NOTTINGHILL INVESTMENT ADVISERS, Ltd.

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Recent News

Greece. Trouble in the euro zone to be sure, but, barring a highly unlikely, more regional contagion, the worldwide economic recovery should remain solidly on track. Corrections are an unfortunate and unavoidable aspect of all stock market advances. And, there's always a reason.

Yesterday's Gone. The economy and the markets bent in 2008-2009, but are far from broken. It's time to get back to a well-considered, well-structured investment plan. Lost Decades and bear markets typically are followed by much better times, and this time should be no different. Time to look forward, not backward. The facts, as we see them, are on the next page.

*The Value Plus Approach. If history is any guide, better times lie ahead, and we fully expect our clients to participate. As always, the key is a highly disciplined investment approach with Value investing at the heart of the matter. That's exactly where our re-configured, re-benchmarked, and even re-named (Growth & Value 20 is now **Value Plus**) line up of quantitative Value strategies belongs. Again, you're invited to read all about it, on page 3.*

Website. And, speaking of invitations, everybody's invited to visit our website, www.nottinghilladvisers.com, for a good look at all the work that we do.

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ABOUT THE FIRM

Nottinghill Investment Advisers, Ltd., is an SEC-registered adviser specializing in quantitative approaches to the management of large capitalization Value equities. Multiple sets of buy/sell disciplines govern all equity and balanced portfolios. The Firm also serves as the General Partner of Southampton Capital Partners, L.P., an Ohio limited partnership.

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. During certain high-risk periods, which are determined objectively, intermediate-term Treasuries are held instead of the latter, five-stock Momentum Group.

Investment Results

			End of the Period				
	Value Plus (%)	Russell 1000 Value Index (%)	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 QI	**4.10**	6.78	108.2	53	79.7	74	--
Annualized							
Life of the Strategy	**7.94**	6.44					
10 Years	**5.65**	3.10					
Five Years	**3.06**	1.04					
Three Years	**-5.88**	-7.33					

Nottinghill results are presented net-of-the management fee; all annualized returns are associated with time periods ending March 31, 2010

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 2002-2009 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.

Editor's Note: In 2003, as the stock market was coming out of the 2000-2002 bear market, Charles Schwab & Co., ran a series of ads urging investors to look forward, not backward, and to get back in sync with their long-term asset allocation plans. We penned a related 2003 piece, and the general theme is just as relevant and timely today. An updated version of that earlier piece is provided below, and we're following "Yesterday and Today (II)" with a few words about Value investing at the New Nottinghill and how we can help. Finally, on the last page, some related pearls of wisdom.

Yesterday and Today (II)

"...and yesterday's gone."
--*Chad Stuart and Jeremy Clyde*
(Chad and Jeremy), 1964

Okay, so the Greek situation is a bit of an unnerving wild card, but, as of this writing, the sovereign debt problem remains solely a Greek problem. Let's step back and focus on the whole of 2009-2010, which reminds us a lot of 2003, another post-apocalyptic time of stock market angst, bond market infatuation, and large cash balances on the sidelines. So much so that Charles Schwab & Co., the country's largest discount broker, finally launched a series of ads urging investors to look forward, not backward, and to get back to a well-conceived investment program. Many of those 2003 ads featured the question in the box below.

Proving once again that almost everything in life is cyclical, here we are again, and once more, Schwab's question is a good one. Sure, the 2007-2009 bear market was not your run-of-the mill downdraft, and the natural tendency <u>is</u> to sit on one's hands. But, things change. Let's forget about the negative headlines for a moment and take a May 2010 dispassionate look at the three objective ways we gauge stock market conditions.

> YOU'VE JUST SPENT THE LAST THREE YEARS
> **WAITING FOR THE MARKETS TO RECOVER**
> NOW WHAT ARE YOU GOING TO DO?

Market Leadership

Where the generals go, the troops usually follow, and the generals in this case are a 10-stock index of market leaders, a continually upgraded group of the market's best performers over the immediate past. The behavior of this so-called leadership index tells us a great deal about the overall market. More specifically, a healthy index (and therefore, healthy stock market) means that the market leadership is not too hot and not too cold.

Too hot? How about late-1999 when investors were pouring all their dollars into a small group of NASDAQ technology stocks, by definition the market leaders of the day. High-risk stock market. Trouble was bound to follow as the excesses were wrung out, and it sure did.

Too cold? In late-2007 - and, to us, this was <u>the</u> big lesson of the last bear market - the sudden, significant underperformance of <u>those</u> leadership stocks proved to be a powerful signal that all was not well in either stock market land or the overall economy. No stock market excesses to be wrung out; but, there <u>were</u> excesses elsewhere, and they were wrung out...viciously.

Not too hot, not too cold. We want the market leaders to be performing well, but we don't want them to be the only game in town. Our guidelines are objective, and our overall conclusion: The market leadership in mid-2010 is technically healthy, and there are no signs of the euphoria (for those leaders) that frequently characterizes higher-risk stock markets.

Interest Rate Trends

Rising interest rates typically are a stock market head wind. As to the present circumstance, we stated in our most recent client letter that there are two key questions at this juncture:

Given the levels of fiscal and monetary stimulus in recent times, ultimately, is there a bill to be paid in terms of higher inflation and (therefore) higher long-term interest rates? How quickly and to what extent will the Fed be forced to raise interest rates at the short end of the yield curve?

The answer: Impossible to say in both cases, but our market analysis work is not based upon futile attempts to forecast either bond market or Federal Reserve behavior. Rather, we take snapshots of where we are, and this is what we currently see in those snapshots. First, long-term interest rates have been drifting up from the rock-bottom, safe-haven levels of late 2008, so the trend clearly is up. But second, at the short end, the Fed has made it clear that getting this economy back on track is Job One, and rising short-term interest rates will not be allowed to de-rail the train.

The verdict: mixed. The trend at the long end is not our friend, but neither has the trend become a powerful enemy. At the short end, we're fine.

Relative Valuation

As stated, rising interest rates typically are a stock market head wind; but <u>high</u> interest rates are even more of a problem because fixed income securities compete with the stock market for all those investor dollars. Think 1981. Stocks were hardly expensive, but why risk it when you could buy ultra-safe 90-day Treasury bills yielding 15-16%?

Relative valuation is a key component of our work, and right now, stocks are by far the best value among the asset classes. Sure, the S&P 500 Index sells at 15-16x its expected 2010 earnings, but, with a 10-year Treasury yielding only 3.8% and a 90-day bill at 0.15%, stocks at most valuation levels have no competition. Again, interest rates appear to be on the rise, and someday fixed income securities may have the upper hand. But, that someday is not today.

Bottom line: The market leaders are not too hot, not too cold, and the troops are following; with respect to interest rate trends, it's a mixed picture, but certainly no disaster; stocks represent solid value relative to the fixed income competition. We deal in facts, and these are the facts. What the facts say is that, even after a 70% rally off the March 2009 bottom, it's time for a fresh look...a look ahead! As we said in 2003, yesterday's gone.

* *

Now, what's all this about a New Nottinghill, and how can that New Nottinghill help?

To Be A Value Investor

"If it looks like a duck, walks like a duck,
and quacks like a duck, it probably..."
--*anonymous*

A very large, very important 2009 project, which we undertook enthusiastically, was a complete review and subsequent re-configuring of our investment strategy line up. The result: a cleaner, clearer, more consistent message regarding who we are, the work that we do, and the clients we serve.

Well, it turns out that message can be even cleaner, clearer, and more consistent than we originally thought. Not long after the February Report Card went out, a learned friend of the Firm stopped by for some very high-quality time. At our friend's urging, we revisited an age-old question: Is our flagship equity strategy, in fact, a Large Capitalization Value strategy, or is it Large Capitalization Core? As a result of that "revisiting," the old reliable Growth & Value 20 has been renamed and re-positioned, with a new performance benchmark more reflective of the flagship strategy's mission in life.

That's a mouthful. What does it all mean?

It means that we are a Large Capitalization Value shop, and the focus of our flagship strategy is cheap, misunderstood, mispriced common stocks in the large capitalization part of the U.S. market. Sure, it's Value investing "with a twist" as one observer once said; but, the portfolio segment devoted to "the twist" is, by far, the smaller of the two – certainly not large enough to alter the basic nature of the approach. It is Large Capitalization Value.

What's the new name and why?

Growth & Value 20 is now **Value Plus**, which emphasizes the Strategy's basic nature (Value) as well as its advantage (the Plus) over other Large Capitalization Value approaches. That advantage: the five-stock Momentum Group and the fact that the **Value Plus** investor is not wed completely to any one portfolio management technique.

What's the new performance benchmark and why?

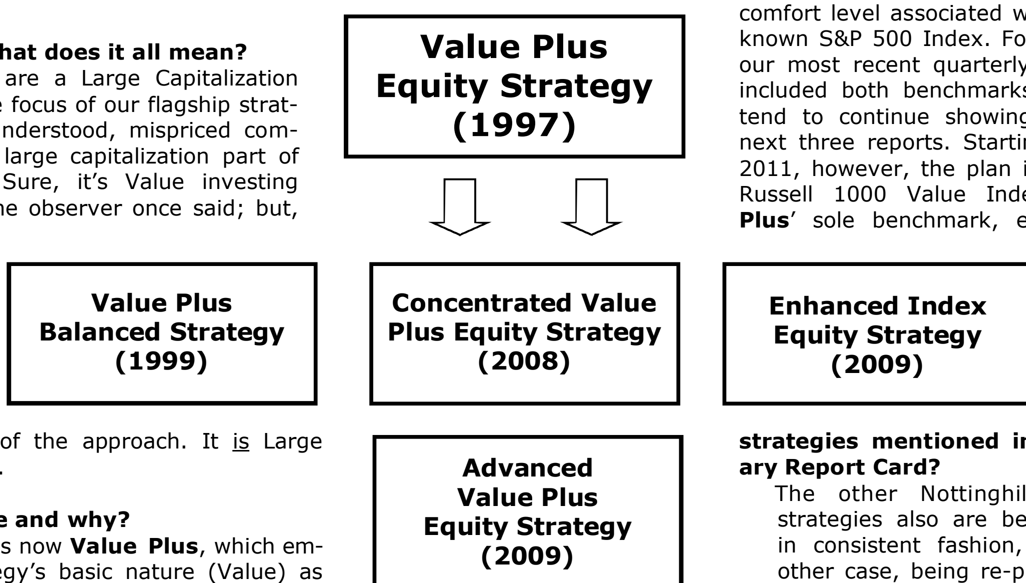
While a so-called Core manager should be evaluated with the help of a mainstream benchmark like the S&P 500 Index, a Value manager should be compared to a more narrowly defined, style-specific benchmark. The standard in the Large Cap Value part of the market has become the Russell 1000 Value Index. The math behind this index makes a great deal of sense, and the result is a good cross-section of common stocks with common characteristics...Value characteristics.

What about the investment process of Value Plus? Any changes?

Not at all. We're always taking things apart and looking for a better way; but, the Strategy's 13-year record, we're pleased to report, is a very good one, and we have no plans to re-vamp the buy/sell disciplines that produced that record.

Figure 1

The Value Plus Approach to Equity Investing



Then, exactly what does this mean to me, a client of the Firm, and other friends of the Firm?

With one exception, not much. The issue is largely an internal research/marketing one, however, changing the performance benchmark is a significant event. The mainstream S&P 500 Index has been the benchmark since Strategy inception (1997). Now, we're moving to the more style-specific Russell 1000 Value Index. We believe that performance versus the Russell is a better gauge of our contribution to our clients' affairs, but do acknowledge the comfort level associated with the widely known S&P 500 Index. For that reason, our most recent quarterly client report included both benchmarks, and we intend to continue showing both in the next three reports. Starting January 1, 2011, however, the plan is to have the Russell 1000 Value Index be **Value Plus**' sole benchmark, even in client reports.

What about the other Nottinghill strategies mentioned in the February Report Card?

The other Nottinghill investment strategies also are being re-named in consistent fashion, and, in one other case, being re-positioned as a Large Capitalization Value approach. As with **Value Plus,** this is where that strategy belongs.

* *

Our flagship Growth & Value 20 (now **Value Plus**) strategy has looked like, walked like, and quacked like the proverbial Large Capitalization Value duck for some time and more so in recent years. As our visitor suggested, it was time to acknowledge our true place in the cosmos, the place at which we serve in the typical investor's overall portfolio. This we are doing, and Figure 1 shows the newly re-configured, newly re-named, newly re-positioned investment strategy line up at Nottinghill Investment Advisers. As before, all strategies are quantitative and highly disciplined, all strategies emphasize large capitalization Value common stocks, and all strategies employ multiple sets of buy/sell disciplines in the same portfolio. The benefits to our clients and friends are clear. Those benefits show up in the multi-year track records of the work that we do.

The twin themes of this May 2010 Update are "Time to Get Back to the Plan" and "Value Investing at Nottinghill." In summary, we submit the following for your consideration:

> "No one has consistently made money by selling America short, and I am confident the same lesson is true today."
>
> --*Burton Malkiel;*
> *The Wall Street Journal,*
> *October 13, 2008*

> "Today, people who hold cash equivalents feel comfortable. They shouldn't. They have opted for a terrible long-term asset, one that pays virtually nothing and is certain to depreciate in value… Equities will almost certainly outperform cash over the next decade, probably by a substantial degree."
>
> --*Warren Buffett;*
> *New York Times,*
> *October 17, 2008*

> "Value investors suffer periods of underperformance, but Value is never out-of-style."
>
> --*Robert Olstein*