<table>
<thead>
<tr>
<th>Name</th>
<th>City, State</th>
<th>Company 1</th>
<th>Company 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justin Asuncion</td>
<td>Omaha, NE</td>
<td>AeroVironment, Bridgepoint Education</td>
<td></td>
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<tr>
<td>Justin Barnes</td>
<td>Los Angeles, CA</td>
<td>Activision Blizzard, OpenTable</td>
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<tr>
<td>Sam Beres</td>
<td>Brookfield, WI</td>
<td>Apple, Coinstar</td>
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<tr>
<td>John Cameron</td>
<td>Arlington Heights, IL</td>
<td>Caterpillar, La-Z-Boy</td>
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<tr>
<td>Shawn Cappello</td>
<td>Monmouth Beach, NJ</td>
<td>Cummins, KapStone</td>
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<tr>
<td>Andrew Charnesky</td>
<td>Grosse Pointe, MI</td>
<td>Harley-Davidson, Glu Mobile</td>
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<td>Michael Cochran</td>
<td>Oceanside, NY</td>
<td>Chevron, Yum! Brands</td>
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<tr>
<td>Adam Cox</td>
<td>New Palestine, IN</td>
<td>PNC Financial Services Group, Teavana</td>
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<tr>
<td>Robert Crow</td>
<td>Champaign, IL</td>
<td>LabCorp, Cerner Corp.</td>
<td></td>
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<tr>
<td>Michael Donnelly</td>
<td>Rochester, NY</td>
<td>Halliburton, Constellation Brands</td>
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<tr>
<td>Alex Draime</td>
<td>Warren, OH</td>
<td>Google, Expeditors Int’l.</td>
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<tr>
<td>Alberto Elizondo</td>
<td>Monterey, Mexico</td>
<td>Qualcomm, RadioShack Corp.</td>
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<tr>
<td>Bradley Holenstein</td>
<td>Newton, NJ</td>
<td>Potash Corp, Idexx Lab</td>
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</tr>
<tr>
<td>Alex Kimball</td>
<td>St. Paul, MN</td>
<td>Dick’s Sporting Goods, AutoZone</td>
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<tr>
<td>Chad Lavelle</td>
<td>Prospect, KY</td>
<td>UnitedHealth Group, Life Time Fitness</td>
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<tr>
<td>Joseph Marek</td>
<td>St. Paul, MN</td>
<td>eBay, Select Comfort Corp.</td>
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<tr>
<td>Joseph Rampino</td>
<td>Long Beach, CA</td>
<td>Continental Resources, Madison Square Garden</td>
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<tr>
<td>Brett Rocheleau</td>
<td>Naperville, IL</td>
<td>Flowserve, Wynn Resorts</td>
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<tr>
<td>Matt Roesch</td>
<td>West Chester, OH</td>
<td>Discover Financial Services, Medifast Inc.</td>
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<tr>
<td>Matt Rossetto</td>
<td>Frankfort, IL</td>
<td>Williams-Sonoma, Constant Contact</td>
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<tr>
<td>Adam Scmitz</td>
<td>Highlands Ranch, CO</td>
<td>Dollar Tree, Acuity</td>
<td></td>
</tr>
<tr>
<td>Richard Si</td>
<td>Montreal, Quebec</td>
<td>CarMax, Tim Horton’s</td>
<td></td>
</tr>
<tr>
<td>Tyler Smith</td>
<td>Carlisle, MA</td>
<td>Alliant Tech Systems, Michael Kors</td>
<td></td>
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<tr>
<td>Michael Thomas</td>
<td>St. Clair Shores, MI</td>
<td>Teradata Corporation, Domino’s Pizza</td>
<td></td>
</tr>
<tr>
<td>Allison Tompkins</td>
<td>Jackson, MI</td>
<td>Gilead Sciences, J.M. Snucker Co.</td>
<td></td>
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<tr>
<td>Alex VanderLinde</td>
<td>Hinsdale, IL</td>
<td>Coca-Cola, IPG Photonics</td>
<td></td>
</tr>
<tr>
<td>Erin Welcenbach</td>
<td>Menomonee Falls, WI</td>
<td>KeyCorp, Rockwell Automation</td>
<td></td>
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</table>
Presentation Agenda

• Personal Introductions
• Presentation Topics
  I. Investment Objectives and Guidelines
  II. Economic Environment
  III. Security Analysis
  IV. Portfolio Performance Evaluation
  V. General Information
• Concluding Remarks
I. Investment Objectives and Guidelines
   Course Overview
   Investment Philosophy
   Investment Policies
   Market Capitalization Profile
AIM Overview

• **Objective:**
  – Provide analysts with a thorough grounding in portfolio management by combining theory with hands-on experience

• **Analyst Selection:**
  – Prospective analysts must submit an application and resume
  – Diverse backgrounds in finance
Individual Responsibilities

• Each of the 27 analysts covers two companies
  – The first is assigned, the second is selected

• For each company, analysts produce and present the following reports
  – Company overview
  – Fundamental analysis
  – Industry report
  – EPS forecast
  – Technical analysis
  – Valuation and final recommendation
Group Responsibilities

- Economic analysis
  - Recent trends in unemployment, inflation, GDP growth
  - Current events and significant political events

- Performance analysis
  - Benchmark comparisons and performance measures
  - Industry allocations
  - Best and worst performers

- Trading group
  - Executes trades
  - Works closely with ND Investment Office

- Newsletter group
  - Summarizes above analyses
  - Provides alumni and trip updates
 Investment Philosophy

• Investment objective
  – Outperform our primary (S&P 500) and secondary benchmarks (Russell 2000 and HBI) through alpha generation while maintaining the purchasing power of the principal over the long-term

• Investment decisions
  – Bottom-up fundamental research
  – Value & growth
  – Industry agnostic

• Risk management
  – Diversification & position size limits
  – Allocation to small, mid, and large cap stocks
Investment Policies

• Only US traded equities
  – No bonds, money market instruments or derivative instruments
• Roughly match the industry composition of the S&P 500 (within a 5% range)
• No one stock exceeds 10% of market value of portfolio
• Long-term cash at 0%
• All stocks within approved lines of business
• No stocks of companies whose values are not in line to those of the University
### Market Cap Profile (11/30/2012)

- **35% Small (<$2B) & Mid ($2B-$10B) Cap stocks**
  - AIM XXXV – Small & Mid Cap: 38.4%

- **65% Large (>=$10B) Cap stocks**
  - AIM XXXV – Large Cap: 61.6%

<table>
<thead>
<tr>
<th>Small Cap Holdings</th>
<th>AIM Holdings</th>
<th>Market Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kapstone</td>
<td>$287,152</td>
<td>$1,030</td>
</tr>
<tr>
<td>Open Table</td>
<td>$278,318</td>
<td>$1,025</td>
</tr>
<tr>
<td>Select Comfort</td>
<td>$278,512</td>
<td>$1,505</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$843,982</strong></td>
<td><strong>$4,078,160</strong></td>
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<tr>
<td>Percent of holdings</td>
<td>12.3%</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Mid Cap Holdings</th>
<th>AIM Holdings</th>
<th>Market Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domino's</td>
<td>$220,480</td>
<td>$2,384</td>
</tr>
<tr>
<td>Acuity</td>
<td>$277,830</td>
<td>$2,699</td>
</tr>
<tr>
<td>IPG Photonics</td>
<td>$271,860</td>
<td>$3,101</td>
</tr>
<tr>
<td>Dick's Sporting Goods</td>
<td>$257,299</td>
<td>$6,502</td>
</tr>
<tr>
<td>FlowServe Corporation</td>
<td>$207,825</td>
<td>$6,979</td>
</tr>
<tr>
<td>Expediters Int'l</td>
<td>$276,908</td>
<td>$7,805</td>
</tr>
<tr>
<td>Lab Corporation</td>
<td>$270,688</td>
<td>$7,966</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1,782,890</strong></td>
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<tr>
<td>Percent of holdings</td>
<td>26.1%</td>
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<table>
<thead>
<tr>
<th>Large Cap Holdings</th>
<th>AIM Holdings</th>
<th>Market Cap</th>
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<tbody>
<tr>
<td>Teradata Corp</td>
<td>$249,816</td>
<td>$10,110</td>
</tr>
<tr>
<td>Continental Resources</td>
<td>$247,320</td>
<td>$12,647</td>
</tr>
<tr>
<td>Activision Blizzard</td>
<td>$269,193</td>
<td>$12,752</td>
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<tr>
<td>Cerner Corp</td>
<td>$262,548</td>
<td>$13,260</td>
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<td>Wynn Resorts</td>
<td>$281,000</td>
<td>$13,924</td>
</tr>
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<td>Cummins</td>
<td>$265,032</td>
<td>$18,978</td>
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<td>Discover Financial</td>
<td>$270,465</td>
<td>$20,968</td>
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<td>Halliburton</td>
<td>$280,140</td>
<td>$30,549</td>
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<td>Potash</td>
<td>$269,010</td>
<td>$33,242</td>
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<td>United Health Group</td>
<td>$261,072</td>
<td>$55,528</td>
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<tr>
<td>Gilead Sciences</td>
<td>$330,000</td>
<td>$57,051</td>
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<tr>
<td>eBay</td>
<td>$290,510</td>
<td>$67,546</td>
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<tr>
<td>Chevron</td>
<td>$301,217</td>
<td>$207,050</td>
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<td>Google</td>
<td>$279,348</td>
<td>$227,351</td>
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<tr>
<td>Apple</td>
<td>$351,168</td>
<td>$554,406</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$4,207,838</strong></td>
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<tr>
<td>Percent of holdings</td>
<td>61.6%</td>
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II. Economic Environment

Summary of Current Economic Indicators
Expected Federal Reserve Policy
Inflation and Interest Rate Movements
Outlook for the Economy
Potential Impact on Portfolio
“The New Normal”

Uncertainties
- Monetary Easing
- New Regime in China
- Eurozone Crisis
- National Debt Burden
- Looming Fiscal Cliff
- Political Gridlock

The Economy
- Unemployment
- Poor Confidence
- Inflation Concerns

<table>
<thead>
<tr>
<th>“New Normal”</th>
<th>Short Run</th>
<th>Long Run</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>7.3% - 7.8%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.2% - 3.0%</td>
<td>2.0% - 2.2%</td>
</tr>
<tr>
<td>Change in GDP</td>
<td>1.9% - 2.9%</td>
<td>2.0% - 2.3%</td>
</tr>
</tbody>
</table>
Components of Gross Domestic Product (GDP)

- Consumption: 24%
- Government: 16%
- Investment: 4%
- Net Exports: 100% - Consumption - Government - Investment

GDP (trillions of 2005 dollars)

1996: $2.00
2001: $4.00
2006: $6.00
2011: $8.00

Source: Bureau of Economic Analysis
In 2011, consumption continued to rise despite lower income
- Consumption driven by a decreased savings rate
- Slower growth from previous year

Outlook on consumption neutral as potential tax increases hamper confidence
Real private fixed investment (excl. residential) growth has begun to slow down.

New orders slowing down as well.

Business investment slowing down as uncertainty continues to pervade the market and businesses lose confidence.
Government expenditures has recently faced pressured due to increasing debt levels and budget deficit issues.

- State and local level entities in particular have exhibited weak financial positions.
- Expect spending to decrease as government continues to address deficit issues.
Net Exports

Real Exports and Imports

Current Account Deficit

- Currently maintaining gap between exports and imports
- Current account deficit continues to climb
- U.S. Dollar → downward pressure
  - Tension between U.S. and trade partners
  - Structural changes in U.S. trade → depreciating dollar not effective

Source: Bureau of Economic Analysis
Fiscal Cliff

Economic Growth

Debt + Deficit

Source: Bureau of Economic Analysis
**Fiscal Cliff**

### Falling Off the Cliff
- **Consumption**: Consumption decreases as tax hikes decrease spending power.
- **Investment**: Business investment hampered as businesses face uncertainty.
- **Gov’t Expenditures**: Gov’t expenditures decrease in accordance with policy.
- **Deficit and Debt**: Budget deficit and national debt issues mitigated.

### Kicking the Can
- **Consumption**: Tax breaks extended; consumption steady.
- **Investment**: Business investment continues.
- **Gov’t Expenditures**: Gov’t expenditures increase as gov’t stimulates economy.
- **Deficit and Debt**: Budget deficit and national debt continue negative trend.
• U.S. Unemployment Rate: 7.9% → This is celebrated
• “Underemployment” Rate: 14.6% → This is ignored
• Average Duration: ~40 weeks → This is a problem
- At current capacity levels, should see ≈ 5% unemployment
- Structural unemployment “results from long-term shifts in economies rather than short-term savings in economic conditions”

Source: Capital IQ and American Heritage New Dictionary of Cultural Literacy
Unemployment

Percent Job Losses in Post WWII Recessions

- 1948
- 1953
- 1957
- 1960
- 1969
- 1974
- 1980
- 1981
- 1990
- 2001
- 2007

Number of Months After Peak Employment

Percent Job Losses Relative to Peak Employment Month

Current Employment Recession
Dotted Line ex-Census Hiring

Source: Calculatedriskblog.com
The Past
Asymptote at ≈ 5%
Need for marginally skilled workers
“Do more with more”

The Present
Asymptote at ≈ 6.5%
Need for high-skilled workers
“Do more with less”
Consumer expectations that mortgage rates will continue to decline, with the 30-year mortgage rates recently hitting all-time lows at 3.36%.

- Percentage of respondents saying it would be a good time to sell rose to 19%.
- Homebuilders are showing increased optimism.
According to S&P, average home prices increased by 2.1% for the 10-City Composite and by 3.0% for the 20-City Composite in September 2012 versus September 2011.

For the sixth consecutive month, all 20 cities and both Composites recorded positive monthly changes.
• Sales of new single-family houses in October 2012 were at a seasonally adjusted annual rate of 368,000, a 0.3% drop from the downward-revised rate of 369,000 in September 2012.
• The seasonally adjusted estimate of new houses for sale at the end of September was 145,000. This represents a supply of 4.5 months at the current sales rate. Any level below 6 months is considered normal.
FOMC Oct 24th Meeting Highlights

- Slow employment growth
- Inflation has risen—due to higher energy prices
- Fed stimulus insufficient without policy accommodation
- Continue Operation Twist through the end of 2012
  - Goal: Flatten the yield curve (without increasing size of the Fed’s Balance Sheet)
  - $267 billion extension in June
- Maintain QE3 until labor markets improve

Source: Federal Reserve
The Federal Reserve announced a policy in September to indefinitely purchase $40 billion of mortgage-backed securities every month to stimulate the economy and improve the labor market.

- Target Fed-Funds rate at 0-.25 percent through mid-2015
- JP Morgan expects the Fed to spend at least $1 trillion
– Very early, but the first impression is effects are neutral
– No spike in equity prices like QE1 and QE2
Selected Federal Reserve Balance Sheet Data

- Total Assets: $2,873 billion in Aug-07, $2,630 billion in Aug-08, $13 billion in Aug-09.
- Securities Held Outright: $2 billion in Aug-07.

Source: Federal Reserve Board
Interest Rates in Perspective

Historical Treasury Yields - Last 30 Years

Yield (%)

Nov-82 Nov-86 Nov-90 Nov-94 Nov-98 Nov-02 Nov-06 Nov-10

30-Yr Treasury 10-Yr Treasury 3-Mo Treasury

2.79% 1.63% 0.10%

Source: U.S. Treasury
Historical Inflation

Annual Percentage Change in U.S. CPI Since 1950

Percentage Change in CPI

Source: U.S. Department of Labor
Current “Breakeven” Inflation

Breakeven Inflation Curve

Yield (%)

<table>
<thead>
<tr>
<th>Yield (%)</th>
<th>6-Month</th>
<th>1-Year</th>
<th>2-Year</th>
<th>3-Year</th>
<th>5-Year</th>
<th>7-Year</th>
<th>10-Year</th>
<th>20-Year</th>
<th>30-Year</th>
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<td>1.24</td>
<td>1.07</td>
<td>1.46</td>
<td>1.76</td>
<td>2.12</td>
<td>2.22</td>
<td>2.44</td>
<td>2.41</td>
<td>2.43</td>
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</table>

Source: U.S. Treasury; Bloomberg
Upside Risk to Inflation

Unprecedented Monetary Easing

Increased Bank Lending

Fed’s Inability to Curb Inflation

Loss of Credibility in Bond Markets

Decreased Productivity

Source: U.S. Treasury; Bloomberg
Global GDP Revisions

- Global growth slowing, on the back of potential recession in Europe
- China and developing Asia hurt by lower external demand in US and Europe

2012 IMF GDP Growth Estimates

<table>
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<tr>
<th>Region</th>
<th>July</th>
<th>Revised</th>
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</thead>
<tbody>
<tr>
<td>Global</td>
<td>3.5%</td>
<td>3.3%</td>
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<tr>
<td>Developing Asia</td>
<td>7.1%</td>
<td>6.7%</td>
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<tr>
<td>China</td>
<td>8.0%</td>
<td>7.8%</td>
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<tr>
<td>Euro-Zone</td>
<td>-0.3%</td>
<td>-0.4%</td>
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<tr>
<td>UK</td>
<td>0.2%</td>
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2013 IMF GDP Growth Estimates

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<tr>
<th>Region</th>
<th>July</th>
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<td>7.2%</td>
</tr>
<tr>
<td>China</td>
<td>8.4%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Euro-Zone</td>
<td>0.7%</td>
<td>0.2%</td>
</tr>
<tr>
<td>UK</td>
<td>1.4%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: IMF
- EU rule to maintain budget deficits ≤ 3% of GDP
- IMF easing off Greek target of 4.5%
  - Greek debt expected to reach 182% GDP by year end 2013, up from 161%
- Deeper than expected recession and implementation of fiscal measures complicating deficit reduction targets

Source: IMF
## Forecast Summary

<table>
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<tr>
<th>Economic Forces</th>
<th>GDP Effect</th>
<th>Portfolio Effect</th>
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<tbody>
<tr>
<td>Unemployment</td>
<td>Negative</td>
<td>Neutral</td>
</tr>
<tr>
<td>Housing</td>
<td>Positive</td>
<td>Neutral</td>
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<tr>
<td>Business Spending</td>
<td>Negative</td>
<td>Neutral</td>
</tr>
<tr>
<td>Consumption</td>
<td>Neutral</td>
<td>Neutral</td>
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<td>QE3</td>
<td>Neutral</td>
<td>Neutral</td>
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<tr>
<td>Fiscal Cliff</td>
<td>Negative</td>
<td>Negative</td>
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<tr>
<td>Global Forces</td>
<td>Negative</td>
<td>Neutral</td>
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<tr>
<td>Households</td>
<td>Neutral</td>
<td>Neutral</td>
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<tr>
<td><strong>Overall</strong></td>
<td><strong>Negative</strong></td>
<td><strong>Neutral</strong></td>
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</table>
Portfolio Impacts

**US Fiscal Uncertainty**
- **Industrials**
  - KapStone
  - Flowserve

- **Consumer Discretionary**
  - Dick’s Sporting Goods
  - Apple
  - Wynn Resorts
  - Domino’s

**Eurozone Crisis**
- Teradata
- IPG Photonics
- Cummins

**China / Emerging Markets**
- Wynn Resorts
- Cummins
- Apple
- Potash

**Financial Regulation**
- Discover Financial

**Oil / EPA Regulation**
- Continental Resources
- Chevron
- Halliburton
- Cummins

**Healthcare Reform**
- UnitedHealth Group
- Cerner
- LabCorp
- Gilead

**Housing**
- Acuity
- Select Comfort
III. Security Analysis

Overview of Research Assignments
Earnings Forecast
Multiples Valuation
Discovery/DCF Valuation
Company/Industry Analysis
Fundamental Analysis Ratio Analysis/DuPont
Beta/WACC/DCF Valuation
Technical Analysis
Special Circumstance
Security Selection Process

- Bottom-up approach to security selection
- Analysts complete six reports that address the following areas of interest:
  - Company Background
  - Fundamental Analysis
  - Industry Analysis
  - Earnings Forecast
  - Technical Analysis
  - Final Valuation and Recommendation (including Beta)
- Each analyst makes a buy or sell recommendation
# Analyst Agenda

<table>
<thead>
<tr>
<th>Analyst</th>
<th>Stock</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matt Rossetto</td>
<td>Williams-Sonoma</td>
<td>Earnings Forecast</td>
</tr>
<tr>
<td>Erin Welcenbach</td>
<td>KeyCorp</td>
<td>Multiples Valuation</td>
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<td>Sam Beres</td>
<td>Coinstar</td>
<td>Multiples Valuation</td>
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<td>Tyler Smith</td>
<td>Michael Kors</td>
<td>Discovery/DCF Valuation</td>
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<td>Alex Vander Linde</td>
<td>IPG Photonics</td>
<td>Company/Industry Analysis</td>
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<td>Justin Barnes</td>
<td>OpenTable</td>
<td>Fundamental Analysis</td>
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<td>Brett Rocheleau</td>
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<td>Beta/WACC Valuation</td>
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<td>Robb Crow</td>
<td>Cerner Corp.</td>
<td>Technical Analysis</td>
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<tr>
<td>Adam Cox</td>
<td>Teavana</td>
<td>Special Circumstance</td>
</tr>
</tbody>
</table>
Price (11/30/2012): $45.26
1-year forward P/E: 16.7
Market Cap: $4.39B
Dividend Yield: 2.0%
LTM EPS: $2.43

Focus: Earnings Forecast
WSM Company Overview

- Retailer of high-end, specialty home goods
- Dominated catalogue home goods sales, attempting to do the same in internet sales
- Now experimenting with international storefronts

2011 Revenue
- Retail: 56%
- Direct: 44%

2011 Operating Income
- Retail: 42%
- Direct: 58%

Source: WSM 10-K
**Forecast Assumptions**

- Increasing percentage in internet sales improves margins
- A slow housing recovery pulls along revenue growth
- Material international growth is not projected for several years

<table>
<thead>
<tr>
<th></th>
<th>2010A</th>
<th>2011A</th>
<th>2012E</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (mm)</td>
<td>$3,504.2</td>
<td>$3,720.9</td>
<td>$3,970.2</td>
<td>$4,244.1</td>
</tr>
<tr>
<td>% Growth</td>
<td>12.9%</td>
<td>6.2%</td>
<td>6.7%</td>
<td>6.9%</td>
</tr>
<tr>
<td>% of revenue DTC</td>
<td>41.5%</td>
<td>43.9%</td>
<td>45.0%</td>
<td>47.0%</td>
</tr>
<tr>
<td>SGA (% of sales)</td>
<td>22.3%</td>
<td>22.4%</td>
<td>22.0%</td>
<td>21.0%</td>
</tr>
</tbody>
</table>

Source: WSM 10-K
EPS History and Estimates

Source: Bloomberg
Valuation & Thesis

Investment Thesis:
• Top position to benefit from a housing recovery
• Migration to online sales will improve margins
• Market has priced in the upside. The stock is technically a ‘Buy’, but the analyst group identified other superior opportunities

<table>
<thead>
<tr>
<th>Recommendation - Buy</th>
<th>Value Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valuation Method</strong></td>
<td><strong>Weight</strong></td>
</tr>
<tr>
<td>Forward Price/Sales</td>
<td>25%</td>
</tr>
<tr>
<td>Forward Price/Earnings</td>
<td>25%</td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Final Valuation</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Market Price (11/19/12)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Estimated Upside/(Downside)</strong></td>
<td></td>
</tr>
</tbody>
</table>
KeyCorp (KEY)

Price (11/30/2012): $8.08
1-year forward P/E: 9.49
Market Cap: $7.80B
Dividend Yield: 2.40%
LTM EPS: $0.88

Focus: Multiples Valuation
KEY Company Overview

- Holding company for Key Bank National Association
- 1,087 branches located in 14 states
- Loan portfolio consists of commercial, commercial real estate, and consumer loans

Loan Portfolio Composition

- Consumer: 31%
- Commercial: 36%
- Commercial Real Estate: 33%

2011 Revenue Breakdown

- Key Corporate Bank: 38%
- Key Community Bank: 54%
- Other Segments: 8%

Source: Company Filings
Key Assumptions

Net Interest Margin

- Margin compression, though not as extreme as 2011
- Short-term rates near zero
- Increased industry competition
- Q3 2012 NIM: 3.19%

Net Charge-Offs

- Returning to normal levels: 1.11% in 2011
- Management stated goal of returning to moderate levels of 0.4%-0.6%

Source: Bloomberg
Multiples Analysis

### Implied Forward P/E
- Currently trading at 9.79x
- Historically traded at 10.37x
- FYE 2013 EPS: $0.89
- Intrinsic value: $8.73

**KEY: Implied Forward P/E**

### Price / Tangible Book Value
- Currently trading at 0.90x
- Peer group mean: 1.47x
- Peer group median: 1.22x
- Intrinsic Value: $9.40

**Banking Industry: Price / Tangible Book Value**

Source: Capital IQ, Analyst Derived
**Valuation & Thesis**

**Investment Thesis**
- Poorly positioned for increasingly strict regulatory environment and industry consolidation
- Net interest margin compression
- Well capitalized
- Stock is technically a ‘buy,’ but the analyst group identified other superior investment opportunities

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward Price/Earnings</td>
<td>33.33%</td>
<td>$8.73</td>
<td>$2.91</td>
</tr>
<tr>
<td>Price/Tangible Book Value</td>
<td>33.33%</td>
<td>$9.40</td>
<td>$3.13</td>
</tr>
<tr>
<td>Discounted Cash Flow to Equity</td>
<td>33.33%</td>
<td>$7.73</td>
<td>$2.58</td>
</tr>
<tr>
<td><strong>Final Valuation</strong></td>
<td></td>
<td></td>
<td><strong>$8.62</strong></td>
</tr>
<tr>
<td>Market Price (11/19/12)</td>
<td></td>
<td></td>
<td><strong>$8.17</strong></td>
</tr>
<tr>
<td><strong>Estimated Upside/(Downside)</strong></td>
<td></td>
<td></td>
<td><strong>5.5%</strong></td>
</tr>
</tbody>
</table>
Price (11/30/2012): $47.04
1-year forward P/E: 8.95
Market Cap: $1.38B
Dividend Yield: -
LTM EPS: $4.91

Focus: Multiples Valuation
CSTR Company Overview

- Redbox is the primary business driver
- Kiosks sell tickets and rent DVDs, Blu-rays, and video games directly to consumers
- Currently in a joint venture with Verizon to develop “Redbox Instant” – a streaming service that will compete with Netflix and Amazon

Redbox Same Store Sales Growth

Number of Redbox Kiosks

2011 Revenue

- Redbox 84.6%
- New Ventures 0.1%
- Coin 15.3%

Source: Company Filings
Multiple Analysis: Price/Book

**Price/Book**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Coinstar</th>
<th>Netflix</th>
<th>S&amp;P Consumer Discretionary</th>
<th>S&amp;P 500</th>
<th>Proj. P/Bk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Return on Equity**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009A</th>
<th>2010A</th>
<th>2011A</th>
<th>2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.7%</td>
<td>14.9%</td>
<td>21.6%</td>
<td>27.3%</td>
<td></td>
</tr>
</tbody>
</table>

**Return on Assets**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009A</th>
<th>2010A</th>
<th>2011A</th>
<th>2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1%</td>
<td>4.9%</td>
<td>7.5%</td>
<td>8.8%</td>
<td></td>
</tr>
</tbody>
</table>

**CSTR**

- **Current Price/Book Multiple**: 2.42x
- **Projected Price/Book Multiple**: 2.70x
- **Intrinsic Value**: $50.82

Source: Bloomberg, Analyst Derived
Subjective Forward P/E Multiple 10.5x
FYE 2013 EPS $5.20

Intrinsic Value $54.60
**Valuation & Thesis**

### Investment Thesis:
- Market leader in hard DVD rental market
- Multiples trading near all-time lows
- Ultimately not purchased due to concerns over the future of the hard DVD rental market and uncertainty regarding entrance into the streaming market

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implied Price/Book</td>
<td>30%</td>
<td>$50.82</td>
<td>$15.25</td>
</tr>
<tr>
<td>Forward Price/Sales</td>
<td>10%</td>
<td>$51.13</td>
<td>$5.11</td>
</tr>
<tr>
<td>Forward Price/Earnings</td>
<td>40%</td>
<td>$54.60</td>
<td>$21.84</td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
<td>20%</td>
<td>$78.31</td>
<td>$15.66</td>
</tr>
</tbody>
</table>

**Final Valuation:** $57.86

**Estimated Upside/(Downside):** 28.2%
Michael Kors (KORS)

Price (11/30/2012): $58.15
1-year forward P/E: 32.83
Market Cap: $10.2B
Dividend Yield: -
LTM EPS: $1.26

Focus: Discovery/DCF Valuation
KORS Company Overview

- Global luxury apparel and accessories company
- Men’s and women’s apparel, handbags, small leather goods, eyewear, jewelry, footwear and watches
- Operates in three segments: Retail, Wholesale and Licensing

### 2012 Revenue Breakdown

- Retail 48%
- Wholesale 47%
- Licensing 5%

### Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail</th>
<th>Wholesale</th>
<th>Licensing</th>
<th>Total Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$627</td>
<td>$610</td>
<td>$65</td>
<td>$1,302</td>
</tr>
<tr>
<td>2010</td>
<td>$627</td>
<td>$610</td>
<td>$65</td>
<td>$1,302</td>
</tr>
<tr>
<td>2011</td>
<td>$627</td>
<td>$610</td>
<td>$65</td>
<td>$1,302</td>
</tr>
<tr>
<td>2012</td>
<td>$627</td>
<td>$610</td>
<td>$65</td>
<td>$1,302</td>
</tr>
</tbody>
</table>

### Same Store Sales Comps

- Percent Growth

Source: Bloomberg
• Alicia Carter- Store Manager, Sevierville, TN
• Increased sales of handbags, watches, small leather goods
• Surge in store traffic
  – Have seen a 50% increase in traffic over the past two years
• Expecting to double sales this year
  – Had already reached over 50% of sales guidance without having hit holiday season
• Growth like this is not abnormal for Michael Kors stores
  – Main growth driver is brand awareness

Source: Interview with Alicia Carter
Impact on DCF Analysis

• Bullish on company-wide revenues

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AIM Rev</td>
<td>$803.35</td>
<td>$1,302.25</td>
<td>$2,031.11</td>
<td>$2,727.96</td>
<td>$3,424.95</td>
<td>$4,096.42</td>
<td>$4,685.59</td>
<td>$5,228.55</td>
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<tr>
<td>Projection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth YoY</td>
<td>62.1%</td>
<td>56.0%</td>
<td>34.3%</td>
<td>25.5%</td>
<td>19.6%</td>
<td>14.4%</td>
<td>11.6%</td>
<td></td>
</tr>
<tr>
<td>Consensus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimate</td>
<td>$1,996.00</td>
<td>$2,596.00</td>
<td>$3,220.00</td>
<td>$3,870.00</td>
<td>$4,420.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

• Bullish on company-wide gross margins

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AIM GPM</td>
<td>55.54%</td>
<td>57.83%</td>
<td>60.50%</td>
<td>59.80%</td>
<td>60.00%</td>
<td>59.50%</td>
<td>59.00%</td>
<td>60.00%</td>
</tr>
<tr>
<td>Projection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consensus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimate</td>
<td>59.03%</td>
<td>59.21%</td>
<td>59.45%</td>
<td>59.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bloomberg
**Valuation & Thesis**

**Investment Thesis**
- Luxury retailer with huge growth potential
- Domestic and international expansion as well as shift to higher margin accessories products
- Strong multi-channel distribution system
- Great company, bad stock

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward Price/Earnings</td>
<td>8.33%</td>
<td>$64.01</td>
<td>$5.33</td>
</tr>
<tr>
<td>Forward Price/Sales</td>
<td>8.33%</td>
<td>$63.31</td>
<td>$5.28</td>
</tr>
<tr>
<td>Forward EBITDA/Sales</td>
<td>8.33%</td>
<td>$69.24</td>
<td>$5.77</td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
<td>75%</td>
<td>$43.54</td>
<td>$32.66</td>
</tr>
<tr>
<td><strong>Final Valuation</strong></td>
<td></td>
<td>$49.03</td>
<td></td>
</tr>
<tr>
<td><strong>Market Price (11/19/12)</strong></td>
<td></td>
<td>$50.61</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated Upside/(Downside)</strong></td>
<td></td>
<td>-3.1%</td>
<td></td>
</tr>
</tbody>
</table>
IPG Photonics (IPGP)

Price (11/30/2012): $59.10
1-year forward P/E: 18.5
Market Cap: $3.09B
Dividend Yield: -
LTM EPS: $2.80

Focus: Company/Industry Analysis
IPGP Company Overview

- #1 producer of industrial fiber lasers with 75% market share
- Vertically integrated cost leader reducing costs from $80 to $3 per watt
- Industry leading 55% gross margins
- Fiber lasers superior to traditional lasers in nearly every metric
- Founded in Russia in 1990 and all technology has been developed in-house

Revenue Breakdown

![Revenue Breakdown Chart]

Source: Company Filings, Company Presentations, Analyst
Technology Overview

Proprietary Design

- Modular / Scalable
- Durable / Stable
- 70% less energy
- Compact

Dual advantages

Semiconductor Diodes
- Long Life
- High Efficiency

Specialty Optical Fibers
- High Amplification
- Precise Beam Qualities

Source: Company Presentations, Analyst
Market Opportunity

Source: Company Presentation

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenues</th>
<th>Fiber Laser Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007A</td>
<td>$3,488</td>
<td>$200</td>
</tr>
<tr>
<td></td>
<td>$3,288</td>
<td></td>
</tr>
<tr>
<td>2015E</td>
<td>$4,778</td>
<td>$1,365</td>
</tr>
<tr>
<td></td>
<td>$3,413</td>
<td></td>
</tr>
</tbody>
</table>

- **2007A**
  - Traditional Laser Market: 94%
  - Fiber Laser Market: 6%

- **2011A**
  - Traditional Laser Market: 84%
  - Fiber Laser Market: 16%

- **2015E**
  - Traditional Laser Market: 71%
  - Fiber Laser Market: 29%
Valuation & Thesis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward Price/Earnings</td>
<td>30%</td>
<td>$63.25</td>
<td>$18.97</td>
</tr>
<tr>
<td>Forward TEV/EBITDA</td>
<td>10%</td>
<td>$53.03</td>
<td>$5.30</td>
</tr>
<tr>
<td>Forward TEV/EBIT</td>
<td>10%</td>
<td>$61.15</td>
<td>$6.12</td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
<td>50%</td>
<td>$65.45</td>
<td>$32.72</td>
</tr>
<tr>
<td>Final Valuation</td>
<td></td>
<td></td>
<td>$63.72</td>
</tr>
<tr>
<td>Market Price (11/19/12)</td>
<td></td>
<td></td>
<td>$57.43</td>
</tr>
<tr>
<td>Estimated Upside/(Downside)</td>
<td></td>
<td></td>
<td>10.9%</td>
</tr>
</tbody>
</table>

Investment Thesis
- First mover advantage
- Dominant player revolutionizing a $4B growing industry
- Vertically integrated cost leader
- Superior technology
**Focus: Fundamental Analysis**

- **Price (11/30/2012):** $44.89
- **1-year forward P/E:** 23.4
- **Market Cap:** $1.02B
- **Dividend Yield:** -
- **LTM EPS:** $1.01
OPEN Company Overview

- Provides free real-time online restaurant reservations for diners, as well as reservation management solutions for restaurants
- Since inception in 1998, over 350 million diners have been seated, representing $10 billion spent at partner restaurants
- Customer base of over 25,000 restaurants worldwide

### Installed Restaurants at FY End

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Installed Restaurants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>7,861</td>
</tr>
<tr>
<td>2008</td>
<td>10,335</td>
</tr>
<tr>
<td>2009</td>
<td>12,351</td>
</tr>
<tr>
<td>2010</td>
<td>20,049</td>
</tr>
<tr>
<td>2011</td>
<td>25,119</td>
</tr>
</tbody>
</table>

### Seated Diners Per Year

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Seated Diners</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>24,858</td>
</tr>
<tr>
<td>2008</td>
<td>34,178</td>
</tr>
<tr>
<td>2009</td>
<td>42,866</td>
</tr>
<tr>
<td>2010</td>
<td>65,355</td>
</tr>
<tr>
<td>2011</td>
<td>96,674</td>
</tr>
</tbody>
</table>

### 2011 Revenues

- **North America:** 85%
- **International:** 15%

Source: OPEN 10K, Derived
Business Risk - Low

**Sales Volatility**

- Vs. Mean – 41%
- Vs. Linear – 10%
- Vs. C.G. – 4%

![Sales Volatility Graph]

**EBIT Volatility**

- Vs. Mean – 91%
- Vs. Linear – 14%
- Vs. C.G. – 51%

![EBIT Volatility Graph]
• OpenTable’s only debt obligations are capitalized leases
• Operating income sufficiently covers any implied interest
Return on Equity – DuPont Analysis

Net Profit Margin

- 2009: 0.0%
- 2010: 5.0%
- 2011: 15.4%

Total Capital Turnover

- 2009: 1.05
- 2010: 0.80
- 2011: 0.60

Financial Leverage

- 2009: 1.08
- 2010: 1.13
- 2011: 1.20

Return on Equity

- 2009: 0.0%
- 2010: 10.0%
- 2011: 19.6%

Source: OPEN 10K, Derived
Investment Thesis

- First mover in the market for online restaurant reservations, giving OpenTable a competitive advantage in terms of established customer base
- Future growth due to small businesses using OpenTable for its marketing capabilities

### Valuation Method & Weight Value Contribution

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward Price/Earnings</td>
<td>25%</td>
<td>$51.29</td>
<td>$12.82</td>
</tr>
<tr>
<td>Forward Price/Book</td>
<td>25%</td>
<td>$55.36</td>
<td>$13.84</td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
<td>50%</td>
<td>$47.21</td>
<td>$23.61</td>
</tr>
<tr>
<td>Final Valuation</td>
<td></td>
<td></td>
<td>$50.27</td>
</tr>
</tbody>
</table>

**Estimated Upside/(Downside)** 15.4%
Wynn Resorts (WYNN)

Price (11/30/2012): $112.40
1-year forward P/E: 18.0
Market Cap: $10.85B
Dividend Yield: 1.80%
LTM EPS: $5.26

Focus: Beta/WACC Calculation
WYNN Company Overview

- Hospitality & gaming company
- 2 resorts
  - Las Vegas and Macau
- Strategy-focus on high-end individuals
- CEO Steve Wynn has 30 years experience

2011 Asset Breakdown

- Las Vegas 58%
- Macau 42%

2011 Sales Breakdown

- Macau 72%
- Las Vegas 28%

Source: Company Filings, Company Presentations, Analyst
Beta Valuation

Regression Beta Analysis

<table>
<thead>
<tr>
<th></th>
<th>2-year weekly</th>
<th>5-year monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta</td>
<td>1.48</td>
<td>2.39</td>
</tr>
<tr>
<td>Adjusted Beta (Mean reversion)</td>
<td>1.32</td>
<td>1.93</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>38.0%</td>
<td>44.9%</td>
</tr>
</tbody>
</table>

Published Beta

<table>
<thead>
<tr>
<th>Source</th>
<th>Beta</th>
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<tbody>
<tr>
<td>Yahoo</td>
<td>1.74</td>
</tr>
<tr>
<td>Reuters</td>
<td>2.38</td>
</tr>
<tr>
<td>Value Line</td>
<td>2.39</td>
</tr>
<tr>
<td>Bloomberg</td>
<td>1.30</td>
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</table>

Weighted Beta

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
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<tbody>
<tr>
<td>Avg. Published Beta</td>
<td>1.95</td>
</tr>
<tr>
<td>Avg. Regression Beta</td>
<td>1.94</td>
</tr>
<tr>
<td>Avg. Adj. Regression Beta</td>
<td>1.63</td>
</tr>
</tbody>
</table>

Beta considerations

- Management issues
- Operating leverage of 5.5 times
- Inherent risk vs. Business strategy

Final Beta: 2.10
# WACC Valuation

## WACC Calculation

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
<th>Source/Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity risk premium</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Risk free rate</td>
<td>1.8%</td>
<td>10-year US Treasury rate</td>
</tr>
<tr>
<td>Beta</td>
<td>2.10</td>
<td>Beta Valuation</td>
</tr>
<tr>
<td>Cost of equity</td>
<td>12.30%</td>
<td></td>
</tr>
<tr>
<td>Credit rating</td>
<td>BBB</td>
<td>Source: Bloomberg</td>
</tr>
<tr>
<td>Cost of debt</td>
<td>4.61%</td>
<td>Assume 10-year debt</td>
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<tr>
<td>Tax rate</td>
<td>35.0%</td>
<td>Historical average</td>
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<tr>
<td>After-tax cost of debt</td>
<td>3.00%</td>
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<tr>
<td>Equity weight</td>
<td>68.2%</td>
<td>Market Capitalization</td>
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<tr>
<td>Debt weight</td>
<td>31.9%</td>
<td>Balance Sheet</td>
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<tr>
<td>WACC</td>
<td>9.35%</td>
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</tbody>
</table>
Valuation & Thesis

Investment Thesis

- Competitive advantage in Macau – 1 of 4 license holders
- Tremendous growth opportunity – Cotai expansion soon
- High risk, high reward

<table>
<thead>
<tr>
<th>Recommendation - Buy</th>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Forward Price/Earnings</td>
<td>20%</td>
<td>$148.97</td>
<td>$29.79</td>
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<td></td>
<td>Discounted Cash Flow</td>
<td>80%</td>
<td>$145.70</td>
<td>$116.56</td>
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<td></td>
<td>Final Valuation</td>
<td></td>
<td></td>
<td>$146.35</td>
</tr>
<tr>
<td></td>
<td>Market Price (11/26/12)</td>
<td></td>
<td>$105.79</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Estimated Upside/(Downside)</td>
<td></td>
<td></td>
<td>38.3%</td>
</tr>
</tbody>
</table>

Final Valuation: $146.35

Estimated Upside/(Downside): 38.3%
Cerner Corp (CERN)

Price (11/30/2012): $77.22
1-year forward P/E: 35.82
Market Cap: $13.2B
Dividend Yield: -
LTM EPS: $2.15

Focus: Technical Analysis

CERN: 1 Year Price Chart

Source: Yahoo! Finance, Derived
CERN Company Overview

- Develops, installs, and supports healthcare information technology and solutions
- Solutions used by over 9,300 facilities in over 25 countries
- Electronic Health Records software changes doctor and patient experience

2011 Revenue Breakdown

<table>
<thead>
<tr>
<th>Professional Services</th>
<th>Managed Services</th>
<th>Subscription</th>
<th>Licensed Software</th>
<th>Support &amp; Maintenance</th>
<th>Technology Resale</th>
<th>Travel</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>16%</td>
<td>6%</td>
<td>15%</td>
<td>11%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Company Filings
**Sell:** *Death Cross* (50 day MA crosses below the 200 day MA)

Source: Yahoo! Finance, Derived
1 Year Support & Resistance

**Sell**: Lower levels of resistance, lower levels of support

Source: Yahoo! Finance, Derived
1 Year Relative Strength Index

**BUY**: Upward trend in relative strength over past month

Source: Yahoo! Finance, Derived
Valuation & Thesis

### Investment Thesis

- Varied opportunities for growth
- Market leader in growing healthcare IT sector
- Hospital consolidation displaces smaller competitors

### Valuation Method

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
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</thead>
<tbody>
<tr>
<td>Forward Price/Sales</td>
<td>33%</td>
<td>$80.00</td>
<td>$26.40</td>
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<tr>
<td>Forward Price/Earnings</td>
<td>33%</td>
<td>$66.00</td>
<td>$21.78</td>
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<tr>
<td>Free Cash Flow</td>
<td>33%</td>
<td>$154.72</td>
<td>$51.06</td>
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<tr>
<td>Final Valuation</td>
<td></td>
<td></td>
<td>$99.24</td>
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<tr>
<td>Market Price (11/19/12)</td>
<td></td>
<td></td>
<td>$77.47</td>
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<tr>
<td>Estimated Upside/(Downside)</td>
<td></td>
<td></td>
<td>28.1%</td>
</tr>
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</table>

**Recommendation - Buy**

Market Price (11/19/12): $77.47

Estimated Upside: 28.1%

Final Valuation: $99.24

Weighted Valuation:

- Forward Price/Sales: $26.40
- Forward Price/Earnings: $21.78
- Free Cash Flow: $51.06

Total Valuation: $99.24

Estimated Upside: 28.1%
Teavana Holdings, Inc. (TEA)

Price (11/30/2012): $14.75
Market Cap: $576.77M
LTM EPS: $0.43
52-Week Low: $9.75
52-Week Low Date: 11/14/12

Focus: Special Circumstance
Company Overview

- Specialty retailer of premium loose-leaf teas and related merchandise
- Over 300 locations in United States and Canada
- 900 – 1,000 square foot, high-end mall locations
- “Heaven of Tea” retail concept
- Acquired Canadian retailer, Teaopia, in June 2012

Teavana Store Growth

FYE 2012 Sales Breakdown

Source: Company Filings, Company Presentations, Analyst
“Heaven of Tea” Concept
Advantages and Concerns

Competitive Advantages

• First-movers in large industry
  – $56.6B global tea sales ($5.2B in US)
  – Differentiated brand and concept

• Premium pricing
  – Lipton “Black Pearl” ($4.40 / 2 oz.)
  – Teavana “Black Dragon Pearls” ($15.00 / 2 oz.)
  – 85% proprietary tea blends

• Considerable white space
  – Unsaturated market
  – No material international presence

Company Concerns

• Perceptions of upselling
  – Negative internet “chatter”
  – Personal and anecdotal experience

• Employee relationships
  – Compensation driven by sales targets
  – Disgruntled former employees

• Growing faster than financing
  – Projected negative cash flows next 2 years
  – Equity market already tapped

Source: Company Presentations, IBISWorld, Analyst
Valuation & Thesis

Investment Thesis

- Differentiated, niche company creating an industry
- Ability to buy into growth story as Wall Street waits for “proof of concept”
- Not the next Starbucks, but if it becomes 5% of Starbucks, the price would quadruple

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Weight</th>
<th>Value</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted Cash Flow</td>
<td>100%</td>
<td>$15.69</td>
<td>$15.69</td>
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<tr>
<td>Final Valuation</td>
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<td>$15.69</td>
</tr>
<tr>
<td>Market Price (11/9/12)</td>
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<td></td>
<td>$10.30</td>
</tr>
<tr>
<td>Estimated Upside/(Downside)</td>
<td></td>
<td></td>
<td>$52.3%</td>
</tr>
</tbody>
</table>

Source: Analyst
The Rest of the Story

• Starbucks to acquire Teavana
  – Announced on November 14, 2012
  – $15.50/share in cash
  – Made a buy/no buy decision irrelevant – not a merger arbitrage fund

• Starbucks Investment Thesis
  – Complement to current Tazo tea brand
  – Ability to unlock value by cross-branding and taking Teavana products to grocery stores

• Ramifications for Teavana
  – Access to reliable financing
  – Accelerates growth while staying true to brand

Source: Bloomberg News
IV. Portfolio Performance Evaluation

- Historical Return Comparisons/Benchmarks/Sector allocations
- Risk-adjusted Performance Measures
- Attribution Analysis
- Top 5 / Bottom 5 from Initial Portfolio
- Portfolio transactions - Additions and Deletions
- Presentation and discussion of Final Portfolio
Aim Portfolio vs. Major Indices

1 Year
- AIM Portfolio: 13.0%
- S&P 500 - Total Return Index: 11.6%
- HBI: 11.3%
- Russell 2000 Index: 10.9%

3 Year
- AIM Portfolio: 16.8%
- S&P 500 - Total Return Index: 13.2%
- HBI: 13.4%
- Russell 2000 Index: 13.9%

5 Year
- AIM Portfolio: 4.4%
- S&P 500 - Total Return Index: 0.4%
- HBI: 0.5%
- Russell 2000 Index: 0.7%

Inception
- AIM Portfolio: 10.3%
- S&P 500 - Total Return Index: 6.9%
- HBI: 7.0%
- Russell 2000 Index: 7.2%

Source: BNY Mellon Workbench, iShares
AIM consumer staples have underperformed the S&P index both recently and over the long-term
   – 5-year horizon exception
AIM consumer discretionary stocks have outperformed the S&P index YTD and over the long-term
   – 1-year horizon exception

Source: BNY Mellon Workbench, iShares
• AIM financials have outperformed S&P 500 Financial Index during all periods
• AIM healthcare stocks have outperformed in all periods
• Largest outperformance for both sectors was over 3-year period
  • AIM financials beat Financial Index by 19.89%
  • AIM healthcare stocks beat Healthcare Index by 14.29%

Source: BNY Mellon Workbench, iShares
Energy & Industrials

- Energy has only been in portfolio a short time, and has underperformed since
- Only marginally below in 2012, but underperformed by more than 10% over the past year
- Industrials have been underperforming over the last five years over all periods
  - Weighed down by performance of Potash and fluctuations in CAT and CMI

Source: BNY Mellon Workbench, iShares
• IT has consistently outperformed the corresponding S&P index in all periods except the 5-year
• Has performed exceptionally well in 2012, when it has outperformed its peers by over 10%
Sharpe Ratio

- Risk-Reward performance measure, indicating excess return per unit of variation in investment returns
- Used to determine whether returns are generated by management decisions or by additional risk
- A higher ratio means greater management efficacy

\[ S = \frac{(R_p - R_f)}{\sigma_p} \]

Where:
- \( R_p \) is the portfolio return
- \( R_f \) is the risk-free rate (3 Month T-Bill)
- \( \sigma_p \) is the standard deviation of the portfolio
Sharpe Ratio

Source: BNY Mellon Workbench

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIM</td>
<td>1.23</td>
<td>1.13</td>
<td>0.29</td>
<td>0.46</td>
</tr>
<tr>
<td>HBI</td>
<td>1.29</td>
<td>0.85</td>
<td>0.12</td>
<td>0.45</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>1.45</td>
<td>0.88</td>
<td>0.09</td>
<td>0.45</td>
</tr>
</tbody>
</table>

AIM XXXV

Source: BNY Mellon Workbench

Page 98
Jensen’s Alpha

- Measures portfolio’s excess return on a risk adjusted basis (CAPM)
- Compares returns adjusted for systematic risk (risk that affects the entire market)
- Higher positive values are indicative of better management

\[ \alpha_{\text{Jensen}} = R_p - \left[ R_f + \beta_p * (R_M - R_f) \right] \]

Where:
- \( R_p \) is the portfolio return
- \( R_f \) is the risk-free rate (3 Month T-Bill)
- \( \beta_p \) is the portfolio beta
- \( R_M \) is the market return
Jensen’s Alpha

Source: BNY Mellon Workbench

<table>
<thead>
<tr>
<th>Time Period</th>
<th>AIM vs. HBI</th>
<th>AIM vs. S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>0.40</td>
<td>-1.30</td>
</tr>
<tr>
<td>3 Years</td>
<td>4.98</td>
<td>4.36</td>
</tr>
<tr>
<td>5 Years</td>
<td>3.73</td>
<td>4.28</td>
</tr>
<tr>
<td>Since Inception</td>
<td>3.20</td>
<td>3.45</td>
</tr>
</tbody>
</table>
Attribution: Definition

**Allocation Effect**
- Comparative value added by over or underweighting sectors relative to benchmark
  - Overweight top performing, underweight poor performing

**Selection Effect**
- Value added by choosing securities that outperform the benchmark at each sector level

**Total Net Management Effect**
Attribution: Three Year
One-Year Performance Overview

### Best Performers
- **Gilead Sciences (GILD)** +92.1%
  - First-mover drug advantage
- **Ebay, Inc. (EBAY)** +82.5%
  - Immense growth in PayPal
- **Discover Financial (DFS)** +79.8%
  - Awareness & merchant adoption
- **Apple Inc. (AAPL)** +62.1%
  - Innovation & rapid product adoption
- **Dick’s Sporting Goods (DKS)** +38.1%
  - Geographic expansion, unique layout

### Worst Performers
- **AeroVironment Inc. (AVAV)** -18.6%
  - Sequestration concerns
- **PNC Financial (PNC)** -12.9%
  - Bad mortgages acquired
- **Activision Blizzard (ATVI)** -7.4%
  - Concerns w/ video game market
- **Potash Corp. (POT)** -5.6%
  - Issues with foreign contracts
- **Caterpillar (CAT)** -2.4%
  - Global macroeconomic concerns

Source: Yahoo! Finance
Portfolio Turnover – Stocks Bought

**BOUGHT**

1) **Wynn Resorts (WYNN)** – Presence in Macau, growth prospects
2) **Select Comfort Corp. (SCSS)** – Sustainable competitive advantage
3) **Cerner Corp. (CERN)** – Market leader in healthcare IT sector
4) **Kapstone Paper (KS)** – Great management
5) **Expediters Int’l (EXPD)** – Management, attractive valuation
6) **Open Table (OPEN)** – First mover in restaurant reservations
7) **Acuity Brands (AYI)** – Growing LED & lighting remodeling
8) **Domino’s Pizza (DPZ)** – Domestic innovation & international growth
9) **IPG Photonics (IPGP)** – First mover in industrial lasers

Source: Commentary provided by AIM XXXV analysts
SOLD

1) Caterpillar (CAT) – Exposure to macroeconomic weakness
2) AeroVironment (AVAV) – Sequestration concerns
3) KeyCorp (KEY) – NIM compression & slow loan portfolio growth
4) PNC Financial (PNC) – Regulation & legacy mortgages
5) Alliant Tech (ATK) – Fiscal cliff concerns / sequestration
6) Williams-Sonoma (WSM) – Market has priced in housing recovery
7) CarMax (KMX) – Optimistic outlook has led to over-valuation
8) Qualcomm (QCOM) – Risk of margin contraction, fully-priced growth potential
9) Dollar Tree (DLTR) – Declining same-store sales growth & peak margins
10) Coca-Cola (KO) – Unattractive valuation due to flight to safety
# Final Portfolio (11/30/2012)

<table>
<thead>
<tr>
<th>Stock</th>
<th>Ticker</th>
<th>AIM Holdings</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activision Blizzard</td>
<td>ATVI</td>
<td>$ 269,193</td>
<td>3.9%</td>
</tr>
<tr>
<td>Acuity*</td>
<td>AYI</td>
<td>$ 277,830</td>
<td>4.1%</td>
</tr>
<tr>
<td>Apple</td>
<td>AAPL</td>
<td>$ 351,168</td>
<td>5.1%</td>
</tr>
<tr>
<td>Cerner Corp*</td>
<td>CERN</td>
<td>$ 262,548</td>
<td>3.8%</td>
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<tr>
<td>Chevron</td>
<td>CVX</td>
<td>$ 301,217</td>
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<tr>
<td>Continental Resources</td>
<td>CLR</td>
<td>$ 247,320</td>
<td>3.6%</td>
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<tr>
<td>Cummins</td>
<td>CMI</td>
<td>$ 265,032</td>
<td>3.9%</td>
</tr>
<tr>
<td>Dick's Sporting Goods</td>
<td>DKS</td>
<td>$ 257,299</td>
<td>3.8%</td>
</tr>
<tr>
<td>Discover Financial</td>
<td>DFS</td>
<td>$ 270,465</td>
<td>4.0%</td>
</tr>
<tr>
<td>Domino's*</td>
<td>DPZ</td>
<td>$ 220,480</td>
<td>3.2%</td>
</tr>
<tr>
<td>eBay</td>
<td>EBAY</td>
<td>$ 290,510</td>
<td>4.2%</td>
</tr>
<tr>
<td>Expediters Int'l*</td>
<td>EXPD</td>
<td>$ 276,908</td>
<td>4.0%</td>
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<tr>
<td>FlowServe Corporation</td>
<td>FLS</td>
<td>$ 207,825</td>
<td>3.0%</td>
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</table>

* denotes new position

<table>
<thead>
<tr>
<th>Stock</th>
<th>Ticker</th>
<th>AIM Holdings</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gilead Sciences</td>
<td>GILD</td>
<td>$ 330,000</td>
<td>4.8%</td>
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<tr>
<td>Google</td>
<td>GOOG</td>
<td>$ 279,348</td>
<td>4.1%</td>
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<td>Halliburton</td>
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<td>IPG Photonics*</td>
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<td>Kapstone*</td>
<td>KS</td>
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<td>$ 249,816</td>
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<td>UNH</td>
<td>$ 261,072</td>
<td>3.8%</td>
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<tr>
<td>Wynn Resorts*</td>
<td>WYNN</td>
<td>$ 281,000</td>
<td>4.1%</td>
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<tr>
<td>Cash Position</td>
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<td>$ 8,650</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$ 6,843,360</strong></td>
<td><strong>100.0%</strong></td>
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General Information

In-class Speakers
Chicago Trip
New York City Trip
Newsletter
AIM Website
Visiting speakers

Ed Trubac, Finance Professor Emeritus

Scott Malpass, Chief Investment Officer

CEO - Peter Kalan,
SVP - Investor Relations
Liz Bauer

Equity Research
Analyst - Tom Roderick
Chicago Trip

Health Care Private Equity

Fund of Funds

International Real Estate

MCN Capital  Equity Long/Short
New York Trip

Equity Long/Short

U.S. Equities

Private Equity
New York Trip

Multi-Strategy Hedge Fund

Financials: Long/Short

Special Situations Fund
New York Trip
• Objective
  – Alumni Updates
  – Portfolio Performance
  – Economic Outlook

aim.nd.edu
• Course Overview
• Current Analysts
• Portfolio Performance
• Alumni
  – Career Opportunities
  – Upcoming Events
  – Social Networking
    • LinkedIn
    • My Notre Dame
Thank You

AIM XXXV would not have been possible without the generous support of:

- The Advisory Board
- Scott Malpass and the Notre Dame Investment Office
- Professors Langley, Reilly and Trubac
- Rachel Karnafel

Post - Presentation Agenda

- Due diligence and discovery of Domino’s Pizza
- Advisory Board panel discussion