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 passive, balanced approach to the management of a client's overall portfolio, and Indexed Total Portfolio Management, or ITPM, is the totally passive variation. In both cases, portfolios contain three sectors: Equities, either passively managed or governed by the Firm's Value Plus Equity Strategy; U.S. Fixed Income, either passively managed or governed by the Firm's Select Four Bond Strategy; and the totally passive 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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NOTTINGHILL INVESTMENT ADVISERS, Ltd.

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An Update

SCORECARD

	2016	Three Years	Five Years	10 Years
S&P 500 Index	**11.96%**	**8.87%**	**14.66 %**	**6.94%**
10-Year Treasury Note	**1.02**	**4.35**	**1.97**	**5.48**
Gold	**9.09**	**-0.81**	**-5.93**	**6.19**

All multi-year returns are annualized, and all returns are associated with time periods ending December 31, 2016

2016 — Power and Resilience

In 2015, it was oil prices, Greece, China, and the Fed. Last year, it was the January-February stock market swoon, Brexit, Donald Trump, and...the Fed! In other words, we stumbled out of the stock market gate, witnessed two of the most astonishing political events of our lifetimes, and all the while had to contend with the same widespread mix of Fed proclamations. Through it all, the U.S. economy did remarkably well, with the labor market finally joining the other factors of production. Politics in general and jaw-dropping political outcomes in particular may have dominated the 2016 headlines, but 2016 also is testament to the overall power and resilience of the U.S. economy.

That power and resilience were manifested in the behavior of U.S. equity prices in 2016. The broadly based S&P 500 Index provided a total investment return of 11.96%, but hardly in straight-line fashion. The early-year damage was followed by a six-week advance. All was well until June when U.K. voters voted to leave the European Union. The result was stock market fireworks, after which investors shrugged off what was thought to be a seismic event. In fact, the truly seismic event was yet to come. On November 8, pollsters everywhere were confounded once again as Donald J. Trump was elected the 45th President of the United States. The next day, the Dow Jones Industrial Average finished up 257 points. U.S. equities were off and running.

Large capitalization equities had a good year, with the Value stocks that we prefer doing far better than Growth; however, smaller company stocks performed even better. Bonds had a classic v-shaped 2016. Our proxy is a Treasury note maturing in 10 years. That note yielded 2.27% at the beginning of the year, 1.37% on July 8, and then (back to) 2.42% at year-end. For the year, a 10-year Treasury provided a total investment return of 1.02%. Gold? A good first half followed by a poor second half. The 2016 investment return: 9.09%. In many cases, 2016 on a point-to-point basis seemed to be calm and orderly; but, the reality was far different.

That's the story of 2016. Where did things stand at year-end? Let's take a look at the three numbers:

- **The Price/Earnings Ratio of the S&P 500 Index**
  Year-end 2015, this stock market index sold at 21.54x the earnings of its component companies. As stock prices moved up and rallied strongly after the election, this ratio reached 25.76x at the end of 2016. U.S. equities, therefore, are far from undiscovered. A mitigating factor, however, is that the outlook for corporate earnings (the E in P/E), particularly in a pro-growth environment, is very good.

- **The Average Yield Within the 10-Stock Yield Group**
  From the stock market bottom of March 2009 until now, these 10 stocks have been the best-performing of our three groups. And, Yield Group characteristics at any point do say a lot about what kind of bargains exist. For example, at the beginning of 2016 the average yield within the Yield Group was 4.06%. In contrast, the average yield of the new 10 on January 1, 2017 was 3.81%. So, even the bargains became less attractive in 2016, but only by a slight margin.

- **The Yield of a Treasury Note Maturing in 10 Years**
  This security is the stock market's principal rival. In 2016, its yield traced out a v-shaped pattern, finally closing at 2.42%. The competition for equity dollars has strengthened, but not enough to make a meaningful impact on equity fund flows.

Bottom line: The valuation of the overall U.S. equity market at the end of 2016 was not compelling, but all will be forgiven if corporate earnings continue to march ahead in a more-business-friendly environment. Bargains? They continue to be out there. And finally, the 10-year Treasury note still offers little competition.

As always, stay diversified, and stay the course.

* *

And now, the balanced strategies…

Total Portfolio Management

Total Portfolio Management, or TPM, is our largely passive, uber-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 multi-asset class portfolio structure.

Investment Process - The Complete, Largely Passive 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, passively managed 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 passive answer. One destination for all of the taxable individual's or tax-exempt institution's investment needs.

2016 Summary — A Two-Part Year

The year was dominated by two political events: June's Brexit vote and the U.S. elections. The first was shrugged off quickly, but the impact of the latter still is being felt. One can argue that the year, in an investment sense, can be divided into two parts. From January to the election, things were generally calm and orderly, but then, they definitely changed. U.S.-centered equities and small company U.S. equities in particular became the place to be, at the expense of bonds, precious metals, and real estate. The equity rally that continued into year-end made for a very good stock market year, while the other asset classes basically limped home. Then, now, and always, diversification is key.

Investment Returns

	2016	**Three Years**	**Five Years**	**10 Years**	**Life of the Strategy****
TPM Baseline*	**10.41%**	**3.31%**	**7.68%**	**5.51%**	**7.81%**

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

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 four fixed income mutual funds/ETFs, 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 investment returns have been annualized, and all investment returns are associated with time periods ending December 31, 2016. 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 the focus on balanced portfolio investing, and talk about ITPM in 2016. Details on the next page.

Indexed Total Portfolio Management

Indexed Total Portfolio Management, or ITPM, is our totally passive, uber-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, Totally Passive Answer

ITPM portfolios also consist of an Equities, a U.S. Fixed Income, and an Alternatives Group sector. A total of nine components within those sectors, and all nine consist of Exchange-Traded Fund (ETF) positions (average expense ratio 0.24%) performing in line with an associated equity market index, bond market index, or commodity price. The result: the traditional performance advantages of passive management, along with ultra-low transaction costs and management fees. The complete, totally passive answer. As with TPM, one destination for all of the individual or tax-exempt investor's investment needs.

2016 Summary — A Two-Part Year, Value Investing

Likewise, in the Equities sector, U.S.-centered ETFs were the place to be, with the small company ETF being a standout. And, the Value style of investing was king by a wide margin. Value is the ITPM emphasis, so that's the way we like it.

Investment Returns

	2016	Three Years	Five Years	10 Years	Life of the Strategy**
ITPM Baseline*	**10.76%**	**4.24%**	**7.58%**	**4.71%**	**6.96%**

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

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 investment returns have been annualized, and all investment returns are associated with time periods ending December 31, 2016. 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.

Once again, sector-by-sector look at TPM. Check out the back page.

Editor's Note: This Update article is the third of a three-part review of a TPM portfolio's three sectors...what they are, what they hold, and what they're supposed to do. This time, the Alternatives Group.

TPM's Alternatives Group—
The Extra Layer and Much More

Total Portfolio Management (TPM) is our principal balanced, or multi-asset class strategy. Portfolios contain three sectors: Equities, U.S. Fixed Income, and the Alternatives Group, and we devoted last year's August and November Updates to the first two sectors. That brings us to the Alternatives Group. As before, we'll discuss both the role of this particular sector and how the sector is constituted.

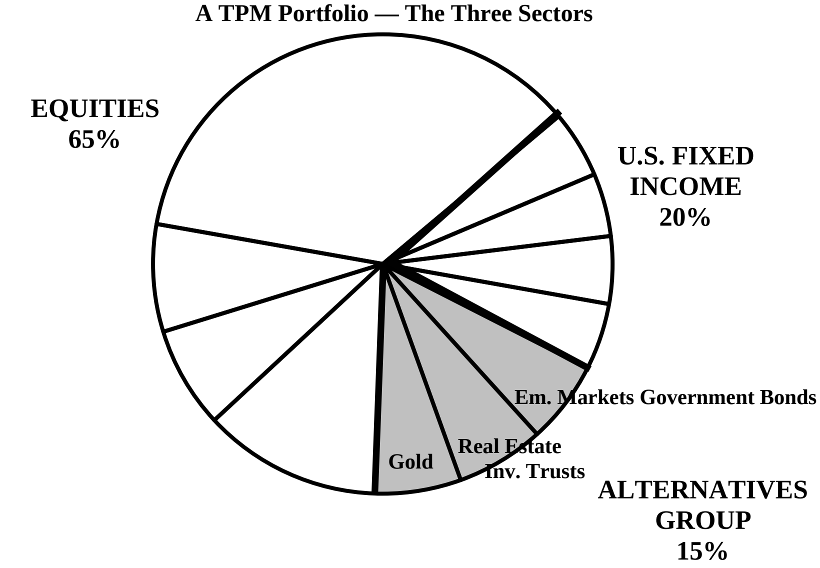
As all friends of the Firm know, probably the most important of the Nottinghill Fundamental Beliefs is a belief in the virtues of diversification. A well-diversified portfolio is one in which the prices of its component assets/asset classes respond to different economic and/or capital market forces and, therefore, have different performance patterns. Equities of all stripes respond to what the overall stock market is doing, but the prices of fixed income securities have a far different historical performance pattern than that of equities. And, TPM's Alternatives Group, whose historical pattern is different from both equities and fixed income securities, adds yet another layer of diversification.

Fifteen percent of a TPM-Baseline portfolio is invested in the Alternatives Group and its three asset classes. Here they are:

Emerging Markets Bonds

We do many things well, but two things we don't do are evaluate credit quality (to which large investment institutions devote many resources and, in our judgment, derive little additive value) and attempt to forecast the movement of currencies (can anyone do this successfully over time?). Our solution is to index with the government bonds of certain emerging economies, and only government bonds denominated in U.S. dollars. (The actual index is the Barclays USD Emerging Markets Government RIC Capped Index.) In other words, no picking and choosing among bonds in far away lands, and no currency decisions involved. The vehicle is Vanguard's Emerging Markets Government Bond ETF. At year-end, this ETF had assets of $1.1 billion, and those assets were invested in 953 bonds with an average maturity of about nine years. The ETF's yield was 5.2%, which comfortably exceeded the 2.4% yield of a 10-year Treasury and the even-lower yields of other developed market government bonds. Credit quality? The apples-to-apples statistic is national debt as a percentage of Gross Domestic Product, and credit quality by this measure frequently is higher in the emerging world. The ETF's expense ratio: 0.34%.

Figure 1
A TPM Portfolio — The Three Sectors



Gold

The old barbarous relic itself always has had a certain aura about it, and in its pursuit chariots, wagons, tanks, etc., have rolled on land and ships have sailed the seas for centuries. We, however, are interested in gold as a monetary substitute or, more specifically, as an insurance policy. How so? Because gold attracts investment dollars in the midst of economic "dislocations." We're not suggesting that such things are just over the horizon, but we do live in an age of uncertainty. Even more specifically, in an attempt to get the world economy moving again, governments have been pumping out dollars, euros, yen, etc., at a pretty good clip over the past eight or nine years. If and when a piper has to be paid, i.e., heightened inflation or currency problems, gold almost certainly will appreciate in value. Our vehicle of choice: the SPDR Gold Trust ETF, which is backed by physical gold and whose assaying, storage, and other costs are more than manageable. In fact, the ETF's expense ratio: 0.40%.

Real Estate Investment Trusts

In the Equities sector, the TPM investor owns U.S. large and U.S. small company equities, as well as international emerging markets equities; in the U.S. Fixed Income sector, he/she owns a variety of U.S. bonds; in the Alternatives Group, he/she owns overseas dollar-denominated debt and gold. A lot of diversification bases covered, but something is missing. How about real estate? In fact, the third asset class in the Alternatives Group is real estate investment trusts, which are companies that own and even may operate income-producing real estate ranging from office and apartment buildings to hospitals, hotels, and a variety of other properties. How do we know which ones to choose? We don't. The objective is to achieve well-diversified real estate participation, so we index with (who else?) Vanguard. This time it's the Vanguard REIT ETF, whose performance mimics that of the MSCI US REIT Index. The ETF in this case contains 156 REITs, and has an expense ratio of 0.12% (how do they do it?).

So, the Alternatives Group contains three asset classes, actually three vehicles tracking two widely-diversified indexes and one commodity price. "Widely-diversified," and that's a good thing; but, diversification without investment return potential is a hollow victory indeed. The Group has performed well, and Group prospects in the modern era still appear to be good. How well has the Group performed? 9.39% per year in the 2003-2016 period, versus 9.12% for the S&P 500 Index. But, did we say that the performance patterns are different? Why, yes we did.

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That concludes our three-part series on the Total Portfolio Management strategy and a TPM portfolio's three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. TPM's advantages:

- A seasoned team of professionals at the helm
- The complete answer to any investor's needs
- Low management fees, transactions costs, and taxes
- Solid performance and the low risk of a balanced approach

The case for Nottinghill and TPM is a strong one. If you currently are employing the TPM strategy, congratulations, you've chosen well. If not, we encourage you to take a look. You'll be glad you did.