NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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An Update

SCORECARD	**2014 QI-QIII**	**One Year**	**Three Years**	**Five Years**	**10 Years**
TPM Baseline	**4.97%**	**11.53%**	**13.81%**	**10.79 %**	**8.67 %**
Value Plus	**6.67**	**20.95**	**23.57**	**15.78**	**8.81**
S&P 500 Index	8.34	19.74	22.99	15.69	8.11
10-Year Treasury Note	7.15	4.73	1.78	5.43	5.45
Gold	2.32	-8.34	-9.16	4.04	11.30

All multi-year returns are annualized, and all returns are associated with time periods ending September 30, 2014; please see the disclosure language associated with these Nottinghill strategies

The Economy and the Markets - Forging Ahead

International events may have dominated the headlines in the third quarter, but these events had little impact upon the U.S. economy, which continued to forge ahead. A particularly bright spot once again was the growth of corporate profits, and, next to low interest rates, nothing makes an equity investor smile more than healthy corporate profits. Of course, in the third quarter of 2014 we also had low interest rates. The big question: How will the markets react when rates finally tick up, which they inevitably must? That will depend upon how rapidly rates are allowed to rise and the extent of that rise. For our part, we are encouraged by the persistent progress of the U.S. economy and the long-standing Fed promise not to let monetary policy jeopardize that progress.

The markets? Growth-oriented, large-company U.S. equities were the place to be. The S&P 500 Index provided a total investment return of 1.13%. Fixed income securities did little. Our proxy is a Treasury note maturing in 10 years, and that total return was 0.68%. Gold, which tends to perform poorly when the U.S. dollar is strong — and it certainly was that in the third quarter — declined 7.57%. So, a lot of cross-currents, with volatility picking up as the quarter came to an end and continuing into October.

Looking out, we do pay attention to what the markets are telling us. Here are the three numbers that have been our focus in recent times and what those numbers currently are saying.

- **The Price/Earnings Ratio of the S&P 500 Index**
  Without dividends, the Index rose 0.61% in the third quarter. At 19.56x earnings, the Index and the overall large-company area of the stock market are not particularly cheap, but also, not particularly expensive.
- **The Current Yield of the 10-Stock Yield Group**
  That said, we rarely miss an opportunity to remind everyone that it is a market of stocks, as opposed to a stock market. In other words, the downtrodden and cheap still are out there waiting to be discovered by the patient investor. Nothing connotes "downtrodden and cheap" more than an above-average dividend yield, and stocks of that persuasion, are well-represented in our 10-stock Yield Group, which had an average current yield of 3.51%.
- **The Yield of a 10-Year Treasury**
  The stock market's principal competitor, this note's yield of 2.44% on September 30 was less than June's 2.45%. Yields all along the maturity curve may be headed up at some point, but we are not there yet. The 10-year Treasury still offers little in way of competition.

So, equities? The overall stock market is not particularly cheap, not particularly expensive. But, it's a market of stocks, and opportunities remain. We are optimistic. U.S. large capitalization Value equities should be the cornerstone of almost all portfolios.

Bonds? So far, so good in 2014, but the outlook? For some time, the interest rate path of least resistance has seemed to be up. The resilience of the U.S. bond market so long after 2008-2009, however, has been noteworthy. Still, we're comfortable with the reduced bond exposure in client portfolios.

Challenging quarter, but we always come back to the twin virtues of diversification and discipline.

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Now, let's take a look at the Value Plus and TPM strategies in a little more detail.

About the Firm

Nottinghill Investment Advisers, Ltd., is a registered investment adviser founded in May 1996.

Nottinghill is owned by the seasoned professionals serving its clients, and effectively managing the assets of those clients, taxable as well as tax-exempt, is the Firm's only business. The twin results are commitment and focus.

Total Portfolio Management, or TPM, is Nottinghill's balanced approach to the management of a client's overall portfolio. The Firm's flagship Value Plus Equity Strategy governs the portfolio's large capitalization Value equities, a TPM portfolio's largest component, or can serve on a stand alone basis. In all cases, multiple sets of selection disciplines deliver a consistent pattern of benchmark-beating investment returns.

Commitment. Focus. Discipline. Multiple Processes and Consistency.

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The Value Plus Equity Strategy

The Value Plus Equity Strategy was designed to provide benchmark-beating investment returns in all phases of the stock market cycle. A Large Capitalization Value strategy, Value Plus governs stand alone equity portfolios, or the largest component of our Total Portfolio Management, or TPM, portfolios.

Investment Process - Disciplined, Value-Oriented

Value Plus portfolios typically consist of 20 stocks in three independently managed groups: Yield Group, Contrarian Group, and Momentum Group. Yield Group stocks are selected from the 75-candidate LARGCAP Universe on the basis of high dividend yield. The Contrarian Group also is selected from the LARGCAP Universe, on the basis of multi-year underperformance. Finally, Momentum Group stocks are selected from the S&P 500 on the basis of superior performance. Each Group has a role to play. The Yield Group is the Downside Protectors, which are expected to perform well in challenging markets. The Contrarian and Momentum Groups are the Performance Drivers, and are expected to perform well in favorable markets. The result is a consistent pattern of superior investment returns, in all phases of the stock market cycle.

QIII 2014 - And the Last Was First

Value Plus portfolios were slightly positive in the slightly down Russell 1000 Value market of the third quarter. Let's review the three groups.

The five-stock Momentum Group stumbled a bit after a long stretch of outperformance. A prominent oil driller led the list of underachievers, but aluminum and our favorite retailer once again were bright spots.

The Yield Group did a little better. Here, the winners were a couple members of Old Tech, while the disappointments were our Energy and Materials stocks. We are patient investors, however, and we're getting paid while we wait.

The Contrarian Group? Long-time laggards, they finally came alive, and won the performance derby. The Industrials were standouts, but our favorite investment banker also did very well.

So, the quarter was a positive one for the Value Plus stocks, if not for the value-oriented benchmark. The charge was led by Value Plus' Contrarian Group, which finally took top prize.

Performance - A Solid Record of Achievement

	2014 QI-QIII	One Year	Three Years	Five Years	10 Years	Life of the Strategy*
Value Plus	**6.67%**	**20.95%**	**23.57%**	**15.78%**	**8.81%**	**9.50%**
S&P 500 Index	8.34	19.74	22.99	15.69	8.11	7.63
Russell 1000 Value Index	8.07	18.89	23.93	15.26	7.84	8.39

Strategy inception is January 1, 1997

Nottinghill Investment Advisers, Ltd., is an independent, registered investment adviser utilizing a number of large capitalization equity and widely diversified balanced investment strategies. The above Value Plus performance data are provided net-of-the management fee. All multi-year returns have been annualized, and all returns are associated with time periods ending September 30, 2014. To receive details regarding the calculation and the presentation of any Nottinghill performance data series and/or a complete description of all Nottinghill performance composites, please contact Nottinghill Investment Advisers, Ltd. Past performance is no guarantee of future results.

Now, how about TPM?

Total Portfolio Management

Total Portfolio Management, or TPM, is our approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. The objectives are inflation- and benchmark-beating investment returns, as well as the investment return stability that comes with a balanced portfolio structure.

Investment Process - The Complete Answer

Nottinghill's Value Plus Equity Strategy governs the portfolio's large capitalization Value equities, a TPM portfolio's largest component, while investments in two smaller capitalization (U.S.) equity classes and emerging markets (international) equities add to investment return potential, at different risk levels. U.S. fixed income securities governed by the Select Four Bond Strategy help stabilize the pattern of investment returns; and finally, positions in three alternative asset classes add yet another layer of diversification. The complete answer. One destination for all of the taxable individual's or tax-exempt institution's investment needs.

QIII 2014 - Challenging

Our large capitalization Value Plus equities eked out a small gain in the third quarter. That was not the case with the smaller-company U.S. and emerging markets equities, or the U.S. Fixed Income sector. The Alternatives Group, after a very good first half, also came up short. As stated, a challenging quarter, but longer-term, it's all about diversification and discipline.

Performance - Consistent Value-Added, the Stability of a Balanced Structure

	2014 QI-QIII	One Year	Three Years	Five Years	10 Years	Life of the Composite*
TPM Baseline**	**4.97%**	**11.53%**	**13.81%**	**10.79%**	**8.67%**	**8.82%**
Balanced Index ***	5.66	11.19	13.41	10.35	8.07	7.72

**Composite inception for discussion purposes is January 1, 2002*
***65% equities*
****Weighted 50% Russell 3000 Index, 15% FTSE Emerging Markets Index, 35% Barclays Capital US Aggregate Bond Index*

Nottinghill Investment Advisers, Ltd., is an independent, registered investment adviser utilizing a number of large capitalization equity and widely diversified balanced investment strategies. The Total Portfolio Management performance data, which are provided net-of-the management fee, are a combination of the actual investment returns associated with Nottinghill's Value Plus Equity Strategy, three equity and fixed income mutual funds/ETFs, a Treasury ladder, gold bullion/an ETF tracking the price of gold, and, after January 1, 2014, two alternatives indexes/ETFs. The investment returns are actual; however, the combination is simulated, and such simulated data have certain inherent limitations. First, unlike an actual performance record, simulated results do not reflect actual trading. Second, since trades have not actually been executed, results may contain an under- or over-compensation for the impact, if any, of certain market factors. All multi-year returns have been annualized, and all returns are associated with time periods ending September 30, 2014. To receive details regarding the calculation and the presentation of any Nottinghill performance data series and/or a complete description of all Nottinghill performance composites, please contact Nottinghill Investment Advisers, Ltd. Whether simulated or actual, past performance is no guarantee of future results.

An all-indexed TPM variation? Yes. Details on the next page.

Indexed Total Portfolio Management - A TPM Variation for a Growing Market

Okay, let's lay out a couple of facts. First, since inception and net-of-fee, the performance of our all-equity Value Plus portfolios has surpassed that of the benchmark Russell 1000 Value Index and the S&P 500 Index. Second, our Select Four combination of actively managed bond mutual funds and a Treasury Ladder would have outperformed the passive bond market indexes over the past 12 years. Value Plus governs the large capitalization equity component of our balanced Total Portfolio Management portfolios, and Select Four, of course, governs the entire U.S. Fixed Income sector. These two parts of a TPM portfolio are the only ones that are actively managed and bottom line: Net-of-fee, we've added value to the passive benchmarks. The other parts of a TPM portfolio? They're indexed i.e, they perform in line with certain equity market indexes, bond market indexes, or commodity prices.

So, large capitalization equities and the entire U.S. Fixed Income sector are actively managed, and the beauty is that the performance of each component/sector either did (Value Plus) or would have (Select Four) beaten its passive benchmark. That's the past. What about the future? Past performance, as they say, is no guarantee of future results, but we're more than optimistic. These two active investment approaches have done the job over an extended period of time. Persuasive data in our view, and a powerful predictor of future success.

Having said all that, we know that a growing number of investors are finding strategies in which all components/ sectors are indexed to be very appealing. And, why not? There are three significant benefits associated with indexing.

Performance. We are happy to pat ourselves on the back, but the truth is, active strategies in general have a less-than-inspiring record versus the indexes. One recent study concluded that, over the 2002-2011 period, only 20% of actively managed equity mutual funds and only 11% of actively managed bond mutual funds outperformed their passive benchmarks. We believe that a lack of discipline in the buy/sell processes is a major factor, but regardless, facts are facts. The index funds/Exchange-Traded Funds (ETFs) that replicate these passive benchmarks are formidable competitors.

Low Cost. If a lack of discipline is not the largest impediment to investment success, then high management fees and transaction costs are. At year-end 2011, the average expense ratio for all actively managed, domestic equity mutual funds was 1.35% of total assets, a figure that does not include transaction costs. For comparison purposes, as you'll see, the all-indexed variation of our TPM strategy combines nine ETFs with a weighted-average expense ratio (Baseline asset allocation structure) of 0.24%. Granted, there are two lower-cost bond ETFs in the mix, but still...0.24%! Investment expenses have a significant impact upon long-term investment returns.

Style Purity. The securities in an indexed mutual fund or ETF have certain common characteristics, e.g., similar market capitalizations, similar valuation metrics, etc. The indexed mutual fund or ETF, therefore, is well-defined, and the investor knows exactly what he/she is buying.

Superior performance. Ultra low-cost. Style purity. The three primary advantages associated with indexing are significant.

For these reasons, the appeal of all-indexed investment strategies is growing, and we are pleased to enter the competition with a TPM variation that we're calling Indexed Total Portfolio Management, or ITPM. Same basic structure in two of the portfolio's sectors. The Equities sector contains large capitalization U.S. stocks, smaller-company U.S. stocks, and emerging markets international stocks, while the Alternatives Group still contains the same three alternative asset classes. The U.S. Fixed Income sector, however, is a little different. TPM's actively managed bond mutual funds have been replaced by two ETFs replicating the entire U.S. taxable bond market and an intermediate all-Treasury component. So, no actively managed U.S. Fixed Income sector. Also, no actively managed large capitalization U.S. equities. Value Plus and the equities it governs have been replaced by two large capitalization equity ETFs. The first performs in line with a value-oriented equity index, and the second performs in line with a growth-oriented index.

Nine ETFs comprise an ITPM portfolio. In all cases, the ETF is very well-defined. Cost? As stated, the weighted-average expense ratio of these nine ETFs is 0.24%. Even with our management fee added on, we are comfortable referring to ITPM as ultra-low cost.

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A great deal of background work went into the creation of our Total Portfolio Management strategy, and that work is reflected in the investment success achieved by our TPM clients. A great deal of work also went into the development of the ITPM variation, which gives us two strong competitors in the world of widely diversified, balanced portfolio management. Which is better? Impossible to answer. What we do know is that many investors prefer individual equities and bonds and their active management, while a growing number of investors prefer all-indexed investment strategies. TPM or ITPM? Whatever the choice, it's a high-quality option. The complete answer, as we say. One destination for all of the taxable individual's or tax-exempt institution's investment needs.

401(k)

ITPM certainly is a simpler, probably more rewarding, certainly lower-cost alternative to actively managed mutual fund options. The three distinct advantages:

- **The complete answer** - an all-indexed approach covering all the bases and, with three separate asset allocation structures, satisfying a variety of participant needs
- **Low fees and transaction costs** - a low Nottinghill fee, ultra-low ETF expenses, ultra-low transaction costs
- **Solid performance at a low level of risk** - the performance advantages of indexing, with below-average volatility and downside protection

ITPM governing a set of 401(k) options is an alternative worth exploring. Questions? Information? Please contact us.