New Albany
Investment Management

MARKET INSIGHT…

- Performance
- Economic Update
- Charts* of Interest

*Provided by Strategas Research Partners LLC

June 20, 2011

www.newalbanyinvestment.com ~ 614-216-6139 ~ 7460 Cummins Ct. New Albany Ohio 43054

New Albany Investment Management

PERFORMANCE: as of 6-17-2011

N A I M

Sector	Week	1Mo	YTD
S&P 500	0.1%	-4.1%	2.0%
Russell 2000	0.3%	-4.6%	0.3
MSCI EAFE (Eurp. Asia, Far East)	-1.0%	-2.4%	1.1%
MSCI Emerging Mkt	-2.2%	-2.6%	-4.1%
US Agg. Bonds (Barclay's)	0.0%	1.1%	3.3%
High Yield Bonds (US)	-0.7%	-1.5%	4.5%
GLD (Net asset value)	0.5%	3.6%	8.8%
Real Estate	1.9%	-2.5%	7.9%
Energy	-1.7%	-1.4%	6.9%

Economy: Watching for signs of resumption of 2H 2011 Growth

Last year, a slowdown to 2% real GDP corresponded with a pause in the market. It's actually not uncommon for real GDP to slow to 2% during a period of overall economic growth. Odds of a recession in 2012 at 20%, since neither fiscal or monetary policy will likely move aggressively to tighten in an election year. However, 2013 odds of recession are probably closer to 50-50. Policy options to "kick the can down the road" diminish as the time horizon lengthens. This is true for the key U.S. issues (eg, fiscal austerity) as well as abroad (Greece restructuring).

STRATEGAS ECONOMIC FORECASTS

	2010				2011				2012			
	1Q	2Q	3Q	4Q	1Q	2QF	3QF	4QF	1QF	2QF	3QF	4QF
Real GDP Q/Q % AR	3.7%	1.7%	2.6%	3.1%	1.8%	2.0%	3.7%	4.0%	2.3%	2.0%	1.0%	1.0%
Core CPI Q/Q % AR	0.0%	0.8%	1.1%	0.6%	1.7%	2.3%	1.2%	1.5%	2.0%	2.3%	2.5%	2.7%
Fed Funds EOP	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.5%	1.0%	1.5%
Mortgage Rate EOP	5.0%	4.6%	4.3%	4.8%	4.9%	4.6%	5.0%	5.1%	5.3%	5.3%	5.3%	5.3%

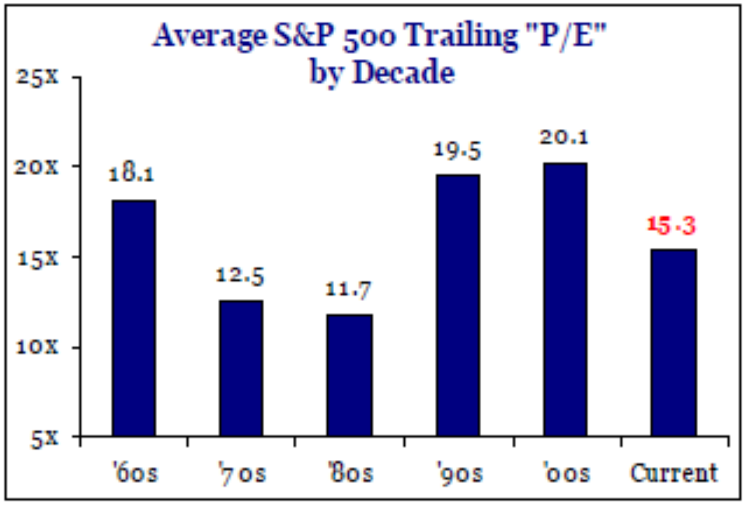
F = Forecast; EOP = End of Period, a = actual

Market's Future Largely Dependent upon Policy

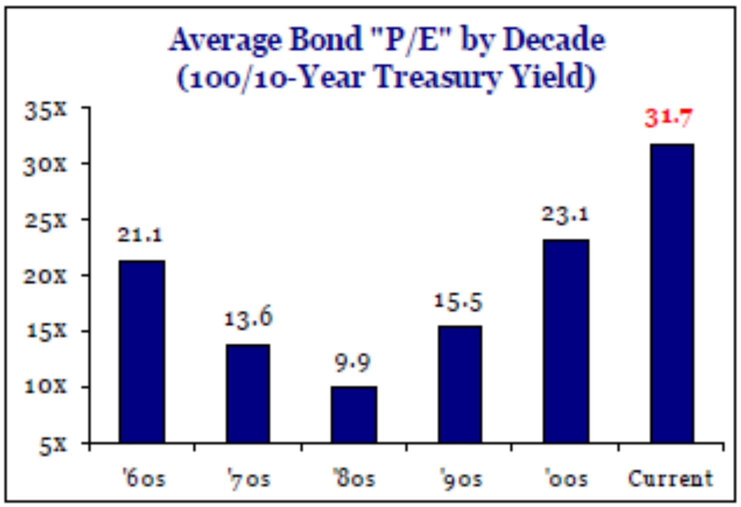
Strategas: "Frankly, we can't remember a period in which an effective market forecast was ultimately so dependent upon effective political forecasts both domestically and abroad. Despite the fact that the size of the U.S. economy is larger today than it was at its prior peak, 7 million fewer Americans are employed today, despite record profitability." There are a few sources of hope for dejected bulls:

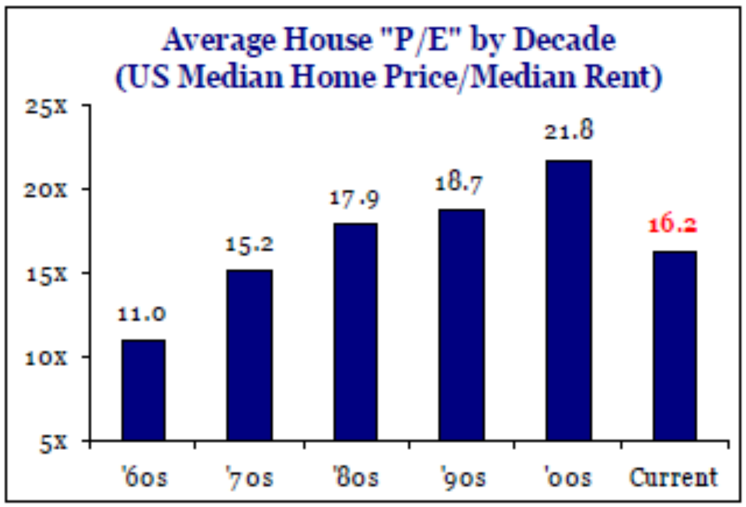
•Conditions that led to first half economic sluggishness (supply chain disruptions, unusual seasonals, and the weather) are likely to pave the way for better-than-expected economic growth in the second half of the year.
•The Administration is mulling policies designed to bolster business confidence with the hope of a concomitant improvement in employment. (ie. payroll tax cut for employers and/or a repatriation tax holiday).
•Market is relatively cheap: at 12.7x 2011 earnings, the risk-reward ratio for equities may be more positive than it is for virtually all other asset classes

VALUATION: Stocks look cheap compared to Bonds



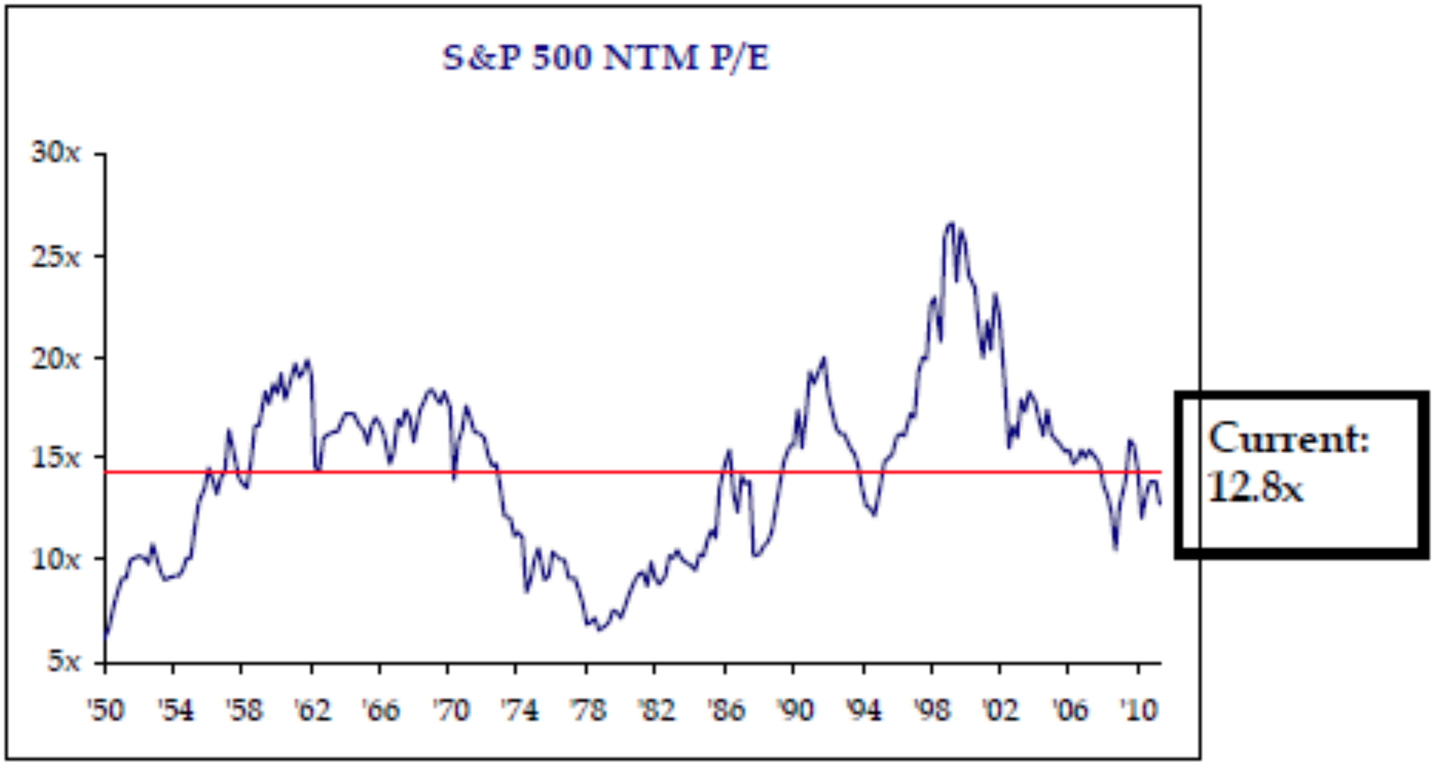
Professor Shiller's measure of market P/E is still a cause of some anxiety for many investors. We believe it's important for investors to keep two things in mind: (1) the current level of the Shiller P/E is equal to that exhibited in 1995, and (2) bonds are more expensive than stocks in Shiller's construction now more than at nearly any time prior to the financial crisis. **For those that need to be fully invested, equities may remain the best house in a bad neighborhood of asset allocation choices.**





New Albany Investment Management

VALUATION: Historically Stocks look relatively cheap



New Albany Investment Management

VALUATION:

Stocks have room to run, S&P currently at 1270 level

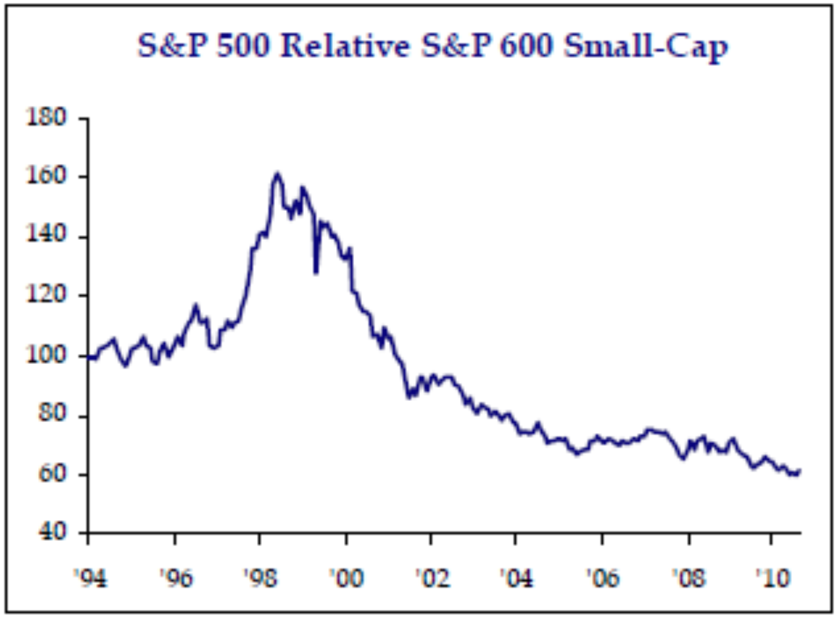
2011 S&P 500 Expected Value Table

Odds	Outlook	Economy	S&P Earnings	Expected Multiple	Implied S&P 500
5%	Policy Error	Recession	$84.00	11x	924
25%	Stimulus Driven Recovery	Macro Uncertainty	$94.25	13x	1,225
60%	Stimulus Driven Recovery	Base Case	$94.25	16x	1,508
10%	Upside Surprise	Too Hot	$98.00	14x	1,372
				Expected Value	1,394

www.newalbanyinvestment.com ~ 614-216-6139 ~ 7460 Cummins Ct. New Albany Ohio 43054

Performance: Style (Growth/Value) & Size (Large/Small)

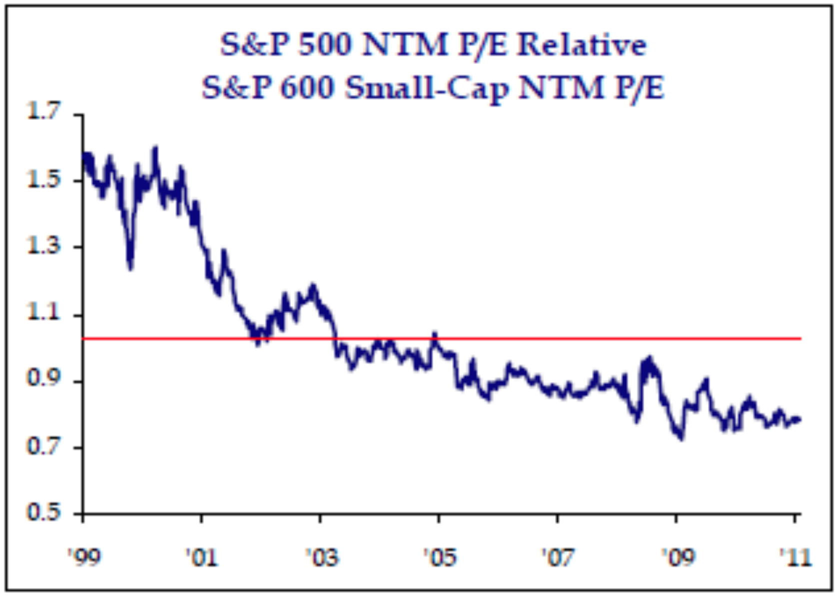
Growth & Value similar performance since 2008; however, Small Cap continues to outperform Large Cap.



Valuation: Style (Growth/Value) & Size (Large/Small)

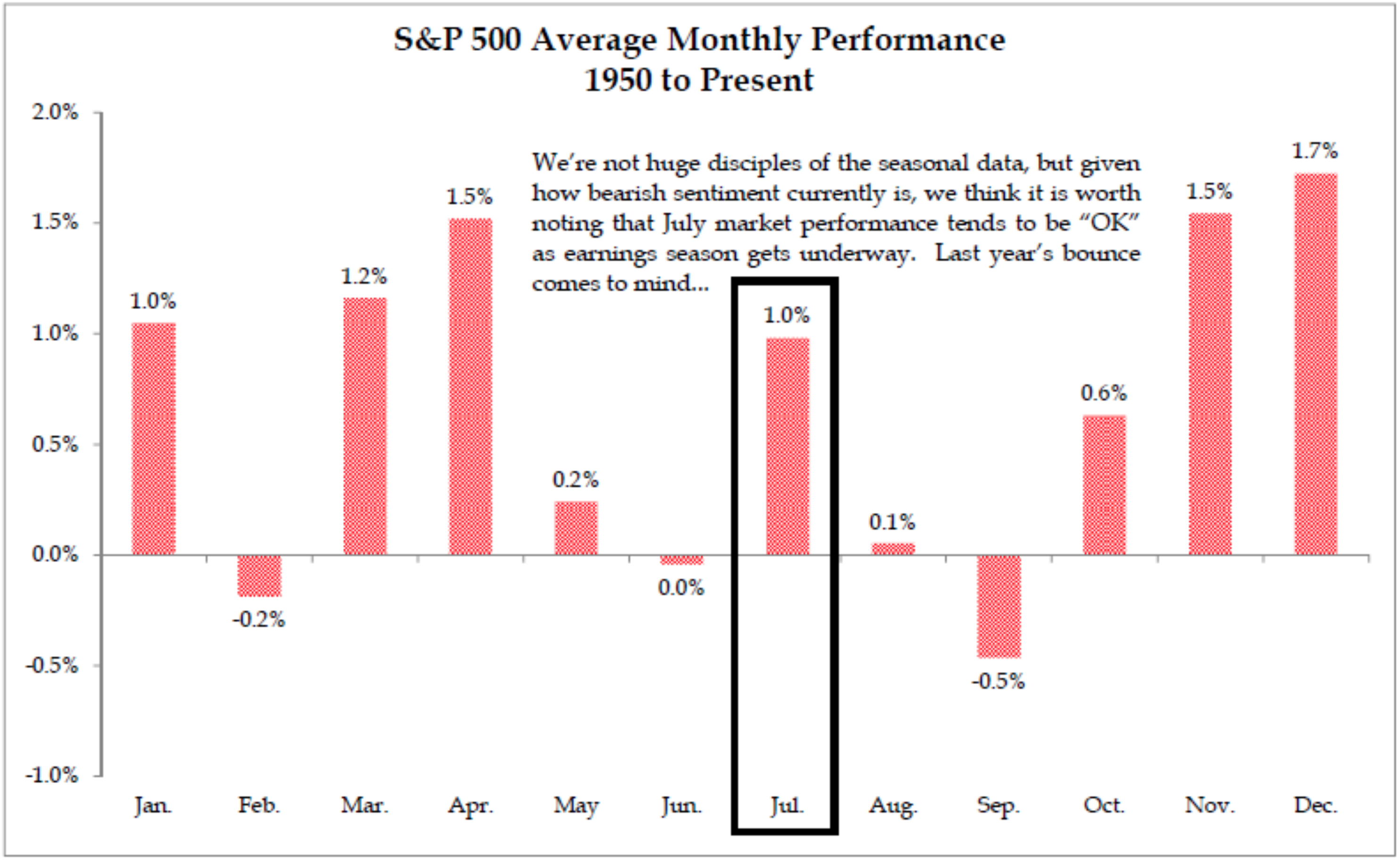
Growth cheap to Value

Large cheap to Small



MARKET PERFORMANCE: July maybe better

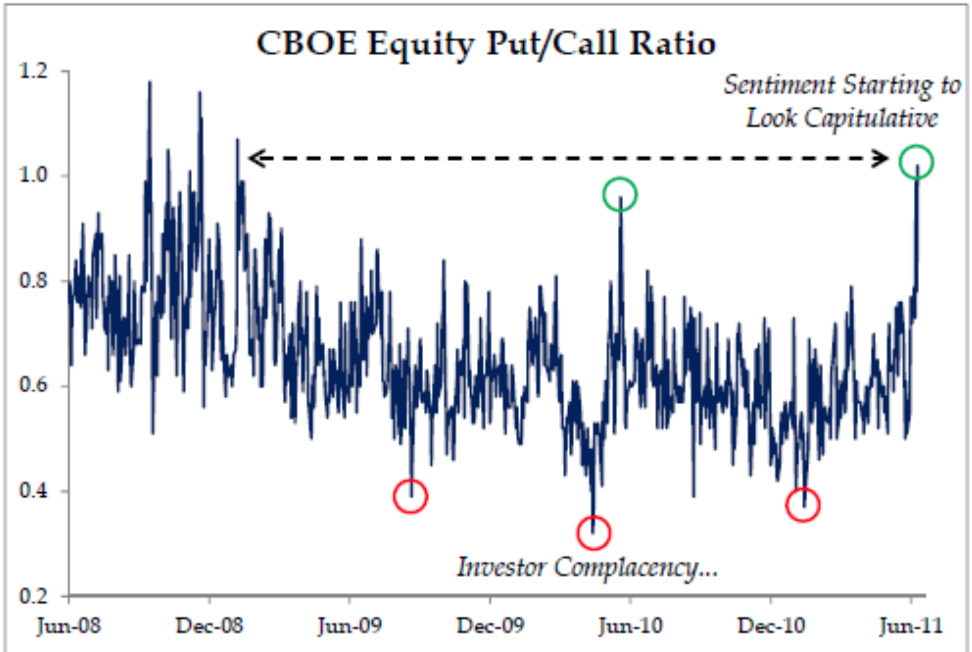
SELL IN MAY… COME BACK FOR JULY?
EQUITY MARKET SEASONALS ACTUALLY IMPROVE IN JULY



New Albany Investment Management

TECHNICALS: Extreme bearishness might be a positive.

SHORTS TAKE COVER...
TECHNICAL DATA STARTING TO LOOK CAPITULATIVE



Over the last two weeks or so, we've described the technical data as oversold, but not yet capitulative. That's beginning to change as more and more indicators trade into ranges not observed since the depths of the financial crisis. The CBOE Equity Put/Call Ratio, for example, is now at its highest level since January 2009 (it hit 1.02 at Friday's close). Over the last 15 years (as far back as we have the data), we can only find 11 other instances when the put/call ratio was greater than 1, ***and*** the S&P 500 was trading above an upward sloping 200-day moving average. In every circumstance, the market was up over the next 12 months (by an average of about +11%).

As we have commented frequently of late, all of the price action over the last 6+ weeks of this corrective phase has played out ***above*** an upward sloping 200-day moving average. Major tops tend *not* to form like this... **while the technical set-up certainly isn't perfect, we still remain of the view that this is an orderly pullback within the context of a longer-term uptrend.**

Key Levels to Watch – S&P 500 support is in the 1245 to 1255 range (the upward sloping 200-day MA is at 1255). Resistance comes into play in the 1315-1320 neighborhood. Also, keep an eye on the 4900 level on the Dow Transports – this is important support as well.