Applied Investment Management (AIM) Program

AIM Class of 2013 Equity Fund Reports
Spring 2012

Date: Friday, April 27th ***Location: AIM Research Room (DS488)***

Schedule:	**2:00 pm**	**Open House**
	2:15-3:00	**Equity Presentations**
	3:00-3:15	**Open House**
	3:15-4:00	**Equity Presentations**

Student Presenter	Company Name	Ticker	Price	Page No.
Eric Gomach	Potash Corporation of Saskatchewan	POT	$43.93	2
Peter Lemek	Blackbaud, Incorporated	BLKB	$32.17	5
Patrick Maag	American Public Education, Inc.	APEI	$35.05	8
Michael Schwoerer	Administradora de Fondos de Pensiones Provida	PVD	$78.13	11
Catie Collins	Elan Corporation plc ADR	ELN	$13.78	14
Sam Sladky	LAN Airlines S.A.	LFL	$28.53	17

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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Potash Corporation of Saskatchewan, Inc. (POT)
April 27, 2012

Eric Gomach International Basic Materials

Potash Corporation of Saskatchewan, Inc. (NYSE: POT) is the world's largest producer of fertilizer by capacity. POT, jointly with Agrium Inc. and The Mosaic Company wholly own Canpotex, a private marketing and logistics company that sells and delivers potash to world markets. Through its operations, POT produces the three primary crop fertilizers: potash, phosphate and nitrogen. POT's production capacity by world rank for each fertilizer is as follows: potash #1 (20% of world capacity), phosphate #3 (5% of capacity), and nitrogen #3 (2% of capacity). For year 2011, POT recorded its second highest revenue at $8,715 M (45.6% potash, 28.4% phosphate, 25.9% nitrogen). POT's North American operations include six potash mines in Canada, two phosphate mines in the U.S. and natural gas facilities in Trinidad. POT also holds strategic potash investments across South America, the Middle East and Asia.

				FY:	2011A	2012E	2013E
Price ($): (4/20/12)	$43.93	Beta vs SPX:	1.14				
PriceTarget ($):	$65.06	WACC	11.80%	Revenue (Mil)	8,715	8,835	9,542
52 WK H-L ($):	62.60-38.42	M-Term Rev. Gr Rate Est:	9.08%	% Year Growth	33.28%	1.38%	8.00%
Market Cap (mil):	37,726	M-Term EPS Gr Rate Est:	9.41%	Gross Margin	49.18%	49.19%	50.03%
Float (mil):	853.8	Debt/Equity:	57.82%	Operating Margin	44.85%	44.69%	45.53%
Short Interest (%):	0.64%	ROA:	19.37%	EPS (Cal)	$3.60	$3.60	$3.96
Avg. Daily Vol (mil):	6.7	ROE:	42.40%	FCF/Share	$1.53	$1.61	$2.54
Dividend ($):	$0.14			P/E (Cal)	11.80	18.08	16.44
Yield (%):	1.27%			EV/EBITDA	9.02	13.69	12.56

Recommendation

As world demand for potash and other fertilizer products continue to rise, POT has positioned itself as the number one player and certain beneficiary of the growing market. In anticipation of increasing global demand for potash, management initiated a major capital expenditure plan in 2003. With expenditures ramping up in 2005, POT invested over $8.5 B through 2011 (75% project completion), with final expenditures of the project curtailing over 2012 and 2013, with expected combined capital expenditure of approximately $3.5 B. Project completion expectations by 2015 will add an additional 17.1 million tonnes of potash production capacity. Fueled by increasing net income and significant reduction in capital expenditures, POT's FCF is forecasted to grow from $1,309 M (FY11'A) to $3,600 M (FY14'E), an increase of 175%. Management's early anticipation for increasing demand and continuation of its capital expenditure plan through the global downturn has positioned POT to meet any supply requirement. Positioned as the world's low cost producer of potash (2011 gross profit margin: 49.2%) with significant production capacity and increasing FCF's, POT is recommended as an addition to the AIM International Equity Fund with a price target of $65.06, offering a potential upside of 48.10% from current price. Additionally, the company offers a 1.27% dividend yield.

Investment Thesis

- **Growing Food Demand:** Fifty percent of world crop production is attributable to fertilizer use. World population is expected to increase to 9 B by 2050; an estimated 70% increase in crop production will be required to meet food demand. Increased demand for food in emerging countries coupled with declining arable land requires greater crop yields, and therefore greater fertilizer input. The greatest demand is expected to come from Asia, particularly India and China, where 36% of the world's population resides. India and China represented 5.6% and 3.9% of POT's 2011A revenue, respectively and offer excellent opportunities for revenue expansion. Crop yields in corn, as compared to the U.S., are 30% less in India and 60% less in China. An increase in the use of fertilizers is essential for the two nations to increase crop yields. Furthermore, demand for fertilizers in Latin and South America is increasing as the regions control some of the world's only remaining expandable arable land.

- **Barriers to Entry:** The potash market benefits from numerous barriers to entry. The first, which POT has shown its ability over competitors, is the requirement for capital expenditures. An investment of $2 B is required for each increase in metric ton of potash production. Also, with an average duration of 5-7 years for completion, potash expansion necessitates a considerable amount of time. Furthermore, world potash reserves are scarce, the Canpotex cartel along with Belarusian Potash, form a duopoly, controlling 70% of global potash exports. Finally, fertilizer provides diminishing marginal returns and POT benefits because an increase in potash is required to maintain current crop yield.

Valuation

In determination of an intrinsic value for POT, a ten-year DCF was prepared. Using a computed WACC of 11.80% and a terminal rate of 4.75%, an intrinsic value of $71.58 was obtained. Gross profit margin and operating margin were maintained for years 2014 onward at rates of 50.5% and 48.3%, respectively. In addition, a peer average P/E multiple of 12.4x was applied to forward estimated 2012 EPS, yielding a value of $49.85. Weighting the DCF 70% and the P/E 30%, a $65.06 price target was obtained, yielding a potential return of 48.10%. POT pays a quarterly dividend of $0.14, a 100% increase from Q4 2011, providing a yield of 1.27%.

Risks

- **Supply/Demand Imbalance:** After the financial crisis, disequilibrium in potash supply and demand occurred, hurting potash companies. In 2010, BHP Billiton made a hostile bid for POT, which was eventually blocked by the Canadian government. If a large player, such as BHP, were to enter the market, supply could overshadow demand, pulling down potash prices. Furthermore, if current potash demand projections prove overstated, current expansions by POT could lead to lower ROI. However, with great barriers to entry and previously increasing potash inventories curtailing, POT's expansion projects appear to be well timed with a long-term potash demand boom in the midst.
- **Farmer Sentiment:** Farmer sentiment is a key risk to the fertilizer industry. With crops at near all-time highs, farmer's net-income has been on the rise. However, as witnessed in 2009, commodity prices can take a quick turn, placing farmers in a margin squeeze if fertilizer prices do not fall in tandem. If crop prices fall, farmers will not hesitate to reduce fertilizer use in order to maintain profit.

Management

The current President and CEO of Potash Corporation of Saskatchewan, Inc., William J. Doyle, has served with the company since 1987. Doyle also serves as the president of Canpotex. POT has thirteen board members, ten of which are independent. Management has served the company well over the past decade placing the company in excellent position to meet increasing demand.

Ownership

% of Shares Held by All Insider & 5% Owners:	6.41%
% of Shares Held by Institutional & Mutual Fund Owners:	77.51%

Source: Bloomberg

Top 5 Shareholders

Holder	Shares	%Out
Capital World Investors	50,616,372	5.89%
PrimeCap Management Company	24,635,424	2.87%
BMO Financial Corp	21,545,342	2.51%
T Rowe Price Associates	20,462,514	2.38%
RBC Global Asset Management	18,681,809	2.18%

Source: Bloomberg

Blackbaud, Incorporated (BLKB)
April 27, 2012

Peter Lemek — Information Technology

Blackbaud, Incorporated (NASDAQ: BLKB) is a leading global provider of software and software services specifically designed for nonprofit organizations. BLKB customers use their customized software designs to increase donations, reduce fundraising costs, improve communications, build online communities, and optimize finances and operations through a full spectrum of cloud-based and on-premise software solutions and related specialized services. In order to better serve the diverse nonprofit market segment, BLKB has organized their operating structure into three distinct operating units and an analytics unit: the Enterprise Customer Business Unit (ECBU), the General Markets Business Unit (GMBU), the International Business Unit (IBU), and Target Analytics. In fiscal year 2011, revenue was generated in four different geographic regions by four different reportable segments with the US comprising 85% of revenue. Reportable product segments include License Revenue (5.25%), Subscription Revenue (27.92%), Service Revenue (29.33%), and Maintenance Revenue (35.22%). Blackbaud was founded in 1981 and is headquartered in Charleston, SC.

Price ($): (4/27/12):	32.17		Beta:	1.50		FY	2011A	2012E	2013E
Price Target ($):	42.62		WACC(%):	11.70		Sales(mil):	370.87	427.56	498.45
52 week H-L ($):	20.81-34.00		M-Term Rev Gr Rate Est:	13.00%		%Growth:	13.57	15.29	16.58
Market Cap:	1.41B		M-Term EPS Gr Rate Est:	13.00%		Gross Margin(%):	57.61	60.00	60.00
Float (mil):	44.42		Debt/Equity:	0.00		Operating Margin(%):	14.22	13.00	15.00
Short Interest (%):	2.55		ROA(%):	9.27		EPS	0.75	0.82	1.10
Avg Daily Vol :	190,665		ROE(%):	25.91		FCF/Share	1.52	1.55	2.49
Dividend ($):	0.48					P/E	42.89	39.23	29.25
Yield (%):	1.50					EV/EBITDA	17.1	14.09	12.17

Recommendation

During FY2011, BLKB had record revenues and a record non-GAAP income from operations of $76.5M. The firm currently has 26,000 customers across 60 countries in a nonprofit industry with 1.8M organizations in the US and another 2.0M worldwide. Donations in this industry have grown at a 6.8% CAGR over the past 40 years and the nonprofits within the industry receive fees for the services they provide estimated at $1T annually. BLKB currently occupies a strong market position providing services to every market segment in the industry and continues to gain market share through strategic acquisitions, including five companies over the past three years. With the BLKB's experience in hosted services, continued acquisitions and development to expand their software-as-a-service offerings (SaaS), the firm looks to increase gross margins, particularly the subscription revenue margins which are currently 59%. Furthermore, as government funding to nonprofits continues to be cut, nonprofits are expected to aggressively increase fund raising initiatives. Due to these reasons and a strong valuation, it is recommended that the company be added to the AIM Equity Fund with a target price of $42.62, a 32% upside.

Investment Thesis

- **Specialization and International Growth.** In an industry accounting for $290.9 billion in charitable donations in the US alone, Blackbaud competes with a variety of different businesses from small, specialized private firms to large juggernauts such as Microsoft and Oracle. Despite differing themselves from competitors by specializing in nonprofits, the market is still highly fragmented, and the company has been able to successfully cater to all levels within the market through their use of a specialized common source coding as the base of their product offerings. As international revenue has increased by 10.8% in 2010 and 21.5% in 2011, BLKB, with its firm base coding, will be flexible enough to provide products tailored to specific international needs quickly and cost effectively as management continues to push for further growth opportunities abroad.

- **Current Trends in the Nonprofit Industry.** Charitable donations increased in 2011 at 3.08%. Online donors have increased by 100 bps a year overall for the past four years with younger donors making 16% of their donations via online channels. BLKB has worked to better position themselves in this growing market opportunity through acquisitions of companies specializing in the area, such as Everyday Hero Pty, Ltd and Convio. In Q1 2012, fundraising has returned to pre-recession levels with nonprofits seeing greater stability and predictability in giving estimates. As the overall economy continues to rebound from the recent recession, nonprofits expect to grow staff positions and increase donation volumes, further growing a diverse market for BLKB's products.

Valuation

To find an intrinsic value, a five-year DCF model was constructed. Sales growth rates were varied according to management and economic outlooks concerning BLKB's four reportable market segments. The WACC of 11.7% was used along with a 3% perpetuity growth rate to arrive at a value of $44.91. A sensitivity analysis was conducted varying the discount rate and the growth rate which yielded a low of $33.84 and a high of $67.88. Along with the DCF, an EV/Sales multiple was determined by dividing the company's current EV by its most recent sales report to return an intrinsic value of $35.77. A weighted mix of 75/25 DCF to EV/Sales yielded an intrinsic value of $42.62, an upside of 32%, with a $0.12 quarterly dividend.

Risks

- **Acquisition of Convio.** BLKB is currently in the process of acquiring the nonprofit software company, Convio. In order to acquire the company, BLKB significantly increased their leverage by increasing their credit facility to $325 million which matures in February of 2017. This indebtedness could adversely affect the company by decreasing their ability to effectively operate in an unfavorable economy and restricting their flexibility in future strategic operations or possible new business opportunities.
- **Concentration of Revenue Generation.** In the fast moving, highly volatile software market, BLKB derives 35% and 9% of its revenue from the sale and related services of the Raiser's Edge and Blackbaud CRM, respectively. Revenue across the company's reportable segments is mostly generated by the initial sale of a product, and the company tries to gain value through enhancements and annual maintenance and support. If there is a change in customer demand or technology surpasses the efficiency and quality of these products, the business could suffer across all revenue segments.

Management

Mr. Marc Chardon has been President and CEO of Blackbaud since 2005. Prior to joining BLKB, Mr. Chardon was the CFO of the $11B Information Worker business group at Microsoft. Mr. Anthony Boor joined BLKB as Senior VP and CFO in 2011. Prior to this he held multiple executive positions at Brightpoint.

Ownership

% of Shares held by All Insider and 5% Owners:	1%
% of Shares Held by Institutional & Mutual Fund Owners:	>90%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Outstanding
Atlanta Capital Management Company	4,033,590	8.98
Brown Capital Management, Inc.	3,436,584	7.65
Macquarie Group Limited	3,066,930	6.82
Generation Investment Management	2,815,287	6.26
Vanguard Group, Inc.	2,441,142	5.43

Source: Yahoo! Finance

American Public Education, Inc. (APEI)

April 27, 2012

Patrick Maag | Consumer Discretionary

American Public Education (NASDAQ: APEI) provides online postsecondary education directed at the needs of the military and public service communities. APEI offers 87 degree programs and 69 certificate programs through two universities: American Military University (AMU) and American Public University (APU). The company operates in the U.S. with all of its revenue coming from online postsecondary educational services. APEI serves 110,000 students across all 50 states, the District of Columbia and various international locations. As of the end of 2011, approximately 58% of the students serve in the U.S. military on active duty with the remainder being primarily civilians with careers in public service. The company was founded as American Military University in 1991 by a retired Marine officer for the purpose of a distance learning graduate level institution. APEI is operates its headquarters in Charles Town, WV and another facility in Manassas, VA along with two data centers in Virginia and Texas.

Price ($): (4/20/12)	35.05	Beta:	0.65	FY: Dec	2011A	2012E	2013E
Price Target ($):	44.80	WACC:	10.2%	Revenue (Mil)	260.38	338.49	429.88
52WK H-L ($):	49.29-27.20	L-Term Rev. Gr Rate Est:	17.0%	% Growth	31.4%	30.0%	27.0%
Market Cap (mil):	626.9	L-Term EPS Gr Rate Est:	19.5%	Gross Margin	63.4%	63.0%	62.5%
Float (mil)	17	Debt/Equity:	0.0%	Operating Margin	26.5%	27.0%	28.0%
Short Interest (%):	17.11%	ROA:	23.9%	EPS (Cal)	2.28	3.01	3.89
Avg. Daily Vol (mil):	0.19	ROE:	35.3%	FCF/Share	$2.54	$3.32	$4.52
Dividend ($):	0.00			P/E (Cal)	15.39	11.67	9.02
Yield (%):	0.0%			EV/EBITDA	7.02	4.42	2.82

Recommendation

Over the past two years, APEI has grown revenues 33.0% and 31.4% taking revenue from $149.0M in 2009 to $260.4M in 2011. The strong revenue growth is due to industry leading enrollment growth. While APEI average enrollment grew 32.0% in 2011, only one other firm grew more than 2%. The company has distinguished itself by remaining a cost leader and setting tuition rates at the military tuition assistance limit, preventing military students from being forced to pay for a degree. This model of affordability puts APEI tuition rates at 20% below the average in-state tuition rate. The firm has kept tuition rates flat since 2000 to maintain affordability and has managed to post gross margins of 62.0% and 63.4% while turning in profit margins of 15.1% and 15.6% in 2010 and 2011 respectively. APEI's profitability places 3rd amongst for-profit educational firms, and plans on maintaining a strictly online learning platform to preserve these margins. Adapting to a changing government budget, the company is focused on growing its civilian student body, and it has done this successfully growing civilian student count 100% in 2011. Because of these reasons and a promising valuation, it is recommended that the APEI be added to the AIM Equity fund with a price target of $44.80, offering a 28% upside.

Investment Thesis

- **Strong Consistent Growth.** The company's recent growth rates have shown the strength of its business model. Offering an online, flexible solution to postsecondary education, APEI has consistently grown revenues over the past decade and is finding new target student groups in the civilian force to bolster growth in coming years. The consistent and impressive growth was driven by acceptance of Title IV programs, affordability of classes, diminished aversion to online learning and high student satisfaction. In 2011, the ratio of people returning for a second degree that had previously attended an APEI university rose to 50%. Student satisfaction will play a major role in the long term future of the company.
- **Affordability and Partnerships.** The company's tuition costs are well below average in-state tuitions as well as significantly well below market leaders. As demand for an educated labor force increases, APEI provides a sound, affordable option for people to stay competitive in the job market. The company also is eligible for Title IV tuition assistance from the government.

This makes the affordable option even more attractive for people trying to contend for promotions and jobs requiring a stronger or broader skill set. APEI also plans on growing its partnerships with corporations for continuing education. Wal-Mart employees are offered 15% tuition grants through the company's Lifelong Learning Program. This both further diversifies the student body and enables easy access to APEI's services through company support. The growth of these partnerships will continue to drive growth in the company's long term future.

- **Diversification of Student Body.** Secondary education programs that support military personnel face the risk of decreases in the Departments of Defense and Education budgets. APEI is focusing on the addition of its civilian students. In 2011 APEI grew the civilian portion of the student body by 100%. The addition of public sector civilians, who are less dependent on government assistance, bodes well for the company. These people are also more likely to return for a second degree. The forces reduction by the Department of Defense also strengthens APEI's market position. Returning troops who are looking for affordable ways to enter into a skilled civilian labor force can trust APEI's military ties. Students not on active duty also enroll in more classes, providing better returns per enrolled student.

Valuation

To find the intrinsic value of APEI, a five-year DCF was conducted and weighted at 50% of the intrinsic value. Revenue growth trended down from the most recent years at 30% growth to 17% in year 5. The DCF used a WACC of 10.2% given by Bloomberg. The DCF yielded an intrinsic value of $42.68. A sensitivity analysis used variations in WACC from 8% to 12% and growth rate ranging from 1% to 5% was weighted at 35% of the valuation. The sensitivity analysis yielded an average value of $45.63. A historical EV/EBITDA multiple of 7.02x was applied to estimated earnings that resulted in an intrinsic value of $40.11. Weighing these methods yielded a price target of $44.80, representing an upside of 28%. The firm does not pay a dividend and does not plan on doing so in the foreseeable future.

Risks

- **Spending Cuts.** President Obama has made addressing the Department of Defense's budget a priority over the coming years due to pressure to cut the federal deficit. The budget proposal calls for an incremental reduction in force from a 1.4% reduction in federal fiscal 2013 to a 5.5% reduction in 2017. This leads to fewer dollars allocated for tuition assistance for troops. The Department of Education is facing similar pressures. As a major source of revenue, the reduction of Title IV funds allotted could affect some people's ability to pay for postsecondary education.
- **IT Reliance.** APEI strictly uses the Internet for the transmission of its educational services and hosts its classes in a virtual environment. The company has also implemented an ePress electronic publishing initiative which commissions professors to create advanced course materials for online. This heavy reliance on the internet and other information technology exposes the company to system failure risk. A crash of the system would effect the company's operations.
- **Regulatory Environment.** The company faces many regulatory challenges with regard to funding and accreditation. APEI must gain accreditation from the Higher Learning Commission in order to maintain its credibility in the marketplace. APEI must also fulfill funding ratio requirements as well as certain financial health standards in order to stay eligible for Department of Education tuition assistance.

Management

President/CEO Dr. Wallace Boston Jr. has been with APEI since 2002 and has served as Executive VP and CFO in prior roles. He also served as CFO of Sun Healthcare Group before leaving for APEI. CFO Harry Wilkins served for 9 years as CFO of Strayer Education before he joined APEI in 2007. Wilkins also founded the Wilkins, Little & Matthews LLP and remains a partner. Dr. Sharon van Wyk was named COO in 2009 after being VP of Process Excellence at Intuit and Genworth Financial.

Ownership

% of Shares Held by All Insider and 5% Owners:	6%
% of Shares Held by Institutional & Mutual Fund Owners:	>90%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Price (T.Rowe) Associates Inc.	1,432,189	8.02
JP Morgan Chase & Company	1,124,473	6.29
Vanguard Group, Inc.	980,687	5.49
Alger (Fred) Management Inc.	913,669	5.11
BlackRock Fund Advisors	737,432	4.13

Source: Yahoo! Finance

Administradora de Fondos de Pensiones Provida (PVD)
April 27, 2012

Michael Schwoerer — International Financial Services

Administradora de Fondos de Pensiones Provida (NYSE: PVD) provides private pension fund administration services in the Republic of Chile. AFP Provida through its subsidiary Provida Internacional SA maintains equity interests in private pension fund administrators operating in Peru, Ecuador and Mexico. There are three major pension providers in Chile that compete for market share. AFP Provida, AFP Habitat, and AFP Cuprum with Provida being the largest of the Chilean pension managers, both in terms of participants (40% of market share) and assets under management (29% of market share). In Chile, the pension system is a fully funded capitalization system run by privately owned pension funds. All workers and employees are required to pay into the system, which currently has a set mandatory amount of 10% of monthly income required to go into the system. AFP Provida generates its revenue from fee revenue from their mandatory contributions (74.5% of total revenues), collections for individual capitalization accounts, voluntary savings account fees, and also from life and disability premiums. The company was incorporated in 1981 and is headquartered in Santiago, Chile.

Price($): (4/23/12)	78.13	Beta:	1.18	FY:	2011A	2012E	2013E
Price Target ($):	108	WACC	7.40%	Revenue (mil)	313.40	324.36	337.34
52WK H-L ($):	85.25-53.73	M-Term Rev. Gr Rate Es	4.25%	Growth	-6.30%	3.50%	4.00%
Market Cap (mil)	1,670.00	M-Term EPS Gr Rate Est	5.30%	Operating Margin	54.09%	57.49%	63.57%
Float (mil):	10.68	Debt/Equity	0.14	Pretax Margin	63.81%	67.82%	75.00%
Short Interest (%):	1.00	ROA:	20.53	EPS (Cal)	0.46	0.48	0.51
Avg. Daily Vol:	9,558	ROE:	26.34	P/E (Cal)	9.58	10.15	10.75
Dividend ($):	6.47	EV/EBITDA	7.98	BVPS	1.77	2.05	2.34
Yield (%):	8.60	Price/Share	4.39	P/B	2.48	2.57	2.66

Recommendation:

AFP Provida is a solid investment company that's in an interesting and unique niche. While the pension system that Chile uses seems unorthodox, there is little concern that the country will go back to the old pension system, which would make Provida virtually worthless. This privatized national pension system has encouraged domestic investment and contributed to an estimated total domestic savings rate of approximately 21% of GDP. Provida had a solid 4Q 2011 with net profit up 54% YoY, helped by rising revenues (+7.5% YoY), income fees (+5.3% YoY) and higher non-operating revenue +43.8% YoY). Latin America has a relatively lower exposure to the European economic crisis given that China (23%), Japan (10%) and the U.S. (10%) are the top three countries importing goods and commodities from Chile. China's GDP growth rate remains impressive and the U.S. economy is also recovering nicely. With Latin American minimum wage pricings going up, and along with unemployment going down, PVD will likely benefit from revenue spikes from their subsidiaries as well as in Chile. Taking into consideration this unique opportunity, it is recommended that PVD be added to the AIM International Equity Portfolio with a target price of $108, an upside of 27.69%, in addition to a 8.60% dividend.

Investment Thesis

- **Increasing Minimum Wages.** AFP Provida benefits from Chilean workers getting paid more, resulting in higher average taxable salaries, which leads to a higher mandatory amount being paid to the pension funds. Chilean minimum wage increased 5.8% YoY in 2011 and could continue to increase by 3-5% in the near-term. Minimum wage growth is positively correlated with Chilean GDP growth (6% in 2011) and according to the Global Competitiveness Report is ranked the 30th most competitive country and top in Latin America. This could result in rising minimum wages. With possible increases in mandatory requirements to the pension funds, as well as minimum wage increasing, this serves as a driver for PVD's future revenues.

- **Decreasing Unemployment.** Another way that Provida achieves greater revenues is from declines in the Chilean unemployment rate. The more workers that obtain work in Chile, the more people that have to pay their required 10% monthly wage to the pension funds. AFP Provida's stock is heavily correlated to the national unemployment rate, which is expected to continue its decline in the future. In 4Q 2011, Chile reported an unemployment rate of 6.6%, bringing down the estimated annual average of national unemployment to 7.1%. This unemployment rate coupled with a 6% growth rate is encouraging evidence of a bright future in Chile and is also driving economic sentiment in Chile, where 74% of Chileans having a positive outlook.
- **Trusted and Stable Business.** Since Provida's inception in 1981, the company has had the market share and is able to charge fees in the upper half of the industry. On an annual basis, Provida collects about 1.5% of contributor's funds to the mandatory program. This is not a risk because the Chileans have no problems putting up the extra money to do business with Provida. The company targets more of the "everyman" market and has generally offered a trade-off of lower returns and lower return volatility. Some of Provida's success may be due to the fact that it is backed by (and majority owned by) BBVA, the sixth largest bank in Chile. This provides a sense of security for the Chilean workers and good business for Provida.

Valuation

To find the intrinsic value of PVD, a ten year DCF model was used with a WACC of 9%, which includes a foreign country premium, and terminal growth rate of 2.8%. This model generated an intrinsic value of $92.26. A Dividend Discount Model was also used with a 7-year historical growth rate of 23.56% and projecting out 10 years to a terminal growth rate of 3.05%. This method generated an intrinsic value of $123.82. Each method was equally weighted and resulted in a final intrinsic value of $108, which represents a potential upside of 30.36%. AFP Provida also pays a dividend yield of 8.6%.

Risks

- **Dependency on the Chilean Economy.** Macroeconomic conditions affect the financial capacity of employers and entrepreneurs, which might produce a drop in the number of employee contributors or a lack of capacity for creating new jobs, and decrease the salary of workers. Therefore, both of these variables – number of employee contributors and average salary – affect Provida's results.
- **Limitations to Increase Market Share.** Provida has maintained a leading position in the private pension system since its incorporation, and given its position in this market and its relative size, it is a possibility that competitors will take steps toward attracting participants from Provida and persuading them to transfer their funds and make contributions to other AFPs, limiting Provida from significantly increasing its market share. Other concerns are decreasing momentum in labor markets as well as higher fees compared to competitors.
- **Volatility with Copper Risk.** By far the leading export of Chile, copper has been hovering and uncertain levels recently. This has the capability of opening the door for opportunity, but it would come with much risk. The concern that copper prices have tripled in value in the last decade is something of an issue as well as declining Chinese copper demand and a fragile global economy. Chile is known as the "copper mining capital of the world", and produces over 1/3 of the global copper output.

Management

Mr. Ricardo Rodriguez Marengo has been the CEO for AFP Provida since 2007. Before that he served as Chief Commercial Officer in AFJP BBVA Consolidar in Argentina. Joaquin Cortez Huerta started as Chairman of the Board and CIO in October 2011 and since that time the company has seen a total annualized return of 73.96%. The VP of Banco Central de Chile is also a board member at AFP Provida.

Source: Bloomberg

Ownership

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

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
Royce & Associates, LLC	333,800	1.51
Renaissance Technologies, LLC	293,400	1.33
Invesco Ltd.	195,117	0.88
FMR LLC	123,911	0.56
LSV Asset Management	68,200	0.31

Source: Yahoo! Finance

Elan Corporation plc ADR (ELN)
April 27, 2012

Catie Collins International Healthcare

Elan Corporation plc (NYSE:ELN) is a neuroscience-based biotechnology company engaging in research, development, and commercial activities in the areas of Alzheimer's disease, Parkinson's disease, and multiple sclerosis (MS). ELN operates under one business segment: BioNeurology. Within this segment, Elan develops and markets their flagship product Tysabri, which serves as a monotherapy for relapsing forms of MS. Available in more than 65 countries, Tysabri gains thousands of new patients on an annual basis. ELN is also currently developing ELND005, a beta amyloid immunotherapy (AIP) agent to treat Alzheimer's disease, which is currently in Phase III clinical development. With revenue growth of 19% in 2011, ELN operates with diversified geographical sales throughout the USA (70%), Rest of World (27%) and Ireland (3%). ELN was founded in 1969 and is headquartered in Dublin, Ireland where they primarily sell their products to drug wholesalers through their 412 worldwide employees.

Price (04/19/12) ($):	13.78	Beta:	1.08	FY: Dec	2011A	2012E	2013E
Price Target ($):	17.16	WACC	11.39%	Revenue ($, M)	$1,246	$1,335	$1,669
52WK H-L ($):	15.27-7.08	M-Term Rev. Gr Rate Est:	26.0%	% Growth	19%	25%	25%
Market Cap ($, M):	8120.8	M-Term EPS Gr Rate Est:	35.4%	Gross Margin	48.66%	46.73%	48.07%
Float (M):	481.56	Debt/Equity:	77.0%	Operating Margin	29.75%	34.81%	39.10%
Short Interest:	1.65%	ROA:	29.72%	EPS (Cal)	$0.95	$0.08	$0.26
Avg. Daily Vol (M):	2.89	ROE:	112.54%	FCF/Share	(0.25)	0.15	0.34
Dividend:	N/A	Financial Leverage	2.19x	P/E (Cal)	60.40	137.41	56.31
Yield:	N/A			EV/EBITDA	65.28	42.26	31.88

Recommendation:
With 2011 being a year of outstanding operational performance and financial advancement, ELN is well positioned to ward off competition and support its operations in the future. The financial success of ELN in 2011 can be accredited to adjusted EBITDA growing by 35%, the share price doubling over the past 12 months, or the reported 2007-2011 30% CAGR on revenue. ELN also improved their capital structure by over $1B. At the end of 2010, ELN maintained a position of net debt of $800M and transformed to cash on investments of $300M. ELN's revenue performance is driven by Tysabri, which thwarts off competitors due to its significant reduction in its patients relapse rate and dominance in efficacy. Tysabri revenues grew by 23% in 2011, resulting from the 7,200 added patients over the course of the year. The total worldwide market for MS may grow to $16B by 2016, up from a current $10.5B. In alignment with this growth, there is optimism around the future prospects of Tysabri moving forward due to its recent FDA label update. This update will not only create a clear benefit-risk profile for patients, but it will also increase physician and patient comfort. With 15 products in clinical development and Bapineuzumab in Phase III studies, ELN has a deep pipeline focus with substantial neurological opportunities forthcoming. It is recommended that ELN be added to the AIM International Equity Fund with a price target of $17, providing a 25% upside. The company does not pay a dividend.

Investment Thesis:

- **Sale of Elan Drug Technologies (EDT) Business Segment.** In May 2011, ELN announced a definitive agreement to sell EDT to Alkermes Inc. This transaction allowed ELN to successfully separate their EDT and BioNeurology businesses. Separating these two segments allows Elan to focus its core operations on research and early stage drug development, while advancing their pipeline and building value for shareholders. Not only did this agreement represent ELN's objective to position themselves as a dedicated biotechnology company with a clear focus on neurology, they were able to reduce their debt by $661 million, representing 51% of the total principal amount.

- **Phase III Development of Bapineuzumab.** Bapineuzumab ('Bapi'), ELN's leading AIP product, recently received fast-track designation from the FDA in recognition of its potential to address the significant unmet needs of patients with Alzheimer's disease. Johnson & Johnson is a main partner with ELN in development of Bapi, stating it is one of their main focus drugs in Phase III development. Phase III trial is anticipated to be completed in 2012 for the North American segment and the Rest of the World segment in 2014. This approval has the potential to significantly increase the value of the company by almost $5B in enterprise value, nearly doubling the current stock price.
- **Increasing Growth of the Tysabri Market.** Multiple Sclerosis affects over 2.5 million people worldwide. Every week, 200 people are diagnosed with the disease. ELN's blockbuster MS treatment has been able to benefit significantly from this growth. In 1Q07, there were 9,100 Tysabri patients worldwide. In 4Q11, the number of Tysabri patients grew to 64,400 with a 68% relative reduction in the annualized relapse rate. Tysabri currently exhibits a near 13% market share, and could reach more than 20% by 2016 with the revised label with the JCV assay.

Valuation

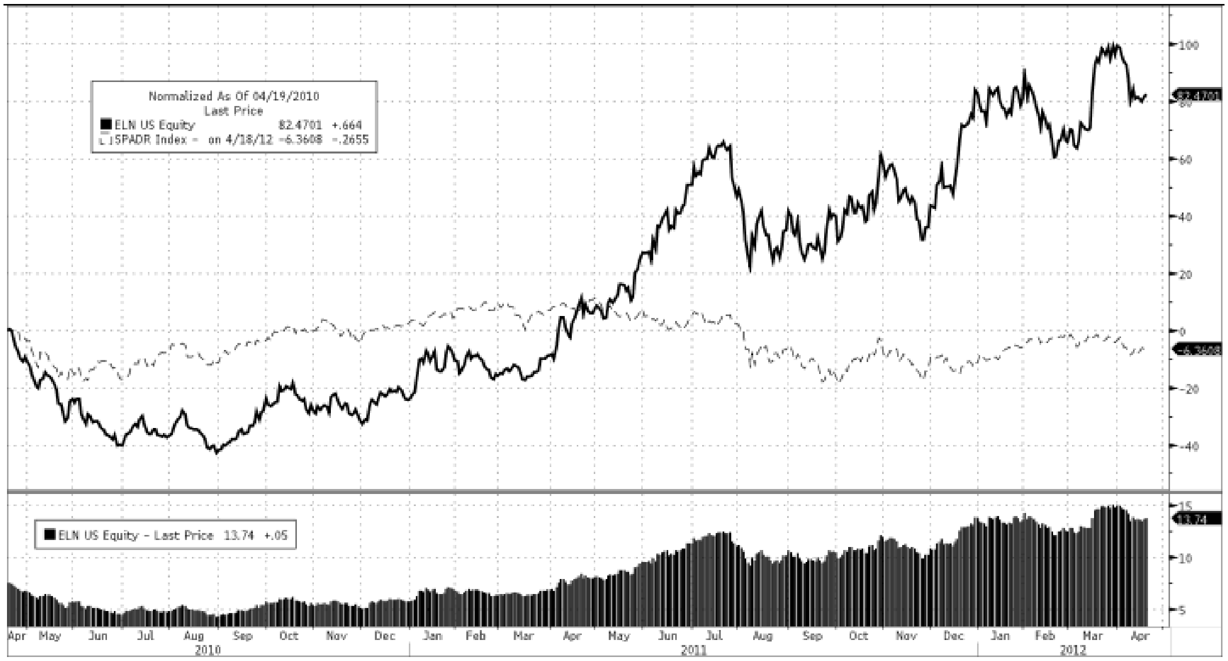
ELN was valued via a five-year DCF analysis in combination with a sum-of-the-parts (SOTP) analysis. Based on a calculated WACC of 11.39% and 2.5% terminal growth rate, the DCF analysis yielded an intrinsic value of $17.20. In addition, applying a 12X EBITDA multiple to Tysabri and a 15x revenue multiple to Bapi, the SOTP analysis yielded an intrinsic value of $17.05. Weighting the DCF (75%) and SOTP (25%), a final price target of $17 was obtained-representing in a potential upside of 25%.

Risks

- **Significant Dependency on Revenues from Tysabri.** Sales of ELN's marketed product Tysabri represented approximately 79% of total revenues and approximately 100% of their revenues from continuing operations during 2011. The EDT business, which was sold to Alkermes, Inc., accounted for 21% of total revenues in 2011. Although ELN continuously seeks to advance their product pipeline they may be substantially dependent on sales from Tysabri for many years forthcoming. Any introduction of competing products or adverse regulatory developments may unfavorably affect their results of operations.
- **Relationship with Collaborator, Biogen Idec, Inc.** ELN partners with Biogen Idec to generate significant understanding, in both efficacy and safety of therapy, so that it may be positioned for the clinical benefit of patients. Biogen Idec, however, markets a competing MS therapy, Avonex, and has another potentially competitive MS therapy (BG-12) in late stage development.
- **Reliance on Johnson & Johnson and Pfizer for Clinical Development of AIP Products.** Janssen AI, a subsidiary of Johnson & Johnson, committed $500 million toward the development and commercialization of AIP, allowing them to acquire almost all of ELN's assets and rights related to the AIP collaboration. The success of the AIP collaboration will be dependent, in part on the efforts of Johnson & Johnson and Pfizer. The interests of these companies must be aligned with that of ELN or development may be adversely affected.

Management

Kelly Martin has served as CEO and President of Elan Corporation since 2003. Although Martin's tenure expires in May 2012, he has agreed to stay on board until the completion of Phase III Bapi. Management ensures a smooth leadership transition due to Martin's continuous involvement following the FDA recognition of Bapi. CFO, Nigel Clerkin, joined ELN in 1998 and was recently promoted to the position in May 2011, previously serving ELN as Senior VP, Finance and Group Controller.



Ownership

% of Shares Held by All Insider and 5% Owners:	0%
% of Shares Held by Institutional & Mutual Fund Owners:	48.72%

Source: Bloomberg

Top 5 Shareholders

Holder	Shares	% Out
Fidelity Management & Research Company	72,687,964	12.29
Wellington Management Company, LLP	37,305,855	6.31
Invesco LTD	29,029,618	4.91
Wellington Management International	17,827,308	3.01
T. Rowe Price Associates	16,256,307	2.75

Source: Bloomberg

LAN Airlines S.A. (LFL)
April 27, 2012

Sam Sladky International Industrials

LAN Airlines S.A. is one of the leading airlines in Latin America. The company originally began its operation in 1929 under the Chilean government, but was sold off to public investors in 1989. The company and its subsidiaries provide domestic and international passenger services, as well as freight cargo services in Chile, Peru, Argentina, Colombia and Ecuador with a wide range of routes around America, Europe and Oceania. The company and its affiliates currently operate 133 passenger aircraft and a fleet of 14 dedicated cargo freighters. With an average age of 5.8 years, the company has one of the youngest fleets in the world which provides greater efficiency and a reduction in CO2 emissions. In 2011, passenger service made up 71.8 % of revenues while cargo services made up the other 28.2%. LAN Airlines is headquartered in Santiago, Chile.

Price ($) (4/15/12):	$28.53	Beta:	1.002
Price Target ($):	$35.28	WACC	10.50%
52WK H-L ($):	31.91-18.65	M-Term Rev. Gr Rate Est.	1.21%
Market Cap (mil):	9,709.50	M-Term EPS Gr Rate Est.	30.53%
Float (mil)	340.326	Debt/Equity:	213.34%
Short Interest (%)	1.09%	ROA:	4.68%
Avg Daily Vol	138,617	ROE:	23.35%
Dividend (2011)	$0.13		
Div. Yield (2011):	0.46%		

FY: December	2011A	2012E	2013E
Revenue ($Mil)	5,585	13,674	14,556
% Growth	27.22%	144.82%	6.45%
Gross Margin	26.98%	25.00%	25.00%
Operating Margin	9.07%	5.00%	5.00%
EPS ($Cal)	$0.95	$1.26	$1.31
FCF/Share	($2.70)	($2.78)	($2.66)
P/E (Cal)	24.88	25.00	27.00
EV/EBITDA	12.28x	9.34	9.06

Recommendation

The Latin American economy is projected to grow strongly over the next twenty years. Traffic within the region is expected to grow at a rapid pace, most quickly within South America, where growth will average 7.0% per year. As a leading airline in the region and being based in Chile, LAN Airlines is poised to take advantage of this growth. Further, LAN Airlines operates two businesses in one, which leads to a more stable revenue stream. The firm primarily serves the traditional passenger market. At the same time, the company uses a fleet of 14 airline freighters and the bellies of the passenger planes to supplement passenger revenue with cargo revenues. LAN derives more than 25% of its revenue from cargo services, as compared to 5%-10% for most U.S. carriers. Cargo customers are generally less sensitive to fare increases and exhibit steadier demand, which helps the company hedge against changes in passenger revenue. By using the extra space in passenger planes for its cargo business, LAN effectively lowers the breakeven point and improves the profitability of each flight. The airline also utilizes its fleet better than most competitors, by flying its jets about 13 hours per day when most U.S. carriers average 10 or less. Given LAN Airlines efficient business strategy, combined with its ongoing merger with TAM airlines, it is recommended that the firm be held in the international portfolio with a target price of $35.28, yielding an upside of 23.66%.

Investment Thesis

- **Strategic Merger to Enter Brazilian Markets.** The company is in the process of merging with Brazilian based company, TAM Airlines, to form the leading Latin American airline group with the largest fleet of aircraft in Latin America. The merger will bring together over 300 aircraft, servicing over 150 destinations in 23 countries. Related synergy cost saving estimates were also recently increased from $400M to $600-700M. The merger will provide LAN Airlines with key access to Brazil, which has a population of nearly 200 million and is a rapidly growing economy. By 2030, Brazil will become the fourth largest domestic air travel market in the world with an annual growth rate of 7.4%.
- **Growth in Travelers in Latin America.** In 2011, global passenger traffic increased by 5.9%. This growth was led by Latin America, where it expanded by 11.3%. LAN is poised to take advantage of this growth, given that they are a leading airline in Latin America. LAN claimed an

82% share of domestic Chilean passenger and cargo traffic. LAN also has the largest share of passenger traffic in international markets to and from Chile, Peru, and Ecuador, with 49.5%.

- **Stabilized Revenue Base.** LAN Airlines integrates the operations of their passenger and cargo business segments. By taking into account potential cargo services when planning passenger routes, the company is able to increase the productivity of assets and maximize revenue. As of December 2010, passenger and cargo revenues accounted for 68.8% and 28.3% of total revenues, respectively. This business strategy helps the company streamline revenues and cover fixed costs, thus enhancing profitability per flight.

Valuation

To find the intrinsic value of LAN Airlines, a ten-year DCF was conducted. After projecting out revenues while taking into consideration the merger, a conservative WACC of 10.5% was used with a terminal growth rate of 2% to yield an intrinsic value of $38.56. A P/E multiple approach was also used with a price target multiple of 25x. After weighing the 2012 and 2013 EPS at 60% and 40% respectively, a value of $31.96 was calculated. An EV/EBITDA multiple was also used with a price target multiple of 9.34x to yield a market price of $28.76. After weighing the P/E and EV/EBITDA multiples at 50% each, a multiple target price of $31.96 was achieved. Finally, after weighing the DCF and multiple price targets at 60% and 40%, respectively, an overall price target of $35.28 was achieved, with an upside of 23.66%.

Risks

- **Costs/Ability to Integrate TAM.** LAN Airlines has incurred and will continue to incur substantial expenses in connection with the integration of LAN Airlines and TAM. LAN incurred approximately $12 million in non-recurring expenses in connection with the merger in 2011 and expects to incur $25 million in 2012. In addition to these costs, the success of the merger will depend, in large part, on LAN's ability to realize synergies, cost savings, and growth opportunities by combining the businesses of LAN and TAM. Actual synergies may be lower than expectations and may take a longer time to achieve than LAN currently expects. Although the merger will be going through May 12th, 2012, there is limited information.
- **Changes in Fuel Prices.** Higher jet fuel prices or a shortage in the supply of fuel could reduce the company's schedules service and could have a material negative effect on the operations and financial condition of the firm. Jet fuel costs have historically accounted for a significant amount operating expenses, most recently having accounted for 34% of expenses in 2011. An inability to hedge or pass along the increase in fuel prices could negatively impact the firm's performance in the long run. However, the firm's fleet is one of the youngest in the industry, which gives the company greater fuel efficiency. The company also has been successful in passing along fuel surcharges to their customers.
- **Debt Level.** LAN has high debt at $3.69B, most of which results from long-term debt. The ability of the company to repay its debt will have a material effect on the ability of the company to continue its operations. Although LAN has high long-term debt at $3.1B for 2011, this is primarily due to LAN's continued fleet renovation and expansion plan. In addition, LAN's debt level is below the industry average of $4.13B.

Management

Enrique Cueto Plaza has been CEO since 1994. He is a member of the Cueto Group, which owns 34.1% of LAN's outstanding shares. The Cueto family has two members on the board of directors and the COO is Ignacio Cueto. Given that the firm is closely held by a management group, executive compensation totals more than $60 million. Disclosure regarding the compensation policy for these executives is very slim, since the firm is subject to fewer reporting requirements given the ADR listing. While outside shareholders have little say in operations of compensation of at the company, management has performed well since taking over in 1994. Since taking over, net income has increased over 50 fold, from $6.08M to $320.6M in 2011.

Ownership

% of Shares Held by All Insider and 5% Owners:	85.0%
% of Shares Held by Institutional & Mutual Fund Owners:	4.2%

Source: Bloomberg

Top 5 Shareholders

Holder	Shares	% Out
Costa Verde Aeronautica SA	90,575,407	26.61
Axxion	27,103,273	7.96
Inv Andes SA	22,288,695	6.55
Inv Nueva Costa Verde Aero	17,745,000	5.21
Bank of New York Mellon Corp	14,393,465	4.23

Source: Bloomberg