

3Q

9/30/2009

ADDISON CAPITAL MANAGEMENT LLC

# All Asset Core Portfolios



**ADDISON**   
CAPITAL MANAGEMENT

**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.





MADE WITH  
**RUPPERT**  
1950-1955  
THE PERFECT BEER

**K OF PERFECT**

*LESLIE COLT*

LABLE  
IN THE  
MOO

HONOR

LARY

NEWSPAPER  
NEWS



## 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.

## Petrobras

### Global Macroeconomic Trends

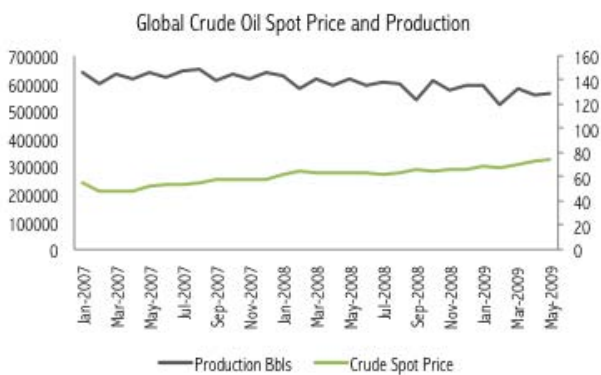
Brazil has shown economic hardiness throughout 2008 among developed and developing countries, being one of the last to fall into recession, which our firm believes is about to pass. We forecast a 3.6% growth in GDP next year due to several factors. The central bank raised interest rates in early 2008 and is now easing its monetary and fiscal policy while keeping inflation under control, which it has done for the past few years. The central bank's target inflation rate remains at 4.5%, appropriate for their growth rate.

Foreign direct investment is also forecasted to grow by 20% to \$30 Billion in the year 2010. Brazil has recently surpassed the U.S. as China's largest trading partner.



## Sector Vantage

The energy sector has been in a slump due to shrinking global demand. However, with continued recessionary worries appearing to ease in the short term, energy prices, specifically oil, are believed to remain strong over the long-term. Global oil demand has not declined for two consecutive years for the last 25 and energy scarcity along with emerging market growth (China, Brazil) will extend this trend. With oil prices dropping nearly \$100 a barrel from last year, now seems an attractive time to buy. Interviews with key industry executives lead to the expectation of another price surge rivaling that of 2008.



## Fundamental Research

Petroleo Brasileiro is a large cap integrated oil and gas company. It has operations in 23 countries and is involved in exploration, production, refining, distribution, and natural gas and energy. It dominates the Brazilian domestic energy market and has significant competency in offshore exploration and production. We believe PBR is slightly undervalued and will continue strong earnings per share and sales growth which it has displayed over the previous five years. A recent oil discovery off the coast of Rio de Janeiro will increase their drillable reserves by 280 million barrels.

Growth			
	1 Year	3 Years	5 Years
Sales %	34.79	28.05	30.88
EPS %	43.7	22.83	26.35
Dividend%	11.11	11.4	20.34



# All Asset Core Portfolio *Growth*

## Objective of the Portfolio

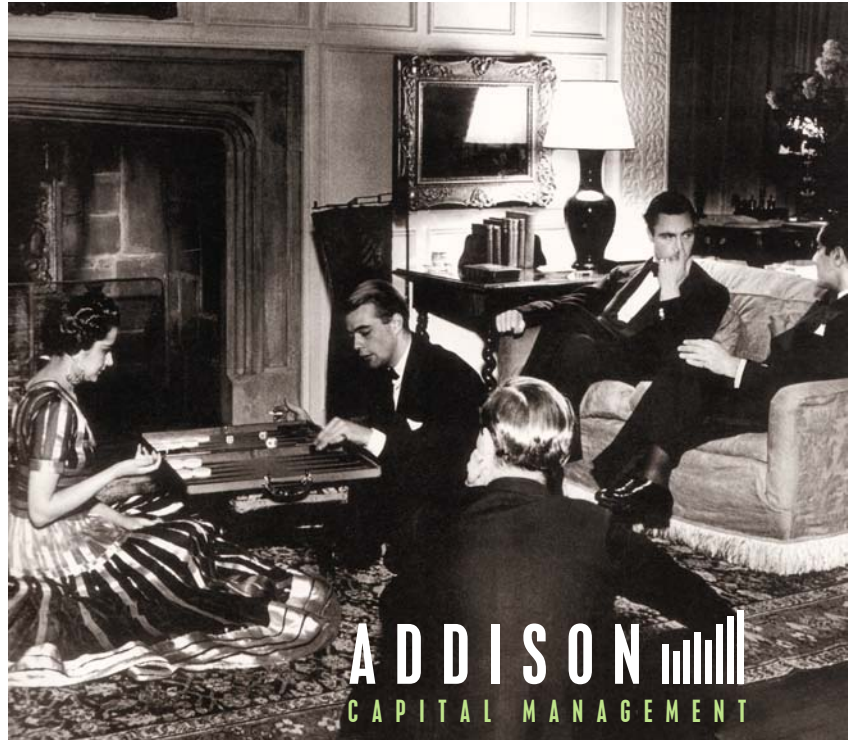
The All Asset Core Portfolio is designed for investors seeking capital growth and income from a core, actively managed account, diversified globally across all major asset classes. The Portfolio aims to outperform relative indices while diligently managing risk and reducing volatility. Tax sensitivity,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

## 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.

## Portfolio Investments

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.



## Top Ten Equity Holdings

	Portfolio
Satyam Computer Services	16.4%
Wipro Limited	10.1
Yanzhou Coal Mining	7.7
Netease	7.2
Companhia Paranaense de Energia	6.6
Petroleo Brasileiro	5.9
Halliburton	3.5
McAfee	2.5
Halliburton Co	2.5
McAfee Inc	2.3
JPMorgan Chase & Co	1.7

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

	Port.	Index*
US Treasuries	24.0%	42.7%
Agencies	32.0	16.2
Corporates	40.0	32.6
Non-Corporate	0.0	6.7
Cash	4.0	0.0

Performance**	Gross	Net	Index*
2009: 3Q	19.27%	18.42%	12.32%

1 Year			
3 Years			
Inception (4/1/09)	46.57	45.72	17.00

## Sector Weights as % of Equity

	Port.	Index*
Info Tech	32.9%	18.0
Energy	24.7	12.0
Utilities	10.5	4.0
Financials	8.0	14.0
Consumer Staples	7.7	12.0
Industrials	5.9	10.0
Telecom	3.6	4.0
Healthcare	2.7	14.0
Consumer Discret.	1.6	9.0
Materials	1.2	3.0

## 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&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 neces-

sarily held in all client portfolios, and their mention is not a recommendation to buy or sell. Past performance does not guarantee future results.

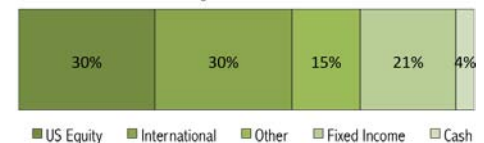
**Market Risk:** The market values of the portfolio's holdings rise and fall from day to day, so investments may lose value.

**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)	38.9	76.9
Weighted P/E Ratio	19.8	129.9
Beta	1.38	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.



# All Asset Core Portfolio *Balanced*

## Objective of the Portfolio

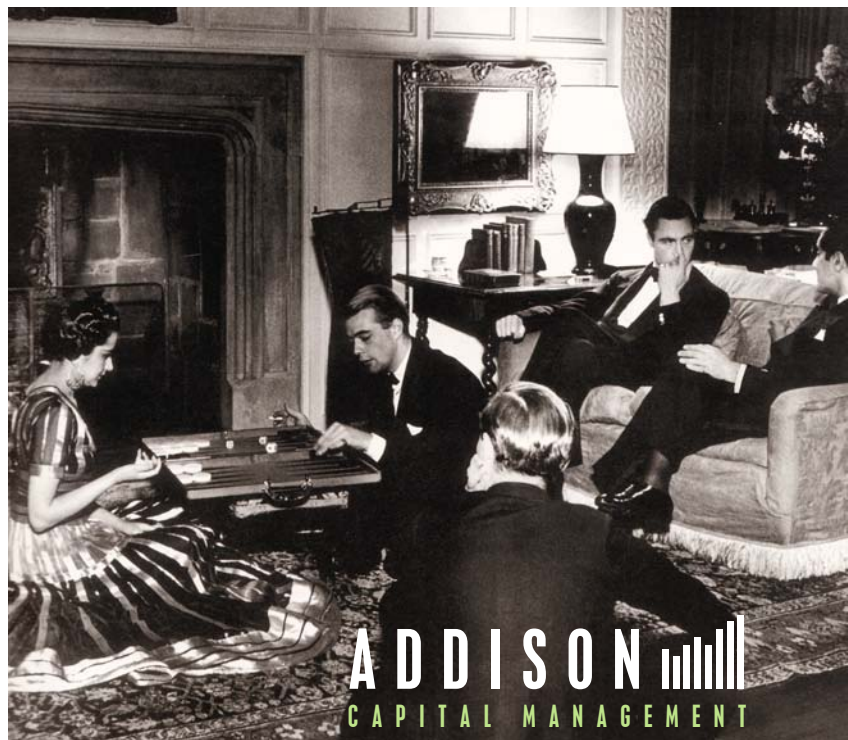
The All Asset Core Portfolio is designed for investors seeking capital growth and income from a core, actively managed account, diversified globally across all major asset classes. The Portfolio aims to outperform relative indices while diligently managing risk and reducing volatility. Tax sensitivity,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

## 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.

## Portfolio Investments

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.



## Top Ten Equity Holdings

	Portfolio
Satyam Computer Services	16.4%
Wipro Limited	10.1
Yanzhou Coal Mining	7.7
Netease	7.2
Companhia Paranaense de Energia	6.6
Petroleo Brasileiro	5.9
Halliburton	3.5
McAfee	2.5
Halliburton Co	2.5
McAfee Inc	2.3
JPMorgan Chase & Co	1.7

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

	Port.	Index*
US Treasuries	24.0%	42.7%
Agencies	32.0	16.2
Corporates	40.0	32.6
Non-Corporate	0.0	6.7
Cash	4.0	0.0

Performance**	Gross	Net	Index*
2009: 3Q	14.05%	13.84%	9.21%

1 Year

3 Years

Inception (4/1/09) 32.74 31.89 12.53

## Sector Weights as % of Equity

	Port.	Index*
Info Tech	32.9%	18.0
Energy	24.7	12.0
Utilities	10.5	4.0
Financials	8.0	14.0
Consumer Staples	7.7	12.0
Industrials	5.9	10.0
Telecom	3.6	4.0
Healthcare	2.7	14.0
Consumer Discret.	1.6	9.0
Materials	1.2	3.0

## 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 50% S&P 500 / 50% 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)	38.9	76.9
Weighted P/E Ratio	19.8	129.9
Beta	1.38	1
Annual Turnover	25-50%	

### Target Allocation



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

## 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 *Conservative*

## Objective of the Portfolio

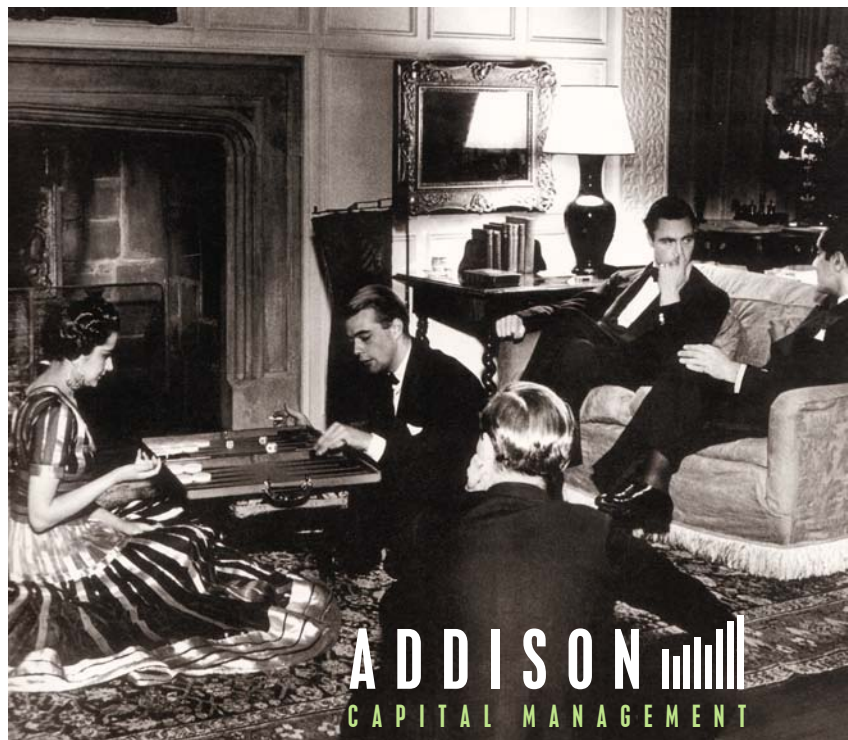
The All Asset Core Portfolio is designed for investors seeking capital growth and income from a core, actively managed account, diversified globally across all major asset classes. The Portfolio aims to outperform relative indices while diligently managing risk and reducing volatility. Tax sensitivity,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

## Strategy Overview

Addison Capital Management uses several proprietary portfolio management techniques in order to uncover market inefficiencies, undervaluations, 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.

## Portfolio Investments

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.



## Top Ten Equity Holdings

	Portfolio
Satyam Computer Services	16.4%
Wipro Limited	10.1
Yanzhou Coal Mining	7.7
Netease	7.2
Companhia Paranaense de Energia	6.6
Petroleo Brasileiro	5.9
Halliburton	3.5
McAfee	2.5
Halliburton Co	2.5
McAfee Inc	2.3
JPMorgan Chase & Co	1.7

Sctr. Wts. as % of Fixed Inc.	Port.	Index*
US Treasuries	24.0%	42.7%
Agencies	32.0	16.2
Corporates	40.0	32.6
Non-Corporate	0.0	6.7
Cash	4.0	0.0

Performance**	Gross	Net	Index*
2009: 3Q	8.85%	8.64%	6.09%

1 Year			
3 Years			
Inception (4/1/09)	18.89	18.04	8.05

Sector Weights as % of Equity	Port.	Index*
Info Tech	32.9%	18.0
Energy	24.7	12.0
Utilities	10.5	4.0
Financials	8.0	14.0
Consumer Staples	7.7	12.0
Industrials	5.9	10.0
Telecom	3.6	4.0
Healthcare	2.7	14.0
Consumer Discret.	1.6	9.0
Materials	1.2	3.0

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 25% S&P 500 / 75% 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)	38.9	76.9
Weighted P/E Ratio	19.8	129.9
Beta	1.38	1
Annual Turnover	25-50%	



## 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.





