



♦ The key to investment success is discipline.  
♦ Over time, common stocks deliver the highest rate of return; over time, the Value style of investing outperforms the Growth style, but both should be represented in the overall portfolio.



## Value Plus Balanced Strategy



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### Investment Objective

The objective of this Large Capitalization Value Balanced approach is to provide over the life of the Strategy and over every three-year period an investment return superior to that of an appropriate Balanced Index, typically weighted 60% S&P 500 Index, 30% Barclays Capital Intermediate Treasury Index, and 10% U.S. Treasury bills.

### Investment Philosophy

The Efficient Market Hypothesis (EMH), which questions the ability of active equity management to outperform the market indexes on a consistent basis, is largely valid; however, there are three exploitable anomalies within the EMH:

- **The Yield Effect** - In a limited-candidate universe of large capitalization stocks, the highest yielding stocks tend to become superior performers
- **The Contrarian Effect** - In a limited-candidate universe of large capitalization stocks, the worst multi-year performers tend to become superior performers over the subsequent multi-year period
- **The Momentum Effect** - In a broad universe of candidates, the strongest performers tend to remain strong performers

Combining the three sets of buy/sell disciplines exploiting these anomalies produces consistently superior investment returns from the portfolio's equity component. A fixed income component further stabilizes the pattern of these returns.

### Investment Process

The Value Plus Balanced Strategy is a combination of Nottingham's Value Plus Equity Strategy and a passively managed fixed income component. The latter at all times consists of several Treasury notes with staggered maturities between two and 10 years. The Value Plus equity sector typically consists of 20 stocks in three independently managed groups:



**May 2011**

**February Report Card 2011**

**November 2010**

**August 2010**

**May 2010**

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The Yield Group stocks are selected from the 75-candidate LARGCAP Universe on the basis of high dividend yield; each stock then is sold only when its yield is no longer competitive. The Contrarian Group also is selected from the LARGCAP Universe, on the basis of multi-year underperformance. The Group then is held for a multi-year period of recovery. Finally, Momentum Group stocks are selected from the S&P 500 on the basis of superior performance, and are held only as long as they remain superior performers. Each Group has a role to

play. The Yield Group is the Downside Protectors, which are expected to perform well in difficult markets. The Contrarian and Momentum Groups are the Performance Drivers, and are expected to perform well in favorable markets. As a result, the Value Plus strategy, among a select few, has the opportunity to provide superior returns in all phases of the market cycle, and the use of multiple sets of buy/sell disciplines results in a more consistent pattern of superior returns. The portfolio's fixed income (Treasury) sector further stabilizes the pattern of returns, and provides a good measure of sanctuary in times of stress.

### Performance Summary

	End of the Period						
	Value Plus Balanced (%)	Balanced Index (%)	Firm Assets (\$/mm)	Composite Portfolios (#)	Composite Assets (\$/mm)	% of Firm Assets (%)	Annual Composite Dispersion (%)
1999 QII-QIV	6.22	9.92	31.7	1	0.2	1	--
2000	5.95	-2.04	27.0	1	0.3	1	--
2001	2.84	-3.83	31.5	2	0.5	2	--
2002	-8.18	-10.32	36.1	6	1.6	4	0.94
2003	22.57	17.65	57.7	6	2.0	3	1.37
2004	12.91	7.32	70.8	6	2.5	4	1.12
2005	8.88	3.76	123.1	7	3.5	3	0.70
2006	13.61	11.87	162.3	7	4.2	3	1.67
2007	-2.07	6.50	162.5	9	4.9	3	1.16
2008	-21.88	-20.47	88.0	9	3.7	4	4.67
2009	20.60	15.41	107.6	9	4.2	4	5.03
2010	8.97	11.13	80.5	8	4.2	5	0.66
2011 QI-QII	2.76	4.30	77.9	8	4.2	5	--
<b>Annualized</b>							
Life of the Strategy	5.28	3.53					
10 Years	5.29	4.23					
Five Years	2.76	4.17					
Three Years	3.18	3.57					

*Nottingham results are presented net-of-the management fee; the Balanced Index is weighted 60% S&P 500 Index, 30% Barclays Capital Intermediate Treasury Index, 10% 90-day Treasury bills; all annualized returns are associated with time periods ending June 30, 2011*

#### PERFORMANCE DISCLOSURE STATEMENT

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 (AIM®-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.

- 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 AIM®-PPS™ for, respectively, the 1996-2001 and 2002-2005 periods. 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.
- The Value Plus Balanced 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 AIM®-PPS™ of April 1, 1999.
- No segments of other portfolio composites and no accounts with a fixed annual broker charge are included in the Value Plus Balanced composite.
- The most appropriate benchmark for the Value Plus Balanced strategy is the Balanced Index, an unmanaged, 60%/30%/10% blend of S&P 500 Index, Barclays Capital Intermediate Treasury Index, and 90-day Treasury bill returns. Index performance includes price change and income, however, the Index has no expenses. The Balanced Index has been the benchmark since inception.
- 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 associated with the equity sector is 1.0% of the first \$1 million, 0.75% of the next \$4 million, and 0.50% of remaining assets. The fee schedule associated with the fixed income sector is 0.25% of assets.
- 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.
- All performance calculations are based upon trade-date accounting, and, except where otherwise noted, are associated with time periods ending December 31.
- Performance is expressed in U.S. Dollars.
- Annual composite dispersion is the asset-weighted standard deviation of gross investment returns.
- Exchange-Traded Fund shares may be utilized in this strategy from time to time. No other derivatives and no leverage are employed.
- Past performance is no guarantee of future results.
- A complete list of Nottingham performance composites and additional information regarding the calculation

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