



Recent News

▪ *Compliance, Compliance.* In early-June, Doug McPeck as Nottingham's Chief Compliance Officer (CCO) attended the CCO Outreach Seminar conducted by the SEC in Chicago. The rules by which we live are ever-changing, and this was time very well spent.

▪ *Long Walks in the Sunshine.* Russ Stewart recently participated in the Dayton Building & Construction Trades Council Golf Outing on June 20 and was a guest at the TD Ameritrade Golf Outing at the 'exceptional' Longaberger Golf Club in Nashport, Ohio, on August 14. In both cases, a good time was had by all. Nottingham was also honored to contribute towels and golf shirts to the Parkinson's Golf Outing that was held August 11. Finally, Russ will be playing in the Associated General Contractors of Dayton Golf Outing in late-September.

▪ *Wall Street Transcript.* Doug McPeck recently did his fourth interview with this venerable publication. As usual, about 45 minutes were devoted to what we do, why we do what we do, and how we have done. Copies are available.

▪ *Marching Down the Aisle.* Jeff McPeck and Beth Abell, long-time Cincinnati and school teacher extraordinaire, were married on July 26. The festivities were more than grand.

Referrals

We take great pride in the fact that client and third-party referrals have been a large part of our growth in recent years. This is a trend that we would like to see continue. If you have a friend in need, please keep us in mind. We are honored when referrals come our way – they are always welcome.

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ABOUT THE FIRM

Nottingham Investment Advisers, Ltd., is an SEC-registered adviser specializing in disciplined, quantitative approaches to the management of primarily large capitalization equities. The Firm's principal equity strategies are combinations of two or more independent, frequently contrasting selection processes. The investment professionals at Nottingham also manage balanced portfolios. Nottingham Investment Advisers, Ltd., is a Cincinnati firm founded in May 1996 by Douglas G. McPeck and W. Russ Stewart.

**THE FLAGSHIP STRATEGY
Growth & Value 20**

Our Core 20-stock approach. Three independent processes are used to select the portfolio's three groups of stocks. Two selection processes are value-oriented, and are applied to the Nottingham LARGCAP Universe of 75 candidates. The third process is growth-oriented, and is applied to the entire S&P 500. During certain high-risk periods, which are determined objectively, intermediate-term Treasuries are held instead of this third group of five Growth stocks.

Investment Results

	End of the Period						
	Growth & Value 20 (%)	S&P 500 Index (%)	Firm Assets (\$/mm)	Composite Portfolios (#)	Composite Assets (\$/mm)	% of Firm Assets (%)	Annual Composite Dispersion (%)
1997	26.03	33.36	15.1	8	5.2	34	0.32
1998	18.26	28.58	23.4	9	6.8	29	1.42
1999	14.97	21.04	31.7	10	9.8	31	0.53
2000	5.09	-9.10	27.0	12	12.5	46	1.02
2001	0.29	-11.89	31.5	13	13.5	43	0.75
2002	-17.17	-22.10	36.1	15	17.9	50	0.46
2003	37.22	28.68	57.7	16	22.5	39	1.03
2004	18.44	10.88	70.8	20	26.7	38	0.62
2005	11.10	4.91	123.1	37	72.1	59	0.88
2006	18.23	15.80	162.3	40	97.8	60	0.79
2007	-6.38	5.49	162.5	64	103.3	64	0.48
2008 QI-QII	-11.83	-11.91	141.5	66	93.2	66	--

Annualized

Life of the Strategy	8.79	6.60
10 Years	5.84	2.88
Seven Years	4.49	2.46
Five Years	8.98	7.58
Three Years	3.57	4.41

Nottingham results are presented net-of-the management fee; all annualized returns are associated with periods ending June 30.

Nottingham 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. Nottingham 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 Nottingham'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 Nottingham'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 Growth & Value 20 performance composite (Composite A: all non-wrap fee accounts and those with a fixed annual broker charge less than 0.25% of assets) 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 2002-2007 periods. On June 30, 2008, accounts with a fixed annual brokerage charge less than 0.25% of assets contained 55% of total composite assets. The purpose of this fee is to cover trading costs.

3. No segments of other portfolio composites are included in the Growth & Value 20 composite.

4. The most appropriate benchmark for the Growth & Value 20 strategy is the S&P 500 Index, an unmanaged, capitalization-weighted index of primarily U.S. corporations. Index performance includes price change and income, however, the Index has no expenses. The S&P 500 Index has been the benchmark since inception.

5. Investment results have been calculated net of management fees, which were 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 \$14 million, 0.65% of the next \$35 million, and 0.50% of the next \$50 million.

6. Investment results calculated net of management fees 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 Nottingham performance composites and additional information regarding the calculation and reporting of Nottingham performance are available upon request.

A Bird in the Hand Meets the Kid in the Candy Store (II)

"I'm not sure what book value is, or what cash flow is. I'm not even sure what earnings are. But dividends aren't an abstraction."

--J.D. Patterson

At the dawning of the New Millennium, dividends didn't matter. You remember the reasoning. The tax laws are stacked against them; management knows best regarding corporate cash; stock buy backs are the way to go; etc., etc.

We listened, but actually had no trouble maintaining our reverence for that old dividend check, the proverbial "bird in the hand" (as opposed to capital gains, which may or may not be out there someplace). Why do dividends matter?

First, over the long haul dividends are a big part of total investment return. Ibbotson's very famous database of stock and bond market returns goes back to December 31, 1925. They are presented in a variety of ways, but what's particularly important is that this lengthy span (1926-2007) includes both boom times and depression, peace and war, political calm and political turmoil. Through it all, however, the S&P 500 Index provided a compound annual return of 10.36%, and dividends accounted for a very significant 42% of that return. Of course, yields for most of that period were higher than they are now, but is 1924-1994 the anomaly, or 1995-2008?

Second, dividends can be an important barometer of corporate health. To paraphrase the gentleman above, dividends are real dollars and cents landing in the account, while earnings and even book value frequently are "abstract" and can be, shall we say, "managed." Dividends demonstrate the Board's affection for the shareholders, and the company's ability to show that affection. Obviously, no dividend is guaranteed, but cutting or eliminating the dividend is not a Board action taken lightly.

Finally, dividends can be an excellent indicator of investment value, and they are very important to us in that regard. Our 10-stock LARGCAP Value-Yield Group is half of a **Growth & Value 20** portfolio. We do use an important screen, but these 10 stocks routinely are selected from our 75-candidate LARGCAP Universe primarily on the basis of high dividend yield, historically an excellent sign that the stocks are out-of-favor and cheap. More often than not,

we're able to capture a fair amount of success as these Yield Group companies (ultimately) regain their luster, and stock prices/yields move back into line. (The process then repeats as a new group of high-yielding market pariahs comes to the fore.) The point is, a lot of background data and 11+ years of real-life experience indicate that high dividend yield often denotes very good investment value...which brings us to July 2008.

When it comes to stocks, as we say, some periods are better than others, and the most recent January-July period definitely can be counted among the "others." The good news, though, is that signs of old-fashioned investment value are springing up everywhere. One of these involves our own Yield Group. Take a look at Figure 1, which shows the current 10

stocks along with each's yield on July 31. How safe are these dividends? Again, no guarantees; but, the coverage ratios in almost all cases are good, and that customarily is an excellent place to start the analysis.

4.76%! Even in an absolute sense, not much to complain about. In a relative sense, this is three full percentage points greater than the yield available on a 90-day Treasury bill, and, shockingly, over one full percentage point greater than the yield available on a Treasury note maturing in five years!

At the stock market bottom in 1974, you could count the interested buyers on one hand, and the investment landscape was littered with opportunity.

In this environment, Warren Buffett did some of his most famous buying (GEICO, Washington Post, etc.), and uttered one of his most famous lines: "I feel like a kid in the candy store."

Despite a sick tape and the current, increasingly annoying volatility, we feel the same way. First of all, we know that high dividend yields are a good place to start looking for investment value. Second, the Yield Group Candy Store is open for business, and is unusually well-stocked.

Figure 1

The Stocks of the LARGCAP Value-Yield Group and their Current Yields July 31, 2008

AT&T	5.19%
Bank of America	7.78
Bristol-Myers Squibb	5.87
Dow Chemical	5.04
duPont	3.74
General Electric	4.38
Home Depot	3.78
J.P. Morgan Chase	3.74
Lilly	3.99
Wells Fargo	4.10
AVERAGE	4.76%