

AIM QUARTERLY



Greetings from AIM XXXIV

Greetings from South Bend.

Midterms are now in the rearview mirror, and we are all looking ahead to graduation.

Under the guidance of Professors Jerry Langley, Bill McDonald, and Frank Reilly, the AIM XXXIV analysts recently submitted their second round valuations. All that is left is to decide which stocks make it into the portfolio.

The class recently took a trip to Chicago. The trip began with a dinner with AIM alumni, where we swapped stories about the Notre Dame and the class. The next day we visited the offices of RoundTable Healthcare Partners (PE firm), R W Baird, Grosvenor Capital Management (alternative investments) and Alvarez & Marsal (restructuring advisory). Overall the trip was informative and an excellent

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“Money is like manure. You have to spread it around or it smells.” – J. Paul Getty

State of the Economy

GDP

The Bureau of Economic Analysis recently revised Q4 2011 GDP growth rate to 3.0% (“third estimate”). The acceleration in real GDP in the fourth quarter primarily reflected an upturn in private inventory investment and accelerations in personal consumption expenditures (PCE) and residential fixed investment. These were partly offset by a deceleration in nonresidential fixed investment, an increase in imports, and a downturn in federal, state and local government spending. Overall for 2011, real GDP increased 1.7%, compared with an increase of 3.0% in 2010.

In March 2012, the Federal Open Market Committee (FOMC) met and modestly revised upward its near-term forecast for real GDP growth a little. Indicators of labor market conditions and production improved somewhat more than the staff had anticipated. In addition, the decline in the unemployment rate over the past year was larger than what seemed consistent with the modest reported rate of real GDP growth. In its March forecast, the staff’s projection for real GDP growth over the medium term was somewhat higher than the one presented in January, mostly reflecting an improved outlook for economic activity abroad, a lower foreign exchange value for the dollar, and a higher projected path of equity prices. Nevertheless, the staff continued to forecast that real GDP growth would pick up only gradually in 2012 and 2013, supported by accommodative monetary policy, easing credit conditions, and improvements in consumer and business sentiment.

Employment

In March 2012, the US Bureau of Labor Statistics reported that nonfarm payroll employment rose by 120,000, and the unemployment rate was little changed at 8.2 percent. In the prior 3 months, payroll employment had risen by an average of 246,000 per month. Private-sector employment grew by 121,000 in March, including gains in manufacturing, food services and drinking places, and health care. Retail trade lost jobs over the month and government employment was essentially unchanged. Employment in professional and business services continued to trend up in March (+31,000). Employment in the industry has grown by 1.4 million since a recent low point in September 2009. In March, services to buildings and dwellings added 23,000 jobs. Employment in temporary help services was about unchanged over the month after increasing by 55,000 in February. The change in total nonfarm payroll employment for January was revised from +284,000 to +275,000, and the change for February was revised from +227,000 to +240,000.

Inflation

In March 2012, the US Bureau of Labor Statistics reported an increase of 0.3 percent in the Consumer Price Index for All Urban Consumers (CPI-U) on a seasonally adjusted basis. Over the last 12 months, the all items index increased 2.7 percent before seasonal adjustment. The indexes for food, energy, and all items less food and energy all increased in March. The gasoline index continued to rise, more than offsetting a decline in the household energy

index and leading to a 0.9 percent increase in the energy index. The index for all items less food and energy has risen 2.3 percent over the last 12 months and the index for shelter has risen 2.1 percent over the same period. The apparel index has risen 4.9 percent, the medical care index has increased 3.5 percent, and the index for new vehicles has risen 2.5 percent.

Housing

Housing continues to be one of several focal points of the U.S. economy. While the housing market is far from healthy, there may be a distant light at the end of the tunnel. New building permits neared a 3.5 year high as permits jumped 5.1% to a seasonally adjusted annual rate of 717,000 units in February, the highest since October 2008. These figures sound promising; however, February housing starts slipped 1.1% to annual rate of 689,000 units. As traditional home buyers hold out for great values and investors focus on foreclosures, the question still remains as to the “shadow inventory” of homes that owners would like to sell, but are reluctant to even list for sale.

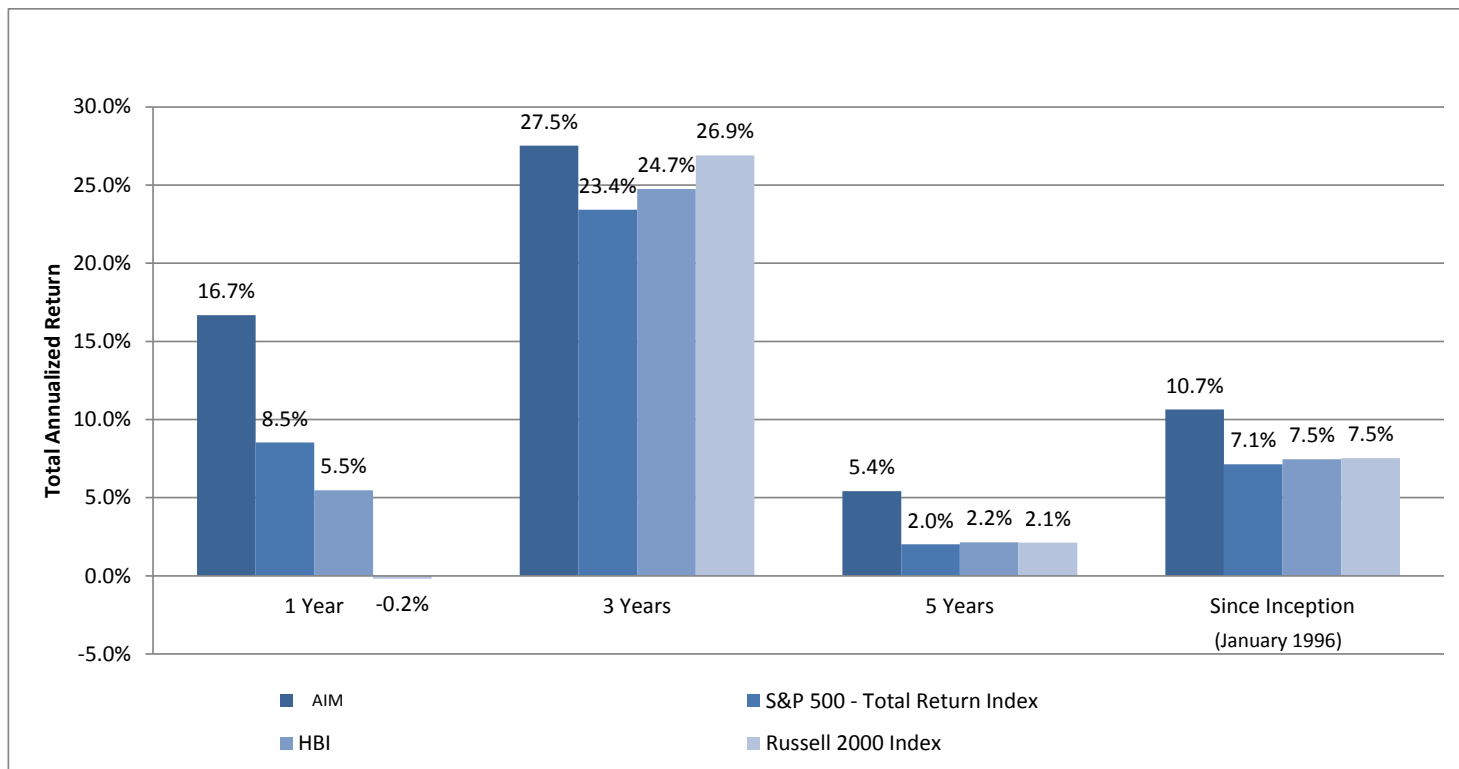
Reasoning stems from owners being upside-down on their mortgage or having to settle with taking a depressed sale value due to the soft market. With the spring buying season just kicking off, it will be interesting to see if reduced prices, record low mortgage rates and higher rents will entice would be buyers to move forward with their decision to purchase a home.

Consumer

Consumer confidence, based on the Thomson Reuters/University of Michigan Consumer Confidence Index, cooled in April to 75.7 from a recent one year high of 76.2 the prior month. The median forecast expected this figure to remain unchanged over the period. This drop in confidence level is attributed to the slowest month of job growth since October, as well as a simultaneous drop in weekly earnings that will continue to squeeze consumers’ disposable income, making it hard for consumption to accelerate.

The Bloomberg Consumer Comfort Index, which measures America’s perceptions on the state of the economy, personal finances, and whether it is a good time to buy large-ticket goods or services, also fell slightly to -32.8 from the prior week’s -31.4, the highest rating since March 2008. Although both indicators were down slightly over the past month, the overall trend has been positive, with economists predicting that the sentiment numbers will improve even more in months ahead.

Portfolio Performance: The AIM Advantage



Benchmark Comparison

Since inception, the AIM portfolio has outperformed the S&P 500, the Russell 2000, and the Hank Blended Index (the HBI is comprised of 65% S&P 500 returns and 35% Russell 2000 returns). The portfolio performed very well in the past year as evidenced by the nearly three-fold out-performance against HBI and double the S&P. Overall the portfolio has out-performed all benchmarks since inception and over the past one, three, and five-year periods.

Portfolio Attribution Analysis

The AIM portfolio has outperformed the S&P 500 due to a combination of both the allocation and selection effects. Over the past five years, the portfolio benefited from its differential sector weightings relative to the benchmark portfolios. Over the last three years however, the portfolio has achieved most of its growth through the selection of well performing securities. The Net Management Effect (AIM return over the benchmark return) has continued to grow larger in recent years,

another testament to the value created by AIM analysts and their valuations.

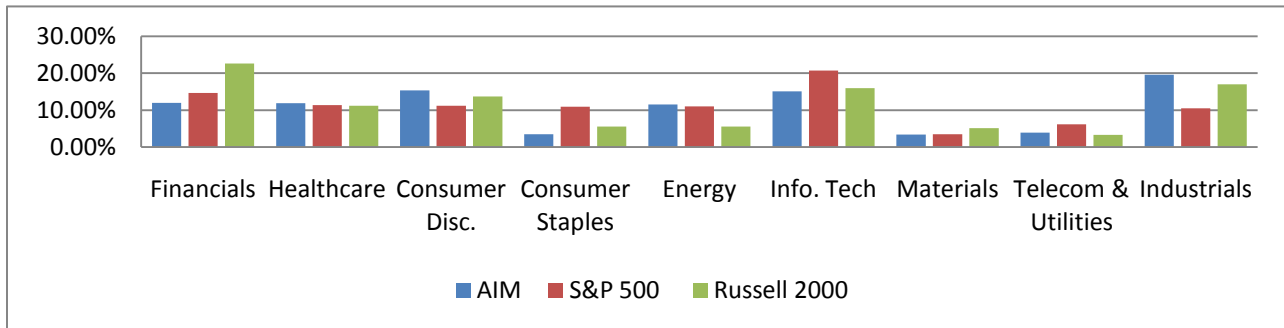
Portfolio Positions

The composition of the current AIM portfolio is shown on the following page. Discover Financial, Gilead Sciences and UnitedHealth make up the biggest portion of the portfolio with 4.3% each, while Cummins, PNC Financial and Teradata Corp each comprise 4.2% each.

Sector Allocation

The sector weightings of the AIM portfolio are benchmarked against the S&P 500 and Russell 2000. The portfolio tries to stay within +/- 5% of the S&P 500's weightings. As can be seen on the following page, the current AIM portfolio industry allocation indicates that the portfolio is heavily underweight in financials and consumer discretionary. On the flip side, the portfolio carries a significant overweight in consumer staples, industrials, and materials.

Sector Weightings vs. S&P 500 and Russell 2000 (as of 4/18/2012)

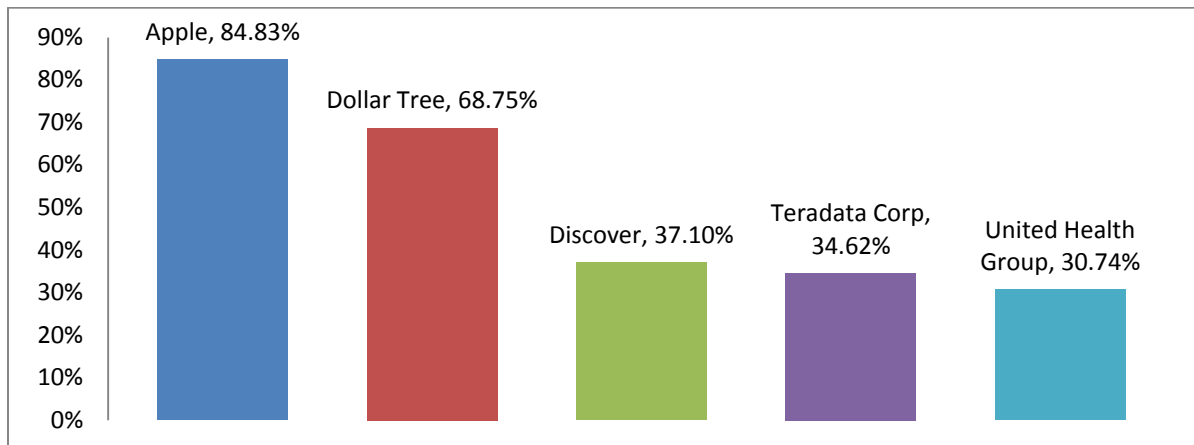


Group	Financials	Healthcare	Consumer Disc.	Consumer Staples	Energy	Info. Tech	Materials	Telecom & Utilities	Industrials
AIM	7.77%	11.53%	16.93%	3.43%	10.25%	18.25%	9.47%	4.20%	14.20%
S&P 500	14.67%	11.33%	11.17%	10.90%	11.04%	20.69%	3.47%	6.22%	10.51%
Russell 2000	22.60%	11.22%	13.72%	5.53%	5.54%	15.94%	5.18%	3.30%	16.97%

Current Portfolio Positions (as of 4/20/2012)

Holding	Ticker	% of Portfolio	Shares	Price (\$)	Mkt. Value
Activision Blizzard	ATVI	3.9%	21,000	\$12.31	\$258,510
Aerovironment	AVAV	4.0%	10,600	\$24.85	\$263,410
Alliant Tech Systems	ATK	3.6%	4,600	\$51.94	\$238,924
Apple	AAPL	3.5%	400	\$585.15	\$234,060
CarMax Inc	KMX	3.8%	7,900	\$31.48	\$248,692
Caterpillar	CAT	4.1%	2,500	\$108.11	\$270,275
Chevron	CVX	3.5%	2,250	\$102.55	\$230,738
Coca-Cola	KO	3.5%	3,100	\$74.17	\$229,927
Continental Resources	CLR	4.1%	3,200	\$85.62	\$273,984
Cummins	CMI	4.2%	2,400	\$116.12	\$278,688
Dick's Sporting Goods	DKS	3.8%	4,900	\$50.60	\$247,940
Discover Financial Services	DFS	4.3%	8,600	\$33.08	\$284,488
Dollar Tree	DLTR	3.8%	2,500	\$99.31	\$248,275
eBay	EBAY	4.2%	6,800	\$40.65	\$276,420
Flowserve Corp	FLS	3.9%	2,300	\$111.87	\$257,301
Gilead Sciences	GILD	4.3%	5,500	\$51.78	\$284,790
Google	GOOG	3.1%	340	\$605.97	\$206,030
Halliburton	HAL	3.8%	7,500	\$33.73	\$252,975
KeyCorp	KEY	3.3%	28,000	\$7.81	\$218,680
Lab Corp	LH	3.3%	2,500	\$88.43	\$221,075
PNC Financial Services	PNC	4.2%	4,300	\$64.87	\$278,941
Potash	POT	3.3%	5,000	\$43.99	\$219,950
QualComm	QCOM	3.9%	4,100	\$62.91	\$257,931
Teradata Corp	TDC	4.2%	4,000	\$69.44	\$277,760
UnitedHealth Group	UNH	4.3%	4,800	\$59.42	\$285,216
Williams-Sonoma	WSM	4.0%	6,900	\$38.38	\$264,822
Inverse S&P500	SH	0.0%	70	36.20	\$276,420
iShares Dow Jones US Financial	IYF	0.0%	45	57.21	\$257,301
Dividends Recievable		0.0%			\$2,452
Cash Balance		0.0%			\$3,799
	Total	100.0%			\$6,350,008

Top 5 Stocks – LTM Returns



Alumni Updates

Shire Kuch, AIM XXXII

Shire was an intern at RBC Capital Markets on the fixed income desk during the summer of 2010 and has been a full-time employee at RBC since his graduation from the MBA program in 2011. Shire is now employed at RBC as an equities trader and desk sector strategist covering technology companies. He enjoys the high energy atmosphere of being on the equities desk and working with clients on daily basis.

Tyler Ventura, AIM XXII

Tyler is a 2007 graduate of the MBA program who worked as an investment banker for three years at Monroe Securities in Chicago. Tyler transitioned to

equity research in 2010 for Diamond Hill Investments in Columbus, OH. At Diamond Hill, Tyler covers over 50 various financial institutions. While already obtaining his CPA, Tyler is currently a CFA level II candidate and enjoys travelling during his free time.

Ryan Hayes, AIM XXXII

Ryan is an Associate in Credit Suisse's Private Banking division in New York City. His team partners with ultra high net worth individuals and institutions by managing diversified investment portfolios, optimizing estate and tax considerations, and planning for the growth and sale of a business. Ryan is also active in the firm's Private Banking recruitment efforts and mentors undergraduates at New York University as a volunteer.

AIM XXXIV Class Profile

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