



Recent News

▪ *Staying the Course.* Bear markets, while inevitable, are never fun, and this one has been particularly unnerving for a couple of reasons. In the midst of the market turmoil, however, two legendary witnesses to many markets of all sizes and shapes penned a couple of brief, but very noteworthy, sets of observations. These gentlemen are quoted liberally on the reverse side.

▪ *Index Plus.* Nottingham never sleeps. We are pleased to announce a new addition to our family of disciplined equity and balanced strategies. We're calling it Index Plus, a so-called Core-Satellite approach in which an actively managed sub-portfolio (25% of assets) is combined with an S&P 500 index fund (the remaining 75% of assets). The benefits: investment returns superior to the Index (if our research is indicative), investment returns more highly correlated with those of the Index, low transaction costs, low management fees. We already know how well Index Plus would have done, but the official track record starts January 1. In the meantime, we're enclosing a few more of the details, as well as a portion of the Strategy's background data.

Referrals

We take great pride in the fact that client and third-party referrals have been a large part of our success 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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NOTTINGHILL INVESTMENT ADVISERS, Ltd.

An Update

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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-QIII	-19.10	-19.29	115.4	65	84.8	73	--

Annualized

Life of the Strategy	7.80	5.66
10 Years	6.68	3.06
Seven Years	5.47	3.50
Five Years	6.32	5.17
Three Years	-3.28	0.22

Nottingham results are presented net-of-the management fee; all annualized returns are associated with periods ending September 30, 2008

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 September 30, 2008, accounts with a fixed annual brokerage charge less than 0.25% of assets contained 54% 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.

Words of Wisdom in Emotional Times

The recession is here. Unfortunately, so is the bear market, and any investor, young or old, neophyte or professional, who dismisses it all with a wave of the hand is kidding himself/herself and you. Bear markets simply are not at all fun, and this one, because of the extreme volatility and the constant media bombardment, is more unnerving than most. You know and we know that staying the course with a well-conceived investment plan is harder than ever, but the need to deal effectively with the 1970s and the 2000s is reason enough to have a plan in the first place. The alternative, i.e., having an asset allocation structure that responds to the overnight Asian markets or the 6 a.m. S&P futures or "market conditions" in general, is a prescription for mediocrity at best and, at worst, disaster. All of these years watching markets go up and markets go down tell us that this is so.

But, we are not alone in preaching the virtues of preparedness and discipline. On October 13, "Keep Your Money in the Market" by the great Burton Malkiel of Princeton appeared in the Wall Street Journal. This excellent piece was followed a few days later by Warren Buffett's now-famous New York Times article ("Buy American. I Am.," October 17) on the value that currently exists in the U.S. stock market. Malkiel first, however. His main contention:

"A century of investing experience, as well as insights from the field of behavioral finance, suggest that investors who bail out of equities during times like these are almost always making the wrong decision."

Malkiel admits that, in retrospect, selling all of one's equities a year ago has a certain appeal and that trying to time the market always is tempting, but

"...neither individuals nor investment professionals can consistently time the market. The herd instinct is extraordinarily powerful."

A case in point:

"When the economy and the stock market were booming in early 2000, investors could easily convince themselves that prosperity would continue without interruption and that stocks catering to the 'New Economy' were surefire tickets to wealth. Individuals poured more money into equity mutual funds during the last quarter of 1999 and the first quarter of 2000 than ever before. And not only was the timing wrong, so was the selection of funds. The money flow was directed to the hot Internet funds. Investors liquidated 'value' funds that owned less exciting businesses, whose stocks sold at only modest multiples of their earnings and book values."

And, in bear markets...

"Panic is just as infectious as blind optimism. During the third quarter of 2002, which turned out to be the bottom of a punishing bear market, investors redeemed their mutual funds in droves. My own calculations show that in the aggregate investors who moved money in and out of equity mutual funds underperformed the buy-and-hold investors by almost three percentage points per year during the 1995-2007 period."

Malkiel's bottom line advice: Establish an equity/bond mix suitable to your age and overall circumstances, and then re-establish that

mix at the beginning of each year. In other words, sell stocks and buy bonds after good years such as 1999, and sell bonds and buy stocks following years like 1974 or 2002 or 2008.

His last thought:

"No one has consistently made money by selling America short, and I am confident the same lesson is true today."

The man is a genius and is right on. Now, how about those valuations that we always talk about? Do they support the case for U.S. equities in late-2008? Yes, they do, and Warren Buffett's well-publicized piece in the New York Times says it all. His opening acknowledgment:

"The financial world is a mess, both in the United States and abroad. Its problems, moreover, have been leaking into the general economy, and the leaks are now turning into a gusher."

So, he says,

"I've been buying American stocks."

Why?

"A simple rule dictates my buying: Be fearful when others are greedy and be greedy when others are fearful."

That said, he echoes Malkiel's view that attempts by mere mortals to pick market bottoms (and presumably market tops) are futile. Specifically,

"Let me be clear on one point: I can't predict the short-term movements of the stock market. I haven't the faintest idea as to whether stocks will be higher or lower a month - or a year - from now. What is likely, however, is that the market will move higher, perhaps substantially so, well before either sentiment or the economy turns up. So, if you wait for the robins, spring will be over."

He elaborates later in the article.

"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. Those investors who cling now to cash are betting they can efficiently time their move away from it later. In waiting for the comfort of good news, they are ignoring Wayne Gretzky's advice: 'I skate to where the puck is going to be, not to where it has been.'"

* * * * *

Two remarkable investors, two remarkable sets of observations. The overriding objective in each case: to strip away the emotion that threatens to control all of our actions during times like these. We applaud these gentlemen. This too will pass, and the well-conceived investment plan will continue to deliver.