



QUARTERLY NEWSLETTER



GREETINGS FROM AIM

As AIM XLIII approaches the midpoint of the semester, 27 undergraduate analysts conclude valuation reports on existing portfolio holdings under the guidance of Professors Bill McDonald and Shane Corwin.

In the coming weeks, analysts will research prospective additions to the portfolio and perform a second round of valuations. Increased probability of an interest rate hike by the Fed may induce a flight from equities, and will need to be considered as stocks are selected.

Guest Speakers

The AIM XLIII class was extremely fortunate to host a number of guest lecturers throughout the semester thus far, including experts in the fields of Macroeconomics, Private Equity, and Public Equity Markets.

On Friday, September 9th, Professor Kristen Collett-Schmitt updated analysts on current macroeconomic trends and their pertinence to portfolio holdings. This presentation was invaluable to development of AIM industry reports shortly thereafter.

On Friday September 16th, Ted Weschler, founder of Peninsula Capital Advisors and investment manager of an \$8 billion public equities portfolio for Warren Buffett at Berkshire Hathaway, spoke to analysts about the importance of fundamental analysis in making investment decisions.

The following week, Dave Baram of VMG Partners addressed AIM about the role of brand management in choosing sound private equity investments. VMG specializes in lower-middle-market buyouts.

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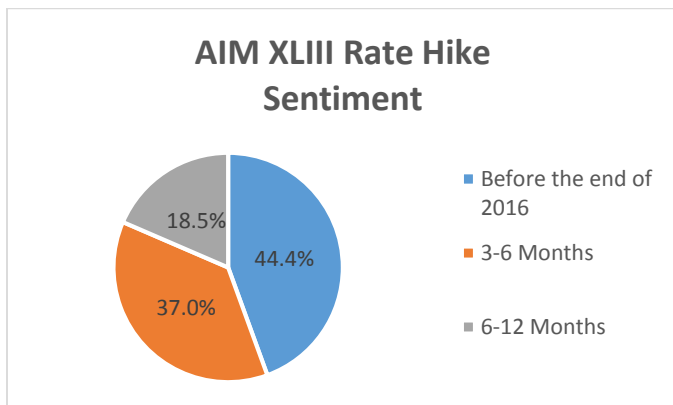


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STATE OF THE ECONOMY

Fed Raising Rates before 2017?

The latest Fed meeting indicated that a future rate hike this year is more likely than not. Ten of the seventeen Fed officials project a quarter percentage point rise in interest rates this year. Janet Yellen stated in her latest speech that a case for the rate increase has strengthened but the Fed will follow a wait and see approach. Stronger inflation numbers—currently remaining below the Fed’s 2% target—will help the case for a rate increase. However, the Fed also has decreased their long-term Fed funds rate projection to 2.9% from 3.8% at the start of 2016.



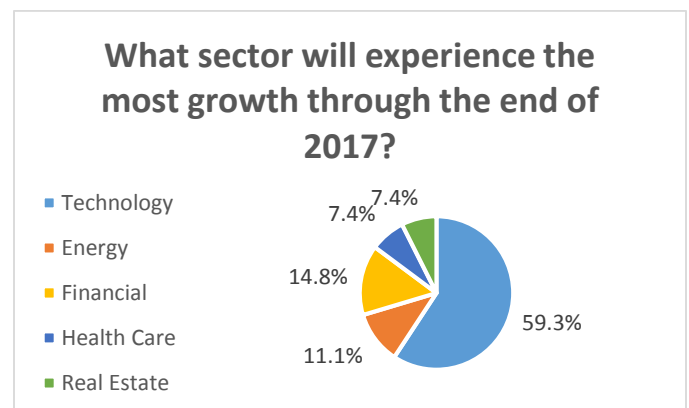
*Based on responses of current AIM students

US Recession Fears Continue

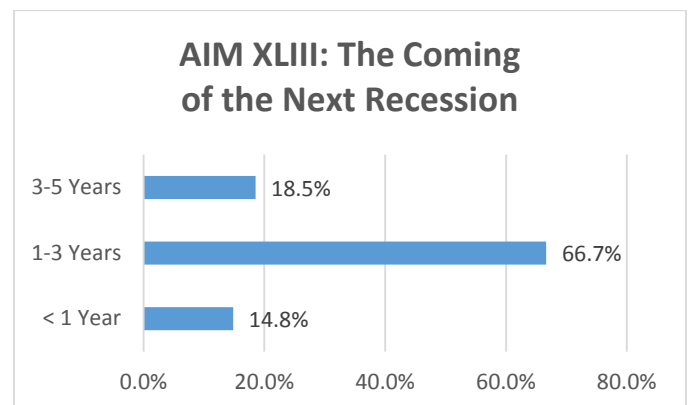
The Fed recently downgraded their forecasts of the long-term GDP growth rate in the US to 1.9%. Almost 70% of US GDP is made up by consumption, which signals that a recession could be on the horizon. A rise in prices and growing inflation may cause consumers to curb their spending in the future. The Atlanta Fed recently downgraded its forecast for Q3 US GDP growth at 2.1%. Continuous slowing of US GDP growth has raised concern of a recession significantly.

Employment Rates Worsen

The September unemployment rate increased to 5.0% and missed its target of remaining at 4.9%. Unemployment increased by 90 thousand to 7.9 million. A total of 156,000 jobs were added, which is less than the market expectation of 175,000. In addition, the participation rate increased by .1% to 62.9%, and average hourly earnings in the US increased by .2%.



*Based on responses of current AIM students

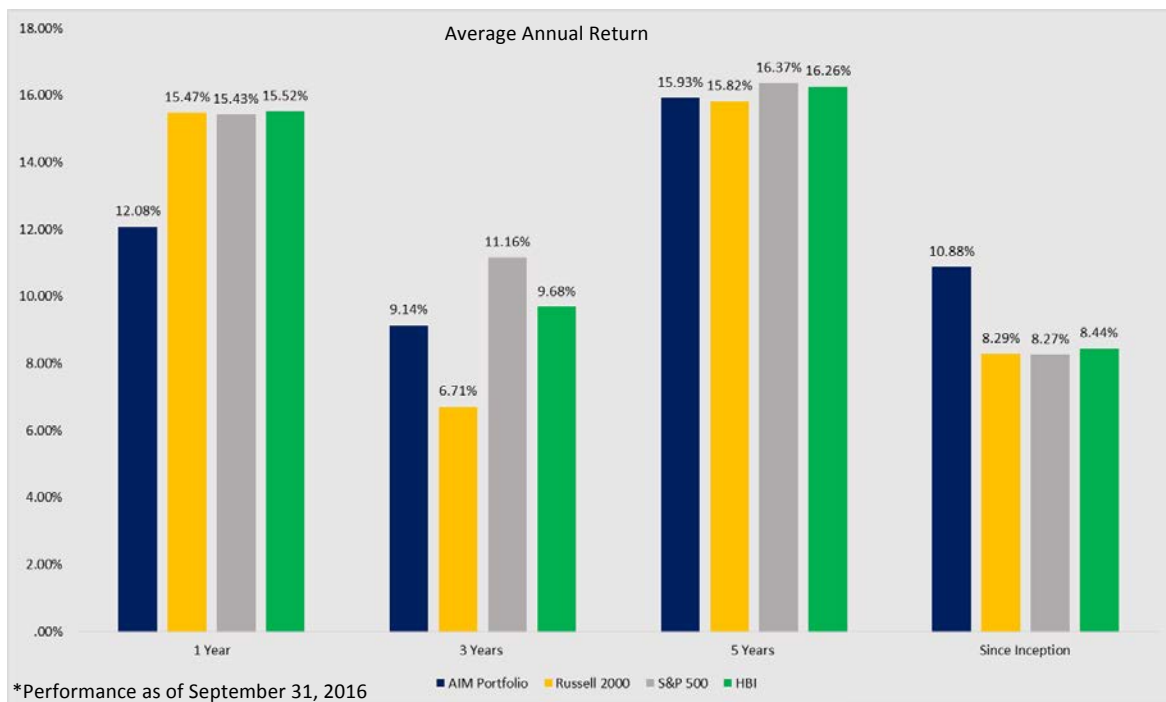


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BENCHMARK COMPARISON

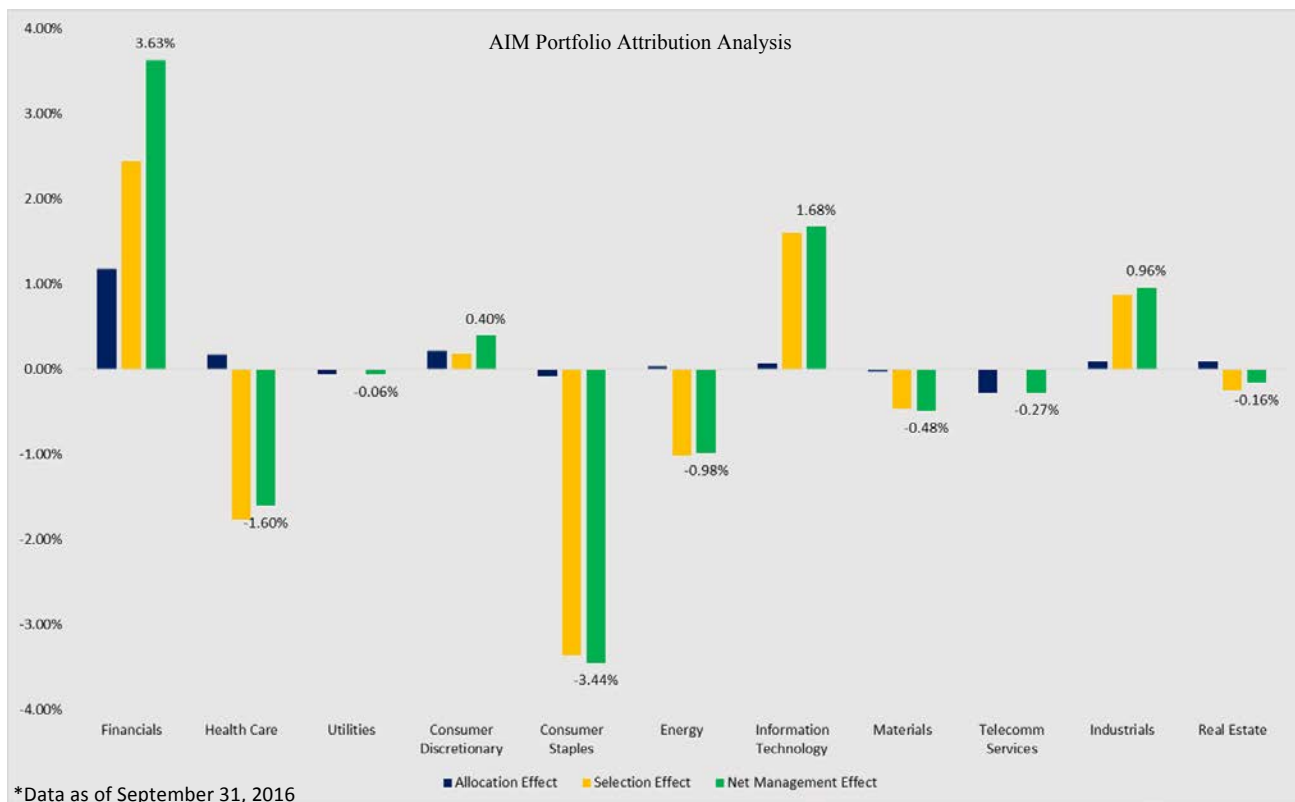
While the AIM portfolio has outperformed its benchmarks – S&P 500, Russell 2000, and HBI (65% S&P, 25% Russell 2000) since inception, it has underperformed in recent years. The portfolio performed similarly to each benchmark over the past five years, while underperforming the S&P 500 and the HBI over a three year horizon. Additionally, every benchmark has performed better than the AIM portfolio over the past year.



PORTFOLIO ATTRIBUTION

Over the course of the past year, the AIM portfolio underperformed the market (S&P 500) by 3.35%. A large portion of this is attributable to poor stock selection in the Healthcare, Consumer Staples, and Energy sectors. The most problematic sector is Consumer Staples, which had a net management effect of -3.44%, largely due to security-specific issues such as potential accounting scandals. Additionally, the Energy sector remains affected by low oil and commodity prices. However, the portfolio has seen strong performance from its investments in Financials and Information Technology, which exhibited net management effects of 3.63% and 1.68%, respectively.

PORTFOLIO ATTRIBUTION



BEST & WORST PERFORMERS

In the past year, the AIM portfolio has experienced outstanding performance in several of its holdings, particularly Activision Blizzard, Microsoft, and MarketAxess, which have each returned over 30%. The portfolio has also seen some poor performances, particularly from Hain Celestial and Sprouts Farmers Market. Hain Celestial is experiencing some accounting difficulties as it attempts to file its 10-K, now over a month late, while Sprouts has been a victim of an increasingly competitive health food market

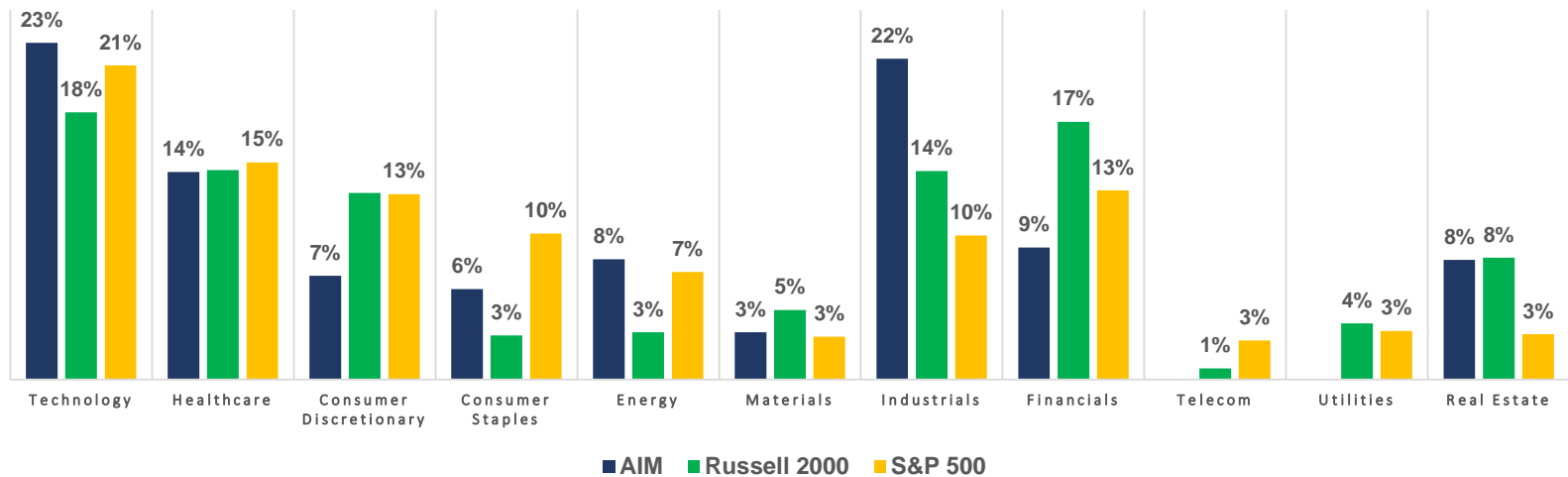
Top 5 Performers		
Company Name	Industry	Return
Activision Blizzard	Technology	44.00%
Microsoft	Technology	33.70%
MarketAxess*	Financials	31.31%
UnitedHealth	Healthcare	22.36%
Facebook*	Technology	21.65%

Bottom 5 Performers		
Company Name	Industry	Return
Hain Celestial	Consumer Staples	(29.24%)
Sprouts Farmers Market*	Consumer Staples	(26.67%)
Envision Healthcare*	Healthcare	(18.56%)
Gilead Sciences	Healthcare	(17.80%)
Kinder Morgan	Energy	(12.78%)

Returns TTM as of September 30, 2016

*Holding Period Return

Current Sector Weights versus Major Benchmarks



TECHNOLOGY

Technology is the most heavily-weighted sector in the AIM portfolio at 23% of portfolio allocation. Having gained 12.9% over the past three months, the tech sector outperformed the S&P 500 considerably in Q3. Much of the aggregate gain is attributed to the semiconductor industry and electronic hardware. Furthermore, investors have exhibited improved risk appetites and have driven demand into growth-heavy tech industries. The sector has recently been defined by a push into online commerce by Facebook, Microsoft's international cloud expansion, new competition for the iPhone in Google's Pixel, and increased security needs.

HEALTHCARE

Healthcare has performed poorly over the past three months, returning 0.9% versus 3.8% for the S&P 500. The election is of considerable importance to health insurers and healthcare providers alike; a Trump presidency would likely result in government healthcare spending cuts and a repeal of the Affordable Care Act, while a Clinton presidency would largely continue programs established under the Obama Administration. Additionally, the looming legal threat and reputational concerns surrounding drug pricing practices could deal a potentially crippling blow to the margins of pharmaceutical companies such as Jazz and Gilead.

INDUSTRIALS

The industrials sector is the most overweight sector in the portfolio, and has slightly underperformed the S&P over three months. Low energy prices will continue to limit demand for rail transport, posing a significant headwind for Wabtec and Union Pacific. Furthermore, industry experts predict slow to flat growth for office furniture, resulting in a bleak short-term outlook for furniture manufacturers like Herman Miller and Knoll.



KEY COMPANY UPDATES

ExxonMobil

Exxon is being investigated by the New York Attorney General as well as the SEC for potentially misleading the public regarding climate change research and also for failing to write down the value of any of their assets in this persisting low oil price environment.

Exxon's acquisition of InterOil for ~\$2.5 Billion is on track to close around the end of the year. InterOil is a driller focused on projects in Papua New Guinea. One of the company's important resources is a massive field called Elk-Antelope.

KINDER MORGAN

The proposed \$28 billion acquisition of Spectra Energy Partners by Enbridge Energy Partners, expected to close in the first quarter of 2017, will result in the largest midstream energy company in North America - a distinction currently held by Kinder Morgan. Also of concern to Kinder Morgan is the impending interest rate hike, slated to occur within the next three quarters, which will undoubtedly slow domestic oil and gas exploration. Lastly, the presidential election and subsequent regulatory environment will have a significant impact on the changing energy mix in the United States, as natural gas continues to emerge as the primary source of electric power generation.

Envision HEALTHCARE

Over the summer, Envision Healthcare announced a merger of equals with AM Surg Corporation which provides outsourced physician and ambulatory surgery services. The deal will create a company that provides a range of hospital-related services worth around \$10 billion and is expected to close at the end of 2016.



On August 16th 2016, HAIN informed its shareholders that it would not have its annual filing prepared for FY 2016. The firm originally delayed after determining it had misreported revenues related to distributor concession agreements. As of October 9, 2016 HAIN still has not reported its annual results, and there are concerns about a potential delisting of the stock



STOCK	TICKER	POSITION VALUE	AIM WEIGHT
Activision Blizzard	ATVI	\$ 527,040	4.95%
Alphabet	GOOG	481,325	4.52%
American Tower Corporation	AMT	455,742	4.28%
Check Point Software	CHKP	423,530	3.98%
Covanta	CVA	355,680	3.34%
Envision Healthcare	EVHC	337,876	3.17%
Equifax	EFX	421,654	3.96%
Exxon Mobil	XOM	459,722	4.32%
Facebook	FB	503,061	4.72%
Gilead Sciences	GILD	361,152	3.39%
Hain Celestial Group	HAIN	385,330	3.62%
Hannon Armstrong	HASI	425,954	4.00%
Herman Miller	MLHR	342,588	3.22%
Jazz Pharmaceuticals	JAZZ	307,025	2.88%
Kinder Morgan	KMI	390,565	3.67%
Knoll	KNL	363,635	3.41%
MarketAxess Holdings	MKTX	478,844	4.49%
McDonald's	MCD	332,182	3.12%
Microsoft	MSFT	520,200	4.88%
O'Reilly Automotive	ORLY	413,070	3.88%
Sherwin-Williams	SHW	335,388	3.15%
Sprouts Farmers Market	SFM	275,031	2.58%
Union Pacific	UNP	431,508	4.05%
United Healthcare	UNH	478,310	4.49%
Westinghouse Air Brake	WAB	375,460	3.52%
Whitestone REIT	WSR	370,980	3.48%
ProShares UltraShort Industrials	SIJ	4,516	0.04%
SPDR S&P 500 ETF	SPY	86,016	0.81%
Vanguard Financials ETF	VFH	5,009	0.05%
Healthcare Select Sector SPDR ETF	XLV	5,103	0.05%
Total AIM Portfolio		\$ 10,653,496	100.00%



Brianna Leon (AIM XXXIX) – Brianna is currently at Deloitte Consulting working in the Strategy and Operations division. She has focused the majority of her work doing Mergers and Acquisition consulting, working on deals across different industries.

Brian Willis (AIM XLI) – Brian is currently an investment banking analyst for Deutsche Bank in New York City. As a member of Deutsche Bank’s Global Industrials group, he has been working with companies across multiple sectors – from building products to aerospace and defense.

James Li (AIM XLI) - James is currently an Analyst on the private equity team at L Catterton, a growth-focused, top-down, private equity investor that seeks superior returns through operational improvements. James’ role primarily involves 3 broad categories: diligence & analysis of new investments, general support of portfolio companies, and research on fast-growing categories. James was a member of AIM XLI and majored in Economics and Finance.

AIM XLIII Class Profile

Analyst	Email	Hometown	1st Stock	Ticker	Summer Internship	Post-Grad Plans
David Arney	darney2@nd.edu	Cleveland, OH	MarketAxess Holdings	MKTX	Northwestern Mutual	Undecided
James Burke	jburke22@nd.edu	Long Island, NY	United Healthcare Group	UNH	Deutsche Bank	Deutsche Bank
Conor Colpoys	ccolpoys@nd.edu	Erie, PA	Herman Miller	MLHR	Houlihan Lokey	Houlihan Lokey
J.J. del Rosario	jdelrosa@nd.edu	St. Louis, MO	Microsoft Corporation	MSFT	Citigroup	Undecided
Savanna Dinkel	sdinkel@nd.edu	Flower Mound, TX	Envision Healthcare	EVHC	J.P. Morgan	Undecided
Grant Ebenger	gebenger@nd.edu	Fort Lauderdale, FL	O'Reilly Automotive	ORLY	PJT Partners	PJT Partners
Ben Fouch	bfouch@nd.edu	Brownsburg, IN	Westinghouse Air Brake Tech	WAB	PWC	Undecided
Peter Fox	pfox2@nd.edu	Grosse Pointe Farms, MI	Kinder Morgan	KMI	Credit Suisse	Undecided
Jimmy Ganas	jganas@nd.edu	Palatine, IL	Check Point Software Tech	CHKP	Goldman Sachs	Morgan Stanley
Bryan Hall	bhall5@nd.edu	Pittsburgh, PA	Hain Celestial Group	HAIN	Moelis & Company	Lazard Freres
Neil Jones	njones8@nd.edu	Cincinnati, OH	Sherwin-Williams Company	SHW	Deloitte	Deloitte
Conor Kinasz	ckinasz@nd.edu	Des Plaines, IL	Alphabet	GOOG	Citigroup	Citigroup
Anthony LaGuardia	alaguard@nd.edu	Seattle, WA	Union Pacific Corporation	UNP	Washington Family Ranch	ND Investment Office
Joe Lanzel	jlanzel@nd.edu	Foxboro, MA	Exxon Mobil Corporation	XOM	Morgan Stanley	Morgan Stanley
Chris Leitten	cleitten@nd.edu	Birmingham, AL	Gilead Sciences	GILD	DBO Partners	DBO Partners
Brooke Li	tli5@nd.edu	Wuxi, China	Equifax	EFX	Goldman Sachs	Goldman Sachs
Colin Lillibridge	clillibr@nd.edu	Geneva, IL	Knoll	KNL	McKinsey & Company	McKinsey & Company
Jimmy Mangan	jmangan@nd.edu	Winnetka, IL	McDonald's	MCD	Goldman Sachs	Goldman Sachs
Jack Markwalter	jmarkwal@nd.edu	Atlanta, GA	Newmont Mining *	NEM	PJT Partners	Undecided
Nate Marti	nmarti@nd.edu	Mount Vernon, IA	Total System Services *	TSS	Bain Capital	Undecided
Cam Perna	cperna@nd.edu	Rochester, NY	Jazz Pharmaceuticals	JAZZ	Blackstone	DBO Partners
Jesse Plante	jplante@nd.edu	Floral Park, NY	American Tower Corporation	AMT	Goldman Sachs	Undecided
Ben Rosso	rrosso@nd.edu	Raleigh, NC	Facebook	FB	Mosaic Capital Partners	Undecided
Ryan Seymour	rseymour@nd.edu	Winnetka, IL	Whitestone REIT	WSR	Houlihan Lokey	Houlihan Lokey
Theo Sholly	rsholly@nd.edu	Knoxville, TN	Covanta Holding Corp	CVA	Sorin Capital	Undecided
Taryn Stamper	tstamper@nd.edu	Spokane, WA	Hannon Armstrong	HASI	BP	Undecided
Jamie Sullivan	jsulli21@nd.edu	Tampa, FL	Sprouts Farmers Market	SFM	Golden Gate Capital	Leonard Green & Partners

*Not currently in portfolio