New Albany
Investment Management

MARKET INSIGHT…

- Performance
- Economic Update
- Charts* of Interest

*Provided by Strategas Research Partners LLC

August 18, 2011

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PERFORMANCE: as of 8-18-2011

N A I M

Sector	Week	3Mo	YTD
S&P 500	-2.7%	-15.2%	-8.2%
Russell 2000 (small/mid Cap)	-4.2%	-20.0%	-15.2%
MSCI EAFE (Eurp. Asia, Far East)	0.0	-18.0%	-9.6%
MSCI Emerging Mkt	4.0%	-9.6%	-11.0%
US Bonds (Barclay's agg. Index)	0.7%	2.6%	4.3%
High Yield Bonds (US)	1.0%	-3.0%	2.5%
GLD (Net asset value)	4.0%	22.0%	28.2%
Real Estate	-4.3%	-10.8%	-0.7%
Energy	-3.1%	-13.5%	-3.4%

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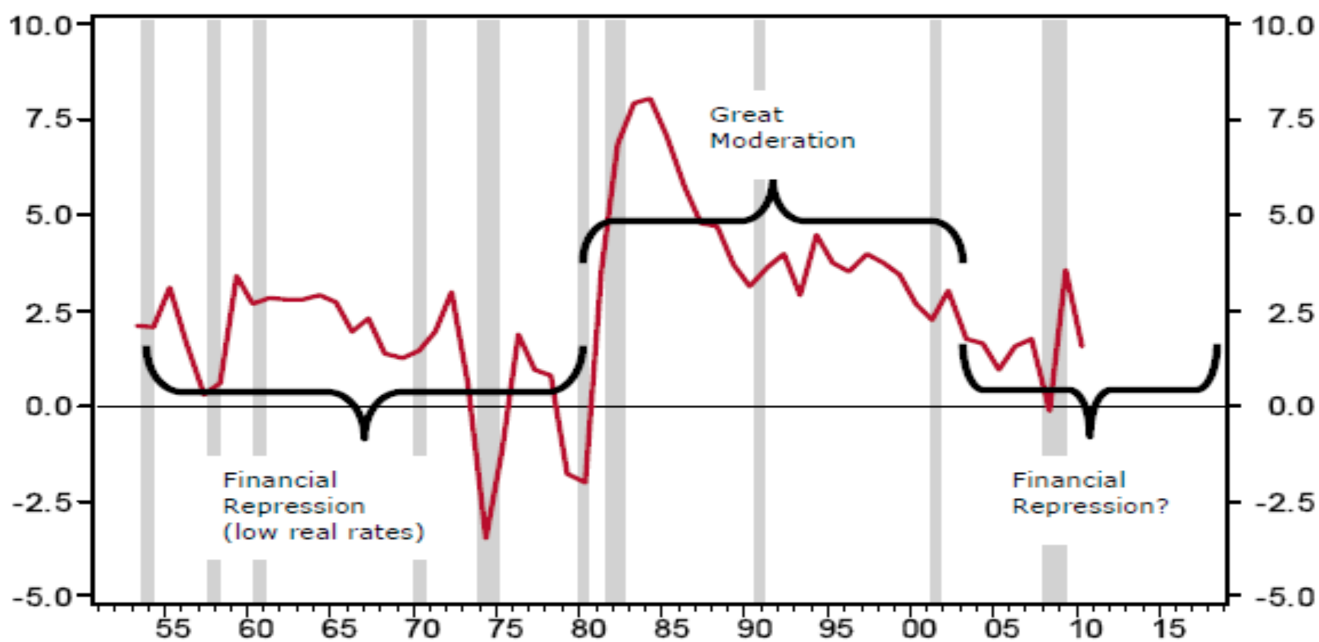
Economy: Financial Repression = Government led Recession

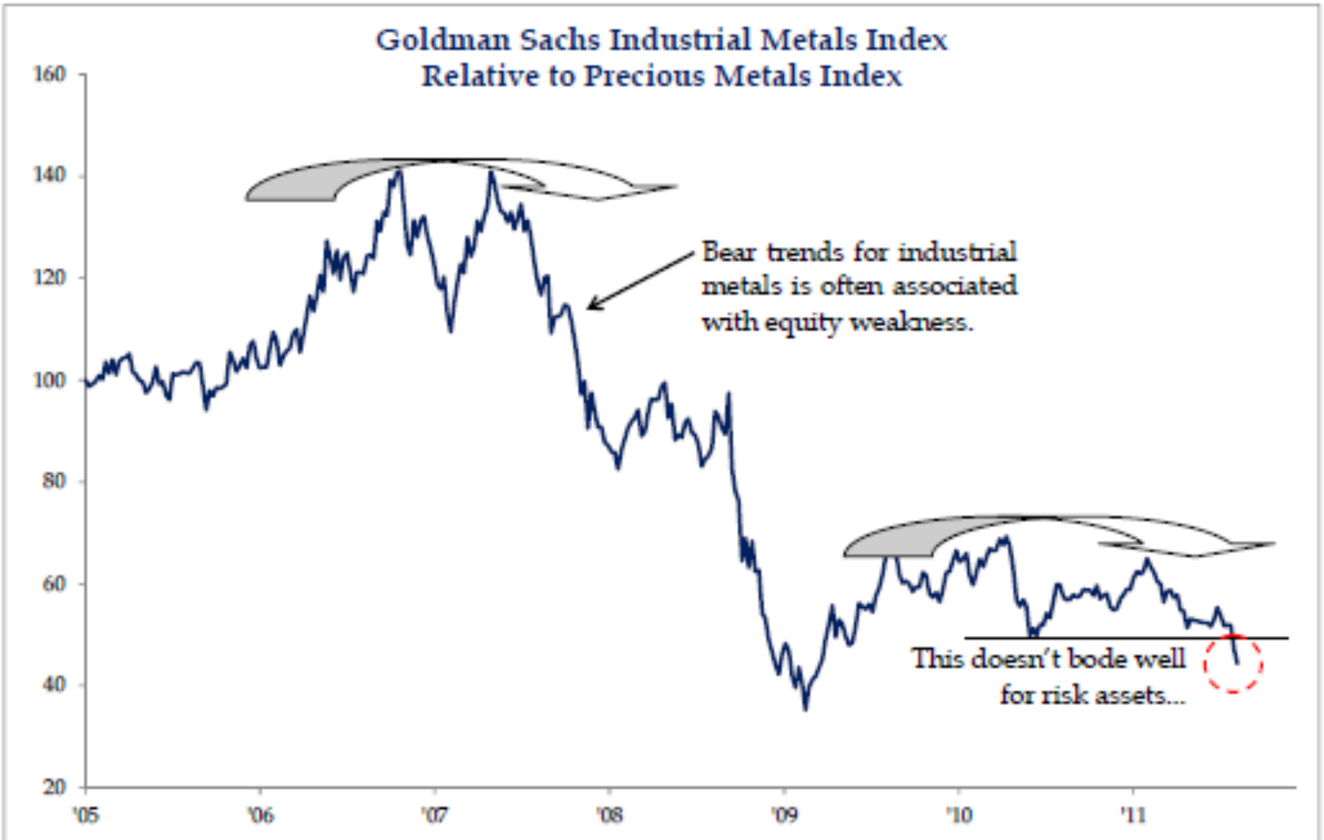
Four Sectors of Economy: 1) households, 2) business, 3) foreign, and 4) government. The past 30 years of the U.S. economy as household-led – that is, real interest rates came down every time the economy weakened (eg, 1985 and 1995) and the household sector leveraged up (mainly using their homes as collateral), supporting growth. **This story is over**, "financial repression" (low real interest rates for a long time) is now the base case.



Financial Repression (low real interest rates) should mean that the investment environment going forward may be more similar to the (more volatile) investing environment of the 1950s or 1970s, rather than the "Great Moderation" of the 1980s and 1990s.

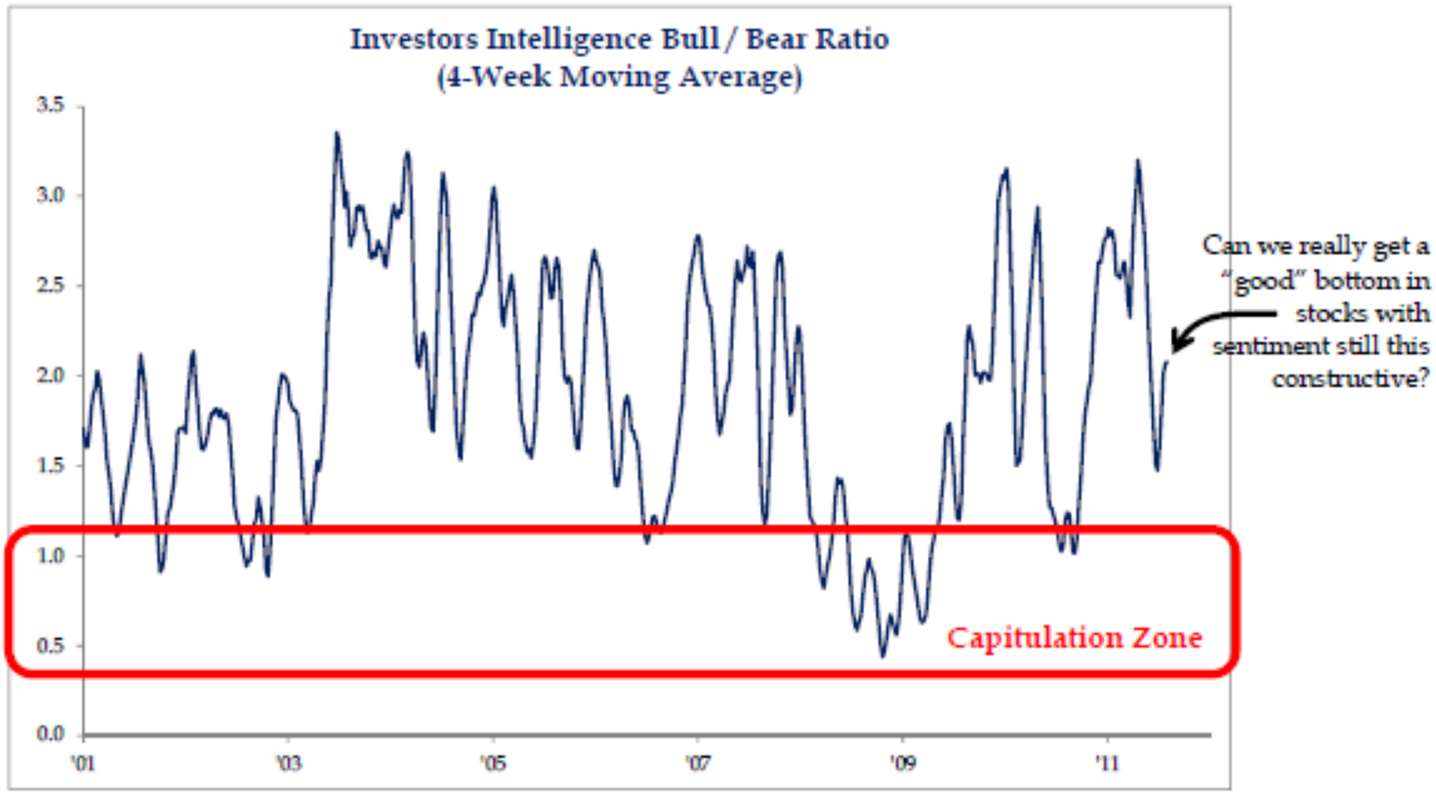
Industrial Metal Prices: A Foreshadow of Equity Weakness

INDUSTRIAL METALS WEAK



Market Internals: Bottom not in yet.

WE WOULDN'T CHARACTERIZE SENTIMENT AS CAPITULATIVE, BULLS STILL OUT NUMBER THE BEARS 2 TO 1



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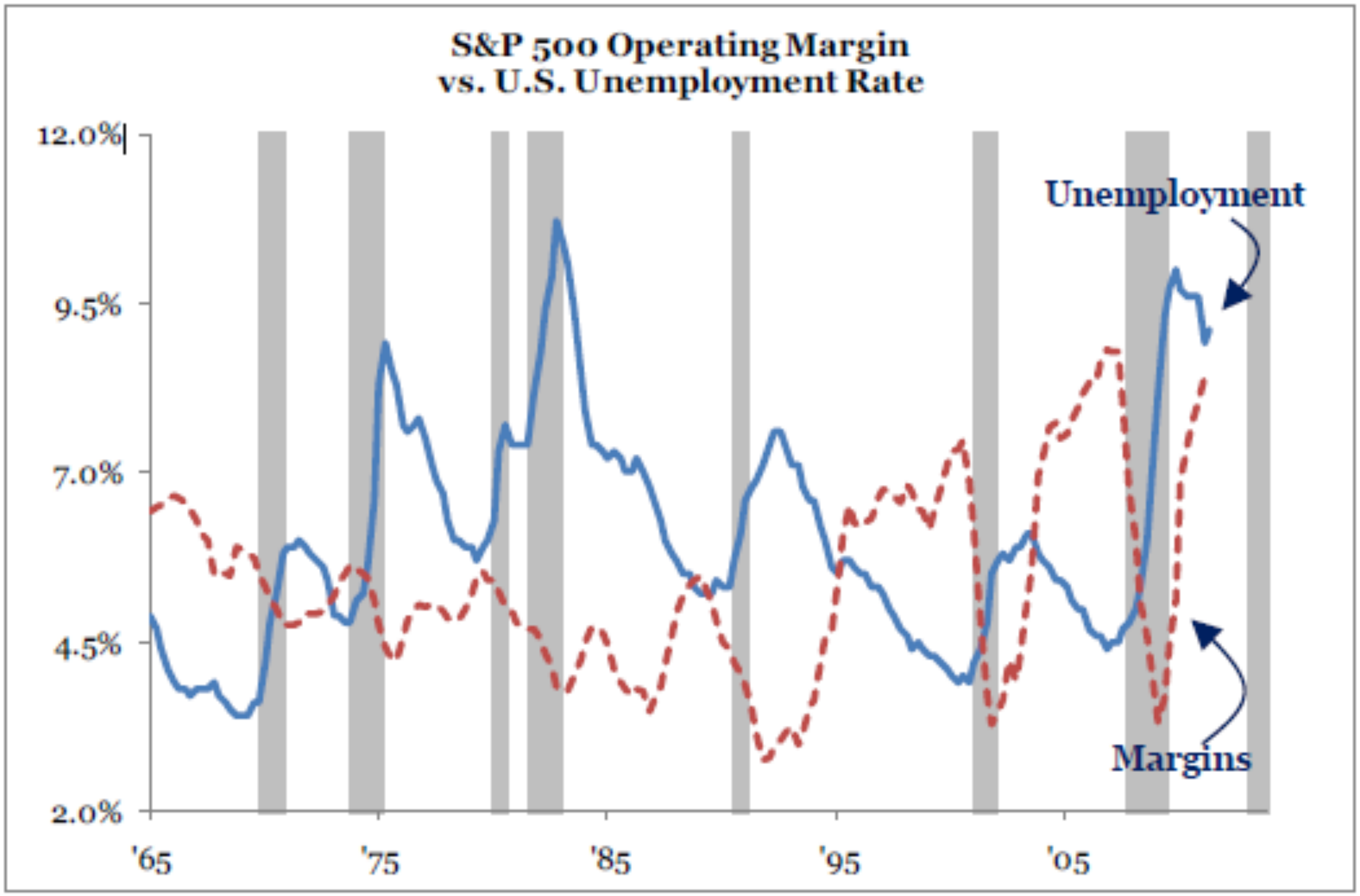
Earnings Outlook: Tough for Margins to Expand further given High Unemployment



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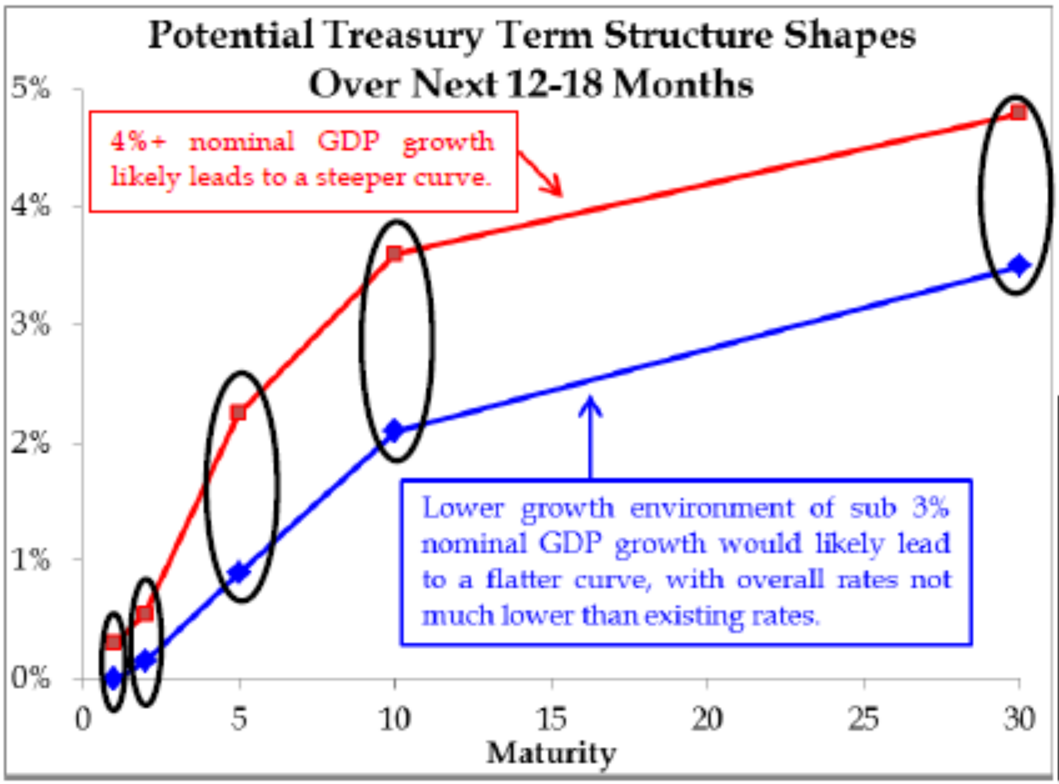
China Renminbi continues to Appreciate Against US$

U.S. PREOCCUPIED WITH DEBT CEILING, MEANWHILE YUAN APPRECIATES FURTHER AGAINST US$

Fed's Promise: Hold short rates at ZERO, implies 5 & 10yr rates will float with economic data

HIGHER GROWTH WOULD ALLOW 30 YEAR YIELD TO RISE, WITH MORE VOLATILITY FOR 5 AND 10 YEAR YIELDS



Any uptick in growth would likely have a limited impact on short rates over the next 12-18 months, though 5 year and 10 year yields could swing around violently while 30 year rates edge higher.

Potential Yield Ranges		
Maturity	**Low Rate**	**High Rate**
1	0.00%	0.30%
2	0.15%	0.55%
5	0.90%	2.25%
10	2.10%	3.60%
30	3.50%	4.80%

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MARKET STRATEGY: Sell Equity Rallies

1) Equities now viewed as source of yield, not appreciation. Look for dividend growers
2) Technology remain relatively strong.
3) Avoid Discretionary and Stocks dependent on Government Spending.
4) Long Precious Metals; Gold & Silver
5) Avoid Energy, Financials, Small caps, Real Estate
6) Bonds: High Quality Corporates should hold up well
7) US Dollar strong against Euro, weak against Asian currencies
8) Global Operators can continue to be profitable
9) Long Volatility

MARKET: Macro uncertainty will keep prices low

Current level S & P = 1114. Rallies are opportunity to sell.

2011 S&P 500 Expected Value Table

Probability	Economy	S&P Earnings	Expected Multiple	Implied S&P 500
5%	Recession	$84.00	11x	924
65%	Base Case: Macro Uncertainty	$94.25	13x	1,225
20%	Positive Policy Response	$94.25	16x	1,508
10%	Upside Surprise	$98.00	14x	1,372
			Expected Value	1,281

Strategy: Diversification is Key in Volatile Markets