NOTTINGHILL INVESTMENT ADVISERS, Ltd.

An Update **Vol. XVI No. 4** **November 2011**

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. 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 QI-QIII	**-11.54**	-11.24	58.0	44	35.9	62	--
Annualized							
Life of the Strategy	**6.84**	5.48					
10 Years	**4.77**	3.35					
Five Years	**-2.04**	-3.53					
Three Years	**3.15**	-1.53					

Nottinghill results are presented net-of-the management fee; all annualized returns are associated with time periods ending September 30, 2011

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

*Stocks and Bonds. No October ghost this year. The stock market rally was powerful and widespread. Of course, the debt-ceiling mess, Euro-zone worries, and some bad U.S. data had caused a few problems in the third quarter, and stocks looked like they could rally off some pretty depressed end-of-quarter levels. How bad was it? At only 13x the earnings of its component companies, the S&P 500 Index sold at a level not seen in 20 years. Yields? How's this for an example? On September 30, the average yield within **Value Plus**' 10-stock Yield Group was 4.32%, while a 10-year Treasury note on that date yielded only 2.09%. No surprise, stock market value prevailed in October.*

*Taxes. "The Other Certainty," as we say on the reverse side. Like transaction costs and management fees, taxes matter, and we have a few thoughts on **Value Plus**' tax-friendly status and how we take advantage of it for the benefit of our clients.*

Total Portfolio Management. Our new approach to the management of a widely diversified balanced portfolio is up and running. One-stop shopping. The complete answer. However it's described, TPM delivers. We invite you to take a look at our website.

Website. Speaking of which, you're always welcome at www.nottinghilladvisers.com.

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Editor's Note: In response to numerous tax-related questions, we first penned "The Other Certainty" for this space in May 2008. Much of that earlier piece bears repeating, therefore, an updated slightly reworked version appears below.

The Other Certainty (II)

"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,
the Beatles (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 September 30 Business Profile, taxable investors make up 32% 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.

Figure 1

Realized Capital Gain Summary
2006-2010

	2006	2007	2008	2009	2010
Long-Term*	100%	100%	100%	100%	94%
Short-Term**	0	0	0	0	6

*The gross realized gains associated with the sale of all model portfolio stocks held for at least one year; assumes equal-weighted positions at purchase

**The gross realized gains associated with the sale of all model portfolio stocks held for less than one year; assumes equal-weighted positions at purchase

Most important from our taxable clients' standpoint, **Value Plus** 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 **Value Plus**' 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 **Value Plus**' sell disciplines would have resulted in only long-term capital gains in the 2006-2009 period and a 94% "success rate" in 2010. (Please note that we're talking about the **Value Plus** 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, **Value Plus** 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. First and foremost, we make sure that any losing stocks are sold in December and that the winners are sold in January. Not exactly rocket science, 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. What can happen 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 **Value Plus** 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.

* *

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. **Value Plus** 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.