



AIM XXVIII
April 27, 2008



AIM XXVIII Analysts

Introductions

Jeff Rodgers

Washington, DC
Caterpillar (CAT)
AvalonBay (AVB)

Joe Recendez

Chicago, IL
Cabelas (CAB)
DaVita (DVA)

Portfolio Overview

Michael Lunt

Salt Lake City, UT
EMC (EMC)
Nabors (NBR)

Ryan Tracey

New York, NY
Ecolab Inc. (ECL)
Nike (NKE)

Michael Anderson

San Diego, CA
Southwest Airlines (LUV)
Callaway (ELY)

Portfolio Overview

Brad Barker

Washington Township, MI
Progress Energy (PGN)
Thoratec (THOR)

Economic Environment

Matt Cantwell

Milwaukee, WI
Barrick Gold (ABX)
Freemont-McMoran (FCX)

Chris Ziener

San Diego, CA
Coca-Cola Co. (KO)
DuPont (DD)

Chris Abbott

Honolulu, HI
United Health (UNH)
Alexander & Baldwin (AXB)

Pete Travnicsek

New York, NY
Zhongpin (HOGS)
NVR Inc. (NVR)

Economic Environment

Takashi Doi

Hyogo, Japan
Goldman Sachs (GS)
Coach (COH)

Doug Cannon

Tracy, CA
AT&T, Inc. (T)
Granite Construction (GVA)

Security Analysis

Joe Fusco

New York, NY
Yum! Brands Inc. (YUM)
DreamWorks (DWA)

Corey Breitfelder

Dubuque, IA
Apple (AAPL)
Colgate-Palmolive (CL)

Justin Adair

Seattle, WA
Dentsply (XRAY)
EPIQ Systems (EPIQ)



AIM XXVIII Analysts

Security Analysis

Pete Amstutz

New York, NY

Norfolk Southern Corp (NSC)
Archer-Daniels Midland (ADM)

Carrick Bligh

Morristown, NJ

Ormat Technologies (ORA)
Chubb (CB)

Drew Yergensen

Sandy, UT

Pharmaceutical Product Dev. (PPDI)
General Electric (GE)

Marc Snover

Boca Raton, FL

BJ Services (BJS)
Cracker Barrel (CBRL)

Drew Hill

Philadelphia, PA

Graco Inc. (GGG)
Ford (F)

Performance Evaluation

Geoff Smitham

Tempe, AZ

Buffalo Wild Wings Inc. (BWLD)
DirecTV Group (DTV)

Steve Srinivasan

Woodbridge, NJ

Zimmer (ZMH)
AON (AON)

William Liao

Taiwan, Taiwan

Walgreens (WAG)
GameStop (GME)

Nate Gori

Allston, MA

Tupperware (TUP)
Xilinx (XLNX)

Kyle Nelson

Atlanta, GA

Republic Services (RSG)
US Steel (X)

Performance Evaluation

Ryan Lazzeri

Ardmore, PA

McGraw-Hill (MHP)
Aqua America (WTR)

General Information

Ilija Filipov

Stip, Macedonia

Exxon Mobil (XOM)
Apollo (APOL)



Agenda

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



Course Overview





AIM Format

- ***Round 1-*** Analyst is responsible for existing position in the portfolio
- ***Round 2-*** Analyst selects a potential investment to evaluate
 - Presents a series of reports and arrives at a final valuation/recommendation
 - Portfolio rebalance
 - “Bottom-up” stock selection



AIM Valuation Format

- Company Background
- Industry Analysis
 - Led to portfolio hedge positions in ETF's
- Fundamental Analysis
- Earnings Forecast
- Technical Analysis
- Valuation
 - Discovery efforts
 - Intrinsic value leading to final recommendation



Analyst Group Activities

- Industry/Sector Groups
- Reporting Groups
- Activity Groups
 - Newsletter
 - Trading
 - Visiting Speakers & Trips
 - <http://aim.nd.edu>
- Hedge Position



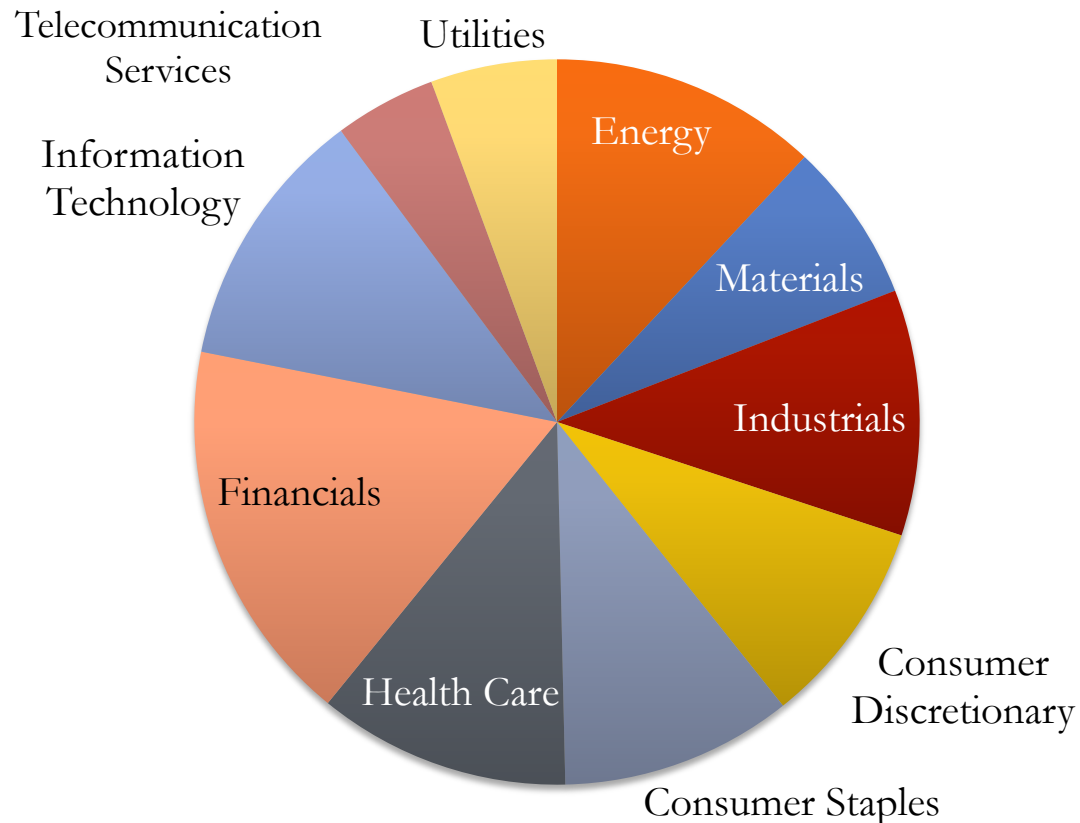
Policies and Guidelines

- US equities only
- Target allocation:
 - 35% in small & mid-cap
 - 65% in large cap
- Ten percent contribution
- Limited cash
- In line with University policies



Policies and Guidelines

S&P 500 is Benchmark





Investment Constraints

- Inherently highly liquid
- Long-term horizon
- “Prudent Person Rule”
- No tax considerations



Economic Outlook





Economic Outlook: Back to Basics

- Economics 101

$$\mathbf{GDP = C + I + G + (X-M)}$$

- Conclusions:
 - Data indicates tepid economic recovery near-term
 - US equity index performance likely to remain range-bound
 - Deflation in the near-term; Inflation in 18-24 months



GDP Growth

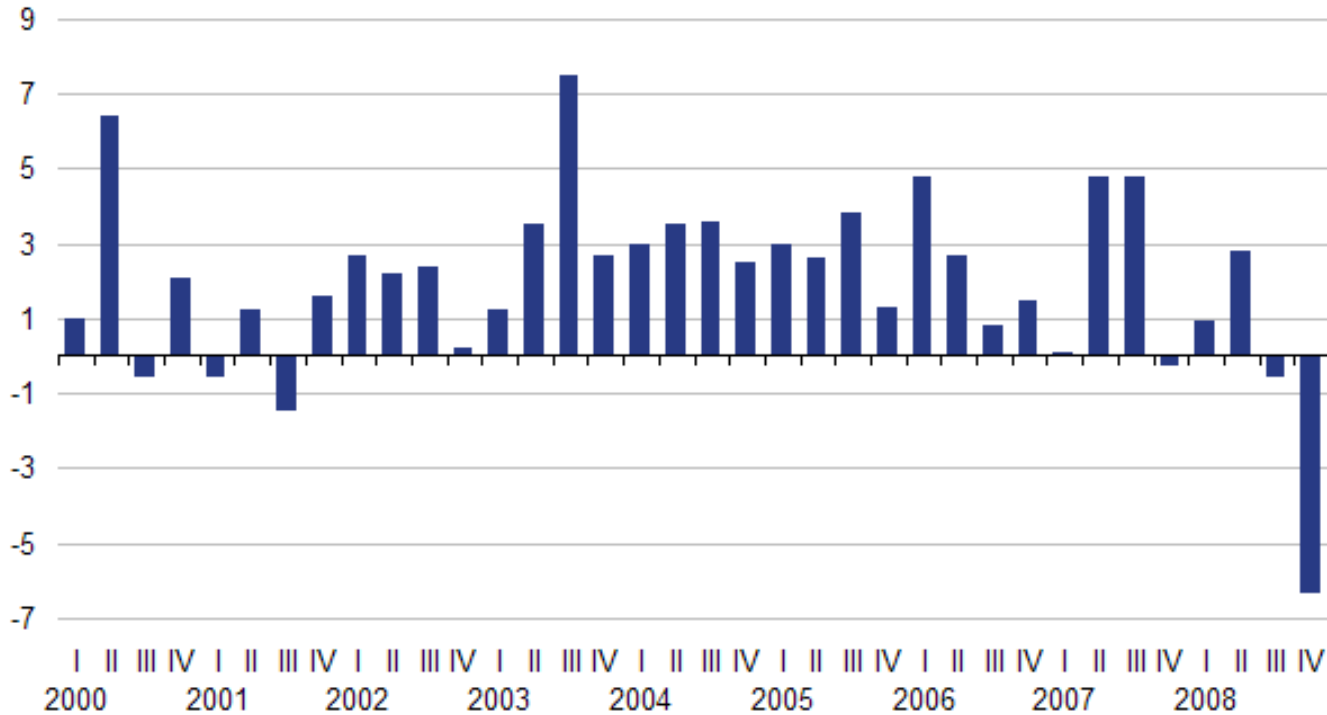




U.S. Real GDP

Real Gross Domestic Product

(Percent change, seasonally adjusted annual rate)



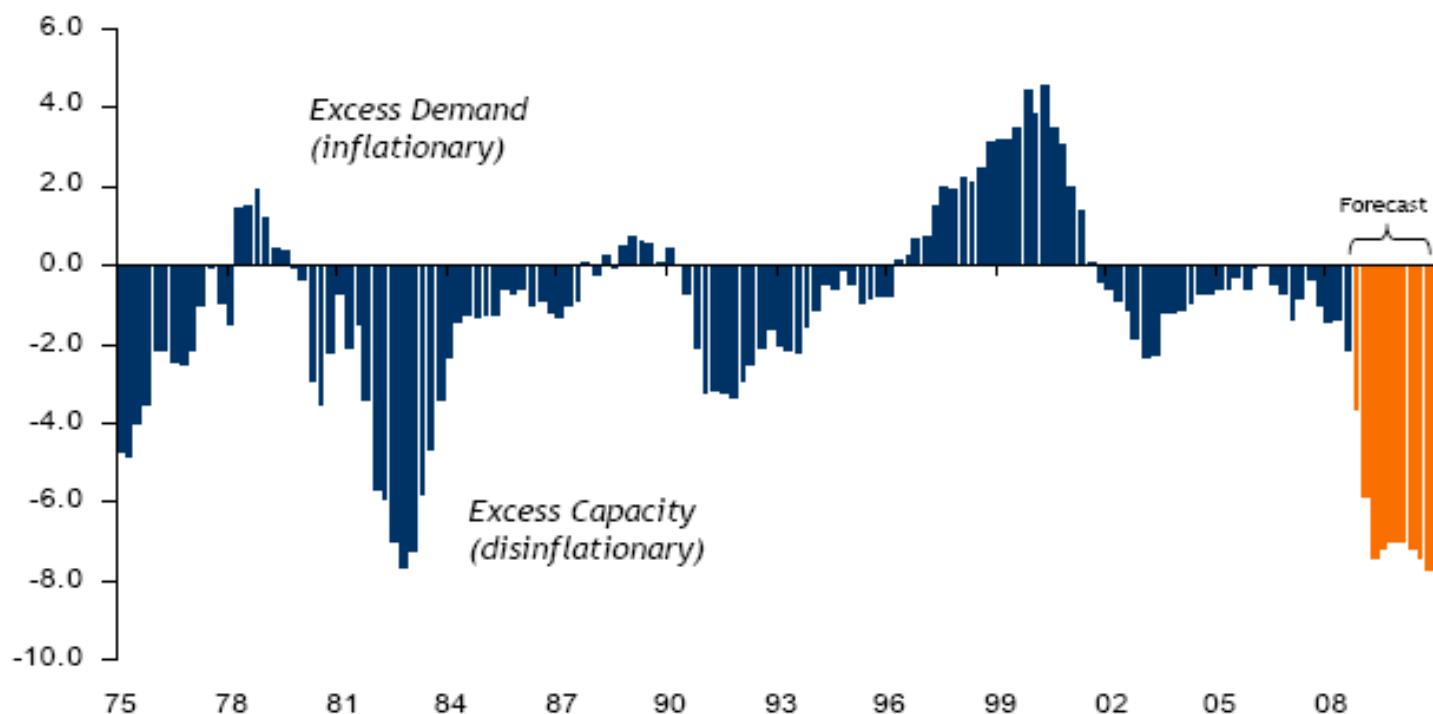
U.S. Bureau of Economic Analysis



Output Gap: Deflationary Pressures Persist

Chart 15: Output Gap To Widen To Record Levels

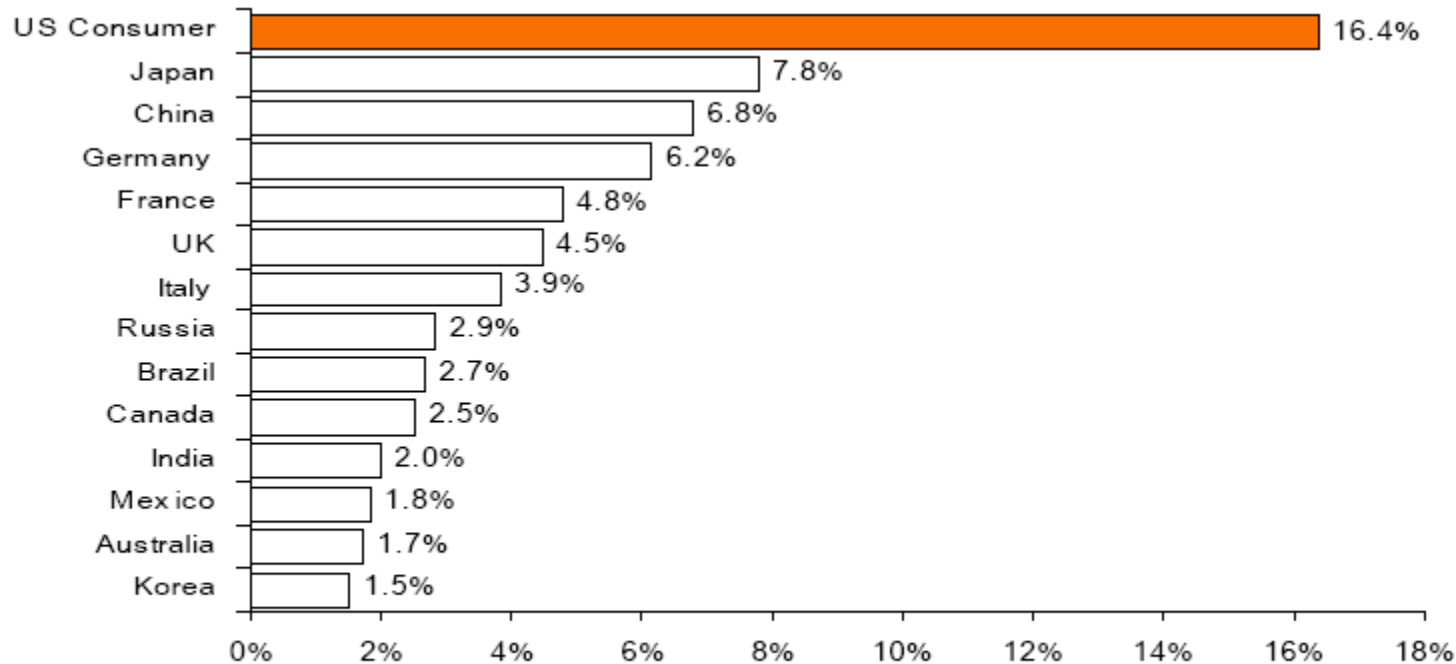
Output Gap (Actual GDP as a % of Potential GDP)



Source: Federal Reserve Board, Banc of America Securities-Merrill Lynch



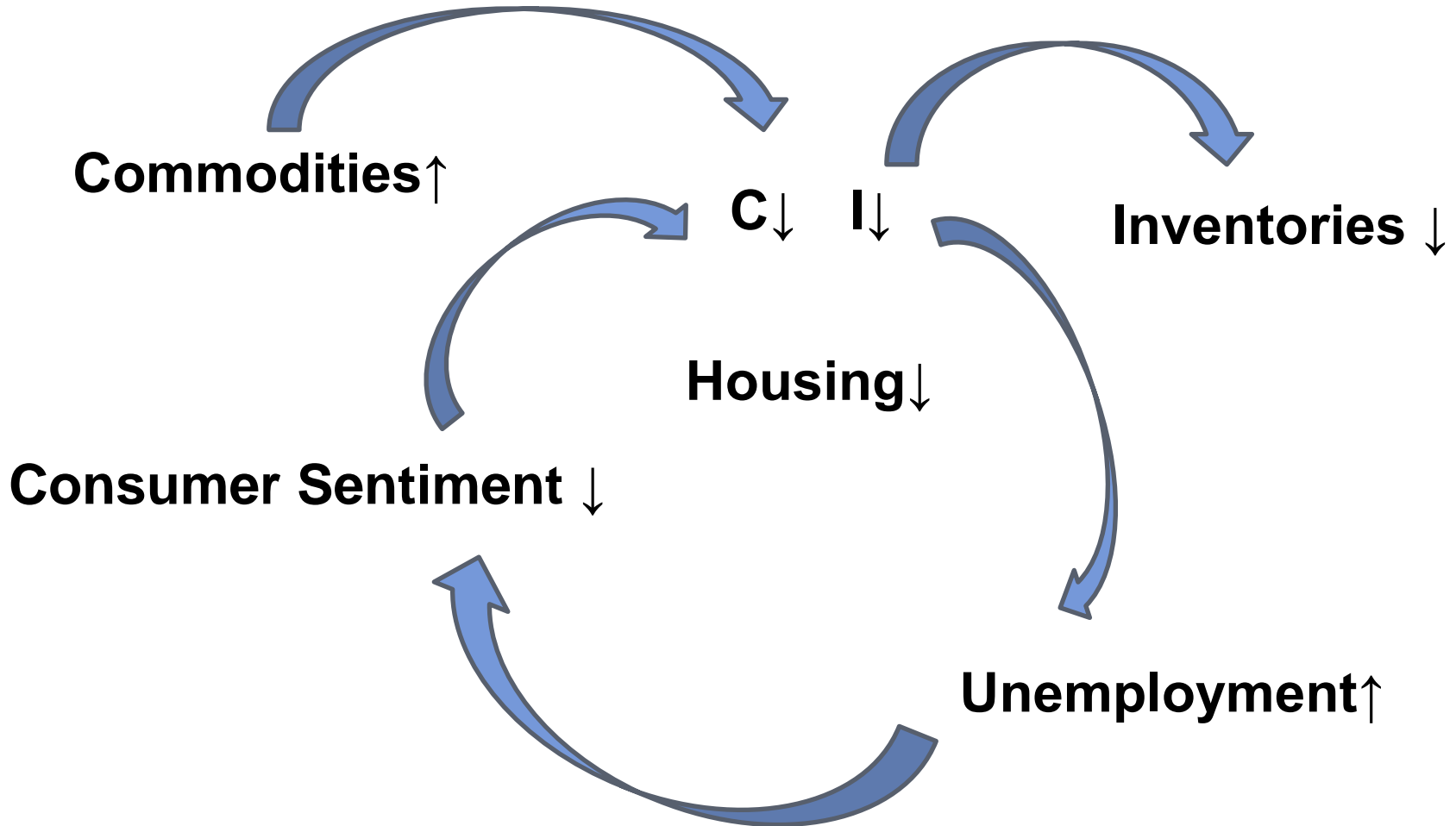
U.S. Consumer as % of Global GDP



Source: Bureau of Economic Analysis, IMF, Banc of America Securities-Merrill Lynch

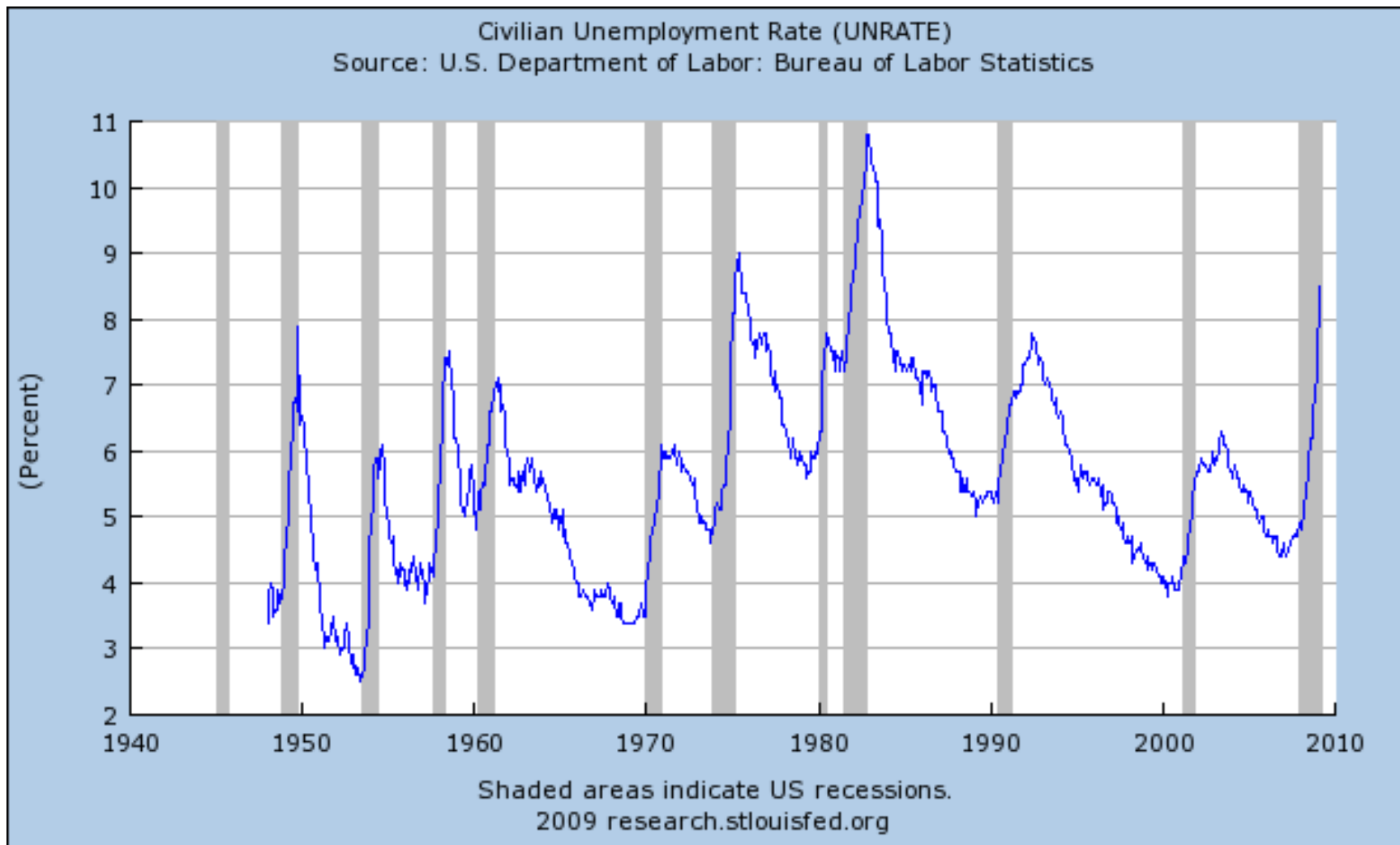


Why are consumers not spending?





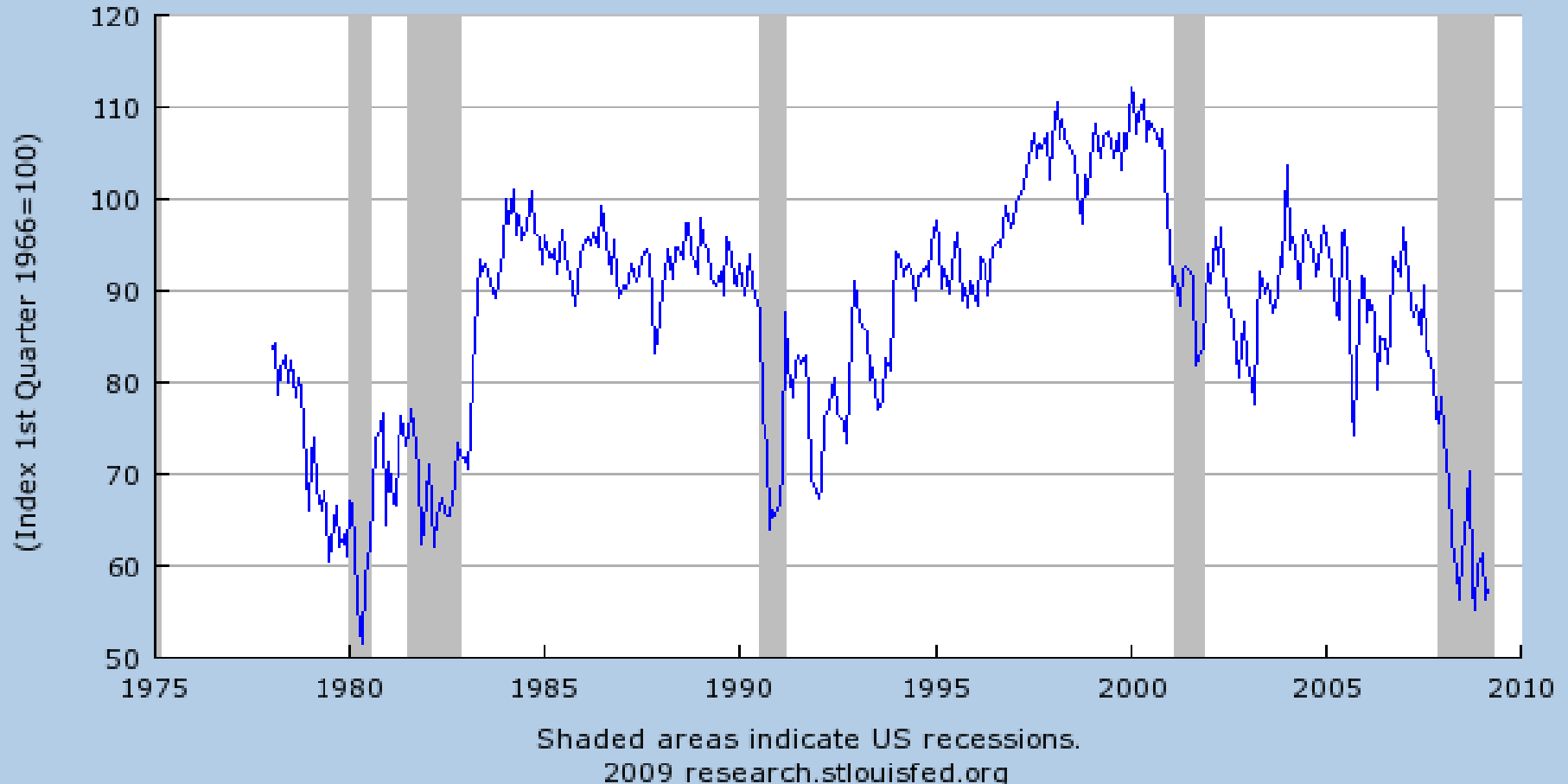
Unemployment





Consumer Sentiment

University of Michigan: Consumer Sentiment (UMCSENT)
Source: Survey Research Center: University of Michigan

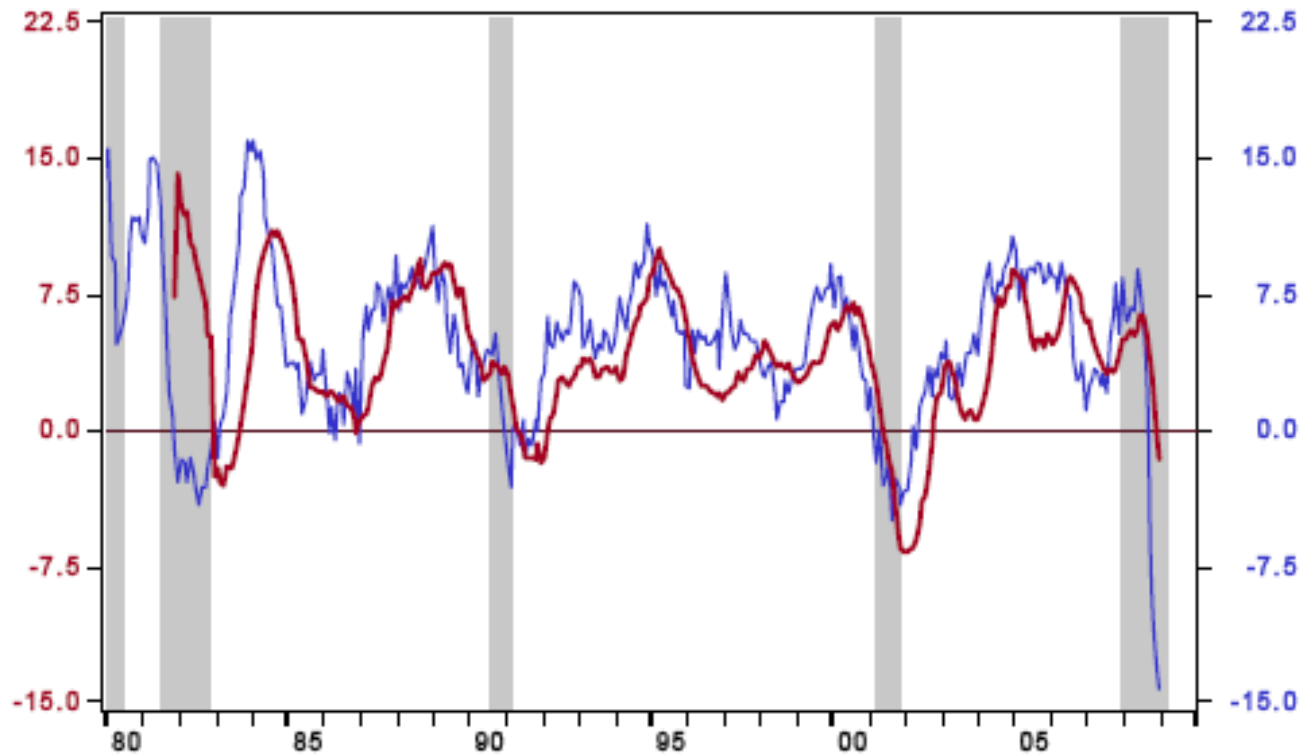




Business Inventories

Inventories: Total Business
% Change - Year to Year EOP, SA, Mil.\$

Sales: Total Business
% Change - Year to Year SA, Mil.\$

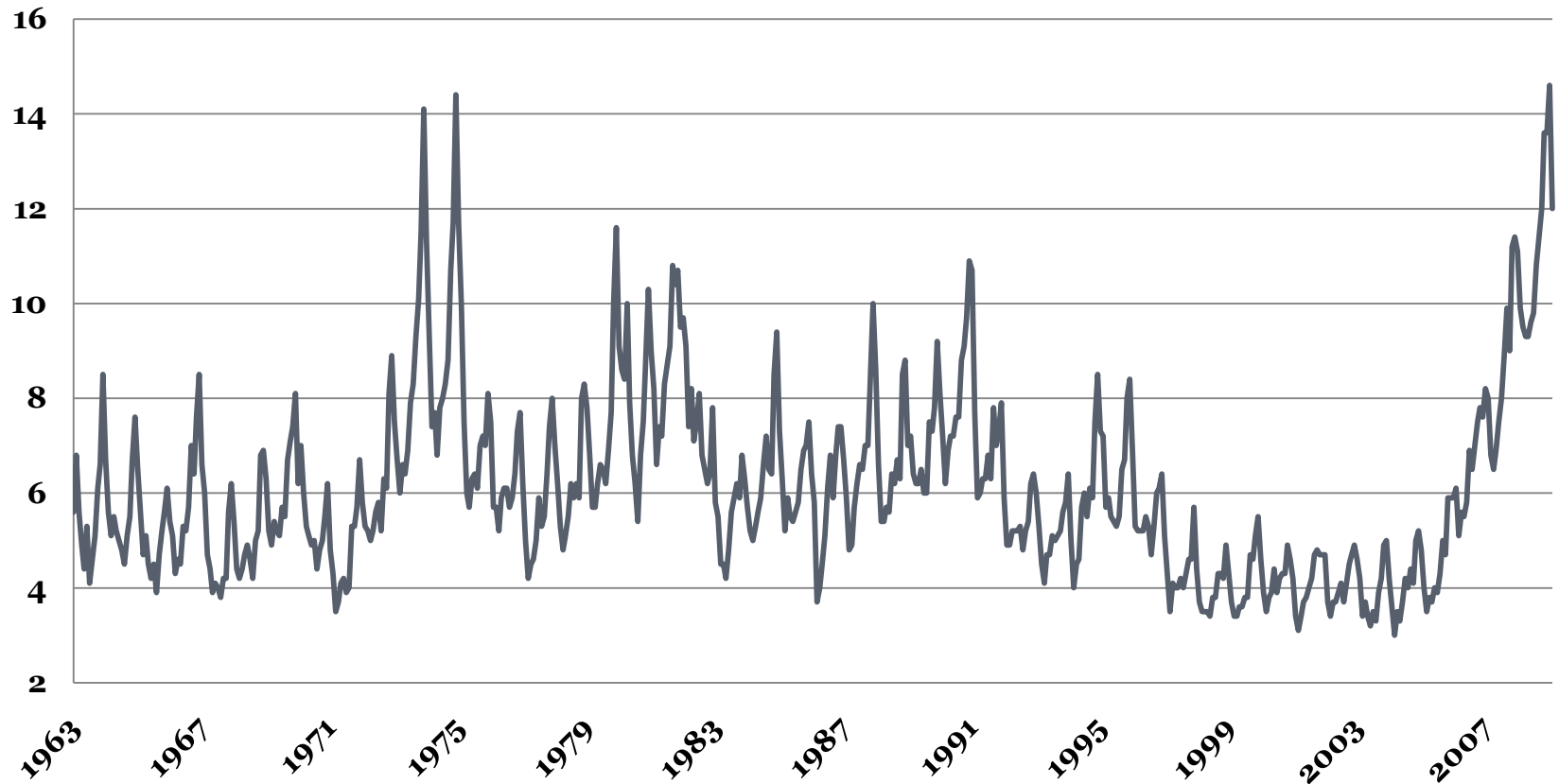


Source: Census Bureau, Haver Analytics



Housing

Months of Excess Supply



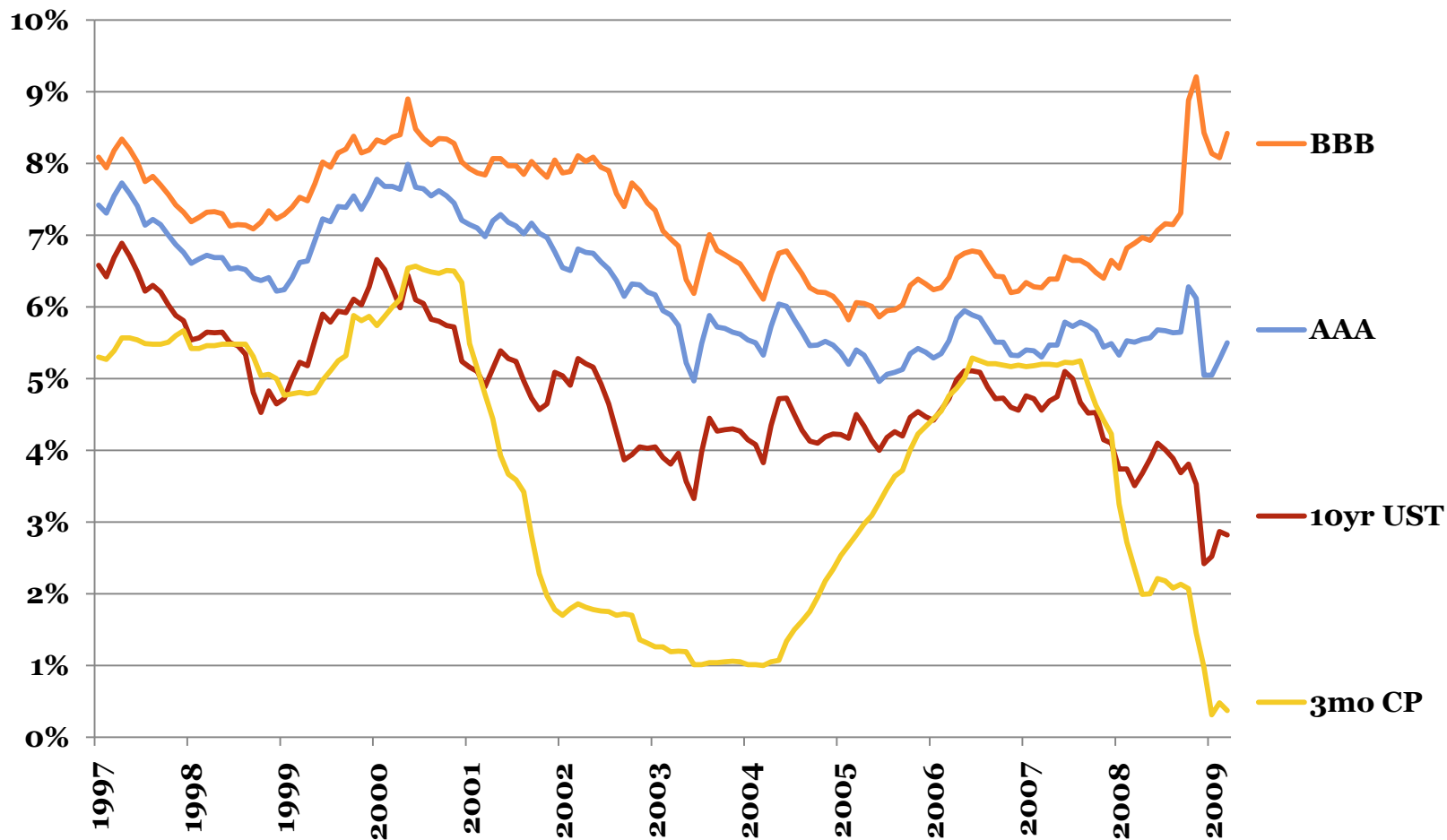


Commercial Real Estate

- The next shoe to drop?
 - Commercial Growth Properties default
- Rolling of debt will be difficult
- AIM visit to Transwestern
 - Sitting on hands, waiting for market to stabilize



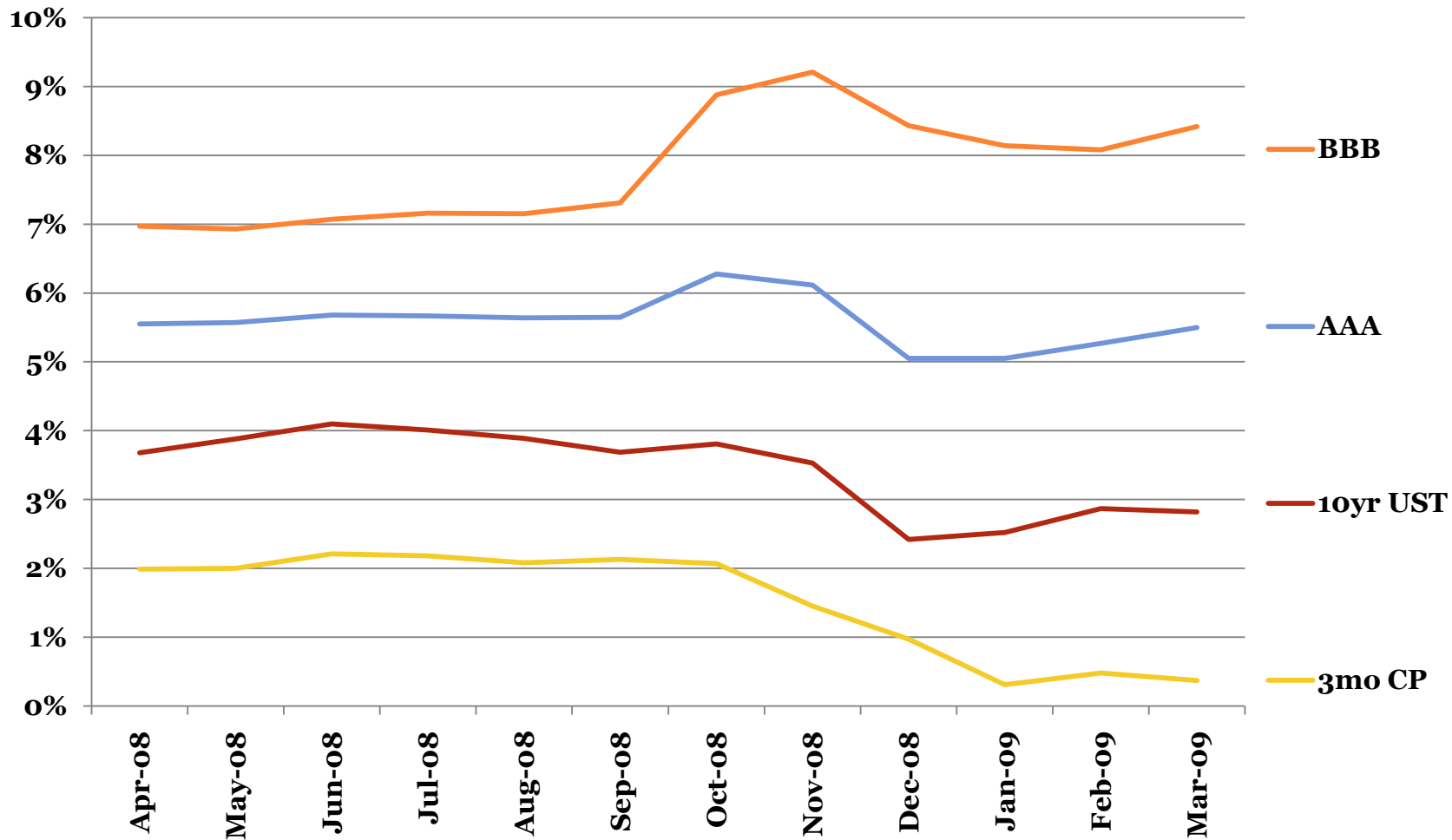
Credit Spreads



Source: St. Louis Fed Fred website



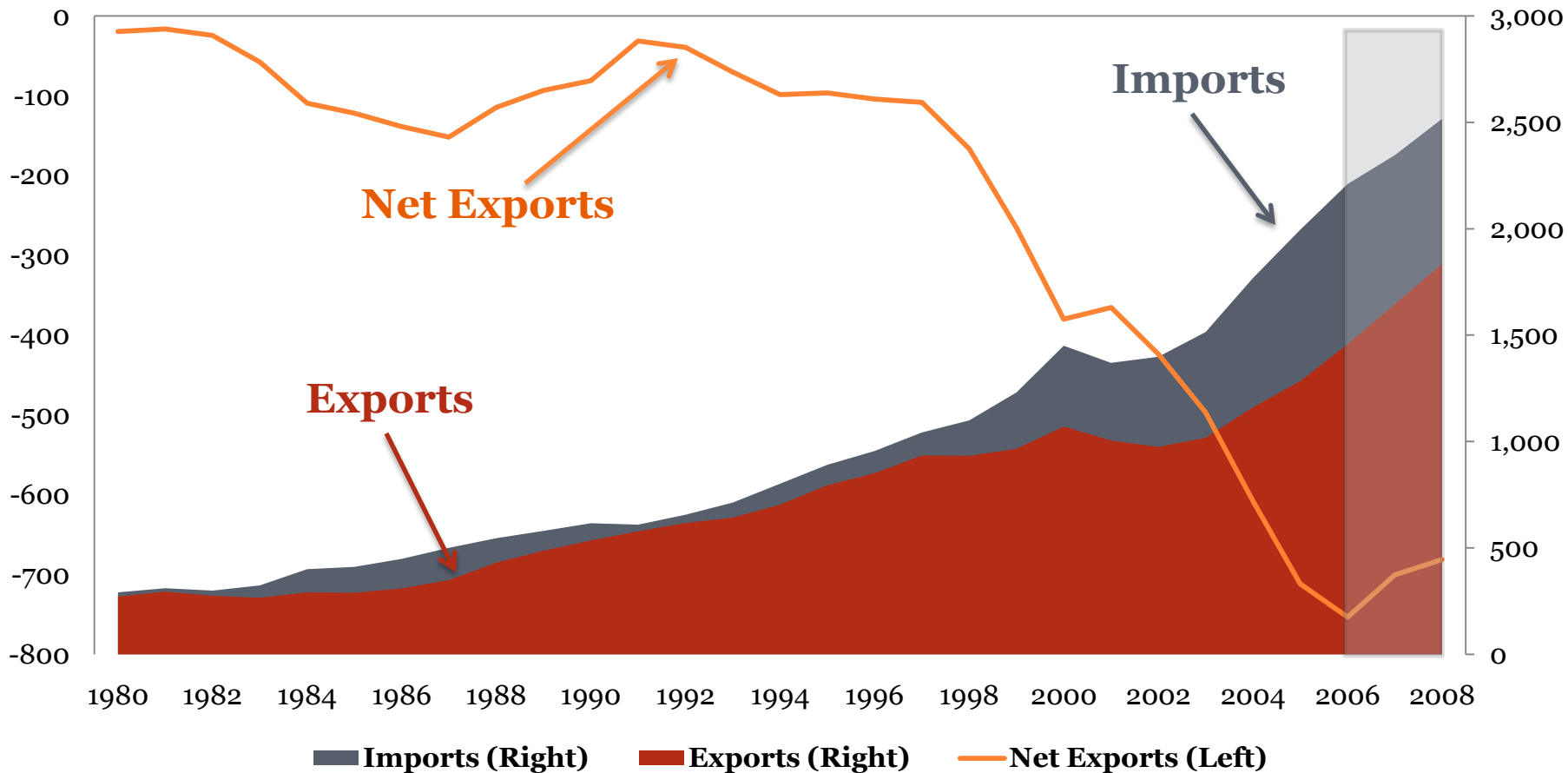
Credit Spreads



Source: St. Louis Fed Fred website



US Annual Net Exports (in \$ billions)

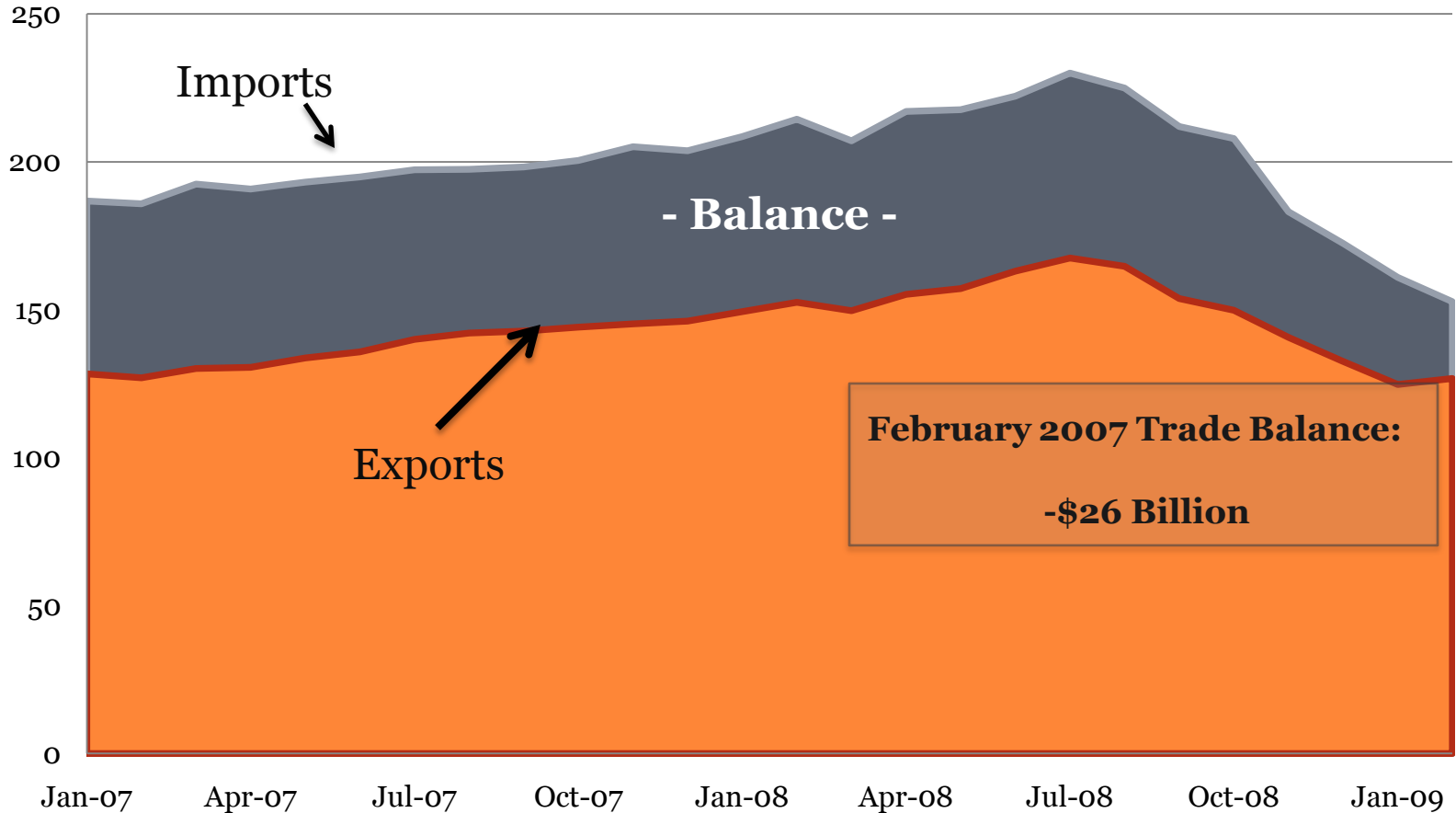


Source: U.S. Census Bureau



US Trade

US Monthly Imports/Exports (in \$ billions)



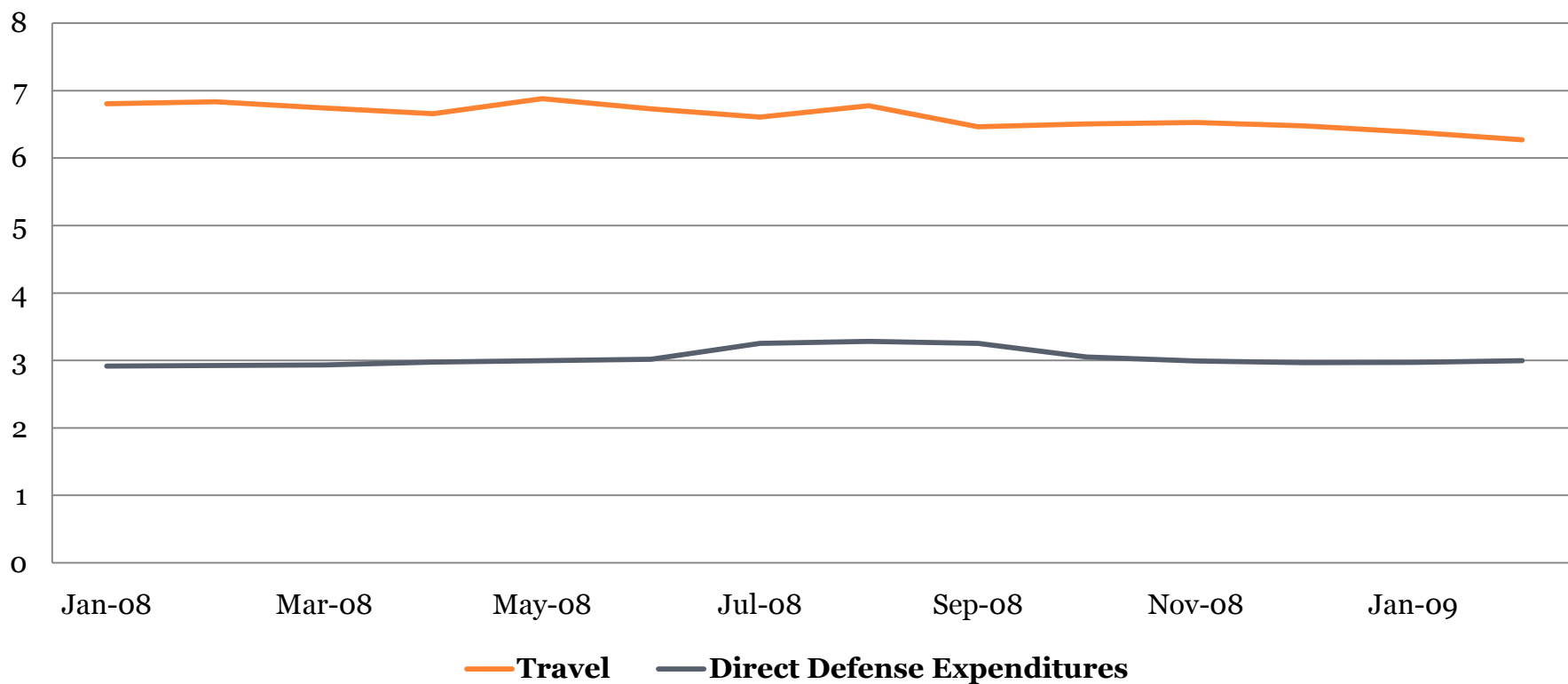
Source: U.S. Census Bureau



US Monthly Imports (in \$ billions)

Services

US Monthly Imports (in \$ billions)

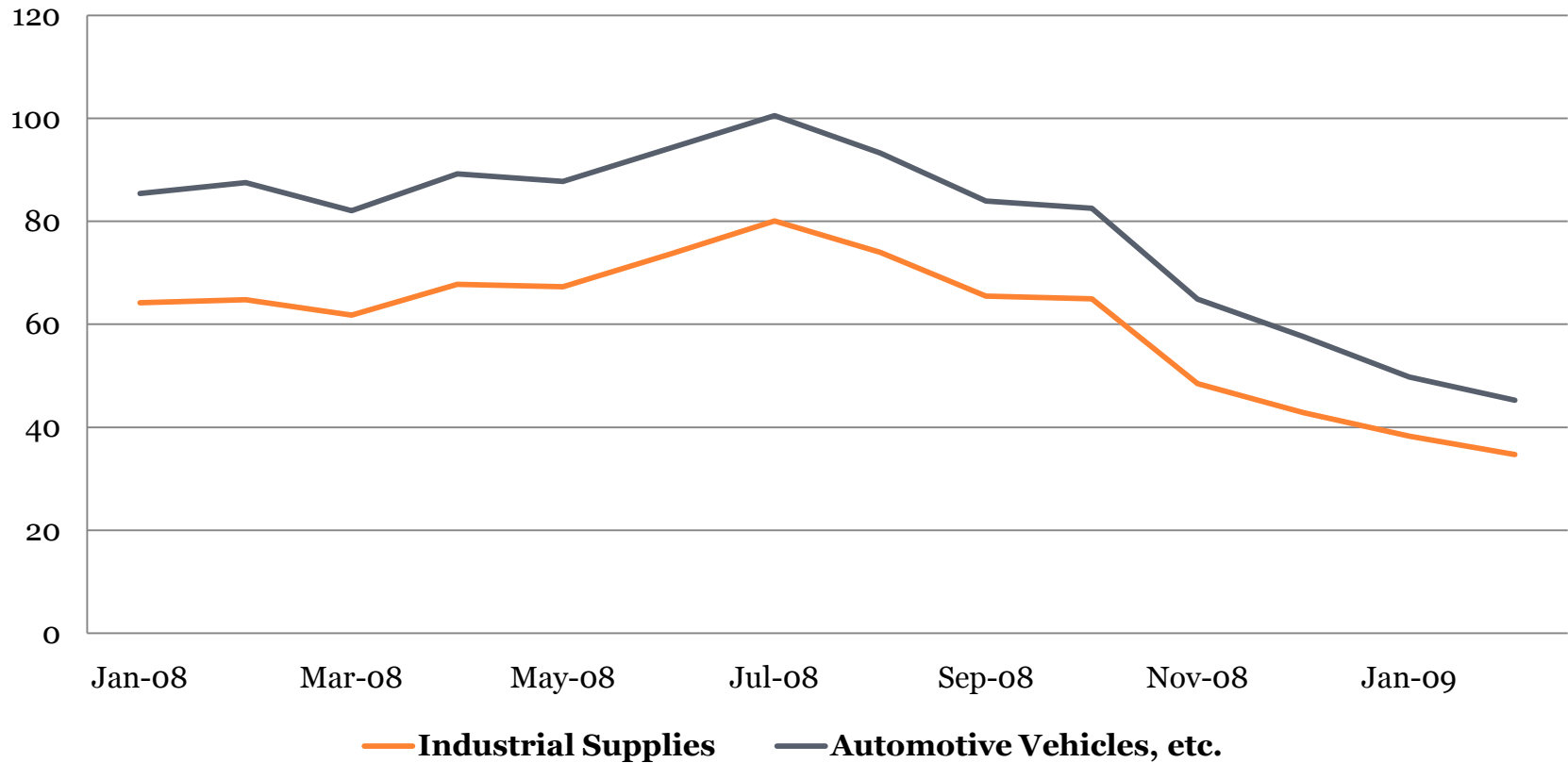


Source: U.S. Census Bureau



US Monthly Imports (in \$ billions)

Goods

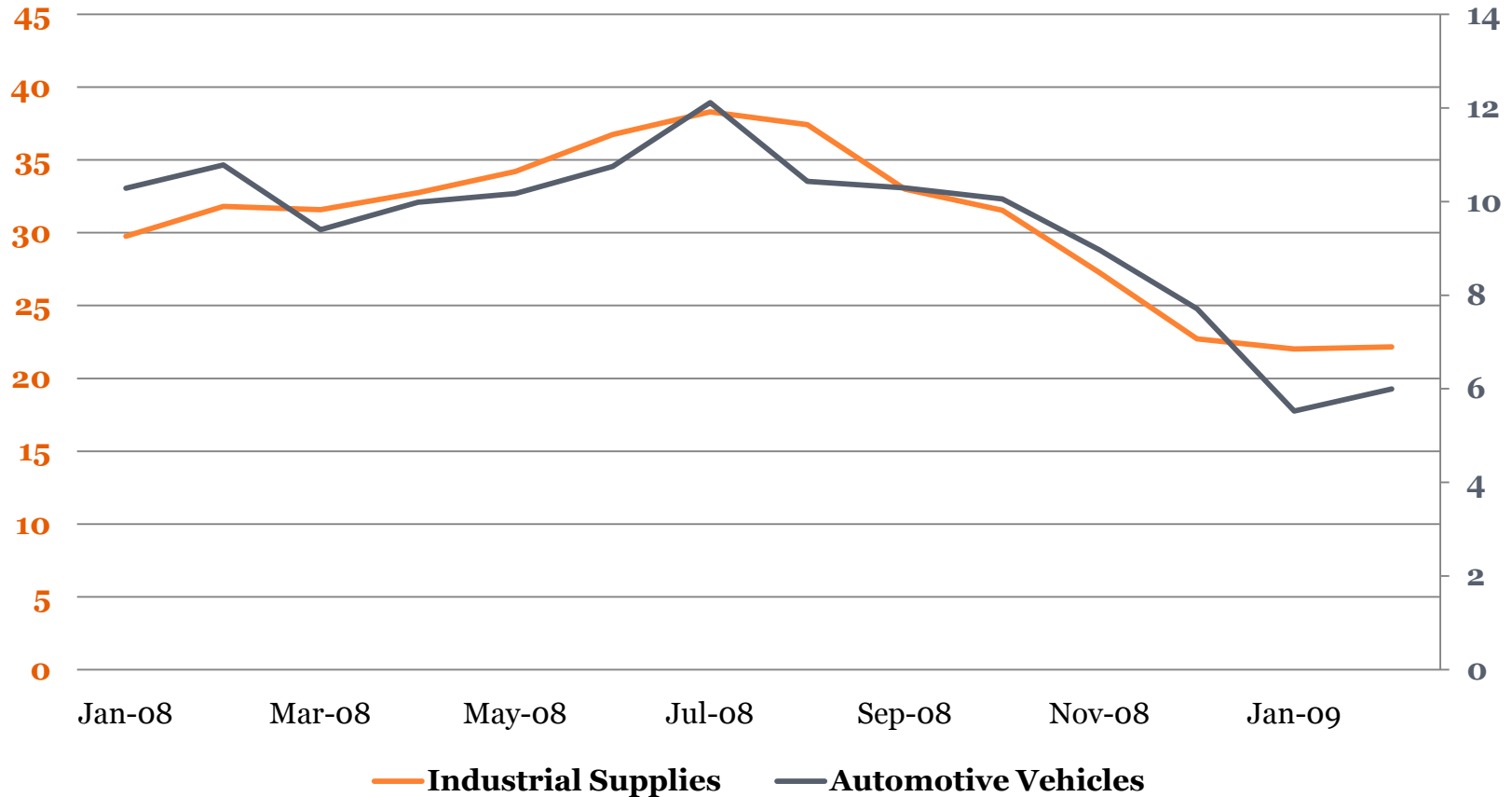


Source: U.S. Census Bureau



US Monthly Exports (in \$ billions)

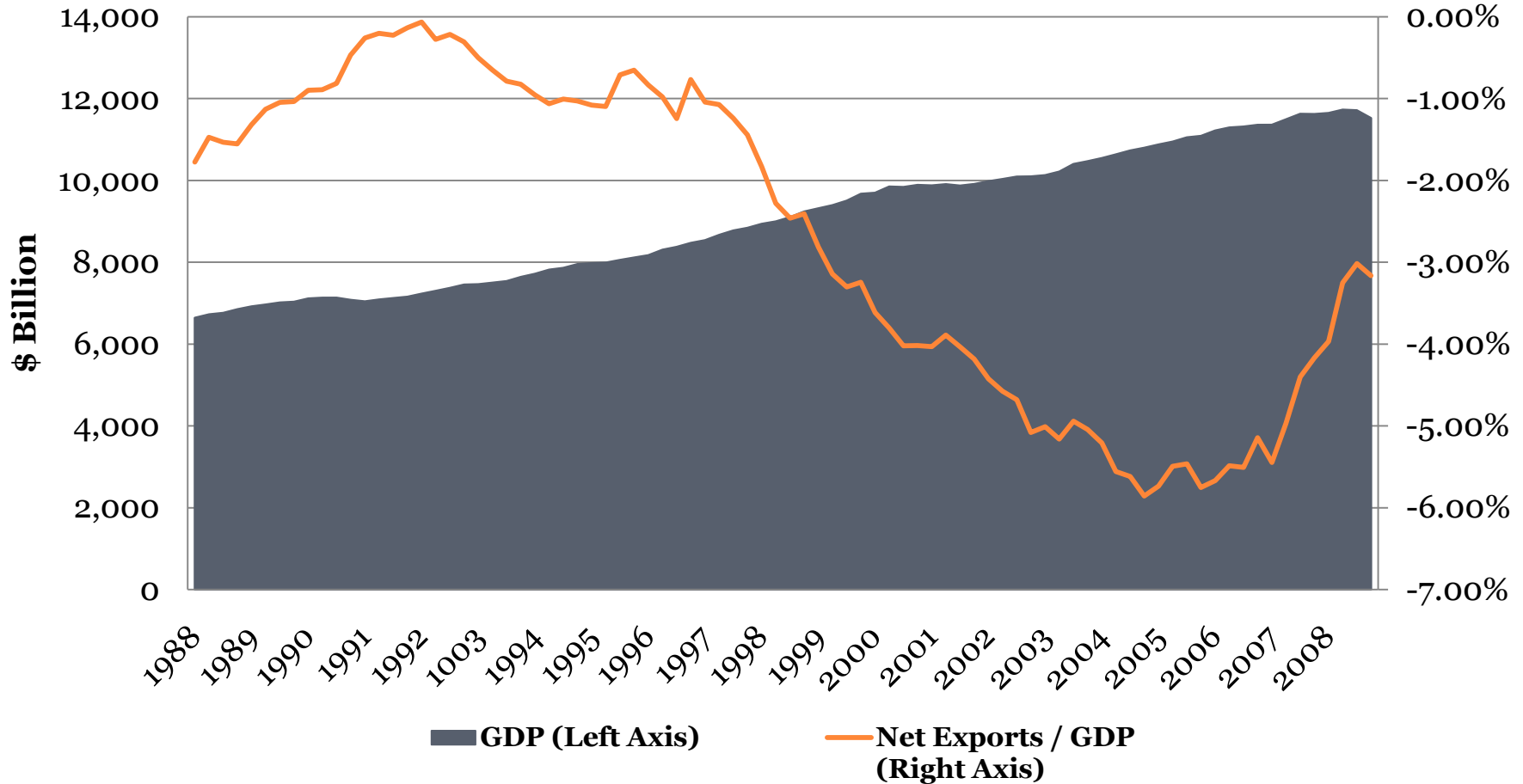
Goods



Source: U.S. Census Bureau



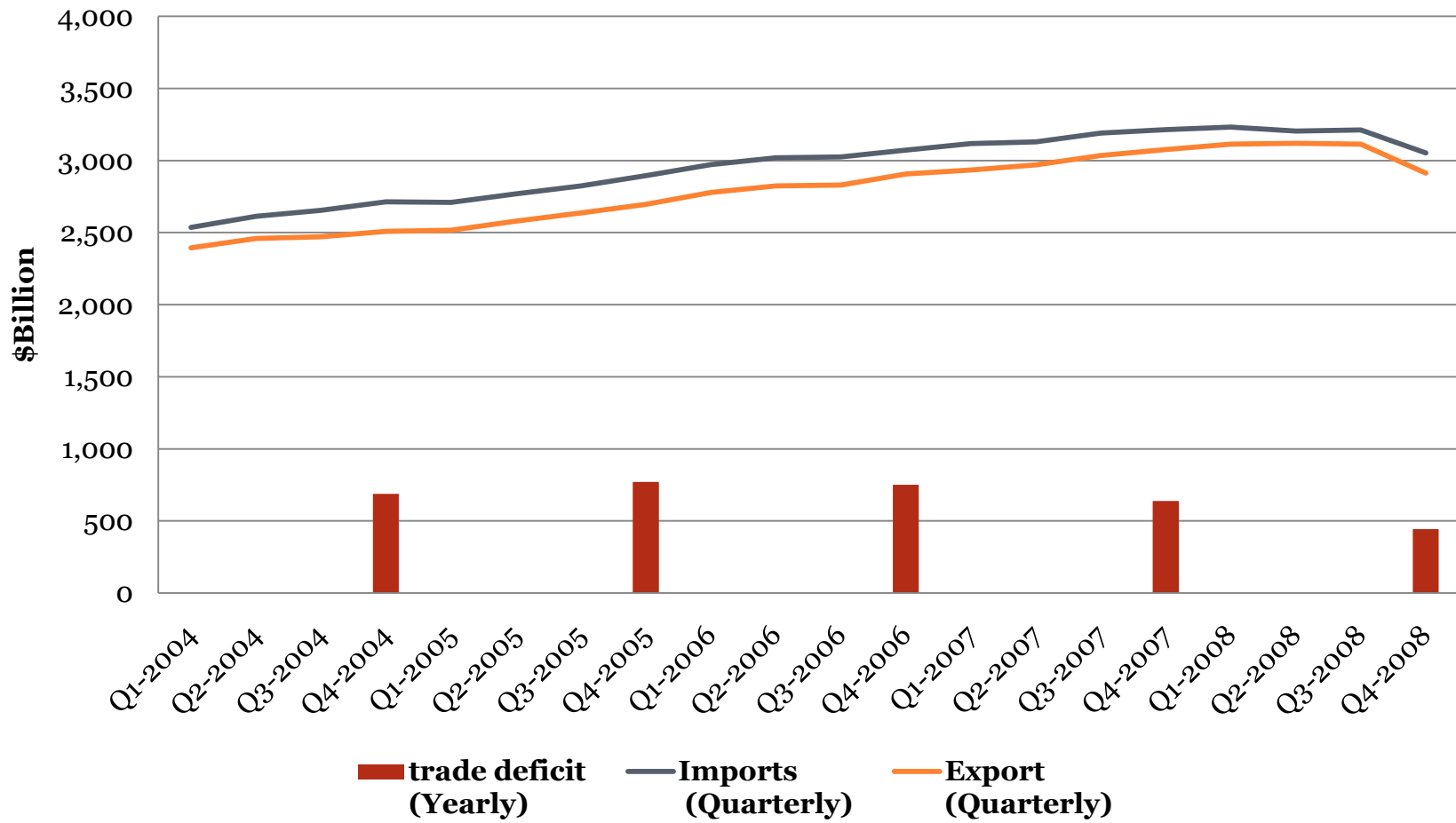
U.S. GDP & Net Exports as % of GDP



Source: Bureau of Economic Analysis



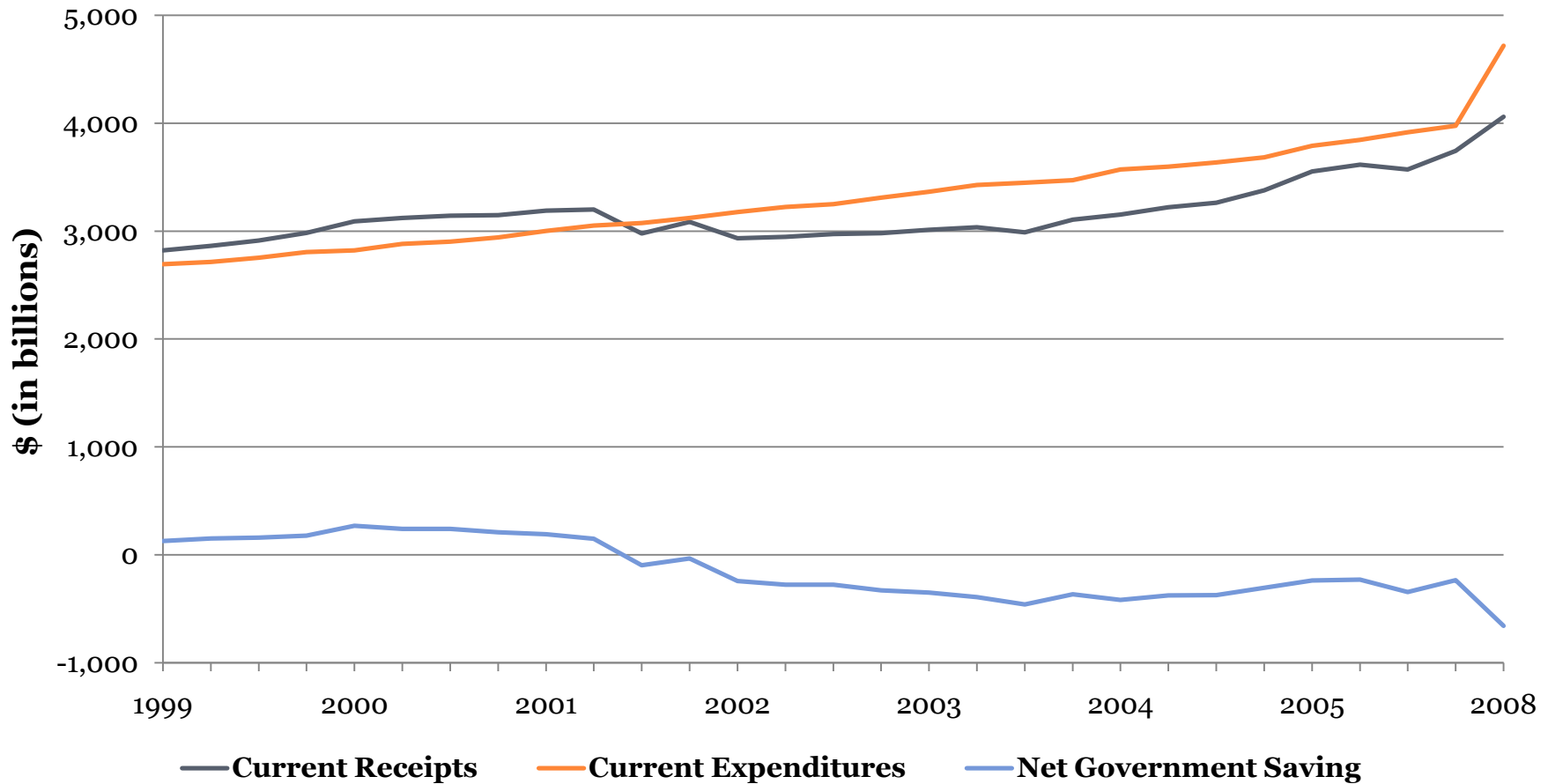
OECD Countries Imports/Exports



Source: stats.oecd.org



U.S. Government Expenditures



Source: Bureau of Economic Analysis



Federal Reserve Assets

Assets (in \$millions)	April 16, 2008	April 15, 2009	% Change
Total Assets	\$883,486	\$2,187,957	148%
<u>Selected Assets</u>			
Securities, Repos, Term Auction Credit, Other Loans	\$787,390	\$1,510,182	92%
Commercial Paper Lending Facility	\$0	\$238,439	NM
Central Bank Liquidity Swaps	\$36,000	\$293,533	715%

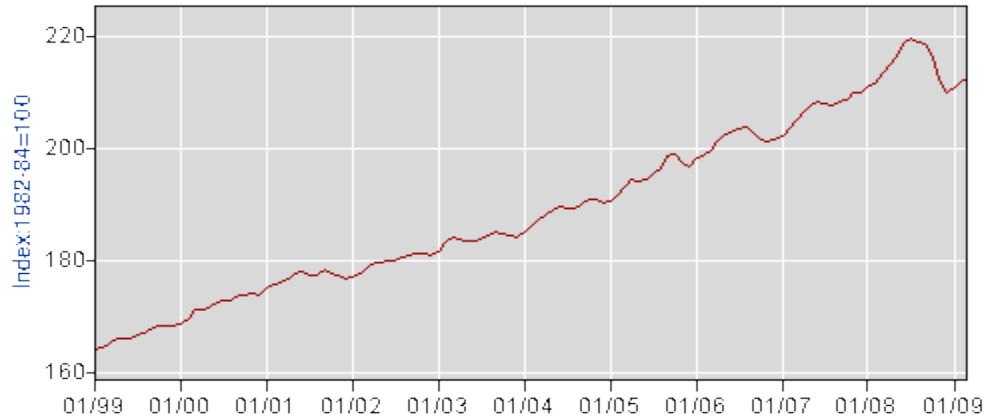


Source: Federal Reserve

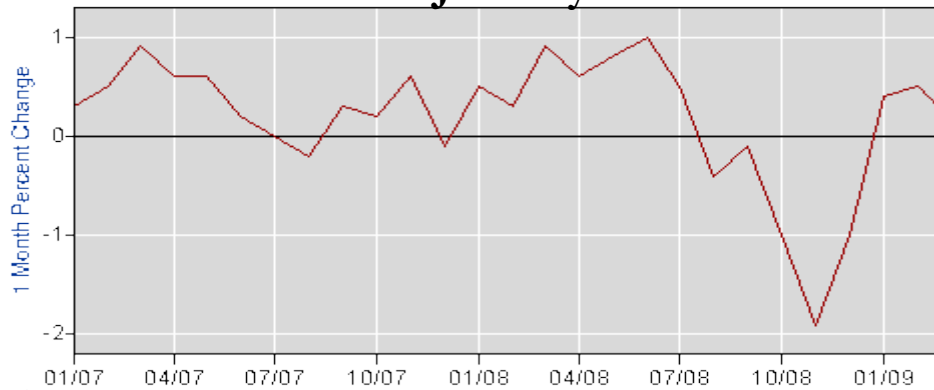


Inflation

CPI since 1999



CPI Month-to-Month % Change since January 2007



Source: Bureau of Labor Statistics



Economic Outlook

GDP	=	C	+	I	+	G	+	NX

- Return to positive GDP growth will take longer than anticipated
- Possible that GDP growth in all quarters of 2009 will be negative
- Deflation in the near-term; Inflation in 18-24 months



Security Analysis





Research Process

- Company background report
- Industry report
- Fundamental analysis
- Earnings forecast – next 4Q's
- Beta forecast
- Final valuation and recommendation
- Technical analysis



Analyst Presentations

<u>Analyst</u>	<u>Ticker</u>	<u>Focus</u>
Corey Breitfelder	CL	Discovery
Drew Hill	F	Industry Analysis
Carrick Bligh	CB	Fundamental Analysis
Marc Snover	CBRL	Earnings Forecast
Justin Adair	EPIQ	Beta/DCF
Drew Yergensen	GE	P/E
Pete Amstutz	ADM	Technical Analysis



Colgate-Palmolive Company (CL)

Market Price: \$ 57.61

Fwd P/E 14.23x

Market Cap \$ 30.27B

2009E Revenue \$ 15.84B

2009E EPS \$ 4.25

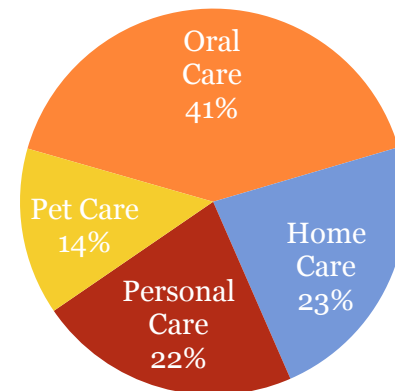




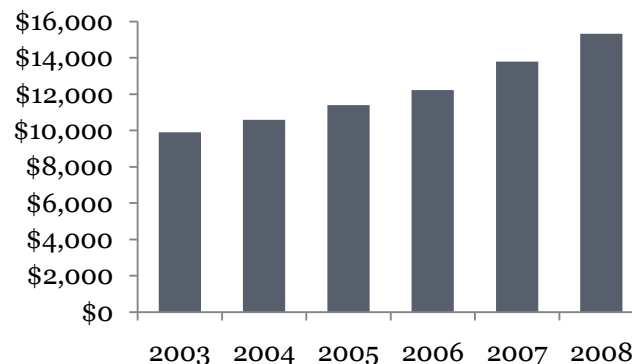
CL Business Overview

- Market leader in toothpaste & pet food:
 - Colgate (36% mkt share)
 - Hill's Science Diet (12%)
- Recession-resistant & strong value proposition to fight private labels
- Revenues growing at 9.1% CAGR
 - Volume growth
 - Price strength
 - International Success

Net Sales by Segment



Total Net Sales (\$MM)



Source: 2008 Colgate-Palmolive 10-K Report



CL Discovery

- Currently, Hill's Science Diet does not sell through big box retailers
- Quietly building plant in Emporia, KS:
 - Announced June, 2007¹, **\$100MM**
 - **300,000** sq ft, 100+ employees
 - Additional **\$25MM** expansion projects
 - **Increases capacity by over 100%**
 - Q1-2009 online job postings suggest opening soon
- Current Hill's US Manufacturing Plants²:

Location	Size (sq ft)	Employees
Richmond, IN	62,500	180
Topeka, KS	41,700	150
Topeka, KS	91,500	300
Bowling Green, KY	111,800	250
Total	307,500	880

1 – Source: Emporia Gazette

2 – Source: Dunn & Bradstreet



CL Discovery Implications

- Competitive Context: P&G purchases Iams in 1999¹
 - 1998: \$600MM sales (pre-acquisition)
 - 2003: \$1.6B (150% growth)
 - Minimal margin compression
- Part of success due to global expansion & better marketing, which Colgate will not achieve
- Safe to say Colgate expects at least 100% growth
- **PV of cash flows:**
 - **\$4.6B market cap (~15%)**
 - **\$8.50/share**

¹ – Packaged Facts, 2008



CL Recommendation → BUY

Valuation Method	Value	Weight	Weighted Value
Discounted Cash Flow	\$ 87.67	75.0%	\$ 65.75
Forward P/E Multiple	87.33	12.5%	10.92
Price-to-Book Multiple	69.34	0.0%	-
Dividend Discount	43.04	12.5%	5.38
Final Valuation			\$ 82.05
Current Price			\$ 57.61
Estimated Upside/(Downside)			42.4%



Ford Motor Company (F)

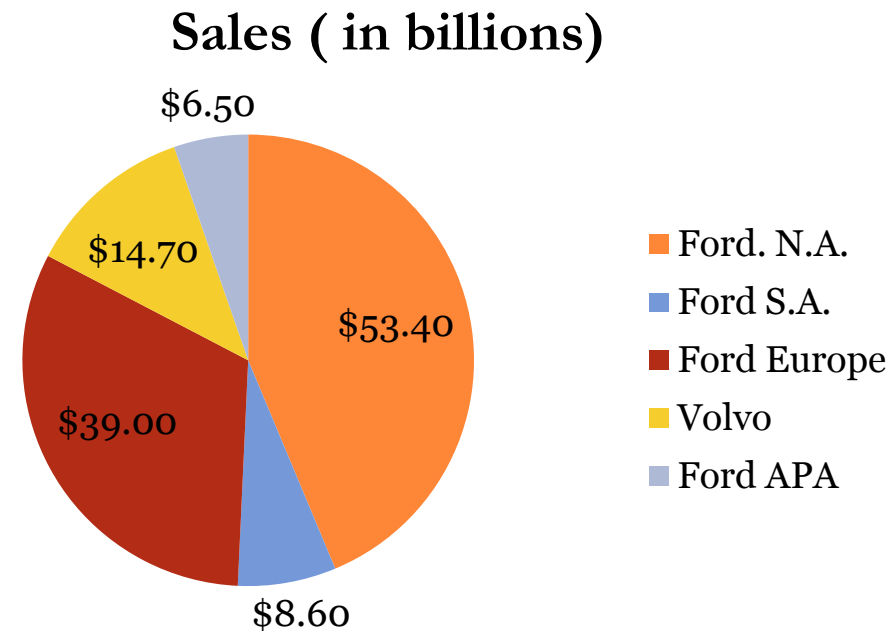
Market Price: \$ 4.02
Fwd P/E -5.16x
Market Cap \$ 9.92B
2009E Revenue \$ (1.93B)
2009E EPS \$ (0.69)





F Business Overview

- Ford, Lincoln, Mercury, Volvo, Mazda
 - Mazda sold
 - Volvo does not share plants, platforms.
- Ford Credit functions in
 - auto loans
 - dealer financing
 - lease financing

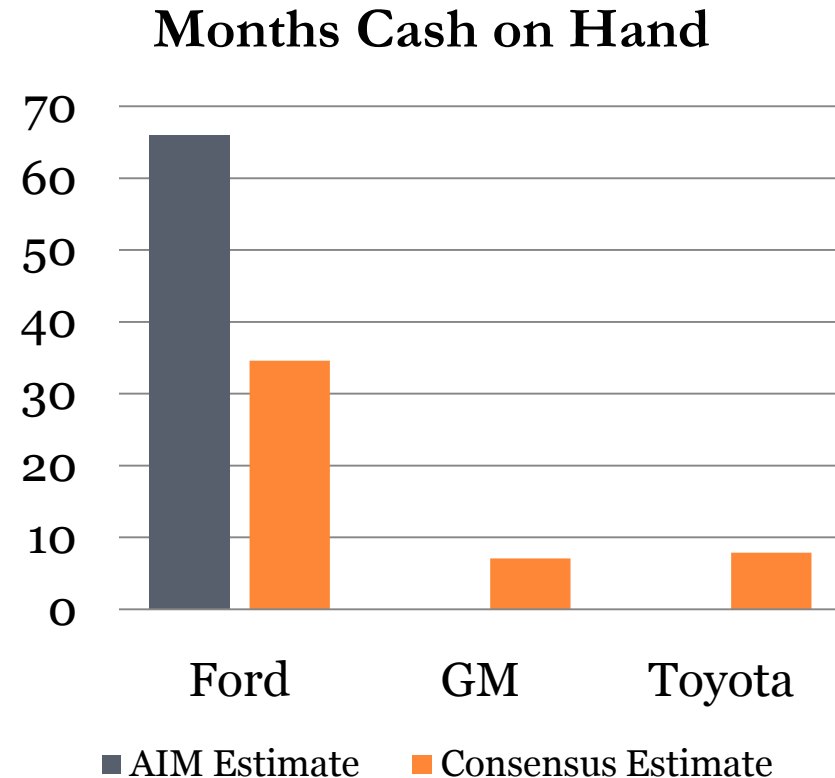


Source: 2008 Ford Motor Company 10-K Report



F Industry Analysis

- Auto industry seeing large order decline from global recession
 - Cash on hand is key
- Domestic producers still must lower legacy costs



Source: 2008 Ford Motor Co. 10-K, General Motors Corp. 10-K, Toyota 10-K, WSJ



F Industry Analysis

- Ford has lost market share YOY since 2004 – until 2009
- Increased U.S. production by Asia-Pacific automakers
 - Toyota hourly cost: \$49.50
 - Ford hourly cost: \$54.50

Ford U.S. Market Share



Source: 2008 Ford Motor Company 10-K Report, WSJ



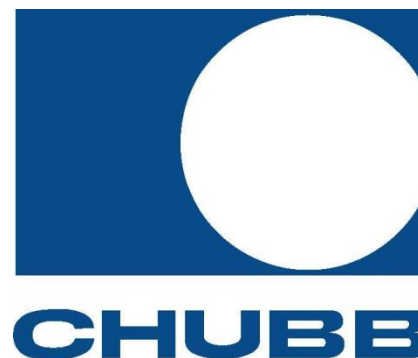
F Recommendation → BUY

Valuation Method	Value	Weight	Weighted Value
Discounted Cash Flow	\$ 6.41	60%	\$ 3.85
Forward P/E Multiple	3.57	0%	-
Price-to-Sales Multiple	10.23	20%	2.05
Book Value	0.00	20%	0.00
Final Valuation			\$ 5.89
Current Price			\$ 4.02
Estimated Upside/(Downside)			46.62%



The Chubb Corporation (CB)

Market Price	\$42.13
Fwd P/E	7.78
Market Cap	\$14.21B
2009E Revenue	\$13.8B
2009E EPS	\$5.65

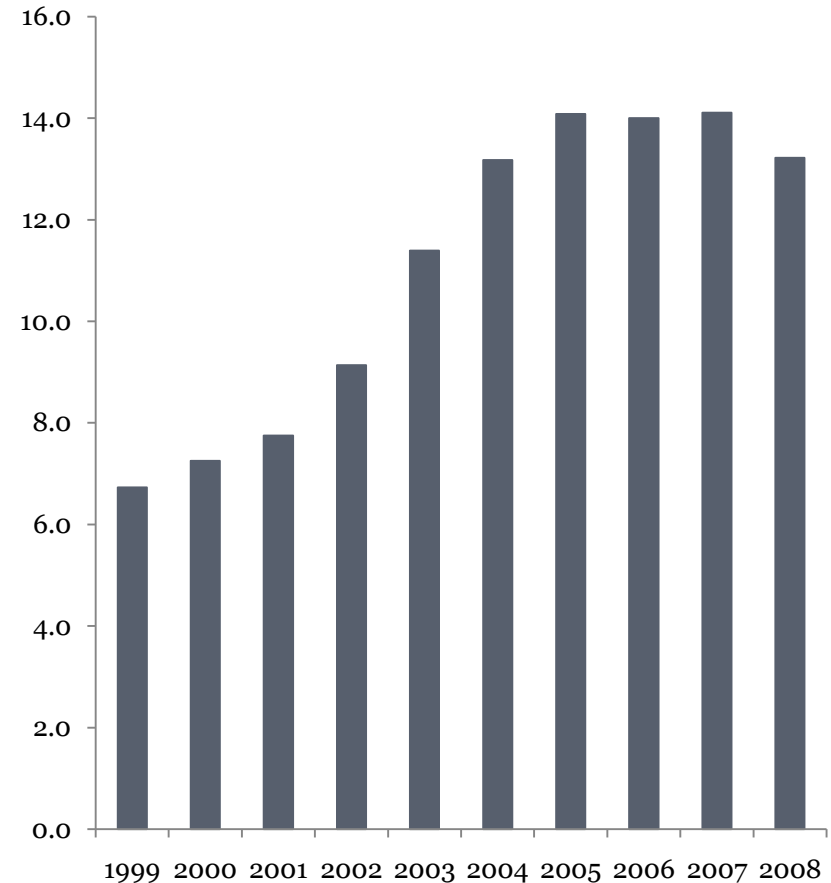




CB Business Overview

- P&C insurance company
- 3 Strategic Business Units (CSI, CCI, CPI)
- Management change in late 2002
- Expense control and underwriting initiatives

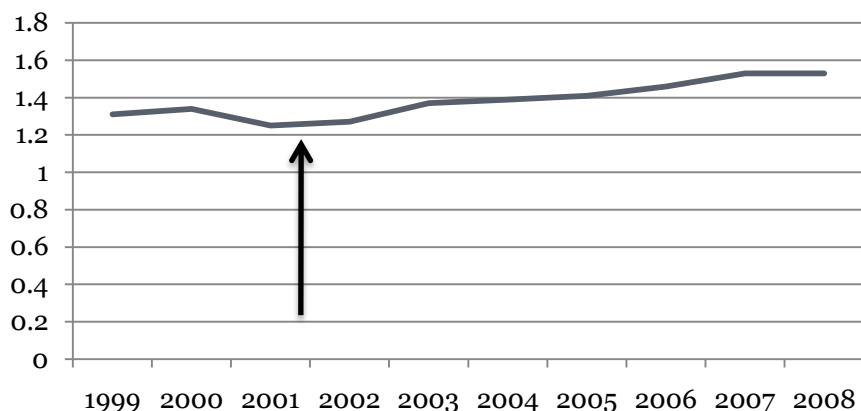
Revenues (\$ billion)



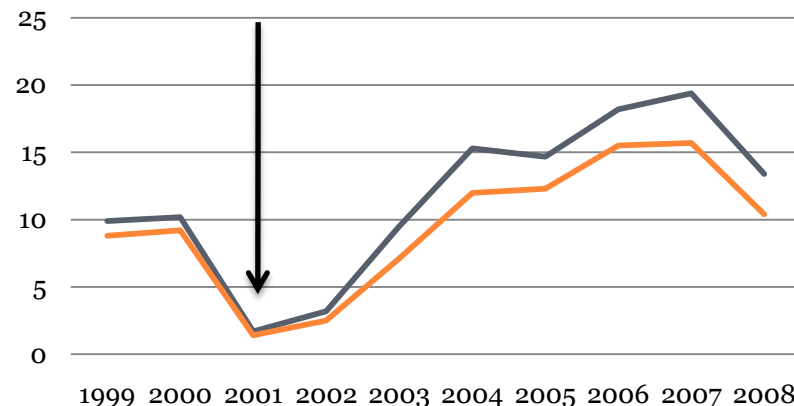


CB Fundamentals & DuPont Analysis

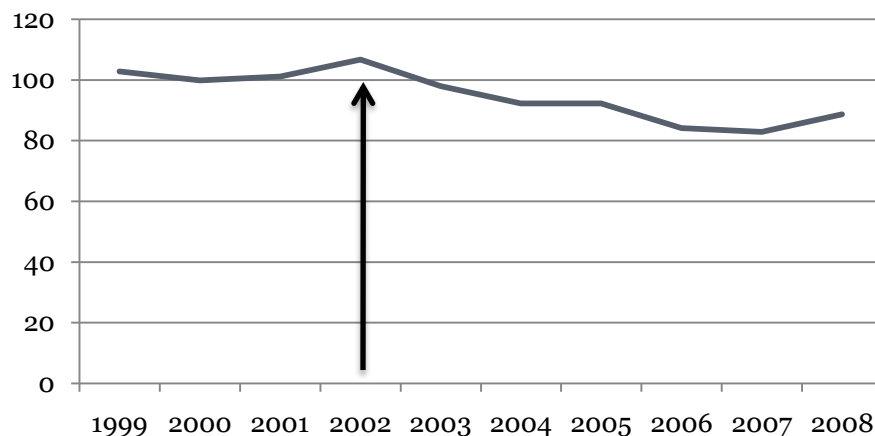
Liquidity - Current Ratio



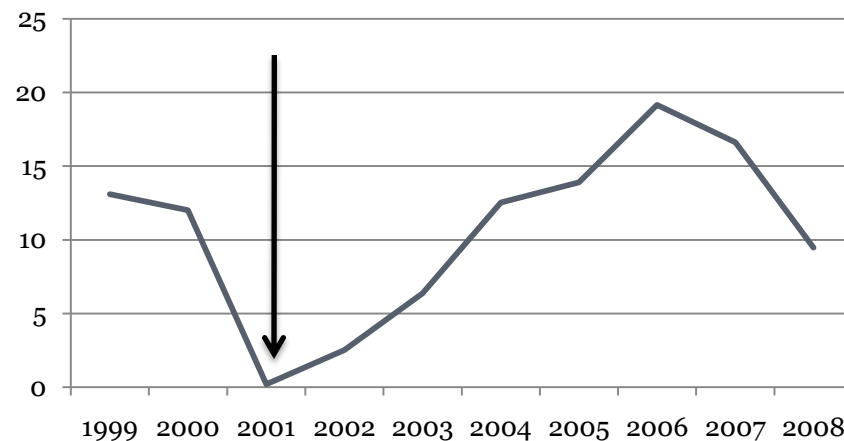
Profitability - ROE & ROC



Oper. Perf. - Combined Ratio



Solvency - Interest Coverage





CB Recommendation → BUY

Valuation Method	Value	Weight	Weighted Value
Discounted Cash Flow	\$ 71.39	50.0%	\$ 35.70
Forward P/E Multiple	38.89	20.0%	7.78
Price-to-Op. Profit Multiple	53.14	30.0%	15.94
Final Valuation			<u>\$ 59.42</u>
Current Price			\$ 42.13
Estimated Upside/(Downside)			41%



Cracker Barrel Old Country Store, Inc (CBRL)

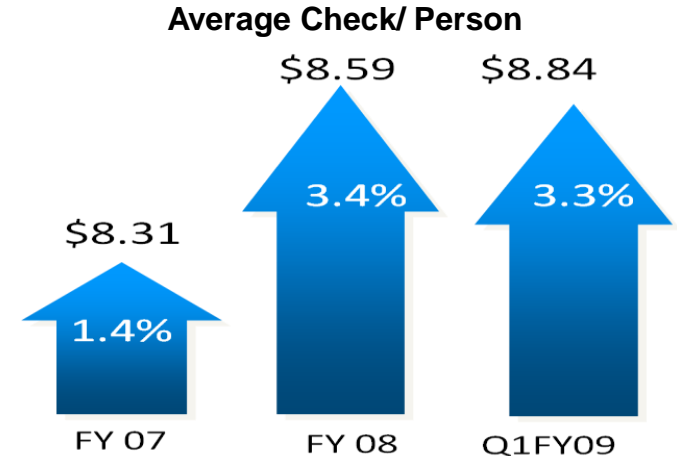
Market Price: \$ 33.40
Fwd P/E 11.44x
Market Cap \$ 749.5M
2009E Revenue \$ 2.37B
2009E EPS \$ 3.06





CBRL Business Overview

- Full service restaurant chain operating 590 stores in 41 states
- Entered into sale/leasebacks in 15 of 409 owned stores
 - Proceeds of \$55-60 million (\$3 million/store)
- New focus on cost cutting measures
- Consistently able to raise menu prices without affecting foot traffic numbers



Source: Wall Street Research, SEC Filings



CBRL Real Estate Valuation

- Of the 590 stores, 394 are owned by CBRL

(#s in thousands where applicable)

	Low	Mid	Expected	High
# of Cracker Barrel units owned	394	394	394	394
Avg. cost/price per unit	\$ 2,500	\$ 2,750	\$ 3,000	\$ 3,250
Total S/L Proceeds	985,000	1,083,500	1,182,000	1,280,500
Less: Adjusted Book Debt	(723,000)	(723,000)	(723,000)	(723,000)
Remaining S/L Proceeds	262,000	360,500	459,000	557,500
Shares Outstanding	22,597	22,597	22,597	22,597
Est. RE Liquidation Value	\$ 11.59	\$ 15.95	\$ 20.31	\$ 24.67
Current Share Price	\$ 33.40	\$ 33.40	\$ 33.40	\$ 33.40
Difference			\$ 13.09	\$ 8.73
EPS			\$ 3.06	\$ 3.06
Price/Earnings			4.28	1.39
Post Sale/Leaseback Financials	Low	Mid	Expected	High
Total Revenue	\$ 2,394.50	\$ 2,394.50	\$ 2,394.50	\$ 2,394.50
Current EBITDA	204.9	204.9	204.9	204.9
Less: Rent at 8.5% cap rate	(83.73)	(92.10)	(100.47)	(108.84)
Adjusted EBITDA	\$ 121.19	\$ 112.81	\$ 104.44	\$ 96.07

Source: Wall Street Research



Future EPS Growth

	Q1	Q2	Q3	Q4	FY EPS
2006	\$ 0.51	\$ 0.61	\$ 0.47	\$ 0.82	\$ 2.41
2007	0.57	0.6	0.44	1.15	2.76
2008	0.57	0.85	0.46	0.91	2.79
2009	0.57	0.81	0.53	1.12	3.06
2010	0.65	0.84	-	-	3.16
Avg	0.56	0.72	0.46	0.96	2.69
% of total	21%	27%	17%	36%	



CBRL Recommendation → BUY

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Discounted Cash Flow	\$ 47.55	55%	\$ 26.15
Forward P/E Multiple	33.43	45%	15.04
Book Value	3.97	0%	0.00
Final Valuation			<u><u>\$ 41.20</u></u>
Current Price			\$ 33.40
Estimated Upside/(Downside)			23%



EPIQ Systems, Inc. (EPIQ)

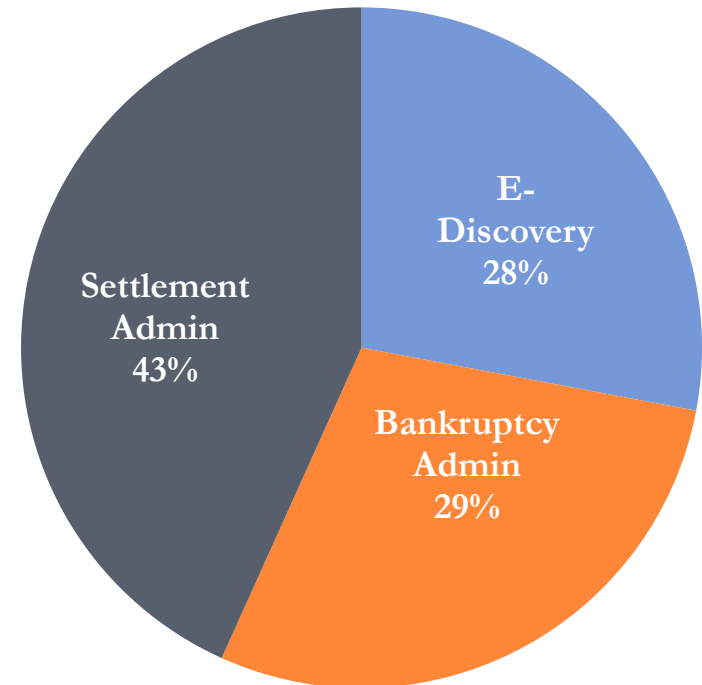
Market Price: \$16.22
Fwd P/E: 33.0x
Mkt Cap: \$523 M
Rev (2009E): \$297.4 M
2009E EPS: \$0.40





EPIQ Business Overview

- Provide integrated technology solutions to the legal profession which streamline the administration of bankruptcy and litigation
- Three operating segments:
 - Electronic Discovery
 - Bankruptcy Administration
 - Settlement Administration
- US-focused, however recent UK acquisitions will broaden revenue base



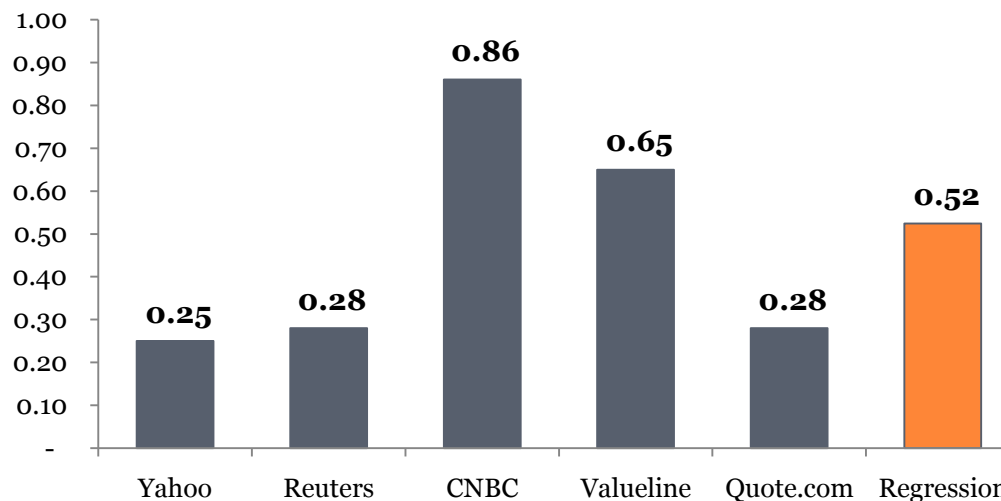


EPIQ Beta Calculation

Beta Sensitivity	
Regression Beta	0.52
WACC	5.4%
FCF Valuation	\$18.76
Yahoo Finance Beta	0.25
WACC	4.1%
FCF Valuation	\$26.45
CNBC Beta	0.86
WACC	6.9%
FCF Valuation	\$13.07

Beta Estimation Results				
Method	Raw Beta	Adjusted Beta	t-Stat	Adj R ²
5 Year Daily Returns	0.23	0.49	16.41	17.61%
3 Year Daily Returns	0.29	0.52	14.46	21.62%
5 Year Weekly Returns	0.18	0.45	5.33	9.53%
5 Year Monthly Returns	0.06	0.37	0.97	-0.11%

Beta Estimations





EPIQ FCF Key Drivers

- **E-Discovery:** Strong organic growth of ~20% next 3 years
- **Bankruptcy:** Rise in Bankruptcies and ST Interest Rates drives med-term performance
- **Settlement:** Lumpy, uncertain revenue forecasts

- **Revenues:** Grow at declining rates from 20% to 13% over 5 yr forecast period as “recession boom” slows
- **Expenses:** Conservative COGS & SGA estimates reflect a gradual realization of past acquisition synergies
- **Terminal Growth Rate:** Conservative 3.5% estimate in line with LT GDP growth



EPIQ Recommendation → BUY

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Discounted Cash Flow	\$ 18.76	80%	\$ 15.01
Forward P/E Multiple	13.25	10%	1.33
Price-to-Sales Multiple	16.21	10%	1.62
Final Valuation			<u><u>\$ 17.95</u></u>
Current Price			\$ 16.22
Estimated Upside/(Downside)			10.7%



General Electric (GE)

Market Price: \$ 11.68
Fwd P/E 9.2x
Market Cap \$ 123.8B
2009E Revenue \$ 171B
2009E EPS \$ 1.28



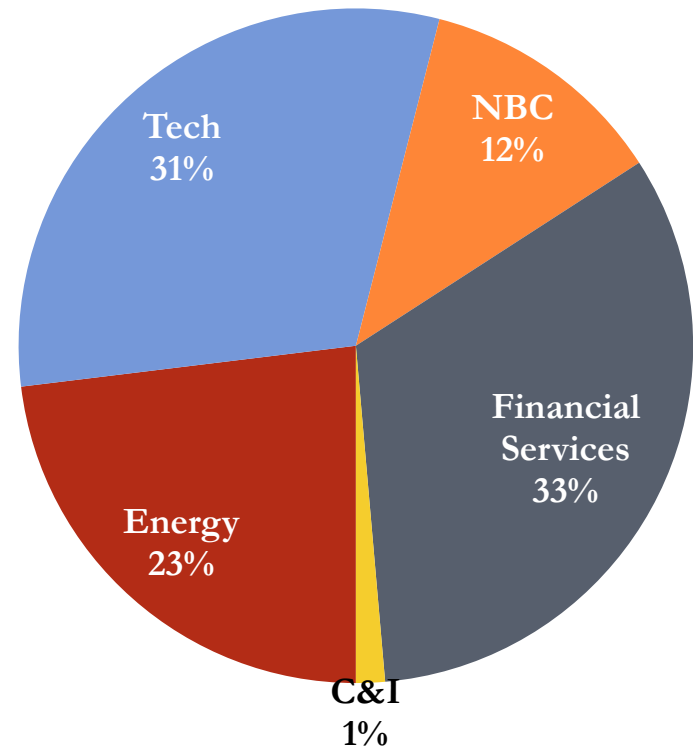


GE Business Overview

- \$45 billion excess cash - protect core strategy
- Outlook: Shrink GE Capital, Increase R&D in Energy & Tech
- Positioned well for government economic involvement
- Stable credit rating for next 18 months
- Dividend cut to preserve \$9 billion

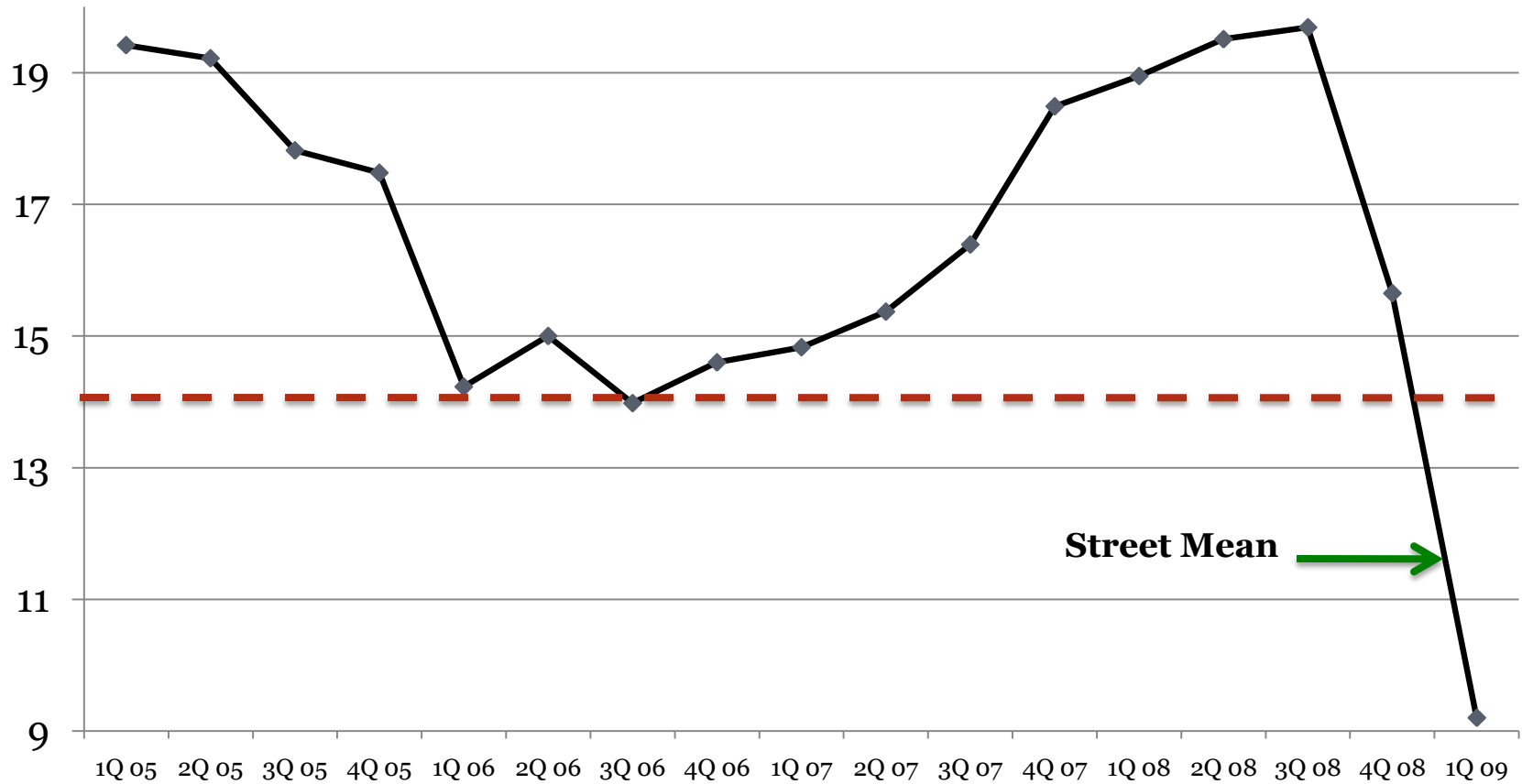
Source: 2008 GE 10-K Report

FYE 2008 Earnings





GE Implied Forward P/E



Source: Yahoo Finance



GE Recommendation → BUY

Valuation Method	Value	Weight	Weighted Value
Discounted Cash Flow	\$ 14.68	60%	\$ 8.81
Forward P/E Multiple	18.18	20%	3.64
Book Value	9.93	20%	1.99
Final Valuation			\$ 14.43
Current Price			\$ 11.68
Estimated Upside/(Downside)			19.1%



Archer Daniels Midland(ADM)

Market Price: \$ 27.78

Fwd P/E 10.31x

Market Cap \$ 16B

2009E Revenue \$ 73.3B

2009E EPS \$ 3.50





ADM Technical Analysis

S&P 500 Index (2 Years)





ADM Technical Analysis

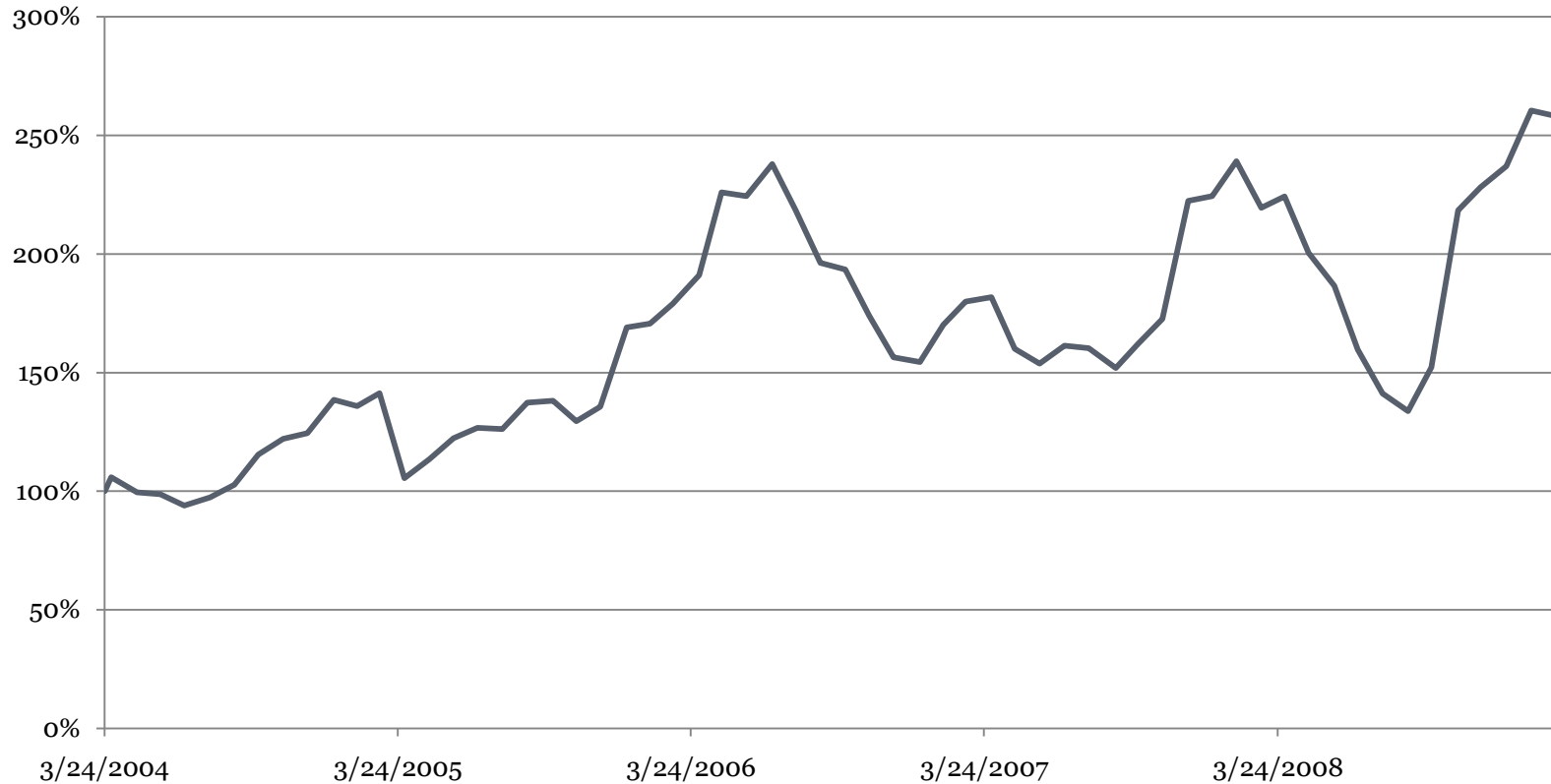
Euro/Yen Cross (1 Year)





ADM Technical Analysis

Relative Strength vs. S&P 500





ADM Technical Analysis

ADM Daily (1 Year)





ADM Technical Analysis

ADM Fear/Greed (2 Years)





ADM Recommendation → BUY

Valuation Method	Value	Weight	Weighted Value
Discounted Cash Flow	\$45.78	50%	\$22.89
Forward P/E Multiple	\$41.75	20%	\$8.35
P/E Multiple	\$36.24	20%	\$7.25
Price to Book Value	\$41.88	10%	\$4.19
Final Valuation			\$42.68
Current Price			\$27.78
Estimated Upside/(Downside)			54%

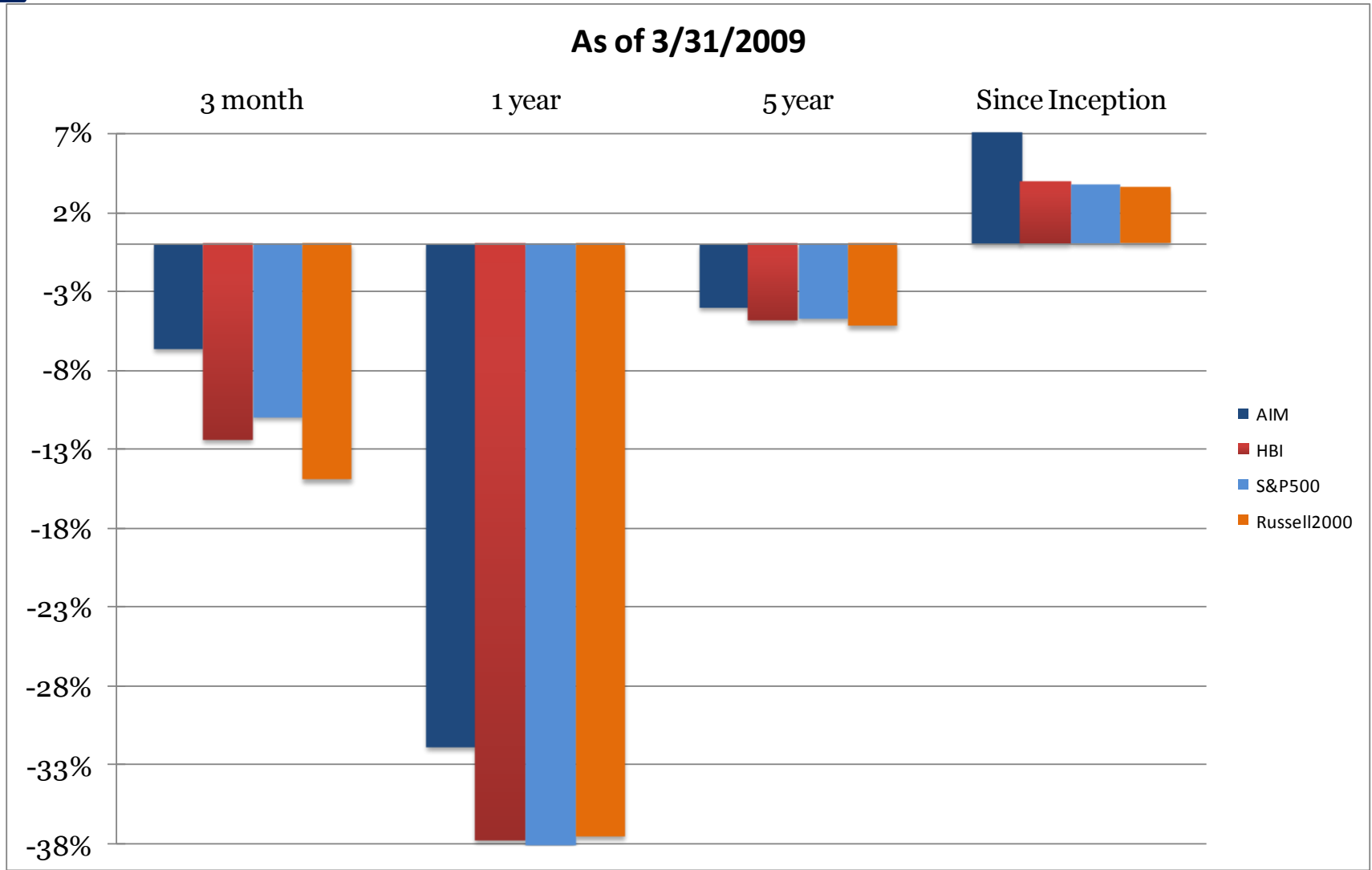


Portfolio Performance





Performance vs. Key Benchmarks





Portfolio turnover

Sell

- Apple
- BJ Services
- Barrick Gold
- Buffalo Wild Wings
- Caterpillar
- Dentsply
- EMC
- Goldman Sachs
- Graco
- Ormat
- Pharma Product Dev
- Tupperware
- Yum Brands
- Zimmer Holdings

Buy

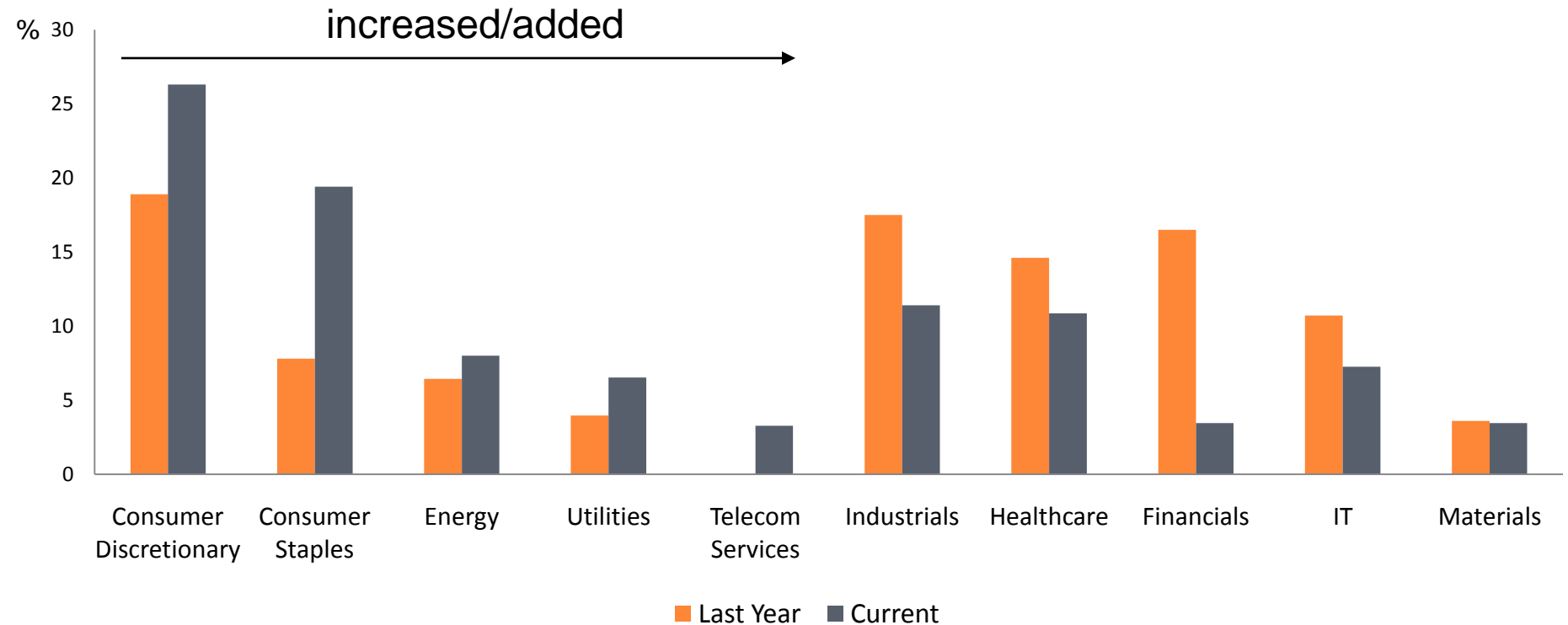
- Alexander & Baldwin
 - Aqua America
 - Archer Daniel Midland
 - Chubb
 - Coach
 - Colgate Palmolive
 - Cracker Barrel
 - Davita
 - EPIQ
 - Ford Motor
 - General Electric
 - Nabors
 - Nike
 - Xilinx
-
- Proshares Healthcare ETF
 - Proshares Short Real Estate ETF

Hold

- AT&T
- Cabelas
- Coca Cola
- Ecolab
- Exxon Mobil
- McGraw Hill
- Progress Energy
- Republic Services
- Thoratec
- United Health
- Walgreen
- Zhongpin



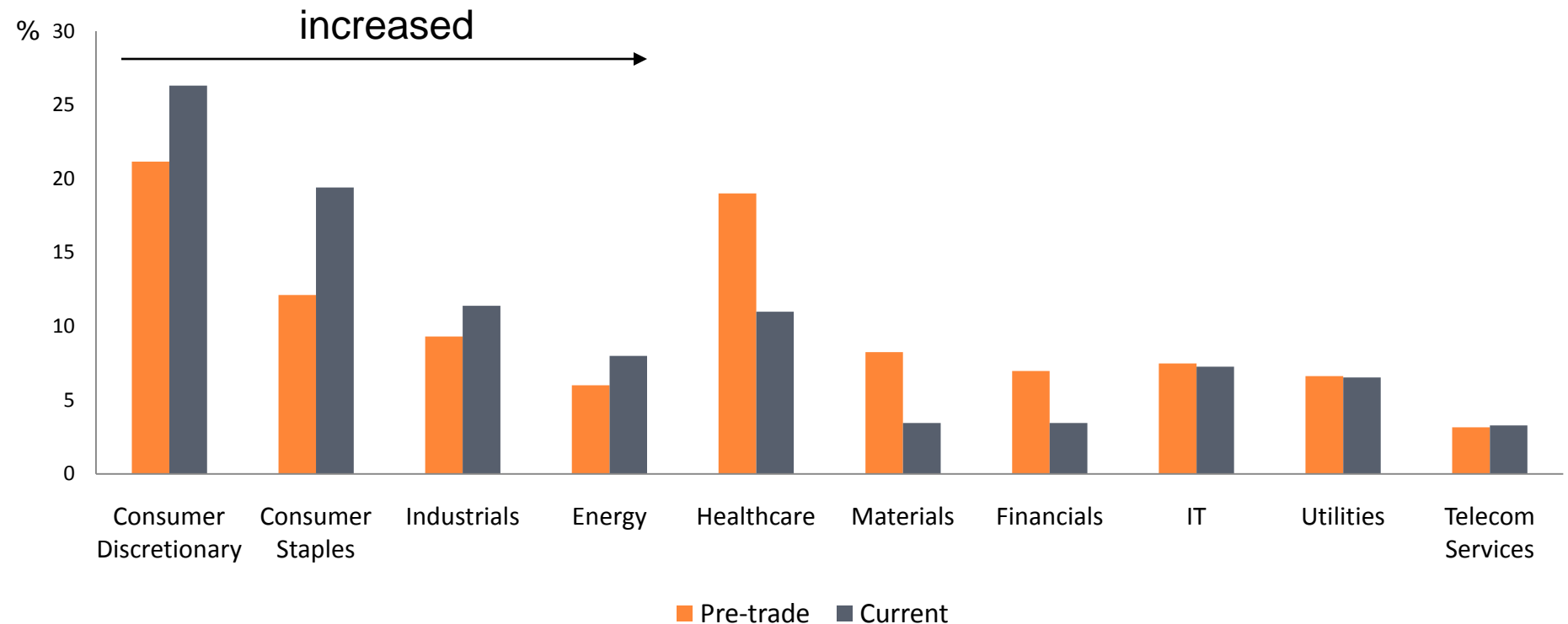
Portfolio Composition: Last Yr vs. Current



- Increased: Consumer Discretionary & Staples, Energy, Utilities
- Added: Telecom Services
- Decreased: Healthcare, Financials, IT, Industrials



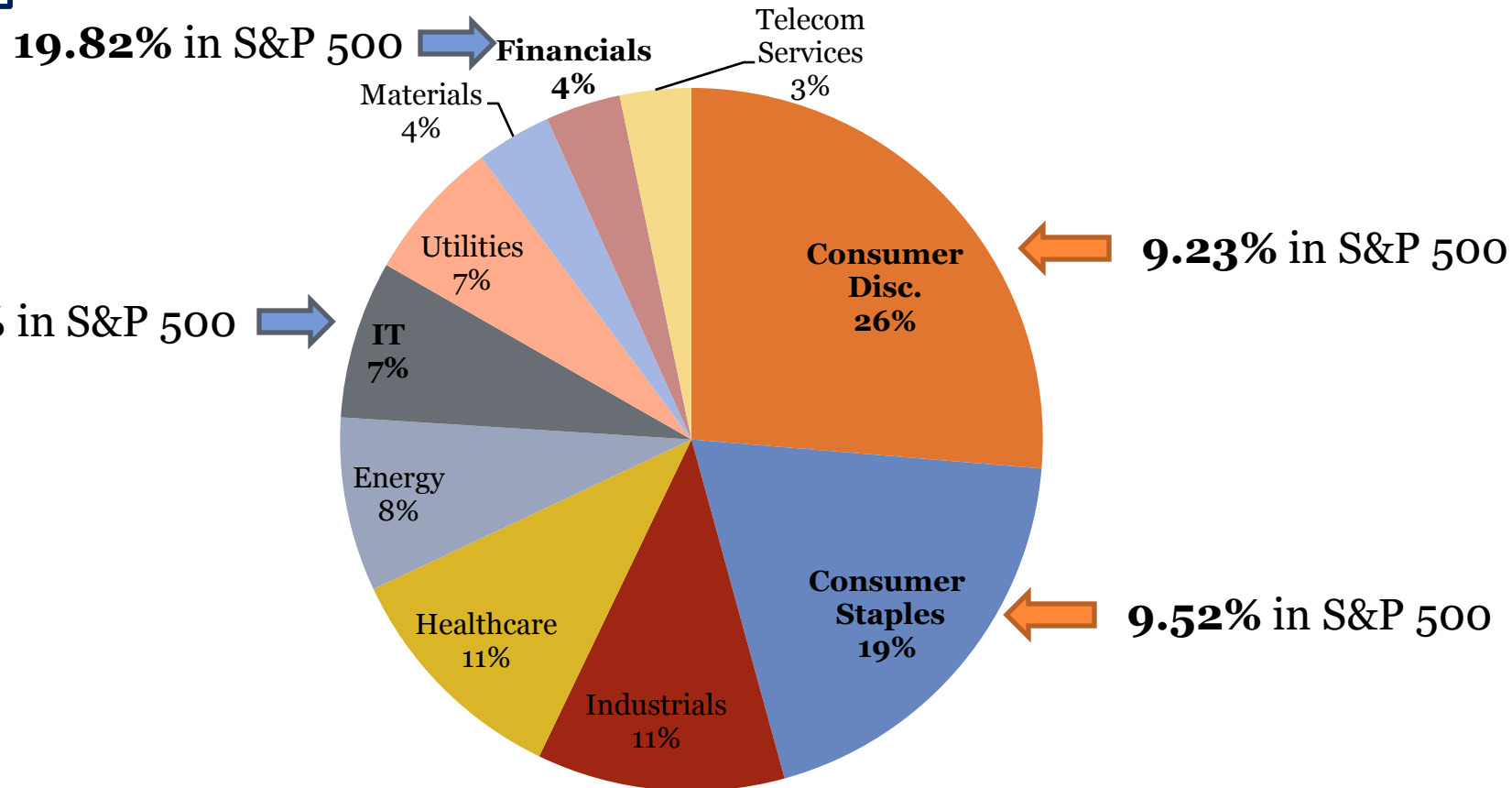
Portfolio Composition: Pre-trade vs. Current



- Increased: Consumer Discretionary & Staples, Industrials, Energy
- Decreased: Healthcare, Materials, Financials



Current Portfolio Composition

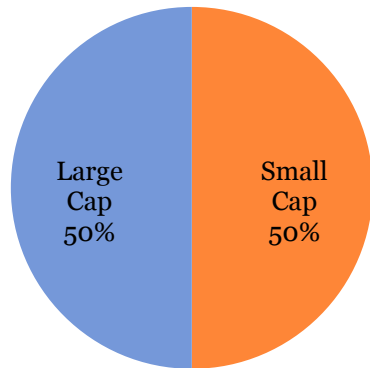


- Over-weighted in Consumer Discretionary & Staples
- Under-weighted in Financials & IT

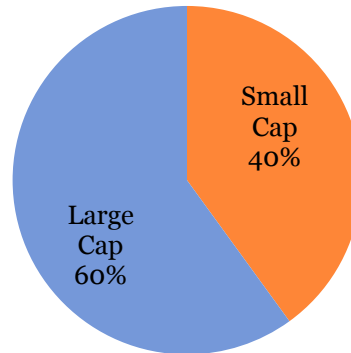


Portfolio by Market Cap

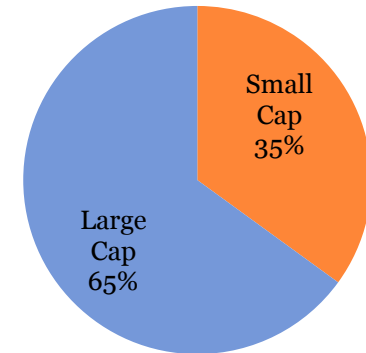
Last year



Pre-trade



Current



- Currently hold more large cap stocks
- Added Ford, Nike, Colgate-Palmolive, GE, Coach, and Chubb



Individual Performance

Security	Ticker	Market Value		1 Yr Return ¹ As of 3/31/09
		1/16/09	4/17/09	% Gain/Loss
Thoratec	THOR	\$127,125	\$121,500	15.2%
Ecolab	ECL	\$110,583	\$124,311	-0.5%
Coca-Cola	KO	\$120,420	\$121,554	-2.4%
AT&T	T	\$120,060	\$116,775	-8.4%
Zhongpin	HOGS	\$181,900	\$161,670	-11.3%
Progress Energy	PGN	\$118,017	\$107,818	-13.3%
ExxonMobil	XOM	\$139,626	\$120,150	-18.7%
Cabelas	CAB	\$100,980	\$196,010	-26.1%
Walgreen	WAG	\$135,980	\$156,104	-26.4%
McGraw-Hill	MHP	\$122,304	\$153,244	-38.8%
Republic Services	RSG	\$158,949	\$128,709	-41.0%
UnitedHealth Group	UNH	\$158,700	\$144,840	-51.3%
TOTAL		\$3,372,777	\$3,549,206	
Dow Jones Industrial	^DJI			-38.0%
S&P 500 Index	^GSPC			-39.7%

¹ 1 Year return unless stock was purchased less than 1 year ago



Individual Performance

Security	Ticker	Sector	Market Value 4/17/2009	AIM Est. Upside
Archer Daniels Midland	ADM	Consumer Goods (Agriculture)	\$130,900	54%
Alexander & Baldwin	AXB	Services (Shipping)	\$148,029	53%
Chubb Corp	CB	Insurance	\$126,570	41%
Cracker Barrel	CBRL	Services (Restaurants)	\$132,963	23%
Colgate Palmolive	CL	Consumer Goods (Personal)	\$139,886	42%
Coach	COH	Consumer Goods (Textiles)	\$138,960	56%
DaVita	DVA	Health Care	\$125,135	38%
EPIQ Systems	EPIQ	Technology	\$127,140	11%
Ford Motor Company	F	Consumer Goods (Auto)	\$129,200	47%
General Electric	GE	Conglomerates	\$135,051	19%
Nabors Industries	NBR	Basic Materials (Oil & Gas)	\$149,058	56%
Nike (B)	NKE	Consumer Goods (Textiles)	\$136,525	33%
Aqua America	WTR	Utilities (Water)	\$131,716	49%
Xilinx	XLNX	Technology	\$135,954	26%
Proshares Health Care ETF	RXL	Health Care	\$5,034	--
Proshares Short Real Estate	SRS	Real Estate	\$4,400	--
TOTAL			\$3,549,206	



Top & Bottom 5 Performers

Top 5

Ticker	Current Price	1 Yr Return	Purchase Date
Thoratec	\$26.67	15.2%	12/1/2008
EcoLab	\$37.91	-0.5%	12/1/2008
Coca-Cola	\$42.79	-2.4%	12/1/2008
AT & T	\$25.16	-8.4%	12/1/2008
Zhongpin	\$8.93	-11.3%	4/25/2008

Bottom 5

Ticker	Current Price	1 Yr Return	Purchase Date
UnitedHealth Group	\$23.06	-51.3%	
Republic Services	\$19.51	-41.0%	4/25/2008
McGraw-Hill	\$29.07	-38.8%	
Walgreen	\$29.59	-26.4%	
Cabela's	\$11.85	-26.1%	



Risk Adjusted Performance Measures

- Risk-Adjusted Metrics
 - Sharpe Ratio
 - Jensen's Alpha
- Considerations
 - Relative comparisons
 - Based on annualized monthly returns
 - Risk-free rate: 3-month Treasury Bill Yield
 - All data as of 3/31/2009



Sharpe Ratio

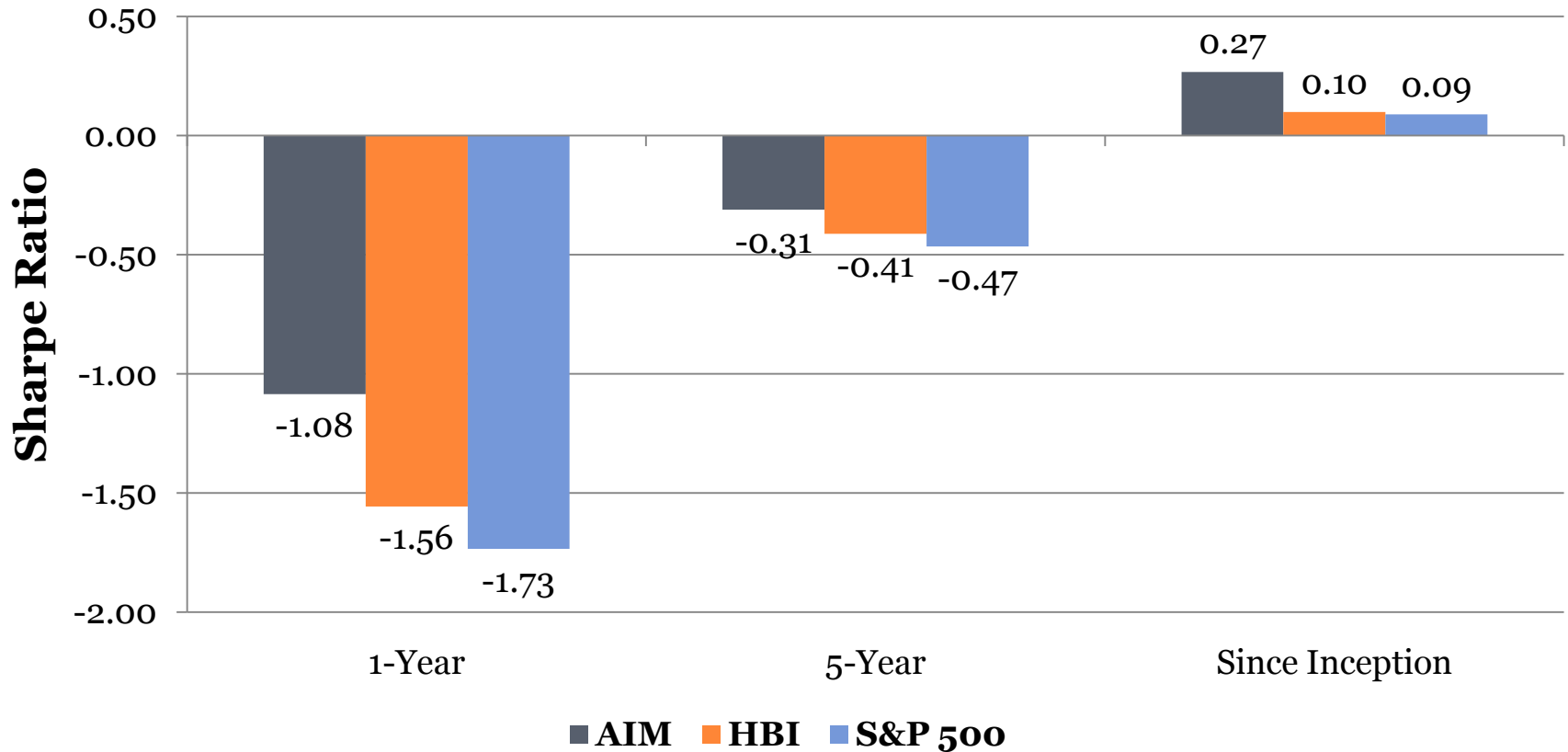
- Sharpe Ratio
 - Measures excess returns over a risk-free portfolio, per unit of total risk
 - Indicates if excess returns are result of investment decisions or taking higher levels of total risk
 - Higher ratios indicate better relative performance
- Formula

$$\frac{\text{Portfolio Return} - \text{Risk-Free Rate}}{\text{Standard Deviation of Returns}}$$



Sharpe Ratio Comparison

Sharpe Ratios





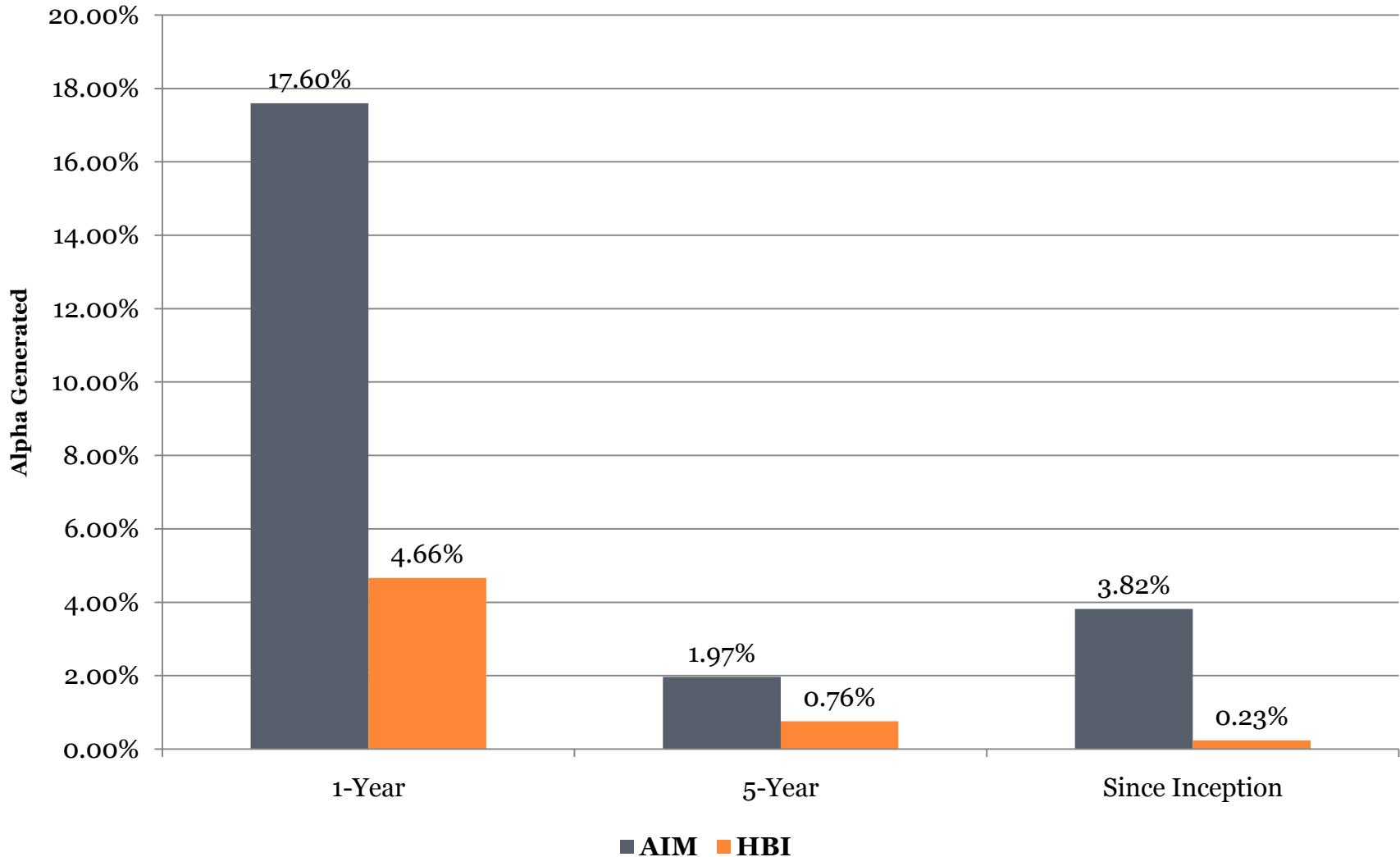
Jensen's Alpha

- Jensen's Alpha
 - Measures excess return (alpha) over the expected rate of return as given by Capital Asset Pricing Model (CAPM)
 - Positive alpha indicates management has outperformed market and risk expectations
- Formula

$$\alpha = \text{Portfolio Return} - [\text{Risk-Free Rate} + \beta(\text{Market Return} - \text{Risk-Free Rate})]$$



Jensen's Alpha Comparison



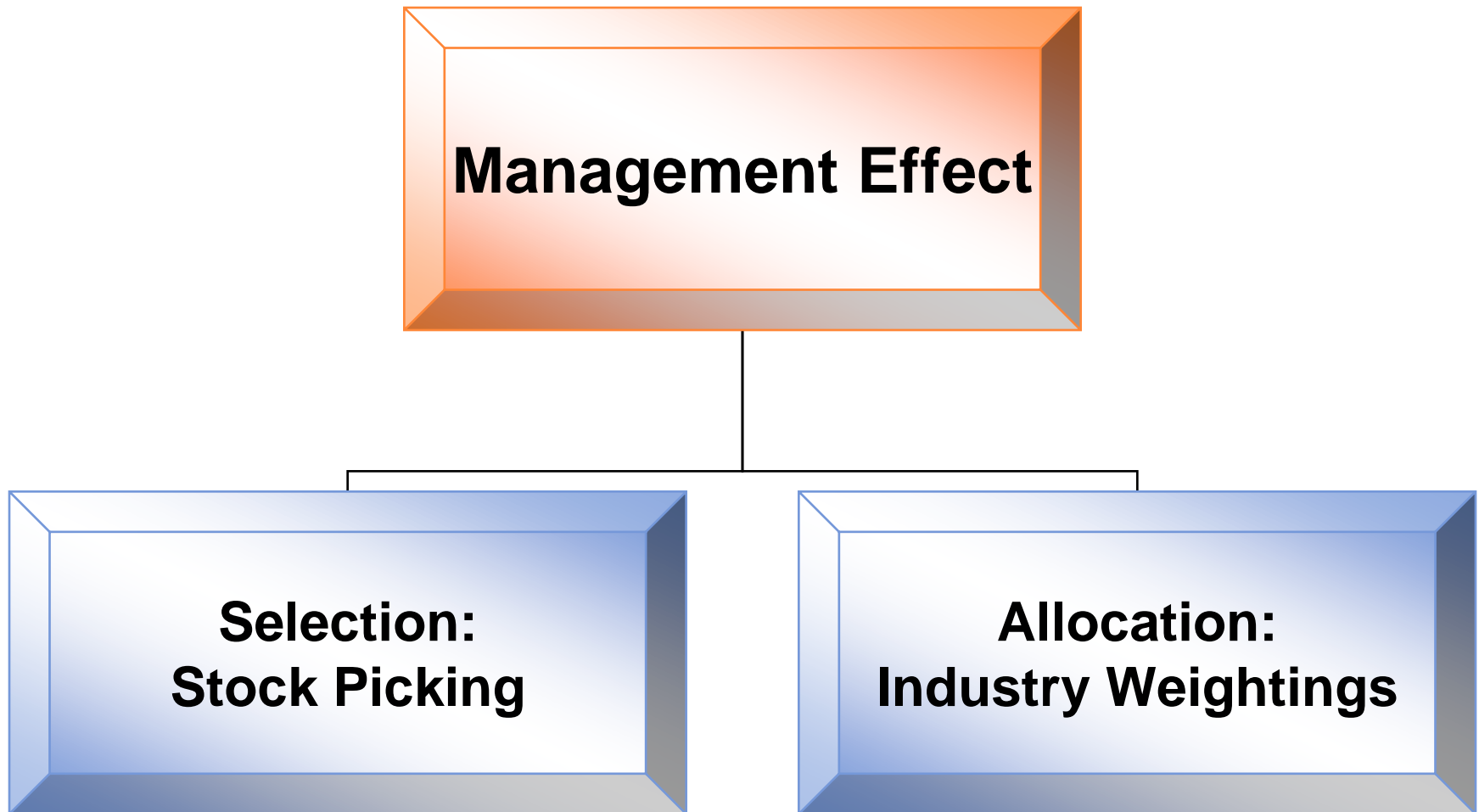


Risk Adjust Performance Results

- 1-Year
 - Outperformed benchmark indices
 - Generated excess returns, positive alpha (17.6%)
- 5-Year
 - Slightly outperformed benchmark indices
 - Generated small excess returns, positive alpha (1.9%)
- Since Inception
 - Outperformed benchmark indices
 - Generated excess returns, positive alpha (3.8%)



Attribution Analysis



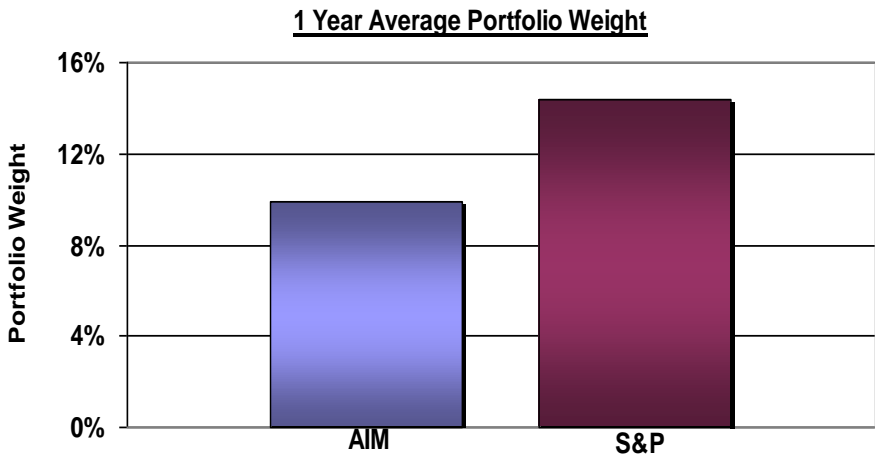


Top 2 Industries Net Management Effect

Management Effect
FINANCIALS: 1.60%

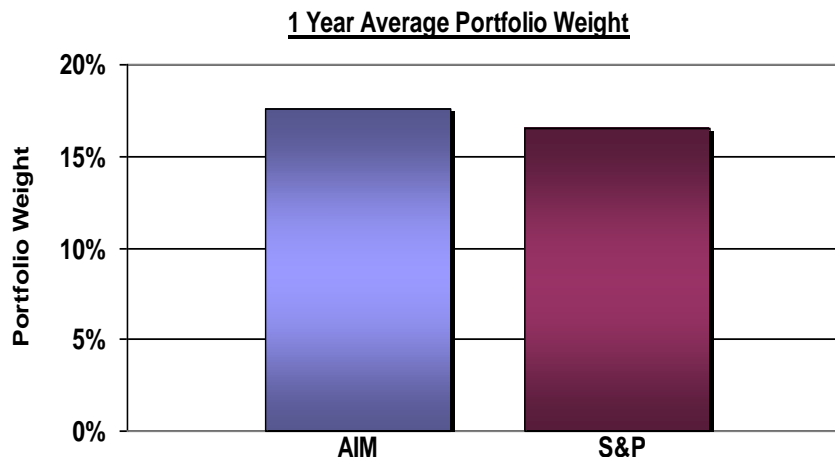
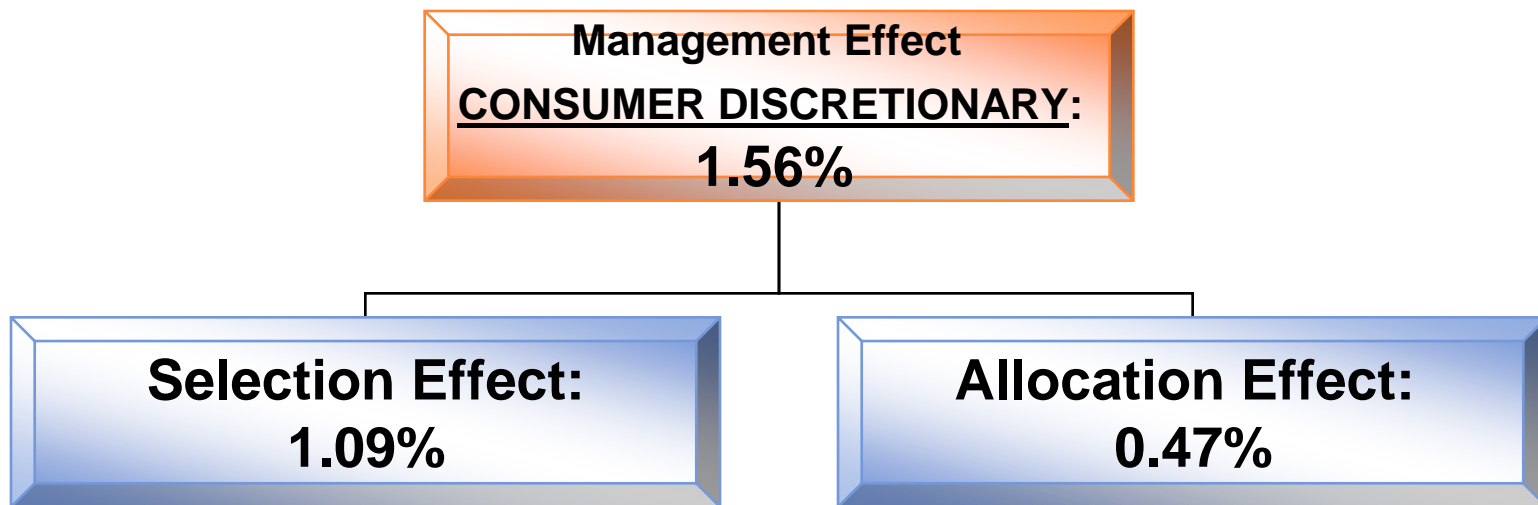
Selection Effect:
- 0.20%

Allocation Effect:
1.80%





Top 2 Industries Net Management Effect





Bottom Industry Net Management Effect

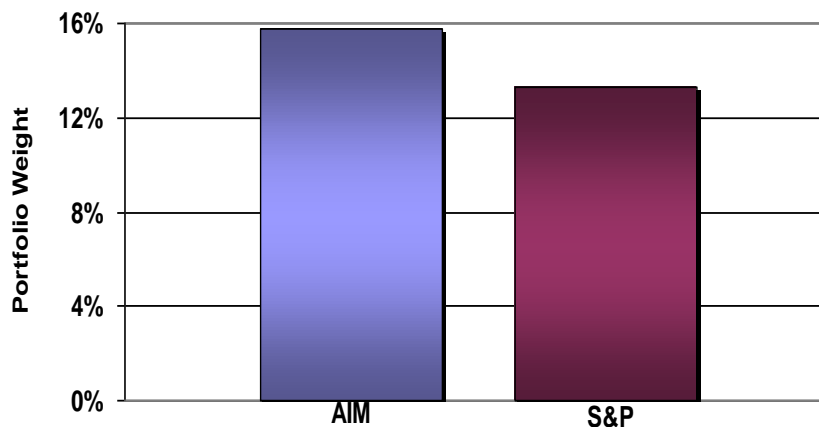
Management Effect
HEALTHCARE: - 1.34%

Selection Effect:
- 1.80%

Allocation Effect:
0.46%

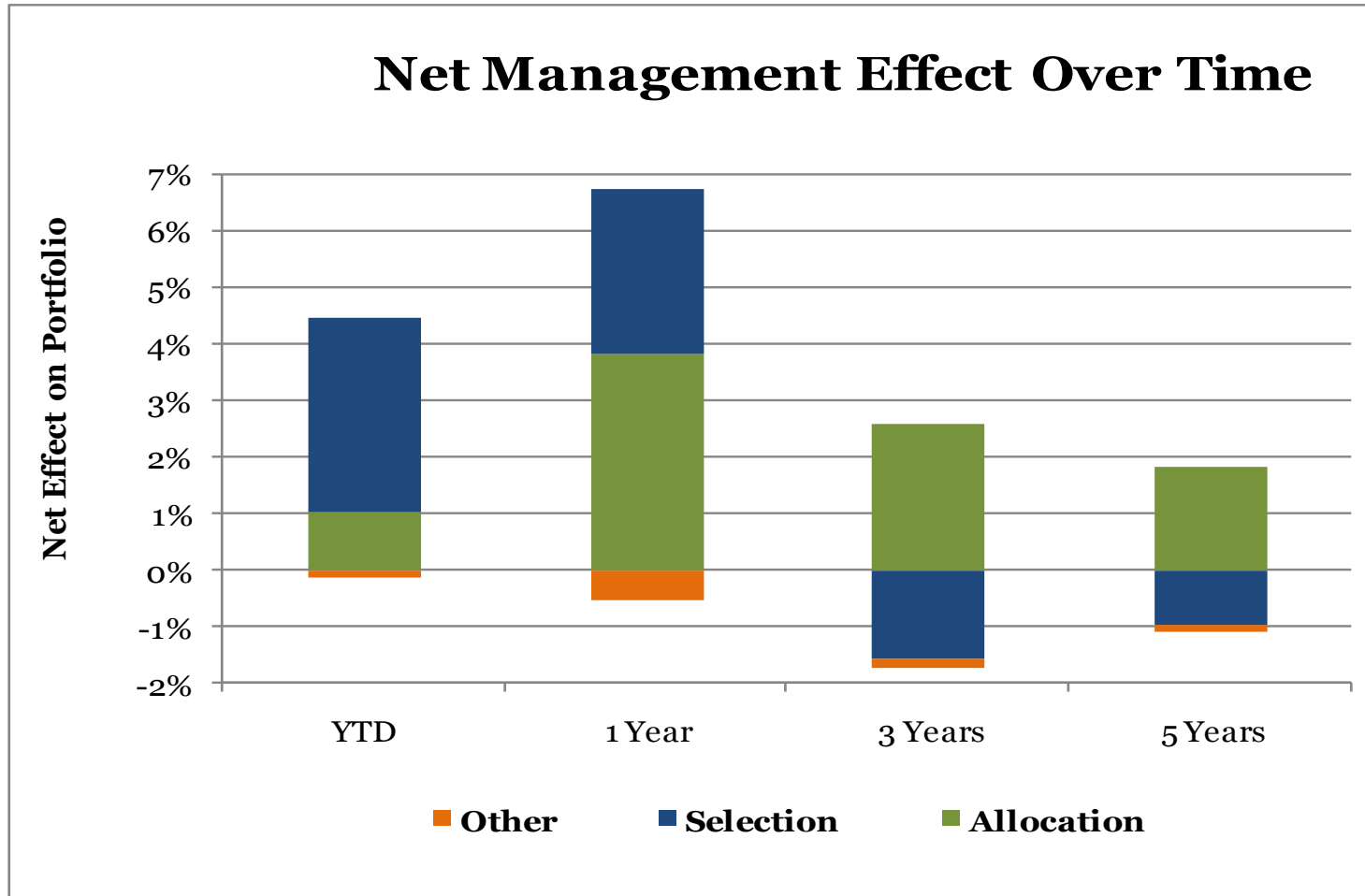


1 Year Average Portfolio Weight





Attribution Analysis



Note: Yearly returns are on an annualized basis.



AIM Guidelines



The portfolio allocation:

- 35% Small & Mid-Cap stocks
- 65% Large Cap stocks
- (+/- 10% boundary)



Weightings of sectors to match S&P 500 within 5%



No stocks to exceed 10% of current portfolio value



Cash = 0% of holdings, US listed equities = 100%



No Investments in companies involved with abortifacients, birth control, tobacco, other values unapproved by Notre Dame



General Information





Guest Speakers

- Scott Adams, AIM XXVI, Fixed Income High Yield Sales
 - Recounted experience as AIM student and benefits of AIM class in career
 - Shared opinions on current market conditions
- Notre Dame Investment Office
 - Introduced class to BNY Mellon Workbench
 - Introduced class with other Investment Office procedures
- Professor Ed Trubac
 - Presented an outlook on the economy
 - Key point for 2009: Watch the Fed



Chicago Trip – Dinner at Maggiano's

- Attended by 26 AIM Alumni from Chicago area
- Investment picks exchanged between AIM students and alumni
- Guests greeted by Scott Malpass
 - Announcement: 15 year reunion, June 17-20, 2010
 - All AIM alumni and supporters invited





Chicago Trip – Visit to Alliance Bernstein

- Students got opportunity to observe a morning conference call
- Presentation given by Joe Elegante, Portfolio Manager
 - Large cap growth review
 - Investment philosophy : searching for underestimated growth potential
 - The favored 25: Presented manager’s choice of top 25 companies





Chicago Trip – Visit to CastleArk Management

- \$5 Billion Investment Fund
- Founded by ND Alumni:
 - Jerry Castellini, BA Economics 1979
 - Bob Takazawa, BA Finance 1973
- Investment philosophy:
 - Search for high return business
 - Avoid concentration risk
- Bullish on economy
 - Shortage of oil supply expected
 - Bullish on oil drilling companies





Chicago Trip – Visit to Citadel

- Panel with Traders
- Main host: Matt Hooker, AIM Class of 2001
- Investment outlook:
 - Presented their strategy: seeking overbought or oversold stocks
 - Exchanged views on securities with AIM students
- Economic overview
 - More pessimistic than previous speakers
 - The worst is not over for financials
 - Bearish on job prospects in financials' industries





Chicago Trip – Visit to Transwestern

- Commercial real estate company with \$10.5 Billion in gross investments
- Hosts included:
 - Stephen Quazo, Founder and CEO
 - Jeffrey Johnson, Chief Investment Officer
 - Douglas Lyons
- Presented conditions in Commercial Real Estate
 - Bearish in short term
 - Views REITS trading at a discount
 - Presented major financing problems of Real Estate developers





AIM Website

- Analysts
- Alumni
 - Career opportunities
 - Upcoming events
- Job Board
- Portfolio update
- Publications

University of Notre Dame • Mendoza College of Business ND.edu home search contact



Applied Investment Management

- About AIM
- Analysts
- Alumni
- Job Board
- Publications
- facebook
- LinkedIn
- IRISHONLINE

About AIM

Applied Investment Management (AIM) blends traditional investment theory with the practical experience of managing a live equity portfolio for select students at the University of Notre Dame.

[Learn more...](#)

News & Events

Save The Date – 15 Year Reunion!
- June 17-20, 2010

- Click [here](#) for further details

Alumni Newsletter
- Q1 '09 Newsletter is now available

- Click [here](#) for a copy

AIM Portfolio

Ticker	# of Shares	Price per Share	Value of Position	Daily % Change
AAPL	1,300	\$121.76	\$158,288	1.05%
ABX	4,800	\$28.21	\$129,768	-0.86%
BJS	11,000	\$13.26	\$145,860	10.78%
BWLD	5,000	\$38.48	\$192,400	5.14%
CAB	17,000	\$11.65	\$198,050	4.15%
CAT	2,500	\$31.39	\$78,475	2.99%
ECL	3,300	\$37.49	\$123,717	0.13%
EMC	9,000	\$12.47	\$112,230	0.00%
GGG	7,000	\$19.13	\$133,910	1.27%
GS	2,100	\$120.36	\$252,756	4.65%
HOGS	17,000	\$9.21	\$156,570	0.55%
KO	2,300	\$43.09	\$99,107	-0.60%
MHP	5,200	\$28.25	\$146,900	2.24%
ORA	3,800	\$31.32	\$119,024	2.12%
PGN	3,100	\$34.31	\$106,361	-0.30%
PPDI	4,800	\$21.99	\$105,552	-0.97%
RSG	6,300	\$19.91	\$125,433	2.15%
T	4,000	\$25.28	\$101,120	-0.94%
THOR	4,500	\$27.03	\$121,635	2.15%
TUP	5,300	\$21.98	\$116,494	3.64%
UNH	6,000	\$22.80	\$136,800	-0.83%
WAG	5,200	\$30.82	\$159,224	1.73%
XDM	1,200	\$66.23	\$79,476	1.44%
XRAY	4,900	\$26.27	\$128,723	-0.11%



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
 - Chicago trip review
 - Quick economic snapshots
 - Current AIM analysts' future plans



AIM on Facebook and LinkedIn

The image displays two overlapping screenshots of social media profiles for AIM Alumni at Notre Dame. The background screenshot is a Facebook profile page for 'AIM Alumni' (Notre Dame). The foreground screenshot is a LinkedIn profile page for the 'Notre Dame - AIM Alumni' group.

Facebook Profile (Background):

- Basic Info:** Type: Organizations - Academic; Description: The Applied Investment Management course blends traditional investment theory with the practical experience of hands-on investment management of a live 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:** Website: <http://aim.nd.edu/>; Office: Mendoza College of Business
- Recent News:** Save The Date - AIM 15 Year Reunion! June 17-20, 2010 (Thursday-Sunday) On campus Be sure to check the AIM website (aim.nd.edu) for details.

LinkedIn Profile (Foreground):

- About this Group:** Created: August 29, 2008; Type: Alumni Group; Members: 205; Owner: Brian Wrona; Managers: Shelley Huff; Website: <http://aim.nd.edu/>
- Group Members in Your Network:**
 - 1st Christopher Abbott, Student at University of Notre Dame - Mendoza College of Business, United States
 - 1st Nathaniel Gori, MBA Student at Notre Dame's Mendoza College of Business, South Bend, Indiana Area
 - 1st Ryan Lazzeri, Research Assistant at University of Notre Dame, Greater Philadelphia Area
 - 1st Srivatsan(Steve) Srinivasan, MBA Candidate at University of Notre Dame - Mendoza College of Business, South Bend, Indiana Area
 - 2nd Will Ngo, Financial Services Professional, Greater Los Angeles Area
 - 2nd Christopher Bertsch, Project Manager at Discover Financial Services, Greater Chicago Area
 - 2nd Cantwell, Matt, MBA Candidate, University of Notre Dame, South Bend, Indiana Area



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