Presentation Agenda

- Introductions
- Presentation Topics
  - Investment Objectives
  - Economic Environment
  - Security Analysis
  - Portfolio Performance Evaluation
  - General Information
- Concluding Remarks
AIM XXXVI Analysts

Blake Asjes  
Kansas City, MO  
Wynn Resorts, Dean Foods

Dominic Imgrund  
St. Louis, MO  
Google, AMN Healthcare

Zachary Schneider  
Indianapolis, IN  
Flowserve, Under Armour

John Baranowski  
Bellevue, WA  
Discover, Intel

Jacob Lundberg  
Chaska, MN  
Cerner, Cinemark

Lucas Taylor  
Barstow, CA  
Continental Resources, Joseph A. Bank

Richard Bariletto  
Paramus, NJ  
Apple, ADT

John Lytle  
Clearfield, PA  
Select Comfort, Costco

Luka Tomljenovic  
Buje, Croatia  
Teradata, Delphi Automotive

Elie El-Zammar  
Vancouver, Canada  
Dick’s Sporting Goods, Microsoft

Brian Martin  
Lake Forest, IL  
Cummins, Life Time Fitness

Eric Verkuilen  
Roselle, IL  
Potash, Halliburton

James Falbe  
Longview, TX  
eBay, B of I Holding

Anthony Niemeier  
Jamestown, ND  
Expeditors International, Potlatch

John Paul Visto  
Fargo, ND  
IPG Photonics, Titan Machinery

Brian Griffiths  
Brookfield, WI  
Activision Blizzard, DiamondRock Hospitality

Brittany Parrish  
San Antonio, TX  
LabCorp, InterActiveCorp

James Ryan Welsh  
New York, NY  
Chevron, Apollo Group

Thomas Hefner  
Stockholm, Sweden  
KapStone Paper, Berkshire Hathaway B

Thomas Pesch  
Plainview, MN  
Domino’s, Corning

Geoffrey Zabinski  
Hinsdale, IL  
United Health, Sirius XM

Michael Hoye  
Methuen, MA  
OpenTable, ConAgra Foods

Kevin Prior  
Breezy Point, NY  
Acuity Brands, La-Z-Boy

Wenjun Zou  
Wuzhou, China  
Gilead Sciences, Coach
Objectives and Guidelines

Overview
Analyst Responsibilities
Group Responsibilities
Stock Selection Process
Investment Philosophy
Investment Policies
Market Capitalization Profile
Ethics Policies
Overview

• Course Overview
  • Mixture of academic objectives and practical experience of investment management
  • Provide a thorough grounding in the process of portfolio management

• Analyst Selection and Portfolio Responsibilities
  • Selection based on academic record and diverse backgrounds
  • Analysts assume responsibilities for all portfolio management decisions
Analyst Responsibilities

• Stock Selection
  • First Round – Analysts are assigned a stock from the current portfolio
  • Second Round – Analysts select a second stock

• Security Analysis
  • Company Background
  • Fundamental Analysis
  • Earnings Forecast
  • Technical Analysis
  • Valuation Analysis
Group Activities

- Industry/Sector Analysis
  - Industry/sector analysis
  - Outlook
  - Formulate opinions on long/short positions of industry/sector ETFs

- Economic Analysis
  - Recent trends and expectations of key economic indicators
  - Impact on the stocks in the current portfolio

- Portfolio Performance Analysis
  - Benchmark performance comparisons
  - Risk-adjusted performance measures
  - Attribution analysis

- Trading Group
  - Coordinates trading activities for portfolio
  - Works closely with Notre Dame Investment Office
Stock Selection Process

- Analysts discuss inputs, drivers, assumptions

- Analysts give buy, hold, or sell recommendations based on an intrinsic valuation

- Final portfolio decisions are voted upon and require majority vote of all analysts

- Long/short positions of ETFs also established based on industry/sector analysis
Investment Philosophy

• Identify undervalued stocks

• Outperform the S&P 500
  • Secondary: Russell 2000, HBI

• Bottom-up approach, fundamental analysis

• Diversify between small-, mid-, and large-cap stocks to manage risk
Investment Policies

• Long common equities listed on major U.S. exchanges

• Liquidity

• Three- to five-year investment horizon

• Adhere to “Prudent Person Rule”
Policies Cont.

- No tax considerations
- No individual position exceeding 10% of portfolio
- 0% long-term cash target

Allocation Targets
- 35% in small/mid cap
- 65% in large cap
- +/- 10%
- <1% in long/short industry position
Ethics Policies

“...[companies] whose values are inimical with those of the University...”

- Including (but not limited to)
  - Tobacco
  - Abortifacients
  - Birth control
Economic Environment

- Economic Growth
- GDP Components
- Unemployment
- Monetary and Fiscal Policy
- Portfolio Implications
Economic Growth

Average YoY GDP Growth

<table>
<thead>
<tr>
<th>Total</th>
<th>Three Years After Recession</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948 - 2013</td>
<td>Last 20 Years</td>
</tr>
<tr>
<td>3.22%</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

Source: FRED
Growth Projections

<table>
<thead>
<tr>
<th></th>
<th>Central Tendency*</th>
<th>Full Range**</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change in Real GDP</td>
<td>2.3 – 2.8</td>
<td>2.9 – 3.4</td>
</tr>
</tbody>
</table>

*Excludes the 3 highest & 3 lowest projections in each year
**Includes all participants

Source: FRB FOMC minutes (March, 2013)
# GDP Breakdown

## Components of GDP as of Q4 2012

<table>
<thead>
<tr>
<th>Component</th>
<th>Q4 2012 % Point Contribution</th>
<th>% Change from Q3 (annualized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>0.40%</td>
<td>-</td>
</tr>
<tr>
<td>Investment</td>
<td>0.20%</td>
<td>1.30%</td>
</tr>
<tr>
<td>Gov’t Spending</td>
<td>(1.41%)</td>
<td>(7.00%)</td>
</tr>
<tr>
<td>Exports</td>
<td>(0.40%)</td>
<td>(2.80%)</td>
</tr>
<tr>
<td>Imports</td>
<td>0.73%</td>
<td>(4.20%)</td>
</tr>
<tr>
<td>Consumption</td>
<td>1.28%</td>
<td>1.80%</td>
</tr>
</tbody>
</table>

Q4 2012 GDP = $13,665.4 billion  
(chained real 2005 dollars (annualized))

Source: FRED, Bureau of Economic Analysis
1.8% change in real consumer spending compared to 1.6% in Q3
Durable goods drove the slight increase
Not as promising as expected and trending downward
Consumption Drivers

YoY growth in disposable income historically low

JP Morgan estimates mid-2013 household net worth to exceed pre-recessionary levels

Source: FRED, JP Morgan Asset Management
Housing Sector

New and Existing Home Sales Show Increases

New and Existing home sales in units: 2001 - 2013

Source: National Association of Realtors, Department of Housing and Urban Development

AIM XXXVI
Housing Prices Bouncing off the Bottom

Case Shiller Composite 10 Index and YoY Price Change: 1988 - 2013

Source: Standard and Poor’s, Derived
Builder Confidence and Housing Starts Show Improvement

Builder Confidence and Housing Starts: 1985 - 2013

Source: NAHB/Wells Fargo Housing Market Index, U.S. Census Bureau
Housing Sector

Mortgage Delinquencies and Foreclosures: 2005-2012

Source: Mortgage Bankers Association
Government Spending

Federal Government Expenditures

State and Local Government Expenditures

Source: FRED
Net Exports

Five-Year Monthly Net Exports

Source: U.S. Census Bureau
Unemployment

Source: www.macrotrends.org
Unemployment

Percent Job Losses in Post-WWII Recessions

Source: Calculatedriskblog.com
Fiscal Policy

- Sequestration is in effect
  - $1.2 trillion cut from 2013 – 2021
  - Consensus growth lowered to 1.4% from 2.0%
- Debt ceiling hurdle: May 19
# Monetary Policy

<table>
<thead>
<tr>
<th>Majority Position</th>
<th>Dissenting Position</th>
</tr>
</thead>
</table>
| • Moderately strong economy is offset by restrictive fiscal policy  
  • Continue monthly purchases of MBS and Treasury securities  
    • $45 billion of MBS  
    • $40 billion of Treasuries  
  • Keep target rate at 0 – 0.25% until:  
    • Unemployment drops below 6.5%  
    • Inflation is less than 2.5% | • Esther George  
  • Asset purchases do not help the real economy  
  • Long-term risk of financial imbalances and high inflation |

Source: FRB FOMC minutes (March, 2013)
Inflation Projections

<table>
<thead>
<tr>
<th>PCE Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
</tr>
<tr>
<td>Percent</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Central Tendency*</th>
<th>Range**</th>
</tr>
</thead>
<tbody>
<tr>
<td>’13</td>
<td>’14</td>
</tr>
<tr>
<td>PCE Inflation</td>
<td>1.3 – 1.7</td>
</tr>
</tbody>
</table>

*Excludes the 3 highest & 3 lowest projections in each year
**Includes all participants’ projections

Source: FRB FOMC minutes (March, 2013)
Monetary Policy

When Should Policy Firming Occur?

Appropriate timing of policy firming

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>1</td>
<td>4</td>
<td>13</td>
<td>1</td>
</tr>
</tbody>
</table>

Number of participants

Source: FRB FOMC minutes (March, 2013)
Disposable Income & Unemployment

• Up case:
  • People spend more money on leisure, thus increasing share values

• Down case:
  • People are still hesitant to spend, choosing instead to save

• Most likely scenario
  • The American consumer remains the American consumer
    • These marginal expenditures have become ingrained
  • Positive impact for the portfolio
    • Select Comfort, Apple, Coach, Cinemark, Delphi, Apollo Group
Monetary Policy

• Up case
  • Rates remain low as the Fed has stated
  • People continue to finance purchases
    • Assuming credit loosens

• Down case
  • Interest rates will rise at some point
    • May be less borrowing, therefore hurting industries reliant on debt

• Most likely scenario
  • The Fed will continue its assault on higher rates
  • Positive impact for the portfolio
    • Bank of Internet Holdings, Titan, Apollo Group
Corporate Profit

• Up case
  • Higher profitability and capital expenditure increases

• Down case
  • Profits are overseas and repatriation is unlikely
  • Restrictive policies force stagnation on sectors that have already cut the fat

• Most likely scenario
  • Profits rise, but businesses are hesitant to spend until the picture is clearer
  • Neutral impact for the portfolio
    • Intel, Microsoft, Teradata
Security Analysis

Overview
Corporate Governance
Discovery
Fundamental Analysis
Earnings Forecast
Multiples Valuation
Fundamental Analysis
Investment Policy
Security Selection

- Bottom-up approach to security selection
- Analysts complete seven reports
  - Company background
  - Fundamental analysis
  - Earnings forecast
  - Industry analysis
  - Beta
  - Technical analysis
- Valuation, discovery, and final recommendation
- Each analyst considers all seven reports and makes a buy, sell, or hold recommendation
## Analyst Agenda

<table>
<thead>
<tr>
<th>Analyst</th>
<th>Stock</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ryan Welsh</td>
<td>Apollo Group</td>
<td>Corporate Governance</td>
</tr>
<tr>
<td>Jim Falbe</td>
<td>BofI Holding</td>
<td>Discovery</td>
</tr>
<tr>
<td>Jake Lundberg</td>
<td>Cinemark</td>
<td>Fundamental Analysis</td>
</tr>
<tr>
<td>Mike Hoye</td>
<td>OpenTable</td>
<td>Earnings Forecast</td>
</tr>
<tr>
<td>Tom Pesch</td>
<td>Corning</td>
<td>Multiples Valuation</td>
</tr>
<tr>
<td>Luka Tomljenovic</td>
<td>Delphi Automotive</td>
<td>Fundamental Analysis</td>
</tr>
<tr>
<td>Brian Griffiths</td>
<td>Activision Blizzard</td>
<td>Investment Policy</td>
</tr>
</tbody>
</table>
Apollo Group Inc. (APOL)

Price (4/26/13): $17.93
Market Cap: $2.0B
One-Year Forward P/E: 6.2
One-Year Forward EPS: $2.76

FOCUS: Corporate Governance

Source: Yahoo! Finance, AIM/Welsh 2013
Corporate Governance

• Major concern for for-profit colleges

  • HLC changed its Core Components for accreditation effective Jan. 1, 2013
    • Core Component 1D was aimed at for-profit colleges: “The institution’s mission demonstrates commitment to the public good.”

  • HLC recommended placing the University of Phoenix on probation
    • Alleged insufficient autonomy relative to its parent corporation and sole shareholder
    • If the University of Phoenix loses its accreditation, it loses access to federal student aid funds
# Valuation and Thesis

<table>
<thead>
<tr>
<th>Recommendation - Buy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valuation Method</strong></td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
</tr>
<tr>
<td>EV/Revenue (2013E)</td>
</tr>
<tr>
<td>EV/EBITDA (2013E)</td>
</tr>
<tr>
<td>P/E (2013E)</td>
</tr>
<tr>
<td><strong>Final Valuation</strong></td>
</tr>
<tr>
<td><strong>Market Price (4/17/13)</strong></td>
</tr>
<tr>
<td><strong>Estimated Upside (Downside)</strong></td>
</tr>
</tbody>
</table>

**Investment Thesis:**
- Loss of accreditation is unlikely
- Skill shortages demand more education
- State schools are limiting capacity, shrinking programs, and rapidly increasing tuition
B of I Holding, Inc. (BOFI)

Price (4/26/13): $40.25
Market Cap: $516.3M
One-Year Forward P/E: 12.8
One-Year Forward EPS: $2.84

FOCUS: Discovery

Source: Yahoo! Finance, AIM/Falbe 2013
Sourcing

- $516M market cap
- Only four analysts

BOFI FEDERAL BANK

Small & Unknown

Behavioral Finance

Unique Insight

- Stereotypes
- Categories

- Every product is online
- New business model

Source: AIM/Falbe 2013, Bloomberg, ND/Bodnaruk
Discovery

Key Strengths
- Ultra-low expenses (branchless model)
- Large residential loans (sourcing)

Products
- Applied for a 30-yr. fixed-rate mortgage
- Applied for a high-interest checking account

Relationships
- Costco, AmericanSeniors.org, hunting groups
- Traced CEO’s relationship to Costco’s board

Source: Company Filings, AIM/Falbe 2013
## Valuation and Thesis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow to Equity Model</td>
<td>20%</td>
<td>$55.39</td>
<td>$11.08</td>
</tr>
<tr>
<td>Implied Forward P/E</td>
<td>20%</td>
<td>$43.03</td>
<td>$8.61</td>
</tr>
<tr>
<td>Price to Book</td>
<td>20%</td>
<td>$34.22</td>
<td>$6.84</td>
</tr>
<tr>
<td>Price to Total Gross Income</td>
<td>20%</td>
<td>$37.95</td>
<td>$7.59</td>
</tr>
<tr>
<td>Wasatch Valuation</td>
<td>20%</td>
<td>$29.70</td>
<td>$5.94</td>
</tr>
<tr>
<td>Final Valuation</td>
<td></td>
<td></td>
<td>$40.06</td>
</tr>
<tr>
<td>Market Price (4/17/2013)</td>
<td></td>
<td></td>
<td>$36.00</td>
</tr>
<tr>
<td><strong>Estimated Upside (Downside)</strong></td>
<td></td>
<td></td>
<td><strong>11.28%</strong></td>
</tr>
</tbody>
</table>

**Investment Thesis:**

- High-growth bank with durable competitive advantages
- BofI shouldn’t be priced like a fraud or a traditional Savings & Loan

Source: Company Filings, Capital IQ, AIM/Falbe 2013
Cinemark Holdings Inc. (CNK)

Price (4/26/13): $29.36
Market Cap: $3.3B
One-Year Forward P/E: 16.2
One-Year Forward EPS: $1.58

FOCUS: Fundamental Analysis

Source: Yahoo! Finance, AIM/Lundberg 2013
CNK Employs Significant Leverage

ROC and Leverage, 2006-2012

DCF Sensitivity to Attendance per Screen

Change in U.S. Attendance per Screen

<table>
<thead>
<tr>
<th>Change in International Attendance per Screen</th>
<th>(2.5%)</th>
<th>(2.0%)</th>
<th>(1.5%)</th>
<th>(1.0%)</th>
<th>(0.5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0%</td>
<td>$17</td>
<td>$21</td>
<td>$24</td>
<td>$28</td>
<td>$32</td>
</tr>
<tr>
<td>3.5%</td>
<td>$20</td>
<td>$24</td>
<td>$27</td>
<td>$31</td>
<td>$36</td>
</tr>
<tr>
<td>4.0%</td>
<td>$23</td>
<td>$27</td>
<td>$31</td>
<td>$35</td>
<td>$39</td>
</tr>
<tr>
<td>4.5%</td>
<td>$26</td>
<td>$30</td>
<td>$34</td>
<td>$38</td>
<td>$42</td>
</tr>
<tr>
<td>5.0%</td>
<td>$30</td>
<td>$33</td>
<td>$37</td>
<td>$41</td>
<td>$45</td>
</tr>
</tbody>
</table>

Source: SEC Filings, AIM/Lundberg 2013
Any ROIC Improvement Boosts Value

**DCF Analysis ROIC, 2005-2018E**

 Assumes -1.5% Growth in U.S. Movie Attendance

**Upside ROIC, 2005-2018E**

 Assumes 0% Growth in U.S. Movie Attendance

**DCF Valuation:** $31

**DCF Valuation:** $43

Source: AIM/Lundberg 2013
Valuation and Thesis

<table>
<thead>
<tr>
<th>Recommendation - Buy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valuation Method</strong></td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
</tr>
<tr>
<td>Multiples Analysis</td>
</tr>
<tr>
<td>Dividend Discount Model</td>
</tr>
<tr>
<td>Final Valuation</td>
</tr>
<tr>
<td>Market Price (4/17/13)</td>
</tr>
<tr>
<td><strong>Estimated Upside (Downside)</strong></td>
</tr>
</tbody>
</table>

**Investment Thesis:**

- Levered exposure to the Latin American consumer
- Pessimistic market expectations for U.S. consumer
  - Any upside surprises result in significant outperformance
OpenTable, Inc. (OPEN)

Price (4/26/13): $55.69
Market Cap (4/26/13): $1.3B
One-Year Forward P/E: 33.4
One-Year Forward EPS: $1.46

FOCUS: Earnings Forecast
Earnings Forecast

- Revenue fundamentals do not look good
  - OPEN revenue segments:
    - Reservations – driven by seated diners
    - Subscriptions – driven by installed restaurants
    - Other – primarily online advertising and special promotions

- YoY growth in seated diners and installed restaurants declining
  - Penetration rates approaching critical mass

- Other revenue steadily becoming larger part of revenue portfolio

- International might be an opportunity in the future, but now it’s a sinkhole

- OpenTable’s revenue growth has hit an inflection point as evidenced by declining growth rates and increased restaurant churn
Earnings Forecast

Seated Diners YoY Growth

![Graph showing seated diners growth with estimated and actual data]

- Estimated Seated Diners, Int'l
- Estimated Seated Diners, N.A.
- Actual Seated Diners, Int'l
- Actual Seated Diners, N.A.

Installed Restaurants YoY Growth

![Graph showing installed restaurants growth with estimated and actual data]

- Estimated Installed Restaurants, Int'l
- Estimated Installed Restaurants, N.A.
- Actual Installed Restaurants, N.A.

Other Revenue Growth

![Graph showing other revenue growth with actual and estimated data]

Commentary

- High quality/highly visible earnings growth on a steady decline
- Online advertising is not core competency

Source: Company Filings
<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward P/E</td>
<td>5%</td>
<td>$19.32</td>
<td>$0.97</td>
</tr>
<tr>
<td>Forward P/Book</td>
<td>5%</td>
<td>$30.32</td>
<td>$1.52</td>
</tr>
<tr>
<td>Forward P/Sales</td>
<td>5%</td>
<td>$12.66</td>
<td>$0.63</td>
</tr>
<tr>
<td>Forward P/EBIT</td>
<td>5%</td>
<td>$47.39</td>
<td>$2.37</td>
</tr>
<tr>
<td>Forward P/EBITDA</td>
<td>5%</td>
<td>$32.99</td>
<td>$1.65</td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
<td>75%</td>
<td>$38.00</td>
<td>$28.50</td>
</tr>
<tr>
<td>Final Valuation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Price (4/17/13)</td>
<td></td>
<td>$35.64</td>
<td>$56.19</td>
</tr>
<tr>
<td>Estimated Upside (Downside)</td>
<td></td>
<td>(86.57%)</td>
<td></td>
</tr>
</tbody>
</table>

**Investment Thesis:**
- OpenTable is a “Sell” due to decreasing growth rates in both seated diners and installed restaurants and restaurant churn.
Corning, Inc. (GLW)

Price (4/26/13): $14.23
Market Cap: $21.3B
One-Year Forward P/E: 10.6
One-Year Forward EPS: $1.23

FOCUS: Multiples Valuation

Source: Yahoo! Finance
Multiples Valuation

- Elements of multiples valuation
  - Calculation of relevant multiples
  - Selection of comparable companies
  - Comparison with relevant benchmarks
- Implied forward P/E
  - Price stagnation amid slipping earnings
- Implied forward EV/EBITDA
  - Price stagnation and debt reduction amid growing revenues

**GLW: Implied Forward P/E**

![Graph showing implied forward P/E over time]

**GLW: Implied Forward EV/EBITDA**

![Graph showing implied forward EV/EBITDA over time]
Multiples Valuation

**Implied Forward P/E Comparables**

- GLW Four Year P/E Average: 9.83
- Competitor Average: 19.05
- Industry Average: 11.73
- Final GLW Estimated Forward P/E: 11.70
- Intrinsic Value: $14.40

**Implied Forward EV/EBITDA Comparables**

- GLW Four Year EV/EBITDA Average: 11.5
- Competitor Average: 8.29
- Industry Average: 8.28
- Final GLW Estimated Forward EV/EBITDA: 8.75
- Intrinsic Value: $15.59
Valuation and Thesis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implied Forward P/E</td>
<td>25%</td>
<td>$14.40</td>
<td>$3.60</td>
</tr>
<tr>
<td>EV/EBITDA</td>
<td>25%</td>
<td>$15.59</td>
<td>$3.90</td>
</tr>
<tr>
<td>DCF - Base</td>
<td>40%</td>
<td>$19.67</td>
<td>$7.87</td>
</tr>
<tr>
<td>DCF - Downside</td>
<td>10%</td>
<td>$15.71</td>
<td>$1.57</td>
</tr>
<tr>
<td>Final Valuation</td>
<td></td>
<td></td>
<td>$16.94</td>
</tr>
<tr>
<td>Market Price (4/17/13)</td>
<td></td>
<td></td>
<td>$12.96</td>
</tr>
<tr>
<td>Estimated Upside (Downside)</td>
<td></td>
<td></td>
<td>30.71%</td>
</tr>
</tbody>
</table>

**Investment Thesis:**
- Recent earnings volatility has heightened investor skepticism
- Volatility was already factored into Corning’s share price
- Recent price stagnation has held Corning well below its intrinsic value
Delphi Automotive (DLPH)

Price (4/26/13): $44.70
Market Cap: $14.1B
One-Year Forward P/E: 9.31
One-Year Forward EPS: $3.93

FOCUS: Fundamental Analysis

Source: Yahoo! Finance, Derived
DLPH Company Background

- Vehicle components supplier with global reach
- Safe, green, connected
- Aggressive cost discipline
- Impressive execution

![2012 Sales by Segment ($15.5B Total)]

- Thermal Systems, 9.9%
- Electrical/ Electronic Architecture, 43.9%
- Electronics and Safety, 17.6%
- Powertrain Systems, 30.0%

![2012 New Business Bookings Distribution]

- North America, 32%
- Europe, 29%
- Asia Pacific, 34%
- South America, 5%

Source: SEC Filings
Fundamental Analysis

**Margin Expansion**

<table>
<thead>
<tr>
<th>Year</th>
<th>GPM (%)</th>
<th>NPM (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>6.9</td>
<td></td>
</tr>
</tbody>
</table>

Peers:
- GPM: 16.1
- NPM: 5.4

**Return on Invested Capital (ROIC)**

<table>
<thead>
<tr>
<th>Year</th>
<th>DLPH (%)</th>
<th>PEERS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>19.5</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>25.5</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>29.7</td>
<td></td>
</tr>
</tbody>
</table>

**DuPont Analysis**

<table>
<thead>
<tr>
<th>Year</th>
<th>ROE (%)</th>
<th>ROA (%)</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.1</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>11.2</td>
<td>11.6</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>27</td>
<td>9.8</td>
<td></td>
</tr>
</tbody>
</table>

**Economic Spread (ROIC-WACC)**

<table>
<thead>
<tr>
<th>Year</th>
<th>DLPH (%)</th>
<th>PEERS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>19.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: SEC Filings, Bloomberg, Derived

AIM XXXVI
Valuation and Thesis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implied Forward Price-to-Earnings</td>
<td>10%</td>
<td>$33.42</td>
<td>$3.34</td>
</tr>
<tr>
<td>Implied Forward Price-to-EBIT</td>
<td>10%</td>
<td>$36.73</td>
<td>$3.67</td>
</tr>
<tr>
<td>Implied Forward Price-to-EBITDA</td>
<td>10%</td>
<td>$36.24</td>
<td>$3.62</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>70%</td>
<td>$47.92</td>
<td>$33.55</td>
</tr>
<tr>
<td>Final Valuation</td>
<td></td>
<td>$44.19</td>
<td></td>
</tr>
<tr>
<td>Market Price (4/17/13)</td>
<td></td>
<td>$41.87</td>
<td></td>
</tr>
<tr>
<td>Estimated Upside (Downside)</td>
<td></td>
<td></td>
<td>5.54%</td>
</tr>
</tbody>
</table>

Investment Thesis:
- Strong fundamentals
- Competitive advantage (at least for the next five years)
- Above average company at an average price
Activision Blizzard, Inc. (ATVI)

Price (4/26/13): $14.82
Market Cap: $16.5B
One-Year Forward P/E: 13.3
One-Year Forward EPS: $0.81

FOCUS: Investment Policy

Source: Yahoo! Finance, Derived

AIM XXXVI
According to AIM policies and guidelines, the portfolio will not “invest in any company whose values are inimical with those of the University of Notre Dame.” Analysts are given the trust and confidence of the University, and are obligated to act on its behalf as fiduciaries with regard to the portfolio.

Over 30% of Activision Blizzard’s revenue comes from the sale of games that are rated “mature,” the equivalent of an “R” rating for a movie.
“Any trend to produce programs and products - including animated films and video games - which in the name of entertainment exalt violence and portray anti-social behavior or the trivialization of human sexuality is a perversion, all the more repulsive when these programs are directed at children and adolescents.”

-Pope Emeritus Benedict XVI

“In fact, violent videogames have an even more powerful influence than violent television and movies, whose detrimental effects have been documented for decades.”

-Darcia Narvaez, Professor of Psychology at Notre Dame
## Valuation and Thesis

<table>
<thead>
<tr>
<th>Recommendation - Sell</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valuation Method</strong></td>
</tr>
<tr>
<td>Book Value</td>
</tr>
<tr>
<td>Dividend Discount</td>
</tr>
<tr>
<td>P/E Multiple</td>
</tr>
<tr>
<td>P/B Multiple</td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
</tr>
<tr>
<td>Final Valuation</td>
</tr>
<tr>
<td>Market Price (4/17/13)</td>
</tr>
<tr>
<td><strong>Estimated Upside (Downside)</strong></td>
</tr>
</tbody>
</table>

### Investment Thesis:

- Using traditional investment analysis techniques, Activision Blizzard is a “Buy”
- After a lively debate and voting deadlock, AIM XXXVI decided to hold ATVI in the portfolio
- Analyst consensus that the company’s values did not directly conflict with those of the University
Portfolio Performance

- Historical Performance
- Attribution Analysis
- Risk-Adjusted Measures
- Active Share
- Bull vs. Bear
- Final Portfolio
Historical Performance

AIM Portfolio Returns vs. Benchmark Returns (Annualized)

*As of 3/31/2013

Source: BNY Mellon Workbench, Bloomberg

AIM XXXVI 68
# Top / Bottom Performers

## Top Five Performers

<table>
<thead>
<tr>
<th>Company</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gilead Sciences</td>
<td>117.4%</td>
</tr>
<tr>
<td>Discover Financial</td>
<td>51.1%</td>
</tr>
<tr>
<td>eBay</td>
<td>49.8%</td>
</tr>
<tr>
<td>OpenTable</td>
<td>41.2%</td>
</tr>
<tr>
<td>Google</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

## Bottom Five Performers

<table>
<thead>
<tr>
<th>Company</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Select Comfort</td>
<td>(28.0%)</td>
</tr>
<tr>
<td>Apple</td>
<td>(16.5%)</td>
</tr>
<tr>
<td>Potash</td>
<td>(13.6%)</td>
</tr>
<tr>
<td>Teradata</td>
<td>(12.1%)</td>
</tr>
<tr>
<td>Expeditors Interna</td>
<td>(5.5%)</td>
</tr>
</tbody>
</table>

*As of 3/31/2013*

Source: BNY Mellon Workbench
Sector Allocation - Current

AIM Sector Weights vs. Benchmarks

<table>
<thead>
<tr>
<th>Sector</th>
<th>AIM</th>
<th>S&amp;P 500</th>
<th>Russell 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td>8.06%</td>
<td>16.13%</td>
<td>24.37%</td>
</tr>
<tr>
<td>Health Care</td>
<td>7.92%</td>
<td>12.81%</td>
<td>12.61%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.00%</td>
<td>3.64%</td>
<td>4.30%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>28.83%</td>
<td>10.56%</td>
<td>15.25%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>3.82%</td>
<td>11.15%</td>
<td>3.22%</td>
</tr>
<tr>
<td>Energy</td>
<td>0.00%</td>
<td>11.84%</td>
<td>5.91%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>36.24%</td>
<td>20.58%</td>
<td>12.85%</td>
</tr>
<tr>
<td>Materials</td>
<td>3.75%</td>
<td>3.41%</td>
<td>7.56%</td>
</tr>
<tr>
<td>Industrials</td>
<td>11.26%</td>
<td>9.88%</td>
<td>13.93%</td>
</tr>
</tbody>
</table>

*As of 4/25/2013

Source: BNY Mellon Workbench, Standard & Poor's, Bloomberg
Attribution Analysis

- **Allocation** = Ability to effectively allocate assets to various sectors

- **Selection** = Ability to select securities within a sector relative to a benchmark

- **Net Management Effect** = Allocation + Selection
Performance vs. S&P 500 - One Year

Source: BNY Mellon Workbench

AIM XXXVI
Best/Worst Performing Sector – One Year

Source: BNY Mellon Workbench
Performance vs. S&P 500 - Three Years

Source: BNY Mellon Workbench
Jensen’s Alpha

\[ \alpha_P = r_{P,t} - [r_{F,t} + \beta_P \cdot (r_{M,t} - r_{F,t})] \]
Sharpe Ratio

\[
\frac{(r_p - r_f)}{\sigma_p}
\]

Source: BNY Mellon Workbench
$M^2 = (S_p - S_M)\sigma_M$
Active Share

• How “Active” is the AIM portfolio? We can only outperform the market if we are different from it
• Developed by Notre Dame Professor Martijn Cremers
• Data on 2,650 funds from 1980 to 2003
• Managers with Active Share above 80% outperformed 1.13% after fees, managers under 60% Active Share underperformed by 1.42% after fees

• Portfolio = (Index) + (Portfolio – Index)

Passive
Active
Active Share

\[ \text{Active Share} = \frac{1}{2} \sum_{i=1}^{N} |w_{fund,i} - w_{benchmark,i}| \]

- Scores between 0 and 100%
- AIM portfolio score is 91.5%, implies an 8.5% overlap with the S&P 500
- Closest index position is Apple
- Equal weighting, limited number of equities in our portfolio contributes to a higher score
- Excellent metric to help understand portfolio performance, but still needs additional context
Active Share

How many AIM stocks are in the S&P 500?

Currently 15 of our 25 positions:

- Apple
- Cummins
- Expeditors Intl
- Gilead
- Google
- Teradata
- United Health
- Wynn
- Apollo Group
- Coach
- ConAgra
- Corning
- Delphi Auto
- Intel
- Microsoft
Active Share

Active Share: 91.5%
Tracking Error (S&P 500): 1.24%

- Diversified Stock Picks
- Concentrated Stock Picks
- Closet Index Fund
- Factor Bets

Low
High

Low
High

Tracking Error (Std. Dev % Difference)
Bull/Bear Performance Analysis

- Analysis of AIM’s performance in strong Bull & Bear Markets

- Bank of America / Merrill Lynch Global Research
  - Bull markets of 20% move without subsequent 20% correction
  - Bear markets of 20% move without subsequent 20% rally

- Key takeaway is how does AIM perform relative to its benchmarks in those periods
  - AIM’s goal is outperformance
  - Stock picking strategy may lead to positive returns in bull markets that are marginalized by underperformance in bear markets

Source: BNY Mellon Workbench
Average Excess Returns in Bull Markets

Source: BNY Mellon Workbench

AIM XXXVI
Average Excess Returns in Bear Markets

<table>
<thead>
<tr>
<th></th>
<th>Returns over HBI</th>
<th>Returns over Russell</th>
<th>Returns over S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.05%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.10%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.15%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.20%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.25%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.30%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.35%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.40%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BNY Mellon Workbench
Bull/Bear Takeaways

- Aggressive stock-picking strategy has led to outperformance in bull markets, but underperformance in bear markets

- Magnitude of bull outperformance greater than that of bear underperformance
  - Exception: Russell 2000

- Further analysis could be useful
  - Examination of particular time periods
## Portfolio Turnover

<table>
<thead>
<tr>
<th><strong>BUY</strong></th>
<th><strong>SELL</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollo Group (APOL)</td>
<td>Acuity Brands (AYI)</td>
</tr>
<tr>
<td>Bank of Internet (BOFI)</td>
<td>Cerner (CERN)</td>
</tr>
<tr>
<td>Cinemark (CNK)</td>
<td>Chevron (CVX)</td>
</tr>
<tr>
<td>Coach (COH)</td>
<td>Continental Resources (CLR)</td>
</tr>
<tr>
<td>ConAgra Foods (CAG)</td>
<td>Dick’s Sporting Goods (DKS)</td>
</tr>
<tr>
<td>Corning (GLW)</td>
<td>Discover (DFS)</td>
</tr>
<tr>
<td>Delphi Automotive (DLPH)</td>
<td>Domino’s Pizza (DPZ)</td>
</tr>
<tr>
<td>DiamondRock Hospitality (DRH)</td>
<td>eBay (EBAY)</td>
</tr>
<tr>
<td>Intel (INTC)</td>
<td>Flowserve (FLS)</td>
</tr>
<tr>
<td>InterActiveCorp (IACI)</td>
<td>Halliburton (HAL)</td>
</tr>
<tr>
<td>Joseph A. Bank (JOSB)</td>
<td>KapStone Paper (KS)</td>
</tr>
<tr>
<td>Microsoft (MSFT)</td>
<td>LabCorp (LH)</td>
</tr>
<tr>
<td>Titan Machinery (TITN)</td>
<td>OpenTable (OPEN)</td>
</tr>
<tr>
<td>ProShares Ultra Short Japan (EWV)</td>
<td></td>
</tr>
<tr>
<td>iShares MSCI Mexico CIMI (EWW)</td>
<td></td>
</tr>
</tbody>
</table>
Portfolio Turnover (Cont.)

HOLD

- Apple (AAPL)
- Activision Blizzard (ATVI)
- Cummins (CMI)
- Expeditors International (EXPD)
- Gilead Sciences (GILD)
- Google (GOOG)
- IPG Photonics (IPGP)
- Potash (POT)
- Select Comfort (SCSS)
- Teradata (TDC)
- UnitedHealth (UNH)
- Wynn Resorts (WYNN)
## Portfolio Purchases

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Purchase Price 4/22/13</th>
<th>Intrinsic Value</th>
<th>Upside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollo Group</td>
<td>APOL</td>
<td>$17.41</td>
<td>$30.58</td>
<td>75.6%</td>
</tr>
<tr>
<td>Bank of Internet</td>
<td>BOFI</td>
<td>$37.69</td>
<td>$40.06</td>
<td>6.3%</td>
</tr>
<tr>
<td>ConAgra Foods</td>
<td>CAG</td>
<td>$36.10</td>
<td>$43.29</td>
<td>19.9%</td>
</tr>
<tr>
<td>Cinemark</td>
<td>CNK</td>
<td>$29.11</td>
<td>$30.00</td>
<td>3.1%</td>
</tr>
<tr>
<td>Coach</td>
<td>COH</td>
<td>$51.26</td>
<td>$68.12</td>
<td>32.9%</td>
</tr>
<tr>
<td>Delphi Automotive</td>
<td>DLPH</td>
<td>$41.99</td>
<td>$44.76</td>
<td>6.6%</td>
</tr>
<tr>
<td>DiamondRock Hospitality</td>
<td>DRH</td>
<td>$9.45</td>
<td>$11.34</td>
<td>20.0%</td>
</tr>
<tr>
<td>Corning</td>
<td>GLW</td>
<td>$12.85</td>
<td>$16.94</td>
<td>31.8%</td>
</tr>
<tr>
<td>InterActiveCorp</td>
<td>IACI</td>
<td>$43.96</td>
<td>$58.37</td>
<td>32.8%</td>
</tr>
<tr>
<td>Intel</td>
<td>INTC</td>
<td>$22.50</td>
<td>$22.66</td>
<td>0.7%</td>
</tr>
<tr>
<td>Joseph A. Bank</td>
<td>JOSB</td>
<td>$40.98</td>
<td>$43.11</td>
<td>5.2%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>MSFT</td>
<td>$30.29</td>
<td>$36.15</td>
<td>19.3%</td>
</tr>
<tr>
<td>Titan Machinery</td>
<td>TITN</td>
<td>$21.79</td>
<td>$31.65</td>
<td>45.3%</td>
</tr>
<tr>
<td>Stock</td>
<td>Ticker</td>
<td>Weight</td>
<td>Market Value</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------</td>
<td>--------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>Activision Blizzard</td>
<td>ATVI</td>
<td>4.2%</td>
<td>$312,612</td>
<td></td>
</tr>
<tr>
<td>Apollo Group*</td>
<td>APOL</td>
<td>3.9%</td>
<td>$289,006</td>
<td></td>
</tr>
<tr>
<td>Apple</td>
<td>AAPL</td>
<td>4.3%</td>
<td>$314,400</td>
<td></td>
</tr>
<tr>
<td>Bank of Internet*</td>
<td>BOFI</td>
<td>4.1%</td>
<td>$301,520</td>
<td></td>
</tr>
<tr>
<td>Cinemark*</td>
<td>CNK</td>
<td>4.0%</td>
<td>$294,011</td>
<td></td>
</tr>
<tr>
<td>Coach*</td>
<td>COH</td>
<td>4.0%</td>
<td>$292,182</td>
<td></td>
</tr>
<tr>
<td>ConAgra Foods*</td>
<td>CAG</td>
<td>4.0%</td>
<td>$296,020</td>
<td></td>
</tr>
<tr>
<td>Corning*</td>
<td>GLW</td>
<td>3.9%</td>
<td>$286,555</td>
<td></td>
</tr>
<tr>
<td>Cummins</td>
<td>CMI</td>
<td>4.0%</td>
<td>$291,627</td>
<td></td>
</tr>
<tr>
<td>Delphi Automotive*</td>
<td>DLPH</td>
<td>4.1%</td>
<td>$298,129</td>
<td></td>
</tr>
<tr>
<td>DiamondRock Hospitality*</td>
<td>DRH</td>
<td>3.9%</td>
<td>$288,225</td>
<td></td>
</tr>
<tr>
<td>Expeditors International</td>
<td>EXPD</td>
<td>3.5%</td>
<td>$260,628</td>
<td></td>
</tr>
<tr>
<td>Gilead Sciences</td>
<td>GILD</td>
<td>4.4%</td>
<td>$322,028</td>
<td></td>
</tr>
<tr>
<td>Google</td>
<td>GOOG</td>
<td>4.3%</td>
<td>$313,024</td>
<td></td>
</tr>
</tbody>
</table>

*denotes new position

<table>
<thead>
<tr>
<th>Stock</th>
<th>Ticker</th>
<th>Weight</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intel*</td>
<td>INTC</td>
<td>4.0%</td>
<td>$294,750</td>
</tr>
<tr>
<td>InterActiveCorp*</td>
<td>IACI</td>
<td>3.9%</td>
<td>$290,136</td>
</tr>
<tr>
<td>IPG Photonics</td>
<td>IPGP</td>
<td>3.9%</td>
<td>$284,878</td>
</tr>
<tr>
<td>Joseph A. Bank*</td>
<td>JOSB</td>
<td>4.0%</td>
<td>$295,056</td>
</tr>
<tr>
<td>Microsoft*</td>
<td>MSFT</td>
<td>4.2%</td>
<td>$305,929</td>
</tr>
<tr>
<td>Potash</td>
<td>POT</td>
<td>3.6%</td>
<td>$266,140</td>
</tr>
<tr>
<td>Select Comfort</td>
<td>SCSS</td>
<td>3.8%</td>
<td>$281,850</td>
</tr>
<tr>
<td>Teradata</td>
<td>TDC</td>
<td>3.4%</td>
<td>$252,800</td>
</tr>
<tr>
<td>Titan Machinery*</td>
<td>TITN</td>
<td>3.9%</td>
<td>$289,807</td>
</tr>
<tr>
<td>UnitedHealth</td>
<td>UNH</td>
<td>4.0%</td>
<td>$297,744</td>
</tr>
<tr>
<td>Wynn Resorts</td>
<td>WYNN</td>
<td>4.2%</td>
<td>$310,825</td>
</tr>
<tr>
<td>Proshr UltShrt MSCI Japan*</td>
<td>EWV</td>
<td>0.1%</td>
<td>$5,245</td>
</tr>
<tr>
<td>iShares MSCI Mexico*</td>
<td>EWW</td>
<td>0.1%</td>
<td>$5,081</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>0.3%</td>
<td>$19,426</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>100%</td>
<td>$7,359,634</td>
</tr>
</tbody>
</table>

*denotes new position
General Information

Guest Speakers
Chicago Trip
Newsletter
AIM Website
Extracurricular
Guest Speakers

Edward R. Trubac
Professor Emeritus
Department of Finance
University of Notre Dame

Scott C. Malpass
Vice President & Chief Investment Officer
Investment Office
University of Notre Dame
Chicago Trip

**Overview**
Opportunity to learn from professionals
March 21-22
*Westin, Downtown Chicago*

**Alumni Dinner**
Networking event with former AIM Alumni
*Maggiano’s Little Italy*
Chicago Trip

Scott Meadow
Associate Partner
The Edgewater Funds

Dan Nettesheim
Chief Executive Officer
Barcodes Inc.
Chicago Trip

Dan Reynolds
Managing Director
LaSalle Investment Management

Mat Klody
Founder/Portfolio Manager
MCN Capital
Communication

Objective:

- Alumni News
- Portfolio Performance
- Economic Outlook
Communication

Website

www.aim.nd.edu

- Course Overview
- News and Events
- Analysts
- Portfolio Performance
- Publications
- Alumni Networking
  - Career Opportunities
  - Upcoming Events
- Social Media
  - LinkedIn
Extracurricular

Networking
Extracurricular

Golf Scramble
Closing

AIM XXXVI would like to thank:

- The Advisory Board
- Scott Malpass and the Notre Dame Investment Office
- Professors Langley, McDonald, Reilly, and Trubac
- Rachel Karnafel

Post-Presentation Agenda

- Advisory Board panel discussion