



AIM Quarterly

AIM XXVII

aim.nd.edu

Fall 2008



CONCLUSION OF AIM XXVII

Over the past few months, AIM XXVII has had the opportunity and challenge to manage the portfolio in some of the most interesting and turbulent economic times our country has seen. The class has learned a great deal and has been able to take advantage of the unique buying opportunities presented by the market.

The New York trip at the beginning of November was an enormous success. The class met with several hedge funds and investment firms throughout the weekend and would like to thank the Investment Office and the AIM alumni for making this trip possible. Valuations of second stocks and final portfolio decisions have been made, and AIM XXVII will spend the remaining classes preparing for the upcoming presentation to the Advisory Board (December 8). As we prepare to hand over our portfolio and enter the AIM alumni network, we would like to thank Professors Langley, Reilly, and Malpass for the guidance and knowledge they have shared throughout the semester, as we know it will benefit us immensely as we begin our careers.

ALUMNI UPDATES

Jamie Ward (AIM XXV)

After graduating last May, Jamie moved to Chicago where he is working for Boston Consulting Group. He currently is a generalist, but has been working with several financial services companies recently. He is the main contact at BCG for one of the semester-long projects through the ND Student International Business Council. While in AIM, Jamie covered Vaalco and Walgreen's.

Jake Carney (AIM XX)

After graduating from Notre Dame in 2005, Jake moved to New York City where he worked for Goldman Sachs doing investment banking for two years. Jake currently works for Duquesne Capital Management, a hedge fund in New York City. While in AIM, Jake covered Avon and Waters.

PROFILE OF AIM XXVII

Analyst	E-Mail	First Stock	Second Stock	Post-Graduation Plans	Location
Tim Andruszkiewicz	tandrusz@nd.edu	EMC Corp.	Home Depot	Huron Consulting Group	Chicago
Kelly Betts	kbetts@nd.edu	Dentsply Intl.	Callaway Golf	HSBC	Chicago
Bradley Blomstrom	bbloomstr@nd.edu	Zhongpin	Coca-Cola	Lane Berry	Boston
Laura Carney	lcarney@nd.edu	Morgan Stanley	Macy's	Undecided	
Allison Carrick	acarrick@nd.edu	Goldman Sachs	Carnival	Undecided	
Jack Carroll	jcarrol5@nd.edu	McGraw-Hill	Exxon Mobil	Bank of America	New York
Harrison Chilton	hchilton@nd.edu	Zimmer Holdings	Boston Private Financial	J.P. Morgan	New York
Johann DeSousa	jdesous1@nd.edu	BJ Services	AT&T	Goldman Sachs	New York
Joseph DiLuia	jdiluia@nd.edu	Cabela's	MGM Mirage	Ernst & Young	Chicago
Kevin Fitzgerald	kfitzge4@nd.edu	Progress Energy	Ralph Lauren	Credit Suisse	Chicago
Thomas Foote	tfoote1@nd.edu	Tupperware	Windstream Comm.	BMO Capital Markets	Chicago
Andrew Forero	aforero@nd.edu	Whirlpool	On Assignment	Undecided	
Chris Hagen	chagen@nd.edu	Caterpillar	Thoratec	Undecided	
Bryan Jackson	bjackso5@nd.edu	Pharmaceutical Product	Under Armour	Blackstone Group	New York
Patrick Martin	pmartin2@nd.edu	Barrick Gold	BlackRock	Liberty Mutual	Boston
Matthew Millsfield	mmillsfi@nd.edu	FC Stone Group	Costco Wholesale	Morgan Stanley	New York
Ben O'Connor	boconno7@nd.edu	YRC Worldwide	Chipotle Mexican Grill	Houlihan Lokey	Chicago
Paul Oddy	poddy@nd.edu	Dell	American Apparel	McKinsey & Company	New York
Jeffrey Osowski	josowski@nd.edu	Digital River	Ormat Technologies	Bain & Company	Chicago
Michael Roscitt	mroscitt@nd.edu	Huron Consulting	Shuffle Master	Deutsche Bank	New York
Margie Rosmonowski	mrosmo@nd.edu	Service Corp. Intl.	Yum! Brands	Undecided	
Tim Scallen	tscallen@nd.edu	United Health	EcoLab	Sankaty Advisors	Boston
Laura Schwartz	lschwartz@nd.edu	Apple	Netflix	J.P. Morgan	Dallas
Stephanie Severyn	sseveryn@nd.edu	Boeing	Buffalo Wild Wings	ND Investment Office	South Bend
John Watkins	jwatkin3@nd.edu	Republic Services	Graco	Fidelity Investments	Boston
Andy Whalen	awhalen@nd.edu	Walgreens	AutoZone	Undecided	

NEW YORK TRIP (November 6-9, 2008)

On October 6, AIM XXVII flew to New York to begin a series of meetings with investment firms, including Credit Suisse, Maverick Capital, Perry Capital, Tiger Asia, and Viking Global.

The class began Friday morning with a working breakfast at Credit Suisse, where we met with Tim Scanlon and Vanessa Resnick, as well as Notre Dame graduates Matt DeSalvo, Sean Quigley, and Kristen Boyd. The presenters discussed their roles within the bank and the effects the housing crisis has had on their job functions. Our second meeting was at Maverick Capital, where we met with Steven Galbraith, a Limited Partner as well as an Adjunct Professor at Columbia University Business School, and AIM alumnus Matt Kinsella. After Mr. Galbraith shared his insights on the economy and emerging opportunities, Mr. Kinsella offered advice to class members regarding their stock choices. After visiting Maverick, the class took the elevator down to the offices of Perry Capital, where we heard the bleak economic outlook of Richard Perry over a working lunch. Subsequently, the class took cabs to Tiger Asia, a hedge fund run by Bill Hwang. There, the class had the unique opportunity to meet with Christian pastor and author Tim Keller, who discussed how one can incorporate faith into his or her career. While at Tiger Asia the class also heard from famed hedge-fund manager Julian Robertson, who spoke and answered many questions. Mr. Hwang then spoke about his unsuspecting career path that landed him a job with Julian Robertson, with whom he maintains a close relationship

as the founder of Tiger Asia. That evening, the class was treated to an excellent dinner at Smith and Wollensky.

On Saturday morning, The AIM class met with Jim Parsons of Viking Capital. Mr. Parsons, a Notre Dame graduate, spoke to the class about the structure of his fund and offered insight into current stock holdings in the AIM portfolio. Students had the balance of Saturday afternoon to explore the city, and many also attended mass at St. Patrick's Cathedral before meeting at Trattoria Dopo Teatro for a dinner with AIM alumni. With around forty alumni in attendance, the dinner was both a success and a welcome distraction from Notre Dame's performance against Boston College.

The New York trip was an excellent opportunity for students to gain insight into the investment banking and hedge fund businesses. We appreciate the efforts of the investment office in arranging an interesting and insightful set of visits.

PRESENTATIONS & GUEST SPEAKERS

Just as we had great guest speakers during the first half of the semester, we have had the opportunity to hear some excellent presentations during the second half as well. Doug Pardon, ND alum and currently a Senior Analyst at Brigade Capital Management, was kind enough to come speak to us about Brigade's Leveraged Capital Structures Fund. It was an especially interesting subject given the current state of the debt markets and the importance of proper leverage in today's markets.

Doug Kimmelman, who formerly headed Goldman Sachs' principle investments in energy, spoke to us about Energy Capital Partners, the firm he started upon retiring from Goldman Sachs. Mr. Kimmelman has an unbelievable track record and shared insights into some of the very interesting investments he has made in the energy sector.

Finally, we were lucky to host Kevin Compton, who traveled from Kleiner Perkins Caufield & Byers in sunny California to speak to us about venture capital. He shared his list of rules he has developed over the years for venture capital investing. Undoubtedly, each student had their own favorites, but "never sell equity in a rapidly growing company in a rapidly growing industry" is always good advice.

We appreciated each of the wonderful guest speakers we have had the opportunity to hear from, and we look forward to continuing the tradition of having great speakers visit the AIM class!

CURRENT PORTFOLIO OVERVIEW

The AIM portfolio has a LTM return of -19.19% versus the S&P 500 index return of -22.00% as of the end of 3Q 2008. In addition to the S&P 500, we benchmark the portfolio against the Hank Blended Index (HBI) since 29.59% of our portfolio consists of small or mid-cap companies. The HBI's return was -19.49% for the same period. Top performers for the year were Zhongpin Inc. and Pharmaceutical Product Development Inc. with returns of 7.4% and 17.0% respectively. The worst performers were Boston Private Financial Holdings and Morgan Stanley with losses of -69.1% and -64.1% respectively. Over the 5-year period ending 3Q08, the AIM portfolio had a compounded annual return of 6.18%, versus 5.09% for the S&P 500 and 6.11% for the HBI.

OUR ECONOMIC OUTLOOK

The AIM class has continued to witness unprecedented economic events in the past two months, including the Treasury starting to spend the \$700 billion provided by the bailout bill. Initially this money was to be used to buy mortgages and troubled assets owned by financial institutions. Subsequently, the mandate was changed, and the Treasury has used the money to buy preferred stock in financial institutions. These capital injections have done little to stabilize the markets. The Dow Jones was at 10,381 on October 1st, it fell 22.5% to 8,046 on November 21st, and it reached as low as 7,552. The bailout could expand to non-financial institutions as auto-makers and builders ask for money from the Treasury.

The housing market has continued its collapse in recent months. Housing starts hit a 17-year low in October to an annual rate of 791,000. This is down 4.5% from September. Existing home sales fell to 4,980,000 in October, which is 3.1% lower than September. A majority of these sales come from foreclosed homes. New home sales hit a 17 year low and fell to 433,000. This is down 5.3% from September and down 40.1% from October 2007. Median home prices were \$181,800 in October. (These numbers are seasonally adjusted annual rates.)

The Federal Reserve made another 0.50% rate cut in the target Federal Funds rate to 1.00%. Prior to a few weeks ago, inflation had been a concern, but deflation is now a concern. There has been a sharp decrease in oil and other energy prices, and the core consumer price index fell by 0.1%.

Businesses have continued to cut payrolls with a drop of 240,000 in October. The total job loss in 2008 reached 1.2 million by the end of October. The unemployment rate is currently 6.5% but is projected to rise to 8% in the next few months.

There was a small increase in GDP in the second quarter of 2.8%, followed by a decline in the third quarter of 0.3%. This decrease in growth is mainly due to a decline in consumer and investment spending. This weak growth is expected to continue in the next few quarters.

The outlook for the AIM portfolio is bearish in the short-term. Lower consumer spending due to rising unemployment and lower disposable income will hurt the consumer discretionary and IT sectors. The real estate sector will be hurt by tightening credit and the continued collapse of the housing market. Financials will also continue to encounter difficult times. The AIM class has a neutral outlook on the industrials, materials and health care sectors. Despite the current economic crisis, the AIM class has a positive outlook on the consumer staples, telecommunication services, utilities and energy sectors. An increase in the demand for broadband and opportunities in emerging markets should help the telecommunication services sector. The energy sector is going to see growth due to the increase in demand for alternative energy.

POSITION CHANGES

Stocks Added to the Portfolio

Apple (AAPL) designs, manufactures, and markets personal computers, portable digital music players, and mobile communication devices and sells a variety of related software, services, peripherals, and networking solutions. The Company sells its products worldwide through its online stores, its retail

stores, its direct sales force, and third-party wholesalers, resellers, and value-added resellers.

AT&T (T) is a provider of telecommunications services in the United States. It offers its services and products to consumers in the United States, and services and products to businesses and other providers of telecommunications services worldwide.

Buffalo Wild Wings (BWLD) owns, operates and franchises restaurants featuring a variety of boldly flavored, made-to-order menu items, including the Buffalo, New York-style chicken wings spun in any of the Company's signature sauces. Buffalo Wild Wings' menu, priced between the quick casual and casual dining segments, features fresh chicken wings and other items, including boneless wings, chicken tenders, specialty hamburgers, and sandwiches. As of December 30, 2007, the Company owned or franchised 493 Buffalo Wild Wings restaurants in 37 states.

Caterpillar (CAT) operates in three principal lines of business: Machinery, Engines and Financial Products. Machinery deals with the design, manufacture, marketing and sales of construction, mining and forestry machinery. The engines business deals with the design, manufacture, marketing and sales of engines. Financial Products consists primarily of Caterpillar Financial Services Corporation, Caterpillar Insurance Holdings, Inc., Caterpillar Power Ventures Corporation and their respective subsidiaries.

The Coca-Cola Company (KO) is a manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups in the world. Finished beverage products bearing its trademarks are sold in more than 200 countries. Its business is nonalcoholic beverages, principally sparkling beverages, but also a variety of still beverages. The Company manufactures beverage concentrates and syrups, which it sells to bottling and canning operations, fountain wholesalers and some fountain retailers, as well as finished beverages, which it sells primarily to distributors.

EcoLab (ECL) develops and markets products and services for the hospitality, foodservice, healthcare and industrial markets. The Company provides cleaning and sanitizing products and programs, as well as pest elimination, maintenance and repair services primarily to hotels and restaurants, healthcare and educational facilities, quick-service units, grocery stores, commercial and institutional laundries, light industry, dairy plants and farms, food and beverage processors, and the vehicle wash industry.

Graco (GGG) provides fluid handling solutions to organizations involved in manufacturing, processing, construction and maintenance throughout the world. Graco Inc. and its subsidiaries sell a line of products in the Americas, Europe, and Asia Pacific. Graco classifies its business into three segments: Industrial, Contractor and Lubrication.

Ormat Technologies (ORA) is engaged in the geothermal and recovered energy power business. The Company designs, develops, builds, owns and operates geothermal recovered energy-based power plants, usually using equipment that it designs and manufactures.

Thoratec (THOR) is a manufacturer of circulatory support products for use by patients with heart failure. The Company develops, manufactures and markets products that are used by physicians and hospitals for cardiac assist, vascular and diagnostic applications.

Yum! Brands (YUM) is a quick service restaurant with over 35,000 units in more than 100 countries and territories. Through the five concepts of KFC, Pizza Hut, Taco Bell, LJS and A&W, the Company develops, operates, franchises and licenses a worldwide system of restaurants that prepare, package

and sell a menu of food items.

Stocks Sold from the Portfolio

Boeing (BA)
 Boston Private Financial Holdings (BPFH)
 Dell (DELL)
 Digital River (DRIV)
 FCStone Group (FCSX)
 Huron Consulting (HURN)
 Morgan Stanley (MS)
 Service Corp. Intl. (SCI)
 Whirlpool (WHR)
 YRC Worldwide (YRCW)

CURRENT AIM PORTFOLIO (As of 11/30/08)

Company	Ticker	Shares	Market Value	Weight
Apple	AAPL	1,300	\$ 120,471.00	3.70%
AT&T	T	4,000	114,240.00	3.51%
Barrick Gold	ABX	4,600	135,516.00	4.17%
BJ Services	BJS	11,000	131,890.00	4.06%
Buffalo Wild Wings	BWLD	5,000	114,800.00	3.53%
Cabela's	CAB	17,000	106,250.00	3.27%
Caterpillar	CAT	2,500	102,475.00	3.15%
Coca-Cola	KO	2,300	107,801.00	3.31%
Dentsply	XRAY	4,900	127,792.00	3.93%
EcoLab	ECL	3,300	126,687.00	3.90%
EMC Corp.	EMC	9,000	95,130.00	2.93%
Exxon Mobil	XOM	1,200	96,180.00	2.96%
Goldman Sachs	GS	2,100	165,879.00	5.10%
Graco	GGG	7,000	150,220.00	4.62%
McGraw-Hill	MHP	5,200	130,000.00	4.00%
Ormat Technologies	ORA	3,600	108,360.00	3.33%
Pharmaceutical Product	PPDI	4,800	126,432.00	3.89%
Progress Energy	PGN	3,100	123,039.00	3.78%
Republic Services	RSG	6,300	151,200.00	4.65%
Thoratec	THOR	4,500	112,500.00	3.46%
Tupperware	TUP	5,300	104,251.00	3.21%
United Health	UNH	6,000	126,060.00	3.88%
Walgreens	WAG	5,200	128,648.00	3.96%
Yum! Brands	YUM	4,700	126,618.00	3.89%
Zhongpin	HOGS	17,000	147,730.00	4.54%
Zimmer Holdings	ZMH	3,200	119,424.00	3.67%
Cash			52,546.85	1.62%
AIM PORTFOLIO			\$ 3,252,139.85	100.0%