



Advisory Board Presentation

**AIM XXXI
December 6, 2010**



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Presentation Agenda

- We appreciate the opportunity to present to the AIM Advisory Board
- Agenda
 - Portfolio Objectives and Guidelines
 - Economic Environment
 - Security Analysis
 - Portfolio Performance
 - General Information



Portfolio Objectives and Guidelines





Course Overview

- Course objectives
 - Provide analysts with a foundation in portfolio management
 - Blend theoretical academic objectives with practical hands-on investing



Analyst Responsibilities

- Coverage of two companies
 - One from the initial portfolio handed over by the previous AIM class
 - One of the analyst's choosing



Analyst Responsibilities

- Security analysis
 - Company background – How does the company make money?
 - SWOT analysis
 - Industry analysis – What is the competitive environment of the industry?
 - Porter's Five Forces
 - Fundamental analysis – What are the key drivers of return on equity?
 - DuPont analysis
 - Earnings forecast – What EPS will the company earn through the next fiscal year?
 - Heuristic and financial model approaches
 - Final valuation and recommendation – What is the intrinsic value of the stock?
 - Free cash flow model, dividend discount model, multiplier model
 - Technical analysis – How has the stock traded in the short-term?
 - Moving averages, relative strength, support and resistance



Group Responsibilities

- Monitoring current economic conditions
 - Unemployment, inflation, GDP growth, etc.
 - How do these economic variables impact the portfolio?
- Tracking portfolio performance
 - Relative performance
 - Sector weighting
 - Risk adjusted metrics
- Executing trades
 - Final portfolio voting occurred on Monday November 22nd with trades executed the following day
- Preparing and publishing AIM newsletters
- Recording class votes and activities



Portfolio Decision Process

- Full discussion of each stock in the existing portfolio and those with initiating coverage
- Buy or sell recommendations given by analysts based on their final intrinsic valuations
- Final portfolio decisions require a majority vote of all analysts



Investment Philosophy

- Investment Objectives
 - Long-term investment horizon (3-5 years)
 - Outperform S&P 500 using equities traded on US exchanges
- Risk Tolerance
 - Not a factor that will be managed actively
 - Portfolio diversification will naturally limit risk
 - Natural allocation to small/mid/large cap stocks
- Specific benchmarks
 - S&P 500
 - Russell 2000
 - Hank Blended Index (HBI)
 - 65% S&P 500, 35% Russell 2000



AIM Investment Policies

- Only equities traded on major U.S. exchanges
 - No bonds, money market instruments, or derivatives
 - No margin purchases or short-selling
- Portfolio Target Allocation
 - 35% in Small (<\$500M) and Mid-Cap (\$500M-\$5B) Stocks
 - 65% in Large Cap (>\$5B) Stocks
 - +/- 10% Boundary
- Composition will roughly match the S&P 500
- No individual position should exceed 10% of portfolio's market value
- 0% long-term target for cash holdings
 - Short-term cash positions will be invested in a market index portfolio



AIM Investment Policies

AIM will not invest in any company whose values are not consistent with those of the University of Notre Dame.

This includes, but is not limited to:

- Abortifacients
- Birth Control
- Tobacco

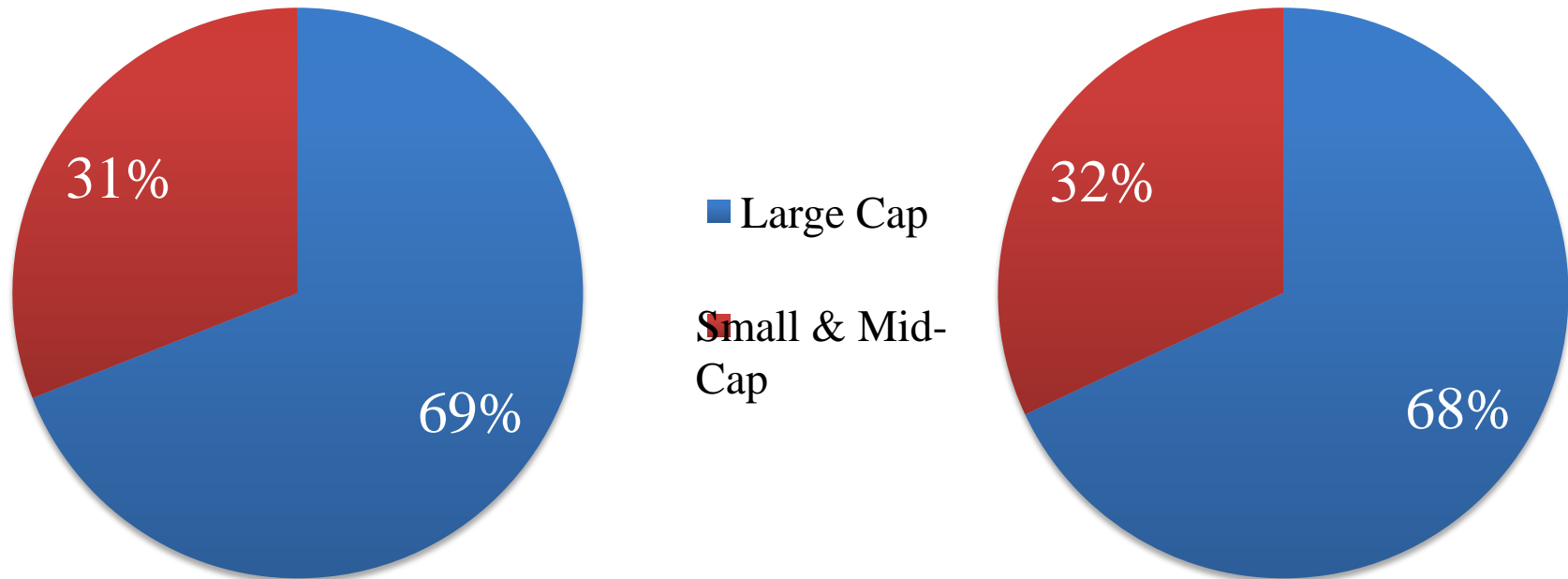




Portfolio Allocation

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- Slightly overweight in large-cap stocks, similar to inherited portfolio



Economic Environment





Economic Environment

- I. Summary
- II. Unemployment
- III. Inflation
- IV. Housing
- V. Consumer Spending
- VI. Gross Domestic Product (GDP)
- VII. The Fed's Response



The Uncertain Recovery

- Economic growth continues to disappoint
 - 2.5% in Q3 2010
- Unemployment remains high
 - 9.8% in Nov.
- Core inflation below informal Fed targets
 - 0.6% in Oct.
- Housing market displays prolonged weakness
- Consumers and businesses still hesitant to spend

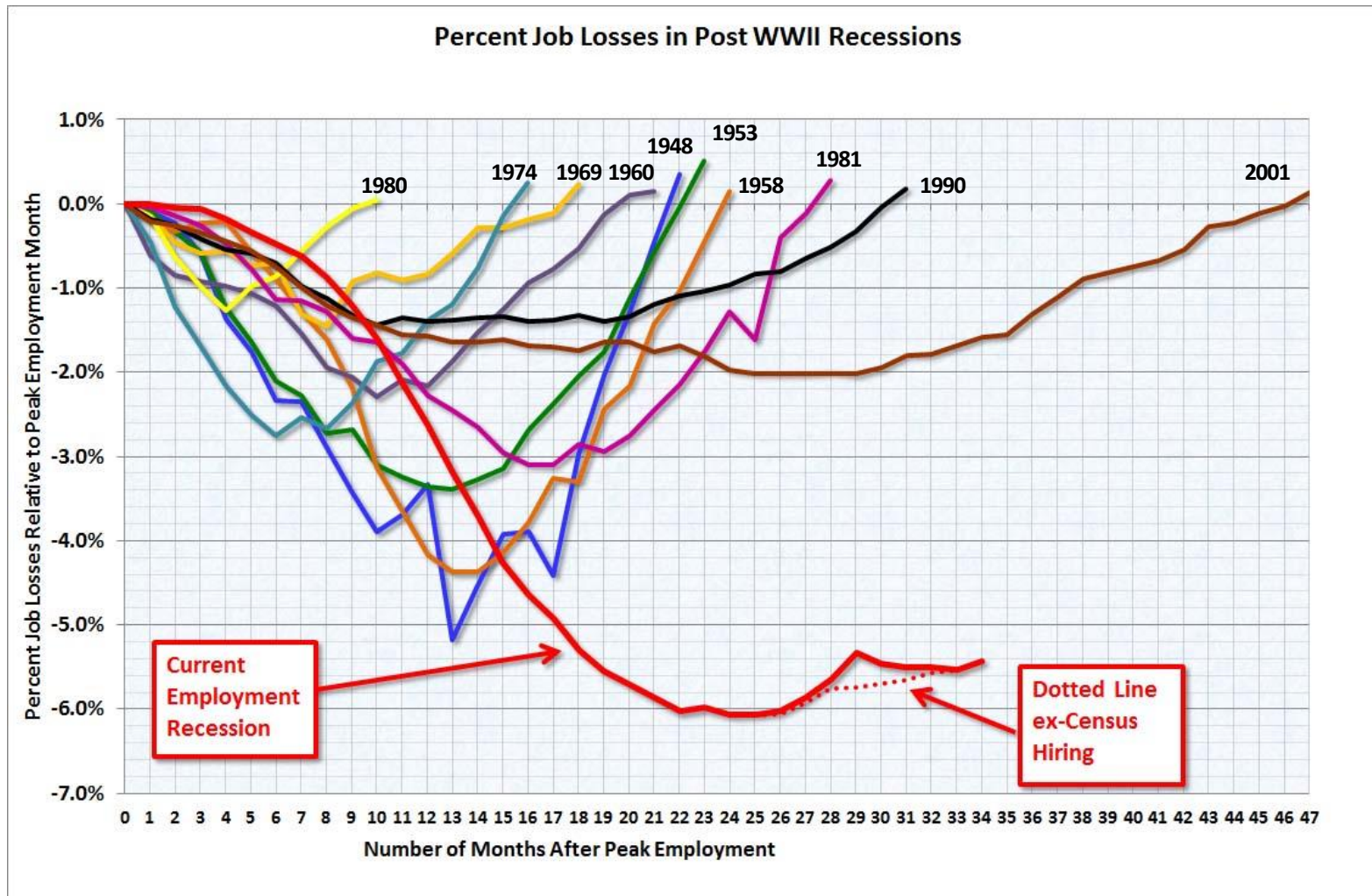


Unemployment



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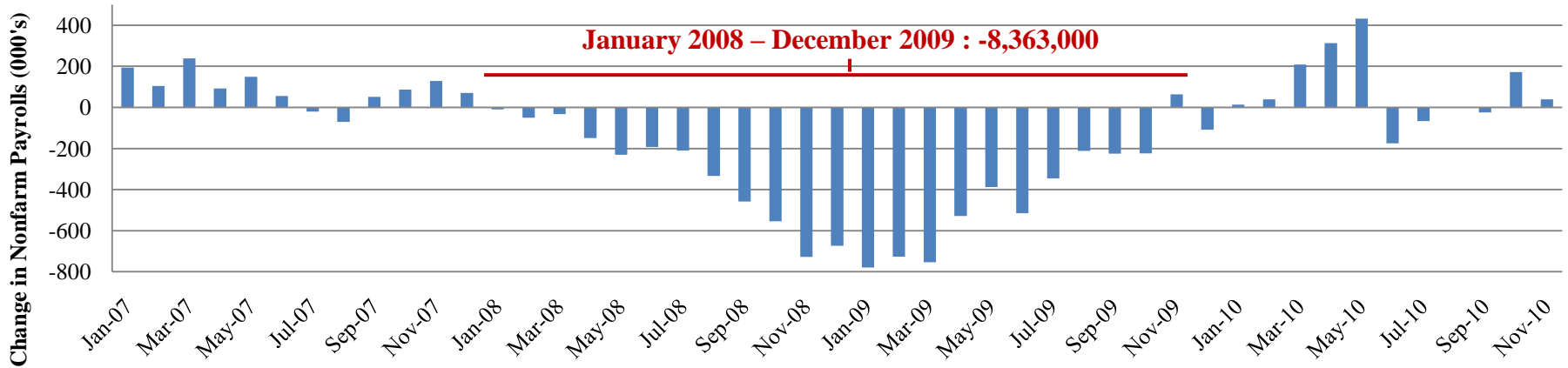
Unemployment



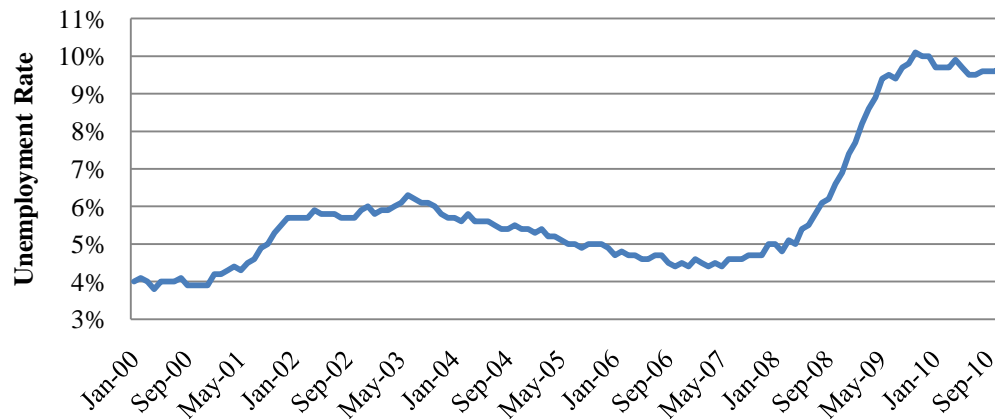


Unemployment

Change in Nonfarm Payrolls



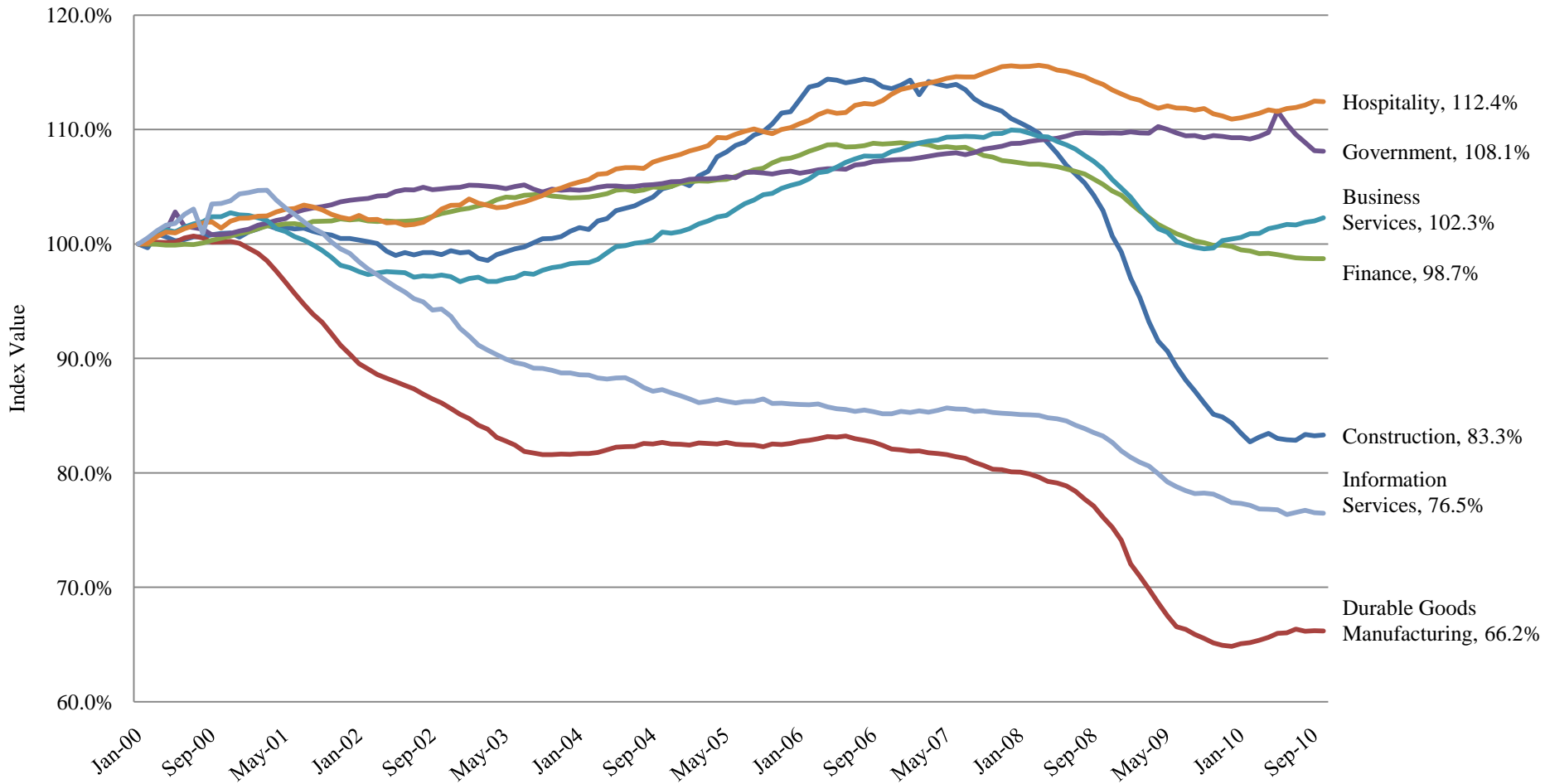
Unemployment Rate, 2000 - Present





Employment Levels

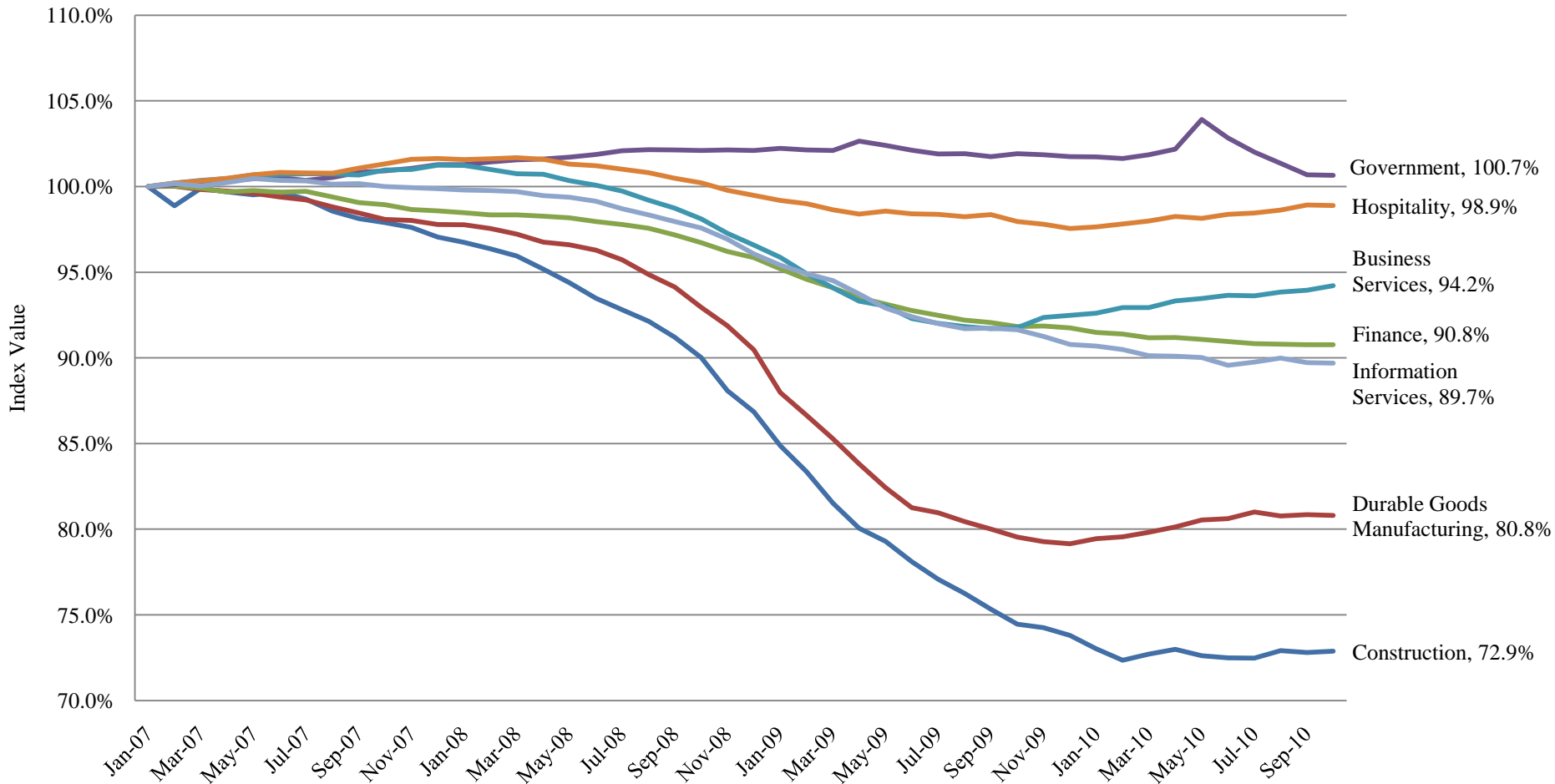
Industry Employment since 2000





Employment Levels

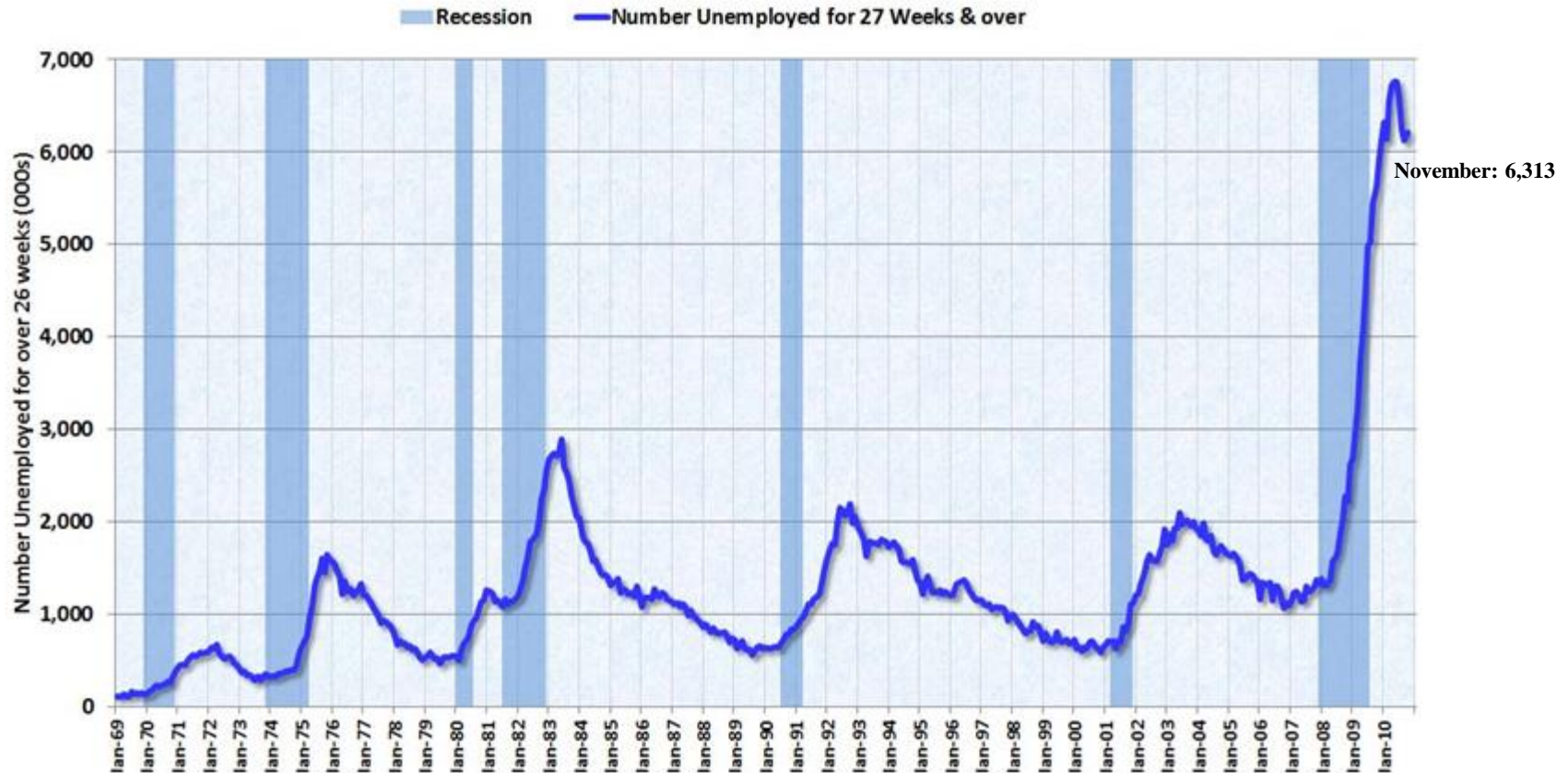
Industry Employment since 2007





Unemployment

Unemployed for 27 Weeks and Over



Mean Duration of Unemployment

- September 2010: 33.3 weeks
- October 2010: 33.9 weeks
- **November 2010: 33.8 weeks**

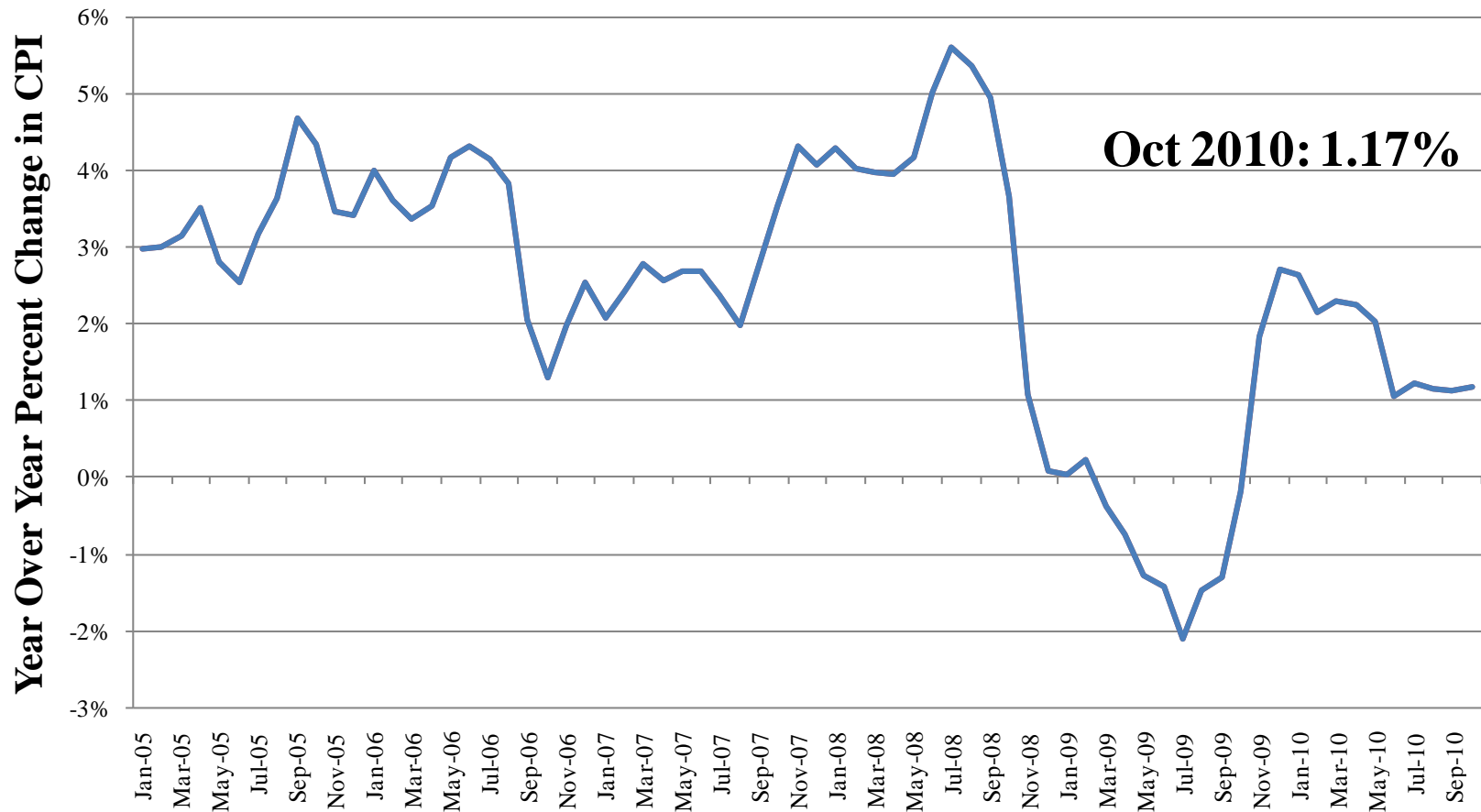


Inflation



Inflation

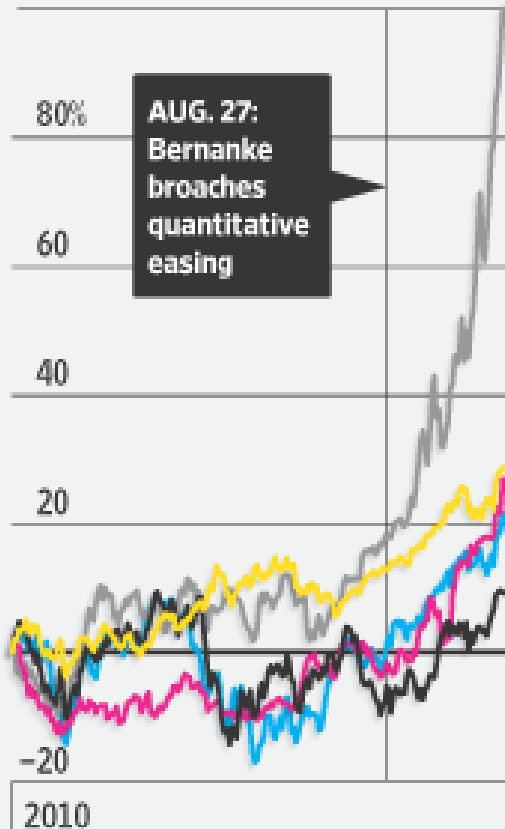
YOY CPI Inflation Rates, 2005 - Present



Inflation

Raw Power | Commodities fueled by the Fed

CHANGE IN SETTLEMENT PRICE



Source: Thomson Reuters



Cotton

\$1.5123/lb. TUESDAY

Up 100% YEAR TO DATE



Gold

\$1,409.80/troy oz. TUESDAY

Up 29% YEAR TO DATE



Soybeans

\$13.1925/bushel TUESDAY

Up 27% YEAR TO DATE



Copper

\$4.0395/lb. TUESDAY

Up 21% YEAR TO DATE



Crude oil

\$86.72/barrel TUESDAY

Up 9% YEAR TO DATE



Housing



New Home Starts

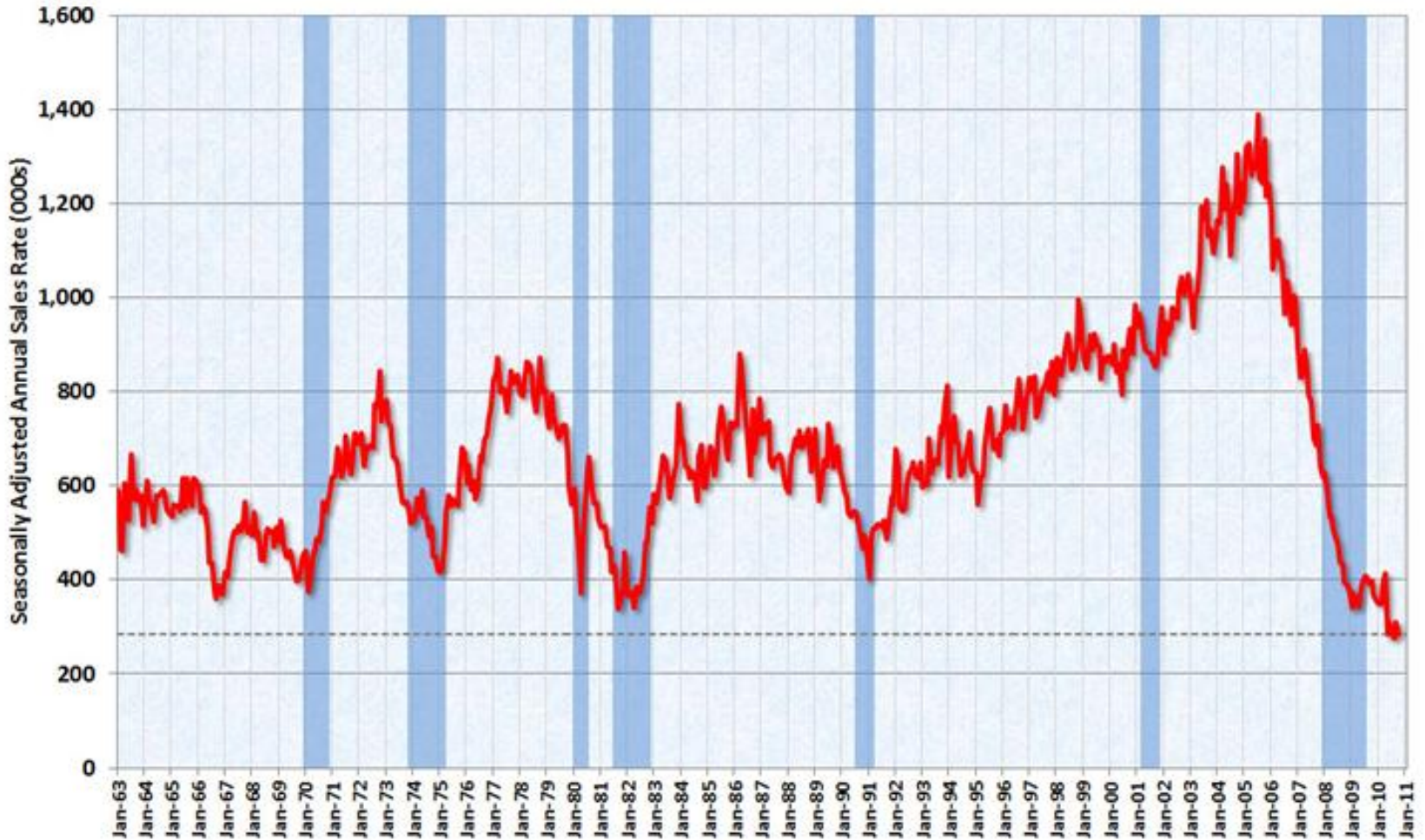
New Housing Starts Jan '04-Oct '10



Source: US Census Bureau



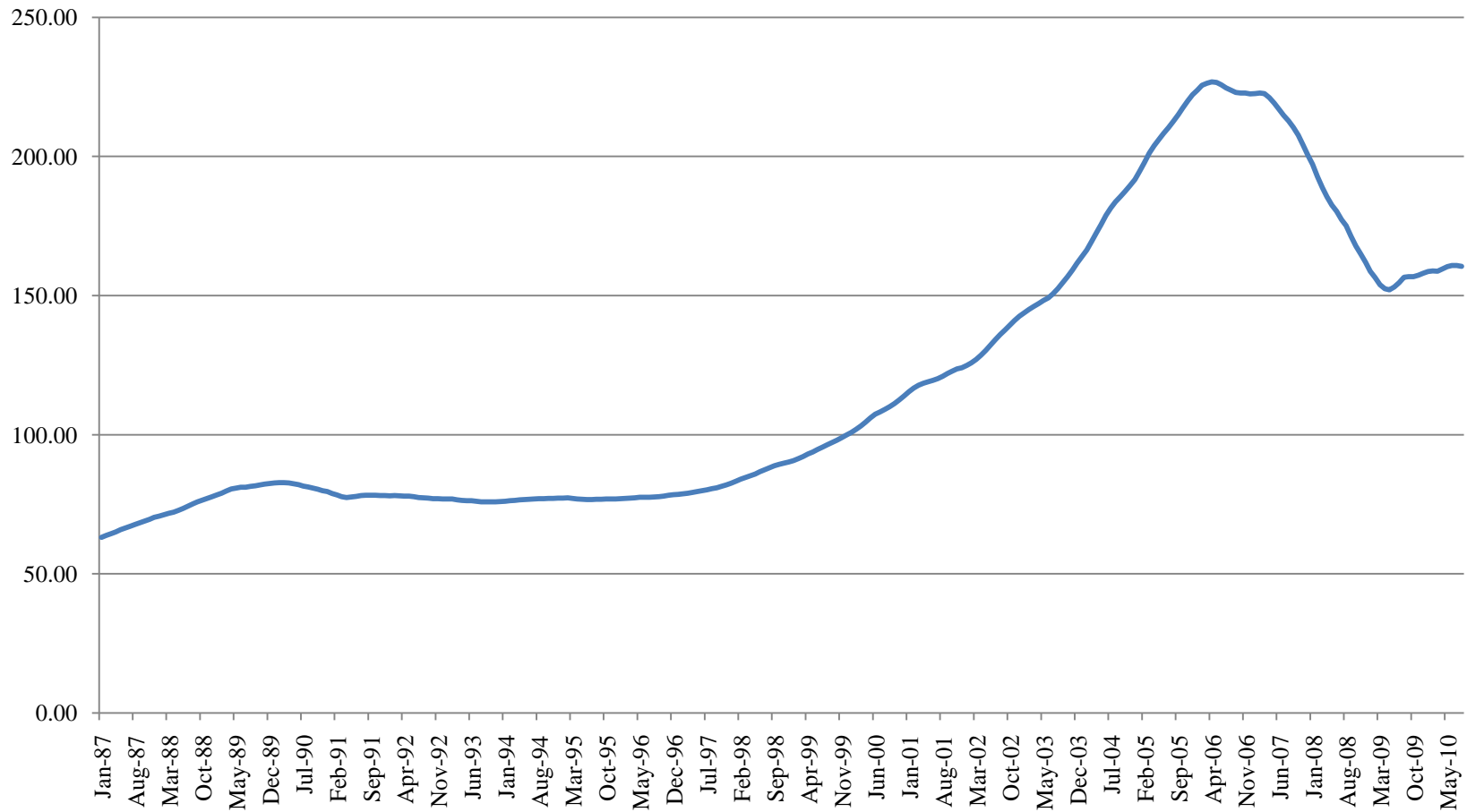
New Home Sales



Source: CalculatedRiskBlog.com



Case-Shiller Price Index

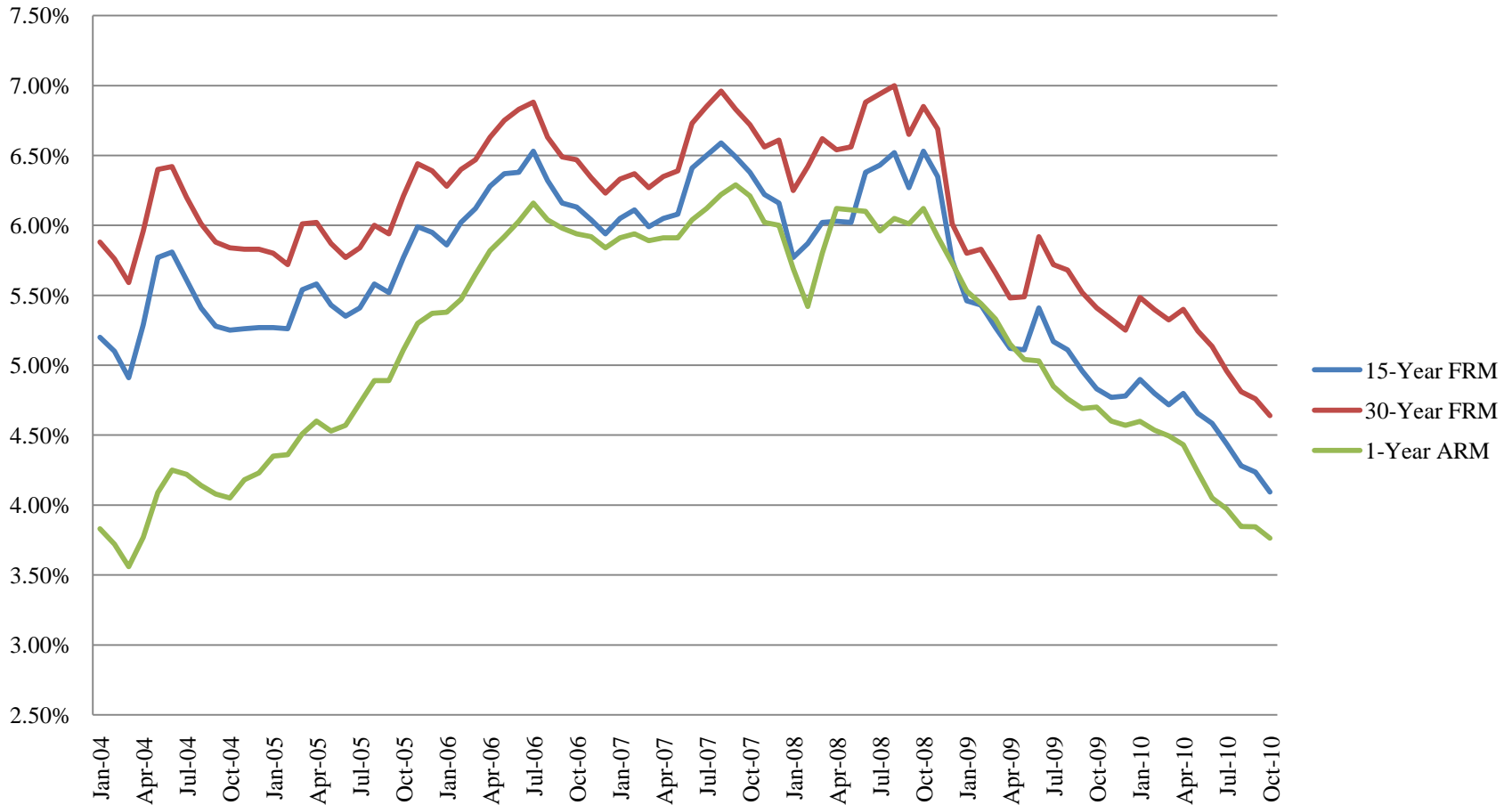


Source: Standard & Poor



Mortgage Rates

Historic Mortgage Rates Jan '04- Oct '10

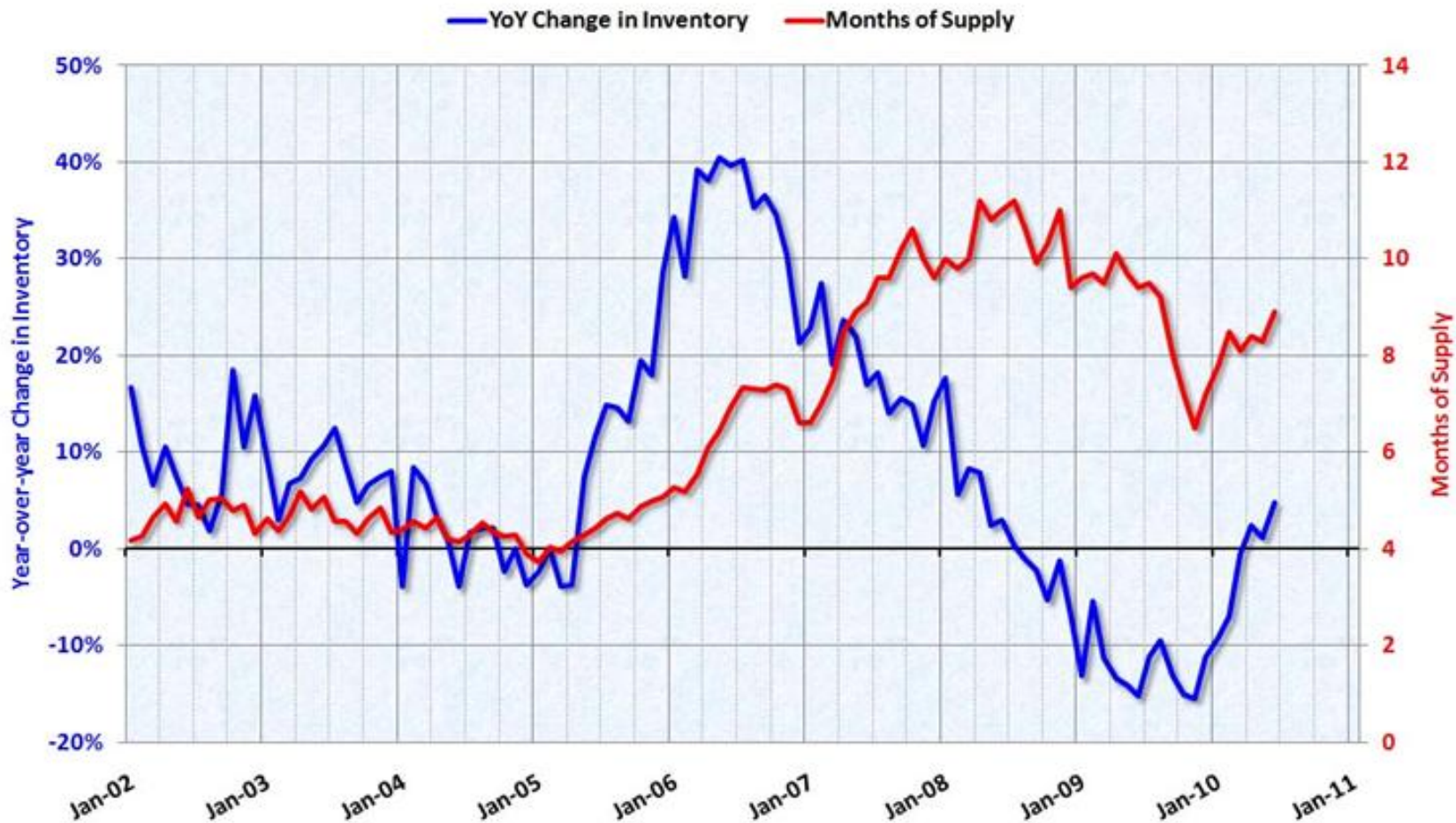


Source: HSH Associates



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Existing Home Inventory



Source: CalculatedRiskBlog.com



Housing Outlook

- Unprecedented foreclosure crisis
 - Affected by high unemployment
 - Add to housing inventories
 - Months of supply for Oct 2010 increased to 8.6
- Mortgage Rates
 - Rise from record low levels
- Demand for housing will grow gradually
 - Consumer confidence and businesses expanded
 - Demand may grow, lack of building
- Forecast: New Housing Starts will rise 12% through 2011

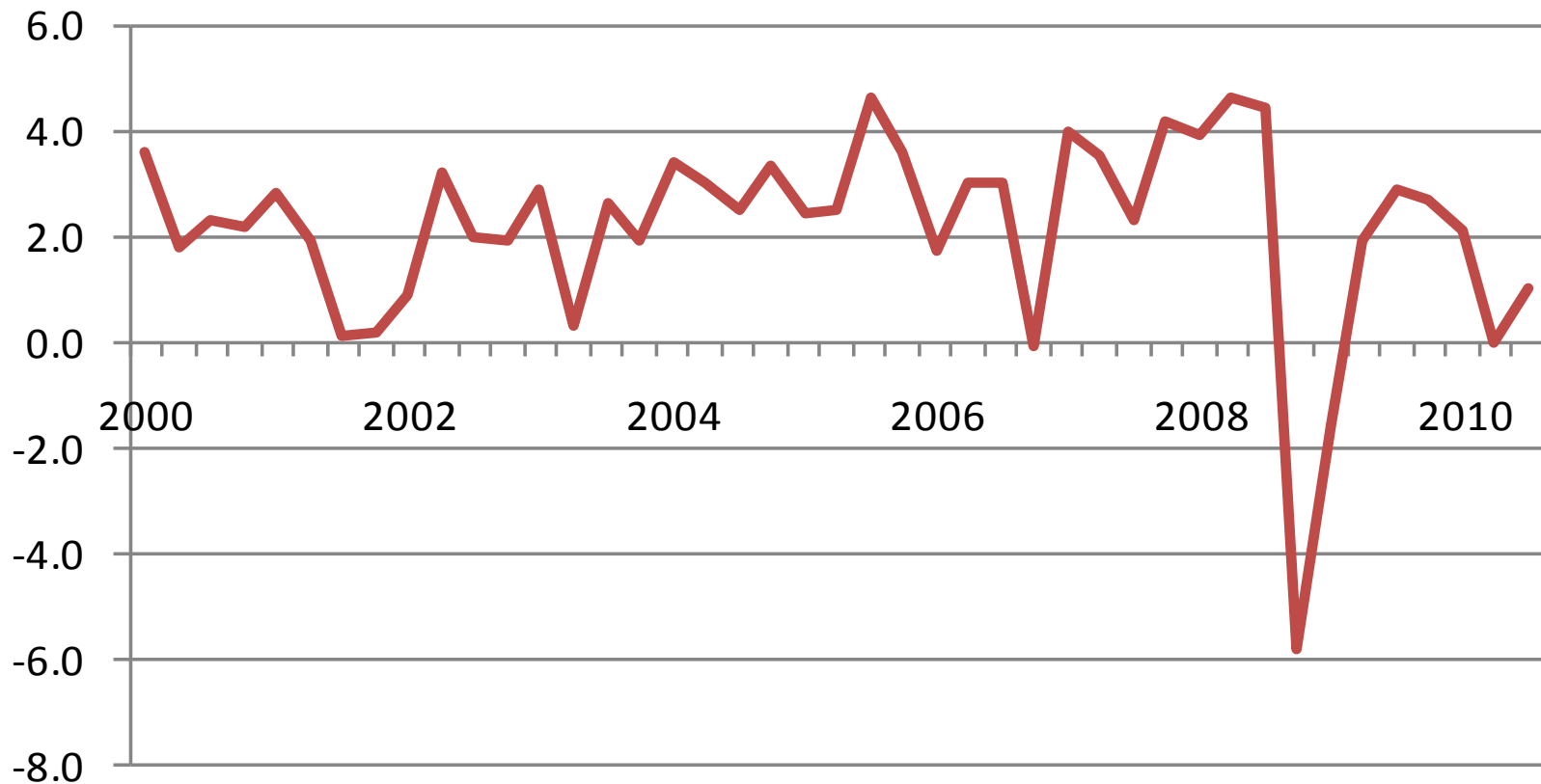


Consumer Spending



Personal Consumption

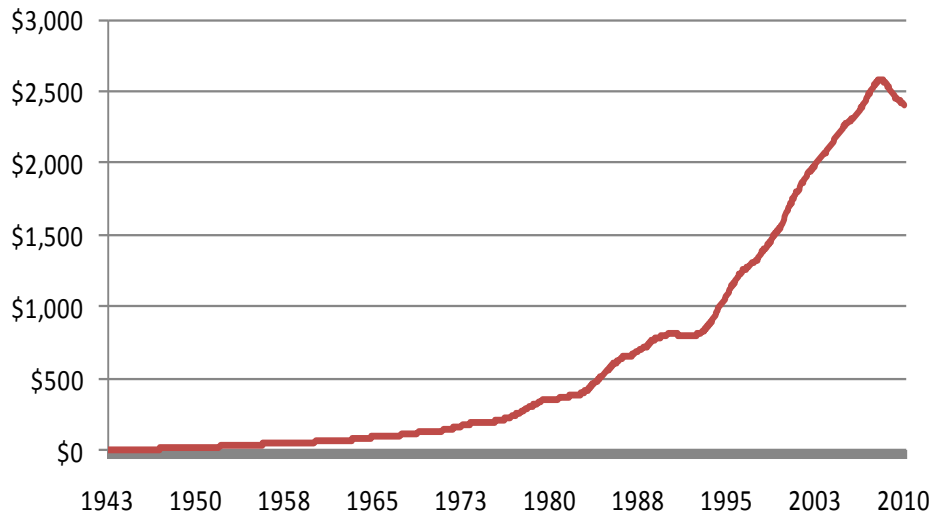
PCE (% Change)



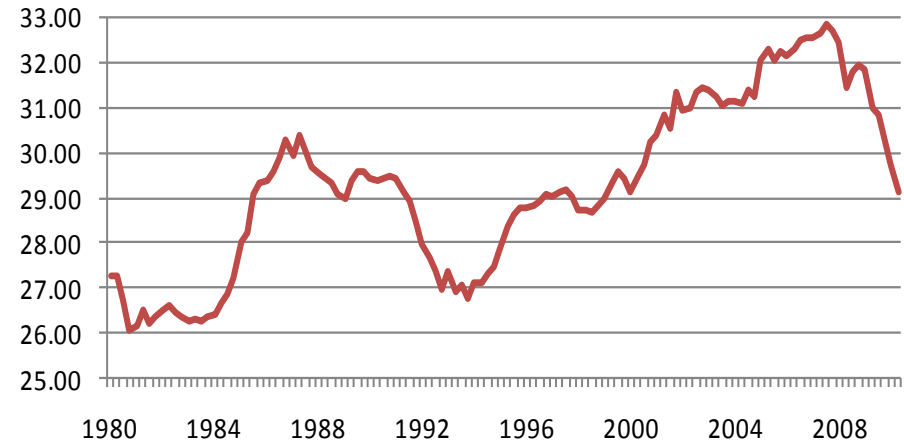


Consumer Credit Conditions

Total Consumer Credit Outstanding (bb)

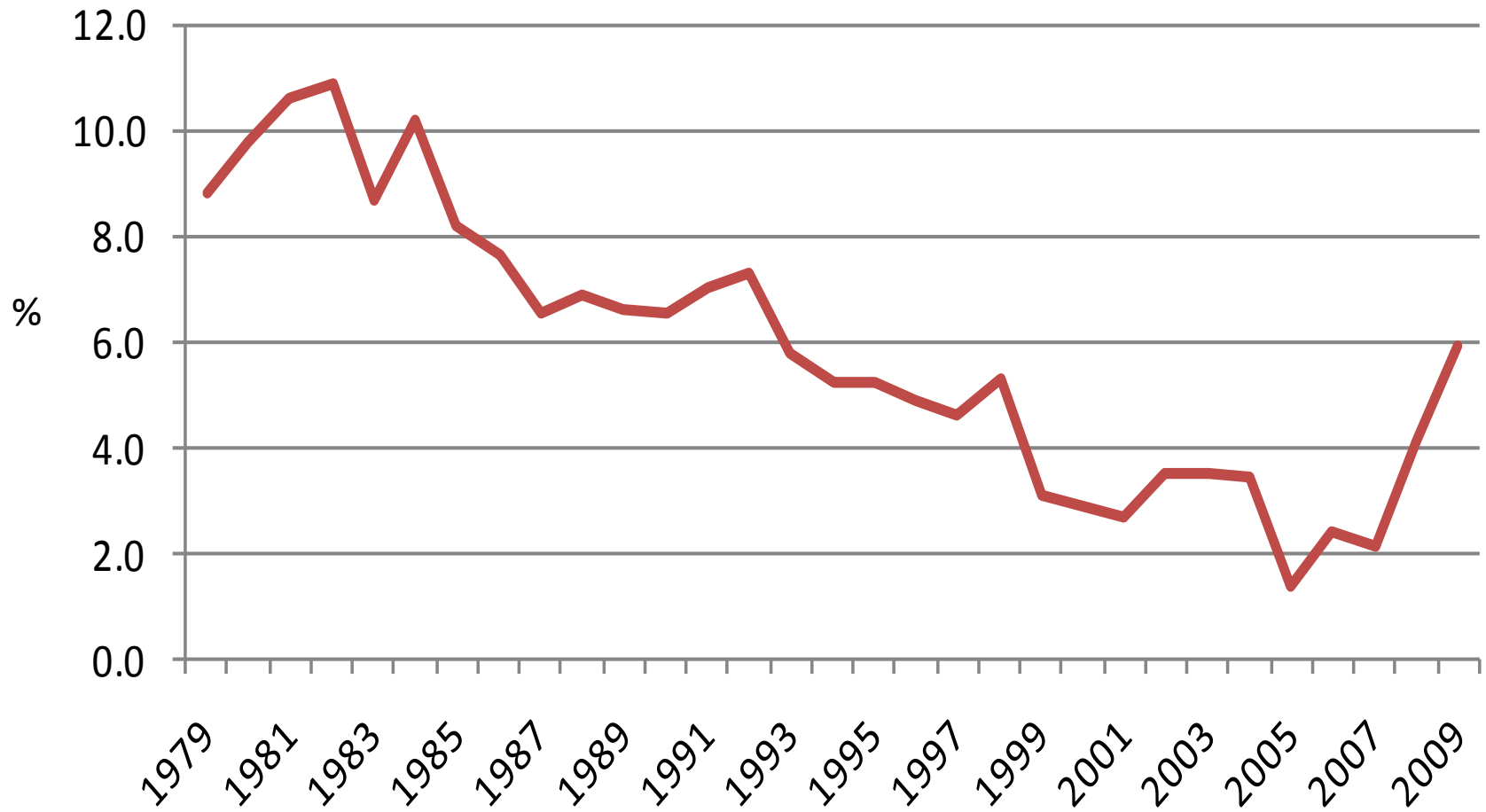


Household Debt Obligations to Disposable Personal Income (%)





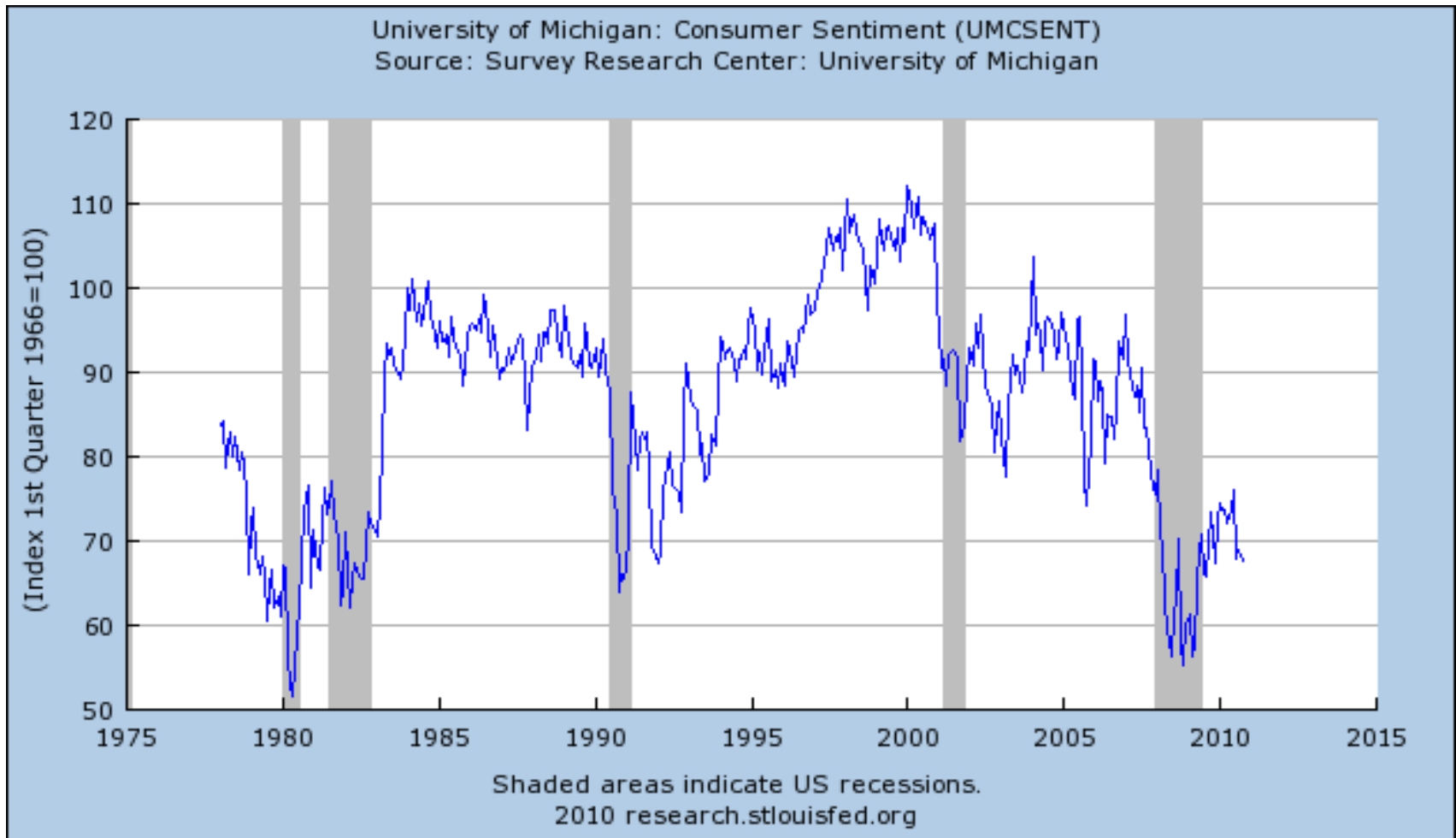
Personal Savings Rate





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Consumer Sentiment



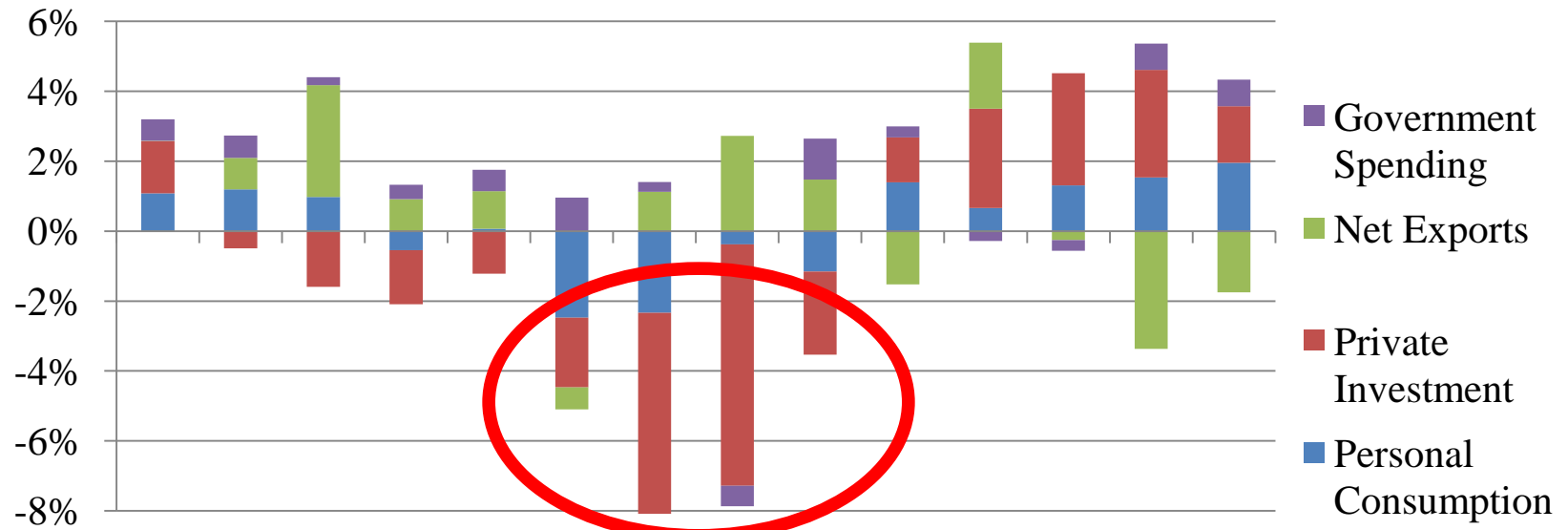


Gross Domestic Product (GDP)



Contributors to GDP

Contributors to GDP % Change



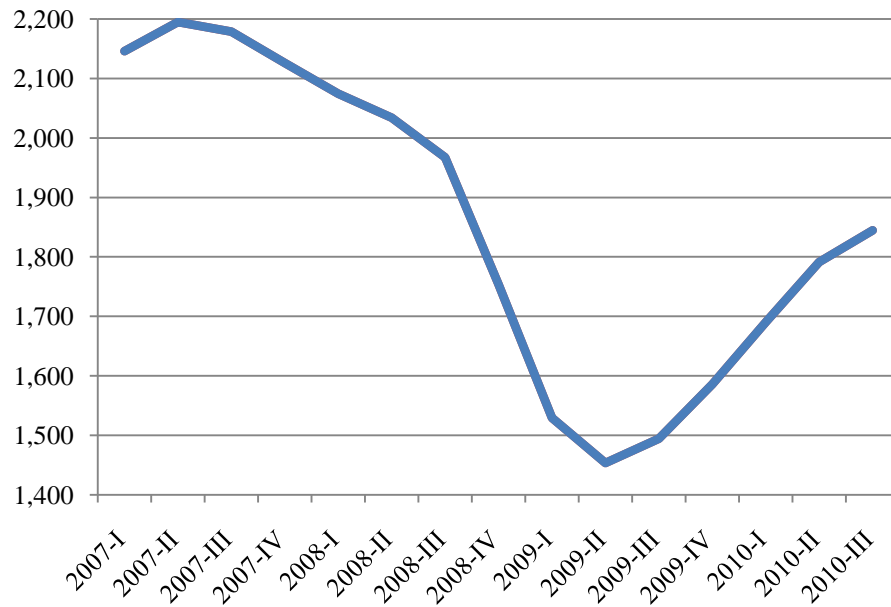
Net Annualized Real
GDP Change
from Previous
Period

2007-II	2007-III	2007-IV	2008-I	2008-II	2008-III	2008-IV	2009-I	2009-II	2009-III	2009-IV	2010-I	2010-II	2010-III
3.2	2.3	2.9	-0.7	0.6	-4.1	-7.0	-5.0	-0.7	1.6	4.9	3.7	1.7	2.5



Business Spending

Private Domestic Investment (\$ Billions)



Financing Gap (\$ Billions)

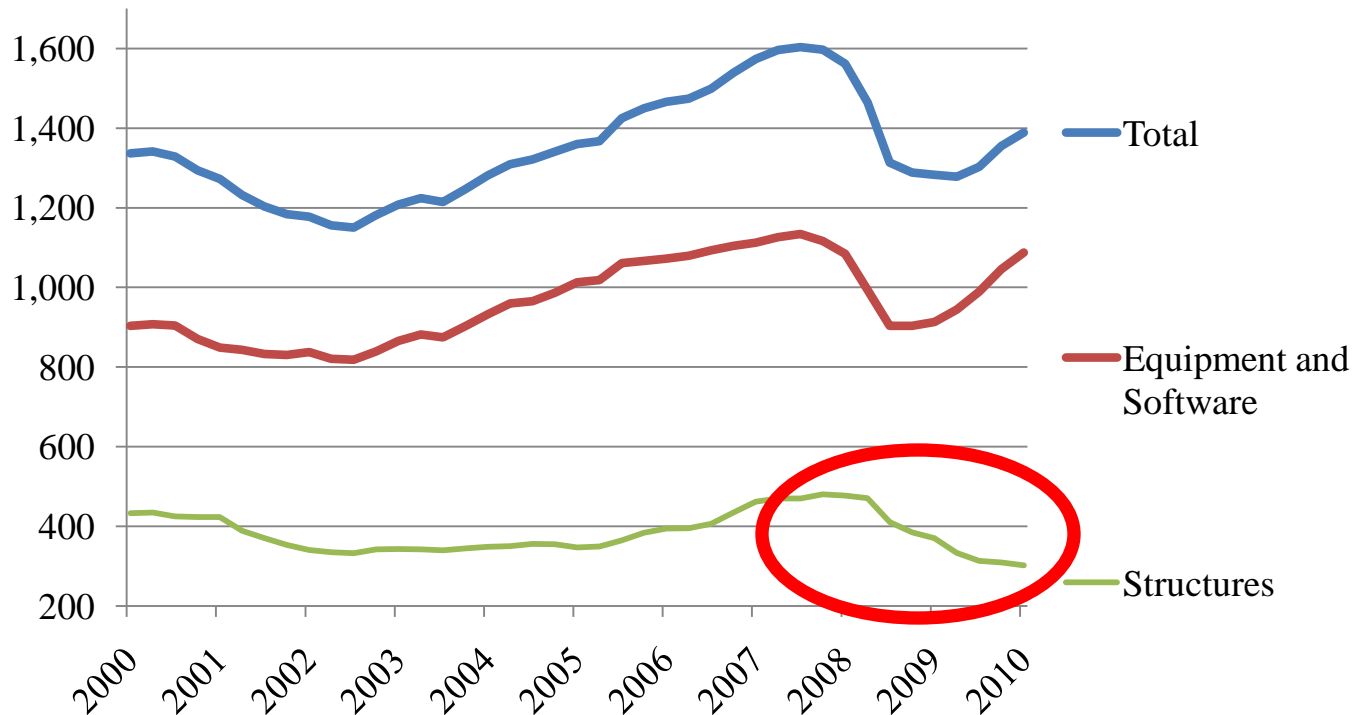




Structures vs. Equipment

- Equipment and Software investment has recovered to pre-crisis levels, but spending on structures continues to decline.

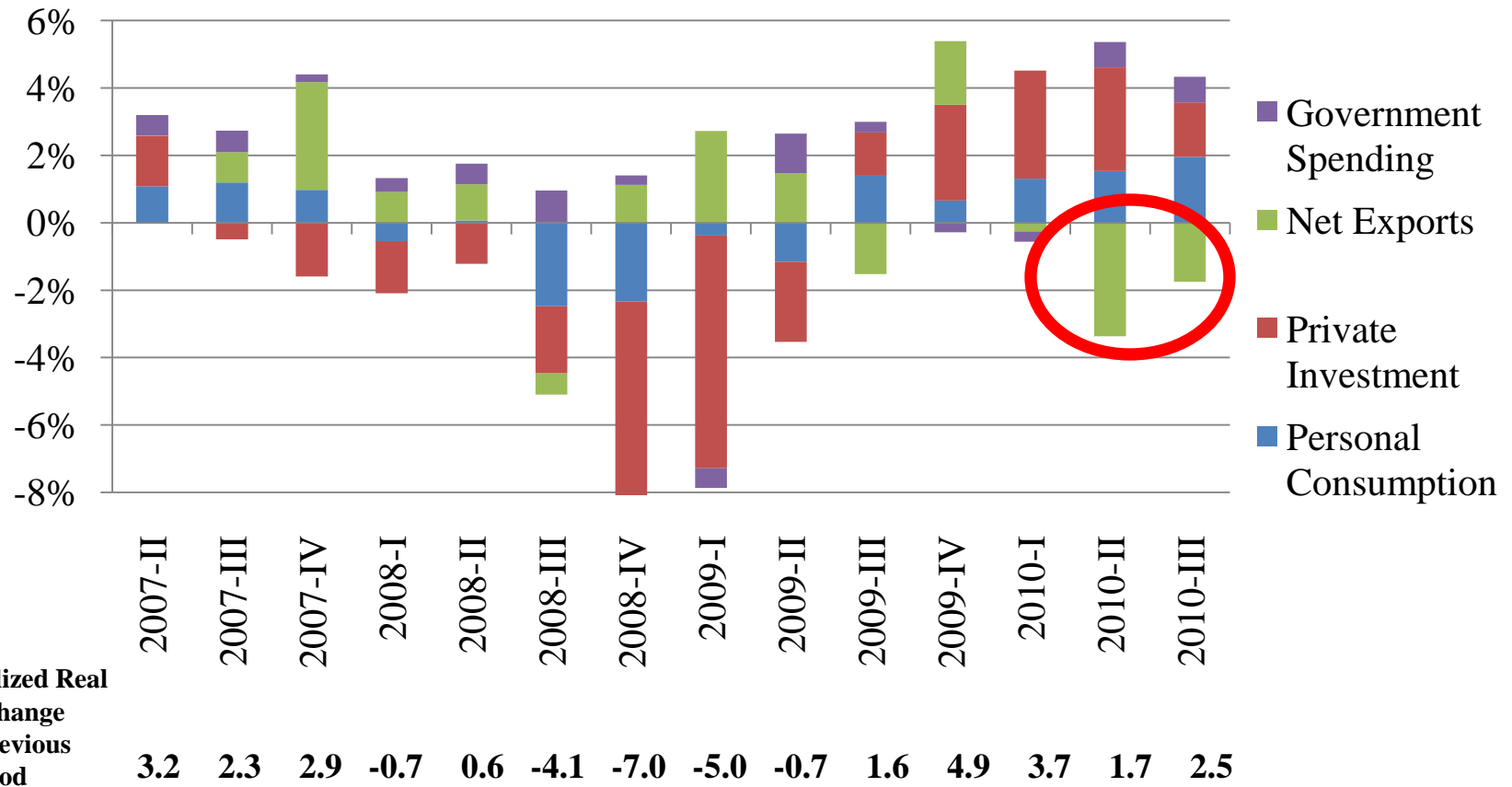
Non-Residential Fixed Investment (\$ Billions)





Contributors to GDP

Contributors to GDP % Change

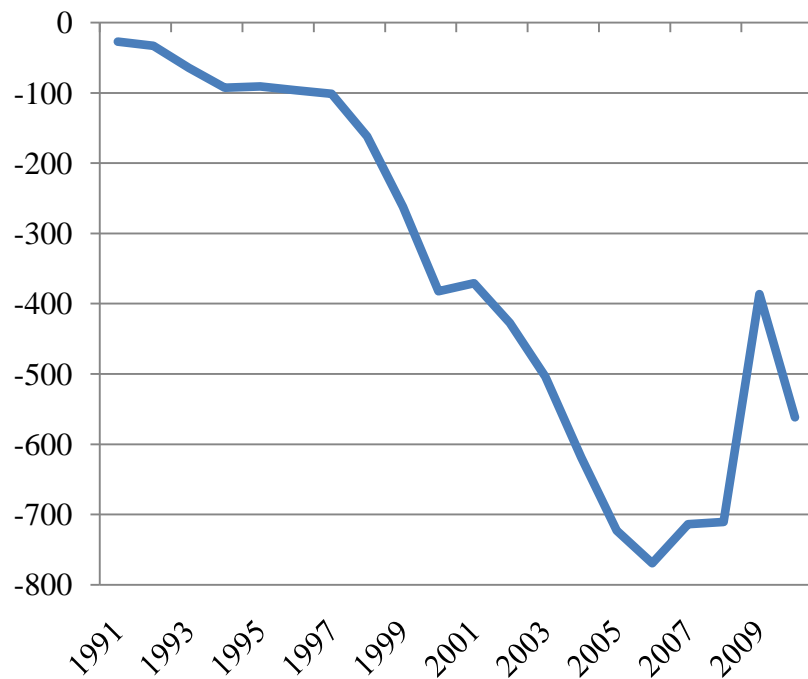


Net Annualized Real
GDP Change
from Previous
Period

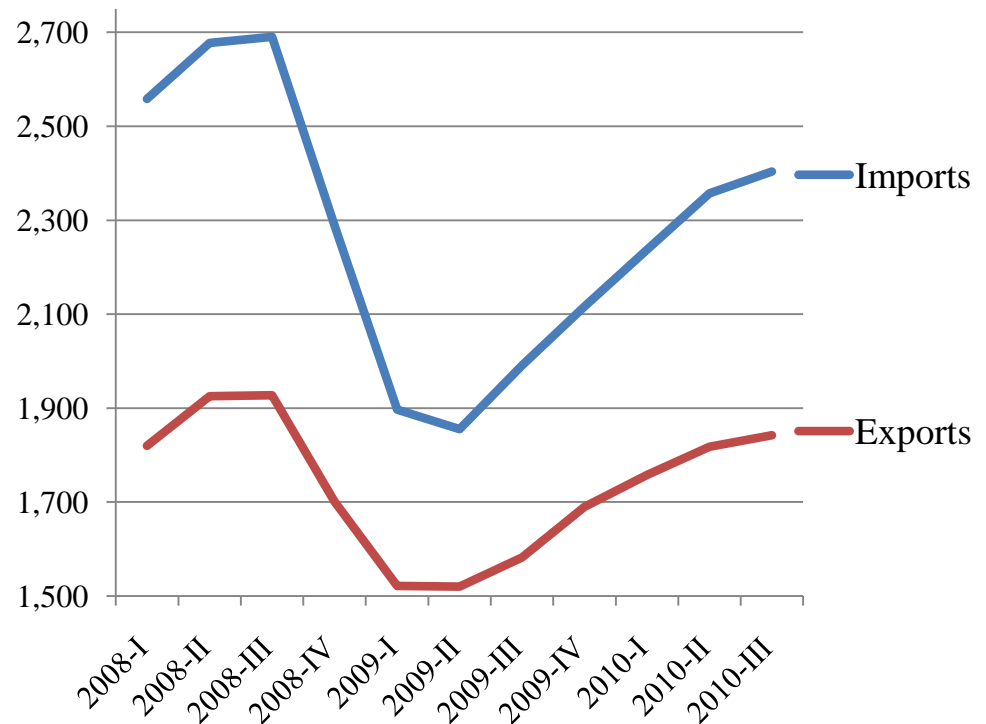


Exports – A Disappointing Recovery

U.S. Trade Deficit (\$ Billions)



U.S. Imports and Exports (\$ Billions)





Conclusion

- **Our GDP Forecast—Slow growth of 2.5-3.0% in 2011 and 2012**
- **Commodity Inflation**
 - Chevron—BUY/OVERWEIGHT
 - Cal-Maine Foods--BUY
 - Archer Daniels Midland—BUY
 - Potash Corp—HOLD
 - Newmont Mining—HOLD
- **Stagnant Job Growth**
 - Paychex—SELL
 - Brandywine Realty—SELL
- **Government Spending Cuts**
 - General Dynamics—UNDERWEIGHT
 - Alliant Tech Systems—UNDERWEIGHT



The Fed's Response



Quantitative Easing 2

- Recovery not progressing adequately
- “No one’s doing anything, so we need to do *something*.”
- Can’t lower short-term rates any further
 - Large-scale asset purchases to depress longer-term rates



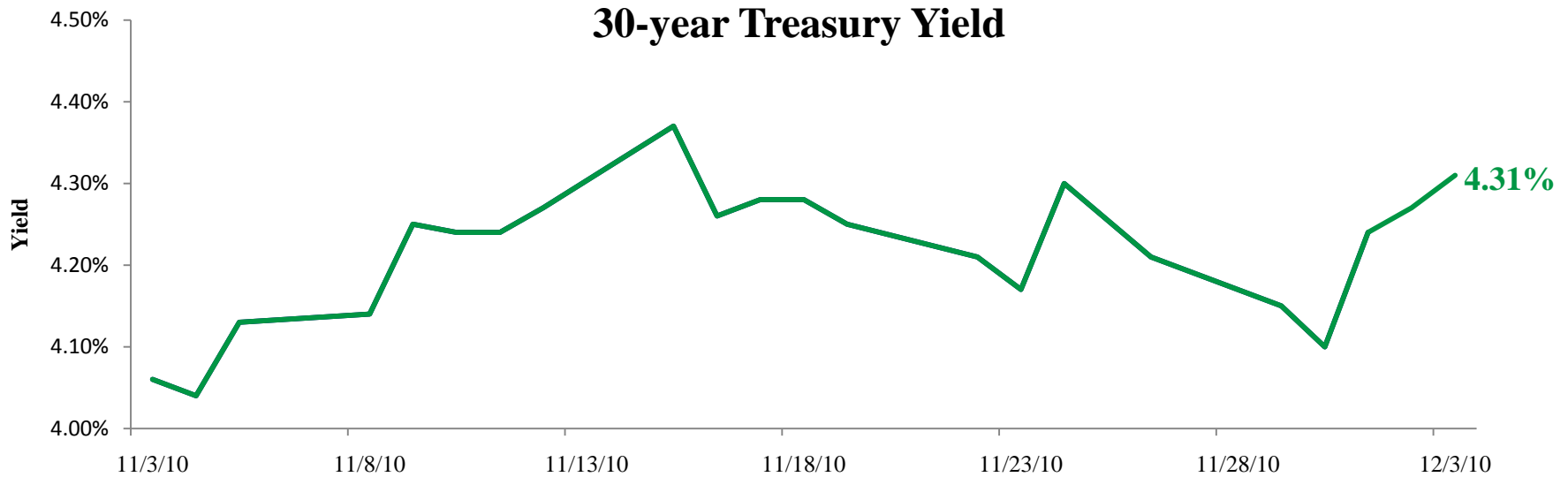
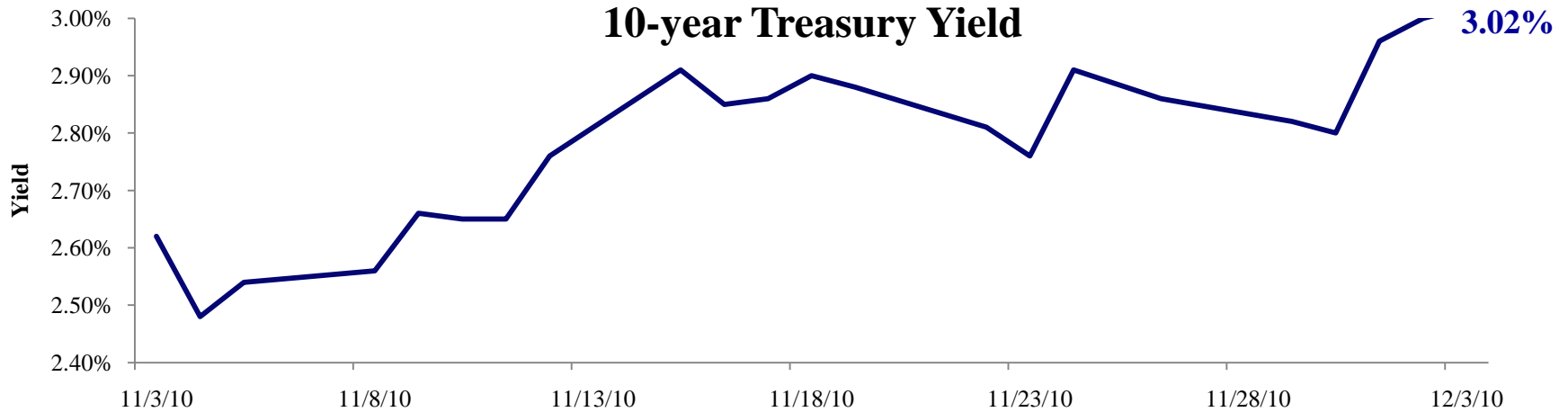
Concerns

- Will the Fed be successful in cutting back asset purchases and stimulus?
- International response
 - Trade implications
 - Asset bubbles?
- Behavior of long-term rates in response to potential implications of QE2



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Performance Since QE2 Announcement





Security Analysis





Security Selection Process

COMSCORE.

globalpayments



CISCO

J.CREW

EM

SYMMETRY Medical[®]



NetApp[™]
Go further. faster

MORNINGSTAR[®]

- The AIM portfolio employs a bottom-up approach to security selection
- Analysts complete six reports on potential stocks that address key areas of concern:
 - Company Background
 - Fundamental Analysis
 - Industry Report
 - EPS Forecast
 - Final Valuation
 - Technical Analysis
- All six reports are considered and each analyst makes a buy, sell, no buy recommendation for his/her securities



Analyst Agenda

<u>Analyst</u>	<u>Company</u>	<u>Focus</u>
Joe Idaszak	J. Crew Group	Company Background
Matt Delaney	Morningstar	Fundamental Analysis
Tom Haddad	Cal-Maine Foods	Fundamental Analysis
Billy Straccia	comScore	EPS Valuation
Ryan Mack	Cisco Systems	DCF Valuation
James Pappas	Global Payments	Multiples Valuation
Eric Fahrenbach	Symmetry Medical	Discovery
Tom Friel	NetApp	Technical Analysis



J. Crew Group (JCG)

Market Price	\$37.65
Forward P/E	13x
Market Cap	\$2.40B
2010 Revenue	\$1.71B
2010 EPS	\$2.29

J. CREW





Company Background

The Company

- Specialty Retailer
 - Niche: 18-50 yr old female
 - Single Product, no multi branding (e.g. GPS, URBN)
 - Multi-Channel Outlet
 - Opportunities:

% Revenue Breakdown by Product					
	2007	2008	2009	1H 2009	1H 2010
Women	66%	66%	65%	67%	65%
Men	20%	19%	19%	18%	19%
Children	1%	3%	4%	3%	5%
Accessories	13%	12%	12%	12%	11%
Total	100%	100%	100%	100%	100%





Company Background

- Management Team:
 - CEO Millard “Mickey” Drexler, 2003
 - Previously CEO of Gap, Inc. during the 1990s rise of the Gap brands
 - President, Executive Creative Director Jenna Lyons, 2010
 - Employee since 1990, promoted to current position in September
- Public Perception: Michelle Obama
 - Catalyst: J. Crew in the public eye
 - Tonight Show with J. Leno
 - London with Prime Minister’s wife



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JCG Recommendation - Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Forward P/E	\$ 43.94	17.5%	\$ 7.69
Forward Price-to-Sales	44.02	12.5%	5.50
Price-to-Book	43.70	5.0%	2.19
Forward P/E, % of S&P 500	49.43	7.5%	3.71
Forward P/E, % of Ralph Lauren	46.00	7.5%	3.45
Free Cash Flow	\$ 45.05	50.0%	<u>\$ 22.53</u>
Final Valuation			\$ 45.06
Price as of 11/22/10			\$ 37.65
Estimated Upside			19.68%

Investment Thesis:

J. Crew serves a niche position within apparel and provides a quality, well-designed selection of products that matches market styles and trends. Led by one of the best management teams in the industry, the company will continue to prosper as it expands itself into more menswear, children's clothing (crewcuts), and internationally.



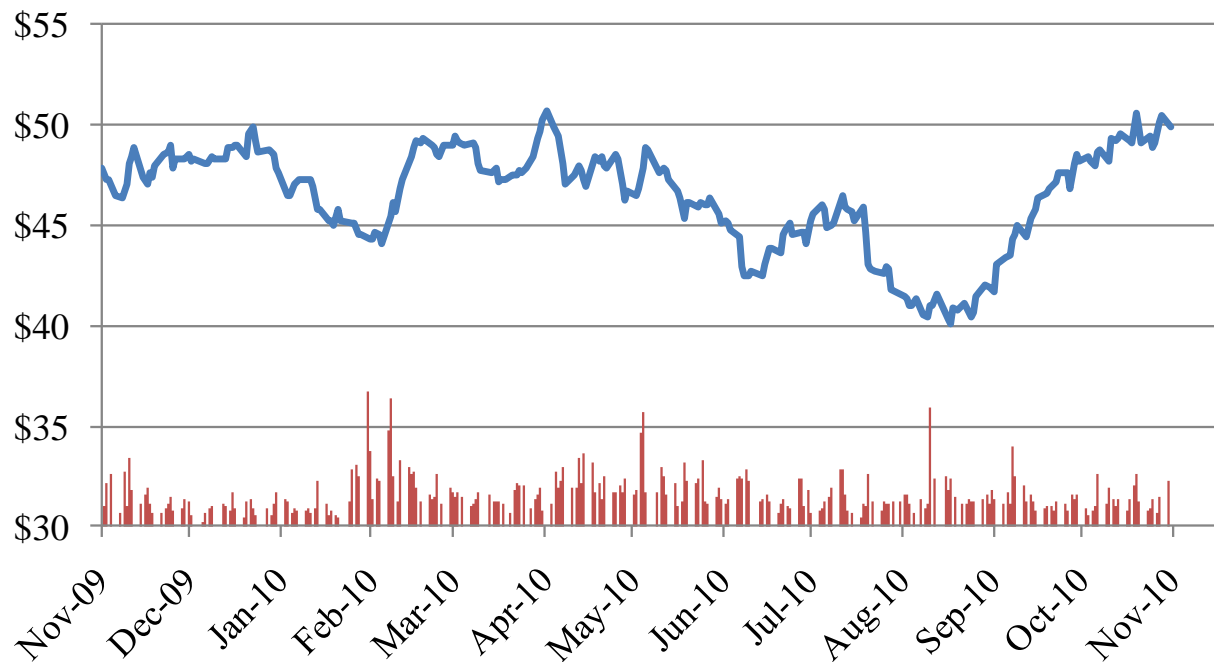
Buyout Offer

- TPG Capital Partners (~75%)
 - Previously owned 88% when privatized in 1997
- Leonard Green & Partners (~22%)
- Chairman/CEO Mickey Drexler (~3%)
- \$3 bn, or \$43.50 per share
 - Drexler will stay on in same role for 4 years starting at the completion of the buyout
- Market Price > Bid Price → Another Bid?



Morningstar (MORN)

Market Price \$49.87
Forward P/E 22x
Market Cap \$2.5B
LTM Revenue \$526MM
LTM EPS \$1.58





Business Overview

Operating Segments

•Investment Information

- 80% of revenues
- 30% operating margin

•Investment Management

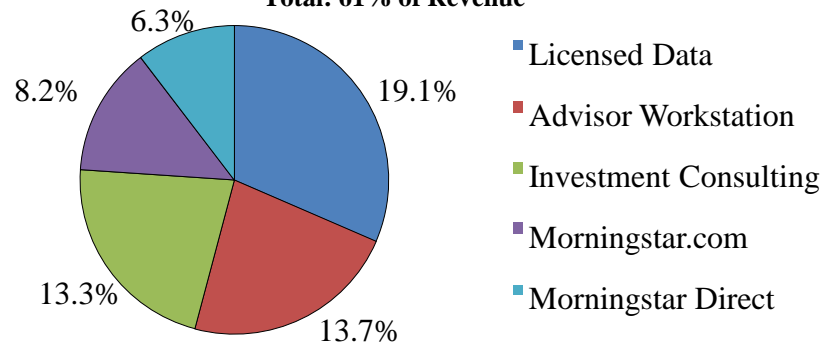
- 20% of revenues
- 50% operating margin

Target Client	Tailored Product
Institutional	Morningstar Direct
Financial Advisors	Advisor Workstation
Individuals	Morningstar.com

Target Client	Tailored Product
Institutional	Money Management
Financial Advisors	Investment Consulting
Retirement Participants	Retirement Advice

2009 Top Five Products by Revenue

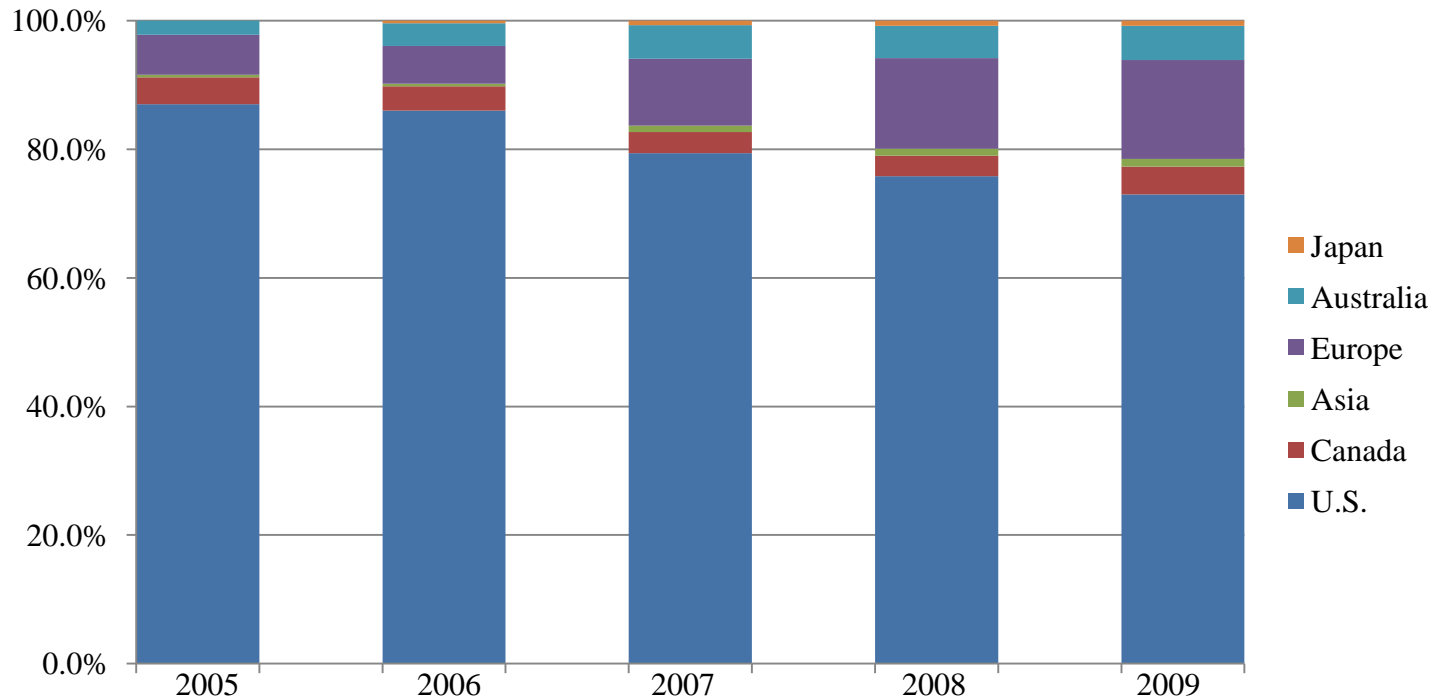
Total: 61% of Revenue





Business Overview

Percentage Revenue by Region

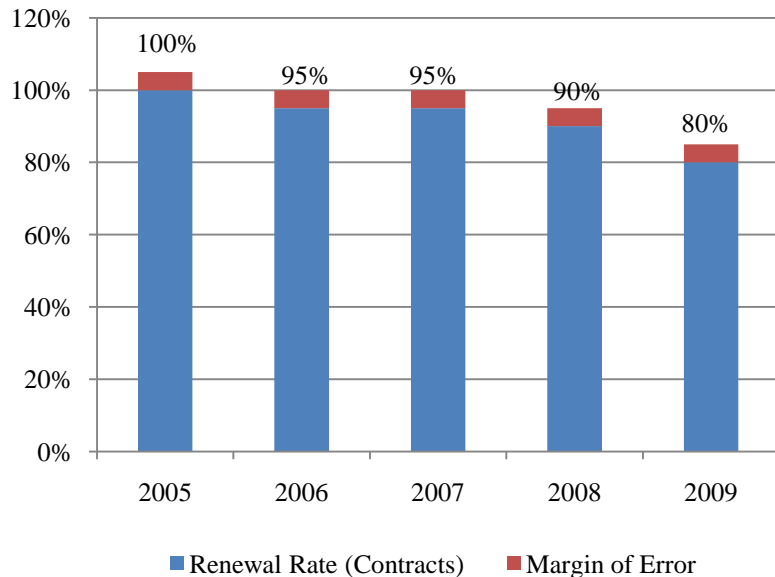


U.S.	87.0%	86.0%	79.4%	75.8%	73.0%
Non-U.S.	13.0%	14.0%	20.6%	24.2%	27.0%

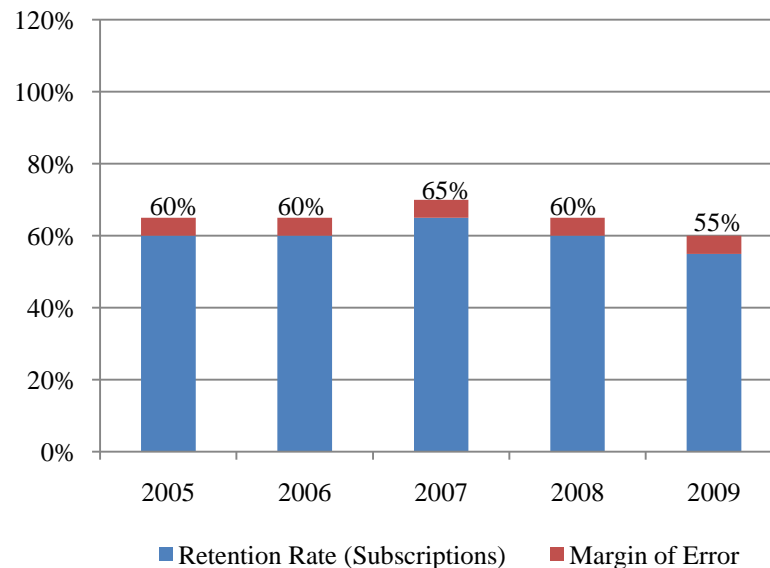


Business Overview

Renewal Rate of Contracts



Retention Rate of Subscriptions

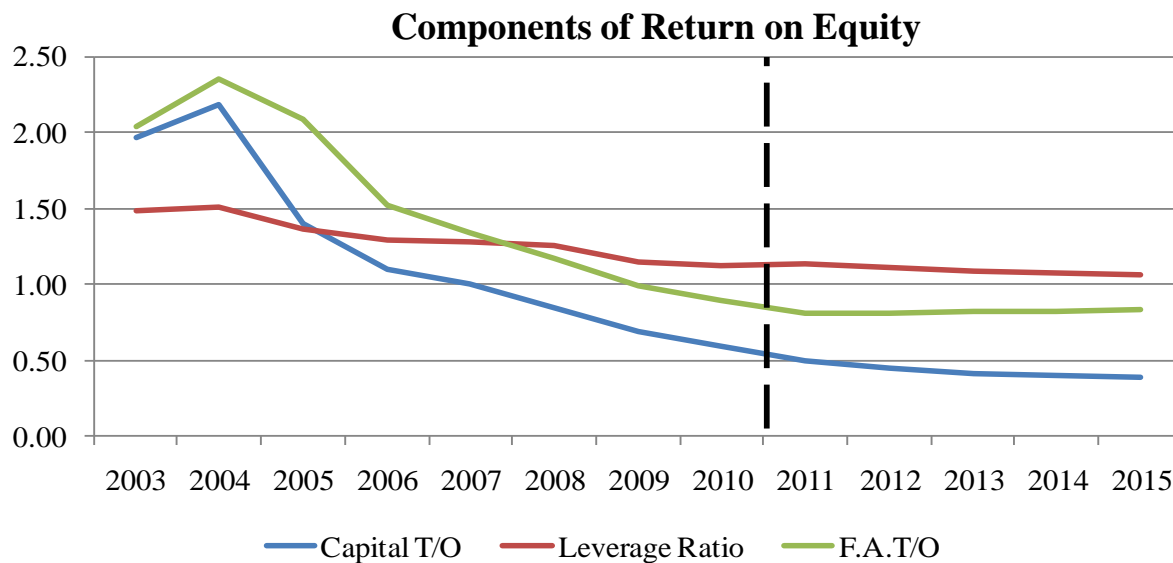
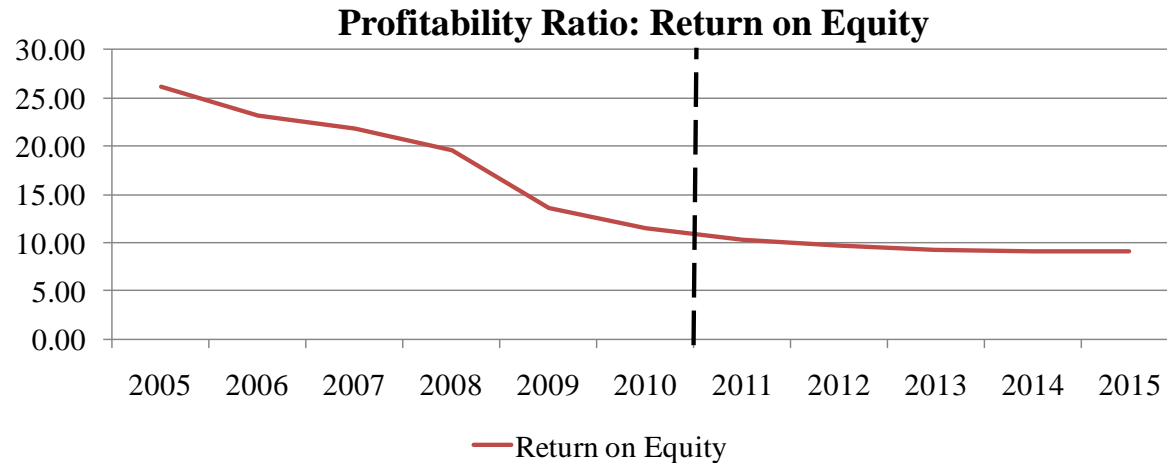


Third Quarter 2010 Updates:

- Licenses for Morningstar Direct rose 32.3% to 4,403, with particularly strong growth outside the United States, partly reflecting client migrations from Institutional Workstation



Fundamental Analysis: Ratios





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MORN Recommendation – Sell

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Price-to-Operating Profits	\$ 47.76	0%	\$ -
Forward P/E	\$ 51.06	10%	\$ 5.11
Forward Price-to-Sales	\$ 48.51	15%	\$ 7.28
Free Cash Flow	\$ 37.70	75%	\$ 28.28
Final Valuation			\$ 40.66
Price as of 11/22/10			\$ 49.87
Estimated Upside / Downside			-18.47%

Investment Thesis:

Morningstar continues to build-out its global distribution platform to leverage a wide-variety of products and services across a fragmented market. However, the company continues to struggle to sustainably generate revenue growth that is commensurate with the assigned value of its proprietary databases.



Cal-Maine Foods (CALM)

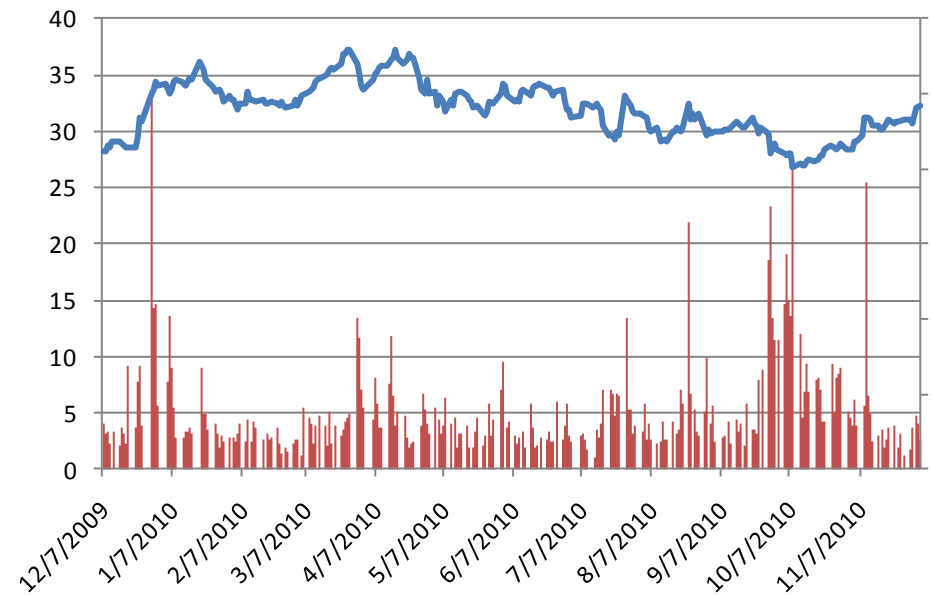
Market Price: \$30.75

Forward P/E: 10.36

Market Cap: \$737MM

LTM Revenue: \$912MM

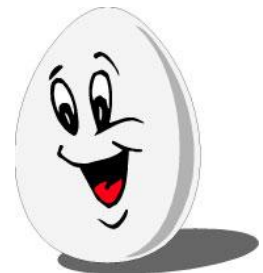
LTM EPS: \$3.20





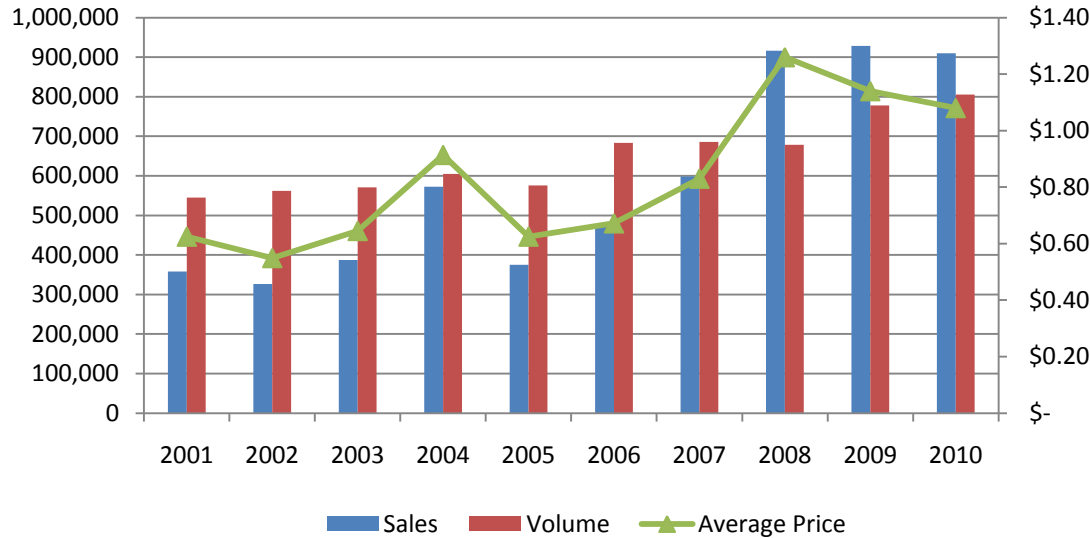
Overview

- Largest producer and marketer of shell eggs in the US
- Sell primarily to grocery stores and other food companies
- In 2010, sold 805 million dozen shell eggs, 18% of domestic shell egg consumption
- Largest geographic presence in Southeast
- Only publically company in egg production





What Drives the Business?

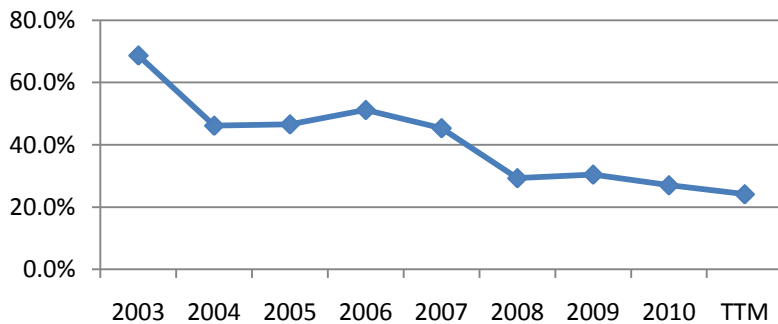


Correlation of...

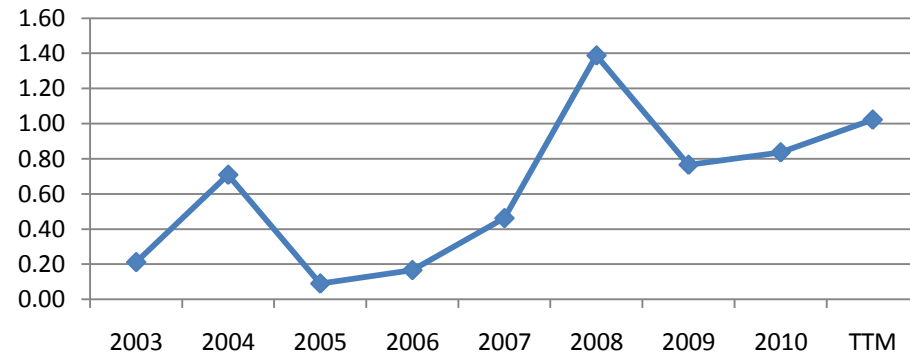
- Egg Prices and Sales = **.97**
- Egg Prices and EBIT = **.95**
- Egg Prices and Margins = **.90**
- ROE and Margins = **.93**
- Feed Prices to Egg Prices = **.92**

High volatility in sales (27%) and EBIT (127%) growth, but low volatility in volume growth (4%)

Total Debt Capital/Total Capital



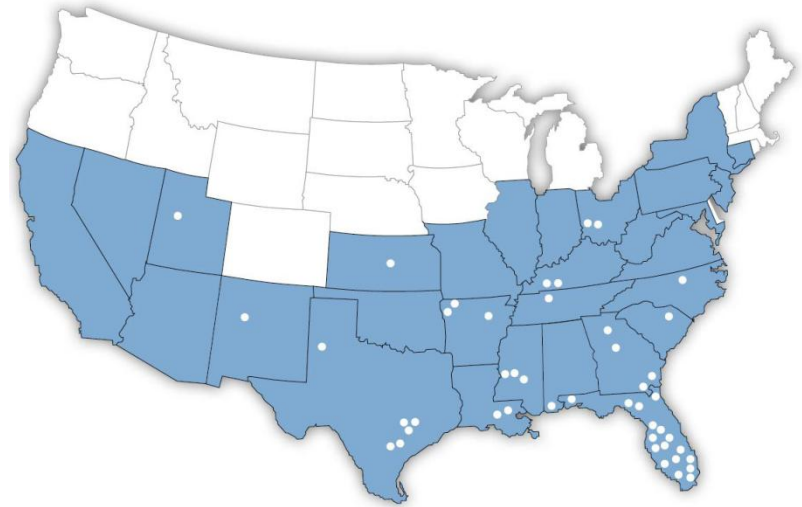
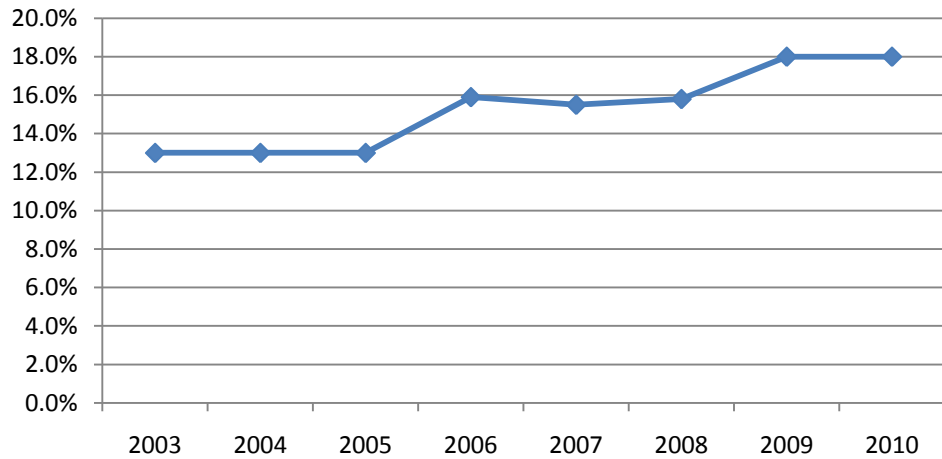
Cash Flow/Total Debt





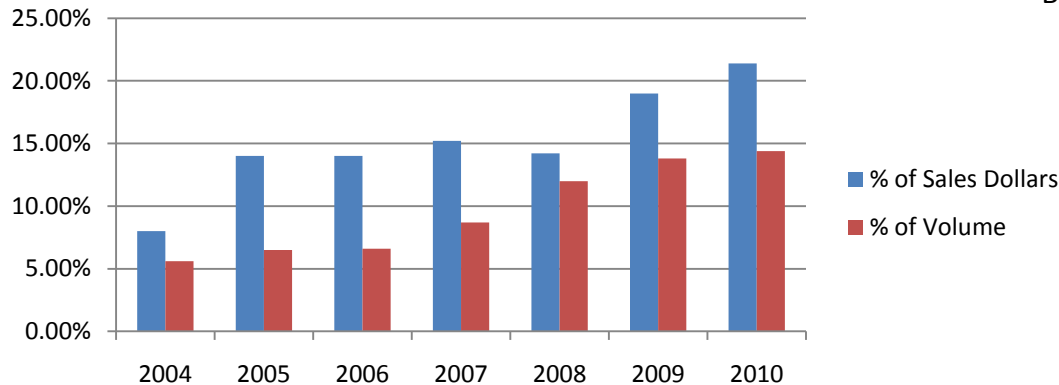
Drivers of Future Growth

Increasing Market Share



Blue Shading indicates Cal-Maine Major Market Areas

Trend Towards Specialty





AIM XXXI

CALM Recommendation - BUY

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Discounted Cash Flow	\$ 47.40	30%	\$ 14.22
P/B Multiple	35.20	40%	14.08
P/E Multiple	32.02	20%	6.40
Dividend Discount Model	25.90	10%	2.59
Final Valuation			\$ 37.29
Price as of 11/22/10			\$ 30.75
Estimated Upside			21.28%

Investment Thesis:

Cal-Maine's extensive investments in advanced facilities have allowed it to become a low cost leader. Given the company's low financial risk and the opportunity for above average growth through geographic expansion and the trend toward specialty eggs, the analyst sees an upside even with moderately decreasing egg prices.



comScore, Inc. (SCOR)

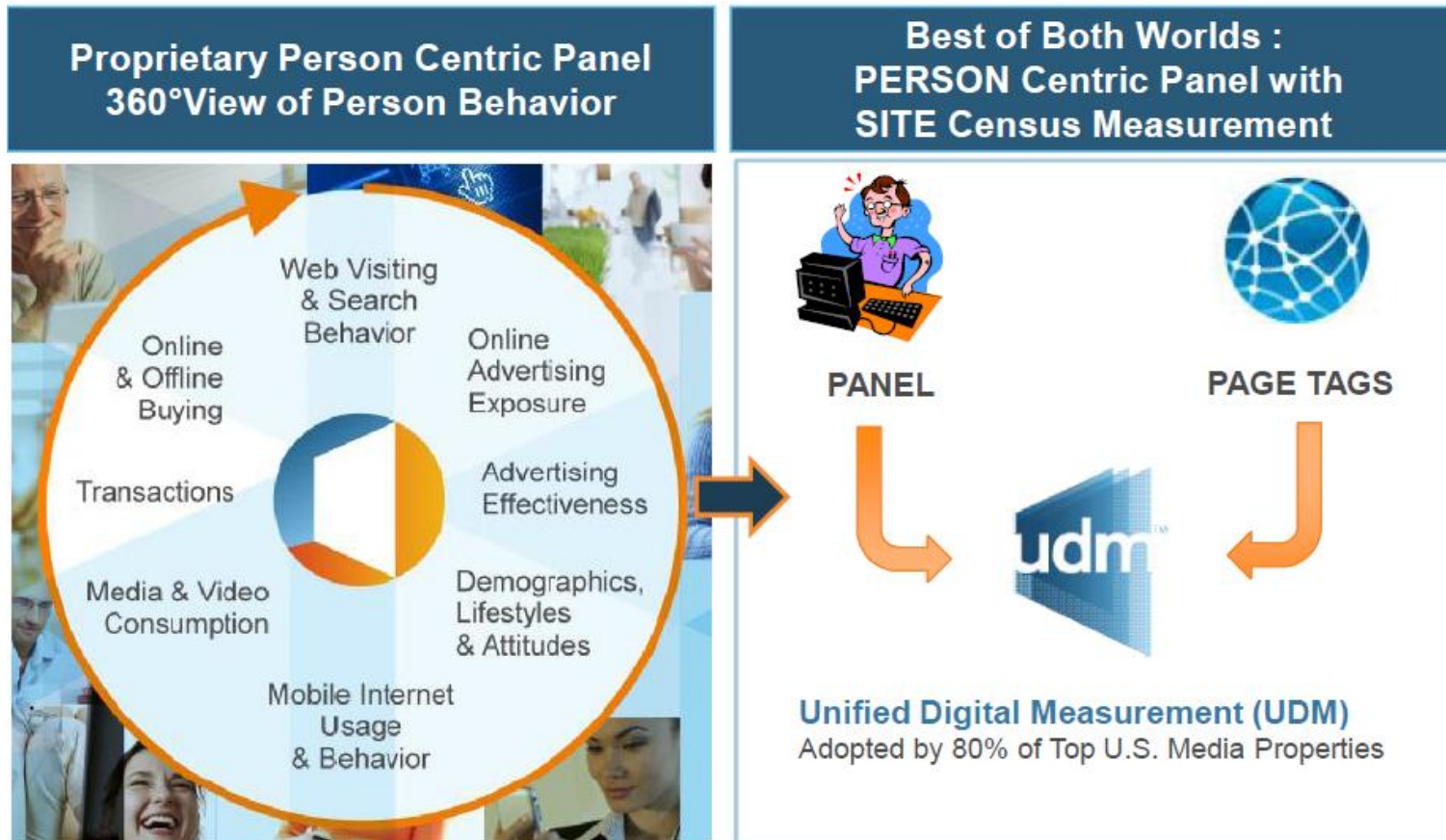
Market Price \$22.00
Forward P/E 81x
Market Cap \$691B
2010 Revenue \$174B
2010 EPS (\$0.02)





Business Overview

- Global panel of more than 2 million internet users
- Projects consumer online behavior for the total online population





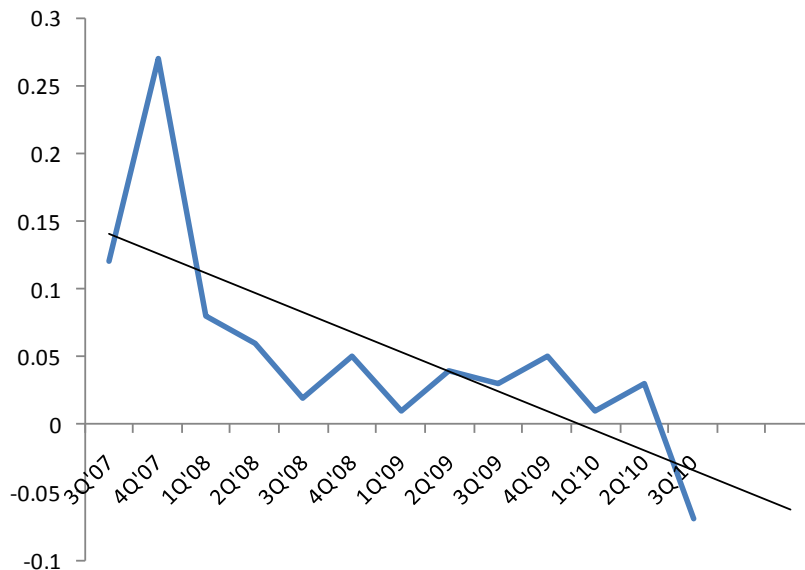
EPS Heuristic Valuation

Quarterly Earnings Surprise

	Mean	Actual	Surprise
Sep-10	\$ 0.01	\$(0.07)	(800%)
Jun-10	0.04	0.03	(30%)
Mar-10	0.01	0.01	(29%)
Dec-09	0.04	0.05	14%
Sep-09	0.05	0.03	(37%)
Jun-09	0.02	0.04	74%
Mar-09	0.01	0.01	(29%)

- Street consistently overestimates earnings potential
- Significant negative surprise history

Quarterly EPS: 3Q'07 - 3Q'10



- Utilized heuristic valuation as a guideline to the financial valuation
- Heuristic method implies (\$0.13) per share for 2010
 - 0% weight
 - High operating leverage



EPS Final Valuation

AIM Estimate

FY END	Q1	Q2	Q3	Q4	FY
2010	\$0.01	\$0.03	(\$0.07)	\$0.01	(\$0.02)
2011E	\$0.04	\$0.06	\$0.04	\$0.08	\$0.22

Analyst Consensus

FY END	Q1	Q2	Q3	Q4	FY
2010	\$0.01	\$0.03	(\$0.07)	\$0.01	(\$0.02)
2011E	\$0.08	\$0.06	\$0.08	\$0.10	\$0.32

- Utilized an earnings forecast model assuming 2010 revenue growth of 31% and 30% in 2011
- Catalysts
 - Recent acquisitions expand global footprint
 - Larger market opportunity (\$2.7bn vs. \$800mm previously)
- Street Misperceptions
 - We believe margin expansion will be somewhat limited near-term as SCOR works on integrating its 4 recent acquisitions
 - Slow global economic recovery will adversely affect overly optimistic foreign growth potential (currently 19.5% of total revenues)
 - Competitive market for digital marketing intelligence – Google, Nielsen, Compete



SCOR Recommendation – Sell

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Forward P/E	\$ 23.90	10%	\$ 2.39
Forward Price-to-Sales	23.60	10%	2.36
Free Cash Flow	\$ 23.00	80%	<u>\$ 18.40</u>
Final Valuation			\$ 23.15
Price as of 11/23/10			\$ 21.69
Estimated Upside			6.73%

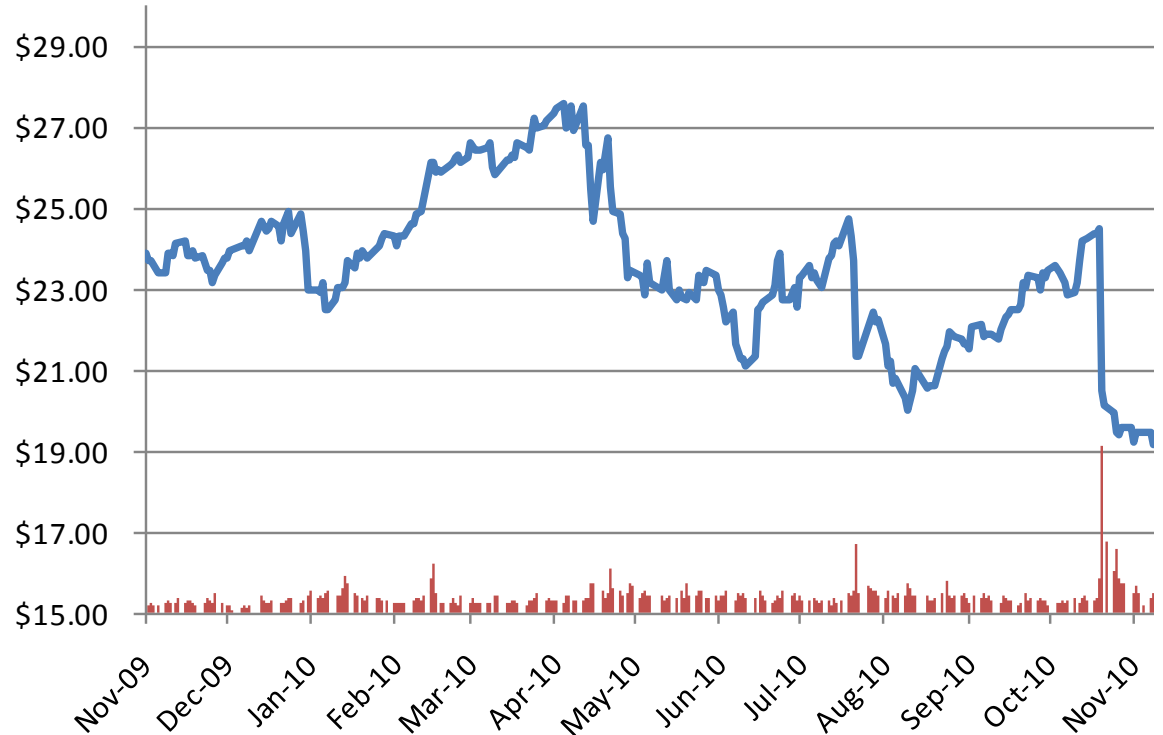
Investment Thesis:

Despite sales growth potential, we believe margin expansion will be limited near-term while international sales projections remain overly optimistic. Although we see 6.73% upside, our analysts have discovered more lucrative investment opportunities.



Cisco Systems (CSCO)

Market Price \$19.56
Forward P/E 12x
Market Cap \$108B
LTM Revenue \$42B
LTM EPS \$1.41



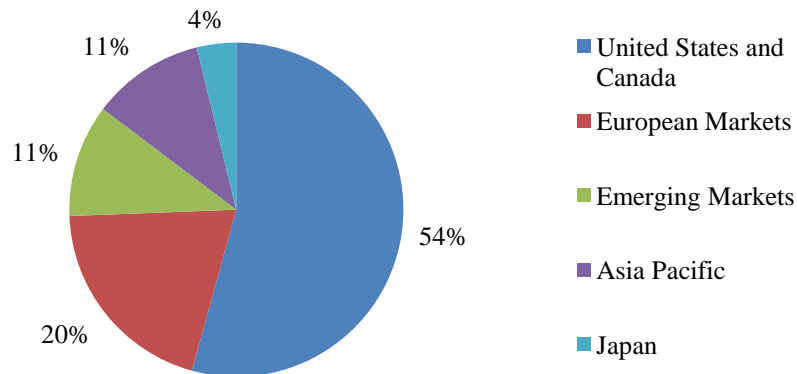


Company Overview

2010 Revenue by Segment



2010 Revenue by Region





Recent Earnings Announcement

NEWS:

- Beat 1Q earnings estimates but gave poor outlook
 - Public sector cut IT spending
 - Predict sales will grow 3-5% in next quarter (down from 12-17%)

REACTION:

- Shares fell 15% and Cisco lost \$23 billion in market cap
- Investors seem to be perceiving a stalling tech sector



AIM XXXI

Revenue Projections

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue Growth					
Routers	2%	4%	5%	5%	5%
Switches	4%	9%	10%	10%	8%
Advanced Technologies	8%	11%	14%	12%	12%
Other Products	15%	22%	25%	20%	17%
Service	8%	10%	10%	10%	10%
Total Revenue	6%	10%	11%	11%	10%

- Maturing Routing business
- High growth in Advanced Technologies as network security becomes more important
- Video related products will drive future growth
- Solid growth in service segment—tempered by centralized data centers



Additional Assumptions

WACC: 7.38%

Terminal growth rate: 2.5%

Share Repurchase:

Forecast additional stock repurchase of \$18 billion over five years

Final DCF Valuation:
\$25.28



CSCO Recommendation - Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Forward P/E	\$ 26.88	15%	\$ 4.03
Forward Price-to-Sales	30.84	15%	4.63
Price-to-Book	31.82	0%	-
Price-to-Operating Income	23.69	15%	3.55
Free Cash Flow	\$ 25.28	55%	<u>\$ 13.90</u>
Final Valuation			\$ 26.12
Price as of 11/22/10			\$ 19.56
Estimated Upside			33.51%

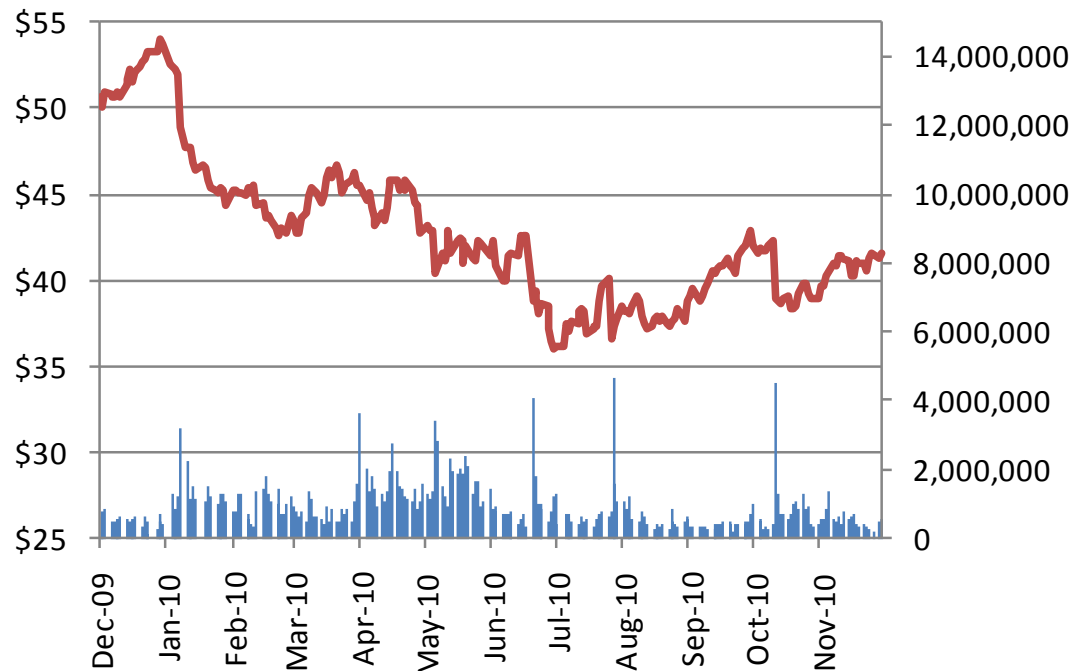
Investment Thesis:

Cisco is a dominant market leader aimed at retaining that position through organic and acquisition-based growth. The recent drop in the stock price is largely an overreaction and allowed us to buy cheap and position ourselves for substantial long-term returns.



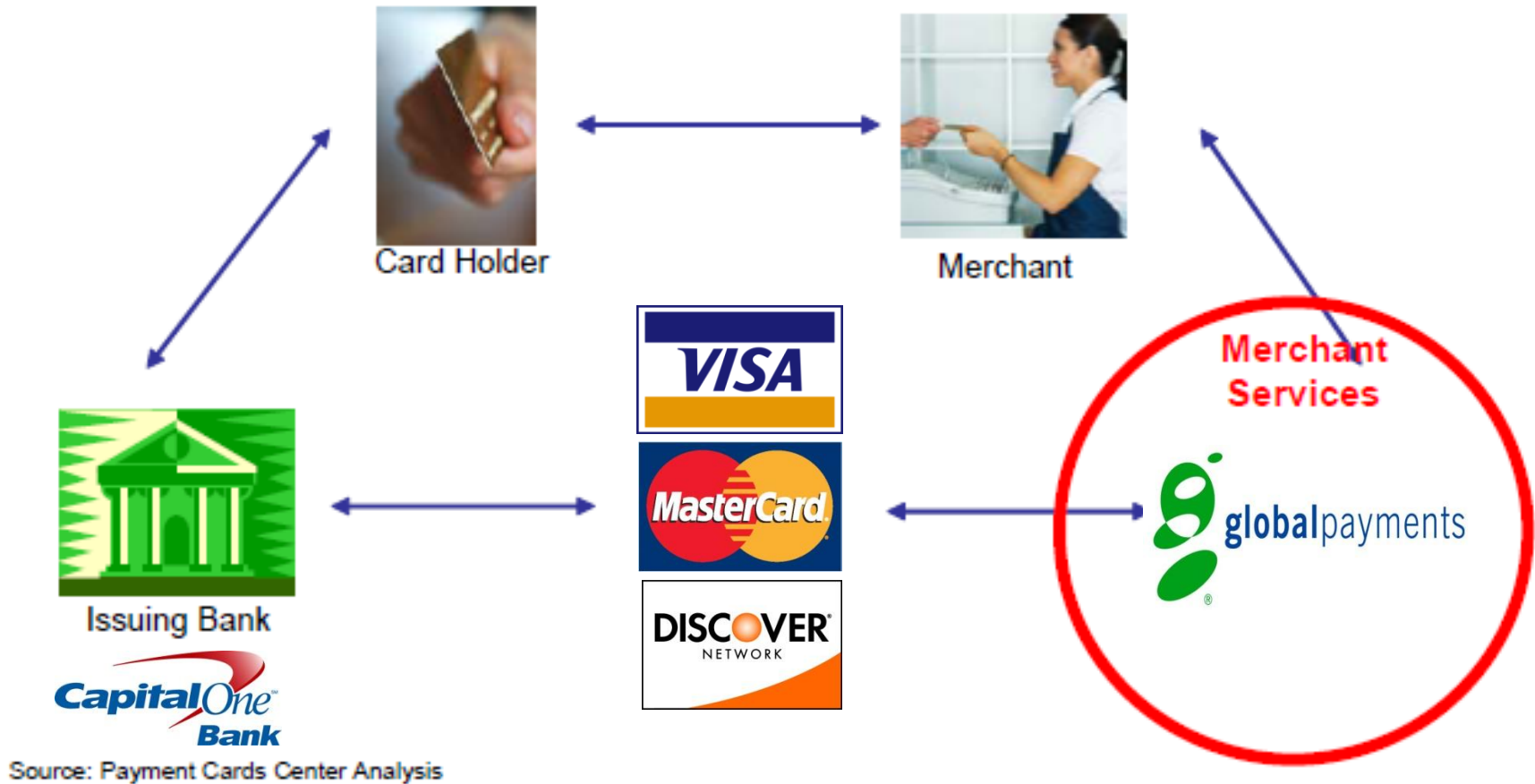
Global Payments Inc. (GPN)

Market Price \$41.03
Forward P/E 15.31x
Market Cap \$3.27B
LTM Revenue \$1,672MM
LTM EPS \$2.54





The Mechanics of a Credit Card Transaction





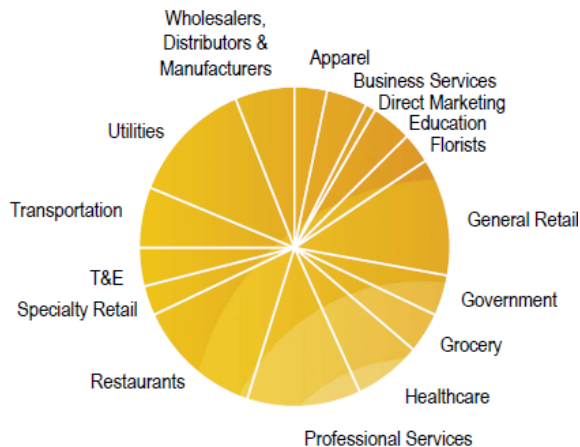
Global Payments Overview

Key Differentiators

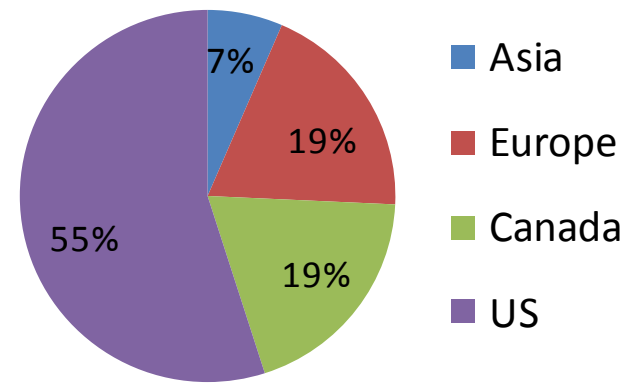
- Leading market share among independent service providers
- Only true worldwide player in the processing sector
- Long standing relationships with card associations (Visa, MasterCard, and Discover)
- Unlike card issuers, Global Payments does not bear customer default risk
- Demonstrated ability to create value through international acquisitions

End Market and Geographic Diversity

FY 2010 Sales by End Market



FY 2010 Sales by Geography



FY Ends May 31st



Global Payments - Global Opportunities

Leadership in Growing Markets

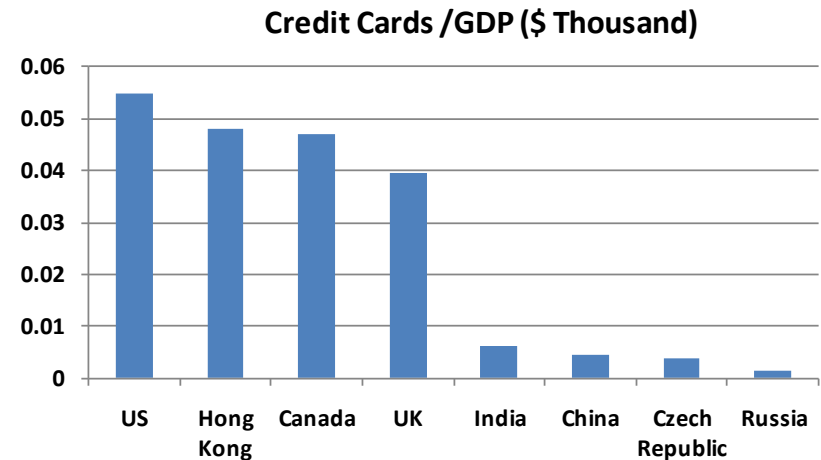
- Key acquisitions have provided Global Payments an unmatched market share in the most promising emerging markets

		Market Share	Rank	Card Vol. Growth
Eastern Europe		50%	1st	19%
Asia Pacific		25%	1st	18%
Russia		20%	1st	33%
United States		12%	6th*	
UK		20%	3rd	
Canada		20%	2nd	

*Highest among independent processors

Card Penetration by Market

- Emerging markets remain underpenetrated in financial services





Multiples Analysis: P/E

Qtr	GPN		Heartland				
	Price	EPS	Implied Fwd PE	Payments FWD PE	% of HPY	S&P Fwd PE	% of S&P
Q1 09	46.4	\$0.71	21.7x	53.7x	40.4%	16.7x	129.6%
Q2 09	44.68	\$0.57	21.2x	NA	NA	11.8x	180.0%
Q3 09	32.68	\$0.43	14.5x	NA	NA	9.7x	150.3%
Q4 09	33.31	\$0.43	13.9x	NA	NA	10.3x	134.8%
Q1 10	37.37	\$0.68	14.7x	NA	NA	11.6x	126.8%
Q2 10	46.62	\$0.71	18.4x	21.9x	83.8%	12.5x	147.1%
Q3 10	53.78	\$0.58	22.0x	13.8x	159.4%	13.3x	165.3%
Q4 10	45.5	\$0.58	18.1x	22.7x	80.0%	12.0x	151.1%
Q1 11	36.52	\$0.67	14.0x	17.3x	81.1%	14.0x	100.6%
Q2 11 (E)	37.58	\$0.61	14.0x				
Q3 11 (E)		\$0.65					
Q4 11 (E)		\$0.67					
Q1 12 (E)		\$0.75					
Average Since 2009			17.6x	25.9x	88.9%	12.4x	142.8%
Average Since 2007			20.6x	28.0x	82.7%	18.5x	127.1%

Subjective Implied Forward PE Ratio	18.5x
Next 12 Month Projected EPS	\$2.68
Implied Intrinsic Share Value	\$49.58



Multiples Analysis: P/BV & P/Rev

	Global Payments (GPN)		Heartland Payments (HPY)		MasterCard (MA)	
	Price/Fwd		Price/Fwd		Price/Fwd	
	Revenue	Price/BV	Revenue	Price/BV	Revenue	Price/BV
Q1 09	2.4x	3.3x	0.4x	4.1x	6.9x	19.4x
Q2 09	2.3x	3.4x	0.2x	2.0x	4.5x	11.8x
Q3 09	1.6x	2.9x	0.2x	1.7x	3.6x	8.3x
Q4 09	1.6x	2.6x	0.2x	2.3x	4.1x	8.1x
Q1 10	1.8x	3.7x	0.3x	2.7x	4.0x	6.7x
Q2 10	2.3x	4.1x	0.3x	4.0x	4.8x	7.5x
Q3 10	2.7x	4.7x	0.4x	5.3x	6.0x	8.7x
Q4 10	2.3x	4.3x	0.3x	4.0x	5.8x	8.0x
Q1 11	1.8x	3.3x	0.3x	3.4x	4.4x	5.3x
Average Since 2009	2.1x	3.6x	0.3x	3.2x	4.9x	9.3x
Overall Average	2.3x	3.5x	0.4x	4.5x	4.7x	8.7x

GPN Subjective Implied Price/ Fwd Revenue 2.5x
 GPN Forward Revenue/Share 20.7
Implied Intrinsic Share Value \$51.71

GPN Subjective Implied Price/Book 3.5
 GPN Book/Share 3.3
Implied Intrinsic Share Value \$43.98

Average of P/Revenue & P/Book Approaches \$47.84



GPN Recommendation – Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Forward Price/Earnings	\$ 49.58	30%	\$ 14.87
Traditional Multiples	47.84	30%	14.35
Free Cash Flow Model	45.75	40%	18.30
Final Valuation			\$ 47.53
Price as of 11/22/2010			\$ 41.03
Estimated Upside			15.83%

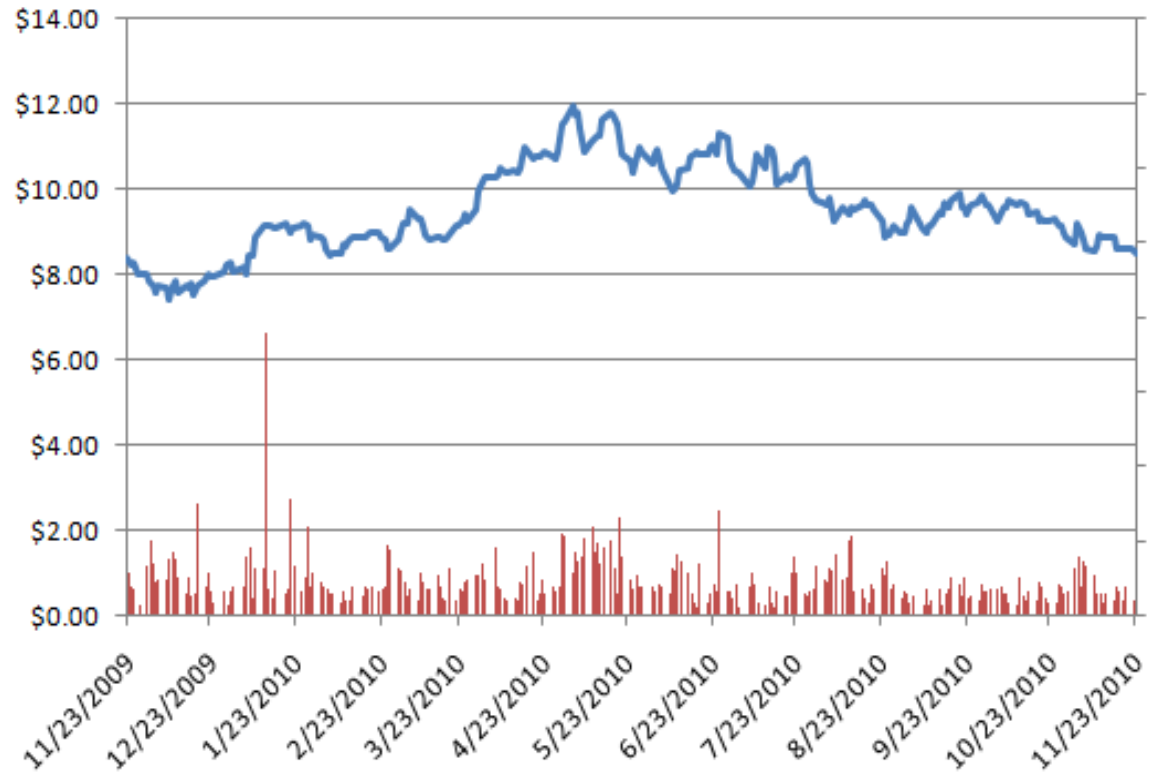
Investment Thesis:

The market's failure to recognize the company's international growth potential, as well as a broad overreaction to regulatory headwinds, has driven the stock below its intrinsic value.



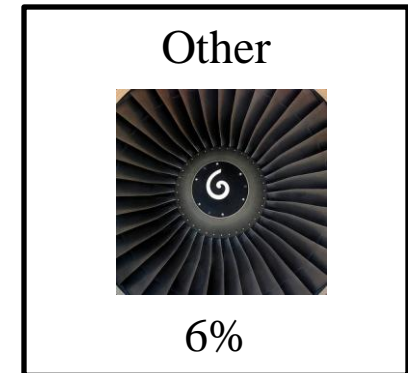
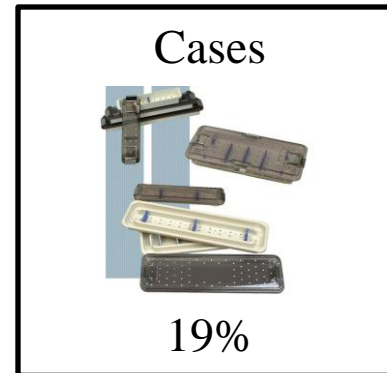
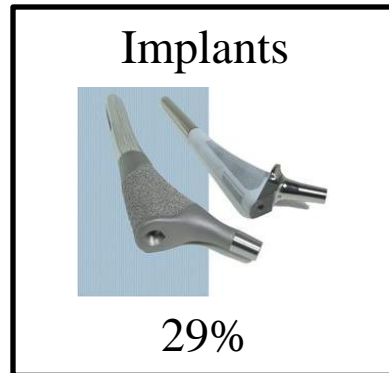
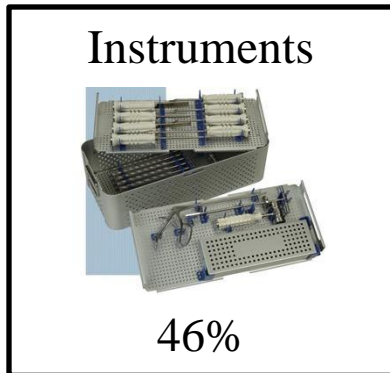
Symmetry Medical (SMA)

Market Price	\$8.63
Forward P/E	13x
Market Cap	\$310MM
LTM Revenue	\$370MM
LTM EPS	\$0.56

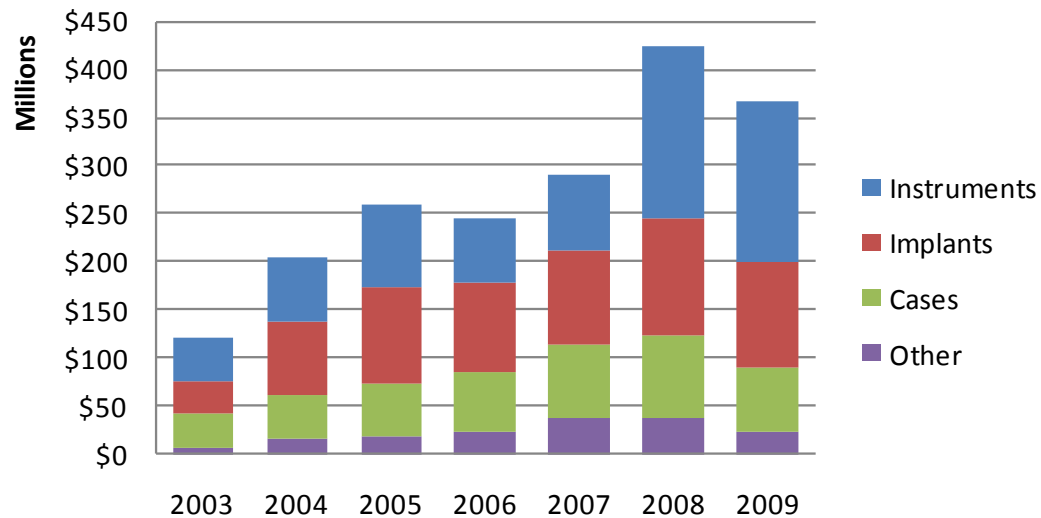




Business Overview



Revenues





Discovery

Contacts

- Steve Rozow: Zimmer VP Global Manufacturing
- Fred Hite: Symmetry CFO
- Dave Bickel: Lake City Bank VP

Findings

- New Product Launch
- Regulation
- Competent Management



SMA Recommendation – Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Forward P/E	\$ 9.60	10%	\$ 0.96
Forward Price-to-Sales	9.46	10%	0.95
Forward Price-to-Operating Income	12.71	10%	1.27
Price-to-Book	10.58	10%	1.06
Free Cash Flow	\$ 10.77	60%	\$ 6.46
Final Valuation			\$ 10.70
Price as of 11/22/10			\$ 8.63
Estimated Upside			23.95%

Investment Thesis:

Smaller suppliers will not be able to cost-effectively comply with new healthcare regulations, causing orthopedic OEMs to shift their business to Symmetry—the dominant player in a fragmented sector.

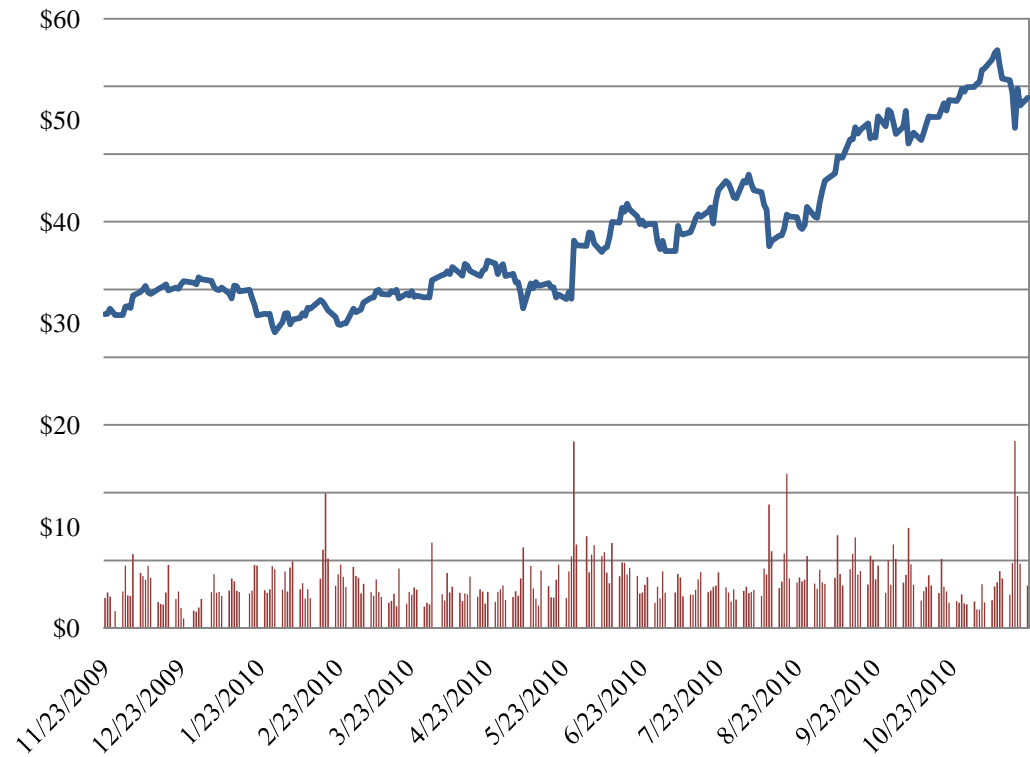


NetApp, Inc. (NTAP)

Market Price \$51.46
Forward P/E 25.63x
Market Cap \$18.44B
FY 2010 Revenue \$4.23B
FY 2010 EPS \$1.39



NetApp[™]
Go further, faster





Company Background

Segments and Geographies

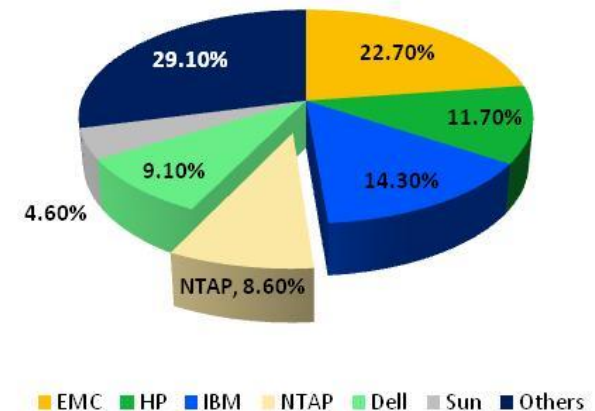
	Segmented Income Statement				
	2010	2009	2008	2007	2006
Hardware					
Revenue	\$2,381	\$2,152	\$2,242	\$2,085	\$1,577
% Growth	10.64%	-4.01%	7.53%	32.21%	-
COGS	976	1,007	938	815	616
Gross Profit	\$1,405	\$1,145	\$1,304	\$1,270	\$961
Gross Margin	59.01%	53.21%	58.16%	60.91%	60.94%

- NTAP's revenues are about equally split between US and International
 - 30% of total revenues are from Europe
- Asia represents significant growth opportunity
 - High barriers to entry though
- Distribution channel is indirectly scaled
 - Mostly hardware, IBM represents main distributor

Software					
Revenue	\$679	\$618	\$486	\$341	\$239
% Growth	9.87%	27.16%	42.52%	42.68%	-
COGS	12	9	8	8	5
Gross Profit	\$667	\$609	\$478	\$333	\$234
Gross Margin	98.23%	98.54%	98.35%	97.65%	97.91%

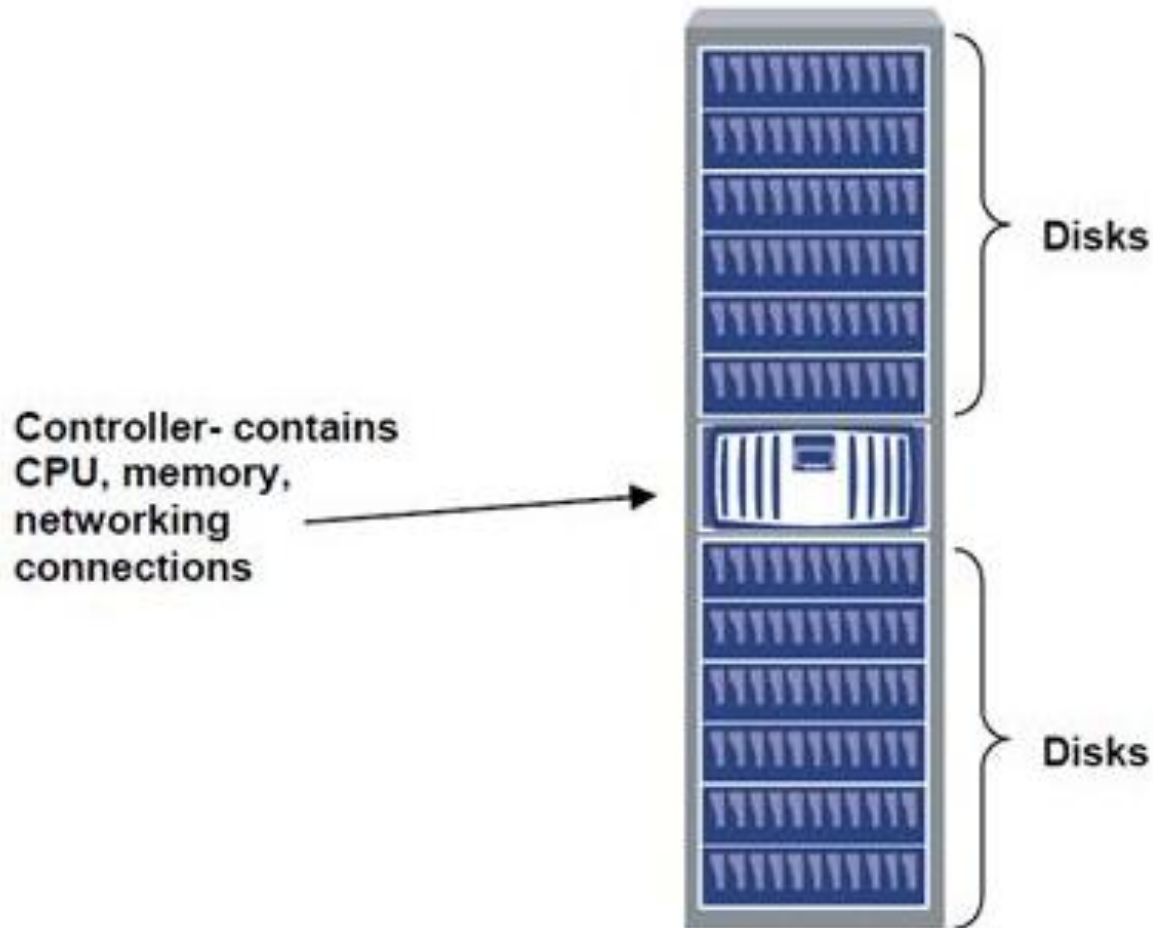
Services					
Revenue	\$870	\$764	\$573	\$377	\$249
% Growth	13.87%	33.33%	51.99%	51.41%	-
COGS	423	400	342	185	135
Gross Profit	\$447	\$364	\$231	\$192	\$114
Gross Margin	51.38%	47.64%	40.31%	50.93%	45.78%

Market Share





Company Background: The Product



Basic anatomy of a NetApp Storage System



Technical Indicators: Moving Averages

Slow Moving Averages and Stock Price

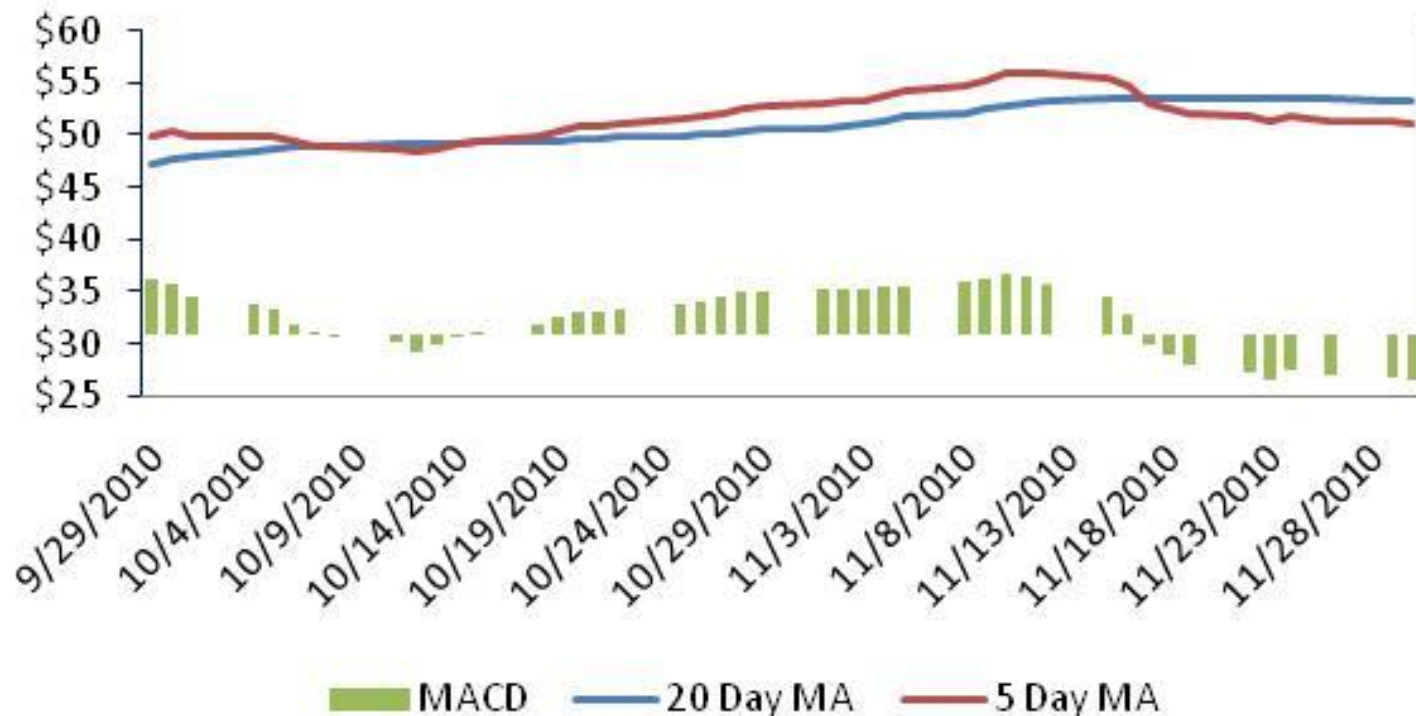


Signal: Ambiguous/Bearish



Technical Indicators: MACD Histogram

Fast Moving Averages and MACD

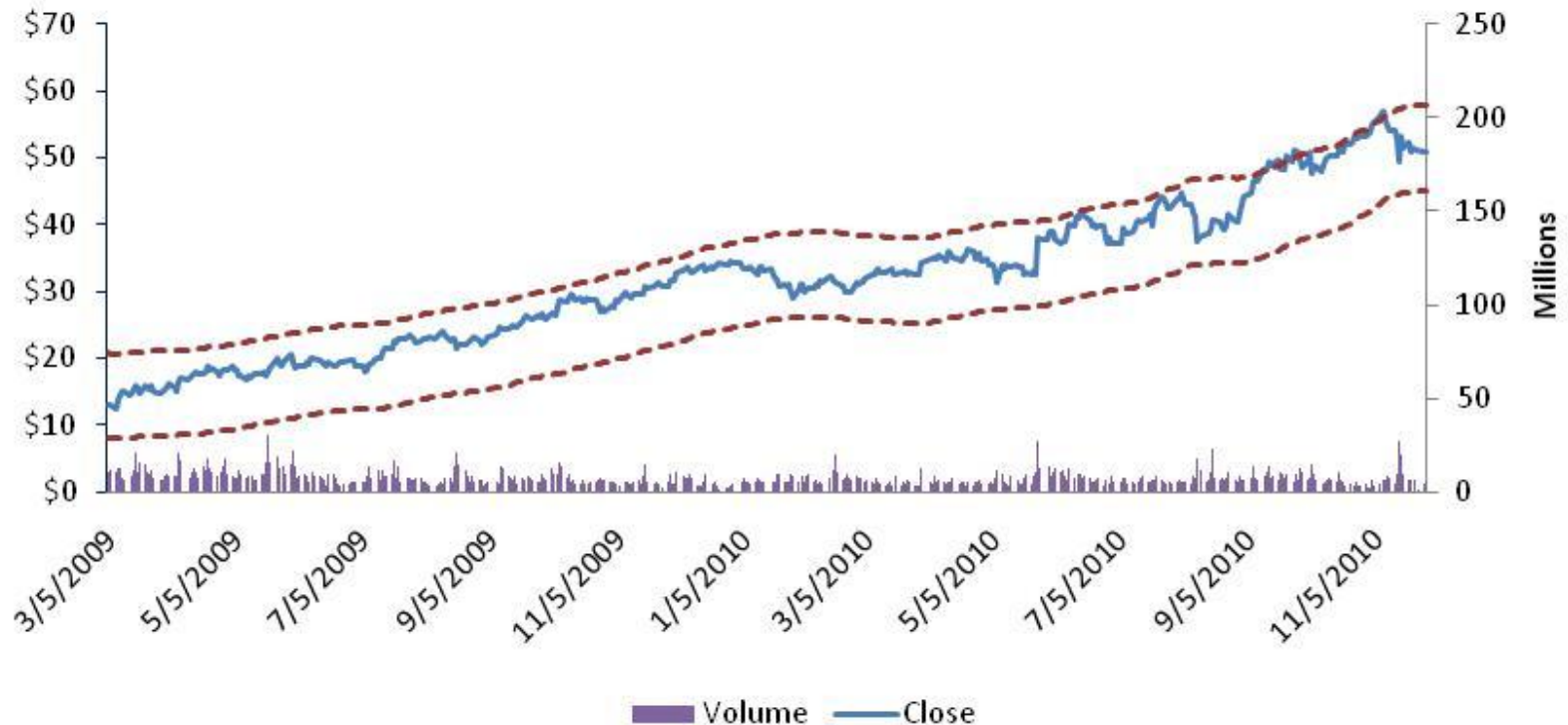


Signal: Bearish



Technical Indicators: Dynamic Support and Resistance

Bollinger Bands ($\pm 0.55\sigma$)



Signal: Ambiguous



Summary

Technical Analysis Summary

Traditional MA	Ambiguous/Bearish
MACD Histogram	Bearish
Dynamic Support and Resistance	Ambiguous

Conclusion: Slightly Bearish



NTAP Recommendation – No Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Forward Price-to-Sales vs. EMC	\$ 52.61	5%	\$ 2.63
Price-to-Book	52.61	5%	2.63
Forward P/E vs. S&P 500	49.64	15%	7.45
Forward P/E vs. EMC	48.66	20%	9.73
DCF	\$ 49.72	55%	<u>\$ 27.35</u>
Final Valuation			\$ 49.79
Price as of 11/22/10			\$ 52.22
Estimated Upside			-4.66%

Investment Thesis:

Given the slight down side based on the quantitative methods, technical analysis shows that there may be some irrational bullish sentiment moving the stock. In a market that is only expected to grow at 8% y-o-y, the optimistic 20% top-line growth assumptions used in the DCF were still not enough to justify a buy.



Portfolio Performance



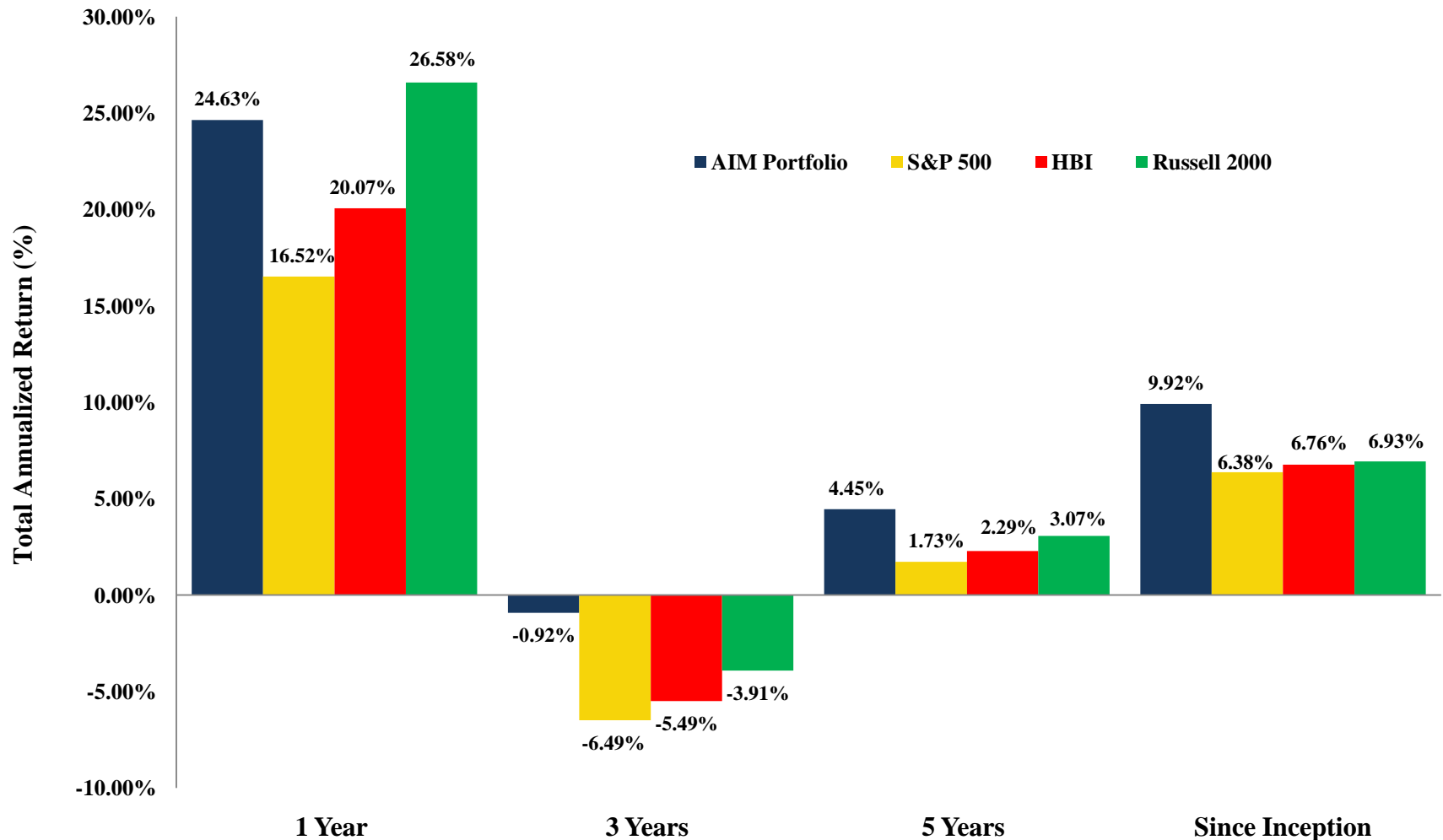


Performance Analysis

- Portfolio Return, Risk and Performance Metrics
 - Historical Returns
 - Risk Adjusted Performance Measures
 - Attribution Analysis
 - Top 5 / Bottom 5 Performing Stocks
 - Portfolio Transactions
 - Final Portfolio

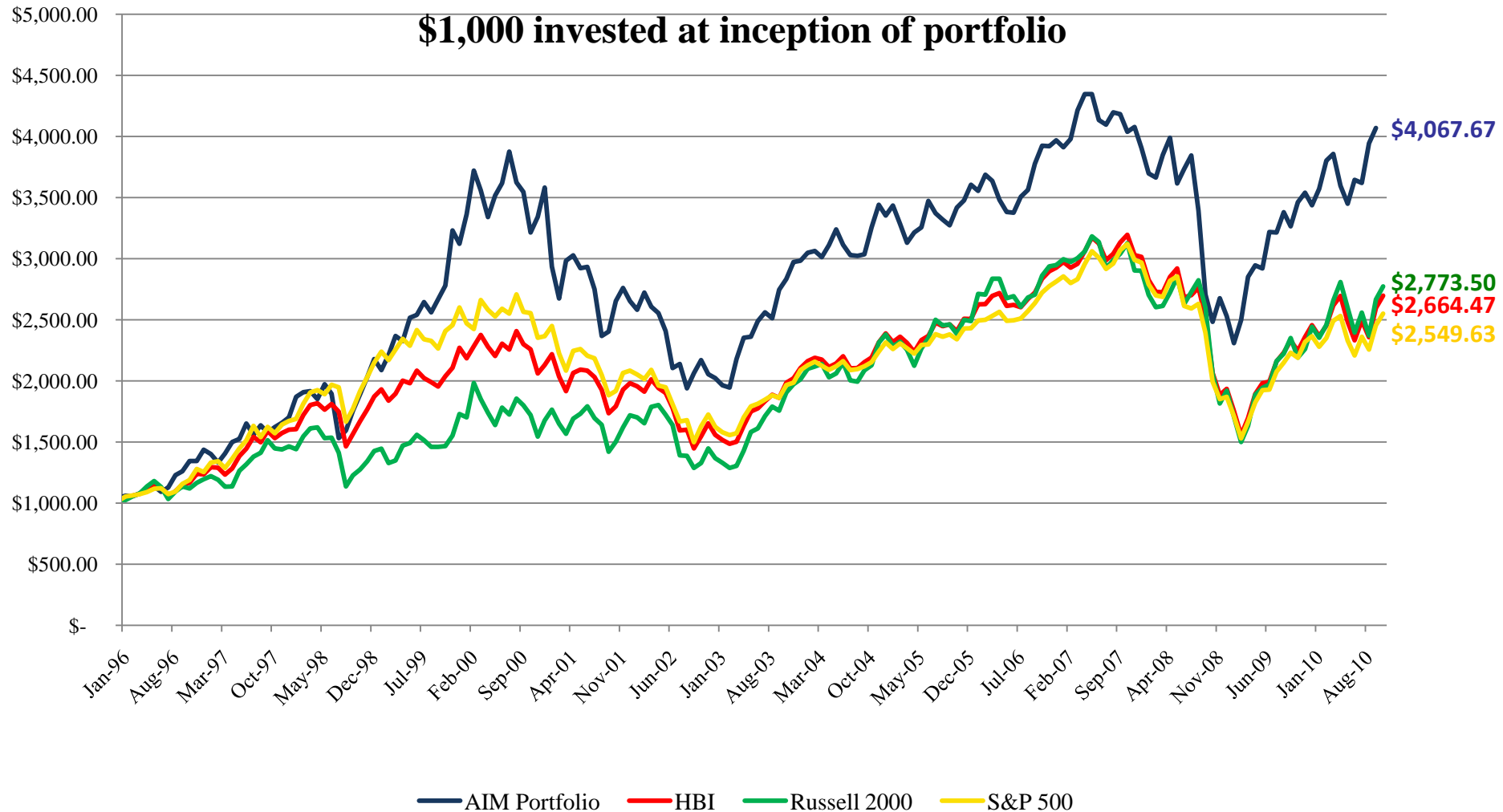


Return Comparison to Benchmarks





Cumulative Wealth





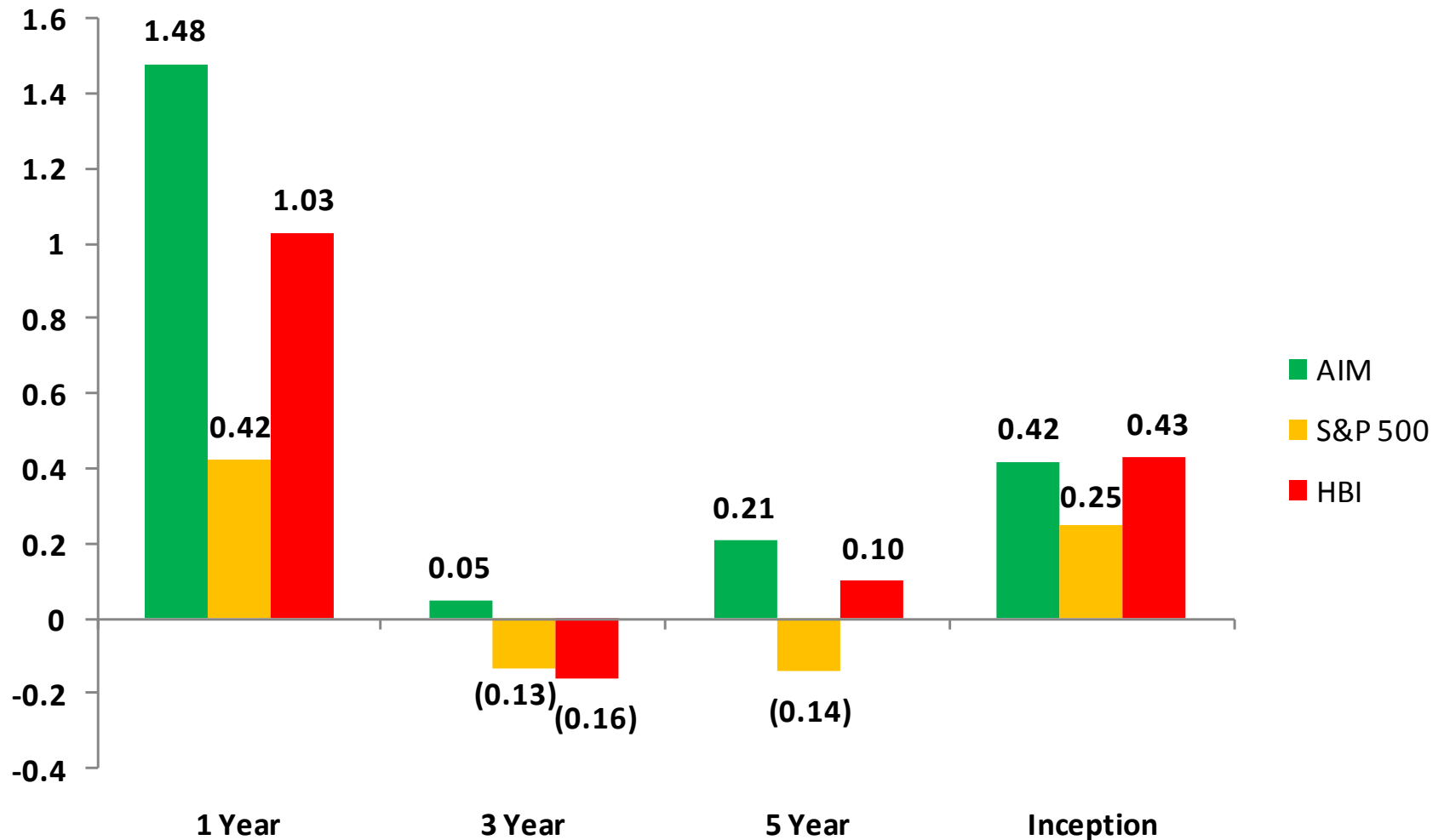
Sharpe Ratio Explained

- Sharpe Ratio
 - Measures excess return (or risk premium) over a risk-free portfolio per unit of total risk (standard deviation)
 - Explains whether the excess returns are from investment decision efforts or higher total risk
 - Higher ratios indicate better performance
- Formula

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



Sharpe Ratio Comparison





Jensen's Alpha Explained

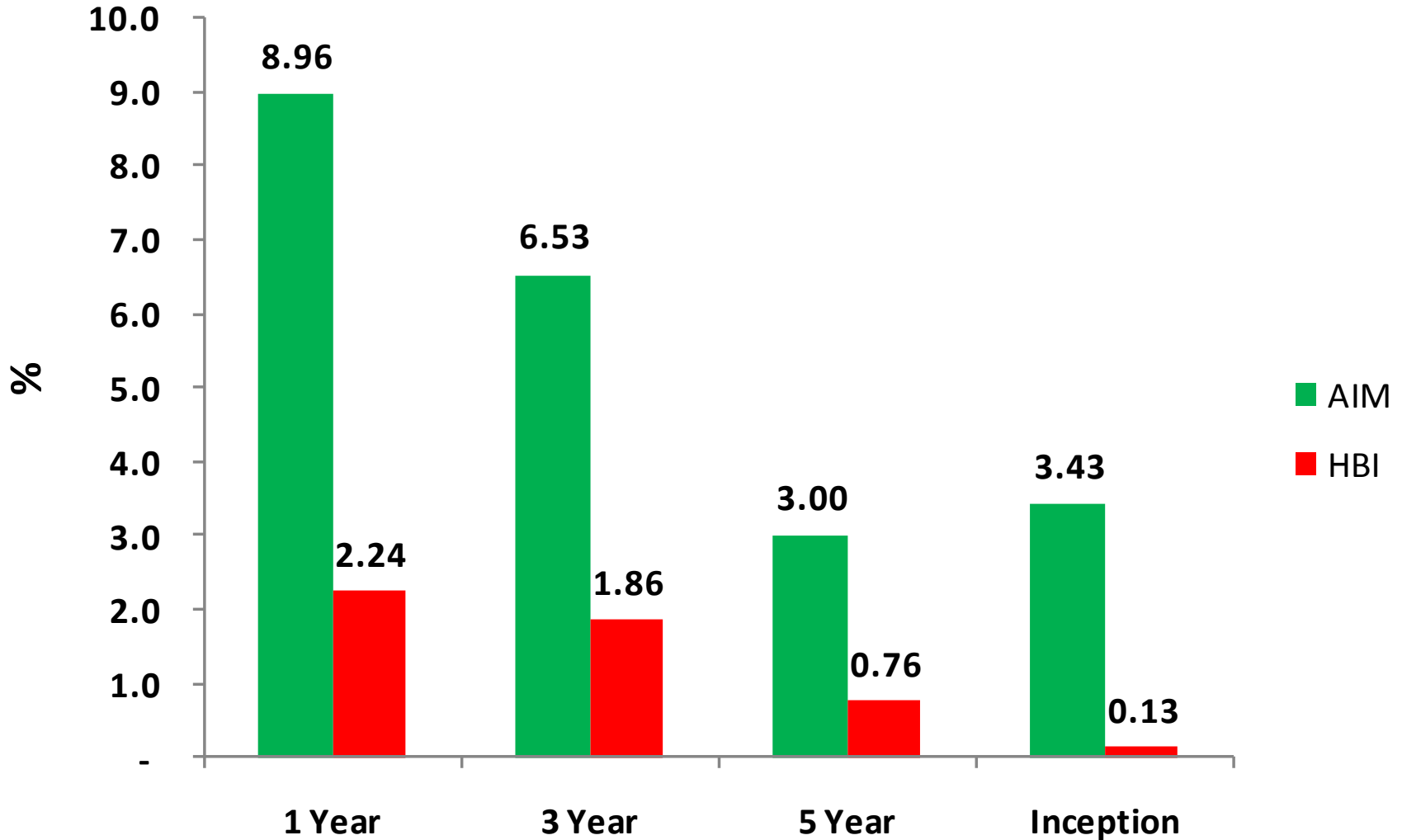
- Jensen's Alpha
 - A performance measure that adjusts for systematic risk
 - Measures the excess return over the expected return as given by the Capital Asset Pricing Model
 - Explains whether the excess returns are from investment decisions or higher systematic risk
 - Higher values indicate better performance

- Formula

$$\text{Jensen's Alpha} = \text{Portfolio Return} - (\text{Risk Free Rate} + \beta \times \text{Market Risk Premium})$$

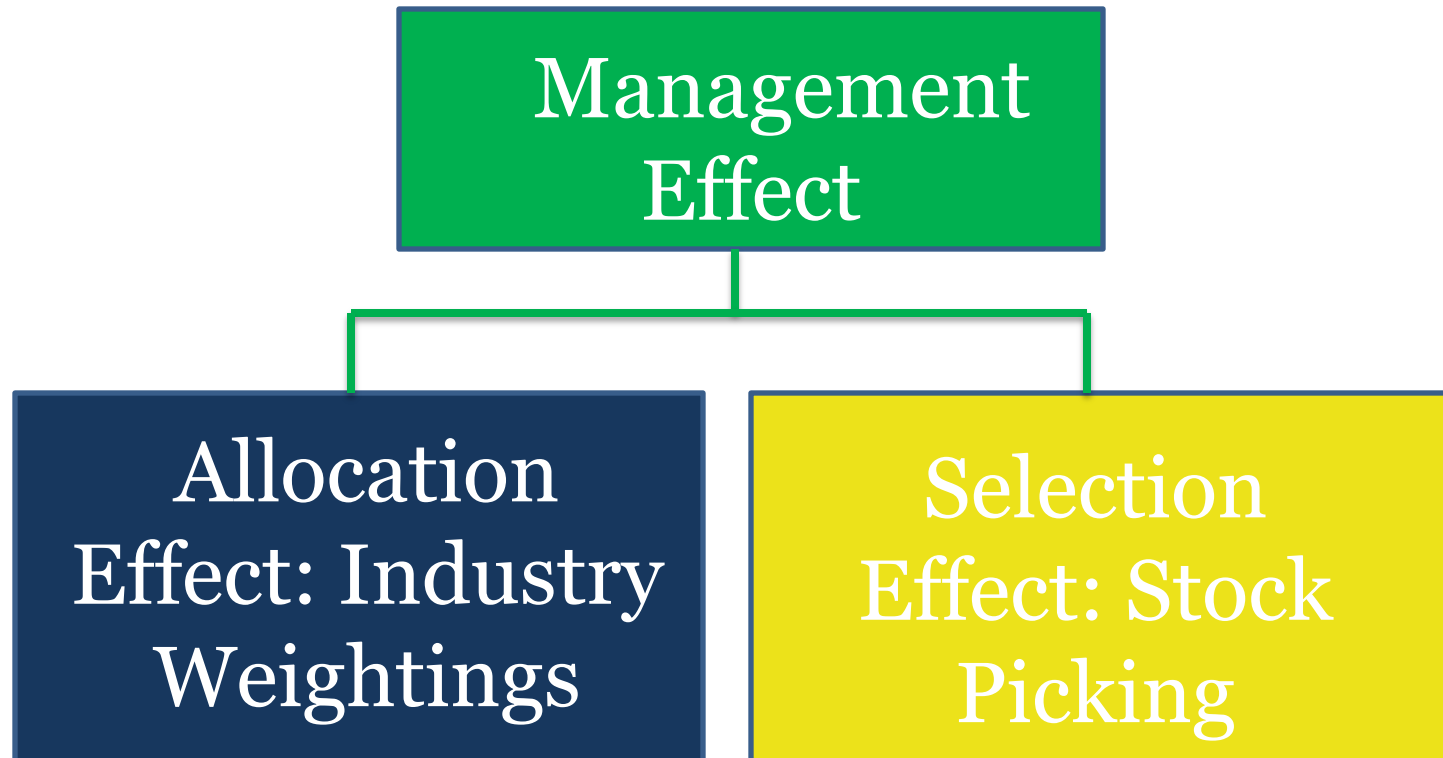


Jensen's Alpha Comparison



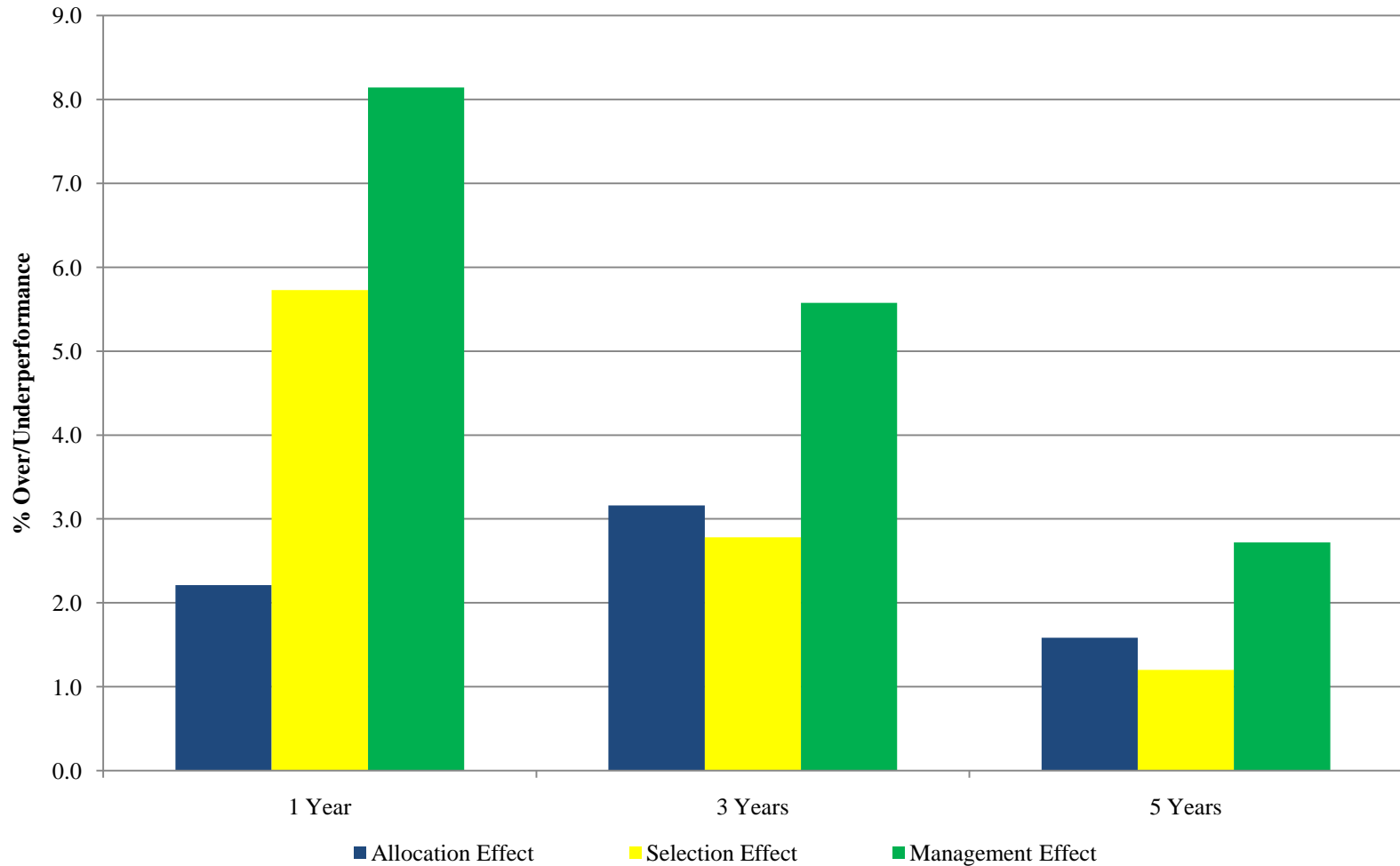


Attribution Analysis





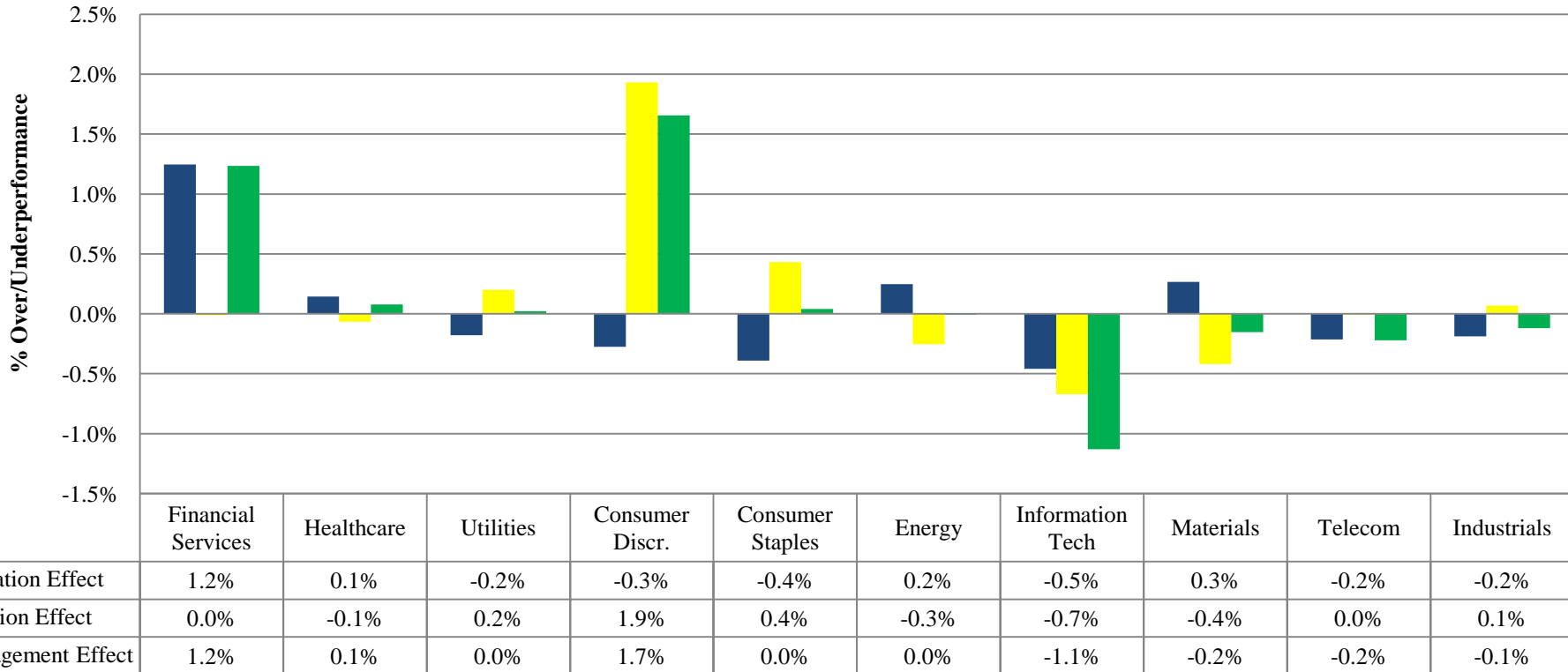
Attribution Analysis





Attribution Analysis

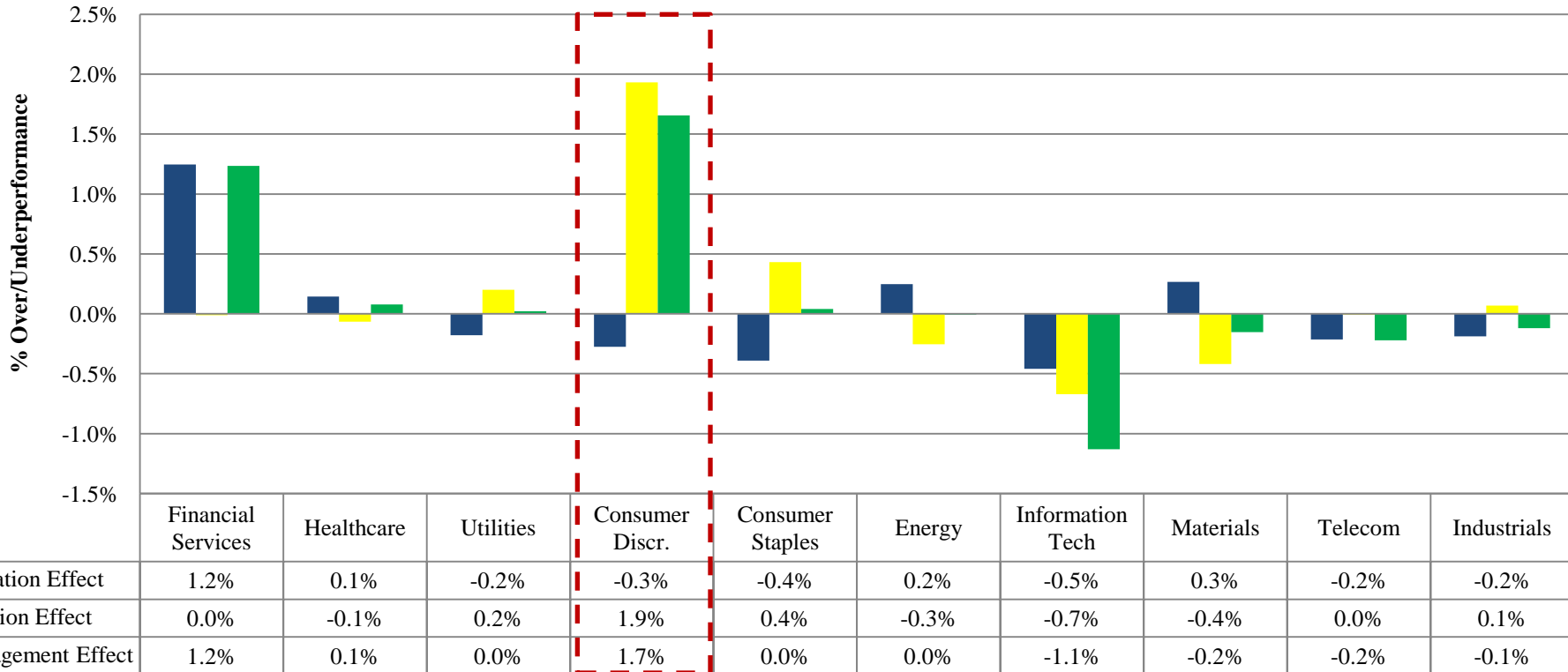
5 Year Annualized Attribution





Attribution Analysis

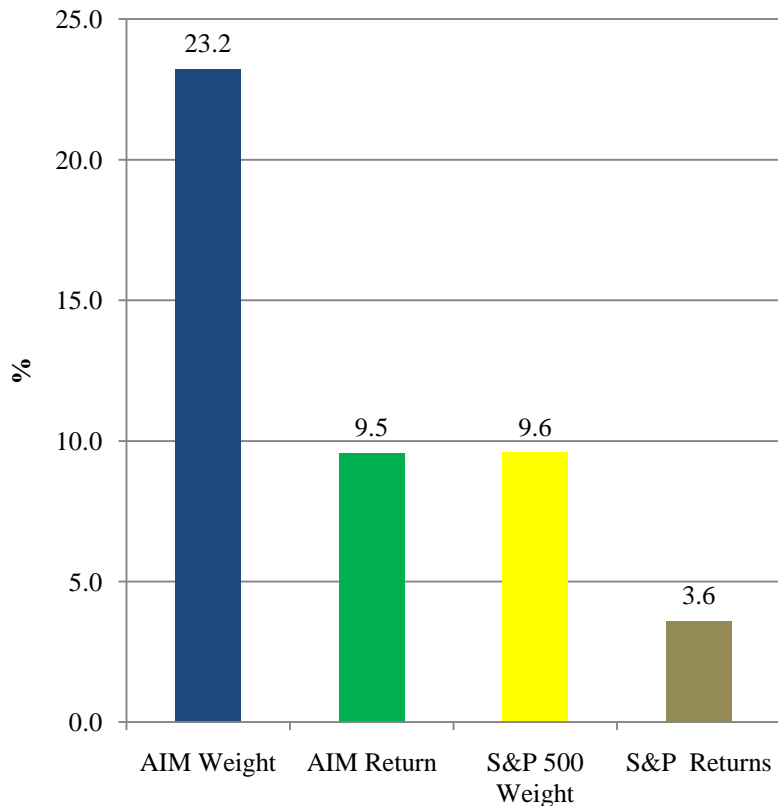
5 Year Annualized Attribution



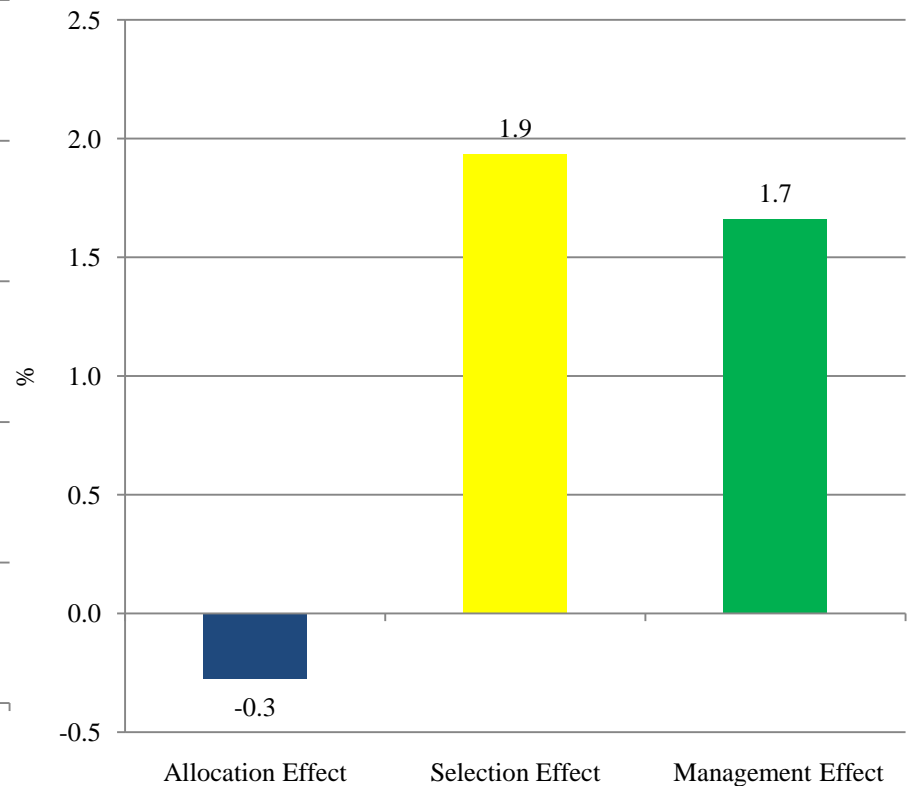


Consumer Discretionary 5-Year Annual Returns

Consumer Discretionary Weight and Return



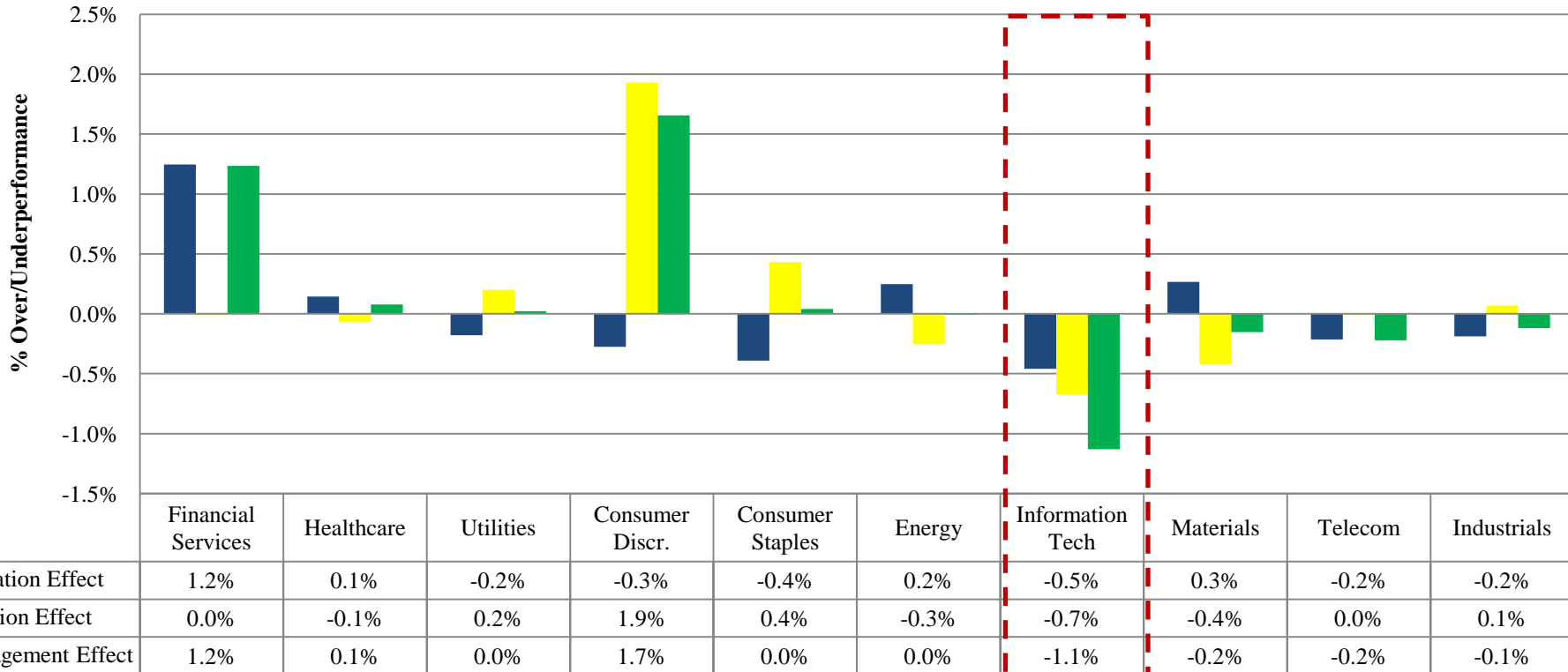
Consumer Discretionary Sector Performance Attribution





Attribution Analysis

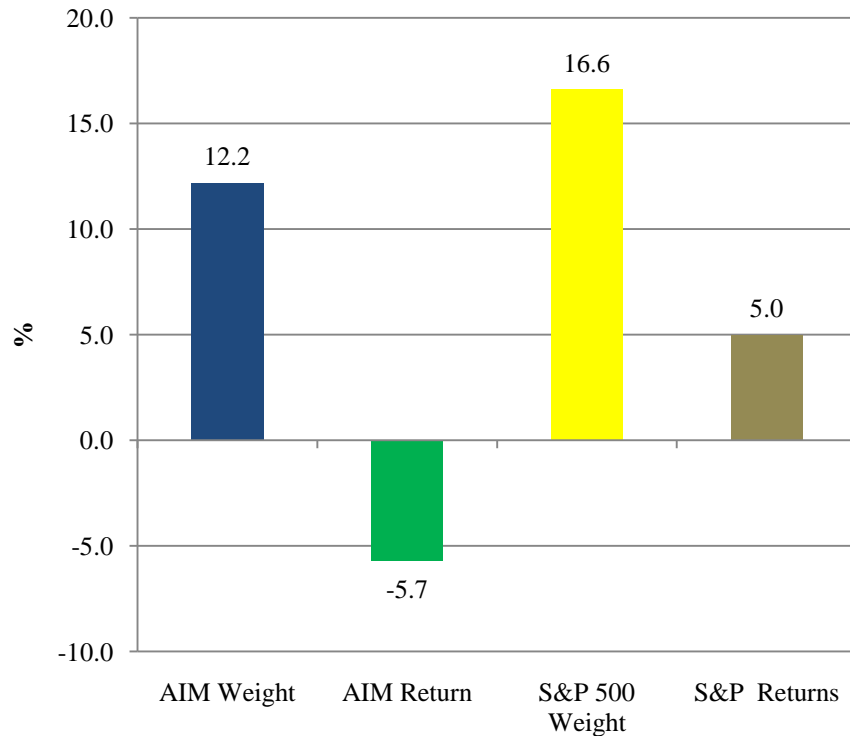
5 Year Annualized Attribution



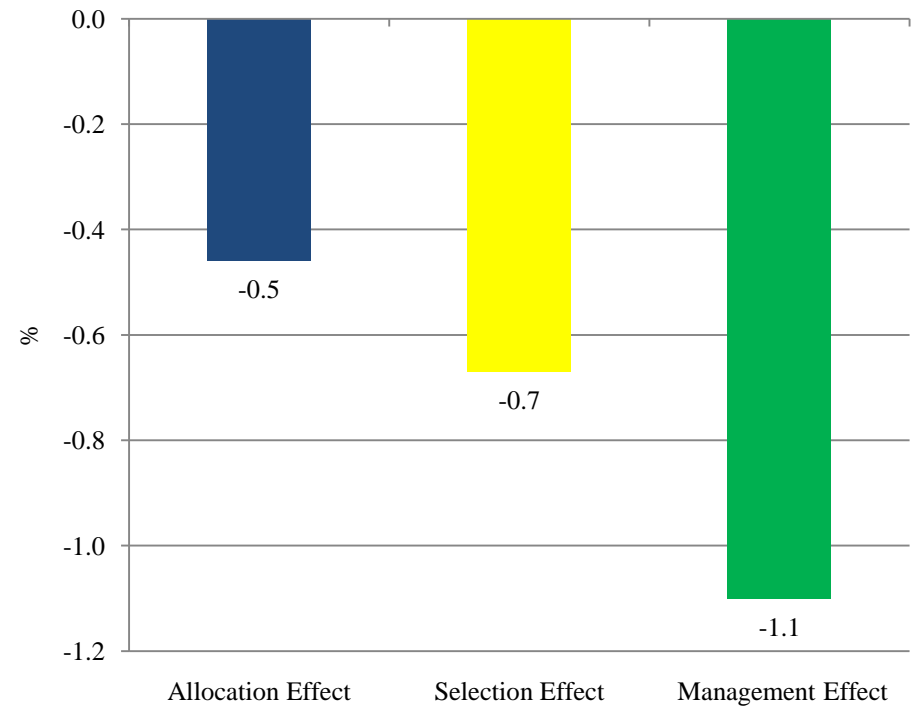


Information Technology 5-Year Annual Returns

Information Technology Weight and Return



Information Technology Sector Performance Attribution





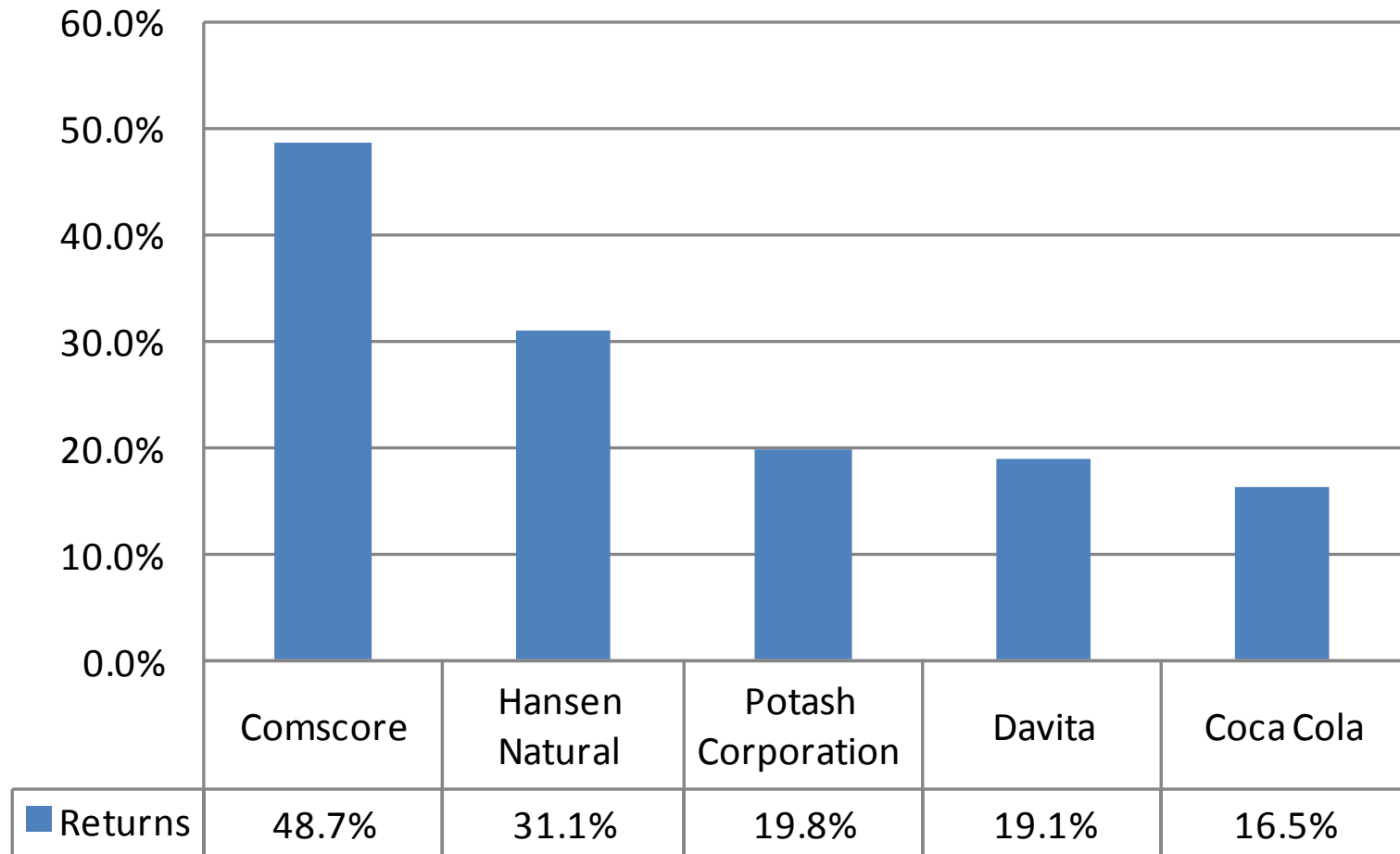
Top 5 and Bottom 5 Performers

Determining Returns

- Returns for all stocks held ≥ 1 year are 12-month returns based on close 11/29/2010
- Returns for all stocks held < 1 year are holding period returns based on purchase on 4/15/2010 and close on 11/29/2010

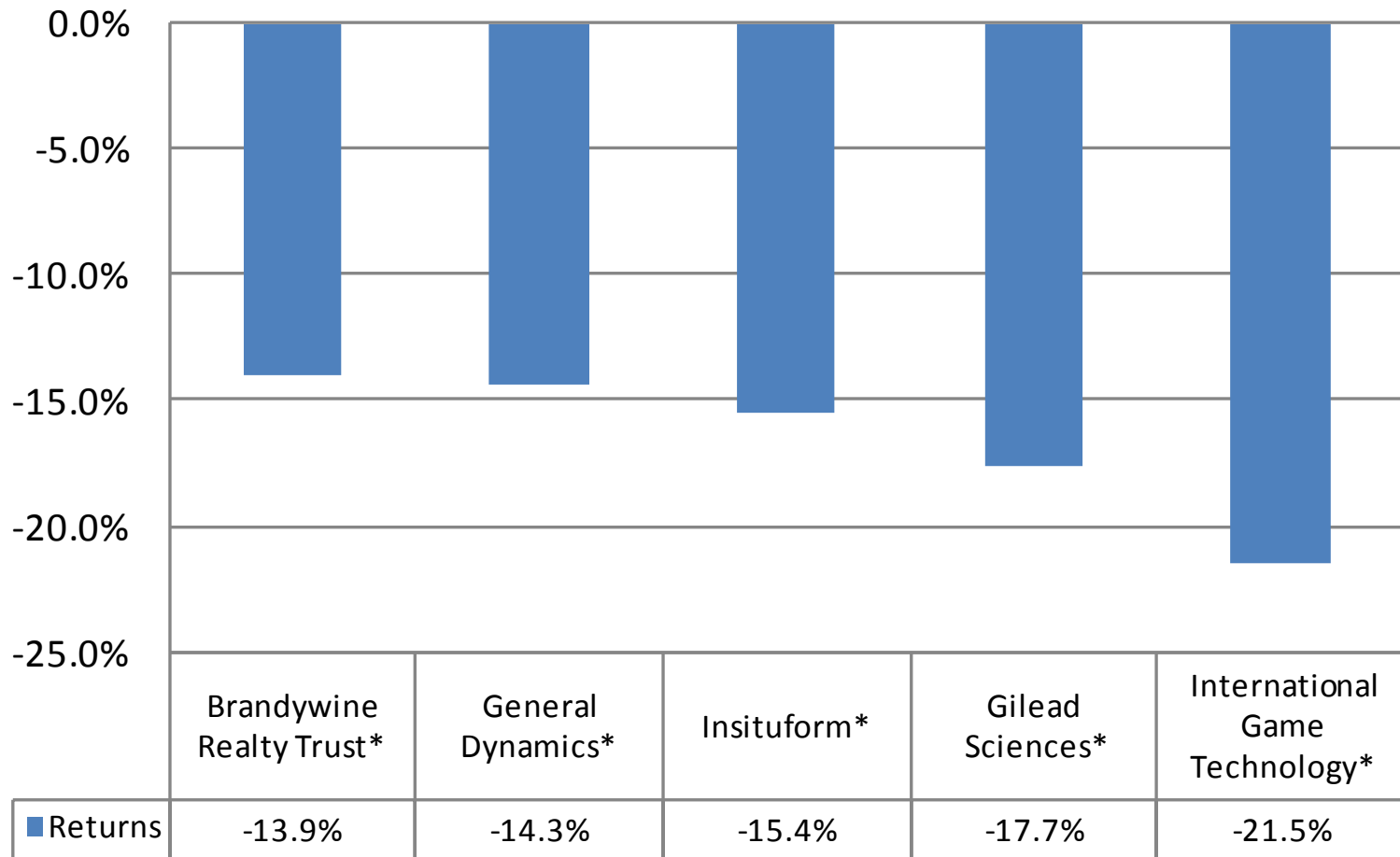


Top 5 Performers





Bottom 5 Performers



*Indicates stock held < 1 year



Portfolio Turnover

Buy

- Alaska Air Group
- Archer Daniels Midland
- Cal-Maine Foods
- Chevron
- Cisco Systems
- FedEx
- Global Payments
- J. Crew
- Symmetry Medical

Sell

- Brandywine Realty
- ComScore
- DaVita
- Diamond Foods
- Morningstar
- NeuStar
- Paychex
- Republic Services
- Walgreens

Hold

- Abbott Labs
- Activision Blizzard
- Alliant Tech Systems
- Apple
- Chubb
- Coca-Cola
- EcoLab
- General Dynamics
- Gilead Sciences
- Google
- Hansen Natural
- Insituform
- Intl. Game Tech
- Newmont Mining
- Perrigo
- Potash
- United Health Group



Portfolio Purchases

Stock	Ticker	Decision Day Price	Intrinsic Value	Upside
FedEx	FDX	\$87.34	\$98.67	13%
Archer Daniels Midland	ADM	\$29.67	\$34.33	16%
Global Payments	GPN	\$41.03	\$47.53	16%
J. Crew	JCG	\$37.65	\$45.06	20%
Cal-Maine Foods	CALM	\$30.75	\$37.29	21%
Alaska Air Group	ALK	\$55.45	\$67.64	22%
Symmetry Medical	SMA	\$8.63	\$10.70	24%
Chevron	CVX	\$83.45	\$108.72	30%
Cisco Systems	CSCO	\$19.56	\$26.12	34%



Portfolio Divestitures

Stock	Ticker	Decision Day Price	Intrinsic Value	Upside/Downside
Morningstar	MORN	\$49.87	\$40.66	(18%)
Walgreens	WAG	\$34.89	\$29.20	(16%)
Diamond Foods	DMND	\$48.22	\$41.60	(16%)
DaVita	DVA	\$73.28	\$65.28	(11%)
Republic Services	RSG	\$28.16	\$28.74	2%
Comscore	SCOR	\$21.27	\$23.15	6%
Paychex	PAYX	\$28.49	\$31.30	10%
Brandywine Realty	BDN	\$10.96	\$12.31	12%
NeuStar	NSR	\$26.63	\$30.00	13%



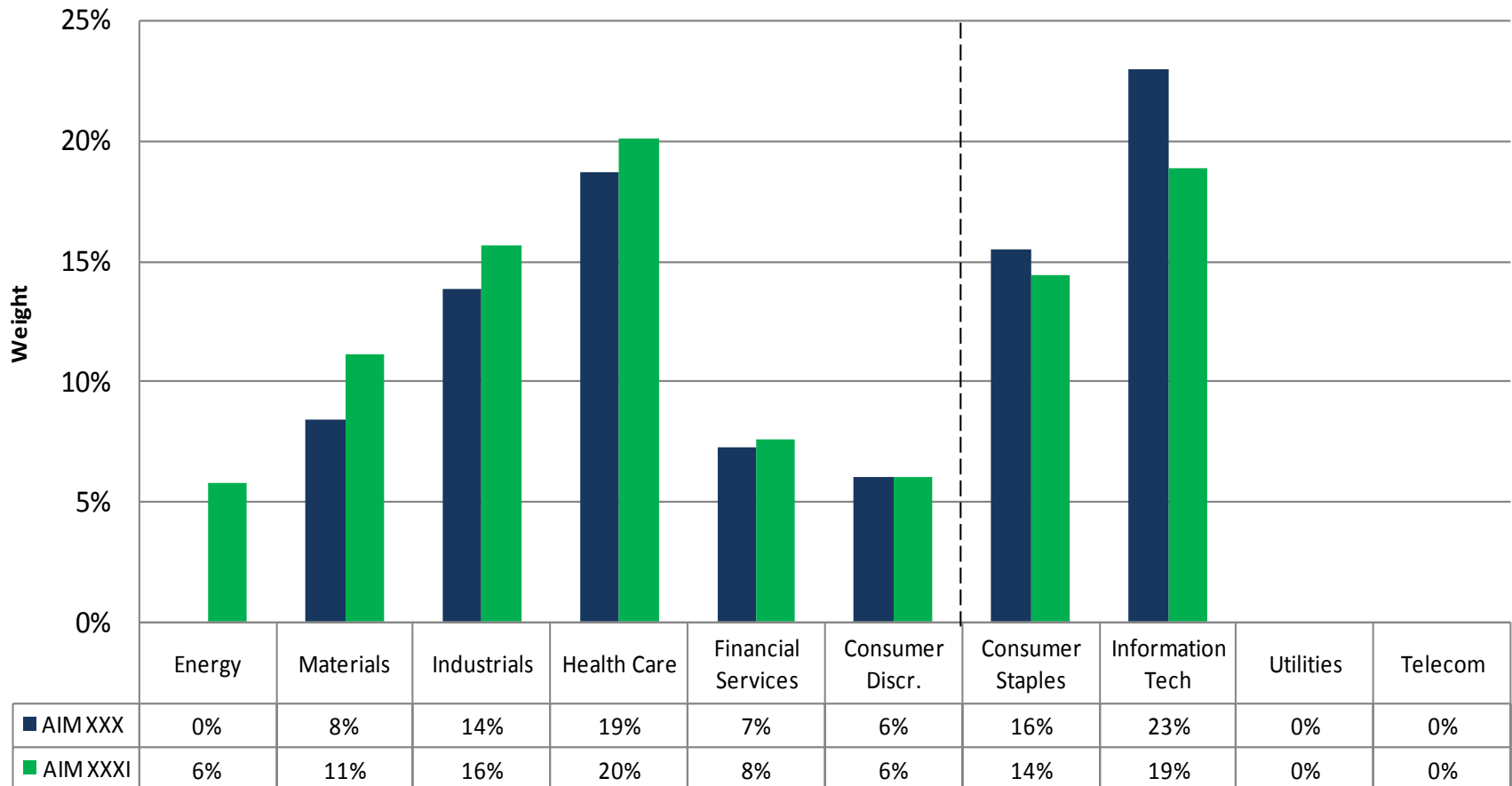
Current Portfolio

Stock	Ticker	New Weight	Market Value	Stock	Ticker	New Weight	Market Value
Apple	AAPL	6.10%	\$ 316,870	Gilead Sciences	GILD	3.92%	\$ 203,830
Abbott Labs	ABT	3.76%	\$ 195,258	Google	GOOG	3.81%	\$ 197,917
Archer Daniels Midland	ADM	3.72%	\$ 193,496	Global Payments	GPN	3.89%	\$ 201,880
Alaska Air Group	ALK	2.99%	\$ 155,400	Hansen Natural	HANS	3.07%	\$ 159,390
Alliant Tech Systems	ATK	2.97%	\$ 154,434	Intl. Game Tech	IGT	3.74%	\$ 194,250
Activision Blizzard	ATVI	4.02%	\$ 208,972	Insituform	INSU	3.75%	\$ 194,565
Cal-Maine Foods	CALM	3.82%	\$ 198,592	J. Crew	JCG	2.10%	\$ 109,125
Chubb	CB	3.74%	\$ 194,072	Coca-Cola	KO	3.78%	\$ 196,509
Cisco Systems	CSCO	5.05%	\$ 262,440	Newmont Mining	NEM	3.58%	\$ 185,888
Chevron	CVX	5.82%	\$ 302,253	Potash	POT	3.88%	\$ 201,390
EcoLab	ECL	3.74%	\$ 194,240	Perrigo	PRGO	3.76%	\$ 195,232
FedEx	FDX	4.06%	\$ 210,657	Symmetry Medical	SMA	4.90%	\$ 254,370
General Dynamics	GD	2.04%	\$ 106,096	United Health Group	UNH	3.87%	\$ 201,245
				Cash & Hedge		0.13%	\$ 6,582
				TOTAL		100.00%	\$ 5,194,953



Current Portfolio

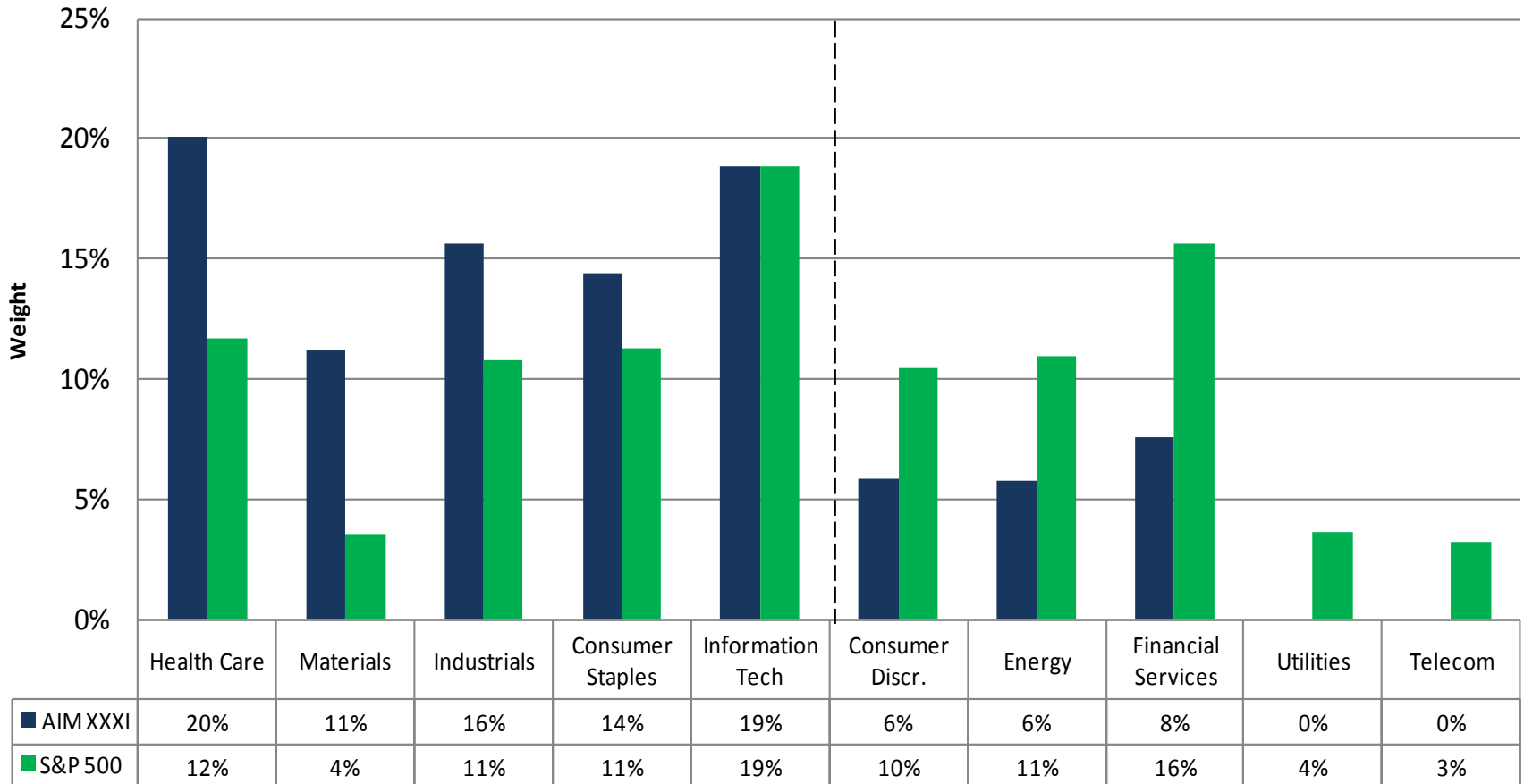
Sector Allocation- AIM XXX vs. AIM XXXI





Current Portfolio

Sector Allocation- AIM XXXI vs. S&P 500





General Information





Chicago Trip

- Alliance Capital (Large Cap Growth Equities)
- Rail-Splitter (Long/Short Hedge Fund)
- Goldman Sachs (Investment Management)
- Bain & Company (Strategic Consulting)



Chicago Trip

- Alliance Capital (Large Cap Growth Equities)
 - Hosted by Joe Elegante and Jason Ley
 - Introduced Alliance's growth equities investment philosophy and research process
- Rail-Splitter (Long/Short Hedge Fund)
 - Hosted by John Souter
 - Discussed research and investing approaches



Chicago Trip

- Dinner at Maggiano's Little Italy
 - Attended by over 40 AIM alumni in the Chicago area
 - Offered words of wisdom about careers and ways to enjoy senior year





New York Trip

- S-Squared Technology (Technology Equity)
- Alliance Bernstein (Wealth Management)
- Blackstone (Private Equity)
- Brigade Capital (Distressed Credit)
- Tegean Capital (Hedge Fund)
- Viking Global (Long/Short Equity)



Tegean Capital



- Thomas Maheras, ex-chairman and co-CEO of Citi Markets and Banking
- Introduced unique investment strategies and provided perspectives on financial crisis



S Squared Technology and Viking Global

- S Squared Technology
 - Discussed how to conduct research and leverage technical expertise into security selection
 - Contest involving technology stock return estimates from 2000 to present
- Viking Global
 - Hosted by Jim Parsons
 - Interactive case study of Coinstar



Special Presentations

- Scott Malpass
 - Notre Dame endowment pool asset allocation
- Ed Trubac
 - Key questions for 2010
 - Current economic overview
 - Important economic trends for AIM portfolio



Guest Speakers

- **Doug Pardon, Brigade Capital Management**
 - Distressed debt markets
 - Criteria he uses when assessing potential investments
- **Nick Parrish, Greg Salter, & Emily King, Grosvenor Capital Management**
 - Hedge fund industry overview
 - Unique advantages of investing in hedge funds.
 - Associate program at Grosvenor
- **Jon Leisinger, Timothy Scallen, & Robert Hellauer, Sankaty Advisors**
 - Work done at Sankaty and the opportunities at the firm
- **Jim Rohr, CEO of PNC Financial Services Group**
 - Financial regulation
 - State of the economy
 - His responsibility to stakeholders
 - Challenges of being CEO at a Fortune 500 company



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



AIM XXXI

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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

Q3 2010 Newsletter

- Click [here](#) to download a copy

AIM Portfolio

Ticker	# of Shares	Price per Share	Value of Position	Daily % Change
AMPL	1,000	\$017.64	\$017,640	+0.23%
AGT	4,200	\$41.27	\$199,664	+0.23%
ADM	6,700	\$30.98	\$209,619	0.00%
ALX	2,800	\$32.88	\$129,480	+0.09%
ATK	2,100	\$77.25	\$162,765	+0.23%
ATV	17,800	\$12.90	\$229,610	+0.23%
CALM	6,600	\$30.98	\$206,568	0.00%
CB	3,600	\$28.89	\$103,524	0.00%
CACD	18,200	\$18.07	\$328,854	+0.23%
CVX	2,700	\$84.88	\$229,286	0.00%
DCL	4,000	\$47.58	\$190,360	+0.23%
FDX	2,900	\$62.00	\$181,800	+0.23%
GD	1,800	\$67.28	\$121,108	+0.23%
GILD	2,200	\$37.05	\$81,510	+0.23%
GOOG	940	\$273.00	\$256,600	0.21%
GPH	4,800	\$43.76	\$209,984	0.00%
HUMB	3,000	\$50.75	\$152,250	+0.23%
IST	12,200	\$18.99	\$231,678	+0.23%
INR	8,200	\$24.95	\$204,610	0.00%
JCG	2,200	\$44.19	\$97,218	0.00%
KO	2,100	\$84.90	\$178,290	+0.23%
NEM	2,200	\$82.99	\$182,578	0.00%
ROT	1,400	\$144.14	\$201,796	0.00%



Thank You

- We would like to extend a special thank you to:
 - Professors Langley, Reilly, and Trubac for their support, guidance, and knowledge
 - Scott Malpass, the Notre Dame Investment Office, and the AIM Advisory Board for the opportunity to participate in such a unique and rewarding class
 - Rachel Karnafel for administrative support
- Post-presentation Agenda
 - Food & refreshments
 - Questions from the AIM analysts for the advisory board



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