

# AIMQUARTERLY

## AIM XXXII: Wrap-Up



The analysts of AIM XXXII are currently deep in preparations for the final presentation to the Advisory Board on May 2, 2011. The new portfolio was completed on April 18th and trades were executed that same afternoon. Ultimately, 10 of the 26 stocks that the class inherited from AIM XXXI were sold and replaced. Also, the class traveled to Chicago last month for two days of

learning and networking with top investment management firms in the city (see article on p. 6).

Finally, we would like to thank Professors Langley, McDonald, Trubac, and Reilly, as well as Scott Malpass and the entire Investment Office, for all of their help and guidance in making our AIM experience one to remember.

### QUARTER 2, SPRING 2011

#### Contents



Economic Outlook

1



Portfolio Performance

3

#### Features



Alumni Updates

2, 5



Class Profile

6



Chicago Trip

6

## Economic Outlook: An AIM Perspective

### Employment

The US Bureau of Labor Statistics reported the unemployment rate was little changed in March at 8.8%. Nonfarm payroll employment increased by 216,000 driven mostly by the professional and business services, health care, leisure and hospitality and mining sectors.

Employment in manufacturing also continues to trend upwards. Since a recent low in February 2010, total payroll employment has grown by 1.5 million. Employment in government continues to trend down over the month – local government has lost 416,000 jobs since the employment peak in September 2008.

**Continued on Page 2**

**Economic Outlook (continued)**



Meanwhile, private sector employment increased by 201,000 jobs in March, led primarily by the service-providing sector. This marks 15 consecutive months of employment gains- indicating solid job growth in the private sector. Overall, the recovery has been insufficient to bring about a significant improvement in labor market conditions. In the press conference on April 27, 2011, Chairman Ben Bernanke stated that “the pace of improvement is still quite slow.” The Fed reported a revised unemployment rate forecast of 8.4% to 8.7%, down from 8.8% to 8.9% in response to the Bernanke’s sentiments.

***Inflation***

Food and energy prices are up drastically across the globe, but in the U.S. the Consumer Price Index (CPI) rose by just 0.5% in March while the core inflation rate, which excludes food and energy prices, increased by just 0.1%. On the heels of “Quantitative Easing 2”, there is concern of inflation looming in the long term, but current U.S. inflationary pressures are modest relative to those faced by emerging markets around the globe. Rising commodity prices

have been causing global food prices to rise, and there is volatility in oil prices because of the instability in the Middle East. As the protests and unrest spread, there is an increasing focus on maintaining stability in key oil producing areas such as Saudi Arabia. The Federal Reserve has been accused of essentially exporting inflation; however, Bernanke responded that the Fed is only fulfilling its mandate. Over the long term, uncertainty surrounds the U.S. inflation debate but consumers do not appear to be heavily affected at the moment. This could change over the next year especially if U.S. gas prices continue to approach \$4.00 a gallon, causing households to reduce their spending in other areas.

***Housing***

The housing market continues to disappoint and has yet to turn the corner like the other key economic indicators. It seems to be the one area of the economy where inflation has not shown signs of appearing. Almost all of the housing indicators such as new home sales, existing home sales, home prices, inventory and foreclosure were all severely negative in February and then rebounded slightly in March and April. However, housing continues to face an uphill battle. Employment is the key driver for

**Continued on Page 5**

**ALUMNI UPDATES**

**Robert Milmore**

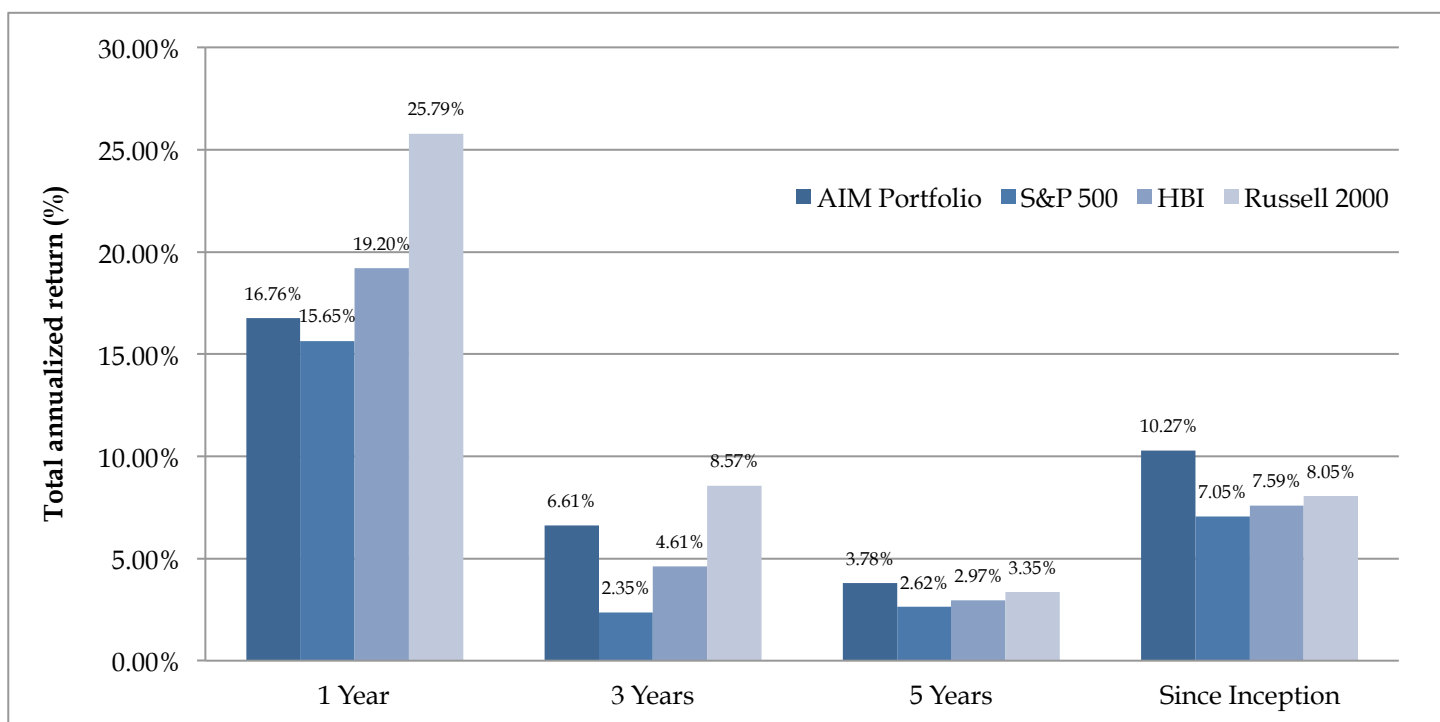
Rob (AIM II) is a Vice President at Fox Asset Management in Red Bank, NJ. Fox Asset Management is a subsidiary of Eaton Vance and manages approximately \$2.2 billion in long-only funds, following a value philosophy. Rob is co-manager on Fox’s small-cap, mid-cap, smid-cap and dividend growth products.

**Ryan Lazzeri**

Ryan (AIM XXVIII) is currently a senior municipal bond trader at The Vanguard Group, in Valley Forge, PA, covering the Northeast and Midwest regions. In this role, he sources trade ideas and develops dealer relationships in the spirit of best execution for Vanguard’s brokerage clients. Vanguard’s brokerage business just eclipsed \$100 billion in brokerage assets.

Ryan and his wife recently announced the birth of their second child, Colin Ryan, born on March 10th. They reside in Ardmore, PA.

# Portfolio Performance: The AIM Advantage



## Benchmark Comparison

Since inception, the AIM portfolio has outperformed the S&P 500 (our primary benchmark), the Russell 2000, and the Hank Blended Index (the HBI is comprised of 65% S&P 500 returns and 35% Russell 2000 returns). However, over the recent period, the AIM advantage seems to be diminishing, which has prompted the selection of smaller cap stocks to capture some of the Russell 2000 growth.

## Portfolio Attribution Analysis

The AIM portfolio has outperformed the S&P 500 due to a combination of both the allocation effect and the selection effect. Over a five year time period, the portfolio has benefited from its allocations. Over the last three years however, the portfolio has achieved most of its growth through the selection of well performing securities. Refer to the chart on page 5.

## Portfolio Positions

The composition of the AIM portfolio is listed on the following page and includes our newest selections. We added the companies listed in green and sold Alaska Air Group, Abbot Labs, Cal-Maine Foods,

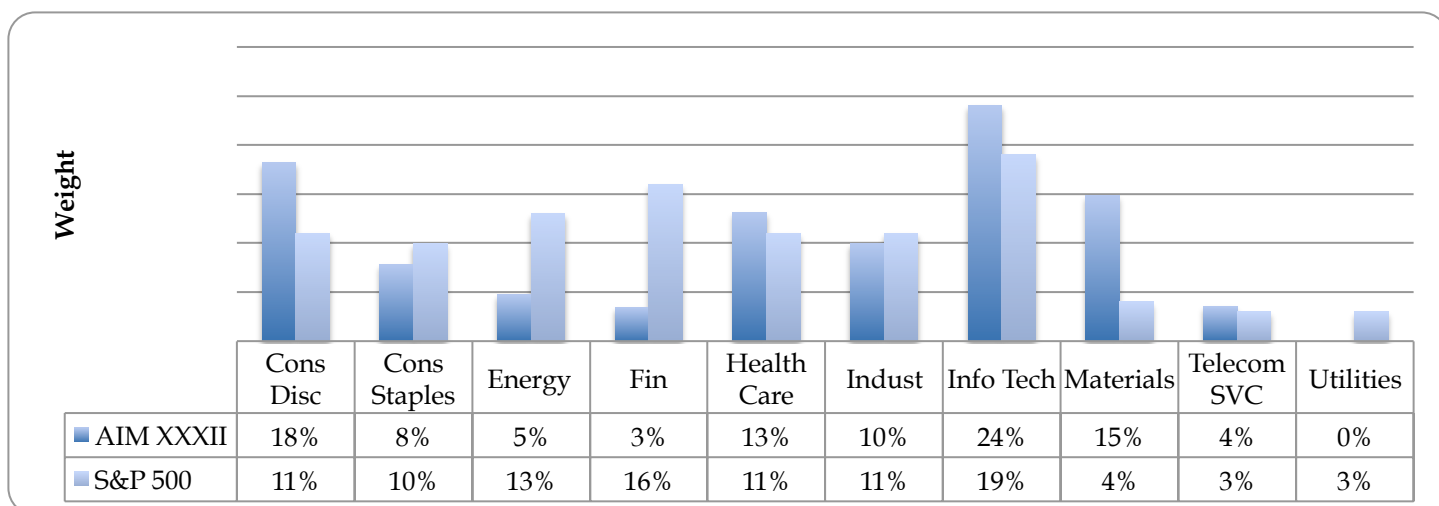
Chubb, Cisco Systems, General Dynamics, Hansen Natural, Insituform, International Game Technologies, and Symmetry Medical. Our decision process included both deliberations on the valuation analysis of stocks as well as fit to our portfolio and overall economic outlook. We decided to keep Apple and a few of the previous holdings above weight to avoid transaction costs, but trimmed our position in Chevron.

## Sector Allocation

The sector weightings of the AIM portfolio are benchmarked against the S&P 500. The portfolio tries to stay within +/- 5% of the S&P 500's weightings. As can be seen on the following page, Information Technology, Industrials, and Consumer Discretionary are overweight. This fits with our long-term economic outlook that as the recovery builds steam, consumer spending will spur investment in inventories and equipment by business. Finance and Energy are underweight due to a lack of undervalued companies in the space.

[Charts Continued on Pages 4 & 5](#)

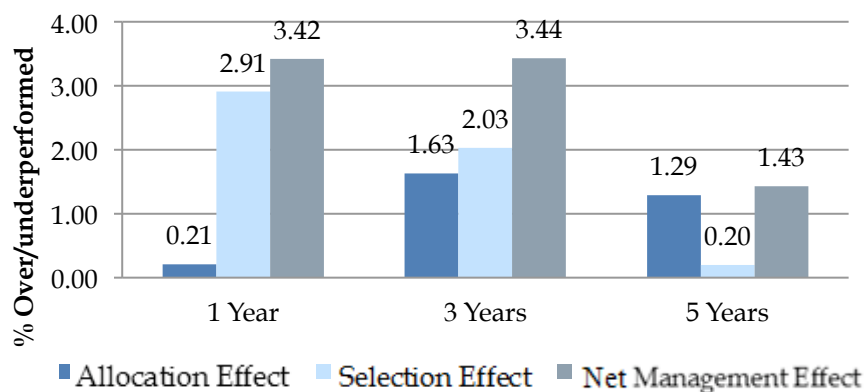
## Sector Weightings vs. S&amp;P 500 (as of 4/23/2011)



## Current Portfolio Positions (as of 4/22/2011)

Stock	Ticker	Weight	Shares	Price (\$)	Market Value (\$)
Activision Blizzard	ATVI	3.5%	17,800	\$11.32	\$201,496
Alliant Tech Systems	ATK	2.5%	2,100	69.08	145,068
American Tower Corp	AMT	3.6%	4,100	51.31	210,371
Apple	AAPL	6.0%	1,000	350.70	350,700
Archer Daniels Midland	ADM	4.1%	6,700	36.05	241,535
Chevron	CVX	4.8%	2,570	108.13	277,894
Coca Cola	KO	3.6%	3,100	67.88	210,428
Continental Resources	CLR	3.8%	3,200	68.72	219,904
Deere & Co	DE	3.8%	2,300	95.25	219,075
Discover Financial Services	DFS	3.5%	8,200	24.76	203,032
Dollar Tree	DLTR	3.6%	3,700	57.15	211,455
EcoLab	ECL	3.5%	4,000	51.75	207,000
Fed Ex	FDX	3.7%	2,300	93.94	216,062
Gilead Sciences	GILD	3.7%	5,500	39.06	214,830
Google	GOOG	3.1%	340	525.10	178,534
Hasbro	HAS	3.3%	4,300	44.55	191,565
Intel	INTC	4.0%	11,000	21.46	236,060
Newmont Mining	NEM	3.2%	3,200	59.23	189,536
Perrigo	PRGO	4.9%	3,200	89.11	285,152
Potash	POT	4.2%	4,200	57.96	243,432
Qualcomm	QCOM	4.0%	4,100	56.94	233,454
Sonic Corp	SONC	3.7%	23,000	9.39	215,970
Starbucks	SBUX	3.7%	5,800	37.00	214,600
Starwood Hotels	HOT	3.9%	3,700	60.79	224,923
Tessera Technologies	TSRA	3.8%	12,100	18.40	222,640
United Health Group	UNH	4.5%	5,500	47.81	262,955
Cash & Hedge		0.1%			4,937
<b>Total</b>					<b>\$5,832,608</b>

**Total Portfolio Attribution**



**Economic Outlook (continued)**

housing. Housing will not experience a robust recovery without a significant decrease in the unemployment rate, which is not expected until the end of 2011/beginning of 2012.

**GDP**

The Bureau of Economic Analysis recently released a revised Q4 2010 GDP growth rate. The Bureau revised the estimate up to 3.1 percent from 2.8 percent. The change reflected positive contributions from personal consumption expenditures (PCE), exports, and nonresidential fixed investment that were partially offset by negative contributions from private inventory investment and local government spending. The revised numbers offer an explanation for weak job numbers, but create concerns as fiscal and monetary policy resources are strained. With policymakers aggressively shifting focus towards budgetary concerns, the U.S. economy is facing significant headwinds, as output growth and employment remain weak.

In Q1 2011, GDP grew at a 1.8 percent annual rate, as government spending declined. This marks the slowest growth rate since the second quarter of 2010. While the consumption figure is not entirely disappointing, it is evident that higher energy and food costs are beginning to weigh on the American consumer, in spite of the fact that the Federal Reserve’s policymakers continue to deem the current inflationary state “transitory.” After Bernanke spoke at the press conference, the Fed slashed its 2011 GDP projection ranging from 3.1% to 3.3%, down from 3.4% to 3.9% before. The Fed signaled that it intends to try and continue to boost the economy via its ultra-loose monetary policy in effort to boost GDP, combat unemployment and control inflation.

**ALUMNI UPDATES**

**David Perez**

David (AIM XXX) is a Relationship Manager in a newly formed Middle Market Financial Sponsors group within Wells Fargo in San Francisco. The group was formed in November 2010 and works with private equity funds under \$1 billion to provide debt financing for the acquisition of portfolio companies. As a Relationship Manager, he splits his time between new business development and underwriting transactions. David joined this group after completing a 5 month credit management training program.

**Peter Austin**

Peter (AIM XXX) is a Senior Financial Analyst in the Capital Management department at Toys R Us. He is focused on the international side of the business. Peter’s position entails evaluating cash flow models that are provided to the group by foreign operations for proposals such as remodeling existing stores or building brand new stores.



## March 24 - 25: Chicago Trip

AIM XXXII enjoyed a successful trip to Chicago on March 24 - 25. The trip featured meetings with four financial institutions, including Rail-Splitter Capital Management, Citadel, LaSalle Capital and William Blair & Company. The class had the pleasure of having dinner at Maggiano's with over 20 of the AIM alumni currently working in Chicago. Current and past AIM analysts discussed their stock selections and how the class and portfolio has fared over the years. During and after the dinner, the alumni offered

valuable advice on pursuing a career in finance – a display of the strength of the AIM network.

The meetings with the different companies were extremely productive. The presenters were as excited to hear about our ideas and portfolio holdings, as we were to ask them questions. Overall, the trip was extremely productive and a great learning experience for the analysts. We would like to thank Scott Malpass and his fine team from the Investment Office for scheduling our meetings and accommodations.

## AIM XXXII Profile: MBA/MSA Roster

Analyst	Hometown	Email	1st Stock	2nd Stock	Post-MBA Company	Division	Location
Blaza, Gabriel	Manila, Philippines	gblaza@nd.edu	Cal-Maine Foods	Hasbro	TBD	TBD	TBD
Coughlin, Kevin	Manchester, CT	kcoughl1@nd.edu	Activision Blizzard	Omega Protein	BNP Paribas	Sales & Trading	New York, NY
Dacosta, Jered	Miami, FL	jdacosta@nd.edu	Cisco	Whole Foods	Barclays Capital	Investment Banking	New York, NY
Dagres, Gary	Kinsman, OH	gdagres@nd.edu	Potash	Deere & Co	GE Aviation	Business Dev't (M&A)	Cincinnati, OH
Debbas, Henry	New York, NY	hdebbas@nd.edu	Intl Game Tech	Tessera Tech	TBD	TBD	TBD
Derr, David	Philadelphia, PA	dderr@nd.edu	Google	American Tower	UBS	Sales & Trading	Stamford, CT
Ford, Brian	Allentown, PA	bford2@nd.edu	Alaska Air Group	Trinity Industries	TBD	TBD	TBD
Guzman, Kevin	Danville, CA	kguzman@nd.edu	General Dynamics	Paychex	TBD	TBD	TBD
Haines, Daniel	Grand Rapids, MI	dhaines@nd.edu	Alliant Tech Symmetry Medical	Sonic Corp	S&P	Corporate Ratings	Chicago, IL
Hayes, Ryan	Piqua, OH	rhayes3@nd.edu		Intel	Credit Suisse	Private Banking	New York, NY
Hopkins, Kevin	Rockville Center, NY	khopkin3@nd.edu	Chevron	Chipotle	Deutsche Bank	Credit Research	New York, NY
Iarocci, Molly	Carefree, AZ	miarocci@nd.edu	FedEx	Saks	TBD	TBD	TBD
Jagadeesh, Neetal	Rockville, MD	njagadee@nd.edu	Insituform	Stratasys Global	Ernst & Young	Perf. Improvement	Chicago, IL
Johnson, Jay	Plymouth, IN	jjohns34@nd.edu	Hansen Natural	Payments	Western & Southern	LDP Rotational	Cincinnati, OH
Kothari, Viral	Nutley, NJ	vkothari@nd.edu	Chubb	Annaly Capital	TBD	TBD	TBD
Kuch, Shire	Valparaiso, IN	skuch@nd.edu	United Health	AGCO	RBC Capital	Sales & Trading	New York, NY
McDonald, Brennan	Fort Wright, KY	bmcdona5@nd.edu	Archer Daniels	Starwood	TBD	TBD	TBD
McDonald, Sean	Minneapolis, MN	smcdona2@nd.edu	Abbott Labs	Continental	Craig Hallum Capital	Investment Banking	Minneapolis, MN
McEvily, Brian	Interlaken, NJ	bmcevily@nd.edu	Apple	Hovnanian	GE Capital	LDP Rotational	Various
Mohammadi, Jeffrey	Bloomfield Hills, MI	jmohamma@nd.edu	Perrigo	Gaylord Ent.	JP Morgan	Private Banking	Miami, FL
Niebla, Manuel	Miami, FL	mniebla@nd.edu	Gilead Sciences	Ryder Systems	Cross Keys Capital	M&A	Ft. Lauderdale, FL
Parzanese, Edison	Edgartown, MA	eparzane@nd.edu	Coca-Cola	Discover	TBD	TBD	TBD
Quirke, Lauren	Chicago, IL	lquirke@nd.edu	J. Crew	Starbucks	Deloitte Consulting	M&A Strat and Ops	Minneapolis, MN
Ramakrishnan, Kalimuthu	Chennai, India	kramakri@nd.edu	Newmont Mining	Qualcomm	PriceWaterhouseCoopers	Consulting	Chicago, IL
Wiesehan, Christopher	St. Louis, MO	cwiese1@nd.edu	EcoLab	W.R. Grace	TBD	TBD	TBD
Wilson, Judah	Merritt Island, FL	jjwilson2@nd.edu	Options Express	Dollar Tree	PriceWaterhouseCoopers	Transaction Services	Boston, MA