



Advisory Board Presentation

AIM XLII

Spring 2016

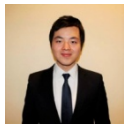


AIM XLII

Analyst Introductions



Daniel Burke (Spokane, WA)
Covanta Holdings, Garmin



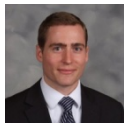
Will Cai (Zhejiang, China)
Delphi Automotive, Ingredion



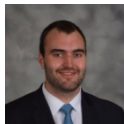
Phillip DeBruin (Harvard, MA)
TJX Companies, Spirit Airlines



Ryan Doolan (Kansas City, MO)
O'Reilly Automotive, Cerner



John Flanagan (Arlington Heights, IL)
Hain Celestial, Pandora



Conor Hanratty (New Canaan, CT)
Facebook, Polaris



Gregory Hansen (Erie, PA)
Kinder Morgan, Knoll



Ale Hejase (Beirut, Lebanon)
Check Point Software, Krispy Kreme



William Husic (Glastonbury, CT)
ExxonMobil, McDonald's



Thomas Klaritch (Nashville, TN)
UnitedHealth, Hannon Armstrong



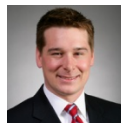
Patrick Knott (Cockeysville, MD)
Walt Disney Co., Wabtec



Ariston Lowe (Sydney, Australia)
MasterCard, Equifax



Andrew McCourt (Scituate, MA)
Mobileye, Herman Miller



Matthew Minnis (Kansas City, KS)
Union Pacific, American Airlines



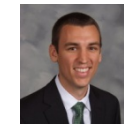
Nicholas Moller (Cincinnati, OH)
Fastenal, Kroger



Carl Schmidt (Bloomfield Hills, MI)
Jazz Pharmaceuticals, Sprouts



Gregory Sullivan (Hoboken, NJ)
Best Buy, MarketAxess



Wesley Taul (Owensboro, KY)
Alphabet, Gilead



Thomas Thomas (Troy, MI)
Activision Blizzard, Whirlpool



Benjamin Walker (Lehi, UT)
American Tower, Whitestone



Patrick Whitmore (Cleveland, OH)
Microsoft, Sherwin-Williams



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Agenda

- Course Overview
- Economic Outlook
- Security Analysis
- Portfolio Performance
- AIM XLII Highlights
- Concluding Remarks



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Course Overview

Fundamentals

Analyst Responsibilities

Investment Philosophy & Policies

Course Overview

Fundamentals



Course Objectives

- Provide students with a thorough grounding in the portfolio management process
- Enhance each student's ability to effectively communicate their approach and analyses leading to their investment recommendations

Analyst Selection

- MBA and MSA candidates submit a resume, transcript, and cover letter
- Analysts are selected based on academic performance, professional experience, and other relevant criteria

Methodology

- The new AIM class inherits the portfolio handed over by the previous class
- Each analyst conducts and presents investment analyses for an existing portfolio stock
- Analysts then cover a stock of their choice to be considered for addition to the portfolio
- Finally, the class votes on the composition of the new portfolio based on each analyst's final recommendation

Course Overview

Analyst Responsibilities

Individual Responsibilities



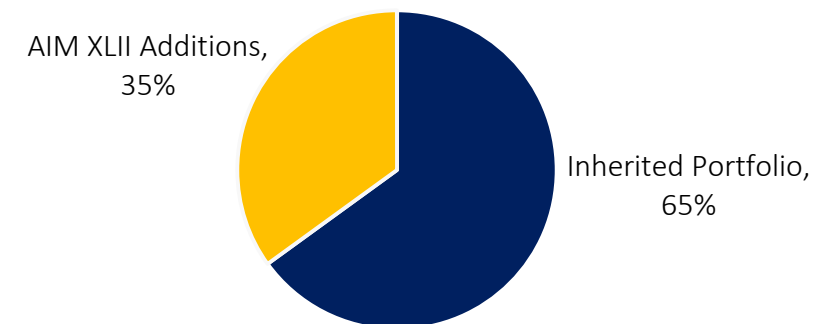
Group Projects

- Industry / Sector Analysis
- Economic Analysis
- Portfolio Performance
- Newsletter & Webpage

Analyst Reports

- Company Background
- Earnings Forecast
- Technical Analysis
- Fundamental Analysis
- Beta Forecast
- Intrinsic Valuation

Portfolio Management



Course Overview

Investment Philosophy & Policies



Investment Philosophy

- Outperform the S&P 500 over the long-term
- Make well-researched trade decisions that contribute to the growth of the portfolio's value for the use of future classes

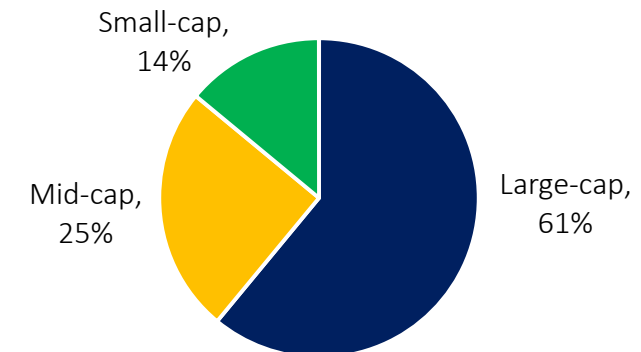
Investment Constraints

- Liquidity: Investments limited to common equities
- Time Horizon: 3-5 year outlook
- "Prudent Person Rule"

Investment Guidelines

- Only common equities traded on major U.S. exchanges
- Avoid companies whose ethics are not consistent with those of the University
 - Abortifacients
 - Birth Control
 - Tobacco

AIM XLII Portfolio Composition





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Economic Outlook

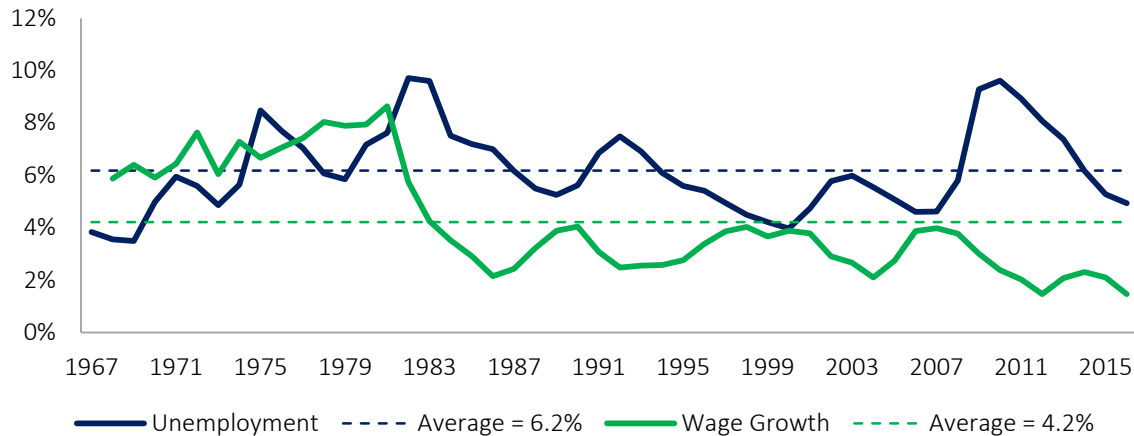
- Consumer & Economic Growth
- Global Trade
- Oil Prices & Energy
- Interest Rates & Federal Reserve Policy

Economic Overview

Low Wage Growth & Consumer Sentiment

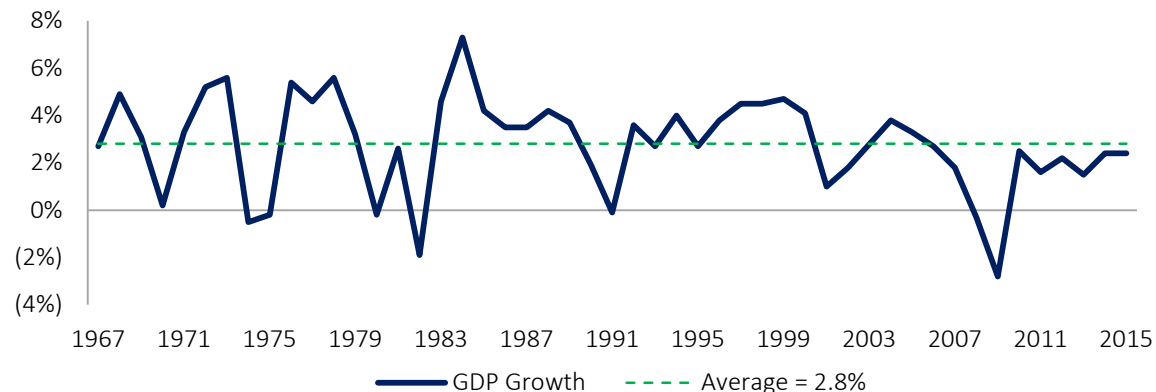


Unemployment & Wages



- Labor force participation rate at historical low of 62.4%
- Wage growth remains tepid
- Unemployment rate of 4.9%
- U.S. consumer sentiment at 7-month low of 89.7%

Year-over-Year Growth in GDP



- Consumption: 67-68% of GDP
- U.S. Real GDP has grown at a 1.8% CAGR since 2000 but increased to a 2.0% CAGR since 2010
- Growth is projected to be greater than 2.0% annually through 2018 and forecasted at 2.0% in the long run
- Recent negative growth is observed in only two periods (2008 and 2009)

Economic Overview

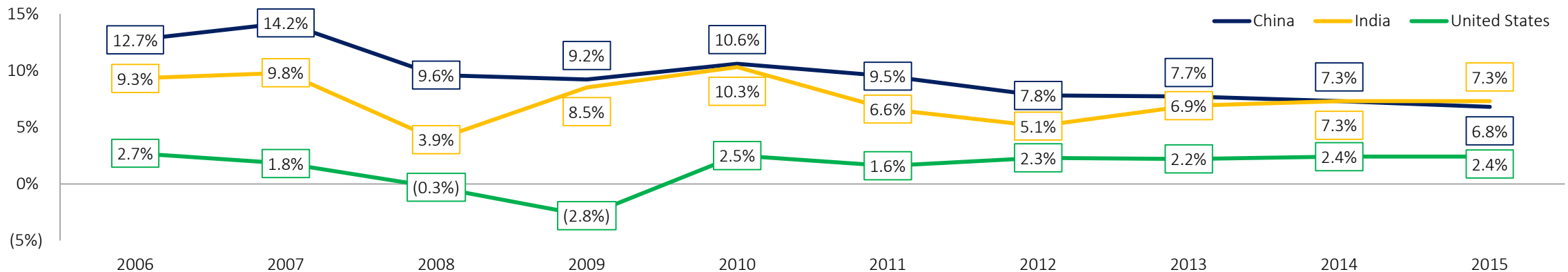
Weaker U.S. Dollar & Lower Growth in China

Weakening U.S. Dollar

- USD at weakest level since June
 - Multinational companies can convert foreign currency at favorable exchange rate
- Trade deficit increased to \$47.1 million in February 2016
 - Look for tightening with weaker currency
- China GDP slowing but showing signs of stabilizing
- India 2015 GDP growth overtook China at 7.3%

Spot Price vs. USD				
	January 2016		Current	% Change
HKD	7.80	HKD	7.76	(0.5%)
NZD	1.54	NZD	1.46	(5.2%)
AUD	1.43	AUD	1.30	(9.1%)
CAD	1.41	CAD	1.27	(9.9%)
CHF	1.02	CHF	0.98	(3.9%)
GBP	0.70	GBP	0.69	(1.4%)
JPY	118.57	JPY	111.62	(5.9%)
EUR	0.93	EUR	0.89	(4.3%)
CNY	6.57	CNY	6.50	(1.1%)

Emerging Markets GDP Growth



Economic Overview

Oil Production & Consumption



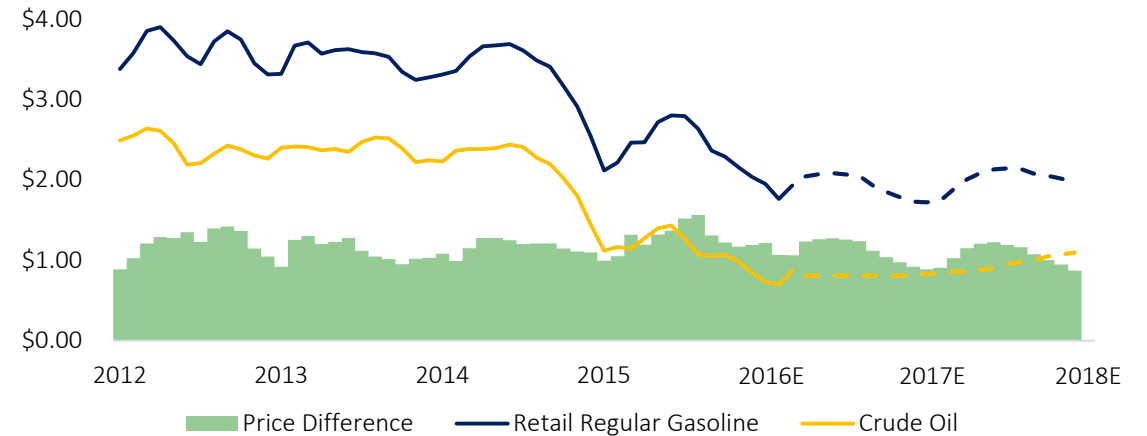
Overview

- Political gridlock effect: Iran and Russia vs. Saudi Arabia
- Global supply pressures
- Lower oil prices hold down CPI
- Generates consumer discretionary spending

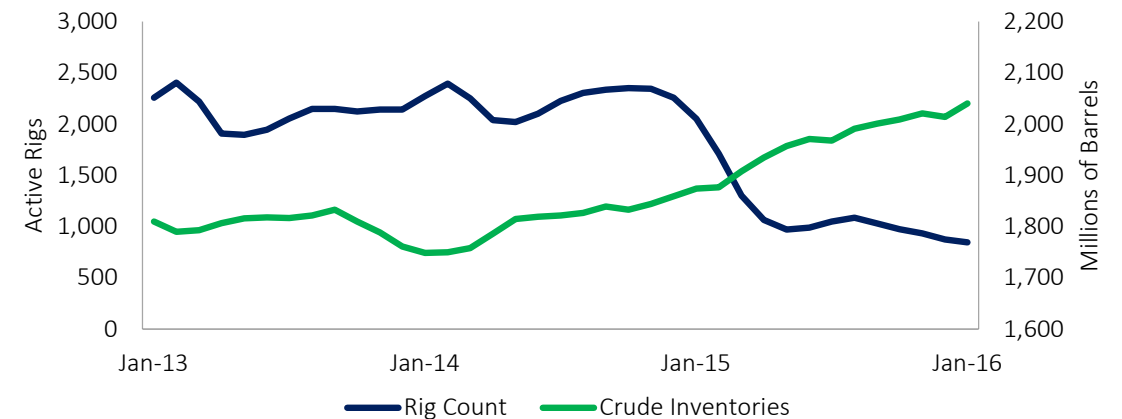
U.S. Oil Production & Consumption

Production	Growth Since 2013
United States	25%
OPEC	5%
Consumption	Growth Since 2013
United States	3%
Global	7%

U.S. Gasoline & Crude Oil Prices (\$ per gallon)



U.S. Rig Count & Crude Inventories

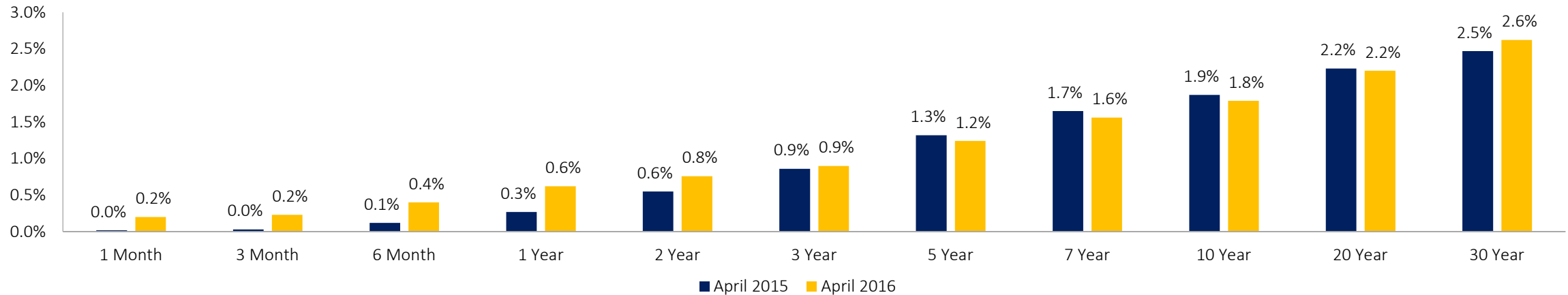


Economic Overview

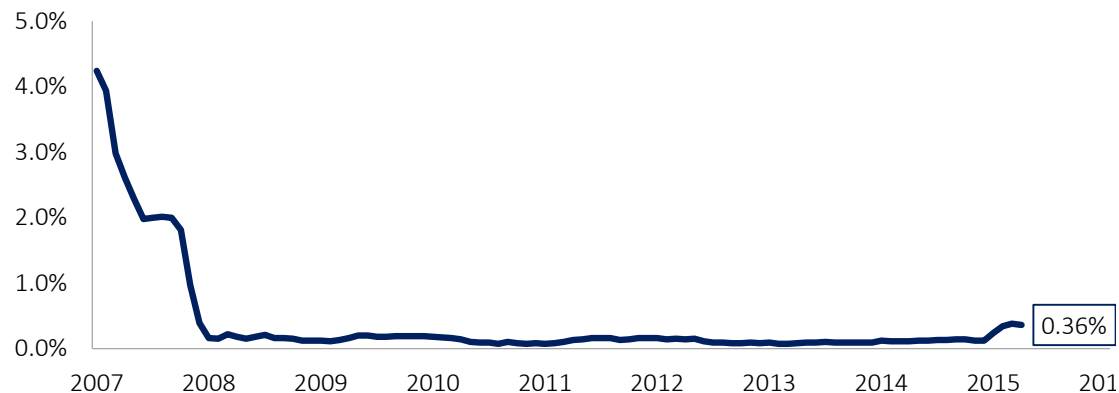
Interest Rates



Yield Curve



Fed Funds Rate



Implications

- Market has priced in a low possibility of 2016 rate hikes
- Rate hike likely not impounded in risk asset prices
- Fed will pursue a careful and patient course towards higher interest rates; hinting at no increase in the April meeting



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Security Analysis

- Fundamental Analysis
- Growth Dynamics
- Discovery
- Merger Scenarios
- Technical Analysis
- Alternative Valuation Methods

Security Analysis

Companies & Focus of Analysis



Fundamental Analysis



Discovery



Growth Dynamics



Growth & Industry



Alternative Valuation



Fundamental Analysis



Merger Scenarios



Discovery



Growth Dynamics



Earnings Analysis / Merger



Fundamental Analysis



Technical Analysis



Discovery



Growth Dynamics



Earnings Analysis



Fundamental Analysis

McDonald's Corp.

NYSE: MCD



Price (4/13/2016):	\$126.89
1-yr Forward P/E:	23.7x
Market Cap:	\$115.4 billion
Dividend Yield:	2.74%
LTM EPS:	\$4.82

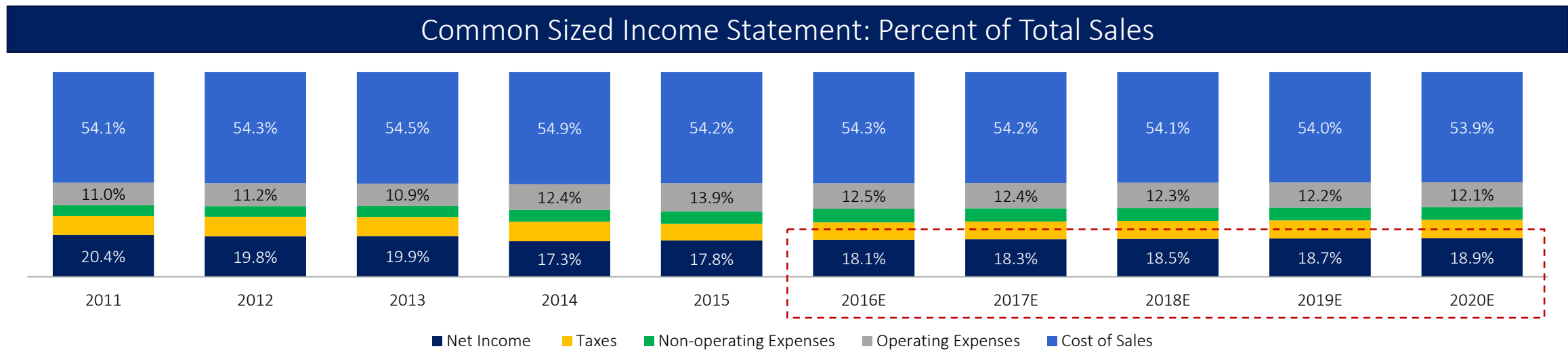
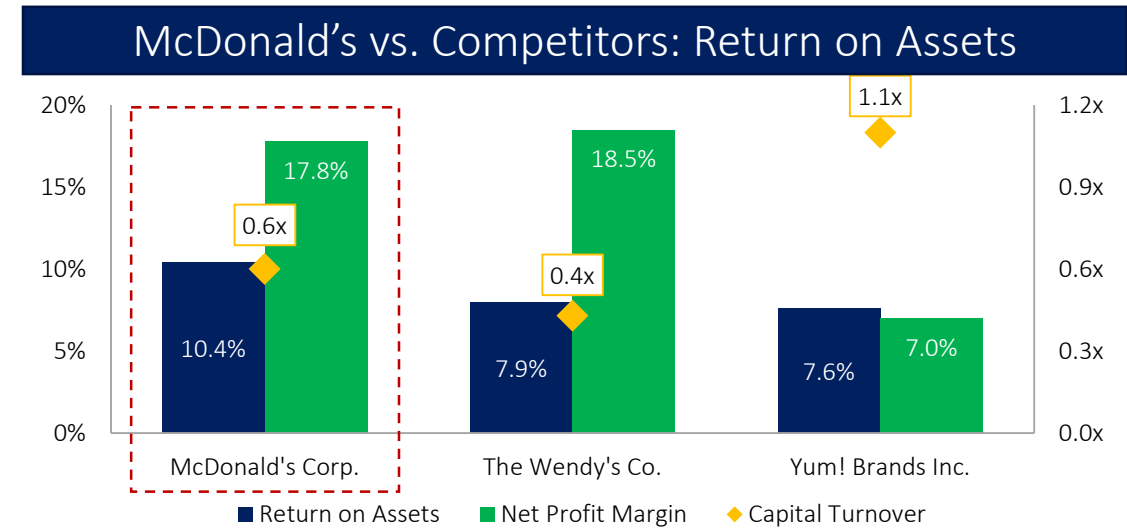
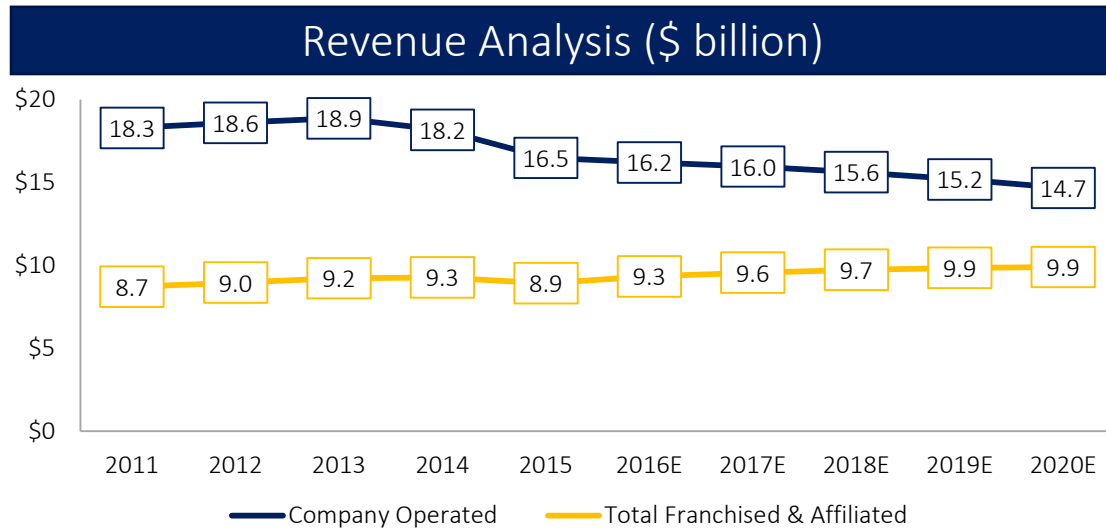
One-Year Price Chart



Focus – Fundamental Analysis

McDonald's Corp.

Trend & Fundamental Analysis



McDonald's Corp.

Valuation & Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$148.90	\$119.12
Dividend Discount Model	5%	\$142.22	\$7.11
Implied Forward P/E Multiple	5%	\$116.82	\$5.84
Implied Forward P/Sales Multiple	5%	\$135.98	\$6.80
Implied Forward P/EBITDA Multiple	5%	\$126.08	\$6.30
Intrinsic Value			\$145.17
Market Price (4/13/2016)			\$126.89
Estimated Upside / (Downside)			14.4%

Investment Thesis

- Fast food market share leader with dominant, expanding global presence
- Restructuring plan to refranchise operations and improve margins and return on capital
- Stock currently undervalued based on various valuation methodologies

Union Pacific Railroad

NYSE: UNP



Price (4/13/2016):	\$80.67
1-yr Forward P/E:	14.0x
Market Cap:	\$68.9 billion
Dividend Yield:	2.72%
LTM EPS:	\$5.49

One-Year Price Chart



Focus – Discovery

Union Pacific Railroad

Discovery



Michael Haverty

- Former President, Santa Fe Railroad
- Former CEO, Kansas City Southern
- Member, National Railroad Hall of Fame
- 40+ years railroad experience

Insights

- Union Pacific has the best rail franchise and routes in America
- Margins may be unsustainable
- Potential sources of growth in Intermodal and transport to Mexico

Union Pacific Railroad

Discovery

Union Pacific Railroad Map



Changes to Investment Thesis

- More confident about a slight margin decline but pricing power continues
- Short-term declines for Intermodal and commodity-related products but solid recovery expected
- Future problems in trucking will be an advantage to rail
- Rail industry has survived many downturns

Union Pacific Railroad

Valuation & Thesis



Recommendation: HOLD		Portfolio Decision: HOLD	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	90%	\$92.05	\$82.84
Implied Forward P/E Multiple	5%	\$86.30	\$4.31
Dividend Discount Model	5%	\$61.69	\$3.08
Intrinsic Value			\$90.24
Market Price (4/13/2016)			\$80.67
Estimated Upside / (Downside)			11.9%

Investment Thesis

- Value stock that has been beaten up
- Great routes with a competitive advantage
- Future growth in Intermodal segment

MarketAxess Holdings, Inc.

NASDAQ: MKTX



Price (4/13/2016): \$125.00

1-yr Forward P/E: 42.2x

Market Cap: \$4.7 billion

Dividend Yield: 0.83%

LTM EPS: \$2.55

One-Year Price Chart



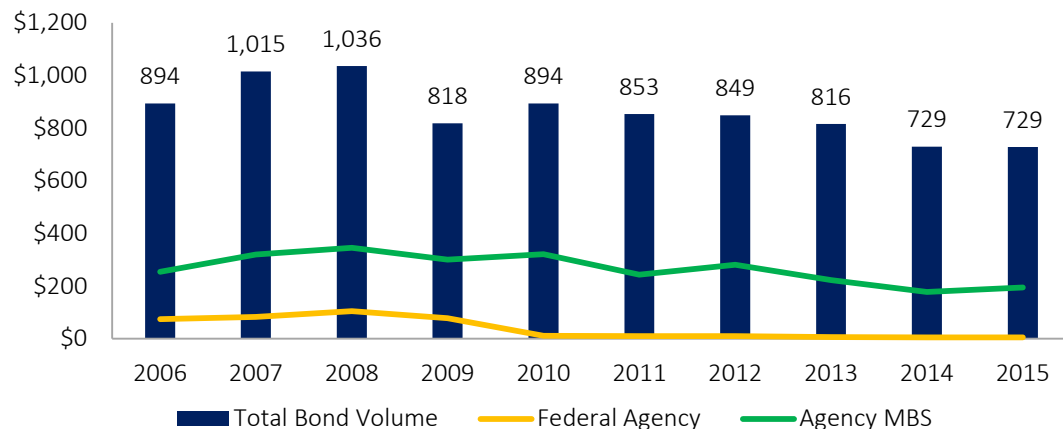
Focus – Growth Dynamics

MarketAxess Holdings, Inc.

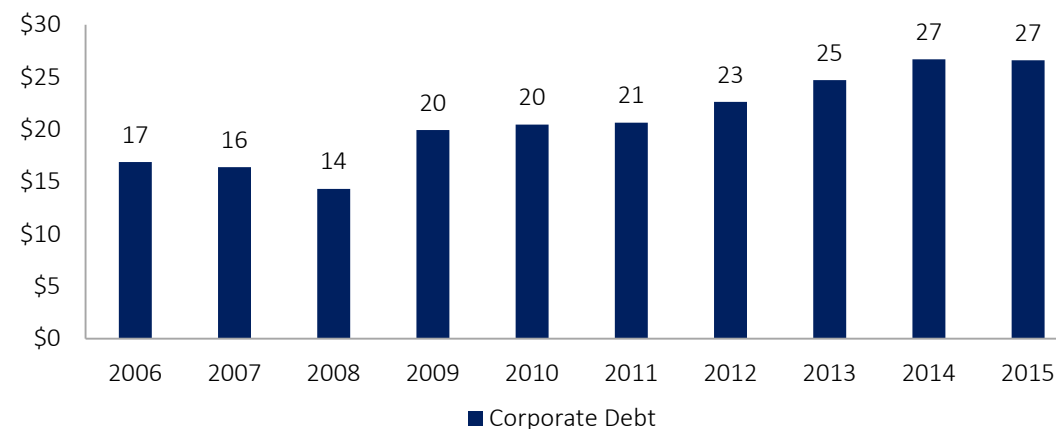
Market Data



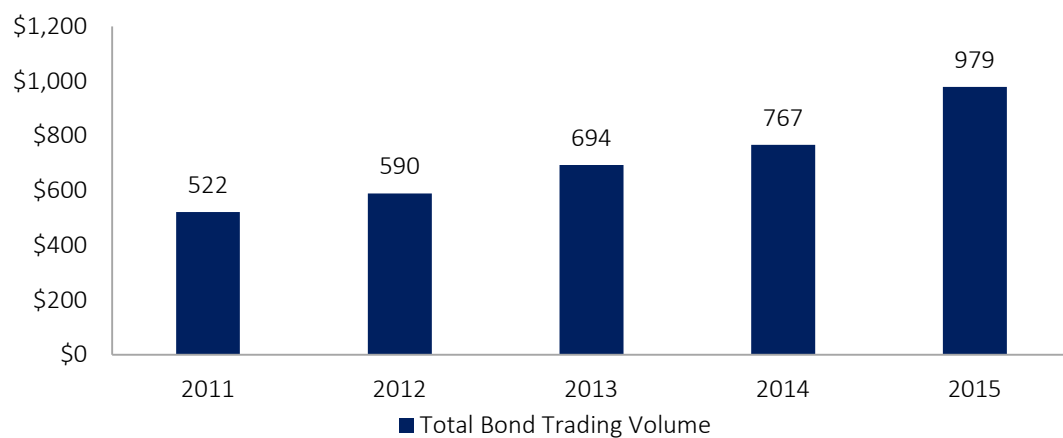
Average Daily Traded Bond Volume (\$ billion)



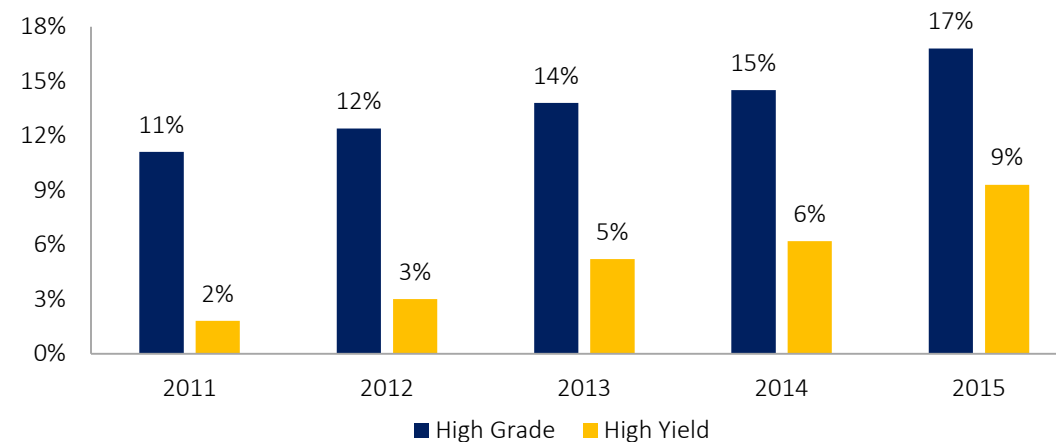
Daily Corporate Bond Volume (\$ billion)



MKTX Total Traded Bond Volume (\$ billion)



MKTX Corporate Bond Market Share



MarketAxess Holdings, Inc.

Valuation & Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Blended Discounted Free Cash Flow	100%	\$133.31	\$133.31
Implied Forward P/E Multiple	0%	\$123.14	--
Dividend Discount Model	0%	\$135.60	--
Intrinsic Value			\$133.31
Market Price (4/13/2016)			\$125.00
Estimated Upside / (Downside)			6.7%

Investment Thesis

- Unparalleled market penetration
- Unmatched product and service offering to institutional investor and broker-dealer client base
- Growth of e-trading in fixed income is inevitable

Sprouts Farmers Market, Inc.

NASDAQ: SFM



Price (4/13/2016):	\$28.56
1-yr Forward P/E:	24.4x
Market Cap:	\$4.3 billion
Dividend Yield:	n/a
LTM EPS:	\$0.84

One-Year Price Chart



Focus – Growth & Industry

Sprouts Farmers Market, Inc.

Growth Story



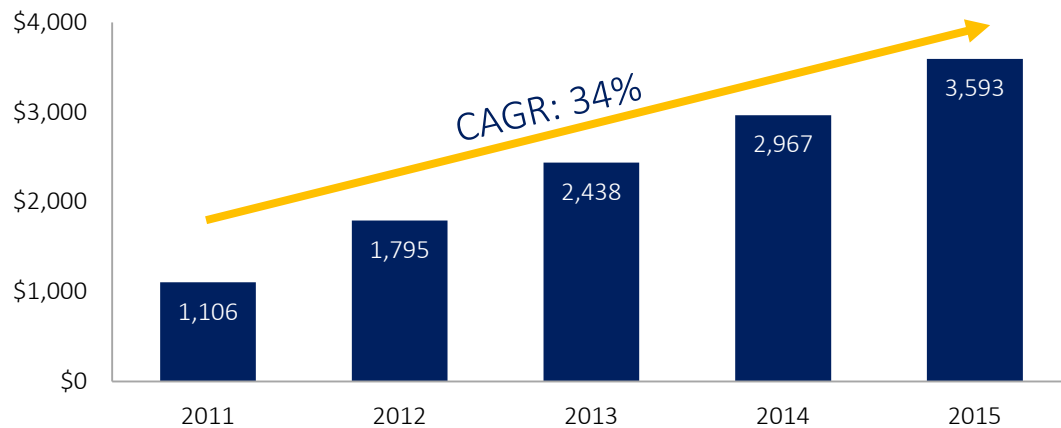
Company Overview

- U.S. grocery retailer offering fresh, natural, and organic foods at affordable prices
- Operates 224 stores across 13 states
- Unique store layout
- Superior supplier relationships

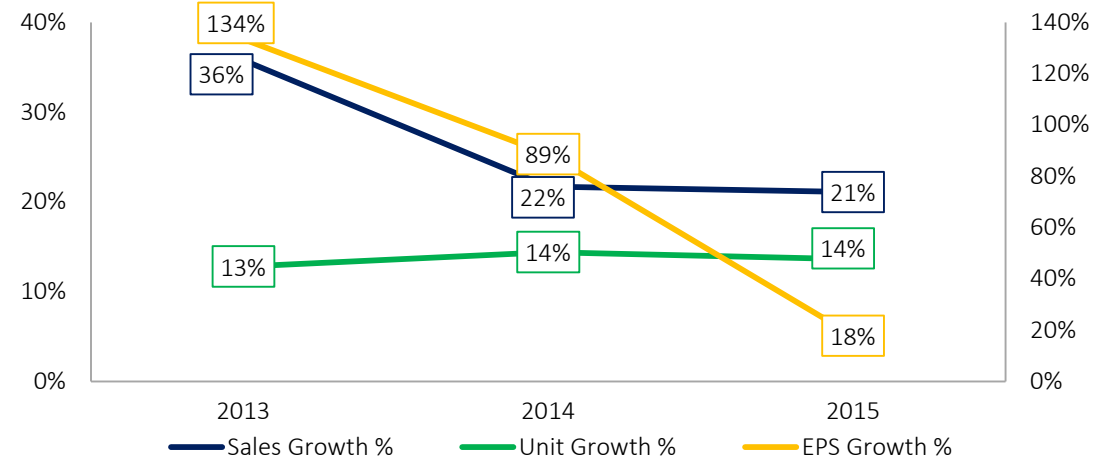
Primary Competitors



Historical Revenue (\$ million)



Retail "Triple Double"

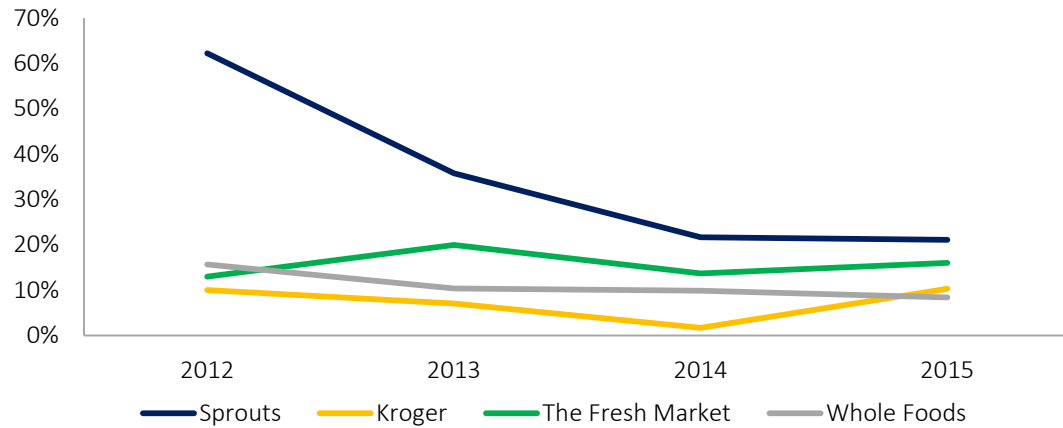


Sprouts Farmers Market, Inc.

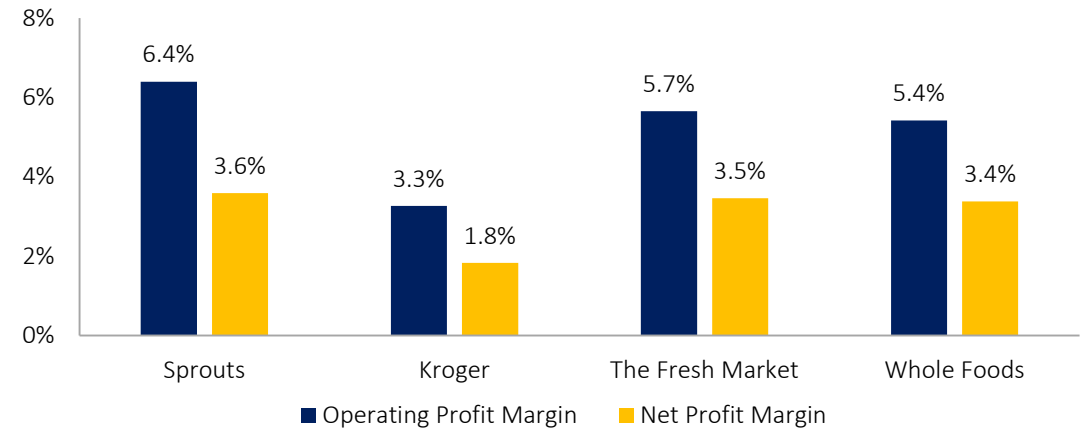
Comparable Companies



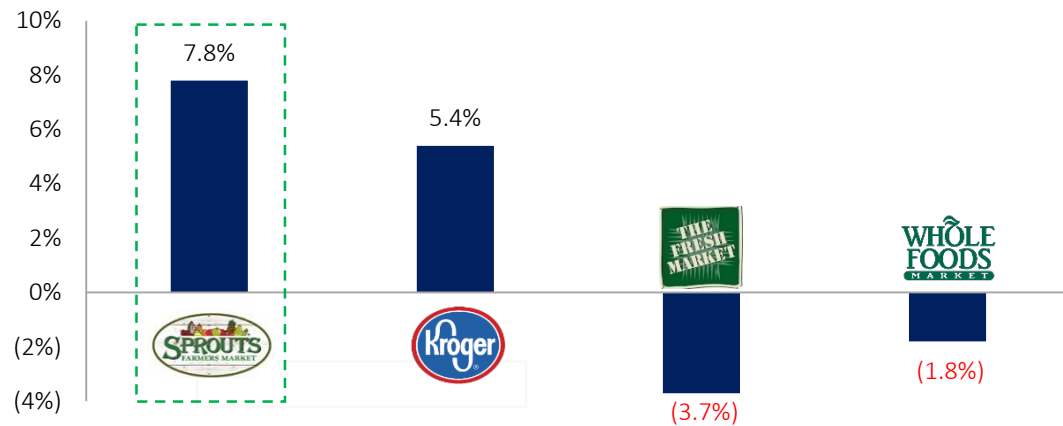
Year-over-Year Sales Growth



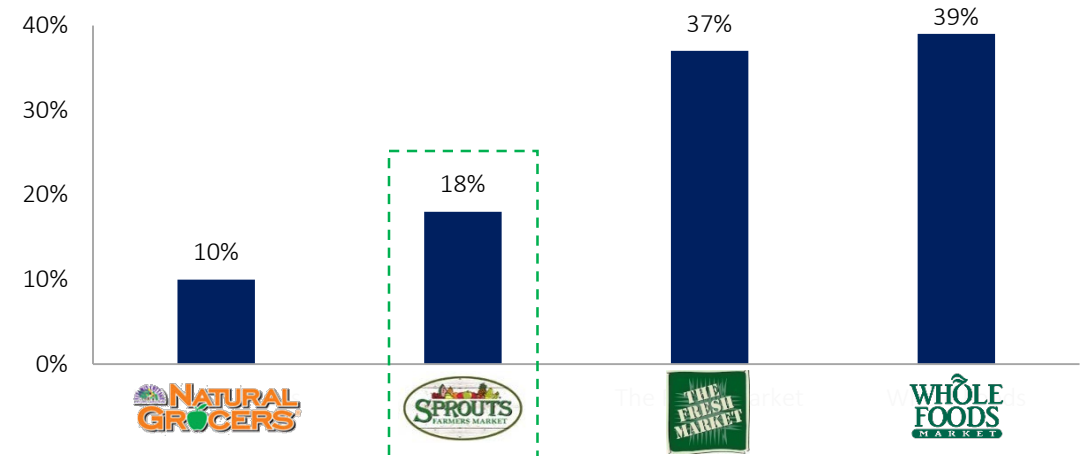
Margin Profile



Same Store Sales Growth (Q4 2015)



Potential Store Opportunity



Sprouts Farmers Market, Inc.

Valuation & Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$29.27	\$23.42
Implied Forward P/E Multiple	10%	\$30.38	\$3.04
Implied Forward P/Sales Multiple	10%	\$30.63	\$3.06
Intrinsic Value			\$29.52
Market Price (4/13/16)			\$28.56
Estimated Upside / (Downside)			3.4%

Investment Thesis

- One of few retailers experiencing double-digit sales, EPS, and unit growth
- Expansion of private label products and deli offerings should increase daytime traffic
- Despite rapid expansion, the Company expects 14% unit growth over the next 5-10 years

Whitestone REIT

NYSE: WSR



WHITESTONE REIT

Price (4/13/2016): \$12.98

1-yr Forward P/E: 9.4x

Market Cap: \$356.3 million

Dividend Yield: 8.78%

LTM EPS: \$0.24

One-Year Price Chart



Focus – Alternative Valuation Methods

Whitestone REIT

Overview



Community Centered Properties™

Acquire in Great Neighborhoods

- Growing cities
- High income (\$75k+)
- Untapped value



Unlock Intrinsic Value

- Expand existing structures
- Develop excess land
- Divide large spaces



Internet-Resistant Leasing

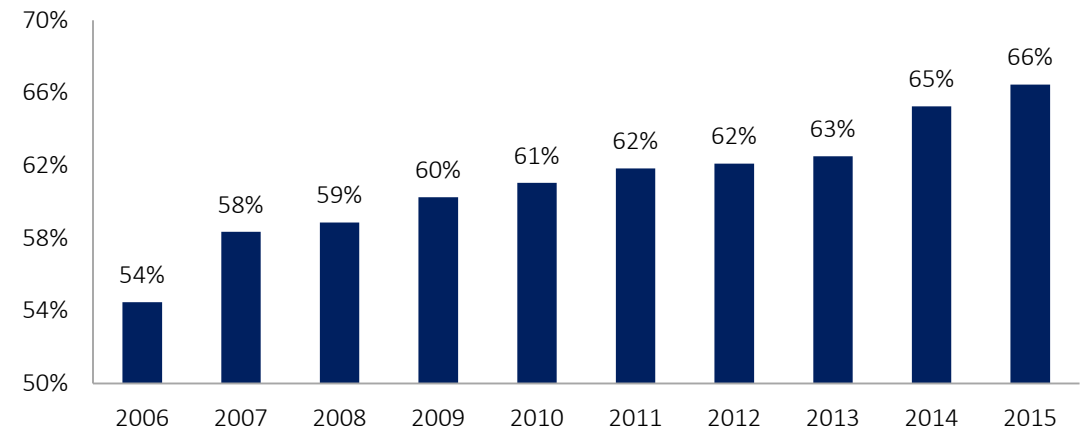
- Dining and grocery
- Health and wellness
- Entertainment



Revenue by Location & Type (\$ thousand)

	Phoenix	Houston	Dallas	Austin	San Antonio	Chicago	Total
Retail	\$28,856	\$12,121	\$5,969	\$5,329	\$3,762	\$710	\$56,747
Flex	-	8,445	-	-	-	-	8,445
Office	371	1,753	4,757	-	-	-	6,881
Development	1,291	-	-	2,500	-	-	3,791
Total	\$30,518	\$22,319	\$10,726	\$7,829	\$3,762	\$710	\$75,864

Net Operating Income (NOI) Margin Growth



Whitestone REIT

Net Asset Value (NAV) Method



Community Retail Center Cap Rates

	Midpoint Cap	Weight
Phoenix	5.63%	40%
Houston	6.00%	29%
Dallas	5.13%	14%
Austin	5.00%	10%
San Antonio	5.50%	5%
Chicago	5.25%	1%
Weighted Cap	5.59%	100%

Size / SG&A Adjustment (\$ thousand)

SG&A Excess	\$9,000
All REIT Cap Rate	7%
Value	128,571
Gross Asset Value (GAV)	1,110,488
% of GAV	12%

Green Street NAV Method (\$ thousand)

	Net Asset Value
2015 NOI	\$62,081
Weighted Cap	5.59%
Gross Asset Value (GAV)	1,110,488
Less Net Liabilities	509,656
Net Asset Value (NAV)	600,832
Shares Outstanding	26,991
Per Share Value	\$22.26

Discount to NAV

Board Governance	4%
SG&A Expenses	20%
Leverage	8%
Total Discount	32%
Adjusted Share Value	\$15.14

Whitestone REIT

Valuation & Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$16.34	\$13.07
Net Asset Value	20%	\$15.14	\$3.03
Dividend Discount Model	0%	\$18.14	--
Forward P/FFO	0%	\$14.18	--
Intrinsic Value			\$16.10
Market Price (4/13/2016)			\$12.98
Estimated Upside / (Downside)			24.0%

Investment Thesis

- Strong internet-resistant leasing strategy in attractive retail locations
- Trading well below private market value of the assets
- Concerns of governance, size, and leverage don't warrant current discount

The TJX Companies, Inc.

NYSE: TJX



Price (4/13/2016): \$76.63

1-yr Forward P/E: 23.3x

Market Cap: \$51.7 billion

Dividend Yield: 1.34%

LTM EPS: \$3.33

One-Year Price Chart



Focus – Fundamental Analysis

The TJX Companies, Inc.

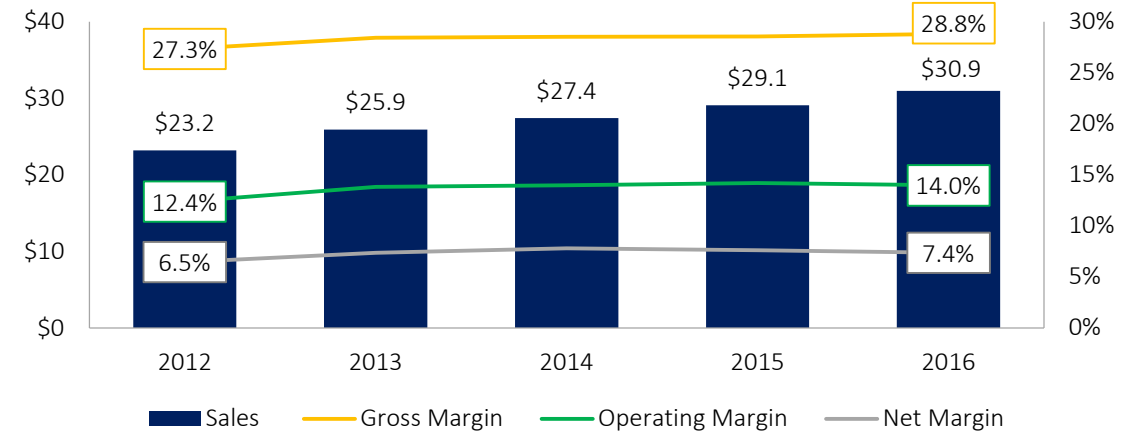
Overview



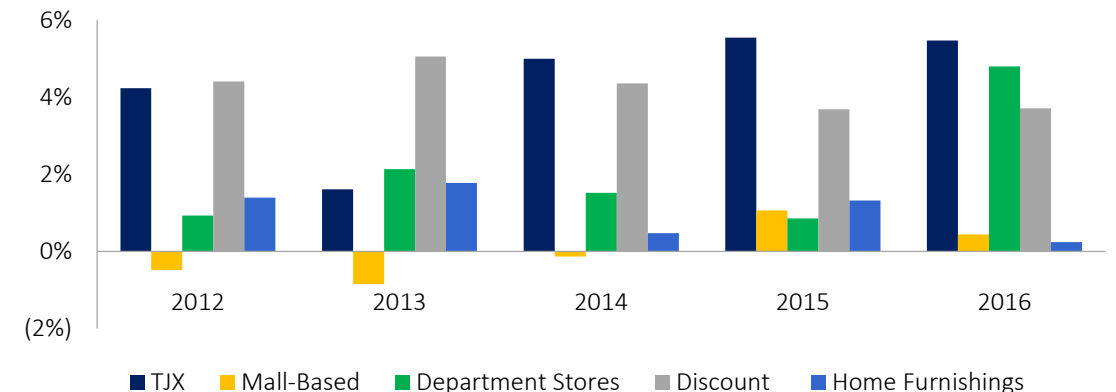
Operating Summary & Outlook

- Discount apparel and home furnishings retailer operating several branded segments in North America & Europe
- Domestic TJ Maxx and Marshalls sales and store count represent 2/3 of total
- Store count is primary sales driver: 50% projected growth
- Overhead control advantage and strong inventory management should continue
- Nearly zero online sales

Sales & Margins (\$ billion, %)



Store Growth vs. Peers



The TJX Companies, Inc.

Valuation & Thesis



Recommendation: HOLD		Portfolio Decision: SELL	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$81.39	\$65.11
TEV/EBITDAR Multiple	20%	\$57.78	\$11.56
Implied Forward P/E Multiple	0%	\$56.52	--
Intrinsic Value			\$76.67
Market Price (4/13/2016)			\$76.63
Estimated Upside / (Downside)			0.1%

Investment Thesis

- Solid business with broad appeal that should perform in a variety of environments
- Size and execution advantage don't fully neutralize intense competition
- Domestic market saturation may force growth abroad in order to achieve store count goal: will incur time and expense to establish network

Equifax, Inc.

NYSE: EFX



Price (4/13/2016): \$114.95

1-yr Forward P/E: 25.4x

Market Cap: \$13.6 billion

Dividend Yield: 1.01%

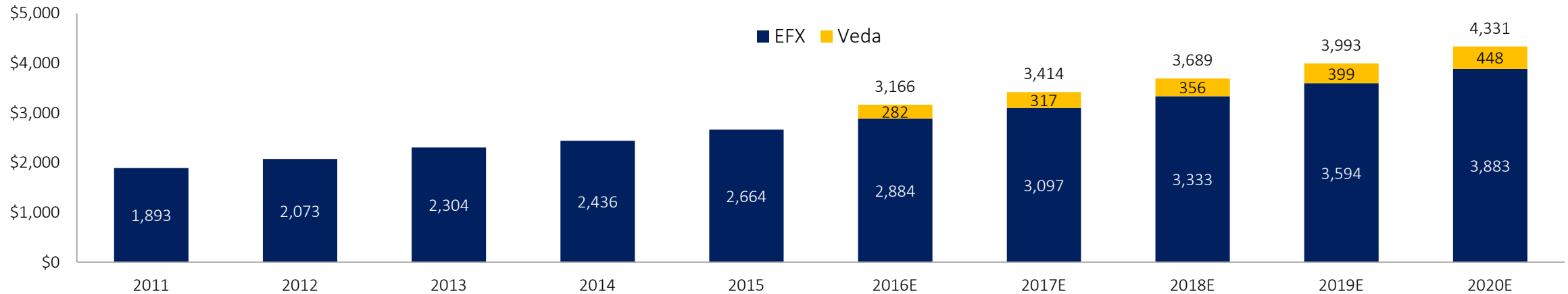
LTM EPS: \$3.66

One-Year Price Chart

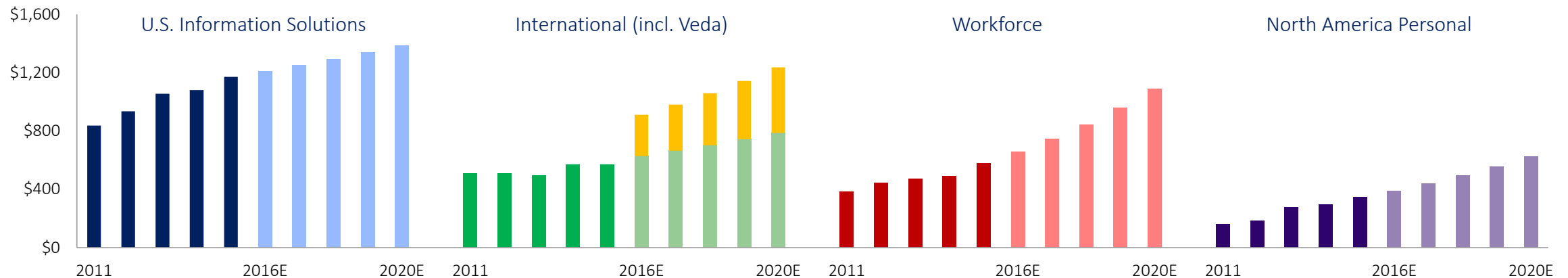


Focus – Merger Scenarios

Pro Forma Revenue Forecast (\$ million)



Pro Forma Revenue Segmentation (\$ million)



Equifax, Inc.

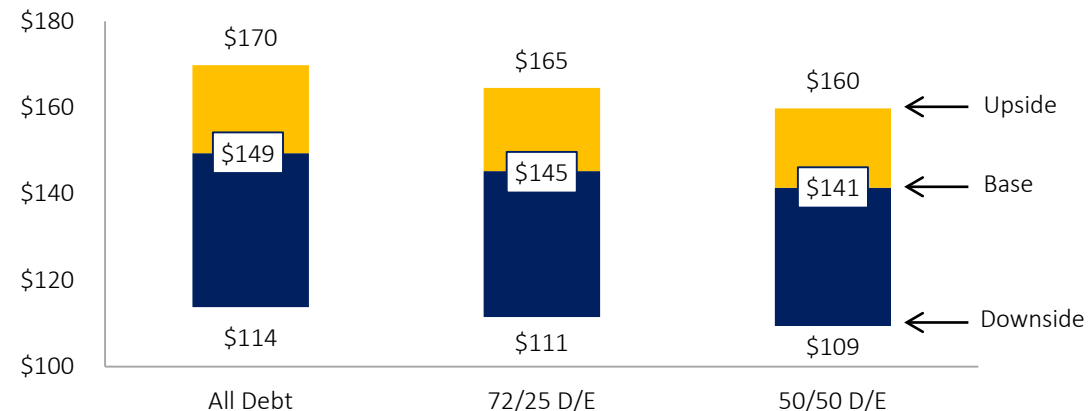
Merger Scenarios



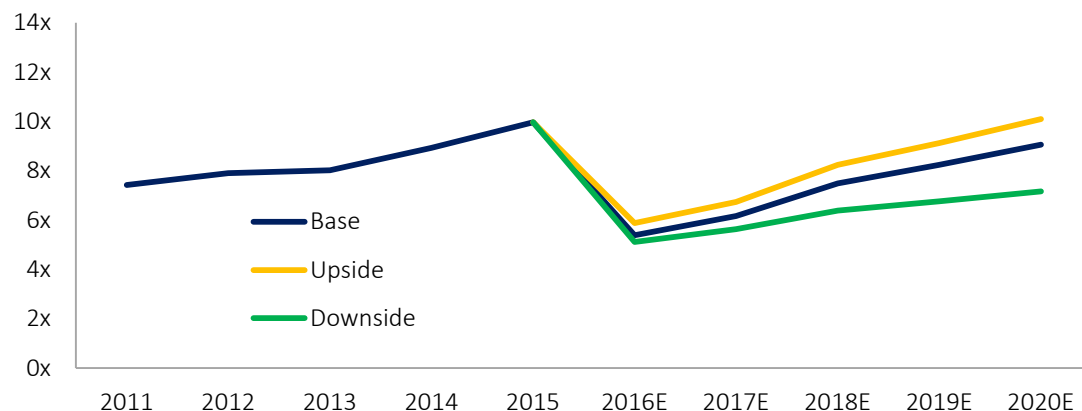
Considerations

- Debt contribution to Veda acquisition drives valuation and determines future capital structure
- Currently capacity for debt exists
 - Total debt is 30% of total assets
 - Interest coverage 9.96x

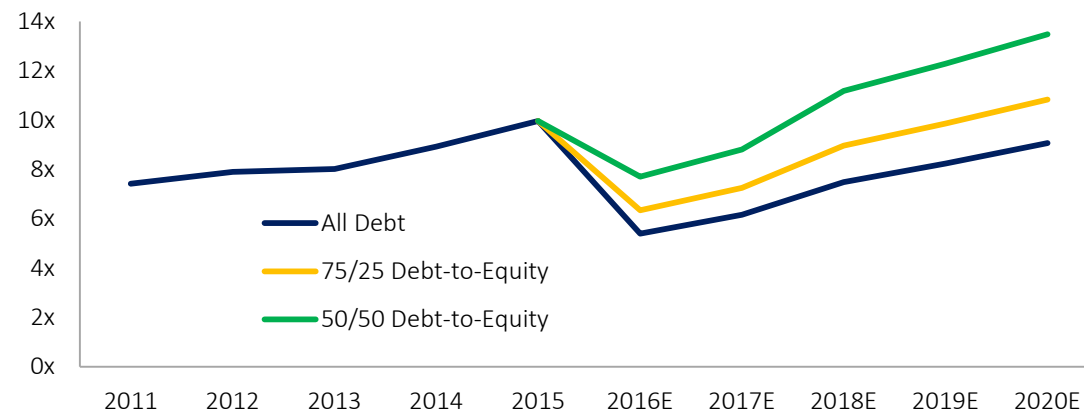
DCF Scenario Analysis (\$ per share)



Interest Coverage Ratio: Upside vs. Downside



Interest Coverage Ratio: Consideration Effect



Equifax, Inc.

Valuation & Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$148.46	\$118.76
Implied Forward P/E Multiple	10%	\$124.62	\$12.46
Implied Forward EV/EBITDA Multiple	10%	\$125.77	\$12.58
Intrinsic Value			\$143.80
Market Price (4/13/2016)			\$114.95
Estimated Upside / (Downside)			25.1%

Investment Thesis

- Growth in emerging markets (cash-based to credit-based economies)
- Veda acquisition provides gateway to Asia
- Operates in protected oligopoly

Activision Blizzard, Inc.

NASDAQ: ATVI



Price (4/13/2016): \$34.75

1-yr Forward P/E: 19.4x

Market Cap: \$25.8 billion

Dividend Yield: 0.73%

LTM EPS: \$1.19

One-Year Price Chart



Focus – Discovery

Activision Blizzard, Inc.

Overview



Company Background

The Business

- Develops and publishes e-gaming content
- Retail, subscription, event, and licensing channels

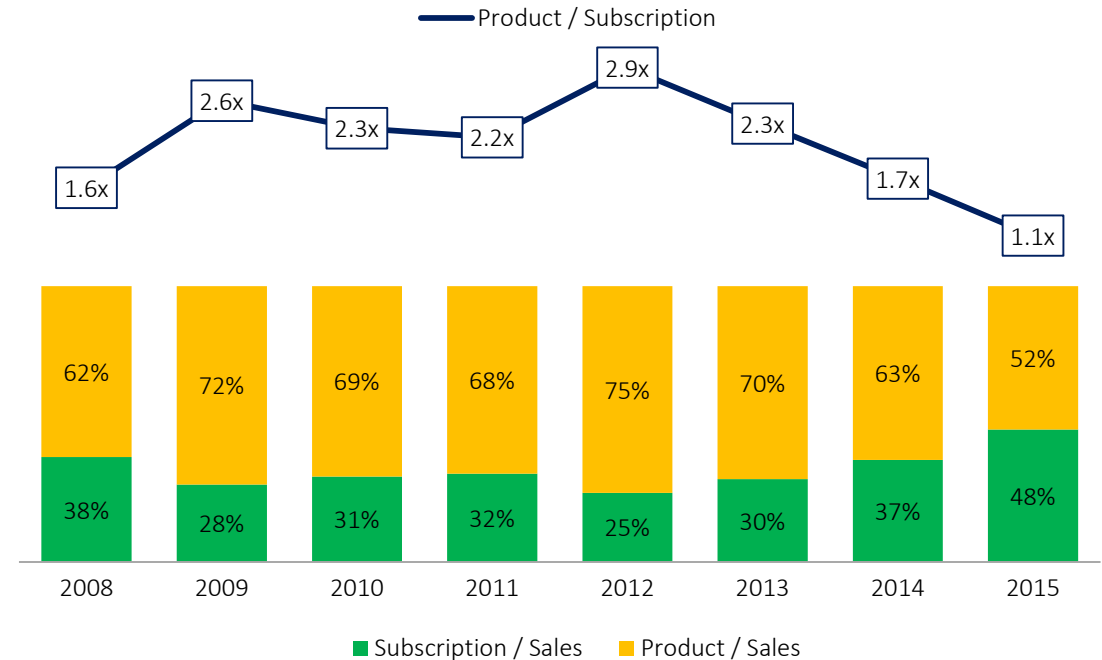
New Platforms & Segments

- Activision Blizzard Studios: film and television
- Activision Blizzard Media Networks: eSports
- Major League Gaming: eSports streaming events
- King Digital: subscription and mobile content

Key Franchises

- Call of Duty, Candy Crush, Destiny, Diablo, Overwatch, Skylanders, Starcraft, World of Warcraft

Product vs. Subscription Revenue



Activision Blizzard, Inc.

Discovery

Casual Gamer Perspective



Store Visits



Key Takeaways

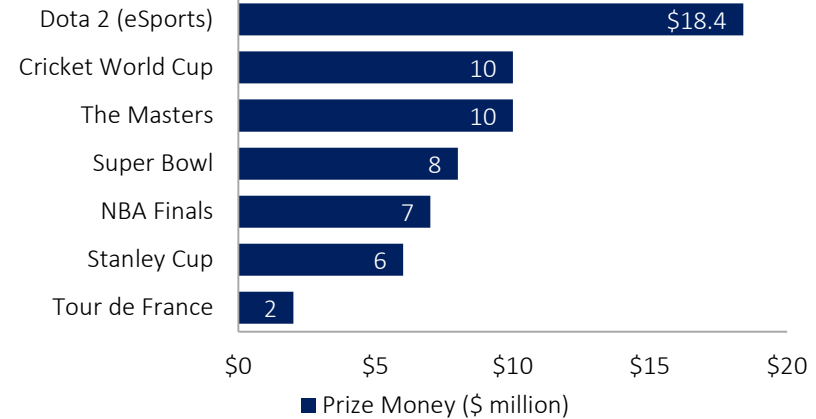
Popularity

- Call of Duty “flies off the shelves”
- Overwatch is highly anticipated, and pre-orders have been impressive

Gamer Community

- eSports is becoming local
- Live streaming is becoming more mainstream

Hardcore Gamer Perspective



Kyle Ferguson
ND MBA (2016)

Key Takeaways

Game Development

- ATVI uses game development strategies that gamers notice, appreciate, and pay for
- ATVI is highly respected and has a very loyal and dedicated following

eSports

- It is real, it is big, and it is commercializing

Activision Blizzard, Inc.

Valuation & Thesis



Recommendation: HOLD		Portfolio Decision: HOLD	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$38.80	\$31.04
Implied Forward P/E Multiple	10%	\$37.60	\$3.76
Implied Forward P/Sales Multiple	10%	\$38.73	\$2.90
Intrinsic Value			\$37.70
Market Price (4/13/2016)			\$34.75
Estimated Upside / (Downside)			8.5%

Investment Thesis

- Well-positioned to capitalize on the rise of eSports and live video game streaming
- Movement from product to subscription sales will grow recurring revenue and reduce costs
- Prepared to take on the dynamic environment of electronic gaming with a strong cash position and balance sheet

Alphabet

Price (4/13/2016): \$751.72

1-yr Forward P/E: 27.5x

Market Cap: \$519.2 billion

Dividend Yield: n/a

LTM EPS: \$23.59

One-Year Price Chart



Focus – Growth Dynamics

Alphabet, Inc.

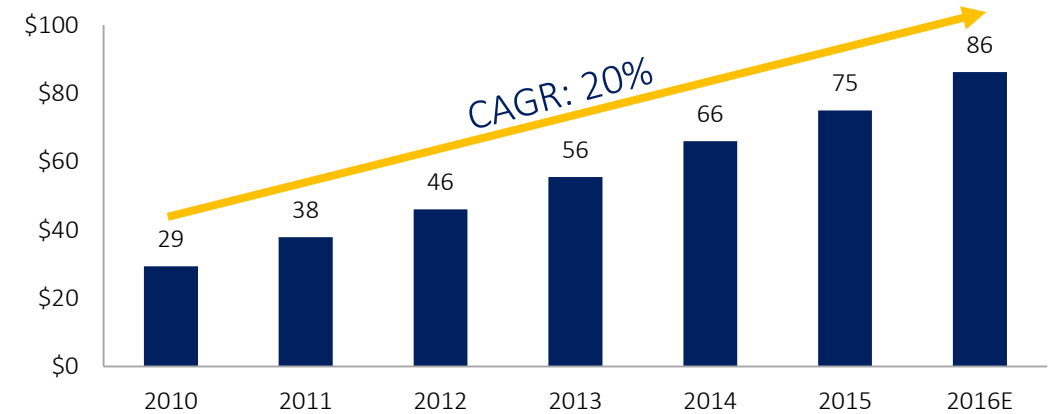
Overview

Core Business

- Seven applications with over 1 billion users each



Revenue (\$ billion)



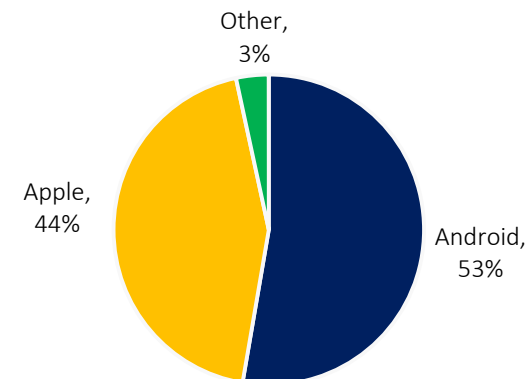
Restructuring



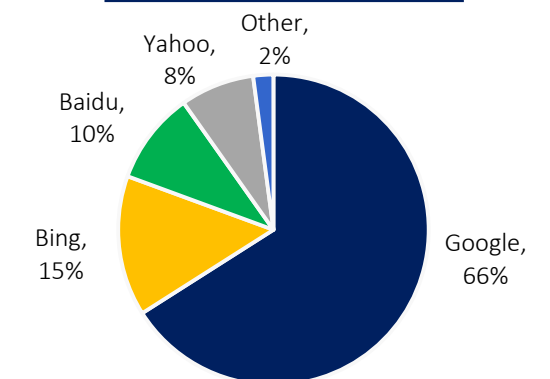
- Provide financial clarity on core business and moonshots
- CFO Ruth Porat brings increased financial discipline
- R&D rationalization, divesting lagging bets, renewed cloud focus

Market Share

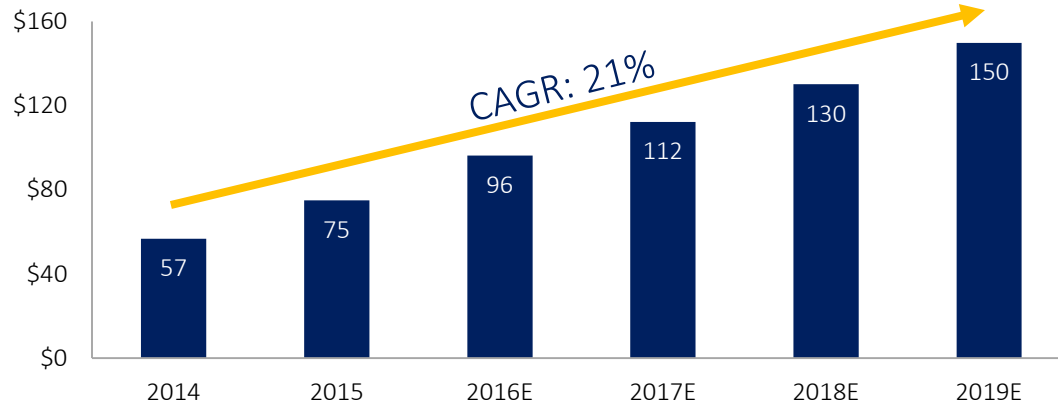
US Mobile OS



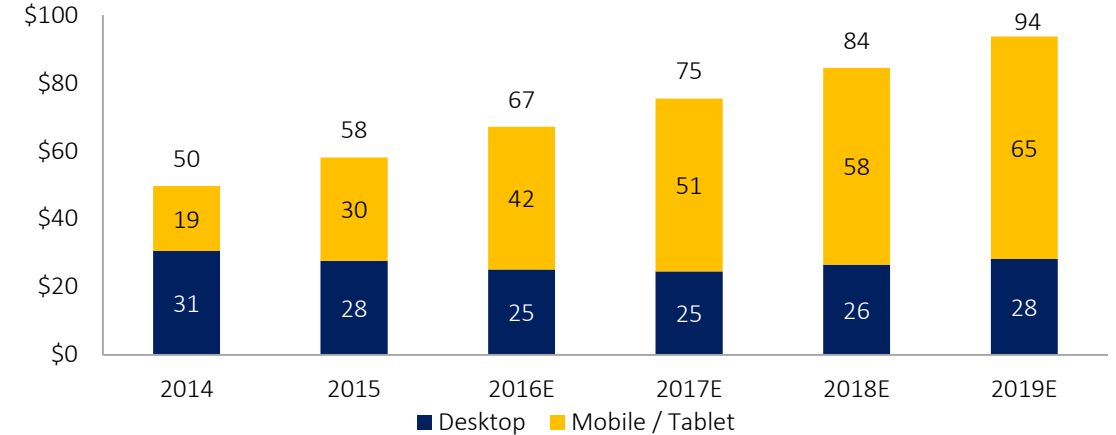
Global Search Engine



U.S. Mobile Retail Commerce (\$ billion)

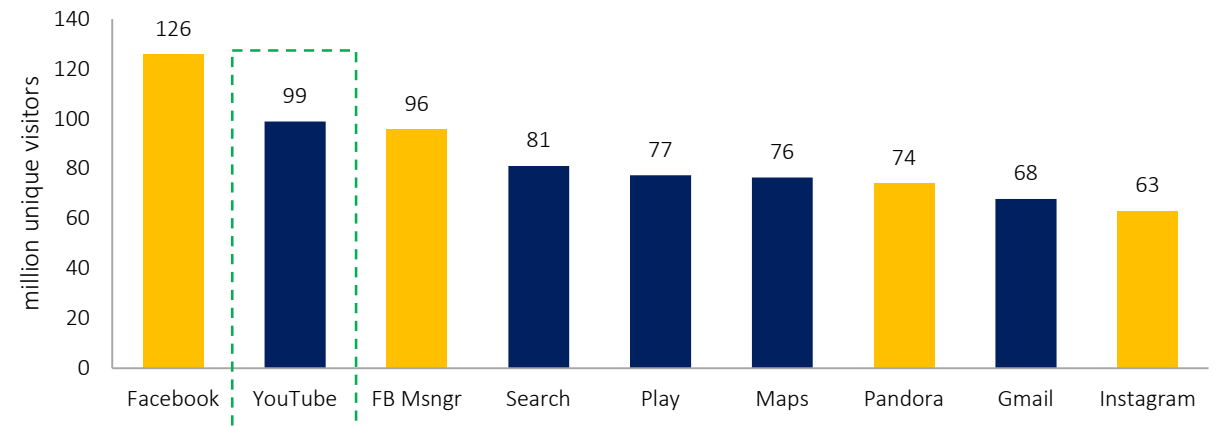


Digital Advertising Spending (\$ billion)



Leading Mobile Apps (U.S., 2015)

- 81% of millennials use YouTube; average mobile session is 40 minutes
- Search, Maps, Gmail enjoy success on Apple devices
- Android's dominance in emerging markets should allow future monetization of Google Play



Alphabet, Inc.

Valuation & Thesis



Recommendation: HOLD		Portfolio Decision: HOLD	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	90%	\$830.71	\$747.36
Implied Forward P/E Multiple	5%	\$656.21	\$32.81
Implied Forward P/Sales Multiple	5%	\$692.37	\$34.62
Intrinsic Value			\$814.78
Market Price (4/13/2016)			\$751.72
Estimated Upside / (Downside)			8.4%

Investment Thesis

- Product suite protects key applications and drives user engagement
- Macro trends in technology and consumer spending support continued growth
- Capture new opportunities in mobile e-commerce, digital video, and virtual reality

Sherwin-Williams Co.

NYSE: SHW



Price (4/13/2016): \$297.08

1-yr Forward P/E: 23.9x

Market Cap: \$27.4 billion

Dividend Yield: 1.13%

LTM EPS: \$11.38

One-Year Price Chart



Focus – Earnings Forecast

Sherwin-Williams Co.

Overview

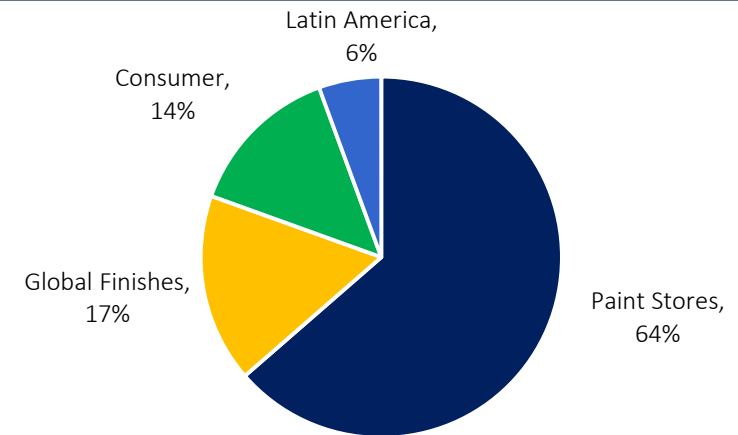


Company Background

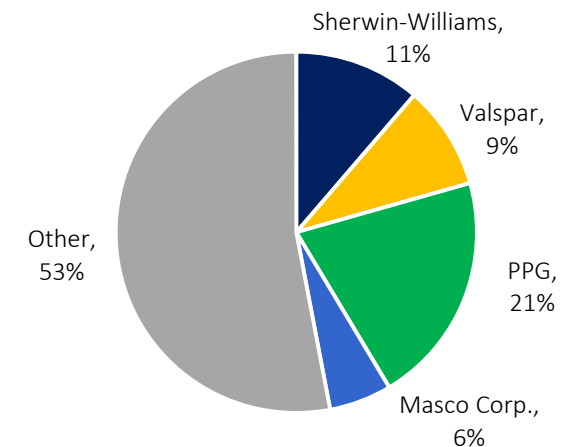
	2015 Revenue (\$ million)
Paint Stores	7,209
Consumer	1,578
Latin America	631
Global Finishes	1,916

- Over 4,000 Sherwin-Williams branded outlets for paints, stains, supplies, and equipment
- 2016: 90-100 new U.S. stores expected
- New Lines
 - HGTV HOME
 - Paint Shield anti-microbial
- Global finishes provides mass market industrial, automotive, and marine paints & coatings

Revenue Breakdown by Segment



U.S. Paint & Coatings Market Share



Sherwin-Williams Co.

Valuation

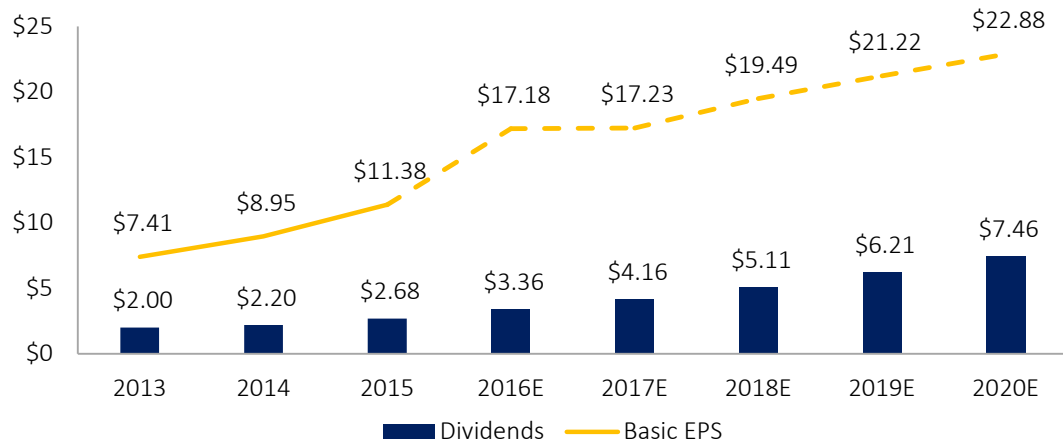


Key Assumptions

	Last 3-Yr Avg.	2016E	2020E
Revenue Growth	6.0%	5.3%	6.6%
COGS	53.1%	51.7%	51.6%
SG&A	32.8%	31.4%	29.7%
Share Repurchases	4.9	--	1.2

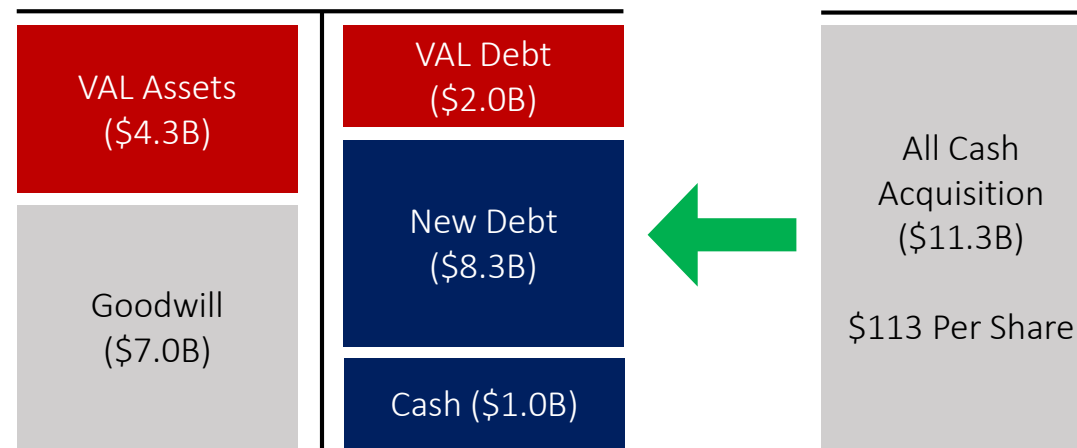
Note: Shares in millions

EPS & Dividend Forecast



Valspar Acquisition Details

- Announced March 2016; transaction closes Q1 2017
- 35% premium to unaffected Valspar share price
- All cash; \$8.3 billion in new debt financing
- Enhances geographic reach and industry positions
- Synergies: \$280 million by 2017, \$320 million by 2018
- Anti-trust and divestiture provisions included for SHW



Sherwin-Williams Co.

Valuation & Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	100%	\$310.12	\$310.12
Dividend Discount Model	0%	\$285.12	--
Implied Forward P/E Multiple	0%	\$314.67	--
Intrinsic Value			\$310.12
Market Price (4/13/2016)			\$297.08
Estimated Upside / (Downside)			4.4%

Investment Thesis

- Raw materials purchasing power and vertical integration of resin supply chain
- Growth opportunities for coil-coatings, automotive, and construction in developing economies
- Valspar acquisition: Sherwin brings consumer presence to international markets

Hannon Armstrong Sustainable Infrastructure

NYSE: HASI



Price (4/13/2016): \$18.99

1-yr Forward P/E: 23.3x

Market Cap: \$721.0 million

Dividend Yield: 6.24%

LTM EPS: \$0.21

One-Year Price Chart



Focus – Fundamental Analysis

Hannon Armstrong Sustainable Infrastructure

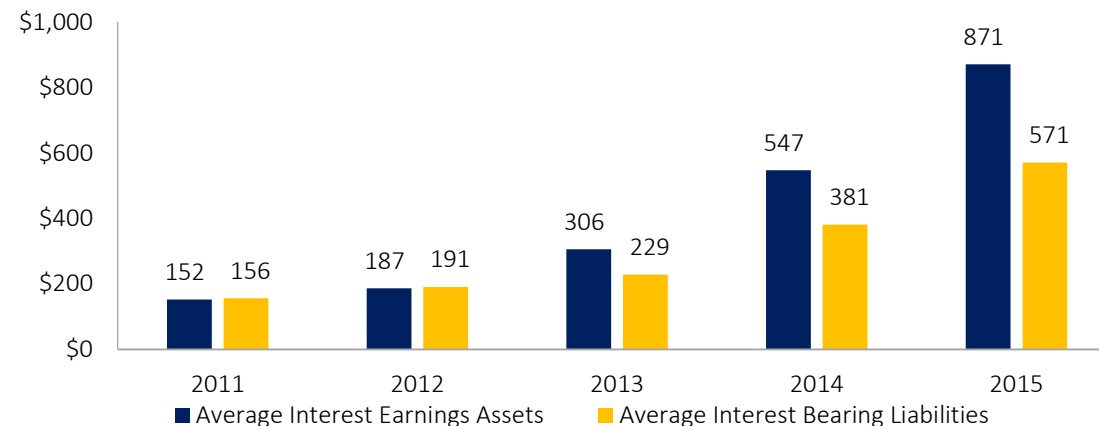


Overview

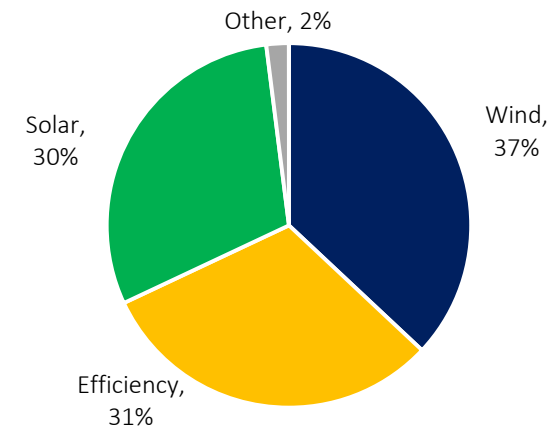
Company Background

- HASI is a debt and equity financier for renewable energy and efficiency projects.
- Portfolio
 - 105 renewable energy and efficiency transactions
 - 54% corporate investment grade
 - 45% federal or local government
- IPO in April 2013
- Set-up as a REIT
- \$2.5 billion transaction pipeline for 2016
- Restructured 71% of its debt to fixed rate in 2015

Interest-Earning Assets & Liabilities (\$ million)



Portfolio Breakdown



Hannon Armstrong Sustainable Infrastructure

Fundamental Analysis



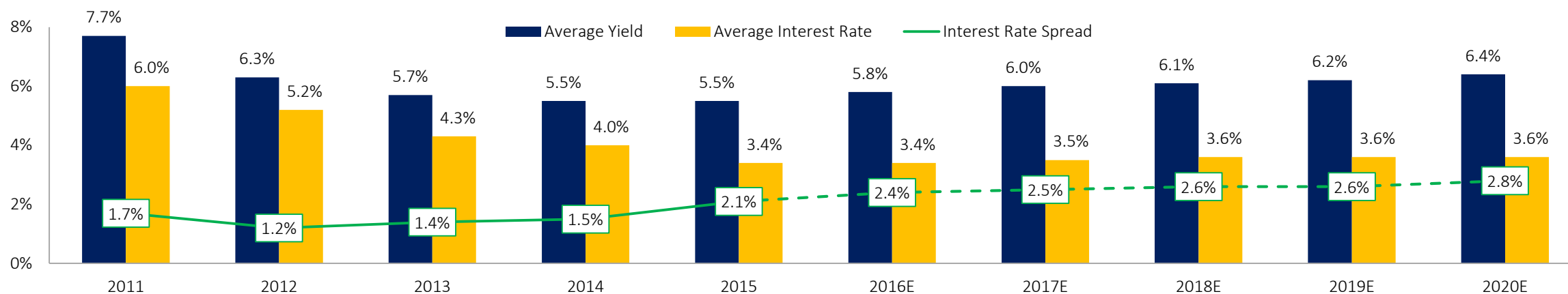
Growth Assumptions

- Through the forecast horizon
 - Interest-earning assets: 38%
 - Interest-bearing liabilities: 43%
 - Greater investment in solar and wind projects

General Outlook

- Rates expected to rise slowly and gradually over time
- Solar and wind energy expected to be majority of US energy build (consistent with past four years)
- Solar ITC extended to 2022 and Wind PTC to 2018
- Low default rate expected due to quality of projects

Forecasted Yields, Interest Rates & Spreads



Hannon Armstrong Sustainable Infrastructure

Valuation & Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow to Equity	40%	\$19.52	\$7.81
Residual Income	40%	\$21.01	\$8.40
Dividend Discount Model	10%	\$20.28	\$2.03
Implied Forward P/E Multiple	5%	\$19.24	\$0.96
Price-to-Book Multiple	5%	\$18.90	\$0.94
Intrinsic Value			\$20.14
Market Price (4/13/2016)			\$18.99
Estimated Upside / (Downside)			6.1%

Investment Thesis

- Strong niche position in growing market that needs intelligent financing
- Greater investment in solar and wind transactions will increase yields
- Invested assets provide investment-grade, predictable cash flows with low default rate

Fastenal Company

NASDAQ: FAST



Price (4/13/2016): \$45.82

1-yr Forward P/E: 23.3x

Market Cap: \$13.2 billion

Dividend Yield: 2.62%

LTM EPS: \$1.77

One-Year Price Chart



Focus – Technical Analysis

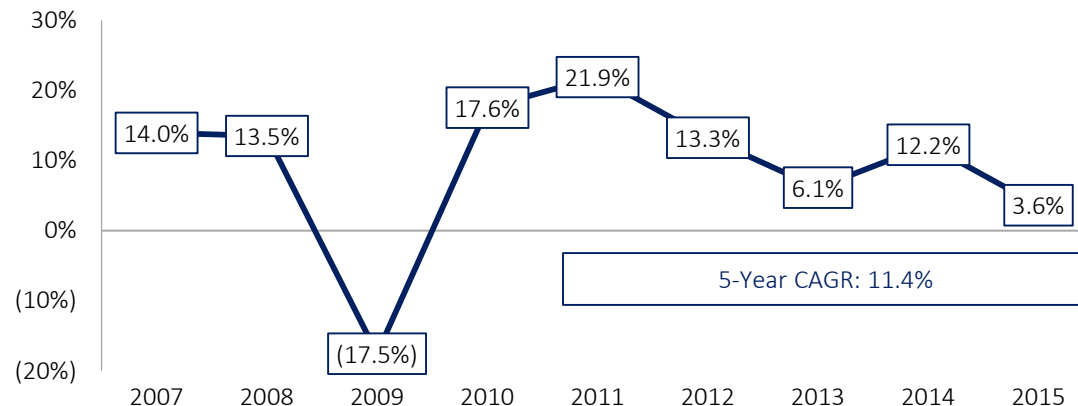
Fastenal Company

Overview

Business

- Industrial supplier for manufacturing and non-residential construction industries
- 2,622 stores, 96% in the U.S. and Canada
- Revenue from fastener and non-fastener product lines
- Fastenal-manufactured products represent 5% of revenue
- Strategy: customer service, local presence, and long-term customer relationships

Revenue Growth



Product Mix



Fastenal Company

Technical Analysis



Methodology

- Indicator to confirm the presence of a trend and direction

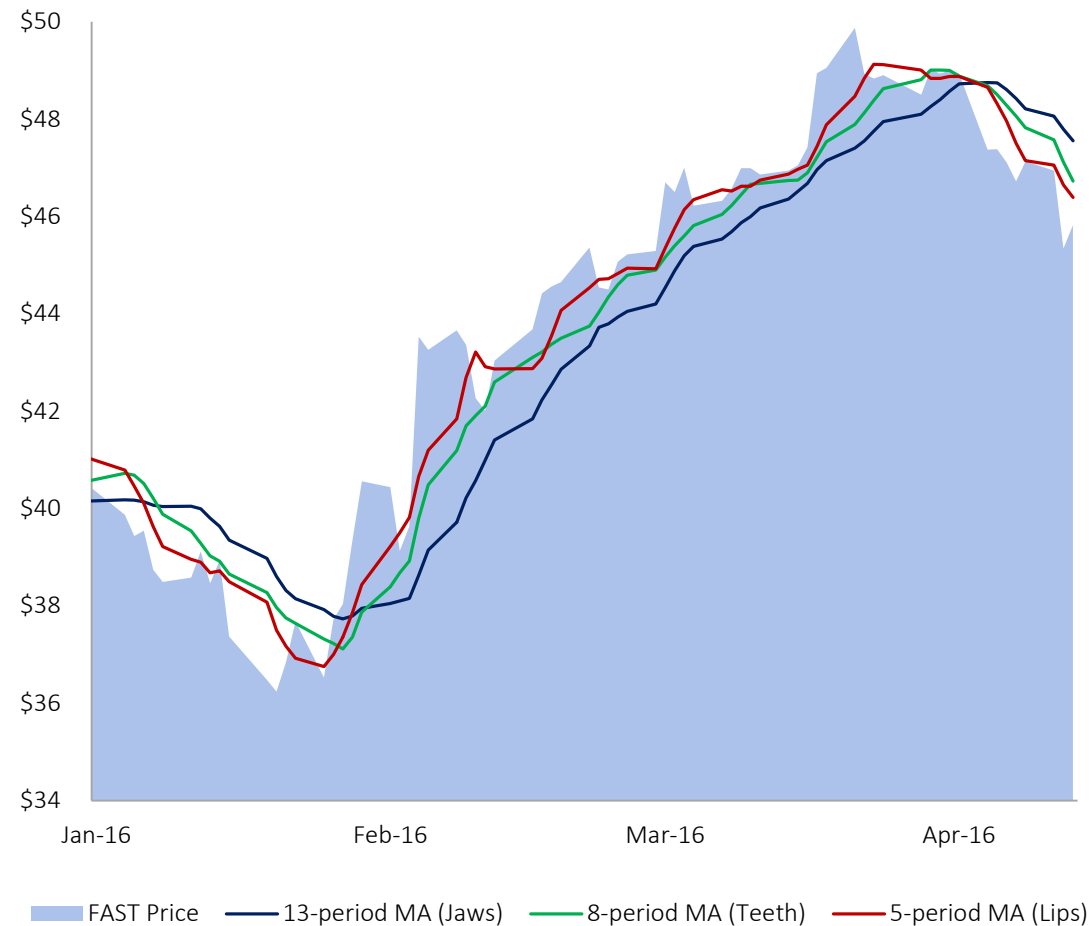
Alligator Formula

1. Alligator's Jaw (blue line): 13-period SMA, moved into the future by 8 periods
2. Alligator's Teeth (green line): 8-period SMA, moved by into the future 5 periods
3. Alligator's Lips (red line): 5-period SMA, moved into the future by 3 periods

Interpretation

- Crossing and diverging lines in April 2016 is a signal to adjust trading position
- 13-period MA crossed above 8- and 5-period MAs confirming downward trend
- Indication: **SELL**

90-Day Williams Alligator



Fastenal Company

Technical Analysis



Methodology

- Indicator that defines support and resistance, identifies trend, gauges momentum, and provides trading signals

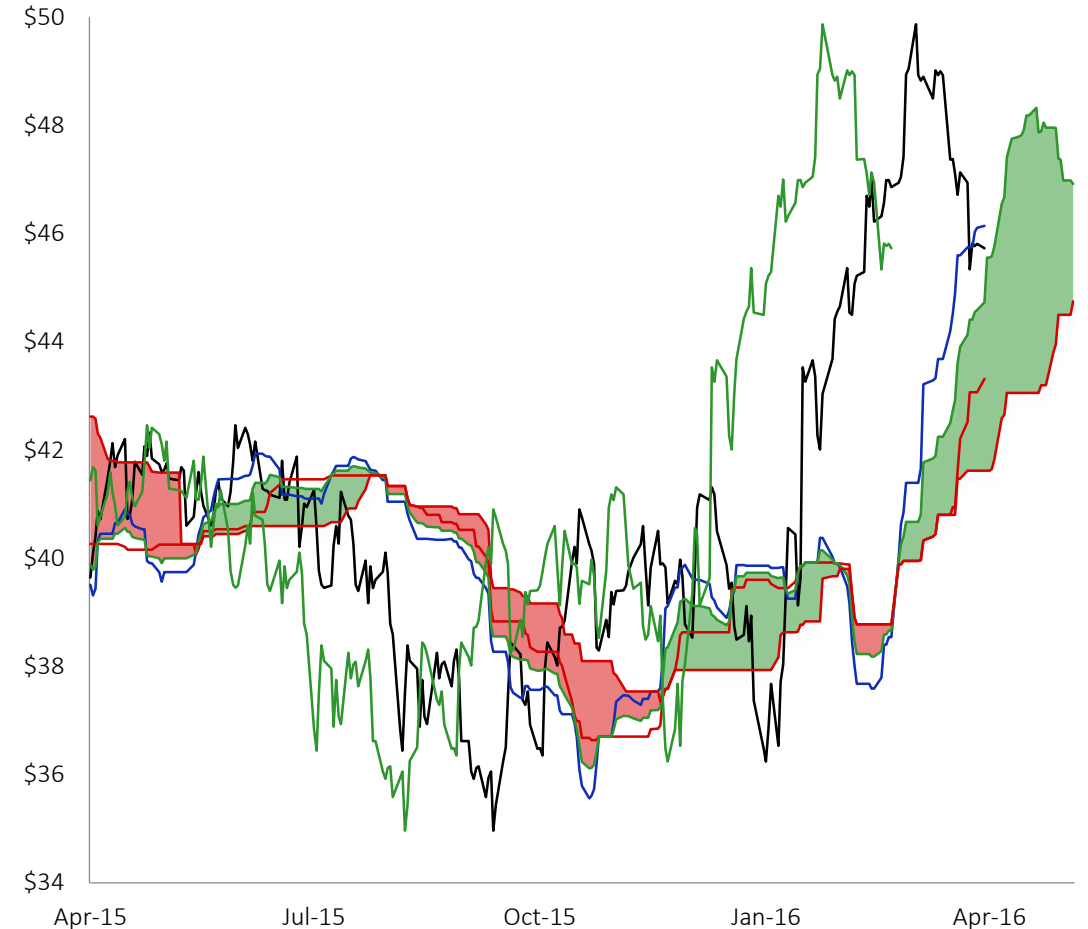
Five Plots

1. Conversion line: 9-day (H + L) / 2
2. Base line: $26\text{-day (H + L) / 2}$
3. Leading span A: $(\text{Conversion} + \text{Base}) / 2 + 26 \text{ days}$
4. Leading span B: $52\text{-day (H + L) / 2} + 26 \text{ days}$
5. Lagging span: $\text{Close} - 26 \text{ days}$

Interpretation

- Leading span A is above leading span B
- FAST prices are above green cloud
- Indication: **BUY**

One-Year Ichimoku Cloud



Fastenal Company

Valuation & Thesis



Recommendation: SELL		Portfolio Decision: SELL	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	90%	\$42.20	\$37.98
Implied Forward P/E Multiple	10%	\$29.90	\$2.99
Technical Analysis	0%	\$40.00	--
Intrinsic Value			\$40.97
Market Price (4/13/2016)			\$45.81
Estimated Upside / (Downside)			(10.6%)

Investment Thesis

- Fastenal revenue will grow faster than sector growth but not return to historic 11% CAGR
- Industrial vending machines will increase customer stickiness but not drive revenue
- Lower price competition and nascent online sales presence will hinder growth and margins

Knoll

Price (4/13/2016): \$22.18

1-yr Forward P/E: 12.3x

Market Cap: \$1.1 billion

Dividend Yield: 2.67%

LTM EPS: \$1.36

One-Year Price Chart



Focus – Discovery

Company Background



QUALITY



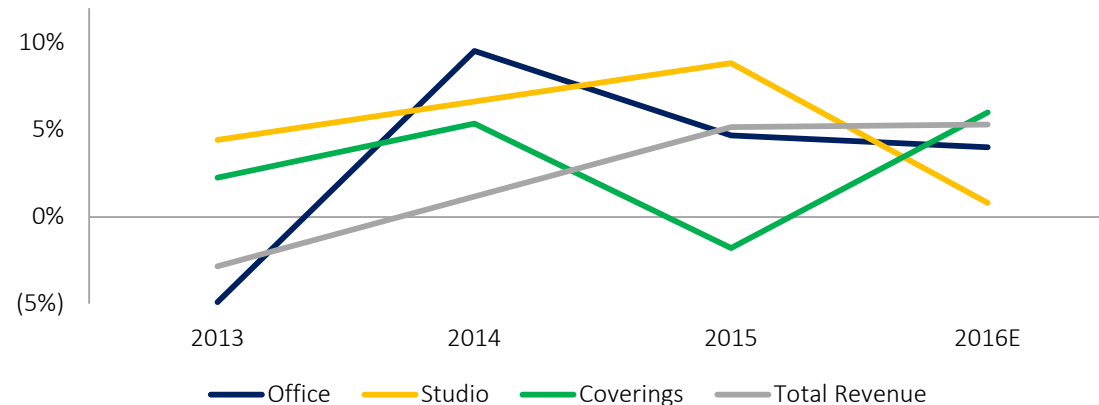
RELATIONSHIPS



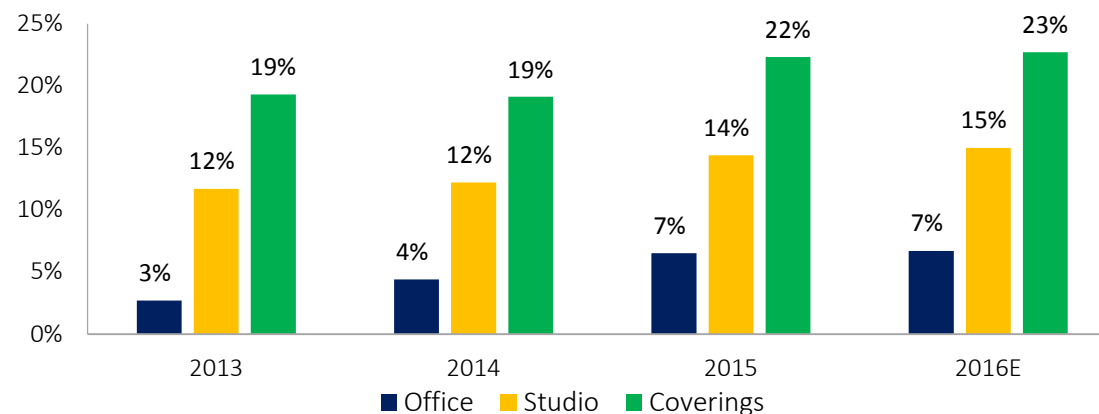
SUSTAINABILITY

“...High Design, High Margin...”

Revenue Growth by Segment



Operating Margin by Segment



Holly Hunt Outside Sales Representative

- Autonomous: expand existing client relationships
- Synergies coming from production and payment
- Hospitality expansion: Knoll coverings on Holly Hunt pieces
- Rumored crossovers between Holly Hunt and Knoll
- Access to different price points

Holly Hunt Showroom Sales Associate

- Increase in architect and designer traffic
- Request for quotes are trending towards higher price points and multiple pieces

“Holly Hunt has successfully begun global expansion and Knoll is driving further expansion into Europe and Asia.”

High-End Residential Architectural Design Firm Owner



- Growth in new high-end project starts with current six month backlog
- Currently not bidding on projects due to capacity
- Clients often want office space designed with the comfort of their residence
- Increase in average project spend with an increase on furniture budget

“Clients want an office space that feels like home; Knoll provides the design and durability that office design requires.”

Knoll, Inc.

Valuation & Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$25.04	\$20.04
Implied Forward P/E Multiple	15%	\$23.91	\$3.59
Dividend Discount Model	5%	\$34.74	\$1.74
Book Value per Share	0%	\$5.35	--
Intrinsic Value			\$25.37
Market Price (4/13/2016)			\$22.18
Estimated Upside / (Downside)			14.4%

Investment Thesis

- Margin improvement by growing residential segment and strategic growth into Europe
- Increased order placement in Q4 2015
- Growing architectural and design client backlog

Delphi Automotive PLC

NYSE: DLPH



DELPHI

Price (4/13/2016): \$76.42

1-yr Forward P/E: 12.8x

Market Cap: \$21.2 billion

Dividend Yield: 1.52%

LTM EPS: \$5.06

One-Year Price Chart



Focus – Growth Dynamics

Delphi Automotive PLC

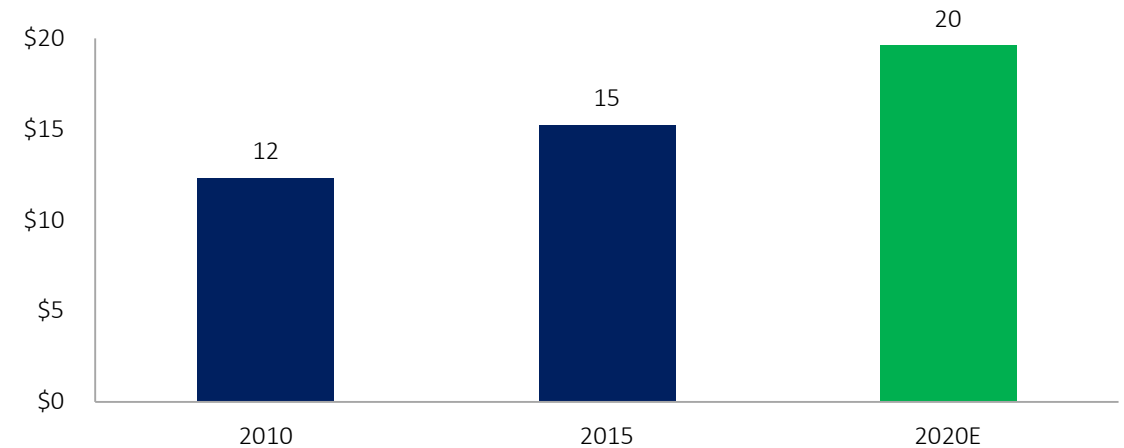
Overview



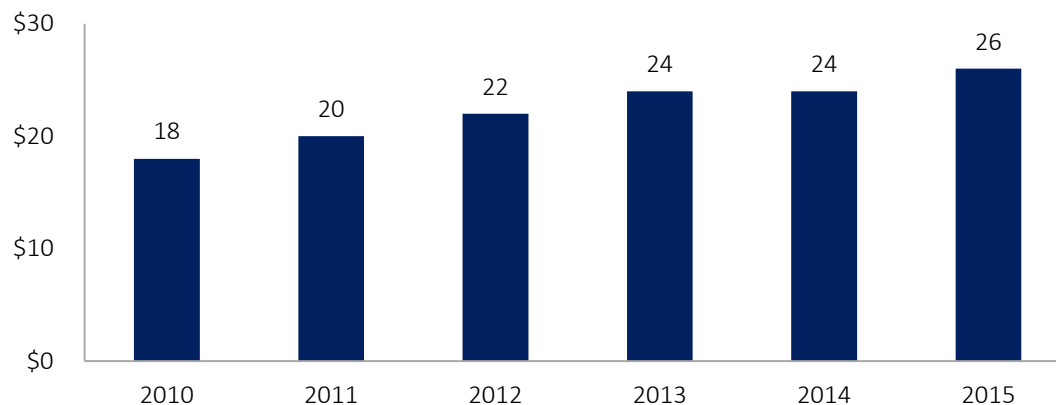
Company Background

- Global vehicle components supplier
- Safe, green, and connected
- Tremendous revenue growth
- Shift to Asia

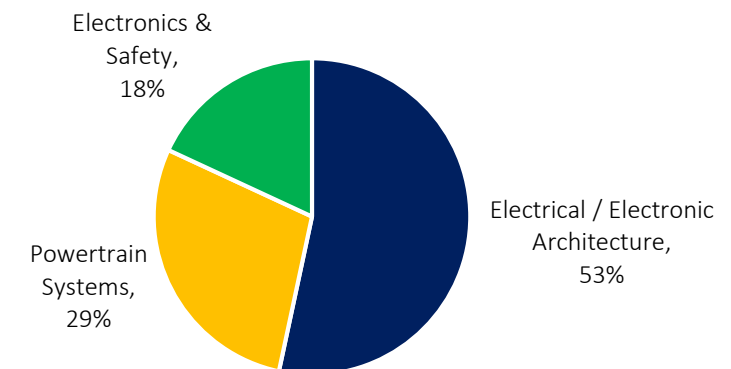
Revenue (\$ billion)



Bookings (\$ billion)



Revenue by Segments



Delphi Automotive PLC

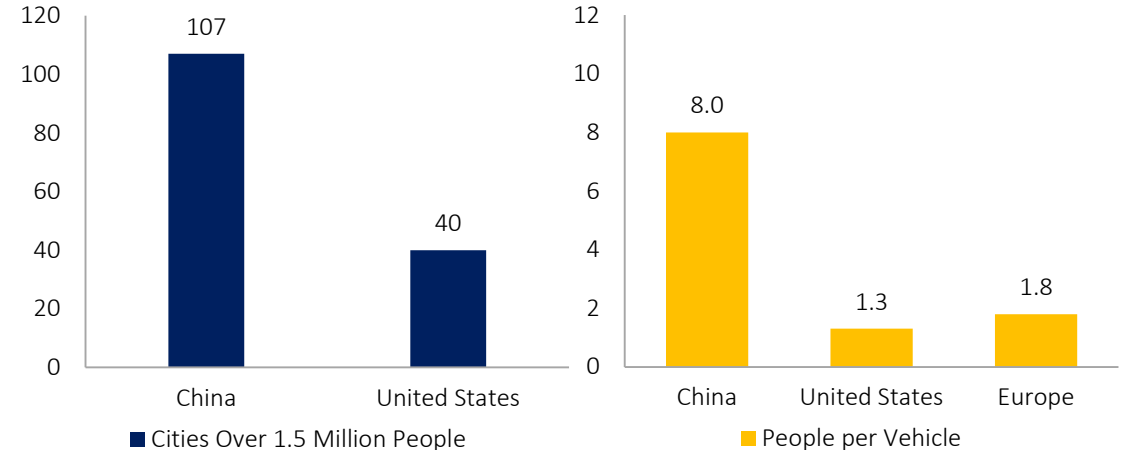
Growth Opportunity in China



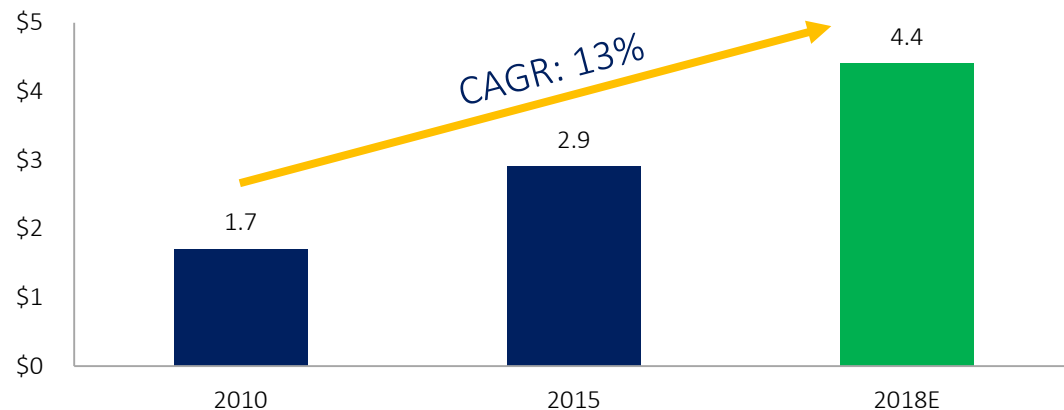
Growth in China

- Operations in China
 - 100% management control
 - Tripled engineers from 2010 to 2015
- Tremendous growth opportunities
 - Penetration rate
 - Urbanization
 - Shift from sedan to SUV

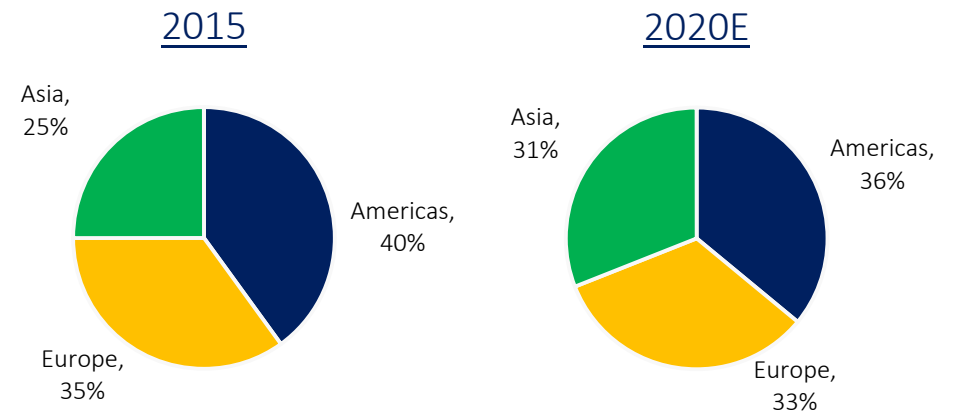
Urbanization & Vehicle Penetration



Revenue from China (\$ billion)



Regional Revenue Mix



Delphi Automotive PLC

Valuation & Thesis



Recommendation: HOLD		Portfolio Decision: SELL	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$82.40	\$65.92
Dividend Discount Model	10%	\$59.49	\$5.95
Implied Forward P/E Multiple	10%	\$60.48	\$6.05
Intrinsic Value			\$77.92
Market Price (4/13/2016)			\$76.42
Estimated Upside / (Downside)			2.0%

Investment Thesis

- Product portfolio aligned with market trends: safe, green, and connected
- Tremendous growth opportunities in China

Mobileye NV

NYSE: MBLY



Price (4/13/2016): \$39.84

1-yr Forward P/E: 85.0x

Market Cap: \$8.8 billion

Dividend Yield: n/a

LTM EPS: \$0.29

One-Year Price Chart



Focus – Earnings Forecast

Mobileye NV

Overview

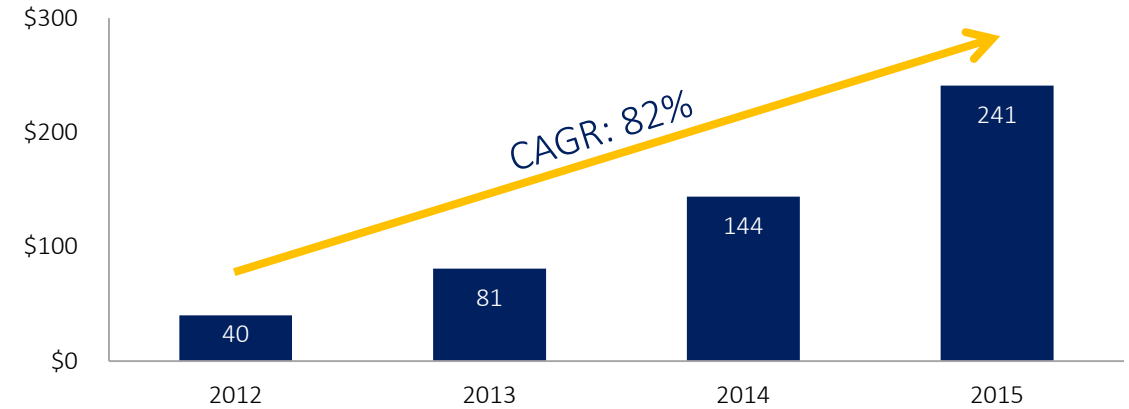


Business Overview

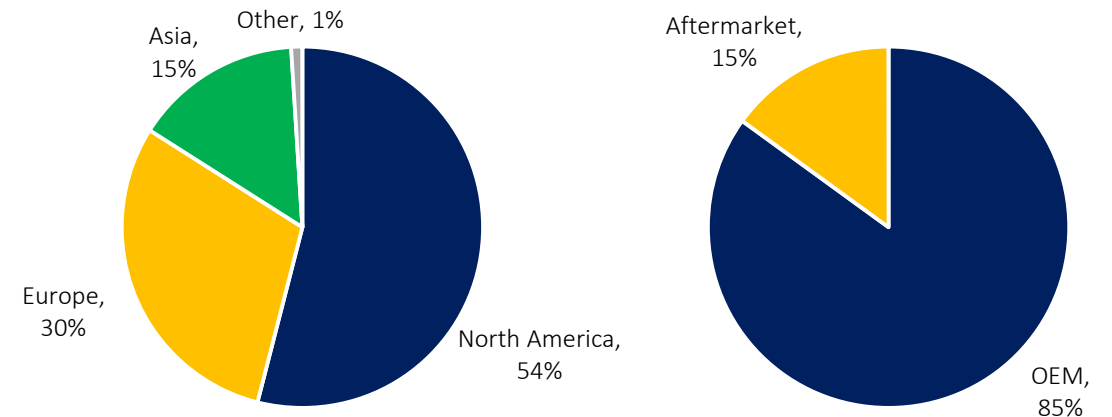
- Headquarters: Jerusalem, Israel
- IPO in August 2014
- Design and development of software for ADAS
- Two sales channels:
 - OEM systems
 - Aftermarket products
- Strength in first mover advantage and OEM relationships
 - 22 OEMs



Historical Revenue (\$ million)



2015 Revenue Breakdown



Mobileye NV

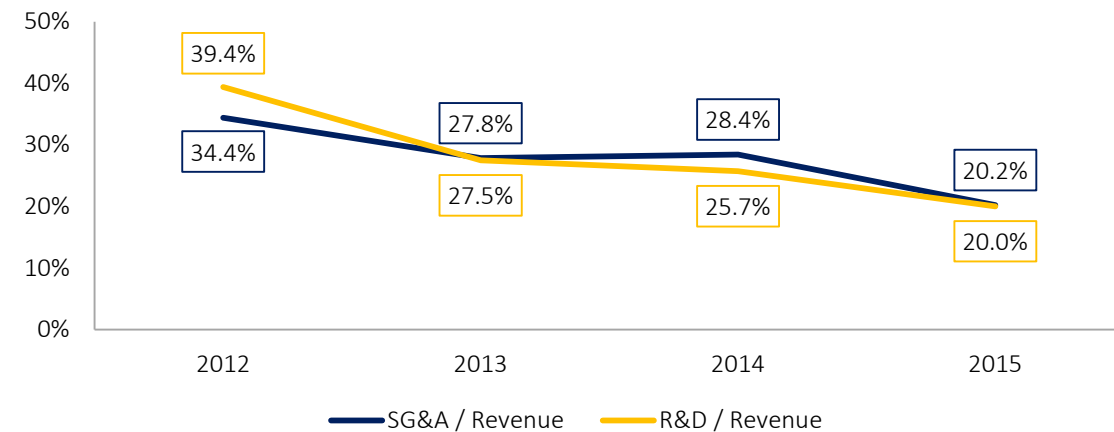
Earnings Forecast



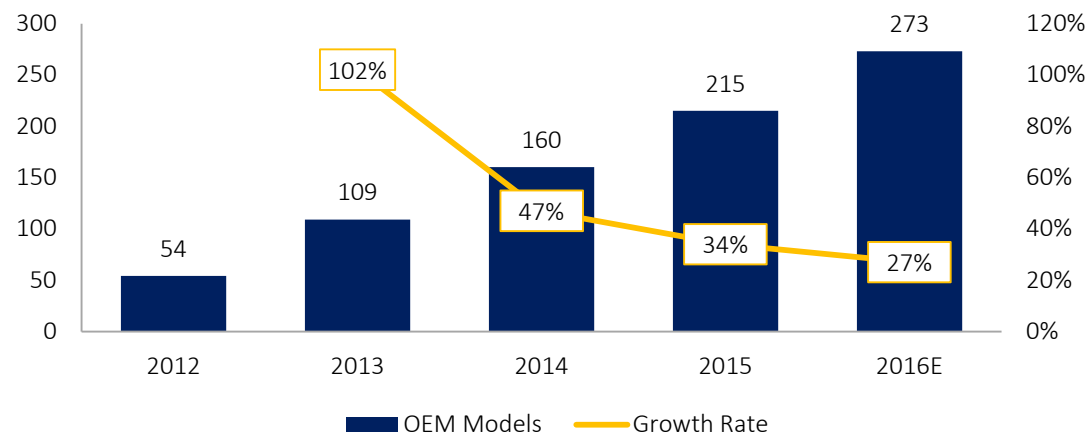
Earnings Drivers

- Historical reduction in SG&A and R&D as percentage of revenue
 - Forecast a slowing of this reduction and eventual bottoming
- Growth in OEM units sold
 - Euro NCAP and NHTSA 5-star ratings
 - 2020 projection of Mobileye's units represents 22% of total car production

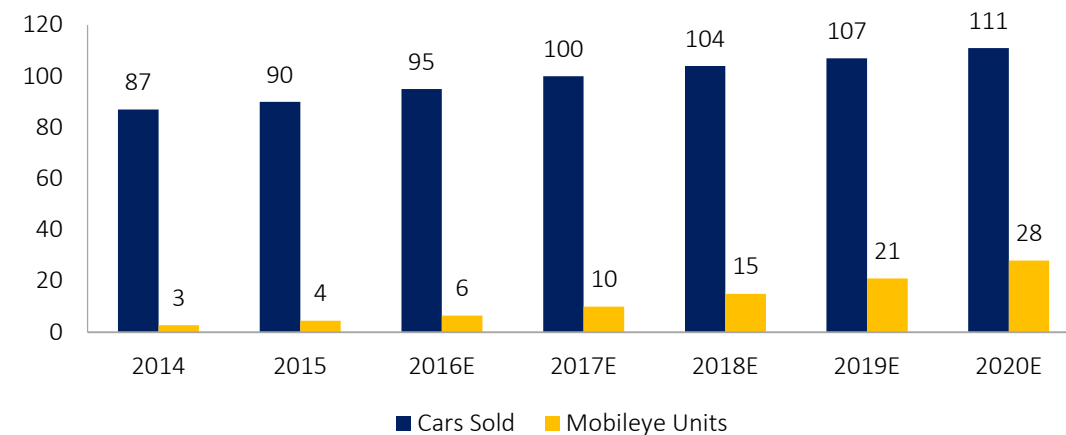
Historical Costs



OEM Growth Rate



Unit Projections (million)



Mobileye NV

Valuation & Thesis



Recommendation: SELL		Portfolio Decision: SELL	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$37.37	\$29.89
Implied Forward P/Sales Multiple	20%	\$36.56	\$7.31
Implied Forward P/E Multiple	0%	\$34.96	--
Intrinsic Value			\$37.21
Market Price (4/13/2016)			\$39.84
Estimated Upside / (Downside)			(6.6%)

Investment Thesis

- Upside potential in Euro NCAP and NHTSA 5-star ratings
- Balance sheet makes Mobileye attractive acquisition target
- Risk of new competitors eating away at current and future market share
- Mobileye's technology not seen as superior



Price (4/13/2016):	\$42.32
1-yr Forward P/E:	17.5x
Market Cap:	\$8.8 billion
Dividend Yield:	5.14%
LTM EPS:	\$2.39

One-Year Price Chart



Focus – Fundamental Analysis

Garmin Ltd.

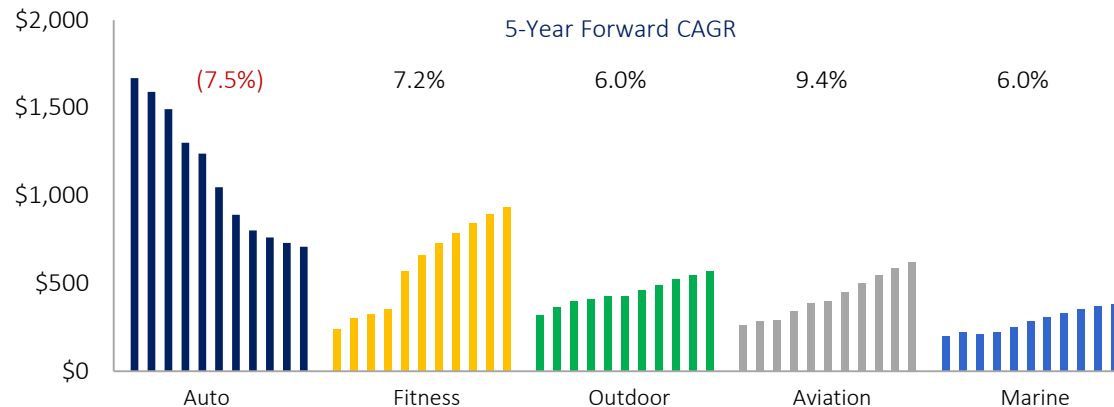
Company Background



Company Overview

- Garmin operates across five business segments: Auto, Fitness, Outdoor, Aviation, and Marine
- Auto segment will continue to decline during the projection period
- Fitness segment remains the largest growth opportunity
- No outstanding debt
- 5-year forward revenue CAGR of 2.7% (2015–2020E)

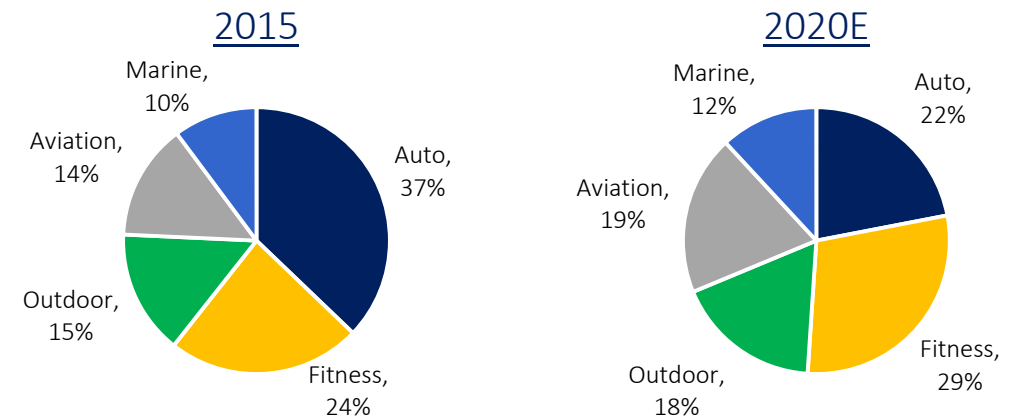
Segment Revenue Trends: 2010-2020E (\$ million)



Product Mix



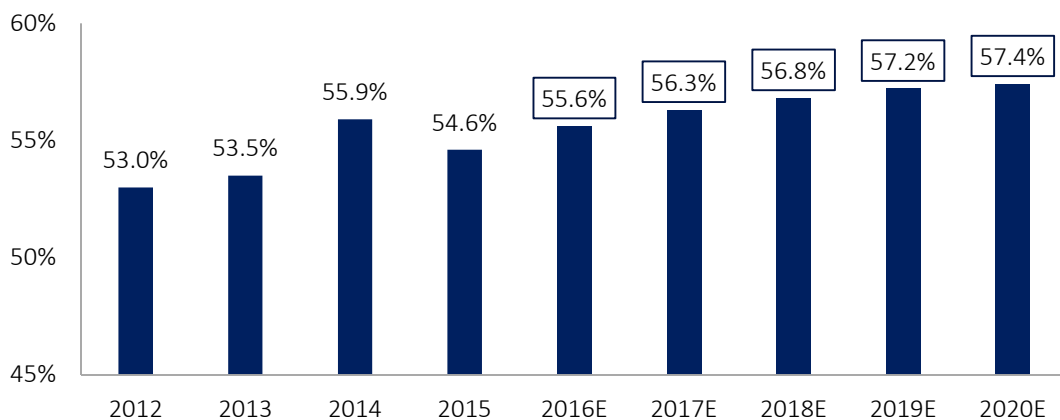
Revenue Breakdown



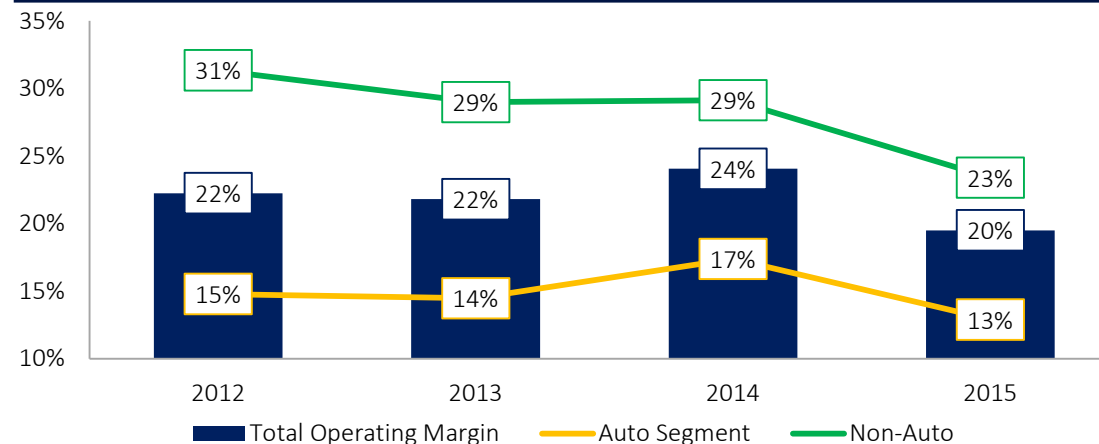
Margin Performance Overview

- The Auto segment has been the lowest margin business line historically
- Decline of Auto segment and growth in other segments alters the income statement significantly
- Shift in revenue away from Auto segment and its resulting margin improvement is already fairly priced in to the stock

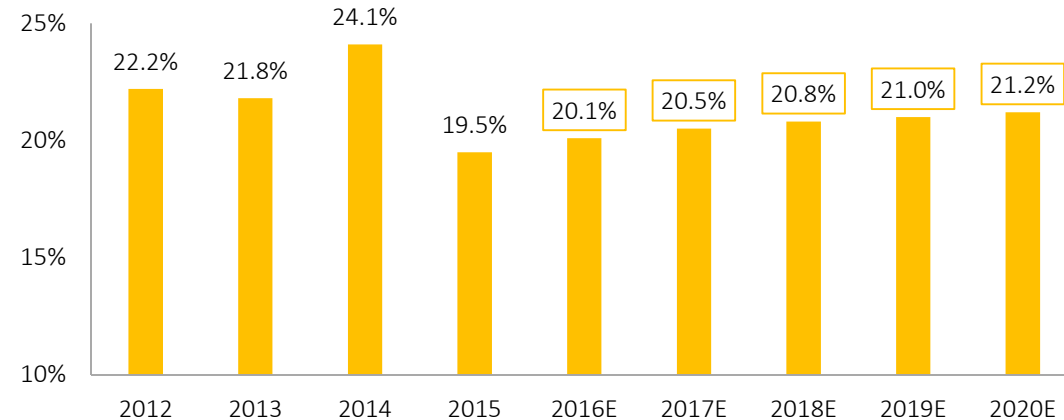
Improvement in Gross Margin



Historical Operating Margin



Improvement in Operating Margin



Garmin Ltd.

Valuation & Thesis



Recommendation: NO BUY		Portfolio Decision: NO BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$42.71	\$34.17
Implied Forward P/E Multiple	10%	\$39.27	\$3.93
Implied Forward P/Sales Multiple	10%	\$38.73	\$3.87
Intrinsic Value			\$41.97
Market Price (4/13/2016)			\$42.32
Estimated Upside / (Downside)			(0.8%)

Investment Thesis

- Strength in Fitness and other segments is not enough to mitigate declining Auto segment
- Well-managed company but does not meet the investment objectives of the AIM portfolio
- The stock is fairly valued by the market



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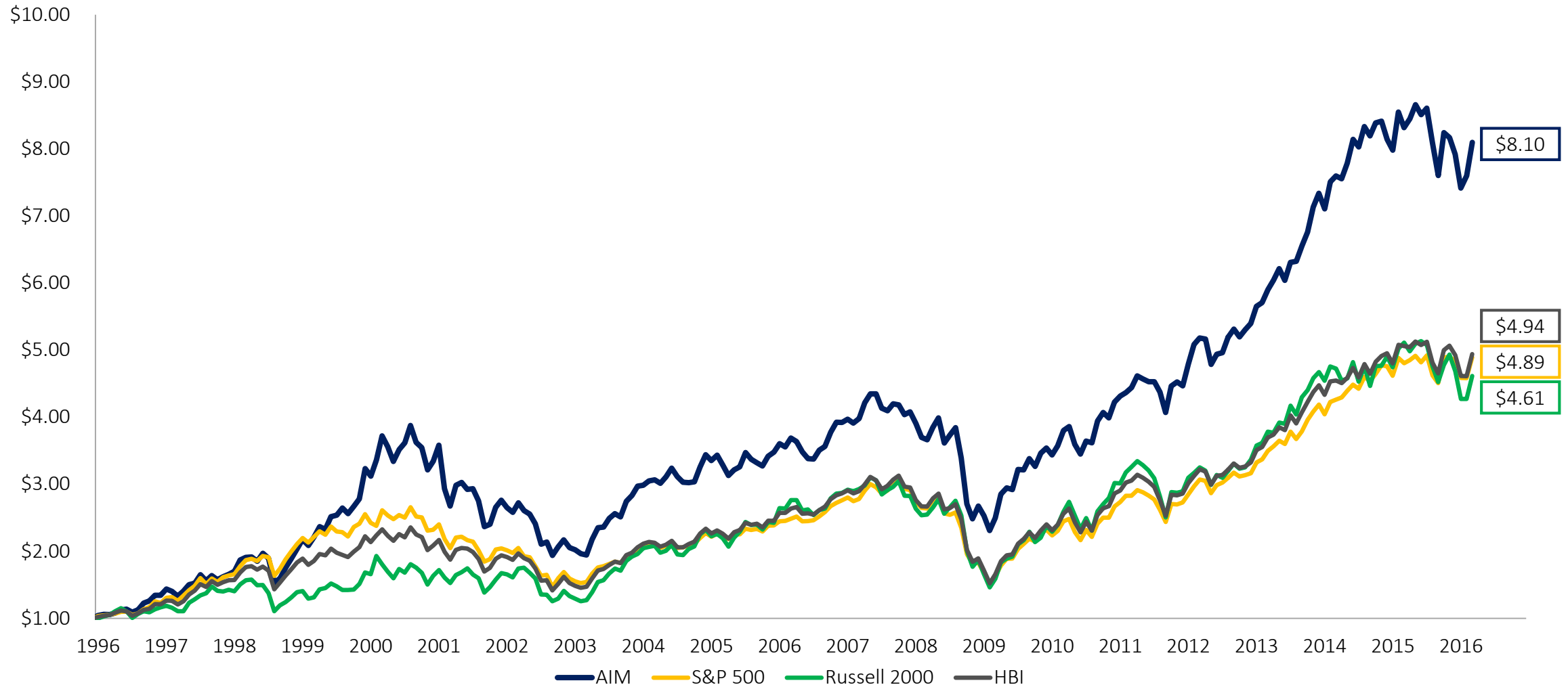
Portfolio Performance

- Historical Returns vs. Benchmarks
- Attribution Analysis
- Risk-Adjusted Performance
- Best & Worst Performers
- Portfolio Additions & Subtractions

Historical Performance

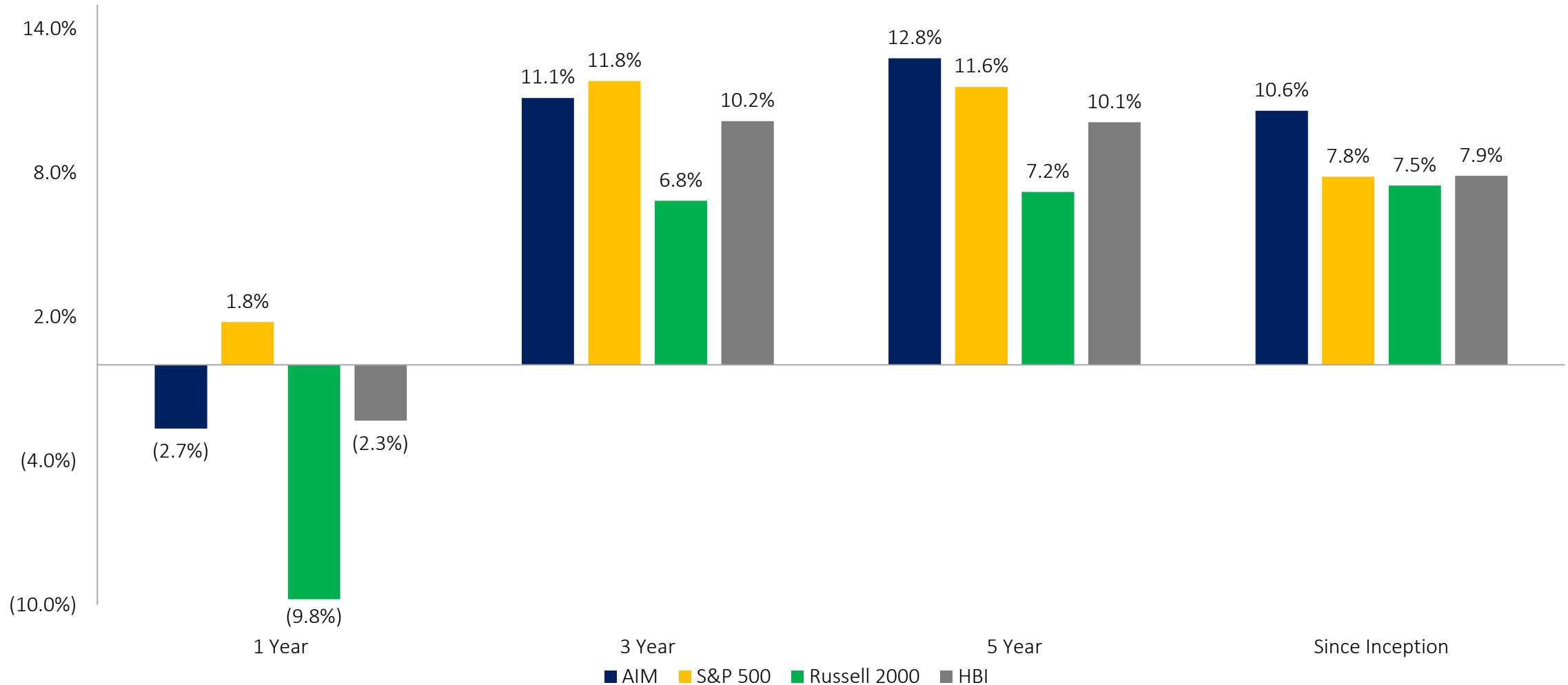


Cumulative Return of \$1.00 investment on January 1, 1996 (at inception)



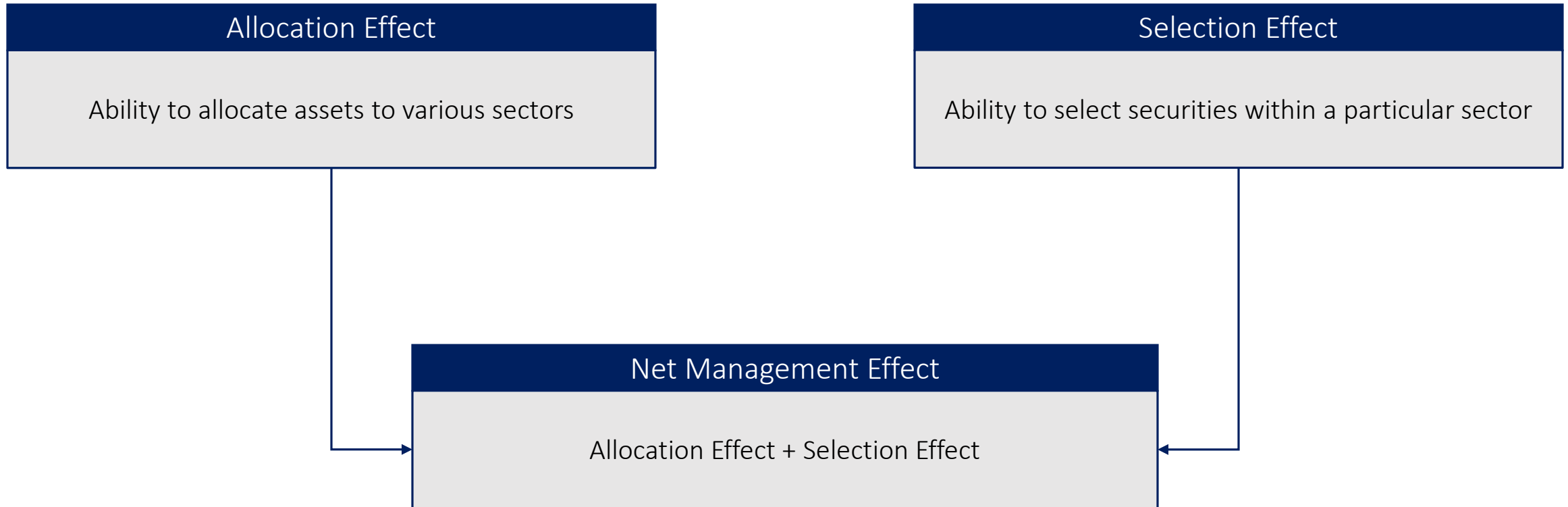
Historical Performance

AIM Portfolio Returns vs. Benchmarks



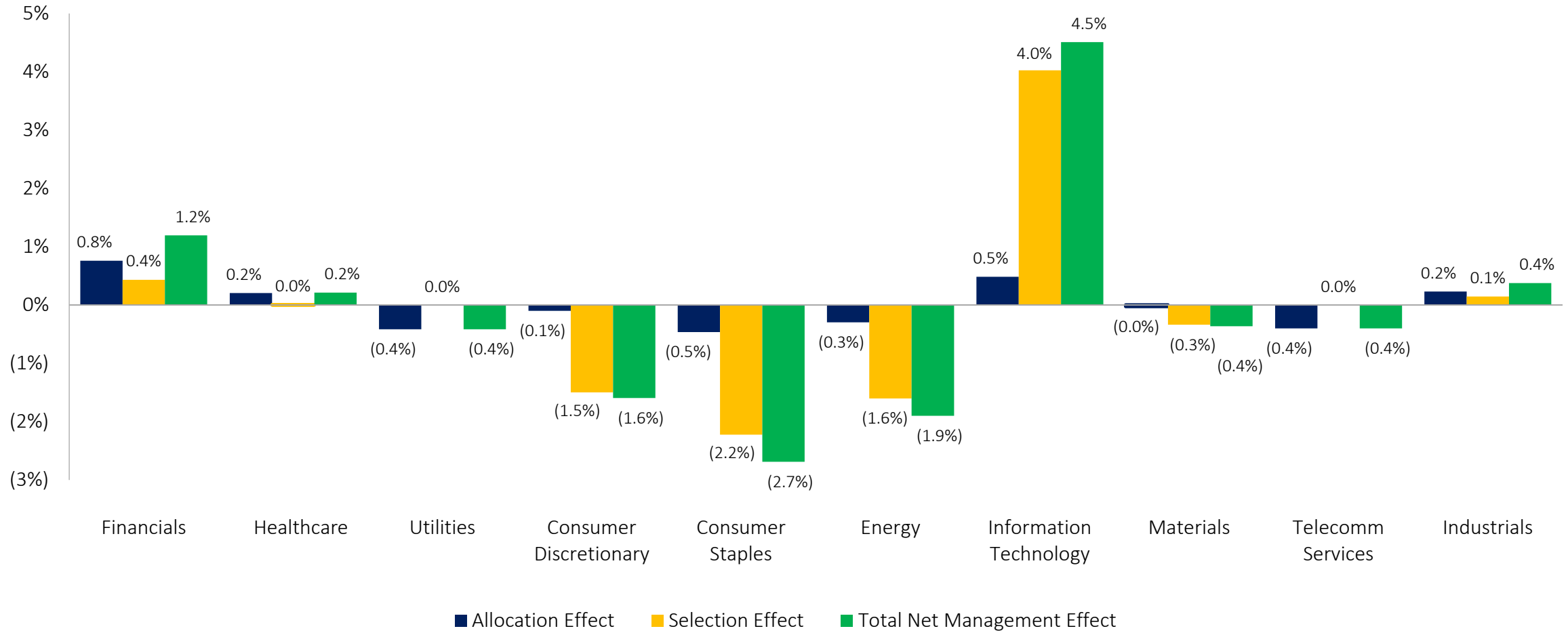
Performance Attribution Analysis

AIM Portfolio Returns vs. Benchmarks



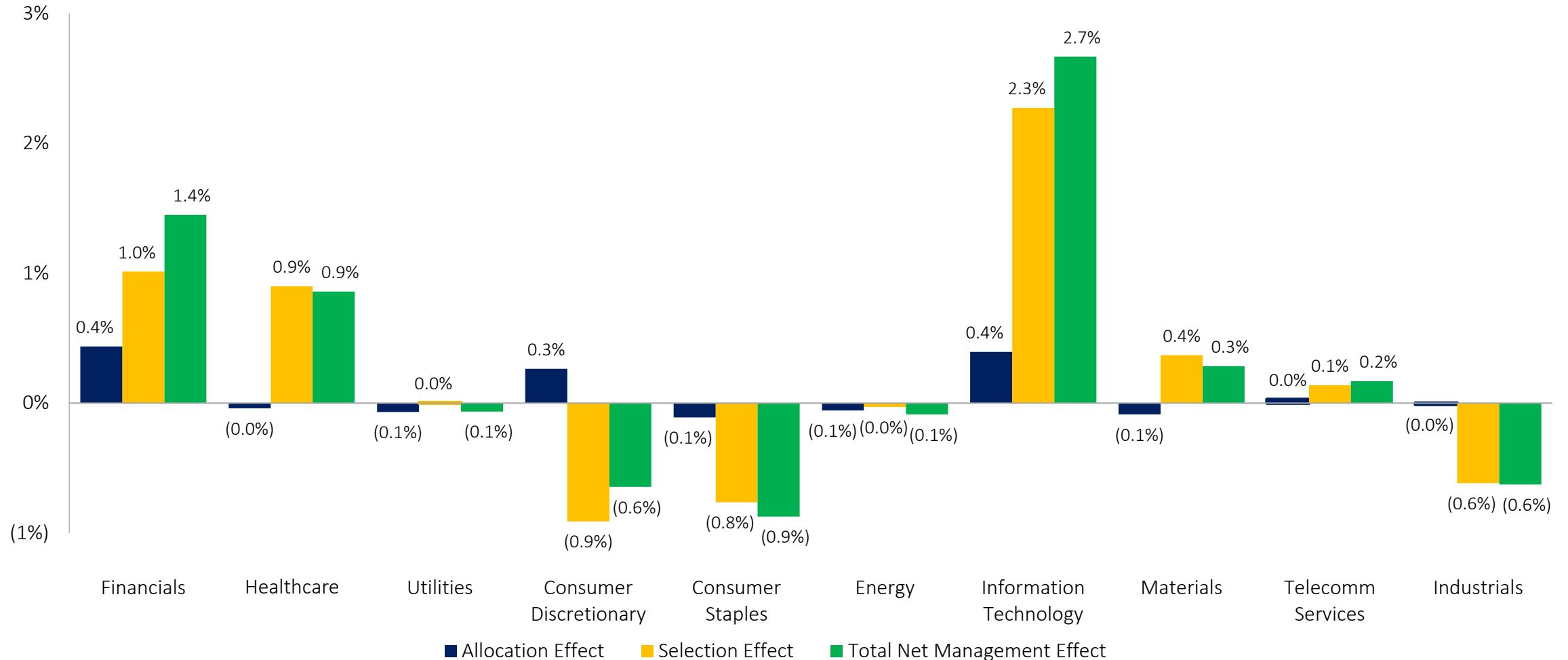
Attribution Analysis

One-Year Performance vs. S&P 500



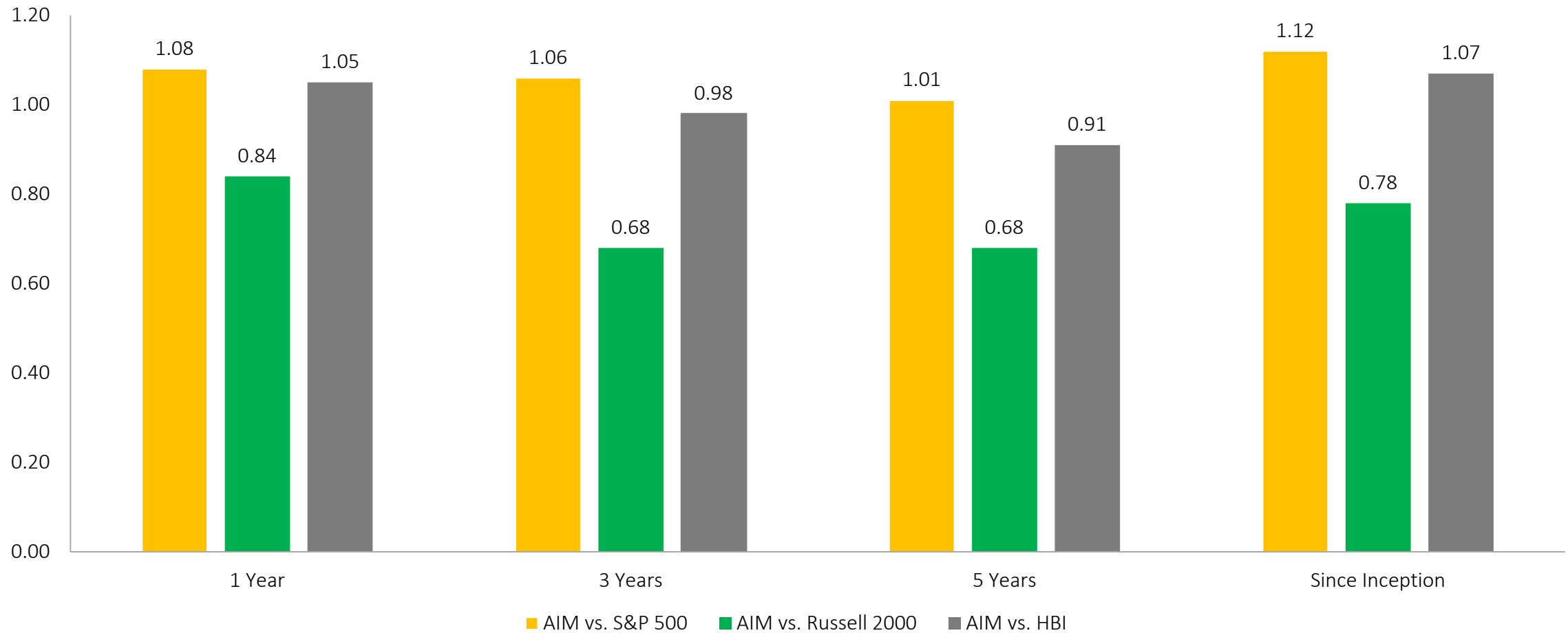
Attribution Analysis

5-Year Performance vs. S&P 500



Portfolio Risk Measure

Beta



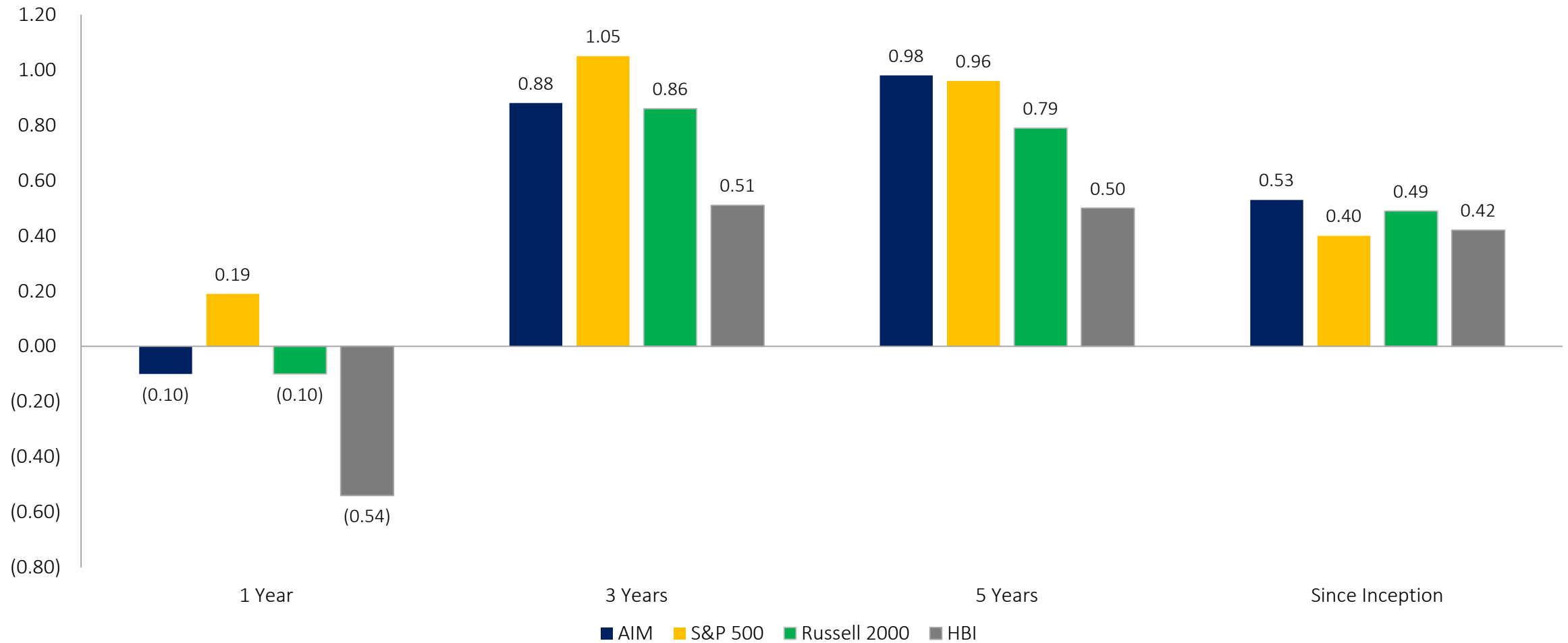
Risk-Adjusted Performance

Jensen's Alpha: Abnormal Returns



Risk-Adjusted Performance

Sharpe Ratio: Excess Returns to Risk



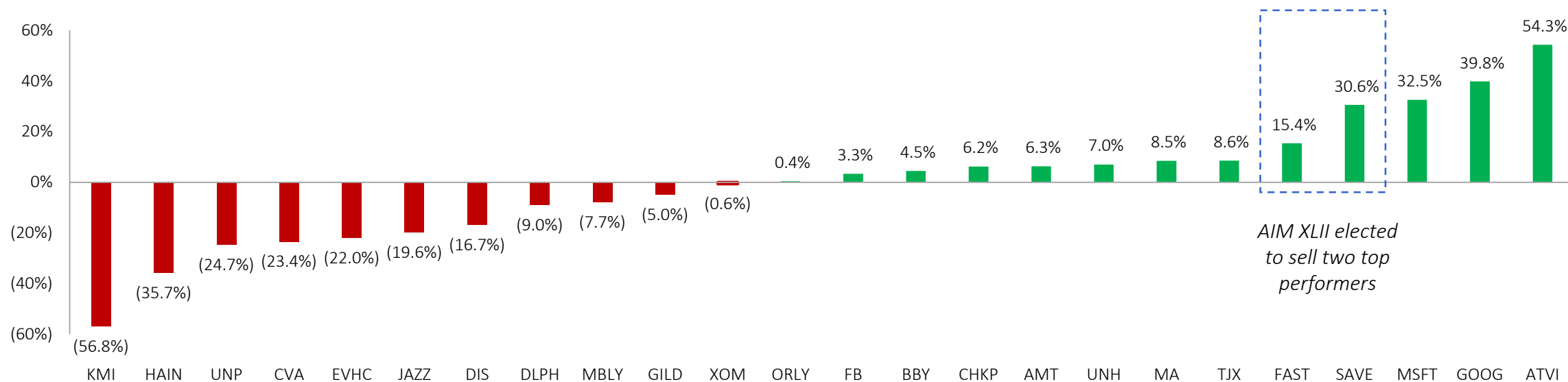
Best & Worst Performers

Trailing 12 Month +/- Analysis



Bottom 5 Performers		
Company Name	Industry	Return
Kinder Morgan	Energy	(56.8%)
Hain Celestial	Consumer Staples	(35.7%)
Union Pacific	Industrials	(24.7%)
Covanta Holdings	Industrials	(23.4%)
Envision Healthcare*	Healthcare	(22.0%)

Top 5 Performers		
Company Name	Industry	Return
Activision Blizzard	Information Technology	54.3%
Alphabet	Information Technology	39.8%
Microsoft	Information Technology	32.5%
Spirit Airlines*	Industrials	30.6%
Fastenal*	Industrials	15.4%



*Holding period return; stock purchased within the last twelve months

Source: Yahoo Finance, AIM / Hanratty 2016

Portfolio Transactions

Additions & Deletions



Portfolio Deletions

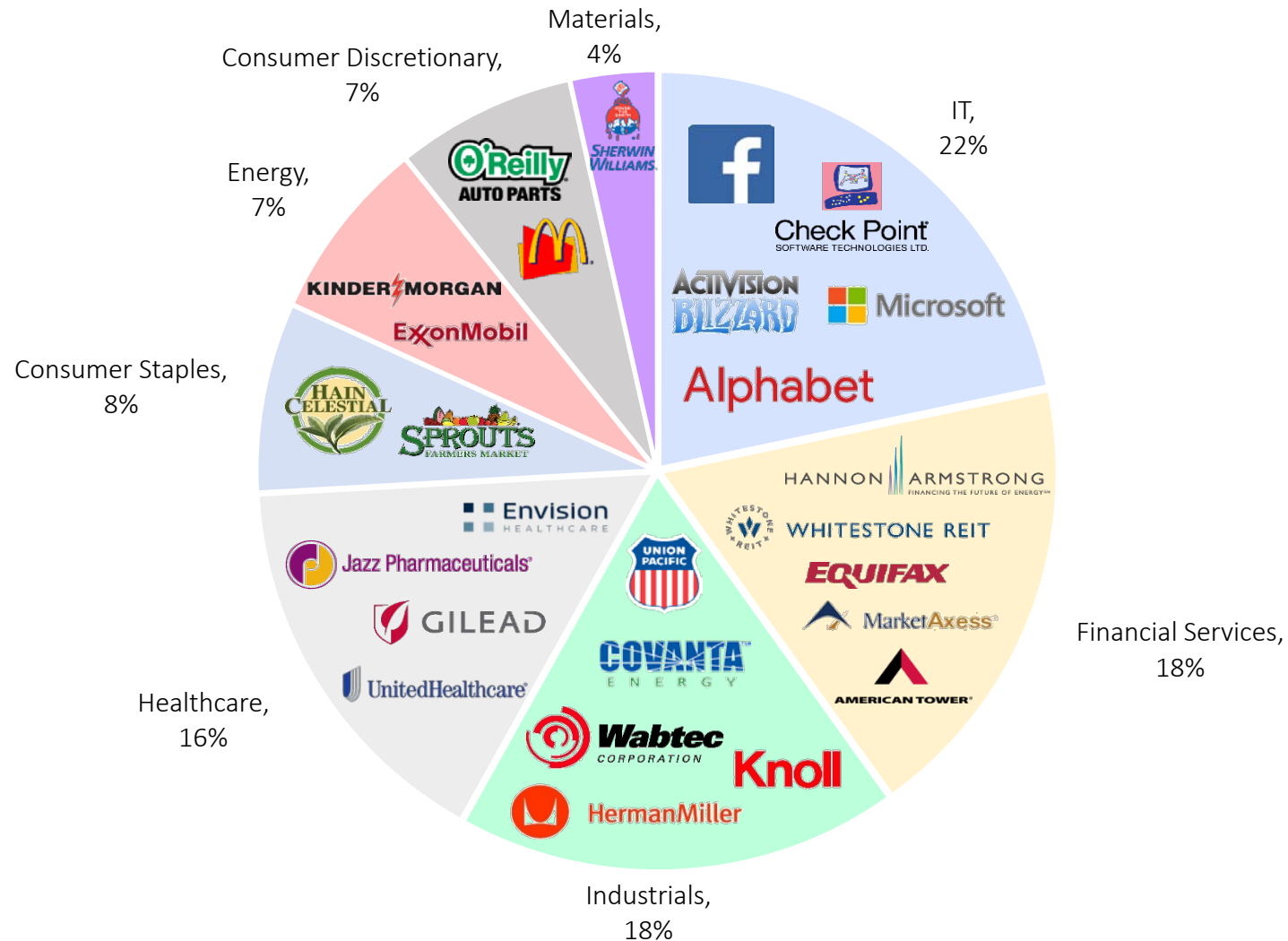
Company Name	Industry
Best Buy	Consumer Discretionary
Delphi Automotive	Consumer Discretionary
The TJX Companies	Consumer Discretionary
Walt Disney Company	Consumer Discretionary
Fastenal	Industrials
Spirit Airlines	Industrials
MasterCard	Information Technology
Mobileye	Information Technology

Portfolio Additions

Company Name	Industry
McDonald's	Consumer Discretionary
Sprouts Farmers Market	Consumer Staples
Equifax	Financial Services
Hannon Armstrong	Financial Services
MarketAxess	Financial Services
Whitestone REIT	Financial Services
Herman Miller	Industrials
Knoll	Industrials
Wabtec	Industrials
Sherwin-Williams	Materials

Final Portfolio

Sector Breakdown

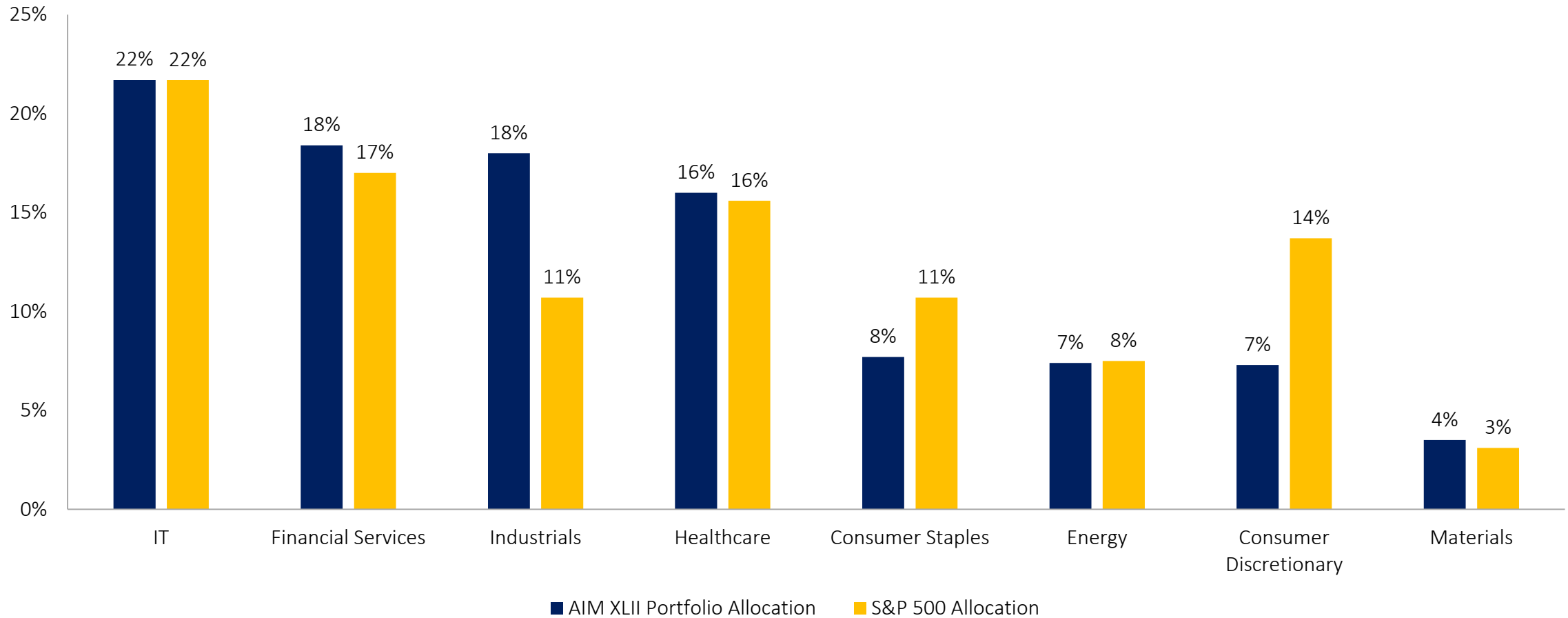


Sector Allocation

AIM Portfolio vs. S&P 500



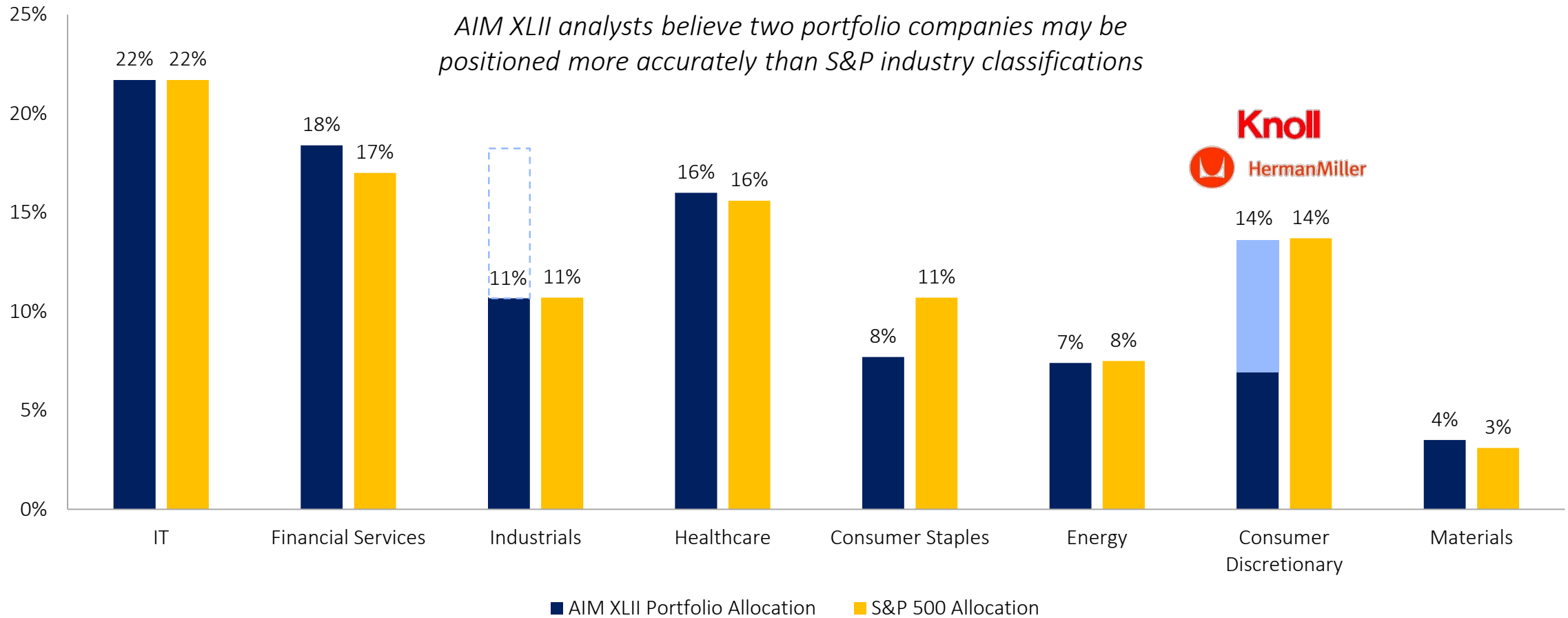
Sector Allocation



Sector Allocation

AIM Portfolio vs. S&P 500

Sector Allocation





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AIM XLII Highlights

Chicago Trip & Class Speakers

AIM Website & Newsletter

Acknowledgments

Chicago Trip

February 11–12



Incubator & Venture Capital Fund



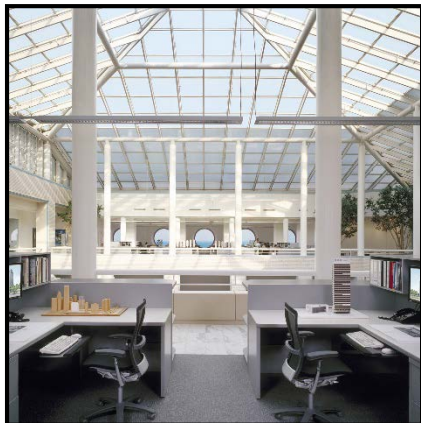
Brian Luerssen
Managing Director

Private Equity



D.J. Lipke – AIM XVII
Vice President

Commercial Real Estate Management & Financing



Jones Lang LaSalle
Railway Exchange Building

Long-Biased Public Equity



Michael Melby – AIM XV
Founder

Additional Highlights

Alumni Connections

- Chicago trip networking dinner at Maggiano's
- Newsletter alumni updates and articles



Gerard Baker

- Wall Street Journal editor-in-chief Gerard Baker visited Notre Dame in March to discuss the state of the economy and the upcoming presidential election
- Prior to Mr. Baker's lecture in the Jordan Auditorium, he joined the AIM class for a presentation and open discussion



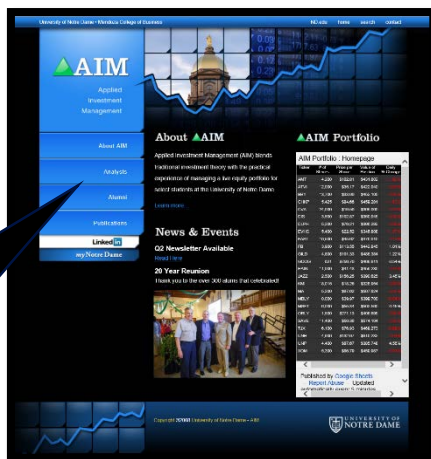
Additional AIM Projects

Website & Newsletter



AIM Website: aim.nd.edu

- AIM course description and history
- Current portfolio
- Current analysts and coverage
- Recruiting and networking tools
- Advisory board presentations
- Alumni newsletters



Newsletter

- State of the economy
- Sector updates
- Portfolio composition
- Alumni articles
- Portfolio performance
- Company developments
- AIM alumni update
- AIM analyst profiles



Closing Remarks

Acknowledgments



Thank you for all of your guidance and support

AIM Advisory Board

Notre Dame Investment Office

Scott Malpass

Marlene Wasikowski

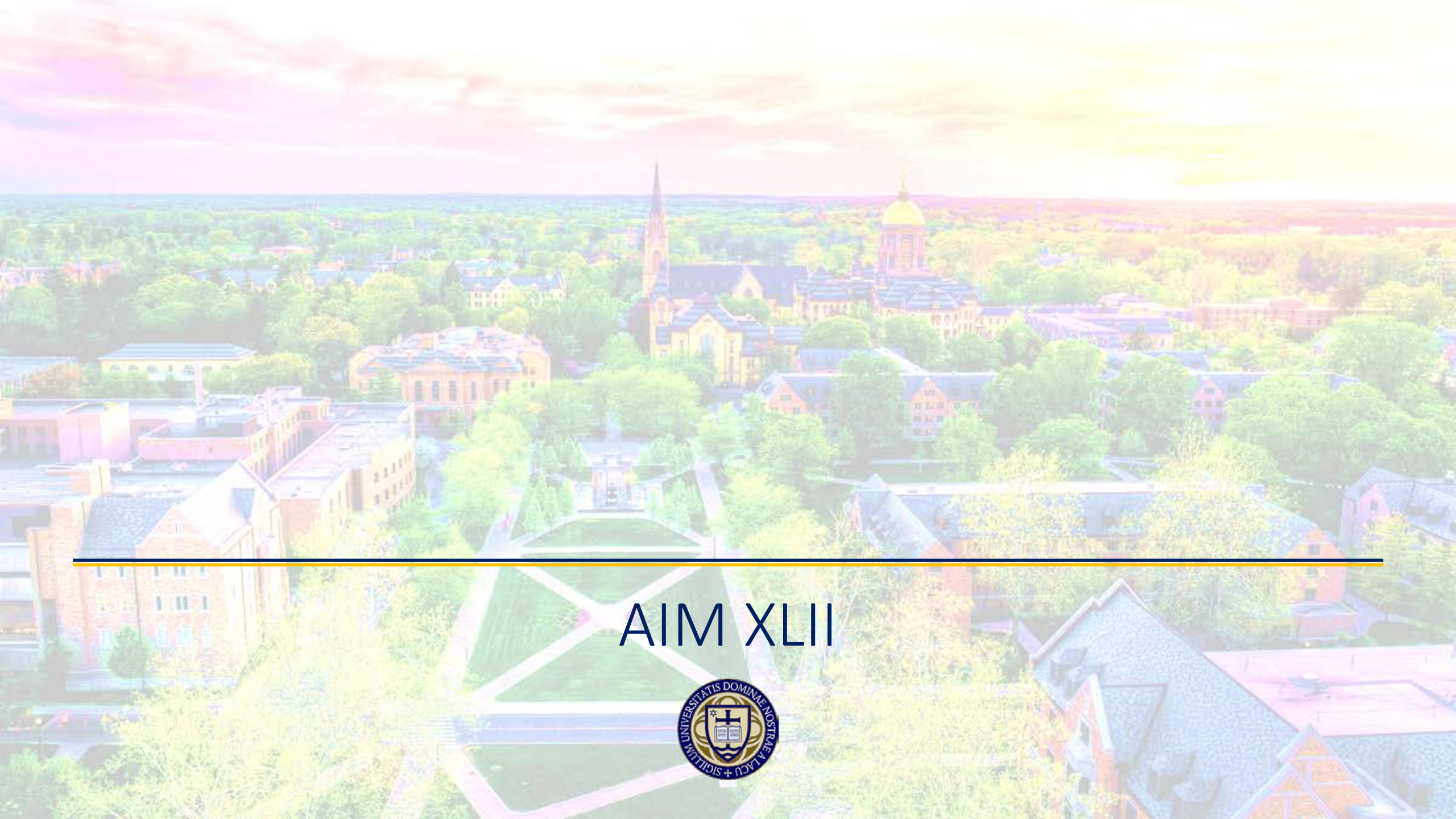
Frank Reilly

Kristen Collett-Schmitt

Jerry Langley

Bill McDonald





AIM XLII

