



AIM
QUARTERLY
NEWSLETTER



GREETINGS FROM AIM

As the first quarter of 2016 comes to a close, 21 MBA analysts have completed our second round of valuations of potential holdings under the guidance of Professors Jerry Langley and Bill McDonald.

In the coming weeks, we will select the stocks that we will carry in the portfolio going forward. With the current market landscape, it is an exciting time to be selecting viable options to strengthen our current positions.

GERARD BAKER



This semester, the analysts received a special visit from Gerard Baker, editor-in-chief of the Wall Street Journal, thanks to Mr. Malpass. Mr. Baker spoke about the state of the economy, upcoming presidential election, and changes in the world's economy since the Great Recession.

Mr. Baker noted that since the beginning of his career in financial journalism, the split ideologies between capitalism and Marxism have largely disappeared. The second major change in the world has resulted from financial market deregulation.

The Latin American debt crisis, UK currency crisis, and Asian financial crisis were all contributing factors in the overreaction of governments in creating too much regulation. Mr. Baker implied that one of the most important question facing the economy and its regulators is how to balance the free flow of capital against the risk of global financial instability.

Regarding the presidential elections, Mr. Baker noted that Mr. Trump has tapped into a deep anger among middle class Americans, and has been able to get them to vote in large numbers in the primaries thus far. Mr. Baker didn't rule out the possibility of Mr. Trump winning the presidency in November, but also noted the difficulty he would have in uniting the mainstream, establishment Republicans across the country.

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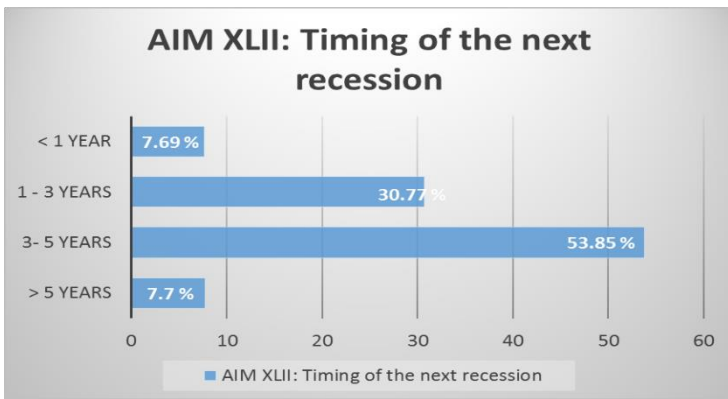


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STATE OF THE ECONOMY

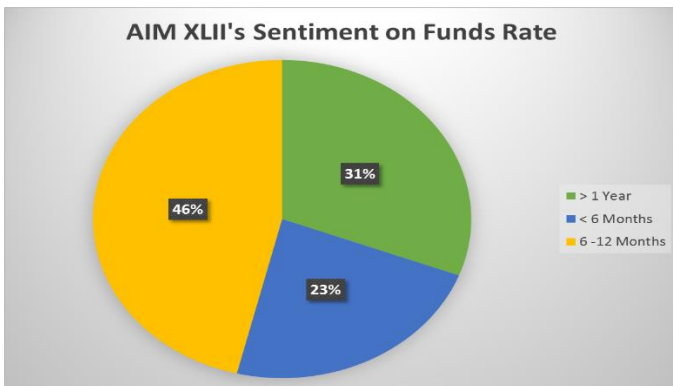
Should We Fear a Recession?

The Atlanta Fed forecasted a Q1 GDP of 0.6%, which is a large drop considering they are the most accurate predictor of GDP numbers within the Federal Reserve System. However, the WSJ Economists survey has a Q1 estimate of 1.3% and an estimate of 2.4% for Q2.



Will FED Raise Rates Again?

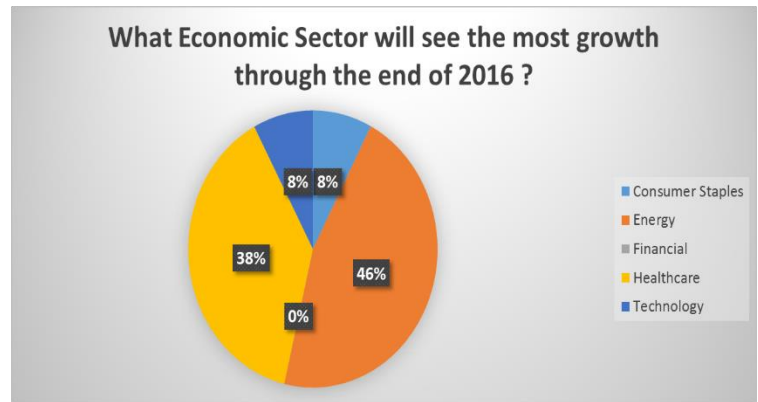
Janet Yellen indicated in her last speech that the Fed will pursue a careful and patient course towards higher interest rates hinting no increase in the April meeting. However, the Fed is still expected to raise rates by about half a percentage point this year.



Based on responses of current AIM students

Employment Shows Slow Growth

Unemployment rose to 5% in March as the U.S Economy added 215,000 jobs. However, a positive sign appeared with an increase in the Labor participation rate increasing to 63% off recession lows. On the wages front, average hourly earnings also increased 0.3%. Lower commodity prices should be boosting consumer spending, but Retail and Food Services Sales have posted more monthly decreases in 2016 by approximately 0.2% from last month. On the other hand, housing starts increased more than expected by 5.2%, driven by a better labor market.



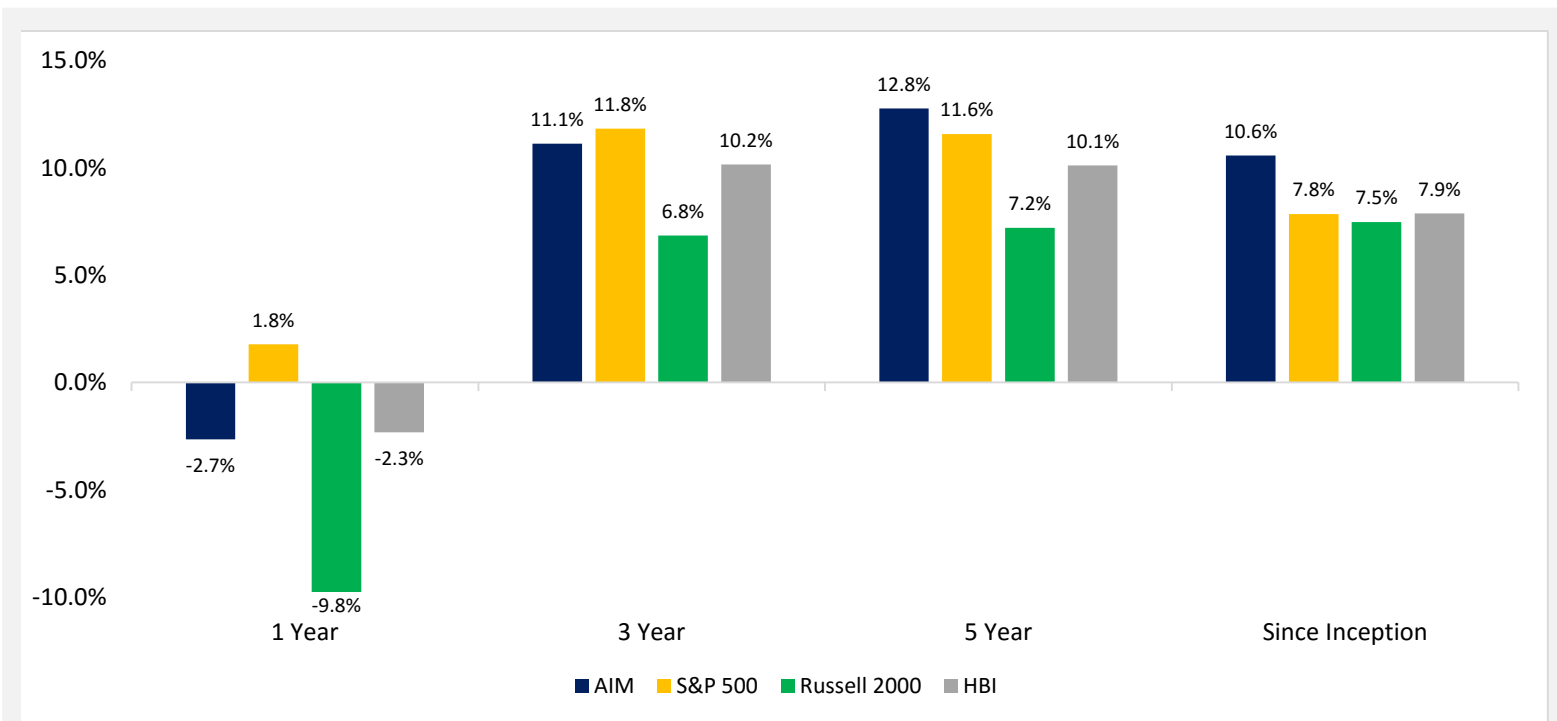
*Based on Responses of current AIM Students



PORTFOLIO PERFORMANCE

BENCHMARK COMPARISON

The AIM portfolio has continued to outperform its benchmarks - S&P 500, Russell 2000, and HBI (65% S&P 500, 35% Russell 2000) - since inception and over the five year horizon. Over the three year horizon, the AIM portfolio has underperformed relative to the S&P 500, but outperformed both the Russell 2000 and HBI. Over the past year, the AIM portfolio has outperformed the Russell 2000, while underperforming against the S&P 500 and HBI.

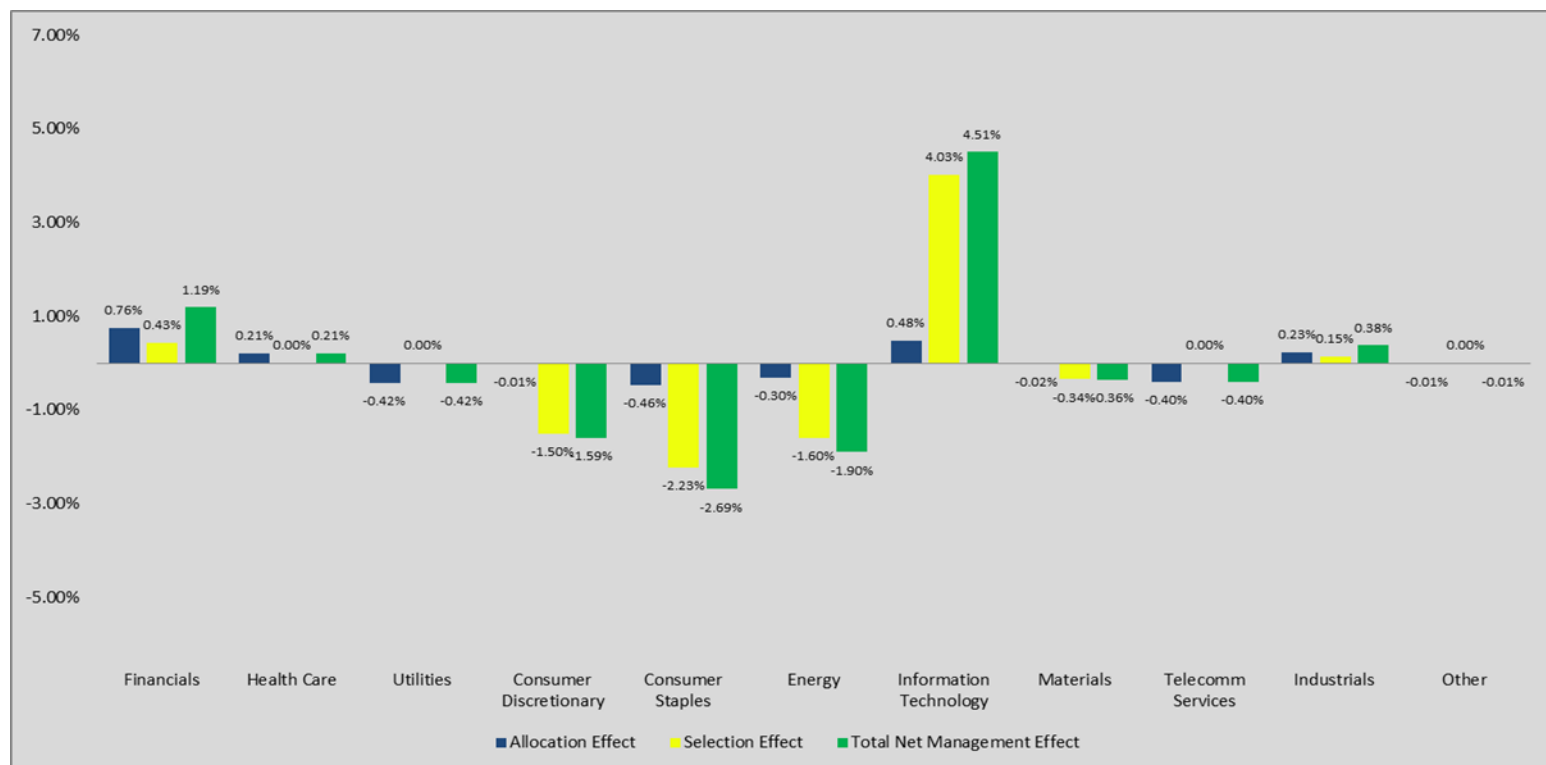


**Performance as of 3/31/2016

Portfolio Attribution

Over the past year, the AIM portfolio has underperformed the market (S&P 500) by 4.44%. A large part of this underperformance is a result of an over-weight position in poor performing sectors such as Consumer Discretionary, Consumer Staples, and Energy. The portfolio's most problematic sector has been Consumer Staples, which had a net management effect of -2.69%. Consumer Discretionary and Consumer Staples sectors performed poorly due to weak economy and low consumption demand. Oil has rebounded, but our portfolio still underperforms in that area with a net management effect of -1.90%. However, the Information Technology sector continued its strong returns and had a net management effect of 4.51%.

Portfolio Attribution



BEST & WORST PERFORMERS

In the past year, the majority of stocks in the AIM portfolio are down due to the weak economy and the consistently low price of oil. Several stocks generated poor returns, most notably Kinder Morgan, Mobileye, and Union Pacific, which have been negatively impacted by low oil prices. Year to date, the stocks in the AIM portfolio have shown mixed results. Several stocks have generated poor year-to-date returns, led by Envision Healthcare with a -19.68% return. Additionally, Delphi Automotive, Activision Blizzard, and Mobileye have underperformed. However, the loss has been partially offset by several stocks, led by Kinder Morgan, which has posted a return of 19.91% due to the slight rebound in oil prices. In addition, Spirit Airlines, Fastenal, American Tower, and TJ Maxx have contributed positive year-to-date returns.

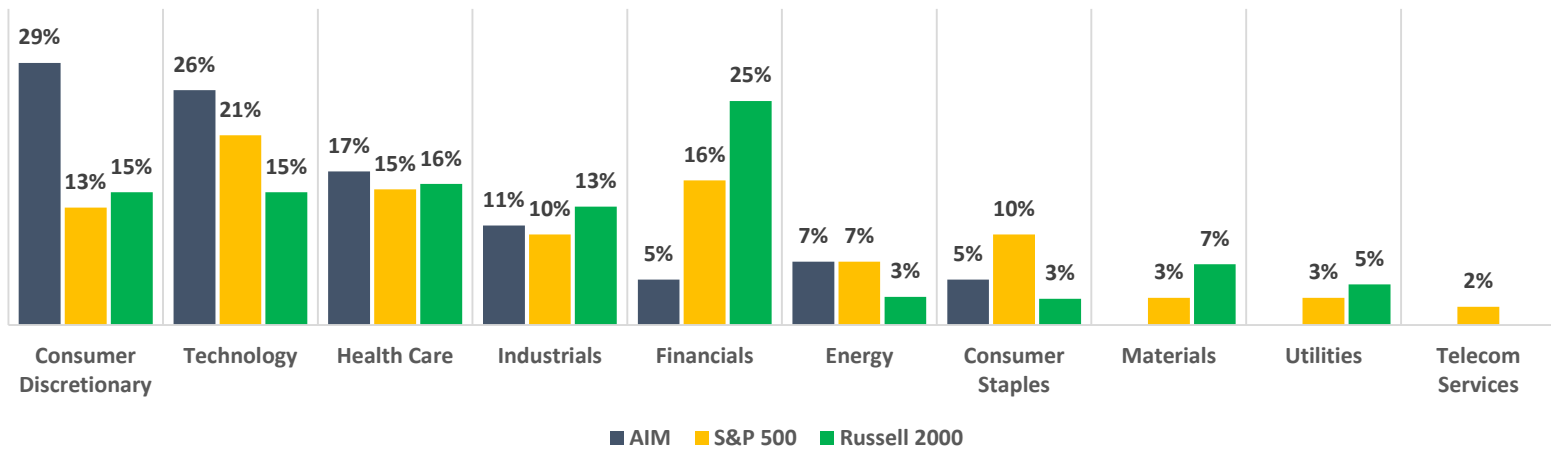
Top Performers		
Company Name	Industry	Return
Activision	Consumer Discretionary	46.04%
Google	Technology	37.98%
Microsoft	Technology	30.99%
Spirit Airlines*	Consumer Discretionary	26.77%
Fastenal*	Industrial	16.69%
Mastercard*	Financial	7.03%

Bottom Performers		
Company Name	Industry	Return
Kinder Morgan	Energy	-56.30%
Hain Celestial	Consumer Staple	-36.27%
Union Pacific	Industrial	-28.50%
Envision Health*	Healthcare	-27.14%
Jazz Pharma*	Healthcare	-26.00%
Covanta	Industrial	-23.89%

*Returns are Holding Period returns since we haven't held the stocks for 12 months

All other returns are Trailing 12 months as of 4/12/16

Current Sector Weights vs. Major Benchmarks



CONSUMER DISCRETIONARY

With 29% of portfolio allocation, Consumer Discretionary remains the largest sector within the AIM portfolio. According to the Bureau of Labor Statistics, average hourly earnings have risen by 2.2% over the past 12 months, which should be a tailwind for consumer spending. Low commodity prices and energy costs increase the amount consumers have left to spend. Possible headwinds are changing post-recession consumption patterns and Fed rate hikes that dampen consumer spending.

TECHNOLOGY

The technology sector held up well in recent months, and has posted a nice rebound in March. Three AIM portfolio companies – Facebook, Google, and Microsoft – have announced or released virtual reality or augmented reality products in the past quarter, but the financial impact of these products remains uncertain. Mature tech sector companies have increased their dividend payments, which may become a larger part of total equity return in the near term. Technology is our second largest sector with 26% of the AIM portfolio.

HEALTH CARE

Health care has been the worst-performing sector in the S&P 500 so far this year. While United Health (UNH) is up 9% in 2016, the three other AIM portfolio companies are flat or negative. Sector headwinds include political comments about price controls that cause investor uncertainty about the profitability of the sector and the future of the Affordable Care Act. Long-term, the aging US population should be a tailwind for the health care sector.

KEY COMPANY UPDATES



Disney's Thomas Staggs, the Chief Operating Officer, unexpectedly announced his departure on Monday, April 4th. He was the favorite to lead Disney after Robert Iger's retirement. Additionally, the newest movie, 'Zootopia' reached over \$800M in box office sales. This is now the third biggest overall release, after 'Frozen' and 'The Lion King.'

Jazz Pharmaceuticals®



On March 30, 2016 Jazz Pharmaceuticals plc announced that the U.S. Food and Drug Administration granted approval for Defitelio. This is for the treatment of adult and pediatric patients with hepaticVOD. The company expects to start shipping this product in the distribution channels next week, and the stock was up over 8% of the day the news hit.



A federal jury is forcing Gilead to pay \$200 million to rival Merck over the sales of its blockbuster hepatitis C drugs Sovaldi and Harvoni. Last year the sales of the two drugs were \$12.5B in the United States and Merck argued that an active ingredient in the drugs, sofosbuvir, infringed two Merck patents and it was awarded royalties in the court case.



PORTFOLIO COMPOSITION

TICKER	STOCK	VALUE of POSITION	AIM WEIGHT
ATM	AMERICAN TOWER CORP	\$444,276	4.2%
ATVI	ACTIVISION BLIZZARD INC	\$414,840	3.9%
CHKP	CHECK POINT SOFTWARE TECHNOLOGIES	\$479,570	4.6%
CVA	COVANTA HOLDING CORP	\$401,040	3.8%
EFX	EQUIFAX INC	\$376,423	3.6%
EVHC	ENVISION HEALTHCARE HOLDINGS	\$341,110	3.2%
FB	FACEBOOK INC	\$427,596	4.1%
GILD	GILEAD SCIENCES INC	\$471,792	4.5%
GOOG	ALPHABET INC	\$475,539	4.5%
HAIN	HAIN CELESTIAL GROUP INC/THE	\$464,310	4.4%
HASI	HANNON ARMSTRONG SUST INFRA	\$383,119	3.6%
JAZZ	JAZZ PHARMACEUTICALS PLC	\$361,975	3.4%
KMI	KINDER MORGAN INC/DE	\$326,972	3.1%
KNL	KNOLL INC	\$378,821	3.6%
MCD	MCDONALD'S CORPORATION	\$374,169	3.6%
MKTX	MARKETAXESS HOLDINGS INC	\$375,037	3.6%
MLHR	HERMAN MILLER INC	\$374,482	3.6%
MSFT	MICROSOFT CORP	\$500,850	4.8%
ORLY	O'REILLY AUTOMOTIVE INC	\$403,125	3.8%
SFM	SPROUTS FARMERS MARKET INC	\$366,882	3.5%
SHW	SHERWIN-WILLIAMS CO	\$369,945	3.5%
UNH	UNITED HEALTH GROUP INC COM	\$445,655	4.2%
UNP	UNION PACIFIC CORP	\$357,324	3.4%
WAB	WESTINGHOUSE AIR BRAKE TECHNOLOGIES	\$374,630	3.6%
WSR	WHITESTONE REIT	\$375,560	3.6%
XOM	EXXON MOBIL CORP	\$450,341	4.3%
TOTAL PORTFOLIO		\$10,515,385	100.0%

* As of 4/15/2016

ALUMNI UPDATE

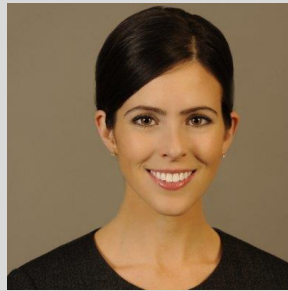
AIM ALUMNI



Christopher Liedl

Christopher is currently an Associate at Ropes & Gray LLP, a global law firm. Christopher was admitted to the Massachusetts Bar in 2014 after earning a JD from Harvard Law School.

After graduating from Notre Dame in 2008 with degrees in Finance and Spanish, Chris worked for NextEra Energy Resources, a clean and renewable energy company. Christopher was inspired to work for a clean energy “startup” company after choosing to cover Ocean Power Technologies for his second stock in AIM.



Blair Pircon, CFA

Blair is a Co-Founder and CEO at The Graide Network, an online platform connecting college students to middle and high school teachers, creating a mutually beneficial network that properly prepares aspiring teachers by giving them the opportunity to aid current teachers in their day to day grading processes. The Graide Network was a Chicago Inno “50 on Fire” Finalist in 2015.

Prior to founding The Graide Network, Blair researched software retail and department stores at Robert W. Baird & Co. Blair is currently working on an MBA from Kellogg School of Management and is a CFA charter holder. Blair is also a Camelback Ventures Fellow (2016)



Brian Canella

Brian is currently working as a Vice President with Kanye Anderson Real Estate Advisors L.P., a Real Estate Private Equity firm with \$19 billion in assets and 300 professionals across eight offices in the United States.

After graduating with a degree in Civil Engineering from Union College in 2005, Brian worked as a Consultant for three years before getting his MBA at Notre Dame (Class of 2010).

After Notre Dame, Brian worked for two Real Estate firms, Newmark Knight Frank and Tishman Construction before taking his current job at Kanye Anderson. Brian currently lives in West Palm Beach, Florida.

ALUMNI UPDATE

ALUMNI COLUMN



BY THOMAS PESCH

For this Alumni Update, I wanted to share some of my experiences from a recent job search, specifically the ways in which that search was aided by my experience in the AIM program. I was accepted into the Spring 2013 session during my year in the MSA program and was among the minority of students in AIM who do not have a background in finance—on the semester’s opening quiz I recall a question asking me to name the chairman of the Federal Reserve particularly mystifying; that topic had not been broached in any of my accounting classes. AIM was of course a fantastic experience, likely the most challenging of my academic career, and the benefits of that experience have continued to accumulate.

After spending two years in public accounting after graduation, I was looking to move into a new role that better balanced my interests in finance. The transition required persistence on a few levels; recruiters are eager to funnel CPAs into the many accounting-driven openings in the market, while the shift I was pursuing was less common. However, the unnatural transition was facilitated by my AIM experience. Time and again recruiting firms noted their familiarity with the program and understanding of its rigor. The AIM class was also a point of discussion in several interviews and gave me talking points to help demonstrate the depth of understanding gleaned in the course (during one interview I was asked to define “beta,” perhaps as a test to see if I could back up my finance chatter; I’m happy to say that I was able to speak with more

confidence than I did with that whole “chairman of the Fed” fiasco).

As a result of my search I was offered and accepted a financial advisory role in which our clients face complex issues in all areas of business. I have had days where I have moved from one meeting regarding the calculation of damages in a patent litigation to attend another meeting to discuss single-name credit default swaps. I have greatly enjoyed my new position and I may not have had the background to pursue it without the benefit of the AIM program. For me personally, AIM provided invaluable diversification to my business education and gave me added confidence and perspective as I began my career. I am proud of the University and its faculty for continuing to demonstrate their investment in students through the AIM program and have no doubt that past, present, and future AIM members will find the course similarly beneficial, regardless of background.

...

Mr. Pesch graduated from Notre Dame in with a B.A. in Accounting in 2012 and with a Master’s in Accounting in 2013. Mr. Pesch was a member of AIM XXXVI as a graduate student. He started his career at Deloitte and earned his CPA before becoming a Financial Advisory Associate at AlixPartners in Chicago.



AIM XLII CLASS PROFILE

Analyst	Email	Hometown	Undergraduate Education	1 st Stock	2 nd Stock	Post-Grad Plans ¹
Daniel Burke	dburke4@nd.edu	Spokane, WA	Creighton University	Covanta Holdings	Garmin	Deutsche Bank
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Wesley Taul	wtaul1@nd.edu	Owensboro, KY	University of Kentucky	Alphabet	Gilead	Eli Lilly & Company
Thomas Thomas	tthoma12@nd.edu	Troy, MI	Grand Valley State University	Activision Blizzard	Whirlpool	Whirlpool
Benjamin Walker	bwalker5@nd.edu	Lehi, UT	Westminster College	American Tower	Whitestone REIT	Utah Retirement System
Patrick Whitmore	pwhitmor@nd.edu	Cleveland, OH	College of the Holy Cross	Microsoft	Sherwin-Williams	KeyBanc

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