



Advisory Board Presentation

AIM XXXV
Fall 2012



Justin Asuncion

Omaha, NE
AeroVironment, Bridgepoint Education

Justin Barnes

Los Angeles, CA
Activision Blizzard, OpenTable

Sam Beres

Brookfield, WI
Apple, Coinstar

John Cameron

Arlington Heights, IL
Caterpillar, La-Z-Boy

Shawn Cappello

Monmouth Beach, NJ
Cummins, KapStone

Andrew Charnesky

Grosse Pointe, MI
Harley-Davidson, Glu Mobile

Michael Cochran

Oceanside, NY
Chevron, Yum! Brands

Adam Cox

New Palestine, IN
PNC Financial Services Group, Teavana

Robert Crow

Champaign, IL
LabCorp, Cerner Corp.

Michael Donnelly

Rochester, NY
Halliburton, Constellation Brands

Alex Draime

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Monterrey, Mexico
Qualcomm, RadioShack Corp.

Bradley Holenstein

Newton, NJ
Potash Corp, Idexx Lab

Alex Kimball

St. Paul, MN
Dick's Sporting Goods, AutoZone

Chad Lavelle

Prospect, KY
UnitedHealth Group, Life Time Fitness

Joseph Marek

St. Paul, MN
eBay, Select Comfort Corp.

Joseph Rampino

Long Beach, CA
Continental Resources, Madison Square Garden

Brett Rocheleau

Naperville, IL
Flowserve, Wynn Resorts

Matt Roesch

West Chester, OH
Discover Financial Services, Medifast Inc.

Matt Rossetto

Frankfort, IL
Williams-Sonoma, Constant Contact

Adam Scmitz

Highlands Ranch, CO
Dollar Tree, Acuity

Richard Si

Montreal, Quebec
CarMax, Tim Horton's

Tyler Smith

Carlisle, MA
Alliant Tech Systems, Michael Kors

Michael Thomas

St. Clair Shores, MI
Teradata Corporation, Domino's Pizza

Allison Tompkins

Jackson, MI
Gilead Sciences, J.M. Smucker Co.

Alex VanderLinde

Hinsdale, IL
Coca-Cola, IPG Photonics

Erin Welcenbach

Menomonee Falls, WI
KeyCorp, Rockwell Automation

- Personal Introductions
- Presentation Topics
 - I. Investment Objectives and Guidelines
 - II. Economic Environment
 - III. Security Analysis
 - IV. Portfolio Performance Evaluation
 - V. General Information
- Concluding Remarks



I. Investment Objectives and Guidelines

Course Overview

Investment Philosophy

Investment Policies

Market Capitalization Profile

- Objective:
 - Provide analysts with a thorough grounding in portfolio management by combining theory with hands-on experience
- Analyst Selection:
 - Prospective analysts must submit an application and resume
 - Diverse backgrounds in finance

- Each of the 27 analysts covers two companies
 - The first is assigned, the second is selected
- For each company, analysts produce and present the following reports
 - Company overview
 - Fundamental analysis
 - Industry report
 - EPS forecast
 - Technical analysis
 - Valuation and final recommendation

- Economic analysis
 - Recent trends in unemployment, inflation, GDP growth
 - Current events and significant political events
- Performance analysis
 - Benchmark comparisons and performance measures
 - Industry allocations
 - Best and worst performers
- Trading group
 - Executes trades
 - Works closely with ND Investment Office
- Newsletter group
 - Summarizes above analyses
 - Provides alumni and trip updates

- Investment objective
 - Outperform our primary (S&P 500) and secondary benchmarks (Russell 2000 and HBI) through alpha generation while maintaining the purchasing power of the principal over the long-term
- Investment decisions
 - Bottom-up fundamental research
 - Value & growth
 - Industry agnostic
- Risk management
 - Diversification & position size limits
 - Allocation to small, mid, and large cap stocks

- Only US traded equities
 - No bonds, money market instruments or derivative instruments
- Roughly match the industry composition of the S&P 500 (within a 5% range)
- No one stock exceeds 10% of market value of portfolio
- Long-term cash at 0%
- All stocks within approved lines of business
- No stocks of companies whose values are not in line to those of the University

Market Cap Profile (11/30/2012)

- 35% Small (<\$2B) & Mid (\$2B-\$10B) Cap stocks
 - AIM XXXV – Small & Mid Cap: 38.4%
- 65% Large (>\$10B) Cap stocks
 - AIM XXXV – Large Cap: 61.6%

Small Cap Holdings		
Stock	AIM Holdings	Market Cap
Kapstone	\$287,152	\$1,030
Open Table	\$278,318	\$1,025
Select Comfort	\$278,512	\$1,505
Total	\$843,982	
Percent of holdings	12.3%	

Mid Cap Holdings		
Stock	AIM Holdings	Market Cap
Domino's	\$220,480	\$2,384
Acuity	\$277,830	\$2,699
IPG Photonics	\$271,860	\$3,101
Dick's Sporting Goods	\$257,299	\$6,502
FlowServe Corporation	\$207,825	\$6,979
Expediters Int'l	\$276,908	\$7,805
Lab Corporation	\$270,688	\$7,966
Total	\$1,782,890	
Percent of holdings	26.1%	

Large Cap Holdings		
Stock	AIM Holdings	Market Cap
Teradata Corp	\$249,816	\$10,110
Continental Resources	\$247,320	\$12,647
Activision Blizzard	\$269,193	\$12,752
Cerner Corp	\$262,548	\$13,260
Wynn Resorts	\$281,000	\$13,924
Cummins	\$265,032	\$18,978
Discover Financial	\$270,465	\$20,968
Halliburton	\$280,140	\$30,549
Potash	\$269,010	\$33,242
United Health Group	\$261,072	\$55,528
Gilead Sciences	\$330,000	\$57,051
eBay	\$290,510	\$67,546
Chevron	\$301,217	\$207,050
Google	\$279,348	\$227,351
Apple	\$351,168	\$554,406
Total	\$4,207,838	
Percent of holdings	61.6%	



II. Economic Environment

Summary of Current Economic Indicators

Expected Federal Reserve Policy

Inflation and Interest Rate Movements

Outlook for the Economy

Potential Impact on Portfolio

“The New Normal”

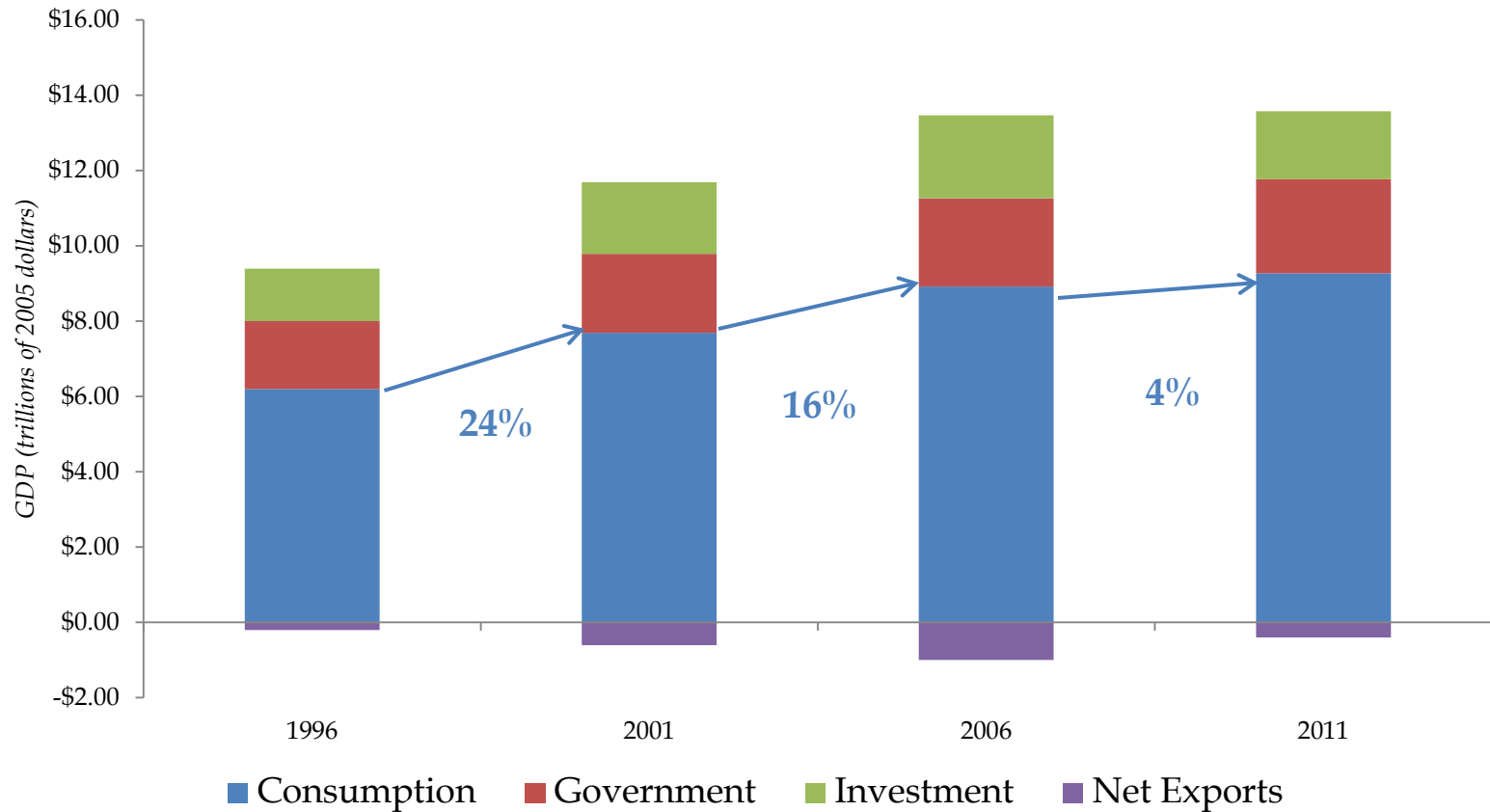
Uncertainties

The Economy

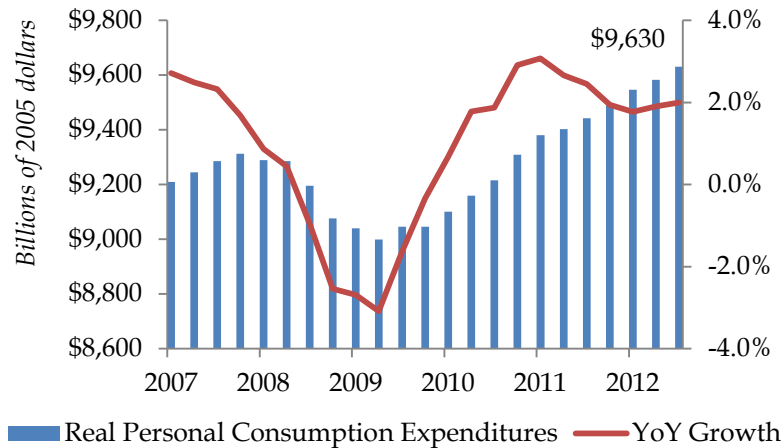


“New Normal”	Short Run	Long Run
Unemployment	7.3% - 7.8%	6.5%
Inflation	2.2% - 3.0%	2.0% - 2.2%
Change in GDP	1.9% - 2.9%	2.0% - 2.3%

Components of Gross Domestic Product (GDP)

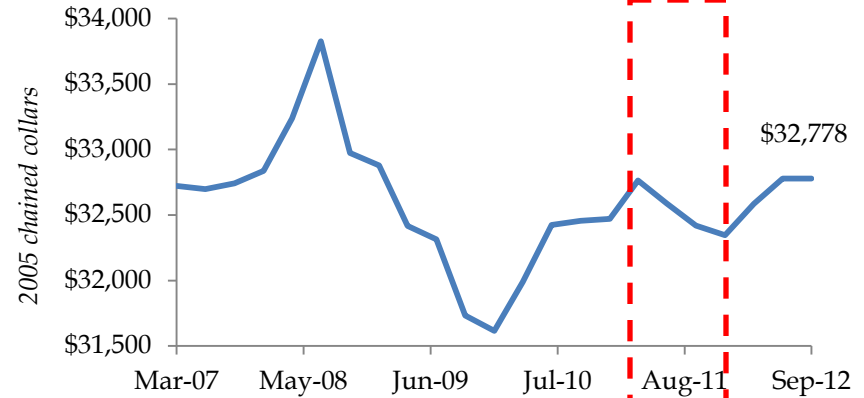


Real Personal Consumption Expenditures



- In 2011, consumption continued to rise despite lower income
 - Consumption driven by a decreased savings rate
 - Slower growth from previous year
- Outlook on consumption neutral as potential tax increases hamper confidence

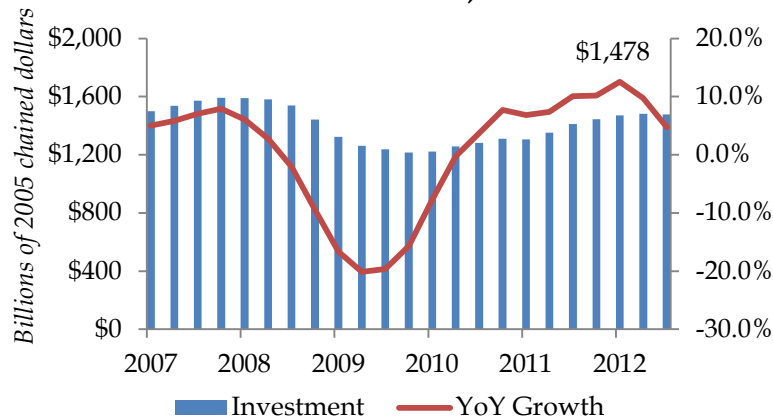
Real Disposable Income Per Capita



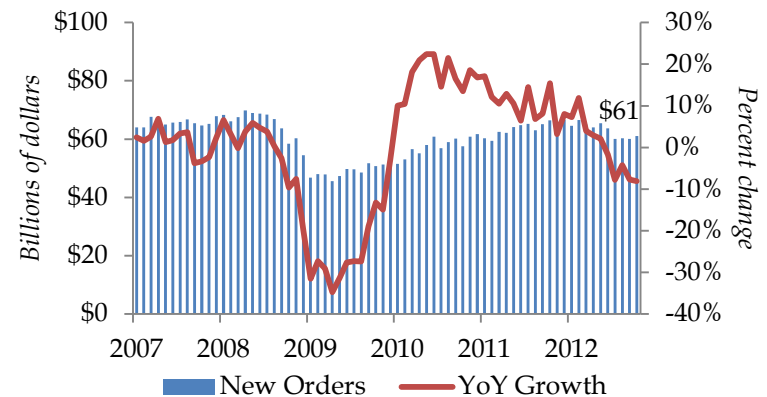
Savings Rate



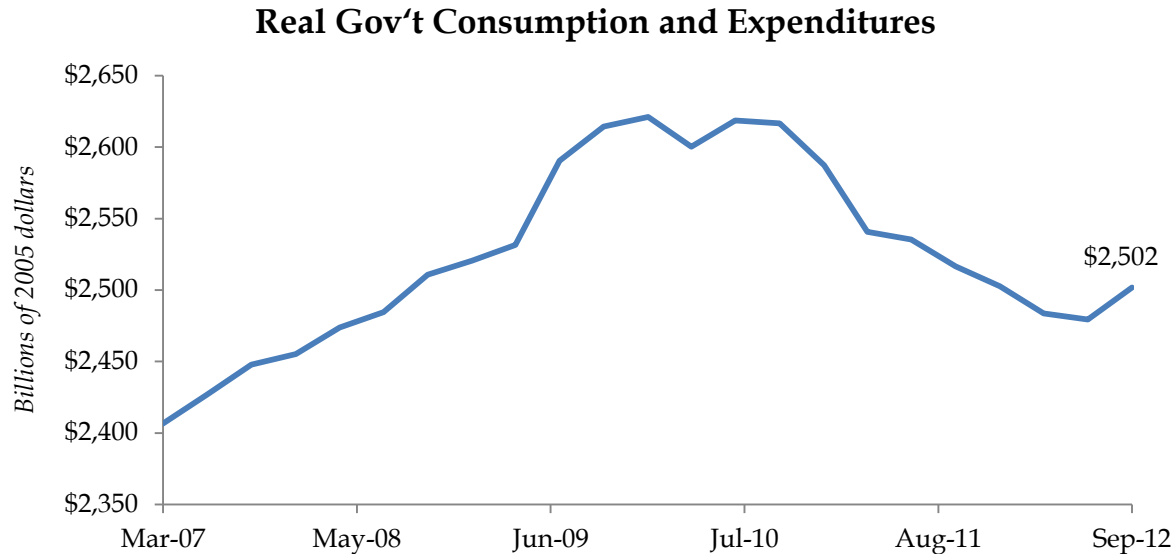
Real Private Fixed Investment (Excl. Residential)



Non-defense Capital Goods Orders (Excl. Aircraft)

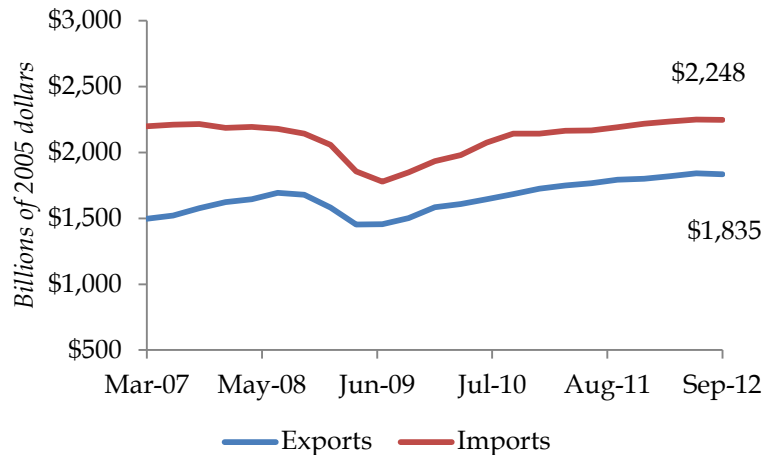


- Real private fixed investment (excl. residential) growth has begun to slow down
- New orders slowing down as well
- Business investment slowing down as uncertainty continues to pervade the market and businesses lose confidence

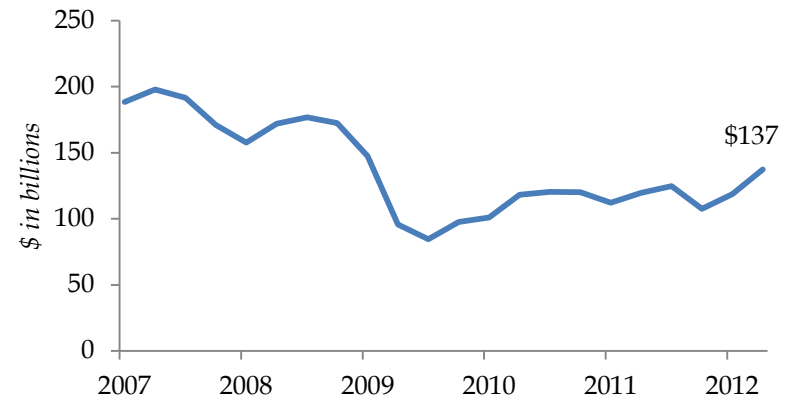


- Government expenditures has recently faced pressured due to increasing debt levels and budget deficit issues
- State and local level entities in particular have exhibited weak financial positions
- Expect spending to decrease as government continues to address deficit issues

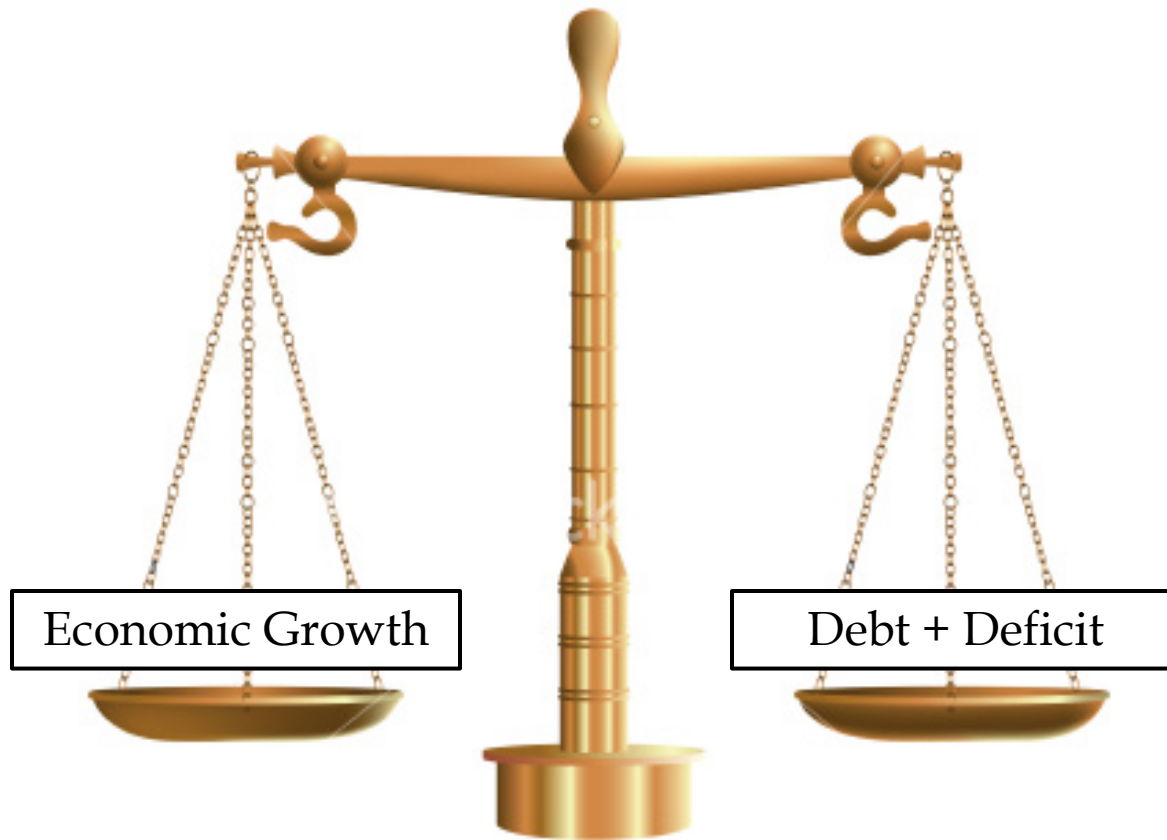
Real Exports and Imports

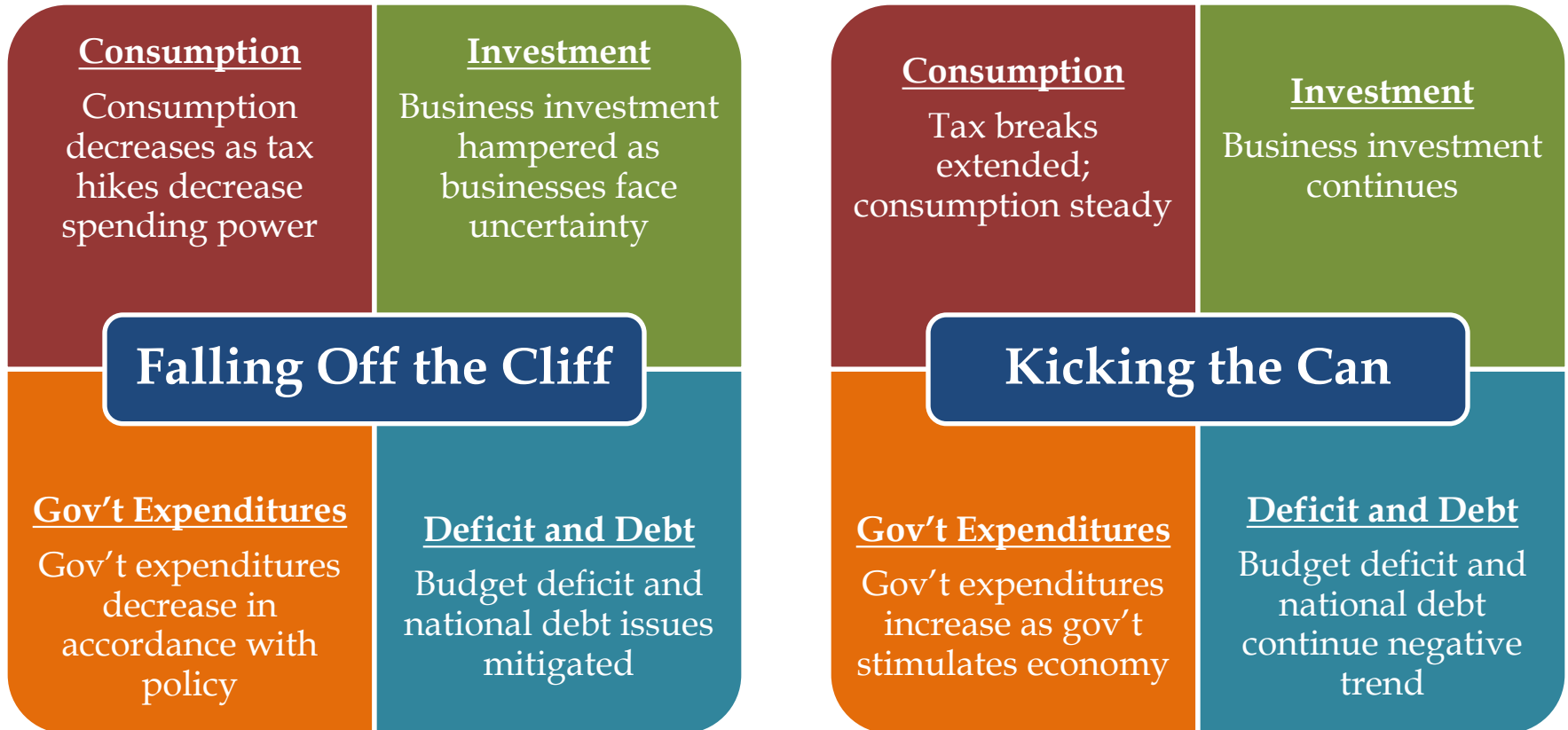


Current Account Deficit

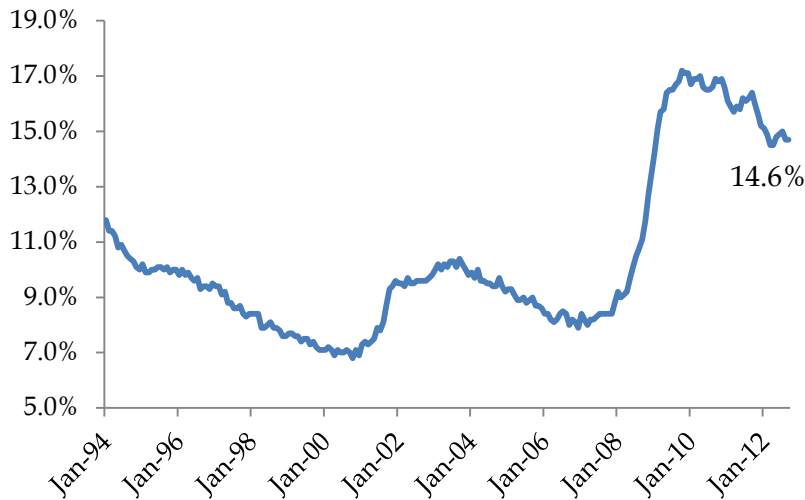


- Currently maintaining gap between exports and imports
- Current account deficit continues to climb
- U.S. Dollar → downward pressure
 - Tension between U.S. and trade partners
 - Structural changes in U.S. trade → depreciating dollar not effective

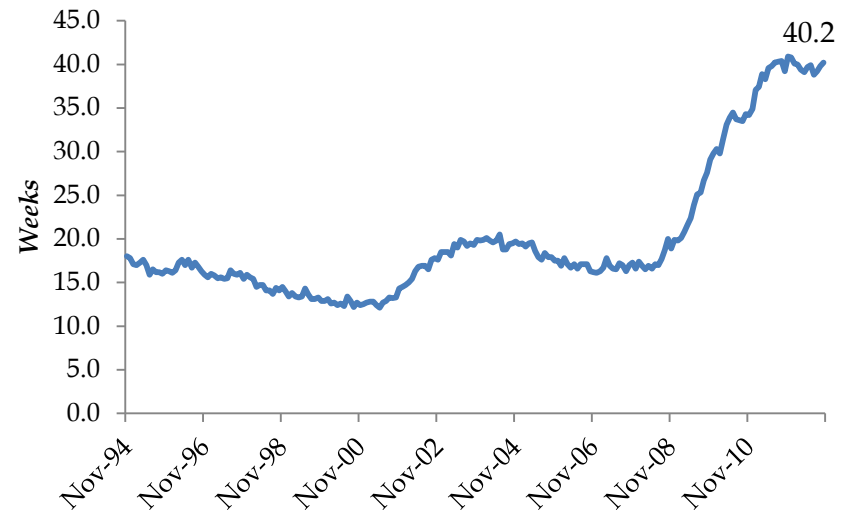




U-6 Unemployment Rate

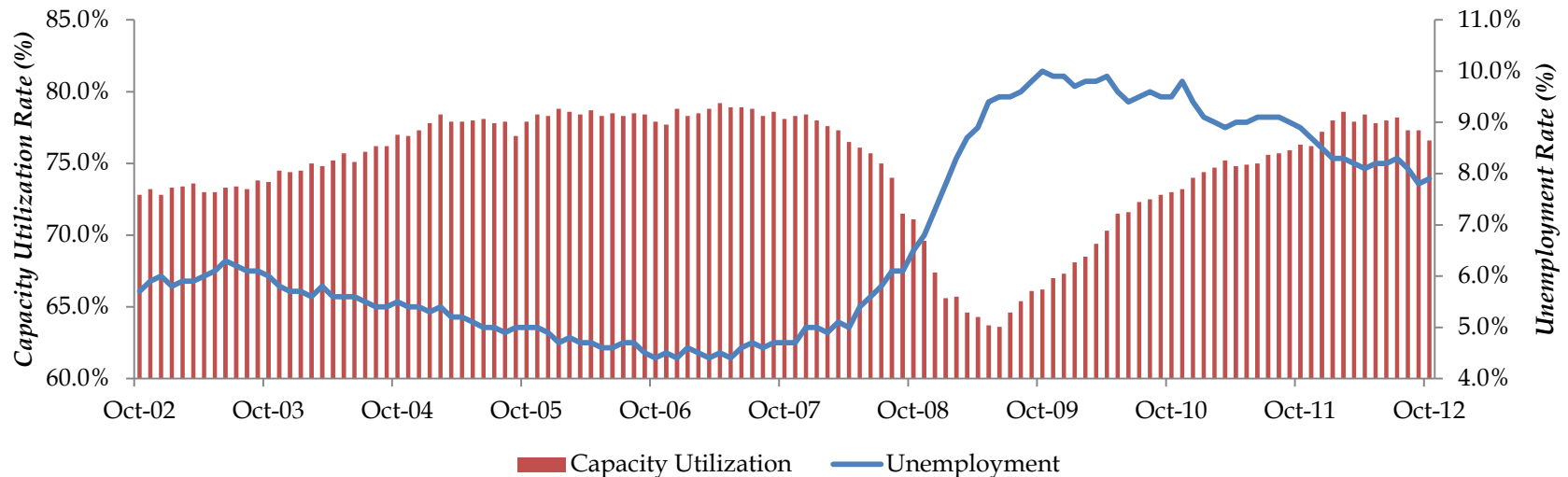


Mean Unemployment Duration

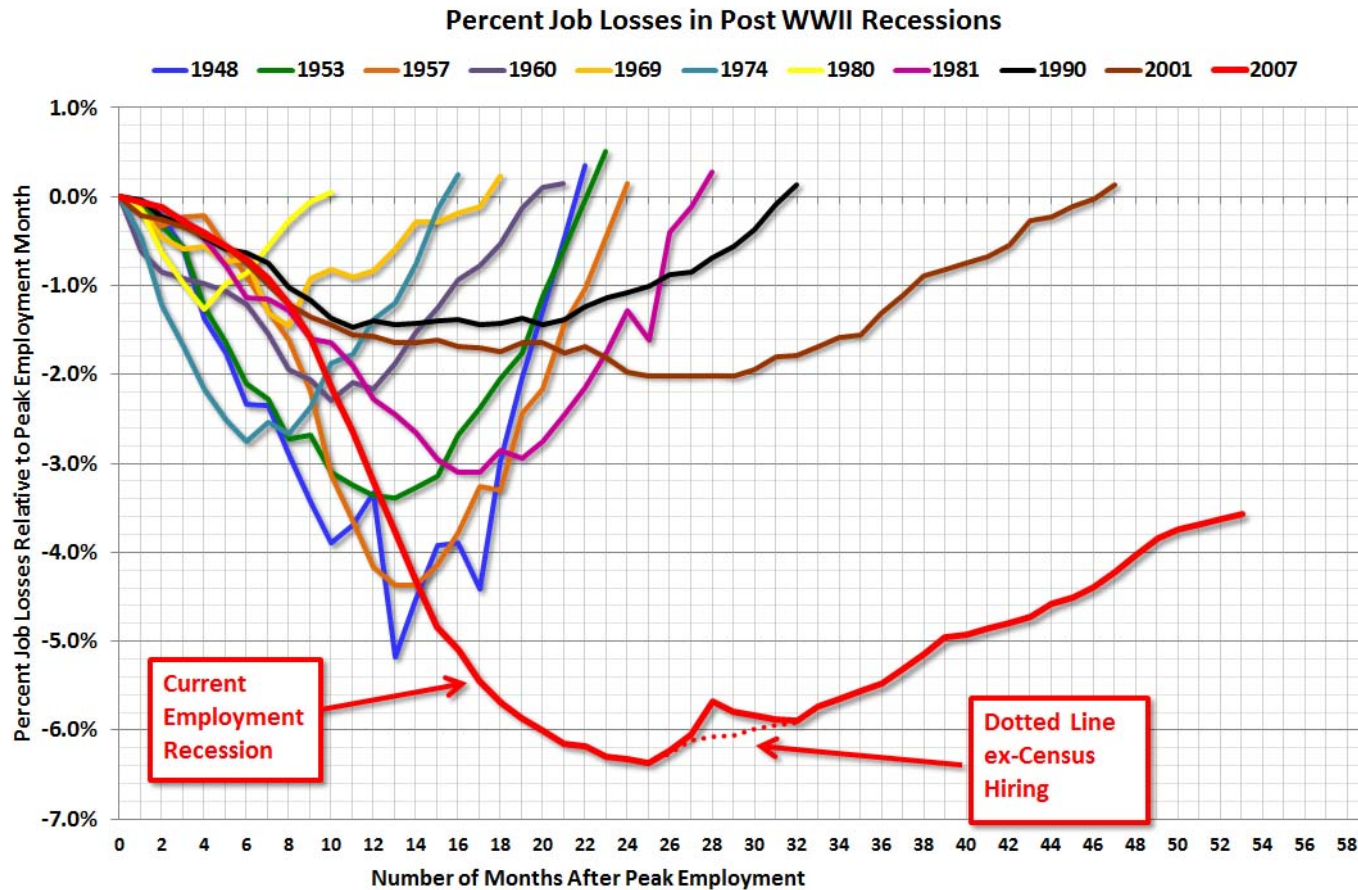


- U.S. Unemployment Rate: 7.9% → This is celebrated
- “Underemployment” Rate: 14.6% → This is ignored
- Average Duration: ~40 weeks → This is a problem

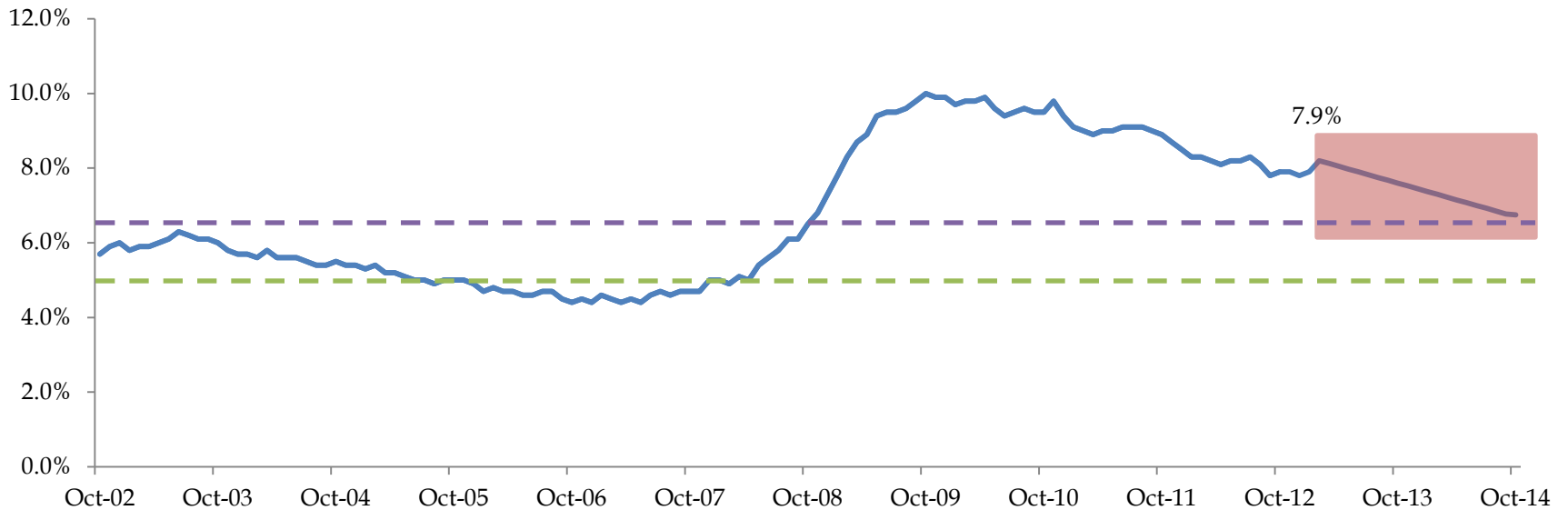
Capacity Utilization (Red) vs. Unemployment (Blue)



- At current capacity levels, should see $\approx 5\%$ unemployment
- Structural unemployment “results from long-term shifts in economies rather than short-term savings in economic conditions”



Unemployment



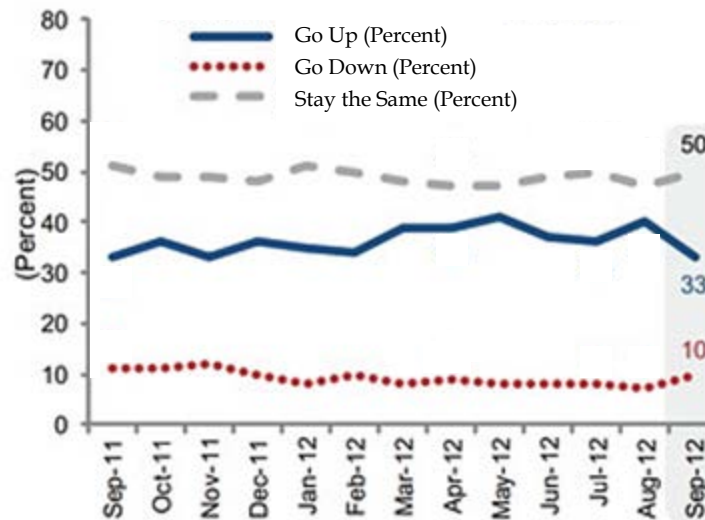
The Past

Asymptote at $\approx 5\%$
 Need for marginally skilled
 workers
 “Do more with more”

The Present

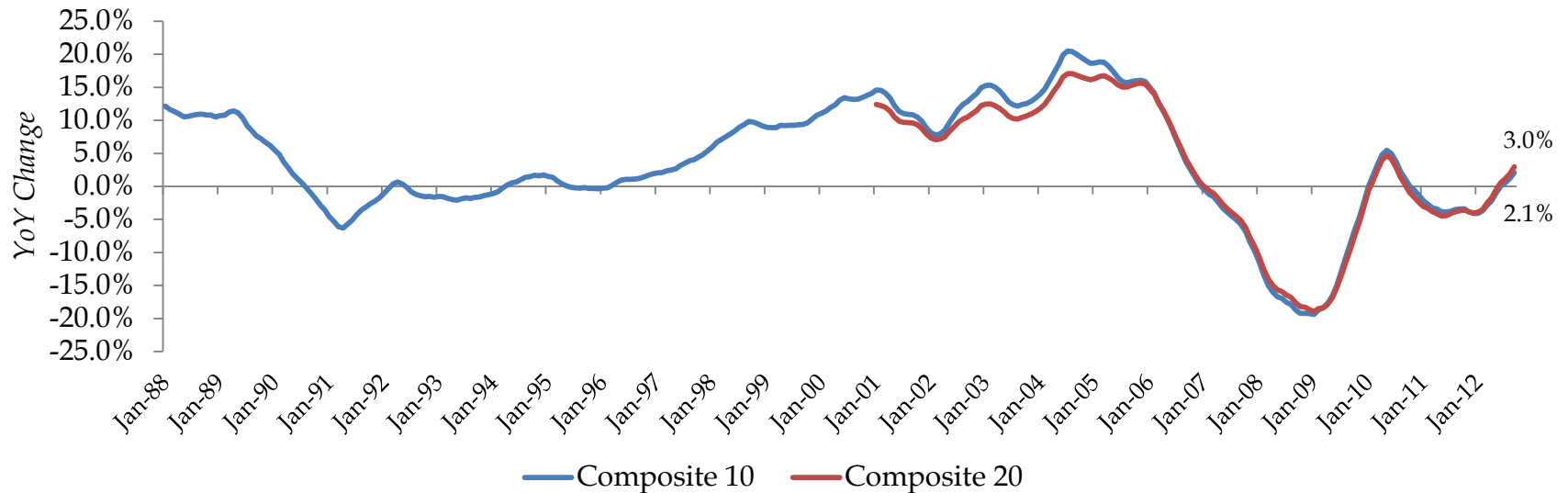
Asymptote at $\approx 6.5\%$
 Need for high-skilled workers
 “Do more with less”

Share of Respondents Who Say Mortgage Rates Will ... In the Next 12 Months



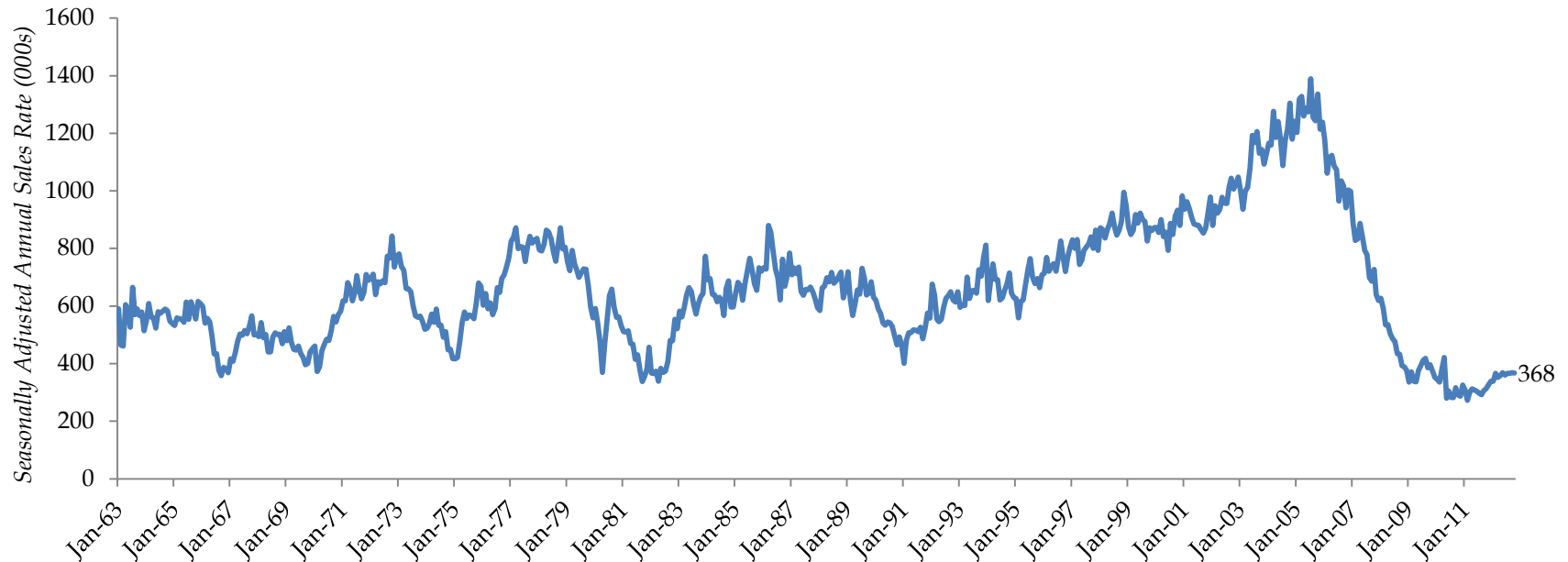
- Consumer expectations that mortgage rates will continue to decline, with the 30-year mortgage rates recently hitting all-time lows at 3.36%
 - Percentage of respondents saying it would be a good time to sell rose to 19%
- Homebuilders are showing increased optimism

Case Shiller Composite Indices, Year-Over-Year Change



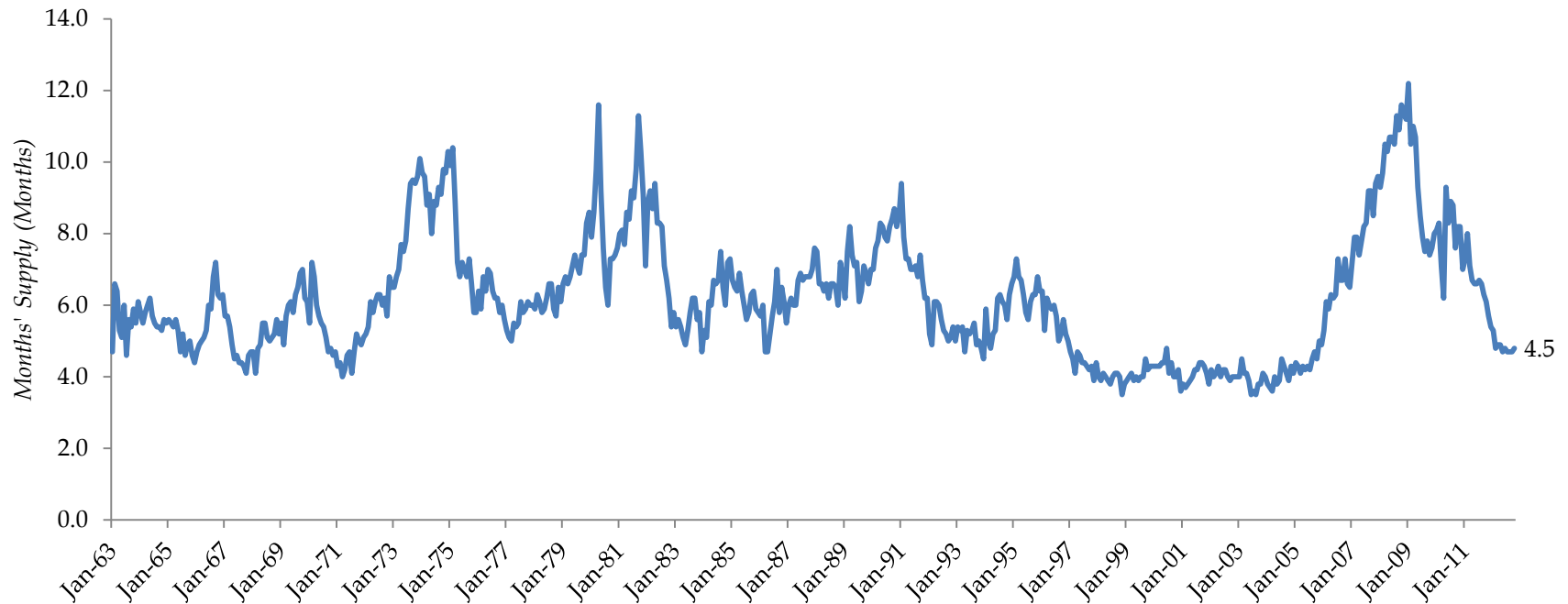
- According to S&P, average home prices increased by 2.1% for the 10-City Composite and by 3.0% for the 20-City Composite in September 2012 versus September 2011
- For the sixth consecutive month, all 20 cities and both Composites recorded positive monthly changes

New Home Sales



- Sales of new single-family houses in October 2012 were at a seasonally adjusted annual rate of 368,000, a 0.3% drop from the downward-revised rate of 369,000 in September 2012

Months Supply of Homes in the United States

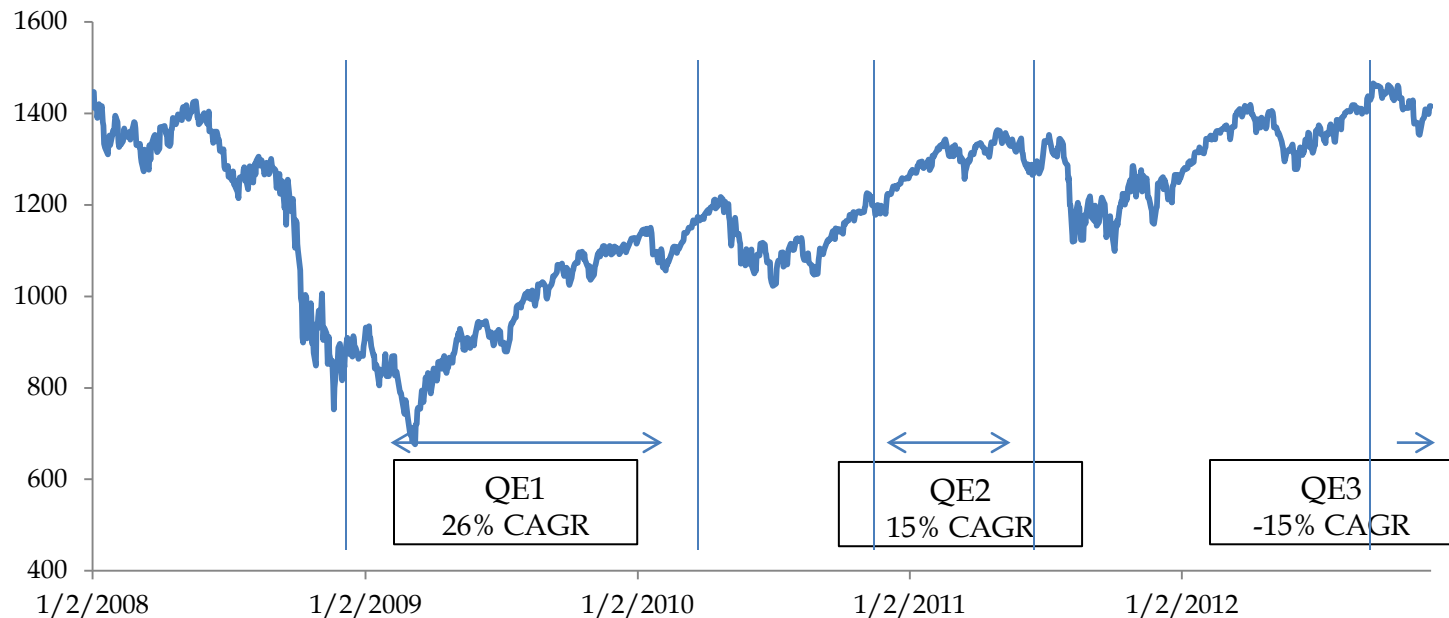


- The seasonally adjusted estimate of new houses for sale at the end of September was 145,000. This represents a supply of 4.5 months at the current sales rate. Any level below 6 months is considered normal.

- Slow employment growth
- Inflation has risen-due to higher energy prices
- Fed stimulus insufficient without policy accommodation
- Continue Operation Twist through the end of 2012
 - Goal: Flatten the yield curve (without increasing size of the Fed's Balance Sheet)
 - \$267 billion extension in June
- Maintain QE3 until labor markets improve

- The Federal Reserve announced a policy in September to indefinitely purchase \$40 billion of mortgage-backed securities every month to stimulate the economy and improve the labor market
 - Target Fed-Funds rate at 0-.25 percent through mid-2015
 - JP Morgan expects the Fed to spend at least \$1 trillion

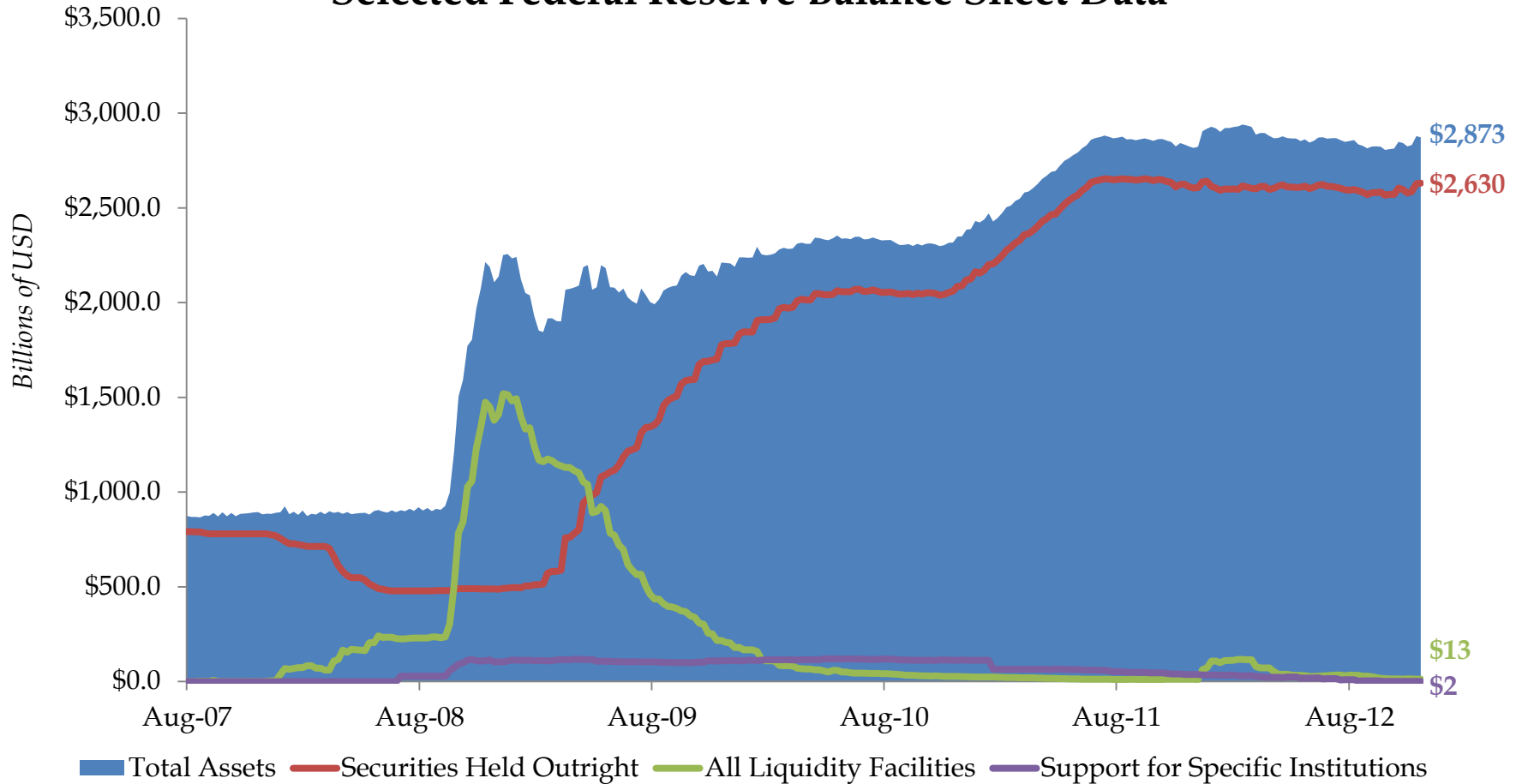
Quantitative Easing Effects on S&P 500



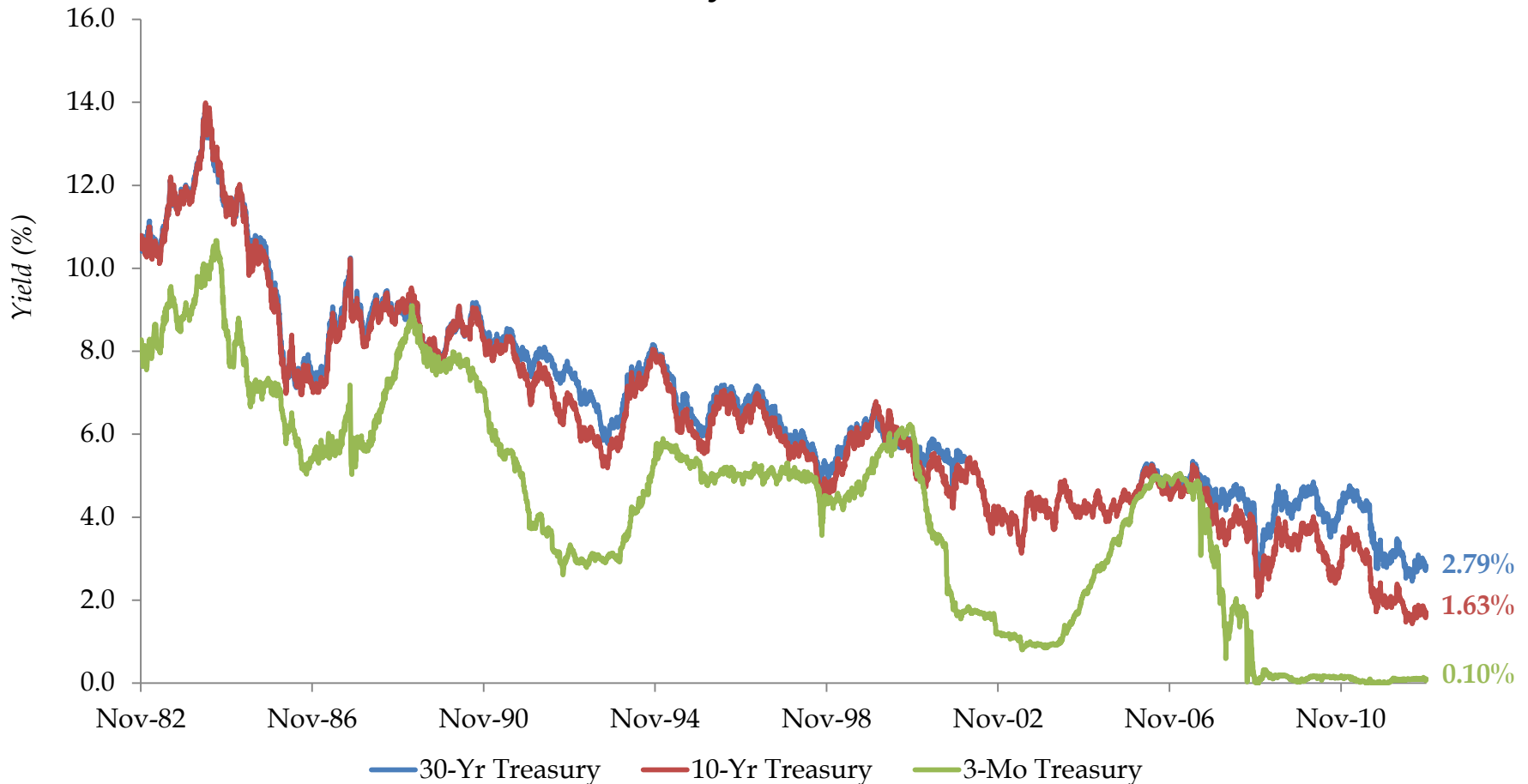
- Very early, but the first impression is effects are neutral
- No spike in equity prices like QE1 and QE2

Ballooning Balance Sheet

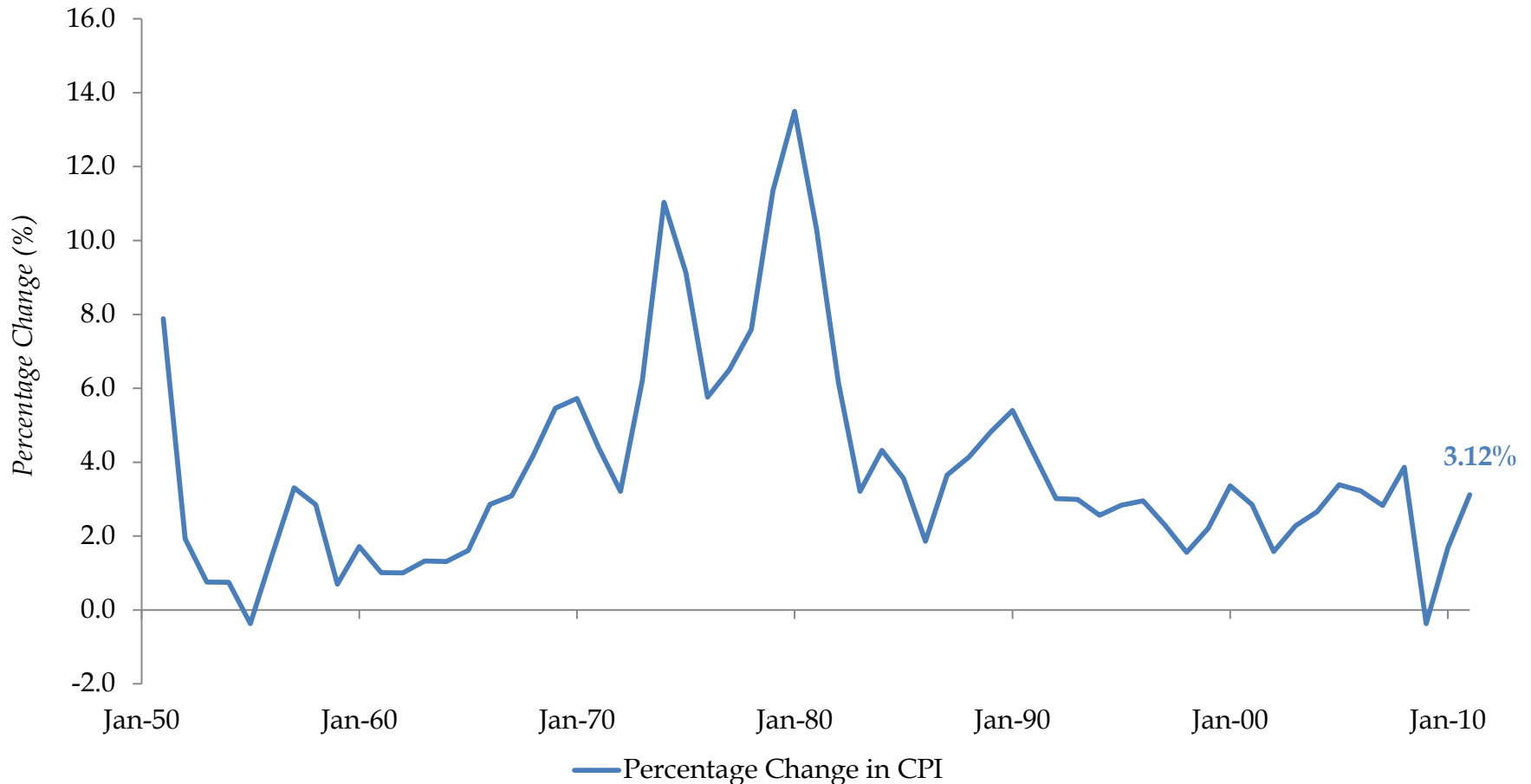
Selected Federal Reserve Balance Sheet Data



Historical Treasury Yields - Last 30 Years

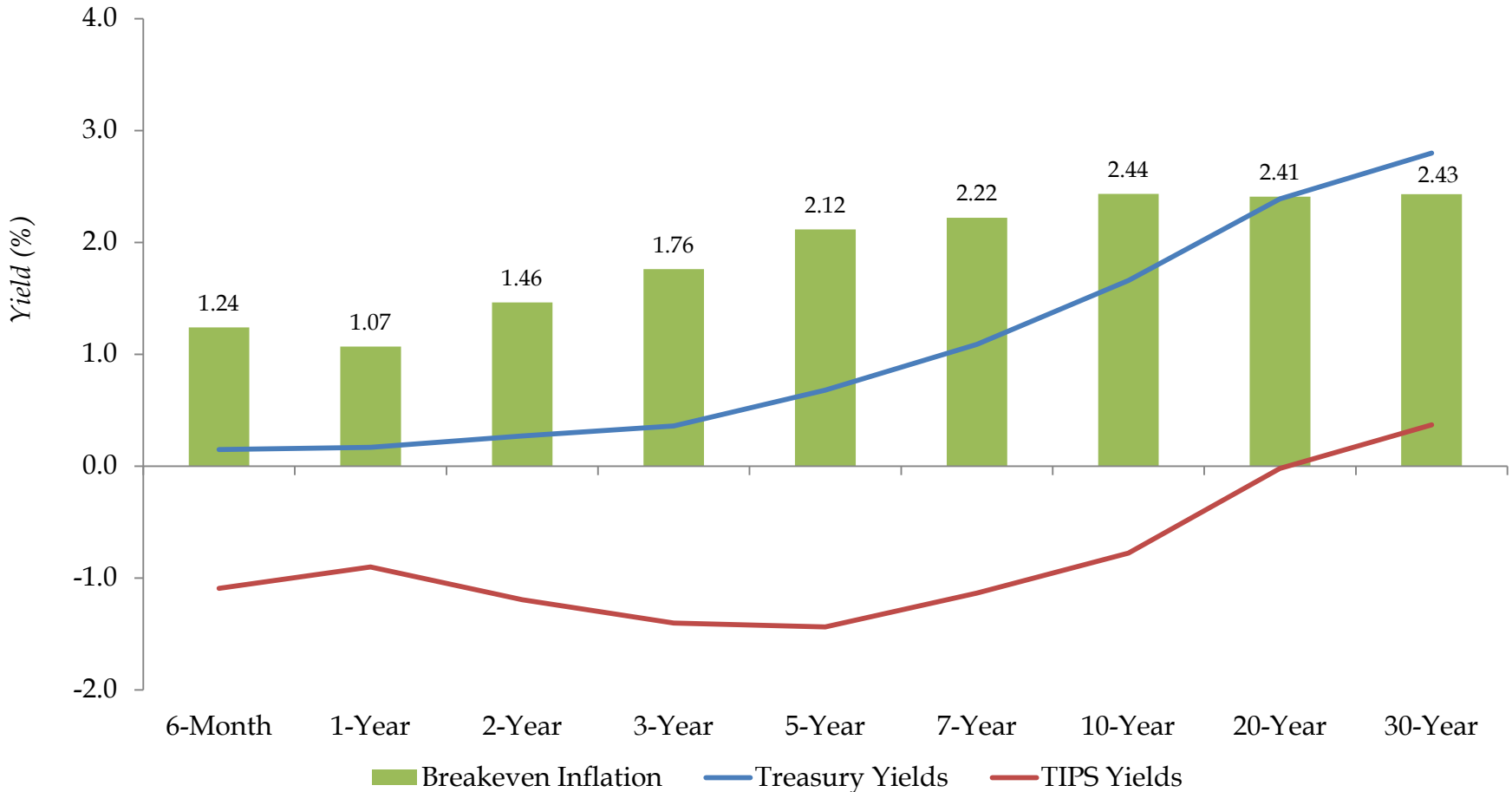


Annual Percentage Change in U.S. CPI Since 1950



Current “Breakeven” Inflation

Breakeven Inflation Curve



Upside Risk to Inflation

Unprecedented Monetary Easing

Increased Bank Lending

Fed's Inability to Curb Inflation

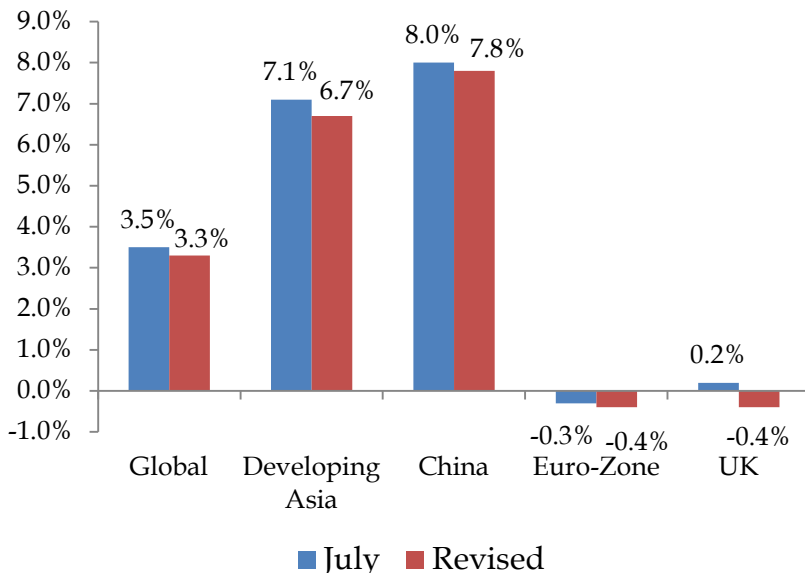
Loss of Credibility in Bond Markets

Decreased Productivity

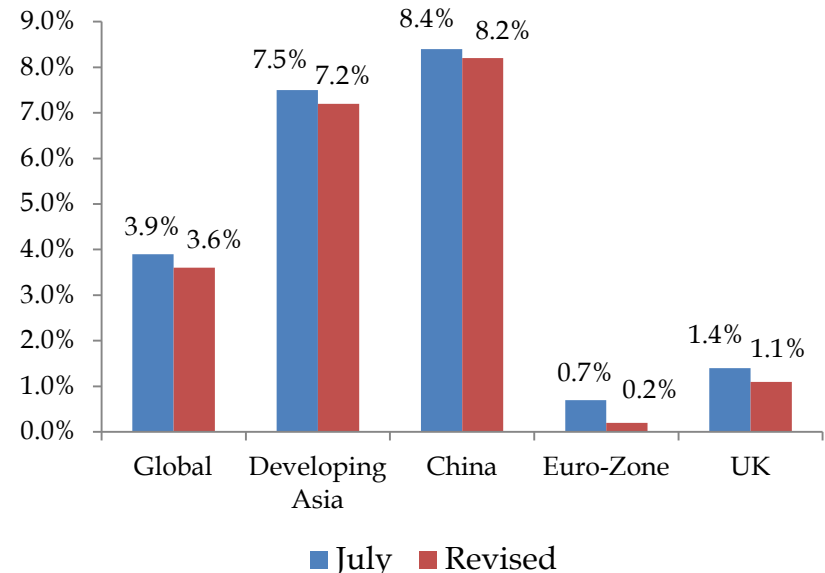
Global GDP Revisions

- Global growth slowing, on the back of potential recession in Europe
- China and developing Asia hurt by lower external demand in US and Europe
- Growth reductions for China also based on a shift toward more balanced domestic demand
- 2013 China should experience its boost from kick in of easing measures

2012 IMF GDP Growth Estimates



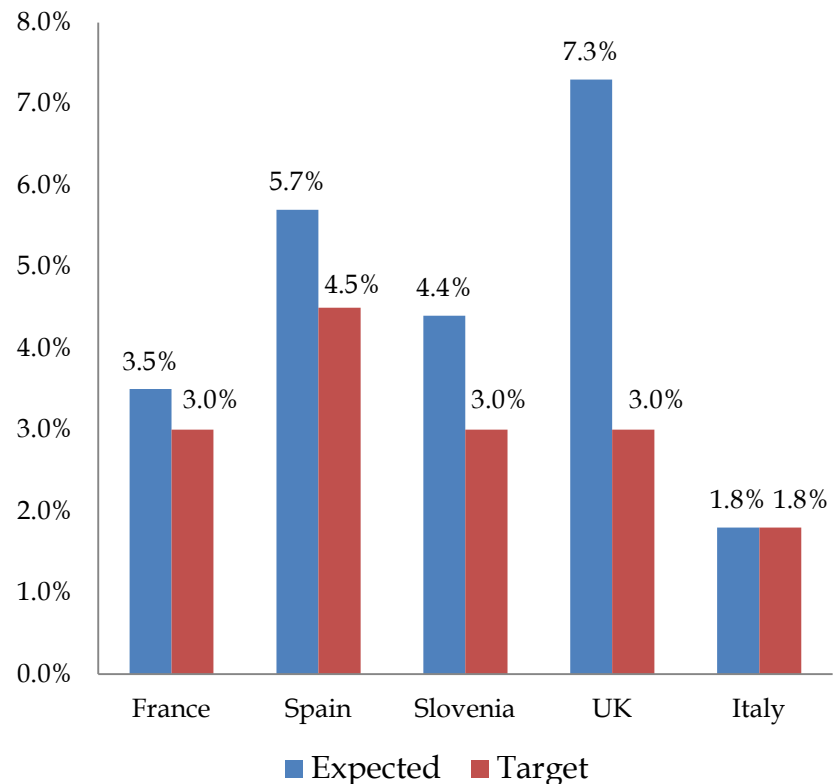
2013 IMF GDP Growth Estimates



European Austerity Targets

- EU rule to maintain budget deficits $\leq 3\%$ of GDP
- IMF easing off Greek target of 4.5%
 - Greek debt expected to reach 182% GDP by year end 2013, up from 161%
- Deeper than expected recession and implementation of fiscal measures complicating deficit reduction targets

2013 IMF Euro-Zone Deficit % of GDP Estimates



Forecast Summary

Economic Forces	GDP Effect	Portfolio Effect
Unemployment	Negative	Neutral
Housing	Positive	Neutral
Business Spending	Negative	Neutral
Consumption	Neutral	Neutral
QE3	Neutral	Neutral
Fiscal Cliff	Negative	Negative
Global Forces	Negative	Neutral
Households	Neutral	Neutral
Overall	Negative	Neutral

US Fiscal Uncertainty

Industrials

- KapStone
- Flowserve
- IPG Photonics
- Cummins

Consumer Discretionary

- Dick's Sporting Goods
- Apple
- Wynn Resorts
- Domino's
- Select Comfort
- Open Table
- Activision Blizzard

Financial Regulation

- Discover Financial

Healthcare Reform

- UnitedHealth Group
- Cerner
- LabCorp
- Gilead

Eurozone Crisis

- Teradata
- Expeditors International

China / Emerging Markets

- Wynn Resorts
- Cummins
- Apple
- Potash

Oil / EPA Regulation

- Continental Resources
- Chevron
- Halliburton
- Cummins

Housing

- Acuity
- Select Comfort



III. Security Analysis

Overview of Research Assignments

Earnings Forecast

Multiples Valuation

Discovery/DCF Valuation

Company/Industry Analysis

Fundamental Analysis Ratio Analysis/DuPont

Beta/WACC/DCF Valuation

Technical Analysis

Special Circumstance

- Bottom-up approach to security selection
- Analysts complete six reports that address the following areas of interest:
 - Company Background
 - Fundamental Analysis
 - Industry Analysis
 - Earnings Forecast
 - Technical Analysis
 - Final Valuation and Recommendation (including Beta)
- Each analyst makes a buy or sell recommendation

Analyst Agenda

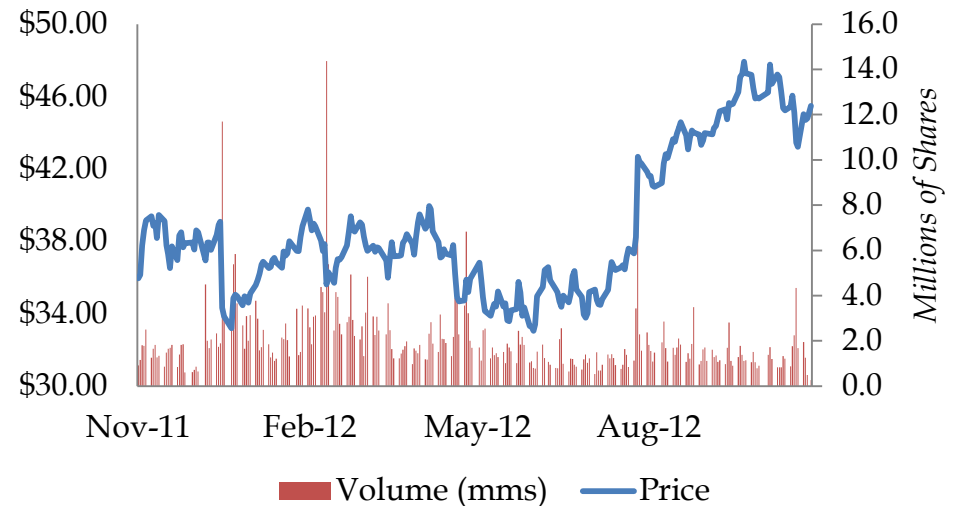
Analyst	Stock	Focus
Matt Rossetto	Williams-Sonoma	Earnings Forecast
Erin Welcenbach	KeyCorp	Multiples Valuation
Sam Beres	Coinstar	Multiples Valuation
Tyler Smith	Michael Kors	Discovery/DCF Valuation
Alex Vander Linde	IPG Photonics	Company/Industry Analysis
Justin Barnes	OpenTable	Fundamental Analysis
Brett Rocheleau	Wynn Resorts	Beta/WACC Valuation
Robb Crow	Cerner Corp.	Technical Analysis
Adam Cox	Teavana	Special Circumstance

Williams-Sonoma (WSM)



Price (11/30/2012):	\$45.26
1-year forward P/E:	16.7
Market Cap:	\$4.39B
Dividend Yield:	2.0%
LTM EPS:	\$2.43

WSM: 1 Year Price Chart

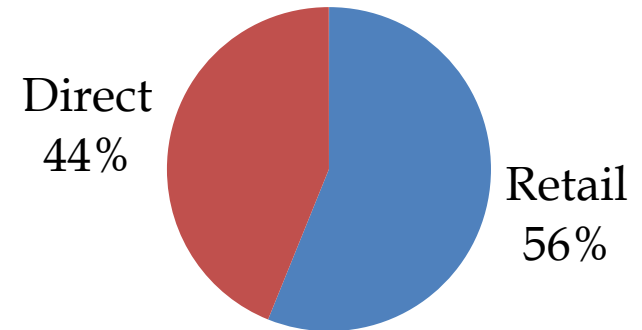


Focus: Earnings Forecast

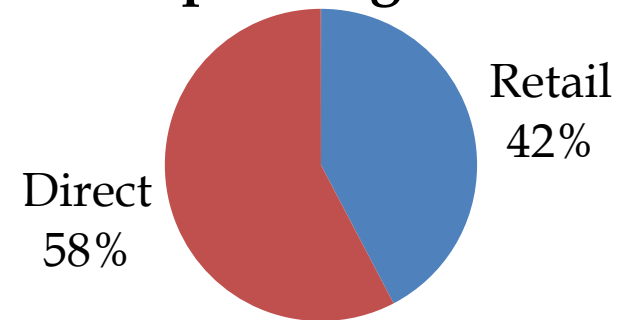
WSM Company Overview

- Retailer of high-end, specialty home goods
- Dominated catalogue home goods sales, attempting to do the same in internet sales
- Now experimenting with international storefronts

2011 Revenue



2011 Operating Income



Forecast Assumptions

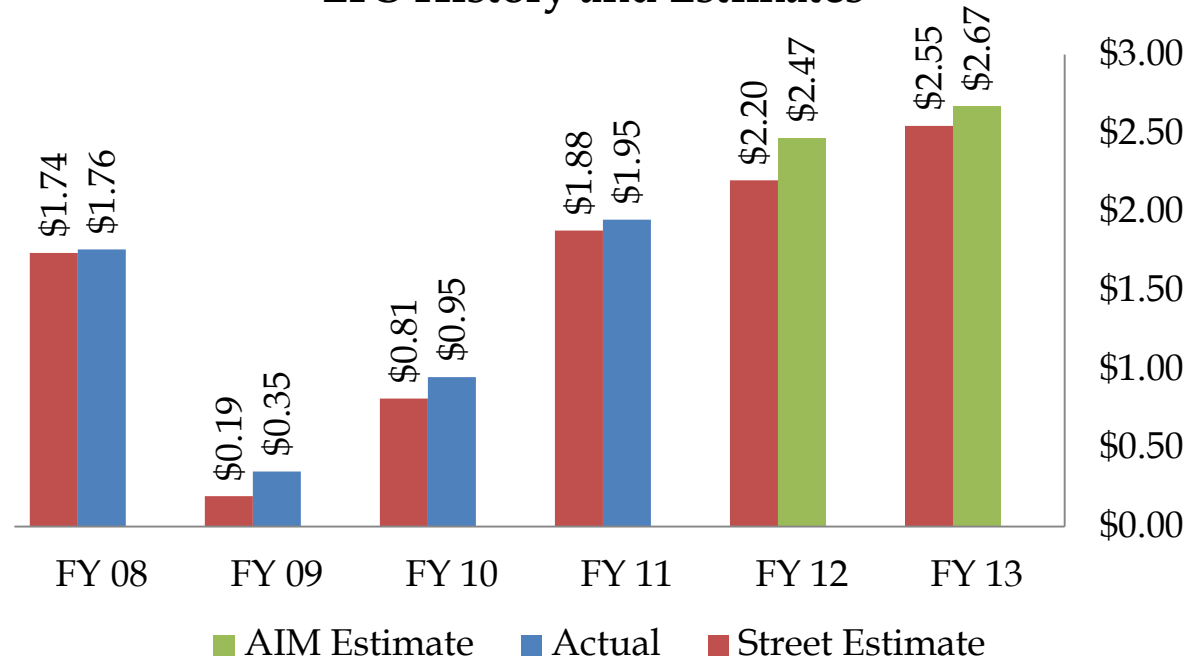
	2010A	2011A	2012E	2013E
Revenues (mm)	\$3,504.2	\$3,720.9	\$3,970.2	\$4,244.1
% Growth	12.9%	6.2%	6.7%	6.9%
% of revenue DTC	41.5%	43.9%	45.0%	47.0%
SGA (% of sales)	22.3%	22.4%	22.0%	21.0%

- Increasing percentage in internet sales improves margins
- A slow housing recovery pulls along revenue growth
- Material international growth is not projected for several years

EPS History and Estimates



EPS History and Estimates



Recommendation - Buy			
Valuation Method	Weight	Value	Contribution
Forward Price/Sales	25%	\$42.18	\$10.54
Forward Price/Earnings	25%	\$44.72	\$11.18
Discounted Cash Flow	50%	\$46.78	\$23.39
Final Valuation			\$45.11
Market Price (11/19/12)			\$45.02
Estimated Upside/(Downside)			0.2%

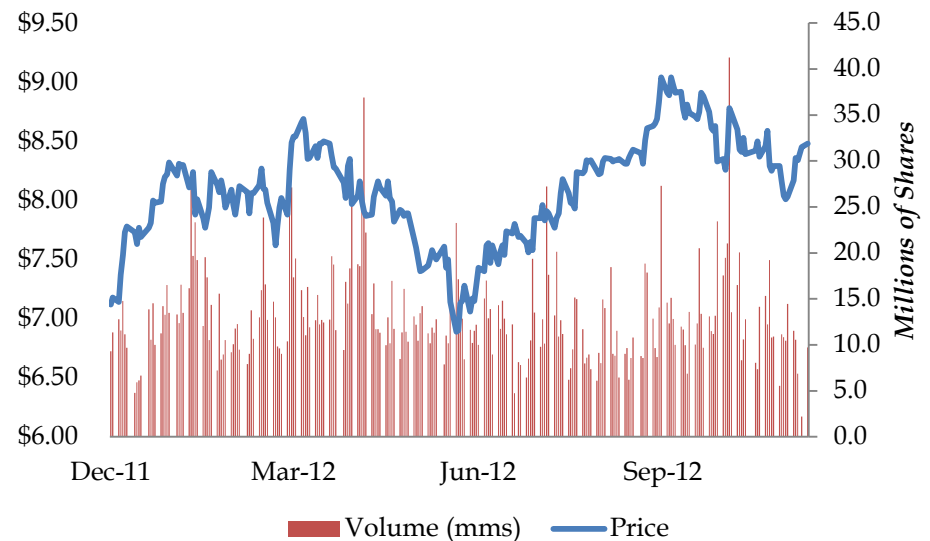
Investment Thesis:

- Top position to benefit from a housing recovery
- Migration to online sales will improve margins
- Market has priced in the upside. The stock is technically a 'Buy', but the analyst group identified other superior opportunities



KEY: 1 Year Price Chart

Price (11/30/2012):	\$8.08
1-year forward P/E:	9.49
Market Cap:	\$7.80B
Dividend Yield:	2.40%
LTM EPS:	\$0.88

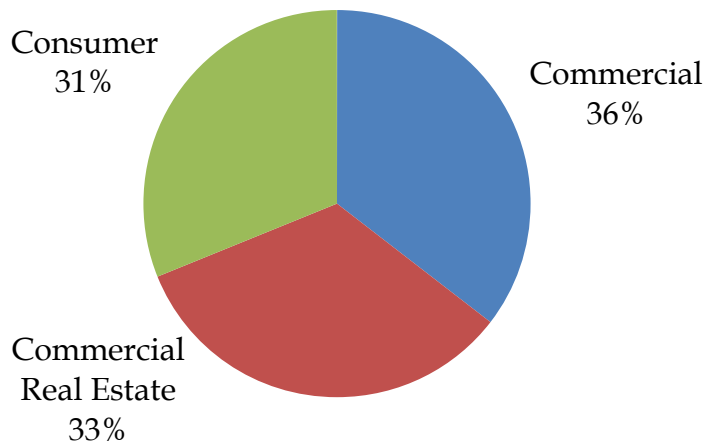


Focus: Multiples Valuation

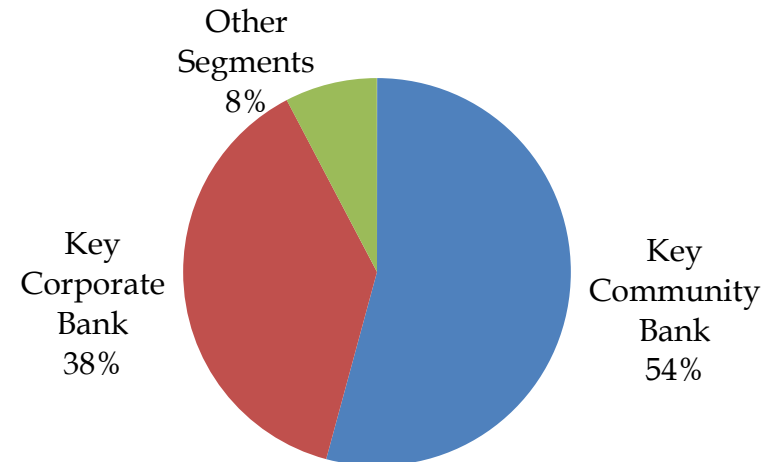
KEY Company Overview

- Holding company for Key Bank National Association
- 1,087 branches located in 14 states
- Loan portfolio consists of commercial, commercial real estate, and consumer loans

Loan Portfolio Composition



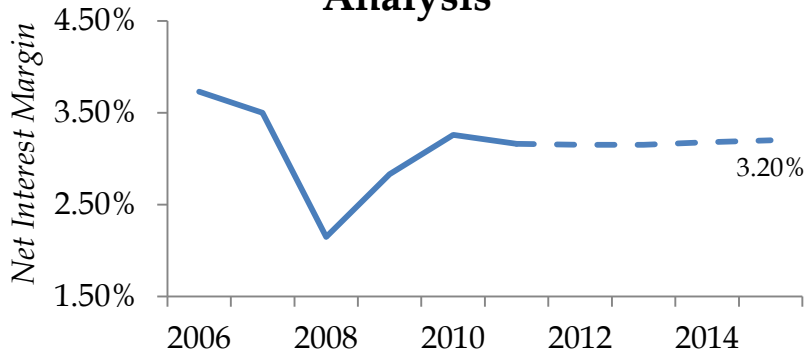
2011 Revenue Breakdown



Net Interest Margin

- Margin compression, though not as extreme as 2011
- Short-term rates near zero
- Increased industry competition
- Q3 2012 NIM: 3.19%

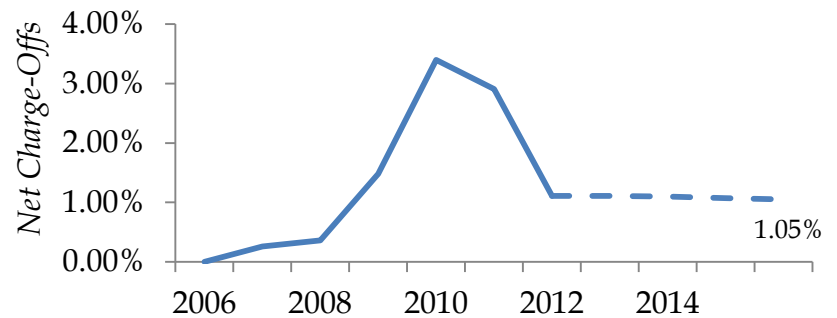
KEY: Net Interest Margin Analysis



Net Charge-Offs

- Returning to normal levels: 1.11% in 2011
- Management stated goal of returning to moderate levels of 0.4%-0.6%

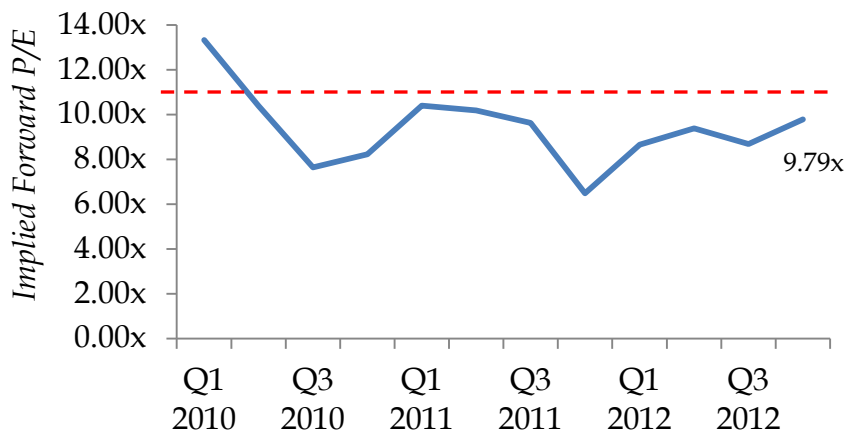
KEY: Net Charge-Offs to Average Total Loans Analysis



Implied Forward P/E

- Currently trading at 9.79x
- Historically traded at 10.37x
- FYE 2013 EPS: \$0.89
- Intrinsic value: \$8.73

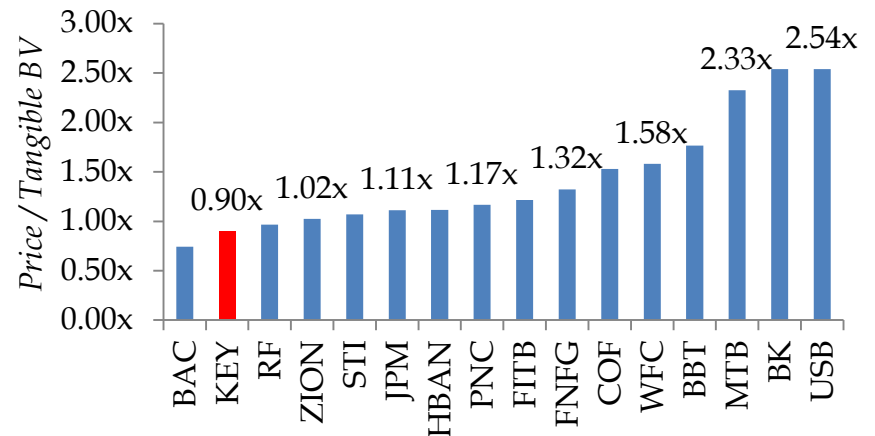
KEY: Implied Forward P/E



Price / Tangible Book Value

- Currently trading at 0.90x
- Peer group mean: 1.47x
- Peer group median: 1.22x
- Intrinsic Value: \$9.40

Banking Industry: Price / Tangible Book Value



Recommendation - Buy			
Valuation Method	Weight	Value	Contribution
Forward Price/Earnings	33.33%	\$8.73	\$2.91
Price/Tangible Book Value	33.33%	\$9.40	\$3.13
Discounted Cash Flow to Equity	33.33%	\$7.73	\$2.58
Final Valuation			\$8.62
Market Price (11/19/12)			\$8.17
Estimated Upside/(Downside)			5.5%

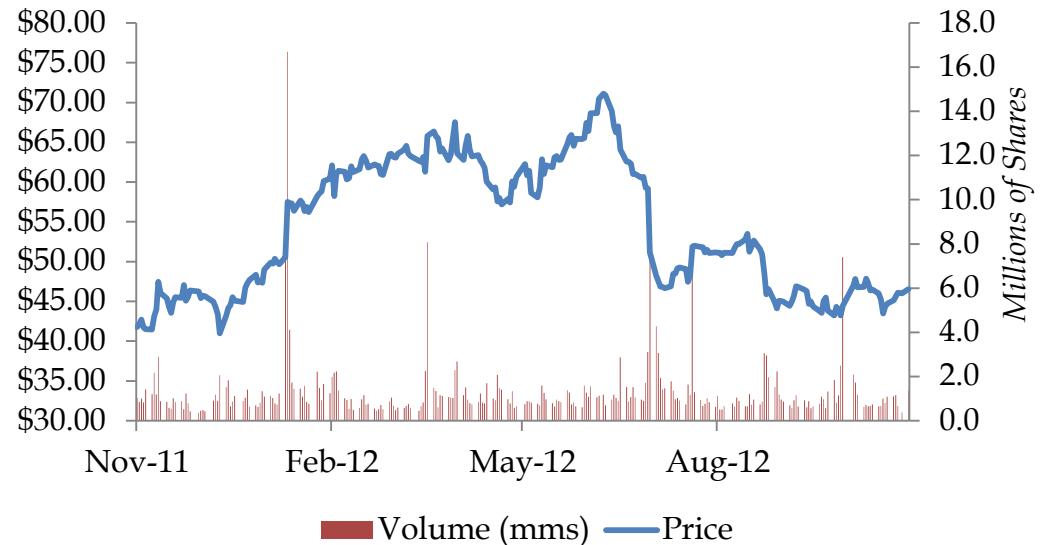
Investment Thesis

- Poorly positioned for increasingly strict regulatory environment and industry consolidation
- Net interest margin compression
- Well capitalized
- Stock is technically a 'buy,' but the analyst group identified other superior investment opportunities



CSTR: 1 Year Price Chart

Price (11/30/2012): \$47.04
 1-year forward P/E: 8.95
 Market Cap: \$1.38B
 Dividend Yield: -
 LTM EPS: \$4.91

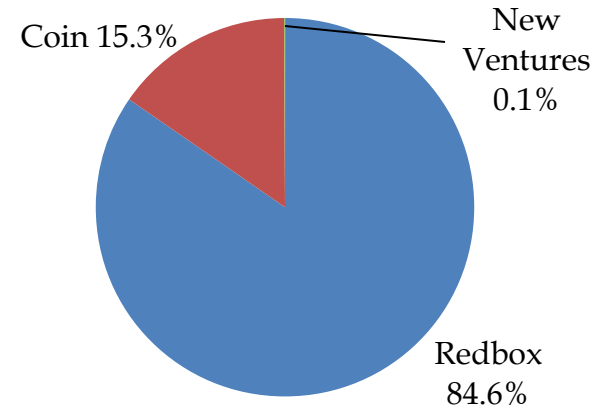


Focus: Multiples Valuation

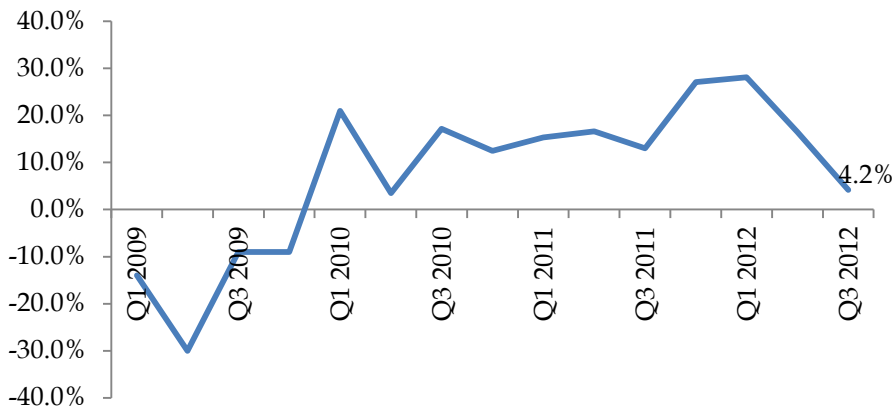
CSTR Company Overview

- Redbox is the primary business driver
- Kiosks sell tickets and rent DVDs, Blu-rays, and video games directly to consumers
- Currently in a joint venture with Verizon to develop “Redbox Instant” - a streaming service that will compete with Netflix and Amazon

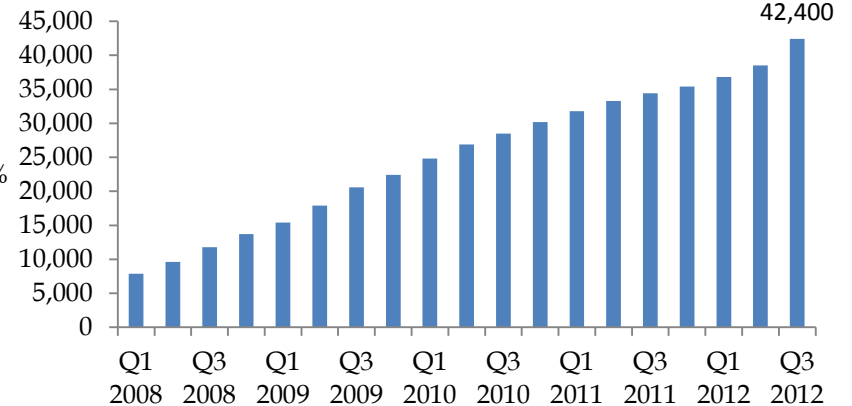
2011 Revenue



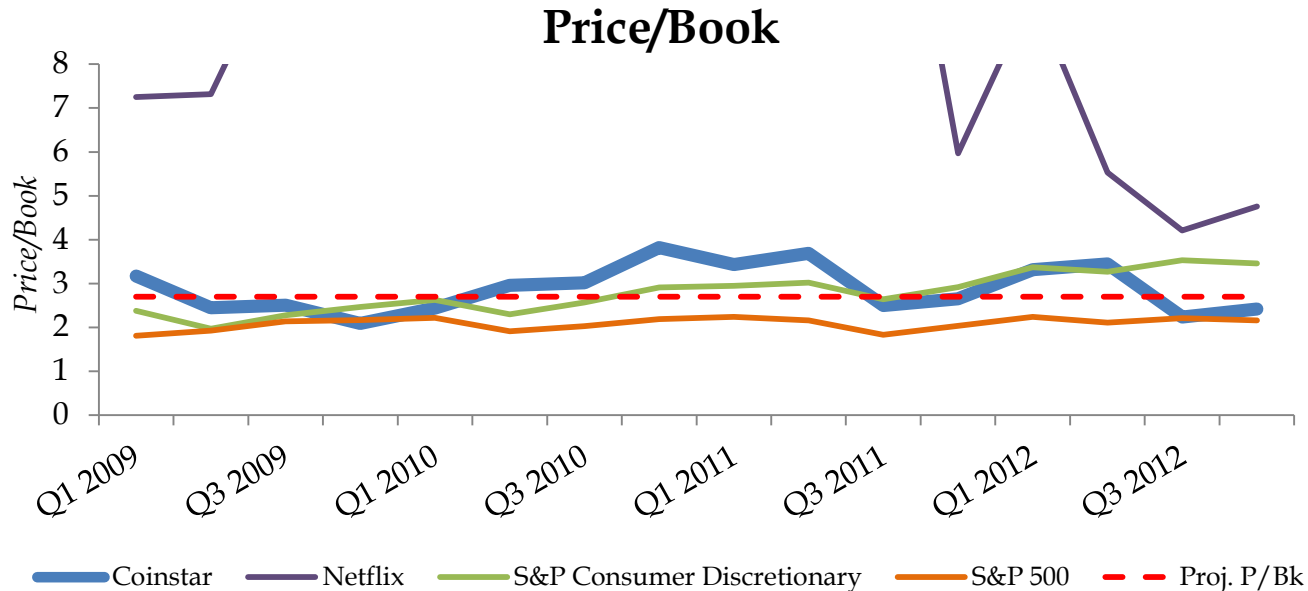
Redbox Same Store Sales Growth



Number of Redbox Kiosks



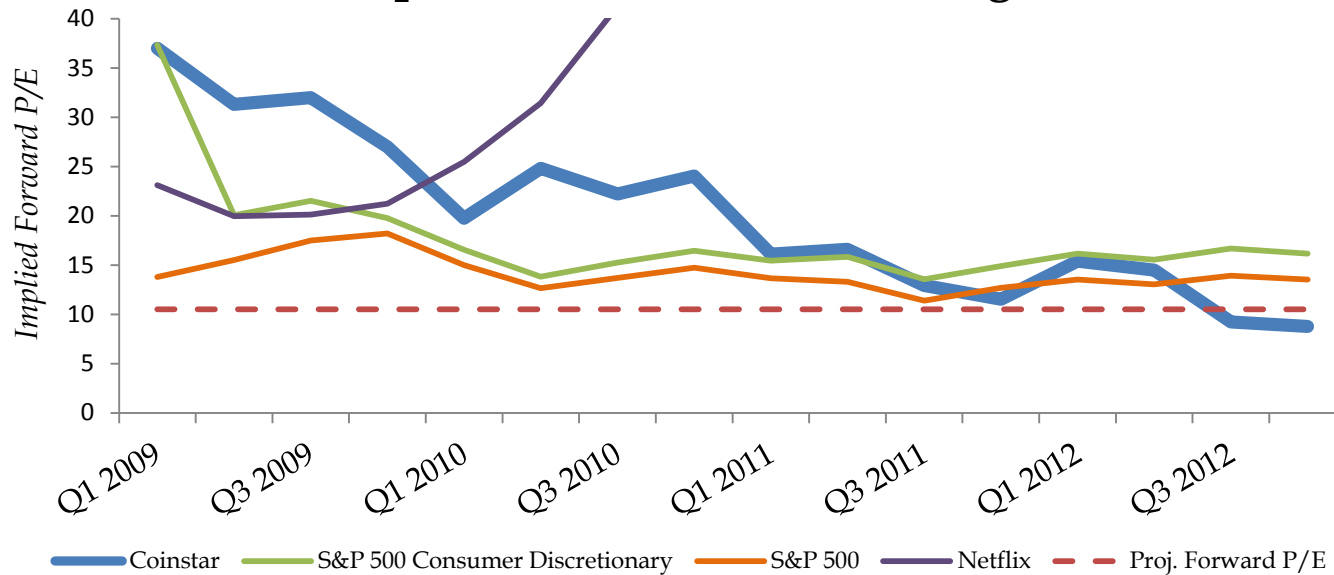
Multiple Analysis: Price/Book



	2009A	2010A	2011A	2012E	CSTR	
Return on Equity	9.7%	14.9%	21.6%	27.3%	Current Price/Book Multiple	2.42x
Return on Assets	3.1%	4.9%	7.5%	8.8%	Projected Price/Book Multiple	2.70x
					Intrinsic Value	\$50.82

Multiple Analysis : Forward P/E

Implied Forward Price/Earnings



CSTR

Subjective Forward P/E Multiple	10.5x
FYE 2013 EPS	\$5.20
Intrinsic Value	\$54.60

Recommendation - Buy			
Valuation Method	Weight	Value	Contribution
Implied Price/Book	30%	\$50.82	\$15.25
Forward Price/Sales	10%	\$51.13	\$5.11
Forward Price/Earnings	40%	\$54.60	\$21.84
Discounted Cash Flow	20%	\$78.31	\$15.66
Final Valuation			\$57.86
Market Price (11/19/12)			\$45.12
Estimated Upside/(Downside)			28.2%

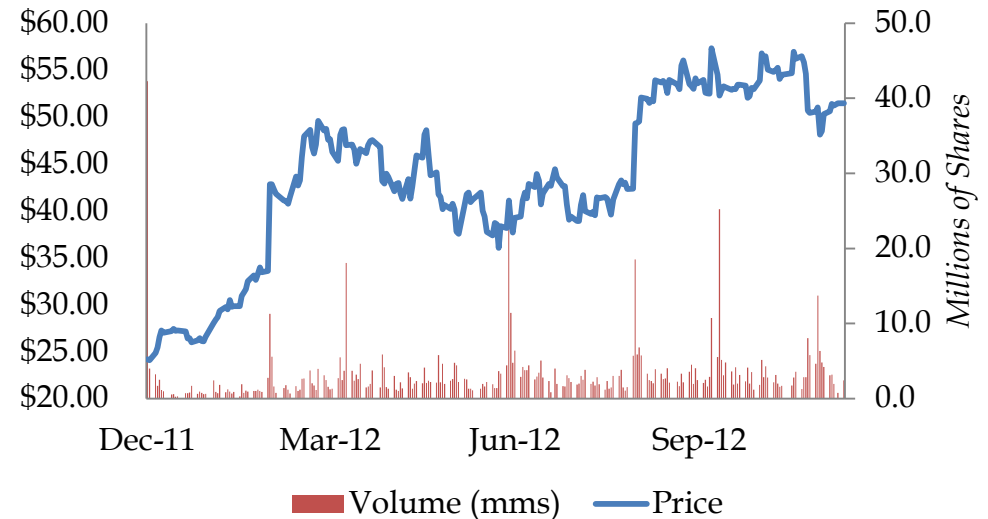
Investment Thesis:

- Market leader in hard DVD rental market
- Multiples trading near all-time lows
- Ultimately not purchased due to concerns over the future of the hard DVD rental market and uncertainty regarding entrance into the streaming market

MICHAEL KORS

Price (11/30/2012):	\$58.15
1-year forward P/E:	32.83
Market Cap:	\$10.2B
Dividend Yield:	-
LTM EPS:	\$1.26

KORS: 1 Year Price Chart

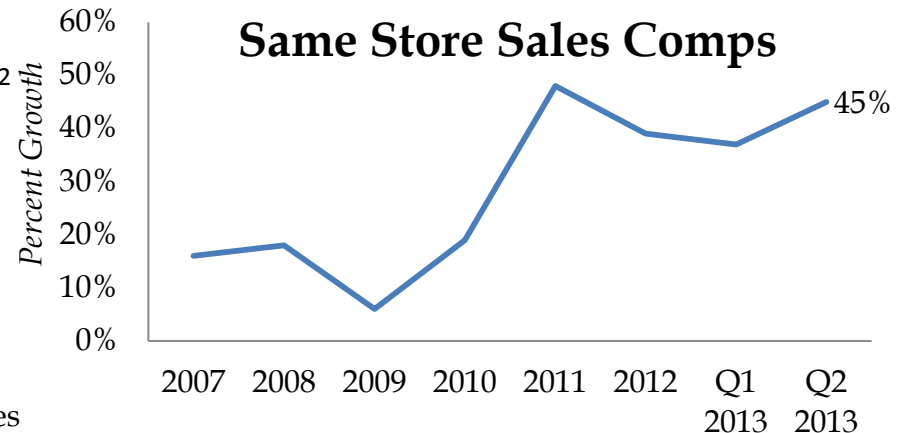
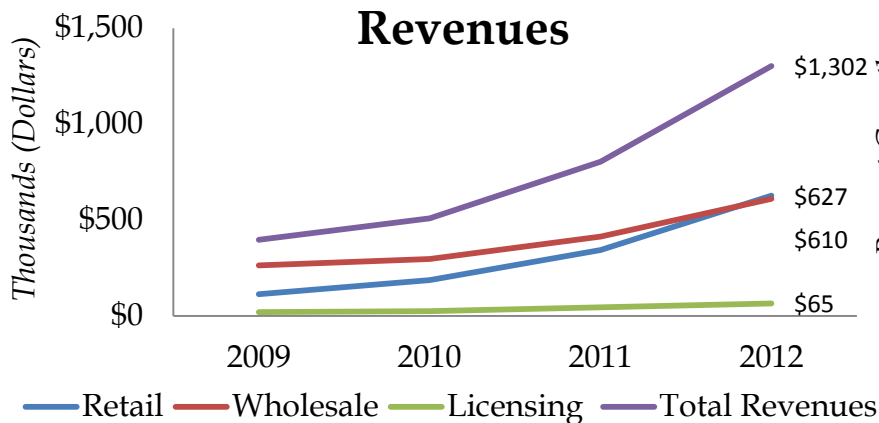
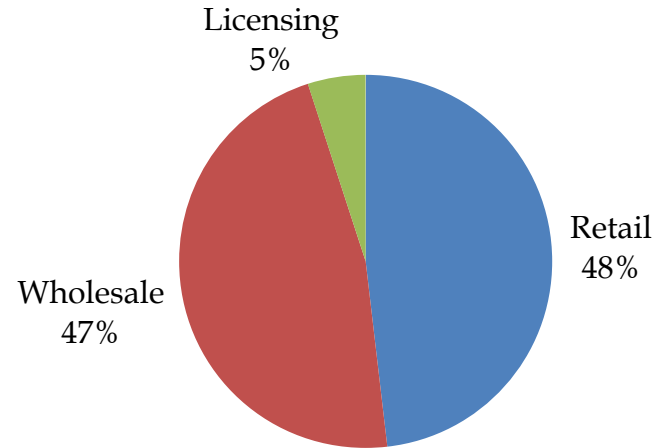


Focus: Discovery/DCF Valuation

KORS Company Overview

- Global luxury apparel and accessories company
- Men's and women's apparel, handbags, small leather goods, eyewear, jewelry, footwear and watches
- Operates in three segments: Retail, Wholesale and Licensing

2012 Revenue Breakdown



Store Manager

- **Alicia Carter-** Store Manager, Sevierville, TN
- Increased sales of handbags, watches, small leather goods
- Surge in store traffic
 - Have seen a 50% increase in traffic over the past two years
- Expecting to double sales this year
 - Had already reached over 50% of sales guidance without having hit holiday season
- Growth like this is not abnormal for Michael Kors stores
 - Main growth driver is brand awareness



Impact on DCF Analysis

- Bullish on company-wide revenues

<i>\$ in (000s)</i>	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E
AIM Rev Projection	\$803.35	\$1,302.25	\$2,031.11	\$2,727.96	\$3,424.95	\$4,096.42	\$4,685.59	\$5,228.55
Growth YoY		62.1%	56.0%	34.3%	25.5%	19.6%	14.4%	11.6%
Consensus Estimate			\$1,996.00	\$2,596.00	\$3,220.00	\$3,870.00	\$4,420.00	

- Bullish on company-wide gross margins

	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E
AIM GPM Projection	55.54%	57.83%	60.50%	59.80%	60.00%	59.50%	59.00%	60.00%
Consensus Estimate			59.03%	59.21%	59.45%	59.4%		

Recommendation - Do Not Buy			
Valuation Method	Weight	Value	Contribution
Forward Price/Earnings	8.33%	\$64.01	\$5.33
Forward Price/Sales	8.33%	\$63.31	\$5.28
Forward EBITDA/Sales	8.33%	\$69.24	\$5.77
Discounted Cash Flow	75%	\$43.54	\$32.66
Final Valuation			\$49.03
Market Price (11/19/12)			\$50.61
Estimated Upside/(Downside)			-3.1%

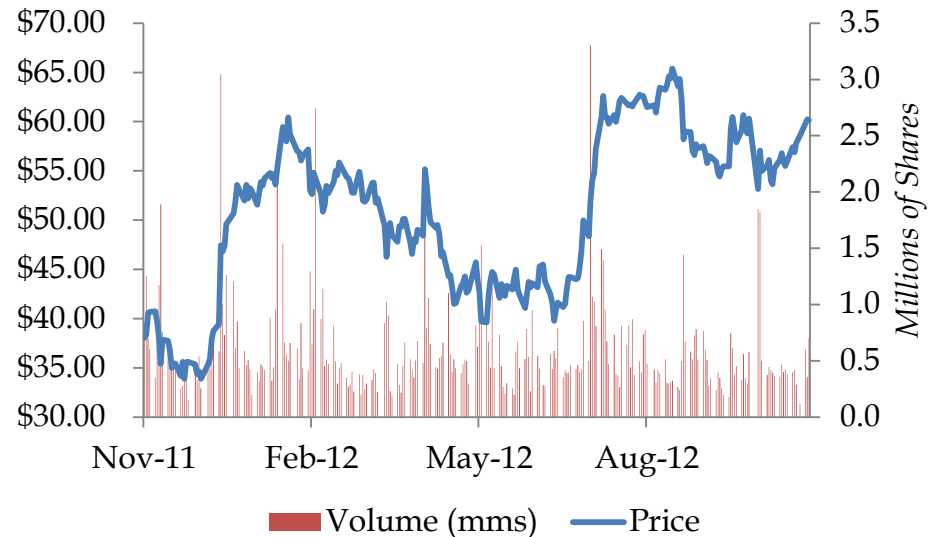
Investment Thesis

- Luxury retailer with huge growth potential
- Domestic and international expansion as well as shift to higher margin accessories products
- Strong multi-channel distribution system
- Great company, bad stock



IPGP: 1 Year Price Chart

Price (11/30/2012):	\$59.10
1-year forward P/E:	18.5
Market Cap:	\$3.09B
Dividend Yield:	-
LTM EPS:	\$2.80

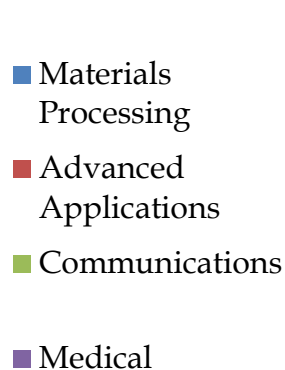


Focus: Company/Industry Analysis

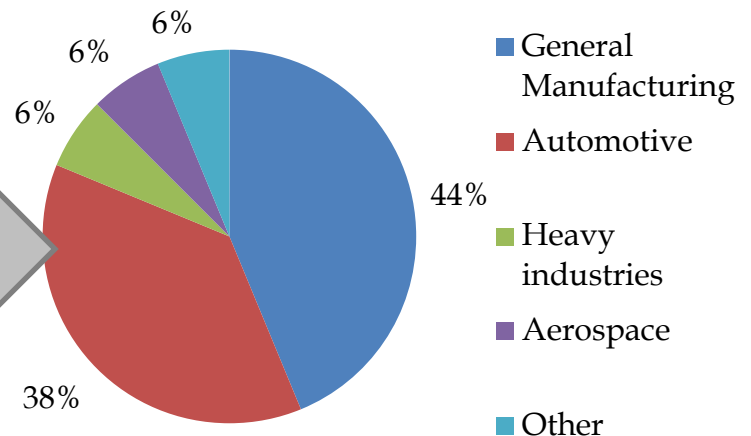
- #1 producer of industrial fiber lasers with 75% market share
- Vertically integrated cost leader reducing costs from \$80 to \$3 per watt
- Industry leading 55% gross margins
- Fiber lasers superior to traditional lasers in nearly every metric
- Founded in Russia in 1990 and all technology has been developed in-house

Revenue Breakdown

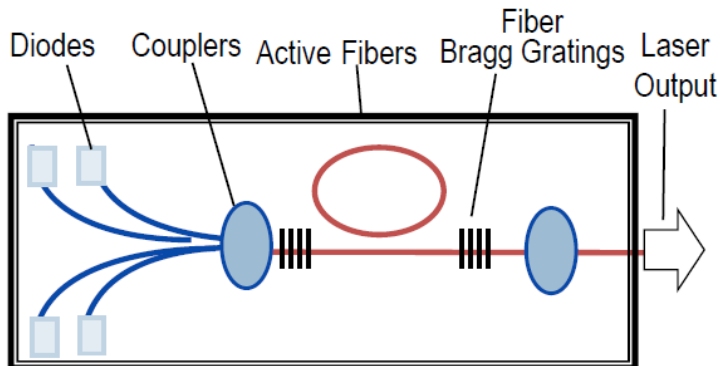
Applications



Materials Processing Breakdown



Proprietary Design



Modular / Scalable

Durable / Stable

70% less energy

Compact

Dual advantages

Semiconductor
Diodes

- Long Life
- High Efficiency

Superior Performance

Superior Reliability

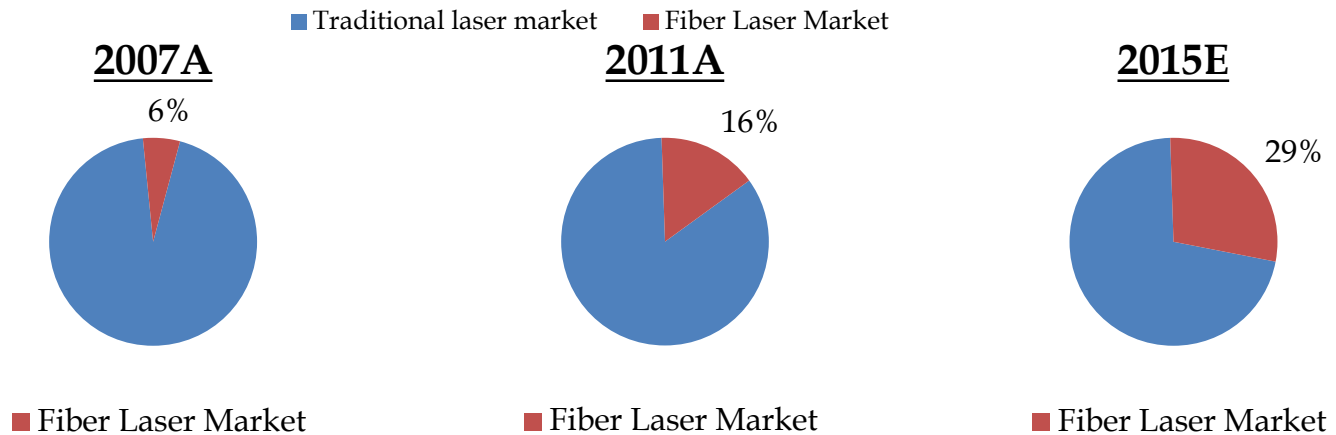
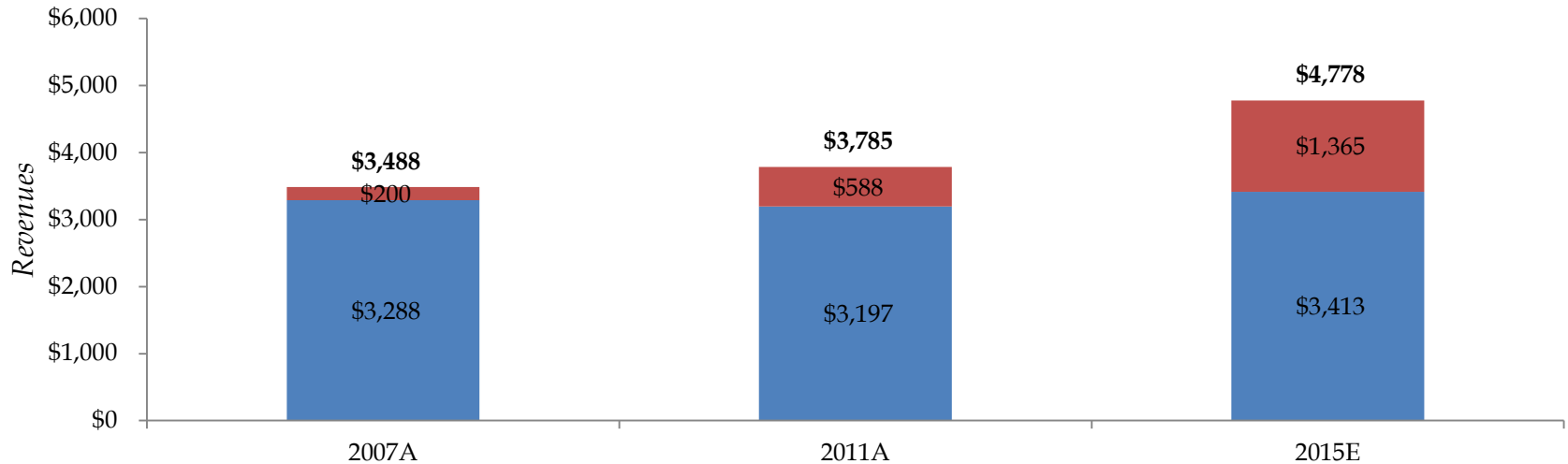
Specialty
Optical Fibers

- High Amplification
- Precise Beam Qualities

Superior Usability

Lower Cost

Market Opportunity



Recommendation - Buy			
Valuation Method	Weight	Value	Contribution
Forward Price/Earnings	30%	\$63.25	\$18.97
Forward TEV/EBITDA	10%	\$53.03	\$5.30
Forward TEV/EBIT	10%	\$61.15	\$6.12
Discounted Cash Flow	50%	\$65.45	\$32.72
Final Valuation			\$63.72
Market Price (11/19/12)			\$57.43
Estimated Upside/(Downside)			10.9%

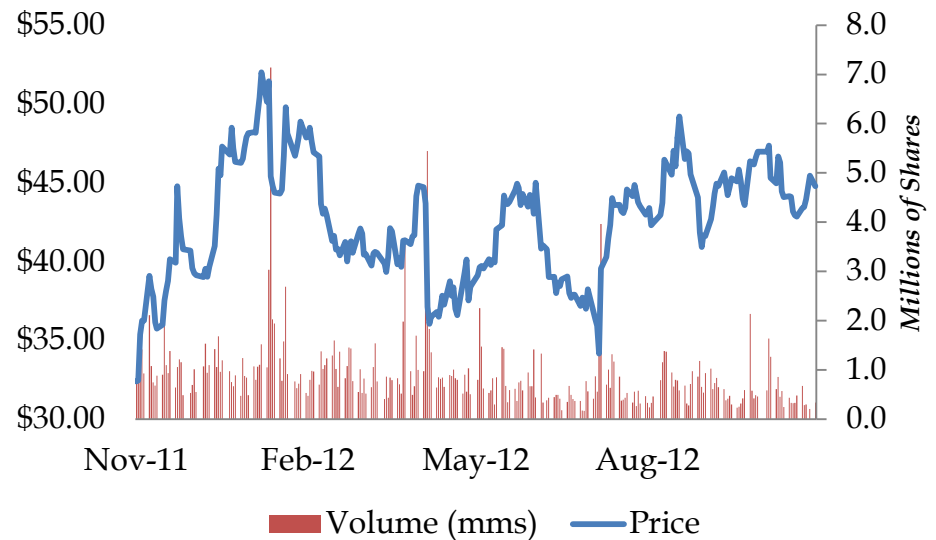
Investment Thesis

- First mover advantage
- Dominant player revolutionizing a \$4B growing industry
- Vertically integrated cost leader
- Superior technology



OPEN: 1 Year Price Chart

Price (11/30/2012): \$44.89
1-year forward P/E: 23.4
Market Cap: \$1.02B
Dividend Yield: -
LTM EPS: \$1.01

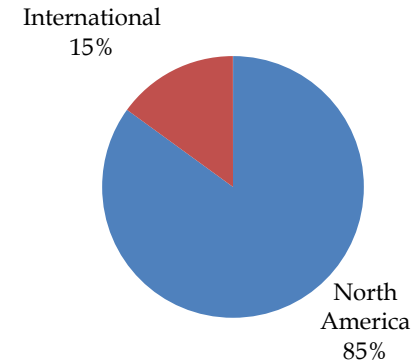


Focus: Fundamental Analysis

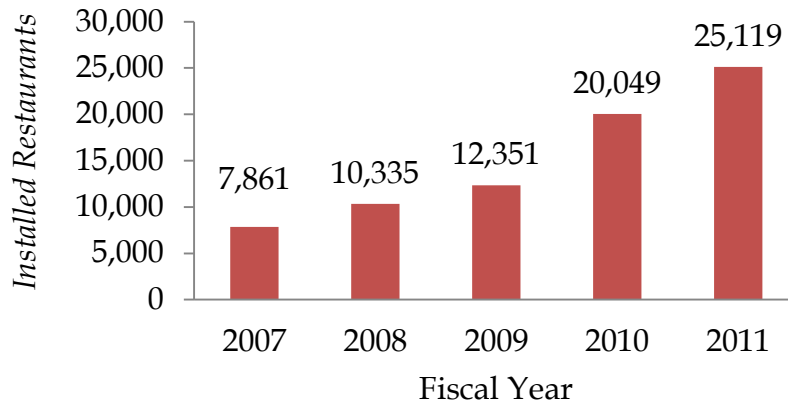
OPEN Company Overview

- Provides free real-time online restaurant reservations for diners, as well as reservation management solutions for restaurants
- Since inception in 1998, over 350 million diners have been seated, representing \$10 billion spent at partner restaurants
- Customer base of over 25,000 restaurants worldwide

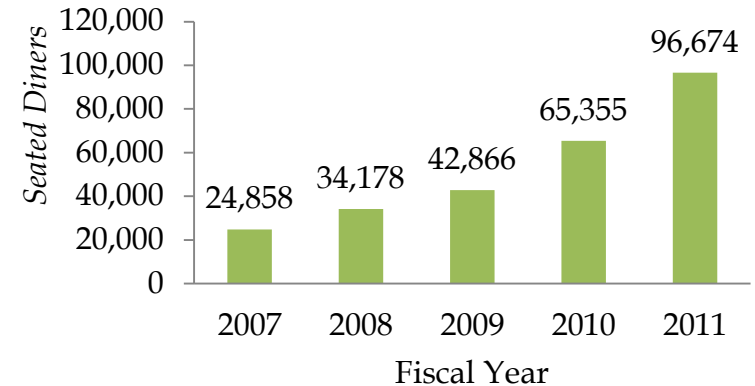
2011 Revenues



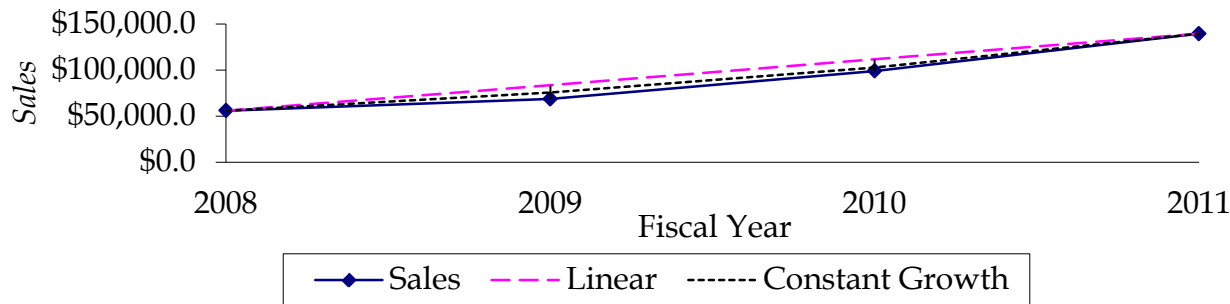
Installed Restaurants at FY End



Seated Diners Per Year

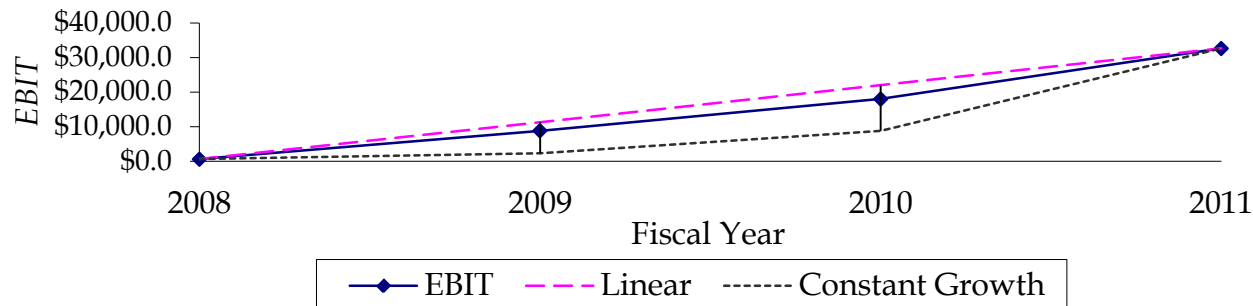


Sales Volatility



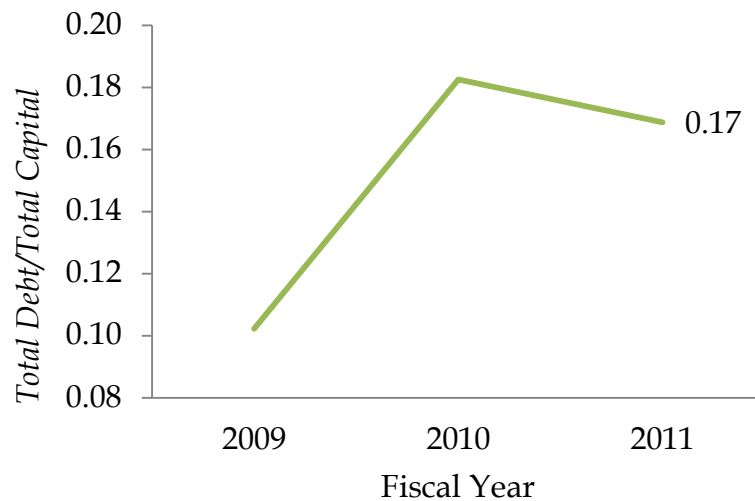
Vs. Mean - 41%
Vs. Linear - 10%
Vs. C.G. - 4%

EBIT Volatility

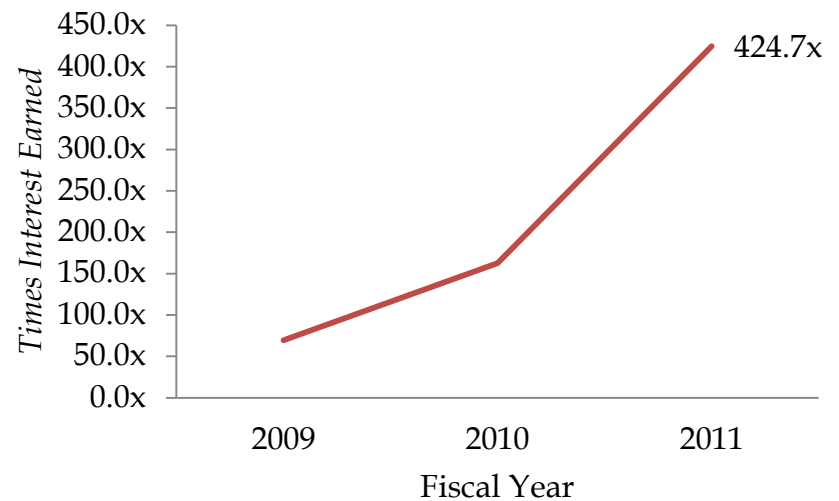


Vs. Mean - 91%
Vs. Linear - 14%
Vs. C.G. - 51%

Total Debt/Total Capital



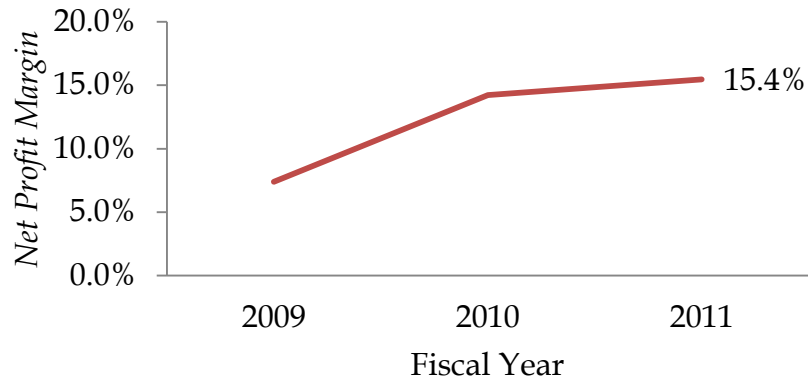
Interest Coverage



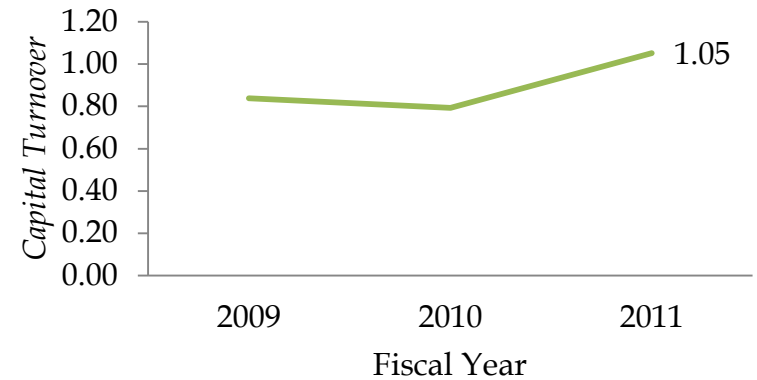
- OpenTable's only debt obligations are capitalized leases
- Operating income sufficiently covers any implied interest

Return on Equity – DuPont Analysis

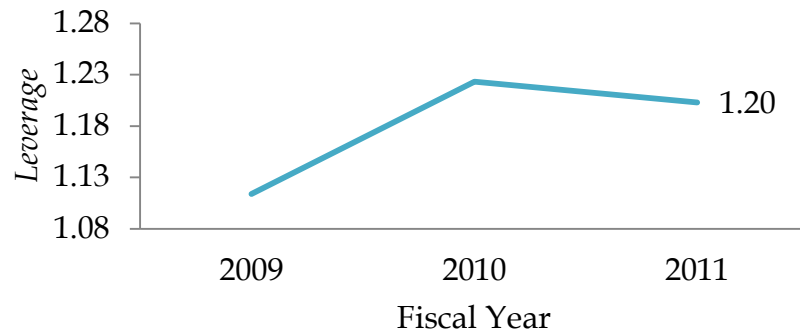
Net Profit Margin



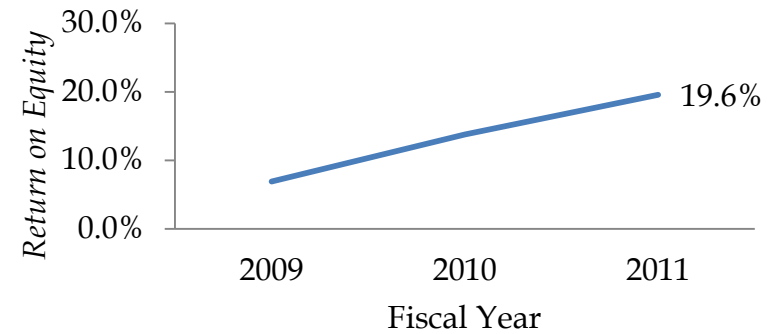
Total Capital Turnover



Financial Leverage



Return on Equity



Recommendation - Buy			
Valuation Method	Weight	Value	Contribution
Forward Price/Earnings	25%	\$51.29	\$12.82
Forward Price/Book	25%	\$55.36	\$13.84
Discounted Cash Flow	50%	\$47.21	\$23.61
Final Valuation			\$50.27
Market Price (11/19/12)			\$43.55
Estimated Upside/(Downside)			15.4%

Investment Thesis

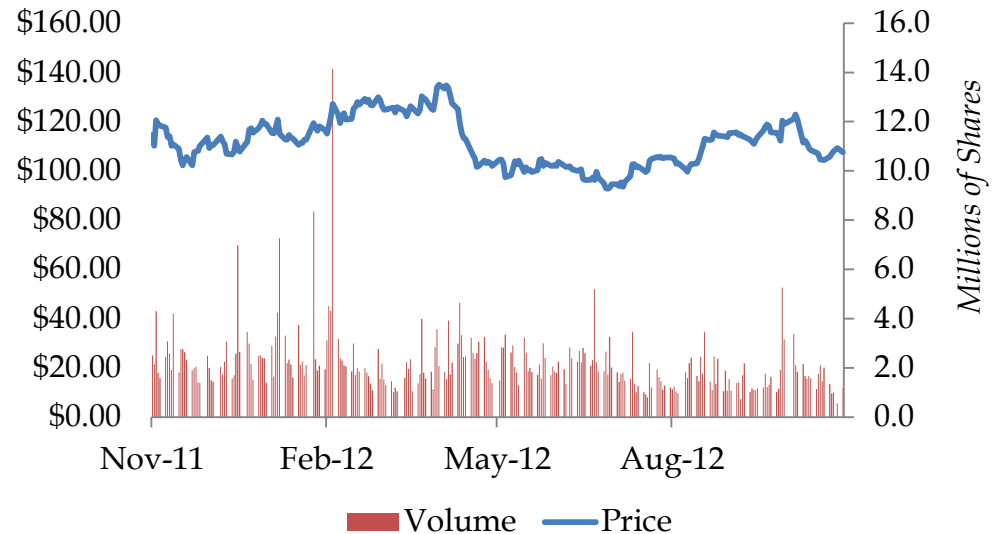
- First mover in the market for online restaurant reservations, giving OpenTable a competitive advantage in terms of established customer base
- Future growth due to small businesses using OpenTable for its marketing capabilities

Wynn Resorts (WYNN)



Price (11/30/2012): \$112.40
 1-year forward P/E: 18.0
 Market Cap: \$10.85B
 Dividend Yield: 1.80%
 LTM EPS: \$5.26

WYNN: 1 Year Price Chart



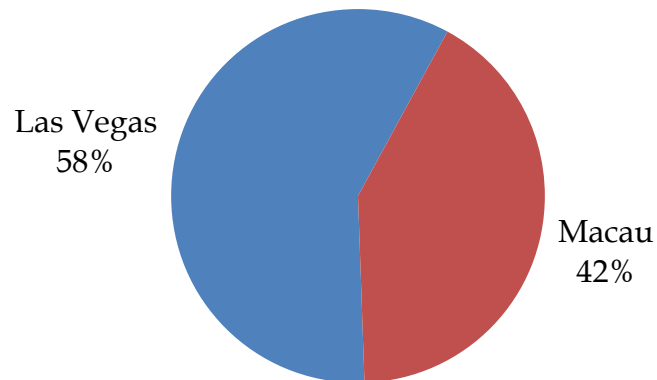
Focus: Beta/WACC Calculation

WYNN Company Overview

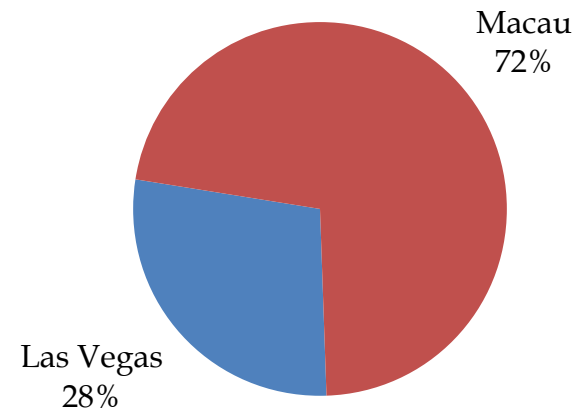
- Hospitality & gaming company
- 2 resorts
 - Las Vegas and Macau
- Strategy-focus on high-end individuals
- CEO Steve Wynn has 30 years experience



2011 Asset Breakdown



2011 Sales Breakdown



Regression Beta Analysis

	2-year weekly	5-year monthly
Beta	1.48	2.39
Adjusted Beta (Mean reversion)	1.32	1.93
Adjusted R-squared	38.0%	44.9%

Published Beta

Yahoo	1.74
Reuters	2.38
Value Line	2.39
Bloomberg	1.30

Beta considerations

- Management issues
- Operating leverage of 5.5 times
- Inherent risk vs. Business strategy

Weighted Beta

Avg. Published Beta	1.95
Avg. Regression Beta	1.94
Avg. Adj. Regression Beta	1.63

Final Beta: 2.10

WACC Calculation

Equity risk premium	5.0%	
Risk free rate	1.8%	10-year US Treasury rate
Beta	2.10	Beta Valuation
Cost of equity	<u>12.30%</u>	
Credit rating	BBB	Source: Bloomberg
Cost of debt	4.61%	Assume 10-year debt
Tax rate	35.0%	Historical average
After-tax cost of debt	<u>3.00%</u>	
Equity weight	68.2%	Market Capitalization
Debt weight	31.9%	Balance Sheet
WACC	<u>9.35%</u>	

Recommendation - Buy			
Valuation Method	Weight	Value	Contribution
Forward Price/Earnings	20%	\$148.97	\$29.79
Discounted Cash Flow	80%	\$145.70	\$116.56
Final Valuation			\$146.35
Market Price (11/26/12)			\$105.79
Estimated Upside/(Downside)			38.3%

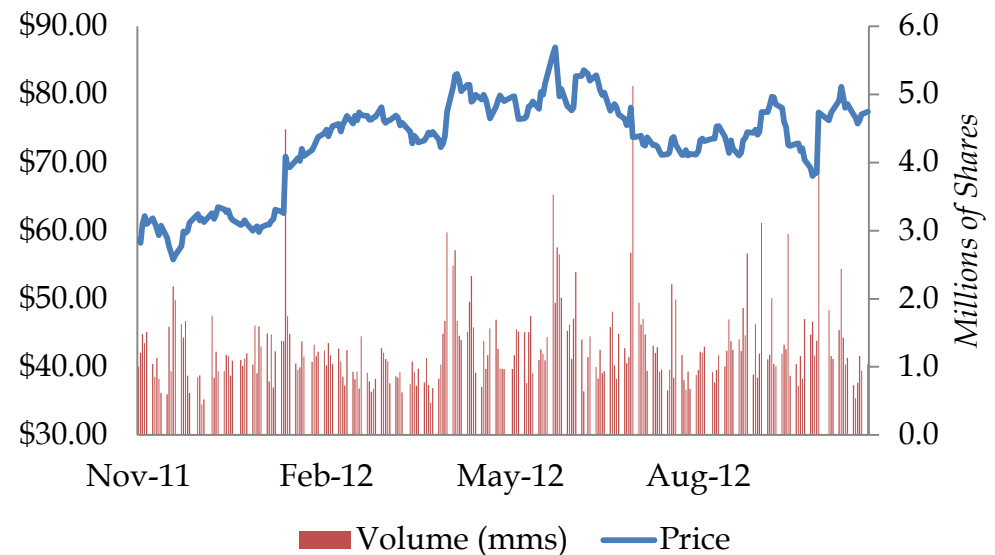
Investment Thesis

- Competitive advantage in Macau – 1 of 4 license holders
- Tremendous growth opportunity – Cotai expansion soon
- High risk, high reward



Price (11/30/2012):	\$77.22
1-year forward P/E:	35.82
Market Cap:	\$13.2B
Dividend Yield:	-
LTM EPS:	\$2.15

CERN: 1 Year Price Chart

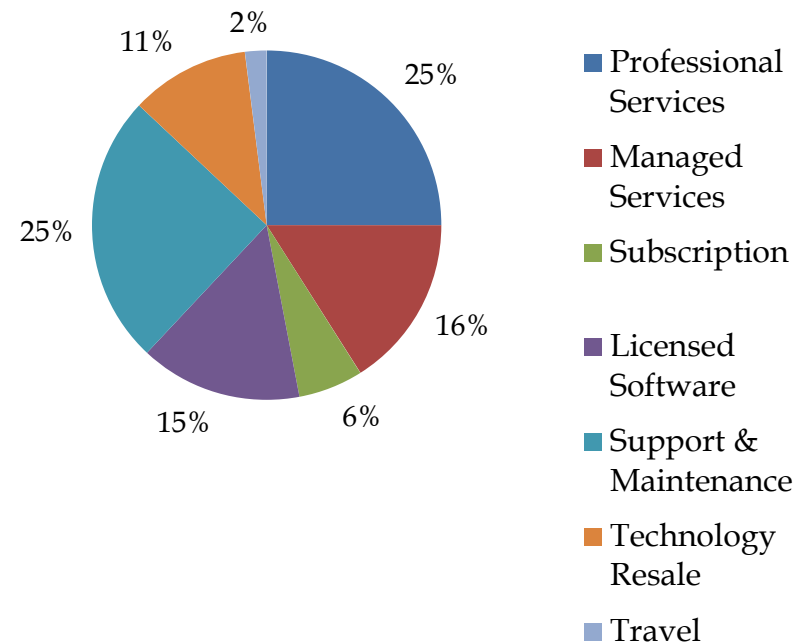


Focus: Technical Analysis

- Develops, installs, and supports healthcare information technology and solutions
- Solutions used by over 9,300 facilities in over 25 countries
- Electronic Health Records software changes doctor and patient experience

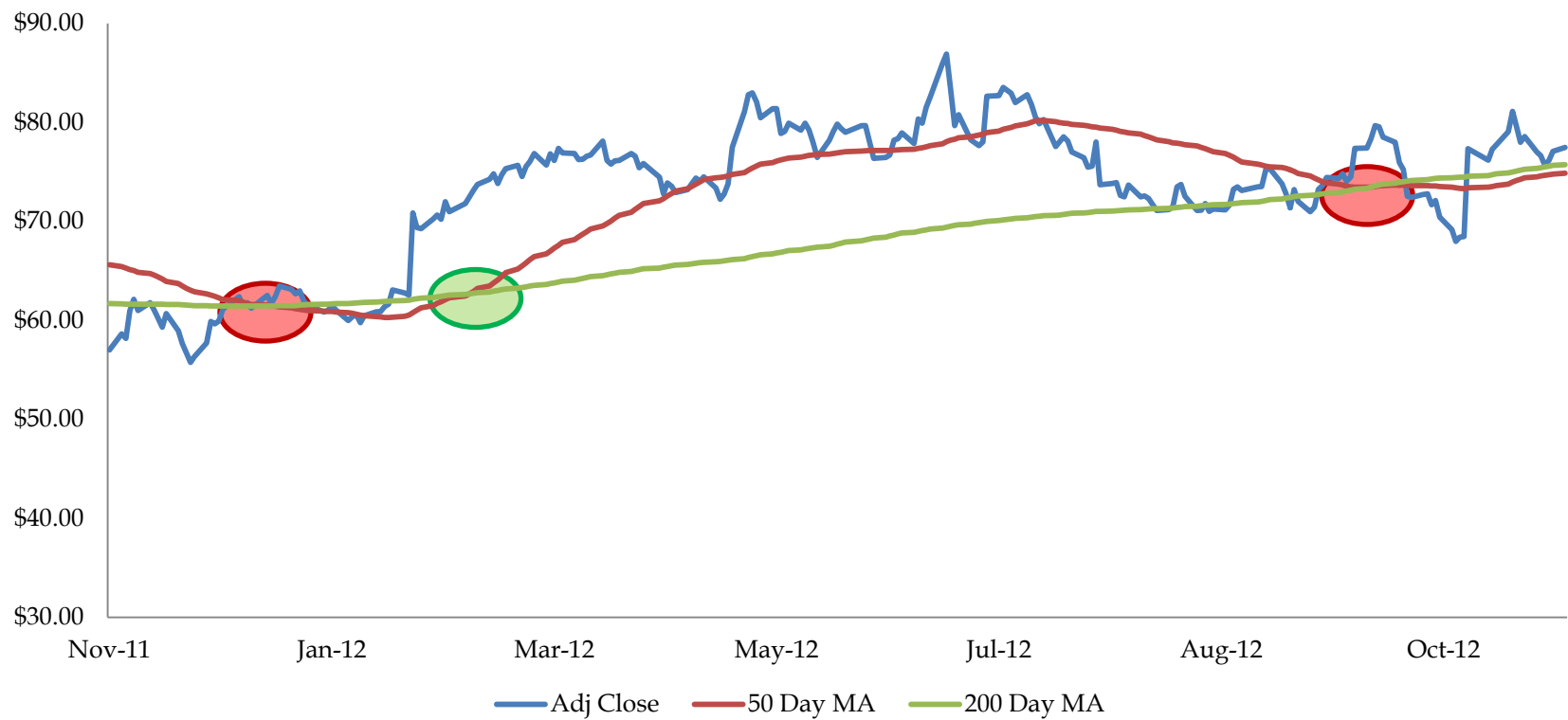


2011 Revenue Breakdown



1 Year Moving Averages

SELL: *Death Cross* (50 day MA crosses below the 200 day MA)



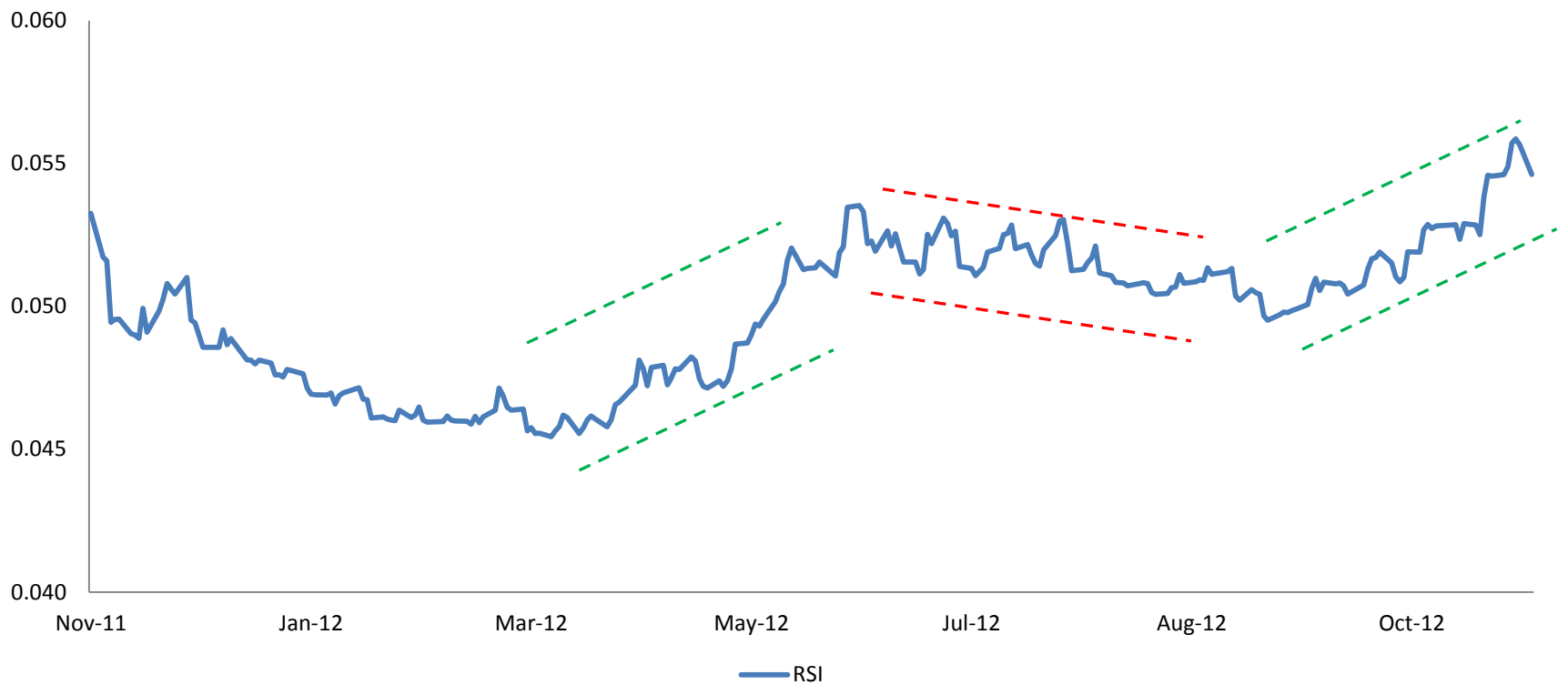
1 Year Support & Resistance

SELL: Lower levels of resistance, lower levels of support



1 Year Relative Strength Index

BUY: Upward trend in relative strength over past month



Recommendation - Buy			
Valuation Method	Weight	Value	Contribution
Forward Price/Sales	33%	\$80.00	\$26.40
Forward Price/Earnings	33%	\$66.00	\$21.78
Free Cash Flow	33%	\$154.72	\$51.06
Final Valuation			\$99.24
Market Price (11/19/12)			\$77.47
Estimated Upside/(Downside)			28.1%

Investment Thesis

- Varied opportunities for growth
- Market leader in growing healthcare IT sector
- Hospital consolidation displaces smaller competitors

Teavana Holdings, Inc. (TEA)



Price (11/30/2012): \$14.75
Market Cap: \$576.77M
LTM EPS: \$0.43
52-Week Low: \$9.75
52-Week Low Date: 11/14/12

TEA: Price Chart since IPO

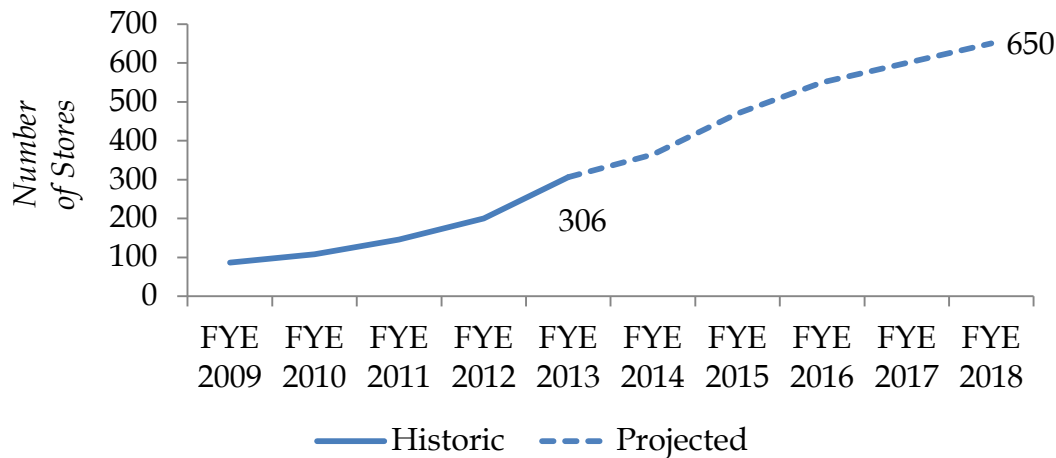


Focus: Special Circumstance

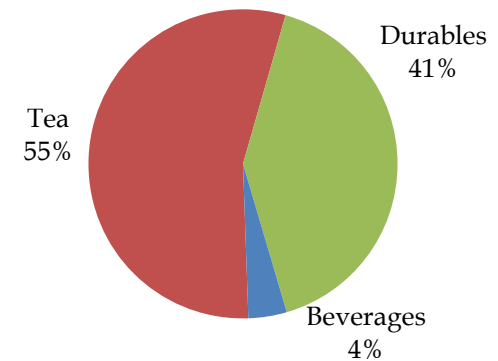
- Specialty retailer of premium loose-leaf teas and related merchandise
- Over 300 locations in United States and Canada
- 900 – 1,000 square foot, high-end mall locations
- “Heaven of Tea” retail concept
- Acquired Canadian retailer, Teaopia, in June 2012



Teavana Store Growth



FYE 2012 Sales Breakdown



“Heaven of Tea” Concept



Competitive Advantages

- First-movers in large industry
 - \$56.6B global tea sales (\$5.2B in US)
 - Differentiated brand and concept
- Premium pricing
 - Lipton “Black Pearl” (\$4.40 / 2 oz.)
 - Teavana “Black Dragon Pearls” (\$15.00 / 2 oz.)
 - 85% proprietary tea blends
- Considerable white space
 - Unsaturated market
 - No material international presence

Company Concerns

- Perceptions of upselling
 - Negative internet “chatter”
 - Personal and anecdotal experience
- Employee relationships
 - Compensation driven by sales targets
 - Disgruntled former employees
- Growing faster than financing
 - Projected negative cash flows next 2 years
 - Equity market already tapped

Recommendation - Buy			
Valuation Method	Weight	Value	Contribution
Discounted Cash Flow	100%	\$15.69	\$15.69
Final Valuation			\$15.69
Market Price (11/9/12)			\$10.30
Estimated Upside/(Downside)			52.3%

Investment Thesis

- Differentiated, niche company creating an industry
- Ability to buy into growth story as Wall Street waits for “proof of concept”
- Not the next Starbucks, but if it becomes 5% of Starbucks, the price would quadruple

- Starbucks to acquire Teavana
 - Announced on November 14, 2012
 - \$15.50/share in cash
 - Made a buy/no buy decision irrelevant – not a merger arbitrage fund
- Starbucks Investment Thesis
 - Complement to current Tazo tea brand
 - Ability to unlock value by cross-branding and taking Teavana products to grocery stores
- Ramifications for Teavana
 - Access to reliable financing
 - Accelerates growth while staying true to brand





IV. Portfolio Performance Evaluation

Historical Return Comparisons/Benchmarks/Sector allocations

Risk-adjusted Performance Measures

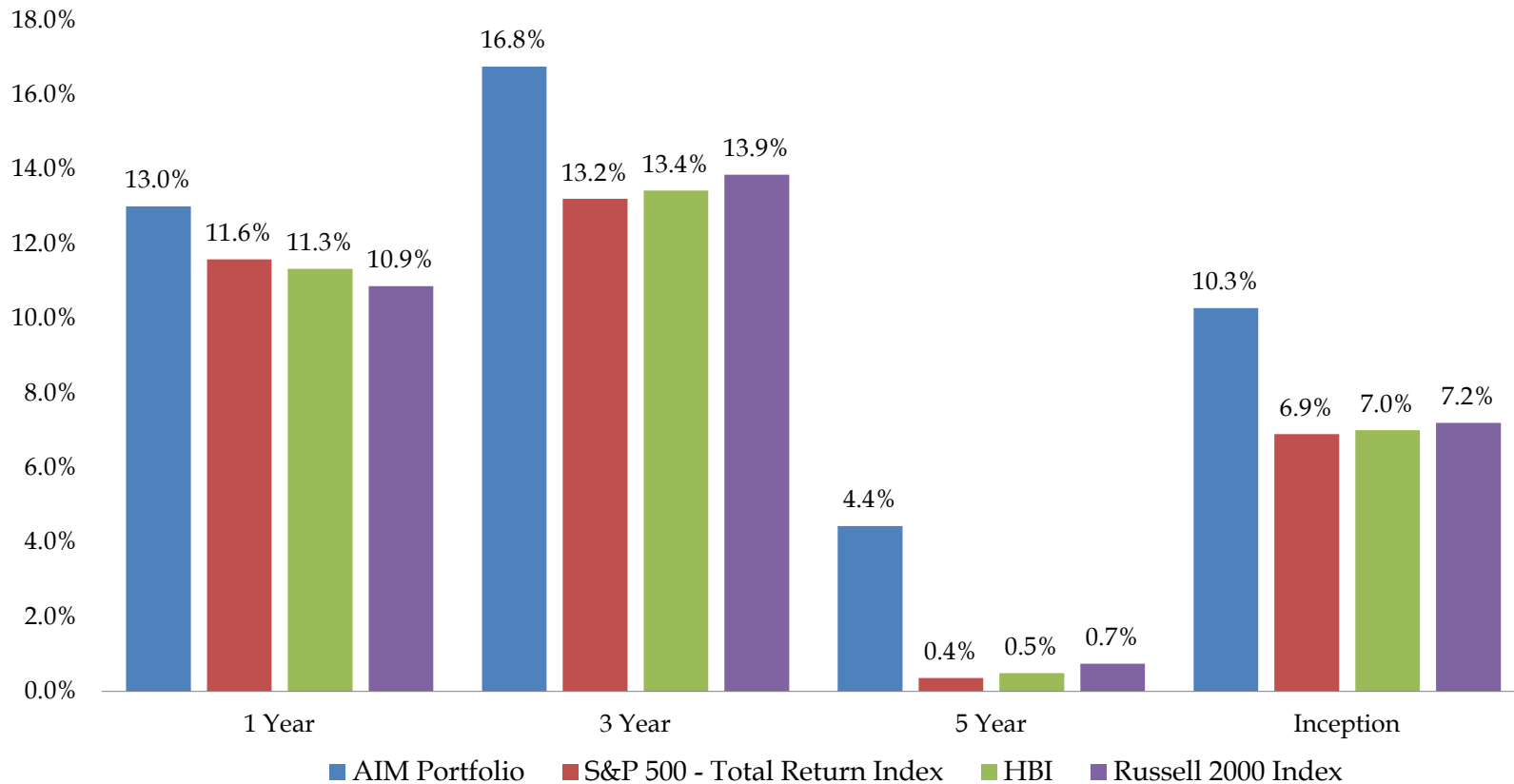
Attribution Analysis

Top 5 / Bottom 5 from Initial Portfolio

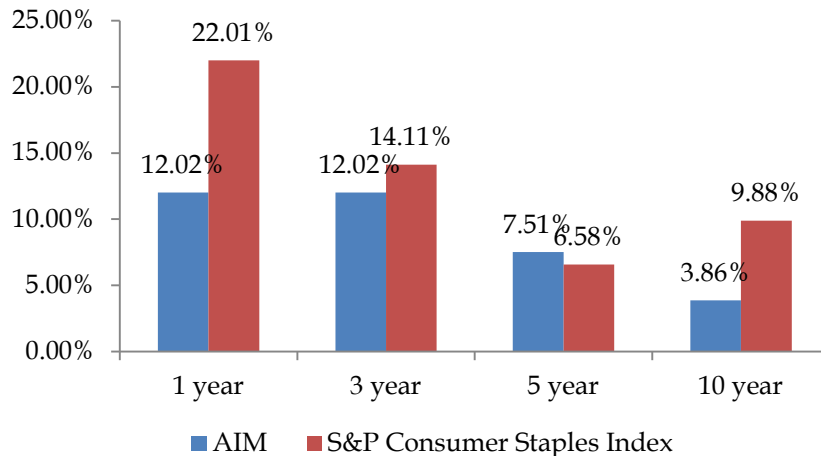
Portfolio transactions - Additions and Deletions

Presentation and discussion of Final Portfolio

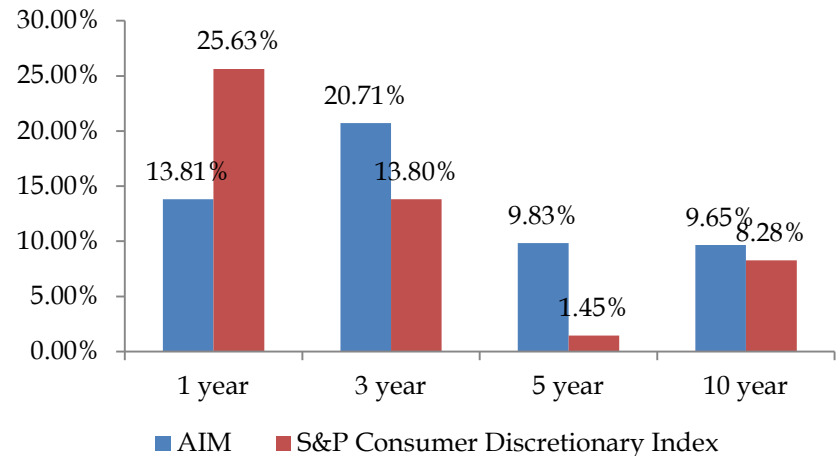
Aim Portfolio vs. Major Indices



Consumer Staples

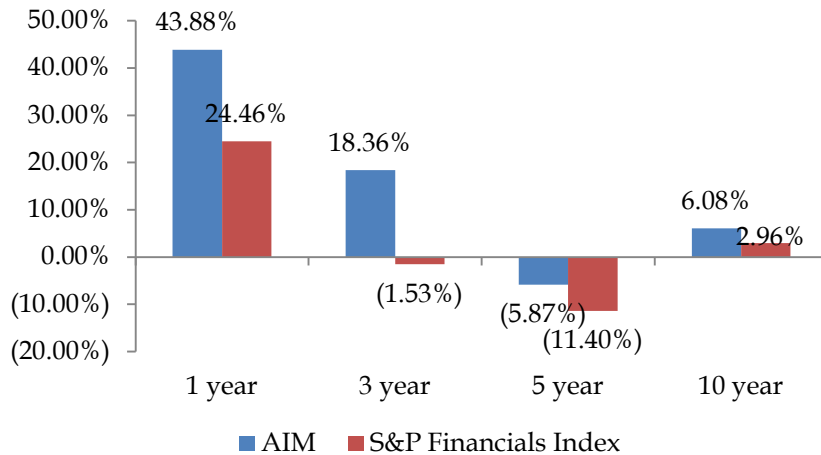


Consumer Discretionary

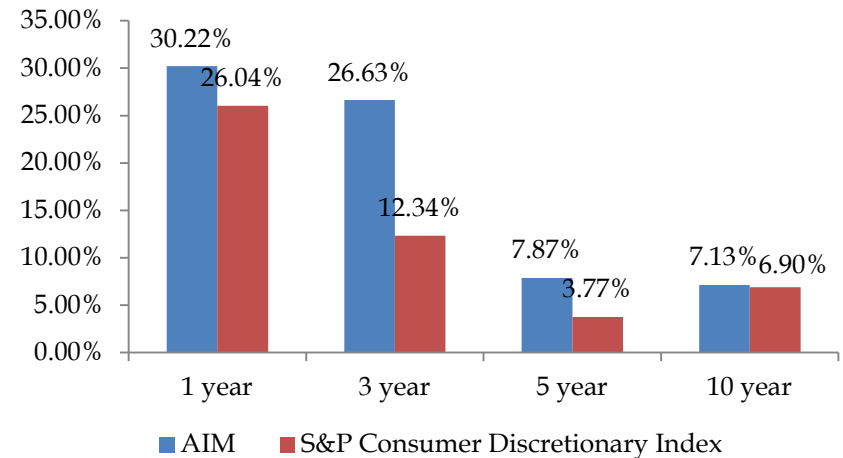


- AIM consumer staples have underperformed the S&P index both recently and over the long-term
 - 5-year horizon exception
- AIM consumer discretionary stocks have outperformed the S&P index YTD and over the long-term
 - 1-year horizon exception

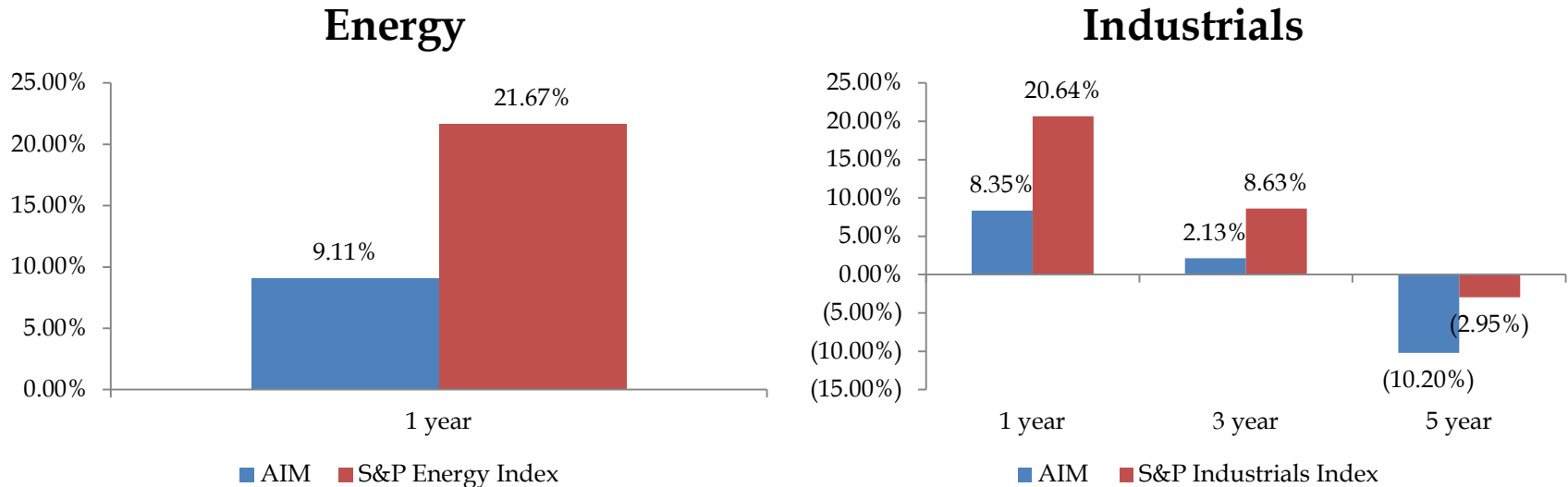
Financials



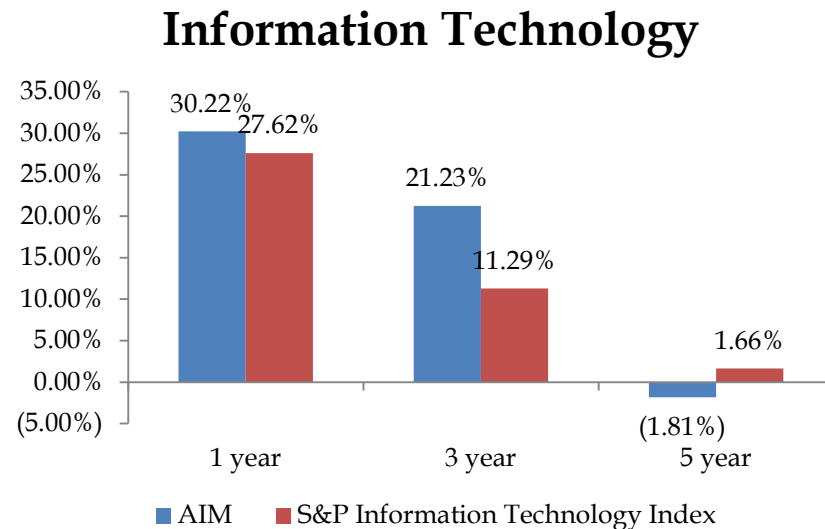
Healthcare



- AIM financials have outperformed S&P 500 Financial Index during all periods
- AIM healthcare stocks have outperformed in all periods
- Largest outperformance for both sectors was over 3-year period
 - AIM financials beat Financial Index by 19.89%
 - AIM healthcare stocks beat Healthcare Index by 14.29%



- Energy has only been in portfolio a short time, and has underperformed since
- Only marginally below in 2012, but underperformed by more than 10% over the past year
- Industrials have been underperforming over the last five years over all periods
 - Weighed down by performance of Potash and fluctuations in CAT and CMI



- IT has consistently outperformed the corresponding S&P index in all periods except the 5-year
- Has performed exceptionally well in 2012, when it has outperformed its peers by over 10%

- Risk-Reward performance measure, indicating excess return per unit of variation in investment returns
- Used to determine whether returns are generated by management decisions or by additional risk
- A higher ratio means greater management efficacy

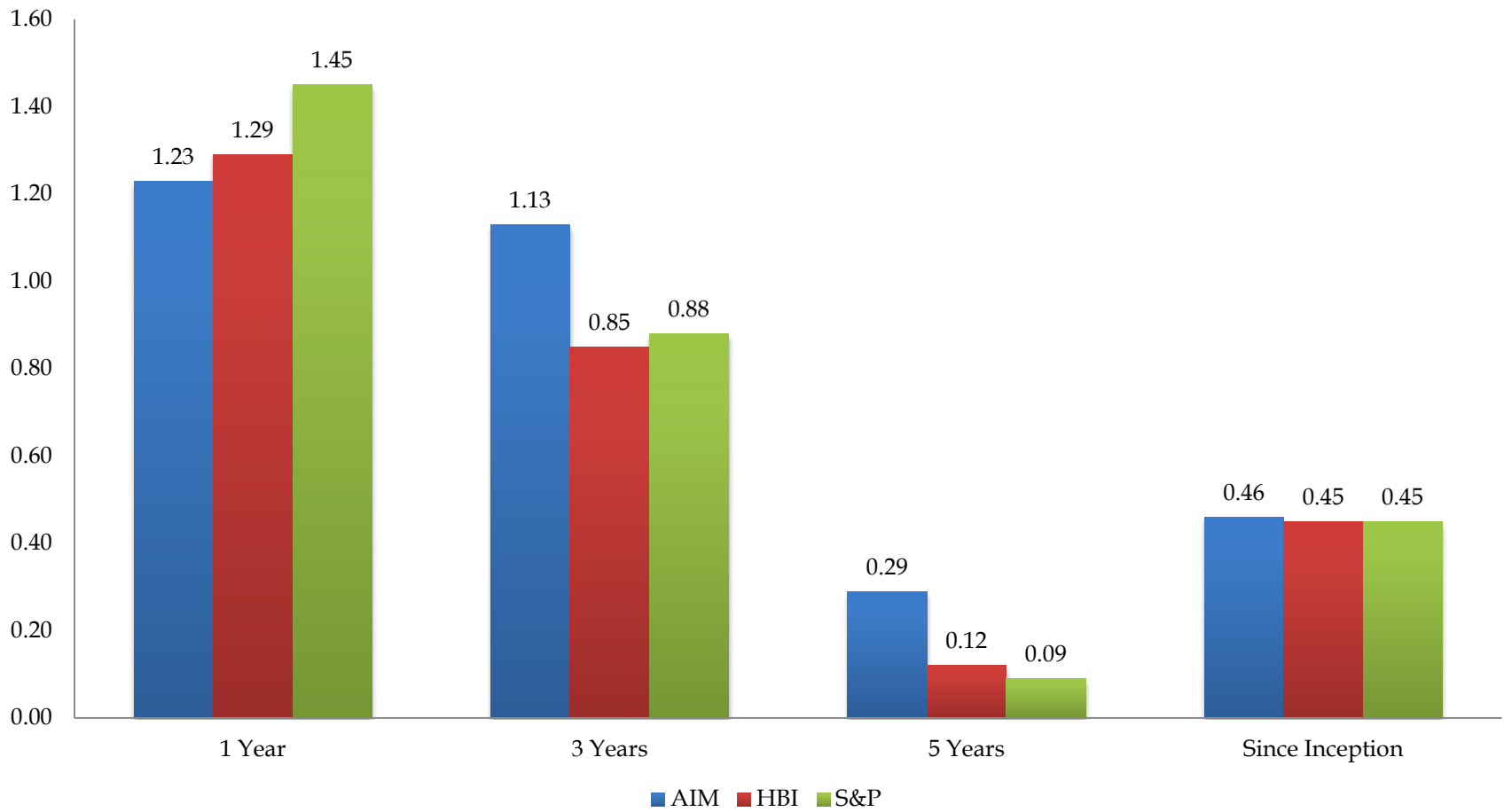
$$S = \frac{(R_p - R_f)}{\sigma_p}$$

Where:

R_p is the portfolio return

R_f is the risk-free rate (3 Month T-Bill)

σ_p is the standard deviation of the portfolio



- Measures portfolio's excess return on a risk adjusted basis (CAPM)
- Compares returns adjusted for systematic risk (risk that affects the entire market)
- Higher positive values are indicative of better management

$$\alpha_{\text{Jensen}} = R_p - [R_f + \beta_p * (R_M - R_f)]$$

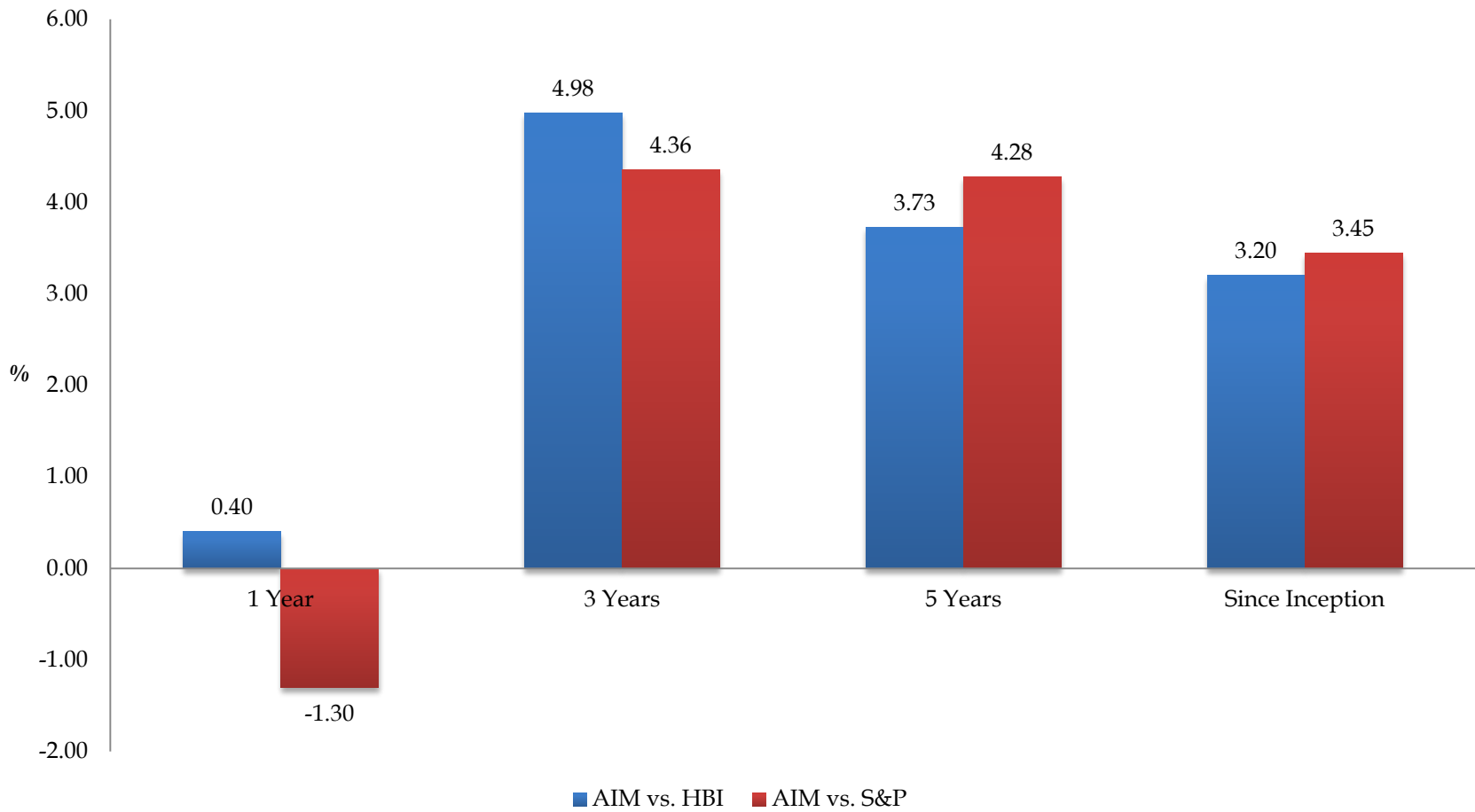
Where:

R_p is the portfolio return

R_f is the risk-free rate (3 Month T-Bill)

β_p is the portfolio beta

R_M is the market return



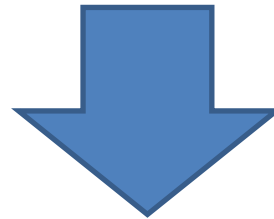
Attribution: Definition

Allocation Effect

- Comparative value added by over or underweighting sectors relative to benchmark
 - Overweight top performing, underweight poor performing

Selection Effect

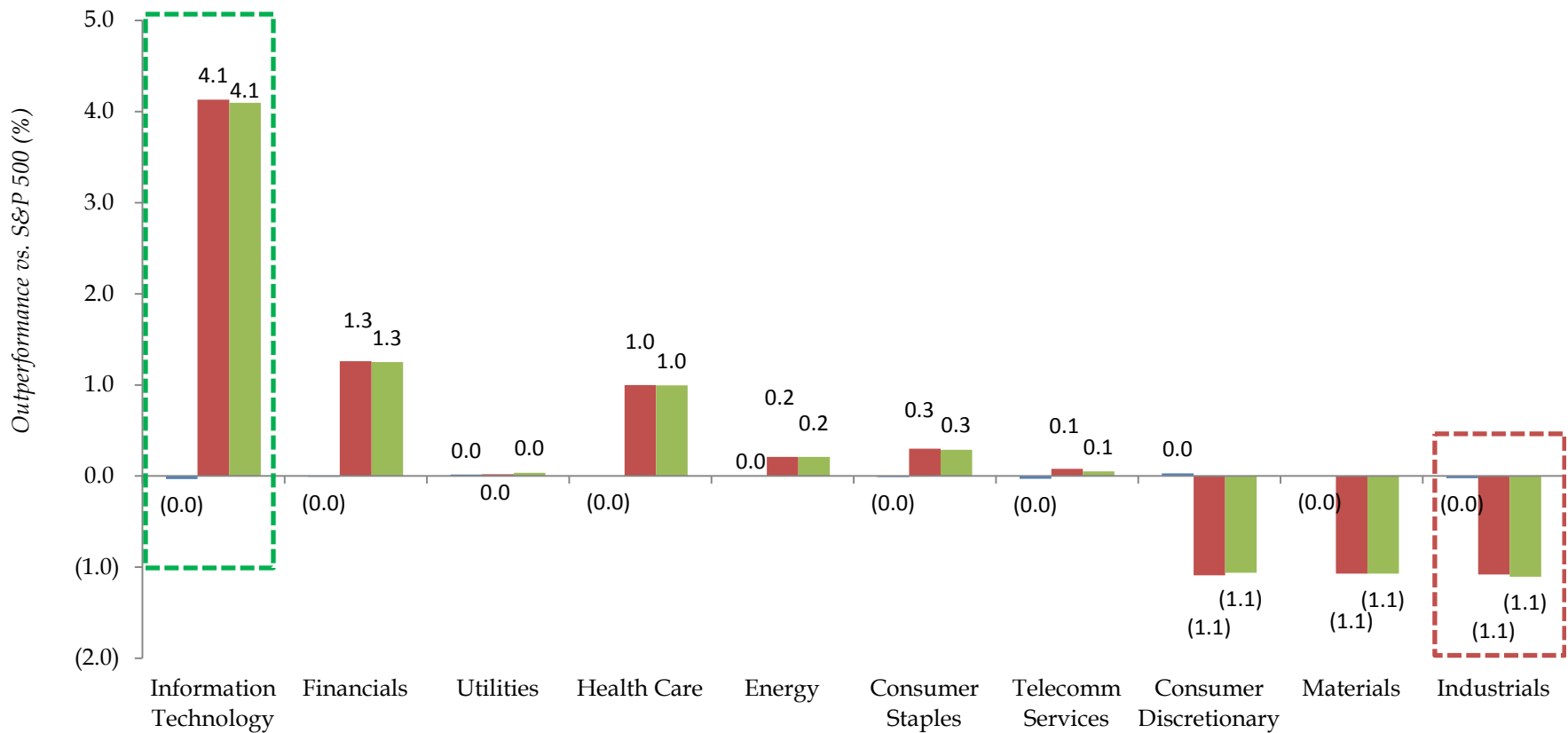
- Value added by choosing securities that outperform the benchmark at each sector level



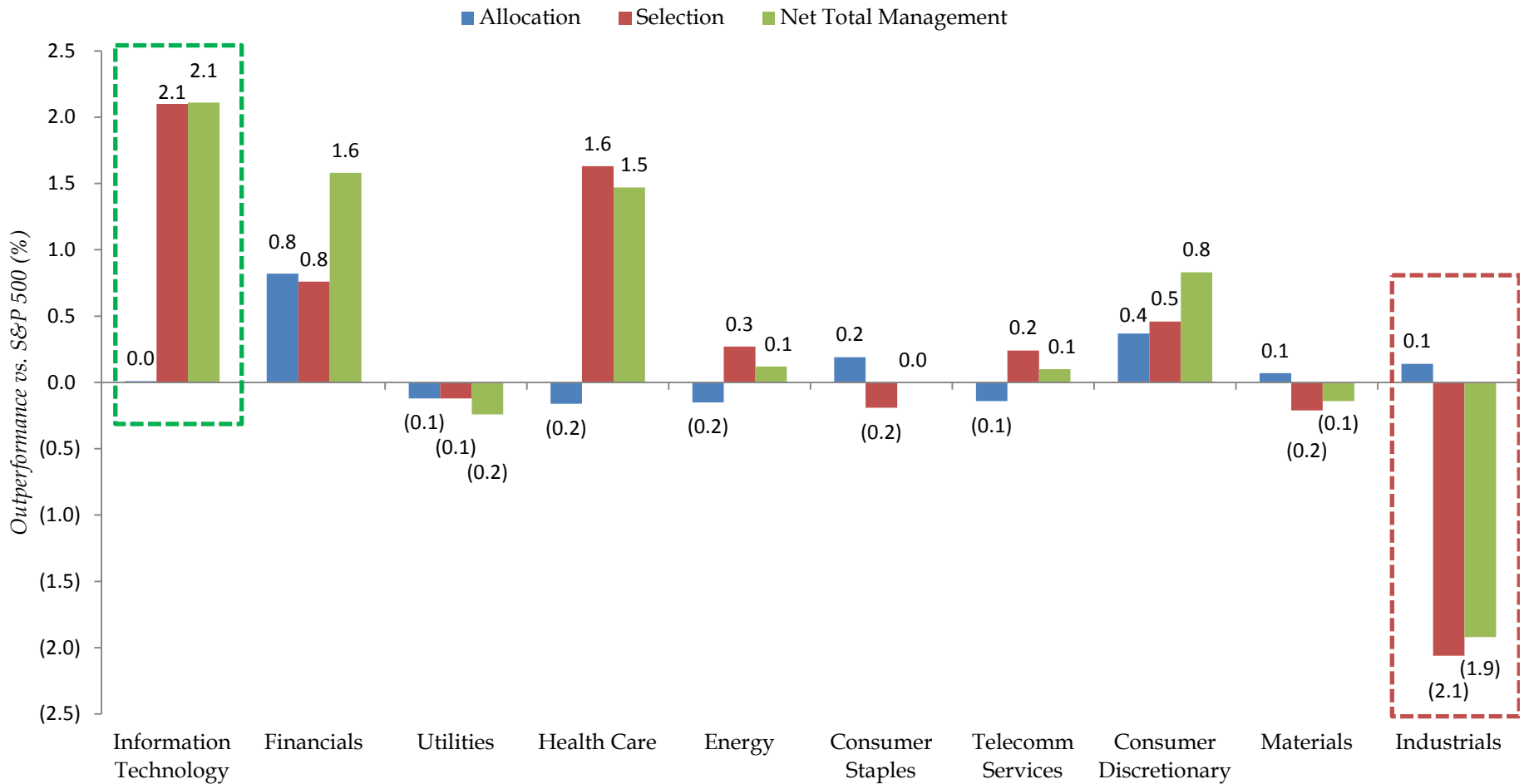
Total Net Management Effect

Attribution: One Year

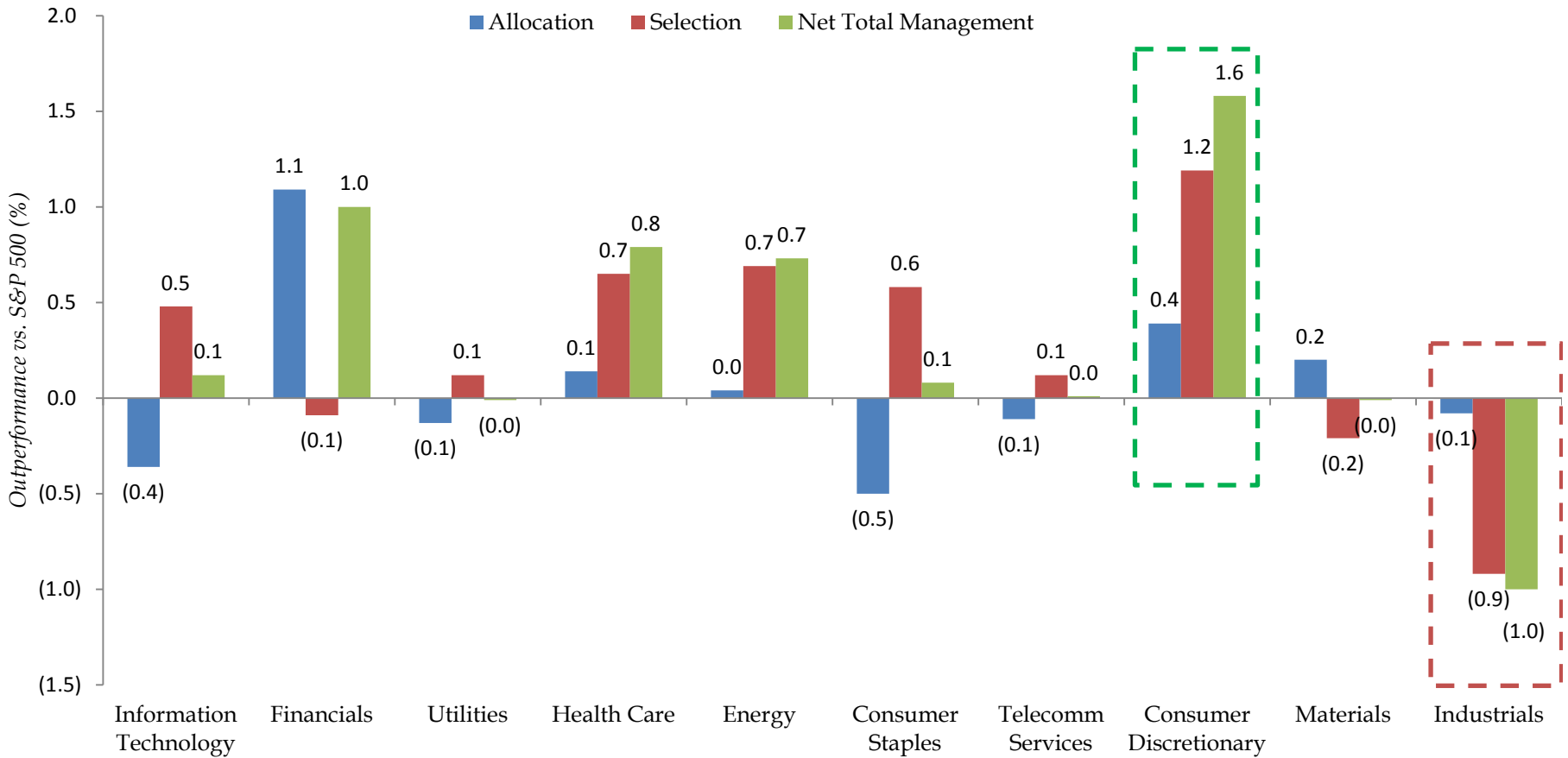
Allocation Selection Net Total Management



Attribution: Three Year



Attribution: Five Year



One-Year Performance Overview

Best Performers

Gilead Sciences (GILD) **+92.1%**

- First-mover drug advantage

Ebay, Inc. (EBAY) **+82.5%**

- Immense growth in PayPal

Discover Financial (DFS) **+79.8%**

- Awareness & merchant adoption

Apple Inc. (AAPL) **+62.1%**

- Innovation & rapid product adoption

Dick's Sporting Goods (DKS) **+38.1%**

- Geographic expansion, unique layout

Worst Performers

AeroVironment Inc. (AVAV) **-18.6%**

- Sequestration concerns

PNC Financial (PNC) **-12.9%**

- Bad mortgages acquired

Activision Blizzard (ATVI) **-7.4%**

- Concerns w/ video game market

Potash Corp. (POT) **-5.6%**

- Issues with foreign contracts

Caterpillar (CAT) **-2.4%**

- Global macroeconomic concerns

BOUGHT

- 1) **Wynn Resorts (WYNN)** – Presence in Macau, growth prospects
- 2) **Select Comfort Corp. (SCSS)** – Sustainable competitive advantage
- 3) **Cerner Corp. (CERN)** – Market leader in healthcare IT sector
- 4) **Kapstone Paper (KS)** – Great management
- 5) **Expeditors Int'l (EXPD)** – Management, attractive valuation
- 6) **Open Table (OPEN)** – First mover in restaurant reservations
- 7) **Acuity Brands (AYI)** – Growing LED & lighting remodeling
- 8) **Domino's Pizza (DPZ)** – Domestic innovation & international growth
- 9) **IPG Photonics (IPGP)** – First mover in industrial lasers

SOLD

- 1) **Caterpillar (CAT)** – Exposure to macroeconomic weakness
- 2) **AeroVironment (AVAV)** – Sequestration concerns
- 3) **KeyCorp (KEY)** – NIM compression & slow loan portfolio growth
- 4) **PNC Financial (PNC)** – Regulation & legacy mortgages
- 5) **Alliant Tech (ATK)** – Fiscal cliff concerns / sequestration
- 6) **Williams-Sonoma (WSM)** – Market has priced in housing recovery
- 7) **CarMax (KMX)** – Optimistic outlook has led to over-valuation
- 8) **Qualcomm (QCOM)** – Risk of margin contraction, fully-priced growth potential
- 9) **Dollar Tree (DLTR)** – Declining same-store sales growth & peak margins
- 10) **Coca-Cola (KO)** – Unattractive valuation due to flight to safety

Final Portfolio (11/30/2012)

Stock	Ticker	AIM Holdings	Weight
Activision Blizzard	ATVI	\$ 269,193	3.9%
Acuity*	AYI	\$ 277,830	4.1%
Apple	AAPL	\$ 351,168	5.1%
Cerner Corp*	CERN	\$ 262,548	3.8%
Chevron	CVX	\$ 301,217	4.4%
Continental Resources	CLR	\$ 247,320	3.6%
Cummins	CMI	\$ 265,032	3.9%
Dick's Sporting Goods	DKS	\$ 257,299	3.8%
Discover Financial	DFS	\$ 270,465	4.0%
Domino's*	DPZ	\$ 220,480	3.2%
eBay	EBAY	\$ 290,510	4.2%
Expeditors Int'l*	EXPD	\$ 276,908	4.0%
FlowServe Corporation	FLS	\$ 207,825	3.0%

* denotes new position

Stock	Ticker	AIM Holdings	Weight
Gilead Sciences	GILD	\$ 330,000	4.8%
Google	GOOG	\$ 279,348	4.1%
Halliburton	HAL	\$ 280,140	4.1%
IPG Photonics*	IPGP	\$ 271,860	4.0%
Kapstone*	KS	\$ 287,152	4.2%
Lab Corporation	LH	\$ 270,688	4.0%
Open Table*	OPEN	\$ 278,318	4.1%
Potash	POT	\$ 269,010	3.9%
Select Comfort*	SCSS	\$ 278,512	4.1%
Teradata Corp	TDC	\$ 249,816	3.7%
United Health Group	UNH	\$ 261,072	3.8%
Wynn Resorts*	WYNN	\$ 281,000	4.1%
Cash Position		\$ 8,650	0.1%
Total		\$ 6,843,360	100.0%



General Information

In-class Speakers

Chicago Trip

New York City Trip

Newsletter

AIM Website

Visiting speakers



Ed Trubac, Finance Professor Emeritus

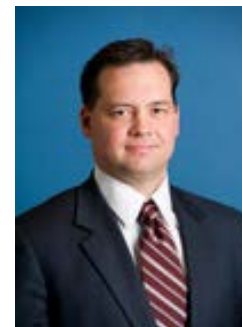


Scott Malpass, Chief Investment Officer



INTERNATIONAL

CEO - Peter Kalan,
SVP - Investor Relations
Liz Bauer



STIFEL
NICOLAUS

Equity Research
Analyst - Tom
Roderick



Health Care Private Equity

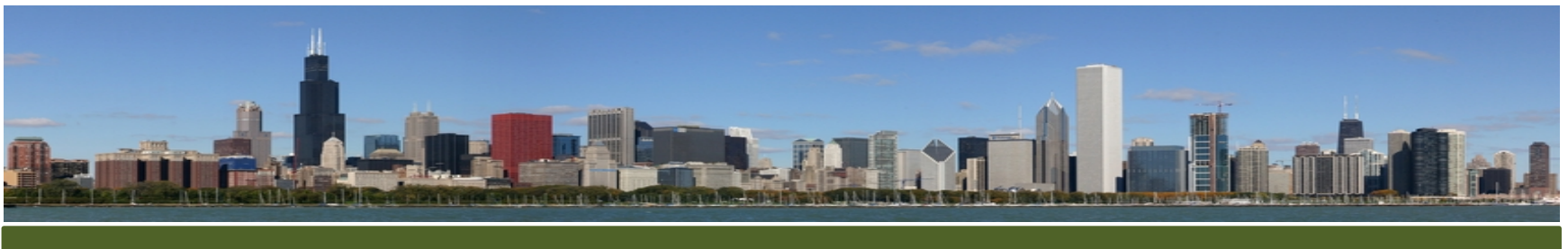


Fund of Funds



International Real Estate

MCN Capital Equity Long/Short





Equity Long/Short



U.S. Equities



Private Equity





Multi-Strategy Hedge Fund

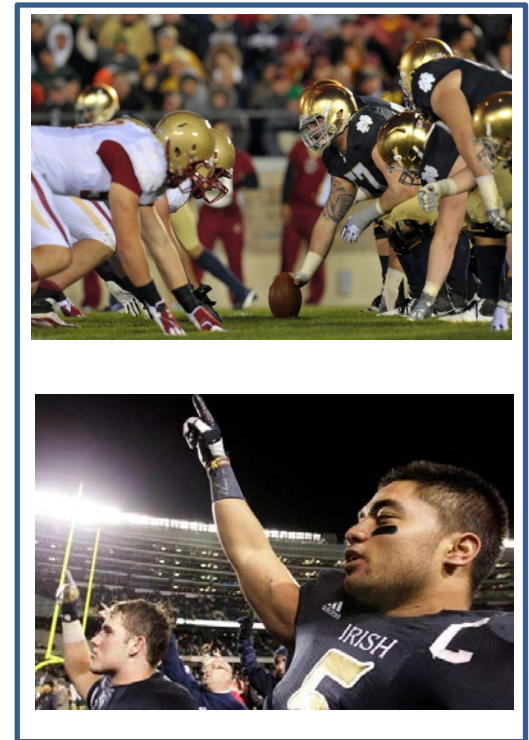
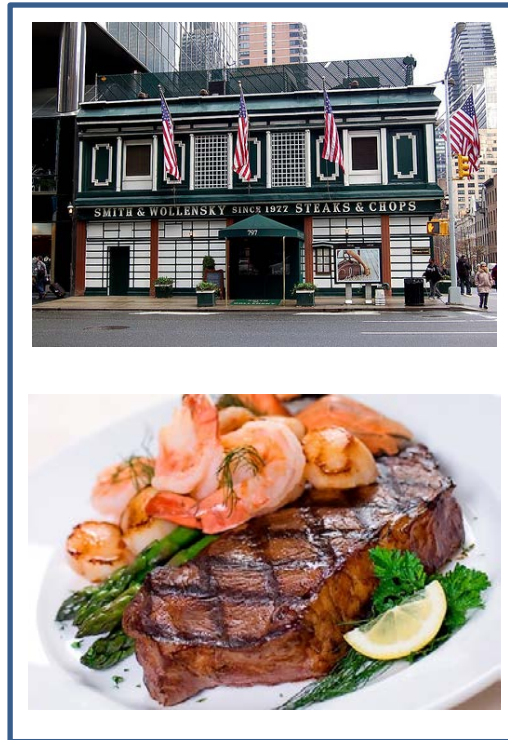
SANDLER
O'NEILL

Financials: Long/Short

SOUTH FERRY

Special Situations Fund





- Objective
 - Alumni Updates
 - Portfolio Performance
 - Economic Outlook

aim.nd.edu

AIM XXXV

Fall 2012

AIM QUARTERLY



Greetings from AIM XXXV

Hello from a revitalized campus!

The Irish are back!

As the third quarter of 2012 is ending, Professors Jerry Langley and Frank Reilly continue to lead a group of 27 undergraduate analysts in managing the AIM portfolio. First round valuations of securities are winding down and each analyst is choosing a second stock for the second round. AIM XXXV recently went to Chicago for a class trip and the class is looking forward to its trip to New York City in November.

"It's a group that understands that they've got an opportunity to do something really big" -Brian Kelly

Quarter 3, Fall 2012

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- Current Analysts
- Portfolio Performance
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 - My Notre Dame



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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...](#)

AIM Portfolio

Ticker	# of Shares	Price per Share	Value of Position	Daily % Change
AAPL	600	\$288.02	\$252,812	1.18%
ATVI	23,900	\$11.44	\$273,540	-0.49%
AVI	4,300	\$53.65	\$230,695	2.77%
CEBZ	3,400	\$77.33	\$264,922	-0.31%
CLUB	3,600	\$55.72	\$200,412	1.09%
COB	2,700	\$59.95	\$161,865	-0.66%
CVX	2,000	\$105.25	\$210,500	0.37%
DEP	6,500	\$41.71	\$271,112	1.02%
DKS	4,900	\$42.52	\$208,358	1.09%
FBZ	4,300	\$42.12	\$181,106	0.88%
EBAY	5,300	\$42.12	\$223,284	1.28%
EXPO	7,400	\$27.35	\$202,450	1.74%
FLS	1,500	\$138.50	\$207,750	-0.31%
GILD	4,400	\$79.50	\$350,220	0.95%
GOOG	400	\$291.72	\$116,688	1.18%
HAL	6,400	\$23.00	\$147,200	1.82%
INGR	4,600	\$60.77	\$279,542	0.38%
KC	13,100	\$21.95	\$287,555	1.81%
LH	3,300	\$24.53	\$80,949	1.33%
OPEN	6,300	\$44.67	\$280,521	-0.28%
POT	7,000	\$32.50	\$227,500	0.98%
SPCS	10,400	\$26.85	\$279,324	-0.46%
TDOC	4,300	\$26.05	\$112,015	0.98%
UBH	4,000	\$54.14	\$216,560	2.84%
WYNN	2,500	\$112.22	\$280,550	0.48%
Total AIM Portfolio			\$2,945,199	

News & Events
New York Alumni Dinner
- Click [here](#) for further details
Q3 2012 Newsletter
- Click [here](#) to download

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AIM XXXV would not have been possible without the generous support of:

- **The Advisory Board**
- **Scott Malpass and the Notre Dame Investment Office**
- **Professors Langley, Reilly and Trubac**
- **Rachel Karnafel**

Post - Presentation Agenda

- Due diligence and discovery of Domino's Pizza
- Advisory Board panel discussion

