Applied Investment Management (AIM) Program

AIM Class of 2016 Equity Fund Reports
Fall 2015

Date**: Friday, October 9th* | ***Time:** 3:00 – 4:15 p.m.* | ***Location: Timpani

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Avery Flyte	Carriage Services, Inc.	CSV	Consumer Discretionary (Micro-Cap)	2
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These student presentations are an important element of the applied learning experience in the AIM program. The students conduct fundamental equity research and present their recommendations in written and oral format – with the goal of adding their stock to the AIM Equity Fund. Your comments and advice add considerably to their educational experience and is greatly appreciated. Each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 7 minutes of Q & A.

David S. Krause, PhD
Director, Applied Investment Management Program
Marquette University
College of Business Administration, Department of Finance
436 Straz Hall, PO Box 1881
Milwaukee, WI 53201-1881

mailto: AIM@marquette.edu

Website: MarquetteBuz/AIM AIM Blog: AIM Program Blog
Twitter: Marquette AIM Facebook: Marquette AIM

Carriage Services, Inc. (CSV)
October 9, 2015

Avery D. Flyte — Domestic Consumer Discretionary

Carriage Services, Inc. (NYSE: CSV) is a leading provider of death care services and merchandise in the United States. The company operates primarily in two segments: funeral home operations (76.8% of 2014 revenue) and cemetery operations (23.2%). The funeral home operations segment offers a complete suite of services to meet families' funeral needs, including consultation, removal and preparation of remains, sale of caskets and related funeral merchandise, use of funeral homes for visitation and religious services, and transportation services. The cemetery operations segment provides interment services and sells related cemetery merchandise, such as markers, memorials and vaults. It also sells the rights to interment in its gravesites, mausoleum crypts/niches and other cemetery sites, and acts as the managing partner of certain municipal and independently owned cemeteries. As of December 31, 2014, Carriage Services operated 164 funeral homes in 27 states and 32 cemeteries in 11 states. Carriage Services was founded by Melvin C. Payne in June 1991 and is headquartered in Houston, Texas.

				FY: Dec 31	2014A	2015E	2016E	2017E
Price ($): (10/02/2015)	21.59	Beta:	1.10	Revenue (Mil)	225.01	236.00	247.00	259.00
Price Target ($):	29.50	WACC	7.23%	% Growth	5.91%	4.88%	4.66%	4.86%
52WK H-L ($):	25.65 - 17.30	M-Term Rev. Gr Rate Est:	4.8%	Gross Margin	30.01%	30.97%	31.78%	32.70%
Market Cap (mil):	397	M-Term EPS Gr Rate Est:	12.8%	EBITDA Margin	17.16%	17.55%	17.84%	18.35%
Float (mil):	16.3	Debt/Equity:	152.3	EPS (Cal)	$ 0.82	$ 0.95	$ 1.04	$ 1.18
Short Interest (%):	12.2	Debt/EBITDA (ttm):	4.97	FCF/Share	$ 0.75	$ 0.67	$ 1.55	$ 1.73
Avg. Daily Vol (mil):	0.1	ROA (%):	2.47	P/E (Cal)	24.65x	22.75x	20.66x	18.31x
Dividend ($):	0.10	ROE (%):	11.50	EV/Sales	3.04x	2.90x	2.77x	2.64x
Yield (%):	0.5	ROIC (%):	4.53					

Recommendation

The death care industry has historically been fragmented with limited overlap between the funeral and cemetery segments of the industry. Today, such distinctions are diminishing as the death care industry is consolidating. The largest public operators in terms of revenue of both funeral homes and cemeteries in the United States are Service Corporation International, StoneMor Partners, and Carriage Services. These three companies collectively represent approximately 20% of U.S. death care revenues. Independent businesses, along with a few privately owned consolidators, represent the remaining amount of industry revenue accounting for an estimated 80% share. Given the relatively mature nature of the death care industry, there is little expectation for organic growth in terms of new establishments. Therefore, the potential for future profitability will be predicated upon the ability to successfully identify suitable acquisition candidates and negotiate transactions on favorable terms. As a leading stalwart within the funeral and cemetery industry, Carriage Services has developed a superior consolidation and operating platform. Melvin Payne recognized that the long-term prospectus of a local branded death care business is reflected by several criteria tied to a five to ten year performance model. Carriage uses the following criteria to rank the strategic position of each potential acquisition: size of business, size of market, competitive standing, demographics, strength of brand, barriers to entry, volume and price trends. Acquisition candidates are selected and prequalified to perform against these stringent requirements. The results after five full years of the company's strategic acquisition model have been remarkable, as reflected in total shareholder return performance comparing the five full years ending December 31, 2014 of Carriage (up 535%), Service Corporation (up 311%), and the Russell 3000 Index (up 114%). Moreover, over 80% of Carriage's total shareholder return over the last six years has been realized since the strategic acquisition model began, as the company' stocks price has increased 286% from $5.60 per share on December 31, 2011 to $21.59 per share on October 2, 2015. It is therefore recommended that Carriage Services be added to the AIM Equity Fund with a target price of $27.68, representing a 28% upside. The company also pays a dividend of $0.10, which is a dividend yield of 0.5%.

Investment Thesis

- **Death Rates.** The number of people age 65 and over is expected to increase from 44.0 million in 2013 to 50.9 million in 2018, reflecting an average annual growth rate of 3.0%. As the average age of the population continues to rise, the number of deaths in the U.S. is expected to increase by an average of 0.9% per year, reaching an estimated 2.6 million in 2018. Beyond 2018, the annual death rate is projected to increase 32% by 2030 as older baby boomers start passing away. The rapidly growing and aging population is expected to result in a considerable increase in the number of deaths, fueling growth in the funeral and cremation services and supplies industry.
- **Decentralization and Partnership.** As private enterprise succession plans are more complex and complicated than ever, CSV has constructed a successful business model based upon providing a high rate of return for the shareholders, by capitalizing on growth opportunities across nearly all of its markets. The company is leveraging a decentralized, high-performance operating system tied to creative incentive based compensation plan. CSV's senior management maintains supervisory control from the corporate headquarters, providing support services as needed, while allowing the local market enterprise to capitalize on its reputation and heritage. This positions the company to continue delivering sustainable, profitable growth by capitalizing on the needs of a rapidly aging population.
- **Flexible Capital Structure.** Carriage Services has no near-term debt maturity issues. Currently, the company has four primary components in its capital structure: a $125 million term loan with a 2019 maturity, of which $120.3 million was outstanding at December 31, 2014; a $200 million revolving credit facility with a 2019 maturity, of which $40.5 million was outstanding at December 31, 2014; the $143.75 million 2.75% convertible subordinated notes with a 2021 maturity; and common stock. This capital structure affords senior management the financial flexibility to invest Carriage's net cash flow in growth opportunities, such as business acquisitions and cemetery inventory projects.

Valuation

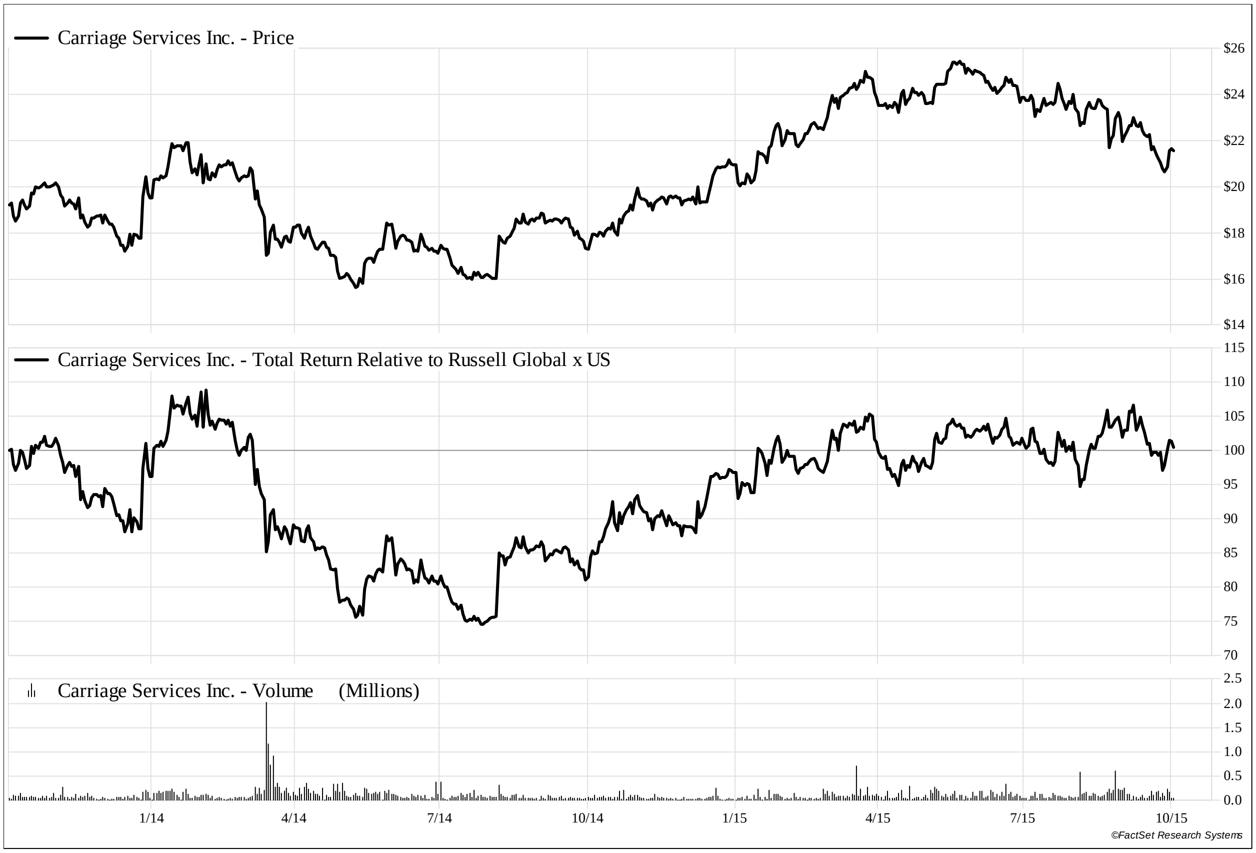
In order to reach an intrinsic value for CSV, a five-year DCF model was constructed. Using a terminal growth rate of 3.00% and a WACC of 7.23%, an intrinisc value of $27.84 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $19.80-$40.39. Additionally, a historical and peer EV/Sales comparison was conducted resulting in a price target of $27.53. By weighting the two valuation models 50/50, a price target of $27.68 was reached, which yields a 28% upside.

Risks

- **Cremations.** The cremation rate is increasing exponentially, thanks in part to an increase in religious acceptance of the practice and economic factors. The current average growth rate is at 1.49% annually. With the cremation rate rising one-third faster than at the middle of the last decade, Carriage Services is at risk of losing market share to firms specializing in cremations services.
- **Preneed Sales.** Carriage Services markets funeral and cemetery services and products on a preneed basis. At December 31, 2014, the company had a backlog of 82,842 preneed funeral and cemetery contracts to be delivered in the future. Declines in preneed sales could have a material adverse effect on the company's financial condition, results of operations, and cash flows.

Management

Mr. Melvin C. Payne assumed the role of Chairman of the Board for Carriage Services in December 1996, and has served as a director and Chief Executive Officer since the company's inception in June 1991.



Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	11.50%
% of Shares Held by Institutional & Mutual Fund Owners:	76.40%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Dimensional Fund Advisors LP	1,545,000 ▲	8.40
Fidelity Management & Research Co.	1,392,000 ▲	7.60
Melvin C. Payne	1,366,000 ▼	7.40
Keeley Asset Management Corp.	1,285,000 ▼	7.00
Pyramis Global Advisors LLC	943,000 ▲	5.10

Source: FactSet

Peer Analysis

Name	Ticker	MarketCap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/Sales
Carriage Services, Inc.	CSV	397.20	225.01	57.68	0.50	2.91
Service Corporation International	SCI	5,506.40	2,994.01	802.60	1.70	2.79
StoneMor Partners L.P.	STON	872.50	288.08	16.70	9.50	3.94
Peer Averages		3,189	1,641	409.7	5.60	3.37

Source: FactSet

PCTEL, Inc. (PCTI)
October 9, 2015

Joanne Wycklendt — Micro-Cap Technology

PCTEL, Inc. (NASDAQ: PCTI) designs and develops Performance Critical TELecom applications and solutions for wireless networks. The company provides performance and test equipment, software and engineering services through two segments – RF Solutions and Connected Solutions. RF Solutions (35% of revenue) assist in-building and outdoor networks in benchmarking performance and analyzing trends to optimize wireless connectivity. Connected Solutions (65%) support cellular, private and broadband networks in supervisory control and data acquisition (SCADA) with a portfolio of performance critical antennas and site solutions. PCTI has approximately 546 employees, with operations across the U.S. (73% of revenue), Europe (11%) and Asia (11%). The company was founded in California in 1994, was reincorporated in Delaware in 1998 and is headquartered in Bloomingdale, IL.

Price ($):	5.96
Price Target ($):	8.70
52WK H-L ($):	8.94 - 5.22
Market Cap (mil):	109
Float (mil):	16.7
Short Interest (%):	1.0
Avg. Daily Vol (mil):	0.1
Dividend ($):	0.20
Yield (%):	3.4
Source:	FactSet

Beta:	0.74
WACC (%):	8.28
M-Term Rev. Gr Rate Est:	9.4%
M-Term EPS Gr Rate Est:	26.0%
Debt/Equity:	0.1
Debt/EBITDA (ttm):	0.01
ROA (%):	3.61
ROE (%):	4.07
ROIC (%):	4.06

FY: Dec	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Revenue (Mil)	$104.25	$107.17	$114.14	$123.62
% Growth	17.3%	2.8%	6.5%	8.3%
Gross Margin	40.1%	40.7%	37.7%	41.9%
EBITDA Margin	0.2%	3.8%	5.3%	15.2%
EPS (Cal)	$0.17	$0.25	$0.34	$0.72
FCF/Share	$0.46	$0.30	$0.14	$0.56
P/S (Cal)	1.1x	1.0x	1.0x	0.9x
EV/EBITDA	12.9x	7.6x	7.1x	7.2x

Recommendation

U.S. wireless penetration surpassed 100% this year and is not slowing down. With expectations for a 100 million increase in wireless connections by, the market will reach over 128% penetrations by 2020, and wireless network providers are actively searching for products and services that detect and deter interfering frequencies. With their diverse portfolio of performance critical antennas and RF measurement collection, testing, analysis and optimization services, PCTI is positioned to take advantage of the lack of adequate wireless solutions in the market. After the acquisition of TelWorx in 2012, PCTEL began to strategically shift their product mix and operating model. Following the successful acquisition of NexGen and divestment of its Mobile Towers segment, the company is currently positioned to utilize its higher margin RF Solutions segment (~59% gross and ~21% operating vs. Connected Services ~32% gross and ~10% operating) for healthy revenue growth and margin expansion. PCTI's RF Solutions portfolio offers several unique wireless network analytics tools that increase user efficiency, better aggregate big data and optimize network solutions. These patented products are attracting new customers to both of PCTELs operating segments. PCTI will expand RF Solutions from ~33% of total revenue today to nearly 50% of revenue in 2020, helping expand operating margins to 45%+ (from 40.7% in FY 2014). The company derives over 65% of its revenue from the stable Connected Solutions segment. This segment's antennas enhance the RF Solutions tools and remain a key driver of customer demand that is expected to contribute ~$28 million to revenue growth by 2020. Over the last 3 years, PCTI has shifted their business to successfully meet the demands of the growing wireless market. Going forward, the company is well positioned for outsized revenue growth and margin expansion that should drive annual EPS from $0.25 in 2014 to over $0.80 by 2020. Because of these reasons, it is recommended that PCTI be added to the AIM Micro-Cap Equity Fund with a price target of $8.70, offering a potential upside of 46.0%.

Investment Thesis

- **Increased wireless usage drives demand.** The $196 billion wireless industry is growing exponentially. Between 2015 and 2018, the industry will see an increase of 650% in mobile data usage, 600% in data-intensive video, 378% increase in network traffic, and 370% increase in tablet usage. The increase in wireless traffic is worrisome for wireless providers as they work to deter interferring frequencies and limit "noise" in their end customer's networks. As a result, providers are seeking the services of wireless solutions companies, like PCTEL, and the telecom analytics market which is growing at a 26% CAGR. PCTI is taking advantage of increased demand for wireless solutions with their portfolio of data collection and interference triangulating products. PCTI is able to provide all of the tools necessary for wireless providers to detect potential interferences, remove excess "noise" and optimize wireless networks.

- **Attractive product within higher margin business.** PCTI is organically increasing earnings by shifting their sales mix to faster growing, higher margin analytics tools and engineering services found within the RF Solutions segment. Increased demand for big data analytics, PCTEL's innovative testing platform, and greater need for interference detection are driving RF Solutions revenues. This, along with the recent shift in PCTI's operations to better allocate time and money resources, will result in a 25% revenue CAGR of the higher margin business, effectively increasing the more efficienct segment's sales mix from 35% to 50%.
- **Diverse customer base broadens exposure.** PCTI operates across multiple verticals, including process automation, oil & gas, railroad, cellular offloading, health care, and public safety. The diverse customer base includes international, multi-billion dollar companies such as Microsoft, Samsung, AT&T, Cisco, and Johnson Controls. PCTI also provides in-building services to key entertainment, transportation, and educational hubs, like Lambeau Field, Atlanta International Airport, and Georgetown University. No customer represents more than 10% of revenue. This diverse concentration mitigates risk to over exposure to a given market or customer.

Valuation

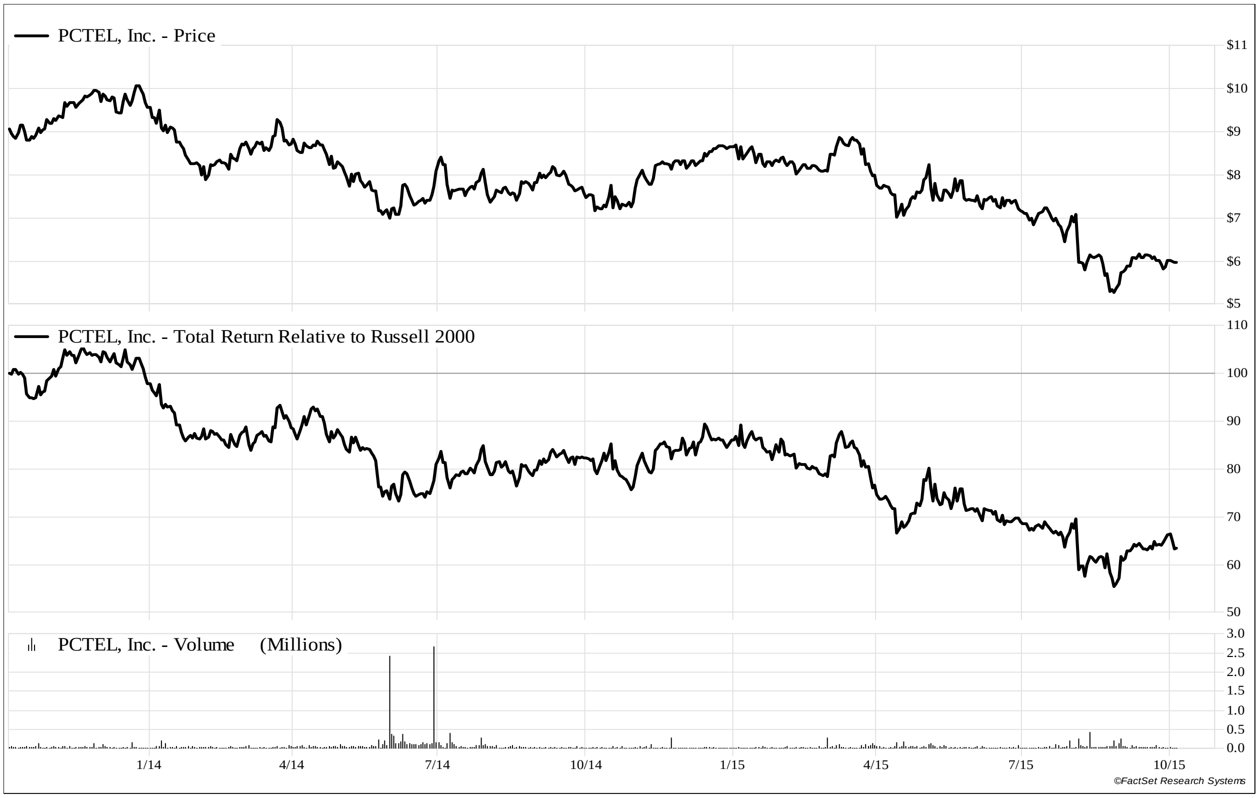
In order to reach an intrinsic value for PCTI, a five year DCF model was constructed. Using a terminal growth rate of 2.5% and a WACC of 8.28%, an intrinsic value of $8.70 was reached. Additionally, peer P/S and EV/EBITDA comparisons were conducted. Using a weighted peer average P/S multiple of 1.25x and weighted peer average EV/EBITDA multiple of 9.18x with 2016E sales per share of $6.66, values of $8.35 and $9.27 were obtained, respectively. By weighing the DCF model and two two peer comparisons equally, a price target of $8.70 was established, an upside of 46.0%. PCTI pays a 3.4% dividend.

Risks

- **Wireless industry competition.** The wireless product industry is highly fragmented and constantly evolving. Both small, local and large, international companies pose a threat to PCTI as the local competitors often have established, difficult to displace customer bases and the large providers have greater financial, marketing and technical resources. PCTI's success is heavily dependent on it's ability to develop enhanced products and deliver top-tier service to customers.
- **Managing business transitions.** PCTI began a strategic business shift in 2013. With the March 2015 Nexgen acquisition and July 2015 Mobile Towers segment divestment, the company has entered its final transitionary phase. However, not all synergies have been recognized. Poor integration of Nexgen or miscommunication with investors regarding new operating goals could negatively impact growth.
- **Tender acceptance in China.** Scanning receiver sales in China have fallen short of recent expectations as procurement decisions were delayed by administrative inquiries into the tender process. Additionally, the political loss of a tender at China Mobile, PCTEL's largest customer opportunity, contributed to the revenue and gross margin miss in 2Q. Continued uncertainty in PCTI's Chinese business outlook could dampen near-term performance.

Management

Martin Singer has been Chairman and CEO of PCTEL since 2001 and a board member since 1999. Mr. Singer joined PCTI with 20 years experience, including 3 years as CEO of SAFCO Tech. He also serves on several government boards. CFO John Schoen was appointed in 2001. Schoen worked for Motorola and SAFCO Techn. where he gained extensive licensing, controller, transaction and transition experience.



Ownership

% of Shares Held by All Insider Owners:	8.34%
% of Shares Held by Institutional & Mutual Fund Owners:	> 90%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Ariel Investments LLC	2,998,052	16.45
The Killen Group, Inc.	2,734,020	15.01
Dimensional Fund Advisors LP	1,582,016	8.68
Renaissance Technologies LLC	1,036,000	5.69
BlackRock Fund Advisors	773,270	4.24

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/ EBITDA
PCTEL, Inc.	PCTI	109	111	9.1	3.4%	7.40
Agilent Technologies, Inc.	A	11,712	4,808	905.0	1.1%	12.48
CommScope Holding Co., Inc.	COMM	5,684	3,521	720.3	0.0%	14.23
Panasonic Corporation Sponsored ADR	PCRFY	25,492	67,002	5,779.9	1.8%	4.16
Anritsu Corporation	6754-JP	884	877	120.9	3.1%	5.93
Laird PLC	LRD-GB	1,543	974	161.0	3.3%	11.07
Peer Averages		9,063	15,436	1,537.4	1.9%	9.6

Amerisafe, Inc. (AMSF)
October 9, 2015

Xuelin (Sara) Zhou Financials (Micro-Cap)

Amerisafe, Inc. (NASDAQ: AMSF) is a holding company that markets and underwrites workers' compensation insurance through more than 3,300 independent agencies and its insurance subsidiaries. Workers' compensation insurance covers statutorily prescribed benefits that employers are obligated to provide to their employees who are injured in the course and scope of their employment. AMSF focuses on providing this coverage to small to mid-sized employers engaged in hazardous industries, principally construction (42.2% of gross premiums written), trucking (17.1%), manufacturing (7.2%), oil and gas (4.0%), agriculture (3.9%), and maritime (2.9%). The company provides workers' compensation insurance in 30 states, the District of Columbia. AMSF is founded in 1985 and is headquartered in Deridder, LA.

Price ($): (10/1/2015)	50.07	Beta:	0.92	FY: Dec	2013	2014	2015E	2016E
Price Target ($):	60.43	WACC	7.9%	Revenue (Mil)	357.76	402.63	455.28	515.24
52Wk H-L ($):	52.5-38.5	M-Term Rev. Gr Rate Est:	13.3%	% Growth	11.37%	12.54%	13.08%	13.17%
Market Cap (mil):	952	M-Term EPS Gr Rate Est:	29.8%	Operating Margin	16.95%	17.97%	21.46%	24.77%
Float (mil):	18	Financial Leverage:	0.02%	EPS (Cal)	$2.32	$2.83	$3.92	$5.05
Short Interest (%):	1.8%	ROA:	4.07%	P/E (Cal)	17.2	14.8	13.1	10.9
Avg. Daily Vol (mil):	0.7	ROE:	13.38%	BVPS ($)	22.41	23.65	27.63	33.00
Dividend ($):	0.48	Combined Ratio	86.9%	P/B	1.88	1.79	1.81	1.52
Yield:	1.13%	Expense Ratio	22.6%	Dividend Per Share ($)	0.32	0.48	0.67	0.94

Recommendation

AMSF has maintained a niche position during its 29-year history, accumulating extensive experience insuring the employers engaged in hazardous industries. They have gained a record of profitably underwriting these industries. AMSF has shown a strong financial performance with an average revenue growth rate of 12.8% over the past three years. The company has seen consistent growth in BVPS. From 2005 to 2015, AMSF grew BVPS at a CAGR of 13.8%. This is primarily resulted from higher premiums paid by policyholders, the proactive and disciplined approach in underwriting capabilities, and prudent capital management. In addition, from 2009 to 2014, AMSF's investment portfolio increased from $800.5 million to $1.1 billion and produced an average annual net investment income of $26.8 million. The company's expertise with hazardous industries has led to great employer loyalty and policy retention, evidenced by a 91.3% policy renewal rate in 2014. AMSF reported net premiums written of $380 million in 2014, representing an increase of 7.8% over 2013. There was a 23% increase in net income, up from $43.6 million in 2013 to $53.7 million in 2014. Through extensive cost management initiatives, AMSF maintains one of the most efficient operations in the workers' compensation industry. In 2014, the combined ratio and the expense ratio of the company were 87.9% and 22.6%, respectively, which were substantially lower than that of its competitors at 99.3% and 30.7%. This enables AMSF to generate higher underwriting profit margins and strengthening its financial position. The high hazard niche focus and the efficient operations have enabled AMSF to maintain its competitive advantage and sustain its underwriting profitability, evidenced by the operating margin YoY growth rate of 6.1%, 46.8%, and 18.2% respectively over the past three years. AMSF carries no debt with healthy cash reserves and pays a regular quarterly dividend of $0.15 per share in 2015. With its strong financial performance, focus on hazardous industries, specialized underwriting expertise, and efficient operating platform, it is recommended that Amerisafe to be added to the AIM Equity Fund with a price target of $60.43, which offers a potential upside of 20.68%.

Investment Thesis

- **Increased Market Penetration and Opportunistic Geographic Expansion.** While AMSF actively markets its insurance in 30 states and DC, the company is licensed in an additional 17 states and the U.S. Virgin Islands. AMSF operates on a geographically diverse basis with 12% or less of its gross premiums written in any one state and the company does not have more than 6% of the market share in any state it serves. Management is confident that their specialized underwriting expertise, claims and audit services well position AMSF to profitably increase market penetration and to expand into new market with minimal increase in field service employees.

- **Improving Labor Market and Construction Sector Rebound.** According to the Bureau of Labor Statistics, the unemployment rate in the construction sector in the US decreased from 7.0% in Q3 2014 to 5.5% in Q3 2015. AMSF provides workers' compensation insurance to construction industry, which represents approximately 42.2% of its gross premiums written. The industry is expected to recover and stabilize, benefiting from a potential large government stimulus package, which would aim to increase infrastructure spending, create jobs, and increase the availability of credit. According to World Market Intelligence, economic recovery and increased government expenditures on infrastructure will drive growth in the US construction sector from a CAGR of 0.6% during 2009-2013 to 7.2% over 2014-2018 - to a value of $1.6 trillion in 2018. The revitalization of the labor market and construction sector may provide significant growth opportunity to the company and enhance its revenue performance.
- **Capitalize on Development of Information Technology System.** The underwriting and agency management system of the company, GEAUX, along with its customized operational system, ICAMS, and the analytical data warehouse that ICAMS feeds, will significantly enhance AMSF's ability to select risk, write profitable business and cost-effectively manage the billing, claims and audit functions. This should continue to support efficient operations.

Valuation

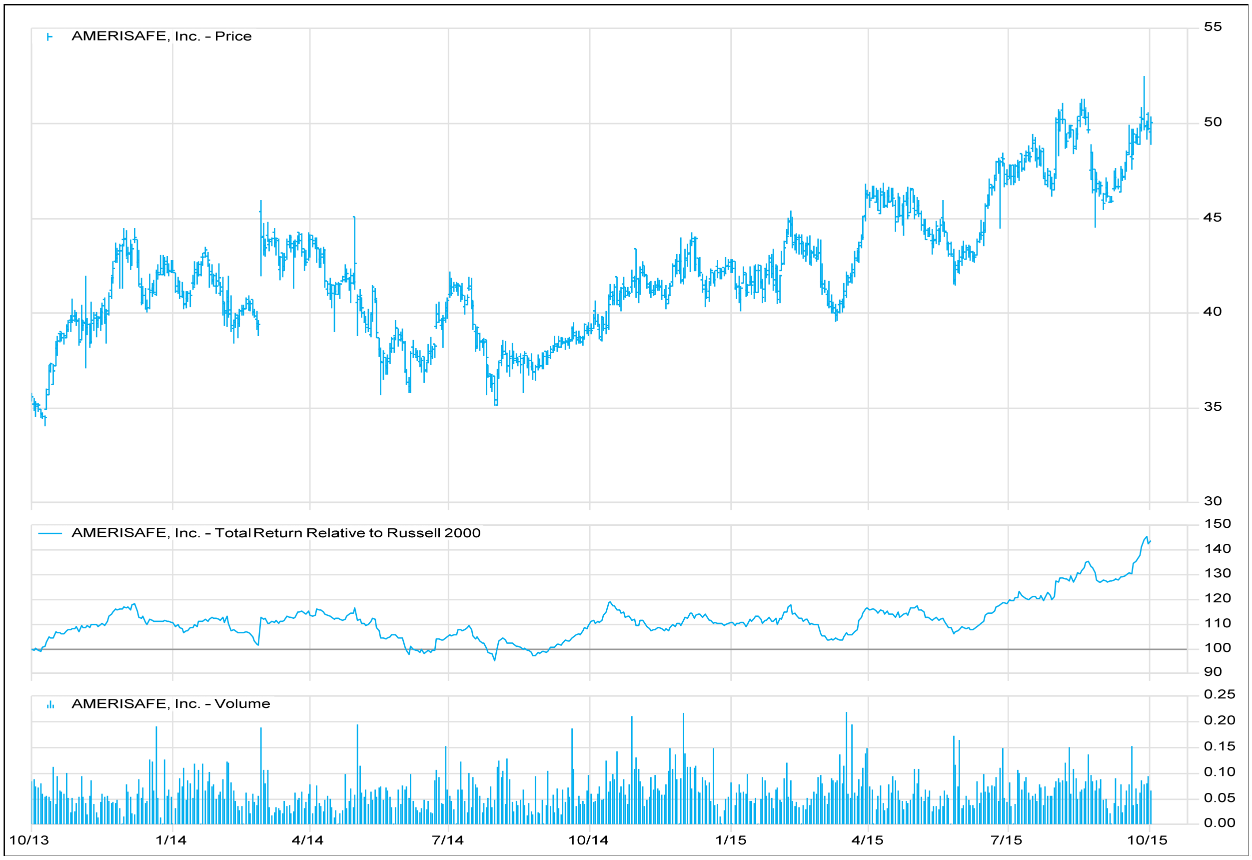
A five-year Dividend Discount Model (DDM) was applied to find the intrinsic value of AMSF. A 7.9% cost of equity was used with a terminal growth rate of 3% yielding an intrinsic value of $60.57. A sensitivity analysis on the terminal growth rate and cost of equity ranged from $51.01-74.69. Additionally, a price-to-book multiples approach was also conducted. The 5-year average historic price to book for AMSF was 1.82x with the market cap weighted average being 1.41x. Weighting the historical average and the market cap average equally, the P/B yielded an intrinsic value of $60.28. By weighting these valuations 50/50 respectively, a price target of $60.43 was reached, resulting a 20.68% upside. AMSF paid a $0.48 annual dividend in 2014, yielding 1.13%.

Risks

- **Changing Regulations.** Changes in government policy and regulatory, including statutory pension arrangements and policies and regulations of selling practices and solvency requirements, may affect the company's product range, distribution channels and capital requirements. AMSF currently complies fully with applicable laws and regulations that are continually undergoing revision, but unexpected legislative changes may negatively impact the company's business.
- **Interest Rate Volatility.** Fluctuations in interest rates may have a material adverse impact on AMSF's investment portfolio. The company's investment portfolio contains interest rate sensitive investments in fixed income securities. Increase in market interest rates may decrease unrealized capital gains on company's investment portfolio and expose AMSF to prepayment risks on its mortgage-backed securities. As AMSF's income and investment returns depend on the level of interest rates, such volatile in interest rates may impact the operating performance of the company.

Management

G. Janelle Frost has served as the CEO of Amerisafe since 2015 and President since 2013. Prior to becoming CEO, Mrs. Frost served as COO since 2013, CFO since 2008, Controller since 2004 and VP 2006. She has been employed with the company since 1992 and served as Assistant Vice President from 2004 to 2006 and Deputy Controller from 1998 to 2004.



Ownership

% of Shares Held by All Insider Owners:	3.00%
% of Shares Held by Institutional & Mutual Fund Owners:	> 90.00%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
BlackRock Fund Advisors	1,648,000 ▼	8.70
Wellington Management Co. LLP	1,241,000 ▼	6.50
Fidelity Management & Research Co.	1,177,000 ▲	6.20
RBC Global Asset Management (U.S.), Inc.	1,106,000 ▲	5.80
NewSouth Capital Management, Inc.	1,076,000 ▼	5.70

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	Net Margin	P/B	Dividend Yield
Amerisafe, Inc.	AMSF	952	410	11.30%	1.79	1.13
State Auto Financial Corp	STFC	940	1,194	1.60%	1.10	1.80
Cincinnati Financial Corp	CINF	8,787	4,243	9.30%	1.40	3.40
Safty Insurance Group, Inc.	SAFT	817	765	7.10%	1.30	5.20
W. R. Berkley Corporation	WRB	6,661	7,004	8.60%	1.50	0.90
Infinity Property and Casualty	IPCC	922	1,348	4.10%	1.30	2.10
Peer Averages		3,626	2,911	6.14%	1.32	2.68

Eros International PLC (EROS)

October 9, 2015

Clare McNamara — International Consumer Discretionary

Eros International PLC (NYSE: EROS) is an integrated provider of media and entertainment services. It co-produces, acquires, and distributes Indian language films through numerous formats worldwide. EROS' revenue is generated through multiple platforms including theatrical (43% of revenue), television syndication (36%), and digital (21%). EROS is expanding its international presence (61% of revenue), while maintaining focus in India (39%). The annual growth of EROS directly reflects the firm's significant market share and established relations with top talent in the industry. EROS was founded in 1977 and is headquartered in London.

Price ($): (10/2/15)	29.45
Price Target ($):	38.36
52WK H-L ($):	39-14
Market Cap (mil):	1,650
Float (mil):	45.1
Short Interest (%):	5.3%
Avg. Daily Vol (mil):	2.32
Dividend ($):	0.00
Yield (%):	0.00%

Beta:	1.17
WACC	8.8%
M-Term Rev. Gr Rate Est:	15.9%
M-Term EPS Gr Rate Est:	27.9%
Debt/Equity:	45.1%
Debt/EBITDA (ttm):	1.59
ROA:	3.9%
ROE:	6.6%
ROIC:	5.0%

FY: Mar	3/31/2015	3/31/16E	3/31/17E	3/31/18E
Revenue (Mil)	284.18	311.17	357.85	418.68
% Growth	20.68%	9.50%	15.00%	17.00%
Gross Margin	44.97%	44.50%	45.50%	46.50%
Operating Margin	27.75%	27.59%	30.03%	33.02%
EPS (Cal)	$ 0.73	$ 1.12	$ 1.42	$ 1.84
FCF/Share	$2.21	$0.85	$0.26	$1.31
P/E (Cal)	29.3x	32.0x	44.6x	34.4x
EV/EBITDA	6.2x	14.3x	11.9x	9.8x

Recommendation

EROS has been able to establish a significant, worldwide, multi-channel presence within the Indian media and entertainment industry. EROS stands to benefit from the rapidly expanding Indian film industry, growing at a CAGR of 18%. EROS is expanding on digital platforms because India is known to completely skip phases of development and may move directly from theater to digital platforms, completely skipping television in the process. Their on-demand digital platform, ErosNow, will strategically place them to grow with the industry on a new platform. EROS is set to compete against established firms like 21St Century Fox with ErosNow, but EROS has a more established reputation within India. EROS has refocused on revenue generation and margin growth now that they have an established library of over 3,000 films, which they can utilize throughout their multiple platforms. EROS will be able to maintain solid revenue growth (13.94%, 5-year average) as they expand distribution platforms and their library of films. EROS also has been able to maintain a high operating margin (22% FY 2014) by managing the rights and distributions to most of their library rather than co-producing them. EROS has a strong balance sheet for the industry, with debt of only 40%, and cash of $121.62M FY 2014. The strength of EROS' financial position has allowed them to begin to pay down debt more, while still expanding on new investments. The potential in international markets is growing as the population in India continues to expand (1.25% in 2014) and people migrate out of the country. EROS plans to hone in on this international market potential, where they have a 35% market share, with platforms like ErosNow. Centering focus on large and medium size films has given EROS an established reputation against big names like Sony Pictures and Walt Disney Company. As a result of growth initiatives, strong financial position and favorable valuation, it is recommended that EROS be added to the AIM International Equity Fund with an upside of $26.41. EROS does not pay a dividend.

Investment Thesis

- **Growth of Indian film industry.** Bollywood's market revenue is generated 2/3 domestically and 1/3 internationally, the opposite of Hollywood. An FICCI Report projected the Indian media and entertainment industry to grow at a CAGR of 13.9% by 2019. EROS seeks to capitalize on the positive industry trends within the Indian market. It is one of the largest film markets is the world, set to grow around 11.5% per year, hitting a market cap of $3.1B by 2016 according to an FICCI Report. The growth of the industry and demand has passed cost all the way down to average ticket prices at leading multiplexes increasing 5-7% within the last year.

- **Official launch of ErosNow.** As of 2014 there were 281M internet users in India alone, according to a 2015 FICCI Report. User base is projected to grow to 640M by 2019, meaning more potential subscribers and users of ErosNow. ErosNow is a new, on-demand digital platform that will allow subscribers to access the extensive EROS library, along with new, original content only on ErosNow. EROS digital distribution channel already has 76% of rights for Hindi films, 65% for regional language films, and 100% of rights in digital distribution for Kannada films. ErosNow had a soft launch in FY 2014 and now has over 19M users worldwide. An official marketing campaign, including endorsements by top Bollywood celebrities, was launched in 2015. EROS aims to increase global distribution of content through ErosNow.
- **Established leader in the industry.** EROS has an established reputation for being one of the leading distributers of Indian language films worldwide. EROS market share for Indian films in the United States and the United Kingdom has increased to 35% in 2014. Led by an experienced management team, EROS Hindi language films have been within the top ten grossing films of 2011, 2012, and 2013. Brand recognition from successful Hindi films sets up a perfect platform to grow non-Hindi films. Non-Hindi films, or regional films, and other media has seen recent growth in interest. Regional films made up roughly 44% of EROS' new releases for 2015, Hindi films made up 66%. EROS will begin to focus in on high to medium profile films with star actors and a better production value, utilizing their in-house creative and marketing teams.

Valuation

A five-year DCF model was constructed in order to reach an intrinsic value for EROS. Using a terminal growth rate of 3%, WACC of 8.80%, an intrinsic value of $49.32 per share was reached. Additionally, a P/E multiple valuation was conducted using NTM EPS of $1.12, a comparables average P/E of 16x, and 5-year historical average P/E which resulted in a valuation of $17.26. An EV/EBITDA multiple valuation was calculated. Using the a similar blended comparables and historical average of 9.52x and NTM EBITDA of $197.8M, the multiple resulted in a valuation of $30.26. Finally, a P/S multiple valuation was calculated using a comparables average P/S of 2.76x 5-year historical average P/S, resulting in a valuation of $18.28. By weighting the three valuation models 60%, 15%, 15%, and 10% respectively, a price target of $38.36 was reached, which yields a 23.23% upside. EROS does not pay a dividend.

Risks

- **Cannibalization of segments.** The distribution window for the theatrical release of films, has been compressing in recent years and may continue to. Further shortening of these periods could adversely impact revenues, if consumers choose to view a film on one channel over another, leading to channels cannibalizing revenue from each other.
- **Reliance on third parties.** EROS has acquired roughly 90% of all film content through contracts with third parties, which are predominantly fixed-term contracts. The inability to renew these contracts upon termination could be detrimental to the film library. 75% of films are set to retire within the next 10 years.
- **Economic downturn and foreign currency.** Being in the consumer discretionary sector, EROS depends on a good economy with increasing discretionary spending. An economic downturn or recession would decrease EROS' revenues. Additionally, the film industry can be cyclical with theater business peaking during Indian holidays and festivals. Foreign currency is also a risk since most of EROS revenue is denominated in the INR. EROS does not hedge against currency risk.

Management

Jyoti Deshpande has been CEO and Executive Dir. for EROS since 2001. She received her undergraduate degree and MBA from the University of Mumbai. Prem Parameswaran has been CFO since 2015 and was MD at Deutsche Investment Management Americas, Inc. since 2007. The Chief Corporate & Strategy Officer is Mark Carbeck, he has been with EROS since 2014. Pranab Kapadia is President of UK, Europe, and Africa Operations and has been with EROS since 2007.

Ownership

% of Shares Held by All Insider and 5% Owners:	11.50% ▲
% of Shares Held by Institutional & Mutual Fund Owners:	63.20% —

Source: Factset

Top 5 Shareholders

Holder	Shares		% Out
Capital Research & Management Co. (Global Investors)	3,175	—	9.90
Fullerton Fund Management Co. Ltd.	3,000	—	9.40
Paradice Investment management LLC	2,152	▲	6.70
Temasek Holdings Pte Ltd. (Investment Management)	1,376	—	4.30
IBIS Capital Partners LLP	1,073	▼	3.40

Source: Factset

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
Eros International PLC	EROS	1,650.0	239.0	45.1	23.5	6.2
Twenty-First Centruy Fox	FOXA	56,062.0	8,373.0	110.6	8.3	11.8
Viacom Inc B	VIAB	18,666.0	2,392	343.3	14.2	10.1
Lions Gate Entertainment	LGF	5,713.0	182	162.8	25.9	25.9
Walt Disney Company	DIS	175,100.0	7,501	33.0	20.8	12.0
Peer Averages		63,885.3	4,612.0	162.4	17.3	15.0

Source: FactSet

PGT, Inc. (PGTI)

October 9, 2015

Jack Casey — Industrials (Micro Cap)

PGT Inc., (NASDAQ:PGTI) is the leading U.S. manufacturer and supplier of residential impact-resistant windows and doors. The company's impact resistant products, which are marketed under the WinGuard (68.8% of FY'14 net sales), PremierVue (2.7%), and PGT Architectural Systems (2.6%) brand names, combine heavy-duty aluminum or vinyl frames with laminated glass to provide protection from hurricane-force winds and windborne debris. PGTI also manufactures non-impact resistant products under the SpectraGuard line (21.5% of FY'14 net sales). The firm provides its products to the new home construction and home repair and remodeling end markets through window distributors, building supply distributors, window replacement dealers, and enclosure contractors. PGTI operates in the Southeastern United States, with a distinct geographic focus in the state of Florida (88% of FY'14 net sales), which is the largest impact resistant window and door market in the United States. PGTI was founded in 1980 and is headquartered in North Venice, FL.

Price ($): (10/09/2015)	$12.61	Beta:	0.75	FY: Dec	2013	2014	2015E	2016E
Price Target ($):	$17.03	WACC	7.60%	Revenue (MM)	$239.30	$306.39	$391.10	$432.50
52WK H-L ($):	$16.28-$8.25	M-Term Rev. Gr Rate Est:	18.80%	% Growth	37.10%	28.03%	27.65%	10.59%
Market Cap (MM):	614	M-Term EPS Gr Rate Est:	55.60%	Gross Margin	34.00%	30.90%	32.90%	34.00%
Float (MM):	96.8%	Net Debt/Equity:	204.51%	Operating Margin	10.60%	12.40%	15.60%	17.30%
Short Interest (%):	4.4%	Net Debt/EBITDA (ttm):	3.43x	EPS (Cal)	$0.51	$0.33	$0.60	$0.80
Avg. Daily Vol (MM):	0.399	ROA:	6.75%	FCF/Share	$0.35	$0.06	$0.64	$0.85
Dividend ($):	N/A	ROE:	26.66%	P/E (Cal)	23.00x	22.40x	28.38x	21.29x
Yield (%):	N/A	ROIC:	8.47%	EV/EBITDA	13.80x	13.20x	10.40x	8.40x

Recommendation

PGT, Inc. generates sales through two product segments: Impact Window and Door Products (78% of sales) and Other Window and Door Products (22%). These segments grew at a YoY rate of 31%, and 18% in FY'14, respectively. Total net sales grew 28% YoY, with organic growth of 22%. The company sells its products to two end markets: Residential New Construction (38% of sales) and Home Repair and Remodeling (68%). Corresponding with the improving housing construction environment in Florida, PGTI's Residential New Construction segment has experienced growth at a CAGR of 40% since 2011. On top of their substantial top-line growth, PGTI has seen EBITDA grow at a CAGR of 54% since 2011, bringing their FY'14 margin to 15%. PGTI experienced gross margin compression from 2011-2014 due to increased aluminum costs and glass production capacity constraints. However, the firm completed the construction of a new glass processing facility, which is expected to increase internal capacity by 25% beginning in FY'15. This increased production capacity, combined with a declining aluminum spot price, has led management to project a gross margin YoY increase of 200 bps in FY'15. In order to increase their market share in Florida, PGTI acquired one of its competitors, CGI, in July 2014. The acquisition was priced at $111MM and increased PGTI's market share in Florida to approximately 60%. PGTI's success in FY'14 came in spite of housing starts in Florida experiencing flat growth (~1%), indicating that much of PGTI's growth is a share gain with more consumers and homebuilders choosing to use impact windows and doors for residential properties. Unlike 2014, the number of housing starts in Florida has grown significantly in 2015. In June 2015, Florida authorized 6,100 building permits for privately owned housing starts, the largest such amount since June 2007. Because of improvements in the Florida home construction data, updated Florida building code requirements, and declining aluminum spot prices, it is recommended that PGT, Inc. be added to the AIM Micro Cap Fund with a price target of $17.03, representing a 35% upside.

Investment Thesis

- **Growing Florida Economy.** In 1Q15, Florida's personal income grew 1.3% sequentially, which was the fastest in the US. On top of that, the state's unemployment rate in August was 5.3%, representing a 10% YoY improvement. Most importantly, single-family housing starts in Florida saw a 24% YoY increase in 2Q15, and have grown at a CAGR of 21% since 2010. Management estimates that FY'15 housing starts will be between 60,000 and 65,000, which represents a potential increase of 6%-15% YoY from FY'14. Home remodeling data has also been positive, with the Remodeling Market Index (RMI) indicating that 2Q15 offered the second most favorable market conditions for a home remodel in the southern US over the last ten years. The continuing growth of the Florida economy, particularly the improvements in the residential construction and remodeling markets, present substantial growth opportunities for PGTI going forward.
- **2014 Florida Building Code.** The Florida Building Code (FBC) requires a residence's windows to be impact-resistant if located within one mile of the coast where the wind speed is 130mph or higher. Florida's three most-populated counties have significant population exposure to areas that fall under this category. In the new 2014 FBC, the state implemented regulations requiring windows to be more insulated and able to absorb solar heat. These mandatory regulations will be applied in new home constructions and remodels. During 1Q15, PGTI launched two new products to capitalize on the energy code. Because of their competitive pricing and quick rollout, these new product lines are anticipated to capture market share from PGTI's competitors.
- **Declining Price of Aluminum.** While aluminum prices caused a 90 bps drag on gross margins in 1Q15, prices have been steadily falling in 1H15. 2Q15 delivered prices were $1.01/lb., down from $1.10/lb. in 1Q15. PGTI is hedged on 52% of estimated 2H15 aluminum needs at a price of $0.99/lb., while spot prices have fallen to $0.80/lb. With aluminum accounting for 37% of PGTI's raw material costs, management has expressed interest in reducing their hedging exposure to aluminum in FY'16 in order to reduce the company's GM's.

Valuation

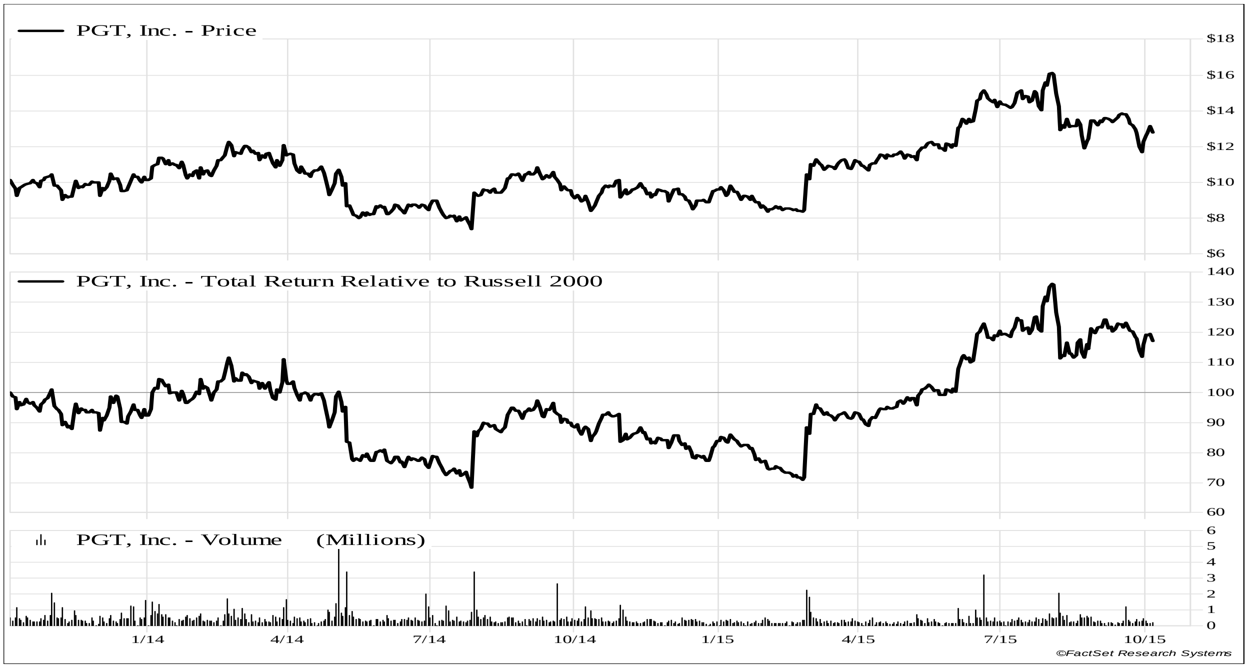
In order to reach an intrinsic value for PGTI, a five-year DCF model was constructed. Using a terminal growth rate of 2.5% and a WACC of 7.60%, an intrinsic value of $18.82 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $15.09-$24.60. Additionally, a P/E multiple valuation was conducted using NTM EPS of $0.60, a comparables average P/E of 19.7x, and ICON's NTM P/E of 16.3x, which resulted in a valuation of $11.38. Finally, an EV/EBITDA multiple valuation was calculated. A peer average EV/EBITDA ratio of 14.5X was used to obtain a value of $$20.90. By weighting the three valuation models equally, a price target of $17.03 was reached, which represents a 35% upside. PGT, Inc. does not pay a dividend.

Risks

- **Housing Market Cyclicality.** The window and door industry is subject to the cyclical market pressures of the new construction and repair and remodeling markets. As a result, negative changes in demographic trends, employment levels, or consumer confidence that would hinder the housing market will also negatively impact PGTI's sales and earnings.
- **Changes in Florida Regulations.** The market for PGTI's impact resistant products largely depends on their ability to satisfy state and local building codes. If the standards in building codes are lowered or no longer enforced in certain areas, demand for PGTI's products will decrease. Conversely, if standards in building codes are raised, PGTI may not be able to meet their requirements, and demand would decline.

Management

Rodney Hershberger, a co-founder of PGTI, has been with the company since its inception in 1980. He has served as CEO since 2005, and was elected as Chairman of the Board in 2014. Jeffery Jackson has served as President and COO since 2014. He has been with PGTI since 2005, previously serving as VP and CFO. Following Mr. Jackson's promotion, PGTI promoted Brad West to CFO. Mr. West has been with the Company since 2006, and previously served as Director of Financial Planning.



Source: FactSet

Ownership

% of Shares Held by All Insider and 5% Owners:	3.20%
% of Shares Held by Institutional & Mutual Fund Owners:	>90%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
BlackRock Fund Advisors	4,673,000	9.60
Columbia Wanger Asset Management LLC	4,005,000	8.20
Renaissance Technologies LLC	3,104,000	6.40
The Vanguard Group Inc.	1,835,000	3.80
Dimensional Fund Advisors LP	1,523,000	3.10

Source: FactSet

Peers

Company	Ticker	Market Cap	P/E	EV/EBITDA
PGT, Inc.	PGTI	626MM	16.3	13.2
Quanex Building Products	NX	625MM	20.8	13.7
Fortune Brands Home & Security	FBHS	7.68B	19.8	17.2
Masonite Int'l Corp	DOOR	1.84B	26.9	13.6
Ply Gem Holdings	PGEM	802MM	11.1	13.3
Average		2.74B	18.98	14.21

Source: FactSet

Argo Group International Holdings, LTD (AGII)

October 9, 2015

Wenting (Mavis) Peng   International Financials

Argo Group International Holdings (NASD: AGII), also known as Argo Group, is NASDAQ's 9th largest insurance company by market cap ($1.6B). AGII is an international underwriter of specialty insurance and reinsurance products in the property and casualty market. AGII provides primary and excess insurance, reinsurance products and tailored risk solutions for the managing general agency market. Through its subsidiaries, AGII provides its products and services in four major segments: Excess & Surplus lines (34% of revenue), Lloyd's Syndicate 1200 (28%), Commercial Specialty (20%), and International Specialty (17%). The Excess & Surplus Lines carriers focus on risks that the standard market is unwilling or unable to underwrite. The group primarily operates in Asia, Bermuda, Europe, Middle East and North Africa, South America and the US. AGII was founded in 2007 and is headquartered in Pembroke, Bermuda.

Price ($): (9/30/15)	56.59	Beta:	0.32	FY: Dec	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Price Target ($):	69.11	Cost of Equity	4.97%	Revenue (Mil)	1,470.20	1,518.90	1,490.90	1,511.00
52Wk H-L ($):	45.74-60.84	M-Term Rev. Gr Rate Est:	2.0%	% Growth	10.76%	3%	-2%	1%
Market Cap (mil):	1,569	M-Term EPS Gr Rate Est:	11.0%	Expense Ratio	39.70%	40.30%	39.00%	38.30%
Float (mil):	27.0	Financial Leverage	25.91%	Combine Ratio	97.50%	96.20%	96.20%	95.20%
Short Interest (%):	2.1	ROA (%):	2.80	EPS (Cal)	$4.67	$6.27	$7.18	$8.31
Avg. Daily Vol (mil):	0.13	ROE (%):	11.61	P/E (Cal)	9.04	8.04	7.9	6.8
Dividend ($):	0.80	Tier 1 Capital Ratio (%)	N/A	BVPS	50.98	56.37	64.18	71.5
Yield (%):	1.4	Credit Provisions/Loans (%	N/A	P/B	0.8	0.9	0.9	0.8

Source: Factset

Recommendation

AGII has a strong financial position. They achieved record net income of $6.27 per diluted share, representing an increase of 34% YoY. AGII also delivered an 11.6% return on average shareholder equity, which was an improvement over the 9.5% return the company achieved in FY2013. The Group's overall gross written premiums increased to $1.9B, while the underwriting income increased significantly to $51.5M in FY2014 from $31.8M in FY2013, representing a 61.9% increase. Moreover, sales at Argo Group totaled $371.9M during the first quarter of 2015, which represents an increase of 3.4% from the $359.6M in sales at the company on a YoY basis. The sales of E&S Lines reached an increase that was more than double the company's growth rate. Sales were up 220% in FY2014, from $500,000 to $1.6M; however, its comparable companies experienced a decline in sale between 3.4% and 8.7%. Additionally, the BVPS of AGII has grown at a CAGR of 14.2% for the prior three years and its net income has grown at a 9.3% 5-year CAGR, which shows AGII's potential to successfully overcome the occurrences of significant events such as recession, as well as man-made and natural catastrophes. With its strong relative financial position, great sales performance, leading global positioning, and strong book vale growth rate, it is recommended that AGII be added to the AIM International Equity Fund with a price target of $69.11, offering a potential upside of 22.1%. AGII also pays a dividend of $0.8, yielding 1.4%.

Investment Thesis

- **Profitable Organic Growth.** The underwriting margin of Argo Group was strong in the first half of FY2015 due to the strength of the Excess & Surplus segment, even though in was a challenging rate environment. The E&S segment reached underwriting income of $75.6M and a combine ratio of 84.4% in FY2014. The premium base of this group has momentum to keep growing at an estimated rate of 2.76% (5yr CAGR). Additionally, AGII has continuously managed to cut its combined ratio by 1.2% compared to the FY2013 and came in 94.5% during the first half of FY2015 compared with an average of 99% over the last three years and an average of 104% over the last five years. The improvement has mainly come from an improvement in the loss ratio, which has come down roughly 5 points over the last five years, as the catastrophes losses remain low for the rest of FY2015.

- **Sustainable Competitive Advantage in the Market.** Argo Group is currently diversifying by geography, products and distribution and gaining market share around the world. AGII divides its business mix by four major segments and each segment is providing substantial growth potential; especially for gross written premiums in the E&S segment which increased to $607.2M in FY2014. Moreover, AGII has targeted other countries to expend its product lines in attractive markets. The Group has established local presence in Brazil in FY2011. Additionally, AGII has broad and strong producer relationships among retailers, wholesalers and brokers and superior customer service.
- **Crafting Programs to Support Niche Industries.** The leading specialty underwriter of workers compensation for the mining industry, the Rockwood division, generated underwriting income of $20M for FY2014. In addition, the commercial specialty team leveraged its expertise and partnerships to meet the needs of brokers serving the rapidly growing craft beer industry by introducing the BreweryPlus program.

Valuation

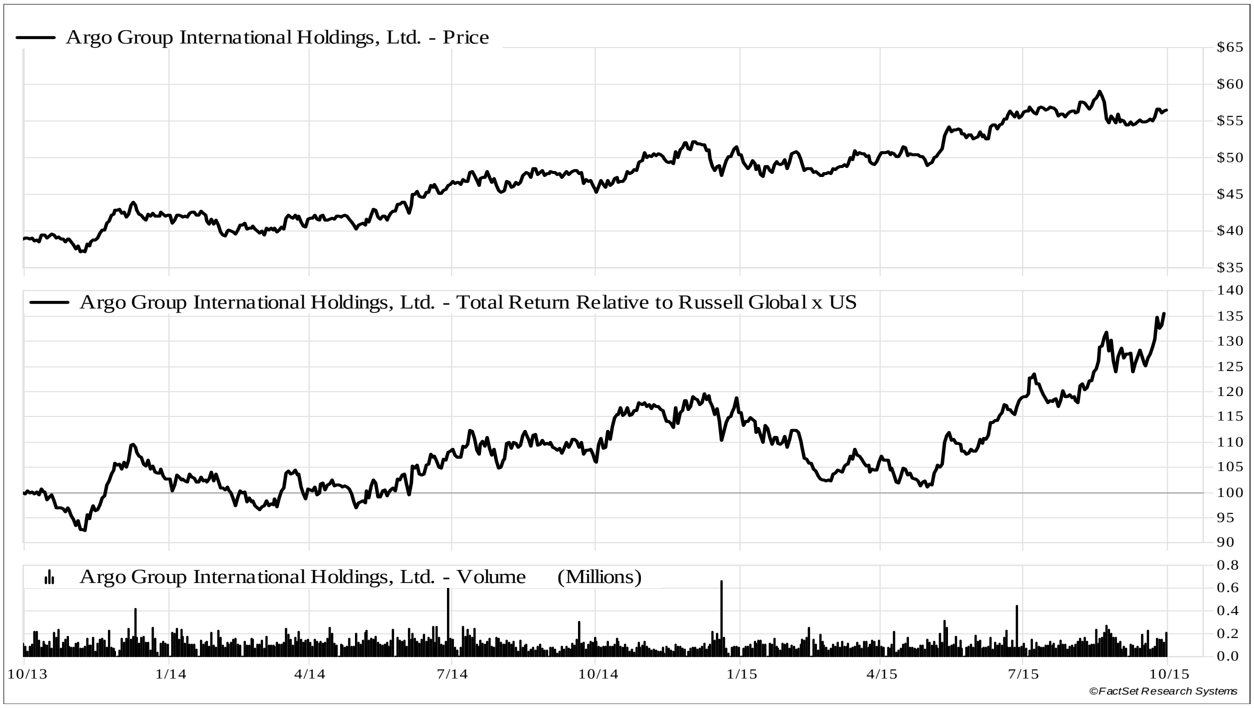
To find the intrinsic value of AGII, a 5-year DDM model, P/B and P/E multiples were conducted. The Discounted Dividend Model was conducted with a terminal growth rate of 2.0% bands a cost of equity of 5.15%, resulting in an intrinsic value of $69.11. A sensitivity analysis on both cost of equity and terminal growth rate produced a range of $68.37-$68.50. Applying a conservatively weighted AGII historical and peer multiple of 0.97x to AGII 2015E BVPS, an intrinsic value of $62.05 was generated. A weighted historical and peer P/E multiple of 10.78x was used against AGII 2015E EPS of $7.18, reaching a value of $77.4. Weighting three valuations at 50:25:25, a price target of $69.11 was established, representing a 22.1% upside.

Risks

- **Occurrence of Natural and Man-made Disasters.** As a provider of property catastrophe reinsurance coverage in the worldwide marketplace, Argo Group has substantial exposure to natural and man-made disasters. Insurance companies are generally not permitted to reserve for probable catastrophe events until they occur. When series of catastrophes exceed its reinsurance or hedging protection, it may have a material adverse impact on the company's business, results of operations and on its financial condition.
- **Interest Rate Risk.** The fixed investment portfolio of Argo Group is subjected to interest rate risk. Fluctuations in interest rates could directly impact on the price of these securities. As interest rate rise, the fair value of the company's fixed maturity portfolio generally falls; however AGII is now investing a significant portion of the investment portfolio matures each quarter, which allows for reinvesting at current market rates.
- **Foreign Currency Exchange Risk.** AGII has exposure to many foreign currency markets. Therefore, the floating foreign exchange rate could increase the volatility of the stock price in the U.S market. Moreover, the company has exposure to foreign currency risk both in its insurance contracts and invested assets. Argo Group recorded realized losses of $2.9M and $8.2M from movements on foreign currency rate in its investment portfolio for six months ended June 30, 2015.

Management

Mr. Mark Watson is the President, CEO and Director at Argo Group International Holdings Ltd. Additionally, Mr. Watson was previously employed as President and CEO by Argonaut Group, Inc. He received his undergraduate degree from Southern Methodist University and a graduate degree from The University of Taxes School of Law. Jay Stanley Bullock is the CFO of Argo Group. Bullock was previously employed as Senior Managing Director by Bear, Stearns & Co., Inc. and a Managing Director by First Union Securities.



Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	1.79%
% of Shares Held by Institutional & Mutual Fund Owners:	98.21%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Dimensional Fund Advisors LP	2,602,481	9.32
The Vanguard Group, Inc.	1,755,776	6.29
Wellington Management Co. LLP	1,622,088	5.81
BlackRock Fund Advisors	1,395,141	5.00
Frontier Capital Management Co. LLC	1,323,111	4.74

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	Net Margin	P/B	Dividend Yield
Argo Group Intl	AGII	1,580	1,533	12.50%	0.95	1.41
Arch Capital Group Ltd.	ACGL	8,867	4,143	20.30%	1.55	0.00
XL Group Plc	XL	11,104	7,288	16.00%	0.90	1.86
AXA SA	708842	53,105	-	4.30%	0.87	4.39
Endurance Specialty Holdings Lt	ENH	4,055	2,000	16.84%	0.96	2.27
Selective Insurance Group	SIGI	1,774	1,885	8.10%	1.35	1.80
Peer Averages		15,781	4,477	13%	1.13	2.1

Source: FactSet