Advisory Board Presentation

AIM XLI
December 7, 2015
AIM XLI Analysts

Thomas Aichele
Arlington Heights, Illinois
Delphi Automotive, GoPro

Andy Cheung
Bloomfield, New Jersey
Jazz Pharma, Bright Horizon

Michael Cyrocki
Troy, Michigan
Royal Caribbean, Under Armour

Kirsten Dodds
Wayne, New Jersey
Las Vegas Sands, Johnson and Johnson

Brandon Fairesich
Denville, New Jersey
Atwood Oceanics, Outerwall

Andrew Fausone
Wilmette, Illinois
Union Pacific, American Tower

Cavan Finigan
Milton, Massachusetts
Apple, Dicks Sporting Goods

Quinn Fredrickson
Cincinnati, Ohio
Seadrill Ltd., Cedar Fair LP

Samuel Gerstemeier
Roanoke, Virginia
Mattress Firm, Envision Healthcare

Thomas Gordon
Glenview, Illinois
Microsoft, Facebook

Lilian Ho
Hong Kong
Monsanto, Kate Spade

Andrew Jensen
Wheeling, Illinois
Mastercard, Starbucks

Joseph Kelly
Toledo, Ohio
UnitedHealth, KKR & Co. LP

Mariel Kennedy
Watchung, New Jersey
Hain Celestial, O’Reilly

James Li
Annandale, New Jersey
Gilead Sciences, Walt Disney Co.

June Liang
Shenzhen, China
Kinder Morgan, Priceline

Daniel Lipka
Arlington Heights, Illinois
Activision Blizzard, Fiserv

Jacob Lippe
Dyer, Indiana
Exxon Mobil, FedEx

Robert Luttrell
Chappaqua, New York
Cisco Systems, TJX Companies

Timothy Maguire
Finksburg, Maryland
Mobileye, Parker-Hannifin

Paul Mascarenhas
Fairfield, Connecticut
Alphabet, Spirit Airlines

Megan O’Brien
Cincinnati, Ohio
Checkpoint Software, lululemon

Stephen Schafer
Edgewood, Kentucky
IMAX, Best Buy

Kevin Unger
Willmar, Minnesota
Harman International, Fastenal

Brian Willis
Rutherford, New Jersey
Covanta Holdings, TransDigm Inc.
Agenda

Investment Objectives and Guidelines
Economic Overview
Security Analysis
Portfolio Performance
AIM XLI Highlights
Closing
Objectives and Guidelines

AIM Overview
Analyst Responsibilities
Stock Selection Process
Investment Policies
Market Capitalization Profile
Ethics Policies
Objectives and Guidelines

AIM Overview

Course Objectives

- Provide students with exposure to the process of portfolio management, from asset allocation decisions through individual stock evaluation
- Combines academic theory with hands-on experience

Analyst Selection

- Selection based on academic record and professional experience
- Analysts assume responsibilities for all portfolio management decisions
Objectives and Guidelines

Analyst Responsibilities

- Each analyst covers two companies:
  - First round: assigned stock from current portfolio
  - Second round: selected stock of interest

- For each stock, analysts produce and present a series of reports:
  - Company Overview
  - Fundamental Analysis
  - Industry Report
  - EPS Forecast
  - Technical Analysis
  - Valuation and Final Recommendation
Objectives and Guidelines

Group Responsibilities

Economic Outlook

- Analyze recent developments and trends of economic factors
- Assess portfolio impact

Portfolio Performance

- Analyze risk-adjusted performance and portfolio attribution
- Report on recent and long-term performance compared to benchmarks

Newsletter

- Produce quarterly newsletters to alumni and advisory board
- Provide economic and performance summaries, as well as alumni updates.

Trading

- Manage trading activities for portfolio
- Maintain communication with Investment Office
Objectives and Guidelines

Stock Selection Process

- Analysts discuss inputs, drivers, and potential upside/downside risk

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

- Final portfolio positions require a majority vote of all analysts

- AIM XLI allowed to take long and short positions using sector ETFs in industries that exhibit positive and negative trends
Objectives and Guidelines

Investment Philosophy

- Long-term objective is to outperform the returns of the S&P 500 by identifying undervalued stocks

- Additional benchmarks
  - Russell 2000
  - Hank Blended Index (HBI) (65% S&P 500, 35% Russell 2000)

- Bottom-up approach, accompanied by top-down consideration
  - Determine intrinsic value of stock while maintaining macroeconomic and specific industry outlook

- Risk is not actively managed since portfolio diversification naturally limits risk
Objectives and Guidelines

Investment Constraints

- Liquidity
  - Stocks should have high liquidity

- Time Horizon
  - Long-term (3-5 years)

- Laws & Regulation
  - Fund abides by “Prudent Person Rule”

- Tax Considerations
  - Not a constraint for the fund given its tax-exempt status
Objectives and Guidelines

Common equities traded on major US exchanges

Sector Allocation should be roughly that of the S&P 500

Portfolio Target Allocation
  - 35% in Small & Mid-Cap stocks
  - 65% in Large-Cap stocks
  - +/- 10% boundary

Any one stock should not exceed 10% of the portfolio

Goal is to be fully invested
Objectives and Guidelines
Market Capitalization Profile

AIM XL Portfolio Composition
- Cash: 0.2%
- Small: 3.4%
- Mid: 24.1%
- Large: 72.2%

AIM XLI Portfolio Composition
- Cash & ETF: 0.4%
- Mid: 23.9%
- Large: 76.5%

Based on prices as of 11/30/15
Avoid companies “whose values are not consistent with those of the University”

- Including (but not limited to):
  - Abortifacients
  - Birth Control
  - Tobacco
Economic Overview

Consumer and Economic Growth
Global Trade
Oil Prices and Energy
Interest Rates and the Federal Reserve
Economic Overview
Consumers remain cautious

Unemployment and Wages

- November jobs report beats expectations
  - 211,000 jobs added vs. 200,000 projected
- Unemployment rate- 5.0%
  - 9.9% including discouraged and part time workers
- Labor force participation rate lowest in 38 years at 62.5%
- Wage growth remains tepid
- Savings rate highest in 3 years

YoY % Growth in GDP

- Consumption- 68.6% of GDP
- GDP growth remains below average
- Expansion average 2.1% growth
- 3Q15 growth of 2.0%
  - Dragged down by inventory, energy spending cuts

Source: WSJ, FRED, CNBC
Economic Overview
Global trade growth slowing

- USD strengthening weakens exports, increases trade deficit
- China GDP growth slowing - accounted for 1/3 of global growth over last seven years
- Commodities markets struggling
- ECB quantitative easing - €60 Billion a month bond buying
- Strong U.S. dollar negatively impacts multinationals

Source: OECD, WSJ
Economic Overview

Oil Prices

Production

- U.S.
- OPEC
- Global

Growth Since 2013

- 20.1%
- 3.2%
- 5.4%

Consumption

- U.S.
- Global

Growth Since 2013

- 3.3%
- 4.3%

U.S. Rig Count and Crude Inventories

- Supply of oil has flooded the market
- Global growth concerns have dampened demand
- Lower oil prices hold down headline CPI
- Generates consumer discretionary spending

Source: Baker Hughes, EIA
Economic Overview
Interest Rates

Yield Curve

Federal Funds Rate

- Positive economic data has Fed ready to hike rates
- Market pricing in 75% chance of December rate hike
- Rate hike likely impounded in risk asset prices
- Policy divergence from other developed economies
- Pace of subsequent rate hikes

Source: Federal Reserve
Security Analysis

Overview
Growth Dynamics
Discovery
Fundamental Analysis
Technical Analysis
Management Team
Industry Dynamics
EPS and Valuation
<table>
<thead>
<tr>
<th>Stock</th>
<th>Analyst</th>
</tr>
</thead>
<tbody>
<tr>
<td>GoPro</td>
<td>Tom Aichele</td>
</tr>
<tr>
<td>Bright Horizon Family Solutions</td>
<td>Andy Cheung</td>
</tr>
<tr>
<td>Royal Caribbean</td>
<td>Mike Cyroki</td>
</tr>
<tr>
<td>Atwood Oceanics</td>
<td>Brandon Faresich</td>
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<tr>
<td>American Tower Corporation</td>
<td>Andy Fausone</td>
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<tr>
<td>Dicks Sporting Goods</td>
<td>Cavan Finigan</td>
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<td>Envision Healthcare Holdings</td>
<td>Sam Gerstemeier</td>
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<tr>
<td>Facebook</td>
<td>Tom Gordon</td>
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<td>Monsanto</td>
<td>Lilian Ho</td>
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<tr>
<td>Mastercard</td>
<td>Andrew Jensen</td>
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<tr>
<td>United Healthcare</td>
<td>Joseph Kelly</td>
</tr>
<tr>
<td>Hain Celestial</td>
<td>Mariel Kennedy</td>
</tr>
<tr>
<td>Disney</td>
<td>James Li</td>
</tr>
<tr>
<td>Priceline</td>
<td>June Liang</td>
</tr>
<tr>
<td>T.J. Maxx</td>
<td>Rob Luttrell</td>
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<td>lululemon</td>
<td>Megan O’Brien</td>
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<td>Best Buy</td>
<td>Stephen Schafer</td>
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<td>Harman International</td>
<td>Jimmy Unger</td>
</tr>
<tr>
<td>TransDigm</td>
<td>Brian Willis</td>
</tr>
</tbody>
</table>
GoPro
NYSE: GPRO

1-yr Forward P/E: 20.9x
Market Cap: $2.8B
Dividend Yield: N/A
LTM EPS: $1.22

1-Year Price Chart

Focus – Fundamental Analysis

Source: AIM / Aichele 2015, Yahoo Finance
### GoPro

- Founded in 2004 by Nick Woodman
- Makes mountable action cameras & supporting content management software

### Industry

- Highly competitive
- Increasing dominance of smartphones

### Overview

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($M)</th>
<th>Operating profit margin</th>
<th>Net profit margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$64</td>
<td>10.2%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2013</td>
<td>$234</td>
<td>10.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2014</td>
<td>$986</td>
<td>13.4%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>$280</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 2015</td>
<td>$400</td>
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<td></td>
</tr>
</tbody>
</table>

**Margins**

- **Operating profit margin**
- **Net profit margin**

**Source:** Company Filings, Investor Presentation

**Revenue ($M) Overview**

- 116% CAGR
- 43% YoY Growth
GoPro
Discounted Free Cash Flow

New Segments
- Consumer drones – introducing quadcopter in first half of 2016
- Virtual reality – partnered with Google and Facebook
- Media – leverage user generated content

Operating Cases Assumptions
- Research and development
- Sales and marketing
- General and administrative

GoPro Net Margins Forecast

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Downside Case</td>
<td>2.9%</td>
<td>3.2%</td>
<td>3.6%</td>
<td>4.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Base Case</td>
<td>4.0%</td>
<td>5.5%</td>
<td>6.9%</td>
<td>8.4%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Upside Case</td>
<td>7.4%</td>
<td>9.9%</td>
<td>12.5%</td>
<td>13.9%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

Source: AIM / Aichele 2015, Company Filings, Investor Presentation
## GoPro Valuation and Thesis

### Valuation Method

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted Free Cash Flow -Downside</td>
<td>20%</td>
<td>$9.50</td>
<td>$1.90</td>
</tr>
<tr>
<td>Discounted Free Cash Flow -Base</td>
<td>40%</td>
<td>$23.10</td>
<td>$9.24</td>
</tr>
<tr>
<td>Discounted Free Cash Flow -Upside</td>
<td>40%</td>
<td>$40.13</td>
<td>$16.05</td>
</tr>
<tr>
<td>Book Value per Share</td>
<td>0%</td>
<td>$8.05</td>
<td>--</td>
</tr>
<tr>
<td>Implied P/E Multiple</td>
<td>0%</td>
<td>$36.30</td>
<td>--</td>
</tr>
<tr>
<td>Implied P/Sales Multiple</td>
<td>0%</td>
<td>$71.83</td>
<td>--</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td></td>
<td></td>
<td>$27.19</td>
</tr>
<tr>
<td>Market Price (11/23/15)</td>
<td></td>
<td></td>
<td>$18.99</td>
</tr>
</tbody>
</table>

| Estimated Upside / (Downside)         |        |           | 43.3%        |

### Portfolio Decision: NO BUY

**Recommendation: BUY**

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
<th>Contribution</th>
</tr>
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<tr>
<td>Market Price (11/23/15)</td>
<td></td>
<td></td>
<td>$18.99</td>
</tr>
</tbody>
</table>

**Investment Thesis**

- Growing and profitable firm oversold after recent misses
- Strong brand creates defendable margins
- Consumer drones, virtual reality, and media offer large upside potential

Source: AIM / Aichele 2015
Bright Horizons Family Solutions
NYSE: BFAM

Price (11/23/15): $66.00
1-yr Forward P/E: 37.1x
Market Cap: $4.0B
Dividend Yield: N/A
LTM EPS: $1.40

Source: Yahoo Finance, Company Filings
Bright Horizons Family Solutions

Overview

Business Overview

- Early education and daycare service provider
- Employer-sponsor business model targets upper class, college educated working mothers
- Margin expansion opportunities
  - Accredited status of service and target market allows for premium pricing
  - Inorganic growth strategy allows for cost savings
- Supportive socio-economic trends regarding early education adoption

Revenue and EBITDA Growth ($M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>EBITDA</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,071</td>
<td>$181</td>
<td>16.9%</td>
</tr>
<tr>
<td>2013</td>
<td>$1,219</td>
<td>$209</td>
<td>17.1%</td>
</tr>
<tr>
<td>2014</td>
<td>$1,353</td>
<td>$238</td>
<td>17.6%</td>
</tr>
<tr>
<td>LTM</td>
<td>$1,394</td>
<td>$256</td>
<td>18.4%</td>
</tr>
</tbody>
</table>

LTM Revenue Breakdown

By Geography
- North America 79%
- Europe 21%

By Product
- Full Service 86%
- Back-Up 12%
- Other 2%

Source: Yahoo Finance, Company Filings
Bright Horizons Family Solutions  
Beta Analysis

<table>
<thead>
<tr>
<th>Beta Regression</th>
<th>Sensitivity Table</th>
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<tbody>
<tr>
<td>Public Estimates</td>
<td>Beta</td>
</tr>
<tr>
<td>Value Line</td>
<td>0.90</td>
</tr>
<tr>
<td>Barrons</td>
<td>0.80</td>
</tr>
<tr>
<td>Bloomberg Weekly (Adjusted)</td>
<td>0.71</td>
</tr>
<tr>
<td>Regression</td>
<td>Beta</td>
</tr>
<tr>
<td>Weekly (Adjusted)</td>
<td>0.47</td>
</tr>
<tr>
<td>Mean Reversion Final Beta</td>
<td>0.65</td>
</tr>
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<table>
<thead>
<tr>
<th>Beta</th>
<th>WACC</th>
<th>Intrinsic Valuation</th>
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<tbody>
<tr>
<td>0.50</td>
<td>4.9%</td>
<td>$66.23</td>
</tr>
<tr>
<td>0.65</td>
<td>5.5%</td>
<td>$56.20</td>
</tr>
<tr>
<td>0.80</td>
<td>6.1%</td>
<td>$48.20</td>
</tr>
<tr>
<td>0.95</td>
<td>6.7%</td>
<td>$41.68</td>
</tr>
<tr>
<td>1.10</td>
<td>7.3%</td>
<td>$36.26</td>
</tr>
</tbody>
</table>

Key Takeaways

- Perceived criticality of early education
- Diversified revenue base
- Sticky service on employer-sponsors and target market

Source: Yahoo Finance, Bloomberg, Company Filings, AIM/ Cheung 2015
## Bright Horizons Family Solutions Valuation and Thesis

<table>
<thead>
<tr>
<th>Recommendation: NO BUY</th>
<th>Portfolio Decision: NO BUY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valuation Method</strong></td>
<td><strong>Weight</strong></td>
</tr>
<tr>
<td>Discounted Free Cash Flow</td>
<td>80%</td>
</tr>
<tr>
<td>Implied P/E Multiple</td>
<td>10%</td>
</tr>
<tr>
<td>P/EBIT Multiple</td>
<td>10%</td>
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<tr>
<td>P/Sales Multiple</td>
<td>0%</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td></td>
</tr>
<tr>
<td>Market Price (11/23/15)</td>
<td></td>
</tr>
<tr>
<td>Estimated Upside / (Downside)</td>
<td></td>
</tr>
</tbody>
</table>

### Investment Thesis
- Strong historical growth strategy and identifiable areas for margin expansion
- Strengthening industry trends regarding increasing focus on early education
- Stock presently overvalued and value dependent on overleveraging balance sheet
Royal Caribbean Cruises
NYSE: RCL

Focus – Fundamental Analysis

Price (11/23/15): $94.93
1-yr Forward P/E: 15.0x
Market Cap: $20.8B
Dividend Yield: 1.6%
LTM EPS: $4.23

Source: Yahoo! Finance
Royal Caribbean Cruises

Overview

- Global vacation company specializing in cruises
- Operates under six brands and travels to nearly 500 destinations on all seven continents
- Strong push for growth in the Asia-Pacific region
- Aggressive “Double-Double” Initiative
- Strengths lie with the company’s brand recognition and broad market coverage

Revenue by Offering

- Tickets: 73%
- Onboard: 27%

Geographic Source of Revenue

- United States: 53%
- International: 47%

Source: Company Filings, AIM / Cyrocki 2015
Royal Caribbean Cruises
Fundamental Analysis

Net Profit Margin

Leverage Ratio

Capital Turnover

Return on Equity

Source: Company Filings, AIM / Cyrocki 2015
**Royal Caribbean Cruises**  
Valuation and Thesis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted Free Cash Flow</td>
<td>80%</td>
<td>$84.18</td>
<td>$67.35</td>
</tr>
<tr>
<td>Implied P/E Multiple</td>
<td>20%</td>
<td>$80.40</td>
<td>$16.08</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td></td>
<td></td>
<td>$83.43</td>
</tr>
<tr>
<td>Market Price (11/23/15)</td>
<td></td>
<td></td>
<td>$94.93</td>
</tr>
<tr>
<td>Estimated Upside / (Downside)</td>
<td></td>
<td></td>
<td>(12.1%)</td>
</tr>
</tbody>
</table>

**Recommendation: SELL**  
**Portfolio Decision: SELL**

**Investment Thesis**
- Increased pricing pressure due to global capacity increases
- Growth concerns in China where Royal Caribbean has targeted expansion
- Compliance with AIM investment policies – labor laws
Atwood Oceanics
NYSE: ATW

Price (11/23/15): $15.40
1-yr Forward P/E: 2.2x
Market Cap: $1.1B
Dividend Yield: 6.3%
LTM EPS: $6.70

Focus - Multiples Method

1-Year Price Chart

Source: S&P Capital IQ
Atwood Oceanics

Overview

- Awarded contracts drilling based off of:
  - Rig efficiency
  - Competitive pricing
  - Ability to comply with government standards
- Largest customers by revenue share: Apache Energy Ltd. (18%), Shell Offshore, Inc. (15%), Chevron Australia Pty. Ltd. (15%)

Management Overview

Robert Saltiel: President & CEO
Years on BOD: 6
Experience: SVP at Transocean Ltd.

Mark Mey: EVP
Experience: SVP and CFO of Scorpion Offshore Ltd.

George Dotson: Chair of the Board
Years on BOD: 27
Experience: president of H&P Int. Drilling Co.

Revenue Breakdown

2015 Revenue Share by Geography
- United States 30%
- Australia 39%
- Asia 17%
- Africa 9%
- Europe 5%

2015 Revenue Share by Rig Type
- Jackups 26%
- Ultra-Deepwater 39%
- Deepwater 29%
- Reimbursable 26%

Financial Performance ($M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Net Income</th>
</tr>
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<tbody>
<tr>
<td>2011A</td>
<td>$272</td>
<td>$272</td>
</tr>
<tr>
<td>2012A</td>
<td>$272</td>
<td>$350</td>
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<td>2013A</td>
<td>$1,018</td>
<td>$341</td>
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<tr>
<td>2014A</td>
<td>$1,103</td>
<td>$432</td>
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<tr>
<td>2015A</td>
<td>$1,342</td>
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CAGR: 20.9%
<table>
<thead>
<tr>
<th>Quarter</th>
<th>Implied P/E</th>
<th>Noble Corp. P/E</th>
<th>% Noble</th>
<th>S&amp;P Forward</th>
<th>% S&amp;P</th>
<th>Price-to-Sales</th>
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</thead>
<tbody>
<tr>
<td>3Q12</td>
<td>9.66</td>
<td>9.45</td>
<td>102%</td>
<td>15.42</td>
<td>-37%</td>
<td>3.37</td>
</tr>
<tr>
<td>4Q12</td>
<td>8.47</td>
<td>12.71</td>
<td>67%</td>
<td>14.88</td>
<td>-43%</td>
<td>3.02</td>
</tr>
<tr>
<td>1Q13</td>
<td>8.43</td>
<td>11.58</td>
<td>73%</td>
<td>14.70</td>
<td>-43%</td>
<td>2.89</td>
</tr>
<tr>
<td>2Q13</td>
<td>9.63</td>
<td>9.79</td>
<td>98%</td>
<td>14.75</td>
<td>-35%</td>
<td>3.27</td>
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<tr>
<td>3Q13</td>
<td>9.51</td>
<td>9.73</td>
<td>98%</td>
<td>15.60</td>
<td>-39%</td>
<td>3.07</td>
</tr>
<tr>
<td>4Q13</td>
<td>11.39</td>
<td>9.75</td>
<td>117%</td>
<td>16.14</td>
<td>-29%</td>
<td>3.50</td>
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<tr>
<td>1Q14</td>
<td>10.95</td>
<td>10.32</td>
<td>106%</td>
<td>16.44</td>
<td>-33%</td>
<td>3.38</td>
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<td>2Q14</td>
<td>9.81</td>
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<td>1.12</td>
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| One Year Average | 4.11 | 7.30 | 1.47 |
| Implied Valuation | $25.11 | $29.54 |

- Cheap compared to historic P/E levels
- Market has significantly discounted its assets
## Investment Thesis

- Best and youngest in class rigs, which drive contract acquisitions and robust profit margins
- Diversified fleet within the industry and across geographies
- Experienced management team that has successfully grown the company through organic expansion

## Valuation and Thesis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
<th>Contribution</th>
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<td>Discounted Free Cash Flow</td>
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<td>$19.25</td>
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<td>$25.11</td>
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<td>P/BV Multiple</td>
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<td>$29.54</td>
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<td>35.4%</td>
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**Recommendation:** HOLD

**Portfolio Decision:** SELL
American Tower
NYSE: AMT

1-yr Forward P/E: 44.9x
Market Cap: $42.1B
Dividend Yield: 1.9%
LTM EPS: $1.35

Focus – Growth Dynamics

Source: S&P Capital IQ, AIM / Fausone 2015
American Tower
Overview

- Operate and lease wireless communications sites around the world
- Large existing portfolio with 92,718 sites worldwide
- Long-term contracts with extremely low churn rate
- Aggressive acquisition strategy with a focus on international sites
- Organized as a REIT

Source: Company Filings, AIM / Fausone 2015
American Tower

Growth

- Organic revenue growth averages over 10%
- Continued Domestic Growth
  - Verizon acquisition
  - Continued network upgrades
- Strong International Growth Potential
  - Well positioned for mobile revolution
  - Viom acquisition

Site Locations

![Site Locations Chart]

Revenue Breakdown

![Revenue Breakdown Chart]

Average Tenants per Tower

![Average Tenants Chart]
American Tower
Valuation and Thesis

<table>
<thead>
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<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
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<td>Estimated Upside / (Downside)</td>
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Portfolio Decision: BUY

Investment Thesis

- Long term contracts and large portfolio of properties ensure stable recurring revenue
- Strong acquisition history and continued room for growth internationally
- Hardware and software agnostic opportunity to capitalize on growing mobile revolution
Dick’s Sporting Goods
NYSE: DKS

Price (11/23/15): $39.31
1-yr Forward P/E: 11.8x
Market Cap: $4.5B
Dividend Yield: 1.4%
LTM EPS: $3.10

Focus – Discovery

Source: Yahoo Finance, AIM / Finigan 2015
Local Sporting Good Retailers

Types of Competitors

- Large Format Stores
- Traditional Sporting Goods Stores
- Small Specialty Stores
- Department Stores

Takeaways

- Competitive advantage comes from product range and strong brands
- Trailing competitors significantly in customer service
- Product offering benefits brick & mortar model

Source: Company Filings, AIM / Finigan 2015
Dick’s Sporting Goods

Revenue Projections

Total Store Count

- Continuing to open flagship stores
  - Decreasing rate due to shift to online
- Golf Galaxy declining sharply before stabilizing
- Slow growth of Field & Stream
  - Uncertain future of outdoors sector

Revenue Breakdown By Product

- Shift in focus to apparel will help capitalize on growing fitness apparel trend
- Moving away from hardline products
  - Lower margins
- Will be difficult to compete in footwear due to lack of customer service

Source: Company Filings
## Dick’s Sporting Goods
### Valuation and Thesis

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### Investment Thesis

- Refocus on fitness apparel will improve profitability
- Strong name without any real direct competitors
- Hardline equipment products promote brick & mortar model

*Source: Yahoo Finance, AIM / Finigan 2015*
Envision Healthcare Holdings
NYSE: EVHC

Focus – Discovery / Industry Trends

Price (11/23/15): $27.31
1-yr Forward P/E: 33.1x
Market Cap: $5.1B
Dividend Yield: N/A
LTM EPS: $0.80

Source: Yahoo Finance
Envision Healthcare Holdings
Overview

- Envision is the leading national outsourcer of physician and transportation medical services

- Operates two separate brands; EmCare & American Medical Response (AMR)

- EmCare traditionally accounts for 65% of revenues

### Historical Revenue

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<td>Total</td>
<td>8.3</td>
<td>7.9</td>
<td>9.2</td>
<td>7.8</td>
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</table>
Envision Healthcare Holdings
Discovery and Industry Trends

- Contractual Ability to Manage Profitability
  - Contracts staffed on 45-60 day basis
  - AMR still has margin growth potential from public services partnerships
- Industry Trends Supporting Growth
  - Hospital consolidation at all time high since Affordable Care Act
  - Consolidation drives new contract opportunities
  - Medical Spending forecasted at steady 6.5% growth rate for 2016

Medical Spending Growth Rates

Source: Wall Street Journal, PWC Health Research Institute
Envision Healthcare Holdings
Valuation and Thesis

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<td>14.0%</td>
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**Investment Thesis**

- AMR growth will support steady margins
- Macro Industry trends support continued growth
- Evolution Health solution positions EVHC for value based environments
- Market is waiting for margins to improve from recent dips
Facebook
NASDAQ:FB

Price (11/23/15): $106.95
1-yr Forward P/E: 59.7x
Market Cap: $303.0B
Dividend Yield: N/A
LTM EPS: $1.00

Source: S&P Capital IQ, AIM / Gordon 2015
Mobile Market Opportunity
FB benefits from transfer of ad spend to mobile

% of Time Spent in Media vs. % of Advertising Spending, USA, 2014

- Time Spent
- Ad Spend

% of Total Media Consumption Time or Advertising Spending

Print: 4% (18%)  
Radio: 11% (11%)  
TV: 37%  
Internet: 24% (23%)  
Mobile: 24% (8%)  

~$30B+ opportunity in USA today,  
~$50B+ globally, growing at 30%+

## Valuation and Thesis

### Valuation Method Weight Valuation Contribution

<table>
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<th>Valuation</th>
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<td>24.4%</td>
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</table>

### Investment Thesis

- Driven by the thesis that market matters most, FB has the right set of products in the right market at the right time, suggesting long-term outperformance

Source: AIM / Gordon 2015
Monsanto
NYSE: MON

MONSANTO

Price (11/23/15): $95.27
1-yr Forward P/E: 15.3x
Market Cap: $42.8B
Dividend Yield: 2.1%
LTM EPS: $4.81

Source: Yahoo Finance, AIM / Ho 2015
Monsanto
Overview

- Leading biotechnology-driven agricultural company that specializes in genetically engineered (GM) seeds and herbicides
- Operates two business segments:
  - Seeds and Genomics
  - Agricultural Productivity
- Dominates 80% of U.S. corn and 93% of U.S. soybeans
- Outside the United States, Monsanto operates principally in Brazil, Argentina, Canada and Mexico
- 2016 EPS forecast: $4.00-4.66

Source: Company Filings
Phone Interview with Aaron Backman (Agricultural Economist & AIM Alum)

- Negative short-term outlook due to falling commodity prices and currency headwinds
- Independent research labelled MON’s herbicide a “probable carcinogen”
  - World Health Organization, California EPA
- Negative public perception might hinder expansion plans
  - 19 EU countries have banned GMO planting
- Lawsuits dragging down profits
  - Environmental pollution, patent infringement from seed contamination
- Expansion into data science provides opportunities for growth, but risky

Source: Aaron Backman, Huffington Post
### Monsanto Valuation and Thesis

<table>
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<tr>
<td>Estimated Upside / (Downside)</td>
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### Investment Thesis

- Recent EU GMO bans and increased public scrutiny of GMOs limit potential markets
- Costs for lawsuits, restructuring and anti-labelling campaigns weigh down profits
- Market leader in seed business, but strategic shift to data science poses uncertainty
- Business practices do not align with University’s values
Focus – Fundamental Analysis

1-yr Forward P/E: 25.9x
Market Cap: $110.8B
Dividend Yield: 0.7%
LTM EPS: $3.27

Source: Yahoo Finance, AIM / Jensen 2015
“Open-loop” vs. “Closed-loop” network

“Open-loop”: 4-parties (cardholder, merchant, issuer, acquirer)
“Closed-loop”: 3-parties (cardholder, merchant, issuer/acquirer)

Revenue Breakdown

Domestic Assessments
Cross-Border Volume Fees
Transaction Processing Fees
Rebates and Incentives
Other Revenue

Source: Company Filings
Takeaways

- “Open-loop” business model increases profit margin and reduces risk
- Maintain high ROE without use of debt for financial leverage
- Large cash balance compared to peers provides opportunity for M&A and growth

Net Profit Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>MasterCard</th>
<th>Visa</th>
<th>Industry Average</th>
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<tbody>
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<td>2010</td>
<td>20.0%</td>
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<td>2011</td>
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<td>40.0%</td>
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<td>50.0%</td>
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<tr>
<td>2014</td>
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<tr>
<td>2015</td>
<td>50.0%</td>
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Return on Equity

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<td>2015</td>
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Cash as % of Assets

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<tr>
<td>Visa</td>
<td>8.3%</td>
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<td>8.3%</td>
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<td>Discover</td>
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<td>American Express</td>
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<td>16.2%</td>
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Source: AIM / Jensen 2015
MasterCard Incorporated
Valuation and Thesis

### Recommendation: HOLD

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<td>14.2%</td>
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### Investment Thesis
- Good position in expanding industry – international opportunities in China, France
- On forefront of digital payment platform – cybersecurity, MasterPass (digital wallet)
- Large cash balance for M&A and growth opportunities
- Risk in litigation costs and competition from other payment processing companies
UnitedHealth Group
NYSE: UNH

Price (11/23/15): $112.16
1-yr Forward P/E: 16.1x
Market Cap: $110.3B
Dividend Yield: 1.8%
LTM EPS: $6.30

Focus – Industry Analysis

Source: Yahoo Finance
UnitedHealth Group
Overview

- Two segments:
  - UnitedHealth – Insurance
  - Optum – Auxiliary Healthcare Services
    - OptumHealth
    - OptumInsight
    - OptumRx
- 100,000,000+ people covered
- $130B+ 2014 revenue

Source: Company Filings, CapIQ
UnitedHealth Group
Pharmaceutical Benefit Management Industry

- Process and pay prescription drug claims
- Middleman between patients, insurers, manufacturers, and pharmacies
- Lower margin, higher growth
- Hedge ACA by favoring generics – margin expansion
- $12B Catamaran acquisition

Industry Concentration

- OptumRx 10%
- Express Scripts 28%
- CVS Caremark 27%
- Other 28%
- Catamaran 7%

Strategic Acquisition

Source: IBIS World, UnitedHealth Group, Catamaran
# UnitedHealth Group
Valuation and Thesis

<table>
<thead>
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<th><strong>Recommendation:</strong> HOLD</th>
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<tr>
<td>Estimated Upside / (Downside)</td>
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</table>

**Investment Thesis**

- Market leader and strong management with a proven track record
- Diversified-player in a rapidly changing industry
- Explosive growth in Optum segment with spin-off potential
Focus – Technical Analysis

Price (11/23/15): $41.69
1-yr Forward P/E: 27.1x
Market Cap: $4.3B
Dividend Yield: N/A
LTM EPS: $1.80

1-Year Price Chart

Source: Yahoo Finance, AIM / Kennedy 2015
## Ichimoku Kinko Hyo

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chikou</td>
<td>Close plotted in the past</td>
</tr>
<tr>
<td>Tenkan-sen</td>
<td>Short term high and low average</td>
</tr>
<tr>
<td>Kijun-sen</td>
<td>Medium term high and low average</td>
</tr>
<tr>
<td>Klumo</td>
<td>Difference between long term high low average and average of kijun and tenkan plotted ahead</td>
</tr>
</tbody>
</table>

**Ichimoku Cloud:** Uses highs and lows to predict leading and lagging indicators of performance and support and resistance

Source: Yahoo Finance, AIM / Kennedy 2015
Hain Celestial Group

Overview

- The Hain Celestial group is a natural foods and personal care product manufacturer with presence in North America, Europe, the Middle East and Asia.

- Grows through international acquisition

- Maintains high margins in the US to offset lowering prices in new markets

- Foreign exchange risk

Source: Company Filings, AIM / Kennedy 2015
### Hain Celestial Group

#### Valuation and Thesis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted Free Cash Flow</td>
<td>90%</td>
<td>$61.87</td>
<td>$55.68</td>
</tr>
<tr>
<td>Implied P/E Multiple</td>
<td>10%</td>
<td>$58.59</td>
<td>$5.86</td>
</tr>
<tr>
<td>Book Value Per Share</td>
<td>0%</td>
<td>$16.17</td>
<td>--</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td></td>
<td></td>
<td><strong>$61.54</strong></td>
</tr>
<tr>
<td>Market Price (11/23/15)</td>
<td></td>
<td></td>
<td><strong>$41.69</strong></td>
</tr>
<tr>
<td>Estimated Upside / (Downside)</td>
<td></td>
<td></td>
<td><strong>47.6%</strong></td>
</tr>
</tbody>
</table>

**Recommendation:** HOLD  
**Portfolio Decision:** HOLD

---

**Investment Thesis**

- International presence in Asia will allow Hain to grow as the region matures.
- Growth will be slower in the short term but growth will speed up as the company establishes itself in new markets.
- The acquisition based strategy gives the company advantages in new markets.
### The Walt Disney Company

**NYSE: DIS**

<table>
<thead>
<tr>
<th><strong>Price (11/23/15):</strong></th>
<th>$119.42</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1-yr Forward P/E:</strong></td>
<td>19.1x</td>
</tr>
<tr>
<td><strong>Market Cap:</strong></td>
<td>$190.4B</td>
</tr>
<tr>
<td><strong>Dividend Yield:</strong></td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>LTM EPS:</strong></td>
<td>$4.95</td>
</tr>
</tbody>
</table>

**1-Year Price Chart**

Focus – Fundamentals and Discovery

Source: Yahoo Finance, AIM / Li 2015, Company Filings
The Walt Disney Company
Fundamentals & Discovery

FY 2015 Revenue by Segment

Steady Growth in Media

Underestimating Consumer Demand

Wal-Mart Toys SKU Analysis

<table>
<thead>
<tr>
<th>SKUs</th>
<th>Units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Star Wars</td>
<td>231</td>
<td>33</td>
</tr>
<tr>
<td>Marvel &amp; Frozen</td>
<td>132</td>
<td>14</td>
</tr>
</tbody>
</table>

- Supply shortage underscored by lack of big event

Source: Bloomberg, Company Filings, AIM / Li 2015
The Walt Disney Company
Discovery: Star Wars

Wide Range of Viewership

How old are the oldest viewers?

- 19-30: 3%
- 31-42: 24%
- 43-54: 38%
- 55-66: 22%
- 67-78: 11%
- 79-90: 1%

How young are the youngest viewers?

- 0-5: 41%
- 5-10: 24%
- 10-15: 19%
- 15-20: 11%
- 20-25: 5%

“Casual” Fan Turnout

On a scale of 1-10, how big of a Star Wars fan are you?

- 1: 73.0%
- 2: 13.5%
- 3: 2.7%
- 4: 2.7%
- 5: 8.1%

On a scale of 1-5, how likely are you to see the new movie?

- 1: 2.7%
- 2: 13.5%
- 3: 2.7%
- 4: 8.1%
- 5: 73.0%

Source: AIM / Li 2015 Survey, n=34
# The Walt Disney Company

Valuation and Thesis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted Free Cash Flow</td>
<td>80%</td>
<td>$133.99</td>
<td>$107.19</td>
</tr>
<tr>
<td>Implied P/E Multiple</td>
<td>10%</td>
<td>$102.58</td>
<td>$10.26</td>
</tr>
<tr>
<td>Theme Park Adj. P/E Multiple</td>
<td>5%</td>
<td>$143.69</td>
<td>$7.18</td>
</tr>
<tr>
<td>Dividend Discount Model</td>
<td>5%</td>
<td>$107.69</td>
<td>$6.80</td>
</tr>
<tr>
<td>Book Value per Share</td>
<td>0%</td>
<td>$28.72</td>
<td>--</td>
</tr>
<tr>
<td><strong>Intrinsic Value</strong></td>
<td></td>
<td></td>
<td><strong>$131.43</strong></td>
</tr>
<tr>
<td><strong>Market Price (11/23/15)</strong></td>
<td></td>
<td>$119.42</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated Upside / (Downside)</strong></td>
<td></td>
<td></td>
<td>10.1%</td>
</tr>
</tbody>
</table>

**Recommendation:** BUY  
**Portfolio Decision:** BUY

**Investment Thesis**

- Upside potential in studio from Star War’s generational & casual fan effects
- Media industry and ESPN concerns mitigated by media’s steady growth
- Strongest brand in the category supports higher licensing fees and benefits from studio success via a multiplier effect
The Priceline Group Inc.
NASDAQ: PCLN

Price (11/23/15): $1,264.32
1-yr Forward P/E: 21.8x
Market Cap: $63.9B
Dividend Yield: N/A
LTM EPS: $47.87

Focus – Fundamental Analysis

Source: Yahoo Finance, Company Filings
The Priceline Group Inc.

Overview

- Global leader in the Online Travel Agency (OTA) industry
- Biggest in Europe, 2nd biggest in the US, expanding in Asia
- Strong brand portfolio

FY2014 Revenue Breakdown: $8.4B

### By Geography

- Netherlands: 65.7%
- Other Foreign: 13.1%
- US: 21.2%

### By Product

- Merchant: 25.9%
- Agency: 69.2%
- Advertising and Other: 4.9%

Increasing Competition

- Main OTA competitor: Expedia
- Meta-search websites: TripAdvisor
- Direct suppliers: Brand.com of airlines and hotels
- Rising smaller players: Airbnb, Hotel Tonight
- Rising big competitor: Google Hotel Finder, Google Flights

Source: Company Filings
The Priceline Group Inc.
Fundamental Analysis

- Slowing growth as competition ramps up
- Improving gross profit margin
- Increasing SG&A needed to support top-line growth
- Online advertising as the most important tool

### Growth Analysis

- Revenue Growth
- Gross Profit Growth
- Net Income Growth
- EPS Growth

### SG&A as % of Gross Profit

- Adv. - Online
- Adv. - Offline
- Sales & Mktg
- Personnel
- G&A
- IT

Source: Company Filings
The Priceline Group Inc.
Valuation and Thesis

<table>
<thead>
<tr>
<th>Recommendation: BUY</th>
<th>Portfolio Decision: NO BUY</th>
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<tr>
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<td>10%</td>
</tr>
<tr>
<td>EV/EBITDA Multiple</td>
<td>10%</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td></td>
</tr>
<tr>
<td>Market Price (11/23/15)</td>
<td></td>
</tr>
<tr>
<td>Estimated Upside / (Downside)</td>
<td></td>
</tr>
</tbody>
</table>

Investment Thesis

- Global leader in online travel & related services with strong brand portfolio
- Increasing competition coming from other OTAs, Google, Airbnb, etc.
- Limited upside with slowing growth supported by higher SG&A margin
The TJX Companies, Inc.

NYSE: TJX

Price (11/23/15): $70.59
1-yr Forward P/E: 20.0x
Market Cap: $48.1B
Dividend Yield: 1.2%
LTM EPS: $3.32

Focus – Fundamental Analysis

Source: AIM / Luttrell 2015, Company Filings, Yahoo Finance
The TJX Companies, Inc.

Business Strategy

TJX Business Model

- Growth Gives TJX Scale
- Scale Gives TJX Bargaining Power with Suppliers
- Inventory Turnover Creates Treasure Hunt with Exciting Product Flow
- Excitement allows for Growth and Expansion

Inventory Turnover (2003 – 2015)


<table>
<thead>
<tr>
<th></th>
<th>'07</th>
<th>'08</th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
<th>'14</th>
<th>'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Inventory</td>
<td>23%</td>
<td>22%</td>
<td>23%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>A/R</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Deferred Taxes</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Cash</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>12%</td>
<td>12%</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Total C.A.</td>
<td>33%</td>
<td>33%</td>
<td>32%</td>
<td>37%</td>
<td>35%</td>
<td>34%</td>
<td>35%</td>
<td>34%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: Company Filings, Capital IQ
### The TJX Companies, Inc.

#### Future Growth

<table>
<thead>
<tr>
<th></th>
<th>Existing Locations</th>
<th>Market Size</th>
<th>Potential Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>2,581</td>
<td>6,581</td>
<td>2.5x</td>
</tr>
<tr>
<td>Canada</td>
<td>368</td>
<td>868</td>
<td>2.4x</td>
</tr>
<tr>
<td>Europe</td>
<td>440</td>
<td>1,415</td>
<td>3.2x</td>
</tr>
<tr>
<td>Australia</td>
<td>0</td>
<td>Acquired Trade Secret</td>
<td>2.6x</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,389</strong></td>
<td><strong>8,864</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Company Filings, Capital IQ*
## The TJX Companies, Inc. Valuation and Thesis

### Recommendation: BUY

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted Free Cash Flow</td>
<td>80%</td>
<td>$81.98</td>
<td>$65.58</td>
</tr>
<tr>
<td>P/Sales Multiple</td>
<td>20%</td>
<td>$70.28</td>
<td>$14.06</td>
</tr>
<tr>
<td>Implied P/E Multiple</td>
<td>0%</td>
<td>$70.92</td>
<td>--</td>
</tr>
<tr>
<td>P/BV Multiple</td>
<td>0%</td>
<td>$71.23</td>
<td>--</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td></td>
<td></td>
<td>$79.64</td>
</tr>
</tbody>
</table>

| Market Price (11/23/15)          |        |           | $70.59       |

### Portfolio Decision: BUY

| Estimated Upside / (Downside)    |        | 12.8%     |

### Investment Thesis

- Dominant market position affords the Company significant buying power that drives industry leading inventory turnover
- Consumers will retain frugal spending habits in a recovering consumer environment
- Despite rapid expansion the Company expects to more than double store count
lululemon athletica, inc.
NASDAQ: LULU

Price (11/23/15): $52.77
1-yr Forward P/E: 26.0x
Market Cap: $6.8B
Dividend Yield: N/A
LTM EPS: $1.88

1-Year Price Chart

Focus – Company Background

Source: Yahoo! Finance, AIM / O'Brien 2015
Lululemon athletica, Inc.
Transparency Leads to Transformation

5-Year Price Chart

Management Makeover

Laurent Potdevin
Chief Executive Officer

Stuart Haselden
Chief Financial Officer
J.Crew Group, Saks
Joined Feb. 2015

Miguel Almeida
Executive VP, Digital
Walgreens, Apple, Dell, BCG
Joined Jun. 2015

Lee Holman
Executive VP,
Creative Director
Nike, Burberry, A&F
Joined Oct. 2015

Duke Stump
Executive VP,
Community & Brand
Nike, Eaton Sports
Joined Nov. 2014

Gina Warren
Executive VP, Culture & Talent
Nike, Levi Strauss, AT&T

Source: Yahoo Finance, Business of Fashion, Business Insider, lululemon.com
**lululemon athletica, inc.**
Looking for Growth Beyond Women’s In-Store

<table>
<thead>
<tr>
<th>Women’s In-Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ LULU’s bread &amp; butter and main source of revenues</td>
</tr>
<tr>
<td>▪ Women’s Athletic Wear industry is expected to grow at 9% YoY in the coming years</td>
</tr>
<tr>
<td>▪ Growth driven by “Athleisure” trend and an increased awareness about health &amp; wellness</td>
</tr>
<tr>
<td>▪ While LULU has a strong, loyal customer base, there will be increasing competition in the market</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Men’s In-Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ 18% YoY Growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>United States</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>New Zealand</td>
</tr>
<tr>
<td>United Kingdom</td>
</tr>
<tr>
<td>Singapore</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ 27% YoY Growth</td>
</tr>
</tbody>
</table>

Source: Forbes, Business of Fashion, lululemon.com
# lululemon athletica, inc.

## Valuation and Thesis

### Recommendation: NO BUY

<table>
<thead>
<tr>
<th>Valuation Method</th>
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<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted Free Cash Flow</td>
<td>80%</td>
<td>$50.61</td>
<td>$40.49</td>
</tr>
<tr>
<td>Implied P/E Multiple</td>
<td>10%</td>
<td>$60.09</td>
<td>$6.01</td>
</tr>
<tr>
<td>P/Sales Multiple</td>
<td>10%</td>
<td>$58.85</td>
<td>$5.88</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td></td>
<td></td>
<td>$52.38</td>
</tr>
<tr>
<td>Market Price (11/23/15)</td>
<td></td>
<td></td>
<td>$52.77</td>
</tr>
<tr>
<td>Estimated Upside / (Downside)</td>
<td></td>
<td>(0.7%)</td>
<td></td>
</tr>
</tbody>
</table>

### Portfolio Decision: NO BUY

<table>
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<td></td>
<td></td>
<td>$52.77</td>
</tr>
<tr>
<td>Estimated Upside / (Downside)</td>
<td></td>
<td>(0.7%)</td>
<td></td>
</tr>
</tbody>
</table>

### Investment Thesis

- Complete turnover of the management in the past two years, brought in execs with strong industry and international experience
- LULU will benefit from increasing women’s athletic wear, but the real growth opportunity is in men’s, international, and online
- While LULU has struggled in the past year, inventory problems are an industry wide problem, not just LULU specific
Best Buy Co., Inc.

NYSE: BBY

Price (11/23/15): $30.78
1-yr Forward P/E: 10.9x
Market Cap: $10.6B
Dividend Yield: 3.0%
LTM EPS: $2.68

Focus – Discovery

1-Year Price Chart

Source: AIM / Schafer 2015, Company Filings, Yahoo Finance
Best Buy Co., Inc.
Overview

Management
- Hubert Joly (Chairman and CEO)
  - Career of turning companies around
- "Ambition" at Carlson
- Sharon McCollam (CFO)

Renew Blue
- Reinvigorate customer experience
- Work with vendors to drive value
- Increase ROIC for investors

Historical Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Canada</th>
<th>Europe</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>50,000</td>
<td>10,000</td>
<td>5,000</td>
<td>1,000</td>
</tr>
<tr>
<td>2011</td>
<td>40,000</td>
<td>8,000</td>
<td>4,000</td>
<td>1,000</td>
</tr>
<tr>
<td>2012</td>
<td>35,000</td>
<td>7,000</td>
<td>3,500</td>
<td>1,000</td>
</tr>
<tr>
<td>2013</td>
<td>32,000</td>
<td>6,400</td>
<td>3,200</td>
<td>1,000</td>
</tr>
<tr>
<td>2014</td>
<td>30,000</td>
<td>6,000</td>
<td>3,000</td>
<td>1,000</td>
</tr>
<tr>
<td>2015</td>
<td>28,000</td>
<td>5,600</td>
<td>2,800</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Implication
- Eliminate poor performing stores
- Initial hit on margins to become competitive
- Same store sales growth for the past five quarters

Source: Company Filings, Investor Presentation, and Forbes (Jul. 23, 2015)
Best Buy Co., Inc.

Discovery

**Strengths**
- In-store, online and in-home
- Price competitive

**Opportunities**
- Further cost savings
- Shift in product mix (appliance, wearable devices)

**Weaknesses**
- International track record
- Slow growth sector

**Threats**
- Showrooming and online retail
- Economic factors

**Reasons Customers Use Brick and Mortar**

- I Am Able To See, Touch, and Try Merchandise: 59.0% 2014, 60.0% 2015
- To Get Product Immediately: 51.0% 2014, 53.0% 2015
- More Certain About Fit/Suitability Of The Product: 33.0% 2014, 33.0% 2015
- More Comfortable Buying Perishables: 27.0% 2014, 33.0% 2015
- Easier To Return Items: 25.0% 2014, 22.0% 2015
- Quicker Delivery Than Online: 20.0% 2014, 17.0% 2015
- Store Atmosphere: 13.0% 2014, 13.0% 2015
- Lowest Price: 12.0% 2014, 13.0% 2015

Source: Elizabeth Harris (SVP Leo Burnett), Global PwC 2015 Retail Survey
**Best Buy Co., Inc.**

Valuation and Thesis

**Investment Thesis**

- Negative market sentiment toward brick and mortar retailers creates opportunity
- Strong domestic sales and quickly improving online/mobile platforms
- Value proposition that cannot be replicated by other brick and mortar retailers and cannot be matched by online-only retailers

<table>
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<td>$45.07</td>
<td>$36.06</td>
</tr>
<tr>
<td>Dividend Discount Model</td>
<td>20%</td>
<td>$44.78</td>
<td>$8.96</td>
</tr>
<tr>
<td>Book Value Per Share</td>
<td>0%</td>
<td>$13.12</td>
<td>--</td>
</tr>
<tr>
<td>EV/EBITDA Multiple</td>
<td>0%</td>
<td>$41.80</td>
<td>--</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td></td>
<td></td>
<td>$45.02</td>
</tr>
<tr>
<td>Market Price (11/23/15)</td>
<td></td>
<td></td>
<td>$30.78</td>
</tr>
<tr>
<td>Estimated Upside / (Downside)</td>
<td></td>
<td></td>
<td>46.3%</td>
</tr>
</tbody>
</table>

**Recommendation: BUY**

**Portfolio Decision: BUY**
Harman International
NYSE: HAR

Focus – Valuation

Price (11/23/15): $101.88
1-yr Forward P/E: 15.6x
Market Cap: $7.4B
Dividend Yield: 1.4%
LTM EPS: $4.86

Source: Yahoo Finance, Company Filings
Harman International
Overview

- HAR is a leading engineer, manufacturer, and marketer of audio systems and services for automotive and consumer applications
  - Sells products under renowned brands, such as Harmon/Kardon, JBL, Infinity, and Mark Levinson
- Growing aggressively in connected solutions for automotive and enterprise end markets
- 68% of revenues from automotive OEMs

**Historical Revenue**

- **2011-2015**
- **CAGR: 13%**
- **2015 Revenue by Segment**
  - Connected Car: 47%
  - Lifestyle Audio: 30%
  - Professional Services: 17%
  - Connected Services: 6%

Source: Company Filings, Investor Presentation
Harman International
Valuation

Market and Expectations

- Connected car market predicted to grow at a compound annual growth rate of 29% through 2020
  - 2.6% global automotive sales growth
- ~35% of total cost in vehicles is electronics and software
- Long term growth coming from connected car and connected services division
- Increasing expected margins as company shifts toward connected services and software solutions

Source: PwC strategy&, AlixPartners, Company Filings

Key Assumptions

<table>
<thead>
<tr>
<th>Operational Division</th>
<th>2015 Revenue</th>
<th>5 yr exp. CAGR</th>
<th>% 2020 Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connected Car</td>
<td>$2,911</td>
<td>7%</td>
<td>44%</td>
</tr>
<tr>
<td>Lifestyle Audio</td>
<td>$1,813</td>
<td>6%</td>
<td>27%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$1,049</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Connected Services</td>
<td>$381</td>
<td>28%</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td>$6,155</td>
<td>8%</td>
<td>100%</td>
</tr>
</tbody>
</table>
# Harman International

## Valuation and Thesis

**Recommendation:** BUY

## Portfolio Decision:

**NO BUY**

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Valuation</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted Free Cash Flow</td>
<td>90%</td>
<td>$129.37</td>
<td>$116.43</td>
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<tr>
<td>Implied P/E Multiple</td>
<td>10%</td>
<td>$108.03</td>
<td>$10.80</td>
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<tr>
<td>Dividend Discount Model</td>
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</tr>
<tr>
<td>Book Value Per Share</td>
<td>0%</td>
<td>$33.62</td>
<td>--</td>
</tr>
<tr>
<td>Intrinsic Value</td>
<td>0%</td>
<td>$33.62</td>
<td>$127.24</td>
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<tr>
<td>Market Price (11/23/15)</td>
<td>0%</td>
<td>$101.88</td>
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<tr>
<td>Estimated Upside / (Downside)</td>
<td>0%</td>
<td>24.9%</td>
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</table>

**Investment Thesis**

- Leader in automotive and consumer audio with strong brand recognition
- Large growth opportunities in connected car and connected services divisions
- Skepticism on threat of other possible market entrants
- Similar assets in portfolio with proven track records in connected markets
TransDigm Group
NYSE: TDG

Price (11/23/15): $236.16
1-yr Forward P/E: 23.5x
Market Cap: $12.8B
Dividend Yield: N/A
LTM GAAP EPS: $7.84

Focus – Industry Analysis

Source: S&P Capital IQ
TransDigm Group

Overview

- Leading global designer, producer, and supplier of engineered aircraft components
- Focus on aftermarket products (~55% of sales)
- “Private Equity-like” approach to shareholder returns
- Extremely high barriers to entry

Growth Drivers

Aircraft Utilization

Federal Defense Spending

FY 2015 Proprietary Revenue
- Non-Proprietary: 10%
- Proprietary: 90%

FY 2015 Sole Source Revenue
- Non-Sole Source: 25%
- Sole Source: 75%

Source: TransDigm Investor Relations Presentation – December 2015
Best-In-Class operations have been rewarded by the market.
Investment Thesis

- Best-in-Class operational performance with extremely high barriers to entry
- Limited comparative downside because of balanced OEM/aftermarket exposure
- “Private Equity-like” approach to shareholder returns
- In spite of these advantages, currently fairly valued
Portfolio Performance

- Historical Returns vs. Benchmarks
- Attribution Analysis
- Risk-Adjusted Performance
- Best & Worst Performers
- Portfolio Additions & Deletions
Wealth Ratio Comparison
Cumulative Return of $1 Invested 1/1/96

As of 11/2/15

<table>
<thead>
<tr>
<th>Year</th>
<th>AIM</th>
<th>S&amp;P 500</th>
<th>Russell 2000</th>
<th>HBI</th>
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<tbody>
<tr>
<td>1996</td>
<td></td>
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<td>2014</td>
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</tr>
<tr>
<td>2015</td>
<td>$6.68</td>
<td>$3.68</td>
<td>$3.36</td>
<td>$3.27</td>
</tr>
</tbody>
</table>

As of 11/2/15
Historical Performance
AIM Portfolio Returns vs. Benchmarks

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>5 Year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIM</td>
<td>(1.8%)</td>
<td>15.2%</td>
<td>9.7%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>5.2%</td>
<td>14.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>0.3%</td>
<td>12.1%</td>
<td>7.5%</td>
</tr>
<tr>
<td>HBI</td>
<td>3.6%</td>
<td>13.6%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

As of 10/31/2015
Performance 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

5 Year

As of 10/31/15
Risk-Adjusted Performance

Sharpe Ratio: Excess Returns to Total Risk

- **Sharpe Ratio**: \( \frac{(r_p - r_f)}{\sigma_p} \)
  - Measures the reward to total risk
  - Shows whether portfolio returns are due to increased risk or smart investment decisions

**Chart:**
- AIM: 0.13, 0.34, 0.16
- S&P500: 0.10, 0.34, 0.12
- HBI: 0.03, 0.31, 0.14
- Russell 2000: 0.03, 0.23, 0.12

As of 10/31/15
## Best and Worst Performers

**Last 12 Months**

<table>
<thead>
<tr>
<th>Top 5 Performers</th>
<th>Bottom 5 Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activision Blizzard 88.6%</td>
<td>Kinder Morgan* (52.1%)</td>
</tr>
<tr>
<td>Alphabet 43.0%</td>
<td>SeaDrill (51.1%)</td>
</tr>
<tr>
<td>Royal Caribbean* 20.9%</td>
<td>Atwood (41.5%)</td>
</tr>
<tr>
<td>Microsoft 19.9%</td>
<td>Hain Celestial Group (32.1%)</td>
</tr>
<tr>
<td>Delphi 19.5%</td>
<td>Union Pacific (32.0%)</td>
</tr>
</tbody>
</table>

### LTM Return or Holding Period Return

![Bar chart showing LTM return or holding period return for various companies with Activision Blizzard at the top and Kinder Morgan* at the bottom.](chart.png)

Source: Yahoo Finance; Note: *Holding Period Return
Portfolio Transactions
Survey and Bought/Sold

Survey Results

Bought
- American Tower (AMT)
- Best Buy (BBY)
- Disney (DIS)
- Envision Healthcare (EVHC)
- Facebook (FB)
- Fastenal (FAST)
- O'Reilly Automotive (ORLY)
- Spirit (SAVE)
- TJX Companies (TJX)
- Vanguard Financials ETF (VFH)
- Proshares UltraShort Euro (EUO)

Sold
- Apple (AAPL)
- Atwood Oceanics (ATW)
- Cisco Systems (CSCO)
- IMAX (IMAX)
- Las Vegas Sands (LVS)
- Mattress Firm (MFRM)
- Monsanto (MON)
- Royal Caribbean (RCL)
- Seadrill (SDRL)
- ProShares Ultra Consumer Goods (UGE)
- Energy Select Sector SPDR Fund (XLE)
Portfolio Transactions

Important Discussions

- **Apple (Sell)**
  - Analyst recommended sell, market saturation

- **Automotive**
  - Delphi, Mobileye, and O'Reilly are in the final portfolio; Harman is not
  - Avoided overweighting this industry

- **Oil**
  - Removed both offshore drillers: Atwood and Seadrill
    - High risk of bankruptcy for both firms
  - Kept ExxonMobil and Kinder Morgan because of diversified revenue
Final Portfolio
Grouped by Industry

IT
25%

Consumer Discretionary
25%

Consumer Staples
4%

Energy
8%

Financial Services
4%

Health Care
17%

Industrials
17%

IT
25%

Google

Check Point

Microsoft

Activision Blizzard

AMERICAN TOWER

BEST BUY

Mobileye

spirit

Disney

DELPHI

Energy
8%

Financial Services
4%

Health Care
17%

Industrials
17%

IT
25%

Consumer Discretionary
25%

Consumer Staples
4%
AIM XLI Highlights

Guest Speakers
San Francisco Trip
Football – Bowl Bound
Newsletter
Website
Guest Speakers

- **Adam Reeves** – Principal, ShoreView Industries
- **Jim Hart** – Oliver Estate Family Office
- **Kristen Collett-Schmitt** – Professor, Finance
- **Mark Gallogly** – Managing Principal & Founder, Centerbridge Partners
- **Scott Malpass** – CIO, Notre Dame
San Francisco Trip
San Francisco Trip

Ryan Sweeney (‘99, AIM VII) – General Partner

Accel Partners’ Portfolio Companies

David George (‘06, AIM XXI) – Vice President

ACCEL PARTNERS

VISUAL SUPPLY CO

Braintree

GENERAL ATLANTIC
San Francisco Trip

Dave Thomas (’03, AIM XV) – Principal

Matthew Kinsella (’05, AIM XIX) – Managing Director

Bill Duhamel – Founder & Portfolio Manager

Golden Gate Capital

Maverick

ROUTE ONE INVESTMENT COMPANY
Notre Dame Football
Bowl Bound

### 2015 Notre Dame Fighting Irish Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Opponent</th>
<th>Result/Time</th>
<th>Record/Tickets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sat, Sept 5</td>
<td>vs Texas</td>
<td>W 38-3</td>
<td>1-0</td>
</tr>
<tr>
<td>Sat, Sept 12</td>
<td>@ Virginia</td>
<td>W 34-27</td>
<td>2-0</td>
</tr>
<tr>
<td>Sat, Sept 19</td>
<td>vs #14 Georgia Tech</td>
<td>W 30-22</td>
<td>3-0</td>
</tr>
<tr>
<td>Sat, Sept 26</td>
<td>vs UMass</td>
<td>W 62-27</td>
<td>4-0</td>
</tr>
<tr>
<td>Sat, Oct 3</td>
<td>@ #12 Clemson</td>
<td>L 24-22</td>
<td>4-1</td>
</tr>
<tr>
<td>Sat, Oct 10</td>
<td>vs Navy</td>
<td>W 41-24</td>
<td>5-1</td>
</tr>
<tr>
<td>Sat, Oct 17</td>
<td>vs USC</td>
<td>W 41-31</td>
<td>6-1</td>
</tr>
<tr>
<td>Sat, Oct 31</td>
<td>@ #21 Temple</td>
<td>W 24-20</td>
<td>7-1</td>
</tr>
<tr>
<td>Sat, Nov 7</td>
<td>@ Pitt</td>
<td>W 42-30</td>
<td>8-1</td>
</tr>
<tr>
<td>Sat, Nov 14</td>
<td>vs Wake Forest</td>
<td>W 28-7</td>
<td>9-1</td>
</tr>
<tr>
<td>Sat, Nov 21</td>
<td>vs Boston College*</td>
<td>W 19-16</td>
<td>10-1</td>
</tr>
<tr>
<td>Sat, Nov 28</td>
<td>@ #9 Stanford</td>
<td>L 38-36</td>
<td>10-2</td>
</tr>
</tbody>
</table>
AIM Newsletter

Newsletter Contents

- State of the Economy
- Portfolio Performance
- Sector Updates
- Company Developments
- Portfolio Composition
- Alumni Updates
- Trips
- Current Class Profile

Greetings from AIM

As we approach the final months of 2015, our FS undergraduate analysts are preparing to finalize this semester’s portfolio. After having evaluated the stocks presently in the portfolio and pitched new stocks under the guidance of Professor Jerry Langley and Professor Bill McShane, the class will be voting to rebalance the portfolio and meeting with the AIM advisory board.

Next quarter, the newly balanced portfolio will be passed onto the AIM XII MBA class.
AIM Website
aim.nd.edu

- Home Page
  - News & Events
  - Current Portfolio
- About AIM
  - Course Overview
  - Instructors
  - Advisory Board
  - Historical Performance
- Current Analysts & Stocks
- Alumni
  - Recruiting from AIM
  - Career Opportunities
  - Social Networking
- Publications
Closing

- AIM XLI would like to thank:
  - The Advisory Board
  - Scott Malpass and the Notre Dame Investment Office
  - Advisors Langley, McDonald, and Reilly
  - Kristen Collett-Schmitt
  - Marlene Wasikowski

- Post-Presentation Agenda:
  - Short break
  - Advisory Board panel discussion