
AIM Quarterly

AIM XXIX

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Fall 2009

Conclusion of AIM XXIX

As the semester draws to a close, the AIM class has finished its second stock valuations and has determined its final investment decisions. We voted on our analysts' recommendations on November 23 and trades were processed on November 24. Earlier this month, AIM XXIX traveled to New York City for a weekend which was a tremendous success. The class met with several hedge funds and investment firms throughout the weekend. It proved to be a great opportunity to network with investment professionals and to gain valuable real-world perspectives on private and public equity investing. The experience will certainly prove immensely useful as we enter the industry upon graduation, and the AIM network will remain a valuable resource throughout our careers. As we prepare to hand over the portfolio to AIM XXX, we would like to thank Professors Langley, Reilly and Malpass for not only an educational semester, but an enjoyable one too.

Alumni Updates

Laura Schwartz (AIM XXVI)

Laura recently started working as a private wealth management analyst at J.P. Morgan in Austin, Texas, supporting an integrated team of wealth managers, capital advisors, investment specialists, and fiduciary advisors to deliver comprehensive financial solutions for high net worth individuals in Central Texas. She has even had the opportunity to deepen her relationship with clients by utilizing the French skills she gained while participating in the ND study abroad program in Angers, and looks forward to the exciting prospects of working in such a rapidly growing market.

Brendan Barrett (AIMXXIII)

Brendan recently started as an associate at Madison Dearborn Partners, a private equity firm in Chicago, Illinois. His responsibilities include supporting principals in the origination and execution of buyouts across a variety of sectors. Prior to joining Madison Dearborn, he was with the investment banking division of Morgan Stanley in New York, working in the Global Healthcare Group.

Johann DeSousa (AIMXXVII)

Johann recently started as an analyst at Goldman Sachs in New York City. He is working in the technology, media and telecommunications group of the investment banking division. His responsibilities include debt and equity offerings and M&A advisory assignments. While in AIM, Johann covered BJ Services and AT&T.

Profile of AIM XXIX

Analyst	E-Mail	1st Stock	2nd Stock	Post-Graduate Plans	Location
Bardi, Gregory	gbardi@nd.edu	Coach	Ecolab	AXA Equitable	New York, NY
Baumgardner, John	jbaumga1@nd.edu	Coca Cola	BorgWarner Inc.	Citigroup	Chicago, IL
Berasi, Steven	sberasi@nd.edu	Chubb Group	Potash Corp.	Blackstone Group	New York, NY
Beuke, Richard	rbeuke@nd.edu	Archer Dan. Mid.	Amazon.com	Fidelity Investments	Hong Kong
Brizius, Emma	ebrizius@nd.edu	Walgreens	Apple	Cleveland Research	Cleveland, OH
Brownschidle, Matt	mbrowns@nd.edu	Zhongpin	Franklin Resources	Blackstone Group	New York, NY
Bucci, Jordan	jbucci@nd.edu	Thoretec	Home Depot	United States Army	Ft. Jackson, S.C.
Doshi, Dhairya	ddoshi@nd.edu	Colgate-Palmolive	Chipotle	UBS	Tokyo, Japan
Farabaugh, Raymond	rfarabau@nd.edu	Ford	GMCR	Bain & Co.	Chicago, IL
Follmer, Sarah	sfollmer@nd.edu	Alexander & Baldwin	Steven Madden	Undecided	Undecided
Fritz, Eric	efritz@nd.edu	Nabors Industries	D.R. Horton	Citigroup	Chicago, IL
Hansmann, Adam	ahansman@nd.edu	McGraw-Hill	True Religion	McKinsey & Co.	New York, NY
Hellauer, Robert	rhellaue@nd.edu	Republic Services	Columbus McKinnon	Sankaty Advisors	Chicago, IL
Hoffman, Bryan	bhoffma4@nd.edu	Sysco	Netflix	Undecided	Undecided
Jeffrey, John	jjeffrey@nd.edu	Exxon Mobil	Kirby Corp.	Macquarie Capital	Chicago, IL
Kirkland, Patrick	pkirklan@nd.edu	Da Vita	Blackboard	ACE	Undetermined
McKillen, Patrick	pmckille@nd.edu	Nike	Boston Beer Co.	Undecided	Undecided
Mehta, Sahil	smehta1@nd.edu	EPIQ Systems	Kennametal	Undecided	Undecided
Mullaney, Kevin	kmullan1@nd.edu	Cabela's	comScore	Morgan Stanley	New York, NY
Perez, Nicolas	nperez1@nd.edu	Aqua America	First Solar	Morgan Stanley	New York, NY
Phillips, Christopher	cphilli7@nd.edu	Progress Energy	Foot Locker	J.P. Morgan	New York, NY
Salter, Gregory	gsalter@nd.edu	United Health	Hansen Natural	Grosvenor Capital	Chicago, IL
Shestak, Ryan	rshestak@nd.edu	Cracker Barrel	Tempur-Pedic	BofA Merrill Lynch	London, U.K.
Sullivan, Molly	msulli21@nd.edu	Xlinix	Tiffany & Co.	Vanguard Group	Malvern, PA
Vrabel, Devin	dvrabel@nd.edu	General Electric	Timken	Greenhill & Co.	Chicago, IL
Wetzel, Kristin	kwetzel@nd.edu	AT&T	P.F. Chang's	Ernst & Young	New York, NY

New York Trip (October 29 – November 1, 2009)

On October 29, AIM XXIX flew to New York for a series of meetings with investment firms including S-Squared Technology, Hopleite Capital Management, the Blackstone Group, Thor Equities and Viking Global.

The AIM class took a trip to New York on October 29 – November 1. On Friday we started the day with a presentation in the hotel from S-Squared Technology with Seymour Goldblatt and his team. They discussed some of their investment research strategies, conduct a case, and had a contest for the students based on the top 5 stocks by market capitalization in the S&P 500. The winner of the contest, Kristin Wetzel, won a trip to NYC to see a show or a sporting event. Next we met with Hopleite Capital Management where John Lykouretzos and his team discussed examples of the different approaches they have used for investment research. Our third meeting of the day was with The Blackstone Group who provided us lunch while Sean Kilmczak discussed some of the inner workings of their Private Equity Group. The final visit was with

Joseph Sitt from Thor Equities. He discussed some of his history, and his past projects, as well as interesting real estate strategies. Throughout the day the class enjoyed the opportunity to ask questions and learn more about each of these firms. Friday night we dined together as a class at Smith & Wollensky. On Saturday morning we did a working case on Netflix with Jim Parsons from Viking Global. We had all of Saturday afternoon to enjoy NYC, followed by a dinner with AIM alumni at Trattoria Dopo Teatro. Throughout dinner we had the opportunity to find out what AIM alumni are doing now, and receive advice as we are about to begin our careers. The trip was very enjoyable and educational, and we are greatly appreciative of all of those who hosted us.

Presentations and Guest Speakers

General Catalyst Partners

General Catalyst Partners is a venture capital and private equity firm that primarily invests in entrepreneurs building businesses in the technology sector.

David Fialkow, Managing Director

David described the kind of dedication and passion necessary to be successful in business, private equity investing and in life. David is a former associate of Thomas H. Lee and U.S. Venture Partners. He is a graduate of Colgate University and Boston College Law School.

David Orfao, Managing Director

David, childhood friends with Fialkow, explained to the AIM class how his previous experiences as an entrepreneur have allowed him to be successful in early stage private equity investing. He earned a BA in Business and Accounting from Norwich University of Vermont.

David Grain, CEO of Grain Communications Group (portfolio company of GCP)

David discussed his experience as an investment banker and how it eventually led him to a career as an entrepreneur. He emphasized how his Catholic background has helped guide him to where he is today. David earned a BA from the College of Holy Cross and an MBA from the Tuck School at Dartmouth College.

Huntsman Gay Global Capital

Huntsman Gay is a private equity firm that invests primarily in the middle market across a broad array of sectors.

Gary Crittenden, Managing Director

Gary discussed his career path which started at Bain & Co. and eventually led to the chief financial officer position of Citigroup. Recently, Gary has stepped down from this position, but he shared with the class several interesting stories of guiding Citigroup through the financial crisis. He graduated with a BS from Brigham Young University and an MBA from Harvard Business School.

Morgan Stanley

Morgan Stanley is a global financial services firm and a market leader in securities, asset management and credit services.

Dennis Shea, Head of Global Equities (former), Morgan Stanley Asset Management

Dennis told the AIM class of how he went from being a history and geography major at Villanova University to the head of global equities for Morgan Stanley's asset management division. He spoke about what is expected from a sell side equity research analyst. He is a graduate of Notre Dame's MBA program.

Thomas Boyle, Associate, Debt Capital Markets

Tom walked the AIM class through a debt offering and discussed the current role credit default swaps play in the credit markets in addition to sharing some of his opinions on the current state of both the equity and debt capital markets. He is a graduate of the University of Notre Dame.

Portfolio Performance

Recent AIM portfolio performance has been very strong with year-to-date and past one year returns of 22.0% and 20.5%, respectively, versus the S&P 500, which has returned 17.1% and 9.8%, respectively. Risk-adjusted returns over the past year have also been very strong relative to the S&P 500. This outperformance is primarily attributable to stock selection rather than industry allocation with selection in the financial, consumer and energy sectors being particularly strong.

Over the long-term, the AIM portfolio has seen similar, but more modest outperformance. Over the past five years and since inception the portfolio has returned 1.5% and 8.9%, respectively, versus the S&P 500, which has returned 0.9% and 5.7%, respectively. Risk-adjusted returns have also been somewhat better for the AIM portfolio than the S&P 500, and outperformance over the long-term has been primarily attributable to allocation rather than selection.

Our Economic Outlook

The economy has continued to perform strongly in Q3 and the beginning of Q4 2009. However, there continues to be weakness in several indicators.

Real GDP growth was an annualized 3.5% in the third quarter, with a large portion of that due to a rise in consumption. Interest rates continue to be at historically low levels as the Fed tries to encourage consumer and business spending. We expect interest rates to remain at this level until unemployment levels off or the Fed believes the economic growth has become sustainable. The unemployment rate rose from 9.8% to 10.2% in October. We see this as a lagging indicator, with people re-entering the job market when the economy recovers and unemployment decreasing in the second half of 2010.

The University of Michigan Consumer Sentiment Index dropped from 73.5 in September to 70.6 in October, although it is still higher than July and August around 66. We think this number will come back up as growth becomes more sustainable and credit markets loosen for consumers. We expect to see real consumption starting to show year over quarterly increases in the upcoming quarter. Although the personal savings rate is still above historical norms, it should slowly move back near a traditional level, despite the severity of the recent recession.

Although the housing market is still in a dire state, we are expecting a slow recovery in home prices, depending on locality. The First-time Home Buyer Tax Credit was extended until April 30, 2010, which should provide additional support to the market. Months inventory has been going down, with 7.1 months of excess supply currently on the market.

Business spending continued to decline in the third quarter. Firms are keeping minimal working capital in order to stay efficient. Total Business Inventories/Sales continues to decrease; however, we expect businesses to begin rebuilding inventory as more people determine that the current recovery is sustainable.

During the recession, the trade deficit actually decreased for a time as imports decreased more rapidly than exports. In the third quarter, exports increased at an annual rate of almost 15%, although imports rose by about 16%. The US currently benefits from a weak dollar, which we expect to continue in the short term as the Fed keeps interest rates at historically low levels.

The Consumer Price Index rose at an annual rate of 2% in September, compared to 5.5% in August and 0.1% in July. We expect inflation to remain at current levels in the near term, although it may be a concern in the long term if the Fed maintains low interest rates for an extended time period and continues significant government aid programs.

We currently believe the economy is in the early stages of recovery, with slow growth of 1-2% in 2010. We plan to look at industries such as technology that we expect to benefit from the upcoming recovery.

Position Changes

Stocks Added to the Portfolio

Amazon.com (AMZN) offers services to consumer customers, seller customers and developer customers. It offers programs that enable seller customers to sell their products on the Company's websites and serves developer customers through Amazon Web Services, which provides access to technology infrastructure.

Apple (AAPL) designs, manufactures, and markets personal computers, mobile communication devices, and portable digital music and video players, and sells a variety of related software, services, peripherals, and networking solutions.

Boston Beer (SAM) is engaged in the business of producing and selling low-alcoholic beverages throughout the United States and in selected international markets. Operates primarily under the Sam Adams brand name.

Columbus McKinnon (CMCO) is a manufacturer and marketer of hoists, cranes, actuators, chain, forged attachments, lift tables and other material handling products serving a range of commercial and industrial markets.

Comscore (SCOR) is a digital marketing intelligence platform that helps its customers make better-informed business decisions and implement more effective digital business strategies.

First Solar (FSLR) designs and manufactures solar modules using a thin film semiconductor technology. Services provided include solar power system design, procurement of permits and balance of system components, construction management, monitoring and maintenance.

Franklin Resources (BEN) is a global investment management organization offering investment choices under the Franklin, Templeton, Mutual Series, Bissett, Fiduciary and Darby brand names.

Hansen Natural (HANS) develops, markets, sells, and distributes alternative beverage category natural sodas, fruit juices and juice drinks, energy drinks and energy sports drinks, fruit juice smoothies and functional drinks. Its most popular brand name is Monster Energy.

Kirby Corp. (KEX) is a marine transportation and diesel engine services company. The Company operates in two business segments: marine transportation and diesel engine services.

Potash Corp. (POT) is an integrated fertilizer and related industrial and feed products company.

Sysco (SYY) is a North American distributor of food and related products primarily to the foodservice or food-away-from-home industry. It provides products and related services to restaurants, healthcare and educational facilities, lodging establishments and other foodservice customers.

Tempur-Pedic (TPX) is a manufacturer, marketer and distributor of mattresses and pillows. The Company sells its products in approximately 80 countries primarily under the TEMPUR and Tempur-Pedic brands.

True Religion Jeans (TRLG) designs, markets, distributes and sells apparel under the brand name True Religion Brand Jeans to fashion-conscious consumers on six continents. Products include denim, knit and non-denim, and come in tops and bottoms.

Stocks Sold from the Portfolio

Alexander & Baldwin (ALEX)
Aqua America (WTR)
AT&T (T)
Cabela's (CAB)
Coach (COH)
Cracker Barrel (CBRL)
EPIQ Systems (EPIQ)
Exxon Mobil (XOM)
Ford (F)
McGraw-Hill (MHP)
Nike (NKE)
Zhongpin (HOGS)

Current AIM Portfolio (as of 11/30/2009)

Company	Ticker	Shares	Market Value	Weight
Amazon.com	AMZN	1,300	\$174,068	3.92%
Apple	AAPL	800	\$163,190	3.68%
Archer Daniels Midland	ADM	5,500	\$167,829	3.78%
Boston Beer	SAM	3,400	\$139,741	3.15%
Chubb	CB	3,000	\$149,070	3.36%
Coca Cola	KO	2,700	\$153,819	3.47%
Colgate Palmolive	CL	2,300	\$193,453	4.36%
Columbus McKinnon	CMCO	10,000	\$162,020	3.65%
Comscore	SCOR	9,000	\$148,720	3.35%
Davita	DVA	300	\$152,345	3.43%
EcoLab	ECL	3,300	\$147,477	3.32%
First Solar	FSLR	1,400	\$167,700	3.78%
Franklin Resources	BEN	1,400	\$156,787	3.53%
General Electric	GE	11,900	\$188,972	4.26%
Hansen Natural	HANS	5,000	\$176,500	3.98%
Kirby Corporation	KEX	5,000	\$170,560	3.84%
Nabors Industries	NBR	2,300	\$225,072	5.07%
Potash Corp.	POT	1,300	\$145,564	3.28%
Progress Energy	PGN	1,200	\$121,427	2.74%
Republic Services	RSG	6,300	\$176,589	3.98%
Sysco	SYN	6,000	\$163,793	3.69%
Tempur-Pedic	TPX	8,300	\$176,389	3.97%
Thoratec	THOR	4,500	\$133,965	3.02%
True Religion Jeans	TRLG	9,000	\$166,474	3.75%
United Health Group	UNH	6,000	\$171,600	3.87%
Walgreens	WAG	400	\$185,863	4.19%
Xlinix	XLNX	6,300	\$159,224	3.59%
AIM Portfolio			\$4,438,211	100.0%