NOTTINGHILL INVESTMENT ADVISERS, Ltd.

An Update **Vol. XV No. 1** **February 2012**

Recent News

U.S. Common Stocks. *Remember those so-called "green shoots" in mid-2009? Well, what were once the faintest signs of recovery have blossomed into solid economic data, and the stock market continues to take notice. In fact, with this year's January-February advance (about 9%), the S&P 500 Index is now 105% above the ultra-low market bottom of March 6, 2009. Equity fatigue? Not within these four walls. It pays to stay the course with a well-diversified portfolio.*

Fifteen Years…7.47%. The inflation-beating, benchmark-beating, virtues of Value investing in general and Value Plus in particular. We expect the next 15 years to be even better.

The Class of '11. *Value Plus' 2009-2011 Contrarian Group has graduated, and been replaced by five new stocks. How'd the old grads do? Not the most distinguished group ever (Class of '99, take a bow), but not bad at all. Check out the details on the reverse side.*

TPM/New Clients. We can't say enough about Total Portfolio Management (TPM). Our new approach to the management of a widely diversified balanced portfolio continues to attract fans, including two new clients in February. TPM is the complete answer, as we say. You're invited to see for your self at our website.

Website. *Speaking of which, you're always welcome at www.nottinghilladvisers.com.*

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ABOUT THE FIRM

Nottinghill Investment Advisers, Ltd., is a team of professionals specializing in the disciplined management of large capitalization Value equity portfolios and widely diversified balanced portfolios. Clients served include pension and profit-sharing plans, endowment funds and foundations, and taxable individuals.

THE FLAGSHIP STRATEGY Value Plus

Our flagship Large Capitalization Value approach. Portfolios typically contain 20 stocks, 15 of which are selected on the basis of traditional Value criteria and five of which are selected on the basis of superior corporate and stock-price performance. This use of multiple sets of buy/sell disciplines results in a more consistent pattern of superior investment returns.

Investment Results

	Value Plus (%)	Russell 1000 Value Index (%)	End of the Period: Firm Assets ($/mm)	Composite Portfolios (#)	Composite Assets ($/mm)	% of Firm Assets (%)	Annual Composite Dispersion (%)
1997	**26.03**	35.18	15.1	8	5.2	34	0.32
1998	**18.26**	15.63	23.4	9	6.8	29	1.42
1999	**14.97**	7.35	31.7	10	9.8	31	0.53
2000	**5.09**	7.02	27.0	12	12.5	46	1.02
2001	**0.29**	-5.60	31.5	13	13.5	43	0.75
2002	**-17.17**	-15.52	36.1	15	17.9	50	0.46
2003	**37.22**	30.03	57.7	16	22.5	39	1.03
2004	**18.44**	16.50	70.8	20	26.7	38	0.62
2005	**11.10**	7.05	123.1	37	72.1	59	0.88
2006	**18.23**	22.23	162.3	40	97.8	60	0.79
2007	**-6.38**	-0.17	162.5	64	103.3	64	0.48
2008	**-37.10**	-36.86	88.0	59	63.0	72	0.99
2009	**40.66**	19.70	107.6	53	77.4	72	1.36
2010	**13.44**	15.51	80.5	50	50.4	63	1.76
2011	**-1.79**	0.39	53.7	37	37.0	69	0.95
Annualized							
Life of the Strategy	**7.47**	6.25					
10 Years	**5.02**	3.89					
Five Years	**-1.59**	-2.64					
Three Years	**16.15**	11.55					

Nottinghill results are presented net-of-the management fee; all annualized returns are associated with time periods ending December 31, 2011

Nottinghill Investment Advisers, Ltd., has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS™) for the period from July 1, 1996 to December 31, 2005 and the Global Investment Performance Standards (GIPS®) beginning in 2006. No regulatory or governing body has been involved in the preparation or review of this report.

1. Nottinghill Investment Advisers, Ltd., ("Firm") is an independent, SEC-registered investment adviser utilizing a number of primarily large capitalization equity investment strategies. Berge & Company, Ltd. and BKD,LLP, Certified Public Accountants in each case, completed Firm-wide Verifications of Nottinghill's compliance with the AIMR-PPS™ for, respectively, the 1996-2001 and 2002-2005 periods. The Verifications associated with years after 2005 also were completed by BKD, LLP, and tested Nottinghill's compliance with the aforementioned Global Investment Performance Standards (GIPS®). Verifications are conducted annually; a copy of the most recent report is available by request.

2. The Value Plus performance composite (Composite A: all non-wrap fee accounts and those with a fixed annual broker charge less than 0.25% of assets), formerly Growth & Value 20 Composite A, officially was created on January 1, 2002; however, the composite as currently defined has an effective date of compliance with the AIMR-PPS™ of January 1, 1997. Berge & Company, Ltd. and BKD, LLP, Certified Public Accountants in each case, completed Performance Examinations of the investment results presented for, respectively, the 1997-2001 and 2002-2010 periods.

3. No segments of other portfolio composites and no accounts with a fixed annual broker charge are included in the Value Plus composite.

4. The most appropriate benchmarks for the Value Plus strategy are the style-specific Russell 1000 Value Index and the more broadly representative S&P 500 Index. Both are unmanaged, capitalization-weighted, and consist of primarily U.S. corporations. Index performance in both cases includes price change and income, however, neither index has any expenses. The S&P 500 Index was the sole benchmark prior to January 1, 2010.

5. Investment results have been calculated net-of–the management fee, which was deducted from the results achieved by every account in the composite. The annual fee schedule is 1.0% of the first $1 million, 0.75% of the next $4 million, and 0.50% of remaining assets.

6. Investment results calculated net-of-the management fee are appropriate for presentation or redistribution in all settings, but must be accompanied by this disclosure language.

7. All performance calculations are based upon trade-date accounting, and, except where otherwise noted, are associated with time periods ending December 31.

8. Performance is expressed in U.S. Dollars.

9. Annual composite dispersion is the asset-weighted standard deviation of gross investment returns.

10. Exchange-Traded Fund shares may be utilized in this strategy from time to time. No other derivatives and no leverage are employed.

11. Past performance is no guarantee of future results.

12. A complete list of Nottinghill performance composites and additional information regarding the calculation and reporting of Nottinghill performance are available upon request.

The Class of '11

"We'll remember always…. Graduation Day."

--Graduation Day,
The Four Freshmen
(1956)

Hard to believe it's been three years since the Class of '08 strode across the stage. Times were different then. War in the form of the Great Recession was raging on all fronts, and stocks were just starting to emerge from the Fannie Mae, Bear Stearns, Lehman Brothers, AIG rubble. Hard times indeed, and now we have their successors, the Class of '11, to honor. What does all this mean? Let's take a look at pure Contrarianism, the Nottinghill way.

As most friends of the Firm know, the real performance driver on the traditional Value side of a Value Plus portfolio is the five-stock Contrarian Group. Once again, the product of a well-researched, time-tested stock selection process whose primary focus is upon poor multi-year performers within our 75-candidate LARGCAP Universe. The data do not lie. Poor multi-year performers have a definite tendency to rebound and become outperformers over the next multi-year period. At the evaluation/selection point (late-2008, early-2009 in the case of the Class of '11), we shop among these poor performers, and the plan then is to hold them for as long as three years.

Not the kind of selection process you come across every day, but the process, the way we employ it, is very effective. Why? Because very large companies have the resources to survive the lean times, and then, in a stock market sense, to bounce back sharply when Capitalism's almost-inevitable correcting forces appear. Three years is the right amount of time, so the Contrarian Groups in Value Plus portfolios come and go on a three-year cycle. Always? No, there is a risk control mechanism that could force a change (see Bank of America in Figure 1) within the three-year holding period, but our clear preference is to set things up and then leave them alone.

Where do we stand in the three-year cycle? Again, the 2009-2011 Contrarian Group has climbed the stairs to the stage, received their diplomas, and left the building. How'd they do? Not nearly as well as the all-time champ, the Class of '99, but not bad. Figure 1 provides the details. As usual, a fairly wide range of outcomes, and as usual, a couple of stocks carrying the load and a couple we would like to forget.

The common thread: investor revulsion in early-2009. We took advantage of that revulsion by buying these stocks at rock-bottom prices. Over the next three years, investors came to realize that among other things, American Express did not have the toxic baggage the other Financials had and that there <u>was</u> going to be a U.S. paper industry in the years ahead. Of course, there were a couple that could not keep up (there usually are); but it's the whole Group that counts, and the Group's rebound was a big part of the Value Plus story, particularly in 2009.

The Class of '11 served our clients well, but now a new class, the Class of '14, has taken its rightful place in Value Plus portfolios. As usual, not much in the new Group to make anyone feel warm and fuzzy; but, we <u>do</u> like the prices, and those prices on average should serve as a good launching pad for a 2012-2014 rebound. Regarding the stocks themselves, how about a glamour business like glass containers, or a couple of steels, or a giant computer manufacturer still trying to get it right, or the absolute cheapest member of Big Pharma? In all cases, cheap stocks made cheap by investor boredom and/or hatred. But, that's okay, subject to our risk control screens, the thing to do now is to <u>leave</u> <u>these</u> <u>stocks</u> <u>alone</u>, maybe all the way to Graduation Day 2014.

Figure 1
The Unannualized Price Change of Nottinghill's Contrarian Group 2009-2011

American Express	154.3%
International Paper	150.9
Dell Computer	42.9
Alcoa	-23.2
Bank of America/ Whirlpool	-48.8
Average	**55.2**
Russell 1000 Value Index	28.5