New Albany
Investment Management

MARKET INSIGHT…

- Performance
- Economic Update
- Charts* of Interest

*Provided by Strategas Research Partners LLC

November 14, 2011

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PERFORMANCE: as of 11- 11 -2011

N A I M

Sector	Week	3Mo	YTD
S&P 500	0.9%	8.4%	2.2%
Russell 2000 (small/mid Cap)	-0.2%	8.4%	-4.0%
MSCI EAFE (Eurp. Asia, Far East)	-0.2%	5.2%	-9.3%
MSCI Emerging Mkt	-1.9%	-1.9%	-15.6%
US Bonds (Barclay's agg. Index)	0.0%	0.5%	6.9%
High Yield Bonds (US)	-0.7%	2.5%	3.2%
GLD (Net asset value)	1.8%	1.9%	25.4%
Defensive Sector	1.0%	8.6%	10.0%
Cyclical Sector	0.7%	5.6%	-6.4%

Market Summary: This Week….

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Plenty of uncertainty still hangs over financial markets. The S&P 500 is likely to trade in a range of 1,200 to 1,275 until Europe's debt crisis gets closer to resolution and the U.S. Congress signs off on a larger debt-cutting plan. Italy's Bond market and 3mo Libor are the litmus test or confidence barometer of expected success in the EU. Just today, the Italian government had to pay 6.29% to borrow vs. 5.43% on October 13th. After countless summits and promises to walk the straight and narrow, the political elites and economies of the EU have yet to convince the markets that they are capable of real reform. Three month Libor (the rate which banks borrow from each other) also continues to rise. Banks around the world are voting with their capital, recognizing the potential contagion of the EU debt crisis . (See charts page 4)

Meanwhile, here in the US, the economic news has bees somewhat better than expected, giving the markets a reason to rise. But shortly, the rhetoric from the Super-committee will take front and center stage. They have until Nov. 23 to agree on a deficit-reduction package of at least $1.2 trillion over a decade. Is this possible?

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

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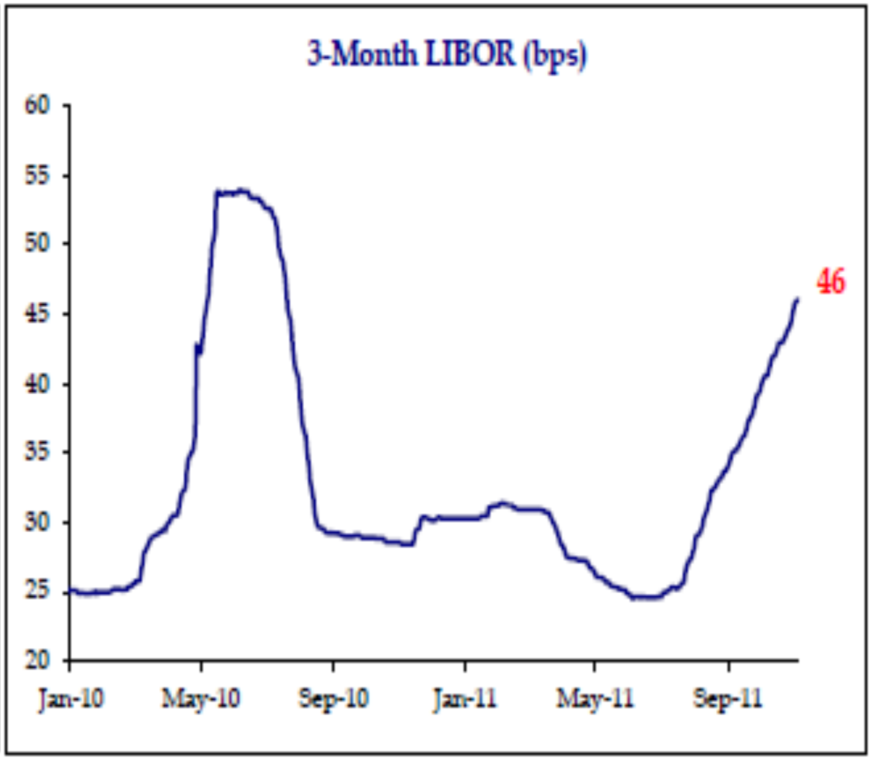
Rising yields indicate withdrawal of available credit, low investor confidence.



Economic Growth & Market Volatility Correlation: Low growth = Higher Volatility

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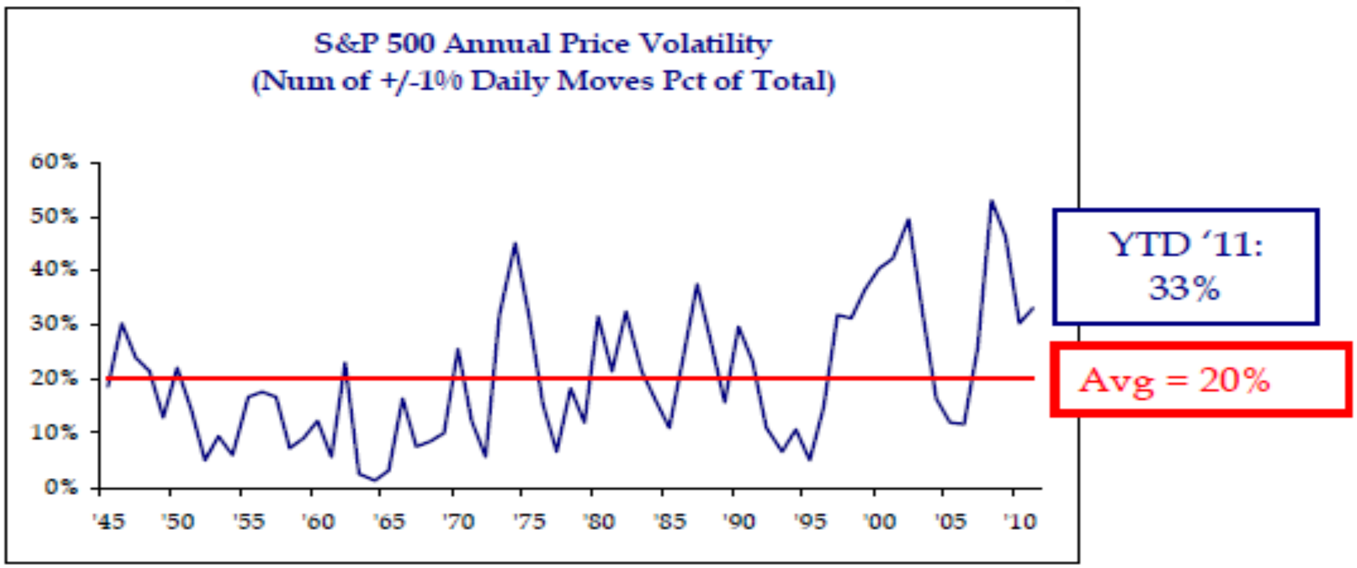
Distribution of Market Volatility Under Various Nominal Growth Scenarios

Nominal GDP Growth	S&P 500 Annual Volatility
<4%	45.5%
4% > 8%	23.8%
>8%	24.4%

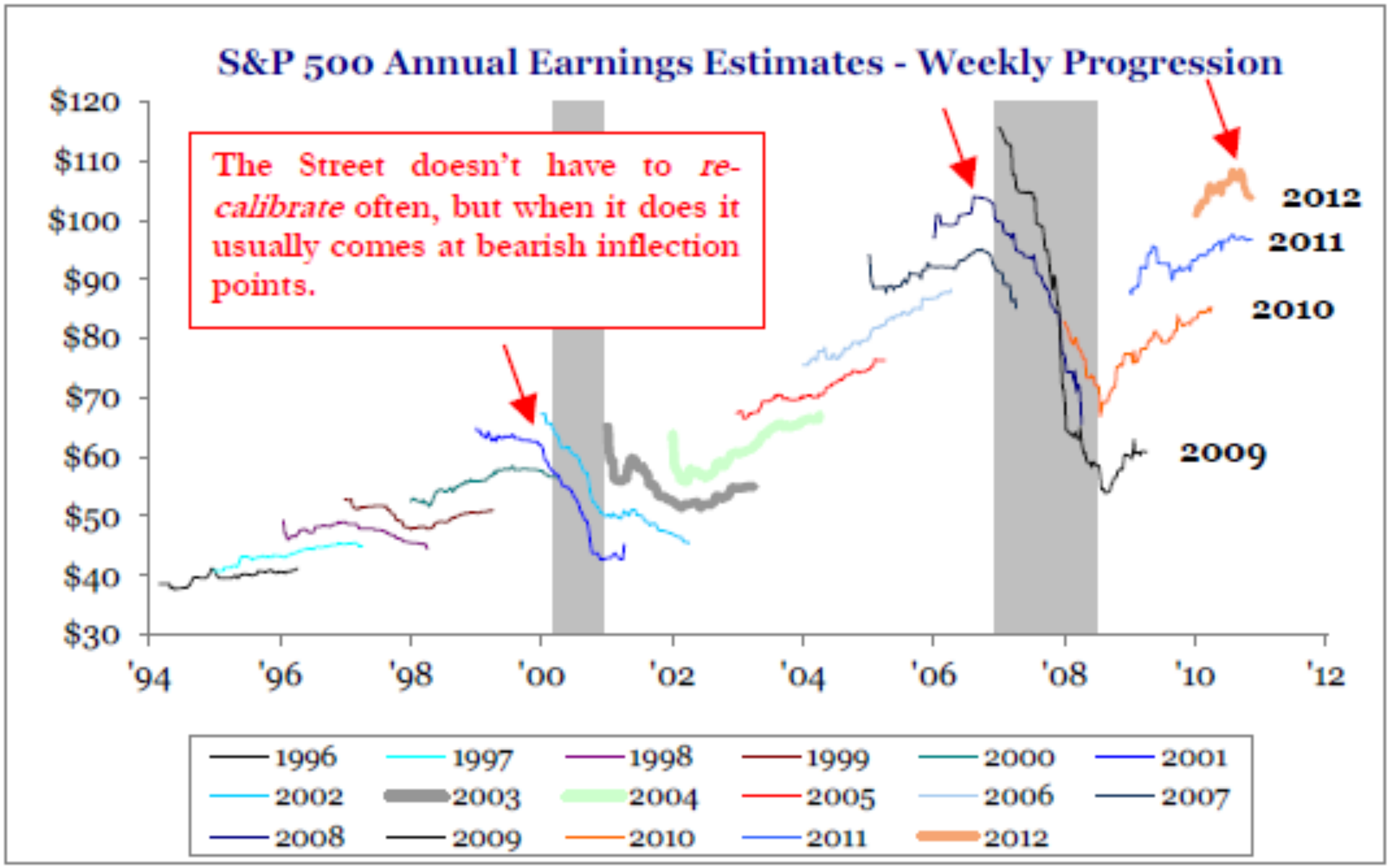
Data 1950-2010

Annual Volatility = S&P 500 Annual High minus Low as % of Low

New Normal suggest secularly higher volatility.



Earnings: 3Q strong but could see significant downward revisions coming in 2012



Valuation: If Recession call is real, market has a ways to go…. S&P currently at 1271

2011 S&P 500 Expected Value Table

Odds	Economy	S&P Earnings	Expected Multiple	Implied S&P 500
5%	Recession	$84.00	11x	924
65%	Base Case: Macro Uncertainty	$94.25	12x	1,131
20%	Positive Policy Response	$94.25	16x	1,508
10%	Upside Surprise	$98.00	14x	1,372
			Expected Value:	*1,220*

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MARKET STRATEGY: Ride Through the Volatility

Given the extreme choppiness in the market and reliance on government policy to direct economic policy, core positions are positioned to ride through the volatility with a small portion available to participate in shorter term swings. Five themes employed to generate return and lower risk using a variety of asset classes:

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 paying stocks.
2) **Low Volatility:** Low Beta stocks = US Large cap growth stocks
3) **Non-Correlating Assets:** Use of specialty funds that adjust risk up/down and across asset sectors as market conditions change
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.