NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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An Update

SCORECARD

	2020 QI	One Year	Three Years	Five Years	10 Years
S&P 500 Index	-19.60%	-6.98%	5.10%	6.73%	10.53%
10-Year Treasury Note	11.79	17.67	7.34	4.55	5.76
Gold	5.52	23.53	8.76	6.21	3.69

All multi-year returns are annualized, and all returns are associated with time periods ending March 31, 2020

2020 QI — War on Two Fronts

Someone who has seen many cycles come and go recently said that, if you live long enough, you see just about everything. Well, many of us now can make well that statement. What started out as a flu-like health issue in the heart of China now has gone around the globe at the speed of jet travel, and become a serious problem everywhere. A serious health problem for sure, but the COVID-19 virus also has become a serious economic problem. In other words, a two-front war with hardship everywhere. The ultimate cost in terms of human suffering and economic disruption will not be known for some time, but we do know that the cost will be considerable. Regarding the former, the hope and expectation are that medical science soon will find a solution. Regarding the economic part, two key questions: When businesses worldwide finally are allowed to operate, how long will it take for them to regain their footing? Then, how long will it take for the capital markets to regain theirs? COVID-19...the big story of this and just about any year.

Equity investors took note. The market selloff that began in late-February was as sudden and as steep as we ever have seen. No one was spared. Our large company, value-oriented benchmark was off 26.73%, while the smaller company stock indexes were off even more. Bonds were something of a haven. Treasuries performed well, but other bond market sectors not so much, even as interest rates fell to historic lows. Gold, which had done well in the early days of the stock market selloff, suffered its own selling pressure as the quarter came to a close. First quarter investment return 5.52%.

That was then. What about now?

- **Worldwide Economy**
  What a difference a calendar quarter makes. At the beginning of the year, with both the monetary and fiscal engines pulling in the same direction, the U.S. economy was chugging right along, in far better shape than most overseas economies. Now, we all are in the same boat as everyone grapples with COVID-19 and its economic fallout. The macro-economic tools to deal with this matter exist, and our guess is that those tools will continue to be used forcefully.

- **Equities**
  A wise observer more cynical than we once said that earnings and book value frequently are "abstractions," subject to too much interpretation, but we always have maintained that dividends are not an abstraction. They are real dollars, i.e., real dollars that we regard as a good indicator of investment value. The specific indicator of overall investment value is the average current yield within our 10-stock Yield Group. Early this month, that current yield was over 6.50%, up considerably from the 5.80% of early-January and a level never seen before. U.S. Cyclical/Value equities anyway are on sale.

- **Interest Rates**
  As equities were sold in first quarter, everyone ran to Treasuries, with the yield of the 10-year note going from 1.90% to 0.69%. At the same time, the Fed cut interest rates twice in order to help the COVID-19 situation, and yields at the short end of the yield curve also tumbled. As stated, the tools to deal with the COVID-19 matter exist (and the Fed, Congress, and the administration have those tools). They will continue to be used forcefully.

The January client letter was devoted to 2019, which we called a banner year for equities. And, so it was. We also wrote about 2020 and the start of the 21st century version of the Roaring 20s. Frankly, the first quarter was not quite the start we wanted or could have anticipated, but, through thick and thin, we always come back to those twin tenets of investing: diversification and discipline. This too shall pass.

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And now, "Seven Mistakes Investors Make," and a review of the balanced investment strategies.

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, U.S. Fixed Income, and the 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.

Southampton Square
7414 Jager Court
Cincinnati, OH 45230
513.624.3000 Tel
513.624.3003 Fax
www.nottinghilladvisers.com

"Seven Mistakes Investors Make"

"I believe in a disciplined approach to personal investing...one that minimizes emotions in decision-making, respects the past, which is knowable, and never tries to predict the future, which is not."
- James B. Stewart

"Some of the facts are true, some are distorted, and some are untrue."
- State Department spokesman, commenting on an article in Foreign Policy

Here we are in the COVID-mandated quarantine mode of Springtime 2020. Throughout the day, our fingers are only inches away from a computer and an Internet of facts, some of which are "true," some of which are "distorted," some of which are just plain "untrue." Overwhelming sometimes, so we human beings with only limited time for each subject make every attempt to have our facts (true, distorted, or untrue) "distilled." We gravitate toward shortcuts like lists, preferably lists with rankings alongside. Rolling Stone magazine's 500 Greatest Albums of All Time, the 12 Actors Everybody Hates to Work With, the 10 Foods You Never Should Order Out, etc., etc. Shortcuts that show us where and how to focus our attention in a very data-filled, limited-time world.

Not to be undone, several years ago, we penned "10 Questions to Ask a Financial Adviser" for this space, and were pleased with both the piece itself and the response. One of the 10 had to do with the adviser's (and our) approach to investing. So, let's drill down a little, and say a few more words on that subject. But, let's put those words/thoughts in the context of seven common investor mistakes (a list!). Giving credit where credit is due, we acknowledge Morgan Housel ("The Motley Fool"), whose column in the WSJ started us down this path. The seven big mistakes, as we see them:

1) Assuming certainty

Please believe us, in the world of investing there's no such thing. Instead, the art and science of investing (and life in general) are arrays of probabilities. Sure, everyone loves the CNBC anchor or guest who pounds the table and forcefully claims to have a crystal-clear view of the future. But, that's why they call it entertainment. The long-term pay off will go to those who are humble and open-minded, and have left a margin for error in their worldview.

2) Extrapolating the recent past into the future

OK, we do believe that stock-price momentum is somewhat sustainable and that it should (and does) have a place in our two-part Yield Plus selection process. However, we do not extrapolate such trends into the far, far future, and assume all will be rosy forever. In fact, there's strong evidence that the holding periods involved should be shorter in the modern era. Whether we're talking about individual stocks or markets, extrapolations, to paraphrase Housel, assume straight-line motion, whereas the future actually is more apt to move in spurts and cycles.

3) Feeling smart as the stock market rises

Around here, as we've said and written many times, we don't confuse genius with a bull market. No one should. Still, if the trend is one's friend, there is a tendency to think of oneself as a Tom Wolf-type Master of the Universe with great wisdom and total control. Unfortunately — and we constantly remind ourselves of this — investor hubris of any kind is very dangerous. So is #3's corollary...

4) Feeling victimized by a stock market drop

Take the current COVID situation, for example. No one can deny that the damage currently being done to the worldwide economy is significant, and the accompanying March selloff in U.S. stocks was painful. The truth is, though, that anyone owning stocks has signed up for a whole range of corrections, pullbacks, bear markets, and yes, even five-sigma, out-of-left field events. Regrettably, the former are the norm, and not even the five-sigma latter can be dismissed entirely (you can say that again). The more one feels victimized in their wake, the less likely he or she is to learn how inevitable they are. The offset: if history is any guide, 9-10% per year.

5) Impatience

More than anything else — and we can't stress this enough — successful investing requires patience and discipline. Clearly, though, investing is an emotional pastime, so what it often spawns instead is impatience and impulsiveness. That's a shame. Morgan Housel: "Markets tend to produce strong long-term returns, but the desire to pull those returns forward and earn more money now, today, has caused more misery and remorse than perhaps anything in this business." Lengthening one's overall time horizon and, concurrently, being willing to stay a well-charted course constitute the clear path to success.

6) Letting partisan views guide investment decisions

It does happen. The investor believes in the World According to FOX, or the World According to Bernie Sanders. That's fine. But, basing his/her investment decisions on the politics of the moment or the perceived "way things are going" can be a problem. The stock market ultimately is driven by the long-term trend of corporate earnings, not the election cycle.

7) Worrying about things that can't be controlled

Investors have no control over Fed policy or the Greek bond market or Joe Biden's chances against Donald Trump. What investors do control are their objectives and expectations, asset allocation structures, the adherence to their disciplines, and the list of asset managers they employ. More attention should be paid to what can be controlled and far less to what cannot.

Just another list, you say? Yet another shortcut, allowing us to focus only on someone else's idea of what's really, really important? Well, all we can say is that some lists are better than others. By avoiding the Big Seven on this particular list, you'll be a better investor and/or be able to evaluate more effectively your partners in this great endeavor. That's where we come in. Not only do we pen the lists (talk the talk), we live by the rules (walk the walk).

Total Portfolio Management

Portfolio Structure

Total Portfolio Management, or TPM, is a largely passive, balanced approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. TPM portfolios consist of three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. An active approach governs the large company component of the Equities sector, which also includes three other, passively managed ETF components. The U.S. Fixed Income sector is a combination of three actively managed bond mutual funds and intermediate Treasuries. And finally, positions in three alternative asset classes (ETFs) constitute an Alternatives Group that adds yet another layer of diversification. The result: a complete, largely passive destination for all of the taxable individual's or tax-exempt institution's investment needs.

Investment Objectives

- **A positive inflation-adjusted investment return** — A Life of the Strategy investment return greater than the inflation rate of the overall U.S. economy
- **A structure-consistent investment return** — A Life of the Strategy investment return consistent with the component investment returns weighted in accordance with the portfolio's asset allocation structure
- **Low, structure-consistent volatility** — Life of the Strategy investment return volatility consistent with that of a low-volatility structure and one weighted in accordance with the portfolio's asset allocation structure

Investment Return Summary

	2020 QI	**2002-2020**
TPM Baseline*	**-20.36%**	**8.30%**
S&P 500 Index	-19.60	6.68
Bloomberg Barclays US Aggregate Bond Index	3.15	4.60

*65% equities

Nottinghill Investment Advisers, Ltd., is an independent investment adviser utilizing a number of large capitalization equity and widely diversified balanced strategies. The above Total Portfolio Management - Baseline performance data are associated with the Total Portfolio Management - Baseline model portfolio. While the data associated with the strategy incorporate the model and actual investment returns associated with strategy components, such data, even when combined in accordance with the Baseline structure, do have certain inherent limitations. First, unlike an actual performance record, such data 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. These data are provided net-of-assumed transaction costs and net-of-assumed management fees. Furthermore, the data are associated with time periods ending March 31, 2020, are annualized for the multi-year period, are expressed in U.S. Dollars, and are compared to the broadly based, all equity S&P 500 Index and the all-fixed income Barclays Capital US Aggregate Bond Index. Whether simulated or actual, past performance is no guarantee of future results. A complete list of Nottinghill performance composites and model portfolios and additional information regarding the calculation and reporting of Nottinghill performance are available upon request.

Investment Strategy Advantages

- A seasoned team of investment professionals
- The complete, largely indexed answer
- Low, fully disclosed investment expenses
- Solid performance at a low level of risk

Now, ITPM...

Indexed Total Portfolio Management

Portfolio Structure

Indexed Total Portfolio Management, or ITPM, is a totally passive, balanced approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. ITPM portfolios consist of three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. A total of nine components within those sectors, and all nine consist of ETF positions performing in line with an associated equity market index, bond market index, or commodity price. ITPM portfolios combine the traditional performance advantages of passive management, along with ultra-low transaction costs and management fees. The result: a complete, totally passive destination for all of the taxable individual's or tax-exempt institution's investment needs.

Investment Objectives

- **A positive inflation-adjusted investment return** — A Life of the Strategy investment return greater than the inflation rate of the overall U.S. economy
- **A structure-consistent investment return** — A Life of the Strategy investment return consistent with the component investment returns weighted in accordance with the portfolio's asset allocation structure
- **Low, structure-consistent volatility** — Life of the Strategy investment return volatility consistent with that of a low-volatility structure and one weighted in accordance with the portfolio's asset allocation structure

Investment Return Summary

	2020 QI	2002-2020
ITPM Baseline*	**-17.63%**	**5.89%**
S&P 500 Index	-19.60	6.68
Bloomberg Barclays US Aggregate Bond Index	3.15	4.60

*65% equities

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We would like to hear from you. Your questions, comments, and requests for information are welcome.
mcpeek@nottinghilladvisers.com, jem@nottinghilladvisers.com, lmason@nottinghilladvisers.com, and bmcpeek@nottinghilladvisers.com