

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.

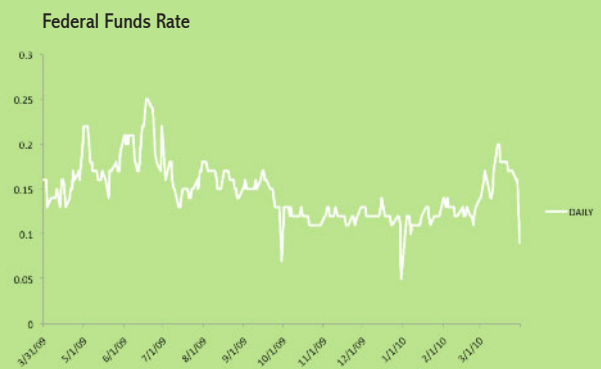
# TRIAD Equity Spotlight

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.

## MetLife Inc

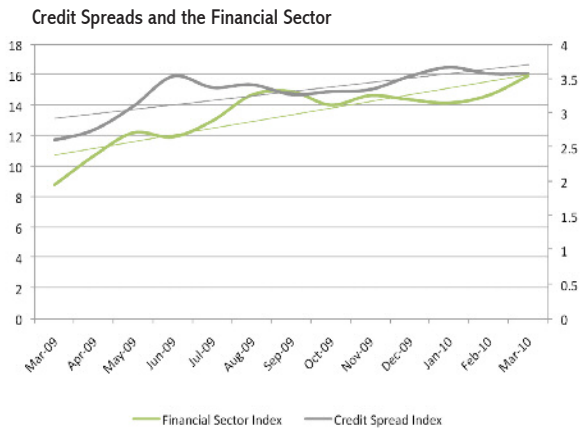
### Global Macroeconomic Trends

In line with our outlook last quarter, economic activity has continued to strengthen, particularly with business spending and a supportive financial market environment. The financial sector is typically on the forefront of improvement during an economic recovery which we have observed in its 300 basis point outperformance of the S&P 500 over this past quarter. Contributing to this performance is the continued low interest rates which should persist for the near term, based on the Federal Reserve's and European Central Bank's decisions to keep the federal funds and marginal lending facility rates unchanged, although they are phasing out non-standard monetary policy. We will monitor other sectors which are later to rebound, such as materials, energy, and commodities, which may present mid-term growth opportunities.



## Sector Vantage

Sectors sensitive to interest rate movements like financials, specifically sub-industry insurance, have experienced a rally in book value growth since the end of 2008. Driving this increase, in part, is due to changes in credit spreads caused by a steepening yield curve. This environment has been advantageous to insurers as the yield on assets supporting liabilities, in relation to crediting rates on liabilities, changes.



## Fundamental Research

Metlife Inc. has been recently upgraded to outperform the market by our peers, which is our belief as well. We also set our price target up several dollars per share and the stock seems to be moving quickly in that direction. This is due to the large-scale trends identified earlier, as well as the firm's relatively high dividend yield and favorable valuation.

Fundamentals	
Analyst consensus : Outperform	
Target Share Price : \$47.50	
Quarterly earnings growth: > 200%	



# All Asset Core Portfolio *Growth*

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## Top Ten Equity Holdings

	Portfolio
Wipro Ltd.	12.4%
Yanzhou Coal Mining	11.9
Satyam	11.6
Companhia Paranaense de Energia	7.3
Petrobras	5.7
Netease	5.2
Halliburton Co	3.6
Noble Energy	2.6
Automatic Data Processing	2.3
MetLife Inc	2.3
McAfee Inc	2.1

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*
2010: 1Q	4.73%	4.52%	4.13%
1 Year	76.71	75.86	37.5
3 Years			
Inception (4/1/09)	76.71	75.86	37.5

Sector Weights as % of Equity	Port.	Index*
Info Tech	39.0%	18.9
Energy	27.5	10.9
Utilities	9.7	3.5
Financials	7.4	16.5
Consumer Staples	6.1	11.3
Industrials	4.3	10.5
Telecom	2.4	2.8
Healthcare	1.9	12.2
Consumer Discret.	0.9	10.1
Materials	0.8	3.5

Fixed Inc. Port. Characteristics	Port.	Index*
Wtd Avg Coupon	4.5	4.2
Wtd Avg Duration	7.0	5.2
Wtd Avg Maturity	9.6	7.5

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

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

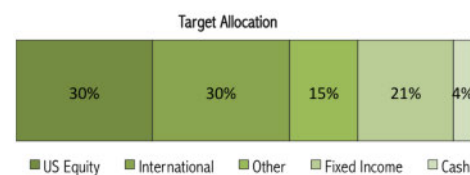
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held in all or any client portfolios, and their mention is not a recommendation to buy or sell. Past performance does not guarantee future results.

**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)	33.1	82.0
Weighted P/E Ratio	18.7	14.7
Beta	1.56	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.



# All Asset Core Portfolio *Balanced*

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Netease	5.2
Halliburton Co	3.6
Noble Energy	2.6
Automatic Data Processing	2.3
MetLife Inc	2.3
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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*
2010: 1Q	2.56%	2.35%	2.87%
1 Year	38.71	37.86	25.22
3 Years			
Inception (4/1/09)	38.71	37.86	25.22

Sector Weights as % of Equity	Port.	Index*
Info Tech	39.0%	18.9
Energy	27.5	10.9
Utilities	9.7	3.5
Financials	7.4	16.5
Consumer Staples	6.1	11.3
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**Account Minimum: \$100,000**  
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# All Asset Core Portfolio *Conservative*

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## Top Ten Equity Holdings

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Netease	5.2
Halliburton Co	3.6
Noble Energy	2.6
Automatic Data Processing	2.3
MetLife Inc	2.3
McAfee Inc	2.1

## 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*
2010: 1Q	1.48%	1.27%	1.61%
1 Year	19.71	18.86	12.95
3 Years			
Inception (4/1/09)	19.71	18.86	12.95

## Sector Weights as % of Equity

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Info Tech	39.0%	18.9
Energy	27.5	10.9
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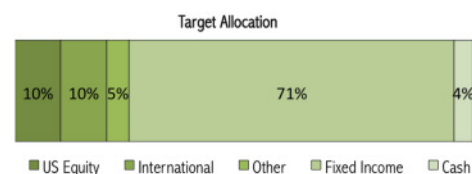
**Management Fee: 0.85%**

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