NOTTINGHILL INVESTMENT ADVISERS, Ltd.

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An Update

2012 Scorecard

	QIV 2012	2012	Three Years	Five Years	10 Years
S&P 500 Index	-0.38%	16.00%	10.87%	1.66%	7.10%
10-Year Treasury Note	-0.27	4.54	10.32	7.94	6.12
90-Day Treasury Bill	0.02	0.07	0.09	0.39	1.68
Gold	-6.30	5.82	13.93	14.76	17.02

All multi-year returns are annualized, and associated with time periods ending December 31, 2012

The Economy and the Markets - Vibrant and Structurally Sound

A wise observer once said that bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria. But, equity bull markets only can produce what the underlying economy will allow, and the U.S. economy actually has "allowed" a great deal since the Great Recession. Yes, the recovery has been slower than the norm, and certainly the employment rate has yet to show the strength we all would like to see. However, those green shoots, those small signs of hope that we discussed in 2009 clearly have become more vibrant and structurally sound, which together imply sustainability. There should be more good news to come if only Washington will get out of the way.

Unrecognized and certainly unloved, the stealth bull market in equities continued in 2012. The broadly based S&P 500 Index provided a total return of 16.00%, and all was well in the world as the Value benchmarks generally did better than their Growth rivals. Next in line - but far behind - were gold with an annual return of 5.82% and the 10-Year Treasury, our proxy for the bond market, with a total return of 4.54%. The latter and its brethren, with their 1-2% yields, have become very expensive propositions indeed, and continue to amaze. Treasury bills? With a 2012 total return of 0.07%, the price of comfort in the cash market was even higher, and the battle against inflation, the one true enemy, was lost even before it began. But, the real 2012 story is equities, U.S. and International, Value and Growth, and large and small capitalization. Now, if only Washington will get out of the way.

The Portfolios - Second Half Surge, Yield Threepeat, TPM Bonds

Our Value Plus strategy governs stand alone equity portfolios and the largest component of our TPM balanced portfolios, and, thanks to a strong second half, 2012 was a good year all around. Value Plus' Yield Group in particular benefited from investor infatuation with the higher-yield part of Value investing, and took the top spot, for the third straight year. The Momentum Group, missing in action during most of 2010-2011, was the object of a pretty intense research effort, which paid off as the Group reasserted itself and served with distinction. The Contrarian Group? Patience required, but, if history is any guide, that patience ultimately will be well-rewarded. Value Plus' large caps delivered in 2012. What about the other TPM asset classes? No complaints, particularly when it comes to TPM's bonds. Good year all around.

We invite you to check out the details…..

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 is the Firm's only business. The twin results are commitment and focus.

Nottinghill's specialty is the disciplined management of large capitalization Value equities, both hedged and unhedged, and widely diversified balanced portfolios with Value equities as the primary component. Multiple sets of buy/sell disciplines govern all portfolios, and the result is a consistent pattern of superior investment returns.

Commitment. Focus. Discipline. Multiple Processes and Consistency. Nottinghill delivers.

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The Value Plus Equity Strategy

Value Plus, our flagship Large Capitalization Value approach, has served Nottinghill clients since 1997. Portfolios typically consist of 20 stocks in three independently managed groups:

Yield Group - Stocks are selected from the 75-candidate Nottinghill LARGCAP Universe on the basis of high dividend yield and one measure of corporate profitability; each stock then is sold only when its yield is no longer competitive.

Contrarian Group - Stocks also are selected from the LARGCAP Universe, on the basis of multi-year underperformance. The Group then is held for a multi-year period of recovery.

Momentum Group - Stocks are selected from the S&P 500 on the basis of superior performance, held for a specific period of time, and then are sold.

Each Group has a role to play. The Yield Group is the Downside Protectors, which are expected to perform relatively well in difficult markets. The Contrarian and Momentum Groups are the Performance Drivers, and are expected to perform relatively well in favorable markets. As a result, the Value Plus Equity Strategy, among a select few, has the opportunity to provide superior investment returns in both phases of the stock market cycle.

Performance

	QIV 2012	2012	Three Years	Five Years	10 Years	Life of the Strategy*
Value Plus	**3.43%**	**16.36%**	**9.04%**	**2.78%**	**8.65%**	**8.01%**
Russell 1000 Value Index	1.52	17.51	10.86	0.59	7.38	6.92

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 Value Plus performance data, which are provided net-of-the management fee, were prepared in compliance with the Global Investment Performance Standards (GIPS®). All multi-year returns have been annualized, and are associated with time periods ending December 31, 2012. To receive a complete GIPS®-compliant description of the performance composite whose returns are provided in this data series and/or a complete list and description of all Nottinghill performance composites, please contact Nottinghill Investment Advisers, Ltd. Past performance is no guarantee of future results.

Total Portfolio Management

Total Portfolio Management, or TPM, is our balanced approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. A TPM Baseline portfolio has the following structure:

Portfolio Equities		**65%**
U.S. Large Capitalization - Actively Managed*	60%	
U.S. Mid Capitalization - Indexed	10	
U.S. Small Capitalization - Indexed	10	
International Emerging Markets - Indexed	20	
Portfolio Fixed Income Securities		**30**
Three mutual funds, Treasuries**		
Portfolio Non-Traditional Assets		**5**
Gold		

*Value Plus Equity Strategy
**Select Four Bond Strategy

Performance

	QIV 2012	2012	Three Years	Five Years	10 Years	Life of the Composite*
TPM Baseline	**2.71%**	**13.91%**	**8.99%**	**4.83%**	**9.95%**	**8.41%**
Balanced Index **	1.04	12.57	9.05	3.88	8.79	7.14

**Composite inception for discussion purposes is January 1, 2002*

***Weighted 50% Russell 3000 Index, 15% MSCI 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, the actual investment returns associated with three equity and three fixed income mutual funds/ETFs, the actual investment returns associated with gold bullion, and the simulated investment returns of the passive Nottinghill Treasury Ladder. The entire data series, therefore, 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 are associated with time periods ending December 31, 2012. To receive details regarding the calculation and the presentation of the Total Portfolio Management data series and/or a complete list and description of all Nottinghill performance composites, please contact Nottinghill Investment Advisers, Ltd. Whether simulated or actual, past performance is no guarantee of future results.

Our Back Pages

"Ah, but I was so much older then.
I'm younger than that now."

--"My Back Pages,"
Bob Dylan (1964)

In 1964's "My Back Pages," Bob Dylan criticizes himself for being much too certain about all things during his earlier folk/protest days. The same criticisms can apply to many of us, particularly to many of us in the investment business.

Back in the 70s, one of the individuals within these four walls embarked upon a career managing U.S. equities. The business tends to attract a certain type. Self-confidence typically is not a problem, and that to go along with the aforementioned Dylanesque, sometimes unhealthy certainty of youth. As the years went by and the lessons were learned, this unfettered self-confidence and certainty in all things gradually moved toward what Richard Nixon called "peace at the center." That's what seasoning is all about, and the grand product of that seasoning is a set of Fundamental Nottinghill-type Beliefs. Let's go over those Beliefs and how they evolved:

- **Simplicity and discipline are the key elements of long-term investment success**

  Competitive business, awesome responsibility. Complexity, many Greek-lettered variables, other esoterica required, right? Not right. Our intrepid, newly minted Equity Guy learned over the years that, yes, knowing what made the company tick was a necessary part of the process, but the go/no go decision? That boiled down to (and sticking with) a few important, well-researched, largely quantifiable considerations. Keep it simple. Stay focused and disciplined.

- **Over time, common stocks deliver the highest rate of investment return, and stand the best chance against inflation**

  This was the chosen profession of our fresh-off-the campus Equity Guy, so not much of a seismic evolution here. If anything, his respect and reverence for common stocks and the virtues of ownership have grown stronger. Good quantitative support for this Belief, too. Bonds and cash? About half the long-term rate of return of common stocks. Inflation? No contest.

- **Over time, the Value style of investing outperforms the Growth style, however, both should be represented in the overall portfolio**

  Seismic attitudinal change here, and Equity Guy's metamorphosis wasn't all that unusual. Most people come into the business thinking that his/her job is to ferret out the next Haloid or Microsoft and then jump on board for the long, never-ending ride. And granted, a few skilled investors do stick with this game plan. Equity Guy? As the years passed, he learned that those who continually are on the prowl for the cheap and mispriced have a distinct advantage over those who search for the best and fastest growers. The historic advantage: 2-3% per year, which is significant. Most things in life continually revert to some sort of mean, and Equity Guy learned that reverting from out-of-favor to equilibrium is much better than reverting from in-favor to equilibrium. Ignore the Growth style of investing? Not at all. Growth can be the superior style for long stretches, and therefore, deserves a seat at the table, albeit a smaller seat.

- **Indexed approaches often compete very effectively with the active management of both equities and fixed income securities, and should be represented in the overall portfolio**

  Average performance as a goal! It took awhile for Equity Guy to accept this one, but ultimately, he was worn down by the data. What the data say is that the passive equity and fixed income indexes are formidable competitors, and most active managers, particularly those in the peripheral equity classes, can't keep up. Indexed approaches have a lot to recommend them. Equity Guy learned that indexed approaches aren't the enemy. Rather, they're important allies.

- **The future cannot be predicted; adequate diversification by asset class and individual security is very important**

  Hair brushed (there was something to brush in those days) and shoes shined, Equity Guy walked into the office of The Big Downtown Firm, and learned how the grand economic forecast was absorbed by the all- powerful Investment Committee, who then forecasted market direction, gathered the thoughts of the analysts, and then attempted to designate the winners and losers. Nothing wrong with that in a perfect world. But guess what? Equity Guy learned that it all rests upon grand macro trends that basically are unforecastable, interest rate trends that are beyond unforecastable, and company-specific earnings that are totally unpredictable. There had to be a better way, but first came humility, the realization that he who once had so much certainty regarding all things was living in a very uncertain, unpredictable world. The solution: Spread investable assets around in an intelligent manner, and by that we mean don't invest in securities that all move together in price and/or are impacted by the same risks.

- **Investment expenses and taxes if applicable have a significant impact upon investment returns**

  Equity Guy started out thinking of himself as Big Picture Guy. Get market direction, the sectors, and the stocks right, and everything else takes care of itself. Over the years, however, he learned that, if a lack of discipline is not the single largest impediment to investment success, then high fees are. They - and we mean commissions, wrap fees, management fees, and an assortment of other fees - are right-off-the top charges that compound over time. They must be kept under strict control. The control part applies to taxes as well. Pre-tax (and gross-of-fee) performance says a lot about the basic worth of an investment approach, but Equity/Big Picture Guy learned over the years always to keep one maxim in mind: It's not what you earn, it's what you keep.

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Not to be too hard on Equity Guy, but he - and this goes for many others as well - came into the business with a lot of pre-conceived notions that gradually were dispelled during a long, very beneficial seasoning process. He and they mistook the (sometimes unhealthy) certainty of youth for the wisdom that only can come with age and experience. In a manner of speaking, therefore, Equity Guy and the others were so much older then, i.e., old and wise in their own minds, but now have become "younger." And, by that we mean (at least in the case of Equity Guy) made younger and made more energized and genuinely confident by that long seasoning process. The result: a very worthwhile decision-making framework. We call that framework the Nottinghill Fundamental Beliefs.

We would like to hear from you. Your questions, comments, and requests for information are welcome at our e-mail addresses:
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