



AIM Quarterly



AIM XXVI

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WELCOME TO AIM XXVI

The marketplace has proven to be quite interesting during these first two months of 2008, and the newest group of AIM analysts has accepted the challenge of managing the portfolio. Of course we are not alone. Professors Jerry Langley, Bill McDonald, and Frank Reilly, along with Scott Malpass and his staff in the investment office are all back to offer their expertise and lend a helping hand. The new analysts consist of 22 MBA's and 2 undergrads, from a variety of backgrounds and experiences. This has certainly led to enlightening, as well as entertaining discussions and presentations.

We are now in the process of finishing our valuations and final recommendations for the current holdings in the portfolio, and all the analysts are contemplating which company they want to "dig into" for Round 2. We have high hopes and expectations and look to finish the year strong in order to continue the success of the AIM portfolio.

PROFILE OF AIM XXVI

| First | Last | Hometown | email | Company | Ticker |
|--------|----------------|---------------------------|----------|-------------------------|--------|
| Aldo | Arcieri | Ridgewood, NJ | Aarcieri | Zimmer Holdings | ZMH |
| Adam | Ashley | Ashland, KY | Aashley3 | McGraw-Hill | MHP |
| Todd | Borgmann | Indianapolis, IN | Lborgman | Exxon/Mobile | XOM |
| Eric | Crawford | West Hartford, CT | Ecrawfo1 | YRC Worldwide | YRCW |
| Andy | Frey | Kalispell, MT | Afrey | BJ Services | BJS |
| Hunter | Johnson | Beaumont, TX | Hjohnso5 | Pepsico | PEP |
| Barry | Kessler | Spring, TX | Bkessle1 | Vaalco Energy | EGY |
| Mousa | Kolahdooz | Berkeley, CA | Mkolahdo | Tupperware Brands | TUP |
| Matt | Korcinsky | Greenville, PA | Mkorcins | Pharmaceutical Products | PPDI |
| Eric | Larsson | Trumbull, CT | Elarsson | Barrick Gold | ABX |
| Robert | Manley | Clarence, NY | Rmanley1 | LOOPNet | LOOP |
| James | McGovern | Philadelphia, PA | Jmcgover | PMI Group | PMI |
| Blair | Mlnarik | Plymouth, MN | Bmlnarik | Digital River | DRIV |
| Cheryl | Ramsey | Cincinnati, OH | Cramsey1 | Dentsply International | XRAY |
| Cory | Rellas | Plano, TX | Jrellas | Dell | DELL |
| Julio | Rivas Sandoval | San Salvador, El Salvador | Jrivassa | Whirlpool | WHR |
| Andrew | Samalis | Reading, MA | Asamalis | Cabelas | CAB |
| Brett | Thomas | Binghamton, NY | Bthomas7 | Getty Images | GYI |
| Paul | Trahms | Rochester, MN | Ptrahms | Walgreen Co. | WAG |
| Manish | Vaswani | Delhi, India | Mvaswani | United Health Group | UNH |
| Jake | Wagner | Redlands, CA | Rwagner2 | Morgan Stanley | MS |
| Matt | Walter | Chargin Falls, OH | Mwalter4 | Apple | AAPL |
| Jerry | Wang | Hegang, P.R. China | Jwang6 | Nutri Systems | NTRI |
| Matt | Weglarz | Kansas City, MO | Mweglarz | Potash Corp. | POT |

ALUMNI UPDATES

Erik Keto (AIM XXIV) joined the investment banking team of C. K. Cooper & Co, a full service boutique investment bank in Orange County, CA that specializes in the energy industry in May 2007. He has focused on raising capital for various small and micro-cap oil and gas exploration and production companies in the US. He also has been spearheading the creation of their Alternative Energy group and looking to close their first alternative energy deal by year end.

Alan Rambaldini (AIM XXIV) is a stock analyst with Morningstar Investment Service in Chicago. He covers insurance companies, including Prudential, Genworth Financial and Ameriprise Financial. He was quoted in a Bloomberg television interview; “Hopefully it's kind of a kitchen-sink quarter where they've thrown it all out there to get it out of the way,” referring to Prudential’s fourth-quarter 2007 earnings report.

UPCOMING BOSTON TRIP

From March 27th to the 30th AIM XXVI will be visiting Boston to meet with various alumni and other financial professionals. The final itinerary will be published in the coming weeks. Currently we are planning to visit a wide variety of investment firms including: a distressed debt hedge fund, a private equity fund, a quantitative hedge fund, a long/short hedge fund, and a long/short hedge fund focused on commodities. Everyone in the class is looking forward to the trip, and we hope to be able to gain some unique insights into particular niches of the investment world which will help us in managing the AIM portfolio and in our careers post-graduation.

PRESENTATIONS & VISITS

AIM XXVI had the pleasure of hosting Tom Mahoney (Aim Alum) and Jason Whitmer of the Cleveland Research Company on February 16, 2008. Cleveland Research is an independent investment research firm headquartered in Cleveland, Ohio. The company was founded in 2006 and concentrates on 4 sectors: Consumer, Industrial, Technology, and Healthcare. Jason took the class through Cleveland’s unique research methodology, and later presented a case study of Kroger Co., examining the company’s fundamentals and Cleveland’s research approach. We thank Tom and Jason for helping hone our research skills and their insights in the field of equity research.

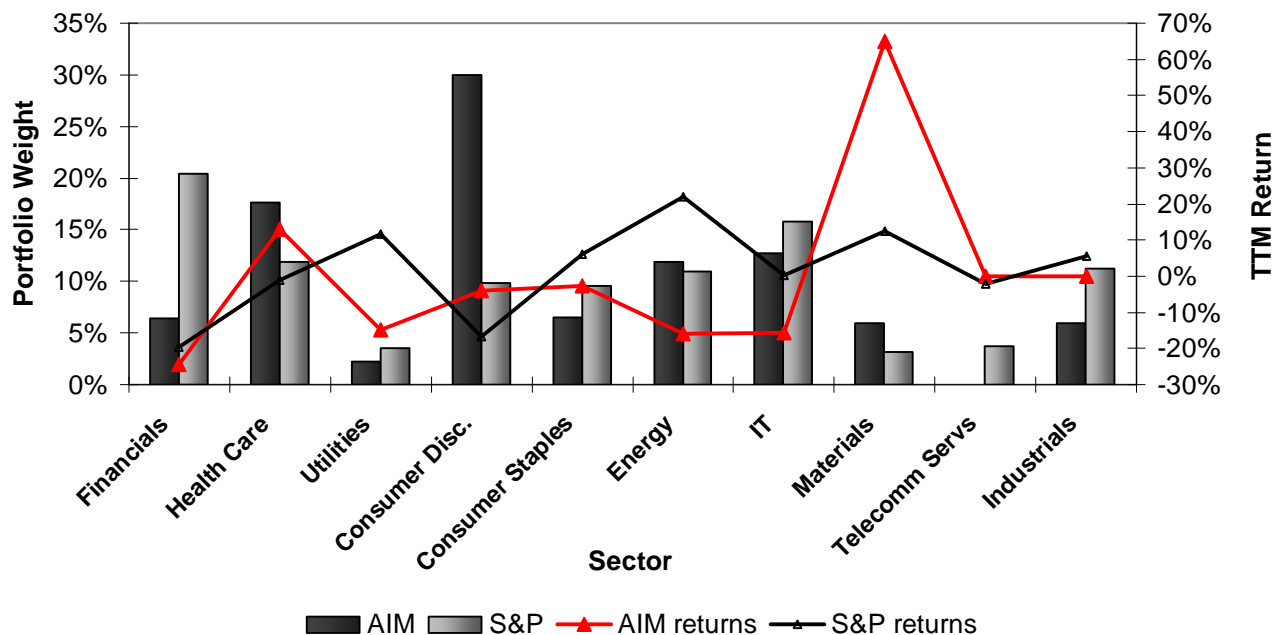
On February 23, 2008 AIM XXVI welcomed CEO Michael Welch, and CFO Mark Patterson of Express-1 Expedited Solutions, Inc. (XPO), a non-asset based independent trucking company. Based in Buchanan, MI, Express-1 concentrates on timely transportation of freight and critical shipments to points in the US, Mexico, and Canada. In conjunction with this visit, the management team of Cross River Partners, Richard A. Murphy (Aim Alum) and Mike McCartan presented to the class their investment thesis on Express-1. Cross Rivers is a private investment partnership concentrating on small companies and specializing in exhaustive, bottom-up research. The class participated in a lively discussion of the prospects of Express-1, and gleaned valuable insight from the research Cross River Partners shared. We thank Express-1 and Cross River Partners for a most valuable visit.

CURRENT PORTFOLIO OVERVIEW

For the twelve months ending January 31st, the AIM portfolio had a total return of -1.60% compared to the -2.30% return of the S&P500 index. Over that time period, good selection in the Materials, Health Care and Consumer Discretionary sectors helped the AIM portfolio to outperform the S&P500 index, while our holdings across all other sectors underperformed the S&P 500 index. The AIM portfolio was overweight in the Energy, Health Care and Materials sectors that were the best performing sectors through the last year, moreover the AIM portfolio was underweight in the Financials sector that had the worst performance. However being largely overweight in the Consumer Discretionary sector, that delivered the second worst performance, had a negative impact on the portfolio.

During the past six months the AIM portfolio had a return of -5.52%, over this period of time the top five value gainers were Barrick Gold Corp (79%), Tupperware (30%), Pharmaceutical Product Development (14%), Dentsply Intl (8%) and Pepsi (6%). The bottom five performers were NutriSystem (-58%), Getty Images (-48%), Morgan Stanley (-40%), LoopNet (-38%) and McGraw Hill (-36%).

Attribution Analysis (1 Year ending January 31, 2008)



QUICK U.S. ECONOMIC SNAPSHOT

The first economics report for AIM XXVI was presented on February 11, 2008. The capital markets have seen a pullback due to the re-pricing of risk in the financial industry caused by fallout in sub prime lending. In order to incentivize continued investment, the Fed continues to decrease the Fed Funds rate and the Federal Discount rate to their current levels of 3.00% and 3.50% respectively. An additional short-term economic jump start is proposed by the current administration in the form of the approximately \$140 billion fiscal stimulus plan.

2007 saw GDP grow 2.2%. Positive indicators of GDP were PCE, exports, nonresidential structures, and state and local government expenditures while negative indicators included residential fixed investment and inventory investment.

The government is in the process of approving a budget for the next fiscal year. The proposed budget is the first to exceed \$3 trillion in history with the budget deficit expected to double to nearly \$400 billion. Pentagon spending is projected to increase by 8.1% to \$518 billion next year while entitlement programs such as Medicare are projected to decrease by \$208 billion over the next five years.

Economic concern persists especially in the housing industry which has seen the first ever decline in existing home sales in 2007 with prices estimated to decrease another 1.2% in 2008. New homes inventory remains at a historic level and housing starts were down 14.2% as of December 2007.

Inflation continues to be a topic of discussion due to rising commodity prices and the devaluation of the dollar. Increased commodity prices, namely oil, are leading to cautious consumer spending. Despite the rate decreasing from 5.0% to 4.9% in January, unemployment remains a concern.

Manufacturing in the United States continues to increase at a slow rate. The January 2008 PMI grew 2.3% from December 2007 to 50.7%. January 2008 total hourly earnings also increased from December 2007 by \$0.04 to \$17.75.

The outlook for the AIM portfolio is mixed. Financial stocks have fallen significantly in the past several months and lag behind the performance of the portfolio benchmark S&P 500 in FY 2008. It is anticipated that the Fed will continue to lower rates giving the financials an opportunity to lead the charge into a bull market. Consumer discretionary may lag the market given recession fears and record commodity prices. Consumer staples, energy, healthcare, and technology all look stable due to the growing global economy and demand for high-tech goods.

CURRENT AIM PORTFOLIO

AIM Portfolio holdings as of January 31, 2008

| Company Name | Ticker Symbol | # of Shares | Value | Unrealized Gain/Loss | Weight | Analyst |
|----------------------|---------------|-------------|------------------------|-----------------------|----------------|-----------------|
| APPLE INC | AAPL | 900 | \$ 178,272.00 | (\$56,448.00) | 4.48% | Matt Walter |
| BARRICK GOLD CP | ABX | 3,800 | \$ 159,790.00 | \$35,682.00 | 4.01% | Eric Larsson |
| BJ SERVICES | BJS | 4,800 | \$ 157,690.00 | (\$16,445.00) | 3.96% | Andy Frey |
| CABELAS INC | CAB | 10,000 | \$ 150,700.00 | (\$4,200.00) | 3.79% | Andrew Samalis |
| DELL INC | DELL | 6,000 | \$ 147,060.00 | (\$26,820.00) | 3.70% | Cory Rellas |
| DENTSPLY INTL INC | XRAY | 2,800 | \$ 126,056.00 | (\$10,388.00) | 3.17% | Cheryl Ramsey |
| DIGITAL RIVER INC | DRIV | 3,500 | \$ 115,745.00 | \$15,505.00 | 2.91% | Blair Mlnarik |
| EXXON MOBIL CP | XOM | 1,800 | \$ 168,642.00 | (\$13,122.00) | 4.24% | Todd Borgmann |
| GETTY IMAGES INC | GYI | 5,000 | \$ 145,000.00 | (\$20,350.00) | 3.64% | Brett Thomas |
| HURON CONSULTING | HURN | 1,600 | \$ 129,008.00 | (\$14,096.00) | 3.24% | |
| LOOPNET, INC. | LOOP | 8,000 | \$ 154,550.00 | \$660.00 | 3.88% | Robert Manley |
| MCGRAW HILL COS THE | MHP | 3,400 | \$ 148,954.00 | (\$3,570.00) | 3.74% | Adam Ashley |
| MORGAN STANLEY | MS | 3,300 | \$ 180,574.00 | (\$12,818.00) | 4.54% | Jake Wagner |
| NUTRISYSTEM INC | NTRI | 5,000 | \$ 134,900.00 | \$8,200.00 | 3.39% | Jerry Wang |
| P M I GROUP INC | PMI | 13,700 | \$ 121,440.00 | (\$12,560.00) | 3.05% | James McGovern |
| PEPSICO INC | PEP | 1,600 | \$ 113,036.00 | \$8,372.00 | 2.84% | Hunter Johnson |
| PHARM PROD DEV | PPDI | 2,800 | \$ 181,936.00 | (\$51,786.00) | 4.57% | Matt Korcinsky |
| POTASH CP SASKATCHEW | POT | 1,540 | \$ 221,698.40 | (\$4,866.40) | 5.57% | Matt Weglarz |
| TUPPERWARE BRANDS CP | TUP | 3,395 | \$ 112,136.85 | \$13,647.90 | 2.82% | Moosa Kolahdooz |
| UNITEDHEALTH GROUP | UNH | 3,000 | \$ 174,600.00 | (\$22,080.00) | 4.39% | Manish Vaswani |
| VAALCO ENERGY INC | EGY | 34,000 | \$ 158,100.00 | (\$5,440.00) | 3.97% | Barry Kessler |
| WALGREEN CO | WAG | 4,100 | \$ 156,128.00 | (\$12,464.00) | 3.92% | Paul Trahms |
| WEYERHAEUSER CO | WY | 2,000 | \$ 147,480.00 | (\$12,200.00) | 3.71% | |
| WHIRLPOOL CP | WHR | 2,000 | \$ 163,260.00 | \$7,320.00 | 4.10% | Julio Rivas |
| YRC WORLDWIDE | YRCW | 10,000 | \$ 170,900.00 | \$12,200.00 | 4.29% | Eric Crawford |
| ZIMMER HOLDINGS INC | ZMH | 2,300 | \$ 152,145.00 | \$27,577.00 | 3.82% | Aldo Arcieri |
| CASH BALANCE | | | \$ 10,067.89 | | 0.25% | |
| TOTAL | | | \$ 3,979,869.14 | (\$170,489.50) | 100.00% | |