



Recent News

▪ Taxes - The Other Certainty. April 15 has come and gone, but the pain usually sticks around for awhile. We have a few thoughts on the management of taxable portfolios, and are more than pleased to describe **Growth & Value 20** as inherently "tax-friendly." The details are provided on the reverse side.

▪ Long Walks in the Springtime. Russ Stewart and Jeff McPeck recently participated in or soon will participate in three local golf outings, of which Nottingham is a proud sponsor. First, there was the AFL-CIO Golf Outing, chaired by Doug Sizemore, at Kings Island. The tour then moved to Kenwood Country Club for the Big Brothers Big Sisters Golf Outing chaired by Cherise Duncan and Kathy List. Finally, there is Jim Reid's upcoming Shaker Run event for the benefit of the Cincinnati Building Trades. In each case, good people, good fun, good cause.

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	-7.69	-9.44	146.3	66	99.4	68	--
Annualized							
1997-2008	9.44	7.01					
2003-2007	14.85	12.83					
2005-2007	7.14	8.62					

*Net-of-fee

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 March 31, 2008, accounts with a fixed annual brokerage charge less than 0.25% of assets contained 52% 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.

The Other Certainty

"Let me tell you how it will be,
There's one for you, 19 for me.
Should 5% appear too small,
Be thankful I don't take it all."

--Taxman,
George Harrison (1966)

Benjamin Franklin's famous line about death and taxes is even more profound now than it was in 1789. For indeed taxes are a certainty throughout our lives, and, if most tax rates don't approach George Harrison's 95%, the burden in many cases is heavy. But - and this is one piece of good news - when financial assets are sold, some degrees of capital gains pain are lower than others.

According to our March 31 Business Profile, taxable investors make up 46% of our business. Effectively managing these client portfolios requires us, first, to pay strict attention to how long each stock has been held and, second, to engage in some form of "tax management" at year-end. The twin goals are to hold winning stocks for more than a year so that any realized gain qualifies for preferential tax treatment and to offset some or all of the year's aggregate realized gain total with realized losses. We thought you might be interested in the particulars and our thoughts in general.

Most important from our taxable clients' standpoint is that **Growth & Value 20** is what we call a "tax-friendly" investment strategy. That does not mean that our taxable clients pay no capital gains taxes. In fact, they do because the far more important objective around here is to pick stocks whose ultimate sale will produce profits, not losses. What "tax-friendly" does mean is that almost all of **Growth & Value 20's** winning stocks are held longer than one year. How do we know this? Because, first, the Strategy's sell disciplines are very specific and are applied only at certain points along the calendar and, second, from a lot of data like those of Figure 1, which focuses on the last five years. As these data show, the strict application of **Growth & Value 20's** sell disciplines would have resulted in only long-term capital gains in the 2004-2007 period and a 93% "success rate" in 2003. (Please note that we're talking about the **Growth & Value 20 model** and a strict application of the sell disciplines - the actual experience of a client over this period depends upon the timing and size of any withdrawals, the need to trim successful holdings, and several other factors.) Enough to make any accountant smile, even at midnight on April 15.

So, **Growth & Value 20** inherently is a tax-friendly strategy. Does that mean that things are on auto-pilot from a

tax standpoint? Hardly. Year-end is a busy time at World Headquarters. The Winter Program is our largest buy/sell program by far - usually five or six stocks on both the buy and sell sides are involved. First and foremost, therefore, we make sure that any losing stocks are sold in December and that the winners are sold in January. Not exactly nuclear engineering, but this simple bifurcation of the sell list does reduce the current year's tax burden and does postpone the winners' Day of Reckoning. These are good things.

Anything else at year-end? Sometimes, although we're generally not as aggressive as many are. What typically happens is that one or more of the year's

losing stocks re-qualify for the portfolio, but are sold and the loss realized nonetheless. The positions then are re-established (bought back) no fewer than 31 days later, as required. Whether or not this extra layer of tax management makes sense is a judgment call because paying up to re-establish these positions easily can offset the tax benefits. In fact, many studies have highlighted the very real risk

here because these losers often have been under selling pressure for awhile and, therefore, are prime candidates for big-time snap backs once the tax-selling subsides.

Bottom line: Most of our taxable clients enjoy the blessings of **Growth & Value 20** in the normal course of business. A much smaller number of our taxable clients view capital gains taxes as way more than a nuisance, and want us to act more aggressively, regardless of the cost of re-establishing positions, etc. This we can do.

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Ah, to live in an uncomplicated flat tax world. Until that magic day arrives, however, taxes will remain a major consideration for many investors, and tax-friendly investment strategies will belong at the center of their affairs. **Growth & Value 20** certainly qualifies for this role, and, at the margin, a little tax-management at year-end will continue to be a big help. Any way you slice it, it's not what you earn, it's what you keep. We want our clients to keep as much as possible.

