Applied Investment Management (AIM) Program

AIM Class of 2016 Equity Fund Reports
Fall 2015

Date**:* Friday, December 4th | ***Time:** 2:00 – 4:00* p.m. | ***Location: DS 105

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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 8-10 minutes of Q & A.

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Superior Uniform Group, Inc. (SGC)
December 4, 2015

Avery D. Flyte Domestic Consumer Discretionary

Superior Uniform Group, Inc. (NASDAQ: SGC) is a leading provider of uniforms and service apparel and related products in the United States. The company operates primarily in two segments: uniforms and related products (95.0% of 2014 revenue) and remote staffing solutions (5.0%). The uniforms and related products segment manufactures and sells a wide range of uniforms, corporate identity apparel, career apparel, and accessories for the hospital and healthcare fields; hotels; fast food and other restaurants; and transportation, and private security, industrial and commercial markets. The remote staffing solutions segment provides cost effective multilingual telemarketing and total office support solutions through multiple The Office Gurus entities, including its direct and indirect subsidiaries in El Salvador, Belize, and the United States. Superior Uniform Group was founded on August 16, 1922 as a family-owned business devoted to the sewing and sale of uniforms and is headquartered in Seminole, FL.

Price ($): (12/01/2015)	18.39	Beta:	0.46	FY: Dec 31	2014A	2015E	2016E	2017E
Price Target ($):	22.47	WACC	8.00%	Revenue (Mil)	196.25	222.33	248.41	274.50
52WK H-L ($):	23.73 - 11.76	M-Term Rev. Gr Rate Est:	10.5%	% Growth	29.54%	13.29%	11.73%	10.50%
Market Cap (mil):	254.8	M-Term EPS Gr Rate Est:	25.9%	Gross Margin	35.03%	38.82%	41.81%	44.24%
Float (mil):	8.0	Debt/Equity:	25.43%	EBITDA Margin	9.18%	12.22%	14.62%	16.56%
Short Interest (%):	2.8	Debt/EBITDA:	1.05	EPS (Cal)	$ 0.82	$ 1.22	$ 1.61	$ 2.01
Avg. Daily Vol (mil):	0.02	ROA (%):	8.71	FCF/Share	$ 1.46	$ 2.04	$ 2.59	$ 3.13
Dividend ($):	0.0825	ROE (%):	14.60	P/E (Cal)	17.91x	14.40x	10.86x	8.71x
Yield (%):	1.8	ROIC (%):	11.63	EV/EBITDA	12.07x	8.96x	6.85x	5.55x

Recommendation

Superior Uniform Group, Inc. is a multifaceted enterprise that is strongly positioned to compete in the highly fragmented and competitive uniform and corporate identity apparel market. It has displayed above average industry earnings per share (16.7% YoY vs. 2.5% YoY) and strong margin expansion (19.3% YoY). With a clearly defined and differentiated brand with which to grow its more sizeable uniforms and related products segment, SGC continues to significantly outperform its peers; with 4Q results beating expectations on all key metrics. The company achieved revenue and net income growth of 29.5% and 91.5%, respectively, during the fiscal year 2014, driven by uniforms and related products increases of 29.0% and remote staffing solutions increases of 42.5% over the prior year. In contrast, their leading competitor, Cintas Corporation, announced September 4th, that other services revenue, consisting of revenue from the operating segments of uniform direct sales and first aid, safety and fire protection services, decreased 18.0% compared to fiscal 2014. In addition, Superior Uniform Group has achieved a 38.0% five-year EPS CAGR with lower bad debt expense and leverage from strong revenue growth. The company initiated a share repurchase program of up to $12 million in August 2008 as part of its overall capital allocation strategy. Since the approval of the share repurchase program, SGC has purchased 750,000 shares of common stock at an aggregate cost of $9 million, which includes 13,211 shares of common stock at an aggregate cost of $162,000 during the year ended December 31, 2014. At December 31, 2014, $3 million (25.0%) remained available under the current share repurchase authorization. The new share repurchase authorization not only displays the firm's financial strength but its ongoing commitment to increasing shareholder value as well. It is therefore recommended that SGC be added to the AIM Equity Fund with a target price of $23.01, representing a 25% upside. The company also pays a dividend of $0.0825, which is a dividend yield of 1.80%.

Investment Thesis

- **Lower Cotton Prices.** The established market prices of finished goods sold by SGC are intrinsically dependent upon the cost of baseline materials used to produce them, primarily cotton and chemical components of synthetic fabrics. The period 2011-2015 saw a drop of 70% in the price of cotton fabric. A declining trend in cotton prices is set to continue as supplies from the world's principal growing regions are set to rise amid waning demand from China. The International Cotton Advisory Committee forecasts China's cotton imports to slide 45% in the coming year, the biggest year-over-year drop since 2007. Lower fiber prices will translate into lower sourcing costs for fabrics and garments, fueling growth in the uniform and corporate identity apparel industry.

- **Remote Staffing Solutions Segment Expansion.** Remote staffing solutions and related products currently account for in excess of 5% of SGC's net sales. The company services its Remote Staffing Solutions segment through multiple The Office Gurus entities. The global call center and business process outsource provider grew out of the need to address a staffing shortage in SGC's Tampa Bay, Florida offices. The Office Gurus has grown 42.5% year-over-year through organic customer acquisition, optimization, and retention. As a result, senior management recently affirmed plans to double the size of the The Office Gurus by 2019, allowing the SGC to further diversify and reduce dependence on the uniforms and related products segment.
- **Growth in the Direct Primary Care Market.** A growing number of physicians are electing to forgo the traditional fee-for-service payment systems in favor of a single direct primary care practice model. Studies conducted internally by federal staff at the Health Resources and Services Administration have found that total demand for primary care physicians is projected to increase 14% by 2020. In keeping with global trends, SGC is positioning itself to provide expanded coverage as it pertains to uniforms and related products for the medical and health fields. The company's Fashion Seal Brand was recently awarded a group-purchasing contract from Premier Inc. to provide 5,000 direct primary care facilities uniforms and related products. This positions the company to continue delivering sustainable, profitable growth by capitalizing on the prevailing trends in health policy.

Valuation

In order to reach an intrinsic value for SGC, a five-year DCF model was constructed. Using a terminal growth rate of 3.00% and a WACC of 8.00%, an intrinsic value of $22.43 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $19.64-$26.62. Additionally, a historical and peer P/E comparison was conducted resulting in a price target of $23.60. By weighting the two valuation models 50/50, a price target of $23.01 was reached, which yields a 25% upside.

Risks

- **Shortages of Supply of Sourced Goods.** In 2014 and 2013, Superior Uniform Group obtained approximately 22% and 33%, respectively, of its products from suppliers in Central America. An unexpected interruption in any of the supply sources or manufacturing facilities could have a material adverse effect on the company's business, results of operations, or financial condition.
- **Pension Obligations.** As of December 31, 2014, Superior Uniform Group had approximately $8.1 million in defined benefit pension plan obligations, compared to $3.6 million as of December 31, 2013. Failure to rectify unfunded or underfunded pension plan obligations as they become due may result in additional expense or in disruption to the company's operations, either of which could reduce gross margins and affect overall profitably.

Management

Mr. Michael Benstock assumed the role of Chief Executive Officer for Superior Uniform Group on October 24, 2003. Prior to such date, Mr. Benstock served as Co-President of the company beginning May 1, 1992, and has been a director and Executive Vice President since 1985. He is also an active Director of The Office Gurus, a nearshore call/contact center business located in Central America.

Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	42.40%
% of Shares Held by Institutional & Mutual Fund Owners:	39.60%

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
Dimensional Fund Advisors LP	1,115,000	▼	8.00
Venator Capital Management Ltd.	521,000	▼	3.80
Neuberger Berman LLC	419,000	▼	3.00
BlackRock Fund Advisors	342,000	▲	2.50
Wells Fargo Advisors LLC	319,000	▼	2.30

Source: FactSet

Peer Analysis

Name	Ticker	MarketCap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/EBITDA
Superior Uniform Group, Inc.	SGC	254.80	196.25	21.85	1.90	10.02
Cintas Corporation	CTAS	9,858.00	4,551.81	802.60	1.10	10.04
G&K Services, Inc., Class A	GK	1,343.00	900.87	126.99	2.20	9.97
UniFirst Corporation	UNF	1,866.00	1,394.90	265.03	0.14	6.64
Peer Averages		4,356	2,283	398.2	1.15	8.88

Source: FactSet

Westpac Banking Corp. ADR (NYSE: WBK)

December 4, 2015

Wenting (Mavis) Peng International Financials

Westpac Banking Corporation (NYSE: WBK) is an organization, which provides a wide range of banking and financial services. WBK is one of the national leading banks in Australia, with $77.12 B of market capitalization. WBK provides retail, business and institutional banking and wealth management services. Through its subsidiaries, WBK provides its products and services in four major segments: Australian Financial Services, also known as AFS (38% of revenue), Westpac Institutional Bank (21%), Commercial Specialty (15%), and others (26%). The other segments include Westpac Pacific, Group Services, Treasury and Core Support. The AFS segment is responsible for the company's retail banking, business banking and wealth operations. The bank primarily operates in Australia, New Zealand, United Kingdom, India, China, Singapore and Pacific Islands. WBK is Australia's first bank, and first company, which was founded in 1817. It is headquartered in Sydney, Australia.

Price ($): (11/30/201	22.93
Price Target ($):	27.61
52Wk H-L ($):	20.12-31.42
Market Cap (mil):	77,604
Float (%):	100.0
Short Interest (%):	-
Avg. Daily Vol :	236,858.8
Dividend ($):	1.33
Yield (%):	5.80

Beta:	1.149
Cost of Equity	7.79%
M-Term Rev. Gr Rate Est:	5.0%
M-Term EPS Gr Rate Est:	8.0%
Financial Leverage	6.63%
ROA (%):	1.40
ROE (%):	15.60
Tier 1 Capital Ratio (%)	11.70%
Credit Provisions/Loans (%	0.5%

FY: Dec	9/30/2014	9/30/2015	9/30/2016	9/30/2017
Revenue (Mil)	19,820	20,540	22,139	23,022
% Growth	4%	8%	4%	4%
Net Interest Margin	2.09	2.09	2.16	2.11
Coverage ratio	136%	160%	159%	164%
EPS (Cal)	$2.18	$2.46	$2.54	$2.56
P/E (Cal)	12.6	10.6	8.96	8.96
BVPS	13.6	11.7	12.2	12.8
P/B	2.1	1.8	1.9	1.8

Recommendation

WBK has historically generated strong financial performance. The firm increased cash earnings by 8% in FY2014, which is the strongest increase in four years. The company delivered a 15.6% return on average shareholder equity, which was an improvement over the 14.4% return the company achieved in FY2013. In FY2014, WBK also recorded a net profit margin of 23.45% compared to a net profit margin of 20.45% in FY2013, representing a 300bps improvement. WBK had a solid operating performance, which led to a 4% increase in operating revenue, and a 3% lift in core earnings. The firm also generated a cash earnings of US$7820, an increase of 3% over FY2014. Additionally**,** the growing demand for financial planning services offers significant opportunities for WBK. It is projected that the market for financial planning services will reach US$106.9B by 2016. Finally, WBK's lending grew 8% and total deposits were 9% higher than FY2013. The firm delivered AU$219M in savings over the FY2014, contributing to WBK's reputation as the most efficient bank in the region. With its strong financial position, solid operating performance, outperformance among peers, and great growing potential, it is recommended that WBK be added to the AIM International Equity Fund with a price target of $27.61, offering a potential upside of 20.4%. WBK also pays a dividend of $1.33, yielding an impressive 5.8%.

Investment Thesis

- **Strong Balance Sheet and Repricing of Mortgages.** WBK has taken a proactive approach to higher capital requirements. WBK has announced that it is undertaking a fully underwritten, proforma accelerated renounceable entitlement offer (with retail rights trading) to raise AU$3.5B of additional capital. Its pro-forma Tier 1 Ratio (CET 1) has been raised by around 100bps. As a result, its pro-forma CET1 is expected to be approximately 14.3% post the capital raising. Besides the rights issue, WBK announced that it will increase the interest rate on selected deposit products by 25bps. Additionally, the interest rate on its standard variable mortgages and residential investment property rate will increase by 20bps. WBK is expected to benefit from the additional revenue of AU$50M. As a result, earnings on capital from the recent raising are expected to about AU$100M.

- **Sustainable Competitive Advantage in the Market.** WBK is highly competitive among its peers because of its strong distribution network, broad products, and service portfolio. The distribution network helps it serve its large customer base. WBK's retail and business banking segment has a network of over 840 branches, 70 business banking centers, and 2029 ATMs in Australia. It also has 193 branches across the North and South islands such as Cook Islands, Fiji, Tonga, Vanuatu, and Solomon islands. Moreover, the broad product and service portfolio enable WBK to cover diversified markets and attract customers, which in turn will continue to drive its revenues and market share.
- **Potential Economic and Credit expansion.** Transitioning from an economy dependent on natural resources, Australia's weak wage growth of 2.3% and a depreciated Australian dollar should aid in economic expansion. GDP is expected to expand by 2.4% in 2015 and by 2.9% in 2016. The anticipated lift in the GDP growth rate reflects expectations for improvement in household spending, non-mining investment and exports.

Valuation

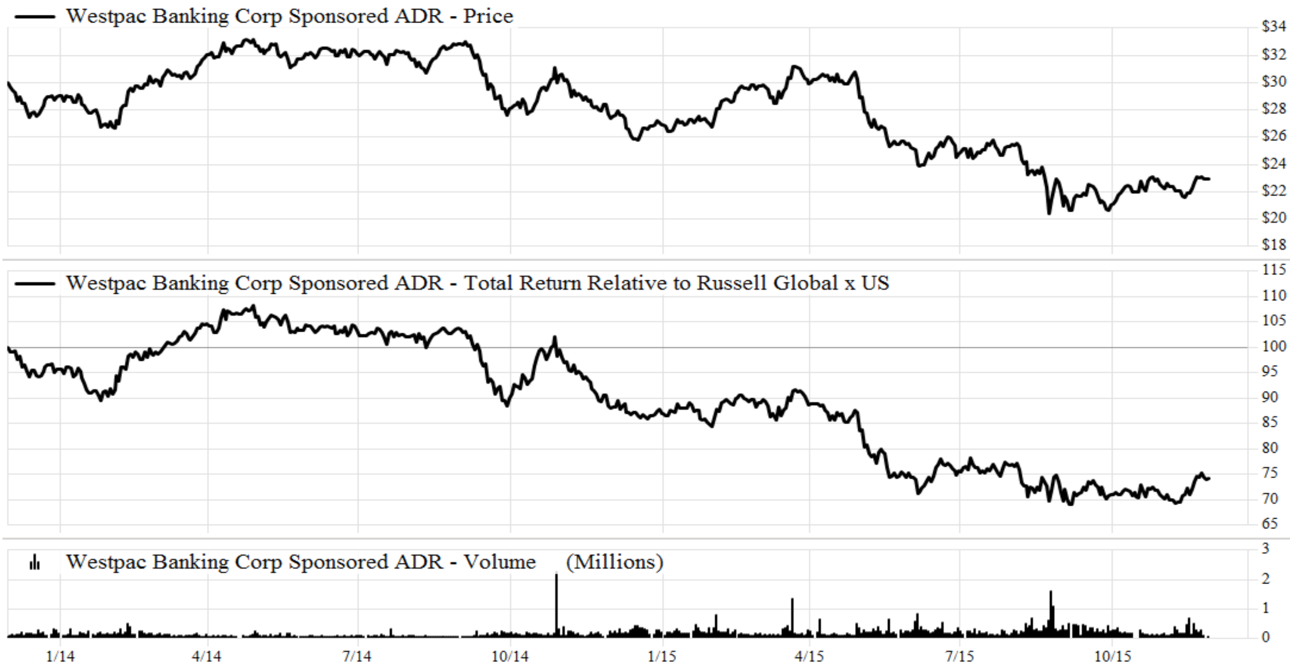
To find the intrinsic value of WBK, a 5-year DDM model, P/B and P/E multiples were conducted. The Discounted Dividend Model was conducted with a terminal growth rate of 2.3% and a cost of equity of 7.79%, resulting in an intrinsic value of $27.85. A sensitivity analysis on both cost of equity and terminal growth rate produced a range of $27.16-$32.03. Applying a conservatively weighted WBK historical and peer P/B multiple of 2.1x to WBK 2016E BVPS, an intrinsic value of $25.64 was generated. A weighted historical and peer P/E multiple of 11x was used against WBK 2016E EPS of $2.46, reaching a value of $29.1. Weighting three valuations at 50:25:25, a price target of $27.61 was established, representing a 20.4% upside.

Risks

- **Credit Risk.** As a provider of banking and financial services in the worldwide marketplace, WBK has certain exposures to credit risk. For instance, the exposure to consumers comprised 71% in FY2015 of its on-balance sheet loans and 57% of total credit commitments. In FY2015, 90% of the exposure to consumers was supported by residential real estate mortgages. WBK has loan losses of A$0.75B (12bps of loans) in FY2015. WBK is clustering and monitoring the credit risk by seeking exposures to businesses, government and other financial institutions loans; therefore, WBK expects a lower credit risk appetite than peers, with a lower risk business mix and less exposure to pockets of weakness in Australian economy.
- **Emerging Competition Risk.** The financial services industry is highly competitive. WBK competes with retail and commercial banks, asset managers, investment banking firms, and brokerage firms both domestically and internationally. The intense competition could adversely affect the corporation by diverting business to its competitors or creating pressure to lower margins. Moreover, the increased competition for deposits could also increase the cost of funding and lead WBK to access other types of funding ore reduce lending.
- **Foreign Currency Exchange Risk.** WBK has exposure to many foreign currency markets. Therefore, the floating foreign exchange rate could increase the stock's volatility of the stock in the U.S market. Unfavorable changes in foreign currency exchange rates may increase the expenses for the company.

Management

Mr. Brian Charles Hartzer is CEO of WBK. With more than 25 years in financial services, Brian's career has included responsibility for retail, commercial banking and wealth management businesses across four continents. Mr. Peter King is CFO of Westpac Banking Corp. He has responsibility for Westpac's Finance, Assurance, Tax, Treasury and Investor Relations functions. Mr. Peter has held senior finance positions across the Group, including in Group Finance, Business and Consumer Banking, Business and Technology Services, Treasury and Financial Market.



Ownership

% of Shares Held by All Insider Owners:	Not Found
% of Shares Held by Institutional & Mutual Fund Owners:	0.56%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Northern Trust Investments, Inc.	1,410,835	0.04
Invesco PowerShares Capital Management LLC	1,254,358	0.04
Aperio Group LLC	1,059,254	0.03
Renaissance Technologies LLC	1,041,400	0.03
Raymond James & Associates, Inc. (Invt Mgmt)	1,024,617	0.03

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	ROE (%)	Pretax Margin	P/B	Dividend Yield
Westpac Banking Corp.	WBK	77,604	15.6	55.20%	1.80	5.93
Australia and New Zealand Ban	ANZ	78,809	14	48.5%	1.37	6.62
Commonwealth Bank of Austral	CBA	135,630	17.9	53.80%	2.69	4.95
National Australia Bank	NAB	77,172	12	50.40%	1.51	6.60
Barclays PLC	BARC	37,649	8.1	37.20%	0.73	2.67
Hang Seng Bank, Limited	HSBA	268,614	0.7	30.80%	1.77	4.33
Peer Averages		119,575	13	0.5	1.61	5.0

Source: FactSet

Conneticut Water Service Inc. (CTWS)
December 4, 2015

Jack Kitzinger Utilities

Connecticut Water Service Inc. (NYSE: CTWS) is a regulated water utility based in Connecticut and Maine. CTWS is divided into three major segments: Water Activities (93.7% of revenue), Service and Rentals (5.7%), and Real Estate Transactions (.2%). CTWS' main service is providing public drinking water to its customers; however, it also operates in contracted service to water and wastewater utilities, as well as selling real estate holdings. CTWS was founded in 1974 and is headquartered in Clinton, Connecticut.

Price ($): (12/1/15)	36.52
Price Target ($):	41.13
52WK H-L ($):	33-38
Market Cap (mil):	402
Float (mil):	392.0
Short Interest (%):	1.60%
Avg. Daily Vol (mil):	0.03
Dividend ($):	1.07
Yield (%):	3.00%

Beta:	0.72
WACC	6.4%
M-Term Rev. Gr Rate Est:	6.0%
M-Term EPS Gr Rate Est:	6.0%
Debt/Equity:	0.84
Debt/EBITDA (ttm):	4.76
ROA:	3.3%
ROE:	8.0%
ROIC:	5.6%

FY: Dec	2013	2014	2015E	2016E
Revenue (Mil)	91,481	94,020	97,528	102,805
% Growth	9.00%	2.00%	3.73%	5.41%
Operating Margin	24.00%	27.00%	29.00%	29.00%
EPS (Cal)	$ 1.66	$ 1.92	$ 2.13	$ 2.26
FCF/Share	$0.62	($1.46)	$0.13	$0.38
P/E (Cal)	22	19.0208	17.1305	16.1807
Dividend per Share	$0.98	$1.04	$1.07	$1.12
Payout Ratio	0.59	0.54	0.50	0.50

Recommendation

Over the past decade, water utilities generally have been underbuilt and underinvested. Nevertheless, water utilities typically have had above average returns compared to other utilities. Recently, water utilities as a group have had a median YoY EPS growth of 9.2% compared 5.6% for electric and 4.0% for gas comparatively. CTWS has had an EPS CAGR of 10% since 2010 due in large part to a 7% CAGR in customers served. CTWS will have continued growth opportunities in increasing its customer base because of the past underinvestment in water utilities. Normally, this would cause issues for a utility stock as they fund most of these capital expenditures with debt, however, this can be offset by rate increases. With the current regulatory environment, CTWS will be able to pass on the capital expenditures onto their customers. Thus, CTWS will be able to continue to grow their EPS and dividend by 6% and 3% each year. While there will be more debt and a likely increase in rates, CTWS has an A credit rating and a better debt to equity ratio than many of its peers. Because of this, CTWS is primed to continue to appreciate compared to other utilities with dividends that will be stagnant in an increasing interest rate environment. Because of the revenue growth, regulatory environment, and overall market surrounding water utilities, it is recommended that Connecticut Water Service be added to the domestic AIM portfolio with a price target of $41.56 representing a 15.56% upside. CTWS pays a dividend with a 3% yield.

Investment Thesis

- **Rate Increase Driving Top-Line Growth:** During this past year, the utility commissions of Maine approved rate increase for CTWS of $1.53 per user every month for this year and $1.79 for next year. This will allow CTWS to continue to increase the top line growth. Also, both regulatory boards allow for system development changes. This is important, as rate increases are the only way for utilities to substantially increase revenues without increasing their rate base through M&A.
- **Favorable Regulatory Environment.** Both Connecticut and Maine allow for system development charges. These charges allow public water utilities to increase their rates in line with CapEx investment in order to help keep up the maintenance costs and continuing upgrades to their infrastructure. This is extremely important to utilities as they are allowed only a maximum ROE of 10%. By allowing this streamlined way to increase rates, water utilities in states that allow system development charges can more quickly respond to maintenance and infrastructure needs than other utilities. Also, both CT and ME streamline their regulatory cases,

allowing CTWS more time to understand their future rate changes. Finally, Connecticut allows for revenue adjustment and multi-year increases in rates, making it even more positive for regulatory issues involving CTWS.

- **Dividend Growth.** Over the past 5 years, CTWS has continued to grow its dividend from $0.90 in 2010 to the current dividend of $1.07. Because of the inability to increase the rate charge for infrastructure, their payout ratio has declined from over .6 to .5. However, with the help of the utility boards in CT and ME, CTWS can increase its rates to invest in needed infrastructure upgrades. By having topline revenue growth higher than the need for investment, CTWS will be able to continue to grow this dividend. With an EPS CAGR of 10% since 2009, CTWS has been able to increase the dividend even in this difficult infrastructure environment.
- **M&A.** While management has not explicitely stated that they are looking for any acquisitions, the water utility business is still highly fragmented. CTWS has a large presence in CT, but is much smaller geographically in ME. There would be M&A opportunities to increase the rate base in CT and ME without creating more regulatory risk. Management has shown a willingness to add to their customer base in the past with over 40 system acquisitions over the past 7 years.

Valuation

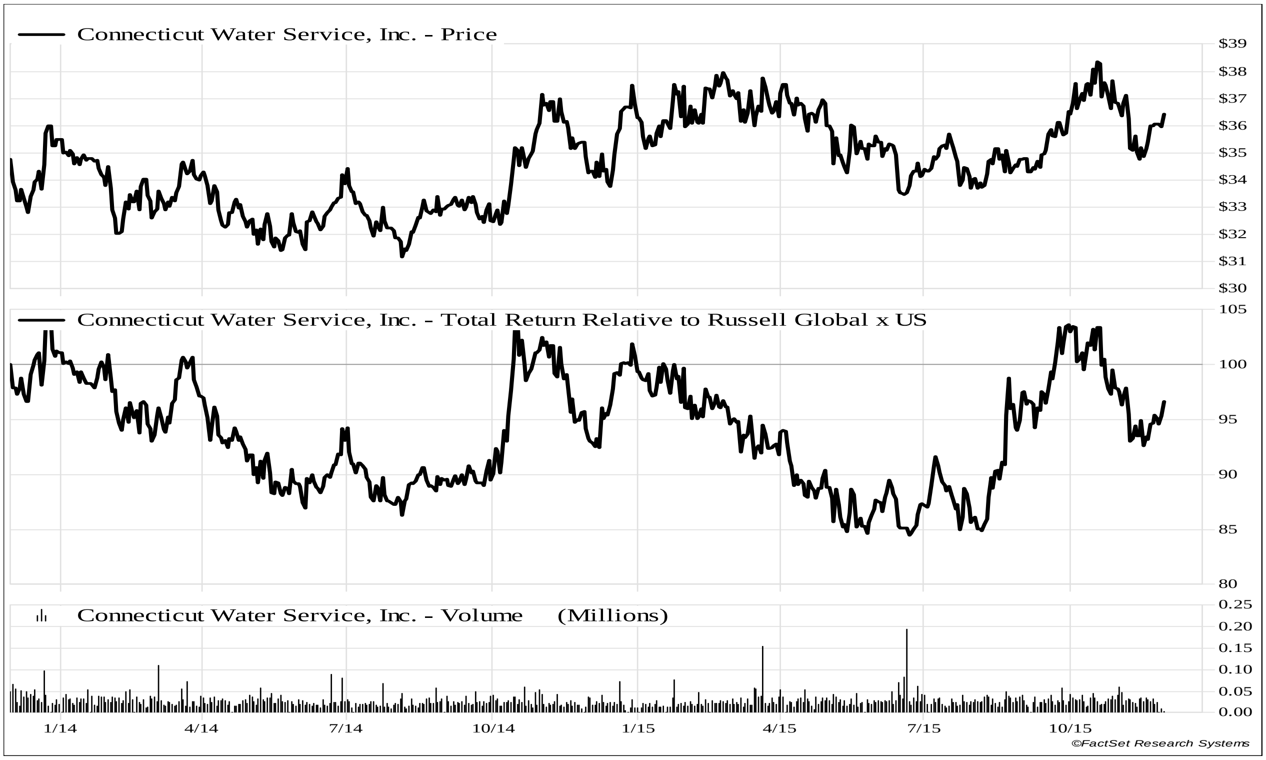
In order to reach an intrinsic value for CTWS, a five year DCF model was constructed. Using a terminal growth rate of 2.25%, WACC of 6.41%, an intrinsic value of $37.42 was reached. A sensitivity analysis on the terminal growth rate and WACC ranged from $31.47-$54.39. Additionally, a P/E multiple valuation was conducted using next years EPS of $2.26 and a comparables average of 21.49 which resulted in a valuation of $48.57. Finally, a three stage Dividend Discount Model was constructed. Using estimated 2016 dividend of $1.12 and a long term dividend growth rate of 3%, an intrisnic value of $37.40 was reached. By weighting the three valuation models evenly, a price target of $41.13 was reached, yielding a 12.62% upside. CTWS pays a dividend with yield of 3%.

Risks

- **Interest Rate Hikes.** An increase in interest rates will hurt all utilities as they finance much of their projects on debt. With CTWS's A bond rating, it will still be able to borrow at lower rates than many of its competitors.
- **Weather.** Fluctuations in weather and natural disasters can negatively affect earnings and infrastructure as they can cause higher need for maintenance.
- **Regulatory Environment.** Regulators in both CT and ME are appointed. Changes in these regulators could drastically affect the returns CTWS could obtain.

Management

Eric W. Thornburg MBA is Chairman, President and CEO. He obtained his MBA from Indiana Wesleyan University. Before becoming CEO at CTWS in 2006, he was President at Missouri American Water Co. and Vice President at American Water. David Charles Benoit is the CFO and has been at CTWS since 1996.



Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	2.50%
% of Shares Held by Institutional & Mutual Fund Owners:	41.10%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
BlackRock Fund Advisors	681 ▼	6%
The Vanguard Group	376 ▲	3%
Dimensional Fund Advisors	297 ▲	3%
Water Asset Management	272 ▲	2%
Nuveen Asset Managemnent	227 ▲	2%

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	Debt/Equity	Dividend Yield	P/E
Connecticut Water Service	CTWS	402	96	84.01	3.0%	18.90
Middlesex Water Company	MSEX	413	123	68.1	3.1%	20.41
California Water Service	CWT	1,078	587	66.9	3.0%	20.68
Artesian Resources Corp	ARTNA	231	76	83.6	3.4%	21.21
American Water Works Company	AWK	10,418	3,108	111.0	2.3%	22.68
Aqua America	WTR	5,176	809	94.3	2.4%	20.38
Peer Averages		3,035	974	82.4	3.0%	21.2

Nomura Holdings, Inc. Sponsored ADR (NMR)

December 4, 2015

Brendan O'Malley International Financial Services

Nomura Holdings, Inc. (NYSE:NMR) is a holding company that engages in a variety of investments and financial services, including retail (30% of total revenue), asset management (6%), wholesale (49%), and other (15%). The retail segment covers investment consultation services, distribution of trust certificates, and manages insurance agencies. The asset management operates through providing portfolio and investment trust management, and investment advisory for pension funds. The last segment, wholesale, is comprised of global markets and investment banking which includes the trading of bonds, stocks foreign exchange, and derivatives. The wholesale segment also includes the underwriting of debt, equity, and other financial instruments. Nomura was founded in 1925 and is headquartered Tokyo, Japan and operates in over 30 countries and regions including Japan, the U.S., the U.K., Singapore and Hong Kong Special Administrative Region ("Hong Kong").

Price ($):	6.08	Beta:	1.20	FY: Dec	03/31/2014	03/31/2015	03/31/2016	03/31/2017
Price Target ($):	7.38	WACC	8.80	Revenue (Mil)	18,203.14	17,075.92	18,263.61	19,724.70
52Wk H-L ($):	7.32 - 5.24	M-Term Rev. Gr Rate Est:	7.6%	% Growth	-27.21%	-6.19%	6.96%	8.00%
Market Cap (mil):	23,197	M-Term EPS Gr Rate Est:	13.0%	Net Margin	11.7	11.9	13.5	14.0
Float (mil):	0.0	Financial Leverage	17.55	Pretax Margin	19.79	16.13	20.84	23.28
Short Interest (%):	0.0	ROA (%):	0.58	EPS (Cal)	$0.57	$0.61	$0.69	$0.70
Avg. Daily Vol:	47,419.3	ROE (%):	9.63	P/E (Cal)	11.2	10.5	11.3	10.8
Dividend ($):	0.21	Tier 1 Capital Ratio (%)	12.40%	BVPS	6.6	6.3	6.5	6.8
Yield (%):	2.3	Credit Provisions/Loans (%)	1.8	P/B	1.0	0.9	0.9	1.0

Recommendation

NMR has been able to maintain a strong market position over the past several years while stabilizing the company for sustainable growth, which will occur through their devoted 5 year plan. Since NMR announced a five year plan, they have seen higher profits and increased margins. By 2020, they anticipate a steady sales line growth and change in revenue structure with an increase in client revenues (17% total growth from today), asset management (63% growth), and trading (20% growth). The bank has been able to significantly increase its market share for M&A from 20.5% to 27.4% and increase income through creating synergies across product lines. NMR recently has been expanding market share in other Asian countries along with the United States. Currently, Japan comprises 69.1% of revenue and NMR is starting to more heavily focus on international expansion. With a tier one capital ratio of 12.4% and a stable liquidity outlook, NMR is very well-capitalized, which has allowed it to expand both organically and through acquisitions. Although NMR does not intend to issue credit, their sound financials provides them the access to do so without harming their investment grade rating. NMR's strong financial position is a major strength that benefits its clients and shareholders. With its medium term plan, well-capitalized structure, and ability for growth, it is recommended that NMR be added to the AIM International Equity fund with a target price of $7.11, which offers a potential upside of 20.78%. The company also pays a dividend of $0.21, which is a dividend yield of 2.25%.

Investment Thesis

- **Improvement Internationally.** NMR has made significant improvements in their international expansion in recent years. Through organic growth, NMR's international revenues are approximately 30% of total revenue and at a break-even point, as opposed to 2005/2006 when international contribution was 16% and international contribution was negative. NMR projects international revenue to grow at a 5 year CAGR of 6%, making the international revenues 40% of total revenue by 2020. Due to NMR's success in the implantation of their 5 year plan, it is expected that these growth figures will be realized.

- **Growth of Non-Wholesale Segment.** In recent years, NMR has actively expanded its revenues from the retail and asset management segments at a CAGR of 16.26 from FY13/FY15. The growth has been attributed to a changing revenue structure that focuses on creating synergies across segments. NMR management uses a CAGR of 7.78% as an estimate of revenues not attributed to wholesale, for the next 5 years. NMR's AUM in Asset Management grew 27.59% year over year in 2014-2015 and is ahead of their 5 year plan and setting NMR up for future success.
- **Investment Banking Growth.** Nomura's Investment Banking division expanded greatly in Q1/Q2, with Investment Banking gross revenue growth up 33% on the year. The trend is expected to continue going forward. While fee pools in Japan decreased 20% YoY in Japan, NMR grew its market share and revenue significantly. In these quarters, revenues increased YoY driving the Wholesale division to increase 8.63% and 1.23% YoY, respectively. More specifically, NMR now ranks first for M&A (27.4% of market share), first for ECM (38.2%), and first for DCM (34.1%) in Japan. NMR is also expanding its M&A market share internationally and management sees this trend continuing for the medium term.

Valuation

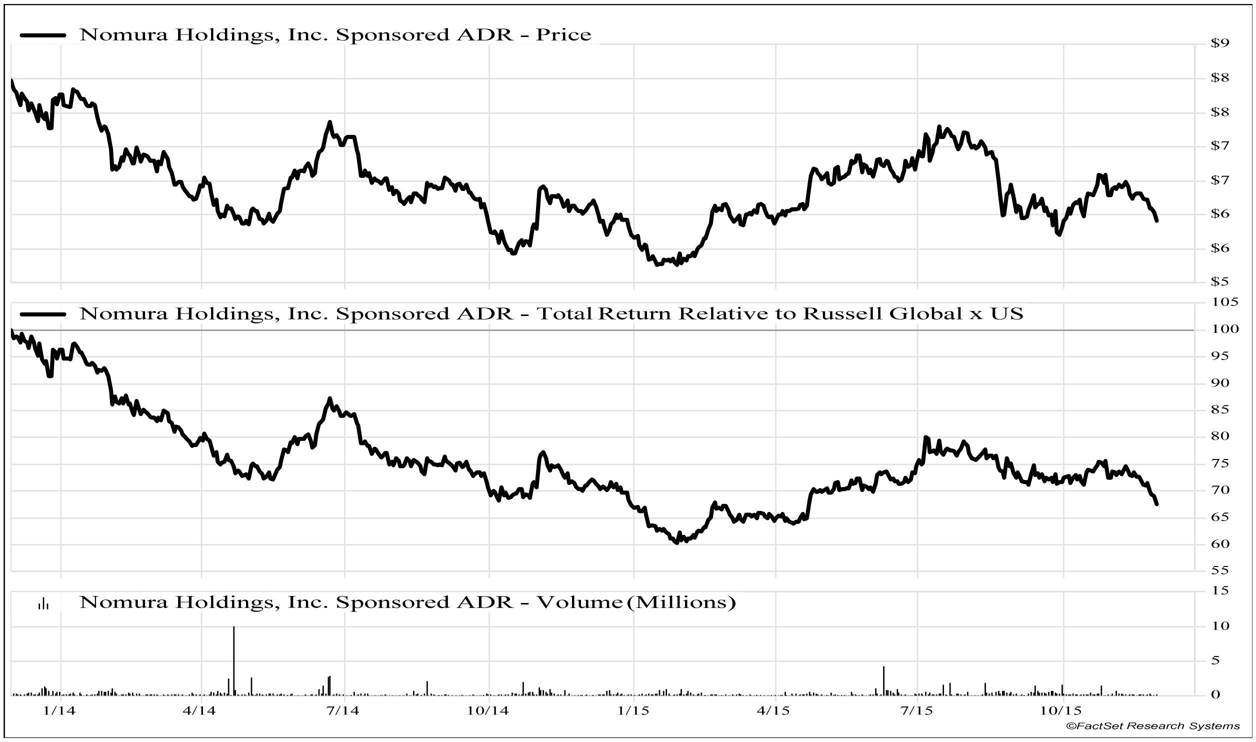
To find the intrinsic value of NMR a price to book multiple was used, as well as a price to equity multiple. The price to book for NMR is 1x with its peer average being P/B of 1.098x. Weighting the NMR average and the peer average the same, the P/B yielded an intrinsic value of $7.12. The price to earnings approach using a NMR's forward P/E of 11.3x and its peer's average of 10.998x resulted in an intrinsic value of $7.64. Weighting these valuations 50/50, the final estimated intrinsic value of NMR is $7.38, which provides an upside of over 20%, they currently pay a dividend of $0.21.

Risks

- **Long-Term Vision.** NMR established a significant 5 year plan looking forward to 2020 which is aimed to respond quickly to the ever changing market and client needs. This plan has encompassed the firm's beliefs and ideas, however, if it is not implemented properly the value can fall. This is unlikely due to the strong focus and already proven success of the plan in the first year.
- **Local Economies.** NMR is headquartered in Japan, and relies heavily on the performance of the local economy. Japan currently has an unemployment rate of 3.1%, which is well below the other developed countries rate, has entered a recession due to continued GDP contraction and deflation. However, the rising wages and weak yen enable for a growing/strengthening economy. To foster growth, the government may increase the budget for the fiscal year from $24 billion to $29 billion to support growth and boost spending. The improving economic conditions, especially in these areas, coupled NMR's successful growth plans, allow for NMR to maintain its strong performance.
- **Increased Bank Regulation.** An increase in government regulation of banks has resulted in an increase in operating and legal costs, both resulting in decreased profits. However, NMR has a gross leverage of 15.4 times with a Tier 1 ratio of 12.4% on a fully loaded 2019 basis, which makes NMR an industry leader. Their balance sheet is dominated by longer term debt and diversified sources of funding, coupled with a high quality liquidity portfolio of $49.5B, they have been relatively unaffected by Basel III. As it stands, NMR has a long term credit rating of A3.

Management

Koji Nagai is the current CEO and has been since 2012. Prior to this role, Nagai served as Senior Managing Director of Investment Banking at Nomura Securities. Nagai has over 35 years of experience in the industry. Next, since 2014 the COO and President has been Atsushi Yoshikawa. Previously, Yoshikawa was Regional CEO of Nomura Holdings America and has been with the company for a number of years.



Ownership

% of Shares Held by All Insider Owners:	#N/A
% of Shares Held by Institutional & Mutual Fund Owners:	1.56%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Brandywine Global Investment Management LLC	14,620,539	0.38
Johnston Asset Management Corp.	5,003,885	0.13
Parametric Portfolio Associates LLC	3,025,644	0.08
Thomas White International Ltd.	2,198,008	0.06
Aperio Group LLC	1,490,160	0.04

Source: FactSet

Name	Ticker	Market Cap (mil)	Sales (mil)	Net Margin	P/B	Dividend Yield
Nomura Holdings, Inc.	NMR	23,197	18,264	14.40%	1	2.25%
Daiwa Securities Group	DSEEY	11,542	5,965	18.60%	1.3	4.07%
Mitsubishi UFJ Financial	MTU	92,736	46,201	19.60%	0.75	1.96%
JPMorgan Chase	JPM	248.9B*	36,790	11.60%	1.1	3.18%
Aozora Bank, Ltd.	AOZOY	4,210	1,009	36.60%	1.21	4.21%
Goldman Sachs Group, Inc.	GS	81,242	36,034	22.40%	1.13	1.37%
Peer Averages		47,433	25,200	21.76%	1.10	2.96%

Carnival Plc (CUK)
December 4, 2015

Clare McNamara International Consumer Discretionary

Carnival Plc (NYSE: CUK) is a global cruise and vacation company. It offers a diverse range of holiday and vacation products that cater to variety of customers with 100 ships in its fleet. CUK's revenue is generated through several geographies including North America (60.2% of revenue), and Europe, Australia, and Asia (38.7%). CUK is expanding its Chinese presence (5.6% of revenue), while maintaining focus in the United States (41.5%). Cruise brands include Carnival Cruise Lines, Holland America Line, Princess Cruises and Seabourn in North America; P&O Cruises and Cunard in the United Kingdom; AIDA Cruises in Germany; Costa Cruises in Southern Europe; Iberocruceros in Spain; P&O Cruises in Australia; and Fathom. The brand recognition and satisfaction is directly reflected in the firm's significant market share (~42%). Carnival Plc was founded in 2000 and is headquartered in London, the United Kingdom.

Price ($): (11/30/15)	52.17
Price Target ($):	61.13
52WK H-L ($):	56-42
Market Cap (mil):	41,758
Float (mil):	187.6
Short Interest (%):	1.9%
Avg. Daily Vol (mil):	272.7
Dividend ($):	1.00
Yield (%):	2.3%

Beta:	1.05
WACC	8.4%
M-Term Rev. Gr Rate Est:	2.7%
M-Term EPS Gr Rate Est:	27.2%
Debt/Equity:	37.4%
Debt/EBITDA (ttm):	2.62
ROA:	3.8%
ROE:	5.1%
ROIC:	4.5%

FY: Mar	11/30/13	11/30/14	11/30/15E	11/30/16E
Revenue (Mil)	15,456	15,884	15,963	16,442
% Growth	0.48%	2.77%	0.50%	3.00%
Gross Margin	24.46%	29.84%	29.25%	30.00%
Operating Margin	10.29%	11.53%	14.84%	19.25%
EPS (Cal)	$ 1.58	$ 1.96	$ 2.69	$ 3.69
FCF/Share	$0.58	$0.63	$1.06	$1.93
P/E (Cal)	26.3x	27.7x	22.0x	17.3x
EV/EBITDA	4.9x	5.2x	4.8x	4.7x

Recommendation

CUK has been able to establish a significant, worldwide reputation through the use of several cruise lines targeting diverse customer bases. The company stands to benefit from the relatively low penetration of the cruise industry thus far and consistent growth at a CAGR of 6.55% from 1990-2019. It is estimated that only 54% of the target North American market has ever taken a cruise, something CUK seeks to capitalize on through the cultivation of new customers. CUK is expanding capacity at a relatively fast rate for their size in anticipation of increased demand due to positive demand trends worldwide. Capacity growth rate is expected to be 2.0% in 2015. CUK has been able to distinguish itself from competitors in a variety of ways through their diverse lines that focus on anything from families with young children to honeymoon suits. Their range of on-ship products, from collaboration with Dr. Seuss to their Music Concert Series creates an especially unique experience for each customer. Some significant recognition received is by the spas on Seabourn which are rated some of the most luxurious in the industry. This led CUK to create new penthouse spa suites with special access to the spas and more privacy on two of their Seabourn ships. CUK has successfully tapped into new markets faster with their travel agent program, and have been cultivating demand in China for 8 years already. CUK has a very strong balance sheet for the industry, with debt of only 37%, and cash of 331M in 2014. The strength of CUK's financial position has allowed the company to begin to pay down debt more, while still expanding on new investments. CUK has also maintained steady growth in revenues and profit margins, consistently meeting or exceeding earnings expectations over the past year. As a result of growth initiatives, strong financial position and favorable valuation, it is recommended that CUK be added to the AIM International Equity Fund with an upside of 14.66%. CUK pays a quarterly dividend of $1.00.

Investment Thesis

- **Retiring baby boomers.** The average age for a CUK customer is 47. This means their most common and frequent customers are retirees who although affected by the financial crisis of 2008, still have retirement savings to spend. It is estimated that by 2029 more than 20% of the U.S. population will be over the age of 65. The baby boomer generation is the most active generation in history. CUK expects the number of people in the cruise business' primary age of

45 and older to grow by 17 million by 2024. This is a 12% increase in demand for just the U.S. and Canada.

- **Untapped Chinese market.** Cruising is at a very early stage of development, especially for the Asian region. Chinese discretionary income has increased at a CAGR of 10% over the past 5 years. It is estimated that by 2020 more than 75% of urban Chinese households will be in the middle class. China is one of CUK's main interests, because of increasing discretionary income fueling an increasing demand for vacations, including cruising. CUK has begun to invest in this market – their 4 fleet ship there will grow to 6 next year. Capacity growth, and relocating a COO to China will cultivate a strong market-base in China and other Asian countries.
- **Capacity growth with demand.** China is just one area with increasing demand for cruising driving the capacity growth of CUK's newest ships. CUK has 10 new cruise ships scheduled for delivery between February 2015 and January 2018 – a 2.8% capacity growth by 2018. Larger ships will allow CUK to obtain greater economies of scale. This demand for more capacity comes from thorough market research that is just beginning to be put into marketing campaigns for CUK.
- **Established leader.** CUK has an established reputation within the cruise industry, with almost half of the capacity of the cruise industry itself. Their 9 separate cruise lines offer customers a range to choose from that can satisfy any of their needs. CUK gained approval from the U.S. government to offer cruises to Cuba; they are one of the leaders in this travel destination. CUK boasts numerous private islands, industry-leading spas, and a superior food-and-wine experience (rated by Travel + Leisure Magazine) on various lines and ships all to satisfy customers and keep them coming back. All of this has established CUK as an industry leader.

Valuation

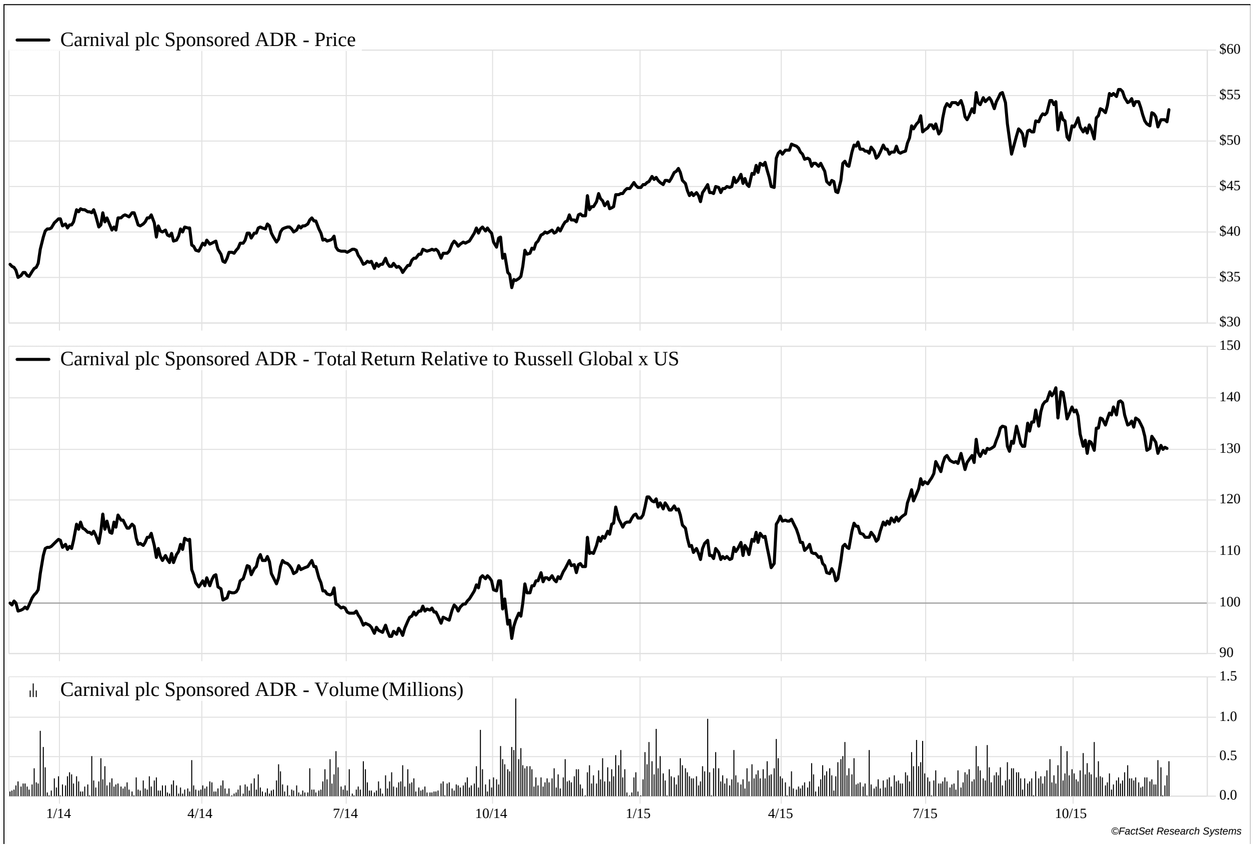
A five-year DCF model was constructed in order to reach an intrinsic value for CUK. Using a terminal growth rate of 3%, WACC of 8.4%, an intrinsic value of $70.88 per share was reached. Additionally, a P/E multiple valuation was conducted using NTM EPS of $1.12, a comparables average P/E of 22.8x, and 5-year historical average P/E which resulted in a valuation of $58.56. Finally, a P/S multiple valuation was calculated using a comparables average P/S of 1.74x 5-year historical average P/S, resulting in a valuation of $34.44. By weighting the three valuation models 60%, 20%, and 20% respectively, a price target of $61.13 was reached, which yields a 14.66% upside. CUK pays an quarterly dividend of $1.00.

Risks

- **Terrorism.** Demand for cruises is expected to continue to be affected by the public's sentiment towards safety and security of travel. Factors including past acts of terrorism and threats of additional terrorist attacks have had a significant adverse impact on demand and pricing in the travel and vacation industry in the past and may have an adverse impact in the future.
- **Oil rebounds.** Although CUK has made initiatives to cut emissions and oil use, it is still one of their main fuel sources for cruise ships. Increases in fuel prices would adversely affect operations, financial condition, and liquidity. Fuel accounted for 20% of cruise operating expenses last year. CUK does not hedge fuel.
- **Economic downturn and foreign currency.** Being in the consumer discretionary sector, CUK depends on a good economy with increasing discretionary spending. An economic downturn or recession would decrease CUK's revenues. Additionally, the cruise industry can be cyclical with theater business peaking during northern hemisphere summer. Foreign currency is also a risk, but CUK does hedge against it.

Management

Arnold Donald, President and CEO, has been with CUK for 14 years. He received his MBA from the University of Chicago. David Bernstein is CFO and has been with CUK for 12 years and was previously CFO for Seabourn Cruise Line. The COO is Alan Buckelew, he has been with CUK for 2 years and was previously President and CEO of Princess Cruise Lines.



Ownership

% of Shares Held by All Insider and 5% Owners:	0.00%
% of Shares Held by Institutional & Mutual Fund Owners:	2.20%

Source: Factset

Top 5 Shareholders

Holder	Shares	% Out
Arrowstreet Capital LP	3,464	0.30
Dimensional Fund Advisors LP	560	0.20
Northern Trust Investments, Inc.	475	0.20
Causeway Capital Managemetn LLC	350	0.20
Parametric Portfolio Associates LLC	349	0.10

Source: Factset

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	D/E	P/E	EV/ EBITDA
Carnival Plc	CUK	41,109.3	1,078.0	37.4	27.7	5.4
Royal Caribbean Cruises	RCL	20,373.7	764.1	101.9	24.0	13.3
TUI	TUIFY	9,760.8	-25.2	102.8	39.8	6.0
Norwegian Cruise Line	NCLH	13,180.7	101.7	177.3	29.3	18.0
Nippon Yusen	NPNYY	4,414.2	329.2	137.0	11.3	7.2
Peer Averages		11,932.4	292.5	129.8	26.1	11.1

Source: FactSet

Sberbank of Russia PAO – ADR (OTC: SBRCY)

December 4, 2015

Conor Connelly International Financial Services

Sberbank of Russia (SBRCY) is a commercial bank that provides a range of corporate and retail banking products and services to its four reportable divisions: Individual Clients, Small Businesses, Corporate Customers, and Financial Institutions. Its product offerings include credit cards, savings accounts, home loans, car loans, fixed term deposits, consumer loans and business loans. Sberbank's portfolio of services includes payments and transfers, currency exchange, investment banking, wealth management, precious metal trading, and brokerage services. The bank also offers life insurance, accident insurance, car insurance, real estate insurance, and pension planning. Sberbank is headquartered in Moscow, Russia and operates through a network of branch offices, retail outlets, subsidiaries, and representative offices throughout Russia as well as in Ukraine, Belarus, Germany, China, India, and Kazakhstan. As of January 1, 2015, the bank operated through a network of 16 regional banks and 17,493 branches across 83 constituent entities of the Russian Federation. The Central Bank of the Russian Federation owns a 50% stake in the company.

Price ($):	6.23
Price Target ($):	7.82
52Wk H-L ($):	6.71 - 2.95
Market Cap (mil):	34,786
Float (mil):	0.0
Short Interest (%):	--
Avg. Daily Vol (mil):	0.3
Dividend ($):	0.02
Yield (%):	0.4

Beta:	1.24
WACC	11.90
M-Term Rev. Gr Rate Est:	10.0%
Debt to Equity	1.30
ROA (%):	2.45%
ROE (%):	14.5%
Tier 1 Capital Ratio (%)	9.10%

FY: Dec	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Revenue (Mil)	56,354.79	70,630.00	48,000.00	52,800.00
% Growth	22.00%	25.33%	-32.04%	10.00%
Net Interest Margin	5.2	3.5	4.40	5.10
Pretax Margin	25.29	16.69	20.355	29.21
EPS (Cal)	$2.10	$1.40	$0.58	$1.03
P/E (Cal)	5.1	6.3	10.7	5.8
BVPS	10.6	6.2	6.2	7.1
P/B	1.2	0.9	1.1	1.0

Recommendation

2015 marked a year of economic turmoil in Russia. Four macro-economic themes have propelled the country into a recession: accumulated structural problems and decelerated economic growth, a radical drop in oil prices, geopolitical sanctions, and the depreciation of the ruble. While the last year has proved to be difficult for Russian banks, with particular negativity surrounding profitability and asset quality as well as low loan growth, deleveraging, and a rise in nonperforming loans, SRBCY has performed exceptionally. SBRCY reported revenue of $70,630 million during the fiscal year 2014. Their revenue grew at a CAGR of 21.66% from 2010-2014 with an annual growth of 25.43% from 2013 to 2014. SBRCY also recorded a return on equity of 14.5% for 2014, compared to its peers Deutsche Bank (2.28%) , Bank of Moscow (1.23%), and VTB Bank (0.37%). SBRCY reported a promising leverage position with a debt to equity of 1.31 in 2014, again compared to peers Deutsche Bank (3.39), Bank of Moscow (2.72), and VTB Bank (3.56). SBRCY has continued to see mortgage origination, a growing deposit base, and an extension of credit into corporate segments through 2015. While these metrics have provided SBRCY's investors with positive returns, the changing economic framework in Russia is pushing SBRCY to adapt heading into 2016. At a recent investors' meeting in London, CEO Herman Gref announced SBRCY's updated strategy to decrease expenditures and push the cost to income ratio below 40%, increase investments in technology, and expand profit margins as revenue growth decreases over time. Revenue trends are expected to become more muted at roughly a 10% CAGR through 2017 while cost cutting and margin expansion is expected to propel ROE to 19.0% by 2017. With its competitive positioning in the market and convincing efficiency improvements, it is recommended that SBRCY be added to the international AIM portfolio with a price target of $7.82, representing a 25.4% upside.

Investment Thesis

- **Cost Containment: Branch Network Rationalization and Headcount Optimization.** Sberbank has recently announced their objective to cut operating expenditures in order to maximize return on equity. Cost cutting is the key lever Sberbank can pull to support returns against a challenging macro backdrop. The bank has unveiled their plan to reduce the total number of branches by 10-20% by 2018. A larger focus on cost optimization through the use of technology in processing and service delivery will lower the operating expenses CAGR to 8.4%, down from the previous 24% per year. Additionally, personnel cost today accounts for 56% of total operating expenditures. Sberbank aims to lower this number to 50% by lowering the domestic employee count by 14% over the next 3.5 years. Reaching these goals would lower the firm's cost to income ratio by 4.7% to 40.3% and increase ROE projections to 19.8% FY2018. 3Q2015 results indicated a positive outlook on the strategy as opex fell 1% on the quarter and the cost to income ratio for the quarter was 40%, down from 43% in Q2.

- **Profit Efficiency.** Sberbank's cost cutting objectives look to improve the current levels of profitability. While revenue has grown at a CAGR of 21.66% over the last five years, net profit margin has been steadily declining at an average rate of 23.9% since 2011. While the bank's 15.9% operating margin was significantly higher than peers Deutsche Bank (6.65%), VTB Bank (0.49%), and Bank of Moscow (1.38%), the company realizes that this current trend will have to shift as revenue growth begins to decline. Operating income and net income declined by 17.9% and 19.7%, respectively, from 2013 to 2014. To combat this, Sberbank improved their net interest margins by 20bps in the month of October, from 3.8% to 4%, up from 2.6% at the beginning of the year with a target of 5.1% for 2016. Additionally, PPOP margin is expected to reach 3.9% by 2017 after hitting 2.9% in 2Q2015.

Valuation

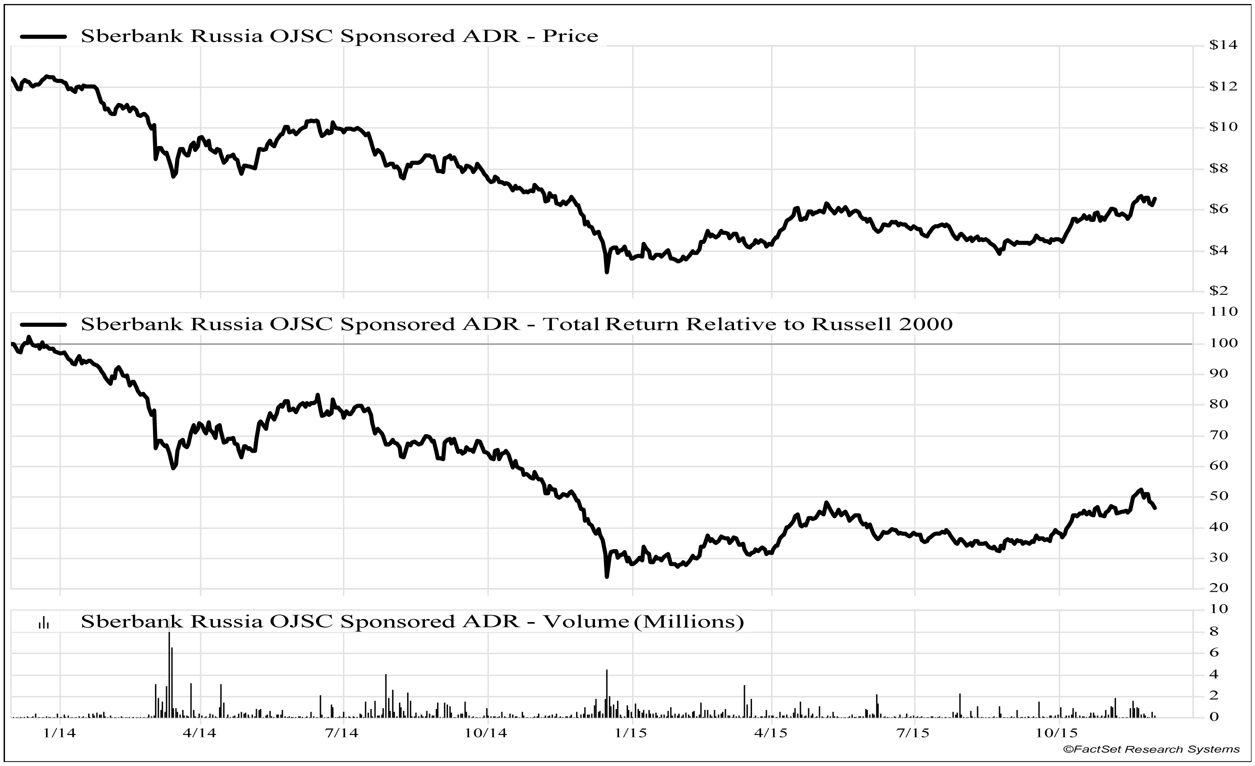
In order to determine an intrinsic value for Sberbank, a price to book multiple was conducted. Using four industry competitors with an average P/B of 1.14 and Sberbank's historical and expected 5-year P/B average of 1.04, and by giving 50% weight to Sberbank's average and 50% weight to the peer average, a weighted average price to book of 1.09 was determined. Using a BVPS of 7.17, an intrinsic value of $7.82 was generated, representing a 25.4% potential upside. While an EV/EBIT valuation was not conducted, it is to be noted that Sberbank has a significantly lower EV/EBIT ratio, 2.09, than its competitors, VTB Bank, Bank of Moscow, and Deutsche Bank, which each have EV/EBIT ratios of 9.75, 9.21, and 18.10, respectively.

Risks

- Geopolitical Concerns. Sanctions from Russia's conflict with Ukraine have limited the Russian economy and the bank's potential to do international business. Further sanctions can have an adverse effect on the company.
- Regulatory Risks. The bank's activities are highly regulated by the various governmental and regulatory authorities. Laws and regulations at the national, state, or local level generally grant government agencies and industry self-regulatory authorities broad administration discretion over the activities of the bank. The change in government policies and regulations may adversely affect Sberbank's growth and expansion policies.
- Fluctuations in Interest Rates. Changes in interest rates may affect the bank's business performance. An increase in interest rates can affect the value of loans and other assets, including the bank's ability to realize gains on the sale of assets. Increasing interest rates may also reduce the origination of loans for sale and consequently the fee income that is earned on such sales, as well as the ability of borrowers to pay the principal or interest on loans and leases. The latter would result in an increase in nonperforming assets and a reduction of income.

Management

Herman Gref has been the Chairman and CEO of SBRCY since 2007. Prior to this, Mr. Gref served as the Minister for Economic Development and Trade of Russia, starting in Alexander Morozov has been the Deputy Chairman of the Executive Board of the bank since 2012. Prior to this position, Mr. Morozov served as a Vice president of the bank in 2009. He joined the bank in 2008 as the Head of Corporate Finance. Earlier, Mr. Morozov served as the Head of Treasury and General Manager of ZAO International Moscow Bank from 1994 to 2007.



Ownership

% of Shares Held by All Insider Owners:	--
% of Shares Held by Institutional & Mutual Fund Owners:	18.33%

Source: FactSet

Top 5 Shareholders

Holder	Shares	% Out
Capital Research & Management Co. (World Investors)	37,327,375 ▲	0.69
T. Rowe Price International Ltd.	29,888,905 ▲	0.55
BlackRock Investment Management (UK) Ltd.	27,093,633 ▲	0.50
Van Eck Associates Corp.	25,796,975 ▼	0.48
Orbis Investment Management Ltd.	25,494,140 ▲	0.47

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Net Income (mil)	P/B	D/E
Sberbank Russia OJSC Sponsored ADR	SBRCY	34,786	7,576	1.10	1.30
Deutsche Bank AG	DBK	33,523	1,663	0.53	2.3
Bank of Moscow JSC	MMBM	2,711	16,507	0.95	1.2
VTB Bank PJSC	VTBR	13,990	-43,517	2.17	3.6
Sistema JSFC	AFKS	2,570	--	0.91	--
Peer Averages		17,516	8,582	1.1	2.1

Apollo Commercial Real Estate Finance, Inc. (ARI)
December 4, 2015

Xuelin (Sara) Zhou Financial Services

Apollo Commercial Real Estate Finance, Inc. (NYSE: ARI), is a real estate investment trust (REIT) focused on investing in performing commercial first mortgage loans (42% of net invested equity), subordinate financings (50%), and commercial mortgage-backed securities (CMBS) (8%). ARI is a direct lender and offers a full range of commercial real estate mortgage loans, both domestically (84%) and internationally (16%), across property types, including loans with fixed (25%) and floating interest rates (75%). The company is externally managed and advised by ACREFI Management, LLC, an indirect subsidiary of Apollo Global Management, LLC (NYSE: APO), a leading global alternative investment manager with approximately $165B of assets under management. The company is based in New York City, NY.

Price ($): (12/2/2015)	17.51	Beta:	0.43	FY: Dec	2014	2015E	2016E	2017E
Price Target ($):	24.36	WACC	7.89%	Revenue (Mil)	123.3	192.7	241.8	295.2
52Wk H-L ($):	17.70-12.90	M-Term Rev. Gr Rate Es	29.0%	% Growth	59.56%	56.20%	25.50%	22.10%
Market Cap (mil):	1,178	M-Term EPS Gr Rate Est	30.3%	Operating Margin	70.46%	64.83%	74.78%	77.90%
Float (mil):	96	Financial Leverage (D/E):	0.9	EPS (Cal)	$1.71	$2.04	$2.95	$3.75
Short Interest (%):	2.8%	ROA:	5.26%	P/E (Cal)	9.7	8.6	6.8	6.4
Avg. Daily Vol:	397,029	ROE:	9.82%	BVPS ($)	20.62	22.57	27.56	30.81
Dividend ($):	1.72	LTV:	61.00%	P/B	0.81	0.78	0.64	0.57
Yield:	10.95%	Net Interest Margin	73.18%	Dividend Per Share ($)	1.60	1.72	1.72	1.72

Recommendation

With experienced management team, sponsorship through Apollo Global Management, an extensive network of origination relationships, and a disciplined investment approach, ARI has developed a full-scale commercial real estate debt origination platform that has deployed $2.7B of capital into $3.7B of investments since inception in 2009. The company has maintained a stable investment portfolio with 14.2% levered weighted average IRR. In terms of profitability, ARI has shown strong financial performance with a robust average revenue growth rate of 45.8%, significantly surpassing the peer average of 39.2% over the past three years. The net profit margin of 55.9% greatly outperformed against the peer average of 49.8%. Net operating cash flow has increased to $21.6M or 61.8% in 3Q15 compared to 3Q14. Additionally, the 61% weighted average loan to value ratio provides a margin of safety into ARI's loan portfolio, evidenced by the company's strong credit quality on investments with no principal losses during its five years of operations. From 2009 to 2015, ARI grew net equity invested at a CAGR of 59%. ARI's effort in maximizing the capital structure led to a 20.4% increase of its operating earnings of $0.44 for 3Q14 to $0.53 for 3Q15. Regarding the impact of a rate hike on the company's portfolio, ARI is well positioned to benefit from an increase in short-term rates. As of 3Q15, 75% of loans in ARI's portfolio have a floating interest rate. With floating rate assets substantially exceed the floating rate liabilities – a net variable rate exposure of nearly $1.1B, management anticipates a 55 basis point increase in LIBOR would generate an additional $0.08 in operating earnings annually. In respect of financial leverage, the completion of a private placement of common and preferred stock to a subsidiary of Qatar Investment Authority in 3Q15 generated $348M gross proceeds for the company, decreased the leverage to approximately 0.9x from 1.2x in 2Q15 and provided the company with ample liquidity in upcoming year for investment activities. Management believe ARI can operate comfortably with a debt to equity ratio of 1.3x to 1.5x. ARI's strong and stable dividend yield of 10.9% outpaced the peer median yield of 9.12% in 3Q15, the dividend yield of the FTSE NAREIT All REITs Index was 4.2% at the same period. ARI also diversifies its investments across a broad spectrum of property types and geographies. Because of a strong financial performance, strategic capital position, and a favorable valuation, it is recommended that ARI to be added to the AIM Equity Fund with a price target of $24.36, which offers a potential upside of 39.10%.

Investment Thesis

- **Favorable Macro Environment**. The macro environment continues to create compelling opportunities for ARI. The continued economic growth and robust leasing market fundamentals suggests strong credit performance on loans underwritten to date while underlying real estate values continue to increase. Multifamily cap rates currently trading at 4.3% continue to decrease at 20 basis points above 2007 peak. With income appreciation rising and markets pricing interest rate risk into underwriting, the US property market is well positioned for growth in 2016 with modest rate increases.
- **Robust Demand for Commercial Real Estate Market.** ARI holds a portfolio with a broad spectrum of property types; its Residential, Hotel, and Retail represent 43%, 24%, and 11% of net equity respectively. 3Q15 multifamily sector activity was the strongest in the current cycle to-date; total multifamily investment sale volumes year-to-date have increased 31.8%. Hotels are seeing robust growth at 62.6% YoY. Retail transaction volumes in 3Q15 had a 10.1% jump from 3Q14. Additionally, US CMBS issuance is recovering with originations at $75B year-to-date, but it is still well below 2007 peak at $230B. Research from Trepp shows that $1.45 trillion of commercial real estate loans mature in the next five years should create significant refinancing opportunities.
- **Solid Domestic Growth with Global Expansions.** From a geographical perspective, ARI's portfolio has a 32% exposure to New York City and a 12% exposure internationally. According to JLL Research, the US market is driving 51.8% of global transaction volumes year-to-date, and NY continues to lead global investment activity. Notably, with property market bubble and loosening capital restrictions in China, the country has seen huge capital outflows. In 2015, Chinese investors represent the largest group of overseas buyers of American homes, with nearly $30B in purchase value - more than doubled the amount contributed from the second ranked Canadian investors. Additionally, with a real estate lending team established in London last year, ARI has subsequently closed two transactions in the UK and will continue to pursue financing opportunities throughout Western Europe.

Valuation

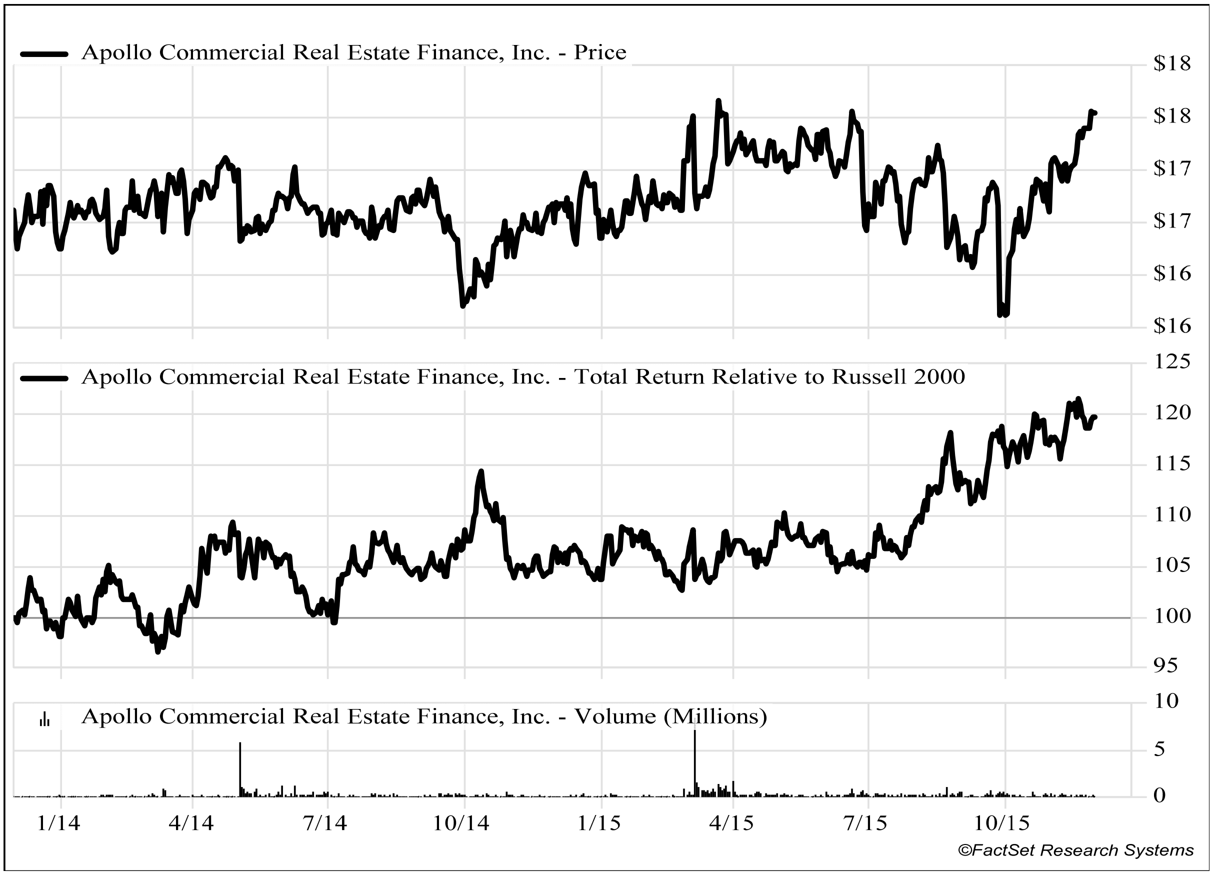
A five-year Dividend Discount Model (DDM) was applied to find the intrinsic value of ARI. A 7.89% WACC was used with a terminal growth rate of 0.5% yielding an intrinsic value of $22.89. A sensitivity analysis on the terminal growth rate and WACC ranged from $20.43-25.99. Additionally, a price-to-book multiples approach was also conducted. The 5-year average historic price to book for ARI was 0.88x with the market cap weighted average being 1.05x. Weighting the historical average and the market cap average equally, the P/B yielded an intrinsic value of $27.78. By weighting these valuations 70/30 respectively, a price target of $24.36 was reached, resulting a 39.10% upside. ARI paid a $1.60 annual dividend in 2014, yielding 10.12%.

Risks

- **Credit Risk.** ARI is subjected to varying degrees of credit risk by lending and investing in debt on real estate properties. Unanticipated economic downturn and weak labor market would likely result credit loss that could adversely impact the Company's operating results.
- **Interest Rate Risk.** The company is subject to interest risk in connection with its target assets and its related financing obligations. While ARI prices the majority of its loans on a floating rate basis, significant increase in interest rates could make it difficult for borrowers to make prescribed interest payments and could also impact the property values underlying the company's loans.

Management

Stuart Rothstein, is the President, the Chief Executive Officer and the Director of Apollo Commercial Real Estate Finance. Since 2009, Mr. Rothstein has been a partner and the COO-Real Estate of Apollo Global Management, LLC (NYSE: APO), and Vice President at ACREFI Management LLC. Prior to joining Apollo in 2009, he held C-level positions in various financial institutions. He received his undergraduate degree from Pennsylvania State University and an MBA from the Stanford University.



Ownership

% of Shares Held by Institutional & Mutual Fund Owners:	71.4%
% of Shares Held by All Insider Owners:	4.0%

Top 5 Shareholders

Holder	Shares		% Out
Qatar Investment Authority (Investment Management)	8,824,000	↑	13.1%
BlackRock Fund Advisors	4,278,000	↓	6.4%
OppenheimerFunds, Inc.	3,567,000	↑	5.3%
Goldman Sachs Asset Management LP	3,354,000	↑	5.0%
Fuller & Thaler Asset Management, Inc.	2,110,000	↑	3.1%

Source: Factset

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	Net Margin	P/B	Dividend Yield
Apollo Commercial Real Esta	ARI	1,178	97	55.87%	0.78	10.95
Starwood Property Trust, In	STWD	4,850	172	60.43%	1.17	9.36
Blackstone Mortgage Trust,	BXMT	2,694	115	44.90%	1.03	8.60
American Capital Mortgage I	MTGE	736	154	72.60%	0.70	10.90
Redwood Trust, Inc.	RWT	1,132	242	27.27%	0.94	8.09
Arbor Realty Trust, Inc.	ABR	350	93	44.18%	0.73	9.12
Peer Averages		1,952	155	49.88%	0.91	9.21

Cameco Corporation (CCO)
December 4, 2015

Colin Canfield — International Basic Materials

Cameco Corporation (TSE:CCO) is the world's largest publically traded uranium company. Based out of Saskatchewan, Canada, the company engages in the exploration and development, mining, refining, conversion, fabrication, and trading of uranium as fuel for electricity generating nuclear power reactors, both within Canada and internationally. It operates through the following segments, represented as a percentage of revenue: Uranium (74%), Fuel Services (13%), and NUKEM (13%). In addition, the company sources its uranium from its majority or near majority stakes, indicated by percentage of ownership, in the three following sources: McArthur River (69.8%), Cigar Lake (50%), and Inkai (60%). To date, Canada's McArthur River operation accounts for 13% of global output, with over 1M tons in proven plus probable reserves, and Kazakhstan's Inkai operation represents roughly 3% of global production, with over 3.8MM proven plus probable reserves. Cameco was founded in 1988 through the merger and privatization of two crown operations: the federal owned Eldorado Nuclear Limited and Saskatchewan Mining Development Corporation.

Price ($):	12.22
Price Target ($):	16.70
52WK H-L ($):	11.60-18.74
Market Cap (mil):	4,840
Float (mil):	395.6
Short Interest (%):	0.8
Avg. Daily Vol (mil):	1.7
Dividend ($):	0.30
Yield (%):	2.45

Beta:	1.28
WACC	8.81
M-Term Rev. Gr Rate Est:	15.6%
M-Term EPS Gr Rate Est:	8.3%
Debt/Equity:	27.1
Debt/EBITDA (ttm):	1.98
ROA (%):	1.74
ROE (%):	2.71
ROIC (%):	2.13

FY: Dec	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Revenue (Mil)	2,170.8	2,616.1	3,008.5	3,459.8
% Growth	-8.28	5.57	10.23	13.45
Gross Margin	23.80	22.60	22.90	25.70
EBITDA Margin	16.23	15.60	16.15	19.20
EPS (Cal)	$0.81	$0.87	$0.94	$1.02
FCF/Share	($0.46)	$0.41	$1.05	$1.44
P/E (Cal)	27.2	15.7	11.1	9.3
EV/EBITDA	15.7	10.2	8.5	7.3

Recommendation

In 2011, the meltdown of Japan's Fukashima reactors represented one of the worst nuclear catastrophes of the modern era; catalyzing public opinion against nuclear power, forcing Japan and Western leaders to shut down a number of power plants, and beginning a dismal secular trend for the nuclear industry. Now, that trend looks to undergo a reversal as the need for nuclear power becomes more evident than ever before. At the conclusion of the Paris Climate Summit, it became clearer that current carbon emissions reduction projections represent not only represent a daunting problem to world leaders, but also an opportunity to the nuclear industry on two levels. First, with the IEA projecting energy demand to grow 37% by 2040 and various world leaders pursuing their own aggressive emissions cut proposals, there exists a massive structural gap within the proposed demand-reduction relationship. Second, as emerging markets require energy at a much faster pace than the global average, the task of transporting fuel to reactors poses a massive challenge. In effect, transporting massive coal and gas reserves from resource rich areas would not be economically feasible, nor would it be anywhere near energy efficient. As a response to these issues, world leaders have begun to aggressively accelerate nuclear infrastructure development with Shinzo Abe projecting 22% of Japan's energy needs being met via nuclear by 2030 and President Obama including generous tax credits to states using nuclear power in his Clean Energy Bill. In addition, not only are a material amount of current plants receiving engineering appraisals and extensions, but over 60 plants look to be added to the existing global reactor count of 437 by 2024. With these factors in mind, it is recommended that Cameco be added to the AIM International Portfolio with a price target of $16.70, representing a 20.8% upside. The company pays a dividend of $0.30, representing a yield of 2.45%.

Investment Thesis

- **Powering the Shift.** This past October, Japan demonstrated its dedication to the country's expansive nuclear program when it restarted its second nuclear plant in three. As the world watches closely, Cameco investors can expect the benefits of this restart on multiple fronts. First, with Japan's leaders effectively giving global leaders a green light on nuclear, global uranium consumption will demonstrate a partial return to normalcy, forcing upward pressure on uranium spot prices. Second, it indicates that Japan, with its 60,000 ton reserve of uranium, will not flood the markets with excess supply in a divestiture process, but rather utilize the material as it continues to restart reactors.

- **Weathering the Storm.** This past summer, the nuclear industry witnessed a string of jobs cuts as industry giants BHP Billiton and Rio Tinto downsized their nuclear production based on continued expected market weakness. While these companies continue to demonstrate the financial flexibility to last through this period, CCO's direct competitors do not. With significantly larger debt on their balance sheets, other nuclear miners may be forced to divest of assets and effectively forfeit market share to CCO.

Valuation

To find the intrinsic value of CCO, a comparable peer model using P/B, forward year P/B, and forward year P/CF as well as a discounted cash flow model were conducted to calculate the share price. On a P/B basis, CCO trades at 1.15x with a peer average of 1.48x. On a FY2 P/B basis, CCO trades as 1.01x while its peers trade at .82x. Looking now at P/CF on a forward year basis, CCO trades at 11.85x while peers trade at 49.44x. Weighting P/B 50%, FY2 P/B 25% and forward year P/CF 25%, an intrinsic value of $16.15 was determined. Pivoting now to the DCF, a WACC of 8.81% with a long term growth rate of 2% yielded an intrinsic value of $17.41 per share. Blending the two valuation methods evenly, an intrinsic value of $16.70 was determined, representing a 20.8% upside. The company pays a dividend of $0.30, representing a yield of 2.45%.

Risks

- **Public Opinion.** While events such as Chernobyl or Fukashima have proven to be outliers for an otherwise reliable power source, public sentiment still reflects concern amid fears of large scale meltdowns. Though event dependent, shifts in sentiment result in political backlash, decreased demand for nuclear, and lower revenue for CCO. Despite this fear complex, rhetoric has changed since 2011 as citizens now focus on deteriorating climate conditions rather residual radiation.
- **The Tax Man Cometh.** From 2003-2008, CCO executed sale and purchase agreements with its subsidiary in Switzerland, Cameco Europe, where it was able to lower its effective tax rate on uranium sales. As part of an ongoing audit, the Canadian Revenue Authority ("CRA") has issued notices of reassessment that, if the company is found guilty, could result in a tax bill of $625M. If applied would have a material impact on the company, but current valuation suggests that the negative litigation outcome is already priced in, offering huge upside should they win the case.
- **Inkai Lease Renewal.** At this time, CCO is still waiting for a renewal on their lease of the block 3 of the Inkai mine, which is set to expire this July. While they still have a substantial presence there on blocks 1 and 2, they need the Republic of Kazakhstan to renew their lease for this exploratory section of the mine.

Management

Tim Gitzel has served as CEO of CCO since July 1, 2011 after joining in 2007 as SVP and COO and subsequently being appointed president in 2010. With over 25 years of experience in senior management and legal experience, Gitzel previously worked as EVP for French nuclear titan AREVA's mining business unit and CEO of AREVA's Canadian subsidiary. Grant Isaac, the company's SVP and CFO, assumed his role July 1, 2011 after joining the company as a SVP of corporate services in July, 2009.

Source: FactSet

Ownership

% of Shares Held by All Insider Owners:	0.06%
% of Shares Held by Institutional & Mutual Fund Owners:	95.14%

Source: FactSet

Top 5 Shareholders

Holder	Shares		% Out
Jarislowsky Fraser Ltd.	17,252,828	▲	4.36
Manning & Napier Advisors LLC	16,475,543	▲	4.16
Beutel, Goodman & Co. Ltd.	13,388,847	▲	3.38
The Caisse de depot et placement du Quebec	13,370,000	▼	3.38
Wellington Management Co. LLP	11,383,681	▲	2.88

Source: FactSet

Peer Analysis

Name	Ticker	Market Cap (mil)	Sales (mil)	EBITDA	Dividend Yield	EV/ EBITDA
Cameco Corporation	CCO-TSE	4,840	2,170	677.95	2.40	11.30
Areva SA	B5229L	1,881	6,734	-534.6	0.00	-
Paladin Energy	PDN-AU	210	178	8.7	0.00	84.68
Altius Energy	622010	14,853	4	-1.3	1.04	-
Denison Mines	B1XZS8	4,251	11	-18.0	0.00	-
Centrus Energy Corp. Class A	LEU	9	349	-63.5	0.00	-
Peer Averages		5,299	1,732	-136.3	0.26	-

Source: FactSet