



QUARTERLY NEWSLETTER

Applied Investment Management

2nd Quarter, April 2017

Greeting from AIM

AIM XLIV continues to have a busy yet productive semester.

Students had a great time visiting AIM alumni in Chicago. They visited private equity firms, hedge funds, and received an inside look as to how AIM alums were managing their practices and using their AIM skills.

Analysts recently completed their second round of valuation reports and are swiftly preparing to present the proposed AIM portfolio to the Advisory Board.

After that, they will become AIM alums, paving the way for the next generation of Notre Dame equity analysts!

*“An investment in
knowledge always pays
the best interest.”*

- Benjamin Franklin



Spring-time has arrived in Irish Country!

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Inherited Portfolio Composition

Stock	Ticker	Position	Weight
Activision Blizzard, Inc.	ATVI	\$598,440	5.30%
Align Technology, Inc.	ALGN	\$568,512	5.04%
Alphabet Inc.	GOOGL/GOOG	\$523,621	4.64%
American Tower Corporation	AMT	\$522,606	4.63%
Digital Realty Trust, Inc.	DLR	\$564,400	5.00%
Equifax Inc.	EFX	\$444,949	3.94%
Exxon Mobil Corporation	XOM	\$427,657	3.79%
Facebook, Inc.	FB	\$560,352	4.97%
Gilead Sciences Inc.	GILD	\$316,464	2.80%
Hanesbrands Inc.	HBI	\$401,265	3.56%
Herman Miller, Inc.	MLHR	\$388,064	3.44%
Infinera Corporation	INFN	\$510,390	4.52%
Intel Corporation	INTC	\$454,000	4.02%
Kinder Morgan, Inc.	KMI	\$365,164	3.24%
MarketAxess Holdings Inc.	MKTX	\$555,277	4.92%
Microsoft Corporation	MSFT	\$597,600	5.30%
NVIDIA Corporation	NVDA	\$498,232	4.42%
Rockwell Collins, Inc.	COL	\$513,030	4.55%
The Mosaic Company	MOS	\$440,055	3.90%
Total System Services, Inc.	TSS	\$465,363	4.12%
Under Armour, Inc.	UA	\$265,860	2.36%
VeriSign, Inc.	VRSN	\$486,475	4.31%
Verisk Analytics, Inc.	VRSK	\$440,910	3.91%
Westinghouse Air Brake Technologies Corporation	WAB	\$373,939	3.31%
Total AIM Portfolio		\$11,282,625	100%

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Recent Performance

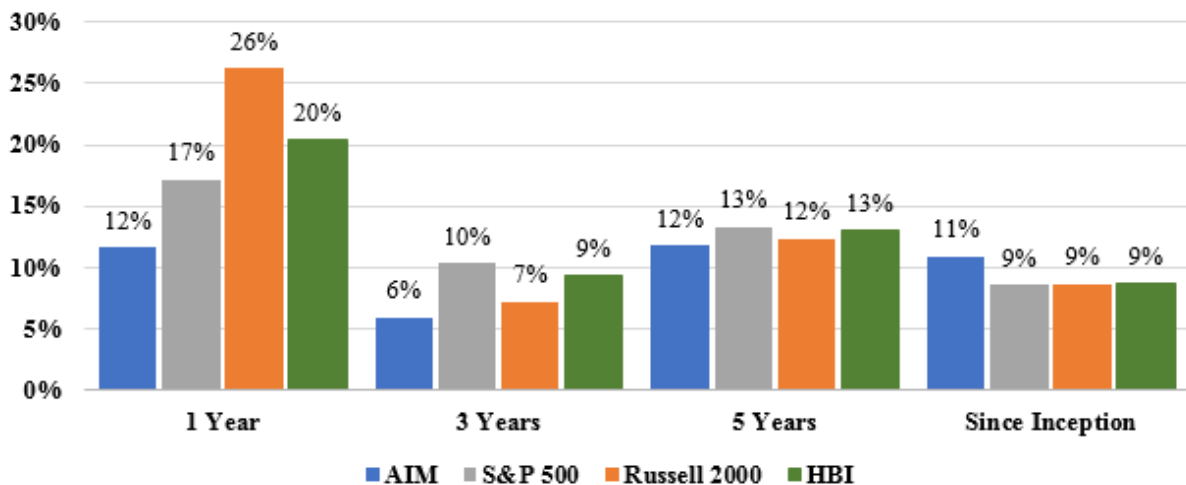
Balancing Risk and Reward in a Trump Market



Inherited Portfolio Performance

The AIM portfolio experienced strong growth during March, mainly from technology firms. Since January 1, 2017 AIM has outperformed the S&P 500 by 71 bps. The portfolio's main leaders are Activision-Blizzard, Nvidia, Infinera, Align Technology and Digital Realty — all of which have return over 20% in the first quarter of 2017. Although the AIM portfolio has outperformed the S&P 500, Russell 200, and HBI since inception, it has underperformed all three benchmarks over the past 5 years.

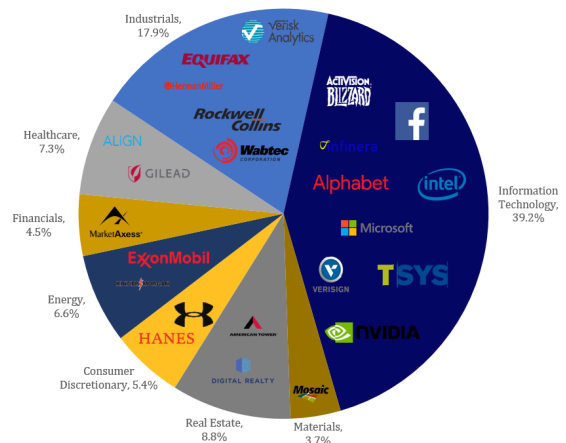
AIM Average Annual Returns



Sector Allocation

The inherited AIM portfolio is currently overweight in the information technology, industrials, and real estate sectors. These three sectors account for roughly 65% of the AIM portfolio vs. 35% of the S&P 500. Consumer staples, healthcare and financials are all underweight when compared to the benchmark.

Inherited Portfolio Composition



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Sector Update

Technology

Since the portfolio handoff in December, two of the top performers have been in the technology sector. Our portfolio has benefited most from the overweight allocation as the allocation effect has contributed 87% of the net management effect during this period. Specifically, the semiconductor industry has been bullish over the past year as companies race to lead the charge into the autonomous car and portable device markets. This semiconductor sector is constantly changing due to market opportunities, and we are constantly researching the market in order to find the next innovator.



Finance

Despite being underweight in the financial sector, the selection of the equities in the current portfolio bolstered out performance in the sector. Additionally, the potential for the Trump administration to roll back Obama era regulations such as Dodd-Frank could provide tailwinds for the current holdings and future selections. Additionally, FinTech has become an increasing prevalent movement and the market has rewarded these companies.

Real Estate

While technology had the number 1 and 4 performers since portfolio handoff, real estate had number 2 and 3. However, both holdings were technology-centric REITs. As demand for data centers and cell-phone continues to grow, American Tower Corporation and Digital Realty Trust returned 21.95% and 18.88%, respectively. While the rest of the sector suffered, our ability to select these specific firms drove or strong returns in the sector. Based on our analyses of consumer demand, we believe that they will continue to deliver greater value for the AIM portfolio.



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Portfolio Updates

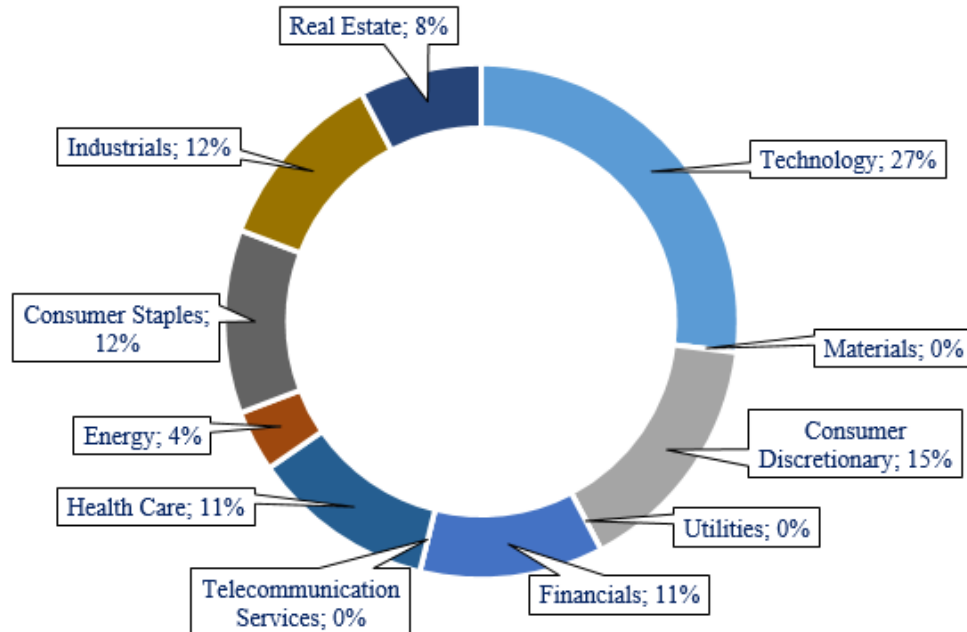
As AIM transitions to turn-over our current portfolio to the next group of students, we rebalanced the current portfolio in light of our economic projections.

We decided to re-weight our portfolio to have 69% large cap stocks and 31% small/mid cap stocks.

Adjustments

After a strong performance in the technology sector over the past 6 months, technology accounted for ~40% of our portfolio's total value. We believe that we have realized most of our expected gains from the technology sector. Based on our outlook, we reduced our weight in technology companies to 27% of the portfolio. We also believed that we were underweight in other areas, such as consumer staples, that may hold future value for the aim portfolio. Going forward, we believe that the following companies and portfolio weightings should optimize the AIM portfolio's future performance!

New Portfolio Composition



Digial Realty REIT					American Tower
Francesca's	Thermo Fisher Scientific	Analog Devices	Microsoft	Facebook	Activision Blizzard
CVS	Gilead Sciences	Palo Alto Networks	Royal Caribbean	ICE	Alphabet
Kroger	Align Tech	Total Systems Server	Priceline	Synchrony Financial	AECOM
Calavo Growers	Verisk Analytics	Kinder Morgan	Under Armor	MarketAxess	Herman Miller

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2017 Chicago Trip

The AIM XLIV class visited Chicago on March 29th and 30th. Highlights of the trip included attending the AIM Alumni dinner on Thursday March 29th at Maggiano's Little Italy on Clark Street.

The class proceeded to visit a variety of firms spanning from a deep-value, concentrated, micro-cap fund to one of the biggest names in Private Equity. The following presents a short summary of the insightful visits from throughout the trip.



A Testament to the power of the AIM Network

Lower Middle Market Private Equity

The class first met with Ms. Kelly Cornelis (AIM I), partner at LaSalle Capital, who shared an overview of LaSalle and some insights regarding the lower middle market space the firm operates in. Additionally, she took the class through a case study regarding LaSalle Investment Westminster Cracker. Through industry expertise provided by LaSalle, Westminster was able to double sales and EBITDA in just under 5 years.

Hedge Fund

After LaSalle, the class met with Mr. Matt Klody (AIM V), Founder and Portfolio Manager of MCN Capital Management, a fundamental, intrinsic value-focused long/short equity investment partnership. Matt had recently spoke at Grant's Interest Rate Observer Spring Conference on March 15th in New York. Following the same topic as he spoke on at Grant's, Mr. Klody walked the class through his thoughts on why central banks should craft an agreement to weaken the dollar to fall against emerging market currencies. He felt this could drastically decrease inequality and stave off both domestic and global unrest. His slides from his speech at Grants are also published on LinkedIn.

Middle Market and Upper Middle Market Private Equity

The class then visited Madison Dearborn Partners where it received an overview of the firm from five AIM Alumns: Mr. Brendan Barrett (AIM XXIII), Mr. Richard Si (AIM XXXV), Mr. Michael Thomas (AIM XXXV), Mr. Tyler Bliha (AIM XXXVII) and Mr. Michael Nettesheim (AIM XXXVII). A highlight of this meeting was when the firm's Co-CEO, Mr. Paul Finnegan dropped in on the meeting to introduce himself. Mr. Finnegan highlighted the relationships Madison Dearborn has built from its beginnings as a subsidiary of First Chicago nearly 30+ years ago. These strong relationships in the region and around the world have led to win-win situations for both MDP and its partners. After Mr. Finnegan left, the AIM alumns presented the class with several case studies regarding MDP investments.

Hedge Fund

The trip concluded with a meeting with Gate City Capital Management's founder Mr. Mike Melby (AIM XV). Mr. Melby's fund invests in mico-cap stocks. He presented several of the firm's recent investments and the underlying fundamentals on why he believed they were a good investment. A highlight of the meeting was the competition Mr. Melby created amongst AIM analysts, in which they could pick a long equity play over the next twelve months. Mr. Melby selected his personal pick by throwing a dart at the stock page in the WSJ. The winner

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Alumni Interviews

AIM XLIV had the opportunity to catch up with AIM Alumni Mr. Tyson Smith (AIM XIII) and Mr. Brian Griffiths (AIM XXXVI). Below are the highlights:

Name	Tyson Smith	Brian Griffiths
Current Role	Partner, Tecum Capital	Associate, Northwestern Mutual Real Estate
Aim Class	XIII (Fall 2001)	XXXVI (Spring 2013)
What has been your path since AIM?	After ND/AIM XIII I joined an investment bank, R.W. Baird, and was a member of the equity research team. After four years, I took a different path and with a buddy from the ND soccer team moved to Austin, TX and bought the territory rights to develop seven sandwich shop franchises in town. I had to deal with the positive and negatives of having 100 high school kids on the payroll – which are mostly negatives. Personal life required me to move to Pittsburgh, PA where I was incredibly fortunate to partner with two gentlemen and launch Tecum Capital Partners, a mezzanine debt and private equity focused firm investing in the lower middle market. We just launched our third fund, have grown our assets to \$450 million, and recently hired our tenth employee.	Post AIM, I joined Northwestern Mutual’s Real Estate Department in Milwaukee. For my first three years, here I worked in production. During that time, I had the chance to underwrite over 300 deals across the country. Ultimately, 40 of these were approved by our Investment Committee, a total of approximately \$2.1 billion in new investments. Last year I joined our Asset Management team and am now responsible for a \$530 million portfolio of real estate directly owned by Northwestern Mutual.
What would you say would be the most valuable thing AIM provided you?	The most valuable takeaway for me from AIM was chatting to the girl who sat next to me that first class day in DeBartolo who I would end up marrying 12 years later. So that or learning how to calculate the WACC for valuations....	Concepts, deal structures, and investments that seem complicated become understandable over time with persistent study and analysis. Don’t be intimidated by something you initially don’t understand.
What has been the most valuable professional lesson you’ve learned since graduation?	Best advice is to actively work on your people skills. Read a book, listen to a podcast, meet diverse people, try something new. Whether its investment banking, consulting, teaching, a corporate job or small business ownership you will have to interact with many people in your life/job so why not try to be interesting and take a genuine interest in others.	Offering to take on extra projects at work has led to a lot of great experiences, so I try to say yes whenever I am asked to help on a voluntary initiative within our Department. I am not qualified to give life advice, but getting married was one of the best things I’ve done since graduation.
What were the stocks you covered? What was your opinion on them?	I can only remember one of them –a company called Energy Conversion Devices that I inherited from the previous class that made something to do with batteries that were going to be used in the coming hybrid car revolution. I had no clue what they did. Per Wikipedia, it would appear they went bankrupt in 2012. I do remember Ben Robinson was presenting on Martha Stewart Media and someone asked him what would happen if Martha Stewart died or was arrested. We laughed then, but two years later.....	I was assigned Activision Blizzard when it traded for \$11/share in December 2012. My analysis showed it was a “Buy”, but I did not recommend it. I thought their main products (violent video games) went against the University’s mission. My classmates overrode me and kept it in the portfolio. It was a good financial decision, though I think it illustrates how it is difficult to be a socially responsible investor. I selected Diamond Rock Hospitality, a REIT, because I knew I was headed towards a career in real estate. We did buy it, but it didn’t perform nearly as well as Activision

Class Profile

Analyst	Hometown	Stocks	Internship	Post-Grad
Sarah Aruhan <i>xaruhan@nd.edu</i>	Inner Mongolia, China	Verisk Analytics Infinera	Sintokogio	Undecided
Sylvia Banda <i>sylvia.a.banda.8@nd.edu</i>	Carmel, IN	Activision Blizzard Royal Caribbean	Dimensional Fund Advisors	Undecided
Andy Burrow <i>andrew.s.burrow.7@nd.edu</i>	North Lawrence, OH	Westinghouse Air Brake Kroger	N/A (1-Year MBA)	Undecided
Samuel Chitrit <i>schitrit@nd.edu</i>	San Antonio, TX	Alphabet Facebook	N/A (1-Year MBA)	PwC
Jason Davis <i>jason.b.davis.361@nd.edu</i>	Kennewick, WA	Exxon Mobil M&T Bank	Allstate	M&T Bank
Graham Gardner <i>ggardne2@nd.edu</i>	Rochester, NY	Intel Corp Exelon	Exeter PG	Exeter PG
Bhavuk Ghai <i>bghai@nd.edu</i>	Patiala, India	MarketAxess Lam Research	Dana Invest- ment Advisors	Undecided
Sean Hanley <i>shanley2@nd.edu</i>	Chicago, IL	American Tower Corp. IBM	IBM	Undecided
Dylan Koehler <i>dkoehle1@nd.edu</i>	Lakeville, CT	Hanesbrands MasTec	Globalfound- ries	Global- foundries
Conor Larkin <i>conor.d.larkin.27@nd.edu</i>	Buffalo, NY	Align Technology Calavo Growers	RBC Capital Markets	RBC Capi- tal Markets
Meng Li <i>mli10@nd.edu</i>	Hebei, China	Nvidia Analog Devices	Michigan Mi- nority Supplier Development Council	NXP Sem- iconductor

Class Profile

Analyst	Hometown	Stocks	Internship	Post-Grad
Silei Li <i>silei.li.268@nd.edu</i>	Guangzhou, China	Gilead Sciences Walgreens	Accenture	KPMG
Garrett Logan <i>garrett.m.logan.23@nd.edu</i>	Boston, MA	Digital Realty Trust Francescas	Keybank Capital Markets	Guggen- heim Insur- ance Ser- vices
Elizabeth Lynch <i>elynch5@nd.edu</i>	Grosse Pointe Farms, MI	Kinder Morgan Target	Whirlpool	Whirlpool
Andrew Roehl <i>aroehl@nd.edu</i>	Greenville, SC	VeriSign Thermo-Fisher Scientific	Bank of America	Bank of America
Elizabeth Sadler <i>elizabeth.a.sadler.12@nd.edu</i>	Hingham, MA	Mosaic Co ALCOA	Deutsche Bank	Deutsche Bank
Karissa Schuchardt <i>kschucha@nd.edu</i>	Sheboygan, WI	Herman Miller CVS	Cisco Sys- tems	AT&T
Jessie Sun <i>jsun7@nd.edu</i>	Jiangsu, China	Equifax Vulcan Materials	Single Point Capital	Undecided
Fernando Turrent <i>fturrent@nd.edu</i>	Mexico City, Mexico	Under Armour AECOM	Santander Investment Services	Amazon
Patrick Veltman <i>pveltman@nd.edu</i>	Richmond, VA	Total System Services Synchrony Financial	RBC Capital Markets	RBC Capi- tal Markets
Nancy Xia <i>qxia1@nd.edu</i>	Fujian, China	Microsoft Priceline	Citadel Securities	Undecided
Ross Zimmerman <i>ross.b.zimmerman.32@nd.edu</i>	Utica, MI	Rockwell Collins Intercontinental Exchange	N/A (1-Year MBA)	Whirlpool