New Albany
Investment Management

MARKET INSIGHT…

- Performance
- Economic Update
- Charts* of Interest

*Provided by Strategas Research Partners LLC

January 9 , 2012

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PERFORMANCE: as of 1/6/12

N A I M

Sector	Week	3Mo	1yr
S&P 500	1.3%	10.3%	2.4%
Russell 2000 (small/mid Cap)	1.2%	11.7%	-4.0%
MSCI EAFE (Eurp. Asia, Far East)	-0.4%	2.4%	-12.0%
MSCI Emerging Mkt	1.6%	2.4%	-19.7%
US Bonds (Barclay's agg. Index)	-0.1%	1.3%	8.1%
High Yield Bonds (US)	0.8%	8.3%	4.3%
GLD (Net asset value)	-6.7%	-11.2%	12.6%
Defensive Sector	-0.3%	8.8%	12.5%
Cyclical Sector	2.7%	10.9%	-6.4%

Market Summary:

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Economic Landscape:

As we look forward to what 2012 may have in store, there are many factors, both good and bad, to consider. As the chart on the next page shows, key negatives are:

-Poor market depth (only low risk assets are moving up)
-Under performance of Emerging Markets (they have generally been a market leader)
-3mo Libor at a 3yr high (banks are reluctant to lend to each other- do they know something we don't?)
-Italian 10yr yields hovering at 7% (a sign the credit markets are signaling financial strain)
-Europe economy is probably in a recession

At the same time, there are indeed a few positives:

-Transportation stocks (typically a market leader) are moving up
- Investor sentiment is negative (an inverse barometer)
-Strong seasonal flows in January gives a lift to stocks
-US 4th quarter economic numbers are strong. But how will the 1st quarter look with stimulus rolling off?

When you put these all together into one picture, it shows a market that is still in the 'risk-off' mode which means the least risky, low beta asset sectors like mega cap, dividend payers and high quality Bonds will perform the best. At the same time, the market is probably in a trading range, held in check by many political cross currents. The market needs clarity. Clarity gives investors confidence to drive prices higher.

Markets: Macro Overhangs Remain.

Defensive sectors like Large cap consumer likely the best sector

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The Bull Case	The Bear Case
Dow Transports Outperforming	Just 37% of Stocks Above 200-Day MA
Investor Sentiment & Flows	18 of 20 G-20 Markets in Bear Trend
Strong Seasonal in January	Bellwether Index Continues to Struggle
New NYSE Highs Have Begun to Pick Up	Emerging Markets Still Trade Poorly
VIX Curve is in Contango	Base Metals & Materials Remain Weak
Higher-Lows on SPX Chart Since October	LIBOR Spreads at 2.5 Year Highs
Some Mega-Caps in Stealth Bull Markets	Italian 10YR Yields Remain Near 7%
	Euro Chart Still Vulnerable

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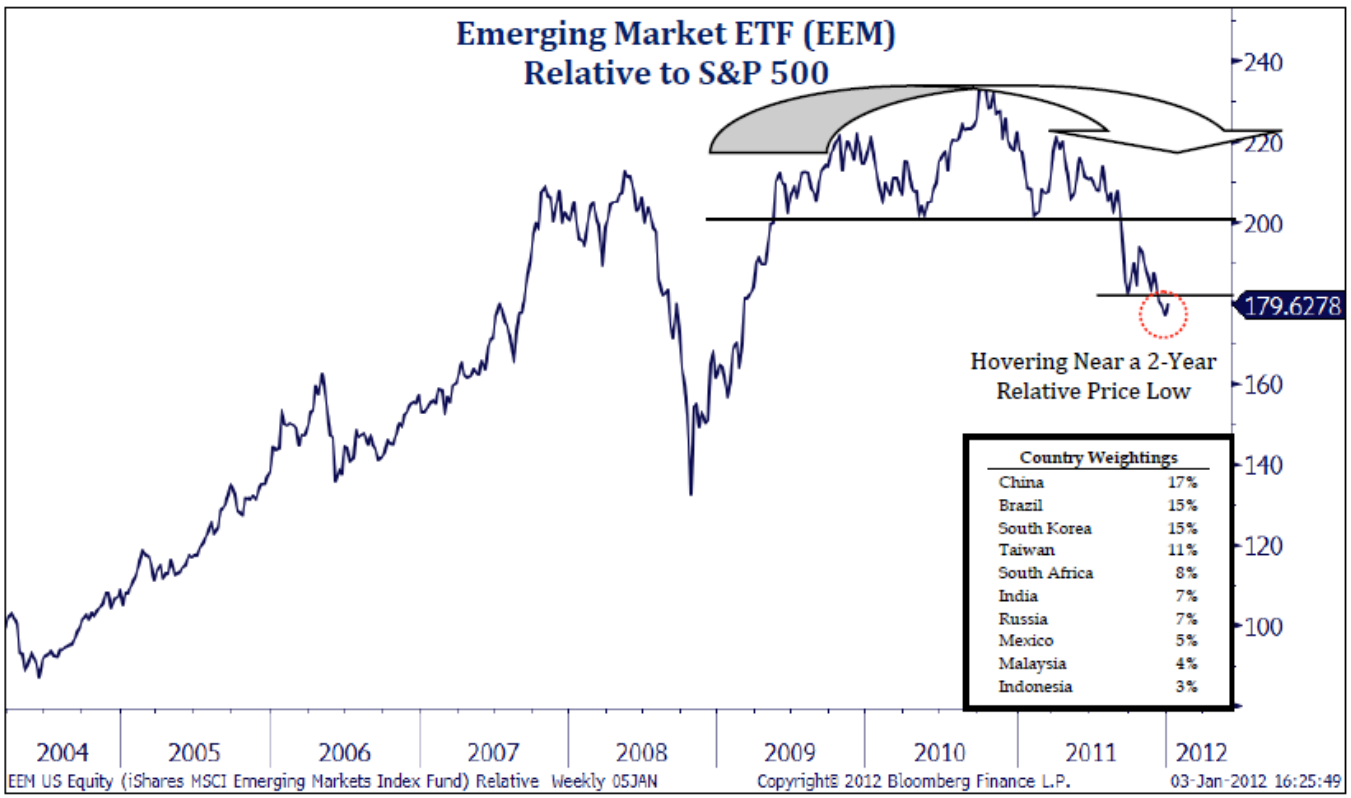
Markets: Emerging Markets remain weak relative to S&P They have typically lead broad market direction.

THE EMERGING MARKET CHART REMAINS WEAK, STILL A REASON FOR PAUSE



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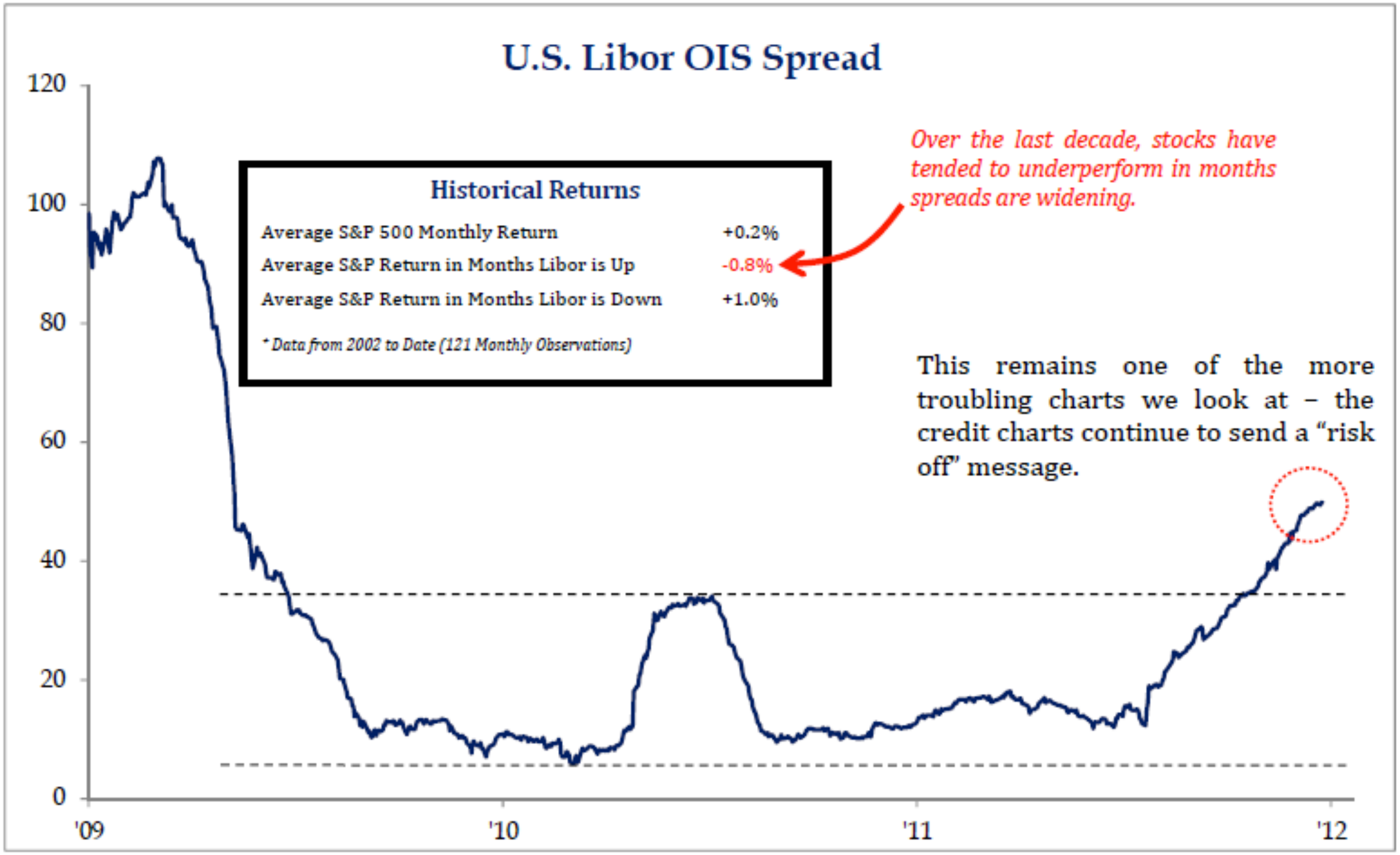
Credit Markets: Typically Lead the Market and are Barometer of Economic Health



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Markets: Index Masking Pain of Average Stock Performance

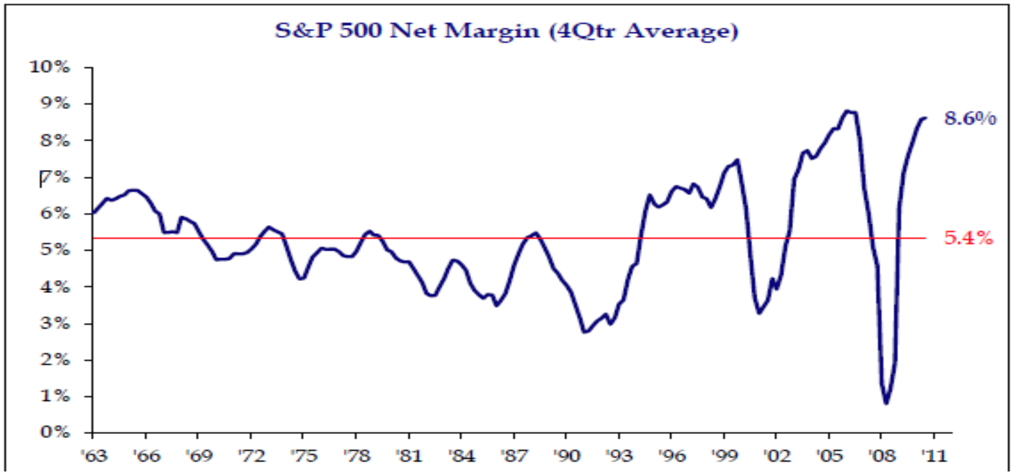
S&P 500 Average Stock Performance vs. Headline Index Performance

	2H Index Performance	2H Eq-Wtd Performance	Difference
Telecom	-6.1%	-21.0%	-14.9%
Technology	0.1%	-10.4%	-10.5%
Health Care	-3.8%	-10.4%	-6.6%
Energy	-9.1%	-14.1%	-5.0%
S&P 500	***-6.0%***	***-9.7%***	***-3.7%***
Staples	2.6%	-0.8%	-3.4%
Discretionary	-4.1%	-6.1%	-2.0%
Materials	-14.7%	-15.6%	-0.9%
Utilities	4.9%	4.2%	-0.7%
Industrials	-10.1%	-10.4%	-0.3%
Financials	-17.0%	-15.8%	1.2%

As of 12/20/11

The average stock in the S&P 500 has materially underperformed the headline Index – which is cap-weighted – during the second half of this year.

Earnings & Multiples: Profit Margins near all time high but can they remain given flat economic growth forecast?



2012 S&P 500 Expected Value Table

Probability	Economy	S&P Earnings	Expected Multiple	Implied S&P 500
35%	Recession	$86.00	11x	946
30%	Macro Uncertainty	$100.50	12x	1,206
30%	Positive Policy Response	$100.50	16x	1,608
5%	Upside Surprise	$105.00	14x	1,470
			Expected Value	1,249

Changes in P/E multiple, driven by investor confidence (or lack there of) likely biggest factor in driving stock prices in 2012.

Markets: Directionless Volatility best describes 2011

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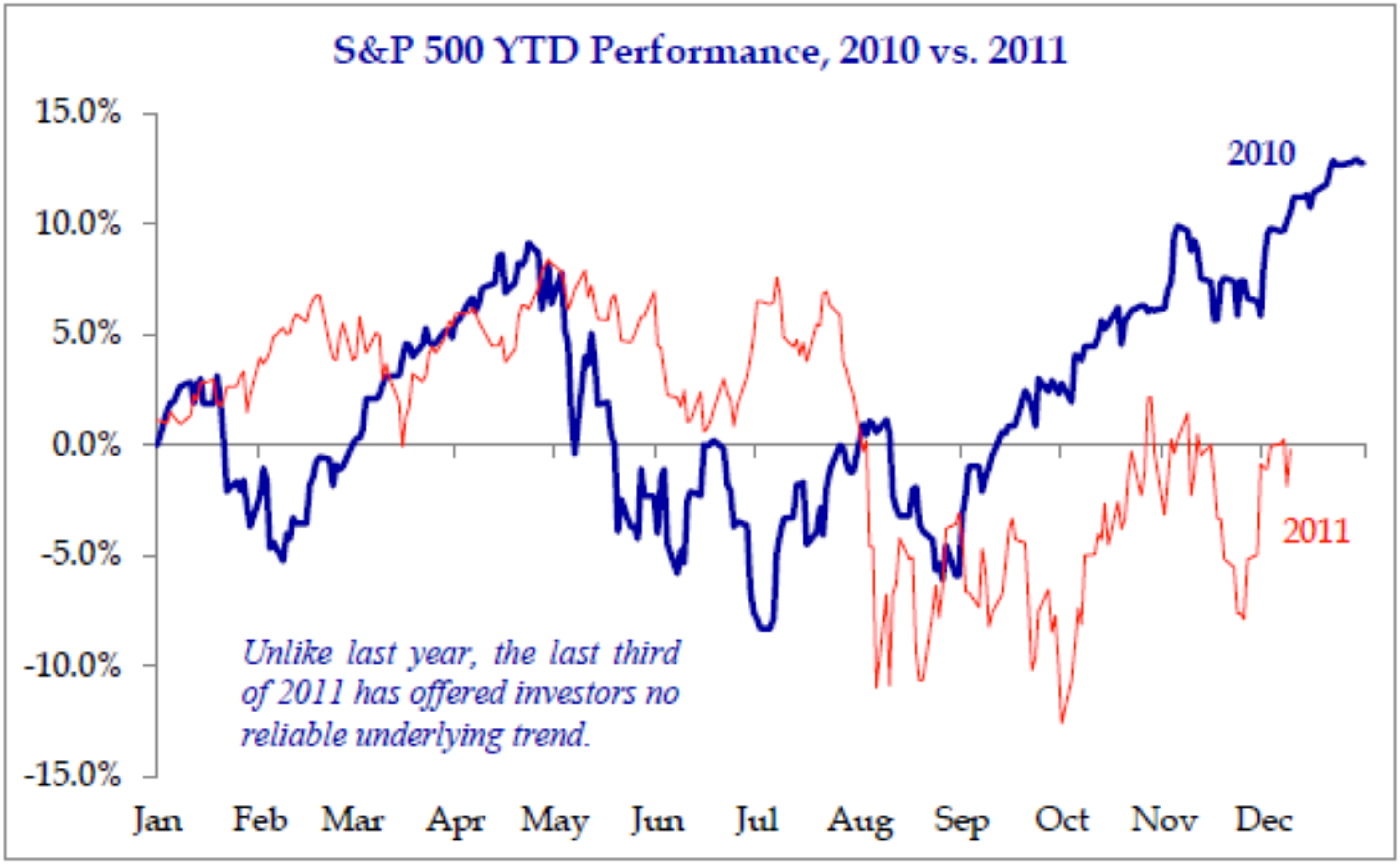

MARKET STRATEGY: Ride Through the Volatility

Volatility will likely continue in 2012 as uncertainty over Fiscal policy will remain. Five themes using a variety of asset classes are employed to generate return and diversify risk:

1) **Income:** High Yield Bonds currently paying out over 7.5%, are pricing in an economic slowdown with high default and low recovery rates. Also Corporate Bonds yielding 3.5% and dividend growers.
2) **Low Volatility:** US Large Cap Growth; Dividend Paying; Healthcare; Infrastructure
3) **Non-Correlating Assets:** Use of specialty funds that adjust risk up/down and across asset sectors as market conditions change. Also, Long/Short and Covered Call strategies can provide return.
4) **Inflation Hedge**: Gold and Treasury Inflation protected Bonds
5) **Flexibility:** Use Exchange Traded Funds (ETF's) for a small portion of portfolio to enable better intra-day access when markets become exceptionally volatile.