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.

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NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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An Update

SCORECARD

	2020 QI-QII	One Year	Three Years	Five Years	10 Years
S&P 500 Index	**-3.08%**	**7.50%**	**10.73%**	**10.73%**	**13.99%**
10-Year Treasury Note	**13.10**	**14.75**	**7.25**	**5.39**	**5.05**
Gold	**16.05**	**25.08**	**12.40**	**8.53**	**3.55**

All multi-year returns are annualized, and all returns are associated with time periods ending June 30, 2020

2020 QII — Victory? Not Quite Yet, but the Trend is Our Friend

As mentioned in the May Update, the first quarter's economic/stock market chaos was more sudden and steeper than anything we ever have seen. We went on to say that we look forward to medical science getting a few COVID answers and all of us having the economy and the capital markets back on track. There has been progress on both fronts. On the medical front, three vaccines either are in or about to enter Phase III trials. No guarantees, but clearly, progress. On the economic front, the U.S. economy is opening up, and recent data suggest that the recovery will be more vigorous than originally thought. Is the U.S. economy out of the COVID woods? What all of us have witnessed in 2020 is one for the ages, so we are even less inclined to declare victory than usual. But, the trend so far is our friend.

That goes for the trend of U.S. equity prices as well. From the March 23 low until June 30, the Russell 1000 Value Index, our large company benchmark, rebounded 34%, and the small company indexes did even better. No question, companies of all stripes are <u>scrambling</u> to put the wheels back in motion, but returning to the good old days of 2019 no longer seems to be an impossible feat. Bonds? Our proxy is a Treasury note maturing in 10 years, and that note's second quarter investment return was 1.17%. Not exactly the 11% of the first quarter, but a decent investment return nonetheless. Gold also performed well. Our proxy is Engehard industrial bullion, which appreciated 9.99% in the second quarter and now is up 16.05% for the six-month period. U.S. equities, however, were the big story of the second quarter.

How do things stand? Under the usual three headings, we do have some thoughts:

- **Worldwide Economy**
  Twenty or 30 years from now, they still will be asking many questions about the pandemic itself and how the pandemic was handled by public health officials worldwide. Another question for that future time: Did they really shut down those economies? They did, and now what is being done is analogous to digging out after a blizzard. Our trading partners and we <u>will</u> dig out after this unprecedented storm, and our lives ultimately <u>will</u> return to some semblance of normal, with the help of generous monetary and fiscal policies around the globe.

- **Equities**
  We do not share the view that stock market investors in the aggregate are all-knowing. Far from it actually, but the stock market may have gotten this one right. The indexes bottomed in mid-March when the news could not have been much worse, and since, have made considerable progress, which most of the macro-economic data now support. Still, valuations are not excessive by most measures, and we single out the Cyclical/Value and emerging markets stocks for special mention.

- **Interest Rates**
  In recent testimony before Congress, Fed Chair Jay Powell said, "We're not thinking about raising interest rates. We're not even thinking about thinking about raising interest rates." That is a powerful message in the normally close-to-the vest world of central banking, and suggests that the Fed is on board as an economic recovery partner.

Therefore, the blizzard hit. The blizzard was unprecedented in terms of suddenness and scope, but now, we are digging out. The economic recovery appears to be on track, and so far, we are encouraged by the concurrent recovery in worldwide equity prices. We pointed out in March and April that this too, i.e., the shutdown economics of those times, shall pass, and a great deal of economic progress in fact has been made. Still, there is work to be done (on the medical front as well), and there clearly will be setbacks along the way. But, so far, so good.

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And now, "1968 2.0," and a review of the balanced investment strategies.

Editor's Note: The Dan Clifton Q&A with Barron's, discussed below, occurred earlier this summer. Since then, of course, negotiations regarding a new fiscal package have broken down. Please stay tuned.

1968 2.0

Even if 2020 ended right now, the year would be one to remember. A deadly pandemic, an actual shutdown of the U.S. economy, widespread political/social justice demonstrations. All that, and a pivotal U.S. presidential election to come. Not long ago, we thought about all that has happened and what is to come, and were reminded of another tumultuous year, maybe the king of all peacetime tumultuous years.

As dawn broke on the morning of January 1, 1968, the American people had no idea what lay ahead over the next 12 months. Before 1968 was over, the "light at the end of the tunnel" would be extinguished by coordinated attacks throughout South Vietnam, a U.S. president essentially would be driven from office, two era-defining assassinations would take place, political/social justice rioting would occur in Chicago and elsewhere, and the year would be capped off by a pivotal U.S. presidential election. Nineteen sixty-eight already was and 2020 already has been tumultuous even before the November elections; but, the former became far more tumultuous, and the latter is likely to follow suit. Let's take a look at November 2020, from both a political and investment standpoint.

Strategas Research Partners is a well-regarded dispenser of investment analysis. Strategas doesn't get it right always (no one does), but we do pay attention. So, when that firm's Washington guru, Dan Clifton, recently sat down with the Barron's staff, the conversation in a Q&A format was well worth our attention. Here are a few excerpts, heavily edited for reasons of space.

The pandemic is still upon us, and states are beginning to shut down again. Will we see a third round of stimulus?

Yes. Why would the Democrats agree to put a trillion dollars into the economy right before a key election? Two reasons. First, Nancy Pelosi believes she is negotiating to make sure that U.S. workers are being taken care of. Second, she has to deliver aid to state and local governments, an important constituency for the Democratic Party.

What will the package look like?

It will be somewhere between $1 trillion and $1.5 trillion. The stimulus will focus on six categories: aid to state governments, employee protection and legal safe harbors for employers, unemployment insurance and employee retention, small-business aid, food stamps, and school reopening funds.

Let's talk about November. What do your tea leaves tell you?

In the past 100 years, no president confronted by a recession within two years of a second term ever has gotten re-elected, and no president who avoided a recession ever has lost. Also, there's Gallup's approval rating. The last Gallup reading was 39%. The only two presidents who were that low this late were Jimmy Carter and George H.W. Bush. Both went on to lose.

The polls were wrong in 2016.

They were, and that's why we try to match up financial market indicators with political data. For example, we pay particular attention to the performance of the S&P 500 Index during the last 90 days of the campaign, so the clock starts August 3. We've gone back 100 years on this. If stocks are higher during this 90-day period, the incumbent party has won 87% of the time. If they're lower, the opposition has won. In 2016, the S&P 500 was down about 2%, a sign that Hillary Clinton was a little more vulnerable than many anticipated. We also watch individual securities and sectors tied to candidate positions. In 2016, a Donald Trump portfolio focused on Energy and Financials was outperforming in the final weeks of the campaign. The markets were saying that he had a better chance of winning than the polls and the betting odds were giving him.

So what is the market saying today?

The market is giving Joe Biden about a 55% chance, which actually is lower than the betting odds or the polls would suggest. The betting odds, for example, are 62-63%. What the market is saying is, "OK, he's the favorite, but it's early. Donald Trump is going to close the gap."

Tell us what happens in the Senate.

The market is starting to believe that the Democrats have a chance. They need a net pick up of four seats, and the polls say that the Democrats currently are winning seven competitive races. However, if Donald Trump starts to make his way back, those Senate races probably are going to close up.

What might we expect from a Democratic sweep?

Every new president gets a fiscal policy package. If Joe Biden is elected and the Democrats take the Senate, I see big spending on health care, infrastructure, clean energy, and education. On the tax front, I see higher corporate tax rates and a 20% minimum tax on foreign-sourced revenue. That's a big deal. Individuals? There will be enormous pressure from state and local leaders in high-tax states to reinstate the state and local tax deduction, but Joe Biden has made it very clear that taxes on capital gains and dividends would be going up.

Let's talk about sectors.

If the Republicans hold on to the White House and the Senate, business-as-usual with Energy and the Financials as beneficiaries. If the Democrats sweep, Biotech, Defense, and fossil fuel would be impacted negatively. So would Financials. There's been a lot of talk in recent weeks that Elizabeth Warren would become Secretary of the Treasury. If so, the banks in particular would see a lot more regulation.

Thanks, Dan.

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Well, one person's opinion, but he knows his stuff. Still, a lot can happen in three months. We know how November 1968 turned out. Hubert Humphrey, carrying a lot of Vietnam and Chicago baggage, was well behind Richard Nixon throughout the campaign. But then, Humphrey started to close, and the election became increasingly competitive. Again, Nixon/Humphrey capped off one of the most tumultuous years in American history. A learned professor once said that it takes 25 years to write a complete history, but we're betting that 2020 the year and 2020 the presidential election ultimately will reach 1968-type status.

One final comment. As you consider the above, please keep in mind that this is supposed to be impartial analysis by Dan Clifton and impartial reporting by us. If you discern a bias one way or the other, we'll admit that a lot of editing was needed for reasons of space, and therefore, will let Dan off the hook. But, to repeat, no bias intended on our part. Just straightforward reporting on yet another pivotal U.S. presidential election in yet another tumultuous year.

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-QII	**2002-2020**
TPM Baseline*	**-8.58%**	**9.00%**
S&P 500 Index	-3.08	7.66
Bloomberg Barclays US Aggregate Bond Index	6.13	4.70

*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 June 30, 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

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- **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-QII	**2002-2020**
ITPM Baseline*	**-4.98%**	**6.63%**
S&P 500 Index	-3.08	7.66
Bloomberg Barclays US Aggregate Bond Index	6.13	4.70

*65% equities

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