



Advisory Board Presentation

AIM XL
April 27, 2015

AIM XL Analysts



Cory Albertson
Warsaw, Indiana
Ford, Mattress Firm

Richard Drew
Indianapolis, Indiana
Calumet Specialty Products, 8x8

Samuel Pope
Arlington Heights, Illinois
Hain Celestial Group, Roundy's

Sloan Smith
Concord, New Hampshire
Intel, Royal Carribean

Jasminka Arnautovic
Ottawa, Canada
Deere & Company, Facebook

Rahul Khobragade
Mumbai, India
Apple, Mastercard

Joshua Rabinovitz
Los Angeles, California
Checkpoint Software, Cisco Systems

Syed Farooq Tirmizi
Karachi, Pakistan
Verifone Systems, Kinder Morgan

Siddhartha Arora
Kolkata, India
UnitedHealth Group, Jazz Pharma

Brendan Lesch
Westport, Connecticut
Google, Netflix

James Rapuzzi
Anchorage, Alaska
Union Pacific, Columbia Sportswear

Jonathan Welch
Virginia Beach, Virginia
InterActive Corp, ExxonMobil

Ben Budish
Short Hills, New Jersey
Monsanto, Discover Financial

Robert Malonoski
Phoenixville, Pennsylvania
Gilead Sciences, Monster Energy

Rex Redlingshafer
Fairway, Kansas
Atwood Oceanics, Gentex

Jiajia Xu
Yangzhou, China
Schlumberger, Michael Kors

Liam Byrne
Chicago, Illinois
Las Vegas Sands, FedEx

Matthew Nealon
Clarks Summit, Pennsylvania
Delphi Automotive, Mobileye

Jason Rodrigues
Mangalore, India
Lockheed Martin, Micron Technology

Joseph Yang
Los Angeles, California
Activision Blizzard, Ecolab

Daniel Carey
Santa Rosa, California
Microsoft, 21st Century Fox

Vincent Ng
Mississauga, Canada
Covanta Holdings, Salesforce.com

Ryan Smith
Summit, New Jersey
Seadrill, IMAX



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Agenda

Investment Objectives and Guidelines
Economic Overview
Security Analysis
Portfolio Performance
AIM XL Highlights
Closing



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Objectives and Guidelines

AIM Overview

Analyst Responsibilities

Stock Selection Process

Investment Policies

Market Capitalization Profile

Ethics Policies

Objectives and Guidelines

AIM Overview



Course Objectives

- Provide students with exposure to the process of portfolio management, from asset allocation decisions through individual stock evaluation
- Combines academic theory with hands-on experience

Analyst Selection

- Selection based on academic record and professional experience
- Analysts assume responsibilities for all portfolio management decisions

Objectives and Guidelines

Analyst Responsibilities



- Each analyst covers two companies:
 - First round: assigned stock from current portfolio
 - Second round: selected stock of interest
- For each stock, analysts produce and present a series of reports:
 - Company Overview
 - Fundamental Analysis
 - Industry Report
 - EPS Forecast
 - Technical Analysis
 - Valuation and Final Recommendation

Objectives and Guidelines

Group Responsibilities



Economic Outlook

- Analyze recent developments and trends of economic factors
- Assess portfolio impact

Portfolio Performance

- Analyze risk-adjusted performance and portfolio attribution
- Report on recent and long-term performance compared to benchmarks

Newsletter

- Produce quarterly newsletters to alumni and advisory board
- Provide economic and performance summaries, as well as alumni updates.

Trading

- Manage trading activities for portfolio
- Maintain communication with Investment Office

Objectives and Guidelines

Stock Selection Process



- Analysts discuss inputs, drivers, and potential upside/downside risk
- Analysts provide buy, hold, or sell recommendations based on an intrinsic valuation
- Final portfolio positions require a majority vote of all analysts
- AIM XL allowed to take long and short positions using sector ETFs in industries that exhibit positive and negative trends

Objectives and Guidelines

Investment Philosophy



- Long-term objective is to outperform the returns of the S&P 500 by identifying undervalued stocks
- Additional benchmarks
 - Russell 2000
 - Hank Blended Index (HBI) (65% S&P 500, 35% Russell 2000)
- Bottom-up approach, accompanied by top-down consideration
 - Determine intrinsic value of stock while maintaining macroeconomic and specific industry outlook
- Risk is not actively managed since portfolio diversification naturally limits risk

Objectives and Guidelines

Investment Constraints



- Liquidity
 - Stocks should have high liquidity
- Time Horizon
 - Long-term (3-5 years)
- Laws & Regulation
 - Fund abides by “Prudent Person Rule”
- Tax Considerations
 - Not a constraint for the fund given its tax-exempt status

Objectives and Guidelines

Investment Guidelines



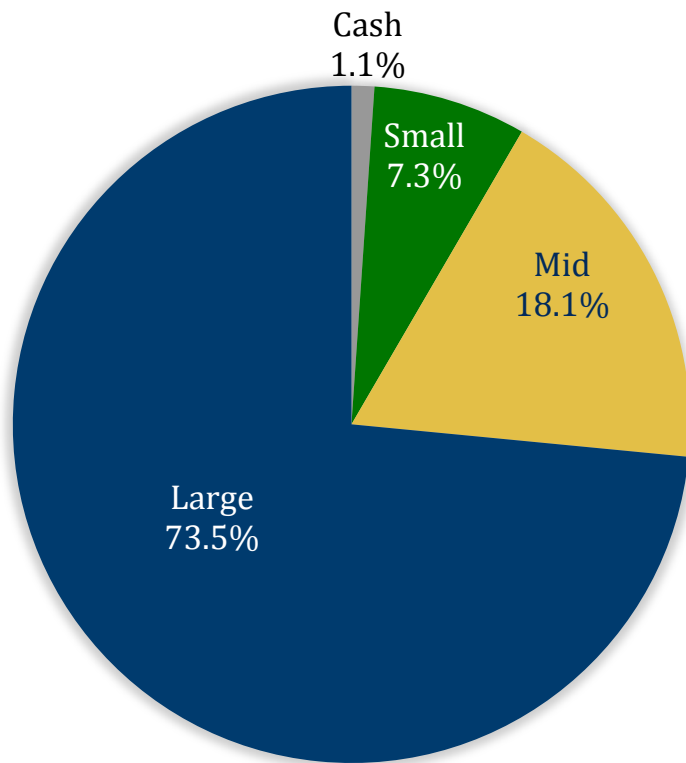
- Common equities traded on major US exchanges
- Sector Allocation should be roughly that of the S&P 500
- Portfolio Target Allocation
 - 35% in Small & Mid-Cap stocks
 - 65% in Large-Cap stocks
 - +/- 10% boundary
- Any one stock should not exceed 10% of the portfolio
- Goal is to be fully invested

Objectives and Guidelines

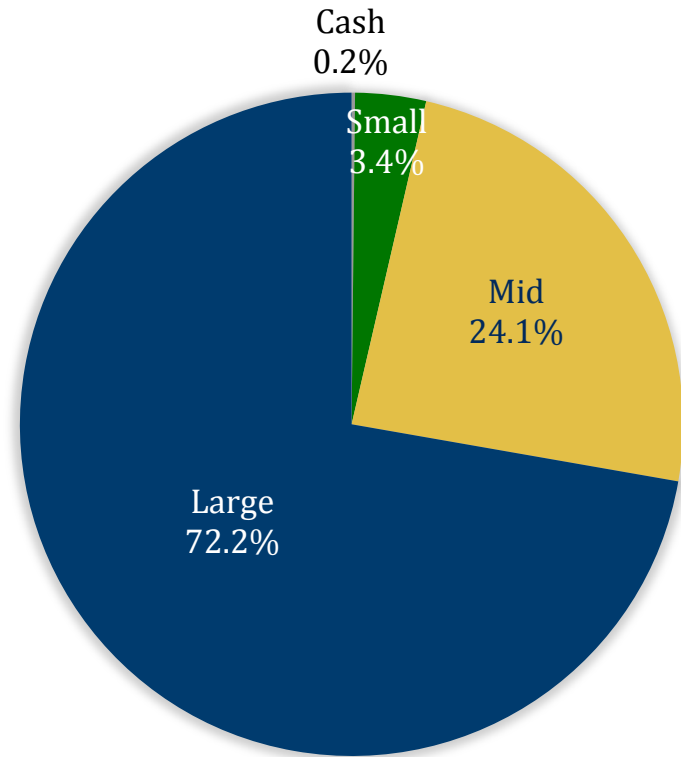
Market Capitalization Profile



AIM XXXIX Portfolio Composition



AIM XL Portfolio Composition



Objectives and Guidelines

Ethics Policies



Avoid companies “whose values are not consistent with those of the University”

- Including (but not limited to):
 - Abortifacients
 - Birth Control
 - Tobacco



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Economic Overview

Summary & Thesis

GDP Projections

Employment

Inflation & Interest Rates

Fuel Prices

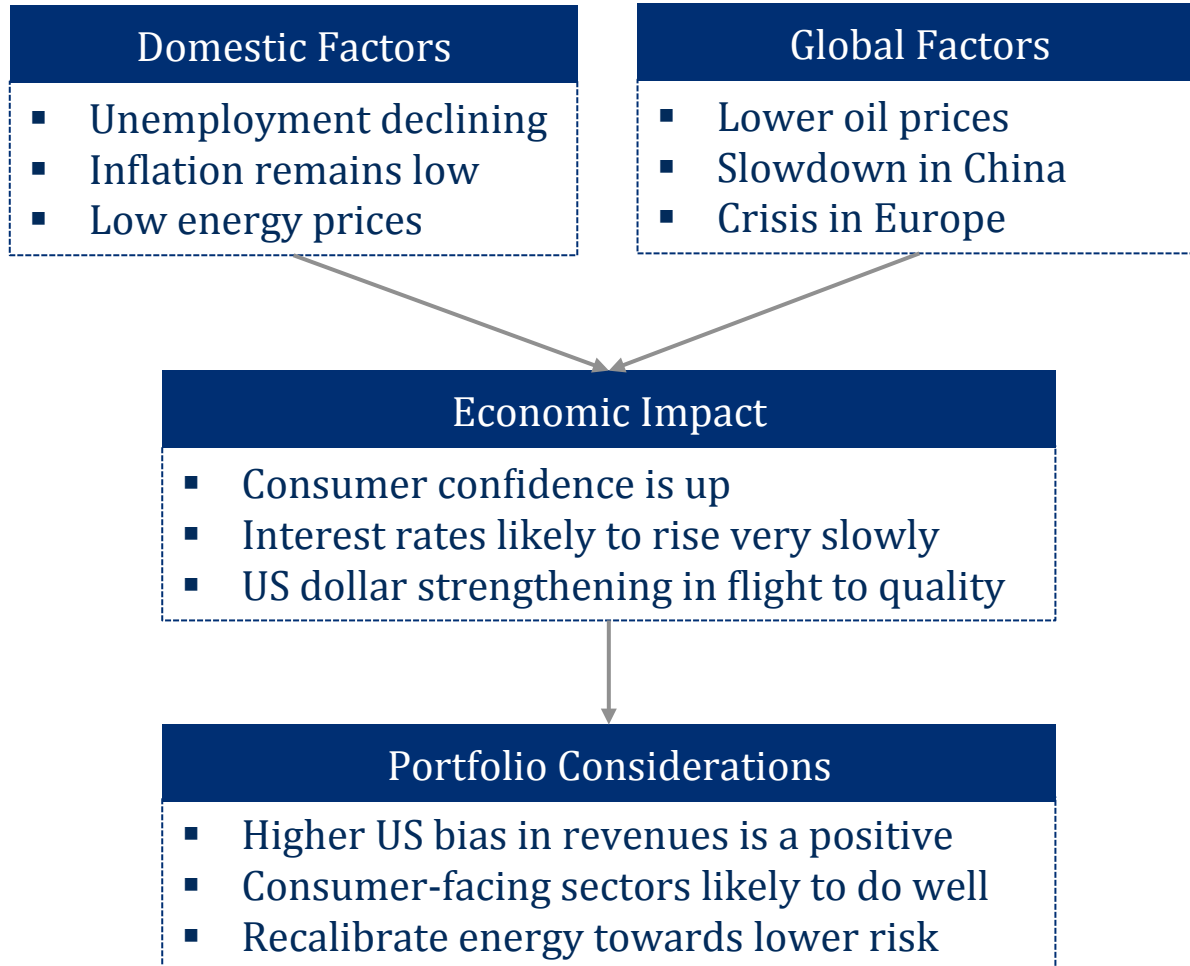
Currencies

Global Events

Economic Impact Analysis

Economic Overview

Summary & Thesis

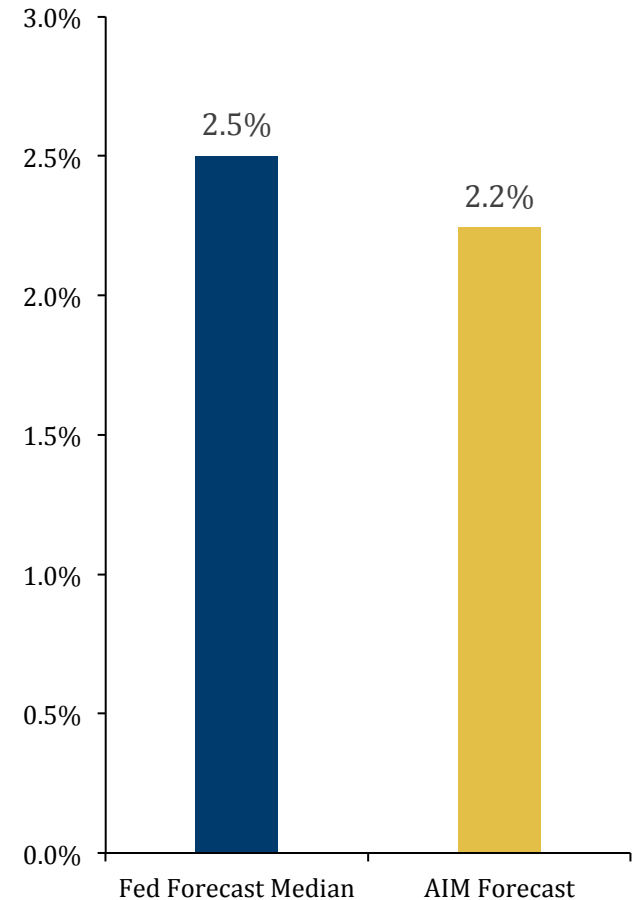


Economic Overview

GDP Projection & Overview



- US GDP increased 2.2% in Q4 2014, to a current level of \$17.42T
 - Real personal consumption expenditures increased 4.4% in Q4 2014
 - Business investment increased, most notably in intellectual property products
 - Offset by decreased defense spending and higher imports
- Fed anticipates GDP growth between 2.3% and 2.7% in 2015
- AIM GDP growth projection is 2.2% for 2015
 - Increased disposable income from depressed oil prices
 - Tighter labor markets → increased wages
 - Risks in Europe
 - Student loans hampering ability of young new home buyers
 - Potential rise in interest rates

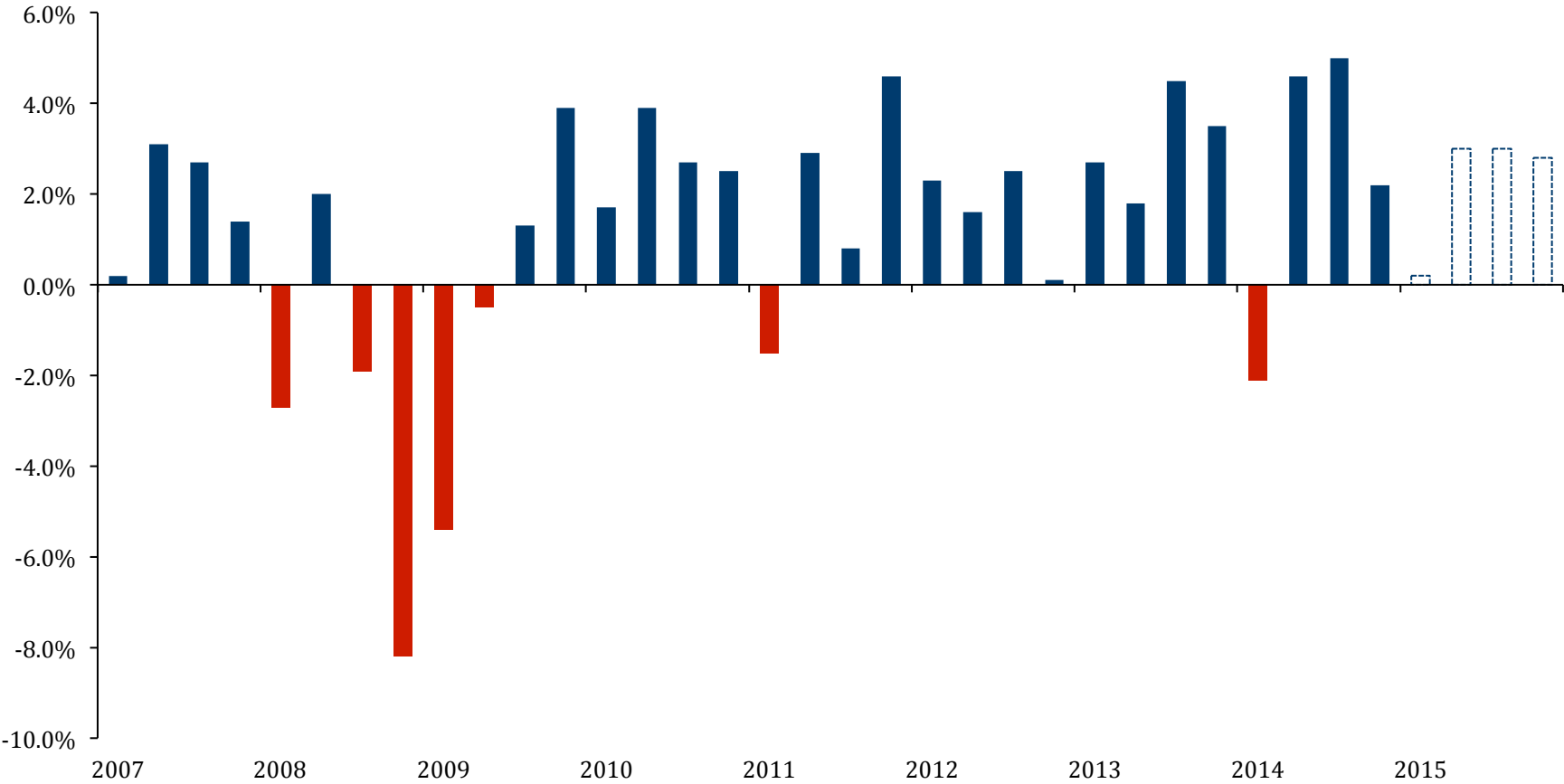


Economic Overview

Quarterly GDP Growth Rates



Seasonally Adjusted Annualized GDP Growth Rates



Source: Bureau of Economic Analysis

Economic Overview

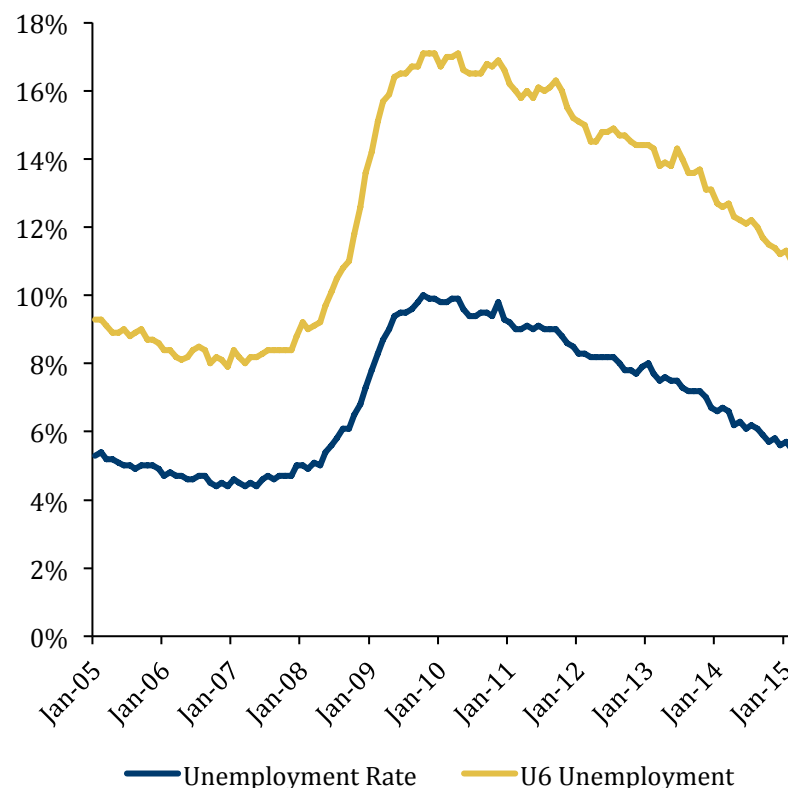
Unemployment



Alt. Measures of Unemployment

- U1: 2.4%, unemployed 15 weeks or longer
- U2: 2.7%, job losers and persons completing temporary jobs
- U3: 5.5%, official unemployment rate
- U4: 5.9%, U3 + discouraged workers
- U5: 6.7%, U4 + those marginally attached to the labor force
- U6: 10.9%, U5 + total employed part-time for economic reasons

Unemployment Rate



Economic Overview

Unemployment



Updates in Unemployment

- March unemployment 5.5%
 - Unchanged since February
 - Down from 6.6% in March 2014
- U6 unemployment 10.9%
 - Down from 12.7% in March 2014
 - Down from high of 17.1% in April 2010
- Total long-term unemployed 8.6 million
 - Down from 10.4M in March 2014

Labor Force Participation Rate

- Civilian labor force participation rate 62.7%
 - Has fluctuated between 62.7-62.9% in past year
 - 66% pre-recession
- Why so low?
 - BLS points to aging baby boomers
 - Young Americans stay in school
 - Did companies get “spoiled” in the recession?
 - Are workers retiring early because they’re discouraged?

Economic Overview

Unemployment



Wage Growth

- Average hourly wage increased 0.1% from February to March
 - YoY growth of 2.3%
- Low inflation giving the appearance of slow wage growth?
 - Low nominal increases are still increasing purchasing power
- “Wage hangover?”
 - Wages already too high
- High U6 unemployment?
 - More hours vs. higher pay

YoY Average Hourly Wage Growth



Economic Overview

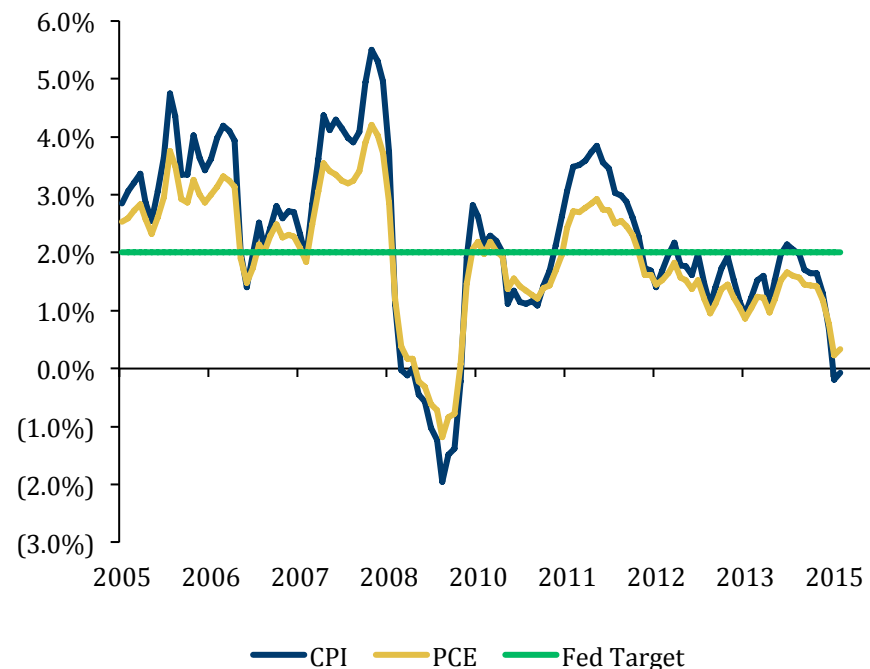
Inflation Projections



Inflation Measures

- Fed Target: 2.0%
- CPI: -0.1%
 - Measures prices paid by urban consumers for a basket of goods
- PCE: 0.3%
 - Accounts for consumers switching away from higher priced goods
 - Fed focuses on PCE

Historic Annual Inflation



Recent declines in CPI and PCE can be attributable to the falling oil and gas prices

Economic Overview

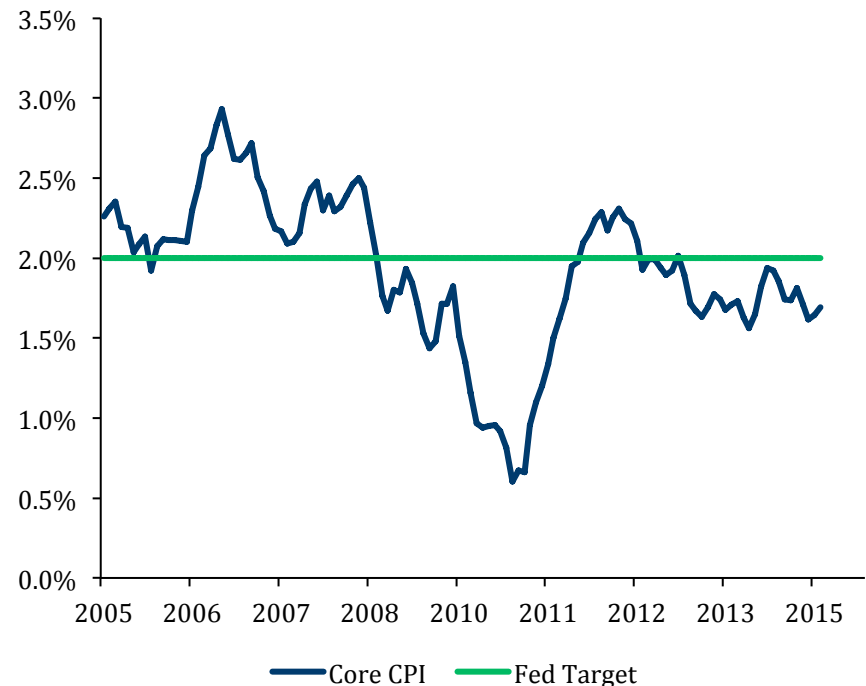
Core Inflation Projections



Inflation Measures

- Fed Target: 2.0%
- Core CPI: 1.7%
 - Measures prices paid by urban consumers for a basket of goods
 - Excludes food and energy

Historic Annual Inflation



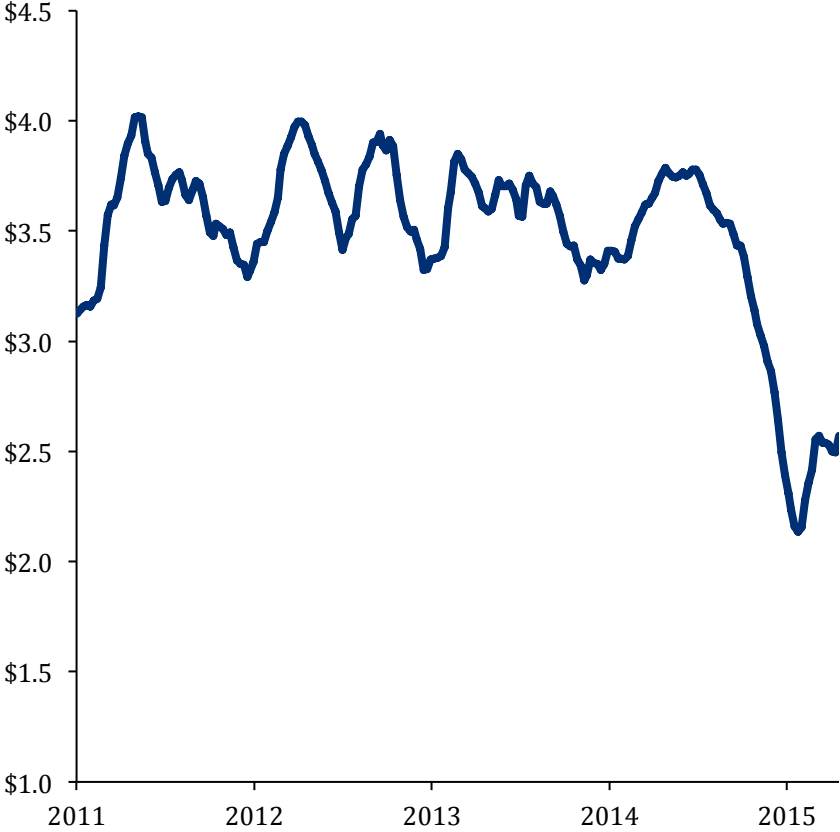
Important for gauging longer-run trends because food and gasoline prices can have big, often-transitory swings

Economic Overview

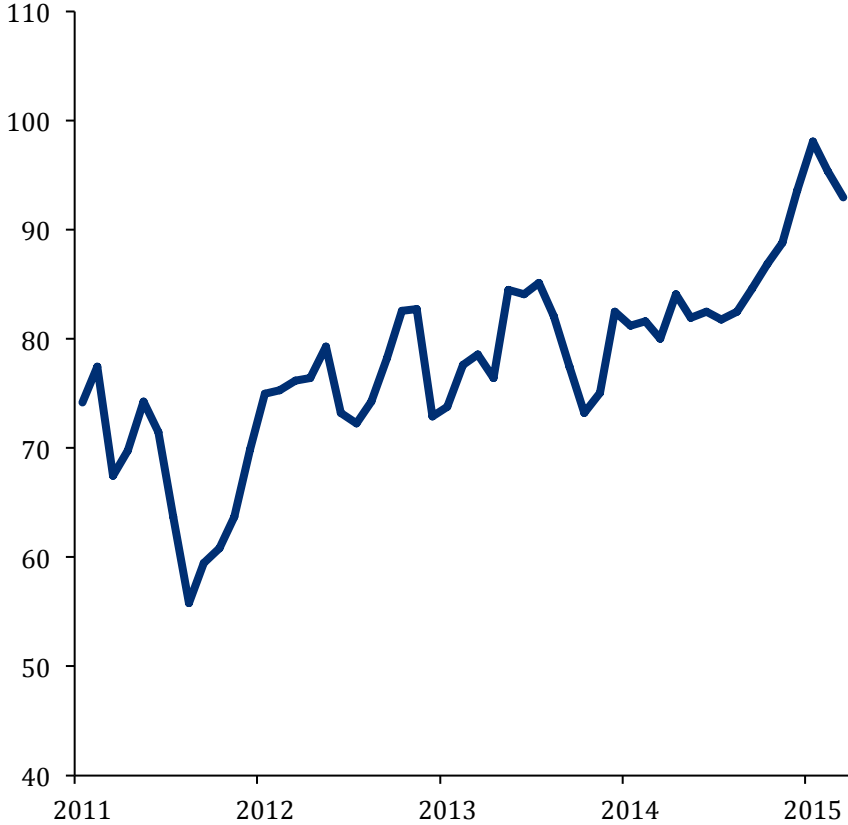
Fuel Prices



Retail Prices of Gasoline



Consumer Sentiment Index



Source: Energy Information Administration, University of Michigan Consumer Sentiment Index

Economic Overview

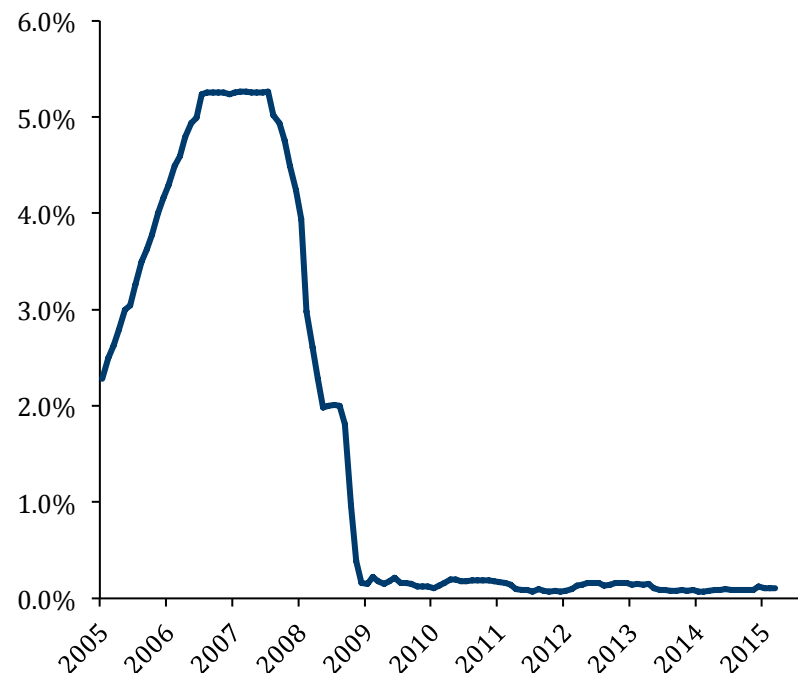
Interest Rates



Background

- Fed Reserve Dual Mandate
 - Manage inflation
 - Maximize employment
- Expect low rates through June 2015
 - Weak economic data causing rates to stay low
 - Fed wants to be confident inflation is rising and the job market is continuing to improve

Federal Funds Rate



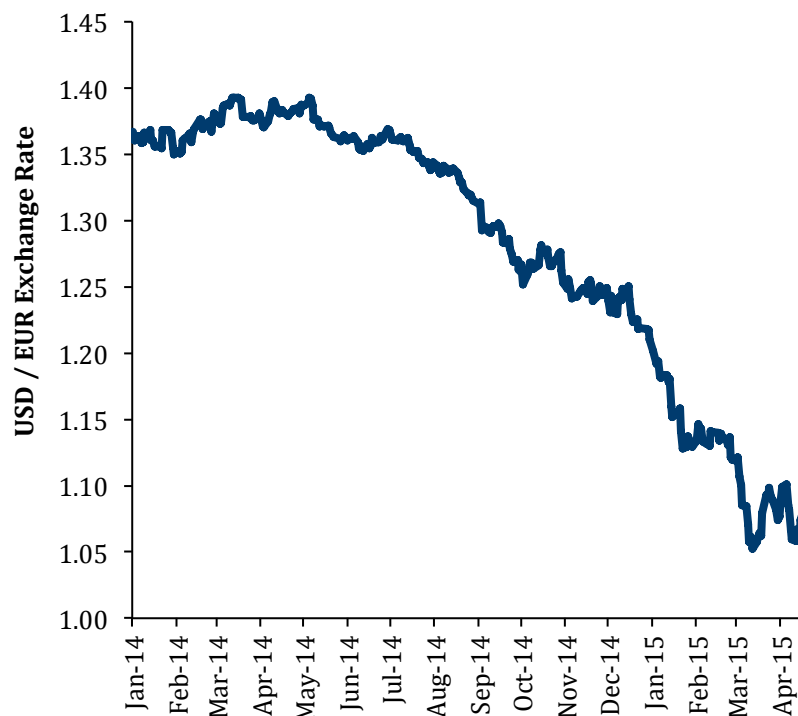
With inflation rising toward 2.0% goal and improvement in the job market, we expect the Fed to increase rates toward the end of 2015

Economic Overview

USD Appreciation



USD / EUR



YEN / USD



- USD has been appreciating relative to foreign currencies
- The strong USD is a source of restraint on U.S. exports, encourages imports

Economic Overview

USD Appreciation Relative to Commodity Currencies



CAD / USD



USD / AUD



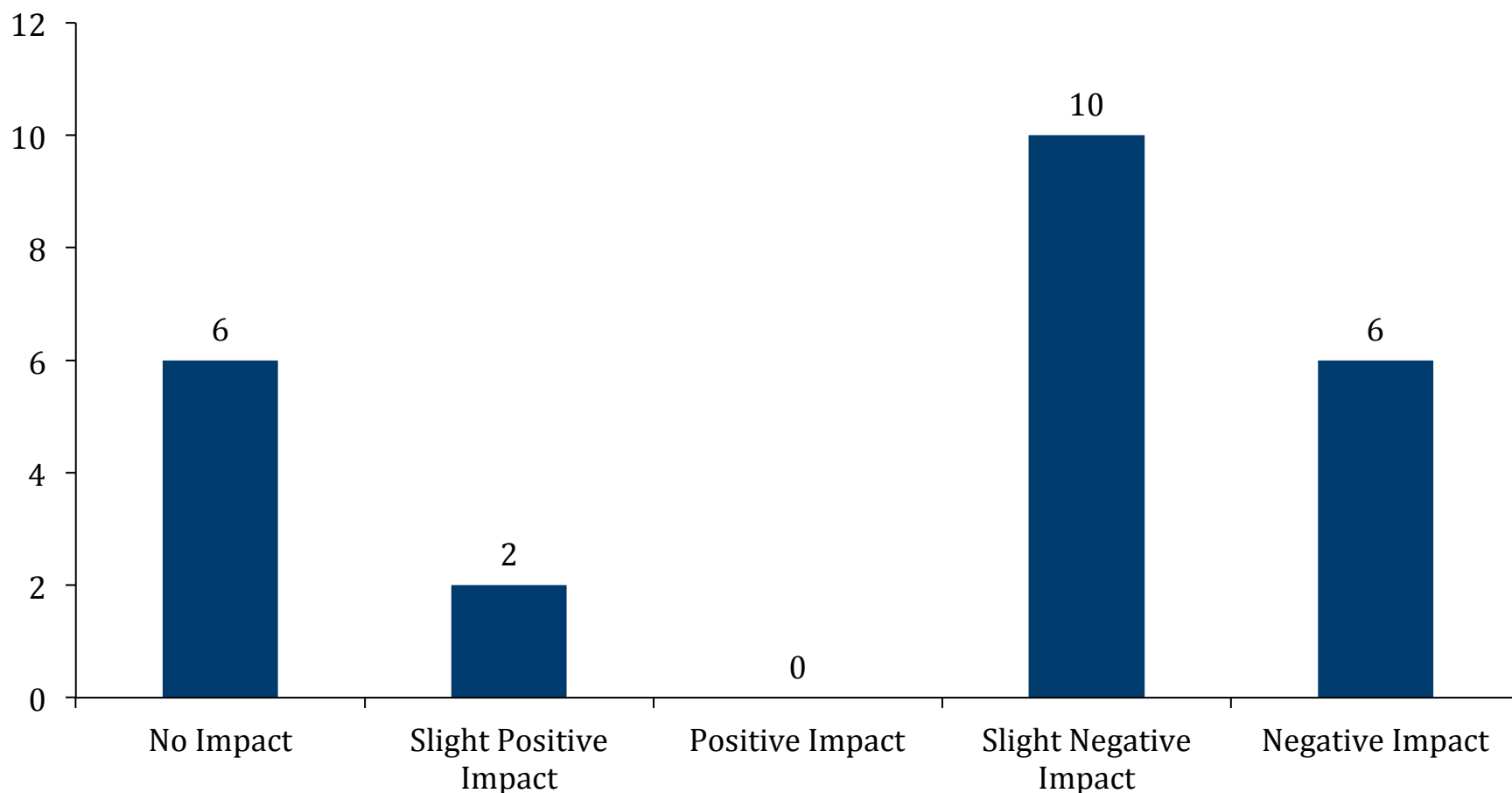
- USD strengthening against 'commodity' currencies
- Low oil prices and commodity prices affecting these currencies

Economic Overview

Impact of Strong USD on AIM Portfolio



Anticipated Impact of Strong USD on AIM Portfolio Companies



Economic Overview

Global Events



Recent Global Events

- Greece debt crisis
- European Central Bank quantitative easing
- Brazilian Petrobras scandal

What to Watch For

- China slowdown?
- New oil minister in Saudi Arabia
- Negotiations with Iran
- Pace of economic reforms in India
- Asian debt overhang from post-crisis

Economic Overview

Impact Analysis



Domestic Factors

Factor	Impact on Portfolio
Low inflation	➤ Consumer-facing stocks to outperform
Declining unemployment	➤ Consumer-facing stocks to outperform
GDP growth tepid but picking up	➤ Industrials likely to underperform
Stronger US dollar	➤ US-focused companies likely to outperform
Sustained low energy prices	➤ Recalibrate energy portfolio towards lower risk business models

Global Factors

Factor	Impact on Portfolio
Greek exit	➤ Euro down, multinationals to suffer
New Saudi oil minister	➤ Oil prices to remain low
Iran deal	➤ Supply glut in oil to get even worse
Asian debt overhang	➤ Further strengthening of US dollar



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Security Analysis

Overview

Growth Dynamics

Discovery

Fundamental Analysis

Technical Analysis

Management Team

Industry Dynamics

EPS and Valuation

Security Analysis

Overview



Stock	Analyst	Focus
salesforce.com, inc.	Vincent Ng	Growth Dynamics
InterActive Corp.	Jonathan Welch	Fundamental Analysis and Discovery
Jazz Pharmaceuticals	Siddhartha Arora	Fundamental Analysis
Royal Caribbean Cruises	Sloan Smith	Fundamental and Technical Analysis
Union Pacific Corp.	James Rapuzzi	Management Team
21 st Century Fox	Dan Carey	Industry Dynamics
Mattress Firm	Cory Albertson	EPS and Valuation

Security Analysis

Overview



Recommendation: BUY

Portfolio Decision: NO BUY

Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$100.00	\$80.00
Implied Forward P/E	20%	\$100.00	\$20.00
Book Value	0%	\$30.00	--
Intrinsic Value			\$100.00
Market Price (04/15/15)			\$95.00
Estimated Upside / (Downside)			5.3 %

Investment Thesis

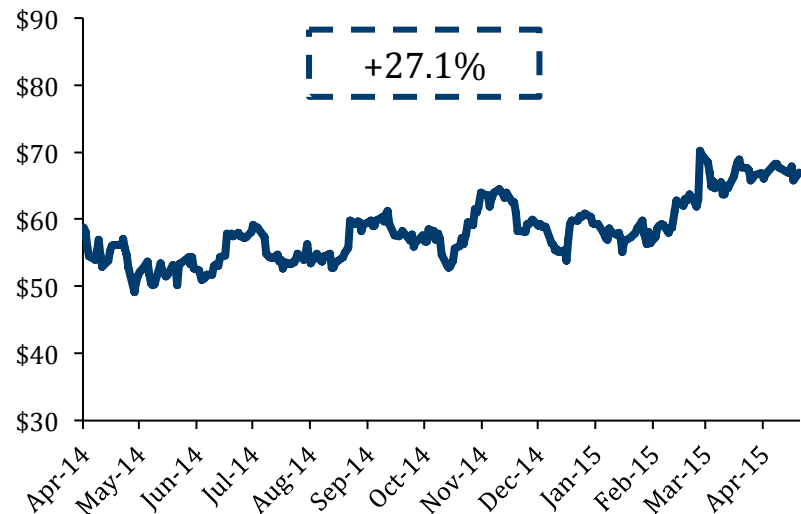
salesforce.com, inc.

NYSE: CRM



Price (04/15/15): \$67.21
1-yr Forward P/E: N/A
Market Cap: \$43.52B
Dividend Yield: N/A
LTM EPS: -\$0.42

1-Year Price Chart



Focus – Growth Dynamics

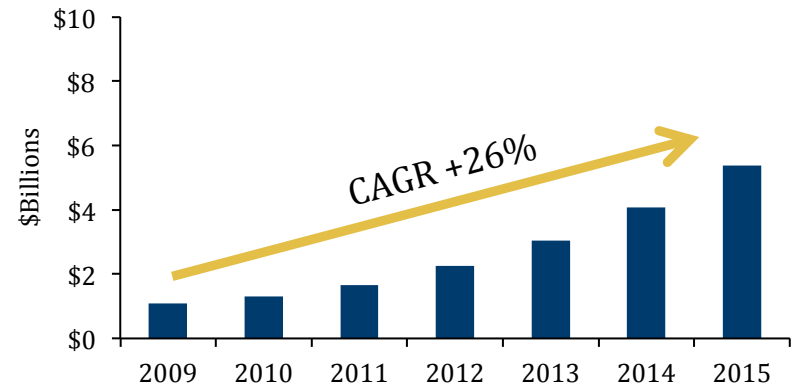
salesforce.com, inc.

Overview

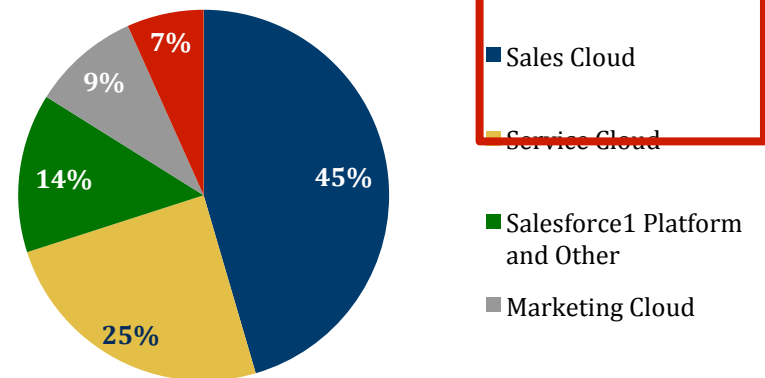


- Salesforce is a leading provider of enterprise cloud computing solutions, with a focus on customer relationship management, or CRM.
- 15,000+ employees
- 150,000+ customers
- Expected \$82B TAM (CY2018)

Historical Revenue



2015 Revenue By Segment



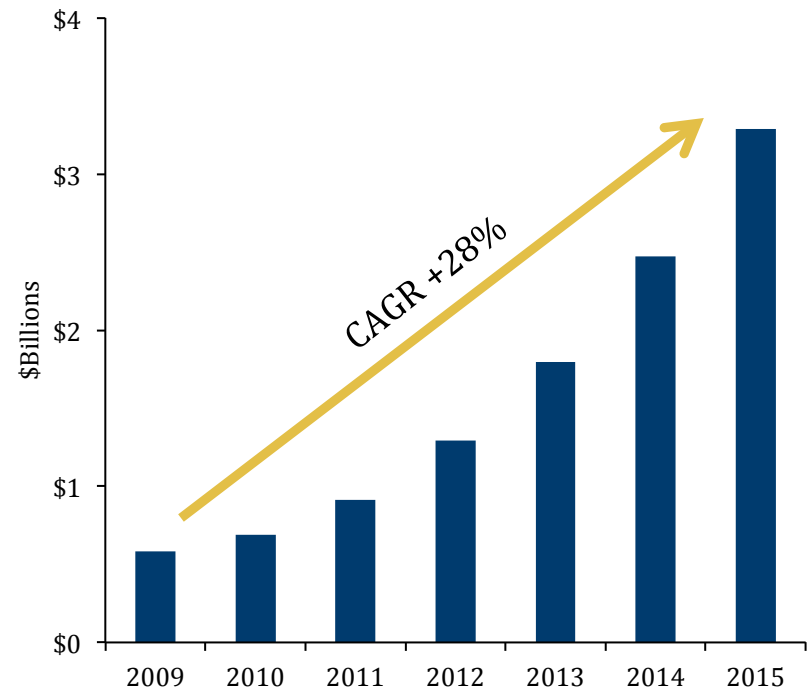
salesforce.com, inc.

Growth



- Platform of opportunity
- Diverse customer base
 - Approximately 800 customers pay more than \$1M annually, e.g. ADP, Coca-Cola, GE, Merrill Lynch, and Louis Vuitton
 - Only Pure-Play Cloud Vendor with FedRAMP Status (Federal Risk and Authorization Management Program)
- Market leader with over 40% market share

Deferred Revenue



salesforce.com, inc.

Valuation and Thesis



Recommendation: BUY

Portfolio Decision: NO BUY

Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$66.04	\$52.83
EV/ Sales (7.0X)	20%	\$106.41	\$21.28
P/ BV (10.0X)	0%	\$79.11	--
P/ EBITDA (63.0X)	0%	\$66.92	--
Intrinsic Value			\$74.11
Market Price (04/15/15)			\$67.21
Estimated Upside / (Downside)			10.3 %

Investment Thesis

- Market leader and strong leadership at the top
- Top-line growth (future outlook)
- Growing TAM

InterActive Corp.

NASDAQ: IACI



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Price (04/15/15): \$72.05

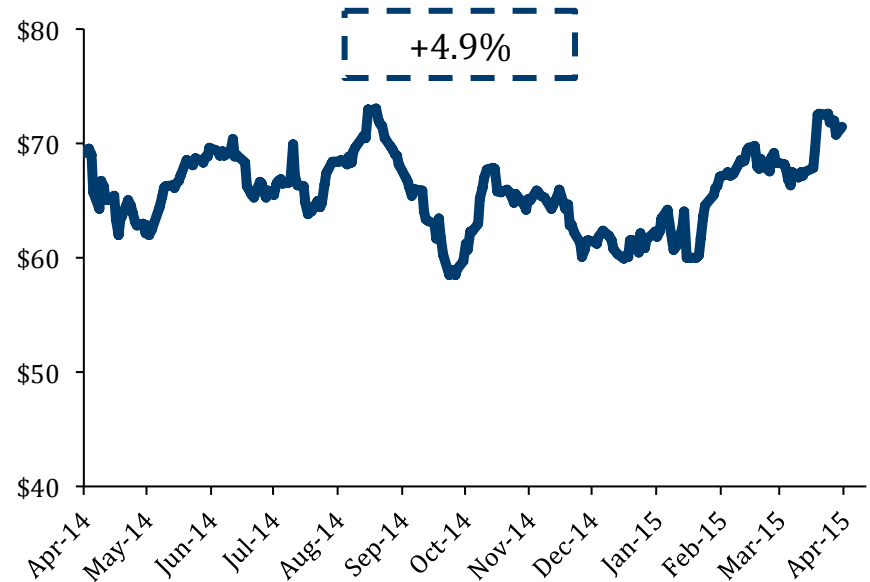
1-yr Forward P/E: 20.2x

Market Cap: \$6.03B

Dividend Yield: 1.90%

LTM EPS: \$2.88

1-Year Price Chart



Focus – Fundamentals and Discovery

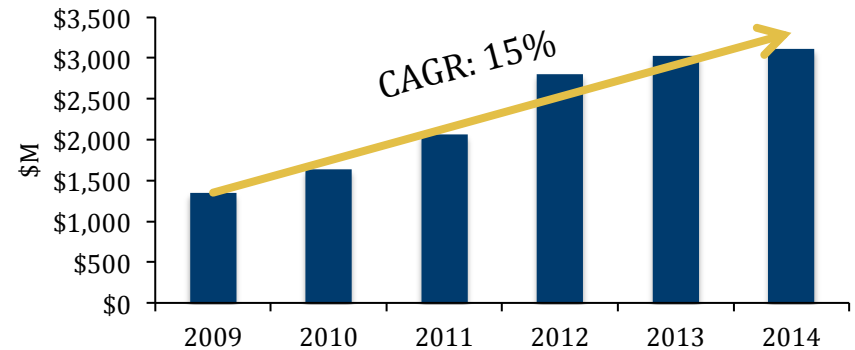
InterActive Corp.

Overview

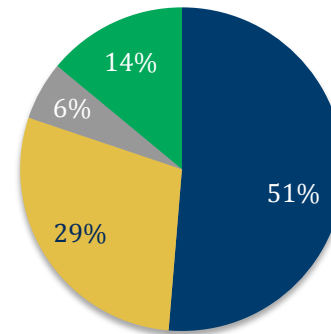


- IACI is a leading media and internet company with 150 brands, 24 internet companies and over one billion monthly website visits
- Market leader in online dating market
- 45% of revenues from Google contract
- Reported Q1 2015 earnings today

Historical Revenue



2014 Revenue By Segment



■ Search & Applications ■ The Match Group ■ Media ■ eCommerce

InterActive Corp.

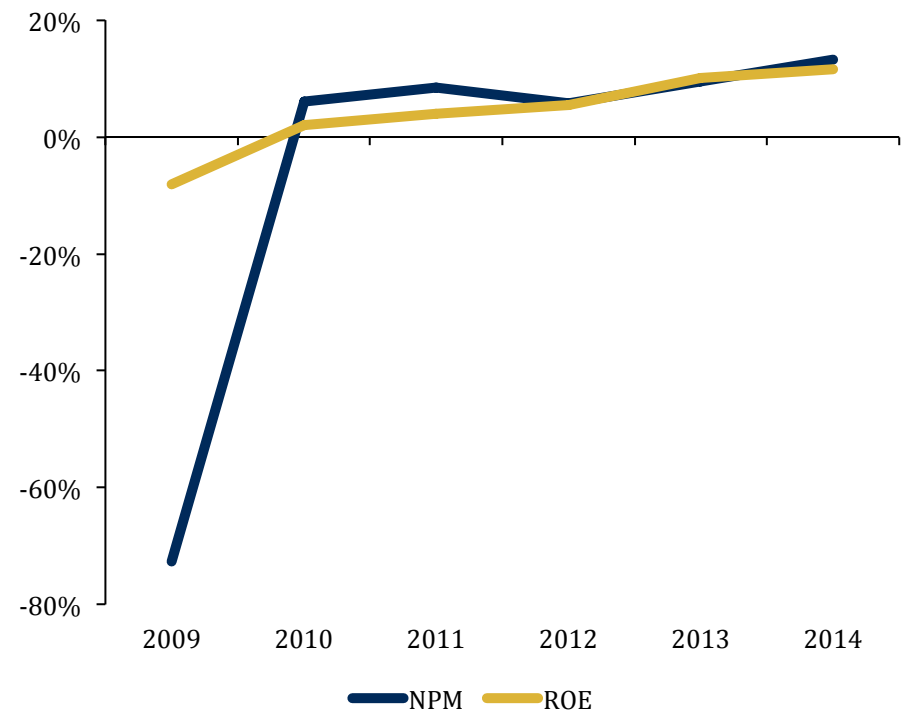
Fundamentals



Insights

- Management has done a good job of controlling costs
- Positive net profit margin for first time in 2010
- ROE steadily increasing since 2009

NPM & ROE



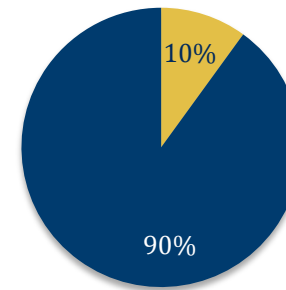
Survey on Tinder

- Users would prefer ad-based monetization
- Users would switch to a free, competing app
- Users do not want to pay for Tinder

Insights

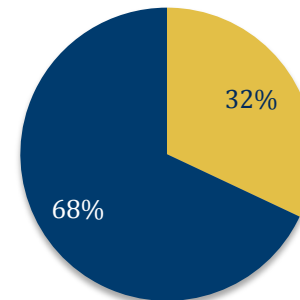
- Tinder has a huge user base
- Recent monetization of IACI crown jewel was subscription-based

Preferred Monetization Method



■ Subscription ■ Ads

Switch the competing app if fee?



■ No ■ Yes

InterActive Corp.

Valuation and Thesis



Recommendation: HOLD

Portfolio Decision: SELL

Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	90%	\$88.77	\$79.89
Dividend Discount Model	10%	\$65.74	\$6.57
Book Value Per Share	0%	\$23.93	--
EV/EBITDA	0%	\$102.20	--
Intrinsic Value			\$86.46
Market Price (04/15/15)			\$72.05
Estimated Upside / (Downside)			20.0 %

Investment Thesis

- Solid presence in online search engine market and market leader in online dating
- Risk of losing Google contract in 2016 could impact 45% of revenues
- Skepticism on subscription-based Tinder monetization

Jazz Pharmaceuticals

NASDAQ: JAZZ



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Jazz Pharmaceuticals®

Price (04/15/15): \$187.00

1-yr Forward P/E: 19.28x

Market Cap: \$11.31B

Dividend Yield: -

LTM Adjusted EPS: \$8.43

1-Year Price Chart



Focus – Fundamental Analysis

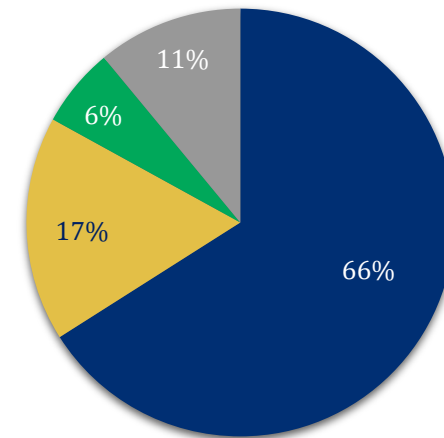
Jazz Pharmaceuticals

Overview



- Key drug is Xyrem
 - Only FDA approved product for treatment of both cataplexy and Excessive Daytime Sleepiness (EDS) in patients with narcolepsy
- Other drugs include Erwinaze (treatment of ALL) and Defitelio (Hepatic VOD)
- Key pipeline drugs include
 - JZP-386 or next Gen Xyrem (Phase I)
 - JZP-110 - a wake-promoting agent (Phase III)

2014 Revenue by Segment



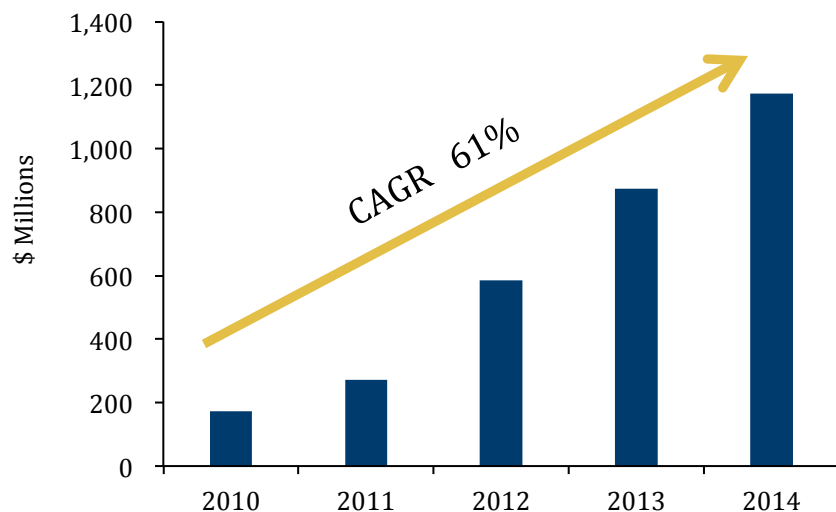
■ Xyrem ■ Erwinaze ■ Defitelio ■ Other Drugs and Royalty Revenues

Jazz Pharmaceuticals

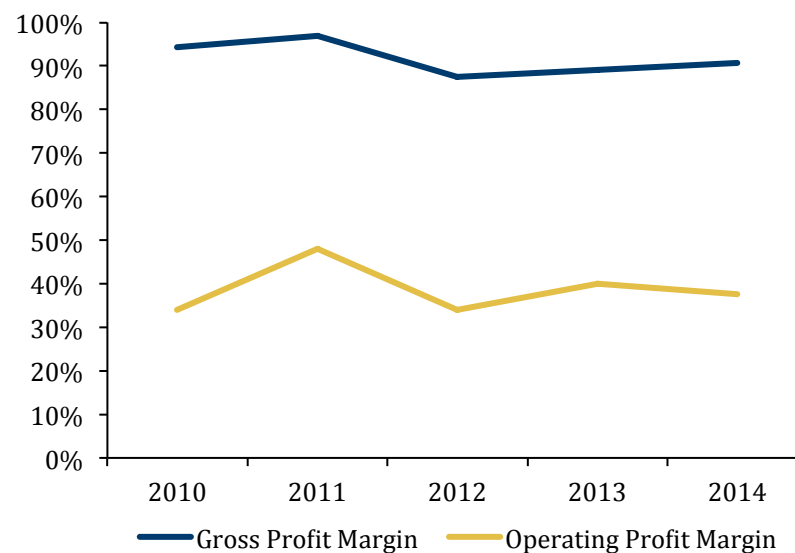
Fundamental Analysis



Historical Revenue



Gross Margin and Op. Margin



Xyrem Revenue Breakup

	2010	2011	2012	2013	2014
Total Xyrem Revenue (\$ M)	142.6	233.3	378.7	569.1	778.6
Total Revenue Growth (%)	-	64%	62%	50%	37%
Price Increase (%)	-	53%	51%	40%	25%
Volume Increase (%)	-	11%	11%	10%	12%

Jazz Pharmaceuticals

Valuation and Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$250.22	\$200.17
EV/EBITDA	10%	\$167.36	\$16.74
P/E	10%	\$174.60	\$17.50
EV/Sales	0%	\$147.20	-
Intrinsic Value			\$234.41
Market Price (04/15/15)			\$187.00
Estimated Upside / (Downside)			25.5%

Investment Thesis

- Differentiated specialty pharma model - pricing, distribution, life-cycle management
- Underappreciated pipeline – key is to execute and educate the medical community
- Management keen to execute strategic, value-creating transactions
- Might be considered as a takeover target due to its tax-efficient location

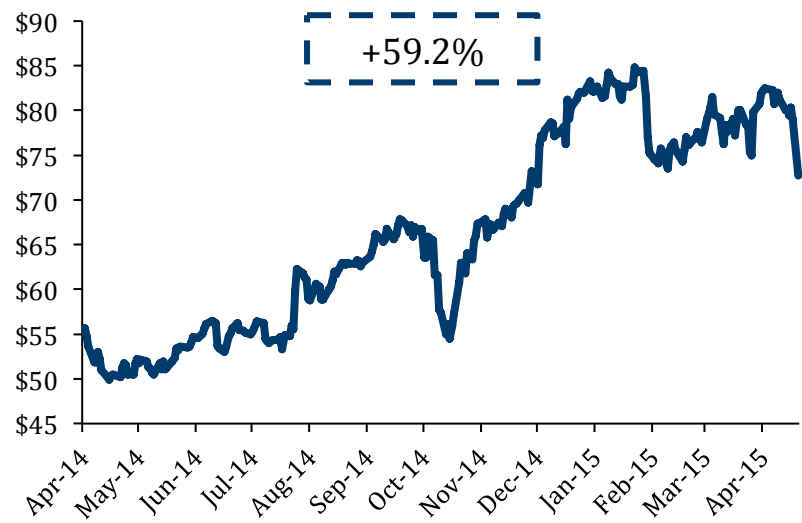
Royal Caribbean Cruises

NYSE: RCL



1-Year Price Chart

Price (04/15/15): \$79.44
1-yr Forward P/E: 19.5x
Market Cap: \$17.47B
Dividend Yield: 1.65%
2014 EPS: \$3.45



Focus – Fundamental and Technical Analysis

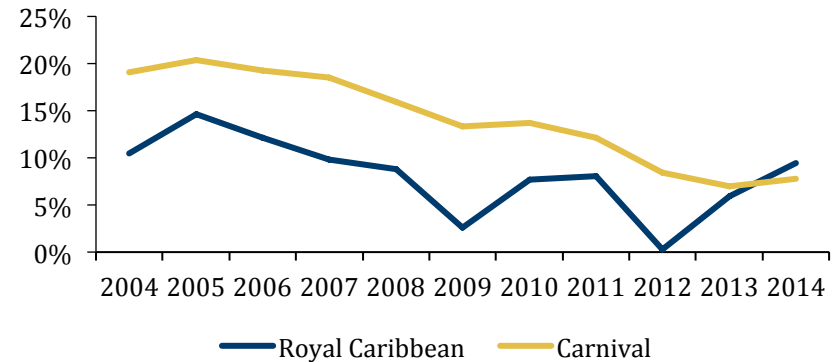
Royal Caribbean Cruises

Fundamental Analysis

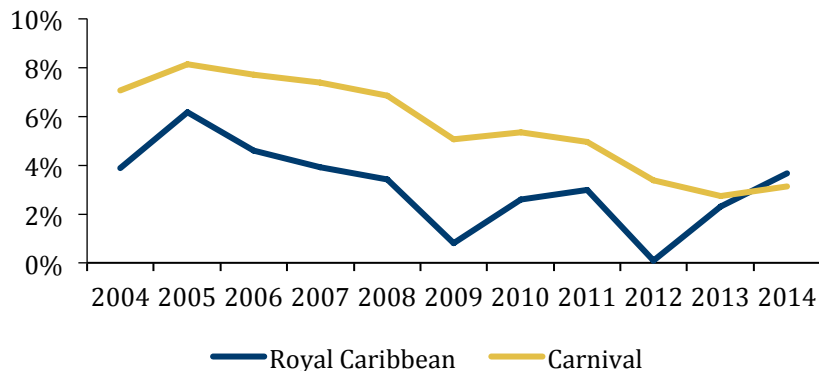


- Cruise company that operates six brands on 41 ships worldwide
- Aggressive “Double-Double Program”
- Strong push into Asia-Pacific with *Quantum of the Seas* and *Ovation of the Seas* fleets

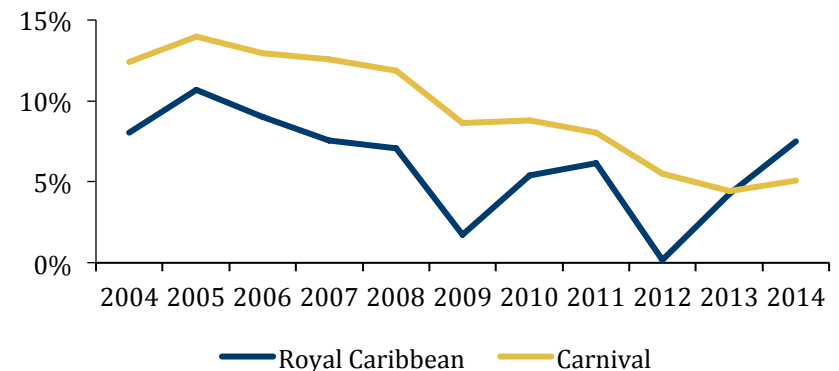
Net Profit Margin



Return on Capital



Return on Equity



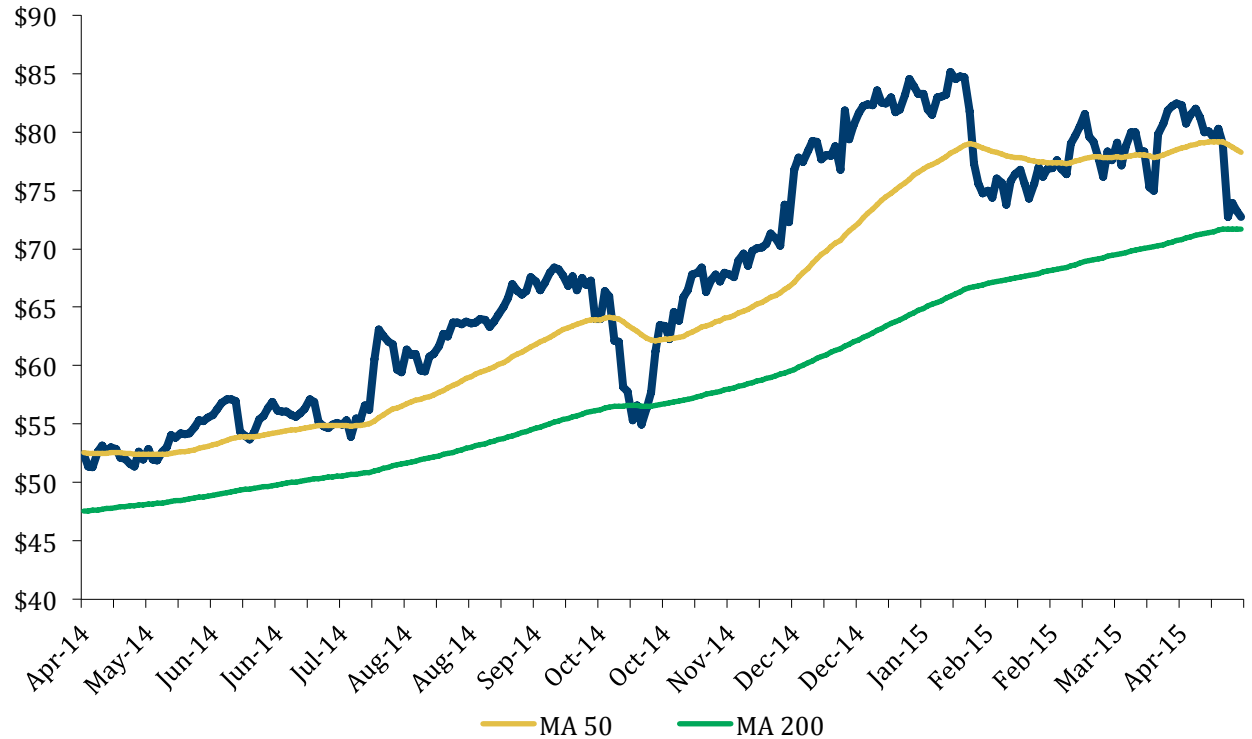
Royal Caribbean Cruises

Technical Analysis



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Moving Averages	BUY
Support & Resistance	
Relative Strength	
Technical Analysis	



Moving Averages: Provides smoothed indicators of the overall price trends

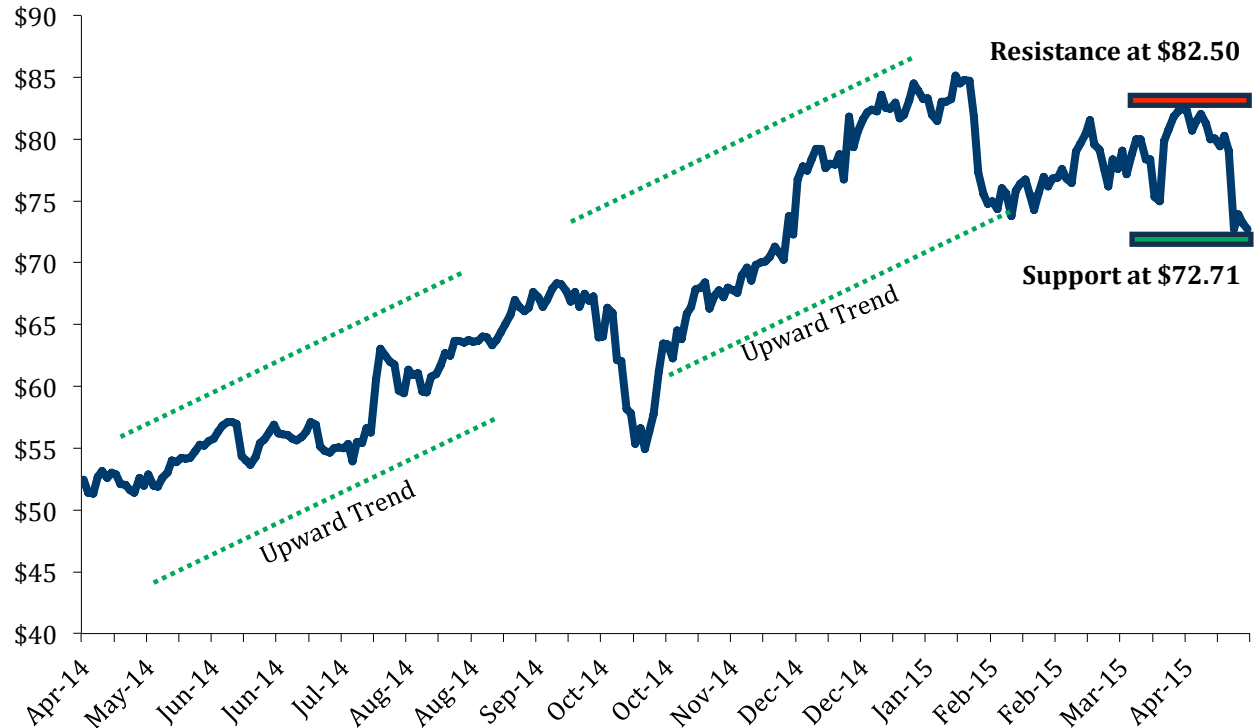
Royal Caribbean Cruises

Technical Analysis



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Moving Averages	BUY
Support & Resistance	BUY
Relative Strength	
Technical Analysis	



Support and Resistance: Channel breakout with strong support and resistance levels

Royal Caribbean Cruises

Technical Analysis



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Moving Averages	BUY
Support & Resistance	BUY
Relative Strength	SELL
Technical Analysis	BUY



Relative Strength: Examines the performance of a stock relative to a market index

Royal Caribbean Cruises

Valuation and Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$90.85	\$72.68
Dividend Discount Model	5%	\$94.42	\$4.72
Forward Price-to-Equity	5%	\$84.89	\$4.24
Forward Price-to-Sales	5%	\$84.04	\$4.20
Forward EV/EBITDA	5%	\$78.40	\$3.92
Intrinsic Value			\$89.77
Market Price (04/15/15)			\$79.44
Estimated Upside / (Downside)			13.0 %

Investment Thesis

- Wide economic moat due to high barriers to entry
- Bottom line growth due to expansion of fleet and cost cutting initiatives
- Strong capacity growth in underpenetrated markets (i.e. China)
- “Double-Double Program” creates definitive expectations

Union Pacific Corp.

NYSE: UNP



Price (04/15/15): \$107.40

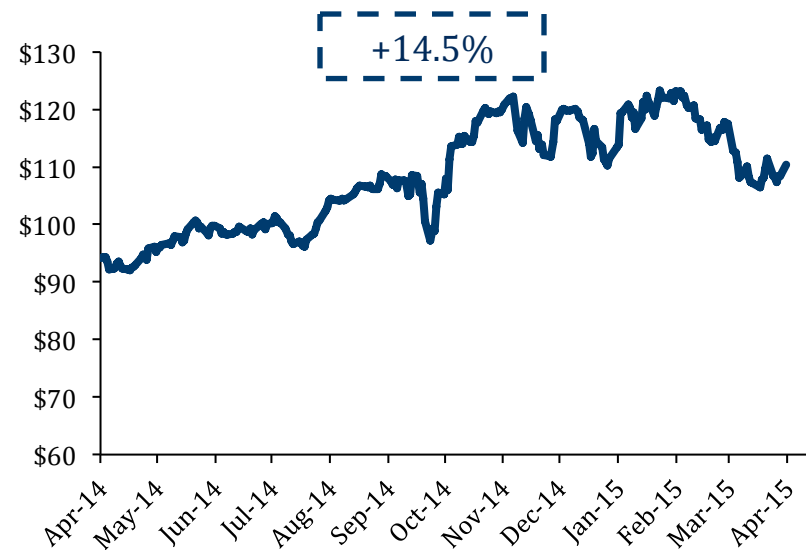
1-yr Forward P/E: 14.8x

Market Cap: \$96.4B

Dividend Yield: 1.82%

LTM EPS: \$5.77

1-Year Price Chart



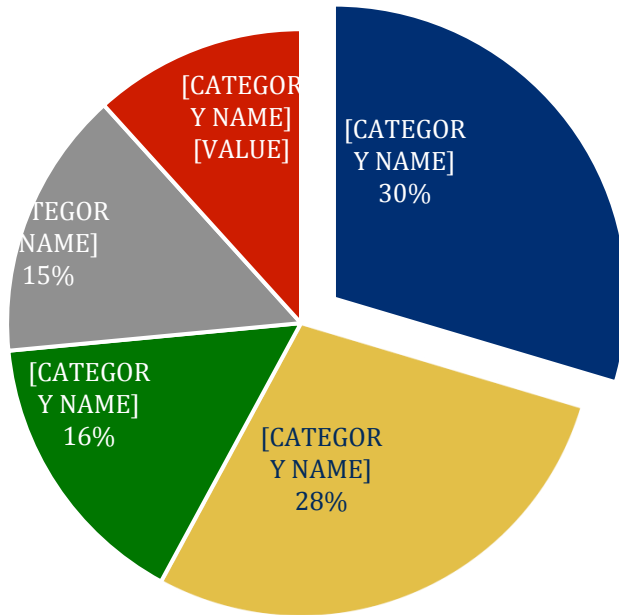
Focus – Management Team

Union Pacific Corp.

Overview

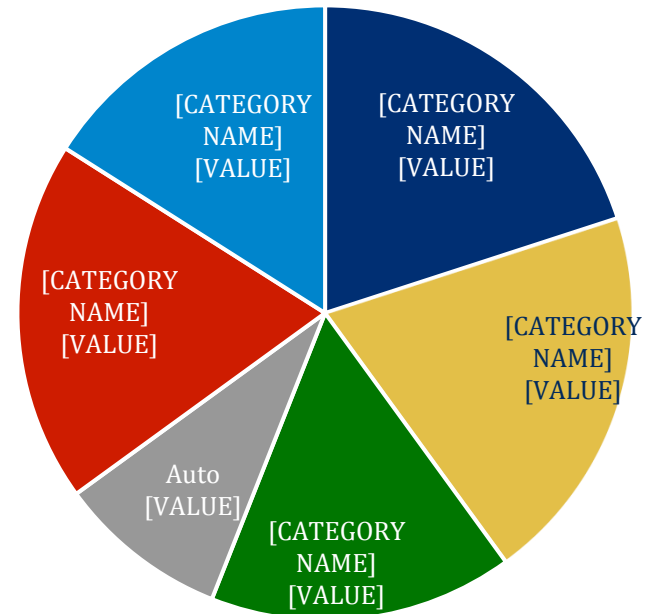


Industry Breakdown



- Two hemisphere duopoly
- Consolidation at critical mass
- Immense capex spend req'd to join

2014 Revenue by Segment



- Diversified freight offering
- Intermodal expansion
- Decreasing emphasis on coal

Union Pacific Corp.

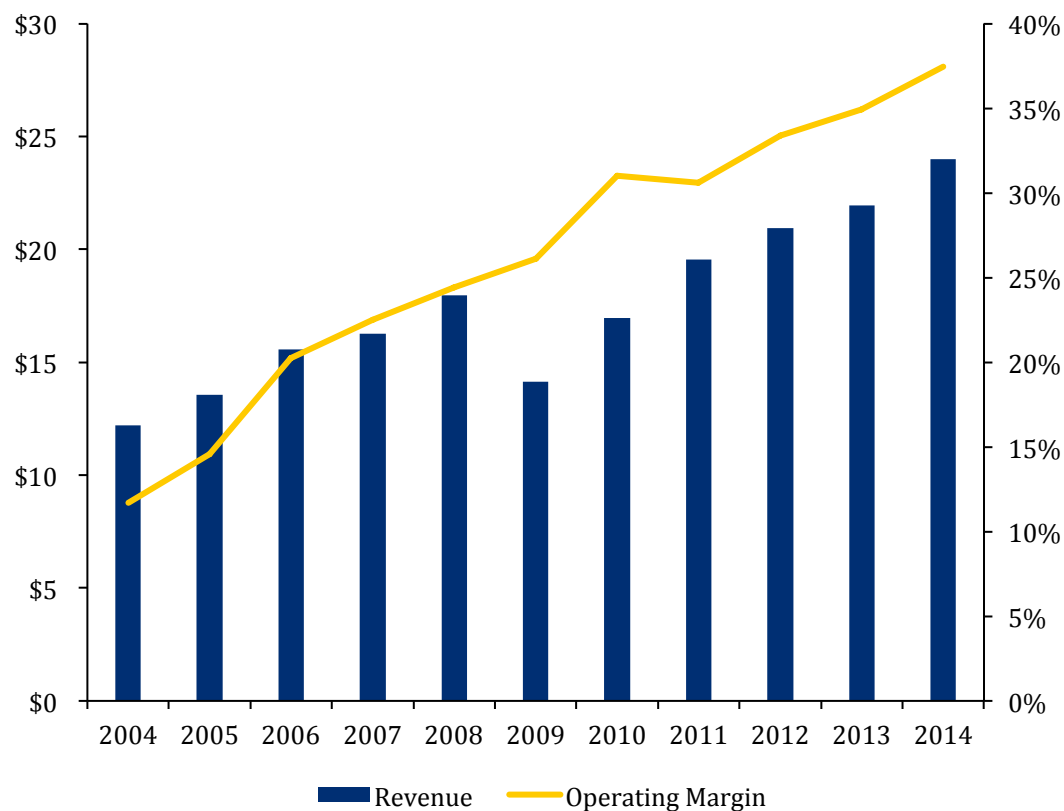
Management Team Review



Key Personnel

- **Jack Koraleski – Chairman**
 - Started at UNP in 1971
 - CEO - 2012-2015
- **Lance Fritz – CEO**
 - COO 2010 – 2015
 - Started at UNP in 2000
- **Rob Knight – CFO**
 - 2004 – Present
 - WSJ #2 CFO in 2014

Revenue (B) and Op. Margin Trend



Union Pacific Corp.

Valuation and Thesis



Recommendation: BUY

Portfolio Decision: HOLD

Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	90%	\$130.09	\$117.08
Dividend Discount Model	10%	\$125.71	\$12.57
P/E Multiplier	0%	\$99.83	--
Book Value / Share	0%	\$125.71	--
Intrinsic Value			\$129.65
Market Price (4/15/15)			\$107.40
Estimated Upside / (Downside)			20.7%

Investment Thesis

- Established footprint / large capex spend
- Outstanding management team
- Intermodal expansion
- U.S. shale boom

21st Century Fox

NASDAQ: FOXA



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Price (04/15/15): \$34.06
1-yr Forward P/E: 16.6x
Market Cap: \$72.18B
Dividend Yield: 0.90%
LTM EPS: \$4.21

1-Year Price Chart



Focus – Industry Dynamics

21st Century Fox

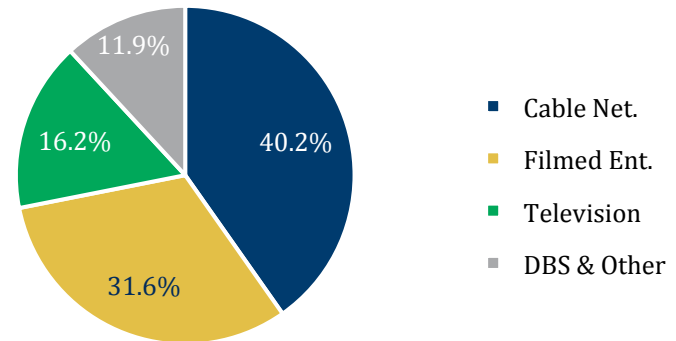
Overview



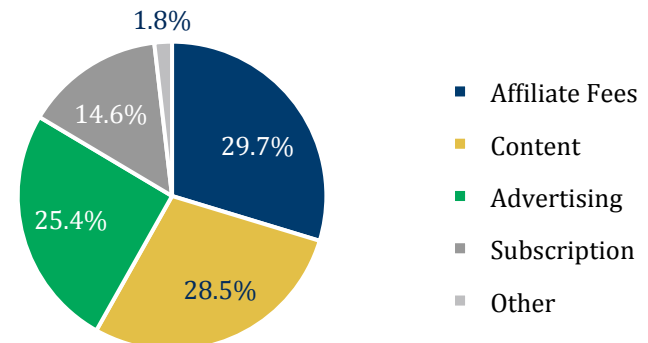
Operating Segments

- **Cable Networks:** 40 domestic channels; 22 RSNs; 325 international channels in 50 languages
- **Television:** FOX broadcasting; 28 owned stations in 16 markets
- **Filmed Entertainment:** Live-action and animated motion-pictures and television series
- **Direct Broadcast Satellite:** Stake in BskyB (UK); recently sold German and Italian assets

Revenue by Segment



Revenue by Component



21st Century Fox

Overview



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Cable Brands by Genre



21st Century Fox

Industry Dynamics



Cable Dynamics

Opportunities

- Heavy investments in FS1 and FX
- Long-term sports rights – 8 yr. avg.
- Affiliate renewals locked for 3-5 yrs.

Threats

- Declining subscriber base – Industry lost 125,000 subs in 2014
- Slowing advertising market
- Over-the-top services: Netflix, Amazon, HBO Now

Monthly Sub Fees



21st Century Fox

Valuation and Thesis



Recommendation: BUY

Portfolio Decision: NO BUY

Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	80%	\$37.77	\$30.22
Price-to-Sales	20%	\$34.68	\$6.94
Dividend Discount Model	0%	\$15.70	--
EV/EBITDA	0%	\$46.57	--
Intrinsic Value			\$37.15
Market Price (04/15/15)			\$34.06
Estimated Upside / (Downside)			9.1%

Investment Thesis

- Leading cable portfolio with broad array of live sports
- Strong international footprint; commitment to local sports and entertainment
- Top global film studio and franchise library
- Robust balance sheet to support strategic priorities within dynamic industry

Mattress Firm

NASDAQ: MFRM



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1-Year Price Chart

Price (04/15/15): \$67.32

1-yr Forward P/E: 19.1x

Market Cap: \$2.44B

Dividend Yield: N/A

LTM EPS: \$1.27



Focus – EPS and Valuation

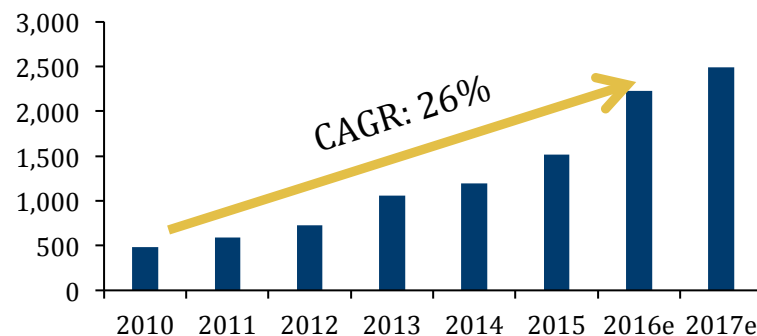
Mattress Firm

Overview



- Mattress specialty retailer founded in Houston in 1986
- Young management team: CEO R. Stephen Stagner, 45, led company through 2011 IPO
- Strategy: expand store base by new openings and acquisitions to increase market power and unlock synergies
- Goal: reach “Fortress level” border to border, coast to coast in U.S. defined as one store for every 90,000 residents

Number of Store Units



EPS Estimates

	Wall St.	AIM
# of Est.	6	1
High EPS	\$2.70	
Low EPS	\$2.58	
Consensus	\$2.63	\$2.72

Mattress Firm

Valuation

Market and Competition

- Mattress specialty retailers account for half of industry sales, up from 23% 15 years ago
- Growth yields better prices and exclusive offerings from manufacturers
- Regional to national shift in advertising focus unlocks 20-30% savings
- Competitor price-matching amplifies immunity to “show-rooming” losses
- Aggressive expansion and discounting is eating market share

Key Performance Assumptions

(In millions)	Current	2020	CAGR
Stores	2,224	3,300	8.2%
Revenue	\$2,400	\$2,900	4.9%
Rev. per Store	\$1.08	\$0.88	(4.9%)
Ad % of SG&A	37%	32%	-
Profit Margin	3.5%	3.9%	-



Mattress Firm

Valuation and Thesis



Recommendation: BUY		Portfolio Decision: BUY	
Valuation Method	Weight	Valuation	Contribution
Discounted Free Cash Flow	70%	\$130.67	\$91.47
Implied Forward P/E	30%	\$70.17	\$21.05
Book Value	0%	\$12.51	--
Intrinsic Value			\$112.52
Market Price (04/15/15)			\$67.32
Estimated Upside / (Downside)			64.2 %

Investment Thesis

- Strategy aims for mattress specialty retail market dominance; not priced to grow
- Quality management team has quadrupled store base since 2011 IPO
- Value for shareholders to be unlocked as this mattress PE firm expands



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Portfolio Performance

Historical Returns vs. Benchmarks

Sector Allocation

Attribution Analysis

Best & Worst Performers

Risk-Adjusted Performance

Active Share

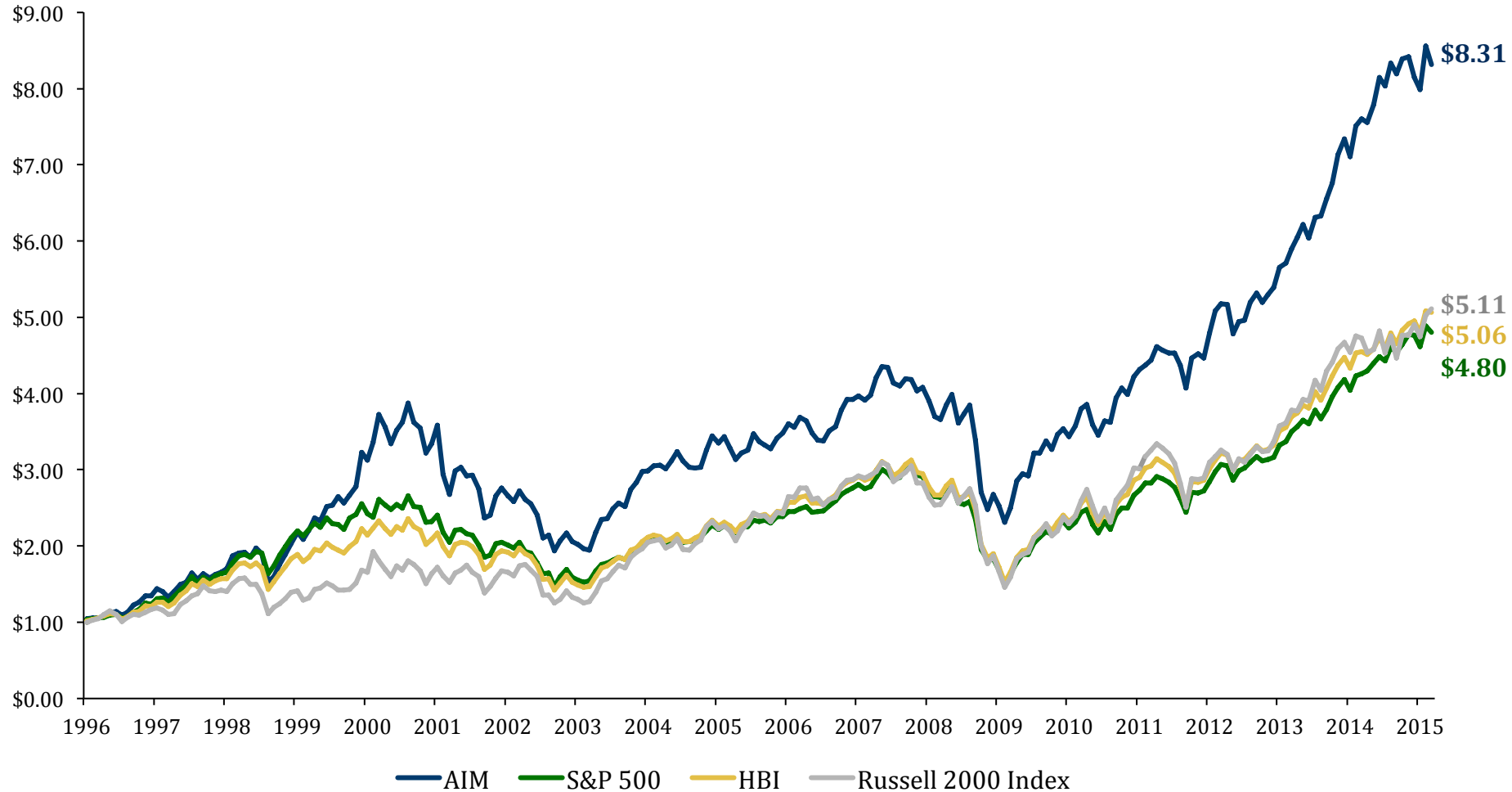
Portfolio Additions & Deletions

Wealth Ratio Comparison

Cumulative Return of \$1

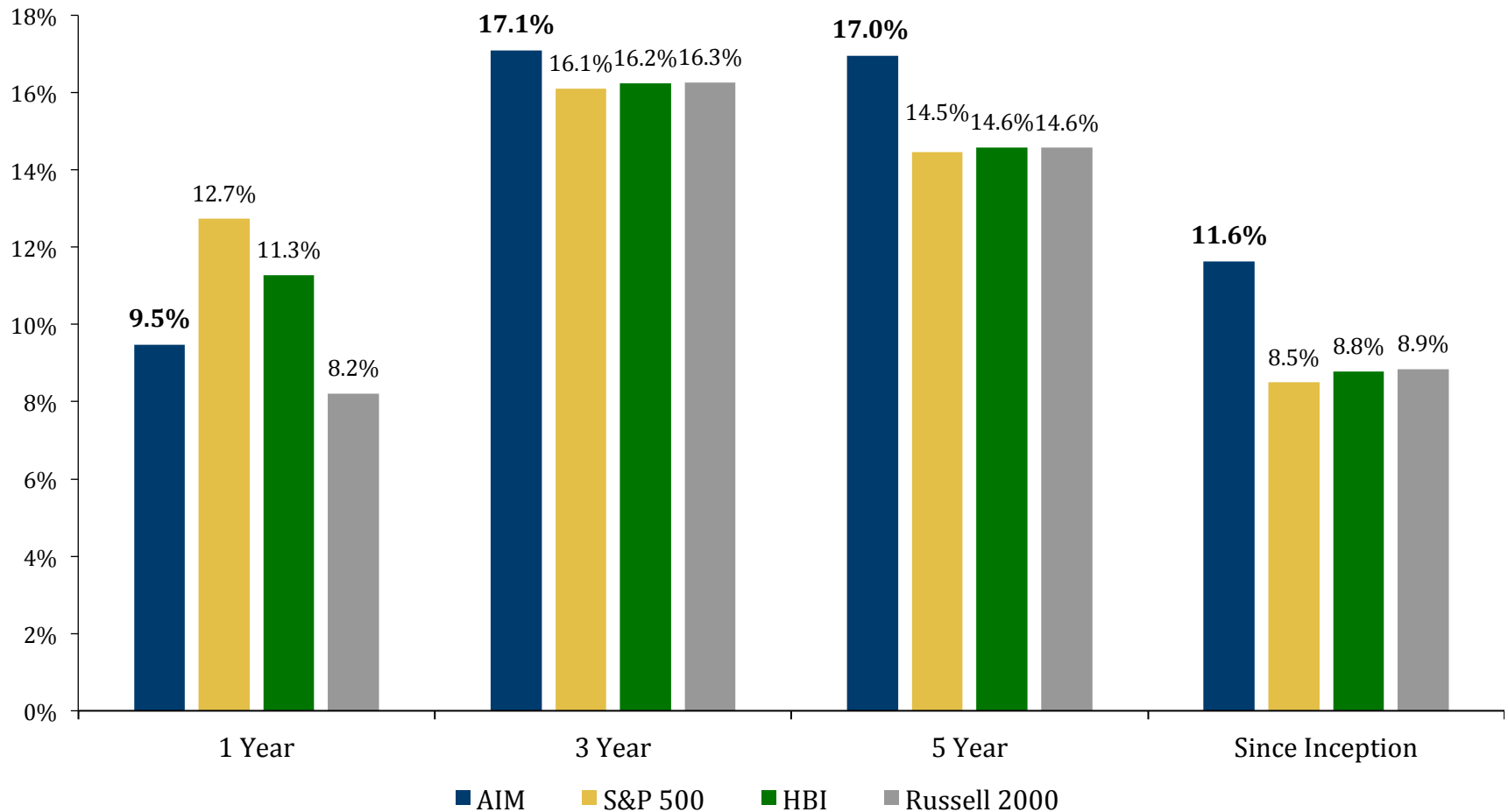


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Historical Performance

AIM Portfolio Returns vs. Benchmarks

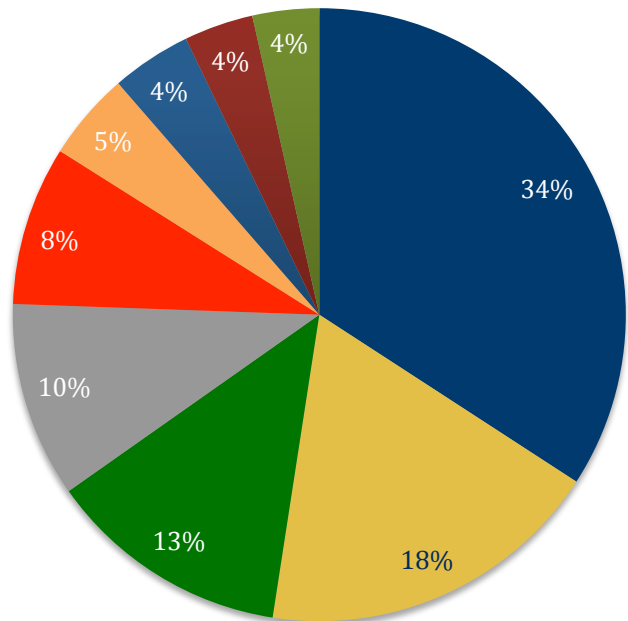


Sector Allocations

Portfolio Emphasizes Technology and Energy



AIM XXXIX Portfolio



- Technology
- Energy
- Consumer Discretionary
- Healthcare
- Agriculture
- Consumer Staples
- Defense
- Industrial
- Transportation

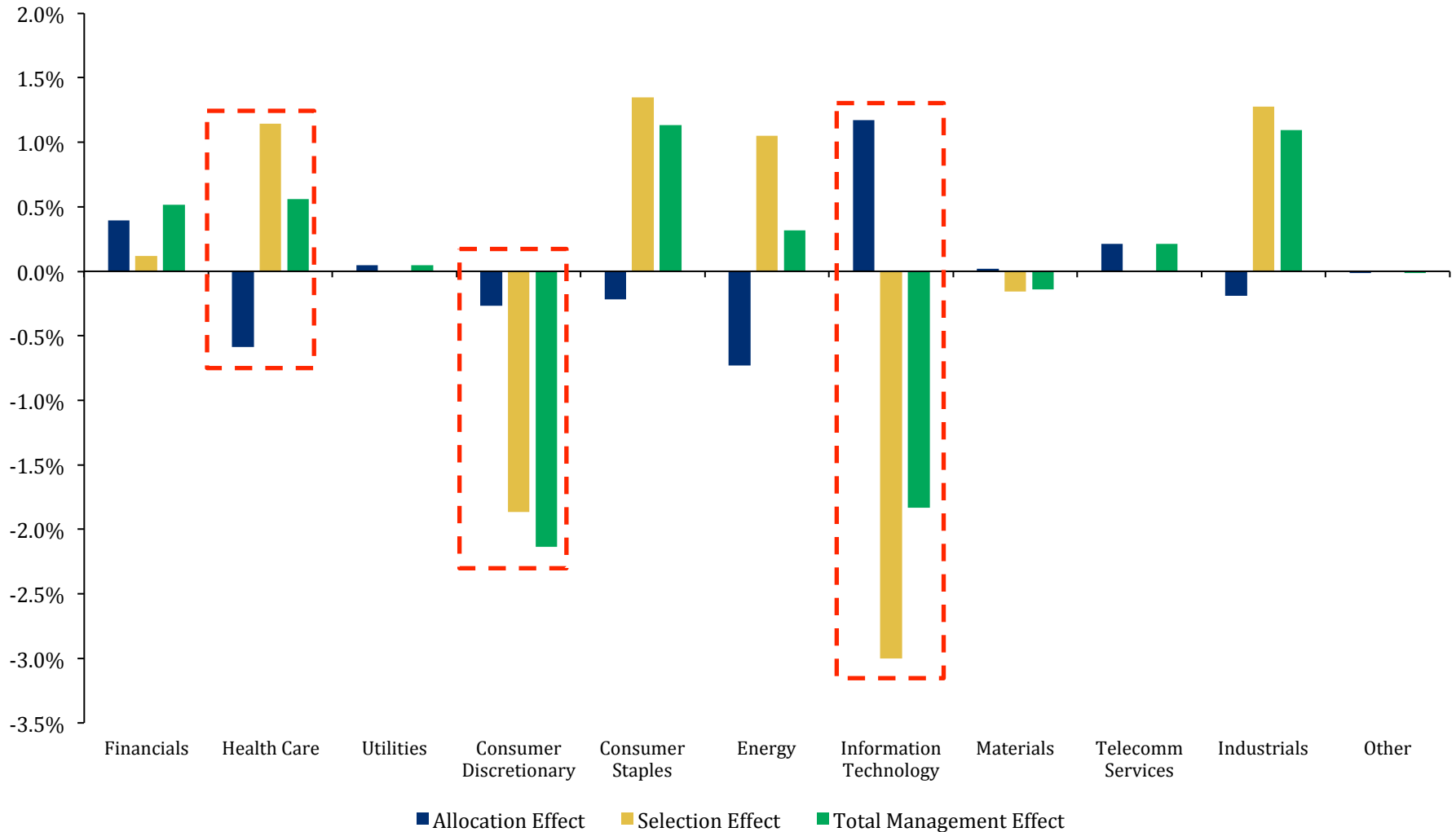
Sector Allocation Relative to S&P

Sector	S&P	AIM	Difference +/-
Technology	19%	34%	+15%
Energy	11%	18%	+7%
Healthcare	13%	10%	-3%
Consumer Discretionary	12%	13%	+1%
Consumer Staples	9%	5%	-4%
Industrials	10%	4%	-6%

- Allocation: Ability to effectively allocate assets to various sectors
- Selection: Ability to select securities within a sector relative to a benchmark
- Net Management Effect = Allocation + Selection

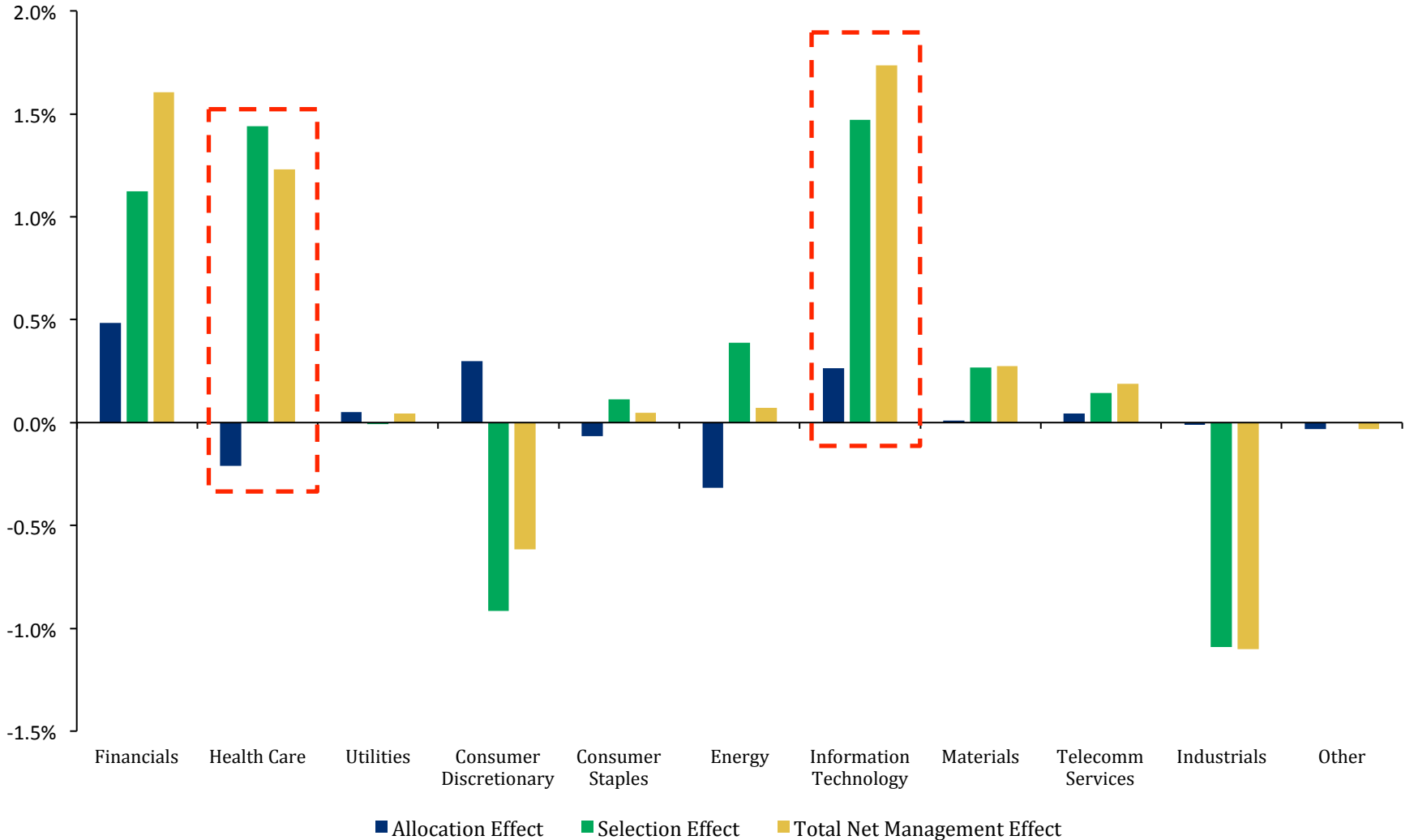
Performance vs S&P 500

1 Year



Performance vs S&P 500

5 Year



Best and Worst Performers

Trailing Twelve Months



Top 5 Performers

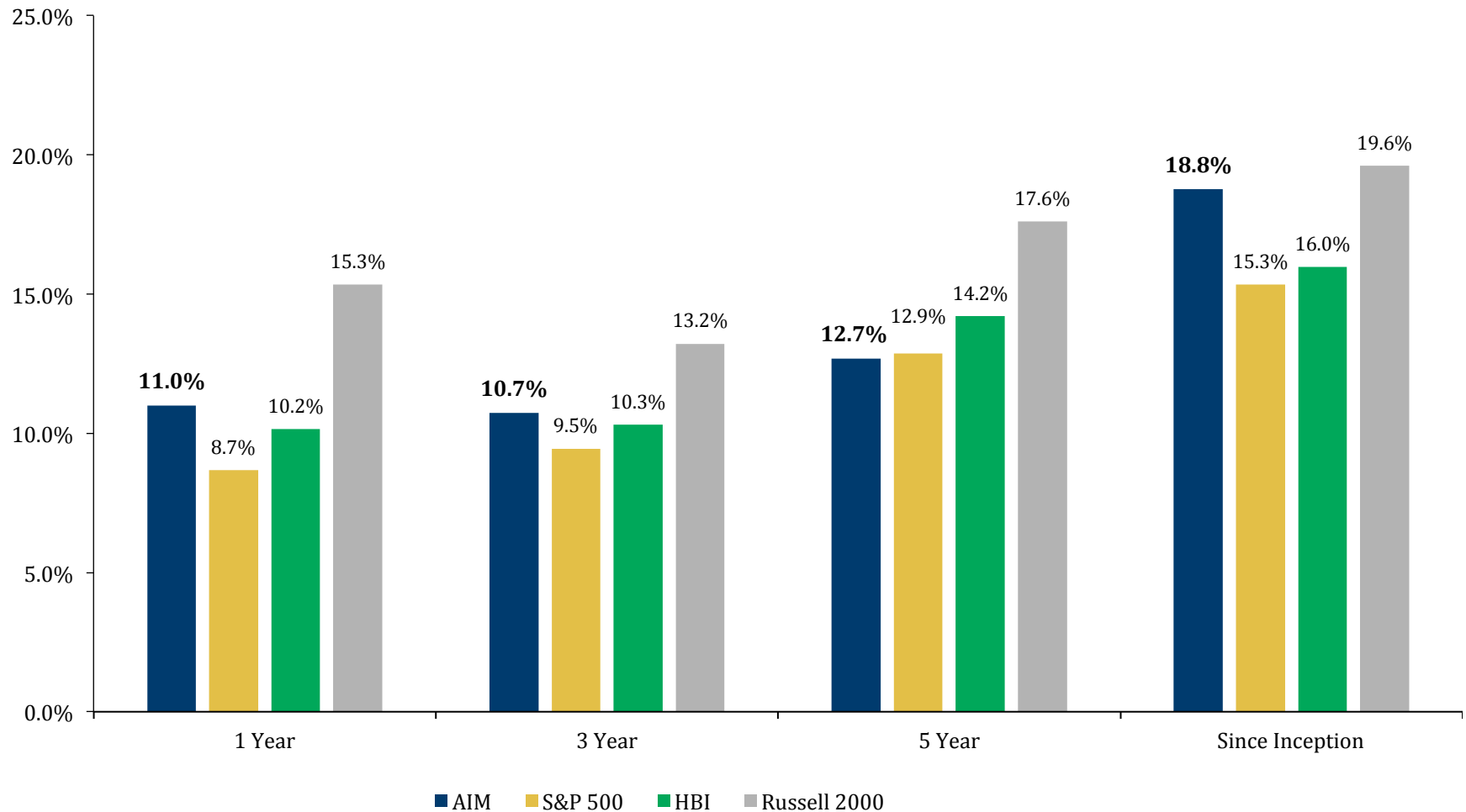
Company Name	Industry	Return
Apple Inc.	Technology	59.5%
United Health Group	Healthcare	56.9%
Gilead Sciences Inc.	Healthcare	40.3%
Kinder Morgan Inc.	Energy	34.4%
Checkpoint Software	Technology	32.9%

Bottom 5 Performers

Company Name	Industry	Return
Seadrill Ltd.*	Energy	(46.7%)
Atwood Oceanics*	Energy	(24.9%)
Schlumberger	Energy	(10.0%)
Deere & Co.	Industrial	(7.0%)
Calumet Specialty	Industrial	(1.1%)

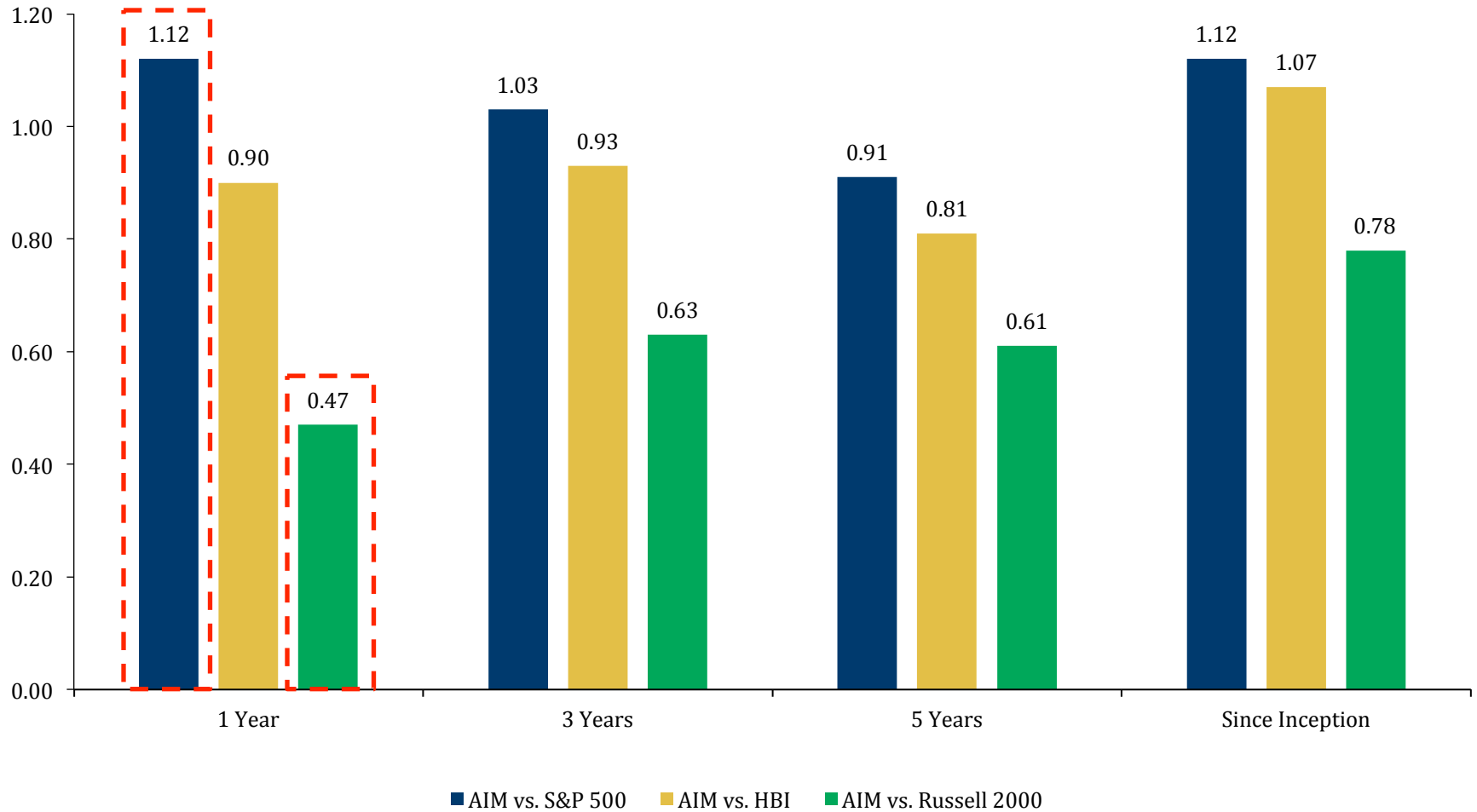
Risk Measures

Standard Deviation



Risk Measures

Beta



Risk-adjusted Performance

Other Measures

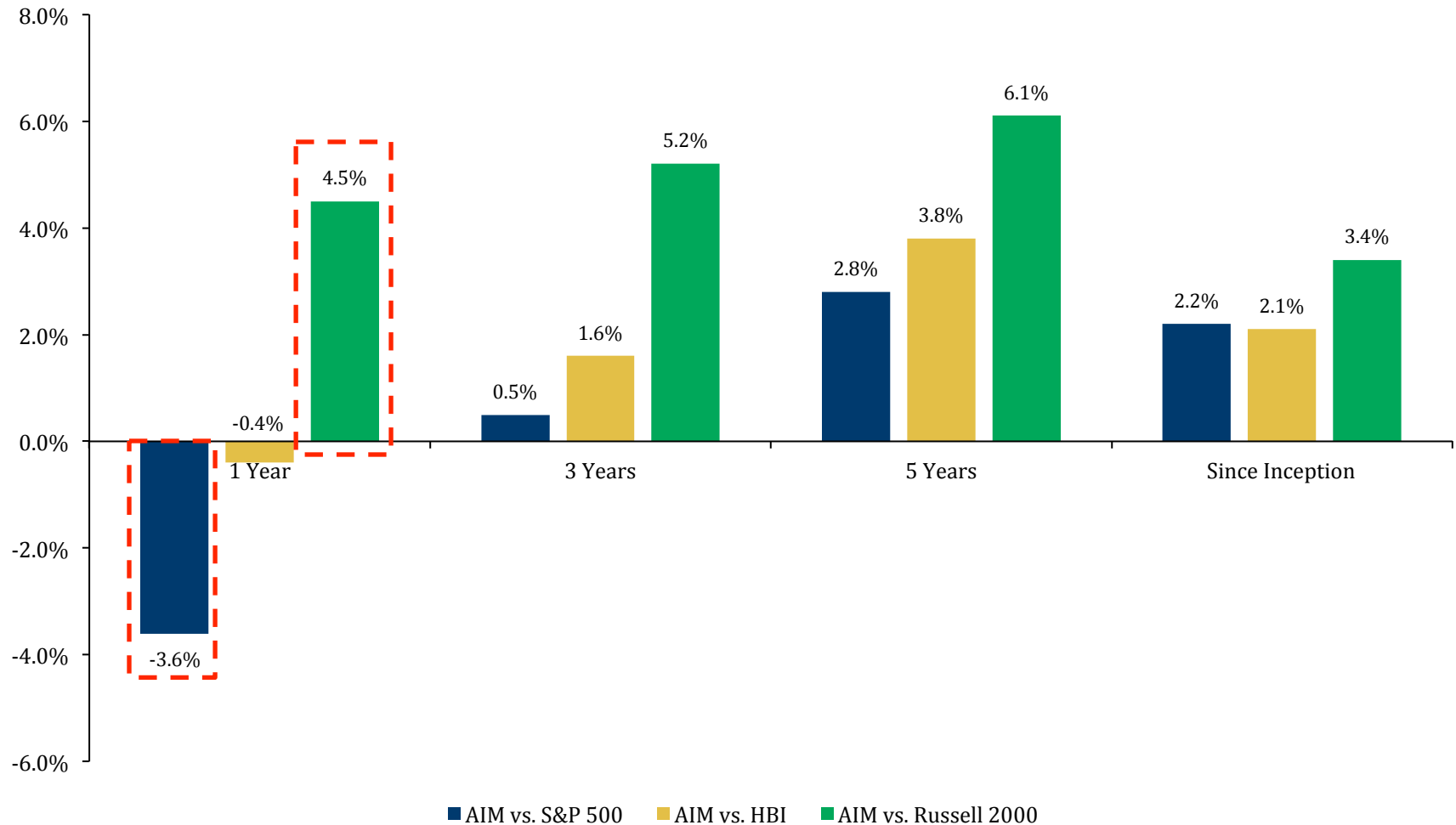


- Jensen's Alpha: $r_{p,t} - [r_{f,t} + \beta_p \times (r_{m,t} - r_{f,t})]$
 - Shows average portfolio return beyond that predicted by CAPM
 - Positive alpha indicates excess (abnormal) returns to market risk

- Sharpe Ratio: $(r_p - r_f) / \sigma_p$
 - Measures the reward to total risk
 - Shows whether portfolio returns are due to increased risk or smart investment decisions

Risk-Adjusted Performance

Jensen's Alpha: Abnormal Returns

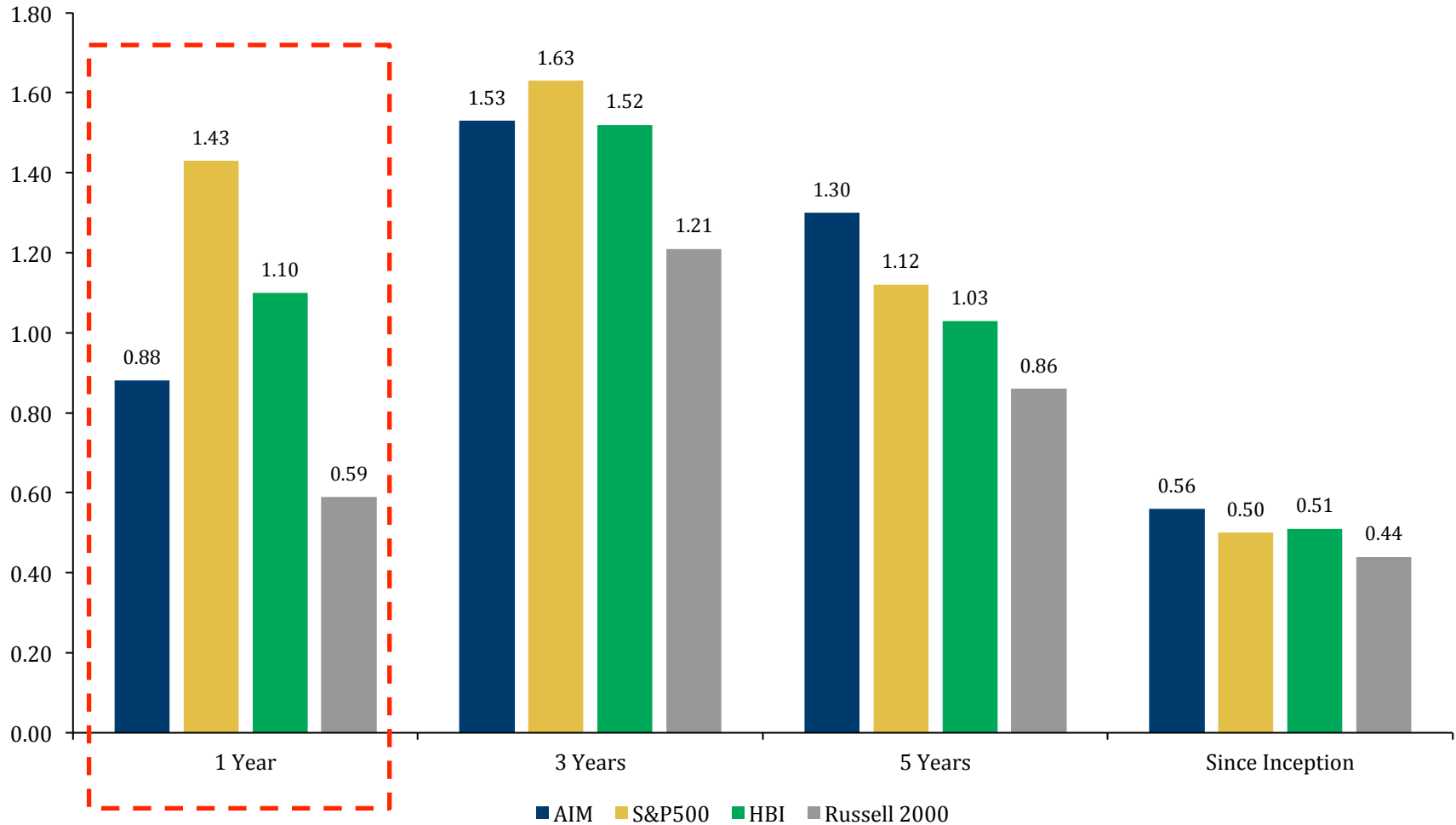


Risk-Adjusted Performance

Sharpe Ratio: Excess Returns to Total Risk



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Active Share

Introduction



$$\% \text{ of Portfolio} - \% \text{ of Market} = \text{Active Share Contribution}$$

- Developed by Professor Martijn Cremers from ND Finance Department and has become widely used in the financial industry
- Measure of differentiation between a portfolio and the market
- A method used to detect closet indexing
- Higher percentage indicates more active management
- Historically, funds with Active Share above 90% outperformed their benchmarks by 1.13% after fees

Active Share

Current Portfolio



Company Name	Ticker	Market Value	Portfolio Weight	S&P 500 Weight	Difference
Activision Blizzard Inc.	ATVI	\$480,900	4.33%	0.00%	4.33%
Apple Inc.	AAPL	\$530,287	4.78%	4.03%	0.75%
Atwood Oceanics	ATW	\$383,180	3.45%	0.00%	3.45%
Check Point Software	CHKP	\$535,222	4.82%	0.00%	4.82%
Cisco Systems	CSCO	\$466,125	4.20%	0.78%	3.42%
Covanta Holding Corp.	CVA	\$401,940	3.62%	0.00%	3.62%
Delphi Automotive	DLPH	\$544,375	4.91%	0.13%	4.78%
Exxon Mobil	XOM	\$466,824	4.21%	1.96%	2.25%
Gilead Sciences Inc.	GILD	\$540,956	4.88%	0.84%	4.04%
Google Inc.	GOOG/GOOGL	\$436,675	3.94%	1.70%	2.24%
Hain Celestial Group	HAIN	\$512,148	4.62%	0.00%	4.62%
IMAX	IMAX	\$466,180	4.20%	0.00%	4.20%
Jazz Pharmaceuticals	JAZZ	\$467,500	4.21%	0.00%	4.21%
Kinder Morgan Inc.	KMI	\$434,951	3.92%	0.40%	3.52%
Las Vegas Sands	LVS	\$397,390	3.58%	0.00%	3.58%
Mastercard	MA	\$464,100	4.18%	0.48%	3.71%
Mattress Firm	MFRM	\$471,240	4.25%	0.00%	4.25%
Microsoft Corp.	MSFT	\$426,826	3.85%	1.90%	1.95%
Mobileye	MBLY	\$466,400	4.20%	0.00%	4.20%
Monsanto Co.	MON	\$441,632	3.98%	0.30%	3.68%
Royal Caribbean	RCL	\$468,696	4.22%	0.06%	4.16%
Seadrill Ltd.	SDRL	\$365,110	3.29%	0.00%	3.29%
Union Pacific Corp.	UNP	\$386,640	3.48%	0.51%	2.97%
UnitedHealth Group Inc.	UNH	\$539,672	4.86%	0.60%	4.26%
Total		\$11,094,969	100.00%	13.70%	86.30%

▲ = Securities held in the AIM Portfolio that are not in the S&P 500

Portfolio Turnover

Additions & Deletions



Portfolio Additions

Company Name	Industry
IMAX	Consumer Discretionary
Royal Caribbean	Consumer Discretionary
Mattress Firm	Consumer Discretionary
Cisco Systems	Technology
Mobileye	Technology
Jazz Pharma	Healthcare
ExxonMobil	Energy
Mastercard	Financials

Portfolio Deletions

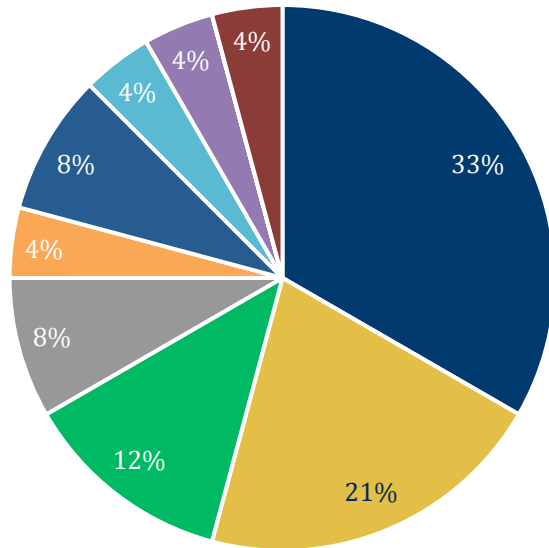
Company Name	Industry
Intel	Technology
Verifone Systems	Technology
InterActive Corp	Technology
Schlumberger	Energy
Calumet Specialty Products	Energy
Deere & Co	Industrial
Ford Motor Company	Consumer Dis.
Lockheed Martin	Defense

Sector Allocations

AIM XXXIX & AIM XL

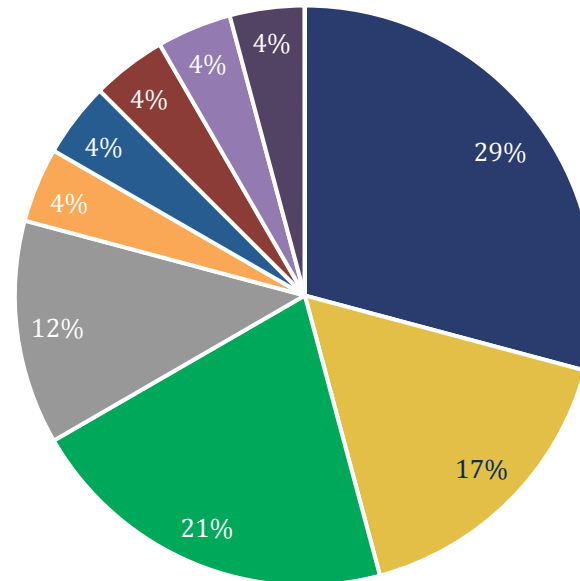


AIM XXXIX Portfolio



- Defense
- Consumer Staples
- Industrial
- Financials

AIM XL Portfolio



- Technology
- Agriculture
- Transportation
- Energy
- Consumer Discretionary
- Healthcare

Portfolio Considerations

Stocks That Were Not Added



Consumer Discretionary

- Columbia Sportswear
- Monster Energy
- Michael Kors

Consumer Staples

- Roundy's

Industrials

- Ecolab

Financials

- Discover Financial Services

Technology

- Salesforce
- Gentex
- Micron Technology
- 8 x 8 (Eight by Eight)
- Facebook

Services

- FedEx

Media

- 21st Century Fox
- Netflix



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AIM XL Highlights

Guest Speakers
Chicago Trip
March Madness
Newsletter
Website

Guest Speakers



Ed Trubac



Gianna Bern



Scott Malpass



Professor Emeritus, Finance

University of Notre Dame

Associate Professor, Finance
Academic Director, Master of
Science in Finance

University of Notre Dame

Vice President
Chief Investment Officer

University of Notre Dame

Chicago Trip



Chicago Trip

Troy Hanikoff – Managing Director



Kelly Cornelis ('96, AIM I) - Partner



Chicago Trip



Kimberly Flynn ('99, AIM) - SVP



Ann Kritzmire ('84) – Managing Director



Chicago Trip

Adam Fleck ('06, AIM) - Director



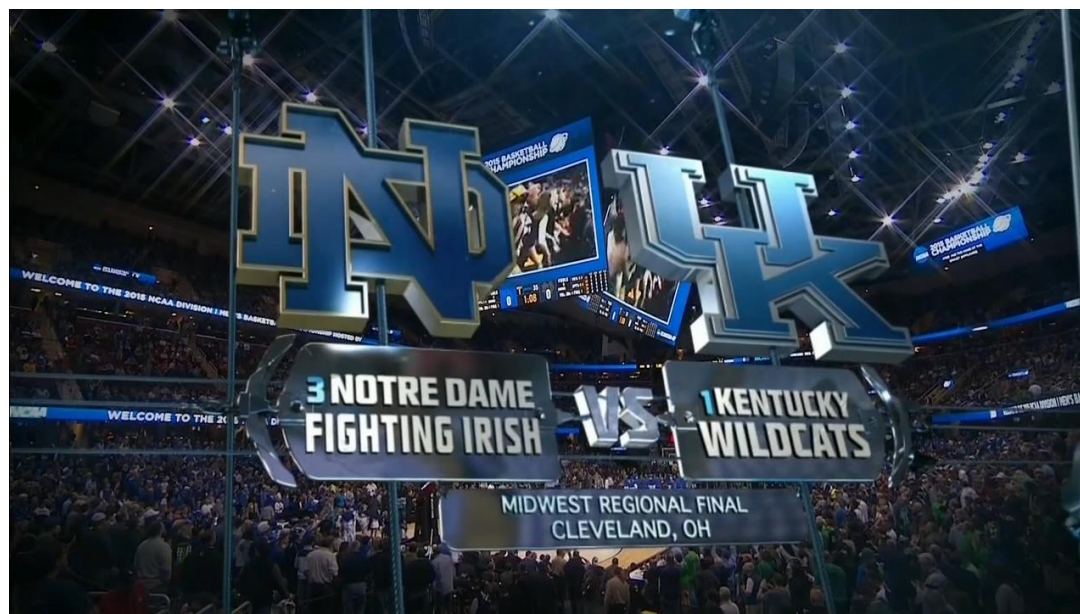
Jeremy Stampien ('05, AIM) - Director



MORNINGSTAR[®]

Notre Dame Basketball

March Madness

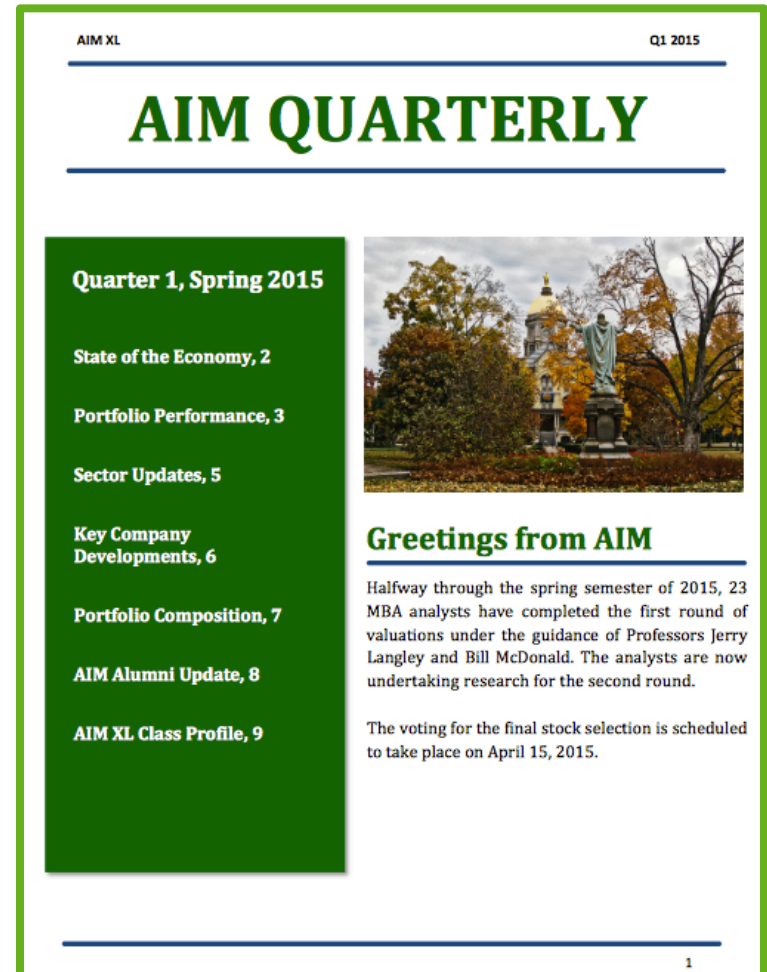


NCAA Tournament

03/19/15	vs. Northeastern	Pittsburgh, Pa. (CONSOL Energy Center)	W, 69-65
03/21/15	vs. Butler	Pittsburgh, Pa. (CONSOL Energy Center)	W, 67-64 (OT)
03/26/15	vs. Wichita State	Cleveland, Ohio (Quicken Loans Arena)	W, 81-70
03/28/15	vs. Kentucky	Cleveland, Ohio (Quicken Loans Arena)	L, 68-66

Newsletter Contents

- State of the Economy
- Portfolio Performance
- Sector Updates
- Company Developments
- Portfolio Composition
- Alumni Updates
- Trips
- Current Class Profile



AIM XL Q1 2015

AIM QUARTERLY

Quarter 1, Spring 2015

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Portfolio Composition, 7

AIM Alumni Update, 8

AIM XL Class Profile, 9



Greetings from AIM

Halfway through the spring semester of 2015, 23 MBA analysts have completed the first round of valuations under the guidance of Professors Jerry Langley and Bill McDonald. The analysts are now undertaking research for the second round.

The voting for the final stock selection is scheduled to take place on April 15, 2015.

1

AIM Website

aim.nd.edu



- **Home Page**
 - News & Events
 - Current Portfolio
- **About AIM**
 - Course Overview
 - Instructors
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 - Historical Performance
- **Current Analysts & Stocks**
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- **Publications**

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

News & Events
20 Year Reunion
- Click [here](#) for the Schedule of Events!

AIM Portfolio

AIM Portfolio - Homepage					
Ticker	# of Shares	Price per Share	Value of Position	Daily % Change	
ATVI	21,000	\$23.94	\$502,741	0.82%	
AAPL	4,150	\$130.28	\$540,668	0.47%	
ATW	11,500	\$28.74	\$330,511	-3.20%	
CHKI	8,325	\$87.55	\$553,751	0.49%	
CSCI	16,500	\$28.82	\$475,531	0.51%	
CVA	18,000	\$20.97	\$377,461	1.87%	
DLP	6,500	\$83.51	\$542,811	0.38%	
XOM	5,300	\$86.97	\$460,941	-0.65%	
GILD	5,200	\$103.69	\$539,181	-1.44%	
GOO	420	\$565.06	\$237,321	3.30%	
GOO	400	\$573.68	\$229,461	2.91%	
HAIN	7,800	\$61.33	\$478,371	-1.06%	
IMAX	13,000	\$37.62	\$489,061	0.59%	
JAZZ	2,500	\$189.42	\$473,551	0.17%	
KMI	10,015	\$44.34	\$444,081	-0.52%	
LVS	7,000	\$55.25	\$386,751	0.24%	
MA	5,200	\$90.72	\$471,741	-0.18%	
MFR	7,000	\$62.85	\$439,951	-1.16%	
MSF	10,100	\$47.87	\$483,481	10.45%	
MBL	10,000	\$47.62	\$476,201	0.02%	
MON	3,700	\$118.46	\$438,301	0.83%	
RCL	5,900	\$72.47	\$427,571	-0.36%	
SDRI	29,000	\$11.39	\$330,311	-2.23%	
UNP	3,600	\$107.51	\$387,031	-0.56%	
UNH	4,600	\$118.69	\$545,971	0.38%	
Total AIM Portfolio			\$11,062,764		

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Closing



- AIM XL would like to thank:
 - The Advisory Board
 - Scott Malpass and the Notre Dame Investment Office
 - Advisors Langley, McDonald, Reilly, and Trubac
 - Rachel Karnafel

- Post-Presentation Agenda:
 - Short break
 - Advisory Board panel discussion



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