

Advisory Board Presentation



AIM XXVI
April 28, 2008

University of Notre Dame • Mendoza College of Business



AIM XXVI Analysts

Introductions

Brett Thomas

Binghamton, NY

Getty Images (GYI)
Aqua America (WTR)
UBS Investment Bank

Cheryl Ramsey

Cincinnati, OH

Dentsply International, Inc. (XRAY)
Monsanto Corporation (MON)

Portfolio Overview

Eric Larsson

Trumbull, CT

Barrick Gold (ABX)
Kirby Corp. (KEX)
IBM

Julio Rivas

San Salvador, El Salvador

Whirlpool (WHR)
Boeing Co. (BA)

Portfolio Overview

Matt Korcinsky

Greenville, PA

Pharmaceutical Products (PPDI)
Republic Services, Inc. (RSG)

Matt Walter

Cleveland, OH

Apple (AAPL)
Progress Energy (PGN)

Economic Environment

Barry Kessler

Spring, TX

Vaalco Energy (EGY)
El Paso Corporation (EP)
Simmons and Company

Matt Weglarz

Kansas City, MO

Potash Corp. (POT)
Caterpillar (CAT)

Economic Environment

Hunter Johnson

Beaumont, TX

Pepsico (PEP)
Sun Hydraulics Systems (SNHY)
AT&T

Eric Crawford

West Hartford, CT

YRC Worldwide (YRCW)
Weyerhaeuser Co. (WY)
UBS Investment Bank

Security Analysis

Andy Frey

Kalispell, MT

BJ Services (BJS)
Aptar Group Inc. (ATR)

Aldo Arcieri

Ridgewood, NJ

Zimmer Holdings (ZMH)
Intercontinental Exchange, Inc. (ICE)



AIM XXVI Analysts

Security Analysis

Jerry Wang

Beijing, China
Nutri Systems (NTRI)
Zhongpin, Inc. (HOGS)
Notre Dame Investment Office

Jim McGovern

Philadelphia, PA
PMI Group (PMI)
Goldman Sachs Group Inc. (GS)

Mousa Kolahdooz

San Francisco, CA
Tupperware Brands (TUP)
EMC Corp. (EMC)
Citigroup

Andrew Samalis

Reading, MA
Cabelas (CAB)
Service Corp. Intl. (SCI)

Security Analysis

Paul Trahms

Rochester, MN
Walgreen Co (WAG)
Equifax (EFX)

Jake Wagner

Redlands, CA
Morgan Stanley (MS)
Boston Private Financial Holdings (BPFH)
Merrill Lynch

Performance Evaluation

Cory Rellas

Plano, TX
Dell Inc. (DELL)
Burlington Northern Santa Fe (BNI)
Notre Dame Senior Finance Major

Manish Vaswani

New Delhi, India
United Health Group (UNH)
Sigma Aldrich (SIAL)

Performance Evaluation

Adam Ashley

Asbland, KY
McGraw-Hill (MHP)
Huron Consulting Group (HURN)

Todd Borgmann

Indianapolis, IN
Exxon/Mobil (XOM)
Toll Brothers, Inc. (TOL)

Bob Manley

Buffalo, NY
LOOPnet (LOOP)
Ameron International Corp. (AMN)

General Information

Blair Mlnarik

Plymouth, MN
Digital River (DRIV)
FCStone Group, Inc. (FCSX)
Robert W. Baird



Agenda

- Introductions
- Course overview
- Economic outlook
- Security analysis
- Portfolio performance
- Wrap-up



Course Overview





Course Overview

- Course Objective:
 - Applied Investment Management will provide analysts with a thorough grounding in the process of portfolio management, from the broad asset allocation decision through individual stock evaluation



Course Overview

- Analysts:
 - Inherit portfolio position and update intrinsic value
 - Select and value one additional stock
- Present to group on several topics including:
 - Economic analysis
 - Industry review
 - Security analysis
 - Portfolio performance



Investment Policies

- Portfolio will comprise of only equities listed on US exchanges
- No fixed income, money market or derivatives instruments will be purchased
- No margin purchases
- No short selling except for the industry hedge position (less than 1% of the portfolio value)



Investment Policies

- Portfolio composition will roughly match the industrial sector's weighting on the S&P500
- No individual holding should exceed 10% of current market value of portfolio
- Long-term target for cash holdings is 0%
- AIM shall invest in companies with values consistent with those of the University of Notre Dame (abortifacients, tobacco, birth control, etc)



Investment Constraints

- Perpetual investment horizon
 - Equity investments will be viewed for their potential over the long-term, 3 to 5 years
- Prudent person rule
 - Investing with the care, skill, and diligence that a prudent person would use
 - In extraordinary circumstances, fund managers can intervene as necessary to meet AIM objectives



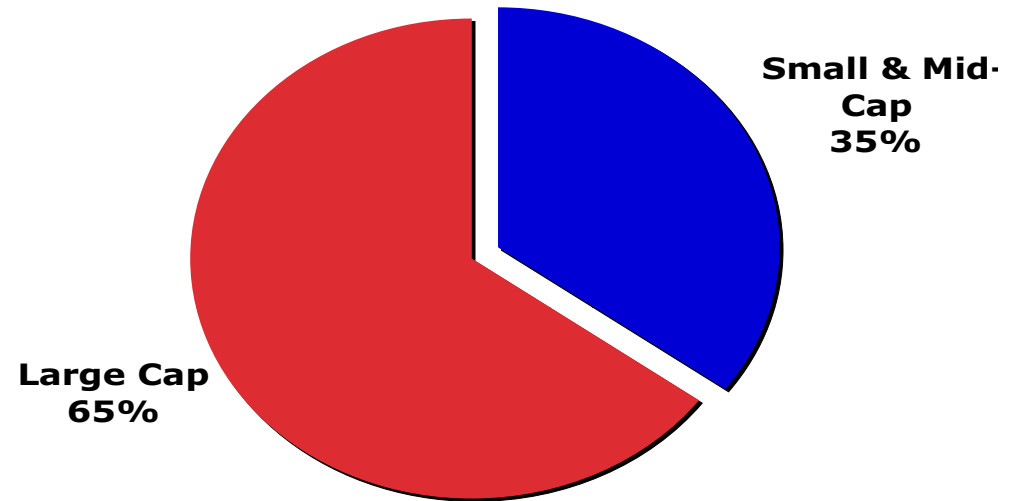
Investment Philosophy

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



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



Sector Positions

- Select one industry to long and one to short
 - Economic forecast
 - Industry reviews
- Long: financials
- Short: real estate



Economic Outlook





Economics Group Agenda

- Economic prediction
- How did we get here?
 - Major economic indices
 - Housing
 - Consumer spending
- What is the Fed doing?
 - Recession concerns
 - Inflation expectations
- Portfolio impact



Future of the Economy



Economic Prediction

- Recession
- GDP
 - Declining GDP (annualized 0.6% in Q4)
 - Decline of dollar increasing cost pressures
- Housing and consumption
 - Housing starts continue to decline
 - Consumer expectations

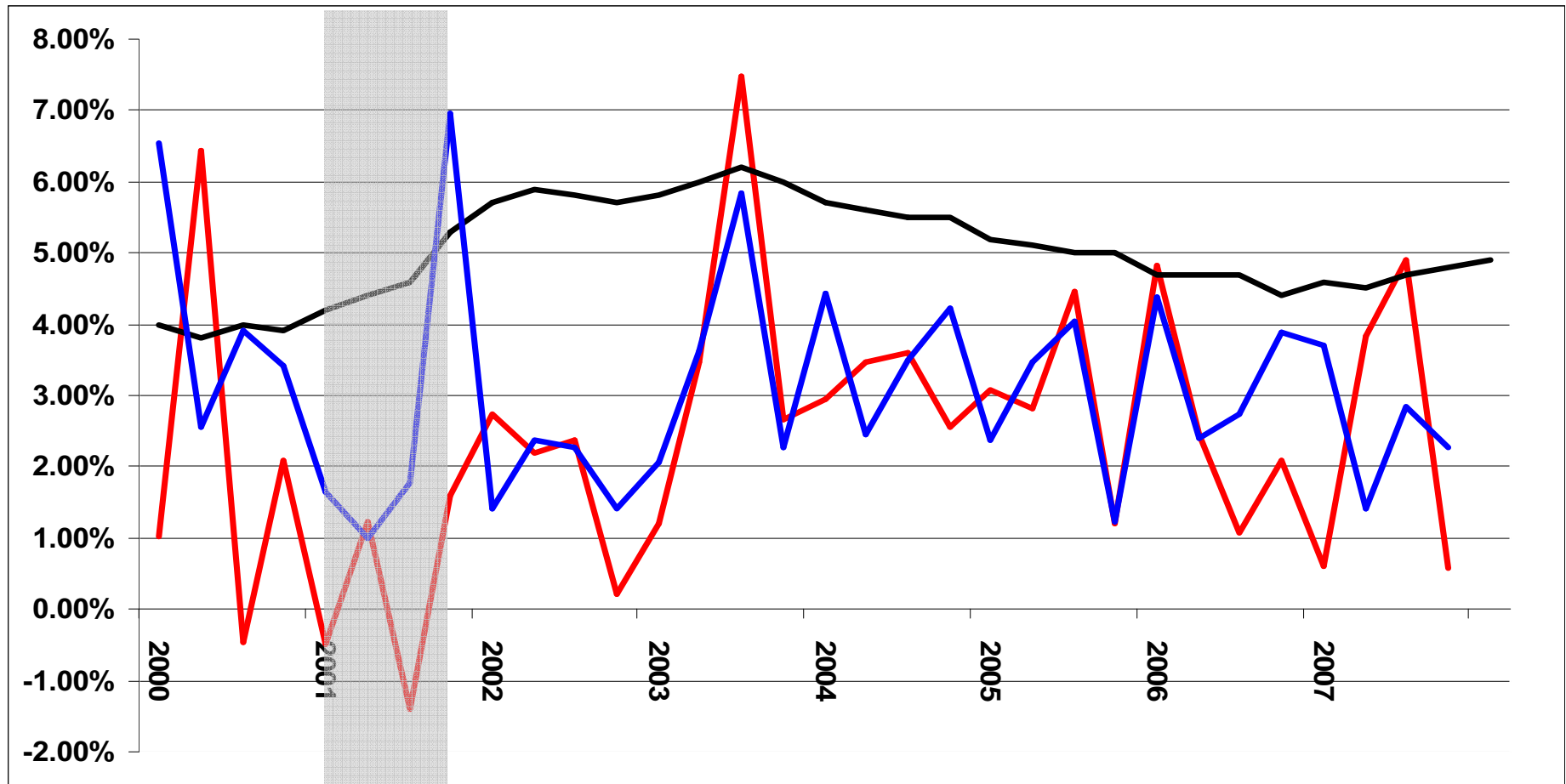


Recent Economic History



Change in Major Indices

— GDP — Consumer Spending — Unemployment Rate





Issue #1: Housing

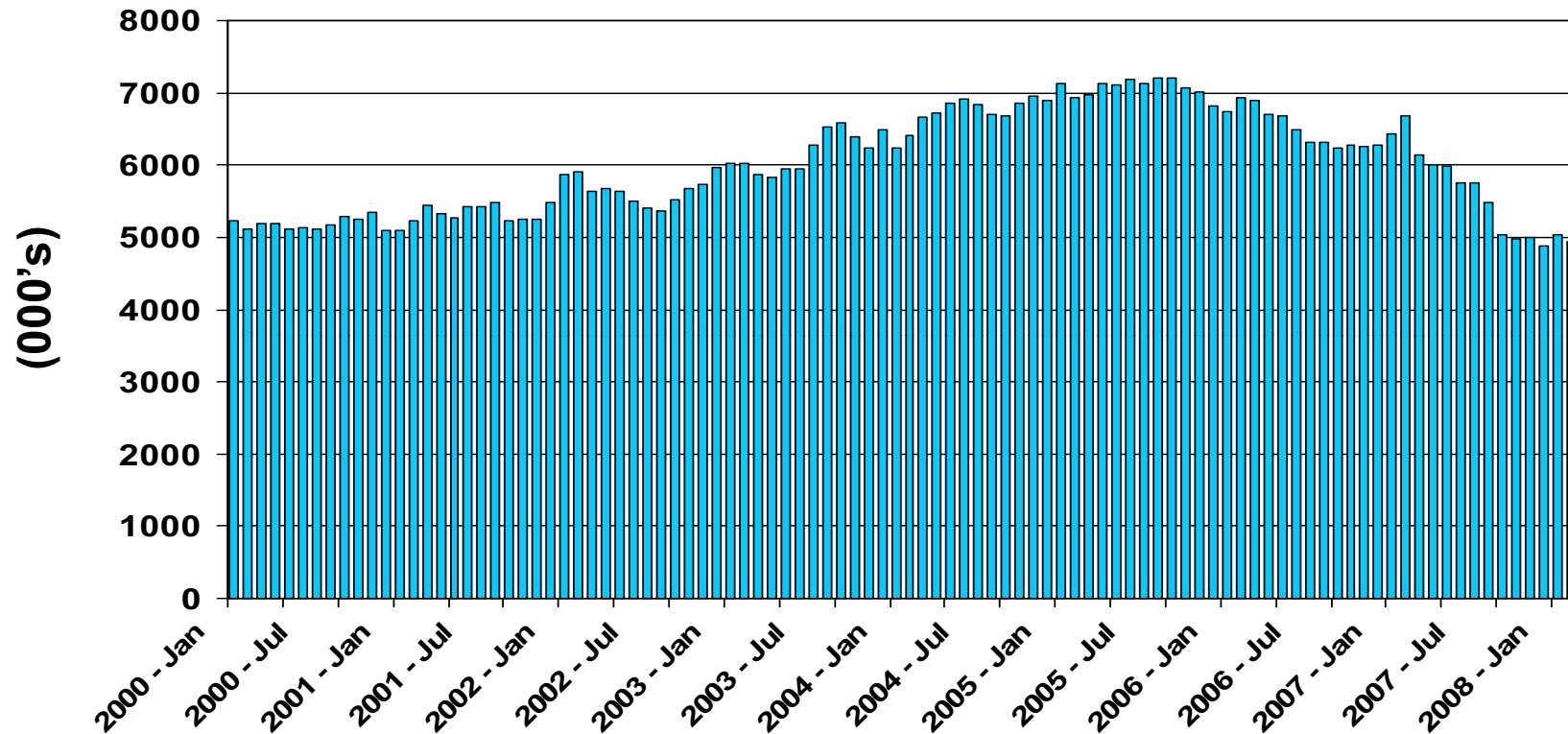


Housing

- The “precipitous fall”
 - Existing home sales, permits, new home sales, prices all down in one of worst housing markets in history
- Buyers pessimistic until prices stabilize
 - More foreclosures, subprime lending gone



Existing Home Sales

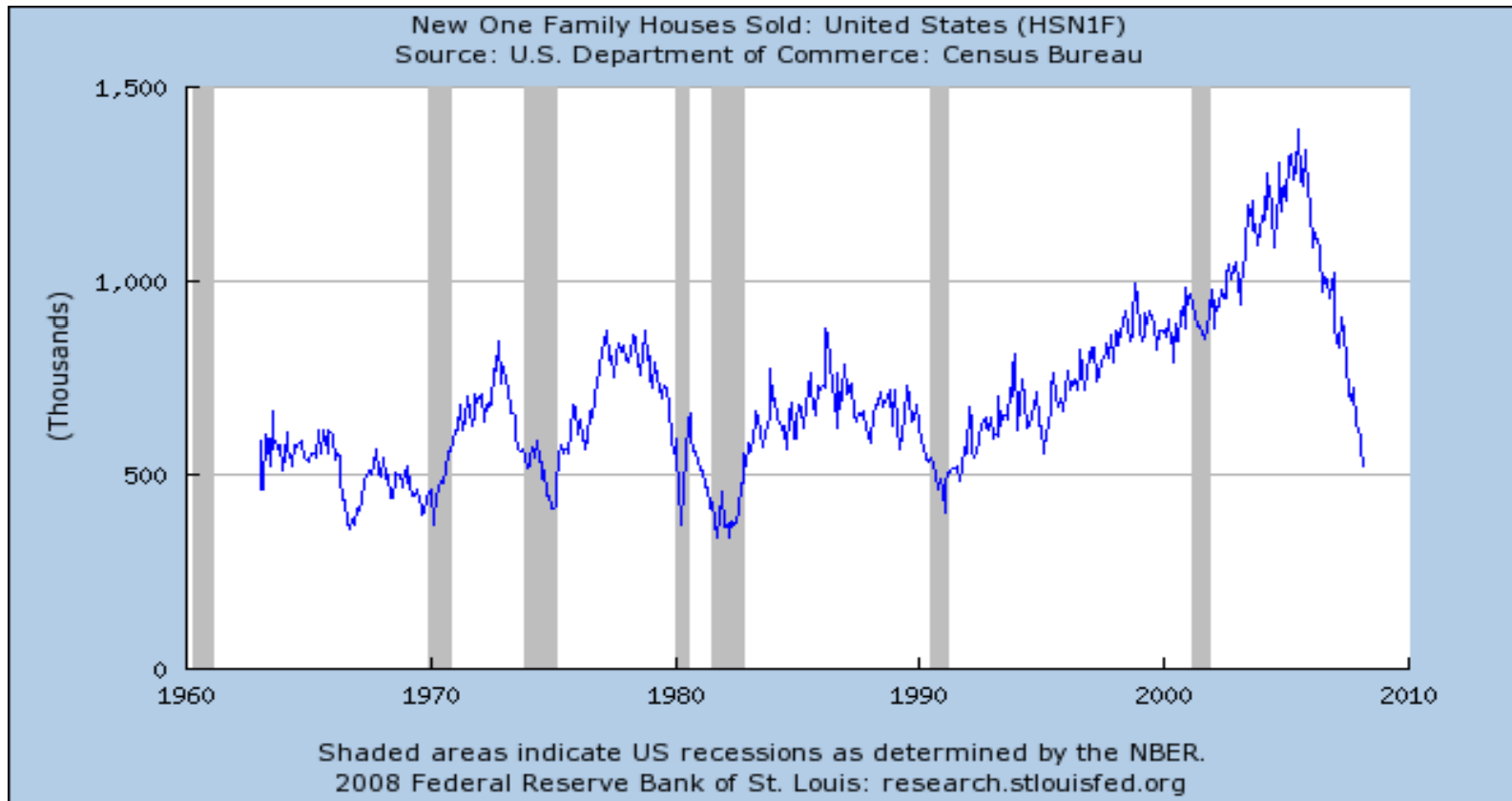


- Inventory up 12% YoY in March
- Median price of a home dropped 13.3% YoY in March, largest since 1970
- Existing home sales fell 2%, down 7.7% YoY in March

Source: www.realtor.org



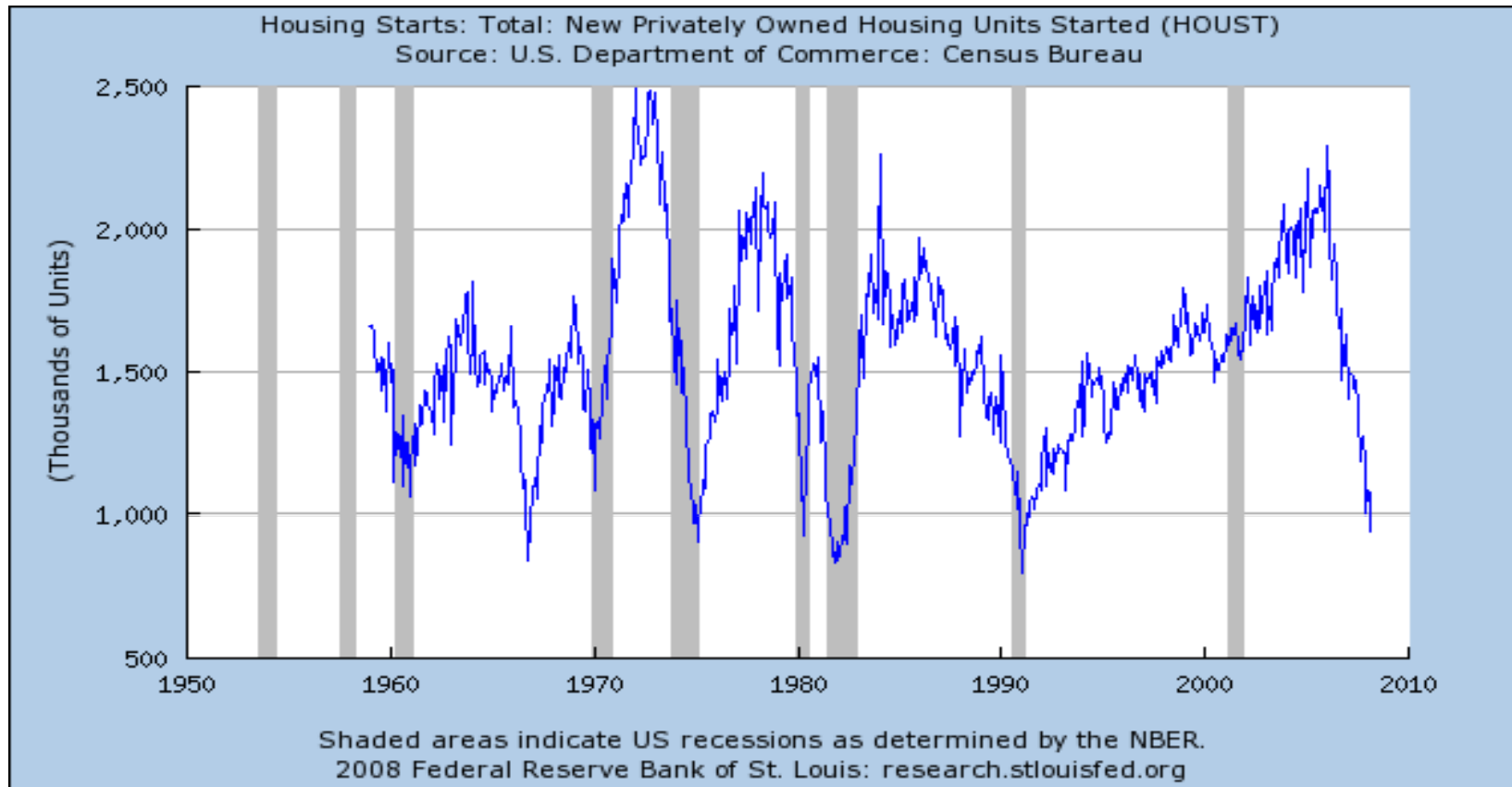
New Home Sales



- Sales of new homes dropped by 8.5% last month to 526,000



Housing Starts

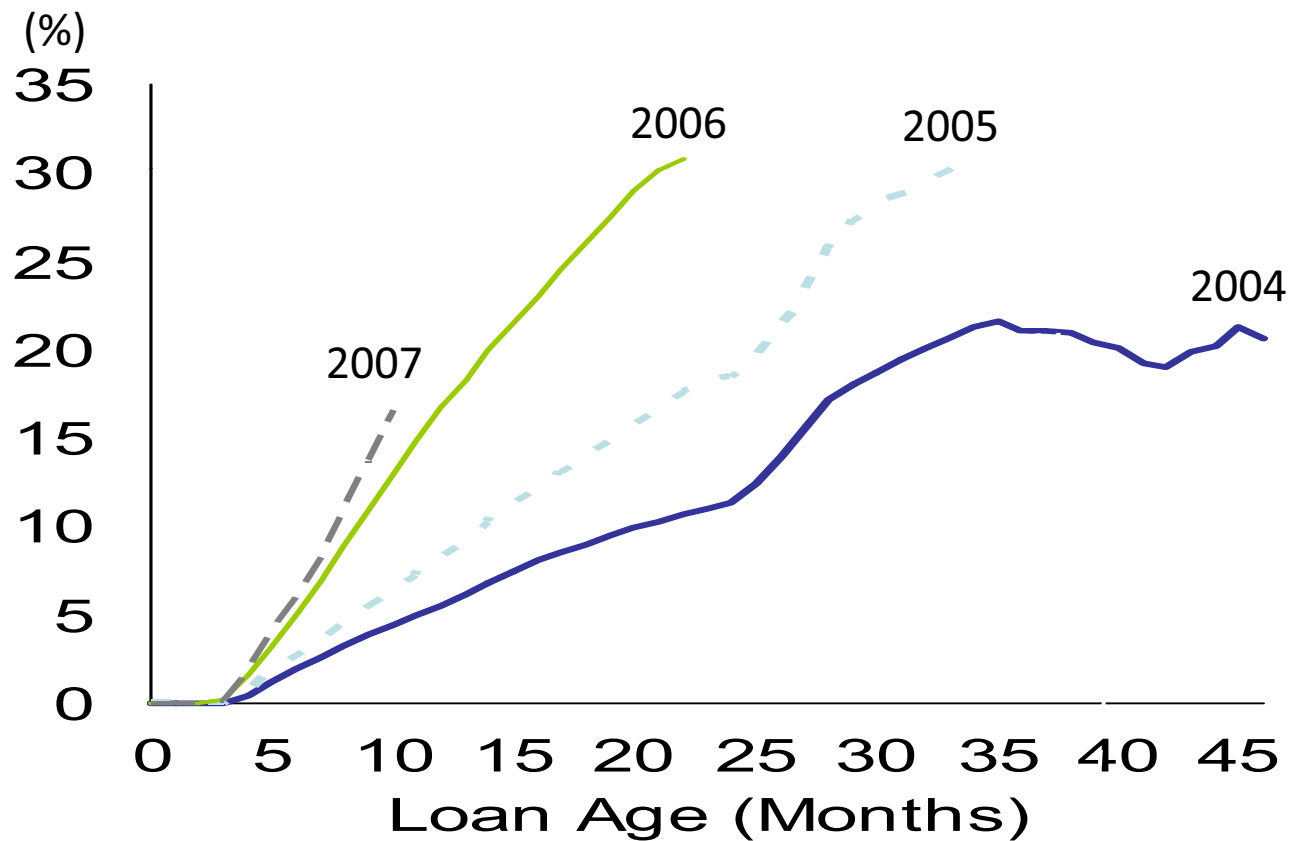


- Housing starts down 11.9% in March YoY to 974,000
- Housing permits down 5.8% in March YoY - future indicator of housing starts



Subprime: Delinquencies Have Accelerated

Seriously Delinquent % of Total



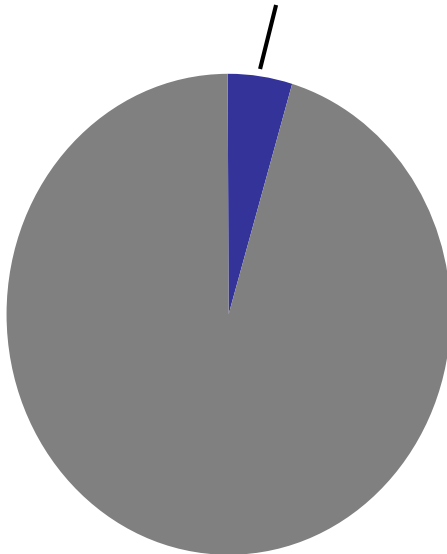


Small Segment of US Homes Drives Potential Losses

Total US Homes

128 Million

Homes Financed by Subprime
Loans—6 Million



Estimated Mortgage Losses:

IMF forecasts that losses could reach one trillion dollars

- \$575 billion strictly mortgage
 - Default losses on non-securitized loans at \$100 billion
 - Adds marked-to-market losses of mortgage related securities
- Adds in other consumer and corporate debt
- Includes potentially recaptured sums

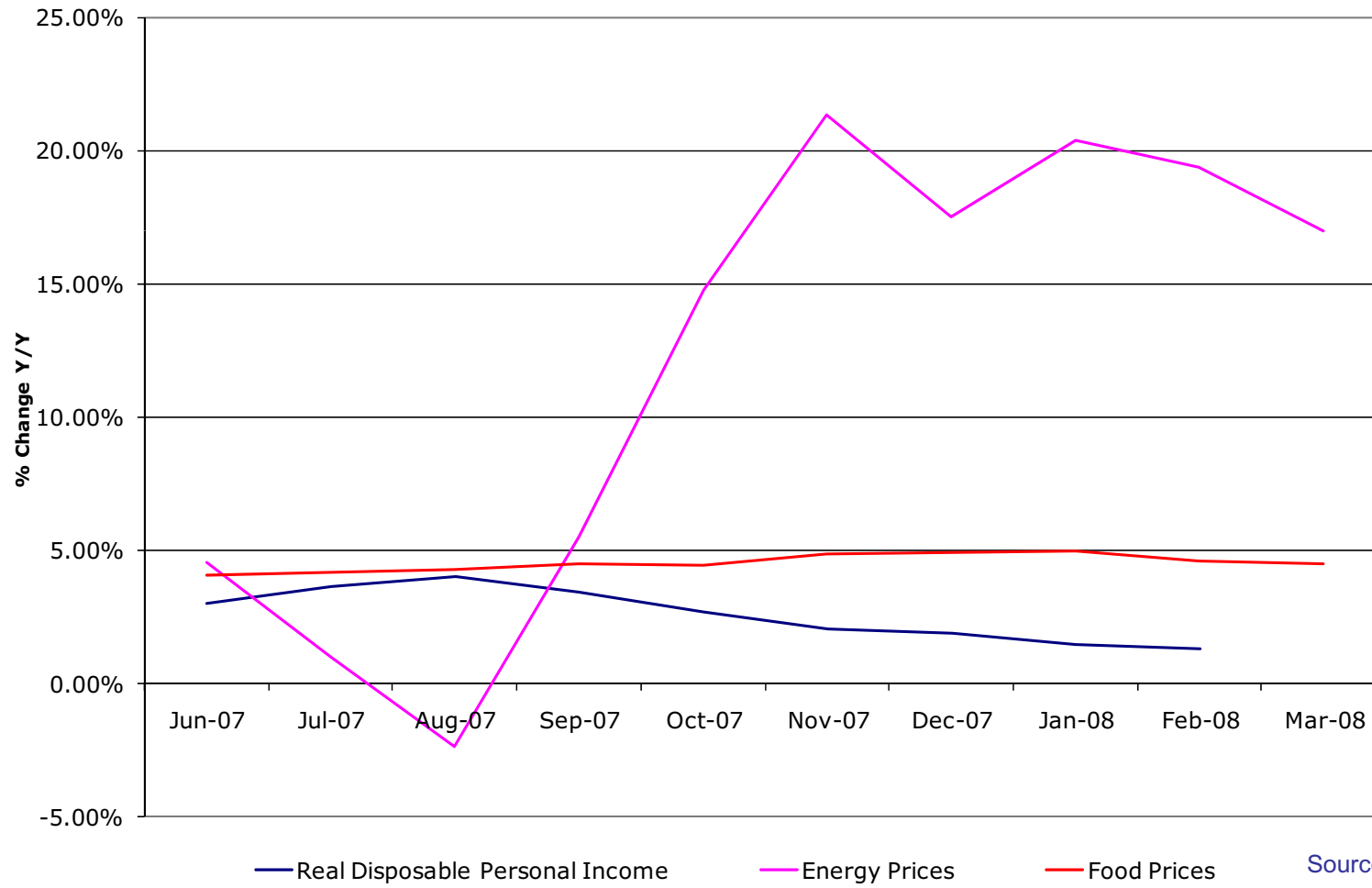


Issue #2: The Consumer



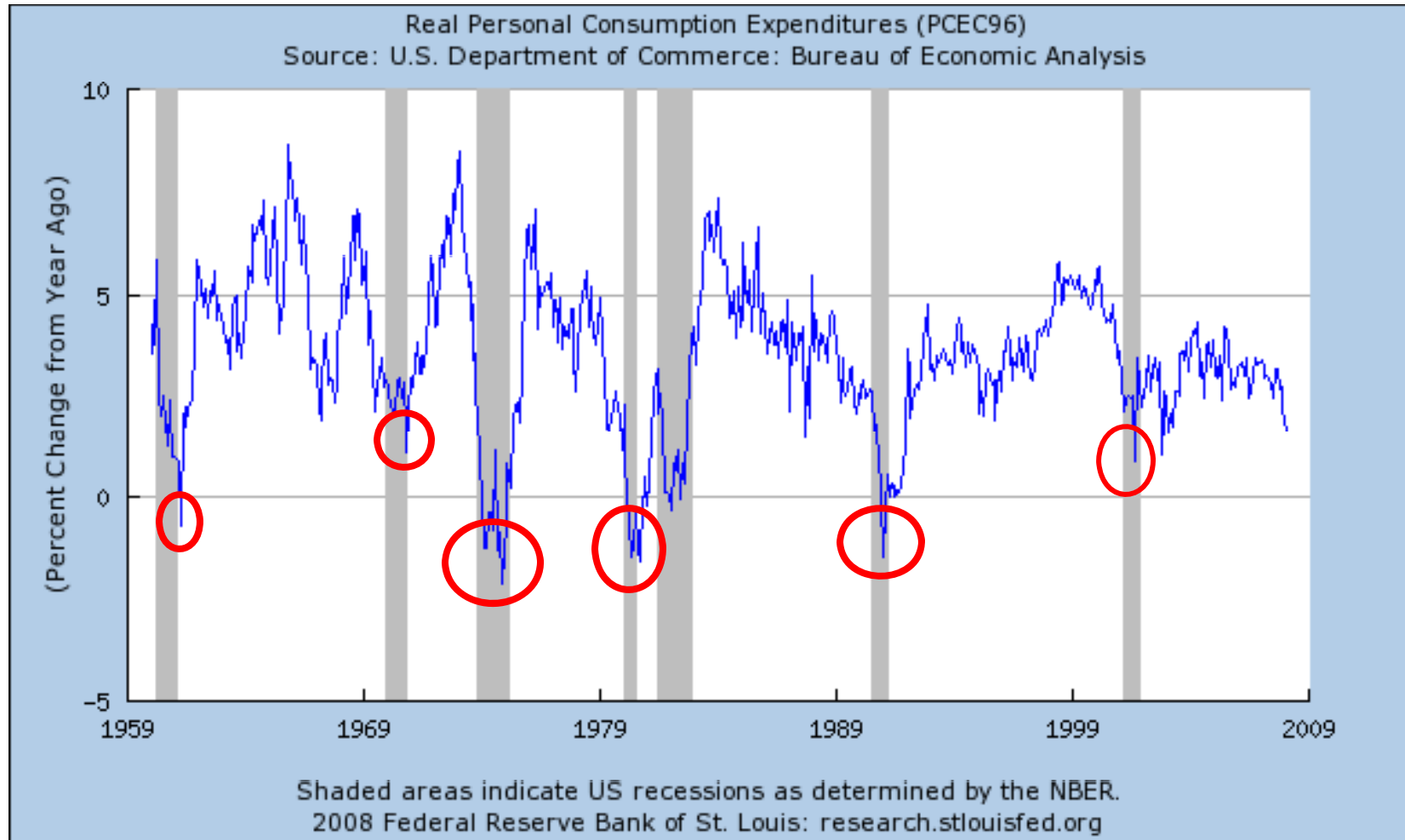
Consumer Spending

Real Disposable Income vs Food & Energy



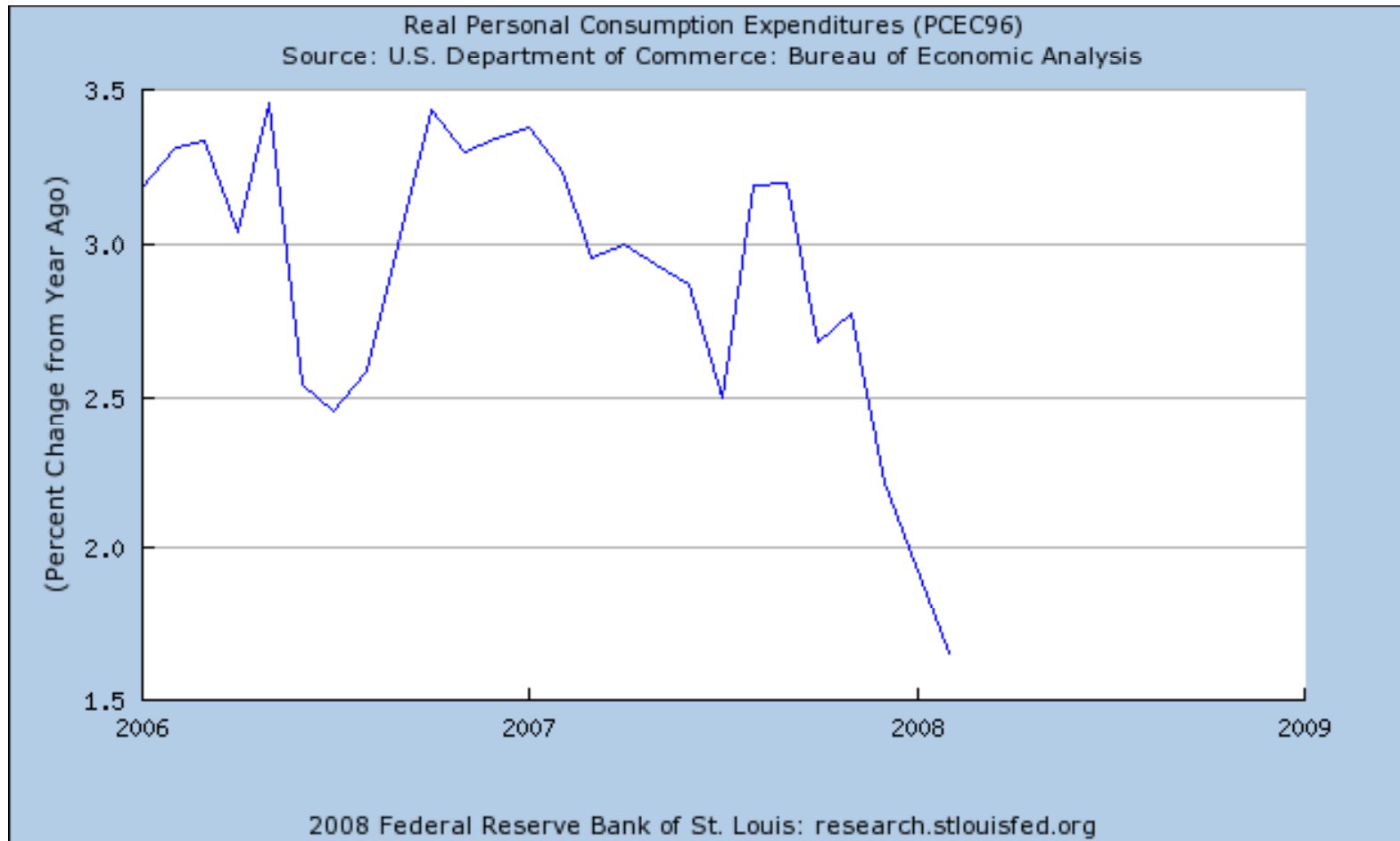


Consumer Spending





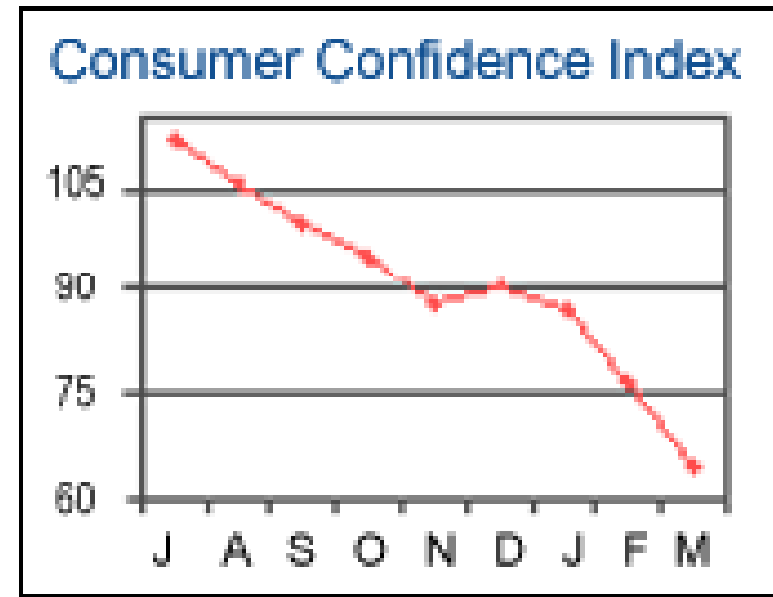
Consumer Spending





Consumer Confidence

- University of Michigan April numbers came in at 62.6 (January: 78.4; March 69.5)
- 25 year low
 - March 1982: 62.0
- Expectations index at 35-year low

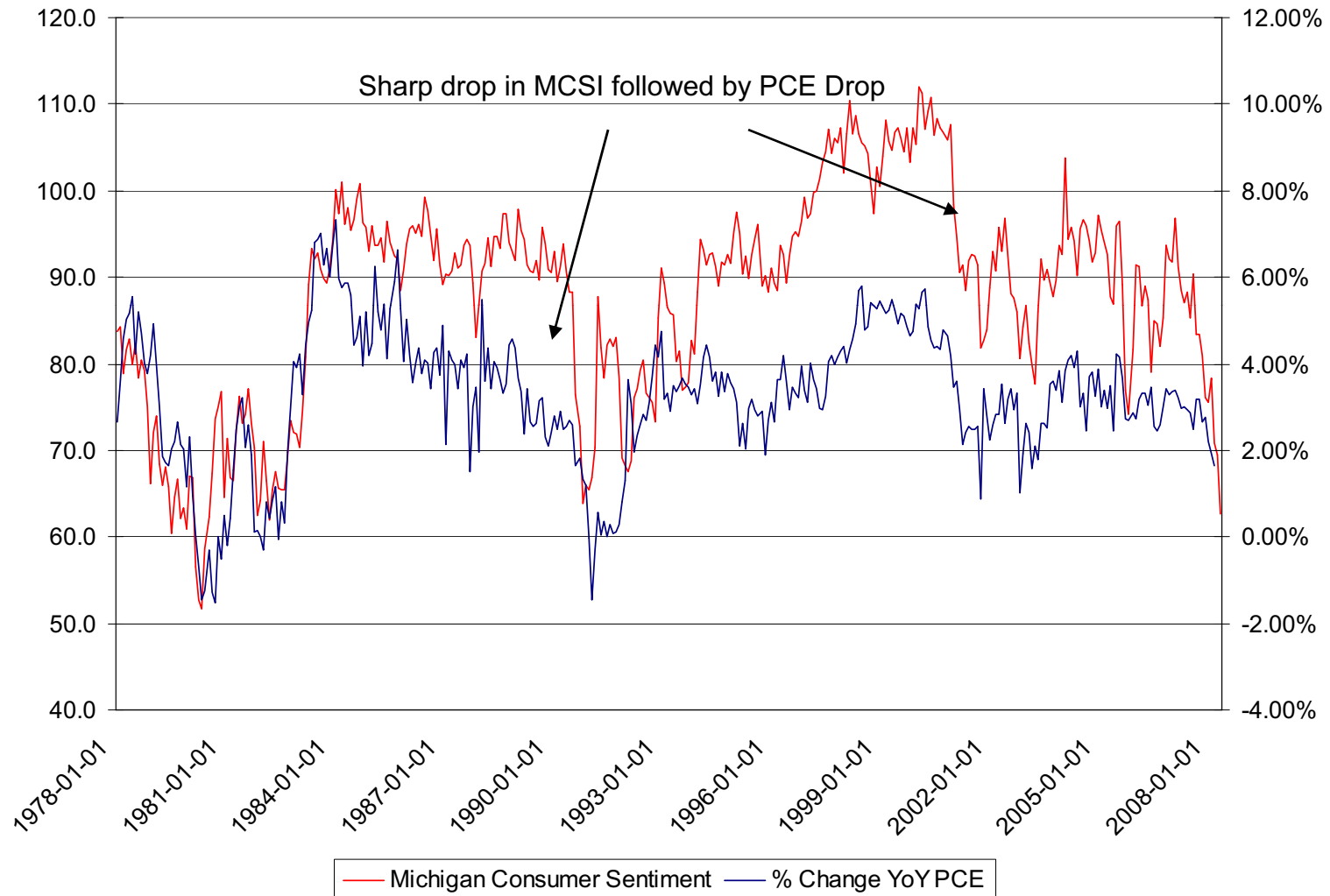


Source: St. Louis Fed and Conference Board

- Consistent with Conference Board



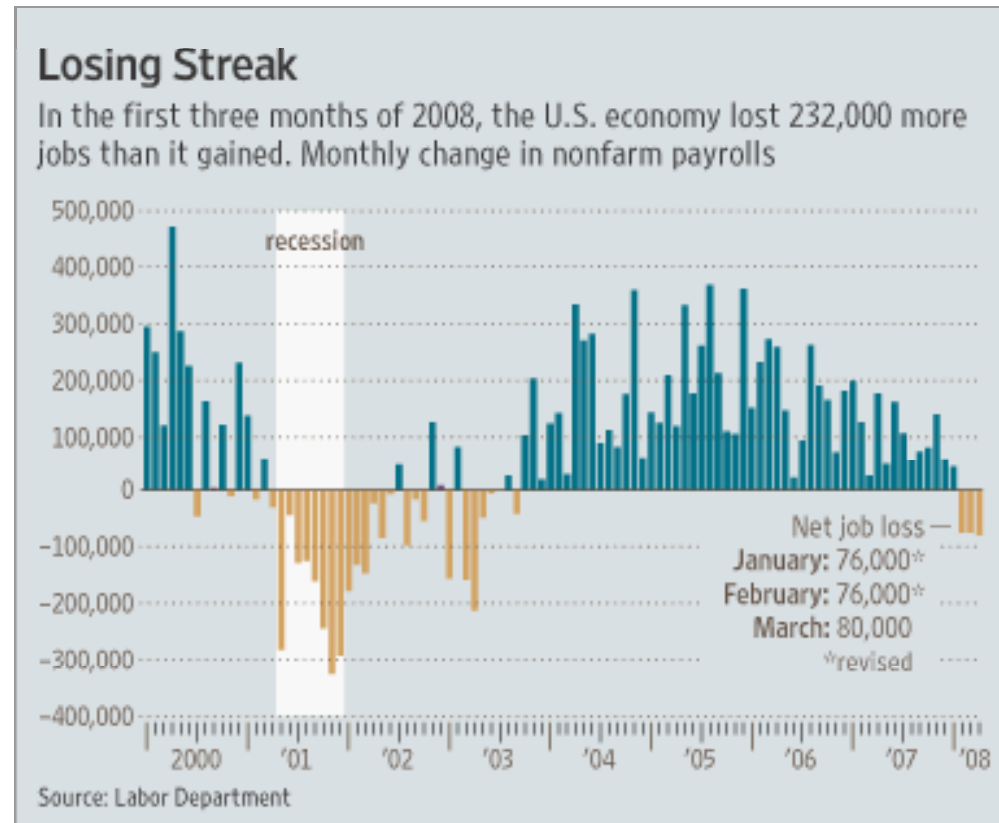
Confidence vs. % Change PCE





Payroll Down 3 Months Straight

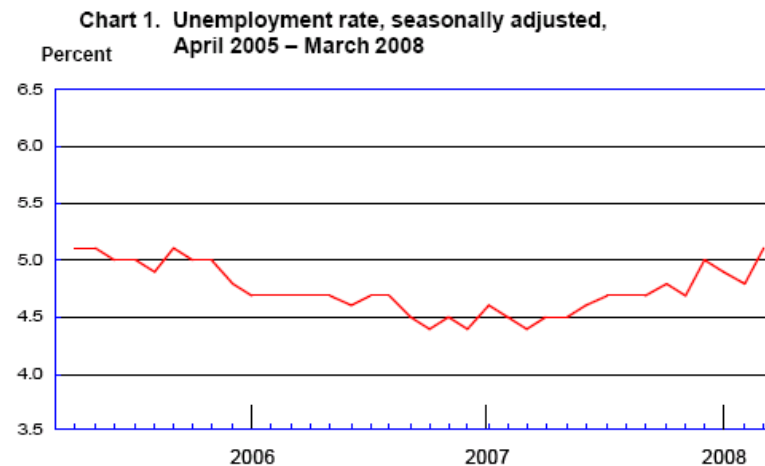
- Layoffs spread:
 - Housing
 - Construction
 - Manufacturing
 - Financials





Unemployment Rate Climbs

- March Data
 - Unemployment rate rose from 4.8% to 5.1%
 - Increased by 434,000 to 7.8 million, up 1.1 million from March '07
- Peak at 6% early next year



Source: Bureau of Labor Statistics, USDoL



Fed Actions

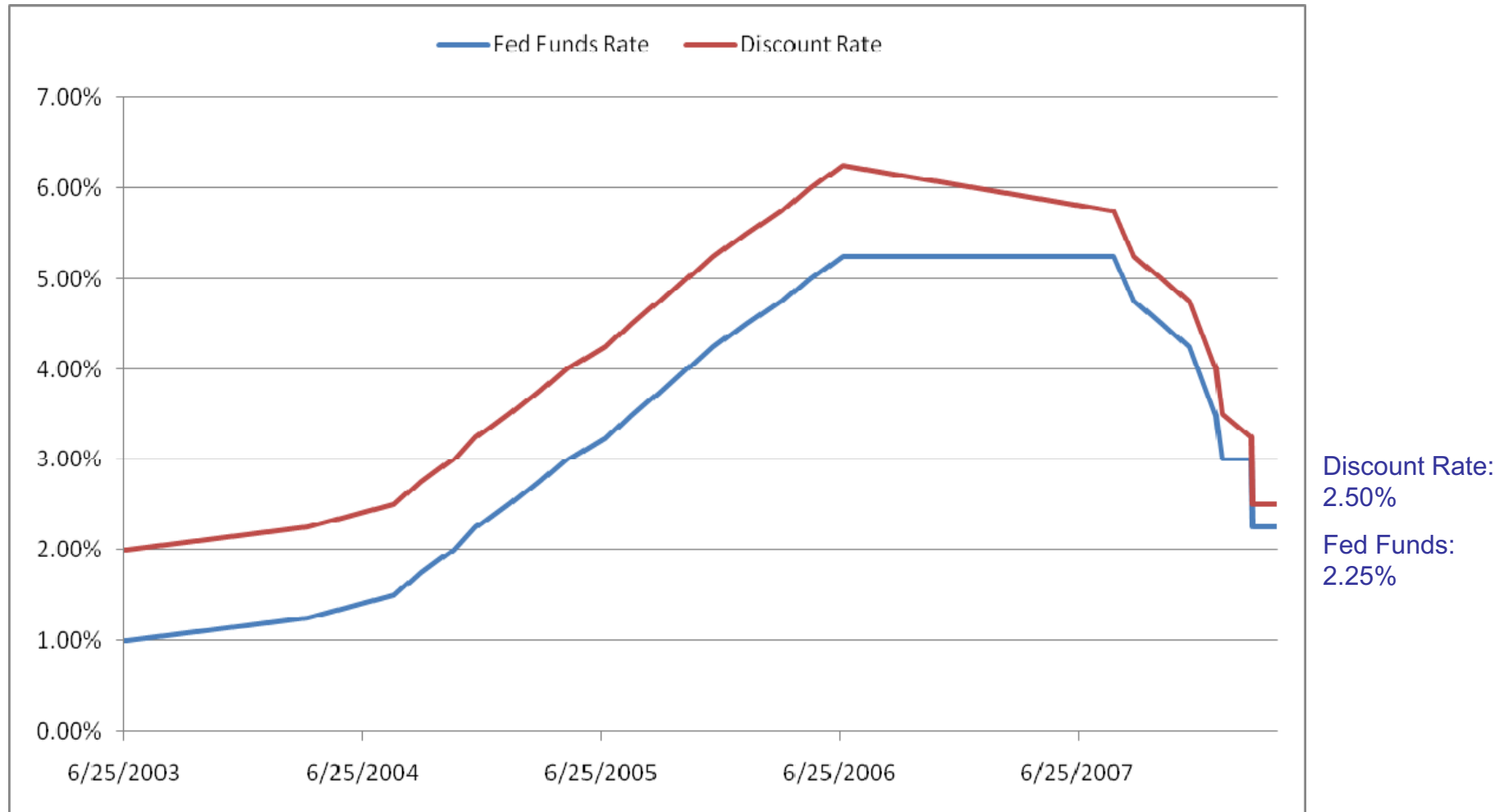


Fed Actions: Rates

- Goals:
 - Sustainable economic growth
 - Price stability
- Actions:
 - Twelve meetings (six unscheduled) since August '07
 - Six fed funds rate cuts since September '07
 - 2.25% from 5.25%



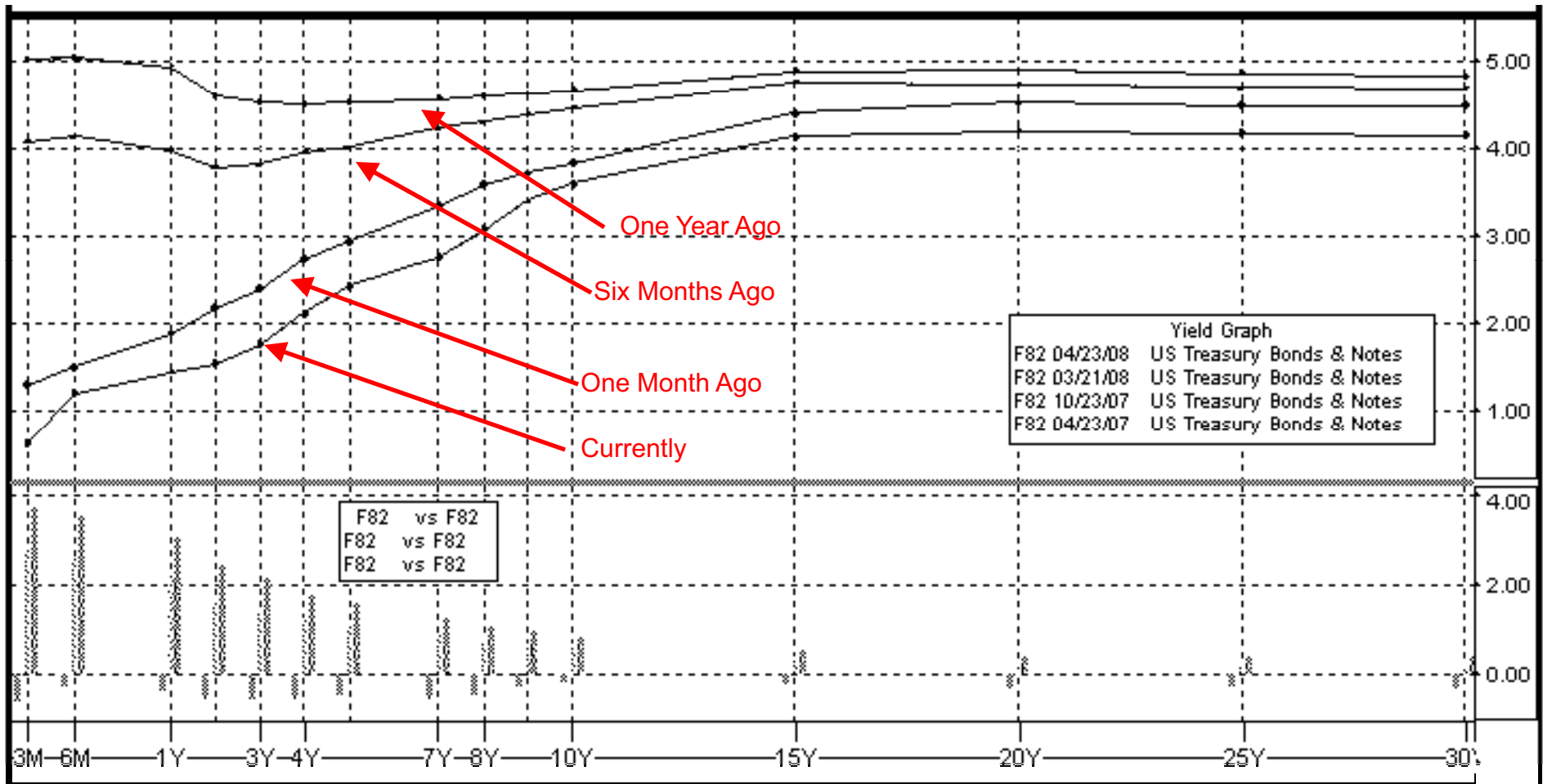
Fed Funds & Discount Rates



Source: Federal Reserve Bank of New York



Yield Curves



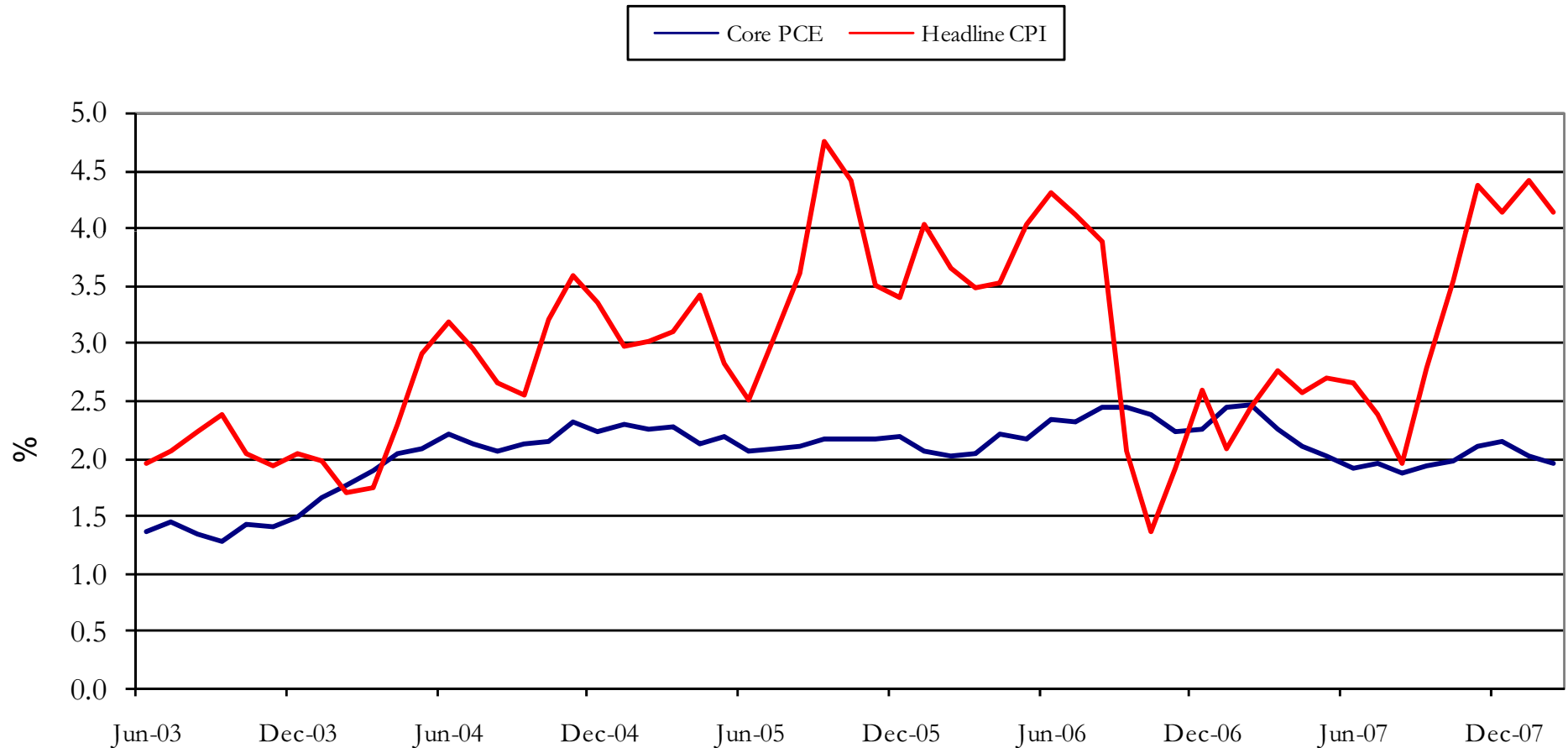


Fed Actions: Liquidity

- Goal:
 - Foster liquidity to “promote moderate growth over time and to mitigate the risks to economic activity”
- Actions:
 - Financing arrangement for JPM & BSC
 - Six month lending facility for primary dealers
 - \$100B in term repurchase transactions
 - March TAF amounts increased to \$100B



Measure of Inflation



Source: St. Louis Fed

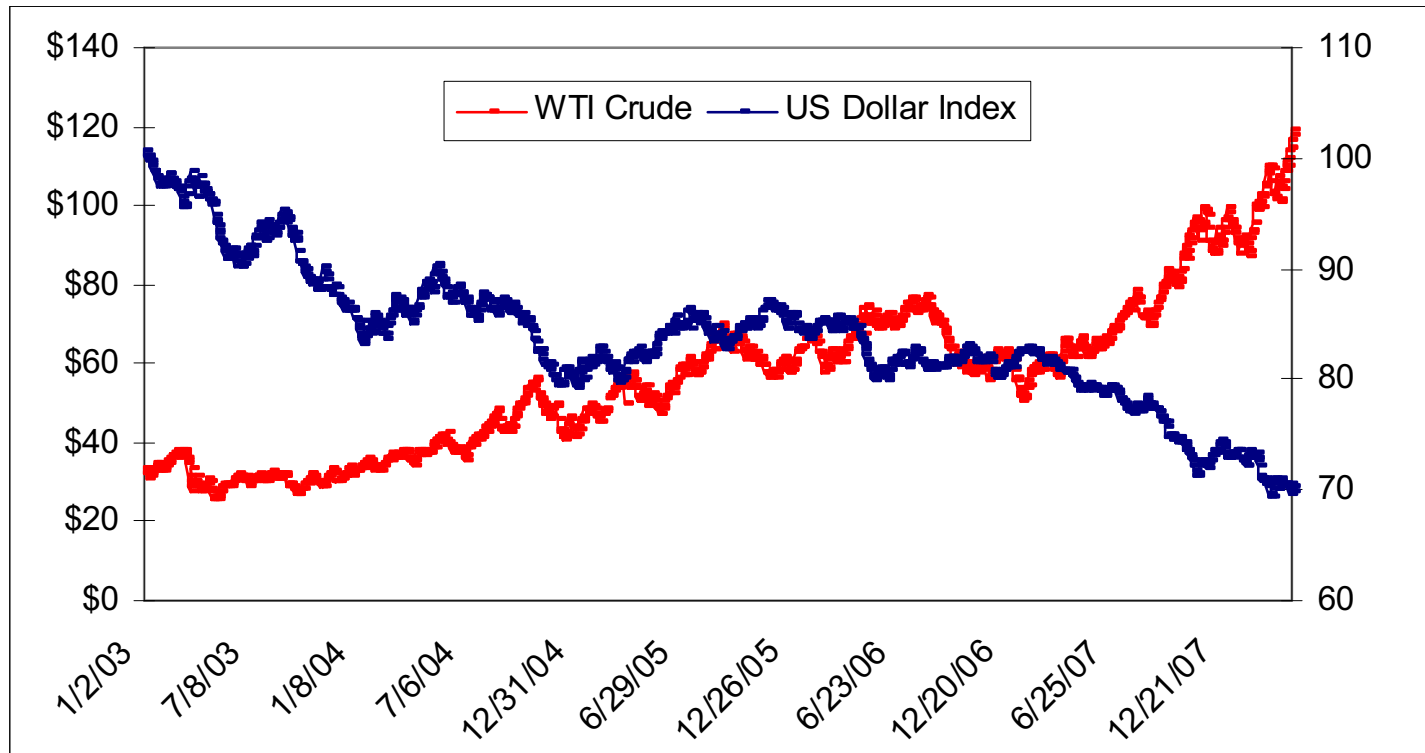


Balancing Inflation & Growth

- Dollar may stabilize with fewer rate cuts
- Slumping economy & stable dollar may reign in oil & agricultural prices
- Future Fed actions likely to address liquidity rather than rate cuts



US Dollar Strength



Source: EIA, St. Louis Fed



Dollar and Oil Impacts

USD

- Dollar continues to weaken, strengthening exports
- Dollar weakness is encouraging foreign investment into the US
- European Central Bank (ECB) not keeping pace with U.S. rate cuts

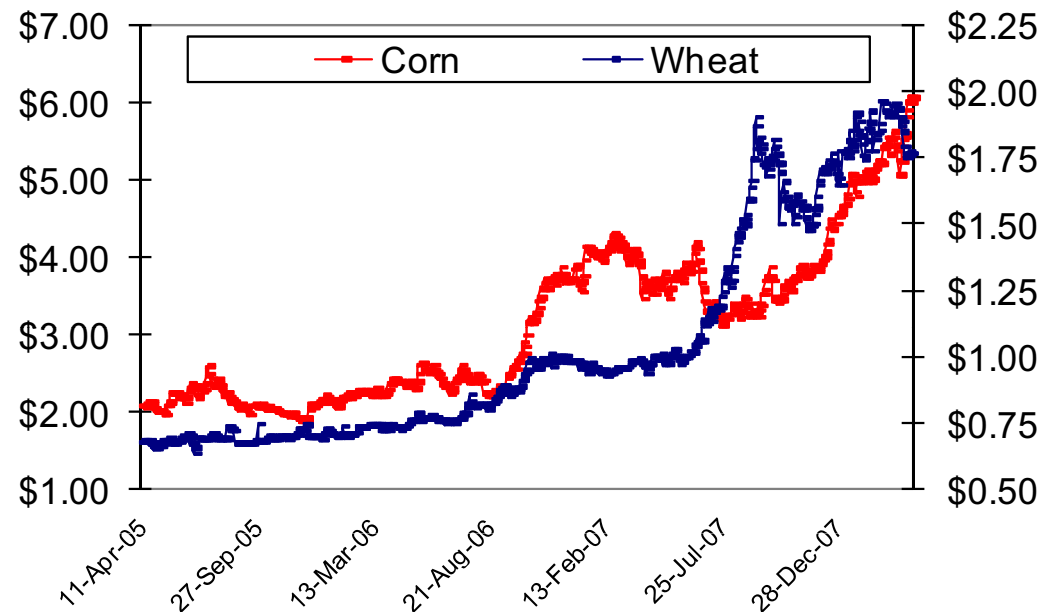
Crude Oil

- Global demand increase despite slowdown in the USA
- Continued terrorist activity in Africa and the Middle East impacting supply



Agricultural Products

Source: CBOT



- Global demand increasing while supply is unable to keep pace
- Food riots throughout the world
- Decreased US food output due to ethanol requirements
- San Francisco now asking consumers to limit rice purchases



Portfolio Impact



Portfolio Outlook by Sector

Sector	Outlook	Catalyst
Energy	↑	Global growth and demand for oil
Consumer Staples		Defensive play to slower GDP growth
Materials		Strong global demand
Health Care		Positive demographic trends
Financials		Steeper yield curve helping banks
Utilities		Defensive play to slower GDP growth
Telecom Services	↔	Uncertain industry outlook
Consumer Discretionary	↓	High commodity costs prohibit spending
IT		Disappointing IT capex and mixed earnings
Industrials		Slower US GDP growth
Real Estate		Commercial following residential trend



Economic Review

- Projected recession
- Economic downturn caused by housing and consumer issues
- Fed actions promoting liquidity and growth
- Inflation may be a concern going forward
- Economic factors impact AIM portfolio



Security Analysis





Security Analysis

- We are stock pickers
 - Individual stock evaluation and selection
- Alpha generation
- Bottom-up, fundamental analysis
 - Emphasis on intrinsic valuation



Research Process

- Company background
 - How does it make money?
 - SWOT analysis
 - What can the analyst discover?
- Industry report
 - Basic fundamental environment & outlook
 - Determines ETF hedge positions



Research Process

- Fundamental analysis
 - Key ratio performance vs. competitors
 - Identify risk and growth elements
- Earnings forecast – next 4Q's
 - Heuristic method
 - Financial method



Research Process

- Beta forecast
 - Regress returns against index
- Final valuation
 - Combine valuation approaches
 - FCF, multiples analysis, DDM, equity method
 - Intrinsic value vs. price in buy/sell recommendation
- Technical analysis
 - Are price patterns giving us the same signal?



Analyst Presentations

<u>Analyst</u>	<u>Ticker</u>	<u>Focus</u>
Aldo Arcieri	ICE	Background / Discovery
Jerry Wang	HOGS	Industry Analysis
Jim McGovern	GS	Fundamental Analysis
Mousa Kolahdooz	EMC	Earnings Forecast
Andrew Samalis	SCI	Beta and Free Cash Flow
Paul Trahms	EFX	Multiples Analysis
Jake Wagner	BPFH	Technical Analysis



Intercontinental Exchange (ICE)

As of 21-Apr-08



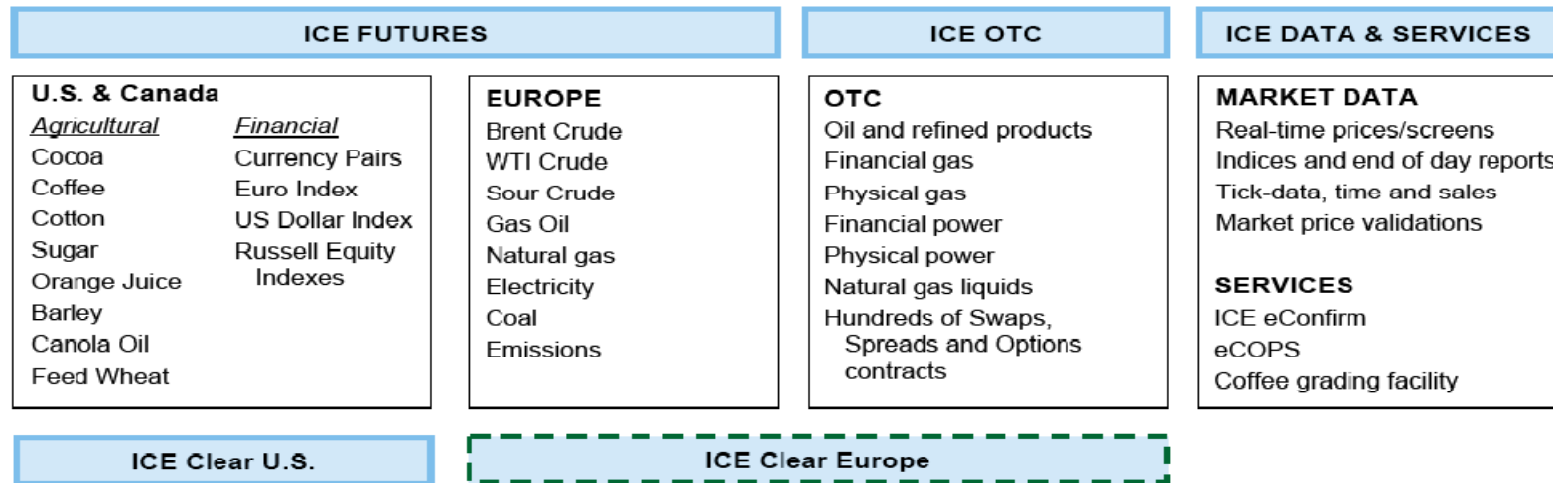
Price:	\$158.02
Fwd P/E:	30.98
Mkt Cap:	\$11.08 B
Rev (E 2008):	\$804.01 M
2008E EPS:	\$5.10





ICE: Business/Business lines

- Operates an electronic futures and over-the-counter marketplace for the exchange of global commodity and financial products.





ICE: Revenue By Business Line

Revenues					
	12/31/2005	12/31/2006	12/31/2007	05-06 Growth	06-07 Growth
OTC Business	84,179	168,743	241,803	100.46%	43.30%
Futures Business	60,082	127,024	289,333	111.42%	127.78%
Market Data Business	11,604	18,032	43,157	55.39%	139.34%
Total	155,865	313,799	574,293	101.33%	83.01%
Geographic Analysis					
	12/31/2005	12/31/2006	12/31/2007	% Split	% Split
United States	90,202	178,100	376,012	56.76%	65.47%
European Union & Canada	65,663	135,699	198,281	43.24%	34.53%
Total	155,865	313,799	574,293		

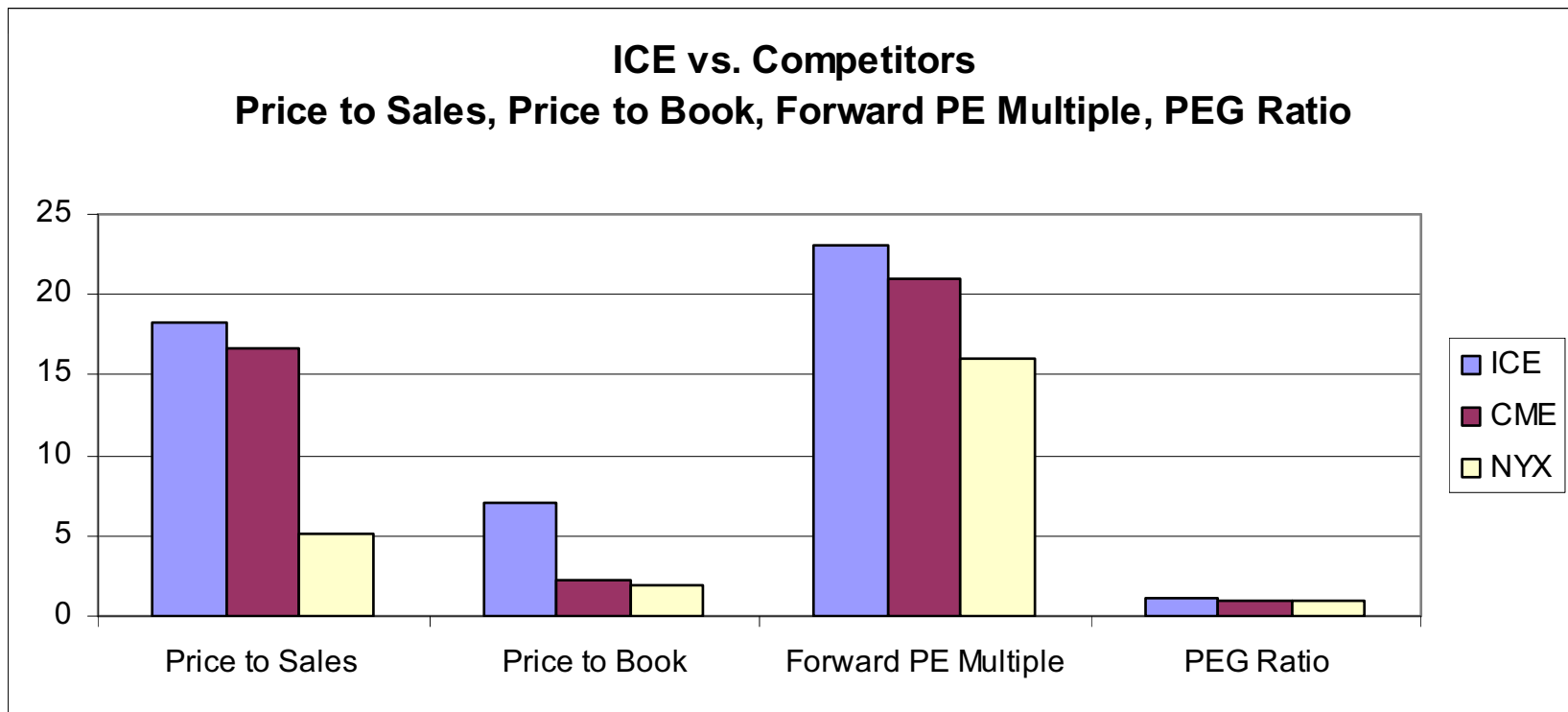


ICE: Discovery

- Leo Melamed
 - CEO is shrewd and innovative
 - Still a potential acquisition target
- Dennis Gartman
 - Global demand
 - New products
 - Growth in the OTC segment
- Hedge Fund Manager
 - 28x PE multiple justified
 - 30% growth year over year
 - Tougher comps in Q3, Q4 2008



ICE: Key Metrics





ICE: Recommendation-- SELL

<u>Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Discounted FCF	\$ 166.50	50%	\$ 83.25
P/E Multiplier (28x)	\$ 150.92	50%	\$ 75.46
Intrinsic Value			\$ 158.71

4/21/08 Stock Price

\$ 158.02

Upside

0.4%



Zhongpin, Inc: HOGS

As of 21-Apr-08



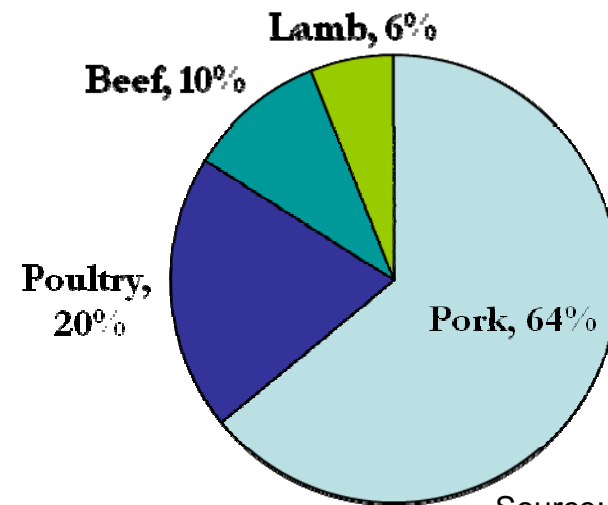
Price:	\$10.68
Fwd P/E:	10.68
Mkt Cap:	\$281 M
Rev (E 2008):	\$497 M
2008E EPS:	\$1.00





Fast Growing Industry in China

- 50% of world pork consumption (5.2M ton in 2007)
- Meat processing industry: CAGR 22% (03-07)
- Pork price rose by 67% in 2007



Source: Boya Agriculture



Fundamental Transition

- Strengthened regulation
- Changing consumer behaviors
- Consolidation of 30,000 small companies

Commodities	Price (Yuan/Kg)	Period	
		1Q08	2Q-4Q08
Corn	1.60	↑	→
Soybean	3.81	↑	→
Piglet	48.00	→	→
Hog	17.60	→	↓
Pork	25.20	↓	→

Exchange rate: 6.9989 Yuan/USD



Integrated Value Chain



- L-T contract
- Unified breed, feed, quarantine, procurement



- Advanced technology
- ISO9001/ HACCP/ FDA



- Distribution Centers
- ERP
- Refrigerated Trucks



- Retail stores
- Restaurants
- Supermarkets
- Export

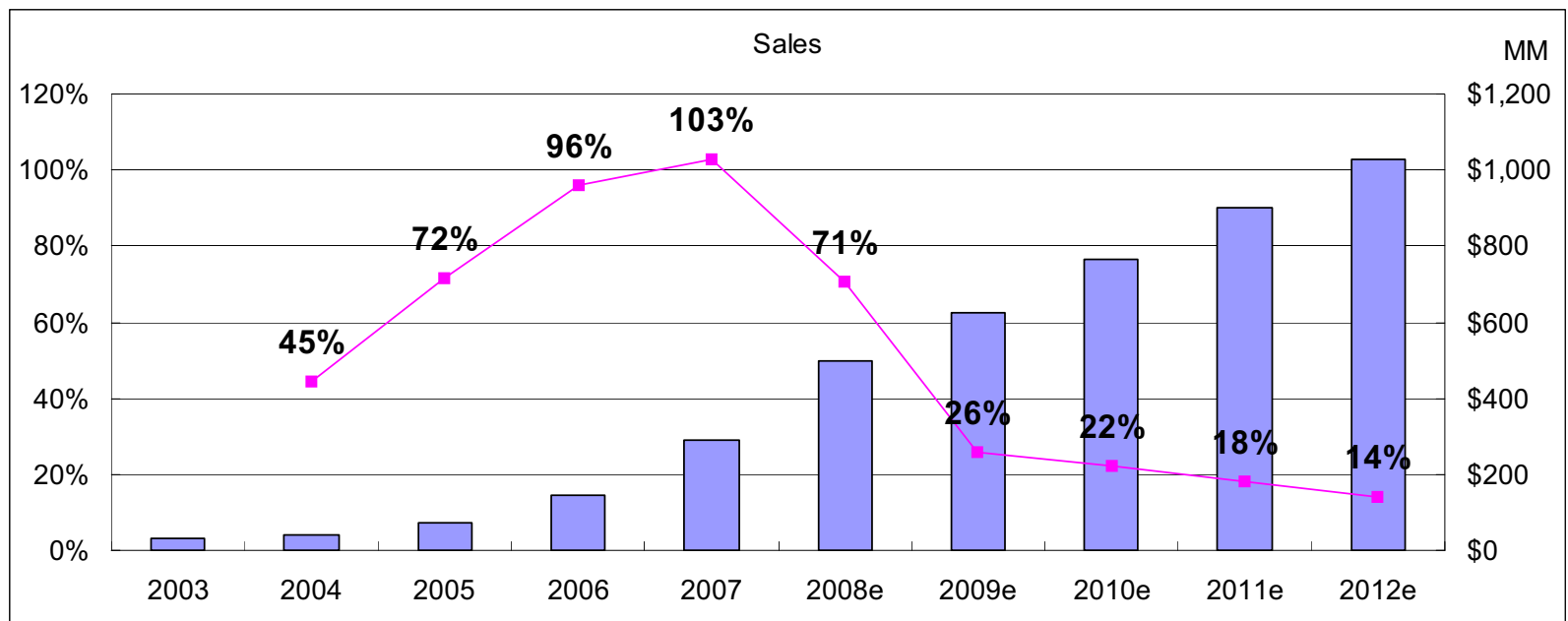


- Higher income
- Rising living standard
- Hygienic fresh meat



Transformed State Owned Enterprise

- Modernization process
- Fast expansion (CAGR 77% 03-07)
- Strong brand (Beijing Olympic meat provider)





HOGS: Recommendation-- BUY

<u>Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
P/S Multiplier (.52x)	\$ 8.49	30%	\$ 2.55
P/E Multiplier (12.18x)	\$ 12.10	30%	\$ 3.63
Discounted FCF	\$ 24.19	40%	\$ 9.68
Intrinsic Value			\$ 15.85

4/21/08 Stock Price

\$ 10.67

Upside

48.6%



Goldman Sachs (GS)

As of 21-Apr-08



Price:	\$181.20
Fwd P/E:	10.62
Fwd P/B:	1.63
Mkt Cap:	\$74.42 B
Rev (E 2008):	\$78.14 B
2008E EPS:	\$16.95





GS: DuPont Model

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
ROA	0.6%	0.8%	1.0%	0.9%	1.2%	1.2%
ROE	11.4%	14.8%	19.5%	21.1%	29.5%	29.0%
Leverage Ratio	18.7	18.7	21.2	25.2	23.4	26.2

- DuPont Formula: $ROE = \text{Return on capital} * \text{Leverage}$
 - Financial companies use leverage to increase ROE
 - Retail companies use asset turnover to drive performance



GS: Profitability

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>AVG</u>	<u>COMP</u>
Gross Profit Margin	61.2%	67.8%	69.0%	57.3%	53.7%	51.9%	55.2%	25.9%
EBITDA Margin	17.5%	23.7%	25.2%	21.0%	22.4%	21.3%	18.6%	13.0%
Operating Margin	14.2%	18.8%	22.4%	19.1%	21.0%	20.0%	16.3%	11.5%
Net Profit Margin	9.3%	12.7%	15.3%	12.9%	13.6%	13.0%	11.5%	8.0%

- Financial performance has been very strong
 - Higher ROE and profitability than all of their competitors
 - Much better at mitigating risk



GS: Financial Risk Profile

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>AVG</u>
Quick ratio	1.19	1.24	1.25	1.22	1.23	1.23	1.20
Debt to Equity Ratio	2.04	2.66	3.22	3.57	3.43	3.84	2.75
Total Debt Ratio	0.95	0.95	0.95	0.96	0.96	0.96	0.95
Coverage Ratio	1.58	2.11	2.32	1.37	1.18	1.09	1.34

- D/E ratio very high-necessary in brokerage industry
- Quick ratio, total debt, and interest coverage ratio are low, but consistent with historical levels
 - Note that interest income has been higher than interest expense each year



GS: Recommendation-- BUY

<u>Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
P/B Multiplier (2.0x)	\$ 221.79	50%	\$ 110.89
P/E Multiplier (11.5x)	\$ 231.56	50%	\$ 115.78
Intrinsic Value			\$ 226.67

4/21/08 Stock Price

\$ 181.20

Upside

25.2%



EMC Corp (EMC)

As of 21-Apr-08



EMC²
where information lives[™]

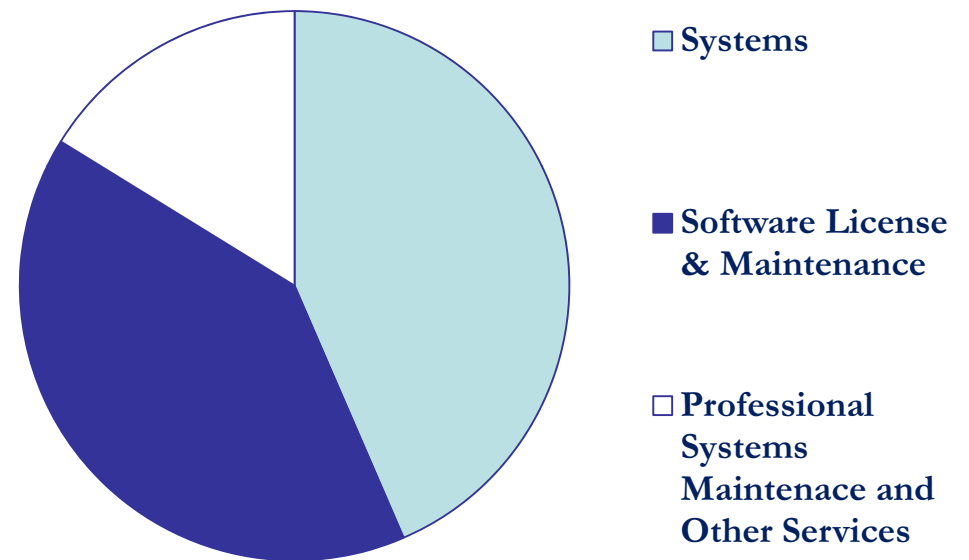
Price:	\$15.60
Fwd P/E:	16.59
Mkt Cap:	32.75B
Rev (E 2008):	\$13.23B
2008E EPS:	\$0.77





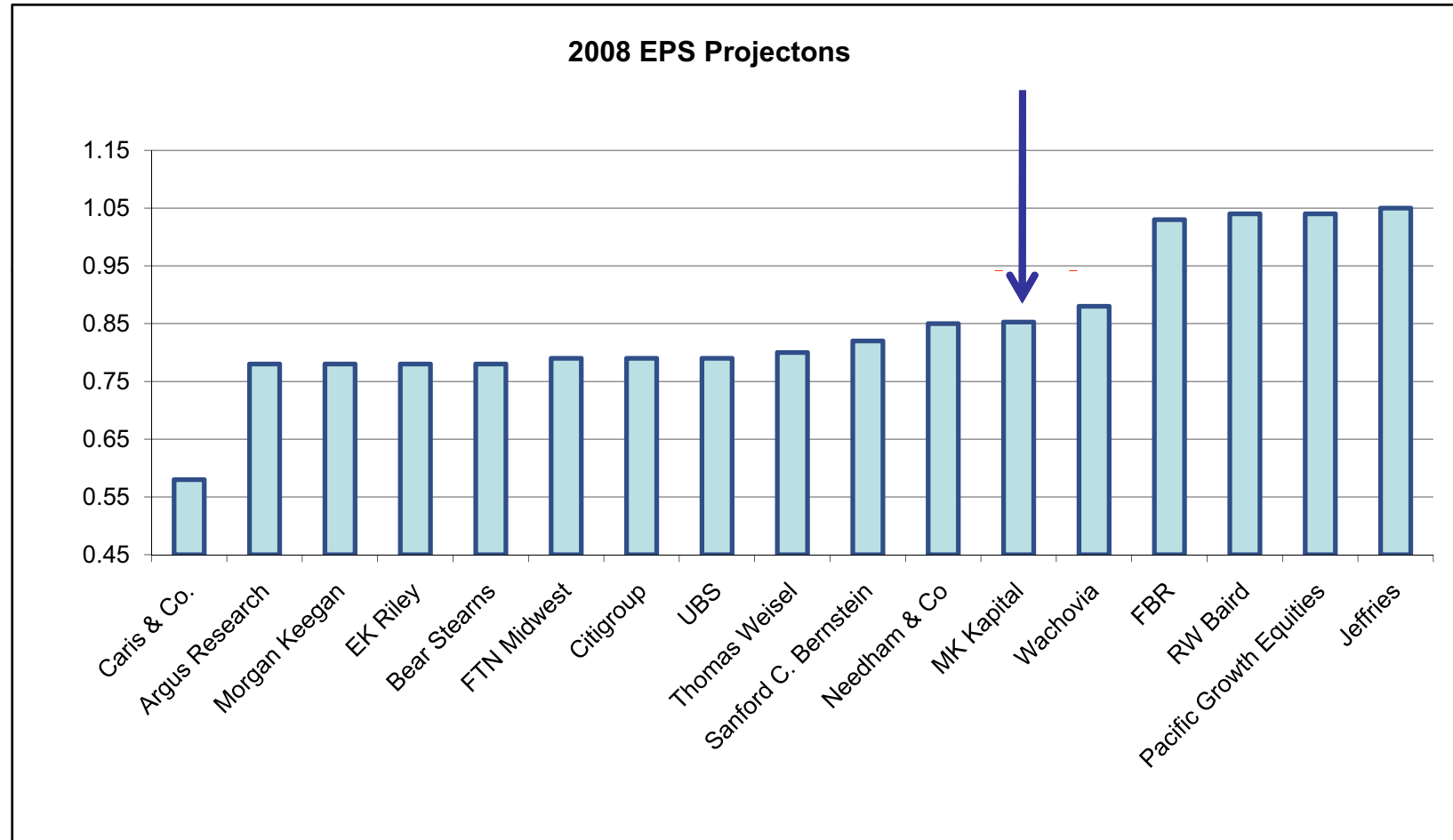
Company Background

- EMC Corp specializes in information storage systems, software and services
- Information Lifecycle Management
- VMware





My EPS vs. Wall Street





EMC's Stake in VMW

EMC's Vmware Ownership Valuation as of 4/8/2008

Total Vmware shares	385.5	385.5	385.5	385.5
VMW Target Share Price	\$ 64.00	\$ 64.00	\$ 64.00	\$ 64.00
VMW Mkt Cap	\$ 24,672	\$ 24,672	\$ 24,672	\$ 24,672
Class A and B shares owned by EMC	331	331	331	331
VMW owned by EMC	86%	86%	86%	86%
VMW owned by EMC	21,193	21,193	21,193	21,193
Liquidity Discount	20%	15%	10%	5%
EMC's VMW w/ Liquidity Discount	\$ 16,955	\$ 18,014	\$ 19,074	\$ 20,134
Total EMC Shares	2158	2158	2158	2158
As per EMC share	\$ 7.86	\$ 8.35	\$ 8.84	\$ 9.33
EMC Share Value w/ VMW	\$ 18.53	\$ 19.02	\$ 19.51	\$ 20.00



EMC: Recommendation-- BUY

<u>Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
EMC Standalone (FCF)	\$ 10.67	100%	\$ 10.67
Discounted FCF w/VMW stake	\$ 19.02	50%	\$ 9.51
P/E Multiplier (20x)	\$ 17.40	50%	\$ 8.70
Intrinsic Value			\$ 18.21

4/21/08 Stock Price

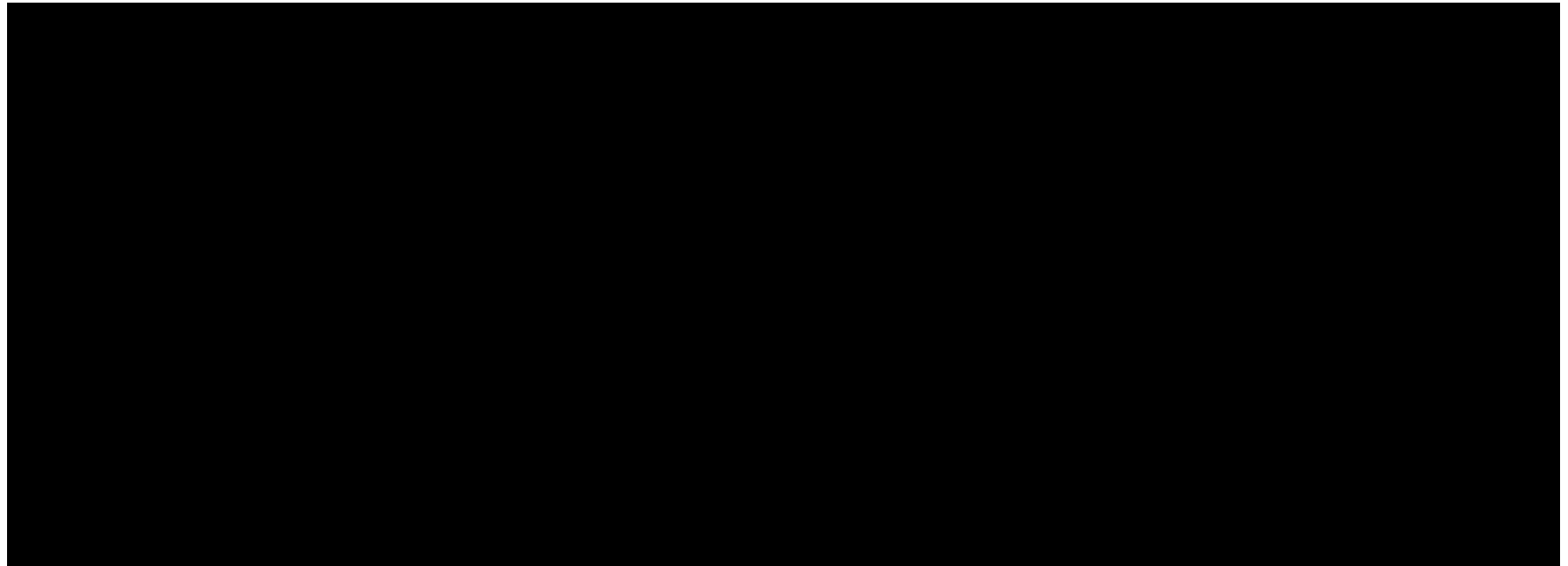
\$ 14.80

Upside

23%



Sensitivity Analysis





Service Corp International (SCI)

As of 21-Apr-08



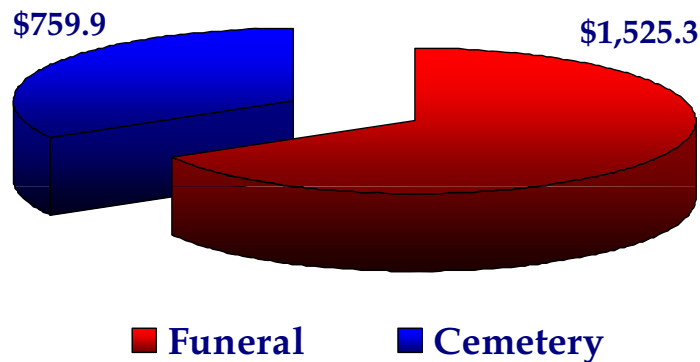
Price:	\$10.35
Fwd P/E:	14.58
Mkt Cap:	\$2.71 B
Rev (E 2008):	\$2.29 B
2008E EPS:	\$0.60



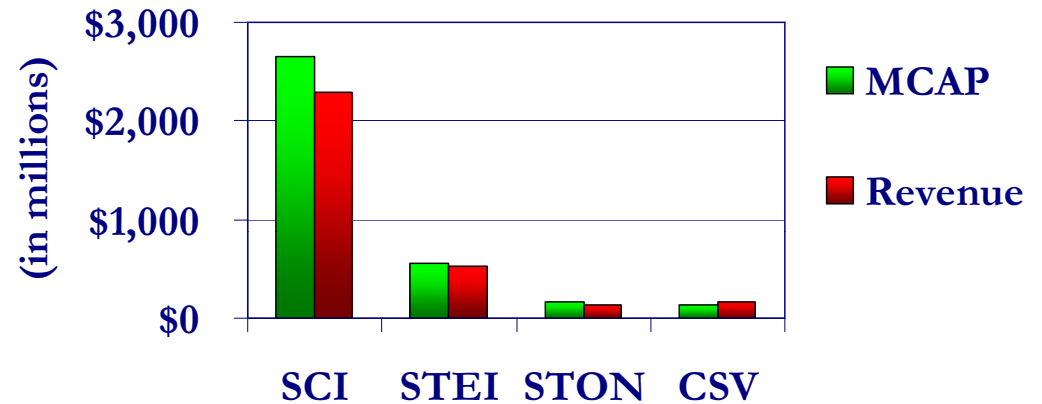


Background & Industry

Revenue by Business Unit



Industry Competitors MCap & Revenue



- Leading provider of deathcare products and services
- Operate 1,300 funeral homes and 350 cemeteries in 43 states
- Recently acquired largest competitor for \$1.2B in cash and debt



DCF Model – Method & Key Drivers

Method:

Forecast revenues, net income, & free cash flows for 2008 – 2013

- Five year high growth period free cash flows discounted at WACC
- Terminal free cash flow discounted at WACC

Sum of discounted future CFs + Excess cash – Liabilities = Equity Value



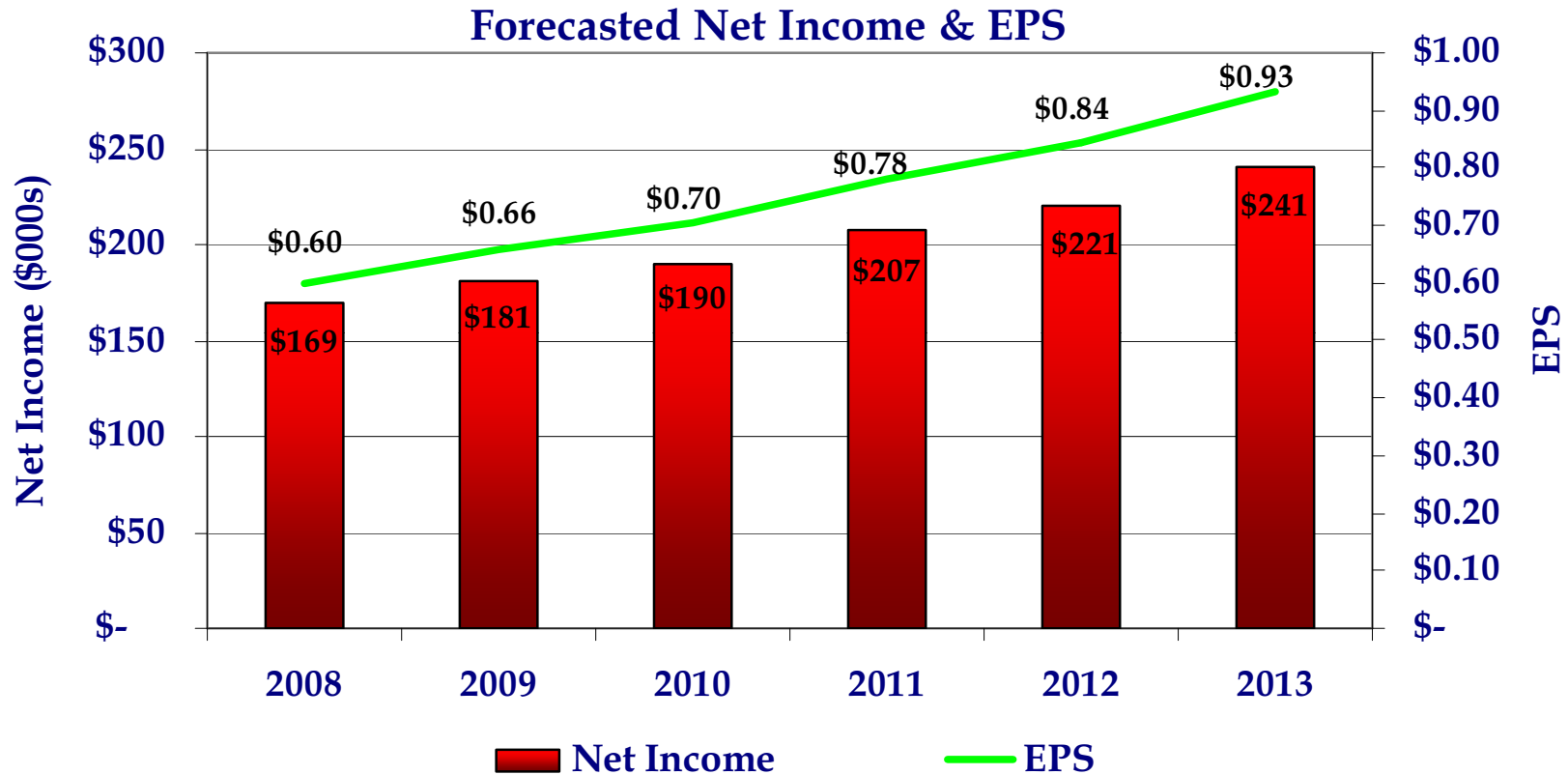
DCF Model – Method & Key Drivers

Key Drivers:

- Revenue: Modest growth for 2008: 3%; increasing to 5% by 2013
- Expenses: Conservative and gradual decline for COGS & SGA as POS
 - Reflective of synergies from Alderwoods acquisition
- Cap Ex: \$150-\$250M annual for expansion & existing location maintenance
- Terminal Growth Rate: 3.75% to reflect long term growth



Forecasted Net Income & EPS



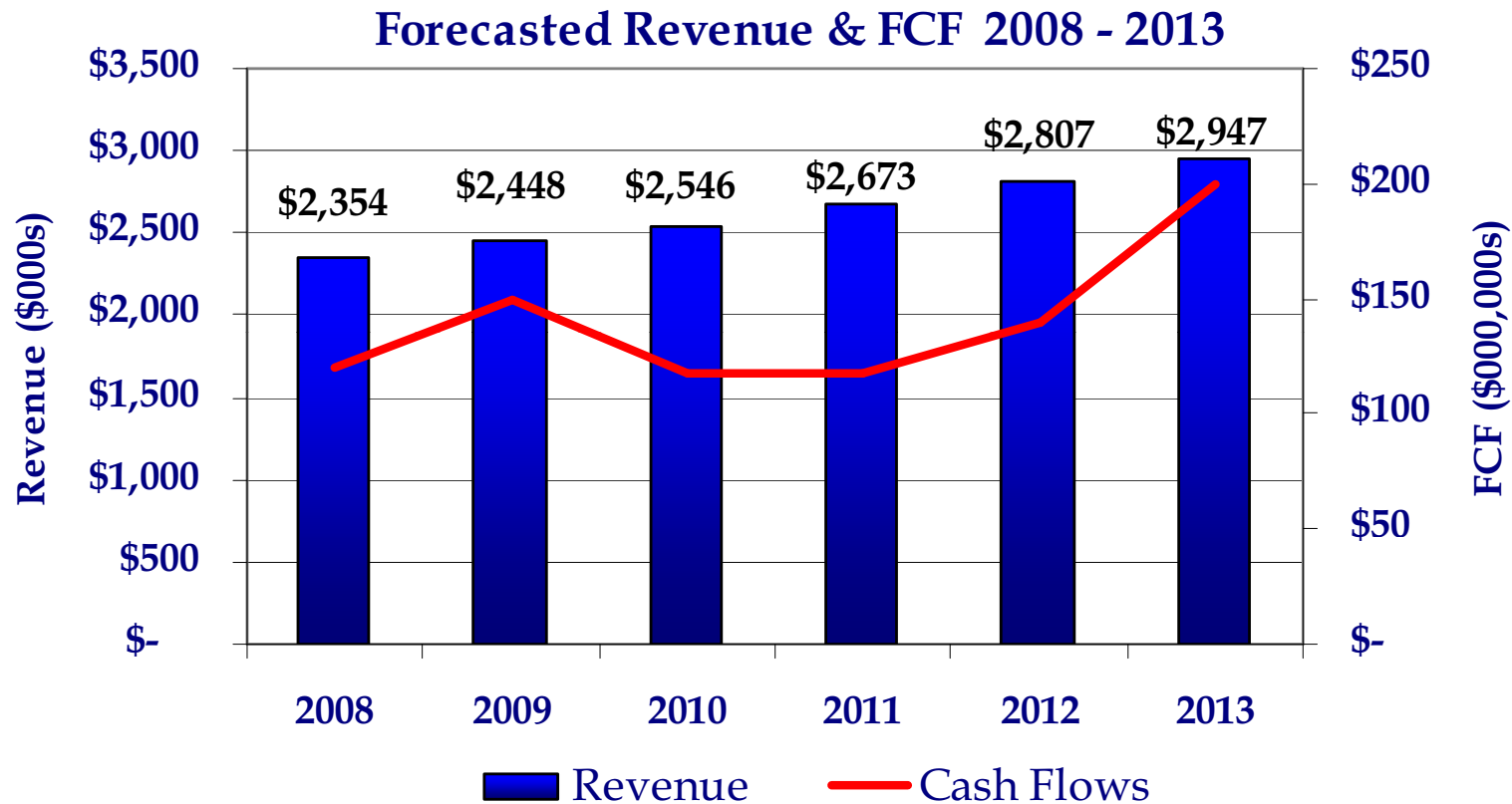
Forecasted 2008 - 2013

Net Income: \$169M - \$241M

EPS: \$0.60 - \$0.93



Forecasted Revenue & FCF



Forecasted 2008 - 2013

Revenue: \$2.3B - \$2.9B

FCF: \$120M - \$200M



Beta & WACC

Beta	0.83
Risk-Free Rate (10 year bond)	3.47%
Market Risk Premium	5.00%
Marginal Tax Rate	36.00%
<i>Estimates:</i>	
Debt Weight	37.42%
Equity Weight	62.58%
Cost of Debt	4.54%
Cost of Equity	7.62%
WACC	5.86%

FCF estimated intrinsic share value of \$13.08



SCI: Recommendation-- BUY

<u>Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Discounted FCF	\$ 13.08	90%	\$ 11.77
P/E Multiplier (20.0x)	\$ 12.00	10%	\$ 1.20
Intrinsic Value			\$ 12.97

4/21/08 Stock Price

\$ 10.61

Upside

22.2%



Equifax (EFX)

As of 21-Apr-08

EQUIFAX

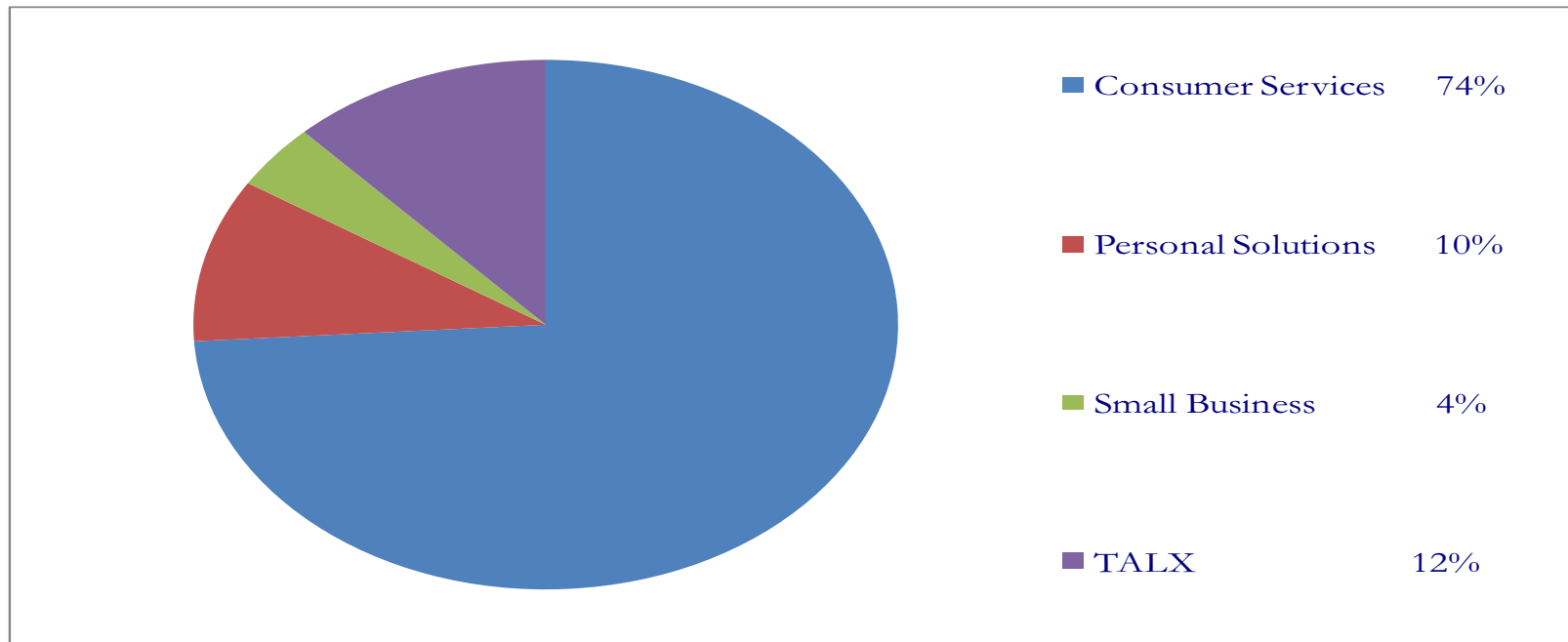
Price:	\$36.13
Fwd P/E:	14.6
Mkt Cap:	\$4.65 B
Rev (E 2008):	\$2.03 B
2008E EPS:	\$2.30





Equifax (EFX)

- Largest personal credit reporting agency in US by revenue
- Database contains files on 220 million people domestically
- Oligopoly - 2 competitors (Experian, TransUnion)





Book Value

Valuation Date: December 31, 2007

(In \$, Millions)

Book Value of Total Assets (including Goodwill)	\$3,524
<i>Goodwill</i>	<i>\$1,835</i>
Book Value of Total Liabilities	<u>\$2,125</u>
Book Value	\$1,399
Shares Outstanding	129.7
Book Value / Share	<u>\$10.79</u>
Book Value / Share (excluding Goodwill)	<u>(\$3.35)</u>



Forward P/S Model = 33% Weight

Forward Sales/Share	\$16.02
Estimated Price/Sales	<u>2.68</u>
Intrinsic P/S Value	\$42.93

<i>4/21/08 Stock Price</i>	<i>\$36.13</i>
<i>Trading at a Discount of</i>	<i>19%</i>



Forward P/E Model = 33% Weight

Forecasted Price/Earnings	\$2.37
Estimated Forward P/E	<u>16.4</u>
Intrinsic P/E Value	\$38.87

<i>4/21/08 Stock Price</i>	<i>\$36.13</i>
<i>Trading at a Discount of</i>	<i>8%</i>



EFX: Recommendation-- BUY

<u>Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
P/S Multiplier (2.68x)	\$ 38.87	33%	\$ 14.17
P/E Multiplier (16.4x)	\$ 42.93	33%	\$ 12.82
Discounted FCF	\$ 40.62	34%	\$ 13.81
Intrinsic Value			\$ 40.80

4/21/08 Stock Price

\$ 36.13

Upside

12.9%



Boston Private Financial Holdings (BPFH)

As of 21-Apr-08

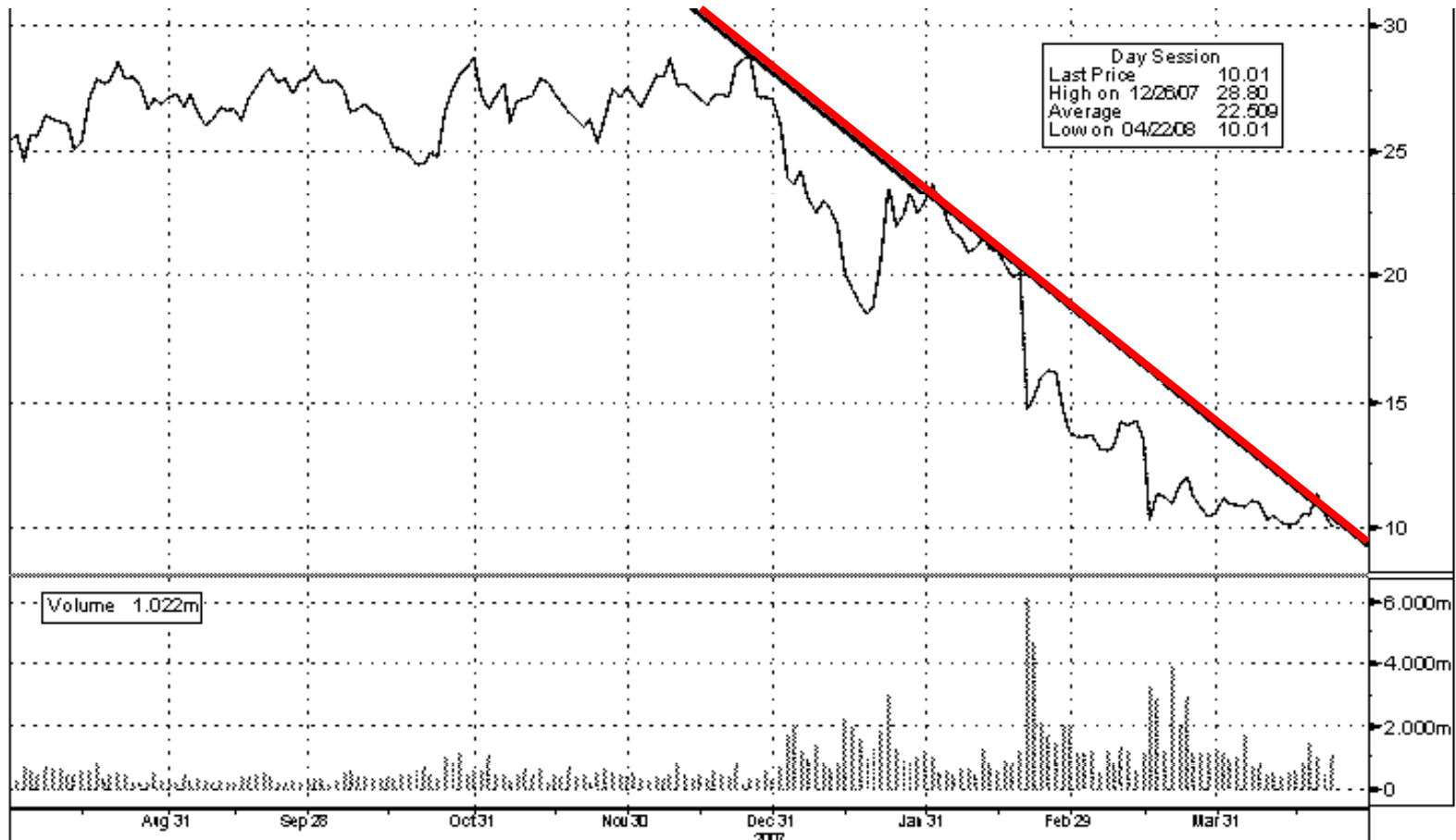


Price:	\$10.01
Fwd P/E:	7.3
Mkt Cap:	\$341.3 M
Rev (E 2008):	\$521.3 M
2008E EPS:	\$1.32



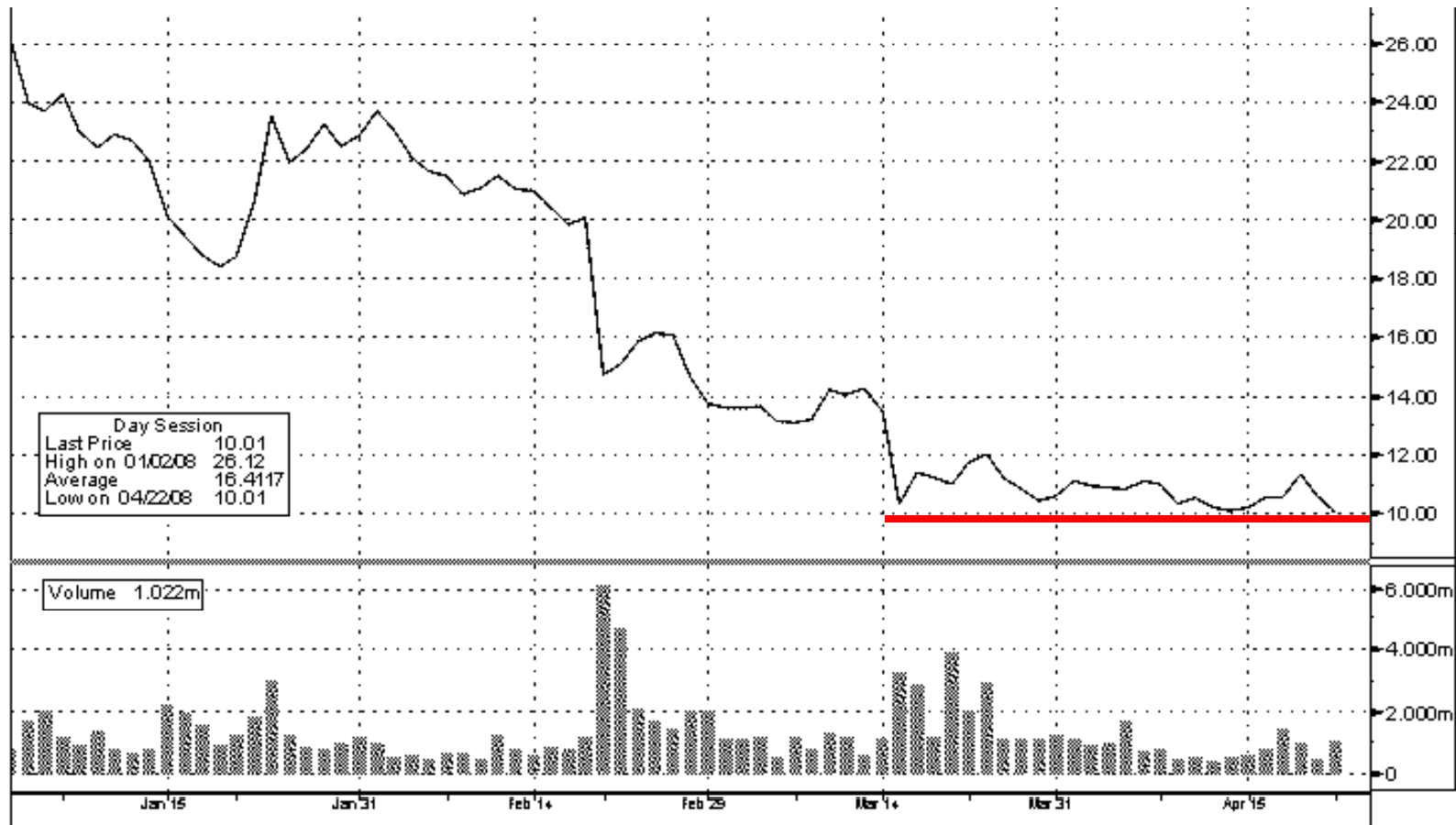


BPFH: Down Trendline





BPFH: \$10.00 Support Level





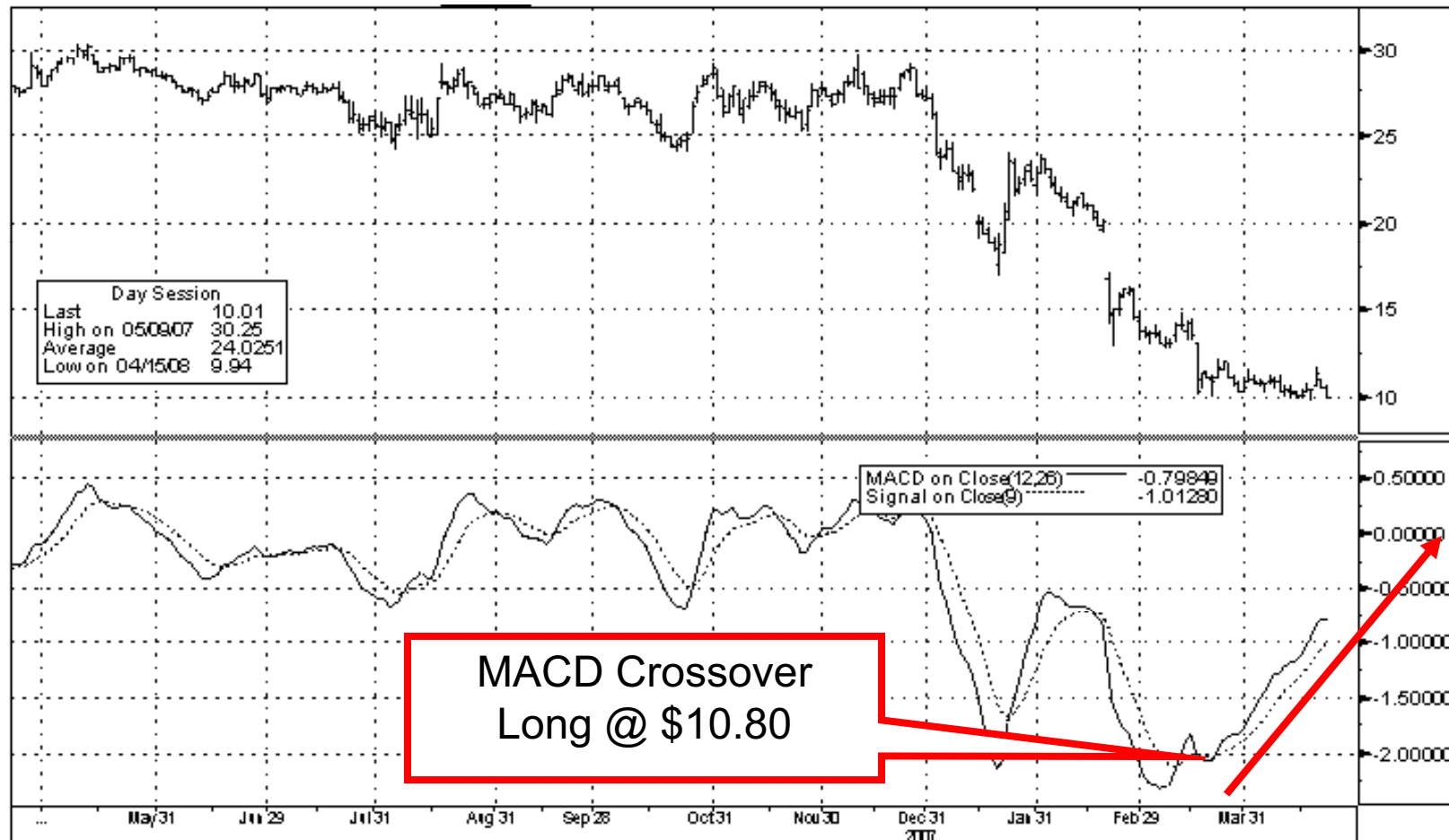
BPFH: 50/200 SMA

BPFH: 1 year





BPFH: MACD





BPFH: Head & Shoulders





BPFH: Recommendation-- BUY

<u>Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Discounted FCF	\$ 16.30	33%	\$ 5.43
P/E Multiplier (12x)	\$ 16.52	33%	\$ 5.51
P/B Multiplier (1x)	\$ 18.04	33%	\$ 6.01
Intrinsic Value			\$ 16.95

4/21/08 Stock Price

\$ 10.01

Upside

69.3%



Portfolio Performance



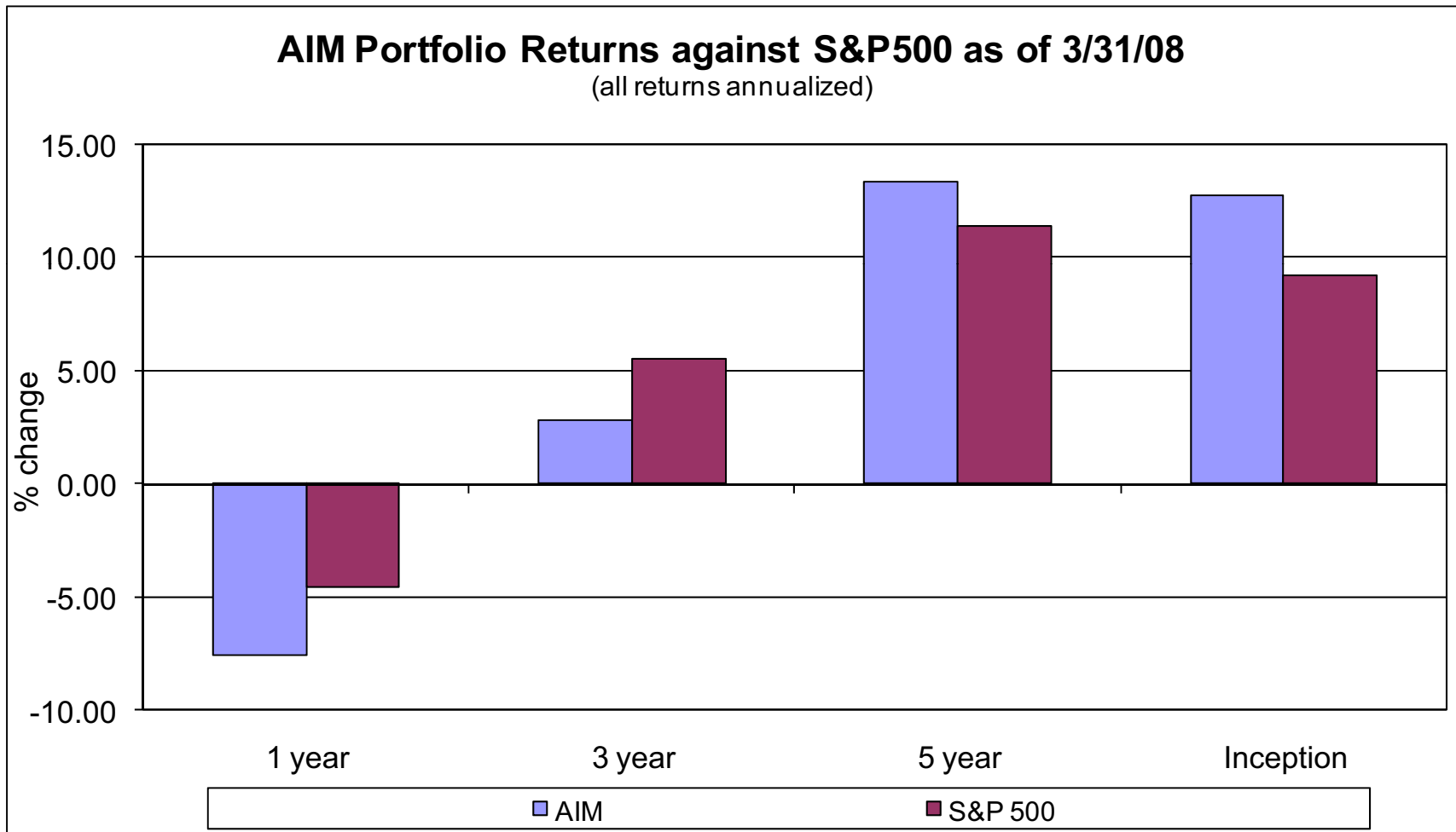


Agenda

- Historical performance
- Risk adjusted performance measures
- Attribution analysis
- Best & worst performers
- Portfolio transactions
- Overview of final portfolio

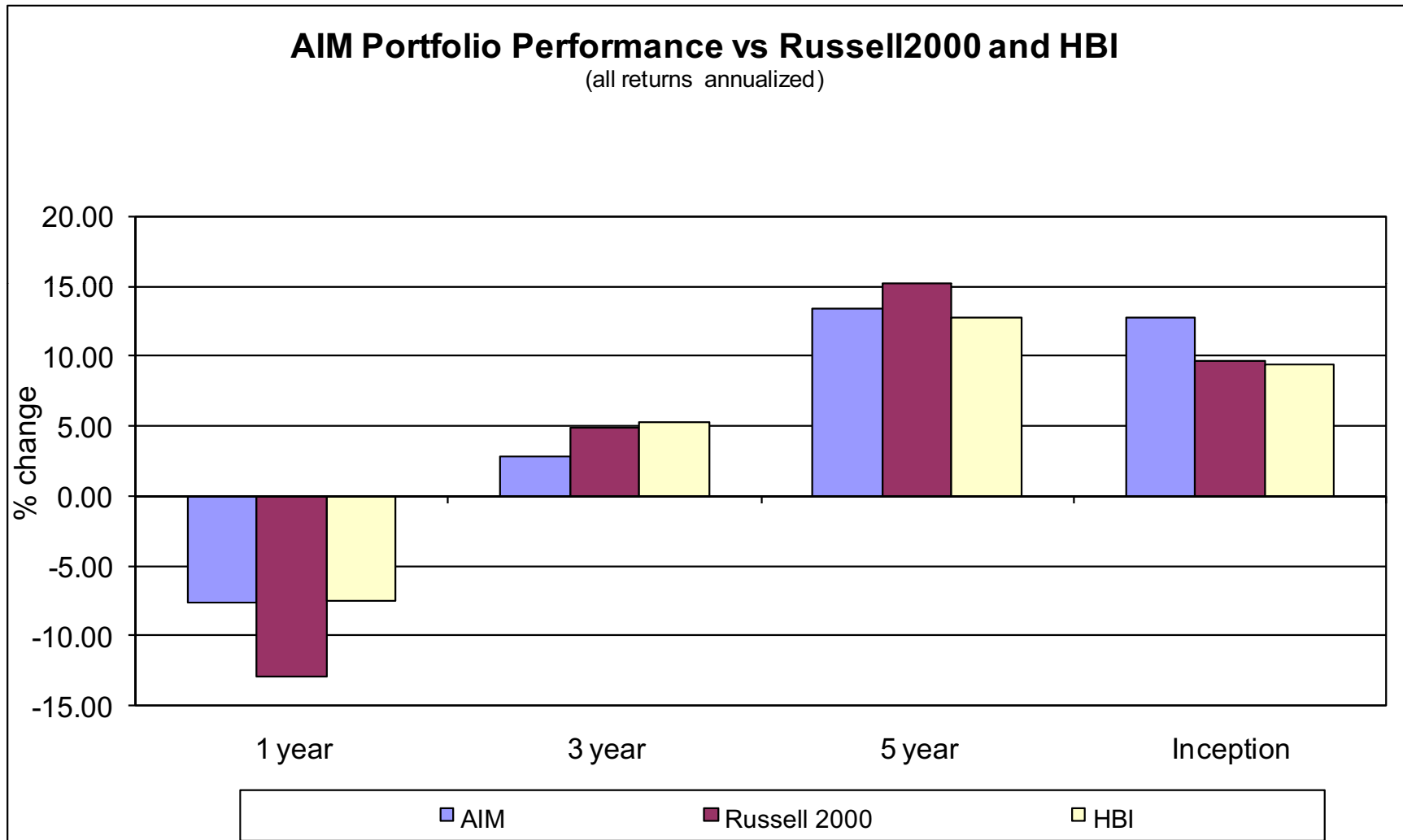


Historical Performance





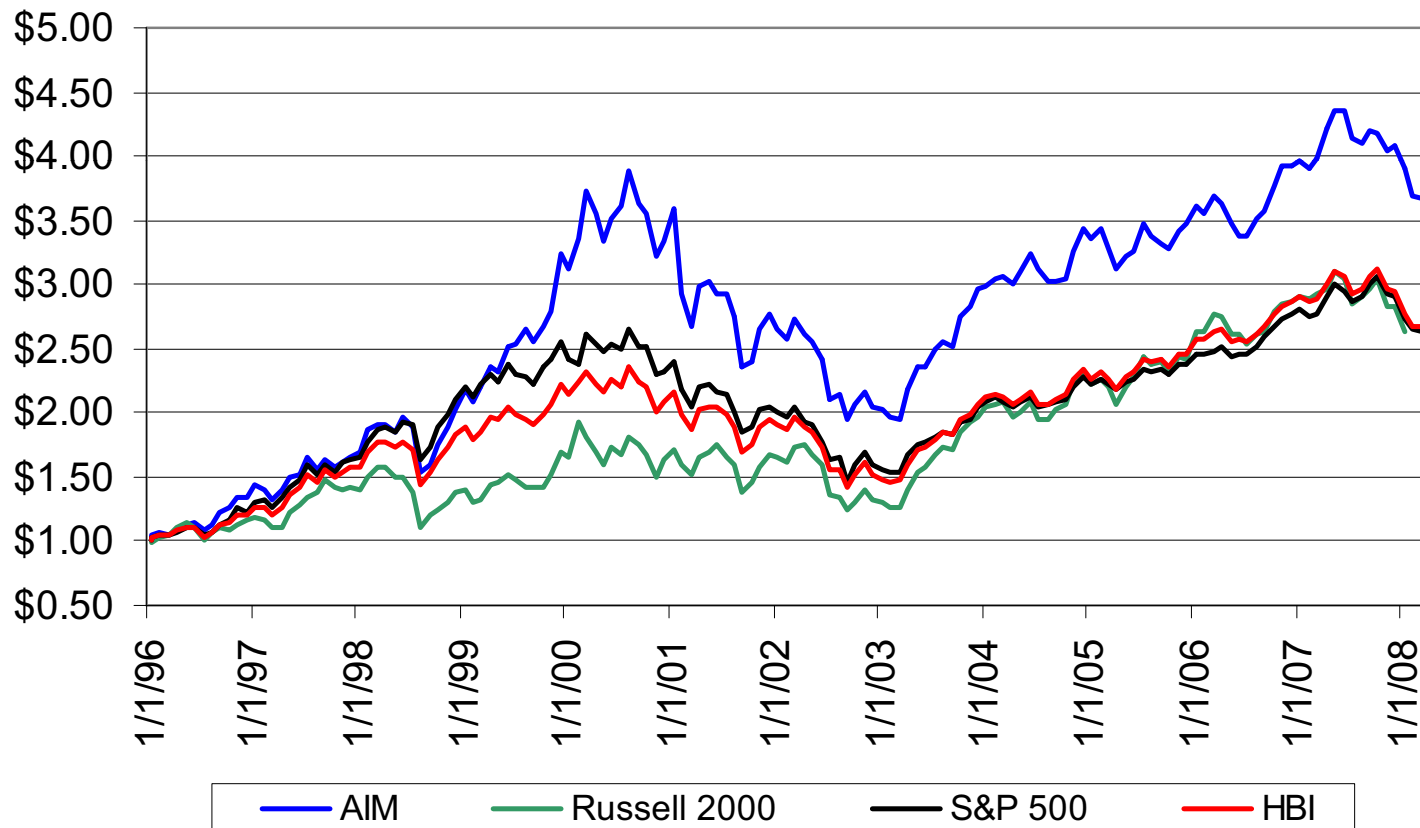
Historical Performance





Historical Performance

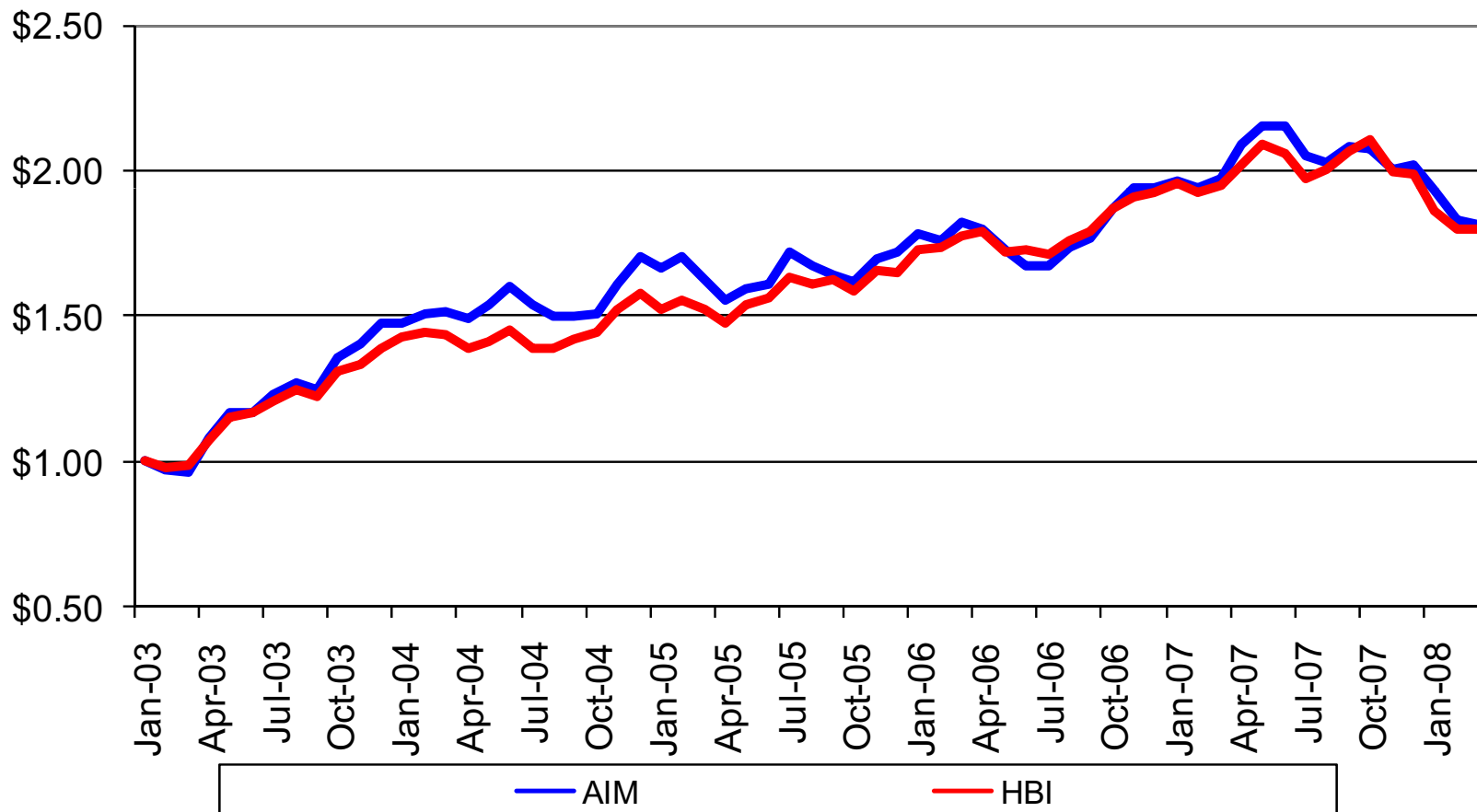
\$1 Investment Since Inception





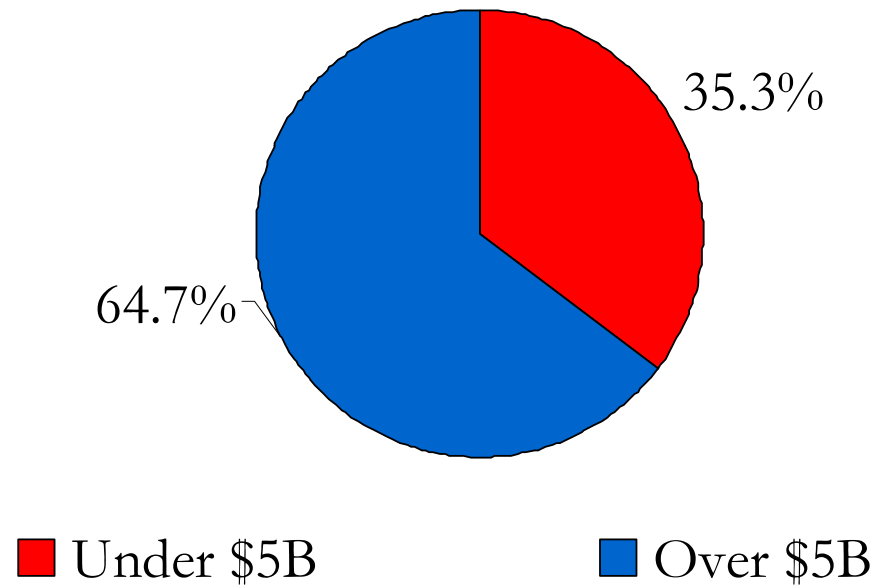
Historical Performance

\$1 Invested 1/1/2003





Capitalization Composition





Risk-adjusted Performance

- Measures
 - Sharpe Ratio
 - Treynor Ratio
 - Jensen's Alpha
- Considerations
 - Annualized monthly returns
 - Risk-free rate: 1 month T-Bill rate



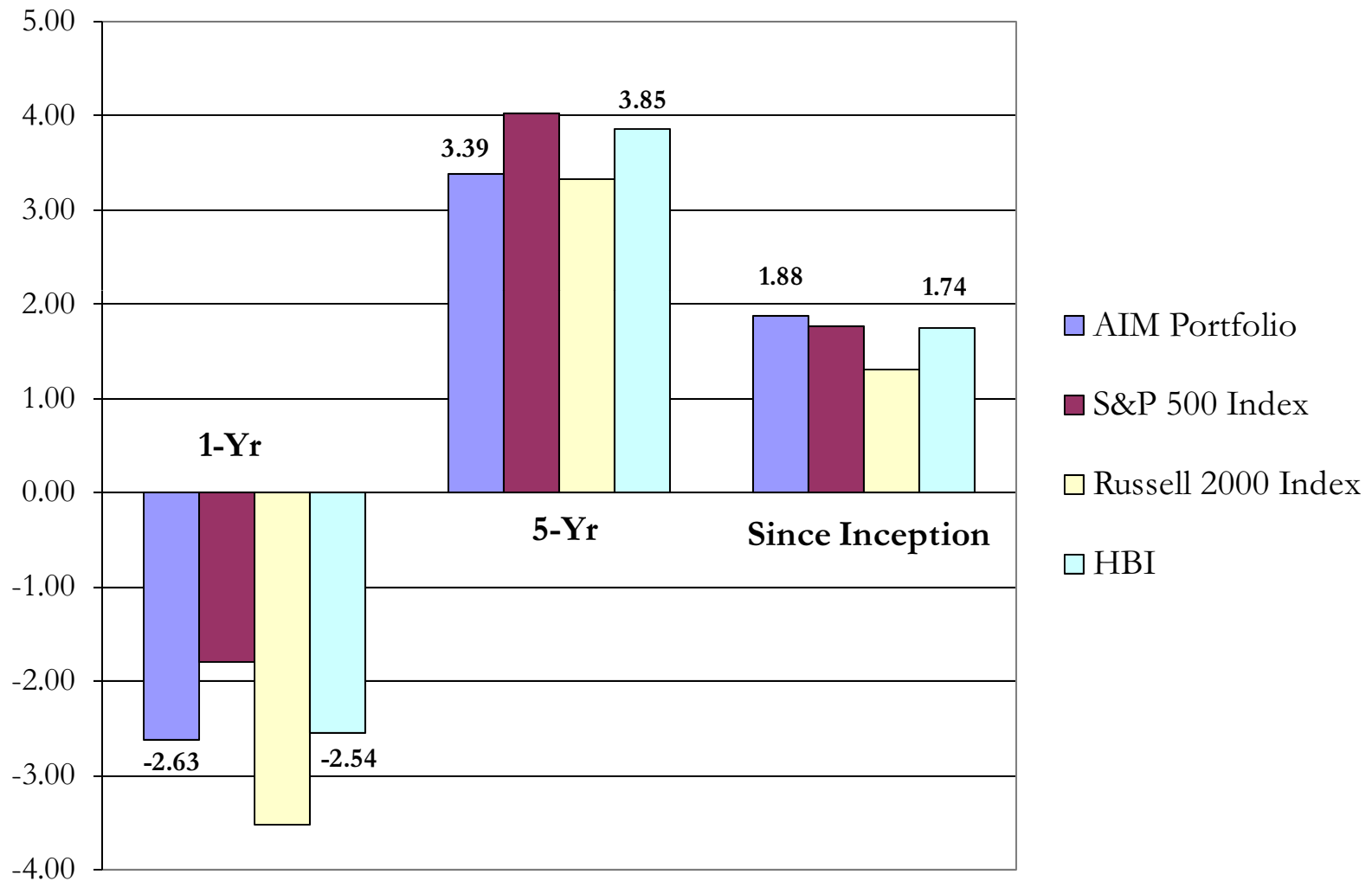
Sharpe Ratio

- Sharpe Ratio- how much excess return you are receiving for the extra volatility that you endure for holding a riskier asset over a risk-free asset
- Greater ratio, better risk-adjusted performance
- Formula:

$$\frac{\text{Portfolio return} - \text{Risk-free rate}}{\text{Portfolio standard deviation}}$$



Sharpe Ratio





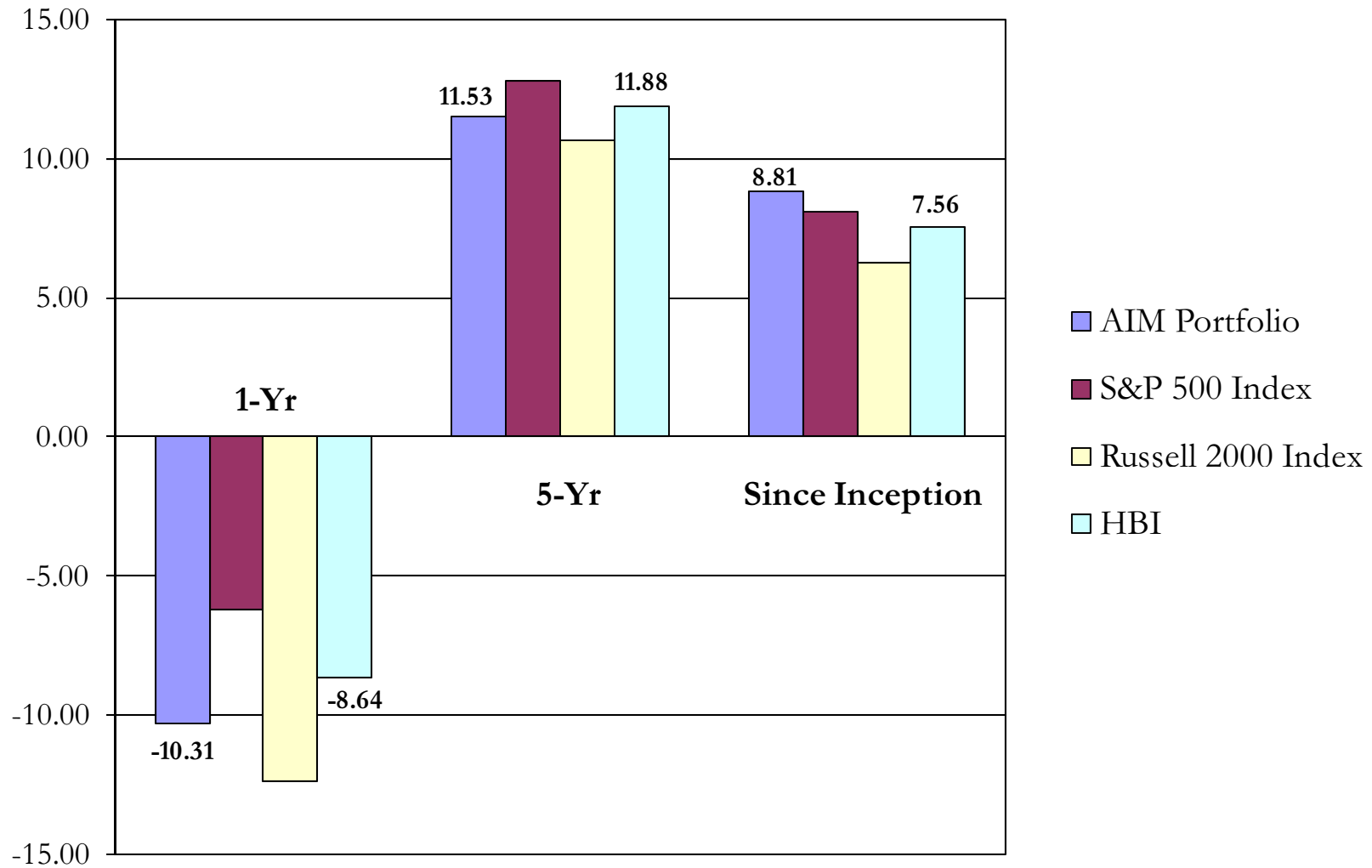
Treynor Ratio

- Treynor Ratio- a risk-adjusted measure of return per unit of systemic risk
- Major difference with Sharpe Ratio is the use of beta instead of standard deviation
- Formula:

$$\frac{\text{Portfolio return} - \text{Risk-free rate}}{\text{Portfolio beta}}$$



Treynor Ratio



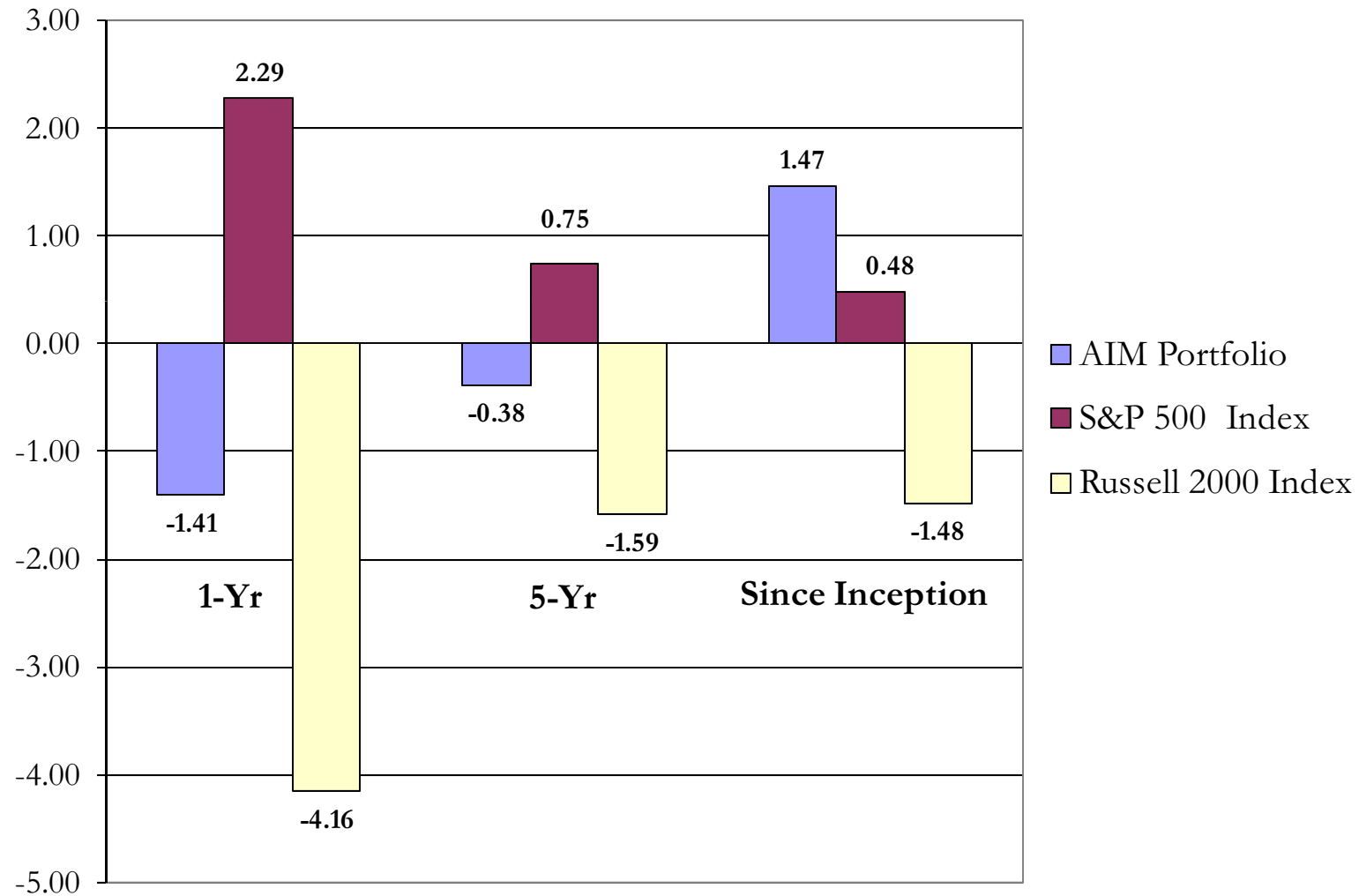


Jensen's Alpha

- Jensen's Alpha- represents the average return on the portfolio over and above the required rate of return, given the portfolio's beta and the average market return.
- If positive, portfolio is earning excess returns
- Formula: $\text{Port. Return} - [R_f + B_p(R_M - R_f)]$



Jensen's Alpha





Risk-adjusted Performance

- Since inception
 - Outperformed all comparable indices
 - Positive Alpha

- Last 1 year & last 5 years
 - Underperformed HBI & S&P 500
 - Negative Alpha

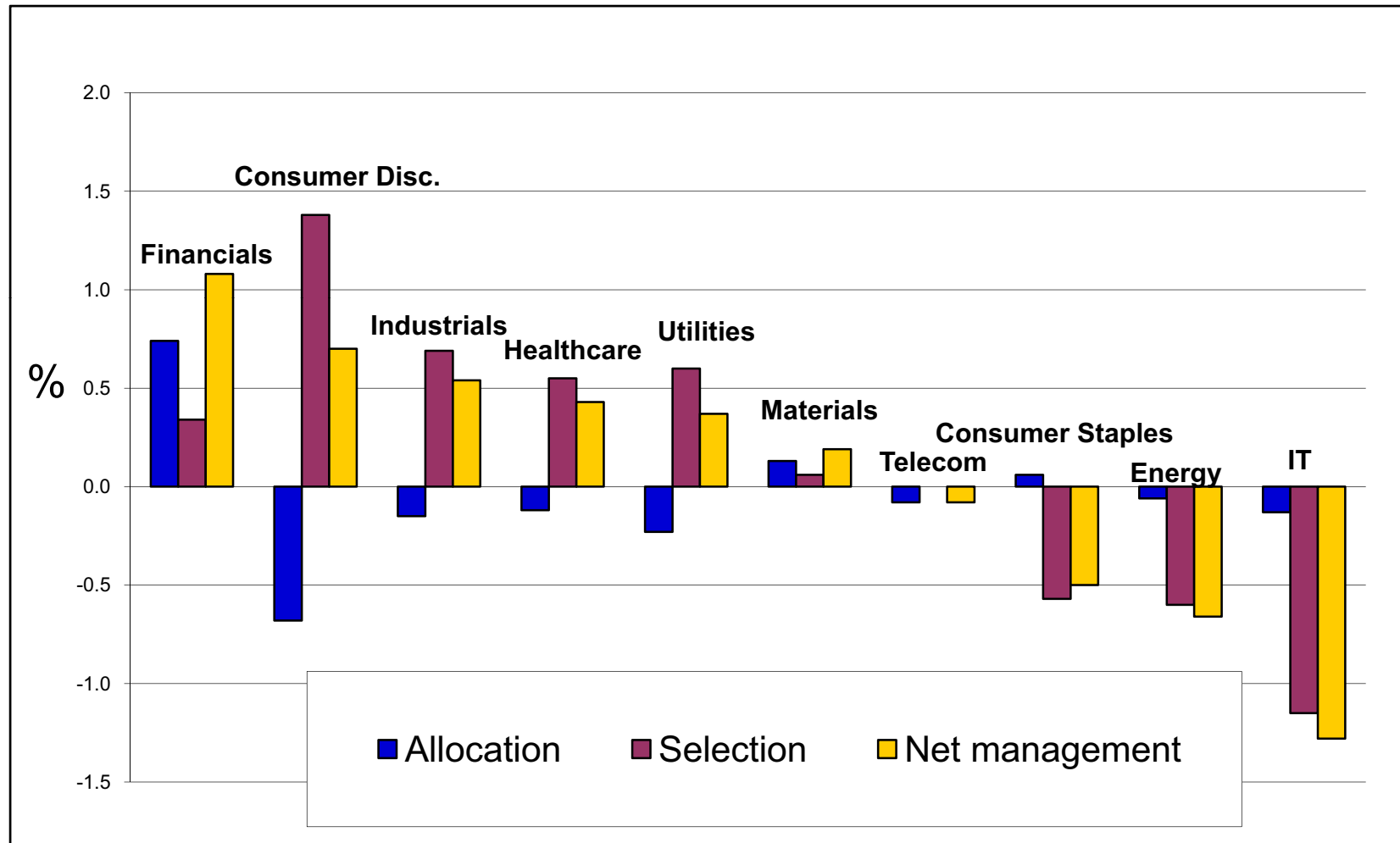


Attribution Analysis

- Components
 - Allocation
 - Selection
 - Net management
 - Interaction (composite)
- Relative to benchmark

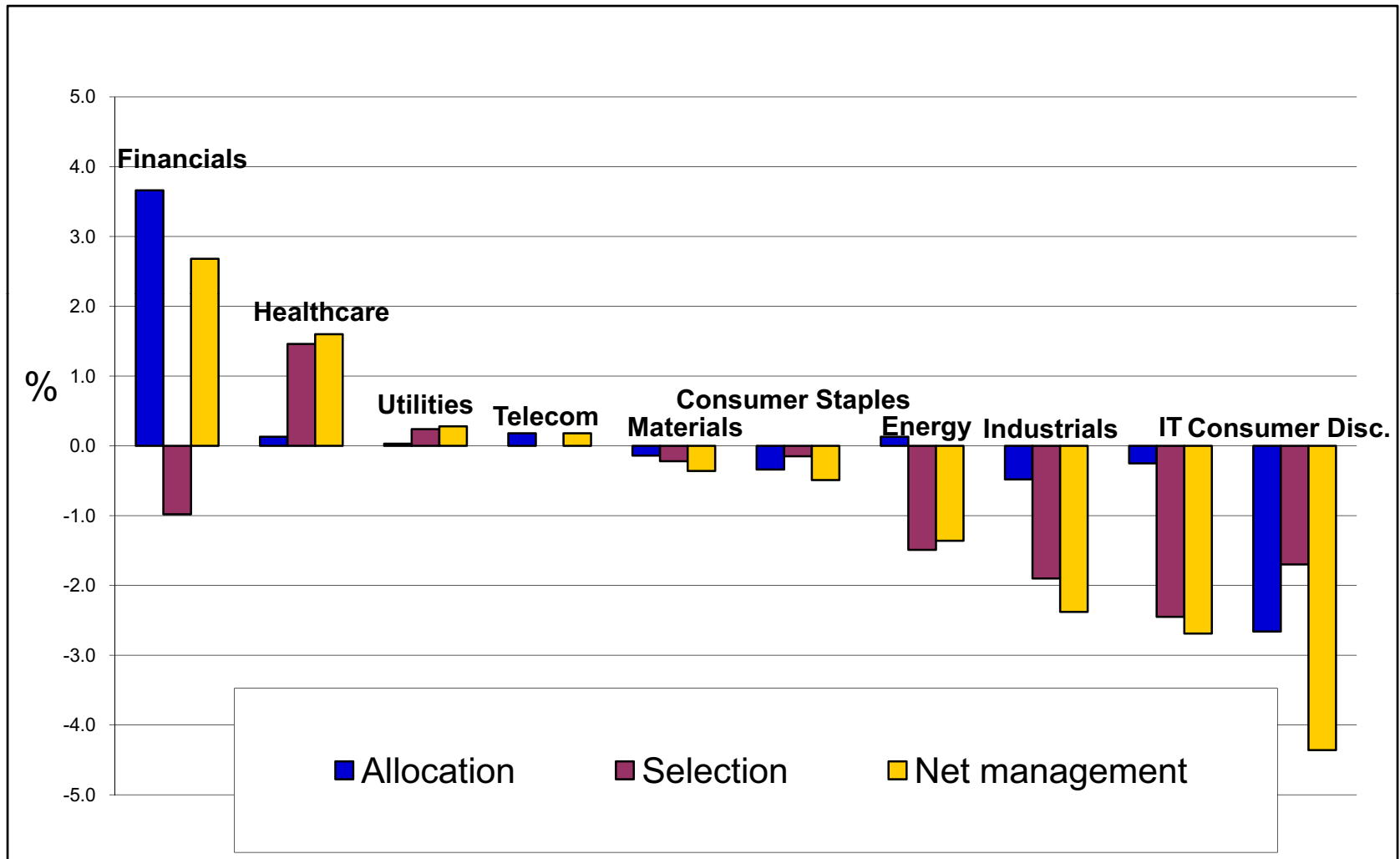


Industry Attribution – 5 year



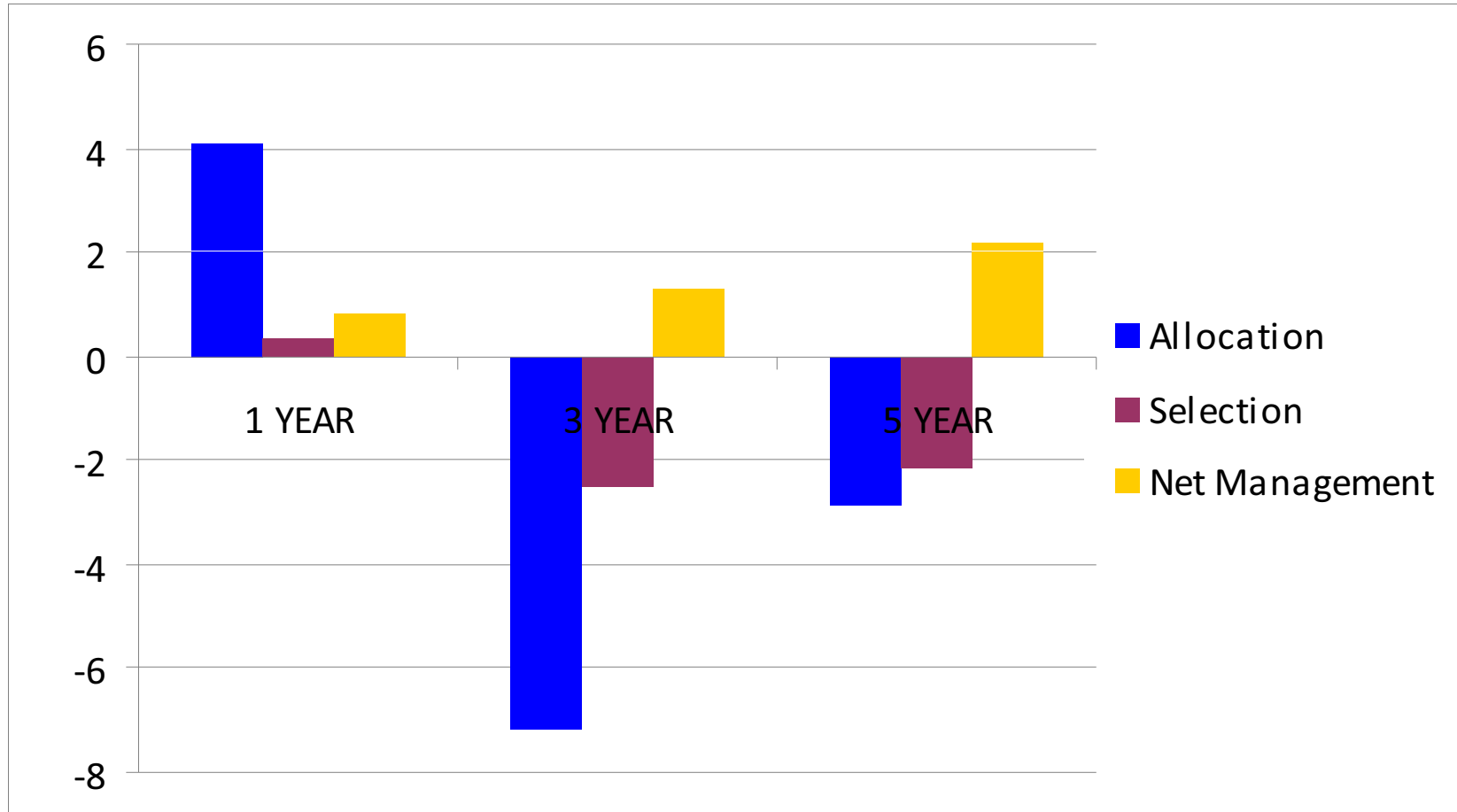


Industry Attribution – 1 year



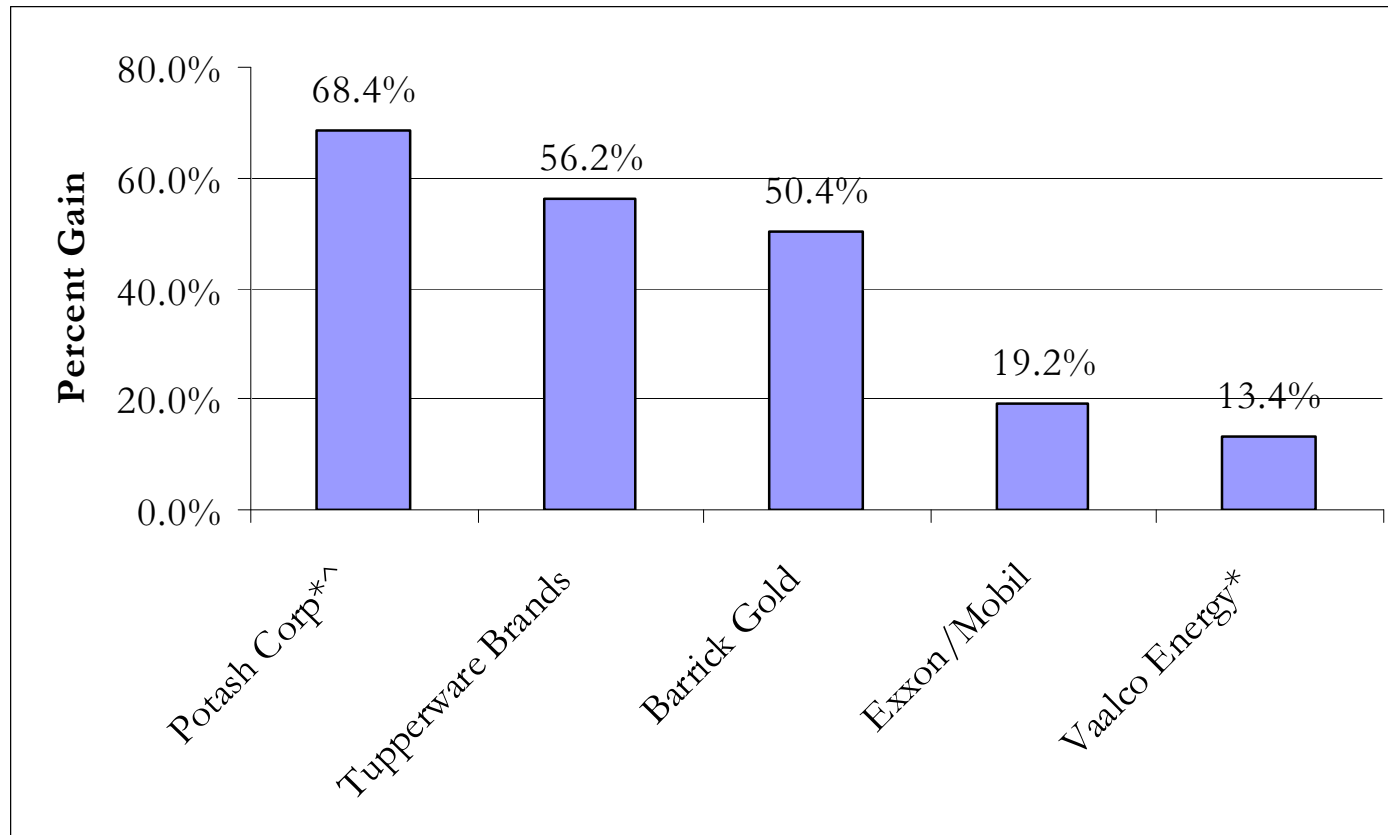


Composite Attribution Analysis





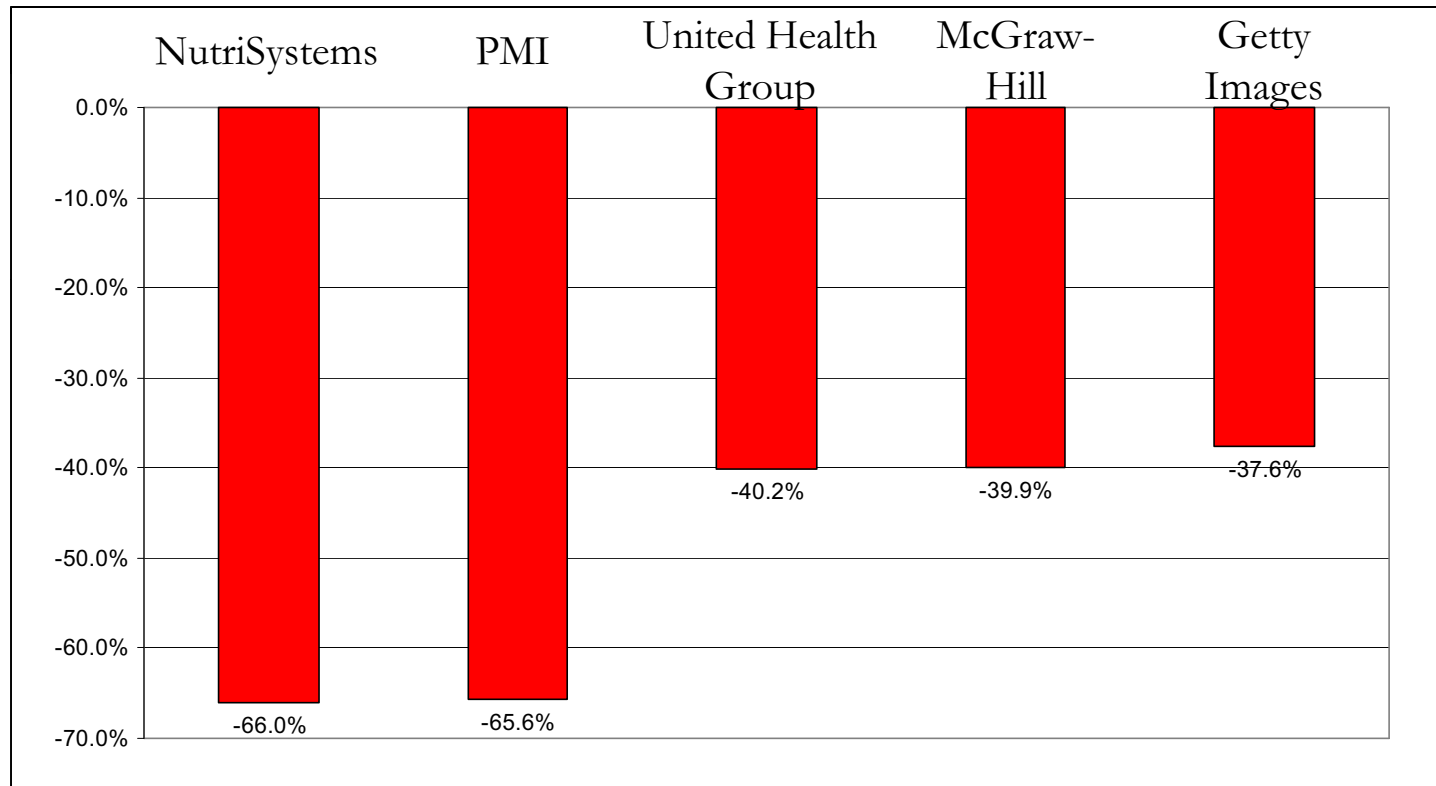
Biggest Winners (1 year or holding period return)



- Potash and Vaalco were sold on 4/22/08
- Potash held since December



Biggest Losers (1 year or holding period return)



- NutriSystems, PMI, Getty sold 4/22



Buys

Stock	Ticker	Current Price (4/24)	Intrinsic Value	Upside
<i>Stocks Added to Portfolio</i>				
FCStone Group, Inc	FCSX	\$41.66	\$45.22	8.5%
Boeing Co	BA	\$78.97	\$87.24	10.5%
EMC Corp	EMC	\$15.94	\$18.22	14.3%
Progress Energy Inc	PGN	\$41.77	\$48.00	14.9%
Service Corp Intl	SCI	\$10.53	\$12.97	23.2%
Goldman Sachs Group	GS	\$181.20	\$227.00	25.3%
Republic Services Inc	RSG	\$31.08	\$39.00	25.5%
Boston Private Financial	BPFH	\$10.64	\$15.40	44.7%
Zhongpin, Inc	HOGS	\$10.85	\$15.85	46.1%

- FCStone – Commodity risk management company
- Progress Energy – Electricity utility focused in Southeast
- Republic Services – Waste management

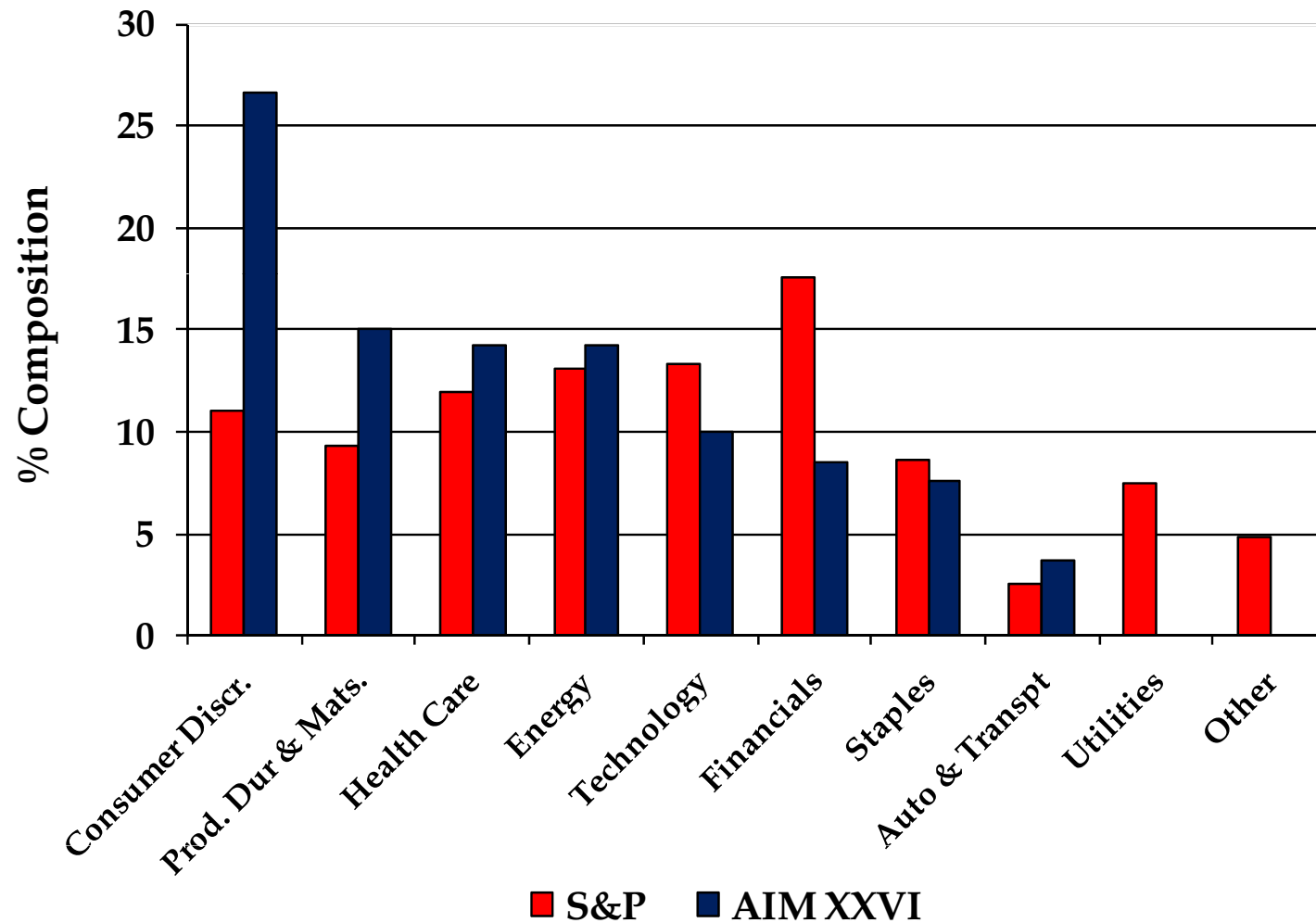


Sells

Stock	Ticker	Current Price (4/24)	Intrinsic Value	Upside
<i>Stocks Removed from Portfolio</i>				
Weyerhaeuser	WY	\$63.47	\$52.60	-17.1%
Vaalco Energy	EGY	\$6.47	\$5.48	-15.3%
Potash Corp	POT	\$208.05	\$198.00	-4.8%
Getty Images	GYI	\$32.50	\$31.52	-3.0%
PMI Group	PMI	\$5.40	\$5.25	-2.8%
Apple	AAPL	\$165.96	\$167.00	0.6%
Pepsico	PEP	\$69.91	\$71.65	2.0%
LOOPNet	LOOP	\$11.07	\$12.47	13.0%
Nutri Systems	NTRI	\$20.72	\$23.80	15.0%



Sector Composition



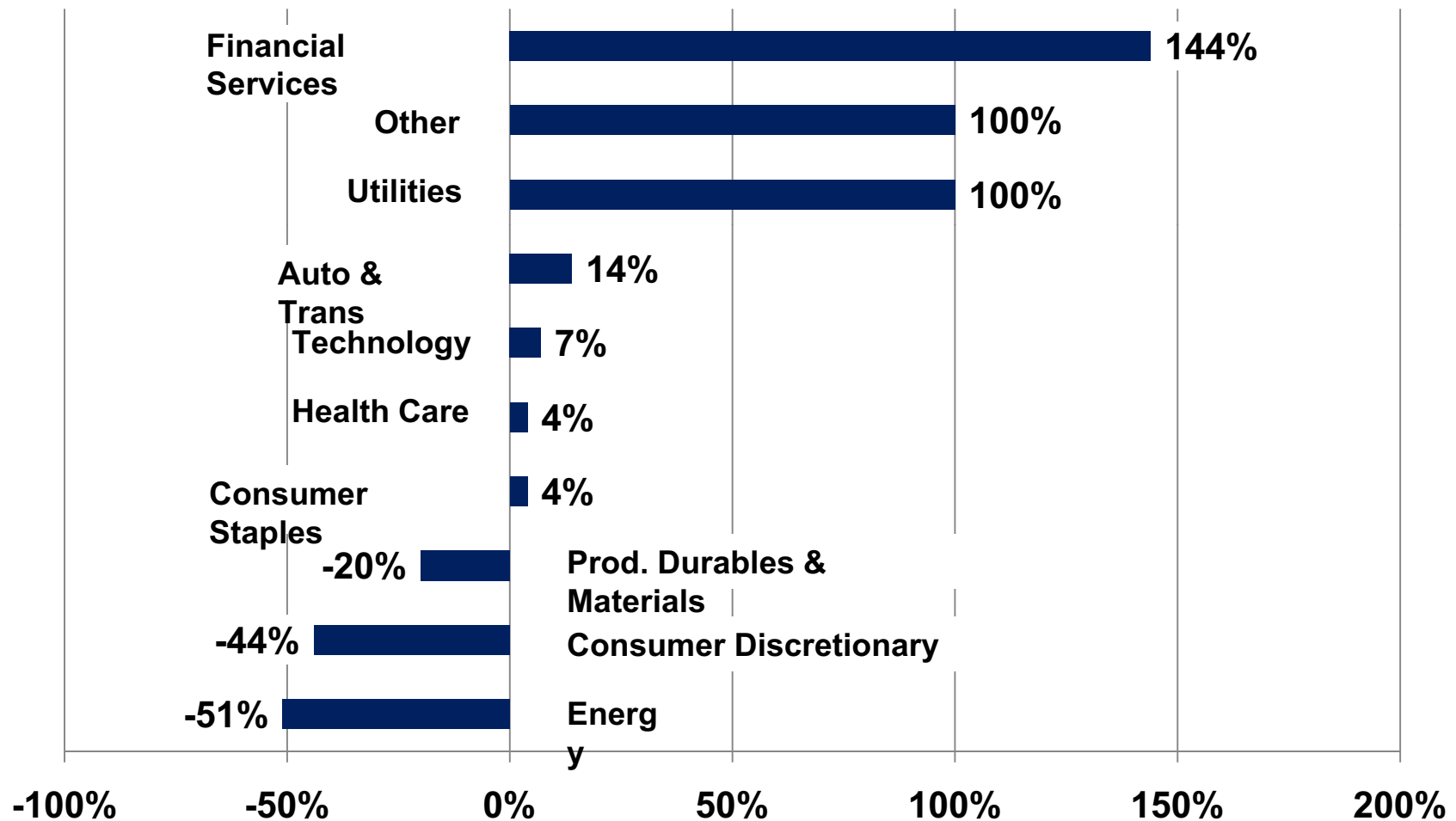


Our Objectives

- Increase our holdings in financials
- Add a utility to diversify
- Decrease our exposure to consumer discretionary

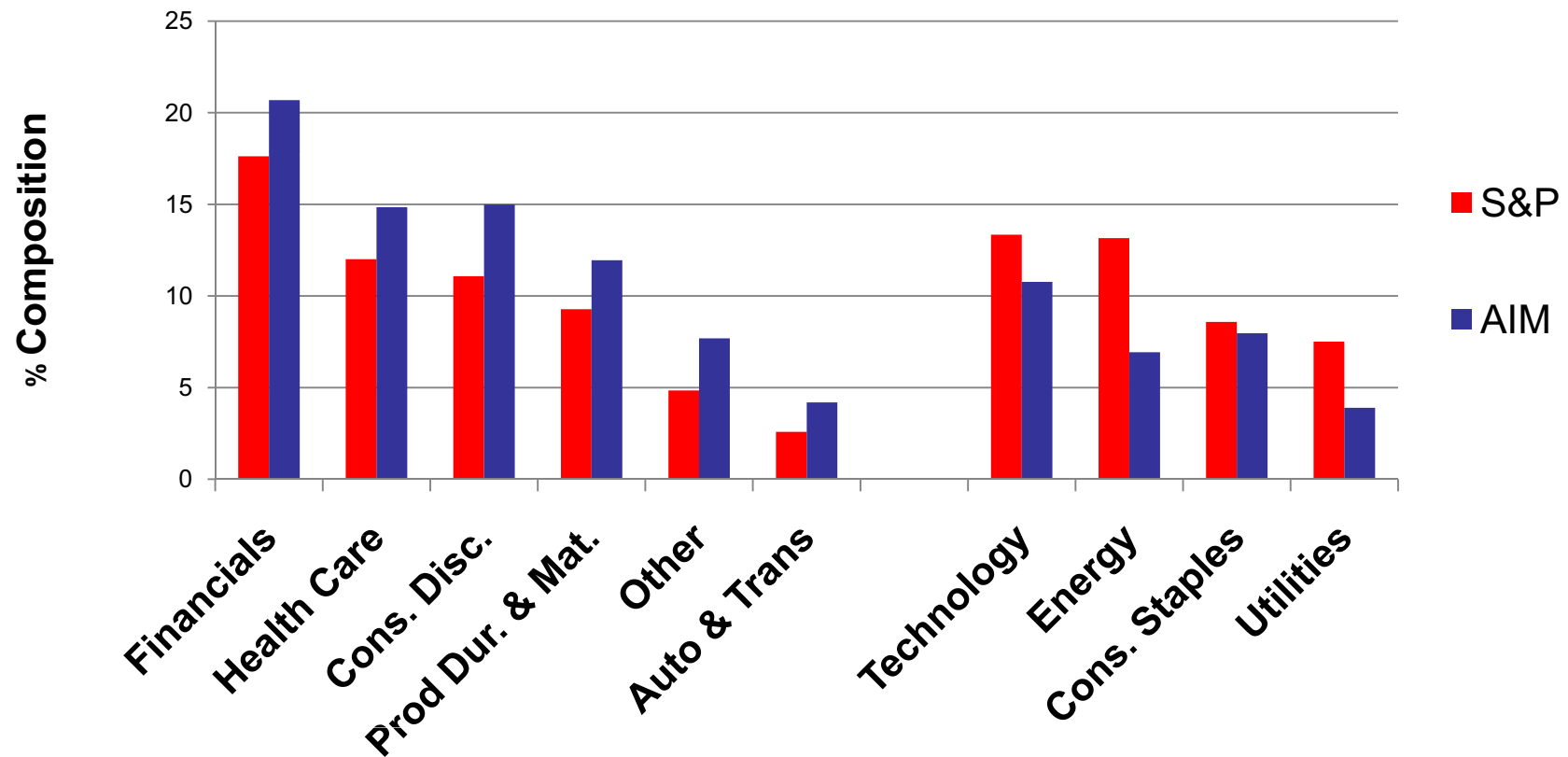


Percentage Change In Holdings





New Portfolio Allocations





General Information





Speakers

- Professor Ed Trubac
 - Current economic overview
 - Key point for 2008: watch the Fed
 - Important economic trends for AIM portfolio



Cleveland Research Company

- Tom Mahoney (AIM Alum) and Jason Whitmer
- An independent investment research firm
- Concentrates on 4 sectors:
 - Consumer, Industrial, Technology, and Healthcare.
- Research methodology: case study
 - Kroger Co., examine fundamentals; Cleveland's research approach.



Express-1 Expedited Solutions, Inc.

- CEO Michael Welch and CFO Mark Patterson
- Based in Buchanan, MI
 - Concentrates on timely transportation of freight
 - Critical shipments in US, Mexico, and Canada



Cross River Partners

- Richard Murphy (AIM Alum) and Mike McCartan
- Private investment partnership
 - Concentrate on small companies
 - Specialize in exhaustive, bottom-up research
- Their investment thesis on Express-1



Boston Trip

- Sankaty Advisors
 - Distressed debt, mezzanine debt, leveraged loans and high-yield bond investing
- Bain Capital
 - Private equity funds
- BNY Mellon
 - Evolution of theory: CAPM and technology



Boston Trip

- Summit Partners
 - Private equity funds and venture capital funds
 - Cold calls to generate leads
- Geologic Resources
 - Real assets metals and mining
 - Long/short equity fund focused on the natural resource sector



Newsletter

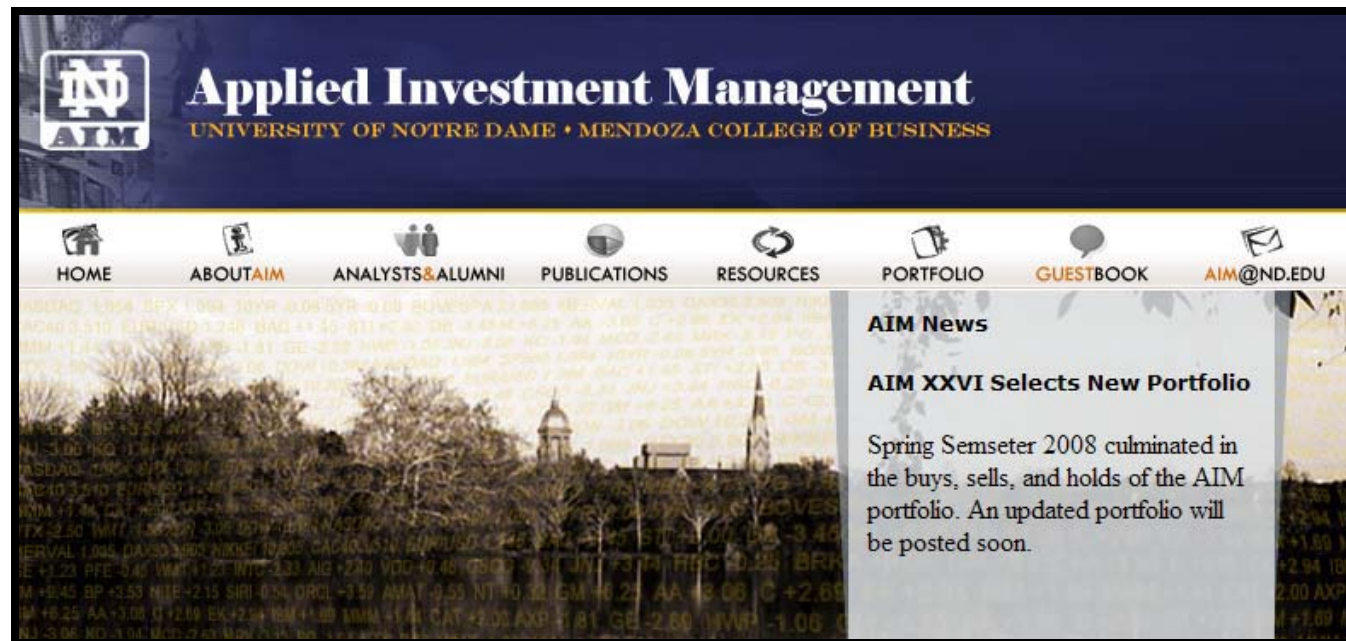
- Objectives
 - Allows AIM Alumni to stay up to date
 - Provides quarterly overview of present portfolio
- Current newsletter points of interest:
 - New portfolio
 - AIM Alumni updates
 - Boston trip review
 - Quick economic snapshots
 - Current AIM analysts' future plans



AIM Website

Areas of Interest

- Analysts and Alumni
- Publications
- Portfolio
- News





AIM on Facebook

facebook Profile edit Friends ▾ Inbox ▾

AIM Alumni

Information

Group Info
Name: AIM Alumni
Type: Organizations - Academic Organizations
Description: The Applied Investment Management course blends traditional investment theory with the practical experience of hands-on investment management of a \$4 million U.S. Equity portfolio. The course provides students with a thorough grounding in the process of portfolio management, from the asset allocation decision to individual stock selection. AIM is available to MBA and select undergraduate juniors and seniors at the University of Notre Dame.

Contact Info
Email: aim-alumni@nd.edu
Website: <http://aim.nd.edu/>
Office: Mendoza College of Business

Recent News

Thanks to all of the AIM Alums who attended the AIM XXVI Alumni Dinner on Saturday, March 29, 2008 in Boston.

Please continue to help us out by sending the names of AIM Alums who have not yet joined our group to Shelley Huff (shelleyhuff@anthonytravel.com).

Members
This group has 116 members at Notre Dame. [See All](#)

Brendan Barrett Andy Frey Brad Buser Greg Hiltz Jeff Kurtzman Eric Filipovitz



AIM Contact Information

Website

<http://aim.nd.edu>

E-Mail Address

aim@nd.edu



Thank You

AIM Advisory Board
The Notre Dame Investment Office
Scott Malpass

Professor Frank Reilly

Rachel Karnafel

Professor Jerry Langley

Professor Ed Trubac

Professor Bill McDonald

Please join us for pizza and a question and answer panel in a few moments