



AIM QUARTERLY NEWSLETTER

GREETINGS FROM AIM

As AIM XLV approaches the end of the semester, 27 undergraduate analysts conclude valuation reports on potential additions to the AIM portfolio under the guidance of Professors Howard Lanser and Shane Corwin.

Over the final weeks of the course, the class will present their final recommendations, vote to rebalance the portfolio, and enact the final trades. The Republican Tax Plan and its implications for our portfolio will be something to monitor in the near future.

Next semester, the rebalanced portfolio will be passed on to the AIM XLVI MBA class.

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STATE OF THE ECONOMY

Republican Tax Plan

After much anticipation, Republicans finally released the initial details of their tax overhaul.

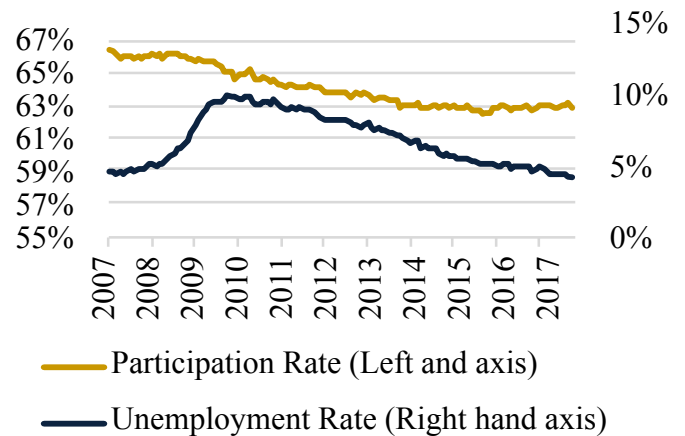
Some of the key highlights of the plan are as follows:

- Corporate tax rate lowered from 35% to 20%
- Seven current income tax brackets condensed into four
- Top individual tax rate held at 39.6%
- One-time tax of 12% on foreign stockpiles of cash, regardless of whether it is repatriated.

The plan has been strongly opposed by Democrats and some Republicans have recently criticized a variety of controversial aspects of the bill. Of these, the limits on deductions for medical expenses, student loan interest, mortgage payments and certain state and local taxes have been extremely unpopular. In addition, the bill proposed a 1.4% tax on net investment income for private university endowments, which would have entailed ~\$18m in taxes paid by Notre Dame in 2017.

Low Unemployment

As economic growth has picked up, unemployment has been driven to its lowest rate since 2000 at 4.1%. In addition to low unemployment, job growth is also in the longest streak on record. Although these numbers are encouraging, they are largely driven by continually low labor force participation rates, still hovering at around 63% where they have been since 2014. Low labor supply has also contributed to small changes in wage growth, but getting people back into the labor force remains a difficult task for policymakers.



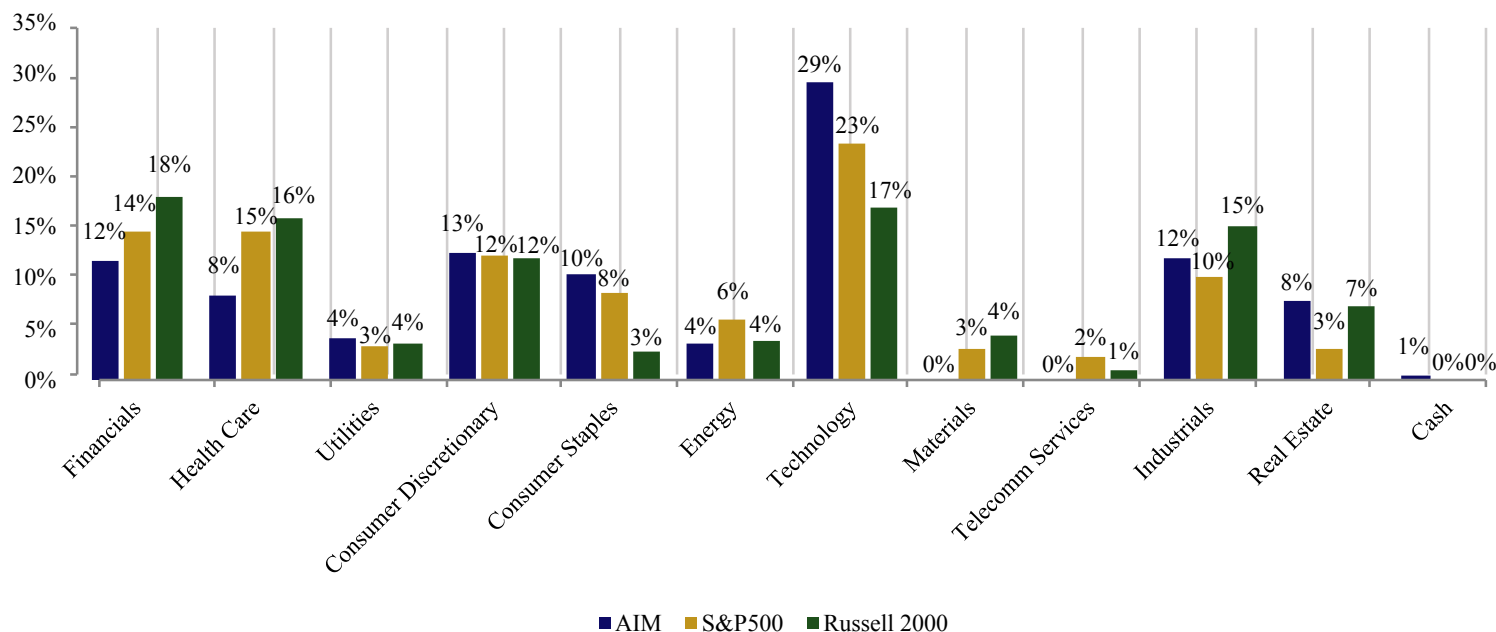
Changing of the Guard at the Fed



Early in November, President Trump nominated Jerome Powell to succeed Janet Yellen as Fed Chairman when her term expires in February. With this change, there is unlikely to be any significant change to the less aggressive Fed policies enacted under Yellen, with 88% of economists surveyed saying he will maintain roughly the same policy stance. Moving forward, most economists surveyed expect the Fed to raise rates at their meeting in December. The Federal Funds Rate currently stand at 100-125bps.

SECTOR UPDATES

Current Sector Weights versus Major Benchmarks



TECHNOLOGY

Technology accounts for 29% of the portfolio composition, the most heavily weighted sector. It is weighted higher than both the S&P 500 at 23% and the Russell 2000 at 17%. The sector returned 11.1% over the past three months, outperforming the S&P 500 substantially.

INDUSTRIALS

The industrials sector was the highest performing in the portfolio over the last three months. Returning 12.8%, it outperformed both of the benchmarks. AECOM was the highest performer in the sector with a return of 13.9%, pushed by a strong construction market.

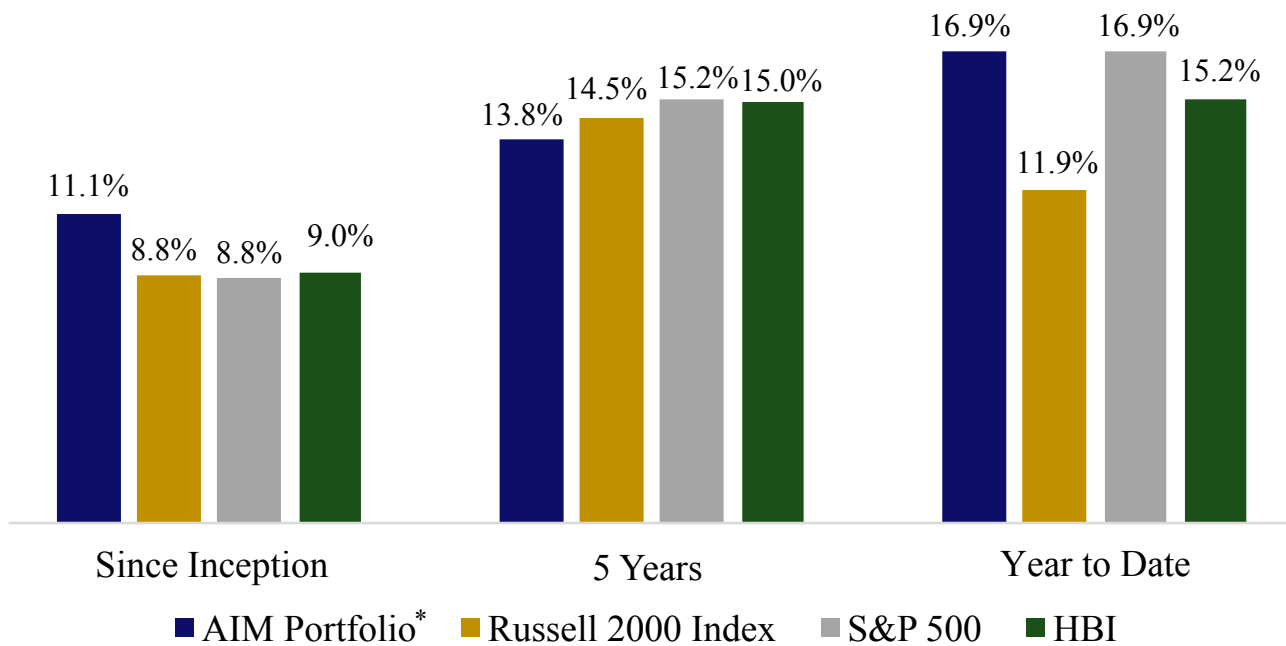
CONSUMER DISCRETIONARY

Consumer discretionary was the lowest performing sector over the past three months. Down 13.7%, it was pulled lower by Under Armour, which returned negative 26.8%. Brick and mortar stores continue to be a concern in the sector.

PORTFOLIO PERFORMANCE

BENCHMARK COMPARISON

Since inception, the AIM portfolio has outperformed its relevant benchmarks – the S&P 500, Russell 2000 and Hank Blended Index (65% S&P 500, 35% Russell 2000). However, in the last five years the portfolio has underperformed these benchmarks.



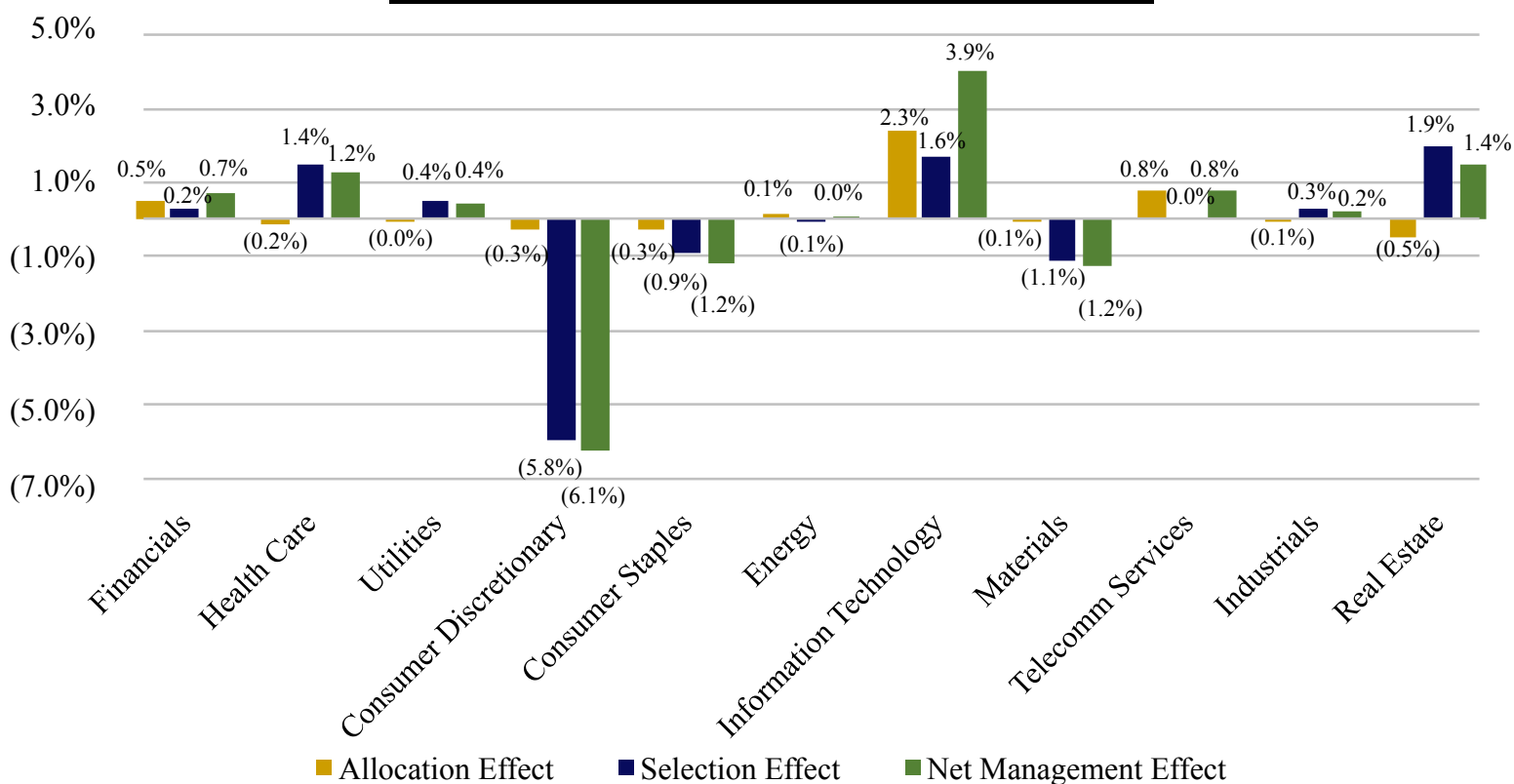
* All returns are annualized returns

PORTFOLIO ATTRIBUTION

This past year, the AIM portfolio has performed in line with the market (S&P 500). A large portion of this is attributable to poor stock selection in the Consumer Discretionary, Consumer Staples, and Materials sectors. In particular, the net management effect attributed to security selection in the Consumer Discretionary sector is -5.8% year to date. Portfolio securities in the Consumer Discretionary sector have returned -29.0%, compared to a sector return of -6.5%, signaling disruption and uncertainty in the space largely caused by fears of several retail bankruptcies and Amazon's continued success. However, the portfolio has benefited from strong performance in the Information Technology and Real Estate sectors, which exhibited year to date net management effects of 3.9% and 1.4%, respectively.

PORTFOLIO ATTRIBUTION

Net Management Effect by Sector (YTD as of 10/31/2017)



BEST & WORST PERFORMERS

In the past year, the AIM portfolio has experienced outstanding performance in several of its holdings, particularly Activision Blizzard and Facebook, which have each return over 50%. Additionally, it is worth noting that Rockwell Collins is up over 40% due to the proposed acquisition by United Technologies. The portfolio has been hampered by poor performances in the retail sector, as evidenced by Francesca's Holdings and Under Armour, each losing over 50%. Francesca's poor performance is largely due to its struggle to increase comparable stores sales and its lack of a strong E-commerce platform. Under Armour has struggled due to lagging footwear sales and increased competition from Nike and Adidas.

Top Performers

Company	Ticker	Return
Activision Blizzard Inc.	ATVI	73.64%
Facebook	FB	52.98%
Royal Caribbean Cruises	RCL	48.42%
Rockwell Collins, Inc.	COL	43.27%
Total System Services	TSS	41.47%

Bottom Performers

Company	Ticker	Return
Francesca's Holdings	FRAN	-61.61%
Under Armour	UAA	-59.26%
Kroger	KR	-34.34%
Kinder Morgan	KMI	-19.20%
Synchrony Financial	SYF	-12.06%

COMPANY OVERVIEW



Ritchie Brothers Auctioneers (NYSE: RBA) was pitched in the second round of stocks and is a used equipment auctioneer with a majority of its exposure to the agriculture, construction, and oil and gas industries. Ritchie Brothers earns its revenue through commissions and services on the equipment brought to auctions (it rarely ever purchases equipment as inventory). Ritchie Brothers has struggled recently as all time high equipment utilization has led to historically low levels of equipment brought to auctions. As a result, Ritchie brothers has traded off 40% despite stable long-term secular conditions in the used equipment market. Ritchie Brothers also provides portfolio protection in the case of a recession, since they outperform with the presence of many forced sellers of equipment. Ritchie Brothers is covered by Thomas Palmerton.



Gogo (NASDAQ: GOGO) is the market leader for In-Flight Entertainment and Connectivity equipment and services. The company serves both commercial and business aircrafts. Two of Gogo's main customers are Delta and Air France. Currently, the AIM portfolio does not have exposure to telecommunications, but Gogo appears to be a strong company in one of the fastest growing sub-sectors within telecommunications. Overall, Gogo is an interesting small-cap company with significant industry whitespace and exciting next generation technology. Gogo is covered by Ryan Lynch.



Impinj, Inc. (NASDAQ: PI) is the pioneer of the emerging RAIN RFID technology (a wireless communication that uses radio waves to passively identify and track objects) that helps cut costs and increase efficiency in inventory management. PI was founded in 2000 with the vision of providing every consumer product and piece of equipment with “item intelligence” by connecting every item to the internet. PI is the only pure play, end-to-end solution provider of the RAIN RFID market and offers the tiny integrated circuit tags that can be attached to any item, the scanners that passively connect with the tagged items, and the software that manages the resulting item-level data. Having created the industry standards and benefiting from a dominant market share, PI faces an earnings power inflection point as a broad range of industries ramp up adoption of RAIN RFID technologies. Continued growth in tag sales and increased end-user adoption across retail, healthcare, and logistics companies will result in greater opportunities for PI to cross-sell its higher margin technologies, like scanners and software. Impinj is covered by Tyler Harris.



Trupanion (NASDAQ: TRUP) is a vertically integrated, subscription-based pet insurance provider whose best-in-class customer experience stands to benefit from rapid market growth in the U.S. Although the U.S. has the largest pet market, it continues to lag behind Europe in pet insurance market penetration (1% in the U.S. versus 5% in France and 25% in the U.K.). The U.S. pet insurance market reached total revenues of \$783 million in 2016 and is expected to hit \$1.5 billion by 2022. However, spending on veterinary care came to \$16 billion in 2016, providing evidence of the untapped potential in this space. Since being founded 17 years ago, TRUP has been collecting veterinary cost data of pets in its plan, a process that has created ~1.2 million pet sub-categories. This data presents a major competitive advantage as TRUP is able to more fully assess the risk of each enrollment and more accurately price premiums. Furthermore, by writing its medical plans, managing a national sales team, pricing its own subscriptions, and providing customer service, TRUP reduces frictional costs and enhances client experiences. Opportunities for further growth include international expansion, business-to-business partnerships, and an improved digital presence. Trupanion is covered by Jon Carr.



PORTFOLIO COMPOSITION

Stock	Ticker	Sector	Market Cap
Activision Blizzard	ATVI	Technology	Large
Alphabet	GOOG	Technology	Large
Berry Global Group	BERY	Materials	Mid
Exelon	EXC	Utilities	Large
Facebook	FB	Technology	Large
Gilead Sciences	GILD	Healthcare	Large
Intercontinental Exchange	ICE	Financials	Large
Impinj Inc.	PI	Information Technology	Small
Kinder Morgan	KMI	Energy	Large
Lockheed Martin	LMT	Industrials	Large
MarketAxess	MKTX	Financials	Mid
Microsoft	MSFT	Technology	Large
Palo Alto Networks	PANW	Technology	Large
PayPal	PYPL	Information Technology	Large
Priceline	PCLN	Consumer Discretionary	Large
Ritchie Bros. Auctioneers	RBA	Industrials	Mid
Southwest Airlines	LUV	Industrials	Large
Stryker Corporation	SYK	Healthcare	Large
Thermo Fisher Scientific	TMO	Healthcare	Large
Total System Services	TSS	Technology	Mid
TransDigm Group	TDG	Industrials	Large
Trupanion Inc	TRUP	Financials	Mid
Under Armour	UAA	Consumer Discretionary	Mid
Union Pacific Corp	UNP	Industrials	Large
UnitedHealth Group	UNH	Healthcare	Large



AIM XLV CLASS PROFILE

Analyst	Hometown	1st Stock	2nd Stock	Post-Grad Plans
Rudy Bernard	Grosse Point, MI	Rockwell Collins	PepsiCo	Credit Suisse
Ryan Brickner	Newtown, CT	American Tower	American Water Works	Undecided
Jon Carr	Rockville, MD	Analog Devices	Trupanion	ND Investment Office
Tyler Christian	Western Springs, IL	Alphabet	TransDigm	Morgan Stanley
Colleen Coen	Albany, OR	Thermo Fisher Scientific	Stryker Corporation	Goldman Sachs
Jaclyn Daily	Newtown, CT	Herman Miller	Salesforce.com	Goldman Sachs
Will DuFour	Wellesley, MA	Palo Alto Networks	PayPal	BAML
Joe Farley	Woodbridge, NJ	Gilead Sciences	Celgene	BMO
Nikhil Garg	Chantilly, VA	Royal Carribean	Pinnacle	Bain Capital Credit
Tyler Harris	Palatine, IL	Exelon	Impinj	McKinsey & Co.
Colin Humble	Marietta, GA	Mohawk Industries	Walt Disney	Bain & Co
Brian Johnson	Park Ridge, IL	Microsoft	Stanley Black & Decker	GCM Grosvenor
Alarisse Lam	San Diego, CA	AECOM	Intuit	BAML
Will Lederer	Deerfield, IL	Total System Services	Amgen	Blackstone
Alyssa Loffredo	Wayne, NJ	Activision Blizzard	General Motors	Credit Suisse
Ryan Lynch	Bethesda, MD	CVS	GoGo	Leonard Green
Parker Mathes	Dunwoody, GA	Francesca's	Berry Global	Goldman Sachs
Stephanie Mellert	Greenwich, CT	Lockheed Martin	Visa	Rothschild & Co.
Tommy Palmerton	Mount Kisco, NY	Under Armour	Ritchie Bros. Auctioneers	Bain Capital Credit
Harry Parker	London, England	Priceline	Chipotle	Goldman Sachs
Jennifer Prosser	Oakhill, VA	MarketAxess	Southwest Airlines	Goldman Sachs
Nick Rice	Grayslake, IL	Calavo Growers	Union Pacific Corp	Credit Suisse
Lauren Schmidt	Effingham, Illinois	Intercontinental Exchange	Veeva Systems	Kayne Anderson
Tatiana Vdovina	Moscow, Russia	Digital Realty REIT	Facebook	Undecided
Jacob Vila	Tampa, FL	Synchrony Financial	UnitedHealth Group	BMO
Thomas Walsh	Valparaiso, IN	Kroger	Grand Canyon University	GCM Grosvenor
Danny Willet	Newport Beach, CA	Kinder Morgan	FedEx	Lazard

TRIP TO NEW YORK CITY

The AIM XLV class visited New York from November 9th through 12th. During the trip, the class had the opportunity to meet with several of Notre Dame's investment partners and learn about several different investment strategies. The class was also happy to have the opportunity to attend the AIM alumni dinner on Friday night and get into the holiday spirit with the Radio City Rockettes Christmas Spectacular, which they attended on Saturday.

The following is a summary of the firms the analysts visited on the trip.

Bridger Capital: The analysts met with Roberto Mignone, founder and managing partner of Bridger Capital. Mr. Mignone talked with the analysts about long-short public equity investing, as well as his experiences with starting his own firm.

Level Equity: Benjamin Levin, founder, partner, and co-CEO of Level Equity, discussed the firm's strategy and the growth equity business with the analysts. He talked about the merits of growth equity relative to other categories of private equity, and how Level sources and completes their deals successfully despite the competitive market.

GSO Blackstone: The analysts had the opportunity to talk with Tripp Smith, Senior Managing Director at Blackstone and a Founder of GSO Capital Partners, about credit investing and how the asset class differs from others. Tripp Smith described his career experience with regards to starting up a new firm and some of the deals he has worked on.

Eagle Capital: At Eagle Capital, the analysts heard from Boykin Curry about Eagle's long-term investment strategy. Mr. Curry shared insight on common investor misperceptions and mistakes regarding market timing and company valuation, and how Eagle's investment strategy seeks to minimize those errors by investing over a long investment horizon. The analysts also spoke to Mr. Ravenel Boykin Curry III, Managing Director, Managing Principal, CIO, and co-founder of Eagle Capital.

Brigade Capital Management: Lastly, the analysts met with Doug Pardon, Co-Portfolio Manager and Head of High Yield Research at Brigade Capital Management. Mr. Pardon discussed the leveraged finance market and credit investing in general, as well as Brigade's specific strategy and his role and background as a research analyst.

The analysts enjoyed the trip immensely and received valuable advice and insights from each investment partner they had the chance to talk with.



REAL ESTATE INSTITUTE

Notre Dame Establishes Institute for Real Estate

This fall the University formally approved the Notre Dame Institute for Real Estate as a new University Research Center. Consistent with the University's Catholic character and mission, the Institute aspires to become a preeminent center for the study of real estate from a market-based and interdisciplinary perspective. The Institute brings together four anchor programs in the Mendoza College of Business, School of Architecture, College of Engineering, and The Law School, as well as faculty, students, and alumni from across the University. Through undergraduate, professional, and executive education, multidisciplinary conferences and events, and student internships and job placement, as well as faculty hiring, research, and scholarship, the Institute aims to promote the study of real estate and explore fundamental issues in real estate finance, investment, development, design, construction, and public policy.



Combining our superb faculty across multiple departments, global network, and prominent alumni, we seek to inspire students with a passion for real estate to pursue productive and ethical careers as real estate professionals and build places of lasting value. Several faculty from the Mendoza College of Business participate on the Institute's faculty committee, including Dave Hutchison (Finance), Jeff Burks (Accounting), Shane Corwin (Finance), and Martijn Cremers (Finance). In addition, the ND Institute for Real Estate is pleased to welcome several senior University staff members as Institute Affiliates, including Kevin Burke (Managing Director, Institute for Global Investing), Mike Cook (Investment Director—Multi Strategy, Investment Office), Shannon Cullinan (VP for Finance, Finance Division), and Scott Malpass (VP and CIO, Investment Office).

- Dan Kelly, Professor of Law
Acting Director