New Albany Investment Management

MARKET INSIGHT…

- Performance
- Economic Update
- Charts* of Interest

*Provided by Strategas Research Partners LLC

June 29, 2011

New Albany Investment Management

PERFORMANCE: as of 6-28-2011

N A I M

Sector	Week	1Mo	YTD
S&P 500	-0.2%	-2.4%	4.0%
Russell 2000 (small/mid Cap)	0.3%	-2.1%	4.9%
MSCI EAFE (Eurp. Asia, Far East)	1.1%	-3.2%	1.4%
MSCI Emerging Mkt	-2.2%	-2.3%	-2.6%
US Agg. Bonds (Barclay's)	0.3%	0.0%	2.9%
High Yield Bonds (US)	-0.2%	-1.6%	4.3%
GLD (Net asset value)	-3.0%	2.3%	6.0%
Real Estate	-0.4%	-3.1%	9.1%
Energy	-1.0%	-3.3%	9.5%

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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

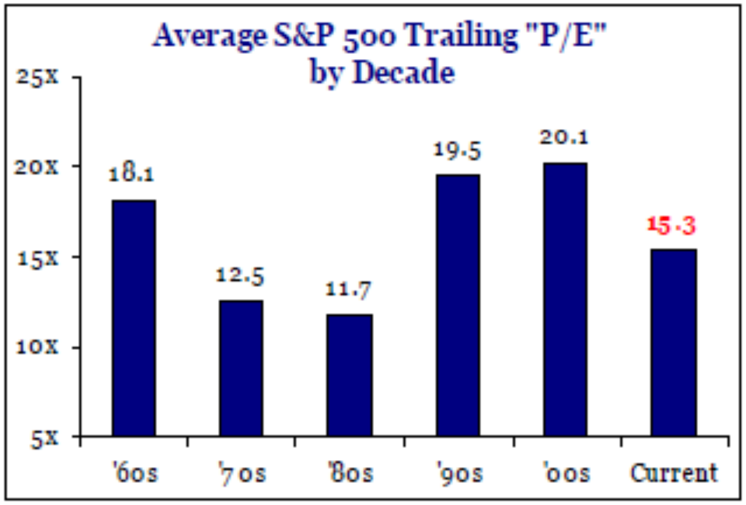
Market's Future Largely Dependent upon Policy

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. Even though 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."

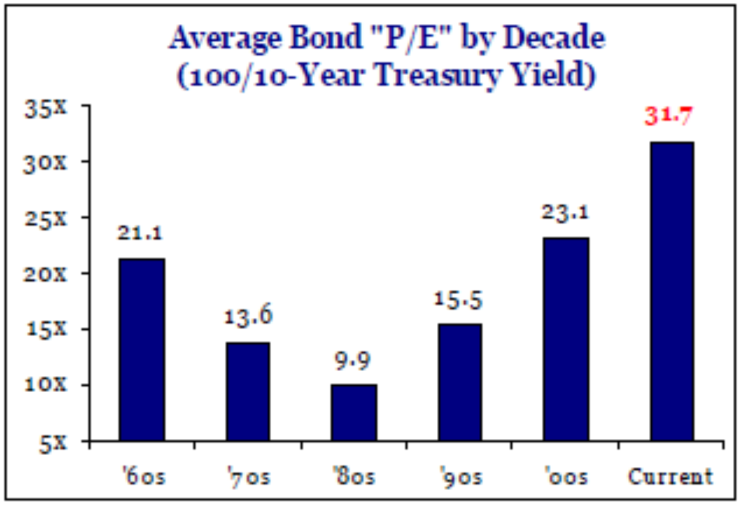
A few sources of hope for dejected bulls:

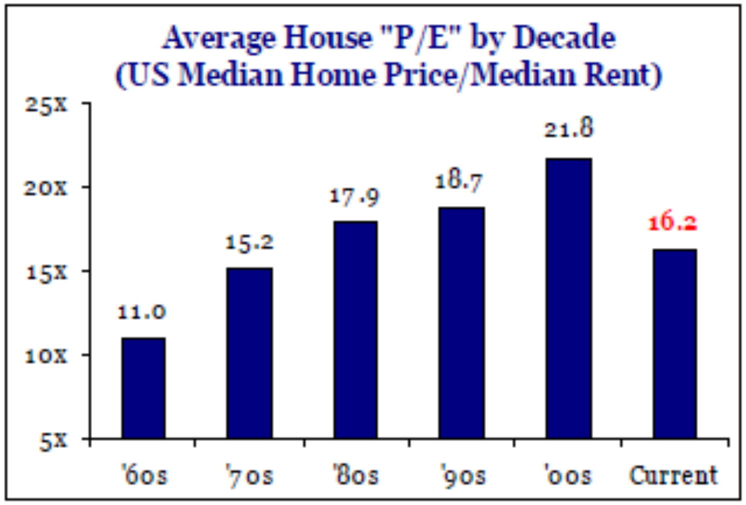
•Conditions that led to first half economic sluggishness (supply chain disruptions, unusual seasonals, and the weather) are <u>likely to pave the way for better-than-expected economic growth in the second half of the year</u>.
•The <u>Administration is mulling policies designed to bolster business confidence</u> with the hope of a concomitant improvement in employment. (ie. payroll tax cut for employers and/or a repatriation tax holiday).
•<u>Market is relatively cheap: at 12.7x 2011 earnings</u>, 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.**





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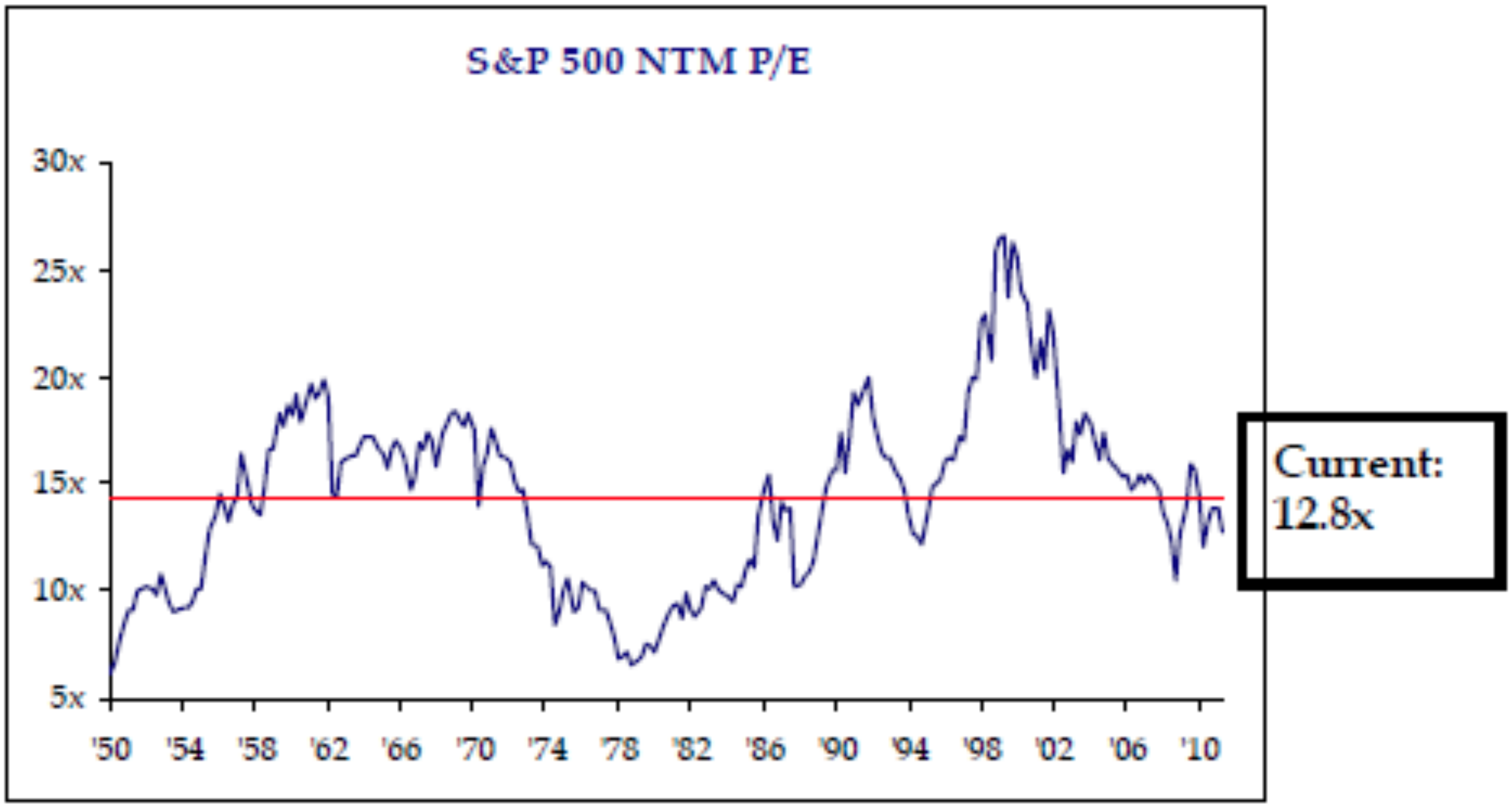
VALUATION: Historically Stocks look relatively cheap at 12.8x price-to-earnings ratio



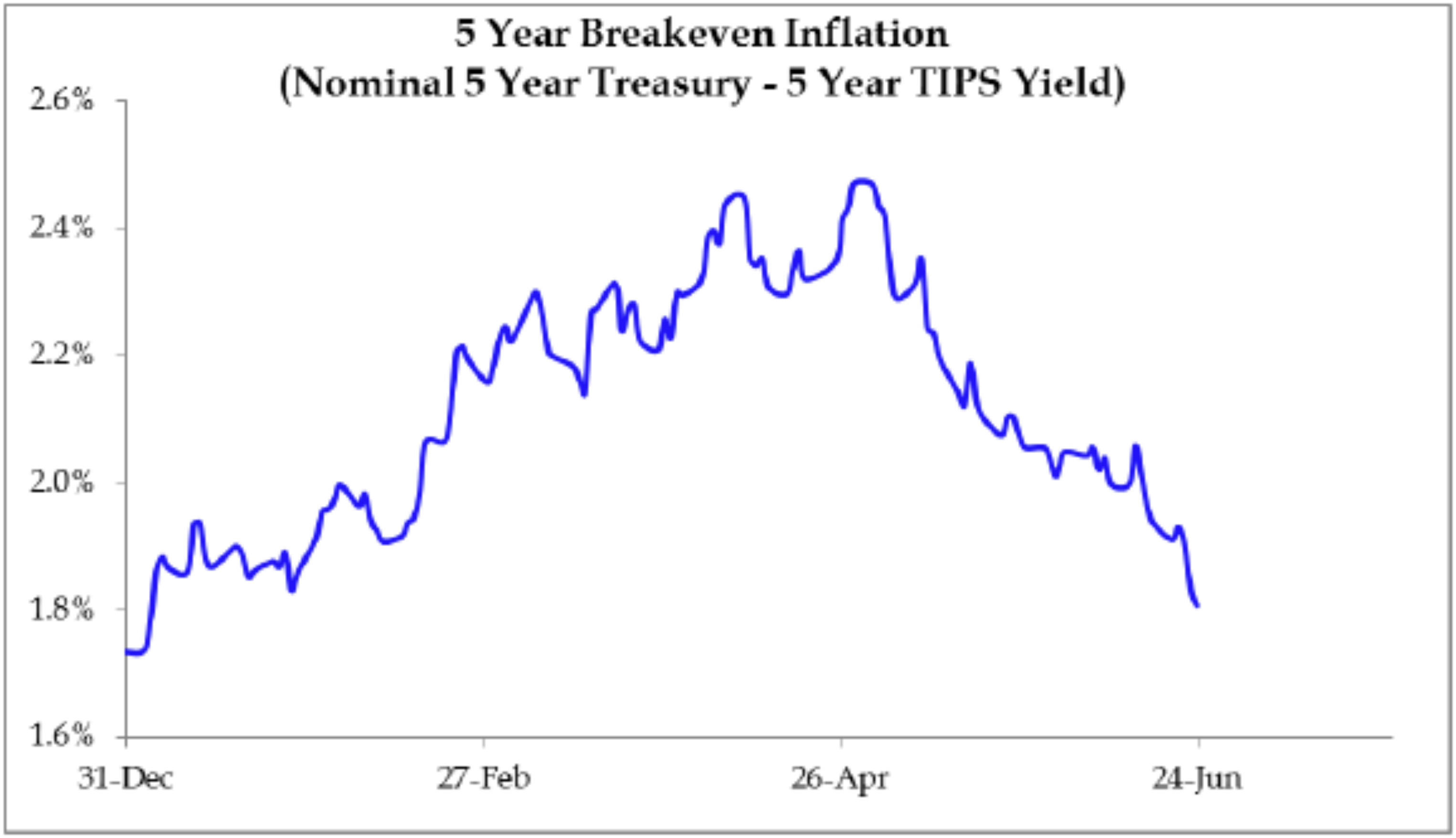
VALUATION: Dividends have contributed 50% of total return of stocks.

Companies that pay dividends have had higher growth rates than companies that don't throughout time.

Dividend Contribution to Total Return

	Price Pct. Change	Dividend Contribution	Total Return	Dividends Pct of TR	Avg. Payout Ratio
1930s	-41.9%	56.0%	14.1%	NA	90.1%
1940s	34.8%	100.3%	135.0%	74.3%	59.4%
1950s	256.7%	180.0%	436.7%	41.2%	54.6%
1960s	53.7%	54.2%	107.9%	50.2%	56.0%
1970s	17.2%	59.1%	76.4%	77.4%	45.5%
1980s	227.4%	143.1%	370.5%	38.6%	48.6%
1990s	315.7%	117.1%	432.8%	27.0%	47.6%
2000s	-24.1%	15.0%	-9.1%	NA	35.3%
Avg.	***104.9%***	***90.6%***	***195.6%***	***51.5%***	***54.6%***

VALUATION: Treasury Inflation Protection Securities (TIPS) forecasting low inflation, slow growth



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VALUATION:

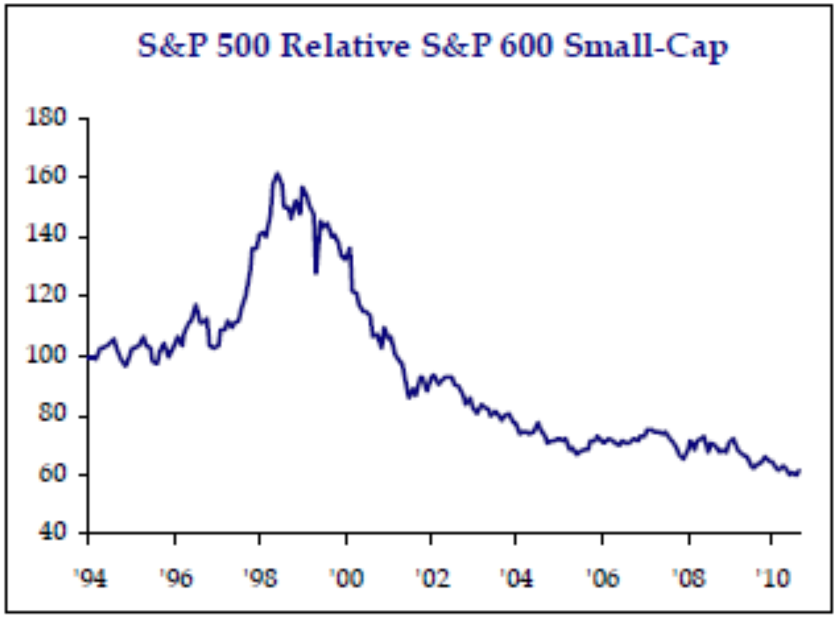
Stocks have room to run, S&P currently at 1270 level

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%		Base Case	$94.25	16x	1,508
10%	Upside Surprise	Too Hot	$98.00	14x	1,372
				Expected Value	1,394

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

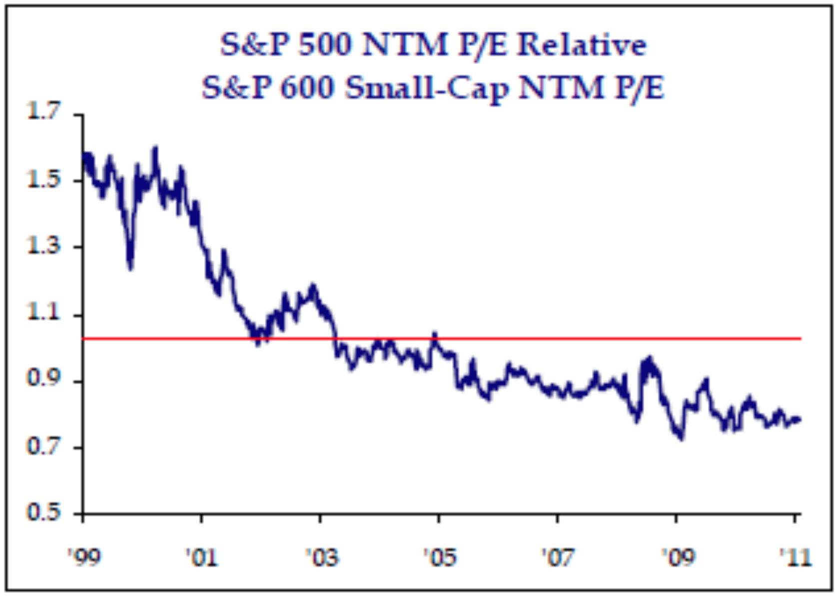
Growth & Value similar performance since 2008; however, Small Cap continues to outperform Large Cap.



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

Growth cheap to Value

Large cheap to Small



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MARKET PERFORMANCE: July maybe better

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