NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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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 largely indexed, balanced approach to the management of a client's overall portfolio, and Indexed Total Portfolio Management, or ITPM, is the fully indexed variation. In both cases, portfolios contain three sectors: Equities, either indexed or governed by the Firm's benchmark-beating Value Plus Equity Strategy; U.S. Fixed Income, either indexed or governed by the Firm's benchmark-beating Select Four Bond Strategy; and the fully indexed Alternatives Group. TPM and ITPM are two complete, widely diversified answers to any client's investment needs.

Seasoned investment professionals. Commitment and focus. Two complete, widely diversified answers. Nottinghill is your ideal partner.

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An Update

SCORECARD	**2014**	**Three Years**	**Five Years**	**10 Years**
TPM Baseline	**5.10%**	**11.34%**	**9.42%**	**7.64%**
ITPM Baseline	**7.06**	**10.85**	**9.36**	**6.58**
S&P 500 Index	13.69	20.41	15.45	7.67
10-Year Treasury Note	10.77	2.44	6.67	5.76
Gold	0.88	-8.69	1.25	10.56

All multi-year returns are annualized, and all returns are associated with time periods ending December 31, 2014; please see the disclosure language associated with these Nottinghill strategies

2014 - A Calm January-September, Fourth Quarter Drama

Two thousand-fourteen was an interesting year. In fact, the U.S. economy in January-September was classic Goldilocks, i.e. not too hot, not too cold. Growth overall was decent, and employment continued to tick up (not too cold). But still, neither was the rate of economic growth nor the level of employment anywhere near what it should have been (not too hot). Then came October, and all that was moving in the right direction was forgotten. Suddenly, Europe was too weak, the dollar was too strong, and the Ebola tragedy was at our doorstep. The economy was continuing to perk along, but the stock market in October's first half behaved as though the glass was half-empty and Goldilocks soon would be leaving the building.

Then, along came December. More favorable growth trends were joined by a lot of smiles at the gas pump. But, wait. What exactly does a precipitous drop in the price of oil mean? A disappointing global growth story? No matter. Investors once again saw the glass as half-empty.

Despite the year-end drama, the U.S. economy ended 2014 on several high notes. The S&P 500 Index had an investment return of 13.69%. Bonds once again defied every prognosticator on the planet, and also had a good year. Gold, which typically does not perform well in a strong-dollar environment, nevertheless was essentially flat. Summing up the stock market, though, the year was no 2013, but certainly decent.

We are not forecasters, but do pay attention to what the markets are telling us. Here are the three numbers we focus upon and what those numbers were saying at year-end.

- **The Price/Earnings Ratio of the S&P 500 Index**
  After a +32% year, the S&P 500 Index sold at 19.89x the earnings of its component companies at the end of 2013. One year later, this ratio had ticked up slightly to 19.97x. Large-company U.S. stocks, therefore, remain neither cheap nor expensive.

- **The Current Yield of the 10-Stock Yield Group**
  One year ago, the average current yield within Value Plus' 10-stock Yield Group was 3.59%, which also was the Group's average current yield at the end of 2014. The line up may have changed; but, there still are downtrodden large-company stocks with generous dividends.

- **The Yield of a 10-Year Treasury**
  Frustrating just about every forecaster on the planet, this carefully watched yield actually went down from the 3.03% of year-end 2013 to the 2.17% of year-end 2014.

As we navigate 2015, therefore, U.S. equities appear fairly valued; opportunities among the market's downtrodden remain; and the stock market's principal competitor now is even less competitive. Large capitalization Value equities should be the cornerstone of almost all portfolios, but small-company and emerging markets equities remain powerful allies.

Bonds? The interest rate path of least resistance continues to be up. What Fed moves in 2015 will mean to longer-term rates is another matter, particularly in the face of slow growth overseas.

Challenging quarter, and challenging year. Our advice: Stay diversified, and stay the course.

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Now, let's take a look at the balanced strategies this time, in a little more detail.

Total Portfolio Management

Total Portfolio Management, or TPM, is our largely indexed, balanced 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, Largely Indexed Answer

TPM portfolios consist of three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. The Firm's Value Plus Equity Strategy, an active strategy, governs the U.S. large capitalization component of the Equities sector, which also includes three other, indexed Exchange-Traded Fund (ETF) components. The U.S. Fixed Income sector is governed by the Firm's Select Four Bond Strategy, a combination of three actively managed bond mutual funds and intermediate Treasuries. And finally, positions in three alternative asset classes (three ETF positions) constitute an Alternatives Group that adds yet another layer of diversification. The complete, largely indexed answer. One destination for all of the taxable individual's or tax-exempt institution's investment needs.

2014 Summary - 2013 It Wasn't

Two thousand-fourteen was the anti-2013. Our large capitalization Value Plus equities started out slowly and gathered steam as the year progressed, but then (unlike 2013) limped home at the finish. The smaller-company components did better, but TPM's emerging markets equities again were disappointing in the strong-dollar environment of 2014. The U.S. Fixed Income sector? Our active managers and the Treasuries did just fine amid 2014's falling (!) interest rates, and that brings us to the Alternatives Group. The REITs made this TPM's best-performing sector. All in all, a year that became challenging, but there were bright spots.

Performance — Value-Added Stability

	2014	Three Years	Five Years	10 Years	Life of the Strategy*
TPM Baseline**	**5.10%**	**11.34%**	**9.42%**	**7.64%**	**8.66%**

** Strategy inception for discussion purposes is January 1, 2002*
*** 65% equities*

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 December 31, 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.

Now, let's continue this Update's focus on balanced portfolio investing, and talk about ITPM in 2014. Details on the next page.

Indexed Total Portfolio Management

Indexed Total Portfolio Management, or ITPM, is our fully indexed, balanced approach to the management of a taxable or tax-exempt investor's overall portfolio. Once again, the objective is inflation-beating investment returns; but this time, they are expected to be in line with the passive indexes, and expenses are expected to be ultra-low.

Investment Process - The Complete, Fully Indexed Answer

ITPM portfolios also consist of an Equities, a U.S. Fixed Income, and an Alternatives Group sector. A total of nine components, and all nine consist of Exchange-Traded Fund (ETF) positions performing in line with an associated equity market index, bond market index, or commodity price. The result: the traditional performance advantages of indexing, along with ultra-low transaction costs and management fees. The complete, fully indexed answer. As with TPM, one destination for all of the individual or tax-exempt investor's investment needs.

2014 Summary - 2013 It Wasn't (II)

ITPM's indexed Equities and U.S. Fixed Income sectors may have outperformed most of their actively managed rivals in 2014, but a +30% stock market year it wasn't. Still, the year was a solid one, with the Equities and Alternative sectors providing the capital growth, and U.S. fixed income securities providing the stability and, when needed, the sanctuary in times of stress. After a runner up 2013 finish, ITPM was the clear winner in 2014.

Performance — Indexed Stability

	2014	Three Years	Five Years	10 Years	Life of the Strategy*
ITPM Baseline**	**7.06%**	**10.85%**	**9.36%**	**6.58%**	**7.61%**

**Strategy inception for discussion purposes is January 1, 2002*
***65% equities*

Nottinghill Investment Advisers, Ltd., is an independent, registered investment adviser utilizing a number of large capitalization equity and widely diversified balanced investment strategies. The Indexed Total Portfolio Management performance data, which are provided net-of-the management fee, are a combination of the actual investment returns associated with certain indexed mutual funds/ETFs or the indexes upon which those indexed mutual funds/ETFs are based and the actual investment returns associated with gold bullion or an ETF tracking the price of gold. The investment results 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 December 31, 2014. To receive details regarding the calculation and the presentation of any Nottinghill performance 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.

My number? What's that all about? Answers on the back page.

Editor's Note: As stated, the Update focus this time is our two widely diversified balanced investment strategies, Total Portfolio Management (TPM) and Indexed Total Portfolio Management (ITPM). In both cases, three possible asset allocation structures are available, so the obvious question becomes: How much equity exposure should I have, or — and note that we have updated this piece from an earlier time —what's my number?

What's My Number?

"The pure and simple truth is rarely
pure and never simple."
-- Oscar Wilde

Despite Oscar Wilde's famous contention, the pure and simple truth in one case, asset allocation, is pure and simple. Asset allocation is the primary determinant of long-term investment success. So, when we're discussing our Total Portfolio Management or Indexed Total Portfolio Management strategies with existing or prospective clients, asset allocation is one of the primary topics of conversation. The specific question: "How much should I have invested in common stocks?" Always a good question, and one that should be asked on a regular basis and certainly if an investor's situation changes significantly. The answer to that question, we believe, is a function of three considerations.

Circumstances — Just the Facts, Ma'am

By far the most important consideration is something called "circumstances." Included are the usual non-emotional factors that anyone from a high school freshman to a seasoned investment professional can throw into a computer, which then spews out an answer in seconds. A few of those factors: age, current income, expected income, spending habits, etc. And no surprise, the cold, hard analysis reveals that the successful 40-year old attorney or doctor should have a higher equity percentage than, say, an 80-year old retiree. But, you knew that already. So, there's probably more to it.

Figure 1

Indexed Total Portfolio Management —
Asset Classes and Asset Allocation Structures

	Asset Allocation Structure		
	Aggressive	**Baseline**	**Conservative**
Equities	80%	65%	50%
U.S. Large Cap			
U.S. Micro-Cap			
Int. Emerg. Mkts.			
U.S. Fixed Income	10	20	35
Total U.S. Bond Mkt.			
Intermediate Treasuries			
Alternatives Group	10	15	15
International Emerging Markets Bonds			
Gold			
REITs			

Risk Tolerance — The Value of Sleep

Second — and irrespective of the "facts" — we let emotions take over, and ask one simple question: Given your basic make up, view of the world, etc., what is the maximum equity percentage that still allows you to sleep peacefully during a rough patch for the stock market? No doubt about it, no matter how experienced and sophisticated the investor, 2008 with a fully invested (100% equity) portfolio was quite a bit different from 2008 with a 25-30% equity position. The actual comfort zone depends upon the person (or people in the case of a Board) involved. But regardless, the goal is to be able to stay the course with a well-considered plan and (by all means) not to leave oneself wide open to what's commonly called "emotional risk," the very real risk that the investor ultimately can stand the pain no longer and throws in the towel at exactly the wrong time.

Market Outlook — A Distant Third

The third consideration when arriving at an investor's proper equity percentage is something called "the market outlook." Admittedly this is a distant third, but deserves mention because it can alter the analysis, particularly at the margin in the midst of some kind of mania. For example, there were plenty of signs of stock market mania in late-1999/early-2000, and clearly the Treasury market doesn't seem to represent much value in 2015. Maybe the investor carefully weighs Decision #1 and Decision #2, and then shakes things up a bit if one market or another seems to be out-of-whack. We know manias are only evident in retrospect, and market calls are among the most difficult decisions. But, there should be room in the process for some kind of Decision #3 at the margin.

So, there you have it, i.e., a process, which we've employed many times, for determining the right equity percentage for any institutional or individual investor. First, just give us the facts. Second, add to or subtract from that fact-driven number based upon more emotional factors. How does the investor see things? With X% in equities, how well would he/she have slept during the worst days of 2008? In other words, what is the right comfort zone? These are questions we ask existing and prospective clients, and we pay attention to the answers. And, third, based upon current market conditions, should or how should things be shaded at the margin?

That's the process, and we know one thing for sure. No one size fits all, and that's why we offer three formal TPM and ITPM structures (those structures and the asset classes of the fully indexed ITPM are provided as Figure 1). Younger, with many high-earning years ahead of you? Assuming all the glasses around you appear half-full and growth of capital is worth a bear market or two, how about Aggressive? Retirement in a few years with most of the glasses around you half-full, but another 2008 not an option? Maybe it's Baseline. Retired, with capital preservation the Big Idea? Conservative may be the answer. Whatever structure gets the nod, TPM and ITPM portfolios are well-diversified, and the opportunity to stay well ahead of inflation is there. That's why we call TPM and ITPM the Complete Answer. And now, you know there's a process for determining which structure suits your needs.

What's your number? We (and TPM or ITPM) can help.

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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