Applied Investment Management (AIM)

AIM Fund Investment Advisory Board Meeting

November 3, 2008
Location: Raynor Library Lower Conference Room Center
Time: 3:45 – 5:00 PM

AIM Equity Fund Presentations

Student Presenter	Company Name	Ticker	Price	Page No.
Caitlin Gerdes	American Science and Engineering Inc.	ASEI	$57.08	2
Kyle Zabel	Danvers Bancorp, Inc.	DNBK	$11.50	5
Alison Bettonville & Tyler Merten	Royal Dutch Shell Plc	RDS/A	$55.82	8
Philip Benedict	Stone Energy Corporation	SGY	$26.95	11
Sarah Schmidt	Tupperware Brands Corporation	TUP	$21.34	14

Next AIM Presentation: Wednesday, November 19, 2008 - 5 – 7:00 PM - Raynor Library

American Science and Engineering Inc.
ASEI
Price: $57.08 ($42.10-$73.99)
Fiscal Year Ends: March 31

Date: October 28, 2008 Caitlin Gerdes
Russell 2000 Index: 482.55 (441.92 – 830.39) Business Services

American Science and Engineering Incorporated (ASEI) engages in the development, manufacturing, marketing, and sale of x-ray and other inspection solutions for homeland security and other targeted markets both domestically and internationally. It primarily serves port and border security, aviation security agencies, military organizations, and high threat commercial and government facilities. ASEI's products and services can be grouped into six different segments including CargoSearch Inspection Systems (18% FY08 revenues), Z Backscatter systems (25%), ParcelSearch Inspection System and Personnel Inspection (8%), Contract Research and Development (7%) and Service and Support (42%). The company was founded in 1958 and went public in 1975. ASEI is currently headquartered in Billerica, Massachusetts.

Key Statistics	October 2008
Market Cap	502.51*
Shares Outstanding	8.78M*
Average Volume	121,977*
Beta	0.94*
EPS (TTM)	$1.52*
2009 Estimated EPS	$2.83**
P/E (TTM)	37.73
PEG	1.09*
WACC	10.34%**
Debt/Assets	4.66%**
Dividend Yield	1.40%
ROE(TTM)	10.47%**
Gross Margin	35.84%*
Operating Margin	12.73%**
Target Price	$67.00

Sources: Yahoo! Finance*, Bloomberg**

Recommendation

American Science and Engineering, with its patented Z Backscatter technology, is well positioned for growth both domestically and internationally as governmental agencies seek instruments that will help combat terrorism and smuggling. ASEI manufactures and markets the world's top-selling cargo and vehicle inspection system, the Z Backscatter Van, to customs checkpoints as well as military forces around the world. The company has experienced inconsistency in growth, but demonstrates a strong plan for the stable revenues in the future without necessary dependency on orders from the U.S. Government (55% of revenue mix). International expansion (36%) will continue to be a main driver for ASEI as 88% of Q109 bookings were reported by overseas clients. The firm pays a dividend of $0.80 (1.4% yield). It is recommended that ASEI be added to the AIM Equity Fund at a target price of $67.

Investment Thesis

- **Z Backscatter Technology.** This patented technology is employed within the company's x-ray systems, which allows customers the ability to detect organic items with low atomic numbers such as drugs, explosives, composite weapons, and stowaways. Z Backscatter contributed to 45% of FY08 revenues and is expected to grow as more Middle Eastern clients purchase ZBVs that can be used to scan vehicles on rugged terrain.
- **International Expansion.** In recent years the company has experienced strong sales growth abroad. During FY08, international revenues accounted for 36% compared to

27% during FY07. ASEI's foreign sales in FY08 were 70%, 14%, 14% and 2% in the Middle East and Africa, Pacific Rim, Europe, and other countries, respectively. Management noted that foreign sales are attributed to 88% of Q109 booking activity. ASEI's continued diversification among its client base will limit its reliance on U.S. Government orders that it experienced in previous years.

- **Whole-Body Imaging Equipment.** ASEI's SmartCheck device, the industry's most comprehensive personnel x-ray screening system, displays both organic and inorganic materials that competing systems, such as metal detectors, can miss. These systems are currently being evaluated by screening points at Los Angeles International Airport, Phoenix's Sky Harbor Airport, New York's JFK Airport, and Sydney International Airport in response to heightened security levels following September 11, 2001.
- **Strong Pipeline.** ASEI's future performance continues to show strength as backlog levels reached a record $160M for Q109, compared to $99.6M at the end of FY08. The company expects 77% of the backlog to be filled within the next fiscal year.

Valuation

A ten year DCF Model indicated an intrinsic value of the stock to be $69.17. The assumptions used in this valuation were an average growth rate of 8% for 2009-2012, and 10% from 2015-2018. A terminal growth rate of 3.5% and a WACC of 10.34% were used. Under a bullish assumption (5.00% terminal growth, 10.34% WACC), an $82 target price was obtained. Currently, American Science and Engineering is trading at 44x current EPS. Due to ASEI's inconsistent P/E trends, a conservative estimate of 25x was used. Using 25x 2009 estimated EPS of $2.83, a $71 target price was obtained. Combining these estimates, a price target of $67 was established for ASEI.

Risks

- **Reliance on small customer base.** ASEI's products primarily serve a small customer base with the U.S. Government comprising 55% of FY08 revenues compared to 70% during FY07. Also, two government agencies accounted for 22% of the company's total revenues for fiscal 2008. This pattern may not continue in the coming years, which could be unfavorable for future revenue and earnings.
- **Inability to meet international demand.** As ASEI continues expanding internationally, they may experience lengthy transaction cycles as only 4% of the company's assets are abroad. This limited amount of resources would require increased shipping expenses for products to come from the United States.
- **Intellectual Information.** ASEI relies primarily on a combination of trade secrets, patents, copyrights, and confidentiality procedures to ensure the highest quality of its products. It currently has 59 patent applications pending with the U.S. Patent and Trademark Office, as well as other patent offices of foreign countries. If these patents are not approved, ASEI may experience greater competition among its closest competitors.

Management

Anthony Fabiano has been President and CEO of American Science and Engineering since 2002. Prior to 2002 he served as President and COO of Despatch Industries, which is a leading designer and manufacturer of thermal processing equipment.

Figure 2: ASEI Price Chart

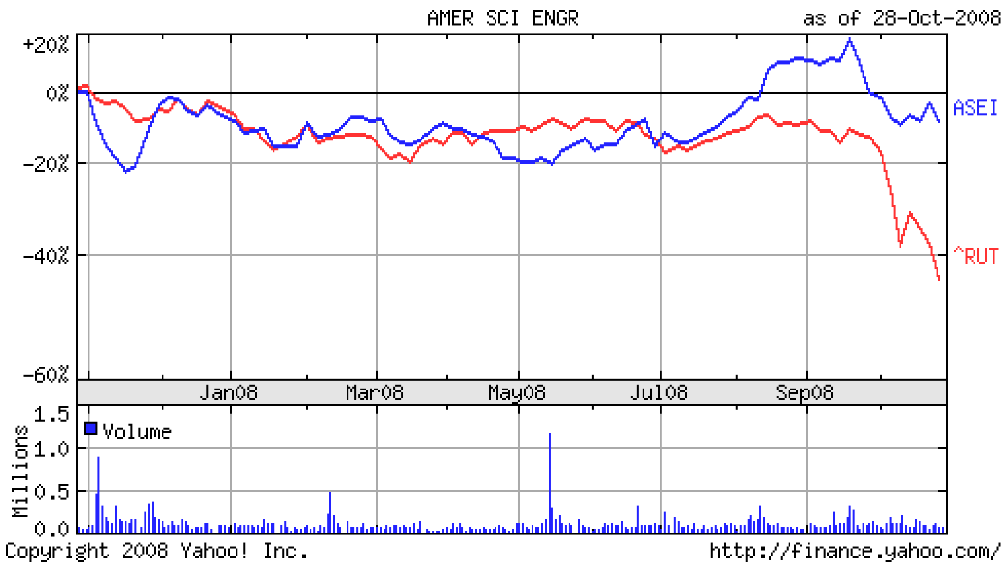


Figure 3: ASEI vs. Russell 2000 Price Chart

Ownership

% of Shares Held by All Insider and 5% Owners:	1%
% of Shares Held by Institutional & Mutual Fund Owners:	65%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Fidelity Management	846,300	9.64%
T Rowe Price Associates	640,230	7.29%
Friess Associates Incorporated	427,300	4.87%
Barclays Global Investors	364,693	4.15%
Vanguard Group Inc.	276,476	3.15%

Source: Bloomberg

Danvers Bancorp, Inc.
DNBK
Price: $11.50 ($9.40 – 14.10)
Fiscal Year End: December 31

Date: October 28, 2008 Kyle Zabel
Russell 2000 Index: 482.55 Financial Services

Danvers Bancorp, Inc. is the holding company for Danversbank, a Massachusetts-chartered savings bank. The company provides typical banking services, finances a diverse loan portfolio, and invests in a portfolio of securities. Lending and investing activities are funded primarily (93%) by customer deposits, but also through cash generated by credit/debit card services, cash management services, loan servicing fees, etc. Danversbank was founded in 1850 and just recently began its transformation from traditional community thrift to a more commercial banking model. Its 17 branches are located in eastern Massachusetts (in several counties just north of Boston) and its lending base extends into both New Hampshire and Rhode Island. On January 10, 2008, Danversbank completed its stock conversion to become a publically traded entity.

Recommendation

DNBK is an attractive franchise at a striking valuation, even amidst today's banking environment. The company has an abundance of capital (from January's IPO) to cushion itself from potential losses, and non-performing assets have actually declined in the past quarter. With responsible and experienced lending teams, DNBK has maintained sound asset quality. Its loan portfolio is diverse and its investment portfolio is carefully positioned. The bank also operates in a relatively favorable market in terms of home prices, business activity, and customer wealth. To move forward, management has highlighted a strategy with new growth initiatives while still focusing on what the company does best – fostering close relationships with its customers. The stickiness of its deposit base can be attributed to its strong history and reputation of involvement within the community. Since IPO, investors have failed to fully recognize the strength of DNBK's business model and excess capital in this environment. Undervalued at 39% below target price, it is recommended for the AIM Small Cap Fund to purchase 350 shares of DNBK, a 1% portfolio weighting.

Key Statistics	10/28/08
Market Cap	$189.3M
Shares Outstanding	16.5M
Avg. Vol. (3 mo.)	71,525
P / Tang. Book	0.92x
ROE (5 yr avg.)	6.8%
Deposit growth (ttm)	12.7%
Loan growth (ttm)	18.1%
Net Interest Margin	3.25%
NPA / Tot. Assets	0.5%
Reserves / Tot. Loans	1.03%
Tier 1 Core Capital	22.03%
E/A	14.3%
Dividend Yield	0.07%
Target Price	$16.00

Sources: Bloomberg, DNBK Financials

Investment Thesis

- **Strong Capital Position.** In light of credit conditions, holding sufficient capital is vitally important for any bank's survival. DNBK operates with an excellent core capital ratio of 22%, providing adequate loss protection. Also, both total deposits and total loans increased in Q3, at annualized rates of 17% and 24% respectively. Balance sheet growth and solid capital foundation make a great case for sustainability over the long term.

- **Credit Improvements, declining NPAs.** As the TARP initiative broadens to include some regional banks and insurers, the credit markets should begin to loosen entering 2009. Recent Fed rate cuts should further improve bank funding costs in the near term. These catalysts should prompt a mild recovery among bank stocks as confidence builds. For DNBK, non-performing assets declined significantly in Q3 (from 0.7% to 0.5%, but still up y/y from 0.3%). While net charge-offs were up just slightly, they were well covered by provisions. Loss reserves were unchanged at 1.03% of total loans and should remain constant into 2009.
- **Refocused LT Strategy.** After 15 decades of very modest asset growth, January's capital infusion is an opportunity for DNBK to fully realize its long term business strategy. The bank is now positioned to expand its branch network and loan portfolio while exploring new revenue sources through middle-market leveraged financing, asset-based lending, etc. While management notes these are not aggressive growth initiatives, they do welcome the opportunity to provide newer, better services to more customers.

Valuation

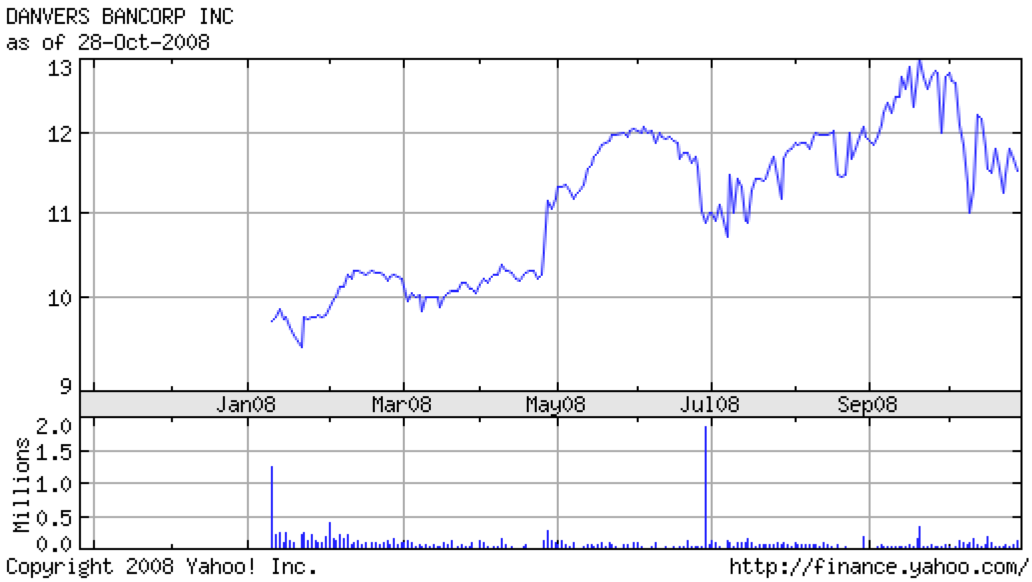
DNBK was valued using a Price / Tangible Book Value multiple, the method most commonly applied in today's small-cap banking environment as credit costs have disrupted P/Es. A peer-group of small, adequately capitalized, northeastern banks are trading at an average P/TB of 1.2x. Using this multiple with an estimated 2009 TB of $12.90/share, I am establishing a 1-year price target of $16.00/share. As such, the potential upside is approximately 39%.

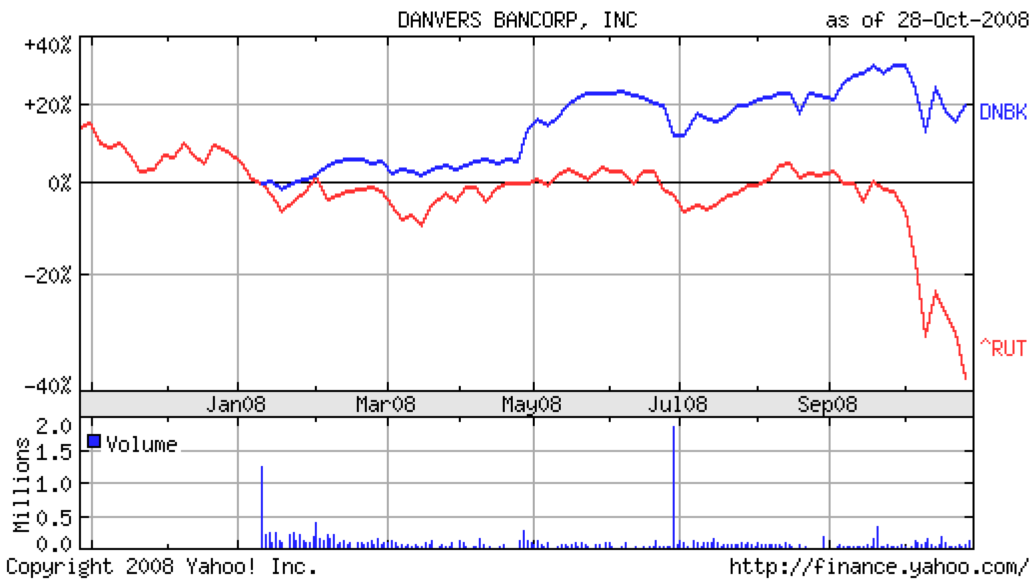
Risks

- **Increased Loss Reserves.** Prolonged recession, further home price declines, and a weak construction market could continue to decrease the financial conditions of DNBK's borrowers, specifically in regard to residential mortgages and commercial/industrial loans. Increased NPAs and charge-offs would force the bank to increase loss provisions, eating away profits.
- **Net Interest Margins.** NIM contracted slightly in Q3, as a 15bp decline in asset yields was only partially offset by a 2pb decline in funding costs. A Fed cut should help with the latter, but asset yields are largely dependent upon benchmark rates (i.e. prime and LIBOR) and the bond markets (as 24% of assets are in the securities portfolio).
- **Deposit Base and Loan Growth.** If DNBK is unsuccessful in growing and maintaining its customer relationships and deposit base, it will be unable to fund loan portfolio expansion. Asset stickiness and market saturation are important factors moving forward.

Management

The bank's management team might be its most valuable asset. CEO Kevin Bottomley and CFO Mark Panella have been with the company since 1996; COO and Senior Lending Officer since 2001. Most recently, several experienced personnel additions have been made to the Senior Lending team and a new Executive VP was hired to lead the Cash Management group. Under the new ESOP and phantom stock plans, both management and employee compensation will be tied to firm performance. Taking much pride in the bank's long local history, management is committed to acting as a responsible steward of the community's capital. This is clearly evidenced by the establishment of the Danversbank Charitable Foundation, a plan conceived by management to grow philanthropic efforts within the local community.





Ownership

% of Shares Held by Insiders:	2%
% of Shares Held by Institutional & Mutual Fund Owners:	42%

Source: Bloomberg, DNBK Financials

Top 5 Shareholders

Holder Name	Shares Held	Percent of Shares Outstanding
Wellington Management	1,188,359	7.22
Clover Partners	674,200	4.10
Danversbank Charitable Foundation	650,000	3.95
Castine Capital Management	474,317	2.88
Barclays Global Capital	451,763	2.74

Source: Bloomberg

Royal Dutch Shell Plc
RDS/A
Price: $55.82 ($42.08-$88.73)
Fiscal Year Ends: December 31

October 30, 2008 Alison Bettonville & Tyler Merten
S&P ADR Index: 1040.73 (936.96-2148.84) International Energy Sector

Active in more than 110 countries and territories worldwide, Royal Dutch Shell is one of the most geographically diverse oil companies in the world. It operates in five segments: Exploration and Production, Gas and Power, Oil Sands, Oil Products, and Chemicals. The Exploration and Production segment engages in the upstream activities of acquiring, exploring, developing, and producing oil and gas. The Gas and Power segment liquefies and transports natural gas, and develops natural gas markets and related infrastructure. The Oil Sands segment engages in downstream activities of producing synthetic crude oils for use as refinery feedstocks. It extracts bitumen from oil sands in Alberta, western Canada and converts it to synthetic crude oils primarily used in road construction. The Oil Products segment turns crude oil and synthetic crude into a range of refined products for domestic, industrial, and transport use. The Chemicals segment produces petrochemicals for industrial customers. The company is headquartered in The Hague, The Netherlands, and employees 104,000 people.

Recommendation

Active in more than 110 countries and territories worldwide, RDS is one of the most geographically diverse oil companies in the world. Its five business segments, their diversified revenue streams, and a fully implemented business model provide security in a slowing global economy. In accordance with its "More Upstream, Profitable Downstream" strategy, RDS is currently focused on expanding exploration and production activities worldwide, investing in some 10 billion BOE of resources to deliver approximately ~1 million BOE per day of oil and gas, and increasing its liquefied natural gas capacity by 50%. It currently boasts a list of over 50 projects that will drive cash flows in coming years. Additionally, RDS has highlighted its proactive approach to biofuels innovation, announcing six new agreements with researchers worldwide—these investments should synergize with existing relationships embracing biofuel technologies. Due to RDS's strong balance sheet fundamentals and overselling of crude oil, we recommend adding RDS with a $70.00 target price.

*Source: Yahoo! Finance, *Bloomberg*

Key Statistics	October 30, 2008
Market Cap ($M)	$177,767.4
Total shares outstanding	1,773,518,000
ADR ratio	2:1
Avg. Volume (3m)	4,696,614
Est. FY2008 EPS (ADR)	$10.258
Current P/E	4.8
P/CF	4.89
ROA (TTM)	12.41%
ROE (TTM)	27.28%
Operating Margin	11.45%
Gross Margin	16.61%
Beta (vs. S&P ADR index)	.91
WACC	10.39%
Dividend (yield)	$2.88 (5.6%)
Target Price	$70.00

Investment Thesis

- **Large, Diversified Revenue Streams.** Royal Dutch Shell has almost 11 billion barrels of proven oil and gas reserves, daily production of 3.3 million BOE, the capacity to refine 4 million barrels a day, and about 46,000 service stations. Exploration revenues are geographically diverse, with 42% from Europe, 25% from greater Africa/Asia Pacific, 25%

from the United States, and 8% from Canada/Latin America. RDS earns an additional $280 billion of revenue annually from its oil products division. These divisions, couple with biofuels and chemicals make position RDS to withstand global economic slowdown.

- **Global Expansion.** The company's size and cost structure make it an attractive partner for emerging international projects. RDS dedicates more funds to new project investment than any other oil company. Of its $27.1 billion capital expenditures in 2007, the company spent $15.6 billion on project development. Numerous off-shore projects, such as Bobo field (Nigeria) and Perdido (Texas), have extractable reserves below 2.5km, a depth that used to be inaccessible—snake wells and RDS's patented Smart Fields technology have made these projects possible. Last year the company made 11 notable discoveries, increasing its proven reserves.
- **Healthy dividend policy.** RDS bases dividends on global inflation plus a premium, and pays them in US dollars, mitigating some of the currency risk inherent in ADR investing. In 2007, RDS returned $13.4 billion to shareholders via dividends and share buybacks—the company has averaged a 6.1% CAGR over ten years in its dividend. A 6.5% yield ranks RDS strongly among competitors. RDS has stated dividend payments are the top priority after meeting contractual obligations.

Valuation

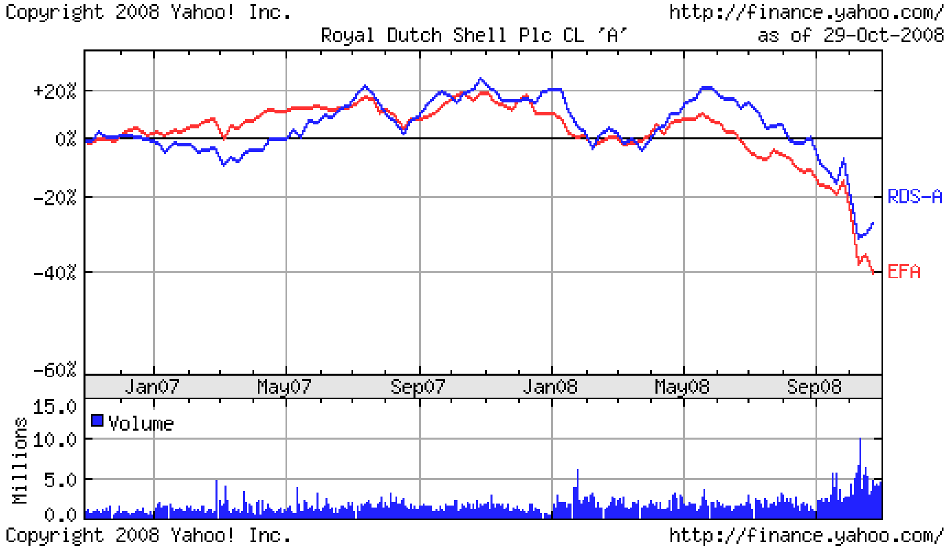
Currently, Shell is trading at 4.8x—a significant discount from its typical P/E of approximately 8.5x. The industry has typically traded around 11.0x, but the industry average P/E has recently hovered around 6.5x. We feel the firm would be fairly valued at a P/E of 7.0x—for estimated 2008 earnings of $10.26 a share, a 7.0x P/E values RDS at $71.81. Further, a DDM valued Shell at $68.51. Stock price was calculated based on a WACC of 9.44%, and we estimated a dividend growth rate based on the IMF's projected inflation (3.5%) plus our estimated premium (1.0%), for a total growth rate of 4.5%. Overall, $70 is a fair target price.

Risks

- **Geopolitical Risk.** RDS does business in unstable economies. Most recently, Nigerian rebels damaged a major pipeline in the region, causing the company to temporarily shut down production—Nigeria is the fourth-largest supplier of oil to the United States. Events such as these both impede production and put RDS's valuable assets and employees at risk.
- **Appeal/Profitability of New Projects.** Because RDS is on the cutting edge of several new extraction technologies, volatile commodity prices threaten a project's viability. Lower commodity prices may lead management to reduce funding for future project research. Often new projects utilize less cost-efficient technologies—while these projects are worthwhile when prices are high, their appeal diminishes when prices (and profitability) decline. Oil sands is one such example.
- **Commodity risk.** Shell virtually cannot influence the prices of its products, as prices are demand-driven and set in the world market. Given its position in the oil industry, RDS's revenue is directly tied to the world market price for crude oil, with the exception of certain chemical products. Extreme fluctuations in commodity prices can decrease profitability, as RDS may not be able to quickly adjust its cost structure. Further, the stock price moves in tandem with changes in crude oil prices, leading to potential for high volatility.

Management

On October 29 the company announced Peter Voser, RDS's current CFO, will replace CEO Jeroen van der Veer in July 2009. Voser took the CFO job in 2004, after leaving the same position at Asea Brown Boverti Ltd. He has a total of 24 years of experience at RDS. Shares rose 8% on the announcement.



Ownership

% of Shares Held by All Insider and 5% Owners:	0.10%*
% of Shares Held by Institutional & Mutual Fund Owners:	20.90 %

*Source: Bloomberg *2007 20-F*

Top 5 Shareholders

Holder Name	Shares Held	Percent of Shares Outstanding
Capital Research Global Investors	33,458,000	1.89%
Capital Group International Inc	22,664,880	1.28%
AXA	16,897,173	.95%
Dodge & Cox	16,829,726	.95%
Fidelity Management & Research	15,796,335	.89%

Source: Bloomberg

Stone Energy Corporation
SGY (NYSE)
Price: $26.95 (23.07-73.76)
Fiscal Year Ends December 31st

November 3, 2008
Russell 2000 Index: 471.12 (461.62-830.39)

Philip Benedict
Energy Sector

Stone Energy Corporation (SGY) is a leading independent oil & gas company involved in the acquisition, exploration and development of mature oil and gas properties primarily in the U.S. Gulf Coast Basin, including onshore Louisiana and offshore Gulf of Mexico (GOM). The company also has operations in the Appalachia and Rocky Mountain regions as well as an exploratory joint venture in Bohai Bay, China. Stone's strategy is to improve cash flows after acquiring attractive oil & gas properties through increasing yield on existing reserves, the addition of proven reserves, the drilling of new wells, and the recompletion of existing wells. SGY extensively utilizes seismic and geological data in analyzing properties and advanced drilling techniques to increase well production. Stone went public in 1993 and is headquartered in Lafayette, LA.

Recommendation

Stone is a play on GOM deep water drilling and is well positioned for future growth. In 2006 the company initiated a restructuring and began divesting the majority of its Rocky Mountain assets, reducing debt levels and refocusing on lower-risk, shallow water projects in the GOM. Stone recently acquired the exploration company Bois D'Arc (BDE) which complements its exploitation and development competencies. This transaction doubles SGY's size, adds an extensive inventory of drill-ready GOM prospects with proven reserves, and is expected to be accretive to 2008 earnings. BDE increased Stone's project years from 2-3 to 5-6 and allows for considerable expansion into the high-growth deep water space. Management expects to continue to generate FCF in 2008 which it plans to use for debt reduction, increased capital expenditures, and a possible share buyback. The firm currently does not pay a dividend. Due to its financial position, deep water drilling exposure and strong cash flow, it is recommended to add SGY to the AIM Equity Fund.

Key Statistics	11/3/2008
Market Cap	$1,031.8MM
Shares Outstanding	40.04MM
Short Interest*	3.7MM
3 Mo. Volume*	955,000
Beta*	1.069
FY07 EPS	5.36
FY08E EPS**	8.39
P/E TTM	4.42
P/E Forward	3.21
P/S TTM	1.28
WACC*	11.77%
ROE	20.48%
ROA	9.60%
Gross Margin	85.40%
Operating Margin	47.25%
Net Margin	31.49%
Target Price	
Bloomberg*, Thomson/FirstCall	

Investment Thesis

- **Strong Margins.** In Q208 period, Stone's pre-merger gross and operating margins were 85.40% and 47.25%, respectively. Stone's post-merger pro forma gross and operating margins are approximately 80% and 68%, respectively, based upon 2007 figures for both companies.

- **Significant FCF.** 2007 EBITDA and FCF totaled $465MM and $237MM, respectively, on revenues of $753MM. In the most recent quarter ended June 30th, Stone generated $180.5MM in EBITDA on $263.0MM in revenue.
- **Expanded Portfolio.** With the BDE acquisition, Stone has 5 to 6 years of E&P projects and proven reserves of 720 Bcfe containing a mix of 55% natural gas and 45% oil.
- **Strong Financial Position.** To fund the BDE merger, SGY used cash on hand of approximately $510MM and borrowings of $425MM under a recently expanded $700MM credit facility with Bank of America. Stone's total debt/capital ratio post-merger is 35% compared to 29% pre-merger. The company has approximately $321MM currently available through various LOCs. Management expects to generate strong positive FCF going forward.

Valuation

SGY is currently selling at a deep discount (trailing P/E of 3.1 and forward P/E of 3.8). With Price/Sales, Price/Book, and Enterprise Value/EBITDA ratios of 0.92, 0.80, and 0.91, respectively, SGY is attractively priced relative to their peers (i.e. Cabot Oil & Gas, Denbury Resources, and St. Mary Land & Exploration).

Risks

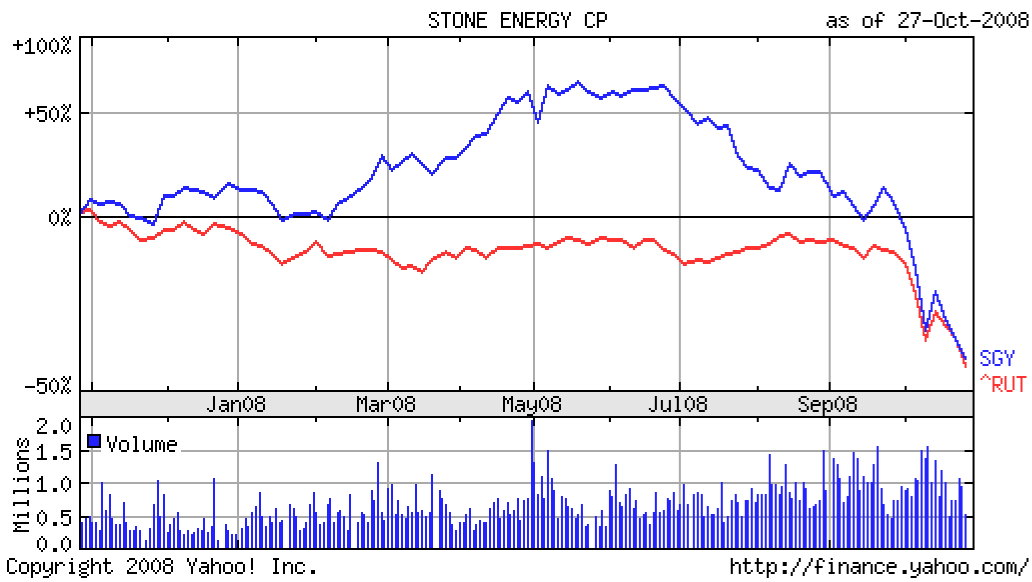
- **Deep Water Drilling.** Stone's deep water initiatives will involve substantial risks, costs and lead time to develop infrastructure. They had no production or proven reserves in the deep water GOM prior to the BDE acquisition. Stone's operating strategy of acquiring mature properties with existing infrastructure should help shorten lead times and reduce risk.

- **Commodity Price Risk.** A substantial and/or extended decline in the prices of or demand for natural gas and oil will have an adverse effect on the company's margins, capital expenditures program and financial results. Stone sells its oil and gas at current market prices under short-term contracts and enters into derivative contracts to hedge its price exposure on future production at management's discretion. The company hedges up to 50% of estimated future production at management's discretion using various derivatives contracts and strategies.
- **Acquisition and Expansion.** Stone may not be able to effectively integrate the Bois D'Arc acquisition or generate sufficient capital to pay down debt, maintain its current capital expenditures program or continue its growth strategy.

- **GOM Concentration.** Stone is concentrating on opportunities in the Gulf Coast Basin; any adverse event, trend, or natural disaster could have a significant impact upon the company's operations. Stone recently lost 6 structures to Hurricane Ike which represented daily production of 10 MMcfe and proven reserves of 2 Bcfe. This amounts to a loss of 3.2% of average daily production and less than 0.5% of total reserves.

Management

Chairman Richard Pattarozzi, former CEO of Shell Oil, joined Stone in April 2008, bringing with him over 40 years of industry experience. David Welch has been CEO since 2004 and is the former SVP of BP America. Kenneth Beer has been CFO since 2005 and was formerly a research analyst at Johnson Rice & Co. and an investment banker at Howard Weil.



Ownership

% of Shares Held by Insiders and 5% Owners:	2%
% of Shares Held by Institutional and Mutual Fund Owners:	~90%

Top 5 Shareholders

Holder Name	Shares	Percent Outstanding
Comstock Resources	5,317,069	13.28%
Renaissance Technologies Corp.	2,320,700	5.80%
Goldman Sachs	2,007,913	5.01%
Dimensional Fund Advisors	1,807,832	4.52%
Barclays Global	1,758,192	4.39%

Tupperware Brands Corporation
TUP
Price: $21.34 ($18.52 - $44.98)
Fiscal Year End: December 29

Date: October 28, 2008 Sarah Schmidt
Russell 2000 Index: 452.78 (448.40 -$830.39) Consumer Goods Sector

Tupperware Brands Corporation (TUP) has two main product lines including Tupperware and Beauty. The Tupperware line is comprised of cooking preparation tools and storage containers for the kitchen and home. The firm's Beauty line manufactures and distributes skin care products, cosmetics, bath and beauty care, toiletries, and fragrances. The Tupperware line makes up approximately 64% of TUP's total sales, while the beauty line is responsible for approximately 36% of total sales. Tupperware operates throughout three geographic regions including Europe (Europe, Africa, and the Middle East), Asia Pacific, and North America. Over the past five fiscal years between 75%-85% of total revenues were derived from international markets. Tupperware has a unique way of distributing their products. Unlike many other firms within the consumer goods sector, Tupperware does not operate any retail stores, outside of China. Rather they mainly sell their products through parties; approximately 12.5 million parties were held worldwide during 2007. These parties have taken a new twist in the past few years; going from parties for "stay at home moms" to a "Girls Night Out" vibe. Tupperware Brands Corporation went public in 1996 and is currently headquartered in Orlando, Florida.

Recommendation

Tupperware has historically performed well during economic downturns which makes it a good defensive play for the AIM Fund. During the Q308, which was one of the most volatile times in the history of the markets, TUP reported sales growth of 13%. Tupperware sees great growth potential in the emerging markets, especially in Latin America and India. During Q308 emerging markets accounted for 56% of total sales. In order to capitalize on the potential in these markets TUP has modified its product line based on the region by developing products that management feels will be successful given the certain population demographics and environmental situations within these countries. For example, in India where it is difficult to find clean drinking water, Tupperware is developing an Eco Water Bottle. The Eco Water Bottle will be durable and reusable, and will come with water purifying tablets. Because Tupperware is counter cyclical, pays a solid dividend, and has good growth potential, it is recommended that TUP be added to the AIM Equity Portfolio at a target price of $31.

Key Statistics	October 28, 2008
Market Cap	1.34B
Shares Outstanding	62.13 Mil
Average Volume	1,037,290
WACC	10.88%
EPS	$2.06
FY 2009 Est. EPS	$2.68
P/E (TTM)	7.88*
Forward P/E	8.03**
ROA	7.62%
ROE	23.84%
Gross Margin	65.90%*
Operating Margin	10.53%
Dividend Yield	4.26%*
Target Price	$31

Yahoo! Finance, Bloomberg*, Thomson**

Investment Thesis

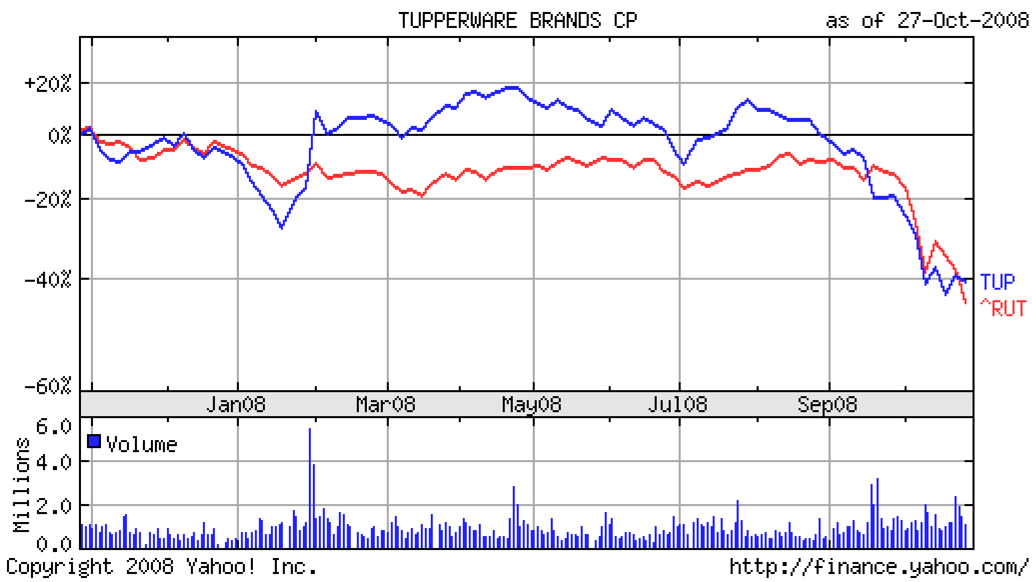
- **Counter Cyclical during Economic Downturn.** Historically as unemployment increases, the Tupperware's sales force pool has increased. While TUP's average sales

may be lower, the larger sales force will help the firm continue to achieve higher growth. This was seen in Q308 when revenues increased by 13% YoY.
- **Brand Power.** Tupperware's brand name is known and respected globally among consumers. It is the second most respected household brand name in the U.S., and the fourth strongest in Germany. The Tupperware brand name is also crucial in the emerging markets where consumers are more brand aware.
- **Share Repurchase.** Tupperware's Board of Directors authorized $150 million Share Repurchase Plan in May of 2007. Through the third quarter of 2008, Tupperware has repurchased approximately $64 million. They plan to buy back another $10 million worth of stock during the Q408 and approximately $40 million during FY09.

Valuation
A 5 year DCF model was used to value TUP. The FCF were discounted using a WACC of 10.88%. A 5 year model was chosen due to the recent volatility and uncertainty within the market, especially within the consumer goods sector. Using a 5% growth rate, the 5 year DCF yielded an intrinsic value of $31.44. A relative valuation approach also indicated a potential undervalued opportunity for TUP (trailing P/E of 9.8, forward P/E of 8.7, and Price/Sales of 0.66 are at historically low levels).

Risks
- **Weakened Global Economy.** Although historically Tupperware has been able to grow during a weak economy, it is always a risk that consumers will be unwilling to spend their income. This unwillingness to spend could cause Tupperware's overall sales to drop and thus decrease their revenues.
- **Negatively Impacted by Strengthening US Dollar.** Tupperware derives approximately 80% of its total sales from operations outside of the United States. Therefore Tupperware is negatively impacted by a strengthening U.S. dollar. Tupperware has attempted to hedge against this risk by product sourcing in local markets around the world.
- **Dependence on the Emerging Markets.** Emerging markets make up more than half of Tupperware's net sales and approximately 75% of its total sales force. While Tupperware has experienced tremendous sales growth year-to-date in emerging markets (20%), the emerging markets have begin to lose their enormous gains. The MSCI-EM has lost over 50% of its value since July.

Management
E.V. "Rick" Goings has been the Chairman and CEO of Tupperware since October 1997. Simon Hemus has been the President and Chief Operating Officer since August 2006. Prior to being named President and COO he served as the Group President for the Beauty and International Beauty lines.



Ownership

% of Shares Held by Insiders:	1%
% of Shares Held by Institutional & Mutual Fund Owners:	~90%

Top 5 Shareholders

Holder Name	Shares Held	Percent of Shares Outstanding
Barclays Global Investors UK Holdings	3,140,557	5.05%
American Century Companies	2,089,975	3.36%
State Street Corporation	1,939,628	3.12%
Munder Capital Management	1,888,852	3.04%
Vanguard Group Inc.	1,877,888	3.02%