NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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An Update

SCORECARD

	2020 QI-QIII	One Year	Three Years	Five Years	10 Years
S&P 500 Index	**5.57%**	**15.15%**	**12.28%**	**14.15%**	**13.74%**
10-Year Treasury Note	**13.43**	**11.29**	**7.20**	**4.80**	**4.58**
Gold	**24.49**	**27.85**	**13.70**	**11.15**	**3.77**

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

2020 QIII — The Comeback Continues

In the July report, we mentioned that most mid-year economic trends were encouraging. That continued to be the case in the third quarter as more and more regions and sectors opened up. What we now have is an economic situation in which most people and most businesses, with the proper precautions, at least have a fighting chance. By implication, that does not apply everywhere, however. The challenge at this point is to identify the areas where help is needed most and to direct the most help to those areas. Overall, as we stated in July, the recovery trend is our friend, and the data should continue to improve. We have come a long way from the depths of March-April. Now, we must ensure that no one, at least from a fighting chance standpoint, is left behind.

The economy's rebound continued in the third quarter, and so did the rebound in U.S. equity prices, for the most part that is. To stock market investors, September, rather than T.S. Eliot's April, is the cruelest month, and this September qualifies. Many of the stock market's excesses, principally ever-narrowing leadership, came back to haunt it in September, but that month's selling was not enough to overcome good gains in July and August. The broadly based S&P 500 index returned 5.57%. The bond market, on the other hand, was little changed. Our proxy, as you know, is a Treasury note maturing in 10 years; the third quarter investment return was 0.29%. The note's nine-month investment return, therefore, is 13.43%, so Treasuries in general and the 10-year note in particular clearly have been a place of sanctuary in the midst of the 2020 storm. The same goes for gold. The barbarous relic appreciated an additional 7.27% in the third quarter, and, therefore, provided a nine-month investment return of 24.49%.

Where do things stand? Just maybe we're at "the end of the beginning."

- **Worldwide Economy**
  As of this writing, the virus that has disrupted our economic lives to such an extent sadly is rearing its ugly head once again, particularly in Europe but also here in the U.S. To be sure, we are not talking March-April; but, people are anxious to get back to their pre-COVID routines, and clearly are taking fewer precautions. Still, economies everywhere continue to open up, and the macro data to varying degrees continue to be encouraging. The appearance of a vaccine probably would seal the deal.

- **Equities**
  They have come a long way since the depths of March, and Growth/Technology equities clearly have led the pack. As a result, valuations in terms of corporate earnings and dividends are a bit stretched, but the old adage that it's a market of stocks, rather than a stock market, rings true. Growth/Technology is one thing; Cyclical/Value stocks are quite another. More than a few bargains remain among the latter.

- **Interest Rates**
  Interest rates essentially were unchanged in the third quarter. That comes as no surprise. The Fed has made it very clear that the COVID-induced jolt to the economy was profound and that an extended period of low interest rates will be required.

Therefore, to quote Churchill, we may not be at "the beginning of the end" with respect to COVID health/economic problems, but just maybe, we are at "the end of the beginning." That other milestone, i.e., "the beginning of the end," will be reached when a vaccine appears. The news on that front also is encouraging.

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And now, "What's My Number?", 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.

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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. We're asked about asset allocation all the time. The specific question, which in fact is one of the most-asked questions around here, is "How much should I have invested in common stocks?", or "What is my number?". 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 the proverbial fifth-grader 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, for example, 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 the analysis.

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 or 2020 QI with a fully invested (100% equity) portfolio was quite a bit different from 2008 or 2020 QI with a 25-30% equity position. The actual comfort zone depends upon the person (or people in the case of an institutional 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 someone once 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 right now. 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.

Figure 1

The Balanced Investment Strategies of Nottinghill —
Portfolio Structures

	Aggressive	Baseline	Conservative
Equities	80%	65%	50%
U.S. Large Company — Value			
U.S. Large Company — Growth			
U.S. Smaller Company			
Int. Emerging Markets			
U.S. Fixed Income	10	20	35
Total U.S. Bond Market			
Intermediate-Term Treasuries			
Alternatives Group	10	15	15
Emerging Markets Govt. Bonds			
Gold			
Real Estate			
Total	100%	100%	100%

So, there you have it, i.e., a process that we've employed many times for determining the right equity percentage for any institutional or individual client. 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 or the first quarter of 2020? In other words, what is the right comfort zone? These are questions we ask our 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 Total Portfolio Management (TPM) and Indexed Total Portfolio Management (ITPM) structures, which are summarized 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 probably is 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 our balanced strategies) can help.

By the way, what are the other most-asked questions around here? The winners: "Should I maintain a Rainy Day Fund?" and "Should I own gold?". The answers: "Yes," and "yes."

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-QIII	**2002-2020**
TPM Baseline*	**-3.62%**	**9.19%**
S&P 500 Index	5.57	8.05
Bloomberg Barclays US Aggregate Bond Index	6.80	4.67

*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 September 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-QIII	2002-2020
ITPM Baseline*	**-0.32%**	**6.81%**
S&P 500 Index	5.57	8.05
Bloomberg Barclays US Aggregate Bond Index	6.80	4.67

*65% equities

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- Ultra-low, fully disclosed investment expenses
- Solid performance at a low level of risk