NOTTINGHILL INVESTMENT ADVISERS, Ltd.

An Update **Vol. XV No. 3** **August 2012**

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 equity and 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

			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	**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
2012 QI-QII	**4.10**	8.68	51.4	25	34.8	68	--
Annualized							
Life of the Strategy	**7.50**	6.61					
10 Years	**5.68**	5.27					
Five Years	**-2.22**	-2.19					
Three Years	**16.40**	15.81					

Nottinghill results are presented net-of-the management fee; all annualized returns are associated with time periods ending June 30, 2012

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.

Recent News

***U.S. Common Stocks**. Value Plus portfolios and the equity sectors of TPM portfolios tend to be fully invested in equities at all times. Does that mean that we have no thoughts on the overall state of the market? Not at all. We do have a few thoughts, and in fact, continue to be optimistic. Europe? A problem, but valuation and the sorry state of investor sentiment, in our view, are even more compelling. U.S. common stocks are cheap by any number of measures, and most investors remain uninterested. Strange as it may seem, these are fertile grounds for continued stock market progress, with an emphasis on "continued." The S&P 500 Index has more than doubled since the market low of March 2009.*

***Yield, Yield, Yield**. And, for most of that time, it's been the big dividend payers that have carried most of the load. Actually, not much of a surprise. Common stocks haven't had many fans, and dividends provide a measure of downside protection in case it's needed. At the same time, the yields available in the stock market stack up very well against Treasury yields.*

***"Price Doesn't Matter."** Speaking of which, Treasuries are the subject of the piece on the reverse side. Brand new ball game for this market, which we believe will be the focus of a lot of historians in the years ahead.*

***Website**. Value Plus? Total Portfolio Management? The 10-stock Yield Group? All the details are at www.nottinghilladvisers.com. You're always welcome.*

Southampton Square
7414 Jager Court
Cincinnati, OH 45230
513.624.3000 Tel
513.624.3003 Fax
www.nottinghilladvisers.com

"Price Doesn't Matter"

"An investment technique soars to its zenith of popularity just as it falls to its nadir of utility."
--The Iron Law of Money Management

September 1981. Ronald Reagan still is recovering from the Hinckley assassination attempt. Paul Volcker as inflation fighter is about to go from villain to hero. "Chariots of Fire" and "Endless Love" rule, respectively, the big screen and the pop music charts, while the Cincinnati Bengals (!) have begun their march to the Super Bowl. The stock market? Down and out, but that's about to change big-time. Treasuries? You could buy a 10-year note yielding 15.32%. Yes…15.32%, and not many takers.

Fast forward 27 years to December 2008. It's the month of Greg Maddux's retirement, the unmasking of Bernie Madoff, and Beyonce's "Single Ladies" at #1 on the charts. It's also the month we said our final goodbyes to Slingin' Sammy Baugh at 94 and Mark Felt ("Deep Throat") at 95. On the financial front, we're talking post-Lehman America. Fear rules, and investors everywhere are flocking to 10-year Treasuries yielding 2.16%. Lots of takers in late-2008. Welcome to the ultimate Fear Trade.

Two thousand-eight and its widespread fear seem like a lifetime ago, but we remember all the teeth gnashing that went with those unheard-of yields. Even as they lined up with their checkbooks, professional and non-professional alike talked about the economies of the world eventually snapping back, the dangers associated with rapid-fire money-printing, and the likelihood that inflation ultimately would rear its ugly head. The talk was that yields eventually had to rise from those "artificially depressed" 2008 levels, and Treasury prices would tumble.

But, the New Momentum in Treasury yields was not to be deterred. Three and one-half years later, the 10-year Treasury yield is lower still at about 1.5%. Not exactly boom times; but, economies have snapped back, and the money printing has gone on and on. And yet, no inflation, and yields have declined further. Why? Because fear is a powerful force, and widespread fear still powers the New Momentum of bankers and governments seeking the safest collateral and others the safest of safe-havens...by all accounts regardless of how low yields go.

"Regardless of how low yields go," of course, is another way of saying "price doesn't matter." But, we all know that price always matters eventually. At some point, the memories associated with 2008, the Great Recession, Greece, etc., will fade as all memories do. At that point, a lot of people will be left with a lot of paper that they and/or their forebears shunned when it was yielding over 15% and feverishly bought when it was yielding less than 2%. Fear does that in the world of investing, but, as someone said recently, the world can only end once, and some random Monday or Tuesday in mid-2012 probably isn't it.

What to do?

Continue to maintain a position in Treasuries, but not much of one. They deserve a place because they are a safe haven in the midst of one type of storm. On the other hand, whenever enough people start saying that price doesn't matter and/or behaving as if it doesn't matter, trust us, it's not a good time to be overly exposed to whatever's being discussed.

Diversify, diversify, diversify. This reminds us of what the movie director Peter Bogdanovich once said. When asked who he thought were the three best directors of all-time, he said, "John Ford, John Ford, John Ford." In both cases, the repetition is for emphasis. Diversification is always a good idea - investors should have exposure everywhere, and be overly concentrated nowhere.

Emphasize equities. Stay diversified; but, common stocks in mid-2012 offer inordinate value, and deserve a prominent role in just about everybody's portfolio.

Emphasize Value equities. The Growth style of investing has been the clear winner off the 2009 market bottom, and it's time for the pendulum to swing back (it always does). And, Value investing with its emphasis upon cheap assets and high yields is the long-term winner anyway.

Bring emerging markets equities into the mix. A very good, diversifying asset class backed by favorable demographics and solid growth prospects. The Wild West? It can be, so stick with widely diversified index funds and ETFs.

Take a hard look at gold. The barbarous relic is almost 20% off its 2012 high, continues to have good prospects in an inflating world, and marches to its own drummer versus stocks and bonds.

Whatever you do, however, be cognizant of how well Treasuries have done over the past few years. This party, just like the Conglomerate Party or the Nifty Fifty Party or the Dot.Com Party, won't last forever. But, it has been a blast. In fact, for all that will be written about Lehman, the Financial Crisis, and the 2008 stock market, we believe that, 20-30 years from now, the Treasury market of 2008-2012 is what will cause the most head-scratching. Price always matters...eventually.

We would like to hear from you. Your questions, comments, and requests for information are welcome at our e-mail addresses: mcpeek@nottinghilladvisers.com, jem@nottinghilladvisers.com, and lmason@nottinghilladvisers.com.