	203.4
American Tower	AMT	3.95%	4,100	54.90	225.1
Apple	AAPL	7.02%	1,000	400.50	400.5
Archer-Daniels-Midland	ADM	3.36%	6,700	28.62	191.8
Chevron	CVX	4.49%	2,570	99.63	256.0
Coca-Cola	KO	3.87%	3,100	71.23	220.8
Continental Resources	CLR	3.15%	3,200	56.05	179.4
Deere	DE	3.15%	2,300	78.02	179.4
Discover Financial Services	DFS	3.81%	8,200	26.47	217.1
Dollar Tree	DLTR	4.90%	3,700	75.54	279.5
Ecolab	ECL	3.64%	4,000	51.89	207.6
Fedex	FDX	3.08%	2,300	76.40	175.7
Gilead Sciences	GILD	3.90%	5,500	40.41	222.3
Google	GOOG	3.26%	340	546.68	185.9
Hasbro	HAS	2.72%	4,300	36.02	154.9
Intel	INTC	4.24%	11,000	21.97	241.7
Newmont Mining	NEM	3.69%	3,200	65.72	210.3
Perrigo	PRGO	3.72%	2,200	96.35	212.0
Potash Corp of Saskatchewan	POT	4.13%	4,200	56.08	235.5
Qualcomm	QCOM	3.87%	4,100	53.87	220.9
Sonic	SONC	3.22%	23,000	7.98	183.5
Starbucks	SBUX	3.99%	5,800	39.20	227.4
Starwood Hotels & Resorts	HOT	2.95%	3,700	45.46	168.2
Tessera Technologies	TSRA	2.92%	12,100	13.76	166.5
Unitedhealth Group	UNH	4.90%	5,500	50.76	279.2
Cash & Hedge		0.73%			41.7
Total		100.00%			5,702.2

Total Portfolio Attribution



Economic Outlook (continued)

who stated that “‘political dysfunction’ [is] at the root of the world’s troubles. This change in consumer sentiment will affect both the consumer discretionary and technology sectors of the AIM portfolio as individuals, faced with an uncertain future, increase their savings rates and decrease spending on unnecessary goods, such as vacations at Starwood Hotels locations or a cup of coffee at Starbucks.

Housing

The month of August saw another setback in housing, as foreclosures rose 7% over the prior month. Despite this increase, foreclosures are still down 33% from year prior and bank repossessions have declined, with August representing a 37% decline from the peak last September. Moreover, existing home sales have increased 21% over the past twelve months, while new home sales have posted a 7% increase during this period. The drop of mortgage rates to a record low of 4% in mid-September has also helped to bolster the housing sector, making attractive housing prices available across the country.

GDP

Real GDP grew by 1% in the second quarter of 2011, down from the original estimate of 1.3%. Growth was driven primarily by positive contributions from nonresidential fixed investment, exports, personal consumption expenditures and federal government spending. For the year, GDP is expected to rise by 1.7%, down from the original estimate of 4% forecasted in January. Consumer spending is expected to grow by only 1.9%, compared to the original estimate of 3.7%. Net exports are expected to show a slight gain in the year, driven in part by a weaker dollar. Despite sluggish economic growth, corporate profits have risen to pre-recession levels, increasing \$57.3 billion in the second quarter, compared to an increase of \$17.6 billion in the first. Real GDP growth remains a battle between weak macroeconomic drivers and surging corporate profits.

ALUMNI UPDATES

Andrew Kelly

Andrew (AIM XXV) is currently with Wasserstein & Co., a middle market private equity firm in New York. His responsibilities include analyzing investment opportunities in the media, consumer products and water industries. Previously, Andrew was with Conway Del Genio Gries & Co., a boutique restructuring advisory firm.

Patrick Sturm

Patrick (AIM XXXI) just joined Lincoln International, an independent and globally integrated mid-market advisor, this past July. He works as an M&A analyst and part of his current projects includes two large international deals.

Eric Geveda

Eric (AIM XI) is currently a Vice President at Leeds Equity Partners, a private equity firm focused on the education, training and information and business services industries. Eric is also serves as a Board Member for Friends of the Children, an early intervention non-profit program dedicated to helping NYC’s most at-risk children.

August 31-September 1: Chicago Trip

On August 31, the AIM class travelled to Chicago. After getting settled in the Palmer House Hotel, we went to dinner at Maggiano's Little Italy. We had a great turnout of over 60 AIM alumni who were able to share some of their industry experience and wisdom with the class. We had a great Q&A session that allowed us to ask the alumni anything from where they thought future opportunities would emerge in the industry to what we should look for when choosing our second stock.

The next day, we visited several firms. We first visited David Lerman at the CME Group. We walked the trading floor and were able to see the opening of the grain market. David provided some great perspective into how floor trading operated and how the trading world was becoming increasingly electronic. We subsequently visited Madison Dearborn Partners where we met with Patrick Eilers. He

discussed how the investment process works in private equity and how it differs from a venture capital approach. Next, we had a working lunch at UBS Asset Management where we had presentations by John Leonard and Laura Lawson. John discussed his approach to fundamental investing while Laura spoke to us about asset allocation and some of the current economic dynamics. We finished our day at Equity International where we met with, among others, Chris Fiegen and Ira Chaplik. Here, we learned about EI's investments in international real estate companies and their perspective on the opportunities and risks of working in international markets. Right before leaving, we were extremely fortunate to receive a surprise visit from Sam Zell, who shared with us a little bit about his story as a real estate investor. AIM XXXIII had a great visit to Chicago and is very grateful to everyone who helped it be such a success.

AIM XXXIII Profile: Undergraduate Roster

Name	Hometown	Email	First Stock
Anderson, Kelly	Bolingbrook, IL	kander25@nd.edu	Dollar Tree
Bratton, David	Houston, TX	dbratton@nd.edu	Archer Daniels Midland
Burkin, Michael	Orange, CA	mburkin@nd.edu	Perrigo
Cahill, Robert	Oceanside, NY	rcahill@nd.edu	Coca-Cola
Goedert, John	Chicago, IL	jgoedert@nd.edu	Starwood Hotels
Hurtekant, Joseph	Dallas, TX	jhurteka@nd.edu	Potash Corp.
Keebler, Timothy	Philadelphia, PA	tkeebler@nd.edu	Discover Fin. Services
Keeler, Colin	Moorestown, NJ	ckeeler@nd.edu	Sonic
Kissling, Patrick	Plymouth, MN	pkisslin@nd.edu	United Health
Lenzi, Anne	Carmel, IN	alenzi@nd.edu	Intel
Libel, Matthew	Springfield, MO	mlibel@nd.edu	Apple
Mahin, David	Cincinnati, OH	dmahin@nd.edu	American Tower
Masoud, Christopher	San Francisco, CA	cmasoud@nd.edu	Chevron
McMackin, Thomas	Chevy Chase, MD	tcmacki@nd.edu	Tessera
Mezyk, Joseph	Chicago, IL	jmezyk@nd.edu	Gilead Sciences
Misch, Katherine	Leonard, MI	kmisch@nd.edu	Qualcomm
Naylor, Griffin	Cincinnati, OH	gnaylor1@nd.edu	Continental Resources
O'Donnell, Ryan	Bruswick, GA	rodonne1@nd.edu	Fed Ex
Robb, Patrick	Kansas City, MO	probb@nd.edu	Newmont
Slawinski, Kevin	East Northport, NY	kslawins@nd.edu	Google
Spokes, Charles	Overland Park, KS	cspokes@nd.edu	Alliant Techsystems
Study, Alexander	Dayton, OH	astudy@nd.edu	EcoLab
Sullivan, Eileen	Chicago, IL	esulliv6@nd.edu	Hasbro
Sullivan, Lauren	Rosemont, IL	lsulliv7@nd.edu	Caterpillar
Torres Page, Moises	San Pedro de Sula, Honduras	mtorresp@nd.edu	Deere
Weido, Nick	Houston, TX	nweido@nd.edu	Starbucks
Wright, Bradley	Cincinnati, OH	bwright4@nd.edu	Activision Blizzard
Zemlock, Kathryn	Indianapolis, IN	kzemlock@nd.edu	Amazon