

ADDISON CAPITAL MANAGEMENT LLC

# All Asset Core Portfolios



**ADDISON**   
CAPITAL MANAGEMENT

# A Unique Method of Capital Management

Our investment process is distinguished by three attributes: the proprietary TRIAD System of security selection, Emerging Management, and Asset Acumen.

**Our Triad approach to security selection is unrivaled by our peers.** Flexibility and scope are the cornerstones of our process that enable our portfolio team to capitalize on opportunities in any market environment. Most management firms limit themselves to either a top-down or bottom-up perspective and a value or growth style; we go past boundaries to make our clients money in any situation, with the ability to choose the approach or style most likely to yield the greatest benefit. After all, isn't the point of hiring a professional money manager to maximize your return and limit your risk, not to see how well they can follow an arbitrary set of rules?

## The Triad System

Founded on years of experience, our security selection process consists of three components: Global Macroeconomic Trends, Sector Vantages, and Fundamental Research.

### Global Macroeconomic Trends

We identify short and long-run economic changes that we deem likely to have a significant influence on corporate profits world-wide. Insights found in our analysis help us formulate our asset allocation.

### Sector Vantages

Which of the 10 major market sectors are poised to benefit the most from our economic trend identification? Our assessment here also includes pinpointing any geographic areas positioned to succeed at an accelerated rate.

### Fundamental Research

Here we conduct stock valuations to predict price evolutions based on a corporation's competitive advantages, management, and financial statements.

## Objective of the Portfolios

The Addison Capital Management All Asset Core Portfolios are designed for investors seeking capital growth and income from a core, actively managed account, diversified globally across all major asset classes. The All Asset Core Portfolios aim to outperform relative indices while diligently managing risk and reducing volatility. Tax sensitivity, investment flexibility, and personalized service are also of primary concern.

The Portfolios are available in Conservative, Balanced, and Growth versions.

## Strategy Overview

Addison Capital Management uses several proprietary portfolio management techniques in order to uncover market inefficiencies, under-valuations, and other growth opportunities. These technologies are rooted in linear factor models and incorporate principles from arbitrage pricing theory and the capital asset pricing model, as well as fundamental analysis.

The portfolio may consist of securities spanning regions, sectors, and market capitalizations. Our money managers construct the account using domestic and international common stocks, preferred stocks, government and agency bonds, municipal bonds, corporate bonds, mortgage-backed securities, commodities, exchange-traded funds, and interest-bearing cash reserves.

## Portfolio Management



John Shiel - *Principal*

Mr. Shiel is the head Portfolio Manager of the All Asset Core Portfolios, overseeing the global investment strategy of the portfolios and leading the research team. Prior to founding Addison Capital Management he was a registered representative with Northwestern Mutual Investment Services. John holds a BA in Economics and a BA in Business Administration from the University of Washington.



## Emerging Management

This is not your father's economy. The financial industry has declared we are moving into a New Normal, where what we thought we knew about returns, risk, and how the market operates is being thrown out the window. The method of stagnant asset allocation has let many investors down, with money managers getting lazy and standing by as security prices fall because a particular trade would disrupt their target allocation. Holding on to arbitrary constraints no longer works and is a thing of the past. Our portfolio managers have grown up in this next generation of asset management, understand the importance of adaptability, and have always been cautious of the evolutionary nature of the market.

## Asset Acumen

Doubts of the success of active management stem from the significant number of managers that fail to outperform their respective indices. We do not believe this is a result of the efficacy of active management, but simply from holding too many individual securities. How would one expect to beat the market if their portfolio held so many securities it was practically identical to the index? Our portfolios hold a significantly fewer number of assets than comparable mutual funds and separately managed accounts. This way, our team has an intimate knowledge of each holding with the room to choose only those securities with the highest potential, while not sacrificing any degree of diversification. A common tenet of modern portfolio theory is that market risk is minimized after holding only 20 stocks. It is simply a waste of resources to hold hundreds of securities.

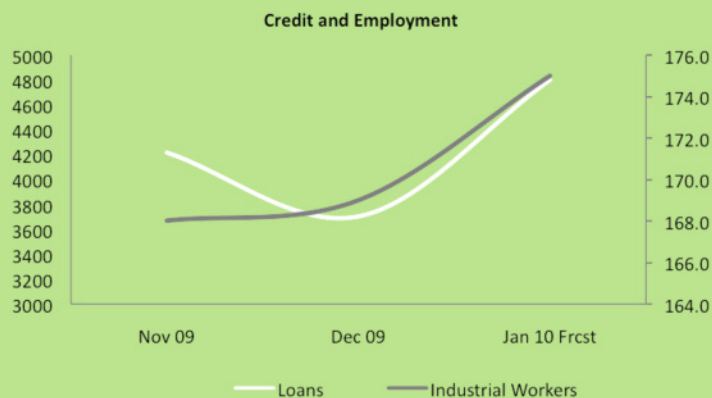
# TRIAD Equity Spotlight

Here we feature a selected company in the portfolio and outline how we draw on insights gained from the three prongs of our Triad analysis framework to determine the security's investment potential.

## Satyam

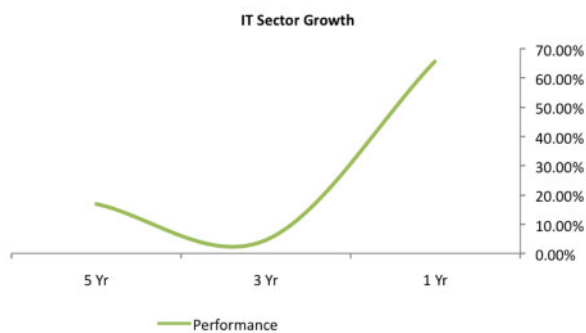
### Global Macroeconomic Trends

With a discernible improvement in the global economic outlook, it is time to turn our focus on managing the recovery. Monetary policy will begin to diverge amongst developed and emerging economies and as such some countries will be poised for a quicker recuperation. Also contributing to a nation's chances for a quick revival are its unique macroeconomic characteristics. We recognize India as an example of an economy that should rebound at an accelerated pace. Its growth is primarily constrained by supply, and with a recovery and return of ample credit firms should steer toward expanding property, plant, and equipment thereby reducing unemployment as well as boosting demand.



## Sector Vantage

Industry surveys expect IT spending to increase globally for the mid-term. Although the downturn seems to have passed, firms still have some hesitancy about the domestic economy and have not abandoned cost cutting measures. We see IT outsourcing as a primary means to reduce expenses with India being poised to benefit.



## Fundamental Research

Satyam Computer Services Ltd., headquartered in India, provides business process outsourcing and information technology services globally. Recently obtained large contracts will support the stock's exorbitant growth rate into 2010. We believe this appreciation will also be sustained by very strong fundamentals.

Growth			
	1 Year	3 Years	5 Years
Sales %	46.3	39.15	36.02
EPS %	36.99	37.21	36.58
Dividend%	-53.85	0.0	31.95



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All Asset Core Portfolio *Growth***Objective of the Portfolio**

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**Portfolio Investments**

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**Top Ten Equity Holdings**

	Portfolio
Netease	14.1%
Yanzhou Coal Mining	13.1
Satyam	12.6
Wipro Ltd.	9.1
Petrobras	6.9
Companhia Paranaense de Energia	6.6
Noble Energy	4.3
Automatic Data Processing	2.9
Halliburton Co	2.8
McAfee Inc	2.6
JPMorgan Chase & Co	2.3

**Sctr. Wts. as % of Fixed Inc.**

	Port.	Index*
US Treasuries	24.0%	46.2%
Agencies	32.0	14.4
Corporates	40.0	16.6
Non-Corporate	0.0	7.0
Cash	4.0	0.9

Performance**	Gross	Net	Index*
2009: 4Q	22.73%	22.52%	4.07%

1 Year			
3 Years			
Inception (4/1/09)	53.35	52.71	30.33

**Sector Weights as % of Equity**

	Port.	Index*
Info Tech	38.8%	19.9
Energy	15.2	11.5
Utilities	10.5	3.7
Financials	6.8	14.4
Consumer Staples	6.2	11.4
Industrials	4.3	10.2
Telecom	2.5	3.2
Healthcare	1.9	12.6
Consumer Discret.	0.9	9.6
Materials	0.8	3.6

**Fixed Inc. Port. Characteristics**

	Port.	Index*
Wtd Avg Coupon	4.5	4.5
Wtd Avg Duration	7.0	5.2
Wtd Avg Maturity	9.6	7.6

**Account Minimum: \$100,000****Management Fee: 0.85%**

\*Index represents 75% S&amp;P 500 / 25% Barclays Government/Credit

\*\*Performance results are shown in two formats. Gross returns do not reflect the deduction of any trading costs, fees or expenses. Net returns are calculated by subtracting Addison Capital Management's management fee of 0.85% on an annual basis from the gross representative portfolio return. You may also be charged other transaction costs, custodial service fees, and investment advisory fees by other parties. The data mentioned is based upon a representative portfolio that represents the proposed investment for a fully discretionary account. Allocations and security selection are subject to change. The securities identified above are not necessarily held in all client portfolios, and their mention is not a recommendation to buy or sell. Past performance does not guarantee future results.

**Market Risk:** The market values of the portfolio's holdings rise and fall from day to day, so investments may lose value.

**Foreign Risk:** Investing in non-US securities may be more volatile because of political, regulatory, market and economic uncertainties associated with such securities. These risks are magnified in securities of emerging or developing markets.

**Equity Characteristics**

	Port.	Index*
Number of Holdings	31	500
Weighted Market Cap (S Billions)	34.5	80.9
Weighted P/E Ratio	19.7	15.2
Beta	1.57	1
Annual Turnover	25-50%	

**Target Allocation****Portfolio Management****John Shiel - Principal**

Mr. Shiel is the head Portfolio Manager of the All Asset Core Portfolios, overseeing the global investment strategy of the portfolio and leading the research team. Prior to founding Addison Capital Management he was a registered representative with Northwestern Mutual Investment Services. John holds a BA in Economics and a BA in Business Administration from the University of Washington.



ADDISON CAPITAL MANAGEMENT LLC

All Asset Core Portfolio *Balanced***Objective of the Portfolio**

The All Asset Core Portfolio is designed for investors seeking capital growth and income from a core, actively managed account, diversified globally across all major asset classes. The Portfolio aims to outperform relative indices while diligently managing risk and reducing volatility. Tax sensitivity, investment flexibility, and personalized service are also of primary concern.

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**Sctr. Wts. as % of Fixed Inc.**

	Port.	Index*
US Treasuries	24.0%	46.2%
Agencies	32.0	14.4
Corporates	40.0	16.6
Non-Corporate	0.0	7.0
Cash	4.0	0.9

**Performance\*\***

	Gross	Net	Index*
2009: 4Q	14.95%	14.74%	2.64%

1 Year

3 Years

Inception (4/1/09) 38.76 38.12 20.91

**Sector Weights as % of Equity**

	Port.	Index*
Info Tech	38.8%	19.9
Energy	15.2	11.5
Utilities	10.5	3.7
Financials	6.8	14.4
Consumer Staples	6.2	11.4
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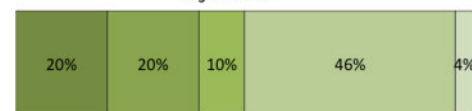
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**Target Allocation**

■ US Equity ■ International ■ Other ■ Fixed Income ■ Cash

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# All Asset Core Portfolio *Conservative*

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Cash	4.0	0.9

Performance**	Gross	Net	Index*
2009: 4Q	7.16%	6.95%	1.22%
1 Year			
3 Years			
Inception (4/1/09)	24.16	23.52	11.48

Sector Weights as % of Equity	Port.	Index*
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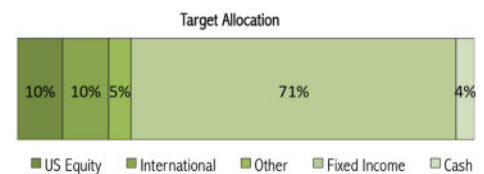
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