



University of Notre Dame

Mendoza College of Business

Advisory Board Presentation

April 30th, 2007

AIM XXIV



AIM XXIV Analysts

Introductions

Erin A. Gilroy

Archbald, Pennsylvania
Sysco Corporation (SYY)
PPL Corp. (PPL)
Bear Stearns Companies Inc.

David S. McCaffrey III

Denville, New Jersey
McDonald's Corporation (MCD)
W.W. Grainger, Inc. (GWW)

Portfolio Overview

Kenneth S. Levine

Nashua, New Hampshire
Symantec Corporation (SYMC)
Aaron Rents, Inc. (RNT)

Paul Dawson

Los Angeles, California
XTO Energy (XTO)
Wolverine World Wide (WWW)
East West Bank

Portfolio Overview

Alan Rambaldini

Thunder Bay, Ontario, Canada
The Western Union Co. (WU)
Mueller Water Products, Inc. (MWA)
Morningstar, Inc.

Richard Vega

McAllen, Texas
Cabela's Incorporated (CAB)
The Timberland Company (TBL)
Sears Holdings

Economic Environment

Adam Fennel

Ridgefield, Connecticut
PetSmart, (PETM)
Huron Consulting Group, (HURN)
Huron Consulting Group

Eric Filipovitz

Cleveland, Ohio
Exxon Mobil Corp. (XOM)
Cheesecake Factory (CAKE)

Economic Environment

Erik Keto

North Tustin, California
Whirlpool (WHR)
Loopnet (LOOP)

Luke Austin Obholz

St Louis, Missouri
Barrick Gold Corp (ABX)
Buffalo Wild Wings (BWLD)

Mostafa Sabet

Anaheim, California
The McGraw-Hill Companies (MHP)
Salesforce.com Inc. (CRM)
International Business Machines

Security Analysis

John Loesch

Columbus, Ohio
Tupperware Brands (TUP)
Pepsico (PEP)
Diamond Hill Investments



AIM XXIV Analysts

Security Analysis

Scott Adams

St. Louis, Missouri
Sotheby's (BID)
Vaalco Energy (EGY)
UBS Investment Bank

Ian E. Ferreira

Muscatine, Iowa
BJ Services Company (BJS)
Marriott International, Inc. (MAR)

Alexander I. Hock

Michigan City, Indiana
Amgen (AMGN)
Franklin Resources (BEN)

Chad W. Lyne

Rancho Santa Margarita, California
Citigroup, Inc. (C)
Denstply International, Inc. (XRAY)
Stolberg Equity Partners

Brad Phillips

Sturgis, Michigan
Medtronic, Inc. (MDT)
NutriSystem, Inc. (NTRI)
Ford Motor Company

Security Analysis

Kristopher Trocki

El Cajon, California
Ixia (XXIA)
Rock-Tenn Company (RKT)
ING Investment Management

Tyler Ventura

Chicago, Illinois
Getty Images Inc (GYI)
Pharmaceutical Product
Development Inc (PPDI)

Performance Evaluation

Carson Rasmussen

Seattle, Washington
Dell Inc. (DELL)
Gibraltar Industries (ROCK)
Archon Capital Management

Azizbek Alikulov

Tashkent, Uzbekistan
Moody's Corporation (MCO)
Hewitt Associates Inc. (HEW)

Performance Evaluation

Christopher James Bertsch

Stevensville, Michigan
Gilead Sciences (GILD)
International Speedway Corp. (ISCA)
Morgan Stanley - Discover Card Division

Eric Christopher Haley

Denver, Colorado
United Health Group (UNH)
Ecolab (ECL)

Matt Quarello

Boston, Massachusetts
Morgan Stanley (MS)
Whole Foods Market, Inc (WFMI)
UBS Investment Bank

General Information

JiWon Sarah Park

Los Angeles, California
Coach Inc. (COH)
Northrop Grumman Corp. (NOC)



Presentation Agenda

- Portfolio objectives and guidelines
- Current economic environment
- Security analysis
- Portfolio performance evaluation
- Trip, guest speaker, and website



Objectives & Guidelines



Investment Philosophy

- Investment Objective
 - Outperform S&P 500 over the long-term
- Risks
 - Managed by diversification
- Investment Decisions
 - Fundamental analysis



Portfolio Objectives and Guidelines

- Investment Options
 - U.S. securities only
 - Liquidity requirement
 - Not permitted: bonds, derivatives, money markets, margin purchases and short sells (except for hedging purposes)
- Long Term Horizon
 - Equities are examined with a perpetual investment horizon
- Cash
 - Long term target: zero cash holdings
 - Excess cash invested in S&P SPDR



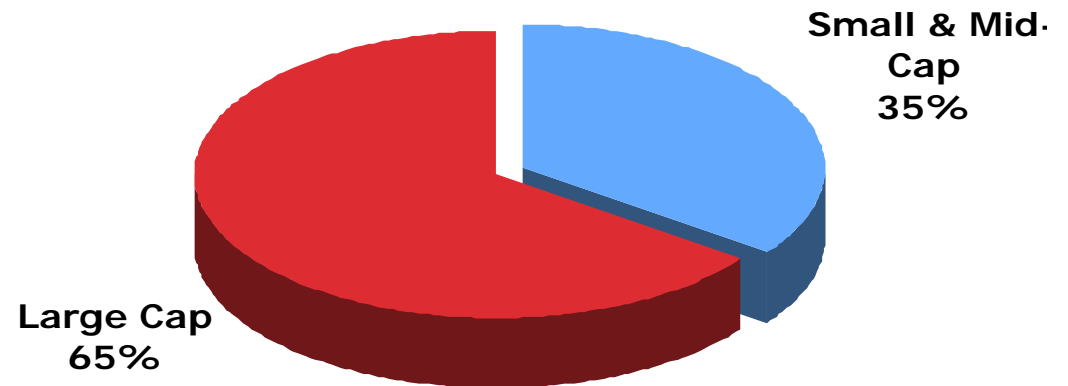
Portfolio Objectives and Guidelines

- Transaction Fees
 - Considered in trading decisions
- Taxes
 - Irrelevant due to tax exempt status of the university
- Prudent Person Rule
 - Common law standard for fiduciary duty
 - In extraordinary circumstances, fund managers can intervene as necessary to meet AIM objectives



Portfolio Target Allocation

- Sector concentration will match S&P, plus or minus 5%
- Each individual stock will not exceed 10% of market value of portfolio



- Small-cap < \$500M
- Mid-cap \$500M - \$5B
- Large-cap > \$5B



Investment Constraints

- AIM shall not invest in companies whose values are inimical with those of Notre Dame
 - Abortifacients
 - Birth Control
 - Tobacco
 - Ethical Issues



Asset Management Process

- Groups
 - Report portfolio performance
 - Report current economic conditions
 - Conduct timely trades
 - Produce a newsletter to be posted on the course website
- Analysts
 - Maintain familiarity with current market conditions
 - Stay up-to-date on company news for portfolio stocks
 - Conduct fundamental research
 - Challenge analyst assumptions



Asset Management Process

- December 2006
 - Portfolio handover from AIM XXIII
 - Stock Assignment
- Presentations and Analysis (1st Module):
 - Company Background
 - Fundamental Analysis
 - Earnings Forecast
 - Industry Overview
 - Beta Forecast
 - Valuation
 - Technical Analysis



Asset Management Process

- 2nd stock selection by analysts (2nd Module)
 - Selection based on analyst preferences
 - Presentations and analysis
- Trading determined by
 - Current portfolio / 2nd stocks
 - Current discount / premium

Analysts select stocks based on intrinsic value and optimal diversification



Economic Environment



Introduction

- US GDP growth is expected to lag several key trading partners
 - Companies with international exposure may outperform domestics

Country	GDP % Growth, constant prices				
	2004	2005	2006	2007e*	2008e*
Canada	3.3	2.9	2.7	2.4	2.9
France	2.0	1.2	2.0	2.0	2.4
Germany	1.2	0.9	2.7	1.8	1.9
Italy	1.2	0.1	1.9	1.8	1.7
Japan	2.7	1.9	2.2	2.3	1.9
United Kingdom	3.3	1.9	2.7	2.9	2.7
United States	3.9	3.2	3.3*	2.2	2.8
China	10.1	10.4	10.7	10.0	9.5
Russia	7.2	6.4	6.7	6.4	5.9
Global Average	5.5	5.2	5.6	5.5	5.1
Euro Area Average	2.8	2.4	3.7	3.1	2.8

*indicates IMF estimate (2007, 2008)

Source: www.bea.gov

- Report focused on US economic environment



AIM Economic Overview

- Fed is unlikely to change rates in the short run due to balance of positive and negative news
- Positive
 - Consumer Spending
 - Employment and Wages
 - Durable Goods
 - Mining and Energy
- Negative
 - Housing
 - Manufacturing
 - Slower Overall Growth



FOMC Notes / Beige Book

- Slower economic expansion is expected to restrain inflation through 2008
- Moderate Q1'07 expansion
 - Declines in residential construction
 - Business investment softened considerably over preceding several months
- Increase in consumer spending
- Labor and demand expansion
- TTM increase in core consumer prices



Economic Indicators

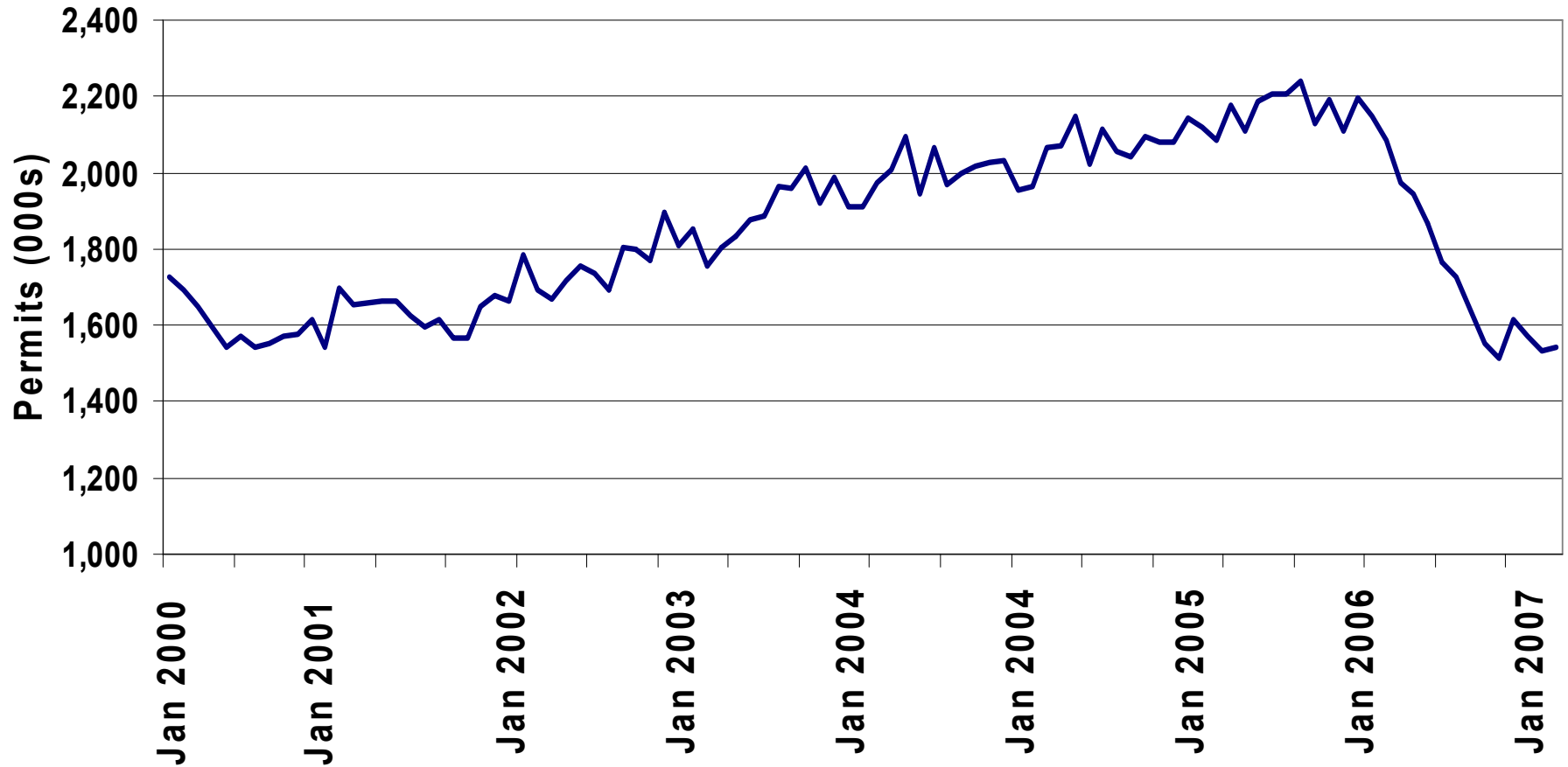


Housing

- Slowdown in housing likely to spill over into broader economy
 - Price drop of 10% will increase defaults 70% (WSJ)
 - Rising wages to help limit foreclosures
- Wealth effect in housing faster than equities
 - Even rising equities unlikely to offset effect
 - Drop in housing will significantly reduce consumption
- Subprime effects appear overblown

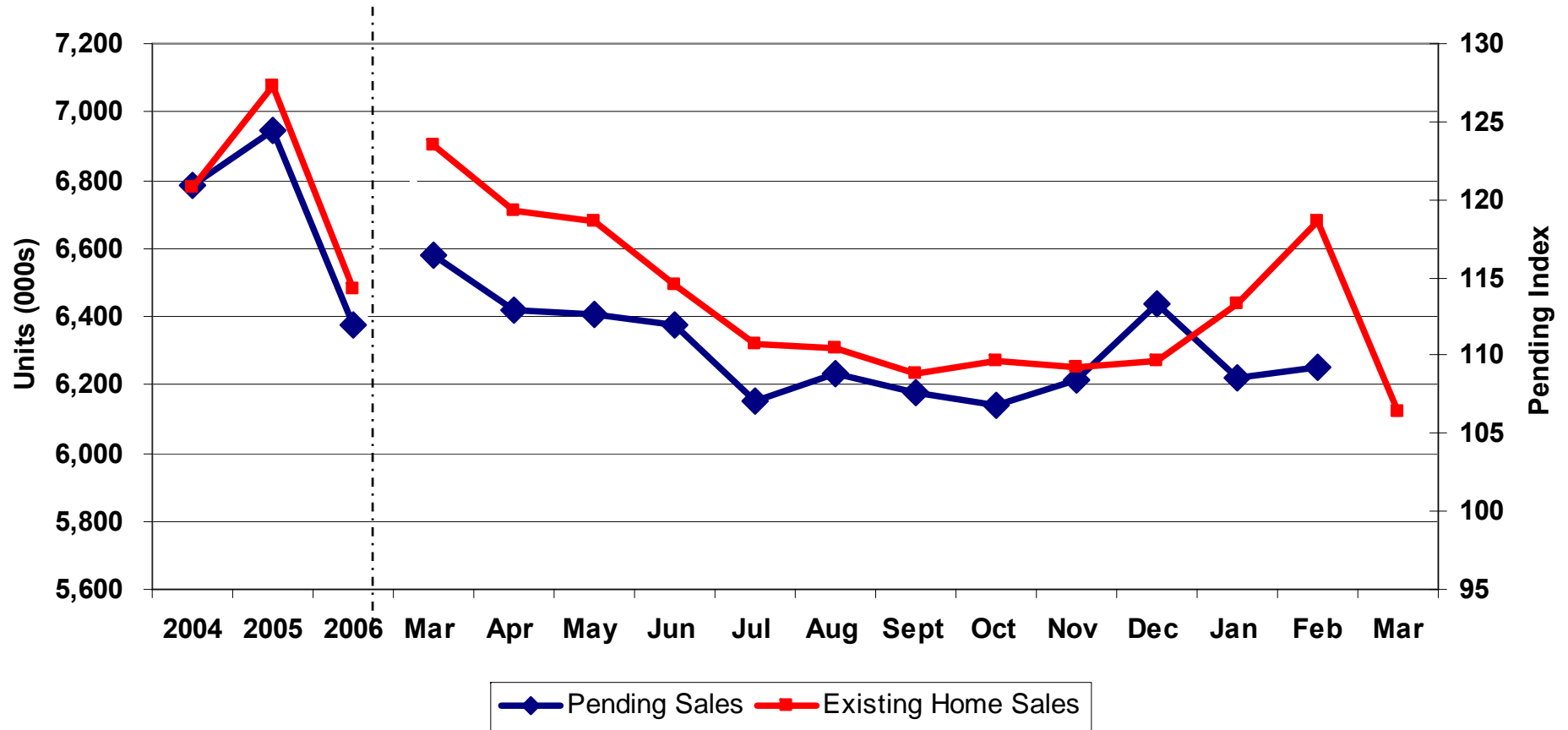


New Housing Permits



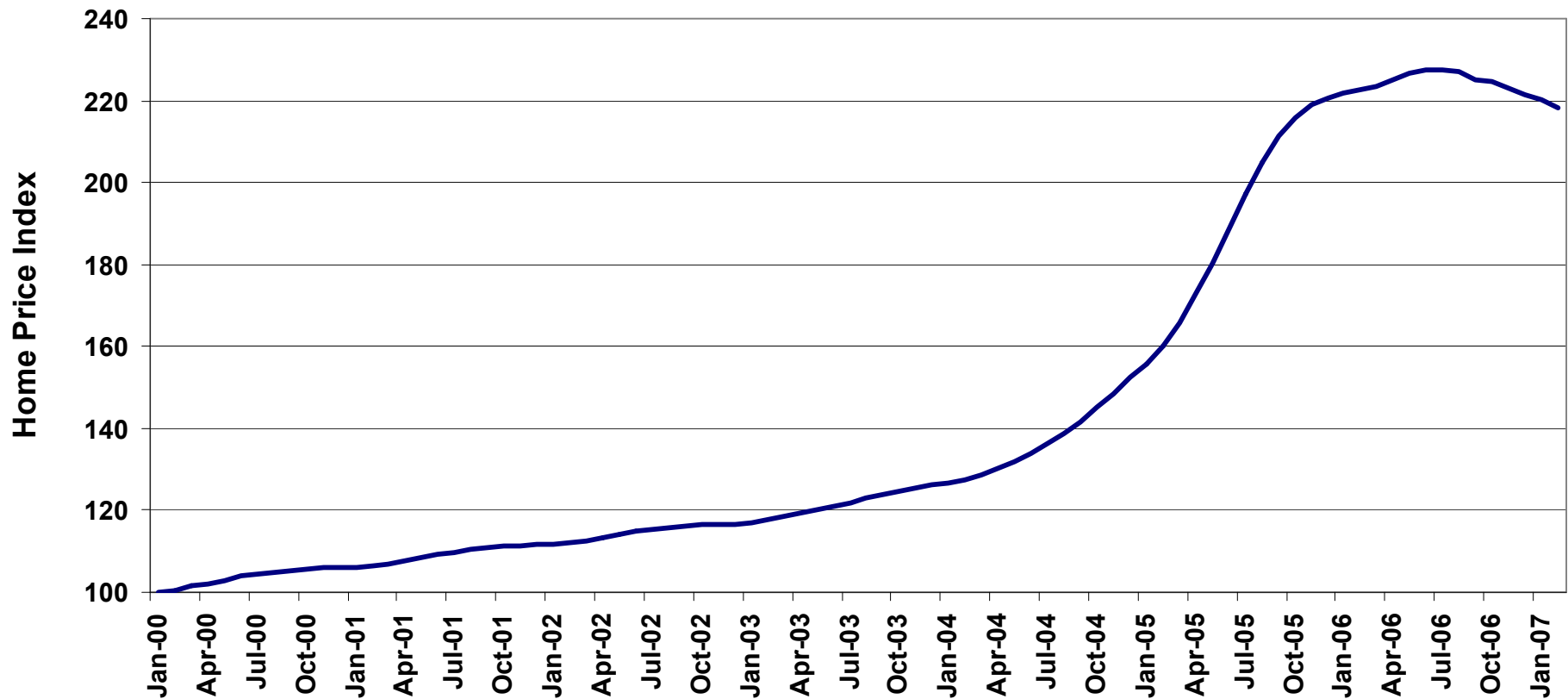


Home Sales



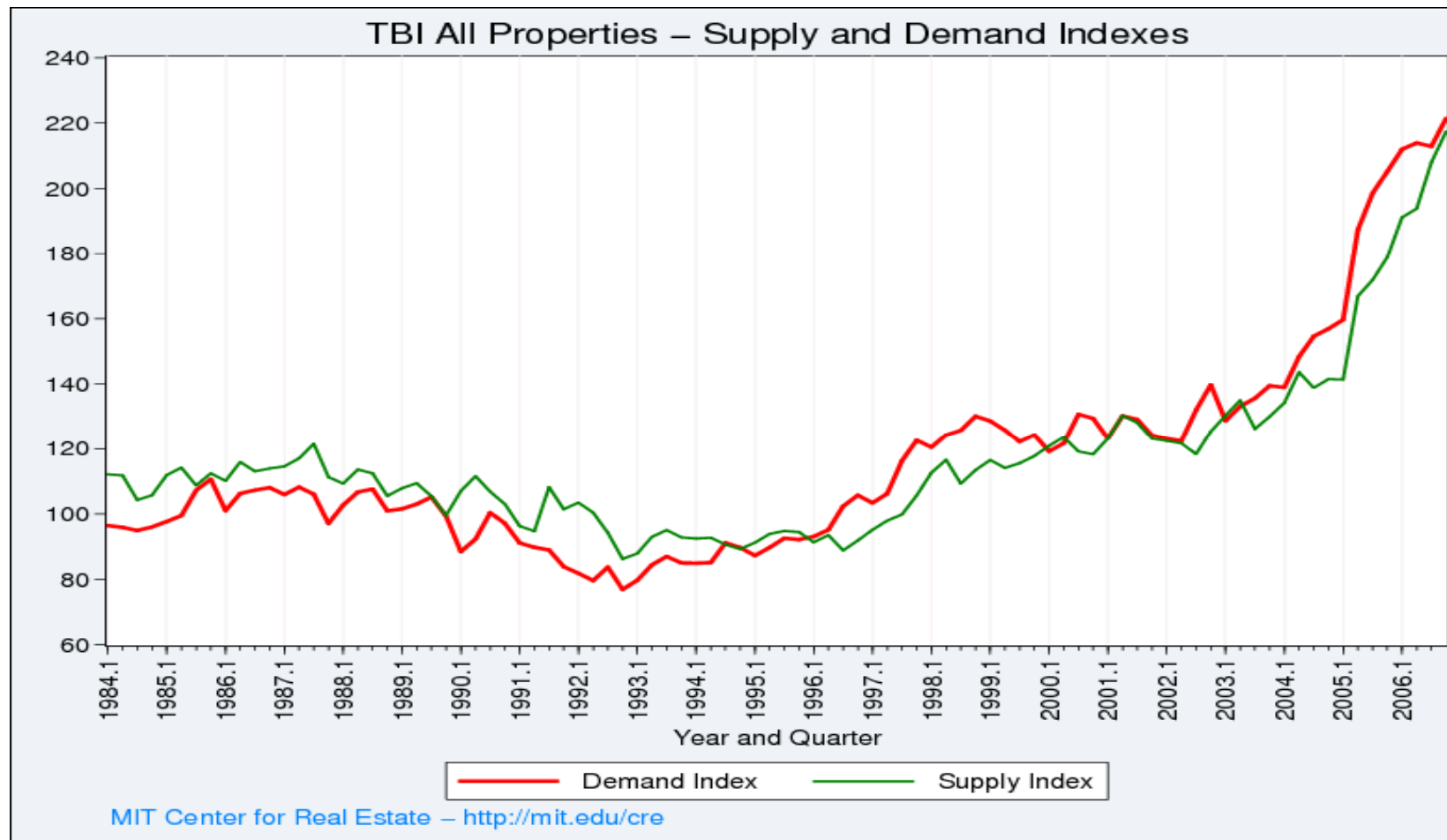


Case-Schiller Home Price Index



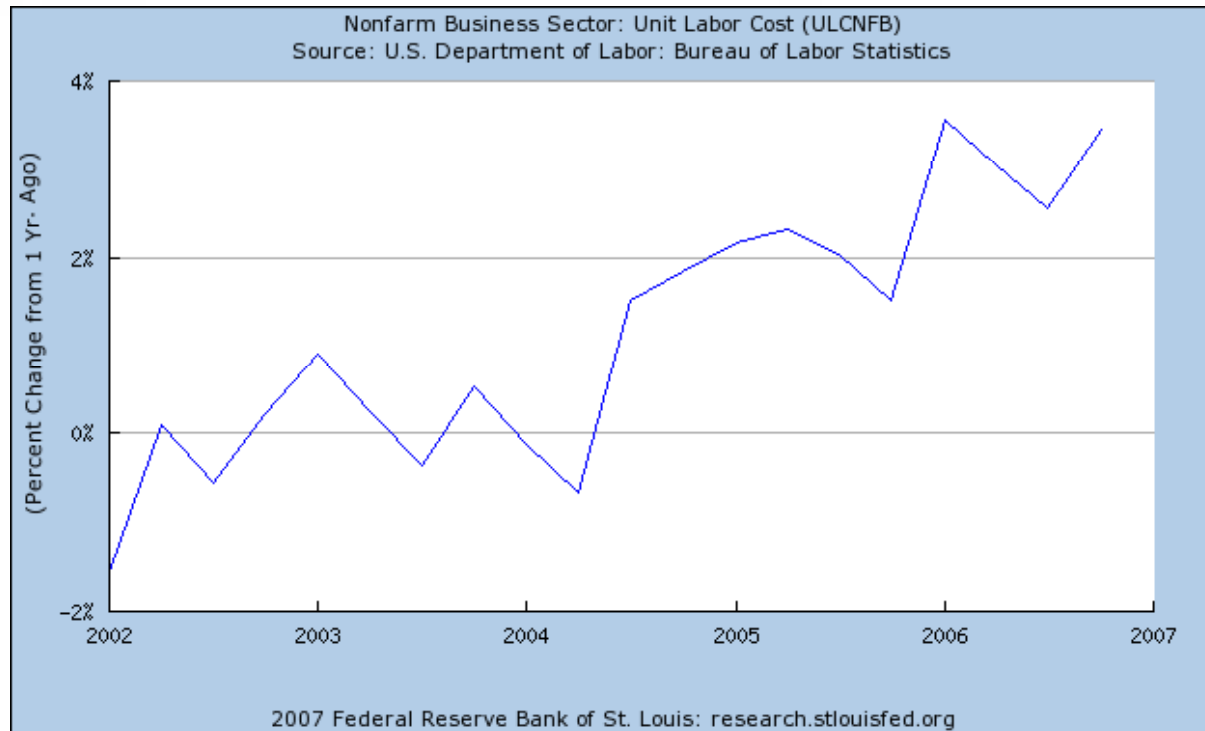


Commercial Property Indices





Labor



- Unemployment picture is a net positive for the economy
 - Unemployment fell to 4.4% in March (+180,000 new jobs)
 - Rising wages and decreasing productivity growth
 - 0.3% increase in both hours worked and average hourly pay
 - 0.8% increase in CPI-w



Energy

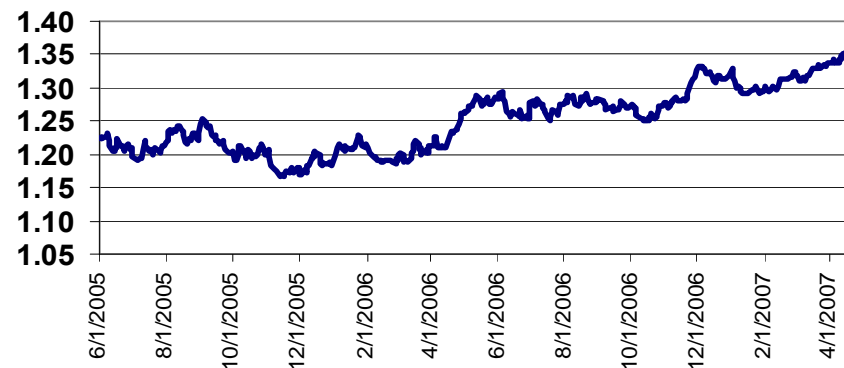
- Supply and demand factors driving price increases
 - Oil
 - International tensions to amplify the effects of tight petroleum markets
 - Gasoline
 - U.S. gasoline prices surged more than \$.60 in the last two months
 - Higher crude prices
 - Increased demand
 - Unplanned refinery outages
 - Low level of imports from Europe
 - Early start to seasonal gas price increase
 - Natural gas
 - Concerns about extreme weather conditions and rising oil prices have kept natural gas prices above normal levels



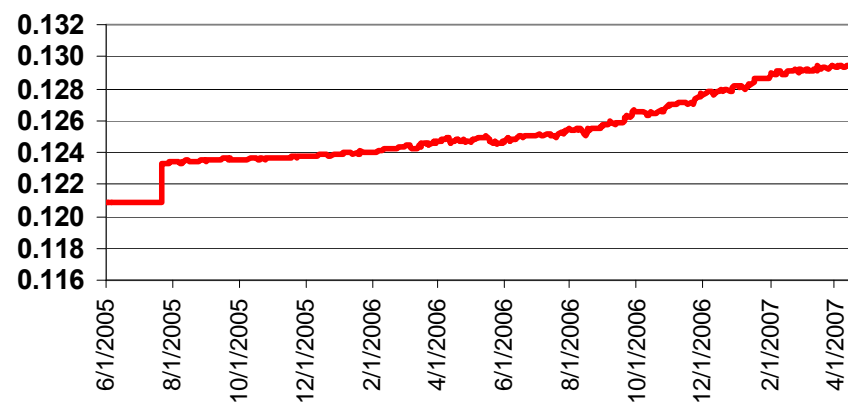
Currency Rates

- Dollar continues to weaken, strengthening U.S. exports
- Europe more likely to raise rates than lower, further strengthening their currency
- China's economy is overheating, which may cause them to raise rates
- China revaluing their currency at a rate equal to the difference in inflation between U.S. and China
- China will diversify \$1.1T in USD assets

Dollars per Euro

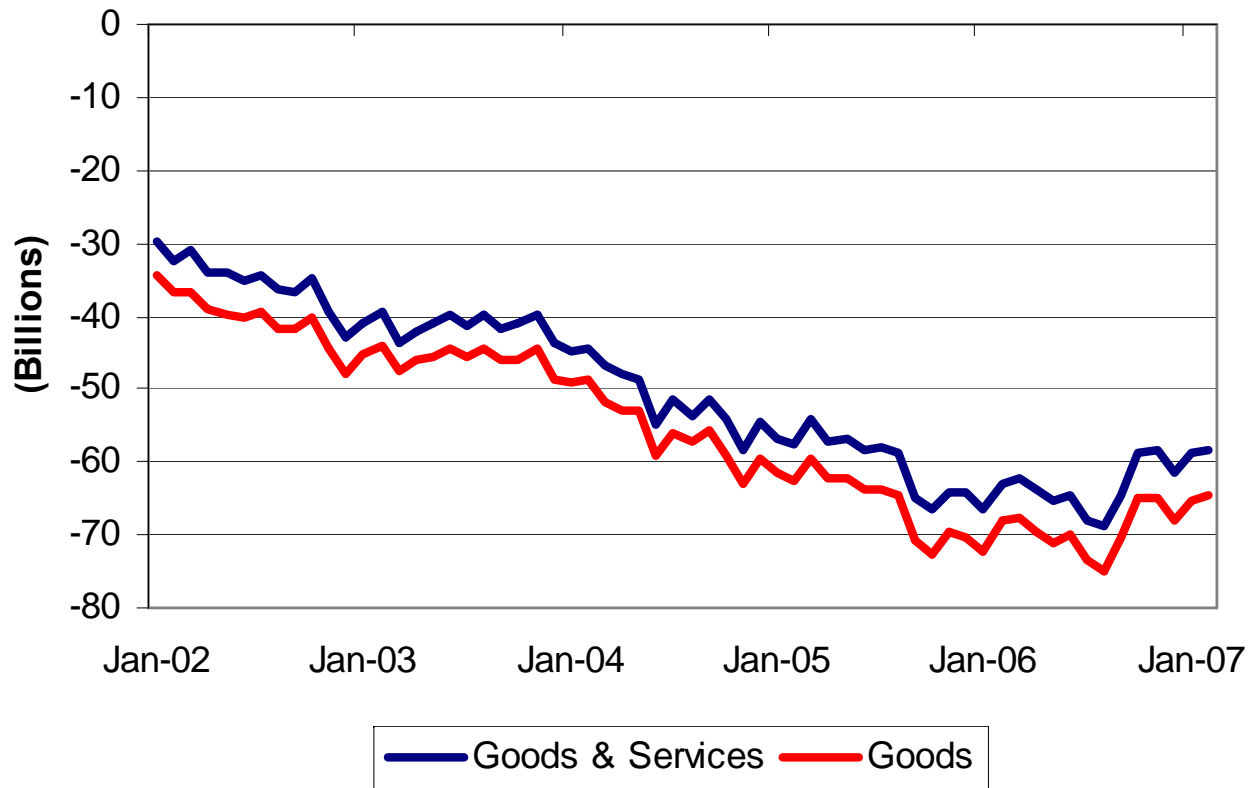


Dollars per Yuan





Trade Balance

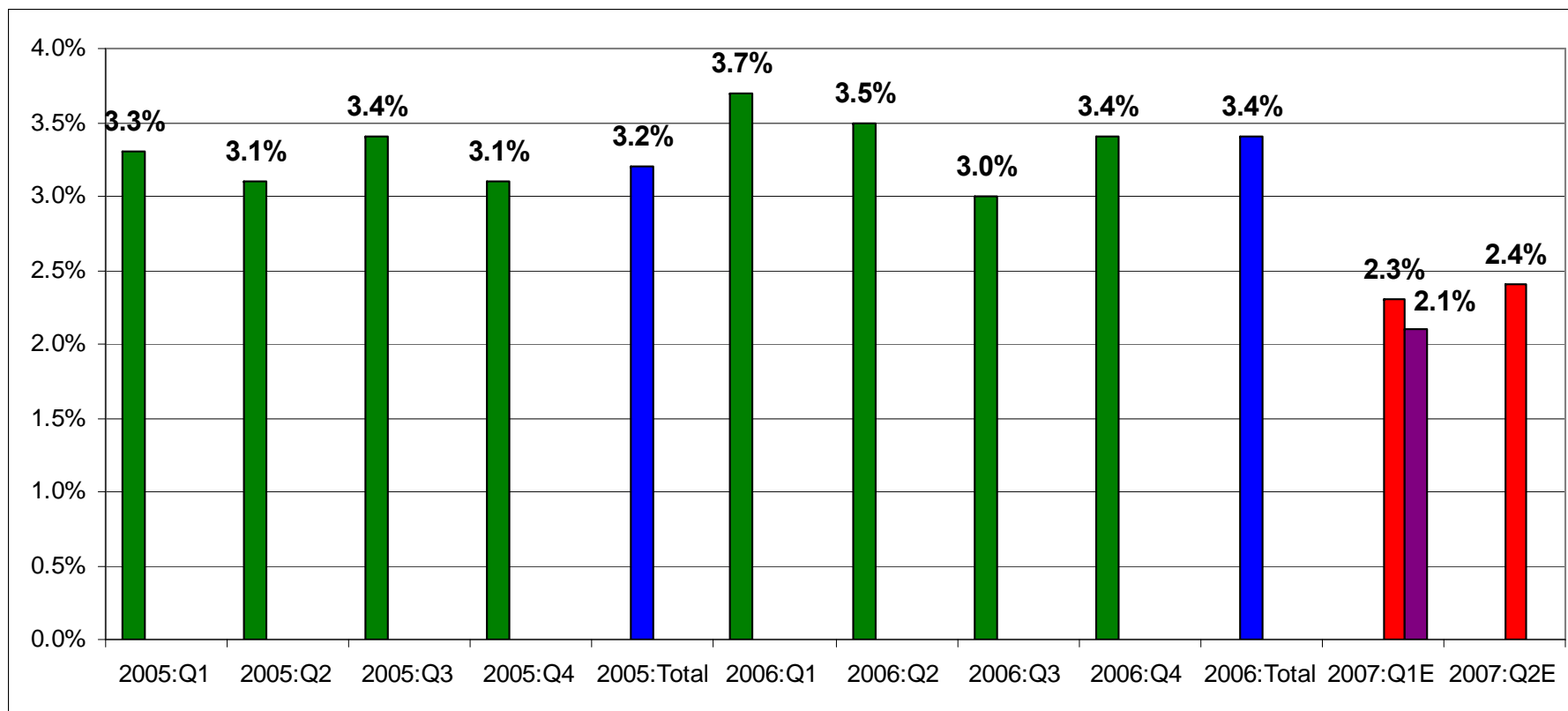


- Trade rebounded slightly from the weak dollar and Chinese New Year
- Weak dollar may not be enough to counteract low-cost manufacturing and increasingly global marketplace
- Almost one third of trade imbalance is with China in TTM (~\$240B)



Real GDP Growth

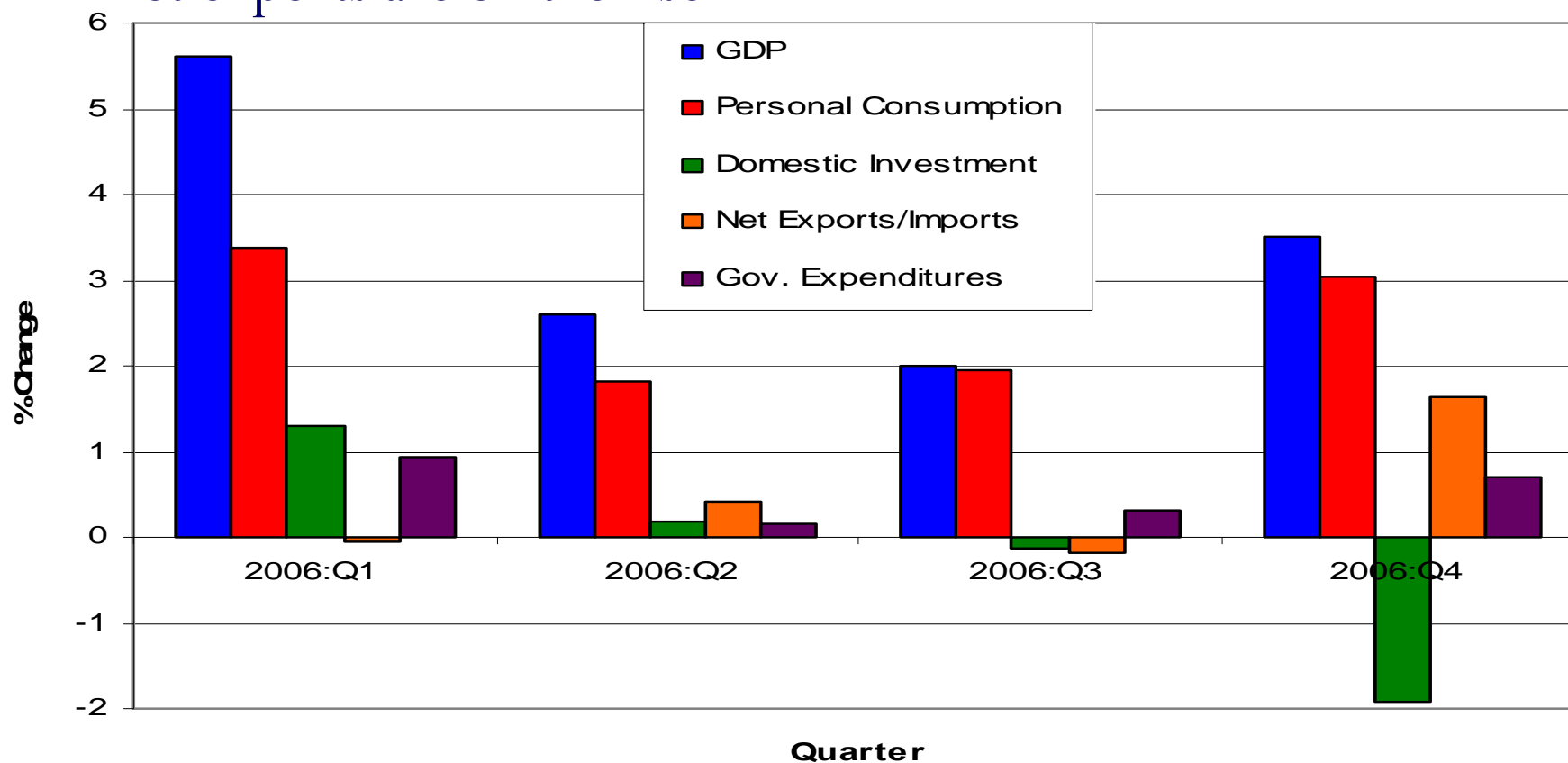
- Real GDP up 3.4% in 2006 (up from 3.2% in 2005)
 - “Final” 4Q’06 Growth: 3.4%
- 1Q’07 2.1% (down from est. of 2.3%)
- 2Q’07 Est.: 2.4%





Contribution to % Change in GDP (Past 4Q)

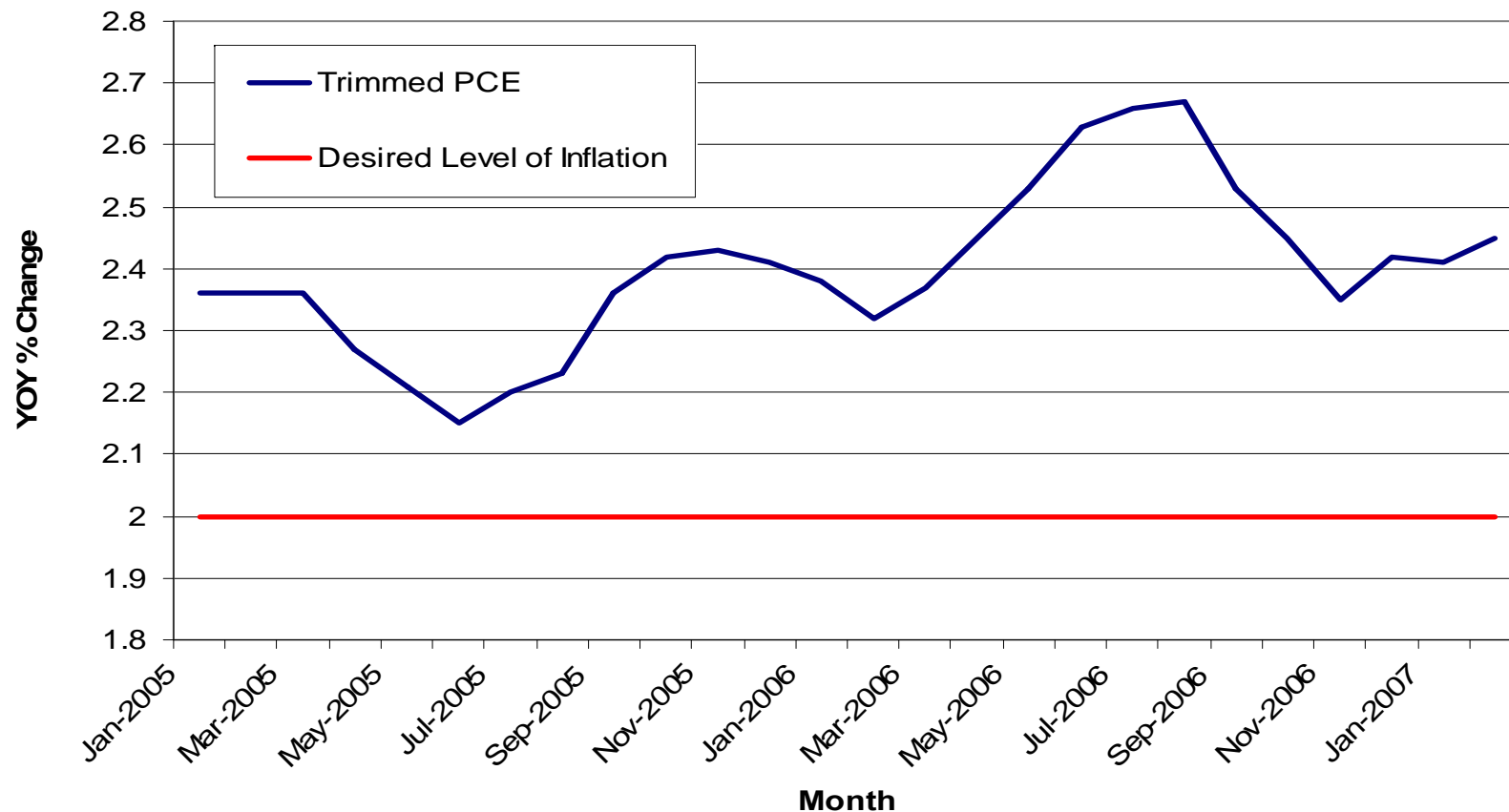
- Domestic investment is declining
- Net exports are on the rise





Personal Consumption Expenditures (PCE)

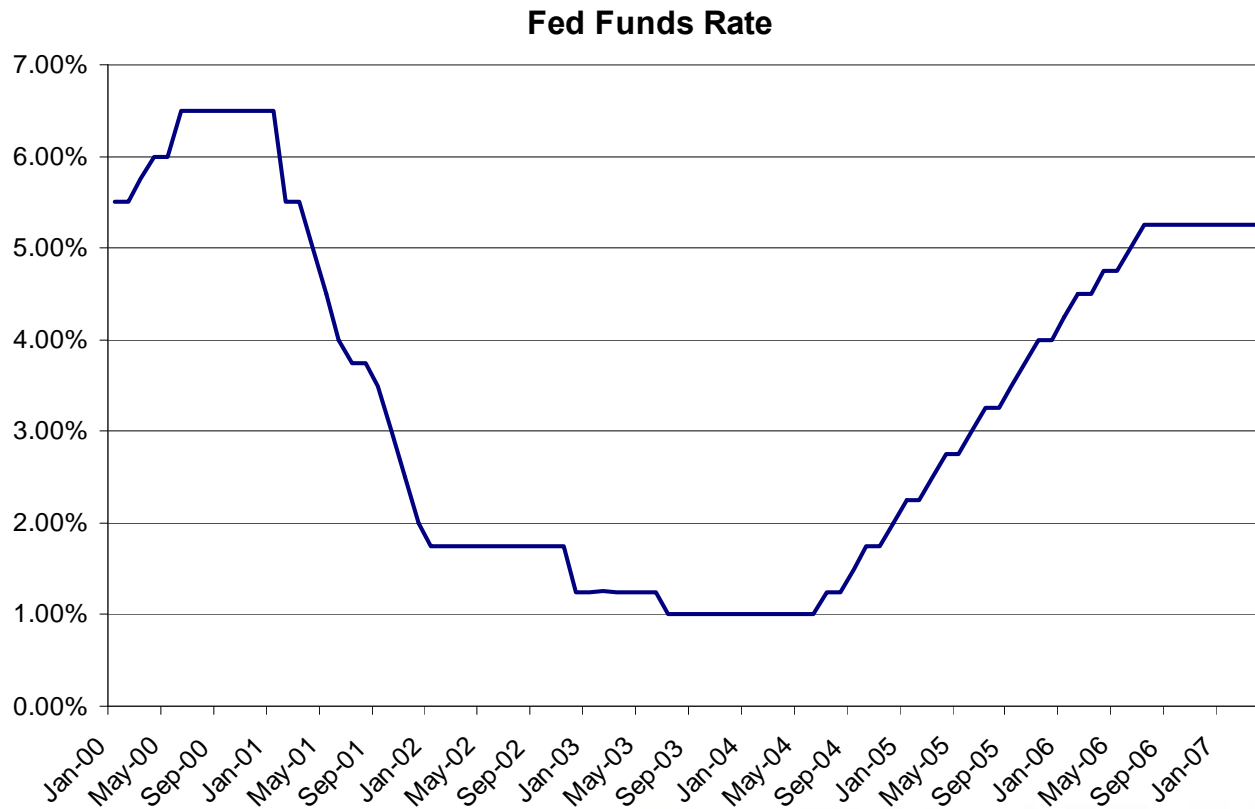
- Inflation is still slightly above the Fed's comfort level despite slowing growth.





Effect on Interest Rates

- Rates likely to remain unchanged despite slowdown due to inflationary pressure





Positive Economic Catalysts

Housing	Existing home price increase, Existing home sales increase
Energy	Increased global production, US refinery increase
Inflation	Trend towards 2.0%
Industrial & IT	Capex acceleration
Overall strength	Strong CY1H07 earnings results
Retail	Strong CY1H07 earnings results



Sectors

Sector	Outlook	Catalyst
Energy	↑	Positive pricing environment
Consumer Staples		Defensive play to slower GDP growth
Materials		Strong global demand
Health Care		Positive demographic trends
Utilities		Defensive play to slower GDP growth
Financials	↔	Uncertain interest rate outlook
Telecom Services		Uncertain industry outlook
Consumer Discretionary	↓	Slower GDP growth
IT		Disappointing IT capex
Industrials		Slower GDP growth
Real Estate		No visible reversal of trend



Security Analysis



Security Analysis

- **Company Background**
- **Fundamental Analysis**
- **Earnings Forecast**
- **Industry Analysis**
- **Beta**
- **Valuation**
 - **Discovery**
 - **FCF**
 - **Relative Valuation**
- **Technical Analysis**



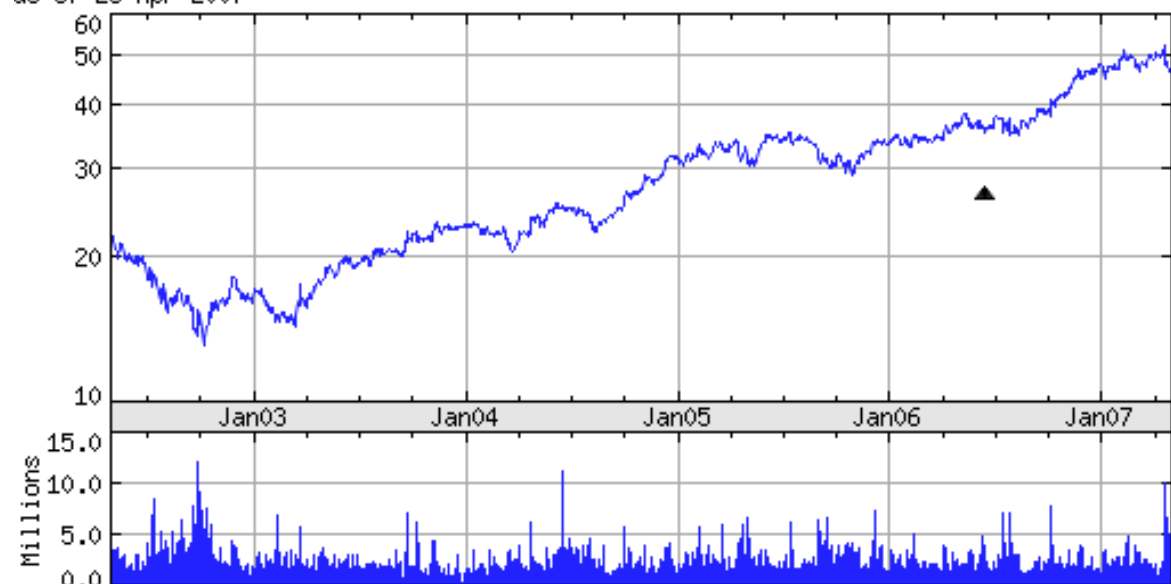
Marriott International (MAR)

Price: \$46.42
Fwd P/E: 20.96
Mkt Cap: \$18.62 B
Rev (ttm): \$12.16 B
2007E EPS: \$1.90

As of 27 Apr 07

MARRIOTT INT'L INC CL A
as of 26-Apr-2007

Splits: ▼



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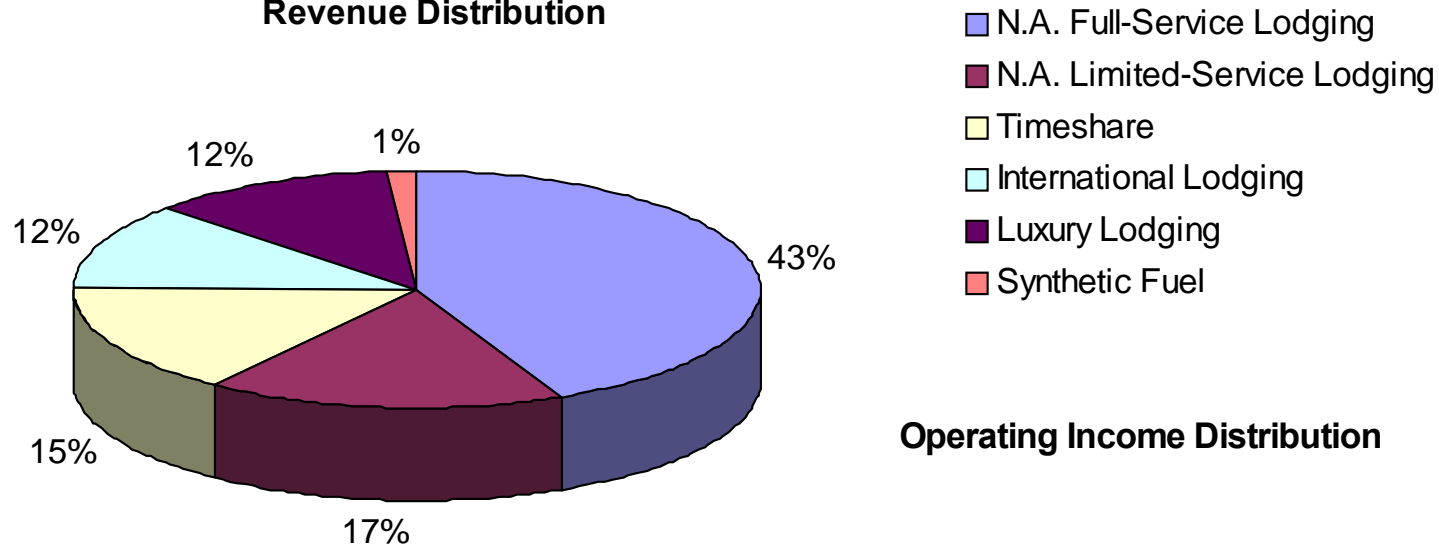
<http://finance.yahoo.com/>



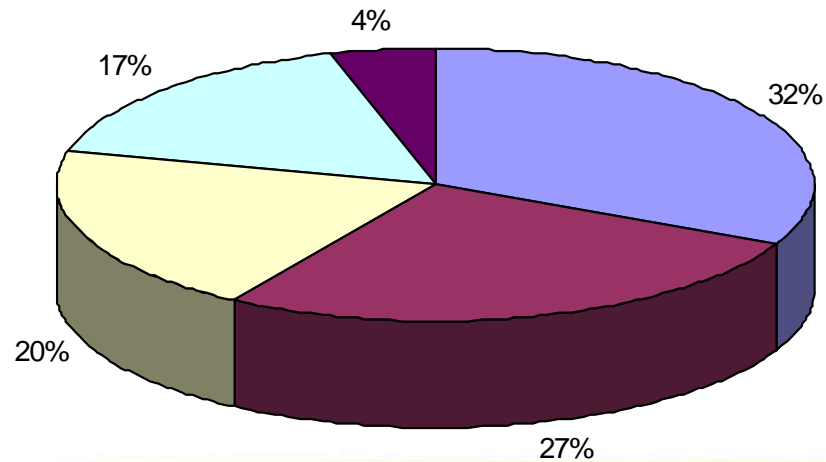


Marriott International (MAR)

Revenue Distribution



Operating Income Distribution





Discovery (MAR)

Former Marriott Financial Analyst for Timeshare Business

Timeshares

- Over-saturated market
- Timeshares as real estate play
- Inventory accounting change

Tax Benefits

- Retiring in 2007
- Phase-out synthetic fuel operations



Valuation (MAR)

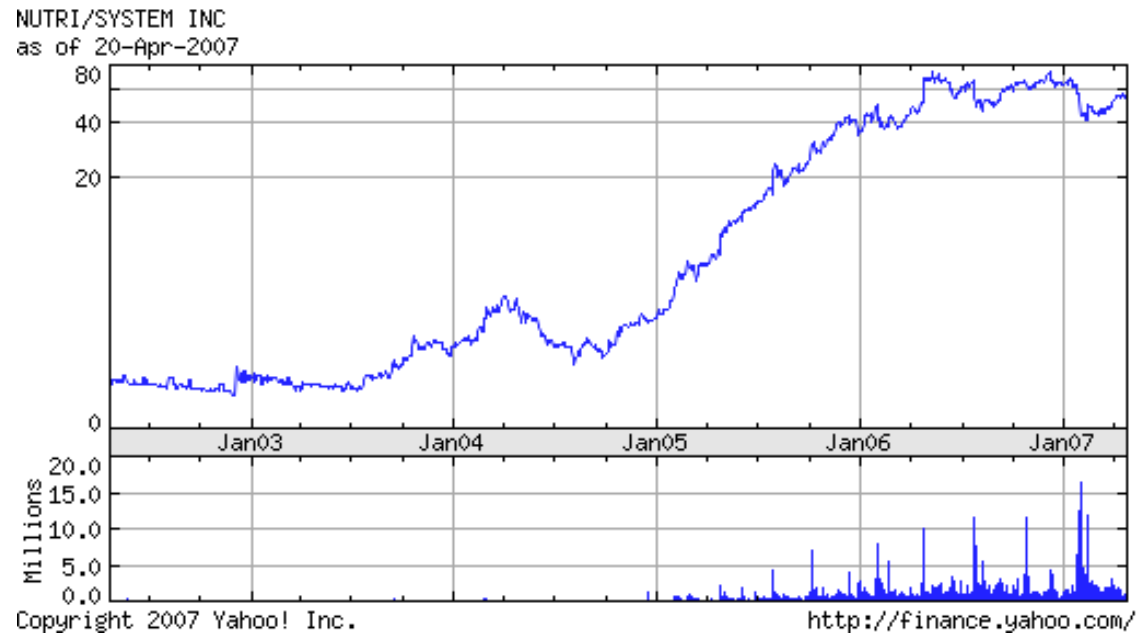
ANALYSIS	VALUE	WEIGHT	CONTRIBUTION TO WEIGHTED AVERAGE
Free Cash Flow	\$ 40.57	40%	\$16.23
Forward Price to Earnings	\$ 38.00	20%	\$7.60
Price to Book	\$ 43.66	20%	\$8.73
Price to Operating Profits	\$ 38.70	20%	\$7.74
Total			\$40.30
Market Price	\$ 51.87		
Upside/ (Downside)	-22.31%		
Recommendation	DON'T BUY		



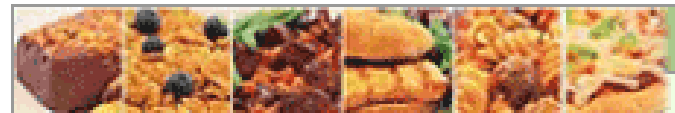
NutriSystem, Inc. (NTRI)

Price: \$63.29
Fwd P/E: 18.7
Mkt Cap: \$2.2B
Rev (ttm): \$568.2M
2007E EPS: \$2.98

As of 27 Apr 07



nutrisystem[®]





Investment Strengths (NTRI)

- Strong growth rates
- High returns on invested capital
- Favorable demographics in U.S.
 - 66% of adult population is **Overweight***
 - 33% of adult population is **Obese***
- Popularity of dieting in U.S.
 - 62M people in the U.S. were dieting in 2006
(Gallup Poll)
- Cheap relative to peers
 - PEG of 0.7 vs. 1.6 for Weight Watcher's

\$MM	<u>2004</u>	<u>2005</u>	<u>2006</u>
Sales	\$37,996	\$212,506	\$568,209
Sales Growth	68%	459%	167%
EPS	\$0.03	\$0.59	\$2.29
EPS Growth	0%	1867%	288%
Return on Capital	8%	46%	75%





Earnings Projection (NTRI)

Revenue

\$MM	AIM Estimate	Company Estimate	Street Estimate
1Q07	\$190.78	\$200-\$210	\$212.88
2Q07	\$172.42		\$171.60
3Q07	\$201.84		
4Q07	\$173.64		
Total 07	\$738.67		\$735.99

EPS

	AIM Estimate	Company Estimate	Street Estimate
1Q07	\$0.78	\$0.82-\$0.86	\$0.91
2Q07	\$0.69		\$0.71
3Q07	\$0.82		
4Q07	\$0.69		
Total 07	\$2.98		\$3.07

Revenue Assumptions

Base Case	<u>2006</u> 167%	<u>2007E</u> 30%	<u>2008E</u> 20%	<u>2009E</u> 15%	<u>2010E</u> 15%	<u>2011E</u> 10%	<u>2012E</u> 6%	<u>2013E</u> 7%	<u>CV</u> 4%	<u>DCF Value</u> \$72.51
Optimistic Case	<u>2006</u> 167%	<u>2007E</u> 40%	<u>2008E</u> 25%	<u>2009E</u> 20%	<u>2010E</u> 15%	<u>2011E</u> 12%	<u>2012E</u> 8%	<u>2013E</u> 7%	<u>CV</u> 4%	<u>DCF Value</u> \$86.23
Pessimistic Case	<u>2006</u> 167%	<u>2007E</u> 20%	<u>2008E</u> 15%	<u>2009E</u> 10%	<u>2010E</u> 8%	<u>2011E</u> 8%	<u>2012E</u> 6%	<u>2013E</u> 7%	<u>CV</u> 4%	<u>DCF Value</u> \$58.37



1 Q'07 Earnings Surprise (NTRI)

- Reported results crushed analyst estimates (4/25/07)
 - Sales up 62% YoY (\$238M)
 - EPS up 73% YoY (\$1.04)
- Optimistic case appears most likely

Base Case	<u>2006</u> 167%	<u>2007E</u> 30%	<u>2008E</u> 20%	<u>2009E</u> 15%	<u>2010E</u> 15%	<u>2011E</u> 10%	<u>2012E</u> 6%	<u>2013E</u> 7%	<u>CV</u> 4%	<u>DCF Value</u> \$72.51
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Valuation (NTRI)

ANALYSIS	VALUE	WEIGHT	CONTRIBUTION TO WEIGHTED AVERAGE
Free Cash Flow	\$ 72.43	40%	\$28.97
Price to Sales	\$ 63.68	30%	\$19.10
Forward Price to Earnings	\$ 62.63	30%	\$18.79
Total			\$66.87 *
Market Price	\$ 54.01		
Upside/ (Downside)	23.80%		
Recommendation	BUY		

*Upon news of 1Q'07 results, AIM valuation has been raised to \$77, representing 22% upside from current price of \$63.29. NTRI was purchased at ~\$55.



VAALCO Energy (EGY)

Price: \$5.55
Fwd P/E: 6.7
Mkt Cap: \$340M
Rev (ttm): \$98M
2007E EPS: \$0.76

As of 27 Apr 07

VAALCO ENERGY INC
as of 23-Apr-2007





Background (EGY)

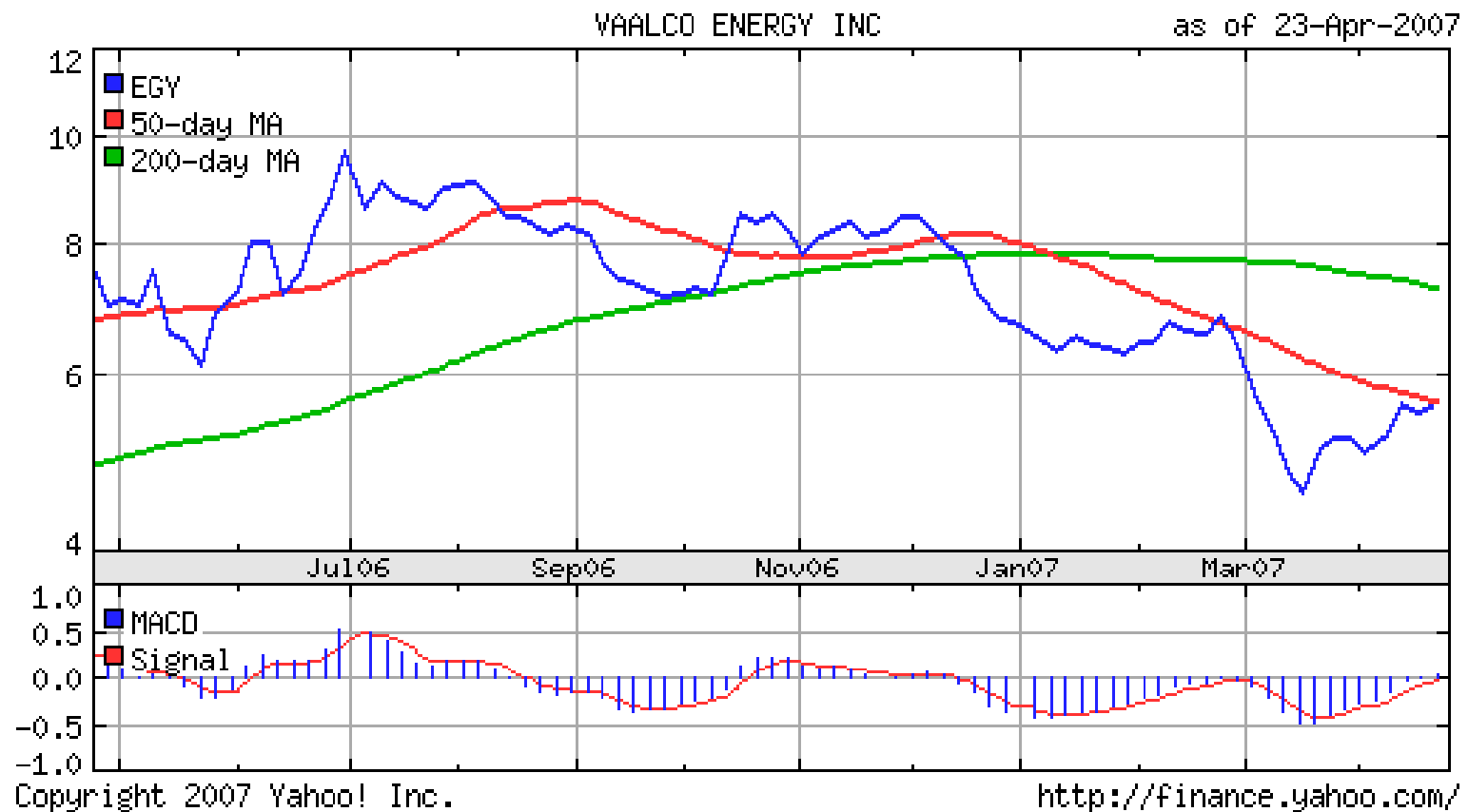
- Oil production company (Houston, TX and West Africa)
- Lease properties-outsource production
- Properties
 - West Africa-Gabon and Angola
 - 3 offshore sites
 - 1 onshore site
- Expansion-North Sea and Angola
- Excellent track record
- 3 new fields coming online in 2008





Technical Analysis (EGY)

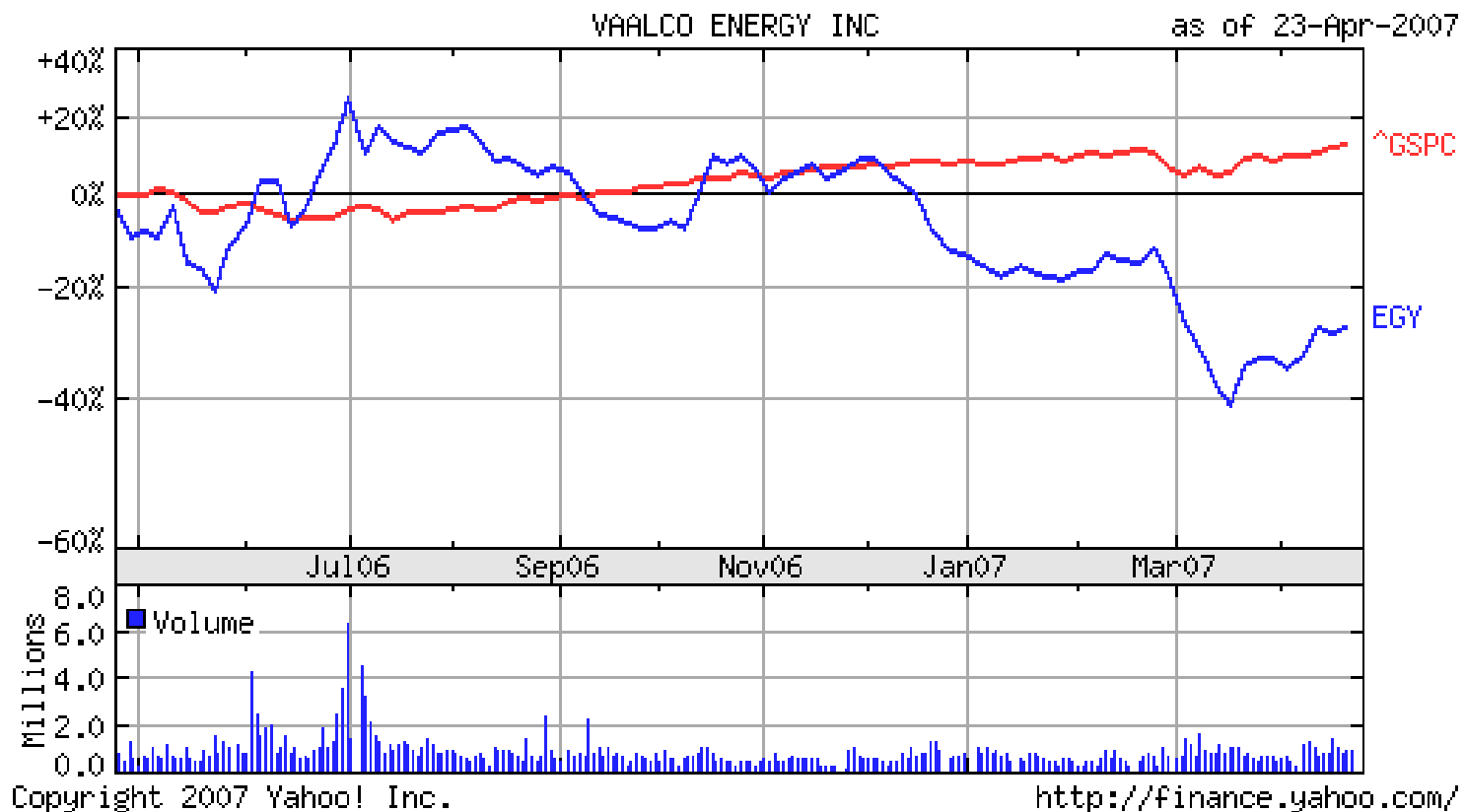
Moving Averages





Technical Analysis (EGY)

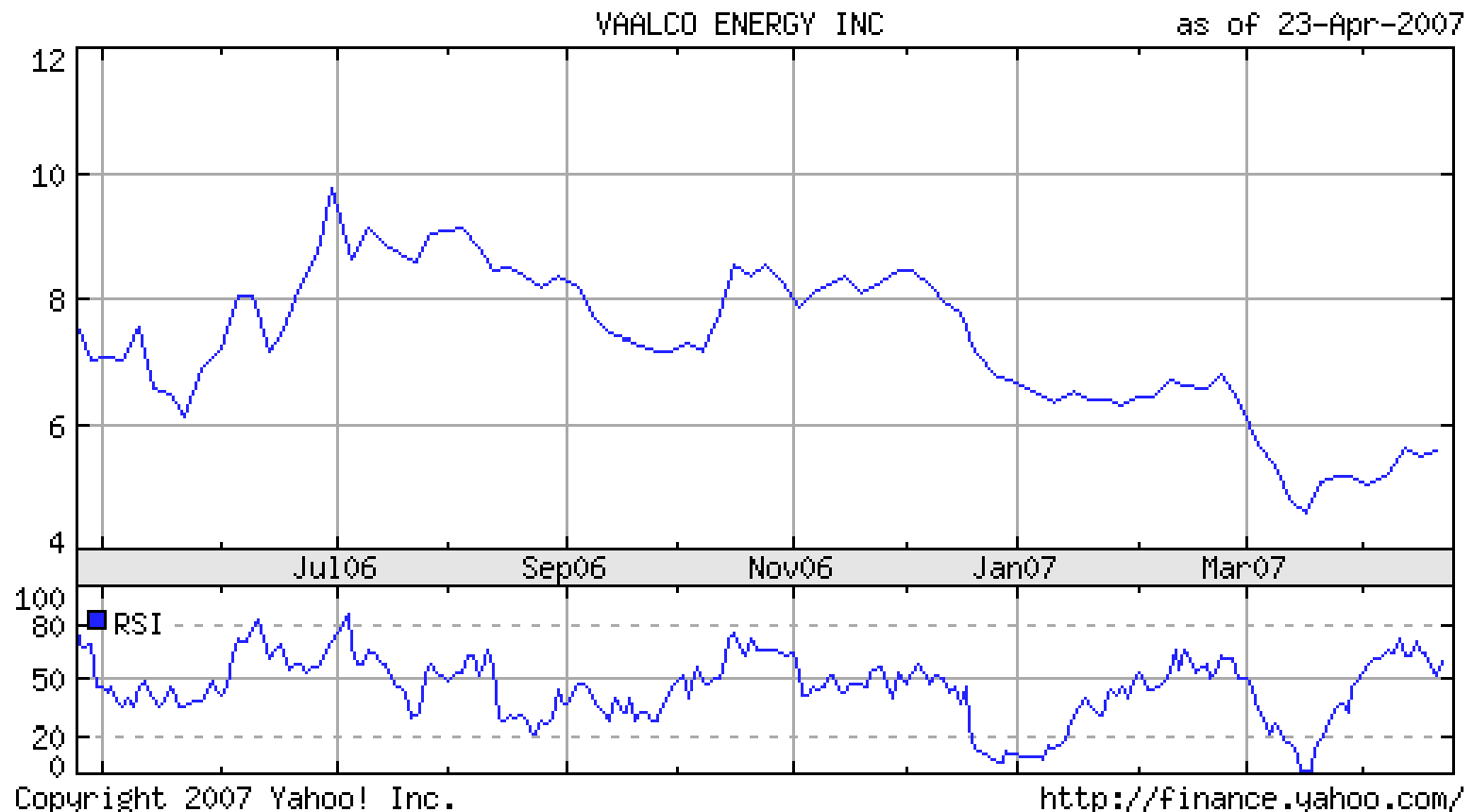
Relative Strength





Technical Analysis (EGY)

Relative Strength Index (RSI)





Valuation (EGY)

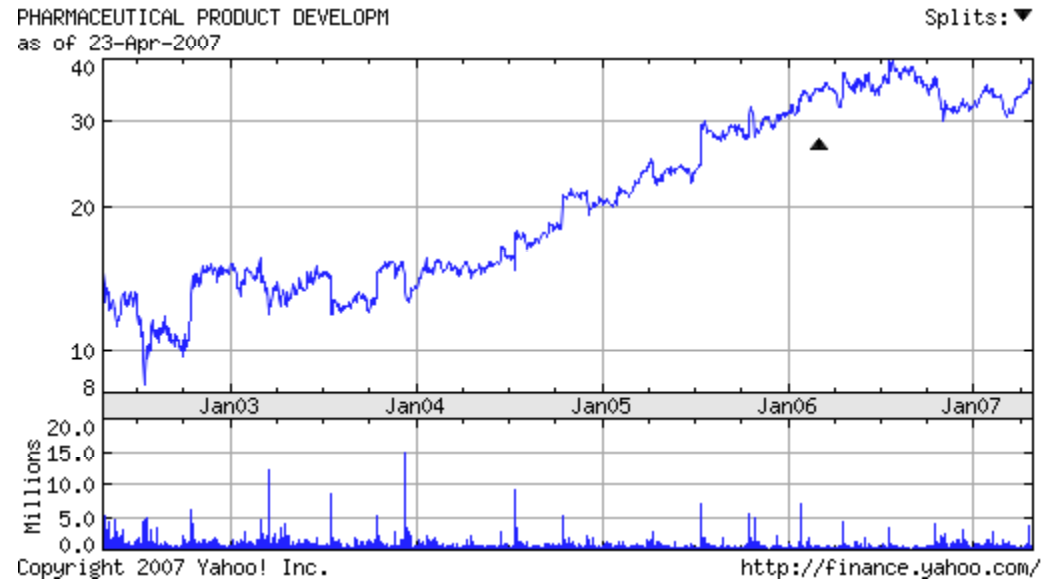
ANALYSIS	VALUE	WEIGHT	CONTRIBUTION TO WEIGHTED AVERAGE
Free Cash Flow	\$ 7.13	25%	\$1.78
Forward Price to Earnings	\$ 6.82	75%	\$5.12
Total			\$6.90
Market Price	\$ 5.31		
Upside/ (Downside)	29.90%		
Recommendation	BUY		



Pharma Product Dev Inc. (PPDI)

Price: \$36.42
Fwd P/E: 19.41
Mkt Cap: \$4.30B
Rev (ttm): \$1.28B
2007E EPS: \$1.58

As of 27 Apr 07



PPD

No one gets medicine into the system faster™



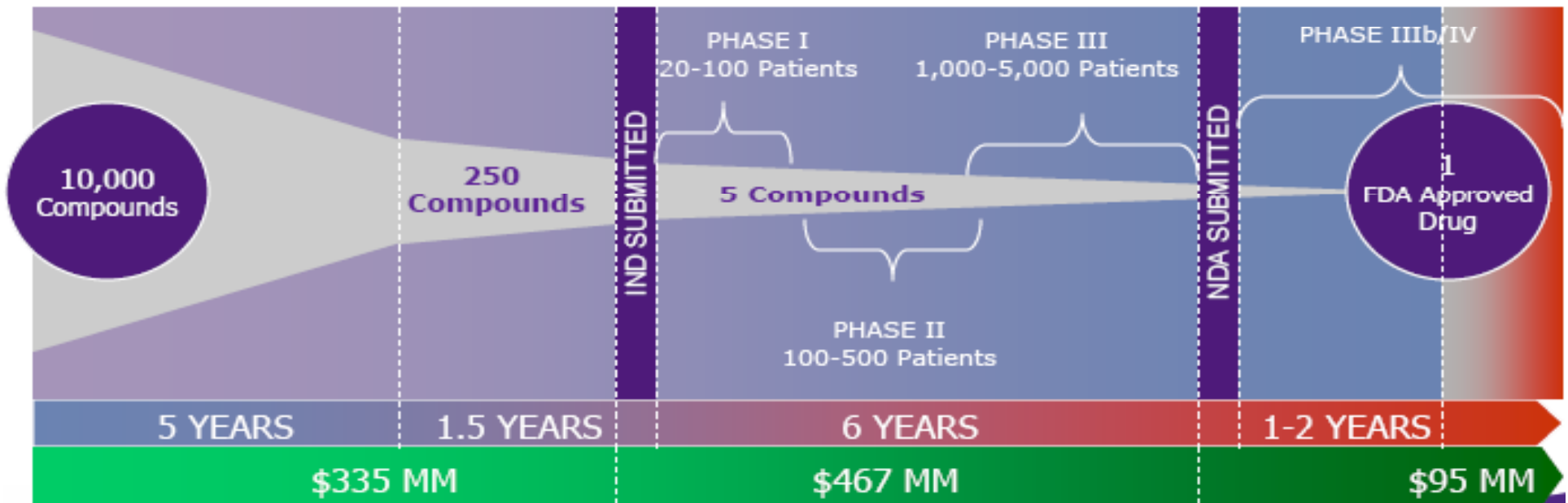
Industry Description (PPDI)

- Contract Research Organizations (CRO) are the beneficiary of pharmaceutical and biotech outsourcing their clinical drug trials
- Spending on CROs is growing 15% annually
- Outsourced R&D is expected to double by 2010
- CROs complete projects faster AND at comparable quality



Industry Description (PPDI)

- According to the Tufts Center for the Study of Drug Development, the average time and cost to get 1 drug approved is greater than 10 years and over \$800M



Industry Conclusion:

By outsourcing to CROs, pharmaceutical and biotech companies save time and money while increasing quality. This allows pharmaceutical and biotech companies to focus resources on discovery, sales & marketing.



Investment Thesis (PPDI)

- PPD is known for expertise in large, complex late stage trials
- PPD has expertise in all of the major therapeutic target areas, all over the world (offices in 28+ countries)
- Contract business backlog \$2.4B = 30 straight quarters of growth
- Strong management team
- Innovative compound partnering program to leverage expertise and benefit from drug upside via a royalty structure



Valuation (PPDI)

ANALYSIS	VALUE	WEIGHT	CONTRIBUTION TO WEIGHTED AVERAGE
Free Cash Flow	\$ 43.36	60%	\$26.02
Forward Price to Earnings	\$ 33.69	40%	\$13.48
Total			\$39.49
Market Price	\$ 33.75		
Upside/ (Downside)	17.01%		
Recommendation	BUY		



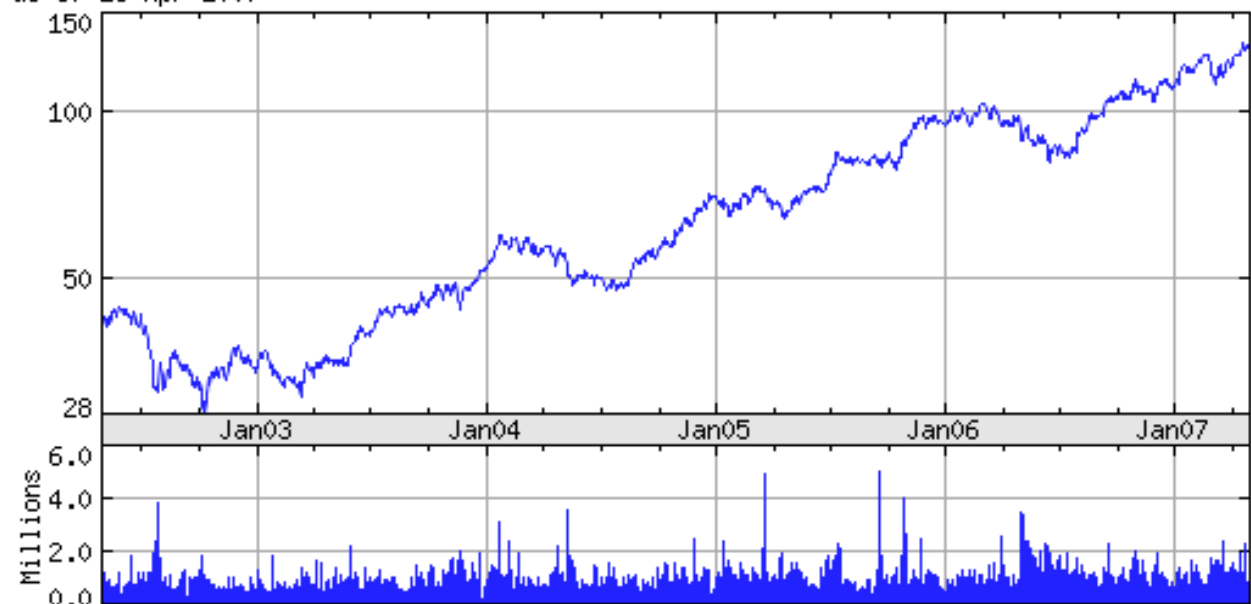
Franklin Resources (BEN)

Price: \$131.34
Fwd P/E: 17.4
Mkt Cap: \$33B
Rev (ttm): \$5.3B
2007E EPS: \$6.70

As of 27 Apr 07

FRANKLIN RES INC
as of 25-Apr-2007

Splits: ▼



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FRANKLIN® TEMPLETON®
INVESTMENTS



Business (BEN)

- Global Mutual Fund Manager
- 120 different funds
- Over \$575B in AUM
- 16% CAGR in AUM over the last 10 years
- Threats from ETFs and no load funds



WACC, Beta & DCF (BEN)

Cost of Capital	
Beta	1.3
Cost of Equity	11.3%
Cost of Debt	5.3%
% Weight of Equity	95.6%
% Weight of Debt	4.4%
WACC	10.9%

Beta	DCF Value
1.0	\$108.72
1.3	\$88.86
1.5	\$79.78



BETA (BEN)

	Beta	Adj. R Square	t-stat	Mean Reversion
5 Year Monthly	1.1	0.42	6.5	1.05
1 Year Weekly	1.6	0.55	8.0	1.4
YTD Daily	1.7	0.66	10.7	1.5
		Final Beta	1.3	

Competitor	Beta
T. Rowe Price	1.84
Brookfield Asset Management	0.94
Ameriprise	1.65
Janus	2.11
Principal	0.31

Published Betas	
Yahoo	1.21
Quote.com	1.15
CNBC	1.2
Valueline	1.2
Google	1.15



Valuation (BEN)

ANALYSIS	VALUE	WEIGHT	CONTRIBUTION TO WEIGHTED AVERAGE
Free Cash Flow	\$ 88.34	50%	\$44.17
Forward Price to Earnings	\$ 115.53	25%	\$28.88
Price to Book	\$ 140.07	25%	\$35.02
Total			\$108.07
Market Price	\$ 129.31		
Upside/ (Downside)	-16.43%		
Recommendation	DON'T BUY		



Ixia (XXIA)

Price: \$8.52
Fwd P/E: 21.84
Mkt Cap: \$604.3M
Rev (ttm): \$183.7M
2007E EPS: \$0.39

As of 27 Apr 07





Company Background (XXIA)

- Leading provider of performance test systems for IP-based equipment and networks
- Revenue Source
 1. Interfaces
 2. Chassis
 3. Software





DuPont Analysis (XXIA)

- Increase in COGS and SG&A reduced NPM in 2006
- Sales growth lagged increase in capital in 2006

	2002	2003	2004	2005	2006
ROE	2.38	5.51	10.1	13.77	4.17
Leverage	1.06	1.06	1.07	1.07	1.08
ROC	2.24	5.18	9.43	12.82	3.86
NPM	5.04	10.42	16.14	21.13	7.48
Capital T/O	0.44	0.5	0.58	0.61	0.52



Sensitivity Analysis (XXIA)

- 15% growth rate for the next 5 years
- COGS: 20%
- Cisco represents 21% of sales YoY

FCF Value	19% COGS	20%COGS	21%COGS
20%Growth	\$9.01	\$8.66	\$8.32
15%Growth	\$8.19	\$7.90	\$7.61
12% Growth	\$7.75	\$7.49	\$7.23
10% Growth	\$7.49	\$7.25	\$7.01



Valuation (XXIA)

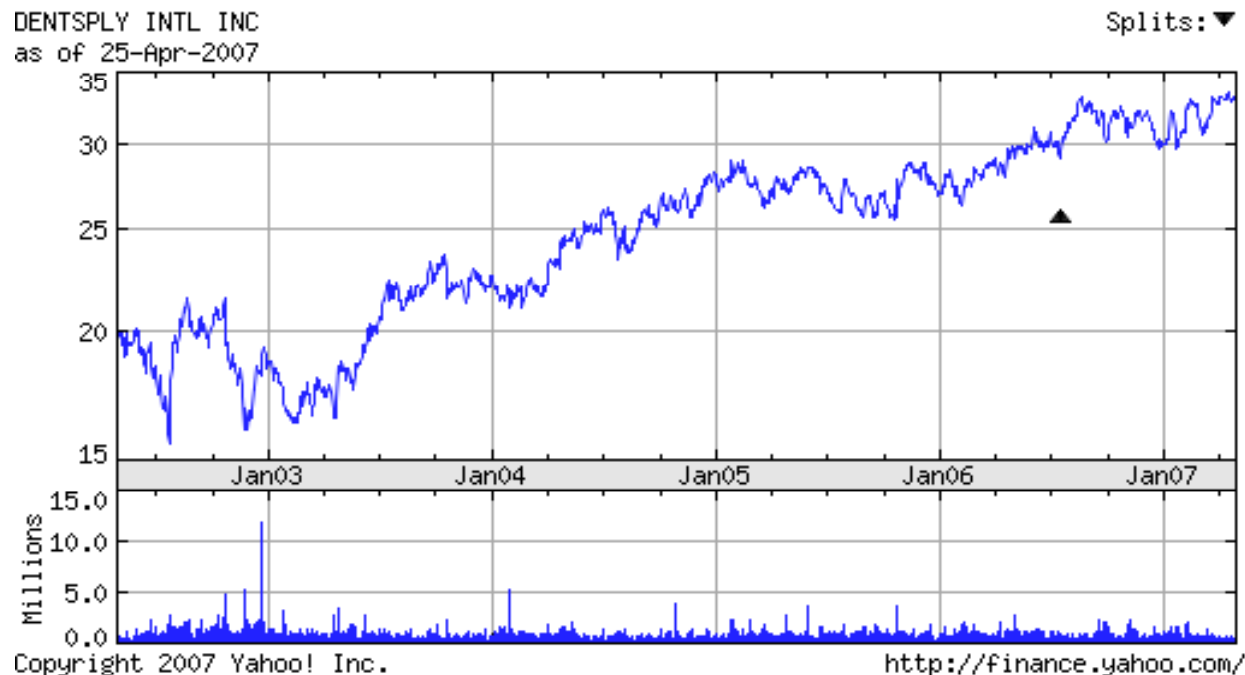
ANALYSIS	VALUE	WEIGHT	CONTRIBUTION TO WEIGHTED AVERAGE
Free Cash Flow	\$7.90	80%	\$6.32
Forward Price to Earnings	\$11.31	20%	\$2.26
Total			\$8.58
Market Price	\$9.05		
Upside/ (Downside)	-5.17%		
Recommendation	Sell		



DENTSPLY International (XRAY)

Price: \$33.08
Fwd P/E: 18.8
Mkt Cap: \$5.0B
Rev (ttm): \$1.8B
2007E EPS: \$1.58

As of 27 Apr 07



DENTSPLY



Overview (XRAY)

- World's largest manufacturer of dental products
- Growing international presence
 - 42% US; 38% Europe; 20% Other
- Three primary segments

Segment	% of Revenue	Products
Dental Consumables	40%	Anesthetics Sealants Impression Materials Whiteners & Flouride
Dental Laboratory Products	19%	Prosthetics Artificial Teeth Crown & Bridge Materials
Specialty Dental Products	41%	Endodontic (Root Canal) Instruments Implants Orthodontic Appliances



Thesis (XRAY)

- Strong industry growth fundamentals (particularly international)
- Market share leadership of 70-80% in most product categories
- Fragmented industry with additional acquisition opportunities
- Distributor rationalization will drive margin expansion

Product Category	Market Position
Endodontic Materials & Instruments	1
Prophy Paste & Sealants	1
Artificial Teeth	1
Crown & Bridge Material	1
Restoratives	1
Carbide Burs	1
Film Holders & Mounts	1
Handpieces & Ultrasonic Scalers	1
Impression Materials	2
Disposable Air/Water Syringe	2
Orthodontics	3
Implants	4



Discovery (XRAY)

- **Process**
 - Conversations with dentists/hygienists and distributors
 - Review of industry growth statistics & forecasts
- **Findings**
 - End users completely satisfied...not worth switching to lower cost product
 - Distributor rationalization will be net positive
 - Minimal top-line impact
 - Better inventory management
- **Assessment**
 - Potential for more upward price momentum



Valuation (XRAY)

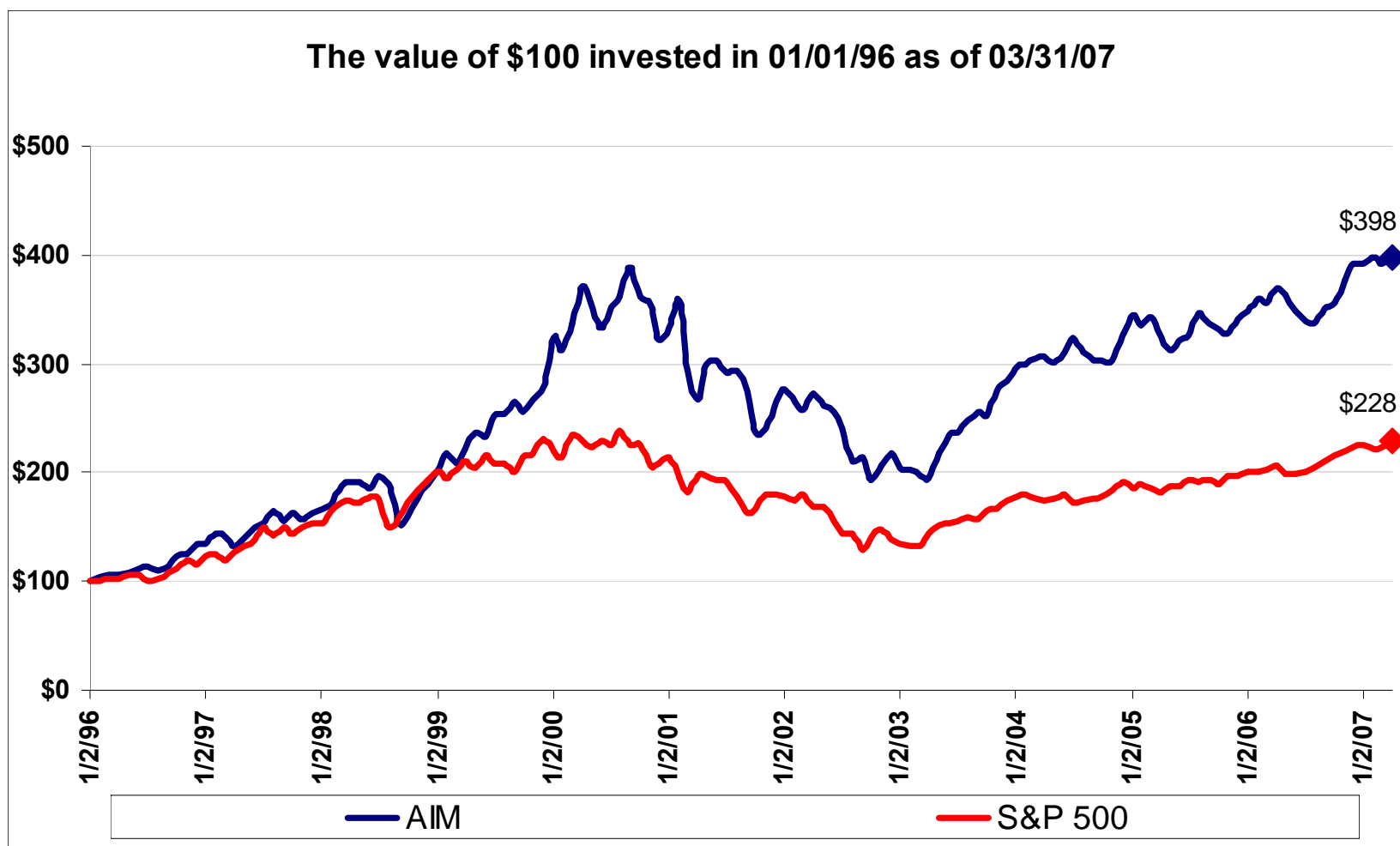
ANALYSIS	VALUE	WEIGHT	CONTRIBUTION TO WEIGHTED AVERAGE
Free Cash Flow	\$ 31.93	70%	\$22.35
Acquisition Multiple: X Revenue	\$ 34.32	15%	\$5.15
Comps: EV/Revenue	\$ 44.10	15%	\$6.62
Total			\$34.11
Market Price	\$ 33.08		
Upside/ (Downside)	3.13%		
Recommendation	BUY		



Portfolio Performance

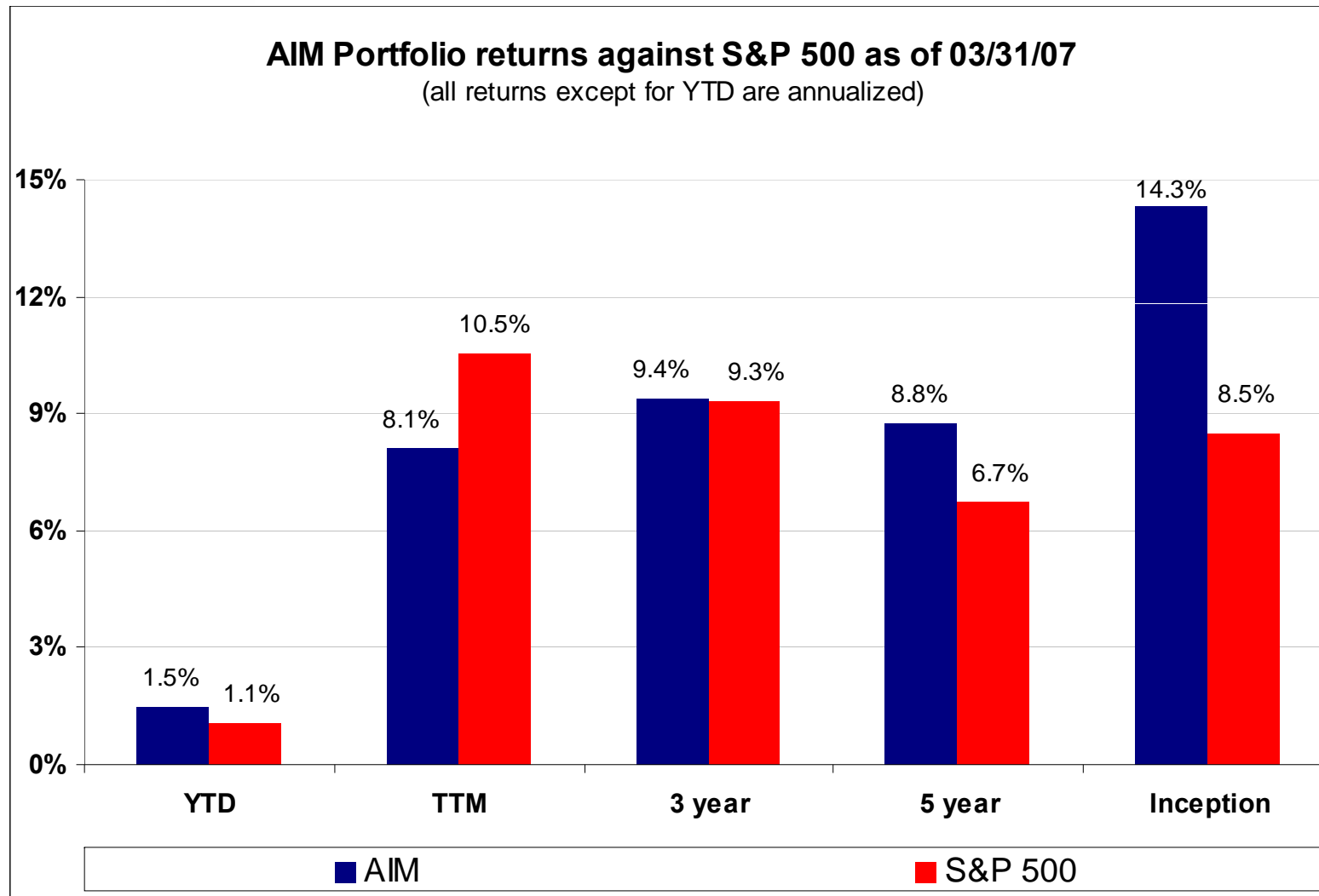


Historical Performance



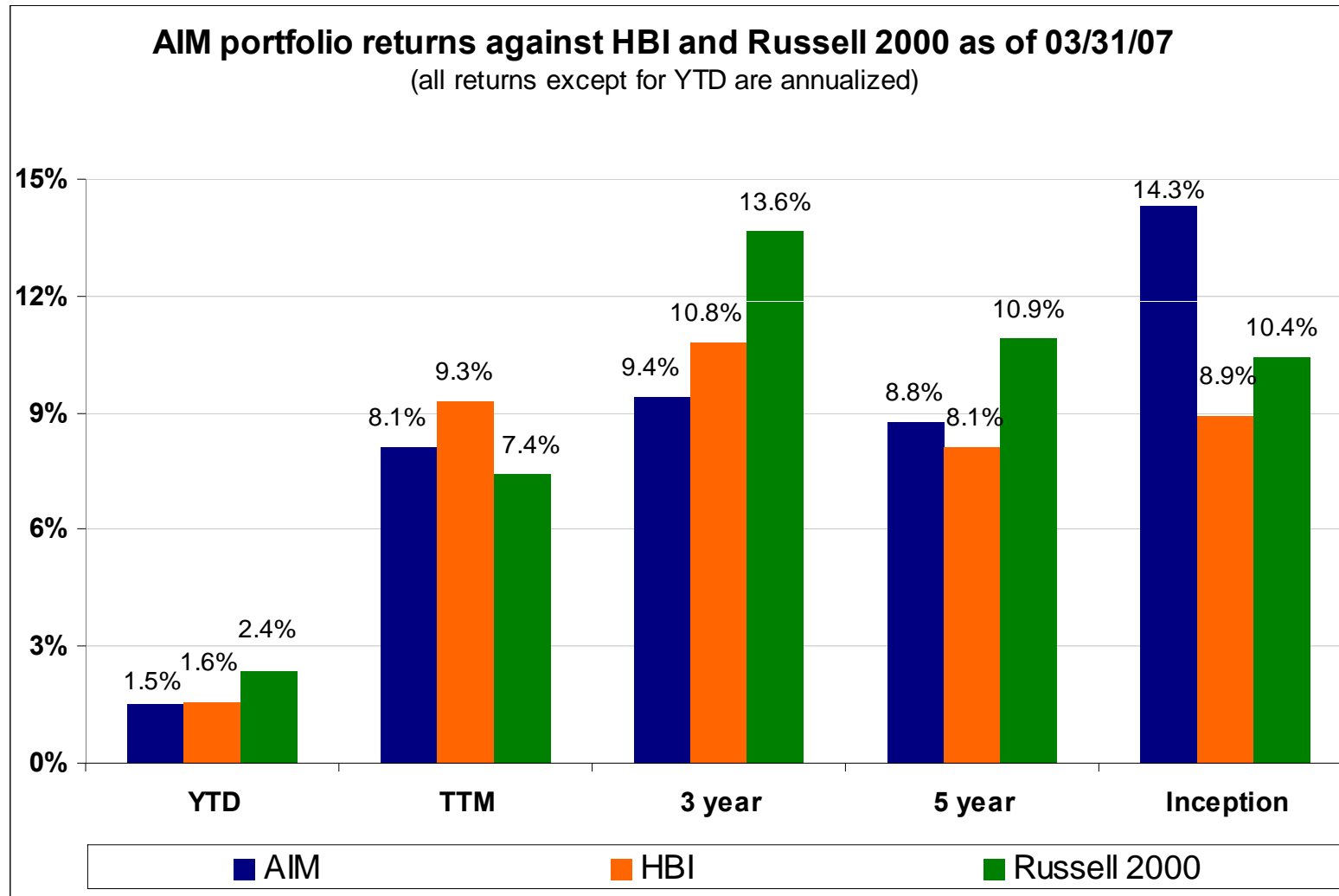


Historical Performance





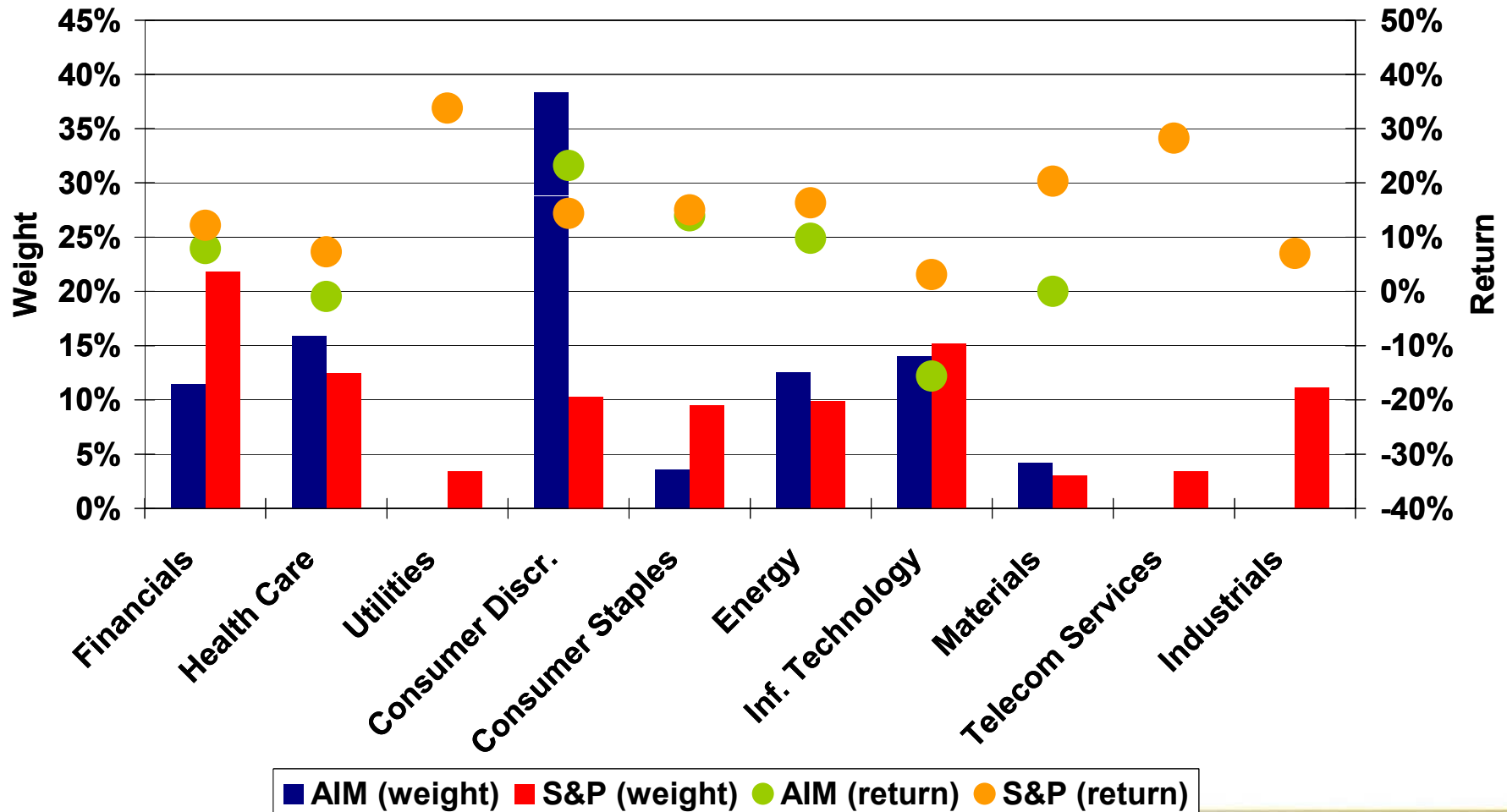
Historical Performance





Sector Allocation and Returns (TTM)

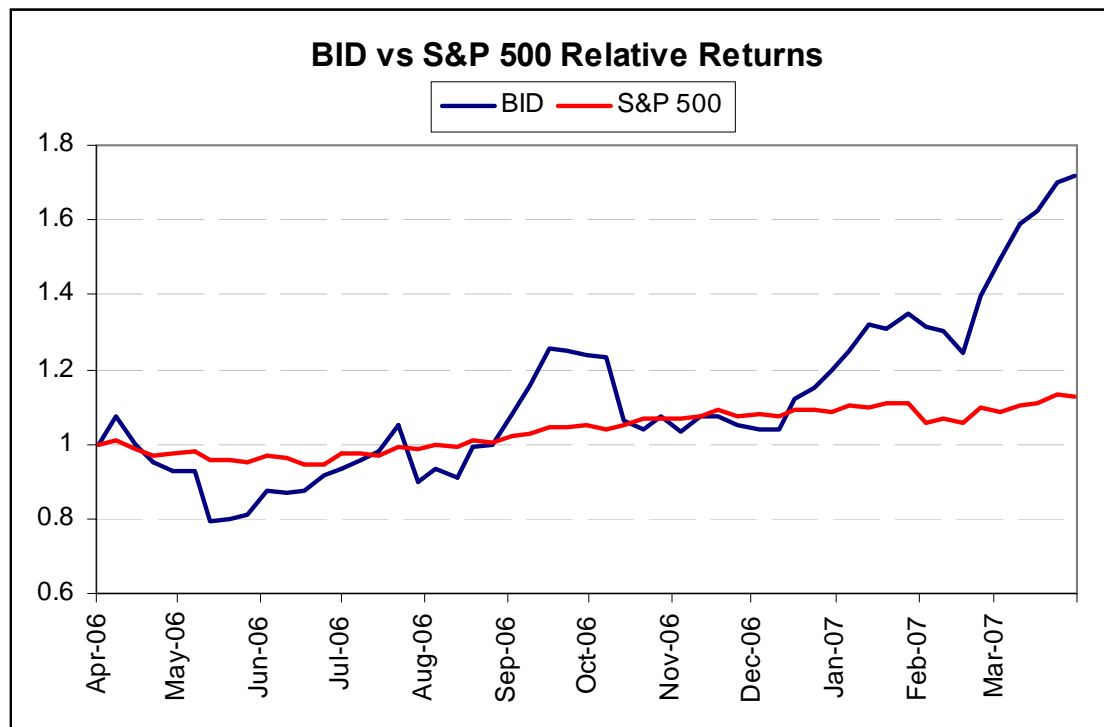
AIM portfolio vs. S&P 500 weights and returns (TTM) by sector as of 03/31/07





Top 5 Gainers

TTM Returns		
Company	Ticker	TTM Return
Sotheby's	BID	54.22%*
Coach	COH	48.10%*
McDonalds	MCD	45.42%*
Morgan Stanley	MS	29.81%
ExxonMobil	XOM	25.22%

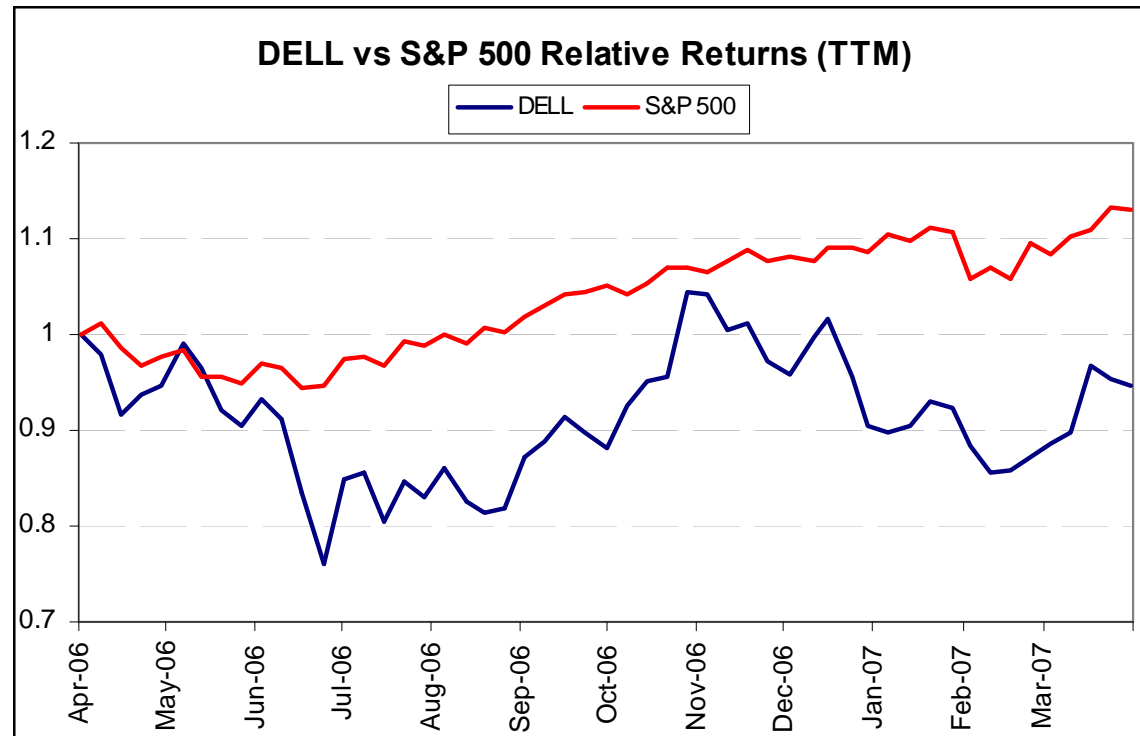


* Holding Period Return



Top 5 Losers

TTM Returns		
Company	Ticker	TTM Return
BJ Services	BJS	-24.68%
IXIA	XXIA	-16.74% *
Symantec	SYMC	-13.84% *
Amgen	AMGN	-6.82%
Dell	DELL	-6.16%



* Holding Period Return



AIM Portfolio Performance vs. Index

- Portfolio highly correlated to S&P 500, Russell 2000, and HBI
- All regressions statistically significant
- Portfolio shows higher correlation to HBI

	Adjusted R ²	Beta	t-Stat	Standard Dev.
S&P 500	0.86	1.28	21.78	0.06
Russell 2000	0.63	0.81	15.18	0.05
HBI	0.89	1.22	24.98	0.05



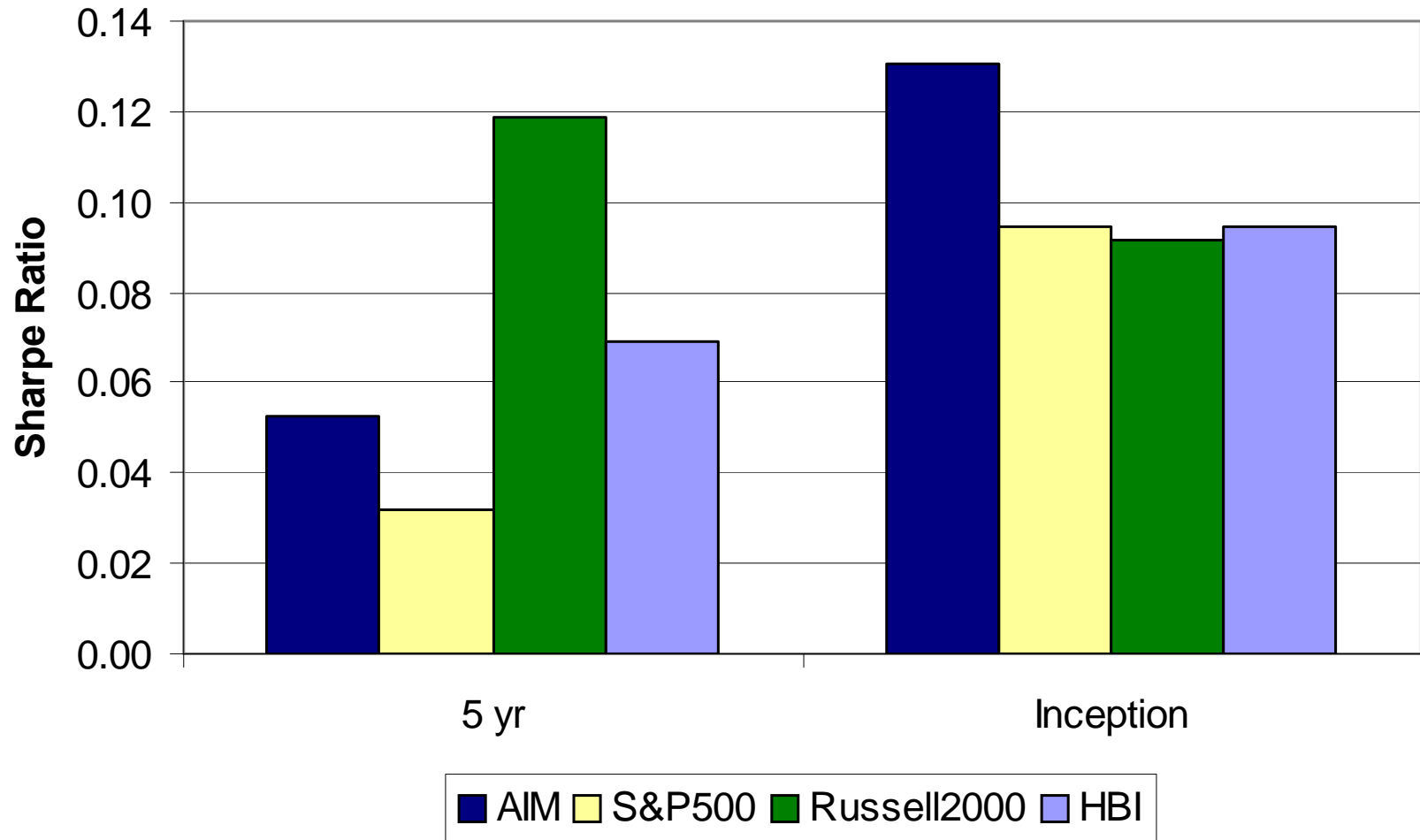
Sharpe Ratio

Measure of the mean excess return per unit of risk
in an investment portfolio

$$S(p) = \frac{R_P - R_F}{\sigma_P}$$



Sharpe Ratio



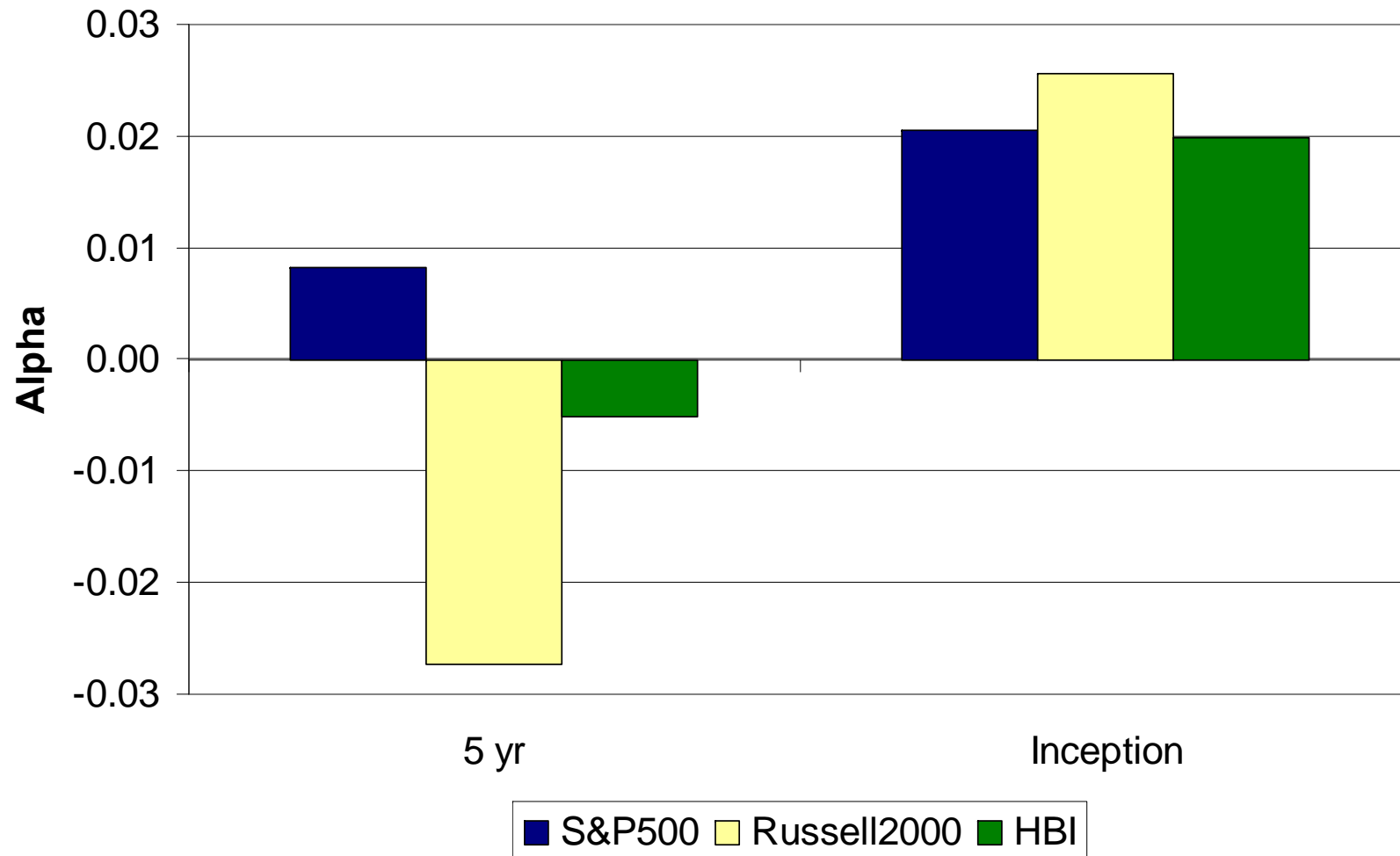


Alpha

Risk-adjusted measure of the “excess return” on an investment when compared to a benchmark index

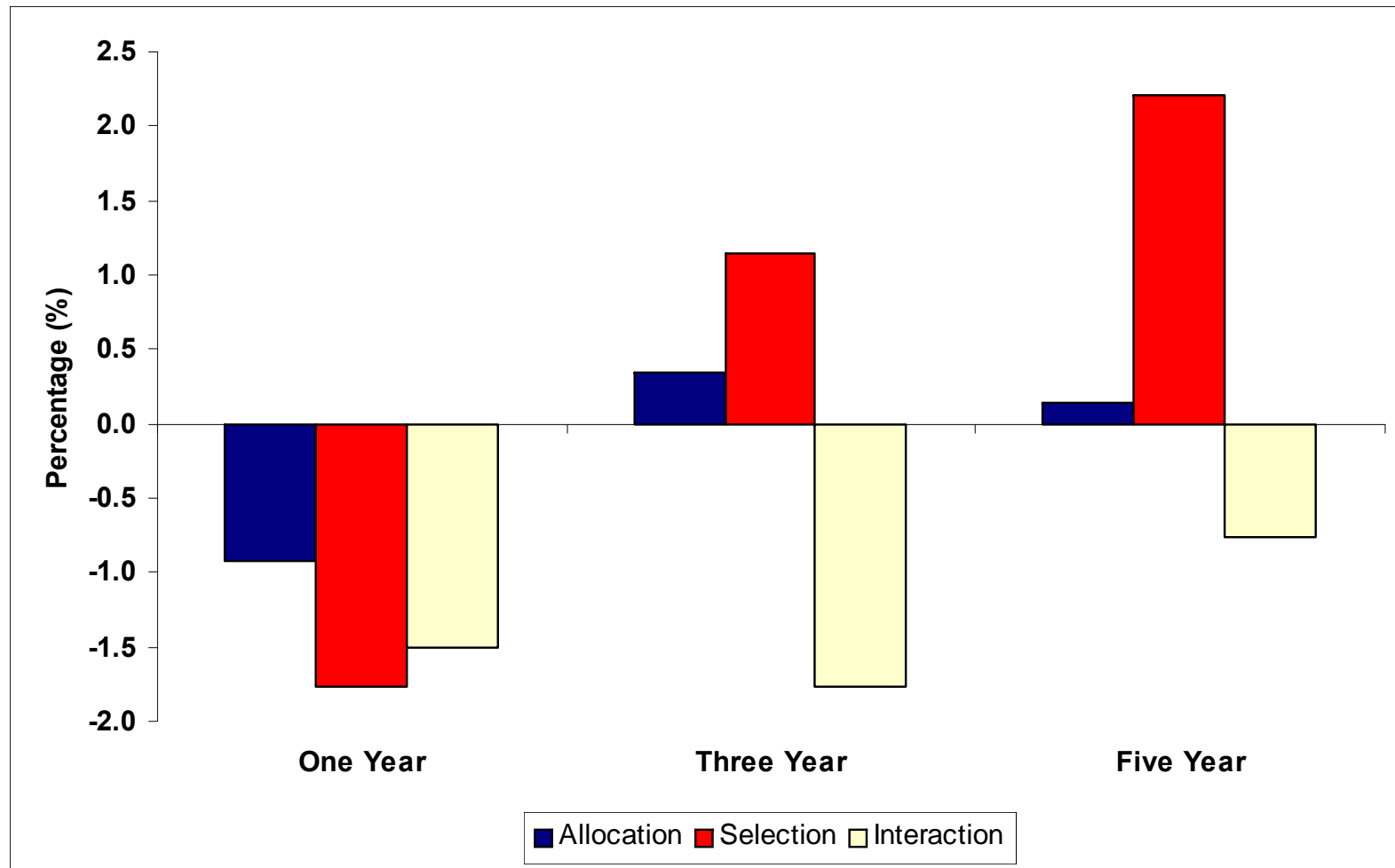


Alpha



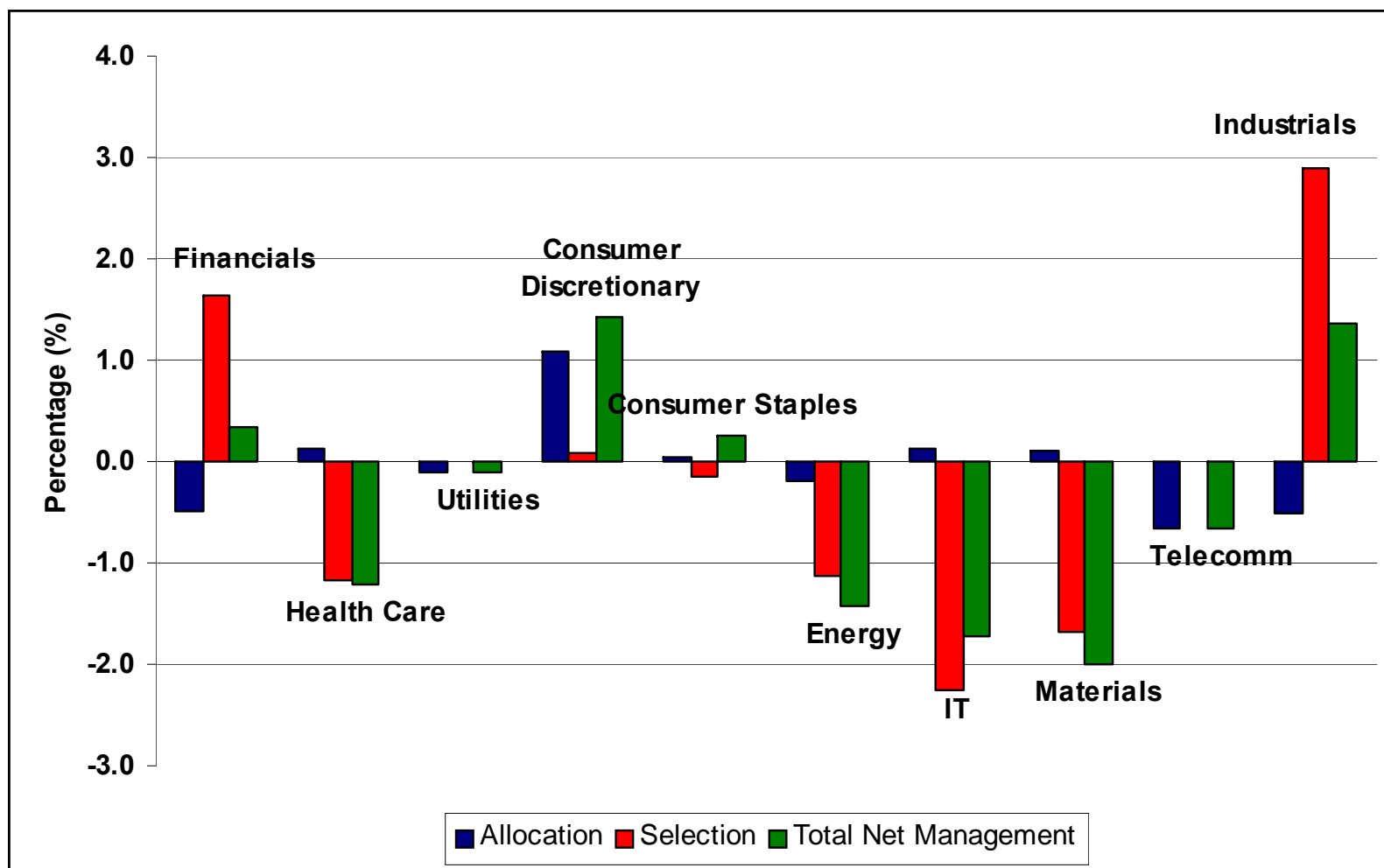


Overall Attribution



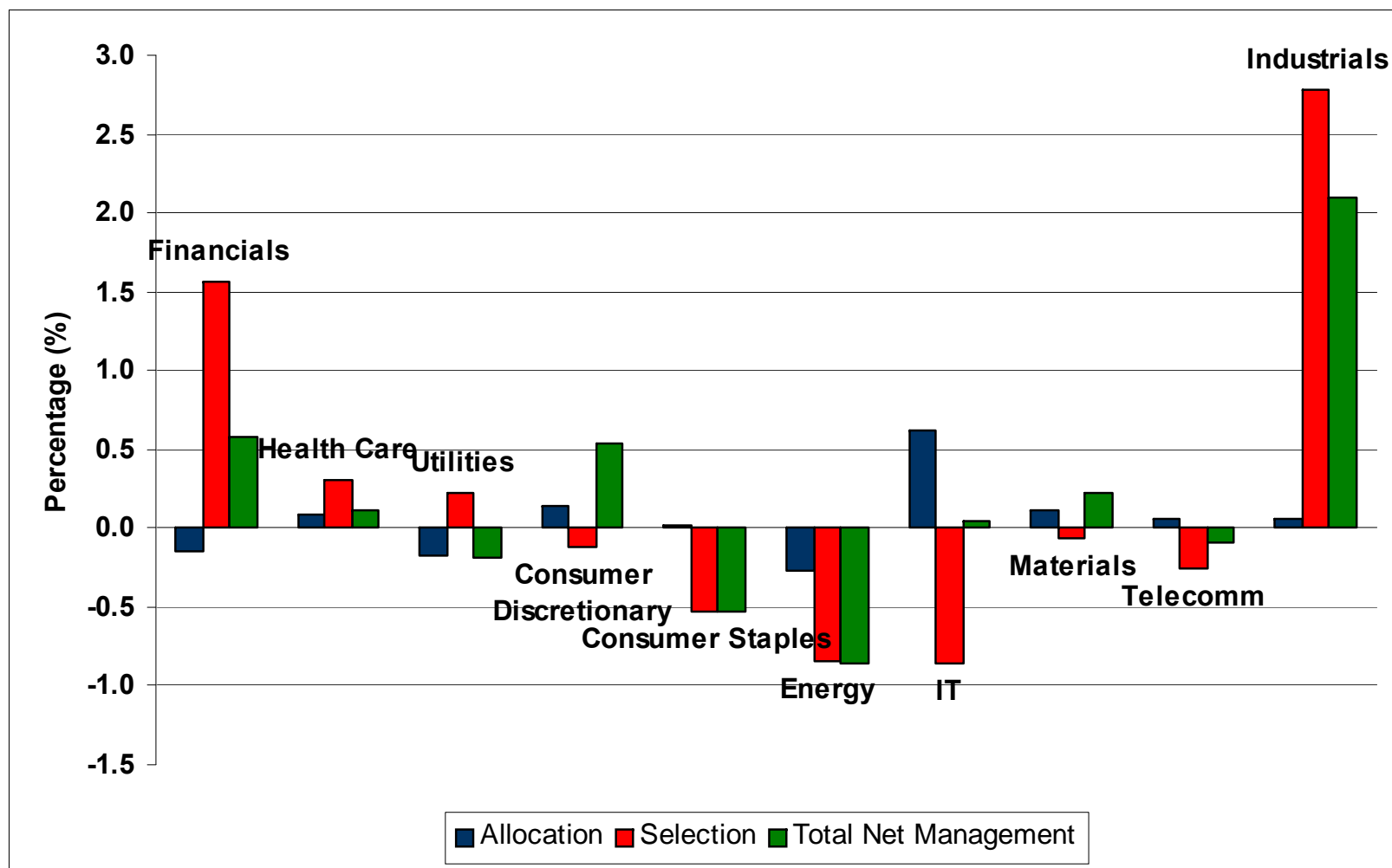


Industry Attribution (1-Year)





Industry Attribution (5-Year)



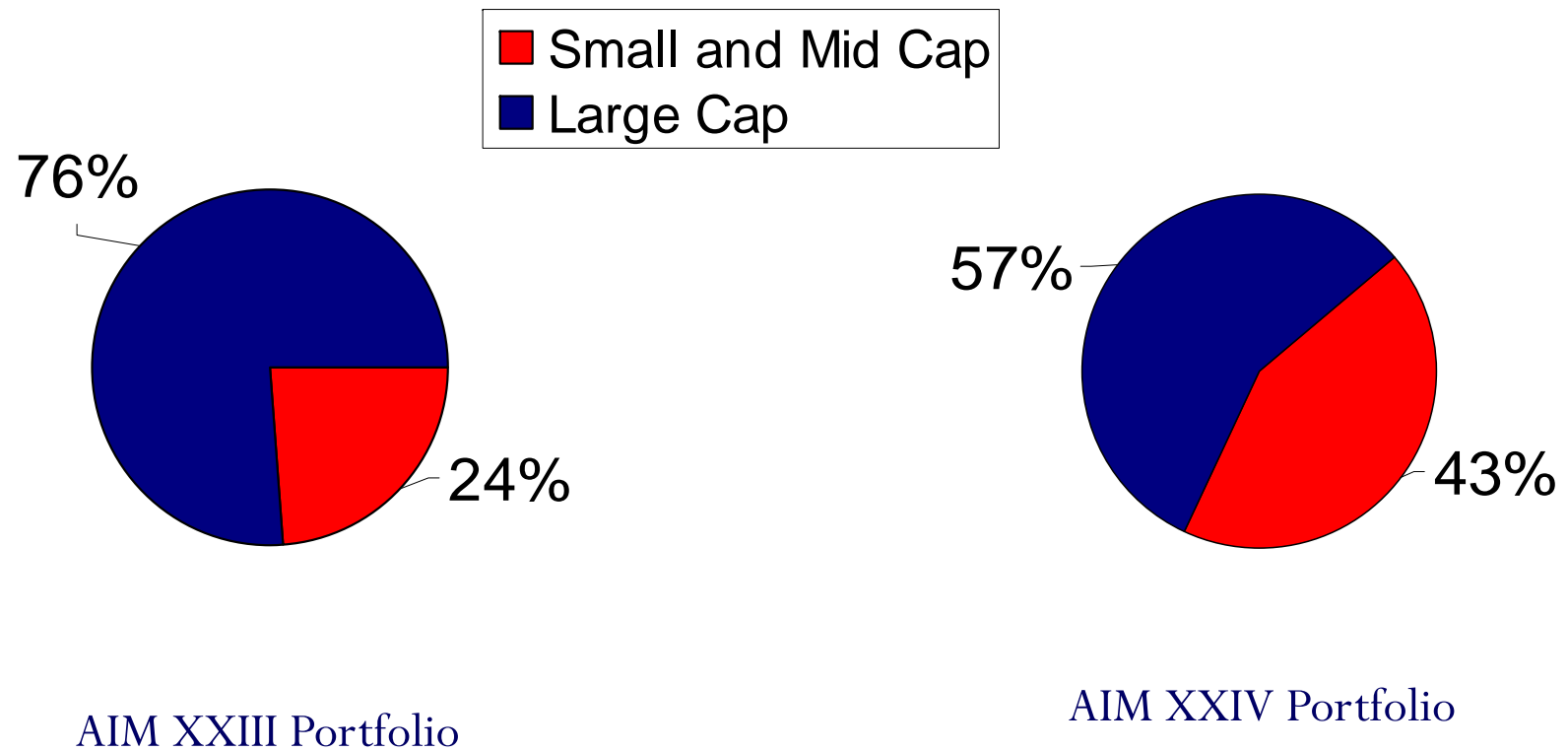


Portfolio Transactions

	Sells	Market Cap Billions	Buys	Market Cap Billions
Small and Mid Cap	Ixia	\$0.61	Vaalco Energy	\$0.34
	Sotheby's	\$3.36	LoopNet	\$0.59
			Huron Consulting Group	\$1.15
			NutriSystem	\$2.00
			Cheesecake Factory	\$2.04
			Pharma Product Development Inc	\$4.23
Large Cap	Western Union	\$17.59	Dentsply International	\$5.04
	Coach	\$18.60	Pennsylvania Power and Light	\$17.44
	Moody's	\$19.05	Northrop Grumman	\$26.05
	XTO Energy	\$20.30	PepsiCo	\$109.04
	Gilead Sciences	\$38.71		
	McDonald's	\$58.34		
	Citigroup	\$261.37		

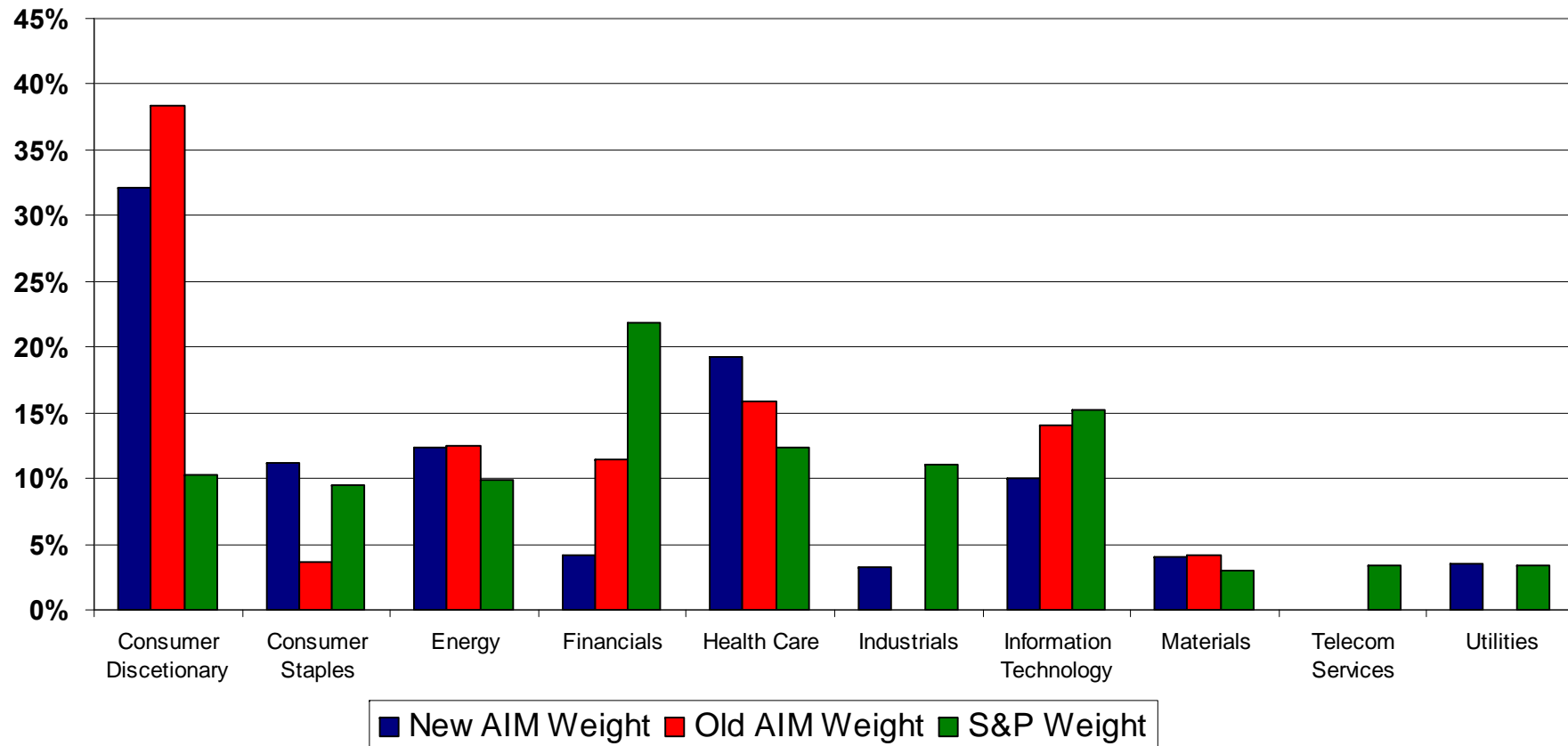


Portfolio Breakdown by Market Cap





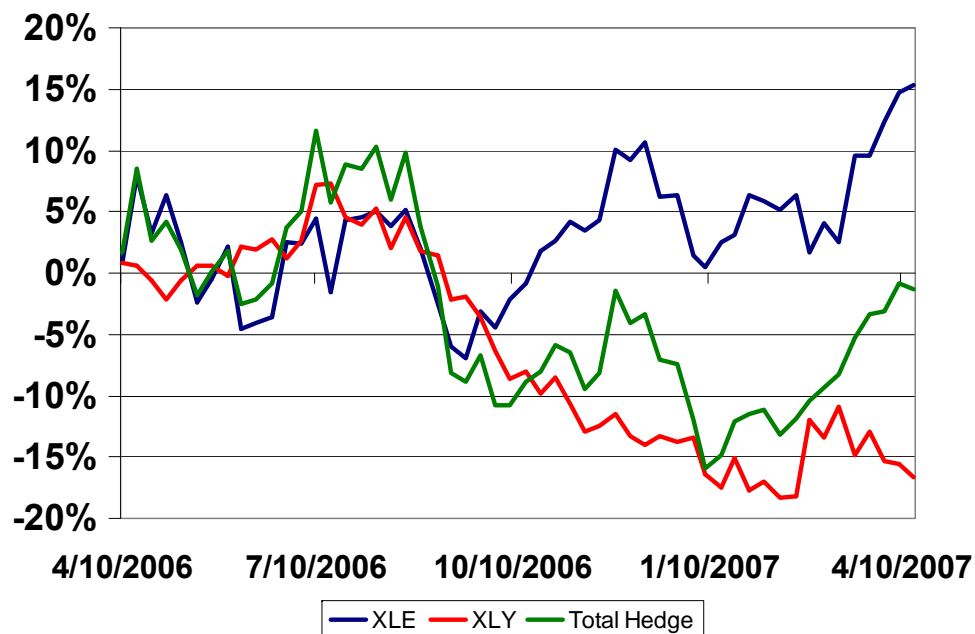
Portfolio Breakdown by Industry





Hedging Strategy

- Sold the long/short positions in Sector SPDRs
 - Long Energy (XLE)
 - Short Consumer Discretionary (XLY)
- Bought new long/short ETFs from ProShares
 - UltraShort Real Estate (SRS)
 - Ultra Oil & Gas (DIG)
- ProShares do not require a margin account and are 2X levered



SPDR Select Sector Funds	
XLY	Consumer Discretionary Short
XLE	Energy



Portfolio Performance Summary

- Short Term (TTM)
 - Underperformed benchmark (S&P 500)
- Long Term
 - Outperform benchmark (S&P 500) on YoY returns
 - Outperform benchmark on risk-adjusted basis
 - Positive alpha



General Information



Boston Trip: March 22nd to 25th

- Rutabaga
 - U.S. small cap and micro-cap value investing
 - Investment strategy based on value creation and enhancement, regression to the mean and behavioral biases
- Sankaty Advisors
 - Distressed debt, mezzanine debt, leveraged loans and high-yield bond investing
 - Invest through credit cycles
- Mellon
 - Impact of aging societies on stock market returns



Boston Trip: March 22nd to 25th

- Summit Partners
 - Raise capital for growing private equity funds and venture capital funds
- Martingale Asset Management
 - Behavioral finance
 - Focus on systematic quantitative evaluation, disciplined portfolio construction and low cost trading



Boston Trip: March 22nd to 25th





Boston Trip: March 22nd to 25th

- Geologic Resources
 - Real assets metals and mining
 - Long/short equity fund focused on the natural resource sector



Speakers

- Ed Trubac
 - Current Economic Overview
 - Key Questions for 2007
 - Important Economic Trends for AIM Portfolio



Newsletter

- Objectives
 - Allows AIM Alumni to stay up to date
 - Provides quarterly overview of present portfolio
- Current newsletter points of interest:
 - New portfolio
 - AIM Alumni updates
 - Boston trip review
 - Quick economic snapshots
 - Current AIM analysts' future plans



AIM Website

Areas of Interest

- Analysts and Alumni
- Publications
- Portfolio
- News





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Thank You

The Notre Dame Investment Office

AIM Professors

Advisory Board

Rachel Karnafel

Please join us for a reception in the MBA Lounge!