MARQUETTE UNIVERSITY

Applied Investment Management (AIM) Program

AIM Fund Investment Advisory Board Meeting

September 3, 2008

AIM Equity Fund Presentations

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Yanzhou Coal Mining Company Limited
YZC
Price: $16.22 ($11.50-$23.35)
Fiscal Year Ends: December 31, 2008

September 2, 2008 — Alison Bettonville
S&P ADR Index: 1641.43 (1605.91-2148.48) — International Energy

Yanzhou Coal Mining Company Limited is China's sixth largest coal producer by tons, mining approximately 35 million tons per year. Headquartered in the Shandong Province, YZC directly operates six mines in China and holds majority interests in additional Chinese and Australian coal operations and a Chinese railroad. The company primarily mines high quality thermal coal, with high energy content and low sulfur and ash contents; customers include electric power plants, railway companies, metallurgical companies, and other industrial firms. Probable reserves for the year ended 2007 were nearly two billion tons. Shares of the company trade in Shanghai, Hong Kong, New York, Germany, and Argentina. Yanzhou's parent company, Yankuang Group, is owned by the Chinese government.

Recommendation:
The coal industry is currently in a period of fundamental change—from regional partnerships to global trade—as more emerging market nations such as China increase their consumption of coal-fired electricity. Yanzhou is well positioned in the fragmented but rapidly growing Chinese coal industry to capitalize on the country's rising coal use. In the near term, YZC should continue to benefit from its proximity to major industry and its high quality reserves, while continuing to add reserves via exploration and acquisition over a longer horizon. Profitability should increase from a combination of rising prices and industry expansion. I recommend buying YZC at or below $16 per share.

Key Statistics	September 2, 2008
Market Cap	RMB 62,022M*
H-Shares Outstanding	1,958,400,000***
H-Shares per ADR:	10***
Avg. Volume (3m)	751,727**
TTM EPS	RMB 1.151*
Forward EPS	RMB 1.234*
P/E (TTM)	10.0*
ROA (TTM)	13.01%*
ROE (TTM)	16.01%*
Operating Margin (4 yr avg)	33.57%
Gross Margin (4 yr avg)	48.28%
Beta (vs. Hang Seng index)	1.37
WACC	17.18%
Dividend (yield)	$1.24 (7.1%)**
Target Price	**$20.00**

*Source: *Bloomberg ** Yahoo!Finance ***Form 6-K*

Investment Thesis:

- **Strong Demand.** Worldwide demand for coal has increased exponentially; Chinese demand for coal has increased by an even greater amount. Consumption has doubled over ten years, from 1.4B tons to 2.9B tons. The US DOE projects consumption to top 4.5B tons by 2015, with an average annual percentage growth rate of 4.2% from 2003-2030. Currently, Chinese utilities have less than 11 days' supply of coal on hand, leading to frequent shortages and blackouts. This trend is expected to continue for the foreseeable future, with demand factors maintaining coal prices near their record highs.
- **Central Location.** Yanzhou's six mines are in eastern China, very near to major industry, especially Beijing. This location allows YZC to transport coal to customers at reduced costs, and permitting Yanzhou to charge higher prices. In addition, Yanzhou purchased 18.4km of local railroad that connects its mines to the national railroad, providing the firm with increased flexibility in inventory management, sales, and pricing power.

- **Low-cost producer.** Yanzhou has modified traditional underground longwall mining into a more effective method, leading to higher recovery rates.
- **High quality coal.** YZC mines coal with a high energy content and low waste (sulfur and ash) content. This type of coal sells for premium prices.

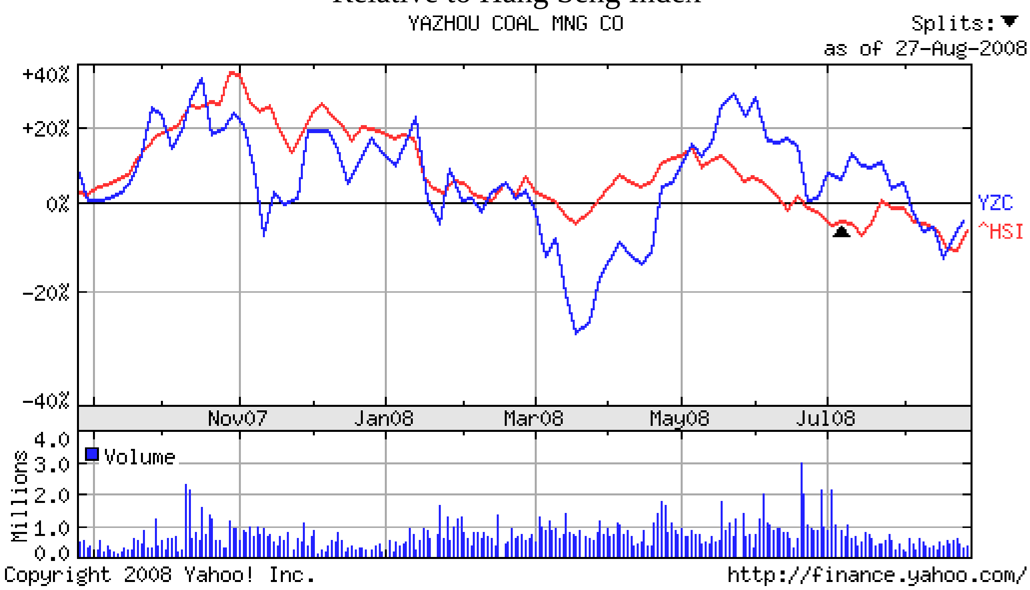
Valuation:
I used a ten-year DCF model, assuming high growth (above 10%) for the first five years while the global drivers of supply and demand in the coal industry come into balance, followed by more moderate growth rates (5-7%) to reflect Chinese price inflation and high national growth rates. With my calculated WACC of 17.13%, I found an intrinsic value of $20.16. Adjusting for changes in interest rates and variations in WACC, I found a range of values between $17.09 and $27.94. As a result, I feel $20 is a fair estimate of the security's value.

		Exchange rate (per $1)				
		CNY 7.50	**CNY 7.00**	**CNY 6.83**	**CNY 6.50**	**CNY 6.00**
WACC	**15.00%**	$22.35	$23.95	$24.54	$25.79	$27.94
	16.00%	$20.30	$21.75	$22.29	$23.42	$25.37
	17.00%	$18.57	$19.89	$20.39	$21.42	$23.21
	18.00%	$17.09	$18.31	$18.76	$19.72	$21.36

Risks:
- **Diminishing reserves.** The majority of the company's mines commenced production over twenty years ago; as a result, probable reserves are diminishing. Yanzhou recently brought a few smaller mines on line; however, their size will not allow YZC to significantly increase production. The firm will need a major discovery in the next 10 years to enable future output to grow substantially.
- **Economic Slowdown.** China, along with the rest of the world, faces decreasing growth rates. YZC's industrial customers might decrease coal consumption should growth significantly decline.
- **Government interference.** The Chinese government has been known to interfere in the industry. Export quotas restrain the firm's operating activities, the VAT tax was reduced to discourage exports, and price ceilings were imposed. However, with as rapidly as domestic demand has grown, the government's price ceilings have not been able to curtail prices due to such tight supply. Further, domestic demand is more than large enough to consume all domestic coal production, creating plenty of profitable opportunities to sell coal within China and making any decrease in exports negligible.
- **Size.** Yanzhou is one of the smaller Chinese coal producers. Currently sixth by tons produced, YZC only mines 18% as much coal as the largest producer, China Shenhua. Yanzhou is not seen as an acquisition target, but since the government has a controlling stake in ownership YZC could be combined with other government-run entities.

Management
Wang Xin is the chairman of the board. His background includes research in engineering technique applications and a doctorate in engineering technology. He has been with the firm since 1982. The CFO, Wu Yuxiang, has been with Yanzhou's finance department since 1981, and has been in his current role since 2002.

Relative to Hang Seng Index



Ownership

% of Shares Held by All Insider and 5% Owners:	52.86%
% of Shares Held by Institutional & Mutual Fund Owners:	21.53%

Source: Bloomberg

Top 5 H-Class Shareholders

Holder Name	Shares Held	Percent of H-Shares Outstanding
Penta Investment Advisors	195,516,000	9.98%
JP Morgan Chase	149,690,740	7.64%
Franklin Resources	97,590,000	4.98%
HSBC Holdings PLC	97,226,400	4.96%
UBS AG	96,970,648	4.95%

Source: Bloomberg

Kaydon Corp.
KDN
Price: $55.73 ($61.57-38.90)
Fiscal Year Ended: December 31

Date: September 1, 2008 | Andy Parker
Russell 2000 Index: 739.50 (643.28 – 852.06) | Industrial Materials Sector

Kaydon Corporation designs and manufactures custom-engineered products for a diverse customer base. KDN was incorporated in 1984 shortly after being spun off from Bairnco Corporation. They got their start producing bearings and have since moved to diversify their product base. Their products now include shock absorbers, sealing products, and filtration components. KDN's operations are split up into four segments: friction control, velocity control, sealing, and other. Friction control (bearings) make up around 60% of annual sales. The company sells to a broad customer base in a variety of end markets. No customer accounts for more than 10% of sales. KDN's four largest end markets are automated machinery(21%), military(16%), heavy equipment(11%), and power generation(9%). 70% of the company's sales are in North American, 20% Europe and ~7% Asia. KDN is headquartered in Ann Arbor, MI and employs 2125 people.

Recommendation

KDN's diverse array of products and broad customer base make it an attractive play in a down economy. 80% of their sales come from markets in which they hold a leadership position giving them staying power in the industry. Additionally, KDN's sales in the wind power market provide a compelling growth opportunity. Annual sales from bearings sold to turbine manufacturers are expected to jump from $90mn to $150mn in 2009, and $200mn by 2010. Total sales have grown at a 15% CAGR over the past five years. The company's solid business model has provided steady, positive free cash flow over that same period. Expect this to continue even with a weak short term economic outlook. As the wind market takes hold, it is reasonable to assume growth rates around 20% into the near future. With a target price of $63.00, I recommend KDN for addition to the portfolio to take advantage of the diversification it provides within the industry. A strong alternative energy outlook, specifically wind, should power earnings growth into the future.

Key Statistics	9/2/08
Market Cap	$1.55B
Shares Outstanding	27.8M
Average Volume	489,971
Beta	1.21*
EPS (TTM)	$2.40
Debt to Equity (mrq)	36.6%
P/E (TTM)	23.18
Dividend Yield	1.10%
PEG	1.6
WACC	11.69%*
ROE	15.72%
ROA	9.09%
Target Price	$63.00

Source: Yahoo! *Bloomberg

Investment Thesis

- **Wind Power Market-** Sales of bearings to turbine manufacturers currently make up 8% of KDN's total revenue. This split is expected to grow to 20% by the end of 2009 and near 30% by 2010. KDN invested $48mn to ramp up production capacity. The recent acquisition of Avon (bearings manufacturing) also increased capacity in the wind power market. Global wind power capacity increased 27% last year. Growth is expected to continue at similar rates, boosting demand for KDN's bearings.

- **Leading positions in markets-** KDN makes performance-critical products engineered specifically for the end user's needs. Long standing relationships with customers make it extremely difficult for competitors to take market share. KDN's diverse product base sold to a broad array of customers should provide the downside protection necessary to outlast a dismal economy.

Valuation

Using a terminal growth rate of 3.5% and a WACC of 11.7%, my DCF model valued KDN's shares at $64.09 in the mid case. With a current stock price of $55.73, my DCF shows the stock is 15% undervalued. An Enterprise Value to EBITDA valuation returned an intrinsic value of $60.61, using an 11x multiple. I have set a target price at $63.

		Growth Rate			
		2.5%	3.0%	3.5%	4.0%
WACC	11.0%	$ 65.58	$ 67.88	$ 70.50	$ 73.48
	11.5%	$ 61.56	$ 63.53	$ 65.74	$ 68.25
	12.0%	$ 57.98	$ 59.67	$ 61.56	$ 63.69
	12.5%	$ 54.77	$ 56.23	$ 57.85	$ 59.67
	13.0%	$ 51.88	$ 53.15	$ 54.55	$ 56.11

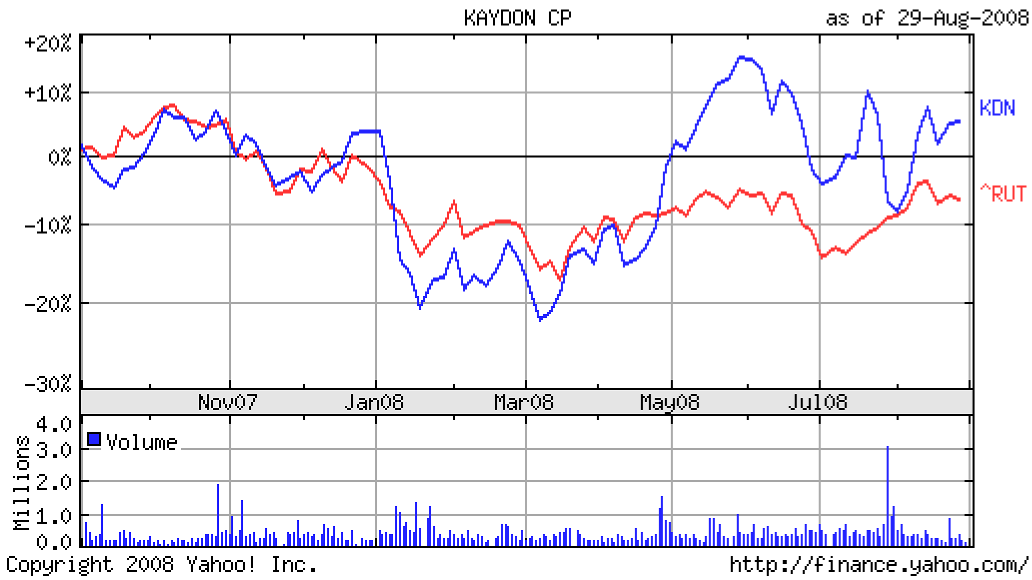
Risks

- **Cyclicality of Industry.** Like most industries, the industrial sector has been faced with lower demand and KDN's sales have been affected. Earnings estimates have been cut for 2008 and 2009 on expected softness in military and heavy machinery end markets, which provide ~27% of annual revenue. Sales growth slowed from 14% in 2006 to 12% in 2007.

- **Margin Squeeze.** Steel is one of KDN's primary inputs, especially in the production of bearings (~30% of cost). So far, the company has been able to issue 3-5% price increases which have offset increases in the price of raw materials. Management is concerned about the continued success of these increases. Sales mix has also hurt. Military and heavy machinery have operating margins around 30%. Operating margins are down 190bps to 22.7% yoy for KDN.

Management

James O'Leary is the current Chairman of the Board, President, and Chief Executive Officer. Before joining Kaydon, Mr. O'Leary served as a Vice President and Chief Executive Officer at Beazer Homes. CFO Kenneth Crawford and COO John Emiling have served longer tenures with Kaydon, joining the company in 1999 and 1998, respectively. These three officers provide KDN with a good mix of experience and fresh thinking to lead the company into the future.



Ownership

% of Shares Held by All Insider and 5% Owners:	7.0%
% of Shares Held by Institutional & Mutual Fund Owners:	100.0%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Columbia Wanger Asset Management	2,091,500	7.51%
JP Morgan & Chase	1,666,390	5.98%
Barclays Global Investors	1,399,954	5.03%
Keeley Asset Management	1,331,400	4.78%
Cramer, Rosenthal, McGlynn LLC	1,103,728	3.96%

Atlantic Tele-Network Inc.
ATNI
Price: $33.47 ($26.00 – 39.21)
Fiscal Year Ended: December 31

Date: September 1st, 2008 Jason Rector
Russell 2000 Index: 739.50 (643.28 – 852.06) Telecommunications Sector

Atlantic Tele-Network Inc. is a telecommunication services company that was founded in 1987 and is headquartered in Salem, Massachusetts. The company operates under five subsidiaries including Guyana Telephone and Telegraph Company (GT&T), Commnet Wireless, Sovernet Communications, Choice Communications, and Bermuda Digital Communications. The services provided by ATNI include wireless, wire line, and international telephone service as well as high speed data network service. ATNI currently operates out of Guyana, the U.S. Virgin Islands, Bermuda, rural U.S., and the New England region.

Recommendation

Atlantic Tele-Network offers a wide variety of services in many different regions. Currently, the majority of their revenue comes from their GT&T subsidiary in Guyana (57%). They also have established themselves in the roaming wireless provider market in the rural U.S. They also provide data service in places such as New England and the U.S. Virgin Islands. Their growth has been derived organically and strategically, especially from the wireless division. Organic growth (25% Q208 vs. Q207) has been achieved by expanding their GSM and CDMA network by 40% in the past year. Strategic growth resulted from the addition of Bermuda Digital Communications to the list of ATNI subsidiaries as of May 2008. The balance sheet is strong as it only has $50 million in debt, thus, ATNI could easily take on debt if needed for future expenditures or acquisitions. In recent years, ATNI's strategic philosophy has been to acquire small companies that are already established and successful in their respective market. These companies must also exhibit the potential for organic growth through the financial support of ATNI.

Key Statistics	9/1/2008
Market Cap	$508.78M
Shares Outstanding	15.2M
Average Volume	62,454.5
Beta	1.01
EPS (2007)	$2.48
2008 Consensus EPS	$2.54
P/E (TTM)	13.55
Profit Margin	20.32%
Price/Book	2.3
WACC	10.06%
ROE	19.57%
Operating Margin	35.13%
Payout Ratio	24%
Dividend Yield(2007)	1.9%
Target Price	$37.55

Source: Bloomberg

Investment Thesis

- **Growing Numbers in a Tough Economy.** Top line revenue was up 12% in Q2 versus a year earlier. Growth is currently driven by the wireless division which saw a 25% increase in Q2 compared to Q2 of 2007. Local telephone and data revenue grew by 8% including an increase of 11% in Guyana as GT&T increased the number of fixed lines by 9%. In the Virgin Islands the company saw an increase in data subscribers of 30% compared to a year ago.
- **Cash Flows and Liquidity.** ATNI currently has more cash than they have long term debt. Their free cash flow numbers are healthy considering they have spent approximately 25% of sales the past four years making various acquisitions and

expanding their wireless GSM and CDMA networks. These expenditures have already reflected a positive influence according to the Q2 numbers.

- **Addition of Bermuda and ION.** As of May 2008, ATNI officially increased their stake of Bermuda Digital Communications from 43% to 58%. The Q2 results were positively affected by this and the company believes that Q3 will also be positively impacted. In August 2008, ATNI announced the acquisition of ION, a company with 2,200 miles of fiber optic cable in upstate New York. This should help the New England subsidiary Sovernet attract more business customers.

Valuation

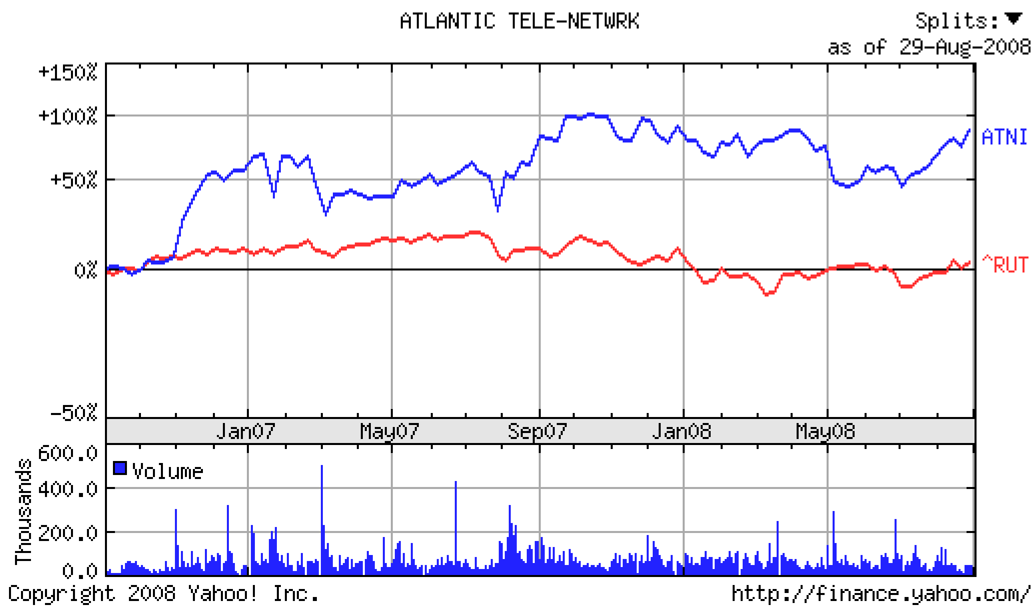
A DCF analysis with a computed WACC of 10.06% and a long term growth rate of 3% yielded an intrinsic value of $39.97. An enterprise value to EBITDA multiple approach found a multiple of 5.044 and a median intrinsic value of $37.55; worst and best case scenarios yield values of $35.56 and $39.87 respectively. The $37.55 intrinsic value derived by the multiple approach yielded a return of 12%

Risks

- **Foreign Regulatory Action.** Since 2001, the Government in Guyana has been talking with ATNI about making the country's telecommunications sector more competitive. Currently, ATNI has a license with the government that expires in 2010, but the company has an option to extend it for another 20 years.
- **Volatile Weather.** With operations in places such as the U.S. Virgin Islands, Bermuda, and Guyana the threat of severe weather is always a risk. The most recent issue came in 2005 when a hurricane passed over Bermuda causing damage to that network. ATNI has not had many issues since then even though there have been some major floods in the Caribbean in the past two years.
- **Increased competition.** In Guyana, a nationwide service provider was acquired by a larger regional operator with operations in other places in the Caribbean. This company has been spending heavily in an attempt to obtain more market share. Verizon has recently entered the New England region, including Vermont where Sovernet has its operations. They are obviously a much bigger firm with more resources.

Management

Michael T. Prior joined the firm in 2003 and has been President and CEO since 2005. In July Prior earned Ernst and Young's Entrepreneur of the Year Award in New England. The CFO is Justin Benincasa; he has served this role since 2006. The board of directors contains some of the founders of companies that ATNI acquired such as Brian Schuchman who founded Commnet Wireless.



Ownership

% of Shares Held by All Insider and 5% Owners:	37%
% of Shares Held by Institutional & Mutual Fund Owners:	67%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Cornelius Prior Jr.	4,447,576	29.2%
Goldman Sachs Group	1,463,629	9.6%
FMR LLC	1,223,800	8.0%
Fidelity Low-Priced Stock Fund	1,200,000	7.9%
Royce & Associates	988,640	6.5%

Veolia Environnement
VE
Price: $53.85($49.00-$96.61)
Fiscal Year Ends: December 31

August 31, 2008 Tim Kellen
S&P ADR Index: $1,671.01 (1605.91-2148.84) International Business Services

Veolia Environnement was initially founded 1853 as Compagnie Générale des Eaux focusing on water distribution in France and took its current form in 2003 after it was divested from Vivendi Universal. Since it's founding, Veolia has grown into one of the largest environmental management services providers in the world. The company operates in four major segments including water (33.49% of 2007 revenues), environmental services (28.24%), energy services (21.14%), and transportation (17.13%). The company provides its services to both public and private customers in France (43.7% of revenues) and throughout the world (56.7%). Veolia conducts its business through contracts with generally ranging between 10 and 30 years.

Recommendation

As a world leader in environmental services, Veolia is a defensive stock that should provide strong returns through share appreciation and dividend income in a period of economic uncertainty in both Europe and the United States. During each of the last three years, the company has shown the ability to generate strong revenue growth (>10%) and has sustained an operating margin greater that seven percent. Recently the stock has slumped due to concerns over acquisitions and the effects of a weak dollar and high oil prices; however, these seem overplayed given the company's financial performance. The company has had success gaining new contracts in China and the Middle East, while continuing to grow in its more mature markets. Also, Veolia has committed itself to cutting costs and strategically divesting assets to increase profits and provide shareholder value. Finally, given the increasing costs of environmental services, it is likely that more municipalities turn to the private sector for these services. Currently, Veolia's stock price of $53.85 compared to its intrinsic value of $61.00. Given an upside of $7.15 (13.2%), I recommend adding Veolia Environnement to the Business Services sector of the AIM International Portfolio.

Key Statistics	8/31/08
Market Cap	$25.4 BN
Shares Outstanding	472.5 MN
Average Volume	128,386
Beta	.763
WACC	6.69%
EPS (TTM)	€2.01*
P/E (TTM)	26.8x
Tot. Debt/ Tot. Assets	.40
Dividend Yield	3.5%
ROE	15.5%
Gross Margin	17.2%*
Operating Margin	7.2%*
Target Price	$61.00

Source: Bloomberg, *Company Filings

Investment Thesis

- **Global Expansion Opportunities.** In the first half of 2008, Veolia experienced significant revenue growth in Asia and the Middle East. Given the significant growth in these emerging markets and the need for both water and waste management services regions, Veolia should continue to experience significant revenue gains in those regions.
- **Cost Cutting Initiatives.** Veolia recently announced plans to cut costs by €400 million by 2011 and announced that it will strategically dispose of €1.5 billion in assets in the next 18 months. These actions combined with increasingly selective capital spending decisions should provide improved operating margin and additional shareholder value.

- **Public Outsourcing Trends.** Due to the increasing costs of providing environmental services, municipalities are looking to outsource these tasks to private companies, providing Veolia with opportunities to secure new contracts.
- **Economic Advantages.** Given the size and breadth of Veolia's services, the company has significant economies of scale, which allow it to meet the needs of its customers. In addition, the long-term nature of the company's contracts creates high switching costs related to the company's services.
- **Defensive in Nature.** Veolia's operates in traditionally cyclical industries like water and waste management. Given the consistent demand for these services, the company should be more resilient than most business services providers in difficult economic times.

Valuation

Based on a 10 year discounted cash flow model with conservative revenue assumptions and a Weighted Average Cost of Capital of 6.69%, and a 3.00% terminal growth rate, an intrinsic value of $60.63 is obtained. Based upon a sensitivity analysis taking to account different terminal growth and WACC assumptions, a target range of $48.05-$72.77 is obtained. Taking both results into consideration, a target price of $61.00 is obtained.

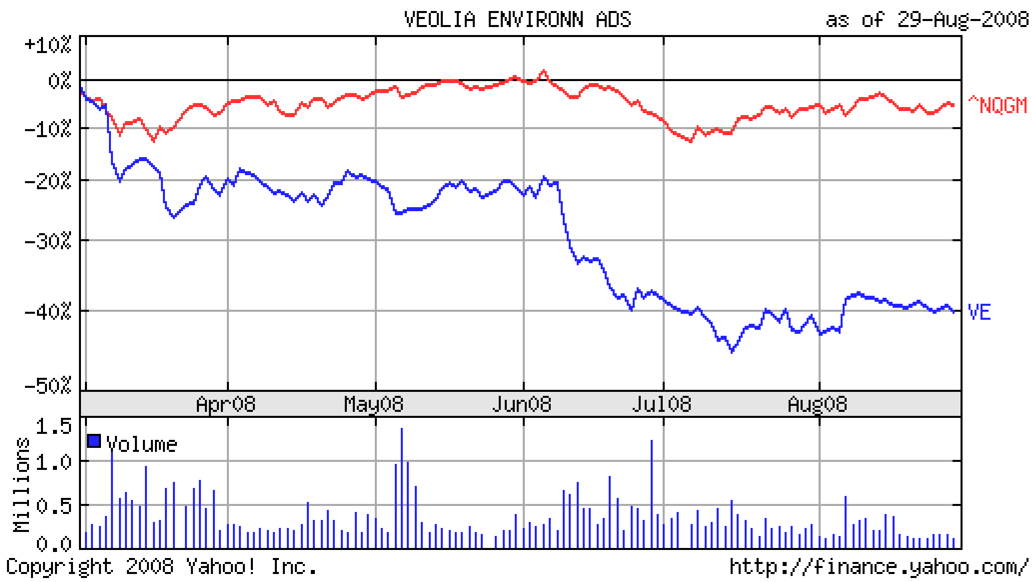
		Equity Value Per Share				
		Terminal Growth Rate				
	60.63	2.50%	2.75%	3.00%	3.25%	3.50%
WACC	7.25%	39.60	42.22	45.16	48.46	52.20
	7.00%	44.98	48.05	51.50	55.41	59.88
	6.75%	51.07	54.67	58.76	63.43	68.82
	6.50%	57.98	62.25	67.13	72.77	79.34
	6.25%	65.89	71.00	76.89	83.76	91.89

Risks

- **Industry-Related Competition.** While Veolia's only competitor on the global level is Suez Environment, the company is exposed to competition from firms in individual industries and niche markets. An organized attempt by a significant industry player could stunt Veolia's revenue growth.
- **Acquisition and Disposition Risk.** Recently, there has been concern surrounding the company's acquisition strategy. If the company makes poor acquisition decisions or overpays for acquisitions in the future, the company's financial results could suffer.
- **Reliance on Long-Term Contracts.** The company is reliant on long-term contracts and the ability to index cost increases through those contracts. If Veolia is unable to renew its contracts or continue to pass on costs to its customers, its profitability could face downward pressure.

Management

Veolia Environnement is run by Chairman and CEO Henri Proglio who served the firm in a variety of roles since 1972. Proglio served as President and CEO of CGEA in 1990 and Chairman and CEO of Veolia water in 1999. He assumed his current role in April of 2003 and successfully led the company through a cost cutting campaign between 2004 and 2006.



Ownership

% of Shares Held by All Insider and 5% Owners:	11.00%
% of Shares Held by Institutional & Mutual Fund Owners:	3.00 %

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Wellington Management	3,647,366	.77%
Vanguard Group	2,708,800	.57%
Invesco Ltd	1,899,860	.40%
William Blair & Co.	781,023	.17%
Renaissance Technologies	534,700	.11%

Source: Bloomberg

Immucor, Inc.
BLUD
Price: $32.21 ($17.30-39.96)
Fiscal Year Ends: May 31

September 3, 2008 | Maggie Hughes and William Lunkes
Russell 2000 Index: 739.50 (643.28-852.06) | Healthcare Sector

Immucor, Inc. is a global diagnostics company specializing in the area of pre-transfusion diagnostics. They develop, manufacture, and sell a line of reagents and automated systems used in tests to detect certain properties and typing of blood prior to blood transfusions. BLUD's main customers are hospitals, clinical laboratories, and blood banks that are dependent on accurate and timely identification of antibodies and antigens present in patient and donor blood. They are a leader in the blood screening market focused on automating the traditional blood testing processes. BLUD was founded in 1982 and is headquartered in Norcross, GA; they operate in North America, Japan, and Western Europe.

Recommendation

BLUD is a US market leader and the third-largest worldwide provider of blood typing and testing, controlling 56% and 33% of the market respectively. They consistently record double-digit organic revenue and EPS growth (17% and 18%), while maintaining a debt-free balance sheet and strong free cash flow. BLUD offers a variety of reagents and instruments that accommodate the shift to automated blood testing, while continually working to enhance and create products to increase market share. BLUD's main instruments, Capture Workstation, Galileo, and Galileo Echo, operate exclusively with their reagents to reduce time and automate the traditional, manual blood testing market. Capture is a solid phase technology that performs standardized antibody testing methods. Galileo and Galileo Echo instruments fully automated the blood typing industry. Because BLUD is a market leader and has a clear strategy to increase worldwide market share, we are recommending the addition of BLUD to the AIM Equity Portfolio.

Key Statistics	September 2, 2008
Market Cap	$2,265M
Shares Outstanding	70.1M
Ave. Volume (3 mon)	625,164
Beta	.87
EPS (TTM)	$1.02
2009 Estimated EPS	$0.96
P/E (TTM)	26.30
PEG Ratio	1.36
WACC	10.1%
Debt/Assets	0
ROE	27%
ROA	22%
Gross Margin	71%
Operating Margin	42%
Target Price	$36

Source: Bloomberg

Investment Thesis

- **Market Change.** BLUD competes in the $31 billion in-vitro diagnostics market that grew at a CAGR of 5.4% from 2000-2006. This mature market will see growth due to the aging population and an increased effort towards disease prevention, boosting demand for effective and accurate screening techniques. The blood testing market is experiencing a shift from traditional manual testing to automated instruments, 75% of BLUD's clients have yet to shift to automation. BLUD is well-positioned to capitalize on this shift due to their automated reagents that are part of a proprietary solid phase blood test.

- **Galileo Echo Adoption.** Unlike the second-generation Galileo, which is targeted at larger customers, the Galileo Echo is a smaller and faster system, appealing to the small to medium-sized hospital market. This market is BLUD's largest customer segment and will allow for further market penetration. BLUD hopes to introduce 350 Echos into the market in 2009, 65% to North American customers.

- **Pricing Power.** BLUD is able to gain pricing power and increase renewal prices because of the fragmented end-market. In recent years, this pricing power has been encouraging, as they have negotiated price increases on both new and renewed contracts. These price increases accounted for 9% of 2008 total revenue ($24 million of $261 million).
- **Acquisition of BioArray.** BLUD acquired BioArray, a private genotyping company that pioneered a diagnostic system that enabled DNA typing of blood, for $117 million cash in August 2008. BLUD is the first blood bank to move into molecular diagnostics, making it a leader in transfusion medicine. Although dilutive in FY2009, this will compliment BLUD's long-term business model in the by introducing molecular diagnostic opportunities.

Valuation

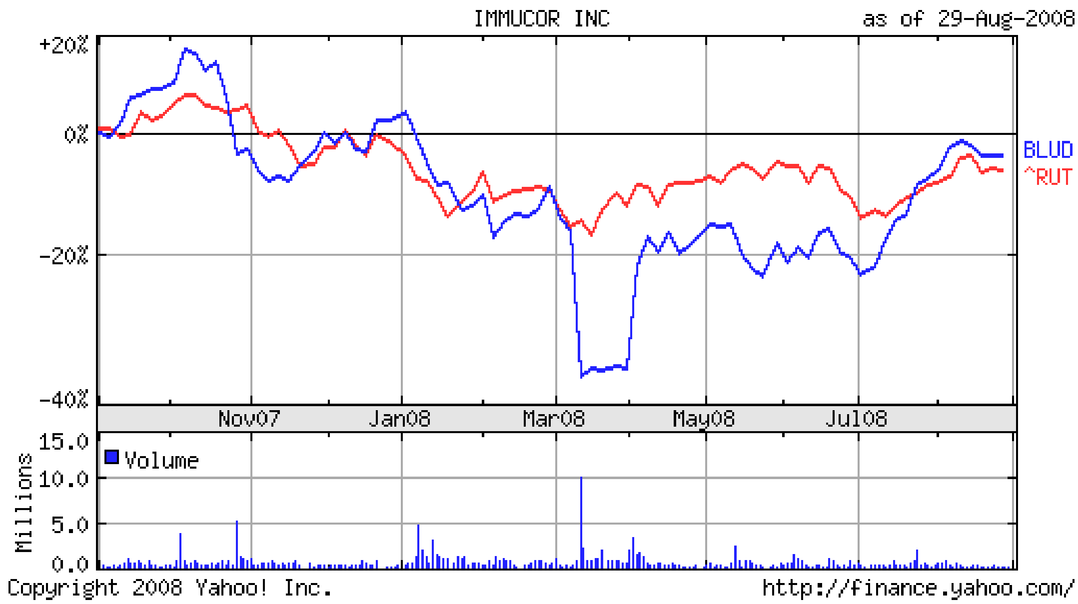
Using a discounted cash flow evaluation of BLUD and assuming a perpetuity growth between 2.5% and 4.5% results in an intrinsic value between $22.95 - $56.52, with our target price set at $36. With current pricing at around $32, our $36 price target would yield a 12.5% return. We do see potential upside to our estimates given the success of the BioArray integration and expansion of the genotyping market in Western Europe.

Risks

- **Government Regulation.** Blood banking is a highly regulated industry; instruments, reagents, and procedures are subject to FDA regulations and standards. Any delay in agency reviews and licensing may result in lost marketing opportunities.
- **Legal Proceedings.** In October 2007, the FTC initiated an antitrust investigation surrounding three acquisitions made in 1996-1999 and subsequent pricing practices. In July 2008, the FTC formalized its inquiry, but further duration of the investigation is uncertain; BLUD will comply with FTC requests.
- **Maturation of Market.** The $900 million market (North America, Europe, and Japan) for traditional reagents used in manual testing is relatively mature due to recent automation in blood testing. To gain market share, BLUD must enhance current offerings, while maximizing revenue per instrument.
- **Proprietary Technology.** BLUD's ability to compete is partly dependent on the proprietary nature of their intellectual property rights. Four of six original patents are now expired, but maintaining company trade secrets and the remaining patents will be important for preserving current market position.

Management

Gioacchino De Chirico, President and CEO since 2006, served as director of European Operations prior to his promotion and has worked in the immunohematology market since 1979. Chairman, Joseph Rosen, has been a director of BLUD since 1982 and boasts over 39 years of experience in the plasma and blood banking industry. Similarly, Ralph Eatz, Chief Scientific Officer, has been with the company since inception and is a 28 year veteran of the industry.



Ownership

% of Shares Held by Insiders:	1%
% of Shares Held by Institutional & Mutual Fund Owners:	95%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Neuberger Berman, LLC	4,197,767	5.98%
Barclays Global Investors UK Holdings Ltd.	4,048,060	5.77%
Price (T. Rowe) Associates, Inc.	3,772,009	5.37%
Rainier Investment Management	2,529,002	3.60%
Earnest Partners, LLC	2,437,594	3.47%

Source: Yahoo! Finance

China Medical Technologies Inc.
CMED
Price: $45.94 ($32.52 – $57.50)
Fiscal Year Ends: March 31

Date: 1 September 2008 — Katie Wycklendt
S&P ADR Index: 1,656.41 — International Healthcare Sector

China Medical Technologies is a leading provider of healthcare diagnostic systems and cancer treatment devices in China. Through its wholly owned subsidiaries Beijing Yuande Bio-Medical and Beijing GP Medical Technologies, CMED develops, manufactures, and markets two different product groups. The in-vitro diagnostic (IVD) line includes Enhanced Chemiluminescence Immunoassay (ECLIA) and Florescent in situ *Hybridization (FISH) technologies that detect a wide range of disease and disorders. These products include both testing equipment and single-use reagent solutions. The second line involves High Intensity Focused Ultrasound (HIFU) commonly used as therapy for solid cancers and benign tumors. Among its customers are large and medium-sized hospitals in China. Incorporated in 1999 in China as Beijing Yuande Bio-Medical Engineering Co. Ltd., CMED was renamed at its 2004 IPO and is headquartered in Beijing, China.*

Recommendation

China Medical Technologies, with its location in the budding Chinese healthcare market, is positioned for major growth. As the standard of living improves throughout the heavily populated nation, there will be increased demand for healthcare diagnostics and cancer treatments. With experience in operating in the Chinese environment, CMED is prepared to serve the growing market and may become an attractive takeover target in the future. Based on analysis performed before the reporting of 2007 financials, a target price of $61.33 was reached. A new analysis was subsequently performed to include management's revised outlook and the company's 2007 results. This second analysis, which incorporated the performance of the newly acquired FISH product line, reaffirmed the target price. Given the current market price of $45.94, the company's favorable position in China, and the target price of $61.33, it is recommended that CMED be added to the AIM International Portfolio at initial population of the fund.

Key Statistics	Feb. 4, 2008
Market Cap	$1,260.00M
Shares Outstanding	27.41M
Average Volume	0.75M
Beta	1.12+
EPS (TTM)	$1.89
2008 Estimated EPS	$2.70
P/E (TTM)	24.27
P/S (TTM)	8.69
PEG Ratio (5 yr exp.)	0.51
WACC	11.73%
Debt/Assets	0.40
ROE	23.2%
Gross Margin	62.17%
Operating Margin	47.85%
Target Price	$61.33

Source: Yahoo! Finance, Thomson*, Bloomberg+

Investment Thesis

- **Major Growth Opportunities.** The Chinese healthcare sector is one of the fastest growing markets in the world (>20%). Easing economic controls are increasing discretionary income available for spending on health assessment services and therapies.
- **Chinese Business Expertise.** CMED is the market leader in China and well familiar with the cultural, political, and business environment. Established infrastructure gives CMED cost and distribution advantages within China that larger competitors do not have.

- **Consumable Reagents**. The FISH and ECLIA diagnostic systems require the use of a disposable reagent for each diagnosis. This portion of the business can drive growth even when system sales are weak. The company has seen a major increase in reagent sales and expects that growth to continue through new sales incentives and an active reagent pipeline.
- **Patents and Pipeline.** Current products have overseas patent protection through 2022. At the same time, CMED continues developing reagents to assess infectious disease, infertility disorders, and cardio-vascular diseases.

Valuation

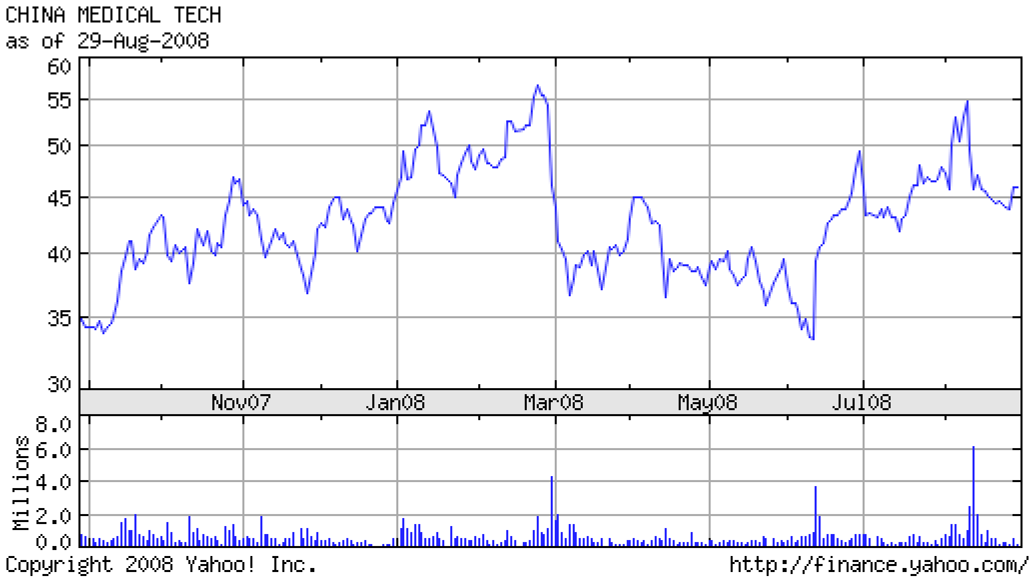
Based upon projected 2008 EPS of 1.91 RMB, the current exchange rate of 0.15 USD/RMB, and an industry multiple of 23.06, a value of $64.40 per ADR (at 10 shares per ADR) is reached. Additionally, using on a discounted cash flow model with a calculated WAAC of 11.73%, a value of $58.05 is reached using a 3.00% terminal growth rate. Adjusting assumptions leads to a price range of $50.35 – 67.75. Accounting for both valuation techniques results in a target price of $61.33.

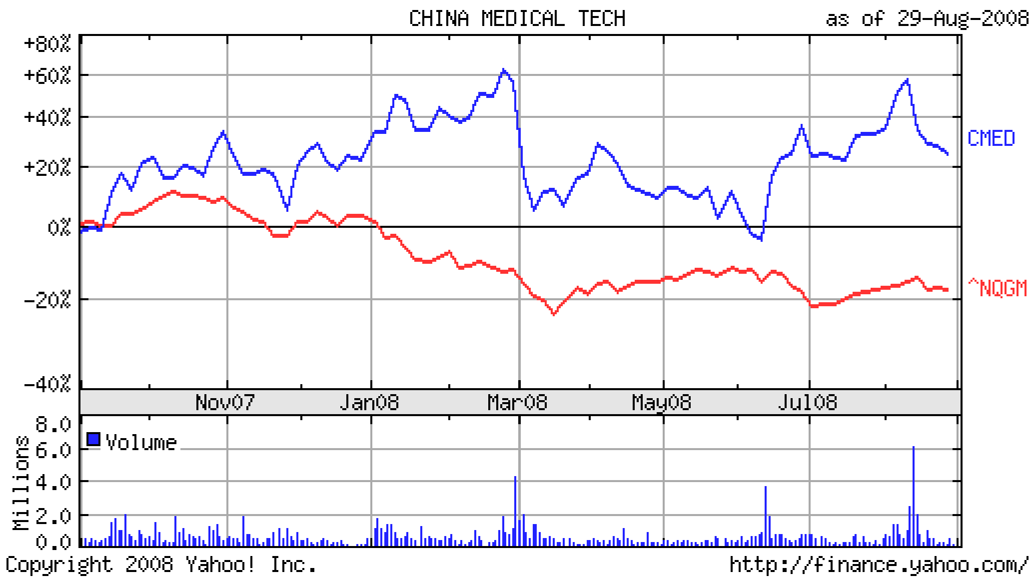
Risks

- **Promotion Efforts.** The growth opportunities available in China also mean the market is highly underdeveloped. Extensive promotion is needed to inform the Chinese public about the benefits of CMED's product lines.
- **Chinese Concentration.** A host of risks are associated with operating almost exclusively in China. These include lack of intellectual property protection, prevalence of kickbacks, government price controls on HIFU treatment fees, and operating in a restricted currency. CMED relies on limited dividends from subsidiaries for cash in foreign currencies.
- **Integration of Acquisitions.** The company is relatively young and made acquisition of their HIFU and FISH lines as recently as 2004 and 2007, respectively. The success of these additions remains to be proven.
- **Lack of Distributor Contracts.** Products are sold on a unit-by-unit basis through a select few distributors. CMED thus assumes all risk in the event that sales slow.
- **High Unit Prices.** The HIFU line is the largest portion of sales and has a high unit price. Thus, a small number of unit sales can have a heavy impact on the top line. This can cause fluctuating and unpredictable results.
- **International Competitors.** CMED has extensive worldwide competition from well-established firms, including Abbot Laboratories, GE, and EDAP. Two of these (ABT and GE) are significantly larger with much greater capital resources than CMED.

Management

Xiaodong Wu founded the company in 1999 and continues to serve as CEO and chairman of the board. He also serves on the board of Beijing Chengxuan, an investment holding company with a major interest in CMED, and two other medical technology companies. CFO and director Takyung (Sam) Tsang, CPA, was an accounting and finance advisor to CMED before joining the company in 2005.





Ownership

% of Shares Held by Insiders:	53.10%
% of Shares Held by Institutional & Mutual Fund Owners:	5.30%

Source: Bloomberg

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
FMR LLC	3,561,985	13.00%
AXA	1,472,411	5.37%
Fidelity Contrafund, Inc	1,035,325	3.78%
Capital Research Global Investors	600,000	2.19%
SmallCap World Fund	600,000	2.19%

Source:Yahoo! Finance

AU Optronics Corp.
AUO
Price: $11.94 ($11.25-$22.48)
Fiscal Year Ends: December 31

Date: September 1, 2008 — Steven Briggs
S&P ADR Index: 1,655.41 (1605-2149) — International Technology/Hardware

AU Optronics Corp. engages in the design, development, manufacture, assembly, and marketing of thin film transistor liquid crystal display (TFT-LCD) panels and other flat panel displays. The company's TFT-LCD panels are used in computer products, such as notebook computers and desktop monitors; consumer electronics products comprising mobile devices, digital cameras, digital camcorder, car television, car navigation systems, portable televisions, multiple function machines, printer displays, portable game consoles, and portable digital versatile disk players; and LCD televisions and industrial displays. It sells its panels principally to original equipment manufacturing service providers primarily in Taiwan, China, and other Asian countries. The company, formerly known as Acer Display Technology, Inc., was founded in 1996 and is based in Hsinchu, Taiwan.

Key Statistics	April 2008
Market Cap	$9,866M
Shares Outstanding*	826.4M
Average Volume*	3,039,150
Beta*	1.25
EPS (TTM)	$3.95
2008 Estimated EPS*	$2.88
P/E (TTM)	3.2x
Forward P/E	6.4x
PEG	0.6
P/B	1.0x
Debt/Equity	28.9%
ROE	19.1%
EBITDA Margin	36.7%
Operating Margin	22.2%

*Thomson
**Thomson*

Recommendation

The LCD market has seen its fundamentals trend move downward recently, leading to analysts' earnings revisions and lowered expectations. Taiwan has become the top global flat-panel market and AUO is well positioned as one of the world's largest LCD providers (19.4% global share). The company is developing a strong TV customer base, diversified product mix, and excellent cost-down. The cyclical nature of the business and the increasing competition has pulled the firm's stock down recently – along with its undisciplined peers. AUO is the best in class in the LCD sector and should outperform other LCD names in the long-term.

Currently, the stock is undervalued at almost every metric relative to the industry and its historical averages. Price to book is 1.0x versus 1.6x 5-year average, and the price to earnings is only 3.4x compared to a 5-year average of 16x.

The LCD Televisions segment specifically will be the main driver in the near term - with the company posting a 4-year CAGR of over 100%. Further room for growth is expected with LCDs being only 10% of the currently installed televisions. Companywide, AUO has customers such as Dell, Philips, Sony, Acer, Apple, Hewlett-Packard, Nokia, and Motorola ranging in all segments such as PC monitors, notebooks, and handsets.

Investment Thesis

- **Driving LCD Force.** AU Optronics has consistently been one of the three producers in the world, alongside Samsung and LG Display. The secular trend toward LCD panels used in televisions and other electronic devices remains firmly in place with LCD televisions making up less than 10% of the installed base of worldwide televisions. Combined with the increasing LCD television screen sizes and the potential for more frequent upgrade cycles, it is expected that this sector of the market will continue to deliver attractive top line annual growth (nearly 20%).

- **Tight Inventory Control by Management.** Management is looking past the current slowdown and remains very confident on long-term LCD demand elasticity and end-application outlook. AUO is not ruling out a strong season once inventories work down by the end of Q4'08. Just as quickly as sales went sour, management believes it could turn back up again.

- **Strong Balance Sheet.** AUO paid back $39bn in debt and dropped the net debt/equity ratio to 14% versus 20% in 1Q'08. AUO has a healthy balance sheet and access to financing, which makes it more than prepared to tolerate a longer-term down cycle, if needed. Not all of its competitors are as well equipped to face weaker sales.

Valuation

A DCF was applied to AUO with a weighting on base, best, and worst case scenarios. Discounting the company back at 15% and weighting more on the base case, a valuation of $20.00 was calculated. Also, the current P/E multiple of 3.4x is very low compared to the stock's 5-year average P/E of 16x and the industry average P/E of 37.7x. The current price to book value is 1.0x, while the stock's 5-year average is 1.6x and the stock has traded as high as 2.4x. All these factors indicate that AUO is potentially undervalued and that now is an attractive time to initiate a long position.

Risks

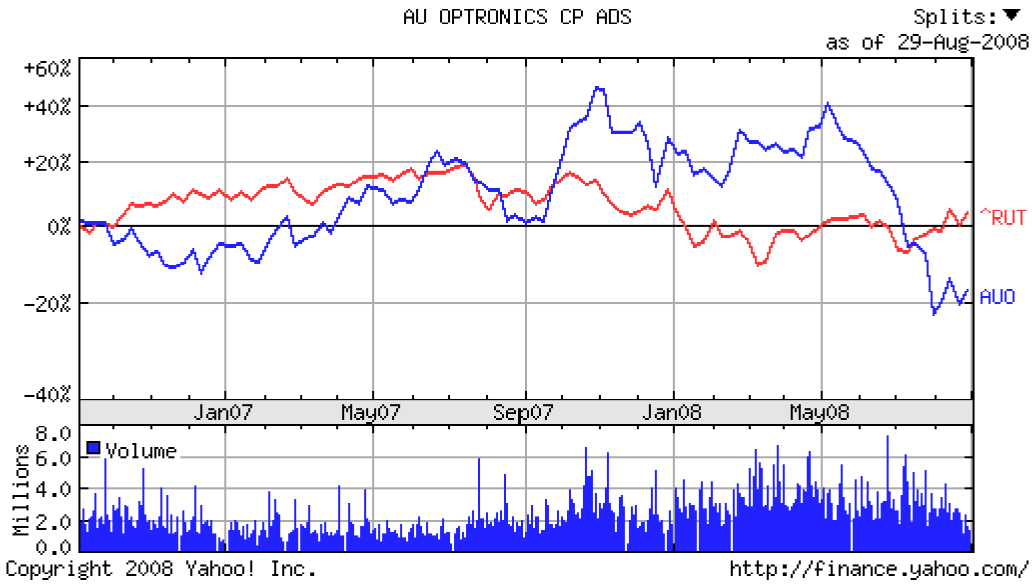
- **Macro Trends.** There continues to be risks related to weaker demand trends by consumers and IT departments. Additionally, the impact of higher material costs and weaker pricing could severely impact margins. With this macro a risk in mind, the company is further differentiating itself by investing in new plants, allowing it to produce screens over 50". These new offerings could help offset any near term slowdown in the rest of the LCD market.

- **Taiwan-related Risks.** For AUO, risks as a Taiwanese company comes in the form of political, manufacturing concentration, currency, and the company's ability to ramp new panel production plants in Asia. The risks cannot be fully avoided; however, the company has in place numerous procedures to mitigate the possibilities.

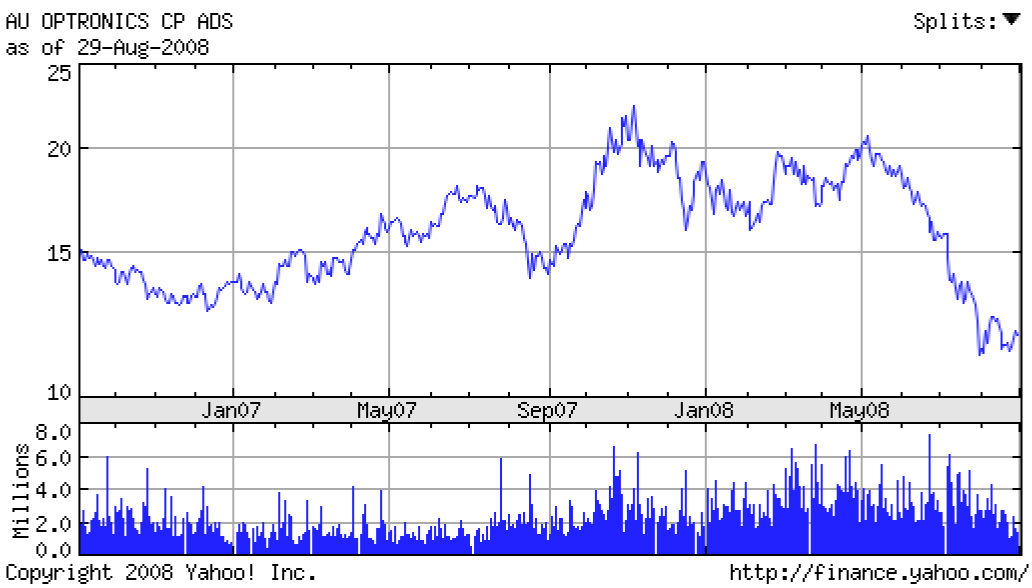
Management

Kuen-Yao Lee has been the Chairman and director of the company since 1996. Hsuan Bin Chen has been the Vice-Chairman and CEO since 2007 and director since 1998. Hui Hsiung has been a director since 2002. Hsiung and Chen both came to AUO from Acer Technologies and the three have a total of 35 years with AUO.

Performance Chart Relative to Russell 2000



2 Year Price Chart



Ownership

% of Shares Held by All Insider and 5% Owners:	123.16%
% of Shares Held by Institutional & Mutual Fund Owners:	9.60%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Acadian Asset Management	19,138,042	2.32%
I-Shares MSCI Emerging Mkts Index Fund	14,538,607	1.76%
Renaissance Technologies, LLC	6,862,398	.83%
Allianz Global Investors of America L.P	3,223,331	.39%
Barclays PLC	2,409,707	.29%

Hill International Inc.
HIL
Price: $19.25($7.11-$19.71)
Fiscal Year Ends: December

Date: September 2, 2008 — Anna Toshach
Russell 2000 Index: 739.50 (643.28-852.06) — Financial Services

Hill International, Inc. (Hill) provides fee-based project management and construction claims services to clients worldwide, but primarily in the United States, Europe, the Middle East/North Africa and Asia/Pacific. Hill's clients include the United States and other national governments and their agencies, state and local governments and their agencies, and the private sector. The Company operates through two segments: the Project Management Group and the Construction Claims Group, and offers an array of services, including claims analysis, litigation support, cost and damages assessment, delay and disruption analysis, expert witness testimony, lender advisory services, risk assessments, and adjudication. Hill was originally founded in 1976 by Irvin Richter, the current Chairman and CEO, and became a publicly held company in 2006 through a reverse merger with Arpeggio Acquisition Corporation (a blank check company).

Recommendation

Hill International, Inc. is one of the top ten construction management firms in the United States, and continues to gain market share both domestically and worldwide. Since the company was founded in 1976, it has developed a sound enterprise structure as well as a solid reputation worldwide for quality services in both of its business segments. Merging with Arpeggio in 2006 provided management with $34M in capital to further increase growth through acquisitions, and the subsequent exercise in 2007 of all remaining stock warrants resulting from the merger has left Hill with a an additional $68M, securing for the company a well-capitalized structure for continued growth in the future. In FY 2007, Hill's business grew 30% organically and 20% from acquisitions. From a global economical standpoint, Hill seems strategically positioned to benefit from both an expected increase in infrastructure renovation in the United States and Europe, as well as continued business, industrial, and infrastructure growth in developing countries worldwide. I recommend adding Hill to the AIM portfolio, with a target price of $32.

Key Statistics	September 2008
Market Cap	$732 M
Shares Outstanding	41 M
Average Volume	274,791
Beta	0.94
EPS (TTM)	$.52
2009 Estimated EPS	$.85
Div Yield	0%
P/E (TTM)	37x
Enterprise Value/EBITDA	33.6x
PEG	1.5
WACC	16%
ROE	19.6%
Gross Margin	67%
Operating Margin	6.7%
Target Price	$32

Investment Thesis

- **Consistent strong demand for infrastructure growth worldwide.** In the U.S., government spending on transportation, environmental infrastructure, and power is projected to increase for the next several years. Also, developing countries with strong economic growth, particularly in Asia and the Middle East, will continue to expand their infrastructures to support growth and modernization.
- **Continued demand for construction management and consulting services.** Current trends in the construction industry show that customers in both governments and the private sector are increasingly recognizing the multiple benefits of construction management firms as they reduce costs, minimize delays, and manage the risks of sizeable construction projects.

- **Considerable international exposure.** As of Dec. 2007, Hill ran its operations throughout more than 25 countries from upwards of 70 offices. Such a geographically diverse, decentralized operating structure offers Hill a unique opportunity to attract local business at each of its locations, yet offer the services of a global network of experienced professionals to each of its clients. Additionally, by scattering its operations, Hill is less exposed to the economic downturns of individual countries.
- **Huge growth in backlog.** Historically, the project backlog of Hill has been a reliable indicator of its future revenues. In 2007, this backlog grew 68% y/y to $416M, following substantial growth of 52% y/y in 2006. In the first half of 2008 alone, the backlog has increased 46% to $606M.

Valuation

A five year discounted cash flow model yields an intrinsic value for HIL shares of $50. However, applying a P/E multiple of 35x to 2009E EPS of $.85 shows a target market price of $30. Finally, using an Enterprise Value/EBITDA valuation yields a target share price of $35. Taking into account all of these valuation metrics, yet weighing toward the conservative side, my target price for Hill is $32, which represents 60% of upside potential to the current stock price.

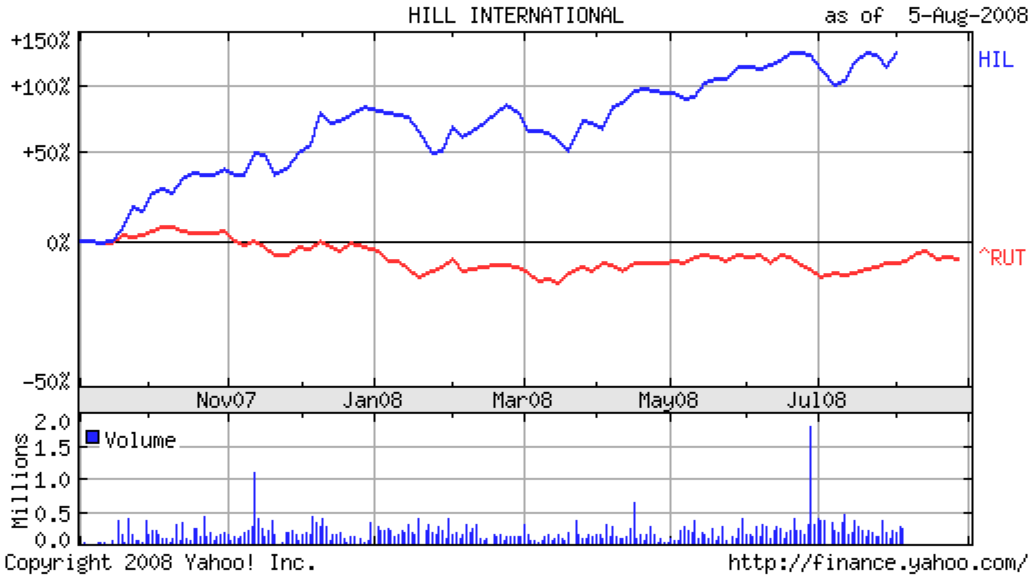
Risks

- **The multiple recent acquisitions and JVs may not be accretive to Hill's business strategy.** In just the last two years, Hill has acquired six construction management or claims companies, as well as entered into multiple joint ventures internationally. Although each of these moves appear to strengthen the competitive position of the company, failure to capitalize on these opportunities or to fully integrate new additions into the business strategy could deter the growth of the company.
- **Significant exposure to long term government contracts.** During FY 2005, 2006, and 2007, approximately 69.2%, 54.7%, and 54.0% respectively, of total revenues were derived from government agencies. Although these revenues were the outcome of long term contracts, most were funded on an annual basis from their respective agencies. Any failure of funding appropriations in future years on a multiple-year contract would cause a failure to recognize all the potential revenue and profit from that project.
- **Inability to retain high demand personnel.** Because Hill's products are based on the knowledge and experience of its employees, any failure to retain key personnel would have an adverse affect on profitability and growth.

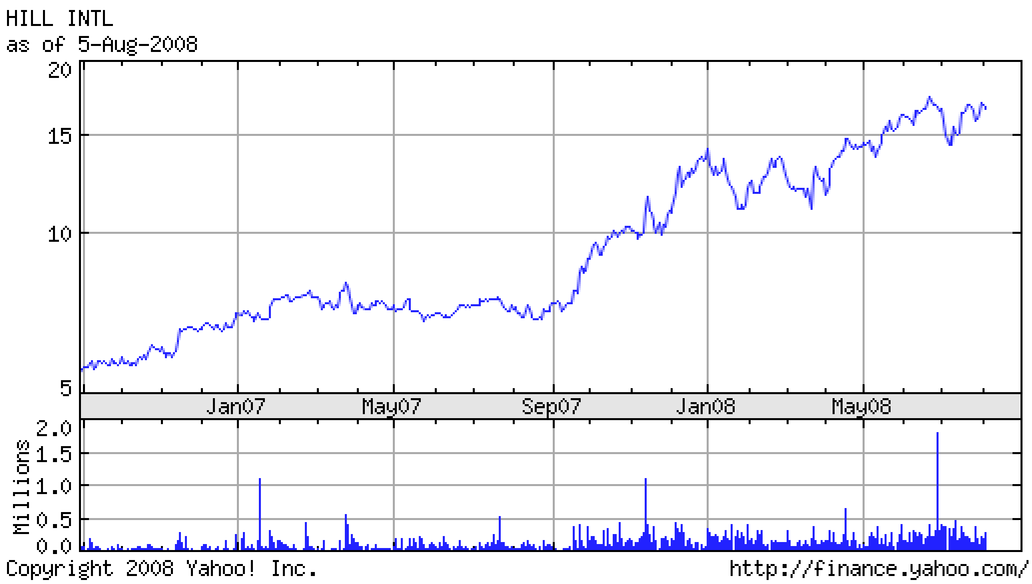
Management:

Hill has an experienced management team with a vested interest in the company's success. Irvin Richter, the Chairman and CEO, founded the company and has led it throughout its history, while his son, David Richter, is the President and COO. Collectively, the Richter family still owns roughly 40% of the company's outstanding shares. The heads of Hill's three distinct groups (Project Management Americas, Project Management International, and Construction Claims) have a combined 81 years of experience in the industry.

Performance Chart Relative to Russell 2000



2 Year Price Chart



Ownership

% of Shares Held by All Insider and 5% Owners:	43%
% of Shares Held by Institutional & Mutual Fund Owners:	50%

Top Institutional Holders

Holder Name	Shares Held	Percent of Share Outstanding
Friess Associates, Inc.	929,300	2.27%
Wellington Management Company, LLP	856,440	2.09%
Wells Fargo & Company	4,346,134	10.61%
Oppenheimer Funds, Inc.	790,840	1.93%
Northpointe Capital, LLC	744,187	1.82%

Cemex SAB de CV (ADR)
NYSE: CX
Price: $20.05 ($18.87-$33.40)
Fiscal Year Ends: December 31

September 2, 2008 — Chris Cebula
Mexican Bolsa Index: 26,424 (25,284 – 32,836) — International Industrial Materials

Cemex SAB de CV is a worldwide producer of cement, ready-mix concrete, aggregates, and other building materials. The company operates in over 50 countries across six different continents. With over 97 million tons of capacity, Cemex is the fourth largest cement producer in the world commanding 5.6% of the global market (ex-China). In addition, Cemex is the worldwide leader in ready-mix concrete with 2,360 facilities supporting more than 80 million cubic meters of capacity. With over 60,000 employees, Cemex is headquartered in Garza Garcia, Mexico.

Recommendation

Cemex generates almost 80% of its revenues from developed markets (North America and Europe), while it is underexposed to higher growth emerging markets relative to the other cement majors. Given the unexpected length and magnitude of the downturn in construction in these developed markets it's easy to understand the negative sentiment plaguing the stock. Couple that with the additional debt burden taken on by the company in its acquisition of Rinker Group, as well as the recent loss of its operations in Venezuela to Hugo Chavez, and the stock has been significantly discounted (-40% YTD). The recent sell off is largely a function of the negative short term outlook. With favorable industry and company specific fundamentals, the stock offers a compelling investment opportunity for long term investors. Cemex is a good strong company that's trading at a significant discount to its intrinsic value, which is why I am recommending that it be added to the IAIM portfolio with a target price of $41.

Key Statistics	9/2/2008
Market Cap	$16.79B
Shares Outstanding	837.17M
Avg. Volume	6,525,760
WACC	9.75%
P/B	.99
FCF Yield	13.4%
EV/EBITDA	7.56
Financial Leverage	2.87
Net Debt/EBITDA	3.5
ROE	17.3%
Operating Margin	13.7%
Dividend Yield	3.86%
Target Price	$41.00

Sources: Yahoo! Finance, Bloomberg

Investment Thesis

- **Strong Industry Fundamentals.** Cement is the primary building material used in virtually all forms of construction activity. Demand is broken down evenly between residential, commercial, and infrastructure build. While residential and commercial building can be expected to remain fairly cyclical, the long term demand driver for cement is infrastructure. The OECD estimates that the world will need over $1.8 trillion per year in infrastructure development in the coming decades. Further, the American Society of Civil Engineers grades infrastructure in the US as "poor" and estimates that over $1 trillion will be spent in the next few years to bring it into good working order. The cement industry will be one of the primary beneficiaries of this global focus on infrastructure development.

- **Attractive Company Specific Dynamics.** Cemex has long been recognized as the leader in operational efficiency within the cement industry. Management's ability to add value lies in its expertise at successfully integrating acquisitions, helping to realize cost synergies and improve profitability. As the trend towards industry consolidation continues, the ability to vertically integrate the production process is a key source of differentiation between the global cement companies.
- **Strong Cash Flow Generation.** Cemex has historically been able to convert over 80% of EBIT to free cash flow. Even during a time when their debt obligations have increased dramatically and their core markets are performing poorly, they've been able to generate cash. For example, during Q2 of 2008 Cemex was able to generate almost a quarter of a billion USD in free cash flow off of just over $6 Billion in revenues. This characteristic gives me confidence that Cemex can weather the current downturn without diluting shareholder value by potentially having to issue equity or dispose of operating assets.

Valuation

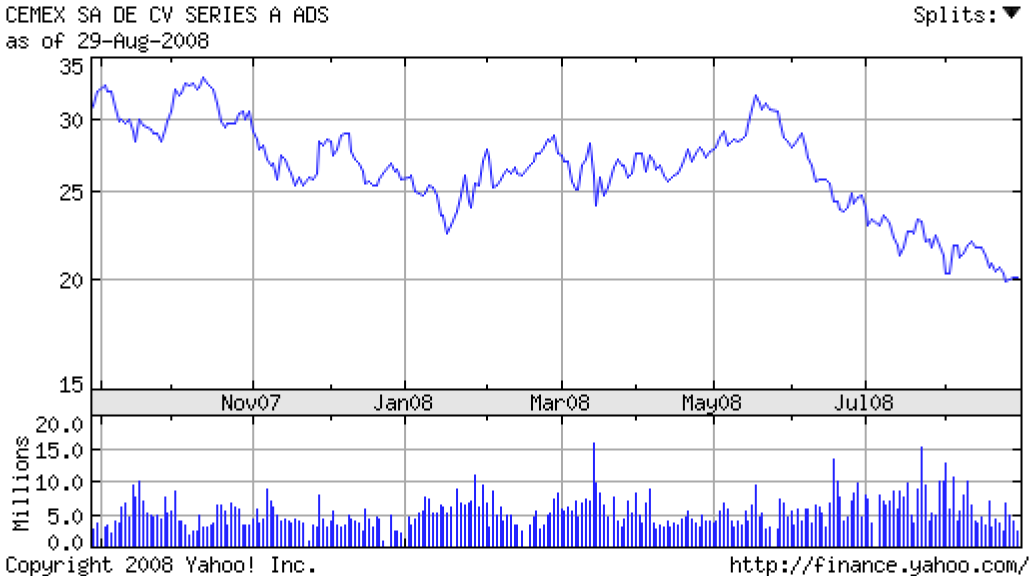
A five year discounted cash flow valuation with a WACC of 9.75% yields an intrinsic value of $42.00 per share. The WACC includes a country risk premium of 200bps and a relatively conservative cost of debt (accounting for an abnormally low existing cost of debt). A perpetual growth rate of 3.75% represents a 1.25x multiple to normalized developed market economic growth of 3%. Various relative metrics (EV/EBITDA, P/B, EV/ton) indicated an intrinsic value closer to $40/share. All things considered, a price target of $41 is reasonable.

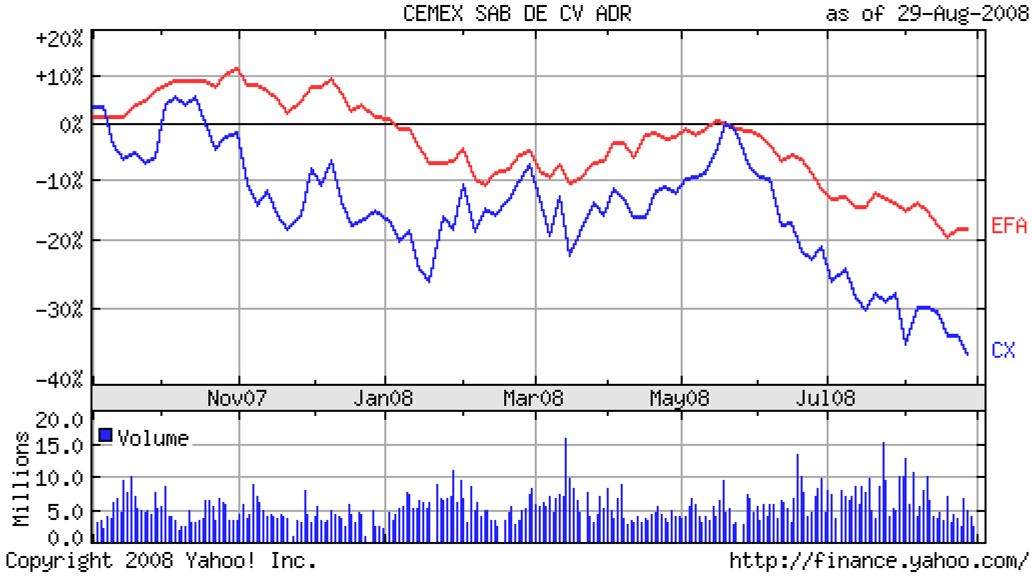
Risks

- **Prolonged Downturn in Main Markets.** While Cemex has been able to withstand the construction downturn in key markets such as the US and Spain thus far, a prolonged slowdown could significantly hinder its ability to generate sufficient cash. Negative consequences could be the inability to take advantage of attractive valuations in the marketplace, disposing of assets to pay down debt, etc.
- **Deteriorating Fiscal Position of Governments Worldwide.** With a significant portion of future cement demand coming from infrastructure development, there is a risk that government entities may not have the ability to finance the growth that is needed. Particularly in emerging markets, government subsidies on high inflationary items such as food and fuel are taking a toll on governments to the point where long term growth and development projects could take a back seat to short term fiscal concerns.
- **Rising Input Costs.** About 50% of the cost structure for cement companies is tied to raw materials, fuel, and freight. While cement companies have traditionally been able to pass along increases in input costs, the dramatic increase recently, along with significant pressure to keep prices low, has been detrimental to operating margins.

Management

Lorenzo Zambrano has served as CEO since 1985 and Chairman of the Board since 1995. He has been with the company for over 40 years. Executive Vice President of Planning and Finance Hector Medina is responsible for worldwide strategic planning and finance. Of the 12 members of the board, 7 directors are considered independent. Management's strategic focus has been growth through acquisitions. By vertically integrating the production process, Cemex hopes to improve profitability while continuing to expand capacities in existing markets. All projects are subject to a ROCE of greater than 10%.





Top 5 Shareholders (underlying shares)

Holder Name	Shares Held	Percent of Share Outstanding
Cemex Subsidiaries	627,000,000	7.7%
Barclays Global Fund Advisors	145,769,292	1.8%
Vanguard Group Inc.	51,553,111	.63%
Skagen Funds	38,000,000	.47%
Acciones Y Valores de Mexico	28,267,648	.35%

Source: Bloomberg