AIM QUARTERLY

Quarter 4, 2015

Greetings from AIM XLI

As we approach the final months of 2015, our 25 undergraduate analysts are finalizing this semester's portfolio. After having evaluated the stocks presently in the portfolio and pitched new stocks under the guidance of Professor Jerry Langley and Professor Bill McDonald, the class voted to rebalance the portfolio. In the next month, the class will be meeting with the advisory board.

Next quarter, the newly balanced portfolio will be passed onto the AIM XLII MBA class.

State of the Economy

GDP Growth

Third quarter real GDP increased 1.5% according to the initial estimate from the Bureau of Economic Analysis. This was a significant decline from the (heavily revised up from 2.3%) 3.9% growth seen last quarter and slightly below the 1.6% expected growth. Third quarter GDP was primarily driven by a rise in consumer spending. While the headline number was disappointing, consumer spending grew at a healthy 3%. The uptick in residential investment shows that housing is making a reestablishing itself as a major driver of US growth. Government spending and business investments were also major contributors. However, slower inventory accumulation was the main culprit of the low headline growth number as companies let their inventory stock decline this quarter. The continued strength of the US dollar is still effecting on exports. Overall expectations are that this quarter is a slight deviation from trend and that the economy should pickup next quarter with expectations of growth closer to 2.5%.

Labor Market

Total non-farm employment increased by 271,000 in October, contradicting expectations of a 180,000 increase. The large upward surprise was welcome news for the US economy after a negative disappointment in September and an uncharacteristic downward revision of the already poor August numbers. Both U-3 and U-6 dropped to post crash lows. U-3 unemployment dropped 0.1% to 5.0% while U-6 unemployment dropped to 9.8%, nearing the 9% level that some economists believe may be the new NAIRU. The labor force participation rate was stable at 62.4%, but average hourly earnings jumped 0.4% (MoM) after being flat last month. With the strong growth in jobs and the rise in wages it seems that slack may finally be leaving the labor market, a reason that Janet Yellen has repeatedly cited for not raising rates.

Monetary Policy

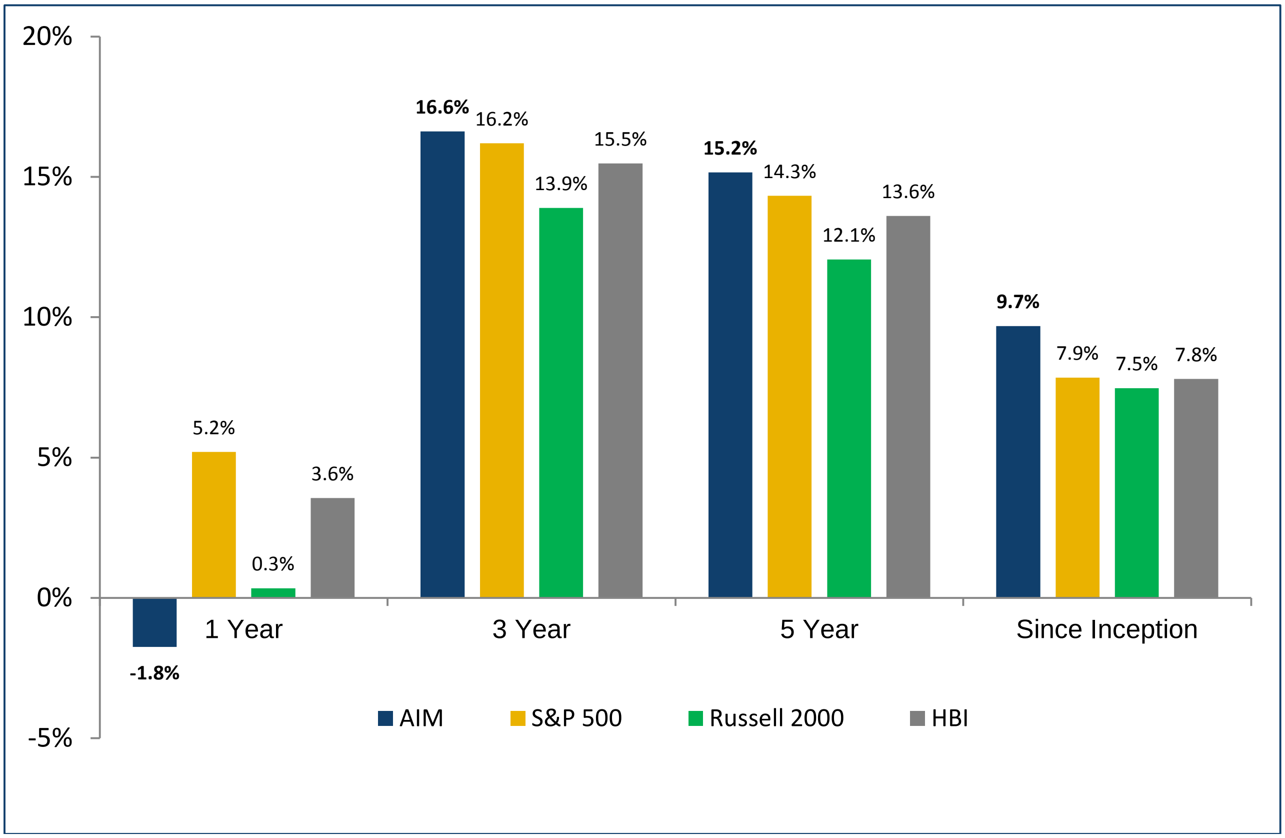
The strong October jobs report seems to have cleared the way for a Fed liftoff in December. Market expectations for a December rate hike, calculated based of federal funds futures prices, jumped to nearly 70% after falling as low as 15% after the poor September and August non-farm payroll reports. Following the October FOMC meeting a number of FOMC members made public statements that December was still a very real possibility, but the market still priced the probability of a December hike at under 25%. The jump in market expectations is likely to assuage concerns in the Fed that the market was underpricing the probability of a December hike. Meanwhile 90% of economists surveyed by the WSJ are predicting a December rate hike, but this is the same survey that showed 85% in favor of a September hike in August. Interestingly the market implied probability of a January rate hike is only 4% higher than the December probability, despite the fact that the 2016 voting members will be significantly more hawkish.

With the labor market looking healthy, the central hurdle for a December liftoff will be inflation, and global developments. Core PCE inflation remains weak at 1.31%, significantly below the Fed's 2% target and long term market based inflation expectations are at only 1.5%. More alarmingly core PPI came in 0.4% below expectations at 0.1%, likely leading to lower inflation going forward as these producer prices filter their way through the economy. As for international developments, the Chinese markets seem to have stabilized temporarily, aided in no small part by a jump in fiscal stimulus of 34% (YoY). However, China will still grow at its slowest pace since the crisis. Europe appears to be mulling increases in QE as their economy seems to be stalling again and Japan recently slipped back into a recession. Overall these international concerns are likely to play a relatively small part in the Fed's decision but they will exacerbate the coming central bank divergence and add to the turmoil in foreign exchange markets going forward.

Portfolio Performance

Benchmark Comparison

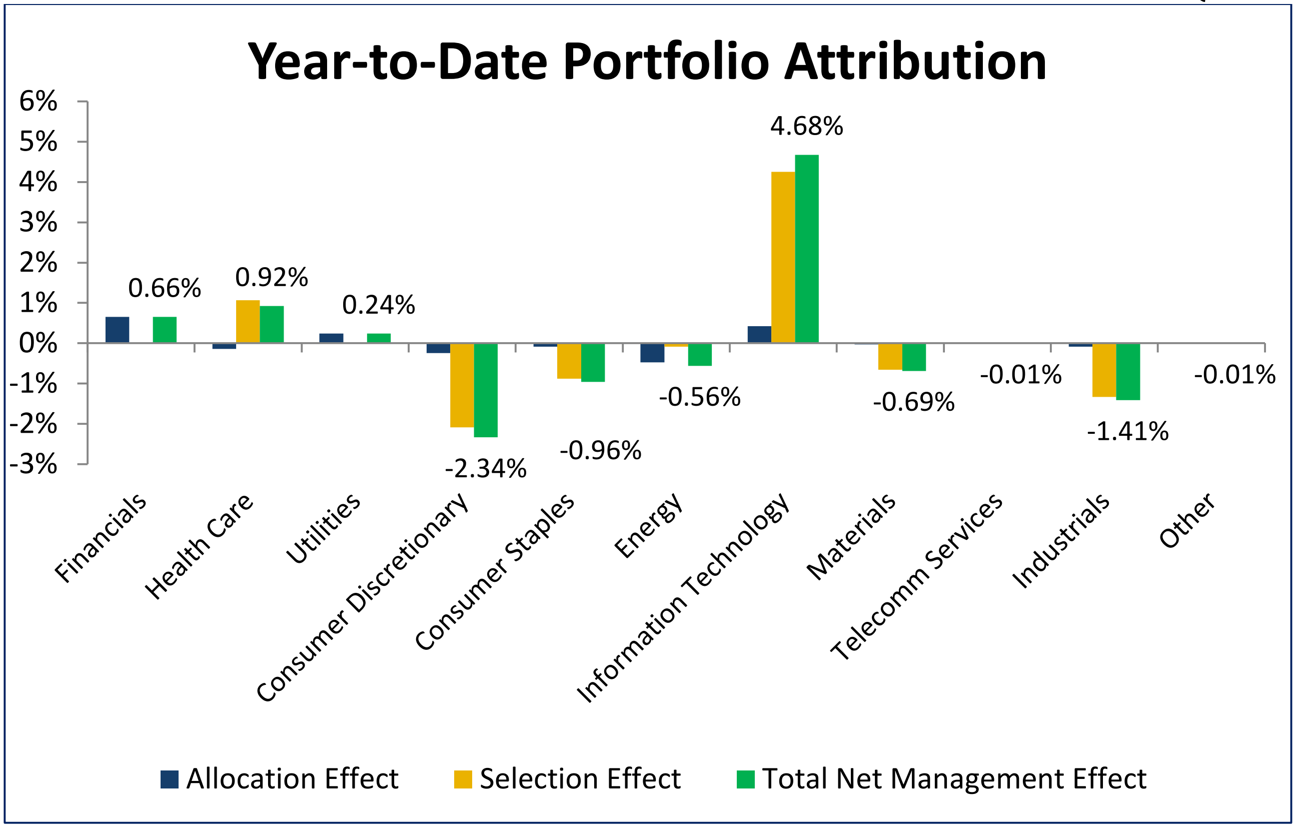
The AIM portfolio has continued to outperform its benchmarks- S&P 500, Russell 2000, and HBI (65% S&P 500, 35% Russell 2000) - over the long-term horizon (3-5 years). However, over the last year the AIM portfolio has underperformed its benchmark indices considerably.



Performance as of 10/31/2015

Portfolio Attribution (see top of next page)

Over the past year, the AIM portfolio has underperformed the market (S&P 500) by 7%. A large part of this underperformance is a result of an over-weight position in poor performing sectors. The portfolio's most problematic sector has been Consumer Discretionary, which had a net management effect of -2.3%. Overconcentration and poor selection in the Consumer Staples and Energy sectors have also driven poor portfolio performance. The portfolio has a strong positive selection effect in Technology. In 2015, the portfolio has generated a positive net management effect of .92% in Healthcare through stock selection despite being underweight Healthcare relative to the S&P.



Performance as of 10/31/2015

Best & Worst Performers

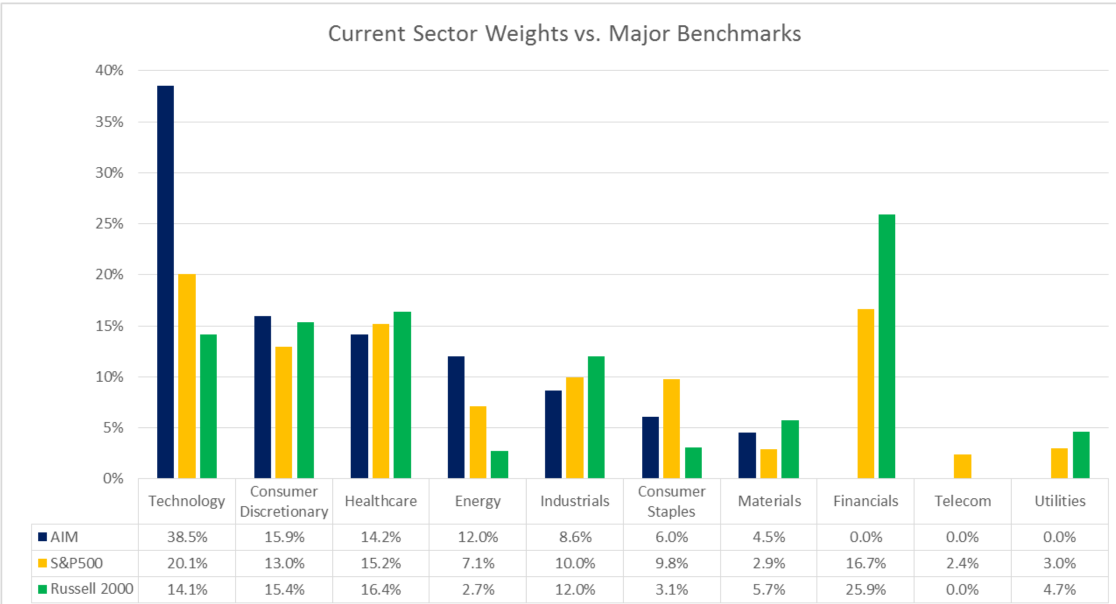
The AIM portfolio has had some outstanding performers, Activision Blizzard. The continued success of the Call of Duty franchise, launching of its eSports segment and acquisition of King Digital have position this stock for long-term success in a highly competitive industry. Additionally, Alphabet is up as Google created a holding company for itself to better manage its many business units. Several stocks in the portfolio are down, most notably Atwood Oceanics and Seadrill Limited, which are offshore drilling contractors that have been negatively impacted by low oil prices. Furthermore, Las Vegas Sands has suffered from declining revenue in Macao as the Chinese economy struggles, and Mattress Firm has posted poor organic growth performance. The majority of stocks in the portfolio are down in the last twelve months, but have been partially offset by outperformers such as Alphabet, Apple, Checkpoint, and Delphi.

Top 5 Performers	
Activision Blizzard	46.41%
Alphabet	39.46%
Royal Caribbean	23.82%
Microsoft	14.28%
MasterCard	7.10%

Bottom 5 Performers	
SeaDrill	-56.12%
Atwood	-55.24%
Kinder Morgan	-45.17%
Hain	-33.73%
Covanta	-30.77%

*May to November 2015

Sector Updates



	Technology	Consumer Discretionary	Healthcare	Energy	Industrials	Consumer Staples	Materials	Financials	Telecom	Utilities
AIM	38.5%	15.9%	14.2%	12.0%	8.6%	6.0%	4.5%	0.0%	0.0%	0.0%
S&P500	20.1%	13.0%	15.2%	7.1%	10.0%	9.8%	2.9%	16.7%	2.4%	3.0%
Russell 2000	14.1%	15.4%	16.4%	2.7%	12.0%	3.1%	5.7%	25.9%	0.0%	4.7%

Sectors as of 11/27/16 (including new stock picks)

Consumer Discretionary: AIM XLI allocated more assets into the Consumer Discretionary sector this fall. Consensus on economic momentum drove the decision for these investments. Several economic indicators suggest overall growth for the economy and the consumer discretionary sector. Consumer sentiment has increased reflecting new optimism in the economy, and consumer spending is expected to drive the majority of GDP growth for the rest of 2015. Despite the poor performance of Mattress Firm and Las Vegas Sands (two of the worst five performers which were both removed from the portfolio), the analysts have a positive outlook on this sector and have chosen several consumer discretionary companies to add to the portfolio, including Best Buy, TJ Maxx, and Disney.

Technology: The technology sector remains one of the AIM portfolio's most heavily weighted and best performing sectors. As shown by the portfolio's best and worst performers, Activision Blizzard and Checkpoint Software have both performed well over the past twelve months. The analysts remain bullish on the technology industry as a whole, reflecting the addition of Facebook. However, AIM removed Cisco, citing a lack of growth opportunities, and Apple due to a low potential upside.

Energy: The AIM portfolio is no longer overweight in the energy sector, holding positions in ExxonMobil and Kinder Morgan. The analysts voted to remove Seadrill and Atwood Oceanics, citing an uncertainty in the direction of oil prices going forward. The two offshore drillers carried large potential upsides if oil prices rebounded, but the analysts were not sure when this might happen. ExxonMobil and Kinder Morgan appeared to be great choices, as both companies are resilient to oil prices compared to other companies in the sector.

Key Company Developments

Activision Blizzard Inc. acquired King Digital (headquartered in Ireland) for $5.9B, primarily using overseas cash. This is a major step for this company in adapting to the growth of mobile video games. Additionally, this company has launched its eSports segment which will pave the way for cyber-athletes. CEO Robert Kotick sees this as an important source of future growth. Finally, Call of Duty Black Ops 3 was launched in early November and as of 11/13, it overtook Jurassic World as the largest 2015 revenue generator in media with over $500 MM in revenue already.

Jazz Pharmaceuticals announced that the United States Food and Drug Administration has accepted its recently submitted New Drug Application for defibrotide for filing with Priority Review. Defibrotide is an investigational agent proposed for the treatment of patients with hepatic veno-occlusive disease (VOD). Priority Review status is designated for drugs that may offer major advances in treatment or provide a treatment where no adequate therapy exists. FDA review of the NDA is expected to be completed by March 31, 2016.

A subsidiary of Kinder Morgan, Inc. signed a joint venture letter of intent with a subsidiary of the TrailStone Group to form a Mexican natural gas marketing company. The JV between KMI and TrailStone subsidiaries will combine North American gas supply and transportation to provide competitively priced gas supply to the Monterrey area and to other markets accessed via pipelines to be owned and operated by CENAGAS. The JV will be managed and operated by TrailStone and, subject to regulatory approvals, expects to be operational by 1Q16.

At the beginning of November, Monsanto’s Climate Corp. announced that it is selling its precision agriculture equipment unit to farm machinery maker John Deere. The Moline, Illinois-based Deere said it agreed to buy for an undisclosed amount Precision Planting LLC, a planting technology developer that Monsanto acquired in 2012 for $210 million. The two companies will also partner to allow data connectivity between some John Deere farm equipment and Monsanto's Climate FieldView platform. The agreement will create the industry’s first wireless connection to John Deere equipment by a third party, according to the companies.

Portfolio Composition (11/27/15)

Ticker	Stock	Vaule Proposition	AIM Weight
ATVI	Activision Blizzard	446,880	4%
AMT	American Tower Corporation	415,172	4%
BBY	BestBuy	426,430	4%
CHKP	Checkpoint Software	468,828	5%
CVA	Covanta Holdings	385,920	4%
DIS	Walt Disney	402,885	4%
DLPH	Delphi	455,468	4%
EVHC	Envision Healthcare	435,204	4%
FB	Facebook	411,255	4%
FAST	Fastenal Company	423,465	4%
GOOG	Google	315,109	3%
GOOGL	Google	154,394	1%
GILD	Gilead Sciences	518,400	5%
HAIN	Hain Celestial	465,639	4%
JAZZ	Jazz Pharmaceuticals	373,500	4%
KMI	Kinder Morgan	430,198	4%
MA	MasterCard	512,876	5%
MBLY	Mobileye	437,800	4%
MSFT	Microsoft	485,370	5%
KMI	Kinder Morgan	240,260	2%
ORLY	O'Reilly	402,150	4%
SAVE	Spirit Airlines	412,680	4%
TJX	TJX Companies	435,235	4%
UNP	Union Pacific Corporation	371,800	4%
UNH	UnitedHealth Group	525,964	5%
TOTAL		**$ 10,352,882.00**	**100%**

*Excludes the 1% held in Sector spyder and cash balances

AIM Alumni Update

Shawn Cappello (AIM XXXV)

Shawn is currently an Associate on the private equity team at Cerberus Capital Management, a value-oriented private equity investor that seeks returns primarily through improved business operations. Previously he spent two years as an analyst in the investment banking division at Credit Suisse in Chicago where he focused on global industrials and business services companies. Shawn was a member of AIM XXV covering Cummins (CMI) and KapStone Paper and Packaging (KS).

Ben O'Neill (AIM XXXVII)

Ben recently joined Uber as a Strategic Finance Associate in San Francisco. He describes his new position as "miscellaneous finance" covering everything from real estate to new product expansion. Prior to joining Uber he was at Deutsche Bank covering M&A with a focus on the Technology sector. If you interested in learning more about his role at Uber, or thinking about making the jump and joining him, don't hesitate to reach out at ben.oneill@uber.com.

San Francisco Trip

The AIM XLI class visited San Francisco from November 4th to November 8th. While in the Bay Area, the analysts gained exposure to the eternally optimistic and creative perspectives of both Silicon Valley investors and innovators. Highlights of the trip included an alumni dinner hosted by the investment office with local AIM alumni, as well as a private dinner the next day at the popular Wayfarer Tavern. A relatively easy win over PITT capped off a successful trip and allowed the analysts to finish their meetings for the day with hopes of a play-off bid still very much alive. The following presents a short summary of the class' visits throughout the trip.

Technology: The analysts visited teams at both VSCO, a premium image sharing platform, and Braintree, an online payments processing company. The meetings focused on the companies' balance between building out ecosystems to support user growth while monetizing their business model.

Stanford Graduate School of Business: The analysts began their day in Palo Alto at the Stanford Graduate School of Business learning about the structure and admission process of the MBA program. The School's dual graduate program garnered the most attention from students, and the visit ended with a tour of the campus by Michael Thompson, a Notre Dame alumni.

Venture Capital: The group spent their lunch with members of Accel Partners, including general partner Ryan Sweeney ('99, AIM VII), learning about the firm's entrepreneurial strategy and historic success in the venture space. Nick Shalek of Ribbit Capital also shared his approach on early stage investing primarily in the payment space. Finally, David Wanek of Western Technology Investment exposed the analysts to the unique concept of venture debt and its role within the Valley.

Private Equity: Dave Thomas ('03, AIM XV), principal at Golden Gate Capital, discussed the company's investment approach on a recent deal as well as current developments in the private equity space. David George ('06, AIM XXI), VP at General Atlantic, described the firm's atypical fund structure focused on long-term investing in growth companies as well as the difficulty of betting on certain business concepts.

Hedge Funds: The analysts met Bill Duhamel from Route One Investment Company, where they learned about the company's global long-short investment strategy that focuses on taking advantage of price dislocation in developed and high-growth markets alike. Matt Kinsella ('05, AIM XIX), managing director at Maverick Capital, discussed his role in overseeing public software investments while sharing valuable career advice, and finishing off his discussion with a compelling stock pitch (Adobe Systems) to the group.

AIM XLI Class Profile

Analyst	Email	Hometown	1st Stock	2nd Stok	Summer Internship	Post Grad Plans
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Andy Cheung	acheung1@nd.edu	Bloomfield, NJ	Jazz Pharma	Bright Horizon*	Citi	Citi
Michael Cyrocki	**mcyrocki@nd.edu**	**Troy, MI**	**Royal Caribbean***	**Under Armour***	**Credit Suisse**	**Undecided**
Kirsten Dodds	kdodds@nd.edu	Wayne, NJ	Las Vegas Sands*	Johnson and Johnson*	J.P. Morgan	J.P. Morgan
Brandon Faresich	bfaresic@nd.edu	Denville, NJ	Atwood Oceanics*	Outerwall*	BAML	BAML
Andrew Fausone	afausone@nd.edu	Wilmette, IL	Union Pacific	American Tower	JP Morgan	JP Morgan
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Brian Willis	bwillis1@nd.edu	Rutherford, NJ	Covanta Holdings	TransDigm Inc.*	Deutsche Bank	Deutsche Bank
*Not currently in the portfolio						