EQUITY STRATEGY FOCUS

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Written By: Peter J. Altman, President
Karen Troiano, Senior Portfolio Manager

Altman Investment Management
33 Witherspoon Street – 2nd floor
Princeton, NJ 08542
www.AltmanInvest.com

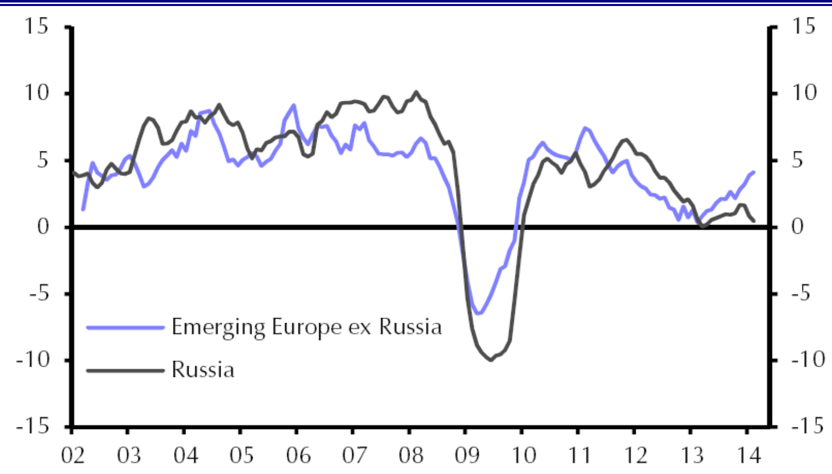
IN VIEW: A Review of Equity Markets

In past economic cycles, profitable companies eventually expanded - hiring more workers and investing in capital equipment and structures. The financial crisis of 2008 took its toll traumatizing the typical corporate spending behavior during the economic expansions. However, as the current cycle matures, exceeding the five year recovery mark, memories are fading. We conclude that as corporate profits remain resilient, payrolls and capacity should follow suit expanding the duration of the current cycle. This is reflected in the profits outlook in the S&P 500 forward earnings, and is typically followed by a high correlation with capital spending in real GDP.

Emerging market GDP growth has been roughly unchanged over the past few years and currently stands at approximately 4.7% year-over-year, with disappointing growth in Latin America and China. Although the crisis in the Ukraine is weighing on the Russian economy, the rest of Europe has been recovering. Increased European demand should lift export levels in emerging markets.

Emerging Europe, with the exception of Russia, is recovering.

Exhibit I



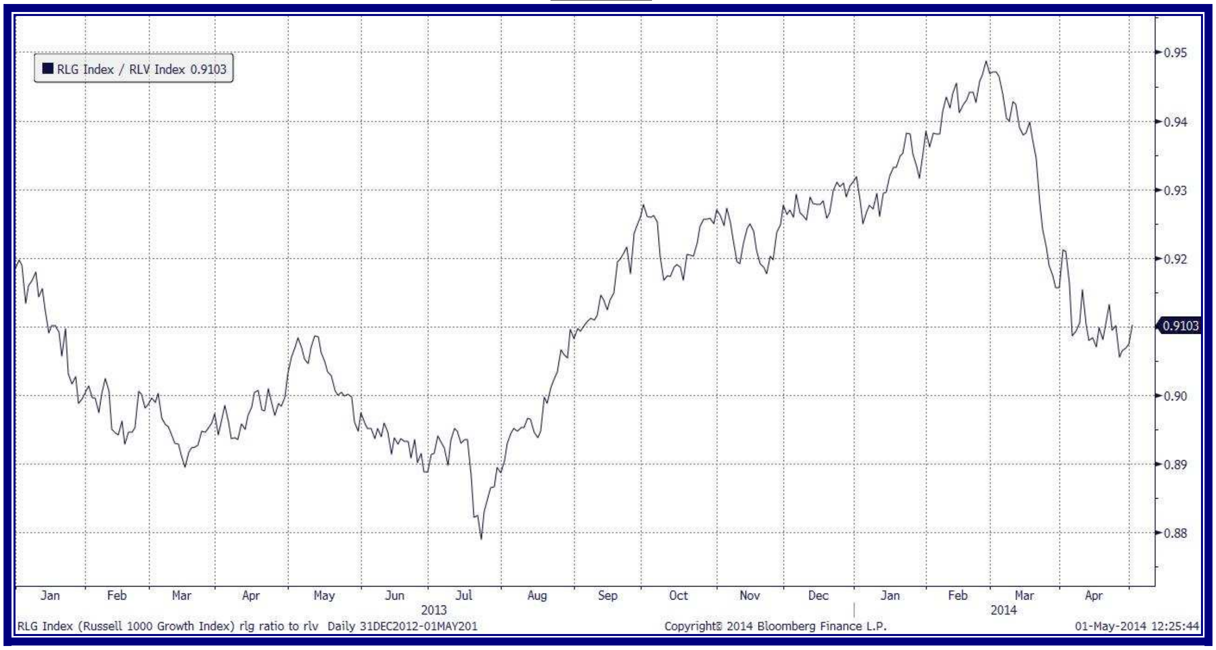
Sources – Thomson Datastream, Capital Economics

Multinational companies like Emerson Electric (37% of revenues are from emerging markets) stand to benefit from stronger growth in lesser developed countries. During 2013, Emerson Electric's sales growth in emerging markets exceeded that of the U.S. and Europe.

In Q1 2014, value stocks (as measured by Russell 2000 Value index) once again pulled ahead of growth stocks (Russell 2000 Growth index) marking the 7th time in the last 10 quarters. Merrill Lynch Research conducted a study that showed Value fundamentals - such as low price to book, dividend yield, and low price to cash flow - were among the top leading quantitative factors contributing to return during the month of March.

March 2014: Value Stocks beat Growth Stocks

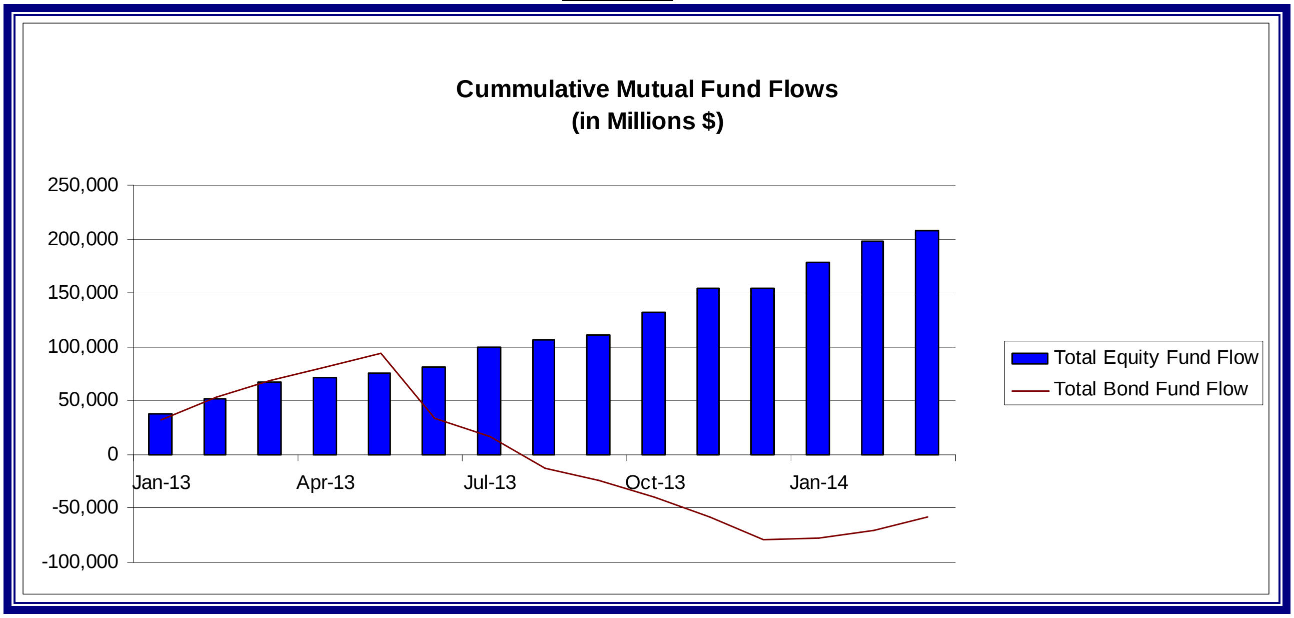
Exhibit II



Monthly net cash flows into equities turned positive in January 2013, amounting to over $200 billion for the past 5 quarters. Bond funds began experiencing net negative cash flows a few months later. Once the tide turned, fund flows into equities returned quickly recouping nearly half the outflows lost since 2007, the year in which the financial crisis began.

A rotation out of bond funds into equity funds is underway.

Exhibit III

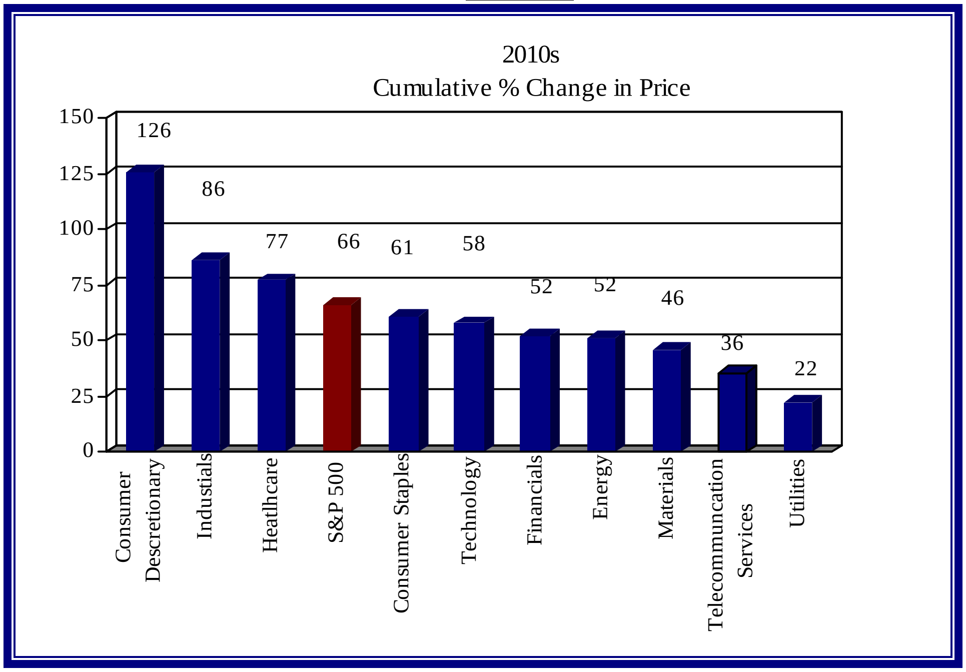


Source: Investment Company Institute as of March 31, 2014

So far this decade, Consumer Discretionary and Industrial sectors (both cyclical in nature) have been the best performers in terms of price change alone. Healthcare (defensive in nature) also beat the overall market's price returns. Consumer Staples (also defensive in nature) was not far behind. So far in 2014, Healthcare is still among the highest performing sectors, followed by Utilities.

Market sector performance during the first 4 years of the current decade has been mixed.

Exhibit IV



SECTOR OUTLOOK:

We continue to believe that the Financial and Energy sectors have the most potential for advancement in the long run. We have seen not only internal enhancements made at financial organizations to shore up balance sheets, but also improving trends for the industry as a whole. Capital plans at a number of banks were approved by the Federal Reserve allowing for greater buybacks and higher dividends.

The average mutual fund remains underweight in Energy which is currently trading below historical valuations. Energy stocks stand to gain not only from a continued global recovery but also more stringent capital management policies which could improve supply/demand metrics in the long run.

IN BRIEF: Equity Investment Strategy

BENCHMARK PERFORMANCE HIGHLIGHTS

S&P 500 Index – 1st Qtr. Performance

Exhibit V

	Sector Wgt. As % of S&P as of 03/31/2014	1st QTR Return 12/31/2013 - 3/31/2014	1st QTR Sector Contribution of S&P 500
S&P Index		1.82	
Consumer Discretionary	12.1	-2.81	-0.35
Consumer Staples	9.7	0.51	0.04
Energy	10.2	0.90	0.08
Financials	16.4	2.74	0.44
Health Care	13.4	5.82	0.77
Industrials	10.7	0.10	0.01
Information Technology	18.6	2.28	0.43
Materials	3.5	2.86	0.1
Telecommunication Services	2.5	-0.07	0.01
Utilities	3.1	9.88	0.29

Source: Bloomberg

S&P 500 Index – 1st Qtr. Sector Performance Summary

- The S&P 500 returned 1.82% for the 1st quarter. It was Value stocks that out-performed Growth stocks by 87 basis points, while large cap stocks pulled ahead of small caps by 70 bps.
- The benchmark index ended the quarter in positive territory, after losing ground in January due to softness in U.S. economic data and emerging market concerns.
- Best performing sectors were Utilities and Healthcare which are both defensive in nature. However, Materials, Financials, and Information Technology each finished the quarter up over 2% beating the overall index.
- Consumer Cyclicals fell 2.81%, as shares of Amazon, General Motors, Twenty-First Century Fox, and Comcast weighed on the index.

AIM's ATTRIBUTION HIGHLIGHTS

AIM, LLC Composite – 1st Qtr. Performance

Exhibit VI

	Sector Wgt. As % of Portfolio as of 03/31/2014	Relative Wgt. versus S&P 500 Index	1st QTR Total Return of AIM Composite	1st QTR Total Attribution of AIM Composite
AIM Composite			3.00	1.18
Consumer Discretionary	9.8	-2.3	-3.20	0.10
Consumer Staples	9.7	0.0	-1.43	-0.20
Energy	13.4	3.3	2.71	0.22
Financials	18.7	2.3	2.50	0.00
Health Care	14.3	0.9	7.38	0.25
Industrials	9.2	-1.5	2.41	0.21
Information Technology	16.6	-2.0	5.37	0.49
Materials	2.3	-1.2	3.99	0.01
Telecommunication Services	2.3	-0.2	1.02	0.01
Utilities	2.1	-1.0	3.05	0.14

Source: Bloomberg

1st Qtr. Sector Performance Summary

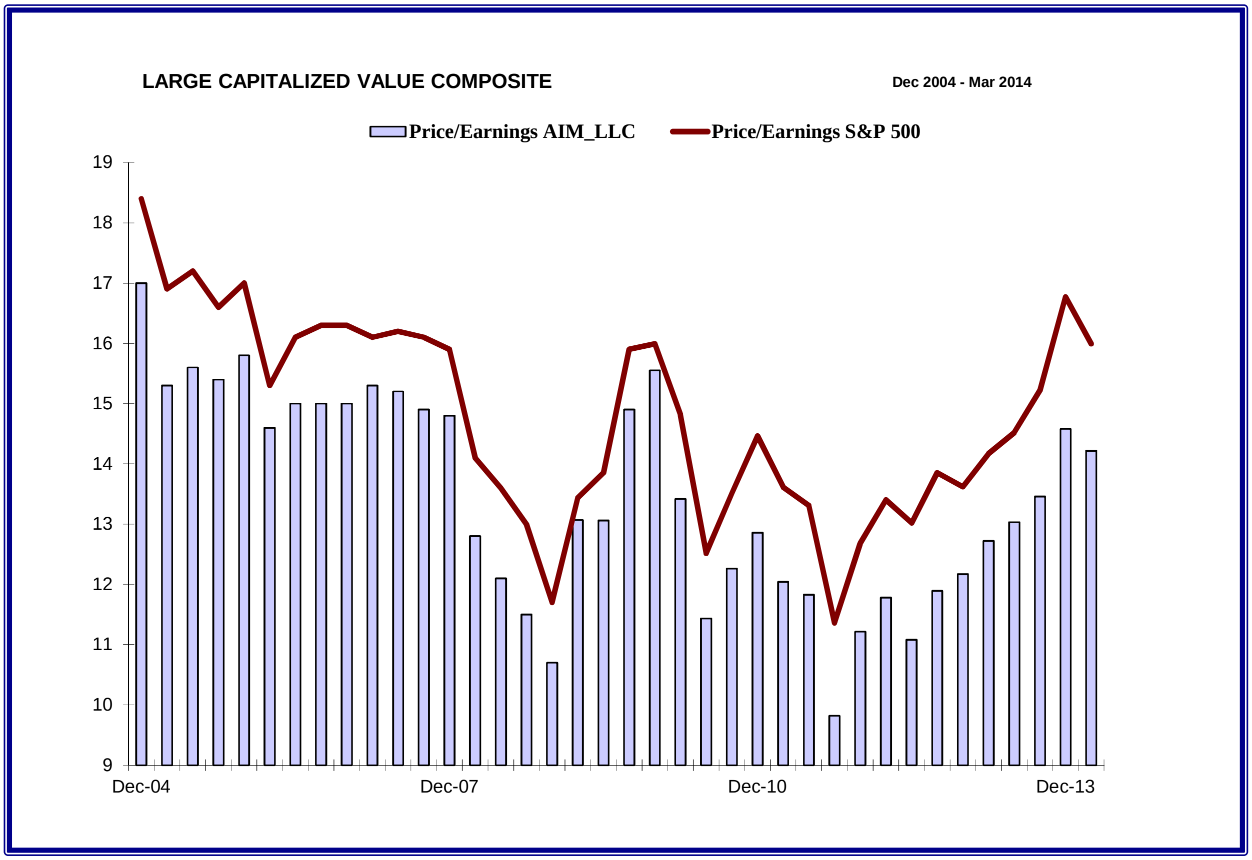
- The AIM composite out-performed the benchmark S&P 500 by 118 bps during the 1st quarter. This was due in part to stock selection, as well as Value stocks once again coming to the forefront.
- Stocks contributing most to out-performance this quarter were Applied Materials, Halliburton, Northrop Grumman, Edison International, and Wells Fargo.
- Stocks contributing least to relative performance were Conagra, Transocean (recently removed from portfolio), ACE Ltd., Travelers Group (also recently removed from portfolio), and Johnson Controls.

S&P 500 – SECTOR VALUATION CHARACTERISTICS

The P/E multiple for the S&P 500 contracted in the first quarter. Earnings per share grew at a rate of 9.75% during the latest earnings cycle exceeding the rise in market prices.

AIM's long-term investment approach continues to outpace the Market, while selecting stocks with Value style bias.

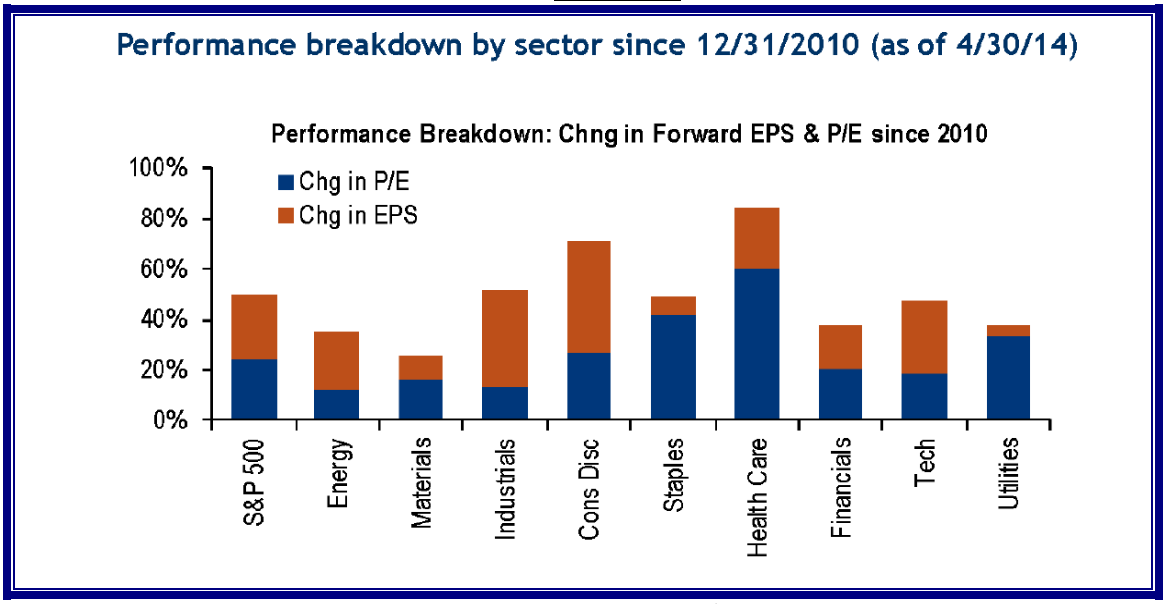
Exhibit VII



Source: Bloomberg

Multiple expansion has been prominent in defensive sectors (Staples, Healthcare, and Utilities) – Building the case for cyclicals.

Exhibit VIII

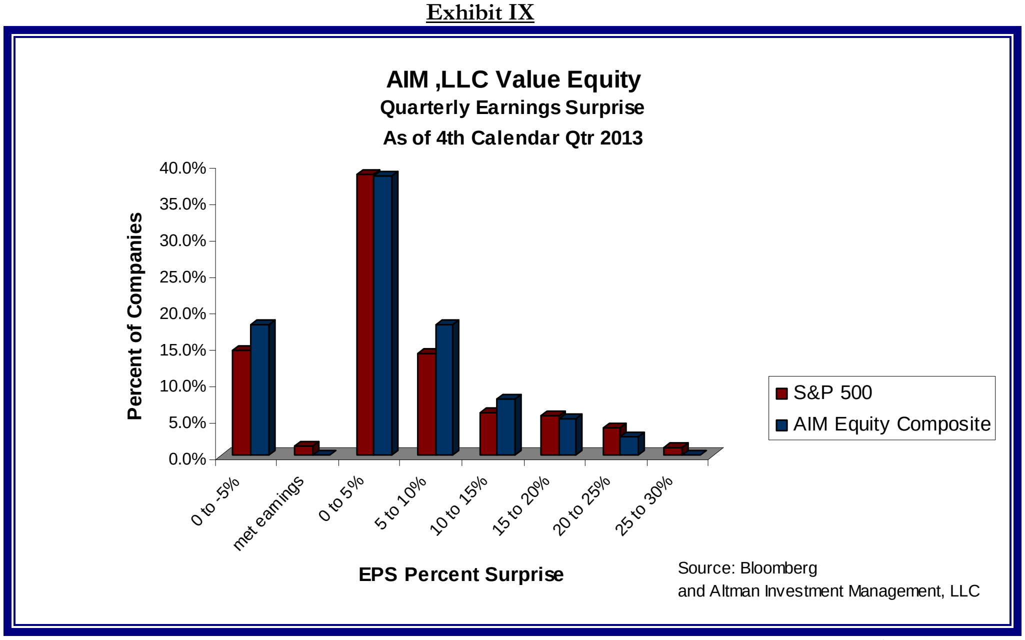


Source: FactSet, IBES, BofA Merrill Lynch US Equity & US Quant Strategy

THE MOST RECENT QUARTERLY COMPANY PERFORMANCE RECORD

Fourth Quarter Earnings Surprises versus Market

Exhibit IX

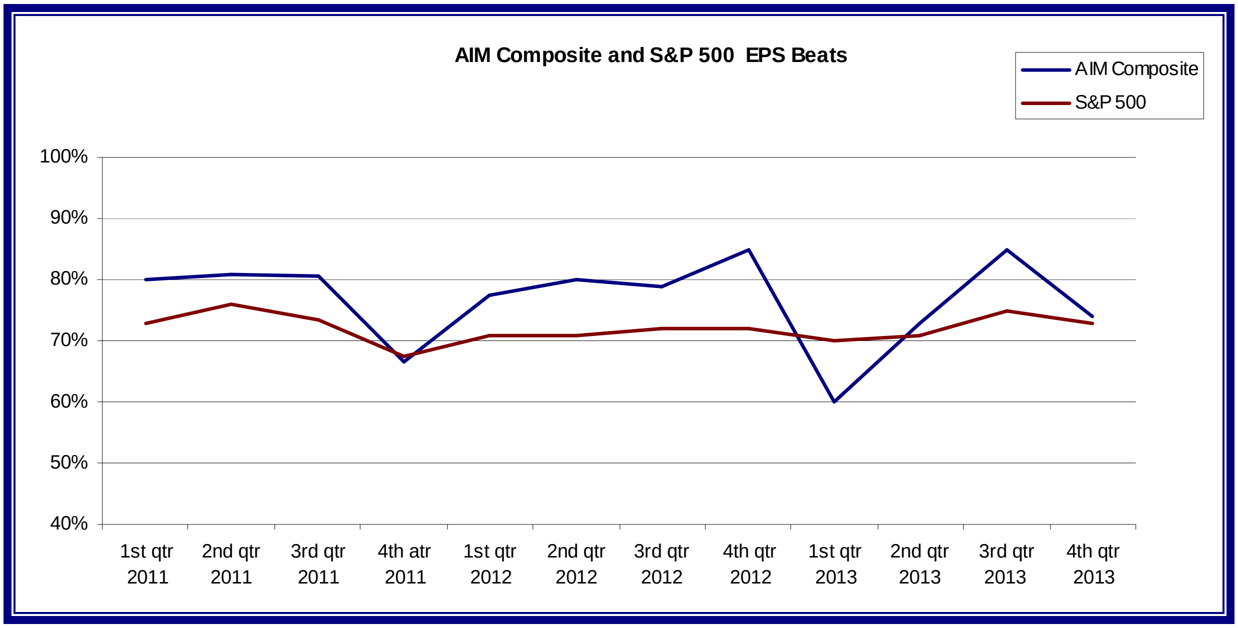


Source: Bloomberg

The chart above illustrates the percentage of investment holdings within our Value portfolio that exceeded street estimates during the 4th calendar quarter of 2013. Most notably, 74% of our investments exceeded street estimates and 73% of the companies in the S&P 500 exceeded street estimates.

The number of earnings beats for our Composite (83%) exceeded that of the Market for the past three years.

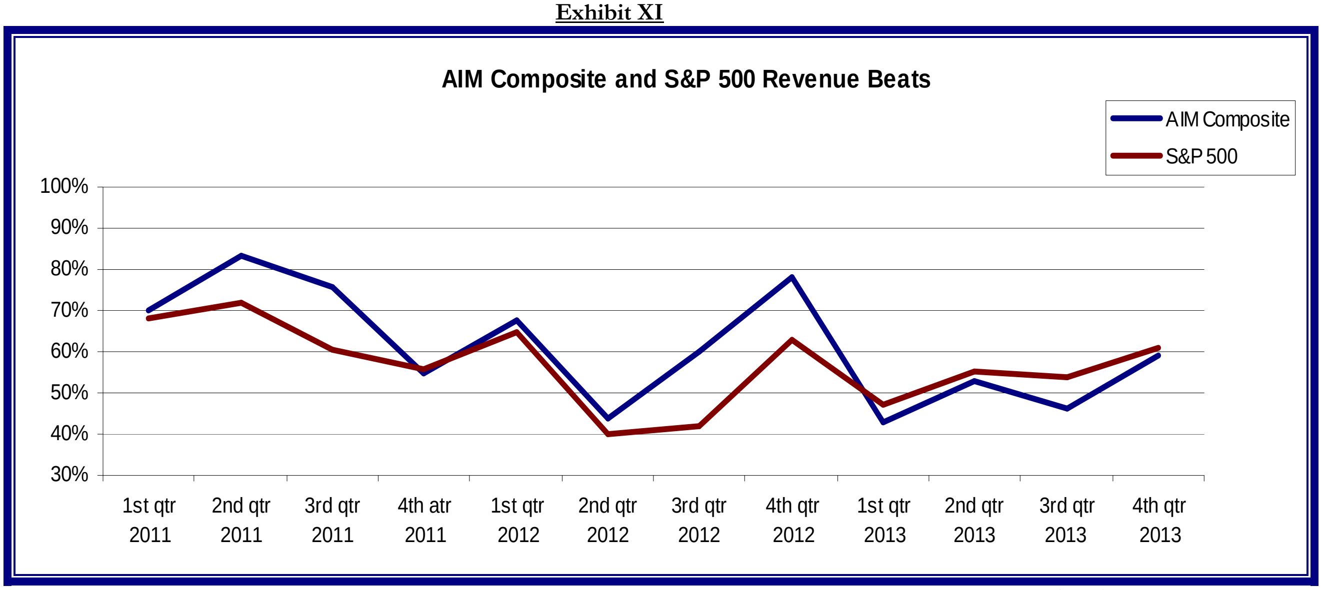
Exhibit X



Source: Bloomberg

Revenue beats are now topping the 40-50% levels seen over the last two years.

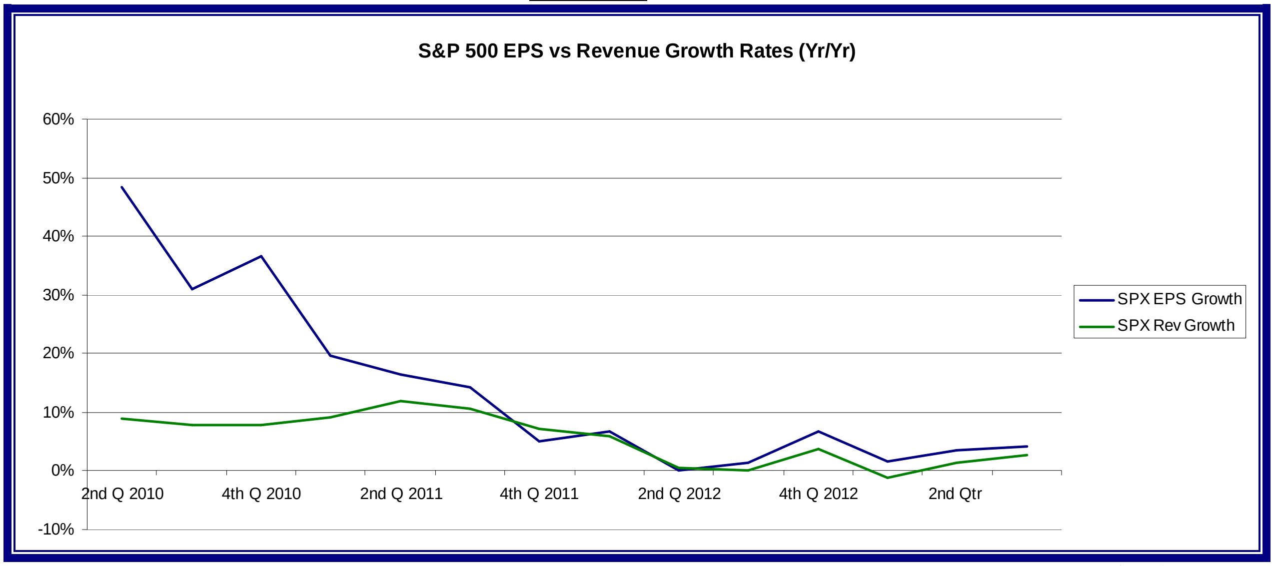
Exhibit XI



Source: Bloomberg

Revenue Growth is Building Support.

Exhibit XII



Source: Bloomberg

Revenue growth continues to struggle, but has found support at current levels. Overall revenue growth was 0.97% for the quarter, down from 2.69% during the prior quarter. Energy, Financials, and Utility sectors experienced negative revenue growth, while all other sectors saw improved growth.

CLOSE UP: First Quarter Equity Strategy

- **During this past quarter, we established a new position in Regions Financial Corp (RF) and exited Travelers Cos Inc (TRV).** The subsequent increase in banking, by way of reducing insurance, resulted in a marginal net increase in our overall financial exposure.

- **RF is a southeastern regional bank dealing with commercial and industrial loans, residential mortgages, home equity, and commercial mortgages.** The Federal Reserve recently approved capital plans for RF to raise its dividend to $0.05 and purchase up to $350 million in common shares, pending board approval. As long term interest rates continue to rise, earnings growth at banks in turn should accelerate. Management is working to improve its efficiency ratio to 60% and is not afraid to rein in expenses as necessary. We also forecast RF's quality of earnings to continue to improve. Trading at a discount to its peer group, RF's is attractively priced at current levels.

- **We also sold our position in Transocean (RIG), a worldwide leader in offshore drilling and drilling services. Several industry specific trends impacted our decision to exit this stock.** Supply growth in the jack-up market continues to lift day rates and may be reaching its saturation point. Also, tendering activity is in a decline which will impact utilization and dayrates. Lastly, supply growth in new builds for ultra deep water drillships negatively impacts companies like RIG with older average fleets. Cash proceeds from this sale were used to add to our position in Marathon Oil.