

2009 - THE FOUR-MONTH MARK

"Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning."

--Winston Churchill (1942)

The dark clouds that characterized the last half of 2008 remained overhead in this year's first four months, however, the occasional rays of sunshine are becoming more frequent. For example, among the seemingly endless supply of housing data are signs that construction is picking up and prices are firming in several key markets. In addition, traffic levels and retail spending, while hardly robust, have been coming in ahead of the beyond-dismal forecasts of early-winter, even in the case of larger-ticket items. Superstitious sorts that we are, no one at this firm is willing to declare victory yet, but we just may be at what Winston Churchill called "the end of the beginning." If so, the stock market problems of January and February will fade into history, and the March-April revival will become a longer-term phenomenon.

Speaking of the stock market, our version of Growth clearly was king in the first quarter, however, April was another matter entirely. The Value portion of our **Growth & Value 20** portfolios continued the strong run that began in early-March, and, since Value constitutes 75% of the total, the result is a very favorable set of comparisons:

| | <u>Apr</u> | <u>Jan-Apr</u> |
|------------------------------|---------------|----------------|
| Growth & Value 20 | 18.66% | 3.09% |
| S&P 500 Index | 9.57 | -2.49 |

Growth & Value 20 performance in this case is the net-of-fee performance of the Strategy's Composite A. The valuations used to calculate these results, with the exception of the April valuation, have been confirmed by third-party custodial statements. Please see the performance disclosure language associated with this Nottingham strategy for further details.

The story of the first quarter was the already-strong (Growth) becoming stronger and the already-cheap (Value) becoming cheaper. There was a reversal of fortunes in April; however, the already-strong in general have had a good 2009, and that is encouraging. These are the market leaders by definition, and they must continue to do well if any rebound in equity prices is to take hold in any sustainable way. The other necessary ingredients also are there. Interest rates are at rock-bottom levels, and stocks are attractively valued by almost all measures. Why? Because the level of economic and market despair remains high. We may not know for sure if the Big Turn has been made, but what we do know is that sustainable rebounds typically begin in an environment of low interest rates and low expectations.