



Applied
Investment
Management



Advisory Board Presentation

AIM XXX

April 26, 2010



Introduction

- We appreciate the opportunity to present to the AIM Advisory Board

- Agenda
 - Investment Objectives for the Portfolio
 - Economic Environment
 - Security Analysis
 - Portfolio Performance
 - AIM Information
 - Summary & Wrap Up



Course Overview and Portfolio Investment Guidelines



Course Overview

- Course Objective
 - Applied Investment Management provides analysts with a thorough grounding in the process of portfolio management, from broad asset allocation decisions through individual stock evaluation.



Course Overview

- Active portfolio management
 - Equity analysis and valuation
 - Economic environment analysis
 - Portfolio asset allocation and performance reporting
 - Enhanced investment industry knowledge



Analyst Responsibilities

- Stock Selection
 - Inherit portfolio position and update intrinsic value
 - Select and value one additional equity security
- Equity Valuation
 - Company and industry background
 - Fundamental analysis
 - Earnings forecast, DCF model
 - Technical analysis
 - Intrinsic valuation



Group Responsibilities

- Report on current economic environment
 - GDP drivers
 - Housing
 - Unemployment
- Portfolio performance reporting
 - Sector weighting
 - Benchmark comparison
- Portfolio trading
- Newsletter compilation



Investment Philosophy

- Investment objective
 - Outperform the S&P 500 over the long run
 - Outperform secondary indices, including the Russell 1000, Russell 2000 and the HBI
 - Grow the value of the portfolio
- Risk managed by diversification
- Investment decisions
 - Fundamental Analysis
 - Bottom-up Approach



Investment Philosophy

- Liquidity
 - Not a main objective, but the fund will have a high degree of liquidity
- Investment Horizon
 - Investments are for the long term, 3-5 years
- Laws & Regulations
 - “Prudent Person Rule”
- Tax Consideration
 - Beyond the scope of this fund, since the University does not pay taxes



AIM Investment Policies

- Only equities traded on the major U.S. exchanges (NYSE and Nasdaq)
 - No bonds, money market instruments or derivative instruments
 - No margin purchases or short selling
 - Exception of industry hedge position (<1% of portfolio value)
 - Long: Financials, Short: Telecom

- Portfolio target allocation:
 - 65% in large cap stocks (market cap > \$5 billion)
 - 35% in small & mid cap stocks

- Portfolio composition will roughly match that of the S&P 500
 - Any discrepancies greater than 5% will be discussed by the portfolio performance group (3 times over 1 semester)



AIM Investment Policies

- No individual stock will exceed 10% of the market value of the portfolio
 - Analysts will review discrepancies in accordance with changing market conditions
- 0% long-term target for cash holdings
 - Short-term cash positions, i.e. from stock sales and dividend receipts, will be invested in a market index portfolio



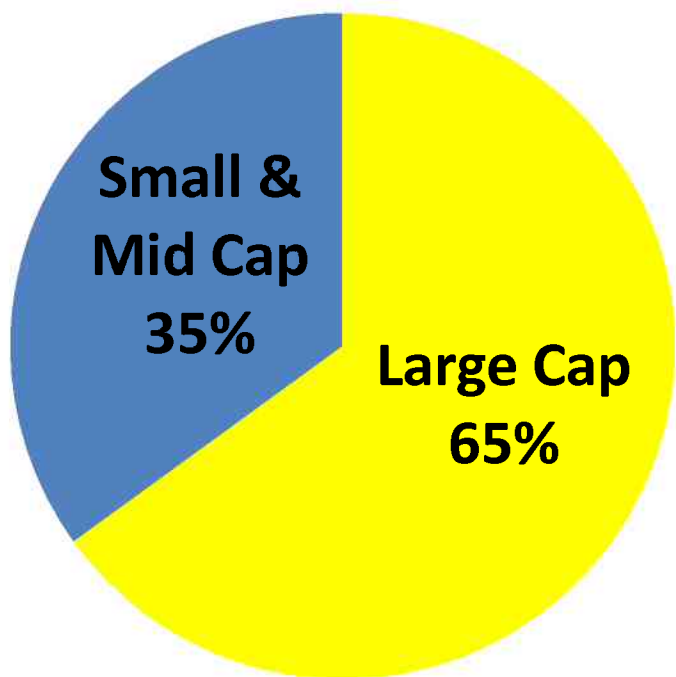
AIM Ethical Policies

- AIM will not invest in the stocks of companies in the following lines of business:
 - Abortifacients
 - Birth Control, e.g. contraception
 - Tobacco
 - Any company whose values are inconsistent with those of the University of Notre Dame





Portfolio Target Allocation

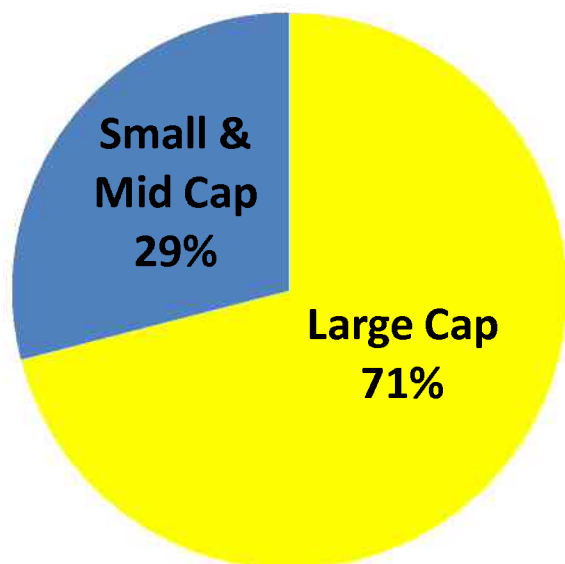


Small Cap < \$500M
Mid Cap \$500M - \$5B
Large Cap > \$5B



Market Capitalization Profile

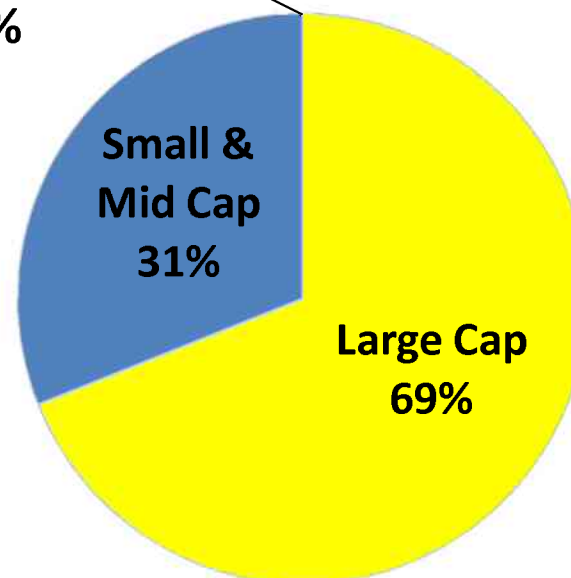
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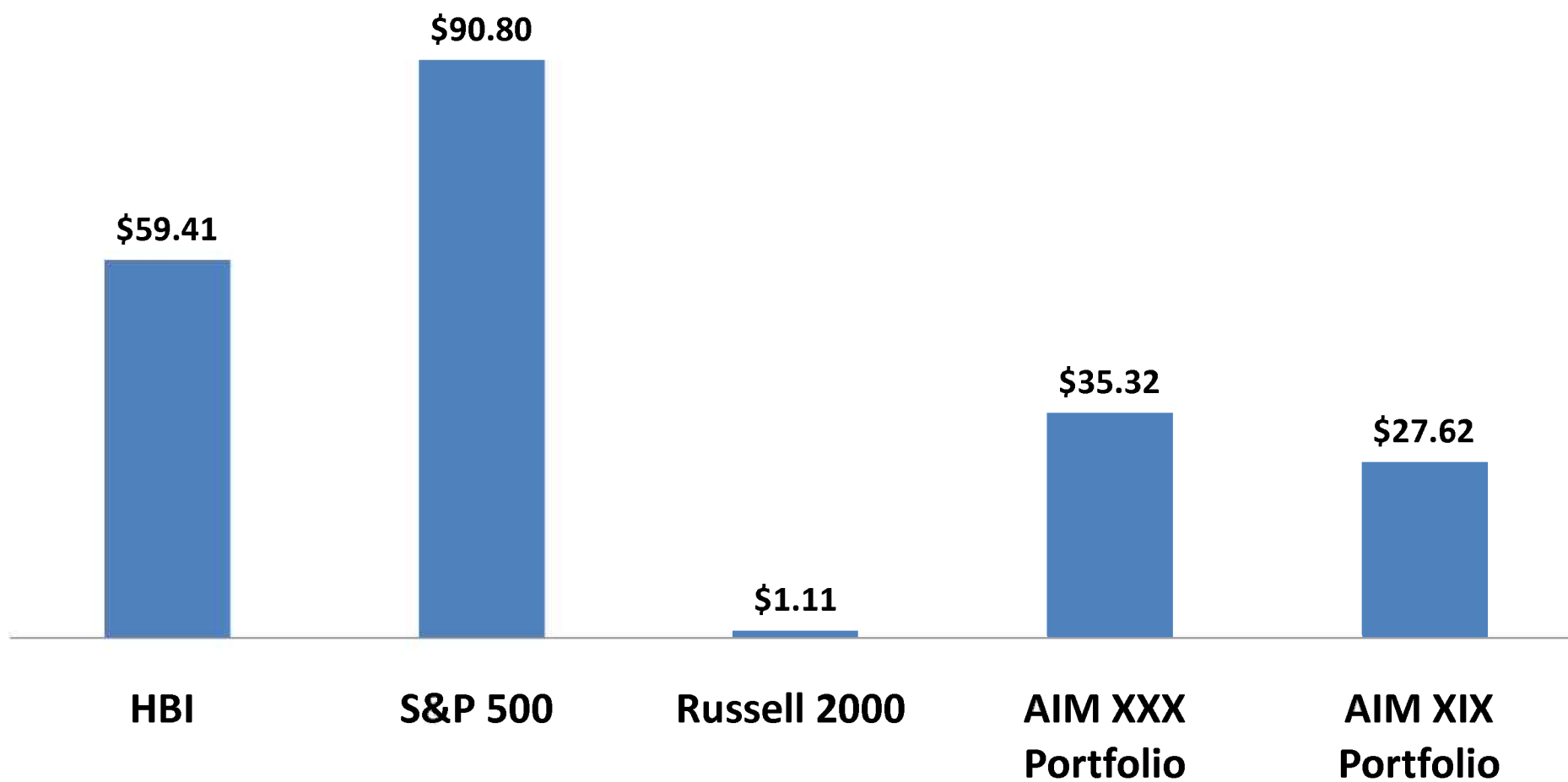
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4% overweight to large cap



Weighted Avg. Market Cap (\$B)





Weighted Average Market Cap

- AIM uses approximate equal weighting to build portfolio
- S&P 500 is a cap weighted portfolio

	Market Cap (\$B)	AIM Equal Weighted	S&P 500 Cap Weighted
Apple	222.79	50%	99.78%
Comscore	0.50	50%	0.22%
Average Market Cap (\$B)		111.65	222.29

- HBI reduces market cap disparity between S&P 500 and AIM portfolio
 - 65% S&P 500, 35% Russell 2000



Economic Environment



Economic Environment

- GDP Overview – *Adam Black*
- Unemployment – *Brendan Condon*
- Housing – *Nick Shirk*
- Consumer and Small Business Credit – *Wendell Sammons*
- Budget Deficit – *Garrett Busch*
- Inflation and the Federal Reserve – *Mark Leveck*
- Key Takeaways



Economic Environment

GDP Overview

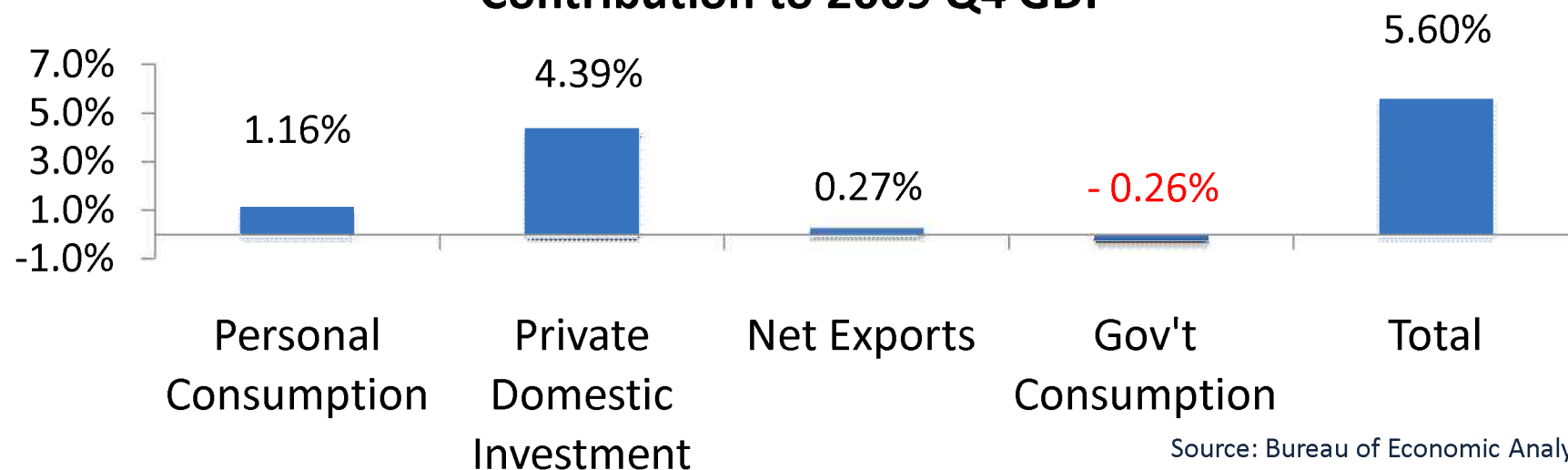


Gross Domestic Product

$$\text{GDP} = C + I + G + (\text{EX} - \text{IM})$$

- Increased at annual rate of 5.6% in Q4 '09 vs. 2.2% in Q3 '09
 - Key Drivers: private inventory investment, non-residential fixed investment & exports

Contribution to 2009 Q4 GDP

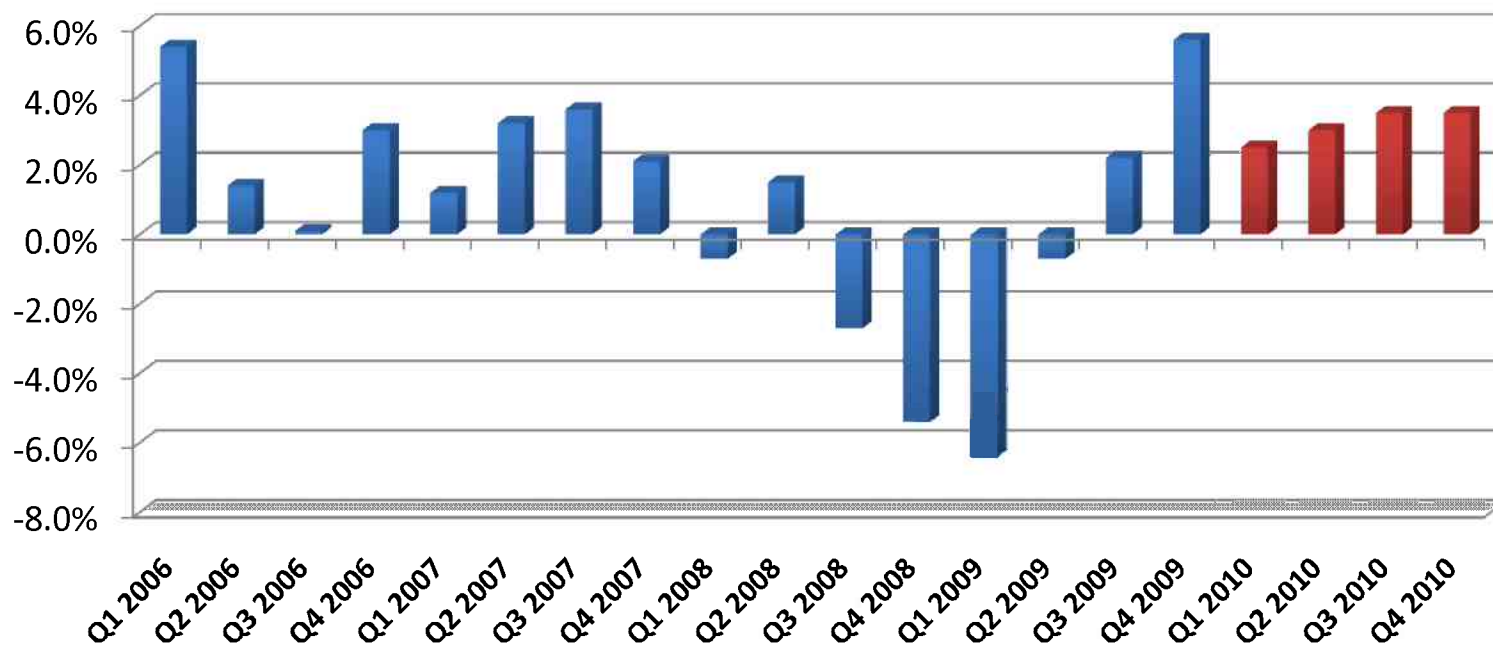


Source: Bureau of Economic Analysis



Gross Domestic Product

Seasonally Adjusted GDP (Annual Rates)



- 2010 Q1 GDP Estimate: 2.5%

Source: Bureau of Economic Analysis



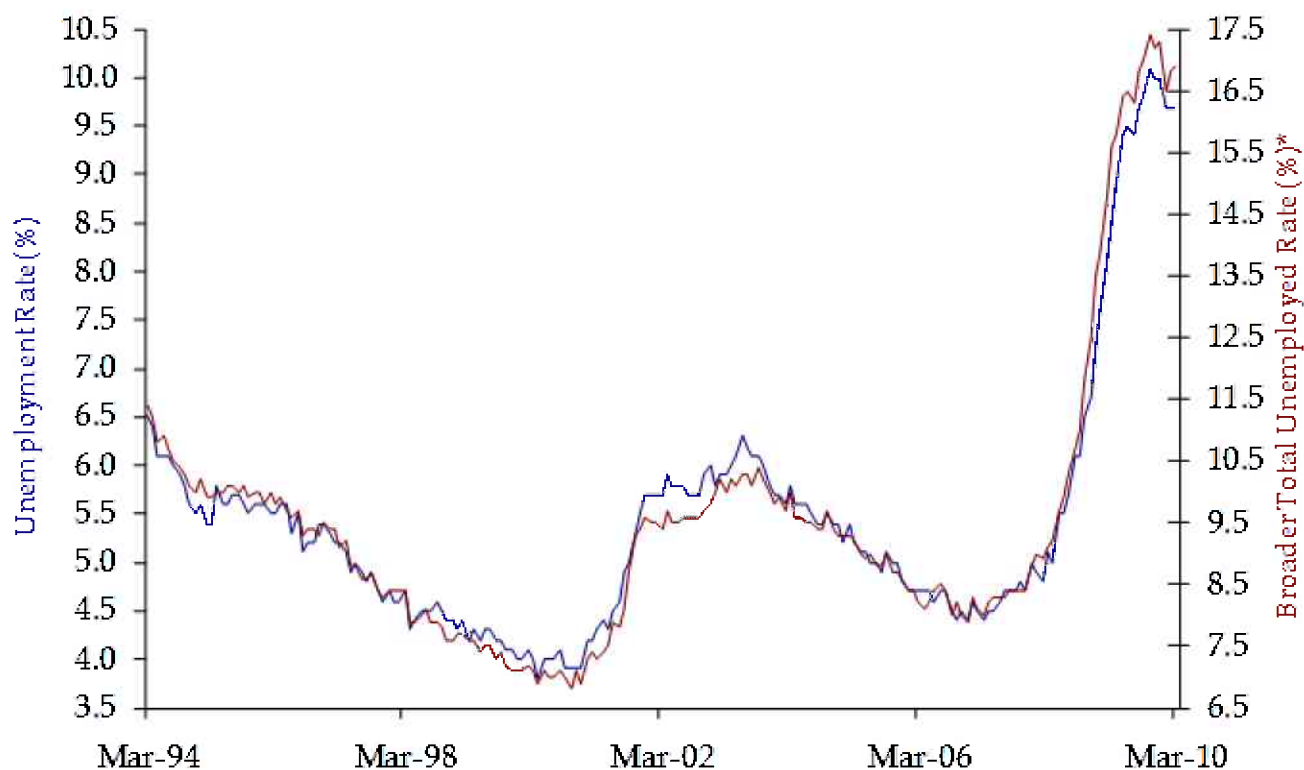
Economic Environment

Unemployment



Unemployment Rate

Unemployment Rate vs. Broader Total Unemployed*

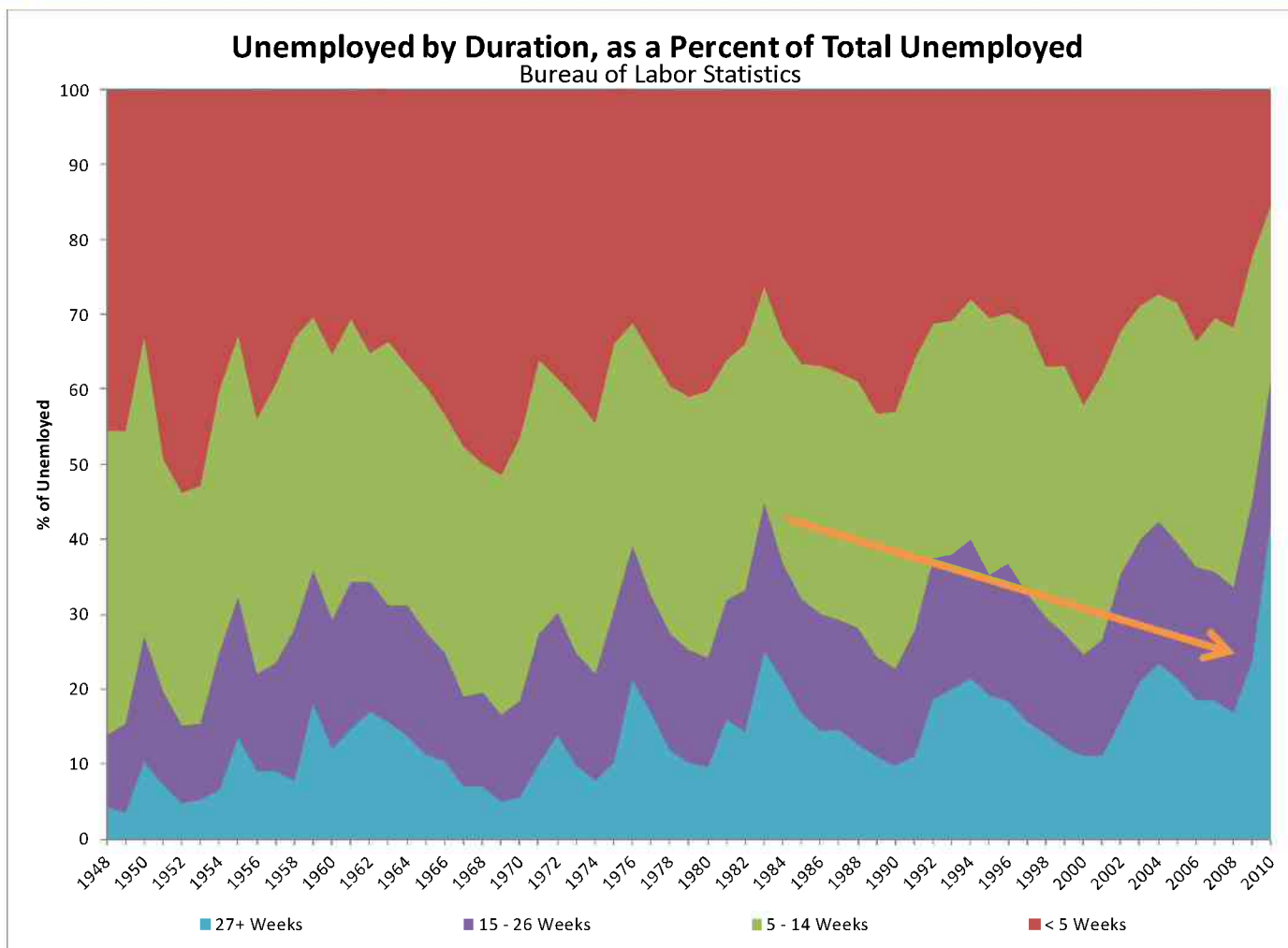


*includes unemployed, plus discouraged workers, those working part time who want a full time position, plus marginally attached workers

ECONOMIC DATA

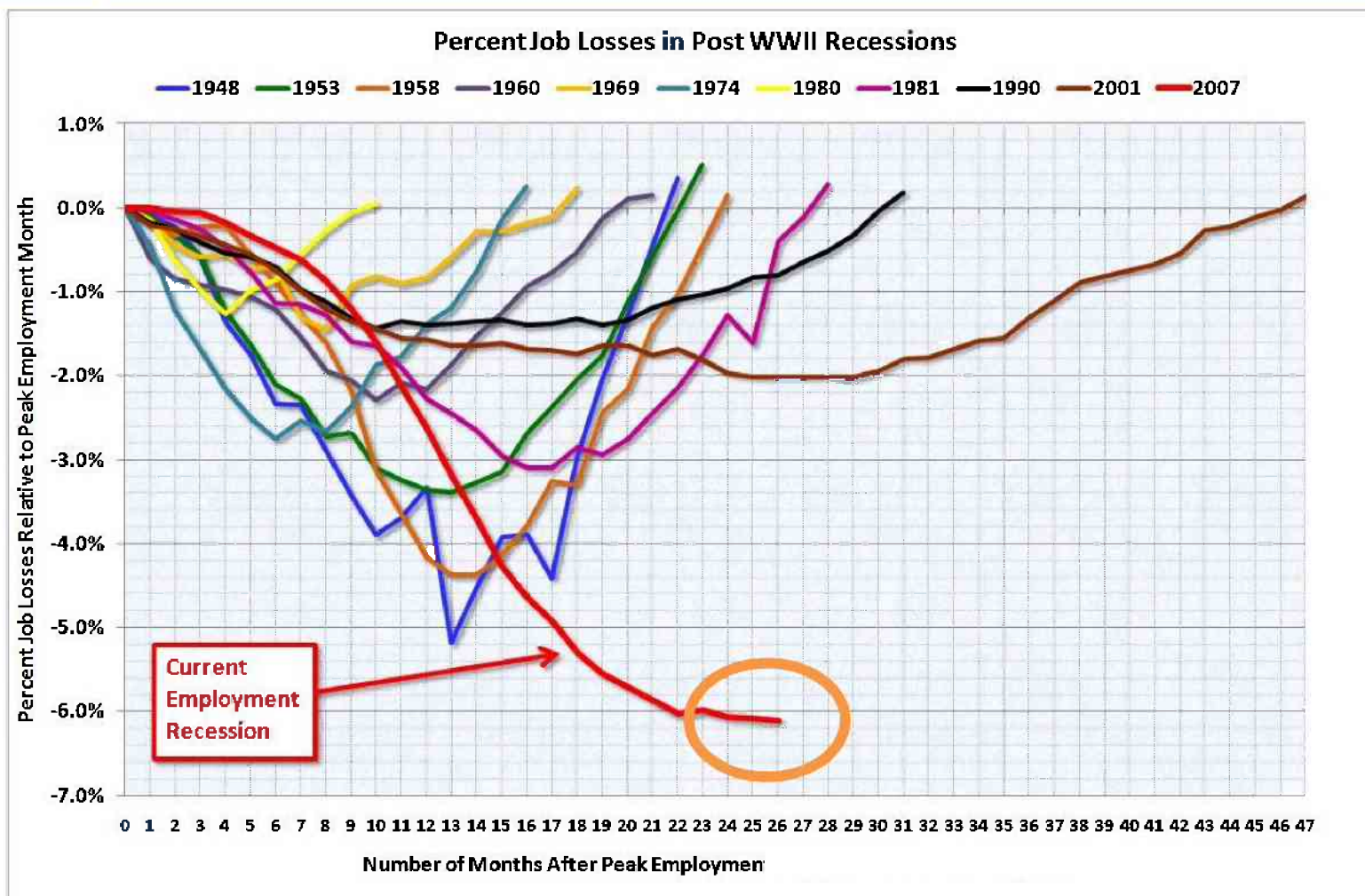


Duration of Unemployment





Historical Recessions





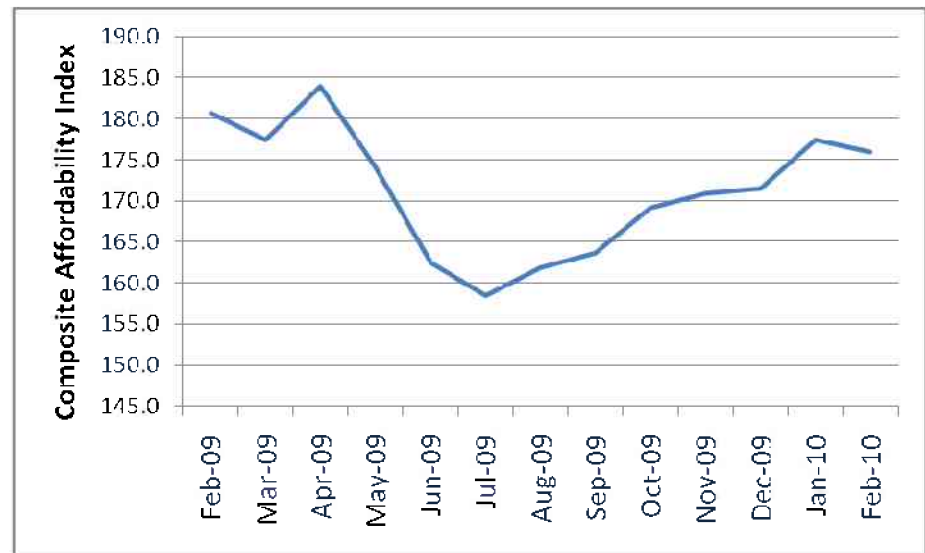
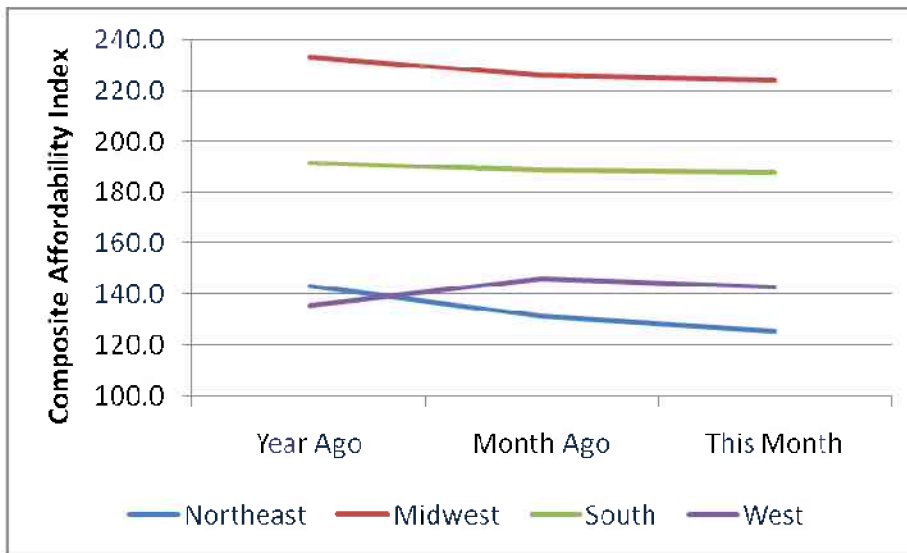
Economic Environment

Housing



Housing Affordability Index

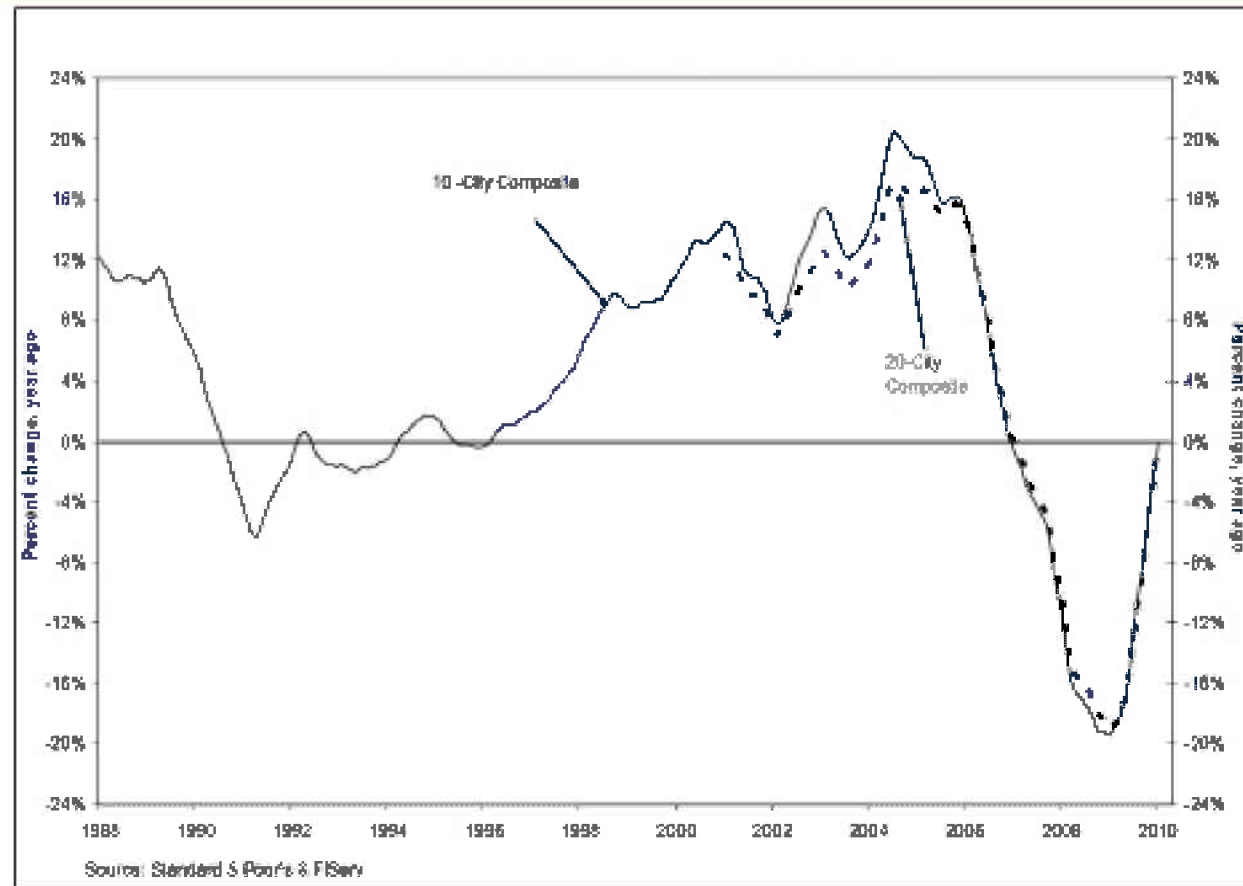
Year	Median Priced Existing Single-Family Home	Mortgage Rate	Monthly P & I Payment	Payment as a % of Income	Median Family Income	Qualifying Income	Composite	Affordability Indexes	
								Fixed	ARM
2007	217,900	6.52	1104	21.7	61,173	52,992	115.4	115.3	117.6
2008	196,600	6.15	958	18.1	63,366	45,984	137.8	137.4	143
2009	172,100	5.14	751	14.6	61,845	36,048	171.6	171.3	N/A



Source: National Association of REALTORS



S&P/Case-Shiller Home Price Index



- Home prices stabilizing



Outlook

Housing sector will provide no help to GDP growth

- Foreclosures
 - Strategic foreclosures
 - Banks reluctant to lend
- Programs
 - Home Affordable Modification Program (HAMP)
 - Housing Finance Agencies (HFAs) Hardest-Hit Fund
- Home sales
 - New home sales up 26.9% in March, but off historic lows in February
 - Tax credit expires at end of month
 - Slow recovery expected

<http://www.esa.doc.gov/>

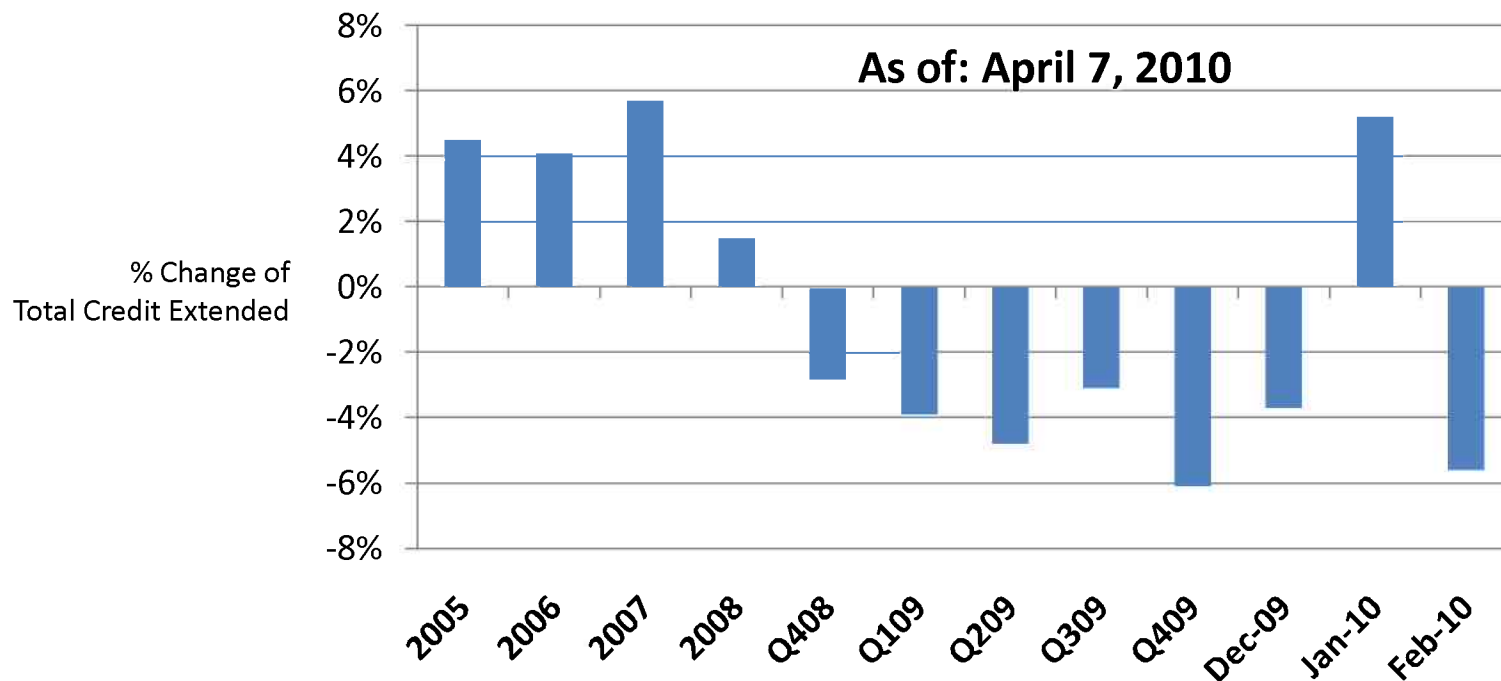


Economic Environment

Consumer and Small Business Credit



Consumer Credit



Source: Federal Reserve Statistical Release

- **Brief period of recovery in January of 2010**
 - Extended recovery in the market still seems unlikely in the near-term



Small Business Credit

- State of small business lending
 - 6/30/08 – 6/30/09 outstanding loans to small businesses were down \$14BN, or 2 percent

- Why is the small business lending market suffering?
 - Restricted credit based on weakened bank balance sheets
 - Falling real estate prices have limited the collateral of borrowers
 - Newly tightened standards
 - The complex relationship between personal and business finances for small business owners

Source: Board of Governors of the Federal Reserve System



Credit Markets

- 2010 Outlook: Cautiously Optimistic
 - Better overall economic conditions, particularly business and consumer spending
 - Continued government support, including a reduced federal funds rate and programs like TALF
 - TALF provided a \$1 trillion loan that supported the issuance of ABS, which provide credit for consumers and small businesses
 - Banks are slowly shifting their views on lending to small businesses

Source: Board of Governors of the Federal Reserve System



Economic Environment

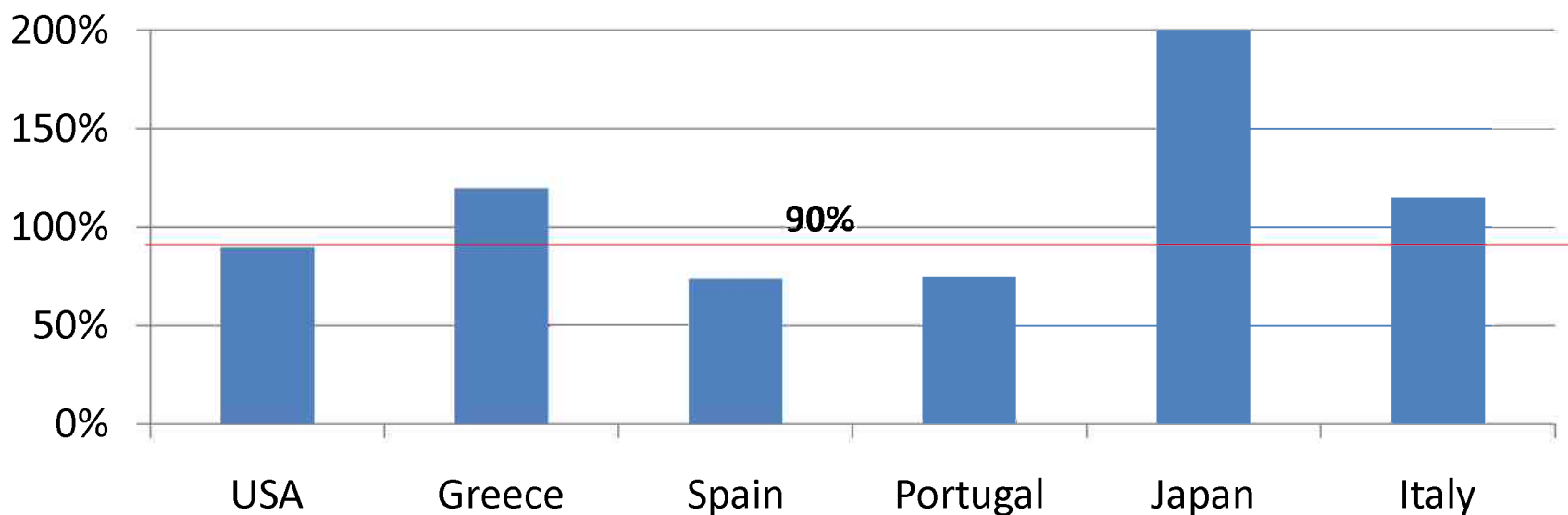
Budget Deficit and Debt



Global Debt

- 90% debt to GDP ratio
 - Economists Carmen Reinhart of the University of Maryland and Kenneth Rogoff of Harvard University found that economic growth rates decrease on average 1% per year once 90% ratio is reached

Global Debt Levels



Sources: WSJ, NY Times, economicshelp.org



Domestic Debt/Deficit

- Total debt \$12.85T
- Debt to GDP = 89.64%
- CBO projected 2010 deficit = \$1.8T
- 2010 debt to GDP 100%



Sources: usdebtclock.org, CBO, Washington Post



Foreign Debt Holders

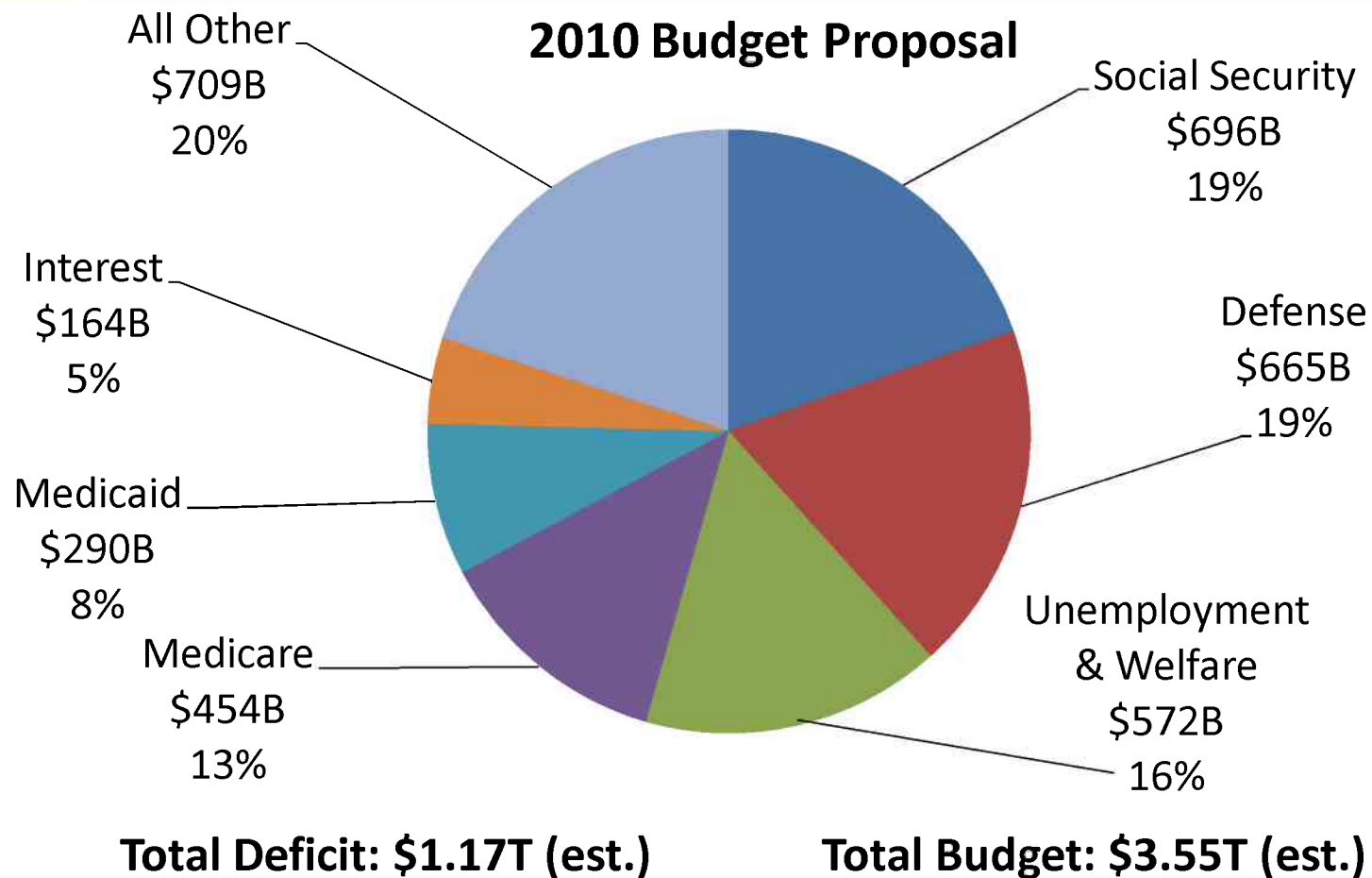
Foreign Owners of US Treasury Securities (December 2009)

Nation	Billions of dollars	Percentage of Total Debt
People's Republic of China (Mainland)	894.8	6.8%
Japan	765.7	5.8%
Oil Exporters	207.4	1.6%
United Kingdom	178.0	1.3%
Brazil	169.3	1.3%
Hong Kong	148.7	1.1%
Russia	141.8	1.1%
Caribbean Banking Centers	128.2	1.0%
Republic of China (Taiwan)	116.5	0.9%
Switzerland	89.7	0.7%
All Others	848.9	6.4%
Total foreign held debt	3,689.0	28%

Source: U.S. Treasury Department



The Breakdown (2010 est)



Source: Obama 2010 Budget Submission

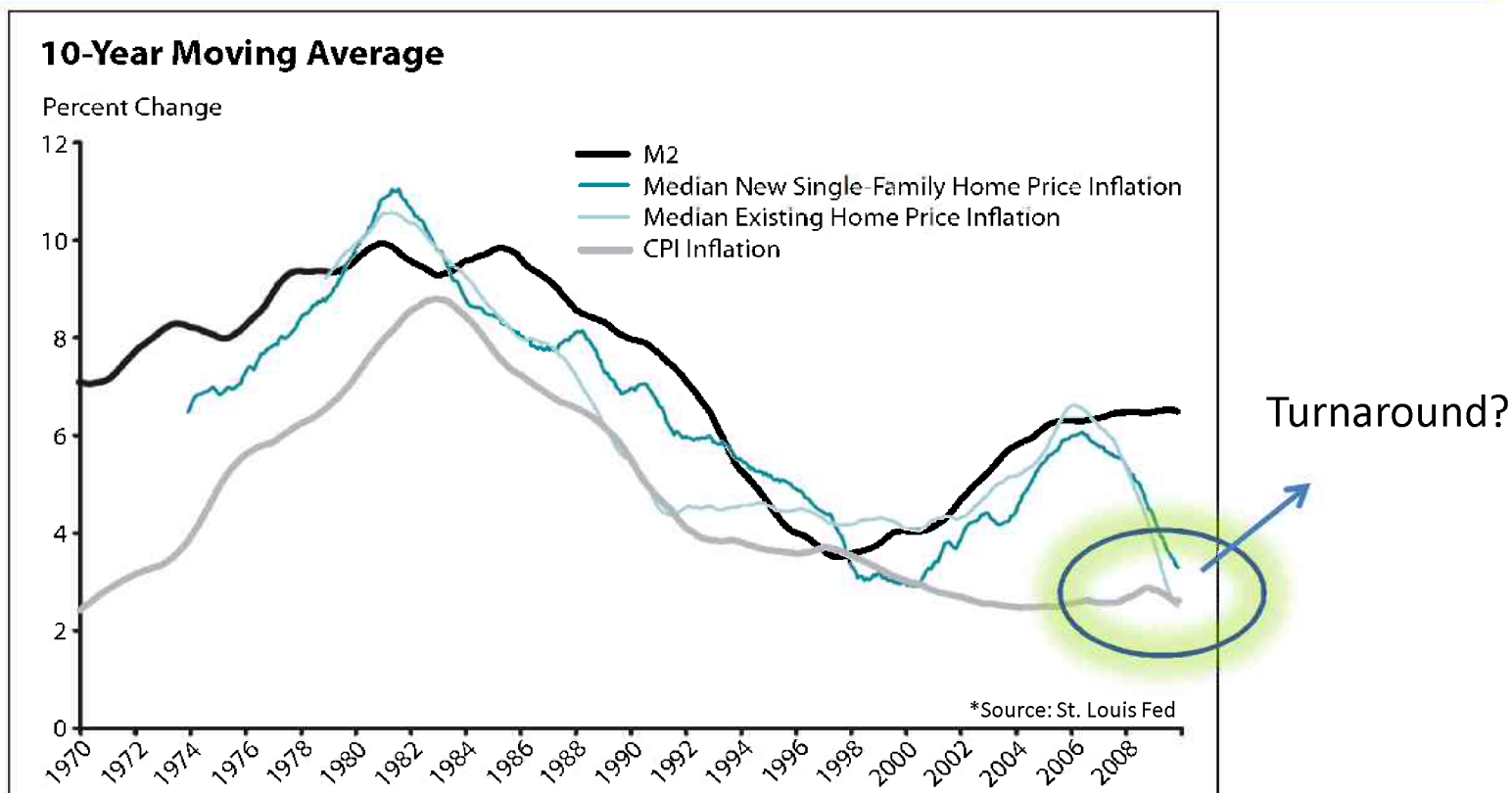


Economic Environment

Inflation and the Fed



Inflation Correlations

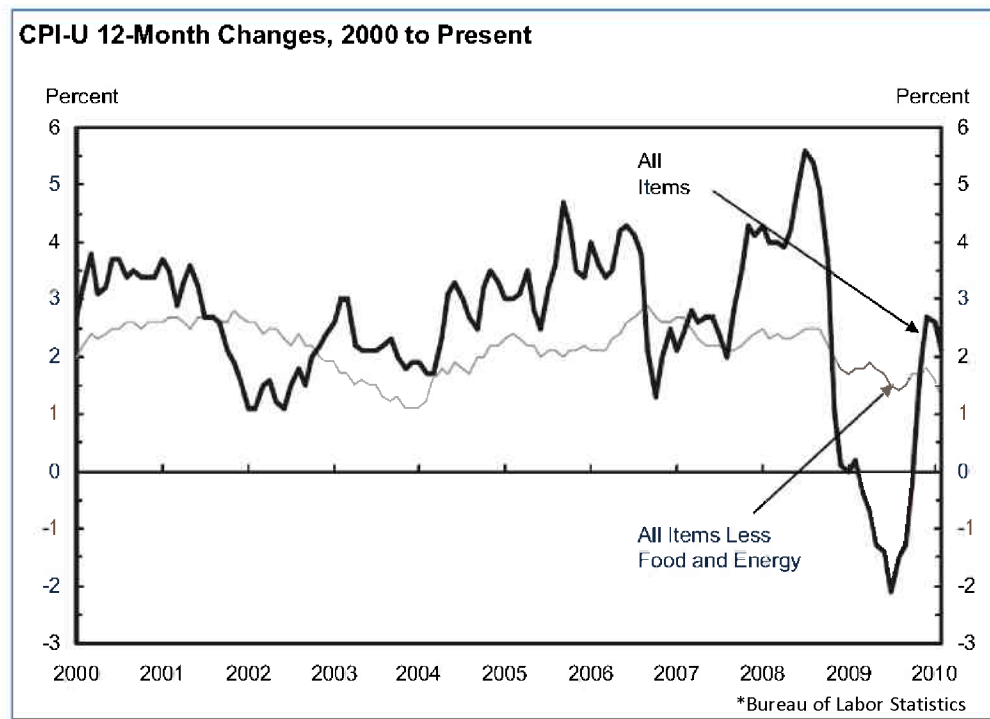


- Home purchases create increased aggregate demand for durables
- Lower home prices + high vacancy rates = lower rents (40% index)



'The Doves and the Hawks'

- The Fed does not want to raise rates in an environment without solid private sector employment growth
- The Fed and economists split over inflation risks





Key Takeaways

- GDP Forecast – 2.5% Q1 2010
 - Unemployment
 - Housing
 - Credit
 - Deficit
 - Inflation/the Fed



Security Analysis



Security Analysis

neustar™



BrandywineRealtyTrust

ACTIVISION
BLIZZARD

CCA®
CORRECTIONS CORPORATION OF AMERICA



Insituform®
Global Pipeline Protection



T H O R A T E C®
C O R P O R A T I O N



Security Analysis

- Determine intrinsic value and compare to current market price
- Valuation process
 - Company background and industry analysis, fundamental analysis, earnings forecast, beta forecast, technical analysis, and final valuation and recommendation
- Analyst's presentation focus
 - Discovery, fundamental analysis, EPS forecast, multiples valuation, DCF valuation, technical analysis and ethics



Insituform Technologies, Inc. (INSU)

Market Price \$26.99
Forward P/E 17.9x
Market Cap \$1.1B
2010E Revenue \$835M
2010E EPS \$1.51



Insituform Technologies, Inc.





Discovery: Karl Kopec

- DOJ/EPA coming down hard on “Combined Sewer Overflow” (CSO) municipalities
- Elkhart/SB/Mishawaka will spend additional \$500M over 20 years to meet CSO standards
 - 900 other municipalities have CSO today
- Much of this will be on C&E, some on large pipe rehab projects
- Mishawaka uses Insituform today on two projects
 - 16,000 feet of pipe
 - Very complimentary of INSU on execution and cost
 - Only a few firms can execute large rehab projects



Time To Call Insituform





INSU Forecast

Backlog Multiples	2008 Multiple	2009 Backlog	Projected 2010 Sales	
North American Sewer Rehabilitation	2.35x	\$ 180,900	\$ 425,161	← +20% YOY
European Rehabilitation	3.41x	\$ 37,200	\$ 126,942	
Asia-Pacific Sewer Rehabilitation	0.72x	\$ 57,400	\$ 41,318	
Water Rehabilitation	1.41x	\$ 7,700	\$ 10,819	
Energy and Mining	1.28x	\$ 180,200	\$ 230,866	
TOTAL			\$ 835,105	← +15% YOY

IS Assumptions	Backlog, Stimulus		Longer term trend: towards 8-9% CAGR		
	2010	2011	2012	2013	2014
Sales Growth	15%	15%	7%	10%	10%
Gross Profit	26%	26%	26%	26%	26%
Operating Margin	11.07%	11.54%	11.54%	11.76%	11.98%



INSU Recommendation – Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Price to Book	\$21.14	0%	\$0.00
Forward P/E	\$30.07	20%	\$6.01
Free Cash Flow	\$32.02	80%	\$25.61
Final Valuation			\$31.63
Price as of 4/14/10			\$26.74
Estimated Upside			18%

Investment Thesis: Municipal spending on sewer rehab will increase at 8% CAGR over the next 10 years. INSU has a cost effective solution coupled with a dominant market position and will capitalize on this long term trend.



Diamond Foods (DMND)

Market Price \$46.02
Forward P/E 18.6x
Market Cap \$933M
2010E Revenue \$656M
2010E EPS \$2.37



Diamond Foods, Inc.

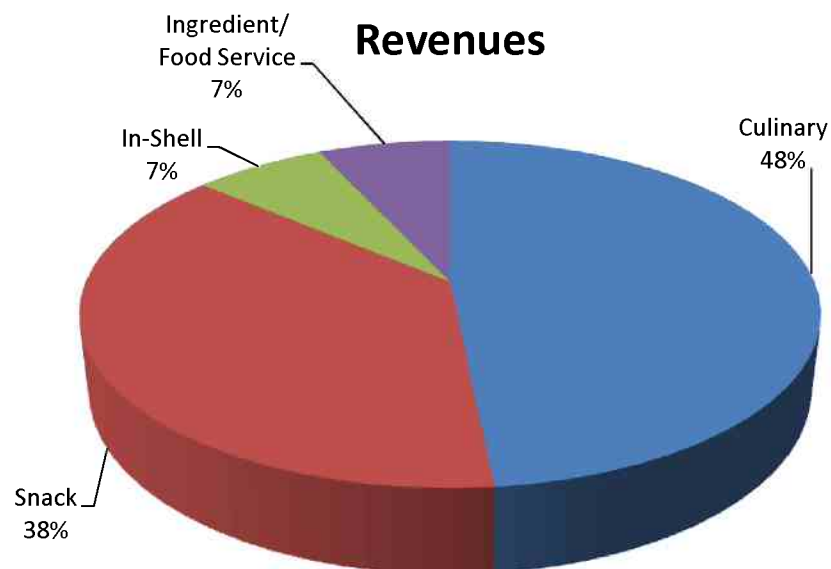
■ DMND





Company Information

- Product Lines
 1. Culinary
 2. Snack
 3. In-shell
 4. Ingredient/Food Service





Financial Statement Analysis

- **Income Statement (2006 – TTM)**
 - Gross profit margin up 87%
 - Operating profit margin up 542%
 - Net profit margin up 248%
- **Balance Sheet (2006 – TTM)**
 - Fixed assets up 323%
 - Long term liabilities up 204%
 - Receivables up 10% while payables up 179%
 - Retained earnings up 364% and up 15% as a percentage of total capital
 - Working capital decreasing as a percentage of total capital (down 23%)



DuPont Analysis

- ROE up 135% during period 2006 – TTM
- Decrease in leverage during most recent period

	Diamond Foods				
	2006	2007	2008	2009	TTM
ROE	6.62	6.73	10.09	13.70	15.54
Lev	1.29	1.22	1.19	1.65	1.49
ROC	5.14	5.52	8.48	8.29	10.42
NPM	1.54	1.61	2.78	4.16	5.36
Capital T.O.	3.34	3.42	3.05	1.99	1.94



DMND Recommendation – Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
DCF	\$55.29	60%	\$33.18
Forward Price to Sales	\$60.96	35%	\$21.33
Forward P/E	\$36.43	5%	\$1.82
Final Valuation			\$56.33
Price as of 4/14/10			\$43.46
Estimated Upside			29.6%

Diamond Foods is an aggressive young company that has a superior ability to cross sell and market its products and that operates in an industry that is primed for growth.



Activision Blizzard (ATVI)

Market Price \$12.03
Forward P/E 14.5x
Market Cap \$14.8B
2010E Revenue \$4.6B
2010E EPS \$0.54



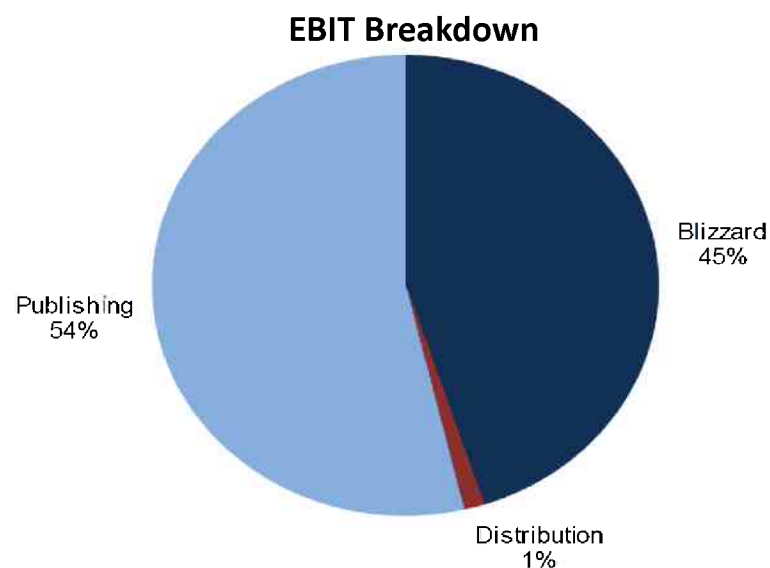
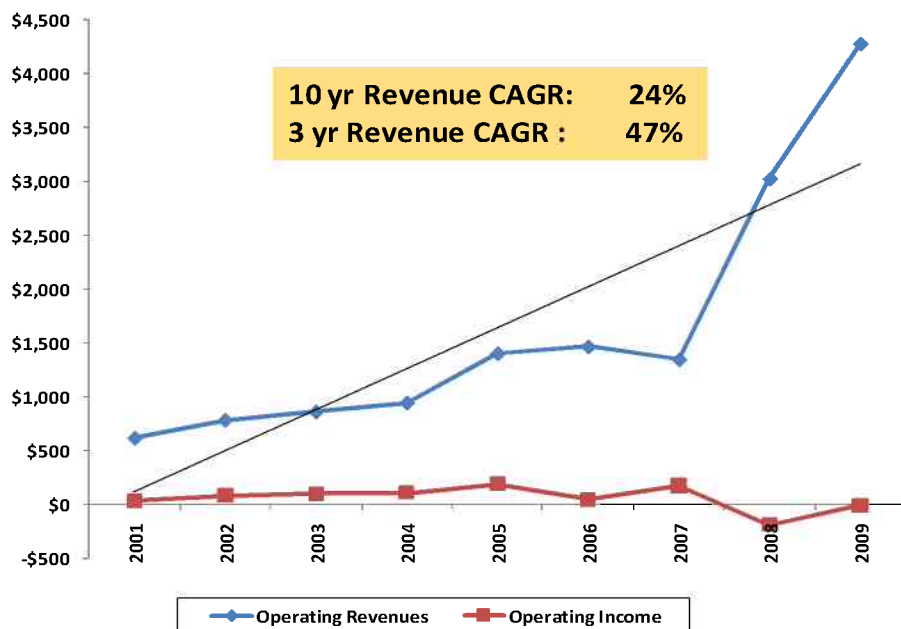
Activision Blizzard, Inc





Business Overview

- Publisher of interactive entertainment software products
- Strong fundamentals
 - \$3.25B in cash with 0 debt
 - 55% Gross Margin/14% Net Margin

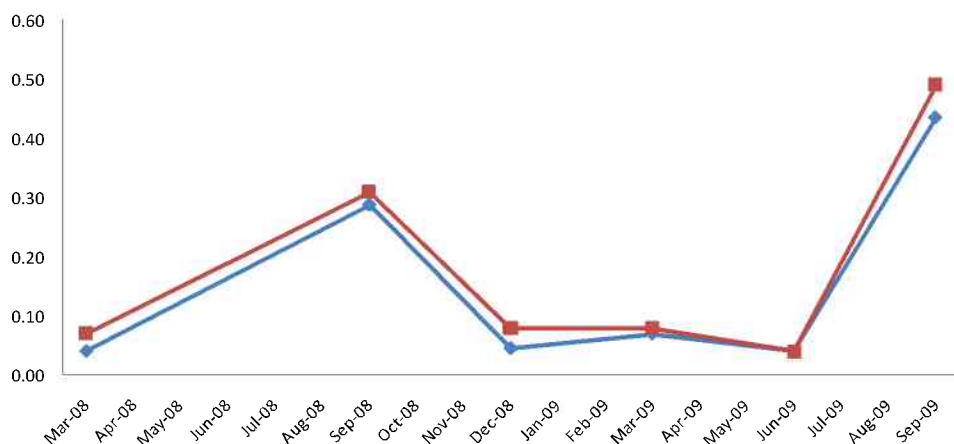


- Growth drivers
 - Margin expansion transitioning to subscription model
 - International expansion in Asia (5% of Revenue Mix)



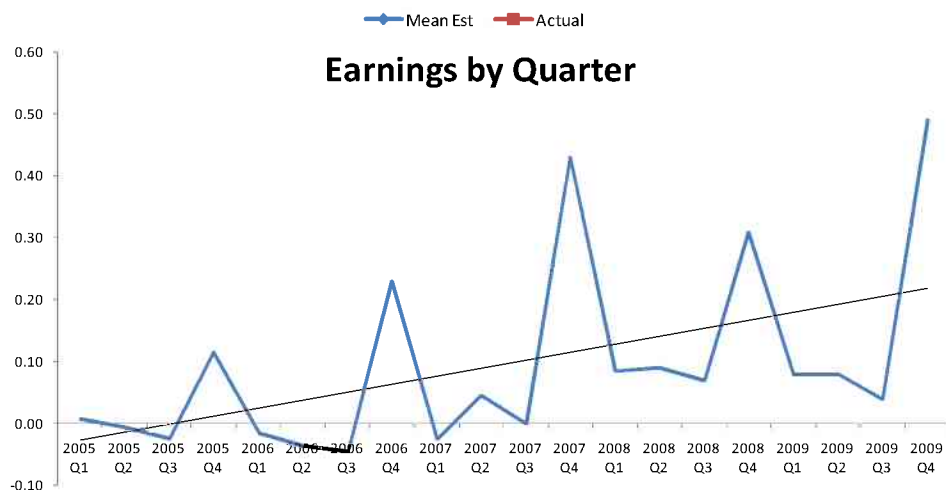
EPS Heuristic Valuation

Quarterly EPS Surprises



- Street consistently underestimates ability to grow
- Beat analyst consensus for past 6 consecutive quarters
 - Earnings surprises of up to 221%

Earnings by Quarter



- Utilized heuristic valuation as a guideline base model
- Heuristic method implies a \$0.75 per share for 2010
 - However, continued straight-line growth is improbable
 - 0% Weight



EPS Financial Valuation

AIM Estimate

FY END		Q1		Q2		Q3		Q4		FY EPS
2010	\$	0.07	\$	0.08	\$	0.05	\$	0.35	\$	0.54
2011	\$	0.10	\$	0.10	\$	0.07	\$	0.45	\$	0.71

Analyst Consensus

FY END		Q1		Q2		Q3		Q4		FY EPS
2010	\$	0.17	\$	0.10	\$	0.02	\$	0.23	\$	0.52
2011	\$	0.20	\$	0.12	\$	0.07	\$	0.28	\$	0.63

- Utilized a DCF projection model assuming revenue growth of 7.7% in 2010 and 11.2% in 2011
- AIM 2010 & 2011 EPS forecast is higher than the Street consensus but within range
- Catalysts
 - Margin expansion from transition to subscription model is understated
 - Revenue aspect of switch to Netease servers in China, allowing for latest WoW expansion play, is not accounted for



ATVI Recommendation – BUY

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Price to Book	\$18.50	0%	\$0.00
Forward P/E	\$13.27	20%	\$2.65
Free Cash Flow	\$16.79	80%	\$13.43
Final Valuation			\$16.08
Price as of 4/14/10			\$12.03
Estimated Upside			33.7%

Investment Thesis: ATVI is the dominant industry leader in a reviving growth sector with strong financials and enormous upside potential as the market undervalues its cash position, strong pipeline, expansion in Asia, and transition into a higher margin model.



Brandywine Realty Trust (BDN)

Market Price \$13.36
Forward P/E 9.3x
Market Cap \$1.6B
2010E Revenue \$494M
2010E FFO/Share \$1.68



Brandywine Realty Trust Common





Multiples Analysis

Multiples valuation

EV / EBITDA

2010 projected EBITDA	\$369,415
Forward Multiple	11.40x
Enterprise Value	\$4,209,637
Less: Debt	2,454,577
Equity Value	\$1,755,060
Intrinsic Value	\$14.89

Equity Value / FFO

2010 projected FFO	\$247,626
Forward Multiple	5.92x
Equity Value	\$1,466,745
Intrinsic Value	\$12.45

Price / Book

	2006	2007	2008	2009	2010	Intrinsic Value
Brandywine	1.6	0.9	0.4	0.8	0.9	\$12.88
Mack-Cali Realty	2.1	1.4	1.1	1.5		
Liberty Property	2.4	1.4	1.2	1.7		
S&P	2.9	2.7	1.7	2.2		

Price / Sales

	2006	2007	2008	2009	2010	Intrinsic Value
Brandywine	4.1	2.3	1.1	2.2	3.5	\$15.72
Mack-Cali Realty	5.3	3.5	2.5	4.0		
Liberty Property	6.6	3.8	2.9	4.6		
S&P	1.6	1.5	0.9	1.2		



BDN Recommendation – Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Dividend Discount Model	\$15.24	15%	\$2.29
Multiples Analysis ⁽¹⁾	\$13.99	10%	\$1.40
Free Cash Flow	\$14.85	75%	\$11.14
Final Valuation			\$14.82
Price as of 4/14/10			\$13.08
Estimated Upside			13%

(1) Each multiple calculated comprises an equal weight of this value

Investment Thesis: Brandywine Realty Trust is taking advantage of customers moving up to Class A office space. The company has significantly improved liquidity through disposition of non-core assets and can take advantage of strategic acquisitions through the use of its CEO program.



Thoratec Corporation (THOR)

Market Price \$34.55
Forward P/E 25.6x
Market Cap \$1.9B
2010E Revenue \$437M
2010E EPS \$0.89



THORATEC
CORPORATION





Discounted Cashflow Valuation

- Ran two states of projections
 - Steady state growth (50%)
 - DCF value - \$26.62
 - Accelerated state growth (50%)
 - Based on successful DT implementation for Heartmate II
 - DCF value - \$31.12
- Working capital and operating margin improvements
- Slight gross margin improvements (in line with company guidance)
- WACC – 7.73%
- Perpetuity Growth – 3%

Steady Growth State - CAGR 16%				
2010	2011	2012	2013	2014
17.00%	16.50%	16.10%	15.40%	15.00%

Accelerated Growth State - CAGR 20%				
2010	2011	2012	2013	2014
17.00%	19.40%	20.00%	21.20%	22.50%



(THOR) Recommendation – Sell

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Price to Book	\$8.92	0%	\$0.00
Forward P/E	\$41.83	20%	\$8.37
Forward Price to Sales	\$29.11	10%	\$2.91
Free Cash Flow	\$28.87	70%	\$20.21
Final Valuation			\$31.49
Price as of 4/14/10			\$34.83
Estimated Upside			(8.9)%

Investment Thesis: Thoratec is the market leader in a growing niche medical device market with very few players. However, the recent increase in the stock price this year makes the company too expensive at this time without a significant change in the business plan.



Neustar (NSR)

Market Price	\$26.09
Forward P/E	17.3x
Market Cap	\$1.9B
2010E Revenue	\$524M (Guidance \$520M-\$535M)
2010E EPS	\$1.49

neustar

Neustar, Inc. Neustar, Inc. Cla

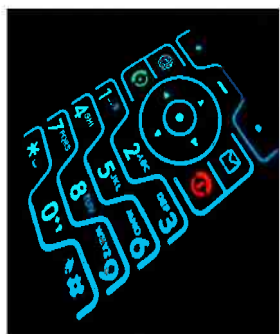




Revenue Segments

Clearinghouse Domain Names Ultra Services

Services



64%

Other

10%



5%

Next Generation
Messaging

3%



12%

Common Short
Codes



6%

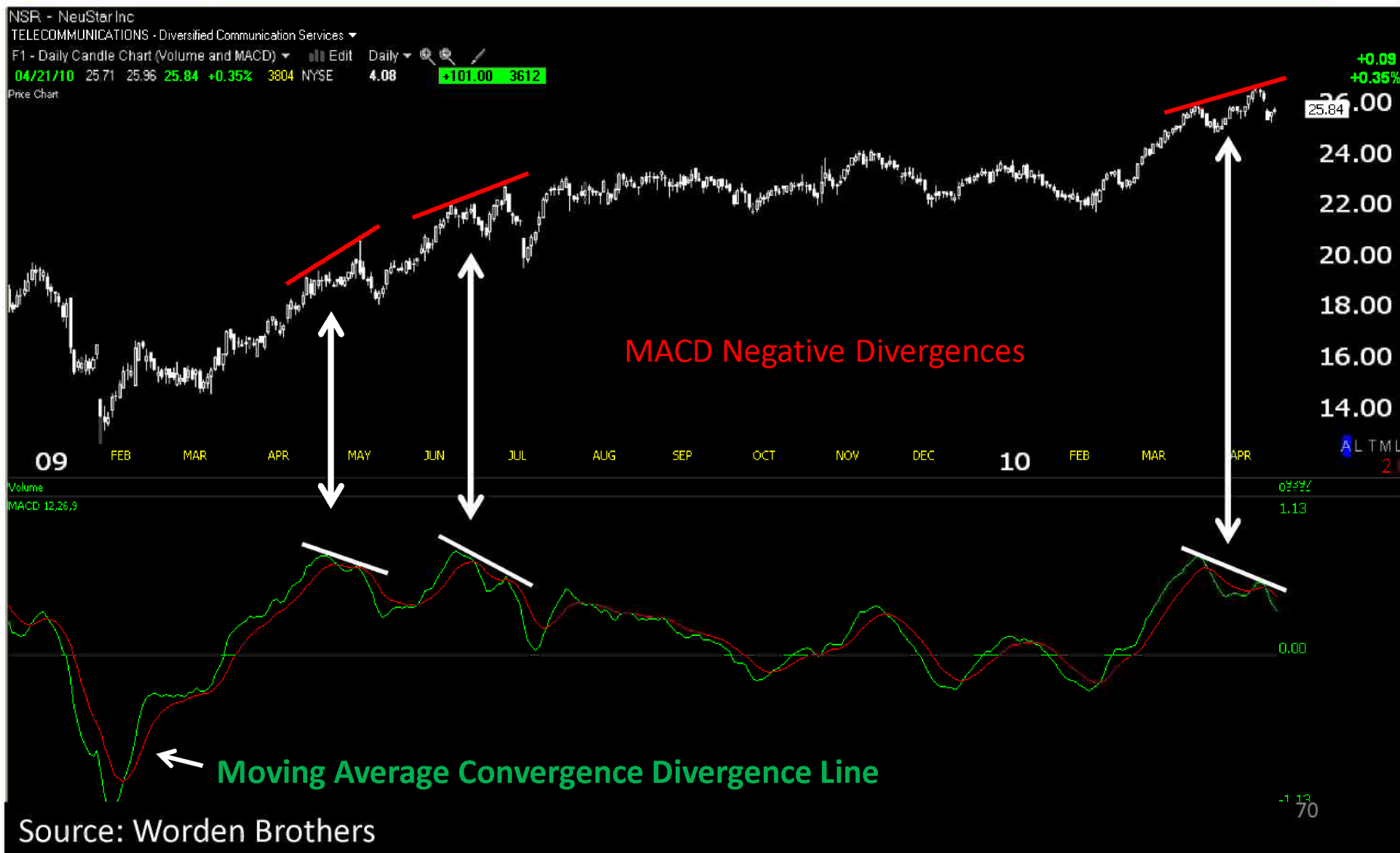


Relative Performance





Momentum Analysis





NSR Recommendation – Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Forward Price to EBITDA	\$36.07	0%	\$0.00
Forward Price to Earnings	\$36.27	0%	\$0.00
Forward Price to Sales	\$36.10	0%	\$0.00
Free Cash Flow	\$29.64	100%	\$29.64
Final Valuation			\$29.64
Price as of 4/14/10			\$26.73
Estimated Upside			11%

Investment Thesis: While Neustar's newly amended NAPM contracts have softened, the company's true growth lies in its Ultra Services and partnerships that this analyst believes the Street is undervaluing.



Corrections Corp. of America (CXW)

Market Price \$21.45
Forward P/E 16.5x
Market Cap \$2.5B
2010E Revenue \$1.7B
2010E EPS \$1.30



Prison Rity Tr Inc Common Stock

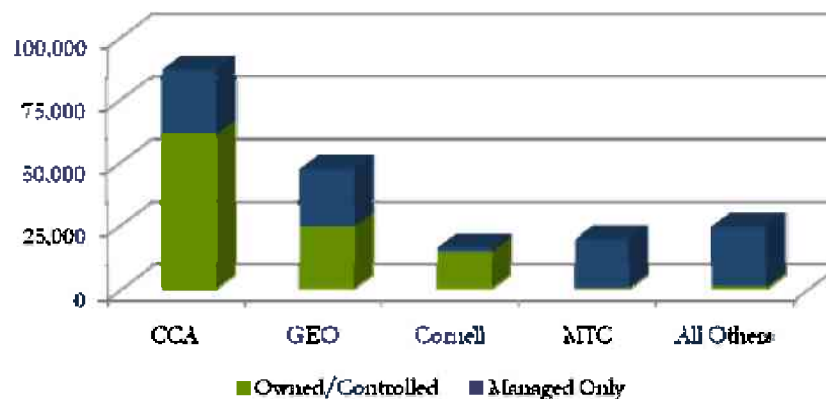
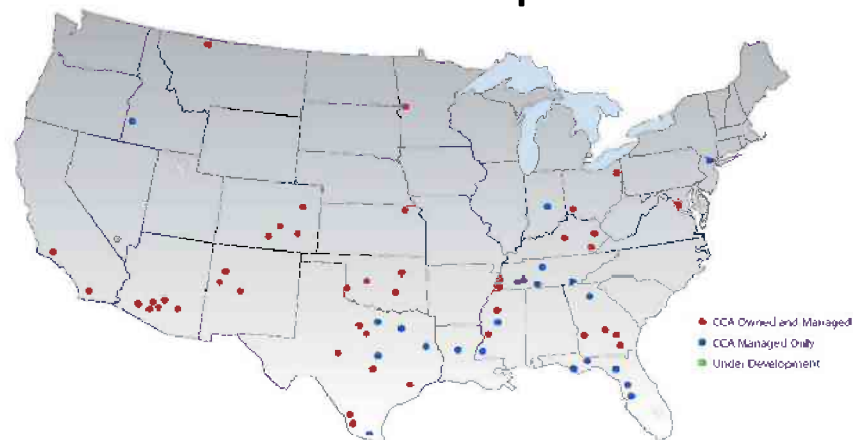




Business Overview

- Largest private prison operator in the U.S.
- CXW provides services to 19 states, ICE, USMS, BOP, and others
- Nearly 90,000 total beds across 44 owned facilities and 21 managed facilities
- Revenue mix is roughly 60/40 between state and federal agencies
- Private prisons currently account for 9% of U.S. prison beds

National Footprint

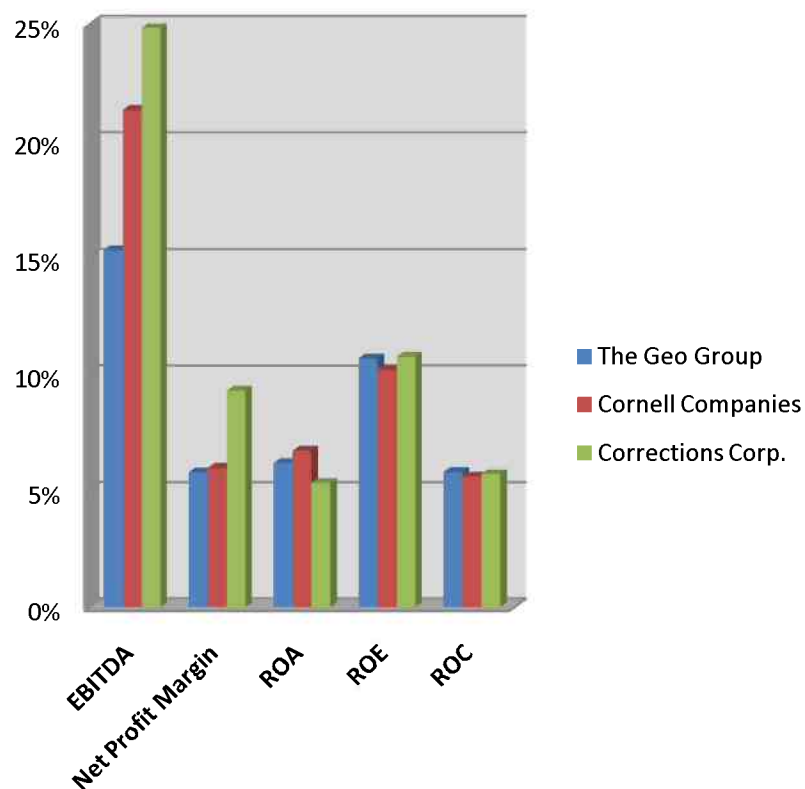


Source: CXW 4Q10 Investor Presentation

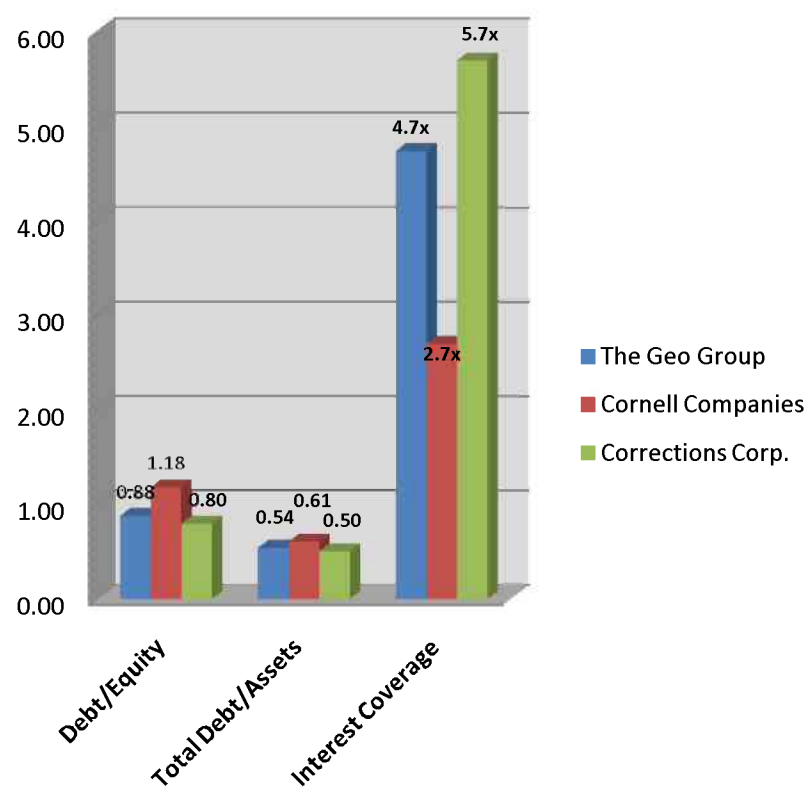


Peer Comparison

Performance Ratios vs. Top Peers



Leverage Ratios vs. Top Peers





Reasons for Concern

- Lawsuit filed in early March by two female inmates alleging sexual and mental abuse
 - KY Gov. Steve Beshear moved all female inmates at a KY CXW facility to a state owned facility in response
- Accused of running a “gladiator school” at a CXW owned facility in Idaho
 - Class action suit on behalf of 24 inmates by the ACLU
- **Without meeting management, it is tough to ascertain CXW’s conviction with regard to running a clean company**



CXW Recommendation – Don't Buy

<u>Valuation Method</u>	<u>Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Free Cash Flow	\$26.69	75%	\$20.02
Forward P/E	\$24.72	25%	\$6.18
Price to Book	\$27.10	0%	\$0.00
Final Valuation			\$26.20
Price as of 4/14/2010			\$21.23
Estimated Upside			23.4%

Investment Thesis: Federal and state prisons are dangerously overcrowded with some states, such as CA, operating at 160+% capacity. Private prisons offer high cost savings relative to state and federal owned facilities and remove the financial burden from federal and state balance sheets. Though CXW is the top operator in the industry and is currently priced at a discount to its intrinsic value, I believe it is not appropriate for the AIM portfolio.



Portfolio Performance

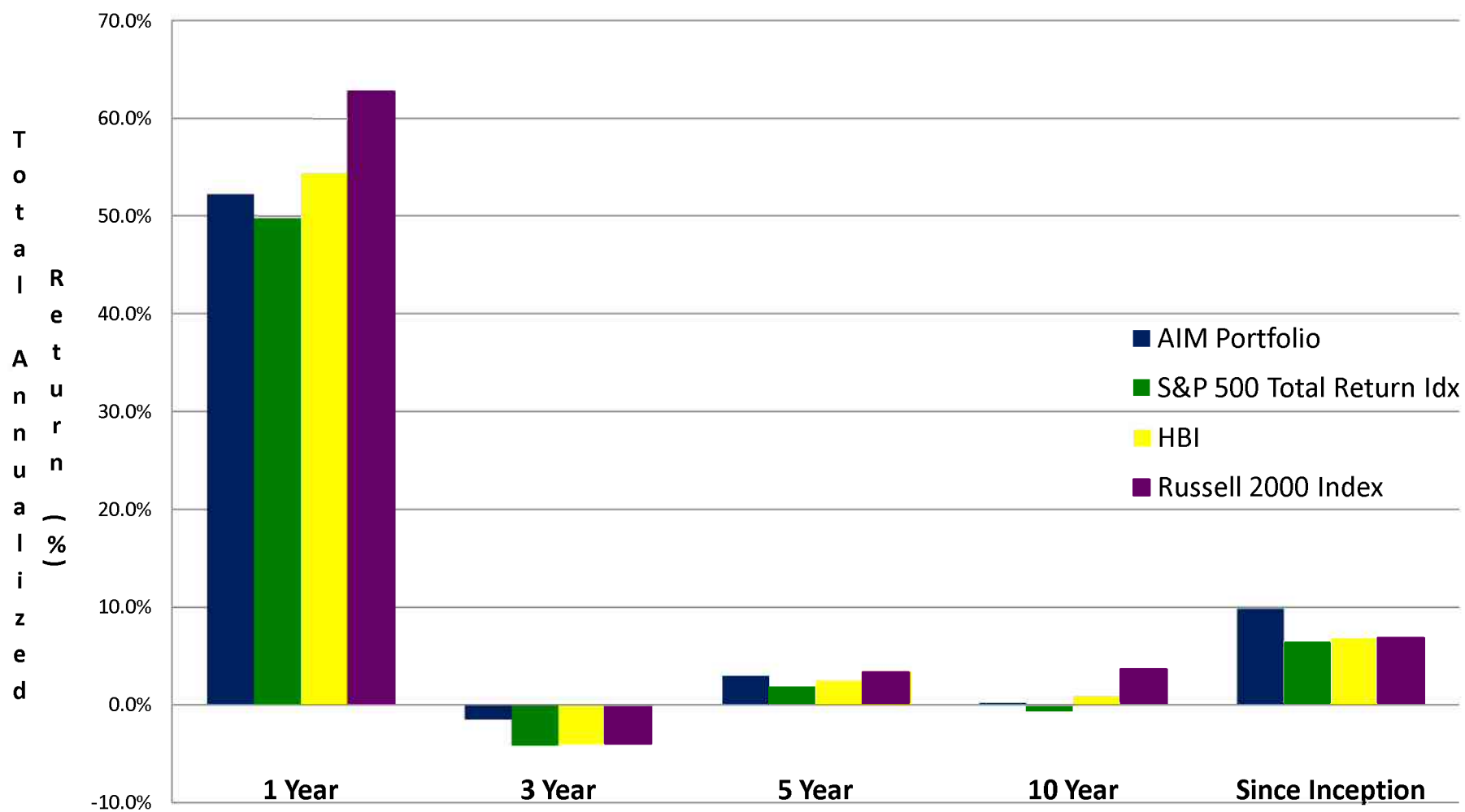


Performance Analysis

- **Portfolio Return, Risk and Performance Metrics**
 - Historical Returns - *Tom Callahan*
 - Risk Adjusted Performance Measures - *Peng Li*
 - Attribution Analysis - *Chris Neligon*
 - Best and Worst Performing Stocks - *Cait Carey*
 - Portfolio Transactions - *Greg Hochsprung*
 - Final Portfolio - *Brian Cannella*



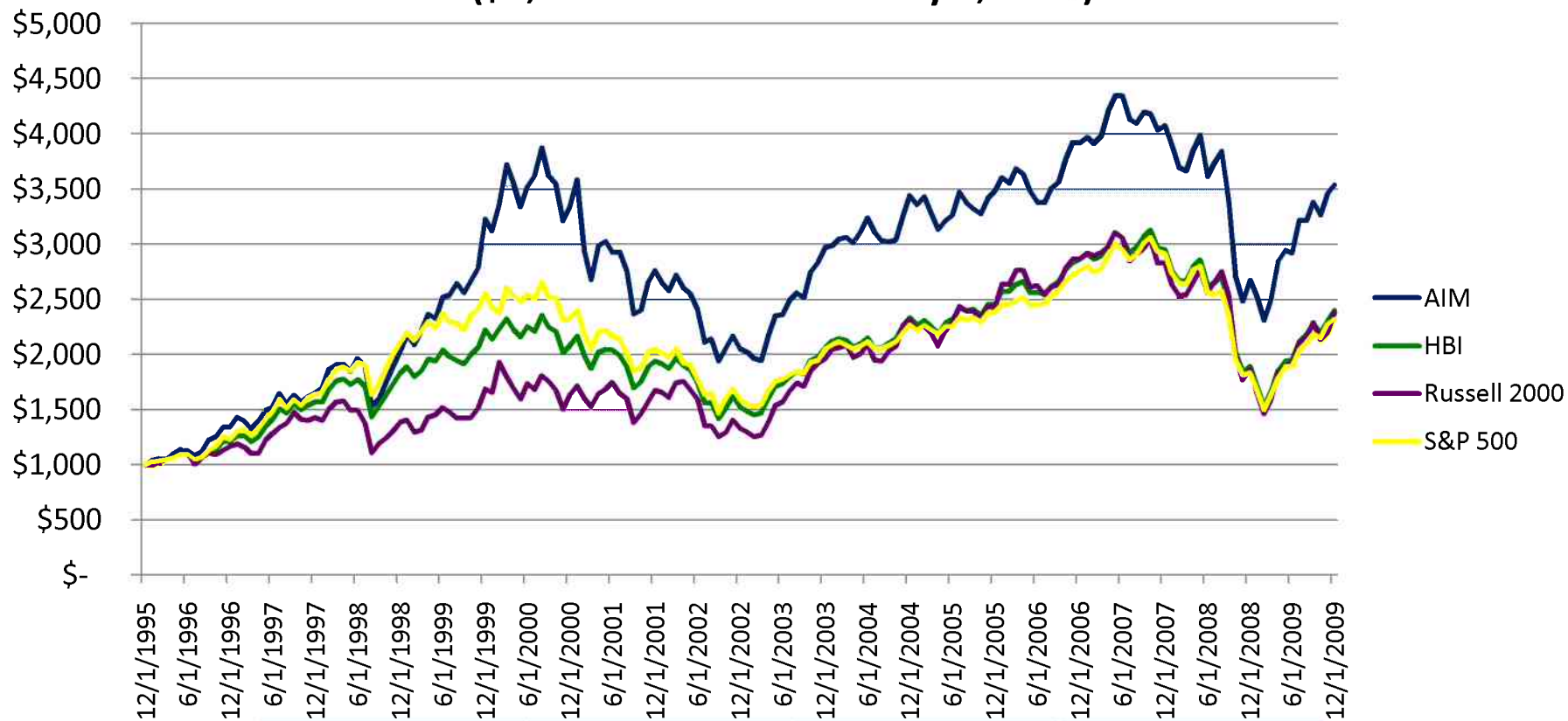
Benchmark Comparison





Cumulative Return

(\$1,000 invested at January 1, 1996)

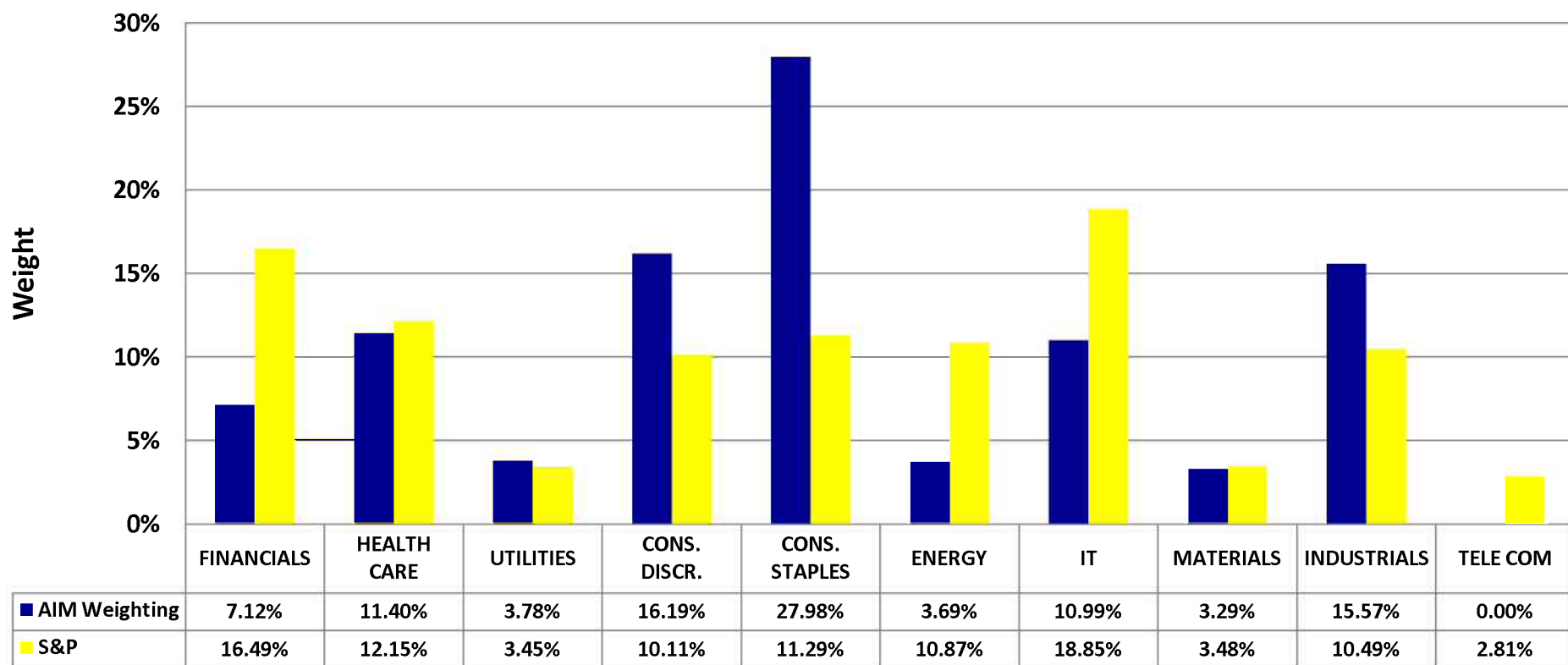


AIM	\$ 3,540	Russell 2000	\$ 2,379
HBI	\$ 2,403	S&P 500	\$ 2,320



Portfolio Weightings

AIM XXIX (Previous Portfolio) Sector Weightings vs. S&P 500



- Overweight in Consumer and Industrials
- Underweight in Financials, Energy, and Information Technology



Sharpe Ratio Explained

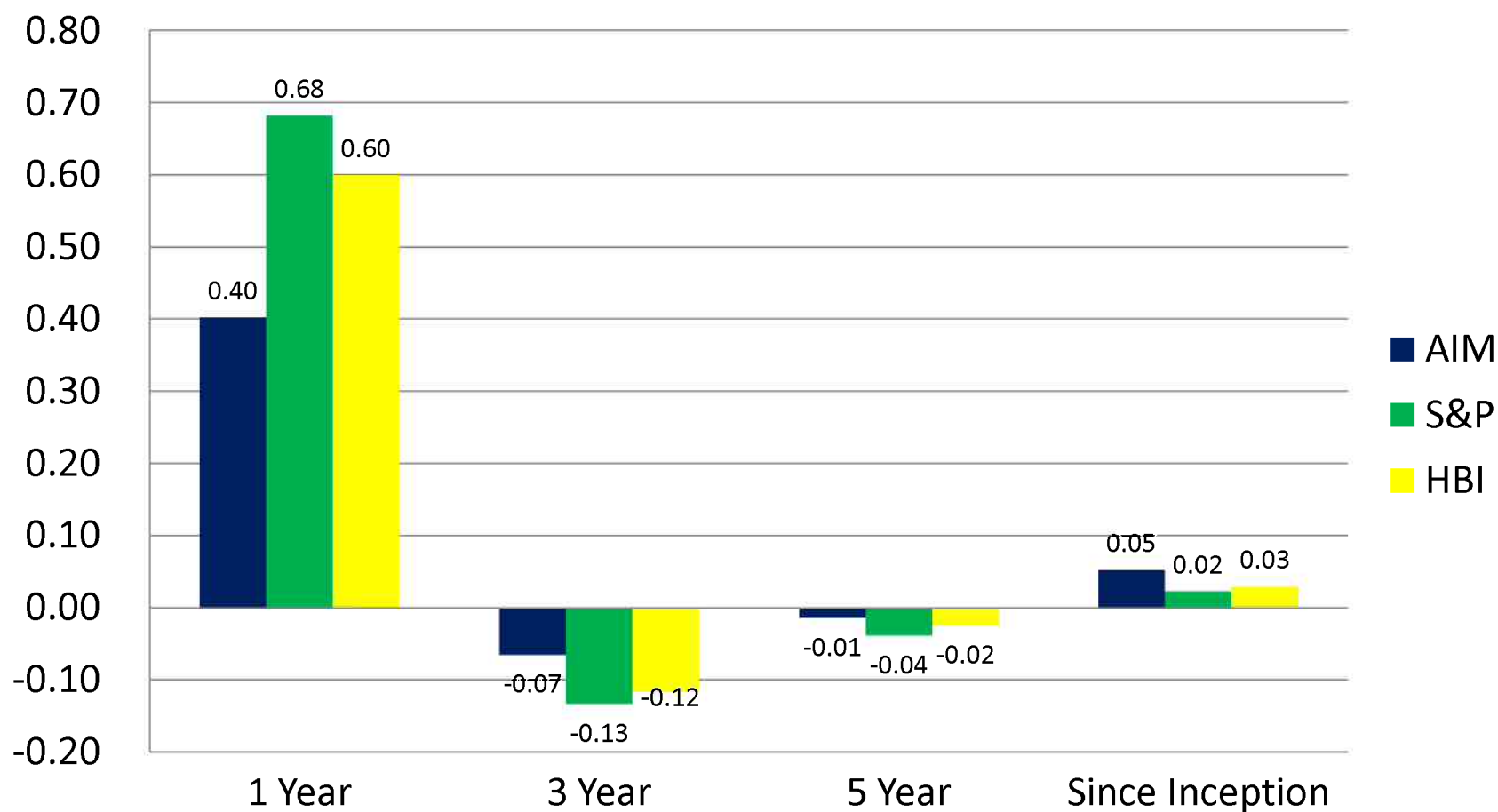
- Sharpe Ratio
 - Measures excess return (or risk premium) over a risk-free portfolio per unit of total risk (standard deviation)
 - Explains whether the excess returns are from investment decision efforts or higher total risk
 - Higher ratios indicate better performance

- Formula

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



Sharpe Ratio Comparison





Jensen's Alpha Explained

- Jensen's Alpha

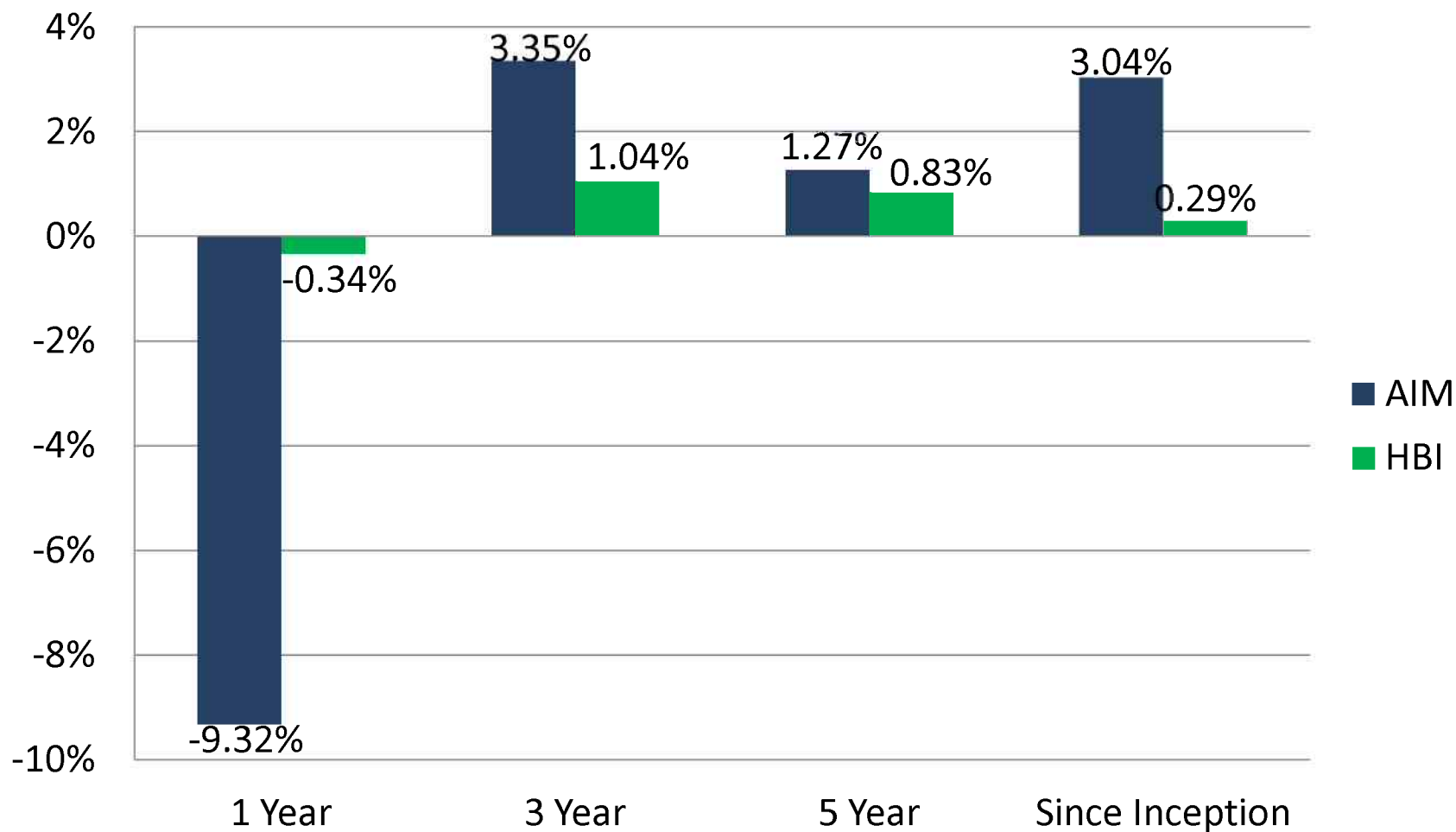
- A performance measure that adjusts for systematic risk
- Measures the excess return over the expected return as given by the Capital Asset Pricing Model
- Explains whether the excess returns are from investment decisions or higher systematic risk
- Higher values indicate better performance

- Formula

$$\text{[Portfolio Return]} - \text{[Risk Free Rate} + \beta \times \text{Market Risk Premium]}$$

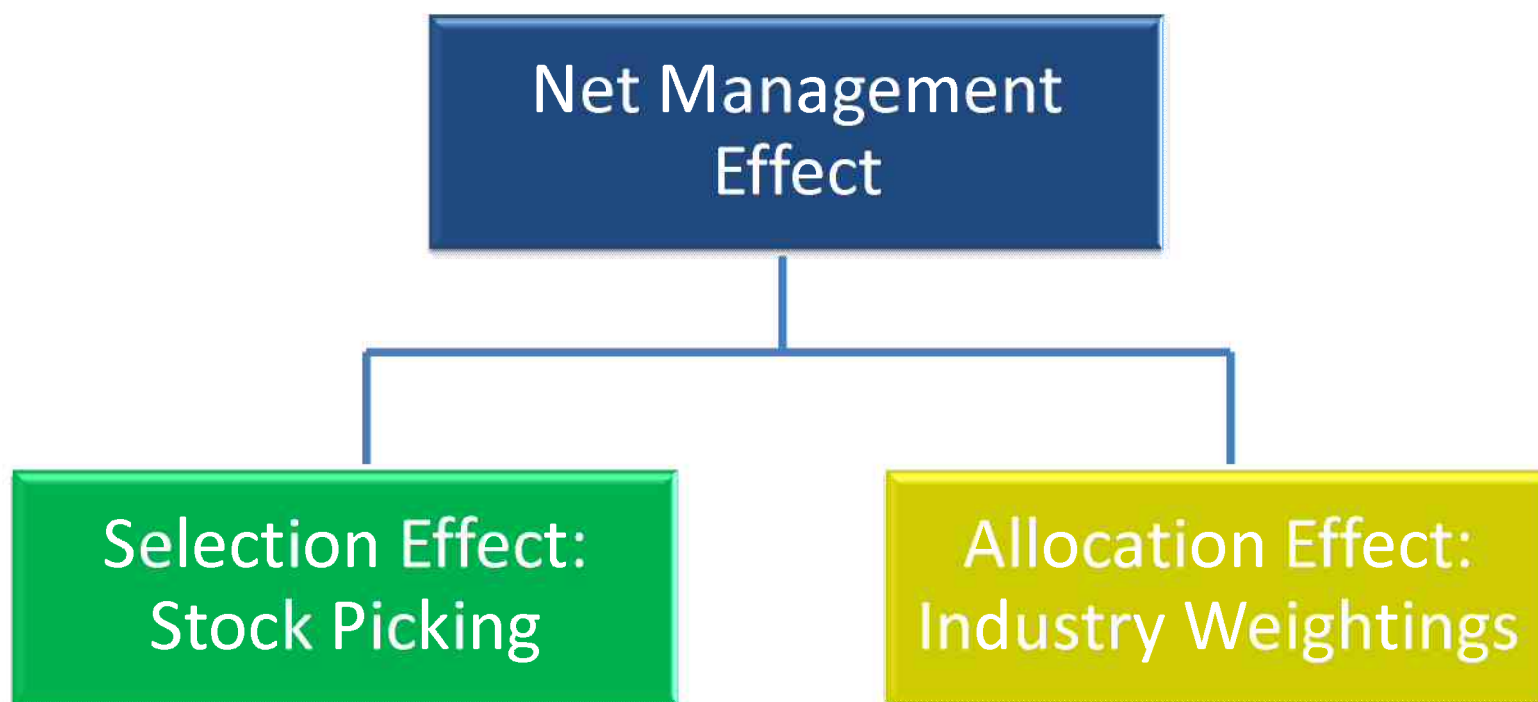


Jensen's Alpha Comparison





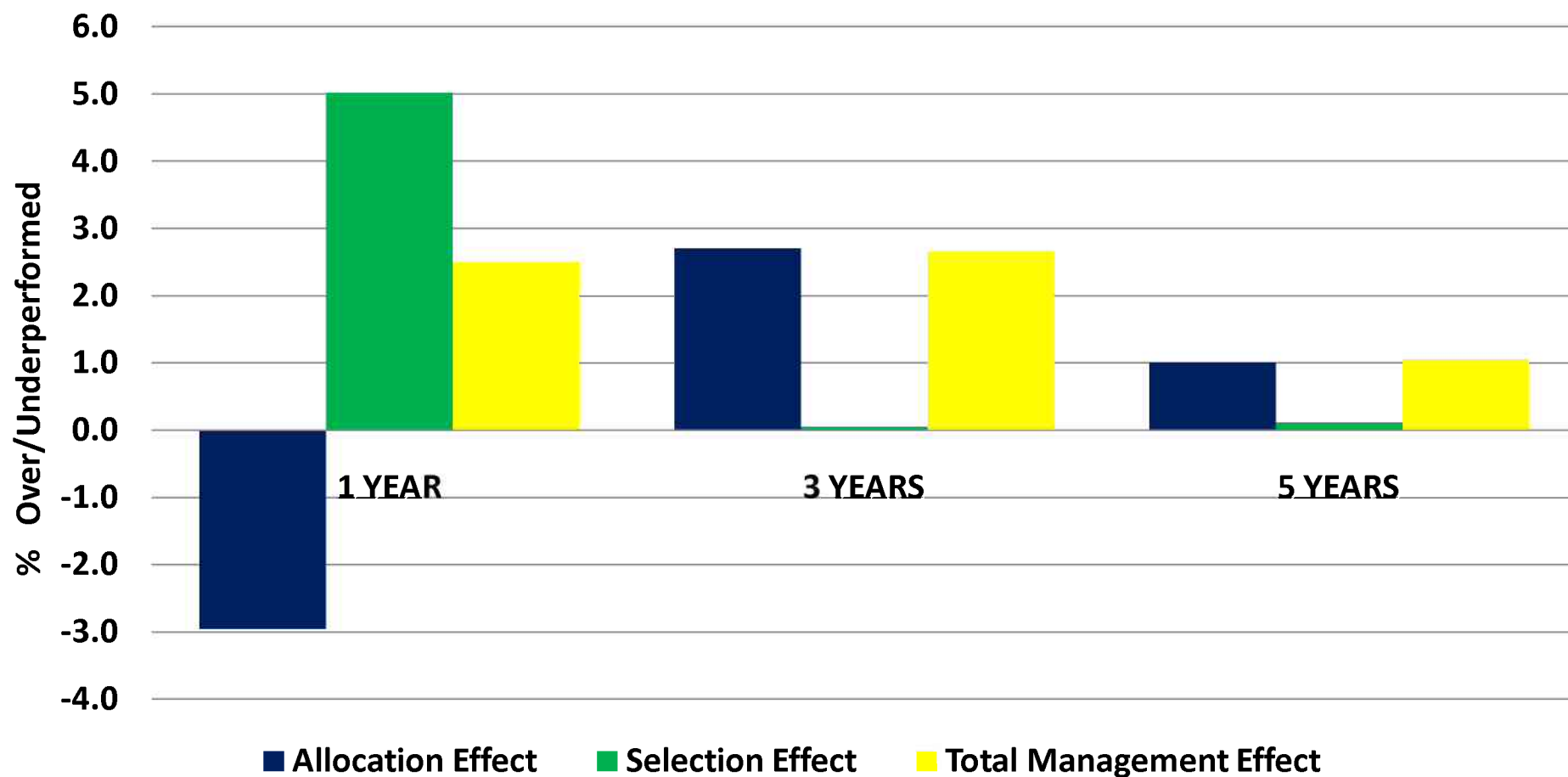
Attribution Analysis





Attribution Analysis

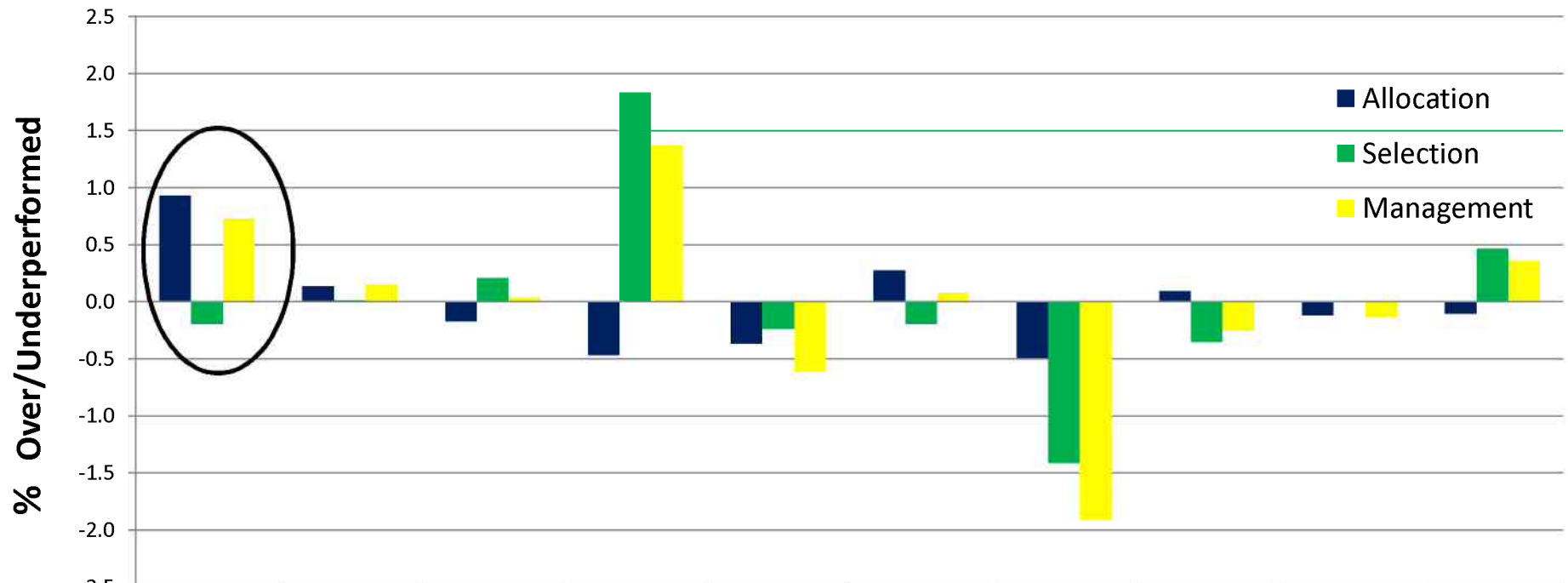
Portfolio Performance Attribution





Attribution Analysis

5 Year Annualized Attribution

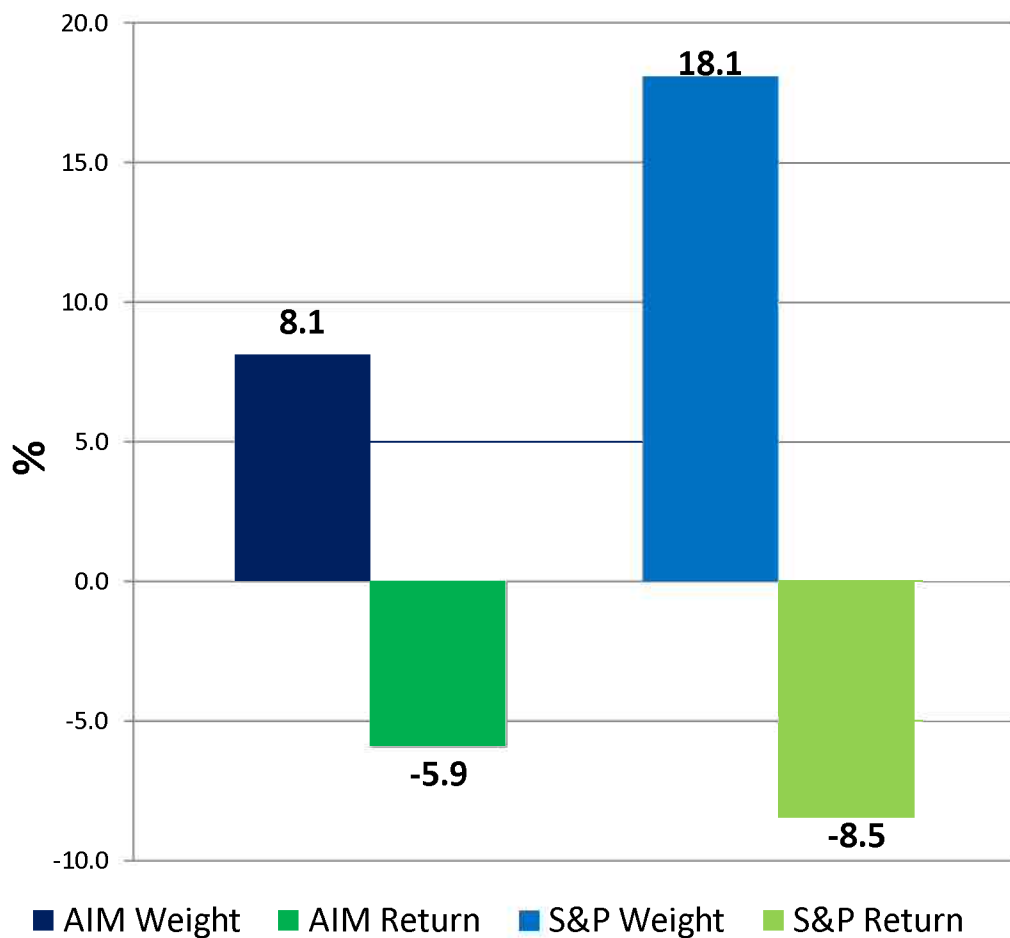


	Financials	Health Care	Utilities	Consumer Discretionary	Consumer Staples	Energy	Information Technology	Materials	Telecomm Services	Industrials
Allocation	0.9	0.1	-0.2	-0.5	-0.4	0.3	-0.5	0.1	-0.1	-0.1
Selection	-0.2	0.0	0.2	1.8	-0.2	-0.2	-1.4	-0.4	-0.0	0.5
Management	0.7	0.2	0.0	1.4	-0.6	0.1	-1.9	-0.3	-0.1	0.4

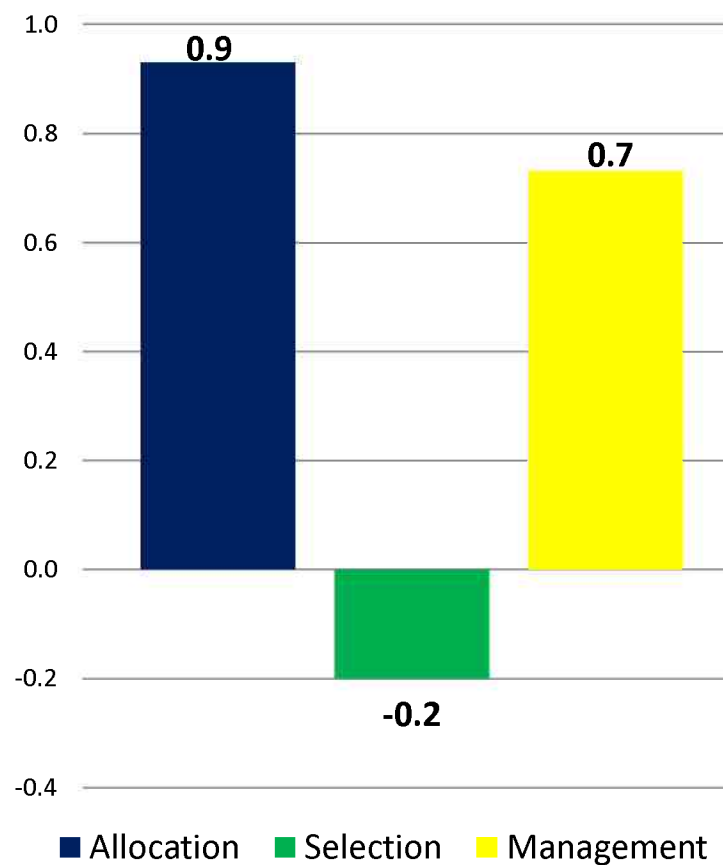


Financials

Financial Sector Weight and Return



Financial Sector Performance Attribution





Attribution Analysis

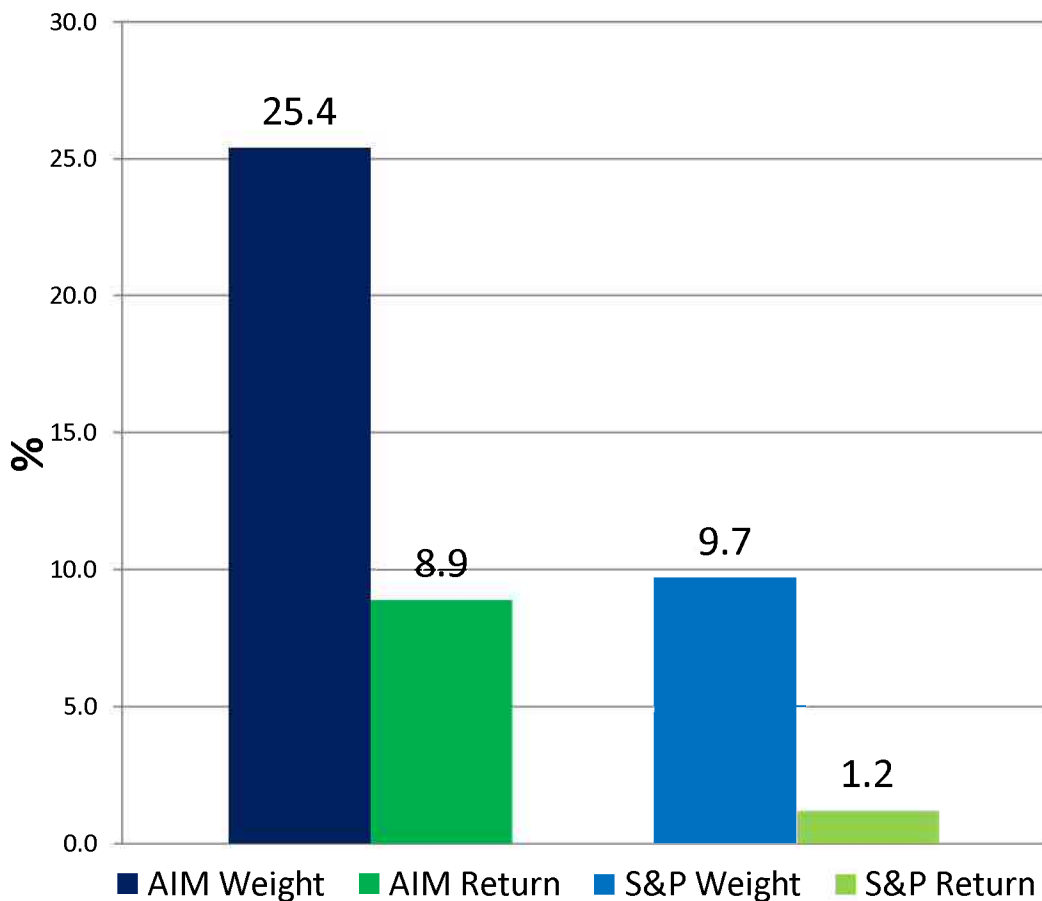
5 Year Annualized Attribution



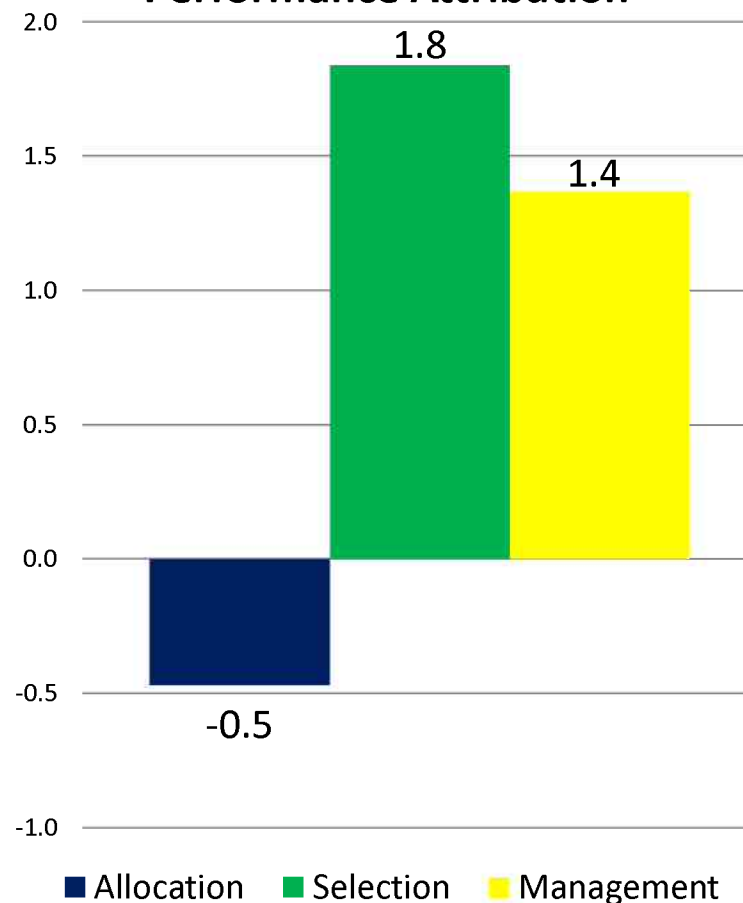


Consumer Discretionary

Consumer Discretionary Weight and Return



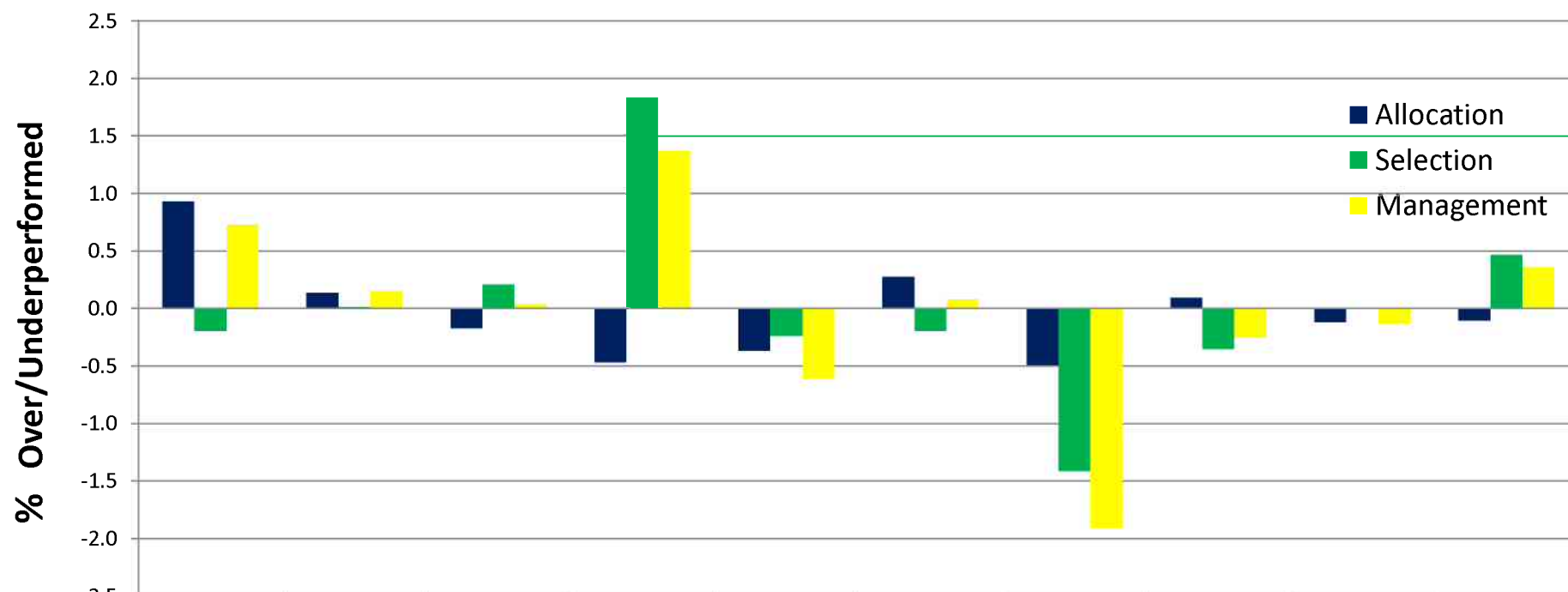
Consumer Discretionary Performance Attribution





Attribution Analysis

5 Year Annualized Attribution

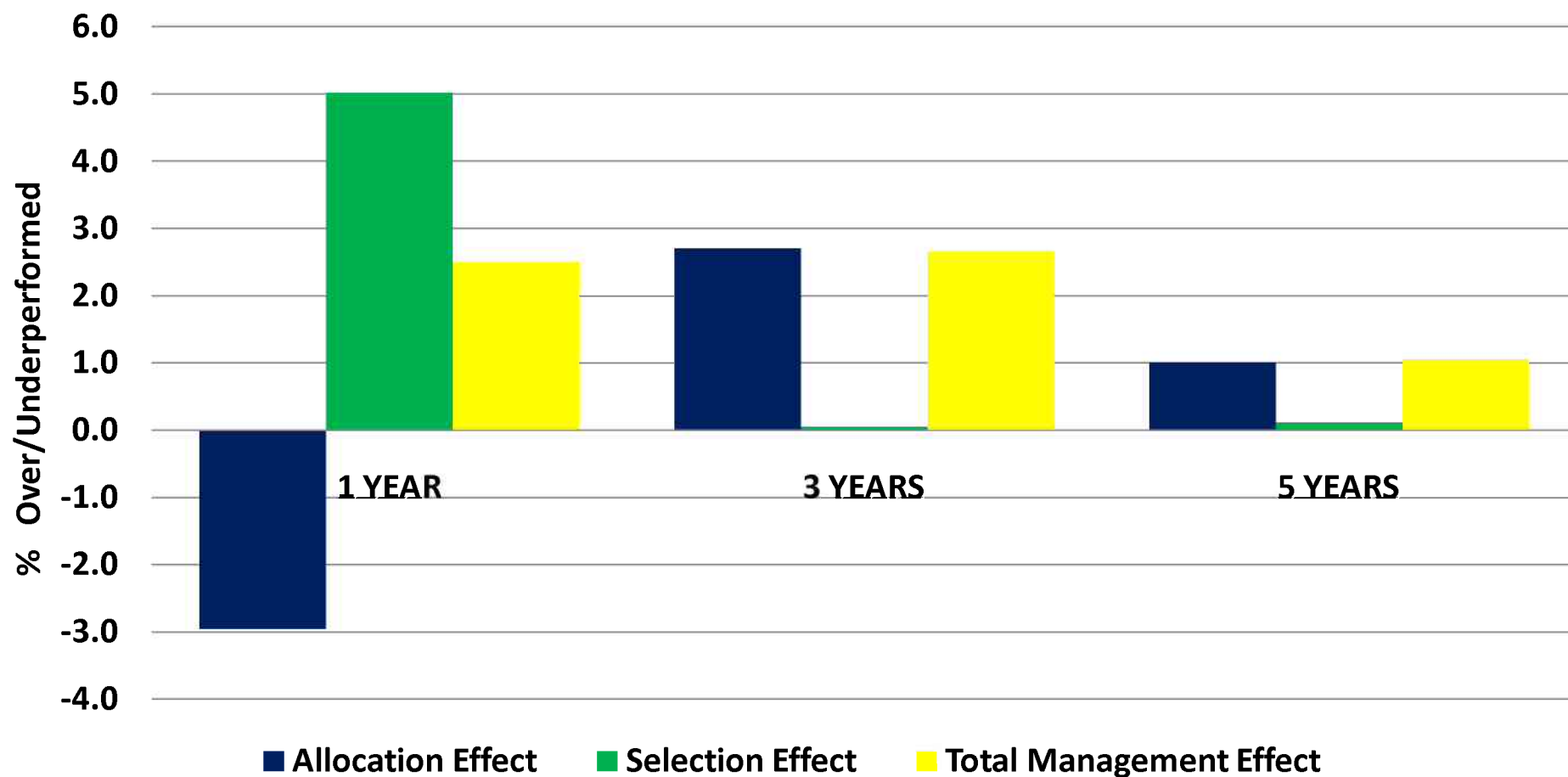


	Financials	Health Care	Utilities	Consumer Discretionary	Consumer Staples	Energy	Information Technology	Materials	Telecomm Services	Industrials
■ Allocation	0.9	0.1	-0.2	-0.5	-0.4	0.3	-0.5	0.1	-0.1	-0.1
■ Selection	-0.2	0.0	0.2	1.8	-0.2	-0.2	-1.4	-0.4	-0.0	0.5
■ Management	0.7	0.2	0.0	1.4	-0.6	0.1	-1.9	-0.3	-0.1	0.4



Attribution Analysis

Portfolio Performance Attribution





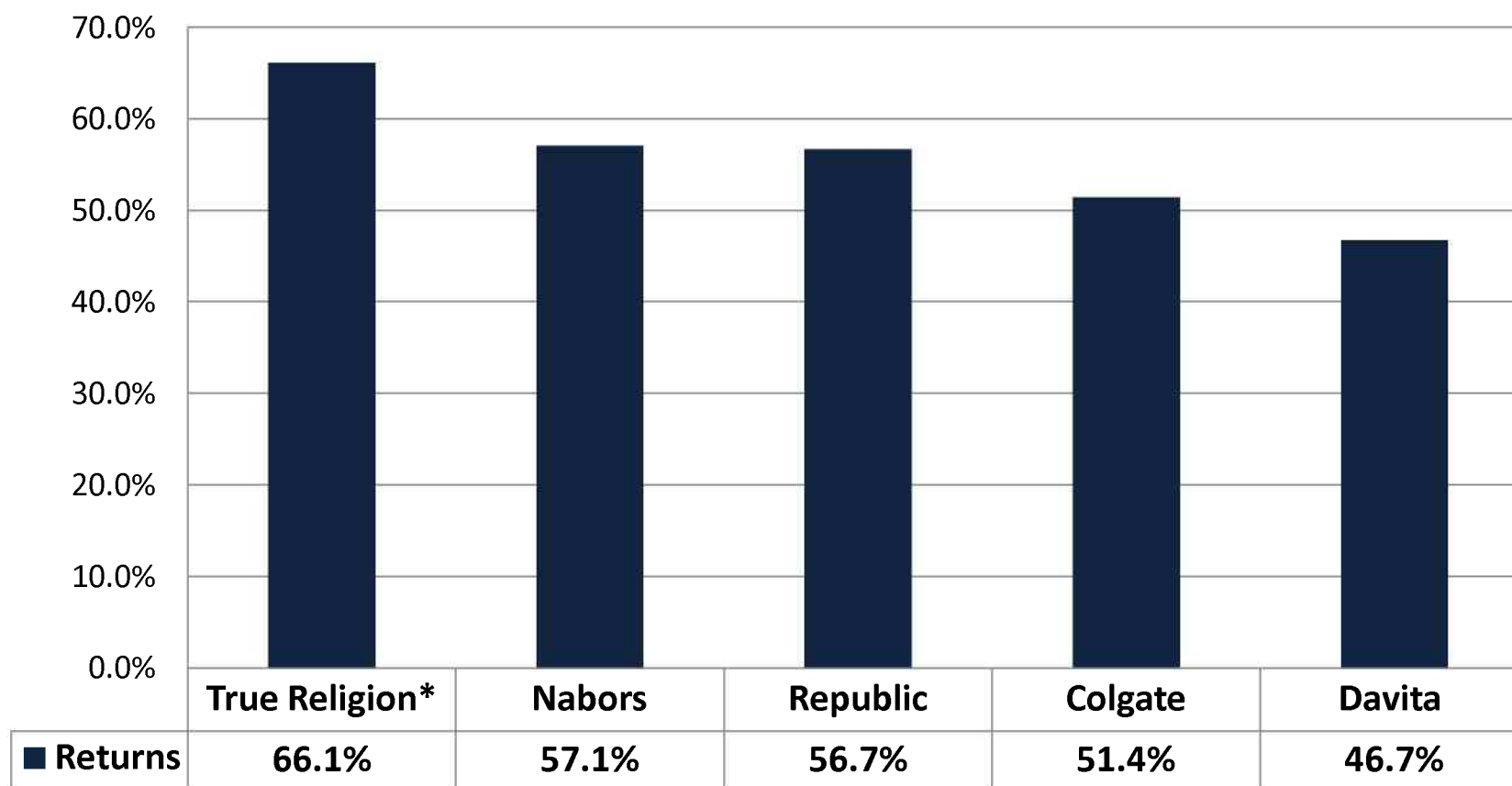
Top 5 and Bottom 5 Performers

Determining Returns

- Returns for all stocks held ≥ 1 year are 12-month returns based on close 4/14/10
- Returns for all stocks held < 1 year are holding period returns based on purchase 11/24/09 and close on 4/14/10



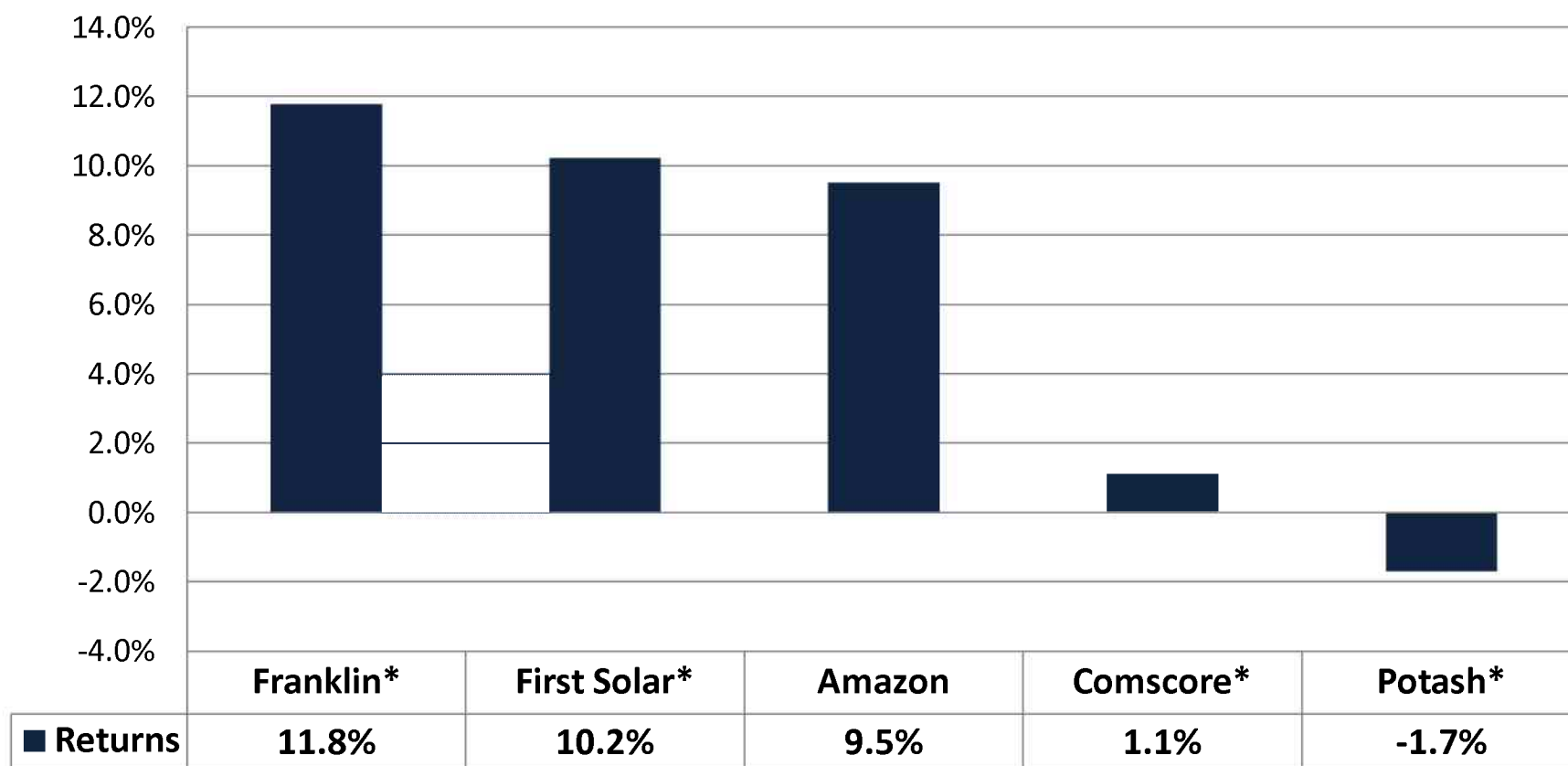
Top 5 Performers



* Indicates stock held < 1 year



Bottom 5 Performers



* Indicates stock held < 1 year



Portfolio Purchases

- **International Game Technology (IGT)**
- **Newmont Mining (NEM)**
- **Alliant Techsystems (ATK)**
- **Perrigo (PRGO)**
- Gilead Sciences (GILD)
- Activision-Blizzard (ATVI)
- Morningstar (MORN)
- Abbot Laboratories (ABT)
- Insituform Technologies (INSU)
- Google (GOOG)
- Paychex (PAYX)
- Brandywine Realty Trust (BDN)
- NeuStar (NSR)
- General Dynamics (GD)
- Diamond Foods (DMND)



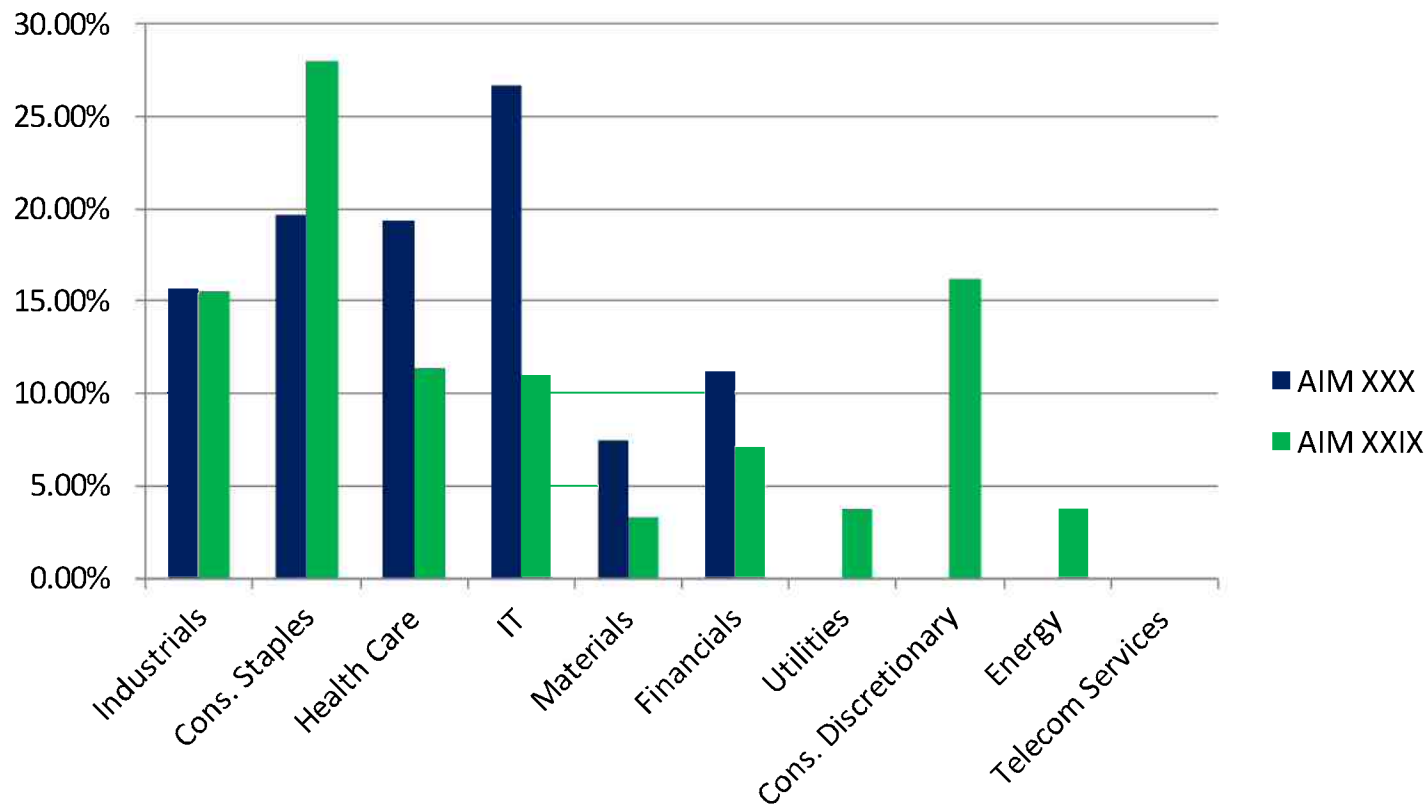
Portfolio Divestitures

- **First Solar (FSLR)**
- **Tempur-Pedic (TPX)**
- **Xilinx (XLNX)**
- **Columbus McKinnon (CMCO)**
- **Franklin (BEN)**
- **True Religion (TRLG)**
- **Boston Beer (SAM)**
- **Sysco (SYY)**
- **Nabors Industries (NBR)**
- **Progress Energy (PGN)**
- **Colgate Palmolive (CL)**
- **Kirby Co (KEX)**
- **Amazon (AMZN)**
- **Archer Daniels (ADM)**
- **Thoratec (THOR)**



Current Portfolio

Sector Allocation - AIM XXIX vs. AIM XXX

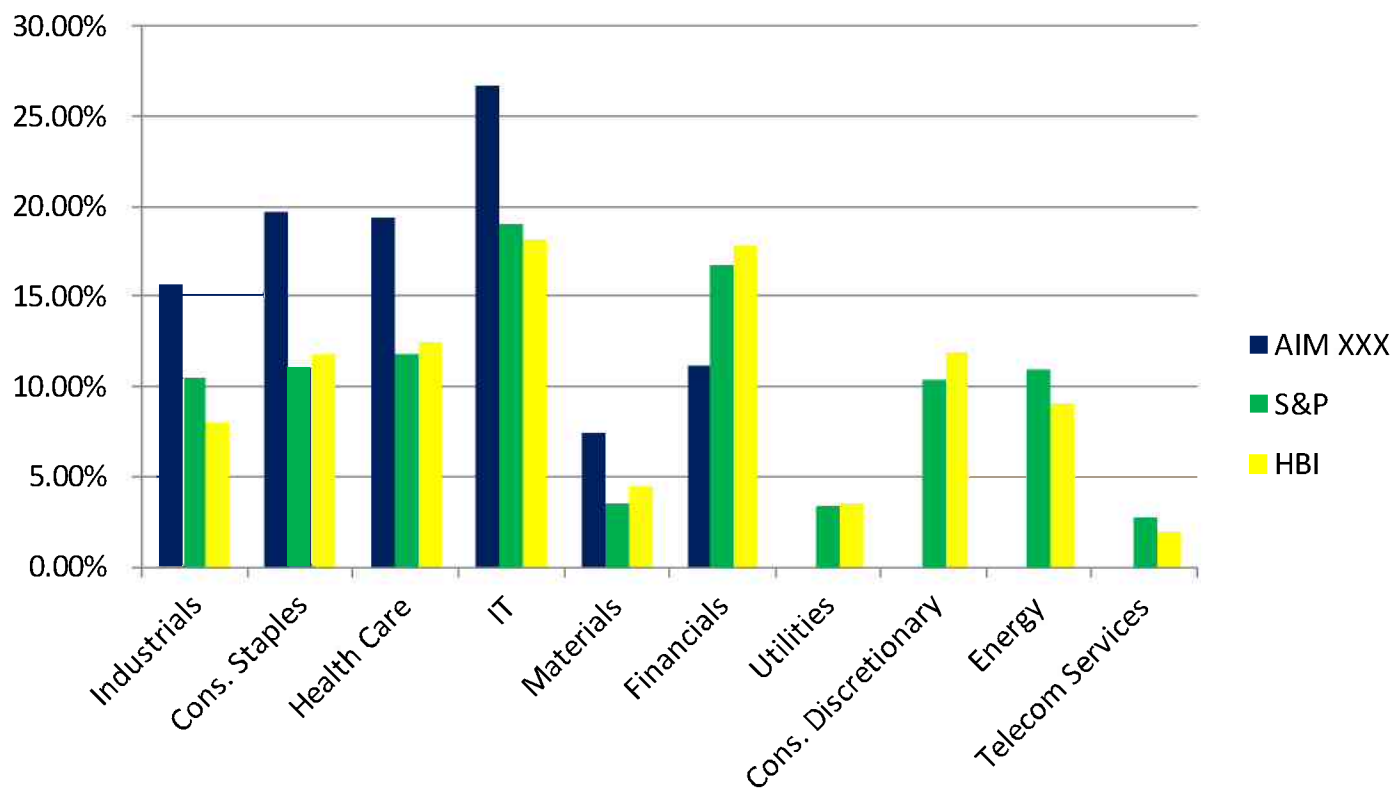


- Increased: Financials, Health Care, IT & Materials
- Decreased: Utilities, Cons. Discretionary, Cons. Staples, Energy



Current Portfolio

Sector Allocation - AIM XXX vs. S&P500 & HBI



- Overweight: Health Care, Cons. Staples, IT, Materials & Industrials
- Underweight: Financials, Utilities, Cons. Discretionary, Energy & Telecom



Current Portfolio

Equity Characteristics - Weighted Median

	Beta	P/E	Debt / Equity	EPS	Market Cap	ROE
HBI	1.08	22.08	0.68	1.78	30,615.04	12.79
S&P500	1.00	18.75	0.75	2.25	43,275.83	14.98
AIM XXIX	0.95	18.70	0.42	2.14	10,359.75	18.39
AIM XXX	0.78	23.30	0.49	2.14	11,210.80	20.29

- Lower correlation with the S&P500
- Movement towards large cap stocks
- Profitability at a premium
- 26 stocks, 2 ETFs



General Information



Chicago Trip

- Dinner at Maggiano's
 - Attended by 35 AIM alumni from Chicago area
 - Investment picks exchanged between AIM students and alumni
 - 15 year reunion, June 17-20, 2010
 - All AIM alumni and supporters invited



Chicago Trip

- BPG Properties (real estate)
 - Hosted by Matthew Latimer
 - Current market conditions
 - Insight into real estate investing and valuation

- Alliance Capital (large cap growth equities)
 - Hosted by Joe Elegante
 - Introduced Alliance's growth equities investment philosophy and research process
 - Insight regarding investment outlook in 2010
 - Exchanged views on securities with AIM students



Chicago Trip

- Citadel (hedge fund)
 - Main host: Matt Hooker
 - Explained trading strategies and focused on models for identifying alpha
- Morningstar (equity research)
 - Hosted by R.J. Hottovy
 - Explained the whole Morningstar valuation process
 - Introduced credit ratings in Morningstar



Speakers

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



Speakers

- **Ralph Acampora, Alverita Wealth Management**
 - Shared knowledge about technical analysis and how to apply these techniques to analyzing the market
 - Vision on fusion analysis
- **Terry Lally, Spotlight Funds**
 - Shared his stories of career development and provided insightful career advice
- **Robert Garvy, INTECH Investment Management**
 - Introduced the quantitative investment process at INTECH based on a mathematical theorem



AIM Website

- Analysts
- Portfolio update
- Alumni
 - Career opportunities
 - Upcoming events
 - Social networking
 - Facebook
 - LinkedIn
 - Irish Online
- Job board
- 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

Save The Date – 15 Year Reunion!

- June 17-20, 2010

- Click [here](#) for further details

Alumni Newsletter

- C1 '09 Newsletter is now available

- Click [here](#) for a copy

AIM Portfolio

Ticker	# of Shares	Price per Share	Value of Position	Daily % Change
AAPL	1,300	\$171.75	\$223,275	1.05%
ABX	4,600	\$36.21	\$166,766	-0.15%
BJS	13,000	\$10.26	\$133,380	10.78%
BWLT	5,000	\$38.48	\$192,400	5.14%
CAB	17,000	\$11.55	\$196,350	4.12%
CAT	2,800	\$31.39	\$87,892	2.99%
ECL	3,300	\$37.49	\$123,717	0.13%
EMC	9,300	\$12.47	\$116,000	0.02%
GGG	7,000	\$18.13	\$126,910	1.27%
GS	2,100	\$120.35	\$252,735	4.69%
HOGS	11,000	\$8.21	\$90,310	0.88%
KO	2,300	\$43.09	\$99,107	1.15%
MHP	5,200	\$28.25	\$146,900	2.24%
ORA	3,900	\$31.32	\$122,152	2.12%
PGN	3,100	\$34.31	\$106,361	1.99%
PPDI	4,800	\$21.58	\$103,582	1.15%
RSR	8,300	\$15.91	\$132,033	2.16%
T	4,000	\$25.28	\$101,120	1.14%
THOR	4,500	\$27.93	\$125,635	-1.15%
TUP	5,300	\$21.38	\$112,700	3.64%
UNH	8,000	\$22.80	\$182,400	1.15%
WAG	5,200	\$30.82	\$159,224	1.73%
XOM	1,200	\$78.23	\$93,876	1.44%
XRAY	4,300	\$28.27	\$121,723	1.15%



Newsletter

- Objectives
 - Allows AIM alumni to stay up to date
 - Provides quarterly overview of present portfolio
- Current newsletter points of interest
 - New portfolio
 - AIM alumni updates
 - Chicago trip review
 - Quick economic snapshots



AIM Contact Information

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aim@nd.edu



Summary

- We would like to extend a special thank you to
 - Professors Langley, McDonald and Trubac for their support, guidance and knowledge
 - Scott Malpass, the Notre Dame Investment Office and the AIM Advisory Board for the opportunity to participate in such a unique and rewarding class
 - Rachel Karnafel for administrative support

- Post-presentation Agenda
 - Food & refreshments
 - Questions from the AIM analysts for the advisory board